

The 2020 survey provides a valuable snapshot into export dynamics in the Pacific Islands as well as insights into changes and trends in Pacific exports over the past eight years. COVID-19 has brought a unique lens to the 2020 survey and the impact the pandemic has had on Pacific exports.

For the full survey report visit:

www.pacifictradeinvest.com

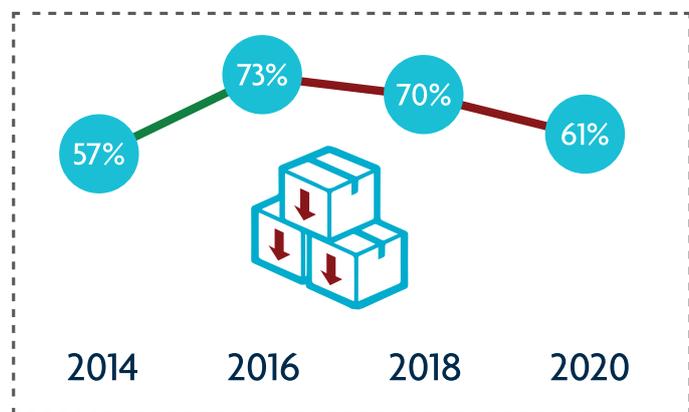
We are excited to share these survey highlights with you.



CALEB JARVIS
Trade & Investment Commissioner
PTI Australia

EXPORTER CONFIDENCE DECLINES

Export confidence has dropped (with 27% expecting a decline in revenue) as businesses navigate through uncertainty due to the expected long-term impacts of COVID-19 and extreme weather conditions.



Nearly half of all businesses reported a growth in export orders over the past 12 months, which is on par with 2018. However, a quarter of exporters now report a decline in revenue as extreme weather and COVID-19 disrupt businesses in the Pacific.

While more businesses have noted a decline in revenue over the past 12 months than in previous surveys, it is encouraging that almost half of Pacific businesses have seen their exports grow in the face of major natural disasters and inclement weather through the region.

Production industries including Manufacturing and Agriculture remain confident despite the crisis, indicating strong ongoing demand for their products.





INSIGHTS

COVID-19 TESTS RESILIENCE OF PACIFIC EXPORTERS

Heading into 2020, Pacific exporters had good cause for optimism. Despite persistent constraints of natural disasters alongside high fuel, finance and logistics costs, nearly half of exporters surveyed in the 2020 PTI export survey report a growth in export revenue in the previous year. More exporters were innovating with digital platforms to promote further growth, and three-quarters of businesses were planning to expand into new markets in the coming years.

THE PACE AND FEROCITY OF COVID-19 HAS UP-ENDED THIS OPTIMISM

Pacific governments have acted swiftly to prevent a health crisis in the region by locking down their communities and businesses. With a little luck and a lot of foresight the Pacific is well positioned to dodge the worst of the health crisis. It will not, however, be able to dodge the economic crisis that is trailing in the pandemic's wake.

The rapidly changing economic context is reflected in exporter sentiment. While 61% of businesses expect to see export growth in 2020, these numbers are anchored by Manufacturing and Agriculture. Tourism operators, close to half of the survey sample, are less optimistic, with 49% expecting to see revenues decline.

Exporters were surveyed between February and April 2020. Results from the latter half of survey window reflect the rapid decline in exporter confidence as lockdown measures took full effect. Of those surveyed in March 2020, 40% expected a decline in revenue, with the number jumping to 60% in the final two weeks of the survey.

Fortunately, the declining confidence does not flow on to expectations for major employee attrition. While 7% of businesses surveyed in February expected employee numbers to decrease, this number only rose to 13% for those surveyed in April. While this is some comfort, the sentiment hinges upon how long economies remain locked down and it should not deter governments around the region from taking action to support local industry and employment.

The survey reinforces the importance of the Australian and New Zealand markets for Pacific exporters, with the majority of exporters viewing them as primary markets as well as conduits to markets further abroad. The resumption of air travel through a Trans-Pacific Bubble as quickly as possible will be a critical lifeline for the Tourism industry, but also to help drive down cost for agricultural exporters who rely on air freight to get their goods to market.

If there is any silver lining to 2020, it's that Pacific exporters are accustomed to doing it tough. Close to half of exporters find high costs are constraining future growth. Almost 40% of exporters are constrained by challenging logistics and access to finance. Compounding these constraints, 65% of businesses were negatively impacted by extreme weather in 2019, with 41% noting this had affected their business in a major way and over a prolonged period. Despite these significant headwinds, many exporters not only prevailed but prospered. Let's hope that resilience continues in 2020.

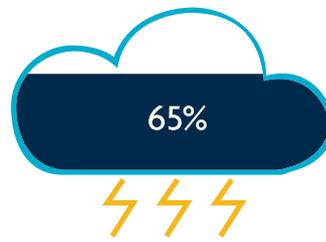
JONATHAN PRYKE

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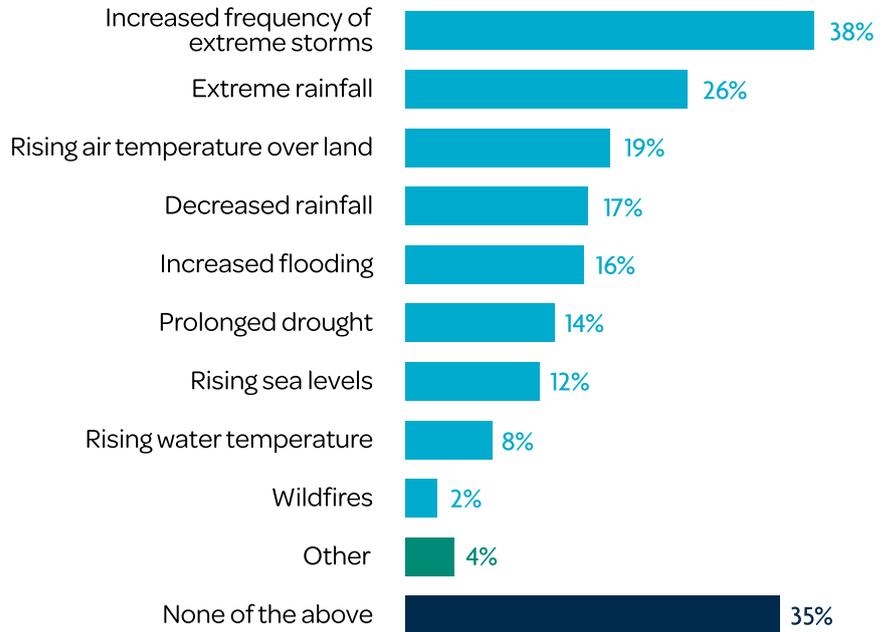
IMMENSE IMPACT OF EXTREME WEATHER CONDITIONS

Just under two-thirds of exporters have been impacted by extreme weather patterns over the past year, with 41% of businesses affected reporting that extreme weather patterns have had a major impact on their business.

These weather patterns have disrupted operations for most exporters, causing declined productivity and a decrease in customers. Many also experienced damage to products and property. Agriculture was the hardest hit industry in terms of impact, loss of productivity and damage to crops, but this is more likely to be on a short-term and seasonal basis.



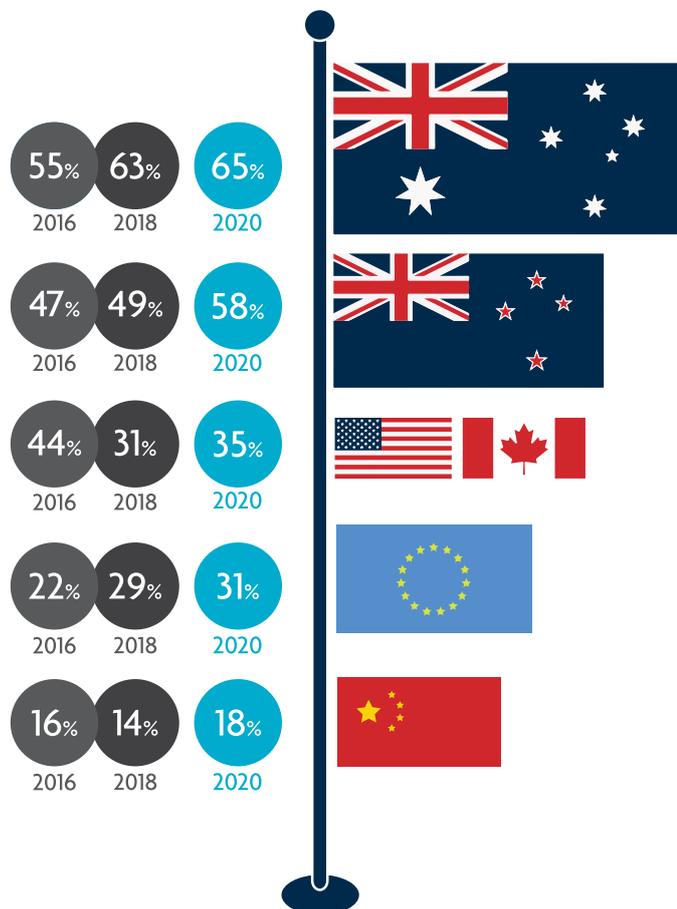
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TRANS-TASMAN OPPORTUNITIES

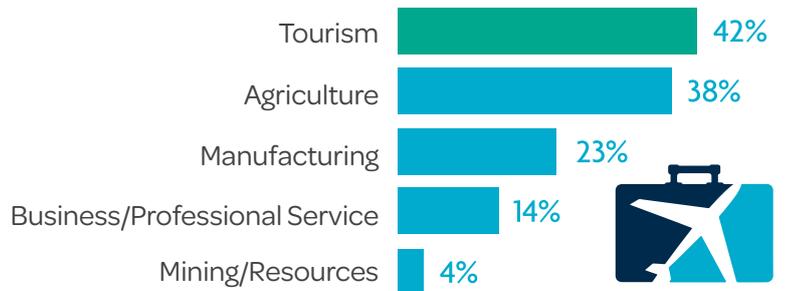
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The reliance on the Australian and New Zealand markets should prove to be a boon for Pacific exporters, with these economies likely to be the first to open back up to the Pacific region.

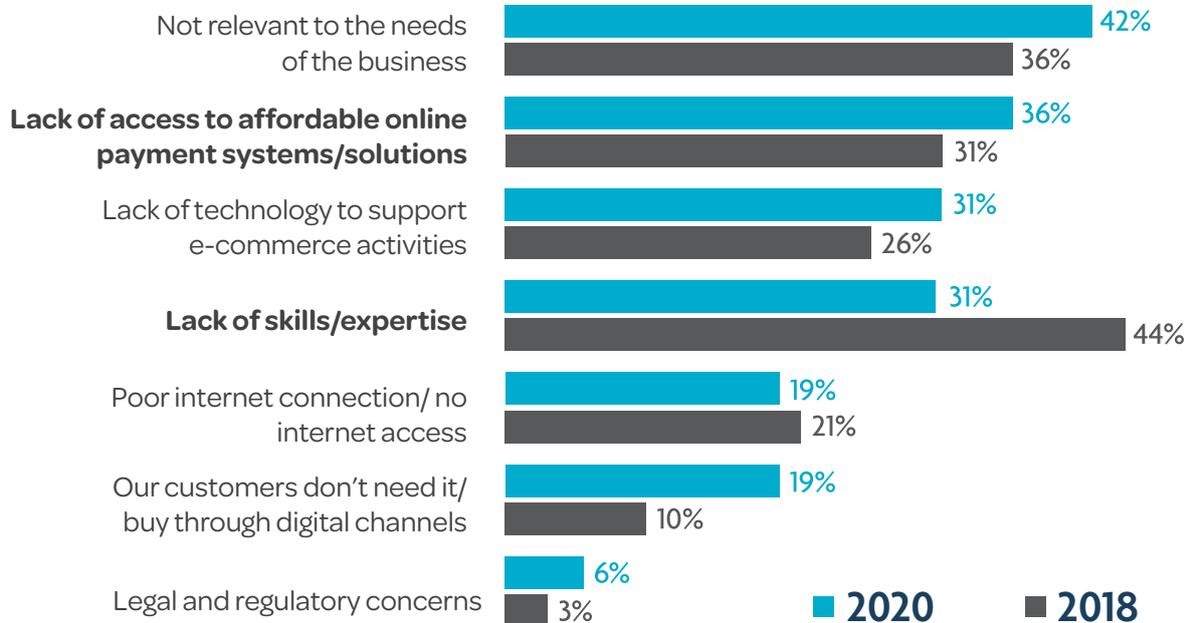


TOURISM IS KEY

The skew towards Tourism by respondents in this year's survey better reflects the role tourism operators play as a driver for many Pacific economies. It will also skew results to being more negative as the Tourism sector will be the most directly and immediately impacted by the COVID-19 lockdown.



GOING DIGITAL IS ESSENTIAL



The growing reliance on e-commerce channels underpins the necessity of having fast and reliable IT services throughout the Pacific region. Three-quarters of exporters are now using online channels to generate export revenue and the proportion of total revenue generated online is increasing.

Digital and e-commerce platforms are now an essential element of doing business, particularly in the Tourism industry. These numbers are looking to grow in future surveys. The skills gap presents low-hanging fruit for organisations looking to boost Pacific exports, while the lack of an affordable online payment system (36%) remains a key barrier for using e-commerce channels.



BARRIERS



Market diversification is a critical component of insulating business in the Pacific from domestic shocks, and will be especially important as countries open up at different speeds following COVID-19.

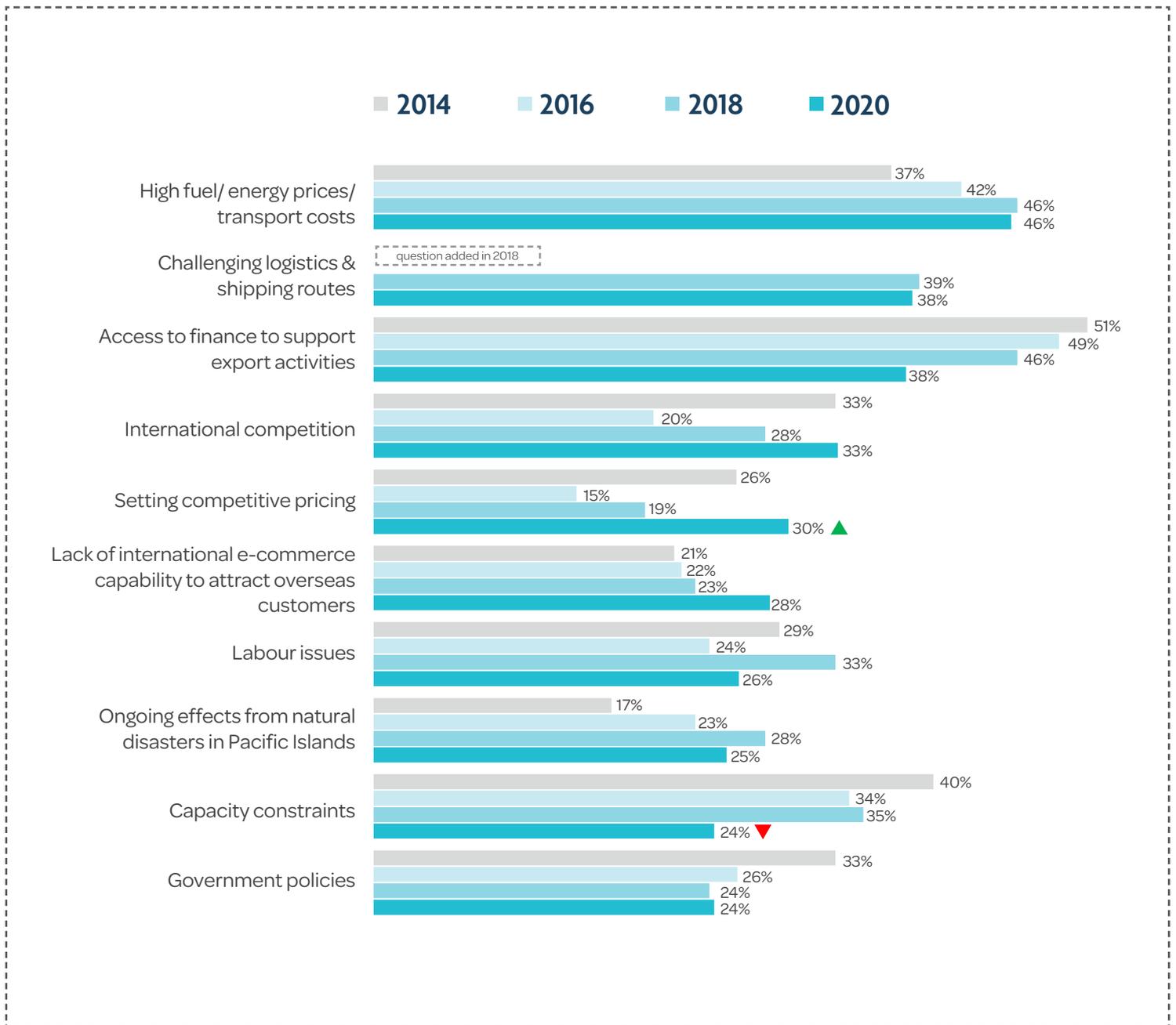
Tourism and air freight exporters should refocus their efforts on their traditional markets of Australia and New Zealand in light of the COVID-19 crisis.

High costs and challenging logistics reflect the structural challenges Pacific exporters face and as the results show, will always be

an impediment to export-driven business growth in the Pacific.

Low volume and large distances continuously threaten to make transportation costs prohibitively high. Keeping these costs contained or subsidised must be a focus, particularly with respect to air freight as economies start to open up again.

It is encouraging to see the difficulty of accessing finance is improving, particularly as the majority of businesses surveyed are SMEs.

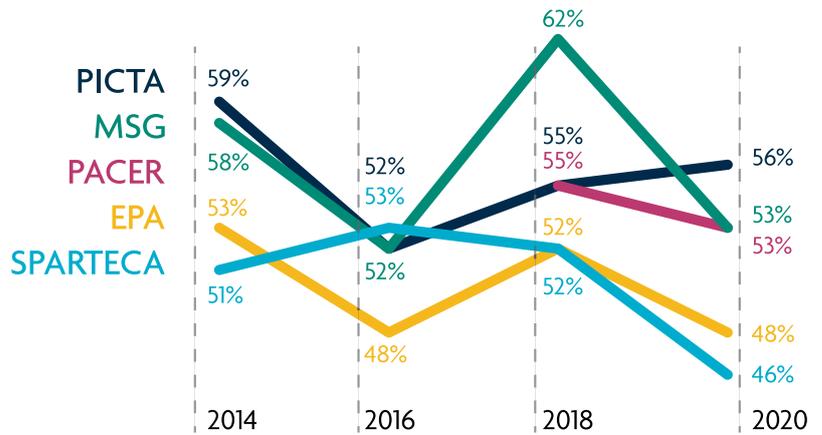


FREE TRADE AGREEMENTS

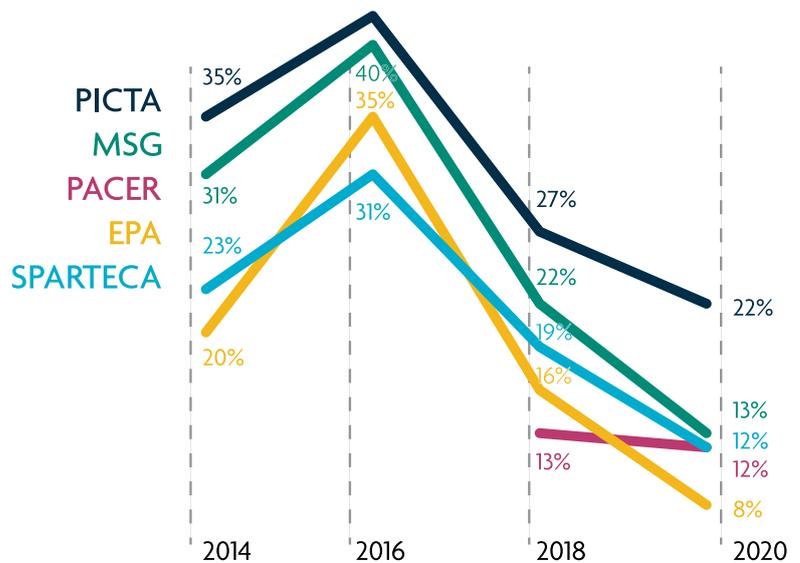
ROOM FOR IMPROVEMENT

Half of exporters are aware of FTAs and economic partnerships, but their perceived benefit continues to decline. While this is no surprise, these results reflect the failure of governments, particularly Australia and New Zealand, to sell the benefits of freer trade to and within the region.

% AWARE OF FTAS & CLOSER ECONOMIC PARTNERSHIPS



PERCEIVED BENEFIT



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