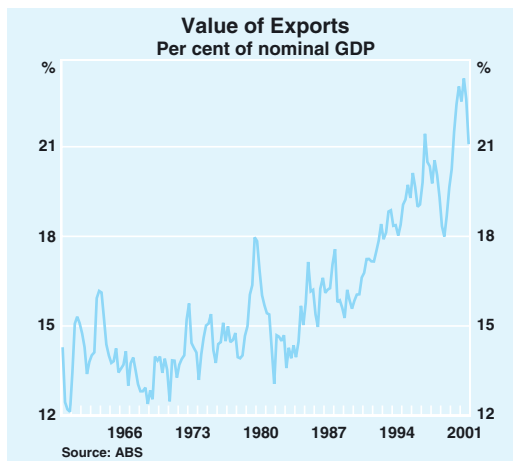


Trends in Australia's Exports¹

The reduction of trade barriers, and cheaper transportation and communication costs have contributed to Australia becoming more open and more closely integrated into the global economy, a trend that Australia shares with many other countries. One manifestation of this is higher trade flows. The share of exports in total output has almost doubled over the past couple of decades to reach around 22 per cent in 2001 (Graph 1). Greater openness has also been associated with an increased diversity in both the types of products exported and the countries of destination. This article provides a brief overview of these trends.

Graph 1



Destination of Exports

Australia trades with over 220 countries, although the 10 largest export destinations by value account for about two-thirds of the total (Table 1). Japan and the US have long been the largest markets for Australian exports, purchasing 20 and 10 per cent respectively of total Australian merchandise exports in 2001. The share going to Japan, however, has fallen by 8 percentage points over the past decade, while there has been no change in the export share to the US. In contrast, the importance of export destinations like Korea and China has steadily expanded, as these economies have grown quickly. Traditional export partners such as the United Kingdom remain important, with recent growth driven by relatively new export products such as wine (further details below). In recent years, Saudi Arabia has also become a major trading partner. In 2001 it was the 11th largest export destination, following five years of growth in exports at a rate of around 40 per cent per annum.

With the slowdown in world output since late 2000, exports have eased to most major markets. Among the big economies, large falls occurred in exports to Japan and the US. For

1. This article was prepared by Jonathan Coppel and Ben McLean, Economic Analysis Department.

Table 1: Goods Exports to Australia's Largest 10 Trading Partners

	Value 2001 \$million	Share in 2001 Per cent	Average growth through 1990/91 to 2000/01 Per cent	Growth through 2001 Per cent	Major 3 products
Japan	23 728	19.7	5.1	-4.8	Coal, metal ores, meat
USA	11 971	9.9	7.3	-5.7	Meat, petroleum, road vehicles
Korea	8 869	7.4	10.4	5.4	Petroleum, metal ores, coal
China	7 588	6.3	17.7	10.0	Metal ores, textiles, petroleum
New Zealand	6 972	5.8	10.4	3.9	Petroleum, road vehicles, ADP equipment
Taiwan	5 339	4.4	11.5	-21.4	Non-ferrous metals, petroleum, coal
Singapore	5 161	4.3	7.7	-34.3	Petroleum, gold, ADP equipment
United Kingdom	5 160	4.3	11.1	25.4	Gold, beverages, coal
Hong Kong	4 141	3.4	9.6	12.2	Gold, fish, non-ferrous metals
Indonesia	2 746	2.3	6.6	-15.3	Textiles, non-ferrous metals, live animals
All country total	120 426		8.6	-1.6	Metal ores, coal, non-ferrous metals

Source: ABS. Excludes re-exported gold.

Japan, merchandise exports through 2001 fell by almost 5 per cent. This reflected both the recession in Japan, and the weaker conditions throughout the region, which dampened demand for Australian-sourced materials embodied in Japanese exports. There have been exceptions to this general weakness, however, with exports to the Middle East, China and India expanding at double-digit rates. Together, merchandise exports to these three markets rose by nearly 21 per cent through 2001, compared with an overall contraction of around 1½ per cent. Service exports in 2001 were much weaker than other categories, compounded by the aversion to international travel following the events of 11 September. The only source countries from which the number of overseas arrivals – a proxy for tourism – rose through 2001 were China, Korea and Germany. Overall, service exports fell by 8 per cent through 2001.

Major Products Exported

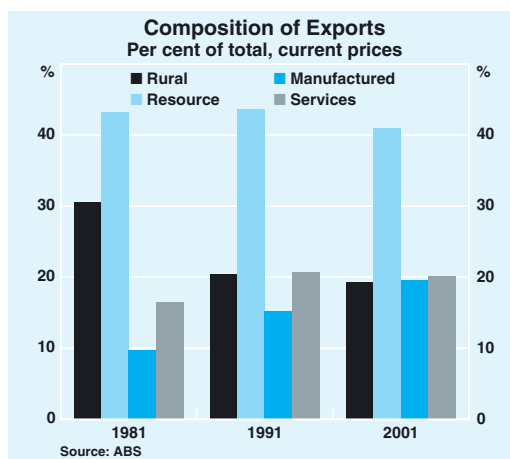
The classification of Australia's merchandise exports is in accordance with the Standard International Trade Classification (SITC) categories. For analytical purposes, these categories are aggregated into resource, rural and manufactured exports. Manufactured exports are defined as those products that have undergone elaborate transformation from their natural state.² The degree of transformation in practice covers a broad spectrum and in some instances it is somewhat arbitrary whether a particular category is considered a manufactured, a resource or a rural good. For instance, aluminium and gold are clearly transformed from their natural state, but the degree of transformation is not

2. Manufactures are defined as beverages (SITC category 11), chemicals and related products (SITC categories 51 to 59), manufactured goods classified chiefly by material (SITC categories 61 to 66 and 69), machinery and transport equipment (SITC categories 71 to 79) and miscellaneous manufactured goods (SITC categories 81 to 89).

as elaborate as it is for some other manufactured products, such as motor vehicles. Both aluminium and gold are classified as resource exports, as are a number of other refined minerals.

As well as the overall increase in the share of exports in the economy, the greater international integration of the Australian economy with the world economy is reflected in the type and diversity of goods traded. Historically, more than two-thirds of Australian exports have been rural- or resource-based and concentrated in a limited number of products. Since the early 1980s, however, the shares of service exports and exports of manufactures have risen sharply (Graph 2). By 2001, service and manufactured exports accounted for almost 40 per cent of the total, compared with 36 per cent a decade ago and 27 per cent two

Graph 2



decades ago. The steady growth in service and manufactured exports has provided a more diversified export base, which has probably

Table 2: Manufactured Exports

	Value 2001 \$million	Share in 2001 Per cent	Average growth 1990/91 to 2000/01 Per cent	Growth through 2001 Per cent	Major destinations
Road vehicles	4 249	14.3	16.3	30.5	Saudi Arabia, United States, New Zealand
Medicinal and pharmaceutical	2 437	8.2	21.4	2.1	United States, New Zealand, United Kingdom
Beverages	2 112	7.1	20.9	20.5	United Kingdom, United States, New Zealand
Electrical machinery	1 711	5.7	13.9	-11.9	New Zealand, Germany, United States
ADP equipment	1 644	5.5	8.0	9.3	New Zealand, United States, Singapore
Final manufactured goods	1 465	4.9	10.1	-4.3	New Zealand, United States, United Kingdom
Specialised industrial machinery	1 379	4.6	10.1	0.3	United States, New Zealand, Indonesia
Telecommunications	1 362	4.6	16.4	22.4	United States, New Zealand, Japan
General industrial machinery	1 292	4.3	9.8	10.0	United States, New Zealand, Indonesia
Professional instruments	1 289	4.3	16.3	6.9	United States, New Zealand, United Kingdom
Total manufactured exports	29 781		12.0	6.9	United States, New Zealand, United Kingdom

Source: ABS

helped to reduce the variability of the terms of trade.

Road vehicles are, by a sizeable margin, Australia's largest manufactured export, accounting for about 14 per cent of total manufactured exports in 2001. The next largest categories are medicinal and pharmaceutical equipment and beverages (which includes wine). The following seven largest manufactured exports are broadly similar in size, each representing between 4 and 6 per cent of the total (Table 2).

Reflecting the increase in the share of manufactured exports, about half of the fastest-growing exported products over the past decade have been manufactured goods, albeit some from a low base (Graph 3). For example, the value of road-vehicle exports – mostly destined for Saudi Arabia, the US and New Zealand – have risen more than fourfold over the past decade. Exports of beverages, predominantly wine, have recorded even faster growth, rising by a factor of almost seven over the same period to reach around \$2 billion in 2001. Australian-produced wine now has the largest market share in the United Kingdom, surpassing those of France and Italy.

Despite strong growth in manufactured exports, Australia's 10 largest merchandise exports by value remain predominantly resource and rural products (Table 3). The one exception is road vehicles, which in 2001 was the seventh largest merchandise good export. These 10 largest exports account for about 60 per cent of total goods exported. Within service exports, there have been strong increases in tourism. Other service exports

Graph 3

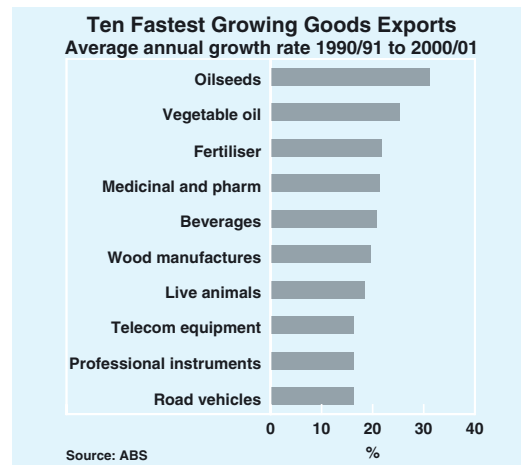


Table 3: Ten Largest Goods Exports

	Value 2001 \$million	Average growth 1990/91 to 2000/01 Per cent	Share in 2001 Per cent	Major destinations
Metal ores	14 937	6.0	12.4	Japan, China, Korea
Coal	12 511	5.3	10.4	Japan, Korea, India
Non-ferrous metals	9 319	9.6	7.7	Japan, Taiwan, Korea
Petroleum	9 221	12.9	7.7	Japan, Korea, United States
Meat	6 365	6.2	5.3	Japan, United States, Korea
Cereals	5 310	7.8	4.4	New Zealand, Japan, Vietnam
Road vehicles	4 249	16.3	3.5	Saudi Arabia, United States, New Zealand
Natural gas	3 706	13.3	3.1	Japan, China, Korea
Dairy	3 043	15.2	2.5	Japan, Philippines, Malaysia
Gold	3 004	1.2	2.5	Singapore, United Kingdom, Japan
All country total	120 426	8.6		Japan, United States, Korea

Source: ABS. Excludes re-exported gold.

such as computer software development, education and film-making have recorded even stronger growth, but from lower levels.

Exporting Businesses

ABS surveys conducted in the mid to late 1990s offer a detailed portrait of Australia's exporting businesses and how they compare with Australian businesses as a whole.³ The surveys cover firms that account for about half of total exports. The main businesses excluded from the survey are those in the agriculture, communication, education and health and community services industries.

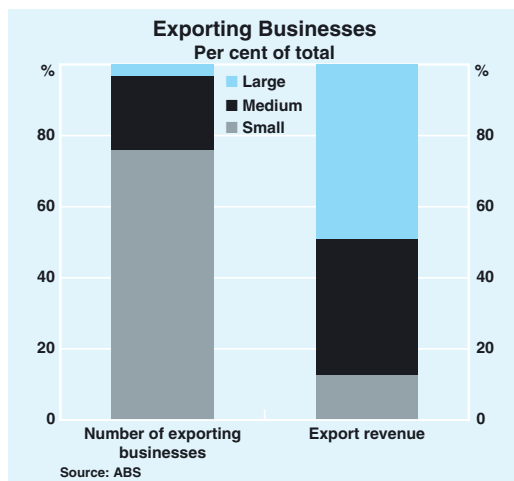
The bulk of exporters by number are small enterprises (defined as businesses with fewer than 20 employees), although most export revenue comes from large businesses (more than 200 employees). In 1997/98, the latest survey year, about 9 per cent of large business turnover was sourced from exports, compared with less than 3 per cent in small enterprises. Approximately 700 large businesses,

equivalent to 3 per cent of the number of all exporting businesses, account for around half the value of total exports (Graph 4).

Some 4 per cent of Australian businesses are export-oriented. The small proportion of businesses that export reflects the large number of businesses in industries where it is not feasible to trade, such as construction, retail trade, and property and business services. Some businesses in these industries, however, do invest directly in other countries and earn foreign income. The mining industry is the most export-intensive industry, with exports accounting for half of turnover (Graph 5). Manufacturing industries – especially food, beverages and tobacco; textiles, clothing and footwear; and machinery and equipment – also generate a sizeable proportion of their turnover from exports.

Other notable features of exporting businesses are their tendency to invest more in training, to record a higher level of labour productivity, and to have a higher uptake of information and communication technology. Their employees on average earn higher wages, compared with non-export-oriented businesses.⁴ ↗

Graph 4



Graph 5



3. The Business Longitudinal Survey summarised in B Pink and C Jamieson (2000), 'A Portrait of Australian Exporters: A Report Based on the Business Longitudinal Survey', ABS Cat No 8154.0.
4. See T Harcourt (2000), 'Why Australia Needs Exports: The Economic Case for Exporting', Australian Trade Commission and Centre for Applied Economic Research (CAER) Discussion Paper, University of NSW, Sydney.