

*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

- According to provisional Statistics **New Zealand goods trade data**:
  - For the fortnight ended **29 July 2020 with the equivalent fortnight in 2019**, total exports to all countries were down 13.4 percent from \$2.39 billion to \$2.07 billion, while total imports from all countries were down 12.5 percent from \$2.47 billion to \$2.16 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. Changes will be in place for at least until 13 September with regular reviews. Regional Victoria is returning to Stage 3 "Stay at Home" restrictions with restaurants, cafes, bars and gyms closing from 23:59 Wednesday 5 August.

### 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.
- Mr Denis Redonnet was [announced](#) as the **EU's first Chief Trade Enforcement Officer** on 24 July. The Chief Trade Enforcement Officer is a position created by Commission President von der Leyen to improve the compliance and enforcement of the EU's trade agreements and regularly report back to the European Parliament.
- **Germany** has reported a larger than expected economic contraction, with GDP falling 10% compared to the previous quarter.

#### Americas

- Figures released by the US government on 30 July revealed that the **US economy shrank** by 9.5 % for the second quarter of 2020, an annualised rate of 32.9% and the sharpest rate of contraction since WWII. This followed the rise of new US **unemployment** claims in the week 20-26 July to 1.4 million, ending 15 weeks of consecutive declines in new applications. Overall, nearly 32 million Americans are now receiving unemployment benefits. Lawmakers are coming under increasing pressure to take advance Congressional negotiations toward a further COVID-19 economic relief package.
  - The **Trump Administration** demonstrated its intention to **boost US domestic medical supply production and rely less on imports**, surprising investors last week with the announcement of a US\$765 million loan to Eastman Kodak under the Defence Production Act to increase capacity to produce ingredients used in generic drugs used to fight coronavirus.
  - The COVID-19 pandemic has enabled more Americans to experience the advantages of remote medical treatment, which has until now been hampered by fragmentation and heavy regulation. A recent [report](#) prepared by the New Zealand Embassy in Washington on **opportunities in the US e-health Sector** has been published on the MFAT website.
  - **Canada and Australia** have announced that they have **reached settlement** on most of the claims in Australia's **WTO case challenging Canadian wine measures**. The settlement covers the Federal measures, Nova Scotia measures and Ontario measures. At a high level, Canada has agreed to remove the challenged measures, or adjust them to remove elements that discriminated between Canadian and imported wine. The settlement has provided certainty around timeframes for the removal of the measures at issue. New Zealand was an active third party in the case and worked closely with Australia throughout the WTO process. While analysis is ongoing, the settlement is a welcome development that will likely result in greater access to the Canadian wine market.
  - Due to disruptions caused by the pandemic, the **Mexican economy** suffered a **record contraction** of 18.9% during the second quarter of the year compared to 2019 on an annual, non-seasonally adjusted basis. Industry suffered the most, falling by 26%, and the least affected sector was agriculture, which was just 0.3% down compared to a year earlier.
  - Operations at two of **Argentina's leading exporters of soy meal and soybean oil** were **disrupted** after the detection of COVID-19 among workers in processing plants near the port of Timbues and General San Martin in Rosario. These affected operations in the plants of Chinese agribusiness company COFCO and US company Bunge, although both firms have ruled out any interruptions in their shipments.
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- **Cattle slaughter numbers in Uruguay** remained stable in June although the Centre for Economic and Social Studies advises that the indicator "presents a downward trend since the beginning of 2019". Meanwhile, **milk deliveries** to industrial plants grew by 3.6% monthly in June and increased by 5.6% compared to June 2019. **Milk production** for the first half of 2020 has increased by 4.9% compared with the same period of last year.

#### Asia and Africa

- **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. China has asked the Brazilian Ministry of Agriculture to **suspend the export license for meat** from two more **Brazilian slaughterhouses** due to contamination of employees by COVID-19.
- **Digital game sales in China** surged to 139.4 billion yuan (US\$19.9 billion) from January to June, 22.3% higher than the same period last year. Home-grown games continue to dominate the market, but are seeing faster growth overseas as China's market gets saturated.
- 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.
- **Air New Zealand** continues to operate **twice weekly cargo flights** between **Auckland and Tokyo**. It is carrying **passengers once a week** in both directions (to Tokyo on Thursdays, to Auckland on Saturdays). Air New Zealand has announced that these flights are confirmed until 24 October.
- **Malaysia** has reinstated mandatory **hotel quarantine for returnees** following a recent increase in COVID-19 case numbers and the emergence of new clusters. Masks will now be required for crowded areas and on public transport.
- **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.
- 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.

#### **Multilateral trade, economic and supply chain updates**

- **APEC Trade Ministers** issued a [statement](#) following their virtual meeting on 25 July. Ministers acknowledged the importance of a non-discriminatory, transparent and predictable trade and investment environment to drive economic recovery, and the **role of the WTO** in allowing trade to flow. APEC Trade Ministers also reaffirmed their commitment to facilitate the **flow of essential goods and services** and issued the [Declaration](#) on Facilitating the Movement of Essential Goods.
  - **New Zealand** continues to work closely with Australia and other **Cairns Group (CG)** members to operationalise the **CG food security initiative** [launched in June](#). Members are considering ways to track and eventually unwind agriculture-specific measures implemented in response to COVID-19 so they do not become entrenched and threaten the agriculture trading system that underpins global food security.
  - 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](#).
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- 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](#). 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.
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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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