

Prepared by the Economic Division in Wellington.

Summary

- To ensure New Zealand's global supply chain connections continue to function during the COVID-19 pandemic, MFAT's network of Posts is monitoring the operation of New Zealand's international sea and air freight connectivity. This report provides a snapshot of how global supply chains are functioning offshore, significant international initiatives affecting supply chains, and other issues of interest to New Zealand exporters and importers.
- To provide feedback or information relevant to this report – please contact exports@mfat.net

Report

International Developments

- All traffic was blocked from passing through the Suez Canal after a 224,000 tonne container ship, the *Ever Given*, ran aground on 23 March. Despite the ship being re-floated on 29 March, the blockage caused a backlog of 350 – 400 vessels. Shipping lines are undertaking a variety of strategies to combat the ongoing impact of the backlog – some have indicated a short-term stop on bookings to Oceania originating from the EU and Asia due to concerns around container shortages; others are accepting bookings but with additional capacity restrictions in place. Both imports to and exports from New Zealand have been impacted directly with New Zealand cargo either held up in the backlog of vessels delayed as it is rerouted. The indirect impact will see a further escalation of global sea freight congestion affecting New Zealand as global shipping schedules are disrupted and a reduced flow of empty containers from Europe to Asia exacerbates container shortages. Supply chains to Northern Europe are expected to be negatively affected until June. Insurers have estimated that each day of the blockage cost global trade US\$6-10 billion.
 - The global plastics market has been hit by an acute shortage in raw materials, triggering a squeeze on the supply of resins used to manufacture medical goods. Disruptions in global sea freight and a shortage of available shipping containers, in combination with plant closures and severe winter storms in Texas have contributed to the shortages, which are pushing up the prices of raw materials that flow through New Zealand's essential supply chains.
 - The Biden Administration [has ordered](#) a 100-day review of the United States' supply chains in pharmaceutical active ingredients, critical minerals, semiconductors and electric vehicle batteries. This review is focused on products whose supplies have been hit by recent shortages.
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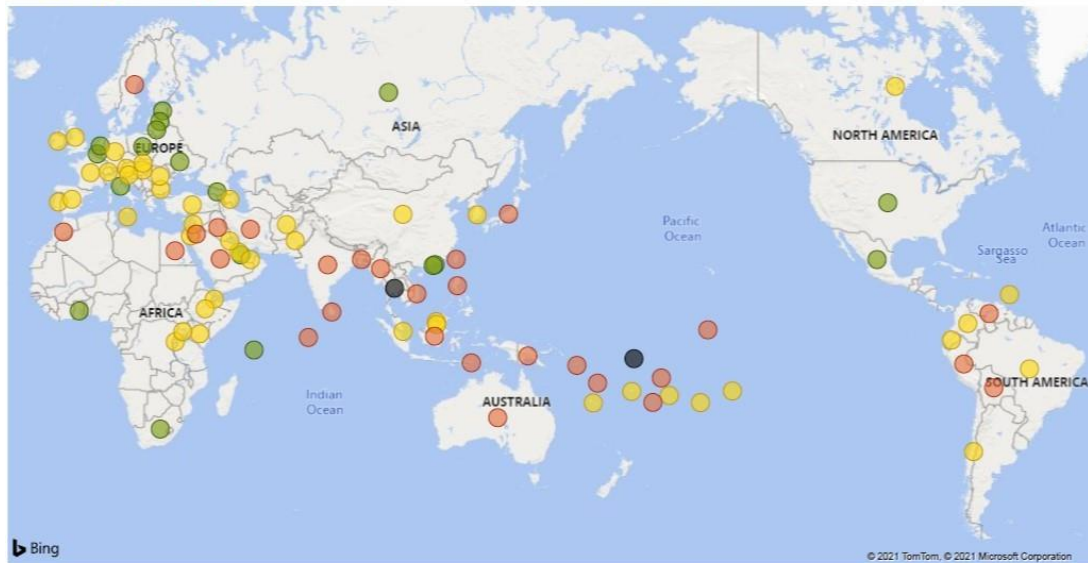
Availability of Air Freight



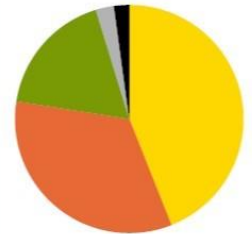
Functionality of Air Ports and Availability of Air Freight

Data source COVID-19 Post Data tracker updated on 18/4/2021

Status ● Normal ● Slightly reduced ● Heavily reduced ● Not operating



Responses weighted by 2019 NZ trade share



Status	%	Trade Share
Slightly reduced	43.87%	
Heavily reduced	33.39%	
Normal	17.75%	
Response to come	2.56%	
Not operating	2.15%	

Data source: COVID-19 Post Data Tracker updated on 18 April 2021

- The International Civil Aviation Organisation reported a 72.5% decline in world air passenger traffic in January 2021 compared to the same month in 2020. International tourism continued to stagnate, following the same trend. This is due to the emergence of more contagious COVID-19 variants and the introduction of stricter control measures as the pandemic intensified over the Northern Hemisphere winter.
- The Government recently announced the Maintaining International Airfreight Connectivity (MIAC) scheme which will start on May 1 following the conclusion of the International Airfreight Capacity Scheme (IAFC) on April 30. The MIAC scheme will run to the end of October 2021, with an option to extend to a final date of 31 March 2022. The scheme aims to secure New Zealand's essential connectivity with key partners, including close Pacific neighbours and the Realm countries, in response to the substantial decline in passenger flights due to the COVID-19 pandemic.
- An overall reduction in airfreight capacity within the United States has been hindering some New Zealand companies, though air connections between the West Coast and New Zealand have been aided by a recent increase in cargo services between Auckland and Los Angeles and San Francisco.
- The trans-Tasman bubble was established on 19 April with Air New Zealand operating 30 flights between New Zealand and Australia that day. Qantas operated 25 flights and four Jetstar flights crossed the Tasman. Officials expect that the return in trans-Tasman air connectivity will assist New Zealand importers and exporters in accessing Australian air freight routes, especially those that are opting for air freight in the wake of ongoing sea freight disruption.

Availability of Sea Freight

- Severe congestion at Los Angeles and Long Beach ports is continuing to disrupt supply chains in and out of the United States market. The COVID-19 pandemic has contributed to this congestion as restrictions in the United States has caused a spike in consumer spending by Americans forced to stay at home. To catch up with increased demand, businesses have sought to replenish their stock through seaborne imports. However, lower numbers of workers through U.S. supply chains, in combination with larger ships seeking to dock in Californian ports has exacerbated the congestion and increased shipping costs. Delays in obtaining berth slots and in unloading goods at the ports are of particular concern for exporters of perishable or seasonal products. There are hopes that the congestion will be partially diminished ahead of a possible surge in consumer spending during the Northern Hemisphere summer, encouraged by the Biden Administration's recent economic stimulus package.
 - Singapore has also seen significant congestion. Vessel turnaround has increased from a usual timeframe of two to five days, to around seven days.
 - The United Nations Conference on Trade and Development (UNCTAD) has reported the container freight rates have soared to historical highs, and rates to South America and West Africa surpass those to any other major trading region. The global shortage in containers is having a more acute effect on longer and thinner routes to developing regions, rather than between Western and Asian ports.
 - With little to no abatement in sea freight disruptions at New Zealand ports, the Ministry of Transport convened a cross-industry workshop on 16 March to discuss constructive ideas to mitigate the impacts of this congestion. The workshop involved participants from ports, shipping lines, unions, road and rail operators, freight forwarders, importers and exporters, industry associations and government. It centred on developing greater transparency and coordination across supply chains, improving planning and forecasting in the event of disruptions and building longer-term supply chain resilience.
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