

Prepared by the Economic Division at the Ministry of Foreign Affairs and Trade

Headlines

- The Reserve Bank of New Zealand announced a 50 basis point hike to the Official Cash Rate last week, raising it to 3.5 percent from 3.0 percent previously. The announcement cited high inflation and a tight labour market among their considerations, and Committee members agreed that monetary conditions will need to continue to tighten.
- Following days of speculation, the OPEC+ group has decided to cut oil production by 2 million barrels per day (bpd); the biggest drop since the start of the Covid-19 pandemic. The cut will take effect from November 2022. OPEC+ Ministers maintain the decision is a necessary one to lessen the volatility of oil markets. Analysts have estimated the real world impact may be lower at approx. 880,000 bpd, as several members are already operating below their quotas.

Regional Updates

Domestic Updates:

- The World Index has **increased New Zealand's brand value to NZ\$440 billion**, which is 39 out of 100 countries. The brand value is based on economic performance, perception, and the country's investment in building a strong brand. New Zealand Story Chief Executive David Downs attributes the brand value rise (up 11 percent from per-COVID valuation) to New Zealand's COVID response. Read more [here](#).

Australia and the Pacific:

- **The Reserve Bank of Australia [announced](#) the decision to increase the cash rate by 25 basis points to 2.6 percent last week.** The statement from the board outlines the commitment to return inflation to 2 – 3 percent and signaled further interest rate increases are likely over the coming months. The RBA's forecast has consumer price index inflation reaching 7.75 percent over 2022, before reducing to slightly above 4 percent over 2023, and 3 percent over 2024.
- Trade Commissioner to the Pacific David Dewar visited New Caledonia over three days in August to identify further opportunities for New Zealand businesses. New Zealand exports to New Caledonia are dominated by the food and beverage market but also include wood and other construction materials. There are opportunities for growth in certain **niche food and beverage markets**, as well as opportunities in new sectors such as manufactured goods (particularly in the **marine sector**).
- Further opportunities include partnering with New Caledonia in technology and expertise to support a number of New Caledonia's economic priorities such as **workplace training; developing local indigenous capability** (particularly through connections with Māori providers); and to capitalise on a major planned programme of investment in new **renewable energy generation, including hydrogen**. **Given on going regulatory, economic and political complexities, New Zealand businesses may prefer to partner with**

local companies rather than setting up independently, to help navigate these challenges.

- The Government of Tonga has announced **that Tonga will shift to the green setting of its COVID-19 traffic light system**. From 27 September, the majority of COVID-19 travel requirements for individuals entering Tonga have been removed. This includes pre-departure RAT testing, a post-arrival day 3-day 5 RAT test, and proof of full vaccination for Tongan passport holders. **Adult (12+) non-Tongan passport holders are still required to provide evidence of full vaccination**. All travellers will continue to be required to complete Health Arrival Declaration forms in-flight. The Government has also ended the COVID-19 State of Emergency and Hunga-Tonga Hunga-Ha'apai State of Emergency.

Europe:

- The **European Commission has proposed a [draft law](#) to prohibit the sale in the EU market of products made with forced labour**. If approved by the European Parliament and Member States in the Council, national authorities will be able to investigate the risk of forced labour in production processes and decide about the withdrawal of particular products from the EU market. National customs authorities will facilitate implementation by stopping EU exports and imports made with forced labour at EU borders, raising questions around how the law will be consistently applied across all 27 Member States.
- **At present, it appears that New Zealand businesses trading with the EU are more likely to be affected by the compliance costs of the complementary EU due diligence proposal, particularly businesses in the agriculture sector or which are part of global value chains headed by EU companies**. The proposal would anchor human rights and environmental considerations in companies' operations and corporate governance, and aims to foster sustainable and responsible corporate behavior. We are aware of domestic policy work under way on these issues, and will continue to monitor the development of this legislation.
- Inflation in Germany rose to 10.9 percent during September, up from 8.8 percent in August. This is the first time in decades German inflation has reached double digits and was driven largely by high energy and food prices.
- New Conservative Chancellor Kwasi Kwarteng announced on 22 September a controversial plan for growth, which generated significant criticism to the extent that the government was forced to walk back its most controversial aspect of the change: a proposed reduction of the top tax rate from 45 to 40%.
- The package's overall suite of measures included: the **biggest tax cut in the UK in 50 years amounting to £45 billion (NZD 90 billion) - cutting the top income tax from 45 percent to 40 percent [since reversed]**; the cancellation of a planned rise in corporation tax; a planned rise in national insurance levy; reducing the basic income tax rate from 20 to 19 percent; and the scrapping of a cap on bankers' bonuses. The Government also put a freeze on spiralling energy bills. The package would have been financed by a £72 billion (NZD 144 billion) hike in borrowing. The response to the 'mini-budget' was immediate and overwhelmingly one of shock and concern. On the following Monday **the pound hit \$1.03 in early trading in Asia - a record low**. The currency has since regained some ground, including following an intervention by the Bank of England saying it would buy £65 billion (NZD 130 billion) of government bonds.

Asia:

- **Economic growth in Thailand is recovering** after a challenging 2020 and 2021. On the back of strong goods exports, the Economist Intelligence Unit has forecast that the **Thai economy will grow 3.3% in 2022**. Areas of strength and innovation in Thailand's economy include investment in its electric vehicle production industry, as well as in the budding renewable/alternative energy sector. With a growing focus in **Thailand to reduce emissions and grow renewable energy**, there may be **opportunities for New Zealand companies in this sector**.
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Americas:

- Minister Stuart Nash conducted tourism promotional activities in New York after travelling on the inaugural Air New Zealand direct flight between from Auckland in September. He also launched a new global marketing campaign to **raise awareness of New Zealand as an investment destination and to attract productive, inclusive and sustainable investment**. The “Do Good, Do Well” campaign will run over the next 9 to 12 months in seven markets with a **focus on US, UK and Germany**.

Market reports released this week

- The previous global economic round-up can be found [here](#).
- [The Netherlands Budget: Historical Expenditures for Historical Challenges – October 2022](#)
- [European Union considers measures to stop the sale of products from deforested land – October 2022](#)
- [EU moves to ban products made with forced labour – October 2022](#)
- [New Caledonia Market Update – October 2022](#)

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 subscribe to this weekly update, you can sign up [here](#) or email us at exports@mfat.net.

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.
 - The all of government [Trade Barriers website](#) can be used to register any trade barriers experienced or issues exporting to an offshore market. Queries can be sent via the website or through the MFAT Exporter Helpline 0800 824 605. Enquiries will be sent to the government agency best placed to answer.
 - Tatauranga Aotearoa Stats NZ provides official data on the value of New Zealand’s exports and imports of both goods and services, by commodity type via the [New Zealand Trade Dashboard \(shinyapps.io\)](#). This interactive dashboard is updated every quarter and allows for filtering by country and by commodity type.
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More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

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