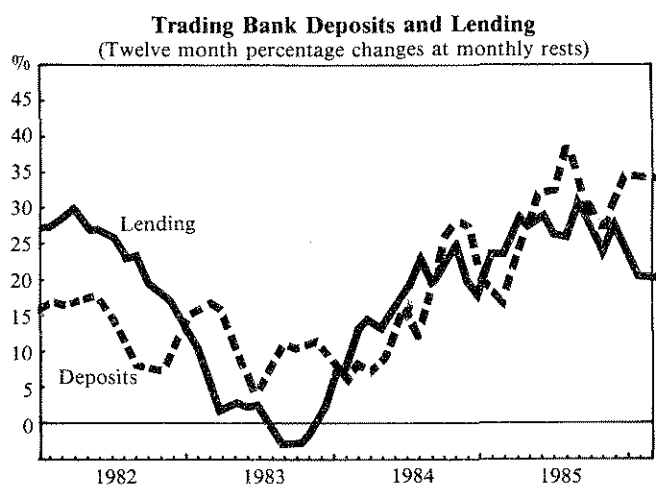


ECONOMIC UPDATE

Monetary Indicators

Trading bank lending rose 17.6 per cent in the year to March, having risen 20.4 per cent in the year to February. Trading bank deposits over the same period were up 32 per cent, having risen 34.4 per cent in the February year. (B2, B3, B4, B7, B8, B11.) The trading banks' lending to deposits ratio was 71.6 per cent for March, compared with 73.1 per cent for February.



Total credit limits at trading banks for February were 19.7 per cent higher in annual terms (B12). The level of Primary Liquidity, expressed as a daily average (non-seasonally adjusted), decreased over March 1986 to \$1743 million compared with \$2,383 million in February.

In the year to February:

- Savings bank lending rose 17.5 per cent and deposits 7.7 per cent.
- Trustee savings bank lending and deposits increased by 6.5 per cent and 11.6 per cent respectively (C2).
- Post Office Savings Bank lending rose 84.2 per cent and deposits 8.6 per cent (C1).
- Private savings bank lending fell 17.4 per cent and deposits fell 15.8 per cent (C4).
- Large finance companies' lending and deposits increased by 17.2 per cent and 15.2 per cent respectively (F4).

— Building societies' lending and deposits were up 7.7 per cent and 10.8 per cent respectively (F5).

— Trading bank deposit interest rates on terms of less than two years tended to rise over February, while longer term rates were virtually unchanged (I2).

External sector (figures not seasonally adjusted).

A \$99 million net inflow of private capital was recorded over January after a \$60 million inflow the previous month (G4). For the year to January there was a net inflow of \$1,674 million compared with a net inflow of \$1,721 million for the year ended January 1985.

The OET current account deficit for the year ended January was \$2,541 million compared with \$2,435 million for the year ended December and \$2,166 million for the January 1985 year (G4).

Merchandise trade figures for February show an excess of imports over exports of \$23.4 million. A year earlier exports for the month exceeded imports by \$182.4 million (G4).

A balance of payments current account deficit of \$599 million was recorded over the December 1985 quarter, compared with a deficit of \$887 million in the same quarter one year earlier. This brings the deficit for the year to December 1985 to \$2,146 million, well down on the \$2,434 million in the year to September 1985 and the \$2,796 million recorded in the December 1984 year (J4).

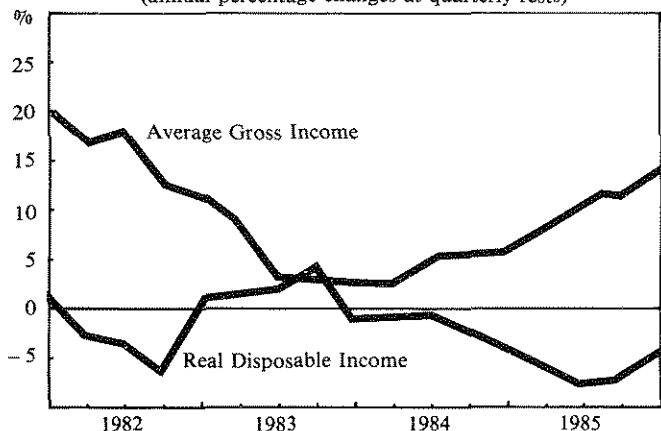
New Zealand's official overseas reserves decreased by \$178 million during February to an end-of-month level of \$2,850 million. At the end of February 1985 reserves stood at \$2,772.3 million (G1).

Incomes (figures not seasonally adjusted).

The average real disposable incomes of wage and salary earners as measured by the Real Disposable Income index fell 1.2 per cent over the December quarter, implying a 4.6 per cent decrease in annual terms. Although gross incomes rose 13.9 per cent over the year this was more than offset by inflation and increased average tax rates (J3).

Incomes

(annual percentage changes at quarterly rests)



Consumption

Retail turnover increased by 3.2 per cent in February after increasing 1 per cent the previous month. Turnover excluding the automotive sector was increased by 4.9 per cent (J1).

New car registrations rose 1 per cent in February after falling 1.6 per cent in January (J1).

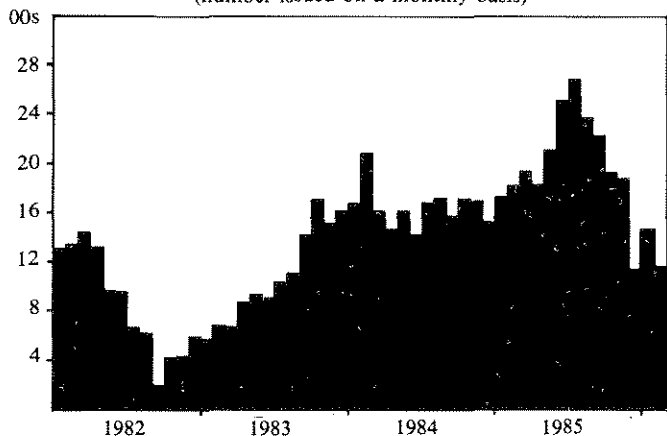
The value of new hire purchase finance contracts over the December quarter fell a further 3.5 per cent after falling 6.5 per cent in the September quarter.

Investment

The number of new dwelling permits issued in February fell by 8.8 per cent after a rise of 10.6 per cent in January. The number issued over the twelve months to February was 8.3 per cent higher than for the year ended February 1985 (J2).

The value of surveyed import orders for machinery and electrical equipment over the three months to January was 6.6 per cent lower than for the three months to January 1985 (J2).

New Dwelling Permits
(number issued on a monthly basis)



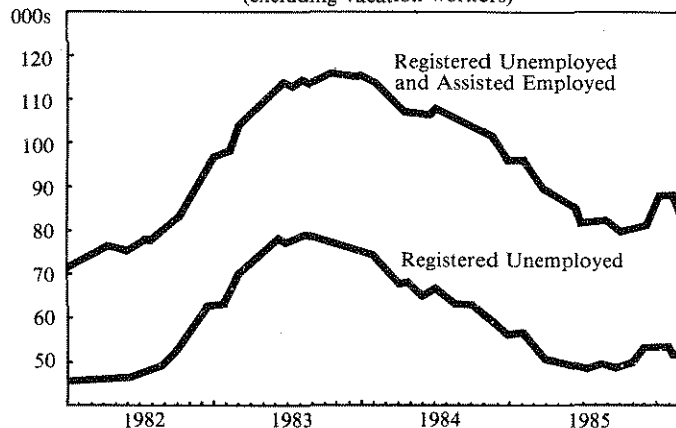
Labour Market

The number of registered unemployment fell again by 0.6 per cent in February to 52,100, having fallen by 2.9 per cent the previous month. The total of registered unemployed and assisted employed fell 4.6 per cent to 86,112, 9.4 per cent less than a year earlier (J4).

A net outflow of 1,698 permanent and long-term migrants was recorded over February bringing the net outflow over the last year to 20,826.

Labour Market

(excluding vacation workers)



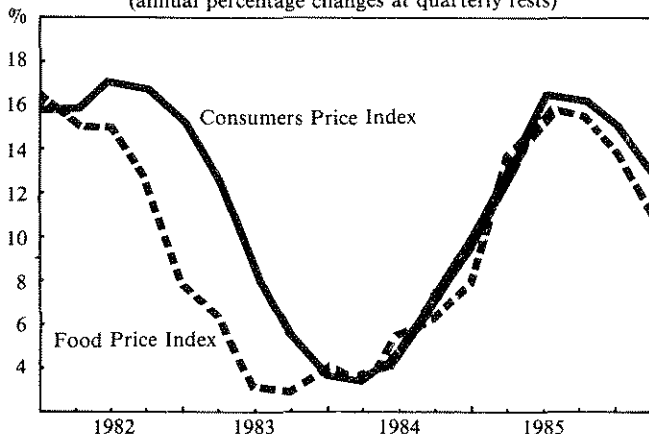
Prices

The Consumers Price Index (CPI) rose 2.3 per cent over the March quarter and 13 per cent over the March year. The respective increases for the December quarter and year were 2.3 per cent and 15.3 per cent.

The Food Price Index rose 1.1 per cent in February, bringing the annual rate of increase to 11.5 per cent (J3).

Prices

(annual percentage changes at quarterly rests)



Government sector (figures not seasonally adjusted).

Government net expenditure for the eleven months ended February was 18.1 per cent higher than for the corresponding period in 1985, while government revenue was up 17.1 per cent. The government deficit before borrowing for the eleven months was \$3,831 million, 21 per cent higher than for the same period last year (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.