THE TREASURY
Kaitohutohu Kaupapa Rawa

Monthly Economic Indicators – August 2005

Executive Summary

Data released this month is broadly consistent with Treasury's macroeconomic forecasts, released as part of the *Pre-Election Economic and Fiscal Update* (PREFU). As envisaged in the PREFU, there are more signs of macroeconomic imbalances developing in the economy, namely, more persistent inflation and a larger current account deficit.

Domestic demand looks to remain strong, due to a buoyant labour market providing strong wage and job growth giving a boost to household spending. This was reflected in strong retail sales in the June quarter, which received a further boost from the British and Irish Lions rugby tour.

Import levels increased again in July reflecting the strength of the domestic economy as well as the high New Zealand dollar.

Housing turnover had been on a downward trend since late 2003 but it has held up in recent months. A decline in building consents, however, is pointing to lower residential construction over the latter part of this calendar year.

While households are enjoying rising incomes, businesses are experiencing a squeeze in margins. Businesses are now facing not only rising input and capital costs, but also higher labour costs as well. They have so far not increased their selling prices as much.

The extent of any future price increases by businesses will depend on the competitive environment, but the current margin squeeze is likely to result in lower profits if volume growth is not sufficient to offset it. Higher costs and lower profits are reflected in businesses' own activity expectations, which fell in August, and contrast with consumer confidence, which is holding up.

Export values were flat in July as exporters faced pressure from the lagged effects of the high New Zealand dollar. This - combined with rising imports - contributed to another rise in the merchandise trade deficit. In addition, increases in short term departures by New Zealanders and flat visitor arrivals can be expected to have a negative impact on the current account through their impact on the services balance.

Crude oil prices rose to record levels this month as tropical storm Katrina hit the Gulf of Mexico. While it is impossible to know how long the price will be sustained at these levels, petrol price increases so far can be expected to push CPI inflation above the Reserve Bank's 1.0-3.0% target band in the September quarter. As with previous hurricanes, the price effects may prove to be short-lived if any damage to refineries and pipelines can be quickly repaired and production restored to full capacity. Increased demand, particularly from China, remains a major force driving oil prices upwards.

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Analysis

August saw the release of Treasury's macroeconomic forecasts as part of the *Pre-Election Economic and Fiscal Update* (PREFU), as well as data providing indicators of activity in the June quarter of 2005, and some indication of activity in the September quarter.

Partial indicators of activity in the June 2005 quarter released to date point to GDP growth in the June quarter being broadly in line with our PREFU forecast of an increase in production GDP of 0.7%. Our June estimate incorporates some degree of technical recovery due to the "Easter effect" that resulted in relatively more production and trading days than normal. There is some upside risk should the technical recovery prove to be stronger than first thought. The GDP data for the June quarter will be published on 29 September.

The release of Treasury's economic forecasts …

The PREFU forecasts are similar to those presented in the *Budget Update* in May. However, we expect the near-term composition of growth to differ with relatively more growth coming from domestic demand and less from exports, while stronger imports make a larger negative contribution.

Annual GDP growth is expected to slow from a peak of 4.8% in the 2004 calendar year to 2.2% in the March 2006 year and 2.6% in the March 2007 year. Contributing to the slowdown are the lagged effects of the high exchange and interest rates, a continued slowing in net migration inflows, slower trading partner growth over 2005 and a forecast decline in the terms of trade. GDP growth is forecast to pick up to 3.5% in the March 2008 year and 3.1% in the March 2009 year. Underlying this pick-up is robust export growth following its recovery in the March 2007 year.

… points to more signs of macro-economic imbalances

The PREFU also identified signs of more macroeconomic imbalances developing in the economy, namely more persistent inflation and a larger current account deficit. We expect these imbalances to unwind over the course of the forecast period although increasing domestic demand and sustained pressure on the export sector, as evidenced by this month's data, have yet to show signs of this imbalance reducing yet.

Table 1: Treasury PREFU forecasts

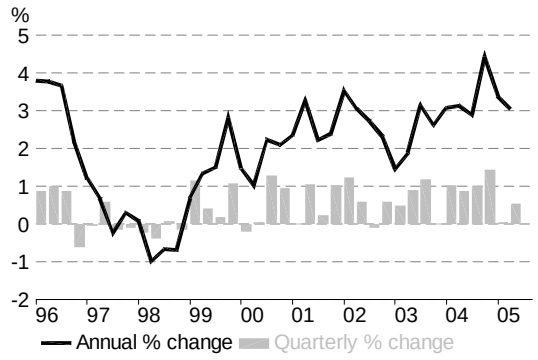
Annual % change (March years)	2006	2007	2008	2009
Real GDP	2.2	2.6	3.5	3.1
Nominal GDP	5.0	3.5	4.4	4.9
CPI inflation	3.0	2.9	2.5	2.1
Current account as % of GDP	-7.7	-7.3	-6.7	-6.2

Source: The Treasury

Strong employment growth …

Much of the near term impetus from domestic demand is expected to be provided by a buoyant labour market. The Household Labour Force Survey (HLFS) recorded unexpectedly strong employment growth of 0.5% in the June quarter (seasonally adjusted), bringing the annual increase to 3.0%. By sector, the biggest annual increases in employment were in the service sectors while employment fell in both the manufacturing and agriculture, forestry and fishing categories.

Figure 1: Employment growth



Source: Statistics NZ

Faster growth in the size of the labour force relative to the working age population resulted in the labour force participation rate increasing from 67.6% to 67.7%. Employment growth rose faster than labour force growth, resulting in a decrease in the unemployment rate from 3.9% to 3.7% for the June 2005 quarter. This is the lowest of all OECD countries with a comparable measure and it suggests that the labour market remains tight even with recent business surveys showing some reduction in skill shortages and an easing in labour demand.

… and strong wage growth …

The Quarterly Employment Survey (QES) wage outturns for the June quarter were also strong. The quarterly increase in total ordinary time average hourly earnings was 2.0%. The annual increase was 3.6%. The biggest annual increases were in education (12.2%), transport, storage and communication (8.4%), and health and community services (5.9%).

QES wage data does not adjust for compositional changes and so the Labour Cost Index (LCI) wage outturns are better indicators of wage pressures. The LCI, which adjusts for changes in job quality and compositional changes, increased 0.6% in the quarter and 2.6% for the year. The unadjusted LCI is probably best at measuring changes to individuals' remuneration over time. It does not adjust for quality changes but does adjust for compositional changes. It increased 1.2% and 4.9% respectively.

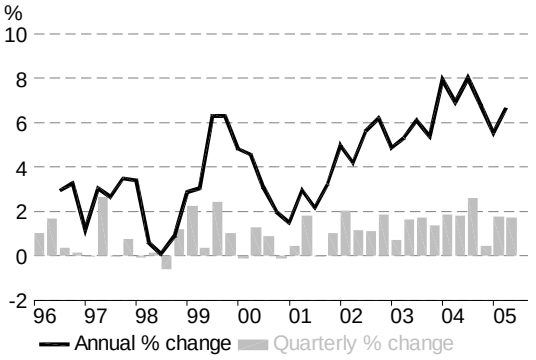
Continuing wage growth is expected as a result of the tight labour market environment. With both employment and wage growth in the June quarter exceeding expectations, total labour income was also higher than expected.

The June quarter data showed a divergence in the HLFS and QES measures of hours worked. The QES appears to have understated the number of filled jobs and hours worked in the education sector. We expect this to be reversed in the next quarter with an increase in the QES measure of filled jobs and hours worked.

… are contributing to an increase in household spending

The on-going strength in total labour income continues to provide support for household spending. This was illustrated by strong retail sales figures, which showed that seasonally adjusted sales volumes increased 1.3% over the June quarter. This increase was significantly greater than market expectations of a 0.6% increase. Excluding motor vehicle sales, core retail sales volumes were even stronger, up 1.7%.

Figure 2: Retail sales



Source: Statistics NZ

It is likely that retail sales received a boost from the British and Irish Lions rugby tour, but a breakdown by store type shows that the increased sales were felt across the board and were not confined to accommodation, cafes and restaurants. With the tour continuing into July it is likely that tourist spending by Lions supporters will also impact on July sales data.

The figures also show that excluding the auto sector, retail prices fell 0.4% over the quarter. This reduction was mostly driven by the high dollar and strong competition in the retail sector.

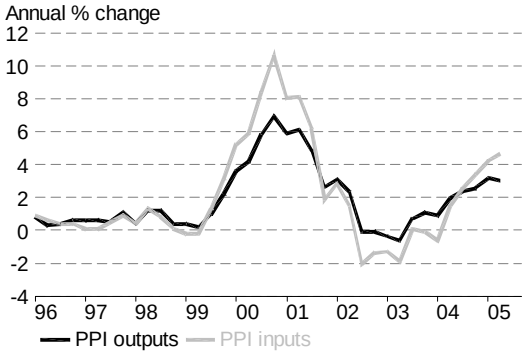
Inflationary pressures continue …

While retail price inflation has been low, input and output prices for businesses generally increased in the June quarter according to the Producers Price Index (PPI).

The Index also showed that the prices of business inputs are generally rising faster than firms' output prices. The PPI outputs index increased 1.2% in the June quarter

while the PPI inputs index increased 2.0%. On an annual basis, the increases were 3.0% and 4.7% respectively.

Figure 3: Producers Price Index



Source: Statistics NZ

This shows that businesses are facing rising costs for energy and raw materials but they are not able to fully pass these on in their selling prices. This is a continuation of a trend that has been occurring since the beginning of 2004 as business margins in many sectors have narrowed.

Prices of capital goods are also on the rise. The Capital Goods Price Index increased 1.0% in the June 2005 quarter and 3.0% over the year. Within that, the non-residential buildings index rose 1.2% in the quarter (reflecting the shortage of labour, capacity constraints and continuing strong activity in that sector), while the plant and machinery index rose 0.1% and the transport equipment index fell 1.0% (likely to be reflecting the high dollar).

While higher capital goods prices are lifting the cost of business investment overall, companies investing in plant and machinery are facing slower price rises than companies wanting to expand their premises, factories or distribution centres.

…and are likely to lead to lower profits

Businesses are now facing not only rising input and capital costs, but also higher labour costs as well. They have so far not increased their selling prices as much, resulting in lower margins. The extent of any future price increases by businesses will depend on the competitive environment, but the current margin squeeze is likely to result in lower profits if volume growth is not sufficient to offset it.

Business activity outlook falls ...

Increasing business concern about costs is borne out by the National Bank's Business Outlook Survey for August. This shows pricing intentions have picked up with a net 26% of respondents now expecting to pass on higher costs to consumers, up from 22% in July. The survey cites high oil prices as the number one concern of businesses at the moment.

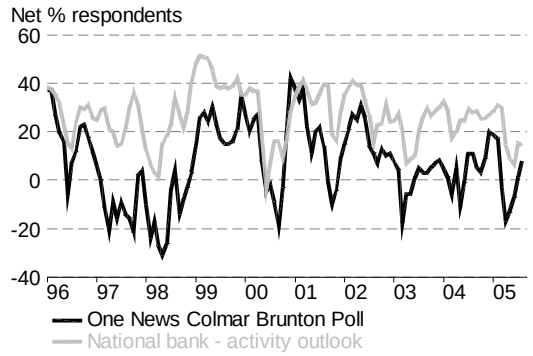
Also consistent with the narrowing margins and rising business investment costs as discussed earlier, the survey shows that profit expectations and investment intentions fell. A net 6.7% of respondents expect a fall in profits, down from 7.4% in July and a net 10.0% expect to increase investment, down from a net 15.4% in July.

The survey also shows that firms' own activity expectations, a good indicator of economic growth prospects, have fallen. Only a net 14.2% of respondents expect conditions to improve over the coming year compared with 15.2% in July.

… while consumer confidence has rebounded

Consumer confidence has recovered according to the latest Colmar Brunton poll which shows 8% of respondents expect New Zealand's economic outlook to improve over the next 12 months. The poll taken in July showed a net 1% of people expect an improvement.

Figure 4: Business and consumer confidence



Source: Colmar Brunton, National Bank

The divergence between the business and consumer sectors' levels of confidence, as indicated by the National Bank and Colmar Brunton poll results, reflects rising household incomes and increasing pressures on business.

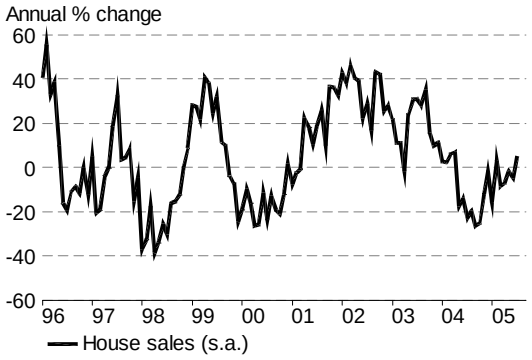
The housing market remains buoyant

The Real Estate Institute of New Zealand's Housing Market Statistics for July put the national median house selling price at $280,000. The Quotable Value Residential Property Report for July 2005, which adjusts for composition, showed that residential properties increased in value by 14.3% over the 12 months to July, up slightly from 14.2% annual growth to June.

Strong house prices continue to be a driver of domestic demand as homeowners feel wealthier and so are inclined to borrow and spend more as a result.

Housing turnover had been on a downward trend since late 2003 but it has held up in recent months. We estimate the number of seasonally adjusted sales to be up 2.0% from 8,511 in June to 8,684 in July.

Figure 5: House sales



Source: Statistics NZ

… although building consents point to lower construction

Building consents data for July point to a continued downward trend in both residential and non-residential construction. The number of residential building consents, in particular, fell 7.2% on a seasonally adjusted basis and have fallen 42% from their peak in June 2004.

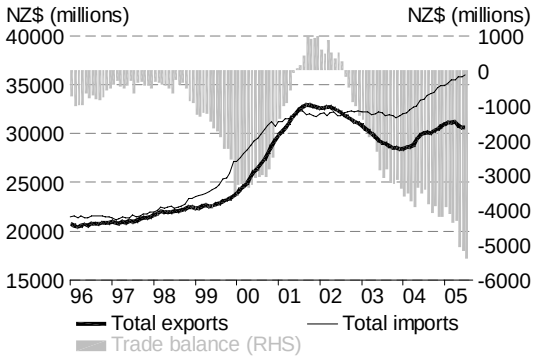
The value of non-residential building consents also fell in July. Statistics New Zealand's trend series was down 1.4% over the month – the ninth consecutive monthly fall.

The reduction in building consents could be due to high building costs as well as reduced inward migration. Changes in building regulations may also be an influence.

The merchandise trade deficit reflects strong imports

The merchandise trade deficit for July was worse than expected at $617 million compared with a market expectation of $500 million.

Figure 6: Annual merchandise trade



Source: Statistics NZ

Import values fell slightly after two months of solid growth but are still trending up. The decline was due to a 46% decrease in the value of crude oil imports which is highly volatile due to large irregular shipments of oil.

The high level of imports, up 6.9% on July 2004, reflects the strength of the domestic economy as well as the high New Zealand dollar. Most of the import growth has come from consumer goods which were 9.5% higher in July than they were a year ago, suggesting that recent strength in retail spending has yet to weaken.

Export values were flat in July …

Export values were lower than market expectations, remaining relatively constant in July after falls in both May and June. This result appears to be largely a result of weak dairy and fruit export volumes, offset

by strong results for meat volumes and manufacturing exports. The annual total has now fallen for the third month in a row.

With import values continuing to trend up and export values trending down, the merchandise trade balance is set to record another sizable trade deficit in the September quarter. This will contribute further to the growing current account deficit which we forecast will increase to around 7¾% of GDP by the end of calendar 2005.

…in spite of rising commodity prices in New Zealand dollar terms

International commodity prices expressed in New Zealand dollar terms increased by 3.3% over the month of July according to the ANZ Commodity Price Index as the weaker New Zealand dollar in July provided an offset to weaker world prices. This would have provided a boost to many exports and the weak results for export values overall suggest that volume growth has been muted for some categories.

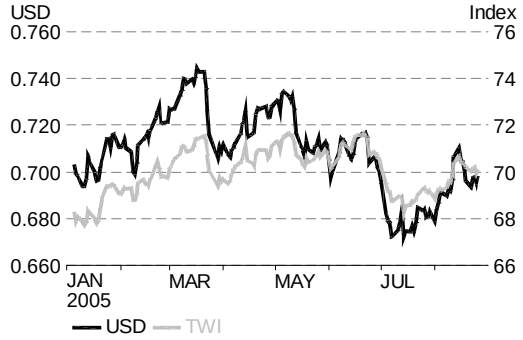
Before adjusting for currency movements, the ANZ World Commodity Price Index recorded a 0.5% decrease in July, extending a 0.6% decline in June. The divergence of the world price and New Zealand price indexes shows how a depreciating dollar is a buffer to falling commodity prices.

The July fall in world prices is only the third fall in two years and commodity prices are still near record highs, but it is too early to tell whether the declines in June and July are signifying the beginning of a commodity price downturn.

The New Zealand dollar rose in August

Over August the New Zealand dollar has seen some appreciation (2.4% against the US dollar and 1.4% on the TWI) which is likely to impact negatively on exporters' returns for the month.

Figure 7: Exchange rates



Source: Statistics NZ

At US$0.6954, the New Zealand dollar remains lower than the levels prevailing in the first half of the year (it hit a high of US$0.7442 in March) and we expect it to resume its fall over the course of this year. This would continue to provide some offset to commodity prices, which we also expect to fall, and provide a boost for exporters.

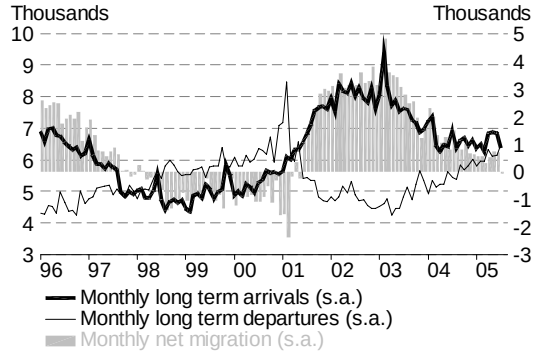
Manufacturers' performance declined

The ANZ-Business New Zealand Performance of Manufacturing Index declined in July for the third time in four months. The July 2005 result of 48.2 was also lower than the two expansion values recorded for July 2003 (51.6) and 2004 (57.5). A reading above 50 points indicates manufacturing is generally expanding; below 50 indicates it is contracting.

The impact of high exchange and interest rates and rising costs generally are likely to be contributing to this sentiment.

Increasing number of long term departures from New Zealand …

Figure 8: Permanent and long term migration



Source: Statistics NZ

There was a continuation of the upward trend in permanent and long-term departures from New Zealand in July with a 5.2% increase in seasonally adjusted gross departures over the month. Departures of New Zealand citizens to Australia have been the major driver of this - a total of 2,367 New Zealand citizens left for Australia in July 2005, up 33% on the year before.

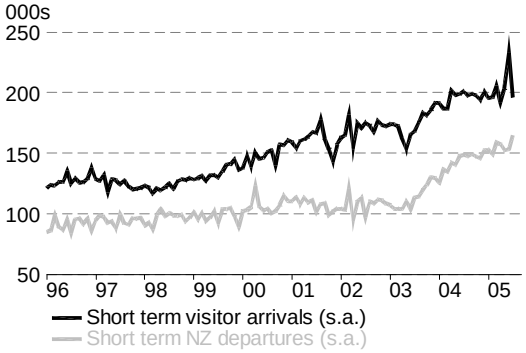
The trend in arrivals is a little less certain. Seasonally adjusted arrivals fell 6.6% over the month of July after relatively solid arrivals in recent months.

The net effect of permanent and long-term migration on New Zealand's population in July was a seasonally adjusted net outflow of 90 people. This was the first monthly outflow in seasonally adjusted net migration since May 2001 but - due to the volatility of monthly migration data - it is too early to read too much into this.

… and short term departures too

The increasing trend in permanent and long term departures was mirrored by an increase in short term overseas trips by New Zealand residents. These were up 8% between June and July on a seasonally adjusted basis.

Figure 9: Short term arrivals and departures



Source: Statistics NZ

Short term visitor arrivals were down over the month after the upward blip in June due to the Lions tour, which boosted short term arrivals from the UK.

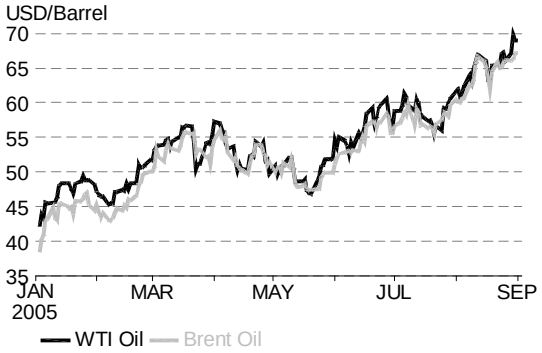
It is interesting to note that, notwithstanding this spike, short term visitor numbers to New Zealand have largely been flat since early 2004. This could be partially explained by the increasing value of the New Zealand dollar over that period.

The increase in short term departures and steady arrivals over recent months can be expected to have a negative effect on the current account through their impact on the services balance.

Oil prices hit new high

Crude oil prices rose to a record level of US$70.85 a barrel this month as Tropical Storm Katrina damaged refinery facilities in the Gulf of Mexico. Crude oil prices are now more than 60% higher than a year ago, although still below the inflation-adjusted high of about $90 a barrel that was set in 1980.

Figure 10: Oil price



Source: Datastream

The increase in oil price has seen petrol prices at New Zealand petrol stations reach $1.53 per litre for 91 octane. While it is impossible to know how long the price will be sustained at these levels, petrol price increases so far can be expected to push CPI inflation above the Reserve Bank's 1.0-3.0% target band in the September quarter. As with previous hurricanes, the price effects may prove to be short-lived if any damage to refineries and pipelines can be quickly repaired and production restored to full capacity. Increased demand, particularly from China remains a major force driving oil prices upwards.

International interest rates

For the tenth time in 15 months, the US Federal Reserve raised interest rates, pushing the benchmark Federal Funds

rate from 3.25% to 3.5%, the highest in almost four years. The Fed repeated its intention to carry out further increases at a "measured" pace.

This follows decisions of the Reserve Bank of Australia and the European Central Bank to leave their interest rates unchanged at 5.5% and 2% respectively and for the Bank of England to cut interest rates for the first time in two years, to 4.5%.

While these economies are at different stages of the interest rate cycle, global long-term interest rates are currently very low. This is partly due to China's purchase of US Treasury bonds over the past year. This has had the impact of holding down long-term bond yields in the US in spite of consecutive increases in short-term rates by the Federal Reserve. The resulting excess of global liquidity has contributed to the asset boom that is partly responsible for rising house prices in New Zealand and around the world.

In New Zealand, the Reserve Bank's next official cash rate review is on 15 September. Most economists expect the Bank to leave rates unchanged at 6.75%.

Special Topic: The Labour Market

Since 1998, employment growth has been very strong in New Zealand contributing to a reduction in the unemployment rate from 7.6% to 3.7% - the lowest in the OECD and the second lowest since the Household Labour Force Survey (HLFS) began in 1986.

This job growth has largely reflected the strong economy and resulting demand for labour over the period. It is significant that the sectors which have expanded have been labour intensive - services and construction for example, as opposed to agriculture, which is less labour intensive.

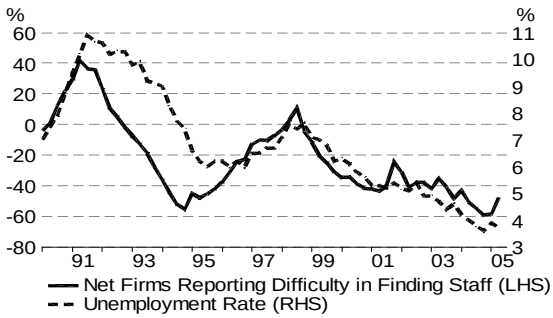
The flipside of this is that over the period, as spare labour has been absorbed, businesses have found it increasingly difficult to recruit labour.

The labour market has been tight...

Demand and supply pressures in the labour market are illustrated by the NZIER's Quarterly Survey of Business Opinion (QSBO) which reports that a net 45% of firms had difficulty finding skilled staff in the June 2005 quarter and a net 26% of firms had difficulty finding unskilled staff. Both sets of figures have eased (become less difficult) over the last couple of quarters. However, relative to recent years the New Zealand labour market is very tight.

Figure 11 shows how the QSBO measure of difficulty in finding staff increased as the unemployment rate decreased.

Figure 11: Unemployment and skill shortages



Source: Statistics New Zealand, NZIER

… leading to increased labour force participation …

The strong labour market has encouraged people previously not in the labour force[1] to enter employment or actively look for work. Businesses may also have been encouraged to look beyond the existing workforce to fill jobs.

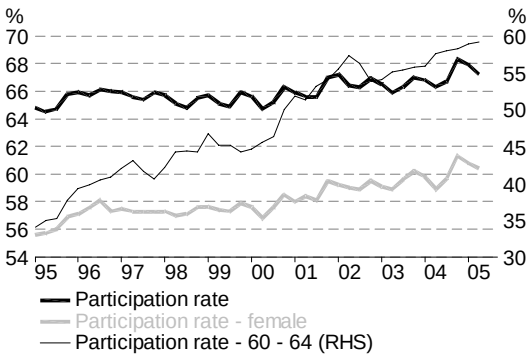
The labour force participation rate is defined as the proportion of the working age population that is in the labour force, i.e. those who are either in work or are available and actively seeking work. The participation rate has been trending

[1] Those not in the labour force are neither employed nor unemployed eg they could be retired, studying, at home with children or at home not with children.

upwards since September 1992 when 63.3% of the working age population was in the labour force. As at the June 2005 quarter (the latest available data), the participation rate was 67.7% - the equal highest participation rate since the HLFS began.

An increasing proportion of older age groups and females in particular have joined the labour force in recent years as the following graph shows.

Figure 12: Selected participation rates by category



Source: Statistics NZ

… particularly female participation …

The trend of increasing participation by females is particularly apparent in the latest June quarter data. Most of the 0.5% quarterly employment growth recorded in the June quarter (as discussed in the body of this report) was due to an increase in female employment. Female full-time employment in particular increased a significant 1.8% in the quarter while part-time employment fell 0.5%.

Most of the increase in female employment came from new entrants to the labour force with the female participation rate increasing from 60.7% to 60.9%, although the pool of unemployed also made a contribution with female unemployment falling 7.6% over the quarter.

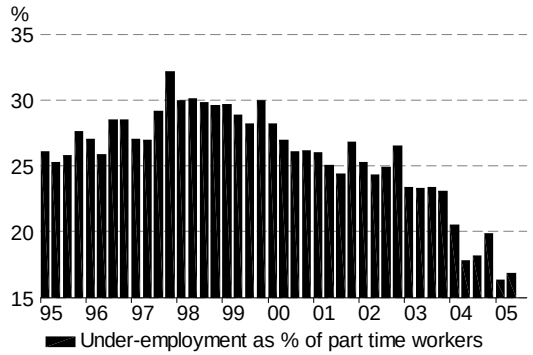
It remains to be seen to what extent increasing female participation is cyclical i.e. a response to the tight labour market conditions as employers turn to new sources of labour, or structural i.e. reflecting a permanent change in people's labour market behaviour and participation. If it is cyclical, then in response to a downturn these people are likely to exit the labour force. If it is structural they are likely to remain. This will be a key influence of the unemployment rate.

The increase in participation among older workers partly reflects people staying in work for longer. This is due to a combination of factors including superannuation eligibility changes in the 1990s, recent robust employment demand and strong labour market attachment of this cohort.

These shifts in employment patterns are also in response to the tight labour market as employers look to use their existing workforce more, or turn to new sources of labour.

Another key response to the tight labour market has been a fall in "under-employment". The HLFS shows that only 16.9% of the 460,500 part-timers in the workforce want to work more hours. This has steadily fallen from its cyclical high of 32% in late 1997 and it suggests that there is less opportunity for employers to turn to part-time workers as a source of labour.

Figure 13: Under-employment



Source: Statistics NZ

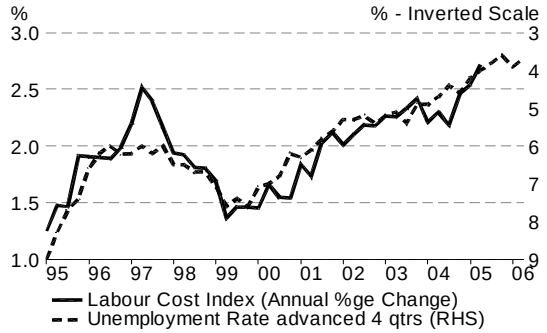
… and higher wages

Another product of the tight labour market has been an accelerating trend in wage growth since 1999 as firms have responded to increased competition for workers.

The increase in wage growth is largely what is expected during a time of low and falling unemployment and strong demand for labour. Figure 14 suggests that if this relationship continues, increasing wage

growth can be expected over the next 12 months.

Figure 14: Unemployment and wage growth



Source: Statistics NZ

Over time we would expect higher wage growth to moderate the demand for labour and would expect employment growth to ease as the economy slows. Unemployment is expected to remain low as growth in the labour supply is likely to be muted due to declining net migration inflows, although this will partly depend on trends in the participation rate.

Monthly Economic Indicators is a regular report prepared by the Macroeconomic Forecasting and Analysis section of the Treasury.

Contact for enquiries:
The Treasury
PO Box 3724
Wellington
NEW ZEALAND

information@treasury.govt.nz
Tel: +64 4 472 2733
Fax: +64 4 473 0982

05 September 2005

Quarterly Indicators								
		2003Q4	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1	2005Q2
GROSS DOMESTIC PRODUCT (GDP)								
Real Production GDP	qtr % chg[1]	1.1	1.9	1.0	0.6	0.3	0.6	...
	ann ave % chg	3.4	3.6	4.3	4.7	4.8	4.2	...
Real Private consumption	qtr % chg[1]	1.7	2.0	0.6	1.6	1.1	1.7	...
	ann ave % chg	5.3	5.7	5.9	6.1	6.1	5.7	...
Real Public consumption	qtr % chg[1]	1.7	2.1	1.5	-0.8	5.2	0.2	...
	ann ave % chg	2.3	3.1	4.7	5.3	6.2	6.4	...
Real residential Investment	qtr % chg[1]	-0.5	2.4	5.5	-7.1	-3.0	4.5	...
	ann ave % chg	19.7	15.8	13.0	8.5	4.4	2.0	...
Export volumes	qtr % chg[1]	3.5	3.3	2.5	-6.4	3.7	-2.6	...
	ann ave % chg	1.9	1.0	3.9	4.4	5.0	2.9	...
Import volumes	qtr % chg[1]	4.1	6.0	3.6	0.0	3.3	1.0	...
	ann ave % chg	8.1	11.9	13.4	15.0	15.7	13.3	...
Nominal GDP - Expenditure basis	ann ave % chg	5.6	6.4	7.5	8.1	8.2	7.5	...
Real GDP per Capita	ann ave % chg	1.7	1.9	2.7	3.2	3.4	2.9	...
Real Gross National Disposable Income	ann ave % chg	4.3	5.1	5.9	5.9	5.1	4.2	...
EXTERNAL TRADE								
Current account balance (annual)	NZ$ millions	-5630	-6326	-6774	-8091	-9336	-10349	...
	% of GDP	-4.2	-4.6	-4.8	-5.7	-6.4	-7.0	...
Investment income balance (annual)	NZ$ millions	-6707	-6805	-7256	-8131	-8741	-9443	...
Merchandise terms of trade	qtr % chg	3.1	2.1	2.2	-0.3	0.4	2.1	...
	ann % chg	6.6	6.1	7.2	7.3	4.4	4.4	...
PRICES								
CPI inflation	qtr % chg	0.7	0.4	0.8	0.6	0.9	0.4	0.9
	ann % chg	1.6	1.5	2.4	2.5	2.7	2.8	2.8
Tradable inflation	ann % chg	-2.0	-2.3	-0.7	0.0	0.7	0.8	0.7
Non-tradable inflation	ann % chg	4.2	4.5	4.7	4.5	4.3	4.2	4.4
GDP deflator	ann % chg	4.1	2.8	3.8	4.4	3.7	3.2	...
Consumption deflator	ann % chg	0.1	0.3	0.7	0.6	1.3	1.2	...
LABOUR MARKET								
Employment (HLFS)	000s[7]	1967	1987	2004	2024	2053	2054	2065
	qtr % chg[1]	0.0	1.0	0.9	1.0	1.4	0.0	0.5
	ann % chg[1]	2.6	3.1	3.1	2.9	4.4	3.4	3
Unemployment rate	%[1]	4.6	4.2	4.0	3.8	3.6	3.9	3.7
Participation rate	%[1]	66.5	66.6	66.8	67.0	67.7	67.6	67.7
LCI salary & wage rates - total (adjusted)[6]	qtr % chg	0.5	0.5	0.6	0.7	0.7	0.6	0.6
	ann % chg	2.3	2.2	2.3	2.2	2.5	2.5	2.6
LCI salary & wage rates - total (unadjusted)[6]	qtr % chg	1.0	0.9	1.1	1.4	1.3	0.9	1.2
	ann % chg	4.3	4.2	4.3	4.5	4.8	4.7	4.9
QES average hourly earnings - total[6]	qtr % chg	1.0	0.2	2.0	0.2	-0.3	1.6	2
	ann % chg	3.3	3.4	4.3	3.4	2.1	3.5	3.6
Labour productivity[7]	ann ave % chg	1.3	1.4	0.8	0.8	0.6	0.7	...
CONFIDENCE INDICATORS / SURVEYS								
WMM - Consumer confidence[3]	Index	126.0	124.0	121.7	125.0	130.2	126.7	120.2
QSBO - general business situation[4]	net %	-2.0	-28.8	-20.2	-16.4	-5.6	-28.2	-34.2
QSBO - own activity outlook[4]	net %	21.9	10.4	13.4	20.3	22.5	12.8	7.1

Monthly Indicators						
		2005M 2	2005M 3	2005M 4	2005M 5	2005M 6
EXTERNAL SECTOR						
Merchandise trade - exports	mth % chg[1]	-0.2	-4.7	3.5	-3.8	-0.7
	ann % chg[1]	5.3	0.4	3.7	-12.5	-5.1
Merchandise trade - imports	mth % chg[1]	10.6	-0.2	-4.0	3.5	0.2
	ann % chg[1]	13.4	9.5	1.6	11.6	-0.6
Merchandise trade balance	NZ$ million	-106	-190	-140	-66	-511
Visitor arrivals	number[1]	196,260	205,760	191,890	203,040	232,800
HOUSING						
Dwelling consents - residential	mth % chg[1]	4.0	10.2	-36.2	11.7	12.1
	ann % chg[1]	-14.8	1.8	-32.9	-26.0	-38.0
House sales - dwellings	mth % chg[1]	17.3	-6.7	-4.1	0.3	-0.2
	ann % chg[1]	3.2	-8.7	-7.1	-1.9	-4.7
REINZ - median dwelling price	NZ$[1]	271,800	276,627	271,343	270,035	285,717
CONSUMER						
Core retail sales	mth % chg[1]	1.5	0.2	0.1	-0.7	1.5
	ann % chg[1]	8.8	6.5	7.8	6.4	6.4
Total retail sales	mth % chg[1]	1.5	-0.4	0.6	-0.5	1.2
	ann % chg[1]	9.4	6.2	7.8	6.5	6.7
New car registrations	mth % chg	14.9	5.0	-7.0	5.1	6.3
	ann % chg	5.0	-7.3	1.5	-0.4	1.4
Credit card billings	mth % chg[1]	4.7	2.6	-4.0	4.2	0.9
	ann % chg[1]	10.6	6.2	6.7	14.0	7.2
MIGRATION						
Permanent & long-term arrivals	number[1]	6,500	6,270	6,840	6,860	6,830
Permanent & long-term Departures	number[1]	5,950	5,950	6,330	6,120	6,150
Net PLT migration	number[1]	550	320	510	740	680
Net PLT migration (12 month total)	number	11,131	10,013	9,349	8,799	8,593
COMMODITY PRICES						
Brent oil price	US$/Barrel	45.72	53.23	52.60	49.29	54.84
WTI oil price	US$/Barrel	47.97	54.31	53.04	49.83	56.26
ANZ NZ commodity price index	mth % chg	-0.3	-1.2	1.6	-0.1	0.1
	ann % chg	9.8	3.6	-0.3	-6.6	-7.4
ANZ world commodity price index	mth % chg	1.4	0.8	0.0	0.3	-0.6
	ann % chg	14.6	14.1	11.1	8.7	5.1
FINANCIAL MARKETS						
NZD/USD	$[2]	0.7143	0.7306	0.7185	0.7191	0.7085
NZD/AUD	$[2]	0.9144	0.9295	0.9307	0.9382	0.9242
Trade weighted index (TWI)	June 1979 = 100[2]	69.5	70.7	70.4	70.9	71.0
Official cash rate (OCR)	%	6.50	6.75	6.75	6.75	6.75
90 day bank bill rate	%[2]	6.83	6.99	7.05	7.05	7.03
10 year govt bond rate	%[2]	5.95	6.16	5.99	5.81	5.71
CONFIDENCE INDICATORS / SURVEYS						
National Bank - business confidence	net %	-12.6	-19.9	-48.0	-56.7	-48.8
National Bank - activity outlook	net %	30.9	29.9	14.8	8.9	6.5
One News[5] - economic performance	net %	17.0	-3.0	-17.0	-13.0	-7.0