

Annual Balance Sheets: 2007–15 (provisional)

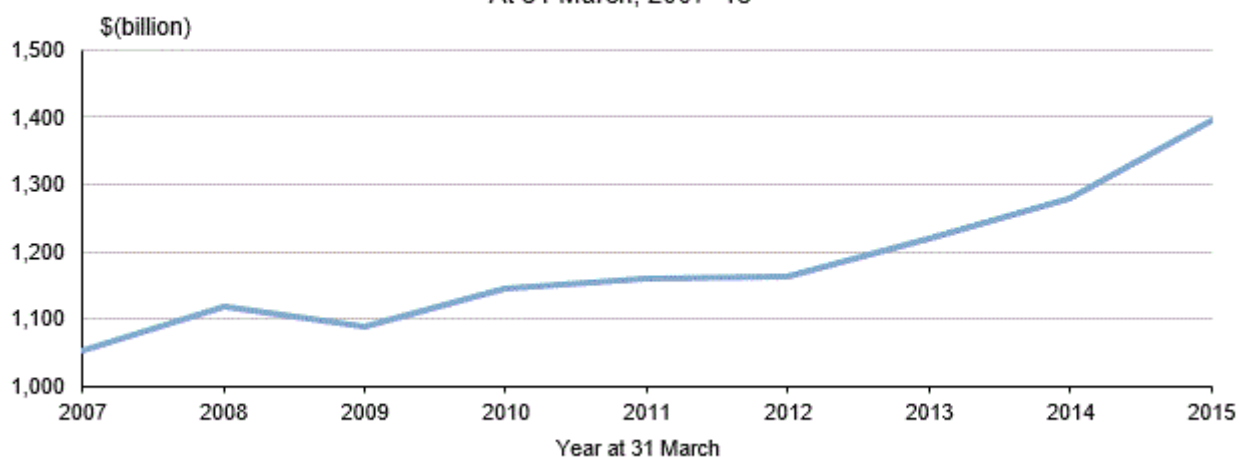
Embargoed until 10:45am – 31 March 2017

Key facts

- Overall net worth at \$1.39 trillion.
- Household property booms.
- Banking sector weathers the global financial crisis.
- Earthquakes disrupt insurance sector, liabilities rise from \$21 billion (2010) to \$41 billion (2011).
- Growth in pensions boosts household wealth (almost doubling from \$59 billion to \$112 billion).

New Zealand's net worth

At 31 March, 2007–15



Source: Stats NZ

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Commentary

- [Overall net worth rises](#)
- [Household property booms](#)
- [Global financial crisis affects banking](#)
- [Earthquakes disrupt insurance sector](#)
- [Growth in pensions boosts household wealth](#)
- [Central government's net worth falls](#)
- [New Zealand owes rest of the world](#)
- [First release of New Zealand's balance sheet statistics](#)
- [Notes for customers](#)

This is the first release of provisional balance sheet statistics for New Zealand. This new balance sheet information is part of a project to fill gaps in New Zealand's current suite of national accounts.

Overall net worth rises

New Zealand's net worth (assets minus liabilities) was nearly \$1.4 trillion (\$1,395 billion) at 31 March 2015. Except for a 3 percent decline in 2009, net worth grew steadily from 2007 to 2015, with the biggest increase being in 2015 (up 9 percent).

The 2009 fall in net worth resulted from falling property values, which affected rental property operators as well as households' direct ownership of the dwellings they live in.

Household property booms

Rising property prices have increased household net worth in recent years. Price increases boost all property-owning household assets, although increases in mortgage debt partly offset the increases for households purchasing property. There was a strong net worth increase overall between 2007 and 2015.

Increasing deposit, pension, and business equity assets contributed significantly to the growth in household net worth of \$319 billion from 2007 to 2015. Increases in households' property values over this period also contributed to the net worth.

This deposit asset growth supported the economy through the global financial crisis (GFC). It also helped the core-funding rule changes to solidify the financial sector. Pension fund assets benefitted from strong sharemarkets, and from increasing contributions.

Global financial crisis affects banking

The main function of banks in the economy is financial intermediation; that is, taking in funds from depositors and lending to borrowers. The main funding instruments banks use are deposits, debt securities, and loans.

The mix of this funding changed between 2008 and 2015. Before the GFC, funding through bank deposits provided 51 percent of total funding. By 31 March 2015, deposits were 66 percent of total bank funding. The other funding instruments, debt securities and loans, were less significant in 2015 as funding sources for banks than before the GFC.

Changes in the composition of bank funding reflect changes in the environment in which banks operate. Among these changes was the Reserve Bank of New Zealand introducing the core-funding ratio in April 2010. It required banks to source a minimum proportion of their funding in the form of retail deposits, long-term wholesale funds, or capital.

The total assets of the New Zealand Investment Fund sector grew steadily, from \$39 billion in 2008 to \$55 billion in 2015 after a fall in 2007–08 due to the GFC. The sector’s assets are mostly in the form of equity, debt securities, and currency and deposits.

Earthquakes disrupt insurance sector

The total assets of the insurance sector remained stable from 2007 until 2010. However, due to the Canterbury earthquakes, the total assets and liabilities doubled between 2010 and 2011. The increase in assets was due to the recognition of recoveries by New Zealand insurance companies from their reinsurers overseas. The increase in liabilities represented the outstanding claims of insurance companies to their resident policyholders. These increases are reflected in the asset and liability categories for insurance, pension, and standardised guarantee schemes.

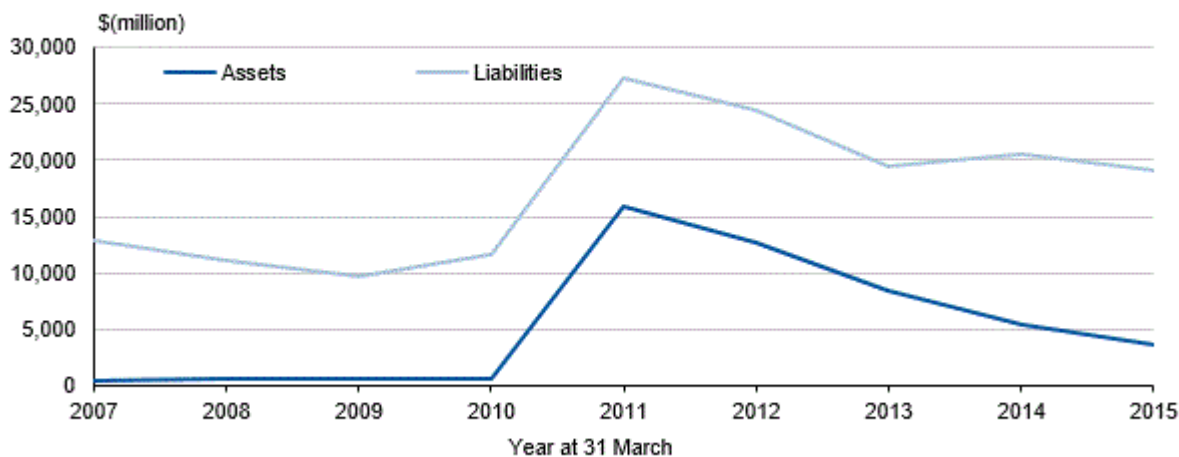
While most of the Canterbury earthquake claims from resident policyholders were financed from reinsurance recoveries, some insurance companies required an injection of capital from their parent companies abroad. This injection of capital is reflected by the 48 percent increase in equity liability between 2010 and 2011.

The ‘funded social insurance schemes’ total asset and liability values more than doubled between 2007 and 2015. The sector’s assets are made up of a portfolio of debt securities and equity and investment fund shares. From 2011, the sector’s assets also included the Earthquake Commission’s recoveries, for non-life insurance technical provisions, from its reinsurers overseas.

The main liability for the sector is non-life insurance provisions. The total outstanding non-life insurance provisions slightly more than doubled between 2007 and 2015. The growth was prominent between 2010 and 2011, reflecting the effect of claims from the Canterbury earthquakes.

Insurance, pension, and standardised guarantees

Insurance sector at 31 March 2007–15



Source: Stats NZ

Growth in pensions boosts household wealth

The total assets of the pension sector doubled between 2007 and 2015. At 31 March 2015, the total assets of pension funds stood at \$67 billion; this includes KiwiSaver and other superannuation schemes. The total assets of other registered superannuation funds remained relatively stable across these years. Note that total assets declined slightly in 2009 due to price and exchange-rate effects of the GFC, but rebounded and have continued to grow since then.

New Zealand owes the rest of the world

Over the 2007–15 period, the net amount New Zealanders owed to the rest of the world rose from \$130 billion to \$153 billion. The total assets of this sector increased 37 percent between these years. The level of equity and investment fund shares held by the sector was affected by the GFC in 2009, but since then it has rebounded and continued to grow. The estimate for financial derivative assets more than doubled between 2008 and 2009, reflecting uncertainty in financial markets due to the GFC.

The rest of the world sector's liabilities increased 56 percent between 2007 and 2015. A notable feature of this sector's liabilities is the increased value of non-life insurance technical provisions recorded before 2010, compared with that recorded from 2011 onwards. The increase reflects claims made on this sector by insurance companies for non-life insurance arising from the Canterbury earthquakes.

The values in the rest of the world sector represent the net claims on all the resident New Zealand sectors by the rest of the world. The net worth of this sector represents its net asset/liability position with the New Zealand economy.

Central government's net worth falls

The net worth of this sector peaked at \$103 billion at 31 March 2009 but it then declined to \$77 billion at 31 March 2015. The non-financial assets held by central government institutions increased 37 percent between 2007 and 2015. Much of this increase was in produced non-financial assets, in particular, fixed assets. The financial assets increased 36 percent between 2007 and 2015.

Total liabilities of central government institutions slightly more than doubled between 2007 and 2015. A major contributor to this was the increase in government's debt security issues. In 2007, government debt securities were 46 percent of total liabilities. In 2015, debt securities were 71 percent of total liabilities. At 31 March 2013, government debt security liabilities were \$49 billion higher than at 31 March 2009. The GFC, followed by the Canterbury earthquakes, generated significant shocks to the government's fiscal position. The government's operating deficits after 2008 were financed by the increases in issues of government debt securities.

First release of New Zealand's balance sheet statistics

This is the first release of provisional balance sheet statistics for New Zealand. This new balance sheet information is part of a project to fill gaps in New Zealand's current suite of national accounts. These gaps make it difficult to relate economic growth to the accumulation of wealth, and to understand how financial shocks affect the productive economy. By filling these gaps government, businesses, and households will have more economic information to make informed decisions and better understand the flow of money and risk across the economy.

These first estimates of balance sheet statistics were produced as the first stage of a four stage improvement to our national accounts. Further stages, especially those relating to counterparty flow analysis, are still to be undertaken and will result in changes to these initial balance sheet statistics. Thus the balance sheets are 'provisional'.

Balance sheet statistics in the New Zealand System of National Accounts (NZSNA) provide annual estimates, at 31 March, of the values of assets owned and of liabilities owed by institutional units, institutional sectors, and the total economy. The balancing item is net worth, the value of all assets less outstanding liabilities. A positive net worth means the value of New Zealand's assets exceeds the value of liabilities.

The balance sheet statistics presented here are grouped by institutional sector. The institutional sectors are:

- non-financial business enterprises (sector 1)
- financial business enterprises (sector 2)
- general government institutions (sector 3)
- non-profit institutions serving households (sector 4)
- households (sector 5)
- rest of the world (sector 6).

The total economy is the entire set of resident institutional units.

The rest of the world (sector 6), exists for transactions between New Zealand-resident units and non-residents.

Institutional sector balance sheets provide useful information to policy agencies and financial institutions for economic and fiscal planning, understanding how and what finance has been used to invest in productive assets. They also help in monitoring structural changes in the economy brought about by events affecting asset volatility, such as the GFC in 2008/09.

Notes for customers

In compiling the balance sheets we have maintained consistency with existing published sector balance sheets – for the rest of the world and government sectors. In some cases, further work is needed to fully reconcile these currently independent outputs.

In some transactions, the household sector estimates are a residual. This is due to the paucity of direct data for household estimates. This is a common situation internationally, which means that errors/omissions/inconsistencies in underlying data or methods are acknowledged to adversely affect the household sector. This is nowhere more evident than in the household equity estimates, which are footnoted in the tables for this reason.

The tables in this release contain data that is balanced at the two-digit level for assets and liabilities. Some data at the three-digit level for assets and liabilities can be made available on request.

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

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Data quality

General information

Annual Balance Sheets – DataInfo+

General methodology used to produce annual balance sheets, and related metadata.

Annual Balance Sheets Concept set – DataInfo+

Definitions of terms used in this release.

Principles and protocols for producers of Tier 1 statistics

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.

Related information

National Accounts (Income and Expenditure)

New Zealand's national accounts provide annual information on aggregated economic statistics, such as gross domestic product, investment, spending, and saving, of the nation and sectors of the economy.

Annual Enterprise Survey

Statistics on the financial performance and position of businesses operating in New Zealand, covering most areas of economic activity.

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Tables

The following tables are available in Excel format from the 'Downloads' box. If you have problems viewing the files, see [opening files and PDFs](#).

Institutional sector annual balance sheets, all sectors: 2007–15

- 1.1 Annual balance sheets all sectors, 2007
- 1.2 Annual balance sheets all sectors, 2008
- 1.3 Annual balance sheets all sectors, 2009
- 1.4 Annual balance sheets all sectors, 2010
- 1.5 Annual balance sheets all sectors, 2011
- 1.6 Annual balance sheets all sectors, 2012
- 1.7 Annual balance sheets all sectors, 2013
- 1.8 Annual balance sheets all sectors, 2014
- 1.9 Annual balance sheets all sectors, 2015

The following tables show annual balance sheets, by each institutional sector

- 2.1 Corporate business enterprises: 2007–15
- 2.2 Non-corporate business enterprises: 2007–15
- 2.3 Financial business enterprises, central bank: 2007–15
- 2.4 Financial business enterprises, registered banks: 2007–15
- 2.5 Financial business enterprises, other depository institutions: 2007–15
- 2.6 Financial business enterprises, investment funds: 2007–15
- 2.7 Financial business enterprises other financial intermediaries excluding insurance and pension funds: 2007–15
- 2.8 Financial business enterprises, insurance corporations: 2007–15
- 2.9 Financial business enterprises, pension funds: 2007–15
- 2.10 Financial business enterprises, financial auxiliaries: 2007–15
- 2.11 Financial business enterprises, captive financial institutions: 2007–15
- 2.12 Central government institutions excluding funded social insurance schemes: 2007–15
- 2.13 Central government institutions funded social insurance schemes: 2007–15
- 2.14 Local government institutions: 2007–15
- 2.15 Non-profit institutions serving households: 2007–15
- 2.16 Households: 2007–15
- 2.17 Rest of the world: 2007–15

The following table shows the annual balance sheets for the total economy: 2007–15

- 3. Annual balance sheets – total economy: 2007–15