

To support New Zealand's global supply chain linkages throughout the COVID-19 pandemic, MFAT's network of Posts are monitoring the operation of international sea and air ports, as well as offshore domestic logistics. This report provides a snapshot of how international supply chains are functioning, significant actions supporting supply chains, and other issues of interest to New Zealand firms engaged in trade.

This Report will be updated on a monthly basis.

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## Developments

### Trade/Overview

- At the beginning of the COVID-19 pandemic, airport shutdowns, congested ports, empty supermarket shelves, and worldwide shortages of critical personal protective equipment, highlighted the vulnerability of global supply chains. New Zealand businesses faced the need to address logistics disruptions, shortages of parts and raw materials, swings in demand while also complying with government policies designed to slow the spread of the virus.
  - As businesses look to recover, many will prioritise the resilience of their supply chain. A McKinsey survey in the second quarter of 2020 with 60 senior global supply-chain executives found 93% of respondents plan to increase the level of resilience across their supply chain. They intend to use a variety of mechanisms, including dual sourcing of inputs, increasing inventories of critical products, and near-shoring or regionalising their supply chains. These mechanisms are likely to be considered by many New Zealand firms. Analysing how these changes may impact New Zealand and its connections to global value chains is a focus for MFAT as it implements the Trade Recovery Strategy.
  - Global food security remains a concern. The International Food Policy Research Institute (IFPRI) in July reported that the COVID-19 global economic slowdown is affecting all four pillars of food security - availability, access, utilization and stability. It found that agricultural and food markets continue to face disruptions due to labour shortages caused by lockdowns, shifts in food demand arising from income losses, and the closure of schools and restaurants.
  - Comparing provisional Statistics New Zealand goods trade data from 1 February to 1 July, goods exports were valued at \$26.65 billion, only slightly down on \$26.89 billion for the same period in 2019. Imports were down from \$25.4 billion to \$22.5 billion.
  - Provisional monthly values for July for goods exports fell \$9.8 million (0.2%) to \$4.9 billion and goods imports fell \$1 billion (18%) to \$4.6 billion (compared with July 2019 values). There was a notable 57% increase in exports of respiratory equipment but a 20% drop in exports of fish and crustaceans. There was a 53% drop in imports of motor vehicles/parts and a 70% drop in imports of petroleum products.
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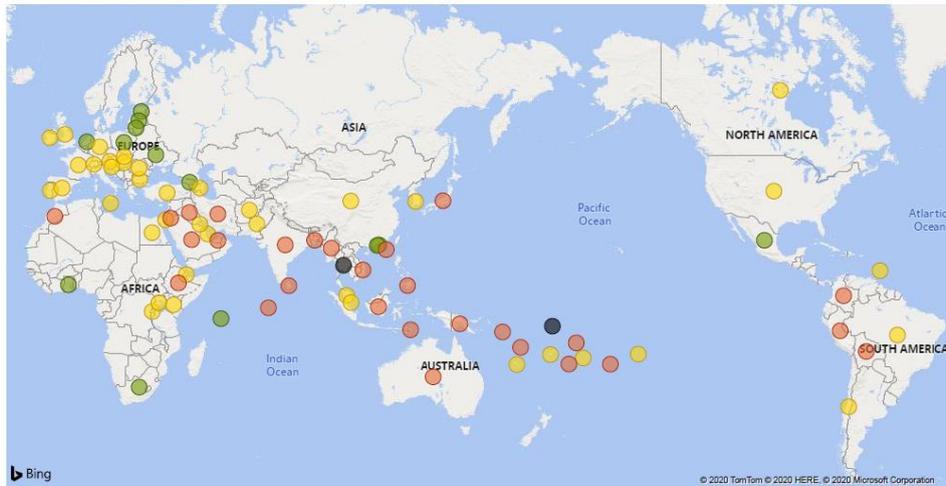
# Availability of Air Freight



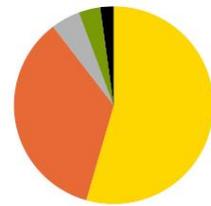
## Functionality of Air Ports and Availability of Air Freight

Data source COVID-19 Post Data tracker updated on 30/8/2020

Status ● Normal ● Slightly reduced ● Heavily reduced ● Not operating



Responses weighted by 2019 NZ trade share



Status	%	Trade Share
Slightly reduced	54.31%	
Heavily reduced	35.06%	
Response to come	4.72%	
Normal	3.49%	
Not operating	2.15%	

Data points are shown where there are reductions and where data is available.

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- Air freight remains significantly impacted as a result of COVID-19, though there are signs of improvement. According to available data from the MFAT network, countries covering almost 90% of New Zealand's 2019 trade flows are showing reduced air freight operations. Air freight costs remain elevated and IATA has noted that air freight is losing market share as buyers turn to cheaper but slower means of transport. NZ Post has reported an almost 20% shift in inbound parcels from air freight to sea freight.
- According to FlightRadar24, global air traffic rose in July compared to June but total traffic was 32% below 2019 levels.
- The government's International Air Freight Capacity (IAFC) scheme continues to add additional international air freight capacity, particularly trans-Tasman, across the Pacific, into Asia and into the Middle East. The government has agreed to extend the IAFC Scheme.
- A number of additional ad-hoc cargo charter flights are regularly coming online adding further capacity. We are expecting demand for air freight capacity to increase as New Zealand's primary exports increase through spring and summer.
- Air NZ has expanded its flights into the US with three weekly flights to San Francisco and daily flights to Los Angeles (up from three a week). It also moved from one to two flights a week to Tokyo. It is maintaining two weekly flights to Hong Kong and six to Shanghai.
- From August 19, Qatar Airways resumed flights between Auckland to Doha (via Brisbane) three times a week with services aimed initially at only outbound passengers and two-way cargo flows.
- From September, Malaysia Airlines is looking to operate a twice weekly service between Kuala Lumpur and Auckland.
- With the recent opening of the new Parliament in Singapore following the General Election, the government has emphasised that reviving Singapore's air hub in a safe way is an immediate priority. Singapore is starting to allow customers to transit through Changi Airport from a growing list of 'safe' cities (including Auckland) to any destination in their network. There are several weekly scheduled cargo options to Singapore from both Auckland and Christchurch, plus a steady flow of ad hoc charters adding further air freight capacity.

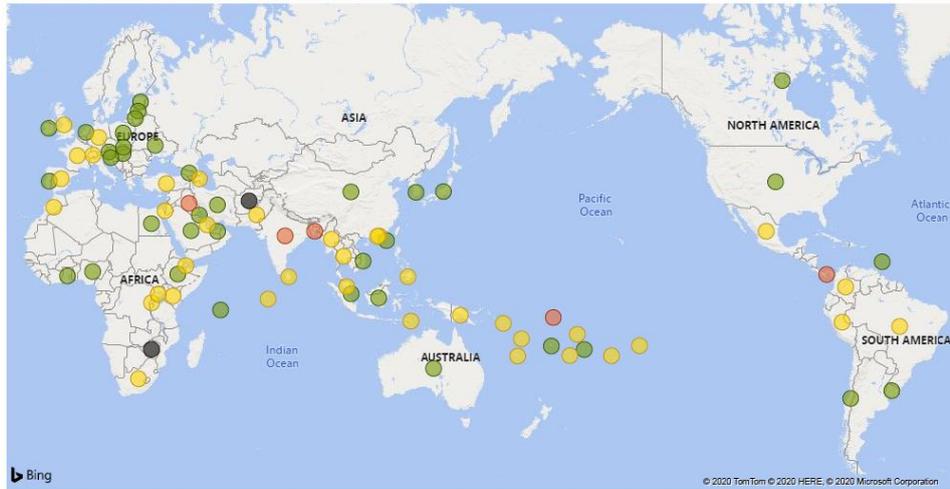
# Availability of Sea Freight



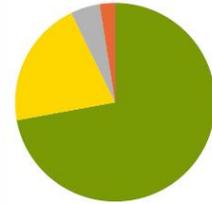
## Functionality of Sea Ports and Availability of Sea Freight

Data source COVID-19 Post Data tracker updated on 30/8/2020

Status ● Normal ● Slightly reduced ● Heavily reduced ● Not operating



Responses weighted by 2019 NZ trade share



Status	% Trade Share
Normal	71.89%
Slightly reduced	20.64%
Response to come	4.72%
Heavily reduced	2.46%
Not operating	0.01%

Data points are shown where there are reductions and where data is available.

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- The impact of COVID-19 on global seaborne trade has not been as severe as that on air freight. Countries representing more than two-thirds of New Zealand's trade flows are showing normal sea freight operations and availability.
- Nevertheless, Clarksons Research has reported that seaborne trade is expected to drop by 1 billion tonnes in 2020, resulting in an expected 5.6% contraction of global sea trade. However, the Port of Singapore (the world's largest container port) saw only a 1% drop in container volumes in the first half of 2020, while China announced that its eight largest ports have seen a 3.4% volume increase year-on-year in early July (and more recently imports into China reached record highs).
- Ports of Tauranga on 28 August reported total trade of 24.8 million tonnes which was slightly down on 26.9 million tonnes in the 2019 financial year. Exports decreased 8% to 15.8 million tonnes and imports fell 7.8% to 9 million tonnes mainly due to international COVID-19 shutdowns.

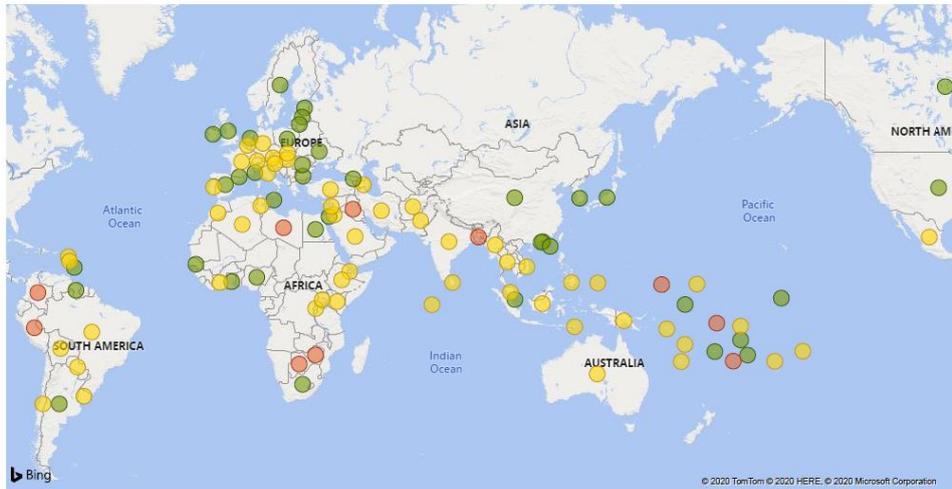
# Domestic Operations



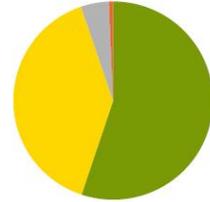
## Domestic Logistics and Freight Transport

Data source COVID-19 Post Data tracker updated on 30/8/2020

Status ● Normal ● Slightly reduced ● Heavily reduced



Responses weighted by 2019 NZ trade share



Status	%	Trade Share
Normal	54.99%	
Slightly reduced	39.54%	
Response to come	4.53%	
Heavily reduced	0.66%	

Data points are shown where there are reductions and where data is available.

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- According to reports from the MFAT network about 40% of our export markets are seeing reduced functionality in domestic logistics and freight transport networks.
- In Indonesia, sustained border closures have placed increased pressure on many New Zealand businesses that require in-person visits to run their business, including education and tourism.
- Indian Railways freight traffic dropped 21% during the first quarter of 2020-21 (2021 financial year) to 241 million tonnes owing to the lockdown and slowing economic activity. Data released by the Indian Ports' Association show cargo volumes handled at India's twelve state-owned major ports fell 18.06% during the April-July period to 193.38 million tonnes (from 236.01 million tonnes a year ago). Domestic ports are struggling to access labour as workers returned to rural areas during lockdowns.
- Mainfreight's operations in Europe, as of 31 August, are reporting more areas being designated 'code orange' as COVID-19 cases have resurged. Currently, this is not affecting its services and they do not see any major disruptions for road transport as a result. All European Mainfreight branches remain operational.

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