

Media Release

Pessimistic Outlook For Aussie Dollar

(18 December 2017 – Australia) Despite global markets navigating uncertain futures, Australian businesses predict a weakening of the Australian dollar against four key currencies, new research from East & Partners has found.

The research, which forms part of East's Australian Business FX program, was derived from direct interviews with 2,369 chief financial officers (CFOs), corporate treasurers and business owners across Australia.

Overall, businesses expect the Australian Dollar (AUD) to lose the most value against Chinese Renminbi (RMB), forecasting an 12 percent drop to 4.404, while the British Pound (GBP) and US Dollar are tipped to gain 9.6 percent and 10.1 percent by June 2018.

Micro business (annual turnover between A\$1-5 million) are the most pessimistic in terms of their future expectations for the AUD, particularly against the Pound (-12.6 percent) and RMB (-13.5 percent). This compares to Lower Corporates (annual turnover between A\$20-100 million) reporting a 5.4 percent and 10.8 percent drop against those currencies.

Australian businesses forecast that the percentage of business conducted in USD over the next six months will increase to 34.8 percent, a five percent increase compared to the same period last year, while business conducted in Euro and RMB is expected to fall five percent and one percent respectively.

Interestingly, the research found that businesses expected to increase the volume of transactions conducted in NZ Dollars to 26.5 percent, representing a rise of five percent year-on-year, and reversing a multi-year downward trend. Additionally, businesses predict that the AUD will settle 1.5 percent stronger against the NZD by June.

"Currency fluctuations can make or break a small business so their expectation that the AUD will have dipped ten percent against the greenback by June 2018 is significant, particularly in regards to the management, or lack thereof, of their FX exposures," said Martin Smith, East & Partners Head of Markets Analysis.

"The surprisingly high level of variance in currency forecasts between segments is notable given their differing FX risk management profiles. Despite a predominantly import only trade profile, small businesses remain heavily exposed to any change in the exchange rate."

The research shows distinct pessimism amongst Australian businesses in forecasts for its rate in June 2018 with all businesses forecasting the Dollar to be down against all but one currency at the following rates:

British Pound Sterling - AUD/GBP:	down 9.6 percent to 0.509
Euro - AUD/EUR:	down 4.4 percent to 0.611
Chinese Renminbi - AUD/RMB:	down 12.1 percent to 4.404
US Dollar - AUD/USD:	down 10.1 percent to 0.682
New Zealand Dollar - AUD/NZD:	up 1.5 percent to 1.125

For more information, or to access the report contact:

Media Relations

Nehad Kenanie

e: nehad.k@eastandpartners.com

t: +61 402 271 142

Regional Insights Manager

Sian Dowling

e: sian.d@eastandpartners.com

t: +61 420 583 553

Methodology

This research is from the eighth round of East & Partners Australian Business FX Markets Program, a six-monthly research program. In total 2,369 Australian enterprises from Micro, SME and Lower Corporate segments were interviewed directly by telephone in October 2017. Interviews were conducted with the CFO, Business Owner, Corporate Treasurer, Company Accountant or designated FX officer using a structured questionnaire.

The Micro segment comprises businesses turning over up to A\$1-5 million each year, while the turnover band for SMEs is A\$5-20 million and Lower Corporates A\$20-100 million.

The interview sample was dispersed geographically across the UK and the sector distribution reflects a natural sample of the Australian enterprise population in these segments.

About East & Partners

East & Partners is a leading specialist business banking market research and analysis firm. The firm's core expertise is in the provision of analysis and advisory services tailored for the commercial, business and institutional banking markets across Asia Pacific, Australasia, Europe and North America