



# NEW ZEALAND ECONOMIC UPDATE

August 2008

## NATIONAL ECONOMIC UPDATE

This New Zealand Economic Update is produced monthly and presents current information on recent national business events, along with an update of key economic indicators.

### EMPLOYMENT IMPROVES

Statistics New Zealand's Household Labour Force Survey (HLFS) for the June 2008 quarter recorded an increase in seasonally adjusted employment of 1.2% to reach 2,169,000 persons employed. This was equivalent to an additional 26,000 people being employed over the quarter, which almost offset the previous quarter's decrease of 27,000. Accordingly, annual employment for the year ended June 2008 increased by 15,000 (0.7%).

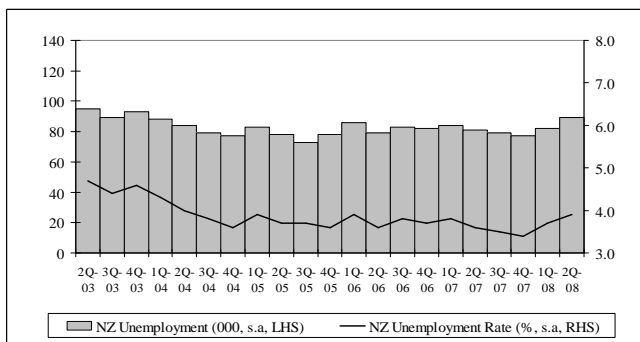
Both full-time and part-time employment increased over the June 2008 quarter, leading to the second highest level of employment recorded since the survey began. Full-time employment rose by 17,000 (1.0%) over the June 2008 quarter, predominantly driven by growth in female full-time employment of 15,000.

On an annual basis, female full-time employment grew by 12,000 (1.9%), while male full-time employment declined by 6,000 (0.5%). Part-time employment grew by 8,000 (1.6%) over the June 2008 quarter. Seasonally adjusted male part-time employment increased by 5,000, while female part-time employment increased by 1,000 over the June 2008 quarter.

The labour force participation rate for the June 2008 quarter increased by 0.9% to reach 68.6%. The total labour force increased by 33,000 (1.5%) over the June 2008 quarter.

The number of people unemployed over the June 2008 quarter increased by 7,000 to 89,000 (seasonally adjusted). This pushed the unemployment rate up from 3.7% in March 2008 to 3.9% in June 2008.

At a regional level the Auckland Region has contributed significantly to rising unemployment over the year to June 2008. Accounting for 31% of the New Zealand's labour force, the Auckland Region's unemployment rate has increased by 1.1% over the past 12 months to 4.4%.



Source: HLFS, SNZ

## MONTHLY EXPORTS REACH HIGH

July 2008 saw the value of merchandise exports reach \$3,421 million. Despite a fall of \$175 million on June 2008, merchandise exports grew by \$781 million or 29.6% on July 2007. This represented the highest level of merchandise exports recorded in a July month.

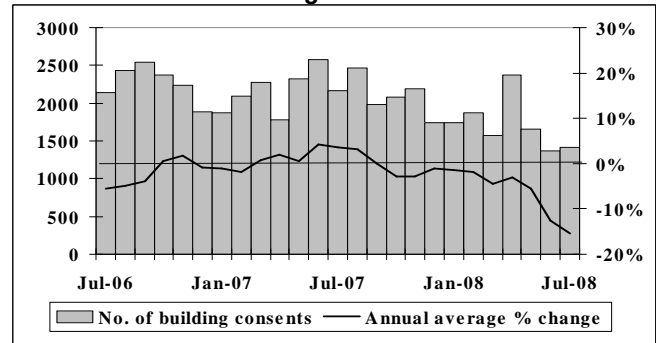
Crude oil and dairy products were the main contributors to the increased value of exports in July 2008. The value of crude oil exports was around \$316 million in July 2008, up from \$50 million recorded in July 2007. Since August 2007 (the first full month of production from the Tui oilfield), the value of monthly crude oil exports has ranged from \$130 million to \$332 million due to the large and irregular nature of crude oil shipments.

The value of exported dairy products, including milk powder, butter and cheese, reached \$569 million in July 2008, an increase of 51% (\$192 million) compared to July 2007. The rise in milk powder and butter were the result of a combination of increased price and quantity.

Merchandise imports increased \$754 million (21.9%) on July 2007 levels to reach \$4,202 million in July 2008. The monthly trade deficit stood at \$781 million for July 2008.

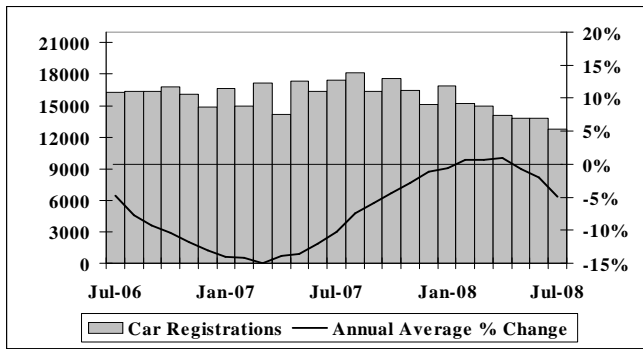
## KEY INDICATOR TRENDS

### Building Consents



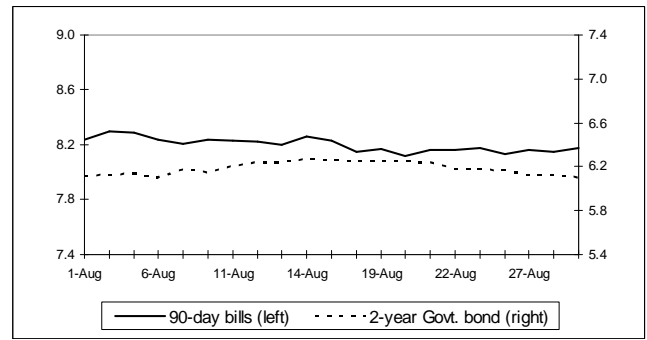
Source: Dept of Statistics Building Surveys and Vitals Section

There were 1,410 consents valued at around \$393.5 million issued for new dwellings during July 2008. The volume of consents issued for new dwellings in July 2008 represented an increase of 48 consents compared with the level of consents issued in June 2008, but represented a decrease of 750 (34.7%) consents compared with July 2007. As a result, the annual average growth rate in building consents was negative 15.5% for the year ended July 2008.



Source: Land Transport Safety Authority

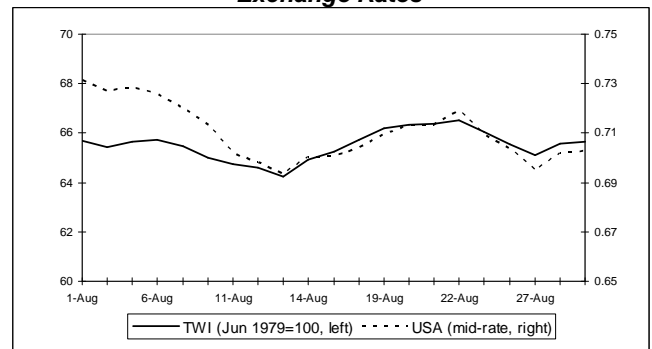
Only 12,718 cars (including both new and ex-overseas car types) were registered nationwide during July 2008. This represented a new low, below the previous low of 13,802 cars registered in June 2008. Accordingly, the average annual growth rate in car registrations was negative 4.9% for the year ended July 2008.



Source: Reserve Bank of New Zealand

New Zealand wholesale interest rates and bond markets showed a declining trend during August 2008. By 29 August 2008 the 90-day bill rate had declined to 8.18% from 8.34% recorded at the end of July 2008.

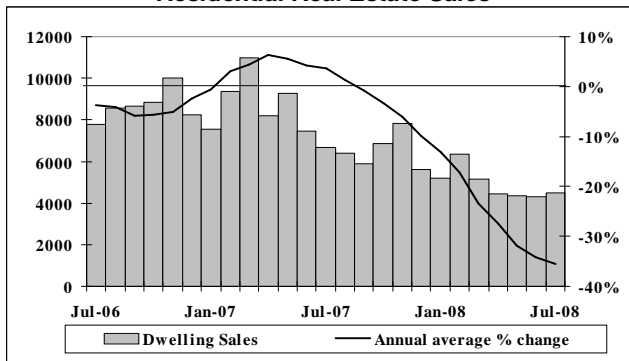
### Exchange Rates



Source: Reserve Bank of New Zealand

By the end of August 2008 NZ\$1.00 could buy US \$0.70, with the trade-weighted index (TWI) at 65.7 points.

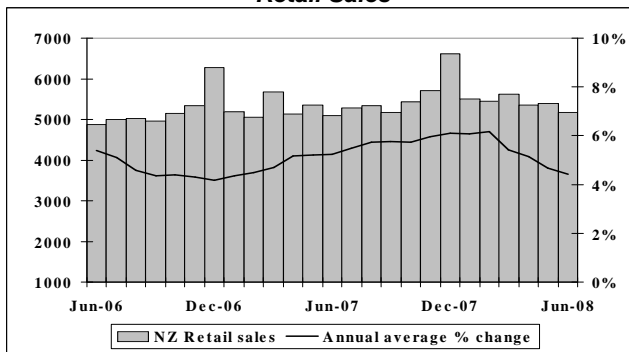
### Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

There were 4,489 houses sold with a median sale price of \$340,000 during July 2008. The volume of house sales in July 2008 was greater than the 4,305 house sales recorded in June 2008, but much lower than the 6,660 house sales recorded in July 2007. This has taken the annual average growth rate in the number of houses sold to negative 35.6% for the year ended July 2008.

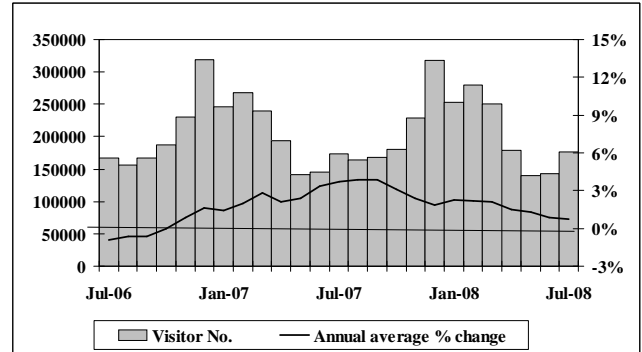
### Retail Sales



Source: Business Statistics Section, Statistics New Zealand

New Zealand's nominal (total) retail sales decreased from \$5,399 million recorded in May 2008 to \$5,171 million recorded in June 2008, which was greater than the \$5,096 million recorded in June 2007. The annual average growth rate in the total nominal value of New Zealand's retail sales was 4.4% for the year ended June 2008.

### International Arrivals



Source: Statistics New Zealand

There were 175,738 overseas arrivals to New Zealand in July 2008, an increase from the 142,413 overseas arrivals recorded in June 2008. The annual average growth rate in overseas arrivals was 0.7% for the year ended July 2008.

## Summary

The New Zealand economy has endured a difficult economic situation over the first half of 2008, with significant rises in food and fuel prices, a stagnant housing market, drought, electricity shortages and the failure of some financial institutions. As a consequence New Zealand's GDP contracted over the first half of 2008.

High commodity prices, especially for dairy products, are a positive for the New Zealand economy. In spite of losing some momentum, domestic demand is still strong, the labour market remains tight and interest and exchange rates have started to ease.

According to the National Bank's (NB) August 2008 Business Outlook Survey, firms' expectations of their own real business activity in 12 months' time improved from a net negative 8% in July 2008 to a net 5%. As petrol prices come off the highs of previous months and with expected interest rate cuts to come, firms appear to be regaining some confidence.

**Disclaimer:** This national economic update is produced monthly by APR Consultants. Although the update incorporates the most recent information available, many of the figures are provisional. Accordingly, no liability can be accepted for the accuracy of the material contained. Businesses and individuals are advised to seek professional advice before making major business decisions and any decisions based on the information contained in this report are made entirely at their own risk.