

Australia's Resources exports 2001 to 2011

This article is an update of the DFAT article "Australia's Resources exports 1999 to 2009" published in March 2010.

Resources have been an important export sector for Australia since the 1850s gold rush. Over the past 10 years exports of resources have increased over three-fold from \$57.1 billion in 2001 to \$190.5 billion in 2011. Despite the Global Financial Crisis, strong world growth over the period, particularly in East Asia, has given rise to higher commodity prices. This has resulted in the growth in Australia's nominal exports over the period being dominated by resources. Their share in total exports has risen from 36.2 per cent in 2001 to 60.8 per cent in 2011.

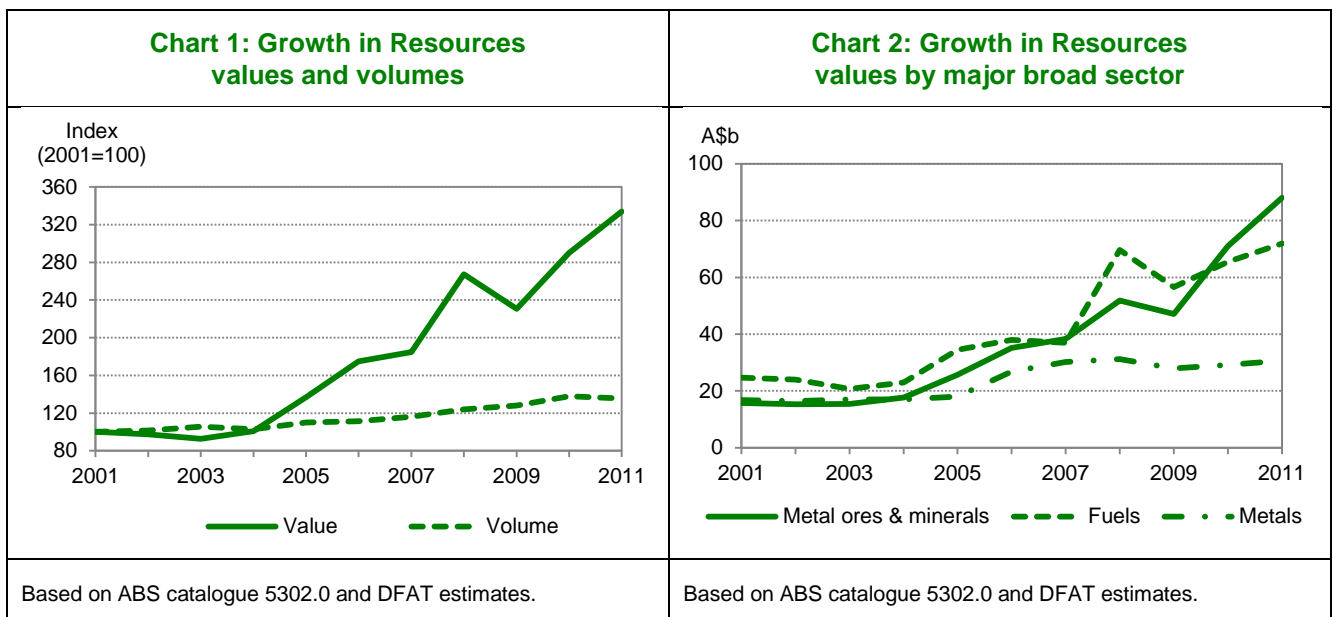
The significant rise in the nominal value of resources exports has played a major part in the growth in Australia's terms of trade over the past 10 years (through increased export prices). The increase in the terms of trade has led to a significant rise in Australia's Real Gross Domestic Income.

Overall trends in resources exports

The value of Australia's exports of *Resources*¹ have increased from \$57.1 billion in 2001 to \$190.5 billion in 2011 (see **Chart 1**). This represents an average growth of 15.0 per cent per annum, compared with total Australian exports that grew by just 8.4 per cent on average per annum (and non-resource exports growing by just 2.8 per cent per annum). *Resources* as a share of Australia's exports accounted for 36.2 per cent in 2001, rising to 60.8 per cent in 2011.

In volume terms, *Resources* exports experienced an average annual growth of 3.5 per cent, compared with total Australian exports, which rose by an average 2.7 per cent per annum over the period.

Growth in both value and volume terms has been stronger in the past five years (2006 to 2011) with export values rising by an average 13.5 per cent per annum and volumes rising 4.5 per cent. This rise was driven by demand for resources by emerging economies, such as China and India.



¹ *Resources* exports includes *Metal ores & minerals*, *Fuels* and *Metals* (including gold) from ABS Balance of Payment statistics. A DFAT estimate for the value of exports of *Nickel mattes* and *Nickel unworked*, which are not included in ABS resources exports, has been included.

Resources exports by broad type and market

Within *Resources* exports (see **Chart 2**), *Metal ores & minerals* was the largest category, accounting for 46.2 per cent of *Resources* exports in 2011. *Metal ores & minerals* export values have grown from \$15.7 billion in 2001 to \$88.0 billion in 2011, representing average annual growth of 20.7 per cent per annum (with volumes growing 5.0 per cent per annum). *Fuels* was the next largest category accounting for 37.7 per cent of total *Resources* exports in 2011. These exports have grown from \$24.6 billion in 2001 to \$71.9 billion in 2011, representing average annual growth of 14.3 per cent per annum (with volumes growing 3.9 per cent per annum). *Metals (including Gold)* accounted for 16.1 per cent of total *Resources* exports in 2011. *Metals* exports have grown from \$16.7 billion in 2001 to \$30.6 billion in 2011, representing average annual growth of 8.1 per cent per annum (with volumes growing by just 1.4 per cent on average over the same period).

Table 1: Top 5 Resources exports

	2001			2011	
	A\$b	% share		A\$b	% share
Total Resources exports	57.1		Total Resources exports	190.5	
Coal	12.5	21.9	1 Iron ore & concentrates	64.1	33.7
Gold (a)	6.7	11.7	2 Coal	46.8	24.5
Crude petroleum	6.5	11.4	3 Gold (a)	16.0	8.4
Iron ore & concentrates	5.2	9.2	4 Crude petroleum	11.5	6.0
Aluminium	4.7	8.2	5 Natural gas	11.1	5.8

(a) Balance of payments basis.

Based on ABS trade data on DFAT STARS database, ABS catalogue 5302.0 and DFAT estimates.

Australia's top five *Resources* exports in 2011 were *Iron ore*, *Coal*, *Gold*, *Crude Petroleum* and *Natural Gas* (see **Table 1**). These top five exports accounted for 78.4 per cent of all *Resources* exports in 2011. *Iron ore* and *Coal* alone accounted for 58.2 per cent. For more information on the performance of Australia's *Coal* and *Iron ore* exports, refer to the article on [Australia's Coal and Iron ore exports 2001 to 2011](#). In 2001, the top five exports were *Coal*, *Gold*, *Crude petroleum*, *Iron ore* and *Aluminium*.

Chart 3: Australia's Resources exports by major market 2001(a)

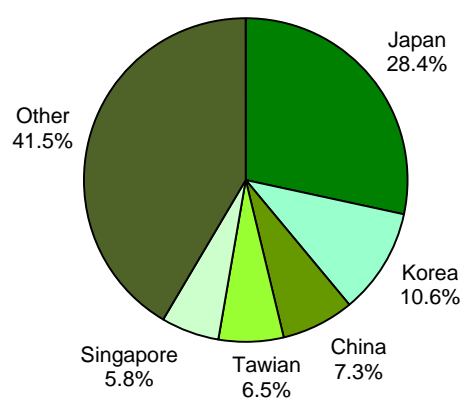
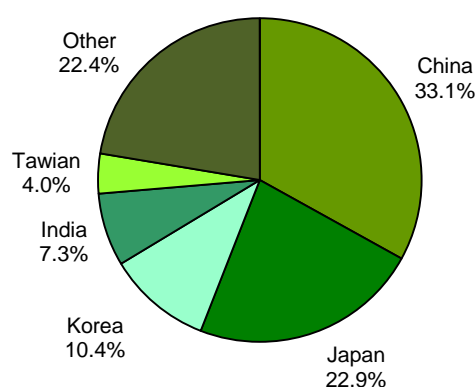


Chart 4: Australia's Resources exports by major market 2011(a)



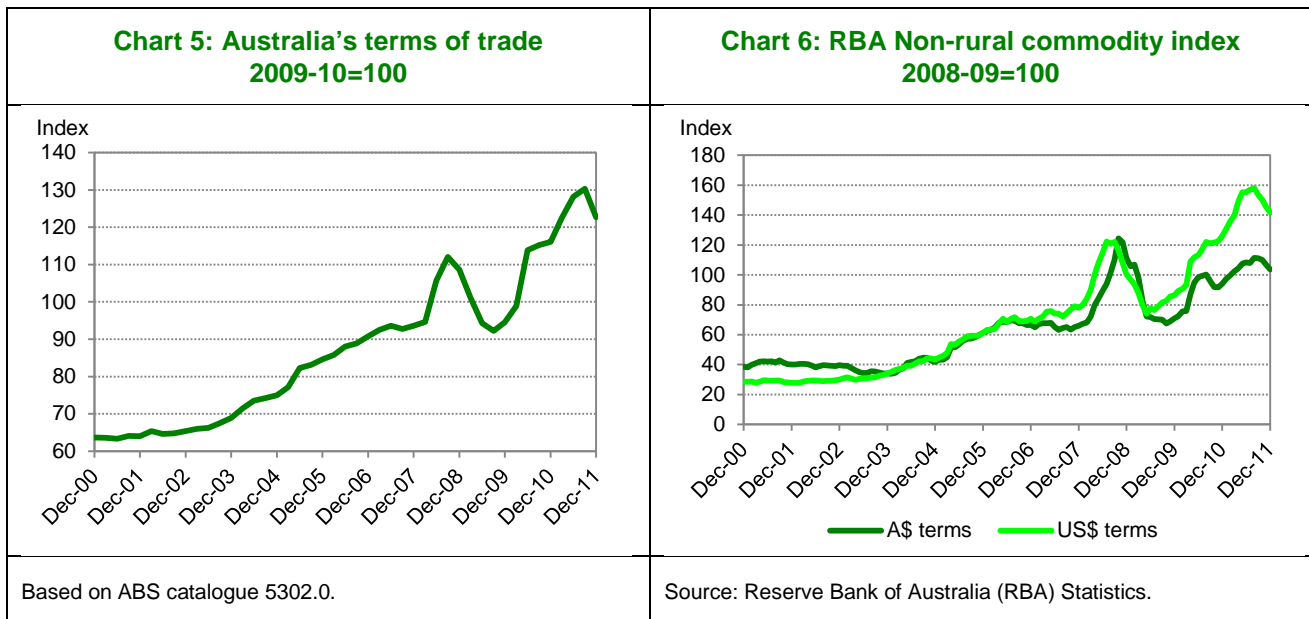
(a) A significant proportion of *Resources* exports are country confidential in ABS trade statistics. The major items are *Natural Gas*, *Alumina*, *Mineral sands*, *Uranium ore*, *Nickel mattes* and *Nickel alloys unworked*. DFAT has included an estimate for these confidential data items in calculating these market shares.

Based on ABS trade data on the DFAT STARS database and DFAT estimates.

In 2001, the top five markets were Japan, Republic of Korea, China, Taiwan and Singapore (see **Chart 3**). Australia's major markets for its *Resources* exports in 2011 were China, Japan, Republic of Korea, India and Taiwan (see **Chart 4**). China and Japan together accounted for 55.9 per cent of Australia's *Resources* exports.

Impact on Australia's terms of trade and Gross Domestic Income

The significant rise in the nominal value of *Resources* commodities has played a major part in the growth in Australia's terms of trade over the period 2001 to 2011 (through increased export prices), especially since 2003 (see **Charts 5 and 6**). The terms of trade has increased 97.3 per cent over the period 2001 to 2011. At its peak in September quarter 2011 it was at its highest level since the early 1950s. The strength of commodity prices has also contributed to the appreciation of the Australian dollar over the period.



The Bank of Canada² found that a commodity price boom has an indirect effect on an economy in the form of rising incomes through the terms of trade benefits. This is best seen by looking at Real Gross Domestic Income (GDI), rather than Real Gross Domestic Product (GDP), as GDI is adjusted for changes in purchasing power resulting from changes in the terms of trade. For the period September quarter 2003 to December quarter 2011 Real GDI increased by 42.3 per cent compared to 26.4 per cent growth in Real GDP.

Chart 7 shows the ratio (or difference) of the relative growth rates of Real GDI to Real GDP for Australia, based on a rolling five year period back to 1964. It shows that the ratio reached a peak of 1.68 and 1.69 in the September and December quarters in 2008, at the peak of the commodity price boom. The ratio then fell back during the Global Financial Crisis (GFC) to 1.32 before rebounding to a high of 1.66 in September quarter 2011 as commodity prices recovered. The increased domestic income from the mining boom comes through increased wages and profits in the mining sector which flow through to increased government revenue through royalties and taxation.

Impact of the Global Financial Crisis (GFC) on Australia's exports of resources

The impact of the GFC offset the commodity price boom from the second half of 2008 as world demand for *Resources* fell resulting in a sharp decline in world commodity prices.

As a result of the GFC, Australia's exports of *Resources* fell \$20.9 billion or 13.7 per cent to \$131.6 billion in 2009. The fall was entirely due to reduced world commodity prices for *Resources*, as export volumes actually rose by 3.3 per cent over the year. Falls were recorded for all broad *Resources* export categories with a particularly large fall in *Fuels*, down \$13.0 billion or 18.7 per cent to \$56.6 billion.

However, commodity prices rapidly recovered from 2010 onwards, with exports of *Resources* in value terms rising \$34.0 billion (or 25.9 per cent) in 2010 and by \$24.9 billion (or 15.0 per cent) in 2011. Export volumes also rose in

² Source: Bank of Canada Review, Autumn 2009 – *Adjusting to the Commodity Price Boom: the Experience of Four Industrialized Countries*.

2010 by 7.8 per cent in 2010 but fell 1.6 per cent in 2011. This was mainly due to the impact of the Queensland floods, which temporarily reduced *Coal* production with export volumes down 9.5 per cent in 2011.

**Chart 7: Ratio of relative growth rates of
Real Gross Domestic Income and Gross Domestic Product
– based on five year rolling growth**



Based on ABS catalogue 5206.0

Outlook

Industry commitment to increase production and expand infrastructure capacity over the medium term (to 2016-17) are expected to underpin real earnings growth in *Resources* in the medium term. Export volumes are expected to increase for iron ore (62 per cent), metallurgical coal (47 per cent), thermal coal (65 per cent), copper ores and concentrates (77 per cent) and alumina (29 per cent). In particular, a large part of the increase in real export earnings will be driven by growth in LNG exports. With eight projects under construction, LNG export volumes are expected to increase from 20 million tonnes in 2011-12 to over 60 million tonnes in 2016-17.

Accordingly, the Bureau of Resource Energy and Economics (BREE)³ projects *Resources* exports to grow strongly over the medium term. *Resources* exports in real terms are projected to rise to \$224.7 billion in 2016-17 (in 2011-12 prices) a rise of 12.8 per cent from 2011-12, while export values are expected to rise 29.7 per cent to \$258.3 billion.

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This article has also benefited from analysis undertaken by Jack Yuan, Department of Foreign Affairs and Trade

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³ Source: Bureau of Resource Energy Economics (BREE) Resource and energy quarterly – June qtr 2012.