Changes to export orders over the next 12 months by region

Country	Increase	Remain the same	Decrease	Time period
China	61%	26%	13%	2008
China	63%	31%	6%	2007
South Asia	58%	29%	13%	2008
South Asia	63%	33%	4%	2007
Australia	57%	33%	10%	2008
Australia	59%	37%	4%	2007
Middle East	53%	36%	11%	2008
Middle East	58%	36%	6%	2007
South East Asia (ASEAN)	52%	37%	11%	2008
South East Asia (ASEAN)	54%	39%	7%	2007
North America	51%	34%	15%	2008
North America	47%	47%	6%	2007
South & Central America	51%	34%	15%	2008
South & Central America	48%	41%	11%	2007
Europe	50%	38%	12%	2008
Europe	65%	32%	3%	2007
Hong Kong	49%	35%	16%	2008
Hong Kong	47%	45%	8%	2007
Africa	45%	50%	5%	2008
Africa	43%	46%	11%	2007
UK	45%	40%	15%	2008
UK	59%	37%	4%	2007
Pacific	38%	52%	10%	2008
Pacific	38%	57%	5%	2007
Taiwan	37%	41%	22%	2008
Taiwan	34%	57%	9%	2007
Korea	34%	44%	22%	2008
Korea	41%	51%	8%	2007
Japan	27%	45%	28%	2008
Japan	44%	45%	11%	2007

OTHER EXPORTER ACTIVITIES

The pool of new exporters has risen, according to the DHL Export Barometer. In 2007, only seven per cent of exporters had been exporting for up to five years and were considered relatively new to the market, however, the 2008 findings show this figure has risen to 23 per cent.

Experience within the sector is still strong as results show that 31 per cent of respondents have had more than 20 years as exporters.

While 44 per cent of exporters also engage in importing activities into New Zealand, 28 per cent do not engage in any other activities apart from exporting.

The findings further revealed that exporters in the tourism and services sectors are less likely to be engaged in any other types of activities apart from exporting, in comparison to the manufacturing sector.

Research was conducted by ACA Research. Data was captured through online and telephone surveys with 350 exporters, each targeted for the survey using stratified sampling techniques according to each industry sector. In 2008, DHL partnered with the EMA Northern, EMA Central, the Canterbury Employers Chamber of Commerce (CECC), the Otago-Southland Employers Association (OSEA) and Export New Zealand to gauge the opinions of New Zealand exporters.

July 2008, Issue 7

DHL EXPORT BAROMETER NEW ZEALAND EXPORT TRENDS

EXPORTERS DEFIANT DESPITE OUTLOOK

It's still a great time to be a New Zealand exporter, despite the clouded outlook on the domestic front.

Exporters are tipping their orders to rise substantially over the next 12 months, with 59 per cent of them anticipating growth. Though this is down from 63 per cent last year, the NZ / Australia currency cross rate is now well below its 10 year average, and exporting across the Tasman has not looked better for a generation.

Given Australia is our largest export destination, and that their currency is projected to rise against the US$ while ours falls, now is the right time to rejuvenate relationships, or start one across the Tasman.

But for many of our exporters China is expected to be the fastest growing export destination over the next 12 months, up from fourth in 2006.

These and other aspects of the picture emerging from the DHL Export Barometer are most encouraging. Exporters appear less down about their prospects than businesses facing recessionary conditions at home.

Though exporters report the exchange rate has impacted negatively on sales over the past 12 months, along with rising fuel costs, a net 25 per cent more exporters said they made headway over the past 12 months. They say, too, they are expecting faster growth to come over the next three months.

The Barometer registers a call for the government to work harder on securing better market access and a big tick for its efforts on free trade agreements. But the majority also want marketing grants to assist their exporting work.

The Barometer may well be read as a sign New Zealanders are ready to launch again on a new, overdue era of export-led growth. I certainly hope so, and as exporters hold my deepest admiration I wish them the best of fortune.

Alasdair Thompson
Chief executive
Employers & Manufacturers Association (Northern)

EXPORT CONFIDENCE

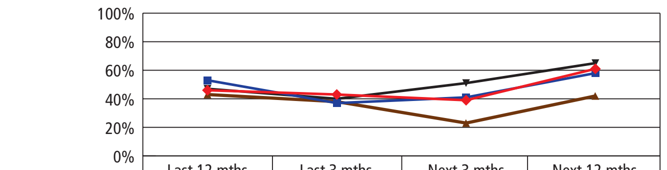
The outlook appears bright for the majority of exporters over the next 12 months, with 59 per cent of all exporters anticipating an increase in their export orders in the next 12 months. Exporters within the services (65 per cent) and agriculture sectors (61 per cent) are leading in export confidence.

While the overall level for growth in future export orders is marginally below the 63 per cent of 2007, the landscape for the last 12 months has been good for exporters, who enjoyed a net gain of 25 per cent (proportion of exporters reporting export increases, less export decreases).

The DHL Export Barometer found that confidence rises slightly for exporters' business in the short term – from 39 per cent in the past three months to 41 per cent in the next three months.

The survey also showed that exporters in the tourism industry are less likely than other industries to expect export increases in the future.

Change in export orders – % 'increase'



	Last 12 mths	Last 3 mths	Next 3 mths	Next 12 mths
Agriculture	46%	43%	39%	61%
Manufacturing	53%	37%	41%	58%
Tourism	43%	38%	23%	42%
Services	47%	40%	51%	65%

PAST → PRESENT → FUTURE

Change in export orders

	Increase	Remain the same	Decrease	Net Change
Last 12 mths	49%	27%	24%	+25% (actual)
Last 3 mths	39%	38%	23%	+16% (actual)
Next 3 mths	41%	41%	18%	+23% (expected)
Next 12 mths	59%	29%	12%	+47% (expected)

Short-term prospects: (3 months) → Positive export growth and accelerating
Medium-term prospects: (12 months) → Positive export growth and accelerating

SKILLED LABOUR & OFF-SHORE INTENTONS

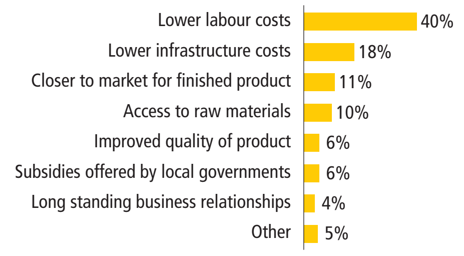
The DHL Export Barometer showed that almost one in four exporters intend taking at least part of their business off-shore in the next two years, with Australia and China being the top destinations considered for off-shore activities.

Citing lower labour costs as the primary motivation, one in three exporters in the manufacturing industry already make some components off-shore.

A significant number of exporters (49 per cent) claim they are being impacted by a skilled labour shortage in New Zealand, while 37 per cent of these exporters believe the situation could be addressed by providing incentives to skilled workers to remain in the country.

Do you manufacture any or all of your components offshore?

Why do you manufacture any or all of your components offshore?
(Responses have been weighted to add up to 100%)



NEGATIVE FACTORS

The biggest burden on exporters' sales over the last 12 months has been the exchange rate, with 74 per cent of exporters citing this as a negative factor. This concern reflects a marginal rise from 2007 (72 per cent).

The hardest hit by the exchange rate were the agricultural and manufacturing sectors, according to the survey. However the tourism industry has shown the most change compared to 2007. In 2008, 71 per cent of exporters within the tourism industry cited the exchange rate as having a negative impact compared to the 2007 findings where only 45 per cent cited it as having a negative impact.

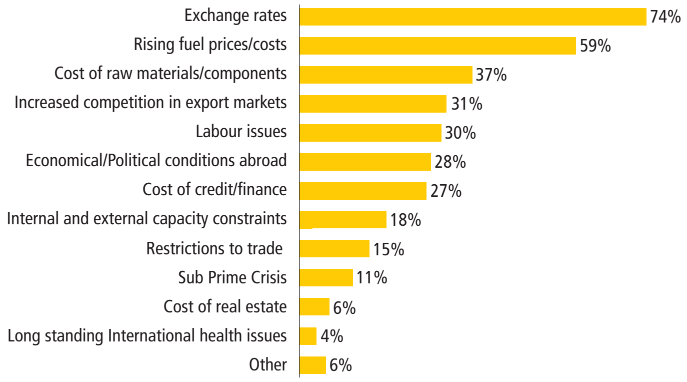
Rising fuel prices / costs was also deemed a negative factor impacting sales for 59 per cent of exporters over the last 12 months. This is similar to the 2007 findings whereby 52 per cent of exporters cited rising fuel prices / costs as a negative factor.

The cost of raw materials / components (37 per cent), increased competition in export markets (31 per cent), and labour issues (30 per cent) complete the top five factors negatively impacting export sales in the last 12 months.

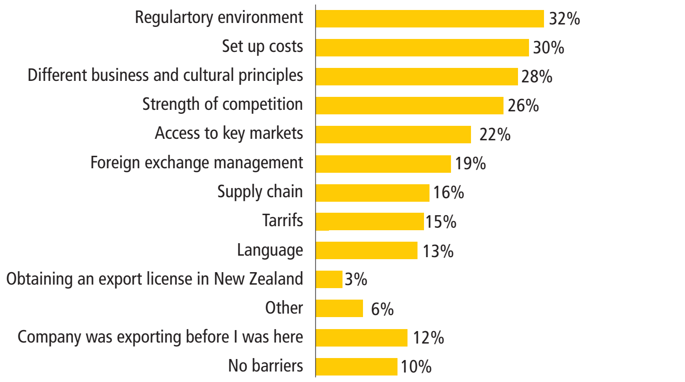
According to the survey, only 11 per cent of exporters believe the US Sub Prime Crisis has negatively affected their sales in the last 12 months.

The three main barriers exporters faced when they first began to export were the regulatory environment (32 per cent), set up costs (30 per cent), and different business and cultural barriers (28 per cent). Other barriers indentified included: strength of competition; supply chain; tariffs; and language.

Over the last 12 months, which of the following do you believe has negatively affected your export sales?



What are the major barriers your organisation faced when starting to export for the first time?



NEW ZEALAND GOVERNMENT

A change in the New Zealand Government would have a positive impact on exporters' business, according to 68 per cent of those surveyed for the 2008 DHL Export Barometer.

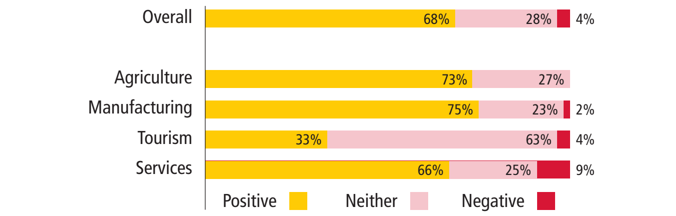
Manufacturers lead the charge with 75 per cent believing a change in government would positively impact their business. Hot on the heels of manufacturers is the agricultural sector with 73 per cent of exporters claiming a change would have a positive impact.

However, 63 per cent of exporters in the tourism sector believe a change in the current government will have no effect on their business.

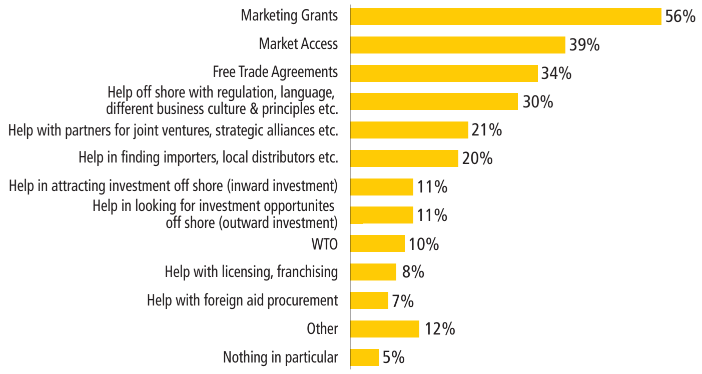
In identifying what exporters want with regards to export and investment assistance from the New Zealand Government, the survey findings showed that the majority of exporters (56 per cent) wanted marketing grants to help with exporting activities. The other three top priorities include: market access (39 per cent); Free Trade Agreements (FTAs) (34 per cent); and help with offshore regulations and business practices (30 per cent).

Going against the grain, exporters in the tourism industry were found to be the least likely to require the different types of export and investment assistance from the government.

What impact would a potential change in the New Zealand Government have on your business?



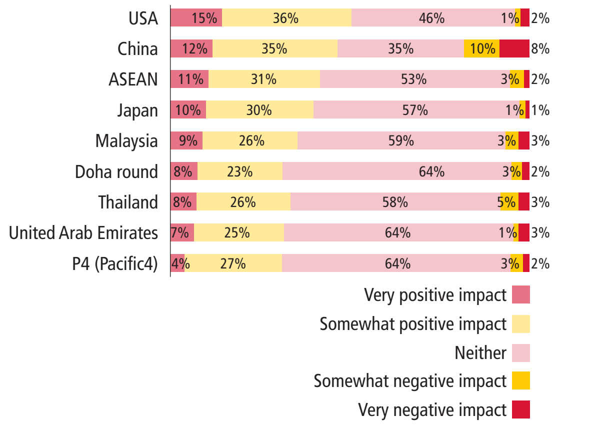
What would you want from the NZ Government in terms of export and investment assistance?



Similar to 2007, FTAs or closer economic partnerships with the USA (15 per cent) and China (12 per cent) were cited as having the most very positive impact on exporters' businesses. While the USA got top ranking for having a very positive impact, the Pacific region received the lowest at four per cent.

Although China was close to the USA in having a very positive impact on exporters' business, at eight per cent China also ranked as having the highest "very negative" impact, and "somewhat negative" impact (10 per cent) among all of the countries surveyed.

Impact of FTAs or Closer Economic Partnership with the following countries on your business



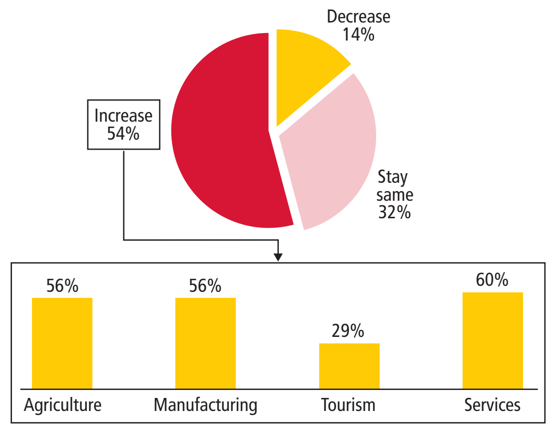
PROFITABILITY, EMPLOYMENT AND WAGES

Future export confidence is reflected in exporters' predictions for future profitability. Fifty-four per cent of exporters expect to increase their profits in the next 12 months. Only 29 per cent of exporters in the tourism sector expect an increase in their profits in comparison to other sectors. This is down on 2007 when 59 per cent of exporters in tourism expected an increase.

However a positive aspect revealed by the DHL Export Barometer survey is that staff head count is expected to rise, with 38 per cent of exporters aiming to increase the number of full time staff in their organisations. This is most likely to be seen in the services sector.

The vast majority of organisations (73 per cent) also have plans to increase staff wages in the next 12 months, with the manufacturing sector most likely to expect a wage increase for employees.

Company profitability in the next 12 months



GEOGRAPHIC EXPORT REGIONS

Australia continues to be the key market destination for New Zealand exports, the survey showed, with 69 per cent of exporters having exported to this country in the past 12 months.

Exporters who currently service China, South Asia and Australia anticipate the highest increase of exports to these regional destinations in the next 12 months (refer back page).

Over the past three years China has risen up the ranks, for future exports, from fourth in 2006, second in 2007 to now being the primary regional destination for exporters in the next 12 months.

However, while 50 per cent of exporters indicated an increase in export orders to Europe in the next 12 months, this is down 15 per cent compared to the 2007 findings. This result presents surprises based on the 2007 findings, which found that exporters anticipated the greatest increase to come from Europe. This is similarly the case for the UK which dropped 14 per cent and Japan which dropped 17 per cent compared to 2007.

Diversification of export opportunities is becoming the norm for the vast majority of exporters, as the DHL Export Barometer reveals that nearly three in four exporters cover a wide geographical area, servicing multiple regions.

NZ's top 7 export destinations in the past 12 months