INTERNET USAGE

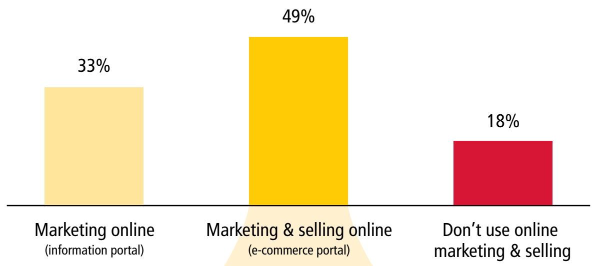
The Internet is increasing in importance as a business tool for exporting companies, with 82 per cent of exporters reporting that they currently use the Internet for marketing or selling goods and services – four in five use the Internet for marketing and one in two exporters have an e-commerce portal.

The survey reveals that the Internet is a valuable marketing tool for exporters, but it is not the primary sales channel. Exporters are still heavily reliant on traditional sales and marketing methods. Only 15 per cent of exporters are deriving 75-100 percent of their sales online, therefore there is scope to develop this channel.

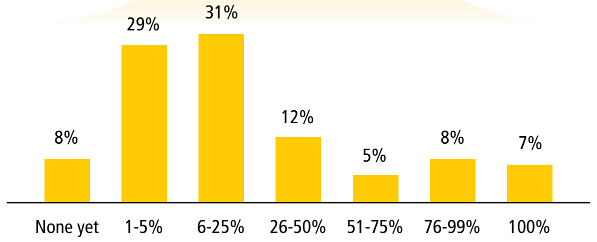
According to the DHL Export Barometer, 18 per cent of companies do not use the Internet for marketing or selling. Of those, only one-third have plans to set-up an e-commerce portal within the next two years. Reasons for not using an e-commerce portal varied between 'not effective/relevant for product/service' (nine per cent) and 'already have established customers' (five per cent), to 'deal direct with customers' (four per cent) and 'never looked in to it' (one per cent).

Internet usage

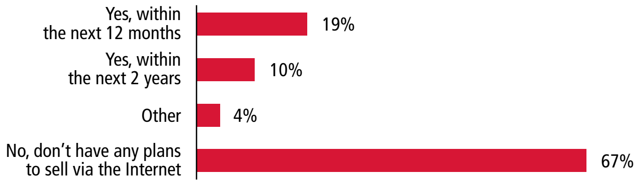
Does your company currently use the Internet?



Proportion of total export sales derived from transactions over the Internet.



Does your company have plans to sell your goods and services over the Internet?



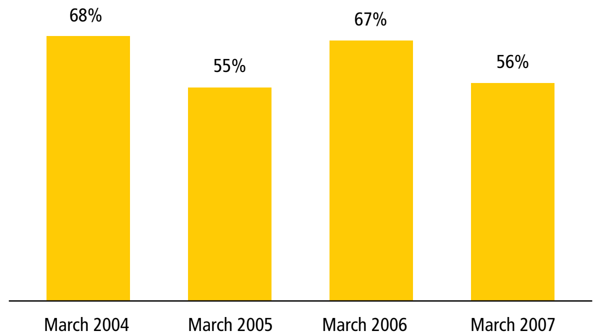
EXPORT PROFITABILITY & EXCHANGE RATE TRENDS

The 2007 DHL Export Barometer reveals that optimism regarding future profitability amongst exporters has significantly declined over the past year, to levels similar to that in 2005. Exporters' anticipated profitability in the next 12 months is down 11 per cent compared to last year, and down 12 per cent compared to 2004, the first year in which the survey was conducted.

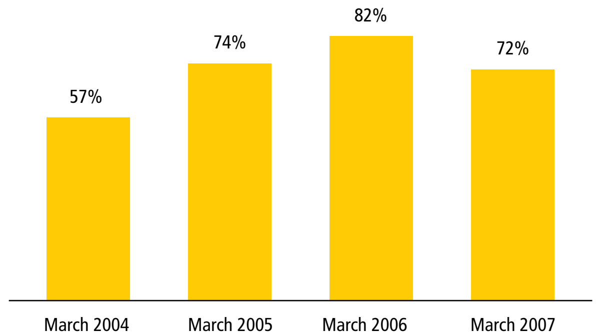
On comparing the results over the last four years that the DHL Export Barometer has been in existence, the 2006 results show the highest proportion of exporters (82 per cent) considered the exchange rate to have had a negative impact in the previous 12 months. As a trend, the impact of the exchange rate as a negative factor in the last 12 months, shows that the greatest increase occurred between 2004 and 2005, with a significant increase of 17 per cent.

When comparing the current 2007 results to the previous year, the 10 per cent decline in the negative impact of the exchange rate perhaps reveals an attitude of resilience or resignation by exporters, towards fluctuations in the dollar.

Companies expecting a profitability increase due to exports (next 12 months)



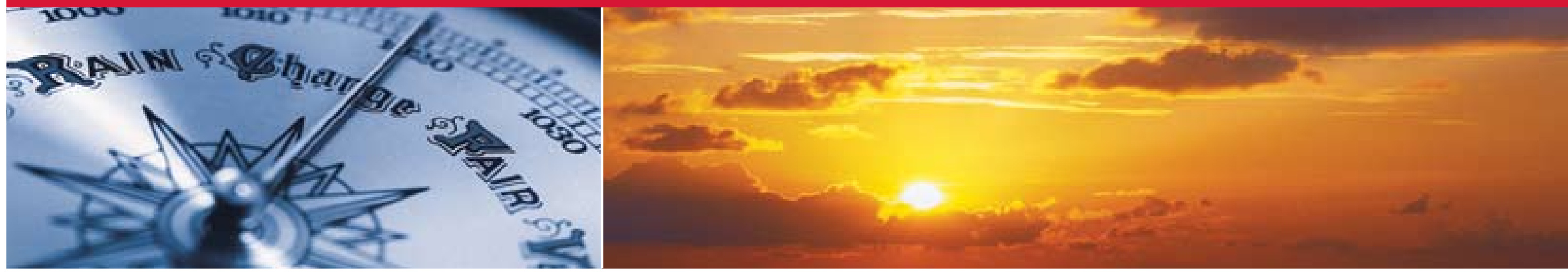
Companies that have been negatively affected by exchange rates (past 12 months)



Research was conducted by ACA Research. Data was captured through structured telephone interviews with 305 exporters, each targeted for the survey using stratified sampling techniques according to industry sector. Of the total sample, 74 per cent have been exporting for more than 10 years.

May 2007, Issue 6

DHL EXPORT BAROMETER NEW ZEALAND EXPORT TRENDS



WHEN THE GOING GETS TOUGH – THE TOUGH GET GOING

In the face of uncontrollable and seemingly crippling factors such as foreign exchange and interest rates, many of our exporting sectors are toughening up and discovering that they are more resilient than they thought.

Despite the cautious mood surrounding profitability expectations right now, the sixth annual DHL Export Barometer finds 63% of exporters anticipate an increase in their export orders in the next 12 months.

Furthermore, many exporters across all sectors have found ways and means of getting cost out of their goods and services to find those elusive productivity gains. For some, this has meant upping their R&D programmes, and investing in technology, plant and equipment. This investment is taking place both in New Zealand and offshore, and is part of a greater commitment to get closer to our foreign markets and our customers.

There is no doubt that this is the era of commitment and connection with our markets and customers, in ways and means never before contemplated by New Zealanders. Many of us have discovered that we need to become totally global in our outlook and aspirations, as we build greater and more meaningful relationships with our customers overseas.

Business alone is charged with 'doing the business – as governments can not', but strong fiscal leadership from Government is required while we find innovative ways and means of stimulating our export sectors.

As I always say, "fortune favours the brave". Venture forth and find new strategies, technologies and markets. There may never be a better time.

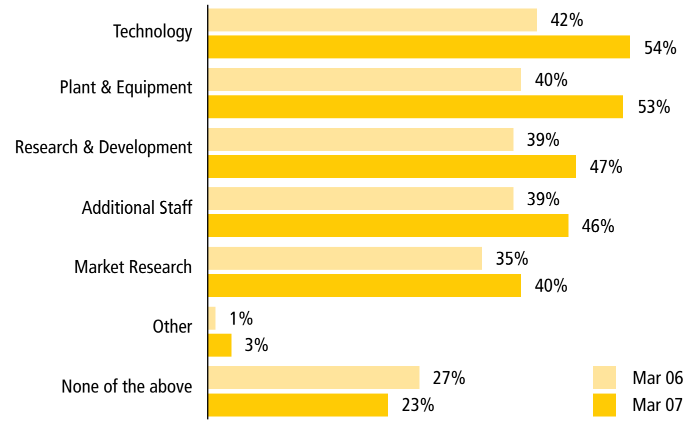
Ken Stevens
Chairman, Glidepath Group New Zealand
Business Champion of Export Year '07

INVESTMENT IN THE FUTURE

Exporters appear ready to meet exchange rate and other pressures head-on in the next 12 months, with the latest DHL Export Barometer finding that a significantly higher proportion of exporters plan to invest in 2007, compared to last year. In 2006, exchange rate pressures resulted in exporters declaring their intention to reduce staff and cut back on future investment plans, but not this year.

Three out of four exporters (77 per cent) – up from two out of five in 2006 – have widespread investment plans, with approximately one in two exporters planning investments in technology (54 per cent), plant and equipment (53 per cent), research and development (47 per cent), additional staff (46 per cent) and market research (40 per cent). Of the four sectors surveyed, tourism is the least likely to invest during the next 12 months.

Are you planning investments in the following areas in the next 12 months? (% Yes)



EXPORT CONFIDENCE

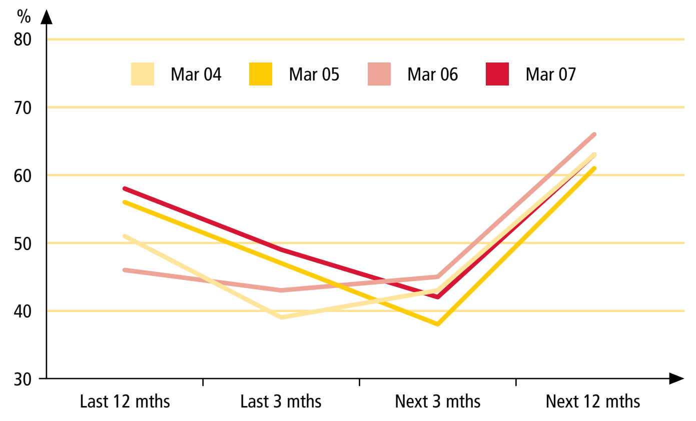
The outlook remains bright for the majority of exporters in the next 12 months, with 63 per cent anticipating an increase in their export orders, and 56 per cent saying they are optimistic about their prospects for better profits.

While confidence levels for growth in future export orders is marginally below the 66 per cent of 2006, the overall picture for the last 12 months has been good for exporters, who enjoyed a net gain of 45 per cent (proportion of exporters reporting export increases less export decreases).

However, the DHL Export Barometer also found that confidence dips marginally for exporters' businesses in the short term – from a 49 per cent increase over the past three months to an anticipated 42 per cent increase in the next three months.

Exporters in the agriculture/food and beverage industry are more optimistic in the short term than any of the other sectors, despite 24 per cent in this sector expressing reservations about the strong dollar.

Companies that state "increase" in export orders



EXPORT MARKETS AND RELATED PROFITABILITY

Exporters to Europe, China and South Asia anticipate the biggest increases in orders over the next year. Europe (excluding the UK), with 12 per cent, is a new arrival to the eight most profitable export countries. This is a change from 2006, when Europe didn't feature in the profitability stakes. Perhaps we are seeing a return to more traditional export markets, as exporters realise that more difficult markets such as China will take time to realise return on investment.

More than 50 per cent of exporters anticipate an increase in profitability over the next 12 months. While Australia is considered to be the most profitable market by the majority of those surveyed, this belief has fallen eight per cent since last year, to 32 per cent.

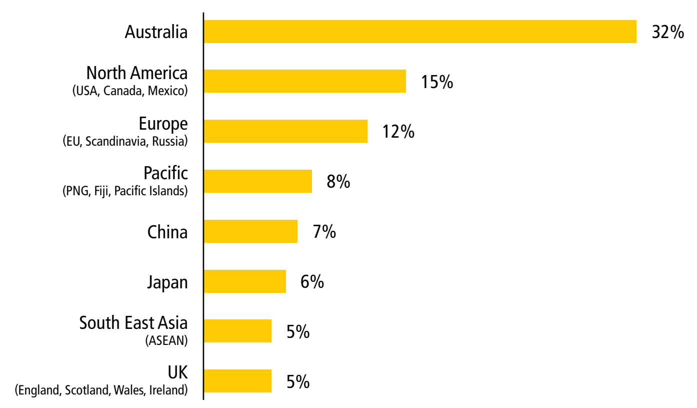
Similarly, 51 per cent of companies are exporting to North America, with 15 per cent believing it is the most profitable of all export markets.

Diversification of export opportunities is becoming the norm for the vast majority of exporters. According to the DHL Export Barometer, nearly three in four exporters (74 per cent) cover a wide geographical area, exporting to multiple regions, while 26 per cent focus on one region, namely the South East Asia, South Asia and Pacific region.

Agriculture/food and beverage (81 per cent), and tourism (84 per cent) were the biggest exporters to multiple regions, while the manufacturing sector is least likely to trade with multiple regions. The tourism sector significantly favours the European, Middle Eastern and African markets, while the agriculture/food and beverage sector is more likely to export to North East Asia (Japan, Hong Kong, China, Korea and Taiwan).

Australia and the USA remain our top two export markets.

Top 8 most profitable countries



Geographic regions exported to

South East Asia, South Asia & Pacific 89%	• Australia	72%
	• Pacific (PNG, Fiji, Pacific Islands)	42%
	• South East Asia (ASEAN)	41%
	• South Asia (India)	22%
North East Asia 56%	• China	37%
	• Japan	34%
	• Hong Kong	32%
	• Korea	25%
	• Taiwan	24%
Europe, Middle East & Africa 56%	• UK (England, Ireland, Scotland, Wales)	40%
	• Europe (EU, Scandinavia, Russia, E. Europe)	39%
	• Germany	29%
	• Middle East	21%
	• Africa	16%
Americas 54%	• North America	51%
	• South & Central America	19%

NEGATIVE FACTORS

Exporters appear to have developed a resilient attitude towards the foreign exchange highs and fluctuations of the New Zealand dollar, with 72 per cent of exporters citing exchange rates as having had a negative affect on trade compared to 82 per cent a year ago. The tourism sector suffered the least from the negative impact of exchange rate fluctuations compared to other sectors.

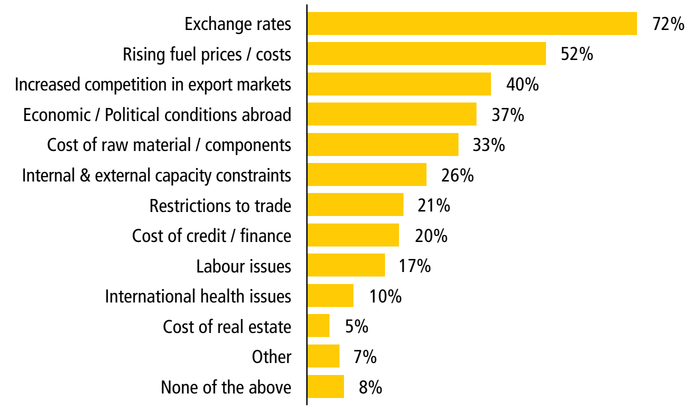
For agriculture/food and beverage exporters, rising fuel prices have had a greater adverse impact compared to other sectors. Despite the impact on the agriculture/food and beverage industry however, diversification and resilience may also be behind less exporters overall perceiving rising fuel prices and costs as a negative factor impacting sales in the last 12 months, down to 52 per cent from 67 per cent at the same time in 2006.

Increased competition in export markets (40 per cent), economic and political conditions abroad (37 per cent) and the cost of raw materials and/or components (33 per cent), complete the top five factors negatively impacting export sales in the last 12 months.

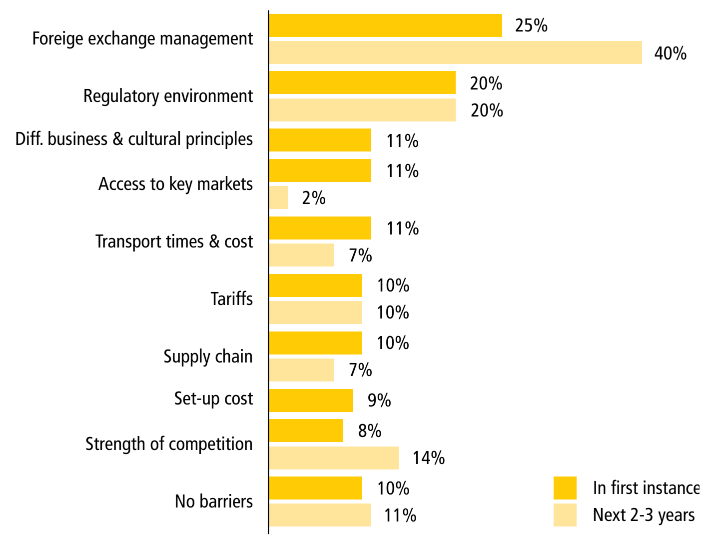
For some time there has been widespread concern over productivity (less output with the same resources such as staff, technology and same processes), and this year – as in 2006 – one in four New Zealand exporters (24 per cent) list declining productivity as a concern.

Exporters cited foreign exchange management and the regulatory environment as their top two obstacles to exporting when they first started out. These were also identified as the major barriers to future trade, along with the increasing strength of competition. Similarly, 10 per cent of exporters claim they did not face any barriers at all when first exporting, compared to 11 per cent of exporters expecting to face barriers in the future.

Factors negatively impacting export sales in the last 12 months



Major barriers faced when exporting



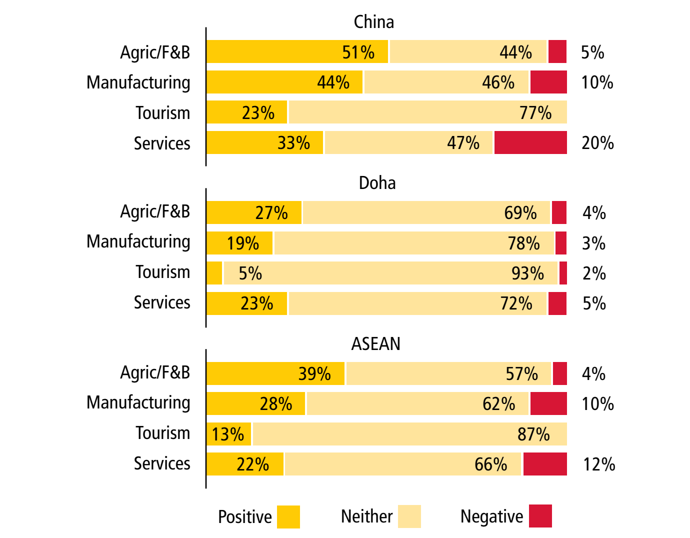
FREE TRADE AGREEMENTS

China, the USA and Japan remain the most popular of the proposed Free Trade Agreements (FTA) among local exporters, with both China and USA FTAs regarded by the highest proportion of exporters (40 per cent) as having the most positive impact for their businesses.

While overall confidence in FTAs has slipped in the 'very positive, somewhat positive' categories since the 2006 DHL Export Barometer, exporters in the agriculture/food and beverage sector are still the most upbeat about FTAs with China and the Association of Southeast Asian Nations (ASEAN), as well as the Doha Development Round of World Trade Association negotiations.

One in five exporters in the services sector believe that a FTA with China will have a negative affect, compared to just five per cent in the agriculture/food and beverage industry, with two in five of exporters in this industry viewing a FTA with the ASEAN region as positive.

Impact of FTA by industry



ASEAN (Association of South East Asian Nations) includes Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Brunei, Singapore and Vietnam.