



2021 EXPORTNZ DHL EXPORT BAROMETER



THE IMPACTS OF COVID-19 HAVE UNDOUBTEDLY CHANGED THE FUTURE FOR KIWI EXPORTERS

Covid-19 has again created an unsettling year for many Kiwi exporters. Even though many feel more prepared with their business processes; adapting work from home policies and online integration, there are still Covid-19 implications that can't be fixed with a 'safe distancing' and 'sanitise your hands' motto, and its seriously affecting Kiwi exporters' ability to operate.

While Covid-19 demonstrated how crucial international connections are for maintaining the global economy, securing people's livelihoods and helping companies strengthen their trading levels, Kiwi exporters have expressed how hard it is for them to even be part of this crucial international connection. According to the research conducted among more than 319 New Zealand exporters, increased costs along with unpredictable transport options and the inability to travel due to the Covid-19 / Border MIQ restrictions have been cited as major barriers to exporting and further raised as points needing urgent government assistance.

However, as we know, Kiwi ingenuity isn't something to be underestimated and Kiwi exporters are experienced enough to know that assumptions that supported years of stable,

predictable growth may no longer be valid. Looking for new opportunities and developing new products and services was rated the number one driver to increasing export sales. Furthermore, just over half of Kiwi exporters saw an increase in their sales and have indicated a strong year ahead in 2022; a statistic that is up there with the pre-Covid territory of optimism, which is really positive.

Over the past year we have also seen a greater need for the digital world to keep businesses running and Kiwis have done their best in adapting with zoom calls, delivering online sales and automation. However, as majority of survey respondents are manufacturing exporters (which does not necessarily lend itself to e-commerce), online is still not seen as favourable with still little to no online investment to generate sales.

This year's ExportNZ DHL Export Barometer results highlight that there have been some substantial changes in the way that New Zealand businesses work, with NZ exporters thinking hard about their supply chain reliability and the markets they operate in. One of the biggest challenges Kiwi exporters will be facing from now and into the future is how they manage the supply chain disruption and in what way they transform their traditional supply chain models.

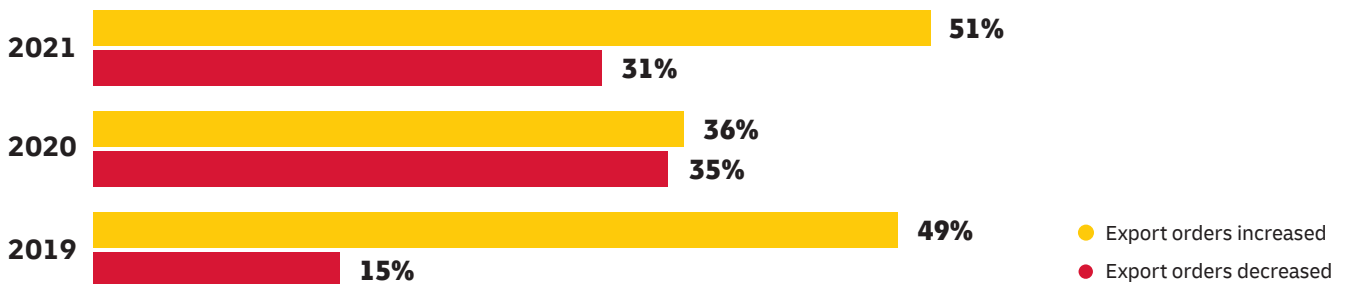


EXPORT ORDERS SURGE AGAIN

Over the past 12 months as the world started to find its new normal, the impacts of Covid-19 seem to be diminishing as the majority of Kiwi's looked back with a positive outlook. Just over half of respondents (51%) saw an increase in their export orders, which is significantly up from only 36% that saw an increase in 2020.

However, the impact of Covid-19 is not lost on some Kiwi exporters, with just under a third (31%) still experiencing a decrease in their orders, which is similar to the 2020 result where 35% experienced a decrease. Even though the result is similar to 2020, the report clearly highlights the trend that more Kiwi exporters are experiencing decreases in export orders compared to the pre-Covid years.

International export order performance 2019 - 2021, according to Kiwi exporters



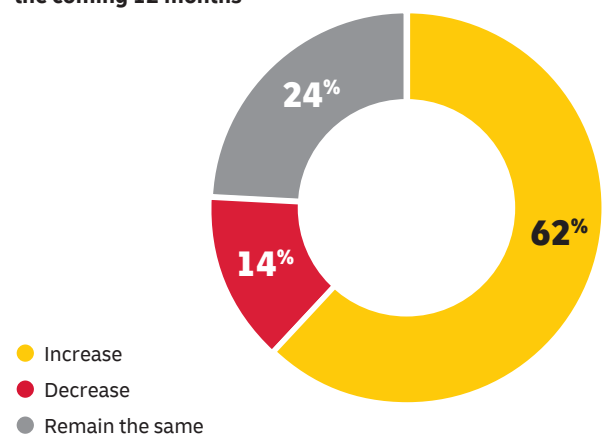
IS OPTIMISM BACK AMONG EXPORTERS?

If Covid-19 demonstrated one thing, it is how indispensable international connections are for maintaining the global economy, securing people's livelihoods and helping companies strengthen their trading levels; and Kiwi exporters are well aware of their role, indicating a strong year ahead in 2022.

2021 is a more confident year than 2020 was for exporters, with a 12 percentage point jump in Kiwi companies who expect international orders to increase next year (62%).

Just under one-quarter (24%) of exporters expect orders to maintain current levels over the coming year, which is lower than previous years. This may indicate that Kiwi exporters are more certain on their export order trend for the coming year, but on the other hand, 14% still anticipate orders to decline, down one percentage point from 2020.

Expectations regarding export orders over the coming 12 months





NO SURPRISE THAT COVID-19 IS THE DRIVING FORCE BEHIND THE MAJOR BARRIERS TO EXPORTING

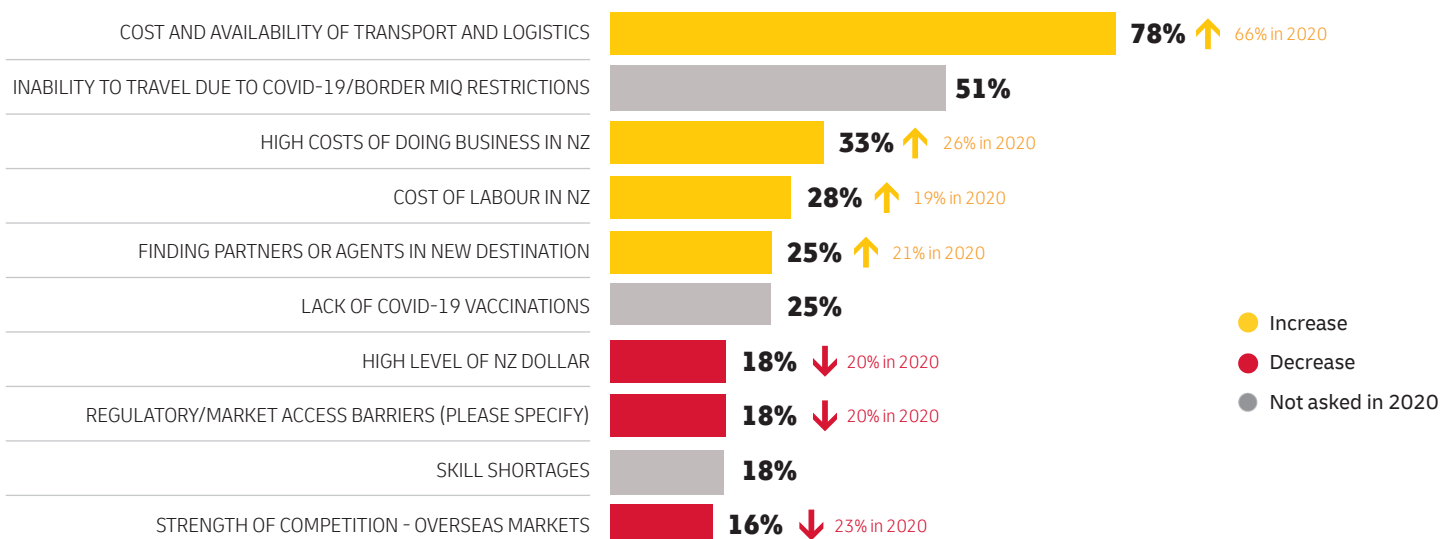
Even without the pressure of the Covid-19 pandemic, Kiwi exporters can expect to navigate through a number of barriers when entering the global trading environment. However, it comes as no surprise that with the current Covid-19 times that we are living in, that this has been reflected in the major barriers faced by exporters today.

The third and fourth ranked issues, being the “high costs of doing business in NZ” and the “cost of labour in NZ” are new issues that have come to the fore, pushing down more traditional barriers such as the level of the dollar. These

concerns reflect the increase in the minimum wage, the low unemployment rate in New Zealand and the lack of ability to get talent into NZ due to an immigration re-set.

Furthermore, when probed further about the labour shortage and constraints, it was clear that a lot of Kiwi Businesses are feeling the strain at both ends of the scales; from fruit picking and vineyard jobs right through to specific skilled roles, Kiwi exporters are struggling to find the talent they need.

The major barriers to exporting as indicated by New Zealand businesses





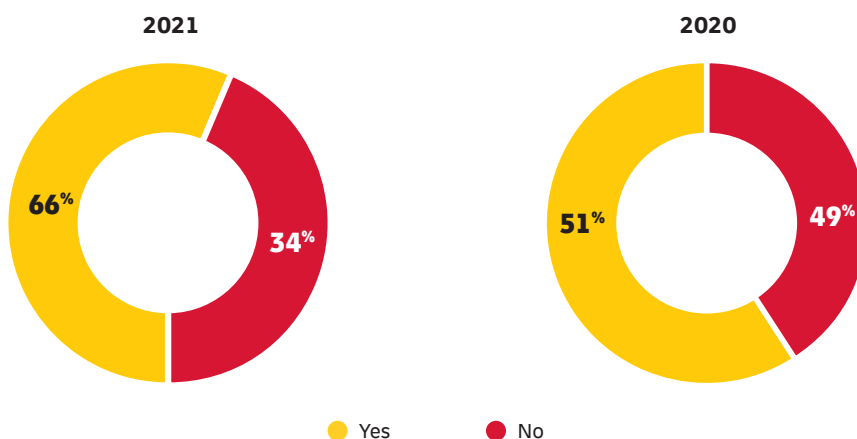
HAS COVID-19 CHANGED THE FUTURE OF THE WORKPLACE FOREVER?

When asked if their company has had to change the way they work due to Covid-19, the vast majority (66%) said yes, which is up 15 percentage points from 2020. The ongoing Covid-19 pandemic has fundamentally shifted the way we work, not just in New Zealand, but worldwide and as a result, traditional office jobs might never be the same again. With many Kiwi exporters implementing work from home structures and social distancing practises, thus forcing a greater need for the digital world to keep businesses running. Zoom calls, delivering online sales and automation have been the common responses from those Kiwi exporters surveyed, all trying to adapt to the ever-changing global environment.

While moving to the digital world is not a bad thing; in fact the pandemic helped the e-commerce industry generate 10 years' worth of growth in just a few months, it is still not the desired result for some Kiwi exporters, who prefer the face-to face interaction. Reducing staff, relocating business offshore and having to shut down until borders open are some of the negative effects the pandemic has had.

Long term preparation has also been a common theme due to the lack of trust Kiwi exporters now feel with supply chains (reflected in the number one barrier to exporting in 2021). Kiwi exporters cite they now hold surplus stock onsite, have had to increase product costs or re-look at markets due to the increased logistic costs.

Off the back of Covid-19, has your company changed the way it works?



● Yes ● No



KIWI INNOVATIONS EMERGING FROM CRISIS

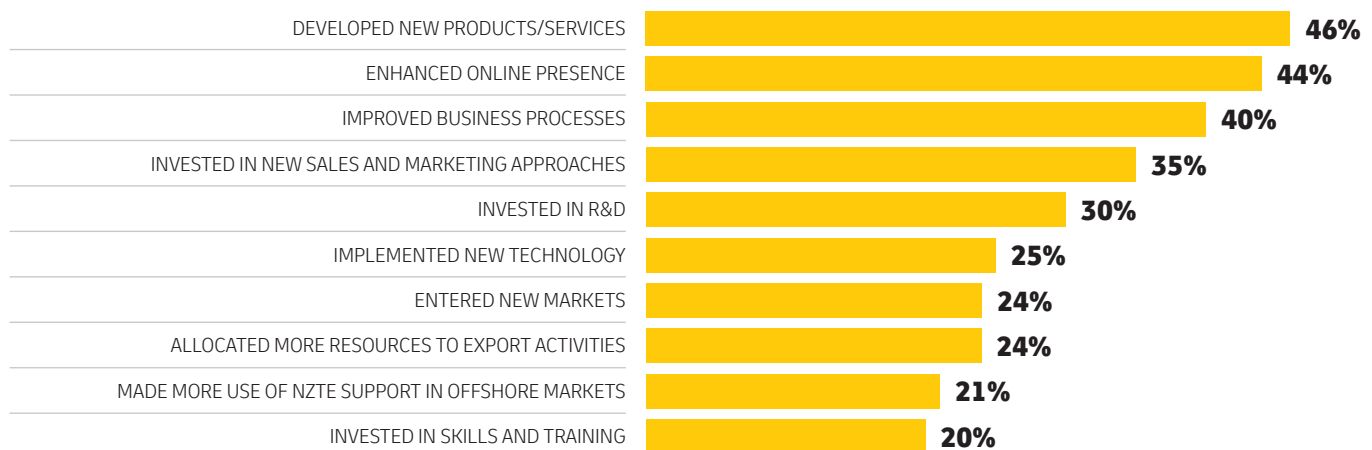
Many Kiwi businesses simply cannot operate as they have in the past. What made their company successful historically may no longer be possible due to the effects of Covid-19. Traditions that supported years of stable, predictable growth may no longer be valid, but on the flip side has potentially created opportunities that never previously existed. This assumption has been supported in this year's 2021 ExportNZ DHL Export Barometer results which revealed that Kiwi ingenuity regained its spot at number one.

Proving to be the main driver amongst the New Zealand exporting community, 46% of Kiwi exporters said that they developed new products/services in 2021, up seven percentage points when compared to the 39% who did this in 2020. The ongoing Covid-19 pandemic may have started to present more opportunities that Kiwi exporters only now feel equipped to pursue, as they have prioritised innovation over enhancing their online presence; the number one strategy in 2020. Enhancing their online presence is still rated a strong strategy to increase export sales, sitting in second position, with 44% of Kiwis implementing this initiative in 2021.

It is also noteworthy, that in line with developing new products and services, there has been an increased focus on Research and Development (R&D), which moved up the chain to be the 5th most recognised initiative. 30% of Kiwi exporters invested in R&D, an eight percentage point increase compared to 22% in 2020. However it may take time for these changes to pay off.

Positively, the results also indicated that the success of developing new products/services rose two percentage points (16% in 2021 vs. 14% in 2020), highlighting this as the most impactful initiative implemented. Also, as Kiwi businesses increased their focus on developing new products and services and invested in R&D, the need to improve business processes increased. Those that also implemented improvements to their business processes proved to be successful, as this was rated the second most impactful initiative.

Initiatives to increase export orders



Successful initiatives to increase export orders

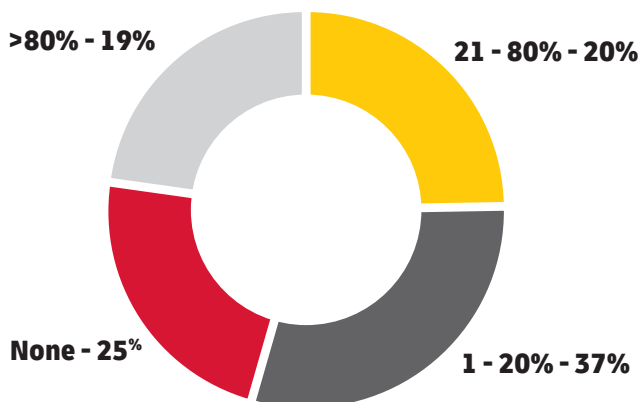




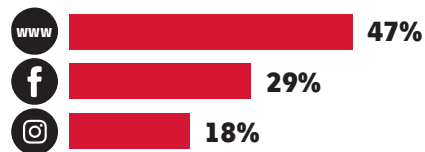
FEW KIWI EXPORTERS LOOK ONLINE TO GENERATE ORDERS

While Covid-19 may have triggered a digital transformation, it is not surprising that the 2021 ExportNZ DHL Export Barometer highlighted that the majority (25%) of survey respondents do not generate sales online. A significant number of respondents to the survey are manufacturing exporters and that does not necessarily lend itself to e-commerce.

Portion of Kiwi businesses that generate export orders online



While the survey did highlight that 75% have a digital presence, with online channels such as:



being used to generate orders, respondents are still investing little to nothing of their marketing budget online. Results highlighted that 29% of Kiwi exporters are not investing anything, while 31% are only investing 5 -10 percent.



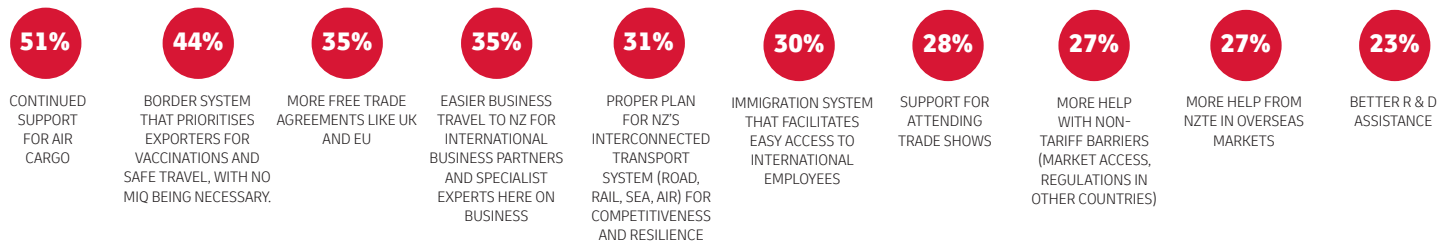
KIWIS ARE CALLING ON THE GOVERNMENT TO ASSIST WITH THE COVID-19 IMPACTS ON LOGISTICS AND THE MIQ RULES

When asked what government assistance over the long term would help Kiwi business with exporting, it is no surprise that the answers directly relate to the major barriers faced in 2021. Rated number one, over half (51%) of Kiwi exporters need government support with Air Cargo. With the congestion at Ports and a lack of space on underbellies due to the reduction in commercial airlines, Kiwi exporters are needing the government to step in. The effects that the freight congestion is having on Kiwi businesses are staggering; 88% of Kiwi exporters experienced an increase in logistics costs, 86%

experienced delayed transport times and 57% are unable to even get shipping space – Kiwi exporters are feeling the pain and are out of options.

A further 44% of Kiwi exporters want to see more government assistance in a border system that prioritises exporters for vaccinations and safe travel, with no MIQ being necessary. As already stated in the report, some exporters have stressed that the closed borders have heavily impacted their business, forcing them to make staff cuts, shut down or relocate offshore until the border closure rules offer a solution.

Government assistance Kiwi exporters want assistance with

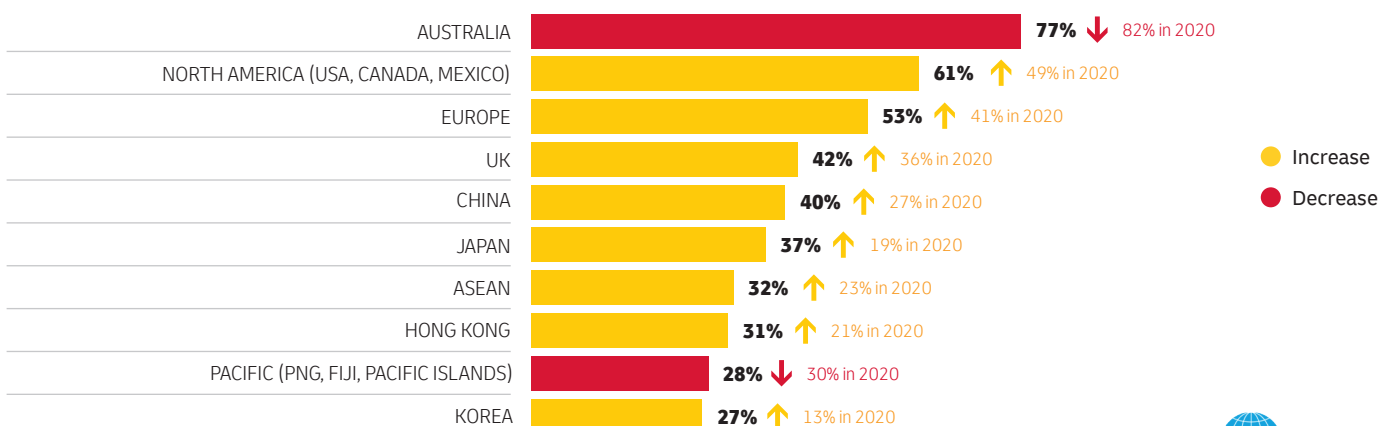


MOST COUNTRIES IN TOP 10 SEEING STEADY GROWTH

The 2021 ExportNZ DHL Export Barometer saw respondents increase their exports to the majority of the countries in the top 10; with North America, Europe, China, Japan, Hong Kong and Korea all seeing exporters trade significantly increase, with double digit percentage point growth.

However, the same cannot be said for Australia and the Pacific (PNG, Fiji, and Pacific Islands) who were the only two countries in the top 10 that experienced a decrease. Australia did still manage to remain in its number one position, with 77% of survey respondents sending goods across the ditch, however this is down from 82% in 2020. The Pacific seemed to be the most impacted, dropping to 9th place, down from 5th in 2020.

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



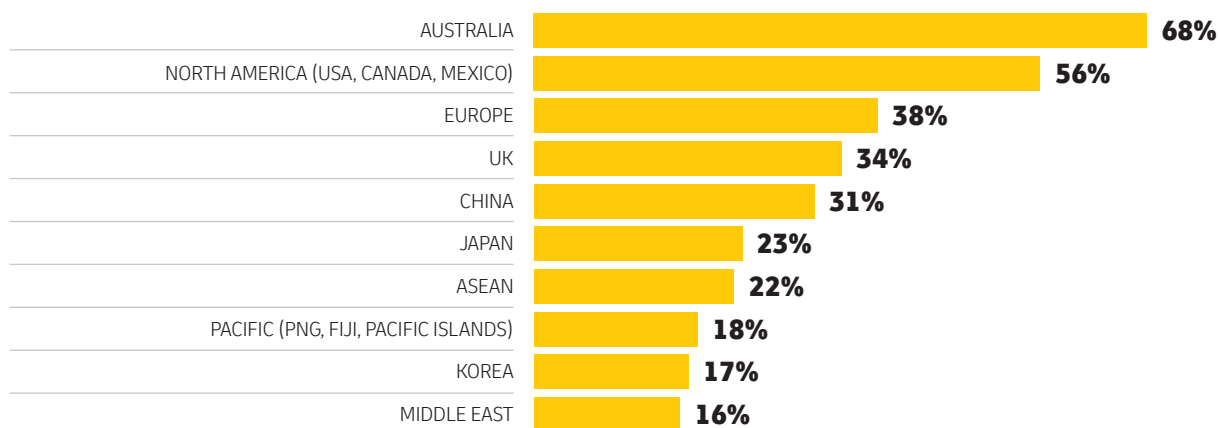


CONSISTENCY A TOP PICK FOR THE FUTURE

When asked about their perceptions of markets that will be most important to them in the next twelve months, Kiwi exporters do not expect any major changes within the top ten favoured destinations; with the top seven reflecting the current make-up.

The research indicates that the only change could be that the Middle East is likely to be pipped out by Hong Kong.

In one year from now, which countries do you believe will be your top export destinations? (Top 10)



ABOUT THE EXPORTNZ DHL EXPORT BAROMETER

A joint initiative between ExportNZ and DHL, a total of 319 New Zealand exporters were surveyed for the ExportNZ DHL Export Barometer 2021. 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 05 August and 02 September 2021. The profile of respondents included representatives from all areas of the country, with Auckland representing 33%, Wellington 10%, Rest of the North Island 36%, Canterbury 15% and Rest of South Island 6%. They comprise a range of business sizes with 33% having

1-4 employees, 28% 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 (42%), Agriculture, Forestry or Fishing (15%), Online Retail (12%), ICT services, commercial services, consulting (5%) and Professional Scientific & Technical Equipment (4%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (39%), 22% have been exporting for five years or less. Just under one quarter (23%) have been exporting for 11-20 years and 16% have been exporting for 6-10 years.

