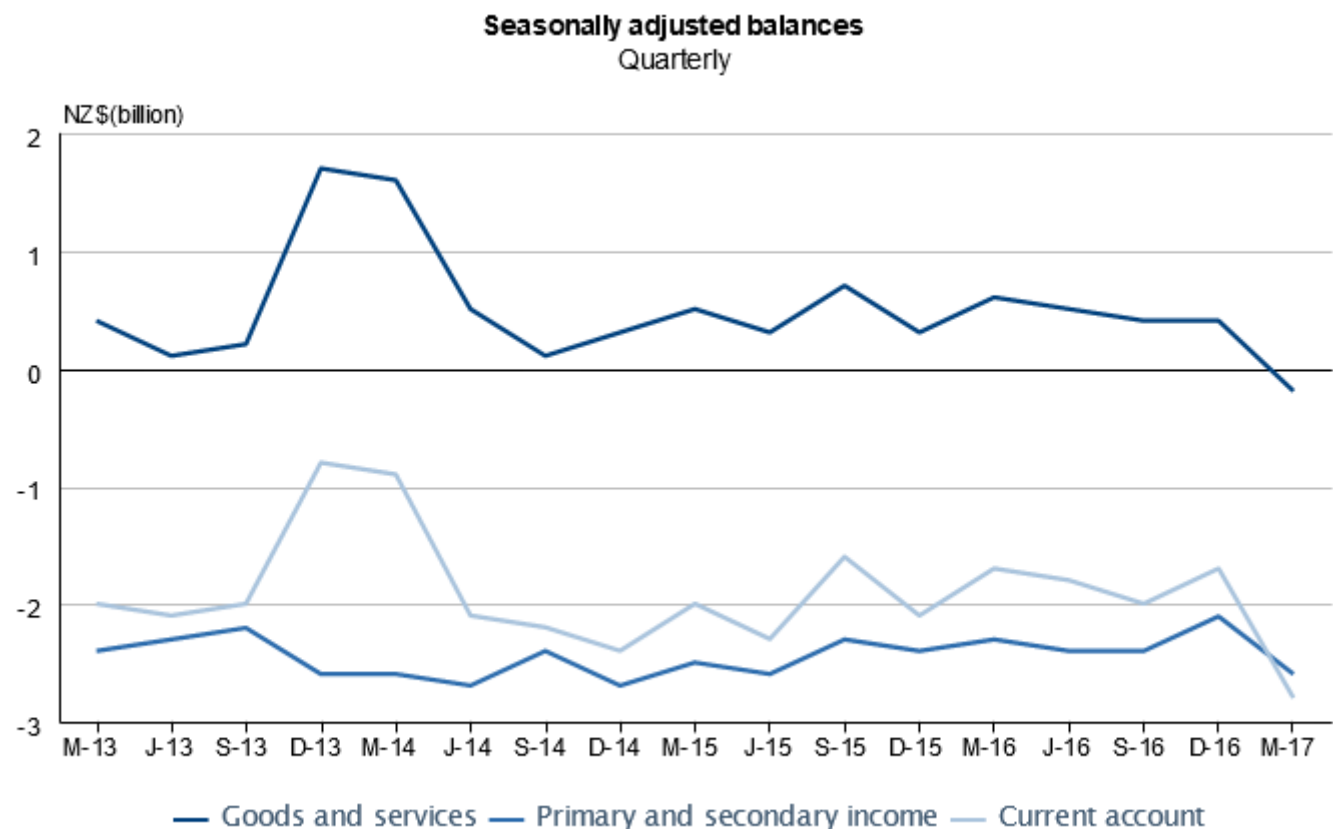


Balance of Payments and International Investment Position: March 2017 quarter

Embargoed until 10:45am – 14 June 2017

Key facts

- New Zealand's seasonally adjusted current account balance was a \$2,836 million deficit in the March 2017 quarter (\$1,143 million larger than the December 2016 quarter's deficit).
- The goods deficit increased by \$404 million to reach \$1,199 million.
- The services surplus decreased by \$180 million to reach \$1,001 million.
- The primary income deficit increased by \$222 million to reach \$2,302 million.
- For the year ended March 2017, the current account deficit was \$8.1 billion (3.1 percent of GDP; it was 3.1 percent of GDP for the March 2016 year).
- New Zealand's net international liability position was \$154.8 billion (58.5 percent of GDP) at 31 March 2017, down from a revised \$157.5 billion (60.4 percent of GDP) at 31 December 2016.
- New Zealand's external debt position was \$144.9 billion (54.7 percent of GDP) at 31 March 2017, compared to \$144.1 billion (55.3 percent of GDP) at 31 December 2016.



Source: Stats NZ

Liz MacPherson, Government Statistician
ISSN 1178-0215
14 June 2017

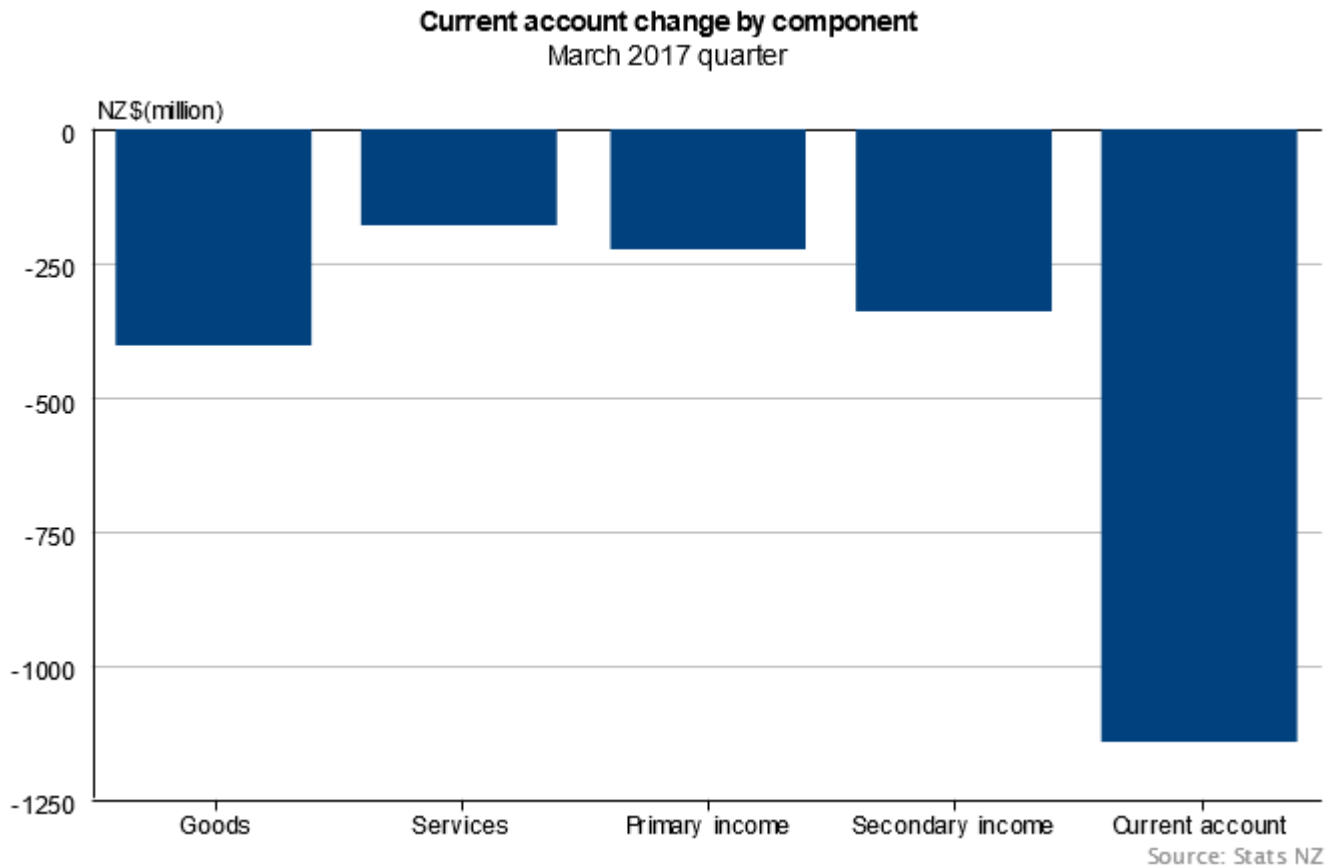
Commentary

- Current account deficit increases
- Goods deficit highest since June 2008
- Services surplus falls
- Primary income deficit widens
- Secondary income back to deficit
- Annual current account deficit increases
- Kaikōura earthquakes reinsurance claims revised
- Net inflow of investment in financial account
- Net international liability position narrows
- Net external debt increases

Current account deficit increases

New Zealand's **seasonally adjusted current account balance** was a deficit of \$2,836 million in the March 2017 quarter, \$1,143 million larger than the deficit in the December 2016 quarter. This is the largest seasonally adjusted current account deficit since the December 2008 quarter.

The deficit in the latest quarter was due to a decrease (of \$584 million) in the goods and services balance, and an increase (of \$560 million) in the deficit for primary and secondary income.



Goods deficit highest since June 2008

The seasonally adjusted goods balance was a deficit of \$1,199 million in the March 2017 quarter, an increase of \$404 million since the December 2016 quarter. This is the largest goods deficit since the June 2008 quarter. The goods deficit grew due to a larger increase in goods imported (up \$789 million) than those we exported (up \$386 million).

The \$13,614 million of goods imported in the March 2017 quarter is the largest on record. We saw an increase in imports across most categories, including vehicles and machinery.

[See Goods and Services Trade by Country: Year ended March 2017](#) for more detail on New Zealand's trade in goods and services for the year, including a by-country breakdown.

Services surplus falls

The seasonally adjusted services balance was a surplus of \$1,001 million in the March 2017 quarter, down \$180 million from the December 2016 quarter.

Our services imports increased by \$213 million, while our services exports increased by \$33 million. The increase in services imports was influenced mainly by New Zealanders spending more while travelling overseas, and on transportation services. The increase in services exports was driven by increased spending on transportation services.

Primary income deficit widens

New Zealand's primary income deficit widened to \$2,302 million in the March 2017 quarter. This was a \$222 million increase from the December 2016 quarter. The larger income deficit was due to a decrease in income earned from New Zealand investment abroad and an increase in income earned by foreign investors in New Zealand.

Our income from direct investment abroad decreased by \$130 million to \$299 million, due to a fall in profits by overseas subsidiaries. New Zealand investors reinvested \$203 million of this overseas, while receiving \$52 million in dividends during the quarter.

Direct investment income earned by foreign investment in New Zealand increased by \$160 million, to \$2,271 million, due to a rise in profits earned by foreign direct investment in New Zealand companies. In the latest quarter, foreign direct investors received \$1,138 million in dividends and reinvested \$901 million of their profits in New Zealand.

Secondary income back to deficit

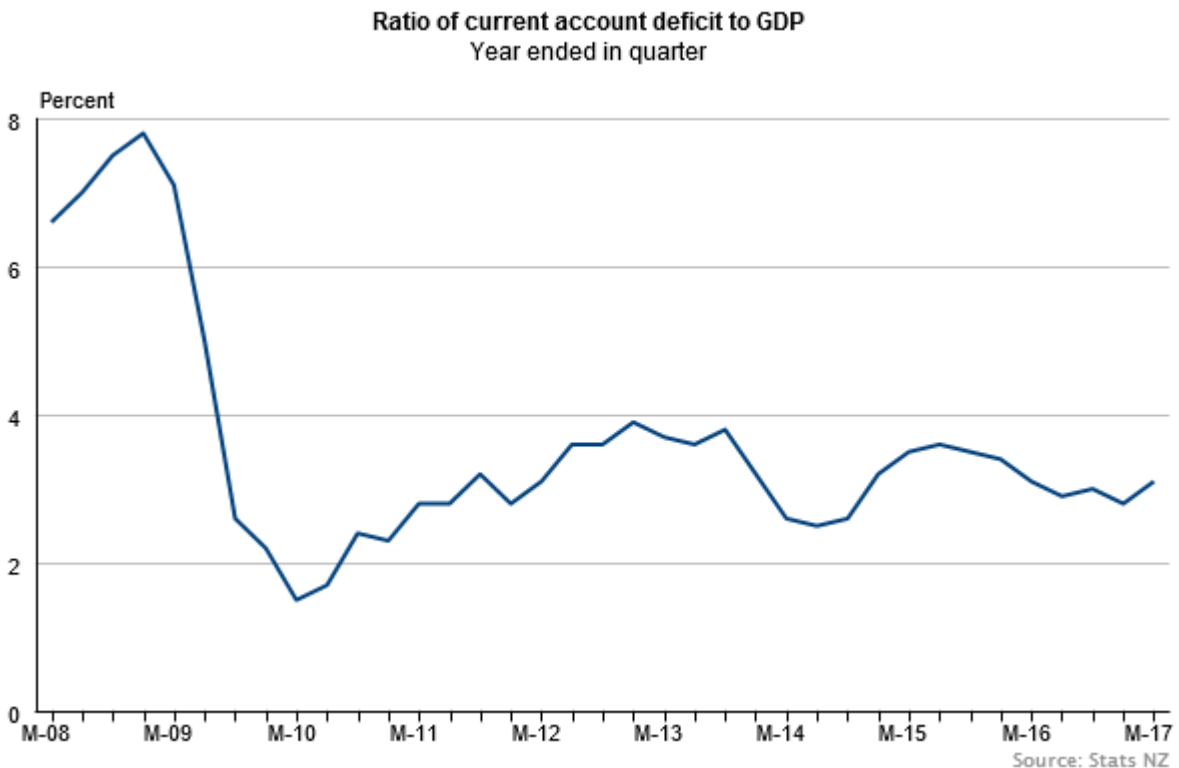
New Zealand's secondary income returned to a deficit in the March 2017 quarter, from a surplus in the preceding quarter. This deficit was due to lower current tax income receipts and larger payments of current transfers. Secondary income includes tax and current transfers such as foreign aid or gifts.

Annual current account deficit increases

The annual current account deficit was \$8.1 billion (3.1 percent of GDP) for the year ended March 2017. As a percentage of GDP, this is the same as the deficit for the year ended March 2016 (\$7.8 billion).

The larger deficit in 2017 was driven by a \$478 million decrease in our goods and services surplus, largely due to increased New Zealand imports of goods between the March 2016 and March 2017 years.

This decrease in the goods and services surplus was partly offset by the \$167 million smaller combined primary and secondary income deficit in 2017 than in 2016. The decrease in this deficit was driven by a \$366 million rise in earnings by New Zealand investment abroad (primary income inflow) between the March 2016 and March 2017 years.



Kaikōura earthquakes reinsurance claims revised

In the March 2017 quarter, additional reinsurance claims of \$120 million were reported. Revisions to recognised reinsurance claims are reported in the December 2016 quarter because this is when the earthquakes occurred. This is consistent with our reporting of revisions to the Canterbury earthquakes.

See [New Zealand's international accounts statistics: user guide](#)(section 19.7) for more information on how we treat extraordinary events such as the Canterbury and Kaikōura earthquakes.

Net inflow of investment in financial account

A net inflow of \$2.0 billion of investments occurred in the March 2017 quarter. There was a \$4.7 billion withdrawal of New Zealand's other investment assets held overseas. This included New Zealand banks withdrawing \$2.8 billion of currency and deposits from overseas, while increasing their other investment liabilities such as loans from overseas by \$2.5 billion. These are inflows of investment as in both cases money is flowing into New Zealand.

Banks settling debt securities saw our portfolio investment liabilities decrease by \$3.4 billion. Portfolio investment abroad increased by \$1.3 billion, mainly due to increases in equity and debt securities by fund managers. These are outflows of investment as both transactions involve money leaving New Zealand.

Overall, we saw a \$2.5 billion withdrawal of assets (inflow) and a \$574 million reduction of foreign liabilities (outflow).

Net international liability position narrows

New Zealand's net international liability position was \$154.8 billion (58.5 percent of GDP) at 31 March 2017, down from \$157.5 billion (60.4 percent of GDP) at 31 December 2016.

The value of New Zealand's international assets hit the highest value ever reported at 31 March 2017, having increased by \$3.1 billion to \$242.8 billion. Our liabilities increased by \$374 million between 31 December 2016 and 31 March 2017.

In the latest quarter, net market price changes and net financial derivative valuation changes contributed most to the narrowing of our net international liability position. They were partly offset by the net inflow of investment. Market price changes increased the value of our assets in the March 2017 quarter by \$3.2 billion. Increases to global share prices increased the value of our assets held abroad.

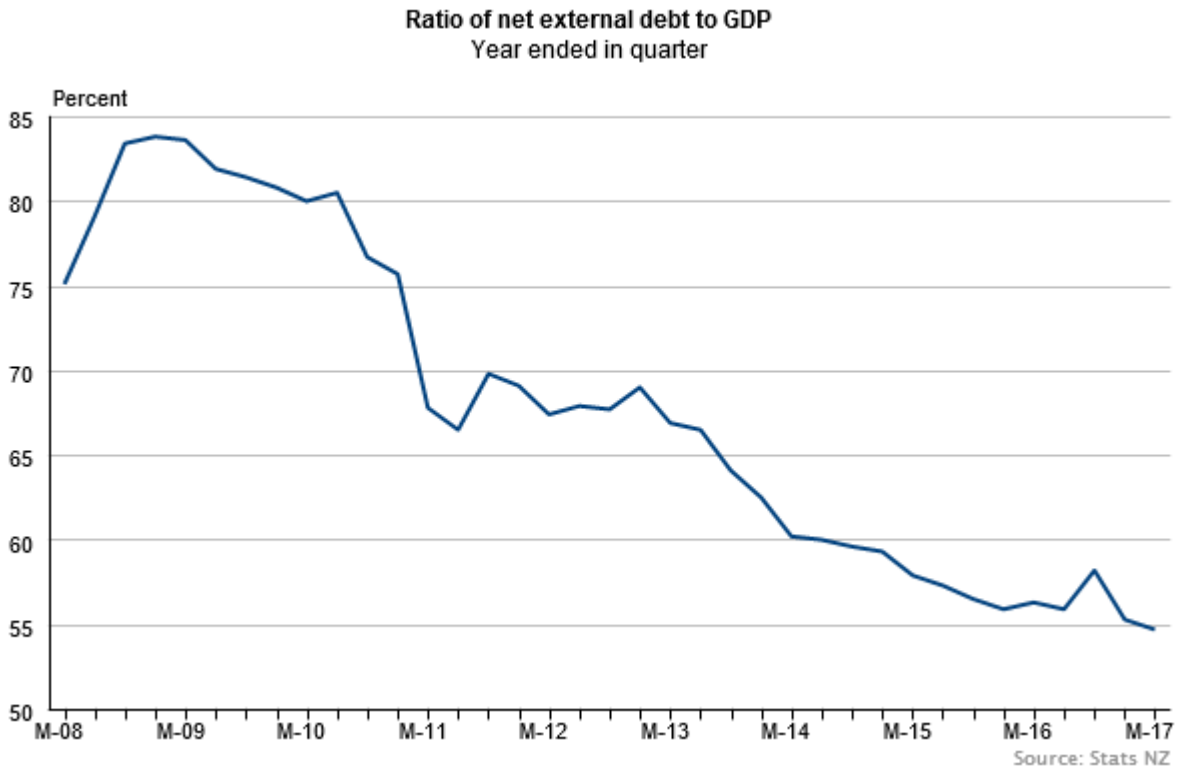
Ratio of net international liability position to GDP
Year ended in quarter



Net external debt increases

New Zealand's net external debt position (excluding financial derivatives and equity) was \$144.9 billion (54.7 percent of GDP) at 31 March 2017. This is \$738 million larger than the \$144.1 billion (55.3 percent of GDP) net external debt at 31 December 2016.

Our net external debt position widened because our external debt increased by \$396 million while our external lending decreased by \$341 million.



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

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The *Balance of Payments and International Investment Position: Year ended 31 March 2017* will be released on 27 September 2017.

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[Balance of Payments – data collection methodology – DataInfo+](#) details the general methodology used to produce balance of payments statistics.

[Balance of Payments concepts – DataInfo+](#) provides the definitions of terms used in this release.

Related information

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

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

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

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

[New Zealand's inward foreign affiliate statistics](#) (published 2014) – compares characteristics and activities of foreign-owned firms with those that are domestically owned.

[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.

Data quality

Period-specific information

Reference period

Information for this release was collected from January to March 2017.

Revisions

See [revisions](#) for details of the changes we made in the March 2017 quarter.

Overseas reinsurance claims from the Canterbury and Kaikōura earthquakes

Total international reinsurance claims from all Canterbury earthquakes are estimated at \$20.2 billion, unchanged from the June 2016 quarter. We will revise this claim estimate in the June 2017 quarter.

At 31 March 2017, a total of \$19.7 billion of these claims had been settled with overseas reinsurers, leaving \$516 million 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 – all Canterbury earthquakes			
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	3,043
Dec 2015	0	361	2,682
Mar 2016	0	998	1,684
Jun 2016	0	579	1,105
Sep 2016	0	182	923
Dec 2016	0	291	631
Mar 2017	0	116	516
Total	20,188	19,672	516

Total international reinsurance claims from the November 2016 Kaikōura earthquakes are provisionally estimated at \$814 million.

At 31 March 2017, a total of \$19 million of these claims had been settled with overseas reinsurers, leaving \$795 million 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 – Kaikōura earthquakes			
Quarter	Reinsurance claims	Settlements	Total outstanding claims at end of period
			NZ\$(million)
Dec 2016	814	14	801
Mar 2017	0	5	795
Total	814	19	795

We will continue to revise the settlements estimates for both Canterbury and Kaikōura earthquakes as the insurance industry provides us with updated information.

Revisions

Revisions for *Balance of Payments and International Investment Position: December 2016 quarter*

These tables present a summary of revisions to the December 2016 quarter release. Revisions reflect new or improved information becoming available.

Current and capital accounts

Current and capital accounts December 2016 quarter revisions			
Component	Previously published Dec 2016 quarter	Revised Dec 2016 quarter	Size of revision
	NZ\$(million)		
Current account balance	-2,335	-2,415	-80
Goods balance	-1,458	-1,420	38
Goods exports (fob)	12,195	12,234	39
Goods imports (fob)	13,653	13,654	1
Services balance	1,098	1,084	-14
Services exports	5,438	5,471	33
Services imports	4,340	4,387	47
Primary income balance	-2,043	-2,080	-37
Primary income inflow	2,046	2,037	-9
Primary income outflow	4,089	4,117	28
Secondary income balance	68	1	-67
Secondary income inflow	707	645	-62
Secondary income outflow	639	644	5
Capital account balance	683	804	121
Capital account inflow	696	816	120
Capital account outflow	13	13	0

Financial account

Financial account December 2016 quarter revisions			
Component	Previously published Dec 2016	Revised Dec quarter	Size of revision
	NZ\$(million)		
Financial account balance	-3,251	-2,859	392
NZ investment abroad	4,707	4,267	-440
Direct investment assets	335	135	-200
Portfolio investment assets	574	590	16
Financial derivative assets	-1,300	-1,300	0
Other investment assets	4,459	4,202	-257
Reserve assets	640	640	0
Foreign investment in NZ	1,456	1,408	-48
Direct investment liabilities	680	675	-5
Portfolio investment liabilities	1,740	1,469	-271
Financial derivative liabilities	-923	-923	0
Other investment liabilities	-41	188	229

Net errors and omissions

Net errors and omissions December 2016 quarter revisions			
Component	Previously published Dec 2016 quarter	Revised Dec 2016 quarter	Size of revision
	NZ\$(million)		
Net errors and omissions	4,903	4,470	-433

International investment position

International investment position (IIP) December 2016 quarter revisions			
Component	Previously published Dec 2016 quarter	Revised Dec 2016 quarter	Size of revision
	NZ\$(million)		
Net IIP	-156,505	-157,517	-1,012
NZ's international assets	240,614	239,752	-862
Direct investment	35,275	34,606	-669
Portfolio investment	123,585	123,600	15
Financial derivatives	25,559	25,563	4
Other investment	30,638	30,425	-213
Reserve assets	25,558	25,558	0
NZ's international liabilities	397,120	397,269	149
Direct investment	110,949	110,987	38
Portfolio investment	172,442	172,057	-385
Financial derivatives	27,847	27,850	3
Other investment	85,881	86,376	495

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Tables

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