

Local Knowledge

5 December 2014

Local Knowledge is our monthly compilation of activity indicators for the New Zealand economy. The aim 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 on economic activity in New Zealand. Unlike their overseas equivalents, many of them receive little or no coverage on an individual basis.

Our suite of indicators shows an emphatic rebound in activity in October, which has continued into November based on the handful of information available to date. It's becoming clearer that uncertainty ahead of the 20 September election had a dampening effect on activity – most prominently in the housing market, given that a broader capital gains tax on property was one of the most significant policies at stake in the election. Since then, we've seen a strong rebound in property listings, mortgage approvals, house sales and building consents – though the last of those hasn't rebounded as much as we would have expected if pre-election nerves were the only thing going on.

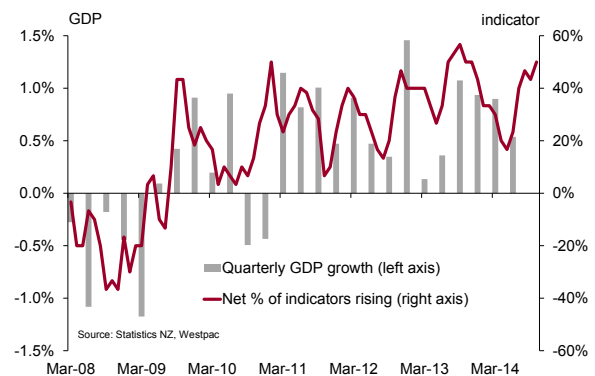
The pickup in activity has by no means been limited to the housing market. Consumer spending has been perkier lately: electronic card transactions spending rose strongly in October after a flat outturn in September, while car registrations have continued to rise strongly and are within a whisker of the previous high reached in early 2005. The PMI surveys for both manufacturing and services point to strong levels of activity. The 0.9% rise in business lending in October was the single biggest month in three years. And business confidence (not included among our Local Knowledge indicators, as it doesn't measure activity per se) has bounced across every major sector in the two months since the election.

Our momentum indicator, which reflects the balance of the data over the three months to October, is now back at the levels seen late last year when GDP growth was running at about 1% per quarter. That fits with our long-held view that economic growth would remain strong over the course of this year, and that the June quarter was likely to mark the low point for growth. September quarter GDP is published on 18 December; our forecast is currently for a 0.8% increase, but we'll finalise it next week. Our forecast for December quarter growth also stands at 0.8%, but the risks now look to be to the upside.

On the subject of GDP, Statistics New Zealand recently published a revised history based on the latest international standards, known as SNA08. These revised figures paint a slightly different picture of the pattern of growth over recent years. GDP grew faster over 2011-2012, the impact of the drought in early 2013 was greater, and growth over the past year was a little lower than previously reported. June quarter growth was revised down from 0.7% to 0.5%, which is closer to what our momentum indicator was suggesting at the time. Bear in mind that these new GDP figures are far from the last word: the September quarter GDP release later this month is likely to include further revisions to recent history, as new information from annual surveys is incorporated.

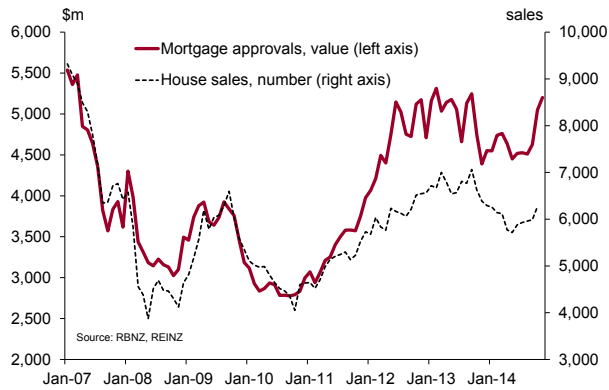
The Christmas/New Year holidays will mean a later publication date for some of our suite of indicators. Consequently, the next issue of Local Knowledge will be released in the first week of February.

Local Knowledge indicators and quarterly GDP



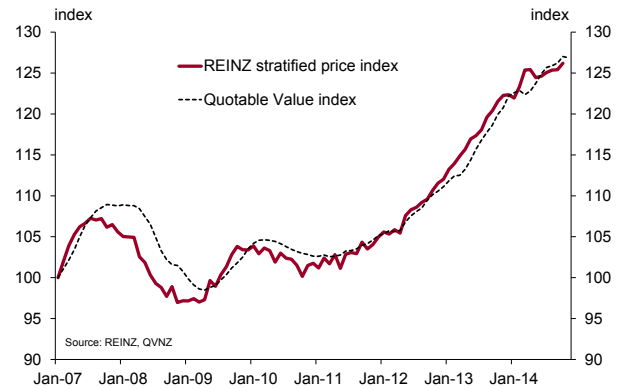
Michael Gordon
Senior Economist

Housing turnover



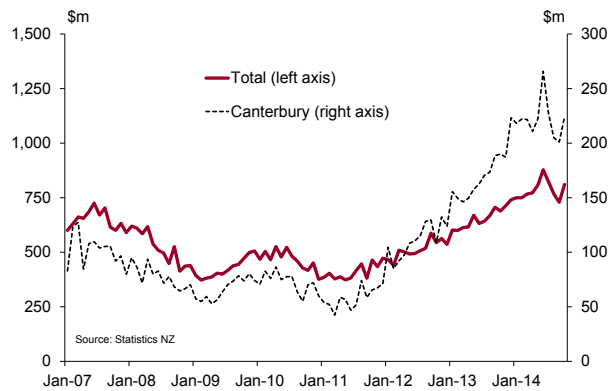
Nov mortgage approvals +3.0%
 Oct house sales +4.7%

House prices



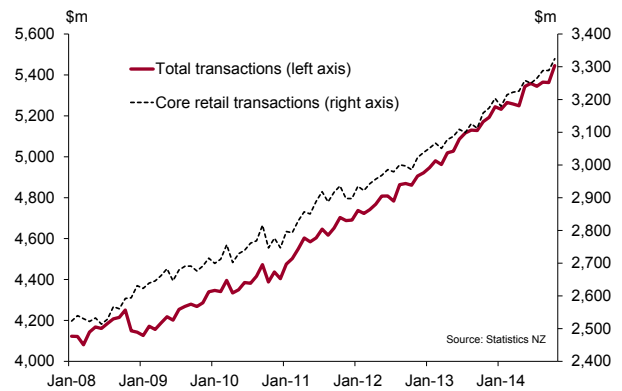
Oct REINZ price index +0.6%
 Nov QV price index -0.2%

Residential building consents, by value



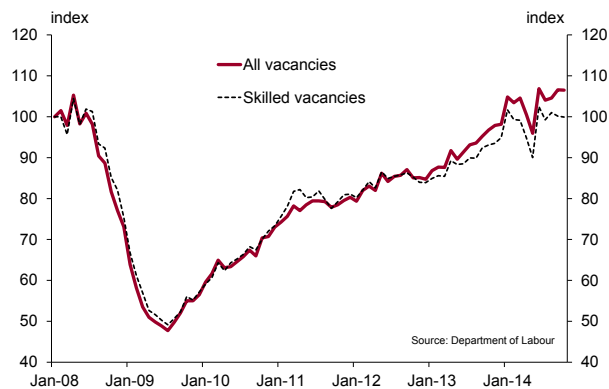
Oct building approvals +11.2%
 Oct Canterbury +11.7%

Electronic card transactions



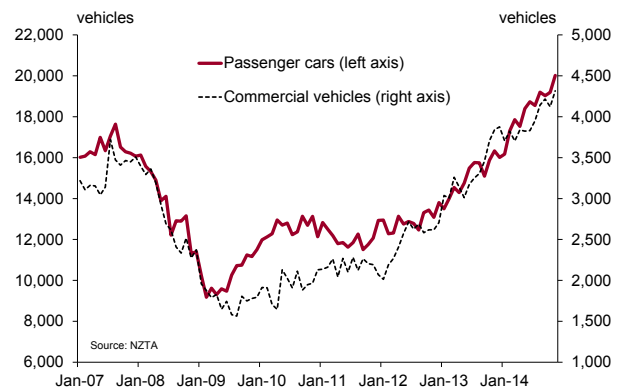
Oct total card transactions +1.5%
 Oct core retail sectors +1.1%

Online job advertisements



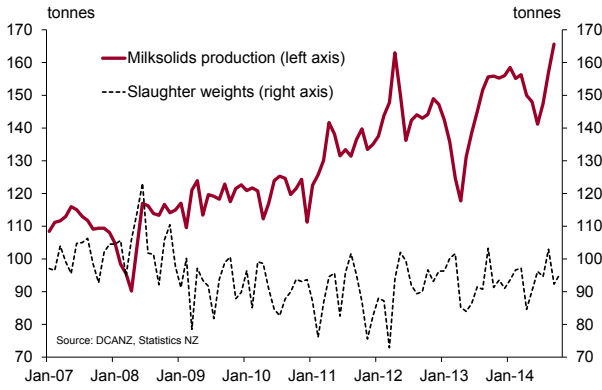
Oct online job advertisements -0.1%
 Oct skilled vacancies -0.3%

Vehicle registrations



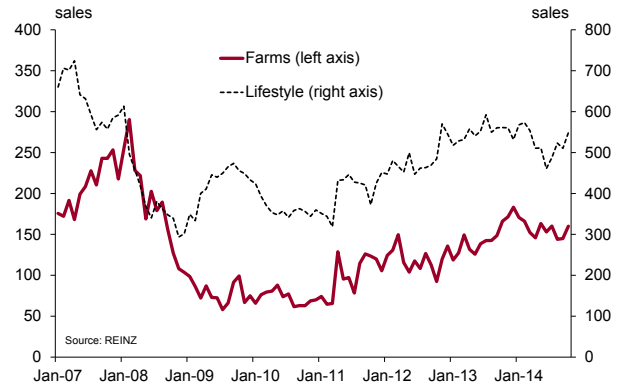
Nov passenger cars +4.3%
 Nov commercial vehicles +4.7%

Agricultural output



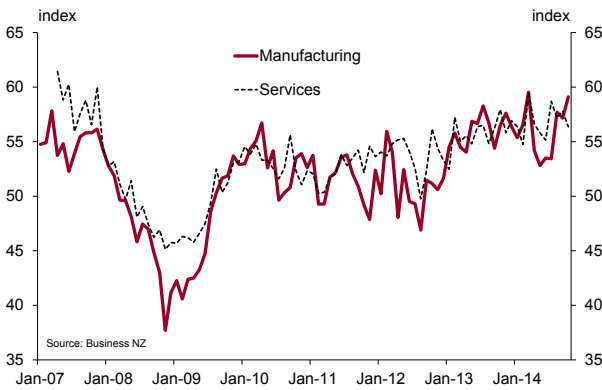
Sep milk production +5.4%
Oct slaughter weights +3.2%

Rural land sales



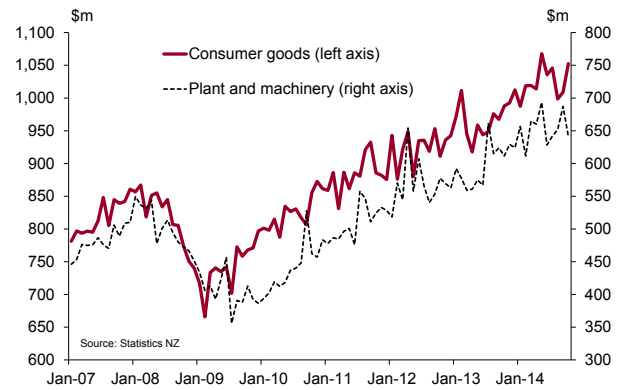
Oct farm sales +10.4%
Oct lifestyle property sales +7.4%

PMI surveys



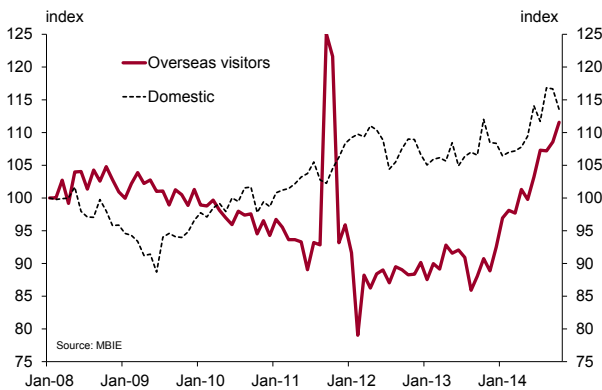
Oct manufacturing PMI 59.1
Oct services PMI 56.4

Imports, priced in foreign currency



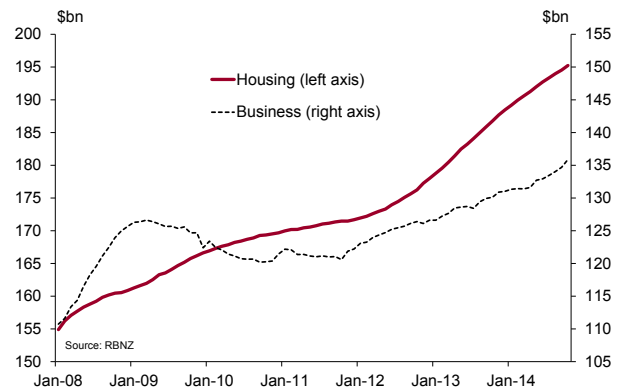
Oct consumer goods imports +4.3%
Oct plant and machinery imports -6.8%

Tourism spending



Oct overseas visitor spending +2.8%
Oct domestic tourism spending -2.7%

Credit aggregates



Oct housing credit +0.4%
Oct business credit +0.9%

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