Australian exporters are gaining confidence and learning to live with a high dollar, international competition and high raw material costs. They are diversifying their export markets beyond just China, into the rest of Asia, the Middle East and emerging markets. Even the advanced economies of North America, the UK and Europe are happier hunting grounds for exporters this year.

The move away from over dependence on the mining sector is continuing with strong results in services and agriculture.

Despite the online revolution in the retail sector (which is mainly imported consumer items) only one third of exporters use websites as their main market entry channel. However they are starting to embrace social media – particularly Facebook.

Overall, exports are welcoming the Australian Government’s aggressive Free Trade Agreement (FTA) agenda in North East Asia, with strong support for a potential FTA with China (61%). Potential agreements with the European Union (46%), Indonesia (38%), Malaysia (42%) and the Trans Pacific Partnership (37%) are also expected to have a greater impact on business in 2014 compared to 2013.

Tim Harcourt
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**EXPORT CONFIDENCE – THINGS CAN ONLY GET BETTER**

Exporter confidence has steadily improved since the lows of 2012. 61 per cent of exporters expect orders to increase (marginally up on last year’s 58 per cent) and 48 per cent of exporters did achieve an increase in orders over the past 12 months. The indicators reflect the overall strength in the Australian economy and the contribution that the exporter community makes to Australia’s prosperity.

**PARADISE OF DIVERSITY**

Whilst media reports imply we are putting all the export eggs in the China basket, the Barometer shows an overall diversity in our export destinations. In fact, in 2014, the Middle East is considered the most promising market on 54 per cent, ahead of North America and China (51 per cent), New Zealand, UK and India (50 per cent). Compared to last year, the UK and Taiwan are the biggest pacemakers (up 10 and 11 per cent on 2013 data respectively) and overall the results show a balance between export growth in both advanced and emerging economies.
AUSSIES BATTLE WITH DAZZLING DOLLAR – STRATEGIES AND ASSISTANCE

The high dollar is still considered to have had a negative impact on sales but has lessened since 2013, as has the impact of international competition. The big movers in the negative stakes are cost of raw materials/components and restrictions to trade (regulatory constraints) especially those off shore. China was regarded as the biggest competitive threat (55 per cent) followed by USA (31 per cent), India (15 per cent), New Zealand (11 per cent) and Indonesia (also on 11 per cent). The high Aussie mainly affects ability to compete with overseas competitors, and profits although 74 per cent of exporters are also importers so the high Aussie can bring some relief on the cost side.

Surprisingly, in terms of strategies to deal with the high dollar, only 20 per cent of exporters hedge on the currency whilst 39 per cent look at different markets, 34 per cent undertake product and service refinement, 34 per cent re-price in Australian dollars or alternative currencies and innovation and 31 per cent source from imports and source more imports/raw materials overseas.

For those new entrants, first time ‘rookie’ exporters regarded transport and logistics as the main barrier to export (37 per cent) followed by the exchange rate (27 per cent).
THE DIGITAL DIVIDE?
EXPORTING THROUGH SOCIAL MEDIA

For the first time in 2014, the Barometer asked how exporters used social media to generate export orders or enquiries. Overall, 37 per cent of exporters used social media, with 24 per cent using Facebook, 14 per cent LinkedIn, 11 per cent Google+ and 9 per cent on Twitter.

SINO-THE-TIMES

Of potential Free Trade Agreements, 61 per cent of exporters thought a China – Australia FTA would benefit their business, 31 per cent said it would have no effect and only 8 per cent said it would be negative. This was the most supported potential agreement. So it looks like Andrew Robb should get on a plane to Beijing, as Australian exporters believe they would overwhelmingly benefit a trade pact with the People’s Republic.