

## Prepared by the New Zealand Embassy in Washington in collaboration with NZTE

### Summary

- The US marine sector has defied the odds and is experiencing increased recreational boat sales despite the economic downturn caused by the coronavirus pandemic.
- After a period of shuttered manufacturing and government support, public COVID-19 restrictions and expanded fishing access on public lands set the scene for significant growth in boat sales as boating became the socially-distanced activity of the summer. With continuing travel restrictions, we expect longer term growth in the US marine sector.
- Established New Zealand exporters in the US market are taking advantage of these opportunities in both the new boat and refitting business. A move to virtual boat trade shows is also helping reduce costs for New Zealand exporters accessing customers.
- In doing so they have needed to overcome reduced freight movement and disrupted supply chains, with many NZTE customers reporting shipping delays and sharp increases in shipping costs.

### Report

Travel restrictions, social distancing requirements, and lack of open local attractions has led to surprise growth in US recreational boat sales, particularly amongst first-time customers. This presents opportunities for those suppliers to the sector which the National Marine Manufacturers Association's (NMMA) values at US\$42 billion annually.

#### Initial uncertainty followed by a quick recovery

2 The sector's buoyant mood did not look likely early on in the pandemic. In March and April the US marine sector struggled with boat dealers reporting the lowest sales in a decade. COVID-19 workplace restrictions and stay-at-home orders led to many boat builders closing their manufacturing facilities. In an attempt to remain open, a few manufacturers reoriented their facilities to produce COVID-19 related goods including face shields for frontline health workers. It has been widely reported most manufacturers in the industry relied heavily on federal government support through the Paycheck Protection Program as well as state and local authority relief programs.

3 But as the Northern Hemisphere summer approached, Americans turned to recreational boating in lieu of alternatives. This boost was also supported by an expansion of hunting and fishing on public lands. The Trump Administration has opened up 3.7 million acres, including 21 National Fish Hatchery System Units, allowing recreational access to previously unexplored areas.

4 NMMA Senior Director of Business Intelligence Vicky Yu said "115,000 new power boats were sold in May and June alone - a 30 percent increase over the same time period last year - with personal watercraft, saltwater fishing boats and jet boats driving growth". She said not only did these segments recover pandemic-related losses, but year to date sales surpassed where they were last year.

5 Yu noted that "production has been steadily ratcheting back up since the lockdown restrictions were lifted, and manufacturers are actively hiring or bringing back furloughed employees, working through order backlogs as operations return to normal."

---

### **Impact of economic downturn differs to GFC**

6 Periods of economic downturn have tended to have negative impacts on US recreational boat sales. In 2008, weakening economic conditions and severe instability in the financial system led to lending constrictions for consumers. This resulted in a steep drop in new sales, forcing US marine firms to aggressively cut costs, reduce their workforce, and permanently or temporarily close their facilities.

7 However, due to the relative stability in the financial system and US housing market during the pandemic, consumers have not experienced the same lending constraints, which enables first-time buyers to enter the market. NZTE's Marine Sector Beachhead Adviser, Rus Graham, noted that many boat buyers are dependent on the home equity line of credit while high-end consumers have been looking to boating investments in order to diversify their asset portfolios as many believe current stability will be short lived as it doesn't align with broader economic conditions.

8 US manufacturers also managed to avoid the worst of the supply chain issues caused by the pandemic. Many were well-advanced in their efforts to diversify supply chains as a result of growing trade tensions between China and the US. Businesses had already developed relationships with additional suppliers outside of China or had reshored their manufacturing processes in-house. NMMA Vice President of Government Relations and Legal Affairs Nicole Vasilaros noted that businesses who had made their supply chain more resilient had been rewarded by more competitive prices.

### **Still opportunities for New Zealand exporters**

9 New Zealand exporters servicing the US marine sector have not been so lucky. Since the onset of the pandemic, they have faced challenges due to reduced commercial freight movement and disruptions at ports. Most NZTE customers have reported delays in terms of weeks for getting products to the US as well as 30 percent increases in shipping costs. Graham noted alongside these challenges commercial shipping vessels have also experienced increased monitoring and inspections by the US Coast Guard since March.

10 Nonetheless New Zealand boat builders, including Stabicraft, Sealegs, and Protector, have been reporting good recreational boat sales this year off the back of increased US demand. NZTE expects 60 percent growth on current sales into the US market by 2022. (Note many commercial boat opportunities are still closed off to non-US built vessels because of the Jones Act.)

11 New Zealand manufacturers of boating accessories are also taking advantage of the upturn. Boating accessories is an estimated US\$16.2 billion market in the US this year with many boat owners upgrading old equipment because of higher new boat prices. For example, Auckland-based Trudesign, a marine composite fittings company, is now distributing their products through Gemlux, a leading US marine and boat hardware supplier. New Zealand company Vesper Marine, a provider of marine safety products, have developed a new combined Very High Frequency radio and Automatic Identification system that has been well received by consumers and won several US awards.

12 With sales staff unable to travel and most boat shows cancelled or offered virtually, New Zealand companies have benefited from being able to leverage new distance selling opportunities which was seen as barrier pre-pandemic. Boat trade shows that are now offering virtual options are doing so at lower cost. This is significantly cheaper than attending from New Zealand and allows New Zealand businesses to reach more people than they would normally in a booth at a trade show.

---

---

## More reports

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

If you would like to request a topic for reporting please email [exports@mfat.net](mailto:exports@mfat.net)

## To contact the Export Helpdesk

Email [exports@mfat.net](mailto:exports@mfat.net)

Call 0800 824 605

Visit [Tradebarriers.govt.nz](http://Tradebarriers.govt.nz)

## Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author's own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.

