



2009 EFIC Global Readiness index Key findings for Western Australia

In February 2009, 726 Australian companies responded to EFIC's second annual Global Readiness index (GRi) survey, providing insight into their experience of key aspects of going global – the destinations, the drivers and obstacles, and the sources and availability of funding.

102 respondents (14% of the national total) are Western Australian-based businesses. 33% of these operate in the mining sector and 38% have annual turnover between \$1m and \$10m, with a further 17% having turnover between \$10m and \$50m.

Together with our Western Australian partners, EFIC is delighted to provide a summary of the Western Australian state results showing an ongoing commitment to global expansion despite the current global economic downturn.

With thanks to our
Western Australian
partners.



CHAMBER OF COMMERCE AND INDUSTRY
WESTERN AUSTRALIA



Government of Western Australia
Department of State Development
Western Australian Global Network

Offshore operations

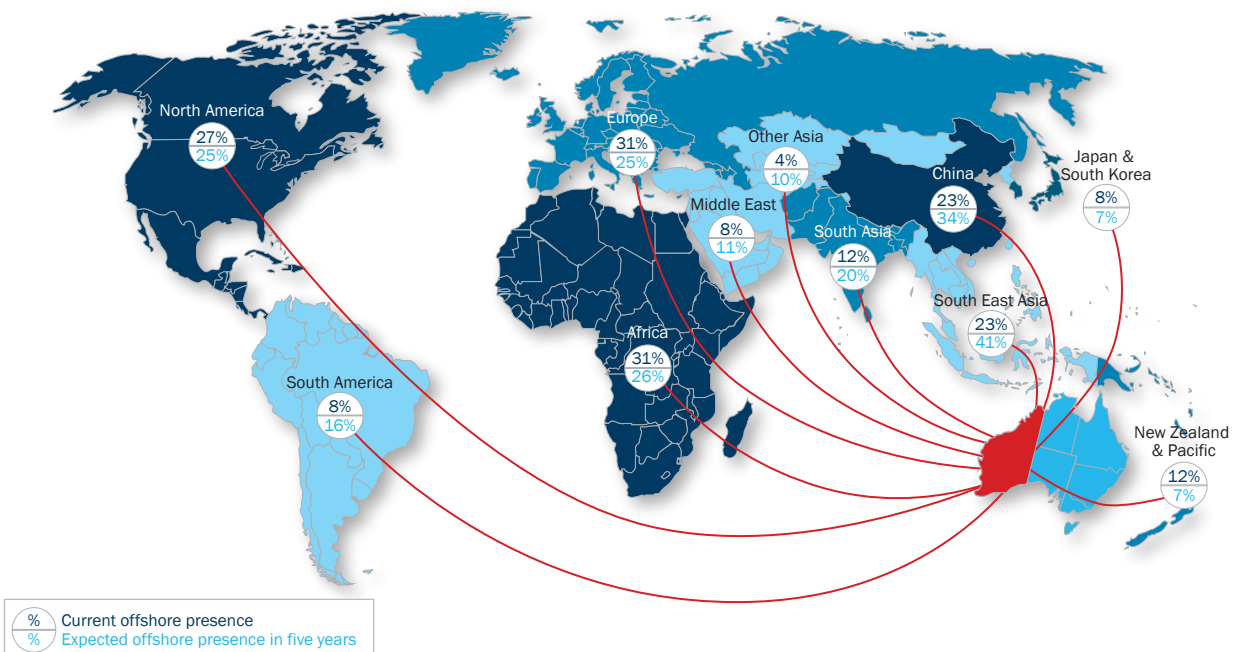
On average Western Australian businesses generated 2% of their revenue from offshore operations, with 10% currently operating facilities offshore.

- 31% have been operating offshore facilities for between two and five years.
- 81% of current offshore operators are planning to expand, 31% within the next year.
- Of those Western Australian respondents not currently operating offshore facilities, 45% have plans to establish them, 35% within the next two years.

Destinations for offshore expansion

Europe and Africa are currently ranked as the most popular locations for offshore operations in terms of revenue generation with 31% of Western Australian respondents (with offshore operations) having facilities in each region. However South East Asia is predicted to be the most popular destination for offshore operations, with 41% planning to be located there in five years' time, compared to 26% for Africa and 25% for Europe.

Destinations for offshore expansion by Western Australian businesses



Drivers for offshore expansion

Increase revenue/market share is cited as the top factor in establishing offshore operations by the overwhelming majority of respondents across all states, and by 69% of Western Australian respondents (see Chart 1).

- Increasing revenue/market share was cited as one of top three drivers by 88%, followed by economies of scale (46%) and proximity to end market (45%).
- 73% of Western Australian respondents established offshore operations to serve the local market.
- 38% established them to better serve other offshore markets.
- Just 12% established offshore operations for the purpose of re-importing back to Australia.

Barriers to offshore expansion

Nationally the most important barrier to offshore expansion is access to finance. This also holds true for Western Australian respondents (see Chart 2).

- Of the Western Australian businesses that have or are planning offshore facilities, 30% nominated access to finance as their top barrier, whilst 16% nominated either lack of local market knowledge or economic conditions abroad as their top driver.
- Overall, 58% said access to finance was a barrier to expanding offshore, while 48% named economic conditions abroad.

Chart 1: Top five drivers for offshore expansion

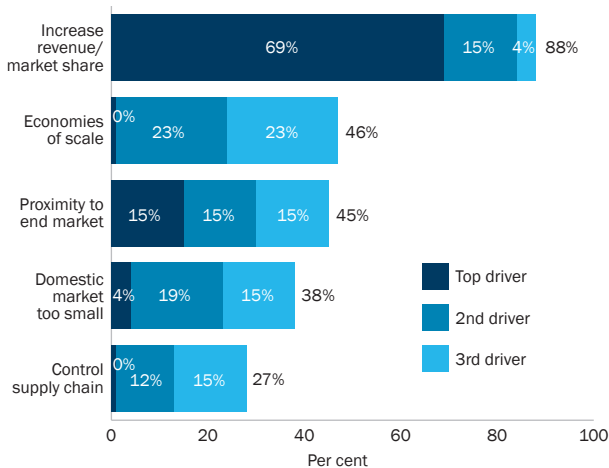
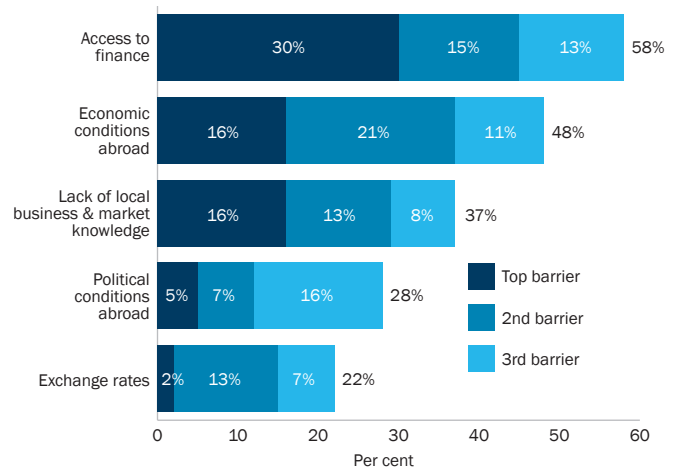


Chart 2: Top five barriers to offshore expansion



Access to finance

Retained earnings is the most important source of finance for offshore operations, across all states and for respondents from Western Australia.

- 46% of Western Australian businesses reported that retained earnings was their top source for funding offshore expansion, with 58% overall relying this source.
- In comparison, issuing shares and debt facilities from overseas financial institutions were used by 42% overall.

Impact of improved access to finance

The majority of respondents nationally and in Western Australia would alter their business plans as a result of improved funding.

- 39% would grow faster in current markets and 31% would enter new geographical markets.

To access the full 2009 EFIC Global Readiness index report, visit www.efic.gov.au/gri/report