



## The Commonwealth Bank *Aussie Dollar Barometer*

- The Barometer now samples the 500 largest businesses in Australia as well as small and medium businesses.
- Almost one-third of large businesses reported the high Australian dollar is encouraging them to establish offshore operations.
- The high Australian dollar is encouraging importers to lift investment and encouraging exporters to cut investment.
- Plans to hedge currency risk are proportional with business size: the larger the business, the more hedging is done.

### Impact on investment plans

The Barometer reveals the high Australian dollar is causing many businesses, 58%, to alter their investment plans. The high Australian dollar is cutting the cost of imported equipment. However, the high Australian dollar also alters the competitive playing field. Importers are lifting their investment plans. Exporters are cutting them.

- About 52% of importers report the high Australian dollar is encouraging them to increase investment spending (first green bar in chart 1). Only 17% of importers state the high dollar is encouraging them to cut investment spending (first red bar in chart 1).
- Many exporters are suffering a loss of competitiveness from the high Australian dollar. Only 16% of exporters reveal the high Australian dollar is encouraging them to increase investment spending (second green bar in chart 1). About 43% of exporters report the high Australian dollar is encouraging them to decrease investment spending (second red bar in chart 1). Today's result is consistent with previous editions of the Barometer that showed most exporters believed they were uncompetitive when the Australian dollar moved above US\$ 0.90.
- Most businesses that both export and import (53%) report the high Australian dollar is not likely to influence their investment plans (third blue bar in chart 1). However, 33% of businesses that both export and import reveal they may reduce investment plans (third red bar in chart 1).

Overall, the net effect on investment plans appears to be neutral for businesses that are involved in foreign trade. The number of businesses that report the high Australian dollar is increasing their investment plans (29%) exactly offsets the number of businesses that report the high Australian dollar is reducing their investment plans.

### Establishing offshore business operations

The high Australian dollar is also encouraging a minority of businesses to consider establishing offshore operations. About 21% of businesses state the high Australian dollar is encouraging them to establish offshore operations. About 37% of exporters (see second blue bar in chart 2) and 30% of businesses with annual turnover of at least \$500 million (see fourth blue bar in chart 3) are considering establishing offshore operations. However, the overwhelming message from the Barometer is

Chart 1 **IMPACT ON INVESTMENT PLANS**  
(% of respondents)

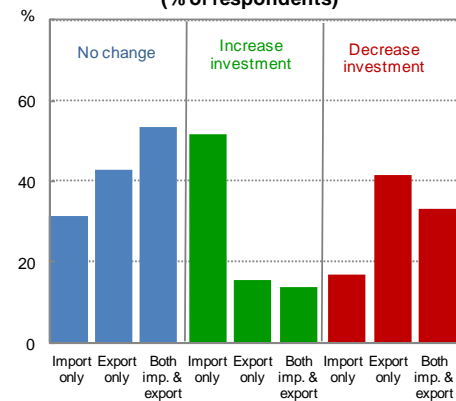


Chart 2 **ESTABLISH OFFSHORE OPERATIONS?**  
(% of respondents)

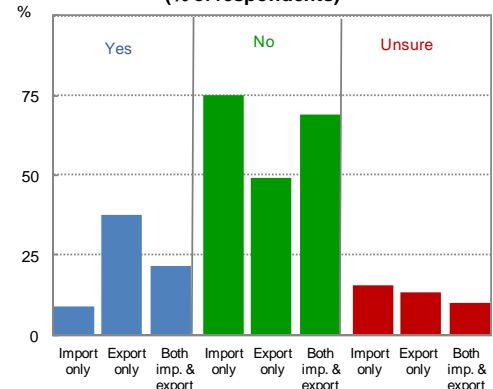
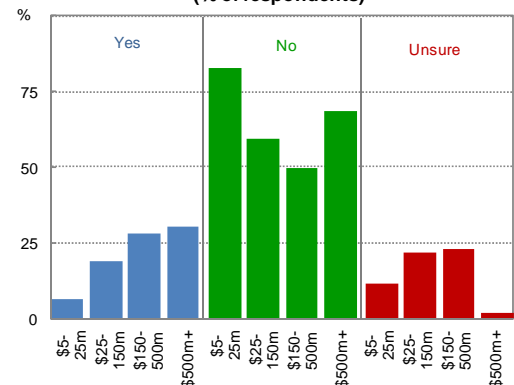


Chart 3 **ESTABLISH OFFSHORE OPERATIONS?**  
(% of respondents)





two-thirds of businesses report the high Australian dollar is not encouraging them to establish offshore operations (green bars in chart 3).

### Industry differences among big business

For the first time, the *Aussie Dollar Barometer* includes a sample of the 500 largest businesses in Australia. Large businesses have annual turnover of at least \$500 million. These large businesses may be Australian- or foreign-owned, listed on a stock exchange or unlisted. We focus here on the different sector trends among large businesses.

There is a stark difference in investment plans among large businesses operating in different sectors (chart 4). A net 28% of large resources and energy businesses report the high Australian dollar is encouraging them to increase investment. At the other end of the spectrum, a net 18% of large businesses involved in consumer discretionary (excluding media) and consumer durables state the high Australian dollar is encouraging them to decrease investment.

There are also substantial differences in plans to establish offshore operations among large businesses (chart 5). Only 17% of large resource and energy businesses report the high Australian dollar is encouraging them to establish offshore operations. By contrast, 38% of large industrial businesses state the high Australian dollar is encouraging them to establish offshore operations. Across all large businesses, 30% report the high Australian dollar is encouraging them to establish offshore operations.

### Managing currency risk

Hedging currency exposure is a way of managing possible future adverse changes in the currency.

- Hedging plans differ starkly between businesses of different sizes. For example, 77% businesses with annual turnover of at least A\$500 million plan to hedge their US\$ exposures in the next three months (fourth blue bar in chart 6). Of those large businesses that plan to hedge, 91% of their US\$ exposure will be hedged (fourth green bar in chart 6). By contrast, only 37% of businesses with annual turnover of A\$ 5-25 million plan to hedge (first blue bar in chart 6).
- Consistent with earlier editions of the Barometer, a high proportion (72%) of businesses that both export and import plan to hedge their US\$ exposure (third blue bar in chart 7). By contrast, less than 60% of businesses that only import or only export plan to hedge their US\$ exposures over the next three months (first and second blue bars in chart 7). Of those exporters that plan to hedge, exporters plan to hedge the greatest proportion (84%) of their US\$ exposure (second green bar in chart 7).

### Aussie dollar predictions

The Aussie Dollar Barometer reveals that businesses expect the Australian dollar to remain well north of parity against the US\$ in 2012.

- Importers are the most optimistic about the Australian dollar. The average importer expects the Australian dollar to peak at US\$ 1.09 by the end of March 2012.
- Exporters and businesses that both export and import expect the Australian dollar to peak at US\$ 1.07 by the end of March 2012.

Chart 4 **BIG BUSINESS INVESTMENT PLANS**  
(% plan to increase minus % plan to decrease)

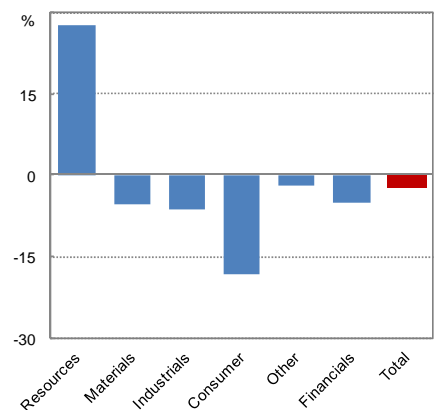


Chart 5 **ESTABLISH FOREIGN OPERATIONS?**  
(% of respondents)

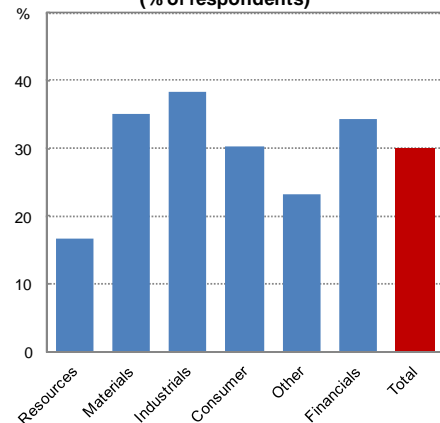


Chart 6 **HEDGING PLANS: BY SIZE**  
(% of respondents)

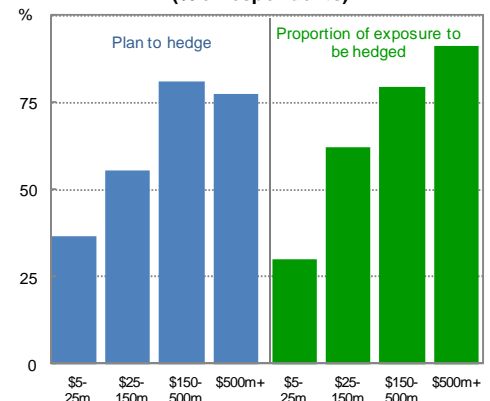
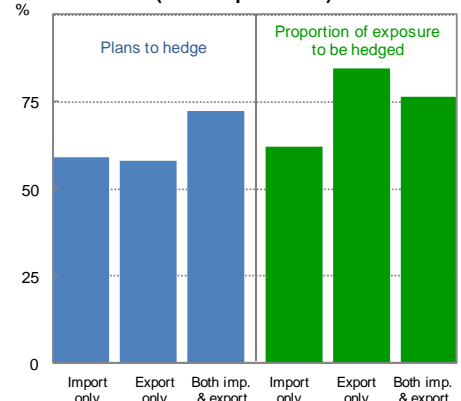


Chart 7 **HEDGING PLANS: BY TYPE**  
(% of respondents)

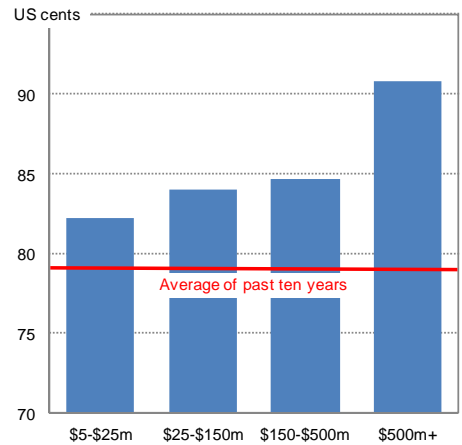




This edition of the Barometer also includes businesses expectations for the Australian dollar over the next ten years. Long run assumptions of the currency influence businesses long-term investment and employment decisions. There is not a great dispersion between importers (US\$ 0.88) and exporters (US\$ 0.83) or businesses than both export and import (US\$ 0.85).

There are, however, significant differences between businesses of different sizes. Businesses with annual turnover of \$5-25 million expect the Australian dollar to average US\$ 0.82 over the next ten years (first bar in chart 8). By contrast, businesses with annual turnover of at least \$500 million expect the Australian dollar to average US\$ 0.91 over the next ten years (fourth bar in chart 8).

Chart 8 AUD FORECAST: NEXT 10 YEARS

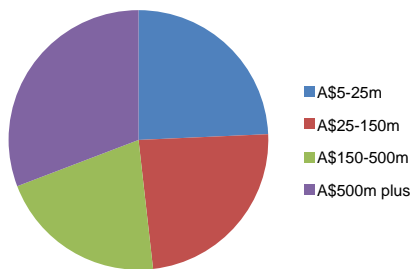


### About the Aussie Dollar Barometer

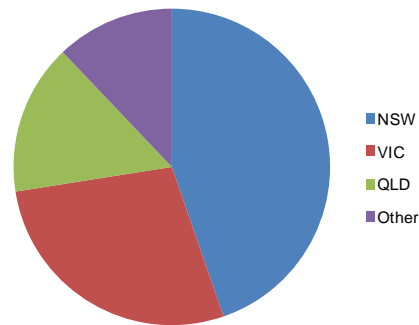
The Commonwealth Bank Aussie Dollar Barometer is prepared every three months based on a survey conducted by East & Partners. East & Partners is a market research and advisory firm.

For the November 2011 edition of the Commonwealth Bank Aussie Dollar Barometer, East & Partners interviewed almost 900 businesses turning over at least A\$ 5 million per year. Businesses were asked a range of questions about their exposure to and views about the US\$. The charts at below provide information on the survey sample.

SAMPLE BY TURNOVER (% of contributors)



SAMPLE BY STATE (% of contributors)





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