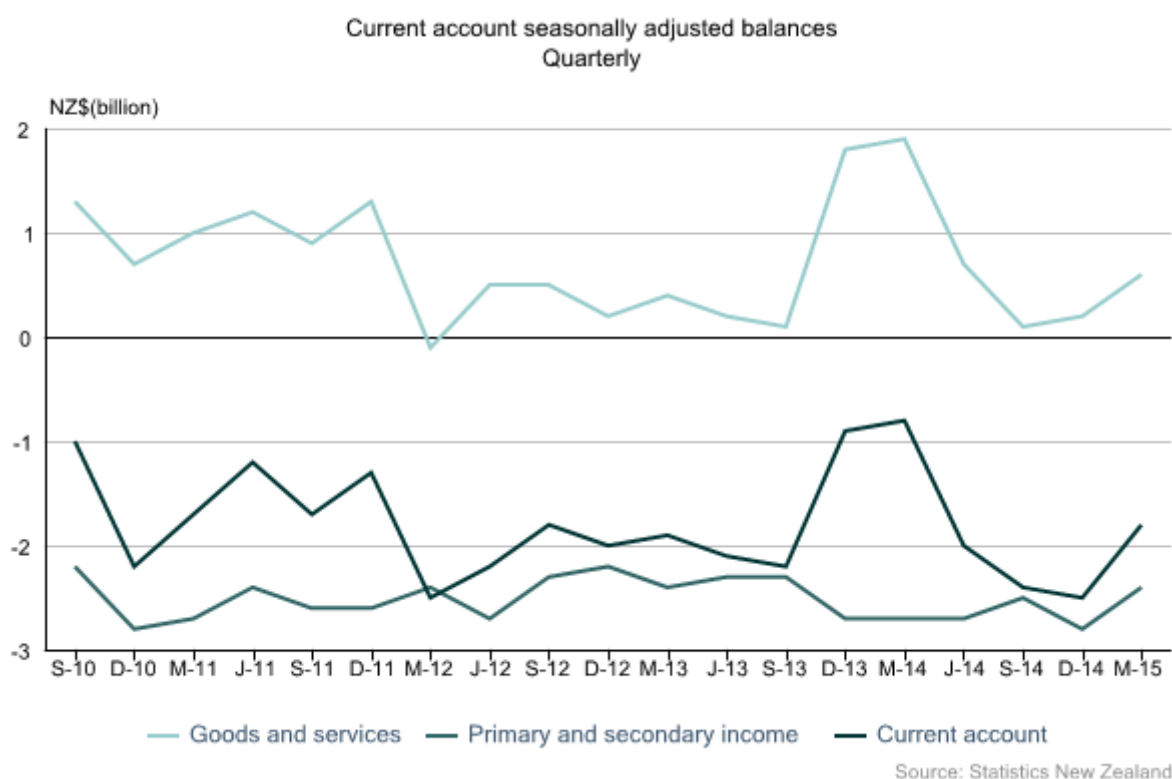


Balance of Payments and International Investment Position: March 2015 quarter

Embargoed until 10:45am – 17 June 2015

Key facts

- New Zealand's seasonally adjusted current account balance was a \$1.8 billion deficit in the March 2015 quarter (\$751 million smaller than the December 2014 quarter's deficit).
- The balance of goods was a deficit of \$90 million in the March 2015 quarter, mainly due to a fall in imports of goods.
- For the year ended March 2015, the current account deficit was \$8.6 billion (3.6 percent of GDP; it was 3.3 percent of GDP for the December 2014 year).
- New Zealand's net international liability position was \$153.5 billion (64.2 percent of GDP) at 31 March 2015, down from a revised \$154.6 billion at 31 December 2014.
- New Zealand's external debt position fell to \$138.9 billion (58.1 percent of GDP) at 31 March 2015, down from a revised \$140.9 billion (59.3 percent of GDP) at 31 December 2014.



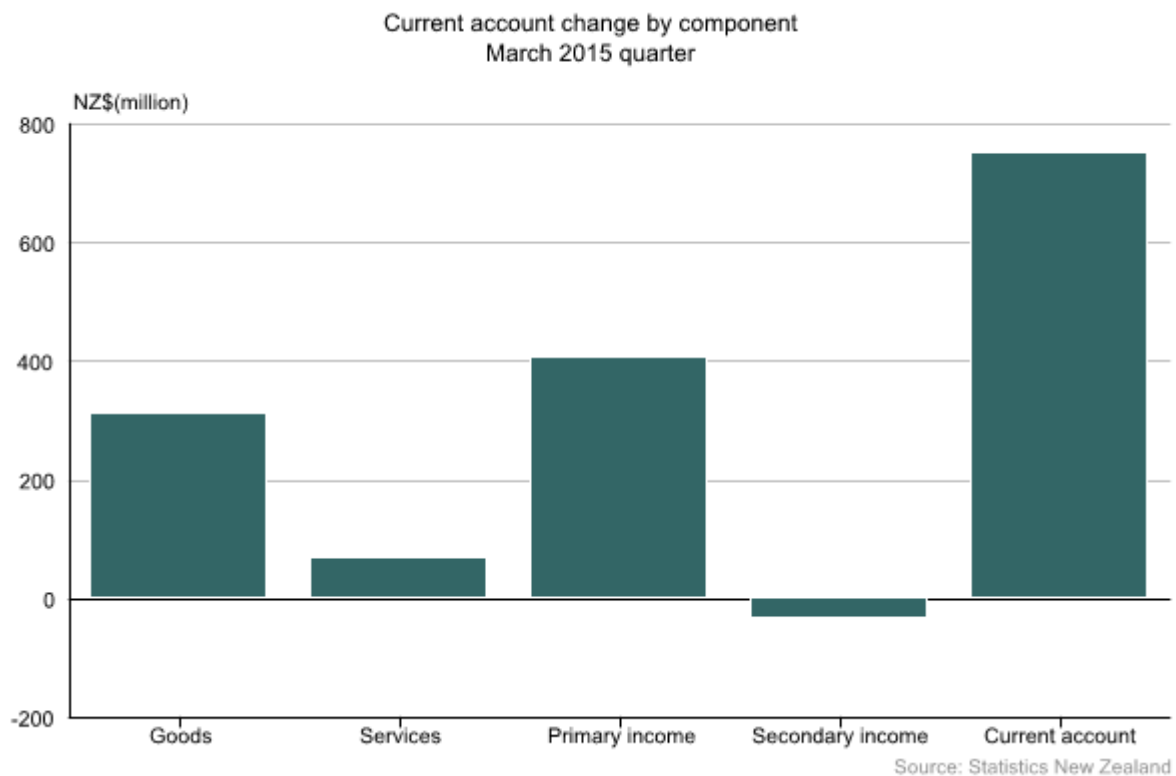
Liz MacPherson, Government Statistician
ISSN 1178-0215
17 June 2015

Commentary

- Current account deficit decreases
- Goods imports decrease more than goods exports
- Services surplus continues to increase as overseas visitors spend more
- Primary income deficit decreases
- Large annual current account deficit
- \$2.0 billion net outflow of investment from New Zealand
- Net international liability position falls
- Net external debt decreases as external borrowing and lending increases

Current account deficit decreases

New Zealand's **seasonally adjusted current account balance** was a deficit of \$1,779 million in the March 2015 quarter, \$751 million smaller than the deficit in the December 2014 quarter.



The fall in the deficit in the latest quarter was mainly due to a fall in income earned by overseas investors from their New Zealand investments, combined with a fall in imports of goods.

Goods imports decrease more than goods exports

The **balance of goods** was a deficit of \$90 million in the March 2015 quarter, down \$313 million from the December 2014 quarter deficit. Imports decreased more than exports for the quarter.

The value of imported goods fell \$463 million as imports of petroleum and petroleum products fell \$680 million, to their lowest value since the December 2005 quarter. The fall was driven by a 28.7 percent decrease in prices for petroleum and petroleum products.

The value of exported goods decreased \$150 million in the latest quarter, mainly due to a 6.3 percent fall in dairy prices.

Services surplus continues to increase as overseas visitors spend more

The **balance on services** was a surplus of \$695 million in the March 2015 quarter, up \$68 million from the previous quarter's surplus. This rise was driven by an increase in exports of travel services, with overseas visitors spending more in New Zealand. Both the 2015 ICC Cricket World Cup, co-hosted by New Zealand, and Chinese New Year occurred during the March 2015 quarter, contributing to the increase in travel services exports.

See [Goods and Services Trade by Country: Year ended March 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

The **primary income deficit** decreased \$405 million in the March 2015 quarter, to \$2,297 million. This is the smallest income deficit since the September 2013 quarter.

The smaller income deficit in the latest quarter was mainly due to foreign-owned companies paying fewer dividends to their overseas portfolio shareholders.

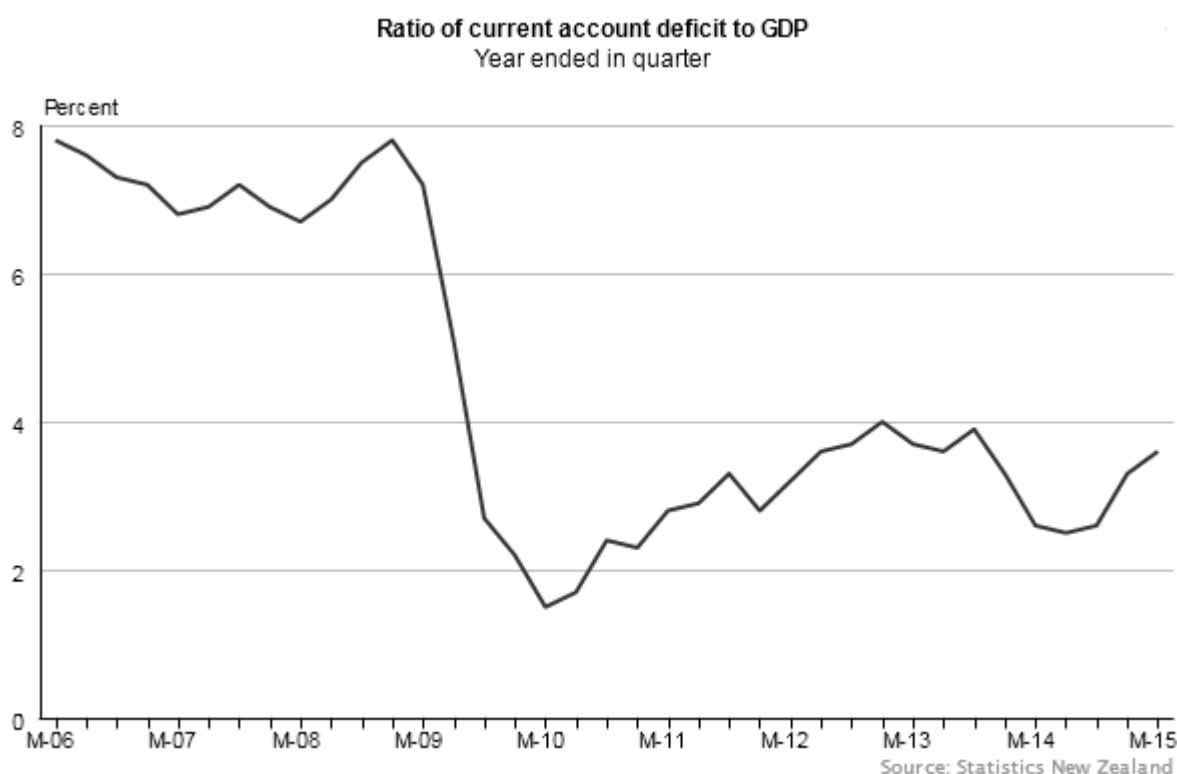
New Zealand-owned companies overseas earned higher profits during the quarter, which also contributed to the smaller income deficit.

Large annual current account deficit

The annual current account deficit was \$8.6 billion (3.6 percent of GDP) for the year ended March 2015. This compares with an annual deficit of \$7.8 billion (3.3 percent of GDP) for the year ended December 2014.

The larger deficit in the year ended March 2015 was driven by a turnaround in the goods balance, from a surplus for the December 2014 year to a deficit in the latest year. Exports of goods fell \$1.3 billion over this time, mainly due to a fall in dairy prices, while imports of goods remained relatively stable.

An increase in exports of services, mainly increased spending by overseas visitors to New Zealand, partly offset the falls in goods exports over the latest year.



\$2.0 billion net outflow of investment from New Zealand

There was \$2,027 million **net outflow** in investment in the March 2015 quarter. This net outflow was mainly due to the Reserve Bank of New Zealand increasing their reserve assets held overseas. This investment was mainly in short-term instruments, in anticipation of having to pay investors when their government bonds matured in April.

Overseas investors purchased debt securities issued by New Zealand's banking sector in the latest quarter, partly offsetting the increase in reserve assets.

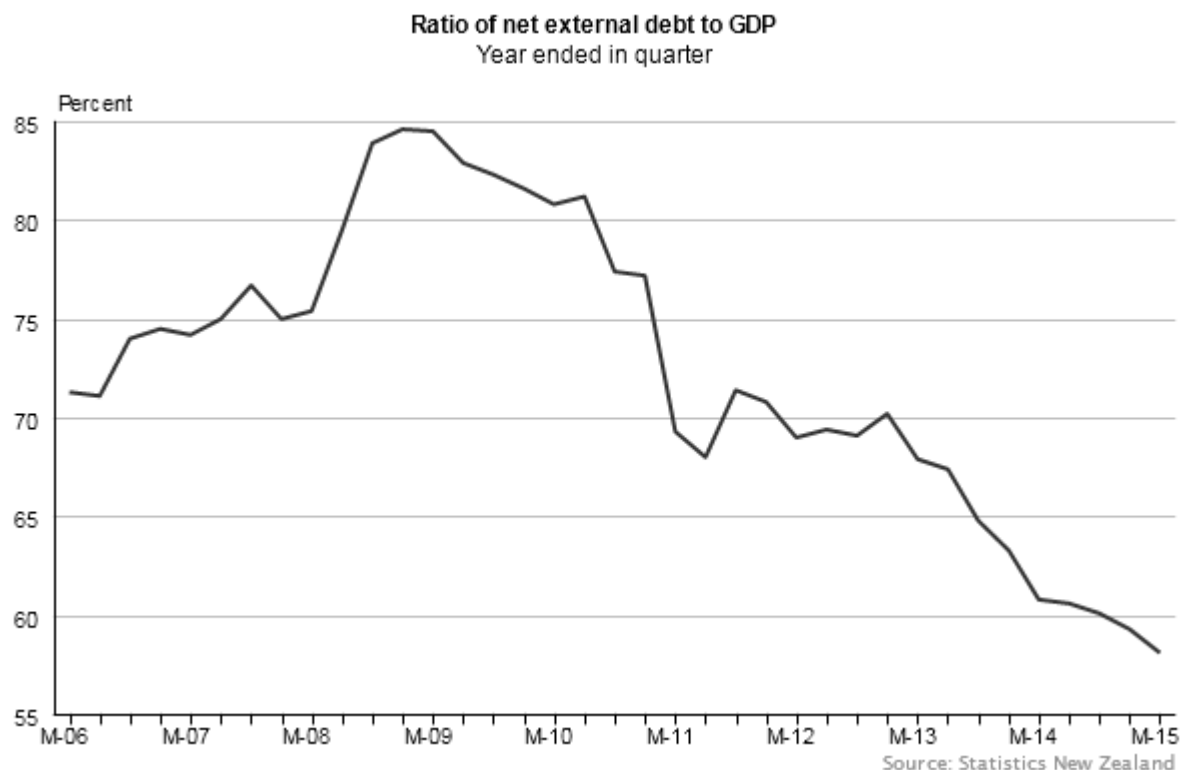
Net international liability position falls

The net outflow of investment from New Zealand drove the decrease in the **net international liability position** in the March 2015 quarter. The net liability position was \$153.5 billion (64.2 percent of GDP) at 31 March 2015, down from \$154.6 billion (65.0 percent of GDP) at 31 December 2014.

The value of New Zealand's international assets and liabilities increased \$15.7 billion and \$14.6 billion, respectively, between 31 December 2014 and 31 March 2015. Transactions contributed, but the increases were also driven by changes in the value of financial derivative assets and liabilities, and rises in share prices abroad.

Net external debt decreases as external borrowing and lending increase

New Zealand's net external debt position (this excludes equity and financial derivatives) was \$138.9 billion (58.1 percent of GDP) at 31 March 2015. This is \$2.0 billion less than the \$140.9 billion (59.3 percent of GDP) net external debt position at 31 December 2014. New Zealand's external lending increased by more than external borrowing in the latest 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).

More definitions are available in earlier Balance of Payments and International Investment Position information releases.

Related links

Next releases

The *Balance of Payments and International Investment Position: June 2015 quarter* will be released on 16 September 2015.

The *Balance of Payments and International Investment Position: Year ended 31 March 2015* will be released on 24 September 2015.

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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](#) – 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 2013.

[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.

[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](#)
- [Improved outlier detection methodology for the International Visitors Survey](#)
- [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 for January to March 2015.

Revisions

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

Improved outlier detection methodology for the International Visitors Survey

The Ministry of Business, Innovation, and Employment (MBIE) worked with Statistics New Zealand to adopt an improved methodology for identifying and removing the effects of outliers in the International Visitors Survey (IVS). The IVS is the main data source for estimating expenditure by international visitors to New Zealand (exports of travel services).

MBIE applied this new outlier methodology to December 2014 quarter IVS results, which form part of exports of travel services in this release, and will use this methodology in future.

MBIE also applied the new methodology to IVS results back to the September 2013 quarter, which causes revisions to previously published estimates for expenditure by international visitors to New Zealand. We will adopt these changes in the June 2015 quarter balance of payments and quarterly GDP releases as part of our annual revisions process. Exports of travel services for the March 2014 year will revise downwards by \$273 million as a result of this new methodology.

See [2015 revisions to New Zealand's macroeconomic accounts](#) for further detail.

Overseas reinsurance claims from the Canterbury earthquakes

Total international reinsurance claims from all Canterbury earthquakes are now estimated at \$20.2 billion, unchanged from the December 2014 quarter. At 31 December 2014, a total of \$16.4 billion of these claims had been settled with overseas reinsurers, leaving \$3.8 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
Total	20,188	16,412	3,776

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.

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:

- the International Visitors Survey – is run by a marketing company for MBIE. The data is used to estimate exports of travel services in the current account.
- the 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

Earthquake-related figures

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. There were no revisions made in the March 2015 quarter.

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

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

Current and capital accounts

Current and capital accounts December 2014 quarter revisions			
Component	Previously published Dec 2014 quarter	Revised Dec 2014 quarter	Size of revision
	NZ\$(million)		
Current account balance	-3,194	-3,170	24
Goods balance	-949	-959	-10
Goods exports (fob)	12,535	12,532	-3
Goods imports (fob)	13,483	13,491	8
Services balance	573	544	-29
Services exports	4,752	4,705	-47
Services imports	4,179	4,161	-18
Primary income balance	-2,762	-2,702	60
Primary income inflow	1,703	1,692	-11
Primary income outflow	4,465	4,394	-71
Secondary income balance	-55	-54	1
Secondary income inflow	368	370	2
Secondary income outflow	424	424	0
Capital account balance	27	27	0
Capital account inflow	31	31	0
Capital account outflow	4	4	0

Financial account

Financial account December 2014 quarter revisions			
Component	Previously published Dec 2014	Revised Dec 2014 quarter	Size of revision
	NZ\$(million)		
Financial account balance	3,762	4,238	476
NZ investment abroad	423	101	-322
Direct investment assets	446	458	12
Portfolio investment assets	3,440	3,440	0
Financial derivative assets	-912	-912	0
Other investment assets	448	115	-333
Reserve assets	-2,999	-2,999	0
Foreign investment in NZ	4,185	4,340	155
Direct investment liabilities	3,844	4,366	522
Portfolio investment liabilities	2,158	1,615	-543
Financial derivative liabilities	-595	-595	0
Other investment liabilities	-1,221	-1,046	175

Net errors and omissions

Net errors and omissions December 2014 quarter revisions			
Component	Previously published Dec 2014 quarter	Revised Dec 2014 quarter	Size of revision
	NZ\$(million)		
Net errors and omissions	-595	-1095	-500

International investment position

International investment position (IIP) December 2014 quarter revisions			
Component	Previously published Dec 2014 quarter	Revised Dec 2014 quarter	Size of revision
	NZ\$(million)		
Net IIP	-153,920	-154,592	-672
NZ's international assets	198,926	197,976	-950
Direct investment	34,909	34,920	11
Portfolio investment	99,695	99,013	-682
Financial derivatives	15,916	15,917	1
Other investment	28,148	27,868	-280
Reserve assets	20,258	20,258	0
NZ's international liabilities	352,846	352,568	-278
Direct investment	109,137	109,704	567

Portfolio investment	143,062	142,559	-503
Financial derivatives	18,555	18,557	2
Other investment	82,092	81,748	-344

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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](#).

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

See [Weights for new trade-weighted index](#) for more information.

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Group: **Balance of Payments** or **International Investment Position**

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