



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

South Island Portfolio - Fortnightly Report

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Recipient

Action sought

Hon James Meager
Minister for the South Island

Note the contents of this report.

Ministers' and Ministers' office comments

1. Portfolio Update

1.1 Portfolio priorities

Cory Hagens, South Island Lead Advisor, Strategy, Planning and Performance, Kānoa – Regional Economic Development & Investment Unit (Kānoa)

NZ–UAE – Strategic Trade Expansion and South Island Impact

On 22 July 2025, Hon Todd McClay, Minister for Agriculture, announced the passing of the New Zealand (NZ) – United Arab Emirates (UAE) Comprehensive Economic Partnership Agreement (CEPA) into law. This marks a major milestone in New Zealand’s trade strategy, unlocking access to a \$500.00 billion market that imports 90.0 per cent of its food. The agreement will immediately remove tariffs on 98.5 per cent of New Zealand’s exports, rising to 99.0 per cent within three years, making it the fastest and highest-quality trade agreement New Zealand has ever negotiated.

The UAE is a premium market where consumers actively seek safe, fresh, and high-quality products, attributes strongly associated with New Zealand’s agricultural and food exports. With two-way trade already valued at \$1.35 billion, CEPA is expected to accelerate growth by reducing red tape, boosting services trade, and strengthening investment links.

The South Island stands to benefit significantly from CEPA, particularly in sectors where it has strong export capabilities:

- Primary industries such as dairy, meat, seafood, wine, and horticulture are well-positioned to expand into the UAE market. These sectors are concentrated in regions like Marlborough, Canterbury, Otago, and Southland, which already contribute to National export earnings.
- Food and beverage producers in the South Island will gain improved access to a high-value market, with tariff removal enhancing competitiveness and margins. This is particularly relevant for exporters of lamb, venison, salmon, and boutique products like honey and artisan cheeses.
- Logistics and port infrastructure in Christchurch, Dunedin and Bluff may see increased throughput as trade volumes grow, supporting regional employment and investment.
- Agri-tech and services could also find new demand in the UAE, where food security and sustainability are national priorities. This includes precision agriculture, food safety systems, and environmental management.

The CEPA aligns with the Government’s goal of doubling the value of exports within 10 years, and supports broader economic objectives such as lifting incomes, boosting regional productivity, and enhancing resilience through diversified trade relationships.

Kānoa officials will reach out the Ministry for Primary Industries (MPI) to gain deeper insight into the implementation of the CEPA and associated emerging impacts on South Island export performance.

Source: <https://www.beehive.govt.nz/release/uae-deal-passes-unlocking%2%A0500-billion%2%A0market>

United States increase tariffs on New Zealand exporters to 15 per cent

The recent confirmation by the United States that tariffs on New Zealand exports will increase from 10 per cent to 15 per cent from 7 August will have an impact on all exporters, including those from the South Island. New Zealand exports around \$9.00 billion of goods to the US annually. Trade and Investment Minister Todd McClay has outlined that, at 15 per cent, the impact will be considerable for exporters, many of whom absorbed or passed on the earlier 10 per cent rate.

	<p>The full impact on the South Island economy of the change is unclear at this stage. We will provide further information on the likely impact in the next Fortnightly report.</p> <p>Source: https://www.beehive.govt.nz/release/statement-minister-mcclay-following-us-tariff-announcement</p> <p>Tāwhaki Investment: Catalysing Aerospace Growth and Regional Impact</p> <p>On 24 July 2025, Hon Judith Collins, Minister for Space, announced \$5.85 million in operational funding for the Tāwhaki Joint Venture, located at Kaitorete Spit near Christchurch. This funding, spread over three years, brings total Crown investment in Tāwhaki to over \$35.00 million, which includes \$5.40 million from the Regional Strategic Partnership Fund (RSPF), further supporting its key role as a national aerospace centre and innovation hub.</p> <p>Earlier this year you conducted a visit to the Tāwhaki site and met with its leadership. The site includes a sealed runway, hangar, and supporting infrastructure, and is already being used by companies such as Kea Aerospace, Syos, and Dawn Aerospace for advanced flight testing.</p> <p>Another recent major milestone accompanying this investment is the approval of permanent Special Use Airspace, effective from 7 August 2025. Tāwhaki will oversee six Restricted Areas and six Danger Areas, which are activated only when needed. This internationally recognised airspace designation allows operators to conduct test flights more efficiently and safely, reducing regulatory overhead and enabling rapid iteration of aerospace technologies.</p> <p>The aerospace sector contributed \$2.47 billion to the national economy in 2023-24, with the space sector alone growing 53.0 per cent over five years to 2024. Tāwhaki’s expansion is expected to generate high-value employment in aerospace engineering, regulatory compliance, and infrastructure development. It also strengthens Christchurch’s position as a hub for advanced manufacturing and technology, attracting talent, investment, and commercial partnerships.</p> <p>In terms of exports, Tāwhaki’s role in enabling the development and testing of aerospace technologies positions NZ to export not only physical products, such as propulsion systems and autonomous aircraft, but also aerospace services including launch support and regulatory expertise. The presence of a world-class testing facility may also attract foreign direct investment, further boosting export earnings.</p> <p>From a gross domestic product (GDP) perspective, aerospace is a high-productivity sector. If growth progresses within this field, it will likely lift regional GDP through direct employment, supply chain activity, and innovation spillovers into adjacent sectors such as data analytics, environmental monitoring, and education.</p> <p>You may wish to further engage with Tāwhaki to better understand the venture’s next phase of development and explore the potential economic impacts of its expanding operations, particularly in relation to regional growth, exports, and innovation-led GDP contribution.</p> <p>Source: https://www.beehive.govt.nz/release/t%C4%81whaki-aerospace-venture-supported-grow</p>
<p>1.2 General updates Cory Hagenaaars, South Island Lead Advisor</p>	<p>Kiwibank released its 2025 regional economic update in late July which provides insights into the national economic environment. The economic update highlights that overall the South Island seen an increase in its average regional score, rising from 4.0 to 4.6. This is above the national average, which remains at 4.0. The improvement is in line with other regional economic reports in recent months by ASB and Westpac, and attributed to stronger</p>

regional labour markets, increased building activity, and a rebound in tourism. Falling interest rates have also contributed to improved household disposable incomes, which is supporting broader economic activity.

Otago and Southland are the top-performing regions in New Zealand. Otago has improved its position, largely due to a strong recovery in tourism, particularly in Queenstown. Southland has maintained its position due to ongoing strength in the construction sector, which continues to drive economic activity. Both regions received a score of 5 out of 10 in Kiwibank's regional index, the highest in the country.

The Nelson/Tasman and West Coast regions are showing gradual improvement, benefiting from increased domestic travel and seasonal employment, particularly in tourism and hospitality. However, their economic scores remain below the South Island average, with growth constrained by limited infrastructure and smaller labour markets. Canterbury continues to show stable economic performance, supported by its diversified economy across manufacturing, agriculture, and services. While it does not lead the regional index, its consistent output contributes positively to the South Island's overall economic strength.

In contrast, several North Island regions have experienced a decline in performance. Northland, Gisborne, and Taranaki all saw their scores fall, reflecting weaker labour market conditions and lower levels of construction activity. The report notes that while the national economy is stabilising, regional disparities are widening, with the South Island generally outperforming the North.

The update highlights that the South Island is currently benefiting from a combination of sectoral strength, improved affordability, and favourable macroeconomic conditions. These factors are contributing to a more positive economic outlook for southern regions compared to the rest of the country.

Source: <https://www.kiwibank.co.nz/business-banking/thrive-hq/kiwi-economics/commentary-insights/the-regional-divide-widens-as-everything-just-gets-better-the-further-you-go-south/>

Sounds Air Announcement for Withdrawal of South Island Routes

Sounds Air announced that it will end its Blenheim to Christchurch and Christchurch to Wanaka services from 28 September 2025. The airline cited escalating operational costs, supply chain pressures, and the weak NZ dollar as the primary reasons for discontinuing the routes. Despite strong passenger demand, the airline stated that the cost environment made it unsustainable to continue without passing significant increases onto customers.

Marlborough Airport, which is owned by the Marlborough District Council, had been working with Sounds Air over the past year to support the service. Mayor Nadine Taylor expressed disappointment at the decision, noting that the Blenheim to Christchurch route was particularly important for residents needing access to specialist medical treatment. With no alternative direct flight available, travel between the two centres will now require a four-hour drive.

Mayor Taylor also criticised the lack of central government support for regional air connectivity, stating that infrastructure and transport services are essential for regional economic growth and wellbeing. She noted that other countries actively support regional airline connections and suggested that similar investment is needed in NZ.

Destination Marlborough General Manager Tracey Green highlighted the importance of Christchurch as a key market for Marlborough, both for leisure and corporate travel. She said the loss of the direct link is a significant blow, especially ahead of the summer season when regional connectivity is most critical.

	<p>Sounds Air Managing Director Andrew Crawford acknowledged the airline’s long-standing challenges since the Covid pandemic and confirmed that the company will now focus on its original model of providing high-frequency services across Cook Strait. He emphasised that while demand remains strong, the cost pressures across the aviation sector have made certain routes financially unviable.</p> <p>The Minister for Regional Development has been looking at potential options to support regional airlines and will be taking a paper with you (as Associate Minister of Transport) to Cabinet shortly.</p>
<p>1.3 Major events</p> <p>Kylie Hawker-Green, Manager Major Events, Economic Development & Tourism</p>	<p>There are no new updates from major events.</p>
<p>1.4 Key messages/statistics and figures</p> <p><small>Privacy of natural persons</small></p> <p>Lead Domain Analyst, Data Service Delivery, Data, Insights and Intelligence, Corporate and Digital Shared Services</p>	<p>Tourism sector update</p> <p>The Tourism Domain has released the June 2025 Accommodation Data Programme (ADP) data. The proportion of total guest nights in the South Island remain the same as last year.</p> <ul style="list-style-type: none"> • Total guest nights in the South Island was unchanged at 42.0 per cent of total guest nights in NZ for the year ending June 2025 when compared to last year. This was a decrease of 1.2 per cent to \$16.40 million when compared to last year. • Among the regions, Otago had the largest number of guest nights (\$6.20 million) for the year ending June 2025, although this was a 1.1 per cent drop from last year. • Only Canterbury recorded an increase, up 0.7 per cent to 5.8 million guest nights for the year ending June 2025. While Nelson had the biggest drop of 6.5 per cent to 568,000 guest nights. <p>Source: https://teic.mbie.govt.nz/teiccategories/datareleases/adp/</p> <p>Regional economic update</p> <p>Statistics New Zealand released the monthly employment and business count indicators for June 2025. These provide an early indication of changes in the labour market as well as changes in the number of businesses across regions.</p> <ul style="list-style-type: none"> • There were 951 (0.2 per cent) more filled jobs across the South Island in June 2025 compared to June 2024. Four of the seven South Island regions had year-on-year increases in the number of jobs filled. In contrast, no North Island regions had such annual increases. • Southland had the strongest relative growth across New Zealand, with 607 (1.3 per cent) more filled jobs compared to June 2024. Canterbury remained steady with 417 (0.1 per cent) more jobs filled than June 2024. Nelson saw a loss of 361 (1.7 per cent) of filled jobs year-on-year. • The South Island’s labour market resilience is likely due to its greater reliance on the agriculture industry as well as its relatively stronger construction sector. • Canterbury and Otago also had the strongest growth in the number of businesses across the country. Compared to June 2024, there were 1,911 (2.4 per cent) more businesses in Canterbury and 846 (2.6 per cent) more businesses in Otago.

	<p><i>Note: These employment indicators measure filled jobs using tax data which doesn't include self-employed. The HLFS figures coming out next week measure employed people based on a survey of households. Filled jobs and employed people are different measures and will not be directly comparable.</i></p> <p>Sources:</p> <p>https://www.stats.govt.nz/information-releases/employment-indicators-june-2025/</p> <p>https://www.stats.govt.nz/information-releases/business-count-indicators-june-2025/</p>
<p>1.5 Department of Internal Affairs (DIA)</p> <p>Paul Barker</p> <p>Partnerships Director, Local Government, Department of Internal Affairs Te Tari Taiwhenua</p>	<p>There are no new updates from the Department of Internal Affairs.</p>

2. Hon. James Meager - Upcoming Ministerial Items – Minister for the South Island

2.1 Upcoming Meetings, Events and Ministerial Visits

There are no new upcoming meetings, events or Ministerial visits.

2.2 Upcoming Briefings and Aides Memoire

Due to MO	Tracking Number	Product
07/08/2025	REQ-0017173	Comments on the Draft National Infrastructure Plan
08/08/2025	REQ-0018315	Proactive release of South Island portfolio briefings
18/08/2025	REQ-0018603	Comment on the Tekapo Power Scheme Fast-track Approvals Act 2024

2.3 Ministerial correspondence received

New items are indicated in red.

Due date	Tracking number	Requester	Summary of request
07/08/2025	JMITC-3	Hon Chris Bishop (Minister for Transport)	Writes asking for feedback on the Draft National Infrastructure Plan.
11/08/2025	JMC-573	Privacy of natural persons (Member of the public)	Free and frank opinions
18/08/2025	JMITC-6	Privacy of natural persons (Application Lead, Fast-track Team, Environmental Protection Authority)	Writes inviting comment under the Fast-track Approvals Act 2024.

2.4 Official Information Act requests received

There are no new Official information Act requests.

2.5 Meeting advice requested

There are no new meeting advice requests.