

2 International Trade



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According to Statistics New Zealand, this country's total exports of goods and services in the year ended June 2019 were \$84.8 billion, an increase of \$4.2 billion from 2018, while total imports were \$82.7 billion, an increase of \$6.4 billion from 2018.

New Zealand's trade surplus was down \$2.2 billion from \$4.3 billion in the year ended June 2018.

New Zealand's top three trade partners – China, Australia, and the European Union – accounted for approximately half of the total trade with the rest of the world.

Japan follows the United States as New Zealand's fifth-largest trade partner and accounted for 5.3 percent of New Zealand's total trade with the rest of the world.

The top imports for the same year in order of product were machinery, vehicles, mineral fuels and oils, travel services, and electrical machinery and equipment. While the top exports by product were travel services, followed by dairy, meat and edible offal, wood and fruits and nuts.

New Zealand is recognised internationally as a country that is innovative, creative and demonstrates ingenuity in the development of high quality products, increasingly in demand, especially in the new emerging consumer markets of Asia.

More importantly, there is a growing awareness among New Zealand businesses of exporting's potential to generate new sources of revenue.

Essential to growing a business through exporting is the need to do some homework before taking the plunge – put simply: "I have the idea to get into exporting, I need a strategy and I want the outcome to be growth – of my business, of markets, of turnover and revenue. So how do I get started?"

But first questions first! Why?

Why export?

Deciding to take advantage of the opportunities available in the international marketplace for your business may be for some of the following reasons:

- **Growth:** The New Zealand market is small on all accounts. For your business to develop strongly and grow faster, it must look to the world marketplace.
- **Profitability:** Some markets may offer you a better pricing structure than the New Zealand market.
- **Economies of scale:** Larger production runs allow you to spread the fixed costs of your plant, equipment and factory costs over the larger runs; giving you a reduced per unit cost.
- **Seasonal fluctuations:** The seasonal fluctuations

your business may experience in New Zealand can be reduced by exporting (especially to northern hemisphere markets) resulting in a more even cashflow and stable workforce.

- **Price competitiveness:** Your business can achieve, through larger production runs on an ongoing basis, a price advantage on the domestic market, resulting in gaining a greater share of the domestic market.
- **Reduce input costs:** Exports will permit the purchase of larger volumes of raw materials, parts and components, resulting in a further reduction of the per unit production cost.
- **Upgrading plant and equipment:** Is it time to upgrade your plant and equipment but you cannot embark on this without increased turnover? Export business will provide the volumes you require to justify upgrading plant and equipment. This in itself may also help reduce the unit cost of production.
- **Market entry:** You may wish to launch a new product but the domestic market is not large enough on its own to launch it. However, by factoring in additional export sales, entry onto the domestic market may become feasible.
- **Manage business cycle risks:** The traditional business cycles in New Zealand caused by our high exposure to commodity price variations may create instability for your local business. Exporting will provide a broader base of activities, providing better stability.
- **Exploit an innovative edge:** Through your exposure to new ideas, technology and processes from meeting new markets, you may have developed a new product or service. This can help your business develop innovative products and services and so provide the platform and stability the business needs to grow.
- **Staff loyalty and stability:** Through successful exporting you can engender increased enthusiasm, loyalty and commitment amongst your staff. This will contribute to a more stable workforce and higher productivity.
- **Small businesses (SMEs) can be successful exporters:** It is a popular misconception that only large companies can succeed overseas. Indeed, many SMEs have found that their competitive advantage lies in some form of technological or creative advantage – through Kiwi innovation and ingenuity; "we do things differently here". Reflecting an adaptive Kiwi attitude, many SMEs have 'unique' or 'niche-type' products or services. When these are known in offshore markets they generally develop consumer loyalty and sustainable demand.



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