

*Substantive updates from the previous report have been shaded red.*

## **Feedback**

We welcome feedback from New Zealand exporters on this report as we continue to refine its content. Please direct any suggestions or feedback to [exports@mfat.net](mailto: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introduced export prohibitions or restrictions as a result of COVID-19, although some measures have been subsequently rescinded.

## **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, as well as a [Declaration](#) with Singapore 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.
- **New Zealand Federated Farmers** and its Australian, Argentinean, Brazilian and Uruguay counterparts released a [statement](#) on 3 June reaffirming the importance of free, fair and open trade between nations under an international rules-based system in ensuring food security is not compromised in the midst of the COVID-19 pandemic.
- New Zealand has also joined an **international port authorities’ global initiative** for safe and efficient movement of goods and shipping during the COVID-19 crisis. The 56 port authorities that have signed the international declaration have committed to: safely keeping global supply

chains and trade going; allowing merchant ships to load and unload; and continuing to adopt best safety practices and share information to combat the virus.

### Update on MFAT's supply chains work

- MFAT is continuing to open up the belly hold capacity of repatriation flights of returning New Zealanders 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. We are currently looking to access freight capacity on the Indian Government's repatriation flights throughout June. Flights will be put up on NZTE's [myfreight](#) website as they become available.
- The Ministry of Transport's **International Air Freight Capacity scheme** has been established to help maintain New Zealand's air freight links with global markets. Phase 1 has added 56 weekly flights on Air New Zealand, China Airlines, Emirates, Freightways Express, Qantas and Tasman Cargo. More flights will be added as the scheme expands. In the first instance, exporters should contact their preferred freight forwarder to access the flights. 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 scheme aims to provide a pipeline of essential food supplies to Singapore in exchange for essential supplies, especially medical, to New Zealand. **The second SNAP flight operated by Singapore Airlines arrived in Auckland on 9 June carrying 150 COVID-19 test kits and will return with New Zealand food produce on 10 June.** The subsequent 8 flights will operate on a weekly basis alternating between Air New Zealand and Singapore Airlines. **If you wish to access the SNAP flight, please visit the webpage available [here](#).**
- MFAT will be publishing some Post **reporting on International Supply Chains**, which will be made available shortly. MFAT remains 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 ending 3 June 2020 with the equivalent fortnight in 2019, total exports to all countries were down 5.8% from \$2.59 billion to \$2.44 billion, while total imports from all countries were down 11.4% from \$2.25 billion to \$2.00 billion.**
- [Treasury](#) estimates that under Alert Level 1, **output** is reduced by 5–10%. In the main Budget forecasts, real GDP is forecast to fall sharply in the June quarter resulting in annual GDP declining from 2.8% growth in the June 2019 year, to a contraction of -4.6% over the June 2020 year, with GDP falling a further 1% by June 2021.

- On 5 June the **Australian** government announced the most comprehensive [reforms](#) to Australia's **foreign investment review** framework since its introduction. The reforms were in development prior to COVID-19, and address national security risks, strengthen the existing system, and streamline investment in non-sensitive businesses. The Australian Government will release exposure draft legislation for consultation in July, with the reforms scheduled to commence on 1 January 2021.

#### European Union and United Kingdom

- On 27 May the **European Commission** presented a modified [proposal](#) for the EU's **next seven-year budget** worth €1.1 trillion, along with a coronavirus recovery fund of €750 billion. This proposal sees a reinforcement of funds available to [support farmers and rural areas](#) as well as the fisheries sector, in recovering and delivering the new "[Farm to Fork](#)" and Biodiversity strategies.
- In addition to the [market measures](#) announced on 22 April, the **European Commission** has now approved various national state aid programmes by a number of member states in response to the COVID-19 crisis. According to Agriculture Commissioner Wojciechowski, programmes already announced total €1.2 billion. This does not include the value of reallocation of existing funds from the Common Agricultural Policy's rural development fund or National Support Programmes.
- According to a recent [report](#) by the New Zealand Embassy in The Hague, the **Dutch economy** has weathered the first stages of the COVID-19 outbreak better than many other European countries, in part due to the fact that many businesses were able to continue operating throughout. Nonetheless, the economy contracted by 1.7% in the first quarter of 2020, and exports and retail sales have fallen sharply.
- The impact on tourism is now forecast to cost the **French economy** one percentage point of GDP. To cushion the blow, Prime Minister Edouard Philippe unveiled on 14 May a tourism recovery plan totalling €18 billion. Tourism is one of three designated priority industries to benefit from specific support measures by the Government along with the automobile and aeronautical sectors.

#### Americas

- **US airline passenger volumes** [fell 96% in April](#), and remained down 89% as of 26 May. With international flight operations down 74%, half of the US passenger fleet has remained grounded. The loss of passenger flights and associated cargo space has also affected freight shipping services.
- A [report](#) on the impact of COVID-19 on **US education exports** was released by the New Zealand Embassy in Washington on 4 June. With US institutions likely to continue some form of distance learning in the 2020-21 academic year, students may look to more immersive educational experiences abroad, creating opportunities for New Zealand providers.

- In April 2020, overall **goods exports** from New Zealand to **Canada** decreased by 5.75% compared to April 2019. But this impact was lessened given higher exports over previous months – in the year to April 2020 good exports to Canada were up by 7.35% compared to the year to April 2019. For further information, see a recent market update for Canada, published on the market reports page [here](#).
- Nearly a quarter of **Canadian manufacturers** have pivoted to making personal protective equipment, hand sanitiser and other COVID-19 equipment during the pandemic. While overall manufacturing output has fallen, manufacturers of transportation and energy industry parts in particular have been harder hit than food processors and consumer product plants.

## Asia

- **Business activity in China** has shown some encouraging signs of recovery, with the Caixin Services Purchasing Managers' Index hitting its highest level in May 2020 since October 2010. The China NBS Manufacturing Purchasing Managers' Index was also in expansionary territory in May. However, Chinese state media has reported that foreign trade of goods decreased by 4.9% year-on-year in May 2020, signalling the ongoing impact of COVID-19 on international trade.
- China has unveiled plans to turn **Hainan into a 'free trade port'**. Policies alongside this announcement include lower income tax rates, larger freedoms in trade and investment, and tariff-free imports for certain goods such as manufacturing equipment, vehicles, ships, aeroplanes, raw materials and consumer goods.
- As of 8 June, **Singapore and China** are operating a **fast lane for essential business or official travel** on flights between Singapore and six provinces and municipalities in China, with plans to gradually expand to other Chinese provinces and municipalities.
- **Singapore's** Ministry of Trade and Industry has [downgraded](#) Singapore's GDP growth forecast for 2020 down to -7.0% to -4.0%. Despite this projected slowdown, the manufacturing sector is expected to expand with the biomedical manufacturing cluster projected to grow, supported by the production of pharmaceutical and biological products. Among the services sectors, the information and communications sector is also projected to increase given demand for IT and digital solutions.
- In **South Korea, food and beverage, horticulture and honey** from New Zealand businesses are performing well, while meat exporters have also showed modest growth as they overcome most supply chain disruptions caused by the virus and the shortage of meat supply in the US. A recent update on the impact of COVID-19 on [New Zealand businesses in South Korea](#) can be found on the MFAT market reports page.

## 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](mailto:exports@mfat.net) or 0800 824 605 and publishes regular [market reports](#) for New Zealand exporters, including this report.
- 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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