

New Zealand Economic Update

Trade balance

- Trade deficit narrowed in September
- Exports rose despite stronger NZD
- Key dairy product exports were weak

New Zealand's trade deficit narrowed to NZ\$424 million in September (J.P. Morgan -NZ\$900 million, consensus -NZ\$681 million) from a deficit of NZ\$719 million in August, owing to firmer exports and weaker imports.

In the month of September, exports fell 11% oya, marking the fourth straight monthly fall. Significant declines were recorded in exports of milk powder, butter, and cheese (-18%), despite overall quantities being up 56%, and exports of aluminium and aluminium articles also fell (-34%). Crude oil exports showed the largest increase (+38%).

Export prices and volumes have proved resilient in the face of the strong NZD, owing to the strong performance of New Zealand's largest trading partners, especially Australia. The NZD has outperformed most G10 currencies owing to rising investor risk appetite, which may yet hamper the rebalancing of economic growth toward exports that RBNZ Governor Bollard believes is needed to promote a sustainable recovery.

On the other side of the trade ledger, imports tumbled 27% oya in September, continuing a prolonged decline. Import values declined across nearly all of the top 40 commodity categories. Petroleum and products recorded the largest decrease (-34%), led by crude oil due to lower prices. Reflecting still-weak domestic demand, imports of vehicles, parts and accessories fell significantly (-43%), in line with the drop in imports of passenger motor cars (-33%).

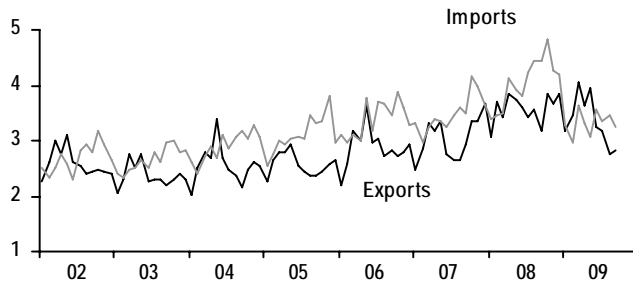
New Zealand: trade balance

Year-to-date, NZ\$ mn



New Zealand: exports and imports

NZ\$ billion, nsa



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