



2022 EXPORTNZ DHL EXPORT BAROMETER



THE EXPORT INDUSTRY IS IN GROWTH MODE, BUT CAN NEW ZEALAND EXPORTERS AFFORD TO STAY IN BUSINESS?

Today, global trade is in the spotlight more than ever. The ongoing pandemic, bottleneck supply chains, new policies and the war in Ukraine have drastically altered the way businesses reach their customers and how they plan for the future. The unpredictability of the global supply chain has put many New Zealand exporters in unprecedented circumstances, but is the bounce back enough to keep them in the game?

For the third year, Covid-19 has created disruption and uncertainty, barely giving exporters enough time to catch their breath. Even though many feel more prepared with their business processes and have reported a relatively positive last 12 months, the rising costs and shipping constraints mean that kiwi exporters are surviving, rather than thriving.

According to the research conducted among 334 New Zealand exporters, increased shipping costs along with lower frequency of transport options have been enduring barriers, both listed for the third year running as major restrictions to exporting. 2022 has also brought a new challenge to the forefront as the great resignation threatens New Zealand. Exporters have cited the labour shortages as a barrier, with a lack of applicants for medium to high-skilled roles.

In an attempt to prioritise key challenges that are directly impacting orders, kiwi exporters are using their ingenuity to develop new products and services, and improve business processes to help increase export orders. With trade growth expected to remain solid for the rest of 2022 and into 2023,

exporters are anticipating that their international orders will increase in the next 12 months.

Furthermore, exporters agree that ease of travel to NZ for international business partners and specialist experts here on business post-Covid-19 is very welcome. In terms of government support, greater assistance to attend trade shows also received a lot of backing from respondents.

Australia has always been a favourite destination to trade goods with and the 2022 results again reflect this, with majority of respondents having shipped to Australia in the past 12 months. However, the percentage of respondents exporting to North America, Europe and China are down year-on-year. This could be due to ongoing logistics and Covid-19 issues, combined with a slow-down in consumer demand.

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 has 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 2022 ExportNZ DHL Export Barometer indicates that exporters are more cautious about the exporting sector, but are remaining optimistic about the coming year.

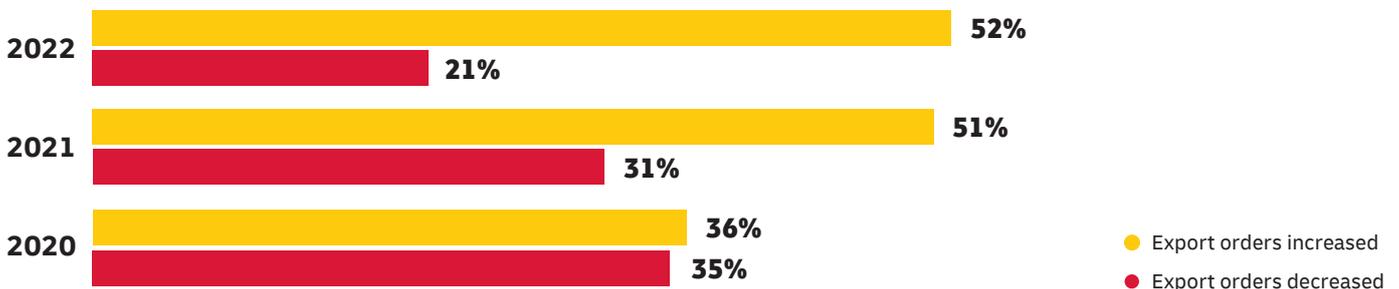


THE EXPORT INDUSTRY IS IN GROWTH MODE, AND RESPONDENTS EXPECT THIS GROWTH TO CONTINUE OVER THE NEXT YEAR

It has been over two years since Covid-19 first entered New Zealand, disrupting global trade and changing the world as we knew it. 2021 saw the start of international trade recovering and today as the major health risks of Covid-19 continue to recede, the export industry remains in growth mode.

When asked to look back at their export orders over the past 12 months, the international marketplace is looking positive for Kiwi exporters, with 52% experiencing an increase. Furthermore, those that experienced a decrease in exports (21%) is down 10 percentage points from 2021, where 31% reported a decrease.

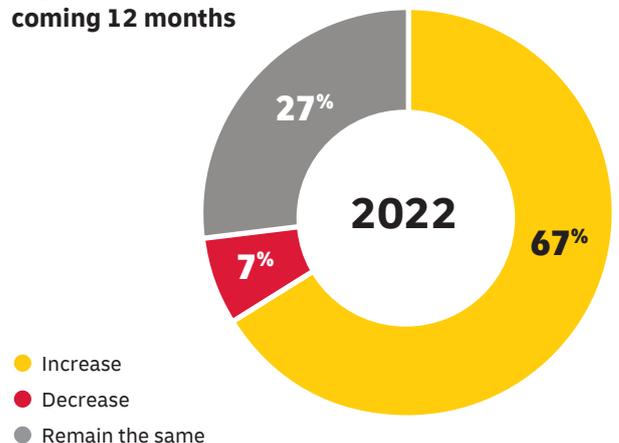
International export order performance 2020 - 2022, according to New Zealand exporters



With trade growth expected to remain solid for the rest of 2022 and into 2023, exporters have indicated they are expecting a strong year ahead. The 2022 ExportNZ DHL Export Barometer highlighted that 67% of respondents expect international orders to increase, up 5 percentage points from 2021 and up a whopping 17 percentage points from 2020.

Positively, the report has highlighted the downward trend that only 7% are expecting a decrease, which is half the number that expected this in 2021 (14%).

Expectations regarding export orders over the coming 12 months





COST AND AVAILABILITY OF TRANSPORT AND LOGISTICS HAS BEEN AN ENDURING BARRIER FOR EXPORTERS

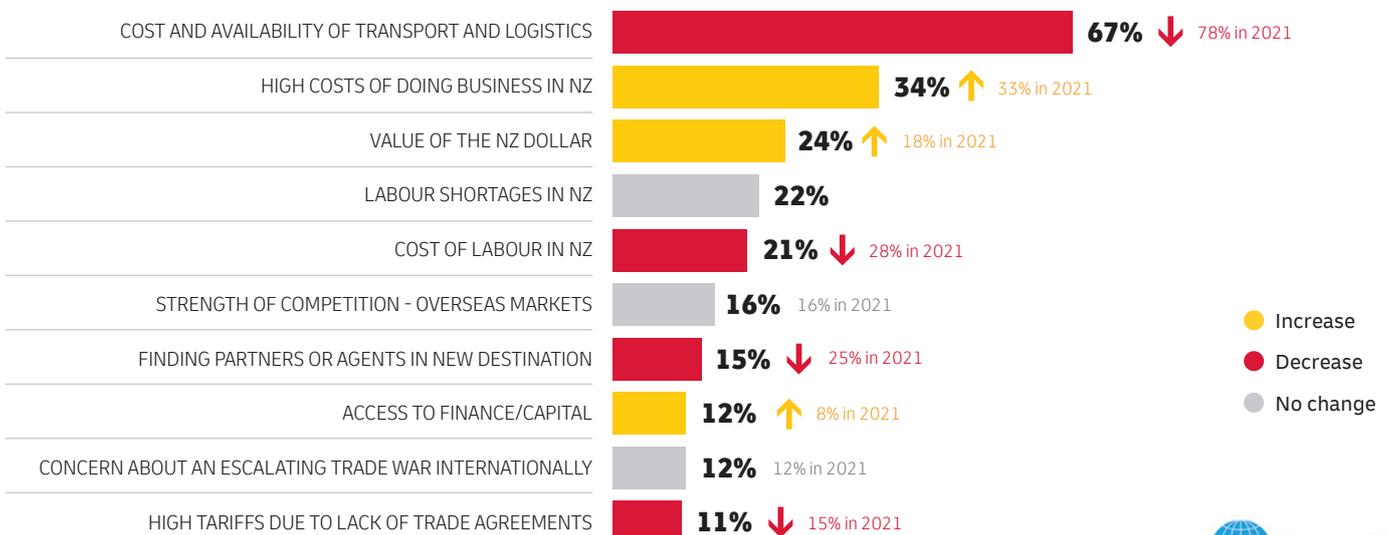
For three years running, the cost and availability of transport and logistics has been ranked the number one barrier for respondents, with 67% of respondents citing this as a major barrier to exporting.

The second major barrier is the high cost of doing business in New Zealand, with 34% of exporters expressing this. The value of the New Zealand dollar has been cited as the third major barrier, up six percentage points from 2021, when 18% cited this as a concern vs. 24% in 2022. This suggests exporters are concerned with how weak the dollar is currently, as the cost of importing materials from overseas has increased significantly.

This is in contrast to previous years when exporters would be concerned with how a high NZ dollar was impacting export sales.

88% of respondents cited both delayed transit times and increased costs as having an impact on their supply chains over the past 12 months, with a further 48% unable to get shipping space. The high cost of doing business, cost & availability of transport and logistics, the value of the dollar, and labour costs all contribute to a profit margin squeeze, particularly if businesses are not able to pass those cost increases through to customers. It is important to note that costs associated with shipping and logistics are difficult to pass on to the customer, as it makes exported products less competitive when competing with domestic producers.

The major barriers to exporting as indicated by New Zealand businesses





GETTING THE RIGHT TALENT INTO SUITABLE VACANCIES SHOWS A SKILL SHORTAGE

In the wake of the Covid-19 pandemic, employers around the country are scrambling to find suitably skilled workers. The 2022 ExportNZ DHL Export Barometer asked respondents about the labour shortages in New Zealand and 22% of exporters cited this as the 4th largest barrier that an organisation faces.

While it is noteworthy that the majority of exporters (63%) say they are not struggling to fill job vacancies, 48% of respondents have been advertising job vacancies for 4 or more months, showing the talent pool is lacking in suitable candidates.

Furthermore, the skills needed to fill vacancies and the applicants applying are mismatched:

- For 24% of low skilled vacancies, 64% of applicants match the skills needed
- For 61% of medium skilled vacancies, 44% of applicants match the skills needed
- For 40% of high skilled vacancies, 18% of applicants match the skills needed

The top 5 skills that applicants are lacking are work readiness (48%), other (29%), literacy (19%), numeracy (16%) and IT (15%).



BUSINESSES HAVE CONTINUED TO EVOLVE HOW THEY DO BUSINESS SINCE THE PANDEMIC TO TRY AND INCREASE THEIR ORDERS

It might be some time before businesses understand the full impact that Covid-19 has had on their processes, but for now unlearning old habits and adopting new ones, continues to be the way forward. This assumption has been supported in this year's 2022 ExportNZ DHL Export Barometer results which revealed 44% of respondents said that they had developed new products and services to help increase exports and 40% have improved business processes.

In an attempt to re-prioritise key challenges that are directly impacting orders, when specifically asked how respondents have dealt with the supply chain issues, the most common answer was to hold more stock on site, with some respondents moving offices offshore to deal directly in the market. Only 9% of respondents said they

had reduced the sales price to increase exports, suggesting that the majority of NZ exports are holding their value well.

There has been an increased focus on entering new markets, which moved up the chain to be the 5th most recognised initiative. 29% of exporters entered into a new market in 2022, a 5 percentage point increase compared to 24% in 2021.

15% of respondents implemented no new initiatives, up from 10% in 2021. One respondent cited their tactic to increase exports has been to cross their fingers and hope for the best.

Initiatives to increase export orders



FOCUS ON ONLINE CONTINUES, BUT NOT WHEN IT COMES TO MARKETING SPEND

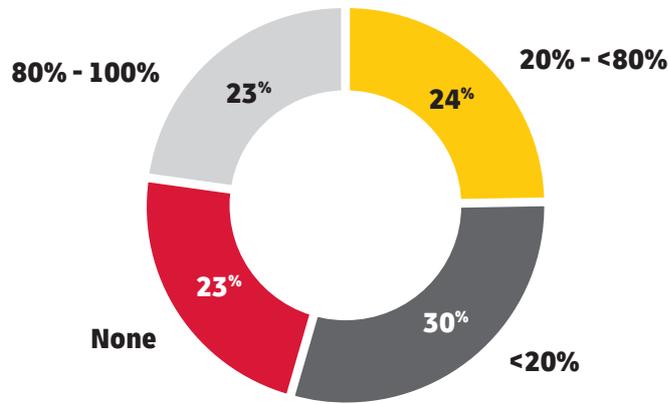
Looking back to the first and second year of the pandemic over 2020 and 2021, for both years 44% of respondents said they had increased their online presence to help increase export orders, compared to only 37% in 2022. This may be because businesses had to adapt to online in 2020 and into 2021, so already have their online presence sorted.

Only 23% of respondents say they operate their business entirely offline with zero orders or enquiries coming from their online presence. This is a one percentage point decrease from the previous year, suggesting online orders and enquiries are becoming a bigger source of business for most export organisations. However, in contrast, when looking at businesses who claim that 100% of their orders

are coming from online platforms, this has decreased from 14% of businesses in 2021 to 10% of businesses in 2022, suggesting that the easing of lockdowns and Covid-19 restrictions has played a part in consumers returning to other methods of ordering, rather than the bigger focus on online.

Despite the pandemic forcing businesses into the digital world, 65% of respondents still spend less than 10% of their marketing budget online, with only 8% investing 80-100% of their marketing budget online. This may be because a significant number of exporters sell through intermediaries rather than directly to the consumer via online tools.

Portion of New Zealand businesses that generate export orders online



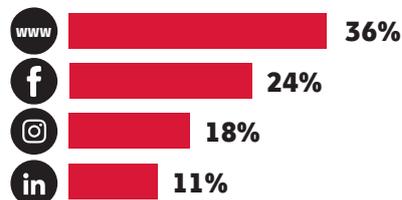
A COMPANY'S WEBSITE WINS WHEN IT COMES TO EXPORT ORDERS OR ENQUIRIES, CLOSELY FOLLOWED BY FACEBOOK

For the last three years, businesses have cited Facebook as the social platform that generates the most online orders or enquiries, followed by Instagram and then LinkedIn. That said, a business website has continued to outrank social media platforms as the number one place respondents received orders or enquiries. But the margins are not wide, as 36% of respondents cited their website as the main platform for generating orders, compared with 24% who cited Facebook.

Interestingly, when combining the result from all three social platforms, 54% of respondents cited orders generated from Facebook, Instagram and LinkedIn, vs the 36% citing 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.

Arguably, the internet has lowered barriers to entry when it comes to selling across borders. Having said that, 98% of goods exports and a high percentage of New Zealand's export value goes overseas via sea cargo.



EXPORTERS ARE CALLING ON THE GOVERNMENT TO HELP MORE

When asked what government assistance over the long term would help Kiwi businesses with exporting, one quarter (25%) of respondents said ease of travel to NZ for international business partners and specialist experts on business is needed (As the responses of this survey are from the month of August 2022, there were still some restrictions on who could enter New Zealand on a visa). A further 24% wanted to see more

support for attending trade shows and 23% want to see New Zealand continue to negotiate and sign free trade agreements with new partners.

At the other end, 21% said they don't require any help, compared with only 3% of respondents in 2021. The drop in the 2021 figure was likely due to the COVID-19 related restrictions placed on businesses.

Government assistance exporters would like:



SUSTAINABILITY IS NOT TOP OF MIND

The 2022 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 and lack of availability of transport & logistics, only 38% said yes and 34% said no.



ACROSS THE DITCH IS STILL FAVOURED BY KIWIS EXPORTERS

Australia has always been a favourite destination to trade goods with and the 2022 results again reflect this, with majority (81%) of respondents saying they have shipped to Australia in the past 12 months. The top 3 areas businesses are exporting to are Australia, North America and Europe,

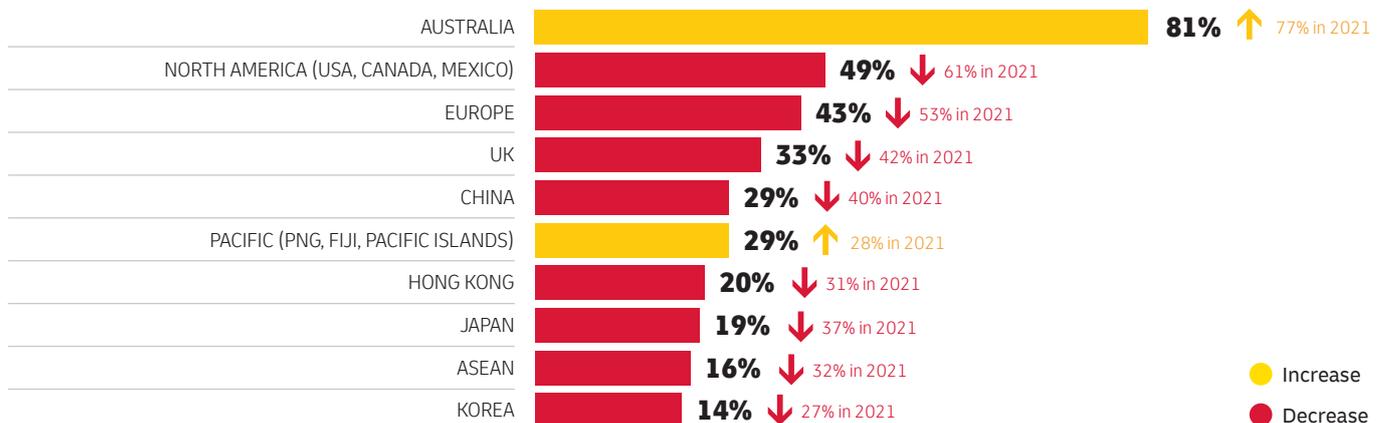
which remains unchanged from 2021. Looking into the future, respondents identified the same three countries as those they considered to continue as their top export destinations heading into 2023.

NORTH AMERICA, EUROPE, AND CHINA BOOMED IN 2021, BUT HAS RETURNED TO NORMAL

The number of respondents who said they were exporting to North America was down year-on-year 12 percentage points and respondents who said they were exporting to Europe was down year-on-year 10 percentage points. China was a similar story, with the number of respondents exporting to China down year-on-year 11 percentage points. The stats we are seeing in 2022 are similar to those in 2020, suggesting that 2021 was a tough year

but hopefully not a trend that will continue. There's no definitive answer as to why 2021 was an outlier, however with consumer spending in overseas markets, there may also be an element of exporters testing new markets in 2021 and deciding not to pursue opportunities.

Percentage of exporters who trade with the Top 10 export destinations





ABOUT THE DHL EXPORT BAROMETER

A joint initiative between ExportNZ and DHL, a total of 334 New Zealand exporters were surveyed for the ExportNZ DHL Export Barometer 2022. 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 01 August and 26 August 2022. The profile of respondents included representatives from all areas of the country, with Auckland representing 49.7%, Wellington 8.7%, rest of the North Island 24.3%, Canterbury 11.7% and rest of South Island 5.7%. They comprise a range of business sizes with 32.6% having 1-4 employees, 29% classed as small businesses

(5-19 people), 27.2% medium (20-99 people) and 10.8% as large organisations (100+ employees).

The key industry segments targeted are: Manufacturing (35.9%), Agriculture, Forestry & Fishing (7.5%), Online Retail (15.9%), Professional Scientific & Technical Equipment (7.8%) and ICT Services, Commercial Services, Consulting (3.9%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (38%), 24.3% have been exporting for five years or less. 20.4% have been exporting for 6-10 years and 17.4% have been exporting for 11-20 years.

