

# The Barometer

An East & Partners study – delivered to you by American Express.

## Australian businesses forecast AUD will stay above US90 cents in 2014.

Welcome to **The Barometer** – bringing you the findings of an FX research project recently conducted by East & Partners on behalf of American Express.

The results discussed are based on a combination of exchange rate forecasts, hedging plans and direct interviews with 864 Australian import and export businesses – all with an annual turnover of between \$5 million and \$500 million.

### Importers display confidence

Overall, the responses collated forecast a 0.935AUD high at the end of September 2014 followed by a fall to 0.916 by the end of December before falling below the 0.90 mark in the first quarter of 2015 against the USD.

Importing businesses, however, are more bullish in their predictions, forecasting a September high of 0.944. They also predict that the Australian Dollar will stay above 90 cents throughout the first quarter of 2015. Exporters are more conservative in their estimates, forecasting an end of September rate of 0.929 – significantly lower than the importer forecast.

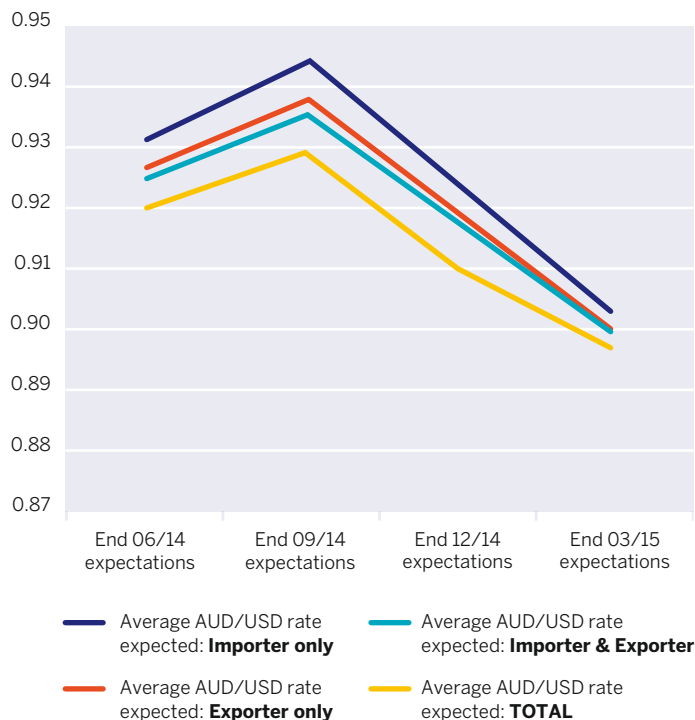
*"It's always interesting to see that importers are more bullish on the dollar than exporters," says Barry Fletcher, General Manager, FX International Payments at American Express, "It may be wishful thinking on their part, because a stronger dollar gives them more buying power offshore." He continues, "We will, however, have the opportunity to see which group is more accurate as the year progresses – so time will tell."*

### Businesses confident but cautious

Smaller businesses (with a turnover of between \$5 - 25 million a year) are the most bearish in their predictions, with a forecast level of 0.888AUD at the end of March 2015. In comparison, larger businesses (with a turnover of \$500 million) are forecasting higher levels of volatility, moving from a September-end forecast of 0.947 to a low of 0.894 by the end of March 2015.

*"It's clear that Australian businesses see the Australian Dollar well supported throughout 2014, and that the 90 cent threshold is a significant one", says Fletcher. "It shows that businesses are reasonably comfortable at current levels and, with the interest rate outlook stable, they are not anticipating as much volatility as in the past."*

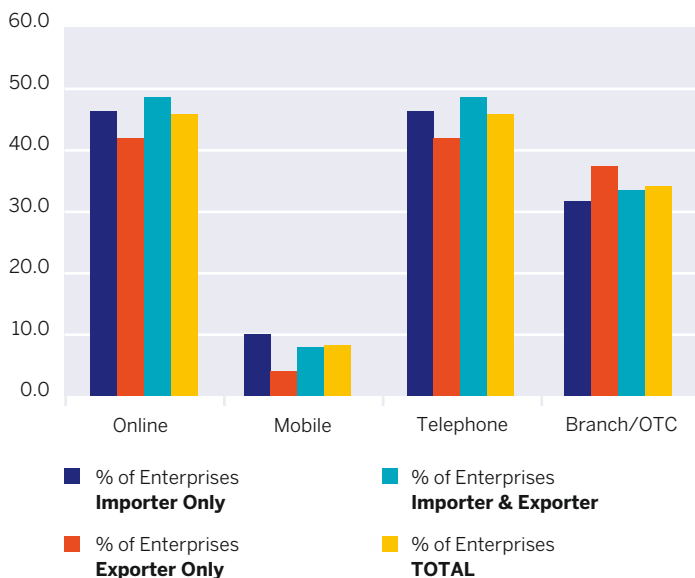
## AUD/USD Exchange rate levels expected over the next 12 months – May 2014



## Online payments preferred

The American Express Australian Dollar Barometer also researched preferred methods of executing FX payments. Interestingly, results showed that 45.7 percent of businesses transact primarily online, 40.6 percent on the phone and 33.6 percent in a branch. It's clear, therefore, that FX payment providers will benefit from utilising digital channels when it comes to engaging with clients. Interestingly, 8.0 percent of those surveyed are using mobile devices as their primary payment method, a number Fletcher predicts will grow quickly, stating *"This is an interesting trend which doesn't surprise me, the external marketplace is looking at more sophisticated methods for transacting and as a business we need to continually invest in rising to that demand."*

## How do you currently execute your FX payments?



# Foreign Exchange:

## The heritage of American Express.

Ever since the origins of American Express in 1850, the company has built its brand on delivering outstanding service and value to clients. This has been done by forging a reputation for trust – trust in their service commitment; trust in the security of a global brand; trust in a global network that ensures money can be moved around the world quickly and confidently as required.

The company began by facilitating the secure movement of valuable effects within the contiguous United States, from the growing and developing West Coast to the more established East. It then developed its services to include the movement of money, using travellers cheques and a network of foreign exchange bureaux located in travel hubs across the US and Europe.

From this foundation, American Express was able to cement its heritage of trust by standing firm during moments of financial crisis, such as the Great Depression of the 1920s and 1930s, when its clients in Europe were the only US citizens who could gain access to US Dollars through their growing network of FX exchange offices.

When financial markets crashed in the early 1970s, American Express could again be relied upon. One client, caught in the midst of a potential nightmare, reported:

*"On a recent trip to Europe I, like many other people, was caught in the currency crisis. I arrived in London on the Monday after the President's speech and knew nothing about the problem... I called the American Express office at Haymarket (London), and they arranged for me to come in after closing hours to cash my Travellers Cheques at the earlier rate of exchange."*

While financial crises still seem to be with us, the world has changed significantly since the start of this century. However, American Express continues to ensure that its clients can move funds around the globe safely and confidently, despite highly volatile markets.

Whilst Australian businesses surveyed in **The Barometer** are expressing confidence that the Australian Dollar will remain strong over the balance of 2014, the possibility of future volatility cannot be ruled out.

For this reason, it is reassuring for clients to know that they have their own, dedicated Relationship Manager, with access to up-to-the-minute information on market movements and the factors influencing them. Dedicated, in true American Express tradition, to securing the best possible terms for their clients, these modern Managers still monitor the markets so that their customers don't need to.

To review how American Express continues to provide leading Relationships, Rates and Rewards for its clients, click [here](#) to read a range of case studies.

## Contact us

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