



# Hot Off The Press

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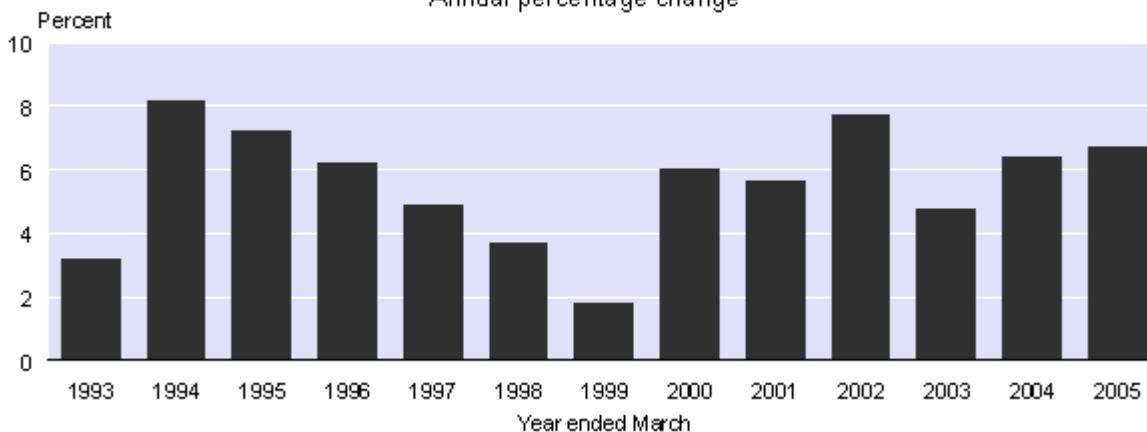
## National Accounts Year ended March 2005

### Highlights

- **Current price gross domestic product (GDP) increased 6.7 percent** in the year ended March 2005.
- **National saving remained strong at \$5,000 million**, but was down on the high of \$7,118 million in 2004.
- **Gross national income rose 5.1 percent.** Compensation of employees increased 7.2 percent and gross operating surplus was up 6.2 percent.
- **Final consumption expenditure increased**, with household spending up 7.1 percent. Central and local government expenditure increased by 8.9 and 9.2 percent, respectively.
- **Capital investment rose strongly**, with fixed asset investment up 10.8 percent and a build-up of \$1,638 million in inventories.
- **Net borrowing from overseas rose from \$5,997 million to \$10,953 million.**

### Current Price Gross Domestic Product

Annual percentage change



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There is a companion Media Release published – [National Accounts: Year ended March 2005](#).

## Commentary

All dollar figures given below are in current prices unless otherwise stated.

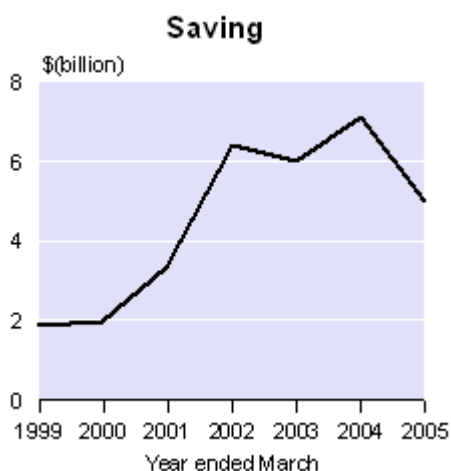
### National saving

Gross domestic product (GDP) increased 6.7 percent in the year ended March 2005, following a 6.4 percent increase in the previous March year.

National disposable income, which measures the income available to New Zealand residents for current consumption or saving, rose 5.2 percent. National saving was \$5,000 million in the March 2005 year, \$2,118 million lower than the peak in the previous year.

The latest increase in current price GDP has been driven by internal demand, which increased by 8.5 percent. Higher household consumption expenditure (up 7.1 percent), higher central and local government spending (up 8.9 and 9.2 percent, respectively), further investment in new residential housing (up 11.7 percent), increased business investment in fixed assets (up 10.4 percent) and a further build-up in inventories of \$1,638 million (compared with a build-up of \$1,159 million in the previous year) all contributed to the increase in internal demand.

The strengthening New Zealand dollar continued to have an impact on the external account, with the balance on the external current account rising from \$6,720 million to \$11,061 million in the March 2005 year. Higher net property income flows to non-residents and a deteriorating merchandise trade balance were both contributing factors.



### National disposable income

Compensation of employees and business profits are the two key components of national income.

Compensation of employees increased 7.2 percent in the March 2005 year, following a 6.9 percent increase in the March 2004 year. Compensation of employees comprises salaries and wages, employers' contribution to superannuation funds, ACC levies, fringe benefit values and redundancy payments. Salaries and wages is the major component.

Both employment and earnings increased during the March 2005 year. The number of salary and wage earners employed, as measured by the Household Labour Force Survey, showed a strong rise in the year to March 2005, following a lesser increase in the previous year. The increase in earnings (as measured by the Quarterly Employment Survey) can be attributed to a rise in wage rates in the year to March 2005, following a similar increase in the year ended March 2004.

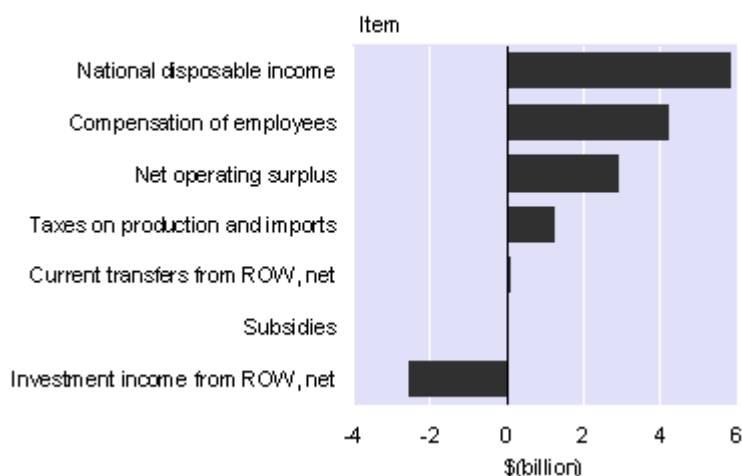
Gross operating surplus rose 6.2 percent in the March 2005 year, with strong contributions from the wholesale trade; retail trade; accommodation, restaurants and bars; and construction industries. When the provision for consumption of fixed capital is deducted, net operating surplus rose 6.6 percent. This follows rises of 6.8 percent and 0.7 percent in the years ending March 2004 and March 2003, respectively. The concept of net operating surplus approximates pre-tax business profits before the deduction of net interest payments.

Net investment income paid to the rest of the world rose to \$9,965 million in the March 2005 year. Although investment income receipts were up \$185 million (or 6.9 percent), these were more than offset by a \$2,744 million increase from investment income paid to the rest of the world.

National disposable income, which measures the total income available to New Zealanders (from all sources, both domestic and overseas) for consumption or saving, rose 5.2 percent. This follows a 7.2 percent rise in the March 2004 year.

### Contribution to Change in National Disposable Income

Year ended March 2005



### Use of national disposable income and saving

National disposable income is available for current consumption expenditure or saving.

Household consumption expenditure increased by 7.1 percent in the year ended March 2005, following 6.5 percent in the March 2004 year. Consumption expenditure in New Zealand increased 6.5 percent on services, 6.7 percent on non-durable goods and 6.1 percent on durables. Major increases were recorded in purchases of transport services, in particular increases in purchased transport fares and motor vehicle operations (which includes fuel). Spending by New Zealanders travelling overseas rose 19.8 percent, the strongest increase since 2001 (17.0 percent).

Central government expenditure increased 8.9 percent in the March 2005 year. This was largely the result of increased spending on salaries and wages and social assistance benefits in kind (eg, health services provided by government on behalf of households). Local government consumption expenditure grew by 9.2 percent in the March 2005 year, following an increase of 6.2 percent in the previous March year.

National saving was \$5,000 million in the March 2005 year. Strong levels of national saving have been recorded since 2002.

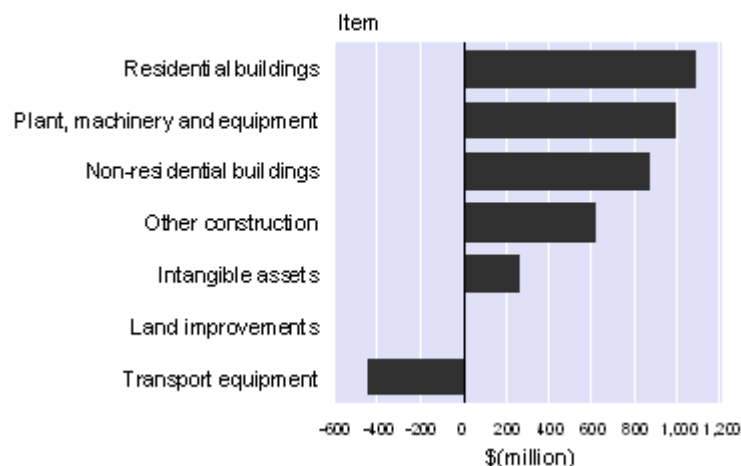
## Investment and borrowing

Investment in fixed assets grew strongly for the fourth successive year, up 10.8 percent in the March 2005 year, following rises of 13.6 percent, 7.4 percent and 9.5 percent in the March 2004, March 2003 and March 2002 years, respectively. Investment in non-residential building increased 24.6 percent for the year ending March 2005; this represents the strongest annual growth since 1997. Fixed asset investment in transport equipment declined by 9.9 percent, following a 27.6 percent increase in the previous year.

Spending on new housing remained buoyant (up 11.7 percent), following rises of 24.4 percent and 28.1 percent in the March 2004 and March 2003 years, respectively. There were further increases in business investment in the March 2005 year, with increased spending on infrastructural assets; plant, machinery and equipment; and software.

### Contribution to Change in Investment by Asset Type

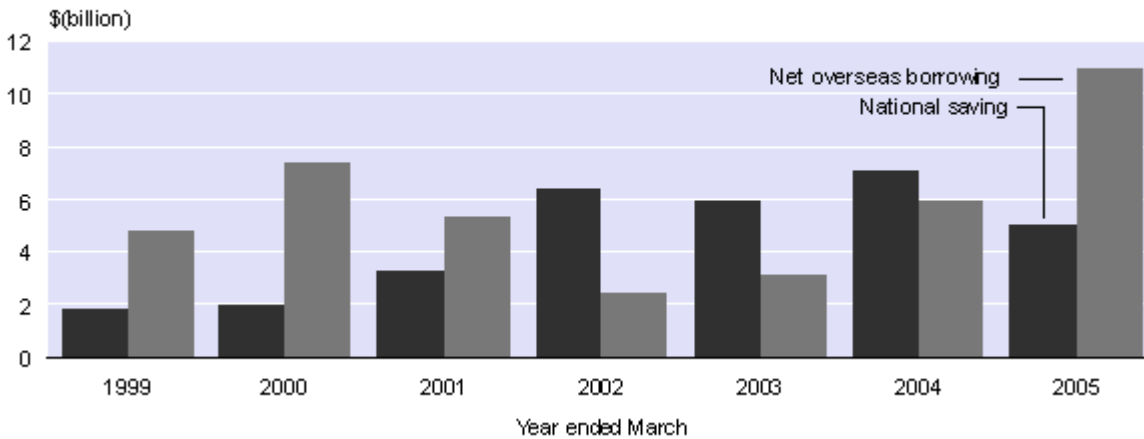
Year ended March 2005



There was a \$1,638 million build-up in inventories for the year to March 2005, up from the \$1,159 million increase recorded in the previous year. When natural growth of standing timber and livestock is excluded, inventory levels increased by \$1,100 million for the March 2005 year.

Although national saving remains strong, much of the increase in investment was financed externally. Net borrowing from the rest of the world increased from \$5,997 million (4.3 percent of GDP) to \$10,953 million (7.4 percent of GDP) in the March 2005 year.

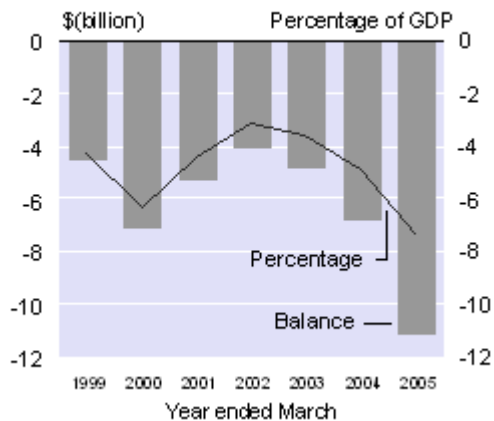
## National Saving and Net Overseas Borrowing



## External account

The strengthening New Zealand dollar and investment income had an impact on the external account, with the current account deficit rising from \$6,720 million to \$11,061 million in the March 2005 year. A key factor was higher net property income flows to non-residents. Also contributing was the deteriorating merchandise trade balance, which recorded a deficit of \$2,402 million in the March 2005 year following a deficit of \$1,076 million in the March 2004 year. Exports of goods in the March 2005 year increased 7.1 percent, while imports of goods increased 11.2 percent. After adjusting for inflation, import volumes rose 13.4 percent while export volumes rose 4.0 percent. The surplus on trade in services fell from \$1,371 million in the March 2004 year to \$812 million.

## Balance on External Current Account



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# Technical notes

## Status of the published figures

The figures for the years 2003 to 2005 are provisional. Please note that data may not sum to stated totals due to rounding.

The National Accounts for the year ended March 2005 will be re-released in May 2006. This release will:

- incorporate the results from balancing the production and expenditure estimates of gross domestic product (GDP) within a supply and use framework for the years up to and including 2003
- contain minor revisions to 2004 and 2005.

The National Accounts for the year ended March 2006 will be released in November 2006, and will include revised estimates for the years ended March 2004 and 2005. The revisions will result from more up to date information becoming available, including detailed results from the Annual Enterprise Survey. Expenditure on GDP statistics will be revised with each subsequent release of the quarterly GDP series

## Additional tables available

More detailed analyses of the National Accounts items shown in the consolidated accounts are available on request from the National Accounts Business Unit.

Tables available on request are:

- Contribution to gross domestic product by industry (1987–2002)
- Taxes on production breakdown (1987–2005)
- Gross fixed capital formation by asset type (1972–2005)
- Net capital stock by asset type (1972–2005)
- Productive capital stock by asset type (1972–2005)
- Household income and outlay account (1987–2005), available from Wednesday 30 November 2005.

## Revisions

This release contains revisions arising from new and more up-to-date information. These result from:

- incorporating new survey data for all years from 2003 onwards
- incorporating balance of payments revisions from 1992
- incorporating revisions to data from the Crown Accounts
- incorporating revisions to software investment

## **Balance of Payments (BOP) revisions incorporated in this release**

This publication includes some revisions to BOP series which will also be incorporated in the BOP current account when the *Balance of Payments and International Investment Position: September 2005 quarter* Hot Off The Press is published on 21 December 2005. These revisions are a continuation of the implementation of the BOP quality plan and include:

- revisions to the travel debits series, incorporating the new benchmark estimates from the Survey of Returned Travellers (SORT).
- travel credits revisions, due to a new weighting methodology for the International Visitors Survey (IVS), conducted by ACNielsen. The new weighting methodology introduced weights for the purpose of visit and the length of stay.
- other services revisions, due to new and improved data from the census of International Trade in Services and Royalties (ITSS census).

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The incorporation of revised software estimates results in an upward revision to all three measures of GDP (income, expenditure and industry value added). This release includes an additional table showing revised current price industry value added. Further information on the derivation of the revised software estimates is contained in *Software Investment in the New Zealand National Accounts*, available at [www.stats.govt.nz](http://www.stats.govt.nz).

Revisions incorporated in this publication will also be reflected in the *Gross Domestic Product: September 2005 quarter* Hot off The Press to be released on 22 December 2005.

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## **More information**

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## Timing

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics New Zealand. Statistics New Zealand accepts no responsibility for any such delays.

### **Next release ...**

*National Accounts: Year ended March 2006* will be released in November 2006.

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## Tables

The following tables can be downloaded from the Statistics New Zealand website in Excel 97 format. If you do not have access to Excel 97 or higher, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

### List of tables

- 1.1 Consolidated accounts of the nation, gross domestic product and expenditure account
- 1.2 Consolidated accounts of the nation, national income and outlay account
- 1.3 Consolidated accounts of the nation, national capital account
- 1.4 Consolidated accounts of the nation, external account

### List of analytical tables

- Table 1.1 Consolidated accounts of the nation, gross domestic product and expenditure account
- Table 1.2 Consolidated accounts of the nation, national income and outlay account
- Table 1.3 Consolidated accounts of the nation, national capital account
- Table 1.4 Consolidated accounts of the nation, external account
- Table 1.5 Household income and outlay account (released 30 November 2005)

Table 1.12 Principal aggregates

- Capital stock 1A Consumption of fixed capital by industry, current prices
- Capital stock 1B Consumption of fixed capital by sector, current prices
- Capital stock 2A Gross fixed capital formation by asset type, current prices
- Capital stock 2B Gross fixed capital formation by industry, current prices
- Capital stock 2C Gross fixed capital formation by sector, current prices
- Capital stock 3A Net capital stock by asset type, current prices (replacement cost)
- Capital stock 3B Net capital stock by industry, current prices (replacement cost)
- Capital stock 3C Net capital stock by sector, current prices (replacement cost)
- Capital stock 4A Productive capital stock by asset type, chain volume series expressed in 1995/96 prices
- Capital stock 4B Productive capital stock by industry, chain volume series expressed in 1995/96 prices
- Capital stock 4C Productive capital stock by sector, chain volume series expressed in 1995/96 prices

Table 2.1 Contribution to GDP by industry, current prices

Table 2.7 Taxes on production and imports breakdown

A number of series have not been updated for this release and remain as published in the annual *National Accounts (Revised): Year ended March 2004*. These series will be updated as part of the annual *National Accounts (Revised): Year ended March 2005* release in May 2006.

- Table 2.2 Components of gross domestic product, by industry
- Table 2.3 Components of gross domestic product, by sector of ownership
- Table 2.5 Agricultural output analysis
- Table 2.6 Agriculture intermediate consumption analysis