DHL EXPORT BAROMETER 2020

Insights from Australian exporters on confidence in the global export market, emerging industry trends and strategies for recovery and growth.

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ABOUT THE DHL EXPORT BAROMETER

Launched in 2003, the DHL Export Barometer has become an independent annual indicator generating industry-specific research for Australian exporters by examining the issues directly impacting export businesses, including new trends and fast-paced changes happening in overseas markets.

The DHL Export Barometer 2020 was conducted by ACA Research, which surveyed 197 Australian exporters online between September 2 and 27 this year.

Businesses ranged in size from smaller operations with fewer than five employees, to large organisations with more than 100 staff. The data is weighted by services (20%) versus goods (80%).

This group of exporters represented a broad cross-section of the country, with New South Wales/ Australian Capital Territory (NSW/ ACT) businesses making up 39% of those surveyed, Victoria/ Tasmania (VIC/ TAS) businesses 30%, Queensland (QLD) 11%, Western Australia (WA) 13%, and South Australia/ Northern Territory (SA/ NT) 6%.

> **RESPONDENTS WERE SELECTED FROM THE DHL EXPRESS DATABASE. THE RESPONSE RATE WAS LOWER THAN PREVIOUS YEARS, ATTRIBUTED TO THE IMPACT OF COVID-19.**

COVID-19 HITS EXPORTS BUT SIGNS OF HOPE REMAIN

2 in 3 exporters are not planning to target any new destinations at all. But those who are have New Zealand and South East Asia in their sights, as well as the UK on the back of a potential Australia-United Kingdom free trade agreement (FTA).

Whilst there was a sign of uncertainty in the world trading system 12 months ago, no one could have predicted the shock caused by the COVID-19 pandemic in early 2020. The impact has been devastating particularly to the industries of aviation and international tourism, hospitality, sports, culture and recreation – any business adversely affected by the 'tyranny of social distance'.

With international borders closing and disruptions to global supply chains, exporters have not been immune from this unique external shock, according to the results of the DHL Export Barometer 2020 survey.

In fact, COVID-19 has whacked exporter confidence down to 47%, its lowest level since the survey commenced 18 years ago and even lower than levels reached in the aftermath of the global financial crisis (GFC) of the late 2000s.

Most of the hit has been in aviation and tourism whilst manufacturing, agriculture and mining less so. It's different to past downturns, including the GFC, as the economy has been consciously turned down to 'flatten the curve' to defeat the public health crisis. Logically then, if the public health crisis can be averted, then the economy can eventually return.

There is some evidence that exporters are adopting a 'wait and see' approach and have held off on sales and marketing activities in anticipation of a natural bounce back. In fact, most expect recovery to pre-COVID levels in 2021, if they are not there already. But there remains uncertainty due to political instability in key markets where COVID has had a greater impact.

When it comes to export destinations, exporters are likely to be sticking close to home in the Asia Pacific region. The biggest decline has been reported in the proportion of businesses exporting to North America due to tariffs, exchange rates as well as logistical challenges related to COVID-19. Similar declines have occurred in Europe and the UK. However, the proportions of exporters targeting New Zealand continues to increase along with strong signs in South East Asia, the Pacific Islands, and the North East Asia markets of China, South Korea and Taiwan. However, no market has been untouched by COVID-19 with negative impact on export revenue and logistics across the board. In fact, 2 in 3 exporters are not planning to target any new destinations at all. But those who are have New Zealand and South East Asia in their sights, as well as the UK on the back of a potential Australia-United Kingdom free trade agreement (FTA).

In summary, COVID-19 has hit exporters hard and will keep them close to home in the Asia Pacific in the short term. But many are waiting for signs of recovery and are holding back their expansion plans for now. The COVID recession is fundamentally different from previous recessions including the GFC because of the intentional act to impose shutdowns on major parts of the economy due to the public health crisis. That augurs well for recovery once the public health emergency is under control as the fundamentals of the Australian economy are largely unaffected. A return to a more stable, open trading system with fewer examples of tariff-led populism would also benefit Australia and the global economy in a post-COVID environment.

Tim Harcourt
JW Nevile Fellow in Economics at UNSW Sydney and Host of The Airport Economist (www.theairporteconomist.com). He was Chief Economist at Austrade when the DHL Export Barometer report was launched in 2003 as a joint initiative between Austrade and DHL.

EXPORTER CONFIDENCE DIPS

The DHL Export Barometer 2020 shows just 47% of Australian trade businesses are optimistic about the coming 12 months, down 22% compared to last year.

Australia's export industry has been shaken by the spread of COVID-19 with confidence dropping to the lowest level on record since the Barometer's inception.

However, plenty of businesses have swiftly adapted to the new market conditions and remain hopeful of a fast recovery.

The DHL Export Barometer 2020 finds just 47% of Australian trade businesses are optimistic about the coming 12 months – significantly down from a high of 69% last year, and well below the 18-year average.

The result is not unexpected given the far-reaching impact of the virus, and disruption to markets worldwide.

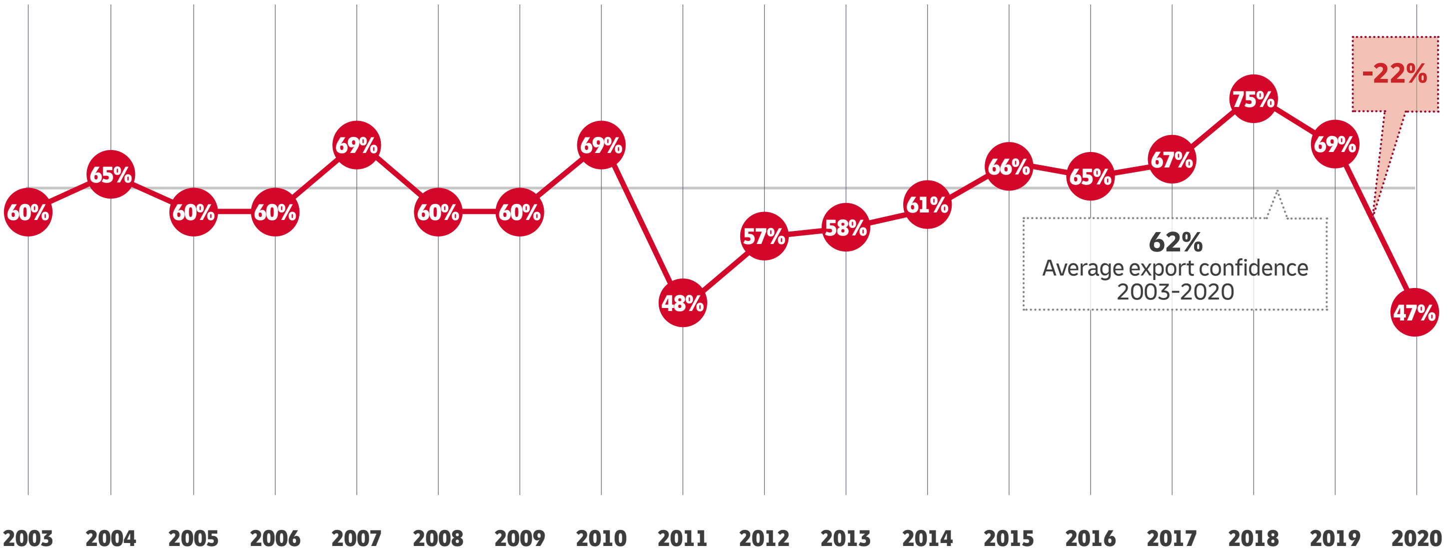
The record low is even below the 48% confidence level reported in 2011, which was reached as the industry grappled with long drawn out recovery from the global financial crisis

However, despite the negative impacts of COVID-19, many businesses were able to pivot quickly and maintain revenue in 2020.

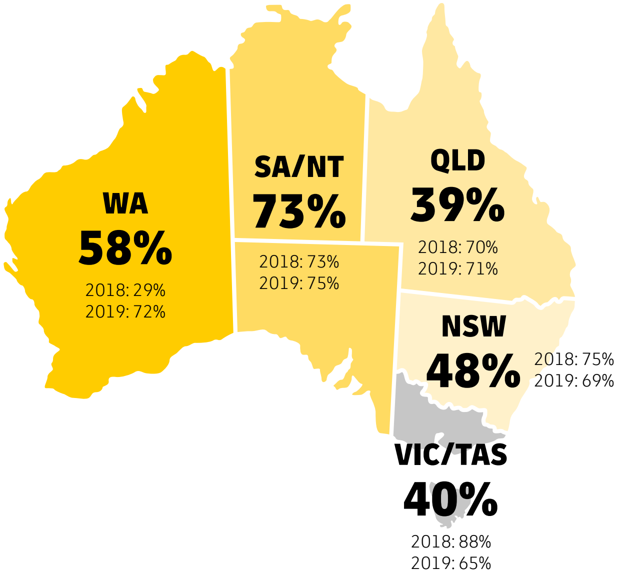
Some were even able to take advantage of the conditions created by the worldwide pandemic with 1 in 5 reporting an increase in revenue.

DHL EXPORT BAROMETER

In line with the unprecedented revenue decline, confidence is at its lowest since the inception of the study, with only 47% who believe export revenues are likely to increase over the next year. This is a significant decline since last year, and 15% below the 18 year average.



CONFIDENCE BY LOCATION OF BUSINESS



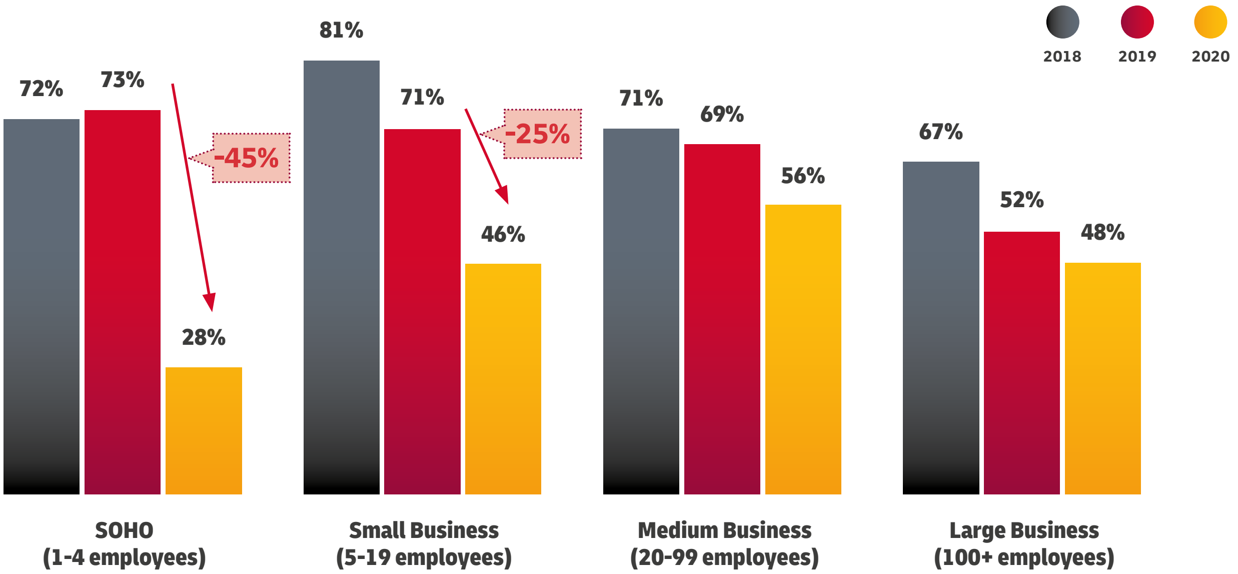
When it came to location, Queensland, Victorian and Tasmanian operators are the least optimistic.

In the Sunshine State just 39% of businesses believe revenue will increase in the next 12 months, down from 71% in 2019 – although the number of respondents from Queensland was notably low this year.

In Victoria and Tasmania, confidence is fractionally higher with 40% of businesses believing revenue would increase in the coming years.

In New South Wales, it is 48%, Western Australia 58% and in South Australia and the Northern Territory it is considerably higher at 73%.

CONFIDENCE BY SIZE OF BUSINESS



Leading morale is medium-sized businesses (56%), followed by large operators (48%), whose confidence is only slightly less than last year.

The confidence of small office home office (SOHO) businesses however took a considerable hit with under a third (28%) expecting a good year ahead.

This compares to the 73% of SOHOs showing optimism in 2019 – a drop of 45%.

UNPRECEDENTED TIMES

24% are reporting a significant reduction in earnings in 2020. However, 1 in 5 (22%) have increased income.

Overall, the pandemic unsurprisingly has had a big impact on Australian exporters with 57% reporting a decline in revenue.

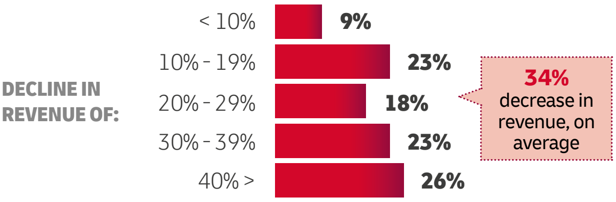
About a quarter of businesses (24%) are reporting a significant reduction in earnings in 2020.

However, it is not all bad news with 1 in 5 (22%) increasing income during the unprecedented time.

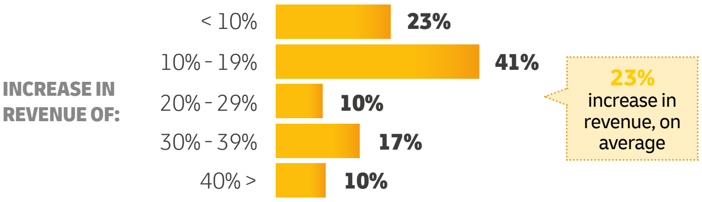
COVID-19 IMPACT ON OVERALL EXPORT REVENUE

As expected, the COVID-19 situation has not spared Australian export businesses. While positive to note that over 1 in 5 report an increase in revenue, 57% claim their revenue has declined, including 1 in 4 with a significant decline.

57% OF EXPORTERS REPORTED A REVENUE DECLINE



22% OF EXPORTERS REPORTED A REVENUE INCREASE



Small-to-medium businesses have been best placed to take advantage of the upended conditions with 24% and 28% of operators respectively reporting an increase of revenue as a result of the pandemic.

Although it's important to acknowledge 53% of these sized businesses also took a hit financially.

Looking to the larger companies – operating with more than 100 employees – these operators took the biggest hit, with 69% reporting lower revenue as the result of COVID-19.

Meanwhile 15% were able to capitalise on the situation and improve revenue.

Businesses in Victoria and New South Wales – the states with the highest case rates[1] and lockdown – registered the most revenue pain during the height of COVID-19.

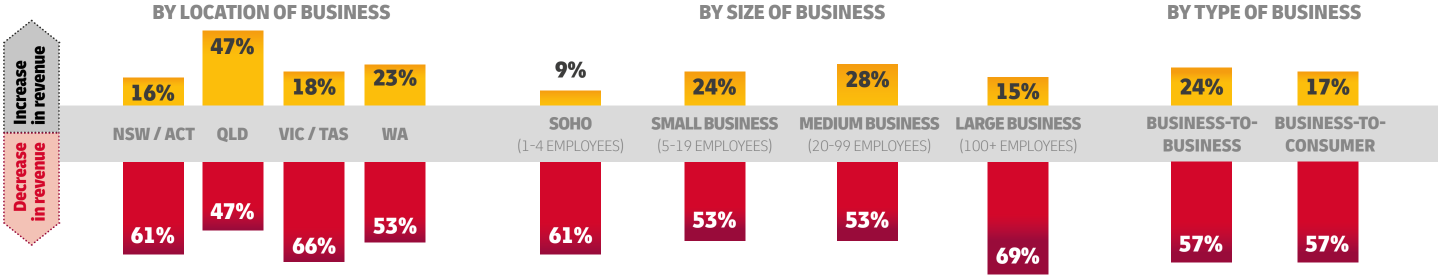
In Victoria, which endured more than 100 days of lockdown restrictions, 66% of exporters saw revenue decline, while for 18% revenue rose.

In NSW, 61% of exporters reported lower income.

Notably, although Queensland's borders were closed[2] and the state's exporters reported the least confidence, businesses in the region experienced the least negative impacts, with an even split between businesses reporting a revenue loss (47%) and revenue increase (47%).

Finally, the same proportion of businesses (57%) targeting both B2B and B2C companies experienced revenue declines.

But among the companies reporting increased revenue during COVID-19, B2B exporters did slightly better with 24% reporting revenue up, compared to 17% of B2C exporters.



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[1] Commonwealth of Australia, Coronavirus (COVID-19) current situation and case numbers, Department of Health, https://www.health.gov.au/news/health-alerts/novel-coronavirus-2019-ncov-health-alert/coronavirus-covid-19-current-situation-and-case-numbers

[2] The State of Queensland, Border Restrictions Direction (No. 15), Queensland Health, https://www.health.qld.gov.au/system-governance/legislation/cho-public-health-directions-under-expanded-public-health-act-powers/border-restrictions

HIGH HOPES

Many exporters remain hopeful of a relatively fast return to pre-COVID revenue levels... 57% expect their income to bounce back before the end of 2021.

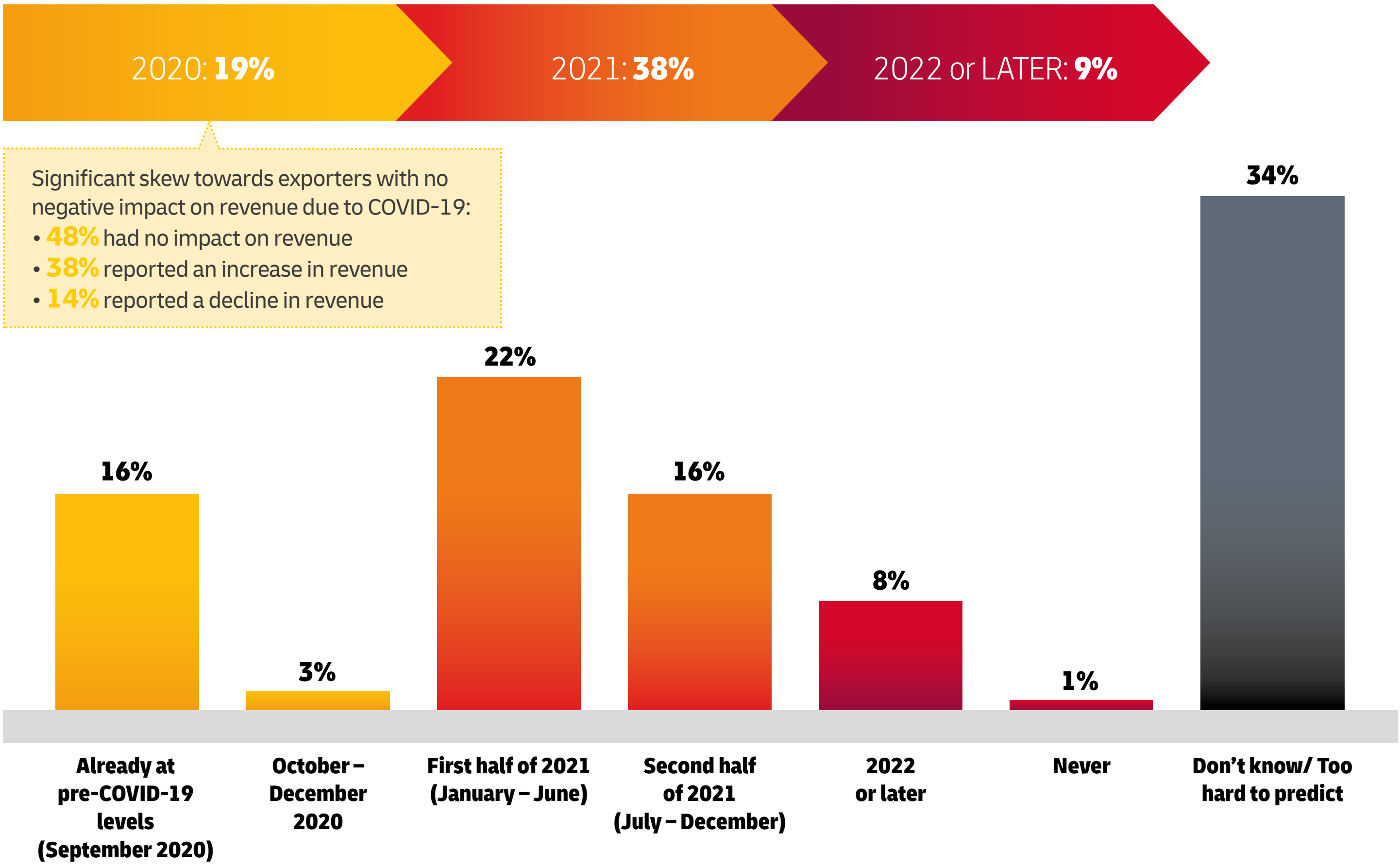
Despite seeing the number of export orders down and confidence taking a hit, encouragingly many exporters remain hopeful of a relatively fast return to pre-COVID revenue levels.

Of the businesses surveyed, 57% expect their income to bounce back before the end of 2021.

In fact, of this cohort, 16% had already reached pre-pandemic levels in September, 3% expect to reach the benchmark between October and December, and a further 22% are predicting to have recovered by June 2021.

However, there is still a high level of uncertainty for one in three (34%) exporters indicating they had no idea when revenue will recover, and 8% are not predicting a return to pre-COVID levels until 2022 or later.

WHEN EXPORT REVENUE IS EXPECTED TO RETURN TO PRE-COVID-19 LEVELS



Significant skew towards exporters with no negative impact on revenue due to COVID-19:
- 48% had no impact on revenue
- 38% reported an increase in revenue
- 14% reported a decline in revenue

EXPORT REVENUE UP AND DOWN

> **Looking forward across the next 12 months the number of exporters predicting an increase of revenue (47%) is lower than the past eight years.**

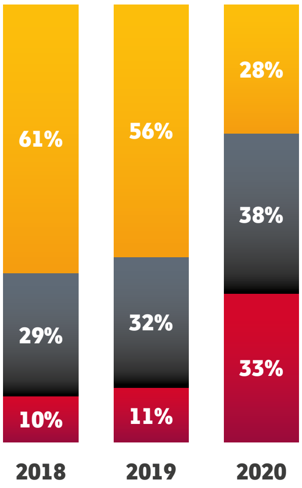
While the overwhelming narrative of the COVID situation is that revenue is taking a hit across companies and sectors, for exporters it is a mixed bag.

Only one in three (33%) reported a reduction of revenue between September 2019 and September 2020, compared to 11% the year before and 10% in 2018.

Meanwhile, 38% report no changes to income at all – only 6% more exporters than last year.

CHANGE IN ACTUAL EXPORT REVENUE OVER THE LAST 12 MONTHS

With the significant impact of COVID-19, it is hardly surprising that the net change in export orders in the period between September 2019 and September 2020 is at its lowest, with a third claiming a decline during the 12 month period.

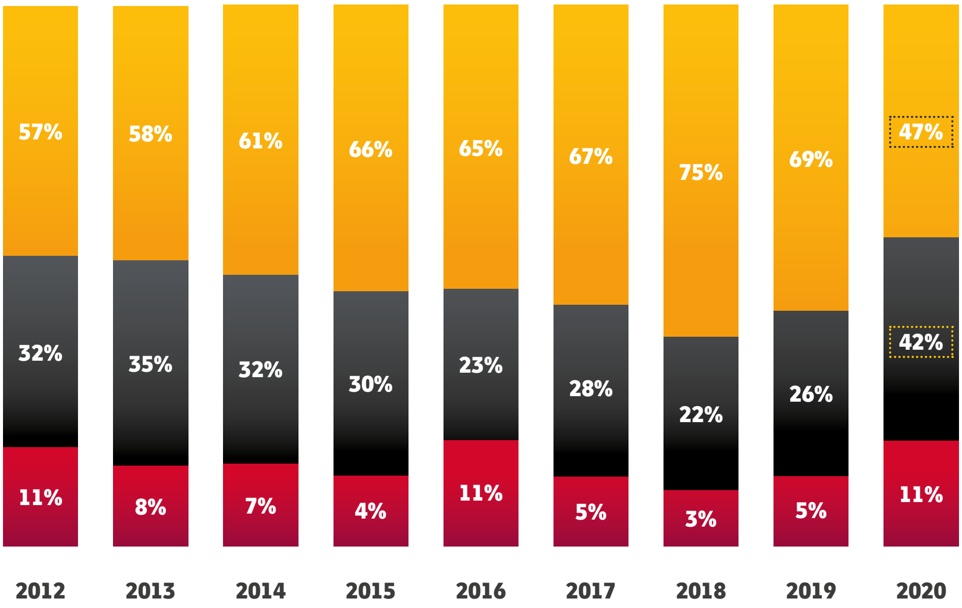


Looking forward across the next 12 months the number of exporters predicting an increase of revenue (47%) is lower than the past eight years.

More than 40% predict revenue to stay the same and 11% say it will decrease.

CHANGE IN EXPECTED EXPORT REVENUE OVER THE NEXT 12 MONTHS

Despite the record breaking drop in optimism, negative sentiment remains relatively low at 11%.



Unsurprisingly, 57% of those predicting a negative result blamed weak economic conditions, largely driven by the impact of COVID-19.

Other reasons for likely revenue decrease in the coming year is due to less demand (40%), increasing costs (27%), the downscaling of sales and marketing activities (27%) and political instability in export destinations (26%).

On the flip side, exporters expecting an increase in revenue are confident demand from existing customers will rebound.

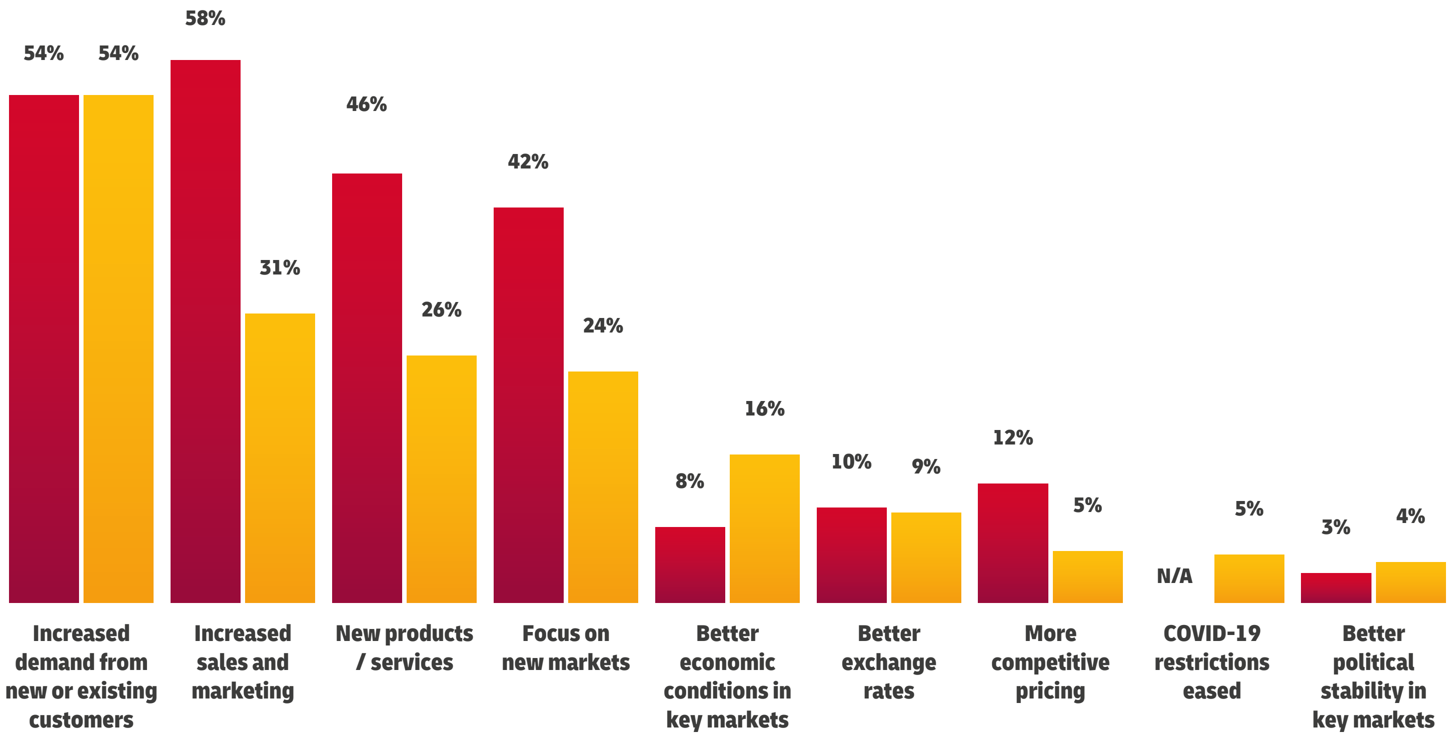
More than half (54%) of Australian exporters that are optimistic for the coming year say this will be the reason for rising revenue – exactly the same proportion as 2019.

Other factors driving the trend are increased sales and marketing for 31% of exporters, 26% are flagging new products or services, and 24% are planning to expand into new markets.

REASONS FOR EXPORT REVENUE BEING LIKELY TO INCREASE

As opposed to previous years, when optimism was driven by internal business activities to push sales, the more confident exporters expect customer demand to rebound over the next 12 months.

● 2019 ● 2020



E-COMMERCE IN THE FRAME

The proportion of e-commerce exporters relying solely on the internet for sales dropped to 8% – down from 17% in the preceding 12 months.

Online exports have been rocketing ahead in recent years, but this sector took a hit in 2020 along with bricks and mortar stores, with 1 in 3 businesses reporting a decline in the proportion of their online sales orders.

However, it is positive to note that 21% have had the opposite experience, reporting increases in online business activity, possibly as a result of changing business behaviours online.

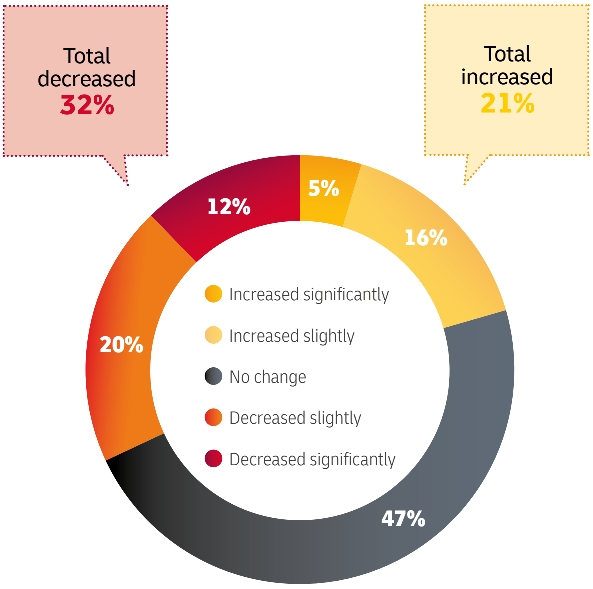
Overall, 74% of exporters indicate they are generating orders or enquires online this year – slightly lower than the 77% in 2019.

However, the proportion of e-commerce exporters relying solely on the internet for sales dropped to 8% – down from 17% in the preceding 12 months.

Despite the reduction, it is still clear the internet plays a crucial role for the majority of Australian exporters, but of note is that the pandemic and its flow on effects are changing how exporters do business online.

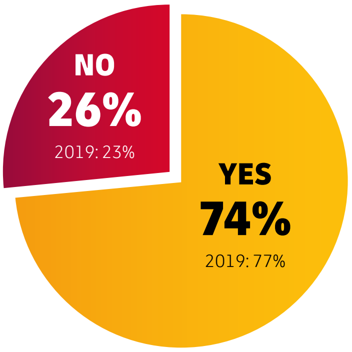
CHANGE IN ONLINE EXPORT ORDERS SINCE START OF COVID-19

COVID-19 has also impacted online export orders, with 1 in 3 businesses reporting a decline.



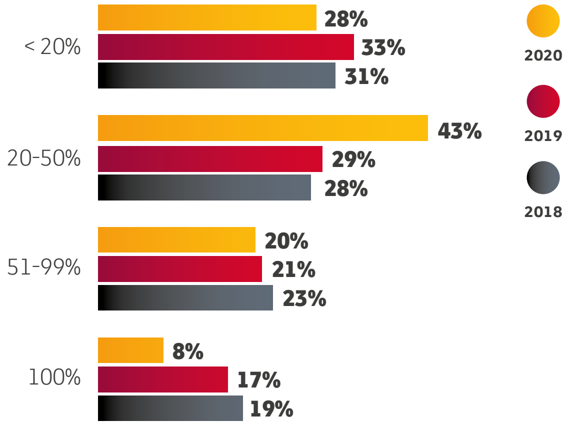
PROPORTION OF EXPORTERS WHO GENERATE ORDERS OR ENQUIRIES FROM ONLINE CHANNELS

This decline in export orders is clearly apparent in the significant decline in the proportion of exporters generating 100% of their sales online, while the proportion with 20-50% online sales jumped from 29% to 43%.



PROPORTION OF EXPORTER ORDERS/ ENQUIRIES GENERATED THROUGH ONLINE CHANNELS

(AMONGST EXPORTERS WHO GENERATE ONLINE SALES)



The data suggests a high number of businesses are simply waiting it out with 40% doing nothing to drive export orders online.

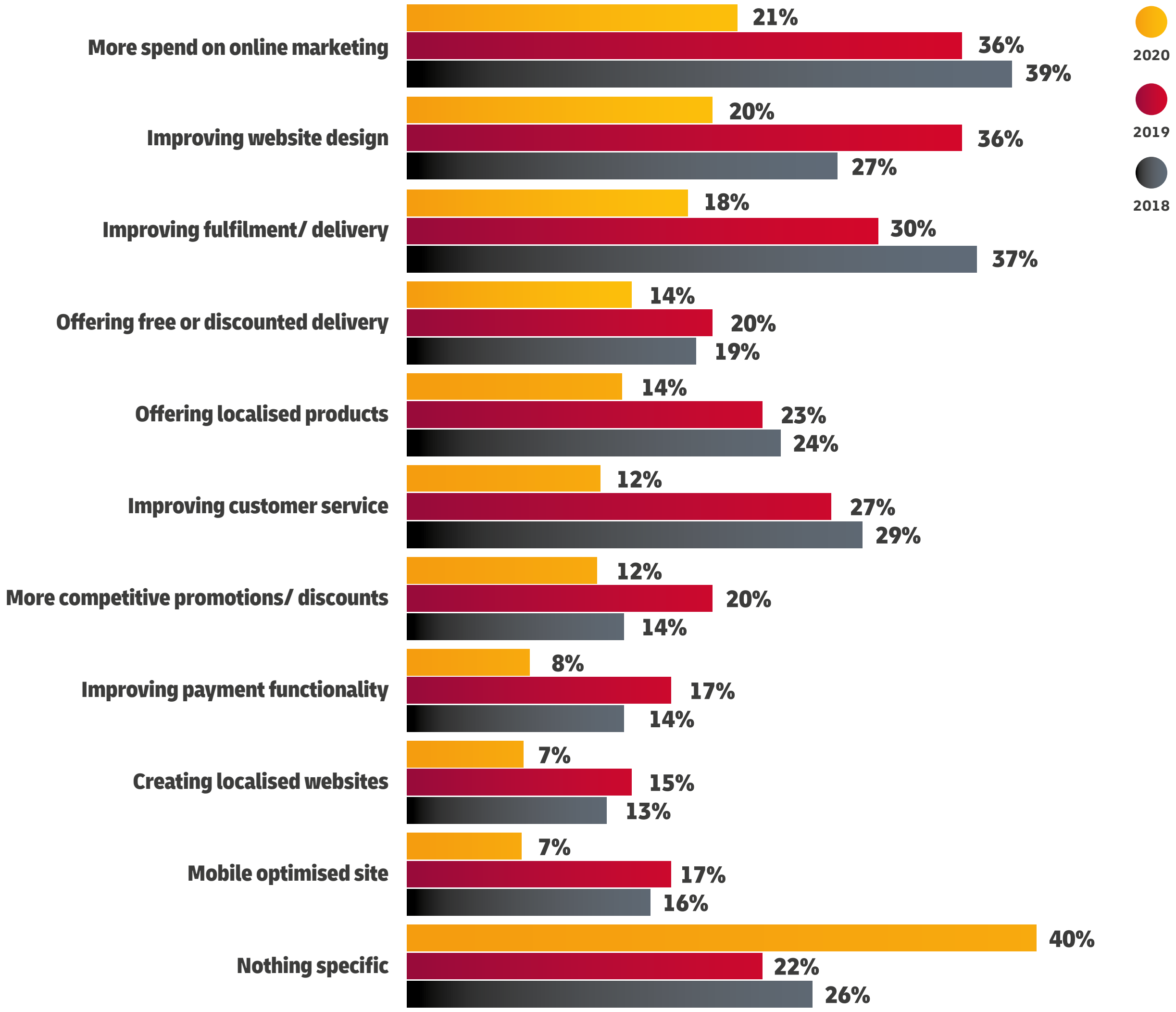
More than 20% are spending on marketing – down from 36% last year.

One in five (20%) are improving their website, also down from the year before.

Improving delivery is a focus for 18%, discounted delivery is a strategy applied by 14% of exporters and 12% are using discounts and promotion.

STRATEGIES TO DRIVE ONLINE EXPORT ORDERS

With the unprecedented COVID-19 challenges and declining export orders, sales and marketing activities have significantly decreased compared to previous years.



Of those businesses that have increased export revenue during COVID-19, focusing on websites and online platform design is the priority with 43% of businesses improving their online portals.

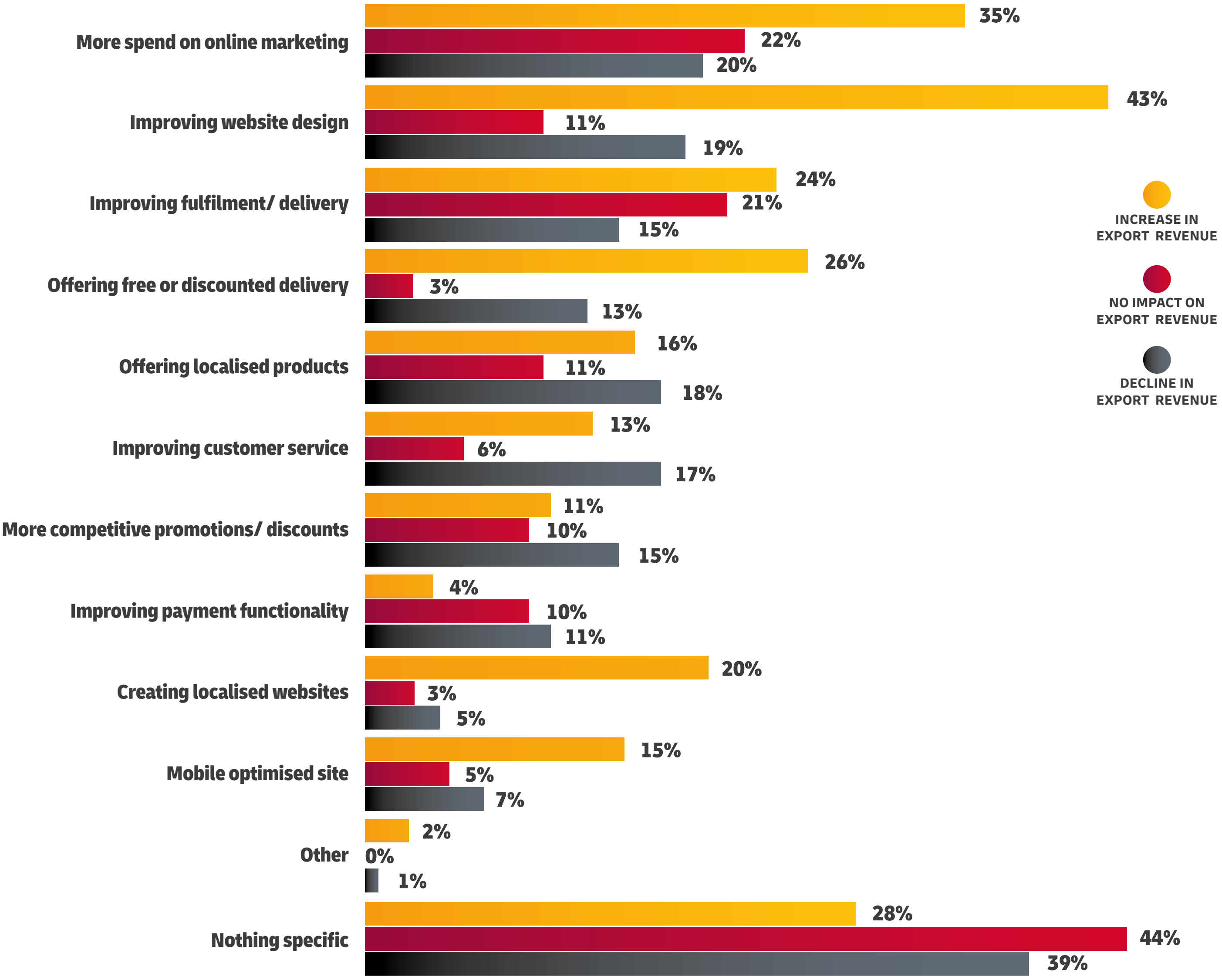
There is also a big move toward adapting websites to suit the region being targeted with one in five (20%) exporters that increased revenue localising content using appropriate language and culture.

This is being matched with businesses focusing specifically on their mobile platforms (15%).

Meanwhile, 35% are spending on online marketing, and 26% are offering free or discounted delivery.

STRATEGIES TO DRIVE ONLINE EXPORT ORDERS BY IMPACT OF COVID-19 ON EXPORT REVENUE

Despite low sample sizes, it is apparent that exporters with an increase in revenue since COVID-19 are more active in driving online orders.



SOCIAL MEDIA CHANGING

Facebook remains the most popular online platform with 31% of exporters using the service. Overall, 47% of online exporters used social media, down from 56% last year.

With many e-commerce businesses taking a hiatus or reducing online marketing budgets, it's not surprising that most social media channels have seen a decline in usage.

However, there is also some interesting trends developing in terms of the preferred platforms.

Overall, 47% of online exporters used social media, down from 56% last year.

Only one third (33%) used online advertising – a reduction of 7% – and usage of online marketplaces dropped to 12%.

There is also a move away from personalised, in-depth and influential online content with the use of influencers, bloggers and vloggers dropping dramatically from 16% last year to 4% in 2020.

Facebook remains the most popular online platform with 31% of exporters using the service – especially companies in the B2C market.

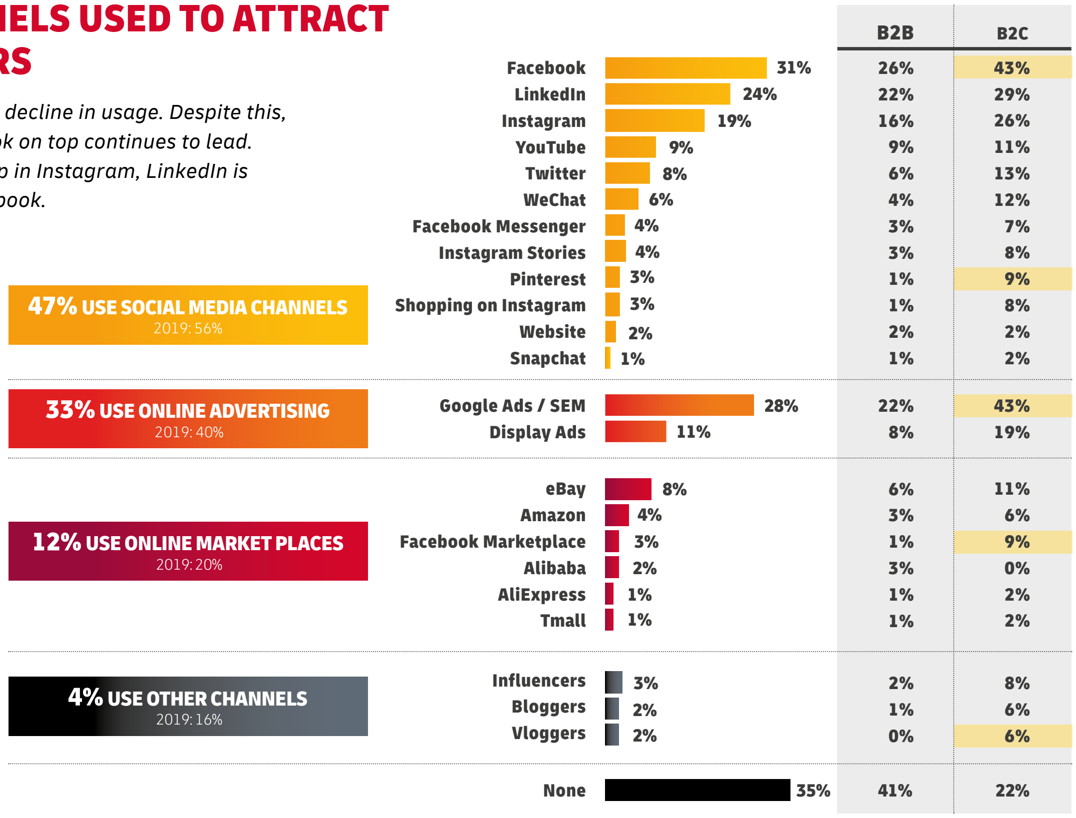
It is interesting to note that fewer exporters are using Instagram (19%) despite it being heralded as the game-changing platform for online marketing in recent years.

In fact, the picture platform dropped into third place with an uptick in activities on LinkedIn, seeing the business service take second position.

Almost a quarter of companies (24%) are opting to use LinkedIn – up from 19% in 2019 – with the site favoured by businesses targeting both B2B and B2C markets.

ONLINE CHANNELS USED TO ATTRACT EXPORT ORDERS

Most channels have seen a decline in usage. Despite this, social media, with Facebook on top continues to lead. Following a significant drop in Instagram, LinkedIn is now the second after Facebook.



47% USE SOCIAL MEDIA CHANNELS
2019: 56%

33% USE ONLINE ADVERTISING
2019: 40%

12% USE ONLINE MARKET PLACES
2019: 20%

4% USE OTHER CHANNELS
2019: 16%

		B2B	B2C
Facebook	31%	26%	43%
LinkedIn	24%	22%	29%
Instagram	19%	16%	26%
YouTube	9%	9%	11%
Twitter	8%	6%	13%
WeChat	6%	4%	12%
Facebook Messenger	4%	3%	7%
Instagram Stories	4%	3%	8%
Pinterest	3%	1%	9%
Shopping on Instagram	3%	1%	8%
Website	2%	2%	2%
Snapchat	1%	1%	2%
Google Ads / SEM	28%	22%	43%
Display Ads	11%	8%	19%
eBay	8%	6%	11%
Amazon	4%	3%	6%
Facebook Marketplace	3%	1%	9%
Alibaba	2%	3%	0%
AliExpress	1%	1%	2%
Tmall	1%	1%	2%
Influencers	3%	2%	8%
Bloggers	2%	1%	6%
Vloggers	2%	0%	6%
None	35%	41%	22%

COVID AND EXPORT CHALLENGES

The most common problem encountered during the pandemic was disruption and delays of deliveries with 54% of the exporters surveyed identifying impacts in this area.

There are always challenges in the exporting business and predictably COVID-19 has raised a range of issues for Australian operators.

However, with lower export activity there has been an upside for businesses, with many reporting fewer barriers especially in offshore markets.

The most common problem encountered during the pandemic was disruption and delays of deliveries with 54% of the exporters surveyed identifying impacts in this area.

Cost was also a concern, with 51% saying they were paying more for freight.

Temporary closures impacted 29% of operators, lack of customers was an issue for 28%, supply chain issues popped up for 27% of exporters, and 13% said they had trouble sourcing products and raw materials.

Interestingly, despite a worldwide disruption resulting from lockdowns and many countries' diverse responses to the virus, only one in four (25%) Aussie exporters say there has been difficulty doing business due to restricted international travel, possibly attesting to the transformative possibilities of technology and online communication.

CHALLENGES EXPERIENCED WHEN EXPORTING DURING THE COVID-19 SITUATION

COVID-19 has raised a range of challenges for exporters, with disruptions to deliveries and increased costs by far the biggest obstacles.

Looking beyond the pandemic, exporters report fewer challenges than previous years, most likely due to the reduction in export activity.

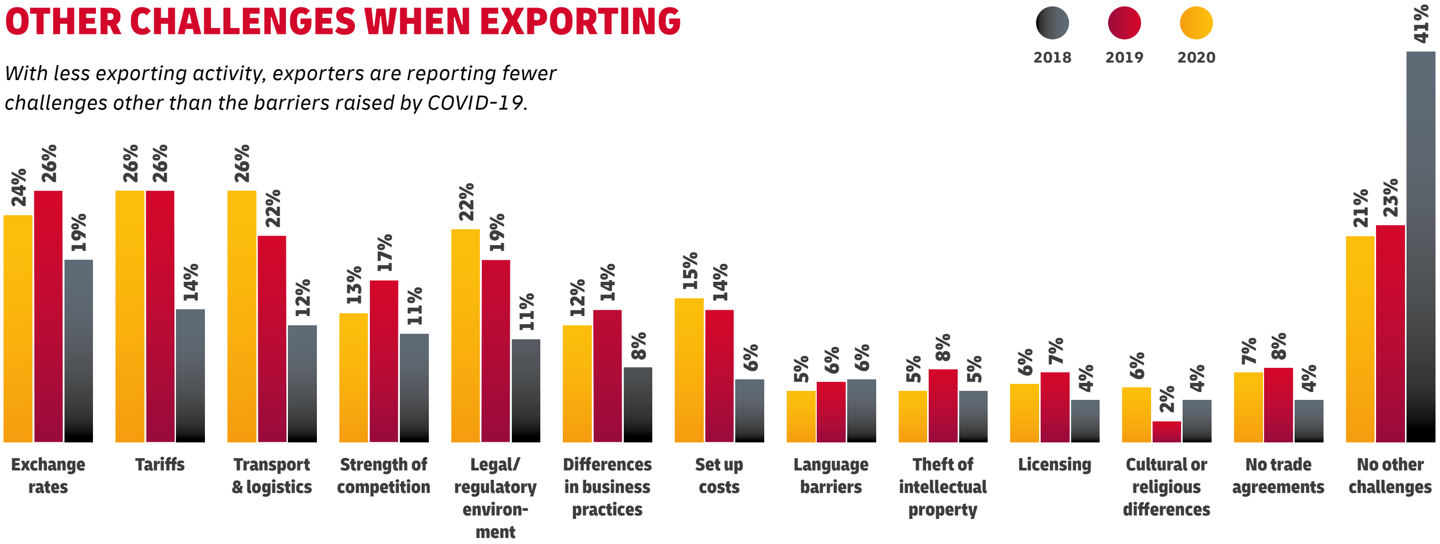
More than 40% of exporters had no challenges apart from COVID-related issues.

The concern about exchange rates dropped from 26% last year to 19%, while tariffs posed an issue for 14% of businesses – down from 26%.

The other common challenges exporters reported experiencing were transport and logistics (an issue for 12%), strength of competition (11%), legal requirements (11%) and set up costs (6%).

OTHER CHALLENGES WHEN EXPORTING

With less exporting activity, exporters are reporting fewer challenges other than the barriers raised by COVID-19.



In terms of obstacles by location, the Barometer identifies offshore markets continue to pose the usual challenges for Australian exporters.

But it is worth noting there was a silver lining for businesses exporting to North East Asia, South East Asia and the Europe, Middle East and African regions.

The percentage of exporters targeting these regions reporting they had no challenges rose significantly in 2020 – albeit most likely due to lower levels of exports.

In line with previous years, tariffs were troublesome for 15% of exporters in South East Asia and 23% of exporters in the Americas.

The current major barrier for Europe, Africa and the Middle East region is legal and regulatory requirements impacting 16% of exporters, followed by exchange rates (13%) and strength of competition (13%).

In the Americas exchange rates pose a problem for one third of exporters (33%), while strength of competition is challenging for 12%.

OTHER CHALLENGES WHEN EXPORTING: TOP 4 BY REGION

Despite less activity with the Americas, 4 in 5 exporters targeting the region are reporting challenges, with exchange rates and tariffs the most often mentioned.

THE AMERICAS	NORTH EAST ASIA	SOUTH EAST ASIA, SOUTH ASIA & THE PACIFIC	EUROPE, THE MIDDLE EAST & AFRICA
33% (30%) Exchange rates	**28%** (14%) Differences in business practices	**18%** (25%) Exchange rates	**16%** (22%) Legal/ regulatory environment
23% (30%) Tariffs	**24%** (18%) Legal/ regulatory environment	**15%** (26%) Tariffs	**13%** (27%) Exchange rates
12% (20%) Strength of competition	**16%** (27%) Exchange rates	**14%** (23%) Transport & logistics	**13%** (19%) Strength of competition
10% (22%) Transport & logistics	**16%** (19%) Transport & logistics	**12%** (17%) Strength of competition	**10%** (14%) Costs of setting up
	16% (10%) Threat of intellectual property theft		
19% (20%) No challenges	**31%** (23%) No challenges	**46%** (24%) No challenges	**51%** (21%) No challenges

Significant rise from 2019 where **24%** indicated **facing no challenges**

SOHO SNAPSHOT

SOHO exporters have taken an extra blow from the pandemic with revenue and confidence dropping significantly ...however, encouragingly 9% reported an increase in revenue during COVID.

Small Office Home Office (SOHO) businesses have been making waves in the export arena in recent years, however the global impact has clearly taken its toll on many micro businesses.

In 2017 the DHL Export Barometer revealed SOHOs accounted for 26% of exporters, which grew quickly to 34% in 2019, indicating barriers to the industry were being reduced paving the way for innovative small operators with between one and four employees.

This army of smaller operators was notably using online ecosystems to generate orders, and in 2020 many SOHOs were expanding their footprint to offshore markets including Europe, the United Kingdom, New Zealand and China.

However, the SOHO exporters have taken an extra blow from the pandemic with revenue and confidence dropping significantly.

Positive revenue outlook among SOHO exporters for the coming 12 months is 28% – dropping from a high of 73% in 2019 – a considerably larger reduction than seen among medium-to-large sized businesses.

It comes after 61% of SOHOs took a negative hit in terms of revenue.

However, encouragingly 9% reported an increase in revenue during the COVID situation and it will be an interesting sector to watch in 2021.

EXPORTERS STAYING CLOSE TO HOME

> **Seven in ten (73%) Australian exporters currently target New Zealand – up from 68% in 2019. Exports are notably dropping off in Europe, reducing from 42% in 2018 to 30% in 2020.**

New Zealand has reigned supreme as the favoured export destination for Aussie exporters since 2013 and although destinations like North America has rivalled its popularity in recent years, 2020 saw our Kiwi neighbours continue to dominate.

Seven in ten (73%) Australian exporters currently target New Zealand – up from 68% in 2019.

North America remained in second place with 39% of exporters active in the region – however trade was significantly down from 52% in 2019.

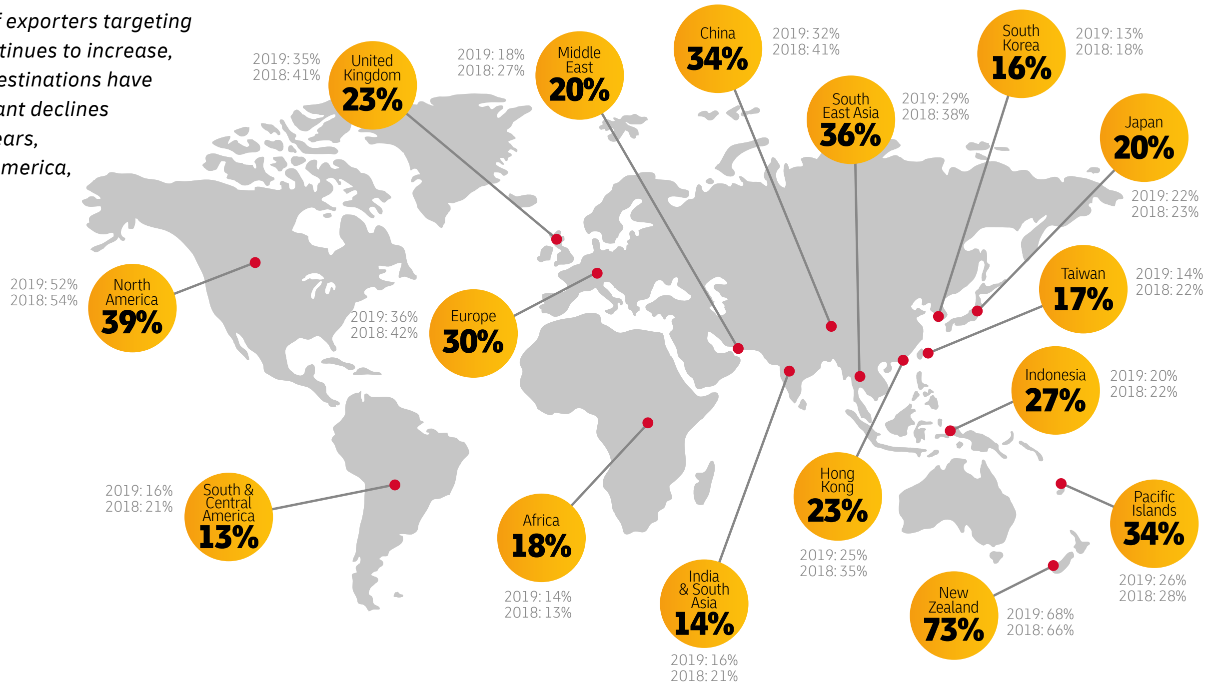
Exports are notably dropping off in Europe, reducing from 42% in 2018 to 36% in 2019 and now 30%.

This trend is also being seen in the UK with the number of companies targeting the region dropping from 41% in 2018 to 23% in 2020.

The decline over this period coincides with the withdrawal of the United Kingdom from the European Union.

CURRENT EXPORT DESTINATIONS

The proportion of exporters targeting New Zealand continues to increase, while other key destinations have recorded significant declines over the past 2 years, including North America, Europe and the UK.



Despite the increase in exporters targeting New Zealand in 2020, the pandemic did have impacts.

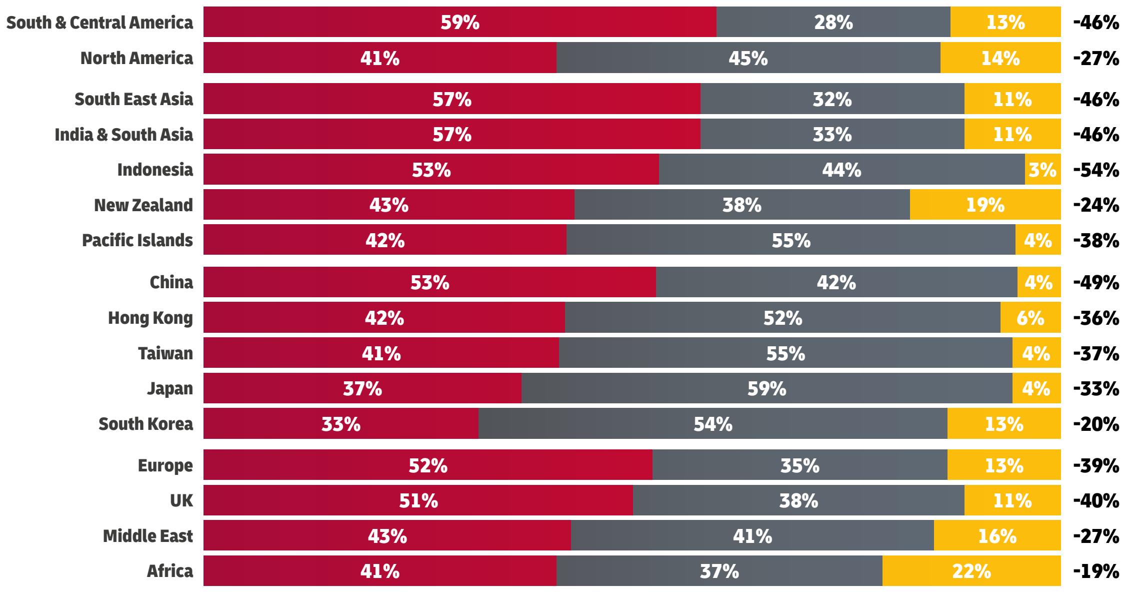
Two out of five (43%) of these businesses report a decline of orders in the region, although 19% reported an upward swing.

Other regions where businesses most commonly reported a decline since the start of COVID-19 included South and Central America (59%), South East Asia (57%), India and South Asia (57%), Indonesia (53%), and China (53%).

IMPACT ON EXPORT ORDERS SINCE THE START OF COVID-19

Despite the increase in exporters targeting New Zealand, 43% are reporting a decline in orders in that region since the start of COVID-19. Other regions are also reporting significant decreases in orders.

● DECLINE IN EXPORT ORDERS
● NO CHANGE
● INCREASE IN EXPORT ORDERS
○ NET CHANGE



The data also shows the pandemic and resulting decline in revenue meant exporters were less inclined to target new destinations over the coming 12 months.

Two in three (65%) exporters had no plans to expand to a new region during 2021.

Interestingly, of the exporters reporting no plans to expand, 70% experienced a decline in revenue due to the COVID-19 situation.

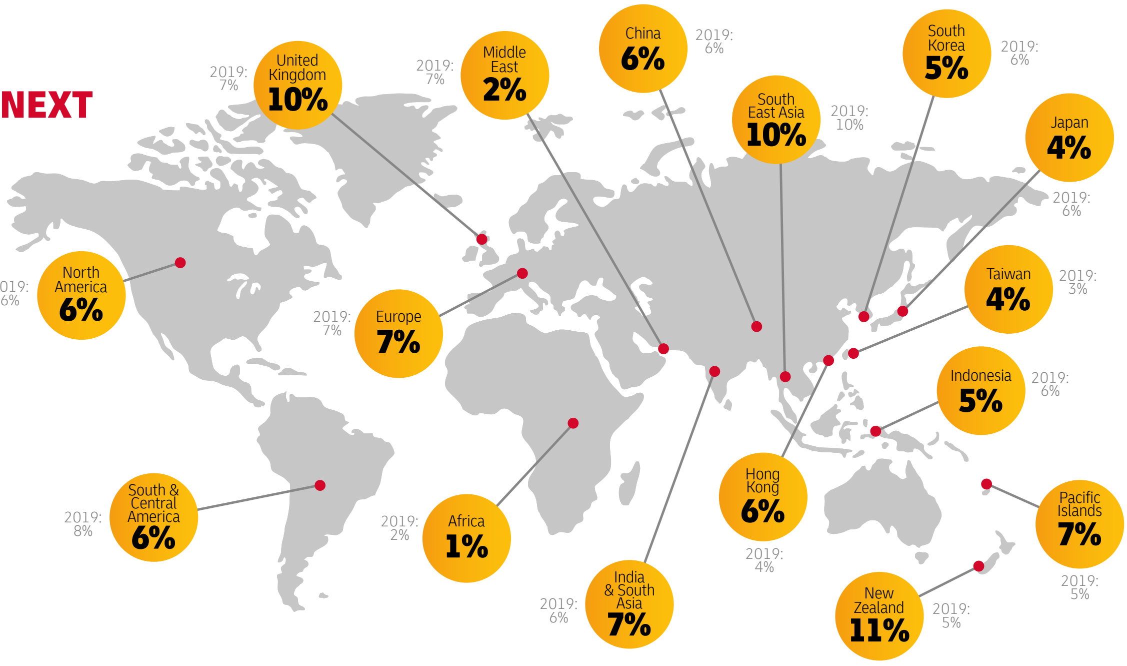
Amongst those exporters intending to target new regions, New Zealand, South East Asia and the UK will be their focus.

DESTINATIONS PLANNING TO TARGET IN THE NEXT 12 MONTHS

None **65%** 2019: 51%

70%
amongst exporters who reported a decline in export revenue due to the COVID-19 situation.

Average number of new regions Australian exporters are planning to target
2018: 3.0
2019: 1.9
2020: 2.8



THE QUESTION OF FINANCE

Despite the pandemic stalling many economies and plunging some into deficit, only one in 10 Aussie exporters reported bad debts from their export customers – up only 2% from 2018-19.

Getting a loan has always been a tricky process for a small number of exporters in Australia, and this year was no different.

In 2020, 39% of exporters were looking for trade finance since the start of the pandemic.

Of these, 6% had difficulty obtaining a loan mainly due to lack of security, not meeting lending criteria and the cost of finance being too expensive.

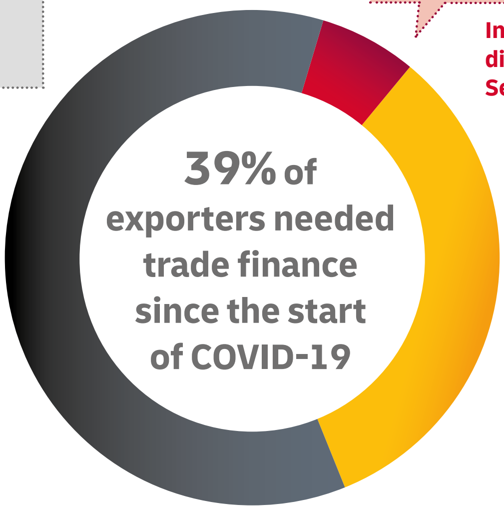
However, positively 33% of those wanting finance obtained it without difficulty.

There is also good news on the front of bad debts.

Despite the pandemic stalling many economies and plunging some into deficit, only one in 10 Aussie exporters reported bad debts from their export customers – up only 2% from 2018-19.

These were mostly incurred in South East Asia, North America and Indonesia.

EXPERIENCED DIFFICULTIES IN OBTAINING TRADE FINANCE



62% of exporters had no need for trade finance.

In comparison, 55% had no need for trade finance between September 2018-19

Of the exporters who needed trade finance, **6%** had difficulties obtaining it since COVID-19

MAIN REASONS
- Lack of security
- Lending criteria has become more stringent
- Cost of finance was too expensive

In comparison, 6% had difficulties between September 2018-19

Of the exporters who needed trade finance, **33%** had no difficulties obtaining it since COVID-19

In comparison, 39% had no difficulties between September 2018-19

WORKFORCE EXPANSION ON HOLD

Just 28% of businesses have plans to increase their employee numbers in 2020, compared to half (50%) of the companies surveyed in 2019.

Australia's exporters have previously made a significant contribution to the Australian economy by increasing employee numbers and wages, however, 2020 has put a dent in this stellar record.

In line with weaker business performance and diminished confidence over the coming 12 months, the proportion of exporters planning to increase the size of their workforce is at an historic low point.

Just 28% of businesses have plans to increase their employee numbers in 2020, compared to half (50%) of the companies surveyed in 2019.

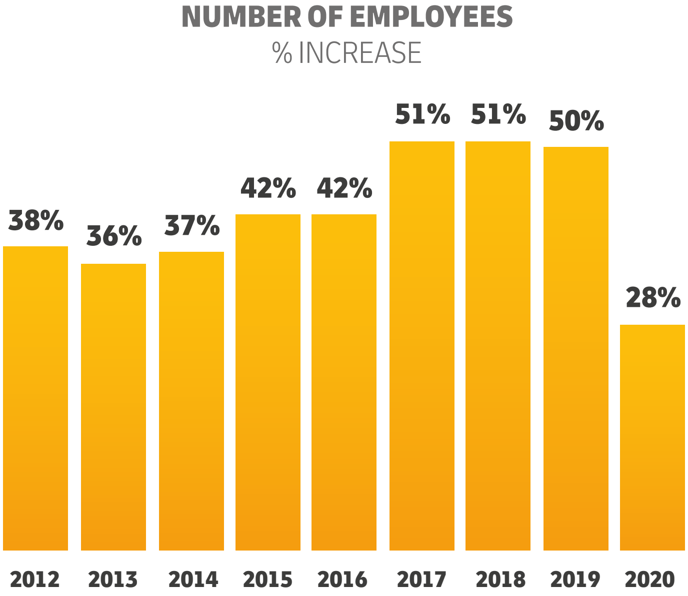
This is well below the level recorded in the past 8 years, dating back to 2012 where 38% were planning to grow staff numbers.

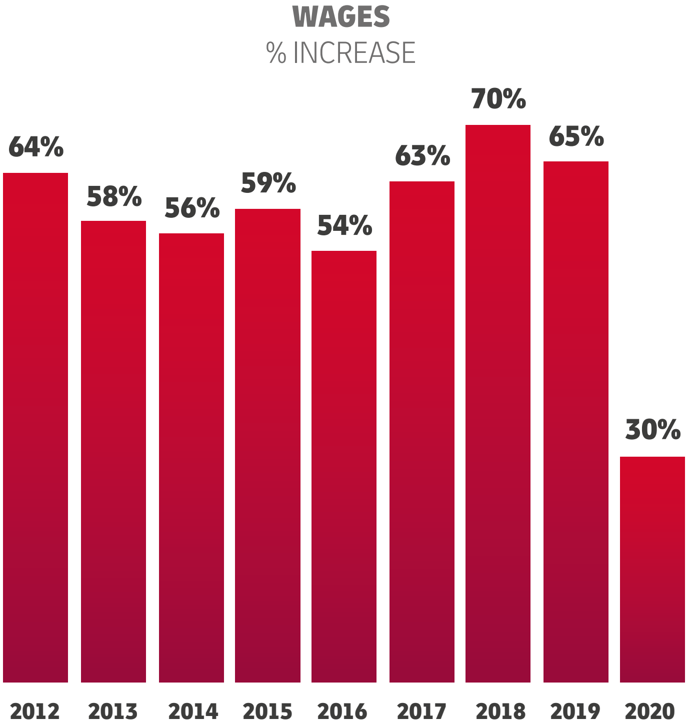
This is matched on the wages front with less than one in three (30%) exporters signalling a wage rise for employees.

This was down from 65% last year, and a record high of 70% of businesses in 2018.

INCREASES TO EMPLOYEE NUMBERS AND WAGES

In line with the significantly weaker business performance and negative outlook, the proportion of businesses looking to increase the size of their teams or employee wages is historically low and well below the average of the previous 8 years.





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Note: Due to rounding, total numbers contained within this report may not add up to 100%