



New Zealand Export Credit Annual Overview 2019/20



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About New Zealand Export Credit

New Zealand Export Credit's (NZEC) purpose is to promote and support New Zealand exports and the internationalisation of New Zealand companies by helping exporters and their integral domestic suppliers to:

- mitigate repayment risks of buyers
- secure sales, and
- access finance to enable trade.

We do this by offering trade credit insurance and finance guarantee solutions, backed by the New Zealand Government, that complement those available from the private sector.

NZEC's services enable commercially-viable exports that may not have otherwise occurred, by providing security and capacity to exporters to grow their exports, establish a new trading relationship and/or enter a new market.

We focus on educating businesses about the financial challenges and risks of exporting and building awareness of solutions (both private and via NZEC) that can support their aspirations. We also work closely with other government agencies to ensure alignment with and promotion of services available to New Zealand businesses.

In the process, we support the Government's Economic Plan to build more productive, sustainable and inclusive economy. NZEC's solutions support a number of the policies and actions in this plan, including:

- supporting the diversification of New Zealand's export markets and value-added exports
- creating skilled jobs and encouraging increased participation by small-medium enterprises (SMEs), Māori businesses and regional businesses
- strengthening international connections
- helping to support New Zealand's recovery from COVID-19 impacts.

1 Foreword from the Chief Executive

A thriving export business sector is critical to the Treasury's vision of lifting living standards for all New Zealanders and helping support New Zealand's COVID-19 economic response. This Annual Overview looks back at the work the Treasury's New Zealand Export Credit (NZEC) function has delivered over the past twelve months to support New Zealand exporters.



Up and down New Zealand, businesses large and small work hard to sell their products into new and existing markets, and we are proud to support their efforts through the work of NZEC.

During the year we celebrated the milestone of supporting exports into our 100th country. We met and exceeded all of our key performance targets, with \$130 million new exposure underwritten, supporting 44 exporters to deliver \$288 million of goods and services to 49 countries.

The uncertainties of COVID-19 lifted demand for trade credit insurance, including from larger exporters seeking cover with existing international customers.

We have worked quickly and collaboratively with other government agencies (including New Zealand Trade & Enterprise and the Ministry of Foreign Affairs and Trade (MFAT)), banks, trade credit insurers, industry associations and professional advisers to enable commercially-viable exports to proceed through the uncertainties of COVID-19.

In the year ahead NZEC will play an important role in providing confidence and resilience to exporters – and aiding their recovery – through its expertise and export credit solutions.

We look forward to continuing to deliver these services, working in close partnership with others, with the collective aim of enabling New Zealand businesses to enter, diversify and succeed on the world stage.

A handwritten signature in blue ink, appearing to read 'Caralee'.

Caralee McLiesh
Secretary to the Treasury

March 2021

2 Summary of performance for the year ended 30 June 2020

Supporting exporters' growth and diversification

During 2019/20, a total of NZD 130 million of new exposure was underwritten. This enabled 44 exporters to deliver goods and services worth a total of NZD 288 million into 49 countries.

Economic benefits

GROWING REGIONAL EXPORTS

35% of NZEC customers were regionally located, and a further 25% were city-headquartered with goods and services sourced from the regions. These exporters covered a range of sectors including advance manufacturing, processed timber, horticultural and agricultural products, seafood, processed food and beverage, and services to international tourists.

PROVIDING RESILIENCE DURING COVID-19

Our trade credit insurance enabled exporters to trade with confidence once the COVID-19 pandemic began. During the final three months of the financial year, NZEC issued \$54 million of trade credit cover, in support of \$70 million of export contracts into 17 countries. This support covered food and beverage, medical, telecommunications, manufacturing and agricultural products.

INCREASING GLOBAL DIVERSIFICATION

41 of the export destinations that NZEC underwrote were outside of New Zealand's top ten export markets, and spanned the globe including Saudi Arabia, Mexico, Albania, Vanuatu, Pakistan, and the Maldives.

INCREASING ACCESS TO CAPITAL

Christchurch company, Connexionz, accessed additional working capital via NZEC's loan guarantee to help it deliver a USD 1.8 million intelligent transportation system for a Californian county rural bus network.

Key performance deliverables

Figure 1 – Key Performance Deliverables

OBJECTIVE	2018/19 (FULL YEAR)	2019/20 (FULL YEAR)	2019/20 TARGETS
Number of Policies issued	39	67	40 - 50
Value of Export transactions supported (NZD)	\$216m	\$288m	\$220m - \$240m
Number of Exporter customers ¹	41	44	35 - 45
Number of export markets (countries) supported	29	49	25 - 35
Total New Exposure Underwritten (NZD)	\$70m	\$130m	\$80m - \$100m
Total Exposure Repaid / Expired (NZD)	\$99m	\$111m	\$90m - \$100m

¹ An exporter customer is a firm whose exports directly benefited from a policy during the last 12 months.

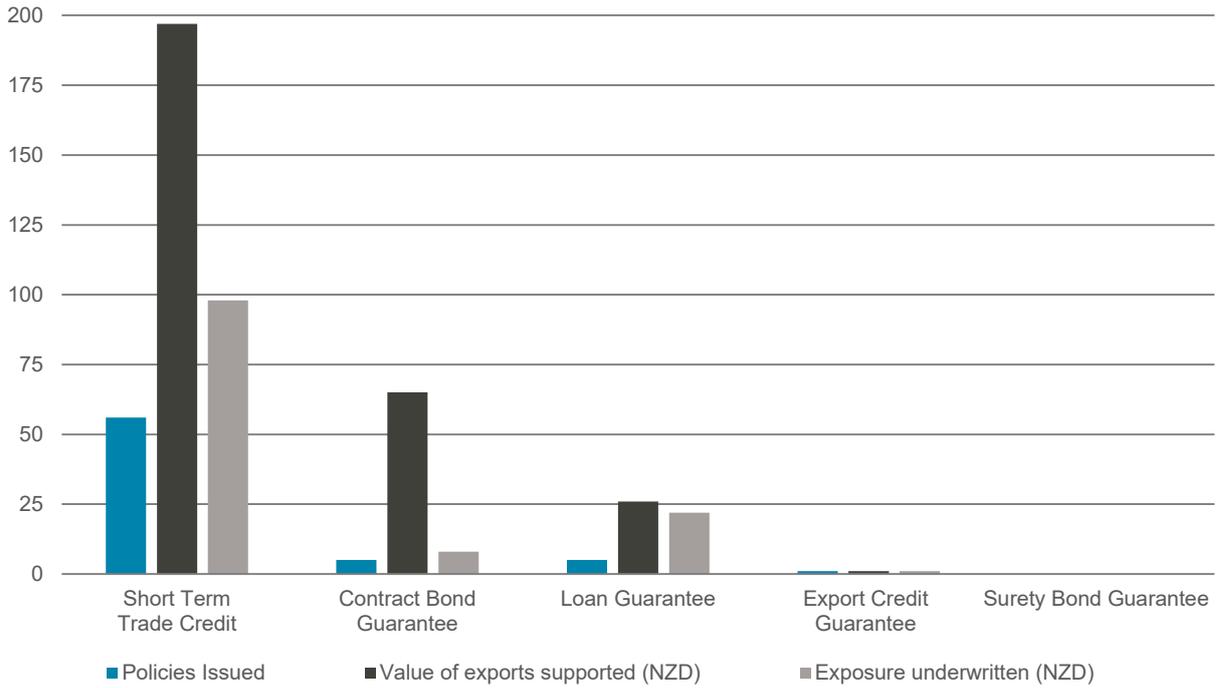
Demand for NZEC products are influenced by the capacity and appetite of the trade credit insurers and banks to assume financial risks in support of exports. This year we met and exceeded all our annual targets, as well as our 2018/19 equivalent results.

A significant driver behind these results was the impact that COVID-19 had on the supply and demand for trade credit insurance. We worked quickly and collaboratively with the commercial trade credit insurers and local brokers to help

maintain sufficient protection against a buyer defaulting on payments. This included implementing a streamlined underwriting process for “top-up” coinsurance cover with commercial trade credit insurers.

As a result, the mix of NZEC’s support was weighted towards Short Term Trade Credit Insurance. NZEC’s Contract Bond and Loan Guarantees were notable for supporting the export of specialised manufacturing, automated systems, healthcare and software services.

Figure 2 – Policies, exports and exposure underwritten by product



	SHORT TERM TRADE CREDIT	CONTRACT BOND GUARANTEE	LOAN GUARANTEE	EXPORT CREDIT GUARANTEE	SURETY BOND GUARANTEE
Policies Issued	56	5	5	1	0
Value of Exports Supported (NZD)	\$197m	\$65m	\$26m	\$1m	0
Exposure Underwritten (NZD)	\$98m	\$8m	\$22m	\$1m	0

3 Product profiles

Short Term Trade Credit Insurance

The Short Term Trade Credit product covers the risk of a foreign bank or buyer failing to make short-term credit payments due to political or commercial events. It provides confidence to an exporter and may enable them to access trade finance from their bank.

Applications are only accepted from exporters that have been declined or referred by a private trade credit insurer. Our support is provided with the objective of helping an exporter to establish a positive trading history with a new buyer or grow their export turnover and number of insurable buyers. This, in turn, may result in the private insurers stepping in to provide future cover.

During the year, this product underwrote NZD 197 million of exports into 25 countries, including Algeria, Bangladesh, Canada, Jordan, Pakistan, Philippines, Saudi Arabia, and Vietnam. These countries are outside of New Zealand’s top ten export markets and demonstrates how this solution supports the diversification of New Zealand’s export markets.

From 1 April 2020, we received a significant increase in demand arising from:

- a higher number of exporters seeking trade credit insurance to protect their sales as the impact of COVID-19 heightened uncertainties; and
- commercial trade credit insurers incrementally reducing some exposures on buyers across a range of sectors and geographies, as well as limiting their appetite for new business.

In responses to the increase in COVID-19 demand, we implemented a streamlined underwriting processes for “top-up” coinsurance arrangements with each of the four trade credit insurers operating in New Zealand. Under each arrangement, an eligible business can obtain an additional layer of trade credit insurance directly from NZEC. This may replace primary cover that an insurer has partially withdrawn on a buyer or provide an additional top-up layer of cover where an insurer has only partially approved a buyer limit.

We engaged closely with the commercial trade credit insurers and brokers to build awareness of this top-up cover support and to ensure exporters could maintain their export sales with the confidence of trade credit insurance. As a result, 70% of NZEC’s short-term trade credit insurance policies issued from 1 April 2020, were via the streamlined top-up cover arrangements. The Mr Apple case study below is one example of how NZEC’s risk-sharing approach supported sales to multiple international buyers.

A quarter of our short term trade credit policies were for foreign bank issued letters of credit in circumstances where New Zealand banks had limited credit capacity or a correspondent bank relationship. We covered banks in 11 countries across Asia, Middle East, Africa and Europe.

CASE STUDY – SHORT TERM TRADE CREDIT INSURANCE

Mr Apple

Just as New Zealand’s apple industry was hitting the peak of its harvest, COVID-19 became a global pandemic. One of New Zealand’s largest apple exporters, Mr Apple was determined to keep selling to its international buyers but wanted the security of trade credit insurance. NZEC’s top-up cover enabled Mr Apple to quickly obtain additional coverage on 22 of its customers that its primary insurer was unable to sufficiently cover. *“We employ more than 2,000 people at the height of the season, which this year coincided with COVID-19,”* says Peter Dury, Chief Financial Officer. *“We needed to know whether we could sell our product to our offshore buyers without loading our business up with payment risk. NZEC’s support gave us additional certainty which was exactly what we needed in such changeable times.”*



Export Credit Guarantee

The Export Credit Guarantee covers credits or loans, greater than one year, provided to foreign buyers of New Zealand capital goods and related services. It underwrites commercial or political risk events that result in the foreign buyer failing to make its repayments as they fall due.

Utilisation of this support remains low with one small value policy issued in support of a hotel resort development in the Maldives and one committed offer for specialist equipment to an Australian buyer.

Most of the enquiries throughout the year related to specialised machinery valued less than NZD 5 million. A key constraint in progressing these enquiries is the challenge in obtaining private sector financing for smaller value cross-border loans.

Looking forward, one strategic objective is to focus on identifying opportunities to coinsure or reinsure with other export credit agencies on projects involving a New Zealand joint or sub-contractor, including within New Zealand.

General Contract Bond Guarantee

A contract bond is a financial guarantee that protects a buyer from losses in the event the contractor fails to perform its contractual obligations. The General Contract Bond Guarantee is provided to an exporter's bank or specialist contract bond provider to support the issuance of these bonds when the exporter has insufficient collateral to secure the bond in addition to their working capital facilities.

During the year, the General Contract Bond Guarantee helped New Zealand firms secure a total NZD 65 million of multi-year, export contracts into Australia and the Pacific. These contracts included automated material handling systems, specialised machinery and hydro power engineering.

NZEC's support is often critical to enabling aspirational and growing exporters to secure larger projects in new markets which helps establish their reputation for other buyers. One good example of this is Manco Environmental, described in the case study below.

CASE STUDY – GENERAL CONTRACT BOND GUARANTEE

Manco Environmental

Manco Environmental designs and builds a range of vehicles and equipment for the recycling, waste and rail transport sector. When it was awarded a contract to supply a machine capable of installing rail tracks into newly excavated tunnels under Sydney harbour and northern suburbs, Manco was required to provide a performance and advance payment bond. On a risk-sharing basis with Manco's bank, NZEC's General Contract Bond Guarantee helped secure these bonds, and ensure that Manco retained sufficient working capital to deliver their contract. Manco's successful performance led to additional work on this project and increased their profile in this market. *"As a small, privately-owned New Zealand manufacturing company we don't often get opportunities like this",* says Bryan Black, managing director. *"NZEC's support for this project helped us demonstrate our products and services and has resulted in new contracts in Australia".*



Surety Bond Guarantee

A surety bond is a financial guarantee which provides assurance to a buyer that the contracted work will be performed and/or any losses incurred due to a contractor's non-performance will be indemnified.

The Surety Bond Guarantee is provided to international surety bond providers and is a significant enabler for many New Zealand firms to bid for United States or Canadian federal or state funded projects, which require 100% surety bonds to guarantee the performance of the project. This is because most New Zealand firms are unlikely to be known by the offshore surety bond issuers, nor able to meet their minimum financial criteria.

To date, we have supported exporters to deliver telecommunication systems, airport baggage handling systems, information technology services and systems for water management and bus tracking, and stadium seat cleaning services.

During the year, we issued one committed offer in support of a waste treatment project in one of the United States' Pacific territories. We forecast that this will convert to a policy in the coming financial year.

Loan Guarantee

Our Loan Guarantee is provided to banks as security to enable proven small to medium sized exporters to access additional loan facilities to deliver on export contracts.

Pre COVID-19, we guaranteed additional lending to proven exporters that:

- had mismatched cash flow between their suppliers and buyers,
- required increased trade loan facilities to fund growing export sales, and
- wanted to purchase capital goods to increase their exporting performance (and where the exporter's bank demonstrates a risk-sharing commitment).

These exporters were across a range of sectors including pharmaceutical, information and communication technologies (ICT) recycling scrap metal, and aviation services.

During the last quarter of the financial year, demand for our loan guarantee reduced as other Government loan or grant support filled the market gaps for New Zealand exporters. However, as these COVID-19 schemes expire and exporters face working capital constraints, we forecast a rebound in demand for our loan guarantee.

The case study of Connexionz below is an example of how NZEC's loan guarantee provided a small ICT business with the confidence to pursue a larger, year-long international project.

CASE STUDY – LOAN GUARANTEE

Connexionz

Connexionz designs and manages intelligent transportation systems for some of the world's busiest transport networks. When Connexionz pursued a 12-month contract with a County in California, it sought sufficient headroom in its loan facility. Connexionz wanted assurance that it could fund substantial up-front costs as well as manage any contingency costs or delayed milestone payments. NZEC's Loan Guarantee provided additional security to Connexionz's bank in order for this small ICT company to obtain this loan facility. *"New Zealand Export Credit's backing gave us piece of mind,"* says Wayne Smith, chief executive officer, *"and enabled us to be bold and ambitious in what we could achieve."*



4 Risk portfolio and financial summary

A core NZEC function is to assess, accept and manage higher levels of commercial and political risk to facilitate the success of New Zealand companies in international markets. This is focused on where market gaps exist, or private sector capacity or risk appetite is limited.

Risk portfolio

As at 30 June 2020, NZEC's risk portfolio, including committed offers, was valued at NZD 155 million across 75 policies (compared to NZD 126 across 54 policies as at 30 June 2018). This is 21% utilisation of NZEC's total prudential limit of NZD 740 million (see Figure 4).

The annual increase in total outstanding policies and contingent liabilities was a direct result of increased demand during the last quarter, as COVID-19 impacted on the credit availability and risk appetite of the private sector.

An important function of NZEC is to facilitate the 'crowding-in' of the private sector by actively demonstrating the creditworthiness of a foreign buyer and/or enhancing the performance and profitability of an exporter. Over the past year, several general contract bond and loan guarantee customers obtained capital raising and/or increased banking facilities after NZEC-underwritten export sales improved the revenue and profitability of the high-growth exporters.

Across our total portfolio, there was regular turnover of policies with NZD 111 million of exposure being successfully repaid or expired over the year (which was 88% of the total exposure as at 1 July 2019). NZEC's high percentage of trade credit insurance policies results in a relatively short-term risk maturity profile, and we forecast 55% of our current exposures to expire over the next 12 months (see Figure 5).

As at 30 June 2020, the credit risk profile of our portfolio is concentrated between BB+ to B- ratings, which reflects counterparties that are small to medium sized enterprises or entities located in emerging markets (see Figure 6).

Country risk exposures are spread across 27 countries, with the five largest exposures shown in Figure 7. The New Zealand country risk exposure recognises those New Zealand firms whose performance NZEC underwrites via its Loan and General Contract Bond Guarantees.

Figure 4 – Contingent liability movements from 1 July 2019 – 30 June 2020 (NZD million)

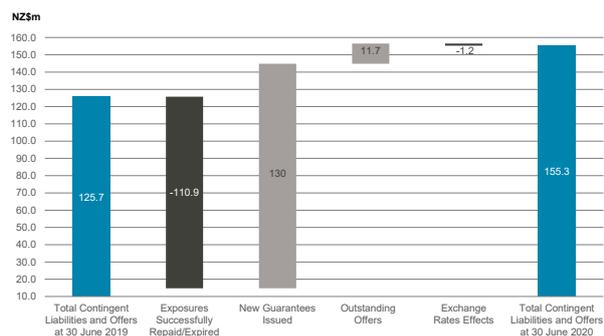


Figure 5 – Outstanding Exposure Maturity Profile, by NZEC Product

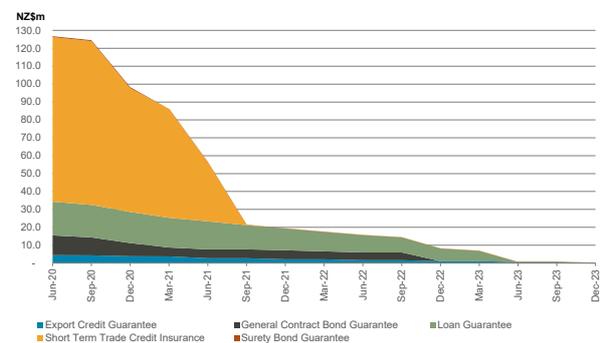


Figure 6 – Credit risk profile of NZEC's risk portfolio as at 30 June 2020

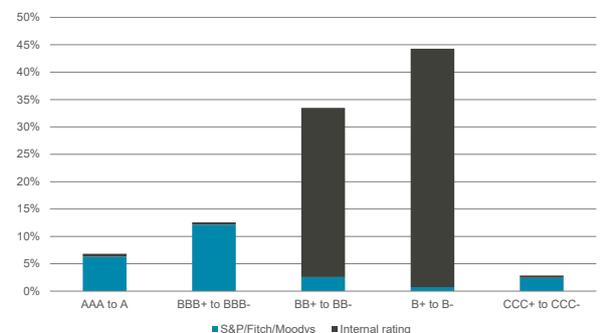
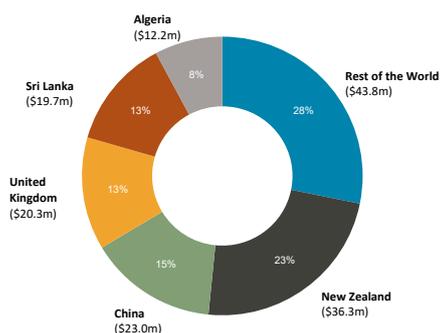


Figure 7 – Country Risk concentrations as at 30 June 2020 (NZD million)



The exposure distribution by the industry sector of risk counterparty is:



Financial Service is the largest sector, representing 31% of counterparty exposure via NZEC coverage of letters of credit issued by foreign banks.



Food and beverage retailers are the second largest sector, accounting for 24% of counterparty exposure. This sector exposure increased during the COVID-19 impacted last quarter, as NZEC's Short Term Trade Credit Insurance was weighted in support of food and beverage exports to international distributors and retailers.



Sovereign and sub-sovereign is the third largest sector, accounting for 16% of counterparty exposure, and primarily representing Ministry of Finance and state-owned enterprises.

The remaining sectors are spread across healthcare, manufacturing, ICT, and other services. These sector concentrations are mitigated by being disbursed across a range of geographies. The largest exposure by counterparty equates to 13% of total committed exposures, as at 30 June 2020.

One option to balance future risk concentrations is through facultative (single risk) reinsurance with other export credit agencies and multilateral insurers. While no reinsurance is currently taken, it remains an option both as a means of assisting New Zealand exporters access larger contracts as well as helping manage our risk concentrations prudently.

Risk management framework

This year, we reviewed and updated NZEC's internal risk management framework, with a new prudential sub-limit framework. This work was based on the economic capital model for which we implemented in the previous year.

Foreign buyer repayments and New Zealand exporter performance are monitored on a monthly basis, and all policies with payment delays (beyond 30 working days) or adverse performance are actively managed. All policies are reviewed quarterly and premiums are reviewed in the context of potential future claims and the adequacy of premium rates applied to those policies.

These risk assessment and monitoring processes are designed to manage risk to a reasonable level rather than eliminate all risk of loss. Figure 8 records our expected and unexpected loss calculated for our risk portfolio.

Figure 8 – Expected and Unexpected Loss on NZEC risk portfolio (NZD million)

MEASURE	AS AT 30 JUNE 2019	AS AT 30 JUNE 2020
Value at Risk (Expected Loss) on risk portfolio	\$1.2m	\$0.8m
Value at Risk (Unexpected Loss) ² on risk portfolio	\$10.4m	\$7.2m

The annual reduction in our expected and unexpected loss calculations is due to an increase in investment grade exposures as well as the expiry of CCC exposures, as a result of provisioning and policy expiry.

NZEC works closely with the indemnified exporters and banks to mitigate losses, as well as obtain recoveries on prior claims payments. This year, we fully recovered NZD 0.29 million from Saudi Arabia, after a six-year process involving assistance from the New Zealand Ambassador and Trade Commissioner to Saudi Arabia. There was also an NZD 0.71 million reversal of a prior provision, after NZEC worked closely with an exporter to successfully negotiate a settlement with its international buyer regarding a disputed project.

As a division within the Treasury's Capital Markets directorate, NZEC's second line of defence function was performed by the Capital Markets' Risk team. The Capital Markets Advisory Committee also provided risk assurance, monitoring and advice, to the Treasury's Deputy Secretary Financial and Commercial, in respect to NZEC's strategy, operations and performance. This Committee met on a quarterly basis.

² NZEC applies a 99.5% (or 1 in 200 year) confidence level in calculating its Unexpected Loss.

Financial summary

NZEC follows the Organisation for Economic Co-operation and Development (OECD) Arrangement on export credits and pricing, as well as its own Crown mandated criteria and prudential limits. Our objective is to cover all operating costs and claims from premiums and fees. However, typical of an export credit agency that underwrites risks on countries, markets and businesses where political stability and commercial success are uncertain, the full cost-recovery objective is measured with a longer-term perspective.

NZEC's financial performance for the full year is summarised below.

No claims were received or paid during the financial year, and our historical policy default rate remains less than 3%. However, we increased our claims provisions as a result of a mix of specific provisions on policies with a higher likelihood of default, and an increase in NZEC's general provisioning for future losses.

An annual net loss reflected our increased provisioning combined with operating income tracking below our operating expenses. Despite an increase in policies issued, the majority of these policies were for shorter tenor (median policy credit term of three months), which result in lower premium per policy relative to operating costs. This summarised result does not record:

- an Unearned Premium Reserve of NZD 1.3 million (which is for premiums already paid, but not yet accounted as "earned"), nor
- Accounts Receivables of NZD 1.2 million (which is a forecast of expected income from current policies where premiums are invoiced through the life of the policy).

With outstanding commitments totalling NZD 23 million at year end, combined with a strong pipeline of applications, we forecast an increase in operating income for the 2019/20 financial year.

Figure 9 – Key Financial Results (NZD million)

	2018/19 (FULL YEAR)	2019/20 (FULL-YEAR)
Operating income (earned premium and fees received)	\$1.34m	\$1.52m
Operating expenses	(\$2.29m)	(\$2.23m)
Net operating profit/loss (before provisions, claims and recoveries)	(\$0.95m)	(\$0.71m)
Claims expense	(\$0m)	(\$0m)
Recoveries	\$0m	\$0.29m
Changes in claims provisions	(\$0.76m)	(\$1.82m)
Net profit (loss)	(\$1.71m)	(\$2.24m)

5 Building awareness and education

Alongside building awareness of solutions (both private and via NZEC) that can support exporters' aspirations, an important objective for NZEC is to educate businesses about the financial challenges and risks of international trade.

Building this awareness and understanding occurs through various stakeholder channels (including banks, trade credit insurers and brokers, regional economic development agencies, industry groups, and government's export-promotion agencies) as well as through direct exporter engagements.

This year 401 face-to-face external engagements were conducted, including 34 presentations to external groups (including via webinars). The majority of our exporter seminars were in collaboration with other export promotion agencies, both public and private (see Figure 10).

Figure 10 – Education seminars delivered during 2019/20

OBJECTIVE	2018/19 ACTUAL	2019/20 ACTUAL
Number of NZEC presentations at exporter events	8	18
Number of NZEC presentations to NZ bank staff	8	4
Number of NZEC presentations to export-facing agencies (Government & Industry)	19	12

When COVID-19 began impacting global and domestic supply chains, NZEC collaborated with banks, insurers, brokers and professional advisers to help inform businesses of the full range of public and private services available to exporting businesses. This included participation in exporter webinars on managing cashflow and trading with confidence during COVID-19.

This information sharing was two-way and provided us with up-to-date market intelligence which informed policy responses and operational improvements. The NZEC team participated in cross-government working groups that focused on effective responses to the business impacts arising from COVID-19. We also collaborated closely with New Zealand Trade and Enterprise (NZTE), including as industry experts on an advisory hotline for COVID-19 business support enquiries.

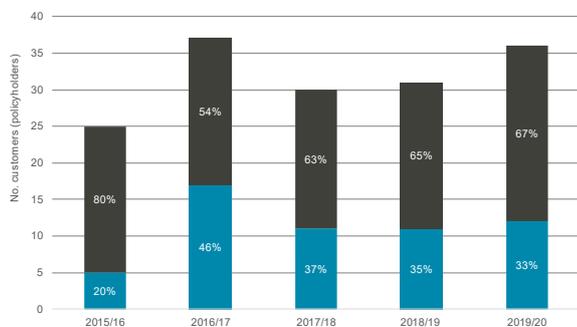
Specific to trade credit insurance, the specialist insurers and brokers worked quickly and collaboratively with our team to enable a coordinated response which enabled New Zealand businesses to continue to export with the confidence of trade credit insurance.



Chris Chapman (Head of NZEC), Dougal McGowan (Otago Chamber of Commerce Chief Executive) and Phil Quinn (NZEC Senior Business Originator)

One measure of the effectiveness of NZEC’s engagements, education activities and inter-agency collaboration is the number of businesses that we support for the first time. This year, one third of the businesses who were issued policies were first time users of NZEC’s services, and we forecast this ratio to increase its ‘new client’ weighting for the 2020/21 financial year.

Figure 11 – New and repeat NZEC policyholders



	2015/16	2016/17	2017/18	2018/19	2019/20
Repeat clients	20	20	19	20	24
New Clients	5	17	11	11	12

Another important role of NZEC is undertaking due diligence on international buyers and sharing our market knowledge and experiences. Sometimes this may result in NZEC declining to provide support, as a result of market or financial information which the exporter may otherwise not have been aware about. During the COVID-19 period, there were several examples where NZEC’s feedback prompted an exporter to reconsider its market channel and/or payment terms. Whilst this due diligence is unable to be measured as a policy and exporter policyholder, it is recognised as a valuable service for exporters.

6 Customers

Our export customers are predominately small and medium enterprises (SMEs). However, one impact of COVID-19 has been an increase in demand for trade credit insurance support from larger exporters looking to maintain sufficient trade credit cover with existing international buyers.

Pre COVID-19, the majority of NZEC's trade credit insurance support was to SMEs looking to enter a new market or buyer relationship and seeking insurance cover on small shipment amounts.

Our customers represent a diverse range of sectors. By way of example, those businesses which received support from NZEC for the first time this year represented software, food and beverage, forestry, pharmaceuticals, wood processing, hides, and advanced manufacturing sectors.

The full sector break-down of the NZD 288 million of exports supported by NZEC is at Figure 13. Compared to the previous financial year, there was an increase in the share of food and beverage exports. This was attributable to COVID-19 and demand from larger food and beverage exporters seeking our top-up cover trade credit insurance.

The economic benefits arising from exports reach across New Zealand and help build more productive, skilled and inclusive communities. 35% of our customers were located outside of New Zealand's three largest cities, while a further 25% were city-headquartered but sourced their goods or services from the regions.

Figure 12 – NZEC's lifetime number of customers by annual turnover (NZD million)

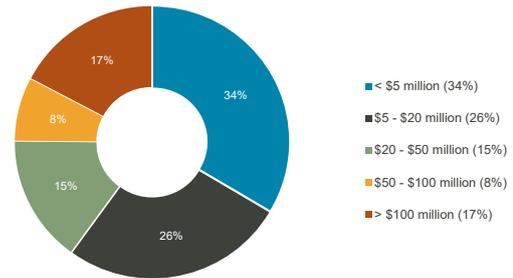


Figure 13 – Sectors (by export contract value) supported

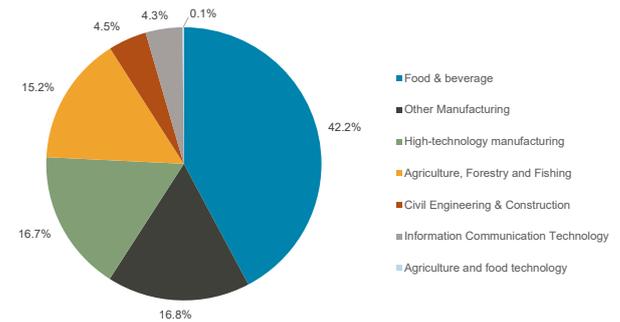
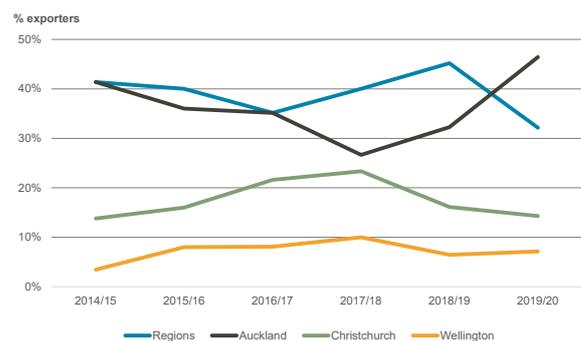


Figure 14 – Percentage of regional exporters supported



Market Gap review

During the year, we commissioned a market gap review of the provision of financial services (trade finance and trade credit) to exporting business in New Zealand, as well as NZEC's performance in filling this gap in support of exporters.

This review identified market gaps in the provision of trade finance and trade credit insurance to New Zealand businesses, particularly to SMEs. One contributing factor was a limited knowledge of these solutions and their benefits amongst SMEs and their general advisers. The review considered that NZEC's

existing product suite was well-positioned to serve the identified market gaps. Feedback from our customers and partners informed a range of recommendations to improve our wider industry visibility and integration, our strategic partnerships with key stakeholders, and with the messaging of our value propositions. It also suggested improvements to our customer processes and internal policies.

These findings and recommendations have informed our strategic objectives and activities during 2020/21.



Visiting an exporter's metal recycling operation: Kiwibank's Adrian Lodge and Nigel Gaudin with NZEC's Chris Chapman

7 International connections

International connections help identify and facilitate export opportunities for exporters, while also enhancing the quality of risk assessments and potential reinsurance opportunities.

Connections with the offshore teams of NZTE and MFAT are important, and contribute to our team's ability to coordinate exporter support and receive market information, especially once COVID-19 began impacting global economies and supply chains.

Our close relationships with other export credit agencies (ECAs) and the Berne Union Association (an association of export credit agencies, multilateral and private political risk insurers from 76 countries) was also very beneficial. With our

COVID-19 experience mirroring that of other ECAs, we engaged in international webinars and surveys to share our respective business-support responses, as well as additional operational and product developments.

We also represented New Zealand in other international forums such as the OECD, and International Working Group on export credit throughout the year, to discuss best practices and to facilitate a level playing field for New Zealand exporters.

8 The year ahead

With a global outlook that has ongoing uncertainties and risks, combined with signs of tightening credit conditions both domestically and abroad, the demand and opportunities for NZEC's support is forecast to grow over the year ahead.

Our export credit role provides us with the mandate and tools to support exporters' recovery where the private sector lacks the credit appetite or capacity to do so. We expect ongoing high demand for our short-term trade credit insurance, and a moderate increase in NZEC's Loan Guarantee and General Contract Bond Support.

Our priority is to ensure the NZEC team can effectively respond to this demand.

Our Business Origination Team will be focused on building wider awareness of our services in order to ensure businesses who may currently be unaware of NZEC are able to be referred or easily informed about our solutions. This requires continuing our close engagement with banks, insurers, brokers and business advisers.

Improvements to our internal processes and systems will also improve efficiencies, reduce operational risks, and allow our underwriters additional time to assess and manage our policies. As an example, one planned action is the automation of some of our internal documentation.

We will also continue to work closely with other government agencies to provide an integrated and coordinated COVID-19 recovery response, as well as contribute to policy development and solutions, including the Government's Industry Transformation Plans.

We look forward to a productive year, with success measured through the delivery of our services and expertise which provides confidence and resilience to businesses and supports an export-led recovery for New Zealand.