

NEW ZEALAND
FEBRUARY 2007

CREDIT GUARANTEE COUNTRY PROFILE:

IES/02: ATTACHMENT N

Country Rating	S/T Business Cycle Indicator	S/T Political Indicator	Debt Recovery
1A	→	→	Debt recovery may be pursued either utilising the legal system or a good collection agent.

Credit Guarantee Experience

We remain open for cover without any restriction in this market where we have a reasonable exposure and favourable experience.

Recent Political Highlights

- ❑ Head of state is Queen Elizabeth II, represented by Governor-general Anand Satyanand; the monarch appoints the Governor-general. Following legislative elections, the Governor-general usually appoints the leader of the majority party or coalition prime minister. Elections are held every three years with the next elections to be held no later than 15 November 2008.
- ❑ New Zealand said it will maintain the sanctions that it imposed on Fiji following a bloodless coup in December when the Fiji military overthrew Qarase's government. The statement came after threats from coup leader Voreqe Bainimarama that New Zealand's exports to Fiji could be put at risk because a senior official from his new government was denied entry into New Zealand.

Recent Economic Trends

- ❑ The population of New Zealand is estimated at 4.1m with an annual growth rate of 1% in 2006.
- ❑ Agriculture is the economic mainstay, but manufacturing and tourism are important. The country is heavily dependent on trade particularly on agricultural products, leaving New Zealand vulnerable to slumps in commodity prices and global economic slowdowns.
- ❑ International arrivals grew 1.6% in 2006 to 2,421,561. The government and tourism industry are in the process of updating a highly successful tourism strategy to adapt to a changing world market and such a strong overall result will act as a real confidence booster.
- ❑ Consumer and government spending have driven growth in the economy's productive capacity. Consequently, much of the increase in domestic demand was met by imports.
- ❑ The Reserve Bank of New Zealand (RBNZ) and the EIU forecast GDP growth to decline slightly to 2.1% in 2007 from 2.2% in 2006 as import growth blunts the effects of export expansion. Inflation was estimated at 2.8% in 2006 and the RBNZ expects the it to fall to around 2% by June 2007 while the OECD forecasts it to remain unchanged at 2.8% in 2007.
- ❑ The EIU expects the New Zealand dollar to depreciate slightly from NZ\$1.60:US\$1 in 2006 and NZ\$1.63:US\$1 in 2007. Ongoing challenges for New Zealand include a current account deficit of around 9% of GDP and slow development of non-commodity exports. The current account deficit is projected to narrow slightly from 9.6% of GDP in 2006 to 8.7% of GDP in 2007 and 8.2% of GDP in 2008, as a result of the improved outlook for the terms of trade.
- ❑ Efforts to further the development of an Australia-New Zealand Single Economic Market have been strengthened by the RBNZ and the Australian Prudential Regulation Authority (APRA) in an Act that came into force in December last year. The Act requires APRA and RBNZ to support each other and consider the impact of their actions on financial system stability in the other country when performing regulatory responsibilities.
- ❑ In the World Bank's report, Doing Business 2007, New Zealand fell one place from its 2006 rating to 2nd place out of 175 economies measured. The survey reviews the ease of setting up a business including the procedures and costs involved.
- ❑ Running New Zealand's entire vehicle fleet on homegrown and manufactured biofuels is the vision behind a research project involving two state-owned agencies and a US-listed company. New Zealand with about 7% of its land in plantation forests is comparatively competitive at growing biomass.

Trade Developments

- ❑ Main exports: dairy products, meat, wood and wood products, fish and machinery.
- ❑ Main imports: machinery and equipment, vehicles and aircraft, petroleum, electronics, textiles and plastics.
- ❑ Major trading partners: Australia, US, Japan, China, UK and Germany.
- ❑ New Zealand wines are growing their market share of the US faster than those of any country, albeit from a small base. A survey showed New Zealand wine sales annual growth was over 45%, against the next best growth of 36% from South African wines.
- ❑ Export Year 2007 was launched by the Prime Minister at the end of November last year with an announcement of Export Year initiatives and programmes, including a once-off \$33.75m grant to help forge an export-led, high wage economy to benefit all New Zealanders.
- ❑ South African exports to New Zealand totaled R661m in 2005 and R596m in the year-to-November 2006. South African imports from New Zealand totaled R723m in 2005 and R840m in the year-to-November 2006.
- ❑ South Africa's top ten exports to New Zealand are: vehicles, paper and paperboard, iron and steel, carbides, machinery and equipment, preserved food, beverages, cosmetic products, iron and steel products and pharmaceuticals. Major New Zealand manufacturers exporting from South Africa include BMW, Daimler Chrysler, Ford, Toyota and Volkswagen.
- ❑ SA's major imports from New Zealand are: dairy products, electrical machinery and equipment, mutton, fish and seafood, edible animal offal, frozen and dried vegetables, optical, medical and photographic equipment and other food preparations.