Banking sector funds current account deficit

Embargoed until 10:45am – 22 December 2016

New Zealand's seasonally adjusted current account deficit increased to $1.9 billion in the September 2016 quarter, Statistics New Zealand said today. This is a small increase from the June quarter deficit of $1.8 billion and was funded by the banking sector.

Within the current account, New Zealand's export goods were worth $686 million less than import goods in the September 2016 quarter. The goods trade shortfall in the latest quarter was up $190 million from the June 2016 quarter, after accounting for usual seasonal patterns.

"New Zealand spent more on imports of goods, and earned less from exports of goods this quarter," international statistics senior manager Jason Attewell said.

Meat (New Zealand's second largest export commodity) led the fall in export goods, down $235 million. Falls in fruit exports also added to the overall drop, while dairy exports showed little change. These falls were partly offset by a $43 million rise in exports of logs and timber.

Other contributions to the larger current account deficit were:

- New Zealand's offshore investments earned less income, the main factor driving a $71 million increase in the investment income deficit
- foreign tourists spent less in New Zealand, leading to a $16 million fall in the services surplus, with services exports falling more than services imports.

New Zealand's annual current account deficit was $7.5 billion (2.9 percent of GDP) for the year ended September 2016. The current account deficit for the year ended September 2015 was $8.5 billion (or 3.5 percent of GDP).

A balance of payments deficit means New Zealand imports more goods, services and capital combined than it exports. The current account balance is seen as an important indicator of a country's financial state.

Banking sector drives net inflow of investment

New Zealand's financial account had a net inflow of $5.3 billion in the September 2016 quarter.

"When New Zealand spends more on imports than we earn from exports, this extra spending needs to be funded from external sources," Mr Attewell said. "Much of this inflow was due to foreign-owned banks increasing their long-term borrowings."

New Zealand's net international liability position was $166.2 billion (64.9 percent of GDP) at 30 September 2016, up from a revised $163.0 billion (64.4 percent of GDP) at 30 June 2016. The value of our liabilities increased by $2.5 billion while the value of our assets decreased by $710 million.

Due to the 14 November earthquake we delayed this release from its scheduled date of 14 December 2016. This allowed us to undertake our normal quality assurance processes to ensure we met our regular quality standards.

Ends

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Authorised by Liz MacPherson, Government Statistician, 22 December 2016