



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

Weekly Global economic round-up

A faint, light blue world map is visible in the background, centered behind the text.

MARKET REPORT

20 March 2023

Highlights

- New Zealand GDP shrunk 0.6 percent in the December quarter of 2022 according to Stats NZ. This comes after an increase of 1.7 percent in the previous quarter. Expenditure on GDP fell by 0.8 percent, while real gross national disposable income fell 1.7 percent.
- Cyclone Gabrielle has caused significant damage to homes, infrastructure, and livelihoods across northern and eastern regions of the North Island. The cyclone is New Zealand's costliest non-earthquake natural disaster, with economic losses expected to exceed the \$2bn-\$4bn of losses of the 2016 Kaikoura earthquake. New Zealand's primary sector exports will be largely unaffected, with the exception of apple exports, where orchards were hit hard as Gabrielle struck the Hawke's Bay during a key harvest period. Damage to orchards and farms is also likely to see some lost primary production beyond 2023 too. However, other key export industries such as dairy are expected to experience limited disruption.

- The Albanese Government is moving forward on its election commitment to phase out live sheep exports by sea, worth an estimated \$92 million to the Australian economy. On 3 March, an independent panel was established with the task of undertaking a six-month consultation process on how it may happen. Western Australian stakeholders are considering taking legal action in response to any ban, pointing to the successful class action taken against the previous Labor government's live cattle export ban in 2011.
- The Government's sharp focus on trade continues with New Zealand set to host Trade Ministers and delegations from 10 Asia Pacific economies at a meeting of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Commission members in July. Chairing the CPTPP Commission allows us to build on the success we've had opening trade opportunities by working with the membership to further regional economic integration and promote inclusive and sustainable trade that delivers economic opportunity, prosperity and benefits for all New Zealanders.

Report

Domestic

- The [annual current account deficit grew \\$12.7 billion](#) between 2021 and 2022, now at 8.9 percent of GDP. This represents the largest annual current account deficit to GDP ratio since 1988 – the largest prior to this was during the global financial crisis.
 - The Government is delivering [a coastal shipping lifeline](#) for businesses, residents and the primary sector in the cyclone-stricken regions of Hawkes Bay and Tairāwhiti, Regional Development Minister Kiri Allan announced last week. The Rangitāta vessel has been chartered for an emergency coastal shipping route between Gisborne and Napier, with potential for the route to be extended to Tauranga and the South Island, using funding approved by Regional Economic Development Ministers.
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Australia

- Australian Prime Minister Anthony Albanese recently concluded a 4 day trip to India that sought to deepen strategic, economic and people-to-people ties with India. At the Australia-India Annual Leaders' Summit, Prime Ministers' welcomed the entry into force of the landmark India-Australia Economic Cooperation and Trade Agreement (ECTA) on 29 December 2022 and committed to building on it by working to conclude the Comprehensive Economic Cooperation Agreement (CECA). The visit included a business delegation led by the Minister of Trade and Tourism and Resources Minister as the focus was on increasing two-way trade and business engagement under ECTA, thereby further strengthening existing people-to-people links and cultural exchange. The finalisation of market access for Australian Hass avocados to India and Indian okra to Australia was heralded.
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Europe

- The European Central Bank has raised their interest rate from 2.5 percent to 3 percent. In following remarks the ECB noted that inflation is projected to “remain too high for too long.”

- The UK unemployment remains at 3.7 percent for January 2023. Growth in average total pay was 5.7 percent in January, slightly down from 6 percent in December 2022.
 - Two weeks into spring the Netherlands has announced that COVID-19 is now in the endemic phase, meaning COVID-19 is no longer considered a pandemic in the Netherlands. There will be no new nationwide rounds of COVID-19 booster vaccinations in the Netherlands and the government has dropped the advice to self-test when symptomatic.
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Americas

- Three US banks (Sillicon Valley Bank, Silvergate and Signature Bank) have collapsed in the space of a week following Silicon Valley Bank's (SVB) initial collapse. SVB was subsequently taken over by federal regulators. It represents the largest failure of a US bank since 2008. In response to the crisis, US banks have lost \$229bn USD of market value this month, according to the Economist.
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Pacific

- New Zealand Foreign Affairs Minister Nanaia Mahuta reaffirmed her commitment to [working together with the new Government of Fiji](#) on issues of shared importance, including on the prioritisation of climate change and sustainability, at a meeting last week, in Nadi. New Zealand allocated NZ\$20 million in flexible climate finance to support Fiji to deliver on its own climate change priorities. Minister Mahuta said "The investment enables us to support clean energy projects in developing countries and provide greater economic resilience to our region".
- Fiji's Deputy Prime Minister and Minister of Finance, Hon Biman Prasad, undertook a courtesy call on his New Zealand counterpart, Finance Minister, Hon Grant Robertson. The call was an opportunity to better understand the priorities and economic plans of a key regional player; and to better understand the assessment of a key senior member of the Rabuka Government of Fiji's economy post COVID-19. Minister Prasad noted that Fiji was keen to attract foreign investment. To do this, Fiji needed to 'get rid of bottlenecks' in the system, which would require learning from countries like New Zealand on Ease of Doing Business.

Africa

- South Africa faces a bleak economic outlook in the near future, with GDP growth slowing to 0.3-0.9% in 2023 depending on whether load shedding resolves (highly unlikely) or worsens (very likely). In this year's Budget, the government is continuing on its path of fiscal consolidation, using an increase in tax revenue to improve state power utility Eskom's credit profile and provide tax incentives for solar energy in the hopes that this will contribute to solving the electricity crisis. For **New Zealand**, the impacts of load shedding remain manageable for its businesses located in South Africa due to their smaller footprints, and there are potential **significant opportunities in the renewable energy space for companies with a high risk appetite**.

Market reports released this week

- Read [the previous global economic round-up](#)
 - [NZ economic performance in 2022, and future prospects – March 2023](#)
 - [New Zealand Customs publishes report on cargo processing times – March 2023](#)
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