

Larger current account deficit as export values fall

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New Zealand's current account deficit was \$2.7 billion in the September 2011 quarter, Statistics New Zealand said today. This was \$0.7 billion larger than the June 2011 quarter deficit.

The larger deficit was mainly due to a fall in the goods surplus, as lower prices for exports of meat, dairy, and forestry products contributed to a \$0.6 billion fall in the value of goods exported. New Zealand's total exports of goods were valued at \$11.7 billion this quarter.

A \$0.4 billion rise in the income deficit also contributed to the larger current account deficit this quarter, as foreign investors earned more from their investments in New Zealand. This reflects increased earnings by foreign-owned banks.

Exports of services increased \$0.2 billion in the latest quarter. "More overseas visitors came to New Zealand because of the Rugby World Cup. As a result, spending by overseas visitors and earnings of resident airlines were up," balance of payments manager John Morris said.

International services payments, such as the Rugby World Cup hosting fee, partly offset the increase in overseas visitors' expenditure this quarter.

New Zealand's current account deficit was \$8.7 billion (4.3 percent of GDP) for the year ended September 2011, compared with a year-ended June 2011 deficit of \$7.4 billion (3.7 percent of GDP).

A current account deficit means that overseas expenditure by New Zealand exceeded its earnings from overseas. To finance this spending, New Zealand borrowed from overseas in the September 2011 quarter, mostly through the banking sector. The total level of New Zealand's overseas borrowing is recorded in the international investment position as a liability.

At 30 September 2011, New Zealand's international liabilities exceeded its assets by \$148.2 billion (72.9 percent of GDP). This compares with net international liabilities of \$138.4 billion (69.0 percent of GDP) at 30 June 2011. Most of the rise in New Zealand's net international liabilities was from a rise in net overseas debt. In addition, falling overseas sharemarkets decreased the market value of New Zealand's equity investments abroad by \$4.1 billion.

New Zealand's international assets at 30 September 2011 included \$12.7 billion of outstanding reinsurance claims from non-residents for the Canterbury earthquakes. A further \$0.7 billion of claims were settled during the quarter, bringing total settlements to \$1.4 billion so far.

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