

## Gross Domestic Product: March 2017 quarter

Embargoed until 10:45am – 15 June 2017

### Key facts

Economic activity, as measured by gross domestic product (GDP), grew 0.5 percent in the March 2017 quarter, following 0.4 percent growth in the December 2016 quarter.

The main movements by industry were:

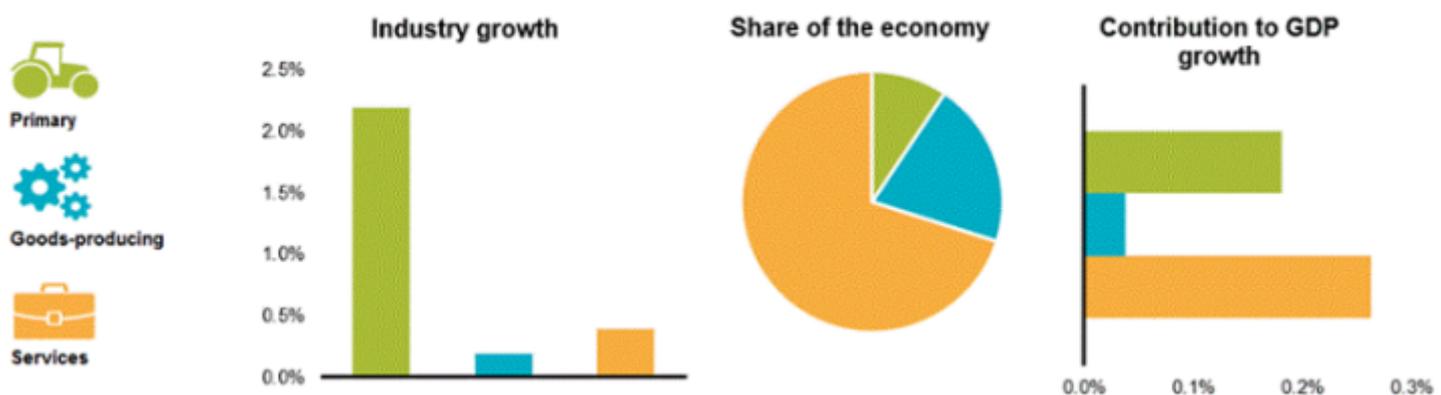
- Agriculture was **up** 4.3 percent, driven by higher milk production. This was the highest quarterly growth for agriculture since September 2014.
- Retail trade and accommodation was **up** 1.8 percent, driven by an increase in motor vehicles and parts.
- Manufacturing was **up** 1.0 percent, with transport equipment, machinery and equipment manufacturing being the largest contributor.
- Construction was **down** 2.1 percent, with all construction industries decreasing. This was the first fall since June 2015.
- Transport, postal, and warehousing was **down** 2.0 percent, in part due to lower transport support services.

### Expenditure on gross domestic product grew 0.2 percent in the March 2017 quarter

The main movements in GDE were:

- Household consumption expenditure was **up** 1.3 percent, driven by spending on durable goods and services.
- Investment in fixed assets was **up** 1.2 percent, due to increased investment in plant, machinery and equipment.
- Inventories **built up** \$338 million, due to distribution inventories.
- Exports of goods and services was **down** 0.4 percent, due to exports of dairy products.
- Imports of goods and services was **up** 1.3 percent, in part due to imports of consumption goods and passenger cars.

#### GDP grew 0.5% in the March 2017 quarter



Size of the economy (GDP) **\$265 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>
Decreases GDP	Imports	<b>\$70 billion</b>

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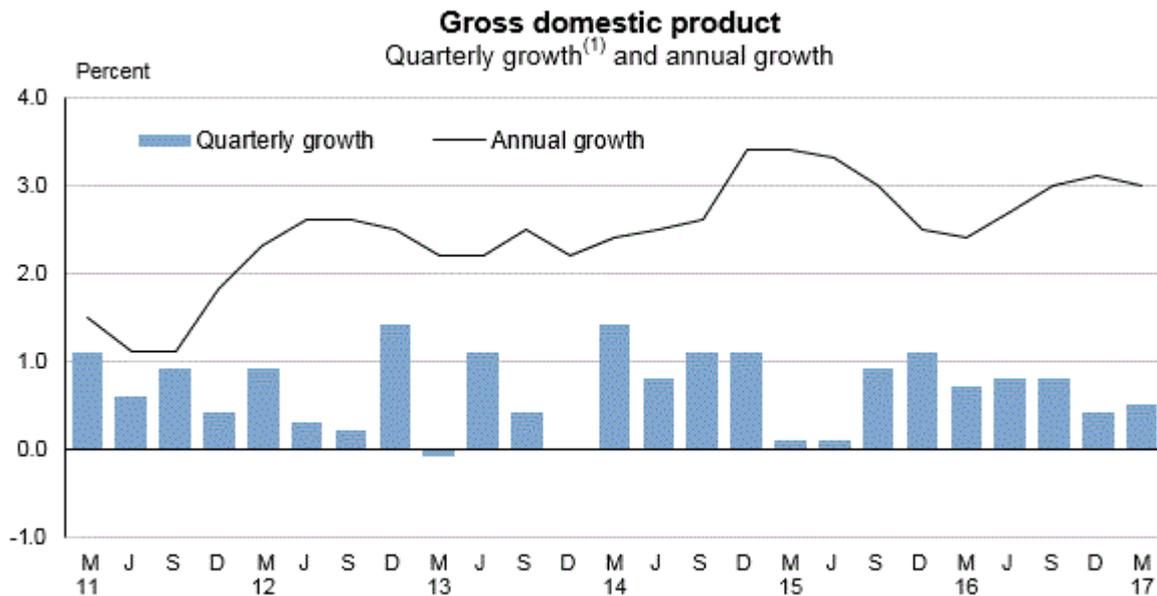
## Commentary

- New Zealand economy grows 0.5 percent
- GDP per capita falls over quarter, up over the year
- Expenditure on GDP up 0.2 percent
- Agriculture recovery underpins growth
- Construction activity and investment fall
- Business investment up on growth in plant, machinery and equipment
- Smaller growth in service industries
- Rise in domestic consumption, while tourist spending tapers off
- Real purchasing power of New Zealand's income down 0.3 percent
- International growth comparison – New Zealand compared with our trade partners

## New Zealand economy grows 0.5 percent

Gross domestic product (GDP) was up 0.5 percent in the March 2017 quarter. This follows a 0.4 percent increase in the December 2016 quarter.

Growth for the year ended March 2017 was 3.0 percent, down from 3.1 percent for the year ended December 2016.



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

Source: Stats NZ

Eleven of 16 industries increased this quarter.

The main increases by industry were:

- Agriculture was **up** 4.3 percent.
- Retail trade and accommodation was **up** 1.8 percent.
- Manufacturing was **up** 1.0 percent.
- Health care and residential care was **up** 1.6 percent.

The main decreases by industry were:

- Construction was **down** 2.1 percent.
- Transport, postal, and warehousing was **down** 2.0 percent.
- Arts, recreation, and other services was **down** 0.8 percent.

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

When comparing GDP growth to population change, GDP per capita was down 0.1 percent in the March 2017 quarter. This follows a 0.2 percent fall in the December 2016 quarter.

GDP per capita for the year ended March 2017 increased 0.9 percent.

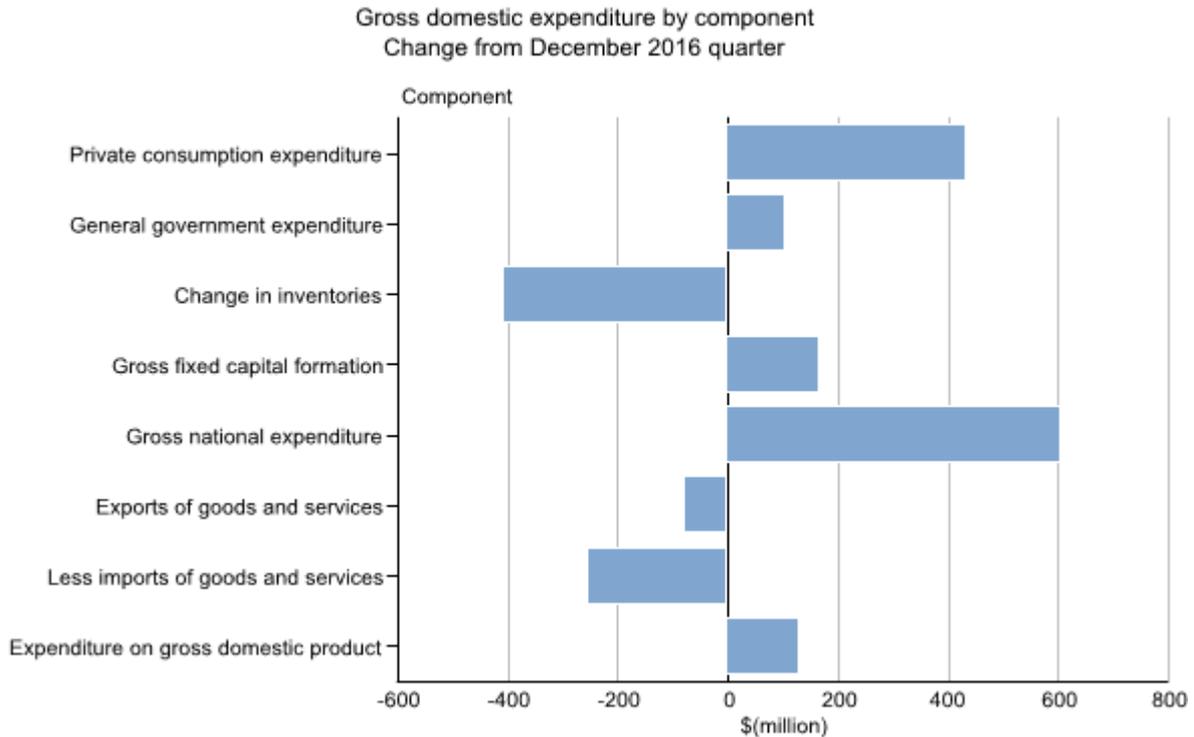
## **Expenditure on GDP up 0.2 percent**

The expenditure method of GDP rose 0.2 percent in the March 2017 quarter, following a revised 0.1 percent increase in the December 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:

- Net exports was a negative contribution to GDP with both exports of goods and services **down** 0.4 percent, and imports of goods and services **up** 1.3 percent.
- Household consumption expenditure **increased** 1.3 percent, with expenditure on durables up 2.5 percent.
- Investment in fixed assets was **up** 1.2 percent, due to an increase in plant, machinery, and equipment investment. This was partly offset by falls in transport equipment; non-residential building; residential building; and other construction investment.
- Inventories were **built-up** \$338 million due to an increase in distribution inventories. However, as this was a smaller build-up than that in the previous quarter the change in inventories had a negative contribution to overall GDP growth.



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

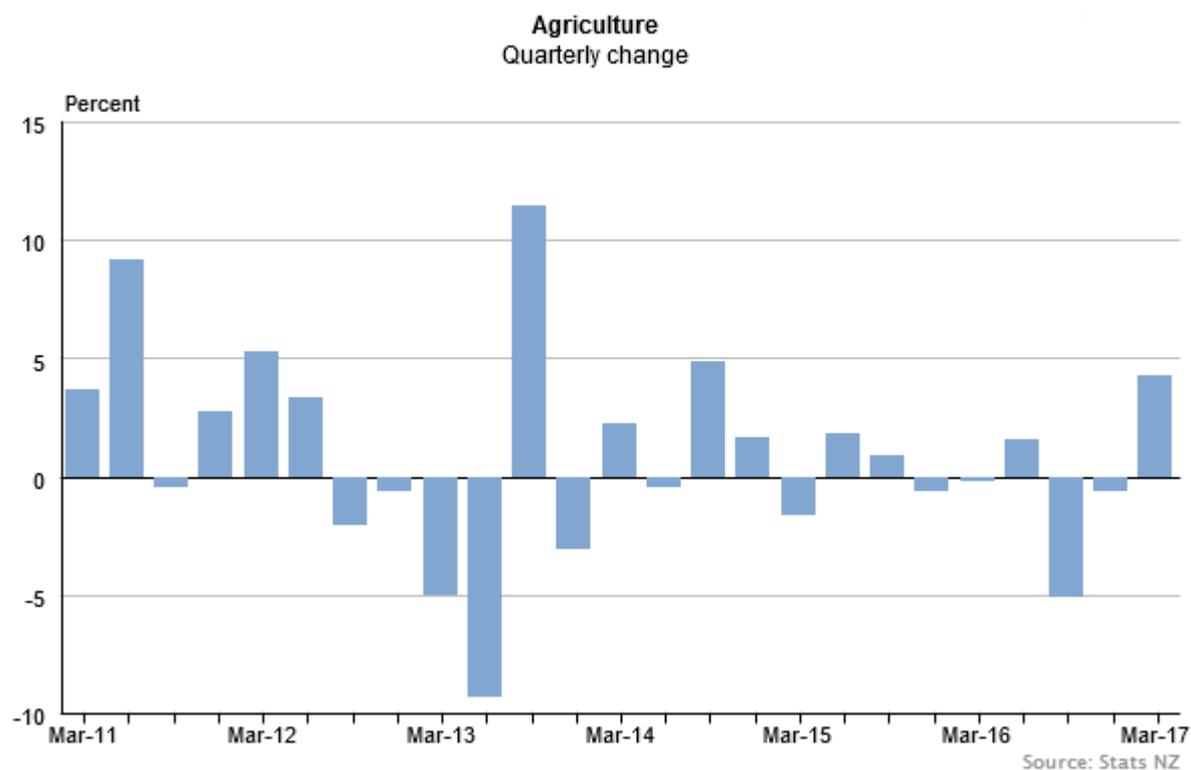
## Agriculture recovery underpins growth

Primary industries rose 2.2 percent in the March 2017 quarter, following a 1.0 percent decline in the December 2016 quarter. Agriculture was the biggest contributor to the growth (up 4.3 percent) as a result of increased milk production, following two consecutive quarters of fall.

Dairy product manufacturing was a key contributor to the increase in food, beverage, and tobacco manufacturing.

Dairy export volumes continued to fall substantially, down 11 percent following a 7.8 percent decline in the December 2016 quarter. The latest fall, combined with higher dairy manufacturing, led to a build-up in dairy product inventories.

Forestry and logging declined 3.2 percent, following a 6.9 percent (revised) decline in the December 2016 quarter. Exports of forestry primary products were down 21 percent.

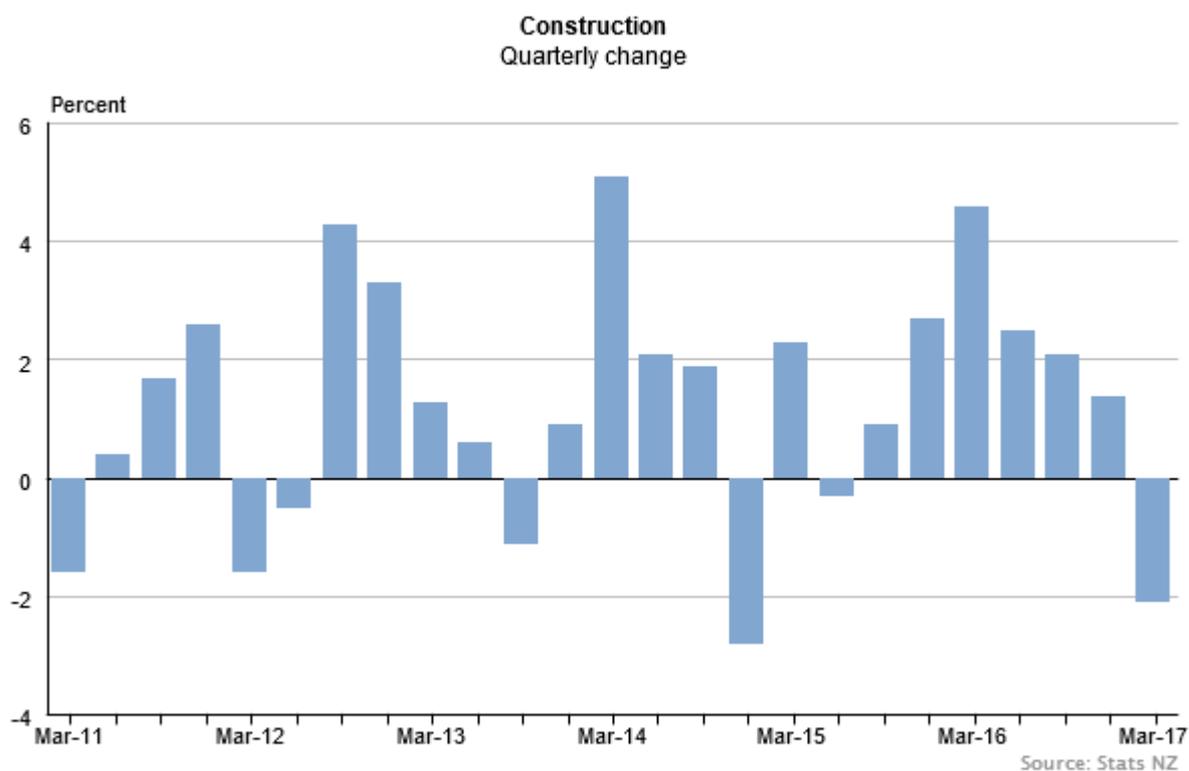


Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

## Construction activity and investment fall

Construction activity fell considerably (down 2.1 percent) with all construction sub-components down this quarter. This follows a 1.4 percent increase for the December 2016 quarter. The fall in the latest quarter follows strong increases in 2016, so annual construction was up 9.3 percent for the year ended March 2017.

Construction-related investment was also down, with declines in residential building (down 1.6 percent), non-residential building (down 7.9 percent), and other construction (down 3.1 percent). The fall in construction investment aligns closely with the decline in construction activity reported in Value of Building Work Put in Place: March 2017 quarter.



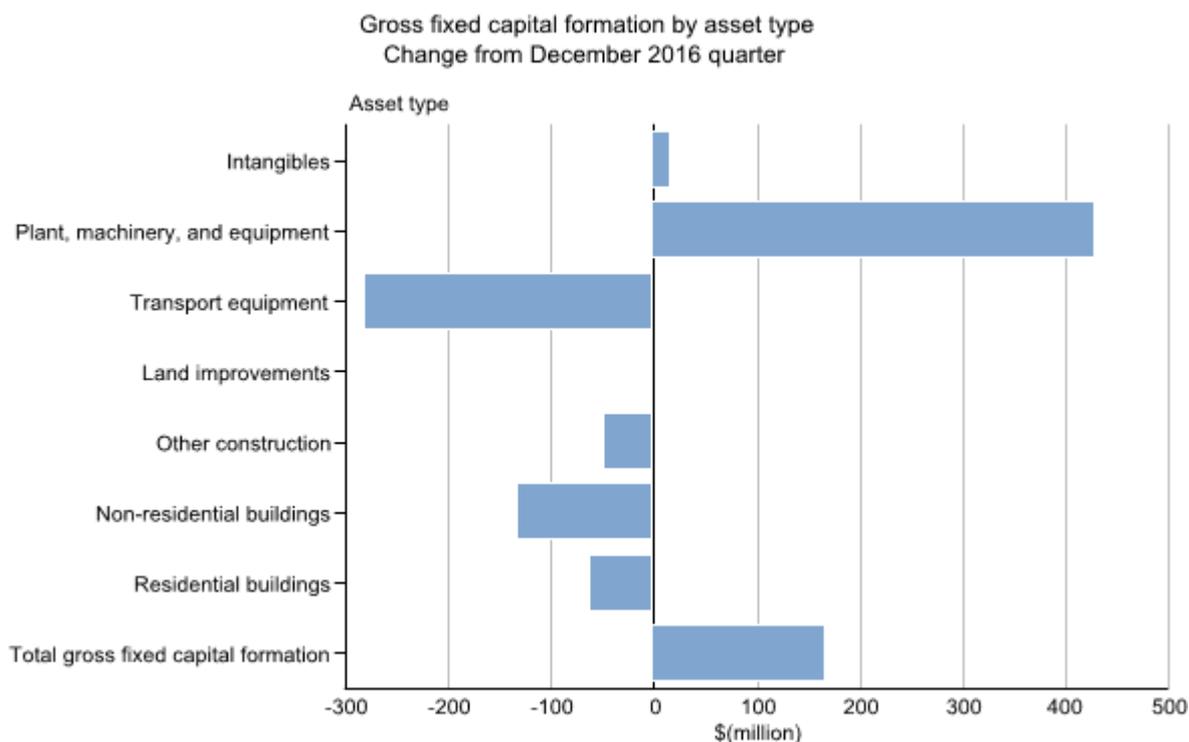
Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

## Business investment up on growth in plant, machinery and equipment

Overall investment in fixed assets was up 1.2 percent in the March 2017 quarter. A fall in construction-related investment was more than offset by a 13 percent increase in plant, machinery and equipment (PME) investment – the highest quarterly growth in PME since September 2010.

The increase in PME was the main contributor to business investment growth of 2.3 percent. This was reflected in an increase in machinery imports (up 4.9 percent) and a 6.9 percent increase in transport equipment, machinery and equipment manufacturing. The increase in transport equipment, machinery and equipment manufacturing drove the 1.0 percent growth in overall manufacturing.

Government investment was down 4.7 percent mostly due to lower imports of air transport equipment, which are heavily influenced by the timing of large aircraft acquisitions.



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

## Smaller growth in service industries

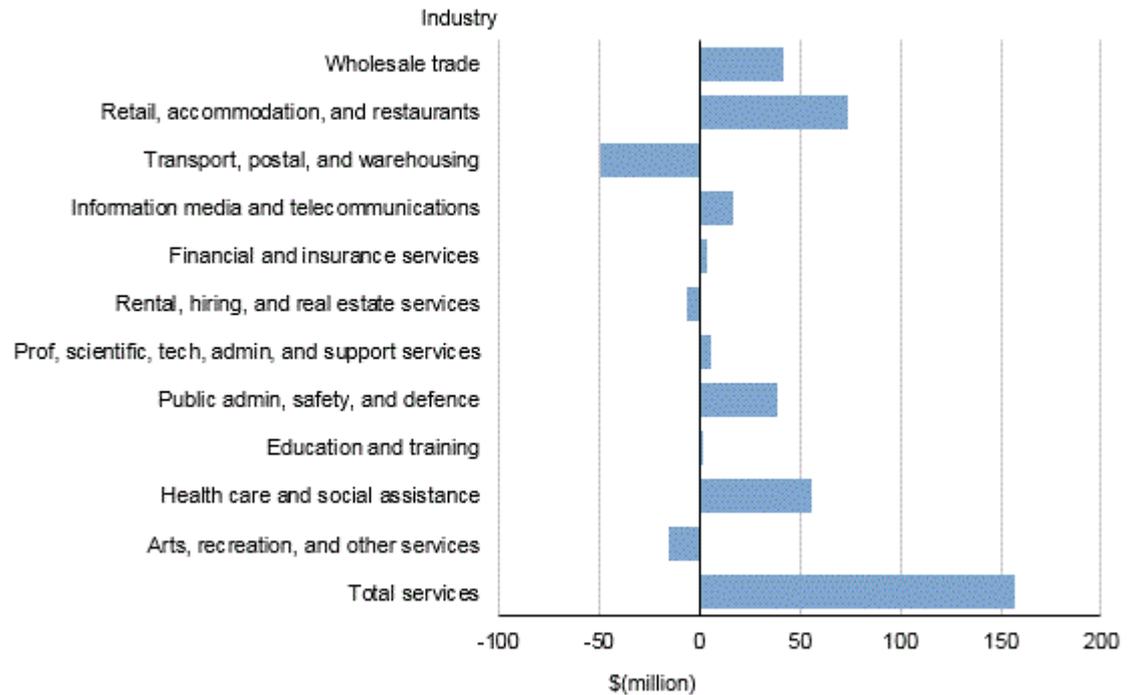
Service industries rose 0.4 percent in the March 2017 quarter, down from a 0.8 percent (revised) growth in the previous quarter. Eight of the 11 service industries had increased activity.

The growth in services was led by a strong 1.8 percent increase in retail trade and accommodation. Wholesale trade (up 1.4 percent), health care and residential care (up 1.6 percent), and public administration, safety, and defence (up 1.6 percent) also increased strongly.

Business services was a mixed bag with a relatively flat increase of 0.1 percent, following a 1.8 percent (revised) increase in the December 2016 quarter. Overall, business services was up 4.7 percent for the year ended March 2017.

The largest decline in the service industries was in transport, postal, and warehousing services (down 2.0 percent) after a 0.9 percent fall in the December 2016 quarter. All transport services components except for road transport were down in the latest quarter. Arts, recreation, and other services had the second largest fall (down 0.8 percent). Rental, hiring, and real estate services (the largest services industry) fell 0.1 percent as a result of fewer property sales.

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



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

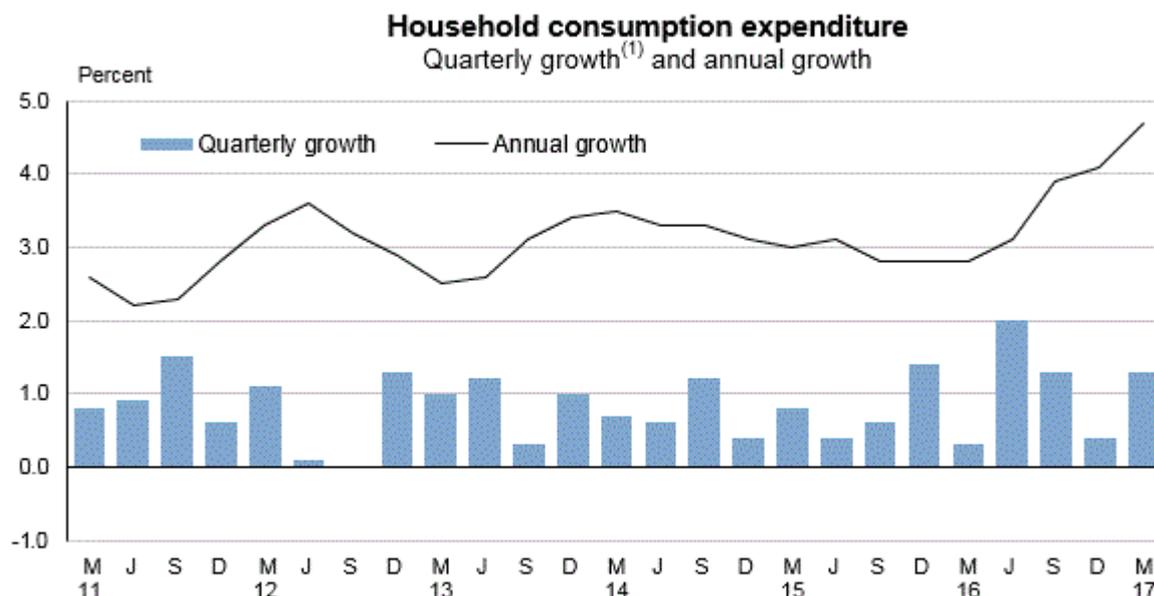
Source: Stats NZ

## Rise in domestic consumption, while tourist spending tapers off

Household consumption expenditure increased 1.3 percent in the March 2017 quarter. For the March 2017 year, household expenditure was up 4.7 percent, the highest annual movement since March 2006.

Services, non-durables, and durables all contributed to the growth in household expenditure this quarter. Household expenditure on services rose 0.9 percent which was comparable to the previous quarter. Durable goods spending rose 2.5 percent, driven by higher spending on used motor vehicles, audio-visual equipment, motorcycles, and clothing. Motor vehicles was the largest contributor to the 1.9 percent increase in retail trade, which was also reflected in a 10 percent increase in motor vehicle imports. Non-durables expenditure rose 0.4 percent in the March 2017 quarter, led by higher expenditure on alcohol, electricity, and petrol.

New Zealand household expenditure overseas was up 3.4 percent as more households travelled abroad, contributing to the overall growth in household consumption. Tourist consumption expenditure dropped 1.7 percent as visitor arrivals slowed for the quarter.



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

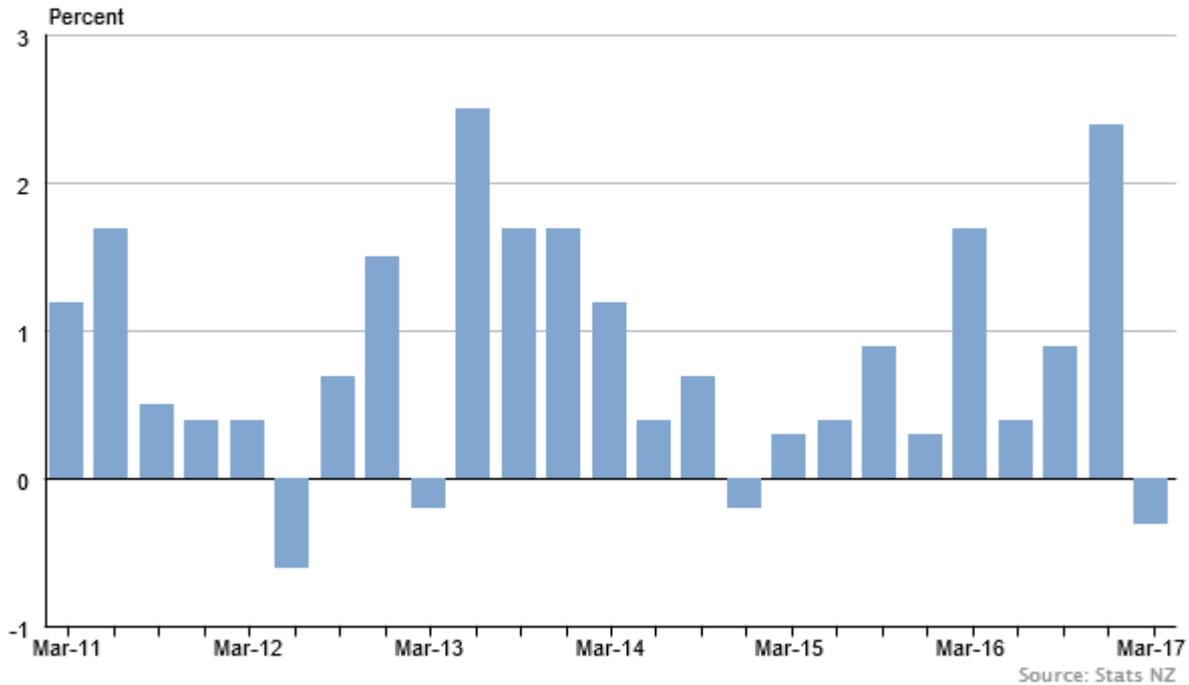
Source: Stats NZ

## Real purchasing power of New Zealand's income down 0.3 percent

New Zealand's ability to buy goods and services out of its income edged back over the quarter. Real gross national disposable income (RGNDI), which measures the real purchasing power of New Zealand's disposable income, was down 0.3 percent in the March 2017 quarter. While this was the first quarterly fall since December 2014, RGNDI rose 3.9 percent for the March 2017 year. This compares to an increase in GDP of 3.0 percent over the same period.

GDP is a measure of economic activity, while RGNDI is a measure of the volumes of goods and services 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: March 2017 quarter.

**Real gross national disposable income**  
Quarterly change

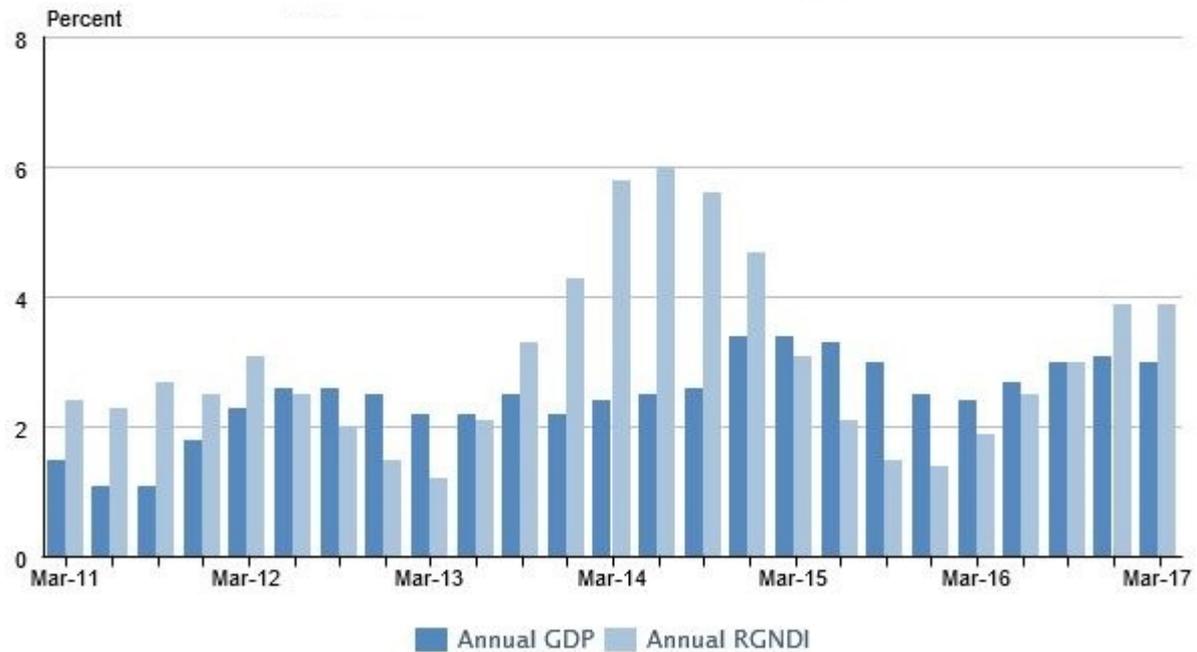


Note: Seasonally adjusted chain-volume series expressed in 2009/10 prices.

While our terms of trade increased over the March 2017 quarter, reaching a 43-year high, this was more than offset by a fall in both net investment and transfer income with the rest of the world. This means RGNDI was negative this quarter in contrast to the positive growth in GDP. Overseas Trade Indexes (Prices and Volumes): March 2017 quarter (provisional) reported a 5.1 percent increase in the merchandise (goods) terms of trade, and a 0.1 percent increase in the services terms of trade. Both increases were caused by higher export prices, which more than offset higher 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 fewer exports are needed to pay for a given volume of imports. This means residents can purchase a larger volume of goods and services 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 down 0.9 percent in the March 2017 quarter, following a revised 1.8 percent increase in the December 2016 quarter. Over the March 2017 year, RGNDI per capita increased 1.8 percent. This shows that New Zealand’s real purchasing power increased more than New Zealand’s population over this period.

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>0.5</b>	<b>2.5</b>
Australia	0.3	1.7
Canada	0.9	2.3
Euro area (19 countries)	0.6	1.9
Japan	0.3	1.3
OECD	0.4	2.0
United Kingdom	0.2	2.0
United States	0.3	2.0

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.

## Related links

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## 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](#)
- [Chain linking](#)
- [Wholesale trade survey revisions](#)
- [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
- chain linking
- wholesale trade survey revisions
- updated indicator data.

### Incorporation of annual agricultural production statistics

We incorporated data from the [Agricultural Production Statistics: June 2016 \(final\)](#). The data replaced the earlier provisional stock levels. Incorporating the final data led to revisions to agricultural activity in GDP, and to agricultural inventories in the expenditure measure of GDP. These changes caused revisions from the September 2015 quarter onwards. Most of the revisions to the expenditure measure of GDP were caused by the incorporation of the agricultural production statistics.

### Chain linking

We made revisions because we now have data for the year ended March 2017. We use data for March years to calculate chain-volume measures. The revisions affect all industries in the production and expenditure measures of GDP. They are particularly noticeable in the chain-volume measures of exports and imports, and in the total expenditure measure of GDP, as well as financial and insurance services on the production measure of GDP. See [chain volume measures in National Accounts](#) for more information. There are small revisions going back several years, but most of the revisions are from the June 2016 quarter onwards.

### Wholesale trade survey revisions

There were revisions to the [Wholesale Trade Survey: March 2017 quarter](#). This was due to updated information from respondents, changes to reporting for a respondent and structural change with a business ceasing. These revisions affected wholesale trade activity in GDP, and to distribution inventories in the expenditure measure of GDP. There were revisions from March 2016 quarter onwards.

## 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: March 2017 quarter data.
- We received updated respondent information and other source data, causing revisions to agriculture, forestry, and fishing; electricity, gas, water, and waste services; telecommunications; financial and insurance services; rental, hiring and real-estate services; and public administration, safety, and defence.

### Other revisions to the expenditure measure of GDP

- 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.
- Imports and exports revised due to updated overseas merchandise trade data, overseas trade indexes data, and balance of payments data.
- Gross fixed capital formation revised due to updated transfer costs data and overseas trade data.
- Household consumption expenditure revised due to updated telecommunications and transport data.
- Local government final consumption expenditure revised due to updated Local Authority Statistics: March 2017 quarter data.

## Revisions table

The following table shows the previously published and revised quarterly movements for the March 2017 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
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	1.1	1.0
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	1.5	1.4	0.9	0.9
June 2014	0.8	0.8	0.5	0.5
September 2014	1.1	1.1	1.0	1.0
December 2014	1.1	1.1	1.1	1.0
March 2015	0.1	0.1	0.3	0.3
June 2015	0.1	0.1	0.8	0.9
September 2015	1.0	0.9	1.2	1.1
December 2015	1.0	1.1	0.8	0.9
March 2016	0.7	0.7	1.0	1.1
June 2016	0.8	0.8	1.3	0.8
September 2016	0.8	0.8	0.9	0.9
December 2016	0.4	0.4	0.2	0.1

**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 – March 2017 quarter
- 2 Expenditure on gross domestic product – March 2017 quarter
- 3 Gross domestic product by industry – quarterly values
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- 6 Gross domestic product by industry – annual percentage changes
- 7 Expenditure on gross domestic product – quarterly values
- 8 Expenditure on gross domestic product – quarterly percentage changes
- 9 Expenditure on gross domestic product – annual values
- 10 Expenditure on gross domestic product – annual percentage changes
- 11 Household consumption expenditure – quarterly values and percentage changes
- 12 Household consumption expenditure – annual values and percentage changes
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- 23 Implicit price deflators – quarterly index values and percentage changes
- 24 Implicit price deflators – annual index values and percentage changes
- 25 Gross domestic product by industry – percentage changes from same quarter of previous year

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

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