

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.

Global summary

- There continues to be 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introduced export prohibitions or restrictions as a result of COVID-19, although some measures have been subsequently rescinded.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. The [WTO reported](#) on 22 June that estimates for global merchandise trade in the second quarter of 2020 indicated a year-on-year drop of around 18.5%.

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.
- **New Zealand and the UK** formally [launched free trade negotiations](#) on Thursday 17 June (NZT). The UK was New Zealand’s sixth largest trading partner in 2019, with two-way trade totalling almost \$6 billion. The first round of negotiations will take place by video conference from 13 to 24 July.
- On 17 June, **the Cairns Group** of agricultural exporting countries **launched its food security initiative**, ‘COVID-19 Initiative: Protecting Global Food Security Through Open Trade’ at the WTO. The initiative confirms the 11 signatory members’ commitment to facilitating trade vital to global food security, both in the midst of COVID-19 and to promote a trade-positive economic recovery. Among a number of commitments, the initiative requires signatories to monitor and unwind COVID-19-related measures impacting agricultural trade.

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.
- **New Zealand's economy** contracted by 1.6% in the March quarter as the first economic impacts of COVID-19 were felt. A much larger contraction (~25%) is expected in the June 2020 quarter, when most of the lockdown occurred. Despite the quarterly contraction, the economy grew by 1.5% in the year to March 2020, with nominal GDP estimated to be \$314 billion. Tradables sector GDP increased by 0.8% in the year to March, and the export sector expanded 1.0%.

- Comparing provisional **New Zealand goods trade data** for the fortnight ending 17 June 2020 with the equivalent fortnight in 2019, total exports to all countries were down 1.4% from \$2.352 billion to \$2.319 billion, while total imports from all countries were down 9.6% from \$2.273 billion to \$2.054 billion. Provisional data for the month of May indicates that exports fell by 5.8% and imports by 20.6%.
- The Australian Government declared on 3 June that **Australia** is in **recession** for the first time in nearly three decades. This comes on the back of a 0.3% contraction in the March quarter and an expected nearly 10% contraction for the June quarter.

European Union and United Kingdom

- The **European Commission** released its annual [Trade and Investment Barriers Report](#) on 18 June, which analyses the new barriers faced by EU business in 2019 and those removed. The report found that 43 new barriers had been listed in the EU's Market Assess Database in 2019, at a total of 438 active trade and investment barriers.
- 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.
- Data published by the Office for National Statistics on 19 June showed that the **UK government's debt** exceeded the size of the UK economy in May for the first time in more than 50 years. Early reports suggest that the level of public borrowing is on course to end the financial year about £300 billion, as borrowing increases to pay for COVID-19 mitigation measures.
- There have been several **outbreaks at German slaughterhouses** in recent weeks, prompting the government to impose stricter safety rules for the industry and ban the practice of using sub-contractors. The outbreak at Germany's largest slaughterhouse in Rheda-Wiedenbrueck has seen the factory close for two weeks, and over 1,000 confirmed infections.

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.
- 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 annualised 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](#).
- **Brazil** is projected to record a nominal deficit of 16.3% of GDP this year, a domestic record for the country.
- **Exporters continue to report issues with exporting airfreight into the Latin American market due to the lack of direct air connections.**

Middle East, Africa and Asia

- A new COVID-19 **cluster outbreak** in one of **Beijing's** largest meat and vegetable wholesale markets has resulted in new containment measures including the cancellation of flights in and out of Beijing and the shutdown of schools and businesses. Due to initial speculation that imported salmon was a possible source for the outbreak, **impacts to New Zealand and other exporters (such as Uruguay)** include increased border testing and associated delays, additional compliance, cancelled orders and increased costs due to some importing companies renegotiating contracts to reduce meat prices. There are currently no bans on imported food.
- **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.
- Air New Zealand passenger **flights from Auckland to Shanghai** have resumed as of 22 June, with one return service operating weekly. Air New Zealand will also re-commence passenger **flights between Tokyo and Auckland** on 25 June, with one weekly return service with limited airside transit available in Tokyo Narita Airport. All of these flights must comply with COVID-19 border restrictions and the terms and conditions listed [here](#).
- 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. **An updated market report for New Zealand exporters in Japan** has been published on the MFAT market reports page.
- **Malaysia** has its first **trade deficit** since 1997 of a record RM3.5 billion (NZ\$1.2 billion), with the external sector hit hardest. **Exports** are down 24% from the previous year, driven by a fall in electronic, mining and agricultural goods exports.
- **Taiwan** has **eased quarantine requirements for business travellers** from countries considered to have managed their COVID-19 response well, effective from 22 June and subject to conditions being met. Only five days quarantine will be required from travellers from New Zealand.
- 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.

- **Morocco** experienced export drops of 19.7% and imports by 12.6% from January to April this year, but the agriculture sector has maintained a strong performance. Demand and stocks for fruit, vegetables, meat and dairy products remains stable, with fruit and vegetable exports to the EU increasing more than 5% compared to 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 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.
- **MBIE publishes a [sector reports series](#) which provides regularly updated reports on all industry sectors that make up the New Zealand economy. These include official economic data and the challenges and opportunities that face New Zealand's industry sectors.**
- 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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