

Transcript: Video summary of Balance of payments and international investment position: December 2017 quarter

Video, 2:33 min

See video in [Current account deficit widens to \\$2.0 billion](#), published 14 March 2018

Visual: Paul Pascoe speaks to camera in office environment

Onscreen text: Paul Pascoe, Manager, Balance of Payments

Audio:

The latest balance of payments statistics are out today for the December quarter of 2017. Probably the key feature is that New Zealand's current account deficit has widened slightly to \$2 billion.

The current account's a way of showing how balanced our economic transactions are with the rest of the world. And the main ways that money flows between New Zealand and the rest of the world is by trade – our imports and exports, and also as income from our investments and from foreigners' investment in New Zealand.

Let's have a quick look at trade. Well we exported more than we imported during the quarter. Imports still grew by more than imports compared to the September quarter and this caused our goods and services surplus to shrink slightly to \$700 million.

Most of the difference from the previous quarter was due to growth in the deficit in the trade in goods. Part of this was about imports of transport-related machinery and fuel going up and that outweighed increases in our exports of things like dairy and logs.

Investment, or primary income, is another way that money flows between New Zealand and overseas. In the December quarter, overseas investors earned \$4.9 billion from their investments in New Zealand, more than the \$2.3 billion that New Zealand investors earned from their investments overseas. This gave us what we call a primary income deficit of \$2.7 billion for the quarter.

In the bigger picture, New Zealand's current account deficit of \$2 billion equates to 2.7 percent of total New Zealand GDP for that quarter. That's up a little bit from the last quarter but if we step back it's been pretty steady since the global financial crisis, hovering between about 2 and 4 percent of GDP.

Expressed in this way, New Zealand's current account deficit to GDP ratio was about the same as the United States, which was 2.4 percent in 2016, and smaller than Australia's, which was 3.1 percent in 2016. This is according to OECD data.

This is the kind of thing that economists and international credit agencies tend to look at to help decide whether New Zealand's ongoing relationship with the rest of the world is sustainable.

The balance of payments has a real impact on New Zealanders day-to-day experience. It can influence things like the interest that you pay in your bank, and what you can buy overseas with the New Zealand dollar.

Stats NZ Tatauranga Aotearoa



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