

Information Only – This information is gathered from publicly-available and other sources. This information does not necessarily represent MPI's views.

## Te Uru Rākau Forestry Sector Update - 13 March 2020

### Economic conditions of major export markets

#### General

- SOPI Report: For the year ending 30 June 2020, forestry export revenue is forecast to fall by 17.9 per cent in revenue to \$5.65 billion, due to over-capacity in log inventories at Chinese ports caused by COVID-19, and oversupply from markets such as Europe. The forestry forecast represents a further 5 percent decrease on the previous forecast when a 12.8 percent drop was predicted.
- MFAT has said that as of Friday 13 March (NZ time), there are no indications that the restrictions placed on travellers into the United States will affect trade. However, we can likely expect further restrictions on personal travel. Other countries are likely to follow the US's lead and impose travel restrictions.
- The Wood Product Sector is becoming concerned about future market conditions especially in the Australian market, if restrictions to limit the spread of disease are imposed.
- Media around the Australian fire salvaged logs are reporting that logging from native forests is reducing substantially due to environmental pressures, and reduced profitability of operations. Environmental pressure may increase as a response to the fires. Fire salvage work is expected to last 1-3 years.

#### Situation in China

- China is stabilising - major construction work is starting up again, and ports are beginning to move logs. However, we have heard that forestry related jobs are still being lost.
- No regulatory or market access changes affecting New Zealand exports. MFAT attention is turning to the global economic situation.
- Port off-take of imported logs has lifted from 5,000 to 20,000 JAS m<sup>3</sup> per day but there is still some way to go before log inventory return to healthy levels.
- Total log inventory on China's eastern ports is now above 7 million tonnes - some ports are no longer able to receive vessels and it is predicted to take several months or more to clear.
- A China Wood Protection Association survey of 72 wood businesses found that companies are generally willing to resume work, but operational efficiency is affected. They are receiving only small numbers of orders, resulting in financial losses, and given that market confidence is currently low - expected to take about 6 months return to normal.
- Although things are improving in China, the impacts of COVID-19 have created a highly volatile environment for the forestry sector.

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- The export forecasts are likely to change as the impacts of COVID-19 and the speed of recovery becomes clearer.
- Access to shipping containers still remains difficult adding to supply chain issues.

## Impacts on New Zealand

### Contractors (Harvesting)

- Contractors are continuing to be under pressure, many are on 50% of their usual number of hours. The smaller businesses are especially struggling.

### Domestic processors

- There is growing concern about possible knock on effects from limited supply of components manufactured overseas. This could lead to manufacturing disruptions in New Zealand. For example, face masks and PPE on construction sites, and lack of manufacturing components, further reducing the demand for wood.

## Government response update

- Te Uru Rākau has been working on a number of cabinet papers, on the proposed worker and employer support packages. These we will go to cabinet next week and we hope to have an update shortly after that.
- Te Uru Rākau will be distributing a survey that will be run on a fortnightly basis looking at how employment is being affected across the industries and regions.

## Key Contacts and Support

### COVID-19 Specific Information for Businesses

A collation of government information relating to coronavirus (COVID-19), how it may affect your business and how you can stay up to date as new information becomes available, can be found here: [www.business.govt.nz/news/coronavirus-information-for-businesses/](http://www.business.govt.nz/news/coronavirus-information-for-businesses/)

### Support available from Inland Revenue

Tax relief and income assistance is available to people affected by the downturn in business due to the Coronavirus COVID-19. These include:

- Penalties for late filing or late payments may be remitted
- Re-estimates of provisional tax
- Increase in Working for Families Tax Credits

If you are struggling to deal with your tax affairs, please discuss this with your tax agent or accountant. Full details about the tax relief options available are on the Inland Revenue website.

Visit: [www.ird.govt.nz/Updates/News-Folder/tax-relief-coronavirus](http://www.ird.govt.nz/Updates/News-Folder/tax-relief-coronavirus)

Call Inland Revenue on **0800 473 566**

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### Ministry of Social Development

Financial support availability and advice for individuals and businesses, can be found here:

[www.workandincome.govt.nz/eligibility/emergencies/2020/coronavirus.html](http://www.workandincome.govt.nz/eligibility/emergencies/2020/coronavirus.html)

### MoneyTalks - free financial helpline offering budgeting advice/financial mentoring

FinCap runs MoneyTalks which is a free financial helpline which is the best place to start for people needing budgeting advice/financial mentoring. They can refer people on to the financial mentor network in their area for face-to-face consultations if that's required. Their contact details are:

Phone: **0800 345 123**

Text: 4029

Email: [help@moneytalks.co.nz](mailto:help@moneytalks.co.nz)

Live chat: [www.moneytalks.co.nz](http://www.moneytalks.co.nz)

### Ministry of Health

Latest health updates, information and advice on COVID-19, including self-isolation information and mental wellbeing management, can be found on the Ministry of Health website here:

<https://www.health.govt.nz/our-work/diseases-and-conditions/covid-19-novel-coronavirus>

### Ministry for Primary Industries

Primary Industry related information, can be found on the Ministry for Primary Industries website here: [www.mpi.govt.nz/protection-and-response/responding/alerts/coronavirus/](http://www.mpi.govt.nz/protection-and-response/responding/alerts/coronavirus/)