

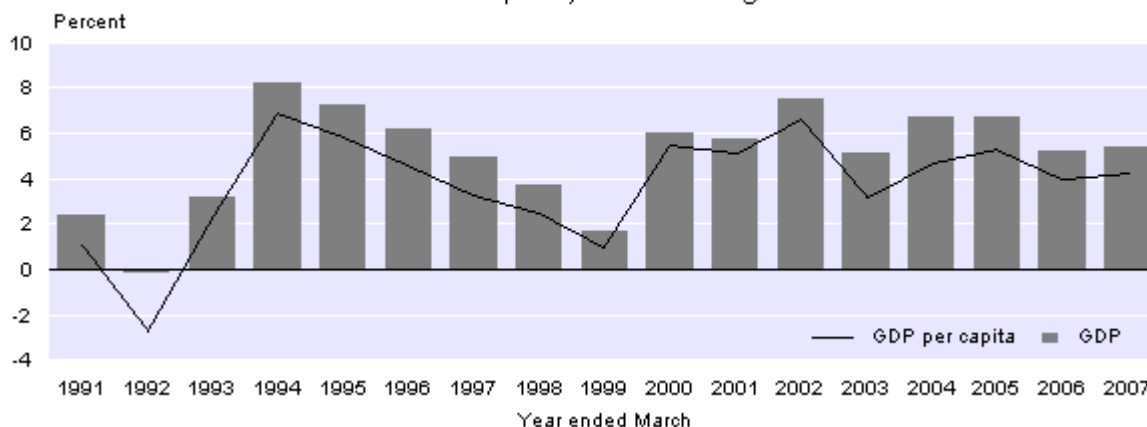
Embargoed until 10:45am – 15 November 2007

National Accounts: Year ended March 2007

Highlights

- Current price gross domestic product (GDP) increased 5.4 percent, while GDP per capita increased 4.2 percent.
- Gross national income rose 5.4 percent. Compensation of employees increased 7.8 percent and gross operating surplus was up 3.0 percent.
- National saving fell to \$1,312 million, down from \$2,258 million in the previous March year.
- Final consumption expenditure increased, with household spending up 5.4 percent. Central and local government expenditure increased by 8.0 percent and 6.2 percent, respectively.
- Capital investment fell by 2.0 percent, with a \$317 million run-down in inventories partly offset by an increase in fixed asset investment, up 0.9 percent.
- Net borrowing from overseas improved from \$14,869 million to \$13,983 million in the year ended March 2007.

Gross Domestic Product and Gross Domestic Product per Capita
Current price, annual change



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There is a companion Media release published – [National Accounts: Year ended March 2007](#).

Commentary

Changes in this issue

This release includes:

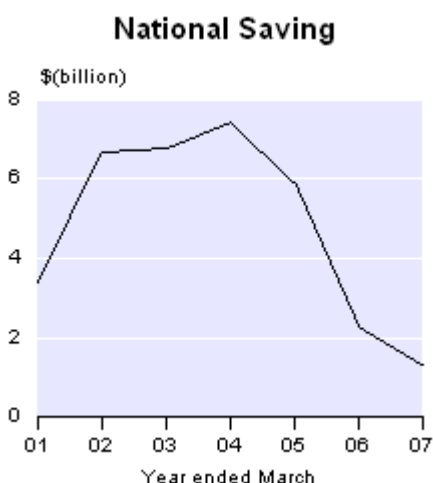
- the incorporation of current price production-based GDP series for the years 1972–1986
- the general government sector account for both central and local government.

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

National saving

Gross domestic product (GDP) increased 5.4 percent in the year ended March 2007, following a 5.2 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 5.1 percent. National saving was \$1,312 million in the March 2007 year, down from \$2,258 million in the previous year.



Measuring saving in the national accounts

In common with many other OECD countries, New Zealand's household saving rate has been declining in the past two decades. This has inevitably sparked debate on the adequacy of saving, especially in the context of retirement income policy. Discussion has been particularly intense because the official household saving rate is consistently one of the lowest in the OECD and has fallen quite rapidly in the last five years. The lack of a comprehensive set of official sector income and outlay accounts and balance sheets in the national accounts has limited the range of data needed to comprehensively analyse saving behaviour.

A paper, outlining how saving is derived in the current national accounts and the relationships between national saving, sector saving, net wealth, investment and the current account balance with the rest of the world, is now available on our website: www.stats.govt.nz – *Measuring Saving in the National Accounts*.

Components of GDP

The latest increase in current price GDP has been driven by a rise in compensation of employees (wages and salaries together with employer social contributions) of 7.8 percent, the highest annual increase since the year ended March 1988. Strong internal demand (up 4.0 percent) was the main contributor to expenditure on GDP.

Household consumption expenditure increased 5.4 percent, dipping below 6.0 percent for the first time in four years. Central and local government spending rose 8.0 percent and 6.2 percent, respectively. Business investment in fixed assets increased 0.3 percent, with increases in other construction activity (up 9.9 percent) and plant machinery and equipment (up 2.6 percent) offset by decreases in transport equipment (down 13.4 percent) and non-residential building (down 3.2 percent). New residential housing increased 2.7 percent, following a 2.3 percent increase in the March 2006 year.

Increased prices and volumes for dairy exports had an impact on the external account, with the balance on the external current account deficit improving from \$14,542 million to \$13,521 million in the March 2007 year. Property income flows from the rest of the world and a contraction in our net trade balance deficit (down from a \$3,658 million deficit in the year ended March 2006 to a \$2,330 million deficit in the year ended March 2007) 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 7.8 percent in the March 2007 year, following a 7.1 percent increase in the March 2006 year. The latest increase is the strongest since the 11.6 percent increase for the year ended March 1988. Compensation of employees comprises salaries and wages, employers' contributions to superannuation funds, ACC levies, fringe benefits and redundancy payments. Salaries and wages is the major component.

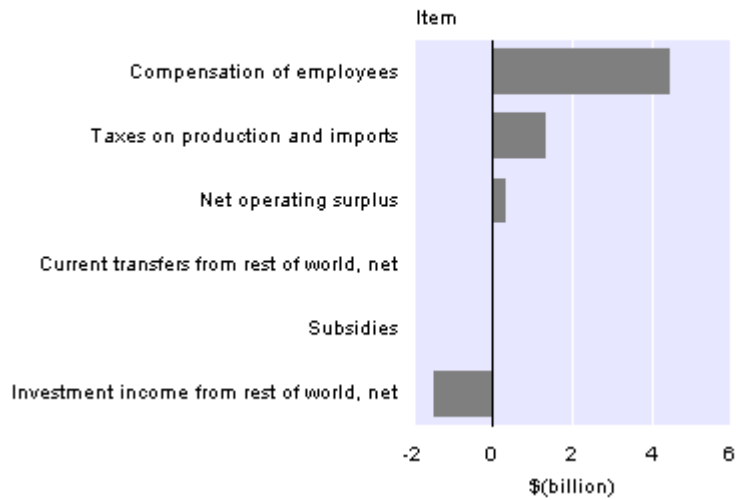
Both employment and average earnings increased during the March 2007 year. The increase in earnings (as measured by the Quarterly Employment Survey) can be attributed to both a rise in wage rates and an increase in paid hours in the year to March 2007, following lesser increases in the year ended March 2006. Increased paid hours was the main contributor.

Gross operating surplus rose 3.0 percent in the March 2007 year with increases across all aggregate industry groupings, with the exception of a decrease in the owner-occupied dwellings industry. When the provision for consumption of fixed capital is deducted, net operating surplus rose 0.3 percent. This followed rises of 0.8 percent and 5.5 percent in the years ending March 2006 and March 2005, 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 \$11,863 million in the March 2007 year. Investment income paid to the rest of the world increased \$1,412 million (up 10.6 percent) with investment income receipts increasing \$805 million (up 39.3 percent).

National disposable income, which measures the total income available to New Zealanders (from all sources, both domestic and overseas) for consumption or saving, rose 5.1 percent. This followed a 3.7 percent rise in the March 2006 year. Final consumption expenditure (both private and government) rose 6.0 percent, outstripping the increase in national disposable income.

Contribution to Annual Change in National Disposable Income
Year ended March 2007



Use of national disposable income and saving

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

Household consumption expenditure, which measures the expenditure by New Zealand households, increased 5.4 percent in the year ended March 2007, following a 6.8 percent increase in the March 2006 year. Household spending in New Zealand increased 5.6 percent on services, 6.9 percent on non-durable goods and 2.2 percent on durables. Major increases were recorded in food and beverages (up 7.2 percent) and purchases of household goods and services; in particular, domestic fuel and power (up 9.7 percent).

Central government expenditure increased 8.0 percent in the March 2007 year, largely the result of increased spending on salaries and wages (up 7.9 percent or \$1,042 million). Local government consumption expenditure grew 6.2 percent in the March 2007 year, following an increase of 6.8 percent in the previous year.

National saving fell to \$1,312 million in the March 2007 year, following stronger levels of national saving between 2001–2006.

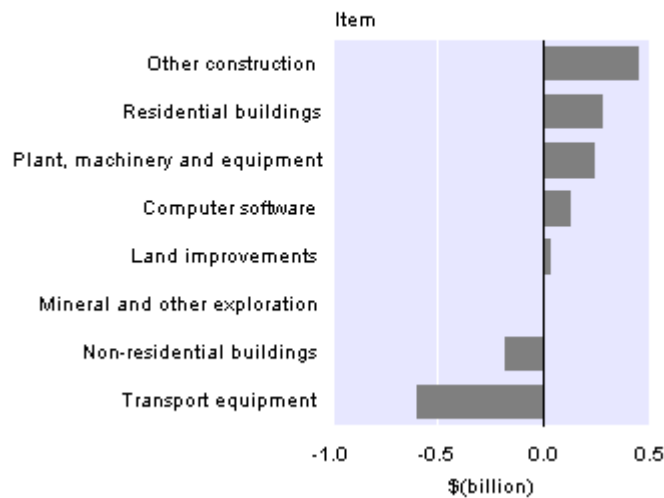
Investment and borrowing

Investment in fixed assets grew 0.9 percent in the March 2007 year, the lowest annual increase since the year ended March 1999. Other construction has grown strongly (up 9.9 percent) in the latest year, following stronger increases of 10.8 percent and 14.6 percent in the March 2006 and March 2005 years, respectively. Transport equipment decreased 13.4 percent, after a 14.1 percent increase in the previous year. Transport equipment can be volatile from period to period, due to investment in high value items such as aircraft and ships.

Spending on residential building increased 2.7 percent in the year ended March 2007, following rises of 2.3 percent, 12.1 percent and 23.2 percent in the March 2006–2004 years.

Contribution to Annual Change in Investment by Asset Type

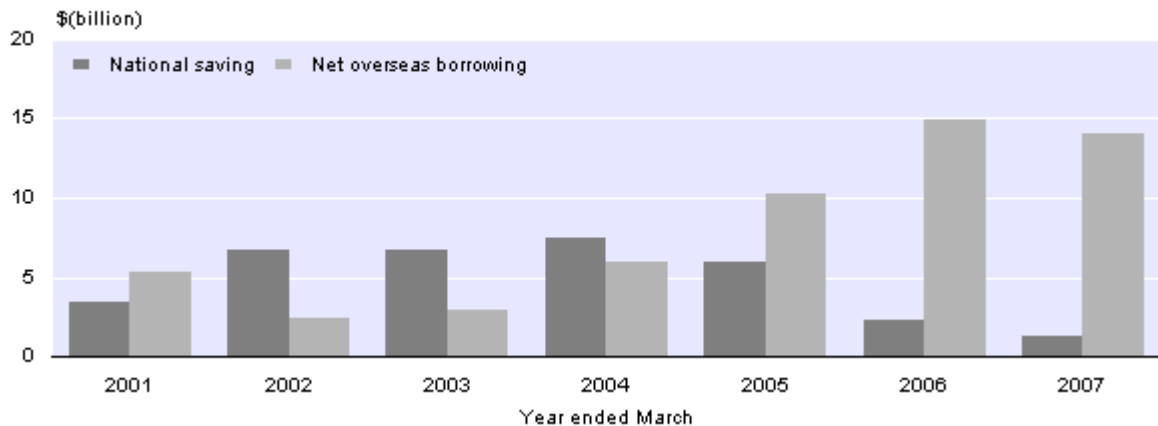
Year ended March 2007



During the year to March 2007, there was a \$317 million run-down in inventories. When the natural growth of standing timber and livestock is excluded, inventory levels decreased \$727 million.

National saving dropped to \$1,312 million, its lowest level since the March 1993 year. Net borrowing from the rest of the world improved from \$14,869 million (9.5 percent of GDP) to \$13,983 million (8.5 percent of GDP) in the March 2007 year.

National Saving and Net Overseas Borrowing

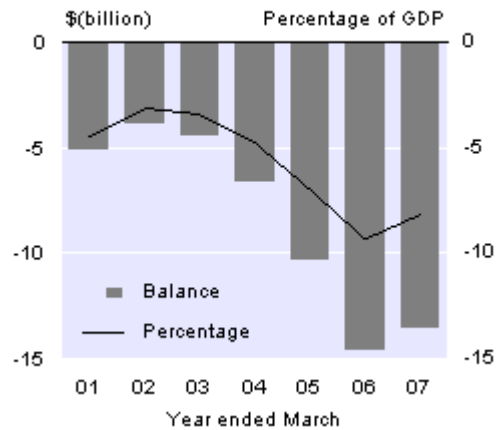


External account

The New Zealand balance on goods and services deficit improved from a \$3,658 million deficit in the year ended March 2006 to a \$2,330 million deficit in the year ended March 2007. Stronger dairy exports, influenced by increased prices and higher export volumes, was the main contributor. Higher property income flows to New Zealand also contributed to the smaller deficit.

Exports of goods in the March 2007 year increased \$4,053 million, while imports of goods increased \$2,779 million. The surplus on trade in services grew from \$447 million in the March 2006 year to \$501 million in the March 2007 year.

Balance on External Current Account



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Technical notes

Status of published figures

The figures for the years 2005 to 2007 are provisional. Please note that data may not sum to stated totals due to rounding.

The *National Accounts (Revised): Year ended March 2007* will be released in April 2008. 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, 2005
- contain minor revisions to 2006 and 2007.

The *National Accounts: Year ended March 2008* will be released in November 2008, and will include revised estimates for the years ended March 2006 and 2007. 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:

- Taxes on production breakdown (1987–2007)
- Gross fixed capital formation by asset type (1972–2007)
- Net capital stock by asset type (1972–2007)
- Productive capital stock by asset type (1972–2007)
- Contribution to GDP by industry, current prices (1972–2004)
- Household income and outlay account (1987–2007)
- General government sector account (1987–2007). ***** New *****

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 2005 onwards
- incorporating balance of payments revisions
- incorporating revisions to government accounts data
- revisions resulting from additional analysis with the incorporation of the historical series (1972–1986) for the production approach of GDP (value added), across both the income and expenditure approaches of measuring GDP.

Revisions incorporated in this publication will also be reflected in the *Gross Domestic Product: September 2007 quarter* Hot Off The Press to be released on 21 December 2007.

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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 NZ. Statistics NZ accepts no responsibility for any such delays.

Next release ...

National Accounts: Year ended March 2008 will be released in November 2008.

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Tables

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

List of tables (short-term)

- 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
- 1.12 Principal aggregates

A number of series have not been updated for this release and remain as published in the annual *National Accounts (Revised): Year ended March 2006*. These series will be updated as part of the annual *National Accounts (Revised): Year ended March 2007* release in April 2008.

- Table 1.5 Contribution to gross domestic product by industry, current prices
- Table 1.6 Gross fixed capital formation by asset type, current prices
- Table 1.7 Net capital stock by asset type, current prices (replacement cost)
- Table 1.8 Productive capital stock by asset type, chain-volume series expressed in 1995/96 prices
- Table 1.9 Gross fixed capital formation by industry, current prices
- Table 1.10 Net capital stock by industry, current prices (replacement cost)
- Table 1.11 Productive capital stock by industry, chain-volume series expressed in 1995/96 prices
- 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

Analytical tables (long-term)

Consolidated accounts full series

- Table 1.1 Gross domestic product and expenditure account (1972–2007)
- Table 1.2 National income and outlay account (1972–2007)
- Table 1.3 National capital account (1972–2007)
- Table 1.4 External account (1972–2007)

GDP breakdown

- Table 2.1 Contribution to GDP, by industry, current prices (1972–2004) ***Updated***

Household income and outlay account

- Table 1.5 Household income and outlay account (1987–2007)

Note:

The household income and outlay account is available on the Statistics NZ website, subject to the following caveat. In the absence of a full suite of institutional sector accounts, cross-sector transactions are unable to be fully confronted within the national income and outlay account framework. As a consequence, all data should be considered experimental, and caution should be exercised when interpreting these results.

General government sector account *****New*****

Table 3 General government sector account (1987–2007)

Table 3a General government sector account, Central (1987–2007)

Table 3b General government sector account, Local (1987–2007)

Note:

The general government sector account is available on the Statistics NZ website, subject to the following caveat. In the absence of a full suite of institutional sector accounts, cross-sector transactions are unable to be fully confronted within the national income and outlay account framework. As a consequence, all data should be considered experimental, and caution should be exercised when interpreting these results.

Taxes on production

Table 2.7 Taxes on production breakdown (1987–2007)

Capital stock

Capital stock 1A Consumption of fixed capital by industry, current prices (1972–2004)

Capital stock 1B Consumption of fixed capital by sector, current prices (1972–2007)

Capital stock 2A Gross fixed capital formation by asset type, current prices (1972–2007)

Capital stock 2B Gross fixed capital formation by industry, current prices (1972–2004)

Capital stock 2C Gross fixed capital formation by sector, current prices (1972–2007)

Capital stock 3A Net capital stock by asset type, current prices, replacement cost (1972–2007)

Capital stock 3B Net capital stock by industry, current prices, replacement cost (1972–2004)


Capital stock 3C Net capital stock by sector, current prices, replacement cost (1972–2007)

Capital stock 4A Productive capital stock by asset type, chain-volume series expressed in 1995/96 prices (1972–2007)


Capital stock 4B Productive capital stock by industry, chain-volume series expressed in 1995/96 prices (1972–2004)

Capital stock 4C Productive capital stock by sector, chain-volume series expressed in 1995/96 prices (1972–2007)


 [National Accounts: Year ended March 2007 - All tables \(50KB\) \(xls\)](#)

 [National Accounts: Year ended March 2007 - Consolidated accounts full series \(94KB\) \(xls\)](#)

 [Updated National Accounts: Year ended March 2007 - GDP breakdown \(56KB\) \(xls\)](#)

 [National Accounts: Year ended March 2007 - Household income and outlay account \(45KB\) \(xls\)](#)

 [National Accounts: Year ended March 2007 - Government sector accounts \(120KB\) \(xls\)](#)

 [National Accounts: Year ended March 2007 - Taxes on production \(24KB\) \(xls\)](#)

 [National Accounts: Year ended March 2007 - Capital stock \(156KB\) \(xls\)](#)