

Feedback

We welcome feedback from New Zealand exporters on this report and invite requests for reporting from New Zealand's [network of Embassies and High Commissions](#). If you would like to be added to the weekly distribution list for this report, please also email us at exports@mfat.net.

Domestic Updates

- The Prime Minister has announced that **all of New Zealand will remain at Alert Level 4** until at least 11:59 PM on Friday 27 August (NZT) and that **Auckland** will remain at Alert Level 4 until at least 11:59 PM on Tuesday 31 August (NZT). Alert Level settings will be reviewed by Cabinet on Friday 27 August for most of New Zealand (except Auckland), and for Auckland which will have its Alert Level settings reviewed by Cabinet on Monday 30 August. For further information, please refer to the New Zealand government COVID-19 website <https://covid19.govt.nz/>, including information about [doing business at Alert Level 4](#) and [financial support for businesses](#).
- **New Zealand's economy entered lockdown in strong shape.** Household spending remains elevated, unemployment has fallen back to pre-pandemic levels, and inflationary pressures are mounting. The signs of an overheating economy were such that the Reserve Bank was on the verge of removing monetary policy stimulus, with this decision put temporarily on hold in response to the change in alert levels.
- **Alert Level 4 is estimated to cost the New Zealand economy** about \$1.6 billion per week in lost activity, with this cost falling to about \$0.6 billion per week in Alert Level 3 conditions. Previous lockdown experience generally provides a reason for cautious optimism about the economic impacts, particularly in shorter lockdowns where at least some of the economic activity is deferred rather than lost. However risks of more severe economic impacts exist, particularly if lockdown restrictions extend for a long period. To cushion the impact, the Government has reactivated previous [business support policies](#), with the near term costs for these measures able to be met through funding already set aside in the COVID-19 Response and Recovery Fund.

Global & Multilateral Updates

- On 12 August, **New Zealand** hosted an **Asia-Pacific Economic Cooperation (APEC) workshop** on sharing **best practice on the use of non-discriminatory internal taxes** (e.g. goods and services tax) **on electronic transmissions**. The workshop was designed to support and contribute to discussions in the World Trade Organisation (WTO), where there will be a decision on the renewal of the Moratorium on Customs Duties on Electronic Transmissions at the 12th Ministerial Conference in November. New Zealand is a supporter of the moratorium and our recent Free Trade Agreements also include a prohibition on imposing customs duties on electronic transmissions. The APEC workshop provided a platform for economies to share experiences on implementing internal taxes on digital goods and services (e.g. video streaming, e-books etc) with the aim of demonstrating how internal taxes provide a fairer alternative and a broader tax base compared to customs duties. The workshop was well attended, with over 100 participants from 18 economies around the APEC region dialling in.
 - **Public sentiment about globalisation** has **declined** but most view **expanding trade** is a **good** thing, according to a **survey** of 25 countries conducted by **Ipsos and the World Economic Forum**. On average, 48% of adults surveyed in the 25 countries agree that globalization is a good thing for their country. This is 10 percentage points less than in 2019, before the COVID-19 pandemic. A majority view expanding trade as a good thing but more also agreed than disagreed that more trade barriers were needed. The results can be viewed [here](#).
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Regional Updates

Australia and the Pacific

- **Lockdowns across New South Wales (NSW) and Victoria** are taking an **enormous toll on Australia's economic output**. NSW accounts for almost a third of the nation's GDP, with Sydney alone contributing a quarter of Australia's total output. Melbourne provides another 20%. The lockdown of Greater Sydney alone is estimated to be costing around \$1 billion per week, and that of Melbourne around \$700 million each week. As a result, the national economy is widely expected to contract between 2-3% this quarter. With 15 million people in lockdown and no end in sight for Sydney's escalating outbreak, the Reserve Bank's earlier forecast of a rebound over the December quarter is looking unlikely.
- The **Australian Federal Government** is working in **partnership with States and Territories to financially support businesses** with models and amounts varying from state to state. Previously these were only provided to businesses within lockdowns. This month, recognising the impact on businesses of border closures and restrictions from outbreaks in other States, the Government has announced a number of jointly Federal/State funded packages for businesses across Australia. Examples include a 50% contribution to Queensland's \$600 million COVID-19 Business Supports Grants ([here](#)), co-funded assistance grants for Western Australia tourism businesses impacted by COVID-19 ([here](#)), and jointly-funded business support grants for South Australian small and medium-sized enterprises (SMEs) ([here](#)).
- Following New Zealand's alert level changes, **Niue's Cabinet** has decided **not to raise the country's alert level for now** but is **reviewing preparedness measures**. Incoming passengers were not permitted on this week's flight (which departed New Zealand Tuesday 24 August). The next passenger flight, due to depart New Zealand on 7 September, remains under review but **freight-only flights** are currently expected to continue. Niue health officials have now tested all passengers who arrived on the 10 August (NZT) Air New Zealand flight from Auckland, and all frontline workers either at the airport that day or who conducted health checks on those in isolation.

Asia

- Having been locked down for two weeks following a COVID-19 outbreak, the **Meishan Terminal** at the **Port of Ningbo-Zhoushan in China resumed normal operations** on 25 August. According to Maersk, all in-gate, out-gate and berthing activity has resumed at the port.
- In **India, merchandise exports** grew 48% year on year in July to USD 35.17 billion on account of a rise in global orders in shipments of petroleum products, engineering products, gems and jewellery. Exports during April-July 2021 were USD 130.53 billion, up 73.51% over the same period a year ago and up by 21.82% over the same period of 2019. During the first four months of the fiscal year, India's exports have covered close to a third of its annual exports target of USD 400 billion. **Merchandise imports** widened to USD 46.4 billion in July, an increase of 59.38% on July 2020, resulting in a trade deficit of USD 11.23 billion.
- On 19 August, the **Philippine Ports Authority** warned of **"looming delays" in goods shipments** including raw materials for manufacturing, online shopping products, etc. due to the Delta variant shutting down **key transfer hubs in China**. More than 80% of the Philippines' imports come from such Chinese hubs.
- In the first quarter 2021, **New Zealand exported** NZ \$204.02 million of **total goods and services to the Philippines** and **imported** \$43.91 million. This is a big decrease from NZ \$289.36 million and NZ \$76.02 million respectively in the same quarter of 2020. Exports, however, have continued to increase in the past 3 quarters. Dairy, wood and meat and edible offal were New Zealand's top exports to the Philippines.

Americas

- On 5 August, **Canada** launched [domestic consultations](#) on the possible use of **Border Carbon Adjustments (BCAs)**. This was accompanied by a [background paper](#) to inform public knowledge on domestic and international considerations. Initially, consultations will involve targeted discussions with the Canadian provinces and territories, industry associations representing directly impacted sectors, as well as labour and environmental organisations and experts. A **second phase of consultations** with the broader public is currently planned to take place following Canada's general election on 20 September.
 - **Mexican Secretary of Foreign Affairs** (Minister-equivalent) **Marcelo Ebrard** confirmed on 18 August (in Spanish, via [tweet](#)) that the **United States-Mexico High Level Economic Dialogue** will take place on 9 September. The Dialogue was announced by **US Vice-President Kamala Harris** during her recent visit to Mexico, to give effect to the agreement between President Biden and Mexican President López Obrador. The Dialogue aims to "expand bilateral economic cooperation" and will cover trade and economic
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priorities such as trade facilitation and supply chain resiliency". The US delegation will be led by VP Harris, and the Mexican delegation by the Secretaries of Economy (Tatiana Clouthier) and Foreign Affairs (Ebrard).

- **Mexico's inflation rate increased** to 5.9% in July, exceeding the 4% target ceiling for four consecutive months. This has been largely due to commodity price pressures, supply-chain bottlenecks and base-year effects when comparing it to the low inflation rates seen at time of year in 2020. Since then, consumer prices have remained steadily high, forcing the Central Bank to increase monetary policy rate by 25 basis points, to 4.5%, to try to mitigate its effects in the Mexican economy. The **forecast** is not encouraging: experts calculate the inflation rate could remain at historic highs in the upcoming months.
- **Colombia's main Caribbean tourist ports** are expected to **begin receiving tourist cruise ships** for the first time since the beginning of the pandemic in Colombia in March 2020. It is projected that Colombia will receive over 300,000 visitors (tourists and crew members) in the 2021-2022 season via cruise ships. This reflects the government's emphasis on tourism as a key factor in its economic reactivation strategy.
- In **Argentina, exports** reached US\$7.2 billion in July 2021, the **highest level recorded** in eight years and 47% more than in July 2020. The **oilseed** and **cereal** sectors had the best performance due to favourable international prices, while **beef** exports were down 11% year-on-year due to export restrictions imposed.

Middle East and Africa

- **Expo 2020 Dubai opens in one month's time** (1 October 2021-31 March 2022). Plans are well advanced for New Zealand's participation. Planning for **Te Aratini** is making good progress and a number of international partners have confirmed their participation. The programme profiles a range of national and international Indigenous speakers, performers and artists and will be New Zealand's largest event at Expo 2020.
- **Kenya-New Zealand trade** has taken a dip over the last few years from hovering around NZ\$20 million in the years to 2018 to NZ\$10.8 million in 2020 as a result of the pandemic. **New Zealand exports** have averaged NZ\$12.9 million over the last three years, with imports slightly lower at NZ\$4.7 million over the same period. Despite this, Kenya represents New Zealand's **largest export market in East Africa** and 13th largest in Africa. With a robust financial infrastructure, familiar governance structures, high rates of investment in infrastructure, a well-connected and business-focused Honorary Consul, and relatively good ease of doing business ranking, there is scope for New Zealand's trading relationship with Kenya to expand

Market reports released this week

- The previous global economic and trade update can be found [here](#).
- A new report on the [Biden Administration's proposed changes to 'Buy American' rules](#), prepared by the **New Zealand Embassy in Washington**, has been published.

External links

The following links may provide useful information to businesses:

- [NZTE](#) has a website focused on providing COVID-19 information for exporters. They've also launched [myNZTE](#), an interactive digital portal of insights and tools available to all New Zealand exporters.
 - The Treasury releases a [weekly economic update](#) every Friday. Stats NZ has published a [data portal](#) with near real-time economic indicators.
 - MBIE publishes a [sector reports series](#) which provides regularly updated reports on all industry sectors that make up the New Zealand economy. These include official economic data and the challenges and opportunities that face New Zealand's industry sectors.
 - [Business.govt.nz](#) provides tools and advice from across government to save small businesses' time and help make the business a success.
 - MFAT has created a [tariff finder](#) which is designed to help goods exporters and importers maximise benefits from New Zealand's Free Trade Agreements and compare tariffs in 136 other markets.
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