ECONOMIC UPDATE

Monetary Indicators

The broad money supply (M3) is estimated to have fallen 1.6 per cent in April 1986, after increasing 3.4 per cent in March. For the year ended April, M3 rose 18.6 per cent, down on the 23.3 per cent increase recorded for the March year (D1, D2, D3).

Private sector credit (PSC) rose 2.3 per cent over April following 0.5 per cent growth in March. Over the twelve months to April, PSC is estimated to have risen 21.2 per cent, after increasing 20 per cent in the March year (D2, D3, D4).

Monetary Aggregates

Trading bank lending rose 15.6 per cent in the year to June, following a 16.5 per cent rise in the year to May. Trading bank deposits over the same period were up 20.6 per cent, having risen 25.1 per cent in the May year (B2, B3, B4, B7, B8, B11). The trading banks' lending to deposits ratio was 75.4 per cent for June, compared with 71.7 per cent for May. Total credit limits at trading banks grew by 22.2 per cent in the year to May.

The level of Primary Liquidity, expressed as a daily average (non-seasonally adjusted) decreased over June.

Trading Bank Deposits and Lending

1986 to $635 million compared with $649 million in May.

In the year to May:

- Total savings bank lending rose 15.4 per cent and deposits 6.1 per cent.
- Trustee savings bank lending and deposits increased by 5.5 per cent and 10.3 per cent respectively (C2).
- Post Office Savings Bank lending rose 68.7 per cent and deposits 5.9 per cent (C1).
- Private savings bank lending fell 17.4 per cent and deposits 17.1 per cent (C4).
- Large finance companies' lending and deposits increased by 19 per cent and 25 per cent respectively (F4).
- Building societies' lending and deposits were up 8.1 per cent and 20.7 per cent respectively (F5).
- Trading bank deposit interest rates on terms of less than twelve months fell by up to 3 per cent over May, while longer term rates were largely unchanged (I2).
External sector (figures not seasonally adjusted).

A $265 million net inflow of private capital was recorded over April after a $148 million net inflow the previous month (G4). For the year to April 1986 there was a net inflow of $1,782 million compared with a $2,033 million net inflow for the year ended April 1985.

The OET current account deficit for the year ended April was $2,088 million, up on the $1,892 million deficit for the year ended March but down on the $2,640 million deficit recorded over the April 1985 year (G4).

Merchandise Trade figures for May show an excess of exports over imports of $204.6 million. A year earlier exports for the month exceeded imports by $62.9 million (G4).

New Zealand’s official overseas reserves rose by $58 million during May to an end-of-month level of $2559 million. At the end of May 1985 reserves stood at $2538 million (G1).

The Export Price Index rose 4 per cent over the March quarter, and for the year ended March 1986 was 3.6 per cent above the level a year earlier. The Import Price Index rose 8.6 per cent over the same quarter, the Index being 0.8 per cent higher than for the year ended March 1985. The Export Volume Index fell 17.7 per cent over the March year while the Import Volume Index rose 3.2 per cent over the same period.

During the month of June 1986 the New Zealand dollar depreciated against all the currencies of our major trading partners, except the Australian dollar. Compared with the month of May, the New Zealand dollar had, at month end, depreciated 3.3 per cent against the United States dollar, 6.3 per cent against sterling, 7.4 per cent against the yen and 8 per cent against the Deutschmark, while appreciating 2.7 per cent against the Australian dollar. In terms of the exchange rate index the New Zealand dollar depreciated by 2.9 per cent.

New Zealand Dollar Key Exchange Rates
Indices, March 1973 = 1000

Incomes (figures not seasonally adjusted)

The average real disposable incomes of wage and salary earners as measured by the Real Disposable Income Index fell 0.1 per cent over the March quarter, implying a 0.2 per cent decrease in annual terms. Although gross incomes rose 16.8 per cent over the year, this was more than offset by the effects of inflation and increasing average tax rates (J3).

Consumption

Retail turnover increased by 6.6 per cent in April after falling 3 per cent in the previous month. Turnover excluding the automotive sector increased by 6.4 per cent (J1).

New car registrations fell by a further 4.6 per cent in May after falling 9.9 per cent in April (J1).

The value of new hire purchase finance contracts over the March quarter fell a further 2.8 per cent after falling 3.9 per cent in the December quarter.

Labour Market

The number of registered unemployed rose by 5.6 per cent in May to 59,943, having risen by 3.6 per cent the previous month. In May the total of registered unemployed and assisted employed rose 1.4 per cent to 81,391, 3.8 per cent less than a year earlier (J4).

A net outflow of 1,709 permanent and long-term migrants was recorded over May bringing the net outflow over the year ended May to 21,690.
Investment

The number of new dwelling permits issued in May fell 4.8 per cent after a rise of 3.4 per cent in April. The number issued over the twelve months to May was 1 per cent higher than for the year ended May 1985 (J2).

The value of surveyed import orders for machinery and electrical equipment over the three months to April was 29 per cent lower than for the three months to April 1985 (J2).

Prices

The Consumer Price Index (CPI) rose 2.7 per cent over the June quarter and 10.4 per cent over the June year. The respective increases for the March quarter and year were 2.3 per cent and 13 per cent.

The Food Price Index rose 0.3 per cent in June, bringing the annual rate of increase down to 7.4 per cent, the lowest annual increase since October 1984 (J3).

The Producers Price Index rose 2.1 per cent for both inputs and outputs in the March quarter, giving annual rates of increase of 7.9 per cent and 9.2 per cent respectively, the lowest annual increases since the September 1984 quarter (J3).

Note

All quarterly and monthly data are seasonally adjusted unless otherwise stated. The figures in brackets refer to the Bulletin tables in which the relevant statistics appear. However, the statistics in the Bulletin tables have not been seasonally adjusted and therefore they may differ from the statistics given here.