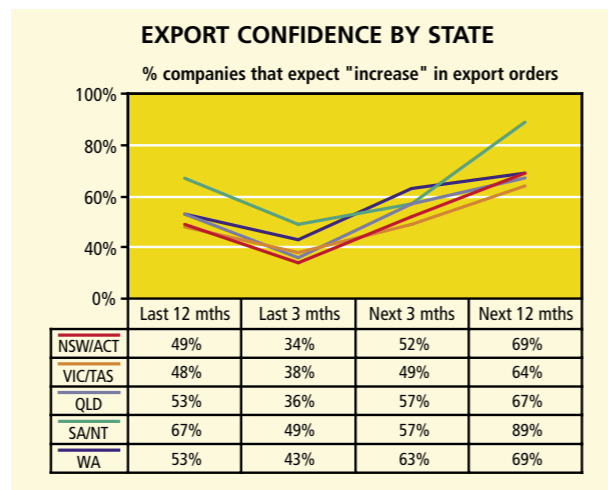




State By State

It has been a big year for South Australia and the Northern Territory, with the completion of the Alice Springs to Darwin railway. The DHL Export Barometer also found South Australia/Northern Territory to be the most optimistic region in Australia both in terms of sales activity and exporter outlook for the next 12 months. 67 per cent of exporters in South Australia/Northern Territory experienced an increase in their export orders over the past 12 months and 89 per cent anticipate an increase in orders over the coming year.

Conversely, Victoria/Tasmania remains the least optimistic, with less than half (48 per cent) experiencing an increase in orders over the last 12 months and only 64 per cent expecting an increase in export orders over the next 12 months.



Free Trade Agreements

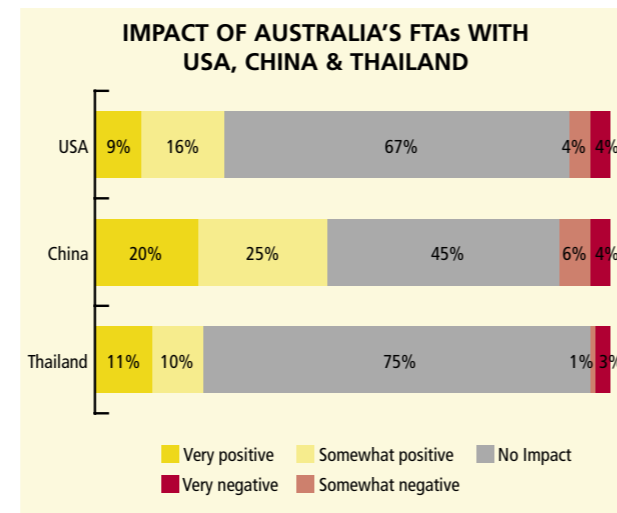
According to the DHL Export Barometer, Australian exporters are warming to the FTAs, especially as they learn more about them. In the case of the FTA with the USA, 25 per cent of exporters claim that the FTA will have a positive impact on their business. In addition, of those who currently export to the USA, 14 per cent believe the agreement will have a 'very positive' impact on their business (up from 8 per cent in May) and 24 per cent believe it will have a 'somewhat positive' impact (up from 23 per cent). Only 5 per cent believe that the agreement will have a negative impact on their business. The FTA may also have drawn more exporters into the US market, with 50 per cent exporting to the USA in November compared to just 32 per cent in May.

Exporters are also interested in the opportunities that a potential FTA with China will afford. 45 per cent of Australian exporters believe an Australia-China FTA will have a 'positive impact' on their businesses, including 20 per cent who believe it will have a 'very positive' impact. While 45 per cent think the agreement will have 'no impact', only 10 per cent think it will be negative. Around two in five exporters (41 per cent) will be more likely to service China as a result of an agreement.

In the case of Thailand, 21 per cent of exporters thought the impact of an FTA would be positive. Whilst 75 per cent

were neutral about the potential effects, only 4 per cent were negative. About one third of exporters are more likely to service Thailand as a result of an FTA.

In short, the survey indicates that as exporters learn more about the FTAs, they become more positive about the opportunities available. China, in particular, has received a strong early endorsement from the exporter community and a free trade agreement with Beijing is likely to be well supported amongst Australian exporters.



Research was conducted by ACA Research. Data was captured through structured telephone interviews with 323 Australian exporters, each targeted for the survey using stratified sampling techniques according to industry sector.



DHL Export Barometer Australian Export Trends

Things can only get better

Australian exporters are confident that things can only get better.

The cautious optimism that exporters expressed in May has strengthened over the past six months. That is the key message of this third DHL Export Barometer. Exporters, despite the exchange rate and the uncertainty of the global security environment, believe that business is good and that things will improve over the next 12 months.

This is good news as Australia's export performance has been a focus for policy makers and analysts over the past year. The results indicate, in terms of exporter sentiment, that the impact of the global economic recovery looks to be kicking in. This is consistent with the recent Reserve Bank analysis that export markets should be picking up over the next year. An improvement in Australia's export performance would be a welcome addition to our remarkable economic report card of recent times, which includes almost 13 years of continued economic growth, stable prices, low interest rates and falling unemployment.

In addition Australian exporters look to be overcoming the

tyranny of distance. An impressive one third of exporters surveyed said they faced "no barriers" when venturing offshore. Progress in trade liberalisation and associated globalisation of world markets is resulting in more businesses succeeding on the international stage.

Exporters are also positive about the potential benefits of a number of Free Trade Agreements (FTAs) currently being negotiated by the Australian Government. Exporters are particularly bullish about the potential agreement with China and are warming to the agreement with the United States as they learn more about the detail.

In short, exporters are more optimistic than six months ago and are looking to capitalise on developing FTAs in the medium term. Let's see if their optimism is fulfilled again when we next report in May 2005.

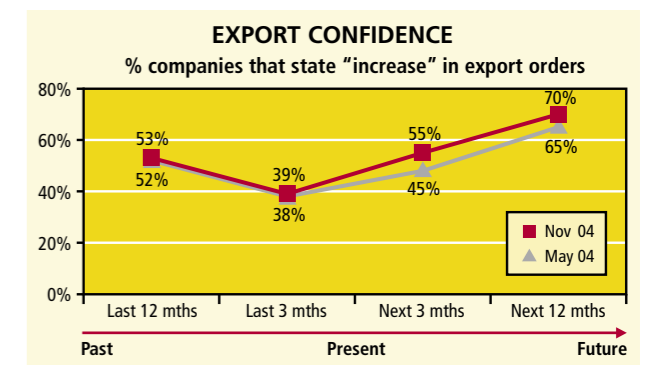
Tim Harcourt
Chief Economist
Australian Trade Commission, Sydney

Export Confidence

Overall, export confidence is on the up and up. Over half of Australian exporters (55 per cent) believe there will be an increase in their orders over the next 3 months and 36 per cent anticipate that their orders will stay the same.

Over the next 12 months, the news is even better. 70 per cent of exporters anticipate that their export orders will increase and 25 per cent believe their orders will stay the same. That is, a total of 95 per cent believe they will either consolidate or better their position over the next 12 months. Furthermore, the results of this research show that exporters are the most optimistic they have been in relation to export confidence. Over the next 12 months 70 per cent of exporters expect that their export orders will increase, up from 65 per cent in the

May 2004 survey and from 60 per cent in the inaugural DHL Export Barometer in October 2003.



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



Export Markets

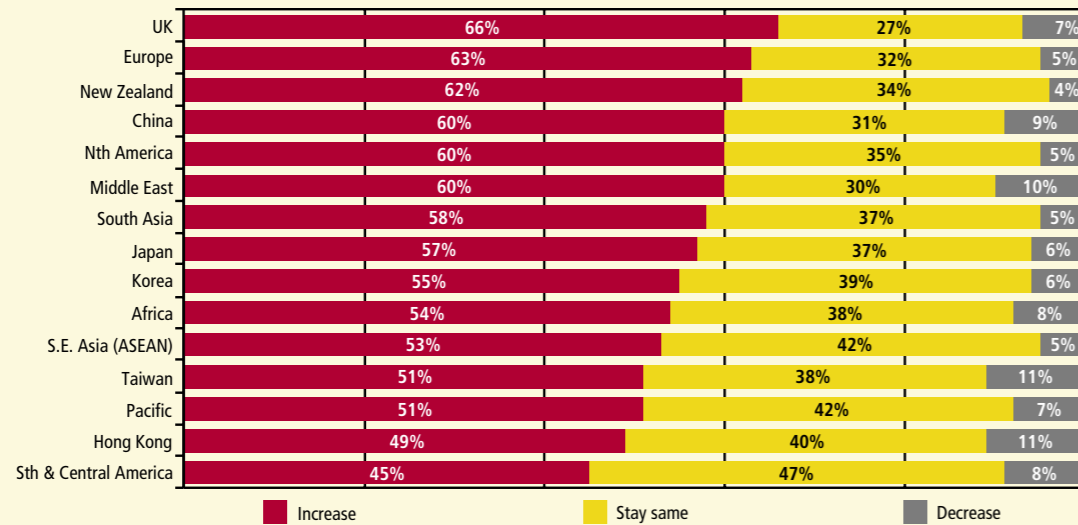
The regional results show positive gains across the board, with Europe now joining the recovery in Asia and North America. Although nearly every export destination has improved on the May 2004 results, the pecking order has changed.

The UK is now 'Top of the Pops' with 66 per cent of those who currently export to this market expecting an increase in orders from there over the next 12 months. The UK is

followed by Europe (63 per cent), New Zealand (62 per cent) and China (60 per cent), which has slipped to be the fourth most optimistic region, despite registering a small gain on its May 2004 projections.

Joining China at 60 per cent is North America and the Middle East which has recovered from a low 39 per cent in May. South East Asia actually increased its score from 51 to 53 per cent although slipped down the rankings.

CHANGE TO EXPORT ORDERS IN NEXT 12 MONTHS BY REGION



Why Export?

So why do these businesses chance their arm in export markets instead of living the quiet life at home in Australia? Why export in the first place?

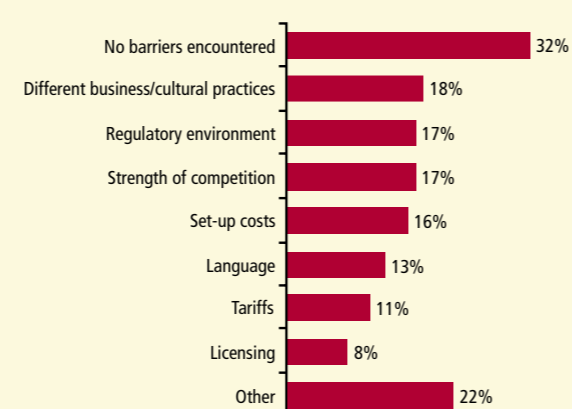
For many, exporting is 'demand driven'. 38 per cent of companies surveyed said the decision to export was driven by new overseas customers and the same proportion saw exporting as a road to better growth prospects and higher profits. 13 per cent thought the domestic market in Australia was too small and the business cycle too slow whilst 8 per cent starting exporting as a response to the threat of foreign competition entering their market back home in Australia.

REASONS FOR EXPORTING IN THE FIRST INSTANCE



Furthermore, it now seems easier to get into the export game, partly as a result of the gradual reduction of trade barriers in key segments of the global economy. In fact, almost one third of exporters (32 per cent) said that they encountered no barriers at all when exporting in the first instance. Of those that did, different business/cultural practices (18 per cent), foreign regulatory environments (17 per cent), strength of competition (17 per cent) and set up costs (16 per cent) were the most cited as barriers to exporting.

MAJOR BARRIERS FACED WHEN EXPORTING IN THE FIRST INSTANCE



The Exchange Rate

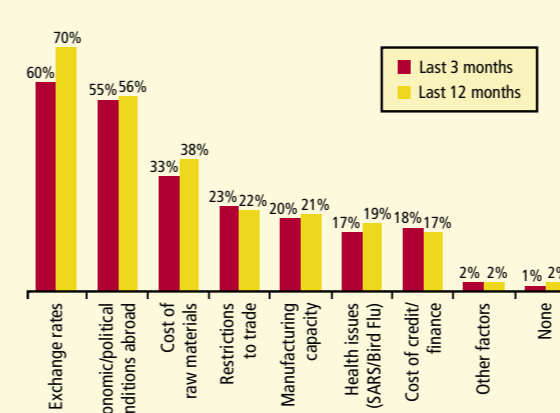
Whilst the exchange rate has fallen from its dizzy heights of February/March it has still registered as a major concern with exporters. In fact, the exchange rate (70 per cent) and economic and political conditions abroad (56 per cent) were again, the two main issues that had the biggest negative impact on sales over the last 12 months. This was followed by the cost of raw materials (38 per cent) and trade restrictions (22 per cent) which both had a bigger impact on sales than health type factors such as bio-terrorism and bird flu which were more important in the last survey.

So how does the exchange rate affect exporters' fortunes? Of those exporters who have been negatively affected by exchange rates in the past three or 12 months, 92 per cent said that it had directly impacted their profits, 76 per cent

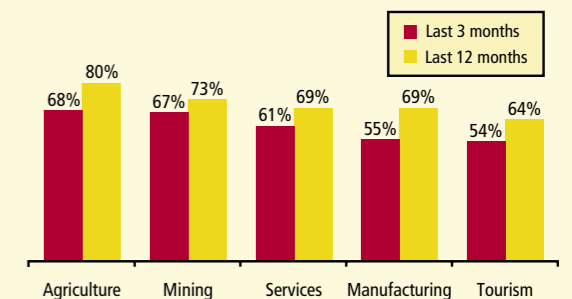
said it had affected their sales revenue while 71 per cent said it had an impact on prices. Overall, 22 per cent of all Australian exporters have had to halt or alter their future investment plans due to unfavourable movements in the exchange rate.

In terms of industry, companies in the agricultural sector have been the hardest hit by the fluctuation in exchange rates, with 80 per cent considering the exchange rates to have had a negative impact on their export sales over the last 12 months. In addition to this, 95 per cent of agricultural exporters indicated that the exchange rate has had a negative impact on their prices, 58 per cent indicated it had a negative impact on costs and 63 per cent indicated that the exchange rate has had a negative impact on output.

FACTORS NEGATIVELY IMPACTING SALES



INDUSTRIES NEGATIVELY AFFECTED BY THE EXCHANGE RATE



Profitability and Employment

Exporters are again bullish about their prospects over the next 12 months, with 74 per cent expecting an increase in profitability. However, in many cases this increase in profitability will not lead to an expansion in the workforce. While 45 per cent of exporters expect to increase their number of employees over the next 12 months, 51 per cent said they would maintain the size of their payroll

and 4 per cent anticipate a reduction in the size of their workforce.

In terms of wages, over three-quarters (77 per cent) of exporters surveyed expect to pay a wage rise in the next 12 months. Expectations of wage increases are the strongest in Western Australia and Queensland – perhaps reflecting skill shortages in those states.

EXPECTATIONS OVER NEXT 12 MONTHS

