



DHL Export Barometer Australian Export Trends

Keeping your sunny side up – some good news from Australian exporters

It has been a difficult year for Australian exporters. No question. The external environment has been tough. There have been the usual suspects and a few new culprits.

On the demand side, we've had a weak world economy compounded by conflict in the Middle East and terrorist attacks in Indonesia. To top it off, we've had this year's 'factor X' – severe acute respiratory syndrome, better known as SARS – hitting Asia and Canada. On the supply side, the drought has lingered. In addition, exporters from all sectors have had to adjust to a strengthening exchange rate as global currencies re-align.

In the face of these challenges, The Australian Trade Commission (Austrade) and DHL have been working closely together to encourage and assist Australian exporters. The new DHL Export Barometer, a joint initiative between Austrade and DHL, is a terrific example of this. Aiming to analyse export confidence in the Australian market and identify export trends, Australia's leading exporters were surveyed to examine their business outlook, highlight changes in overseas market demand and provide insight into the factors impacting on Australian export trade.

The results of the first ever DHL Export Barometer reveal that, despite a difficult 12 months, Australia's exporters are an optimistic lot. Their enthusiasm for exporting remains intact and their reasons for exporting clear, with the majority of respondents reporting increased profitability. Most importantly, the DHL Export Barometer indicates a commitment amongst respondents to future export trade, even in the face of fluctuating exchange rates.

So, congratulations DHL for providing us with the DHL Export Barometer, and after such a tough year, for providing us with some good news! This is especially important for our hard working exporters battling away in global markets but also for the rest of us too. After all, we are all, in some way, directly or indirectly, dependent on the efforts of the Australian exporter community for our livelihoods.

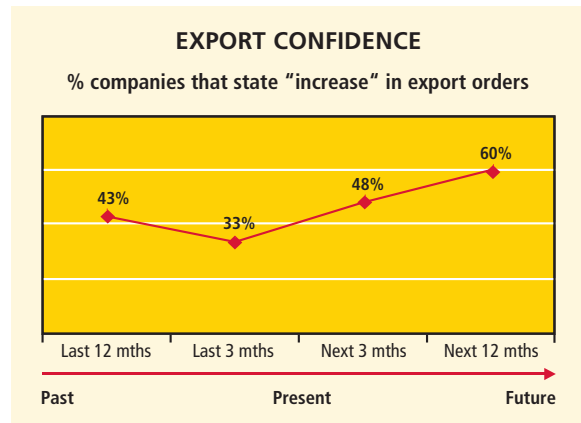
Tim Harcourt
Chief Economist
Australian Trade Commission
(Austrade)

This document provides an overview of the DHL Export Barometer report, with analysis provided by Tim Harcourt, Chief Economist at Austrade

Export Confidence

Despite the rough and tumble of the past year, nearly half of Australian exporters (48 per cent) believe there will be an increase in their orders over the next three months, while 40 per cent believe that these orders will stay the same.

Over the next 12 months, the news is even better. 60 per cent anticipate their orders will increase, while 31 per cent believe they will stay the same. That is, 91 per cent believe they will consolidate or better their position. This compares to only 43 per cent increasing orders over the past year and 32 per cent staying the same.

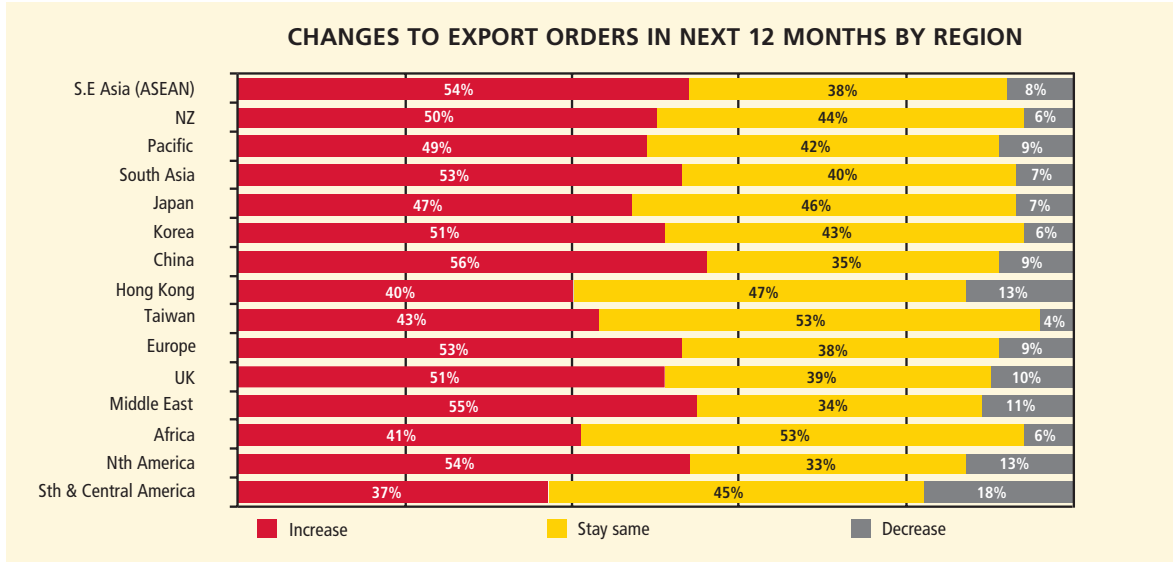


Export Markets

The regional results may take some by surprise. Exporters are reasonably optimistic across their different markets – even in parts of Asia and the Middle East.

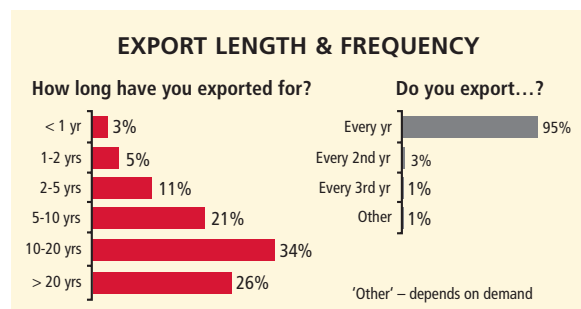
China leads the way, with 56 per cent of exporters expecting an increase in orders there. This is followed by the Middle East (55 per cent), ASEAN and North

America (54 per cent each), Europe and South Asia – mainly India – (53 per cent each) and Korea and the UK (51 per cent each). Exporters are less optimistic about the markets of Hong Kong and Central and South America, with 13 and 18 per cent of exporters respectively anticipating a decrease in export orders to these regions over the next 12 months.



Export Commitment

In addition to the cautious optimism on the part of Australian exporters, the DHL Export Barometer shows a strong commitment to exporting. A large number of businesses (60 per cent) are long-term exporters – with 10 years or more in the export game – while 95 per cent export every year on a regular basis.

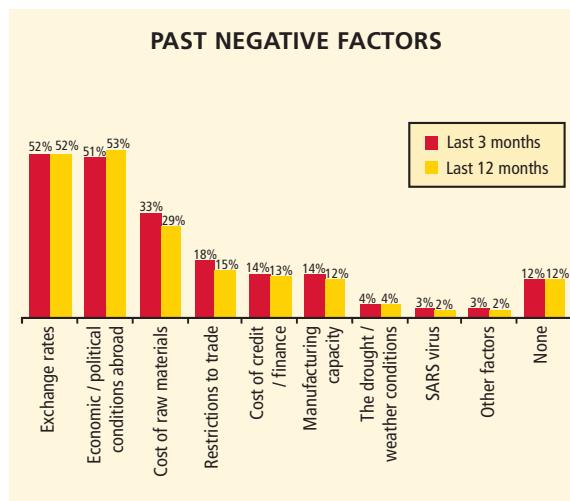
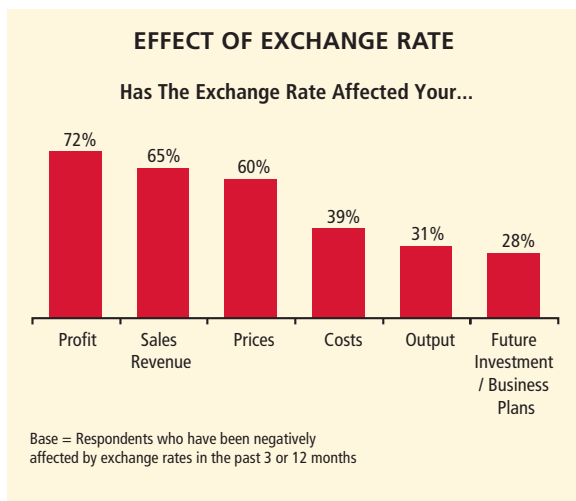


Exchange Rate

So how does the exchange rate affect exporters' fortunes? Ahead of economic and political conditions, the rising exchange rate is the number one worry for all exporters surveyed, with a large proportion of respondents feeling that the exchange rate directly affects their profits, sales revenue and prices.

However, most of the companies surveyed view exporting as a long-term commitment based on

forming sustainable and enduring relationships with clients, customers and partners in their selected markets. Only 31 per cent thought the exchange rate would affect their output and only 28 per cent thought that their future investment and business plans would be adversely affected.



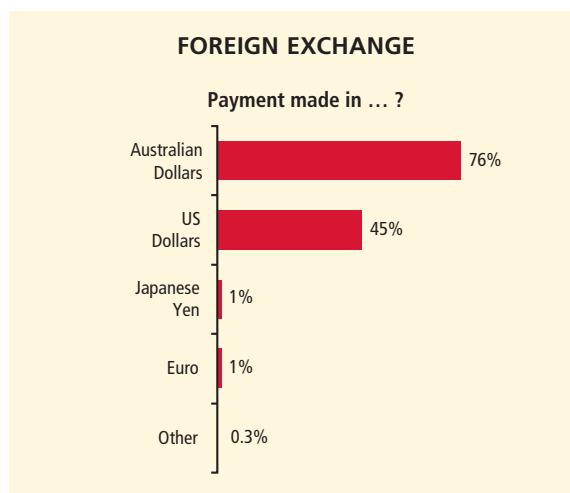
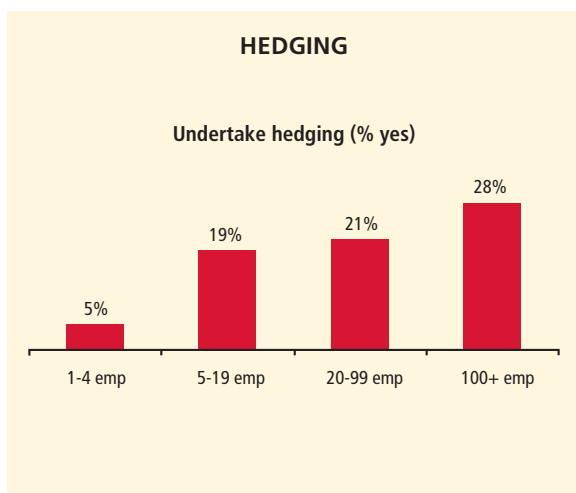
Hedging

The rising exchange rate does worry the exporters surveyed, especially when it comes to their decision-making. However, there is some evidence that exporters are undertaking hedging activity, particularly in areas such as the wholesale industry, mining, banking, insurance and business services.

In addition, while larger companies – such as large mining houses – are the ones mainly affected by the rising exchange rate, they are the companies most likely to undertake hedging activity.

A large number of companies, mainly small businesses in the tourism industry – such as accommodation, cafés and restaurants – typically do not undertake hedging activity.

Almost half of all exporters surveyed (47 per cent) receive some payment in foreign currency, the majority being in US dollars.



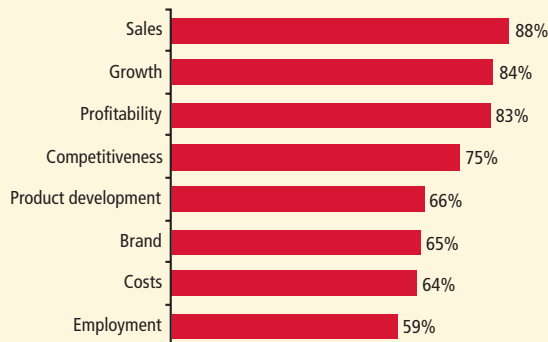
Profitability Expectations

So why do these businesses chance their arm in export markets? Simply put, exporting is good for business. The exporters surveyed said it has helped their sales, growth, employment numbers, competitiveness and their ability to innovate and build their brands. Exporting also helps the bottom line, with 83 per cent of

companies surveyed saying that the decision to become an exporter has helped their profitability. Furthermore, exporters are 'bullish' on the profit front, with over two-thirds of exporters expecting an increase in their profitability over the next 12 months.

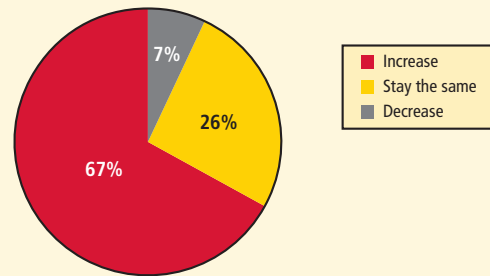
EXPORTING BENEFITS

Has exporting helped you in terms of ... ?



EXPECTATIONS OVER NEXT 12 MONTHS

Company Profitability



State-by-State Expectations

NSW was the most optimistic of all Australian states, with 95.2 per cent of exporters expecting to increase or keep their orders the same over the next 12 months. This figure is 24.5 percentage points above the state's result looking back over the last year, and 4.2 percentage points above the national average.

Victoria, where 92.9 per cent of exporters expect to increase or maintain orders over the next 12 months, closely followed NSW, while South Australia (90.6 per cent), Western Australia (88.8 per cent) and Queensland (87.5 per cent) all posted positive outlooks for 2004.

% EXPECTING INCREASE OR STABILITY IN EXPORT ORDERS (NEXT 12 MONTHS) BY STATE

