

Prepared by the New Zealand Embassy in Seoul, 3 July 2020

Summary

- Korea looks likely to weather the COVID-19 storm better than anyone else in the OECD, but still faces **negative growth** in 2020.
- **Purchasing** by credit and debit cards increased in May, helped by government cash payouts to households.
- The outlook for New Zealand exporters remains varied.
- We see good opportunity for tech-based companies. New Zealand-based **Ohmio** launched its first **autonomous vehicle** in Korea last week, partnering with Lotte Group and Sejong City.
- New Zealand **racehorses** distinguished themselves on the first day back of Korea racing, auguring well for Korean buying in New Zealand later this year.
- But sales of New Zealand **cosmetics** are down 30%, due to less duty-free buying. Cosmetics exporters report buildup of stock and pressure on prices but have been exploring the promotion of products through “untact” channels (i.e. those not requiring face-to-face interaction).
- New Zealand education providers interested in **online education** delivery in Korea are being encouraged to take into consideration widespread complaints in Korea about local e-learning that have stemmed from server crashes, poor lecture quality, and the inability to communicate with teachers during class.
- Air New Zealand has started to operate regular **cargo flights** from Auckland to Incheon once a week in July/August, with some available to **passengers** depending on demand.
- Prospects remain grim for **outbound tourism** as Koreans stay home.
- The **New Zealand brand** continues to benefit from New Zealand’s successful response to COVID-19, creating a good impression with many Korean stakeholders.

Reports/Findings

We provide a further update on the impact of COVID-19 on New Zealand businesses exporting to and operating in South Korea.

Economic Growth

2 As we reported on 16 June, Korea looks likely to weather the COVID-19 storm better than anyone else in the OECD, but still faces negative growth in 2020 of between 1.2 – 2.5%. Korean GDP growth is expected to bottom out and bounce back in Q2, followed by a slower recovery in Q3 2020 if a second wave scenario can be avoided.

Credit card spending up in May

3 Korea's Credit Finance Association reports that the volume of credit and debit/prepaid card transactions in May increased by 3.1% and 6.8% respectively, compared with the same period last year. This was the first increase since February.

4 The credit card industry believes that this recovery was largely due to the emergency disaster relief allowance (ranging from NZD539 to NZD1349 depending on household size and income) that was paid out by the government from mid-April.

Ohmio (autonomous vehicle manufacturer)

5 New Zealand-based autonomous vehicle manufacturer Ohmio launched its first autonomous vehicle in Korea on 26 June, partnering with Lotte Group and Sejong City. The autonomous vehicle project in Sejong City is funded by the Ministry of Small and Medium Enterprises (SMEs) and Start-ups and provides a testbed for smart-city and autonomous vehicle technologies. The launch marks a significant milestone in the partnership between New Zealand and Korea on autonomous vehicles.

New Zealand horses

6 Three (of nine) New Zealand horses imported by the Seoul Racehorse Owners Association after the conclusion of a Memorandum of Arrangement between the two racing industry authorities in November 2019 ran well in their first race since arriving in Korea (also the first race day after COVID restrictions were lifted). The strong showing – taking 1st, 2nd, and 5th places (out of 11) – has already generated new interest in Bloodstock New Zealand and the auctions coming up in November. All eight other horses were from the United States (US).

7 Developing this area for New Zealand exports builds on the strong brand New Zealand has around agriculture and animal husbandry, but in a sector traditionally dominated by US-sourced horses.

Cosmetics exports

8 As a result of the downturn in sales through duty free channels brought on by COVID-19, exporters of cosmetics products report the buildup of stock in New Zealand. Sales of cosmetics products through offline retail stores have decreased by 30% on average for the first half of this year.

9 As consumers have been able to secure a better price for cosmetic products when buying directly from New Zealand, offline retail stores have demanded lower offline retail store prices to remain competitive which has been challenging for exporters.

10 Cosmetics exports have been actively exploring new methods through which to sell products, including through what has been termed “untact” channels (i.e. those not requiring face-to-face interaction). Use of influencers on social media channels has helped to grow sales and brand awareness.

13 New Zealand education providers interested in online education delivery in Korea are being encouraged to take these concerns into consideration when developing online programme offerings for international students.

14 Education experts in Korea believe that quality online learning will require institutional investment, strong quality assurance, well-trained faculties, good design, technology-oriented learning outcomes, reliable infrastructure and support for learners.

International air links

15 Air New Zealand has started operating regular cargo flights from Auckland to Incheon once a week in July/August, with some of these services being made available to passengers depending on demand.

Quiet summer for tourism

16 Hana Tour, Korea's largest wholesale tourism provider, has included Auckland (and Hawaii) in its list of "phase one" destinations for promotional activities. Hana Tour hopes to begin online promotional activities from September.

17 Research by Korea's Broadcast Advertising Corporation showed a sharp drop in planning for domestic and international travel for the summer (vacation) period. Almost 60% of respondents to their survey indicated having no plans to travel anywhere for the summer season. Research by Consumer Insight suggests that post-COVID-19, Korean travellers will prioritise personal safety and prefer travel in sparsely populated areas.

New Zealand brand

18 Korean stakeholders continue to regularly cite New Zealand's successful response to COVID-19 – including elements such as competence, safety, and reliability - as a reason to visit the country once borders re-open.

More reports

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