

FOCUS ON INTERNATIONAL TRADE

NEW ZEALAND

THE DOMINION OF NEW ZEALAND TODAY

LOCATION	The Dominion of New Zealand lies in the South Pacific Ocean, about 1,750 (1,100 miles) southeast of Australia. It consists of North Island and South Island, separated by the narrow Cook Strait, and several smaller islands, including Stewart Island (or Rakiura) in the south.
SIZE	270,534 Sq. K.M. (104,454 Sq Miles). Note: Includes Antipodes Islands, Auckland Islands, Bounty Islands, Campbell Island, Chatham Islands, and Kermadec Islands.
GEOGRAPHIC COORDINATES	41 ^o south of the Equator and 174 ^o east of the Prime Meridian.
GEOGRAPHY NOTE	About 80% of the population lives in cities; Wellington is the southernmost national capital in the world.
LAND BOUNDARIES	0 km
LAND USE	Arable land: 5.54%, permanent crops: 6.92% and other: 87.54%.
IRRIGATED LAND	2,850 sq. km.
POPULATION	5,053,004 estimated for July 2022.
POPULATION DENSITY	18.68 per sq. km. estimated for 2022.
POPULATION GROWTH RATE	1.17 estimated for 2022.
LIFE EXPECTANCY	Total population: 82.54 years; male: 80.78 years and female: 84.39 years estimated for 2022.
BIRTH RATE	12.78 births/1,000 populations estimated for 2022.
DEATH RATE	6.89 deaths/1,000 populations estimated for 2022.
LITERACY	Total population:99%; male: 99% and female: 99%.
CAPITAL CITY	WELLINGTON
OTHER LARGE CITIES	Auckland, Christchurch, Dunedin, Gisborne, Hamilton, Hastings and Napier, Invercargill, Nelson, New Plymouth, Palmerston North, Rotorua, Tauranga, Wanganui and Whangarei etc.
RELIGION	No direct state aid is given to any form of religion. For the Church of England the country is divided into seven dioceses, with a separate bishopric (Aotearoa) for the Maori. The Presbyterian Church is divided into 23 presbyteries and the Maori Synod. The Moderator is elected annually. The Methodist Church is divided into ten districts; the President is elected annually. The Roman Catholic Church is divided into four dioceses, with the Archbishop of Wellington as Metropolitan Archbishop.
LANGUAGE	The official language is English, but the indigenous Maori inhabitants (an estimated 14.1% of the total population at the census of March 2001) also use their own language.
CLIMATE	The climate is temperate and moist, with an average temperature of 12 ^o C (52 ^o F), except in the far north, where higher temperatures are reached.
INTERNATIONAL RELATIONS	New Zealand is a member of the UN, WTO, the Commonwealth, OECD, Asian Development Bank, the Pacific Community, the Pacific Community, the Pacific Islands Forum, Colombo Plan, APEC and the Antarctic Treaty.
CURRENCY	The unit of currency is the New Zealand dollar (NZD).

NATIONAL ECONOMY

New Zealand has reached a strong cyclical position as a result of successful management of the pandemic and significant policy support. Strong public health policies and border controls helped contain the COVID-19 waves in 2020 and 2021, and high vaccination rates have allowed a shift to a living-with-COVID strategy during the current Omicron wave. The economy rebounded strongly in 2021, growing 5.6 percent, aided by significant fiscal support and accommodative monetary policy. As a result, the labor market tightened significantly, with historically low unemployment and rising wage pressures in the face of labor shortages, exacerbated by border closures. Inflation has risen significantly above the Reserve Bank of New Zealand's (RBNZ) target range, driven by higher food and energy costs, supply chain disruptions, surging house prices, and rising wages. Record low mortgage rates, easy credit availability, and COVID-related pent-up demand in the face of inelastic supply, boosted house prices significantly, which in turn has rapidly reduced housing affordability.

Economic growth is set to slow to about 2.7 percent in 2022, reflecting withdrawal of COVID-19 related policy support, the global economic slowdown, and temporary setbacks from the ongoing COVID wave. The housing market has turned, and house prices are expected to continue slowing as interest rates increase, credit conditions tighten, and supply improves. The unemployment rate will likely remain very low given labor shortages, with a further pickup expected in wage growth. High commodity prices due to the war in Ukraine, persistent supply chain disruptions, and New Zealand's tight labor market will likely contribute to inflation staying above the RBNZ's target range in 2022-23.

Downside risks dominate in the near and medium term. Near-term risks to the outlook include further outbreaks of COVID-19 variants and an intensification of geopolitical tensions, which could adversely affect economic activity, add to global supply chain disruptions, and push inflation higher. Slower-than-expected growth in China is a risk to New Zealand given strong trading links. The housing market also constitutes a risk in view of borrowers' vulnerability to rising mortgage rates, high household debt, and banks' exposure to housing.

Executive Board Assessment

In concluding the 2022 Article IV consultation with New Zealand, Executive Directors endorsed the staff's appraisal, as follows:

New Zealand managed the transition to living with COVID well. Strong health and economic policies supported quick recovery from lockdowns in 2021. Following a slow start, swift progress in the vaccination campaign has offered a pathway to a new normal. The expected border reopening will provide an additional economic boost to the tourism and education sectors. Still, economic growth is expected to moderate this year, reflecting policy tightening, global spillovers, and the ongoing Omicron wave. Amid commodity price pressures related to the war in Ukraine, continued supply chain disruptions, and a tight labor market, inflation is expected to remain high and stay well above the RBNZ's target range this year. Overall, the outlook remains highly uncertain, contingent on the trajectory of the pandemic and geopolitical developments.

The path of macroeconomic policy normalization needs to be calibrated to evolving economic conditions. With output above potential and stronger-than-expected inflation, the authorities are appropriately withdrawing fiscal and monetary support. Under baseline expectations for growth and inflation, the pace of planned policy support withdrawal is adequate. That said, the pace should be adjusted nimbly in case upside or downside risks materialize.

Fiscal policy should remain agile amid continued uncertainty . While the scheduled tightening of fiscal policy is appropriate, the authorities should calibrate the fiscal stance on the evolution of the pandemic and economic conditions, providing additional, targeted support where needed in case of renewed, COVID-related disruptions. Fiscal policy should also focus on promoting long-term growth while addressing emerging structural

issues. As uncertainty related to the pandemic recedes, the authorities should update their fiscal targets, which were suspended during the pandemic, to provide an anchor for fiscal policy and manage long-term spending pressures.

Monetary policy should remain data dependent, and continued, swift policy normalization will be appropriate under baseline conditions . Given New Zealand’s cyclical position, continued, significant increases in the OCR in the near term would signal the RBNZ’s commitment to addressing inflation. In the event downside risks to growth materialize, more gradual tightening, coupled with a pause in reducing the RBNZ’s balance sheet, can be considered, but elevated inflation suggests that room for additional monetary stimulus is limited.

Raising bank capital requirements and enlarging the MPM toolkit will help the system weather future shocks. Higher bank capital requirements will help insulate the banking system from future shocks, though the impact on lending rates should be monitored. The DTB is a step forward in adopting international good practices to strengthen financial regulation and supervision and enhance depositor protection, and opportunities for further strengthening the proposed law should be seized, including by addressing remaining FSAP recommendations.

Continued focus is needed on addressing housing imbalances. The macroprudential measures implemented last year should be maintained, and work to expand the macroprudential toolkit is appropriate. Increasing the stock of social housing remains important in the near term as a durable solution to housing affordability is achieved over time by addressing supply constraints.

The external position is broadly consistent with economic fundamentals and desired policy settings. The assessment is subject to large uncertainty and assumes that the extraordinary impact of COVID-19 on the tourism and transportation sectors is temporary.

Stronger efforts are needed to meet GHG emissions goals. The recent rise in carbon prices is welcome, and the forthcoming Emissions Reduction Plan is an opportunity to further strengthen the price-based mechanism and lay out complementary policies. The planned introduction of prices on agricultural emissions will be important to include the largest emissions source in New Zealand’s climate mitigation efforts, incentivizing the adoption of new technologies and methods to lower emissions. Proceeds of higher carbon prices should be used to invest in emissions reduction and to compensate those adversely affected by carbon price increases, particularly vulnerable groups.

Structural policies should promote durable and inclusive growth . The authorities should promote innovation and digitalization, and tax reforms would support long-term growth. Infrastructure spending should aim at reducing the infrastructure gap and supporting the transition to a net zero carbon growth path. Unemployment insurance should be calibrated carefully to address trade-offs between insurance and disincentives, and minimum wage increases should be aligned with underlying labor productivity growth.

Table 1. Main Economic Indicators, 2017-2027

(Annual percent change, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
						Projections					
NATIONAL ACCOUNTS											
Real GDP (production)	3.5	3.4	2.9	-2.1	5.6	2.7	2.6	1.9	1.7	2.4	2.3
Real GDP (expenditure)	4.0	4.3	3.3	-0.9	5.0	1.9	2.6	1.9	1.6	2.4	2.2
Domestic demand	5.2	5.2	3.2	-1.9	9.6	3.8	1.3	2.4	2.3	2.0	2.1
Private consumption	5.5	4.6	3.2	-1.2	6.6	2.6	2.6	3.7	2.7	2.4	2.4
Public consumption	3.5	3.3	5.1	6.8	10.4	7.9	-1.4	-0.2	1.3	0.4	0.2
Investment	5.5	8.0	2.4	-10.1	16.6	0.7	0.5	1.5	2.1	2.4	2.9
Public	7.4	2.2	2.0	-6.8	6.9	-0.9	0.6	3.0	4.4	4.7	4.8

Revenue	37.4	36.8	37.8	36.1	37.7	37.1	37.3	37.4	37.3	37.4	37.4
Expenditure	36.1	35.5	36.6	42.2	39.6	44.9	39.5	38.8	38.2	37.4	37.3
Net lending/borrowing	1.3	1.3	1.2	-6.1	-1.9	-7.7	-2.2	-1.4	-0.9	0.0	0.1
Operating balance	2.9	3.2	3.2	-4.3	-0.3	-5.1	0.6	1.7	1.9	2.3	2.4
Cyclically adjusted balance 2/	1.3	1.0	0.9	-4.8	-2.4	-7.5	-2.2	-1.8	-0.2	0.1	0.6
Gross debt	32.5	30.0	26.2	38.4	45.9	51.5	51.3	51.9	49.3	47.7	45.0
Net debt	6.0	5.2	4.3	9.6	10.4	19.2	20.8	22.1	20.3	19.3	16.8
Net worth	88.2	91.4	93.2	83.6	92.0	80.5	77.3	77.0	76.8	78.4	80.3
BALANCE OF PAYMENTS											
Current account (percent of GDP)	-2.8	-4.0	-2.9	-0.8	-5.8	-6.5	-5.3	-4.2	-4.2	-4.2	-4.3
Export volume	2.7	3.2	2.4	-12.9	-2.5	7.3	9.1	6.4	6.0	5.7	5.7
Import volume	7.3	6.4	2.1	-15.9	15.4	12.6	3.1	6.8	6.8	3.7	4.4
Net international investment position (percent of GDP)	-52.3	-56.2	-53.6	-55.6	-46.1	-49.2	-51.4	-53.0	-54.9	-56.3	-58.1
Gross official reserves (bn US\$)	20.3	17.6	17.0	13.0	...	...	...	...	...	...	...
MEMORANDUM ITEMS											
Nominal GDP (bn NZ\$)	286	303	320	324	350	377	403	425	444	468	490
Percent change	7.4	5.7	5.8	1.3	8.0	7.8	6.8	5.4	4.7	5.3	4.8
Nominal GDP per capita (US\$)	42,271	42,767	42,321	41,418	48,413	49,835	52,957	54,996	56,324	58,227	60,042
Real gross national disposable income per capita (NZ\$)	51,235	52,213	53,601	52,710	54,387	55,769	56,572	57,879	58,463	58,813	59,135
Percent change	2.3	1.9	2.7	-1.7	3.2	2.5	1.4	2.3	1.0	0.6	0.5
Population (million)	4.8	4.9	5.0	5.1	5.1	5.2	5.2	5.3	5.4	5.4	5.5
US\$/NZ\$ (average level)	0.711	0.693	0.659	0.650	...	...	...	...	...	...	...
Nominal effective exchange rate	111.1	106.8	105.2	103.8	...	...	...	...	...	...	...
Real effective exchange rate	107.4	102.9	101.4	100.6	...	...	...	...	...	...	...

Sources: Authorities' data and IMF staff estimates and projections.

1/ Fiscal year.

2/ In percent of potential GDP.

"NATIONAL ECONOMY" IS BASED ON IMF EXECUTIVE BOARD CONCLUDES 2022 ARTICLE IV CONSULTATION WITH NEW ZEALAND MAY 13, 2022.

FOREIGN TRADE

New Zealand's total exports in 2016 were of the order of US\$ 33,740 million. It increased to US\$ 38,897 million in 2020. Exports during the period from 2016 to 2020, in terms of percentage, grew highest (12.81%) in 2017 and fell maximum (-1.57%) in 2020 in comparison with 2016 and 2019 respectively. The annual average compound rate of growth worked out at 3.62%.

Imports, on the other hand, were of the order of US\$ 37,135 million in 2020 while in 2016 it was US\$ 36,063 million. Imports during the period from 2016 to 2020, in terms of percentage, grew highest (11.23%) in 2017 and fell maximum (-12.34%) in 2020 as compared to 2016 and 2019 respectively. The annual average compound growth rate worked out at 0.74%.

Volume of trade registered an annual average (compound) growth rate of 2.16% from US\$ 69,803 million in 2016 to US\$ 76,032 million in 2020.

New Zealand faced a deficit balance of trade payment during the year 2016 to 2019 of the said period.

New Zealand's export and import, volume and balance of trade between 2016 and 2020 along with their growth rates are given in **Table-I**.

BILATERAL TRADE WITH INDIA

Indo-New Zealand bilateral trade in 2016-17 was of the order of Rs. 5,469.18 crores. It increased to Rs. 6,430.75 in 2020-21. The annual compound growth rate of volume of trade during the period from 2016-17 to 2020-21 was 4.13%. India faced a deficit balance of trade during the said period (**see table II**). The average annual compound growth rates of exports and imports worked out at 14.63% and -4.36% respectively.

India's exports to, and imports from New Zealand of Merchandised Goods between 2016-17 and 2020-21 along with their growth rates are presented in **Table II**.

India's top ten merchandise goods exported to and imported from New Zealand, during the period from 2016-17 to 2020-21 along with their growth rates are depicted in **Table III & IV** respectively.

SOME IMPORTANT LINKS

**High Commission of India,
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General/Consular Service: 00-64-4-473 6390

Trade Enquiry: 00-64-4-473 0162 (Only for Trade Matters)

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Names and addresses of the organizations engaged in foreign trade in New Zealand are:-

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mcoc@clear.net.nz

URL: <http://marlborough.net.nz/chamber>

Auckland Chamber of Commerce
100, Mayoral Drive, Level 3
P. O. Box 47
AUCKLAND

Tel: (00649) 3096100

Fax: (00649) 3090081

Email: int@chamber.co.nz

URL: <http://www.b-vital.com>

Canterbury Employers' Chamber of Commerce

57, Kilmore Street

P. O. Box 359

CHRISTCHURCH 8015

Tel: (00643) 3665096

Fax: (00643) 3665454

Email: info@cecc.org.nz

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Marlborough Chamber of Commerce

22 Scott Street, Suite

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BLLENHEIM

Tel: (00643) 5777347

Source: The Statesman Year Book, the Europa World Year Book,
Monthly Bulletin on Statistics UN Publication, IMF, World Bank.org, BBC News,
the World Fact Book, World Development Indicator, MEA,
High Commission of India in New Zealand and D.G.C.I & S etc.

"NOTICE"

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TABLE - I

NEW ZEALAND'S TOTAL EXPORTS AND IMPORTS, VOLUME AND BALANCE OF TRADE BETWEEN 2016 TO 2020.

(Figures in US MILLION DOLLARS)

<i>Year</i>	<i>Exports</i>	<i>Percentage Growth in Exports</i>	<i>Import</i>	<i>Percentage Growth in Imports</i>	<i>Volume of Trade</i>	<i>Percentage Growth in Vol. of Trade</i>	<i>Balance of Trade</i>
2016	33740		36063		69,803		-2323
2017	38062	12.81	40114	11.23	78,176	12.00	-2052
2018	39673	4.23	43790	9.16	83,463	6.76	-4117
2019	39516	-0.40	42362	-3.26	81,878	-1.90	-2846
2020	38897	-1.57	37135	-12.34	76,032	-7.14	1762

**Annual
Compound
Growth
Rate**

3.62

0.74

2.16

NOTE : Figures relate to calendar year, January to December.

SOURCE : *UN COMTRADE PUBLICATION*

TABLE - II**INDIA'S EXPORT TO AND IMPORT FROM NEW ZEALAND MERCHANDISE****GOODS DURING 2016-2017 TO 2020-2021****(Value in Rs. CRORES)**

Year	Exports	Percentage Growth in Exports	Import	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2016-17	2083.93		3385.25		5469.18		-1301.32
2017-18	2252.33	8.08	4151.78	22.64	6404.11	17.09	-1899.45
2018-19	2661.02	18.15	4403.09	6.05	7064.11	10.31	-1742.07
2019-20	2682.16	0.79	3693.81	-16.11	6375.97	-9.74	-1011.65
2020-21	3598.71	34.17	2832.04	-23.33	6430.75	0.86	766.67
Annual Compound Growth Rate	14.63		-4.36		4.13		

NOTE : Figures relate to Financial Year April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics,
Ministry of Commerce & Industry, Kolkata 700 107.

TABLE -III
INDIA'S MAJOR MERCHANDISE EXPORT TO NEW ZEALAND
2016-2017 TO 2020-2021 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2016-17	2017-18	2018-19	2019-20	2020-21	17-18 over 2016-17	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20
1	Electric Machinery And Equipments	37.63	93.24	87.36	78.78	469.70	147.78	-6.31	-9.82	496.22
	Share in total export	1.81	4.14	3.28	2.94	13.05				
2	Drugs Formulations, Biologicals	247.73	238.46	236.21	258.82	342.69	-3.74	-0.94	9.57	32.40
	Share in total export	11.89	10.59	8.88	9.65	9.52				
3	Cotton Fabrics, Madeups Etc.	89.83	128.73	170.34	172.57	215.22	43.30	32.32	1.31	24.71
	Share in total export	4.31	5.72	6.40	6.43	5.98				
4	Motor Vehicles/Cars	87.60	102.76	140.37	122.07	201.83	17.31	36.60	-13.04	65.34
	Share in total export	4.20	4.56	5.28	4.55	5.61				
5	Sugar	2.08	2.50	2.31	2.28	164.68	20.19	-7.60	-1.30	7122.81
	Share in total export	0.10	0.11	0.09	0.09	4.58				
6	RMG Cotton Including Accessories	78.65	87.61	97.83	119.01	140.20	11.39	11.67	21.65	17.81
	Share in total export	3.77	3.89	3.68	4.44	3.90				
7	Manmade Yarn, Fabrics, Madeups	51.90	71.29	109.08	112.30	90.42	37.36	53.01	2.95	-19.48
	Share in total export	2.49	3.17	4.10	4.19	2.51				
8	Perls, Precs., Semi-Prces Stones	79.50	93.22	73.41	71.86	90.18	17.26	-21.25	-2.11	25.49
	Share in total export	3.81	4.14	2.76	2.68	2.51				
9	Products Of Iron & Steel	47.54	54.66	68.49	79.76	88.62	14.98	25.30	16.45	11.11
	Share in total export	2.28	2.43	2.57	2.97	2.46				
10	Spices	40.32	48.62	56.59	52.75	76.74	20.59	16.39	-6.79	45.48
	Share in total export	1.93	2.16	2.13	1.97	2.13				
	Total export to NEW ZEALAND	2083.93	2252.33	2661.02	2682.16	3598.71	8.08	18.15	0.79	34.17

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.

TABLE -IV
INDIA'S MAJOR MERCHANDISE IMPORT FROM NEW ZEALAND
2016-2017 TO 2020-2021 AND THEIR GROWTH RATES

(Value in Rs. CRORES)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2016-17	2017-18	2018-19	2019-20	2020-21	17-18 over 2016-17	18-19 over 2017-18	19-20 over 2018-19	20-21 over 2019-20
1	Wood & Wood Products	1355.38	1709.92	1720.98	1257.76	407.48	26.16	0.65	-26.92	-67.60
	Share in total imports	40.04	41.19	39.09	34.05	14.39				
2	Fresh Fruits	197.38	143.61	350.50	222.32	286.29	-27.24	144.06	-36.57	28.77
	Share in total imports	5.83	3.46	7.96	6.02	10.11				
3	Iron And Steel	138.13	191.78	190.82	239.38	259.33	38.84	-0.50	25.45	8.33
	Share in total imports.	4.08	4.62	4.33	6.48	9.16				
4	Eelctric Machinery And Eqpmnt.	5.43	6.49	6.82	3.15	246.91	19.52	5.08	-53.81	7738.41
	Share in total import	0.16	0.16	0.15	0.09	8.72				
5	Pulp And Waste Paper	159.16	216.89	347.01	299.45	240.88	36.27	59.99	-13.71	-19.56
	Share in total import	4.70	5.22	7.88	8.11	8.51				
6	Coal, Coke And Briquittes	442.94	754.34	588.89	437.68	192.27	70.30	-21.93	-25.68	-56.07
	Share in total import	13.08	18.17	13.37	11.85	6.79				
7	Wool, Raw	194.53	172.12	154.56	174.46	187.70	-11.52	-10.20	12.88	7.59
	Share in total import	5.75	4.15	3.51	4.72	6.63				
8	Aluminium, Products Of Almmn.	128.21	195.70	195.84	178.08	176.35	52.64	0.07	-9.07	-0.97
	Share in total import	3.79	4.71	4.45	4.82	6.23				
9	Medical And Scientific Instrument	25.92	43.99	50.34	73.05	156.82	69.71	14.44	45.11	114.67
	Share in total import	0.77	1.06	1.14	1.98	5.54				
10	Paper Paper Board & Products	113.50	94.93	99.51	121.79	80.24	-16.36	4.82	22.39	-34.12
	Share in total import	3.35	2.29	2.26	3.30	2.83				
	Total import from NEW ZEALAND	3385.25	4151.78	4403.09	3693.81	2832.04	22.64	6.05	-16.11	-23.33

NOTE : Figures relate to Financial Year, April to March.

SOURCE : Directorate General of Commercial Intelligence & Statistics, Ministry of Commerce & Industry, Kolkata : 700 107.