



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

19 JUNE 2023

Weekly Global Economic Round-up

A MARKET INTELLIGENCE REPORT

Highlights

- New Zealand is in a technical recession after GDP fell for the second consecutive quarter (two consecutive falls in GDP is the definition of a technical recession). GDP fell 0.1% in the March 2023 quarter after falling 0.7% in the previous quarter, which goes against the Reserve Bank's forecast of 0.3% growth. Business services were the biggest downwards driver according to [Stats NZ](#).
- Primary industry exports are on track to reach a record high of over \$56 billion by 30 June 2023. The [Situation and Outlook for Primary Industries](#) was released at Fieldays last week. It shows that for the year ahead (June 2023-2024) export revenue of dairy is “forecast to increase a further 1%, with economic growth in China expected to rebound in the 2023/24 season”. Meanwhile export revenue of meat and wool and forestry is expected to decline for the year ahead, driven partially by lower export prices and decreased export volumes.
- Prime Minister Hipkins announced he will travel to China at the end of June accompanied by a trade delegation, including representatives from the tourism and education sectors. China is New Zealand's largest trading partner, with two-way trade now surpassing NZD\$40 billion. This will be New Zealand's first leader-level visit to China since the Covid-19 pandemic.

Regional updates

Domestic

- The New Zealand current account deficit fell to 8.5% of GDP over the last 12 months to March.
 - Fifth-generation farmer and former Nuffield scholar [Hamish Marr has been appointed New Zealand's Special Agricultural Trade Envoy](#), Minister of Agriculture and Minister for Trade and Export Growth Damien O'Connor announced last week. The Special Agricultural Trade Envoy (SATE) works alongside Government to support key objectives and advocate for our farmers and growers off-shore.
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Americas

- The United States Federal Reserve decided not to raise the interest rate after 10 consecutive hikes. The decision comes after US inflation fell to 4%, its lowest level since March 2021.
 - In a recent speech to the Open Markets Institute, US Trade Representative Katherine Tai defended the current focus of the Biden Administration's trade policy. The Administration has received criticism about its lack of pursuit of free trade agreement (FTA) negotiations. Ms. Tai said that previous Administrations' focus on FTAs had contributed to unstable supply chains and inequitable distribution of trade benefits. Instead, the Biden Administration is focused on strengthening supply chains and revitalizing US-based production, as well as forging new partnerships through agreements such as the Indo-Pacific Economic Framework.
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Australia

- [Finance Minister Grant Robertson travelled to Australia](#) last week to meet with business and political leaders in Sydney and Canberra. The focus of his visit was to promote investment and strengthen relations as New Zealand and Australia mark the 40th anniversary of the Closer Economic Partnership.
 - The Australian unemployment rate fell to 3.6% in May driven by an increase of 76,000 jobs. The increase in employment in May also marked the first time the number of employed people in Australia reached 14 million. The participation rate also increased to 66.9 per cent, meaning more people were looking for work.
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Europe

- The European Central Bank increased its policy rate to 3.5% last week, the highest level in over 20 years. This was the Bank's eighth consecutive increase as officials also raised their inflation forecasts. The [Bank's statement](#) projected inflation to "remain too high for too long".
 - German imports of cannabis flowers and extracts continue to increase, to 25 tonnes in 2022. New legislation is being prepared in Germany that aims to decriminalise private and non-commercial cultivation and consumption of recreational cannabis but stops short of the initially intended broader legalisation and commercialisation of recreational cannabis. In New Zealand, the manufacture and use of Cannabis for medicinal purposes is legal but controlled. The [Medicinal Cannabis Agency](#) administers the Medicinal Cannabis Scheme and ensures medicinal cannabis products meet the minimum quality standard.
 - In New Zealand, the manufacture and use of Cannabis for medicinal purposes is legal but controlled. The Medicinal Cannabis Agency administers the Medicinal Cannabis Scheme and ensures medicinal cannabis products meet the minimum quality standard. Activities related to the cultivation, manufacture or supply of medicinal cannabis products must be carried out in accordance with a medicinal cannabis licence issued by the Medicinal Cannabis Agency under the Misuse of Drugs (Medicinal Cannabis) Regulations 2019. Recreational cannabis remains illegal under New Zealand law.
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Africa

- South Africa is facing a confluence of crises. The impact of the trifecta - COVID, the Russian invasion of Ukraine, and climate change - on economies is a global phenomenon. South African is not an outlier as the fallout from these shocks reverberates worldwide. But on top of these global shocks, South Africa is facing surging levels of load-shedding (load-shedding are planned power outages due to demand exceeding supply) which is slashing as much as 5% points from economic growth, as well as driving up inflation as costs are passed onto consumers.
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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.
- Tauranga 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](#). This interactive dashboard is updated every quarter and allows for filtering by country and by commodity type.

More info

More reports

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

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