

Tracking the Economy

Mixed signs for recovery

There are mixed signs for the domestic recovery. Global growth has slowed and the debilitating European debt crisis continues. Migration overseas has turned negative, draining New Zealand of valuable human capital. Canterbury has been particularly affected since the devastating earthquakes. Headline inflation has eased though, the annual CPI at 2.5% excluding the GST increase. There is now less pressure on the RBNZ to lift the OCR.

Global outlook bleak

The global economy is stagnating. Economic growth has slowed and future prospects are dimming. The United States and United Kingdom are flat-lining. Austerity measures and economic inequality are fuelling tension across the globe. China and Australia's growth is easing, and the European debt crisis continues. The EU is holding an emergency summit to find a bail-out solution.

New Zealand will be affected by the global slowdown. Exports and tourist numbers will decline, and borrowing costs will rise. The extent will depend on the European bailout. Exporters face a difficult future.

Net migration negative

Net migration has turned negative again. There was a net loss of 700 people in September 2011. For the year to September 2011, net migration was the lowest since 2001. The continual loss of human capital will be a drain on the economy and dampen New Zealand's future prospects.

Canterbury has been especially affected following the devastating earthquakes. Christchurch's population has decreased by 8,900 people in the year to June 2011. Migrant departures from Canterbury have significantly increased, while others have moved to the surrounding regions. The loss of human capital will damage the region's recovery.

CPI lower than expected

The CPI rose just 0.4% in the September 2011 quarter, lower than expected. Core inflation was also subdued. Falls in petrol prices and communication costs were significant factors behind the lower CPI. Annual inflation eased to 4.6%. Excluding the GST increase, the CPI would have increased 2.5% for the year.

Inflation is expected to remain subdued for the time being. The Canterbury rebuild is fuelling cost pressures in the construction sector, but these are not looking to spillover yet.

Cup boosts visitor numbers

The Rugby World Cup has raised visitor numbers. Short-term arrivals in September 2011 were 26% higher than 12 months previous. Rugby World Cup arrivals accounted for over a third of that, with most visitors coming from Australia and Europe. Retailers expecting a large spend-up from these visitors have been disappointed though.

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