

Substantive updates from last week's report have been shaded red.

Feedback

We welcome feedback from New Zealand businesses on this report as we continue to refine its content. Please direct any suggestions or feedback to exports@mfat.net.

Global Summary

- There are 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 intense pressure on global supply chains and 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 **WTO** reported on 23 April that 80 countries and customs territories so far have introduced export prohibitions or restrictions as a result of COVID-19, although some measures have been subsequently rescinded.
- Most major economies are expected to enter recession as a result of the COVID-19 pandemic, and the **OECD** has estimated that for each month the necessary containment measures continue, the drop in output is equivalent to a decline in annual GDP growth of up to 2 percentage points. *The **IMF** will publish downward revisions to its global economic forecasts in June, expected to decline further from the previous outlook's forecast of a 3 percent contraction in global output, with emerging and developing economies contracting 1 percent and advanced economies 6.1 percent over the course of this year.*

Multilateral trade developments

- The impact of COVID-19 on food security and supply chains, and the role of trade in economic recovery, are being discussed in numerous plurilateral and multilateral fora. New Zealand is actively engaged in such discussions and continues to advocate strongly for maintaining trade flows and upholding the rules-based trading system.
- *New Zealand has helped lead initiatives to guard against protectionism and ensure supply chains remain open, including issuing a [Joint Ministerial Statement](#) with Singapore and 9 other countries undertaking to maintain supply chains and connectivity for essential goods and with Singapore, a [Declaration](#) which operationalises this objective, through the removal of tariffs and other trade barriers on a list of items essential to the COVID-19 response, including medical supplies. New Zealand has also joined Australia, Canada, South Korea and Singapore in another [Ministerial Statement](#) aiming to ensure the flow of essential goods and*

services as well as the essential movement of people, and joined Ministerial Statements in the [WTO](#) and [APEC](#) aimed at ensuring trade continues to flow around the globe.

Update on MFAT's supply chains work

- We are continuing to open up the belly hold capacity of repatriation flights for air freight. Inbound flights are supporting the import of critical products and urgent inputs into production supplies for New Zealand companies and outbound flights are providing extra air freight capacity for exporters. Flights can be accessed through NZTE's [myfreight](#) website.
- The Ministry of Transport has announced the International Airfreight Capacity scheme, to maintain air freight links with global markets. Phase 1 adds 56 weekly flights from New Zealand on Air New Zealand, China Airlines, Emirates, Freightways Express, Qantas and Tasman Cargo – with more flights to be added as the scheme expands. A schedule of the flights is listed [here](#).
- The Singapore/New Zealand Air Freight Project (SNAP) is part of ongoing close cooperation with Singapore in response to COVID-19. **The schedule of the second SNAP flight is not yet confirmed, but is likely to be sometime in early June.**
- In addition to contributing to the short term air freight response, MFAT is involved in an interagency group that is looking at longer term air and sea freight issues.

Regional updates

New Zealand and Australia

- **Comparing provisional New Zealand goods trade data for the fortnight ended 13 May 2020 with the equivalent fortnight in 2019, total exports to all countries were down 8.8 percent from \$2.54 billion to \$2.22 billion, while total imports from all countries were up 2.7 percent from \$2.40 billion to \$2.47 billion.**
- For April 2020 compared with April 2019, provisional **New Zealand goods trade data** indicates that exports to all countries were down 2.6 percent to \$5.3 billion. Dairy and meat exports were up 25.8 percent and 0.8 percent respectively, while seafood and forestry exports fell 30.9 percent and 68.7 percent respectively. Total imports from all countries were down 21.6 percent (\$1.1 billion) to \$4.0 billion.
- The New Zealand High Commission in Canberra provides a weekly overview of significant economic developments and statements in **Australia**. These updates are published weekly on the [MFAT market reports](#) page, **with the latest report [here](#).**

European Union and United Kingdom

- The **European Commission** has released its 2020 [spring economic forecast](#), finding that the EU has “entered the deepest economic recession in its history” with GDP forecast to contract by about 7.5% and rebound by only 6% in 2021. This leaves the EU economy's GDP about 3% lower than expected before the start of the Coronavirus pandemic.

- The **European Commission** has adopted additional [exceptional measures](#) to support agricultural and food markets, through granting private storage aid for **dairy** products (skimmed milk powder, butter, cheese (€30 million)) and **meat** (beef (€26 million), sheep and goat meat (€20 million)), introducing greater flexibility in the implementation of market support programmes for the **fruit and vegetables, olive oil, apiculture and wine sectors**, and a temporary derogation from EU competition rules.
- The **Spanish** primary sector is generally holding up well, although particular concerns continue to revolve around **sheep, goats, beef, and poultry**. **Poultry** farmers have been vocal about the need for the EU to control third-country imports and are requesting national and EU funding to support the sector. Spain will also allocate €10 million to compensate **sheep** and **goat** farmers for coronavirus-induced difficulties.
- The **United Kingdom** and **EU Members** are actively working to ensure continued trade flows. Supply and production issues are being closely monitored, especially in light of temporary local shortages of particular goods, shifts in consumer demand and concerns about labour supply:
 - Despite there being no issues with overall supply, producers are facing challenges in specific areas, including **fish, milk and seeds**. While the situation for fish mobility appears to be improving with the resumption of numerous small-scale fishing boats, milk dumping continues to be an issue.
 - There has been a shift in demand from high value/food service products to more basic/retail products. For **dairy**, this has led to an increased demand for health and well-being products, particularly whey protein (seeing 200%+ growth), and demand for retail cheese and long life milk has increased.
 - **Packaging** for retail sales (for products previously sold in bulk) remains an issue for both agricultural producers and food manufacturers, with not all producers able to quickly switch manufacturing processes to meet retail requirements.
 - **Air freight** remains down, and in the **UK**, it is estimated that there is a 20-25% reduction. The European Commission has asked **EU Members** to exempt cargo flights from their national restrictions on aviation, and to implement a series of operational measures aimed to reduce costs and barriers for the duration of the pandemic.
- Overall, and compared to many earlier predictions, there appears to be only a marginal impact to the main agricultural supply chains.
- **Prime Minister Boris Johnson has released a roadmap for the UK to exit its current lockdown. The UK will have a five-tier alert system, with gradual reopening of the country possibly beginning from 1 June.**

Americas

- The **US** Department of Agriculture has launched a US\$19 billion [Coronavirus Food Assistance Program](#) (CFAP) to compensate farmers for losses incurred (US\$16 billion) and to purchase farmers' surplus production for food banks (US\$3 billion). The main beneficiaries are reported to be farmers of cattle, dairy and hog livestock (US\$9.6 billion), of row crops such as corn and soybeans (US\$3.9 billion) and of speciality crops such as fruits and vegetables (US\$2.1 billion).
- [Further details on CFAP](#) were announced today, including information on how the US\$16 billion of direct payments will be calculated, and amongst which product categories. While the per commodity cap on payments has been removed, the per person payment limit of US\$250,000 has been retained. Initially, 80% of funds claimants are eligible for will be distributed, with remaining available funds to follow. Farmers and ranchers will be able to apply for assistance from 26 May.
- The **US meat** sector has been hard hit by the impacts of coronavirus, with loss of food service channels followed by plant closures causing interrupted supply chains, low farm gate prices, supply-demand imbalances, forecast meat shortages and rising consumer prices. Further information on the impact on the US meat sector is reported separately [here](#).
- **Canada** has announced an initial emergency aid package of CA\$252 million for the **agri-food sector**. This includes CA\$77 million to support safe working environments for those in food processing, CA\$125 million to the AgriRecovery fund to assist cattle and hog producers that are holding animals for longer, and a fund of CA\$50 million to purchase surplus food. **Dairy** is also expecting further support to be announced, likely to be in the form of storage. **New measures of CA\$470 million have also been announced to support fish harvesters as part of the Canadian Seafood Stabilization Fund.**
- **Farmers and food processors** across **Canada** have been significantly affected by COVID-19, following the closure of a number of major processing plants, as well as labour shortages, and reduced demand from restaurant closures. Further information on the impact on the Canadian agricultural sector is reported separately [here](#).

Asia

- The sharp increase in freight flights into **China's** Shanghai Pudong Airport is producing congestion issues, preventing some orderly clearance/loading of cargo and leading to schedule disruptions.
- [An update on the impact of COVID-19 on New Zealand businesses in South Korea](#) has been published by our Embassy in Seoul on the MFAT market reports page [here](#). According to the report, New Zealand horticulture exporters have experienced consistent sales and little disruption due to COVID-19, while demand for education services in New Zealand is expected to weaken. Airfreight continues to be challenged by limited connections and rising costs.

- New Zealand goods exports to **Japan** have continued to perform strongly in March and April. Goods exports to Japan in April increased by 28 percent compared to April 2019, the highest-ever level of exports on record from New Zealand to Japan during the month of April. A new report by the New Zealand Embassy in Tokyo focusing on goods exports is published [here](#).
- Exporters to the **Philippines** have noted congestion at Manila's ports and a shortage of available cold storage. New Zealand health product exporters in particular have continued to enjoy strong demand in the Philippines.

External links

The following links may provide useful information to businesses:

- [NZTE](#) has a website focused on providing COVID-19 information for exporters.
- MFAT offers [exporter assistance](#) at exports@mfat.net or 0800 824 605 and publishes regular [market reports](#) for New Zealand exporters, including this report. Recent publications include:
- [Update on Economic Developments in Australia - Week ending 15 May](#)
- [Report on the Impact of COVID-19 on NZ Business in South Korea \(Update\)](#)
- [Report on Record Goods Export to Japan](#)
- The Treasury releases a weekly [COVID-19 economic dashboard](#), and Stats NZ has published a new [data portal](#) with near real-time economic indicators.
- Business Insider maintains a list of [Countries on Lockdown](#) and their conditions.
- The International Trade Centre has produced a [Market Access Map](#) of temporary trade measures that have been enacted by governments in relation to COVID-19, and the World Bank has released a [database](#) on trade flows and policies.
- The [University of Oxford](#), [KPMG](#) and the [OECD](#) have published data on government responses to COVID-19.
- McKinsey's [COVID Response Centre](#) has a number of tools to assist businesses' response and recovery from the impacts of COVID-19.

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