

Welcome to the second issue of **Local Knowledge**, our monthly compilation of activity indicators for the New Zealand economy. The aim of this report is to build up a picture of what's happening in the domestic economy, by presenting monthly activity data across a broad range of sectors.

The indicators presented here – 20 unique series, plus a few subsets and variations – are some of the timeliest information we have. Yet unlike their overseas equivalents, many of them receive little or no coverage at the time.

In the previous issue, we highlighted a widespread downturn in our suite of activity indicators in April. At the time we posited that the timing of the Easter/Anzac Day holidays may have had an unusually large dampening effect this year; if so, we could expect to see a widespread rebound in the May figures.

With almost all of the May data now in, the conclusion is... mixed. Some measures hewed to the story perfectly; for instance, electronic card spending rebounded from a 0.2% drop to a 1.7% rise, with the components that fell the most in April rising the most in May. Building consents and car sales also returned to their long-running upward trends.

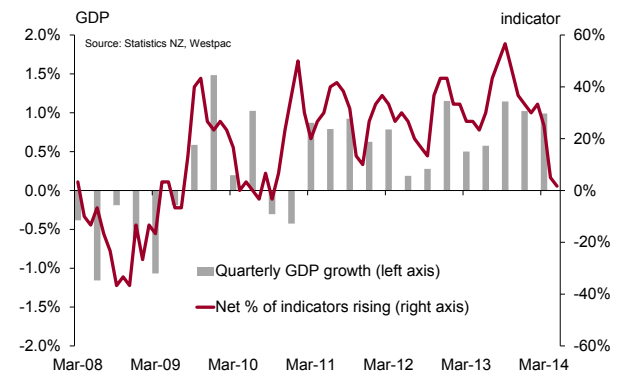
But there were also some areas that didn't fit the story, such as the surprisingly large drop in job advertisements. And in the case of housing, the lack of any bounce in May reinforces the sense that the market is still in slowdown mode. (That said, mortgage approvals have since shown a small uptick in June.)

All together, there were more increases than decreases in the May indicators – but not enough to balance out the net decrease over April. Consequently our momentum indicator, which is calculated on a rolling three-month basis, actually fell a little further in May (see chart). Regardless of how the June month figures turn out, the momentum indicator will be strongly pointing to a slower pace of GDP growth over the June quarter, compared to the 1% or so pace in each of the previous three quarters.

We'll make a decision on our June quarter GDP forecast after the release of the NZIER's *Quarterly Survey of Business Opinion* next week. Whereas the monthly ANZ business confidence survey (which slipped but remained fairly lofty over the June quarter) is entirely forward-looking, the *QSBO* also asks about businesses' experiences over the past three months. It's that latter measure – as you might guess from the description – that provides the single best high-level indicator of what actually happened with GDP in the latest quarter.

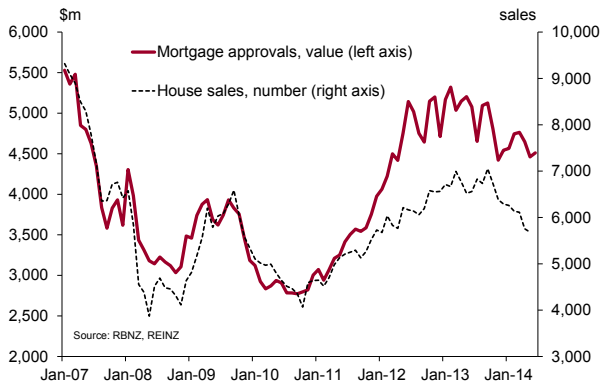
For now, our take on the data is: there probably was a temporary Easter 'blip', coming on top of a modest slowdown more generally. If so, the June quarter should mark the low point for GDP growth this year. But with interest rates now rising, dairying incomes dropping back, and the Christchurch rebuild now well advanced (in terms of the level of building activity), we suspect that the days of 4% annualised growth have now passed.

Local Knowledge indicators and quarterly GDP



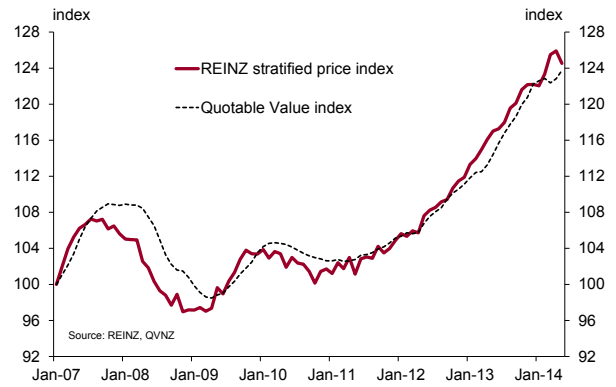
Michael Gordon
Senior Economist

Housing turnover



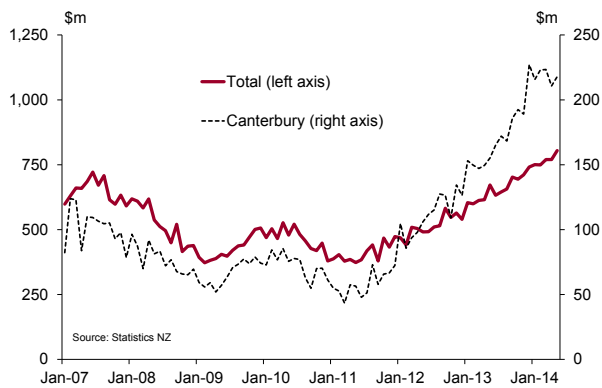
Jun mortgage approvals +1.1%
 May house sales -1.3%

House prices



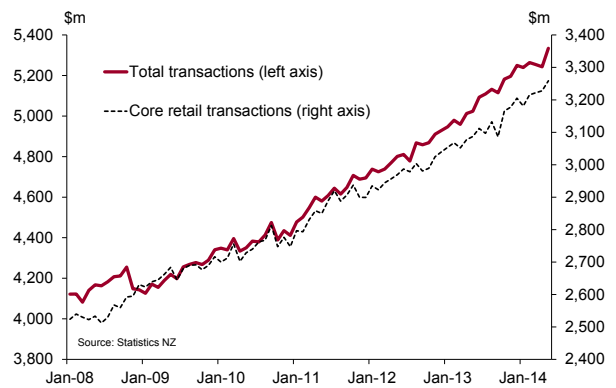
May REINZ price index -1.1%
 May QV price index +0.7%

Residential building consents, by value



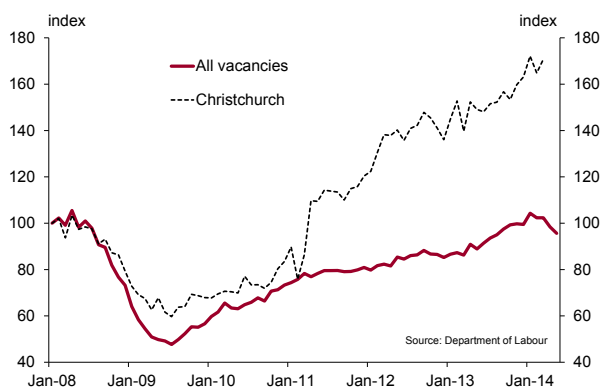
May building approvals +4.5%
 May Canterbury +3.3%

Electronic card transactions



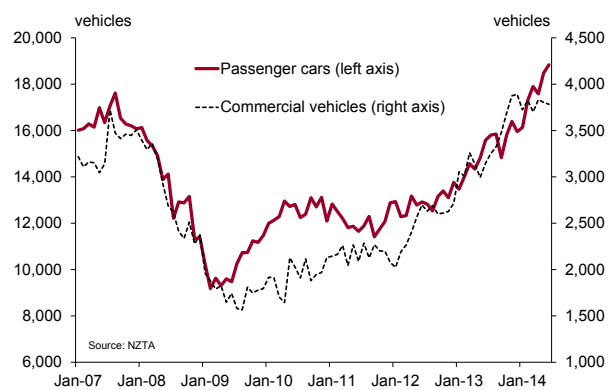
May total card transactions +1.7%
 May core retail sectors +1.0%

Online job advertisements



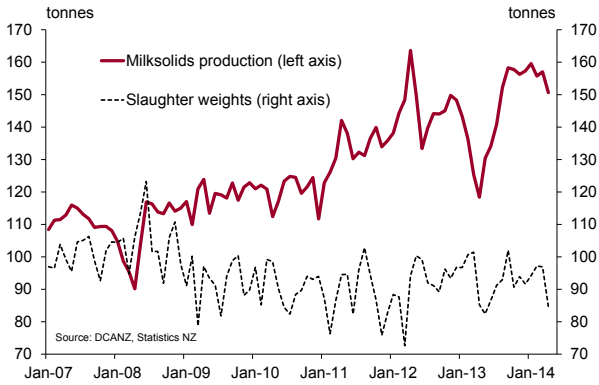
May online job advertisements -2.8%
 May Canterbury (not available)

Vehicle registrations



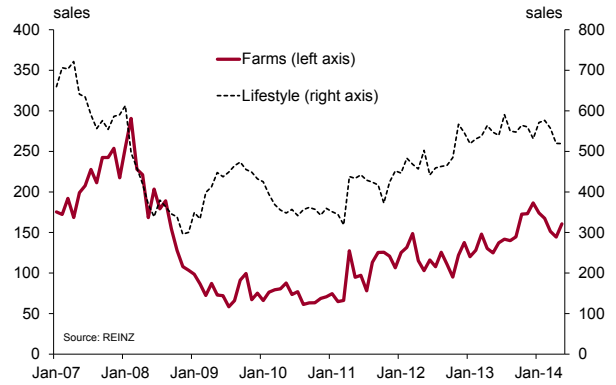
Jun passenger cars +1.9%
 Jun commercial vehicles -0.5%

Agricultural output



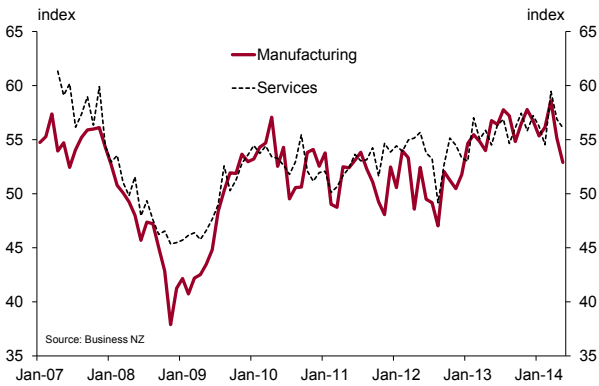
Apr milk production -4.1%
 Apr slaughter weights -12.5%
 *Note: May data not available

Rural land sales



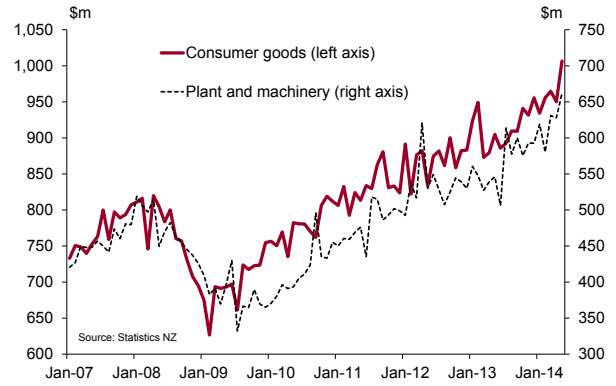
May farm sales +11.3%
 May lifestyle property sales -0.1%

PMI surveys



May manufacturing PMI 52.9
 May services PMI 56.1

Imports, priced in foreign currency



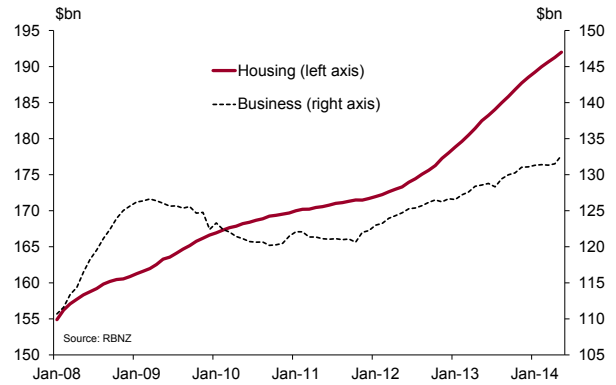
May consumer goods +5.9%
 May plant and machinery +5.4%

Tourism spending



May overseas visitor spending -1.7%
 May domestic tourism spending +0.7%

Credit aggregates



May housing credit +0.4%
 May business credit +0.9%

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