

GOODS AND SERVICES TRADE

UPDATE FOR THE MARCH 2017 YEAR

KEY POINTS¹

- NZ's total exports of **goods and services** were valued at \$70.4 billion for the year ended March 2017 – up \$268 million (0.4%) from the previous year. Total imports of goods and services were \$67.4 billion, up \$474 million (0.7%) from a year prior.
- This year services exports increased by \$406 million (2%), more than compensating for a slight decline in goods exports, which dipped \$139 million (-0.3%). Service export growth has been driving overall export growth for the last three March ended years.
- Overall, NZ recorded a trade **surplus of \$3.0 billion** in the year ended March 2017.
- **Dairy**² remained NZ's largest export-earner. Dairy exports increased by \$310 million to \$13.0 billion this year, the first increase in annual growth since 2014. Tourism³ remained NZ's second largest export sector, valued at \$9.1 billion.
- Although dairy exports experienced year-on-year growth, the value of goods exports declined slightly, by 0.3%, from the previous year. This was largely due to the decline in meat (down \$596 million to \$6.0 billion in 2017). The growth in the value of service exports, however, more than offset this decline. In particular **educational travel** was a key driver of service export growth. Other success stories were exports of **logs and wood**, and **fruit**.
- In terms of NZ's key trading partners, **Australia** remained NZ's top trading partner (and export destination) for goods and services.
- Exports to **China** increased this year, with **log** and **dairy** exports to China experiencing the largest growth (27% and 13.0% respectively). Notably, they were also the two top earning export commodities to any one destination, with log and dairy exports to China earning \$2.0 and \$3.2 billion respectively. Total exports to China remain slightly below their 2014 peak levels (by about \$250 million).
- Growth in the value of our exports to China more than made up for relatively stagnant growth in the value of our exports with other key trading partners.

¹ Please note: This document reports on **March ended** years. All reference to years in this document refers to March ended years.

² Comprehensive definition of Dairy used. Includes: milk powder, butter, cheese, malt, casein, fresh milk, albumins, buttermilk and ice cream.

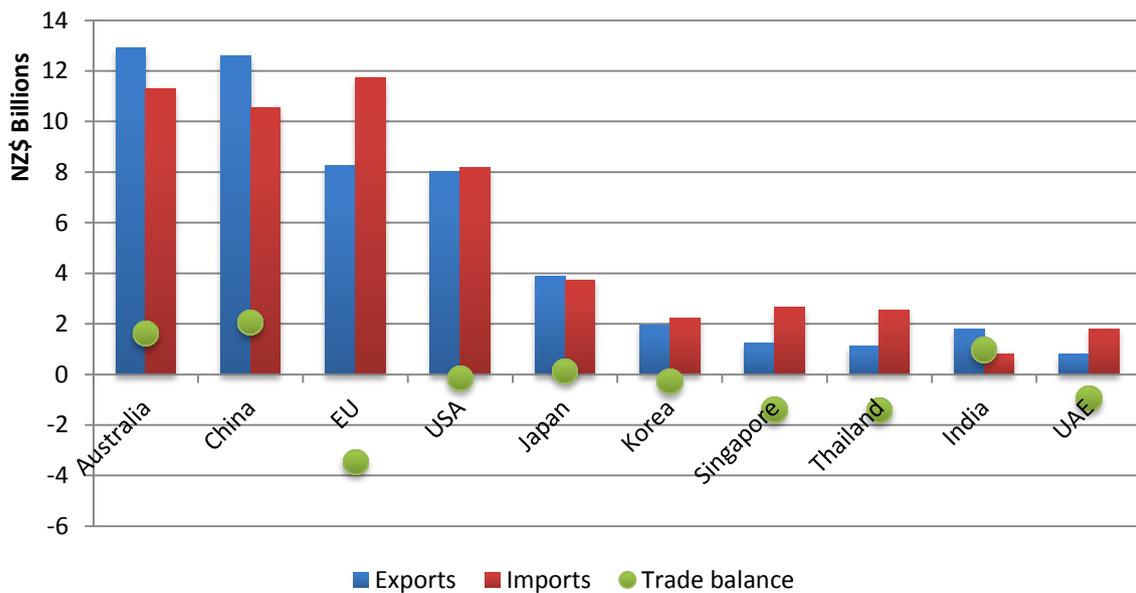
³ Defined as 'other personal travel' in Balance of Payments data.

- The main sources of imports to NZ were the EU (\$11.7 billion) and Australia (\$11.3 billion), with vehicles and mechanical machinery remaining our two largest import expenses.
- Together, our **top 10 markets accounted for 78% of our total trade, 75% of our total exports and 82% of our imports.**

TOTAL TRADE

- NZ's total two-way trade in goods and services was valued at \$138 billion in the March 2017 year. New Zealand had an overall trade surplus of \$3 billion.
- Figure 1 shows NZ's total exports and imports, and our trade balance with our top 10 trading partners in the March 2017 year. Together our top 10 markets accounted for 78% of our total trade, 75% of our total exports and 82% of our imports.

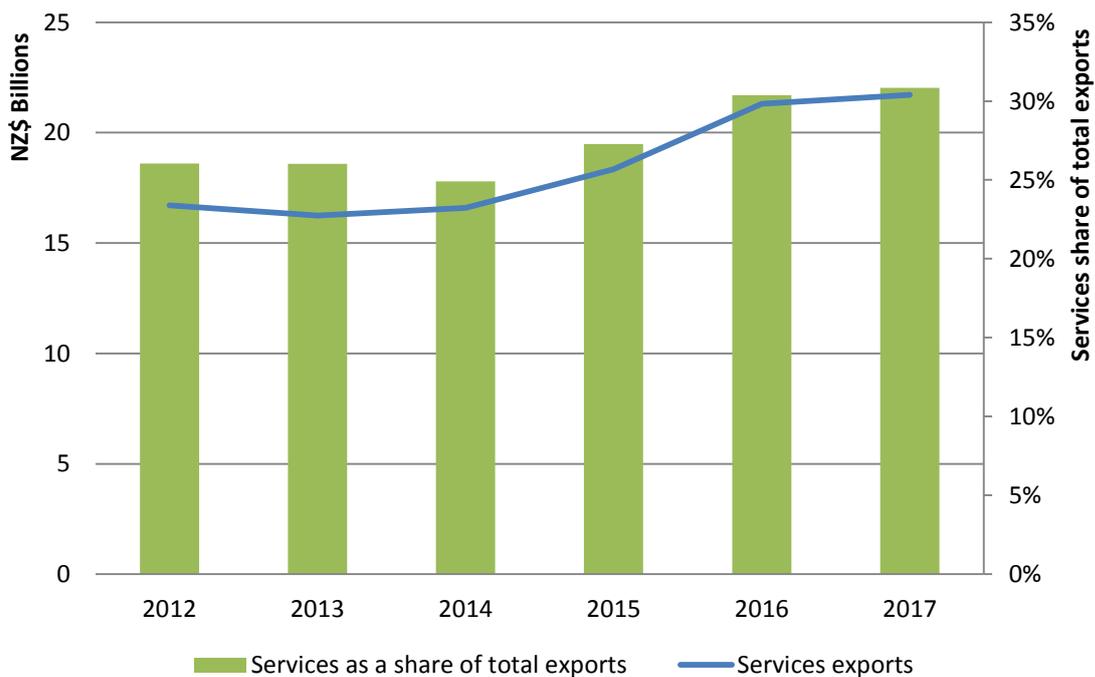
Figure 1: Value of NZ's total exports and imports to/from our top 10 trading partners in the March 2016 year



EXPORTS

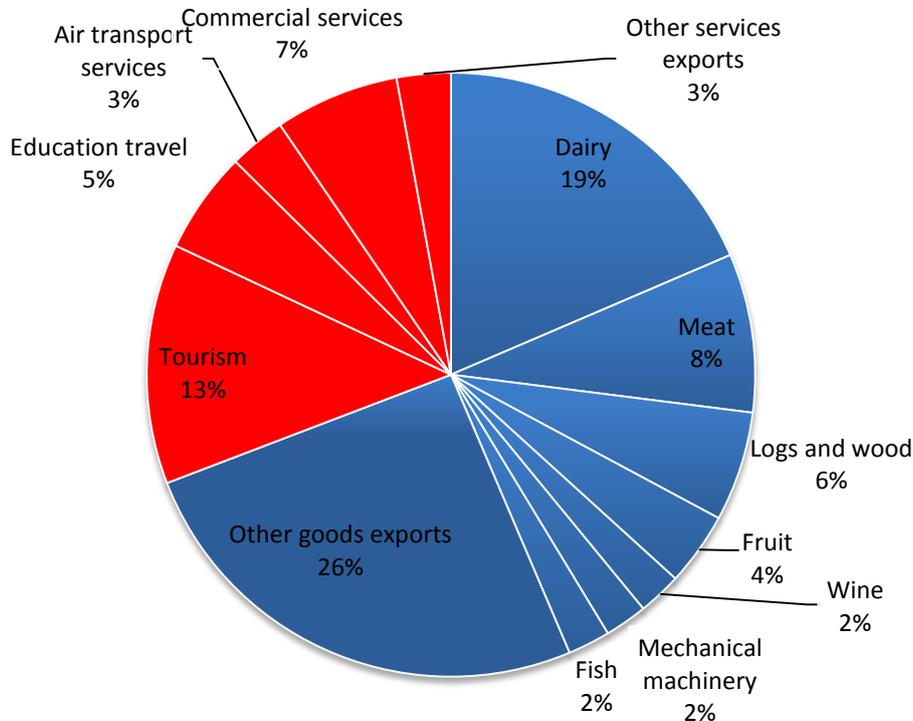
- For the year ended March 2017, NZ exported over \$70.4 billion worth of goods and services – an annual increase of \$268 million (0.4%). Exports flattened somewhat this year, with total export growth averaging 4% per annum from 2013 to 2016.
- This year's services exports increased by \$406 million (2%), more than compensating for a slight dip in goods exports, which fell by \$139 million (-0.3%). A similar pattern has occurred over the past three years, with service growth driving overall export growth since 2014.
- As figure 2 shows, service growth has increased in value and share since 2014. Service growth was particularly strong in 2015 and 2016, with year-on-year growth of \$1.8 billion (11%) and \$3.0 billion (16%) respectively. Although service growth flattened out in this March ended year to 2%, service growth continues to more than compensate for the decline in goods exports (-1% annually, on average, since 2014).

Figure 2: Value of NZ's services exports and services share of total exports, March ended years 2012-2017



- In the March 2017 year, 69% (cf. 74% 5 years ago) of the value of NZ's total exports were goods exports (valued at \$49 billion), whilst the remaining 31% (cf. 26% 5 years ago) were services exports (valued at \$22 billion). Figure 2 provides a breakdown of NZ's exports by commodity/service type.

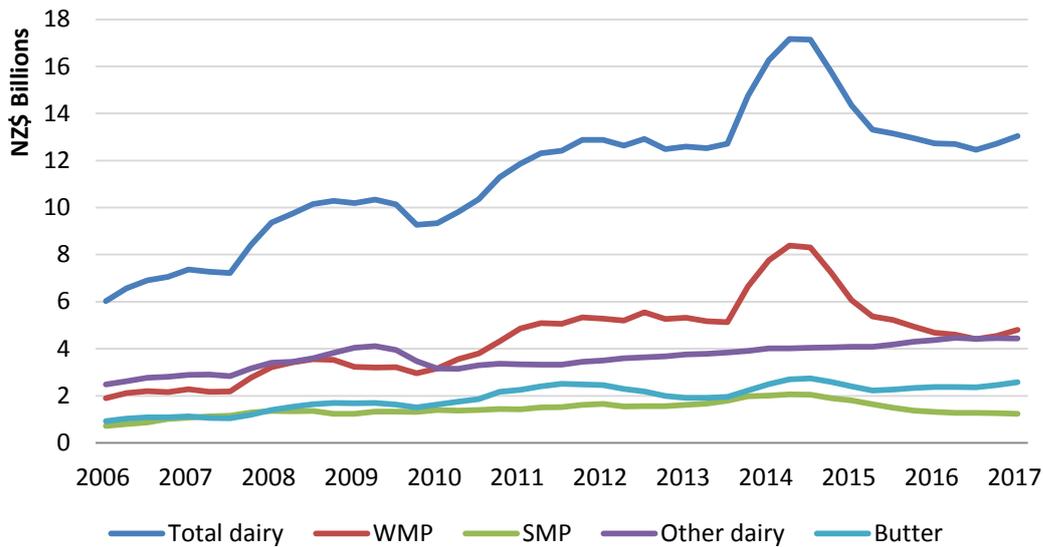
Figure 3: NZ's exports by commodity/service type, year ended March 2017



- The annual increase in NZ's goods and services exports in the March 2017 year was largely driven by an increase in **logs and wood**, as well as **education travel** exports. The value of NZ's **log and wood exports**, grew by around NZ\$538 million this year, and have increased 6% annually, on average, over the past five years. China continues to be the key market, taking an additional \$423 million in 2017.
- **Education travel services** grew NZ\$422 million (12%) over the past year, and have experienced significant growth of NZ\$916 million over the past two years, with growth being attributed to more students travelling to New Zealand from India and China.
- **Fruit** continued to be an important export earner for NZ in the March 2017 year. Exports of fruit increased by 17% from a year prior, and have grown at an average annual rate of 21% over the past three years, nearly doubling from NZ\$1.5 billion in 2014 to NZ\$2.8 billion in 2017. This has been driven by significant increases in NZ's exports of Kiwifruit to Japan, EU and China, and apples to the US and Taiwan, as well as cherries to Taiwan and China.
- The value of NZ's **dairy** exports increased by \$310 million (2.4%), to \$13.0 billion in the March 2017 year. This was following 2 years of negative growth in dairy exports. This year's growth was driven by increases in quantity (3.7% increase of 117 thousand tonnes). Notably, our dairy exports to China and Algeria rose by \$373 million (13%), and \$329 million (74%), respectively. This more than offset slight declines in dairy exports to other markets, such as ASEAN and the US. Dairy exports to China were our top earning export commodity to any one destination, valued at \$2.3 billion. The value of our dairy

exports to China is still around half of what it was in the March ending 2014 year, (\$3.2 billion in 2017 vs. \$6.0 billion in 2014) however dairy exports to China have still more than doubled since 2010.

Figure 4: NZ Dairy exports over the period 2006-2017 (Annual values for year ending quarter)



- The value of our **meat** exports declined in the March ended 2017 year, after strong growth in the year prior. Meat exports fell \$596 million (-9%) from \$6.6 billion in 2016 to \$6.0 billion in 2017, more than offsetting the \$386 million increase in meat exports in the year ended March 2016. Meat exports to the EU and the US, our main meat export markets, declined 17% and 14% respectively in the year ended 2017. Meat exports have however experienced an increase over the longer term, with average annual growth over the past five years at 2%.
- The value of tourism remained relatively constant this year (up NZ\$7 million), following strong growth in the past year (up 25% in the year ended March 2016). Tourism has experienced significant growth since 2014, growing by from \$5.9 billion in the year ended March 2014 to \$9.1 billion in the year ended March 2017.

EXPORT MARKETS

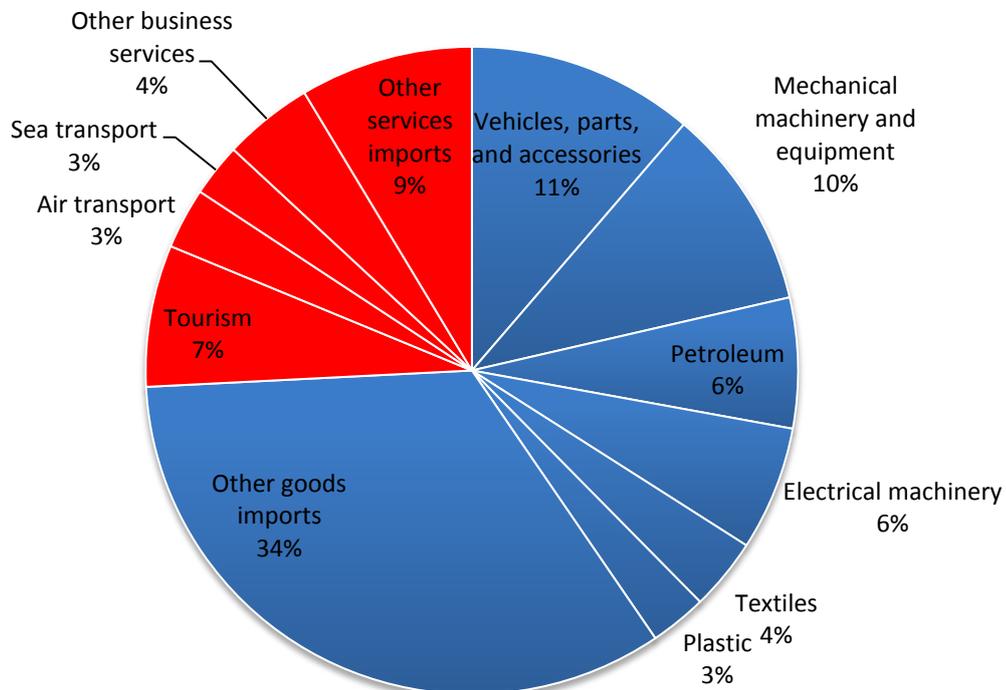
- Trade with **Australia** has gradually declined over the past four years, largely reflecting a decline in the value of crude oil exports (which has declined 24% annually, on average, since 2013). Both quantity and prices have fallen by around a half since 2013. Despite this, Australia remains our largest export market.

- Total exports to **China** (our second largest trading partner) increased by \$944 million over the year, and have grown 9% on average annually since 2013. Although the driver this year was goods exports (namely logs and wood and dairy), growth over the past four years has been primarily driven by service growth (namely in tourism and education travel), which has nearly doubled over the past four years to NZ\$2.7 billion in 2017.
- Exports to the **US** and **EU** tapered off this March ended year by 4% and 5% respectively, however the value of our exports to these countries over the past four years has increased (by 6% and 5% on average annually for respective economies).
- The value of our exports to **Algeria** increased 73% this year, with the value of exports more than doubling since 2011 to reach \$777 million in 2017. This has been driven by exports of WMP (which make up 80% of exports to this market). Algeria is now our 14th largest goods export partner.

IMPORTS

- Total imports of goods and services were valued at \$67.4 billion this March ended year, up \$474 million (0.7%) from 2016. Imports have, in general, increased steadily for the past 10 years, at an annual average rate of 3%. A breakdown of imports in the current year can be found in figure 5.

Figure 5: NZ's imports by good/service type, year ended March 2017



- Vehicles imports increased by 15% over the past year, to become New Zealand's largest import, ahead of mechanical and electrical machinery equipment. Vehicle imports have increased significantly since 2010, more than doubling from \$3.1 billion in March 2010 to \$7.6 billion in March 2017. These imports are predominantly sourced from Japan and the EU.
- The EU remains NZ's largest supplier of imports (worth \$11.7 billion in 2017), with vehicles, machinery and transportation services being the key imports. The value of imports from the EU decreased 2% over the past year, but prior to that increased steadily at around 8% annually, on average, from 2013 to 2016.
- Largely as the result of an increase in vehicle imports, the value of our imports to Japan increased by 12% over the past year to \$3.7 billion.
- Looking at NZ's other major import sources, including Australia, China and the US, the value of imports remained relatively stable compared with previous years.