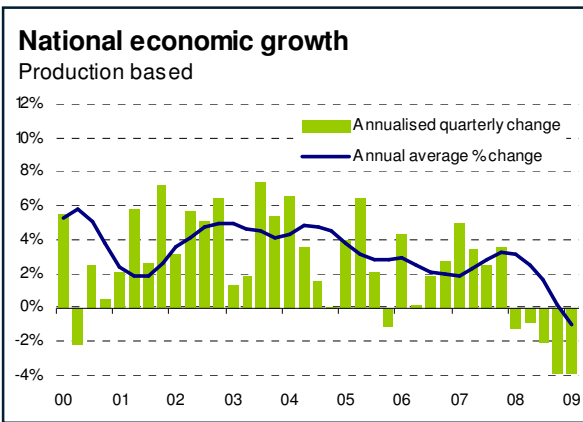




	Expenditure based		Production based	
	Mar-09	Dec-08	Mar-09	Dec-08
Quarterly Change¹	-0.7%	-0.6%	-1.0%	-1.0%
Annual % Change²	-1.7%	-1.6%	-2.7%	-2.0%
Annual Average % Change²	-1.6%	-1.0%	-1.0%	0.2%

(1) Seasonally adjusted (2) Actual - chain-linked 1995/96 prices
Data source: Statistics New Zealand



The great contraction continues

The New Zealand economy contracted for the fifth straight quarter, with March activity down 1.0% from the December quarter (seasonally adjusted). Since its peak in December 2007 economic activity has declined 3.0%, the largest peak to trough decline since September 1991.

The main driver of the March decline in economic activity was the manufacturing sector, which contracted 7.2% from the December quarter to its lowest level since September 1999. If manufacturing activity had been unchanged the New Zealand economy would have experienced a more moderate 0.3% decline in economic activity.

Other sectors that contributed significantly to the decline in economic activity were transport and communications (down 4.5% from December), wholesale trade (down 3.7%), and retail trade (down 2.9%).

The expenditure measure of GDP fell by 0.7% in the March quarter. Behind this decline was a sizeable fall in private consumption activity – down 1.3% from December, the largest quarterly decline since June 1991.

The recession looks to have continued through the June quarter, implying that we will see economic activity fall further than New Zealand experienced in the 1990/91 recession. However, with world growth and households' appetite for consumption both returning we expect positive quarterly growth to return by the end of 2009. Even so, the level of economic activity will stay below its December 2007 peak for some time.

