

ECONOMIC UPDATE

Monetary Indicators

The level of *primary liquidity*, expressed as a daily average, fell over July to \$1,304 million compared with \$1,361 million in June and \$1,148 million in May.

The *Money Supply* (M3) is estimated to have grown by 1.2 per cent in July after rising by 4.2 per cent in June. Over the twelve months to July M3 grew by 22.7 per cent; this compares with growth of 22.5 per cent for the year to June (tables D.1, D.2, D.3).

Estimates of *Private Sector Credit* (PSC) for July show an increase of 2.2 per cent following on from June's rise of 1.6 per cent. For the year to July PSC grew by 23.9 per cent, having risen 22 per cent in the June year (tables D.2, D.3, D.4).

Trading bank lending rose by 25.7 per cent in the year to July compared with an increase of 25.9 per cent in the year to June. *Trading bank deposits* over the same period rose by 40 per cent, well up on the June year increase of 32.5 per cent (tables B.2, B.3, B.4, B.7, B.8, B.11). As a result, the trading banks' *lending to deposits ratio* continued to fall, reaching 75.8 per cent in July compared with 84.5 per cent in July 1984.

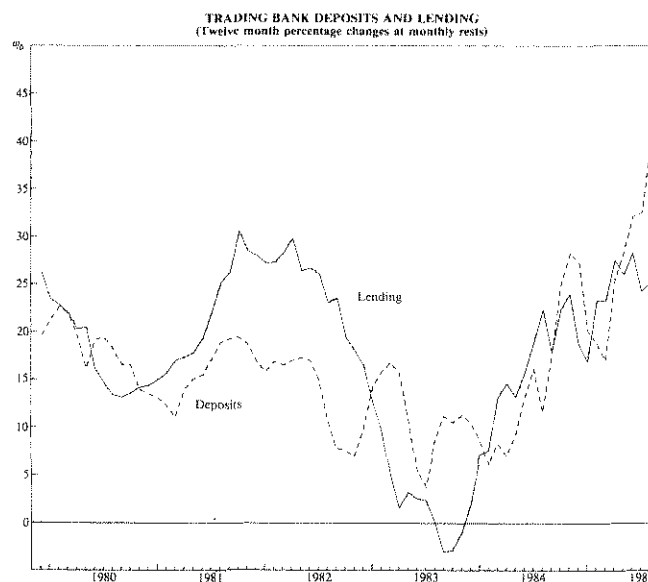
Total credit limits at trading banks rose 0.2 per cent in July and were 21.2 per cent higher than a year previously (table B.12).

In the twelve months to July:

- Savings bank *lending* rose by 19.6 per cent and *deposits* by 8.4 per cent.
- Trustee savings bank *lending* and *deposits* increased by 12 per cent and 14.3 per cent respectively (table C.2).
- Post Office Savings Bank *lending* rose by 88.1 per cent and *deposits* by 8.3 per cent (table C.1).
- Private savings bank *lending* and *deposits* fell by 14.9 per cent and 16.6 per cent respectively (table C.4).
- Large finance companies' *lending* rose by 25 per cent and *deposits* by 37.8 per cent (table F.4).

- Building societies' *lending* and *deposits* were up by 10.2 per cent and 8 per cent respectively (table F.5).

Trading bank deposit interest rates rose slightly for terms of less than a year while rates of more than two years eased markedly (table I.2).



External Sector

There was a \$188 million net inflow of private capital over June after a net inflow of \$344 million in May (table G.4).

For the year ended June the *OET current account deficit* was \$2,572 million compared with \$2,889 million in the year to May and \$1,757 million in the twelve months to June 1984 (table G.4).

A balance of payments current account deficit of \$516 million was recorded over the June quarter, bringing the deficit for the year to June to \$2,662 million. Twelve months previously the deficit stood at \$2,016 million, while for the year to March 1985 it was \$2,706 million.

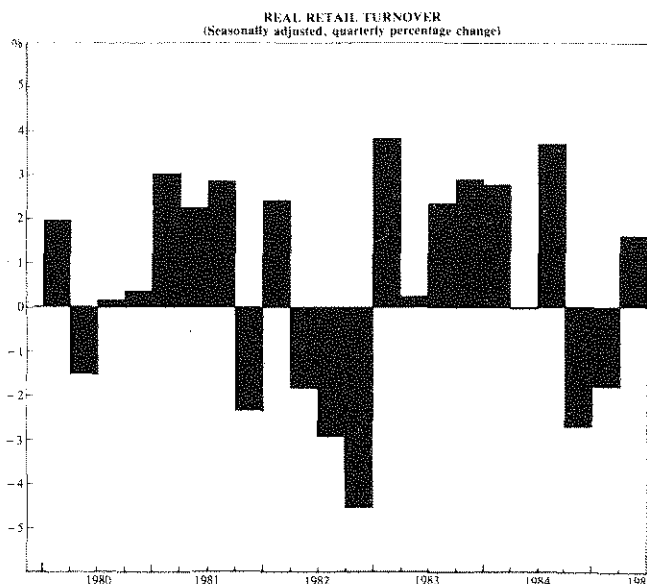
Merchandise trade figures for July show that monthly imports exceeded exports by \$192.2 million. In July 1984 imports exceeded exports by \$221.6 million (table G.4).

New Zealand's official overseas reserves rose by \$386.2 million during June to reach \$2,878.9 million. A year earlier reserves stood at \$1,463.4 million (table G.1).

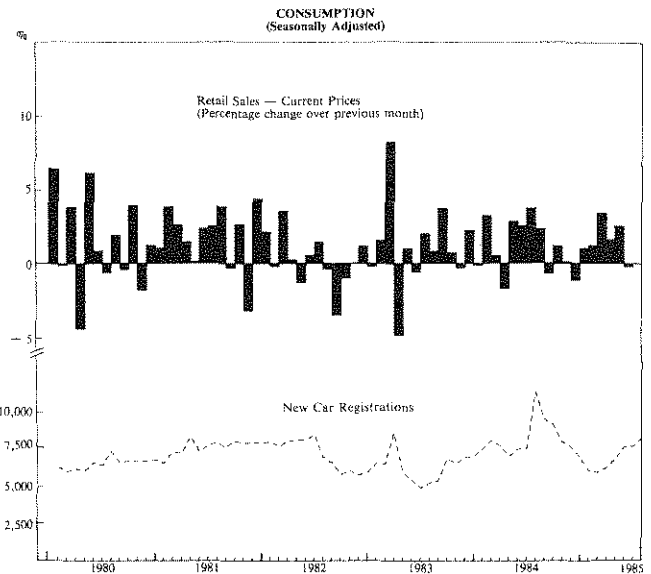
The Export Price Index fell by 0.9 per cent over the June 1985 quarter, but was 22.6 per cent higher than in the June 1984 quarter. The Import Price Index rose 2.4 per cent over the quarter and was 27.4 per cent higher in annual terms. The Export Volume Index fell by 0.8 per cent in the June quarter and rose 8.2 per cent over the year while the Import Volume Index increased by 1.2 per cent and 4.5 per cent, respectively, over the same periods.

Consumption

Real retail turnover rose 1.6 per cent over the June quarter after falling 1.8 per cent in the previous quarter. When the automotive sector, which accounts for close to 40 per cent of total turnover, is excluded the increase was 1.1 per cent. For the month of June total turnover in nominal terms fell 0.2 per cent, having risen 1.6 per cent in April and 2.5 per cent in May (table J.1).



New car registrations, the leading indicator of retail turnover trends in the automotive sector, rose 5.6 per cent in July after increasing only marginally in the previous month (table J.1).

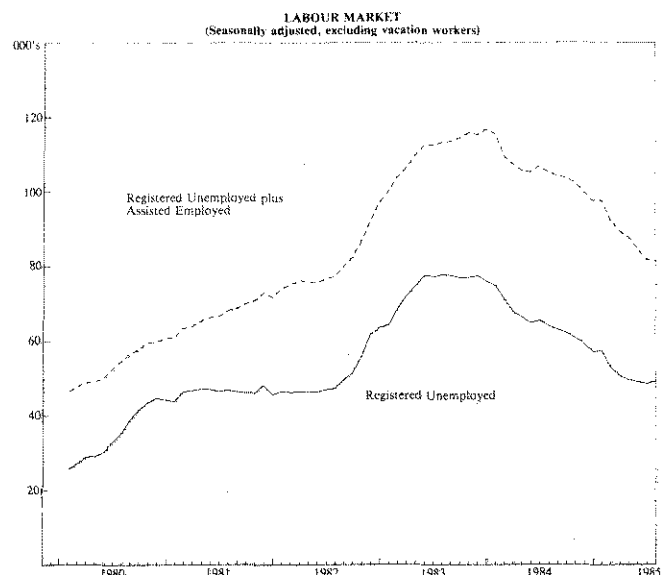


Retail stocks rose 5.8 per cent over the June quarter following a similar increase over the three months to March. The stocks/trade ratio remained unchanged at 0.434, just 2.4 per cent higher than a year earlier (table J.2).

The value of hire purchase advances rose by 2.2 per cent over the June quarter, having grown by 0.6 per cent over the previous quarter and having fallen 2 per cent in the December 1984 quarter. The value of advances at the end of June was 6.4 per cent higher than in June 1984.

Labour Market

The number of registered unemployed rose by 1.4 per cent in July to 49,169. The total of registered unemployed and assisted employed fell by 0.4 per cent over the same month to 81,379 (table J.4).



Investment

The *number of new dwelling permits* issued in July was 2.9 per cent higher than in June, having risen by around 9 per cent in each of the two previous months. The *value of permits issued for other buildings* fell 0.9 per cent over the June quarter, following similar decreases over the three months to both April and May (table J.2).

The value of *surveyed import orders of machinery and electrical equipment* for the June quarter was \$280.1 million, over twice that for the three months to June 1984 (table J.2).

Prices

The *Food Price Index* was up by 0.6 per cent in July, following similar rates of increase over the previous two months.

The *Producers Price Index* rose 4.8 per cent for inputs and 4.6 per cent for outputs over the June quarter,

giving annual rates of increase of 19.8 per cent and 17.3 per cent respectively, the highest for almost five years (table J.3).

Government Sector

Government net expenditure for the year ended July was \$16,122.3 million while *Government revenue* for the same period was \$12,932.1 million. As a result, the *government deficit before borrowing* rose 7.3 per cent to \$3,190.2 million, compared with \$2,973.1 million a year earlier (table E.2).

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.