



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

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Western United States Economic Pulse Check

MARKET INTELLIGENCE REPORT

Summary

- This report provides a pulse-check of economic conditions in the Western United States at a complex juncture. The outlook is highly mixed - while some sectors are performing strongly despite ongoing uncertainty and disruption, others have been significantly affected by tariffs, the flow on effects of immigration enforcement, and persistent cost of living pressures. Tariffs are starting to hit consumers in the pocket now, as a period of massive inventory front-loading (tactically timed to avoid them) comes to an end. With household finances under increased pressure, the economy is likely to remain a defining issue in the lead up to the 2026 midterm elections.
- On the upside, as tariff related distortions ease and start to settle into a new normal, some New Zealand businesses may find they have an improved context in 2026 (relative to 2025) from which to make strategic medium term decisions relating to the United States market (e.g. on market entry, price-positioning, investment/expansion, and supply chain arrangements).

Report

Americans are richer than ever, but still don't feel positive about the economy

The US economy remains fundamentally strong, yet public sentiment here on the ground in the Western United States tells a more pessimistic story. The US economy has been described as having delivered high wages and low poverty over the past decade, alongside increasingly substantial levels of national debt. This is leading to a growing paradox in which many Americans have never been richer yet never felt poorer – and a belief that economic conditions are worse than they are. This perception is reinforced by factors such as lifestyle inflation and pressure to “keep up with the Joneses”, alongside genuine cost of living challenges. This apparent disconnect between lived experience and macroeconomic indicators plays a major role in shaping both consumer behaviour and political attitudes.

On the financial markets, illiquidity in the United States is not only limiting investment activity but also reinforcing broader pessimism about the near term outlook. Increasingly pessimistic investor sentiment in the United States may be having a positive impact on New Zealand's Active Investor Plus (AIP) programme. With reduced confidence in potential investment returns at home, and broader geopolitical instability, American investors are widening their horizons. In addition to much needed capital, applicants would bring with them considerable expertise and skills in areas of value to New Zealand - representing a 'Brain Gain' for our economy.

Tariffs - Businesses are adjusting to the certainty of uncertainty...

Ongoing uncertainties around tariff policy has emerged as a consistent theme for businesses. Unclear tariff policy settings, conflicting advice from consultants, and high storage costs associated with front loaded imports had a chilling effect on US business decision making throughout 2025.

Having worked through high inventories from earlier front-loading, many New Zealand companies are now adjusting to a market where tariffs are an ongoing constraint rather than a temporary disruption. This has prompted a shift toward more sustainable, longer

term commercial approaches. Underscoring this new-normal, data highlights the strategic phase of tariffs front-loading at the Twin Ports of Long Beach and Los Angeles has concluded, with most excess inventory now cleared.

Despite tariff-related disruptions under the current Administration, overall cargo volumes at the Twin Ports of Los Angeles and Long Beach (which together handle approximately 40% of US maritime trade) have remained resilient, buoyed by the front-loading. Both ports closed out 2025 with cargo records that either matched or exceeded the year prior.

...but this has led to an increasingly bifurcated 'K-shaped' economy

While some firms are adapting successfully to tariffs, broader economic uncertainty is reinforcing a K shaped trajectory in the US economy. Businesses and households able to capitalise on volatility continue to accumulate wealth, while middle and lower income Americans lag behind. However, many Americans remain unsure whether they are economically better or worse off than under previous Administrations. This uncertainty is compounded by the residual effects of the longest-ever federal government shutdown late last year and gaps in economic data, which continue to obscure assessments of household financial well being.

Comment

Although some sectors are adapting to the tariffs, economic uncertainty remains prevalent across the Western United States and is poised to feature a central issue in the 2026 midterm campaigns. Uncertainty is the new certainty, and businesses are adjusting, with several large multinational companies – including Apple – now appointing Chief Geopolitical Risk Officers as part of their normal operating models.

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