



2017 EXPORTNZ DHL EXPORT BAROMETER



CONFIDENCE ABOUNDS AS NEW ZEALAND EXPORTERS WIDEN THE NET

Despite what is often referred to as an uncertain global political and economic landscape, Kiwi export prospects are looking positive for the coming year. Research from current exporters shows that trade with the USA is on the up, despite the Trump-effect, and Kiwi businesses are growing their range of export destinations.

Overall, the second annual joint ExportNZ DHL Export Barometer shows that international trade continues to flourish as innovative Kiwi businesses take advantage of the bigger markets outside our shores.

While the Kiwi dollar is less of a concern for exporters trying to maintain profitability than it has been in previous years, there is still a large desire for government and industry support to remain relevant and competitive on the world stage. Exporters are busy adding new products and services to stay competitive and the top kind of assistance they value from Government is help with research and development.

Innovation is evident among Kiwi exporters, with many turning to new initiatives to tap into international markets. However the online revolution is still yet to take hold – and online marketing activities are by no means widespread.

Overall, the 2017 ExportNZ DHL Export Barometer shows the Kiwi exporting sector remains buoyant and is looking forward to a prosperous 2018 and beyond.

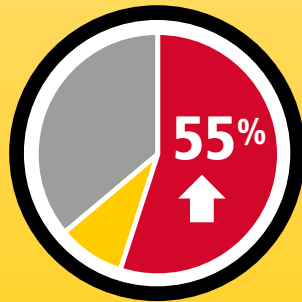
INTERNATIONAL ORDERS REMAIN STRONG FOR KIWI BUSINESSES

The international marketplace continues to be fruitful for Kiwi businesses when looking at export results over the past 12 months. The 2017 ExportNZ DHL Export Barometer indicates more than half (55%) of New Zealand exporters have seen international orders increase over the past 12 months. Another significant portion (36%) said export orders have remained the same – while just 9% said export orders have decreased.

This indicates a slight increase in international trade when compared to 2016, where 52% said that orders had increased over the past 12 months.

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

- Increase
- Decrease
- Remained the same



OPTIMISM JUMPS AMONG EXPORTERS

Optimism reigns supreme among Kiwi exporters, indicating a bumper year ahead in 2018.

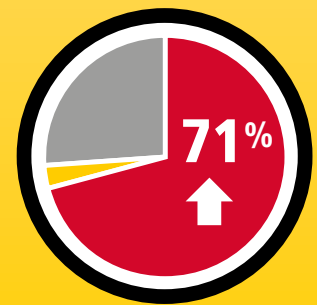
When asked about expectations for the coming year, the 2017 ExportNZ DHL Export Barometer records a jump in Kiwi companies (71%) who expect international orders to increase, compared to 63% in 2016.

Correspondingly, just over one-quarter (26%) of exporters expect export orders to maintain current levels over the coming year vs. 33% in the 2016 research, showing overall positivity in the global marketplace.

While the survey was carried out prior to the NZ election, ongoing political support for the export environment will be crucial to ensure Kiwi businesses achieve the perceived upcoming boost to orders.

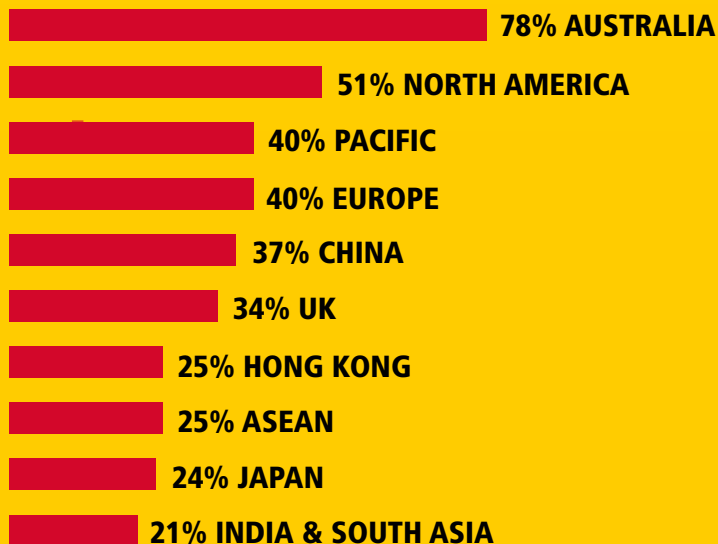
Expectations regarding export orders over the coming 12 months

- Increase
- Decrease
- Remain the same



WE CAN MAKE IT IN THE USA!

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

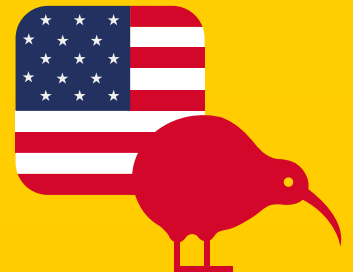


While Trans-Tasman trade continues to dominate exports with almost 80% of exporters trading with Australia, the percentage of exporters trading with the USA has significantly increased over the past year.

Despite Trump's domestic-first rhetoric, more than half of Kiwi exporters said they sent orders to the USA in 2017 vs. 45% in 2016, an increase of six percentage points.

This is a general trend seen across all regions, signalling that Kiwi businesses have increased their number of trading partners. While the top 10 destinations remain consistent on last year, the other locations with large jumps are China at number five (rising from 31% to 37%) and tenth placed India/South Asia (from 15% to 21%).

However there was no change in our top five favoured regions to trade with, with Pacific and Europe holding strong and two in five Kiwi exporters sending goods to these regions.



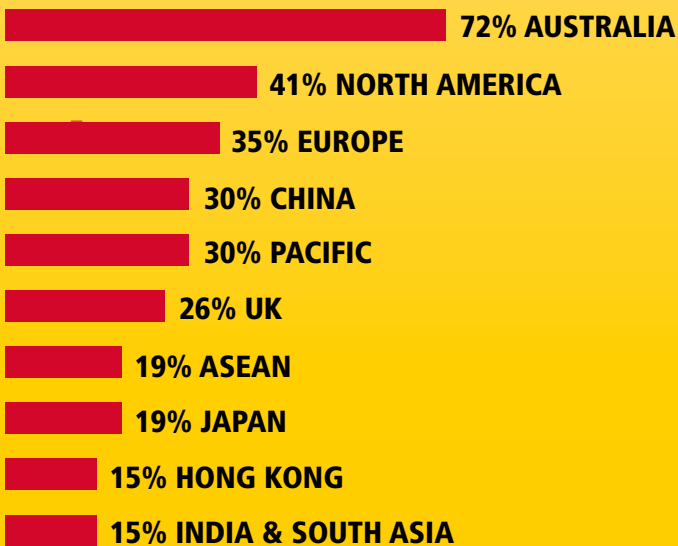
CHINA CONTINUES TO GROW IN IMPORTANCE

Showing overall stability in the global trading environment, Kiwi exporters do not expect any major changes in their biggest trading partners in the coming years. In fact, when asked what regions they expect will be their top export destinations in two years, the list reflects the current make-up.

However, within this period, exporters expect the Pacific Islands will be bumped out of the top three and relegated to fifth place behind Europe (third) and China (fourth).

Post-Brexit this shows our traditionally chief trading partner, the United Kingdom, continues to lessen in importance for Kiwi exporters, as we shift towards the ever-growing and geographically closer market of China.

2018 expectations for the Top 10 most popular destinations for New Zealand exports



DEALING WITH CURRENCY CONCERNS

In 2016 the New Zealand dollar was highlighted as the top concern for a third of exporters, however there were varying views on whether this was positive or negative in the trading landscape where many exporters also import.

When asking about dealing with this in 2017, in keeping with the Kiwi mentality to adapt and move forward, just 7% of exporters found the level of the New Zealand dollar to be less manageable than last year. Instead three-quarters, or 75%, of exporters found the impacts of the strong Kiwi dollar to be about the same as 2016.

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



With any prospect there are challenges to overcome, and exporting is no different. However, as can be expected when operating in a dynamic global environment, there have been a number of changes in what these are.

The 2017 ExportNZ DHL Export Barometer shows the number one barrier recorded in 2016, the level of the NZ dollar, has been way surpassed by the 'strength of competition in overseas markets' as the number one concern among exporters. While a significant 30% of exporters saw international competition as a major barrier in last year's survey, this jumped to 42% of exporters who cited it as a major concern in 2017. However international competition is the only barrier that increased in terms of concern, with all other areas showing a slight decline.

Pleasingly for the industry and government, the unease around 'regulatory environment in overseas markets/market access barriers' has recorded a slight decline – concerning 13% of exporters in 2017 vs 15% in 2016. Likewise, challenges around 'high tariffs due to lack of trade agreements' now worry 10% of Kiwi exporters, vs 12% in 2016.

GOVERNMENT HELP PLEASE!

A helping hand never usually goes astray, but when asked if government assistance would help businesses to export more, one-quarter (25%) said they don't want any help – and a further 9% said they already receive enough assistance.

However 26% of exporters responding to the 2017 ExportNZ DHL Export Barometer said that research & development assistance would be a key way the New Zealand Government could assist their businesses. Second was attending trade shows with other NZ companies, as indicated by 25% – very closely followed by a desire for more Free Trade Agreements (25%).

When looking at industry bodies, 17% said they'd like more help from NZ Trade & Enterprise (NZTE) in overseas markets and 10% pointed to trade missions with NZTE and ExportNZ.

Government assistance Kiwi exporters want to assist with generating orders

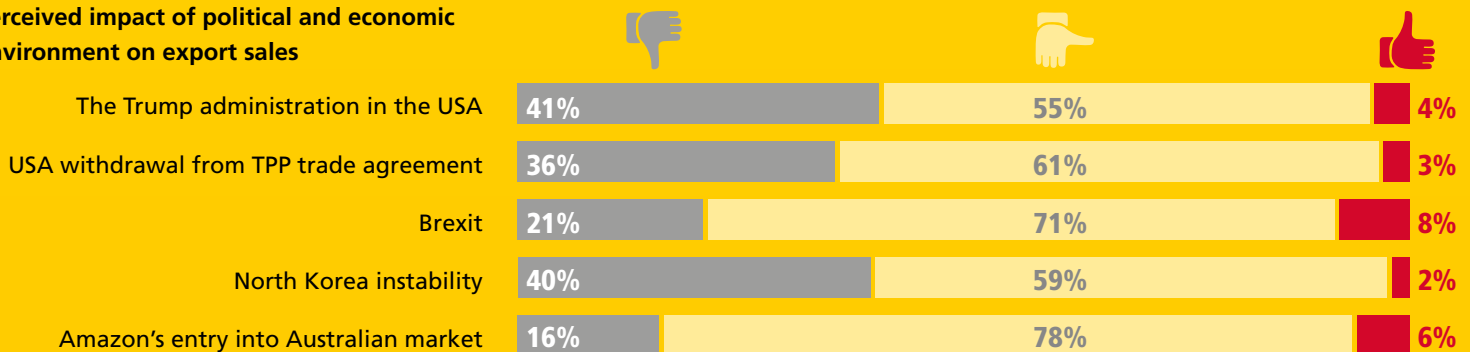


IN THE NEWS: POLITICAL AND ECONOMIC IMPACTS

The Trump-effect has been well reported in the media, and he's having an impact on Kiwi export sales. While the majority indicated the Trump administration in the USA was neutral (55%), a further significant portion (41%) thought it had a negative impact on exports. Just 4% thought Trump had been a positive for growing export sales. Linked to this is the USA withdrawal from Trans Pacific Partnership (TPP) trade agreement, of which 36% thought the pullback would be negative for export sales.

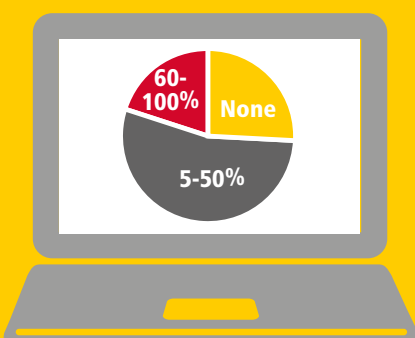
The conflict with North Korea is also troubling exporters, with 40% believing the nation's instability could have a negative impact on export sales. Interestingly Brexit wasn't such a concern, with just 21% concerned about negative impacts. Coming in last, and most likely reflective of the low participation in online commerce, Amazon's entry to the Australian market was only seen as a potential negative by 16% of Kiwi exporters.

Perceived impact of political and economic environment on export sales



SOME EXPORTERS LOOK ONLINE TO GENERATE ORDERS

Portion of Kiwi businesses that generate export orders online



While some Kiwi exporters are taking advantage of the internet revolution, the 2017 ExportNZ DHL Export Barometer shows that exporters still have a way to go – and that not much has changed over the past two years.

In 2017, one-quarter (26%) said that none of their exports orders are generated online. Another third said up to 10 percent of their orders are sourced online. However on the other end of the scale, 20% of exporters now generate more than half of their international orders online, including 6% who generate all export orders this way.

Similarly, online marketing activities still have a long way to go, despite their potential of reaching international audience from afar. The vast majority (80%) say they are only currently spending up to one-fifth of their overall marketing budget on online activities.

INNOVATION CONTINUES TO DRIVE EXPORT ORDERS

Initiatives to increase export orders



This year, again highlighting the importance of innovation, Kiwi ingenuity continues to thrive among the exporter community. More than half (52%) of exporters developed new products and services over the past year in a bid to boost export orders. This was an increase on the previous year's figure of 47% – and was also highlighted as the most important aspect by the highest portion of exporters.

In line with the increase seen in Kiwi trade destinations noted earlier in the research, 45% of exporters targeted new markets – and one-third invested in new sales and marketing approaches.

Digitalisation continues to be important with 30% of New Zealand businesses enhancing their online presence to drive increased export orders, while new technology was explored by one in five (20%).

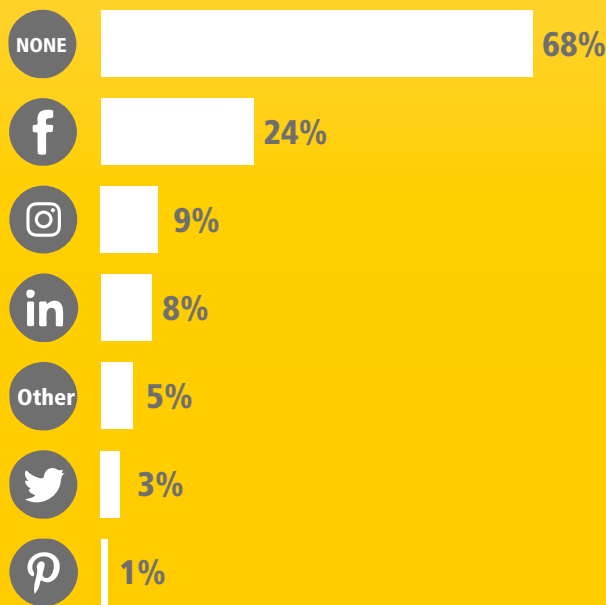
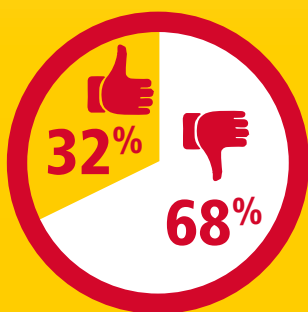
Highlighting the role logistics plays in driving international orders, one in seven exporters indicated they have actively improved the speed of delivery to provide a competitive advantage.

THUMBS DOWN TO SOCIAL MEDIA

When looking at the social media tools and their potential to generate orders, the overwhelming majority (68%) say they do not utilise social media channels to generate export orders or enquiries.

However almost one-quarter (24%) of Kiwi exporters say they have turned to Facebook to generate orders – and 9% to Instagram. Only 8% use the leading business platform, LinkedIn, while 3% use Twitter.

Social media use yet to take off for Kiwi exporters



ABOUT THE EXPORTNZ DHL EXPORT BAROMETER

A joint initiative between ExportNZ and DHL, a total of 379 New Zealand exporters were surveyed for the 2017 ExportNZ DHL Export Barometer. 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 2017 research was conducted between 5-29 September. The profile of respondents included representatives from all areas of the country, with Auckland representing 40%, Wellington 9%, Rest of the North Island 32%, Canterbury 13% and Rest of South Island 4%. They comprise a range of business sizes with 16% having 1–4 employees, 34% classed as small businesses (5–19 people), 27% medium (20–99 people) and 23% as large organisations (100+ employees).

The key industry segments represented are: Manufacturing (39%), Professional scientific & technical equipment (8%), ICT services, commercial services, consulting (5%), Agriculture, forestry or fishing (11%), and Transport & storage (8%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (42%), 21% have been exporting for 11–20 years and 18% have been exporting for 6–10 years. One-fifth (20%) are businesses that have been exporting for less than five years.