



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

8 MAY 2023

Weekly Global Economic Round-up

A MARKET INTELLIGENCE REPORT

Highlights

- New Zealand and the United Kingdom have agreed to bring forward the entry into force date of the [NZ-UK Free Trade Agreement](#) to 31 May 2023, allowing 99.5% of trade from New Zealand to enter into the UK duty free. Exporters are estimated to save \$37 million per year in tariff elimination.

Regional updates

Domestic

- Stats NZ reported that unemployment was unchanged at 3.4% in the March quarter, continuing [record numbers of New Zealanders in paid work](#). New Zealand's current unemployment rates are lower than Australia, UK, USA and Canada (and the OECD average of 4.8%). [Wages are outpacing inflation](#) in the latest quarter, [rising 7.6%](#), ahead of inflation at 6.7%.
- The Clean Car programme has exceeded government and industry projections as 20% of all new passenger car sales were electric in 2022 (an increase from 8 % in 2021). This saw New Zealand achieve one of the fastest uptakes of electric vehicles in the world. The programme is on track to exceed original estimated emissions savings by 230% by 2025.
- Despite rising debt servicing costs, the Reserve Bank of New Zealand – Te Putea is [reporting](#) that most households still have substantive equity buffers and early-stage arrears have returned to pre-pandemic levels. For households with a mortgage, the share of disposable income required to service the interest component of their mortgage debt is expected to more than double from its recent low of 9% to around 22 by the end of this year. Read the most recent [Financial Stability Report](#).

- The Cyclone Recovery Minister Grant Robertson has outlined the [three risk categorisations of property](#) in areas affected by Cyclone Gabrielle. Properties assessed to be in the high risk category should not be rebuilt on their current sites due to the unacceptable risk of future flooding and loss of life.
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Global

- Agriculture Minister Damien O'Connor [will travel to Washington DC](#) tomorrow to speak at the Agriculture Innovation Mission for Climate Summit being held from 8 – 10 May 2023. The Government has invested more than \$380 million over four years for the reduction of agricultural emissions, seeing early investment in equipment and infrastructure to measure emissions, funding for climate researchers, and the development of methane inhibitor technology. The Agriculture Innovation Mission for Climate Summit is an opportunity for New Zealand to share the work that we are already doing internationally, and to identify opportunities to collaborate on the work that lies ahead.
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Australia

- The Albanese government will deliver its first full budget on Tuesday 9 May. Against the backdrop of a cost of living crisis, record debt levels and a challenging economic outlook, the government will be looking to move beyond election promises (largely funded in the October mini-budget) and begin setting out their longer term social and economic priorities. Treasurer Jim Chalmers has said that the budget will be defined by “three R’s”: Relief from cost of living pressures through targeted support; Repair to supply side constraints, focused on domestic manufacturing and international connectedness; and Restraint in fiscal expenditure.
 - While booming commodity prices and the strength of the Australian labour market have raised the possibility of the first budget surplus in 15 years, debt levels remain at record levels (just below 40% of GDP at \$894 billion). The government has said they remain committed to delivering the “stage three” Morrison-era tax cuts due to come in from July next year at a cost of AUD \$254 billion.
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Asia

- After a four-year freeze, [Hong Kong’s minimum wage has increased](#) by 2.50 Hong Kong dollars (NZ\$0.52) to 40 Hong Kong dollars (NZ\$8.25) per hour, a rise of 6.25%.
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Europe

- France, Italy and the Netherlands have experienced [Labour Day protests](#) against government policies. France has seen nationwide protests against the recent pension reforms to raise the age of eligibility from 62 to 64, and requiring people to work 43 years to receive a full pension. The Italian government announced roll backs on anti-poverty subsidies on 1 May, while labour unions continued to protest for wage increases and tax reforms. In the Netherlands, labour unions are also protesting to demand higher wages.
 - The EU's most recent climate legislation brings the maritime and aviation sectors into the EU Emissions Trading Scheme (ETS), establishes a Social Climate Fund to balance the cost of emissions with the cost of living, and creates a second ETS for difficult-to-decarbonise sectors.
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Americas

- The United States has taken a critical step toward meeting its emissions targets in the transport sector with the Environmental Protection Agency (EPA) proposing stricter emissions standards for passenger cars and light trucks. The proposed rules represent some of the most ambitious climate action taken by the Biden administration. The US automotive industry is already reorienting manufacturing to EVs, in part in response to incentives introduced under the Inflation Reduction Act. Some EU based automotive manufacturers have also expressed an interest in expanding operations in the US due to the incentives available.
 - United States Treasury Secretary Janet Yellen has [warned](#) that the federal government could hit its spending limit by 1 June if Congress does not agree to raise or suspend the debt ceiling. Raising the US spending limit is a generally a routine procedure, but one that has become increasingly contentious in recent years. Republicans in Congress are pushing for cuts to government spending in exchange for their support. President Biden has indicated he will not negotiate over the debt ceiling increase, but will discuss budget cuts after a new limit is passed. Congressional leaders are expected to meet with the President next week for further discussions
 - After almost two weeks of deadlock, Canada has reached [an agreement with striking federal workers](#). Negotiations have reportedly settled on a 12.6% wage increase over the four-year contract period (2021-2024). A third of Canada's public workers – around 155,000 people – began striking on April 19, with demands for cost-of-living raises and telework flexibility.
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Pacific

- Solomon Airlines is scheduling a weekly service to Auckland via Port Vila from 5 June. Under a newly announced arrangement with Air Vanuatu, an A320 will fly Honiara-Vila-Auckland on Mondays and return on Tuesdays. This will be the first scheduled Solomon Airlines flight into New Zealand in many years. It will potentially make the movement of RSE workers to and from New Zealand easier and cheaper, and also – Tourism Solomon Islands hopes – to build back to at least the pre-COVID number of 2000 New Zealand visitors per year into Solomon Islands.
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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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