Balance of Payments and International Investment Position: September 2014 quarter

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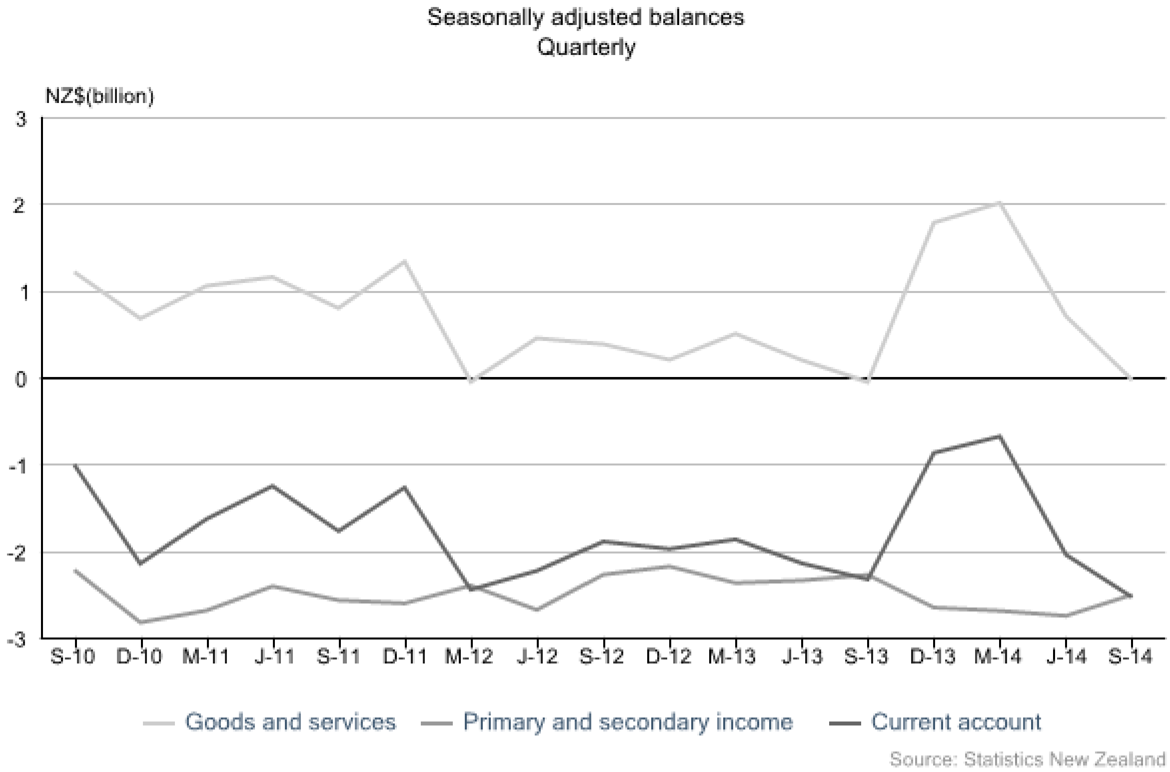
Key facts

- New Zealand's seasonally adjusted current account balance was a $2.5 billion deficit in the September 2014 quarter, up $490 million from the June 2014 quarter's deficit.
- Exports of goods fell $380 million, imports of goods rose $325 million.
- For the year ended September 2014, the current account deficit was $6.1 billion (2.6 percent of GDP); it was 2.5 percent of GDP for the year ended June 2014.
- New Zealand's net international liability position was $152.3 billion (64.3 percent of GDP) at 30 September 2014, up from a revised $151.5 billion at 30 June 2014.
- New Zealand's external debt position decreased $501 million, to $141.8 billion (59.9 percent of GDP) at 30 September 2014.



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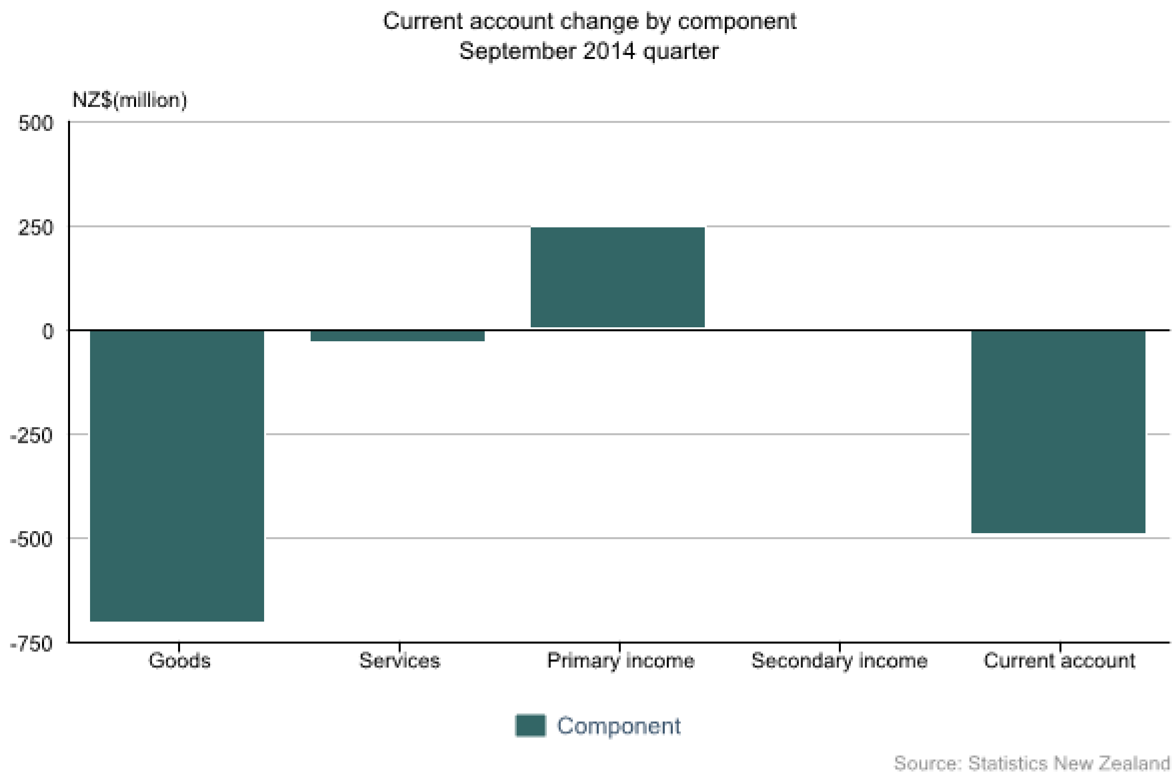
Commentary

- Largest current account deficit in almost six years
- Goods balance drives large current account deficit
- Services surplus falls slightly
- Income deficit improves
- Larger annual current account deficit
- $2.1 billion net inflow of investment into New Zealand
- Net international liability position up this quarter
- Net external debt decreases

Largest current account deficit in almost six years

New Zealand's **seasonally adjusted current account balance** was a deficit of $2,532 million in the September 2014 quarter, $490 million larger than the deficit in the June 2014 quarter. The latest deficit is the largest seasonally adjusted current account deficit since the December 2008 quarter.



Goods balance drives large current account deficit

The **balance on goods** was a deficit of $405 million in the September 2014 quarter, a $705-million turnaround from the June 2014 quarter surplus. The turnaround was due to both lower exports and higher imports this quarter.

The value of exported goods fell $380 million from the previous quarter, mostly due to a fall in dairy product exports. Dairy prices fell 11.4 percent during the quarter, more than offsetting the increase in dairy volumes.

The value of imported goods increased $325 million, as imports of transport equipment increased and New Zealand-based oil companies increased their stocks of oil held overseas this quarter.

Services surplus falls slightly

The **balance on services** was a surplus of $376 million in the September 2014 quarter, down $30 million from the previous quarter's surplus. The lower surplus this quarter was mainly due to a fall in exports of services which was driven by transportation services.

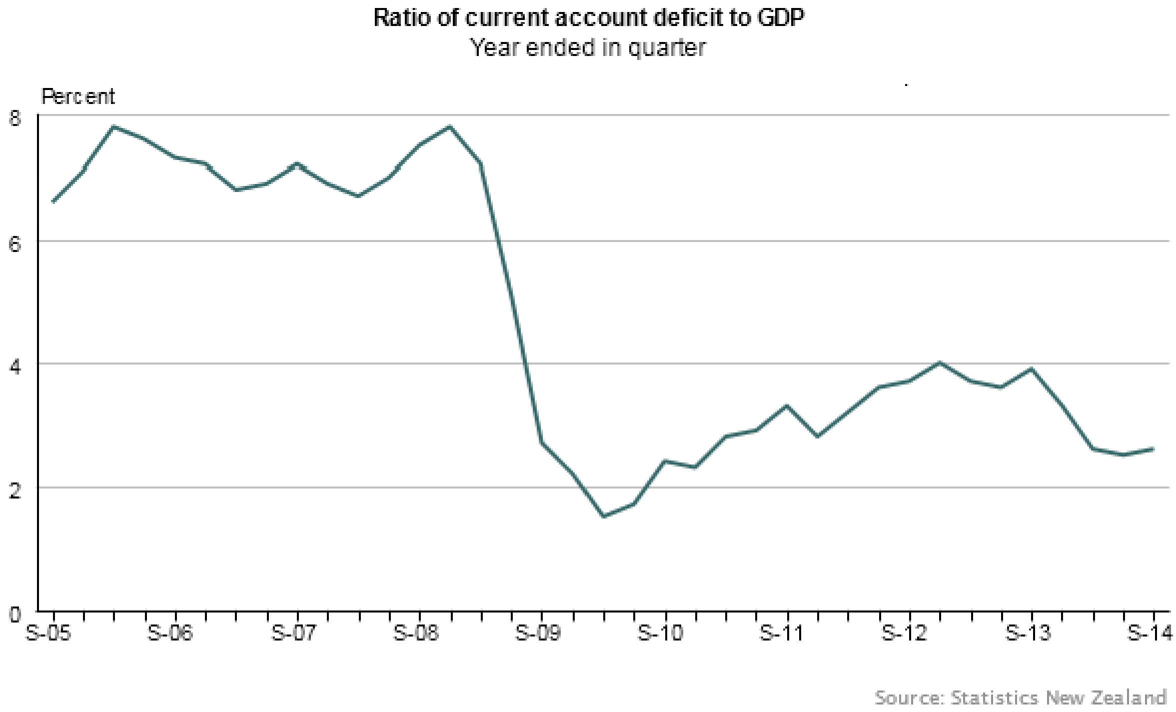
Income deficit improves

The **income deficit** (now called the 'primary income deficit') was $2,320 million in the September 2014 quarter, down $246 million from the June 2014 quarter. This improvement partly offsets the impacts of goods and services changes on the current account deficit in the September 2014 quarter.

Income earned from foreign investment in New Zealand fell $170 million this quarter as New Zealand companies paid less dividends to their overseas portfolio shareholders.

Larger annual current account deficit

The **annual current account deficit** was $6.1 billion (2.6 percent of GDP) for the year ended September 2014. This compares with a deficit of $5.8 billion (2.5 percent of GDP) for the year ended June 2014. The larger deficit was mainly driven by higher profits made by foreign owned companies in New Zealand over the year.



$2.1 billion net inflow of investment into New Zealand

A $2.1 billion **net inflow of foreign investment** into New Zealand occurred during the September 2014 quarter. This net inflow was mainly due to foreign investors purchasing government debt securities.

New Zealand investment abroad was only $72 million in the September 2014 quarter.

Net international liability position up this quarter

New Zealand's **net international liability position** at 30 September 2014 was $152.3 billion (64.3 percent of GDP), up from a revised $151.5 billion (64.7 percent of GDP) at 30 June 2014.

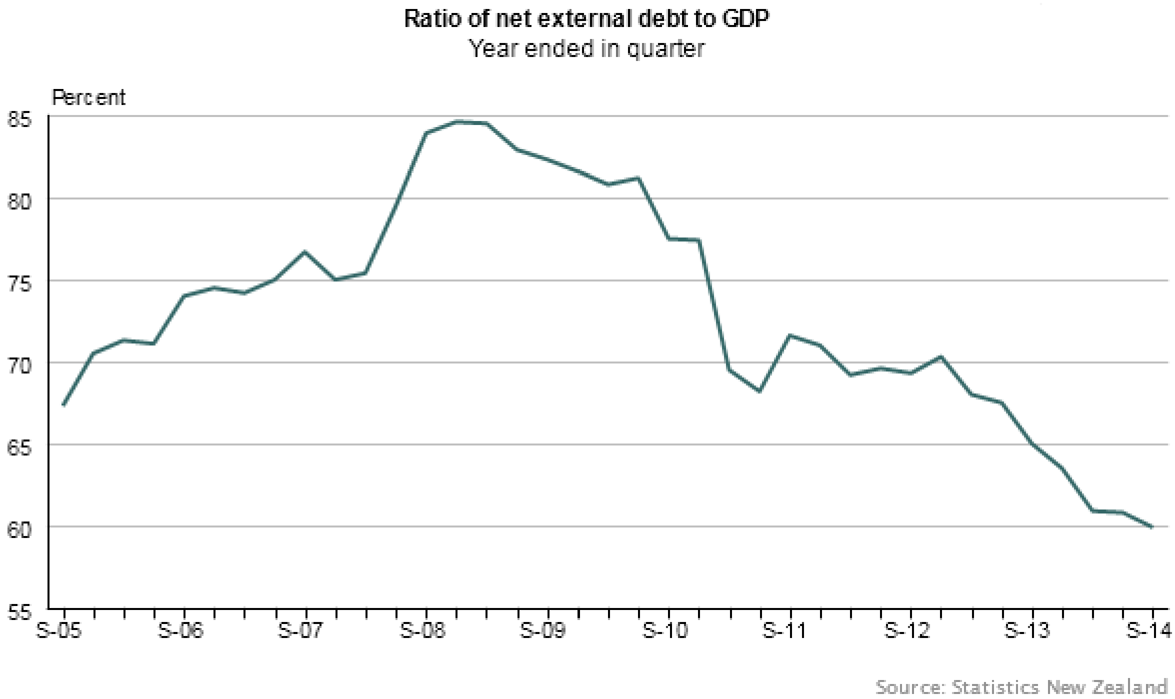
The value of New Zealand's international assets and liabilities increased $13.9 and $14.7 billion, respectively, between 30 June and 30 September 2014. The New Zealand dollar depreciated against major trading currencies, including an 11.5 percent fall against the US dollar. This contributed $5.1 billion to the increase in value of assets and $5.1 billion to liabilities.

The depreciating New Zealand dollar had the effect of increasing the value of assets and liabilities denominated in foreign currencies. This valuation change was also compounded by changes in financial derivative positions, something which tends to occur during times of volatility in the exchange rate. Financial derivative valuation changes contributed $4.7 billion to the value of assets and $5.3 billion to the value of liabilities.

See table 11 for further detail on the changes occurring in the IIP this quarter.

Net external debt decreases

New Zealand's net external debt position (this excludes financial derivatives) was $141.8 billion (59.9 percent of GDP) at 30 September 2014. This amount is $501 million smaller than the $142.3 billion (60.8 percent of GDP) debt at 30 June 2014, and the lowest net external debt position to GDP since 31 December 2003. New Zealand companies borrowed less from their overseas parents this 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 New Zealand'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).

BPM6 is the International Monetary Fund's *Balance of Payments and International Investment Position Manual*, Sixth Edition (BPM6). It is the current international standard adopted by New Zealand in the compilation of balance of payments and international investment statistics.

More definitions

Capital account: includes capital transfers and the acquisition or disposal of non-produced, non-financial assets. Capital transfers involve the transfer of ownership of fixed assets, or the transfer of funds linked to them, without any counterpart transaction.

Current account: records the value of New Zealand's transactions with the rest of the world in goods, services, primary income, and secondary income.

The **credit** side of this account shows the export of goods and services, income earned, and, under secondary income, the offsetting entries to resources received by residents without payment being required.

The **debit** side shows the import of goods and services, income paid, and, under secondary income, the offsetting entries to resources supplied to foreign residents without payment being required.

The current account **balance** is the sum of all current account credits less all current account debits. When the sum of debits is greater than the sum of credits we have a current account deficit. In New Zealand's case, the current account balance is usually in deficit; that is, expenses exceed revenues. Current account balances (deficit or surplus) are financed through the financial account.

Financial account: records transactions in New Zealand's financial investment abroad (asset), and foreign investment in New Zealand (liabilities). Each of the asset and liability sides of the account records transactions that increase and decrease investments.

The financial account is classified into assets and liabilities, which are broken down by type of investment (direct, portfolio, financial derivatives, other investment, and reserve assets) and instrument of investment.

Note that the income generated/paid from holding an asset/liability is recorded in the primary income component of the BoP current account.

Net errors and omissions (residual): is a balancing item, and is recorded on the credit side of the account. It is equal and opposite in sign to the sum of all inflows less the sum of all outflows.

Balances: are usually in surplus or deficit and are calculated as credits (exports) minus debits (imports) – zero balances are unusual. For example, the balance on goods is goods exports (credits) less goods imports (debits).

Goods: physical, produced items over which ownership rights can be established and whose ownership can be passed from one person to another through transactions.

Services: products other than tangible goods. Services result from production activity that changes the conditions of the consuming units, or makes the exchange of products or financial assets possible.

Examples of services are:

- a lawyer providing advice to an overseas client
- a client paying a company to perform some market research
- a passenger flying on an overseas airline
- a company paying to have a ship repaired abroad
- a New Zealand branch receiving management services from its head office overseas.

Exports of travel services: covers all expenditure on both goods and services by overseas visitors to New Zealand. This includes holidaymakers, business travellers, and international students. Excludes international airfares.

Imports of travel services: covers all expenditure on both goods and services by New Zealand-resident travellers while overseas. Excludes international airfares.

Primary income (previously called income): earnings from the provision of capital (eg profits received from directly owning a company, dividends received from owning shares, interest received from lending money) or wages/salaries earned from providing labour (‘compensation of employees’).

Secondary income (previously current transfers):offsetting entries to transactions where goods and services are supplied or received without there being an exchange of equal value in return (eg taxes or donations, risk element of insurance premiums etc).

Capital transfers: involve the transfer of ownership of fixed assets or the transfer of funds linked to them, without any counterpart transaction. Also includes insurance claims arising from exceptional events.

Non-produced, non-financial assets: consist of natural resources; contracts, leases, and licences; marketing assets; and goodwill (eg the sale of a brand name).

Assets: a financial claim held by an entity on another entity (eg a New Zealand bank lending money to an overseas company would hold an asset equal to the value of the loan).

Liabilities: a financial claim owing to an entity by another entity (eg a New Zealand company borrowing from overseas would have a liability to overseas equal to the value of the loan).

Stocks: the value, at a set point in time (balance sheet), of a country's financial assets or liabilities.

Flows: transactions that result in an increase or decrease in financial assets or liabilities (eg a New Zealand company purchases 50 percent of an overseas company – the transaction is recorded as a flow in the financial account, and the value of New Zealand's stock of financial assets increases accordingly).

Direct investment: a situation where a single investor owns 10 percent or more of voting shares in a company (eg New Zealand-based subsidiaries of overseas companies represent direct investment from overseas).

Portfolio investment: arises under two situations.

1. when an investor owns less than 10 percent of the voting shares of a company.
2. when an investor holds debt securities issued by a company in which the investor's ownership interest is less than 10 percent. Note that borrowing and lending in the form debt securities between related depository corporations are also included under portfolio investment.

Other investment: comprises borrowing and lending using loans, trade finance and deposits, where the transactors are unrelated or have less than 10 percent ownership interest in each other. Depository corporations are an exception. Intercompany borrowing and lending of these entities in the form of loans and deposits are recorded under other investment.

Securities: financing or investment instruments bought and sold in financial markets, such as bonds, notes, options, and shares.

Financial instruments: comprises debt instruments such as debt securities, loans, deposits, etc; other non-equity financial instruments (monetary gold and financial derivatives); and equity instruments - ordinary shares, investment fund shares, and preference shares treated as equity.

Equity instruments: do not require the payment of principle and/or interest and represents a claim on the residual value of the company, after the claims of all creditors have been met. Equity instruments comprise ordinary shares, investment fund shares, and participating preference shares.

Debt instruments: financial instruments that require payment(s) of principle and/or interest by the debtor at some point(s) in the future.

Non-equity financial instruments: comprises debt instruments such as debt securities, (non-participating preference shares are treated as debt instruments), loans, deposits, trade finance, and other non-equity financial instruments (monetary gold and financial derivatives

Financial derivatives: a financial instrument for which the price is dependent on or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates, and market indexes.

Net international debt: New Zealand's overseas lending less its overseas borrowing. Lending and borrowing include debt instruments only, and exclude equity (shares). Financial derivative asset and liability positions are included in lending and borrowing. See also 'net external debt'.

External debt: comprises financial liabilities in the form of debt that are current and outstanding, and not contingent. External debt excludes equity instruments, monetary gold and financial derivative mark to market values.

External lending: comprises financial assets in the form of debt instruments, and excludes equity instruments, monetary gold and financial derivative mark to market values.

Net external debt: is the net of external debt less external lending. The external debt series excludes equity instruments, monetary gold and financial derivative mark to market positions.

Related: a relationship classification introduced for the external lending and debt series and applied solely to the bank sector, due to their role as financial intermediaries. Captures funding and claims between a bank and its direct investment partners (the bank's parent and its own subsidiaries) where the purpose of funding and claims is financial intermediation – borrowing to lend.

Unrelated: a relationship classification introduced for the external lending and debt series. Captures all positions in all debt instrument types that are not the subject of a direct or related (bank sector only) investment relationship.

Central bank: is the Reserve Bank of New Zealand.

General government: comprises the New Zealand Treasury and other central and local government entities. State-owned enterprises (SOEs) are not recorded here; these are recorded in 'other sectors'.

Deposit taking corporations: are all registered banks

Other sectors: include transactors (eg companies, organisations, individuals) that do not belong to any of the above-mentioned sectors.

Financial intermediation services indirectly measured (FISIM): is a type of financial service fee that is implicitly charged by banks and other similar deposit-taking corporations on interest transactions. For example, when a New Zealand resident deposits money in an overseas bank, the amount of the actual interest received is less than that earned because the overseas bank deducts their service fee charge (FISIM import).

Investment fund shares: are units or shares in pooled investment vehicles such as whole equity funds and cash management trusts.

Reinvested earnings: the earnings of a business enterprise that are not paid out as dividends or other distributions to investors of that enterprise. Reinvested earnings are retained by the enterprise to fund future business activities.

Insurance, pension and standardised guarantee schemes: consist of:

- non-life insurance technical reserves – amounts identified by the insurance companies to account for premiums prepaid and claims incurred but not yet paid
- pensions includes the extent of financial claims both existing and future pensioners hold against either their employer or a fund nominated by the employer to pay pensions earned as part of a compensation agreement between the employer and the employee
- standardised guarantee schemes are schemes for which the probability of default can be well established, for example, guarantees issued by governments on export credit or student loans.

Note that for this item within the tables, the current data only relates to insurance technical reserves.

Fellow enterprises: are companies that have no direct investment relationship with one another but that have a common direct investor.

Special drawing rights (SDRs): is a reserve asset item created by the International Monetary Fund (IMF) to supplement other reserve assets that are periodically allocated to IMF members in proportion to their respective quotas. The value of SDRs is determined by a weighted basket of currencies. Transactions in SDRs are recorded in the financial account, and positions are recorded in the IIP accounts.

New Zealand direct investor: is a New Zealand resident (eg an individual or an enterprise) that owns 10 percent or more of the voting shares in a company located overseas.

New Zealand direct investee: is a New Zealand company in which a non-resident owns 10 percent or more of the voting shares.

Financial capital lending and borrowing is lending and borrowing between related financial depository corporations that are in a direct investment relationship. This lending and borrowing is for direct investment purposes and not for financial intermediation.

External lending and debt, direct investment inter-company is lending and borrowing between related parties that are in a direct investment relationship except for entities within the financial depository corporations sector.

Related links

Upcoming releases

The *Balance of Payments and International Investment Position: December 2014 quarter* will be released on 18 March 2015.

The release calendar lists all our upcoming information releases by date of release.

Subscribe to information releases, including this one, by completing the online subscription form.

Past releases

Balance of Payments and International Investment Position has links to past releases.

Related information papers

Preview of 2014 balance of payments improvements – outlines the impact of adopting the latest international standards on New Zealand's balance of payments and international investment position statistics.

New Zealand's inward foreign affiliate statistics – compares characteristics and activities of foreign owned firms with those that are domestically owned.

New Zealand's direct investment with Australia: How the global financial crisis affected profits and reinvestment – looks at what happens to profits of Australian-owned companies in New Zealand, and New Zealand-owned companies in Australia. Includes analysis of how the global financial crisis of 2008–09 may have affected company decisions around reinvestment.

Balance of payments page has more information.

Related information

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

Investment by country – data on investment flows between New Zealand and all other countries, the stock of New Zealand's investment abroad, and stocks of investment in New Zealand held by all other countries, at 31 March 2013.

International trade in services – further information about 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.

Overseas merchandise trade – statistical information on the importing and exporting of merchandise goods between New Zealand and other countries.

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**.**

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

Period-specific information

Reference period

Information for this release was collected for July to September 2014.

Revisions

See revisions for details of the changes we made in the September 2014 quarter.

Data from the redesigned Quarterly Managed Funds Survey

For the September 2014 quarter release, we included data from the Reserve Bank's redesigned Quarterly Managed Funds Survey in BoP and IIP statistics. Besides financial assets, the redesigned survey now captures data on overseas liabilities and non-resident investors in New Zealand funds set up by fund managers. As previously captured for assets, we extended the data on income, financial transactions, and non-transaction changes to liabilities and investor equity.

While most new data and breakdowns from the redesigned survey are in the September 2014 quarter BoP and IIP statistics, we withheld some new income data for further assessment of quality. See below for further information.

We explain the key features of the new survey and data below.

Data impacts on IIP

Compared with the old survey, results at 1 July from the redesigned survey showed a $3.0 billion increase in the value of overseas assets. Some of this change is attributable to revisions to June data. Of the $3.0 billion change in the level of assets, $2.0 billion is attributed to long- and short-term debt securities. A possible explanation for this is clearer reporting of resident versus non-resident debt securities. The new survey also led to some reclassification of assets, in particular, from other financial assets to cash and deposits.

Fund liabilities and non-resident investor equities

As noted above, the redesigned survey collected data for the first time on financial liabilities and non-resident investor equities in the funds set up by resident fund managers. The value of financial liabilities reported is relatively small. This was expected as investment funds are not mandated or set to borrow on the assets they own.

The survey results show that about $1.6 billion in equities is held by non-residents in New Zealand-registered funds at 30 September 2014. Non-resident investors include both overseas-based funds who invest in New Zealand funds, and New Zealand residents who have moved abroad and are continuing to maintain or to contribute to resident investment funds. We included an estimate of the non-resident investor funds and financial liabilities for the June 2014 quarter. As a result the IIP for the June 2014 quarter was revised to a larger net international liability position. Estimates of investor funds have not been backdated prior to the June 2014 quarter.

Improved income estimate

One feature of the redesigned survey is the separation of equity into shares and unit trusts. This separation allows for better analysis of data and aligns with the new classification standard for assets. One of the outcomes of the separate reporting was an improvement in the reporting of data on income, in particular, income on unit trusts.

In the redesigned survey, respondents for the first time reported income on their share of units held in overseas unit trusts. This data reflects a level shift of income on assets. At this stage we have not incorporated this additional income data in BoP statistics. We will further explore options for backdating once more quarterly data is available to ensure quality and consistency of reporting. We still need to determine a possible time frame for including this income data in BoP and other related national accounts statistics.

Overseas assets as reported in the RBNZ tables

The Reserve Bank of New Zealand (RBNZ) released the results from the redesigned survey in tables on their website (tables T40–T47). These tables provide breakdowns of the data. The value of overseas assets reported in the RBNZ's table T41 will differ from the estimates we included in the IIP statistics. The difference is due to the RBNZ's overseas assets including only the retail portion of total funds managed. We also include overseas assets held in wholesale trusts or in individually managed portfolios.

Seasonal adjustment using the new X-13ARIMA-SEATS program

We updated the seasonal adjustment program used for quarterly BoP series from X-12ARIMA to X-13ARIMA-SEATS. The update includes improved treatment of outliers, which resulted in revisions to some seasonally adjusted series. These revisions are generally small or zero for most series.

See X-13ARIMA-SEATS Seasonal Adjustment Program on the US Census Bureau website for more information.

Overseas reinsurance claims from the Canterbury earthquakes

Total international reinsurance claims from all Canterbury earthquakes are now estimated at $19.8 billion, up from an estimated $19.7 billion in the previous quarter. At 30 September 2014 a total of $15.3 billion of these claims had been settled with overseas reinsurers, leaving $4.4 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	5,811	0	5,811
Dec 2010	0	0	5,811
Mar 2011	13,070	59	18,822
Jun 2011	832	483	19,171
Sep 2011	0	892	18,278
Dec 2011	50	1,193	17,136
Mar 2012	0	1,361	15,775
Jun 2012	0	1,399	14,376
Sep 2012	0	1,362	13,014
Dec 2012	0	1,514	11,500
Mar 2013	0	1,010	10,489
Jun 2013	0	1,373	9,116
Sep 2013	0	1,343	7,773
Dec 2013	0	1,051	6,722
Mar 2014	0	1,184	5,538
Jun 2014	0	544	4,994
Sep 2014	0	564	4,430
Total	**19,762**	**15,332**	**4,430**

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.

Statistics NZ has ministerial approval to survey New Zealand-resident enterprises as set out in the Statistics Act 1975. The main surveys that provide data for BoP and IIP are:

- Quarterly International Investment Survey (QIIS) – 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 (ITSS) – 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:

- the International Visitors Survey – is run by a marketing company for the Ministry of Business, Innovation and Employment. The data is used to estimate exports of travel services in the current account.
- the Quarterly Managed Funds Survey (QMFS) – 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 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.

Sources and methods

The conceptual framework used for compiling New Zealand's BoP and IIP statistics is now based on the sixth edition of the International Monetary Fund's (IMF) *Balance of Payments Manual* (BPM6). The first release of data based on BPM6 was on 17 September 2014 for the June 2014 quarter.

See Preview of 2014 balance of payments improvements for highlights of the BPM6 changes introduced in BoP and IIP statistics. An updated sources and methods document describing the compilation is planned for release at a future date.

Conceptual adjustments to exports and imports of goods

In BoP, exports and imports of goods are recorded when the ownership changes between the resident and the non-resident party. Adjustments are made to the merchandise trade 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 no ownership changes 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, the value of goods exported on consignment is removed from the overseas merchandise trade exports in the quarter they leave the country, and added 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 make interpreting trends in the original series difficult.

Seasonally adjusted and trend series help to reveal the underlying behaviour of a series. While seasonally adjusted series have the seasonal component removed, trend series have both the seasonal and the irregular components removed. Trend estimates reveal the underlying direction of movement in a series and are likely to indicate turning points more accurately than seasonally adjusted estimates.

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.

Trend estimates may change when new data points become available in the estimation process. We revise all trend estimates each quarter, but normally only the previous two or three estimates are likely to be substantially altered. Seasonally adjusted values are also revised, as they are also calculated using centred moving average methodology. These revisions are generally smaller than those made to the trend series.

Undercoverage estimate for the international investment position

BoP uses a purposive sampling method to capture international investment position data for the other sectors of the economy. Under a purposive sampling method, all units identified as being significant are surveyed each quarter. Those that are considered less significant are surveyed annually and often on a sample basis.

The annual survey results are rated-up to represent all other smaller units in the target population frame. The rated-up estimate is then added to the results of the quarterly survey to represent the IIP position for the entire population. This creates a level change to the IIP positions and the magnitude of the change is recorded within other changes in the IIP reconciliation statement.

The rated-up estimates are held constant for four quarters till the new survey results become available. The annual survey results are also used to add large responding units to the quarterly population.

Net errors and omissions (residual)

We compile the BoP statement using the double-entry bookkeeping system to ensure the account balances. For example, we record exports of goods as credits while payments in exchange for the goods are recorded as debits, denoting either increases in financial assets or decreases in financial liabilities. 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 used 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.

We safeguard data quality by undertaking regular assurance checks, including:

- comparing IIP banking-sector data with the RBNZ’s banking sector collections
- monitoring investment activity approved by the Overseas Investment Office
- reconciling changes in the stock position against financial account transactions, exchange rate movements, changes in the valuation of assets and liabilities, and other changes such as reclassification between components
- monitoring media reports of business activities relevant to BoP and IIP
- reviewing survey populations, with additions being made at any time during the year where warranted
- editing and validating data received from survey respondents – this process often involves consulting with survey respondents, particularly for large and complex transactions and comparing data with published accounts.

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.

Liability

Timing

Our information releases are delivered electronically by third parties. Delivery may be delayed by circumstances outside our control. Statistics NZ does not accept responsibility for any such delay.

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Revisions

- Earthquake-related figures revised
- Revisions for Balance of Payments and International Investment Position: June 2014 quarter

Earthquake-related figures revised

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 used the updated data to revise statistics back to the September 2010 quarter. These are shown in the table below.

Updated Canterbury reinsurance claims on non-resident reinsurers			
Quarter	**Reinsurance claims published (17 September 2014)**	**Revised reinsurance claims (17 December 2014)**	**Size of revision**
	NZ$(million)		
Sep 2010	5,784	5,811	27
Dec 2010	0	0	0
Mar 2011	13,010	13,070	60
Jun 2011	823	832	9
Sep 2011	0	0	0
Dec 2011	48	50	2

Revisions for Balance of Payments and International Investment Position: June 2014 quarter

These tables present a summary of revisions to the June 2014 quarter. Revisions reflect new or improved information becoming available.

Current and capital accounts

Current and capital accounts June 2014 quarter revisions			
Component	**Previously published June 2014 quarter**	**Revised June 2014 quarter**	**Magnitude of revision**
	NZ$(million)		
Current account balance	-1,065	-1,081	-16
Goods balance	1,624	1,626	2
Goods exports (fob)	13,271	13,273	2
Goods imports (fob)	11,647	11,646	-1
Services balance	92	40	-52
Services exports	3,851	3,856	5
Services imports	3,759	3,816	57

Primary income balance	-2,618	-2,566	52
Primary income inflow	1,763	1,794	31
Primary income outflow	4,381	4,360	-21
Secondary income balance	-164	-181	-17
Secondary income inflow	405	347	-58
Secondary income outflow	568	527	-41
Capital account balance	17	17	0
Capital account inflow	18	18	0
Capital account outflow	1	1	0

Financial account

Financial account June 2014 quarter revisions			
Component	**Previously published June 2014**	**Revised June 2014 quarter**	**Magnitude of revision**
	NZ$(million)		
New Zealand investment abroad	4,245	4,050	-195
Direct investment assets	484	423	-61
Portfolio investment assets	4,527	4,527	0
Financial derivative assets	-644	-646	-2
Other investment assets	-238	-370	-132
Reserve assets	116	116	0
Foreign investment in New Zealand	4,794	4,774	-20
Direct investment liabilities	436	385	-51
Portfolio investment liabilities	4,712	4,637	-75
Financial derivative liabilities	-652	-652	0
Other investment liabilities	298	403	105

Net errors and omissions

Net errors and omissions June 2014 revisions			
Component	**Previously published June 2014 quarter**	**Revised June 2014 quarter**	**Magnitude of revision**
	NZ$(million)		
Net errors and omissions	500	341	-159

International investment position

International investment position June 2014 quarter revisions			
Component	**Previously published June 2014 quarter**	**Revised June 2014 quarter**	**Magnitude of revision**
	NZ$(million)		
Net international investment position	-149,681	-151,491	-1,810
NZs international assets	186,095	186,143	48

Direct investment	33,974	34,263	289
Portfolio investment	89,773	89,773	0
Financial derivatives	14,721	14,724	3
Other investment	26,551	26,307	-244
Reserve assets	21,076	21,076	0
NZs international liabilities	335,776	337,634	1,858
Direct investment	108,200	108,369	169
Portfolio investment	131,301	132,803	1,502
Financial derivatives	15,790	15,798	8
Other investment	80,485	80,664	179

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Tables

In this release we included supplementary tables that show New Zealand's international trade in services by country, for the year ended September, 2013 and 2014.

We released these tables as part of an ongoing effort to provide more information about trade in services at a detailed level, and more frequently. The Reserve Bank recently updated their trade weighted index (TWI) to include trade in services in addition to trade in goods. The new TWI was compiled using recent statistics on services trade by country.

See Weights for new trade-weighted index for more information.

The following tables are available in Excel format from the 'Downloads' box. 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

Supplementary tables

1. New Zealand total exports – services by country
2. New Zealand total imports – services by country

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