



2023 EXPORTNZ DHL EXPORT BAROMETER



IS THE HIGH COST OF BUSINESS WORTH IT FOR KIWI EXPORTERS?

In an election year, the business environment both at home and abroad remains tricky to navigate for New Zealand exporters and as evidence showcased in this year's 2023 ExportNZ DHL Export Barometer report, there are several issues that cause concern for exporters.

According to the research conducted among 250 New Zealand exporters, another year of increasing costs has been the theme over the past 12 months and is a major barrier to exporting. While supply chains are easing around the world, the rise in interest rates and the upward pressure on costs of doing business and living has meant that exporters are certainly feeling the pressure at home.

A staggering 90 percent of respondents saw an increase in total costs, a number signalling that our export sector may struggle in the near future with cash flow issues.

In an attempt to 'control the controllables', just under half of the Kiwi exporters (47%) in this survey are carrying more stock or raw materials on hand, while 40% changed logistics/shipping providers. Exporters continue to use their Kiwi ingenuity to grow their export sales, with over a third (35%) of respondents developing new products and services. With export growth in 2024 remaining uncertain, Kiwi exporters are confident that they have planned well and they will see more of an increase in export orders, as opposed to what they have seen in the past 12 months.

There are always ways for government agencies to support the hard work New Zealand exporters do, as respondents

continue to call for agencies to support them in attending trade shows around the world. Exporters recognise trade shows as being especially important as they re-engage with the rest of the world and travel overseas post-COVID-19. They also want to see New Zealand continue to negotiate and sign free trade agreements with new partners and have an immigration system that facilitates easy access to international employees.

While there have been big announcements around the free trade agreements with the United Kingdom and European Union, the survey shows that the uptake of new exporters entering these markets may be slow to start and more will need to be done to ensure New Zealand exporters realise the full benefits the Free Trade Agreements have to offer.

Despite the pandemic forcing many businesses to go digital, the majority of survey respondents have little to no online investment to generate sales, suggesting that the easing of lockdowns and COVID-19 restrictions have played a part in consumers returning to other methods of ordering, rather than the bigger focus on online. Another possible suggestion could be that many exporters sell directly to other businesses or through intermediaries rather than via online channels to consumers.

Overall, the 2023 ExportNZ DHL Export Barometer indicates that exporters are still positive about the next 12 months, but will have one eye on their cash flow.



THE HIGH PRICE OF EXPORTING

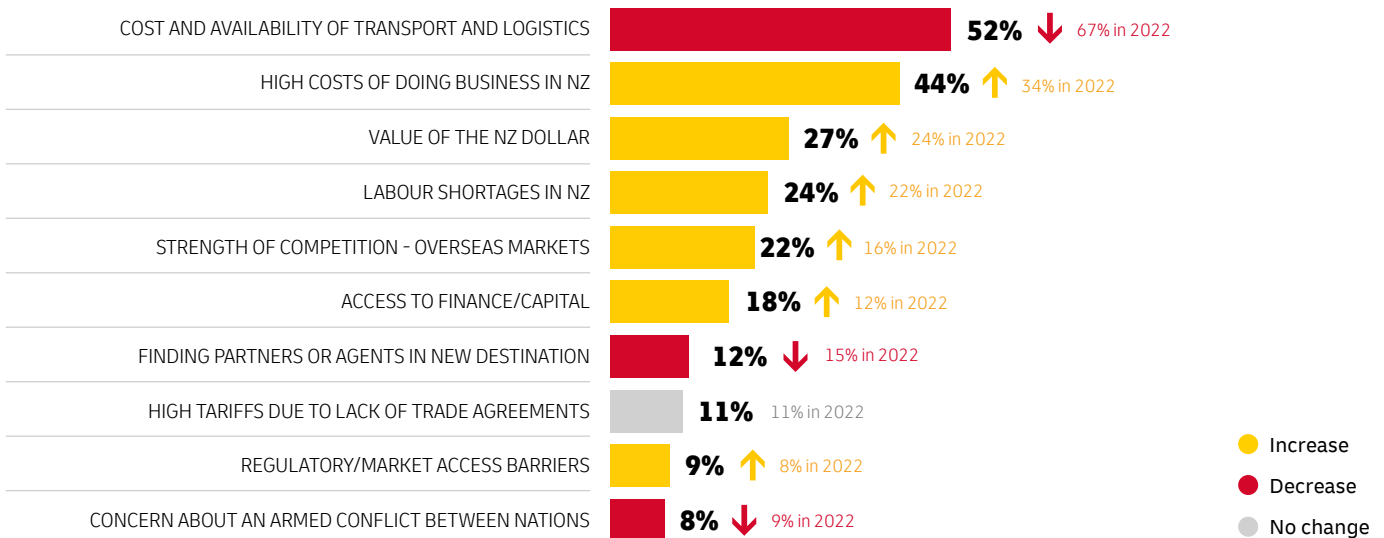
The top three barriers to exporting continue to be what we saw in 2022 and remain the ‘cost and availability of transport and logistics’ (52%), the ‘high cost of doing business in New Zealand’ (44%) and the ‘value of the New Zealand dollar’ (27%).

Positively, with supply chain pressures reducing globally, the percentage of respondents citing barriers with the ‘cost and availability of transport and logistics’ dropped 15 percentage points when compared to 2022, however those citing ‘high cost of doing business in NZ’ increased a further 10 percentage points vs 2022, showing no real ease of cost pressures for NZ exporters. The trends

correlate with ExportNZ’s views that the issues with supply chains are easing around the world, albeit slower in New Zealand given our geographic location. Adding to this, the rise in interest rates and upward the pressure on costs of doing business and living, has meant that exporters are certainly feeling the pressure at home.

The value of the New Zealand dollar and its fluctuation are consistently a concern for businesses. The current trade deficit, along with the increasing prices of raw materials overseas are an outcome of this, but the need remains for New Zealand exports to keep overseas prices steady and competitive.

The major barriers to exporting as indicated by New Zealand businesses



Furthermore, when deep diving into the respondents’ overall costs, a staggering 90% of respondents have seen an increase in total costs, with an average cost increase of 21%. This is significant as ‘high cost of doing business in NZ’ was the second highest barrier to exporting and could signal that our export sector may struggle in the near future with cash flow issues.



In response to rising costs and slowing consumer demand, respondents are taking actions including:

1. Increasing Prices

Exporters have increased the prices of their goods or services to offset the impact of rising costs, such as freight charges, raw materials, or labour.

2. Seeking Cost Efficiencies

Exporters have reviewed their operations and worked with suppliers to find cost-effective solutions. This may involve renegotiating terms, sourcing cheaper components, or streamlining processes to reduce expenses.

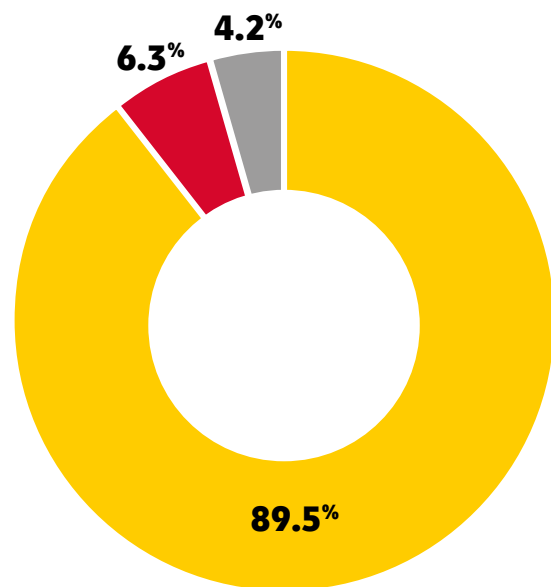
3. Expanding Market Reach

Exporters have explored new markets or regions to diversify their customer base and increase export opportunities. This could include attending trade shows, appointing sales agencies in different countries, or investing in online marketing.

4. Improving Internal Efficiencies

Exporters have focused on enhancing their internal operations to improve productivity and reduce costs. This could involve investing in new machines, automation, or increasing skilled labour to optimise production processes.

Rising costs of doing business



- Those that said there was an increase
- Those that said there was a decrease
- Those that said "no change"



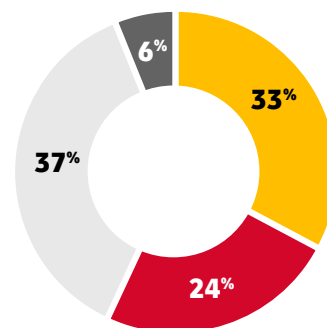
BARRIERS IMPACTING KIWI EXPORT NUMBERS

The 2023 ExportNZ DHL Export Barometer did highlight positives over the past 12 months with a third (33%) of respondents seeing an increase in their export orders and furthermore 8% of respondents were new to exporting, which is double the number of those who were new the previous year (4%).

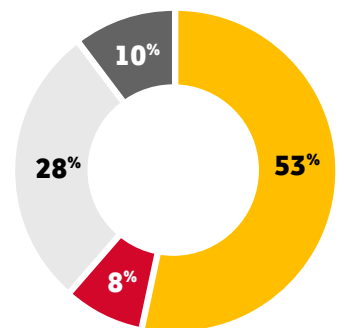
However, with the challenges around the cost of exporting, it comes as no surprise that 24% stated they experienced a decrease in their export orders and 37% said their export orders remained the same.

The next 12 months are looking more positive, with indications Kiwi exporters are optimistic about the year ahead. The 2023 ExportNZ DHL Export Barometer highlighted that 53% of respondents expect international orders to increase, and there is a downward trend of only 8% expecting a decrease.

International export order performance over the past 12 months



Expectations regarding export orders over the coming 12 months



- Increased
- Decreased
- Stayed the same
- Not sure



AUSTRALIA IS STILL #1 FOR KIWI EXPORTS, BUT OUR SIGHTS MAY BE SET A LITTLE FURTHER AFIELD

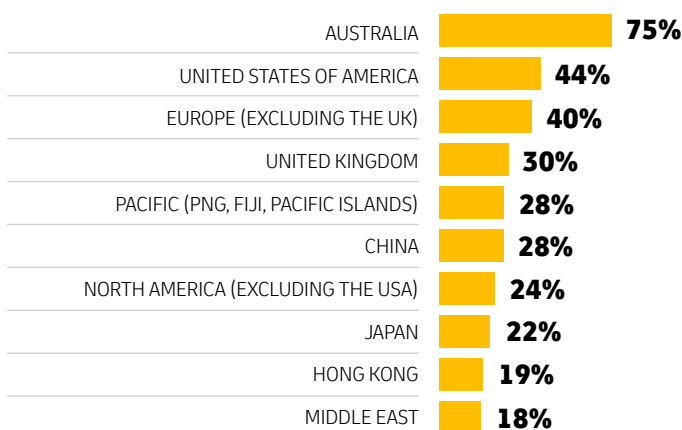
The top five countries where New Zealand businesses are exporting goods has kept consistent from 2022, with Australia remaining the Number one location, USA being our second biggest market and Europe and the UK coming in third and fourth respectively.

While there have been big announcements around the free trade agreements with the United Kingdom and European Union, the survey shows that the uptake of new exporters entering these markets may be slow to start; 27% of respondents say they already export to either the UK or EU,

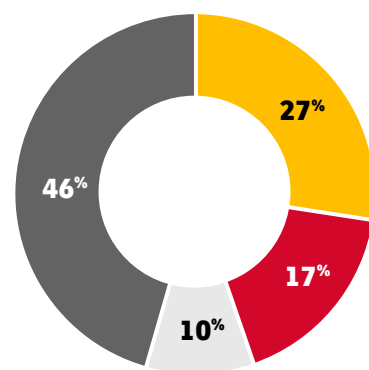
or both and benefit from the FTAs. However, only 10% of respondents said they will start to export to these markets with FTAs in place and a further 46% stated they will not export to the EU or UK even with the FTAs in place.

Looking into the future, respondents identified the same five countries to continue as their top export destinations heading into 2024. However, more will need to be done to ensure New Zealand exporters realise the full benefits the Free Trade Agreements have to offer.

Percentage of exporters who trade with the Top 10 export destinations



Percentage of exporters who will utilise the FTA's with United Kingdom and European Union



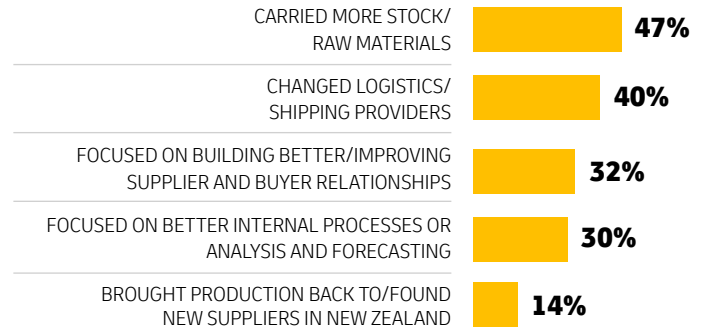
- Yes, our organisation already exports to the UK/EU and will benefit from the FTAs
- Yes, our organisation already exports to the UK/EU and will not benefit from the FTAs
- Yes, our organisation does not export to the UK/EU yet, but will with the FTAs in place
- No, our organisation will not export to the UK/EU even with the FTAs in place

EXPORTERS MANAGING THE CONTROLLABLES TO INCREASE ORDERS AND RESILIENCE

While the report did highlight that Kiwi exporters are still experiencing delayed transit times (57%) and availability of shipping space (19%), on a positive note these have both significantly declined year-on-year, down from 88% and 48% respectively.

When specifically asked how respondents are managing the supply chain issues, just under half (47%) say they are now carrying more stock or raw materials to try and combat supply chain issues, while a further 40% changed their logistics / shipping provider.

Changes implemented with supply chain and logistics



Looking further than their supply chain, when asked if any initiatives have been implemented in the past 12 months to further help increase the chances of business growth; over a third (35%) of respondents have developed new products and services, closely followed by improving their business processes and enhancing their online presence (both at 33%).

Initiatives to increase export orders



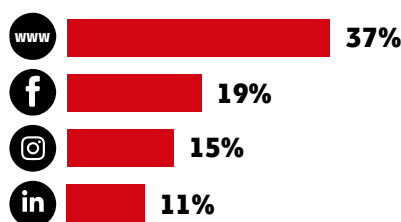
FOCUS ON ONLINE CONTINUES

It has been a few years since the pandemic forced businesses into the digital world and while 'enhancing online presence' came second equal as an initiative NZ exporters are implementing to increase orders, only a few reap the benefits from a digital presence.

36% of respondents say they operate their business entirely offline with zero orders or enquires coming from an online presence, a 13 percentage point increase when compared to 2022. 50% of respondents claim that 5%-80% of their orders come from their online presence, a 9 percentage point drop from 2022 and only 9% use online for 100% of their orders, a 1 percentage point decrease from the previous year. This could be suggesting that while exporters see the need to enhance their online presence, a significant number of exporters sell through intermediaries rather than directly to the consumer via online tools.

Those that do have an online presence have cited Facebook as the number one social platform that generates the most

online orders or enquiries, followed by Instagram and then LinkedIn. That said, a business websites have continued to outrank social media platforms individually as the number one place respondents received orders or enquiries. When combining the results from all three social platforms (Facebook, Instagram and LinkedIn), 45% of respondents cited higher orders generated by social media, vs the 37% from their website. The suggestion here is that the modern consumer is shopping or engaging with businesses across multiple different channels, rather than just their website.



WITH EYES ON THE ELECTION CAMPAIGNS THIS YEAR, THERE ARE SPACES WHERE GOVERNMENT AGENCIES CAN HELP EXPORTERS.

When asked what government assistance over the long term would help Kiwi businesses with exporting, the rankings remained largely consistent with 2022. 31% of respondents said 'support for attending trade shows' will be especially important as exporters re-engage with the rest of the world and travel overseas post-COVID-19.

Coinciding with the announcements around the Free Trade Agreements (FTAs) with the United Kingdom and European Union, 27% want to see New Zealand continue to

negotiate and sign FTAs with new partners, reemphasising the importance of ensuring Kiwi exporters realise the full benefits of FTAs.

An immigration system that facilitates easy access to international employees remains high on the agenda for Kiwi exporters, with a quarter of all respondents (24%) stating they are struggling with labour shortages and a further 5% also struggling with finding staff in overseas markets.

Top 10 Government assistance exporters would like



SUSTAINABILITY IN SUPPLY CHAINS IS NOT A KEY PRIORITY FOR EXPORTERS

The 2023 ExportNZ DHL Export Barometer asked exporters if sustainable shipping is something their organisation takes into consideration when selecting supply chain and logistics partners. Maybe not surprisingly, given the increasing costs, only 32% said yes and 35% said no.



ABOUT THE DHL EXPORT BAROMETER

A joint initiative between ExportNZ and DHL, a total of 250 New Zealand exporters were surveyed for the ExportNZ DHL Export Barometer 2023. 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 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 1 June and 30 June 2023. The profile of respondents included representatives from all areas of the country, with Auckland representing 44%, Wellington 10%, Rest of the North Island 29%, Canterbury 10% and Rest of South Island 8%. They comprise a range of business sizes with 34% either sole traders or having 1-4 employees, 28% classed as small businesses

(5-19 people), 24% medium (20-99 people) and 14% as large businesses (100+ employees).

The key industry segments targeted are: Manufacturing (32%), Online Retail (12%), Professional Scientific & Technical Equipment (11%) and Agriculture, Forestry & Fishing (8%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (44%), 22% have been exporting for five years or less. 15% have been exporting for 6-10 years and 20% have been exporting for 11-20 years.

