

Australia's trade performance 1990-91 to 2010-11

This article is an update of the DFAT article “Australia’s trade performance 1988-89 to 2008-09” published in November 2009.

Over the past 20 years Australia’s total trade in goods and services has more than quadrupled¹. Total trade was valued at \$574.2 billion² in 2010-11 compared to \$134.0 billion in 1990-91 and grew 7.6 per cent per annum. Trade’s share of GDP rose to 41.0 per cent in 2010-11 compared to 32.2 per cent in 1990-91. The terms of trade index rose (87.6 per cent during this period) particularly since 2004-05, which helped boost national income.

Resources exports (mainly iron ore & concentrates and coal) dominated the growth in nominal exports over the period as a result of the commodity price boom. In volume³ terms, services exports grew the strongest. Imports growth was robust. Capital and intermediate imports, such as equipment, fuels and business services (used mainly as inputs into Australian production) contributed around 50-55 per cent of Australia’s import profile over the 20 year period.

In 2010-11, China was Australia’s largest two-way trading partner (\$113.3 billion), whereas in 1990-91 China was ranked 10th (valued at \$3.2 billion), followed by Japan (\$67.7 billion) and the United States (\$50.6 billion). Countries from Asia accounted for seven out of Australia’s top 10 trading partners in 2010-11 (amounting to over half the share of Australia’s total trade—50.9 per cent).

Composition of trade

Total trade as a share of GDP rose from 32.2 per cent in 1990-91 to 41.0 per cent in 2010-11. This occurred over a period of continued trade reform including domestic liberalisation, liberalisation of trade flows in the World Trade Organization’s Uruguay Round and Free Trade Agreements with New Zealand, Singapore, the United States, Thailand, Chile and AANZFTA (ASEAN, Australia & New Zealand).

Exports

Averaging 7.6 per cent per annum growth over the 20 year period, goods and services exports rose from \$66.6 billion in 1990-91 to \$297.5 billion in 2010-11. Export volumes have grown 4.6 per cent per annum since 1990-91 (see **Table 1**).

Table 1: Australia’s trade by broad category

Exports			Imports		
	Average annual trend growth 1990-91 to 2010-11			Average annual trend growth 1990-91 to 2010-11	
	Value	Volume		Value	Volume
Total	7.6	4.6	Total	7.6	8.0
Rural	3.5	2.4	Consumption goods	8.9	9.1
Resources	11.2	4.6	Capital goods	7.8	13.1
Manufactures	5.5	4.7	Intermediate & other goods	7.3	6.4
Gold	6.1	1.6	Gold	13.6	8.0
Other goods	9.8	..	Services	6.1	5.2
Services	6.8	5.0			

Based on ABS catalogue 5368.0 (November 2011).

¹ All Balance of Payments trade data on a current price and chain volume basis are on a BPM6 standard.

² 2010-11 goods and services data is based on ABS catalogue 5368.0.55.003 (November 2011).

³ Volumes refer to real growth, i.e. removes the impact of price movements such as exchange rate and inflationary effects.

Resources are particularly important and accounted for half of Australia's exports in 2010-11. *Services* were the second largest export sector, followed by *Manufactures* and then *Rural* exports (see **Chart 1**).

Rural

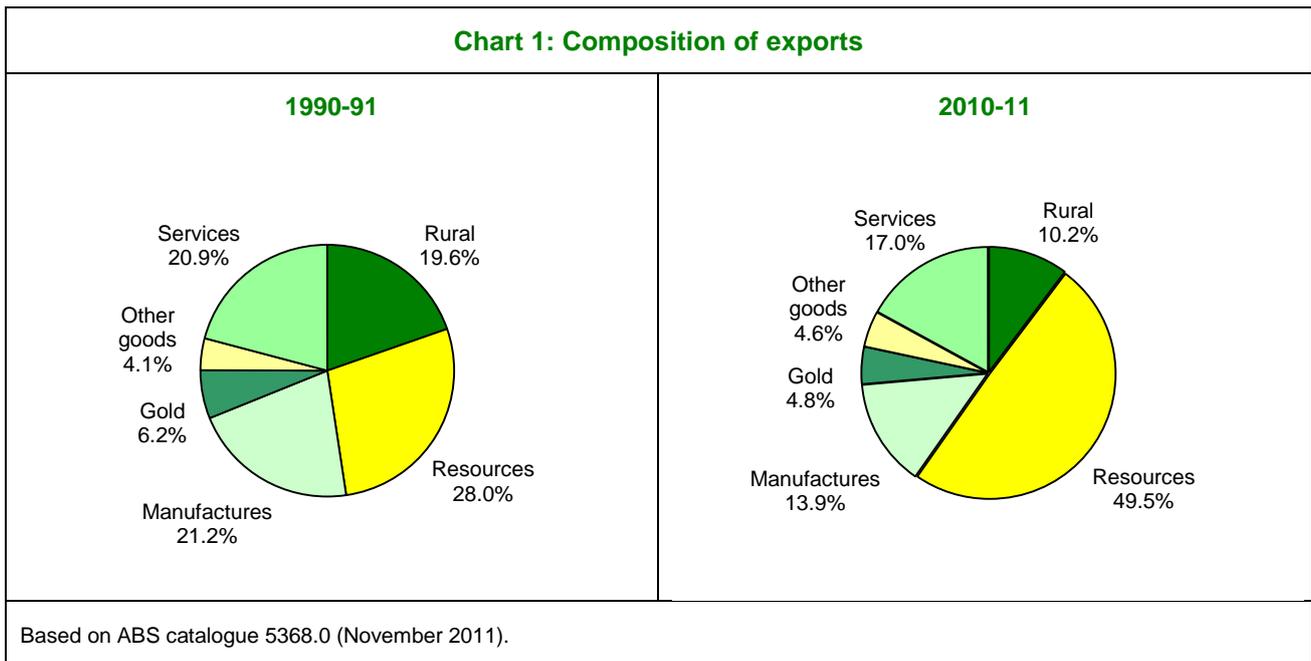
The value of Australia's *Rural* exports, largely agricultural goods, grew by an average of 3.5 per cent per annum since 1990-91, up from \$13.1 billion in 1990-91 to \$30.5 billion in 2010-11. Export volumes grew 2.4 per cent per annum over the past 20 years.

Although *Rural* exports more than doubled in 20 years, they averaged annual growth at less than half the rate of total exports. As a result, *Rural* exports share of total exports fell from 19.6 per cent in 1990-91 to 10.2 per cent in 2010-11

Resources (Minerals & fuels)

Australia's *Resources* exports grew eight-fold from \$18.6 billion in 1990-91 to \$147.1 billion in 2010-11, an average growth of 11.2 per cent per annum over the 20 year period. Since 1990-91, export volumes have grown at the same rate as total exports, 4.6 per cent per annum. In 2010-11 exports of *Resources* accounted for 49.5 per cent of exports compared to 28.0 per cent in 1990-91. The significant high growth in *Resources* exports over the period was mainly due to the commodity price boom that began around 2004-05.

Iron ore & concentrates became Australia's largest export in 2010-11 reaching a record \$58.4 billion compared to \$2.6 billion in 1990-91 (when it was ranked 7th). Export quantities of *Iron ore & concentrates* increased from 104 million tonnes in 1990-91 to 407 million tonnes in 2010-11, an annual average increase of 6.9 per cent per annum since 1990-91. *Coal* was Australia's 2nd largest export in 2010-11 (it was 1st in 1990-91). Exports of *Coal* were worth \$43.9 billion in 2010-11 compared to \$6.4 billion in 1990-91. *Coal* export quantities rose from 114 million tonnes to 285 million tonnes over the 20 year period, averaging a rise of 4.9 per cent per annum.



Manufactures

Australia's exports of *Manufactures* increased 5.5 per cent per annum since 1990-91. *Manufactures* rose to \$41.3 billion in 2010-11 compared to \$14.1 billion in 1990-91. In volume terms, *Manufactures* increased 4.7 per cent per annum since 1990-91.

Simply transformed manufactures (STM)—mainly metals (excluding *Nickel* from February 2003)—increased from \$5.4 billion in 1990-91 to \$14.1 billion in 2010-11, an average growth of 5.3 per cent per annum. *Unwrought aluminium* (worth \$4.2 billion) and *Unwrought refined copper & alloys* (worth \$3.3 billion) were the largest products within *STM* exports in 2010-11.

Elaborately transformed manufactures (ETM) grew from \$8.5 billion in 1990-91 to \$27.1 billion in 2010-11, averaging a 5.5 per cent per annum rise since 1990-91. Within *ETM* exports, *Medicaments* grew 15.8 per cent per annum over the past 20 years (from \$179 million in 1990-91 to \$3.3 billion in 2010-11); *Passenger motor vehicles*

rose 10.6 per cent per annum (from \$511 million in 1990-91 to \$1.5 billion in 2010-11—exports doubled to \$1.1 billion in 1996-97 and reached a record high of \$3.4 billion in 2007-08); and *Nickel bars* grew 51.4 per cent per annum (from \$3 million in 1990-91 to \$714 million in 2010-11).

Gold

Exports of *Gold* grew 6.1 per cent per annum since 1990-91 (up from \$4.1 billion in 1990-91 to \$14.3 billion in 2010-11—though *Gold* exports have dropped from a record high of \$17.5 billion in 2008-09). The growth in *Gold* exports was mainly due to a rise in gold imported into Australia for refining and re-export, especially since 1997-98. (*Gold* imports in 2010-11 accounted for 34.8 per cent of *Gold* exports.) Since October 2002, all Australian *Gold* is now refined in Western Australia. *Gold* exports have grown at 12.2 per cent per annum since 2002-03 compared to 4.6 per cent in the period between 1990-91 to 2001-02.

Services

Services exports have continued to grow strongly – from \$13.9 billion in 1990-91 to \$50.5 billion in 2010-11, averaging 6.8 per cent per annum. Over the past 20 years, export volumes averaged a growth rate of 5.0 per cent per annum. Despite the strong growth, *Services*' share of total exports has fallen over the 20 year period as a result of the very high prices received for *Resources*, especially *Iron ore & concentrates* and *Coal*.

In the years from 2007-08 to 2009-10, with a boom in foreign students studying in Australia, *Education-related travel* was Australia's largest *Services* export, a 15.9 per cent per annum increase over the 20 year period. *Education-related travel* (valued at \$15.8 billion in 2010-11) accounted for 31.2 per cent of *Services* exports compared to 6.8 per cent in 1990-91 (valued at \$950 million). However, in 2010-11 *Education-related travel* fell 12.5 per cent. This decline coincided with a range of inhibiting factors such as new visa requirements and the high Australian dollar.

From 1990-91 to 2006-07, growth in *Services* exports was dominated by *Personal travel (excl Education-related)*, due to a strong rise in tourism exports during this period. *Personal travel (excl Education-related)* was valued at \$4.0 billion, 29.0 per cent of total *Services* in 1990-91, compared to \$11.9 billion and accounted for 23.6 per cent of *Services* exports in 2010-11, reflecting the fact that this export has become an established market.

*Business services*⁴ exports also grew strongly, up from \$3.1 billion in 1990-91 to \$11.5 billion in 2010-11, averaging a growth rate of 7.3 per cent per annum over the past 20 years. This growth was due mainly to rises in *Engineering services* and *Computer Services*. *Engineering services* averaged 14.2 per cent per annum (up from \$145 million in 1991-92 to \$1.6 billion in 2010-11) and *Computer services* (up from \$278 million in 1991-92 to \$1.3 billion in 2010-11) rose 12.4 per cent per annum since 1990-91.

Other goods

Australia's exports of *Other goods* (consisting of mainly wine and confidential items of trade) were valued at \$2.7 billion in 1990-91, increasing to \$13.8 billion in 2010-11. On average, over this 20 year period, *Other goods* rose 9.8 per cent per annum. Within *Other goods*, exports of *Wine* rose 14.9 per cent per annum, up from \$181.7 million in 1990-91 to \$2.0 billion in 2010-11.

Imports

Over the past 20 years, imports of goods and services increased 7.6 per cent per annum, up from \$67.4 billion in 1990-91 to \$276.5 billion in 2010-11. Import volumes grew 8.0 per cent per annum (see **Table 1**).

In 2010-11, imports of *Intermediate & other goods* accounted for over a third of Australia's imports. *Consumption goods* were the second largest import category, followed by *Services* and *Capital goods* (see **Chart 2**).

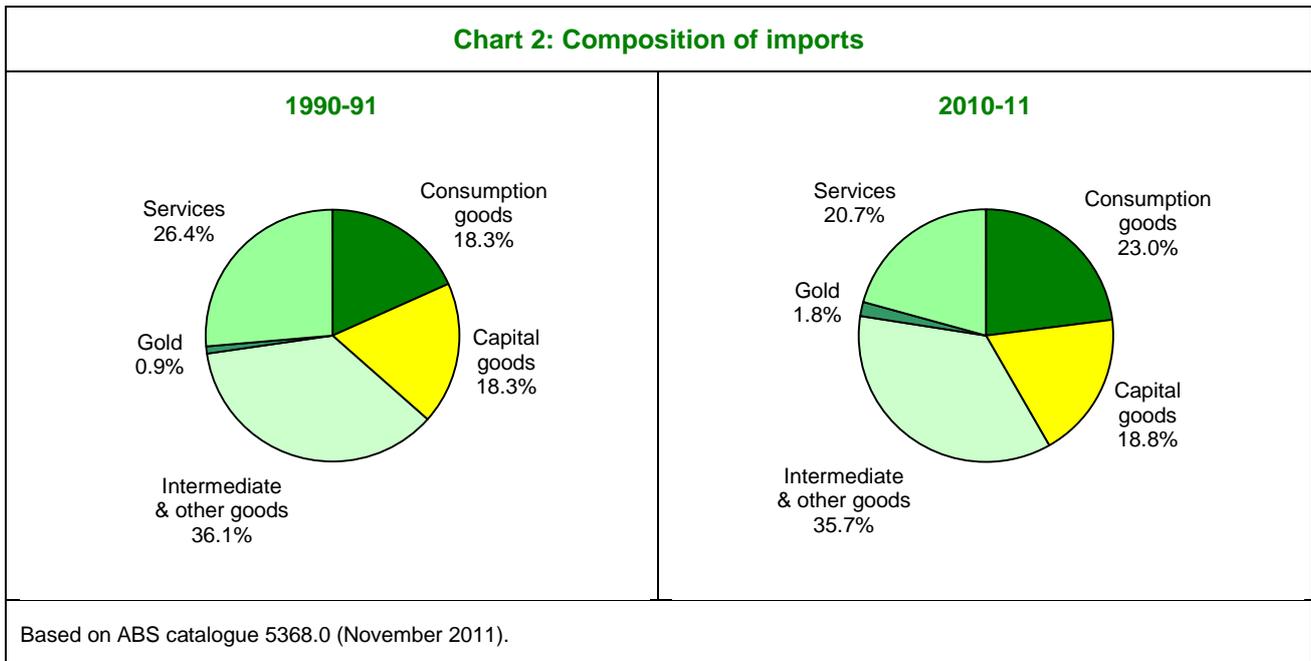
Consumption goods

Australia's imports of *Consumption goods* increased 8.9 per cent per annum over the past 20 years. The import value of *Consumption goods* rose to \$63.6 billion in 2010-11 compared to \$12.3 billion in 1990-91. In volume terms, imports averaged a growth rate of 9.1 per cent per annum since 1990-91.

Non-industrial transport (mainly passenger vehicles) was a significant contributor to this growth, increasing from \$2.5 billion in 1990-91 to \$16.0 billion, an average increase of 10.2 per cent per annum over the 20 year period. *Food & beverages* also rose strongly (8.5 per cent per annum), up from \$1.9 billion in 1990-91 to \$9.0 billion in 2010-11.

⁴ *Business services* consist of services such as: *Construction; Insurance & pension; Financial; Intellectual property charges; Telecommunications, computer & information, Legal and Engineering.*

Chart 2: Composition of imports



Capital goods

The value of *Capital goods* imported into Australia rose from \$12.3 billion in 1990-91 to \$51.9 billion in 2010-11, averaging 7.8 per cent per annum growth since 1990-91. Import volumes averaged an annual increase of 13.1 per cent since 1990-91. *Capital goods* imports accounted for 18.3 per cent of total imports in 1990-91 rising slightly to 18.8 per cent in 2010-11.

Within the broad category of *Capital goods*, imports of *Machinery & industrial equipment* rose from \$4.5 billion in 1990-91 to \$15.7 billion in 2010-11, averaging a 6.8 per cent growth per annum since 1990-91. *Computer equipment* averaged a 7.1 per cent per annum rise over the past 20 years, up from \$1.9 billion in 1990-91 to \$7.8 billion in 2010-11. *Telecommunications equipment* increased from \$835 million in 1990-91 to \$7.0 billion in 2010-11, a rise of 10.9 per cent per annum since 1990-91.

Intermediate & other goods

The value of Australia's *Intermediate & other goods* imports has grown strongly from \$24.4 billion in 1990-91 to \$98.9 billion in 2010-11, averaging 7.3 per cent per annum since 1990-91. Import volumes grew on average 6.4 per cent per annum over the 20 year period. In 2010-11 imports of *Intermediate & other goods* accounted for 35.7 per cent of total imports compared to 36.1 per cent in 1990-91. *Intermediate & other goods* are used as inputs into goods for domestic consumption and for export.

Within the broad category of *Intermediate & other goods*, imports of *Fuels & lubricants* (consisting of *Crude petroleum*—ranked 2nd and valued at \$19.3 billion in 2010-11, and *Refined petroleum*—ranked 4th and valued at \$11.3 billion) increased to \$32.1 billion in 2010-11 from \$3.0 billion in 1990-91, an average growth of 14.4 per cent per annum. *Processed industrial supplies* (from \$5.8 billion in 1990-91 to \$21.9 billion in 2010-11) and *Parts for capital goods* (from \$3.4 billion in 1990-91 to \$14.3 billion in 2010-11) each averaged 6.8 per cent growth per annum.

Services

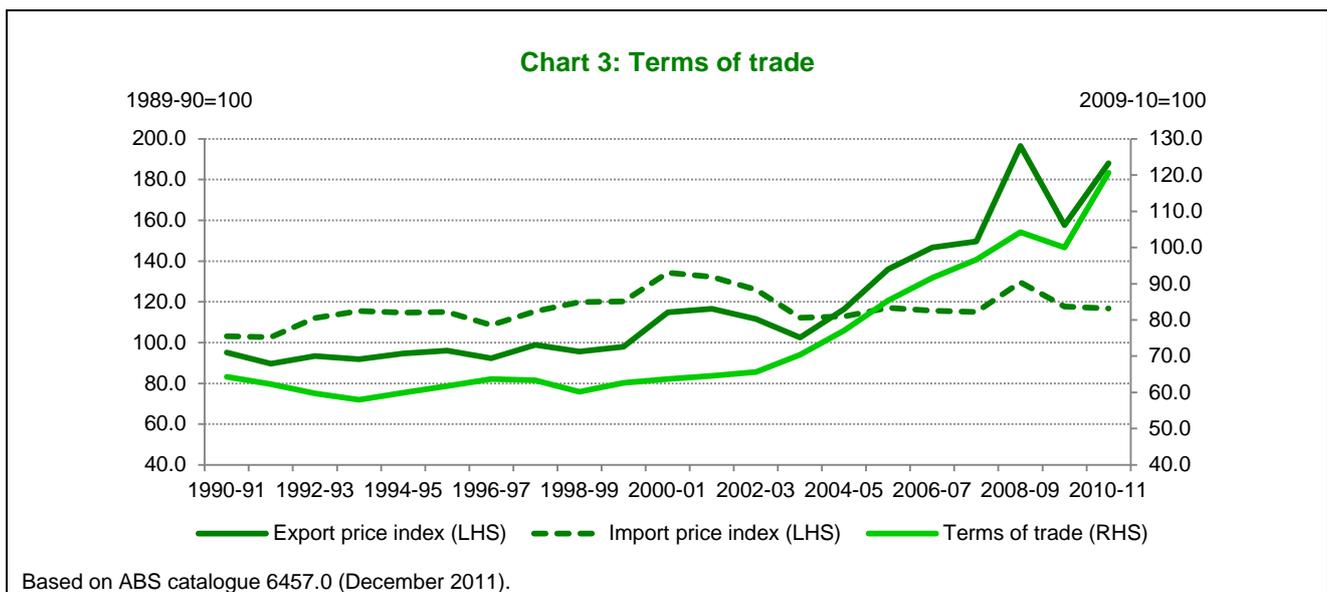
Imports of *Services* grew 6.1 per cent per annum, from \$17.8 billion in 1990-91 to \$57.3 billion in 2010-11. *Services* import volumes averaged growth of 5.2 per cent per annum over the period.

Within *Services*, the share of *Personal travel (excl education)* increased from 20.2 per cent in 1990-91 to 37.8 per cent in 2010-11. During the 20 year period the rise in *Personal travel (excl education)* imports has been significant as Australians have increasingly taken more overseas holidays. It was Australia's largest import in 2010-11 (\$21.7 billion compared to \$3.6 billion in 1990-91), and grew by an average of 9.9 per cent per annum over the period.

Transport services imports (which includes passenger fares and freight costs) rose to \$14.7 billion in 2010-11 compared to \$5.8 billion in 1990-91, yet *Transport's* share of the total declined, falling from 32.4 per cent in 1990-91 to 25.7 per cent in 2010-11. Imports of *Business services* were valued at \$5.9 billion in 1990-91 rising to \$14.5 billion in 2010-11, a growth of 4.6 per cent per annum since 1990-91. As with exports, this growth was due, in part, to an increase in *Engineering services* (up from \$111 million in 1991-92 to \$2.3 billion in 2010-11) averaging 13.3 per cent per annum over the 20 year period.

Terms of trade

Australia's terms of trade grew 87.6 per cent between 1990-91 and 2010-11. This increase was mainly driven by the export price index, up 97.6 per cent. The export price index grew particularly strongly since 2004-05, underpinned by price rises for commodities (refer to the RBA non-rural commodity price index in **Chart 7**). The import price index was 13.2 per cent higher in 2010-11 than in 1990-91 but has declined since 2000-01 (see **Chart 3**).



Direction of exports

Over the past 20 years Australia's expanding trade with Asia has taken on an important role in increasing the national income of Australians.

China has emerged as a strong destination for exports, from both Australia and the world, during the 20 year period to 2010-11. In 2010 China was ranked 1st as an export destination for the world (accounting for 11.1 per cent of world exports) compared to 8th as an export destination in 1990 (accounting for 4.6 per cent of world exports)⁵.

After growing rapidly in recent years, China became Australia's largest goods & services export market in 2010-11, rising from \$1.6 billion in 1990-91 to \$70.5 billion. Japan became Australia's 2nd largest export market, increasing from \$16.6 billion in 1990-91—ranked 1st—to \$48.9 billion in 2010-11, followed by the Republic of Korea (up from \$3.4 billion to \$24.3 billion), India (up from \$2.2 billion in 1998-99⁶—ranked 13th—to \$18.3 billion), and the United States (up from \$7.8 billion to \$14.2 billion) (see **Chart 4**).

The share of Australia's exports with APEC members has risen from 69.7 per cent, worth \$46.4 billion, in 1990-91 to 75.3 per cent, worth \$224.1 billion, in 2010-11. Australia's exports to ASEAN members accounted for 12.1 per cent in 1990-91, worth \$8.0 billion, declining to 11.1 per cent in 2010-11, valued at \$32.9 billion. The members of the European Union⁷ accounted for 14.2 per cent of Australia's exports in 1990-91, valued at \$9.5 billion, falling to 8.8 per cent in 2010-11, worth \$26.1 billion.

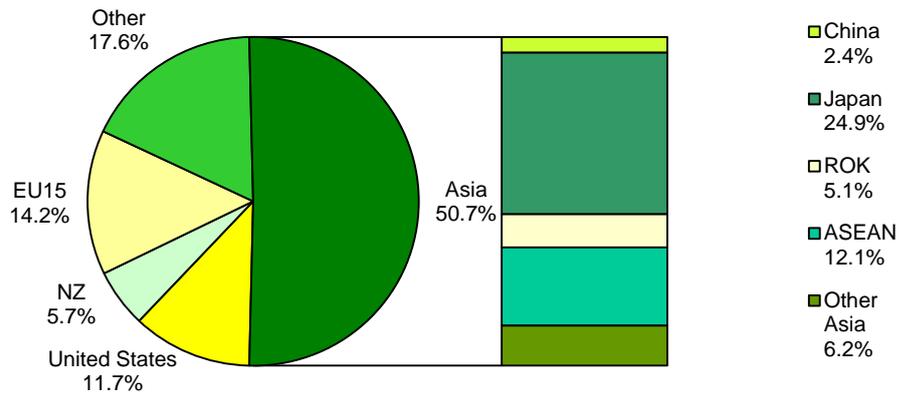
⁵ Source: World Trade Organization.

⁶ Goods and services data unavailable for India prior to 1998-99.

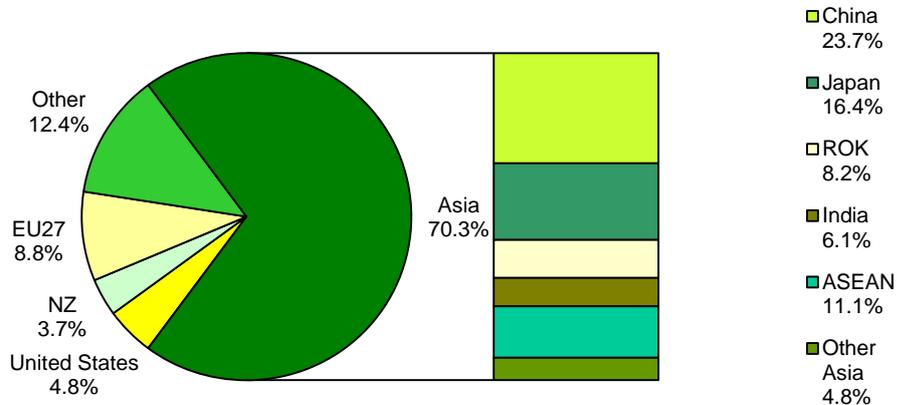
⁷ In 1990-91 services data is for the European Union 15. In 2010-11 services data is for the European Union 27.

Chart 4: Australia's export markets

1990-91



2010-11



Based on ABS catalogue 5368.0 (November 2011).

Direction of imports

The United States was the number one source of imports for the world in both 1990 and 2010 (accounting for 14.1 per cent in 1990, dropping to 12.3 per cent of world imports in 2010). Over the 20 year period to 2010, China has emerged as a strong source of imports, not only to Australia, but to the world. In 2010 China was ranked 2nd as an import source for the world (accounting for 8.4 per cent of world imports) compared to 7th as an import source in 1990 (accounting for 3.1 per cent of world imports)⁸.

Australia's imports from China rose strongly from \$1.6 billion in 1990-91—ranked 9th—to \$42.7 billion in 2010-11. China overtook the United States in 2008-09 to become Australia's largest import source. Until 2007-08, the United States had been Australia's largest goods & services import source increasing from \$15.6 billion in 1990-91 to \$36.3 billion in 2010-11. Japan was Australia's 3rd largest import source in 2010-11 (up from \$10.1 billion in 1990-91 to \$18.8 billion), followed by Singapore (up from \$2.1 billion to \$15.1 billion) and Germany (up from \$3.6 billion to \$11.7 billion) (see **Chart 5**).

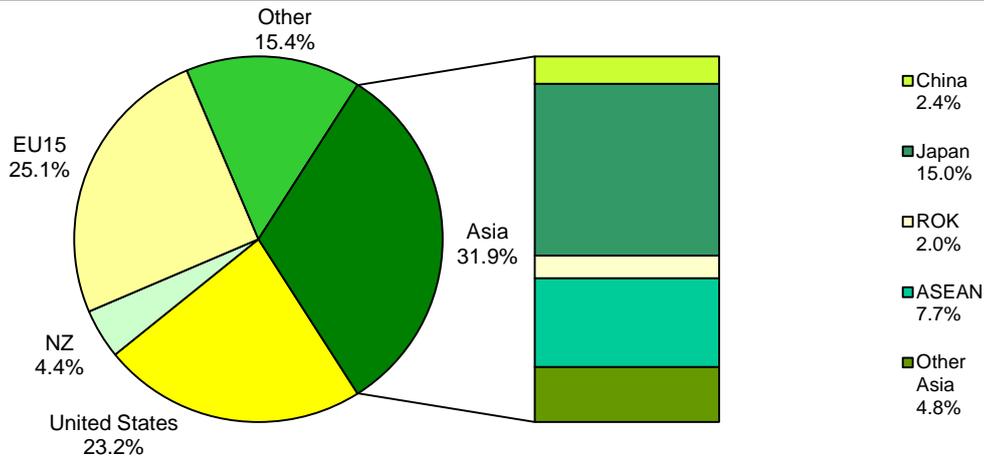
Australia's imports from APEC members accounted for 61.3 per cent of total imports, valued at \$41.3 billion in 1990-91, rising to 66.1 per cent, worth \$182.8 billion, in 2010-11. The members of the European Union⁹ accounted for 25.1 per cent of Australia's imports in 1990-91, worth \$16.9 billion, compared to 18.6 per cent in 2010-11, valued at \$51.6 billion. Imports from ASEAN members accounted for 7.7 per cent of total imports, valued at \$5.2 billion in 1990-91, increasing to 18.1 per cent in 2010-11, worth \$50.0 billion.

⁸ Source: World Trade Organization.

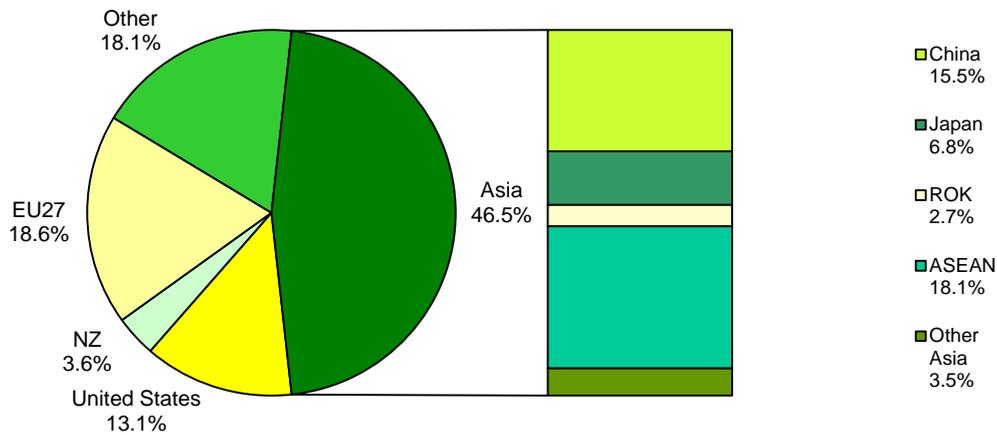
⁹ In 1990-91 services data is for the European Union 15. In 2010-11 services data is for the European Union 27.

Chart 5: Australia's import sources

1990-91



2010-11



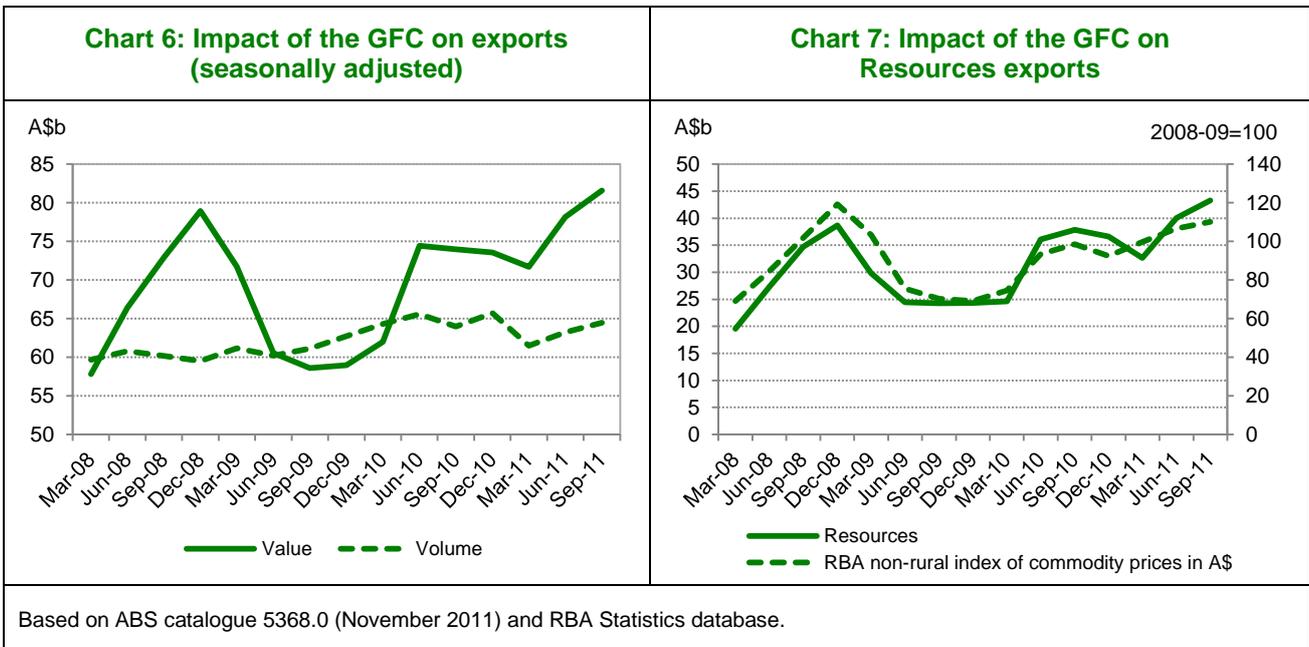
Based on ABS catalogue 5368.0 (November 2011) and unpublished ABS data.

Impact of the Global Financial Crisis (GFC)

The GFC, during 2008-09 and 2009-10, had a sharp short-term impact on Australia's trade. On a seasonally adjusted basis, exports in value terms fell sharply from a high of \$78.9 billion in the December quarter 2008 to a low of \$58.6 billion in the September quarter 2009 (see **Chart 6**). Exports recovered strongly to pre-GFC levels by the June quarter 2011. In volume terms the GFC had little impact, with volume trends rising through the GFC period.

The major component of exports affected by the GFC was *Resources*, with a strong fall in world commodity prices in 2008 (see **Chart 7**) causing the strong decline in total export values. In volume terms, exports of *Resources* continued to show steady growth as new capacity came online in addition to Asian economies (particular China) taking the opportunity to build up stocks while commodity prices were low. *Resources* export values recovered strongly in 2010 on the back of higher world commodity prices.

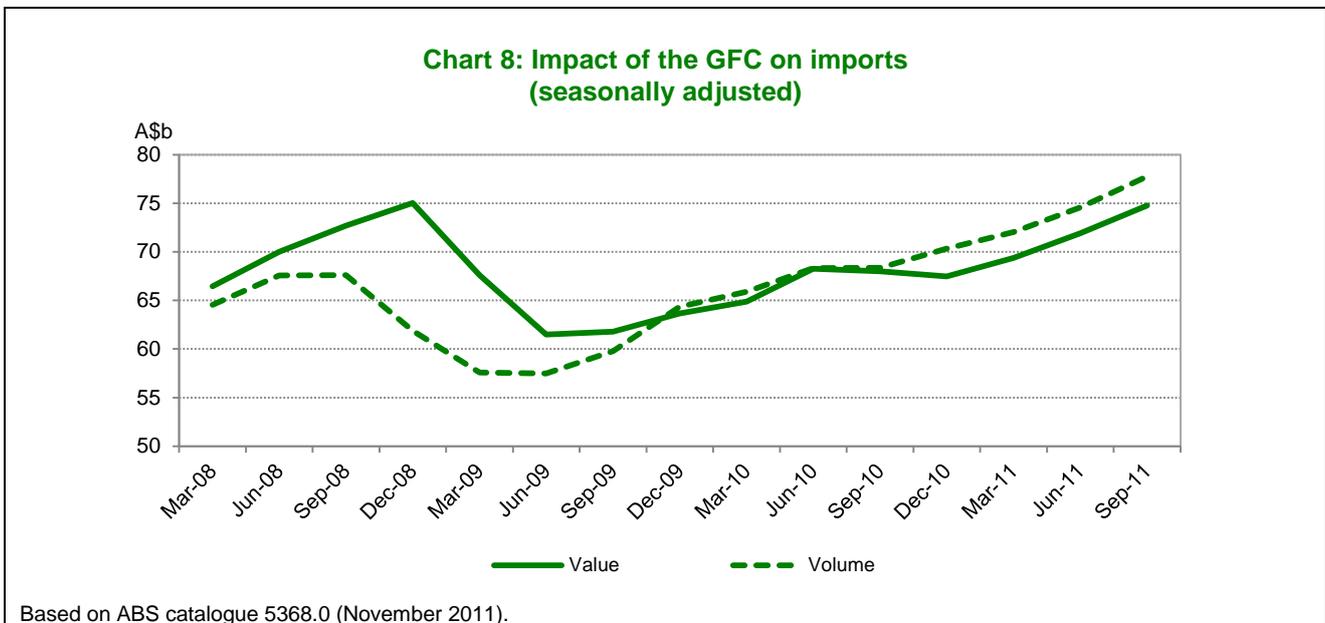
All the major sectors of Australia exports have recovered since the GFC with the exception of *Services* exports, which have continued to decline, in part due to the slow recovery in the world economy in our traditional American and European services markets, in conjunction with the decline in *Education services* in our Asian markets.



On a seasonally adjusted basis, imports in value terms fell sharply from \$75.0 billion in December quarter 2008 to \$61.5 billion in June quarter 2009. The fall was almost entirely due to a fall in import volumes (see **Chart 8**), with the major import components (*Consumption goods, Capital goods, Intermediate & other goods and Services*) all recording falls over this period.

This was due to concerns by Australian consumers of the impact of the GFC as well as the sharply depreciating dollar (the currency depreciated sharply against the US dollar from almost parity in July 2008 to a low of 65 cents in February 2009) which increased the price of imports. Both these factors caused a temporary reduction in demand for imported goods and services.

Import demand recovered strongly from December quarter 2009 onwards as the currency recovered and the impact of the GFC on the Australian economy was not as severe as first predicted.



Conclusion

Australia's trade performance over the past 20 years has been characterised by strong growth in both exports and imports together with a trade profile that has continued to evolve but with some key elements that remained the same.

Australia's total two-way trade, over the past 20 years, grew 7.6 per cent per annum, with total trade as a share of GDP rising from 32.2 per cent in 1990-91 to 41.0 per cent in 2010-11. Over this period there has been a substantial rise in Australia's terms of trade, which more than doubled.

Resource exports growth outpaced all other sectors over the 20 year period, resulting in a significant change in Australia's export profile. *Resource* exports now accounted for nearly 50 per cent of total exports in 2010-11. All the other major exports sectors (*Rural, Manufactures* and *Services*) recorded a fall in export share over the period.

Australia's relationship with Asia, one of the fastest growing regions in the world, continues to drive Australia's export performance. Asia accounted for over 70 per cent of Australia's total exports in 2010-11 up from 50.7 per cent in 1990-91. However Australia's largest export market still accounts for around a quarter of Australia's exports – 20 years ago this was Japan, now it is China.

For Australia's imports, over the past 20 years there has been some shift in the profile towards *Consumption goods* and away from *Services* imports. *Capital goods* and *Intermediate & other goods* share however have remained fairly steady. In respect of import sources there was a shift from Europe and the Americas towards Asia, though the shift has not been as strong as that recorded for Australia's exports.

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*This article has also benefited from comments and input from Brent Perkins and Frank Bingham,
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