

ANALYSIS OF NZ MERCHANDISE TRADE DATA – YEAR ENDED JUNE 2013

SUMMARY

Provisional merchandise trade data for the June 2013 month was released in July.

The June 2013 data provides us with our first look at NZ's merchandise trade figures for the year ended June 2013. The data presents value information only (volume merchandise trade is not available until September) – so the picture painted is partial but still informative.

This note focuses on the annual story – analysing how NZ's merchandise trade has tracked over the June 2013 year, in terms of our key markets. Annual data provides us with a longer time series that is less subject to volatility than monthly or even quarterly data.

For a more complete picture of NZ's trade performance, the merchandise trade information should be viewed alongside trade in services data. However, services trade data for the June 2013 year will not be available until October. Additional commentary on the June 2013 year will be available in the next edition of Global NZ (co-published by Statistics NZ and MFAT) – due for release in November 2013.

KEY FINDINGS:

- NZ's **two-way merchandise trade** (exports and imports combined) for the year ended June 2013 was down 2% from the previous year.
- The value of **merchandise exports**¹ were down 2.1% over this period. By commodity group, the largest falls in the value of exports during this period were: crude oil (down \$335 million or 17%); mechanical machinery and equipment (down \$319 million or 17% due to a fall in refrigeration equipment for storage and display); and milk powder, butter and cheese (down \$304 million or 2.6%). Logs, wood and wood articles recorded the largest increase in export value, up \$315 million (10%) due to a rise in the export value of pine logs.
- The **summer drought** in 2013 has not impacted noticeably on the annual trade statistics. However, in terms of quarterly movements, milk powder, butter and cheese (NZ's largest export commodity group) led the overall fall in (seasonally adjusted) exports during the second quarter of this year. Exports of this product group were down 6.8% or \$193 million, with the quarterly fall in these exports being largely attributed to the drought. Statistics NZ figures also suggests that over the June 2013 quarter, higher prices were received for our exports of milk powder, butter and cheese – given the limited supply.²

¹ Exports are valued on a free on board basis.

² Volume data was provided for this product group only. For the June 2013 quarter, volumes of milk powder, butter and cheese fell by 18% whilst values were only down 6.8%.

- By **level of processing** category, exports of all categories except unprocessed primary products, declined (in value terms) during the June 2013 year. The largest decline was in the export value of elaborately transformed manufactures (ETMs), which fell by 8.1% (\$602 million). Exports of simply transformed manufactures fell by 2.9%, whilst processed primary products exports declined by 0.7%.
- For the year ended June 2013, the value of NZ's **merchandise imports**³ was down 2%. Imports of aircraft and parts recorded the largest decrease in merchandise imports – down 48% or \$530 million. Imports of petroleum and products also declined – down 5% or \$420 million, led by automotive diesel and crude oil. Vehicle, parts and accessories imports increased year-on-year by 9.7% or \$474 million, led by goods transport vehicles (suggesting some capital investment by businesses).
- By level of processing, imports of all categories fell in the June 2013 year compared to the previous year. Imports of ETMs declined the most in value terms – down 2.1% or \$617 million.
- Akin to the semi-overlapping 2012 calendar year, NZ's merchandise exports to **Australia** fell considerably – down 9% (\$927 million) to \$9.5 billion. This large fall was driven by declines in our top three export commodities to Australia: crude oil, gold and wine. Preliminary analysis on the 2012 trade statistics (which we can assume will also provide insights into the fall in the June 2013 year) suggests that the decline in exports was largely due to decreases in the volumes of crude oil and gold exported to Australia. In general, exports of crude oil can be quite irregular – affected by the timing of shipments and the amount of crude oil kept in NZ to be refined locally. Moreover, there was also lower domestic production of crude oil in NZ during 2012.
- Notwithstanding the decline in our merchandise exports across the Tasman, Australia remains our most significant trading partner.
- Exports to the **EU-28** also fell in the June 2013 year – down 7.5% (\$357 million) to \$4.5 billion. This is most likely attributed to the on-going financial crisis in the region.
- Merchandise exports to **ASEAN** fell by 2.8% (\$126 million) – reaching \$4.3 billion in the June 2013 year. However, despite this decline, ASEAN pushed ahead of the EU to be NZ's most important regional trading partner in terms of two-way merchandise trade.
- On the other hand, trade with **China** surged in the June 2013 year, with exports rising by 26% (\$1.6 billion) to \$7.7 billion. During this year around 17% of our total merchandise exports were destined for China and a similar share of goods were sourced from China. These numbers reinforce the increasing significance of China (already our largest import market).
- Merchandise trade with the **US** has begun to firm as the US economy starts to show signs of recovery. During the June 2013 year, NZ's merchandise exports to the US rose by 0.8% (\$34 million) to \$4.1 billion.

³ Imports are valued on a cost including insurance and freight basis.

MERCHANDISE TRADE

TOTAL TRADE

NZ's total merchandise trade (exports (fob) and imports (cif) combined) with the world was valued at \$92.2 billion for the year ended June 2013 – an annual decline of 2% or \$1.9 billion.

EXPORTS - SUMMARY

- NZ's total merchandise exports (fob) decreased 2.1% to reach \$45.7 billion for the year ended June 2013.
- NZ's top five export partners comprised 66% of NZ's total merchandise exports. Exports to three of these partners (EU, ASEAN and Australia) experienced decline in the June 2013 year.
- Exports to Australia recorded the largest fall – down \$927 million (9%) to \$9.5 billion. This was predominantly led by crude oil.
- However, the fall in exports to Australia was more than offset by the rise in exports to China – up \$1.6 billion (26%) to \$7.7 billion.

IMPORTS – SUMMARY

- The value of goods imported (cif) was \$46.5, down \$956 million (2%) for the year ended June 2013.
- The top five sources of NZ's imports comprised 73% of our total imports in the June 2013 year. There was a mix of annual growth and decline in these top five import sources.
- For the year ended June 2013, ASEAN was NZ's largest regional source of imports (hence, our largest regional trading partner overall). Imports from ASEAN were valued at \$7.6 billion (cf. \$7.4 billion from the EU).

BREAKDOWN BY LEVEL OF PROCESSING (LOP)

The following sub-sections outline NZ's trade data by level two LOP category for the year ended June 2013. LOP provides a framework for merchandise trade data which groups commodities based on their level of processing. At level two of the classification, trade data is divided into five categories: unprocessed primary products, processed primary products, simply transformed manufactures, elaborately transformed manufactures, and a residual category.

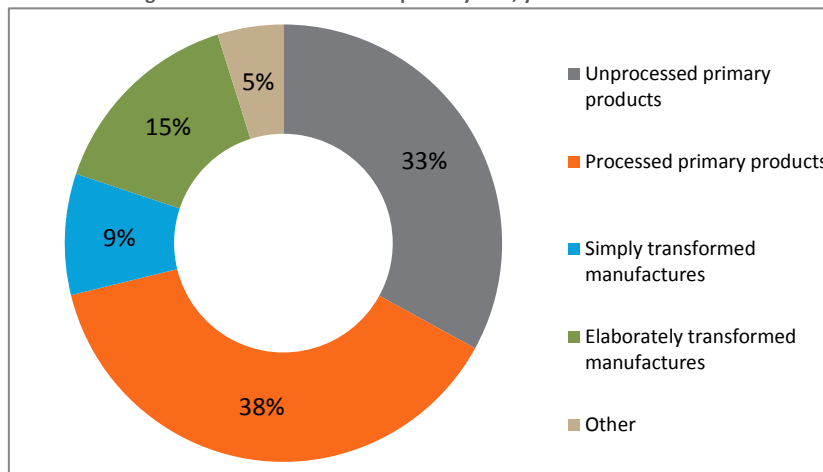
EXPORTS

The following table outlines the annual rate of change of NZ exports by level of processing.

LOP Category	Description	June 2012 year NZ\$ millions	June 2013 year NZ\$ millions	Annual percentage change in 2013
Unprocessed primary products	Live animals, meat, seafood, fruit and vegetables, crude petroleum and unprocessed minerals.	15,027	15,078	0.3%
Processed primary products	Food preparations, milk powder, butter, cheese, cereals, confectionery, oils.	17,593	17,462	-0.7%
Simply transformed manufactures	Unworked metal alloys, chemicals, plastics, casein.	4,215	4,094	-2.9%
Elaborately transformed manufactures	Worked metal alloys, medicaments, mechanical and electrical machinery, motor cars, textiles.	7,460	6,858	-8.1%
Miscellaneous, unclassified and confidential trade	Non-monetary gold, other confidential trade.	2,392	2,224	-7.0%

Figure 1 shows the share of NZ's total exports by level two LOP category for the year ended June 2013. These shares remain largely unchanged from the June 2012 year.

Figure 1: Share of NZ's total exports by LOP, year ended June 2013



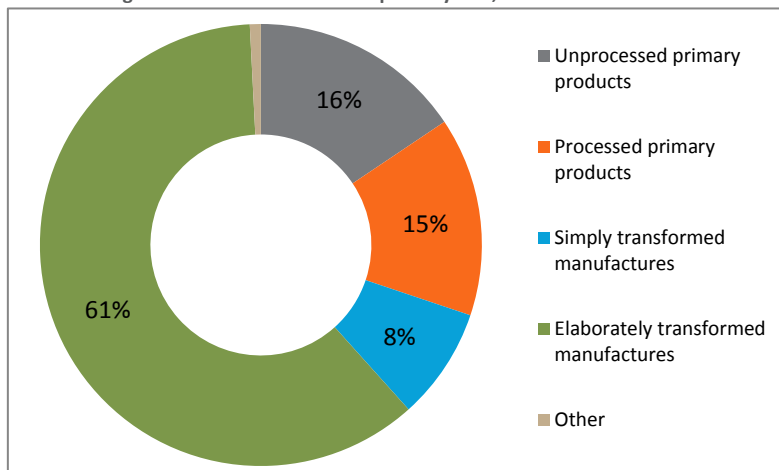
IMPORTS

The following table outlines the annual growth/decline in NZ's imports by level of processing. Imports of elaborately transformed manufactures (ETMs) declined the most by value during the year ended June 2013. Over this year, we imported \$28.3 billion worth of ETMs, an annual decline of 2.1% or \$617 million.

LOP Category	Description	June 2012 year NZ\$ millions	June 2013 year NZ\$ millions	Annual percentage change in 2013
Unprocessed primary products	Live animals, meat, seafood, fruit and vegetables, crude petroleum and unprocessed minerals.	7,340	7,246	-1.3%
Processed primary products	Food preparations, milk powder, butter, cheese, cereals, confectionery, oils.	6,901	6,767	-2.0%
Simply transformed manufactures	Unworked metal alloys, chemicals, plastics, casein.	3,913	3,808	-2.7%
Elaborately transformed manufactures	Worked metal alloys, medicaments, mechanical and electrical machinery, motor cars, textiles.	28,892	28,276	-2.1%
Miscellaneous, unclassified and confidential trade	Non-monetary gold, other confidential trade.	389	373	-4.1%

Figure 2 shows the share of NZ's total imports by level two LOP for the year ended June 2013. Like with exports, the shares remain largely unchanged from the June 2012 year.

Figure 2: Share of NZ's total imports by LOP, Year ended June 2013



MARKET ANALYSIS

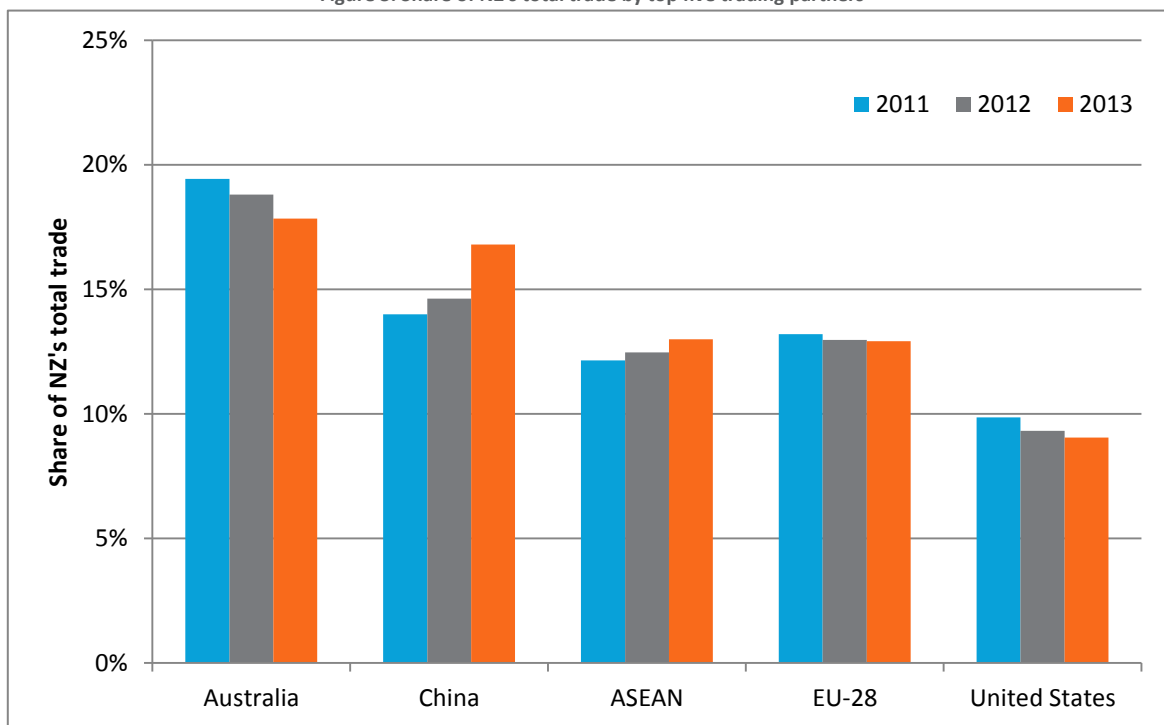
SHARE OF NZ'S TRADE

Figure 3 shows each of NZ's five largest trading partner's share of NZ's total (two-way) trade for the years ending June 2011-2013.

Over these years, Australia has remained as NZ's largest trading partner, although its relative share of our total trade has been declining. For the year ended June 2013, around 18% of our total merchandise trade was with Australia – compared with 19% in the June 2011 year. Similarly, the EU's and US's share of our total trade has also declined in relative terms over this period.

In contrast, China's relative share of NZ's total trade has been on the rise. Over the most recent year, 17% of our total trade was with China – compared with only 14% during the June 2011 year. ASEAN's share of NZ's total trade has also risen over the past three years – with ASEAN overtaking the EU (albeit only by a small margin) to become NZ's largest regional trading partner during the June 2013 year. Over this period, around 13% of our total trade was with ASEAN countries.

Figure 3: Share of NZ's total trade by top five trading partners



Again, it is important to note that the above analysis refers to merchandise trade only. Australia is our largest trading partner – by a more comfortable margin – when considering merchandise goods trade and trade in services together. In general, our exports to Asian countries are more heavily weighted towards merchandise goods, although Asia is becoming an important market for our tourism and education exports.

The following sub-sections provide commentary on trade with each of our top five trading partners.

AUSTRALIA



- For the year ended June 2013, exports to Australia declined by 8.9% or \$927 million, to reach \$9.5 billion compared to the previous year.
- Over the same period, imports to Australia fell by 4.6% or \$330 million, totalling \$6.9 billion.

EXPORTS

- The fall in the value of our exports to Australia was the largest annual decline to any country during the June 2013 year.
- The decrease in exports was driven by falls in our top three export commodities to Australia.
 - Crude oil – our largest export to Australia – fell by 16.7% or \$327 million annually to reach \$1.6 billion during the June 2013 year.
 - Gold – our second largest export product to Australia – declined year-on-year by 3.6% or \$21 million to reach \$574 million.
 - And exports of wine fell by 2.3% or \$8.7 million – reaching \$373 million for the year ended June 2013.
- Note: Over the 2012 calendar year (i.e. year ended December 2012), our exports to Australia also declined – down \$940 million. This too was led by falls in crude oil and gold exports. Preliminary analysis suggests that the fall was largely a volume story – with export volumes of both crude oil and gold to Australia decreasing over the year, most likely attributed to lower production in 2012.

IMPORTS

- NZ's largest import product from Australia was motor cars which declined by 9.4% (down \$30 million) – worth \$286 million in the June 2013 year.
- Imports of petroleum oils continued to rise in the June 2013 year and were valued at \$241 million.

COMMENT

- Merchandise trade statistics released for the first quarter of 2013 placed a spotlight on NZ's merchandise trade relationship with Australia. During this period, China replaced Australia as our top merchandise export market making it NZ's largest bilateral trading partner overall, for the March 2013 quarter. However, in the most recent quarter (June 2013) Australia was again our top country for exports, and our most important two-way trading partner. Compared to the March 2013 quarter, exports to Australia rose by 4.1% or \$89 million – reaching \$2.3 billion in the second quarter of this year.

CHINA



- For the year ended June 2013, China was NZ's second largest trading partner and our largest source of imports.
- Exports to China increased 26% (\$1.6 billion) to \$7.7 billion – the largest rise in our merchandise exports to any country in the June 2013 year.
- Imports from China rose by 1.4% (\$105 million) to \$7.8 billion.

EXPORTS

- For the year ended June 2013, rises in the export of milk powder, logs and sheep meat drove the rise in our merchandise exports to China (relative to the previous year).
 - Milk powder exports rose by 37% (up \$635 million) to \$2.3 billion. Milk powder is our largest export product to China, comprising 30% of total merchandise exports to China in the June 2013 year.
 - Log exports – our second largest export product to China – was up 39% (\$363 million) to \$1.3 billion.
 - And exports of sheep meat rose by \$307 million to total \$555 million.

IMPORTS

- China remained as our largest import market during the June 2013 year, with around 17% of our total merchandise imports being sourced from China.
- During the June 2013 year, NZ imported \$787 million worth of computers (an annual increase of 3% or \$24 million) from China, along with \$582 million worth of telephones and cell-phones (up 6% or \$33 million), and \$156 million worth of office, kitchen and bedroom furniture (up 14% of \$19 million).

ASEAN-10



- Exports to ASEAN were valued at \$4.3 billion – an annual decline of 2.8% or \$126 million.
- Imports from ASEAN countries were worth \$7.6 billion – an annual rise of 5% or \$364 million.
- Despite the decline in our exports to ASEAN countries, ASEAN was placed ahead of the EU as NZ's most important regional trading partner for the June 2013 year.

EXPORTS

- Exports of our top two commodities to ASEAN countries fell during the June 2013 year compared to the previous year.
 - Milk powder exports declined by 6.2% (or \$92 million) to reach \$1.4 billion;
 - Whilst exports of butter and dairy spreads fell by 16.5% (or \$57 million) to reach \$288 million.

IMPORTS

- Imports of crude petroleum oils – our largest imported commodity from ASEAN member countries – drove the rise in total imports from ASEAN. Imports of this product group rose by 26% (\$420 million) and were valued at \$2 billion.

EU-28



- For the year ended June 2013, the EU was NZ's second largest regional trading partner.
- Exports to the EU were valued at \$4.5 billion – an annual decline of 7.5% or \$367 million.
- Imports from EU countries were valued at \$7.4 billion – an annual rise of 1% or \$72 million.

EXPORTS

- A decline in the exports of sheep meat drove the overall decline in exports to the EU for the year ended June 2013. Exports of this product group to the EU fell by 13% or \$176 million to reach \$1.2 billion. Sheep meat exports have traditionally been our largest export product to EU countries – comprising around 27% of total NZ's merchandise exports destined to the trading bloc in the past year.
- Over the past year, our exports of wine to the EU also fell – down 1.5% (or \$5 million) to reach \$369 million.

IMPORTS

- For the year ended June 2012, increased imports of motor vehicles drove the overall rise in import from the EU. During this period, NZ's imports of motor vehicles from EU countries rose by 11.3% (up \$87 million) and were worth \$858 million.
- Imports of motor vehicles comprised around 12% of total imports from the EU in the June 2013 year and were our largest imported commodity from EU countries.

UNITED STATES



- For the year ended June 2013, the US was NZ's fifth largest trading partner.
- Exports to the US were up 0.8% or \$34 million, reaching \$4.1 billion.
- Imports from the US were valued at \$4.2 billion – an annual decline of 10% or \$467 million.

EXPORTS

- Frozen beef meat is our largest export commodity to the US, comprising approximately 22% of our total exports to the US during the June 2013 year. Over this period, exports of frozen beef meat to the US rose by 11.8% (or \$97 million) to reach \$921 million.

IMPORTS

- The decline in NZ's merchandise imports from the US was largely driven by falls in the import of aircraft parts and turbo-jets and turbo-propellers.
- For the year ended June 2013, imports of aircraft parts fell by 22.7% or \$46 million to reach \$156 million, whilst imports of turbo-jets and propellers declined by 13% or \$34 million reaching \$224 million.

COMMENT

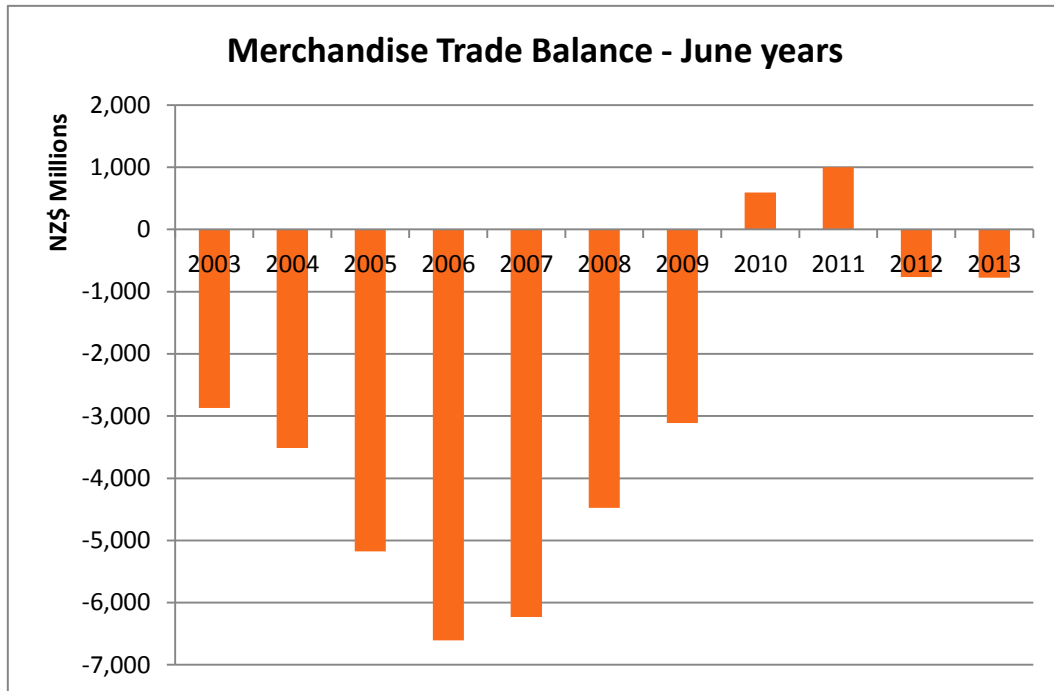
- Despite the overall decline in trade with the US over the past June year, there are signs that the US economy is starting to recover. For instance, the US housing recovery is strengthening, consumer confidence has jumped to its highest reading since January 2008, and the steady job growth in the US has seen a gradual reduction in their unemployment rate to 7.6%. As this recovery continues, it is likely that we will see increased demand for NZ products thereby, firming NZ-US trade in coming quarters.

TRADE BALANCE

For the June 2013 year, NZ recorded an annual trade deficit of \$777 million – 1.7% of exports. This compares with an average deficit of 3.3% of exports reported over the previous five June years (although there were surpluses in the June 2010 and June 2011 years).

The chart below shows NZ's annual goods trade balance (exports less imports) over the past 10 June years.

Figure 4: Annual trade balance



Without volume data it is difficult to know what the main contributor to our annual trade deficit (i.e. did the value of exports (imports) decrease (increase), or did the volume of exports (imports) decline (rise)).

The NZ dollar has remained persistently high. According to the Reserve Bank's trade weighted index (TWI), the NZ dollar was 4.5% higher in June 2013 than in June 2012.

REPORT PREPARED BY:

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SUPPLEMENTARY TABLES

As trade in services data for the June 2013 will not be available until October this year, the following table presents December year trade in goods and services data. This demonstrates the significance of services trade to our overall level of exports and imports to various countries and regions.

Country	Exports (fob)									
	NZ\$(million)									
	2011					2012				
	Goods	Rank	Services	Total	Rank	Goods	Rank	Services	Total	Rank
Australia	10,848	1	3,918	14,766	1	9,908	1	3,823	13,731	1
People's Republic of China	5,887	2	979	6,866	2	6,859	2	1,232	8,091	2
United States of America	3,997	3	1,756	5,753	3	4,231	3	1,718	5,949	3
Japan	3,441	4	754	4,195	4	3,211	4	755	3,966	4
United Kingdom	1,545	6	1,096	2,641	5	1,395	6	939	2,334	5
Republic of Korea	1,675	5	367	2,042	6	1,555	5	334	1,889	6
Hong Kong (SAR) ⁽³⁾	798	12	191	989	11	869	8	286	1,155	7
Germany	775	13	399	1,174	8	739	13	371	1,110	8
India	938	7	318	1,256	7	786	12	306	1,092	9
Singapore	813	11	265	1,078	9	845	9	222	1,067	10
EU	5,360	5	2,177	7,537		4,579	5	1,978	6,557	
ASEAN	4,491	6	693	5,184		4,359	6	600	4,959	

Country	Imports (vfd)									
	NZ\$(million)									
	2011					2012				
	Goods	Rank	Services	Total	Rank	Goods	Rank	Services	Total	Rank
Australia	7,039	2	5,133	12,172	1	6,872	2	4,911	11,783	1
China	7,049	1	370	7,419	2	7,325	1	360	7,685	2
United States of America	4,772	3	1,498	6,270	3	4,133	3	1,513	5,646	3
Japan	2,709	4	161	2,870	5	2,835	4	157	2,992	4
Singapore	2,089	5	916	3,005	4	2,039	5	888	2,927	5
Germany	1,890	6	366	2,256	6	1,992	6	610	2,602	6
United Kingdom	1,203	10	830	2,033	7	1,193	10	812	2,004	7
Korea, Republic of	1,382	8	186	1,568	9	1,731	8	193	1,924	8
Malaysia	1,406	7	183	1,589	8	1,752	7	165	1,917	9
Thailand	1,264	9	165	1,429	10	1,431	9	231	1,662	10
EU	6,946	5	2,562	9,508		6,924	6	2,570	9,494	
ASEAN	6,240	6	1,443	7,683		7,451	5	1,460	8,911	