

GOODS AND SERVICES TRADE

UPDATE FOR THE JUNE 2016 YEAR

KEY POINTS

- NZ's total **exports of goods and services** were valued at \$70.9 billion for the year ended June 2016 – up \$3.3 billion (4.9%) from \$67.6 billion in the June 2015 year. Total **imports of goods and services** were \$67.2 billion in the year ended June 2016 up \$2 billion (3.2%) from a year prior.
- Overall, NZ's total **trade balance** was a surplus of \$3.6 billion in the year ended June 2016.
- Despite the decline in the value of NZ's dairy exports (down \$1 billion or 7.7% mostly owing to a decline in the value of milk powder exports), the value of NZ's overall goods exports recovered over the most recent year – growing by nearly 2% to \$49 billion. Growth was widespread across key commodities such as **fruit, logs, food preparations, meat, fish products and wine** and was also supported by increases in some dairy products such as **cheese and butter**.
- Strong growth was also seen in NZ's services exports which rose by \$2.4 billion (+12.4%) over the year, driven by a 17.7% increase in **tourism** exports and a 16% increase in **education** exports.
- Notwithstanding the sector's lower export earnings over the year, **dairy** still remained NZ's main export sector in the June 2016 year (valued at \$12.4 billion). Tourism was NZ's second largest export-earner with exports valued at \$10.3 billion.
- In terms of NZ's export market mix, **Australia** remained NZ's top trading partner (and export destination) for goods and services despite the 48% decline in the value of crude oil exports sent across the Tasman. This decline was offset somewhat by a rise in exports of food preparations and tourism exports.
- Exports to **China** increased by \$1.6 billion over the June 2016 year driven by increases across a broad range of goods (including: dairy, meat, logs, and fish products), and strong growth in tourism and education exports. NZ's exports to other major trading partners such as the **EU, US, and Japan** remained strong over the June 2016 year.
- The **main sources of imports** to NZ were the EU (\$12 billion) and Australia (\$11.3 billion). China was our largest goods import source for the year.
- Together, our **top 10 markets accounted for 79% of our total trade, 76% of our total exports and 82% of our imports**.

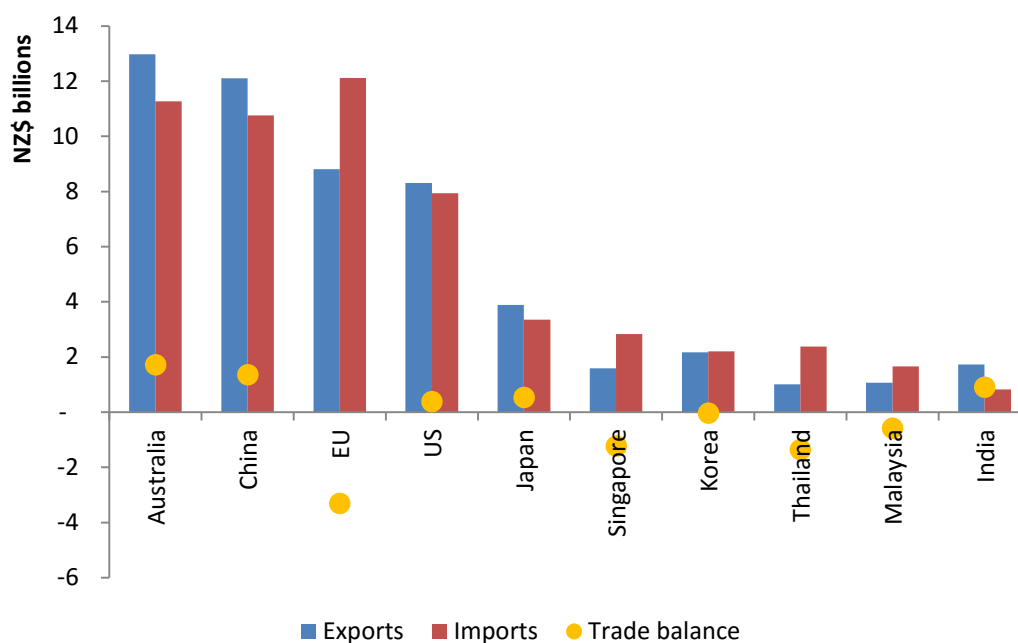
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TOTAL TRADE

- NZ's total two-way trade in goods and services was valued at \$138 billion in the June 2016 year.
- Figure 1 shows NZ's total exports and imports (of goods and services) and our trade balance with our top 10 trading partners in the June 2016 year. Together, our top 10 markets accounted for 79% of our total trade, 76% of our total exports and 82% of our imports.

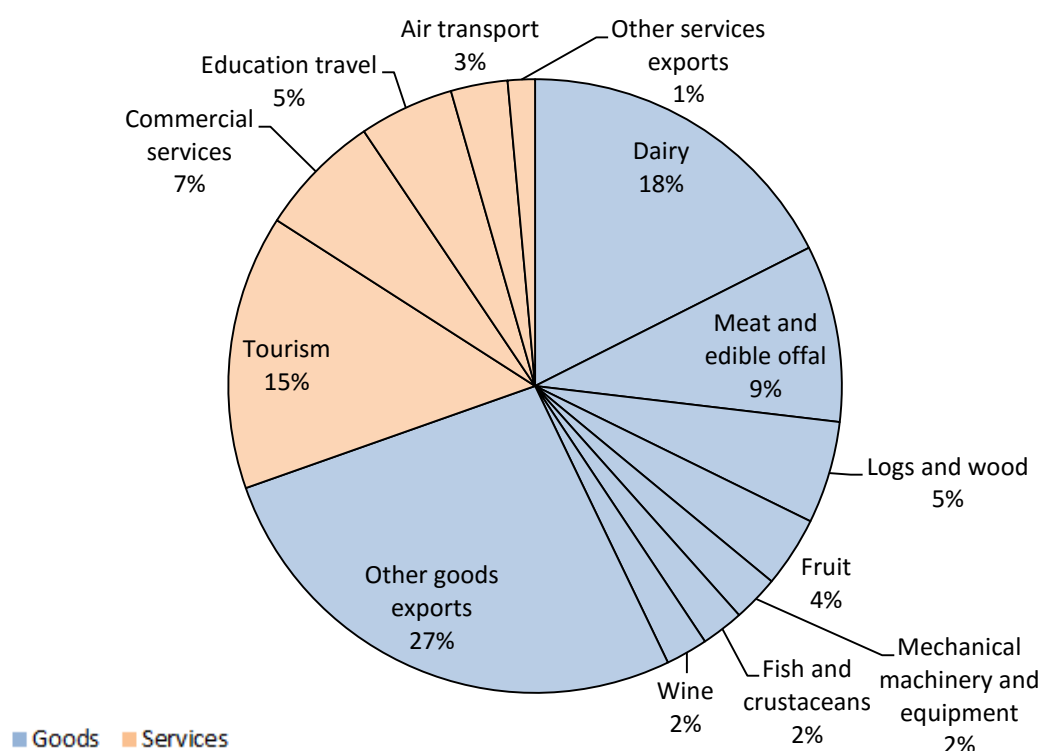
Figure 1: Value of NZ's exports, imports, and trade balance with our top 10 trading partners in the June 2016 year



EXPORTS

- For the year ended June 2016, NZ exported nearly \$71 billion worth of goods and services – an annual increase of 4.9% (\$3.3 billion). The increase was driven by a \$2.4 billion increase in the value of NZ's services exports, and a \$934 million increase in the value of our goods exports.
- In the June 2016 year, 70% of the value of NZ's total exports was goods exports (valued at \$49.3 billion) whilst the remaining 30% was services exports (valued at \$21.5 billion). Figure 2 below provides a breakdown of NZ's exports in the year ended June 2016 by commodity/service type.

Figure 2: NZ's exports by commodity/service type, June 2016 year



- The annual increase in NZ's goods and services exports in the June 2016 year was driven by an **increase in tourism services** – our second largest export earner – which grew by \$1.5 billion (up 17.7%) from \$8.7 billion in 2015 to \$10.3 billion in 2016. Exports of tourism-related travel services accounted for 14.5% of NZ's total exports in the June 2016 year – up from 13% in the year prior.
- Significant increases were recorded in NZ's tourism travel exports to Australia (valued at \$2.5 billion), the EU (valued at \$2.1 billion), China (valued at \$1.8 billion) and Korea (valued at \$293 million).
- **Fruit** was another important export earner for NZ in the June 2016 year. Exports of fruit increased by 31% (up \$622 million) to be valued at \$2.6 billion in the June 2016 year. This rise was driven by growth in the value of NZ's exports of **kiwifruit** (to China, Japan, the EU and Taiwan), **apples** (to Taiwan and the US), and **cherries** (mainly to China).
- Other notable increases were seen in the value of exported **logs and wood** (+10%), **cereals and flour preparations**¹ (+37%), **meat** (+3.6%), **commercial services** (+5%), **fish products** (+12.6%) and **wine** (+10%).
- The value of NZ's **dairy exports**² declined by 7.7% from \$13.5 billion in the June 2015 year to \$12.4 billion in the June 2016 year. This drop-off was, by and large, driven by a decline in milk powder exports – down \$1.1 billion in value terms due to the decline in prices. Quantities of milk powder exported remained flat over the year at around 1.8 million tonnes. Increases were recorded in other

¹ Mostly malt extract.

² Note: the definition for dairy exports used in this report differs slightly from that presented in the Export Markets dashboard.

key dairy products such as cheese (up 10% to \$1.7 billion) and butter (up 19% to \$2.4 billion). In terms of markets exported to, the value of NZ's dairy exports fell significantly to the UAE (down \$221 million), US (down \$195 million) and Venezuela (down \$156 million) over the June 2016 year.

- Exports of **education travel services** increased by 16% from \$3 billion in 2015 to \$3.5 billion in 2016 (June years), led by an increase in education travel services exports to India (up 47% to \$862 million), China (up 27% to \$845 million) and the Philippines (up 88% to \$111 million).
- Exports of **commercial services** (i.e. 'professional'-type services) increased 5% from \$4.4 billion in the 2015 to \$4.6 billion in 2016 (June years). The increase was led by a rise in commercial services exports to Australia (our largest destination for commercial services exports: valued at \$1.4 billion), to China (valued at \$186 million) and to the EU (valued at \$506 million). *We can unpick the overall increase in commercial services exports once detailed trade in services data for the year ended June 2016 becomes available.*

EXPORT MARKETS

- **Australia** was NZ's number one export market for goods and services. Total NZ exports to Australia were valued at \$13 billion in the June 2016 year, down \$42 million over the year. Crude oil exports to Australia fell by \$422 million in the year ended June 2016 (crude oil prices fell more than the decline in quantity exported), but this was partially offset by strong increases in exports of tourism services and other export commodities such as food preparations³ across the Tasman.
- **China** was NZ's second largest export market for goods and services in the June 2016 year and our largest destination for goods only exports. During this year, total exports to China increased by 15% (\$1.6 billion) to over \$12 billion – driven by increases in the value of both, goods and services exports. Dairy exports to China increased over the most recent year in value terms – up 12% to \$2.8 billion, led by increase in butter and liquid milk and cream exports. Along with dairy, increases in value of exports to China were recorded across a broad range of products such as logs and wood, meat, fish products, tourism (up 33% to \$1.8 billion) and education services (up 27% to \$845 million).
- Exports to the **EU** – our third largest export destination – were valued at \$8.8 billion (up from \$8.1 billion in the June 2015 year). Exports of both, goods and services to the EU increased over the June 2016 year largely due to increases in tourism, meat, fruit, fish products and wine exports.
- The **United States** was NZ's fourth largest export destination in the year ended June 2016. Total exports to the US were valued at \$8.3 billion, up 4.7% from \$7.9 billion in the June 2015 year. The annual increase was driven by a rise in tourism (up 12% to \$1 billion) and transportation exports (up 30% to \$512 million) to the US.⁴ Exports of wine and mechanical machinery to the US also increased over the most recent June year. The value of NZ's meat exports to the US declined by 6.6% to \$1.7 billion in the year ended June 2016.

³ Food preparations exported to Australia include: malt extract and miscellaneous preparations which we understand to mostly include health and nutrition products.

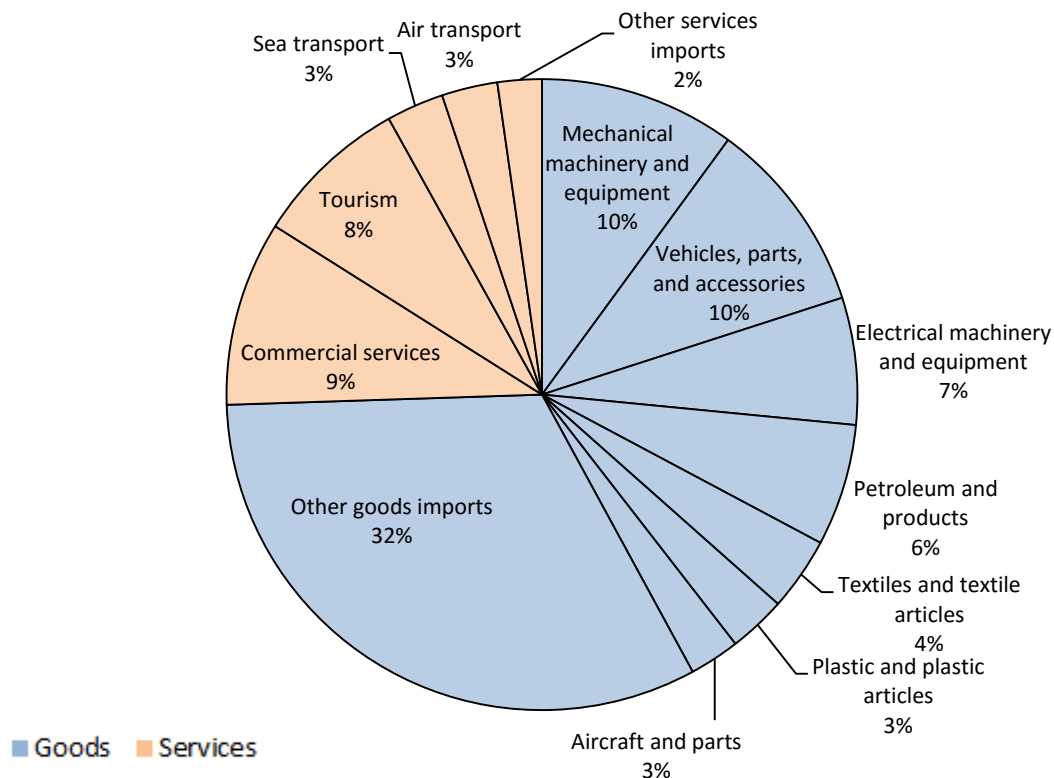
⁴ The rise in transportation services exports to the US was driven by an increase in air transportation services. To note, air transportation exports comprises of air passenger transport (the largest component), air freight transport and other air transport. Air passenger transport includes any foreign passenger airfares on any NZ resident airline (i.e. Air NZ and other NZ resident airlines).

- Rounding off our top five export destinations in the June 2016 year, exports to **Japan** were valued at \$3.9 billion (up \$210 million annually). The annual increase was driven by an increase in fruit (mostly kiwifruit) and tourism exports.

IMPORTS

- Total imports of goods and services were valued at \$67.2 billion the June 2016 year – up \$2 billion from \$65 billion in the June 2015 year. Of this, \$50 billion (74%) were goods imports and the remaining \$17 billion (26%) were services imports.

Figure 3: NZ's imports by commodity/service type, June 2016 year



- The rise in imports over the June 2016 year was largely driven by increases in **mechanical and electrical machinery and equipment** (valued at \$6.8 billion and \$4.4 billion, respectively), and **tourism travel** (valued at \$5.4 billion).
- **Vehicles, parts and accessories**, accounted for 10% of total imports – the second largest category of NZ's goods imports for the June 2016 year. Vehicles were our largest goods import from Japan (\$1.9 billion), the EU (\$1.8 billion) and Australia (\$427 million), and our third-largest from the US (\$596 million). In the June 2016 year, NZ also imported over \$1 billion worth of vehicles from Thailand – an annual increase of 27%. According to Statistics New Zealand, we now import more cars from Thailand than from the US or Australia – a result of many larger car brands such as Toyota, Honda, Ford and Mercedes restructuring their global operations and opening factories in Thailand in recent years.
- The **EU** was NZ's largest import source of goods and services in the June 2016 year, with total imports from the EU valued at \$12 billion, up from \$11.5 billion a year prior. Imports of both, goods and services from the EU increased in the most recent year driven by growth in imports of mechanical machinery (up \$160 million), pharmaceutical products (up \$61 million) and tourism services (up \$59 million).

million). Despite remaining our top import category from the EU, imports of vehicles from the bloc declined in value terms over the June 2016 year – down 2.4% to \$1.8 billion.

- Looking at NZ's other major import sources:
 - Imports from **Australia** were valued at \$11.3 billion in the June 2016 year, an annual decline of \$92 million. Whilst goods imports from Australia rose by \$240 million over the year, this was not enough to offset the decline in services imports from across the Tasman (down \$332 million) which was driven by a fall in imports of transportation services (both, air and sea transportation services).
 - Imports from **China** were valued at \$10.8 billion in the June 2016 year, an annual increase of \$1.3 billion. For this year, China was our largest source of goods imports with total goods imports valued at \$10.2 billion (accounting for 20% of NZ's total goods imports). The annual increase in NZ's total imports from China was driven by large increases in imports of electrical machinery and equipment, textiles, and furniture. Services imports from China also increased over the year (up \$70 million to \$567 million).
 - Total imports from the **United States** were valued at \$8 billion in the June 2016 year, down \$64 million annually. The decline was driven by both, lower goods and lower services exports from the US (mostly aircrafts and parts).