

**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.

As we warned in our previous issue, the early timing of Easter this year has made it a little tricky to read the economic data over the last couple of months. After a fairly subdued March, a record-equalling 18 of our 20 main indicators made gains in April, with some of them recording very large percentage increases. We suspect a large part of this is due to the fact that there were two more working days than usual in April this year. If that is indeed the cause, it's likely we'll also see many of these indicators decline again as they return to normal in May.

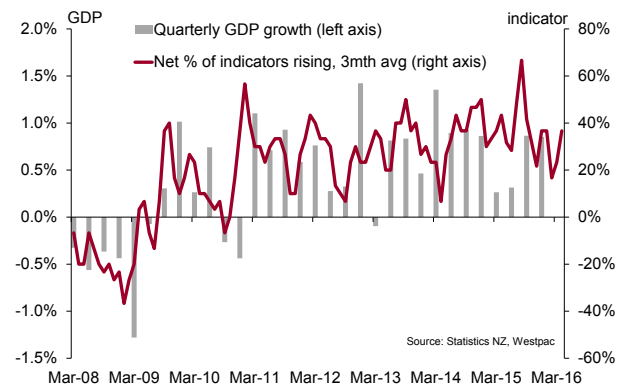
Looking through this short-term quirk as best we can, our indicators seem to be pointing to more of the same: steady but not spectacular growth in the local economy. That's consistent with the message from our latest quarterly *Economic Overview*. We highlighted that New Zealand has entered a new phase where activity is increasingly being fuelled by household borrowing and spending on the back of rising asset values, which is not a sustainable source of growth over the long term. That's not to say that we think the economy is destined to come down in a screaming heap any time soon. On the contrary, we've emphasised that the borrow-and-spend dynamic is quite capable of powering economic growth for another year or two yet.

The housing market continued to heat up in April. House prices have now risen above their late 2015 peaks, and sales are not far behind. The impact of last year's regulations, aimed at dampening Auckland house price growth in particular, has proven to be very short-lived. What's more, the rebound in the housing market has been accompanied by accelerating household borrowing – the 0.8% increase in housing credit was the biggest monthly increase since early 2008. So it's not at all surprising to see that the Reserve Bank is looking at expanding its macro-prudential toolkit to include debt-to-income ratio limits.

While housing turnover is running hot, housing construction has turned into something of a disappointment. After a flurry of building consents toward the end of last year, the growth pulse has flattened out this year. (The jump in Canterbury consents in April was a one-off related to a retirement village; the trend remains down now that the quake rebuild has passed its peak.) Notably, consents have even been declining in Auckland, where the need for more dwellings is most pressing. We suspect that the uncertainty around changes to zoning policies in Auckland is causing some developers to hold back. If so, we should see a rebound in consents towards the end of this year, once the city's Unitary Plan is finalised.

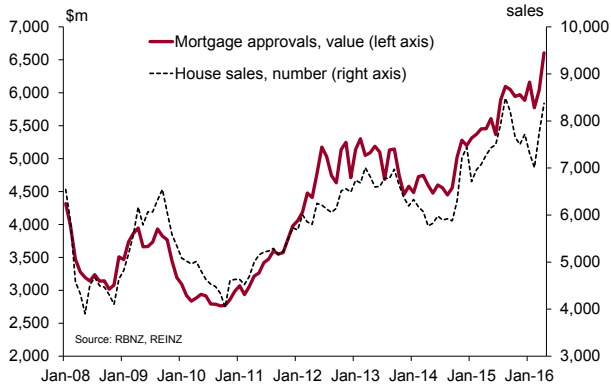
The other underperformer in our April indicators was tourist spending, which has flattened out in recent months after a strong surge in 2015. Tourist numbers themselves have continued to grow strongly, but the average spend per person appears to be declining again. We still see the tourism sector as a relatively bright spot for the economy, but those looking to last year's growth as a guide to the near future may need to temper their expectations.

#### Local Knowledge indicators and quarterly GDP



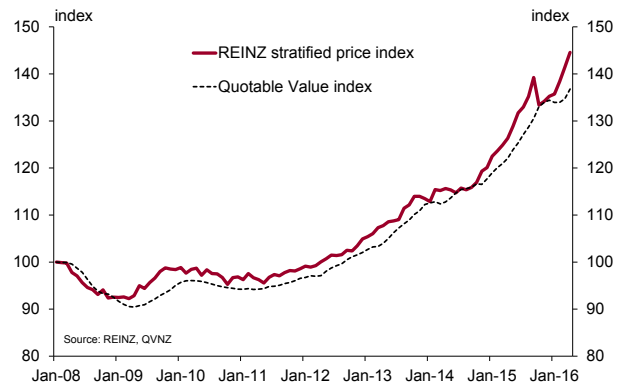
**Michael Gordon**  
Senior Economist

### Housing turnover



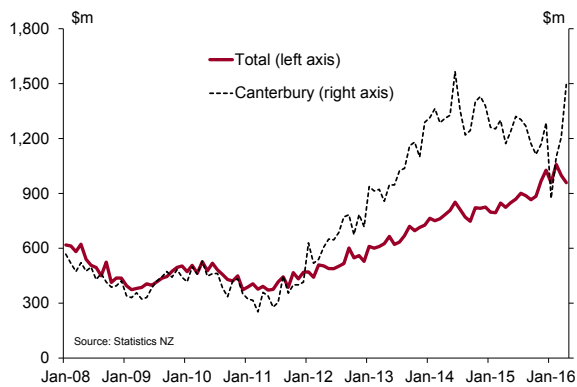
Apr mortgage approvals +9.4%  
Apr house sales +8.0%

### House prices



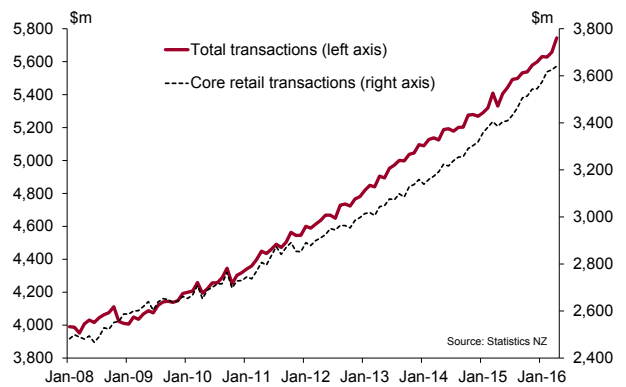
Apr REINZ price index +2.2%  
Apr QV price index +1.5%

### Residential building consents, by value



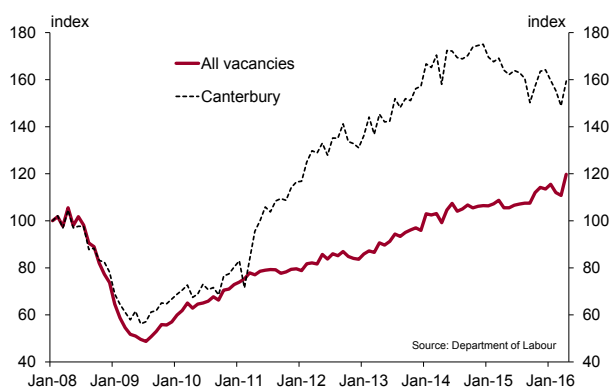
Apr building approvals -3.9%  
Apr Canterbury +23.9%

### Electronic card transactions



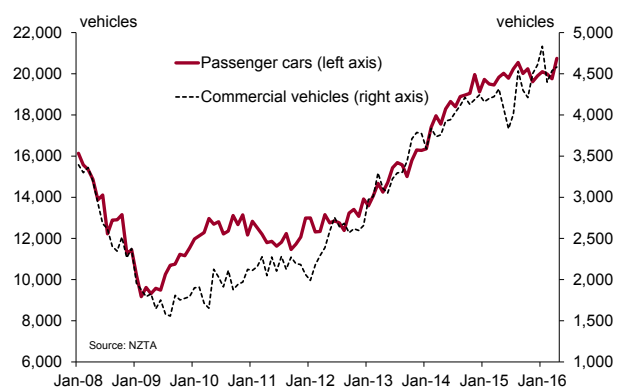
Apr total card transactions +1.5%  
Apr core retail sectors +0.4%

### Online job advertisements



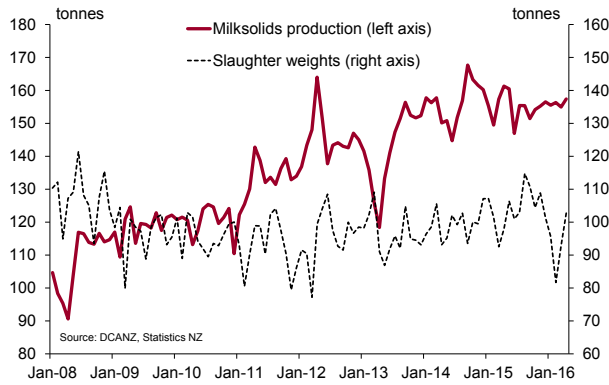
Apr online job advertisements +8.1%  
Apr Canterbury +7.1%

### Vehicle registrations



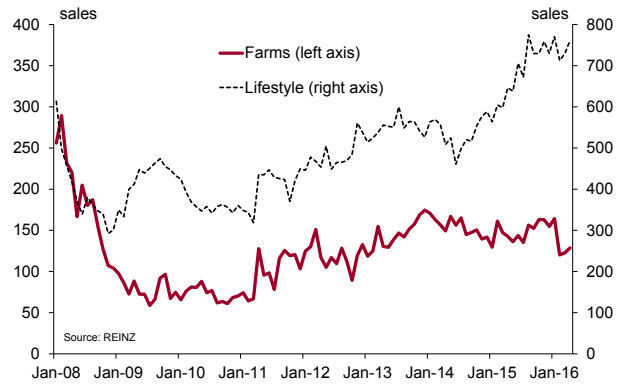
Apr passenger cars +5.0%  
Apr commercial vehicles +1.0%

### Agricultural output



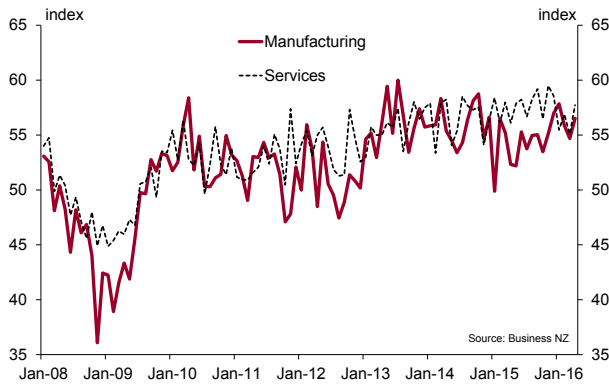
Apr milk production +1.6%  
Apr slaughter weights +10.9%

### Rural land sales



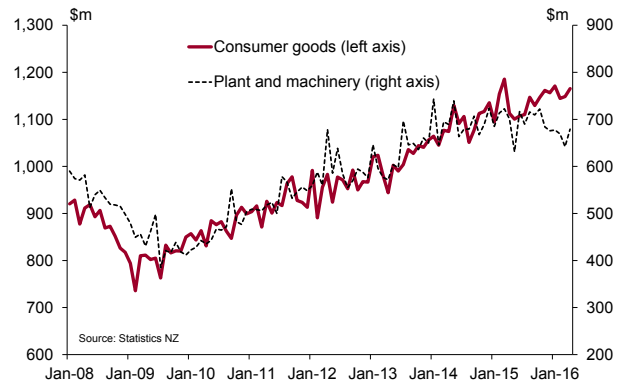
Apr farm sales +4.8%  
Apr lifestyle property sales +4.4%

### PMI surveys



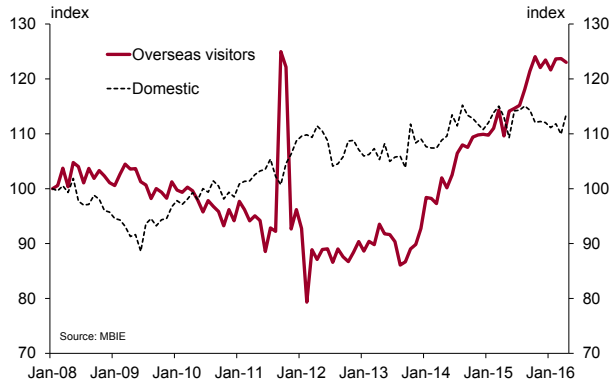
Apr manufacturing PMI 56.5  
Apr services PMI 57.7

### Imports, priced in foreign currency



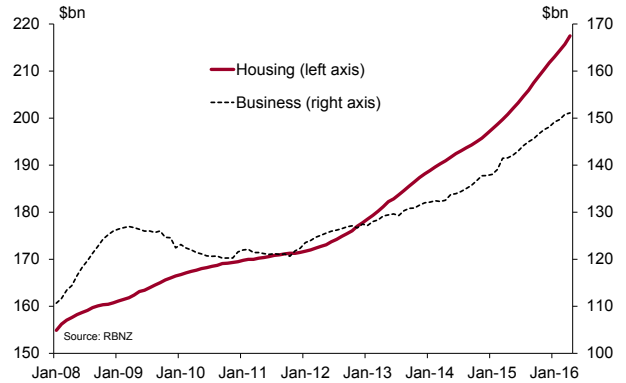
Apr consumer goods imports +1.5%  
Apr plant and machinery imports +5.8%

### Tourism spending



Apr overseas visitor spending -0.5%  
Apr domestic tourism spending +3.3%

### Credit aggregates



Apr housing credit +0.8%  
Apr business credit +0.2%

## Westpac economics team contact details

**Dominick Stephens**, Chief Economist  
+64 9 336 5671

**Michael Gordon**, Senior Economist  
+64 9 336 5670

**Satish Ranchhod**, Senior Economist  
+64 9 336 5668

**Anne Boniface**, Senior Economist  
+64 9 336 5669

**David Norman**, Industry Economist  
+64 9 336 5656

Any questions email:  
economics@westpac.co.nz

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