



2018 EXPORTNZ DHL EXPORT BAROMETER

KIWI EXPORTS CONTINUE TO HOLD STRONG WITHIN THE EVER-CHANGING GLOBAL MARKETPLACE

The 2018 ExportNZ DHL Export Barometer shows that despite a rapidly changing global marketplace, Kiwi exporters have signalled overall exporting confidence in the last 12 months, and remain optimistic looking to 2019.

Australia continues to dominate Kiwi exports, with North America, Europe and Pacific Islands still holding strong trading positions.

While international exporting poses many benefits, Kiwi businesses have highlighted the 'concern about increasing costs in New Zealand due to the coming industrial regulation' as a major barrier when it comes to exporting.

Exporters agree that attending trade shows with other Kiwi companies could be a key way the New Zealand Government could assist businesses to grow, and 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' was seen as the most important exporting service.

Kiwi ingenuity is still thriving among the exporter community with majority of Kiwi businesses developing new products and services to drive international export orders. Surprisingly the online revolution is still yet to take off, with a number of Kiwi exporters not selling on-line. However, the utilisation of social media tools to boost exports is on the rise.

Overall, the 2018 ExportNZ DHL Export Barometer shows that while the Kiwi exporting sector remains strong, exporters should also prepare for any challenges ahead, particularly given the escalating international trade war.

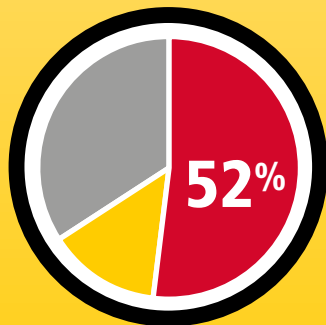
INTERNATIONAL EXPORT ORDERS CONTINUE TO REMAIN STRONG FOR KIWI BUSINESSES

When looking at the export results over the past 12 months, the international marketplace remains positive for Kiwi exporters. The 2018 ExportNZ DHL Export Barometer shows that just over half (52%) of New Zealand exporters have seen export orders increase over the past 12 months. Another significant portion (34%) said export orders have remained the same and just 14% said export orders have decreased.

When compared to 2017 results, the number of Kiwi exporters seeing international orders increase has decreased from 55%, indicating a slight softening of the international marketplace.

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

- Increase
- Decrease
- Remained the same



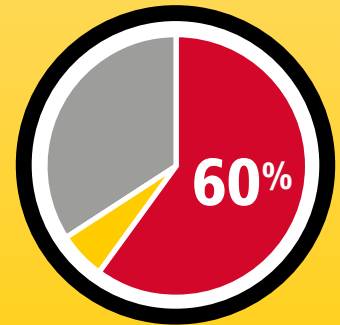
EXPORTERS REMAIN OPTIMISTIC GOING INTO 2019

When asked about expectations for the coming year, Kiwis remain optimistic. The 2018 ExportNZ DHL Export Barometer records that the majority of Kiwi companies (60%) expect international orders to increase – with 34% saying they expect export orders to remain at the same level. With just 6% saying they think export orders for their business will decrease into next year, the results signal overall positivity.

However by comparison, exporters are slightly less optimistic than last year. In 2017, 71% thought orders would increase.

Expectations regarding export orders over the coming 12 months

- Increase
- Decrease
- Remain the same



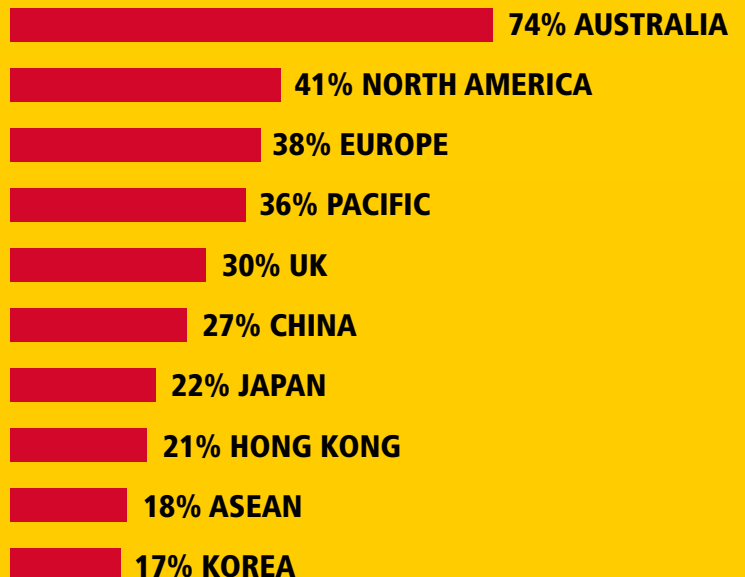
AUSTRALIA CONTINUES TO TOP THE LIST FOR EXPORTERS

Securing its position again as New Zealand's top trading partner; Australia continues to dominate exports with 74% of survey respondents sending goods across the ditch. The percentage of respondents trading with North America (USA, Canada and Mexico) has decreased from 51% in 2017 to 41% in 2018; however, it still holds second spot.

While the top two export destinations remain consistent on last year, our other top favoured traditional trading partners have seen a slight mix up. Europe now holds position as the third favoured export destination with 38% of Kiwi exporters sending orders there, bumping the Pacific Islands (36%) to fourth position. Surprisingly, the UK (30%) has made its way into the top five, pushing out emerging China (27%).



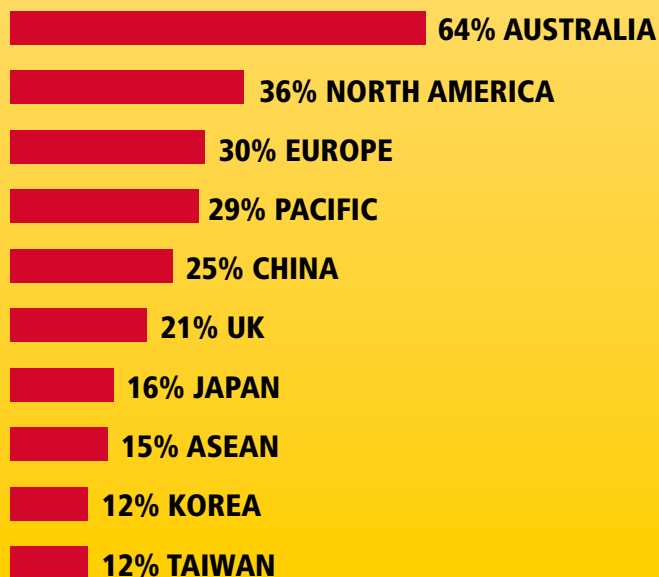
Percentage of Kiwi exporters who trade with the Top 10 export destinations



THINKING ABOUT THE FUTURE

When asked about their perceptions of markets that will be most important to them in two years' time, Kiwi exporters do not expect any major changes within the top five favoured destinations. The research indicates that the only change could be that the UK is likely to be pipped out by China. However, this year fewer Kiwi exporters were prepared to forecast what their top export destinations would be in two years' time. Potentially, concern about international trade wars is creating some uncertainty here?

About two years from now, which countries do you believe will be your top export destinations? (Top 10)



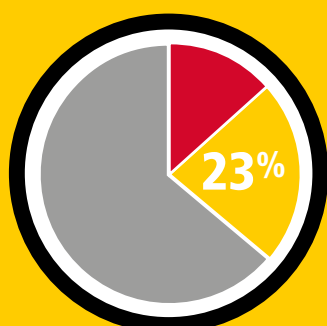
CURRENCY CONCERNS – MANAGING THE KIWI DOLLAR

The 2018 ExportNZ DHL Export Barometer highlighted again that the New Zealand dollar remains a major barrier, with a quarter of Kiwi exporters citing this as a concern.

When asked about dealing with the Kiwi dollar in 2018, 23% have cited this as less manageable than last year, comparing with only 7% of exporters in 2017. Just 13% found the NZ dollar more manageable than last year, with the vast majority (64%) of exporters finding the impacts of the Kiwi dollar to be the same as last year. While the impacts of the dollar have been the same for many exporters, the fall in the value of the dollar since last year has probably required some need to unwind hedged positions.

Managing the strong New Zealand dollar

- More manageable than last year
- Less manageable than last year
- About the same



OVERCOMING EXPORT CHALLENGES TO THRIVE

The major barriers to exporting as indicated by New Zealand businesses



While international exporting poses many benefits, Kiwi businesses still need to navigate through many technological, economic and political barriers, which have created a new, rapidly changing and highly competitive international environment.

The 2018 ExportNZ DHL Export Barometer shows the biggest barrier is the 'concern about increasing costs in New Zealand due to the coming industrial regulation', with 32% of Kiwi exporters showing this as a major barrier. Coming in second equal, 25% of exporters saw the 'level of the NZ dollar' and the 'concern about an escalating trade war internationally' as major concerns. Interestingly, 42% of Kiwi exporters cited 'strength of competition in overseas markets' as the number one barrier in 2017; however this has seen an 18 percentage point decline, with only 24% of Kiwi exporters now seeing this as a major barrier.

Furthermore, while only 6% of Kiwi exporters saw foreign exchange management as a barrier in last year's survey, this jumped to 17% of exporters who cited this as a concern in 2018. Encouragingly though, 18% of exporters outlined no major barriers to exporting, up from 14% in 2017.

KIWI INNOVATION DRIVING EXPORT ORDERS

Initiatives to increase export orders



When asked what initiatives businesses have implemented to drive export orders over the past year, Kiwi ingenuity is still thriving among the exporter community. 38% of businesses said they had developed new products and services, with one in eight rating developing new products and services as the most successful initiative.

Three in ten (30%) exporters had entered new markets and 29% had improved business processes. With the online revolution still charging ahead, another 29% of New Zealand businesses have enhanced their online presence to drive increased export orders – and this was also highlighted as the fourth most successfully implemented initiative.

Allocating more resources to export activities has seen an increase, initiated by 24% of exporters in 2018 vs. 18% in 2017. Interestingly, implementing new technology has dropped down the list, only initiated by 15% of exporters, compared to 20% in 2017.

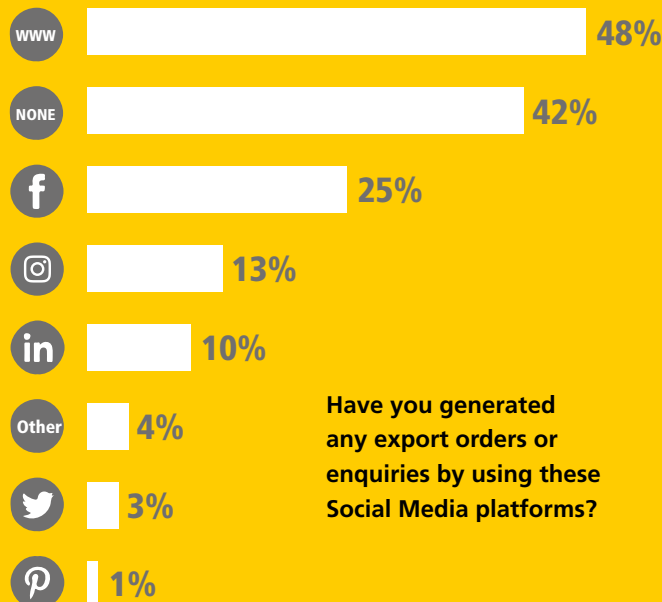
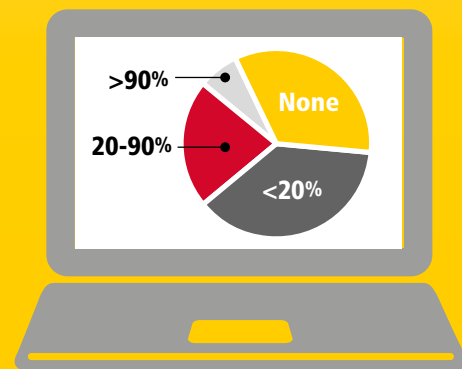
FEW EXPORTERS LOOK ONLINE TO GENERATE ORDERS

While the internet revolution is often credited as being a large driving force behind international trade, the 2018 ExportNZ DHL Export Barometer shows that while a few businesses are taking advantage, the majority of Kiwi exporters still have a long way to go – and that not much has changed in the past year.

30% of Kiwi businesses are still not generating any online orders, 19% are only generating up to five percent and 36% of kiwi businesses generate up to 20 percent of online orders. However, at the other end of the scale, the percentage of exporters now generating 90–100% of online orders have increased six percentage points to 16% in 2018 vs. 10% in 2017.

Not surprisingly, online marketing activities still have a way to go. Results have highlighted that the vast majority (76%) of Kiwi businesses currently spend only up to one-fifth of their marketing budget on online activities. However, this was down from 80% in 2017. At the other end of the scale, 7% spent their entire marketing budget online in 2018, compared with only 2% in 2017.

Portion of Kiwi businesses that generate export orders online



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

SOCIAL MEDIA ON THE RISE

Looking at social media tools, the 2018 ExportNZ DHL Export Barometer asked exporters if they are tapping into the social media potential to generate online orders. The number of Kiwi businesses not utilising any social media channels has seen a significant decrease of 26 percentage points, with now just over two-fifths (42%) highlighting they still do not utilise social media in 2018 compared to 68% in 2017.

Social media use starting to take off for Kiwi exporters



One-quarter (25%) of Kiwi exporters use Facebook to generate online orders, and a further 13% have turned to Instagram, a 4 percentage point increase on last year. Only 10% of Kiwi businesses report using LinkedIn, while Twitter usage sits at 3%.

GOVERNMENT ASSISTANCE WANTED

When asked if any government assistance would help businesses to export more, less than one-quarter (24%) said they don't want any help, which has remained relatively unchanged over recent years. A further 6% said they already receive enough assistance.

However more than one-quarter (29%) of exporters responding to the 2018 ExportNZ DHL Export Barometer said that attending trade shows with other Kiwi companies would be a key way the New Zealand Government could assist businesses to grow. Second was finding trusted partners in overseas markets (26%) – closely followed by research and development assistance (24%).

Interestingly, 'more free trade agreements' have dropped from 25% in 2017 to 18% in 2018. This may reflect the fact that the CPTPP looks likely to come into force soon and we have a number of trade deals in the pipeline.

Government assistance Kiwi exporters want assistance with

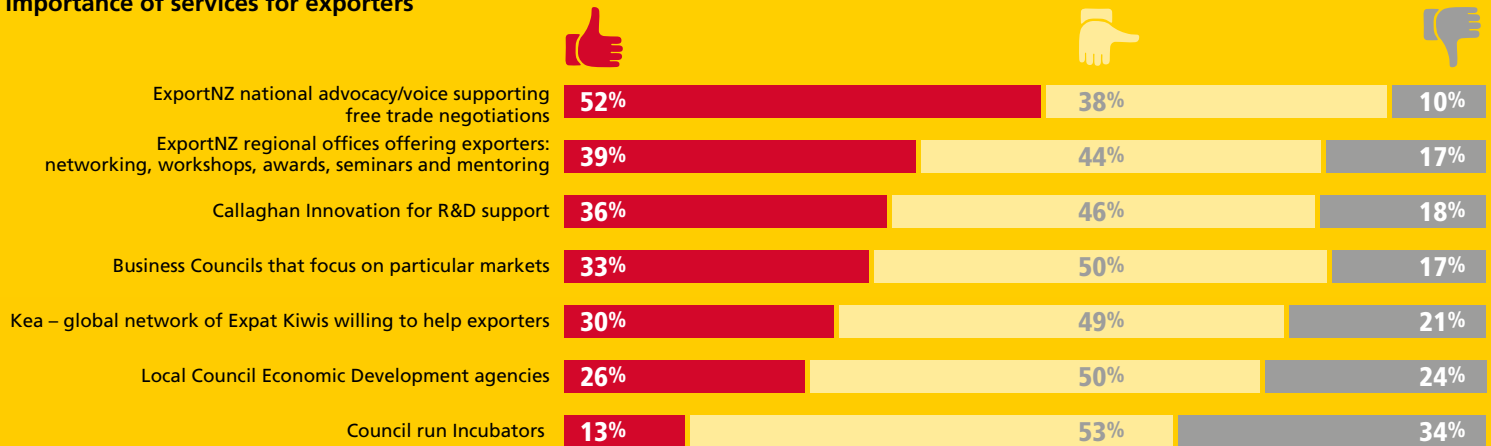


EXPORTER SERVICES DESIRABLE

The 2018 ExportNZ DHL Export Barometer asked how important services for exporters are to Kiwi businesses. Over half of Kiwi exporters (52%) 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.

39% rated 'ExportNZ regional offices offering networking events, exporting workshops, awards events, seminars and exporter mentoring' as an important exporting service, with just over a third (35%) rating 'Callaghan Innovation for R&D support' as important.

Importance of services for exporters



ABOUT THE EXPORTNZ DHL EXPORT BAROMETER

A joint initiative between ExportNZ and DHL, a total of 432 New Zealand exporters were surveyed for the ExportNZ DHL Export Barometer 2018. 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 23 July and 20 August 2018. The profile of respondents included representatives from all areas of the country, with Auckland representing 36%, Wellington 11%, Rest of the North Island 29%, Christchurch 16% and Rest of South Island 8%. They comprise a range of business sizes with 26% having 1–4 employees, 38% classed as small businesses (5–19 people), 23% medium (20–99 people) and 14% as large organisations (100+ employees).

The key industry segments targeted are: Manufacturing (39%), Online retail (11%); Agriculture, Forestry or Fishing (10%), Professional scientific & Technical equipment (10%), and Transport & Storage (6%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (38%), 19% have been exporting for less than five years. Just over one-fifth (21%) have been exporting for 11–20 years and 17% have been exporting for 6–10 years.