

# Research Economy Watch

17 June 2026

## External deficit steady

- **Annual current account deficit at 3.6% of GDP**
- **No implications for our 0.9% q/q Q1 GDP pick**
- **Oil spike and unwind yet to make presence felt**
- **Visitor spending higher**
- **International investment liability position shrinking**

There was very little surprise in today's Q1 balance of payments data. We, the market, and the RBNZ all expected the annual current account deficit to be steady in the year to March 2026 compared to its reading in calendar 2025. And so that proved to be the case.

That said, minor downward revisions saw the annual deficit steady at 3.6% of GDP rather than 3.7% as forecast.

The external accounts also offered no last-minute reason to alter our thoughts for Q1 GDP tomorrow. The nominal values of exports and imports of both goods and services in today's data imply real outcomes broadly in line with what we anticipate in tomorrow's GDP release. Solid real growth in exports and imports remain part of our 0.9% q/q expectation for Q1 GDP tomorrow.

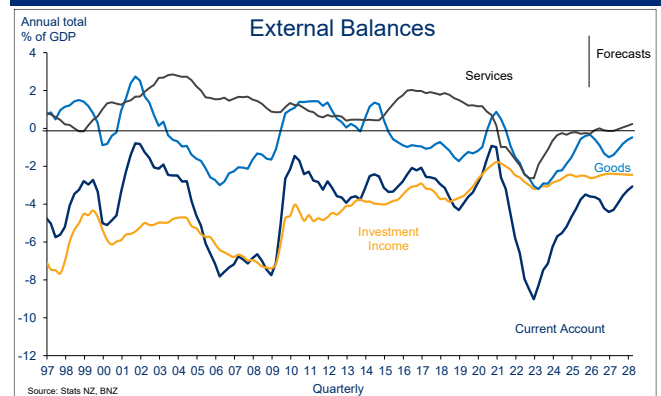
The details of today's data were close to our expectations. The goods trade annual deficit widened as the lift in imports outpaced exports, while the services annual trade deficit narrowed on strong inbound tourist expenditure. The investment income annual deficit was steady at 2.6% of GDP.

In today's very fast-moving world Q1 data feels like old news. It will have included very little of the impact from the Middle East conflict.

Our forecasts show the merchandise trade deficit widening in the current quarter as those higher import costs show up in the statistics. We may see a bit more of that come through in terms of fuel and other imported costs in tomorrow's merchandise data for May.

Events continue to evolve at pace. Oil prices were already falling in May and have fallen further in June as a deal between the US and Iran was struck. We have long factored in an unwind in oil prices from their initial spike, broadly in line with futures pricing. This assumption fits with our projection that strong growth in import values will not persist.

### Prior narrowing draws to a close



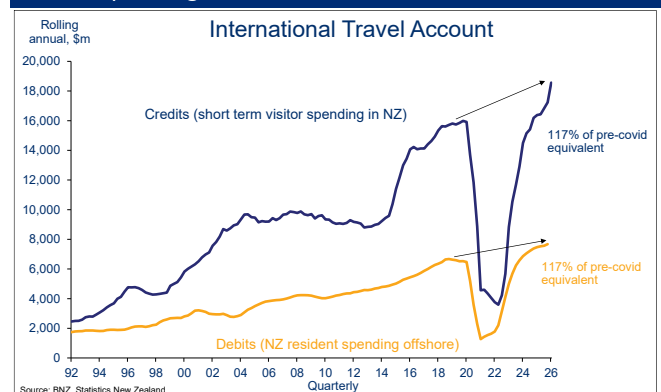
Ongoing strength in primary sector exports underpinned export values in the year to March 2026, while exports of services was driven by a substantial lift in visitor spending.

More visitor spending has been boosted by additional visitors as well as increased spending per visitor. Visitor spending in March 2026 was 23.3% higher than a year ago. This took annual spending to 17% more than in the year before Covid hit.

New Zealander spending offshore has increased and its annual total is also 17% above pre-Covid levels. However, the level of locals spending offshore is typically on a smaller scale and has started to flatten off.

Growing visitor expenditure and flattening New Zealander spending offshore increases the chance of the services trade balance pushing back into surplus over time.

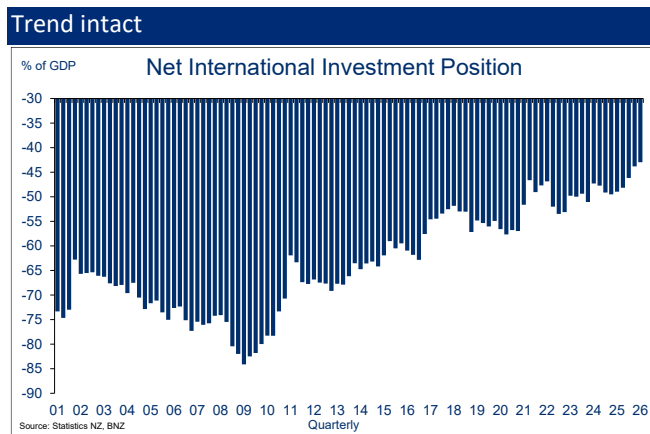
### Visitors spending more



There are clearly a lot of moving parts in the external accounts at present. In the big picture, the material narrowing trend over the past three years has stalled and some mild widening is expected to commence over the coming year.

As we noted in our preview on Monday, we see the deficit being stuck in a 3.5% to 4.5% range for the foreseeable future. On this basis it should garner very little attention for quite some time.

Note too that NZ's net international investment liability position continues to narrow as a percent of the economy. It sat at 42.8% of GDP as at the end of March 2026. It is much smaller than its peak at 84.1% in the year to March 2009. It is the smallest it has been since the quarterly series started in 2000.



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