**[Annual GDP declined 2.9% in 2020](https://www.stats.govt.nz/information-releases/gross-domestic-product-december-2020-quarter)**

Following an unprecedented quarter to quarter jump of 13.9% in the 3rd quarter, the economy showed a mild backdrop again in the last quarter of 2020 with GDP dropping 1%. This means that New Zealand’s annual GDP shrank by 2.9% in the 2020 calendar year. Total annual GDP at current prices was approximately NZ$322 billion. GDP per capita declined by 4.9% in the year.

[**S&P upgrades New Zealand’s ratings**](https://businessdesk.co.nz/article/economy/nz-is-aa-sp-lifts-rating-for-first-time-in-nearly-10-years)

S&P Global Ratings upgraded NZ’s ratings for the first time in nearly a decade as COVID-19 risk moderates and clear signs of recovery are shown. Foreign currency sovereign rating was raised from AA to AA+ (with stable outlook), and local currency sovereign rating from AA+ to AAA (also with stable outlook). S&P praised the country’s handling of the pandemic in their review, saying NZ is recovering quicker than many advanced economies because it has been able to contain the spread of Covid-19 better than most others. Shortly after the announcement, the kiwi dollar rose. The move marks the first change to New Zealand’s ratings since September 2011. It is also the first rating upgrade S&P has done on any sovereign globally since the pandemic. Fitch and Moody’s rate New Zealand at AA+ and AAA, respectively.

[**Government deficit less than expected**](https://www.rnz.co.nz/news/business/437632/government-s-deficit-of-4-point-4b-3b-less-than-forecast)

A strong tax take and surprise repayments of the Covid-19 wage subsidy scheme have helped strengthen the Government's finances. Official figures show a deficit of $4.4 billion for the seven months ended January 2021, nearly $3 billion less than forecast. Treasury said the unexpected outcome was because of an “improvement in economic conditions, in particular, stronger domestic spending, higher profitability and better labour market conditions than forecast”. The economic rebound boosted the national tax take by $1.9 billion. The Government's expenses were also about $500 million lower than forecast, in part because a higher amount of wage subsidies were repaid. (Following the end of the [COVID-19 Wage Subsidy Extension](https://www.workandincome.govt.nz/covid-19/wage-subsidy-extension/repayments.html), many businesses were required to repay certain sums from the wage subsidy for various reasons: some no longer met the criteria of retaining and paying their employees; some had received insurance for the same costs covered by the Wage Subsidy Extension; and some provided false or misleading information when applying for the subsidy.) Net debt was lower than expected at $100.4b, equating to 31.3 percent of the economy’s value.

[**The New Zealand Government´s Trade Recovery Strategy**](https://www.mfat.govt.nz/en/trade/trade-recovery-strategy/trade-recovery-strategy-overview/)

The New Zealand government announced last year ([June 2020](https://www.beehive.govt.nz/speech/trade-strategy-recovery-impacts-covid-19)) that it was creating and implementing a trade recovery strategy. This strategy has three pillars: retooling support for exporters, reinvigorating international trade architecture and refreshing key trade relationships. These are being implemented by New Zealand Trade and Enterprise (NZTE) through increased international presence in key locations, including the European NZTE offices in London, Berlin, Paris and the Netherlands. There will be an additional $216 million NZD over four years allocated to NZTE to assist an increased amount of exporters (double the amount from 700 high growth firms to 1400). Focus areas include: maintaining and reinforcing the rules based system that international institutions provide (primarily the WTO); readdressing key trading partnerships with updated FTAs; and creating new ones with the UK and the EU. The entire Trade Recovery Strategy is underpinned by the Trade for All policy that aims to include the public´s voice and concerns during the negotiation process of FTAs.

[**Reserve Bank of New Zealand to include house prices in policy decisions**](https://www.rnz.co.nz/news/political/437128/reserve-bank-must-consider-impact-on-housing-of-its-policy-decisions-robertson-says)

Finance Minister Grant Robertson has changed the RBNZ’s remit so it must incorporate Government policy on house prices when making monetary decisions. The Reserve Bank “retains autonomy over whether and how its decisions take account of potential housing consequences”, Robertson said. “But it will need to explain regularly how it has sought to assess the impacts on housing outcomes”. The RBNZ has also been directed to consider housing costs when it comes to financial policies. Explaining the decision, Robertson said “we know the rapid increases we have seen in recent months are not sustainable, which has meant many first-home buyers are struggling to access the market”. The Reserve Bank said it was supportive of the changes.