

Press Release

For Immediate Release
Citigroup Inc. (NYSE symbol: C)
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Importers benefiting from strong AUD plan to raise prices

Sydney – Despite cheaper prices for offshore goods, Australian importers are anticipating solid growth in trade volumes and are planning to increase the price of their goods and services in the coming quarter. This is in direct contrast to exporters who, despite plans to cut their prices, continue to expect lower trade volumes.

The results are included in the inaugural Citi Australian Trade Finance Index, which surveyed 863 Australian businesses evenly spanning three business segments – SME, corporate, and institutional – in October this year. The research, conducted by East & Partners, looked at business sentiment and expectations over the next quarter to January 31, 2013, and reveals the “bi-polar” impact that the high Australian dollar is having on business.

The research found that:

- Importers are forecasting a 6.2 percent increase in their trading volumes in the coming quarter and are planning to raise their prices by 4.4 percent
- Exporters, by contrast, were forecasting a 2.6 percent decline in forward volume, and were planning to reduce their pricing by an average of 4.5 percent
- The pricing dichotomy was strongest in the Consumer, Retail and Healthcare sector where importers were looking to increase their prices by 6.1 percent and exporters reduce their's by 8.5 percent.
- Larger exporters – or those organisations with annual turnovers of \$500 million plus - were an exception to this trend, and were looking for a 4.4 percent climb in volumes, even though they were also planning to cut their prices – in their industry segment - by 3.2 percent.
- The Industrials, Metals and Mining sector constitutes the strongest outlook growth for both export and import volumes, with an inverse result as exporters forecast an 8.3 percent increase in volumes, with importers forecasting a more modest 4.1 percent increase.

“The results are a stark illustration of the bipolar impact of the high dollar and the impact it is continuing to have on business,” said Ashley Bakes, Senior Vice President of Treasury and Trade Solutions for Citi. “And while it is logical for exporters to lower prices in order to make themselves competitive, the intention for importers – who are already advantaged by the currency – to increase prices is an insight.

“Perhaps they are playing catch-up after the global financial crisis, or see that the market will tolerate price hikes, but either way it re-inforces the fact that importers see themselves very much in a position of strength at the moment.”

The research also underlined the increasing importance of the Chinese RMB to exporters and importers, with forward RMB engagement growing at twice the rate of \$USD engagement.

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This is particularly apparent among the larger institutional segment, where respondents forecast an 18 percent rise in RMB engagement over the coming quarter.

Also in strong demand is the New Zealand dollar, which posted the third largest currency growth outlook, reflecting the strong growth in Trans-Tasman trade and the renewed momentum for Australian corporate, especially manufacturers, to re-invest in the lower cost Kiwi environment.

About the Citi Australian Trade Finance Index

Owners of the trade finance relationship in 863 corporates were interviewed in October 2013, with majority of them either Corporate or Group Treasurers (46.8 percent) or Trade Officers (40.9 percent). Of the sample, 31.1 percent were from the SME segments (A\$25-A\$150 million annual turnover), 33.8 percent were corporates (A\$150-A\$500 million) and 35.1 percent were institutions with annual turnover of more than A\$500 million. For a complete understanding of the survey results, please refer to the full report. Citi is not responsible for any losses arising from the usage of the information contained or extracted from the report.

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About East & Partners

East & Partners is Asia-Pacific's leading specialist business banking market research and analysis firm. East & Partners delivers both bespoke and multi-client research programs and consulting services to client banks and financial services providers across the institutional, corporate, SME, business, investment and financial services markets.

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