

## KIWI EXPORTS HOLD STRONG

# 2016 EXPORTNZ DHL EXPORT BAROMETER

## CONFIDENCE REIGNS AMONG NEW ZEALAND EXPORTERS

Despite an increasingly complex international landscape, Kiwi businesses have signalled overall optimism regarding export orders over the past twelve months and looking forward to the future.

Australia remains our key trading partner with a significant portion of exporters looking to North America, Europe, UK and the Pacific Islands – with emerging Asian markets being increasingly important.

While the Kiwi dollar holds strong and is the biggest challenge for exporters trying to maintain profitability and competitiveness, there were more that were neutral on the impact of the dollar than in previous survey's.

Innovation appears to be alive and well among Kiwi exporters, with new initiatives being developed to tap into international markets. However there seems to be a long way to go in the online revolution. While a number of exporters are boosting their online presence, the majority are not selling online, which is probably a reflection of our distance from market and the larger exporters taking the lower cost shipping route.

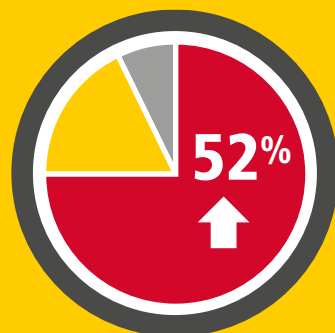
Overall, the 2016 ExportNZ DHL Export Barometer shows the Kiwi exporting sector remains buoyant and is looking forward to a prosperous 2017 and beyond.

## EXPORT ORDERS HOLD STRONG FOR KIWI BUSINESSES

Kiwi businesses are taking advantage of the international marketplace and indicated overall that 2016 has been a good year. The ExportNZ DHL Export Barometer shows that just over half (52%) of New Zealand exporters have seen international orders increase over the past 12 months. Another significant portion (35%) said export orders have remained the same. Just 12% said export orders have decreased.

This indicates a plateauing regarding export orders overall when comparing results with 2015 data. A year ago, 53% said that orders had increased over the past 12 months.

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



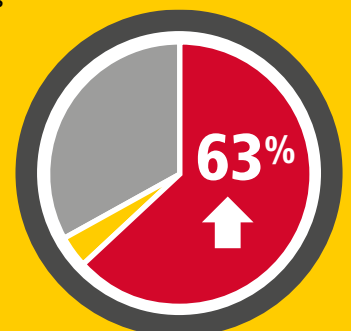
## EXPORTERS SIGNAL CONTINUED OPTIMISM GOING INTO 2017

When asked about expectations for the coming year, optimism reigns supreme. The 2016 ExportNZ DHL Export Barometer records a higher majority of Kiwi companies (63%) expect international orders to increase – with 33% saying they expect export orders to remain at the same level. Signalling overall positivity, just 4% saying they think export orders for their business will decrease into next year.

By comparison, exporters are slightly less optimistic than last year. In 2015, 65% thought orders would increase. While this is softening, the overall portion of exporters highlighting confidence in international orders remains high.

While the survey was carried out prior to the US election result, neither candidate was pro-trade and the TPP looked increasingly like it would struggle to get US support.

**Expectations regarding export orders over the coming 12 months**



## AUSTRALIA TOPS THE LIST FOR EXPORTERS – WITH AN INCREASED SPREAD OF DESTINATION COUNTRIES

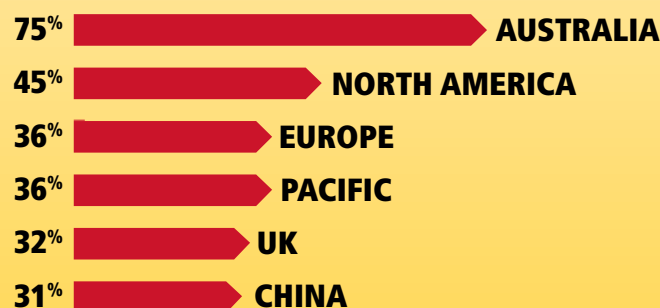
Our biggest sparring partner continues to fuel business growth with a whopping three-quarters (75%) of Kiwi exporters sending goods across the ditch. When asked to future-gaze, a lesser number (71%) think that Australia will be one of their top two trading partners in 2018.

Looking beyond the South Pacific, there are a few groups that make up the remaining most popular export destinations. Almost half of Kiwi exporters (45%) send goods to North America (USA, Canada and Mexico) – with one of our traditional trading partners, Europe, third on the list among 36% of exporters. In a similar situation to the Trans-Tasman forecasts, Kiwi exporters see both these destinations dropping in importance in the future, with 38% thinking that in two years' time North America will be a major source of orders – and 30% indicating that Europe will be.

It will be interesting to see if this changes in next year's survey after a year of a Trump Presidency.

The Pacific Islands and UK remain popular Kiwi export destinations, with 36% and 32% of respondents respectively

Top 5 most popular destinations for New Zealand exports (last 12 months)



indicating our traditional allies are key current trading partners.

Overall, exporters appear to predict a dilution of top trading partners. When asked about their perceptions of markets that will be most important to them in two years' time, all major destinations dropped slightly. The research indicates that the UK is likely to be pipped out of our top five most popular export destinations by an emerging China.

## OVERCOMING EXPORT CHALLENGES TO THRIVE

While exporting poses many benefits in tapping into much larger offshore markets, the 2016 ExportNZ DHL Export Barometer shows Kiwi businesses need to navigate a number of barriers to do so.

The biggest of which is the level of the NZ dollar, with exactly one-third of exporters highlighting the exchange rate as being a challenge. Coming in second is the strength of competition in overseas markets, a concern for 30%. Finding partners or agents in a new destination comes in third (28%) – with the ever-present set-up costs/funding being a challenge for 23%.

However, encouragingly, one-in-six (17%) exporters say there are no major barriers faced by their business regarding international trade – the fifth most popular answer.

Highlighting Kiwi businesses are by and large a tech-savvy bunch, the least cited answer relates to online concerns (6% highlighting 'localisation of online presence for new destination').

The major barriers to exporting as indicated by New Zealand businesses



## CURRENCY CONCERNS – IMPACTS OF THE STRONG KIWI DOLLAR

Perceived level of impacts from the strong New Zealand dollar



While the New Zealand dollar was highlighted as the top concern for a large number of exporters, Kiwi businesses see a range of impacts with varying views on whether they are positive or negative.

The changing cost of raw materials is seen by more exporters as being either very or somewhat positive (39%) – but 22% indicated the strong Kiwi dollar has had a negative impact on the cost of raw materials. Compared to 2015, the gap between those that have experienced positive and negative effects has widened – when results showed 37% and 31% respectively.

Increased profit was seen by 28% – however a larger percentage (40%) thought their profit had been negatively impacted by the moving dollar. Likewise, while just over one-quarter (26%) said sales revenue had been positively impacted – a larger group (35%) said sales revenue had been negatively impacted either to a large or limited degree.

Regarding job growth: the majority of exporters (71%) indicated currency movements had no impact on the number of staff employed.

## INNOVATION DRIVING INCREASES IN EXPORT ORDERS

Kiwi ingenuity appears to be thriving among the exporter community. When asked what initiatives businesses have implemented to drive increases in export orders over the past year, almost half (47%) said they had developed new products and services. Two in five (42%) exporters had entered new markets and 36% had improved business processes.

While the online revolution is charging ahead, over one-third (35%) of New Zealand businesses have enhanced their online presence to drive increased export orders. New sales and marketing approaches are popular with 32% of Kiwi exporters. Interestingly, new technology was the seventh most popular choice, indicated by 28% of businesses.

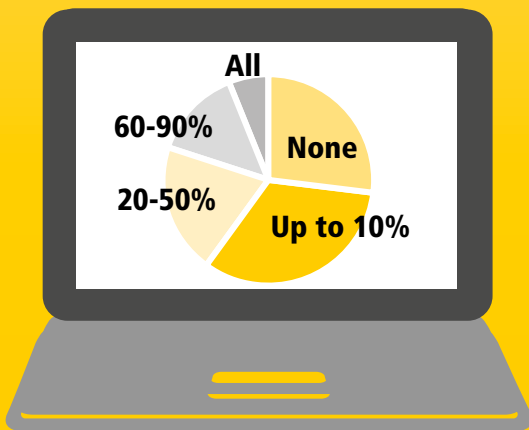
Highlighting the role logistics plays in ensuring export orders continue to increase, almost one in five (18%) indicated they have actively improved the speed of delivery to provide a competitive advantage.

### Strategies to increase export orders – initiatives undertaken in the past 12 months



## EXPORTERS LOOK ONLINE TO GENERATE ORDERS... OR SOME DO

### Portion of Kiwi businesses that generate export orders from online sources



While the internet revolution is often credited as being a large driving force behind international trade, the 2016 ExportNZ DHL Export Barometer shows that exporters still have a way to go – and that not much has changed over the past year.

More than one-quarter (27%) said that none of their exports orders are generated online – a similar result to 2015 when 28% said they receive no online orders. Another third said up to 10 percent of their orders are sourced online.

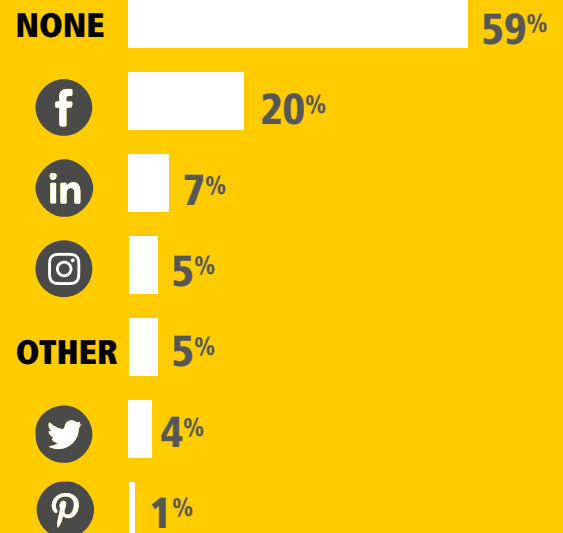
However on the other end of the scale, 20% of exporters now generate more than half of their international orders online, including 6% who generate all export orders this way.

## MAJORITY OF KIWI EXPORTERS DON'T YET 'LIKE' SOCIAL MEDIA

The 2016 ExportNZ DHL Export Barometer looked at the social media revolution. When asked if they are tapping into social networking, the majority (59%) say they are yet to utilise social media channels to generate export orders or enquiries.

However one in five (20%) of Kiwi exporters say they have turned to Facebook – and 7% to LinkedIn.

### Social media use yet to take off for Kiwi exporters



## Government assistance useful for Kiwi businesses to assist with generating export orders

TRADE SHOWS  
WITH OTHER  
NZ COMPANIES

27%

R&D  
ASSISTANCE

26%

MORE  
FREE TRADE  
AGREEMENTS

26%

HELP FROM  
NZTE  
OVERSEAS

22%

TRADE  
MISSIONS  
(EXPORTNZ & NZTE)

19%

MARKET  
RESEARCH

19%

VENTURE  
CAPITAL

11%

## A HELPING HAND: SOME 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 – and a further 11% said they already receive enough assistance.

However more than one-quarter (27%) of exporters responding to the 2016 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 research and development assistance, as indicated by 26.4% – very closely followed by a desire for more Free Trade Agreements (25.5%).

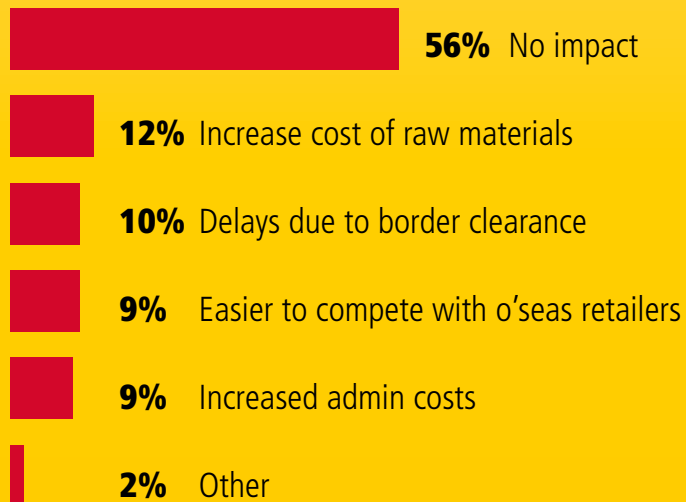
## NEUTRAL FEELINGS ON IMPORT DUTIES THRESHOLD

While there have been calls from some parties to look at changing the GST-free threshold for imported goods entering New Zealand, exporters don't appear to think it will have widespread impacts.

The majority (56%) said there would be no impact to their business if there is a change to the current regime, whereby goods valued at \$400 and under are not subject to Government duties and taxes. Conversely, just 10% said it would make it easier for them to compete with overseas retailers.

On the flipside, almost one-third (32%) cited negative impacts around an increased cost of importing raw materials, delays or other administration costs.

### Perceived impacts of lowering the GST-free threshold for goods entering New Zealand



## ABOUT THE EXPORTNZ DHL EXPORT BAROMETER 2016

A joint initiative between ExportNZ and DHL, a total of 536 New Zealand exporters were surveyed for the ExportNZ DHL Export Barometer 2016. 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 13 September and 10 October. The profile of respondents included representatives from all areas of the country, with Auckland representing 47%, Wellington 11%, Rest of the North Island 27%, Christchurch 10% and Rest of South Island 5%. They comprise a range of business sizes with 20% having 1-4 employees, 35% classed as small businesses (5-19 people), 26% medium (20-99 people) and 19% as large organisations (100+ employees).

The key industry segments targeted are: Manufacturing (36%), Professional scientific & technical equipment (11%), ICT services, commercial services, consulting (10%), Agriculture, forestry or fishing (8%), and Transport & storage (6%).

While the majority of respondents comprise businesses that have been exporting for more than 20 years (38%), one-in-five businesses have been exporting for less than five years. Another quarter (24%) has been exporting for 11-20 years and 17% have been exporting for 6-10 years.