

*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](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 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](#) and [Business.govt.nz](#).
  - On 12 August, the **Reserve Bank of New Zealand agreed to expand the Large Scale Asset Purchase programme** (often referred to as 'quantitative easing') up to \$100 billion so as to further lower interest rates in order to achieve its remit. The Official Cash Rate is being held at 0.25% in accordance with the guidance issued on 16 March.
  - A COVID-19 **wage subsidy extension** has been announced to support New Zealand businesses affected by the current Alert Level restrictions. Businesses claiming the subsidy will need to report or predict a revenue drop of at least 40% due to COVID-19 for any 14-day period between 12 August and 10 September from a year earlier, to be eligible for the latest extension.
  - Comparing provisional **New Zealand goods trade data** for the fortnight ending 12 August 2020 (data collected before the recent COVID-19 alert level increases) with the equivalent fortnight in 2019, total exports to all countries were up 18.4% from \$1.83 billion to \$2.16 billion, while total imports from all countries were down 10.8% from \$2.59 billion to \$2.32 billion.
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- The various **lockdowns** imposed from 9 July until 13 September across Victoria are significantly **impacting the Australian economy and slowing recovery**. Victoria accounts for over one quarter of Australia's annual economic output, with Melbourne contributing over 20% of Australia's GDP. The overall cost, including the direct effect on Victoria and implications for other states, is estimated by Australia's federal treasury to be AUD\$10-12 billion.

#### European Union and United Kingdom

- According to official data released on 12 August, the **UK economy suffered a bigger downturn** than any other major European economy in the second quarter, shrinking by a fifth and falling into its deepest recession on record. The figures show that UK GDP fell more than 20% quarter on quarter, with widespread contractions across all sectors.
- The **EU agricultural sector** remains vocal about the negative impacts of COVID-19 on certain sectors and is demanding more assistance from EU and member state governments. While the situation is now relatively stable for dairy and meat (for which Private Storage Aid has now ended), the wine, potatoes, cut flowers, and fruit and vegetable sectors are all struggling.
- **Additional support for the EU wine sector has been announced** in recent weeks, with the French Government allocating a further €76 million for crisis distillation and storage (bringing total French support to €246 million). The Italian Government had also previously allocated €100 million to subsidise growers for destroying crops, and €50 million for distillation.
- **Cypriot** parliamentarians recently voted (37-18) against the Canada-EU FTA, citing concerns about labour rights and **insufficient geographical indication protection for Halloumi cheese**. Cyprus is the first EU member to vote against ratifying the FTA but it has not yet notified the Council of the EU and it is unclear what impact this will have.
- 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](#).

#### 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.
  - A six-month review of the **US-China 'Phase One' trade deal** (scheduled to take place on 15 August) has been **postponed** and, as yet, there are no revised dates.
  - 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.
  - 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 entered into force. **Canada** has announced plans to impose CA\$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.
  - In a bid to contain the COVID-19 pandemic, restrictions on **US border crossings with Mexico and Canada** will be extended until 21 September. The Canada-US border has been closed for non-essential travel since March 2020.
  - Chinese officials reported the detection of **COVID-19 on frozen chicken imports** from **Brazil** on 12 August. The Chinese Embassy in Brasília issued a statement saying it is working with Brazilian officials "to better identify where and how the contamination occurred". Pending further information, **the Philippines** has also moved to **temporarily**
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**suspend chicken imports from Brazil.** There are continuing reports of large numbers of employees testing positive for COVID-19 in **meat processing plants** across Brazil.

- The **EU has temporarily banned Argentine imports of citrus fruits** due to the appearance of **citrus black spot disease** (*Phyllosticta Citricarpa*) in lemons in northern Argentina. Argentine authorities had previously suspended exports of lemons to the EU from those regions since July. However, the EU's decision impacts lemons and other citrus fruits from all Argentina.

#### Asia, Middle East and Africa

- **China's economy** continues to rebound from COVID-19. In July 2020, China's dollar-denominated exports rose 7.2% compared to July 2019 but consumer demand has remained soft. New Zealand goods exports to China from 1 February 2020 to 29 July 2020 were NZ\$7.87 billion – down from NZ\$8.28 billion for the same period in 2019.
  - The COVID-19 outbreak in **China** has accelerated the trend toward **e-commerce platforms**, both through greater demand (particularly groceries, medical supplies and other consumer essentials) and an expanded user base. Analysts expect these changes to persist in the long term. The Chinese government has supported the growth of the e-commerce market as a way to maintain domestic consumption and boost **cross-border trade**. The increasing importance of the Chinese e-commerce sector may create more **opportunities for New Zealand businesses**, in particular **SMEs** looking for low-cost options for the Chinese market.
  - Despite the increase in the volume of online retail, there was an overall decline in **domestic Chinese consumption** in the first half of the year. July data from the National Bureau of Statistics showed weaker-than-expected year-on-year industrial output growth (4.8%) and retail sales (-1.1%) extending declines into a seventh straight month. The decline in retail sales was broad, with garments, cosmetics, home appliances and furniture all worsening from June. A key exception was auto sales, which surged 12.3%, turning around from an 8.2% fall in June.
  - **Japan's 7.8% GDP decline** in the second quarter was in line with expectations. This is less than declines in Europe or the US, but more than South Korea and Taiwan. While the fall in private consumption drove 4.8% of the drop, business investment was surprisingly strong, contributing just 0.2% of the decline. Quarterly figures are often revised as data is updated. If confirmed, this data would suggest resilience in the underlying economy.
  - This week the **New Zealand Embassy in Tokyo** received a number of queries from concerned distributors and consumers after Japanese media picked up on a TVNZ story on glyphosate residues in mānuka honey. The Embassy responded to these queries with advice from MPI that testing undertaken by New Zealand Food Safety shows that there is **no food safety concern from glyphosate residues in honey**. By way of example, a five-year old child that was consuming honey with the maximum residue level allowed in New Zealand for glyphosate (0.1 mg/kg of glyphosate residues) would need to eat about 230kg of honey every day to reach the World Health Organization's Acceptable Daily Intake for glyphosate. For further information, please check the [MPI website](#) or contact [info@mpi.govt.nz](mailto:info@mpi.govt.nz).
  - **Singapore** continues to expand its network of **green lane travel arrangements** (for essential travel by business people and other officials, as well other tailored schemes). **Applications are open** for two COVID-19 green lane business traveller programmes between **Singapore** and **Malaysia**, with travel commencing from 17 August. The **Reciprocal Green Lane scheme** enables short term essential business and official travel. The **Periodic Commuting Arrangement** allows Singapore and Malaysia residents with valid work passes to enter for work purposes. See [here](#) for requirements and further information. A **Singapore – China** green lane agreement is now also [operational](#), with agreements with other partners expected to be finalised soon.
  - **Singapore Airlines** (including Silk Air and Soot) now allows **transit through Singapore Changi Airport** from the cities of Phnom Penh, Nanjing, Shanghai, Milan, Istanbul, Ha Noi and Ho Chi Minh. Transfers are only allowed for SIA Group flights originating in one of the approved cities. The full list of approved cities and travel guidelines can be found [here](#).
  - The New Zealand Embassy in Jakarta has recently prepared a **report on timber export opportunities in Indonesia**, published [here](#). **Indonesia** is a large market for **forestry products**, importing NZ\$5.5 billion in 2019. **New Zealand** is the fifth largest exporter of wood to Indonesia, accounting for 6.6% of the market, and is New Zealand's 11<sup>th</sup> largest export destination for wood and wood products.
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- The issuance of **new import permits for Meat and Bone Meal to Indonesia** has resumed following the lifting of a temporary ban on Meat and Bone Meal import permits for all countries, announced on 22 July.
- In an effort to restart the local economy in **Indonesia, Bali** officially **reopened for domestic tourists** on 31 July. The province has been hit hard by the pandemic, with the local tourism agency estimating that the downturn is costing the **Bali economy** around NZ\$1 billion per month. This move is in advance of a **planned reopening for foreign tourists** on 11 September. Domestic tourists, who usually account for approximately 60% of Bali visitors, will be required to comply with protocols, including a negative (rapid or PCR) test prior to arrival.
- 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 of midnight on 17 August, **South Africa** moved down from level three to two in its five-level COVID-19 alert system. The change **removes nearly all restrictions on the resumption of economic activity** across most industries. Inter-provincial travel will be permitted. South Africa's international border will remain closed under level two, with the current status quo of occasional, commercially-run, international repatriation flights likely to continue.

## Supply chain updates

- As part of its work to **ensure New Zealand's 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 addressing longer term air and sea freight issues and building supply chain resilience.
  - The Ministry of Transport's **International Air Freight Capacity (IAFC) 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 Government has agreed to extend IAFC support agreements which were set to expire by the end of August. The support agreements are now expected to be in place until the end of November 2020.** 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. **The regional Level 3 lockdown in Auckland has seen some delays in freight movements into and out of the Auckland region – these delays will look to be addressed with exemptions and express lanes for freight movement.**
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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.

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## More reports

View full list of market reports from MFAT at <https://www.mfat.govt.nz/en/trade/mfat-market-reports>

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