

New Zealand

Euromonitor reports that in 2022, the New Zealand economy grew due to rising consumption, capital investment, and external demand. Despite this expansion, the global economic slowdown and tighter financial conditions are predicted to weaken business and consumer confidence, impacting the country's economic prospects. While New Zealand is not expected to go into recession, the recent natural disasters, including cyclone Gabrielle that struck the country in early 2023, are projected to impede its economic recovery.

- Following real growth of 2.6% in 2022, New Zealand's economy was expected to expand at an average annual gross domestic product (GDP) real rate of 1% in 2023 and 1.3% in 2024.
- Inflation in New Zealand was forecast to slow down to 4.6% in 2023 from 7.1% in 2022.
- While New Zealand's merchandise exports increased by 2.2% and imports rose by 9.8% during 2022, the country remained a net importer of goods.
- Gross fixed capital formation (GFCF) continued to increase over 2022, accounting for 25.9% of GDP.
- The public debt-to-GDP ratio in New Zealand rose to 54.3% in 2022, standing below the developed countries' average of 112%.

New Zealand's population reached 6.1 million in 2023 (CIA World Factbook Est.), an increase of 2.3 million since 2000. The country's median age rose to 37.7 years in 2023, compared with 34.2 years in 2000. The aging process has been accelerating but the pace will slow in the future with the median age reaching 39.3 years in 2030. The number of those over the age of 65 years old represented 842,000 "Kiwis," or 16.5% of total population in 2023 and is expected to rise to 20% by 2030.

Net migration is an important contributor to population growth. Currently, about one-quarter of all residents are born overseas. This is one of the highest figures of all industrialized countries. The government's immigration program has several objectives which are designed to produce tangible social and economic benefits.

USDA's Office of Agricultural Affairs (OAA) in Wellington, hereinafter referred to as FAS Post Wellington, reports that expanding New Zealand's network of free trade agreements (FTAs) remains a top foreign policy priority. New Zealand was an early promoter of the Trans-Pacific Partnership (TPP) and was the second country to ratify the agreement in May 2017. Following the U.S. withdrawal from the TPP in January 2017, on November 10, 2017, the remaining 11 countries agreed on the core elements of a modified agreement, which they renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In November 2016, New Zealand opened negotiations to upgrade its FTA with China; China is one of New Zealand's most important trading partners. New Zealand has ratified or is in negotiations with a number of regions and individual countries, but does not have an FTA with the U.S.

FAS Post Wellington reports that New Zealand continues to be an important market for U.S. agricultural products. In 2022, New Zealand's imports grew to a record US\$629 million of U.S. agricultural products. Despite its relatively small population, the country is already a top market for several U.S. exports, including dairy ingredients like lactose and whey; fresh fruit such as

grapes, and distiller's dried grains. New Zealand is also a key market for consumer-oriented products including grocery products. Overall, New Zealand continues to present opportunities for U.S. exporters. New Zealand is a wealthy economy with a GDP per capita of US\$45,686.

In general, consumers in New Zealand have high disposable incomes and desire high-quality and safe food products, creating opportunities for U.S. suppliers. However, although New Zealand has a strong economy, some economic trends have presented challenges for U.S. imports. Because of inflationary pressures on the economy, key New Zealand banks are forecasting an impact on discretionary income and a slowing of private consumption, which has occurred over the last 12 months. As of September 2023, the general inflation rate sat at 5.6%, a 2% drop from the previous year, with the New Zealand economy stabilizing. Nevertheless, the U.S. dollar continues to be strong against the New Zealand dollar, impacting the price point of imported goods.

The percentage of processed products as part of the total agricultural value in New Zealand is among the highest in the world. In 2023, 67% of the overall total was processed products from the U.S. The U.S. exported US\$300.8 million of processed food products to New Zealand in 2022, a drop of 2%. In 2023, U.S. exports of processed foods to New Zealand dropped again, this time another 8% to US\$276.2 million. This equates to US\$24.6 million, which adds on to the U.S. trade deficit in food and agricultural products.

In 2023, top U.S. processed food exports included:

- Food Preparations and Ingredients – up 15%.
- Syrups and Sweeteners – down 16%.
- Dog and Cat Food – down 37%.
- Alcoholic Beverages – down 22%.
- Processed/Prepared Dairy Products – down 16%.
- Processed Vegetables and Pulses – up 23%.
- Non-Alcoholic Beverages – up 5%.

Market Opportunities and Key Issues for U.S. Processed Food Exporters in New Zealand

Market Opportunities:

- U.S. products are high quality and are increasing in their presence in the New Zealand market.
- Low tariffs ranging between 0% and 5% on U.S. products.
- There are opportunities to market U.S. fresh products during New Zealand's countercyclical seasons.
- Some supermarkets make individual buying decisions, and this allows importers to approach them directly.
- Ease of doing business and size of market make it a good fit for new-to-export and small- to medium-size U.S. companies.
- New Zealand and Australia share a joint labeling standard.

Key Issues:

- Growing competition from Australia, Singapore, and China for consumer-oriented food products.
- Strict phytosanitary/sanitary regulations regarding fresh produce and meats.
- Consumer foods imported from Australia and other free trade partners are duty free.
- New Zealand's retail market is highly consolidated, dominated by two supermarket chains.
- Distance from U.S. results in high transportation costs.
- The labeling standard is very different from the U.S. and requires a sticker, which is an additional cost.

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in New Zealand reached nearly US\$7.1 billion in 2023. That represents a growth rate of 22.5% or US\$1.3 billion since 2019. By the year 2028, retail sales in the packaged food market in New Zealand are expected to reach US\$9 billion, a growth rate of 29.5% and nearly US\$1.5 billion from 2024.

High growth products in the forecast include:

- Ready Meals
- Rice, Pasta, and Noodles
- Processed Fruit and Vegetables
- Edible Oils
- Processed Meat, Seafood, and Alternatives to Meat
- Savory Snacks
- Frozen Cakes, Sweet Pies, and Tarts

FAS Post Wellington reports that the New Zealand retail market has continued to show strong sales. Supermarkets and grocery sales continue to see rapid growth because of New Zealand's current inflationary environment. As New Zealand navigated 2023, it was faced with continued logistical challenges, high interest rates, and soaring household costs. As a result, consumer spending is beginning to soften, and grocery industry revenue is estimated to be falling in 2023, although recovery is expected in subsequent years.

The grocery industry is highly concentrated in New Zealand and the sector is made up of three major grocery retailers, several independents, green grocers, and small convenience stores. The two major supermarket groups are Foodstuffs New Zealand and Progressive Enterprises (using the name Countdown). In addition, a third major grocery retailer is the Warehouse Group, which is a general retailer such as Walmart, but with a large grocery component. Combined, these three groups make up almost 90% of the entire grocery retail market in New Zealand. The arrival of Costco to New Zealand, with its first store having opened in Auckland in September 2022, is increasing competition in the sector as well as providing increased opportunities for U.S. food and beverages. If successful, Costco plans to expand into Wellington and Christchurch as well.

Foodstuffs New Zealand is the market leader, representing 47% of the total grocery market, making them a significant player even by global standards. Their structure, however, is rather

unique in that it is a cooperative and consists of many individual owners in the form of franchisees, with each individual supermarket having its own owner/operator. Foodstuffs have a centrally controlled system where the stores can source their products, but individual stores can also source some products direct from suppliers.

The Foodstuffs supermarket brands are separated into three brands: New World, which is a premium supermarket offering; Pak'nSave, which is a low-cost bulk purchase offering; and Foursquare, which is a local supermarket/convenience offering often located in smaller centers across New Zealand. Foodstuffs operates as two separate businesses, delimited by New Zealand's two islands. One business is Foodstuffs North Island, and the other is Foodstuffs South Island, with the purchasing of products primarily done separately by these two entities.

Unlike Foodstuffs, Countdown operates like a traditional grocery chain and purchases like a traditional chain. Countdown also imports fresh produce directly, as well as imports, processes, and packs its own meat. Countdown is the second largest player in the New Zealand market, with a market share of 32%.

The Warehouse Group is the third largest player in the market with a market share of 12%. The Warehouse Group is a similar retail model to Walmart in that it sells general merchandise with about one quarter of the store footprint dedicated to grocery items.

As mentioned, in September 2022 Costco opened its first New Zealand store in the city of Auckland, and industry sources indicate that it had the largest opening day of any store in Oceania, and the memberships for the New Zealand store are growing at a rapid pace. This may cause some revenue pivoting away from neighboring competitors.

Products from the United States are viewed favorably in New Zealand, but strong competition from Australia, Asia, and the EU exists. Due to its proximity, Australia is by far the largest supplier of consumer-oriented food products to New Zealand, with the U.S. being second.

Best Product Prospects:

FAS Post Wellington reports that products such as functional beverages, natural vegetable products and anything with a sustainability angle are continuing to prove popular in the grocery basket. Functional beverages are beverages that convey a health benefit or performance enhancing substances such as vitamins, minerals, amino acids, and others. Premium ice cream is a category that has also gone well in New Zealand, as well as several others in recent years. These include cheese, beverages, spices, sauces, and confectionary. Another product in high demand is fresh fruit, where the U.S. benefits from being a counter-seasonal supplier. Pet food is another major import from the U.S., with the U.S. being the number one supplier. Craft whiskey is growing in popularity in New Zealand, but importers are quite discerning about who they purchase from, so provenance and brand are extremely important for success in this category.

Foodservice Sector Highlights:

FAS Post Wellington reports that the Hotel, Restaurant, and Institutional (HRI) sector is rising again in New Zealand. This latest development is especially true in the tourism and hospitality sectors. While New Zealand is in a technical recession, strong global markets have helped boost

the sector in New Zealand. This growth has seen tourism numbers improve over the short space of time since the re-opening of borders and is having a positive impact on the sector.

Like many western countries, New Zealand has a sophisticated HRI industry, driven (normally) by international tourism and large events. New Zealand's network of accommodation services is extensive, ranging from low grade motels right up to four- and five-star hotels and even the odd six-star resort peppered across some secluded locations. New Zealand is a real food nation, and it prides itself on how it presents its food as well as the range of food offerings. New Zealand follows many international food trends, and its restaurants reflect those trends. Recently, U.S. BBQ trends have reached New Zealand, and a number of BBQ-themed restaurants have opened.

Logistical issues continue to impact hospitality and tourism, constraining the flow of goods. New Zealand has supply chain challenges across the economy, from construction goods to food and produce. Import issues are a considerable concern, and many of the materials and foodstuffs are fundamental to the proper functioning of the New Zealand economy, which includes the hospitality, accommodation, and tourism sectors. On the plus side, New Zealand shipping companies and ports are developing better pathways and methods for goods to come in and out of the country, and industry analysts expect the situation to improve.

New Zealand has entered a technical recession, which impacts firms, seeing them cut staff in response to lower tourist numbers and the frequency of lockdowns during that time. Investment in new hotel complexes did increase during that time, driven by investment from large hotel chains. Industry revenue is set to increase over the next five years as tourist numbers recover.

New Zealand's foodservice industry is made up of predominately small- to-mid-range cafes and restaurants. Like the accommodation sector, cafes and restaurants have been significantly impacted, but have been supported by domestic consumer spending and the government wage subsidy. New Zealand consumers are familiar with U.S. food trends and U.S. brands, and New Zealand has a large concentration of U.S. restaurants and fast-food establishments. Some of these include McDonald's, KFC, Pizza Hut, Taco Bell, Carl's Junior, Burger King, Denny's, Krispy Kreme, and others.

Products from the U.S. are viewed favorably in New Zealand, but strong competition from Australia, Asia, and the EU exists. In addition, New Zealand firms are price-sensitive and affected by currency volatility, which causes them to shop around for substitute products. There is a strong "buy New Zealand-made" push that food retailers amplified during the lockdowns. Meanwhile, demand remains robust for imported food products. In fact, the impact of New Zealand's logistical challenges and container shortages had the effect of increasing demand for imported products as New Zealand finds itself having supply shortages in some areas.

Food Processing Sector Highlights:

FAS Post Wellington reports that despite being a small country, New Zealand is a major exporter of food and beverage products, and many of these products are manufactured in-country, requiring inputs imported from other suppliers. Food, beverage, and grocery manufacturing accounts for almost one-third of New Zealand's manufacturing sector, mainly for exports.

Exports of food and agricultural products were US\$35 billion and represent a sector that is experiencing growth in several areas.

New Zealand is a prosperous country heavily reliant on trade. It is dependent on the primary sector with food and agricultural products accounting for a major share of total exports. New Zealand exports an estimated 80% to 90% of its primary production. Dairy remains New Zealand's largest exported product valued at US\$10 billion, or 35% of its total merchandise exports.

The country is going through a period of high inflation at 7.2%, which is running in parallel with ongoing import and shipping logistical problems. Despite these obstacles, the economy continues to perform relatively well, and unemployment remains low at 3.2%, and consumers are maintaining a strong level of discretionary income. Manufacturing and exports have continued to drive New Zealand's performance, and there continues to be strong import numbers for food ingredients and preparations. While New Zealand enjoys a large trade surplus of agricultural goods with the U.S., imports from the U.S. are continuing to remain strong, with New Zealand importing a record US\$629 million of agricultural and related products in 2022.

New Zealand's agricultural imports are categorized into three main groups. The first are ingredients or inputs for New Zealand's sophisticated food manufacturing sector. The second are consumer-ready products, such as baked goods and confectionary for the retail market. New Zealand consumers are becoming more discerning and anxious to consume a wide variety of products from other markets. The third group is ingredients for animal feed, which are used in the livestock and dairy sectors.

Products imported from the U.S. are viewed favorably in New Zealand and import demand has remained strong. However, robust competition from Australia, Asia, and the EU exists. In addition, New Zealand companies are price sensitive and affected by currency volatility, which causes them to shop around for substitute products. There continues to be a consolidation in the food ingredients category with some companies hesitant to look at new products. Despite this, New Zealand continues to have high demand for many products it requires for its manufacturing sector, which is still going strong.

Best Product Prospects:

FAS Post Wellington reports that the U.S. is a key source of ingredients including dried distiller's grains, food preparations, pork, lactose, tree nuts, hops, and other products. The U.S. also supplies ingredients for animal feed.