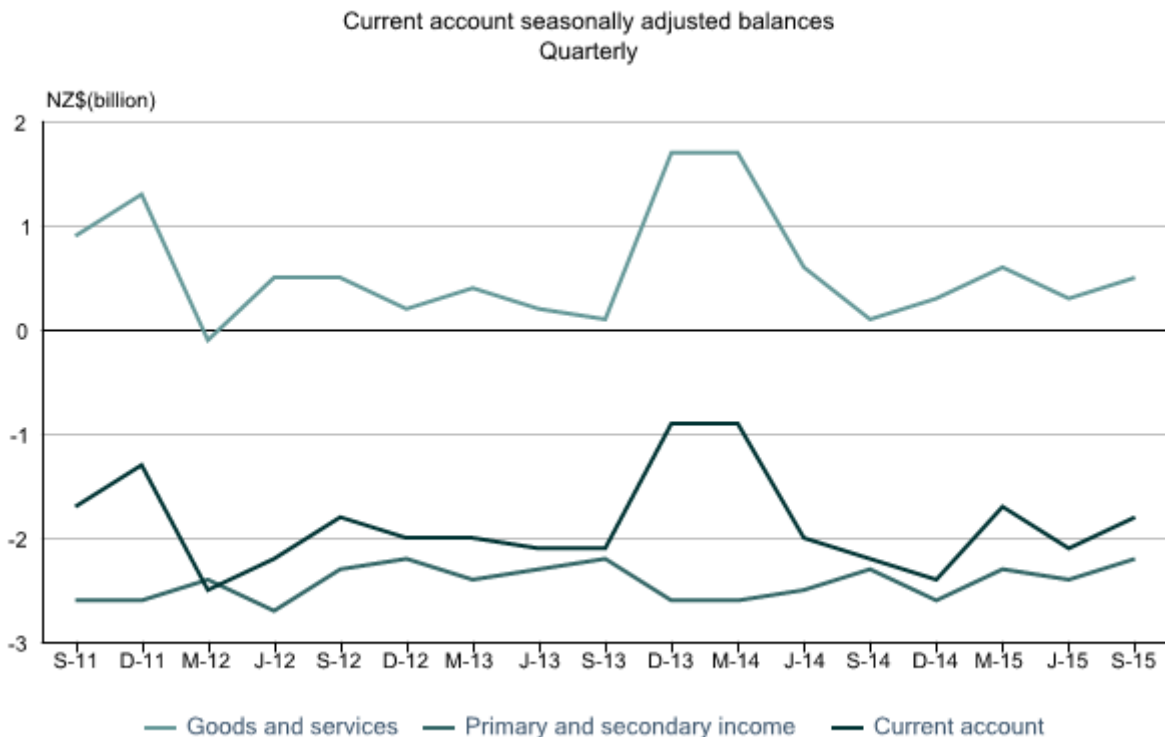


Balance of Payments and International Investment Position: September 2015 quarter

Embargoed until 10:45am – 16 December 2015

Key facts

- New Zealand's seasonally adjusted current account balance was a deficit of \$1,751 million in the September 2015 quarter (\$332 million smaller than the deficit in the June 2015 quarter).
- The balance of goods was a deficit of \$562 million in the September 2015 quarter (\$77 million smaller than the June 2015 quarter's deficit).
- For the year ended September 2015, the current account deficit was \$8.1 billion (3.3 percent of GDP; it was 3.4 percent of GDP for the June 2015 year).
- New Zealand's net international liability position was \$151.0 billion (61.9 percent of GDP), up from a revised \$148.0 billion (61.3 percent of GDP) at 30 June 2015.
- New Zealand's external debt position was \$136.9 billion (56.1 percent of GDP) at September 2015, down from a revised \$137.8 billion (57.0 percent of GDP) at 30 June 2015.



Source: Statistics New Zealand

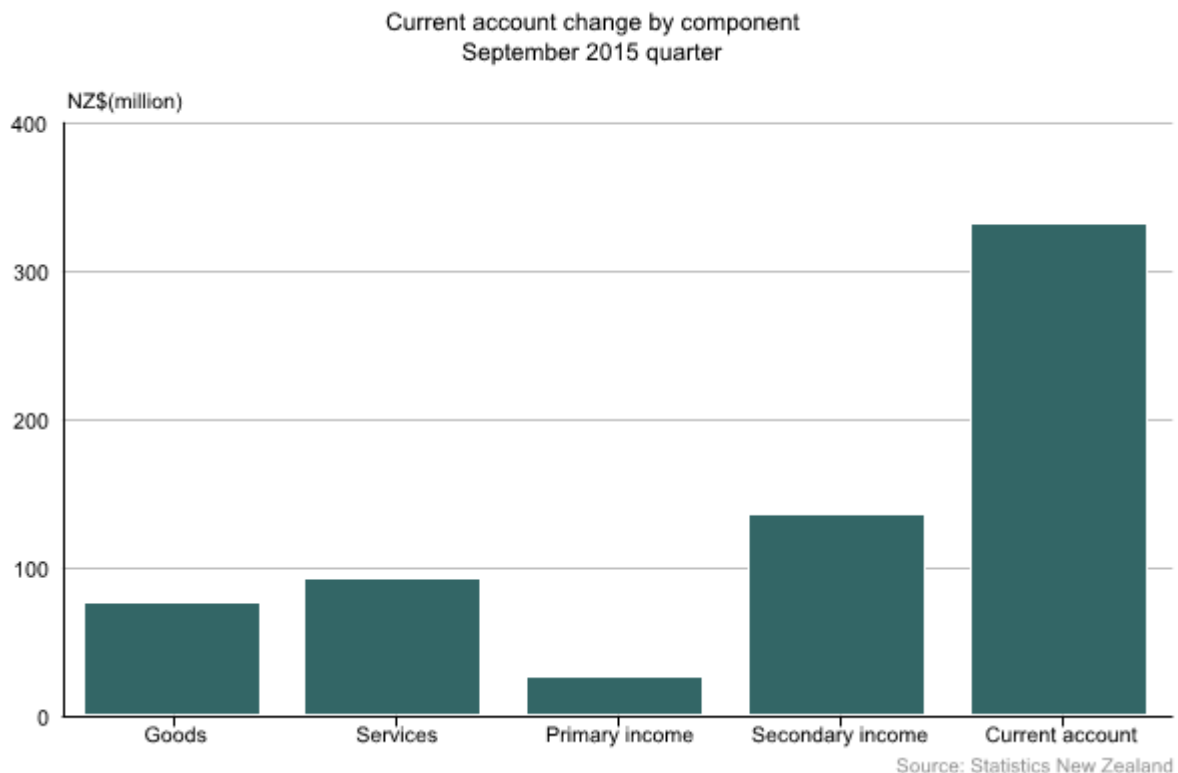
Liz MacPherson, Government Statistician
ISSN 1178-0215
16 September 2015

Commentary

- Current account deficit decreases
- Goods exports rise more than imports
- Services surplus continues to increase
- Primary income balance remains steady
- Annual current account deficit decreases
- Net outflow of investment
- Net international liability position increases
- Net external debt decreases

Current account deficit decreases

New Zealand's **seasonally adjusted current account balance** was a deficit of \$1,751 million in the September 2015 quarter, \$332 million smaller than the deficit in the June 2015 quarter.



The smaller deficit in the latest quarter was due to both a decrease in the goods deficit and an increase in the services surplus.

Goods exports rise more than imports

The seasonally adjusted **goods balance** was a deficit of \$562 million in the September 2015 quarter, down \$77 million from the June 2015 quarter deficit. Goods exports increased \$749 million, while goods imports increased \$673 million for the latest quarter.

An increase in exports of dairy products led the rise in exports for the September 2015 quarter, while meat exports were also high. The increase in imports was influenced by aircraft, laptops, and mobile phones.

Services surplus continues to increase

The seasonally adjusted **services balance** was a surplus of \$1,012 million in the September 2015 quarter, up \$92 million from the previous quarter's surplus. New Zealand's seasonally adjusted services surplus has grown each quarter since the December 2013 quarter. The latest surplus is the largest services surplus since the June 2004 quarter.

Services exports increased \$171 million to \$5,235 million in the September 2015 quarter, driven by travel services exports (\$3,393 million). The increase in travel services was driven by an increase in spend per international visitor to New Zealand.

Imports of services increased \$79 million, to reach \$4,223 million in the latest quarter. Imports of transportation services contributed most to this rise – up \$61 million. Transportation services include the transport of people and objects as well as related services by sea and air (this also includes postal and courier services).

See Goods and Services Trade by Country: Year ended September 2015 for more detail on New Zealand's trade in goods and services for the year, including a by-country breakdown.

Primary income balance remains steady

New Zealand's **primary income** (mostly investment income) deficit decreased \$26.0 million, to \$2,210 million, in the September 2015 quarter. Income earned from foreign investment in New Zealand and from New Zealand's investment abroad both decreased.

Income earned from New Zealand investment abroad fell \$115 million in the September 2015 quarter, due to a fall in income on earnings on direct investment equity and investment fund shares. In the latest quarter, New Zealand direct investors received income in the form of dividends from overseas rather than in the form of reinvested earnings.

Income earned overseas from foreign investment in New Zealand fell \$128 million in the September 2015 quarter, as income on portfolio investment equity and investment fund shares and interest both decreased.

Annual current account deficit decreases

The **annual current account deficit** was \$8.1 billion (3.3 percent of GDP) for the year ended September 2015. This compares with a revised annual deficit of \$8.3 billion (3.4 percent of GDP) for the year ended June 2015.

The smaller deficit was driven by a \$523 million increase in the services surplus. Exports of services rose \$831 million, led by an increase in travel services (up \$709 million). Both the number of visitors to New Zealand and spend per visitor increased in the September 2015 year. Imports of services rose \$308 million.

The increase in the services surplus in the September 2015 year was partly offset by a \$449 million increase in the goods deficit, to \$1.9 billion. Goods imports rose more than goods exports in the latest year.

Ratio of current account deficit to GDP
Year ended in quarter



Net outflow of investment

A net outflow of investment of \$2.4 billion occurred in the September 2015 quarter, as a \$6.6 billion decrease in liabilities (outflow) was partly offset by a \$4.2 billion decrease in assets (inflow).

In the September 2015 quarter, the actual current account balance was a deficit of \$4.7 billion. Conceptually, a current account deficit would be funded from an inflow of overseas investment. However, in the latest quarter, the financial account showed a net outflow, resulting in net errors and omissions of \$6.7 billion. Positive net errors and omissions indicates potential overcoverage of financial account asset transactions, or undercoverage of financial account liability transactions. The New Zealand dollar depreciated against most of our major trading partners in the September 2015 quarter, which can lead to large transactions in financial derivatives. Measurement of these transactions is a current undercoverage gap in New Zealand's balance of payments (BoP) statistics, which may help explain the net errors and omissions.

Additionally, the deposit-taking corporation sector sourced additional funding from within New Zealand in the latest quarter, which would have been used to reduce our international liabilities. Since this domestic funding is outside the scope of the BoP statistics, it would not show as a financial account inflow and may have also contributed to the net errors and omissions.

In the September 2015 quarter, the \$6.6 billion decrease in New Zealand's international liabilities was across all classifications of investment. It was mainly driven by transactions in financial derivatives (by both the general government and deposit-taking corporation sectors), which reduced our liabilities by \$3.4 billion.

See [New Zealand's international accounts statistics: user guide](#) (section 14.5) for more information on financial derivative transactions.

In the latest quarter, there was an increase in overseas debt instrument assets held with related parties, primarily in the form of loans. This was more than offset by the Reserve Bank of New Zealand reducing reserve assets held overseas by \$4.9 billion, which resulted in the \$4.2 billion decrease in New Zealand's international assets.

Net international liability position increases

New Zealand's net international liability position was \$151.0 billion (61.9 percent of GDP) at 30 September 2015, up from \$148.0 billion (61.3 percent of GDP) at 30 June 2015.

The value of New Zealand's international liabilities increased more than assets – \$4.0 billion and \$1.1 billion, respectively, between 30 June 2015 and 30 September 2015.

While financial account transactions of \$2.4 billion had a positive impact on New Zealand's net liability position in the latest quarter, this was more than offset by negative valuation changes in the form of financial derivative valuation changes, market price changes, and exchange-rate changes.

Financial derivative valuation changes pushed up the value of New Zealand's international liabilities (up \$7.1 billion) more than New Zealand's international assets (up \$4.1 billion).

See [New Zealand's international accounts statistics: user guide](#) (section 14.6) for more information.

In contrast, market price changes in the September 2015 quarter decreased the value of New Zealand's international assets (down \$4.0 billion) by more than international liabilities (down \$0.6 billion).

The depreciation of the New Zealand dollar against our major trading partners over the quarter pushed up the value of our assets and liabilities denominated in foreign currencies.

Net external debt decreases

New Zealand's net external debt position (this excludes financial derivatives and equity) was \$136.9 billion (56.1 percent of GDP) at 30 September 2015, \$882 million less than the \$137.8 billion (57.0 percent of GDP) at 30 June 2015. External lending increased \$481 million and external borrowing decreased \$400 million in the latest quarter.

Ratio of net external debt to GDP
Year ended in quarter



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

Definitions

About the balance of payments and international investment position

Balance of payments (BoP): New Zealand's BoP statements are records of the value of the country's transactions with the rest of the world in goods, services, primary income, and secondary income. They also record changes in New Zealand's financial claims on (assets), and liabilities to, the rest of the world.

International investment position (IIP): New Zealand's IIP statement provides a snapshot of the country's international financial assets and liabilities. It measures the stock (or level) of New Zealand's financial assets and liabilities with the rest of the world at a particular point in time.

The IIP includes New Zealand's net international debt (lending to non-residents less borrowing from non-residents) and net international equity investment (investment in shares abroad less foreign investment in New Zealand company shares). A net international debtor position means that international liabilities exceed international assets.

The BoP and IIP statistics are closely related, with the former measuring transaction flows and the latter measuring stock positions. The difference in the level of international financial assets and liabilities between two points in time is due to:

- BoP financial account transactions
- other (non-transactional) changes that occurred during the period (eg revaluations, changes in market prices, and other changes such as write-offs).

See Balance of Payments and International Investment Position: December 2014 quarter for more definitions, including terms mentioned above.

Related links

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The *Balance of Payments and International Investment Position: December 2015 quarter* will be released on 16 March 2016.

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Related information papers

[New Zealand's inward foreign affiliate statistics](#) – compares characteristics and activities of foreign-owned firms with those that are domestically owned.

[Balance of payments](#) page has more information.

Related information

[Goods and Services Trade by Country](#) – information on commodities and service types, by country, providing a comprehensive picture of trade between New Zealand and other countries.

[Global New Zealand](#) – annual international trade, investment, and travel profiles produced in conjunction with the Ministry of Foreign Affairs and Trade.

[Investment by country](#) – investment flows between New Zealand and other countries, the stock of New Zealand's investment abroad, and stocks of investment in New Zealand held by other countries, at 31 March 2015.

[International trade in services](#) – New Zealand's trade in services with the rest of the world.

[Country fact sheets](#) – summary of New Zealand's trade, investment, and migration relationships with selected countries and country groupings.

[Overseas merchandise trade](#) – statistical information on the importing and exporting of merchandise goods between New Zealand and other countries.

[Overseas trade indexes](#) – quarterly information about changes in the volumes (levels) and prices of imported and exported goods, and change in the terms of trade.

[National accounts](#) – statistics about economic aggregates such as gross domestic product, capital formation, and government and private consumption.

Data quality

Period-specific information

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

- [Reference period](#)
- [Revisions](#)
- [Overseas reinsurance claims from the Canterbury earthquakes](#)

General information

This section contains information about data that does not change between releases.

- [Data sources](#)
- [Conceptual adjustments to exports and imports of goods](#)
- [Seasonal adjustment and trend analysis](#)
- [Undercoverage estimate for the international investment position](#)
- [Net errors and omissions \(residual\)](#)
- [Confidentiality and accessing the data](#)
- [More information](#)

Period-specific information

Reference period

Information for this release was collected from July to September 2015.

Revisions

See [revisions](#) for details of the changes we made in the September 2015 quarter.

Overseas reinsurance claims from the Canterbury earthquakes

Total international reinsurance claims from all Canterbury earthquakes are now estimated at \$20.2 billion, unchanged from the June 2015 quarter. At 30 September 2015, a total of \$17.1 billion of these claims had been settled with overseas reinsurers, leaving \$3.0 billion of claims outstanding. These outstanding insurance claims are included as assets in New Zealand's international investment position. See the table below for details.

| Updated reinsurance claim estimates | | | |
|--|---------------------------|--------------------|--|
| Quarter | Reinsurance claims | Settlements | Total outstanding claims at end of period |
| | NZ\$(million) | | |
| Sep 2010 | 6,070 | 0 | 6,070 |
| Dec 2010 | 0 | 0 | 6,070 |
| Mar 2011 | 13,194 | 59 | 19,206 |
| Jun 2011 | 872 | 483 | 19,595 |
| Sep 2011 | 0 | 892 | 18,703 |
| Dec 2011 | 51 | 1,193 | 17,562 |
| Mar 2012 | 0 | 1,361 | 16,201 |
| Jun 2012 | 0 | 1,399 | 14,802 |
| Sep 2012 | 0 | 1,362 | 13,440 |
| Dec 2012 | 0 | 1,514 | 11,926 |
| Mar 2013 | 0 | 1,010 | 10,916 |
| Jun 2013 | 0 | 1,373 | 9,542 |
| Sep 2013 | 0 | 1,343 | 8,200 |
| Dec 2013 | 0 | 1,051 | 7,148 |
| Mar 2014 | 0 | 1,184 | 5,964 |
| Jun 2014 | 0 | 544 | 5,420 |
| Sep 2014 | 0 | 564 | 4,856 |
| Dec 2014 | 0 | 505 | 4,351 |
| Mar 2015 | 0 | 575 | 3,776 |
| Jun 2015 | 0 | 460 | 3,316 |
| Sep 2015 | 0 | 273 | 3,042 |
| Total | 20,188 | 17,145 | 3,042 |

We will continue to revise these claim estimates as the insurance industry provides us with updated information.

General information

Data sources

The source data and information for BoP and IIP statistics collected and processed each quarter are summarised below and include:

- Statistics NZ surveys of New Zealand-resident enterprises
- surveys conducted by other entities
- administrative data
- financial market information.

The main surveys that provide data for BoP and IIP are:

- Quarterly International Investment Survey – a sample survey that is the main source of data on primary income, financial account flows, and the stock of overseas assets and liabilities.

- International Trade in Services and Royalties Survey – a quarterly sample survey that is the primary source for commercial services data
- transportation surveys – full-coverage surveys that measure transactions relating to transportation services such as passenger airfares and port expenses.

Surveys conducted by other organisations – we use data from other organisations that operate surveys that are relevant to our data needs. For example:

- International Visitors Survey – run by a marketing company for MBIE. The data is used to estimate exports of travel services in the current account.
- Quarterly Managed Funds Survey – a Reserve Bank of New Zealand (RBNZ) survey that provides data on overseas income, financial account transactions, and IIP, for the pension, money market, and non-money market sectors.

Administrative data – examples of these include non-resident withholding tax data from Inland Revenue, and New Zealand Customs Service records of imports and exports published in the overseas merchandise trade (OMT) statistics.

Financial market information – includes interest and, exchange rates and share prices for major investment partner countries. The information is used for survey validation purposes. We take much of this information from publicly available websites.

Conceptual adjustments to exports and imports of goods

In BoP, we record exports and imports of goods when the ownership changes between the resident and the non-resident party. Adjustments are made to the OMT statistics (source data for the BoP goods item), to account for ownership changes. The following conceptual adjustments are made.

- Goods that cross the customs frontier without a change in ownership are removed from merchandise trade imports and exports data – an example of this is large capital items imported or exported on an operational lease.
- Goods on consignment are removed from trade data, as ownership does not change for these goods when they leave a country.
- Freight and insurance charges are removed from the value of imports of goods and are reclassified to services.
- Changes in the level of oil stocks held abroad get added to or subtracted from imports of goods.

Goods on consignment are goods intended for sale but not actually sold at the time they cross the border of the exporting country. To meet the BoP recording convention, we remove the value of goods exported on consignment from the OMT exports in the quarter they leave the country, and add them back into exports in the quarter in which the goods are actually sold.

Seasonal adjustment and trend analysis

Quarterly current account statistics are subject to large, short-term movements, both irregular and seasonal, which makes interpreting trends in the original series difficult.

In the current account, we produce seasonally adjusted and trend series for both goods and services (including travel and transportation services separately). Primary and secondary income series only have a trend calculated for them as they do not have a seasonal pattern.

The seasonally adjusted current account is the sum of adjusted goods and services, and the actual primary and secondary income series. We calculate the seasonally adjusted balances as being the sum of adjusted exports minus adjusted imports.

Undercoverage estimate for the international investment position

BoP uses a purposive sampling method to capture international investment position (IIP) data for the other sectors of the economy. Under this method, all units identified as being significant are surveyed each quarter.

A non-sample estimate is added to the results of the quarterly survey to represent the IIP position for the entire population.

Net errors and omissions (residual)

We compile the BoP statement using the double-entry bookkeeping system to ensure the account balances. In practice, the BoP statement does not always balance. To balance the account, a balancing item called the 'net errors and omissions' or 'residual' is used. The residual is always entered on the credit side of the account.

We can calculate the residual by one of two means:

1. the sum of all current, capital, and financial account credits (inflows), less the sum of all the debits (outflows)
2. the current account balance, plus the net flow of the capital and financial accounts.

A positive entry means the sum of the debits is greater than the sum of the credits.

Persistent large residuals in one direction may indicate serious and systemic errors. However, a small figure does not necessarily mean that only small errors and omissions have occurred, since large positive and negative errors may be offsetting. Timing differences in data reported by the different sources we use to estimate the credit and debit sides of a transaction may result in positive and negative errors and omissions offsetting each other.

In any quarter there may be financial account transactions occurring but not recorded in the accounts. The reasons for them may include: transactions undertaken by entities not in the frame for BoP surveys, omissions of data by existing survey respondents, and errors in data reporting and compilation.

Confidentiality and accessing the data

Where data within a table in this release discloses information about an individual respondent, or would allow close estimation of such information, we publish data only after obtaining the consent of those respondents (ie published under section 37(4)(a) of the Statistics Act 1975). Where affected respondents have not provided their consent, data remains confidential.

More information

Statistics in this release have been produced in accordance with the [Official Statistics System principles and protocols for producers of Tier 1 statistics](#) for quality. They conform to the Statistics NZ Methodological Standard for Reporting of Data Quality.

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Revisions

Earthquake-related figures

We made no revisions to the earthquake-related figures in the September 2015 quarter.

New Zealand insurers have provided updated estimates of their Canterbury reinsurance claims on non-resident reinsurers. The updated data affects capital account inflows, investment abroad transactions, and IIP assets. We use the updated data to revise statistics back to the September 2010 quarter.

Revisions for *Balance of Payments and International Investment Position: June 2015 quarter*

These tables present a summary of revisions to the June 2015 quarter release. Revisions reflect new or improved information becoming available.

Current and capital accounts

| Current and capital accounts June 2015 quarter revisions | | | |
|--|--|---------------------------|------------------|
| Component | Previously published June 2015 quarter | Revised June 2015 quarter | Size of revision |
| | NZ\$(million) | | |
| Current account balance | -1,216 | -1,174 | 42 |
| Goods balance | 679 | 688 | 9 |
| Goods exports (fob) | 12,737 | 12,743 | 6 |
| Goods imports (fob) | 12,058 | 12,056 | -2 |
| Services balance | 488 | 503 | 15 |
| Services exports | 4,543 | 4,538 | -5 |
| Services imports | 4,055 | 4,036 | -19 |
| Primary income balance | -2,227 | -2,236 | -9 |
| Primary income inflow | 2,106 | 2,107 | 1 |
| Primary income outflow | 4,333 | 4,343 | 10 |
| Secondary income balance | -155 | -128 | 27 |
| Secondary income inflow | 479 | 498 | 19 |
| Secondary income outflow | 634 | 626 | -8 |
| Capital account balance | -11 | -11 | 0 |
| Capital account inflow | 0 | 0 | 0 |
| Capital account outflow | 11 | 11 | 0 |

Financial account

| Financial account June 2015 quarter revisions | | | |
|--|---------------------------------------|----------------------------------|-------------------------|
| Component | Previously published June 2015 | Revised June 2015 quarter | Size of revision |
| | NZ\$(million) | | |
| Financial account balance | 0 | -468 | -468 |
| NZ investment abroad | 1,499 | 539 | -960 |
| Direct investment assets | -437 | -357 | 80 |
| Portfolio investment assets | 1,794 | 1,794 | 0 |
| Financial derivative assets | -529 | -1,538 | -1,009 |
| Other investment assets | 815 | 783 | -32 |
| Reserve assets | -144 | -144 | 0 |
| Foreign investment in NZ | 1,499 | 71 | -1,428 |
| Direct investment liabilities | 1,860 | 980 | -880 |
| Portfolio investment liabilities | 163 | 82 | -81 |
| Financial derivative liabilities | -1,492 | -1,917 | -425 |
| Other investment liabilities | 967 | 925 | -42 |

Net errors and omissions

| Net errors and omissions June 2015 quarter revisions | | | |
|---|---|----------------------------------|-------------------------|
| Component | Previously published June 2015 quarter | Revised June 2015 quarter | Size of revision |
| | NZ\$(million) | | |
| Net errors and omissions | 1,227 | 1,653 | 426 |

International investment position

| International investment position (IIP) June 2015 quarter revisions | | | |
|--|---|----------------------------------|-------------------------|
| Component | Previously published June 2015 quarter | Revised June 2015 quarter | Size of revision |
| | NZ\$(million) | | |
| Net IIP | -149,694 | -148,027 | 1,667 |
| NZ's international assets | 232,930 | 233,097 | 167 |
| Direct investment | 36,274 | 36,245 | -29 |
| Portfolio investment | 112,809 | 112,863 | 54 |
| Financial derivatives | 26,877 | 26,955 | 78 |
| Other investment | 30,493 | 30,557 | 64 |
| Reserve assets | 26,477 | 26,477 | 0 |
| NZ's international liabilities | 382,624 | 381,124 | -1,500 |
| Direct investment | 112,471 | 111,578 | -893 |
| Portfolio investment | 151,834 | 151,925 | 91 |
| Financial derivatives | 31,331 | 31,335 | 4 |
| Other investment | 86,987 | 86,286 | -701 |

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Tables

See the following Excel tables in the 'Downloads' box on this page. If you have problems viewing the files, see [opening files and PDFs](#).

1. Balance of payments major components, quarter ended
2. International investment position, at end of quarter
3. Balance of payments selected series, year ended in quarter
4. Balance of payments seasonally adjusted and trend series, quarter ended
5. Current account goods, quarter ended
6. Current account services, quarter ended
7. Current account primary income, quarter ended
8. Current account secondary income, quarter ended
9. Balance of payments financial account, New Zealand investment abroad, quarter ended
10. Balance of payments financial account, foreign investment in New Zealand, quarter ended
11. International investment position reconciliation statement, at end of quarter
12. International financial assets and liabilities by instrument, at end of quarter
13. International non-equity financial instruments by sector, at end of quarter
14. International non-equity financial instruments by currency, at end of quarter
15. International non-equity financial instruments by residual maturity, at end of quarter
16. External lending and debt all sectors, at end of quarter
17. External lending and debt by sector and relationship, at end of quarter
18. Key international ratios, year ended in quarter

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Balance of Payments and International Investment Position: December 2015 quarter will be released on 16 March 2016.