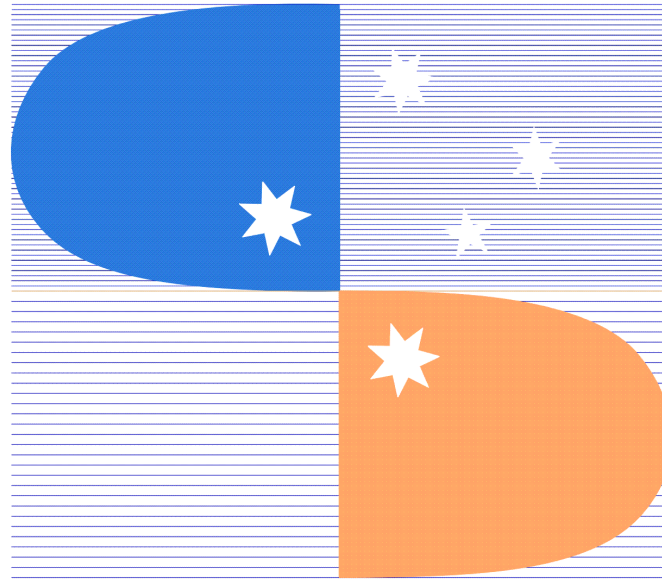


## International Business Survey



A U S T R A L I A N  
C E N T R E F O R  
I N T E R N A T I O N A L  
B U S I N E S S

# **SURVEY OF INTERNATIONAL BUSINESS OPINION**

## **September 2000**

### ***Research Coordinators:***

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with

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## International Business Survey

# EXECUTIVE SUMMARY

### **The International Business Opinion Survey**

The Australian Centre for International Business in cooperation with *The Australian* conducts six-monthly surveys of international business opinion.

The survey is completed by CEOs of the most important Australian and foreign –owned international firms in Australia.

### **The State of the International and Australian Economy**

CEOs were asked to provide their assessment of the state of the international and Australian economy for the next six months, including growth prospects, competition and the openness of the international economy.

### **Investments, Exports and Investment Intentions**

The Survey provides information on actual investment and exports over the past six months and forecast investments and exports for the next six months. The Survey also provides data on investment intentions.

### **Nine Regions**

Detailed responses for nine regions are available for investments and exports, including SE Asia, North America and the European Union.

### **Benchmarking Against Competitors**

The data in this Report on investment and export intentions allows your firm to assess your investment and export strategy against your competitors market-by-market.

### **Major Findings**

- CEOs predict global growth slowdown against a background of intensifying competition.
- CEOs continue to predict stronger growth in Asia but slump in Australian growth is expected.
- Mixed views on the prospects of the Australian dollar but confidence waning overall.
- CEOs bullish about export growth to Asian markets especially SE Asia followed by China and India & Middle East.
- Export prospects for North America and Europe continue to look good.
- Continued growth of new overseas investments predicted but at a more modest rate.
- Asia continues to be attractive as an investment location along with North America and Europe.
- While Australian CEO's more pessimistic about Australian growth they remain up-beat about Asian growth prospects.

### **Centre's Mission Statement**

The Australian Centre for International Business is a collaborative venture between the University of Melbourne and the University of New South Wales. Drawing on the strengths of two of Australia's leading universities, the Centre creates a leading international business research group in Australia.

*The mission of the Centre is to conduct leading edge research in international business, educate future international business leaders and consult with business and government.*

# INTERNATIONAL BUSINESS OPINION SURVEY

## INTRODUCTION

### Surveys of CEOs Investment and Exports Forecasts

The Australian Centre for International Business conducts six-monthly surveys of international business opinion. Over 150 CEOs or chairs of Australia's largest foreign and Australian-owned international firms are regular participants in ACIB surveys. The survey is confidential; participants are not revealed.

Actual and forecast investments, exports and investment opportunities are surveyed for the previous and for the next six months.

### Benchmarking and Strategic Planning:

The Survey allows your firm:

1. to benchmark your perceptions of the state of the global, Asian and Australian economies against other Australian-owned and foreign MNEs; and
2. to assess your actual past investments and exports and forecast investments and exports in 9 regions against those of other Australian-owned and foreign MNEs.

### ACIB's In-depth Analysis

The ACIB provides an in-depth analysis of the investment and export data. The analysis covers 9 regional markets (including Australia, South-east Asia, North Asia, European Union and North America) for domestic and foreign owned firms; firms with and without Asian operations;

large and small firms; and firms in different industry classifications (manufacturing and non-manufacturing).

## THE DATA

Figure 1 displays the profile of the responding companies.

The respondents are a cross-section of the Australian economic landscape, including firms from all industrial sectors and all size groups. Around 30% are from manufacturing and 70% from services and other sectors, with 71% Australian-owned and 29% foreign multinational firms based in Australia.

Firms in the sample had a range of operations in the region and globally. SE Asia, NZ, North Asia, North America and the European Union dominated as foreign investment locations and export markets.

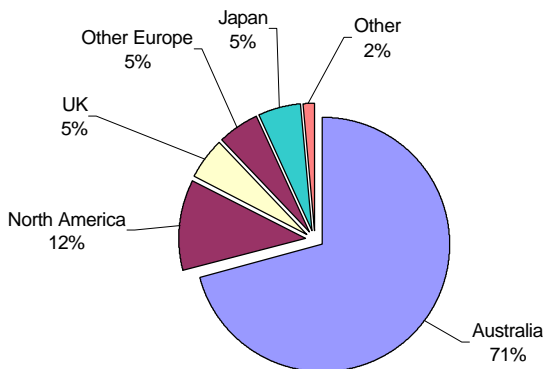
*'The Survey provides an indispensable guide to benchmarking your firm's perceptions of the global, Asian and Australian economies against other Australian-owned and foreign MNEs.'*

# International Business Survey

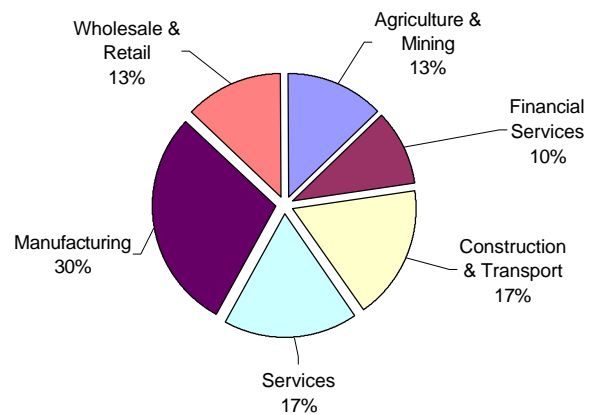
## Figure 1: Profile of Survey Respondents



### NATIONALITY OF PARTICIPANT FIRMS



### ACTIVITY OF PARTICIPANT FIRMS



## GLOBAL AND ASIAN ECONOMIES

### Introduction

In our second Survey of International Business Opinion for 2000, CEOs continue to predict stronger growth of the Asian economies but in the context of a less optimistic outlook on growth in the global economy.

### CEOs predict global growth slowdown

Our January 2000 survey showed that CEOs were strongly optimistic about the global economy, with the global growth index rising from +4 to +56. CEOs have consistently predicted faster world growth over the past 3 surveys. This recent survey shows that CEOs global index has fallen from +52 to +21 (see Figure 2).

In January 2000, 59% of CEOs predicted stronger global economic growth in the first half of 2000; only 38% of CEOs are now predicting stronger global growth over the next 6 months. Sixteen (16%) percent of CEOs expect global growth to weaken, while 46% expect world growth to remain constant.

### Slump in Australian Growth

The growth index for the Australian domestic economy has slumped from +38 to -31. In January only 9 percent of CEOs predicted slower Australian domestic growth. Now 46 percent of CEOs expect slower domestic growth, while only 15 percent expect stronger growth in the domestic economy.

### Good news from the Asian Economies: CEOs Continue to Predict Stronger Growth

Seventy seven percent (77%) of CEOs predict stronger growth for the Asian economies in the next 6 months. This compares to 88% of CEOs in our first survey for 2000 and confirms that

CEOs continue to be bullish about Asia, with the Asian growth index steady at around +75.

### Less Optimism About the Openness of the Global Economy while CEOs face increased competition

Globalisation will continue, but at a slower pace. While 37% of CEOs predicted increasing globalisation in January, today only 23% of CEOs predict increasing openness for the international economy. Seventy-three (73%) percent of CEOs believe that openness of the world economy will remain constant over the next 6 months.

The predicted slower pace of globalisation is occurring against a background of intensifying competition, with 65% expecting stronger international competition.

### Rising Input and Output Prices

Figure 2 shows the input price index at +47, with 50% of CEOs expecting input prices to strengthen further over the next 6 months. The output price index is +20, with only 30% of CEOs predicting their product prices to rise.

CEOs face a cost squeeze, with rising input prices, but intense competition constraining increases in output prices.

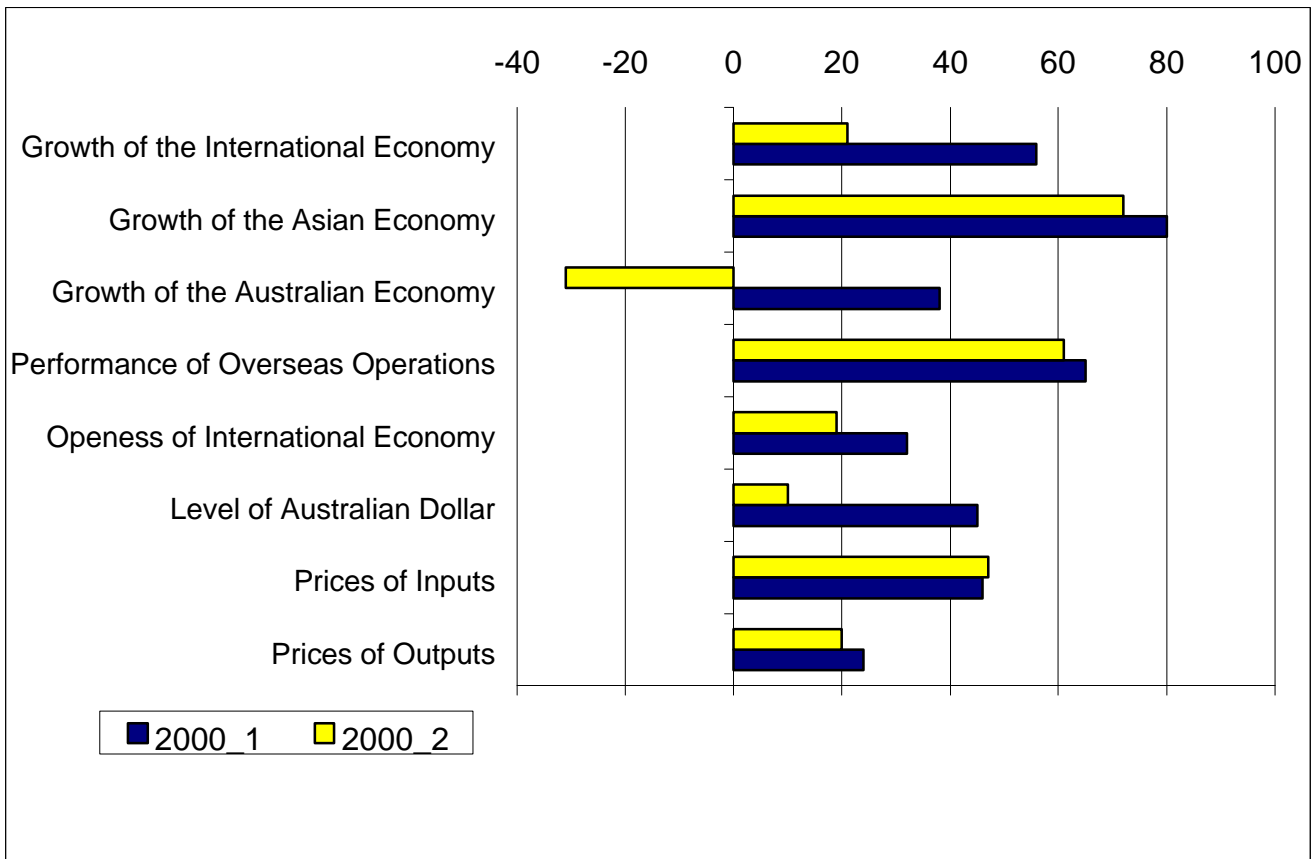
### Performance of Overseas Operations Holds Up despite slower growth and Increasing Competition

In spite of slower global and Australian growth, CEOs remain optimistic over the performance of overseas operations. Sixty-nine percent (69%) of CEOs predict stronger performance of their overseas operations, with the performance index stable at around +65.

*'CEOs predict slower growth in the global economy, but Asian growth prospects holding up.'*

## International Business Survey

Figure 2: Forecasts Over the Next Six Months



### Mixed Views on the Australian Dollar

While 37% of CEOs predict a stronger Australian dollar over the next 6 months, this is balanced by 27% predicting a weaker dollar. With the Australian dollar index falling from +43 to +13, as shown in Figure 2, confidence in the dollar is waning overall.

This compares to a much more optimistic view of the dollar's prospects recorded in our first survey of 2000.

## EXPORTS

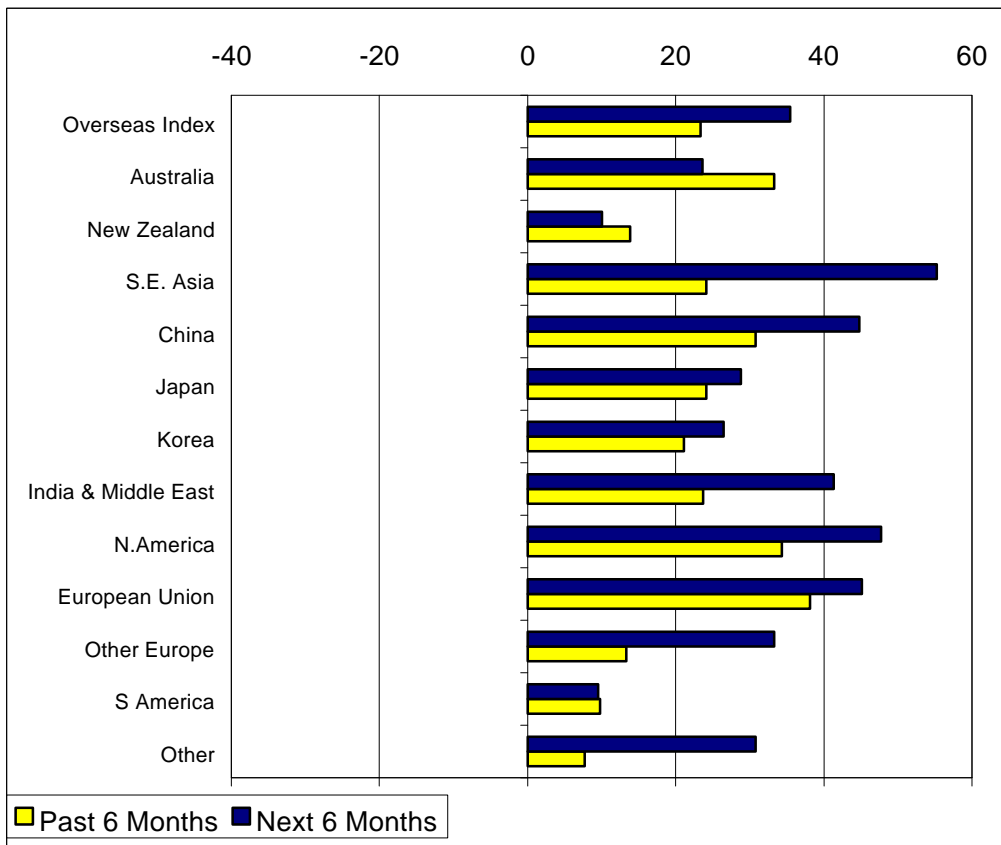
### CEOs Bullish on Export Growth

The overall export index increased significantly from +23 in the first half of 2000 to +35 for the next 6 months (See Figure 3). Forty-four percent (44%) of CEOs predict a strengthening of exports during the next 6 months. This export optimism is similar to our January 2000 survey, where CEOs predicted an export index of +38. That export prediction was not fully met, but the export index for January 2000 at +23, was significantly up on the 1999 index of +16.

### Western Markets Continue to Support Australian Export Growth

Since our first Survey in 1998, the EU and North America have been the key markets supporting Australia's export growth. In this Survey the confident predictions of growth in the North American, European Union and other European markets continue to underpin CEOs' bullish export growth predictions.

Figure 3: Export Index



*‘CEOs have mixed views on the prospects of the Australian dollar but confidence waning overall.’*

### **Asian Export Markets Confirmed As Resurgent Export Markets**

In January 2000 Asian export markets grew strongly for the first time, joining the EU and North America as the source of Australia's export growth.

CEOs show continued optimism about the growth of exports to Asian markets, in particular SE Asia where there is a significant increase in optimism. China, Japan and Korea are also perceived as offering strong growth prospects together with India and the Middle East

### **SE Asia Markets Show Strongest Export Potential**

The export markets of SE Asia have recovered as Australia's fastest growing export markets. The SE Asian index increased from +24 in the first half of 2000 to +55 for the next 6 months. While the actual exports to SE Asia in the first half of 2000 were below January 2000 expectations, CEOs remain bullish about SE Asia as the fastest growing region for Australia's exports over the next 6 months.

### **Continued Strength of Japanese and Korean Export Markets**

CEOs continue to be confident that Australia's two largest export markets, Japan and Korea, have shaken-off the recession and present major export opportunities for Australia. In Figure 3, the export index for Japan increased from +24 to +29 while that for Korea increased from +21 to +26.

### **China's Export Market Potential Continues to Grow**

CEOs continue to predict export growth potential for China, with the export index rising from +31 to +45. While this growth is more modest than expected in the first half of 2000, 57% predict a growth in exports in the second half.

### **Manufacturing Firms Revise Export Opportunities**

Manufacturing firms significantly upgraded their planned exports to SE Asia, India & Middle East, North America, and the European Union compared to the first half of 2000.

Non-manufacturing firms upgraded their planned exports to SE Asia and China but not to North America and the European Union.

### **Opportunities in India and Middle East**

Export growth prospects for India & Middle East have grown significantly with the export index increasing to +41 from +24.

### **Strong Export Prospects for North America and Europe**

CEOs continue to be confident about the export prospects of North America and the European Union with export indexes increasing strongly from +34 and +38 to +48 and +45 respectively.

### **Small Firms and Asia**

The export index for Small (+39) and large firms (+32) increased significantly, with small firms pushing especially into SE Asia, China, North America and the European Union. Large firms plan to significantly increase their exports to SE Asia, China, India & Middle East, and North America.

### **Export Growth Supported by Weaker Australian Dollar**

The bullishness of CEOs on export growth potential is clearly supported by the predicted overall weakening of the Australian dollar

*'CEOs bullish about export growth to Asian markets especially SE Asia.'*

## OVERSEAS PLANNED INVESTMENTS

### Investment Growth Continues

CEOs predict a continued growth of new investment during the next 6 months, with the investment index rising from +20 to +29. (see Figure 4). Thirty-three (33%) percent of CEOs predict stronger overseas investment, while only 4% plan to scale back their foreign investment.

### Asia Continues to be Attractive as an Investment Location along with North America and Europe

In the first half of 2000 Asia joined North America and Europe as major investment locations. In the next 6 months this position is maintained with strong predictions for investment growth in SE Asia and China as well as North America. In the European Union, on the other hand, planned investment is expected to be maintained at around the same level as the first half of 2000.

### SE Asia and China Attract New Investment

Planned investment to SE Asia and China continues to grow with 52% of CEOs predicting an increase to SE Asia and 42% to China.

### India and Middle East Attract Attention

A stronger outlook for investment in India and the Middle East is evident with 32% of CEOs predicting an increase in the next 6 months.

### Strongest Growth in North America

The area expected to attract the strongest growth in investment is North America with 56% of CEOs predicting an increase and the investment index increasing from +42 to +54.

### New Firms Plan to Invest in Asia

Firms currently not in Asia plan to develop their operations in the region especially SE Asia, Japan, and India & Middle East.

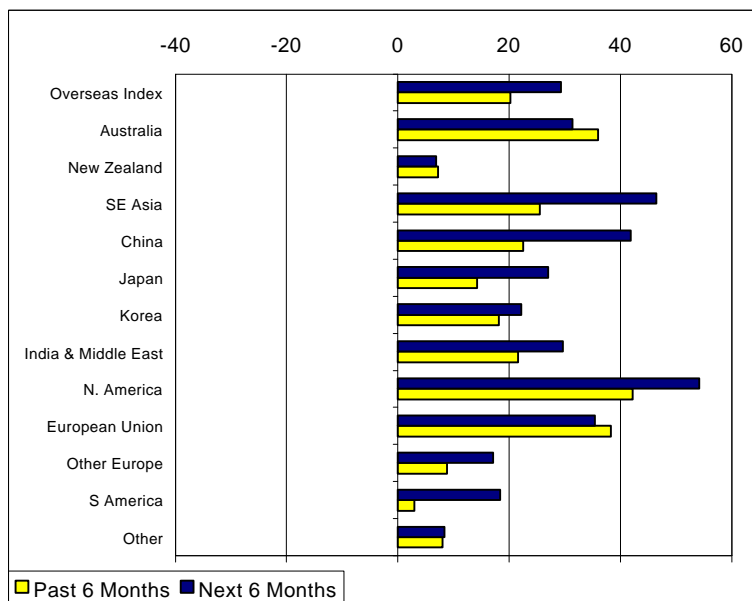
### Foreign-owned Firms More Optimistic about Asia

Foreign-owned firms are generally more optimistic than Australian-owned firms about investment plans for SE Asia, China, Japan and Korea.

### Different Investment Destinations for Large and Small Firms

Small firms are planning more investment in China, India & Middle East, and the European Union than large firms; large firms plan to push more into SE Asia and North America compared to small firms during the second half of 2000.

Figure 4: Planned Investment Index



## NEW INVESTMENT OPPORTUNITIES

### Significant Increase in Investment Opportunities

CEOs predict a significant increase in overseas investment opportunities with the opportunities index nearly doubling to +35 from +18. (See Figure 5)

### Asian Investment Opportunities Lead the Way

Figure 5 shows that investment opportunities in SE Asia are predicted to grow from +35 to +56 and China from +33 to +53. Firms not in Asia see significant investment opportunities in SE Asia and China together with India & Middle East.

### India and Middle East

A major increase in investment opportunities for India and the Middle East is predicted by CEOs with the index increasing from +19 to +42.

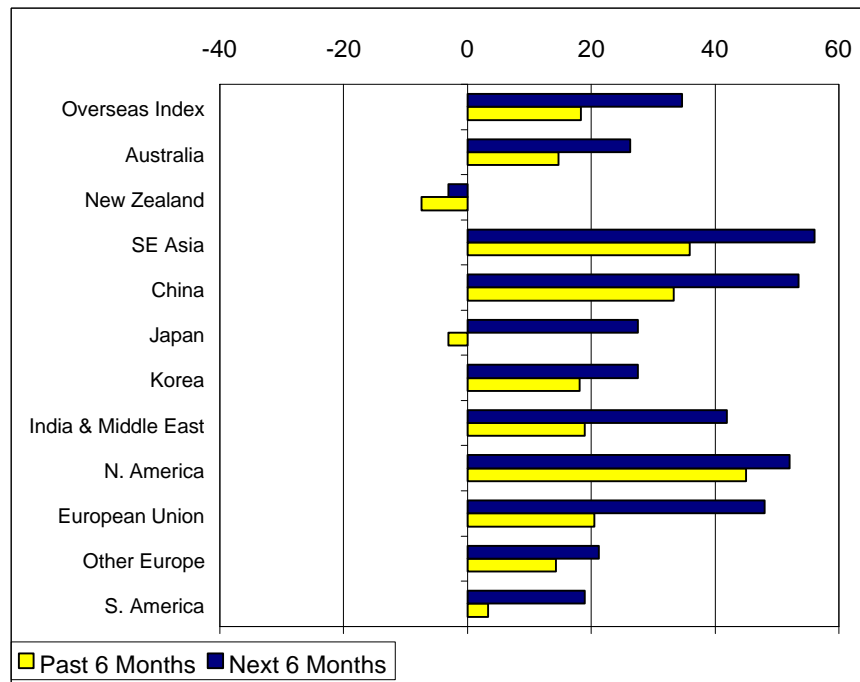
### North America and European Union Continue to Provide Strong Investment Opportunities

Figure 5 also shows that North America (+52) and the European Union (+48) are now perceived by CEOs to offer attractive investment opportunities. Compared to the first half of 2000, the investment opportunity index for the EU rose from +20 to +48, while the investment index for North America rose more modestly from +45 to +52.

### Differences in Sector and Size

Non-manufacturing CEOs see more investment opportunities in SE Asia and China than manufacturing firms. CEOs of small firms are more optimistic about investment opportunities than large firms.

Figure 5: New Investment Opportunity Index



## CEOs of Australian-Owned Firms and the Global Economy

### **Australian CEOs Less Optimistic About Global Growth than 6 months ago**

In the first half of 2000, a bullish view of global growth was evident by Australian CEOs, with 61% predicting stronger growth. In the next 6 months Australian CEOs are less optimistic with the growth index falling from +48 to +17, with only 37% predicting stronger growth.

### **CEOs of Foreign Firms More Pessimistic About Global Growth than Australian CEOs**

The global growth index of CEOs of foreign firms plummeted from +57 to -24. In January 2000, 64% predicted stronger international growth while today only 38% predict stronger global growth.

### **Australian CEOs More Pessimistic about Australian Growth than Foreign CEOs**

A more pessimistic forecast of Australian growth is being made by Australian CEOs, compared to foreign CEOs, with the growth index slumping from +36 to -38. Foreign CEOs are more optimistic with the index falling from +38 to -24.

### **Australian CEOs Continue to be Up-Beat About Asia**

CEOs of Australian firms continue to be up-beat about stronger Asian growth (77%) and this confidence is supported by foreign CEOs.

### **Optimism About Performance of Overseas Operations Despite Stronger International Competition**

Os of Australian firms remain optimistic about the performance of their overseas operations over the next 6 months with 75% predicting a stronger performance. However, 79% also expect stronger international competition.

### **Planned Investment Increases**

The overseas investment index of Australian-owned firms is +27. This is not significantly different than foreign-owned firms in Australia with a slightly higher index of +32.

In our first survey for 2000, Australian CEOs planned to significantly increase their investments in SE Asia. This trend has continued with investment indexes for SE Asia and China increasing to +43 and +39 respectively.

### **India and Middle East as Emerging Markets for Australian Firms**

Confidence in India and the Middle East as investment locations has been maintained with an investment index of +33.

### **Global Export Push Continues**

CEOs of Australian-owned firms significantly raised their export index from +17 in 1999 to +40 in the first half of 2000. This trend will continue for the next 6 months with the export index up slightly at +42.

### **Asian Export Push**

Australian CEOs predict significantly increasing exports to Japan and Korea as well as SE Asia and China. India and the Middle East are predicted as important emerging markets for Australian exports.

### **Australian-Firms Optimistic About Export Growth to Western Markets**

Western markets continued to underpin Australian exports in 2000. CEOs of Australian firms have again revised upwards their assessment of western markets as export destinations, with 66% of CEOs predicting export increases to North America while prospects for the European Union remained steady at 52% for the next 6 months.

