Strategy Hubb 2022 Wrap

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Navigate, Grow and Expand

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At the start of 2022, businesses felt confident as Australia's economy was performing well, and there seemed to be no indication that anything would change. However, it was not long before companies began to feel the impact of global economic turbulence. The US dollar faced increasing pressure as investors lost faith in it, while other currencies worldwide also experienced volatility. This ripple was felt throughout the global economy, with business leaders struggling to predict where things were headed accurately. In Australia, we saw several major changes during the year. The first was increasing unemployment as businesses began to lay off staff to save costs. Wage growth stagnated, and many families struggled financially as living costs soared.

Additionally, we saw a drop in consumer confidence and retail spending as people became more cautious about spending their money. Businesses were feeling uncertain and anxious about what might happen next - nobody knew whether this slump was just a temporary blip or if it signalled something more serious about our future economic prospects. All of these factors contributed to an overall slowdown in the Australian economy towards the end of 2022. According to data from the Australian Bureau of Statistics (ABS), many businesses failed in Australia between 2021 and 2022. In total, 15,152 businesses failed, constituting a 3.8% increase from the 14,585 business failures reported in the previous two-year period. Most of these were small businesses with fewer than 20 employees, with insolvency being the primary cause of most closures.

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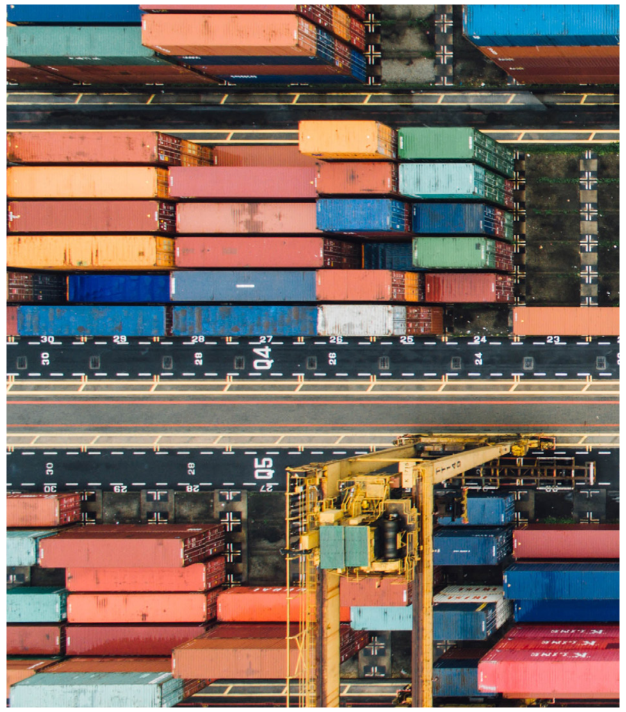
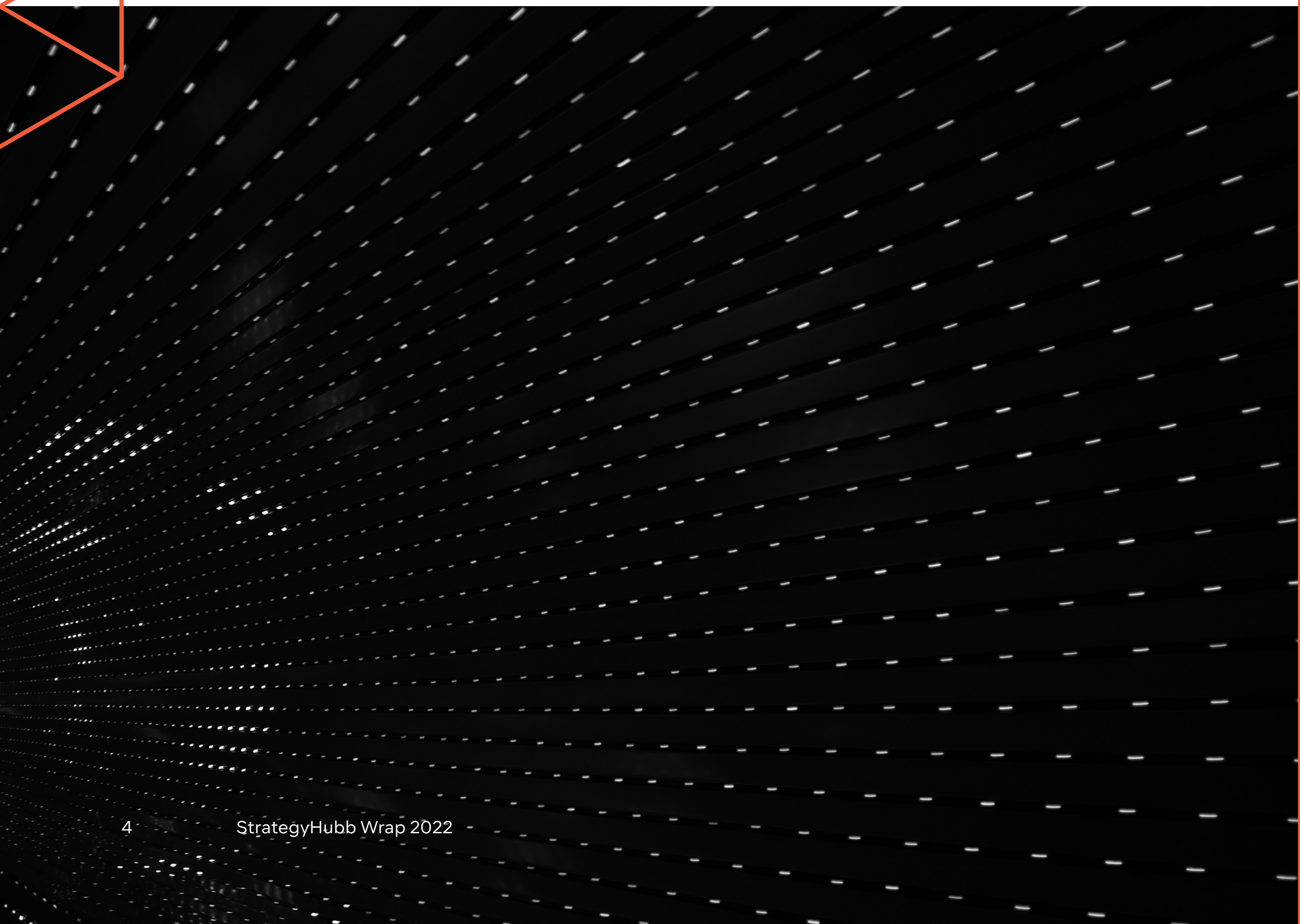
The figures suggest that many small business owners are struggling to keep up with their financial commitments, with increasing costs and decreasing income due to COVID-19 exacerbating this problem further. It is especially true for those unable to access financial assistance or other forms of support, such as JobKeeper, leaving them facing an uphill battle regarding survival. The knock-on effect of small business failures eventually attributed to declines in innovation, supply chain resilience and the requirements of new blood within the broader economic spectrum.

More broadly, however, several factors have contributed to this rise in business failures across Australia over recent years. These include rising labour costs, disruption caused by technological advances, competition pressures due to globalisation and increased consumer expectations regarding product quality and service delivery. In addition, many businesses have needed help to pivot quickly enough following changes in customer buying behaviour, leaving them lagging behind competitors who could adjust their strategies accordingly.



Business Expectations in 2023



growth rate of 3.5% in 2023

Globally, economic growth is forecast to slow, with the International Monetary Fund (IMF) predicting a growth rate of 3.5% in 2023, compared to 4.0% in 2020. In terms of the global economy, many analysts forecast that the US Dollar will continue to weaken against major currencies such as the Euro and Japanese Yen, which could have wide-ranging implications for international trade flows and investment activity.
In Australia, the economy is expected to remain relatively strong in 2023 despite some slowdown caused by external factors such as weaker global demand for commodities.

The Australian dollar is also likely to remain strong against other major currencies, given the relative strength of its domestic labour market. However, this could be affected by any further appreciation of the USD or a slowdown in Chinese economic growth.

Geopolitical factors also continue to be a risk factor for many investors and businesses, with ongoing tensions between China and the United States likely to affect trade relations between these countries and their respective allies. This could lead to increased protectionism and tariffs, directly impacting import-export activity globally. In addition, many countries worldwide are facing political unrest, which could negatively impact economic activity in certain regions over time.

All in all, 2023 will be an important year for global and local economic expectations; businesses must stay ahead of potential macroeconomic risks while taking advantage of any opportunities that arise within new sectors or markets. It will be essential for companies to stay agile and responsive if they want to remain competitive in such an unpredictable environment.

Geopolitical shifts

Russia, China, India, and other member states of the BRICS bloc have been challenging the USD by forming a new currency that poses a strong challenge to the American dollar. This new currency, known as the 'BRICS', is an acronym for Brazil, Russia, India, China and South Africa – all of which are major emerging markets. The concept behind this move is to create an alternative international reserve currency that will reduce reliance on the US Dollar. The use of this currency has gained popularity in recent years due to its potential for disruption in global financial markets. It is mainly due to its advantages over traditional reserve currencies such as the US Dollar, Euro, or Japanese Yen.
These include lower transaction costs and more significant hedging opportunities in times of market volatility. Furthermore, there is potential for BRICS countries to benefit from exchange rate stability when dealing with other BRICS members since their currencies are no longer subject to fluctuations caused by external forces such as geopolitics or economic cycles.

Implementing such a system could also lead to increased coordination between the five nations involved to manage monetary policies and create a more balanced balance of payments structure across their economies. It would enable them to be less reliant on borrowing from foreign lenders and increase investment within their respective regions instead. In addition, it would provide greater access to capital markets for businesses operating in these countries, which could help spur economic growth. Finally, this initiative could have significant implications for global trade. It would allow goods and services produced by BRICS nations to be priced more competitively than those sold by countries using fewer stable currencies. Moreover, this could open new opportunities for international cooperation between BRICS members, resulting in greater mutual understanding and political solidarity.

How organisations perform within the global economy is also linked to our alliances with other countries and partners, as well as the strength and resilience of our trade deals, impending trade wars and divergent activities to circumvent significant barriers.

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Capital Flows

Globalisation had been a major force driving economic growth around the world since the 1990s, but this is beginning to change as countries adopt more protectionist policies and regulations in order to protect domestic industries. In 2023, capital flows are expected to be heavily impacted by the increasing trend of globalisation fragmentation due to protectionism and shifting capital investments. This could have huge implications for international trade, investment activity and capital flows.
As businesses become more aware of potential macroeconomic risks, many will be more reluctant to engage in cross-border activities such as foreign direct investment or portfolio investment, which could reduce overall capital inflows into nations. Additionally, increased protectionism could lead to higher tariffs and taxes on imported goods, putting further downward pressure on cross-border investments. As a result, businesses may become more interested in investing their capital domestically rather than internationally.

The other major factor impacting capital flows in 2023 is the changing landscape of digital finance and fintech services. More people are now turning away from traditional banking systems towards digital financial services for their banking needs. This has created a new class of investors increasingly looking for alternative ways to invest their money outside traditional asset classes such as stocks and bonds. As a result, an increasing amount of capital is being diverted towards cryptocurrencies, Initial Coin Offerings (ICOs), venture capital funds and other innovative financial instruments that didn't exist just a few years ago. Businesses must be aware that the global economic landscape is rapidly changing - they must proactively seek opportunities to remain competitive in this new environment. Companies must also monitor macroeconomic developments closely to adjust their strategies accordingly and respond effectively to any unexpected shifts or changes in global economic conditions.

M&A Expectations

As global economic turbulence continues to affect financial markets, merger and acquisition (M&A) activity is expected to remain strong in 2023. Many international investment firms and venture capitalists are anticipating increased opportunities for growth, which could drive M&A activity across a wide range of industries. In Australia, we're expecting to see more activity in the tech sector as startups continue to attract investor attention. We're also likely to see an increase in M&A activity among larger companies as they look for opportunities to expand their operations or consolidate their market share. Additionally, there is potential for more cross-border M&A deals as international companies look to take advantage of the weakened US dollar and cheaper assets outside of the United States.

On a global level, we can also expect continued growth in emerging markets such as India and China. These countries have seen an influx of foreign direct investment over the past few years, and this trend is expected to continue throughout 2023. There will likely be a focus on technology companies seeking to capitalise on rapid advances in artificial intelligence and other digital transformation initiatives. Moreover, with increasing interest rates worldwide, many investors are expected to focus on low-risk investments such as real estate or infrastructure projects. This could lead to increased consolidation in these sectors as larger companies acquire smaller ones with attractive assets or properties.

Finally, it's worth noting that there may be some disruption from macroeconomic factors such as trade wars or currency fluctuations. Global tensions between major economies could result in slowdowns within certain industries, leading many buyers and sellers to hesitate when considering certain transactions due to uncertainty over future returns or outcomes. As such, it will be important for businesses seeking M&A opportunities in 2023 to understand potential risks before making any commitments.

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Positive Developments

Whilst 2022 has seen its fair share of doom and gloom, there have still been a number of positive developments during the year. One of the most significant growth areas was technology and digital infrastructure, as businesses increasingly invested in digital transformation initiatives. This included investments in cloud computing, automation technologies, machine learning and artificial intelligence, all of which enabled companies to become more efficient and cost-effective. We also saw growth in the green energy sector as countries worldwide pushed for renewable energy sources to reduce their reliance on fossil fuels. Solar power, wind turbines and other green initiatives saw increased investment throughout the year.

Businesses in the hospitality and tourism industries experienced higher demand levels throughout 2022 - although this demand is expected to remain lower than pre-pandemic levels for some time. The healthcare sector also benefited from an influx of capital throughout 2022, with companies investing heavily in medical research, pharmaceuticals, and telemedicine services. As these advancements continued to progress throughout the year, we saw a significant impact on global public health. Finally, we observed a resurgence in global tourism as travel restrictions eased across various regions worldwide. This was a welcome boost for many local economies that had been hit hard by pandemic-related lockdowns earlier in the year.

Concluding Thoughts

As we advance, Australian businesses face an increasingly challenging environment, particularly if they wish to remain competitive and take advantage of any new opportunities that may arise amidst changing conditions within both domestic and global markets. With this in mind, it is essential that companies continuously assess their operations and take steps towards becoming more agile – whether investing in innovative technologies or forming better relationships with customers – so that they can survive any future downturns or disruptions that might occur.

Increasingly, customers expect companies to have a digital presence, offering convenience options like online ordering or virtual consultations, which help reduce costs while creating more value for customers. By leveraging technological advancements such as mobile technology, cloud computing, 5G networks and robotics process automation (RPA), companies can remain competitive while providing an improved customer experience that will set them apart from competitors. Business transformation is required to keep pace with rapid change and capitalise on opportunities. However, to make these transformations sustainable, we must consistently pay attention to market data while continuously adapting to market requirements. Strategy Hubb incorporates and advises on the digital elements of core business strategies, such as blockchain, building online platforms or incorporating digital payment systems into existing products or services.

Finally, organisations must invest in developing strong relationships between employees and employers for each entity to benefit long-term, both socially and economically in the long term. Companies should promote an open culture of collaboration where employees feel valued and heard while offering incentives such as flexible working hours or access to education assistance programs that demonstrate a commitment towards helping individuals thrive within the workplace environment. In addition, businesses must ensure they have robust protocols regarding ethical standards around data handling procedures – respecting privacy policies laid out by government regulators. – so that employees feel safe knowing that any data collected is always secure.

The business world expects high volatility in 2023 due to increasing geopolitical instability and economic uncertainty. However, there still appears to be an air of cautious optimism among many business leaders concerning what lies ahead in 2023. While challenges such as geopolitical instability and slowing global growth are inevitable, many believe that we could see some green shoots of recovery as economies begin adjusting their policies accordingly and adapting to changing conditions to foster greater long-term stability. 2023 will undoubtedly bring both opportunities and risks - it will be up to businesses around the world how they choose best to navigate these uncertain times ahead.

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that seem never to connect.
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