

ECONOMIC UPDATE

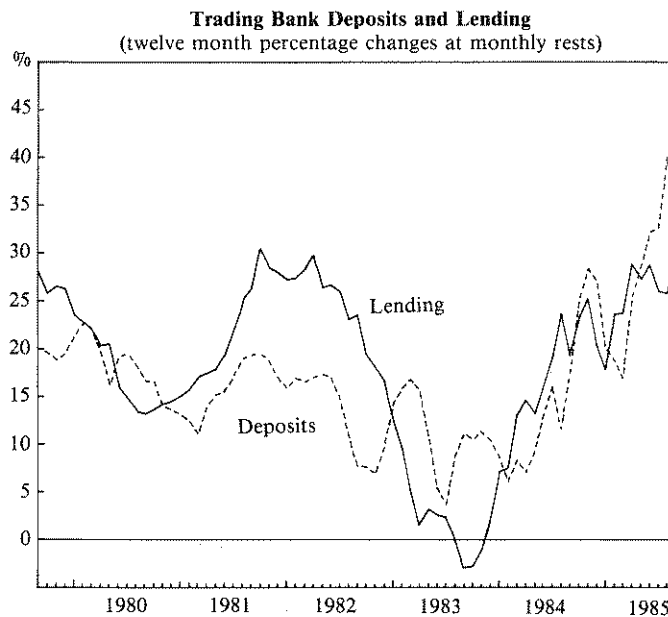
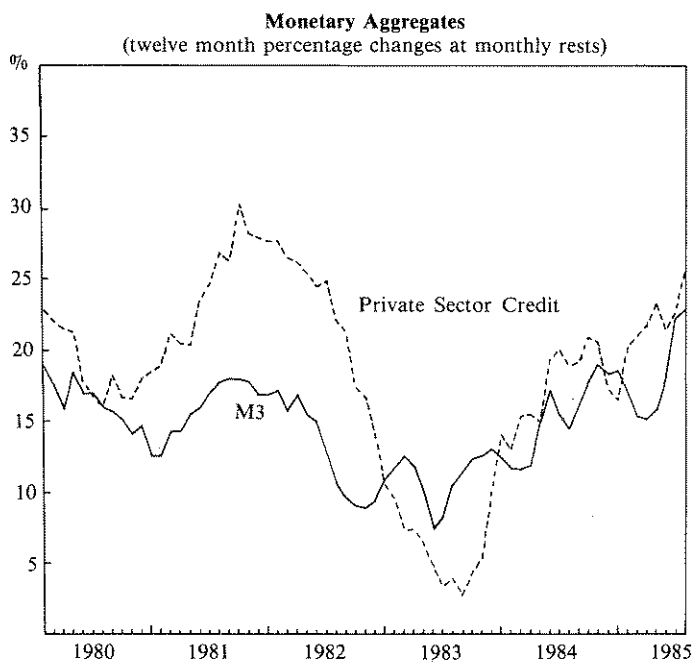
Monetary Indicators

The level of *primary liquidity*, expressed as a daily average, fell over August to \$1,206 million compared with \$1,334 million in July.

Final figures of monetary aggregate growth for July are now available. The *Money Supply (M3)* is estimated to have grown by 1.9 per cent in July after rising by 3.4 per cent in June. For the year to July M3 grew by 22.9 per cent; this compares with growth of 22.2 per cent for the year to June (tables D1, D2, D3).

Final estimates of *Private Sector Credit (PSC)* for July show an increase of 2.9 per cent after June's rise of 2 per cent. Over the twelve months to July PSC grew by 25.6 per cent, having risen by 22.7 per cent in the June year (tables D2, D3, D4).

Trading bank lending rose by 31 per cent in the year to August, following an increase of 25.7 per cent in the year to July. *Trading bank deposits* over the same period rose by 32.8 per cent, after rising 40 per cent in the July year (tables B2, B3, B4, B7, B8, B11). As a result, the trading banks *lending to deposits ratio* fell slightly to 75.9 per cent. This compares with the August 1985 ratio of 76.9 per cent.



Total credit limits at trading banks fell 0.2 per cent in August but were 17.4 per cent higher than a year previously (table B12).

In the twelve months to August:

- Savings bank lending rose by 21.1 per cent and deposits by 8.6 per cent.
- *Trustee savings bank lending and deposits* increased by 11.3 per cent and 13.9 per cent respectively (table C2).

- *Post Office Savings Bank lending* rose by 97.8 per cent and *deposits* by 8.5 per cent (table C1).
- *Private savings bank lending and deposits* fell by 15.5 per cent and 15.6 per cent respectively (table C4).
- *Large finance companies' lending* rose by 30 per cent and *deposits* by 27.1 per cent (table F4).
- *Building societies' lending and deposits* were up by 7.8 per cent and 7.7 per cent respectively (table F5).

Trading bank deposit interest rates in August fell sharply for terms of more than twelve months while rates on shorter terms rose slightly (table I2).

External Sector

There was a \$163 million net inflow of *private capital* over July after a net inflow of \$188 million in June (table G4).

For the year ended July the *OET current account deficit* was \$2,566 million compared with \$2,572 million in the year to June and \$1,869 million in the twelve months to July 1984 (table G4).

Merchandise trade figures for August show that monthly imports exceeded exports by \$118.2 million. A year previously imports for the month exceeded exports by \$260.5 million (table G4).

New Zealand's *official overseas reserves* rose by \$467.2 million during July to \$3,192 million. A year earlier reserves stood at \$2,976.5 million (table G1).

Consumption

Retail turnover fell by 1.8 per cent in July after easing by 0.2 per cent in June. Turnover excluding the automotive sector was down 0.2 per cent in July. *New car registrations* fell 5.7 per cent in August after rising 4.4 per cent the previous month (table J1).

Production

Results of the Quarterly Economic Survey of Manufacturing for June show that *Total Turnover* was up just 0.6 per cent from the March quarter and 18.1 per cent up on June 1984. *Additions to Fixed Assets* rose a sharp 37.4 per cent over the latest quarter and were 29.4 per cent greater in annual terms. The *Volume of Production Index* fell 1.8 per cent over the latest quarter but was 0.7 per cent higher than a year earlier. *Stocks of Materials plus Finished Goods* rose 5.4 per cent over the March quarter and in annual terms the *Total Stock to Sales Ratio* rose from 68.1 per cent to 74.5 per cent (tables J1, J2).

Investment

The *number of new dwelling permits* issued in August was 5.5 per cent lower than in July, while the *value of permits issued for other buildings* in the three months to August rose 10.4 per cent compared to the amount during the three months to July (table J2).

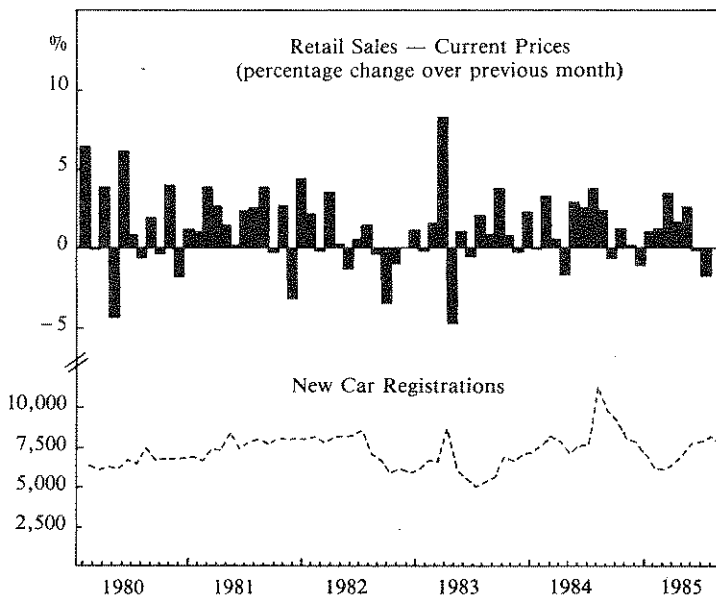
The *value of building work put in place* for the June quarter was substantially higher than for the March quarter. For dwellings the increase was 8.5 per cent while for other buildings there was a 15.2 per cent rise.

The *value of surveyed import orders of machinery and electrical equipment* for the three months to July was 62.9 per cent higher than for the corresponding period a year earlier (table J2).

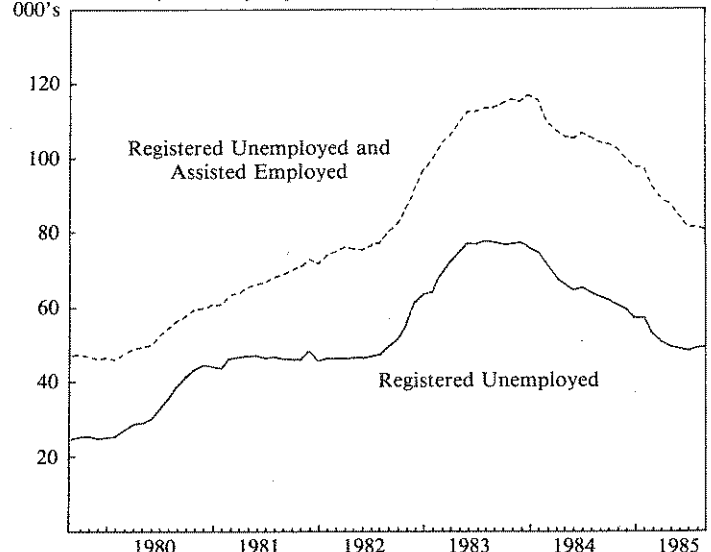
Labour Market

The number of *registered unemployed* rose 0.2 per cent in August to 49,354. The total of *registered unemployed and assisted employed* fell by 1 per cent over the same period (table J4).

Consumption
(seasonally adjusted)



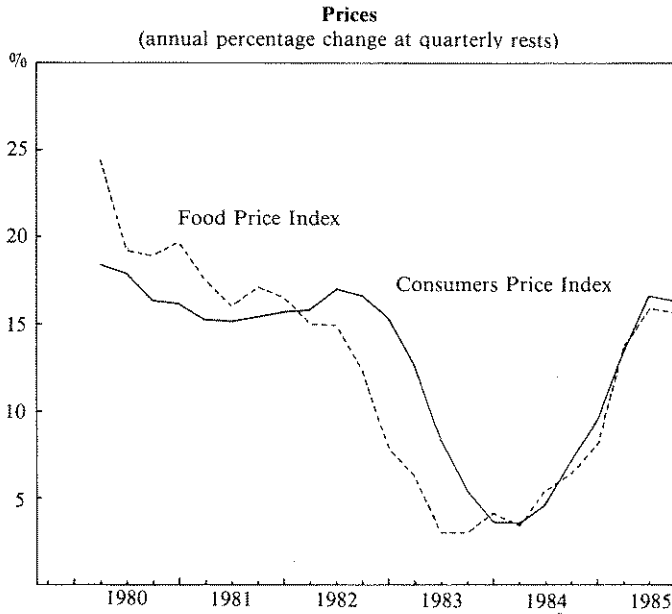
Labour Market
(seasonally adjusted, excluding vacation workers)



Prices

The *Consumers Price Index (CPI)* rose 2.8 per cent in the September quarter, following a 5.1 per cent increase in the June quarter. In the year to September, the CPI rose 16.3 per cent, compared with 16.6 per cent in the year to June.

Contributing to the increase in the CPI was the 1.2 per cent rise in the *Food Price Index* for the month of September, bringing the annual increase for the year ended September to 15.8 per cent. This latest monthly increase follows increases of 0.6 per cent and 1 per cent over July and August respectively (table J3).



Government Sector

Government net expenditure for the year ended August was \$16,158.5 million while *Government revenue* for the same period was \$13,016.3 million. As a result, the *government deficit before borrowing* rose to \$3,142.2 million compared with \$2,719.7 million a year earlier (table E2).

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.