

## New Zealand Economic Update

### Trade balance

New Zealand's trade balance remained in surplus in April for the fourth straight month, but widened unexpectedly. The trade balance printed at NZ\$656 million (J.P. Morgan: NZ\$500 million; consensus: NZ\$455 million). As we had expected, both imports and exports were a bit lower over the month, falling 4% and 2%, respectively.

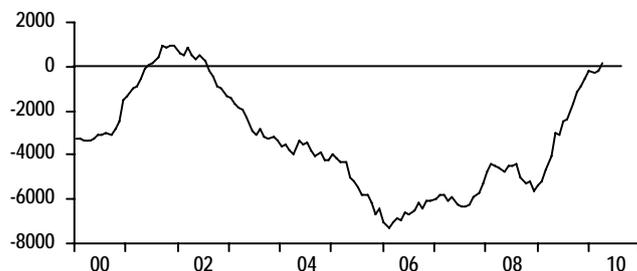
Exports were up strongly over the year, however, rising 9% oya, driven higher by shipments of milk powder, butter, and cheese (+29%). We expect this strength will continue given solid growth in New Zealand's major trading partners in Asia, in particular China, the nation's second largest trading partner. Indeed, exports to China recorded the largest increase in April (+44%). New Zealand's dairy cooperative Fonterra has sold significantly more New Zealand milk powder to China for consumption since the melamine debacle in 2008. In fact, Fonterra expects China to be the world's largest dairy market in 25 years, which will bode favourably for the all-important export sector.

On the other side of the ledger, imports were flat on the year, reflective of the prolonged weakness in domestic demand. This was evidenced by the 7% oya drop in imports of consumption goods. The largest increase was recorded in imports of military and other goods, followed by passenger cars.

The trade numbers today have few direct implications for the forthcoming RBNZ decision in June. That said, the RBNZ has been placing a greater emphasis on the role of export earnings and booming trading partner growth to supplement sluggish domestic demand. The April trade report confirms this message, with the year-to-date trade balance meandering into surplus, albeit just at NZ\$161 million, for the first time since mid-2002.

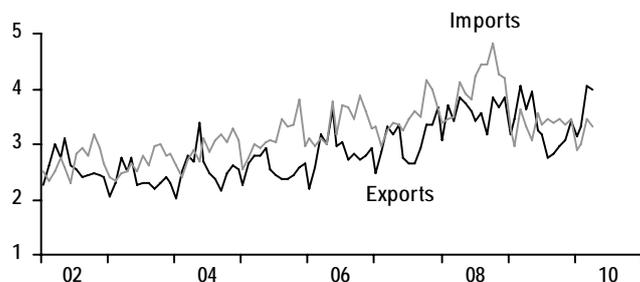
New Zealand: trade balance

Year-to-date, NZ\$ mn



New Zealand: exports and imports

NZ\$ bn, nsa



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