



AUSTRALIA’S GOODS TRADE WITH THE EUROPEAN UNION

Australia’s two-way goods trade with the European Union (EU) was valued at \$69.3 billion in 2016 and accounted for almost 15 per cent of Australia’s total goods trade.

Australia recorded a net goods trade deficit of \$28.7 billion in 2016.

In terms of sectors, Australia was a net importer of Agriculture, forestry and fisheries and Manufactures products from the EU while it was a net exporter of Minerals and fuels and Other goods (mainly gold).

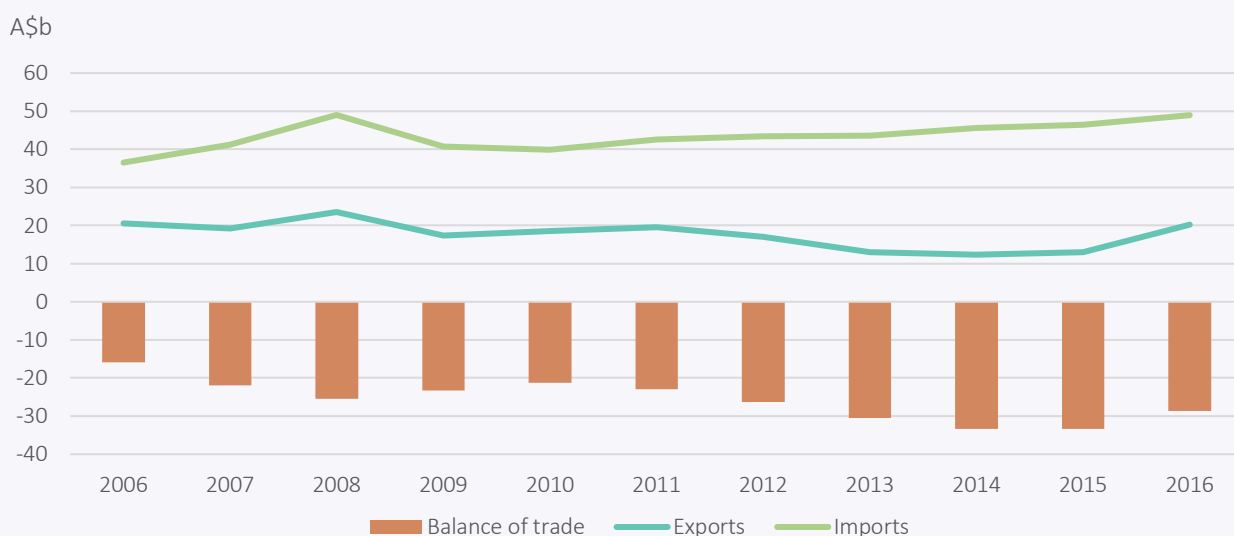
Australia’s major goods exports to the EU were gold, coal and oil seeds, while the major imports from the EU were passenger motor vehicles, medicaments and pharmaceutical products.

Introduction

Australia has a significant two-way goods trade relationship with the European Union 28 (EU), with exports valued at \$20.3 billion in 2016 (7.8 per cent share of total Australian goods exports) and imports valued at \$49.0 billion (18.3 per cent of total goods imports)¹. Australia recorded a net goods trade deficit with the EU valued at \$28.7 billion in 2016.

Goods exports to the EU rose strongly in 2016 (up 56.1 per cent) almost entirely due to increased exports of *Gold* (excluding gold exports to the EU rose by only 5.6 per cent), while imports from the EU rose by 5.6 per cent. However goods exports have declined by an average annual rate of 2.0 per cent over the past five years while goods imports have risen at a rate of 2.8 per cent.

Chart 1: Australia’s goods trade with the EU



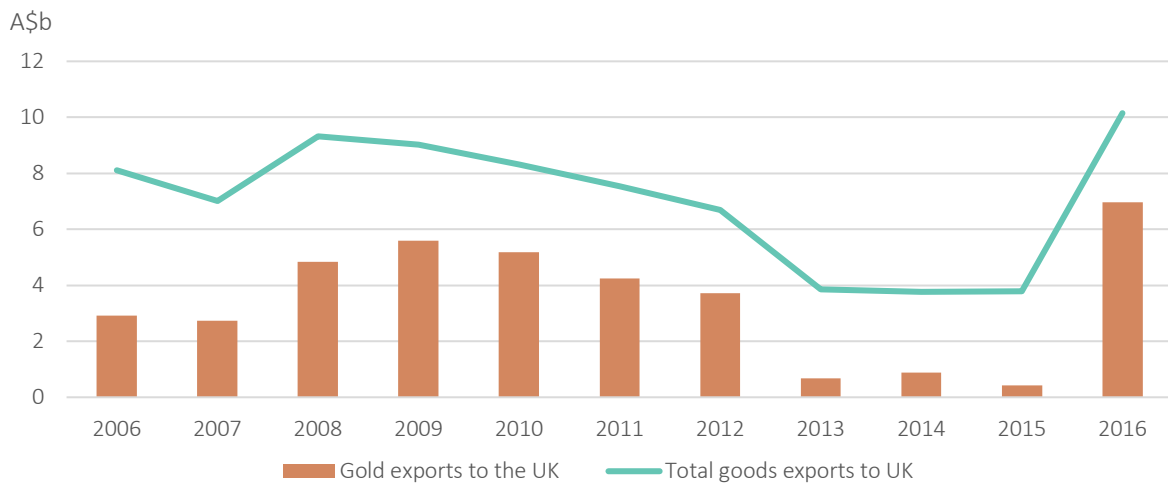
Based on ABS trade data on DFAT STARS database and ABS catalogue 5368.0.55.004.

¹ Excludes selected confidential export (from June 2013 onwards) and import commodities (from September 2008 onwards) from partner country totals.

Gold exports to the United Kingdom

The United Kingdom was the main market for Australia’s exports of gold to the EU, and accounted for 98.8 per cent of Australia gold exports to the EU in 2016. Gold exports to the United Kingdom rose by \$6.5 billion to \$7.0 billion in 2016. The United Kingdom plays an important role in the global gold market as an intermediary gold trader. Gold exports to the United Kingdom (and therefore the EU) can be highly volatile with strong year to year movements depending on whether final gold users (such as India) source gold directly from Australia or through intermediaries such as the United Kingdom.

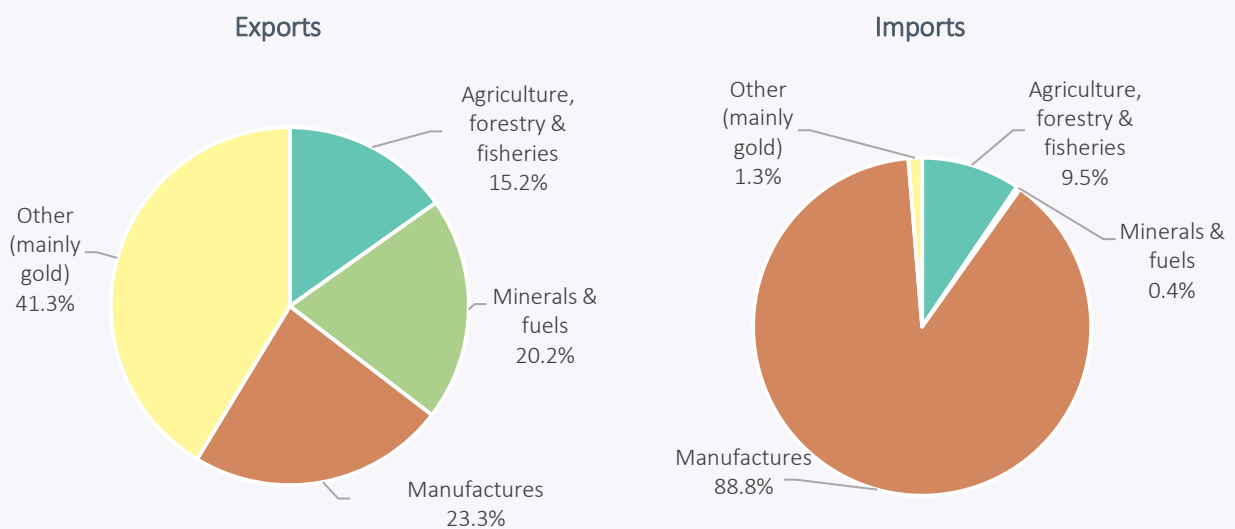
Australia’s gold exports to the United Kingdom



Based on ABS trade data on DFAT STARS database.

Goods trade by sector²

Chart 2: Australia’s goods trade to the EU by sector



Based on ABS trade data on DFAT STARS database and ABS catalogue 5368.0.55.004.

² Sector breakdown is based on DFAT’s Trade Import Exports Classification (TRIEC).

In terms of major sectors, Australia was a net importer of *Agriculture, forestry and fisheries* products from the EU (with a deficit of \$1.6 billion) and *Manufactures* (with a deficit of \$38.8 billion). While Australia was a net exporter of *Minerals and fuels* (with a surplus of \$3.9 billion) and *Other goods* – mostly gold (with a surplus of \$7.7 billion).

Australia's *Agriculture, forestry and fisheries* exports to the EU were valued at \$3.1 billion in 2016 (accounting for 15.2 per cent to Australia's total goods exports to the EU). These exports were dominated by food exports value at \$2.7 billion, with the largest products being *Oil-seeds & oleaginous fruits, Wine and Meat*.

Mineral exports were valued at just \$788 million in 2016 with largest product being *Precious metal ores – excluding gold*. *Fuel* exports were value at \$3.3 billion and accounted for 16.4 per cent of Australia's total goods exports to the EU, with exports being dominated by *Coal*.

Manufacturing exports were valued at \$4.7 billion and accounted for 23.3 per cent of total goods exports to the EU. Simply Transformed Manufactures (STM) exports were valued at \$1.3 billion (largest product being *Lead alloys*) while Elaborately Transformed Manufactures (ETM) exports were valued at \$3.4 billion with the largest products being *Aircraft and parts, Medical instruments, Medicaments and Pharmaceutical products*.

Other goods exports were valued at \$8.4 billion in 2016. This consisted mainly of *Gold* exports valued at \$7.0 billion (refer to the box on gold exports to the United Kingdom for more information) and confidential items of trade valued at \$659 million.

Table 1: Australia's top five goods exports and imports with the EU

	2014 A\$m	2015 A\$m	2016 A\$m
Total merchandise exports (a)	12,350	12,984	20,265
Gold	916	463	7,043
Coal	2,268	2,440	3,318
Oil-seeds & oleaginous fruits, soft	744	869	1,117
Wine & other alcoholic beverages	591	612	587
Lead	307	508	568
Total merchandise imports (a)	45,626	46,390	48,994
Passenger motor vehicles	5,252	6,340	6,757
Medicaments (incl veterinary)	4,616	4,482	4,979
Pharmaceutical products (excl medicaments)	1,564	1,951	2,253
Aircraft, spacecraft & parts (b)	933	1,319	1,083
Mechanical handling equip & parts	1,076	1,015	1,021

(a) Excludes some confidential items of trade. (b) DFAT estimate.

Based on ABS trade data on DFAT STARS database, ABS catalogue 5368.0.55.004 and ABS unpublished data.

In terms of imports, Australia's *Agriculture, forestry and fisheries* imports from the EU were valued at \$4.6 billion in 2016 (accounting for 9.5 per cent to Australia's total goods imports from the EU). These imports were dominated by food exports value at \$4.4 billion, with the largest products being *Wine, Edible products & preparations, Cereal products and Chocolate*.

Mineral imports were valued at just \$67 million in 2016 while *Fuel* imports were valued at \$112 million.

Manufacturing imports were valued at \$43.5 billion and were the dominate sector accounting for 88.8 per cent of total goods imports from the EU. STM imports were valued at \$2.7 billion (mainly chemical

products) while ETM exports were valued at \$40.8 billion with the largest products being *Passenger motor vehicles, Medicaments, Pharmaceutical products* and *Aircraft & parts*.

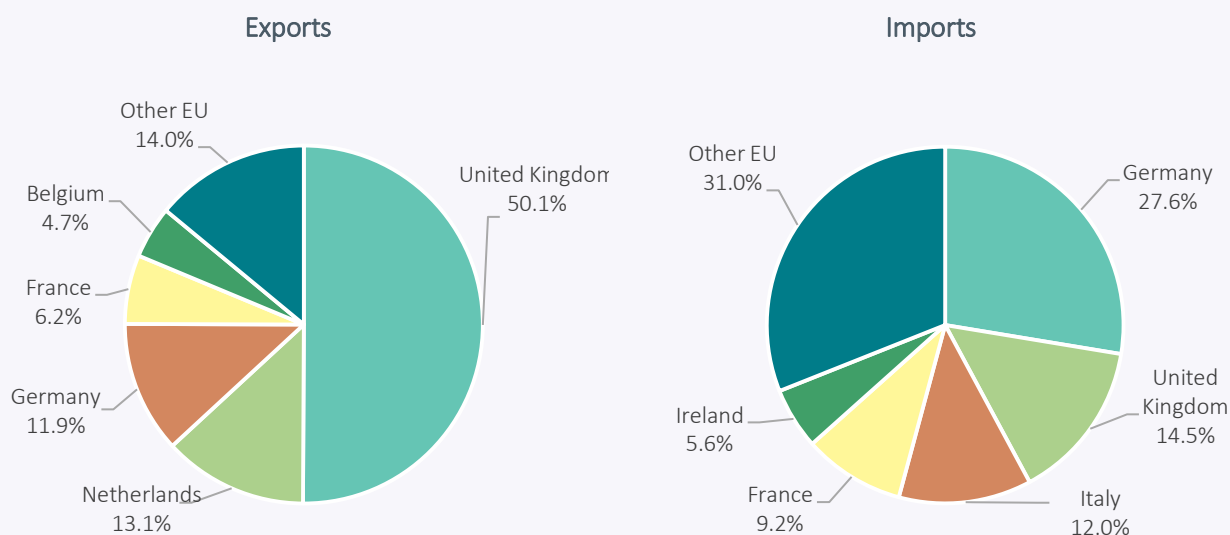
Other goods imports were valued at \$641 million in 2016. This consisted mainly of *Gold* imports valued at \$211 million and confidential items of trade valued at \$288 million.

Country composition of goods trade with the EU

Australia's largest goods export market within the EU was the United Kingdom with exports valued at \$10.1 billion in 2016 and accounted for 50.1 per cent of Australia's goods exports to the EU. The Netherlands followed with exports valued at \$2.6 billion, Germany (\$2.4 billion), France (\$1.3 billion) and Belgium (\$955 million). The top 5 markets accounted for 86.0 per cent of Australia's goods exports to EU.³

Australia's largest goods import source within the EU was Germany with imports valued at \$13.5 billion in 2016 and accounted for 27.6 per cent of Australia's goods imports from the EU. The United Kingdom followed with imports valued at \$7.1 billion, Italy (\$5.9 billion), France (\$4.5 billion) and Ireland (\$2.7 billion). The top 5 sources accounted for 69.0 per cent of Australia's goods imports from the EU

Chart 3: Australia's goods trade with the EU by major EU country



Based on ABS trade data on DFAT STARS database and ABS catalogue 5368.0.55.004.

Author: Frank Bingham
Office of Economic Analysis
Investment and Economic Division
statssection@dfat.gov.au

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³ Note that some European countries such as the Netherlands act as trading hubs for Europe. Exports recorded to these countries may only be in transit to another European country.