



PACIFIC ISLANDS EXPORT SURVEY 2022 HIGHLIGHTS

INSIGHTS INTO EXPORT DYNAMICS IN THE PACIFIC

WELCOME

The *Pacific Islands Export Survey* is a vital insight into the activities and the opinions of exporters in the Pacific Islands.

This is the fifth biennial survey, providing a snapshot of export dynamics in the Pacific, and a unique lens to understand the effect the COVID-19 pandemic had on Pacific exports.

For the full survey report visit :

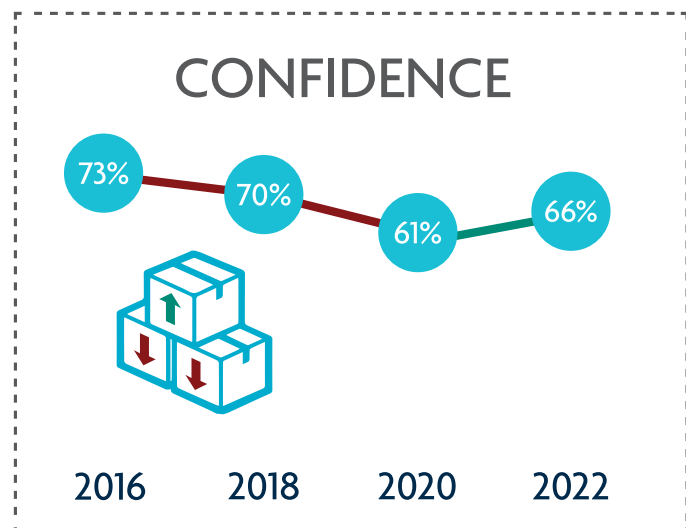
www.pacifictradeinvest.com

It is a great honour to share with you the highlights of the *Pacific Islands Export Survey 2022*.

CALEB JARVIS
Trade & Investment Commissioner
Pacific Trade Invest Australia

BUSINESS CONFIDENCE INCREASES DESPITE CHALLENGES

Despite over half of all businesses reporting a decline in export orders over the past 12 months, Pacific exporters are confident that export decline has peaked and the future holds promise, with 66 per cent of mature exporters and 69 per cent of new exporters anticipating an increase in revenue and export orders over the next year.



These confidence levels are highest in Agriculture, where 75 per cent of Pacific exporters expect orders to increase over the next 12 months. As one of the hardest hit industries, with 88 per cent reporting a decrease in overseas revenue over the last 12 months, the Tourism sector also expects a positive turnaround within the next 12 months. In line with this rising confidence, it is also promising to see 54 per cent of Pacific exporters expect to hire new employees over the next 12 months, a significant increase on years prior.

UNDERSTANDING THE IMPACT OF COVID-19 ON SMES IN THE PACIFIC

The *PTI Pacific Islands Export Survey 2022* provides a wealth of information and insights into the economic temperature of our region. It comes at a pivotal moment as many countries of the Pacific shift from keeping COVID-19 out, to managing the impacts of living with it in their midst. It adds to a valuable longitudinal dataset that can inform nuanced and sophisticated analysis and policy formulation.

Pacific exporters are a microcosm of how the region as a whole has fared in the last two years. Once again, we see that that participation in the survey across the various export activities has shifted, with responses from those in the Tourism and Professional Services declining by 27 per cent overall in the 12-months preceding the survey. However, we also saw an increase in responses from the Manufacturing sector of 34 per cent. Of particular note is that this survey also saw PTI Australia expand survey questions to include data on ecommerce, further working to understand the growing impact this has had on exporters in the Pacific.

Our exporters have proven themselves to be resilient. We learn here of a range of methods that were used to adapt to the impact of COVID-19 on their businesses. There have been significant negative impacts on employment, with 38 per cent of businesses having reduced staff numbers and 23 per cent having reduced wages. However, we have also seen 35 per cent of businesses diversify and 21 per cent report that they have either started, or increased, online sales.

COVID-19 has not been the only major challenge Pacific exporters have faced in the recent past. The number of businesses affected by extreme weather events has increased from 65 per cent in 2020 to 72 per cent in 2022. While the types of weather events have changed since the last survey, climate change impacts are an ever-present challenge for exporters, as they are for everyone in the region.

Despite some huge hits to orders and revenues in the last year or so, Pacific exporters report that business confidence has stabilised and the future holds promise. We see that 66 per cent of exporters anticipate an increase in revenue and orders over the next year. These confidence levels are highest in Agriculture (75 per cent), which may reflect the fact that this sector was least affected by the impacts of the pandemic. While the Tourism sector is more cautious, with 63 per cent of respondents saying they expect a positive turnaround within 12 months, it is evident that the gradual reopening of borders is being seen as a sign that things are set to improve. It is particularly promising to see that 54 per cent of exporters anticipate taking on new staff in the coming year.

There is also appetite to explore new markets in the near future, with 69 per cent reporting that they are looking to new frontiers. The Middle East is proving appealing, while Asia is significantly down as compared with previous surveys in this regard. When it comes to barriers to exporting, it is not surprising to see that the major challenges are around transport costs and logistical challenges. Whilst we can expect these pressures to ease over the medium term, they will continue to be of major significance in the short term until International freight systems begin to normalise. In terms of what assistance would be of most benefit, there is an increased need for export grants as identified by 51 per cent of the respondents, up from 41 per cent in 2020.

The PTI export surveys are a key knowledge product that adds data that is rich and robust to our understanding of Pacific economic activity. It is a hugely valuable resource for Pacific policymakers, the private sector and development partners.

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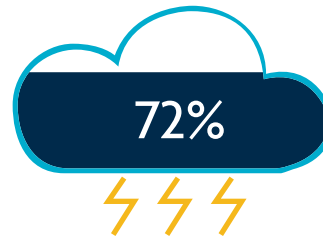
Adjunct Associate Professor
Project Lead: Pacific Hub
Griffith University



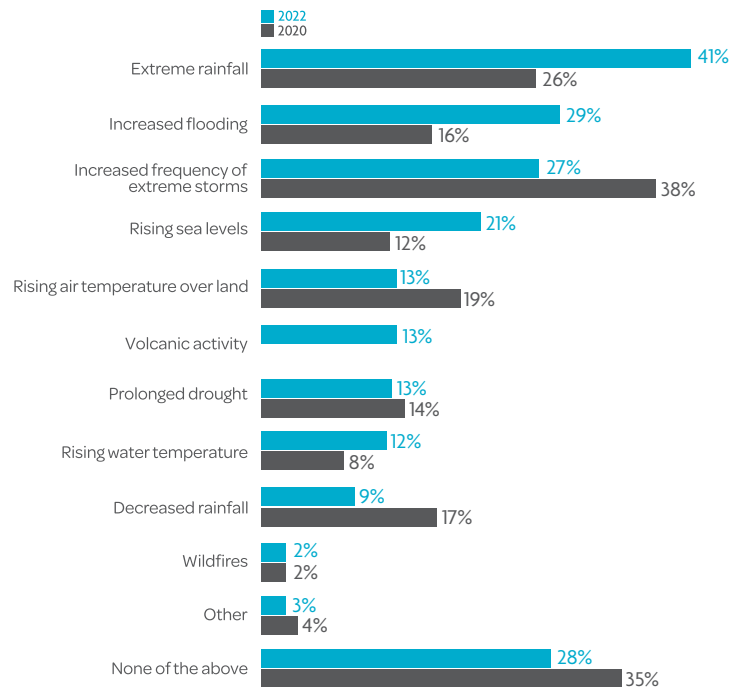
IMPACT OF EXTREME WEATHER

The number of businesses affected by extreme weather events has increased from 65 per cent in 2020 to 72 per cent in 2022. These weather patterns have disrupted operations for most exporters, with 53 per cent reporting decreasing in productivity, 51 per cent reporting damage to products, crops, catch or property, and 41 per cent reporting increased cost of supplies due to extreme weather.

While the types of weather events have changed since the last survey, 34 per cent of respondents report weather patterns have had a major impact on their business.



72% of businesses have been impacted by extreme weather patterns over the past 12 months

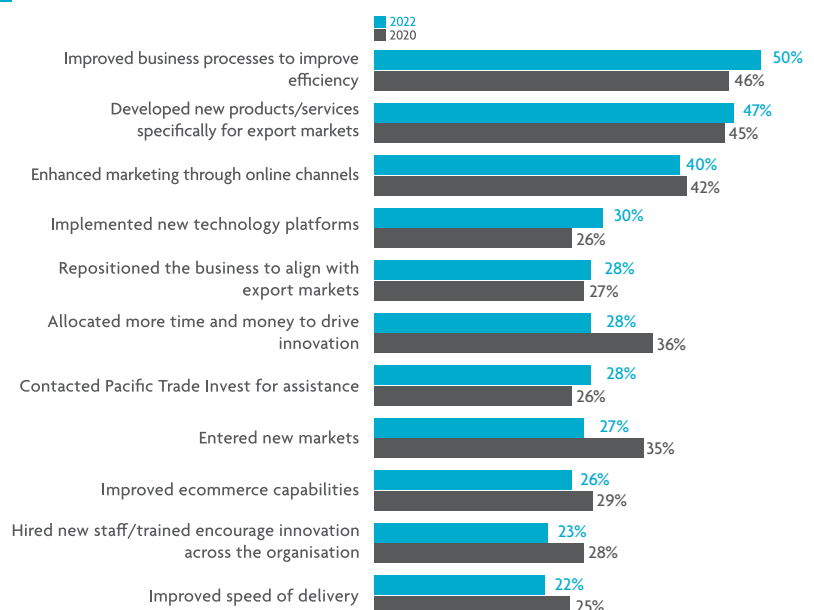


INITIATIVES INSTIGATED

Similar to 2020, exporters are driving growth through a range of initiatives, including improving process efficiency, development of new products and services, and enhanced online marketing.

Furthermore, exporters have taken actions to reduce the impact of COVID-19 on their businesses predominantly through the reduction of operational costs, reducing staff numbers and working hours.

Positively, this adaptation has also seen 35 per cent of businesses diversify their business, with 21 per cent also reporting a shift towards starting or increasing online sales.



ECOMMERCE CONTINUES TO DEVELOP

Three-quarters of Pacific exporters are now using online channels to generate export revenue, with the overall proportion of total revenue generated online also increasing to 52 per cent, up from 47 per cent in 2020. This increase is largely due to new exporters, who appear to be adopting ecommerce and online channels more readily than mature exporters.

Despite online sales representing a higher proportion of overall sales in 2022, the volume of online sales has declined in line with the overall loss of revenue over the past 12 months. This decreasing online export revenue is driven primarily by businesses in the Tourism industry, and to a lesser extent, Manufacturing.

Exporters acknowledge that there are a range of factors positively impacting their ecommerce activities, including increased use of online channels among customers, easier access to digital devices, and improved online payment solutions.

Of the exporters who do not currently use ecommerce or online channels to generate export revenue, over 30 per cent say it is because they lack the skills to do so. Interestingly, calls for ecommerce capacity-building opportunities, including digital marketing, social media, ecommerce platforms and online payments, come predominantly from those already generating revenue online.



73% OF EXPORTERS CLAIM TO GENERATE EXPORT REVENUE THROUGH ONLINE CHANNELS

(2020: 74%)
(2018: 66%)



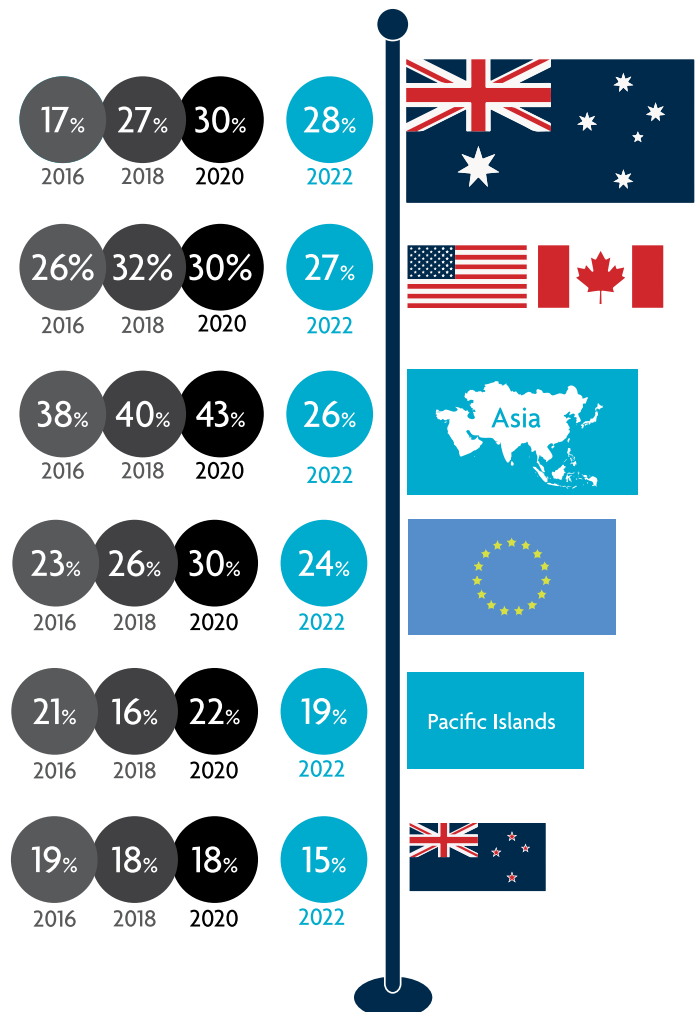
BUT ONLY 49% OF EXPORTERS ARE AWARE OF THE PROPORTION OF REVENUE GENERATED THROUGH ONLINE CHANNELS

(2020: 50%)
(2018: 43%)

ENTERING NEW MARKETS

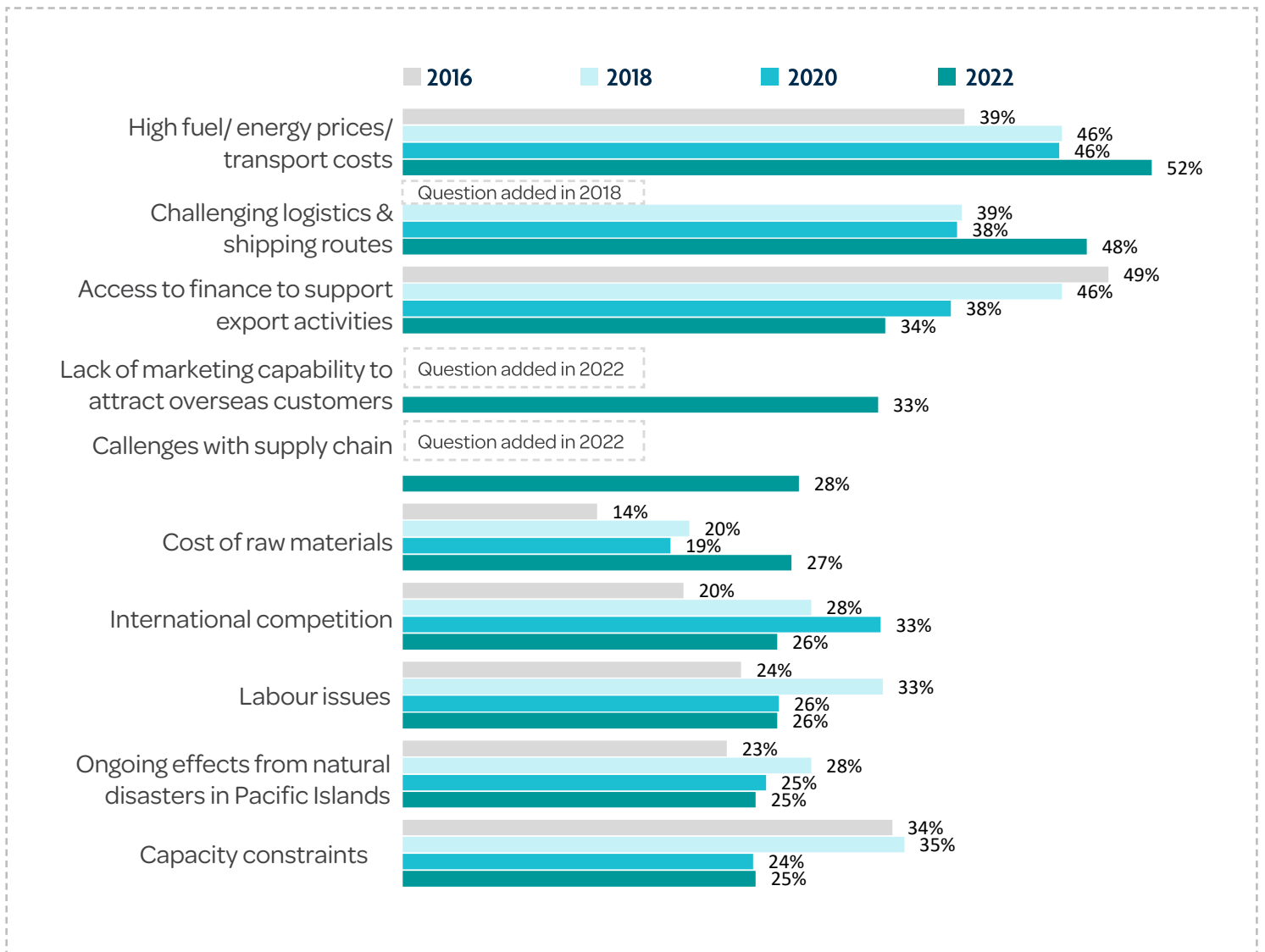
Over the next three years, over two-thirds of Pacific exporters are planning to broaden their reach into new markets. Among businesses targeting new markets, 28 per cent are looking to expand into Australia, 27 per cent into the USA and Canada, and 26 per cent into Asia. Compared to previous years, interest in entering the Asian market has dropped significantly, whereas interest in the Middle East has increased.

Manufacturing exporters are looking to expand the most, with increased orders predicted to predominantly come from Australia, the Pacific and New Zealand.



BARRIERS TO EXPORTING

Cost of export and challenges with export logistics have increasingly become barriers to Pacific exporters selling their products and services to overseas customers or visitors. 52 per cent of exporters stating that cost of export, such as high fuel, energy and transport costs, are their main barrier, which increased from 46 per cent in 2020. Furthermore, challenges with export logistics have increased from 38 per cent citing it as a barrier in 2020, to 48 per cent in 2022.



AWARENESS OF TRADE AGREEMENTS

Level of awareness of FTAs remains consistent with previous waves, with half of all Pacific exporters are aware of each agreement/partnership.

While awareness levels remain relatively steady, it is positive to see that the perceived benefits of these agreements have improved since 2020. This is the case more so for agriculture, manufacturing, and mature businesses.

