

Media Release

Predicting the Unpredictable – Business Owners Know Best

(18 May 2015 – Australia) Australian small and medium-sized enterprises (SME) predict that the Australian dollar will fall below US\$ 0.75 by Q1 2016 according to the East & Partners Australian Dollar Barometer.

The Barometer surveys 868 actively importing and exporting firms, and captures business owners AUD/USD rate forecasts, expected changes in currency exposure and intended hedging plans.

Now in its fifth year, the trending data splits SME's forecasts and hedging intentions by trading focus, business size, state, sector, primary bank and offshore funding focus.

"While the 'random walk' of the Australian Dollar routinely leaves the market baffled, business owners frequently predict currency movements with a high degree of accuracy," said East & Partners' Head of Markets Analysis, Martin Smith.

"Australian importers and exporters actively hedging their FX exposure have demonstrated over an extended period of time that they are excellent currency risk managers."

Round 17 of the Barometer, conducted in February 2014, found the average AUD/USD rate forecasted for the end of September 2014 was 0.879. The indicative AUD/USD exchange rate ended the month of September 2014 at 0.875 according to data sourced by the Reserve Bank of Australia (RBA).

Latest results from Round 22 of the Barometer, released this month, show importers and exporters predict the AUD/USD to remain near current levels at 0.781 before sliding to 0.749 by the end of Q1 2016.

At the end of 2011, 63.1 percent of enterprises planned to hedge FX exposures. This figure has increased to 80.4 percent as of May 2015 and is expected to rise as volatility increases and a greater number of businesses turn their attention to offshore markets.

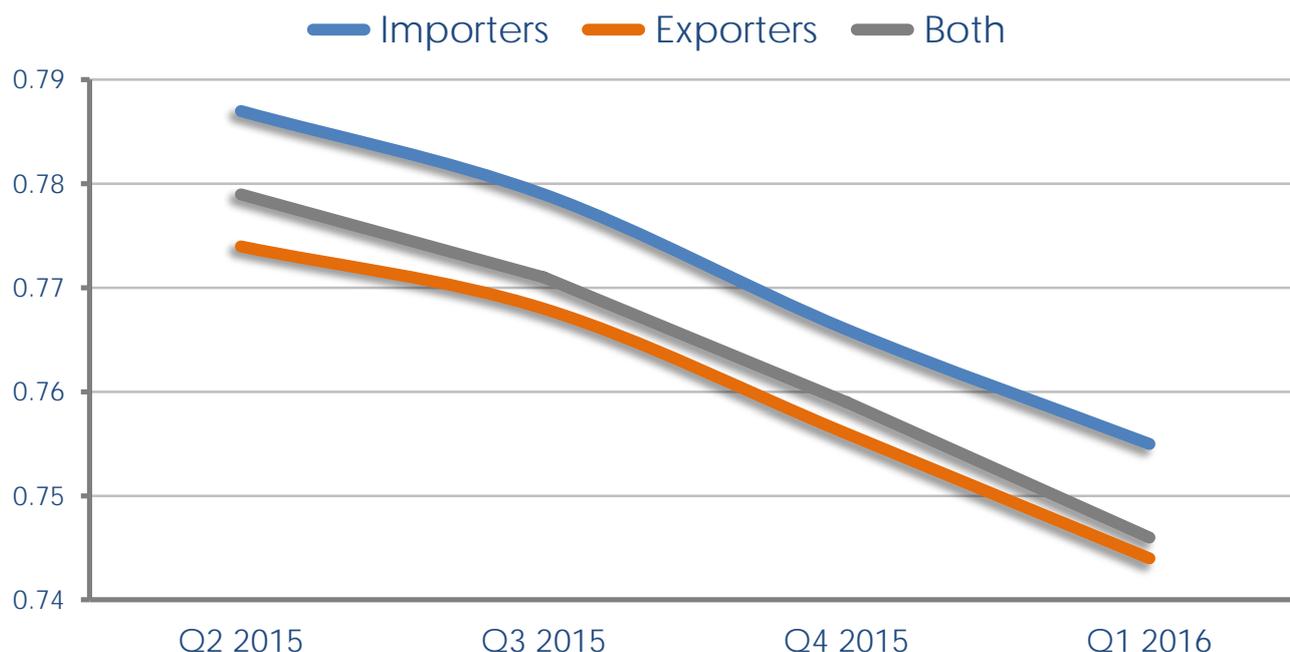
Short and long term forecasts for economists, analysts, and traders are commonly steered by interest rate differentials, central bank guidance, commodity prices and bond yields to name a few key metrics.

Business owners set the level and direction of their currency exposure management with all of these factors in mind, but to a greater extent ascribe their precise Australian Dollar forecasts to the simple concept they have 'skin in the game'.

“Whether businesses are managing an international supply chain or simply importing productive assets and equipment, treasurers and business owners across Australia have a vested interest in Aussie Dollar movements against the greenback. As a result they are inclined to monitor the exchange rate very closely and base their forecasts on their self-generated hedging intentions, drawing upon a wide variety of influential factors” said Smith.

AUD/USD Exchange Rate Levels Expected – Next 12 Months

Average AUD/USD Rate Expected for Importers and Exporters (N: 868)



Source: East & Partners Australian Dollar Barometer

About the East & Partners Australian Dollar Barometer

Up to 900 enterprises turning over A\$5 – 500 million per annum are directly interviewed each quarter on their forecasts for the AUD/USD, specific hedging plans and both current and expected changes in currency exposure.

The Barometer collects quality insights on Australian importers and exporter’s foreign exchange expectations and transacting behaviour, providing a forecast of AUD/USD exchange rates and business hedging behaviour based on importers and exporters risk management and currency exposure decisions.

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