

# Global Supply Chains - Networks of Tomorrow

Australia in focus



HSBC

Opening up a world of opportunity



# Introduction

For the last three years HSBC has examined how corporate treasurers and senior managers are reshaping their supply chain and working capital strategies in response to global economic changes, sustainability policies and digital enhancements.

This year, we've expanded the scope from just Asia Pacific to include globally strategic markets – Germany, the United Kingdom (UK), United States of America (US), United Arab Emirates (UAE), and Mexico. We spoke to 787 corporate treasurers and senior managers across 14 markets from large multinationals to local organisations, online and traditional retailers, and both HSBC customers and non-customers.

## The view from Australia

Corporates in Australia have emerged from the pandemic with renewed priorities for their supply chains – whether it be diversifying across Asian markets, shoring up inventory supply or implementing their sustainability roadmap.

Key global events such as Covid-19 and the geopolitical issues have driven up costs in many areas. In response, organisations in Australia are increasing investment in digitisation and automation to drive efficiency while also passing these costs on to the end consumer.

Looking ahead, building resilient supply chains remains top of mind for organisations in Australia with sustainability measures forming a core component of supply chain planning.



HSBC's latest report on global supply chain trends confirms what we are seeing in Australia – more of our clients want to know who their suppliers are and streamline and build resilience in their supply chain by working closely with strategic partners. They see the importance of digital supply chains and leveraging data to track the financial as well as sustainability standing of their suppliers."

**Nadia Ladak, Head of Global Trade and Receivables Finance, HSBC Australia**

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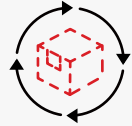
How corporates are laying the foundations for future supply chains

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How do corporates in Australia differ from other markets?

# Shifting supply chain strategies

Corporates in Australia are realigning their supply chains to avoid too heavy reliance on a single market and to maintain the right level of inventory amidst trade tensions and the lingering impact of Covid-19. They are diversifying their operations across a variety of Asian markets to achieve this.



## Top three macro factors driving change in supply chains

1. Counter party risk
2. Expanding to new markets/trade corridors
3. Regulations and border restrictions



## Top supplier locations for Australia's corporates

1. Mainland China (29%)
2. North America (23%)
3. Asia (excluding China) (22%)

## Important factors for assessing suppliers<sup>1</sup>

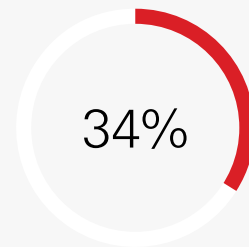
Payment and financing terms **62%**

Sustainability credentials **31%**

Digital integration with treasury **26%**

## Inventory management

73% of corporates in Australia are holding excess inventory



average inventory holdings above normal levels



## Top reasons for holding excess inventory

1. Covid-19 restrictions (56%)
2. Freight rates (31%)
3. Preparing for future disruptions (24%)

It's important for corporates in Australia to hold increased levels of inventory. This is to mitigate any disruptions to their business operations in the event of shipping delays or other supply chain issues.



Corporates are planning for uncertainty. Equally, they're trying to find the balance between stocking up for just-in-case and carrying additional inventory costs."

**Vivek Ramachandran**  
**Head of Global Trade and Receivables Finance, HSBC**

<sup>1</sup> These factors are outside product quality and cost, which remain as the top areas of assessment

# Navigating new market conditions

Uncertainties in the macroeconomic environment are resulting in increased costs and inflationary pressures for corporates in Australia, with some responding by using digital tools to increase efficiency. Given the impact of Covid-19 on Australia, many corporates are reducing their number of suppliers to concentrate on the most reliable ones to navigate this context.

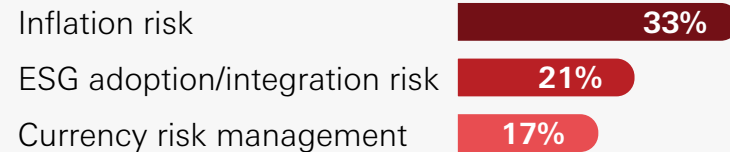
## Risk management solutions



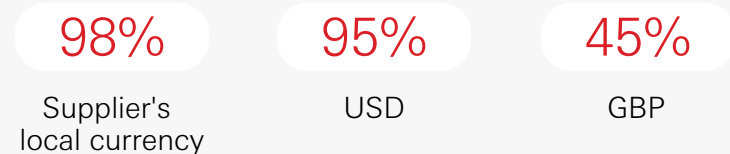
### Top solutions for hedging against financial risk

1. Forwards for hedging FX risk (86%)
2. Interest rate swaps for interest rate risk (42%)
3. Options for hedging FX risk (26%)

## Supply chain costs of greatest concern



## Top currencies used to pay suppliers

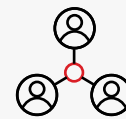


## Financing the supply chain



### Preferred funding programmes

1. Traditional trade finance<sup>2</sup> (80%)
2. Available working capital<sup>3</sup> (65%)
3. Receivables financing (42%)



### Changes in supply chain partners

1. Increasing number of supply chain partners (23%)
2. Reducing number of supply chain partners (73%)
3. Keeping the same number of supply chain partners (4%)

Some local organisations are also starting to pay suppliers more quickly, responding to recent regulation in this area.<sup>4</sup>



While counterintuitive at a time when there have been so many supply disruptions, it makes sense to secure the sourcing from fewer suppliers but cultivate longer term and more strategic relationships with them."

**Vinay Mendonca, Chief Growth Officer, Global Trade and Receivables Finance, HSBC**

<sup>2</sup> Traditional trade finance includes documentary credit/collections, open account and trade loans

<sup>3</sup> Available working capital includes the organisation's own cash, marketable securities and optimisation of receivables/payables terms

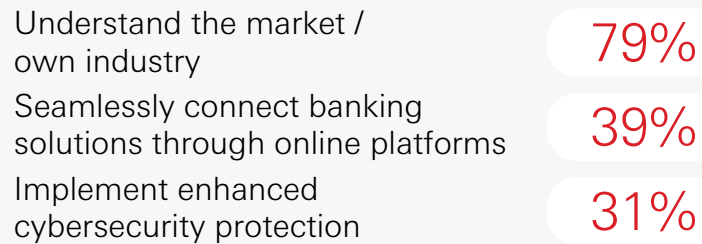
<sup>4</sup> Australian Government, statutory review of the Payment Times Reporting Act 2020

# Ensuring supply chain resilience

Corporates in Australia have laid out clear priorities in building up the resilience of their supply chain through digital solutions and sustainability policies. Many organisations are already requiring suppliers to conform to key sustainability metrics as part of the onboarding process and larger organisations are offering incentives for meeting key standards in this area.

## Digitising the supply chain

### Top digital priorities banks can support with



Digital technology that allows organisations to better understand the market and industry is of the highest importance. Seamless integration and cybersecurity protection are also important.

The trends around supplier sustainability will only gain momentum as 51% of corporates here are requiring their supply partners to conform to environmental and social metrics as part of the onboarding criteria.”

**Nadia Ladak, Head of Global Trade and Receivables Finance, HSBC Australia**

## Integrating sustainability along the supply chain

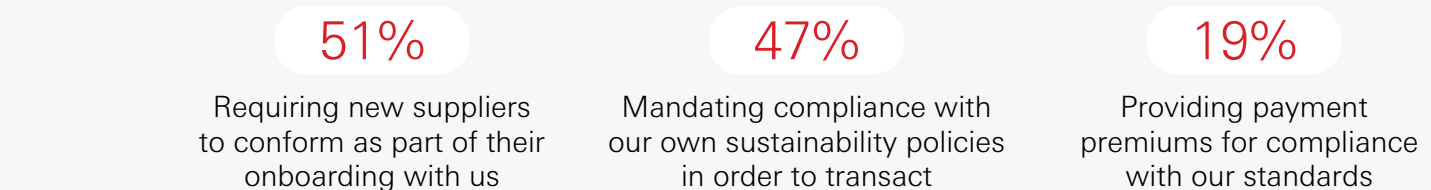
Policies to implement sustainable practices are well underway, and significant progress has been made by corporates in Australia towards putting these policies in place.



## Top focus areas for corporates in Australia planning to invest in sustainable supply chains



## Top methods for encouraging suppliers to adopt sustainability policies



From August to October 2022, we commissioned East and Partners to directly interview 787 corporate treasurers and senior managers across 14 markets, to find out how they are reshaping their supply chains. The statistics shown are based on a collective sample of 114 respondents from Australia, Indonesia, Japan and South Korea. Respondents could select multiple answers for some questions.

# Highlighting market differences

Corporates in Australia stand out in their use of advance batch payments (scheduling a series of transactions to vendors to go out at the same time) as a payment method, as well as in their focus on using digital technology to gain insights about their market and industry.

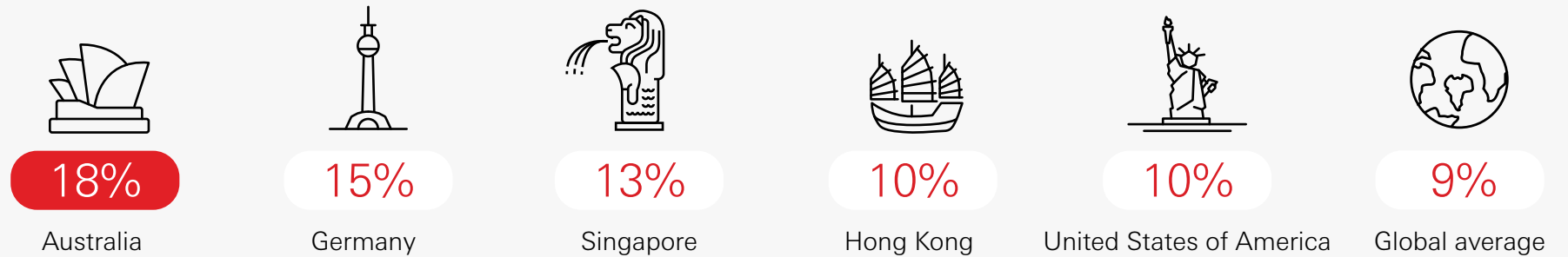


## Most popular payment methods

1. Purchase order (supplier portal) (33%)
2. Electronic bank transfer (33%)
3. Advance batch payment (18%)

## Using advance batch payment to pay supply chain partners

Among other respondent markets, Australia was the most receptive to this form of payment



## Understanding market and industry is a top digital priority

Compared to their global peers, corporates in Australia are using digital technology to gain insights about their market and industry



# Disclaimer

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