

Substantive updates from the previous report have been shaded red.

Feedback

We welcome feedback from New Zealand exporters on this report as we continue to refine its content. We also invite requests for reporting from New Zealand's [network of Embassies and High Commissions](#). Please direct any suggestions or feedback to exports@mfat.net.

Global summary

- The COVID-19 pandemic remains the primary trade and economic issue affecting New Zealand exporters. There continues to be no formal restrictions on market access for the majority of goods exports and imports as a result of COVID-19, but the global pandemic is placing pressure on global supply chains and in places disrupting trade flows. Some countries have placed export restrictions on medical products and some on staple food products, such as rice and wheat. There has also been an increased trend towards 'buy local' campaigns.
- The IMF's updated World Economic Outlook [released](#) on 24 June predicts that the global economy will shrink 4.9% in 2020, a downward revision of 1.9 percentage points from its April forecasts. In comparison, the global economy contracted by just under 0.1% in 2009 in the aftermath of the Global Financial Crisis.

Regional updates

New Zealand and Australia

- With **New Zealand's change in COVID-19 Alert Levels on 12 August**, exporters and businesses are reminded to keep updated on what the increased Alert Levels mean for their business by visiting the Government's **COVID-19 webpage**: <https://covid19.govt.nz/>. The page has the latest information for businesses, including on business operations and essential services. Businesses can also call **MBIE's COVID-19 business helpline** to find out more on [0800 500 362](tel:0800500362) for North Island, or [0800 50 50 96](tel:0800505096) for South Island.
- A **Taumata Hui** with the theme "COVID-19 Recovery towards a smarter Māori economy" was held on 21 July in Gisborne with strong interest shown by the local community. The discussions looked at the impact of disrupted markets, supply chains and distribution channels, with a panel of Māori business leaders from the seafood, bioscience, forestry and agricultural sectors sharing insights on the impacts of COVID-19 on their operations and future trading prospects. Further information on Te Taumata can be found on the website [here](#).
- According to provisional Statistics **New Zealand goods trade data**:
 - For the fortnight ending 5 August 2020 with the equivalent fortnight in 2019, total exports to all countries were up 11.7% from \$2.01 billion to \$2.25 billion, while total imports from all countries were down 16.3% from \$2.49 billion to \$2.09 billion.
 - Looking over a longer period of time, provisional total exports reached \$60.2 billion for the year ended June 2020, a 1.4% rise on the previous year. Provisional total imports reached \$61.4 billion for the year ended June 2020, a 4.6% decrease on the previous year.

- The **Australian** state of **Victoria** declared a state of disaster on 2 August and imposed new lockdown measures after a surge in COVID-19 cases. Residents in Melbourne are now subject to Stage 4 restrictions, including a night-time curfew and limited parameters for shopping/exercise, while regional Victoria is at Stage 3 “Stay at Home” restrictions. Changes will be in place for at least until 13 September with regular reviews. Industries that have seen significant workplace transmission but remain critical to the economy or Australia’s supply chains remain open but with heavy restrictions that will severely curtail production. Details on restrictions by sector can be found [here](#).
- On 7 August, the **Reserve Bank of Australia** [noted](#) that COVID-19 has caused “the largest shock to economic activity in Australia since the 1930s” with “long-lasting effects on the economy”. The various lockdowns imposed across **Victoria** are significantly impacting the **Australian economy** and slowing its recovery. The **overall cost** for Victoria and other states is estimated by the Australian Treasury to be AUD\$10-12 billion. Victoria accounts for over one quarter of Australia’s annual economic output, with Melbourne contributing over 20% of Australia’s GDP.
- The state of **Tasmania** has deferred plans for a partial opening of the **state border** from 7 August in light of the ongoing outbreak in Victoria. State borders will remain closed until at least 31 August.
- An **outbreak of H7N7 bird flu** has been detected in two free-range egg farms in **Victoria, Australia**. Movement controls have been put in place and the affected properties have been quarantined. The Victoria state Department of Health and Human Services has [advised](#) that it is not a risk to the public as it rarely affects humans unless there is direct and close contact with sick birds.

European Union and United Kingdom

- On 21 July, the **European Council** [adopted conclusions](#) on its COVID-19 economic **recovery plan** and **multiannual financial framework** for 2021-2027.
 - A **€1.82 trillion package** was agreed, consisting of a €1.074 trillion 7-year budget, and a €750 billion COVID-19 recovery fund for member states consisting of €360 billion in loans and €390 billion in grants.
 - The decision includes:
 - Slightly reduced funding for the EU’s **Common Agriculture Policy**, which is set to be reformed in the next 7-year period.
 - A **levy based on non-recycled plastic waste**, which will be applied as of 1 January 2021 at a rate of €0.8 per kg.
 - Agreement that the European Commission will publish proposals for a **Carbon Border Adjustment Mechanism** and a **Digital Tax** in early 2021 with the aim of introducing these new taxes in 2023. [Public consultation](#) on a Carbon Border Adjustment Mechanism has now opened.
 - The Bank of England (BOE) is predicting the **UK’s economy** will take longer to recover than first anticipated. GDP is 20% lower at the end of June 2020 than it was in December 2019. The BOE expects unemployment to rise to around 7.5% by the end of the year and expects CPI inflation to fall further below its 2% target and average around 0.25% in the latter part of the year. GDP is not projected to recover to 2019 fourth-quarter levels until the end of 2021, rather than the second half of 2021 as previously forecast.
 - **Germany** has recorded more than 1,000 new cases of coronavirus infections in a day for the first time since May. This coincides with the start of the school year in several regions and the return of holidaymakers, some who stayed in areas considered high-risk. The German government is introducing mandatory testing at airports for all travellers from high-risk areas from 15 August.
 - The **Spanish** government continues to provide **support for primary sectors** affected by the pandemic, such as wine, Iberian pork and floriculture. **Ongoing concerns** centre on crew relief for Spanish distant-water fishing fleets, and mitigation of reputational risk from recent cluster outbreaks in meat processing plants and abattoirs. A more **detailed report** on the **Spanish primary sector** was prepared by the New Zealand Embassy in Madrid and can be found [here](#).
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- The European Commission has predicted that **Poland's** GDP will shrink by 4.6% in 2020, before expanding by 4.3% in 2021. Should predictions pan out, Poland would be the EU economy least-affected by the COVID-19 downturn.

Americas

- With uncertainties still in play around the impact of economic relief provisions (including President Trump's recent executive relief actions, as well as negotiations in Congress over a further COVID-19 relief bill) there is an increased **risk of compounding negative effects** on the **US economy**, particularly in relation to growing unemployment. Further, an estimated 30 million Americans are at risk of eviction following the lapse of a federal eviction moratorium (passed as part of the CARES Act) on 31 July.
- The **US** has announced that it will **re-impose 10 percent tariffs on Canadian aluminium imports** (unalloyed and unwrought aluminium) from 16 August, citing threats to US national security. The action comes one month after the US-Mexico-Canada Agreement (USMCA) entered into force. **Canada** has announced plans to impose CAD\$3.6 billion in **retaliatory tariffs on US aluminium-based products** (such as washing machines, refrigerators, bicycles and golf clubs, among other items), to come into effect from 16 September.
- President Trump signed an [executive order](#) on 6 August that will require federal agencies to purchase "essential drugs" and medical supplies **manufactured domestically**. The move aims to address gaps in the **medical supply chain** that emerged in the course of the COVID-19 crisis. The Food and Drug Administration (FDA) will be required to develop a list of the essential medicines that will be covered under the order.
- The **rise of e-commerce activity** due to stay-at-home orders has led to increased pressure on the **US logistics sector**. The sector is implementing an unprecedented rapid expansion of automation technologies in warehouses, distribution centres, and fulfilment operations. This may present commercial opportunities for New Zealand businesses, despite potential barriers associated with costs and risks to companies adopting these technologies.
- **Brazil** posted a **trade surplus** of US\$8.06 billion in July, the country's highest monthly surplus on record. This follows a 35.2% decline in **imports** compared to July 2019 (to US\$11.506 billion), while **exports** fell only 2.9% (to US\$19.566 billion).
- The value of **Chilean exports and imports** fell 11.5% and 15.7% respectively in July 2020 (compared to July 2019). Only Chile's trading relationship with major partner **China** is currently experiencing growth (exports 25.3% higher and imports 10.7% higher in the same period). By comparison, exports to the **USA** have fallen 14% and imports 24.4%.
- The Secretary for International Economic Relations at Argentina's Ministry of Foreign Affairs, Jorge Neme, has noted **Argentina's** interest in setting a date for the signing of a **memorandum of understanding on pork production** with the **Chinese Ministry of Agriculture**, while also promoting a plan for its implementation at the domestic level.

Asia, Middle East and Africa

- The **Taiwan-New Zealand goods trading relationship** continues to grow, though at a steadier pace than the first quarter of 2020. Trade with Taiwan grew by 15.16% for quarter two, with Taiwan becoming New Zealand's 6th largest goods export market for that period. Taiwan remained New Zealand's 7th largest merchandise export market for the year ending June 2020. **Businesses selling New Zealand products** have reported that food service has been picking up, supply chains remain stable for shipping and export certificates are arriving promptly.
 - **Japan** will be **imposing stricter re-entry procedures** from all **foreign residents from Bangladesh, Pakistan, the Philippines and Peru** due to rising COVID-19 infection numbers. These requirements were set to be imposed on all non-Japanese residents from 1 September but have been moved earlier due to the number and rate of positive cases from the four countries detected at airport quarantine. Further information can be found in Japan's Ministry of Foreign Affairs website [here](#).
 - **Vietnam** is experiencing a **renewed COVID-19 outbreak** after 99 days of no new community transmission cases. A cluster emerged in Da Nang city sparking a range of local restrictions, widespread testing efforts, and suspension of flights to and from the city. Vietnam has been identified as a successful example in Asia in combating COVID-19, having had zero deaths prior to the recent outbreak.
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- The **Philippines** experienced a sharp spike in cases last week (four consecutive days of record highs) and the national statistics agency reported its **worst quarterly GDP performance** (16.5% decline compared to April-June 2019) in recorded history. Quarter-on-quarter, agriculture grew 1.2%, but losses were felt across industry (-21.7%), services (-14.5%) and, the Philippines' main economic driver, household consumption (-15.5%). The government has announced USD 23.54 billion in public spending focused on social welfare and infrastructure development programmes.
- With over 96% of **New Zealand exports** by value arriving in the **Gulf Cooperation Council (GCC)** by sea, exporters have reported relative normality in **port and sea freight operations** during COVID-19 and many Gulf countries have adapted to COVID-19 related challenges. As a result, key New Zealand exporters continue to see this region as a long-term and high value growth market despite some immediate challenges.
- The Institute for Security Studies released a [report](#) on 23 July that presents three **scenarios on the impact of COVID-19 in Africa** using economic growth forecasts, mortality and efforts to ameliorate impact through social grants. Compared to pre-COVID-19 forecast, Africa's economy will be between US\$349 and US\$643 billion smaller in 2030 than it would have been without COVID, and in the best case scenario, GDP per capita will recover to 2019 levels in only 2024, 2030 in the worst case scenario.
- **Seychelles reopened its borders to commercial flights** from 1 August allowing the resumption of tourism. Arrivals are limited to visitors from 31 permitted countries (including New Zealand).

Multilateral trade, economic and supply chain updates

- The **Global Trade and Gender Arrangement** was launched virtually on 5 August by Minister for Trade and Export Growth, David Parker, alongside Trade and Foreign Ministers from Canada and Chile respectively. The three countries are part of the Inclusive Trade Action Group (ITAG). The new Arrangement will promote mutually supportive trade and gender policies and aim to unlock new opportunities to increase women's participation in trade. It is open to other economies to join. More information can be found [here](#).
 - Vice Ministers from the thirteen WTO Members of the **Ottawa Group on WTO Reform** met virtually on 28 July (NZT) to discuss [progress on action items under the Covid-19 Joint Ministerial Statement](#) (agreed on 15 June). There has been good progress on the need to enhance transparency around any **COVID-19 trade restrictive measures**, and commitment to roll them back quickly. Discussions continued on how best to progress a new initiative on **trade in medical supplies**. New Zealand is pushing for timely and meaningful outcomes. The need to maintain **agricultural supply chains** was highlighted, though differing levels of ambition on work-streams reflects the diversity of views on agriculture.
 - As part of its work to **ensure international supply chains** function as well as possible through COVID-19, MFAT has been using its network of Posts to monitor how international sea and air ports, and domestic logistics are operating. The latest supply chains update has been [published online \(last updated 5 August\)](#). MFAT also remains involved in an interagency group that is looking at longer term air and sea freight issues.
 - The Ministry of Transport's **International Air Freight Capacity scheme** was established to help maintain New Zealand's air freight links with global markets. Phase 1 has added 70 weekly flights on Air New Zealand, China Airlines, China Southern, Emirates, Freightways Express, Qantas, and Tasman Cargo. The first phase of the Scheme ran to the end of June, and has subsequently been extended to the end of August. Phase 2 of the Scheme is being scoped out and will respond to current market conditions. In the first instance, exporters should contact their preferred freight forwarder to access the flights. A schedule of the flights is listed [here](#).
 - After periods of congestion and blockages at **New Zealand ports** during the initial COVID-19 Level 4 lockdown **due to the prioritisation of essential goods**, ports are now operating at or just below pre-COVID-19 levels and are being serviced adequately by foreign vessels.
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External links

The following links may provide useful information to businesses:

- [NZTE](#) has a website focused on providing COVID-19 information for exporters. They've also launched [myNZTE](#), an interactive digital portal of insights and tools available to all New Zealand exporters.
- The Treasury releases a weekly [COVID-19 economic dashboard](#), and Stats NZ has published a new [data portal](#) with near real-time economic indicators.
- MBIE publishes a [sector reports series](#) which provides regularly updated reports on all industry sectors that make up the New Zealand economy. These include official economic data and the challenges and opportunities that face New Zealand's industry sectors.
- [Business.govt.nz](#) provides tools and advice from across government to save small businesses' time and help make the business a success.
- MFAT has created a [tariff finder](#) which is designed to help goods exporters and importers maximise benefits from New Zealand's Free Trade Agreements and compare tariffs in 136 other markets.

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

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