

July 2016

Executive Summary

- **Key economic data releases in July point to stronger economic growth in the June quarter than expected in the *Budget Economic and Fiscal Update*.**
- **Business surveys point to robust economic activity, supported by stronger-than-expected export volumes and consumer spending**
- **Weak underlying price pressures despite domestic strength**
- **Global financial markets stabilised in July but the economic outlook is slightly weaker**

Key economic data releases over the past month point to a stronger economy in the June quarter than expected in the *Budget Economic and Fiscal Update*. Business and consumer confidence are both running above their long-term averages, supported by external demand and consumer spending outturns that were above expectations. Continuing high net immigration (which looks to have peaked), a record number of visitor arrivals and rising export values in the quarter boosted economic activity, only partially offset by the slow recovery in dairy prices and the high NZD.

Price pressures remain weak, despite high levels of firm capacity utilisation. Consumer price inflation was 0.4% in the June quarter and year to June, driven largely by housing, petrol and seasonal price shifts, without which inflation would have been very low.

Household borrowing continues to grow following rapid house price rises. Markets expect tighter loan-to-value restrictions proposed by the RBNZ will pave the way for an OCR cut at the RBNZ's review on 11 August.

The positive June external trade data, supported by the above-average QSBO survey responses and the rebound in consumer spending, pose a significant upside risk to the *Budget Update* forecast of 0.6% growth in production GDP in the June quarter.

Global financial markets recovered over July, supported by positive economic developments, including stronger-than-expected US employment and China's GDP, and by expectations of monetary easing in many economies. Economic conditions in Australia improved at a gradual pace. However, euro area activity remains soft and Japan's growth is expected to slow, with price pressures continuing to be weak; the longer-term global outlook still faces structural challenges and financial sector risks, with Brexit added to the mix.

This month's special topic examines recent changes to the Household Labour Force Survey methodology which will be adopted in this quarter's release.

Analysis

Domestic data releases over the month of July point to robust economic activity. Driving the economy are services and construction, supported by high levels of visitor arrivals and net migration. Exports have also been performing strongly. Price pressures, however, have been weak. Aside from seasonal factors, price increases have been chiefly driven by petrol and housing. The outlook for prices remains weak, with relatively few businesses expecting to increase their selling prices in the next quarter. Rapid house price growth raises concerns around financial stability, to which the Reserve Bank has responded by announcing consultation on tighter loan-to-value ratio (LVR) policy. The NZD has remained high, but fell following a RBNZ economic update which pointed to an easing bias leading up to their 11 August OCR review. Global financial markets stabilised in July, but the economic outlook is slightly weaker. This month's special topic examines recent changes to the Household Labour Force Survey methodology which will be adopted in this quarter's release.

Business surveys point to strong activity...

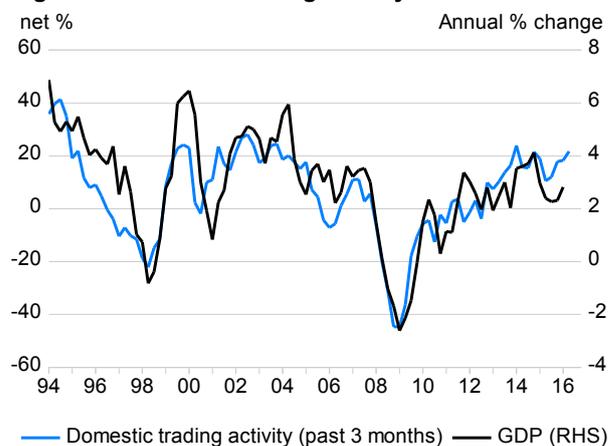
The NZIER Quarterly Survey of Business Opinion (QSBO) showed business confidence rebounded strongly in the June quarter, mirroring the trend in the monthly ANZ Business Outlook (ANZBO). Headline business confidence rose from a seasonally adjusted (s.a.) net 2% of firms expecting a deterioration in conditions in the year to come to a net 18% expecting an improvement. Perceptions of June quarter activity were positive, with a net 22% of firms reporting an increase in their own trading activity compared to the long-run average of a net 19%. This measure has steadily increased over the past year (Figure 1).

The proportion of firms anticipating stronger activity in the next three months rebounded to a net 19%, also well above the long-run average (a net 11%). In addition to higher optimism around trading activity, investment intentions firmed and capacity utilisation remained high. An update on business sentiment will be provided by the July ANZBO, due to be released on 29 July.

Confidence in the services and construction industries was reported as being particularly strong (rising to 19% and 24% respectively), while manufacturers' net confidence reached positive territory once again (increasing from -18% in the March quarter to +4%). The divergence in business confidence between urban and rural regions persisted, with confidence in the more service-

intensive regions outpacing confidence in more dairy-intensive regions. Although business confidence in dairy-intensive regions including Taranaki and Southland improved, pessimists still outnumbered optimists.

Figure 1: Domestic trading activity and GDP



Source: NZIER

Firms reported increased hiring (net 11%), with more respondents commenting on the difficulty of finding skilled staff, in line with a decline in the trend unemployment rate. Staffing intentions firmed to +15%, a level consistent with above-average employment growth and in line with positive June ANZ job ads data. These responses imply a positive June quarter labour market report, due to be released on 17 August.

The BNZ-BusinessNZ Performance of Manufacturing (PMI) and Performance of Services (PSI) Indexes were both solid in June (at 57.7 and 56.7 respectively, s.a.), despite these surveys being conducted post-Brexit. Indices for production and activity, new orders and employment remained elevated in both series, and firmly in expansionary territory. Both series showed the North Island expanded faster than the South Island, boosted by building and retail trade, but held back by forestry.

QSBO, PSI and PMI survey results point to some upside risk to our *Budget Update* forecast of a 0.6% increase in GDP (2.6% aapc) in the June quarter. The medium-term picture is complicated by the uncertain impacts of recent international economic and political developments.

June quarter trade data better than expected...

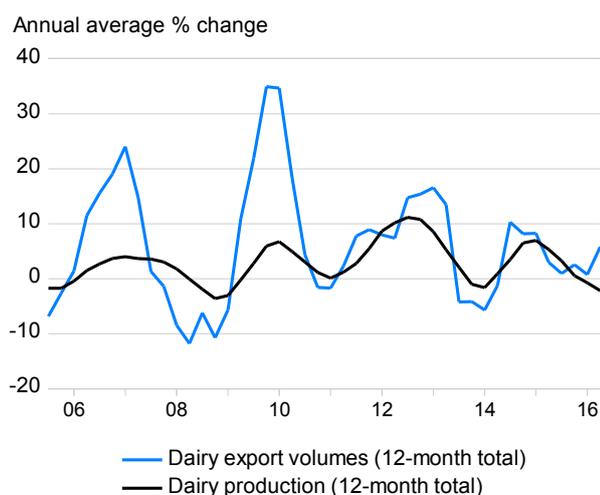
The June quarter trade data is further confirmation that the economy expanded at a healthy pace in the June quarter. Economic activity has been supported by strong export volumes, with overseas merchandise trade data showing the

annual goods deficit at the end of June narrowed to \$3.3 billion from \$3.8 billion in March. On a seasonally adjusted basis, exports fell 0.8% in the month, but were up 5.8% in the June quarter. The rise in export values was broad-based, with seven of the top 10 export categories increasing in the quarter. Around one third of the increase in exports in the quarter is attributable to dairy, meat and forestry. Seasonally adjusted imports fell 1.0% in the month, rising only 0.5% in the quarter. June quarter increases in the value of imported capital and consumption goods were partially offset by declines in intermediate goods values, including petrol (which is not seasonally adjusted).

Overall, the trade balance is around \$1 billion better than expected, and could result in the current account dipping below 3.0% of GDP in the year to June. The June quarter labour market data will provide a more direct indication of the pace of expansion in the quarter.

Export volumes of dairy and meat in particular were higher than anticipated in the *Budget Update*. Although seasonally adjusted meat values fell 4.2% in the month, they rose 8.3% in the quarter. Seasonally adjusted dairy export values increased in both the month (9.9%) and the quarter (1.6%), but by less than dairy export volumes (which rose 13.6% in the month and 13.9% in the quarter). New Zealand milk production was down 1.5% in the 2015/16 season, but export volumes are currently 6% above last year's exports (Figure 2), so export volumes can be expected to fall.

Figure 2: Dairy export volumes and production



Sources: DairyNZ, Statistics NZ

...but dairy price recovery remains slow

Dairy price movements in the June quarter were in line with the *Budget Update* forecasts, but the

subsequent price recovery in July has been slower than expected. Over the month of July, the GDT dairy price index fell 0.4%, with WMP down 1.9% and SMP up 1.4%. The European Commission announced a €500 million support package for farmers, with 30% of this intended to incentivise lower milk production. This is expected to provide some support for dairy prices in the short term, but may contribute to continuing market distortions as European production becomes less sensitive to market prices.

Consistent with a slower recovery in dairy, the OECD-FAO average price (weighted for New Zealand's product mix) has been significantly revised down to be around 20% lower than previously forecast. The main drivers of this revision appear to be a large drop in the growth rate of Chinese import demand (especially for WMP) and higher European production since the lifting of the quotas, which together are expected to more than offset the increase in demand from the Russian Federation once the import ban is lifted.

World commodity prices have in general been close to the *Budget Update* forecasts, with the ANZ world commodity price index stable in the June quarter. Lamb returns in particular may face headwinds in coming months owing to the depreciation of the pound post-Brexit.

Consumer spending rebounds in June...

Another sector driving increased business activity is household consumption. Total seasonally adjusted card transaction values rebounded in June (up 1.0%), bringing the quarterly increase to 1.6%. Retail and core retail spending also posted solid increases in the June quarter (up 1.4% and 1.2% respectively), aided by rising petrol prices (up 5.3% in the quarter). Spending increases were broad-based across all industries in June for the first time since March 2015, with the biggest gains in apparel and hospitality. Overall, card transactions data suggest a solid contribution from nominal private consumption to expenditure GDP in the June quarter.

...with record June visitor arrivals

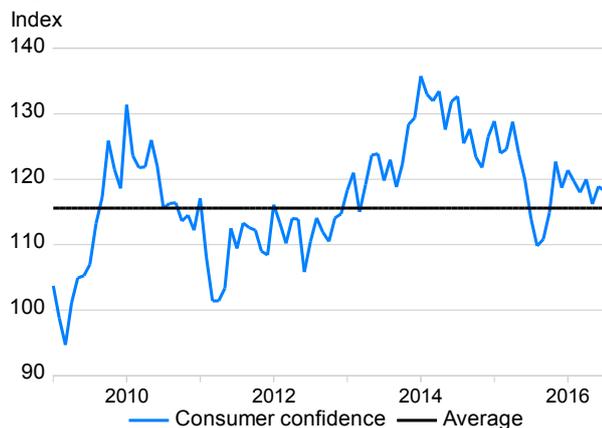
Services industries saw the fastest increases in card transactions in the June quarter, partly related to a high number of tourist arrivals. Short term visitor arrivals fell in the month of June (-1% s.a.), but set a new record with 3.31 million visitor arrivals in the June 2016 year (up 11%). This record strength suggests momentum in services exports will be maintained, particularly as the

number travelling to NZ for a holiday rose 21% from June 2015. Service exports may also account for a larger share of total retail transactions, detracting from domestic consumption's share.

Consumer confidence holds up for now...

ANZ-Roy Morgan consumer confidence held up above its historical average in July, but continues to trend down from its 2014 peak (Figure 3).

Figure 3: Consumer confidence

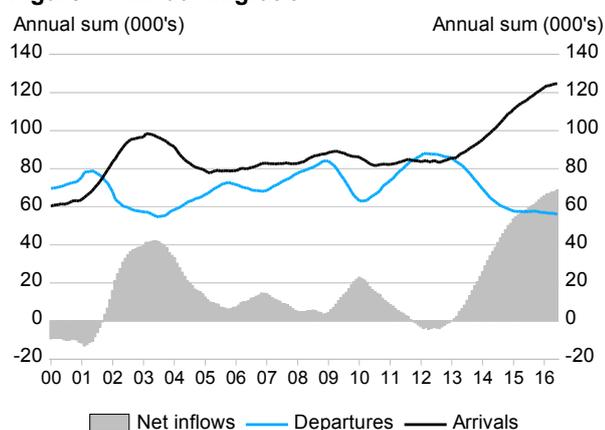


Source: ANZ

...with stable net migration in June

A net 5,700 permanent and long-term (PLT) migrants arrived in June (s.a.), taking the quarterly inflow to 16,800 (Figure 4). On an annual basis, net migration ticked up slightly to a new record (69,100), but is slightly lower than the 70,700 assumed in the *Budget Update*. If relatively stable net monthly inflows persist, annual net migration will plateau in the September quarter. In the long term, net migration from the UK could be stronger than previously expected should UK unemployment increase following Brexit, as some analysts currently expect.

Figure 4: Annual migration



Source: Statistics NZ

Price pressures were concentrated in housing and transport...

Despite robust economic activity, inflation has remained subdued. Consumers Price Index (CPI) inflation was 0.4% in the June quarter and in the year to June. Price pressures were largely concentrated in the housing and household utilities, and transport groups, in addition to a spread of seasonal price movements.

Tradables inflation (0.6%) was the main driver of June quarter inflation, primarily due to the transport group. Rising petrol prices (up 5.3%) were the key component of tradables inflation in the quarter, evidenced by flat tradables inflation excluding vehicle fuels. In the year to June, tradables inflation was -1.5%, weighed down by the fall in petrol prices, which troughed in January 2016, but supported by the depreciation of the NZD in mid-2015. June quarter inflation did not appear to be influenced by the mid-2015 NZD depreciation, implying its effect has mostly been passed through to prices. This in turn suggests that the pass-through from the NZD appreciation from late 2015 will act to further suppress tradables inflation. Petrol prices are still expected to recover in the medium term, but only gradually, while inflation globally is expected to be low.

Non-tradables inflation was moderate (0.3%) in the quarter. Aside from a seasonal shift in electricity prices (up 1.8%), the main driver in the quarter was the price of purchasing newly built houses (up 2.1%). Housing also played a prominent role in annual non-tradables inflation, which was 1.8%. In the year to June, the increase in the purchase price of a new house in Auckland remained high at 7.6%. The increase in Canterbury was 4.1%, up from 3.3% in the December quarter, but well below the 2013 peak of 12.2%, reflecting the plateauing of the Canterbury residential rebuild. Annual rental price increases were highest in Auckland at 3.5% compared to 1.5% for the rest of New Zealand.

...and underlying inflation was low

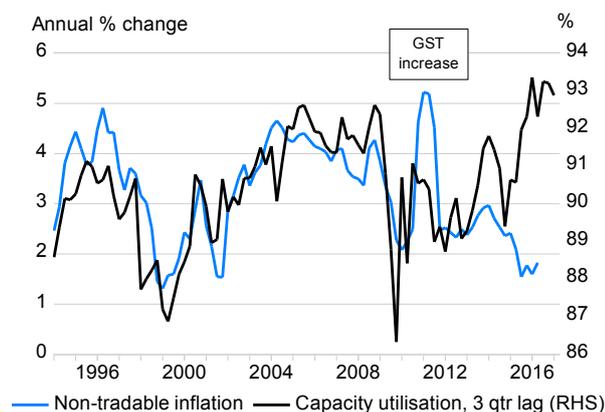
Underlying measures of inflation have been stable, but low. The 10% trimmed mean measure of quarterly inflation was in line with headline inflation (0.4% quarter, 0.8% annual), while the quarterly weighted median measure was slightly weaker at 0.3% (but the annual was higher at 1.7%). The Reserve Bank's sectoral factor model estimated core annual inflation at 1.6% in June, unchanged from March. Excluding food and energy, quarterly inflation was 0.0% (1.0%

annual), while excluding the purchase of new housing, quarterly inflation was 0.3% (0.2% annual). These figures indicate that price pressures are concentrated in only a few sectors, namely housing, food, electricity and petrol, without which inflation would be very low.

Pricing intentions remain muted...

The inflation outlook is for continued low outturns. Housing-related price pressures are expected to be offset by the high NZD and low global inflation, while in the QSBO few firms expected to increase their selling prices in the next quarter (net 11% compared to the five-year average of 17%). Despite robust economic activity enabling firms to operate at high levels of capacity (92.9% according to QSBO), above the long-run average, non-tradable inflation has been weak recently, implying the relationship between the two has broken down (Figure 5).

Figure 5: Capacity utilisation and inflation



Sources: NZIER, Statistics NZ

...but housing price pressures build

According to Quotable Value NZ (QV), house prices grew 11% in the year to the March quarter. More recent REINZ data show elevated house price growth has continued, with the national stratified house price index growing 14% in the year to June, and an average house price of NZ\$548,300 in the June quarter. The recent pick up in house price growth points to stronger house price inflation in 2016 than forecast in the *Budget Update*.

...as household borrowing remains high

RBNZ data show household borrowing grew 0.8% (s.a.) in May, and 8.1% in the year, chiefly driven by borrowing for housing (up 8.5% annual). New residential mortgage lending eased from \$7.3bn in May to \$6.8bn in June (a 7% fall), but rose 31% in the year to June 2016 from the year to June 2015.

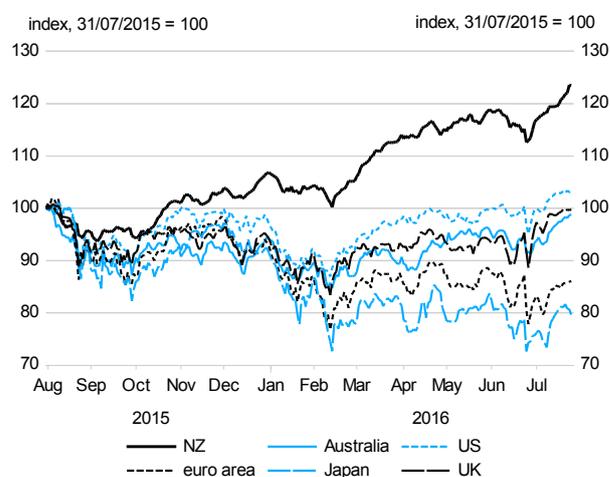
RBNZ policy easing in August viewed as likely

The RBNZ's economic update on 21 July noted a number of risks to the inflation outlook, including "excessive" house price inflation and the high NZD. The RBNZ is currently consulting on further macro-prudential measures (loan-to-value ratios) aimed at mitigating housing-related risks to financial stability. The tighter LVR proposals are seen by analysts as clearing the way for looser monetary policy. The RBNZ's update noted the TWI has been higher than the level (72.6) that, if sustained, would require the OCR to drop below 1.0% according to a scenario in the June MPS. The economic update also stated "it seems likely that further policy easing will be required". Subsequently, the market has priced in a 25 basis point reduction in the OCR at the next RBNZ review on August 11.

Markets stabilise and volatility subsides ...

Global markets recovered over July on the back of positive data and expectations of further monetary easing in many economies. Equity prices rose to a record high in the US and are above their pre-Brexit levels in the UK (Figure 6). Reflecting lower safe-haven demand, the US and German 10-year bond yields rose 10 bps (to 1.57% and -0.04%).

Figure 6: Advanced economies' equity prices



Source: Haver

However, Brexit is still expected to weigh on global growth. The IMF revised down its global growth forecasts by 0.1% point for both 2016 (to 3.1%) and 2017 (to 3.4%) chiefly owing to the effect of Brexit on UK and European growth. The UK's growth forecast was cut 0.9% points for 2017 to 1.3%, with risks of a near-term recession.

...on stronger-than-expected US jobs growth...

US data showed continued solid growth. The ISM PMIs pointed to relatively strong expansion in

activity in June and non-farm payrolls surged 287,000 in a catch-up from the previous month. The unemployment rate rose 0.2% points to 4.9% with a lift in the participation rate, but solid earnings growth suggests reduced spare capacity in the labour market. Income growth supported retail spending in the June quarter (up 1.5%), pointing to healthy consumption growth. Preliminary June quarter GDP figures will be released at the end of July.

Annual core inflation (excluding food and energy) edged higher to 2.3% in June, although headline inflation remained low at 1.0%, dampened by lower oil prices. The Federal Reserve left its policy rate unchanged on 27 July but gave a more positive assessment of the outlook and noted that risks had diminished, supporting expectations of a rate increase, although the timing is uncertain.

...and as China's Q2 GDP growth holds up

China's economy grew 6.7% in the June quarter from a year ago, faster than market expectations. Growth was led by household demand as the housing market recovery boosted durable goods spending, although private investment growth remained weak and analysts expect GDP growth to slow. New household lending in the June quarter was up 60% from a year ago, reflecting higher housing demand and credit-driven growth. Annual inflation was largely steady at 1.9% in June, below its 2016 target of around 3%, allowing room for further policy easing if needed.

Australian economic data on the positive side

Australian activity is picking up gradually. Annual employment growth was solid in June (1.9%) and the unemployment rate was largely stable (5.8%), but this still suggests some spare capacity in the labour market and weak wage growth. In line with this, retail sales values rose just 0.2% in May and annual growth has slowed. Nevertheless, broader economic conditions are improving: the NAB business conditions index rose in June to a level close to its pre-GFC average. However, inflation was weak in the June quarter at 0.4% (1.0% annual, its lowest since 1999). Although this was in line with RBA and market expectations, both analysts and the market are divided on whether the RBA will reduce its policy rate on 2 August.

Consumer confidence dipped as the close Federal election result points to some difficulty in passing reforms through parliament. Reflecting a more uncertain fiscal outlook, S&P revised Australia's AAA credit rating outlook from stable to negative.

However, UK growth outlook has weakened...

UK activity held up solidly before Brexit: employment in the 3 months to May increased 2.0% from a year ago, and the unemployment rate fell 0.1% point to a 10-year low of 4.9%. The first estimate of June quarter GDP growth was 0.6%, better than expected and driven by services and manufacturing. However, activity appears to have contracted following the referendum result: the manufacturing PMI and the services PMI fell sharply in July, to 49.1 and 47.4 respectively. Consumer confidence dropped 8 points to -9 in June, pointing to a soft near-term outlook for private consumption, and jobs growth may slow as declining activity and domestic demand affect hiring. Meanwhile, Theresa May became the UK PM on 13 July and markets reacted positively.

...with a limited impact on the euro area...

Euro area data point to moderate growth. The unemployment rate continued to decline to 10.1% in May, and retail sales grew 0.4% to be up 1.6% from a year ago. The manufacturing PMI and the services PMI eased in July, but still point to some growth in activity. Partly reflecting soft demand, annual inflation remained weak at 0.1% in June.

Key risks to growth persist. The ZEW survey of financial analysts showed a large deterioration in expected future conditions, owing to Brexit and banking sector risks, particularly around Italian banks which have a high proportion of non-performing loans. Reflecting the uncertainty, S&P revised the EU's credit rating from AA+ to AA.

...while growth in Japan is expected to slow

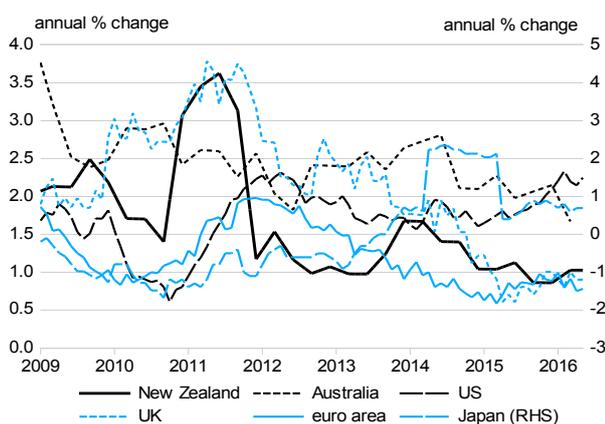
Japan's growth appears to have slowed in the June quarter. The Tankan survey showed business conditions at their lowest since 2013 as a strong yen pressured exporters, and the tertiary activity index (measuring services) fell heavily in May. Reflecting low demand and falling oil prices, annual inflation remained negative in May (-0.4%). Positively, Japan's upper house election led to a supermajority for the ruling coalition, which is expected to help pass reforms to support growth. Also, PM Abe announced a ¥28 trn (6% of GDP) stimulus package, with details to follow in August.

South Korea's economy grew 0.7% in the June quarter, up from 0.5% in March. Growth was led by private consumption and private investment. The Bank of Korea held interest rates steady.

Monetary easing is expected outside the US

Monetary policy outside of the US is expected to ease further as the growth outlook weakened and inflation remains low even excluding the drag from lower energy prices (Figure 7). The BoE held its policy rate (0.5%) and QE steady after easing bank capital requirements earlier in July. The statement noted most board members expect a rate cut in August to support growth and inflation.

Figure 7: Inflation excluding food and energy



Source: Haver

The ECB left policy unchanged in July, but noted downside risks from Brexit and the banking sector, and stated it will ease policy if necessary to support growth. Analysts expect the ECB to expand the range of eligible securities under its QE programme in coming months. The BoJ is also expected to increase monetary stimulus at its meeting on 29 July as yen appreciation is expected to dampen inflation.

Longer term global growth concerns persists

Positive economic developments and expected easing in global monetary policy, from an already highly accommodative level, overcame near-term concerns around growth and financial stability. However, the longer-term outlook for growth and inflation outside the US remains subdued, with structural challenges facing Japan and the euro area, continued slowdown in China as credit and stimulus-fuelled growth recedes, and risks around European banks. Brexit has been added to that list of hurdles.

Monthly Economic Indicators is a regular report prepared by the Forecasting team of the Treasury.

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MEI Special Topic: Implications of the Revised Household Labour Force Survey for the Economic Outlook

Statistics New Zealand has redeveloped the Household Labour Force Survey (HLFS), the official source of data on employment and unemployment. The revisions bring New Zealand data into line with the latest international standards (although not all statistical agencies have adopted these standards, notably the European Union). The June quarter 2016 data release on 17 August will incorporate these changes.

This special topic briefly summarises some of the key changes. It then looks at the implications of the revised data for the labour market and economic outlook, including what this means for the *Budget Update* forecasts. It concludes with a brief look at the new underutilisation measure.

Changes to the HLFS methodology

Statistics New Zealand have produced a number of papers summarising the changes to the HLFS methodology, including the revised data series.¹ A key change in the HLFS methodology is to the definition of unemployment. Internet job search has been reclassified from active to passive job search, and thus does not meet the twin criteria for being unemployed – actively seeking and available for work. Consequently the number of unemployed and the unemployment rate has been revised lower.

There are also revisions to other series including usual hours worked, which changes the split between full-time and part-time workers. The redevelopment also introduces underutilisation as an official measure. Underutilisation will comprise those people who are unemployed, underemployed (i.e. would like to work more hours if the work was available) and the potential labour force (those available to work but not actively looking and those actively looking but not available to work).

Summary of revisions

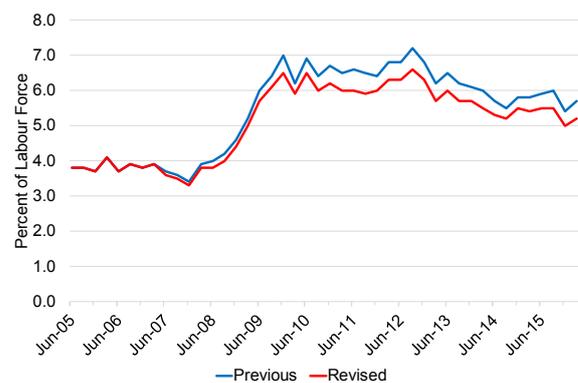
Unemployment

- The seasonally adjusted unemployment rate is around 0.5% lower than previously over the period 2010 to 2016. The average over this period is revised to 5.8% from 6.3% (Figure 1).

¹ http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/improving-labour-market-statistics.aspx

- The number of unemployed is lower by around 12,000 per quarter on average.
- For the March 2016 quarter, the unemployment rate is revised down from 5.7% to 5.2% (following 5.0% in December).

Figure 1: Unemployment rate (s.a.)

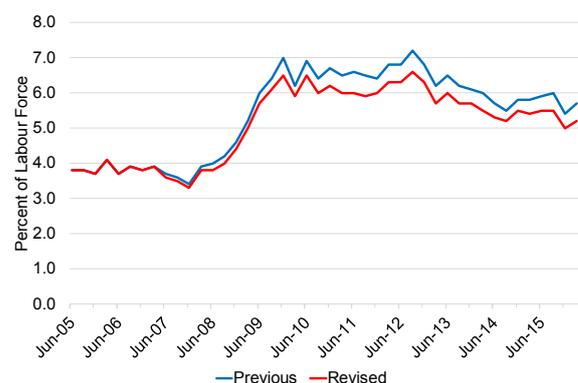


Source: Statistics NZ

Labour force participation

- The participation rate is revised down by an average of 0.3%-points per quarter. The average since 2010 is now 68.2%, from 68.5% previously (Figure 2).
- For the March 2016 quarter, the participation rate is revised down to 68.7% from 69.0%.
- The number of people employed and the employment rate have not changed.

Figure 2: Labour force participation rate (s.a.)



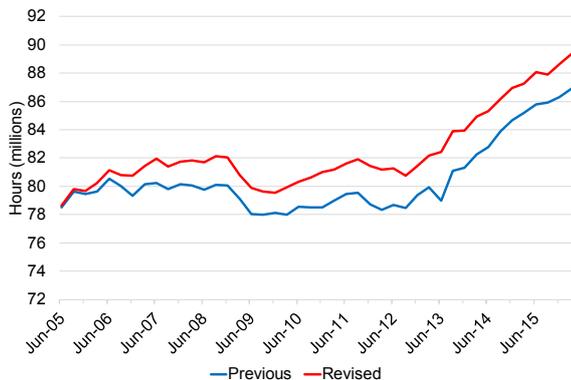
Source: Statistics NZ

Total hours

- Total usual hours worked increases around 4.4%, as there are now more full-time workers and fewer part-time workers. This is largely a technical change due to different imputation techniques for non-responses (Figure 3).

- Revisions to actual hours worked are relatively small and therefore growth in labour productivity is broadly similar.

Figure 3: Total usual hours (s.a.)

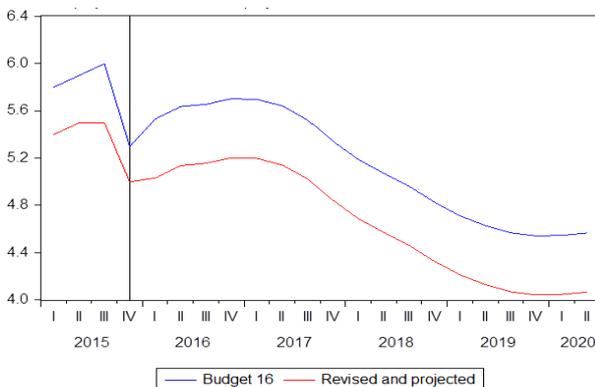


Source: Statistics NZ

Implications for the labour market outlook

The methodological changes are a recalibration of some of the key measures of the survey and result in shifts in the levels of those measures over time. Applying the average reduction over the past few years to the Treasury *Budget Update* forecast results in the unemployment rate increasing to around 5.2% over 2016 (previously it peaked at 5.7%) and then falling below 5.0% in late 2017 (Figure 4).

Figure 4: BEFU 2016 unemployment rate forecast



Sources: Statistics NZ, the Treasury

As discussed in recent Monthly Economic Indicator reports, data since the *Budget Update* forecasts were finalised point to a slightly more positive economic outlook in the near term. This may lead to a slightly slower increase in the unemployment rate in the near term than previously expected. That said, heightened global volatility in the wake of the Brexit vote and other international developments are a potential source of risk to the economic and labour market outlook.

Implications for the economic outlook

Some commentators might suggest that there is now less spare capacity in the labour market than previously thought, which would imply greater inflationary pressure. Conversely, the downward revision to unemployment adds to the puzzling lack of inflationary pressure evident in an economy that is operating closer to full capacity than previously thought.

Treasury takes the view that the unemployment rate consistent with full employment (the non-accelerating inflation rate of unemployment or NAIRU) has also fallen over time, so that, as in Figure 4 above, it would be closer to 4.0% than our *Budget Update* estimate of 4.5%. Our view is that while the data definition and published data have changed, people's behaviour has not.

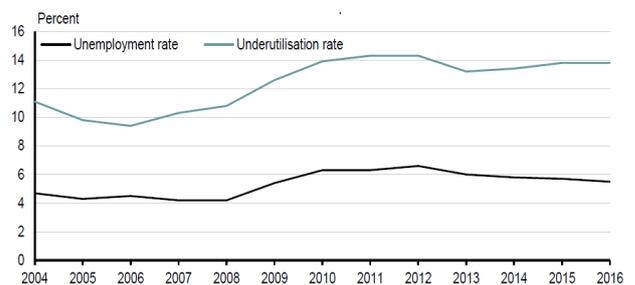
Measures of economic output (GDP), the capital stock and the rate of inflation have not changed, suggesting that estimates of potential output and the output gap are unchanged. That is, our estimates of spare capacity are unlikely to change and thus these data do not have implications for the inflation outlook or monetary policy.

Underutilisation of the labour force

The new underutilisation measure promises to be a useful addition to the suite of labour market indicators. Given the increasingly flexible nature of the labour market and employment practices, underutilisation may be a more appropriate measure of labour capacity utilisation than unemployment alone.

Figure 5 indicates that while unemployment has been falling steadily from its post-GFC peak, underutilisation remains close to its post-GFC peak. This divergence may reflect broader changes in the way people move between part- and full-time employment and in and out of the labour force, and may partly account for relatively low wage inflation in recent years. Treasury will assess the potential implications of the underutilisation rate further once the data becomes available.

Figure 5: Unemployment and underutilisation



Source: Statistics New Zealand

New Zealand Key Economic Data

Quarterly Indicators

		2014Q4	2015Q1	2015Q2	2015Q3	2015Q4	2016Q1	2016Q2
Gross Domestic Product (GDP)								
Real production GDP	qtr % chg ¹	0.9	0.2	0.3	0.8	0.9	0.7	...
	ann ave % chg	3.7	3.6	3.3	3.0	2.5	2.4	...
Real private consumption	qtr % chg ¹	0.2	0.6	0.5	0.7	1.0	0.4	...
	ann ave % chg	2.7	2.6	2.7	2.4	2.5	2.5	...
Real public consumption	qtr % chg ¹	0.3	0.8	0.9	0.1	-0.3	0.5	...
	ann ave % chg	2.7	2.3	2.1	2.0	2.0	1.8	...
Real residential investment	qtr % chg ¹	4.3	-0.1	0.6	1.4	1.3	4.2	...
	ann ave % chg	14.6	11.5	8.6	7.8	5.9	7.0	...
Real non-residential investment	qtr % chg ¹	-0.1	-2.4	1.1	2.8	-3.0	2.0	...
	ann ave % chg	9.6	9.0	7.5	4.9	1.9	1.4	...
Export volumes	qtr % chg ¹	5.8	1.3	0.2	1.9	0.0	-1.0	...
	ann ave % chg	3.0	4.2	5.7	7.3	6.5	5.0	...
Import volumes	qtr % chg ¹	2.4	0.7	1.5	-2.6	0.8	0.2	...
	ann ave % chg	7.9	7.4	6.6	5.5	3.5	1.9	...
Nominal GDP - expenditure basis	ann ave % chg	5.1	3.6	2.8	2.8	3.2	3.8	...
Real GDP per capita	ann ave % chg	2.2	1.9	1.5	1.1	0.6	0.5	...
Real Gross National Disposable Income	ann ave % chg	5.1	3.5	2.3	1.5	1.5	2.0	...
External Trade								
Current account balance (annual)	NZ\$ millions	-7,464	-8,064	-8,259	-8,096	-7,989	-7,504	...
	% of GDP	-3.1	-3.4	-3.4	-3.3	-3.2	-3.0	...
Investment income balance (annual)	NZ\$ millions	-9,449	-9,217	-9,049	-9,094	-8,721	-8,207	...
Merchandise terms of trade	qtr % chg	-2.4	1.2	1.5	-3.8	-2.0	4.4	...
	ann % chg	-5.0	-5.6	-4.2	-3.6	-3.2	-0.1	...
Prices								
CPI inflation	qtr % chg	-0.2	-0.2	0.4	0.3	-0.5	0.2	0.4
	ann % chg	0.8	0.3	0.4	0.4	0.1	0.4	0.4
Tradable inflation	ann % chg	-1.3	-2.4	-1.8	-1.2	-2.1	-1.2	-1.5
Non-tradable inflation	ann % chg	2.4	2.4	2.1	1.5	1.8	1.6	1.8
GDP deflator	ann % chg	-2.2	-0.9	0.5	0.8	0.4	1.3	...
Consumption deflator	ann % chg	0.7	0.6	0.6	1.1	0.7	0.8	...
Labour Market								
Employment (HLFS)	qtr % chg ¹	1.1	0.6	0.3	-0.4	1.0	1.2	...
	ann % chg ¹	3.5	3.2	3.0	1.5	1.4	2.0	...
Unemployment rate	% ¹	5.8	5.8	5.9	6.0	5.4	5.7	...
Participation rate	% ¹	69.5	69.4	69.3	68.7	68.5	69.0	...
LCI salary & wage rates - total (adjusted) ⁵	qtr % chg	0.5	0.3	0.5	0.4	0.4	0.4	...
	ann % chg	1.7	1.7	1.6	1.6	1.5	1.6	...
QES average hourly earnings - total ⁵	qtr % chg	0.5	0.0	0.8	1.0	0.3	0.3	...
	ann % chg	2.6	2.1	2.8	2.3	2.1	2.4	...
Labour productivity ⁶	ann ave % chg	0.1	0.5	0.7	0.8	0.6	0.8	...
Retail Sales								
Core retail sales volume	qtr % chg ¹	1.8	2.1	0.2	1.1	1.3	1.0	...
	ann % chg	6.0	7.2	5.8	5.2	5.2	4.7	...
Total retail sales volume	qtr % chg ¹	1.8	2.0	0.2	1.5	1.1	0.8	...
	ann % chg	5.9	7.1	5.5	5.7	5.3	4.8	...
Confidence Indicators/Surveys								
WMM - consumer confidence ³	Index	115	117	113	106	111	110	106
QSBO - general business situation ⁴	net %	23.6	23.3	5.1	-14.5	14.7	1.7	18.6
QSBO - own activity outlook ⁴	net %	26.7	25.0	9.3	21.7	21.6	3.8	16.8

Monthly Indicators

		2016M01	2016M02	2016M03	2016M04	2016M05	2016M06	2016M07
External Sector								
Merchandise trade - exports	mth % chg ¹	5.8	-6.2	-7.5	11.7	-1.4	-1.1	...
	ann % chg ¹	5.8	9.0	-14.4	4.6	4.8	2.6	...
Merchandise trade - imports	mth % chg ¹	11.6	-7.9	-17.2	24.3	-1.1	-0.8	...
	ann % chg ¹	7.0	1.8	-5.5	0.7	5.7	-4.6	...
Merchandise trade balance (12 month total)	NZ\$ million	-3576	-3293	-3765	-3602	-3621	-3313	...
Visitor arrivals	number ¹	280,610	277,330	288,480	284,930	285,060	282,270	...
Visitor departures	number ¹	280,200	293,540	284,440	294,700	295,150	286,560	...
Housing								
Dwelling consents - residential	mth % chg ¹	-8.3	10.5	-9.6	6.8	-0.9
	ann % chg ¹	-0.5	35.3	1.9	11.8	16.1
House sales - dwellings	mth % chg ¹	-9.6	4.6	5.4	8.6	-2.9	-1.5	...
	ann % chg ¹	4.3	5.7	8.2	18.4	13.6	5.9	...
REINZ - house price index	mth % chg	0.2	1.8	2.3	2.3	2.1	1.8	...
	ann % chg	10.7	11.9	13.3	14.5	14.7	14.2	...
Private Consumption								
Electronic card transactions - total retail	mth % chg ¹	0.4	0.7	0.1	0.9	-0.3	1.2	...
	ann % chg	5.2	9.2	6.2	7.8	3.3	6.8	...
New car registrations	mth % chg ¹	-2.8	5.8	-3.8	6.1	-3.3	-0.9	...
	ann % chg	-1.1	7.4	-0.2	8.7	4.2	-1.2	...
Migration								
Permanent & long-term arrivals	number ¹	10,760	10,600	9,890	10,420	10,190	10,200	...
Permanent & long-term departures	number ¹	4,660	4,590	4,550	4,950	4,630	4,520	...
Net PLT migration (12 month total)	number	65,911	67,391	67,619	68,110	68,432	69,090	...
Commodity Prices								
Brent oil price	US\$/Barrel	30.70	32.18	38.20	41.58	46.74	48.25	45.38
WTI oil price	US\$/Barrel	31.67	30.50	37.80	40.76	46.76	48.80	45.63
ANZ NZ commodity price index	mth % chg	-0.4	0.0	-3.0	-2.8	2.5	0.3	...
	ann % chg	-1.6	-10.3	-14.3	-8.5	-3.4	-5.9	...
ANZ world commodity price index	mth % chg	-2.3	0.5	-1.3	-0.8	1.1	3.7	...
	ann % chg	-14.7	-17.8	-22.4	-16.8	-11.6	-5.4	...
Financial Markets								
NZD/USD	\$ ²	0.6521	0.6634	0.6733	0.6892	0.6804	0.7034	0.7130
NZD/AUD	\$ ²	0.9313	0.9300	0.9001	0.8998	0.9290	0.9502	0.9481
Trade weighted index (TWI)	June 1979 = 100 ²	71.93	72.35	72.19	72.80	72.86	75.23	76.38
Official cash rate (OCR)	%	2.50	2.50	2.25	2.25	2.25	2.25	2.25
90 day bank bill rate	% ²	2.73	2.62	2.43	2.34	2.38	2.37	2.38
10 year govt bond rate	% ²	3.32	3.07	3.02	2.86	2.68	2.51	2.28
Confidence Indicators/Surveys								
ANZ - business confidence	net %	...	7.1	3.2	6.2	11.3	20.2	...
ANZ - activity outlook	net %	...	25.5	29.4	32.1	30.4	35.1	...
ANZ-Roy Morgan - consumer confidence	net %	121.4	119.7	118.0	120.0	116.2	118.9	118.2
Performance of Manufacturing Index	Index	57.8	55.8	54.8	56.6	57.2	57.7	...
Performance of Services Index	Index	55.3	56.8	55.1	57.8	56.9	56.7	...
qtr % chg	quarterly percent change			¹	Seasonally adjusted			
mth % chg	monthly percent change			²	Average (11am)			
ann % chg	annual percent change			³	Westpac McDermott Miller			
ann ave % chg	annual average percent change			⁴	Quarterly Survey of Business Opinion			
				⁵	Ordinary time			
				⁶	Production GDP divided by HLFS hours worked			

Sources: Statistics New Zealand, Reserve Bank of New Zealand, NZIER, ANZ, Haver Analytics, Thompson Reuters, Westpac McDermott Miller, ANZ-Roy Morgan, REINZ, BNZ-Business NZ