Market intelligence and the MDF learning agenda

The benefits of local insight

MDF has deeply embedded local teams, with extensive networks and long-term relationships with the private sector. This enables the teams to extract insights on the real-world impacts of the challenges posed by a prolonged pandemic and its associated economic ramifications, as well as climate change and other global shocks. MDF combines bottom-up data collection with an analysis of global macro-observations, generating understanding on how global trends are playing out in the Indo-Pacific. This market intelligence work, initiated in 2020 as a means of filling the information void created by the sudden onset of COVID-19, continued to generate timely and actionable insights for DFAT and partners in 2021.

MDF developed a facility-wide intelligence brief each quarter. Two key pieces of work were later published for wider circulation. The first revealed the impact of COVID-19 on the freight industry and the ramifications for importers and exporters in Pacific Island Countries. The second analysed how food price inflation was impacting households in MDF countries. Both pieces of intelligence were written long before these issues became front page news, underlining the value of reliable local networks to provide early warning on emerging economic challenges.

MDF also proactively responded to country-specific events and DFAT requests for market intelligence. This included examining the impact of travel bans on the airfreight industry in the Pacific for the Office of the Pacific, providing the Papua New Guinea Post with information on supply chain disruptions, and an analysis of the Government of Timor-Leste's stimulus measures. With tourism reopening in several countries towards the end of 2021, MDF was able to provide DFAT posts in Fiji and Sri Lanka with information on each market's tourism readiness. This advice informed the subsequent response from the Fiji support facility to improve testing capacity for international travellers.

Intelligence is shared broadly with the aim of reaching and influencing relevant stakeholders. Given the rapidly changing economic circumstances in partner countries and the region, MDF determined that concise analytical pieces are a powerful way to reach a wide audience with timely information. MDF proactively shared intelligence papers with DFAT staff in MDF countries as well as Canberra. The facility also held briefings to discuss findings, supporting DFAT's decision-making process. MDF also leveraged its social media platforms to further the reach of analytical papers with the large network of local and international business and government stakeholders who follow MDF's channels.

In 2022, MDF will continue to provide facility-wide market intelligence briefs to DFAT on relevant topics and follow up on themes covered in 2021. The team will look to collaborate with advisory services programs, such as the Business Engagement Support Unit and Pacific Economic Recovery Support, as well as other private sector programs, such as PHAMA Plus, to gain additional insight and ensure that intelligence work supports optimal programming across DFAT's diverse portfolio.

What's for Breakfast?
The COVID-19 crisis and rising food prices, a year on

In 2021, supply chain disruptions as a result of COVID-19 continued, leading to sky-rocketing food prices. Globally, cost increases affected some more than others. Even within the same country, expenditures varied between urban and rural locations due to a multitude of factors, including freight prices, import dependency and the availability of alternatives. In this environment, national inflation figures are not fully reflective of the challenges households and retailers were reportedly facing.

MDF surveyed staff, food retailers and consumers, and reviewed secondary data to identify trends in the cost of typical meals in each country of operation. While MDF's data is not perfect (no inflation measure ever is), it demonstrated that each MDF country was facing food price inflation rates of between 24 and 44 per cent. Several other trends emerged, including differing impacts between the rural and urban poor and the experience of large retailers absorbing some of the price increases, rather than passing them on to consumers.

Ensuring food security and access to affordable staples should be a concern for development partners and governments alike. The private sector will be vital to promote the availability of quality, affordable agricultural inputs to maintain production. Businesses are also critical for monitoring and addressing disruptions in key supply chains, for essential imports and to ensure that farmers' produce can continue to be harvested, processed and transported to urban centres.

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MDF's analysis

On the Australian National University Development Policy Centre (devpolicy) blog

Some of MDF's countries reported that shipping prices became

2 to **4** times more expensive

Disruptions to global shipping
Regional impacts

COVID-19 has caused, or exposed, structural weaknesses in global freight systems. The pandemic disrupted the previously predictable demand for the movement of people and goods. In some places, demand for shipping has increased while in others, it has decreased. This has led to imbalances in the finely tuned global logistics system. In 2021, MDF examined how these global trends were impacting developing economies, particularly in the Pacific. Perhaps predictably, there were signs that these markets, including in the Pacific region, are being neglected as shipping companies focus on more lucrative routes.

Both delays and price spikes were beginning to impact countries in the Pacific and Asia, with lower volume routes being increasingly ignored, leading to significant delays for exporters. Increasing costs were exacerbating the impact of delays, with some of MDF's countries reporting that shipping prices became two to four times more expensive. The pandemic has also disrupted the balance between air freight and shipping because of exponential increases in air freight charges.

Since the time of writing this report, the global logistics crisis has worsened as precited and remains one of the major drivers of inflation, which poses a severe risk to global economic stability.

The smooth and predictable flow of goods, which has underpinned much of the global decline in poverty over the past two decades, has been severely disrupted. It will face further challenges in the future, such as increasingly disruptive weather due to climate change, restrictive trade policies and geopolitical tensions. While the logistics system has proven relatively resilient, these challenges will continue to impact trade in developing economies in the future.

On the devpolicy blog

De-risking Big Data for decision-making

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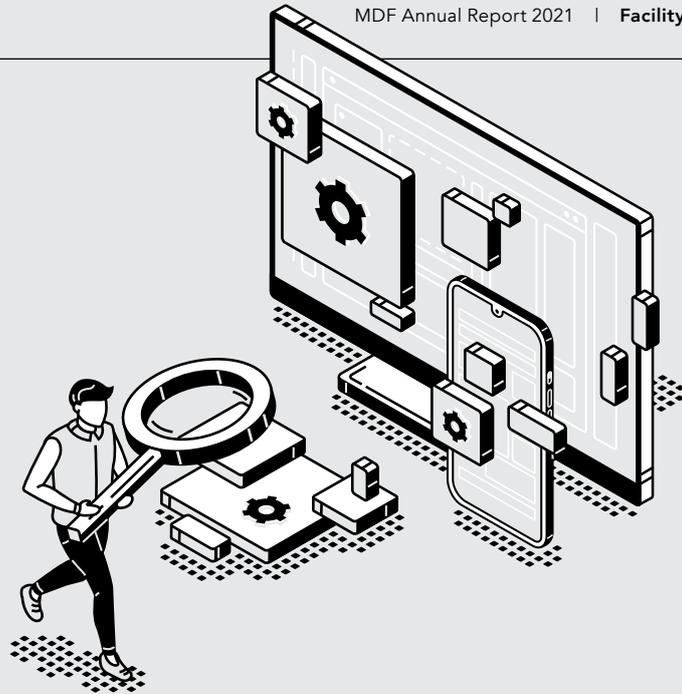
The potential for big data to drive industry transformation is not a new topic, and MDF is increasingly seeing the power of data in effective decision-making in sectors ranging from agriculture to tourism. With the plummeting cost of technology, data-driven business models have matured to a point where they are becoming increasingly feasible at any scale. There are opportunities for data to improve decision-making and drive value chain efficiency. For example, this evidence provides consumer sentiments insights which help inform tourism destination marketing strategies.

But adoption at scale is hampered by the large upfront investments in time and capital that are required to embed data into decision-making processes. Working with these knowledge sets is also becoming increasingly complex as its sheer volume increases. Access to this information alone is not sufficient; businesses need to know how to use it effectively. Many of MDF's partners see the benefits of big data, but the adoption risks are significant.

MDF sharpened its focus on the role of data in industry growth during 2021. The facility invested in building the capacity of in-country teams to recognise the opportunities in big data, and how to embed it in both new and existing interventions. The work to date suggests that the best way to stimulate adoption at-scale is to work with larger companies that source from many small suppliers, such as a network of smallholder farmers. These larger actors typically have the resources and, more importantly, the incentive to invest in productive, engaging, data-driven business solutions. MDF's role is to help these stakeholders overcome the risk-return trade-offs. The area in which the facility has made the biggest gains has been in driving targeted behavioural changes.

In 2021, MDF worked with partner governments, industry bodies and firms to access and interpret large data sets to inform policy and investment decisions. The facility negotiated strategic agreements with stakeholders in the Fijian and Sri Lankan tourism sectors, helping them to access world's best consumer sentiment data ahead of planned reopening. This let tourism stakeholders target their marketing efforts to the most promising markets and design product offerings that cater to rapidly evolving preferences.

Early results included supporting the Government of Fiji to pivot its marketing strategy toward a 'travel-ready' North American market, informed by a data-driven consumer sentiment study. This research also supported Fiji Airways to amend its travel offerings to capture an important slice of the tourism demand that suddenly emerged after New South Wales announced an end to pandemic-related border closures. The intelligence proved accurate, with Australians and North Americans accounting for 92 per cent of arrivals in December 2021. The potential for data-driven business strategies will continue to grow as it becomes cheaper to collect and analyse information. This will generate opportunities not only in tourism, but throughout all sectors of the economy. Forward-looking development programs can support markets by de-risking investments in Big Data and building the capability of governments and the private sector to put it to best use.