

*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. Please direct any suggestions or feedback to [exports@mfat.net](mailto: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 intense pressure on global supply chains and 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. A [report](#) released by the **WTO** on 29 June said that G20 economies have adopted 93 trade related measures linked to COVID-19.
- 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.

## Multilateral economic and trade developments

- The period for **nominations for the next WTO Director-General closed** on 8 July. New Zealand Permanent Representative and General Council Chair, David Walker, has advised that a Special General Council will be convened for 15-17 July 2020 where each candidate will have a 90 minute slot in which to make a short presentation to Members before engaging in a Q&A session.
- On 2 July **China joined the Joint Ministerial Statement on Supply Chain Connectivity** initiated by New Zealand and Singapore. The statement now has 12 signatories – Australia, Brunei Darussalam, Canada, Chile, China, Lao PDR, Myanmar, Nauru, New Zealand, Singapore, United Arab Emirates, and Uruguay. Signatories to the statement have recognised the importance of ensuring supply chains remain open and made an undertaking not to impose export controls or tariffs and non-tariff barriers, and remove any existing trade restrictive measures on goods essential to the Covid-19 response.
- On 30 June Foreign Affairs Minister Winston Peters and Trade and Export Growth Minister David Parker announced that **New Zealand’s hosting of APEC in 2021** will go ahead using **virtual digital platforms**. The Ministers’ Press Release notes that global disruption caused by COVID-19, including resultant border restrictions, was the major factor in the decision. Minister Parker said that APEC has an important role to play as we and the rest of the Asia Pacific region work to respond to the COVID-19 crisis, especially its economic impacts.
- The impact of COVID-19 on **food security and supply chains**, and the role of trade in economic recovery, continue to be discussed internationally. New Zealand is actively engaged in such discussions and continues to advocate strongly for maintaining trade flows and upholding the rules-based trading system.

## Update on MFAT's supply chains work

- 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 fortnightly update has been [published online](#). 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** has been established to help maintain New Zealand's air freight links with global markets. **Phase 1 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 currently 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, ports are now operating at or just below pre-COVID-19 levels and are being serviced adequately by foreign vessels.**

## Regional updates

### New Zealand and Australia

- According to provisional Statistics **New Zealand goods trade data**, for the fortnight ended 8 July with the equivalent fortnight in 2019, total exports to all countries were up 2.7% from \$2.19 billion to \$2.25 billion, while total imports from all countries were up 8.4% from \$2.47 billion to \$2.67 billion.
- MPI has released new guidance for **New Zealand exporters of frozen fruit and vegetables to China**. Further information can be found on the MPI website [here](#) (see: F32/20 China Frozen Fruit and Vegetables).
- **On 10 July, Prime Minister Scott Morrison announced the National Cabinet had agreed to cut the number of inbound flights to Australia by half, reducing arrivals by over 4,000 per week from 13 July. Travellers will be asked also to pay costs of the 14-day mandatory hotel quarantine.**
- In response to an outbreak of cases of COVID-19, the **Victorian State Government** made the decision on 30 June to **close Melbourne's airport to commercial passengers** until mid-July. During this period, airlines will be able to continue to arrive in Melbourne for freight purposes and to take passengers departing the country. **New lockdown restrictions** were also announced by the Government on 7 July for metropolitan Melbourne and Mitchell Shire. These areas will return to Stage 3 Stay at Home restrictions from 11.59pm on Wednesday 8 July 2020 until 11.59pm on 19 August.

### European Union and United Kingdom

- **The European Commission's Summer 2020 Economic Forecast** projects a deeper recession for the EU economy with wider divergences. The Euro area economy is forecast to contract by about 8.7% in 2020 before recovering at an annual growth rate of 6% next year. These projections are somewhat lower than in the spring forecast and point to an incomplete recovery, as output at the end of 2021 is expected to be about 2% lower than before the crisis.
  - On 30 June the **European Council** agreed the list of 15 countries – including New Zealand – with whom **EU Member States** should start **lifting travel restrictions** from 1 July. The list also includes: Algeria, Australia, Canada, Georgia, Japan, Montenegro, Morocco, Rwanda, Serbia, South Korea, Thailand, Tunisia, Uruguay, and China. **Responsibility for implementation sits with member states. Some EU Member States, including Belgium, Bulgaria, and Hungary, have decided to not implement the EU's Recommendation to open external borders.** (Note – the New Zealand Government continues to provide travel advice to New Zealanders via the SafeTravel website [www.safetravel.govt.nz](http://www.safetravel.govt.nz). As at 15 July, the New Zealand Government advises New Zealanders to not travel overseas.)
  - **Bulgaria and Croatia** have made **steps to join the Euro area** by entering into the Exchange Rate Mechanism II. Both Member States must now participate in the mechanism for at least two years before they can qualify to adopt the euro.
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- The **UK** Chancellor has **announced a £30 billion “mini-budget”** that delivers: a jobs strategy; loosening of stamp duty to support the housing market; sector specific measures for the hospitality and tourism; and energy efficiency incentives in the building sector. The announcements were made against a backdrop of challenging projections for the UK economy; but as the gradual easing of lockdown measures begin to lift economic activity, the announcements also reinforced the Government’s pivot from response to recovery. **Scotland, Ireland and Wales** have now also announced exemptions from self-isolation for arriving passengers from New Zealand along with England.

## Americas

- Figures released by the US Treasury Department on 13 July indicate that the **US budget deficit** widened to a record high of US\$864 billion in June, attributable in part to the Federal government’s response to the coronavirus pandemic.
- As of 1 July, **US GDP** is forecast to shrink by 5.3% in 2020. A return to growth is projected for 2021 (with average unemployment falling to 8.4%, and GDP increasing by 3.7%) followed by continued growth into 2022 (2.6%).
- On 4 July, President Trump signed a bill to extend the small business **Paycheck Protection Program** until 8 August. Some New Zealand companies with US subsidiaries, supported in part by NZTE, have applied and successfully secured PPP funding to temporarily cover the salaries of US-based staff.
- Due to case increases in **Hawaii** and significant increases in the mainland US, the Governor of Hawaii’s **plan to allow travelers from the US mainland to forego the 14-day quarantine** if they provide proof of a negative COVID-19 test on arrival is being reviewed. This had been scheduled to be implemented on 1 August. Local businesses have warned that any delays in allowing (domestic US) tourists to return to Hawaii would be an ‘economic catastrophe’ for the State.
- On 8 July **Canada** announced its first economic and fiscal update under COVID-19. The economy is projected to shrink by 6.8% in 2020, before coming back 5.5% in 2021. Net federal debt is projected to hit a never before seen CA\$1.7 trillion in 2021, though the Government and commentators see this as manageable. For further details, see the latest [economic report](#) for Canada, prepared by the High Commission in Ottawa.
- The IMF projects a 7.8% contraction for **Colombia**, placing it in a better position than most of its regional counterparts (with the exception of Chile). However, Colombia’s 22% unemployment rate in June is the worst in the region.
- **Chile’s exports** grew 2.3% in June 2020 (compared with June 2019) - the first increase this year, and 3.5% up on May 2020 figures. This was largely in response to greater demand from China, particularly copper and other mining products. Imports decreased 18% in June compared with June 2019 data.
- **Peru’s exports** fell 46.2% in May 2020 relative to May 2019, with earnings down 25.8% for January-May compared to the same period last year. Fruit exports increased 11.6% over this time, driven by mandarins (50% - citrus in general increased 41%), mangos (26.8%), grapes (26.5%), and avocados (7.1%) Greater domestic production and higher copper prices are expected to improve the outlook for the export sector performance in June.
- **Commercial flights to Barbados have resumed** with an Air Canada flight and other airlines planning to begin services over the next few weeks. Visitors will need to spend 14 days in isolation.

## Asia

- While the **Beijing cluster outbreak** in June has had some impact on the business environment in Beijing, the bigger impact from a New Zealand perspective has been a **drop in consumer confidence in imported food**, especially seafood. This led to a temporary halt on sales of salmon products and a decline in Chinese imports of seafood overall. A **report** on China’s economic situation and market status (including key export sectors) is available on MFAT’s website [here](#).
  - **China** has **banned meat imports** from various processing plants that have experienced COVID-19 outbreaks in several countries in the past month including Brazil, Argentina, Germany, Canada and the Netherlands.
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- The **US Department of Agriculture and the Food and Drug Administration** issued a [joint statement](#) regarding **food export restrictions pertaining to COVID-19 and import requirements for those products in China**, saying that there is “no evidence that people can contract COVID-19 from food or from food packaging.” In lieu of the requested official declarations by China’s customs authority, US food and feed exporters are instead shipping their goods to China with “commitment statements”, with no reported shipping issues to date (though Chinese authorities are yet to confirm they will accept these US producer guarantees).
- **New Zealand’s goods exports to Singapore** were up by 20% for the first five months of 2020, compared to the same period in 2019, while **food exports** to Singapore have held up in 2020, with dairy and fruit exports increasing by 22% and 52%, respectively, and meat exports holding steady. Singapore’s **digitalisation agenda** provides opportunities for New Zealand’s fast-growing tech sector to expand its presence in-market.
- **The impact of COVID-19 on global demand and supply chains** has had a direct effect on **South Korean exports** – down 24.3% in April and 10.9% in June (year-on-year). However, the relative strength of key parts of its export economy has helped to offset the decline and signs have started to emerge of a **recovery for some sectors**. Growth was seen in Korea’s exports of computers (+91.5%), biopharmaceutical products (+53%), electric vehicles (+15.3%), followed by plug-in hybrid electric vehicles (+16%). Samsung Electronics has forecast a 23% rise in second quarter operating profit (KRW6.6 trillion/NZ\$8.3 billion), driven by strong demand for memory chips used in personal computers and servers, after global smartphone sales slumped by more than 20% in the first quarter.
- The **outlook in South Korea for New Zealand exporters** remains varied, but the New Zealand brand continues to benefit from Korean stakeholders’ positive evaluation of New Zealand’s COVID-19 response. Air New Zealand has started to operate **regular cargo flights** from Auckland to Incheon Airport once a week. A **report** on South Korea’s economic situation and market developments is available on the MFAT website [here](#).
- The COVID-19 pandemic has impacted the **Japanese agriculture and fisheries sector**, through a reduction in numbers of migrant workers; a fall in profits related to restaurant closures and cancellation of large events; a reduction in food imports; and a reduction in agricultural exports from Japan. In response the Japanese government has introduced NZ\$9 billion in subsidies to the agriculture, forestry and fisheries sectors.
- **Due to a third wave of COVID-19, starting 8 July crew members of aircrafts and vessels entering Hong Kong will be subject to mandatory COVID-19 testing in addition to the original requirement of 14-day medical surveillance upon arrival (they will still be exempted from compulsory quarantine). The test result must be negative before entering Hong Kong.**
- **Malaysia** has designated New Zealand, along with Australia, Brunei and Singapore as “**green zone**” countries. This means that certain categories of New Zealand nationals no longer require permission from the Immigration Department to enter Malaysia - and they are not required to self-isolate, although this is encouraged. The Immigration Department of Malaysia has provided information [here](#) and further details can be found [here](#). *(Note – the New Zealand Government continues to provide travel advice to New Zealanders via the SafeTravel website [www.safetravel.govt.nz](http://www.safetravel.govt.nz). As at 15 July, the New Zealand Government advises New Zealanders to not travel overseas.)*

#### Middle East and Africa

- **Emirates** has **recommenced flights** to [over 50 cities](#) in July, including flights connecting **Dubai** and New Zealand that started on 1 July. Transit is also available in Dubai. There are booking limitations on these flights to reflect capacity restraints at the New Zealand border.
  - **The African Development Bank** released an [African Economic Supplement](#) on 7 July projecting a GDP contraction in Africa in 2020 of 3.4% based on the continued spread of the virus, down by 7.3 percentage points from the growth projected before the outbreak of COVID–19. Cumulatively, GDP losses could range between US\$173.1 billion and US\$236.7 billion in 2020–2021.
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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.
- MFAT offers [exporter assistance](#) at [exports@mfat.net](mailto:exports@mfat.net) or 0800 824 605 and publishes regular [market reports](#) for New Zealand exporters, including this report.
- 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 Insider maintains a list of [Countries on Lockdown](#) and their conditions.
- The International Trade Centre has produced a [Market Access Map](#) of temporary trade measures that have been enacted by governments in relation to COVID-19, and the World Bank has released a [database](#) on trade flows and policies.
- The [University of Oxford](#), [KPMG](#) and the [OECD](#) have published data on government responses to COVID-19.
- McKinsey's [COVID Response Centre](#) has a number of tools to assist businesses' response and recovery from the impacts of COVID-19.

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