

ECONOMIC UPDATE

Monetary Indicators

The level of *primary liquidity* rose over June to \$1,360 million as a daily average compared to a revised figure of \$1,148 million for May.

The *Money Supply* (M3) is estimated to have increased by 4.4 per cent in June, following growth of 2.5 per cent in May. Over the twelve months to June M3 grew by 22.5 per cent, compared to growth of 17.2 per cent for the year to May (tables D.1, D.2, D.3).

Private Sector Credit (PSC) is estimated to have risen by 1.1 per cent in June, compared to 1.9 per cent in May. In the year to June PSC grew by 20.5 per cent, down slightly from the 20.8 per cent growth for the year to May (tables D.2, D.3, D.4).

Trading bank deposits rose by 32.5 per cent in the year to June, compared with an increase of 32.1 per cent in the May year. *Trading bank lending* over the same period was up 24.3 per cent, down from the 28.3 per cent growth recorded in the twelve months to May (tables B.2, B.3, B.4, B.7, B.8, B.11).

As a result of these relative movements, the trading banks *lending to deposits ratio* fell from 79.7 per cent in May to 76.7 per cent in June.

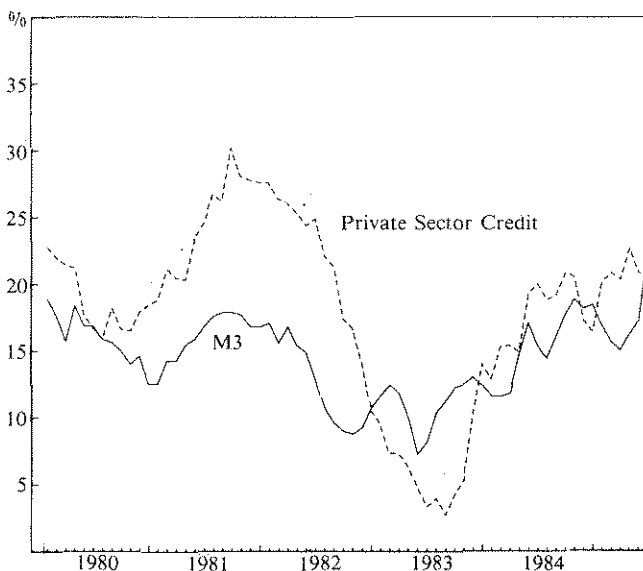
Total credit limits at trading banks rose 1.2 per cent in June and were 22.8 per cent higher than in June 1984 (table B.12).

In the twelve months to June:

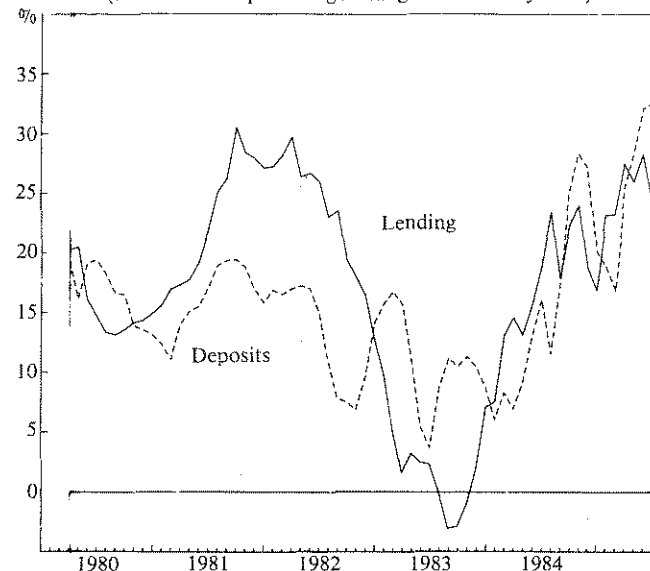
- *Savings bank lending* rose by 17 per cent and *deposits* by 8.2 per cent.
- *Trustee savings bank (TSB) lending and deposits* were up by 12.9 per cent and 14.1 per cent respectively (table C.2).
- *Post Office Savings Bank (POSB) lending* increased by 68 per cent and *deposits* by 8.3 per cent (table C.1).
- *Private savings bank (PSB) lending and deposits* fell by 13.3 per cent and 16.4 per cent respectively (table C.4).
- *Large finance companies' lending* increased by 26.8 per cent and *deposits* by 30.7 per cent (table F.4).
- *Building societies' lending* rose by 12.4 per cent and *deposits* by 7.5 per cent (table F.5).

Trading bank deposit interest rates for terms of more than two years rose sharply during June while rates on some shorter terms eased slightly (table I.2).

Monetary Aggregates
(twelve month percentage changes at monthly rests)



Trading Bank Deposits and Lending
(twelve month percentage changes at monthly rests)



External Sector

The net inflows of *private capital* recorded over recent months continued in May with \$344 million coming into the country, following net inflows of \$197.2 million and \$198.8 million over March and April, respectively (table G.4).

For the year ended May the *OET current account deficit* was \$2,889 million compared with \$2,640 million in the year to April 1985. For the year ended May 1984 a deficit of \$1,457 million was recorded (table G.4).

Preliminary *merchandise trade* figures for June reveal an excess of imports over exports of \$15.1 million. A year earlier exports for the month exceeded imports by \$30.4 million.

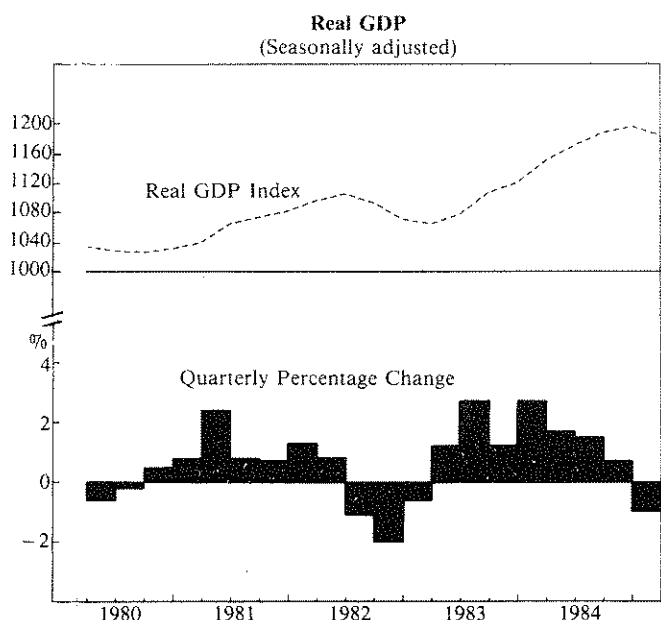
New Zealand's *official overseas reserves* increased by \$54.2 million during May to \$2,492.7 million. At this time last year reserves were \$1,320.0 million (table G.1).

Production

Results of the Quarterly Economic Survey of Manufacturing for March 1985 show that *Total Turnover* was up 4.8 per cent from the December 1984 quarter and 17.9 per cent up on March 1984. *Additions to Fixed Assets* fell by 12 per cent over the latest quarter and were down 26.1 per cent in annual terms. The *Volume of Production Index* fell by 1 per cent over the three months to March although in annual terms the index was up 2 per cent. *Stocks of Materials plus Finished Goods* rose 8.4 per cent over the March quarter and in annual terms the *Total Stock to Sales Ratio* rose from 68.1 per cent to 70.5 per cent (tables J.1, J.2).

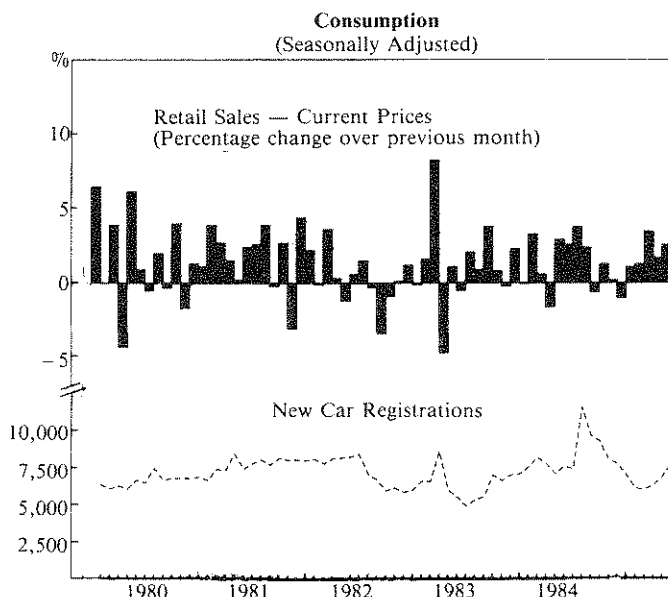
National Income

Real GDP fell 1 per cent over the March quarter having risen 0.7 per cent over the three months to December 1984. For the year to March 1985 real GDP grew by 6 per cent compared with increases of 0.5 per cent and 2.8 per cent in 1982/83 and 1983/84, respectively.



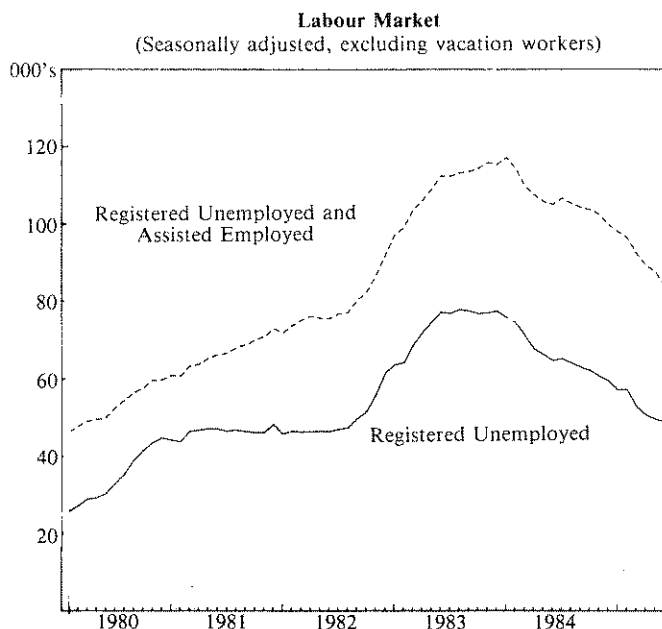
Consumption

Retail turnover rose by 2.5 per cent in May, following increases of 3.4 per cent and 1.6 per cent in March and April, respectively. When the automotive sector is excluded, however, turnover was up only 0.1 per cent. *New car registrations* for June fell by 1.7 per cent from May, having risen by 12.6 per cent the previous month (table J.1).



Labour Market

The number of *registered unemployed* fell by 1.3 per cent in June to 48,344, 26 per cent below the year earlier level. The total of *registered unemployed and assisted employed* fell by 3.5 per cent over the same month to 81,622, 23.6 per cent below the June 1984 figure (table J.4).



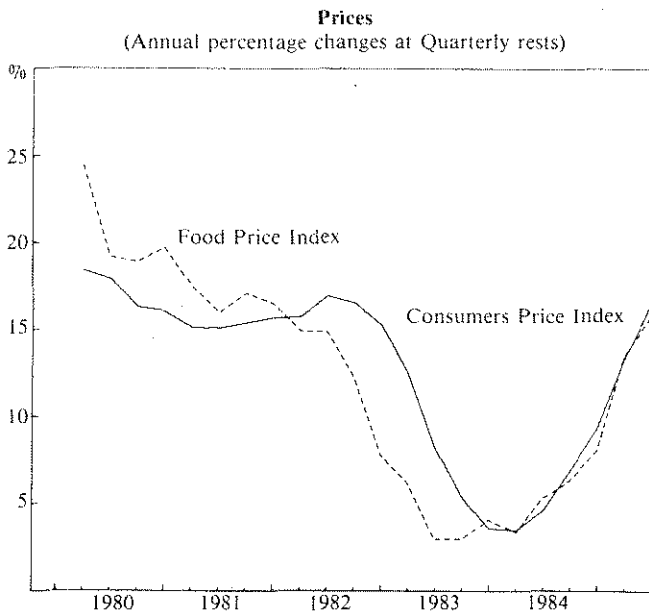
Investment

The number of dwelling permits issued in June (excluding additions and alterations) was up 10.2 per cent from May. For the twelve months to June, 22,698 permits were issued compared with 21,112 a year earlier. The value of permits issued for other buildings for the year to May (excluding additions and alterations) was 28 per cent higher than for the previous twelve months (table J.2).

Prices

The Consumer Price Index (CPI) rose 5.1 per cent over the June 1985 quarter, following increases of 3.2 per cent and 4.4 per cent over the December 1984 and March 1985 quarters, respectively. The latest figure brought the annual rate of increase to 16.6 per cent compared with 13.4 per cent in the year to March and 4.7 per cent in the year to June 1984.

Contributing to this overall increase was the 16 per cent rise in the Food Price Index for the June year, although for the month of June prices rose by only 0.7 per cent (table J.3).

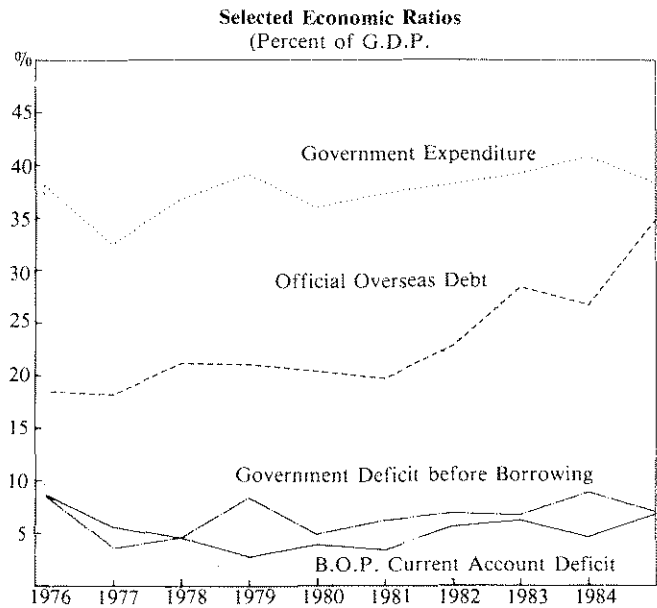


Government Sector

Government net expenditure for the year ended June was \$15,984.2 million, 10.9 per cent up on the previous year. Government revenue for the year, \$12,957 million, was 11.2 per cent higher than for the year to June 1984. The government deficit before borrowing rose to \$3,027.2 million, compared to \$2,897 million a year earlier (table E.2).

Selected Economic Ratios

Shown below are the movements in four key economic indicators since 1976 graphed as a percentage of nominal GDP.



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.