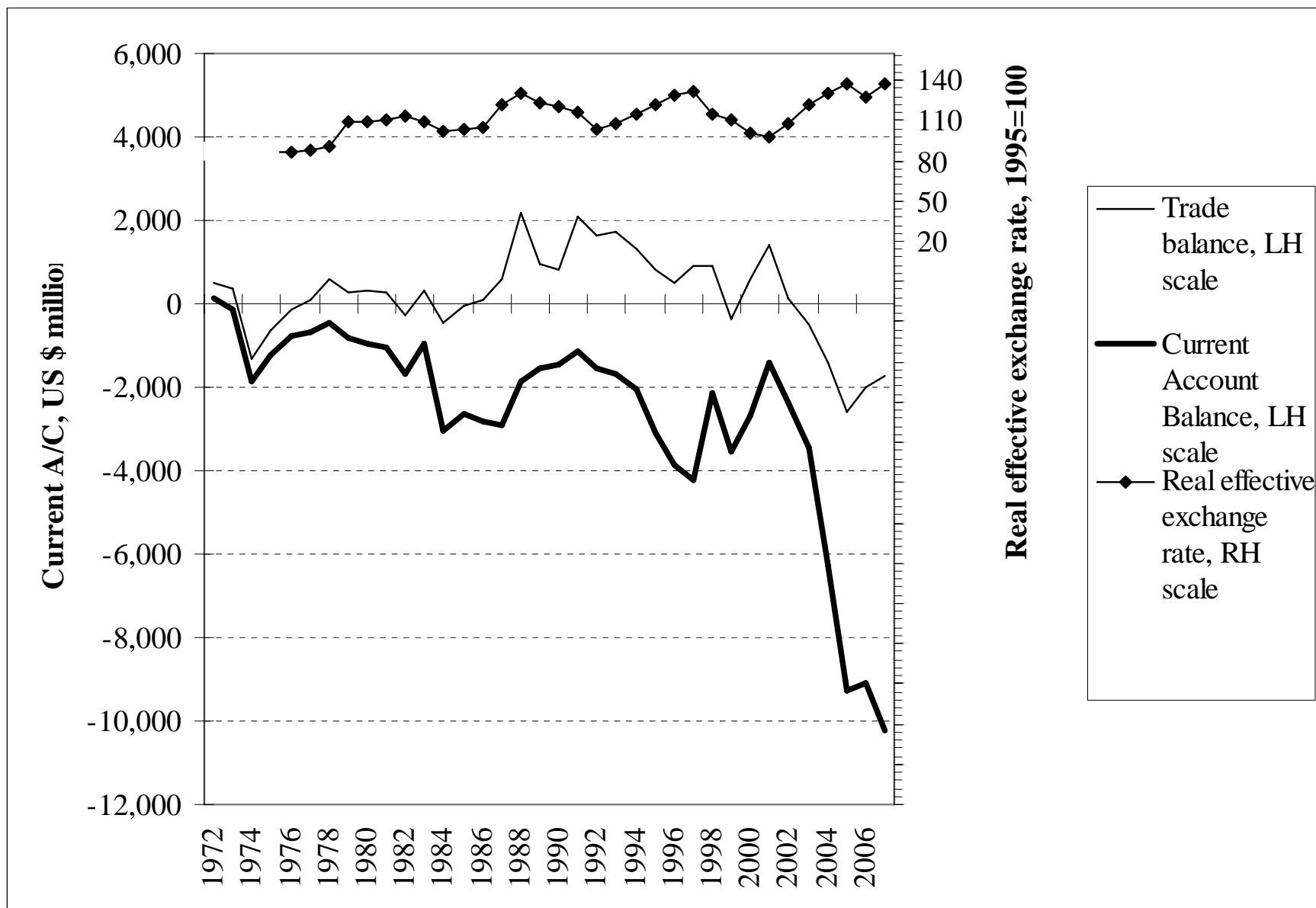


The Banks, the Current Account, the Financial Crisis and the Outlook

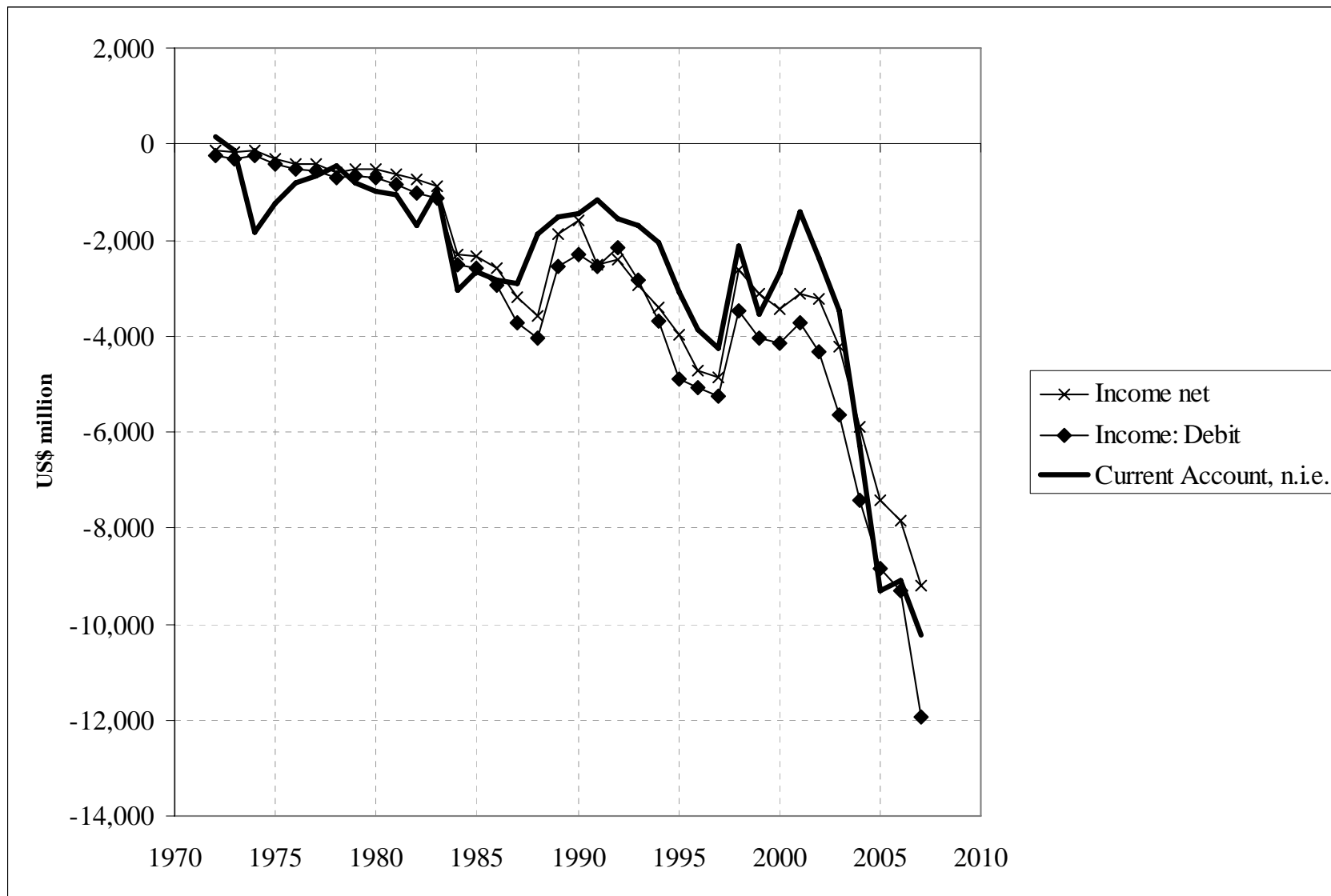
Geoff Bertram
22 November 2008

Figure 1: The Current Account, the Trade Balance (Goods and Services), and the Real Exchange Rate, 1972-2007 calendar years



Source: IMF, *International Financial Statistics*.

**Figure 2: The Current Account Deficit and Income Account Debits (gross and net) on the New Zealand Balance of Payments:
(a) IMF data 1972-2007 calendar years**



Source: IMF, *International Financial Statistics*.

(b) Statistics NZ data 1987-2008 March years

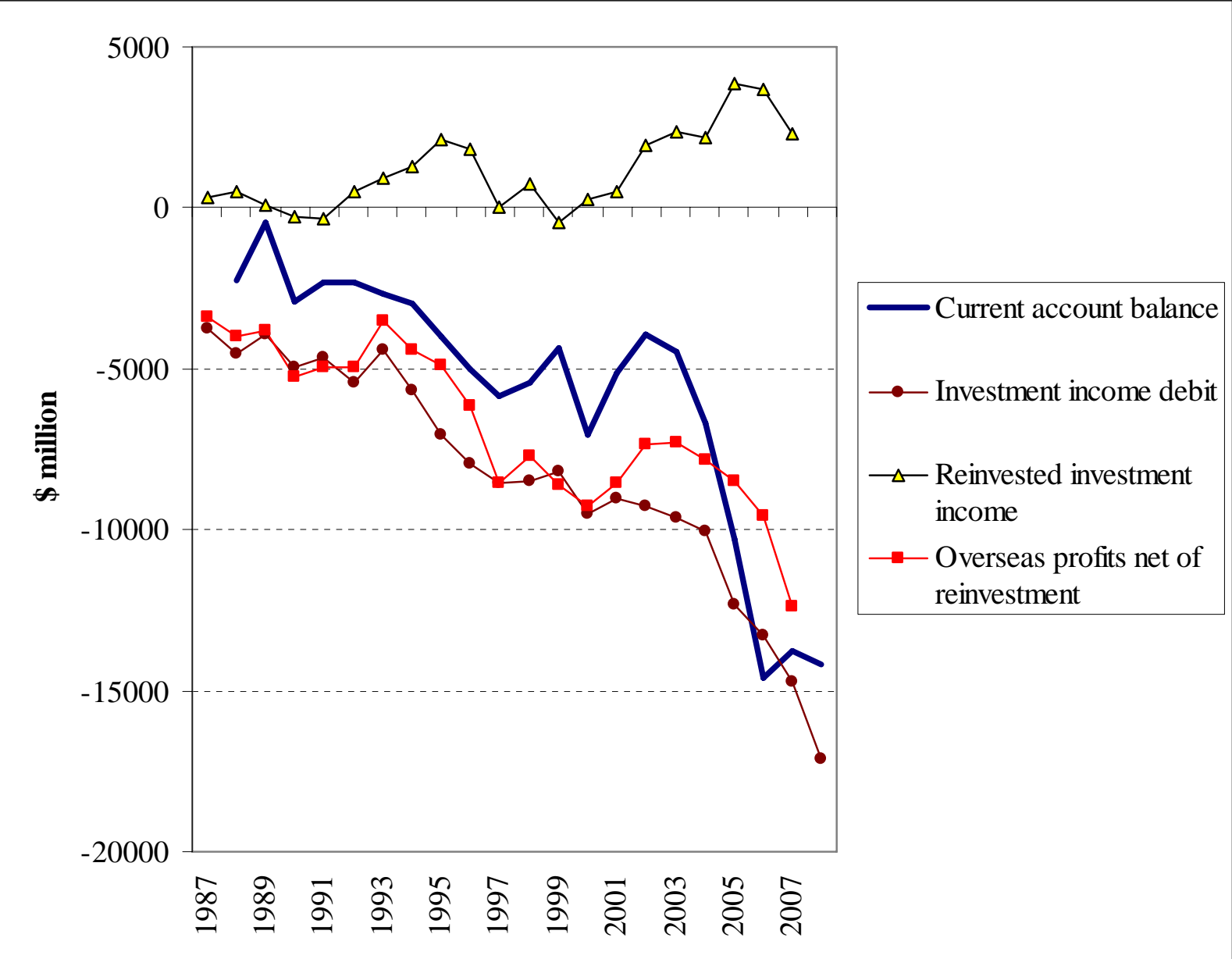
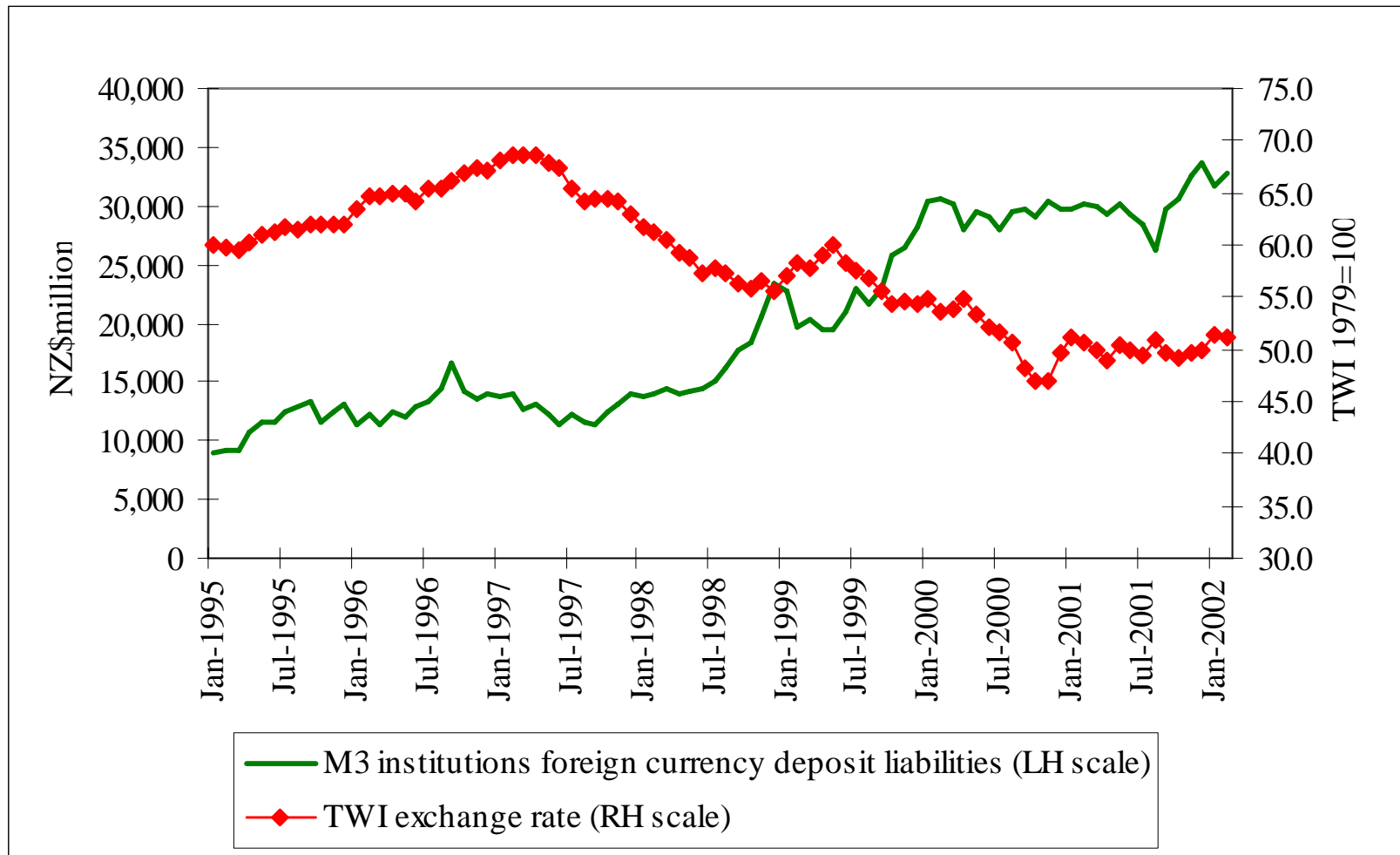


Figure 3: from Bertram 2002

Nominal Exchange Rate and M3 Institutions' Foreign-Currency Liabilities 1985-2002



Source: RBNZ Historical Tables B1 and C5

Figure 4: Offshore Bank Funding and Two Exchange Rates

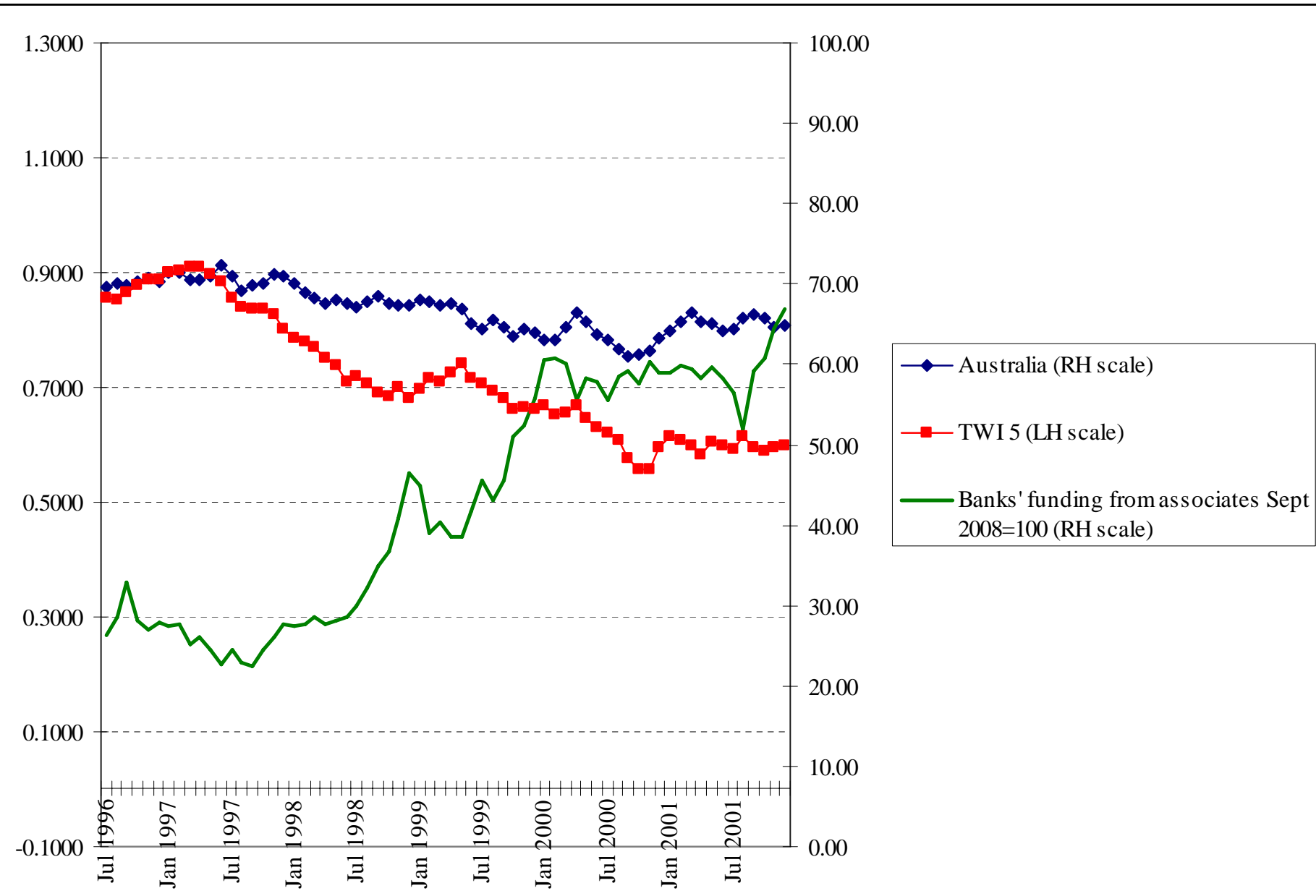
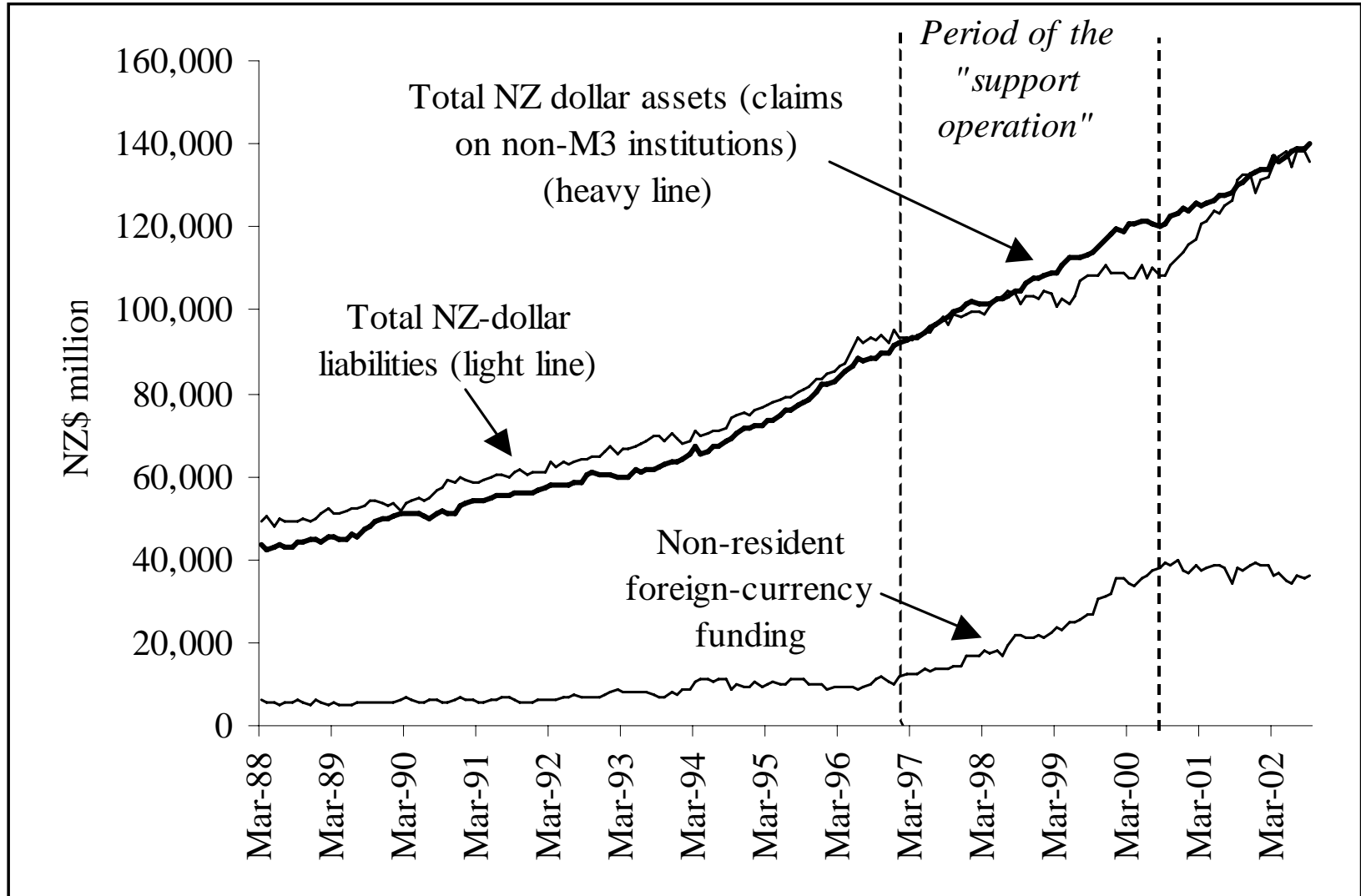


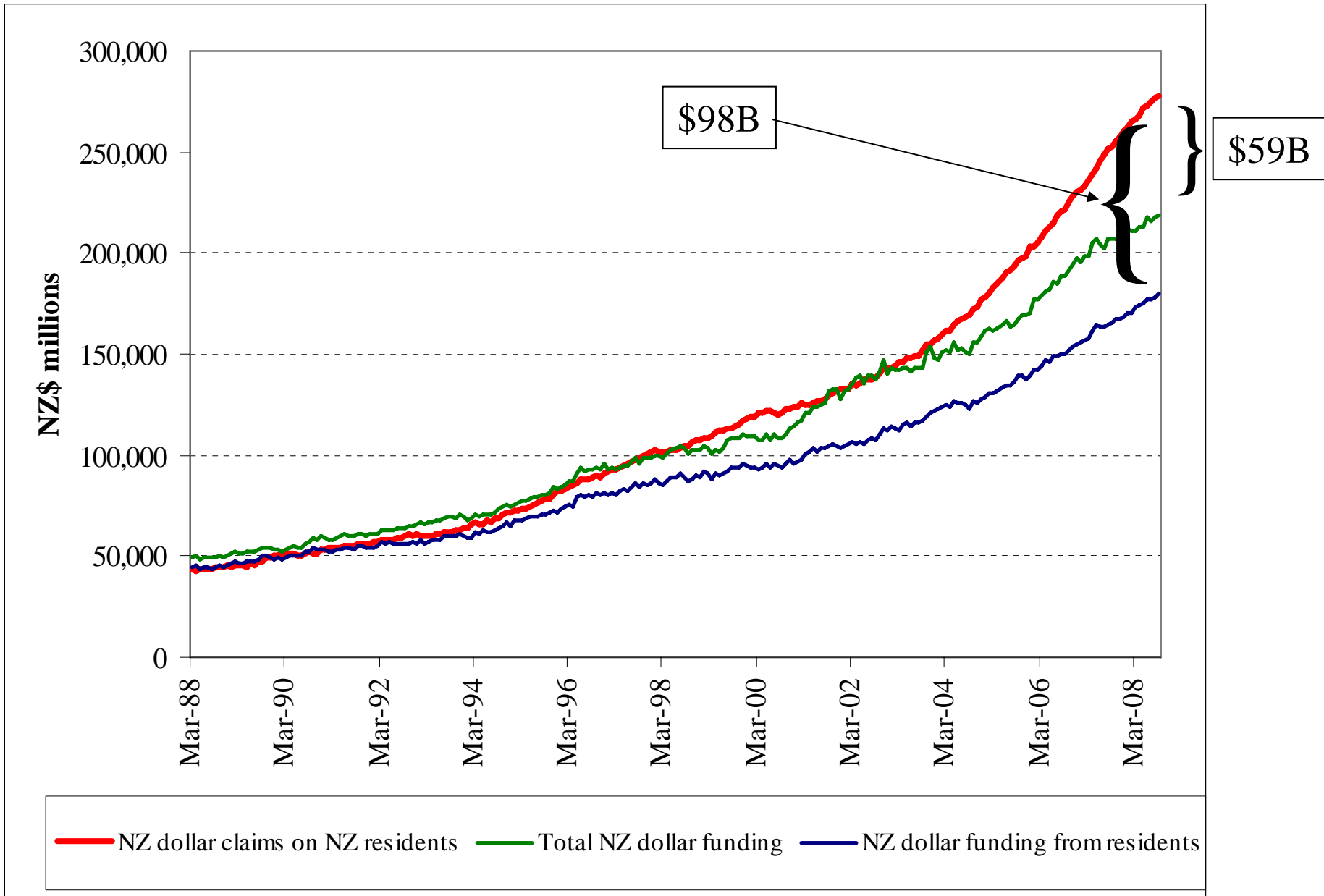
Figure 5: from Bertram (2002)

Funding the Growth of M3 Institutions' NZ dollar Assets



Source: RBNZ Table HC4.

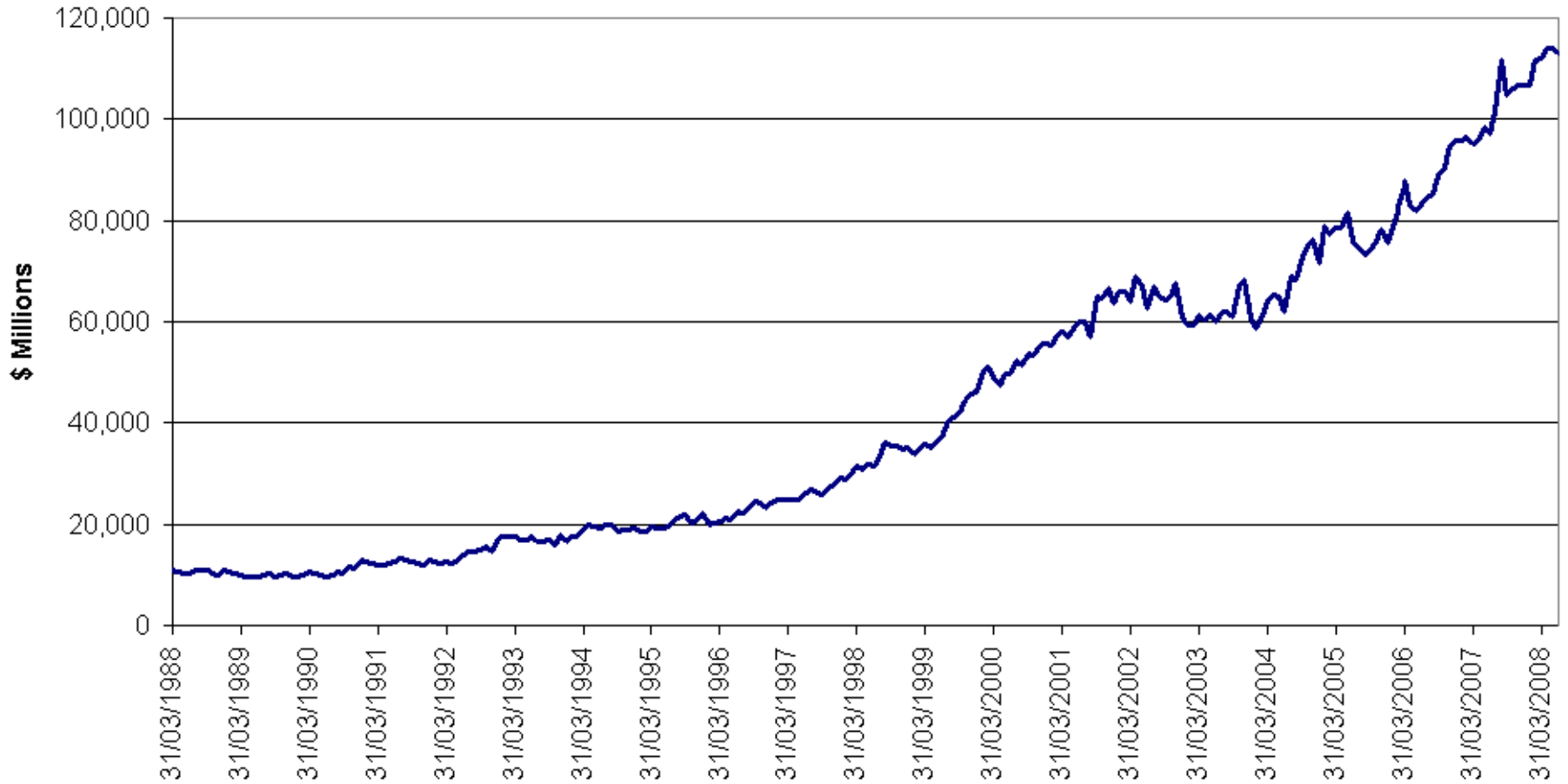
Figure 6: Funding of NZ Banks March 1988 to September 2008



Source: RBNZ Table C4.

Figure 7

TOTAL NON-RESIDENT FUNDING OF THE NEW ZEALAND BANKING SYSTEM



Source: Tripe n.d.

Figure 8: The Funding of the Current Account Deficit

Source: RBNZ 2008 p.27

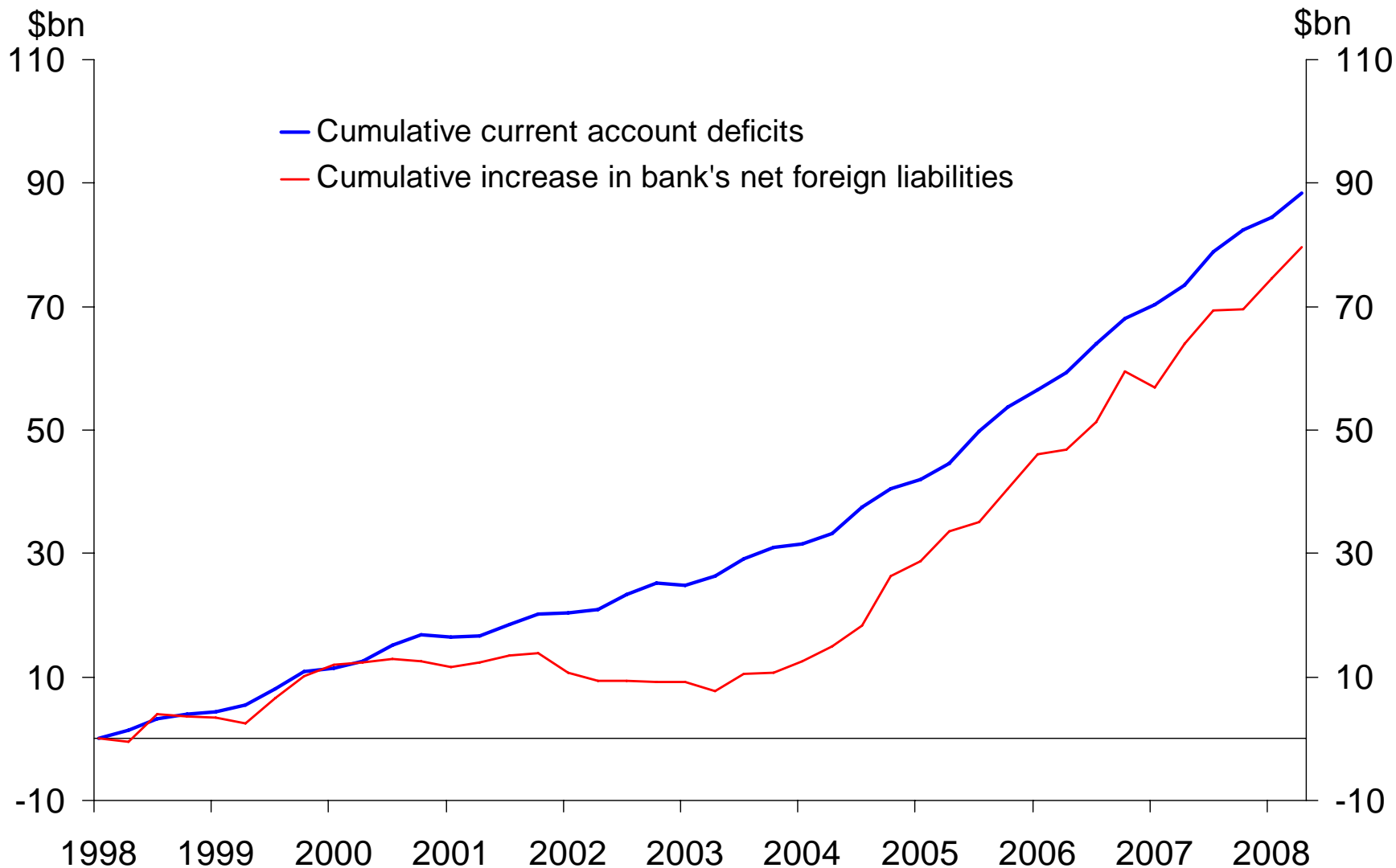


Figure A25
Registered bank offshore funding

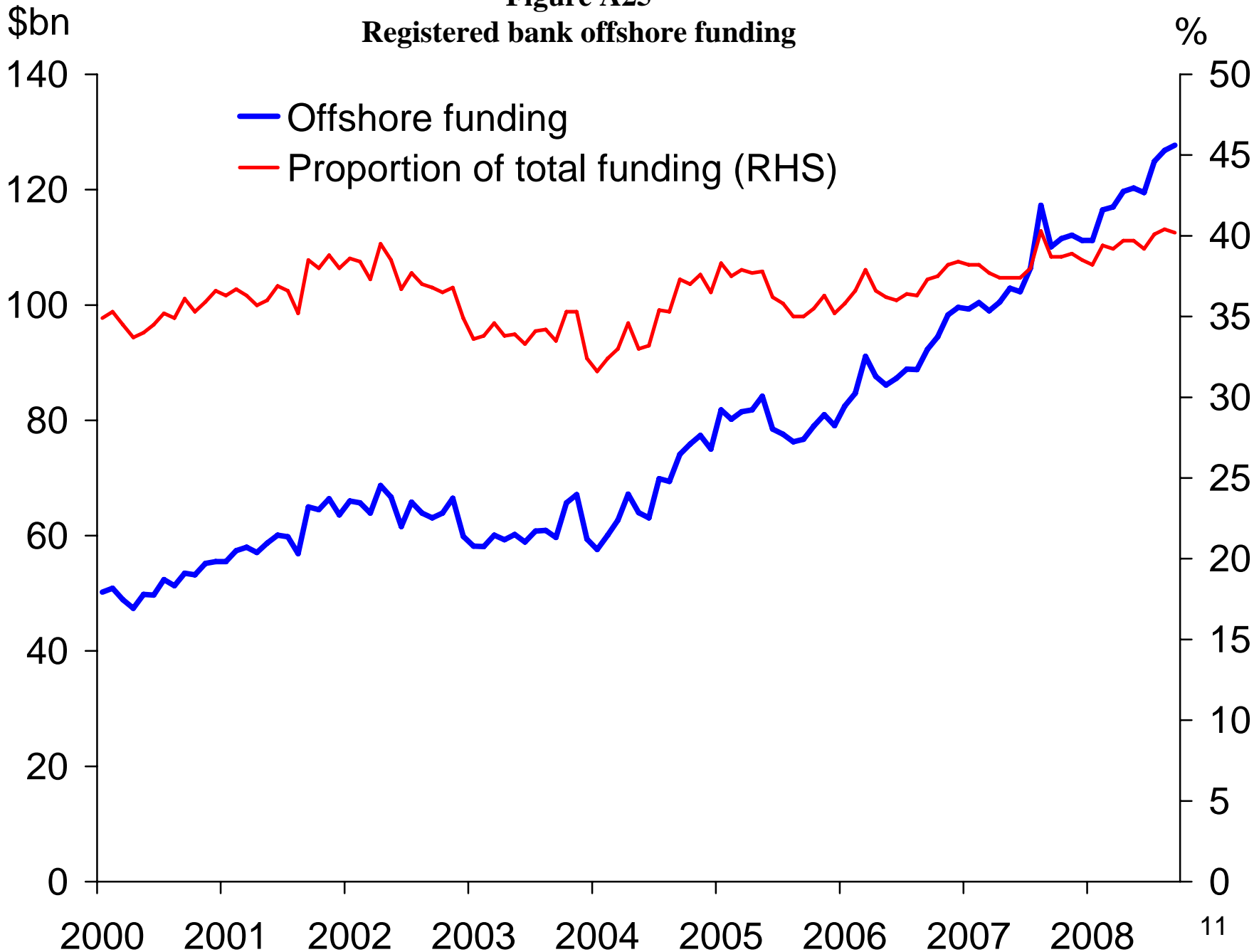


Table 1: Consolidated Banks Balance Sheet

Liabilities, capital and reserves		Aug-08	Sep-08	Assets		Aug-08	Sep-08
NZ dollar funding				NZ dollar claims			
1	NZ resident	177.6	179.6	NZ resident (Non M3)	277.2	277.9	
2	Non-resident	40.0	39.0	Non-resident	7.6	9.0	
3	Total 1+2	217.6	218.6	Sub-total to here	284.9	286.8	
				NZ resident (M3 institutions)	15.0	15.1	
				Total	299.9	302.0	
Foreign currency funding				Foreign currency claims			
4	NZ resident	10.2	9.9	NZ resident	4.0	4.2	
5	Non-resident (?all wholesale?)	80.1	80.7	Non-resident	11.6	6.6	
6	Total 4+5	90.3	90.7	Total	15.6	10.8	
7	Capital and reserves	22.6	22.5	Foreign currency fixed assets and	0.1	0.1	
8	Other Liabilities	19.6	27.9	Shares in NZ companies	0.4	0.4	
				Other Assets	25.4	35.0	
				Treasury bills	1.5	1.4	
				NZ notes and coin	0.5	0.5	
				Claims on the Reserve Bank	6.7	9.3	
	Total liabilities	350.1	359.6	Total assets	350.1	359.6	
	Memo items:			Memo items:			
9	funding from associates	50.7	50.4	financial claims on associates	7.1	6.6	
10	total non-resident funding	120.1	119.7	total non-resident claims	19.2	15.6	

Figure 9: Income Outflows Attributable to the Banks, Relative to Total Investment Income Debits on the Current Account

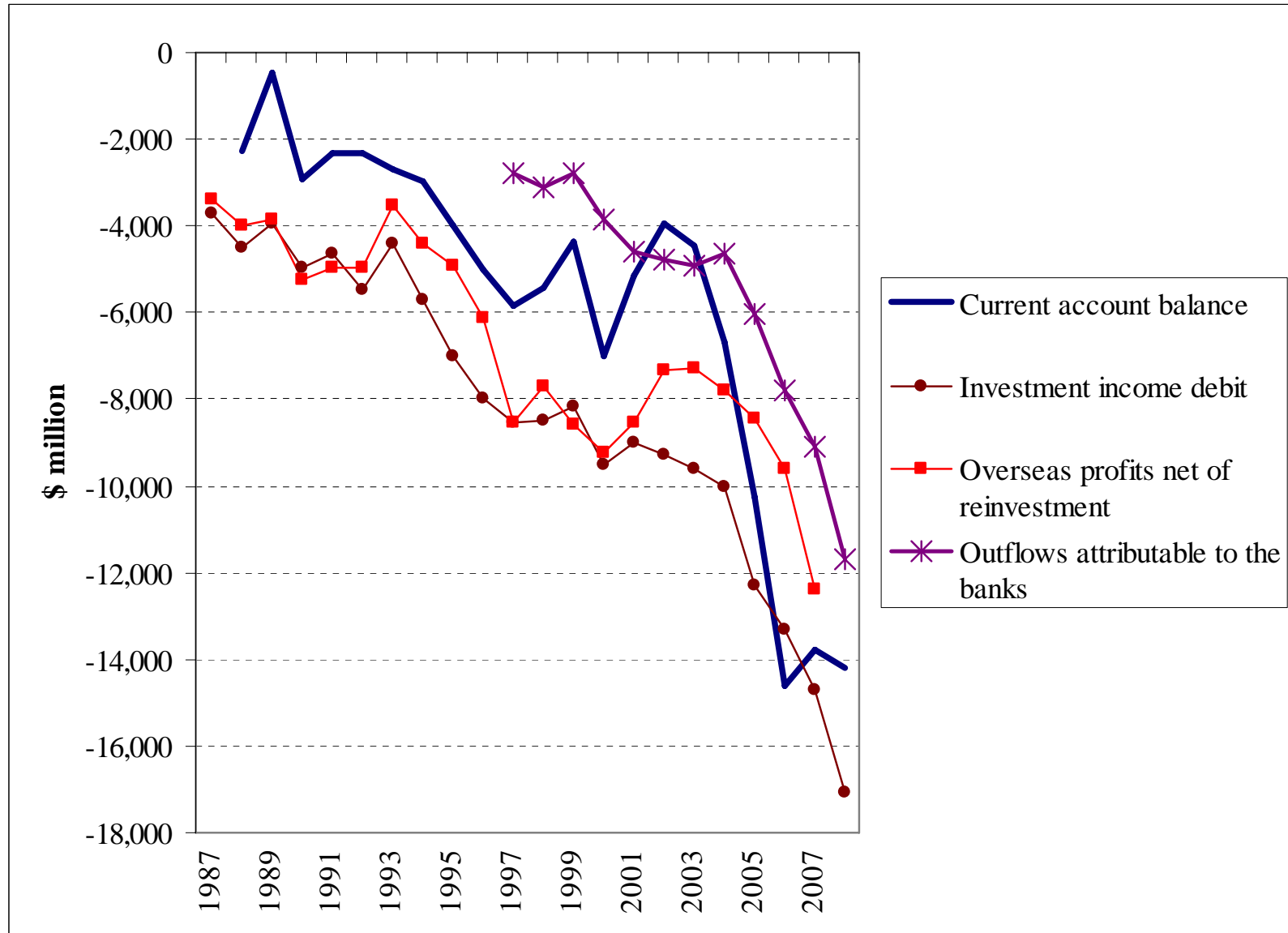


Table 2: Current Account Flows and Bank Outflows of Accruing Profits and Interest

March years	Current account balance	Investment income debit	Reinvested investment income	Overseas profits net of reinvestment	Outflows attributable to the banks	Banks % of income debit
1987		-3,726	351	-3,375		
1988	-2,253	-4,516	521	-3,995		
1989	-469	-3,935	96	-3,839		
1990	-2,938	-4,962	-301	-5,263		
1991	-2,327	-4,653	-322	-4,975		
1992	-2,315	-5,458	494	-4,964		
1993	-2,679	-4,426	915	-3,511		
1994	-2,990	-5,694	1,309	-4,385		
1995	-3,989	-7,023	2,113	-4,910		
1996	-5,015	-7,959	1,833	-6,126		
1997	-5,829	-8,543	-5	-8,548	-2,787	33
1998	-5,416	-8,494	772	-7,722	-3,112	37
1999	-4,377	-8,173	-431	-8,604	-2,795	34
2000	-7,022	-9,502	249	-9,253	-3,836	40
2001	-5,145	-9,011	482	-8,529	-4,587	51
2002	-3,922	-9,256	1,919	-7,337	-4,788	52
2003	-4,462	-9,622	2,361	-7,261	-4,903	51
2004	-6,688	-10,022	2,207	-7,815	-4,630	46
2005	-10,268	-12,314	3,850	-8,464	-6,017	49
2006	-14,592	-13,302	3,705	-9,597	-7,799	59
2007	-13,785	-14,714	2,312	-12,402	-9,089	62
2008	-14,211	-17,094			-11,711	69

Sources: Current account data from INFOS; banking sector data from David Tripe.

Table 3: Bank Liabilities to Non-residents Relative to New Zealand's International Gross Liabilities

	Direct investments		Portfolio and "other" investments investment		International Investment Position: Total Liabilities	Banks	Banks %
	NZ total	Banks' equity (average over calendar year)	NZ total	Banks' funding from non-residents			
Mar-1992	22.9	3.6	51.9	12.5	74.8	16.0	21.4
Mar-1993	27.8	4.1	55.0	17.7	82.9	21.8	26.3
Mar-1994	34.3	4.4	56.5	19.4	90.8	23.8	26.2
Mar-1995	39.4	4.9	56.6	19.4	96.0	24.3	25.3
Mar-1996	49.2	4.4	56.4	20.6	105.6	25.0	23.6
Mar-1997	53.9	6.3	59.0	24.9	113.0	31.2	27.6
Mar-1998	63.0	6.9	61.1	31.5	124.1	38.5	31.0
Mar-1999	63.1	8.3	64.1	35.8	127.3	44.1	34.7
Mar-2000	63.8	9.5	71.7	48.9	135.5	58.4	43.1
Mar-2001	57.2	10.7	106.9	58.1	164.1	68.8	41.9
Mar-2002	56.0	13.3	117.6	64.0	173.6	77.3	44.5
Mar-2003	58.3	16.9	114.3	61.3	172.6	78.2	45.3
Mar-2004	68.9	18.3	120.8	64.4	189.8	82.7	43.6
Mar-2005	73.7	19.2	134.7	78.8	208.3	98.0	47.1
Mar-2006	78.1	20.1	149.1	87.7	227.2	107.8	47.4
Mar-2007	90.6	21.4	156.3	95.1	246.9	116.5	47.2
Mar-2008	93.3		172.6	112.2	265.9	112.2	42.2
Jun-2008	94.8	22.3	172.4	113	267.2	135.3	50.6

Sources: Bank liabilities from RBNZ Table C4. International Investment Position liabilities from Statistics New Zealand INFOS database

Figure 10: Bank's Net International Liabilities Compared with Economy's Total Net Indebtedness

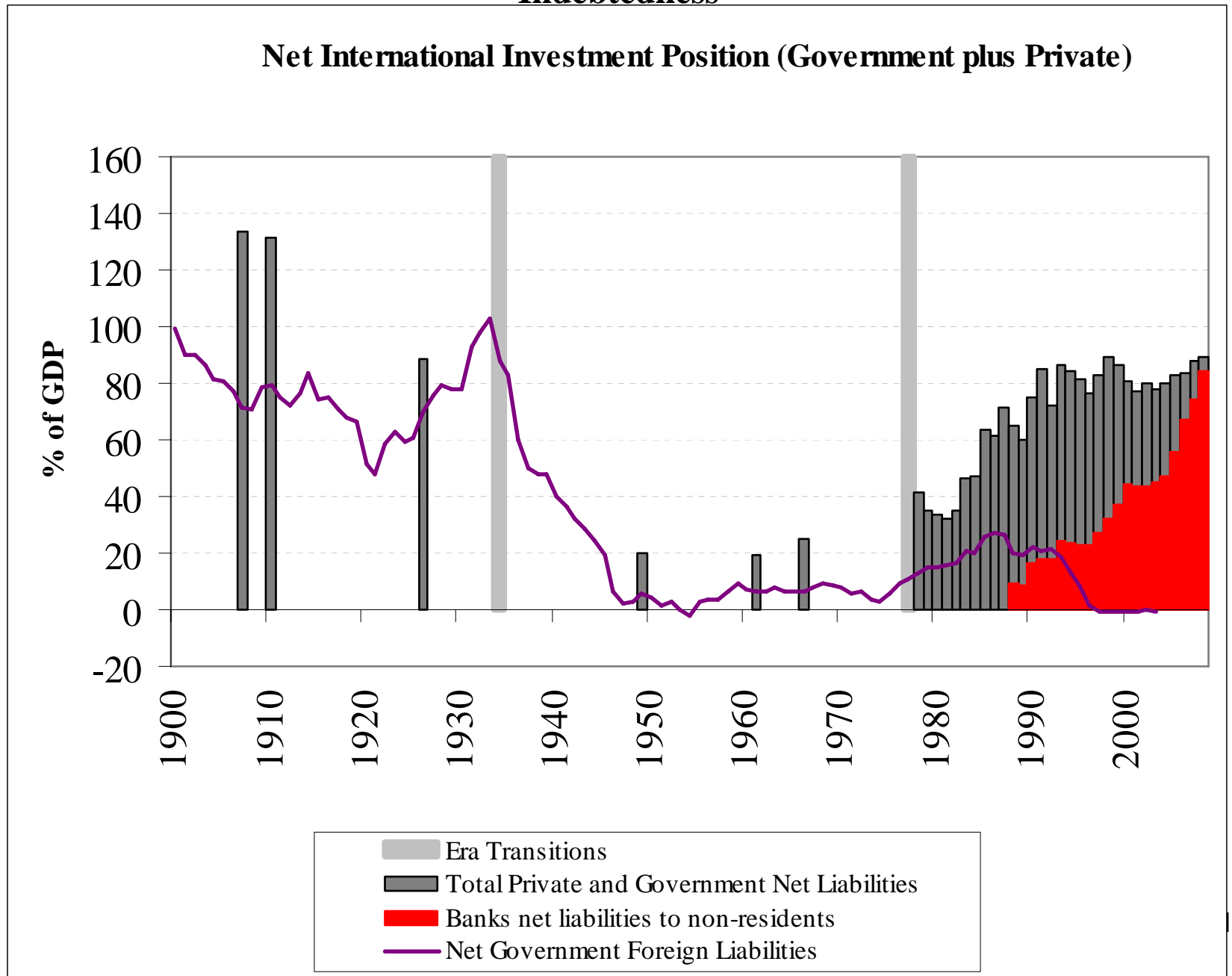


Figure 11: New Zealand's External Position (percent of GDP)

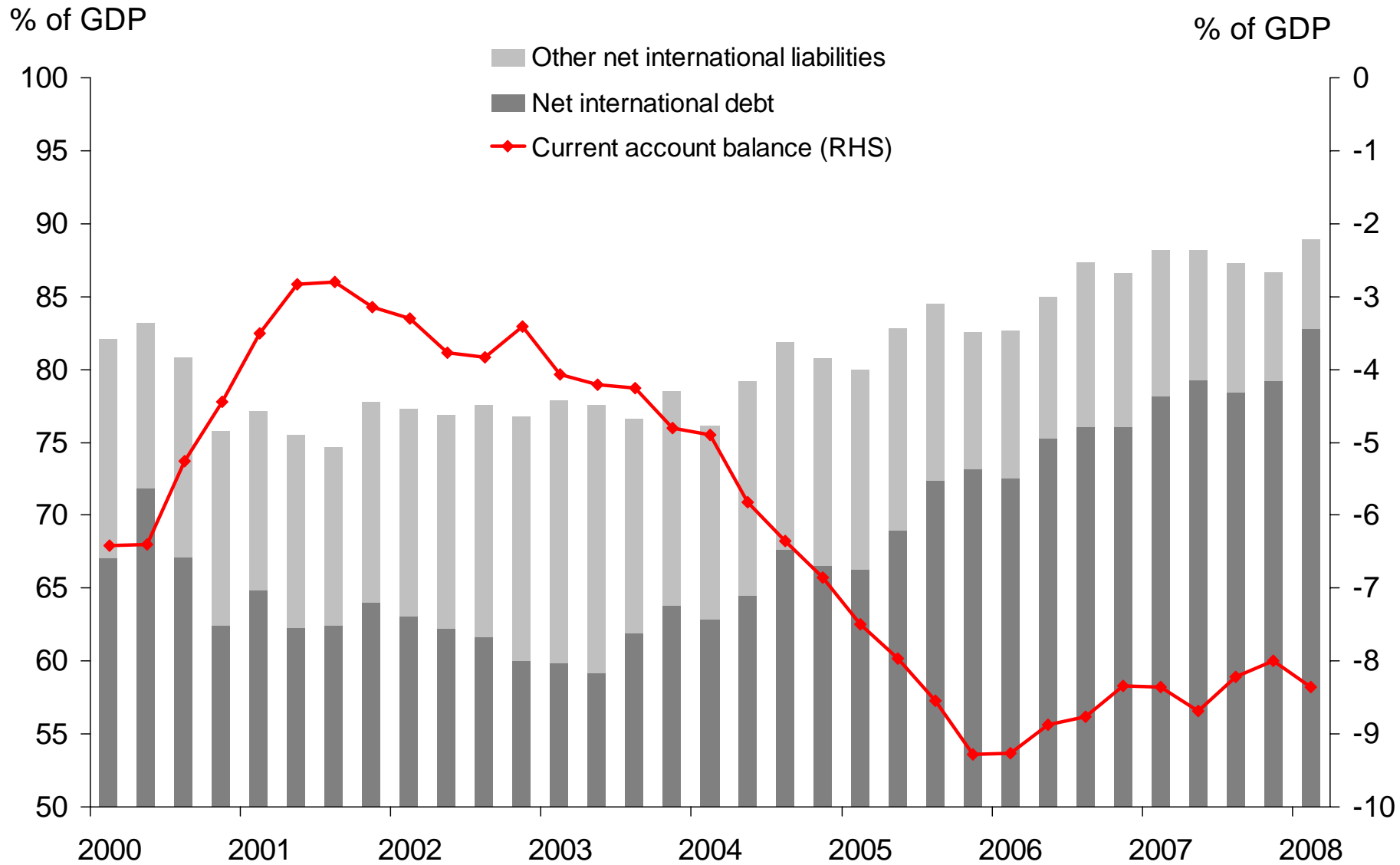


Table 2
International Assets and Liabilities

	<i>IIPQ</i>		June 2008
New Zealand's international assets⁽³⁾			
Equity assets ⁽⁴⁾	S5AA1A	R	52,098
Lending	S5AA3	R	77,683
Banks	S5AA8C		21,723
General government	S5AA8B		8,976
Monetary authorities	S5AA8A		20,210
Other sectors	S5AA8D	R	26,774
Total international assets	S5AA1	R	129,780
New Zealand's international liabilities			
Equity liabilities	S5AL1A	R	63,115
Borrowing	S5AL3	R	225,858
Banks	S5AL8C	R	138,881
General government	S5AL8B	R	17,574
Monetary authorities	S5AL8A		273
Other sectors	S5AL8D	R	69,131
Total international liabilities	S5AL1	R	288,974
New Zealand's net international asset position			
Net international equity	S5AA2A	R	-11,018
Net international debt	S5AA2B	R	-148,176
Net international asset position	S5AA2	R	-159,194



Table C1

Indebted households' financial situation in 2007 and changes since 2001

(medians by income quintile, percentage change since 2001 in parentheses)

2007	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Housing debt (\$,000)	27	68	87	111	137
	(-6.9)	(44.7)	(47.5)	(29.1)	(26.9)
Housing asset (\$,000)	201	244	305	316	451
	(85.8)	(85.8)	(119.2)	(91.5)	(108.8)
Debt-to-asset ratio (LVR) (%)	14.7	28.7	33.1	41.3	36.0
	(-53.3)	(-41.2)	(-25.8)	(-24.1)	(-33.0)
Debt service ratio (%)	26.7	21.7	20.4	18.4	16.3
	(-5.3)	(-9.6)	(-6.0)	(-1.1)	(4.5)
Share of total housing debt (%)	1.0	6.1	19.9	30.6	42.4
	(-63.0)	(-23.8)	(18.5)	(1.3)	(0.0)
Share of total indebted households (%)	3.4	10.4	22.9	32.0	31.3
	(-55.3)	(-16.8)	(5.5)	(12.3)	(5.0)

Figure 3.18

Agricultural debt-to-output

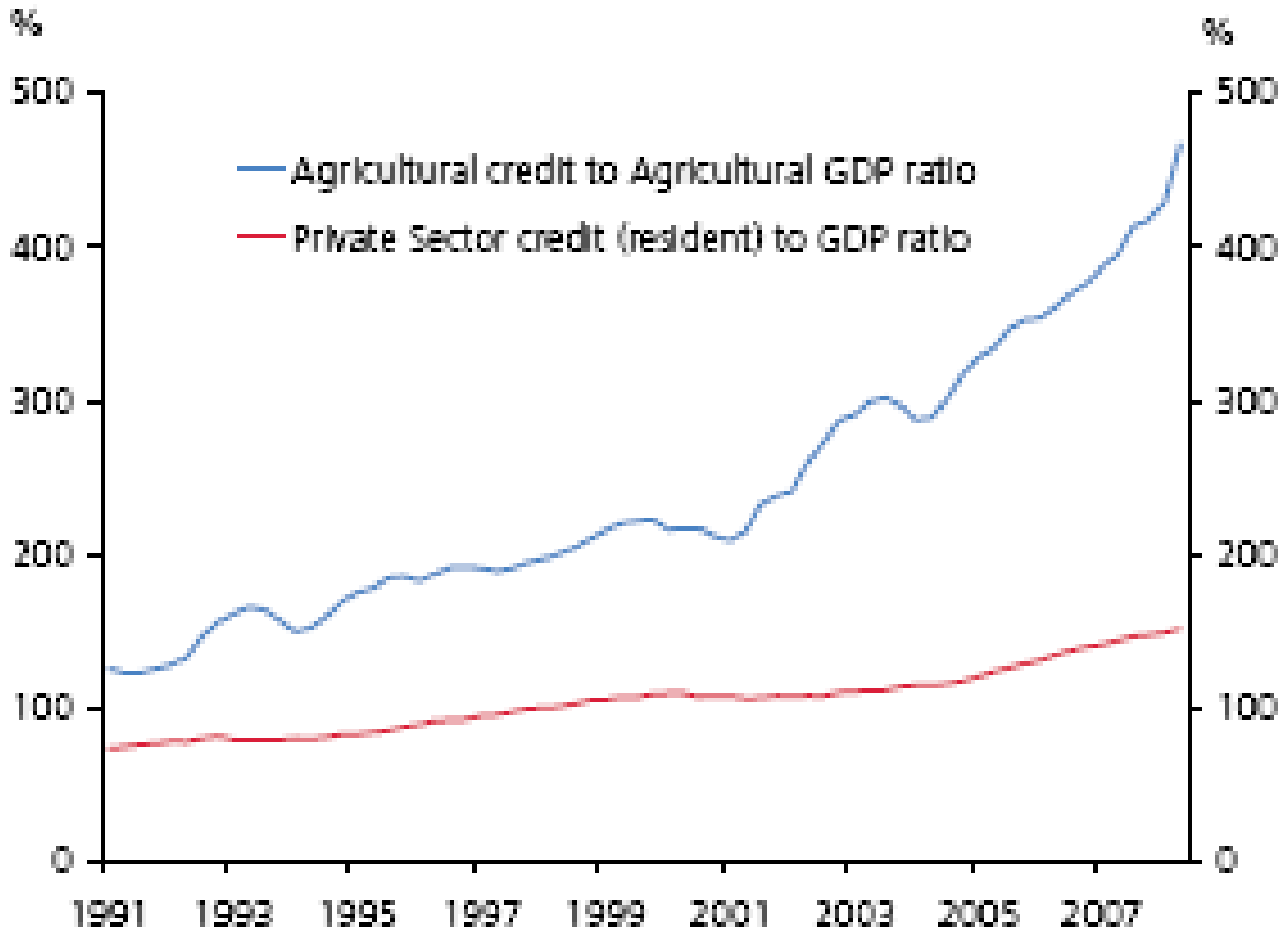


Figure 3.15

Domestic financial institutions' lending to the business sector (*annual percent change*)

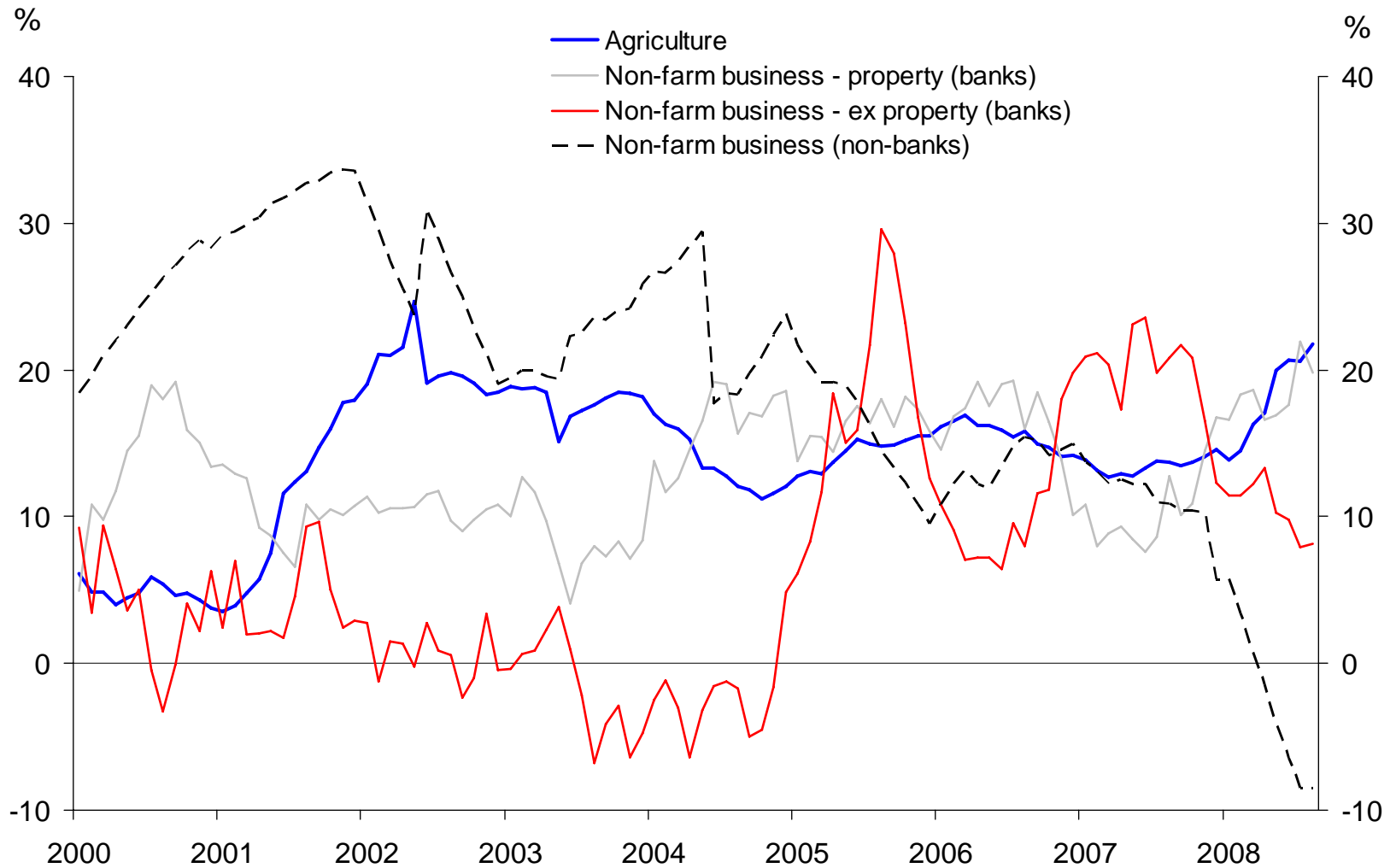


Figure 4.8
Banks' annual lending growth

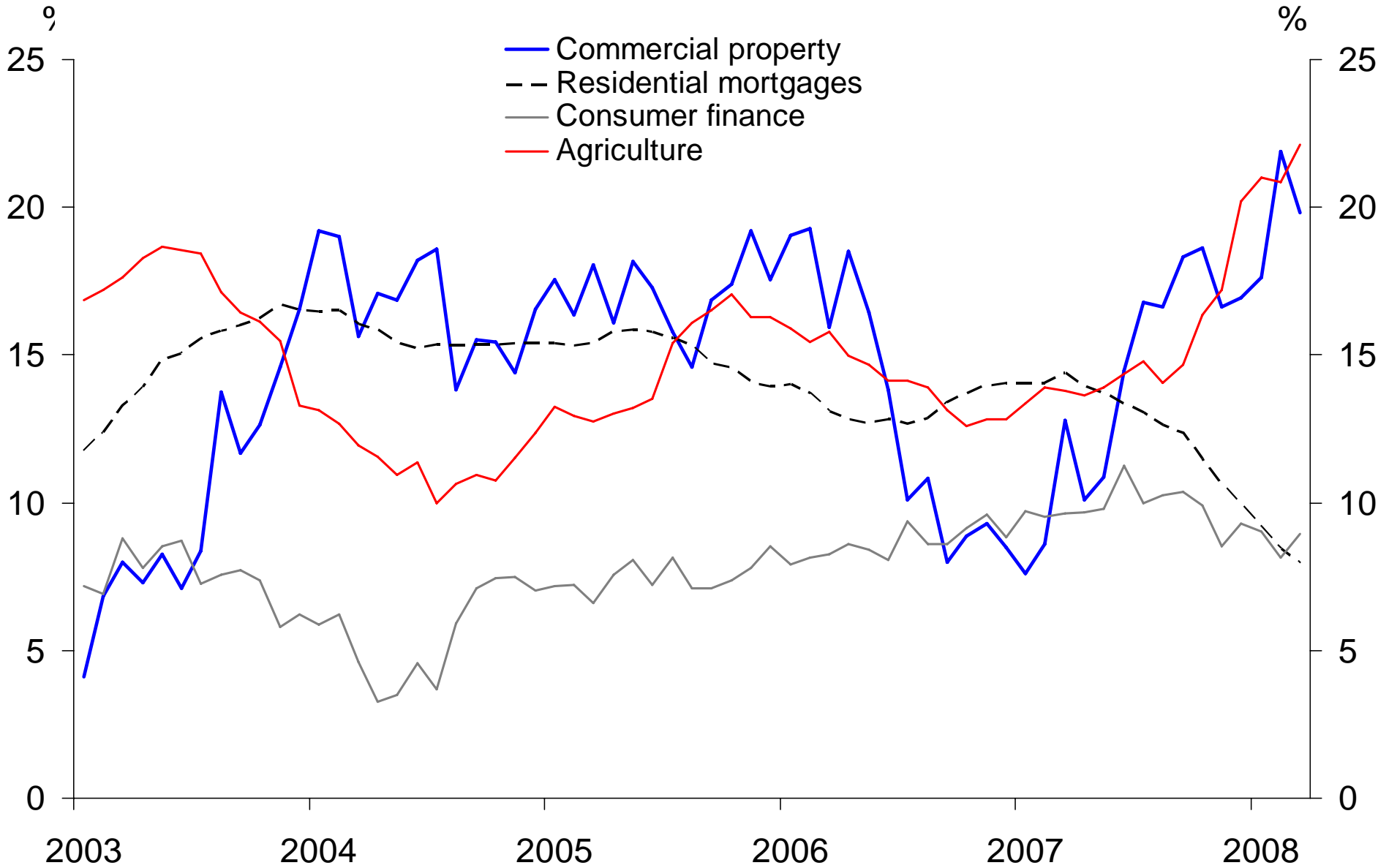


Figure 3.18
Agricultural debt-to-output

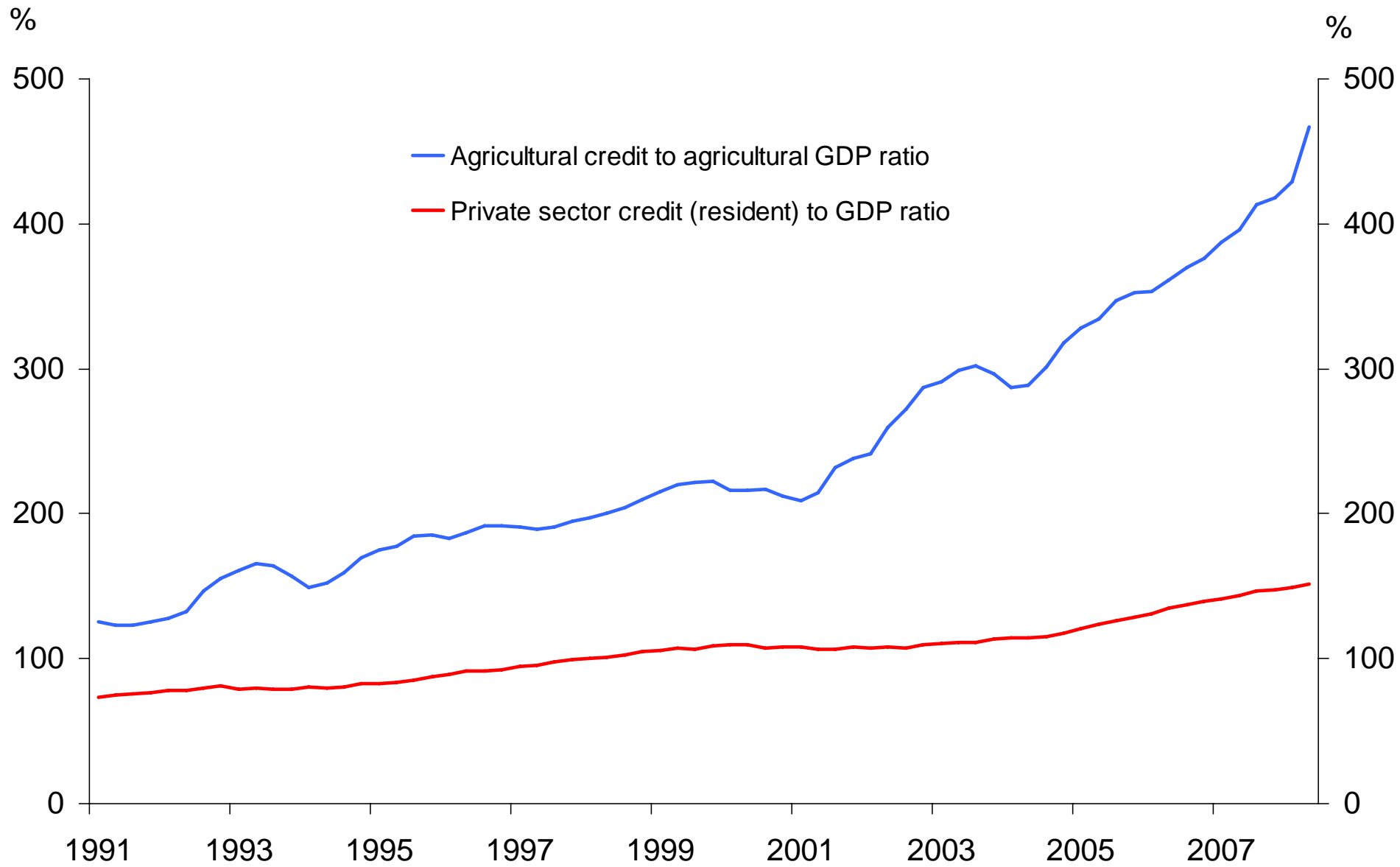


Figure 2.2

Stock of US commercial paper outstanding and weighted average maturity of new issuance (*financial issuers only*)

