

Gross Domestic Product: March 2012 quarter

Embargoed until 10:45am – 21 June 2012

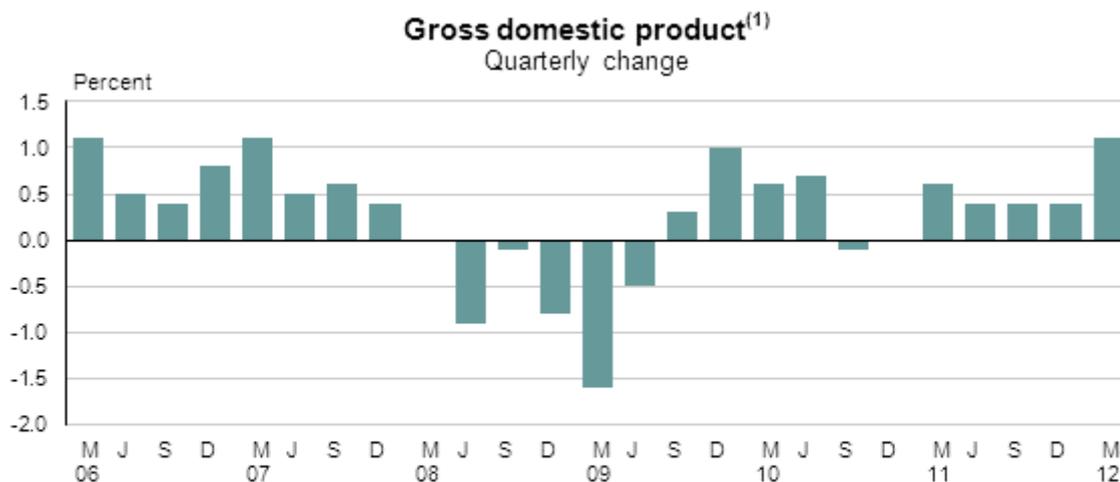
Key facts

Gross domestic product (GDP):

- Economic activity increased 1.1 percent in the March 2012 quarter.
- Manufacturing (up 1.8 percent) was the largest contributor to economic growth this quarter.
- Business services (up 2.0 percent) and agriculture (up 2.3 percent) also contributed to growth.
- Economic activity for the year ended March 2012 was up 1.7 percent.

Expenditure on gross domestic product:

- The expenditure measure of GDP was up 0.8 percent in the March 2012 quarter.
- Gross fixed capital formation was up 1.7 percent.
- For the year ended March 2012, expenditure on GDP was up 1.0 percent.
- In current prices, expenditure on GDP was \$202 billion for the year ended March 2012.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

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Commentary

- New Zealand economy grows 1.1 percent
- Expenditure on gross domestic product – main movements
- GDP by industry – primary, goods-producing, and services all up
- Expenditure on GDP up 0.8 percent
- Net exports decline
- Contribution to change

New Zealand economy grows 1.1 percent

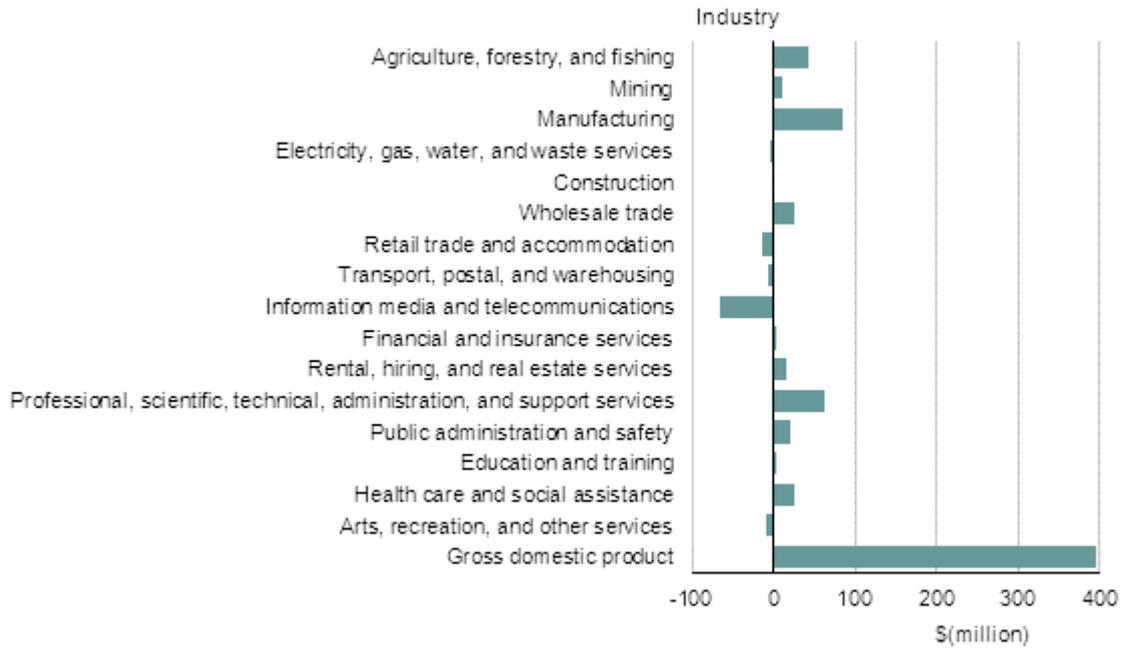
Gross domestic product (GDP) was up 1.1 percent in the March 2012 quarter, following an increase of 0.4 percent in the December 2011 quarter.

In the March 2012 quarter, increased economic activity was due to rises in the service industries (up 0.4 percent), goods-producing industries (up 1.0 percent), and primary industries (up 2.4 percent).

The main movements by industry this quarter were:

- Professional, scientific, technical, administration, and support services (up 2.0 percent). This is the fifth consecutive quarterly increase in this industry.
- Manufacturing (up 1.8 percent). Food, beverage, and tobacco manufacturing increased 3.2 percent with rises in both meat and dairy product manufacturing. Metal product manufacturing increased 6.1 percent.
- Agriculture (up 2.3 percent), due to increased milk production.
- Wholesale trade (up 1.2 percent), following a 2.6 percent rise in the December 2011 quarter.
- Public administration and safety (up 1.4 percent), with increases in central government administration, defence, and public safety; and local government administration.

Gross domestic product by industry⁽¹⁾
 Change from previous quarter, March 2012 quarter

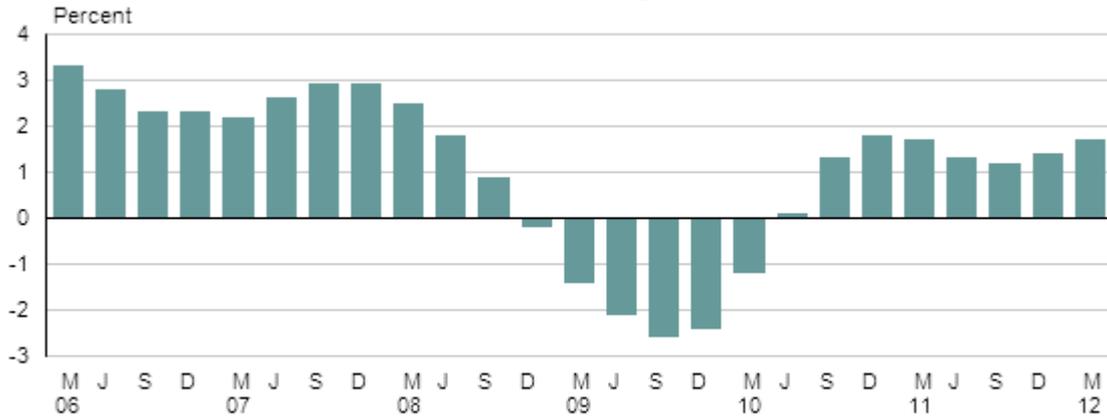


1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Economic activity for the year ended March 2012 was up 1.7 percent when compared with the year ended March 2011.

Gross domestic product⁽¹⁾
 Annual change



1. Actual chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

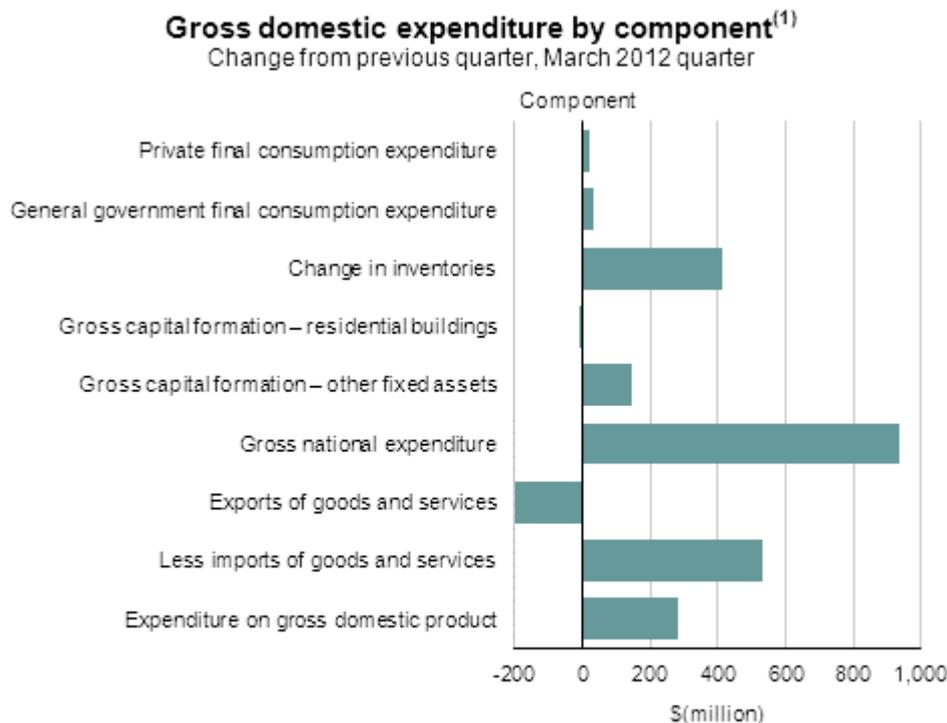
Activity in the March 2012 quarter was 2.4 percent higher than in the March 2011 quarter.

Expenditure on gross domestic product – main movements

The expenditure measure of GDP rose 0.8 percent in the March 2012 quarter. The expenditure and production measures of GDP are conceptually the same. The production measure of GDP measures the volume of goods and services produced in the economy, while the expenditure measure shows how those goods and services were used.

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

- Household consumption expenditure (up 0.1 percent). The rise this quarter follows a 0.1 percent increase in the December 2011 quarter.
- Gross fixed capital formation (up 1.7 percent). The largest contributor was a \$168 million rise in investment in plant, machinery, and equipment.
- Exports of goods and services (down 1.7 percent). This decrease was mostly due to a fall in exports of travel services, and coal, crude petroleum, ores, minerals, and gases.
- Imports of goods and services (up 4.1 percent). The rise was led by intermediate goods, capital goods, and passenger motor cars all growing strongly.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

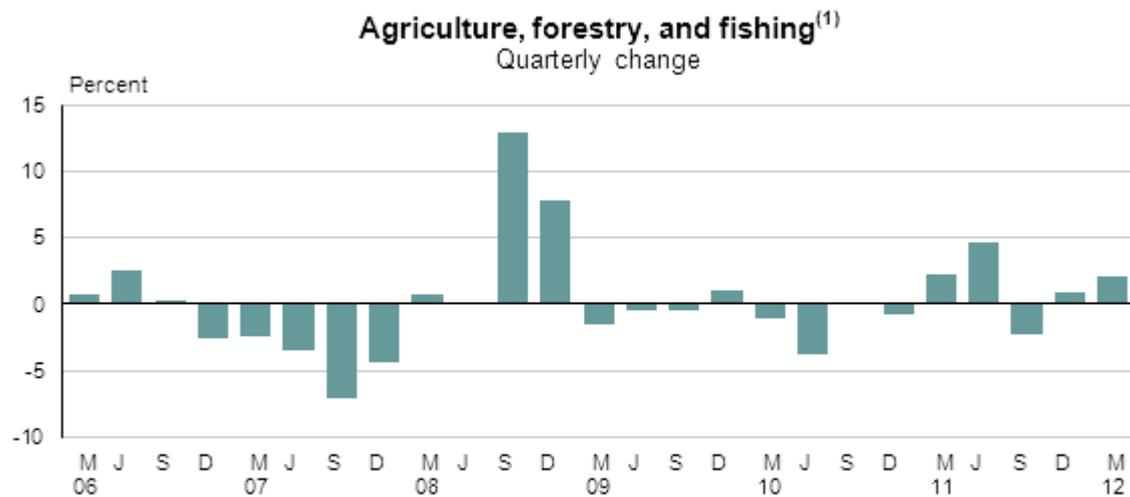
Source: Statistics New Zealand

Expenditure on GDP for the year ended March 2012 increased 1.0 percent, when compared with the year ended March 2011.

GDP by industry – primary, goods-producing, and services all up

Agriculture at highest level in five years

Activity in the primary industries increased 2.4 percent in the March 2012 quarter. This is the largest increase in the primary industries since a 3.8 percent rise in the September 2009 quarter. The largest contributor to the latest rise was a 2.1 percent increase in agriculture, forestry, and fishing activity, driven by a 2.3 percent increase in the agriculture industry. Higher milk production, due to continued good growing conditions throughout the March 2012 quarter, was the main contributor to the latest increase in agriculture. Activity in the agriculture industry is now at its highest level since the December 2006 quarter, and is 7.5 percent higher than in the March 2011 quarter.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Forestry and logging falls

Partly offsetting the increase in agriculture activity was a 1.4 percent fall in forestry and logging activity. This is its second consecutive quarterly decline, following a 0.6 percent fall in the December 2011 quarter and after 11 consecutive quarters of growth. In the March 2012 quarter, exports of forestry primary products declined, reflecting the fall in activity.

Mining activity increased 3.4 percent in the March 2012 quarter, following increases in the December 2011 and September 2011 quarters (2.1 percent and 3.2 percent, respectively). The latest increase in activity was due to a rise in exploration and other services to mining. Despite mining increasing over the three quarters, the level of activity in the March 2012 quarter is still 2.4 percent lower than in the March 2011 quarter.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

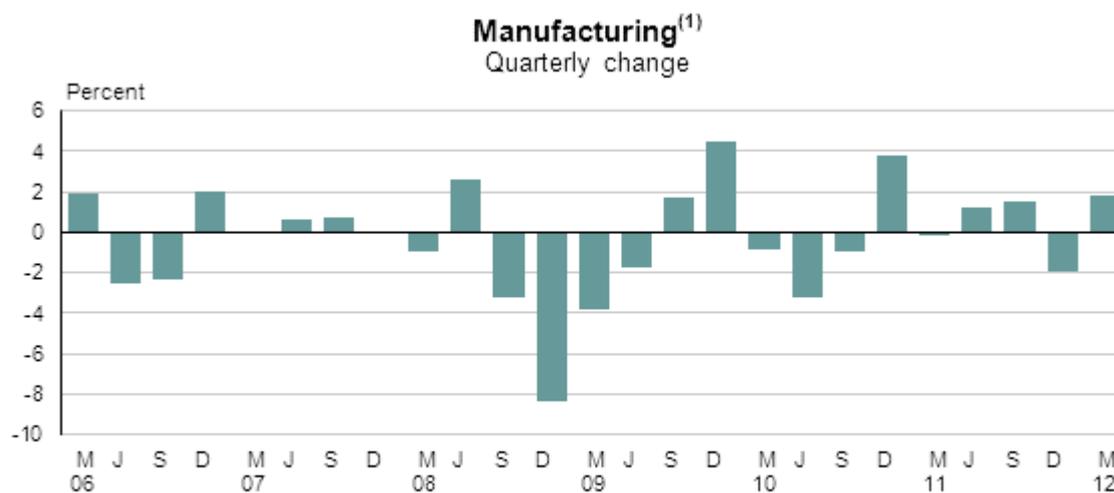
Source: Statistics New Zealand

Primary industries fall for year due to mining

For the year ended March 2012, primary industry activity was down 0.5 percent, when compared with the year ended March 2011. This was mainly due to the mining industry, where activity in the year ended March 2012 was down 12.7 percent when compared with the year ended March 2011.

Manufacturing pushes up activity in goods-producing industries

In the March 2012 quarter, activity in the goods-producing industries rose 1.0 percent. This followed declines in all four quarters of 2011. Activity in the goods-producing industries declined in 13 of the past 17 quarters. These decreases have resulted in activity in the March 2012 quarter being 11.6 percent lower than the peak level, which was in the December 2007 quarter. The main driver to the rise in goods-producing activity this quarter was a 1.8 percent increase in the manufacturing industry. Other goods-producing industries recorded declines in the March 2012 quarter, with electricity, gas, water, and waste services falling 0.7 percent, and construction declining 0.1 percent.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Increased activity in manufacturing followed a decline of 1.9 percent in the December 2011 quarter. A 3.2 percent increase in food, beverage, and tobacco manufacturing was the main contributor to the latest rise, mainly driven by an increase in dairy product manufacturing. Meat product manufacturing also increased. Both of these rises are consistent with increased exports of these products this quarter.

The Economic Survey of Manufacturing: March 2012 quarter reported a 0.9 percent fall in the volume of meat and dairy sales. The ESM measures sales, while GDP measures production. Direct volume measures are used to estimate meat and dairy production in GDP. The indicator for meat manufacturing in GDP is livestock slaughters, while for dairy the physical volume of dairy products produced is used.

Also contributing to the rise in manufacturing was a 6.1 percent increase in metal product manufacturing. This is the largest increase since a 10.0 percent rise in the June 2001 quarter. Exports of metal products, machinery, and equipment declined this quarter contributing to the build-up in manufacturing inventories.

Partly offsetting these increases in manufacturing were declines in:

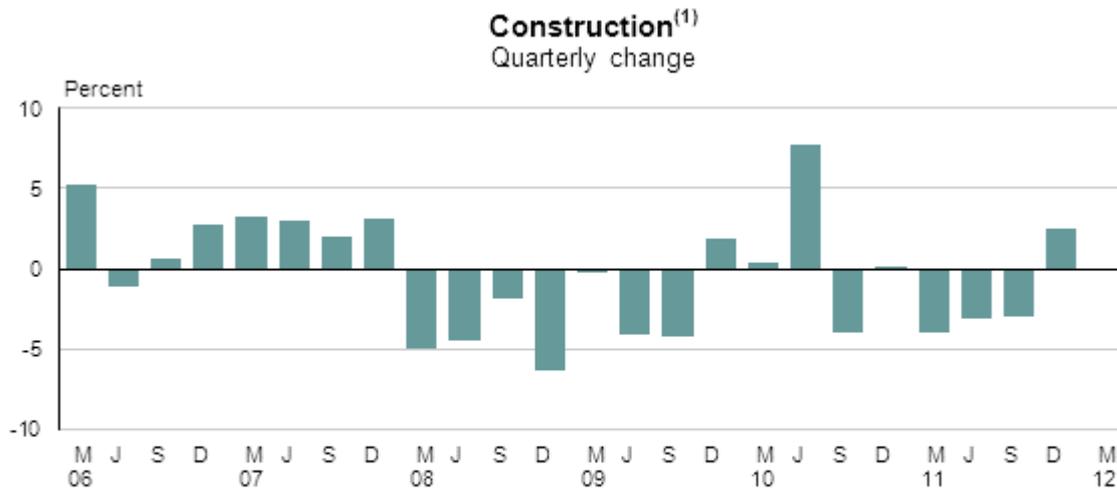
- petroleum, chemical, polymer, and rubber product manufacturing, down 1.4 percent
- transport equipment, machinery, and equipment product manufacturing, down 1.5 percent.

Electricity, gas, water, and waste services decline

Activity in electricity, gas, water, and waste services was down 0.7 percent in the March 2012 quarter. This is the fourth consecutive quarterly fall for the industry, which has resulted in activity for the year ended March 2012 being 2.3 percent lower than the year ended March 2011. This is the largest annual decline for this industry in a March year since a 3.4 percent fall in the year ended March 2002. The fall in the latest quarter is due to a decline in electricity generation and on-selling value added.

Construction activity remains low

Construction activity was flat in the March 2012 quarter, down 0.1 percent or \$1 million, following a 2.5 percent increase in the December 2011 quarter. Within construction, residential building activity declined, with this almost being fully offset by a rise in non-residential building construction. Both of these movements are consistent with investment as shown in gross fixed capital formation, with investment in residential buildings declining, and investment in non-residential buildings increasing this quarter. Additionally, the level of activity in the construction industry this quarter is 25.0 percent below the peak in the December 2007 quarter, and is similar to levels last recorded in the December 2003 quarter.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

The Value of Building Work Put in Place: March 2012 quarter information release reported that Canterbury showed increased signs of post-earthquake rebuild activity, particularly for non-residential work. The indicators for the rest of New Zealand showed moderately reduced building activity.

Goods-producing industries down for year due to construction

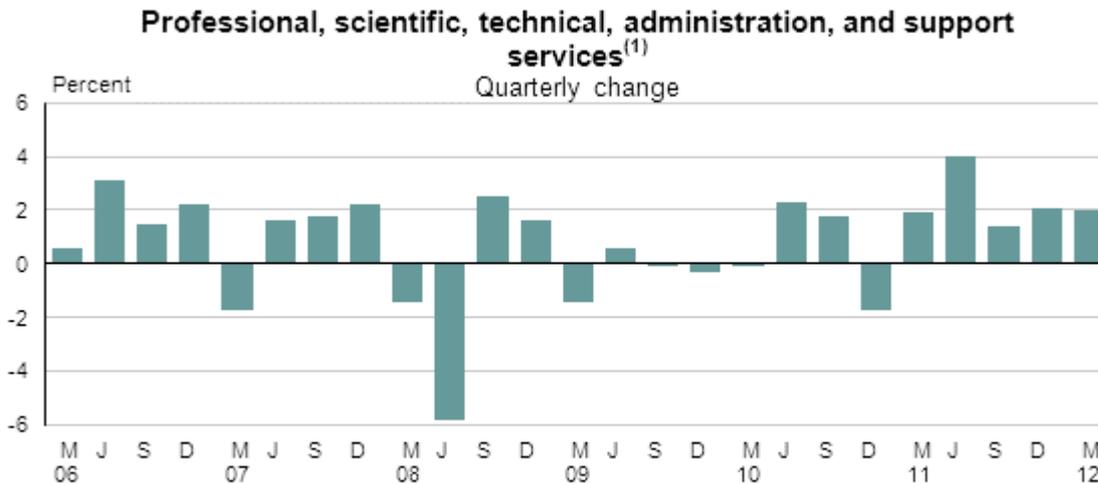
For the year ended March 2012, activity in the goods-producing industries was down 0.6 percent compared with the year ended March 2011. An 8.1 percent fall in construction activity for the year ended March 2012, when compared with the previous year, was the main contributor to this fall. Activity in manufacturing was up 3.1 percent over the same period, partly offsetting the fall in construction. This is the first time manufacturing activity has risen in a March year since March 2008.

Services industries up

In the March 2012 quarter activity in the service industries rose 0.4 percent, following a 0.8 percent rise in the December 2011 quarter.

Professional, scientific, technical, administrative, and support services activity increased 2.0 percent in the March 2012 quarter, the largest contributor to the overall increase in services activity. This industry includes business services, such as legal and accounting, scientific

research, and advertising. The latest rise is the fifth consecutive quarterly increase, and follows a 2.1 percent increase in the December 2011 quarter.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

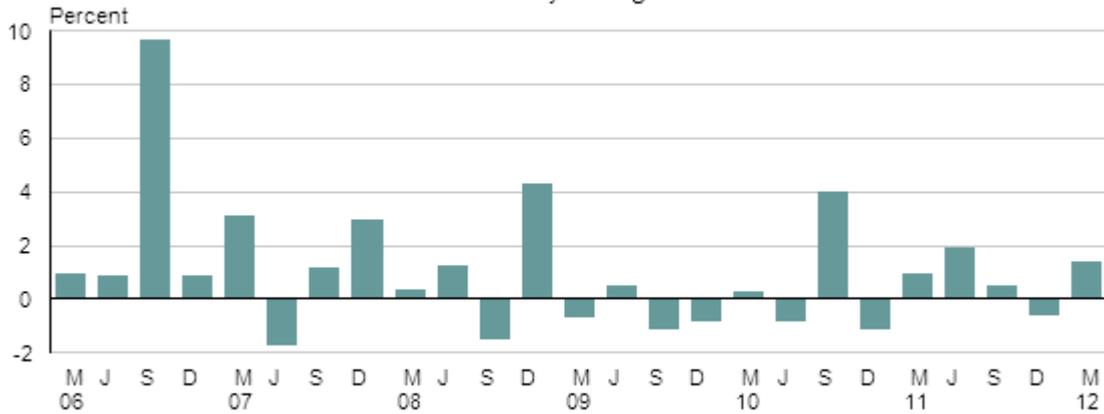
Source: Statistics New Zealand

Health care and social assistance, wholesale trade, and public administration and safety up

Health care and social assistance activity increased 1.3 percent in the March 2012 quarter, following increases of 1.0 percent and 1.5 percent in the December 2011 and September 2011 quarters, respectively. The increase in the latest quarter is reflected in the household consumption expenditure component on the expenditure measure of GDP, where the volume of spending on health increased. Wholesale trade activity (up 1.2 percent) also contributed to the increase in service activity this quarter.

Public administration and safety activity increased 1.4 percent in the March 2012 quarter, following a revised 0.6 percent decline in the December 2011 quarter. Within public administration and safety, both local government administration (up 1.5 percent), and central government administration, defence, and public safety (up 1.4 percent) contributed to the latest rise. The latest rise in central government administration, defence, and public safety follows a revised 0.3 percent fall in the December 2011 quarter.

Public administration and safety⁽¹⁾ Quarterly change



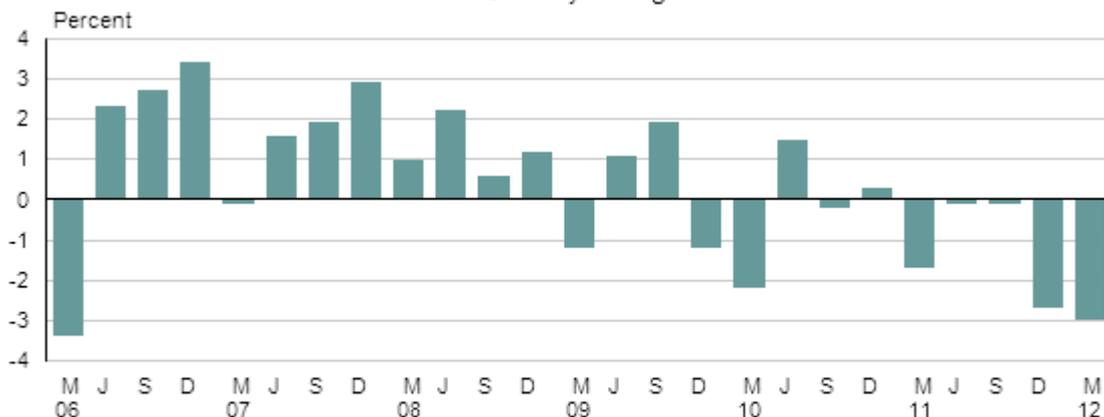
1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Information media and telecommunications, and retail trade and accommodation down

Partly offsetting the increases in health care and social assistance, wholesale trade, and public administration and safety was lower activity in information media and telecommunication services (down 3.0 percent), and retail trade and accommodation (down 0.6 percent). The latest decline in information media and telecommunications is the largest since a 3.4 percent fall in the March 2006 quarter. The fall this quarter was driven by a fall in telecommunication services. This is reflected in lower expenditure on telecommunication services by households, as measured in household consumption expenditure. Under the new industry classification (Australian and New Zealand Standard Industrial Classification 2006 or ANZSIC06), the information media and telecommunication services series is not seasonally adjusted as it has no seasonal pattern. The previous series for communication services was seasonally adjusted as it had a stronger seasonal pattern due to postal services also being included in the industry.

Information media and telecommunications⁽¹⁾ Quarterly change



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

The 0.6 percent fall in retail trade and accommodation activity is the first decline since a 0.9 percent fall in the December 2010 quarter. The level of activity for retail trade and accommodation reached a record-high in the December 2011 quarter, with the 2011 Rugby World Cup tournament contributing to this. Despite the fall in the latest quarter, the level of activity still remains high, with activity in the March 2012 quarter 0.7 percent higher than the previous peak in the March 2007 quarter. The fall in the latest quarter was mainly driven by a 1.8 percent decline in accommodation and food services, while retail trade activity was flat. In the year ended March 2012, activity for retail trade and accommodation was 4.5 percent higher than the year ended March 2011. This was mainly due to large quarterly increases in the December 2011, and September 2011 quarters, with the 2011 Rugby World Cup tournament spanning across these two quarters.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Annual increase in services strong

For the year ended March 2012, activity in the service industries increased 2.2 percent. This is the largest annual growth in the service industries since a 2.4 percent increase in the year ended June 2008. The main contribution to the latest rise was a 7.8 percent rise in professional, scientific, technical, administrative, and support services. This is the largest annual increase in this industry since an 8.1 percent increase in the year ended December 2002.

Expenditure on GDP up 0.8 percent

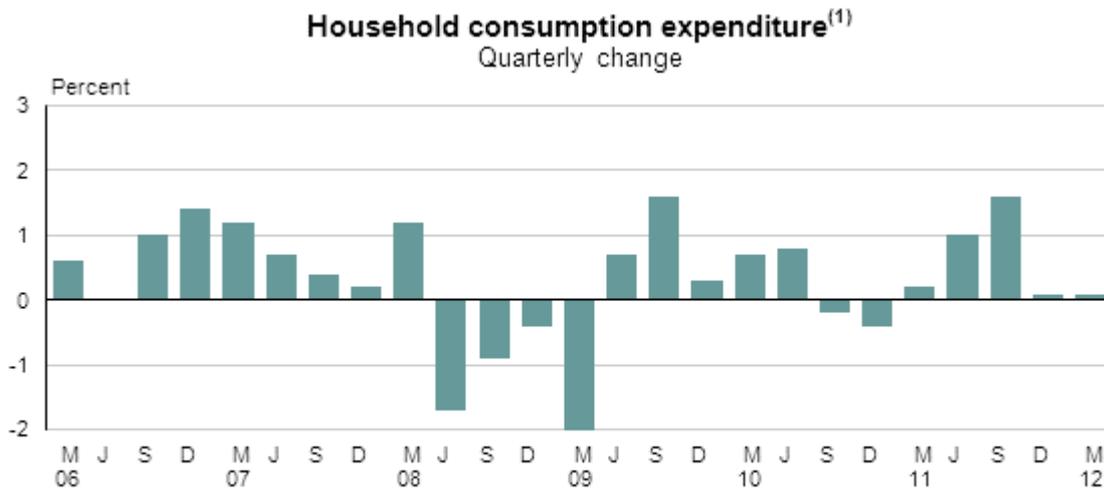
Expenditure on GDP increased 0.8 percent in the March 2012 quarter, following an increase of 0.4 percent in the December 2011 quarter.

While the production-based measure and the expenditure-based measures are both official series, the production-based measure historically shows less volatility and is the preferred series for quarter-on-quarter changes.

For the year ended March 2012, expenditure on GDP increased 1.0 percent compared with the year ended March 2011.

Household consumption expenditure up 0.1 percent

Household final consumption expenditure increased 0.1 percent in the March 2012 quarter, the fifth consecutive quarterly increase. Household consumption expenditure measures the volume of spending on goods and services by New Zealand resident households. The volume of durable goods purchased by New Zealand households increased 0.9 percent in the March 2012 quarter, following an increase of 4.3 percent in the December 2011 quarter. Household expenditure on durable goods is now at its highest level since the series began in June 1987. The main driver for the increase this quarter was increased spending on transport goods, which includes new and used motor vehicles, motorcycles, and bicycles.



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Household consumption of non-durable goods decreased 0.5 percent in the March 2012 quarter, following a 0.3 percent decrease in the December 2011 quarter. The main driver of the decline in the volume of expenditure on non-durable goods was retail food (supermarkets and grocery stores).

The volume of household expenditure on services increased 0.5 percent in the March 2012 quarter, following a 0.3 percent decrease in the December 2011 quarter. The increase this quarter was due to increased spending on restaurants and transport services, partly offset by a decrease in communication services.

The total volume of spending in New Zealand was down 0.9 percent, with some of this spending by overseas visitors to New Zealand. Conceptually, spending by New Zealand residents overseas is included in household consumption expenditure as it is spending by New Zealand households. Spending by overseas visitors in New Zealand is subtracted from household consumption expenditure as it is not spending by New Zealand households.

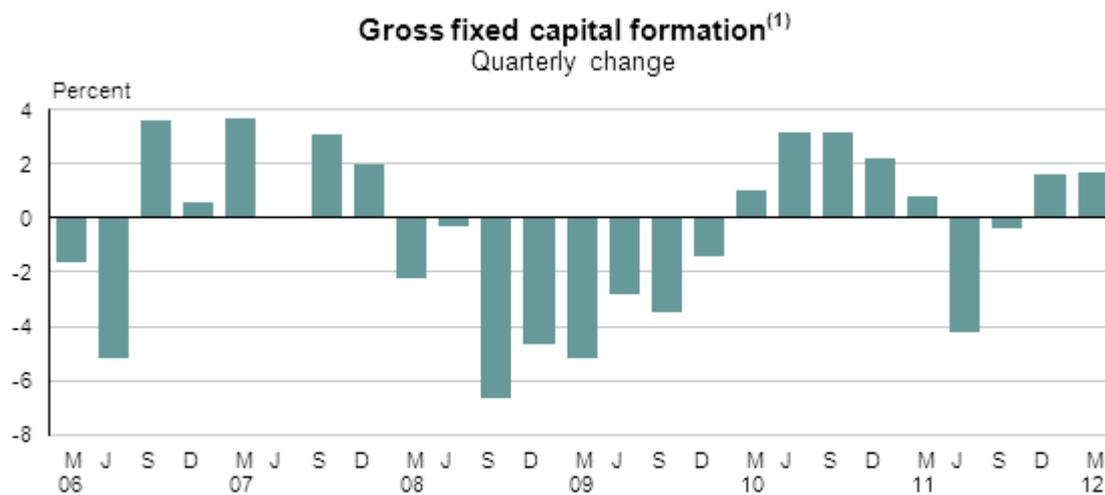
The volume of spending by New Zealand residents overseas increased 16.5 percent in the March 2012 quarter as New Zealanders spent more goods and services on their overseas holidays. This increase is the largest since the series began in June 1986. Spending by overseas visitors in New Zealand decreased 6.5 percent following the Rugby World Cup. These results were consistent with imports and exports of travel services.

Household expenditure up 2.2 percent for the year

For the year ended March 2012, the volume of household consumption expenditure increased 2.2 percent, compared with a 1.5 percent increase in the year ended March 2011. The latest rise was due to increased spending on durables (up 5.6 percent), non-durables (up 2.4 percent), and services (up 0.9 percent).

Investment in fixed assets up

Gross fixed capital formation (GFKF) increased 1.7 percent in the March 2012 quarter, following a 1.6 percent rise in the December 2011 quarter. Despite these increases, the level of investment in fixed assets is still 16.8 percent lower than the peak level recorded in the December 2007 quarter. GFKF consists of business investment plus residential building investment.

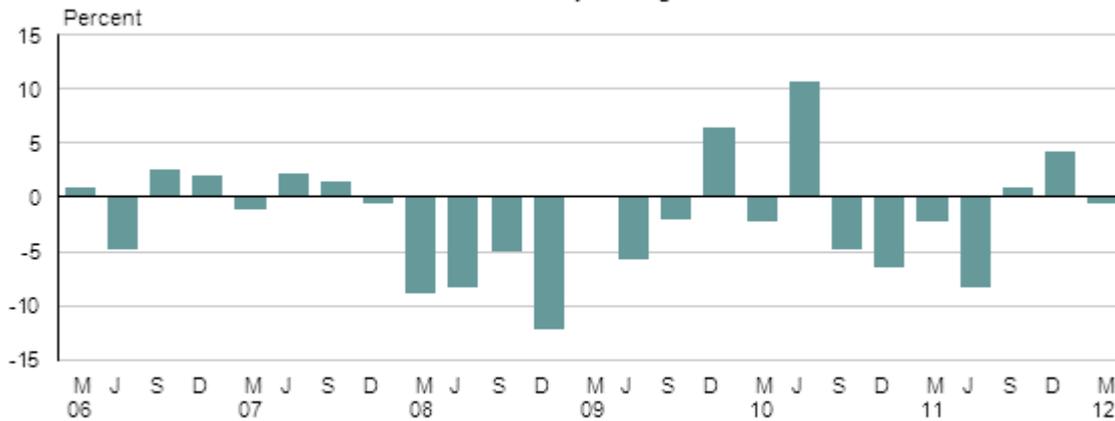


1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Investment in residential buildings declined 0.6 percent in the March 2012 quarter, following a 4.3 percent increase in the December 2011 quarter. This decline is reflected in lower construction activity, as measured in the production measure of GDP. For the year ended March 2012, residential building investment decreased 11.9 percent.

Gross fixed capital formation – residential building⁽¹⁾ Quarterly change



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

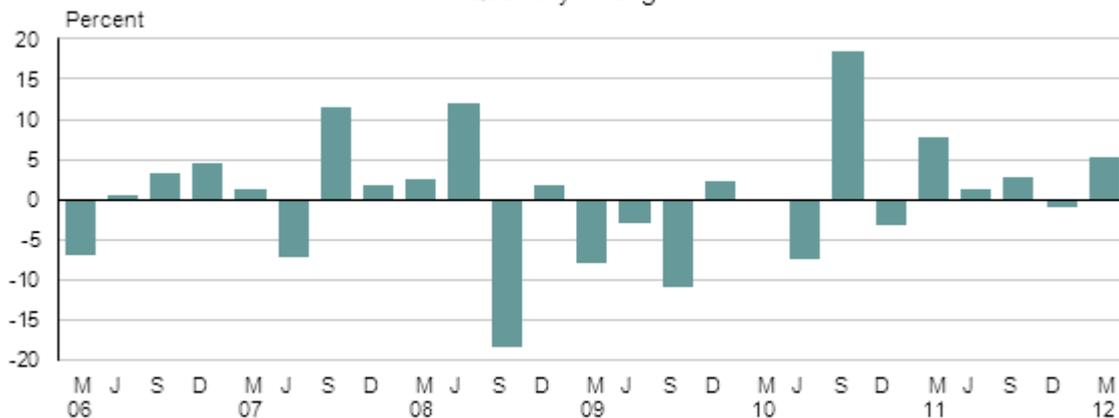
Source: Statistics New Zealand

Business investment increases

Business investment in fixed assets, which is total GFCF excluding residential building, increased 2.1 percent in the March 2012 quarter. This is the largest increase since a 4.8 percent rise in the December 2010 quarter. The main contributors to the increase were investment in:

- plant, machinery, and equipment (up 5.2 percent), which is consistent with an increase in the import of capital goods
- non-residential building (up 2.1 percent).

Gross fixed capital formation – plant, machinery, and equipment⁽¹⁾ Quarterly change



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Partly offsetting these increases were decreases in other construction (down 8.0 percent) and intangibles (down 8.0 percent). The decrease in intangibles was driven by investment in software, which caused the level of intangibles to reach its lowest level since the June 2009 quarter.

Investment in fixed assets down for the year

For the year ended March 2012, GFKF decreased 0.9 percent, compared with a 6.2 percent increase in the year ended March 2011. The main contributors to the latest annual decrease were residential building (down 11.9 percent) and non-residential building (down 7.2 percent).

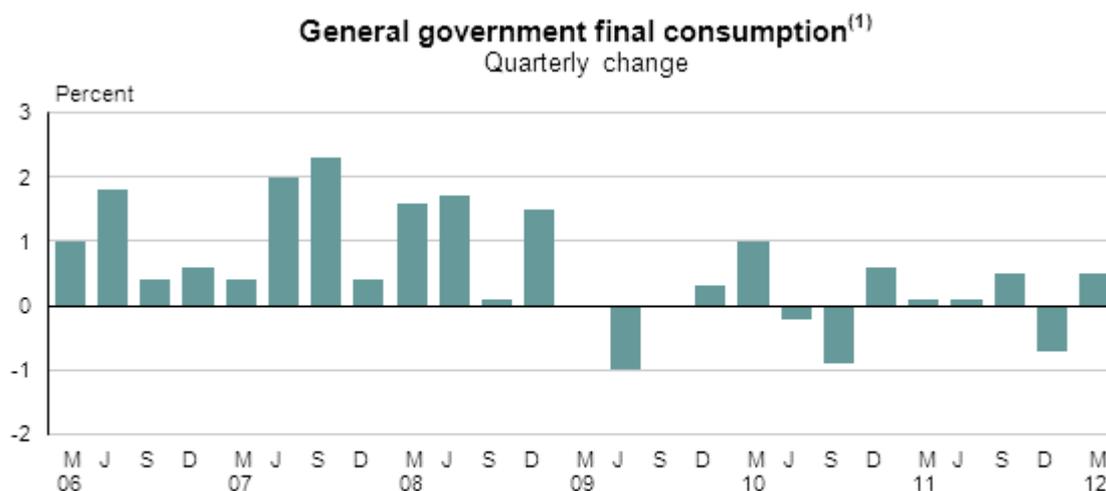
Build-up in inventories as supply exceeds demand

In the March 2012 quarter, the supply of goods produced exceeded demand leading to a \$416 million build-up in inventories. The build-up this quarter was driven by manufacturing inventories (\$304 million), due to increased manufacturing activity reflected in the production measure of GDP. An increase in imported goods and the decrease in the export of goods have also contributed to the stock build-up this quarter.

Offsetting the latest increases was a \$199 million run-down in distribution inventories, mainly driven by wholesale trade inventories.

Government final consumption expenditure rises

General government final consumption expenditure increased 0.5 percent in the March 2012 quarter, following a 0.7 percent decrease in the December 2011 quarter. Both central government (up 0.6 percent) and local government (up 0.2 percent) contributed to the increase this quarter. The increase in central government is the largest since a 1.1 percent rise in the March 2010 quarter (where the level of expenditure peaked).



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Annual general government expenditure

For the year ended March 2012, general government final consumption expenditure increased 0.3 percent.

Net exports decline

Export volumes down

Export volumes of goods and services decreased 1.7 percent in the March 2012 quarter, following an increase of 2.9 percent in the December 2011 quarter. This decrease is the largest since a 2.1 percent decrease in the September 2008 quarter.

The volume of goods exported decreased 0.3 percent in the March 2012 quarter, following a 4.3 percent increase in the December 2011 quarter. The main drivers of this decrease were:

- coal, crude petroleum, ores, minerals, and gases (down 16.7 percent)
- metal products, machinery, and equipment (down 2.0 percent).

Offsetting these decreased exports were:

- dairy products (up 3.1 percent)
- wood and paper products (up 7.4 percent).

Exports of services return to pre-Rugby World Cup levels

Exports of services decreased 3.5 percent in the March 2012 quarter, following a 0.6 percent fall in the December 2011 quarter. The decrease in the latest quarter was driven by exports of travel services (down 4.9 percent), returning back to pre-Rugby World Cup levels.

Import volumes up 4.1 percent

Import volumes of goods and services increased 4.1 percent in the March 2012 quarter, following a 2.2 percent fall in the December 2011 quarter.

The volume of goods imported increased 4.6 percent in the March 2012 quarter. The main contributors to this increase were:

- intermediate goods (up 7.0 percent), driven by primary fuels and lubricants
- capital goods (up 6.7 percent), driven by machinery and plant (up 3.7 percent). This is also reflected in investment of these types of goods.

Partly offsetting the increase this quarter was a decrease in transport equipment (down 19.7 percent).

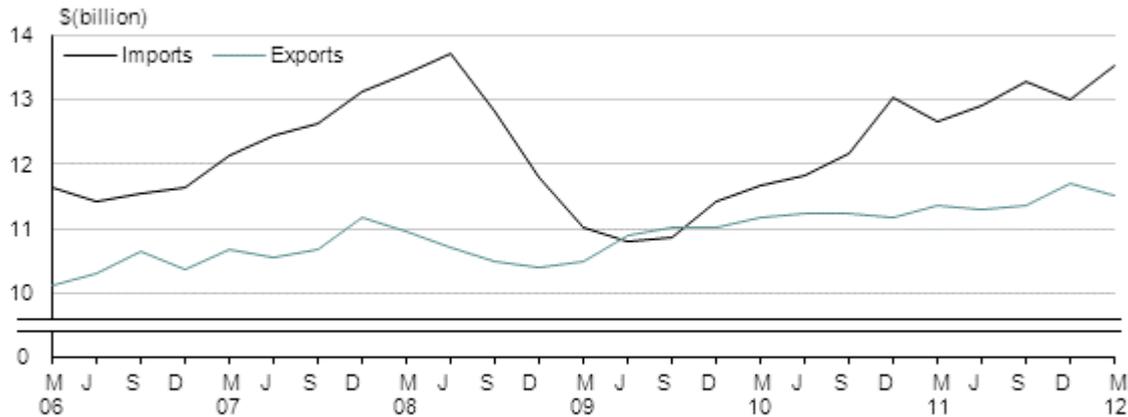
The volume of services imported increased 2.8 percent in the March 2012 quarter, following a 3.6 percent decrease in the December 2011 quarter. The main contributor to this increase was a rise in travel services imported (up 15.9 percent). This increase is consistent with the rise in New Zealand household expenditure overseas (up 16.5 percent) which shows that New Zealanders purchased more goods and services abroad while on holiday.

Export and import volumes both up for the year

For the year ended March 2012, export volumes increased 1.9 percent, driven mainly by dairy export volumes (up 8.9 percent). Over the same period, import volumes increased 6.0 percent, driven mainly by capital goods imported (up 14.3 percent).

Imports and exports of goods and services⁽¹⁾

Quarterly



1. Seasonally adjusted chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Implicit price deflators

The GDP implicit price deflator (IPD) for the year ended March 2012 increased 2.1 percent. The GDP IPD is a broad measure of the overall price change for final goods and services produced in New Zealand.

The IPD for gross national expenditure increased 1.7 percent for the year ended March 2012. This provides a broad measure of the overall price change for final goods and services purchased in New Zealand (such as consumer and investment goods).

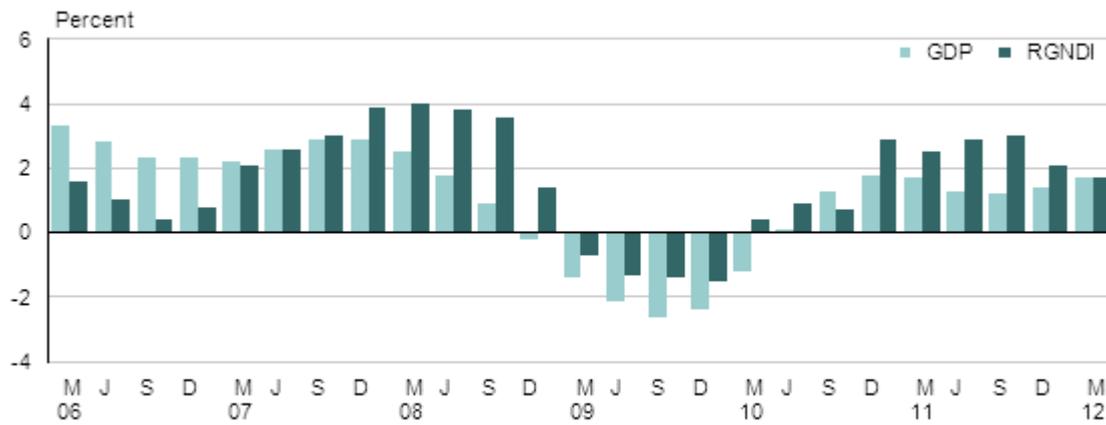
The consumers price index (CPI) increased 1.6 percent for the year ended March 2012 (see [Consumers Price Index: March 2012 quarter](#)). The CPI measures the rate of price change of goods and services purchased by households.

Real gross national disposable income up 1.7 percent for the year

Real gross national disposable income increased 1.7 percent for the year ended March 2012, matching GDP growth over the same period. While GDP is a measure of domestic production or economic activity over a given time period, RGNDI can be viewed as a broad welfare indicator. For more information about RGNDI see the [Definitions](#) section of this release.

Gross domestic product and real gross national disposable income⁽¹⁾

Annual change



1. Actual chain-volume series expressed in 1995/96 prices.

Source: Statistics New Zealand

Contribution to change

The following table shows the contribution to change by industry to the total GDP movement.

Gross domestic product by industry				
Chain-volume series expressed in 1995/96 prices, March 2012 quarter				
Industry	Percentage change from previous quarter	Percentage point contribution to change⁽¹⁾	Percentage change in annual values	Percentage change from same quarter of previous year
Agriculture, forestry and fishing	2.1	0.1	5.1	5.4
Mining	3.4	0.1	-12.7	-2.3
Manufacturing	1.8	0.2	3.1	2.6
Electricity, gas, water, and waste services	-0.7	0.0	-2.3	-5.9
Construction	-0.1	0.0	-8.1	-3.8
Wholesale trade	1.2	0.1	2.9	2.7
Retail trade, and accommodation	-0.6	0.0	4.5	4.7
Transport, postal, and warehousing	-0.4	0.0	0.9	0.1
Information media, and telecommunications	-3.0	-0.1	-3.4	-5.8
Financial and insurance services	0.1	0.0	2.1	3.0
Rental, hiring, and real estate services	0.4	0.0	1.0	1.1
Prof, scientific, technical, admin, and support	2.0	0.2	7.8	9.8
Public administration and safety	1.4	0.1	3.6	3.2
Education and training	0.1	0.0	0.4	0.4
Health care and social assistance	1.3	0.1	-0.4	2.2
Arts, recreation, and other services	-0.8	0.0	-1.3	-2.3
Unallocated and balancing item ⁽²⁾	...	0.3
Gross domestic product	1.1	1.1	1.7	2.4

1. Percentage point contributions may not sum to gross domestic product due to rounding.
2. Includes unallocated taxes on production and imports, bank service charge, and the seasonal adjustment balancing item.
Symbol: ... not applicable

The following table shows the contribution to change by component to the total GDE movement.

Expenditure on gross domestic product				
Chain-volume series expressed in 1995/96 prices				
March 2012 quarter				
Component	Percentage change from previous quarter	Percentage point contribution to change ⁽¹⁾	Percentage change in annual values	Percentage change from same quarter of previous year
Final consumption expenditure				
Private	0.1	0.0	2.0	2.7
General government	0.5	0.1	0.3	0.4
Gross fixed capital formation				
Residential buildings	-0.6	0.0	-11.9	-4.1
Other fixed assets	2.1	0.2	2.4	-0.7
Exports of goods and services	-1.7	-0.6	1.9	1.3
Imports of goods and services	4.1	-1.3	6.0	6.8
Change in inventories and balancing item ⁽²⁾	...	2.3
Expenditure on gross domestic product	0.8	0.8	1.0	2.0
1. Percentage point contributions may not sum to expenditure on gross domestic product due to rounding.				
2. Includes the change in inventories and the seasonal adjustment balancing item.				
Symbol: ... not applicable				

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

Definitions

About gross domestic product

Gross domestic product (GDP) is New Zealand's official measure of economic growth.

Three different approaches can be taken to calculate GDP – the production approach, the expenditure approach, and the income approach. The production and expenditure approaches are used to calculate New Zealand's GDP on a quarterly basis. The production approach is available on a chain-volume basis, while the expenditure approach is on a chain-volume basis, and in current prices. Chain-volume estimates have the effect of price change (inflation) removed from them.

The **production approach** to GDP measures the total value of goods and services produced in New Zealand, after deducting the cost of goods and services used in the production process. This is also known as the value-added approach.

The **expenditure approach** to GDP (also known as GDE) measures the final purchases of goods and services produced in the New Zealand domestic territory. Exports are added to domestic consumption, as they represent goods and services produced in New Zealand, while imports are subtracted. Imports represent goods and services produced by other economies.

Conceptually, both the production-based and expenditure-based GDP series should produce the same growth rates, because what is produced by an economy should equal what is used. However, as each series uses independent data and estimation techniques, some differences between the alternative measures arise. The expenditure-based series has historically shown more quarterly volatility and is more likely to be subject to timing and valuation problems. For these reasons, the production-based measure is the preferred measure for quarter-on-quarter and annual changes.

More definitions

Broad industry groups: in tables 1, 2, 3 and 4, industry groups are combined to form the following broad groupings, based on the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC06):

- primary industries (agriculture, forestry, and fishing; mining)
- goods-producing industries (manufacturing; electricity, gas, water, and waste services; construction)
- service industries (wholesale trade; retail, accommodation, and restaurants; transport, storage and warehousing; finance and insurance services; rental, hiring, and real estate services; professional, scientific, technical, administration, and support services; public administration and safety; education and training; health care and social assistance; arts, recreation and other services).

As well as these industrial groupings, there is an 'unallocated' category. This category includes bank service charges and taxes on production and imports (import duties, GST, and taxes on capital transactions) that are not allocated to industries.

Business investment: measures the investment of producers in land improvements; non-residential building; other construction; transport equipment; plant, machinery, and equipment; and intangibles (mining exploration and computer software).

Change in inventories: Change in the value of inventories of raw materials, work-in-progress, and finished goods, over a given period. The change is measured in the appropriate prices in the market at the time additions and withdrawals are made. The correct valuation of the change in inventories requires continually updated data on the quantities of individual commodities held in stock together with appropriate prices. As this data is rarely available, the usual practice is to revalue stocks at the end of the period. This is the best estimate of the physical change in stocks during a given period.

Chain-volume series expressed in 1995/96 prices: The series in this release are chain-linked and expressed in the average prices of the 1995/96 year. They are best described as annually reweighted, chained Laspeyres volume indexes. Series are expressed in 1995/96 dollars rather than as index numbers, since this has the advantage of showing the relative size of each component. For more information on chain-volume series, please refer to 'Constructing a chain-volume series' in the [Data quality](#) section of this release.

Durable goods: are goods that are not consumed in one use (eg appliances and electronic goods).

Gross fixed capital formation: Outlays of producers on durable fixed assets, such as buildings, motor vehicles, plant and machinery, hydro-electric construction, roading, and improvements to land. 'Gross' indicates that consumption of fixed capital is not deducted from the value of the outlays.

Gross national disposable income (GNDI): is the income received (less income payable) by New Zealand residents, from both domestic and overseas sources, after taking account of income redistribution by way of international transfers, or gross national income (GNI) plus international transfers.

Household consumption expenditure (HCE): is an estimate of total expenditure by New Zealand resident households. It includes expenditure by New Zealand households overseas but does not include expenditure by overseas tourists in New Zealand.

Implicit price deflators: Tables 21 and 22 contain implicit price deflators (IPDs) for expenditure on GDP and its components. IPDs provide a broad measure of price change for total economic activity and each of the expenditure components.

Non-durable goods: are goods that are either consumed immediately in one use or within 3 years.

Real gross national disposable income (RGNDI): measures the real purchasing power of national disposable income, taking into account changes in the terms of trade, and real gains from net investment and transfer income with the rest of the world. Effectively, it is a measure of the volume of goods and services New Zealand residents have command over. For more information on calculating RGNDI, please refer to 'Calculating real gross national disposable income' in the [Data quality](#) section of this release.

Services: products other than tangible goods. Services result from production activity that changes the conditions of the consuming units, or makes the exchange of products or financial assets possible.

Value added: income formed in the production process. Value added equals output minus intermediate consumption. Value added is the income available to reward the production factors involved.

Related links

Upcoming releases

Gross Domestic Product: June 2012 quarter will be released on 20 September 2012.

To [subscribe to information releases](#), including this one, please complete the online subscription form.

The [release calendar](#) lists all our upcoming information releases by date of release.

Past releases

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

Related information

[National accounts](#) provides an annual measure of economic aggregates in the New Zealand economy.

Data quality

Period-specific information

This section contains information that has changed since the last release.

- [Reference period](#)
- [Implementing Australian and New Zealand Standard Industrial Classification 2006 \(ANZSIC06\)](#)

General information

This section contains information that does not change between releases.

- [Data source](#)
- [Incorporation of annual data](#)
- [The System of National Accounts](#)
- [Constructing a chain-volume series](#)
- [Revisions resulting from chain-linking](#)
- [Calculating real gross national disposable income](#)
- [Calculating implicit price deflators](#)
- [Revisions policy](#)
- [Interpreting the data](#)
- [Confidentiality and accessing the data](#)
- [More information](#)

Period-specific information

Reference period

Information for this release was collected for the period January – March 2012.

Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC06)

The production measure of GDP is presented by industry. The industry classification that Statistics NZ uses for GDP is ANZSIC06. For more information about the implementation of ANZSIC06, refer to [Introduction to ANZSIC 2006](#) on the Statistics NZ website (www.stats.govt.nz).

Gross Domestic Product: December 2011 quarter was the last GDP release to use ANZSIC96.

General information

Data source

The sources and methods used in compiling quarterly GDP are presented in [Quarterly Gross Domestic Product: Sources and Methods \(Second edition\)](#) . A free electronic version is available on the Statistics NZ website (www.stats.govt.nz) or contact the Information Centre (call toll-free 0508 525 525 or email info@stats.govt.nz) for hard copies.

Incorporation of annual data

The National Accounts: Year ended March 2011 was released on 18 November 2011. This annual data provides benchmarks that set the level of economic activity. Indicators used by quarterly GDP estimate the movements of the series. As annual data is compiled from a larger range of data sources, it is often more complete. Quarterly estimates of industries in GDP and the components of GDP(E) are reconciled to annual estimates to ensure that the most robust picture of economic activity is being shown.

Annual benchmarks are incorporated up to the year ended March 2009 on the production measure of GDP, and up to the year ended March 2011 on the expenditure measure of GDP (GDE).

More information on National Accounts: Year ended March 2011 can be found on the Statistics NZ website (www.stats.govt.nz).

The System of National Accounts

The conceptual framework used in compiling New Zealand's national accounts and GDP is based on the System of National Accounts 1993 (SNA93). The SNA93 is jointly published by the United Nations, The Commission of the European Communities, the International Monetary Fund, the Organisation for Economic Co-operation and Development, and the World Bank.

The latest international standard for national accounts compilation is the System of National Accounts 2008 (SNA08). So far, Australia is the only country to have adopted SNA08. European countries are targeting 2015 for implementation of the new standard. Statistics New Zealand is likely to introduce SNA08 into the NZ accounts after 2013.

Constructing a chain-volume series

The chain-volume measures of GDP and expenditure on GDP are constructed by:

- (a) compiling a Laspeyres volume index of the component in question, using the previous year's prices as weights; then
- (b) chaining the sequence of annual movements to produce a continuous time series.

This procedure is used at different levels within the accounts. For example, GDP is compiled by weighting together the individual industry value-added components to produce a Laspeyres volume index for each quarter, and then linking the resulting indexes to produce the GDP time series. Each industry component, such as transport and communication, is also a chained-volume series. At the lowest level, the 'elemental series' are not chained and are either single series in their own right or fixed-weight series comprising a number of components. Chaining is not adopted, either because the detailed information needed for annual weights is not available, or relative price changes are not considered significant.

It is important to note that chain-volume series are not additive (ie the chain-volume series for an aggregate will not equal the sum of the values of its components). For a full explanation, see the report Chain Volume Measures in National Accounts, available on the Statistics NZ website (www.stats.govt.nz). This report, published as a discussion document in 1998, contains a detailed discussion of the concepts and procedures used to compile chain-volume series.

In most cases, the industry 'elemental series' estimates that make up the production-based GDP are calculated by extrapolating value added, using indicator series that represent the quantities of output produced. The technique known as double deflation, by which volume value added is calculated as the difference between volume outputs and inputs, is not widely used. Double deflation is currently used for the agriculture and electricity industries on a quarterly basis, and for water transport, business services, cultural and recreational services, and personal and other services on an annual basis.

Revisions resulting from chain-linking

One of the key benefits gained through adopting chain-volume measures in place of fixed-weight series is that the relative weights of the component series are more up-to-date. This reduces the likelihood of introducing biases in the volume measures, which would otherwise become progressively unrepresentative as relative prices change. However, the disadvantage is that the annual reweighting introduces another cause for revision.

Reweighting is part of the annual revisions cycle and is usually timed to coincide with the introduction of other new annual data from the current price GDP accounts. Please refer to the 'Incorporation of annual data' section above.

The current price annual accounts provide the detailed component series needed for weighting the production-based series of GDP. There is usually a two-year time lag before these detailed series are available. The latest year for which up-to-date weights have been used for the production-based series is for the year ended 31 March 2009, and all subsequent quarters use these weights.

Current price data is available on a more timely basis for the components comprising the expenditure-based measure of GDP. As a result, the latest year for which up-to-date weights have been used for the expenditure-based series is for the year ended 31 March 2011, and all subsequent quarters use these weights.

When the weights are updated, this procedure results in revisions to all periods beyond the latest year for which detailed series are available (currently 2008/09 for the production-based measure and 2010/11 for the expenditure-based measure).

Calculating real gross national disposable income

RGNDI is calculated as follows:

chain-volume measure of **gross domestic product** (production-based measure)
plus a terms of trade effect (trading gain/loss)
equals real gross domestic income
plus real value of total net investment income
equals real gross national income
plus real value of total net transfers
equals real gross national disposable income

where the terms of trade effect is defined as:
current price exports deflated by an imports implicit price index
less chain-volume measure of exports

and the real value of total net investment income equals:
investment income credits

less investment income debits
all deflated by an imports implicit price index

and the real value of total net transfers equals:

transfers credits

less transfers debits

all deflated by an imports implicit price index.

A per capita measure is simply the series in question divided by the projected population of New Zealand. From the March 1991 quarter onwards, the definition used is the 'estimated resident population of New Zealand'. This is defined as New Zealand residents currently in New Zealand plus those temporarily overseas. Overseas tourists visiting New Zealand are excluded from this measure. Before March 1991, the definition used was the 'de facto' population, which excludes New Zealand residents temporarily overseas and includes overseas tourists in New Zealand.

Calculating implicit price deflators

Implicit price deflators are calculated by dividing the seasonally adjusted current price quarterly series by the equivalent chain-volume series. Consequently it provides a broad estimate of price change between the base period and any other period. Significant compositional changes may result in the IPDs being a less precise estimate of price change. This problem is more likely to occur in the gross national expenditure (GNE) and expenditure on GDP aggregates. This is because both measures include the change in inventories item, which is highly subject to compositional changes, including a change in sign.

Revisions policy

Revisions to the previously published series may be made each quarter. The frequency and cause of these revisions are as follows:

- **Quarterly:** additional data becoming available for the latest quarters, which is used to replace existing estimates; revisions to quarterly data (eg revisions to the Balance of Payments or Retail Trade Survey), which will be incorporated as soon as possible to maintain consistency between published macro-economic statistics.
- **Annual:** introduction of annual data following the release of the latest annual national accounts each year; annual updating of the weights used to link component series to totals and subsequent chaining (see revisions resulting from chain-linking above).
- **Irregular:** for example, methodological changes. However, note that as far as possible, revisions of this nature are incorporated to coincide with the annual cycle of revisions outlined above or are discussed in a separate paper ahead of the changes.

In addition, each of the above causes for revision, and/or the addition of a new point in the actual quarterly series, has the potential to alter seasonal factors and therefore may lead to a revision in the seasonally adjusted series.

Interpreting the data

Annual percentage changes

When using annual percentage changes, care should be taken to ensure that the measures used are correctly understood. Annual measures are calculated by summing the actual series for a four-quarter period. Unless otherwise stated, the annual percentage change is the most recent four-quarter period compared with the previous four-quarter period.

Direct and indirect seasonal adjustment

The level at which a series is seasonally adjusted is important, since it has the potential to affect the quality of that seasonally adjusted series. The individual component series of the main economic variables can be seasonally adjusted and then summed to derive totals. This is called an indirect seasonal adjustment. Alternatively, the main economic variables can be seasonally adjusted at the total level, independently of the seasonal adjustment of their components. The adjustment of the total of an aggregate series is called a direct seasonal adjustment. The indirect approach has the advantage of retaining additivity, but this applies only to the current price series. While the indirect approach conceptually also provides additivity for volume series, additivity is lost by chain-linking.

The direct approach will often give better results if the component series show similar seasonal patterns. At the most detailed level, the irregular factor may be large compared with the seasonal factor and therefore may make it difficult to perform a proper seasonal adjustment. In a small country such as New Zealand, irregular events can have a strong impact on particular data. However, if the component series show the same seasonal pattern, aggregation often reduces the impact of the irregular factors in the component series. This is particularly relevant for New Zealand, where many economic series are affected by seasonal fluctuations in the primary industries.

Statistics NZ has analysed both the direct and indirect approaches for the two quarterly GDP aggregates: production and expenditure on GDP. The direct approach has been chosen as the preferred method because the resulting series are smoother and more stable.

The residual between the seasonally adjusted components and the aggregates is referred to as the balancing item. The balancing item will often show significant seasonal variations. This is to be expected, as it captures the undetected seasonality in the component series.

The level at which seasonal adjustment is applied to quarterly GDP series may differ from other Statistics NZ surveys (eg the Economic Survey of Manufacturing and the Wholesale Trade Survey). These may contribute to differences in the aggregate seasonally adjusted series.

Confidentiality and accessing the data

Data collected and information contained in this publication must conform to the provisions of the Statistics Act 1975. This requires that published information maintains the confidentiality of individual respondents.

More information

More [information about the quarterly gross domestic product](#) is available on our website.

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Revisions

Summary of revisions

A number of revisions were incorporated into GDP for the March 2012 quarter. Details of these revisions are discussed below.

Gross domestic product:

- Agriculture was revised due to the incorporation of new benchmarks from the Agricultural Production Statistics: June 2011 (final) release.
- Updated source data resulted in revisions to the forestry and logging; fishing, aquaculture and agriculture, forestry and fishing support services; mining; manufacturing; retail trade and accommodation; information media and telecommunications; financial and insurance services; and public administration and safety components.
- Further refinements to methodologies resulted in revisions to the electricity, gas, water, and waste services; construction; transport, postal, and warehousing; health care and social assistance; and the unallocated industry components.
- Education and training was revised due to updated annual benchmarks.
- Central government administration was previously published as down 3.7 percent for the December 2011 quarter. Updated information this quarter now shows a fall of 0.3 percent.

Expenditure on gross domestic product:

- Household consumption expenditure was revised due to updated retail trade data, revised input data for communications, updated indicators, and refinements to the new IT system.
- Gross fixed capital formation was revised due to changes to the transfer costs methodology for land improvements, other construction, residential building and non-residential building, and updated input data for transport equipment; plant, machinery, and equipment; intangibles; and other construction.
- Revisions to change in inventories result from revised input data for agriculture and distribution inventories, and system refinements.
- Imports and exports of goods and services were revised due to updated overseas trade and balance of payments data.

There is an ongoing programme of statistical maintenance work for GDP. New methodologies for ownership of owner-occupied dwellings, health, education, and financial intermediary services indirectly measured will be incorporated into the national accounts later in the year. These revisions will coincide with the usual incorporation of the latest annual benchmarks.

Quarter	Gross domestic product – percent change from previous quarter		Expenditure on gross domestic product – percent change from previous quarter	
	Previously published	Revised	Previously published	Revised
March 2007	1.1	1.1	0.7	0.7
June 2007	0.7	0.5	1.7	1.7
September 2007	0.7	0.6	1.0	0.9
December 2007	0.3	0.4	0.3	0.2
March 2008	-0.2	0.0	-0.5	-0.3
June 2008	-0.9	-0.9	-1.4	-1.5
September 2008	0.0	-0.1	-0.4	-0.4
December 2008	-0.4	-0.8	-0.1	-0.2
March 2009	-1.3	-1.6	-0.3	-0.4
June 2009	-0.6	-0.5	0.8	0.8
September 2009	0.1	0.3	0.2	0.2
December 2009	0.7	1.0	0.8	0.7
March 2010	0.6	0.6	0.6	0.5
June 2010	0.6	0.7	0.1	0.1
September 2010	0.1	-0.1	-0.8	-1.1
December 2010	0.0	0.0	0.0	0.1
March 2011	0.5	0.6	0.4	0.3
June 2011	0.3	0.4	0.1	0.2
September 2011	0.2	0.4	0.2	0.6
December 2011	0.3	0.4	0.3	0.4

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Tables

The following tables are included with this release. They are available in Excel format from the 'Downloads' box of *Gross Domestic Product: March 2012 quarter* on the Statistics NZ website.

If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print, and export the contents of the file.

- 1 Gross domestic product by industry, seasonally adjusted chain-volume series expressed in 1995/96 prices
- 2 Gross domestic product by industry, seasonally adjusted chain-volume series expressed in 1995/96 prices, percent change from previous quarter
- 3 Gross domestic product by industry – annual, actual chain-volume series expressed in 1995/96 prices
- 4 Gross domestic product by industry – annual, actual chain-volume series expressed in 1995/96 prices, percent change
- 5 Expenditure on gross domestic product, seasonally adjusted chain-volume series expressed in 1995/96 prices
- 6 Expenditure on gross domestic product, seasonally adjusted chain-volume series expressed in 1995/96 prices, percent change
- 7 Expenditure on gross domestic product – annual, actual chain-volume series expressed in 1995/96 prices, values
- 8 Expenditure on gross domestic product – annual, actual chain-volume series expressed in 1995/96 prices, percent change
- 9 Household consumption expenditure, seasonally adjusted chain-volume series expressed in 1995/96 prices
- 10 Household consumption expenditure – annual, actual chain-volume expressed in 1995/96 prices
- 11 Gross fixed capital formation, seasonally adjusted chain-volume series expressed in 1995/96 prices
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Subject category: **Economic Indicator**

Group: **National Accounts – SNA 1993 – SND**