

20 June 2016

More Pop

Latest figures show the economy grew 2.8% in the year to March 2016. The current expansion is underpinned by more people with the population rising 2.1% over the period to 4.66 million (with some per capita growth as well). Strong and sustained net immigration has been an important component of the population increase. This has lifted activity in many industries, including across the service sector. Today's Performance of Services Index for May, at 56.9 overall, suggests robust growth has continued into the heart of the second quarter. Sales activity and new orders remain particularly strong, with their index levels both right up above 60.

More People

Meanwhile, the tourism boom thunders on. A huge influx of tourist arrivals over recent years has added to the pervasive influence that more people are having on economic activity. The number of tourist arrivals for the first four months of 2016 was 12% more than for the same period a year earlier. It's very strong growth. More timely indicators suggest strong growth continued in May. Importantly, tourist spending has helped offset the extreme weakness in dairy from a foreign exchange earning point of view (as has buoyant returns in forestry, beef, kiwifruit, apples and wine) such that the nation's external deficit remains smaller than usual.

More Employment

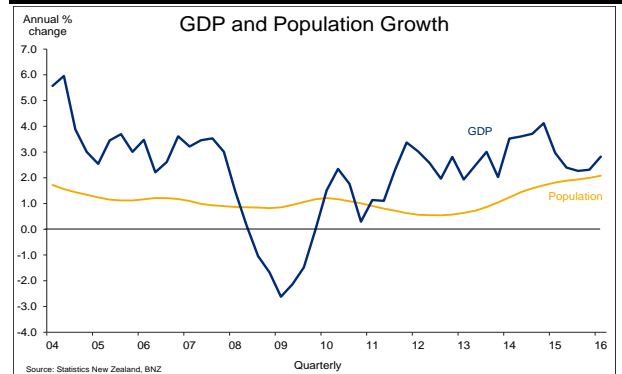
Another encouraging feature of today's PSI report was another tick higher in the employment index. In rising to 54.5 in May, from 53.8 in April, it pushed further above its long term average of 51.3. Combined with the bounce we saw in last week's Performance of Manufacturing Employment Index for May it suggests overall labour demand remains buoyant. It all fits with our forecasts of decent employment growth and a marginally lower unemployment rate in Q2.

More Sales

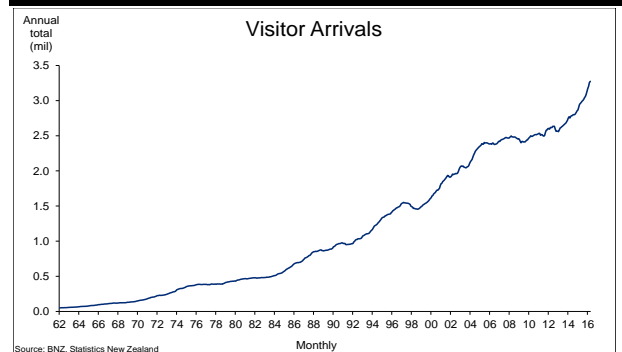
The people effect is reflected in many areas such as the housing market via more house sales, higher prices, and increasing house construction. Commercial accommodation providers are seeing occupancy rates trend firmly higher. And retail sales are rising strongly. For example, the value of electronic card transactions at core retail outlets in May was 6.7% higher than a year earlier. Today's PSI retail component jumped to 61.2. That isn't seasonally adjusted making it a particularly strong result for this time of year. The PSI retail index has averaged around 48 over previous May months since the survey started back in 2007. The strong retail indicator has likely been supported by more people but maybe also by the fact that this May was the warmest on record encouraging the populace to get out and about.

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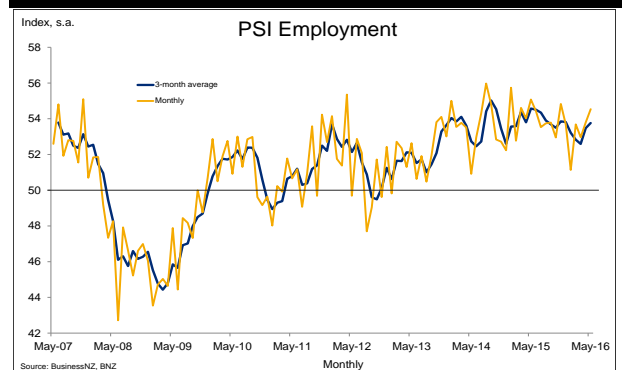
Economic Growth Pops Higher



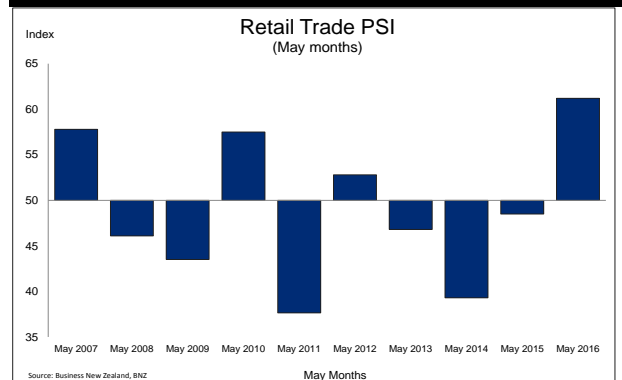
Visitors Go Vertical



Sector Sector Employment Expanding



PSI Retail Record For May



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