

New Zealand economic update

trade

New Zealand trade balance breaks into small surplus

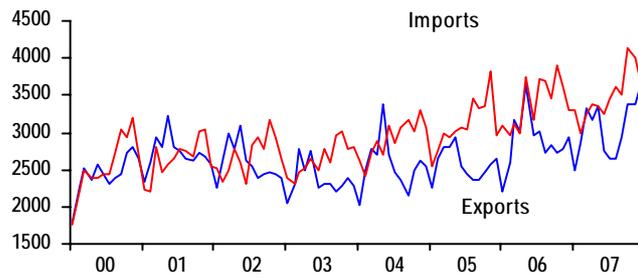
New Zealand's trade balance posted a small surplus in December, thanks to surging exports and despite stronger than expected imports. The non-seasonally adjusted figures showed a small surplus of NZ\$33 million in December, as exports spiked to NZ\$3.68 billion (up 25%oya) and imports rose to NZ\$3.64 billion (up 11%oya). The annual deficit narrowed to its smallest margin since the year to June 2005, as dairy products drove exports revenue to a record level. The record value of dairy exports and the recent increase in crude oil exports from the new Tui oil field has resulted in substantial increases in export values for three consecutive months.

According to the report, milk powder and petroleum products combined accounted for close to two-thirds of the total increase in exports over the December quarter, and exceeded NZ\$1 billion for the first time in the December month. On the import side, intermediate goods rose 8%q/q over the December quarter, and consumption goods increased 5%q/q. Over the month, petroleum imports recorded the largest increase in value.

Today's report suggests the much anticipated growth rotation away from households to exports is well underway. Export volumes will likely drive GDP growth as global demand for New Zealand's commodities expands and surging food prices encourage exporters to boost supply. Furthermore, the dairy industry, New Zealand's largest export sector, is experiencing a massive windfall of income thanks to milk solid prices more than doubling in the past year. The windfall over cash to farmers should encourage investment in the sector, and in-turn boost volumes.

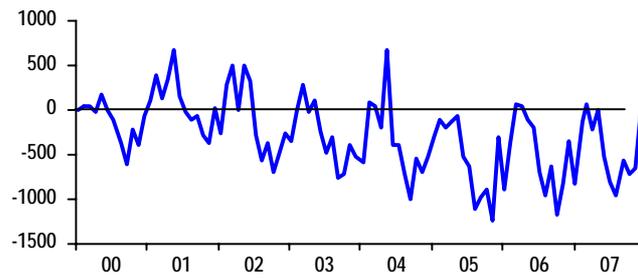
New Zealand: exports and imports

NZ\$ million, nsa



New Zealand: trade balance

NZ\$ million, nsa



Stephen Walters (61-2) 9220-1599
Stephen.b.walters@jpmorgan.com
Jarrod Kerr (61-2) 9220-1669
Jarrod.w.kerr@jpmorgan.com

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