

## NEW ZEALAND

New Zealand is finally emerging from its five-quarter long recession, the beneficiary of strong domestic and global policy stimulus. But the recovery could be hampered by the overhang of high private sector indebtedness, ongoing credit contraction, the currency's recent strength and rising unemployment.

Given weak and fragile private demand, it is appropriate that monetary and fiscal policies remain expansionary for the time being. However, if the recovery takes hold as projected, stimulus should start to be withdrawn by mid-2010 in order to reinforce balance-sheet restructuring and, in conjunction with structural reforms, to steer activity toward tradeables production rather than housing investment as the main generator of income and wealth.

## New Zealand: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices NZD billion	Percentage changes, volume (1995/1996 prices)				
Private consumption	97.0	4.1	-0.1	-1.0	1.8	2.5
Government consumption	30.3	3.8	3.8	1.5	2.0	2.1
Gross fixed capital formation	38.5	4.9	-5.2	-11.2	8.9	10.4
Final domestic demand	165.8	4.2	-0.6	-2.8	3.3	4.2
Stockbuilding <sup>1</sup>	0.0	0.1	0.0	-0.7	0.6	0.0
Total domestic demand	166.1	4.4	-0.1	-5.6	3.6	4.2
Exports of goods and services	47.4	3.9	-1.3	-1.1	1.4	4.4
Imports of goods and services	50.1	8.9	2.0	-16.8	9.0	9.6
Net exports <sup>1</sup>	-2.7	-1.6	-0.9	5.3	-2.1	-1.5
GDP at market prices	163.4	2.9	-1.1	-0.7	1.5	2.7
GDP deflator	—	4.2	3.6	2.6	2.5	2.2
<i>Memorandum items</i>						
GDP (production)	—	3.2	0.0	-1.5	1.4	2.7
Consumer price index	—	2.4	4.0	2.3	2.2	1.9
Core consumer price index <sup>2</sup>	—	2.1	2.2	2.2	2.0	1.9
Private consumption deflator	—	1.6	3.5	3.0	1.4	1.4
Unemployment rate	—	3.7	4.2	6.1	7.1	6.6
General government financial balance <sup>3</sup>	—	5.0	3.1	-1.2	-3.3	-3.9
Current account balance <sup>3</sup>	—	-8.1	-8.8	-2.7	-4.4	-6.0

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eca/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. Consumer price index excluding food and energy.

3. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

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