

Prepared by the New Zealand Embassy in Beijing.

Summary

China was one of the few economies to grow in 2020, and the country has maintained its economic recovery in the first quarter of 2021, with GDP reportedly growing 18.3% compared with the same quarter last year. China set a GDP growth target for 2021 of 'at least 6%' in early March and major international analysts expect this to be exceeded, with forecasts still coalescing around 8%.

China's domestic COVID-19 situation remains stable and its vaccination drive is accelerating, with over 230 million vaccine doses administered as of late April, at a reported average rate of around 4.5 million doses per day. China's stated target is to have 40% of the population vaccinated by May and 65% by the end of 2021. In the short term however China's borders will likely continue to remain tightly controlled.

The value of two-way goods and services trade between New Zealand and China declined 5.6% in 2020 (to NZ\$31.5 billion), however China remains New Zealand's top trading partner. Of the three biggest export product groups, the value of dairy trade with China grew by around 6% in 2020 compared with the same period in 2019, while forestry was down 9% and meat products down 12%. New Zealand's services exporters were particularly hard hit, declining 40% in 2020 from 2019 levels.

Regular China market updates and other useful resources are available on the [NZTE website](#) and exporters can sign up for [myNZTE](#) for China market information on a number of topics. The Ministry for Primary Industries regularly provides requirements (Overseas Market Access Requirements or [OMARs \(login required\)](#)) and Importing Countries Phytosanitary Requirements or [ICPRs](#)) and [For Your Information \(FYI\)](#) documents, including for China, with guidance on exporting issues relating to animal products (such as meat, seafood, honey, and dairy), food products, plant products, and wine.

Economic situation in China

China reported 18.3% year-on-year (y-o-y) growth in quarter one (Q1), a figure inflated by the significant impact of COVID-19 on China's economy in early 2020. On a quarter-on-quarter (q-o-q) basis the economy reportedly grew 0.6% in Q1 2021 compared to Q4 2020. In the four years prior to COVID-19 China averaged 1-2% quarterly growth on this metric.

China's first quarter growth was strongly supported by **industrial output** which grew by 24.5% (y-o-y), and 2% (q-o-q) as factory activity continued to accelerate in part due to strong export demand. Two-year average growth of industrial production accelerated to 7.6% in Q1 2021, up from 6.5% the last quarter of 2020.

Consumer spending lagged the broader recovery in the second half of 2020, but one measure, **retail sales of consumer goods**, has shown positive signs so far in 2021 outperforming forecasts to increase 33.9% (y-o-y) in Q1 from a COVID-19 depressed base, but still 7.6% higher than Q1 2019 levels. The spending recovery remains uneven, with income in the catering sector recovering strongly compared to 2020 figures, but still down on the equivalent period two years prior.

In addition, China's **domestic tourism** numbers have recovered significantly as at the start of 2021, almost reaching pre-COVID-19 levels. China reports that domestic tourism visits grew by 144.6% during the three-day tomb-sweeping holiday in early April, compared with the same period in 2020. This year's figures were still slightly down on 2019 numbers.

Fixed asset investment which had been the driver of much of 2020's economic growth, expanded 25.6% (y-o-y) in Q1, but was slightly below analysts' forecasts. This figure was 6% higher than Q1 2019, with an average growth rate of almost 3% in two years.

The value of China's **foreign trade** grew 29.2% (y-o-y) in yuan terms in Q1 2021. China's exports were a significant contributor to growth, rising 38.7% from a year earlier in yuan terms; imports rose 19.3% compared with Q1 2020. Although Q1 2020 is a low base for comparison - China's trade fell more than 6% over the same period last year - China's foreign trade was up significantly when compared with the equivalent periods in 2018 and 2019. Trade growth is likely due to improving demand in recovering markets like Europe and the United States, and the domestic recovery fuelling import growth.

China's **consumer price index** was 0.4% higher year-on-year for the month of March 2021.

NZ-China transport links

Regular **cargo flights** continue on commercial routes between Auckland and Shanghai, and Auckland and Guangzhou.

Three airlines are currently operating **passenger flights** between New Zealand and two cities in China:

- Air New Zealand and China Eastern are each operating two Auckland to Shanghai passenger flights per week.
- China Southern is currently operating two Auckland to Guangzhou flights per week.

International **sea freight appears to be operating relatively stably between New Zealand and China**, though exporters continue to report issues with securing containers for their products, increased prices, as well as delays and the occasional cancellation of shipments due to congestion issues at the Port of Auckland

Domestic logistics within China are functioning routinely, although China has introduced measures to reduce the concerns it has with regard to COVID-19 potentially being introduced through the cold chain. After multiple reports that the COVID-19 virus had been detected on imported food packaging, **China increased this type of testing and compulsory disinfection requirements on all cold-chain shipments** on arrival in China. As a result, there have been ongoing reports of slower border clearance times and post-border distribution in some parts of China; certain product groups may be more affected by this than others. We expect such measures to remain in place for the time being. New Zealand suppliers in some product groups have been asked by their Chinese buyers to carry out COVID-19 testing prior to export.

China has a process in place for those needing to visit China for “urgent or necessary economic activity” to seek an **exemption to China’s border restrictions and apply for a visa**. The process can be activated by the employing company or business partner in China writing to their local Foreign Affairs Office to seek an exemption. A number of New Zealand businesspeople have successfully applied for visas under this process. All New Zealand travellers to China must complete a minimum 14-day quarantine on arrival. (Note: the exact length of quarantine depends on the port of arrival, and may change due to the COVID-19 situation at the time). Please note the New Zealand Government continues to advise New Zealanders not to travel overseas at this time due to the COVID-19 pandemic (see [Safe Travel](#) website here for updates).

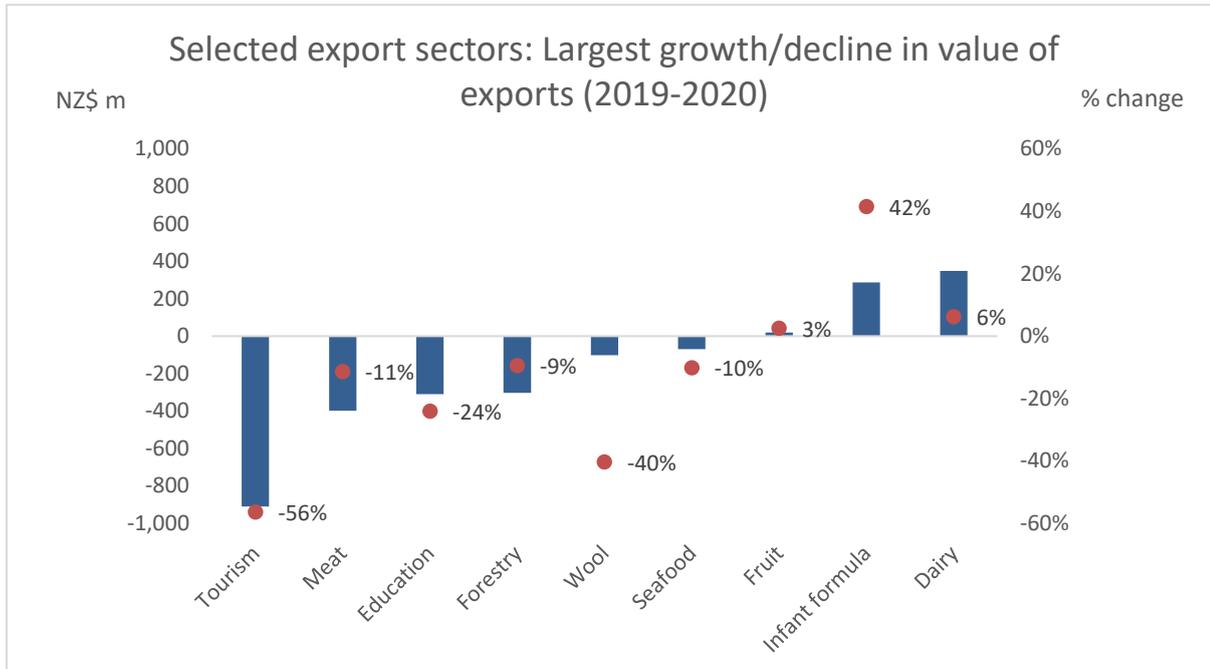
Those travelling to China from overseas are required to complete one nucleic acid (PCR) test and one antibody (IgM) test two days prior to boarding China-bound flights. Travellers must then supply this information to the Chinese Embassy or Consulates in New Zealand to request a “green health code”. This requirement has implications for the ability to transit in other locations. The latest information on specific pre-departure requirements for travellers to China and visa application processes can be found on the [Chinese Embassy in New Zealand’s website](#).

New Zealand’s trade with China in 2020

China continues to be New Zealand’s top trading partner, with two-way goods and services trade totalling NZ\$31.5 billion in 2020 (down 5.6% from 2019). Over this period China remained New Zealand’s largest market for exports (NZ\$18.6 billion) and, due to a larger drop in New Zealand’s service sector imports from Australia, China is now New Zealand’s largest source of imports (NZ\$12.9 billion). The overall goods and services trade balance between China and New Zealand in 2020 was +NZ\$5.7 billion.

Of the three biggest export groups to China, dairy grew by around 6% compared with the same period in 2019, while forestry was down 9% and meat products down 12%. Services exporters were particularly hard hit, with tourism earnings down 56% and education down 24%.



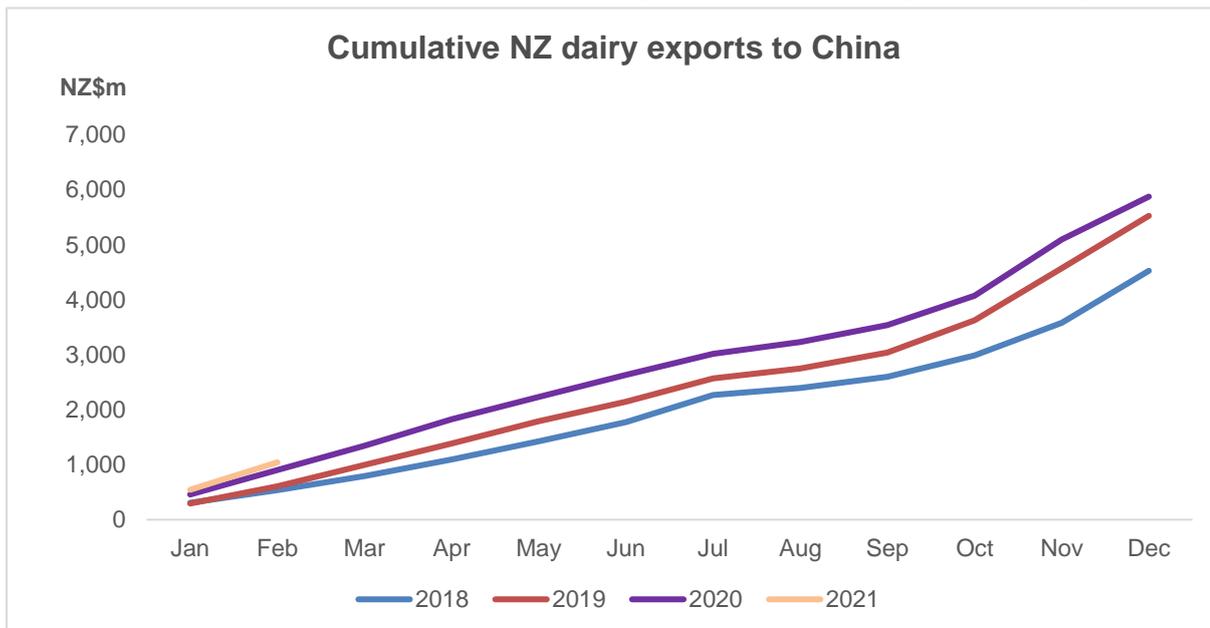


Recent trends in key export sectors (Mar 2020 – Feb 2021)

Dairy (not including infant formula)

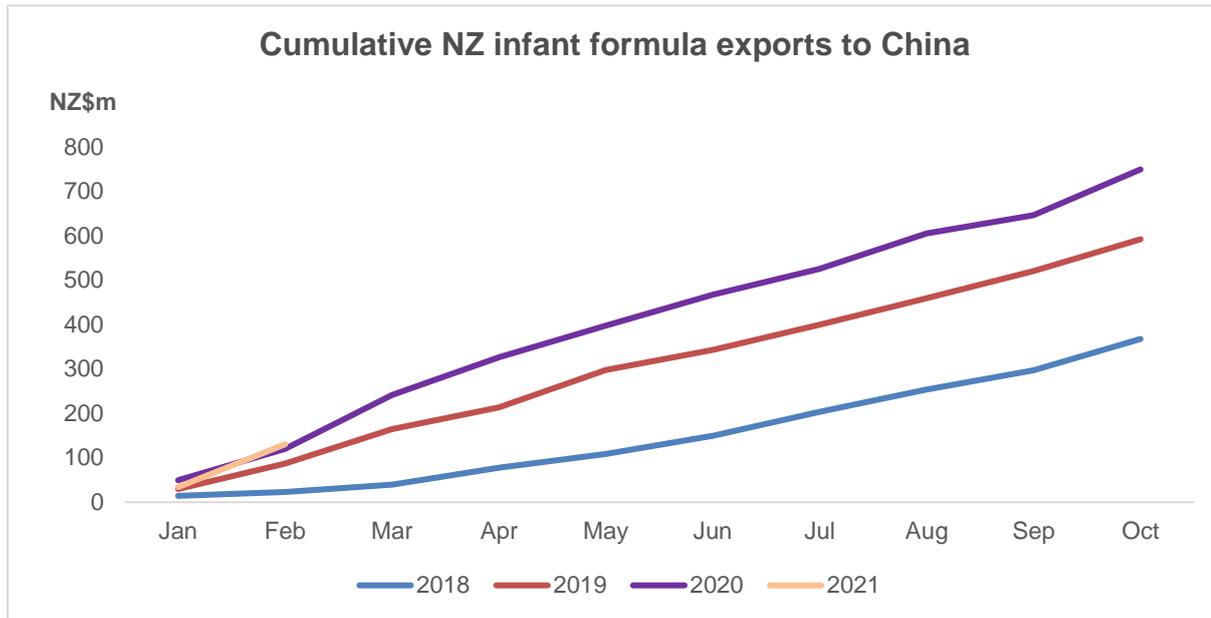
Dairy exports to China held up well over 2020, growing 6% during the year. Dairy exports are driven by milk powder and butter exports. Milk powder exports grew 3.5% to \$3.6 billion, driven by increases in volume (+2.2%) and price (+1.2%). Butter exports also grew by 38% in volume in 2020, although this year so far has seen a decrease (but still more than 2019's volumes).

Data from the start of 2021 show the value of all dairy sales to China 16% up on the same period in 2020.



Infant Formula

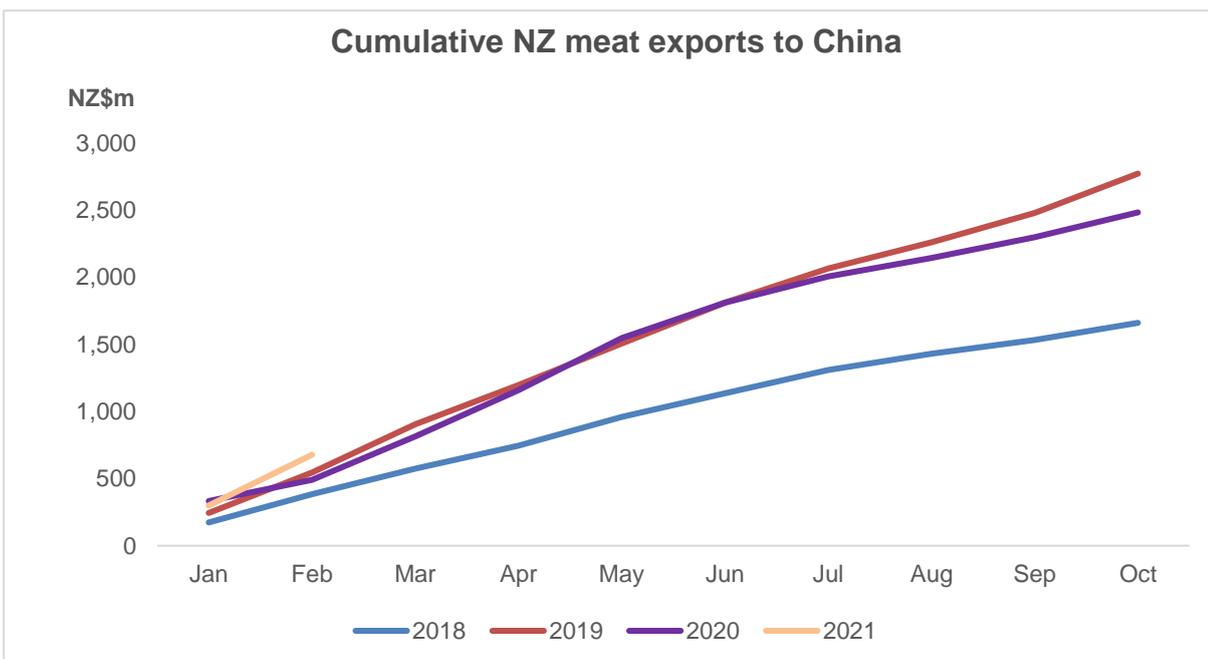
Infant formula also recorded strong growth in 2020, with the value of exports up 42% compared with 2019. Growth continued in the first two months of 2021, with exports up 8% on the equivalent period in 2020.



Meat and meat products

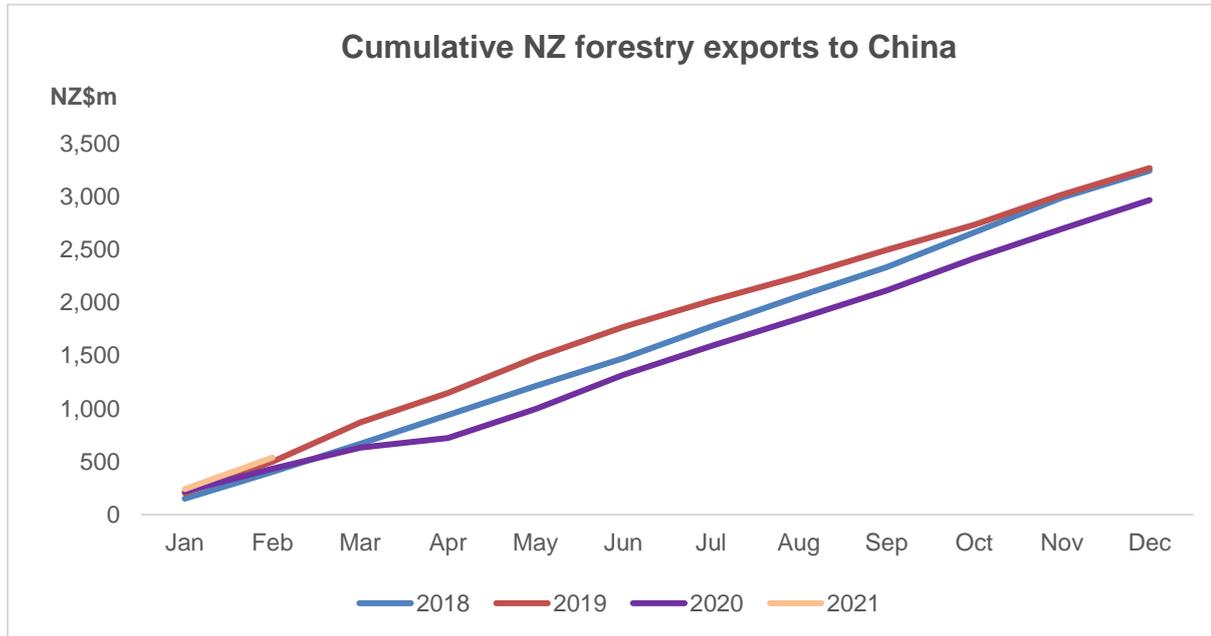
New Zealand's meat exports to China in 2020 were down 11% on 2019 figures, due to depressed consumer demand and disruption to supply chains earlier in the year and an increase in premiums in the EU and US leading to increased New Zealand exports to markets other than China.

Sales in the first two months of 2021 have been strong, with the cumulative value of sales to the end of February up 38% on a depressed 2020 figure, but importantly still 24% up on the equivalent period in 2019. China's recovery and rebuild from the African Swine Fever outbreak continues, but the protein deficit left will continue to be filled by imports as demand for meat protein increases.



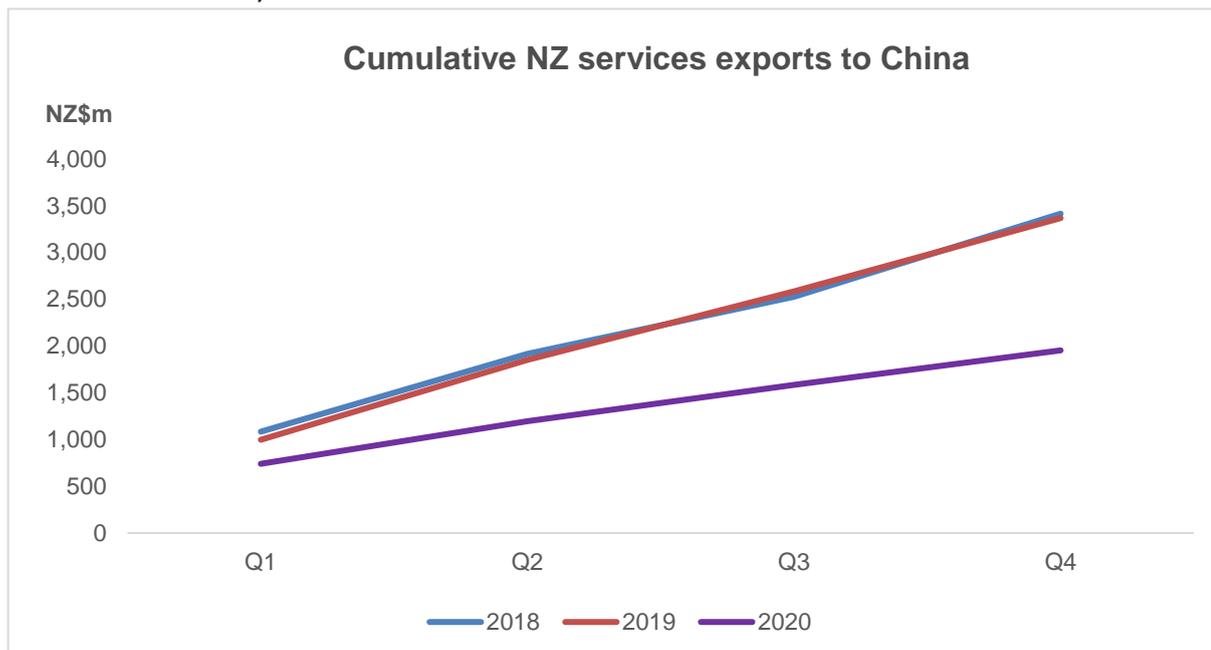
Forestry and forestry products

New Zealand forestry product exports to China have largely recovered from the dip in 2020 when the Covid-19 lockdown period saw the industry unable to fell or process trees. In the first two months of 2021, exports in forestry products increased by 27% to reach just over 3 million m³, surpassing 2019 volumes. The price of New Zealand radiata pine logs continues to remain high at US\$153/m³ and is forecast to continue to remain buoyant.



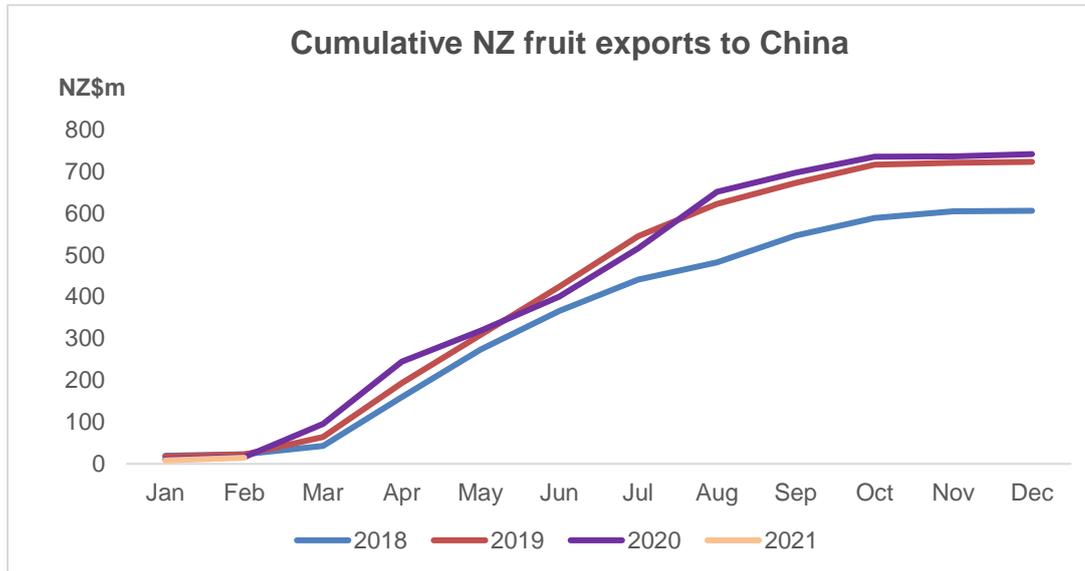
Services trade

The significant impacts of COVID-19 on services sectors affected all export markets, including China, New Zealand's number one source of international students and second biggest source of visitors prior to COVID-. Overall the value of services exports to China decreased 40% from 2019, with tourism earnings from China declining 56% between 2019 and 2020 and education earnings down 24%. Services data for 2021 will be released later in the year.



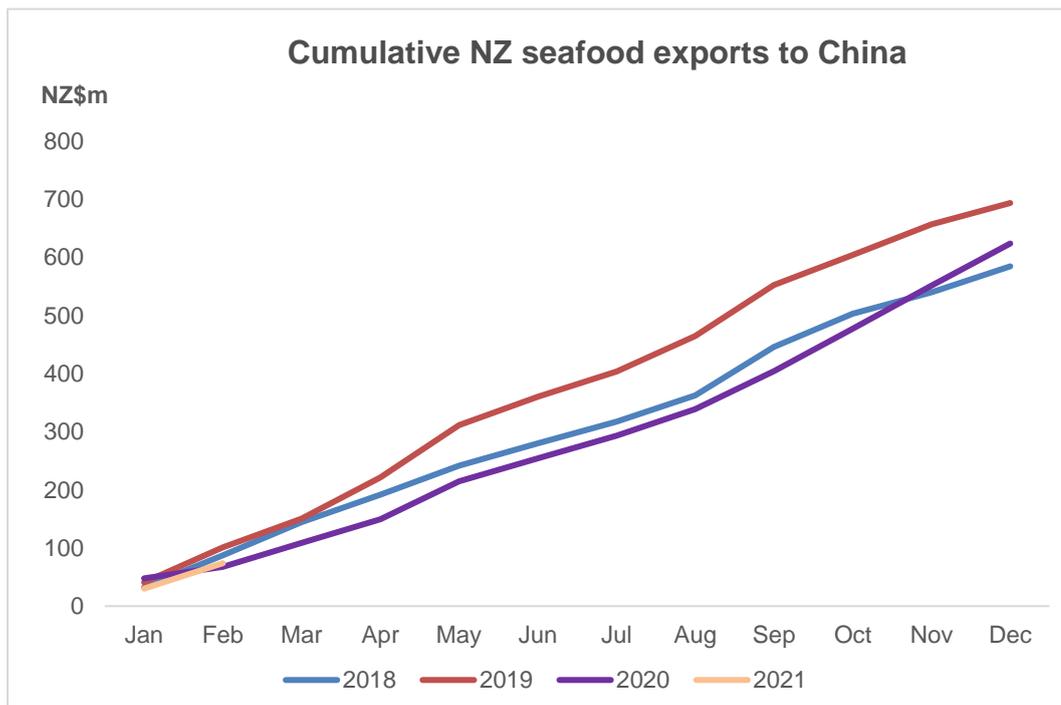
Fruit

China remained New Zealand's largest fruit export market by value in 2020, with annual exports just over 2% higher than 2019. Cumulative sales so far in the first two months of 2021, typically the lowest two months during the year for fruit exports, were 7% lower than the equivalent period in 2020 and 35% down on the same period in 2019. In the first two months of 2021 so far, volumes of cherries are down 14% while apples are up 39% compared to 2020. The impact of weather factors and progress with harvest will need to be watched over coming months. Kiwifruit, the largest export in the category, will not show up in export data until March/April.



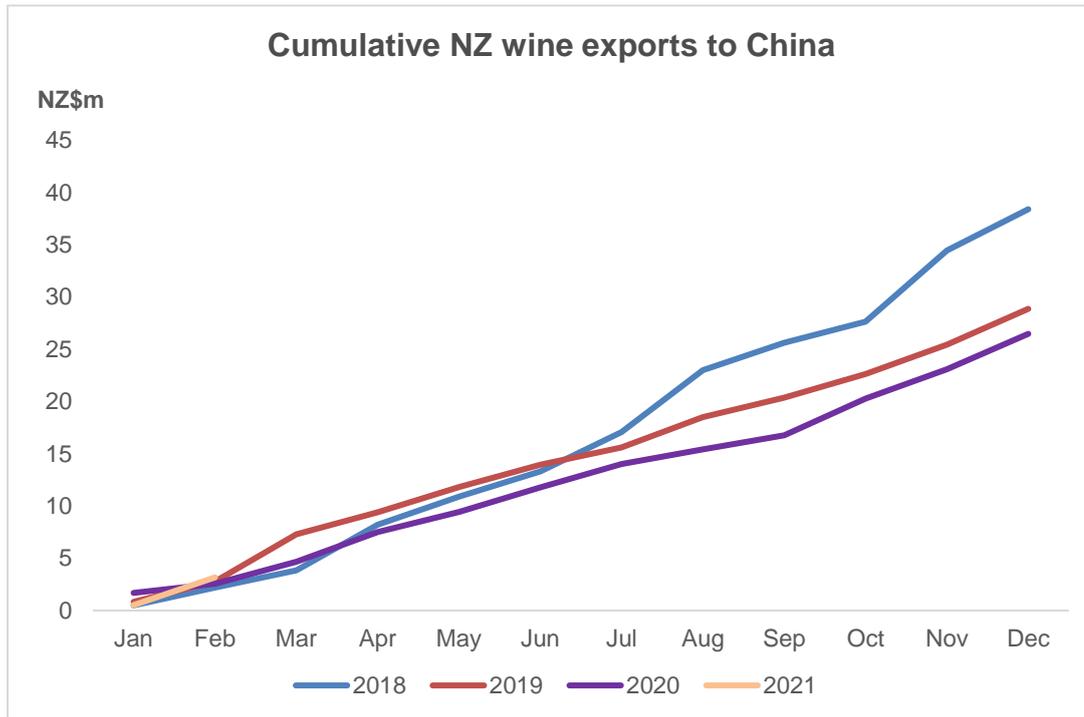
Seafood

Seafood exports to China, in particular rock lobsters, were significantly affected by the early phase of the initial COVID-19 outbreak in China. There was a recovery in the latter half of the year, but the overall value of sales was down 10% on 2019 figures. Sales so far in 2021 are up 9% on the equivalent period in 2020, but still well behind 2019 levels.



Wine

China remains a small market for New Zealand wine exports. Overall, New Zealand's wine exports to China were down 8% in 2020 compared with 2019, and down more than 31% compared with 2018 sales value. Sales in 2021 to date are 24% up on the equivalent period last year and 14% up on 2019 values.



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