**[NZ economy grew by 14% in 3rd quarter of 2020](https://www.rnz.co.nz/news/business/433040/gdp-figures-show-economy-rebounds-from-recession)**

After contracting more than 12% in the previous quarter, the NZ economy grew at a record 14% in the three months ended September. Finance minister Grant Robertson said the economy was “expected to rebound strongly in 2021, in line with countries we compare ourselves to, like Australia and the United States, and outperforming the United Kingdom and Japan relative to these countries’ 2019 starting point.” On an annual average basis GDP fell 2.2% in the year ended September 2020.

[**Unemployment level dropped to 4.9% in December quarter**](https://www.rnz.co.nz/news/business/435558/unemployment-figures-expected-to-be-higher-in-december-quarter)

The unemployment rate in the last quarter of 2020 fell to 4.9%, from 5.3% in the previous quarter. Market expectations had been for a rise to 5.6%. Statistics NZ said “overall employment has increased since last year, but not all industries have fared evenly in that time, with construction up and tourism-related industries down”. Of the 17,000 jobs gained during the final quarter of last year, over 13,000 were in the construction industry. At the start of the pandemic in March 2020, and following the country’s Covid-19 lockdowns, forecasts were that unemployment could reach as high as 10 or 11% and only slowly recover. NZ’s current unemployment rate is ahead of most developed economies, with Australia and the US at 6.8%, and the average for OECD members being 6.9%. Along with the unexpected positive results of the unemployment rate, some banks such as ANZ have stated they forecast the RBNZ will not cut the OCR any further.

**Shipping costs double or even triple in constrained supply chain**

According to the New Zealand Shipping Gazette (No. 4/21, 6 February 2021), the impacts of the ongoing pandemic caused shipping costs to and from New Zealand to soar to two or even three times the usual costs before the Covid-19. The Gazette refers to a survey made by the Employers and Manufacturers Association (EMA). Respondents mentioned a range of extra costs that added to the usual fees in the magnitude of thousands of NZ dollars per container, e.g. congestion charge and relocation charge due to the overload of certain sea ports, retention charge on containers. The impacts of freight disruptions and the effects on costs are particularly strong on shipping into New Zealand, but exporters are not immune, either.

[**Reserve Bank re-imposes property buying rules**](https://www.rnz.co.nz/news/business/436047/reserve-bank-to-reimpose-lvrs-for-first-home-buyers-property-investors-from-1-march)

The Reserve Bank of NZ has confirmed it will re-impose loan to value ratios (LVRs) for property buying loans. From 1 March 2021 owner-occupiers will need a 20% deposit to buy a home, while property investors will need 30%. The level for investors increases to 40% in May. The move comes amid record house prices nationwide, which grew 13% last year despite the Covid-19 pandemic. The average national house price is now at NZ$815,898. But the RBNZ has said its concerns are more for the health of the country’s banking system than aimed at cooling the housing market or bringing down house prices. “We have witnessed a rapid acceleration in the housing market, with new records being set for the national median price” RBNZ Deputy Governor Geoff Bascand said. "We are now concerned about the risk a sharp correction in the housing market poses for financial stability”.

[**Investor confidence continues to improve a year after the COVID-19 pandemic hit the country**](https://www.nzadviseronline.co.nz/news/investor-confidence-continues-to-recover--asb-275376.aspx)

The re-bouncing economy, low interest rates, the red-hot housing market, and impressive market recovery positively influence sentiment about investment returns over the coming year, according to [ASB](https://www.nzadviseronline.co.nz/tools/companies/asb/232230/). The latest ASB Investor Confidence Survey in early February revealed that investor confidence has finally entered the positive territory. The nett investor confidence (the difference between those that think investment returns will improve versus worsen in the coming year) has increased from -11% in Q3 to +2% for the three months to December following an increase in the previous quarter from a survey low of -25% in Q2. It also revealed that a record 25% of respondents ranked the family home as providing the best investment return. Financial markets are performing well, and that’s having a positive impact on investments like KiwiSaver and managed funds, as well as direct investments in the sharemarket.

[**NZ and China upgrade free trade agreement**](https://www.rnz.co.nz/news/political/435211/new-zealand-and-china-upgrade-free-trade-agreement)

New Zealand and China have signed the Protocol that upgrades the free trade agreement in force between the two countries since 2008. Trade and export growth minister Damien O'Connor said that the upgrade is part of the Government's Trade Recovery Strategy, in response to the economic shock of Covid-19. Environmental considerations have been included in the upgrade – meaning both countries have committed to ensuring environmental standards aren't lowered for a trade or investment advantage or used for trade protectionist purposes. The upgrade will also ensure most of NZ's NZ$3 billion wood and paper trade to China will become tariff-free over a ten-year period. All tariffs in dairy are set to be eliminated within one year for most products, and three years for milk powder. The upgrade also aims to simplify export procedures, therefore reduce compliance costs, especially for red meat exports. To come into force, the agreement will have to undergo both country’s respective domestic ratification process.