



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE  
Manatū Aorere

18 DECEMBER 2023

# Weekly Global Economic Round-up

A MARKET INTELLIGENCE REPORT

# Highlights

*This is the last Weekly Global Economic Round-up for 2023. The next report will be published on 15 January 2024.*

- The Asian Development Bank (ADB) released its [December update](#) to its economic outlook last week. The ADB forecast a relatively optimistic outlook for the Asia-Pacific region, with growth in 2023 upgraded to 4.9 percent (from 4.7 percent in October). The forecast for 2024 remained the same as the October outlook, at 4.8 percent.
- Drilling down into the ADB's data, the forecast for New Zealand's largest trading partner remained the same as in its October forecast, with growth in 2024 expected to be 4.5 percent. However, key to this forecast will be China's continuing struggle with deflationary pressures, which is outlined in further detail below.
- India, as noted in other forecasts, is expected to continue to maintain its status as the world's fastest major economy, with growth of 6.7 percent expected in 2024. This indicates continuing opportunities for New Zealand businesses and exporters in the wider South Asian region as India drives regional growth.
- Growth in the Pacific is expected to be somewhat subdued, with growth of 2.9 percent expected in the region [1]. Given the room for catch-up growth, this forecast is below trend and is a reflection of weakening tourism due to persistent inflation and high interest rates in many of its key target markets (including New Zealand).

# Regional updates

## Domestic

- There was a number of key economic data releases by Stats New Zealand last week. [Gross domestic product \(GDP\)](#) fell 0.3 percent in the September 2023 quarter, following a 0.5 percent rise in the June 2023 quarter. The result was weaker than many economists had expected and suggests that there is less momentum in the New Zealand economy than had been thought. GDP per capita fell by 0.9 percent during the quarter, contributing to a significant fall in New Zealanders' purchasing power. This was supported by additional data which showed New Zealand's real gross income per capita falling by the same amount.
  - [Balance of payment data](#) released last week highlighted the ongoing concern of New Zealand's current account deficit. The current account was up \$400m during the September quarter, which equates to 7.6 percent of the value of the economy. This was unchanged from the June quarter (as a percentage of the economy), and is far from what most economists would argue is sustainable over the medium-to-long term. Credit rating agencies have previously warned that New Zealand's credit rating could be under pressure if it is not addressed.
  - And finally, [New Zealand's net migration](#) hit a record high of 128,900 in the year ended October. This increase involved the arrival of around 173,400 non-New Zealand citizens while citizen departures were only 44,500. Surprisingly strong net migration has mitigated some of the decline in domestic demand in 2023.
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## Australia

- Australian Treasury released its Mid-Year Economic & Fiscal Outlook (MYEFO) last week, showing a relatively positive outlook for New Zealand's second-largest trading partner over the medium term. The MYEFO forecasts that the Australian Government's budget is in better shape than previously anticipated, with the federal government's budget deficit forecast to be A\$1.1 billion through to June 2024. This is significantly less than originally projected in the May 2023 budget, which anticipated a budget deficit of A\$13.9 billion. This sharp shift has been driven primarily by persistent strength in commodity prices and a tight labour market, which has boosted government receipts higher than originally anticipated.

- However, the MYEFO also projects that overall economic growth will slow over the next two financial years, with 1.75 percent growth over the 2023-24 fiscal year and 2.25 percent in the year following (2024-25). This below-trend growth will help drive down inflation, which the MYEFO projects will average at 2.75 percent by mid-2025.
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## Americas

- US inflation data released last week indicates that achieving the Federal Reserve's inflation target of 2 percent will be difficult. Prices in the US increased at an annual rate of 3.1 percent in November, down marginally from 3.2 percent in October (and at a monthly rate of 0.1 percent versus 0.0 percent). Headline CPI inflation in the US has bounced between 3 and 4 percent since June, which may mean that the Federal Reserve keeps its interest rates higher than originally anticipated in order to meet its inflation target.
  - However, the US Federal Reserve appears confident current policy settings will do the job of getting inflation sustainably back to target. Last week the US Fed kept the Fed funds rate unchanged as expected. But the Fed caught markets by surprise with Federal Open Market Committee (FOMC) members signalling the potential for three rate cuts in 2024. Federal Reserve Chair Jerome Powell went further in the post decision press conference and signalled that interest rates had peaked in the current interest rate hiking cycle.
  - The first week of President Javier Milei's presidency has seen significant changes undertaken in an attempt to revive the Argentine economy. Argentina has announced a sharp devaluation of its currency and cuts to energy and transportation subsidies. In announcing the measures, the new Economy Minister Luis Caputo warned the Argentine people that economic conditions would likely deteriorate in the short-term before improving. The Argentine economy has been struggling for some time with hyperinflation and significant budget deficits.
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## Europe

- On 14 December, the [European Central Bank](#) elected to keep interest rates unchanged, citing a likely temporary increase in inflation over the winter months and the need to get inflation back down to its medium-term target of 2 percent. On the latter point, the ECB's inflation forecast for 2024 was sharply revised downwards compared to its September monetary announcement. The ECB now expects inflation across the Eurozone to average 2.7 percent next year (compared to 3.2 in September).

- On 8 December, the European Union reached a provisional deal on a legal framework governing the use of artificial intelligence. According to the [EU parliament](#), the Artificial Intelligence Act aims to ensure that fundamental rights, democracy, the rule of law and environmental sustainability are protected from high risk AI. The Act will make the EU the first major world power to enact a legal framework to govern AI, and is viewed as a compromise between the European Parliament and member states such as Germany, France, and Italy, which have sought to foster innovation in this sector.
  - The northernmost Västerbotten and Norbotten regions of Sweden have become [green innovation hubs](#), attracting more NZ\$135 billion of Swedish “green transition” investments to 2040. Key sectors include wind power, batteries, steel, and rare earths. But rapid industrial and population growth has increased demand for energy and infrastructure which is causing challenges for the regional governments. This experience could be relevant to New Zealand policy makers, and may present opportunities for New Zealand businesses. Further information about this can be found in the market intelligence reports below.
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## North Asia

- On 29 October, G7 trade ministers released a joint statement outlining their commitment to strengthen cooperation to safeguard supply chains for essential items such as energy and food. The joint statement was released after talks in Japan and also criticised Russia’s “destruction of Ukrainian grain export infrastructure” and also called out (without naming countries) “actions to weaponise economic dependencies”.
  - This joint statement follows a G7 summit in Hiroshima in May of this year where participants called out states seeking to use economic coercion and committed to enhancing economic resilience by fostering mutually beneficial partnerships.
  - The Organisation for Economic Co-operation and Development released its [Agricultural policy monitoring and evaluation 2023](#). The report found that total government support to agriculture reached record levels of USD 851 billion per year during 2020-22 for the 54 countries, as governments sought to shield consumers and producers from global crises and high inflation. The report found that support remains highly concentrated in a few large producing economies, with China, India, the United States and the European Union representing 36%, 15%, 14% and 13% of total support provided, respectively.
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## South Asia

- The World Bank’s semi-annual [Indonesian economic prospects](#) report paints a cautiously optimistic forecast for one of New Zealand’s largest potential trading partners. The report projects that GDP growth will average of 4.9 percent over 2024-2026, which is down slightly from 5% this year as the commodity boom loses steam. While Indonesia is current New Zealand’s 12th largest trading partner currently, with a population of approximately 280 million, rapidly rising per-capita incomes, and a member of several regional free trade deals that include New Zealand, the country represents a key potential market for New Zealand exporters looking to expand. Further information about the current state of the Indonesian economy is outlined the market reports section below or on the [MFAT](#) and [NZTE](#) websites.
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## Middle East

- Supply chain risks from the Israel-Hamas conflict are growing. Houthi rebels in Yemen have declared any ship bound for Israel to be a “legitimate target,” and US and UK Navy vessels intercepted over a dozen attempted drone attacks on commercial ships travelling through the Red Sea over the weekend. Three of the world’s largest shipping firms, CMA CGM, Maersk and Hapag-Lloyd, have suspended passage through the Red Sea. If the conflict were to escalate, it is possible that key sea freight routes such as the Suez Canal could be disrupted, and cause shipping delays for New Zealand exporters. Shipping delays could have a domino effect of higher costs, slower processing at ports, and the need to get new paperwork for product on the water that is diverted to other markets. All of this would happen on top of existing global shipping pressures. Some sea freight from New Zealand to Europe is already experiencing delays because it transits the Panama Canal, which is operating at reduced capacity due to low water levels.
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[1] The Pacific is defined in the report as referring to the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

# 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](http://www.mfat.govt.nz/market-reports)

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