

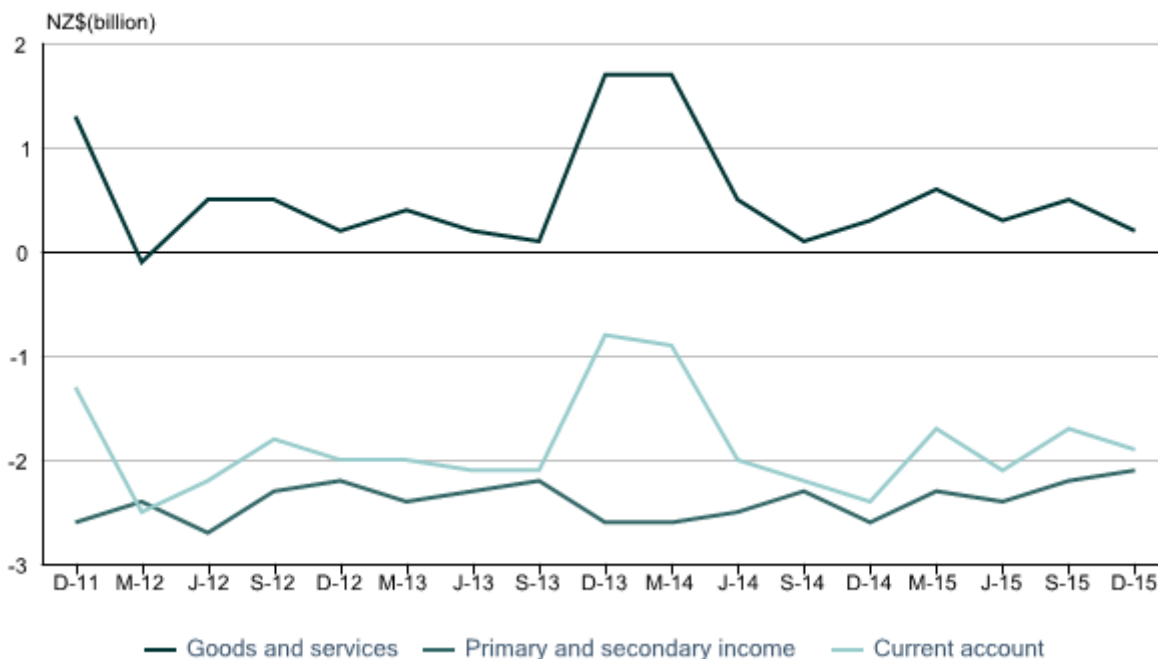
Balance of Payments and International Investment Position: December 2015 quarter

Embargoed until 10:45am – 16 March 2016

Key facts

- New Zealand's seasonally adjusted current account balance was a deficit of \$1,948 million in the December 2015 quarter (\$221 million larger than the September 2015 quarter deficit).
- The services surplus decreased for the first time since the December 2013 quarter, down \$14 million to \$977 million in the latest quarter.
- The balance of goods was a deficit of \$810 million in the latest quarter (\$277 million larger than the September 2015 quarter's deficit).
- For the year ended December 2015, the current account deficit was \$7.7 billion (3.1 percent of GDP; it was 3.3 percent of GDP for the September 2015 year).
- New Zealand's net international liability position was \$151.2 billion (61.4 percent of GDP) at 31 December 2015, up from a revised \$150.7 billion (61.8 percent of GDP) at 30 September 2015.
- New Zealand's net external debt position was \$135.8 billion (55.2 percent of GDP) at 31 December 2015, down from a revised \$136.3 billion (55.9 percent of GDP) at 30 September 2015.

Current account seasonally adjusted balances
Quarterly



Source: Statistics New Zealand

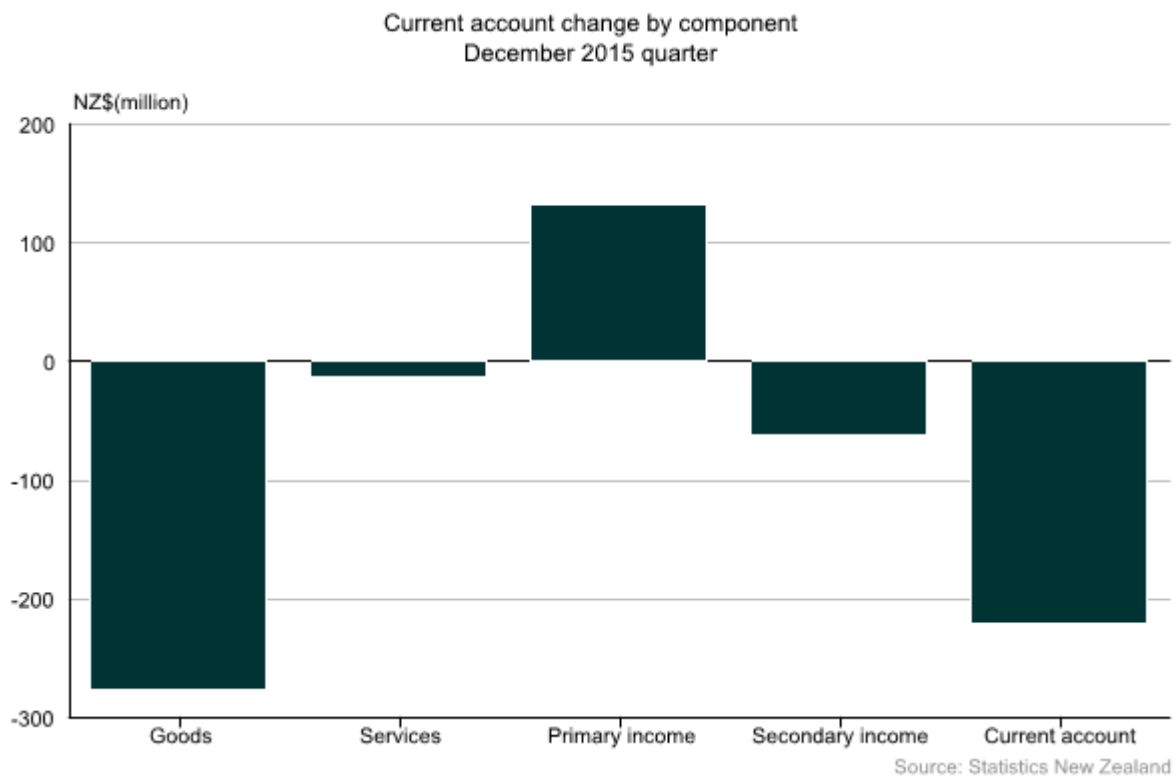
Liz MacPherson, Government Statistician
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Commentary

- Current account deficit increases
- Goods exports fall more than imports
- Services surplus decreases
- Primary income deficit decreases
- Annual current account deficit decreases
- Net inflow of investment
- Net international liability position increases
- Net external debt decreases

Current account deficit increases

New Zealand's **seasonally adjusted current account balance** was a deficit of \$1,948 million in the December 2015 quarter, \$221 million larger than the deficit in the September 2015 quarter.



The larger deficit in the latest quarter was due to the goods deficit increasing and the services surplus decreasing.

Goods exports fall more than imports

The seasonally adjusted **goods balance** was a deficit of \$810 million in the December 2015 quarter, up \$277 million from the September 2015 quarter deficit. Goods exports decreased \$554 million for the latest quarter while goods imports decreased \$276 million.

A decrease in exports of dairy products led the fall in goods exports for the December 2015 quarter, while wool exports also fell. Both dairy prices and volumes were down in the latest quarter – 13.0 percent and 0.9 percent, respectively.

The decrease in goods imports was mainly influenced by fewer aircraft imports in the latest quarter than for the September 2015 quarter. Lower petrol prices also contributed to the fall in goods imports in the December 2015 quarter.

Services surplus decreases

The seasonally adjusted services balance was a surplus of \$977 million in the December 2015 quarter, down \$14 million from the previous quarter's surplus. This is the first time New Zealand's seasonally adjusted services surplus has fallen since the December 2013 quarter.

Services exports decreased \$42 million in the December 2015 quarter, driven by travel services exports decreasing \$57 million. The December 2015 quarter saw the first drop in spending by international visitors in New Zealand since the December 2013 quarter.

Imports of services cost New Zealand \$4.2 billion in the latest quarter, falling \$28 million from the September 2015 quarter. A decrease in insurance services and transportation services led the fall in services imports for the December 2015 quarter. 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 December 2015](#) for more detail on New Zealand's trade in goods and services for the year, including a by-country breakdown.

Primary income deficit decreases

New Zealand's **primary income** (mostly investment income) deficit decreased \$132 million, to \$2,055 million in the December 2015 quarter. The fall in income earned from foreign investment in New Zealand was larger than the fall in income earned from our investment abroad, resulting in the smaller deficit.

Lower profits earned from direct investment in equity and investment fund shares were the primary cause of the \$276 million decrease in income earned from foreign investment in New Zealand.

Similarly, a decrease in income earned from portfolio investment in equity and investment fund shares drove the \$88 million fall in income earned from New Zealand investment abroad.

Annual current account deficit decreases

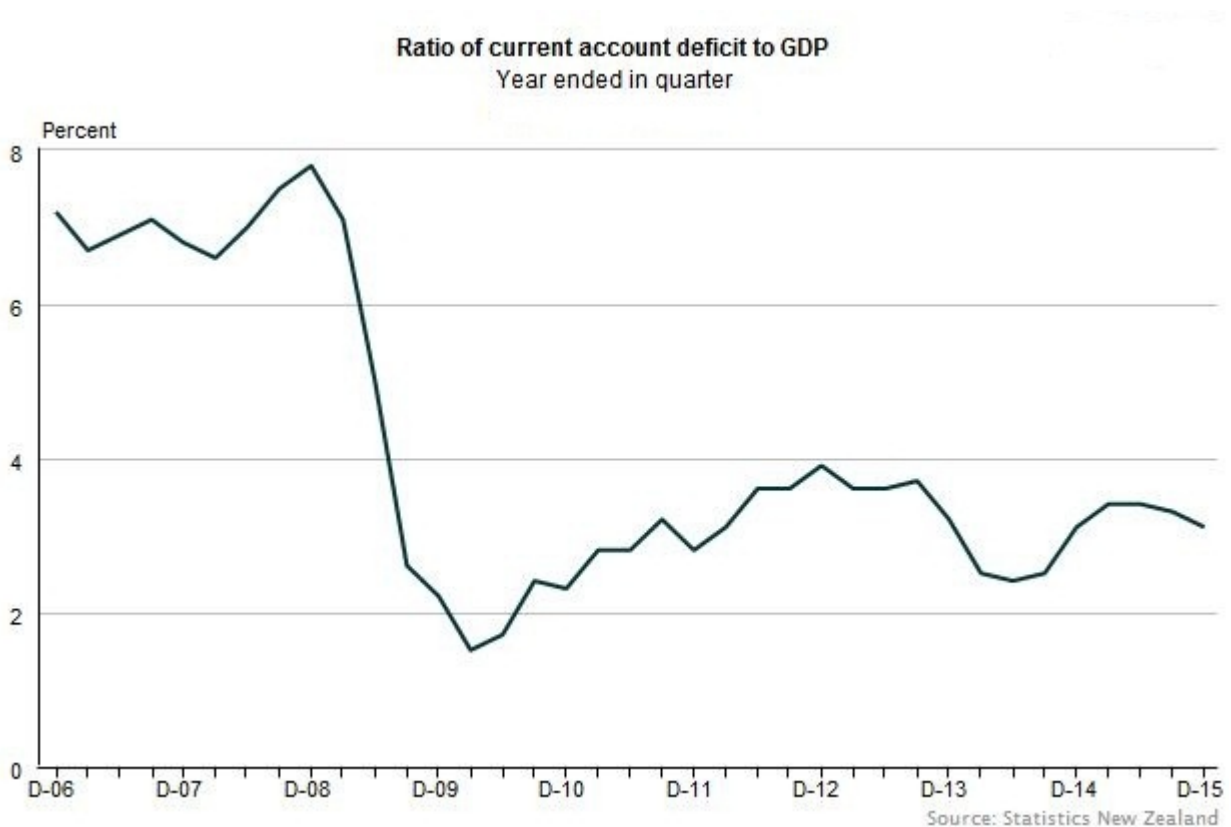
The annual current account deficit was \$7.7 billion (3.1 percent of GDP) for the year ended December 2015. This compares with a revised annual deficit of \$8.1 billion (3.3 percent of GDP) for the year ended September 2015.

The smaller deficit for the December 2015 year was driven by a decrease in the primary income deficit, as well as an increase in the services surplus (\$588 million and \$289 million, respectively).

An increase in spending by international visitors to New Zealand (travel services) drove the increase in the services surplus in the latest year. Spending by international visitors increased \$2.6 billion in 2015, to reach a record annual high in spending (\$12.8 billion).

The decrease in the primary income deficit and increase in the services surplus were partly offset by an increase in the goods deficit.

Goods imports rose \$249 million, while goods exports fell \$155 million in the December 2015 year. Dairy led the fall in New Zealand’s annual goods exports, while we imported more semi-durable consumer goods (such as clothing, footwear, toys, and games).



Net inflow of investment

A \$2.5 billion net inflow of investment occurred in the December 2015 quarter. Transactions of \$3.6 billion decreased New Zealand’s international assets (inflow). This was partly offset by transactions of \$1.1 billion that decreased our international liabilities (outflow).

The \$3.6 billion decrease in New Zealand’s international assets was driven by New Zealand’s deposit-taking corporations (banks) and general government sectors earning \$2.5 billion from settlement of financial derivative contracts. This is captured as a reduction in New Zealand’s overseas assets.

The general government sector invested \$1.3 billion in portfolio investment equity and fund shares in the December 2015 quarter, funded by earnings from the financial derivative contracts. This partly offset the reduction of our total international assets in the latest quarter.

The \$1.1 billion decrease in New Zealand's international liabilities in the December 2015 quarter was driven by a \$2.7 billion repayment of loan liabilities held by the banking sector and other sectors.

New Zealand's international liabilities were also reduced in the latest quarter by overseas counterparties being paid \$1.6 billion by New Zealand banks in the settlement of financial derivative contracts.

Transactions of \$3.6 billion in portfolio investment debt securities partly offset the reduction in our international liabilities.

Net international liability position increases

New Zealand's net international liability position was \$151.2 billion (61.4 percent of GDP) at 31 December 2015, up from \$150.7 billion (61.8 percent of GDP) at 30 September 2015.

The value of New Zealand's international assets reduced more than our liabilities – \$9.6 billion and \$9.1 billion, respectively, between 30 September 2015 and 31 December 2015.

Net market price changes and financial account flows contributed most to the widening of the country's net international liability position in the December 2015 quarter. However, these were partly offset by net financial derivative valuation changes.

In the December 2015 quarter, market price changes increased the value of New Zealand's overseas liabilities by \$2.7 billion and increased the value of our overseas assets by \$0.2 billion.

The New Zealand dollar appreciated against our major trading partners over the quarter, decreasing the value of our assets and liabilities denominated in foreign currencies.

Net external debt decreases

New Zealand's net external debt position was \$135.8 billion (55.2 percent of GDP) at 31 December 2015, \$424 million less than the \$136.3 billion (55.9 percent of GDP) at 30 September 2015. New Zealand's external borrowing (down \$7.0 billion) decreased more than our external lending (down \$6.6 billion), resulting in the improvement to our net external debt position.

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

Next releases

The *Balance of Payments and International Investment Position: March 2016 quarter* will be released on 15 June 2016.

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Past releases

[Balance of Payments and International Investment Position](#) has links to past releases.

Related information papers

[New Zealand's inward foreign affiliate statistics](#) (published 2014) – 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 October to December 2015.

Revisions

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

Overseas reinsurance claims from the Canterbury earthquakes

Total international reinsurance claims from all Canterbury earthquakes are estimated at \$20.2 billion, unchanged from the September 2015 quarter. We will revise this claim estimate in the June 2016 quarter.

At 31 December 2015, a total of \$17.5 billion of these claims had been settled with overseas reinsurers, leaving \$2.7 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	3,043
Dec 2015	0	361	2,682
Total	20,188	17,507	2,682

We will continue to revise these settlements 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

Transportation services imports

Due to receiving updated data, the figures for annual transportation services imports in this release differ from those published in Goods and Services Trade by Country: Year ended December 2015 (released 2 March 2016).

The zipped csv file for *Goods and Services Trade by Country: Year ended December 2015* does not reflect the revised numbers.

Earthquake-related figures

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

New Zealand insurers provide updated estimates of their Canterbury reinsurance claims on non-resident reinsurers. We will revise our claims estimate in the June 2016 quarter. The updated data affects capital account inflows, investment abroad transactions, and IIP assets. We use updated data to revise statistics back to the September 2010 quarter.

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

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

Current and capital accounts

Current and capital accounts September 2015 quarter revisions			
Component	Previously published Sep 2015 quarter	Revised Sep 2015 quarter	Size of revision
	NZ\$(million)		
Current account balance	-4,749	-4,742	7
Goods balance	-2,476	-2,479	-3
Goods exports (fob)	11,588	11,587	-1
Goods imports (fob)	14,064	14,066	2
Services balance	-71	-78	-7
Services exports	4,451	4,465	14
Services imports	4,522	4,543	21
Primary income balance	-2,210	-2,187	23
Primary income inflow	1,992	1,980	-12
Primary income outflow	4,202	4,168	-34
Secondary income balance	8	2	-6
Secondary income inflow	569	550	-19
Secondary income outflow	561	547	-14
Capital account balance	371	371	0

Capital account inflow	377	377	0
Capital account outflow	6	6	0

Financial account

Financial account September 2015 quarter revisions			
Component	Previously published Sep 2015	Revised Sep 2015 quarter	Size of revision
	NZ\$(million)		
Financial account balance	-2,366	-2,272	94
NZ investment abroad	-4,228	-4,204	24
Direct investment assets	1,537	1,566	29
Portfolio investment assets	-548	-657	-109
Financial derivative assets	-1,145	-1,145	0
Other investment assets	826	931	105
Reserve assets	-4,898	-4,898	0
Foreign investment in NZ	-6,594	-6,476	118
Direct investment liabilities	-1,519	-1,380	139
Portfolio investment liabilities	-203	-168	35
Financial derivative liabilities	-3,431	-3,431	0
Other investment liabilities	-1,441	-1,497	-56

Net errors and omissions

Net errors and omissions September 2015 quarter revisions			
Component	Previously published Sep 2015 quarter	Revised Sep 2015 quarter	Size of revision
	NZ\$(million)		
Net errors and omissions	6,743	6,642	-101

International investment position

International investment position (IIP) September 2015 quarter revisions			
Component	Previously published Sep 2015 quarter	Revised Sep 2015 quarter	Size of revision
	NZ\$(million)		
Net IIP	-150,962	-150,667	295
NZ's international assets	234,201	234,455	254
Direct investment	38,113	38,150	37
Portfolio investment	110,378	110,651	273
Financial derivatives	29,892	29,835	-57
Other investment	32,401	32,402	1
Reserve assets	23,417	23,417	0
NZ's international liabilities	385,163	385,121	-42
Direct investment	109,982	109,731	-251
Portfolio investment	154,260	154,370	110
Financial derivatives	34,955	35,016	61
Other investment	85,967	86,005	38

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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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