

## 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](mailto:exports@mfat.net).

## Domestic Updates

- The **Government** [released](#) its **annual Budget** on 20 May 2021, alongside the **Treasury's latest economic and fiscal forecasts**. The Treasury confirmed the stronger economic and fiscal outlook and forecast the recent resilience will continue. New Zealand's economy is forecast to contract slightly in the first quarter of 2021 as the effects of the border closures on the peak summer tourist season are felt. GDP growth is then forecast to pick-up over the remainder of the year, reaching 4.0% annual growth in 2021 and remaining largely above this level until late 2023. This is driven by ongoing strength in household spending and the buoyant housing market, high levels of government spending and investment, and the slow recovery in tourism commencing in the second half of 2021.
  - On Tuesday 25 May, **New Zealand** initiated a [pause on flights from the Australian state of Victoria](#) while the source of infection of five COVID-19 cases were investigated. On Thursday 27 May, **the pause was extended** until 7.59pm on Friday 4 June in response to a growing number of cases and Victoria has put in place a seven-day lockdown. The pause extension is based on the public health risk assessment to further protect New Zealanders. Our public health staff remain in close contact with Victorian authorities about the actions being taken in Melbourne. Anyone who been in Victoria from 7:59pm (NZT) on 25 May cannot travel to New Zealand from anywhere in Australia until further advised. In addition, travellers in New Zealand who were recently in Melbourne are subject to some [additional requirements](#) around testing and isolation.
  - On 25 May, the Government [announced](#) that the **Overseas Investment Act's emergency notification regime (ENR) will end on 7 June** following the fourth 90-day review of the ENR. The ENR is a temporary measure that was put in place in June last year in response to the heightened risks to the national interest arising from the COVID-19 pandemic. The Government has determined that these risks have diminished. This reflects New Zealand's successful management of the health impacts of the pandemic and the recovery of the economy. The ENR will be replaced permanently by a narrower national security and public order call-in power. This allows screening of investments in strategically important businesses that do not normally require consent under the Overseas Investment Act, such as those involving the acquisition of military technology or critical national infrastructure. The call-in power was originally announced as a part of the Government's second phase of reforms of the Overseas Investment Act in November 2019.
  - **Mel Poulton**, a sheep and beef farmer from the Tararua region, has been **re-appointed as New Zealand's Special Agricultural Trade Envoy** (1 July 2021 - 30 June 2023). The Special Agricultural Trade Envoy (SATE), jointly appointed by the Minister for Trade and Export Growth and the Minister of Agriculture, **acts as an advocate in the international sphere for New Zealand's agricultural sector interests**. SATE's work has continued despite border closures, she has been busy building connections and credibility with domestic agriculture stakeholders and seeking opportunities to build rapport with international counterparts virtually and via Embassies in New Zealand. This currently includes supporting efforts to secure successful outcomes in the NZ-EU and NZ-UK FTA negotiations, as well as the APEC Policy Partnership on Food Security.
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# Regional Updates

## Australia and the Pacific

- As part of the 2021 Federal Budget, the **Australian Government** announced that **from 1 July** it will **remove all excise tax payable on the first AU\$350,000 worth of alcohol sold by small brewers and distillers**. Currently they are entitled to a refund of just 60% of the excise they pay, up to an annual cap of AU\$100,000. The change is expected to provide a further AU\$225 million in tax relief for the Australian brewing industry. The New Zealand Brewers' Guild has raised issues with this scheme since it was introduced in 2012 as New Zealand brewers are not eligible for the rebate, contrary to the CER National Treatment Obligation. Officials will provide advice on the issue to Minister O'Connor ahead of the CER Ministerial meeting later in the year.

## Asia

- With the second wave of COVID-19 putting fresh stress on the economy, the **Reserve Bank of India** unveiled a host of **measures to boost the healthcare sector and pump more liquidity** into the system, apart from providing another window to individual borrowers and small units for loan restructuring. The central bank has opened an on-tap liquidity window of US\$6.8 billion with tenors of up to three years at the repo rate (4%) until March 31 2022, to boost provision of immediate liquidity for ramping up COVID-related health care infrastructure and services in the country.
- **Bangladesh export earnings** hit US\$3.13 billion this month thanks to the rebound of apparel shipments with the reopening of American and European markets. Though this is 6.44% short of the monthly target, it is a six-fold improvement from last April's dismal US\$0.52 billion when the first wave of the pandemic was ongoing. In the first 10 months of this fiscal year, export receipts from garment shipments increased 6.24% year-on-year to US\$26 billion, showing resilience against the pandemic.
- **Sri Lanka** enjoyed favourable **agricultural output** over the **January-March period**. Although the Sri Lankan rupee has depreciated sharply against the US dollar since the start of this year, tight restrictions on imports of non-essential food items and retail price controls on imports of essential food commodities have helped to contain price pressures. Non-food prices increased by just 1.8% year on year in April, the same rate as the previous month.
- On 19 May, **Singapore Airlines** posted a **SD\$4.27 billion net loss for the year**. The scale of the challenge facing the airline is evident in passenger numbers – 78,000 passengers were carried in January 2021 against 3.4 million in January 2020. The only bright spot for SQ was the **increase of cargo revenue** by S\$758 to S\$2.71 billion. Continued strong demand for cargo is expected for at least the remainder of 2021. The airline has announced its intention to undertake a further issuance of additional mandatory convertible bonds to raise approximately S\$6.2 billion.

## Europe

- The **UK** will be **launching its own tariff suspension scheme**, designed to **help UK companies be more globally competitive**. The new scheme will allow companies that use imports to ask for duties on them to be partially or wholly withdrawn for a set period, lowering production costs. Suspensions will be allocated based on the needs of firms in the UK and the wider economy, on any import that satisfies the selection criteria [set out on GOV.UK](#).

## Americas

- **US President Joe Biden** has directed federal government agencies to **develop a strategy to mitigate the risk of climate change on public and private financial assets** in the US. This will include a whole-of-government plan to identify and disclose climate risk on government programmes, assets and liabilities. While some of the initiatives in the 20 May [Executive Order on Climate-Related Financial Risk](#) are already under way, National Economic Council director Brian Deese called it a pivotal moment in the effort to cut US greenhouse gas emissions nearly in half by 2030.
  - On 21 May, **US Commerce Secretary Gina M. Raimondo** hosted a **roundtable with South Korean President Moon Jae-In, Korean Minister of Trade, Industry and Energy Sung Wook Moon, and US and South Korean CEOs** to demonstrate the importance of the economic relationship between the both countries, and in particular, significant cross-border investments in sectors critical to the long-term growth of both economies. **South Korean companies announced plans to invest over \$30 billion in the United States**. These investments included over \$17 billion in semiconductor manufacturing, and over \$14 billion in electric vehicles, electric vehicle battery production, and R&D. In addition, a partnership between healthcare companies of both countries will begin producing 40 million doses of COVID-19 vaccines for South Korea later this year.
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## Market reports released this week

- The previous global economic and trade update can be found [here](#).
- A Japan quarter one economic update was prepared by the New Zealand Embassy in Tokyo [here](#).

## 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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