



AIDE MEMOIRE

COVID-19 economic response update

Date:	6 March 2020	Priority:	High
Security classification:	In Confidence	Tracking number:	2604 19-20

Information for Minister(s)

Hon Minister Twyford
Minister of Economic Development

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Iain Southall	Director, Economic Development and Transitions	9(2)(a)	9(2)(a) ✓
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The following departments/agencies have been consulted

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



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Purpose

This paper updates you on work underway to support the Government's response to the economic impacts of COVID-19. This information may be useful to support your discussions at Cabinet on Monday. We have included updates on:

- Summary of the joint Treasury/MBIE report: An intervention strategy for economic policy responses to COVID-19
- Progress on package options for supporting the Tairāwhiti region
- An update on the Regional Business Partners surge implementation
- MBIE's data work to support decision-making on the COVID-19 policy response

Iain Southall
Director, Economic Development and Transitions
Labour, Science and Enterprise, MBIE

6/3/2020

Summary of the Treasury/MBIE report: An intervention strategy for economic policy responses to COVID-19

1. The paper proposes that, given current information, implementing a range of targeted measures should be the priority. These should have the objective of supporting firms that face cash flow challenges and maintaining employees' attachment to the workforce. The paper therefore directs officials to develop further targeted firm support options for Cabinet decisions with priority on:
 - a. a targeted wage subsidy scheme for workers in the most adversely affected sectors;
 - b. increased training and re-deployment options for affected employees; and
 - c. targeted working capital support for firms that face temporary credit constraints;
2. For businesses, there is some support currently available via Inland Revenue in the form of relief from late filing and payment fees, and help to set up instalment plans to manage tax debt. Further support could be made available via grants or tax credits to targeted firms. The paper notes that Treasury and IR are continuing to consider tax policy options to support businesses to maintain operational continuity.
3. The paper also proposes further work on options for fiscal stimulus in preparation for decisions if the economic situation deteriorates further. Officials are monitoring a range of economic indicators to identify trends in economic activity that would signal a more sustained downturn, and therefore a need for an escalation of the Government response – in scale and/or how it is delivered.

Options for supporting the Tairāwhiti region

4. You have requested advice on support for the Tairāwhiti region, an area that is already significantly affected, due in large part to local economy reliance on forestry. The following provides an update on development of initiatives. While some challenges have been identified, we are continuing to work through the issues to ensure Tairāwhiti receives appropriate support.

Support for re-deployment

Transport roading projects to be brought forward

5. NZTA has advised that it has recently met with Downer senior managers and discussed the issue of capacity to absorb workers from the forestry industry. A lot of the forestry workers in Tairāwhiti are ex-roading contractors therefore some will have the necessary skills to be absorbed back into the roading industry. However, this is an employment decision for the contracting industry to make – primarily Downer as the primary Tier 1 contractor in the region. NZTA has spoken to the CEO of Downer and he advises that they are willing and able to help address this issue and are keen to meet with Ministers to discuss the matter further.

Forestry roading work to be brought forward

6. One of the ideas discussed was to provide loans to bring forward private forestry roading work. Officials initial advice on a loan scheme is that it is unlikely to see significant uptake in the short term (2-3 months) because:
 - a. Neither access to nor cost of finance are currently a constraint for forestry owners.

- b. In order to build the roads, a certain amount of harvesting needs to occur, for example to allow earthworks to dry.
 - c. The fundamental problem is a lack of demand for logs in China, which flows into stock levels, market access, and returns to the forestry owner.
7. MPI will be discussing this further with Gisborne District Council, including what the medium term options might be.

Work with local government on local projects

- 8. The Department of Internal Affairs has contacted chief executives from councils in significantly affected regions. They have a number of projects, both council and non-council, that could be considered if funding was available. If funding is made available for redeployment, the Department will contact these chief executives to confirm opportunities that can be progressed.
- 9. Projects currently identified and being scoped by Gisborne District Council. These include:
 - a. Several cycle and bridle trails
 - b. Removal of weed species and planting
 - c. Tree and vegetation control work on the Council roading network and the Eastland Network power line network.

Wilding Pine issues within the region, and other DOC work that could be expedited

- 10. Discussions are underway to identify substantive opportunities for local redeployment. It looks unlikely that there is a substantial enough issue with wilding pines in the region to offer a feasible redeployment option, locally. Officials are still exploring options on the DOC estate, which are more promising for local employment opportunities.

Options around horticulture issues

- 11. Horticulture have identified a range of employment opportunities across their sector that displaced workers could apply to. Many of these are in the Tairāwhiti area. One example that has been specifically identified is kiwifruit harvesting. Existing accommodation for harvest workers would be available, and MPI are also looking at options for creating temporary accommodation in the region.
- 12. **Annex one** contains a map developed by MPI of potential short-term re-deployment options, by region, focusing on horticultural work, wilding pines, and other DOC work.

Regional fund to support re-deployment

- 13. Officials are assessing the potential for a local regional fund, to support businesses and individuals to re-deploy. This would need:
 - a. Criteria for accessing funding, for example, fair access for those areas most affected
 - b. A funding cap, and time limit
 - c. A clear decision-making process
- 14. A regional fund would better harness local knowledge, and complement other government interventions. It could also evolve to meet changing needs.

Other forms of support

Short-term training subsidies

15. As discussed with officials on Thursday 5 March, MSD have existing training schemes (flexi-wage plus, and skills for industry) targeted to those at risk of long term unemployment, existing clients, and young people not otherwise in employment, education or training. This could be deployed to support workers who have lost their job as a result of COVID-19, and targeted to the most affected regions, such as Tairāwhiti.
16. Further development of training subsidy options will likely be picked up as part of the work the Minister of Finance is recommending to Cabinet on Monday – that is a targeted training and wage subsidy scheme (outlined in the joint report on the economic response, summarised above)

Targeted tax policy options

17. Inland Revenue has support options for firms that are struggling, including adjusting provisional tax schedules. In addition, Inland Revenue is developing advice on a suite of initiatives, as outlined in the joint report summarised above.

Discussions with bank and other lenders on what they could do (with potential support from Government)

18. The Chief Executive of MPI is meeting with financial sector leaders on Friday, March 6.
19. The NZ Banking Association has said there are potential measures for customers including:
 - a. Reducing or suspending principal payments on loans and temporarily moving to interest-only repayments
 - b. Helping with restructuring business loans
 - c. Consolidating loans to help make repayments more manageable
 - d. Providing access to short-term funding
 - e. Referring individual customers to budgeting services.
20. The Chief Executive will be raising these points, as well as emphasising the merits of taking a longer term view, given both the strong position of the NZ economy and fiscal position; and the healthy long term prospects of the primary sector.
21. We also understand that the major banks are meeting with the Reserve Bank on Monday to discuss issues related to COVID-19.

Advice on whether there is scope to assist Kainga Ora rents

22. There is a range of housing assistance available from MSD, and the rapid response team in place in the region will be able to facilitate access to that. Further work on the specific issues is underway.

Communications with Tairāwhiti region

23. Julie Collins DDG for Te Ara Rakau has been in regular contact with regional leaders this week, including the Mayor. This has ensured good dialogue about what is happening in the region, and support options Government is considering.

Regional business partners surge

24. NZTE are engaging with RBP delivery partners and other business advisory services (such as banks and accounting firms) to quickly determine the needs of affected businesses and to provide a range of professional advice to customers.
25. This is informing the development of the operational plan that NZTE will shortly be providing to MBIE.
26. NZTE intends to raise awareness of this new service by focussing promotion on the delivery partners, such as the Tairāwhiti Trust. We will look to provide regular updates on the progress of the RBP initiative.

Rapid Response Team (MSD)

27. Following Cabinet on Monday 2 March, MSD has been standing up Rapid Response Teams to support employers and displaced workers in the regions most impacted currently by COVID-19. The four most impacted regions are Northland, East Coast, Bay of Plenty and Waikato. The East Coast region was the first to feel the impacts of COVID-19, as it is heavily reliant on the forestry sector.
28. MSD has already established a team in that region who are working closely with impacted businesses and workers in Gisborne. The team includes a Service Centre Manager, Regional Contracts Advisor, Work Broker and a Case Manager. Rapid Response Teams will be stood up in other regions as the situation changes and a dedicated team is required.

MBIE's data work to support decision-making on the COVID-19 policy response

MBIE and key economic agencies are gathering data to inform the assessment of the situation and policy response

29. There is considerable uncertainty around the impact of the Covid-19 outbreak, making it challenging to identify the appropriate intervention points and policy response as the outbreak unfolds. However, regular monitoring of key real time economic indicators can reduce this uncertainty, and help identify which scenario we are moving into and potential trigger points for intervention.

We are monitoring indicators to assess the economic situation in real time

30. A cross-agency group has been established to identify the relevant real-time indicators to support the assessment of emerging risks and the likelihood of moving into a worse economic scenario. Treasury has identified three potential economic scenarios. Our current assessment is that we are in scenario 2, that is, the outbreak lasts a number of months and results in substantial disruption to trade. Scenario 3 is a severe pandemic and global recession.
31. We have developed a prototype dashboard to provide a big-picture assessment of which scenario we are in, and to track indicators over time to understand how the situation is developing. It aims to enable us to respond promptly should the situation deteriorate. The current dashboard (**Annex two**) is indicative of the types of the economic indicators we will be monitoring. There is also work under way to provide similar dashboards for health and welfare indicators to complement the economic indicators.

32. The prototype economic dashboard largely focuses on four key transmission channels: confidence; trade; economic activity; and financial markets. Judgements on which economic scenario we are currently in will be able to be made on the basis of these indicators and how they are collectively tracking. The dashboard will be updated twice weekly, and the results will be provided to Ministers as part of the Situation Report (Tuesday and Friday each week).

We are compiling an evidence base to assist the assessment of economic impacts

33. To support Ministerial decision-making we have produced sectoral factsheets to support the prioritisation of policy measures; and a distributional analysis to provide a deeper assessment of the impact in the manufacturing and agricultural sectors.

Sectoral factsheets (ie. what policies we should be moving on)

34. We have identified specific regions and industries that will be worse hit by the demand side impacts of Covid-19, and to support the assessment of where policy support could be best targeted. We have assessments of nine key sectors (forestry, tourism, international education, horticulture, meat, trade, fish, dairy, small business). See **Annex three**.

These factsheets focus on the demand-side shock, that is, the impact on New Zealand businesses from external restrictions. These can be updated as required.

Distributional factsheets (ie. who is most affected)

35. We have also produced factsheets focusing on the manufacturing and agricultural sectors, by number of businesses and employees (**Annex four**). These factsheets provide a more detailed picture of how the economic costs are distributed on the ground and will help inform policy from a distributional perspective.

We are continuing to update our analysis and are working to provide an assessment of possible supply side impacts

36. We are continuing to develop the dashboard and factsheets to ensure the evidence base on the demand side issues is as strong as possible. We will be working to ensure that all of government is informed of the latest evidence-based assessment of the severity of the situation and that the response is consistent and appropriate to the level of risk.
37. Additional work is under way to provide an equivalent assessment of the impact from a potential supply-side shock. In the event of a large outbreak in New Zealand, a significant number of workers may be unable to work, and we may face substantial and widespread economic disruption. Work is underway to support the assessment of emerging supply side constraints, for example workforce vulnerabilities in critical areas such as the provision of health services, transport of essential goods such as food, and energy generation and supply.

Annexes

Annex One: Regional redeployment options

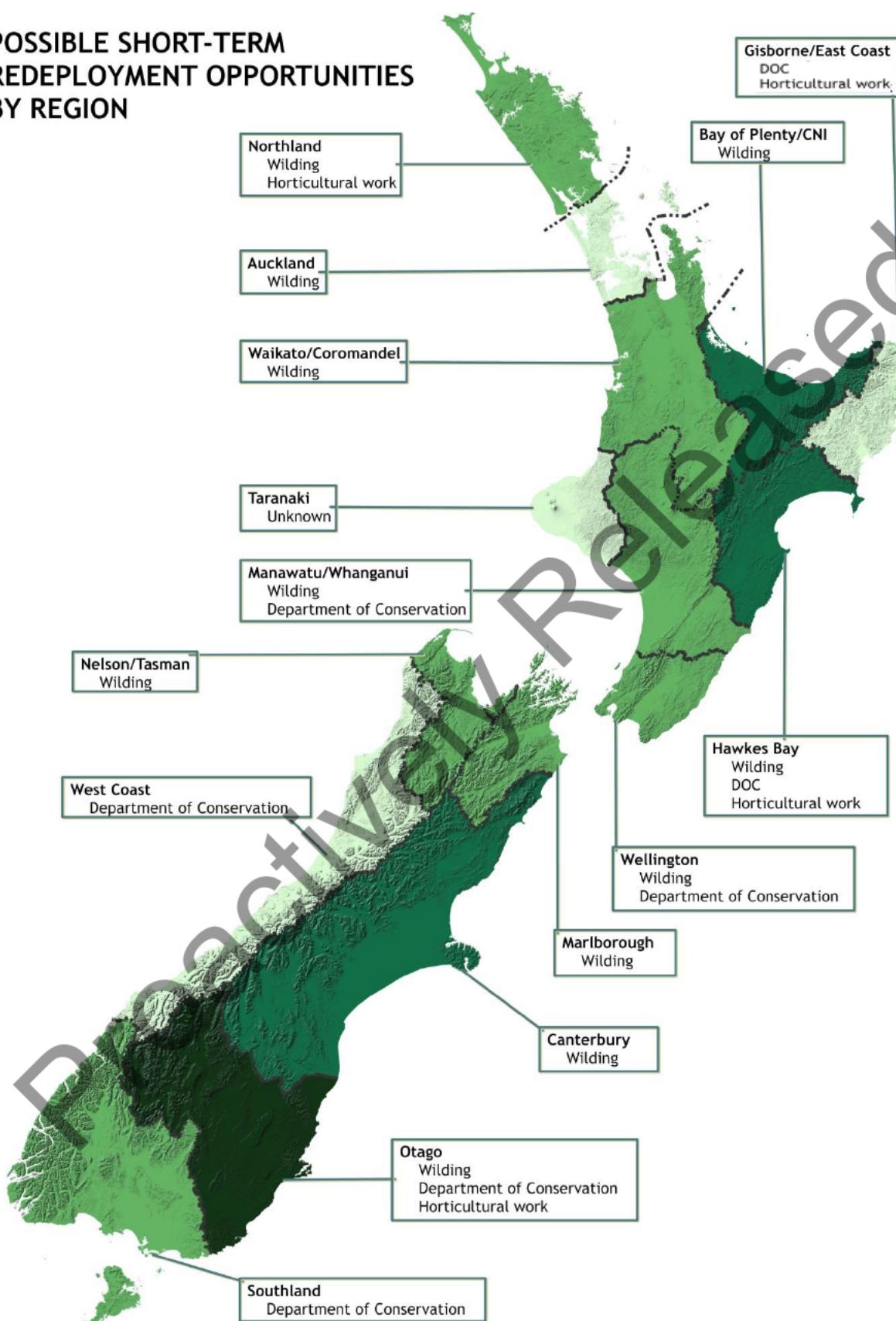
Annex Two: Economic indicators dashboard

Annex Three: Sectoral factsheets

Annex Four: Distributional factsheets

Annex One: Regional re-deployment options

POSSIBLE SHORT-TERM REDEPLOYMENT OPPORTUNITIES BY REGION

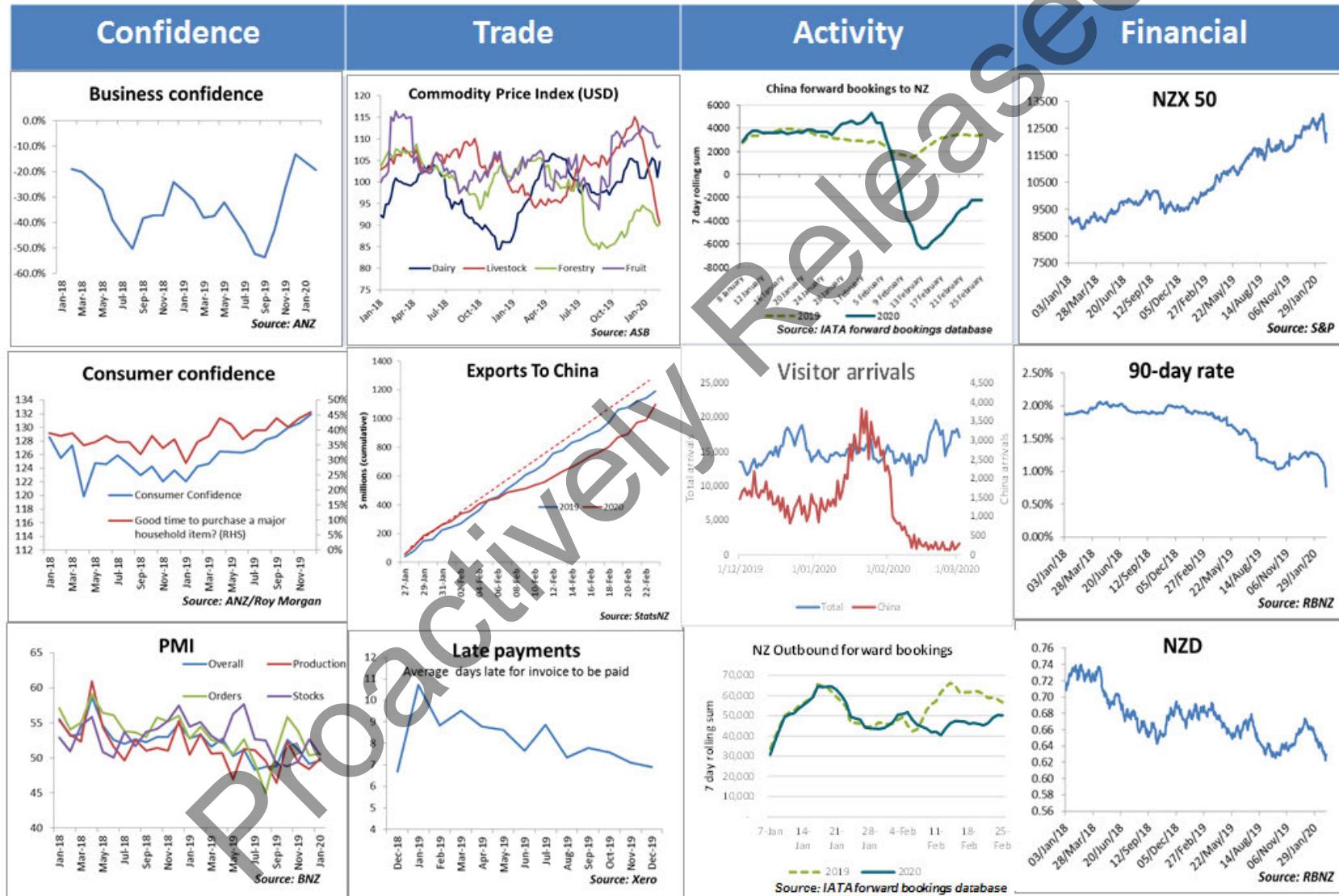


Annex Two: Economic indicators dashboard

Proactively Released

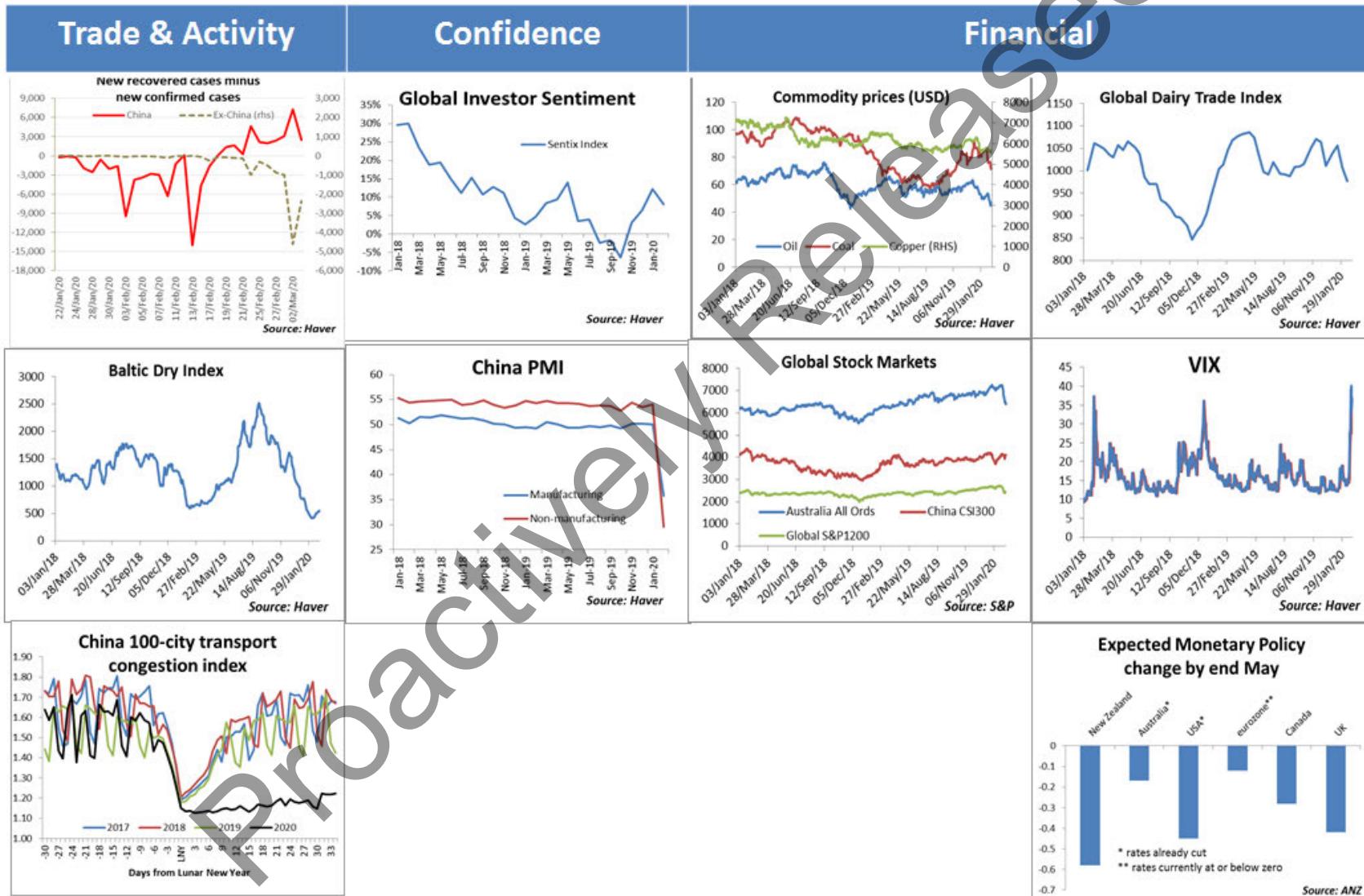
Example only – not Government policy

Coronavirus Indicators – New Zealand



Example only – not Government policy

Coronavirus Indicators - International



Annex Three: Sectoral factsheets

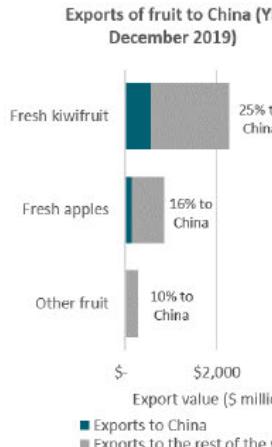
Proactively Released

Exports

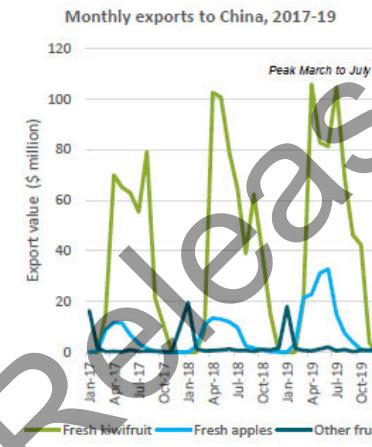
Kiwifruit and apples are our major fresh produce exports to China and are highly seasonal, peaking in March to August.

- New Zealand's fresh produce exports to China are dominated by kiwifruit and apples.
- Kiwifruit and apple exports to all countries were worth \$3.1 billion in 2019. This is 5% of our total exports.
- In 2019, China bought 22% of our kiwifruit and apple exports (\$0.7 billion in value; 1.2% of our total exports).
- China is our largest market for kiwifruit and apples, closely followed by Japan. Exports to both markets have increased rapidly since 2013.
- These exports are highly seasonal, peaking in March to July, and diminishing to zero in December, January and February (counter-seasonal to domestic production in China). Fruit exports may be highly affected if Chinese port closures continue into March.

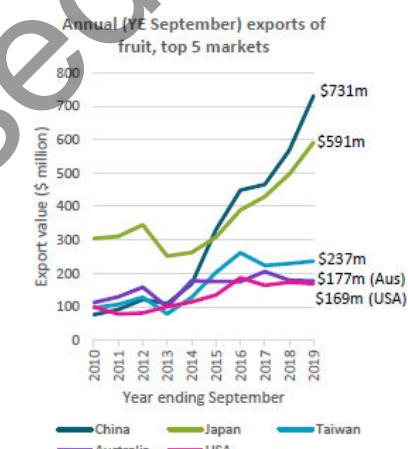
Exports of fruit to China (YE December 2019)



Monthly exports to China, 2017-19



Source: Overseas merchandise trade data, Stats NZ (updated monthly)



Industries and regions

Kiwifruit and apple growing has around 2000 enterprises employing around 12,000 people

- Kiwifruit, apple and pear growing was made up of 2148 enterprises and employed around 12,000 people in 2019.
- The industry has been consolidating in recent years, with a shift to fewer, larger fruit farming operations with more employees.¹
- Hawkes Bay, Otago, the Bay of Plenty and Gisborne may be the most exposed to a drop in kiwifruit and apple exports
- Kiwifruit growing takes place predominantly in the Bay of Plenty, and apple and pear growing is mostly in the Hawke's Bay and Tasman-Nelson regions.
- The regions that may be the most exposed to a loss of exports to China are those with a higher proportion of employment in these industries, including: Hawkes Bay (5.5% of employment), Tasman-Nelson (5% of employment), Bay of Plenty (1.5% of employment) and Gisborne (1.4% of employment).

References

- Coriolis (2017) The Investor's guide to the New Zealand produce industry 2017.
- Stats NZ (2009) Seasonal Employment Patterns in the Horticultural Industry
- MIE analysis of Stats NZ Integrated Data Infrastructure (2019)

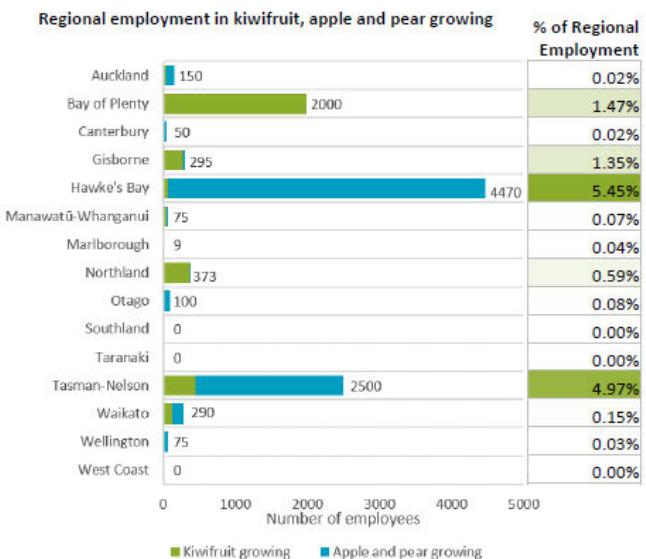
Industry sector	Enterprises	Employees
Kiwifruit Growing	1758	3450
Apple and pear growing	390	8700
Total	2148	12150*

* Doesn't include packhouses and coolstores, which may add around 10% to the total number of employees.

These industries employ seasonal and migrant labour

- There is seasonal employment in these industries. For apple and pear growing, it peaks in March-May. For kiwifruit, there is less variation, but peaks are seen in December and in May to June.²
- The number of people in New Zealand on a Recognised Seasonal Employer work visa in the Horticulture and Viticulture industries peaks in April and May each year, at around 8,000 workers.³

Source: Business demography statistics, Stats NZ, annual snapshot at February 2019 (updated annually in October)



INTERNATIONAL EDUCATION

A snapshot of the international education sector based on visa and enrolment data held by MBIE and MoE.

China contributed \$1.8 billion in education-related earnings in 2018

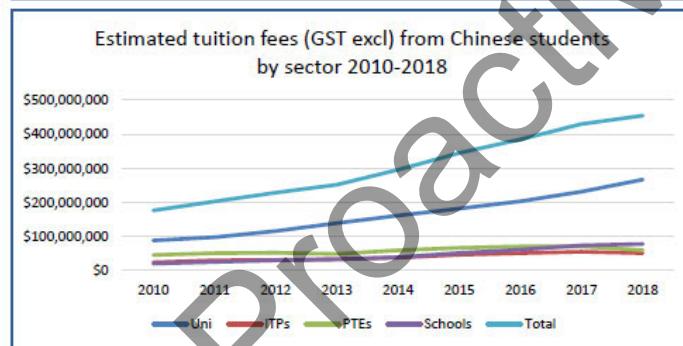
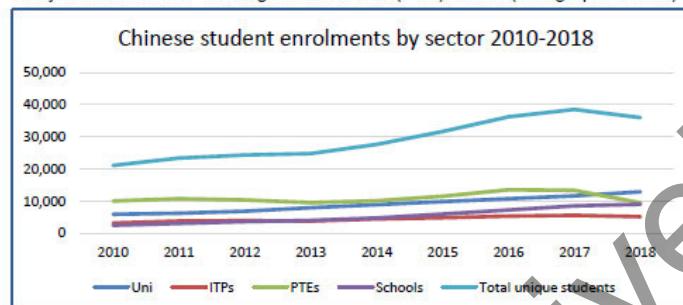
- International education is currently New Zealand's fifth largest export. Its economic contribution to the New Zealand economy in 2018 was \$4.9 billion, with \$1.8 billion from China (economic contribution includes international student spending and flow-on impacts). The sector also supports over 45,000 jobs, with China alone accounting for 17,854 jobs. See *Economic Valuation of International Education in NZ* (<https://enz.govt.nz/>).

Chinese students paid \$455 million in tuition fees 2018

- Tuition fees collected from Chinese fee-paying international students (included in the \$1.8 billion figure above) totalled \$455 million (39% of total international student fees paid in 2018). (*Export Education Levy Full-year Statistics 2018* (<https://www.educationcounts.govt.nz>))

Value of Chinese fee income rising

- The value of the Chinese fee income is rising despite a slight drop in enrolments as students move to higher value courses, particularly in the universities, and away from the Private Training Establishment (PTE) sector. (See graphs below.)



Source: *Export Education Levy Full-Year Statistics 2018*, Education Counts, Ministry of Education.

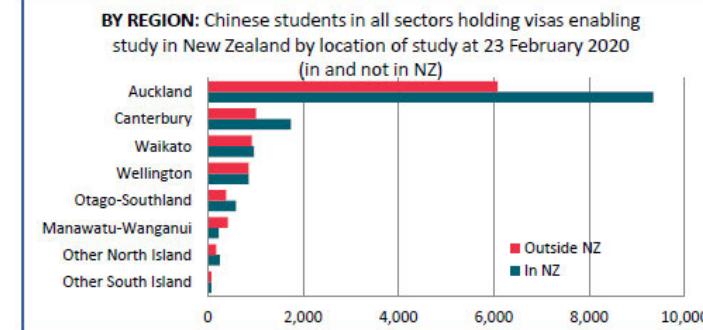
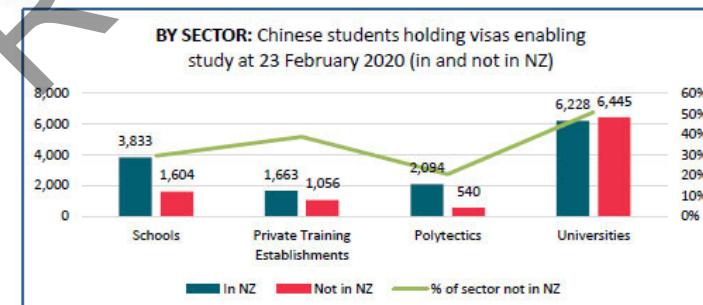


China holds a third of all current visas enabling study in New Zealand

- As at 16 February 2020, there are 75,999 current holders of visas enabling study in New Zealand – fee-paying international students make up nearly three quarters of this total.
- Student visa approvals for fee-paying Chinese nationals peaked at 33,297 in 2018, but declined to 29,337 in 2020. (*Student Decisions, Migration Data Explorer*, MBIE).

10,000 Chinese international students are still offshore

- There are currently 24,410 Chinese nationals who hold a visa enabling study in New Zealand, with 10,008 still offshore as at 16 February 2020.
- Of these 10,008, nearly two-thirds (or 6,492) have visas to study at a university, and a further 1,619 and 1,059 in schools and polytechnics, respectively.
- Some of those outside New Zealand may have no intention of returning. 6,066 of those outside New Zealand have visas to study expiring in February or March 2020. Some of these may have intended to return and applied for a new visa or a visa extension.
- Auckland, Canterbury and Waikato will be the hardest hit regions in numbers of students offshore. Wellington, Waikato and Manawatu-Wanganui are hardest hit in proportion of students remaining offshore.



Source: Immigration New Zealand, Ministry of Business Innovation and Employment.

Meat, live animals, wool and skins

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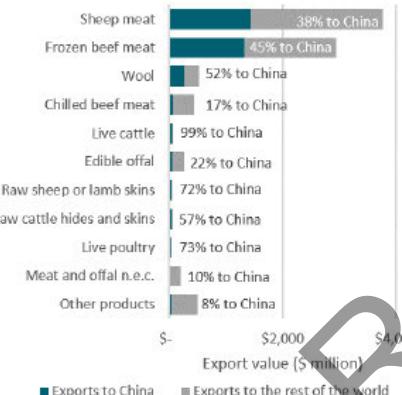
Exports

Exports to China of meat, live animals, wool and skin are significant, with a rapid recent growth in meat exports

- New Zealand's meat, live animal, wool and skin exports to all countries were worth \$8.9 billion in 2019. This is 15% of our total exports. Most of these exports were sheep and beef meat.
- China is our largest market for these exports, followed by the USA.
- In 2019, China bought 38% of these exports (\$3.4 billion in value, 6% of total exports). Of those exports to China, 42% were sheep meat, 39% frozen beef meat, and 8% uncarded wool.
- Meat exports to China have grown rapidly since 2017, largely driven by the African swine fever outbreak in China, which reduced pork supplies, increasing demand for both beef and sheep meat.¹

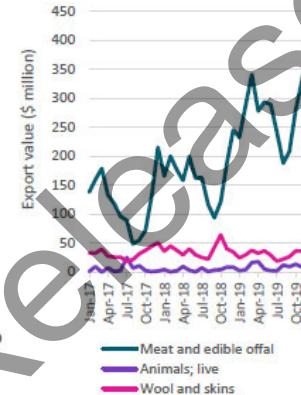
¹ Stats NZ (2019) <https://www.stats.govt.nz/news/export-prices-riding-high-on-meat-and-dairy>

Exports of meat, live animals, wool and skins to China (YE September 2019)

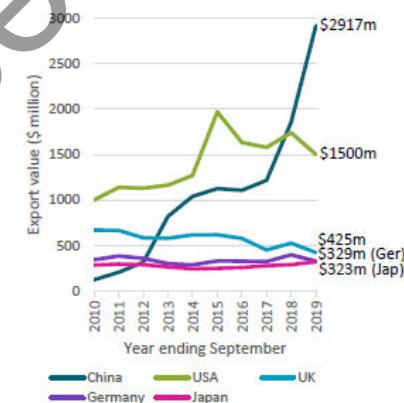


Source: Overseas merchandise trade data, Stats NZ (updated monthly)

Monthly exports to China, 2017-19



Annual exports of meat and edible offal, top 5 markets



Industries and regions

The meat, wool, and skin industries have around 24,000 enterprises and 58,000 employees

- There were around 24,000 enterprises in industries associated with meat, wool and skin exports in 2019, employing 58,000 people across production, processing and wholesaling.
- Sheep, beef and poultry farming enterprises are mostly small and there is a high proportion of self-employed farm workers. By contrast, meat processing is dominated by a few large enterprises. The top three meat processors account for over 50% of employment in the sector.²

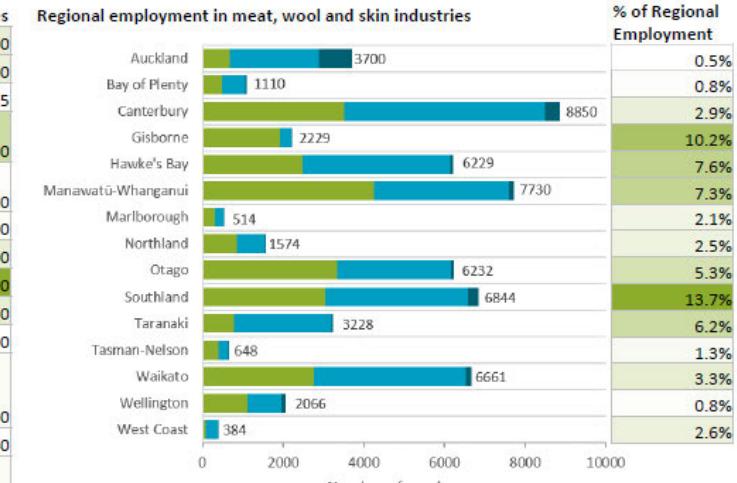
Southland, Gisborne, Hawkes Bay, Manawatū-Whanganui, Taranaki, and Otago may be the most exposed to a drop in these exports

- Meat, wool and skin industries are predominantly in Canterbury, Hawkes Bay, Manawatū-Whanganui, Otago, Southland and the Waikato.
- The regions that may be the most exposed to a loss of exports to China are those with a higher proportion of employment in these industries, including Southland (14% of employment), Gisborne (10%), Hawkes Bay (8%), Manawatū-Whanganui (7%), Taranaki (6%), and Otago (5%).

² Coriolis (2017) The Investor's guide to the New Zealand produce industry 2017.

Industry sector	Enterprises	Employees
Sheep Farming	4701	4800
Beef Cattle Farming	11145	4200
Beef Cattle Feedlots	0	35
Sheep-Beef Cattle Farming	6585	10500
Grain-Sheep and Grain-Beef Cattle Farming	495	720
Poultry Farming (Meat)	264	1100
Shearing Services	354	4900
Meat Processing	219	24100
Poultry Processing	18	4950
Wool Scouring	18	200
Leather Tanning, Fur Dressing and Leather Product Manufacturing	84	1150
Wool Wholesaling	72	340
Meat, Poultry and Smallgoods Wholesaling	174	980
Total	24129	57975

Source: Business demography statistics, Stats NZ, annual snapshot at February 2019 (updated annually in October)



■ Sheep, beef and poultry farming (incl. shearing services)
■ Meat, poultry, wool and leather processing
■ Meat, poultry and wool wholesaling



MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
MINISTERI WHAKATUTU

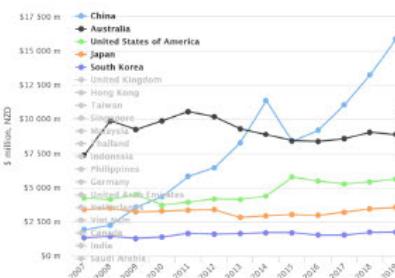
TRADE WITH CHINA (1:2)

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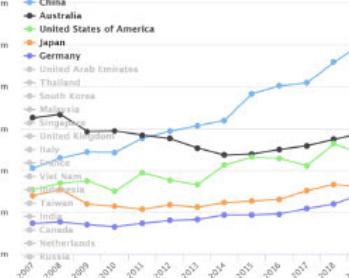
China is New Zealand's largest trading partner, ...

- China is our fastest growing and largest export market – it took 28.2% (\$16.7b) of our total goods exports (\$59.9b) in the year to Dec 2019, followed by Australia which took 14.7%.
- China is also our largest import goods market – 20.2% (\$13b) of our total goods imports (\$64.2b) were from China in the year to Dec 2019, followed by Australia.
- Goods exports to China have grown 16.2% a year over the last ten years (CAGR) and imports 7.7% per year. Two-way goods and services trade with China totalled \$32.7b in the year to Sep 2019. We had a \$6b surplus on our balance of trade with China.

New Zealand export goods markets



New Zealand import goods markets



...our largest market for our key export goods, ...

- China is our largest and fastest growing market for our most important export products. In the YE Dec 2019 it took 33% (\$6.9b) of our dairy products, 80% (\$2.8b) of our logs, and 38% (\$3.4b) of our meat.

New Zealand goods exports to China, YE SEP 2019

Category	China share of export category	China export cat. share of total exports to World	
		To China	To World
Milk powder, butter, and cheese	31.4%	\$4,711	\$15,003
Logs, wood, and wood articles	58.8%	\$8,067	\$5,220
Meat and edible offal	38.0%	\$2,917	\$7,685
Preparations of cereals, flour, and starch	34.7%	\$784	\$2,292
Confidential data	59.8%	\$769	\$1,286
Fruit	21.0%	\$731	\$3,480
Fish, crustaceans, and molluscs	37.6%	\$689	\$1,831
Wood pulp and waste paper	37.3%	\$299	\$802
Wool	51.9%	\$277	\$534
Miscellaneous edible preparations	14.3%	\$204	\$1,425
Other animal originated products	36.1%	\$196	\$542
Casein and caseinates	20.1%	\$174	\$863
Other goods	5.0%	\$117	\$2,340
Raw hides, skins, and leather	37.5%	\$108	\$289
Live animals	33.5%	\$98	\$292

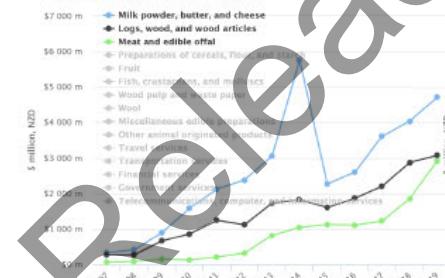
Source: StatsNZ Overseas Merchandise (goods) Trade (monthly), StatsNZ Goods and Services trade by country (quarterly) via MBIE Trade Intelligence Dashboard, StatsNZ Trade Dashboard, and StatsNZ website.



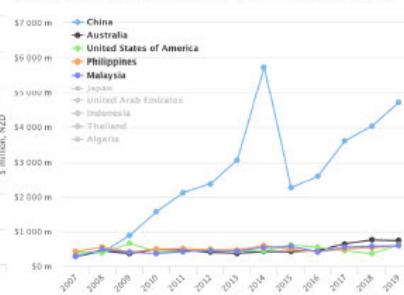
...and our third largest market for export services.

- Service exports to China were \$3.5b in the year to Sep 2019 (13.4% of New Zealand's total service exports). China is New Zealand's 3rd largest market for export services after Australia (\$5.3b) and the USA (\$3.7b).
- \$3.1b (90%) of service exports to China were for travel services. This includes personal travel of \$1.7b, education travel of \$1.3b, and business travel of \$0.1b. [See the Tourism and International Education factsheets for more detail on these sectors.]

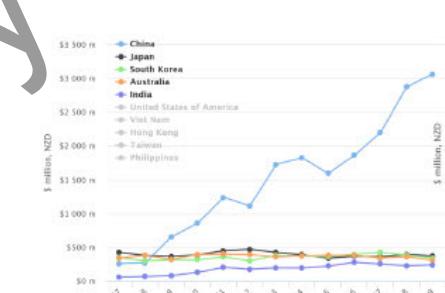
Goods exports to China



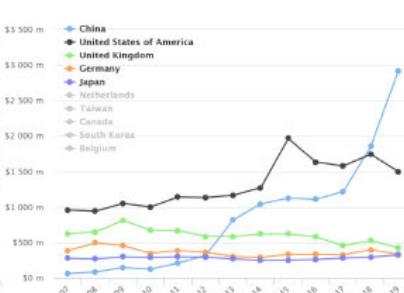
Milk powder, butter, and cheese by market



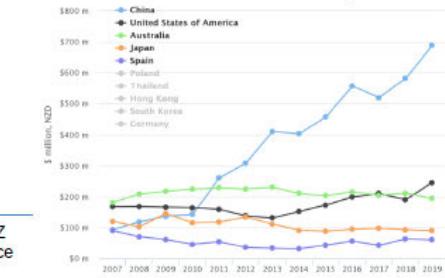
Logs, wood, and wood articles by market



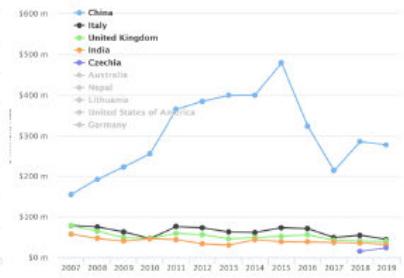
Meat and edible offal by market



Fish, crustaceans and molluscs by market



Wool by market



China is our largest supplier of imported goods for consumers...

- China is our largest supplier of many key consumer goods, including furniture, furnishings, and light fittings (64.8% from China), toys and games (64.3%), textiles (57.3%), and footwear (51.3%).

...and a large supplier of imports into New Zealand production.

- China is a key supplier of imports that are used in New Zealand fixed capital formation (such as machines) or as intermediary inputs into New Zealand production. These imported goods include electrical machinery and equipment (46% from China), fertilisers (29%), and mechanical machinery and equipment (25.1%).

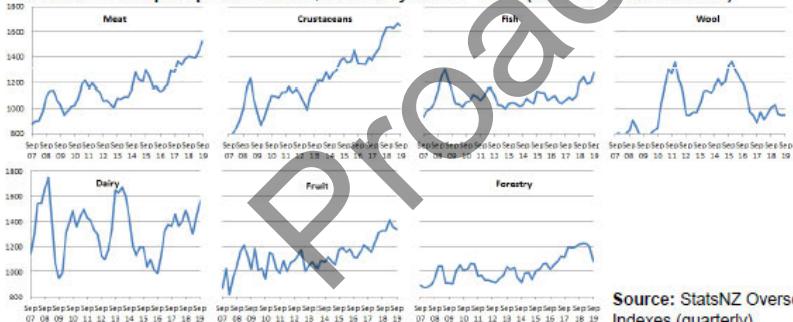
New Zealand goods imports from China, YE SEP 2019

Category	China share of import category	China import cat.		share of total imports from World
		From China	From World	
Furniture, furnishings, and light fittings	64.8%	\$811	\$1,253	1.3%
Toys, games, and sports requisites	64.3%	\$416	\$648	0.7%
Textiles and textile articles	57.3%	\$1,580	\$2,756	2.6%
Footwear	51.3%	\$227	\$443	0.4%
Electrical machinery and equipment	46.0%	\$2,386	\$5,184	3.9%
Aluminium and aluminium articles	41.3%	\$163	\$394	0.3%
Miscellaneous metal products	39.8%	\$119	\$299	0.2%
Glass and glassware	38.8%	\$144	\$371	0.2%
Organic chemicals	35.8%	\$177	\$497	0.3%
Iron and steel, and articles	33.5%	\$588	\$1,753	1.0%
Fertilizers	29.0%	\$201	\$693	0.3%
Plastic and plastic articles	27.3%	\$616	\$2,259	1.0%
Rubber and rubber articles	26.9%	\$184	\$682	0.3%
Mechanical machinery and equipment	25.1%	\$2,208	\$8,807	3.6%
Logs, wood, and wood articles	23.3%	\$94	\$405	0.2%
Other goods	23.0%	\$994	\$4,327	1.6%
Paper and paperboard, and articles	21.4%	\$230	\$1,077	0.4%

Export prices for our key primary products were high in 2019.

- Prices for meat, crustaceans, and fruit have climbed to high levels over the decade to Sep 2019. Fish, dairy and forestry prices are also historically high, though forestry prices fell sharply in 2019 (before Covid-19).

New Zealand export price indexes, Quarterly to SEP 2019 (base = 1000 JUN 2002)



Source: StatsNZ National Accounts Input-Output tables for Year-ended March 2013 (latest StatsNZ I-O data) via StatsNZ experimental Top suppliers and users of products online tool.

Dairy products

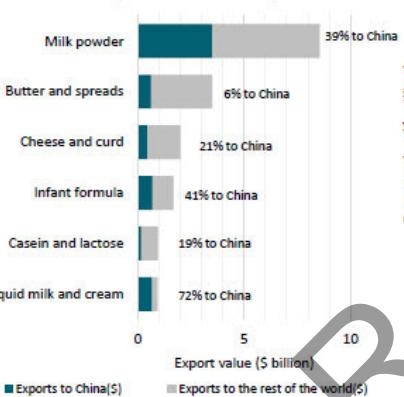
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Exports

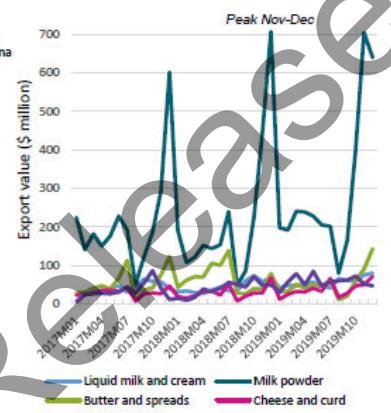
Dairy is New Zealand's largest export and China is our biggest dairy consumer

- New Zealand's dairy exports to all countries were worth \$18.4 billion in 2019. This is 31% of our total exports.
- China is by far our largest market, distantly followed by Australia and then the USA. China bought 33% of our dairy exports in 2019 (\$6.1 billion in value, 10% of total goods exports).
- Milk powder made up 57% (\$3.5 billion) of dairy exports to China in 2019. Other important products included milk and cream, infant formula, butter and spreads, cheese, and casein/lactose.
- Milk powder exports peak sharply in Nov-Dec, following the spring peak in milk production. This seasonality may cushion the industry against an early-2020 drop in Chinese imports.
- There has been very strong growth in dairy exports to China. After a slump in 2014-15, growth resumed and exports to China are now three times what they were in 2010. Other dairy export markets have shown little growth, in comparison.

Export of dairy products to China
(YE December 2019)

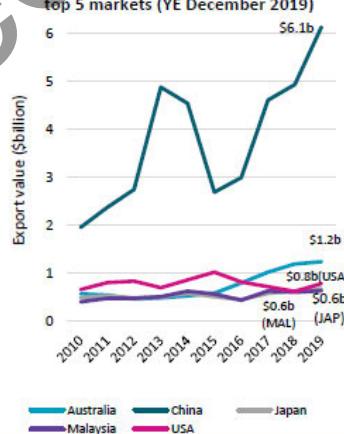


Monthly exports to China, 2017-2019



Source: Overseas merchandise trade data, Stats NZ (updated monthly)

Annual exports of dairy products, top 5 markets (YE December 2019)



Industries and regions

The dairy industry has around 15,000 enterprises and employs around 43,000 people

- There were around 15,000 enterprises in industries associated with dairy production in 2019, employing 43,000 people across production, manufacturing, and wholesaling.
- Dairy cattle farming accounts for almost all (about 98%) of the enterprises but only 60% of the employees. By contrast, there were around 170 enterprises in dairy product manufacturing in 2019, employing around 17,000 people.
- Fonterra has around 80% market share by milk volume, covering around 77% of the farm-gate market in all major dairying regions.¹

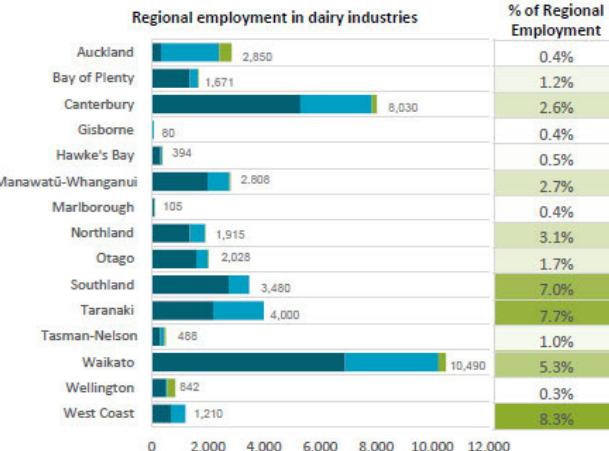
The West Coast, Taranaki, Southland, and Waikato may be the most exposed to a drop in dairy exports

- Dairy farming and dairy product manufacturing is found in most of New Zealand, with major dairy regions including Waikato, Canterbury, Taranaki, Southland, and Manawatu-Whanganui.
- The regions that may be the most exposed to a drop in exports to China are those with a higher proportion of employment in dairy, including the West Coast (8% of employment), Taranaki (8%), Southland (7%), and the Waikato (5%).
- The dairy sector is also highly linked to the Māori economy, with Māori owning an estimated 10% of industry assets.¹

Source: Business demography statistics, Stats NZ, annual snapshot at February 2019 (updated annually in October)

Industry sector	Enterprises	Employees
Dairy Cattle Farming	14,550	25,100
Cheese and Other Dairy Product Manufacturing	105	15,300
Ice Cream Manufacturing	36	760
Milk and Cream Processing	30	700
Dairy Produce Wholesaling	186	880
Total	14,907	42,740

Regional employment in dairy industries



Number of employees

Dairy Cattle Farming
Dairy Product Manufacturing
Dairy Produce Wholesaling

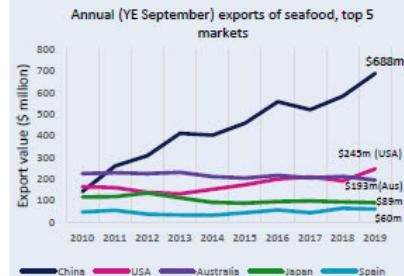
¹ NZIER (2018) How does the dairy sector share its growth? Report to the Dairy Companies Association of New Zealand, October 2018.
<https://nzier.org.nz/publication/how-does-the-dairy-sector-share-its-growth-an-analysis-of-the-flow-on-benefits-of-dairys-revenue-generation>

National data - Exports

Source: Overseas merchandise trade data, Overseas Trade Indexes; Stats NZ

The seafood industry is a major exporter in New Zealand. The industry has shown strong growth in recent years, with exports reaching a record high of \$1.85 billion (3.1% of total good exports) in the year ended December 2019 — a 12.5% annual increase.

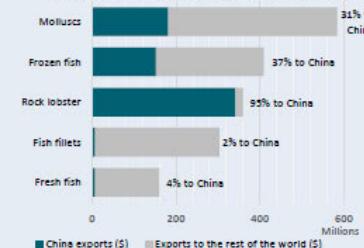
China is New Zealand's top destination for seafood exports and accounts for more than a third (38%) of total seafood exports. Our second most valuable market is the United States followed closely by Australia, Japan and Spain.



Seafood exports to China are spread across five categories – rock lobster (crustaceans), molluscs and frozen fish are the largest trade categories with China.

Over 95% of our rock lobster exports are China-bound, worth over \$340 million in 2019.

Exports of Seafood to China, YE September 2019



Rock lobster is a major export product that has shown strong growth with prices almost doubling in the last 10 years. Chinese New Year (25th January 2020) is the peak period for lobster consumption in China.

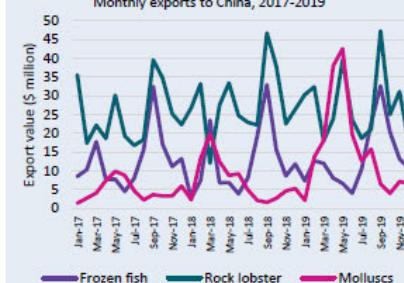
Recent reports indicate rock lobster prices have fallen to around NZ\$80/kg in February, from their usual price of NZ\$130/kg*.

Crustaceans, export price indexes, Quarterly to Sep 2019



Seafood exports peak around September. The peak coincides with Chinese National Day (1st Oct 2020) and the highest catch season for rock lobster. Volumes of exports are relatively stable, with the change in value more reflective of price fluctuations.

Monthly exports to China, 2017-2019



Industries and regions

Source: Business demography statistics, Stats NZ, annual snapshot at February 2019

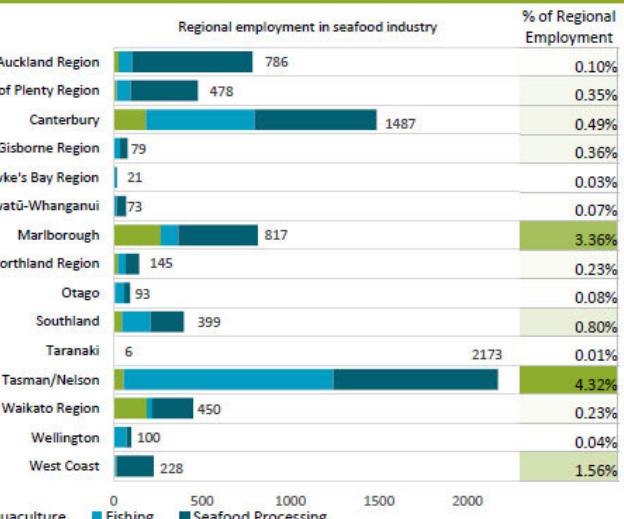
New Zealand's seafood industry includes approximately 1,500 enterprises employing more than 9,300 people.

- Employment is predominantly in seafood processing (7,000 employees). The highest number of enterprises is in fishing (867).
- Median quarterly earnings in Aquaculture were \$12,770 and \$13,750 in Fishing, compared to \$13,340 across all industries**.
- The three largest seafood companies account for almost 45% of seafood processing employment***.

The South Island may be the most exposed to a drop in seafood exports.

- The seafood industry is spread across the country; however, most of the industry is located in the South Island.
- Tasman/Nelson is the dominant seafood region (4.32% of regional employment), followed by Canterbury (0.49%) and Marlborough (3.36%). The rock lobster industry is widely distributed across regional communities, with more than 100 landing points throughout New Zealand***.

Industry sector	Enterprises	Employees
Longline and Rack (Offshore) Aquaculture	213	280
Caged (Offshore) Aquaculture	9	21
Onshore Aquaculture	48	340
Rock Lobster and Crab Potting	258	210
Prawn Fishing	3	9
Line Fishing	321	190
Fish Trawling, Seining and Netting	285	1000
Other Fishing	330	310
Seafood Processing	102	7000
TOTAL	1569	9360



Chinese arrivals fall dramatically following border restrictions

- For the week ended 2 March 2020, there were 1,403 Chinese visitors arriving in New Zealand, based on Customs raw provisional numbers. This was 12 per cent of the number who arrived in the same week the previous year. In comparison, Other Asia have started to fall below last year, down 18 per cent.
- In 2019, there were 407,141 Chinese visitors to New Zealand. This is 10.5 per cent of all international visitors over the year. 11 per cent of Chinese visitors came in January, and 12 per cent in February last year.

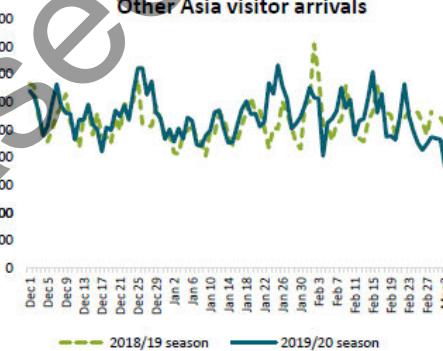
Month	% of Chinese annual arrivals
Jan-19	11%
Feb-19	12%
Mar-19	10%
Apr-19	9%
May-19	7%
Jun-19	5%
Jul-19	7%
Aug-19	7%
Sep-19	7%
Oct-19	7%
Nov-19	10%
Dec-19	9%

Source: Stats NZ

Chinese visitor arrivals



Other Asia visitor arrivals



China is the second largest international tourism market

- In the year ended September 2019, China visitors spent \$1.83 billion in New Zealand, or 16 per cent of international tourism expenditure.
- Other Asia expenditure was 15 per cent, meaning that Asia makes up just under a third of all international expenditure in New Zealand.

	Australia	China	USA	Other Asia	Other
Sep-19 year	\$2,671m	\$1,829m	\$1,415m	\$1,709m	\$3,687m
%	24%	16%	13%	15%	33%

Source, International Visitor Survey, MBIE.

Tourism makes up 5.8% of GDP

- Tourism generated a direct contribution to GDP of \$16.2 billion, or 5.8% of GDP, for the year ending March 2019. The indirect value added of industries supporting tourism generated an additional \$11.2 billion, or 4.0% of GDP.

Tourism expenditure by component

Year ended March 1999–2019

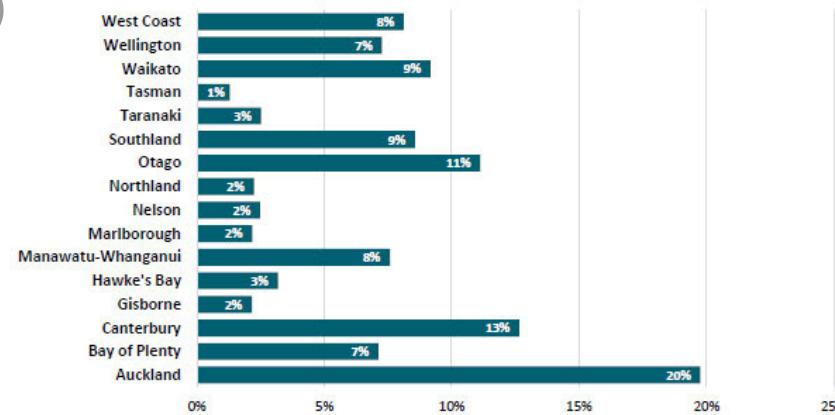
Year ended March	Direct tourism value added	Indirect tourism value added ⁽²⁾	Imports sold to tourists ⁽³⁾ (\$million)	GST paid on purchases by tourists	Total tourism expenditure (\$million)	Value added as a percentage of total industry contribution to GDP		
						Percent	Direct tourism value added	Indirect tourism value added
2017	14,406	10,023	8,505	3,385	36,320	5.8	4.1	9.9
2018	15,487	10,758	9,325	3,690	39,270	5.9	4.1	9.9
2019P	16,150	11,178	9,731	3,799	40,859	5.8	4.0	9.8

Source: Tourism Satellite Account, Stats NZ

Auckland, Canterbury, Otago are the most exposed regions to a drop in Chinese spend

- Auckland is the most exposed region to a decrease in Chinese international tourism expenditure, with 20% of all international expenditure in the region coming from China. Chinese tourism expenditure in Auckland was \$955m in 2019 (out of a total \$4.8b).
- Other highly affected regions include Canterbury and Otago (including Queenstown) where Chinese expenditure makes up more than 10% of international visitor expenditure.

Chinese expenditure as a proportion of total international expenditure



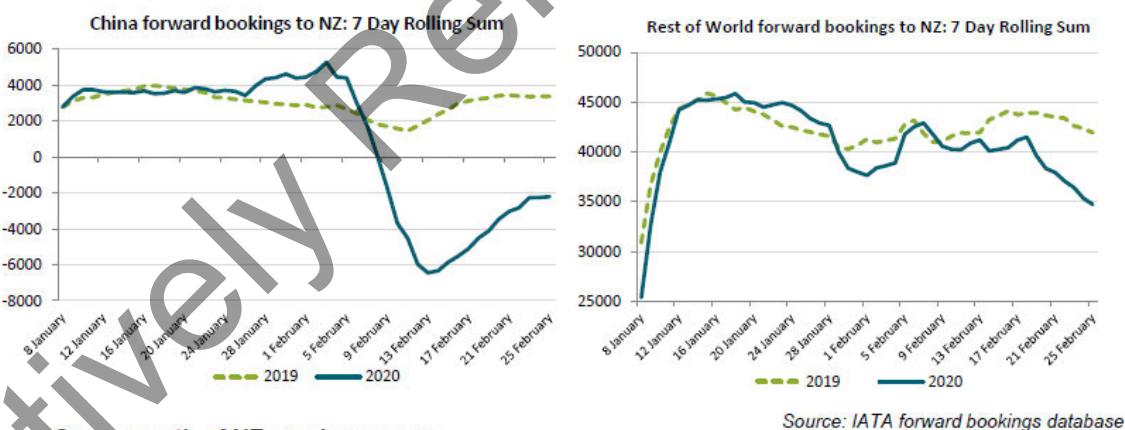
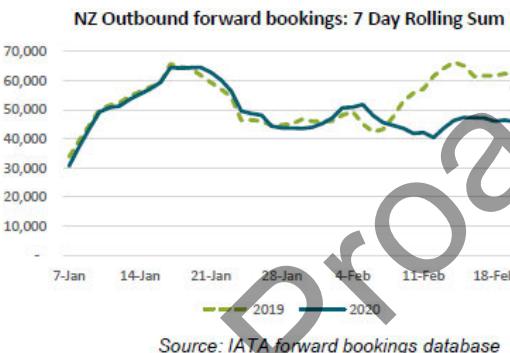
Source: Monthly Regional Tourism Estimates, MBIE



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Forward bookings show a fall in demand

- The forward bookings database provides a 7 day forward-looking rolling series. The latest data shows general weakness in forward bookings from China and the Rest of World. Chinese forward bookings have plummeted and are negative due to cancellations, while forward bookings from the Rest of World are down around 14% on last year for the week ending 25th February.
- For NZ resident outbound bookings, there is a clear reduction from same time last year, though there has been some recent improvement. It is difficult to assess at this point whether they are travelling domestically instead, or not travelling at all.



One-seventh of NZ employees are directly or indirectly employed in the tourism industry

- There were 393,279 people directly and indirectly employed in the tourism industry in the year ended March 2019, 14.4 per cent of the total people employed in New Zealand.
- Retail sales – other (19%), air passenger transport (14%) and food and beverage serving services (12%) are the largest industry contributors to overall tourism spend.

Year ended March	Number of people			Number of people employed in tourism as a percentage of the total number of people employed		
	Directly employed in tourism	Indirectly employed in tourism	Total tourism employment	Directly employed in tourism	Indirectly employed in tourism	Total tourism employment
	Percent					
2017	208,251	144,839	352,890	8.0	5.6	13.5
2018	221,046	152,238	373,284	8.3	5.7	14.0
2019P	229,566	163,713	393,279	8.4	6.0	14.4

Source: Tourism Satellite Account, Stats NZ.

Annex Four: Distributional factsheets

Draft – Not Government Policy

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COVID19 Analysis - The importance of agriculture and manufacturing to regional economies

Exemplar of the output that can be produced using data extracted from the IDI and LBD

Corey Allan, Chief Economist's Unit
4 March 2020



Access to the anonymised data used in this study was provided by Statistics New Zealand in accordance with security and confidentiality provisions of the Statistics Act 1975 and secrecy provisions of the Tax Administration Act 1994. The findings are not Official Statistics. The results in this paper are the work of the authors, not Statistics NZ nor the Ministry of Business, Innovation and Employment, and have been confidentialised to protect businesses and other organisations from identification. See the end of this presentation for the full disclaimer.

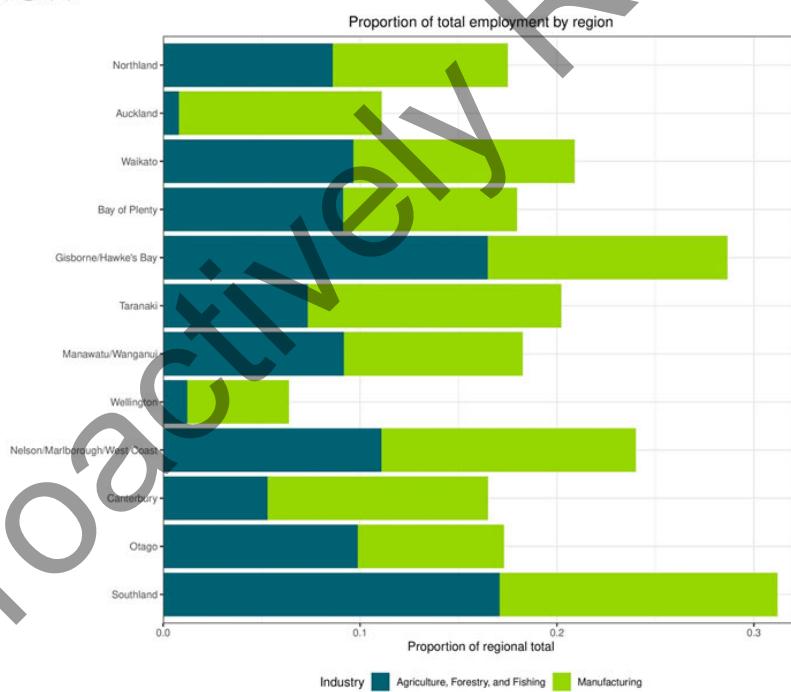
Description

- This slidepack shows a sample of the output pulled out of the LBD
- It contains information on the number of businesses and number of employees in particular subsectors of Agriculture, Forestry and Fishing and Manufacturing sectors
- These sectors were selected as they are the key sectors producing merchandise exports
- Information is for January 2018
- Information has been extracted at the 3-digit ANZSIC level by regional council
- Information presented is for ANZSIC 2-digit sectors
- Can do these for any ANZSIC 2 or 3 digit sector in AFF or Manufacturing (firm-size distributions 2-digit only)
- Industries presented are among the top 10 employing industries across the nation within Agriculture, Forestry and Fishing and Manufacturing
- Results showing the proportion of businesses can also be produced

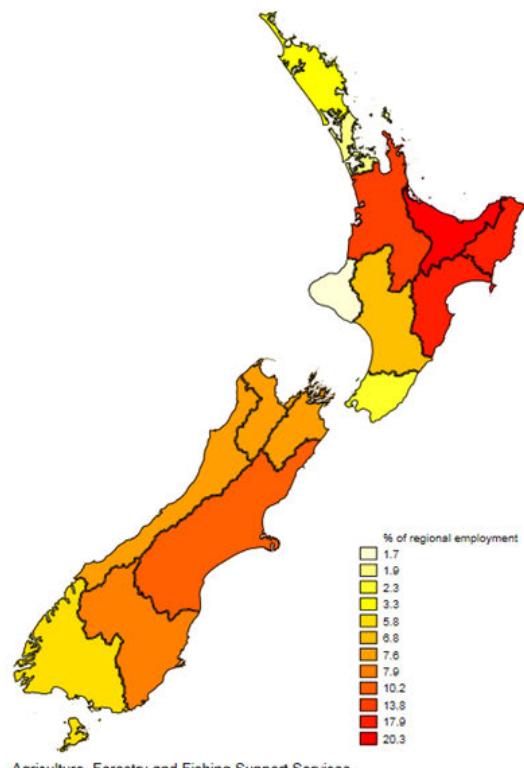
Caveats

- These results are based on administrative information contained in StatsNZ's IDI and LBD. These are not official statistics
- Confidentiality requirements mean that information for some large employers in certain sectors and regions is suppressed. The numbers presented may therefore be an *overestimate*
- An employee is defined as someone who appears on a firm's monthly payroll returns earnings wages and salary, but does not have an ownership stake in the business
- Working proprietors, people who have an ownership stake in the business they work at, have not been included
- There are a large number of "zero-employee" firms that will have a working proprietor associated with them
- The numbers presented are preliminary and should be treated with caution

Importance of Agriculture and Manufacturing by region



Agriculture, Forestry and Fishing Support Services

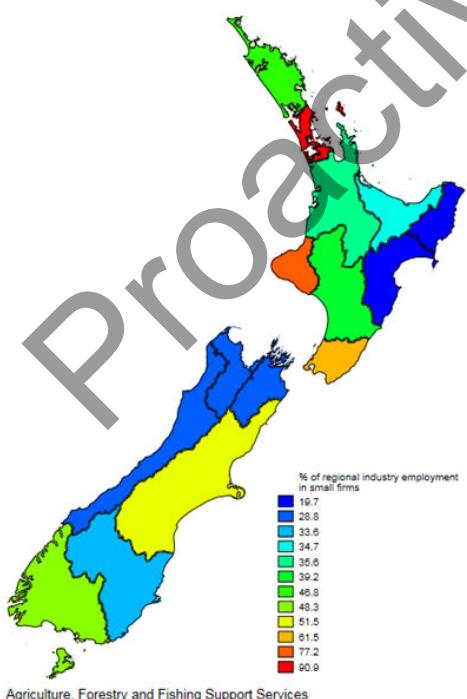


Ag support services are particularly important employers in the eastern regions of the North Island and Waikato

Accounts for over 20% of regional employment in Gisborne/Hawkes Bay

Less important in Taranaki and urban regions (Auckland and Wellington)

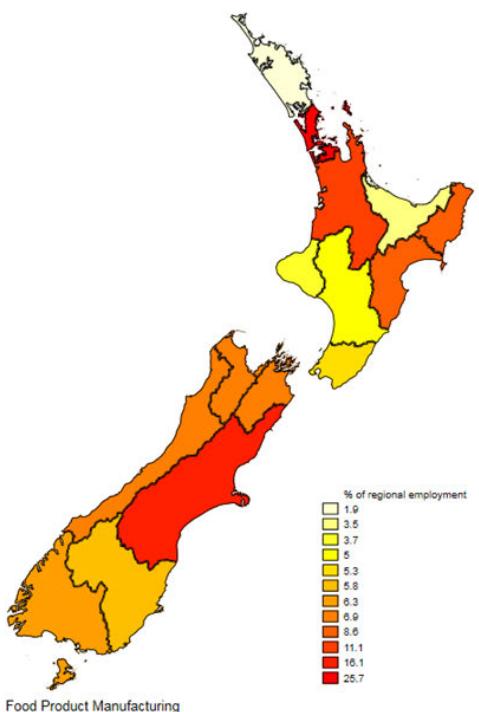
Agriculture, Forestry and Fishing Support Services



While support services are important employers in Gisborne/Hawkes Bay, a relatively small share of this employment is in small firms (between 1-19 employees)

Small firms account for a large share of employment in ag support services in Taranaki and Auckland, and to a lesser extent in Wellington and Canterbury

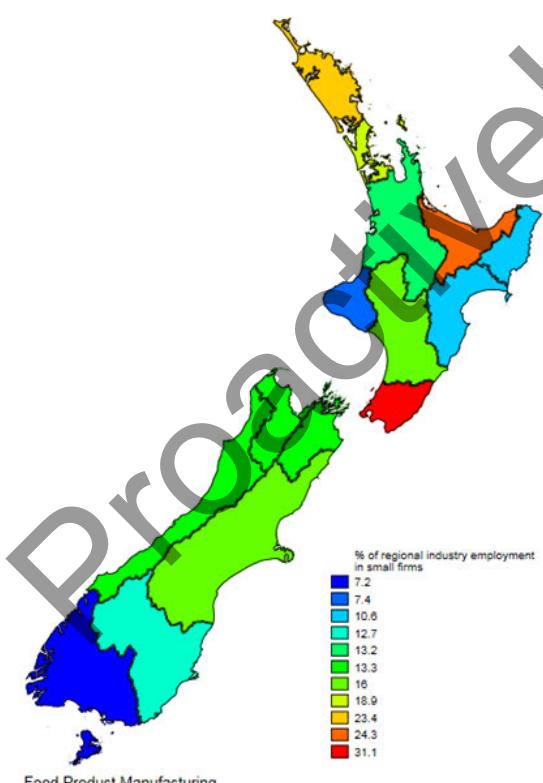
Food Product Manufacturing



Food product manufacturing is a particularly important employer in Canterbury, Waikato, and Auckland

Less important in Manawatu/Wanganui and Bay of Plenty

Food Product Manufacturing



Small firms account for a relatively low share of employment in the Food Product Manufacturing sector.

Regions where small firms are more important are Northland, Bay of Plenty, and Wellington

Disclaimer

The results in this paper are not official statistics, they have been created for research purposes from the Integrated Data Infrastructure (IDI) managed by Statistics New Zealand. The opinions, findings, recommendations and conclusions expressed in this paper are those of the authors not Statistics NZ or MBIE.

Access to the anonymised data used in this study was provided by Statistics NZ in accordance with security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular person, household, business or organisation and the results in this paper have been confidentialised to protect these groups from identification.

Careful consideration has been given to the privacy, security and confidentiality issues associated with using administrative and survey data in the IDI. Further detail can be found in the privacy impact assessment for the IDI available from www.stats.govt.nz.

The results are based in part on tax data supplied by Inland Revenue to Statistics NZ under the Tax Administration Act 1994. This tax data must be used only for statistical purposes, and no individual information may be published or disclosed in any other form, or provided to Inland Revenue for administrative or regulatory purposes. Any person who has had access to the unit-record data has certified that they have been shown, have read, and have understood section 81 of the Tax Administration Act 1994, which relates to secrecy. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

Proactively Released