



2019 EXPORTNZ DHL EXPORT BAROMETER

NEW ZEALAND EXPORTERS EXPECT AN INCREASE IN 2020 EXPORT ACTIVITY, YET CAUTIOUS ABOUT THE INTERNATIONAL MARKETPLACE

Despite the 2019 ExportNZ DHL Export Barometer results indicating a slight softening in export orders during the past 12 months; when looking ahead to the next 12 months, Kiwi exporters remain very optimistic with more than half of those surveyed predicting an increase in their export orders for 2020.

The rest of the world is receiving an extensive variety of Kiwi goods, with New Zealand businesses exporting anything from traditional products that Kiwis are known for such as wine, dairy and seafood, through to cosmetics, bottled water, apparel and honey. While Kiwi exporters are taking advantage of the bigger markets outside our shores, the 2019 results once again reflected Australia as New Zealand's number one exporting destination, with North America and Europe holding strong trading positions.

Kiwi ingenuity has proven once again to be the main driver among the New Zealand exporting community with just under half of Kiwi exporters surveyed turning to new initiatives to reach international markets. Interestingly, online activities still have a long way to go, with only a slight increase in the number of Kiwi exporters taking advantage of the internet to generate orders. Less than half of Kiwi exporters indicated that they implemented sustainability initiatives in a conscious effort to make a positive impact on the environment.

Kiwi exporters still navigate through multiple barriers within the ever-changing global marketplace, and this year the results indicated major concerns for the cost of exporting. Kiwi exporters cited *'the level of the NZ dollar'* and *'concern about increasing costs in NZ due to coming industrial regulation'* as the two major barriers to exporting. The escalation of the international trade war remains a concern, though less so than last year, as the impacts on New Zealand so far have been lower than expected.

Exporters agree that attending trade shows could be a strategic way the New Zealand Government could support international business growth. Furthermore, over half of those surveyed rated ExportNZ's national support of free trade negotiations to working closely with Ministers and Government agencies to reduce trade barriers and make exporter concerns known as one of the most important factors to export growth.

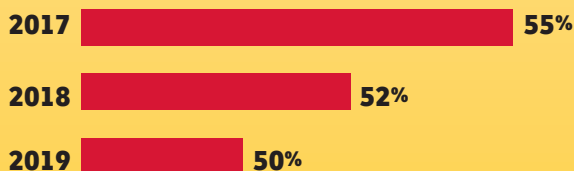
Overall, the 2019 ExportNZ DHL Export Barometer indicates that Kiwi exporters are more cautious about the exporting sector, but are remaining optimistic about the coming year.

ARE INTERNATIONAL EXPORT ORDERS SOFTENING FOR KIWI BUSINESSES?

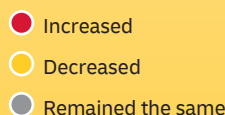
When looking at the export results over the past 12 months, the international marketplace still remains reasonably positive for Kiwi exporters, with 50% seeing an increase. However when compared to the 2018 and 2017 ExportNZ DHL Export Barometer results, there is an indication of a consistent softening in the global marketplace. The results have highlighted a decrease from 52% in 2018 which was already down from 55% in 2017.

The next significant portion of Kiwi exporters (36%) said export orders have remained the same and 15% said export orders have decreased. The latter was up from 14% in 2018.

International export order performance 2017–2019, according to Kiwi exporters



International order performance over the past 12 months, according to Kiwi exporters

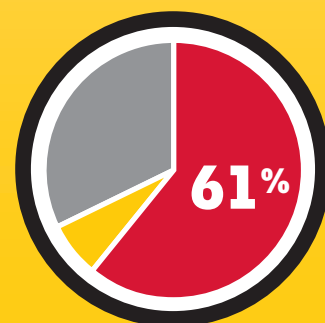
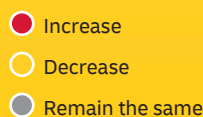


EXPORTERS STILL CONFIDENT GOING INTO 2020

Despite seeing the number of export orders down two percentage points from 2018, when asked about expectations for the coming year, Kiwis are remaining confident. The 2019 ExportNZ DHL Export Barometer highlights that the vast majority of Kiwi companies (61%) expect international orders to increase, 32% said they expect export orders to remain at the same level, with just 7% saying they think export orders for their business will decrease into next year.

Signalling overall positivity, exporters are slightly more optimistic than 2018, where 59.5% thought orders would increase.

Expectations regarding export orders over the coming 12 months

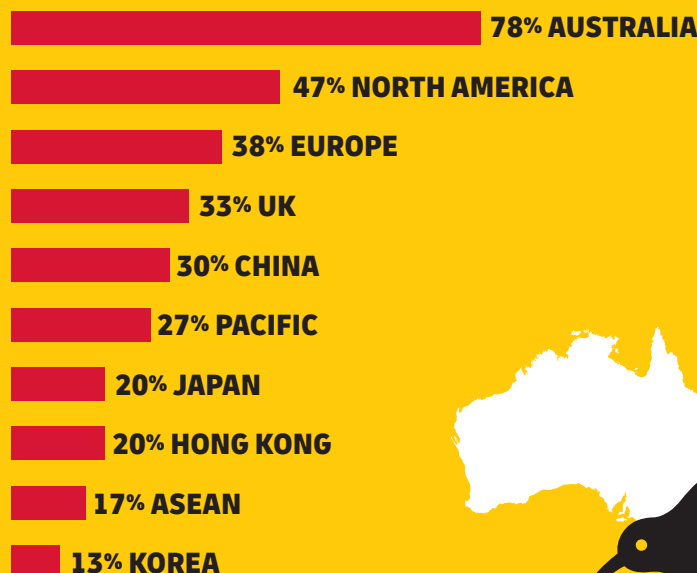


AUSTRALIA REMAINS ON TOP OF THE LIST FOR EXPORTERS

The 2019 ExportNZ DHL Export Barometer saw no changes for the top three exporting destinations. Australia again secured its number one position, dominating the Kiwi export market with 78% of survey respondents sending goods across the ditch, an increase from 74% in 2018. Holding second spot, the percentage of respondents trading with North America (USA, Canada and Mexico) also saw an increase from 41% in 2018 to 47% in 2019. Europe remained the exact same as 2018, sitting comfortably in third position with 38% of Kiwi exporters sending goods to that part of the world.

However, unlike the top three export destinations, the 2019 results saw a mix up within the next three favoured positions. Pacific (PNG, Fiji, Pacific Islands) dropped two positional spots from fourth to sixth position, after a significant nine percentage point decrease as an exporting destination. This allowed the UK and China, who both had a three percentage point increase compared to 2018, move up a position to now sit in the fourth and fifth spot respectively.

Percentage of Kiwi exporters who trade with the Top 10 export destinations



WHAT ARE KIWIS EXPORTING ONLINE?

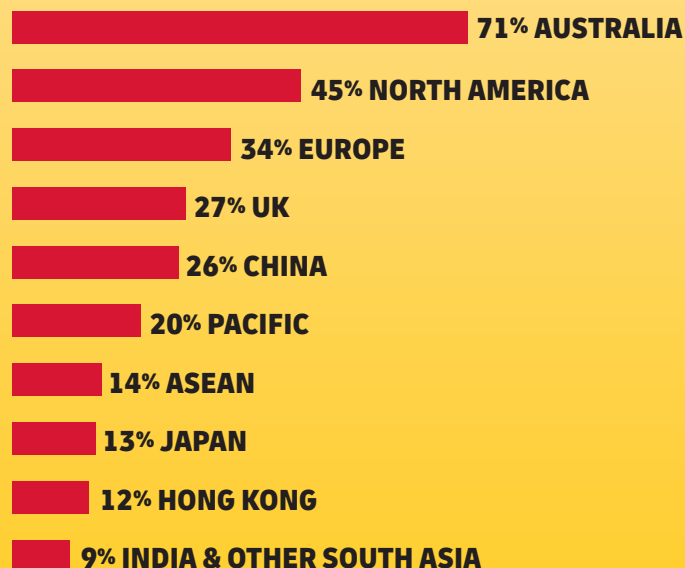
When asked what their top online exporting products are, it is fair to say that the rest of the world is receiving a huge variety of Kiwi goods. Along with the traditional products that Kiwis are known for; i.e. Dairy products, meat, fruit, wine and seafood, Kiwis are also exporting anything from cosmetics, bottled water, apparel and honey. A number of Kiwi exporter's surveyed also listed medical supplies, wool and dog equipment as their main products exported.

LOOKING AHEAD TO THE FUTURE

Indicating overall constancy in the global marketplace, the 2019 ExportNZ DHL Export Barometer highlighted that within the next two years Kiwi exporters expect little change within the majority of the top ten favoured destinations.

In fact, the top six favoured export destinations reflect the current make-up of today, with the only major change predicted to be Korea being pushed out of the top ten and replaced with India and Other South Asia (Pakistan, Bangladesh, Sri Lanka).

In two years from now, which countries do you believe will be your Top 10 export destinations?



OVERCOMING EXPORT CHALLENGES TO THRIVE

The major barriers to exporting as indicated by New Zealand businesses



When entering a new global trading environment, Kiwi exporters can expect to navigate through a number of barriers, all of which have created the dynamic, competitive global marketplace that we have today. The 2019 ExportNZ DHL Export Barometer results saw the number one barrier recorded in 2018 'concern about increasing costs in NZ due to coming industrial regulation' drop down to second spot with a three percentage point decrease, and instead has been surpassed by the 'level of NZ dollar' which Kiwi exporters have cited as a major concern with 13 percentage point increase when compared to 2018 (38% in 2019 vs. 25% in 2018).

The concern about an 'escalating trade war internationally' has also dropped significantly with Kiwi exporters not seeing this as a major barrier anymore. In 2018 this rated as the third major concern, with 25% of Kiwi exporters citing this, however the 2019 results see this barrier in eighth place, with now only 18% citing this as a worry.

Furthermore, 'strength of competition in overseas markets' has risen four percentage points to third position, with 28% of Kiwi exporters now seeing this as a barrier compared to 24% in 2018. 'High tariffs due to lack of trade agreements' recorded an increase – concerning 19% in 2019 vs. 13% of exporters in 2018. Likewise, challenges around 'regulatory/market access barriers' now concern 13% of Kiwi exporters, vs. 11% in 2018.

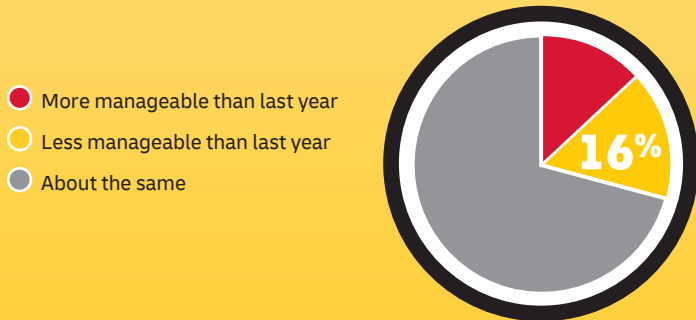
Other barriers that were mentioned that were not in the list, included – country specific regulations, biosecurity issues and lack of availability of health certificates in New Zealand, amongst others. A full list of the barriers will be provided to Government Officials.

CURRENCY CONCERNS – HANDLING THE KIWI DOLLAR

The 2019 ExportNZ DHL Export Barometer highlighted that the New Zealand dollar is a major barrier, with over a third of Kiwi exporters surveyed citing this as a concern.

However, when asked about dealing with the Kiwi dollar throughout 2019, only 16% have cited this as less manageable than last year, which is down from 2018 results, where 23% of exporters found this to be the case. Again, just 13% found the NZ dollar more manageable than last year and the vast majority (72%) of exporters found the impacts of the Kiwi dollar to be the same as last year.

Managing the New Zealand dollar

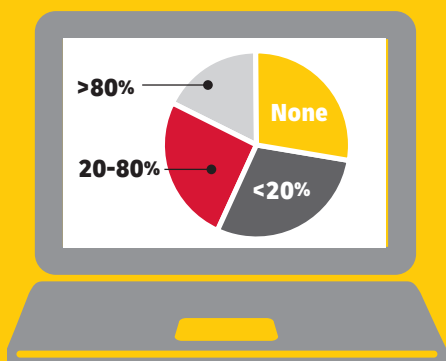


FEW EXPORTERS LOOK ONLINE TO GENERATE ORDERS

While there is a slight increase in the number of Kiwi exporters taking advantage of the internet to generate orders, the 2019 ExportNZ DHL Export Barometer indicates that exporters still have a way to go – and that not much has changed over the past two years. Overall the results point out a small increase in the number of Kiwi exporters leaning towards the internet to generate orders, with the number of Kiwi exporters generating 80–100% of export orders online increasing four percentage points (19% in 2018 to 23% in 2019), and the number of exporters who are not generating any online orders has decreased from 30% in 2018 to 28% in 2019.

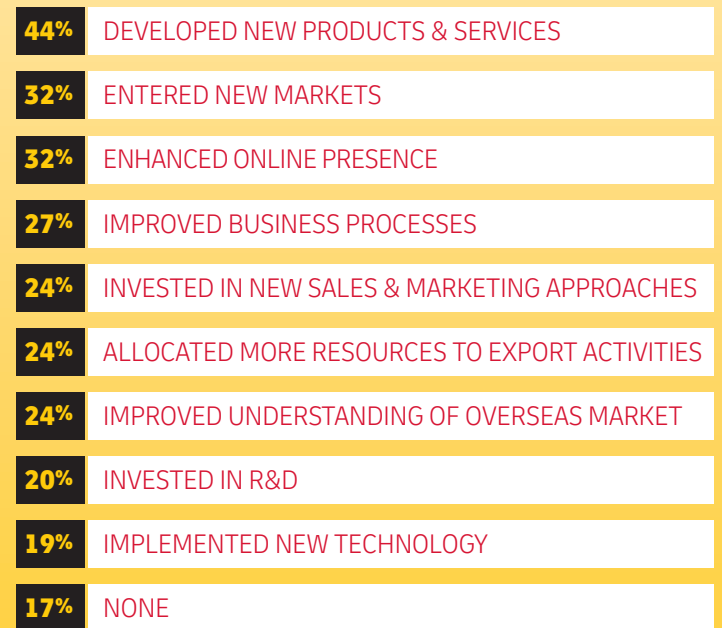
In addition, when asked if orders generated online had increased from the previous year, 41% saw no increase, 11% saw a 20% increase and at the other end of the scale, 6% of Kiwi exporters increased their online orders by 80–100% compared to 2018. Correspondingly to the above findings, spend on online marketing activities has not changed from the previous years and still has a way to go for exporters to see value in this. Results have highlighted that the vast majority of Kiwi businesses (76%) currently spend only up to one-fifth of their overall marketing budget on online activities.

Portion of Kiwi businesses that generate export orders online



KIWI INNOVATION IS KEY

Top 10 initiatives to increase export orders



Kiwi ingenuity proved once again to be the main driver amongst the New Zealand exporting community. The 2019 results revealed a further 6% of Kiwi exporters (44%) developed new products/services in 2019, compared to 2018 (38%). Positively, the results also indicated that the success of developing new products/services rose four percentage points (16% in 2019 vs. 12% in 2018), highlighting this as the most impactful initiative.

The number of exporters who enhanced their online presence to drive export orders saw a slight increase and the implementation of this initiative moved up to third place, with 32% of those surveyed seeing this as an important aspect vs. 2018 where 29% focused on enhancing their online presence. In addition, the success of focusing on enhancing an online presence in 2019 stood at to 11%, compared to the 10% of Kiwi exporters who rated this initiative as successful in 2018.

Just under one-third (32%) of the Kiwi exporters surveyed entered new markets in 2019, a rise of two percentage points from 2018, however the success of this initiative declined by four percentage points, dropping to the fifth most successful initiation. Likewise, an increase of one% saw just under one-quarter (24%) of Kiwi exporters invested in new sales and marketing approaches for 2019, yet the success of this approach declined when compared to 2018.

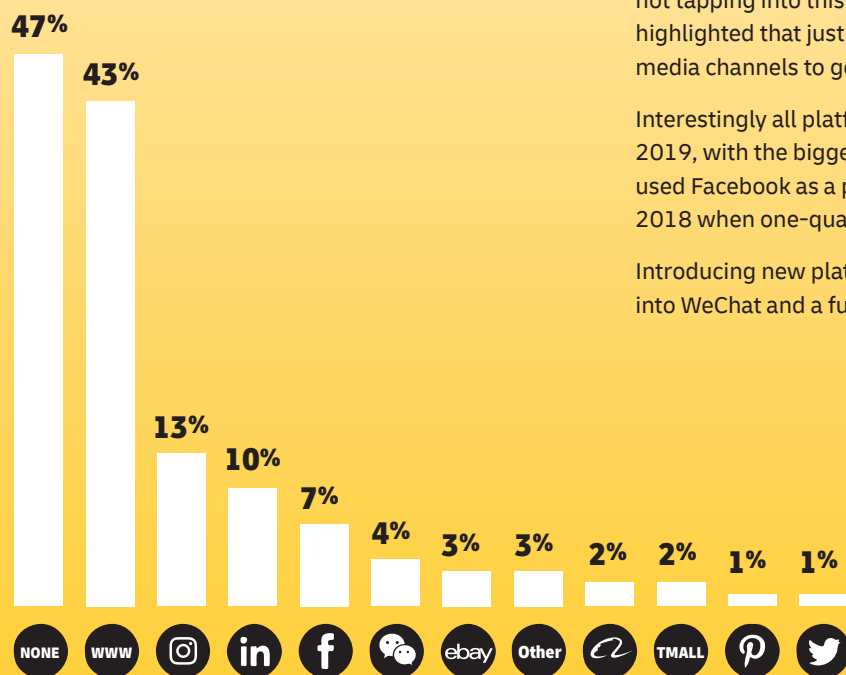
Highlighting the role logistics plays in driving international orders, implementing processes to improve speed of delivery increased two percentage points (14% in 2019 vs. 12% in 2018), indicating Kiwi exporters are actively aiming to provide a competitive advantage.

Top 5 successful initiatives to increase export orders



ARE KIWI EXPORTERS OVERWHELMED BY SOCIAL MEDIA?

Have you generated any export orders or enquiries by using these Social Media platforms?

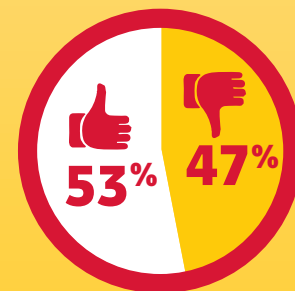


Looking at social media tools today and their potential to generate orders, the options seem endless – however the results indicate that Kiwi exporters are not tapping into this opportunity. The 2019 ExportNZ DHL Export Barometer highlighted that just under half of Kiwi exporters (47%) are not utilising any social media channels to generate online orders, which is up from 42% in 2018.

Interestingly all platforms rated in the top five in 2018 decreased in usage during 2019, with the biggest decrease sitting with Facebook. Just 7% of Kiwi exporters used Facebook as a platform in 2019, a decrease of 18 percentage points from 2018 when one-quarter (25%) of Kiwi exporters were utilising this platform.

Introducing new platforms to the 2019 survey saw 4% of Kiwi exporters tapping into WeChat and a further 3% utilising Ebay to generate orders.

Social media use starting to take off for Kiwi exporters



TRADE SHOWS THE WAY TO GO

When asked what support Kiwi exporters would like to see more of in terms of government assistance, 29% said that attending trade shows with other Kiwi companies would be a strategic way the New Zealand Government could assist New Zealand businesses to grow.

The 2019 ExportNZ DHL Export Barometer also indicated that Kiwi exporters are wanting more help with non-tariff barriers (market access, regulations in other countries), which moved from fifth to third position in terms of importance. Similarly, 'more free trade agreements' saw a five percentage point increase and move up three places to fourth position from seventh in 2018, with 23% of Kiwi exporters now wanting to see more government assistance in this area.

Nevertheless, just over one-quarter (27%) still said they don't need any help, which has increased three percentage points since 2018. A further 6% of respondents said they receive enough assistance.

Government assistance Kiwi exporters want assistance with

ATTENDING TRADE SHOWS WITH OTHER NZ COMPANIES

29%

WE DON'T NEED ANY HELP

27%

MORE HELP WITH NON-TARIFF BARRIERS

25%

MORE FREE TRADE AGREEMENTS

23%

R&D ASSISTANCE

21%

MARKET RESEARCH

18%

VENTURE CAPITAL

10%

SUPPORT FOR EXPORTER COLLABORATIONS

10%

100% PURE NEW ZEALAND

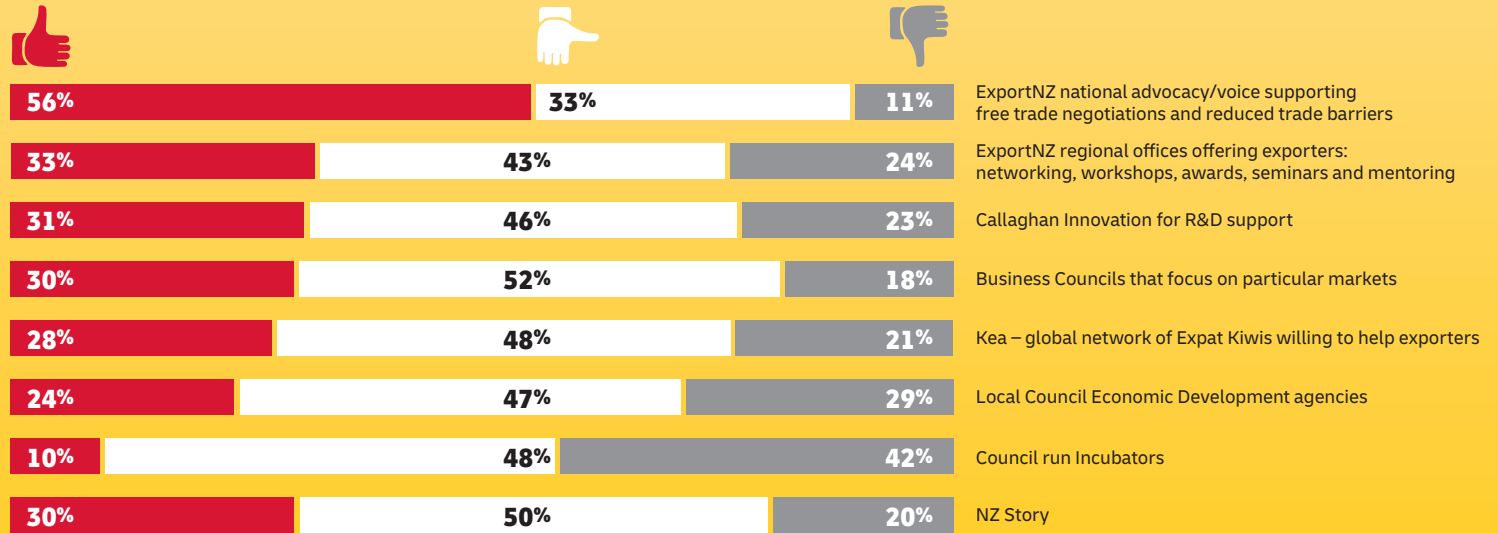
The 2019 ExportNZ DHL Export Barometer asked Kiwi exporters for the first time if their business has made any positive changes towards the environment and/or implemented any sustainability initiatives. The results indicated that 49% of New Zealand businesses have made a conscious effort to make a positive impact on the environment, these include the implementation of recyclable/biodegradable packaging, removing plastic, managing waste and utilising electric vehicles.

EXPORTER SERVICES DESIRABLE

When asked how important services for exporters are to Kiwi businesses, well over half (56%) of those surveyed rated 'ExportNZ's national advocacy/voice in support of free trade negotiations, working with Ministers and Government agencies to reduce trade barriers and make exporters concerns known' as the most important exporting service. This was up four percentage points on the 2018 results where 52% of Kiwi exporters rated this service as important.

Reflecting the same order as the 2018 results, 'ExportNZ regional offices offering networking events, exporting workshops, awards events, seminars and exporter mentoring' was seen as the second most important exporting service with one-third of Kiwi exporters rating this as important and 32% rated 'Callaghan Innovation for R&D support' as the most important making it third on the list.

Importance of services for exporters



ABOUT THE DHL EXPORT BAROMETER

A joint initiative between ExportNZ and DHL, a total of 419 New Zealand exporters were surveyed for the ExportNZ DHL Export Barometer 2019. The ExportNZ DHL Export Barometer is an initiative aimed at analysing export confidence in New Zealand and identifying export trends. It is based on nationwide research, examining the business outlook of Kiwi exporters, highlighting changes in overseas market demand and providing insights into the factors impacting on New Zealand's export trade.

The research was conducted between 06 August and 03 September 2019. The profile of respondents included representatives from all areas of the country, with Auckland representing 44%, Wellington 13%, Rest of the North Island 19%, Christchurch 13% and Rest of South Island 10%. They comprise a range of business sizes with 27% having 1–4 employees, 34% classed as small businesses (5–19 people), 24% medium (20–99 people) and 15% as large organisations (100+ employees).

The key industry segments targeted are: Manufacturing (35%), Online Retail (10%), Agriculture, forestry or fishing (9%), Professional scientific & technical equipment (12%) and Transport & storage (5%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (37%), 24% have been exporting for less than five years. Just over one-fifth (23%) have been exporting for 11–20 years and 16% have been exporting for 6–10 years.