

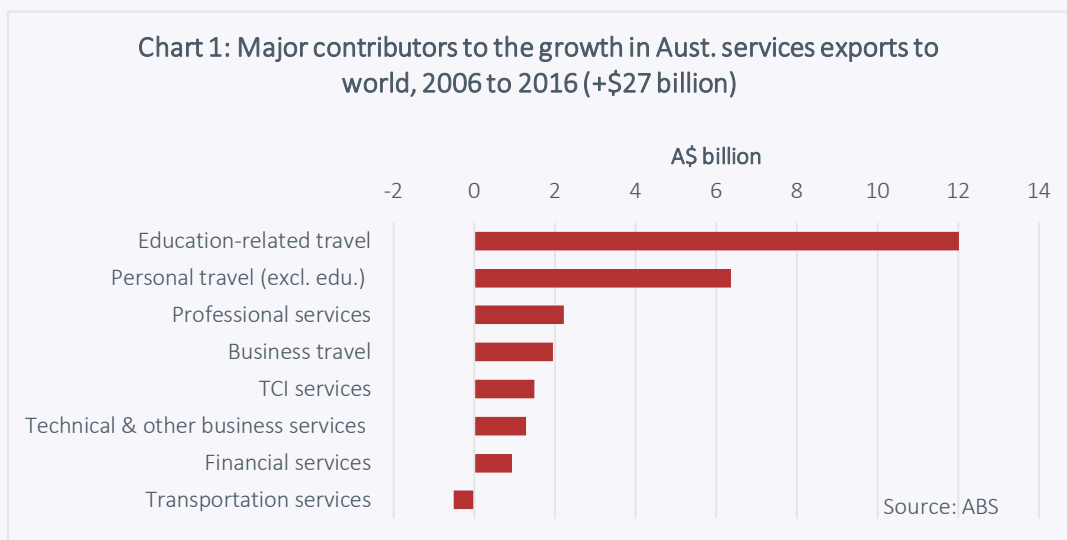


COMPOSITION OF AUSTRALIA’S TRADE IN SERVICES WITH OUR MAJOR TRADING PARTNERS – 2006 TO 2016

Introduction

Australia’s exports of services to the world in value terms have grown from \$43.9 billion in 2006 to \$71.2 billion in 2016 (up by \$27.3 billion or 62.2 per cent), while imports of services from the world have grown from \$44.1 billion in 2006 to \$75.5 billion in 2016 (growth of \$31.4 billion or 71.1 per cent). In volume terms, growth has also been strong over this period, with export volumes growing by 31.4 per cent and import volumes grew by 63.0 per cent.

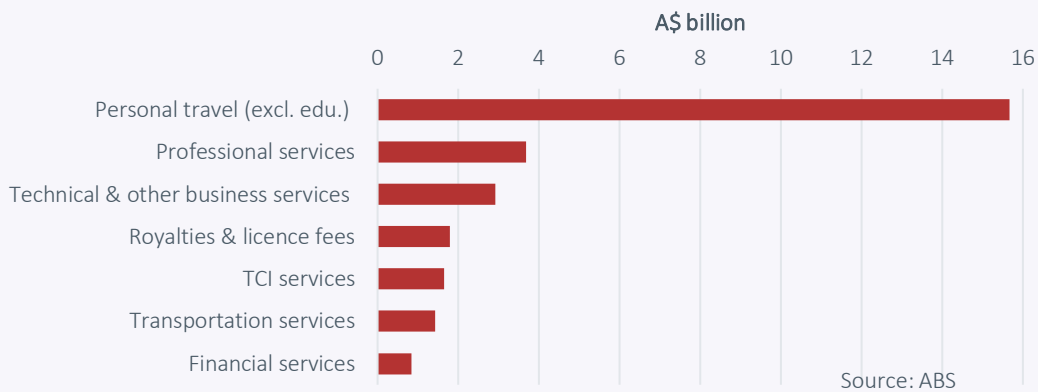
The main contributors to the growth in the value of Australian exports of services during this period have been *Education-related travel services* up \$12.0 billion to \$22.0 billion and *Personal travel services (excluding education)* – mainly for the purposes of recreation, up \$6.4 billion to \$17.4 billion (Chart 1). Combined these two services accounted for two-thirds of the total growth in Australian services exports over this period.



TCI – Telecommunication, computer & information service.

In terms of imports the main contributors to the growth over the last decade was *Personal travel services (excluding education)* up \$15.7 billion to \$28.6 billion and accounted for half of the total growth in services imports (Chart 2) over this period.

Chart 2: Major contributors to the growth in Aust. services imports from world, 2006 to 2016 (+\$31 billion)

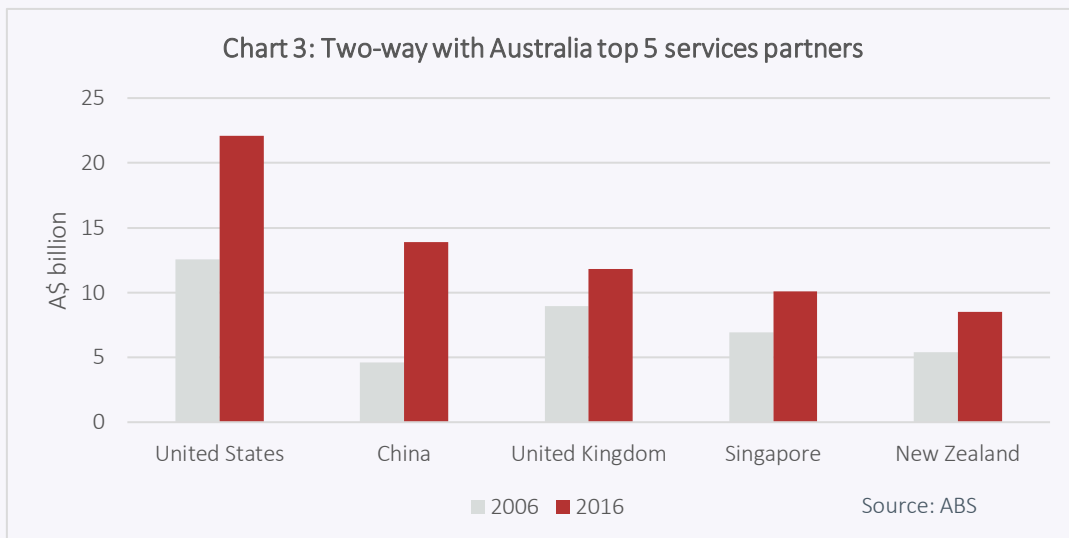


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However, the composition in the growth in services over the last decade for our major services trading partners can be quite different when compared to the overall Australian picture. Non-travel services such as transportation and business services for some partners were more important than travel services.

The following analysis examines the trends in the composition of Australia’s services trade growth with our top five service partners for the period 2006 and 2016 (Chart 3).

Chart 3: Two-way with Australia top 5 services partners



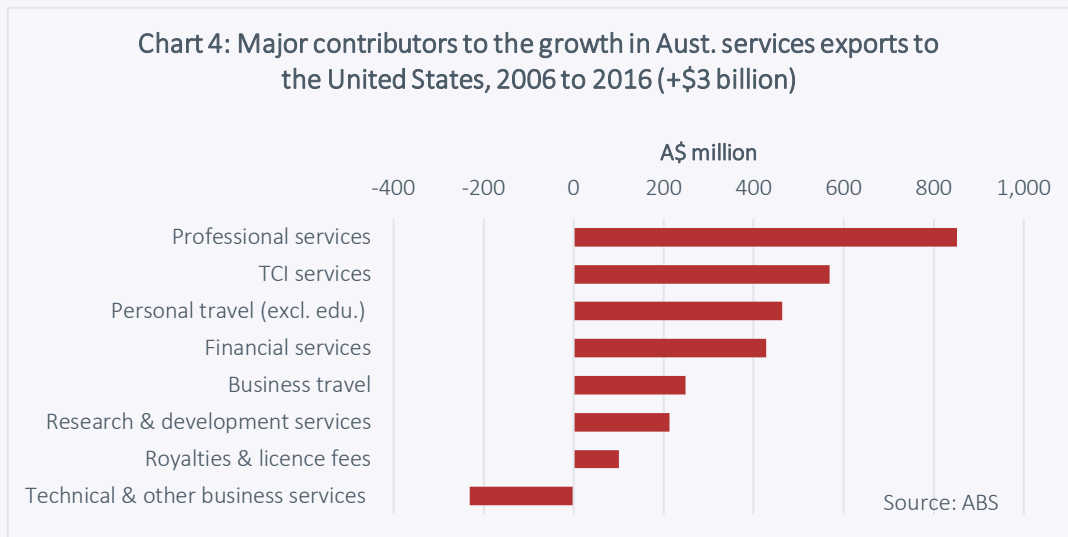
United States

The United States was Australia’s largest services trading partner valued at \$22.1 billion in 2016 (up from \$12.6 billion in 2006). Exports of services have grown from \$5.4 billion in 2006 to \$8.2 billion in 2016. However unlike Australia’s overall export growth profile the major contributors to the growth in services exports were mainly business services, with *Professional services* up \$851 million to \$1.6 billion (mainly *Management fees*¹), *Telecommunication, computer & information services (TCI)* up \$569 million to

¹ Management fees are charges between related enterprises representing a contribution to general management costs such as corporate computer systems, and accounting that cannot be split to a specific service category.

\$1.1 billion (mainly *Computer consultancy services*) and *Financial services* up \$428 million to \$761 million (Chart 4).

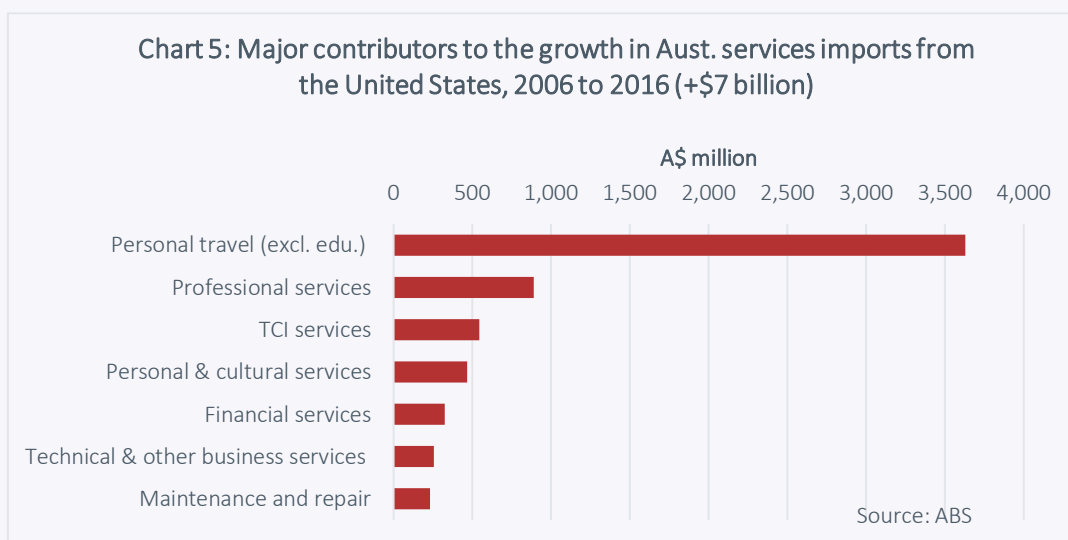
Personal travel (excluding education) services also grew strongly, up \$463 million to \$1.4 billion in 2016. These increases were partly offset by a fall in exports of *Technical & other business services* down \$231 million to \$431 million in 2016, mainly due to a fall in exports of *Engineering services*.



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The composition of the growth in imports of services from the United States, up from \$7.1 billion in 2006 to \$13.9 billion in 2016 is more typical of Australia’s overall import growth profile. Growth has been dominated by *Personal travel services (excluding education)* up \$3.6 billion to \$5.1 billion in 2016 (Chart 5).

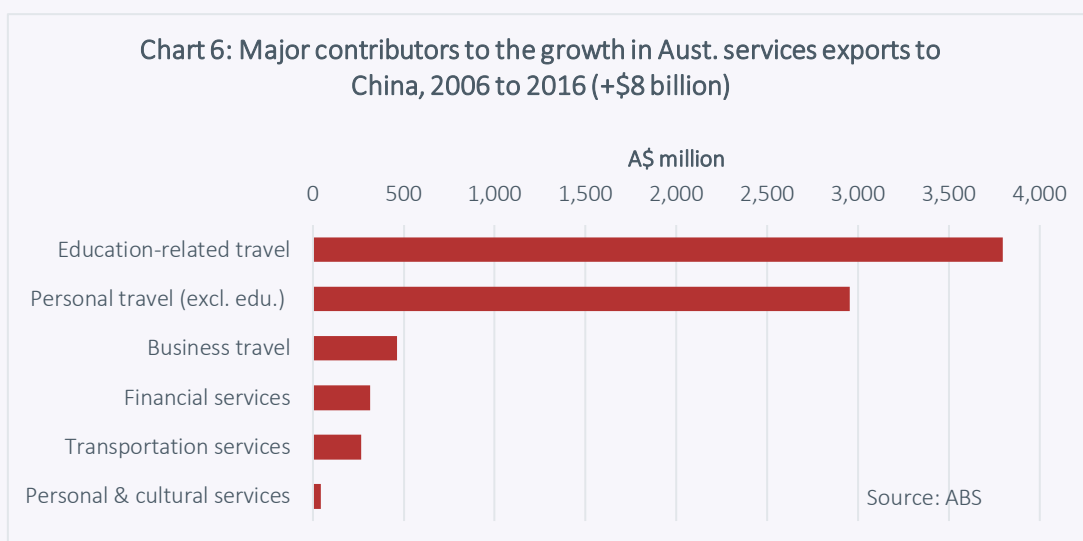
Growth in business services such as *Professional services* (mainly *Management fees*) and *Telecommunication, computer & information services* have also been strong. The United States is also Australia’s major source of imports of *Personal, recreational & cultural services* with *Film & television royalties* growing from \$366 million in 2006 to \$909 million in 2016.



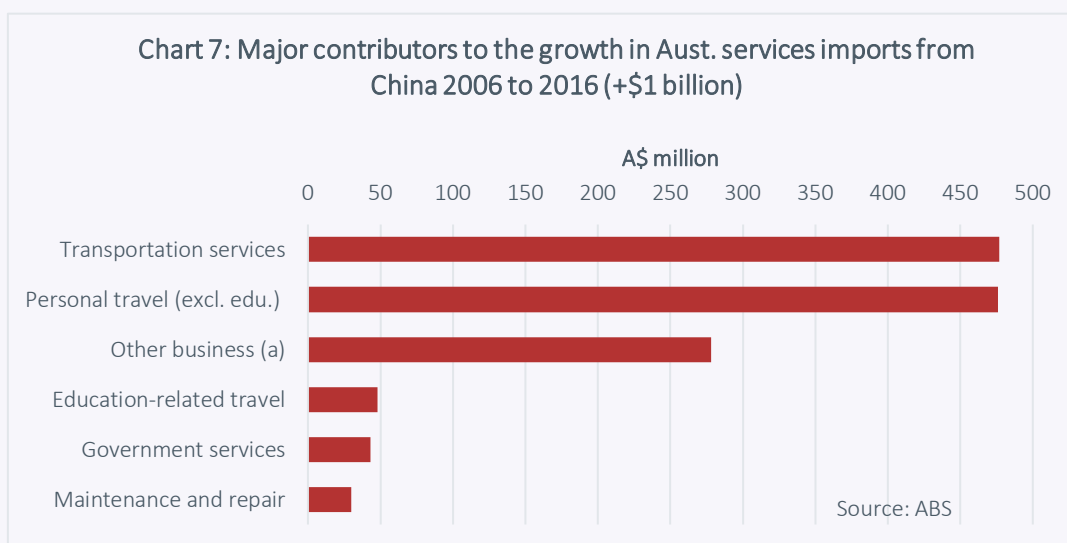
China

China was Australia's second largest services trading partner valued at \$13.9 billion in 2016 (up from \$4.6 billion in 2006). Exports of services have grown from \$3.3 billion in 2006 to \$11.3 billion in 2016. China is now Australia's largest services export market. The growth in exports to China is more typical of Australia's overall export growth profile with the major contributors to the growth in services exports being *Education-related travel services* up from \$2.3 billion in 2006 to \$6.1 billion in 2016 and *Personal travel services (excluding education)* up from \$442 million in 2006 to \$3.4 billion in 2016 (Chart 6). These two services accounted for 85.1 per cent of the total growth in services exports to China over the period.

However some business services, such as *Financial services* have shown extremely strong growth rates (up from just \$2 million in 2006 to \$317 million in 2016).



The composition of the growth in imports of services from China, up from \$1.3 billion in 2006 to \$2.6 billion in 2016 was more broadly based than exports. *Transportation services* (mainly *Freight transport services*), *Personal travel services (excluding education)* and *Other business services* (mainly *Professional services* and *Trade related commissions services*)² were the main contributors to the overall growth (Chart 7).

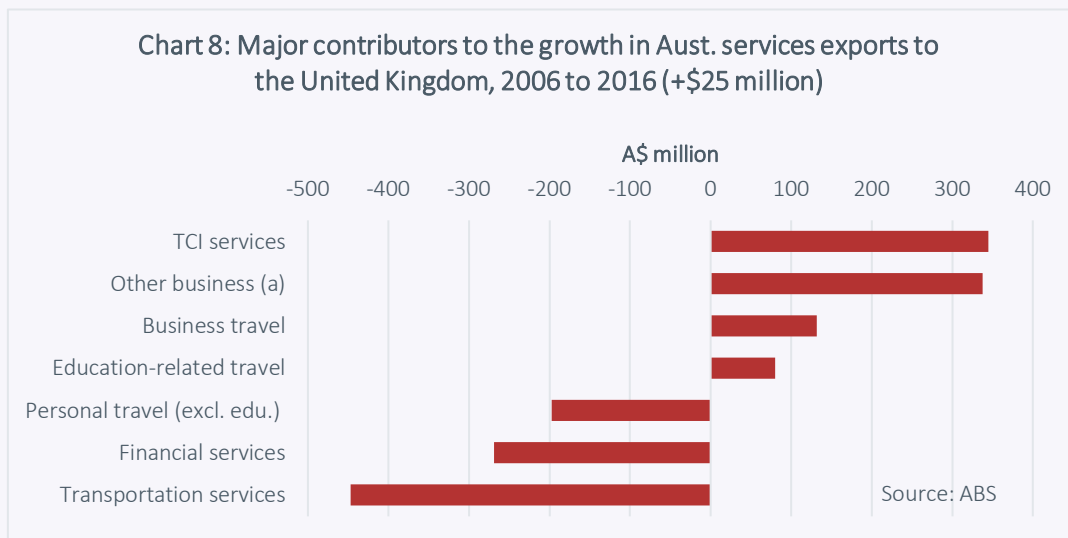


(a) The split between professional, technical and other business services is not available for the full time period.

² Data on the split between professional, technical, and other business services is not available for the full time period (2006 to 2016). For this section of the analysis these services types have been grouped together.

United Kingdom

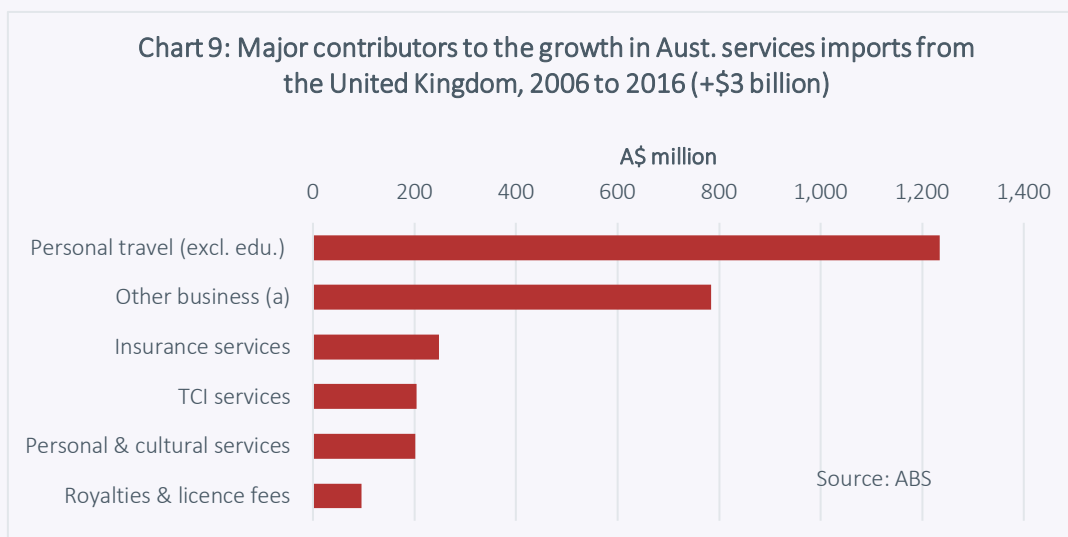
The United Kingdom was Australia's third largest services trading partner valued at \$11.8 billion in 2016 (up from \$8.9 billion in 2006). Exports of services have grown marginally over the period, up just \$25 million to \$4.8 billion. However, the composition of Australia's exports of services to the United Kingdom has changed significantly with some services growing strongly such as *Telecommunication, computer & information services* up \$345 million to \$439 million in 2016 and *Other business services*³ up \$338 million to \$794 million. These rises have been mostly offset by a decline in *Transportation services* down \$447 million to \$249 million over the period and *Financial services* down \$269 million to \$543 million (Chart 8).



TCI – Telecommunication, computer & information services.

(a) The split between professional, technical and other business services is not available.

The composition of the growth in imports of services from the United Kingdom, up from \$4.1 billion in 2006 to \$7.0 billion in 2016 was mainly due to *Personal travel services (excluding education)* and *Other business*³ services (Chart 9).



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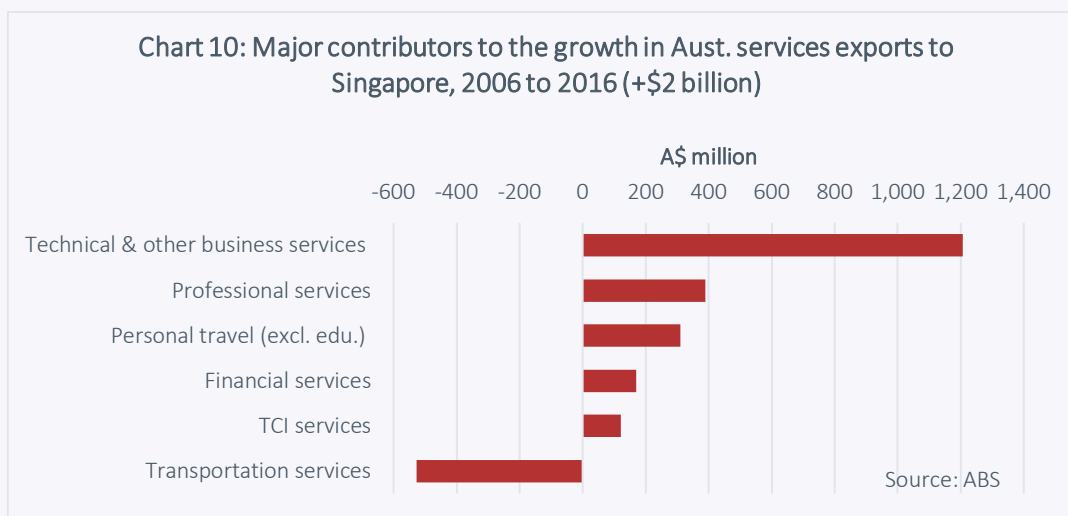
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³ Data on the split between professional, technical, and other business services is not available. For this section of the analysis these services types have been grouped together.

Singapore

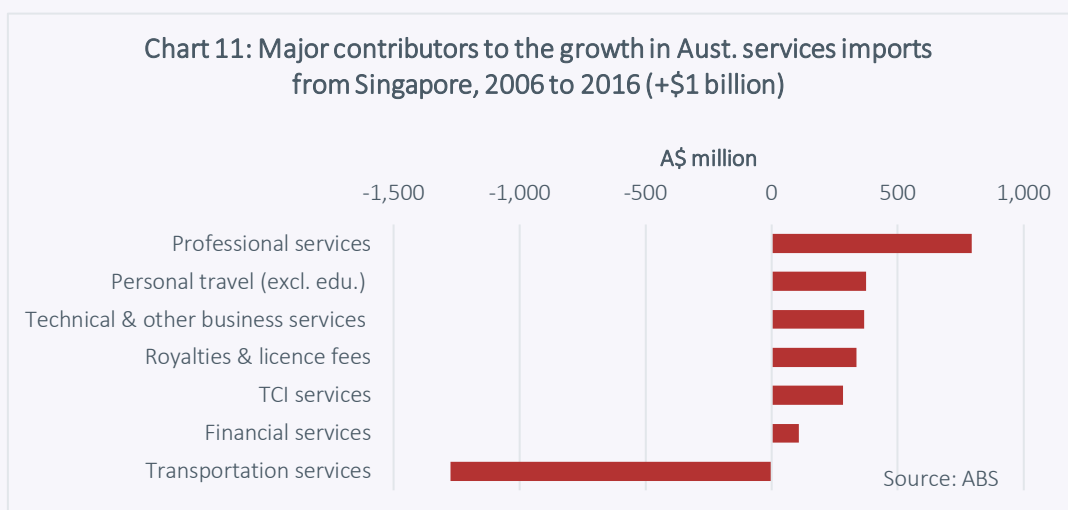
Singapore was Australia's fourth largest services trading partner valued at \$10.1 billion in 2016 (up from \$6.9 billion in 2006). Exports of services have grown by \$1.9 billion over this period to \$4.8 billion in 2016. Like the United States, growth in services exports to Singapore has been dominated by business services. The largest items recording growth over the period were *Technical & other business services*, which grew by \$1.2 billion to \$1.6 billion (mainly Trade-related commissions), and *Professional services* up \$390 million to \$629 million (mainly *Advertising services* and *Management fees*).

Personal travel services (excluding education) exports also grew strongly over this period, up \$311 million to \$667 million in 2016. Partly offsetting these gains, *Transportation services* exports fell \$527 million to \$645 million, mainly due to a fall in *Passenger transport services* (Chart 10) – in part due to Qantas routes to Europe now flying via the Middle East rather than Singapore.



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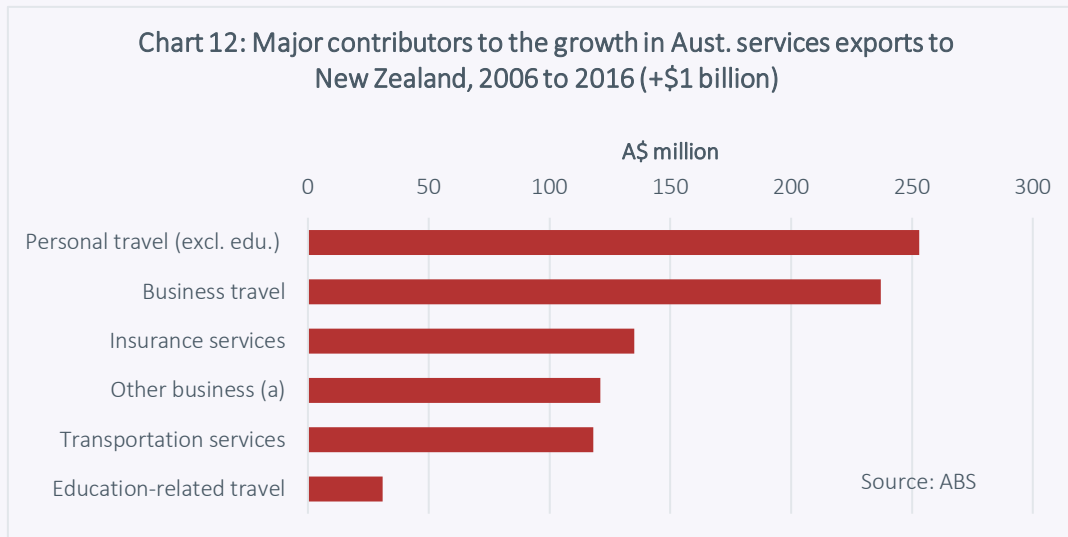
As with exports, the growth in imports of services from Singapore was also mainly due to business services with total imports growing from \$4.0 billion in 2006 to \$5.2 billion in 2016 (Chart 11). Strong rises were recorded in *Professional services* (mainly *Management fees*) up \$793 million to \$930 million in 2016 and *Technical & other business services*, which grew, by \$367 million to \$442 million. *Personal travel services (excluding education)* also rose over the period up \$375 million to \$666 million. Most of these gains were offset by a large fall in *Transportation services* (mainly freight and passenger services) down \$1.3 billion to \$1.9 billion in 2016.



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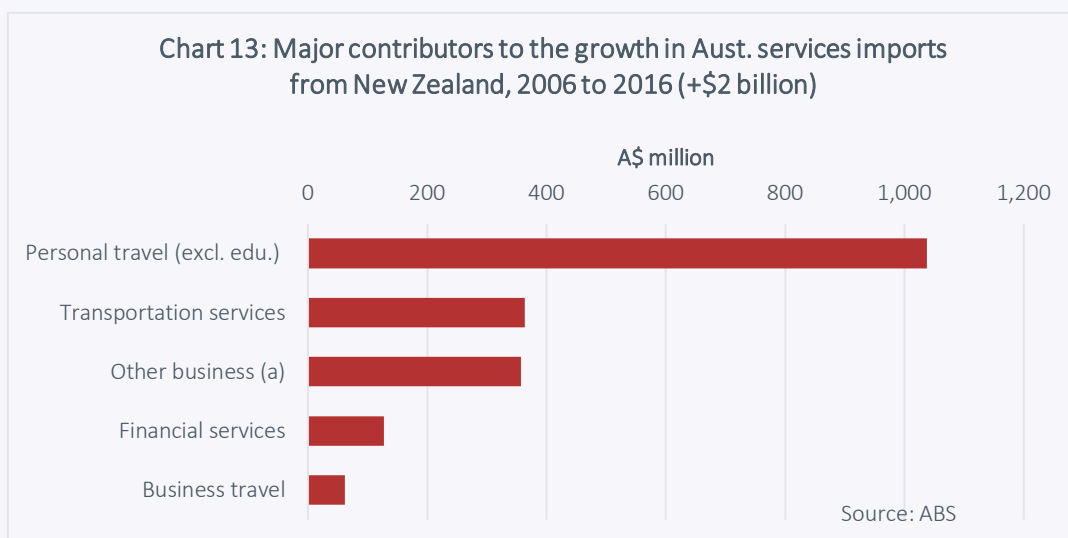
New Zealand

New Zealand was Australia's fifth largest services trading partner valued at \$8.5 billion in 2016 (up from \$5.4 billion in 2006). Exports of services have grown by \$1.1 billion over this period to \$4.3 billion in 2016. Growth in services exports over this period has been broad based, with *Transportation services*, *Travel services* and *Business services* all contributing significant growth (Chart 12).



(a) The split between professional, technical and other business services is not available.

Imports of services from New Zealand grew from \$2.3 billion in 2006 to \$4.2 billion in 2016. Growth in imports of services from New Zealand has been dominated by *Personal travel services (excluding education)* which grew \$1.0 billion to \$2.3 billion over the period and accounted for over 50 per cent of the total growth in services imports (Chart 13).

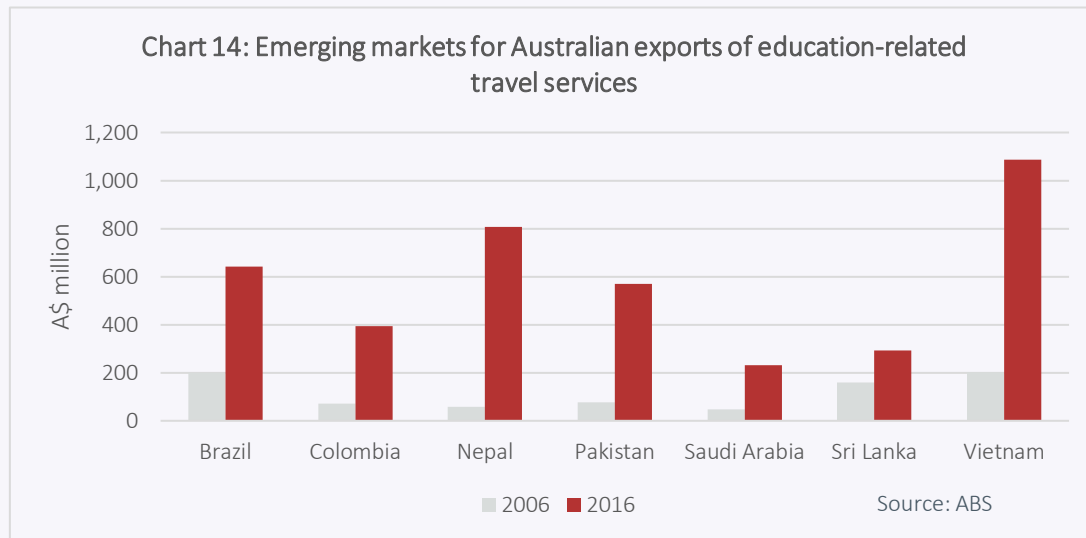


(a) The split between professional, technical and other business services is not available.

[Attachment A](#) contains the major contributor charts for Australia's other top 10 services trading partners, Hong Kong (SAR of China), India, Japan, Indonesia and Germany.

Emerging markets

Growth in Australia's services exports has not just been restricted to our major markets. The strong growth in *Education-related travel services*, over the last decade, though dominated by China and India has seen a range of new markets open up for Australia. Countries such as, Brazil, Colombia, Nepal, Pakistan, Saudi Arabia, Sri Lanka and Vietnam have all recorded significant growth in exports of *Education-related travel services*. As a group, these countries accounted for over a quarter (\$3.2 billion) of the \$12.0 billion growth in education services in the period 2006 to 2016 (Chart 14).



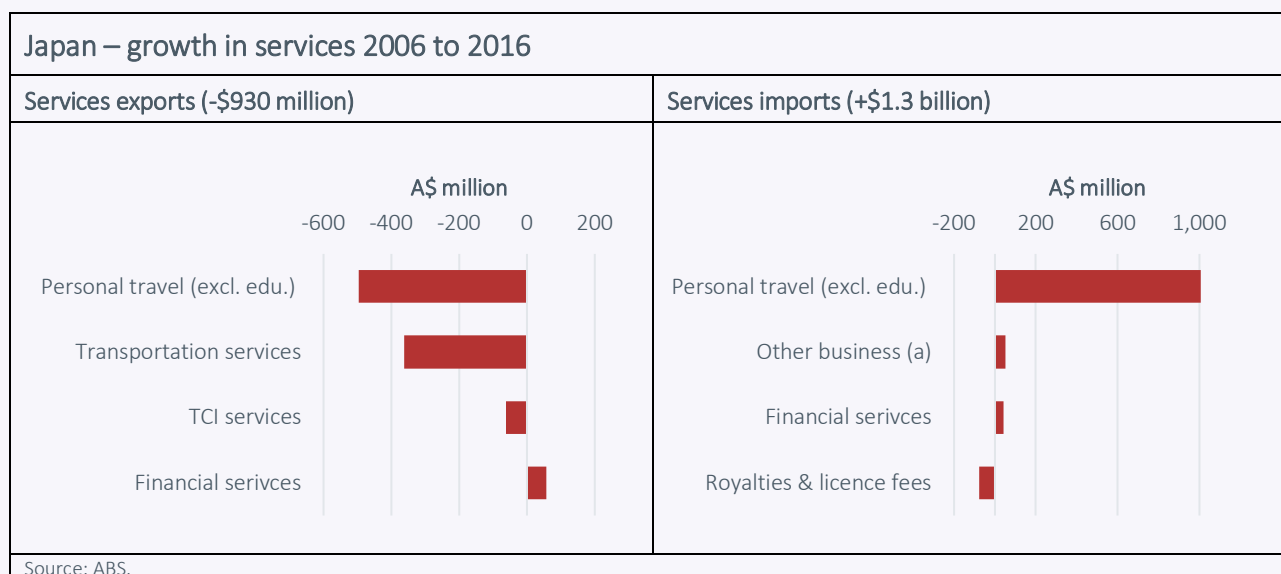
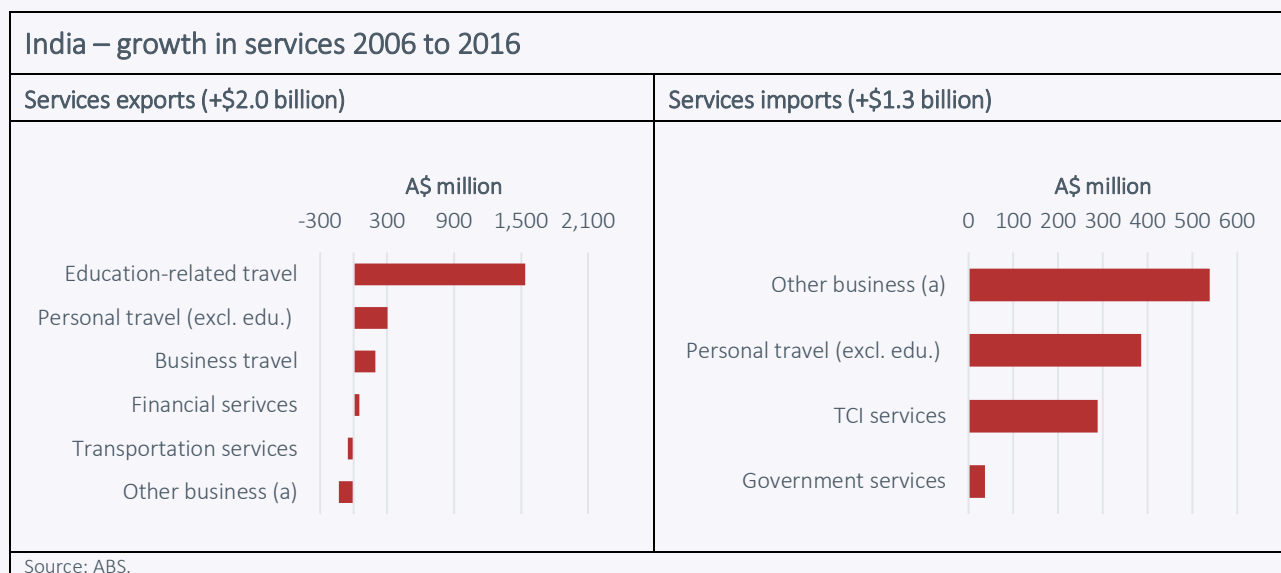
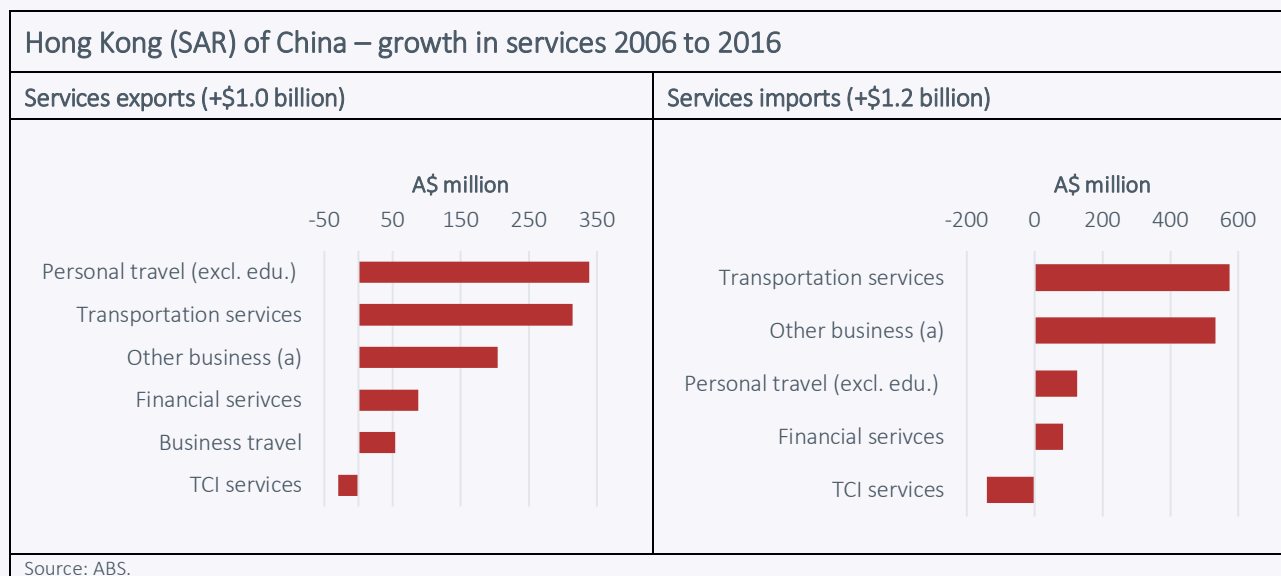
Conclusion

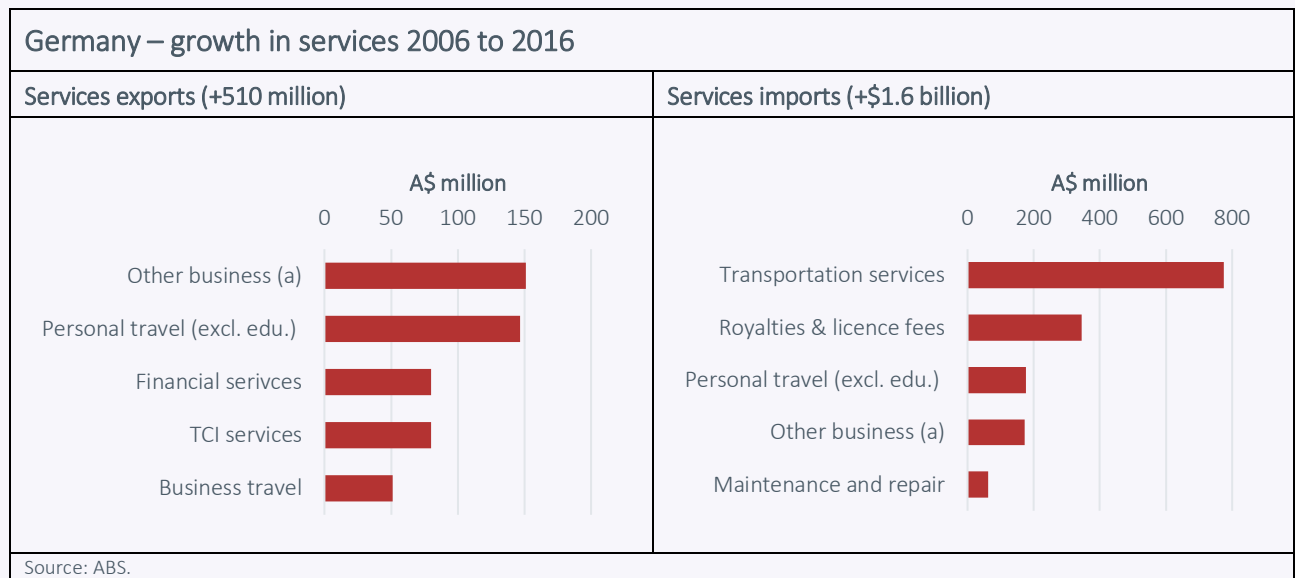
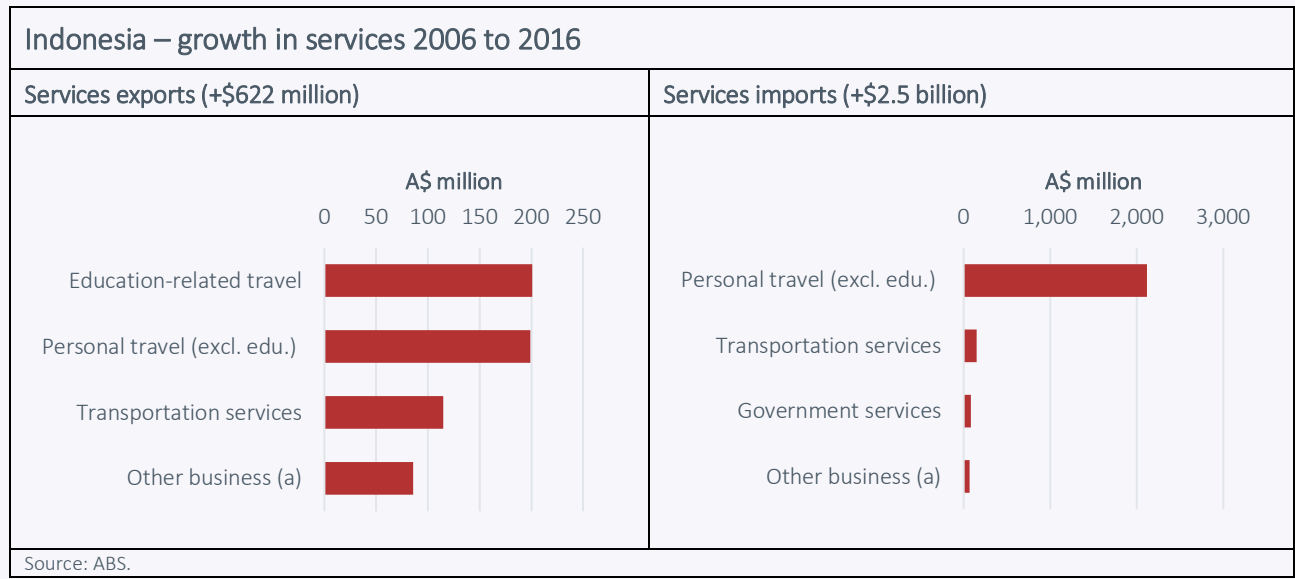
Australia's trade in services have recorded strong growth over the last decade. The composition of this growth however has been varied across our major services trading partners. The new major players such as China and India have seen travel services dominated their growth while the traditional major partners have seen growth across a broader range of services. A number of emerging markets have also grown strongly over this period, mainly due to *Education-related travel services*.

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Published: August 2017

ATTACHMENT A – Major contributor charts for the other Australian major services partners





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(a) The split between professional, technical and other business services is not available.