

*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introduced export prohibitions or restrictions as a result of COVID-19, although some measures have been subsequently rescinded.
- The **OECD’s June [economic outlook](#)** forecasts a global slump of 6% this year, more than the World Bank, based on a scenario of the COVID-19 virus continuing to recede. However, a scenario where a second wave of the virus occurs is equally likely, and could lead to a 7.6% contraction.

## **Multilateral economic and 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.
- On Friday 12 June (NZT), New Zealand signed the **Digital Economy Partnership Agreement (DEPA)** with Chile and Singapore, our first trade agreement to focus on issues solely relating to the digital economy. The agreement covers a range of issues including business and trade facilitation measures, such as setting up faster customs procedures and supporting e-payments, and issues of consumer trust. Further information on the DEPA can be found [here](#).
- **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.

## Update on MFAT's supply chains

- As part of its work to **ensure international supply chains** function as well as possible through COVID-19, MFAT has been using its network of Posts to monitor how international sea and air ports, and domestic logistics are operating. The first iteration of a fortnightly update has been [published online](#). MFAT also remains involved in an interagency group that is looking at longer term air and sea freight issues.
- 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 and aims to provide a pipeline of essential food supplies to Singapore in exchange for essential supplies, especially medical, to New Zealand. **The third Air NZ operated SNAP flight carrying a range of NZ primary industry produce departed Auckland on 17 June.** The first two SNAP flights have so far brought in several hundred COVID-19 test kits and other essential medical supplies. It has also provided Singapore with over 30 tonnes of essential NZ primary industry produce, including meat (chilled beef and lamb), horticulture (blackcurrants, avocados and persimmons), eggs, honey, fresh seafood etc. The remaining 7 SNAP flights will continue to 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](#).

## Regional updates

### New Zealand and Australia

- On 8 June the Minister for Trade and Export Growth, David Parker, and the Associate Minister for Trade and Export Growth, Nanaia Mahuta, publicly launched New Zealand's **[Trade Recovery Strategy](#)**. The strategy consists of three pillars: supporting exporters; reinvigorating the international trade architecture; and refreshing key trade relationships. Further information on the Strategy is on the [MFAT website](#), and views on the Strategy can be emailed to [TradeRecovery@mfat.govt.nz](mailto:TradeRecovery@mfat.govt.nz).
- Comparing provisional **New Zealand goods trade data** for the fortnight ending 10 June 2020 with the equivalent fortnight in 2019, total exports to all countries were down 0.9% from \$2.402 billion to \$2.380 billion, while total imports from all countries were down 5.9% from \$2.246 billion to \$2.113 billion. Provisional data for the month of May indicates that exports fell by 6% and imports by 21%.

- The **OECD's June forecasts for New Zealand** have been released. In the single-hit scenario, the OECD predicts a -8.9% change in GDP in 2020, before rebounding to 6.6% in 2021, a -2.1% change in net exports in 2020, before rebounding to 0.5% in 2021 and an unemployment rate at 7.9% over 2020, holding at 7.2% over 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.
- The **European Commission** has recommended that Schengen members and associated states **extend the EU's closure of external borders** to 30 June. It asks member states to draw up a common list of third countries with whom travel restrictions could be lifted from 1 July, with this 'white list' to be updated as the epidemiological situation evolves. The Commission also recommended that Schengen members **lift internal border controls** by 15 June. The vast majority are expected to have lifted most or all travel restrictions by the end of the month.
- **Iceland** has released information on its international **tourism recovery plan** and new border measures. A report on Iceland's tourism sector has been published on the MFAT website [here](#).

#### Americas

- The **National Bureau of Economic Research** determined that a peak in monthly economic activity occurred in the **US** economy in February 2020. The peak marks the end of a 128-month expansion and the beginning of a **recession**. The Federal Reserve has forecast that the US economy will shrink by 6.5% this year and announced it would keep interest rates close to zero into 2022. However, the Fed expects the US economy will return to growth in 2021, with unemployment falling to 9.3% and GDP increasing 5%, followed by 3.5% growth in 2022.
- Overall, **US exports of goods and services** in April were the lowest since April 2010. Exports fell 20.5% to US\$151.3 billion, while imports fell 13.7% to US\$200.7 billion. Particularly hard hit were exports of autos and auto parts which were the lowest since March 1992.
- The US Department of Commerce's International Trade Administration and US & Foreign Commercial Service are **temporarily eliminating or reducing fees** for several of its export services until 30 September, to provide relief for US businesses impacted by COVID-19. SMEs will receive services for free, while large US companies will have fees reduced by up to half.

- **Canada's economy** contracted at an annualized pace of 8.2% in the first quarter and real gross domestic product fell 7.2% in March as 19 out of 20 industrial sectors declined. An update on economic developments in Canada has been published on the MFAT website [here](#).
- Though the **Brazilian** economy is projected to shrink 8% in 2020, **agricultural exports** continue to show growth, with beef, pork, soy, sugar, and coffee exports higher in May compared to the same time last year. In particular, Brazilian soy and beef exports both grew by over 21% by volume and pork exports grew by 52%. This is largely driven by additional purchases from China and the higher level of US dollar. However, **industrial production** fell by a record 18.8% in April, reaching the lowest level since records began in 2002.
- **Chile** and **Argentina** are also experiencing higher **exports** to China. For Chile, exports to China were 9.2% higher in May 2020 compared to May 2019, particularly copper and agricultural products, though total Chilean exports dropped by 20.7% in May (compared with May 2019). China replaced Brazil as Argentina's main trade partner in April, the main exports being soybeans, followed by frozen and boneless beef.
- **Uruguayan dairy producers** have experienced a 4% decline in export of dairy products during the first five months of 2020 from the same period in 2019. The survey over the month of May indicated a sharp drop in revenue from sales of butter and skimmed milk powder, with smaller increases in whole milk powder and cheese. To support producers, the National Cooperative of Milk Producers (Conaprole) announced that funding will be distributed to producers.

#### Middle East and Asia

- **China's May exports** had better-than-expected figures, driven in part by increased exports of medical equipment and anti-epidemic materials. In yuan terms, exports rose by 1.4% while imports dropped by 12.7%, leading to a record monthly trade surplus of NZ\$96.4 billion.
- 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.
- As of 11 June, **Singapore Airlines** and **SilkAir** travellers can now transit through Changi Airport from outbound flights originating from [select cities in Australia and New Zealand](#) (Auckland and Christchurch). Transiting travellers can then carry on to any destination in the Singapore Airlines (SIA) Group network, however transiting through Singapore from other points in the SIA Group network into Australia and New Zealand is not allowed.
- **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 **Southeast Asia**, e-commerce (particularly online groceries) and other digital trends such as the use of apps for shopping and payment, telemedicine and digital health care services are expected to continue even after the pandemic ends.
- Provisional data indicates that New Zealand **goods exports to Japan** in May reached \$474 million, the highest level of goods exports to Japan on record during the month of May. Exports to Japan in May 2019 were valued at \$426.31 million.
- Online demand in **South Korea** for **food products** (including meat, dairy and fruit), home meal replacements, health supplements and organic/locally grown produce was boosted by COVID-19. Industrial equipment manufacturers report no negative impact on sales. 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.
- A **Memorandum of Cooperation on Food Trade** between the Saudi Food and Drug Authority (SFDA) and the NZ Ministry for Primary Industries was signed on 15 June in **Saudi Arabia**, confirming that the SFDA formally recognises New Zealand's domestic regulatory systems and standards as equivalent to Saudi requirements. Once fully implemented, this can simplify procedures relating to certification, establishment registration and the import clearance process for New Zealand food imports into Saudi Arabia. Food exports constitute 84% of New Zealand's exports to Saudi Arabia, and totalled NZ\$558 million in 2019.

## 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.

### **Disclaimer**

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