

Prepared by the New Zealand Embassy in Seoul

Summary

- On the back of continued strong growth in the Korean economy, New Zealand/Korea trade returned to pre-COVID levels in 2021, surging 12% to \$5.38 billion and outperforming New Zealand's trade with the world (+8%).
- Both exports (+8%) and imports (+14%) grew strongly.
- Several food and beverage products (wine, kiwifruit, avocados, pet food and honey) broke new ground but performance was also robust in other areas (meat and dairy).
- With the phased re-opening of New Zealand's border, Korean students have started planning for study in New Zealand from July.
- Korean business leaders remain keen to travel to New Zealand as soon as possible to support business operations and investments.
- New Zealand exporters are well placed to capitalise on opportunities in the post-pandemic environment and the New Zealand brand continues to resonate well in Korea.

Report

We report on the performance of bilateral trade with the Republic of Korea in 2021, our 6th largest trading partner¹ and 5th largest export market for goods².

On the back of steady growth in the Korean economy...

Korean economic growth held steady in 2021 at 4%, though below average for the G20 and OECD. This was an improvement on 2020's contraction of 1%. Robust private consumption (which generates nearly half of Korean GDP) and exports were key drivers, helped by high vaccination rates, easing COVID restrictions and largely open borders.

But momentum is expected to fall slightly this year, with forecasts of around 3% growth. Government spending has driven the debt-to-GDP ratio to 51.3%, the largest on record, but still well below that of most OECD countries.

...two-way trade has returned to pre-COVID levels

Two-way trade has returned to pre-COVID levels, surging 12% in 2021 to reach \$5.38 billion³, outperforming New Zealand's two-way trade with the world (+8%). Food and beverage exports in particular have reached new heights, helping push exports up by 8%. At the same time, imports increased by 14% to reach \$3.1 billion, driven by increased New Zealand demand for fuel, vehicles and parts, heavy machinery, and iron/steel.

Timber exports rebound despite high volatility

Timber, our largest goods export category (\$316.5 million) rebounded by 10% in value and 9% in volume last year thanks to higher log prices and increased demand. Despite high volatility, rising global demand and supply chain disruptions drove log prices higher. Exports also benefited from an uptick in construction projects in Korea, fuelling demand for wooden packaging crates and cable reels.

¹ Excluding the EU as a bloc

² Excluding the EU as a bloc

³ All figures in NZD

Wine, kiwifruit, avocados, pet food and honey soar to new heights

Exports of wine broke new ground to reach just over \$20 million (up 131%), making New Zealand the fastest-growing⁴ wine exporter to Korea, and Korea the 9th largest market for New Zealand. The Korean wine market has grown rapidly under the COVID pandemic, as consumers have shunned beer and soju in favor of wine, particularly Sauvignon Blanc.

To capitalise on this growth, NZTE has been holding a series of very successful online wine tasting seminars, which have so far attracted more than 1000 registrants to a single event. These involve individuals, from wine writers and influencers to consumers, logging on from home, tasting pre-purchased New Zealand wines, while watching live-streamed briefs from wine-makers in New Zealand.

Kiwifruit had another record year in Korea, with exports growing by 14% in volume and 17% in value to reach \$191.6 million. Exporters have maneuvered around higher freight costs arising from global supply chain disruptions by using more charter vessels. Korea is now our 4th largest kiwifruit export market. Demand is expected to remain strong.

After a tough year in 2020 that included delays in sea freight passing through China, exports of New Zealand avocados rebounded strongly by 700% in volume and 523% in value to reach a new high of \$8.6 million. This was off the back of record high avocado imports by Korea to meet growing demand. New Zealand avocados are competing against cheaper Peruvian avocados but Korean consumers are willing to pay a premium for higher quality produce.

New Zealand has become the fastest growing pet food exporter to Korea, with exports up by another 9% (or 50% according to Korean import data) to reach \$8.2 million. The COVID pandemic has driven up pet ownership and fueled strong growth of the sector. Consumers are seeking higher quality and healthier products for their animals, where New Zealand (seen as natural, safe and trustworthy) has a competitive advantage.

Throughout the year NZTE has helped a number of New Zealand pet food exporters carry out market research and promotional campaigns on leading Korean e-commerce platforms, including those catered specifically towards pet owners. Growth remains robust.

Despite facing high Korean tariffs, Manuka honey exports grew by 43% to \$5.7 million (a new record). NZTE has been working with exporters to capitalise on growing demand through online channels, particularly as duty free sales, a significant source of revenue (up to half for some exporters), have dried up under COVID.

Robust performances by dairy and meat

Meat exports have held up well, up 9%, and are now valued at \$192 million. In particular, New Zealand meat products have benefited from limited international supply and strong online retail sales of groceries for home cooking. But maintaining consistent meat supply to Korea remains a challenge due to high demand (and high prices) in China. New Zealand's market share in Korea is small: 2% for beef and 0.1% for sheep meat.

Although overall New Zealand dairy exports to Korea dropped 2% to \$244 million, this was offset by the strong performance of butter, with exports up 55% to \$63 million. New Zealand-branded retail butter (sold in 10 gram and 454 gram units) has been growing in popularity in Korea and is well placed to capitalise on the removal of tariffs in 2024. While the performance of cheese has been mixed (with mozzarella exports declining), the good news is that exports of cheddar remain strong (growing by 30% in value and 28% in volume) as more Koreans have begun to embrace dairy products.

Preparing the groundwork for international education

In response to signs of strong underlying demand for education in New Zealand, Education New Zealand (ENZ) Korea has launched a \$50,000 'Agent Co-Investment Activity Fund' to encourage Korean education agencies to invest more into promoting New Zealand as a study destination, building relationships with education providers, and supporting students who plan to travel to New Zealand. ENZ intends to fund up to 10 proposals under the initiative and expects strong growth in student numbers.

Under [step 3](#) of New Zealand's phased border reopening, Korean students will start applying (from 12 April) for entry into New Zealand for short courses that will start in July. Korean students have also begun planning for travel to New Zealand for courses starting in 2023 ahead of the return to normal visa processing in October under [step 5](#) of the plan.

Rebuilding tourism and aviation links

Tourism New Zealand has received an uptick in public enquiries about tourism in New Zealand and is working to capitalise on the resumption of travel.

⁴ Top 10 wine exporters to Korea: (1) France; (2) US; (3) Italy; (4) Chile; (5) Spain; (6) Australia; (7) New Zealand; (8) Argentina; (9) Portugal; (10) Germany

Air New Zealand continues to operate direct flights between Auckland/Incheon: one passenger flight per month (plus one additional flight in April for student traffic) and one cargo flight per week. Air New Zealand will operate two passenger flights per week from July. Korean Air operates weekly passenger and cargo flights between Auckland/Incheon.

Pent up demand for business travel

There has been an uptick in enquiries from Korean stakeholders, including investors in New Zealand (such as in the forestry sector) who are keen to travel to New Zealand as soon as possible to support business operations and investments. There has also been a strong uptick in business travellers from New Zealand to Korea.

Comments

The return of bilateral trade to pre-pandemic levels and strong performance of New Zealand exports across the board in 2021 demonstrates that New Zealand businesses are well placed to capitalise on opportunities in the post-pandemic environment. We expect to see tourism and education services, which had fallen precipitately due to COVID restrictions, begin to recover. The New Zealand brand continues to resonate well in Korea with consumers, but also education and tourism stakeholders.

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