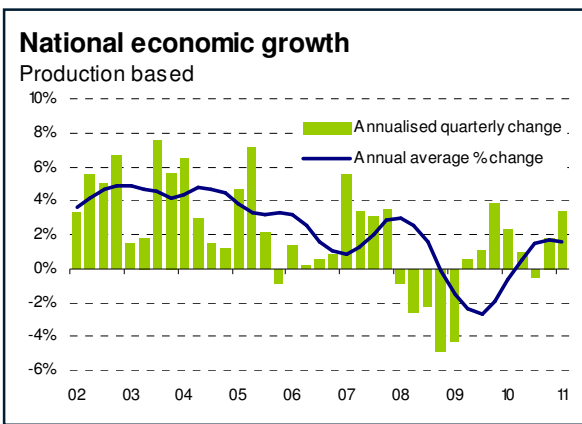




	Expenditure based		Production based	
	Mar-11	Dec-10	Mar-11	Dec-10
Quarterly Change¹	0.6%	0.5%	0.8%	0.5%
Annual % Change²	0.8%	1.7%	1.4%	1.2%
Annual Average % Change²	1.8%	2.2%	1.5%	1.7%

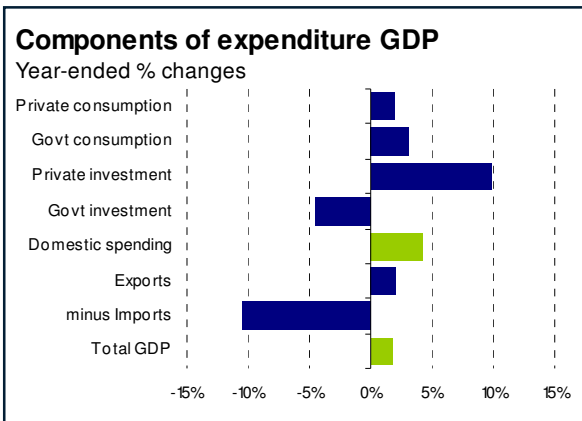
(1) Seasonally adjusted (2) Actual - chain-linked 1995/96 prices
Data source: Statistics New Zealand



Earthquake can't hold NZ back

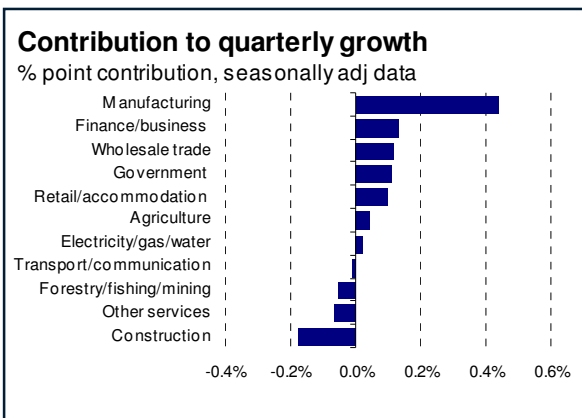
Economic activity rose by 0.8% in March, a very strong result given the disruption associated with the Christchurch earthquake.

A sharp increase in manufacturing activity was the main contributor to growth in the New Zealand economy, with the 3.6% increase from December (seasonally adjusted) accounting for half of the lift in GDP. Machinery and equipment manufacturing was the best performer among the manufacturing subtypes, with activity rising to its highest level since December 2008.



Private consumption increased by 0.4% in the March quarter, primarily on the back of a lift in durable good sales. With some of the increase in durable goods due to Christchurch residents replacing possessions following the quake, underlying consumption remains weak.

Investment declined in the March quarter, falling 8.8% from December. A sharp drop in stock accumulation was the main driver of this decline. Non-residential building also declined significantly from its December 2010 level.



The modest increase in consumption combined with falling investment saw gross national expenditure (economic activity excluding international trade) fall 0.8% in the March quarter. Supply chain disruptions due to the March Tohoku earthquake and tsunami are likely to have been behind part of the weakness in domestic spending, with businesses forced to run down stocks instead of importing goods.

The size of the increase in economic activity, following an event of the magnitude of the Christchurch earthquake, is surprising. Economic growth is expected to accelerate during the second half of 2011 and into 2012 as the New Zealand economy continues to benefit from high commodity prices.