

Prepared by: New Zealand High Commission, Ottawa

Summary

- Considering the impact that COVID-19 has had on economies around the world – including in Canada – New Zealand goods exports to Canada did not perform too badly through March/April 2020 (the peak of the COVID-19 pandemic in New Zealand and Canada).
- In April 2020, overall goods exports decreased by 5.75 percent compared to April 2019. But this impact was lessened given higher exports over previous months – in the year to April 2020 good exports to Canada were up by 7.35 percent compared to the year to April 2019.
- Unsurprisingly there has been a significant impact on tourism and transportation service exports to Canada (which together made up 34.21 percent of New Zealand’s total exports to Canada in 2019). This will have an enduring impact on New Zealand’s total exports to Canada through 2020 and beyond.

Overview of COVID-19 and the economic impact in Canada

COVID-19 has had a significant impact on the Canadian economy. Energy prices fell sharply, down 23.7 percent on a year-over-year basis in April. Petrol prices in April were down 39.3 percent, the largest year-over-year decline on record. Food prices rose 3.4 percent on a year-over-year basis in April, as strong demand coupled with supply-related issues bolstered prices for pork and beef.

About 40 percent of retailers closed their doors in March as a result of COVID-19. Manufacturing sales fell 9.2 percent in March (the lowest level since June 2016) – over three quarters of manufacturing establishments reported that their activities in March were impacted by COVID-19.

Following employment losses of over one million in March, employment fell by nearly two million in April as the impacts of physical distancing and economic shutdowns on labour market activity became more apparent.

New Zealand’s key exports to Canada

As a new free trade agreement partner through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Canada is a growing market for trade and investment. Canada was New Zealand’s 14th largest trading partner in 2019, with two-way trade sitting at just under NZ\$2 billion. New Zealand’s largest export categories to Canada in the year ending December 2019 were tourism, beef/lamb, wine, transportation services and dairy (see table 1 below).

Table 1: New Zealand exports to Canada year ending December 2019 by industry

Industry	\$NZD millions	% Share
Meat and meat products (HS 02)	192.2	16.01
Beverages (HS 22)	139.69	11.64
Dairy (HS 04)	90.55	7.54
Machinery (HS 84)	71.99	5.99

Fruit (HS 08)	34.65	2.88
Tourism	307.18	25.59
Transportation services	107.05	8.92
<i>Subtotal for leading industries</i>		<i>78.57</i>
Total exports	1,200.00	

How has COVID-19 impacted NZ exports to Canada in key sectors?

COVID-19 has affected New Zealand's goods export sectors to Canada differently, with varying impacts across industries (see table 2 below). Overall goods exports for the month of March 2020 decreased by 4.94 percent compared to March 2019.

The impact on New Zealand goods exports to Canada increased at the height of the COVID-19 lockdown in New Zealand and Canada. In April 2020, overall goods exports decreased by 5.75 percent compared to April 2019. But the overall impact was lessened given higher exports over previous months – in the year to April 2020 good exports to Canada were up by 7.35 percent compared to the year to April 2019.

Table 2: New Zealand top five goods exports to Canada March 19/20 and April 19/20

Industry	March 2019 \$NZD millions	March 2020 \$NZD millions	% Change	April 2019 \$NZD millions	April 2020 \$NZD millions	% Change	% Change March – April 2020
Meat (HS 02)	22.69	28.17	24.13	15.19	16.31	7.35	-42.08
Beverages (HS 22)	15.94	13.67	-14.20	16.87	17.85	5.80	30.56
Dairy (HS 04)	10.85	7.02	-35.23	7.11	7.27	2.29	2.15
Machinery (HS 84)	9.41	4.02	-57.27	5.51	3.64	-34.03	-9.52
Fruit (HS 08)	1.56	3.40	117.42	6.13	7.34	19.62	115.64

Beverages: Canada is New Zealand's 4th largest export market for wine. Under CPTPP, New Zealand gained tariff-free access for all wine into Canada. Through the COVID-19 crisis, the outlook for New Zealand wine in Canada has been very positive, with consumer demand up considerably. Sales growth by provincial liquor boards, where most wine is sold in Canada, has been instrumental in this. New Zealand wine sales were up 5.4 percent across Canada in March 2020 (compared to March 2019). This growth accelerated further as the pandemic and lockdown continued: beverage exports were up 30.56 percent in April 2020 from March 2020. For the year to April 2020, wine exports (HS 2204) to Canada were up 18.71 percent (in comparison to the year to April 2019).

Fruit: there continues to be steady demand in Canada for New Zealand fruit. There was a significant increase in fruit exports (HS 08) from March 2020 – April 2020 (up 115.64 percent). Apples exports to Canada in April 2020 were up 35.52 percent from April 2019. Kiwifruit exports to Canada in April 2020 were up 10.56 percent from April 2019.

Dairy: exports have remained relatively flat through the COVID-19 crisis, up 2.29 percent in April 2020 from April 2019. In comparison to the month of March 2020, exports increased marginally by 2.15 percent in April 2020.

Meat: Canada is New Zealand's 4th largest export market for beef, and the 7th largest export market for lamb. Overall meat exports to Canada increased by 24.13 percent in March 2020 compared to in March 2019. In April 2020 frozen beef exports (HS 0202) were up 109.42% compared to April 2019. Meat exports in the year to April 2020 were up 26.10 percent compared to the year to April 2019. A

decline in meat exports from March 2020 to April 2020 by -42.08 percent is consistent with exports in March/April in previous years.

Machinery: exports declined from March to April 2020 – this is not unsurprising as factories were closed in New Zealand during the lockdown. Despite this decline, Canada was New Zealand’s fourth largest export market for machinery in the month of April 2020.

Tourism: Tourist numbers have fallen to zero since New Zealand closed its borders to foreign tourists from 20 March, and Air New Zealand and Air Canada suspended direct flights from 1 April and 26 March respectively. Tourism made up 25.59 percent of New Zealand’s total exports to Canada in 2019 – as a result we expect that New Zealand’s overall exports to Canada will take a hit in 2020.

Transportation: Air freight costs have increased from approx. CAD\$6-7 per kg to CAD\$20 per kg, making the cost ratio between sea and air as much as 9 times more expensive. New Zealand companies and their customers are making tough trade-offs between price and speed to market as well as fresh vs frozen for perishables.

The New Zealand High Commission in Ottawa and New Zealand Trade and Enterprise in Vancouver would be happy to speak with any New Zealand exporters about doing business in Canada. For further information please contact: info@nzhcottawa.org or vancouveroffice@nzte.govt.nz

Disclaimer

This information released in this report aligns with the provisions of the Official Information Act 1982. The opinions and analysis expressed in this report are the author’s own and do not necessarily reflect the views or official policy position of the New Zealand Government. The Ministry of Foreign Affairs and Trade and the New Zealand Government take no responsibility for the accuracy of this report.