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 – 18 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.

The number of positive indicators of growth has waned noticeably in the last few months. After a particularly weak July, there was a modest improvement in the August figures. But the weak momentum coming into the September quarter suggests that the pace of GDP growth will slow again, after the rebound to 0.8% growth in the June quarter. We recently revised down our September quarter growth forecast to 0.7%, a view that we reaffirmed after today’s Quarterly Survey of Business Opinion.

The housing market has continued to slow in recent months, notwithstanding a small pickup in prices and sales in August. A sharp drop in new listings since July – property owners don’t sell into a weak market if they don’t have to – may have helped to stabilise sale prices. Mortgage rates have stopped rising for now, and there have even been some small rate cuts, but we don’t think this will be enough to revive the housing market.

We expect the slowdown in the housing market to have an impact on consumer spending, and there are tentative signs of this happening. Growth in electronic card spending has slowed, and passenger car sales are off their highs. That said, consumer confidence surveys don’t suggest that households are feeling much of a pinch.

Wet weather is hampering agricultural production, particularly in dairying, as it did over the second half of last season’s slump, but may now struggle to achieve that. On the plus side for dairy farmers, a shortfall in production would place upside risk on the expected farmgate milk price for this season, which is already shaping up to be above average.

We’ve recently highlighted a slowdown in construction as a key challenge to the economic outlook. So it’s notable that building consents (by value) have risen strongly over the last two months. We suspect this jump will be something of a one-off – it likely includes the Pacifica development, which when completed will be the tallest apartment building in the country. Beyond this, though, it does appear that consents have steadied after stalling in the early part of this year. We expect building activity to pick up again from next year, but at a more gradual pace of growth than we previously thought.

The tourism industry has benefited both from rising world demand for travel, and from a string of high-profile sporting events in the last couple of years, including the World Masters Games in April and the Lions rugby tour in June-July. With those events out of the way, overseas visitor spending is likely to be a drag on GDP growth over the September quarter. However, the first part of the equation – the improving world economy – remains intact.

Job advertisements have maintained their steady climb. No doubt some of the rise in hiring is a product of population growth, which feeds both the demand for and supply of workers. But other indicators, such as our employment confidence survey and the NZIER business opinion survey, suggest that the net impact is a tightening of the labour market. The construction sector, in particular, is facing severe constraints from a lack of skilled workers.

Michael Gordon
Senior Economist
House prices and sales

- **REINZ house price index**
- **House sales (right axis)**

**Aug REINZ price index +0.3%**
**Aug house sales +0.6%**

Electronic card transactions

- **Total transactions (left axis)**
- **Core retail transactions (right axis)**

**Aug total card transactions +0.6%**
**Aug core retail sectors -0.2%**

Vehicle registrations

- **Passenger cars (left axis)**
- **Commercial vehicles (right axis)**

**Aug passenger cars +0.4%**
**Aug commercial vehicles +2.9%**

Residential building consents, by value

- **Total (left axis)**
- **Canterbury (right axis)**

**Aug building approvals +9.9%**
**Aug Canterbury +0.3%**

Online job advertisements

- **All vacancies**
- **Canterbury**

**Aug online job advertisements +1.6%**
**Aug Canterbury +3.4%**

Agricultural output

- **Milk solids production (left axis)**
- **Slaughter weights (right axis)**

**Aug milk production -2.8%**
**Aug slaughter weights -10.5%**
Rural land sales

Aug farm sales -7.4%
Aug lifestyle property sales +5.0%

Imports, priced in foreign currency

Aug consumer goods imports -1.4%
Aug plant and machinery imports -1.4%

Credit aggregates

Aug housing credit +0.4%
Aug business credit +0.6%

PMI surveys

Aug manufacturing PMI 57.9
Aug services PMI 57.3

Tourism indicators

Aug overseas visitor arrivals -0.3%
Jul total guest nights -4.9%

Local Knowledge indicators and quarterly GDP

Source: Stats NZ, Westpac
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