

## Gross Domestic Product: December 2016 quarter

Embargoed until 10:45am – 16 March 2017

### Key facts

Economic activity, as measured by gross domestic product (GDP), grew 0.4 percent in the December 2016 quarter.

The main movements by industry were:

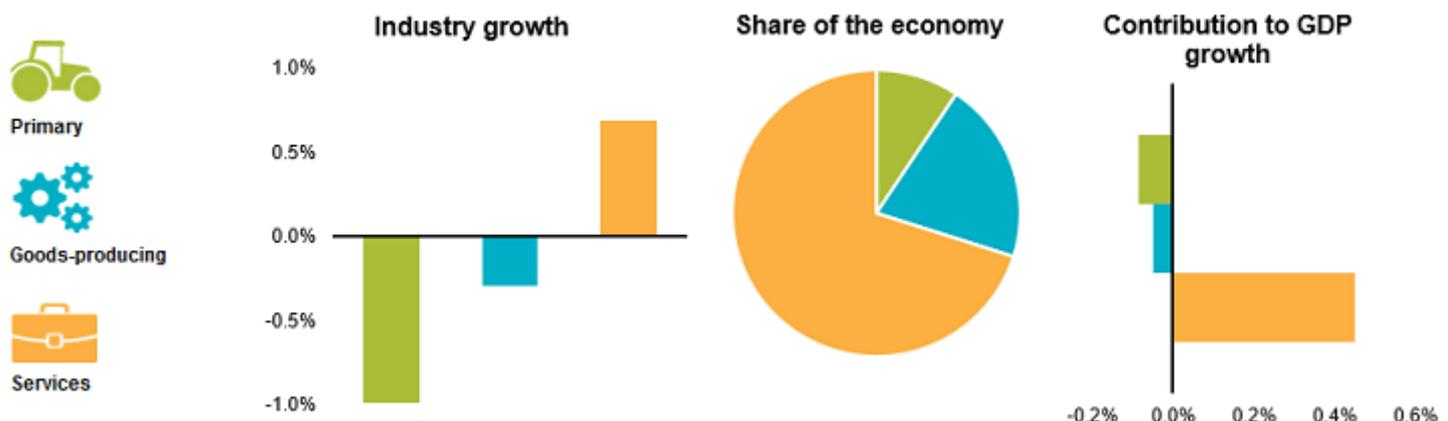
- Services was the main driver of GDP growth this quarter.
- Business services was **up** 1.7 percent, due to computer system design and related services and advertising, market research and management services.
- Arts, recreation, and other services, was **up** 3.8 percent, with repair and maintenance services the largest contributor.
- Agriculture was **down** 0.6 percent, due to falling milk production.
- Manufacturing was **down** 1.6 percent, due to decreased food, beverage, and tobacco product manufacturing.

Expenditure on gross domestic product grew 0.2 percent in the December 2016 quarter.

The main movements in GDE were:

- Household consumption expenditure was **up** 0.4 percent, driven by spending on services and durable goods.
- Investment in fixed assets was **up** 0.7 percent, due to increased investment in plant, machinery and equipment.
- Inventories **built up** \$906 million, due to distribution and manufacturing inventories.
- Exports of goods and services was **down** 3.8 percent, due to exports of dairy products.
- Imports of goods and services was **up** 1.9 percent, due to imports of machinery and plant.

GDP grew 0.4% in the December 2016 quarter



Size of the economy (GDP) **\$260 billion**

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Increases GDP	Household spending	<b>\$150 billion</b>
	Government	<b>\$50 billion</b>
	Investment	<b>\$60 billion</b>
	Exports	<b>\$70 billion</b>

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Decreases GDP	Imports	<b>\$70 billion</b>
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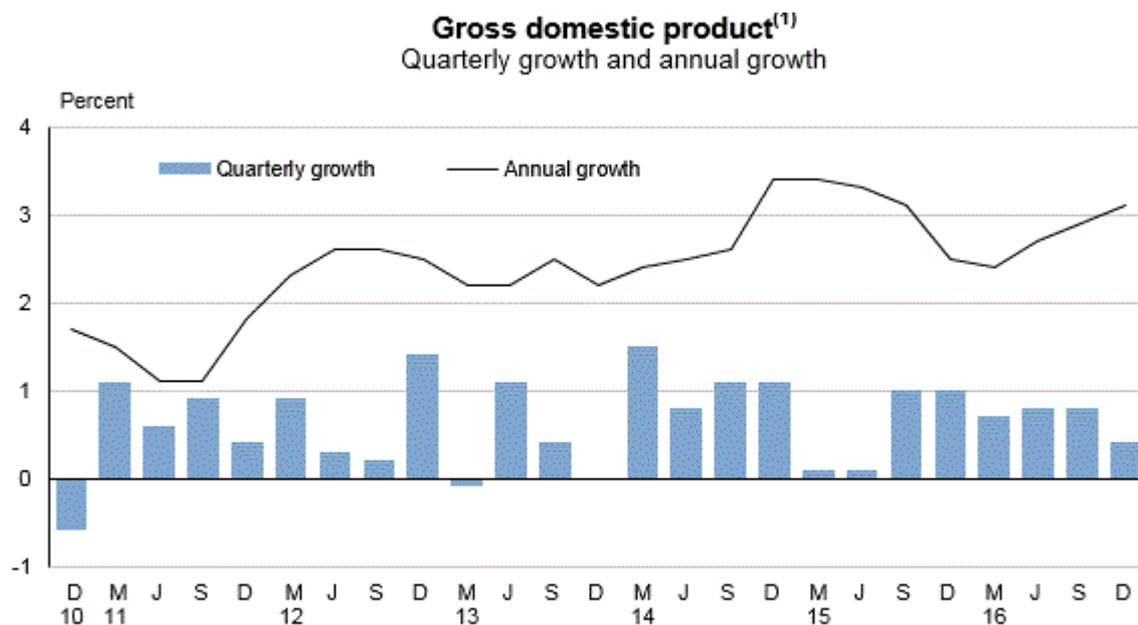
## Commentary

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## New Zealand economy grows 0.4 percent

Gross domestic product (GDP) was up 0.4 percent in the December 2016 quarter. This follows a [revised](#) 0.8 percent increase in the September 2016 quarter.

Growth for the year ended December 2016 was 3.1 percent, up from 2.9 percent for the year ended September 2016.



1. Seasonally adjusted chain-volume series expressed in 2009/10 prices.

Source: Stats NZ

Eight of 16 industries increased this quarter.

The largest increases by industry were:

- business services was **up** 1.7 percent.
- arts, recreation, and other services was **up** 3.8 percent.
- construction was **up** 1.8 percent.
- health care and residential care was **up** 1.3 percent.

The main decreases by industry were:

- manufacturing was **down** 1.6 percent.
- agriculture was **down** 0.6 percent.
- mining was **down** 2.3 percent.

## **GDP per capita falls over quarter, up over the year**

When comparing GDP growth to population change, GDP per capita was down 0.2 percent in the December 2016 quarter. This follows a revised 0.3 percent increase in the September 2016 quarter.

GDP per capita for the year ended December 2016 increased 0.9 percent.

## **Expenditure on GDP up 0.2 percent**

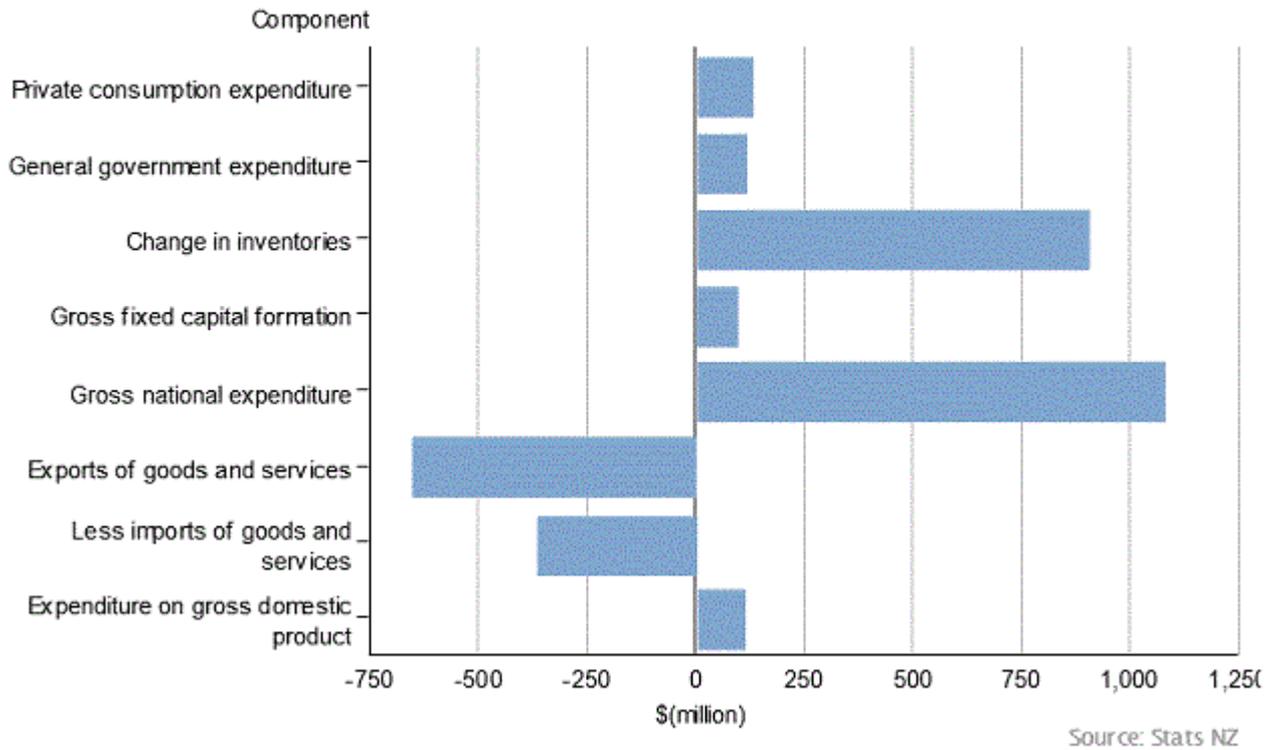
The expenditure method of GDP rose 0.2 percent in the December 2016 quarter, following a revised 0.9 percent increase in the September 2016 quarter.

**Note:** The expenditure and production measures of GDP are conceptually the same, but use different data sources, so can differ in practice. The production measure of GDP measures the volume of goods and services produced in the economy, while the expenditure measure shows how these goods and services were used. While the production-based and expenditure-based measures are both official series, the production-based measure historically shows less volatility and is the preferred series for the quarter-on-quarter changes.

The main movements in the expenditure measure of GDP this quarter were:

- exports of goods and services **fell** 3.8 percent, and imports of goods and services were **up** 1.9 percent
- household consumption expenditure was **up** 0.4 percent, due to expenditure on services and durable goods
- investment in fixed assets was **up** 0.7 percent, due to plant, machinery and equipment; intangible fixed assets; and non-residential building investment.
- inventories were **built-up** \$906 million following two quarters of big run-downs, the build-up this quarter was due to increases in manufacturing and distribution inventories.

**Gross domestic expenditure by component**  
Change from September 2016 quarter



Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

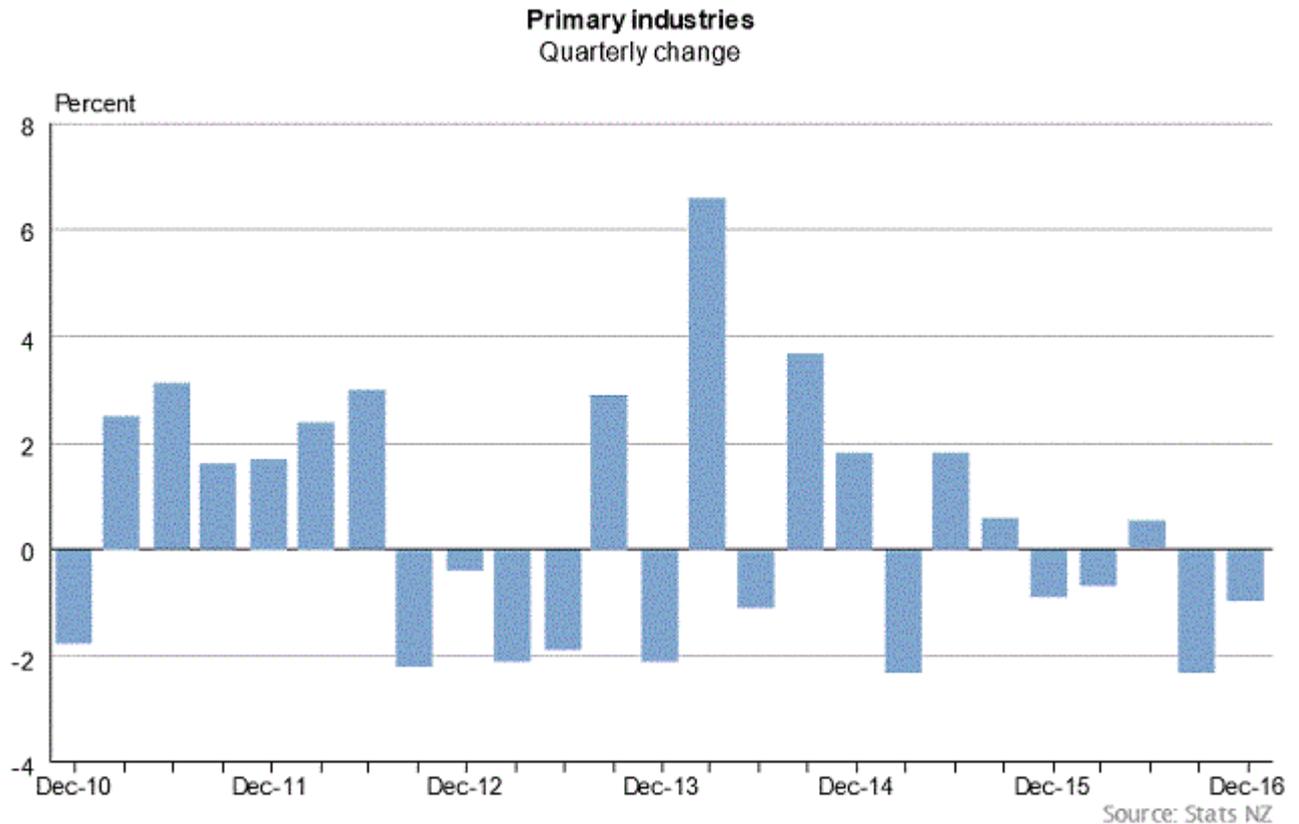
## Weaker primary sector weighs on growth

Primary industries fell 1.0 percent in the December 2016 quarter, following a 2.3 percent (revised) decline in the September 2016 quarter. Agriculture was down 0.6 percent as a result of lower than usual milk production for this time of year. The fall in milk production was one of the contributors to the fall in food, beverage, and tobacco manufacturing.

Dairy export volumes recorded a substantial fall, down 7.5 percent.

Forestry and logging declined 5.1 percent, reversing some of the 7.2 percent (revised) gains in the September 2016 quarter. Exports of forestry and logging primary products were down 9.4 percent.

Mining activity fell 2.3 percent in the December 2016 quarter with both oil and gas extraction and coal mining production down. This was reflected in a 21 percent fall in exports of coal, crude petroleum and ores, minerals and gases. Lower extraction and production also saw a fall in other mining support services.



Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

## Mixed results for service industries

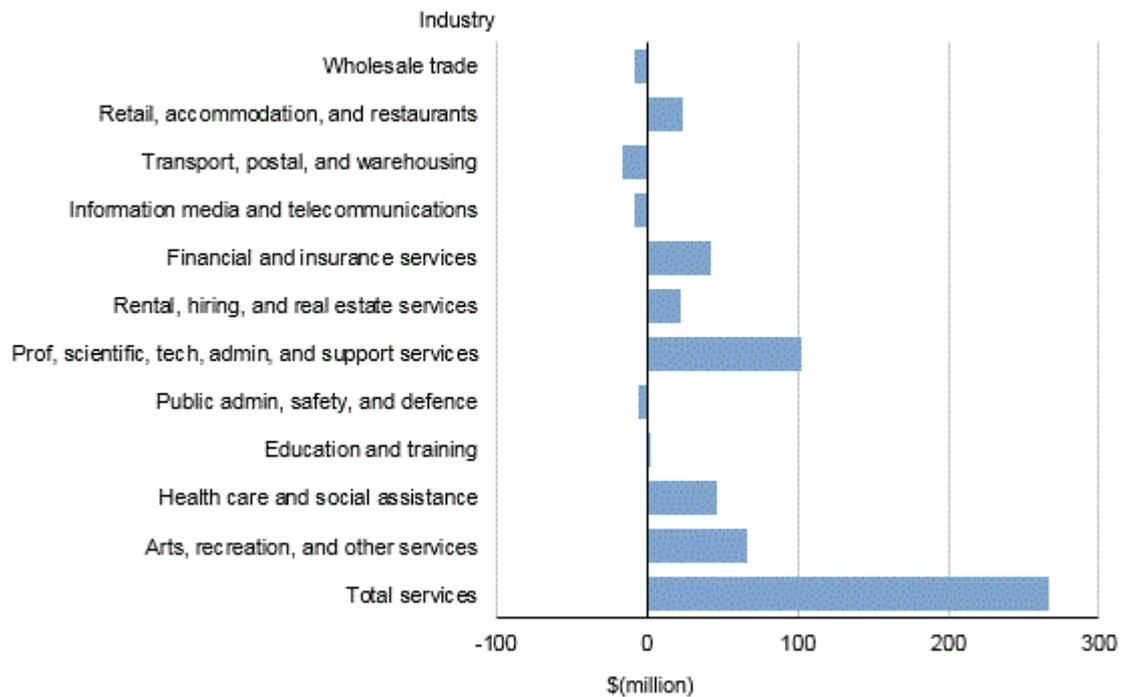
Service industries recorded an increase of 0.7 percent in the December 2016 quarter. Seven of the 11 service industries had increased activity, with the remainder showing only small falls.

The growth in services was led by a 1.7 percent increase in business services, particularly computer system design and related services, and advertising, market research and management services.

Arts, recreation, and other services (up 3.8 percent) and health care and residential care (up 1.3 percent) also showed strong activity.

The largest decline was in transport, postal, and warehousing services (down 0.7 percent). This industry reported a 3.7 percent rise in the September quarter, and was up 3.4 percent over the December 2016 year.

**Service industries<sup>(1)</sup>**  
Change from September 2016 quarter



1. Seasonally adjusted chain-volume series expressed in 2009/10 prices.

Source: Stats NZ

## Construction activity still strong

Construction activity remained strong, rising 1.8 percent over the quarter, and is now up 10.5 percent for the December 2016 year. The annual rise in construction activity is the highest since the year to December 2004.

Construction-related investment was up. Investment in other construction, (including telecommunications infrastructure and roading) was up 3.1 percent. Investment in non-residential building was up 5.0 percent. Investment in residential building was flat this quarter, due to the transfer costs component (decreasing house sales). Residential building activity was up, reflected in the 1.1 percent increase in the volume of residential building activity in Value of Work Put in Place: December 2016 quarter.

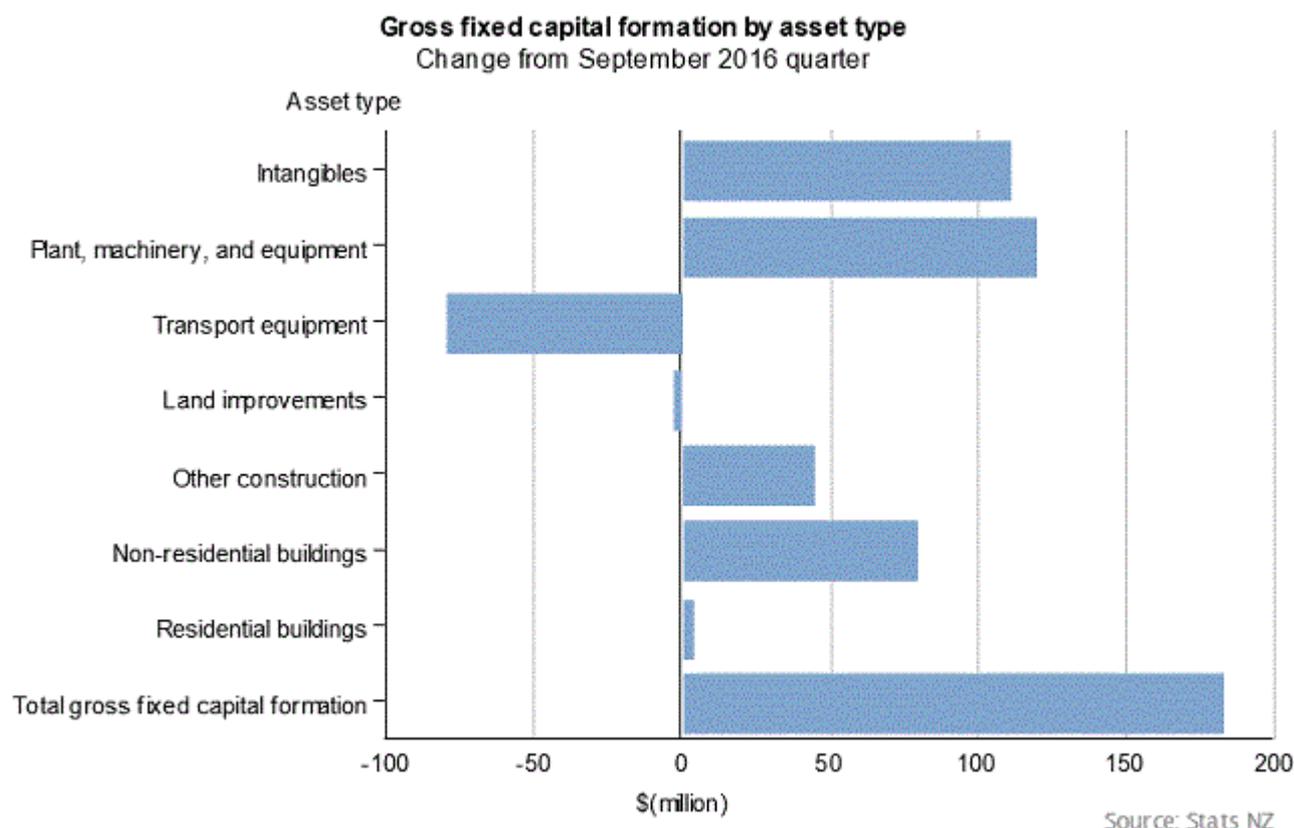
## Investment driven by capital goods imports

Overall investment in fixed assets was up 0.7 percent in the December 2016 quarter, following a revised 1.2 percent increase in the September 2016 quarter.

Plant, machinery and equipment was the main driver of investment growth this quarter (up 3.7 percent). This resulted from higher imports of capital goods.

Intangible assets also had increased investment, up 5.1 percent.

A decrease of 4.7 percent in transport equipment investment resulted from lower imports of air transport equipment.



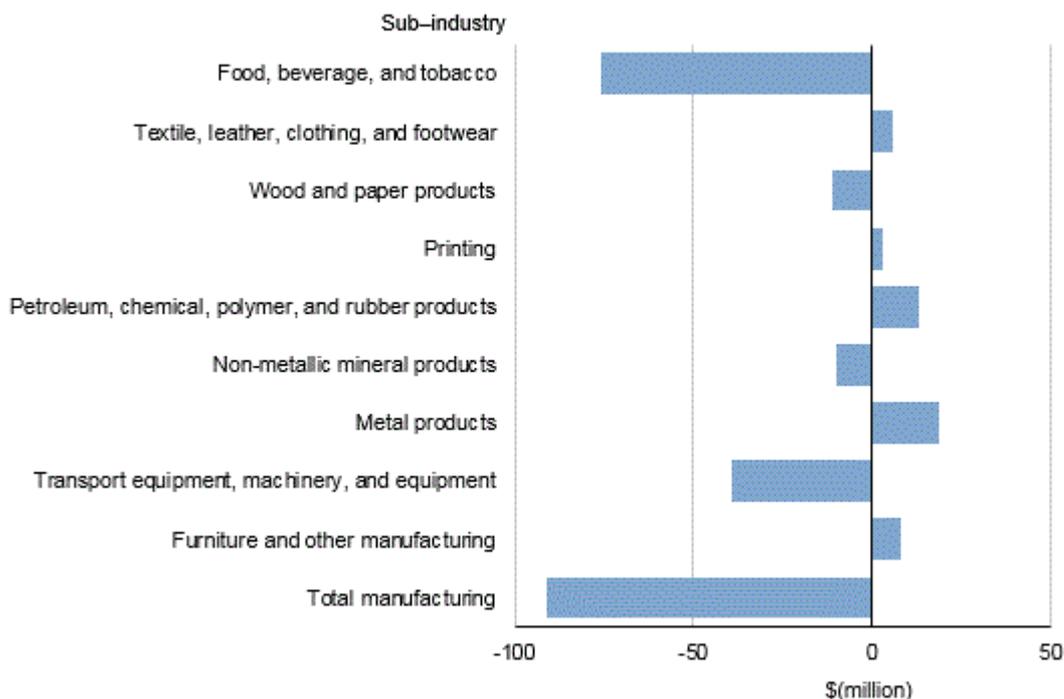
Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

## Manufacturing falls

The largest contributor to the decrease in manufacturing was food, beverage, and tobacco manufacturing (down 4.0 percent). The falls were widespread, including beverage and tobacco manufacturing; and fruit, oil, and cereal manufacturing. Transport equipment, machinery and equipment manufacturing was also down significantly (3.9 percent), reversing the growth of the September 2016 quarter.

Partly offsetting these falls were small increases in five of the nine manufacturing sub-industries, including metal product manufacturing (up 3.0 percent) and petroleum, chemical, plastic, and rubber product manufacturing (up 1.3 percent).

## Manufacturing<sup>(1)</sup> Change from September 2016 quarter



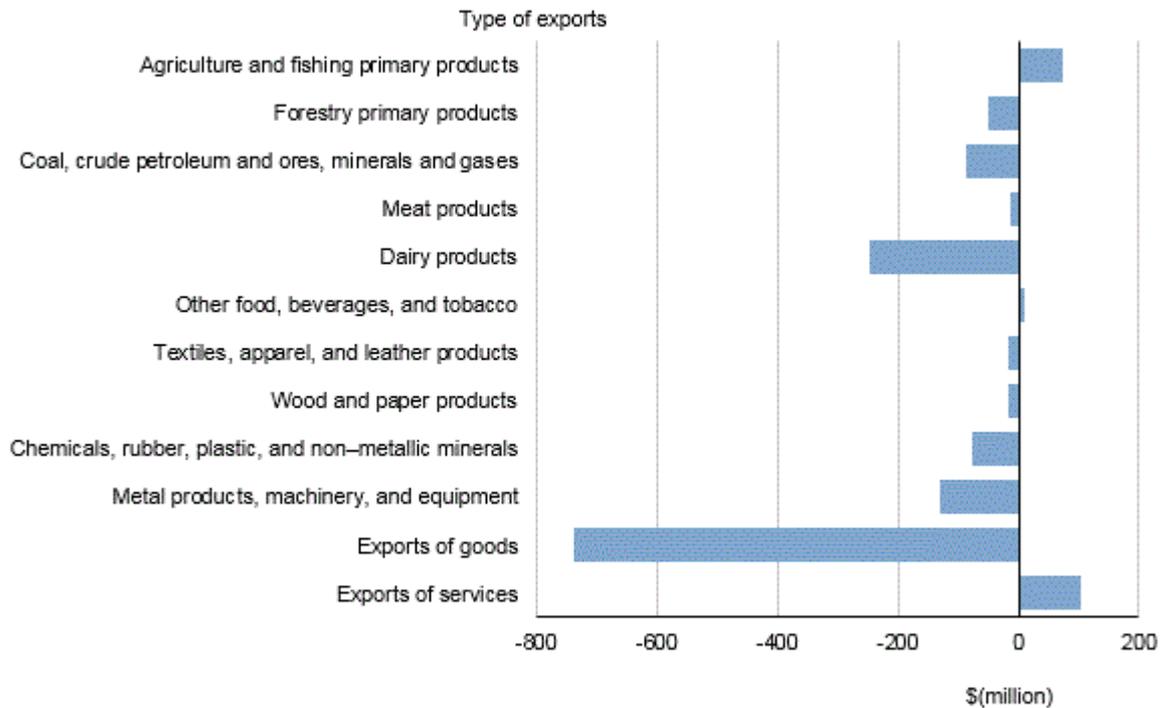
1. Seasonally adjusted chain-volume series expressed in 2009/10 prices.

Source: Stats NZ

## Record fall in goods exports this quarter

Exports of goods and services decreased 3.8 percent in the December 2016 quarter. This was due to a decrease of 6.0 percent in the exports of goods, the largest quarterly fall since 1992. This decrease was partly offset by an increase of 2.1 percent in exports of services. Dairy products (down 7.5 percent) and metal products, machinery and equipment (down 8.0 percent) showed the strongest falls. Decreases were also recorded for chemicals, rubber, plastic, and other non-metallic products (down 6.3 percent) and coal, crude petroleum and ores, minerals and gases (down 21 percent).

## Exports of goods and services by type<sup>(1)</sup> Change from September 2016 quarter



1. Seasonally adjusted chain-volume series expressed in 2009/10 prices.

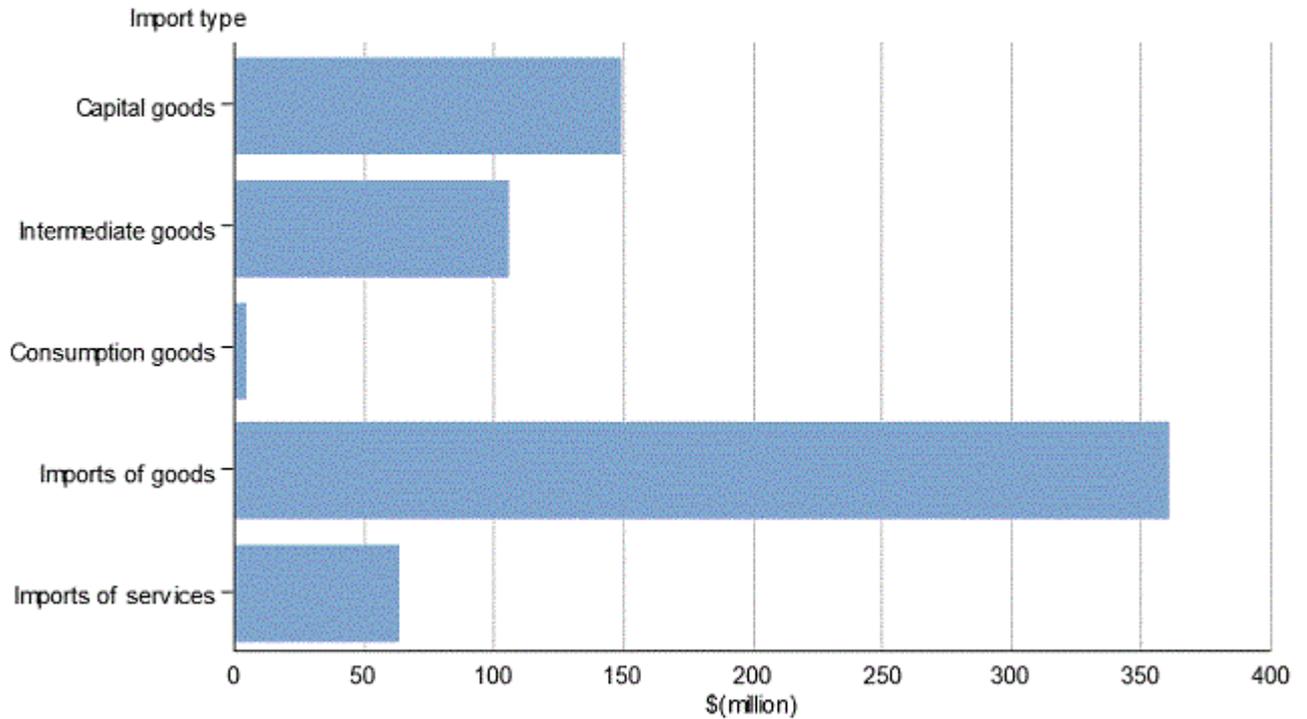
Source: Stats NZ

## Imports up this quarter

Imports of goods and services were up 1.9 percent in the December 2016 quarter. This was due to increases in both imports of goods and imports of services, up 2.4 percent and 1.5 percent, respectively.

Imports of capital goods were up 4.1 percent this quarter, reflecting increased investment in plant, machinery and equipment. These increases, alongside an 8.3 percent increase in passenger motor vehicle imports, were the primary contributors to the growth in imports this quarter.

**Imports of goods and services by type**  
Change from September 2016 quarter



Source: Stats NZ

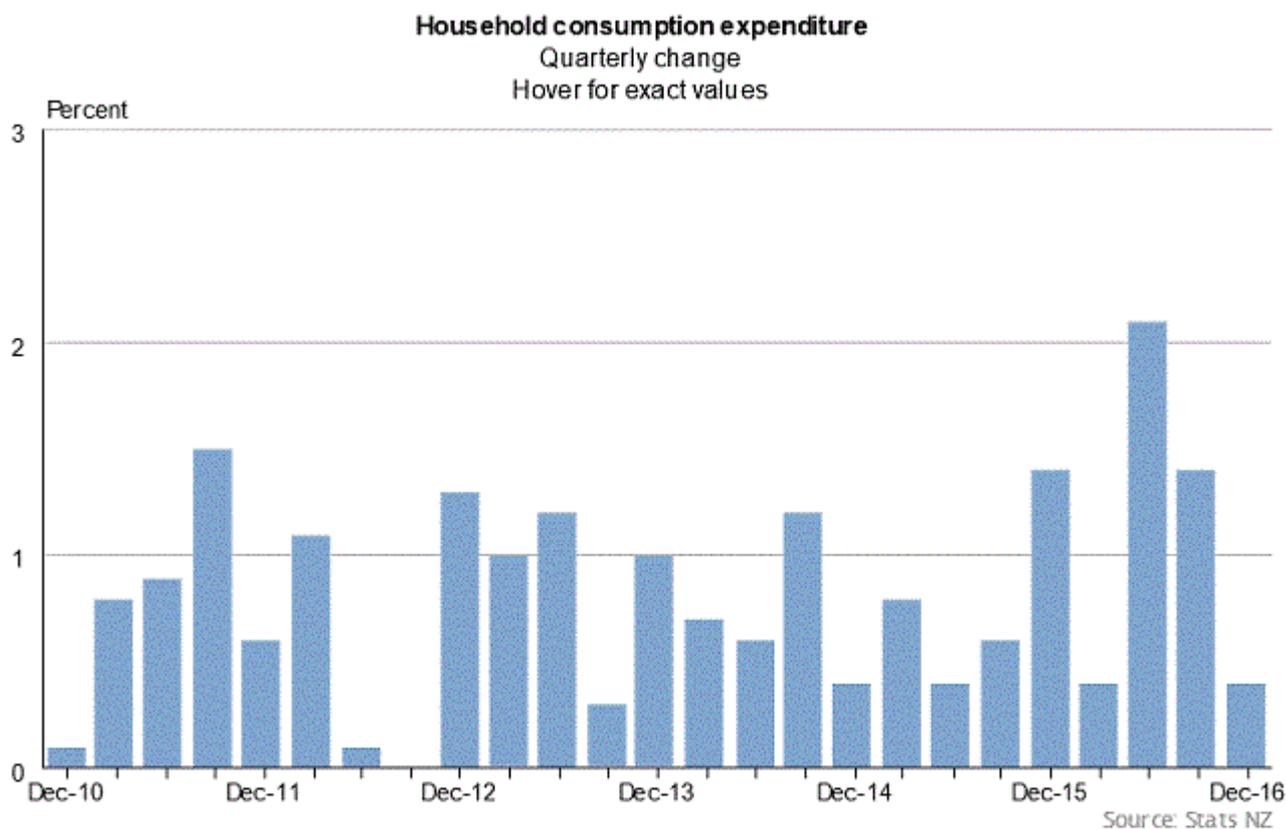
Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

**Smaller increase in domestic consumption, while tourist spending strong**

Household consumption expenditure increased 0.4 percent in the December 2016 quarter, following two quarters of strong growth. For the December 2016 year, expenditure was up 4.3 percent, the highest annual movement since March 2006.

The main contributors to the growth this quarter were spending on services and durable goods. Household expenditure on services rose 0.9 percent, a slower rate of growth than in recent quarters. Most components of services expenditure increased. Durable goods spending rose 1.3 percent, due to spending on furniture and furnishings, motor vehicles, and audio-visual equipment. Non-durables expenditure declined 0.7 percent in the December 2016 quarter, with falls in many components led by petrol and grocery food.

Although household consumption expenditure increased, the overall growth of spending in New Zealand was boosted by strong overseas tourist spending, which was up 5.1 percent in the December 2016 quarter.



Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

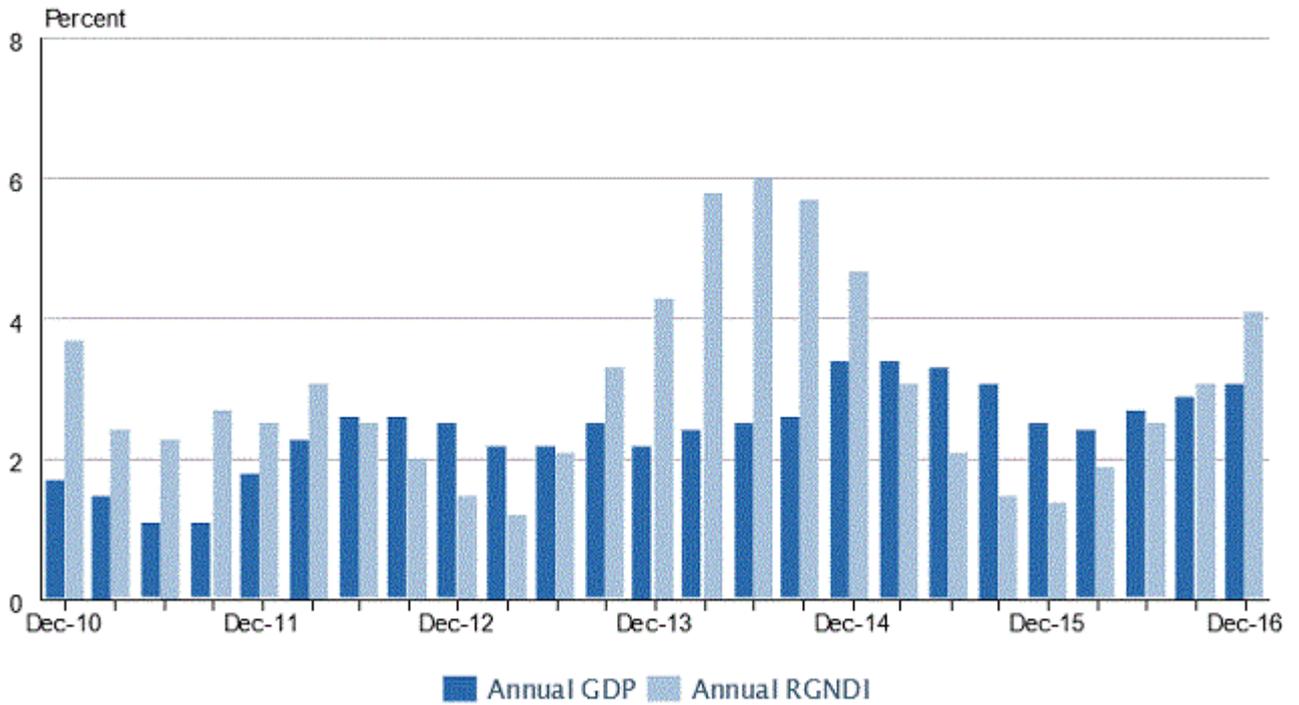
## Real purchasing power of New Zealand's income up 2.8 percent

Real gross national disposable income (RGNDI), which measures the real purchasing power of New Zealand's disposable income, was up 2.8 percent in the December 2016 quarter, the highest quarterly movement since March 2010. This follows a revised 0.9 percent increase in the September 2016 quarter. RGNDI increased 4.1 percent for the December 2016 year, compared with an increase in GDP of 3.1 percent over the same period. GDP is a measure of economic activity, while RGNDI is a measure of the volumes of goods and services that New Zealand residents have command over. RGNDI takes into account changes in the terms of trade effect (the price of imports relative to the price of exports), and real gains from net investment and transfer income with the rest of the world. The net investment draws upon Balance of Payments and International Investment Position: December 2016 quarter.

The terms of trade increased over the December 2016 quarter, resulting in higher growth in RGNDI compared with GDP. Overseas Trade Indexes (Prices and Volumes): December 2016 quarter (provisional) reported a 5.7 percent increase in the merchandise (goods) terms of trade, and a 2.5 percent increase in the services terms of trade. Both were caused by increases in export prices and decreases in import prices.

Terms of trade is the ratio of the price of exports to the price of imports. An increase in the terms of trade means that fewer exports are needed to pay for a given volume of imports. This means that a larger volume of goods and services can be purchased by residents out of the incomes generated by a given level of domestic production.

**Gross domestic product and real gross national disposable income**  
Annual change

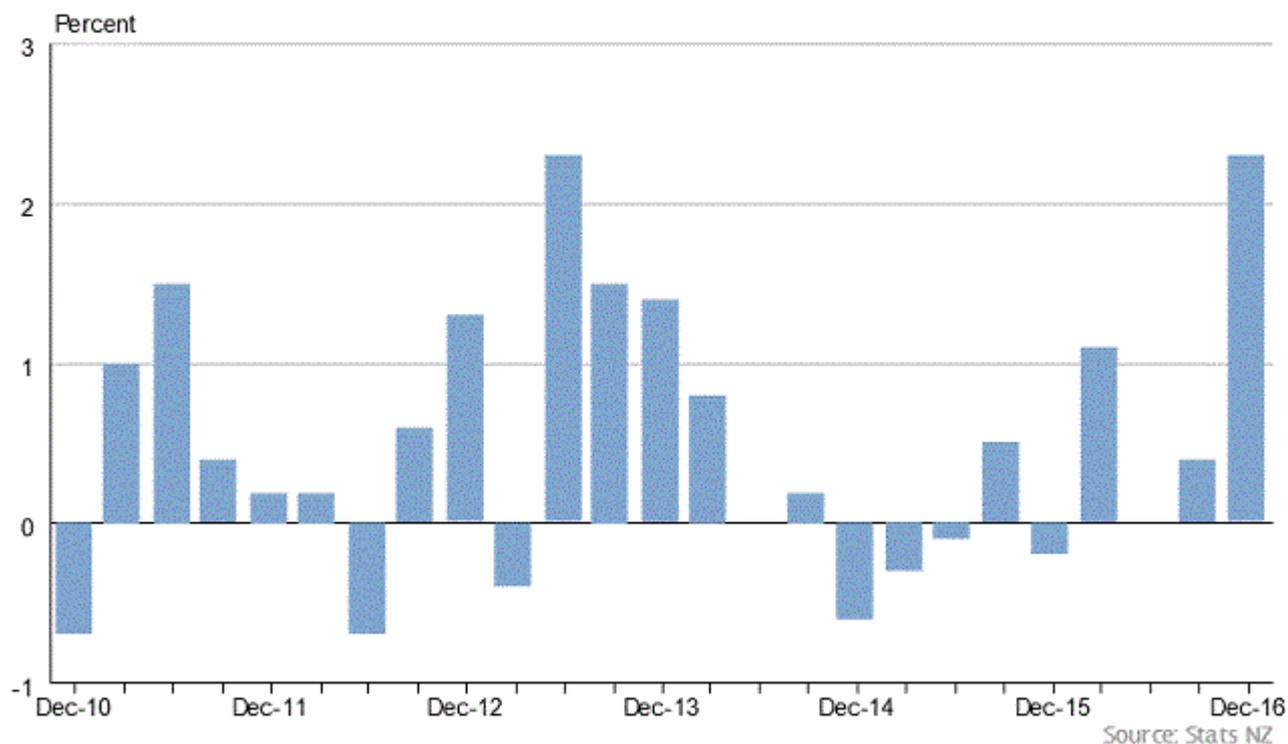


Source: Stats NZ

Note: Actual chain-volume series expressed in 2009/10 prices.

RGNDI per capita was up 2.3 percent in the December 2016 quarter, following a revised 0.4 percent increase in the September 2016 quarter. Over the December 2016 year, RGNDI per capita increased 2.0 percent. This shows that New Zealand's real purchasing power increased more than New Zealand's population over this period.

**Real gross national disposable income per capita**  
Quarterly change



Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

See [Real gross national disposable income](#) (in DataInfo+) for more about RGNDI.

### International growth comparison – New Zealand compared with our trade partners

Percentage changes in GDP – international comparisons		
Country	Quarterly percentage change in GDP	Change from same quarter previous year
<b>New Zealand</b>	<b>0.4</b>	<b>2.7</b>
Australia	1.1	2.4
Canada	0.6	1.9
Euro area (19 countries)	0.4	1.7
Japan	0.3	1.6
OECD	0.4	1.7
United Kingdom	0.7	2.0
United States	0.5	1.9

See [OECD.Stat](#) for GDP data covering other countries. Care should be taken when comparing New Zealand's GDP figures with those of other countries, as the methodology used varies internationally.

## **Find data tables and more information**

For more detailed data see the Excel tables in the 'Downloads' box.

See [DataInfo+](#) for information on definitions and data quality. These sections were previously included in this release.

## Related links

- [Next release](#)
- [Past releases](#)
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- [Data quality](#)

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*Gross Domestic Product: March 2017 quarter* will be released on 15 June 2017.

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## Past releases

[Gross Domestic Product – information releases](#) has links to past releases.

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Statistics in this release have been produced in accordance with the Official Statistics System principles and protocols for producers of Tier 1 statistics for quality. They conform to the Statistics NZ Methodological Standard for Reporting of Data Quality.

## Data quality

### **National accounts quarterlies – DataInfo+**

General methodology used to produce these statistics.

### **National accounts quarterlies – concepts – DataInfo+**

Definitions of terms used in this release.

## Revisions

- [Overview](#)
- [Incorporation of annual agricultural production statistics](#)
- [Overseas trade index corrections](#)
- [Versions of trade data](#)
- [Other revisions](#)
- [Revisions table](#)

### Overview

We incorporated several revisions in this release. The revisions are usually driven by new or improved data that affect historical results, or changes to the underlying measure – in both cases we aim to better represent the real-life situation of a changing society, economy and environment.

The key revisions are discussed below:

- incorporation of the annual Agricultural Production Survey
- overseas trade indexes corrections
- versions of trade data
- updated indicator data.

### Incorporation of annual agricultural production statistics

We incorporated data from [Agricultural Production Statistics: June 2016 \(provisional\)](#). The data replaced earlier modelled stock levels. Incorporating the data led to revisions to agricultural activity in GDP, and to agricultural inventories in the expenditure measure of GDP. These changes caused most of the revision to the production measure of GDP in the September 2016 quarter. We hope to include these revisions in the September quarter in future.

### Overseas trade indexes corrections

The overseas trade index deflator for imports of ‘consumption goods – consumer non-durables’ was corrected, causing revisions to the September 2016 quarter.

Several minor changes were made to overseas trade indexes in the June and September 2016 quarters after the 14 November earthquake. The changes affected imports of goods and the overall expenditure measure of GDP.

See [Overseas Trade Indexes \(Prices and Volumes\): September 2016 quarter \(provisional\) – corrected](#) for more information on the OTI revisions.

### Versions of trade data

We incorporated version 4 of [Overseas Merchandise Trade: September 2016 quarter](#). Due to issues arising from the 14 November earthquake, we used version 1 for [Gross Domestic Product: September 2016 quarter](#), although we would normally have used version 2. By using version 1, we were consistent with [Overseas Trade Indexes \(Prices and Volumes\) September 2016 quarter](#) and [Balance of Payments and International Investment Position: September 2016](#)

quarter. The differences between versions 1 and 2 of provisional trade data are minor and do not significantly affect aggregate level data. However, the impact on GDP was greater than there would have been had we used version 2. The revisions affected exports and imports in the expenditure measure of GDP.

## **Other revisions**

We made other revisions due to updated source data. Incorporating updated source data as it becomes available is a normal procedure, as it better reflects what is going on in the economy.

### **Financial intermediation services indirectly measured**

Updated input data for financial intermediation services indirectly measured (FISIM) resulted in revisions to financial and insurance services in the production measure of GDP, and also in revisions to the following in the expenditure measure of GDP:

- household consumption expenditure
- private non-profit consumption expenditure
- central and local final government consumption expenditure
- exports and imports of services.

### **Other revisions to the production measure of GDP**

- manufacturing revised due to updated Economic Survey of Manufacturing: December 2016 quarter data
- retail trade revised due to updated Retail Trade Survey: December 2016 quarter – corrected data
- we received updated respondent information and other source data, causing revisions to agriculture, forestry, and fishing; mining; manufacturing; electricity, gas, water, and waste services; and rental, hiring and real-estate services.

### **Other revisions to the expenditure measure of GDP**

- Gross fixed capital formation revised due to updated transfer costs data and overseas trade data.
- Imports and exports revised due to updated overseas merchandise trade data, overseas trade indexes data and balance of payments data.
- Household consumption expenditure revised due to updated health, telecommunications, transport, and low-value imports data.
- Central government final consumption expenditure revised due to updated health data.
- Inventories revised due to various updated input data, and also the process of reconciling inventory changes with the rest of the economy – minimising timing and valuation issues.

## **Revisions table**

The following table shows the previously published and revised quarterly movements for the December 2016 quarter GDP and expenditure on GDP (GDE).

<b>Previously published and revised December 2016 quarterly movements</b>				
<b>Quarter</b>	<b>GDP</b>		<b>GDE</b>	
	<b>Percentage change from previous quarter</b>			
	Previously published	Revised	Previously published	Revised
December 2010	-0.6	-0.6	-1.1	-1.1
March 2011	1.1	1.1	1.7	1.7
June 2011	0.6	0.6	1.0	1.0
September 2011	0.9	0.9	1.2	1.2
December 2011	0.4	0.4	0.7	0.7
March 2012	0.9	0.9	0.1	0.1
June 2012	0.3	0.3	0.7	0.7
September 2012	0.2	0.2	0.5	0.5
December 2012	1.4	1.4	1.0	1.1
March 2013	-0.1	-0.1	0.5	0.5
June 2013	1.1	1.1	-0.2	-0.2
September 2013	0.4	0.4	0.7	0.7
December 2013	0.0	0.0	0.5	0.5
March 2014	1.4	1.5	0.9	0.9
June 2014	0.7	0.8	0.6	0.5
September 2014	1.1	1.1	1.0	1.0
December 2014	1.1	1.1	1.0	1.1
March 2015	0.1	0.1	0.3	0.3
June 2015	0.1	0.1	0.8	0.8
September 2015	0.9	1.0	1.2	1.2
December 2015	1.1	1.0	0.7	0.8
March 2016	0.7	0.7	1.1	1.0
June 2016	0.7	0.8	1.2	1.3
September 2016	1.1	0.8	1.4	0.9

**Source:** Stats NZ

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## Tables

The following tables are available in Excel format from the 'Downloads' box. If you have problems viewing the files, see [opening files and PDFs](#).

- 1 Gross domestic product by industry – December 2016 quarter
- 2 Expenditure on gross domestic product – December 2016 quarter
- 3 Gross domestic product by industry – quarterly values
- 4 Gross domestic product by industry – quarterly percentage changes
- 5 Gross domestic product by industry – annual values
- 6 Gross domestic product by industry – annual percentage changes
- 7 Expenditure on gross domestic product – quarterly values
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- 14 Gross fixed capital formation – annual values and percentage changes
- 15 Exports of goods and services – quarterly values and percentage changes
- 16 Imports of goods and services – quarterly values and percentage changes
- 17 Expenditure on gross domestic product current price – quarterly values
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- 25 Gross domestic product by industry – percentage changes from same quarter of previous year
- 26 Gross domestic product by industry – year ended December values
- 27 Gross domestic product by industry – year ended December percentage changes
- 28 Expenditure on gross domestic product – year ended December values and percentage changes

We have added machine-readable, zipped CSV files of the tables to the downloadable files, as a trial. Use the feedback form below to send us feedback about them.

## Supplementary tables

These tables show a longer time series for expenditure on gross domestic product and gross domestic product by industry than is included in the December 2016 quarter tables. See the 'Downloads' box.

- 1 Expenditure on gross domestic product – annual values
- 2 Expenditure on gross domestic product – annual percentage changes
- 3 Expenditure on gross domestic product components – quarterly values
- 4 Expenditure on gross domestic product components – quarterly percentage changes
- 5 Gross domestic product by industry – annual values

- 6 Gross domestic product by industry – annual percentage changes
- 7 Gross domestic product by industry – quarterly values
- 8 Gross domestic product by industry – quarterly percentage changes

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Subject category: **Economic indicators**

Group: **National Accounts – SNA 2008 – SNE**

## **Next release**

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