

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.

The indicators were positive on balance in April, though they were more mixed compared to the widespread strength seen in March. Our rolling three-month momentum indicator (see the chart below) ticked up in April, but again suggests that the pace of economic growth has slowed a little compared to the end of last year.

The most significant change of direction was in electronic card spending, and particularly tourist spending, after strong gains in February and March. (We'd put this down to the Chinese New Year more so than the Cricket World Cup, which also ran over this period.) That said, the retail trade survey for the March quarter pointed to very strong growth in sales of durable goods, which indicates that local shoppers were also playing their part.

The housing market remained strong over April, especially in Auckland. The housing data will be of particular interest over the next few months, after two significant policy announcements in mid-May: a tightening of loan-to-value limits for property investors in Auckland (and a loosening for all buyers in the rest of the country) and a firming up of the tax rules for investors who buy and sell within two years. The mortgage approvals data, which is published on a weekly basis, are likely to provide the earliest indication of any softening in loan demand. The figures for the last two weeks of May don't reveal a discernible change yet.

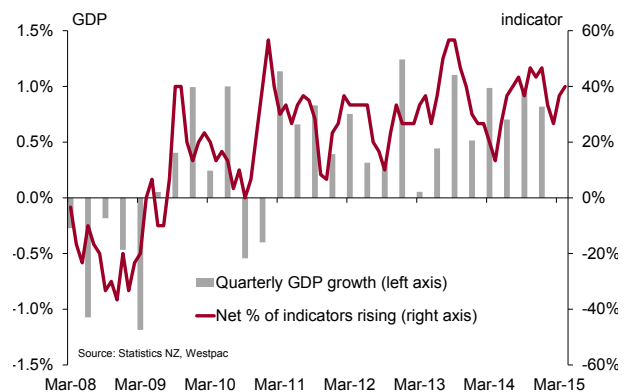
Building consents show that the centre of activity in housing construction has clearly shifted. The flow of consents for new houses in Canterbury is clearly past its peak, which is consistent with our view that the level of quake-related housing construction would peak around mid-year. In contrast, consents in Auckland have continued to ramp up, reaching their highest

in almost a decade. The fact that total consents have topped out over the last year, and that industry players are reporting significant capacity constraints, supports the idea that the quake rebuild may have been crowding out the much-needed lift in building activity in Auckland, at least until recently.

The PMI surveys for both manufacturing and services both pointed to slower growth in April; the manufacturing survey in particular has been notably softer on average in recent months, although it has been choppy. The April survey roughly coincides with the NZD/AUD exchange rate's flirtation with parity; we'll be interested to see how sentiment among exporting manufacturers fares now that the currency has considerably softened.

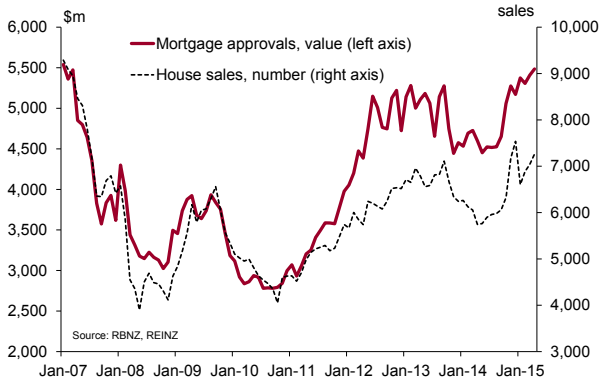
In the agricultural sector, milk production continued to rebound after the dry spell earlier in the year. In fact the effects of dry weather are still apparent in the data. The milking season was effectively wound down early in the drought-stricken South Island, but this was more than offset by a very strong end to the season in the North Island. That provides a mixed signal for expected production in the new season: the return to 'normal' in the South Island might outweigh the disincentive effect of a low milk price for a second consecutive season.

Local Knowledge indicators and quarterly GDP



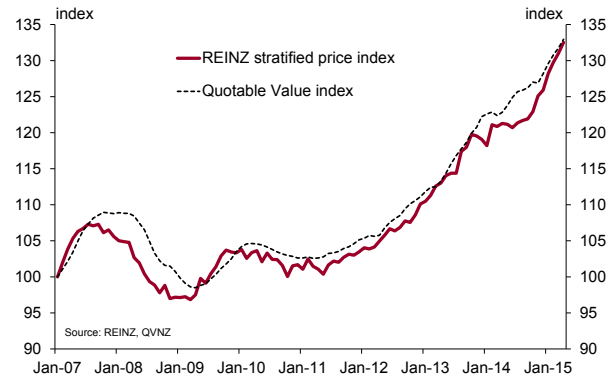
Michael Gordon
Senior Economist

Housing turnover



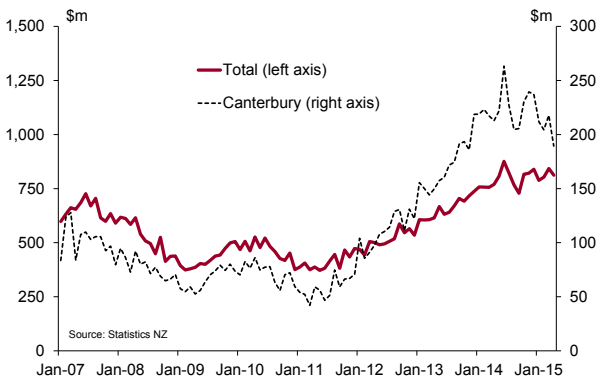
Apr mortgage approvals +1.4%
Apr house sales +3.2%

House prices



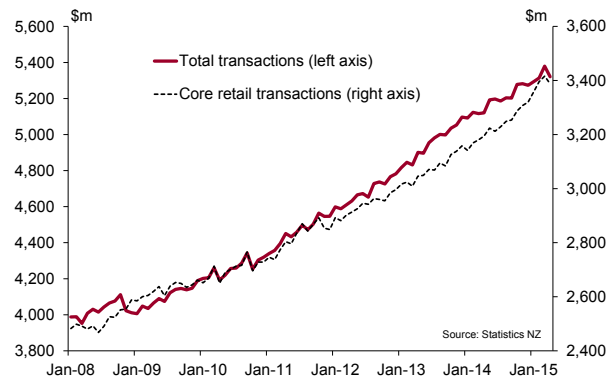
Apr REINZ price index +1.1%
Apr QV price index +0.9%

Residential building consents, by value



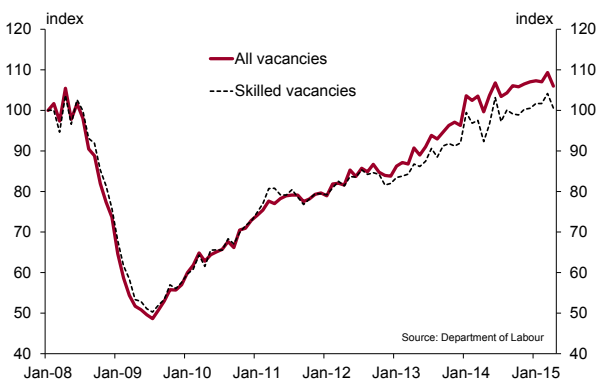
Apr building approvals -3.7%
Apr Canterbury -13.1%

Electronic card transactions



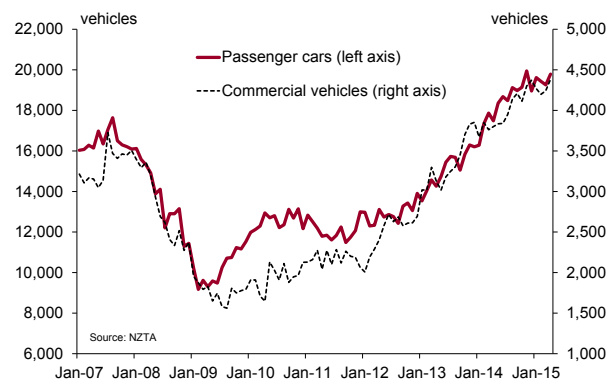
Apr total card transactions -1.1%
Apr core retail sectors -0.8%

Online job advertisements



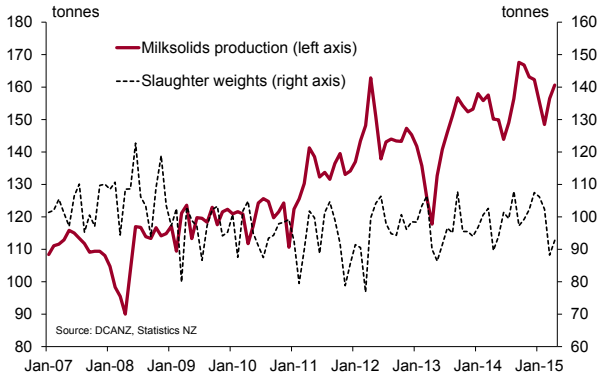
Apr online job advertisements -3.1%
Apr skilled vacancies -3.4%

Vehicle registrations



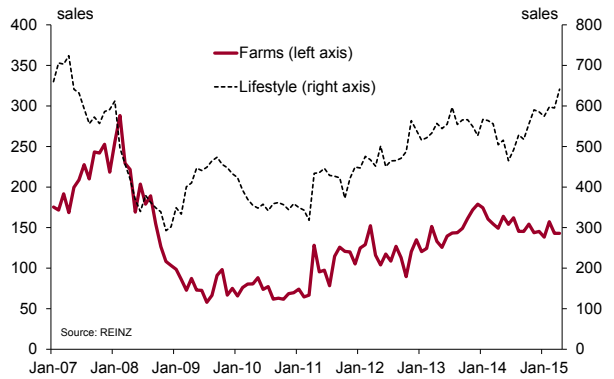
Apr passenger cars +2.8%
Apr commercial vehicles +3.3%

Agricultural output



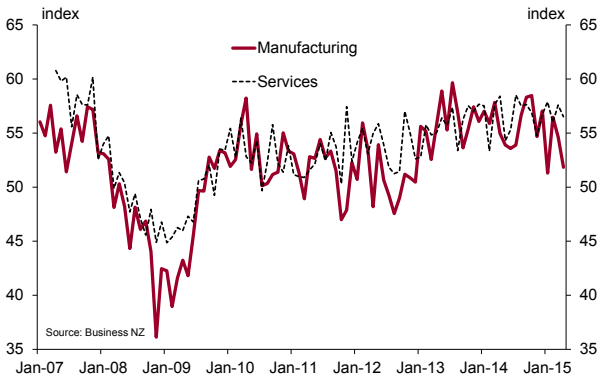
Apr milk production +2.6%
Apr slaughter weights +5.2%

Rural land sales



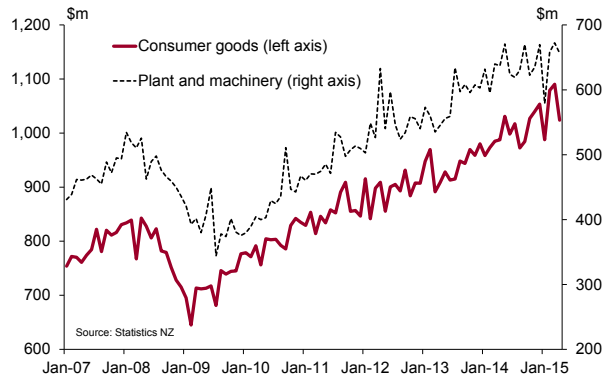
Apr farm sales -0.2%
Apr lifestyle property sales +7.8%

PMI surveys



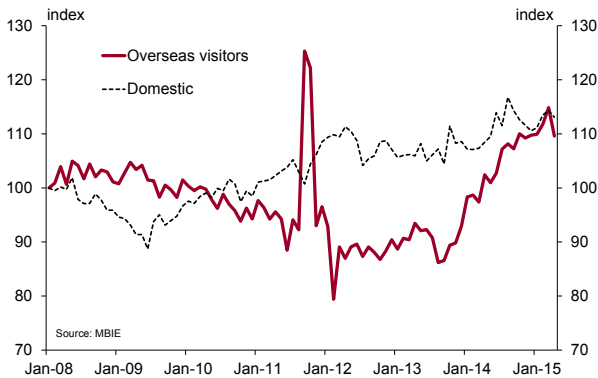
Apr manufacturing PMI 51.8
Apr services PMI 56.5

Imports, priced in foreign currency



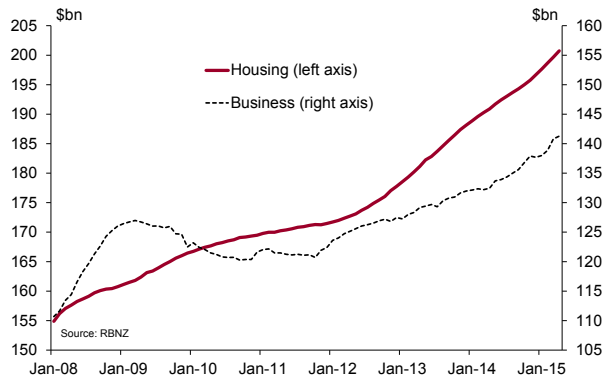
Apr consumer goods imports -6.1%
Apr plant and machinery imports -2.3%

Tourism spending



Apr overseas visitor spending -4.6%
Apr domestic tourism spending -1.1%

Credit aggregates



Apr housing credit +0.5%
Apr business credit +0.3%

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