

12 October 2009

## **AUSTRALIAN TRADE SENTIMENT SWELLS AS GLOBAL RECOVERY RAMPS UP, HSBC SURVEY SHOWS**

***\*\*\*Australia records highest jump in trade confidence among countries surveyed\*\*\****

***\*\*\*Emerging markets critical to Australian trade\*\*\****

***\*\*\*Trade volumes set to rise as demand for and access to trade finance increases\*\*\****

In another powerful sign of Australia's emerging markets-led recovery, trade confidence has surged among Australian trade-oriented businesses, according to the latest HSBC Trade Confidence Index. Underpinned by strengthening product demand, easing credit conditions and the seemingly unstoppable Chinese economy, Australian trade sentiment soared in the third quarter to record the highest jump of all surveyed countries.

The HSBC Trade Confidence Index is the biggest opinion survey of its kind and covers a total of 12 markets – including key economies in the Asia-Pacific region, the United Arab Emirates (UAE), Brazil, the UK and the US. Over 3,500 importers and exporters were asked about their three-month outlook on: trade volume; buyer and supplier risks; the need for trade finance; access to trade finance; and the impact of foreign exchange on their businesses. The index ranges from 0 to 200 – any number above 100 indicates increasing confidence.

Australia's Trade Confidence Index rose to 107 in the third quarter of 2009, up more than 10 per cent from the previous quarter (97), reflecting buoyant levels of optimism on the outlook for trade over the next three months.

The index shows an overall positive outlook across emerging and developed economies, with respondents from mainland China (121), Indonesia (120) and the UAE (118) the most confident about trade activity and growth. Australia, Hong Kong and Singapore recorded the strongest increases in confidence scores.

Andrew Skinner, head of trade and supply chain for HSBC in Australia, said: "Australia's economic prospects are increasingly tied to the fortunes of emerging markets, particularly Asia and especially China. There's no doubt that Australia has benefited from the resilience of emerging markets through the global financial crisis.

"Last week's unemployment figure, the RBA's decision to increase interest rates and the remarkable appreciation of the Aussie dollar all point to a more positive economic picture – and the leap in trade confidence supports this.

## **Australian trade sentiment swells as global recovery ramps up, HSBC survey shows/2**

“Australian importers and exporters are optimistic about trade volumes, access to trade finance is easing and the demand for credit is increasing. Notwithstanding foreign exchange volatility, the outlook for trade-oriented businesses is upbeat.

“China remains the main game for Australia, with three out of five respondents identifying China as a key trading partner and almost a third citing it as the most promising region for trade growth in the next three months. At the same time, the importance of developed markets, such as Western Europe and North America, is declining.

“Australia’s economy is straddling the divide between the developed and emerging markets, and while the West remains central to our international trade, the shift of economic focus from West to East is accelerating,” Skinner said.

The HSBC Trade Confidence Index found:

- 42 per cent of respondents expect trade volume to increase, up from 25 percent in Q2
- Greater China (incl. HK, Taiwan and Macau) remains Australia’s key trading region for 59 per cent of respondents
- Asia is the most promising region for trade growth in the next three months, with respondents seeing the most growth potential in Greater China (31%), Southeast Asia (19%) and Rest of Asia (9%)
- Product demand is strengthening with one third fewer respondents citing lack of demand for products as a barrier to growing their business in Q3
- 45 per cent of respondents expect the global economy to expand in the next three months, up from 12 per cent in Q2; just 11 per cent expect a contraction, down from 47 per cent in Q2
- Respondents expecting the risk of buyer default to increase over the next three months has fallen by over half from the previous quarter (16% v 34% in Q2)
- 84 per cent of respondents expect buyer default risk to remain the same or decrease in the next three months, compared to 63 per cent in Q2
- 31 per cent of Australian respondents cite fluctuating foreign exchange rates as a top barrier to business growth, particularly for exporters, albeit down by a quarter from Q2

### **Global Trade Confidence Results**

The HSBC Trade Confidence Index demonstrated that the global outlook for trade is also positive. Key findings include:

- The number of respondents expecting trade volumes to grow (44%) significantly outnumber those who expect a contraction (15%), on average 3:1
- About one-third (32%) of respondents expect their need for trade finance to increase, especially in India (44%), South-East Asia (41%) and the UAE (37%)

## Australian trade sentiment swells as global recovery ramps up, HSBC survey shows/3

- Most respondents expect good access to credit with over half (59%) saying it will stay the same and around a third (31%) saying access will increase
- At least four in 10 respondents expect banks to meet future trade finance needs, except in the UK, where 45 per cent will rely on their own capital compared to 29 per cent who will seek bank support
- The majority of respondents expect buyer default risk (69%) and supplier non-delivery risk (75%) to remain stable, although a slightly greater number of respondents expect an increase in buyer risk (17%) than supplier risk (12%)
- Traders continue to cite volatile foreign exchange conditions as a key challenge to business growth. Foreign exchange volatility is the top concern for respondents in Brazil (58%), the UK (56%), South-East Asia (53%) and Greater China (42%)

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### **Notes to editors**

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#### **About the HSBC Trade Confidence Index**

Commissioned by HSBC Trade and Supply Chain, the HSBC Trade Confidence Index is the first international survey on small and mid-market businesses engaged in cross-border trade. The first wave was conducted in April and May 2009 and the second wave in August and September 2009 by research company TNS. The HSBC Trade Confidence Index covers 3,590 exporters, importers and traders in 12 markets: Australia, mainland China, Hong Kong, India, Indonesia, Malaysia, Singapore, Vietnam, United Arab Emirates (UAE), the UK, USA and Brazil. The survey gauges sentiment and expectations for trade activity and business growth in the next 3 months.

#### **Small and Medium Business definitions for survey:**

<b>Area</b>	<b>Annual turnover</b>
Australia	A\$30m-200m
Hong Kong	HK\$25m-2bn
India	Rs300m-2bn
Indonesia	US\$250,000-\$100m
Mainland China	RMB500m-2bn
Malaysia	< RM150m
Singapore	S\$15m-600m
Vietnam	<US\$10m
UAE	US\$10m-75m
Brazil	real5m-100m
USA	US\$20m to \$250m
UK	£15m-£250m

*ends/all*