



2020 EXPORTNZ DHL EXPORT BAROMETER



HIGH COSTS AND LOWER FREQUENCY OF TRANSPORT OPTIONS, NUMBER ONE BARRIER FOR THE NZ EXPORT INDUSTRY

There is no denying that the Covid-19 pandemic has created an unsettling year for many Kiwi Exporters, and the 2020 ExportNZ DHL Export Barometer results highlight that high costs and lower frequency of transport options are the top barriers for the NZ export industry. However, despite a decrease in orders for some businesses, the majority of survey respondents didn't feel a negative impact on their export business in 2020.

According to the research conducted among more than 270 New Zealand exporters, whilst 2021 outlooks remain positive, top barriers to doing business have changed substantially from previous years, with the costs of logistics and transport shooting into the top spot, followed closely by Covid-19 and the general costs of doing business. What is promising, is after being in the top three major barriers for the last five years running, Kiwi exporters' concern around the 'level of the NZ dollar' has dropped significantly to the 7th major barrier. This probably says less about the level of the dollar and more about the increase in other barriers such as transport costs.

Pre-Covid, the number of Kiwi exporters taking advantage of the digital world still seemed to have a long way to go, however the results show that exporters who saw an increase in their orders in 2020, predominantly increased their online

presence. Although Kiwi ingenuity is still a strong driver amongst the New Zealand export community with Kiwi exporters developing new products/services to generate orders, this is the first year in five years that enhancing online presence has overtaken this.

Indicating overall consistency in the global marketplace, there are no changes to the positions of the top four exporting destinations with Australia once again securing its number one position. But Kiwis are relying on the government to support their businesses even more; regarding long-term government support, 'more free trade agreements' and 'more help from NZTE in overseas markets' saw a rise in importance.

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 reducing their reliance on other markets, by creating more products locally. In spite of this, the Kiwi optimism continues heading into the New Year, with majority of respondents not expecting a decrease in business orders in 2021.

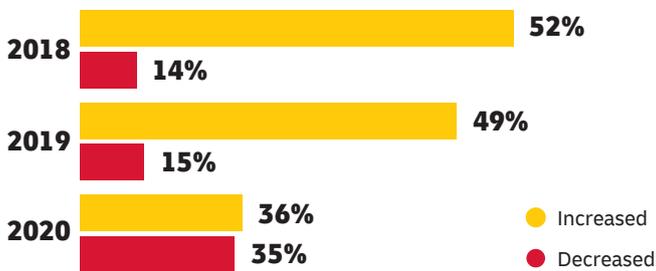


EXPORT ORDERS FALL IN RESPONSE TO COVID-19

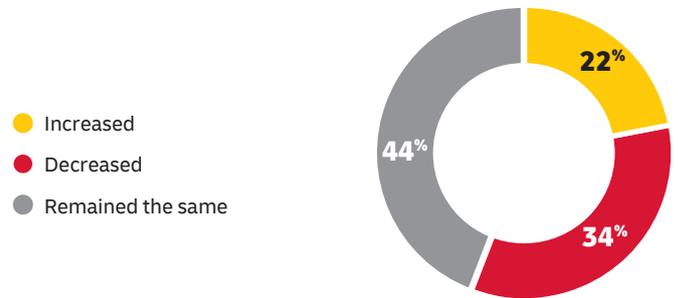
When looking at their export orders over the past 12 months, the impact that Covid-19 has had on the global marketplace is evident as only 36% of Kiwi Exporters saw an increase, compared with 50% in 2019. Furthermore, 35% of Kiwi Businesses saw their export orders drop, compared with only 15% in 2019.

However, remaining buoyant despite Covid-19, when asked about business opportunities, two thirds (66%) of respondents surveyed didn't feel a negative impact on their export business opportunities in 2020 as a result of Covid-19; 22% stated business opportunities have increased and 44% stated that Covid-19 had no effect on their business opportunities.

International export order performance 2018 - 2020, according to Kiwi exporters



How business opportunities in 2020 have been impacted due to Covid-19

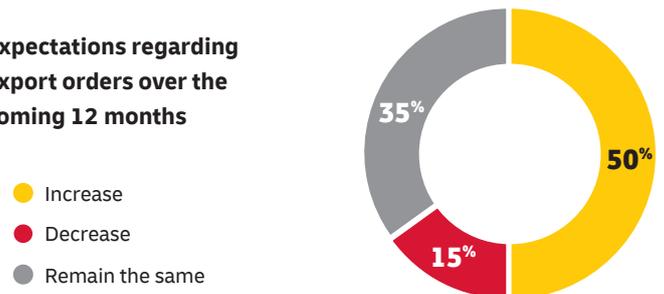


NZ BUSINESS OWNERS ARE CAUTIOUS ABOUT THE FUTURE, BUT DON'T THINK IT'LL HAVE A HUGE IMPACT ON THEIR SALES NUMBERS

Despite seeing the number of export orders down significantly from 2019, when asked about expectations for the coming year, Kiwis are remaining confident with half of respondents (50%) hopeful that their exports will increase next year.

The next significant portion of Kiwi exporters (35%) expect their export orders to remain the same and 15% anticipate export orders to decline. The latter is up from 7% in 2019.

Expectations regarding export orders over the coming 12 months





BUSINESSES ARE CONCERNED ABOUT THEIR MARGINS AS THE COST TO EXPORT GOODS IS CONSIDERED THE BIGGEST BARRIER TO EXPORT BUSINESSES

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 with the direct impacts on international logistics chains, due to Covid-19, it is no surprises that the 2020 ExportNZ DHL Export Barometer results saw two-thirds (66%) of Kiwi Exporters consider the 'cost of transport and logistics' the number one barrier to exporting. This came above and beyond concerns about 'Covid-19' which came in as the second biggest barrier (46%) and 'High costs of doing business in NZ' which was rated third, with just over one quarter of those surveyed (26%) citing this as a major concern.

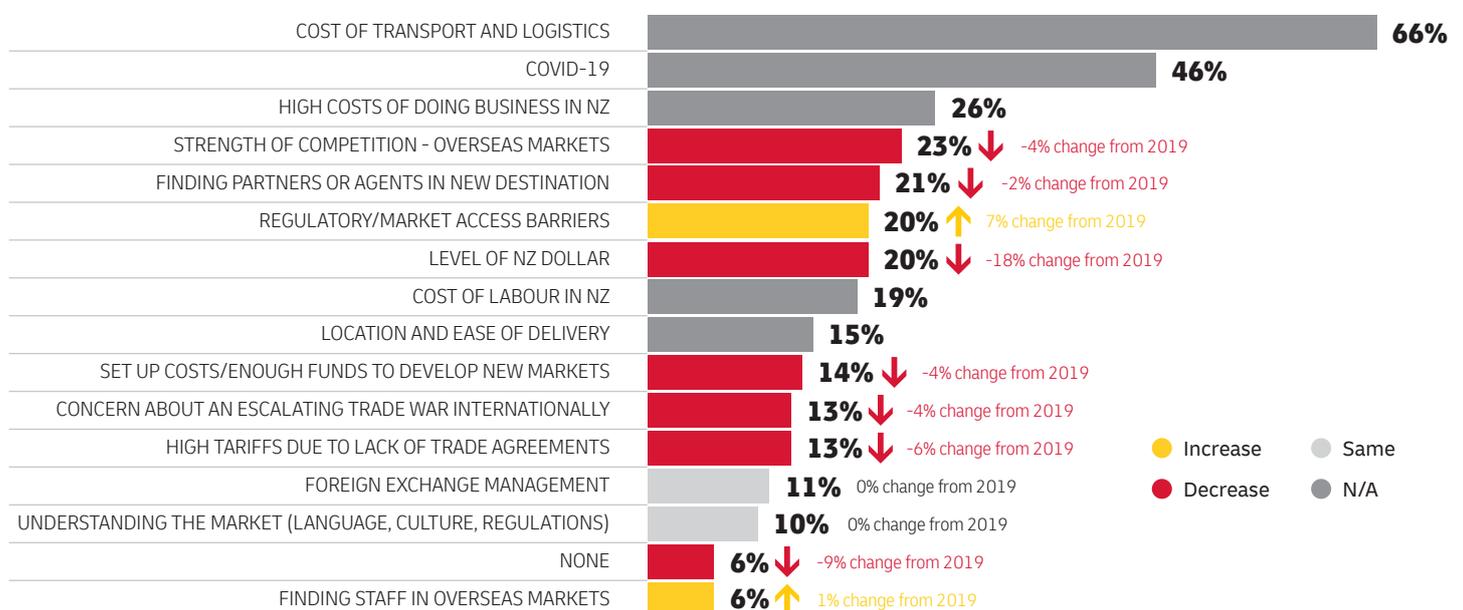
Concern around the 'level of the NZ dollar' dropped significantly to the 7th major barrier, after been seen as the number one concern in 2019 (20% in 2020 vs. 38% in 2019)

and has been included in the top three biggest barriers for the last 5 years running, showing the focus has shifted from international fiscal risk to individual business margins.

'Regulatory/market access barriers' rose seven percentage points from tenth position to sixth as although exports are largely unaffected, the New Zealand border restrictions are reducing new business opportunities. 20% of the Kiwi exporters surveyed have cited this as a concern compared to only 13% in 2019.

Over half of respondents (51%) said that the travel restrictions have stopped them going to trade shows for new business opportunities. A further 22% said the travel restrictions have stopped them getting products into certain markets, meanwhile 28% have said that the border restrictions have had no impact on them.

The major barriers to exporting as indicated by New Zealand businesses





COVID-19 HAS HAD LESS IMPACT THAN EXPECTED TO KIWI EXPORTERS

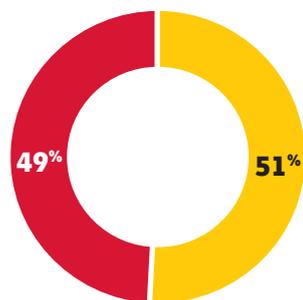
As New Zealand navigated the Covid-19 pandemic, Kiwi businesses no doubt prepared themselves for the worst as New Zealand closed its borders and lockdowns were enforced. Therefore it is not surprising that just over half (51%) of businesses surveyed said that Covid-19 has changed the way their company runs; including introducing permanent Work From Home structures and social distancing practises, but the vast majority of businesses (84%) have not changed the products that they offer.

Over three-quarters (77%) of respondents reported Covid-19 had no negative impact on their employee

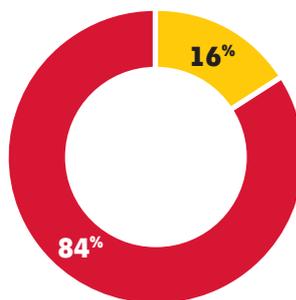
numbers, but the impact businesses felt were focussed on export logistics, with the majority of companies (86%) experiencing delayed transit times and 73% experiencing increased logistics costs.

Amid the global disruption, NZ businesses have made substantial changes in the way that they work and are thinking hard about their supply chain reliability with (33%) saying they were trying to reduce their reliance on other markets by creating more products in New Zealand, however 45% will continue to rely on the international market.

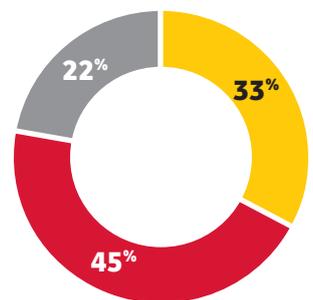
Off the back of the COVID-19, has your company changed the way it works?



Off the back of the COVID-19, has your company changed the products it offers?



Do you think your business will start to create more products here instead of relying on other markets/ countries?



● Yes ● No ● Not Sure



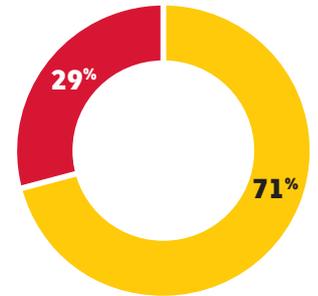
BUSINESSES CONTINUED TO TAP INTO THE ONGOING TREND OF DIGITAL SALES

Only three-quarters (71%) of businesses surveyed had a digital presence pre-Covid, however Covid-19 forced many Kiwi businesses into the digital world to keep sales going. Of the exporters who increased their sales in 2020, the most common initiative implemented was 'enhancing their online presence', with 44% doing so. Enhancing their online presence was also deemed the most successful initiative to increase sales in the last 12 months, with 15% seeing success.

Historically, the most common initiative to increase sales has been developing new products and services, and this is the first year in 5 years that enhancing online presence has overtaken this. However, Kiwi ingenuity is still a strong driver amongst the New Zealand exporting community with 39% of Kiwi exporters developing new products/services and 14% indicating this as the most successful initiative.

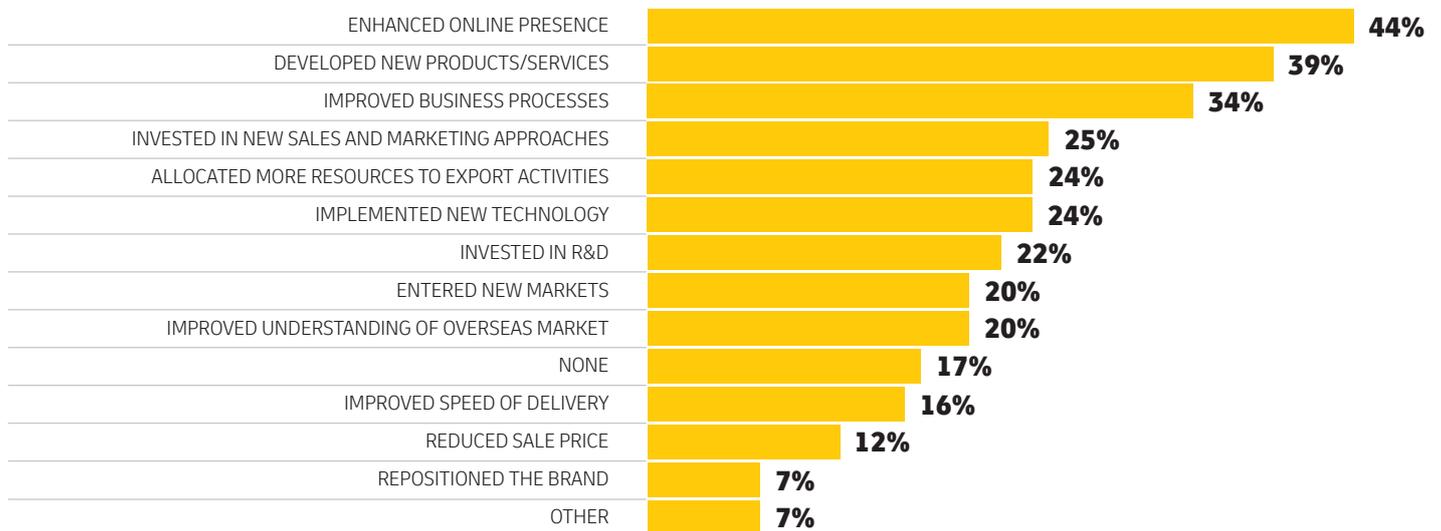
Did your business have a digital sales presence prior to COVID-19?

- Yes
- No

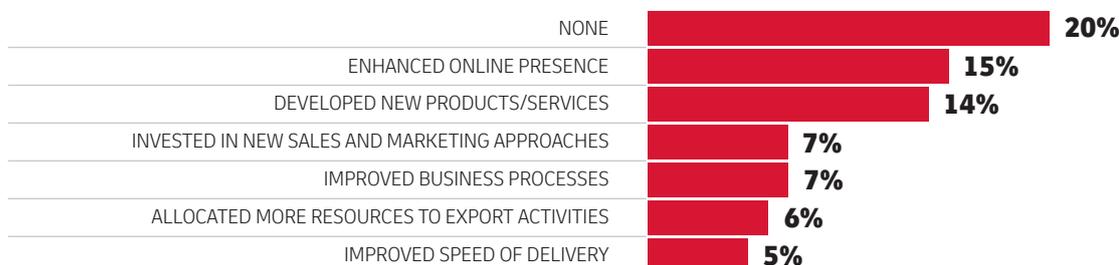


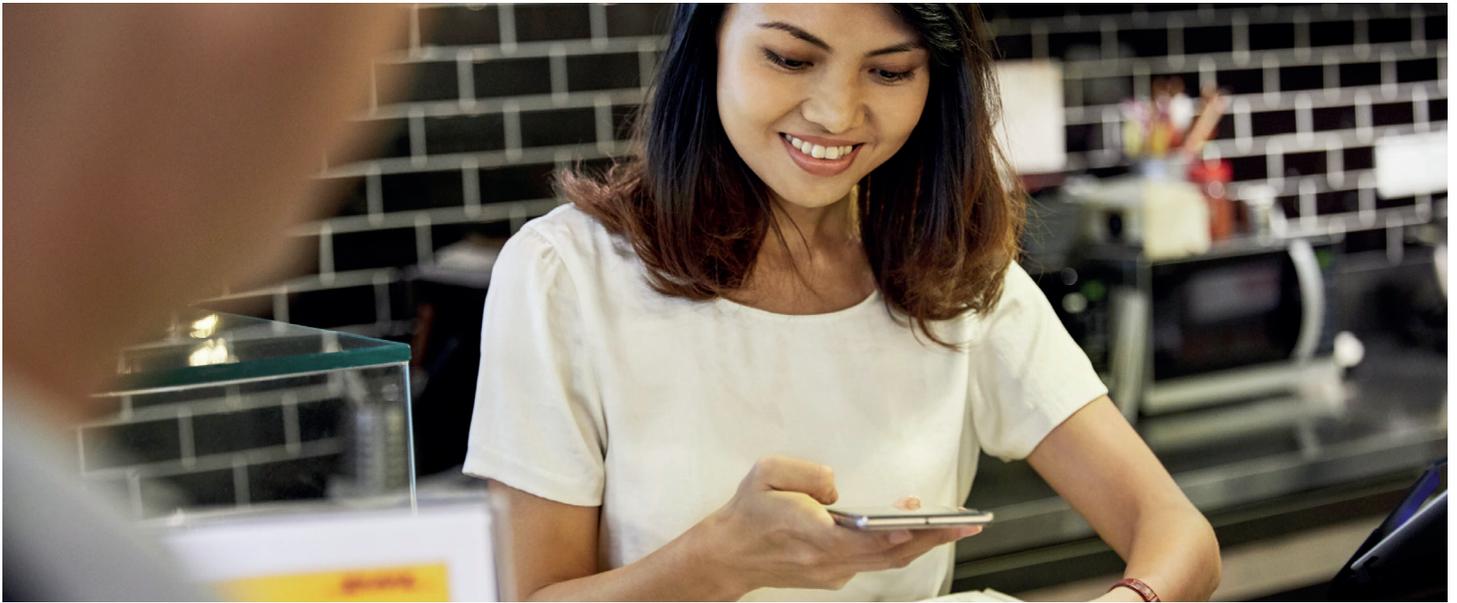
The number of exporters who improved business processes to drive export orders saw a slight increase and the implementation of this initiative moved up to third place, with 34% of those surveyed seeing this as an important aspect vs. 2019 where only 27% focused on improving business processes. In addition, the success of focusing on improving business process in 2020 stood at 7%, compared to the 5% of kiwi exporters who rated this initiative as successful in 2019.

Initiatives to increase export orders



Top 5 successful initiatives to increase export orders



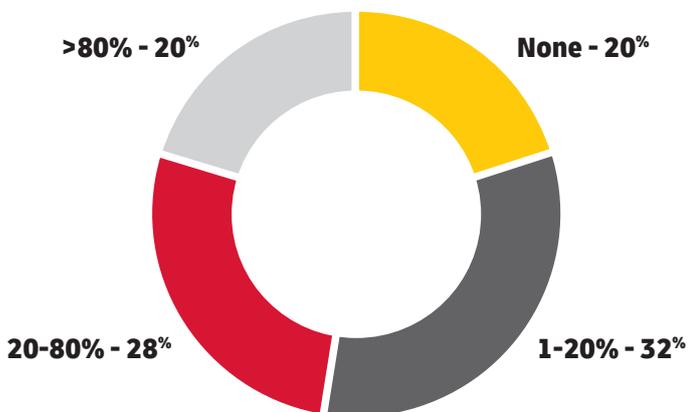


ONLINE SALES ARE SPREAD ACROSS THE MAJOR SOCIAL CHANNELS, WITH SOME BUSINESSES ARE STILL LAGGING BEHIND IN THE DIGITAL TREND

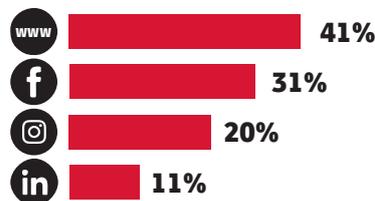
While there is an increase in the number of New Zealand exporters enhancing their online presence and taking advantage of the internet to generate orders, the 2020 ExportNZ DHL Export Barometer indicates that some businesses are still to catch onto the digital trend, with 35% of respondents saying they spend 0% of their marketing budget online.

Overall the results point out a steady increase in the number of Kiwi exporters who do spend marketing budget online, year on year, companies spending 50% or more on online marketing has increased six percentage points from 16% in 2019 vs. 23% in 2020.

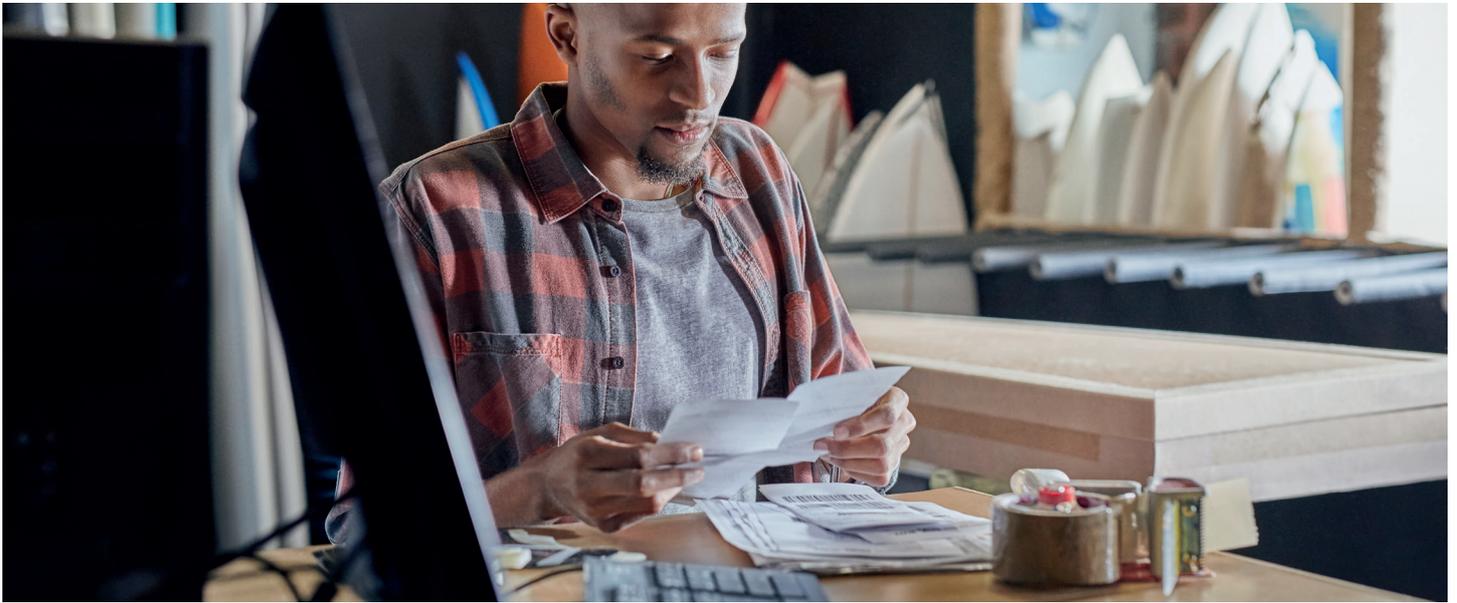
Portion of Kiwi businesses that generate export orders online



Of those that do generate orders from online platforms, over half of respondents (61%) said they had an increase in online orders this year – a small increase in number from last year (59%). Of the online channels that respondents felt that best generated sales were:



Enquiries and sales from Facebook saw the biggest increase, with only 7% of respondents in 2019 seeing it as a good sales channel, vs 31% in 2020.



KIWIS ARE CALLING TO THE GOVERNMENT TO HELP OUT THEIR EXPORTING BUSINESSES

When asked what support, over the long term, Kiwi exporters would like to see from government assistance, 30% said 'more free trade agreements' and 29% said 'more help from NZTE in overseas markets'. Both initiatives saw a 7% point increase in importance when compared to 2019 results.

A further 28% want 'more help with non-tariff barriers (market access, regulations in other countries)', while the percentage of Kiwi exporters not needing any help dropped to 23% (27% in 2019).

Government assistance Kiwi exporters want assistance with...

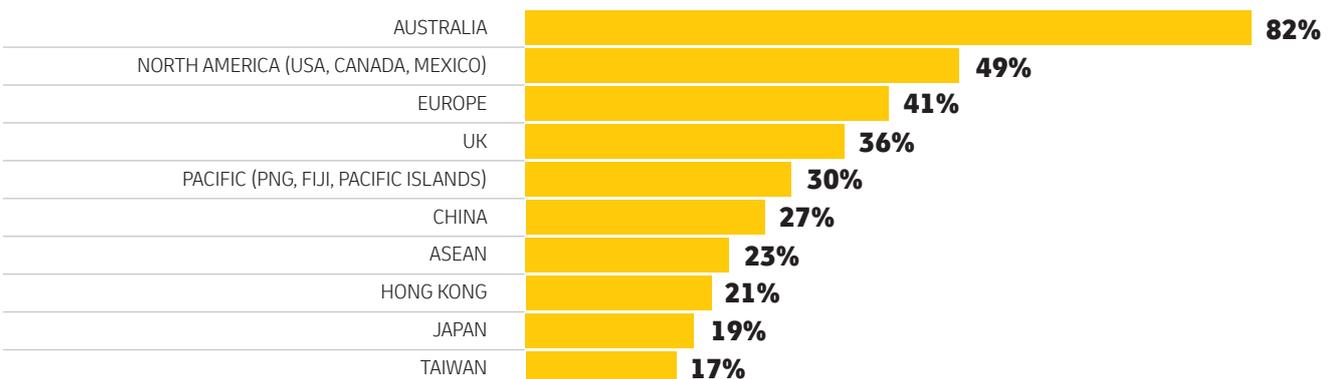


AUSTRALIA DOMINATES NZ EXPORTS

The 2020 ExportNZ DHL Export Barometer saw no changes to the positions of the top 4 exporting destinations. Australia again secured its number one position, dominating the Kiwi export market with 82% of survey respondents sending goods across the ditch, up from 78% in 2019. Holding second spot, the percentage of respondents trading

with North America (USA, Canada and Mexico) also saw an increase from 47% in 2019 to 49% in 2020. Europe and the UK are both sitting comfortably in third position and fourth positions respectively, both seeing a 3 percentage point increase compared to the 2019 results

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



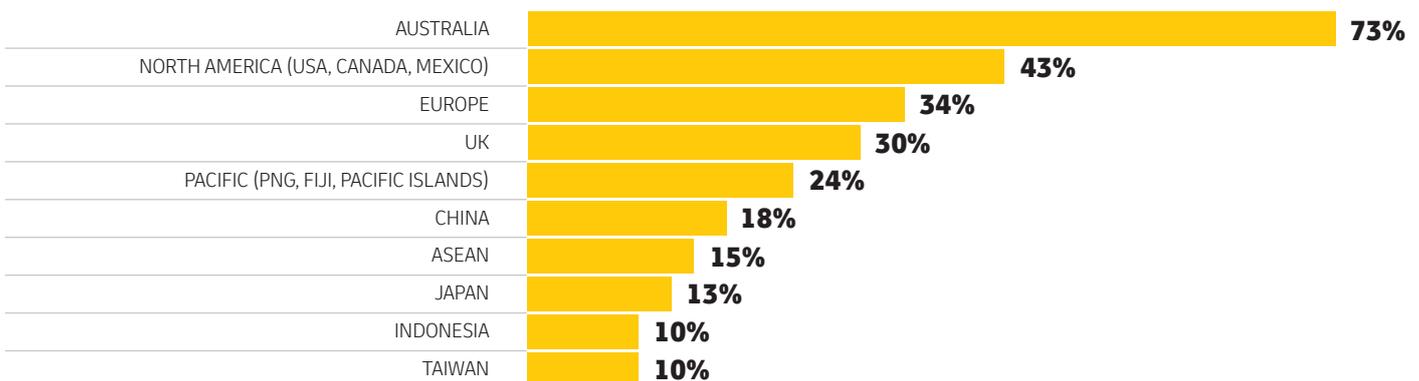


LOOKING AHEAD TO NEXT YEAR

Indicating overall constancy in the global marketplace, the 2020 ExportNZ DHL Export Barometer highlighted that within the next year Kiwi exporters expect little change within the majority of the top ten favoured destinations.

The research indicates that the only change could be that Hong Kong is likely to move down the rankings as a favoured destination.

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 278 New Zealand exporters were surveyed for the ExportNZ DHL Export Barometer 2020. 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 01 October and 16 October 2020. The profile of respondents included representatives from all areas of the country, with Auckland representing 42%, Wellington 12%, Rest of the North Island 24.5%, Canterbury 15% and Rest of South Island 6.5%. They comprise a range of business sizes with 38% having

1-4 employees, 24.5% classed as small businesses (5-19 employees), 23% medium (20-99 employees) and 14% as large organisations (100+ employees).

The key industry segments targeted are: Manufacturing (38%), Online Retail (16.5%), Agriculture, Forestry or Fishing (11%), Professional Scientific & Technical Equipment (10%) and Transport & Storage (3%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (35%), 27% have been exporting for five years or less. One-fifth (25%) have been exporting for 11-20 years and 13% have been exporting for 6-10 years.

