



EUROTRADE

BUSINESS SERVICES Ltd.

## Newsletter Australia – May 2023

The Australian harvest is approximately **30-40%** below average. The harvest is in its final stages in all regions of Australia and the final forecast is **1.75 million** tonnes because the disease pressure, caused by the wet and mild spring induced by La Niña, has affected all wine growing regions to varying degrees.

The Australian wine industry as a whole will take some relief from adding less red wine to its stocks, but will be disappointed by the lower volume of white wines available, particularly Chardonnay, Sauvignon Blanc and Pinot Grigio. Chardonnay has been in high demand as wineries have rejected significant volumes of grapes due to disease, which has led some buyers to raise prices to obtain grapes that are still saleable.

With further high-level government meetings scheduled between the two countries, rumours continue to circulate about the potential reopening of trade corridors between Australia and China. There is talk of reduced sanctions on beef and timber, and Australian exporters have seen processing time of their products reduced at Chinese ports. Last month, Australian coal shipments arrived in China for the first time since an unofficial ban was imposed two and a half years ago. Wine suppliers are hoping that China's current 212% tariffs on Australian wine imports will be reduced to a level that will make supplies to China profitable again.

Australian consumers witnessed yet another **interest rate increase** the tenth consecutive in the past ten months. The 25 basis point increase brings the cash rate to 3.6%, the highest in 11 years. Inflation stands at 7.8% and is expected to have reached its peak. There is widespread concern for many homeowners who are already struggling with the cost of living. Wineries are seeing consumers reduce their wine purchases or weekly spending on spirits.

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