

## Tracking the Economy

### Stalled economy

The recovery has stalled. Confidence measures have fallen and surveys of manufacturing and services are at or near contraction. The recent housing recovery is also fading. The Rugby World Cup boosted spending in hospitality, accommodation and transport. But the underlying momentum in the economy has stalled. Global risks remain elevated with both Greece and Italy replacing elected officials with technocrats. A weak domestic economy and continued global risks mean the RBNZ will not raise interest rates until 2013.

### Descending gloom

Confidence is falling, signalling a stalling recovery. Both consumer and business confidence measures have reversed sharply in recent months.

Activity has slowed sharply in surveys of manufacturing and services sectors. Manufacturing has slumped into outright contraction, to the weakest level since June 2009. Services activity has also stalled, but remains barely positive.

Auckland has been a key bellwether of the recent economic cycle, and manufacturing and services activity is slumping in the region. This hints at a descending gloom heading into the Christmas season.

### Housing market fading

The recent recovery in the housing market is fading. House sales fell consecutively in September and October and house prices are trending sideways. The level of activity remains at a historically low level. Despite very low interest rates there does not appear to be much demand for house purchases. This may be because prices are still too high relative to incomes, as house prices haven't fallen despite the recession.

### Rugby World Cup boost

The Rugby World Cup boost to spending is now becoming apparent in the accommodation and retail sectors. The impact has been pronounced in Auckland, but it is barely visible elsewhere.

Total guest nights in September rose by 0.3% from a year earlier. A 20.7% increase in international guest nights was mostly offset by a 12% fall in domestic guest nights.

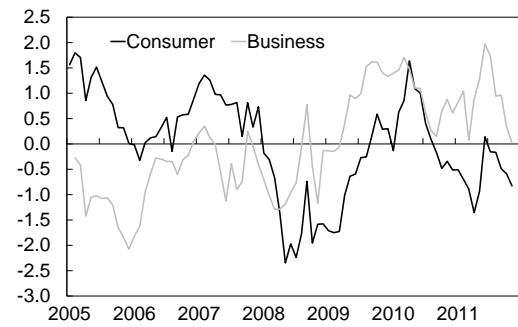
Retail spending was also boosted by the Rugby World Cup, with a 2.1% increase in the September quarter, up 6.4% over the year. More evidence of Kiwis staying at home has been seen in retail spending data, with the biggest increase in spending in supermarkets and groceries. Visitor related industries such as accommodation and eating out also rose strongly. NZIER estimates retail spending accelerated by \$65 million, with around a quarter of this from tourism related sectors and the remainder from other sectors.

**Written by Peter Nicholls**

Word count: 385

### Consumer & business confidence

Standard deviation from mean

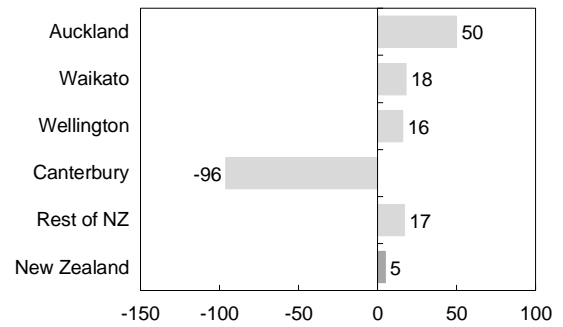


Source: ANZ-Roy Morgan, BNZ, NZIER



### Regional guest nights changes

September 2010 and 2011, (000s)

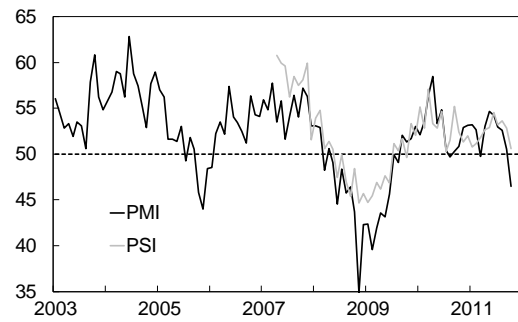


Source: Statistics NZ



### Performance of manufacturing & services indices

Index, >50 = expansion

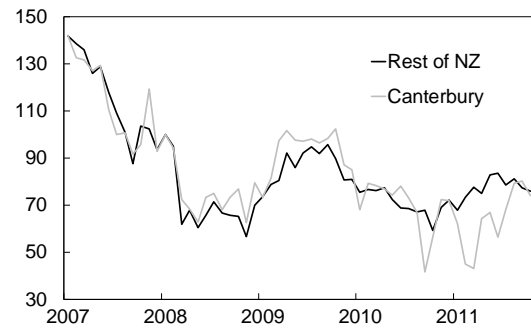


Source: BNZ-Business NZ



### House sales – Canterbury and NZ

Index, January 2008 = 100



Source: REINZ, NZIER

