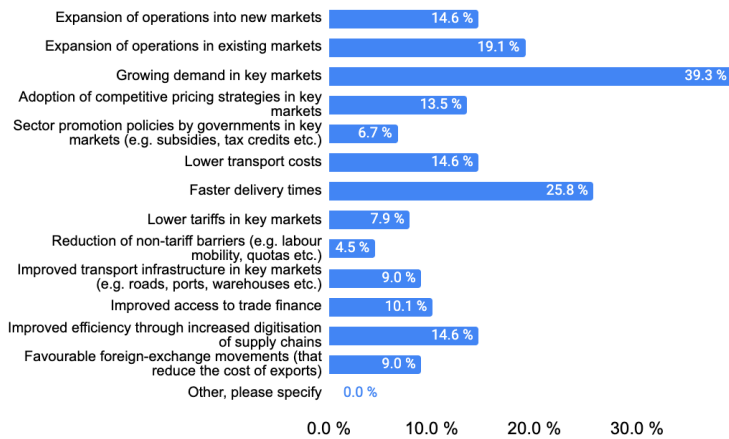


**AUSTRALIA FINDINGS**

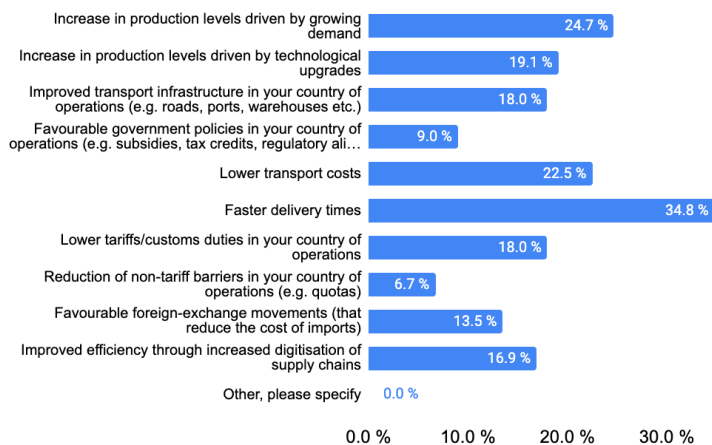
Australia observed an appreciable increase in its exports and imports in 2022. In October 2022, total imports in Australia grew year-on-year by 46%, while exports grew by around 36%.<sup>1</sup> The economy overall rose by 5.9% through the year, primarily driven by an increase in household spending.<sup>2</sup> Economic growth is projected to contract to 1.9% in 2023 primarily driven by elevated levels of inflation diminishing households' purchasing power.<sup>3</sup>

The primary driver of export growth in Australia for 2023, according to the executives surveyed in the country, is growing demand in key markets, cited by about 39% of respondents. Faster delivery times (cited by 26%), and an expansion of operations into existing markets (cited by 19%) will also boost exports from Australia in 2023. On the import side, faster delivery times, cited by 35% of executives, is expected to drive imports in 2023. Around 25% executives also expect an increase in production levels driven by a growth in demand, which would in turn boost imports in 2023.

**Fig 1: Drivers of export growth in Australia, in 2023**



**Fig 2: Drivers of import growth in Australia, in 2023**



<sup>1</sup> <https://www.ceicdata.com/en/indicator/australia/total-exports-growth>

<sup>2</sup> <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release#:~:text=Australian%20economy%20rose%200.6%25%20in%20the%20September%20quarter%202022,outbreak%20in%20September%20quarter%202021.>

<sup>3</sup> <https://www.oecd.org/economy/australia-economic-snapshot/>

Australian executives also share their concerns with trade patterns in 2023. Around a quarter of executives surveyed cite higher transport cost as the major limitation to their export and import growth in 2023. The Container Transport Alliance of Australia (CTAA) indicates an increase of 41.19% on average price of the diesel fuel in mid-2022 compared with the same period in the previous year.<sup>4</sup> Moreover, a shortage in the supply of key inputs is expected to pose challenges to export growth in 2023. On the import side, increased inflation and economic uncertainty will also lead to higher input costs limiting import growth further, cited by 19% of executives. Likewise, around 35% of executives surveyed share rising inflation as their main reason for pessimism about global trade over the next two years.

Amid expectations of a contracting economy, Australian exports will observe a moderate hit from geopolitical shocks—less so by the war in Ukraine and more so by the US-China trade tensions. While around 32% of the executives do not expect any change in their export growth under the scenario where there is a rise in tensions between US and China, a higher proportion of executives (38%) predict contraction of exports. The trading relationships between Australia and China has worsened since 2020<sup>5</sup>, which could escalate further if and when tensions between US and China escalate.

In light of these geopolitical tensions, companies in Australia are primarily responding in a few ways. The first is decreasing the length of supply chains to reduce the costs to business, cited by 32% executives in the survey, which concatenates with around 36% of the companies diversifying their supplier bases. Interestingly, the same proportion of executives report increasing the length of their supply chains to hedge against risks. Second, around 29% of executives each cite expanding into more stable and transparent markets, and undertaking more due diligence of supply chains to assess exposure to geopolitical issues as their major strategy for resilience. Finally, around three quarters of executives surveyed report keeping some level of inventory buffers rather than operating just in time.

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<sup>4</sup> <https://blog.whaleau.com.au/skyrocketing-container-road-transport-costs-in-australia>

<sup>5</sup> <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/australiachina-trade-tensions-the-great-escape-july21.html>