



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

11 DECEMBER 2023

Weekly Global Economic Round-up

A MARKET INTELLIGENCE REPORT

Highlights

- The Minister for Trade, [Todd McClay](#), [addressed the India-New Zealand Business Summit](#) in Auckland last week, with the Minister stating that developing closer ties with India was a strategic priority for the new Government. The Minister noted that bolstering all facets of the relationship, spanning political, defence and security, people-to-people and cultural, was a precondition for lifting New Zealand's trade with India, and that New Zealand had plenty to offer in this space. To support this effort, the Minister announced during this speech that he plans to visit India to meet his counterpart before Christmas. You can read the Minister's remarks in full [here](#). Several members of the new government attended the United States Business Summit in Auckland last week, including the Minister of Foreign Affairs and the Minister for Trade. In their remarks, the Ministers both indicated that increasing political and economic ties between New Zealand and the United States was a priority for the new government. Read [Minister McClay's speech](#) and [Minister Peter's speech](#).
- The Organisation for Economic Co-operation and Development (OECD) released its [Programme for International Student Assessment](#) (also known as PISA) last week. The report painted a grim picture for [New Zealand](#) and all OECD countries, with student scores suffering significant declines in the wake of the COVID-19 lockdowns. More troubling however, is the continuing downward trend in all areas of measurement (Maths, Science, and Reading) since 2009.

Regional updates

Domestic

- Dairy prices showed encouraging resilience last week with the Global Dairy Trade (GDT) auction recording a 1.6 percent gain, helped by a 2.1 percent increase in whole milk powder prices. Prices have recovered from mid-August lows, but remain well down on highs seen early last year. The lift in prices last week was not as strong as some commentators had expected, but welcomed nonetheless. Off the back of recent stronger GDT auctions Fonterra last week revised their expected dairy payout higher for the 2023/24 season. Fonterra lifted its forecast midpoint forecast by 25 cents to \$7.50 per kg of milk solids.
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Australia and the Pacific

- Data released last week showed that the Australian economy is slowing. The release from the [Australian Bureau of Statistics](#) showed that the Australian economy grew 0.2 percent at a quarterly basis (or at an annual rate of 2.1 percent) during the third quarter. However, on a per capita basis, Australia's economic output fell by 0.5 percent during the third quarter and 0.3 percent over the past year. The ABS noted that household saving rates have hit 16-year lows due to higher interest rates and stubbornly high inflation.
 - This will provide the Australian Central Bank plenty to ponder over the holiday period, after it elected to keep interest rates steady last week at 4.35 percent. This pausing in rate hikes is likely intended to allow the Australian Central Bank to assess the state of the economy and the impact of earlier interest rate hikes before making further changes to interest rates.
 - Air New Zealand has announced it will operate a second weekly flight between Auckland and Niue from April until October 2024. Only one flight per week operated during the last tourism season (although Air New Zealand added a second flight on a temporary basis between November 2023 and January 2024).
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Americas

- United States job growth continued to surprise on the upside, with employers adding a further 199,000 jobs in November (vs. 185,000 expected) according to the [United States Department of Labour](#). Underlining the continuing strength of the United States labour market, the report also noted that the headline unemployment rate fell (from 3.9 percent to 3.7 percent), the labour force participation rate increased, and average hourly earnings showed moderate growth. Importantly, the report also showed that the trend in job growth has cooled over the past three months (though still well above the number needed to incorporate natural population growth at around 100,000). This indicates that the economy is still experiencing reasonably steady growth, and that inflationary pressure driven by wage increases is likely lessening – but perhaps not as fast as the US Federal Reserve would like.
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Europe

- European inflation dropped more than expected during November, dropping to 2.4 percent according to an initial estimate by the Eurozone’s statistic office, [eurostat](#). This was down from 2.9 percent in October and the lowest in over two years. The decline in price inflation was driven by falling energy costs and high-than-normal interest rates (which have raised borrowing costs and constrained economic growth in the Euro Area)
 - Denmark’s goal of net zero emissions by 2050 presents opportunities for New Zealand in the areas of agritech and biomass technology. The domestic focus of Denmark’s green transition has shifted towards carbon capture, storage, and use of biomass for energy and the government has announced NZD\$6.54 billion in funds for tenders. New Zealand has opportunities to contribute in this space given our expertise and leadership in fields. Further information can be found in MFAT’s market intelligence reports below.
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Middle East

- Turkey’s inflation figures showed some evidence that rising rates may finally be starting to slow the price spiral, with figures released 3 December showing prices rising at 61.98 percent in November, up from 61.36 percent in October. While prices are still elevated, the rate of increase has slowed and the Central Bank will likely see this as evidence that their policy of interest rate hikes and tight monetary policy is slowly working.
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North Asia

- China's Ministry of Agricultural and Rural Affairs' most recent Agricultural Outlook Report projected that consumption of agricultural products is expected to continue undertake considerable growth over the 2023-32 period. In particular, the report notes that there is likely to be a significant increase in demand for highvalue and high-nutrition products – sectors of relevance to New Zealand's agricultural trade interests. Further information on this outlook is outlined in the Market Intelligence section below.
 - A delegation from China's Ministry of Finance visited New Zealand on a study tour (4-6 December) as part of the 'Improving the Business Environment' programme. This follows a similar tour by China's National Development and Reform Commission in November. The programme – created in 2019 and led by MFAT – is focused on improving market access and conditions for New Zealand businesses by showcasing New Zealand's approach to improving ease of doing business and supporting China to align its regulatory settings with international best-practice.
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South Asia

- India's economy surged during the third quarter, expanding at a rate of 7.6 percent. This was much higher than projected by most economists, and reflected a surge in manufacturing and government spending. Interestingly, the services and agricultural sectors, traditionally the mainstays of the Indian economy, slowed during this period, and indicates potential further room for significant growth should these sectors recover over the coming quarters.
 - Finally, a recent report by [S&P Global](#) forecast that the growth engine for the Asia-Pacific region will shift from China to India over the next three years. The report notes that India's economy is being buoyed by an increase in domestic consumption and strong manufacturing growth, and that this will drive growth rates of 6-7 percent during this period. This growth, and the ongoing shift in the global economy, is set to help power other emerging markets in the region, with Viet Nam, Indonesia, Malaysia, and the Philippines, also expected to see strong growth (in excess of 5 percent) during this period.
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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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