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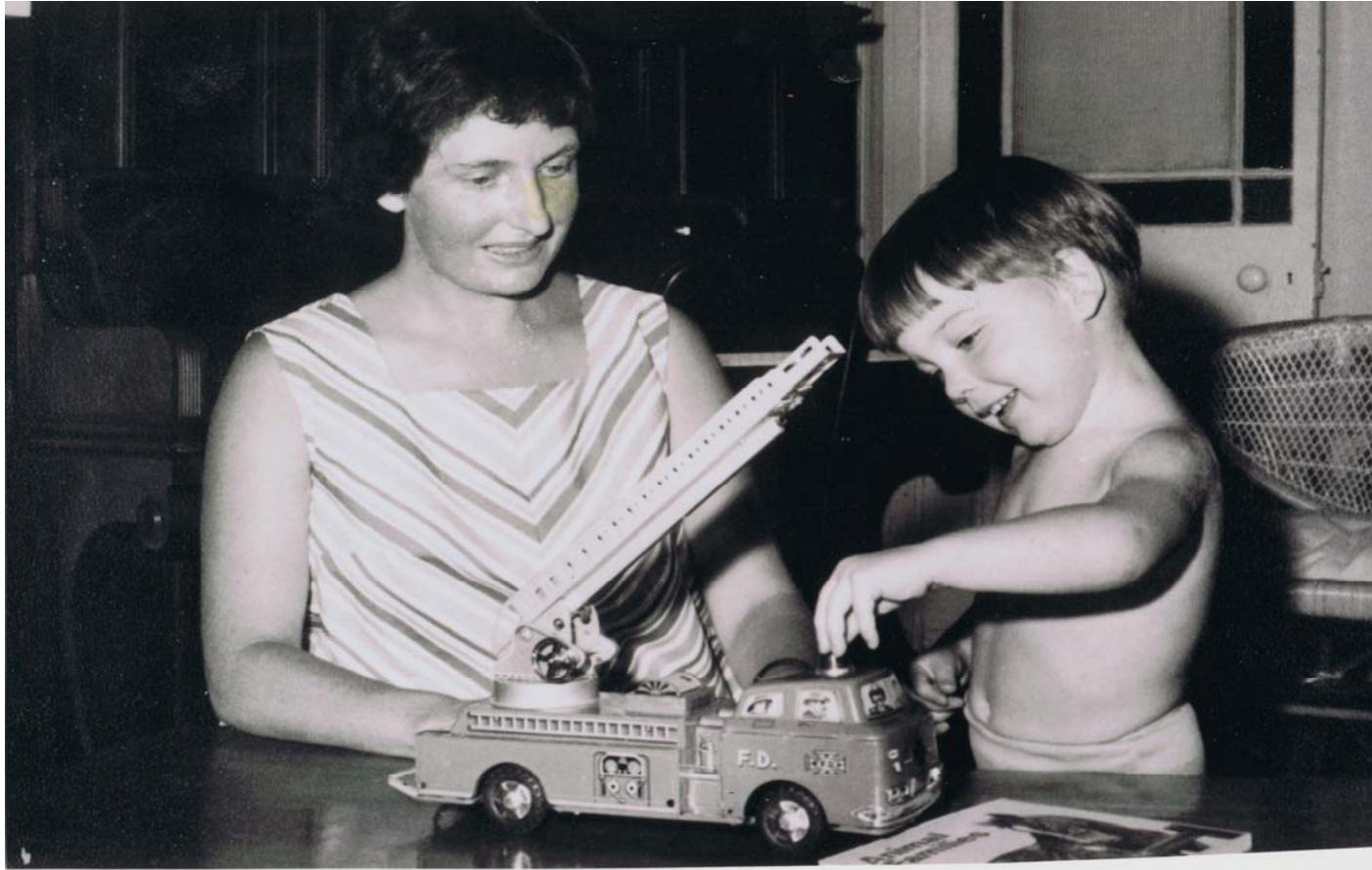
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Advance Australia Fair Trade

Tim Harcourt
Chief Economist
Australian Trade
Commission
Sydney

www.austrade.gov.au/economistscorner

The Times were a changin'



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Australians 'Once were worriers' always concerned about 'The Tyranny of Distance'



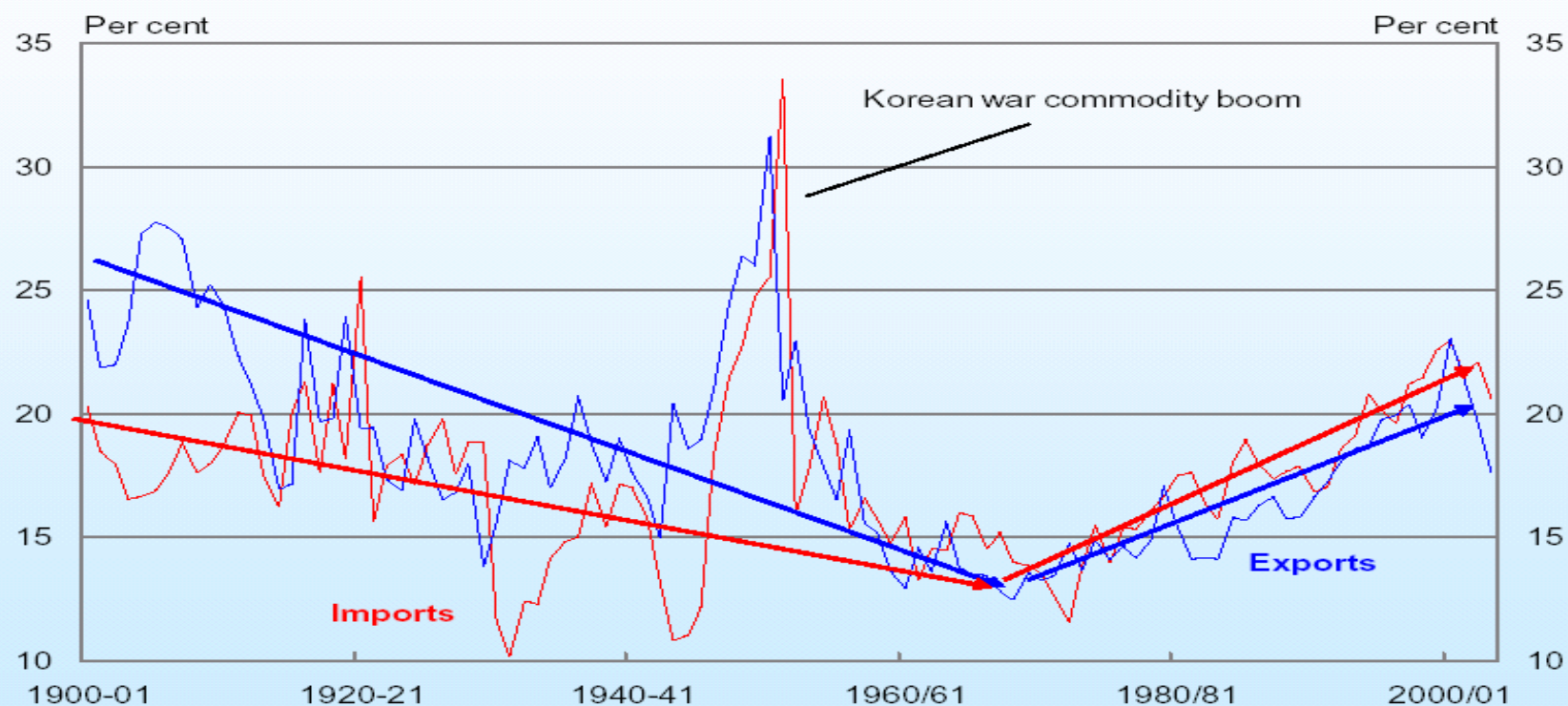
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But despite the anxiety about trade issues and globalisation.....



Openness to trade is an important part of the Australian success story....

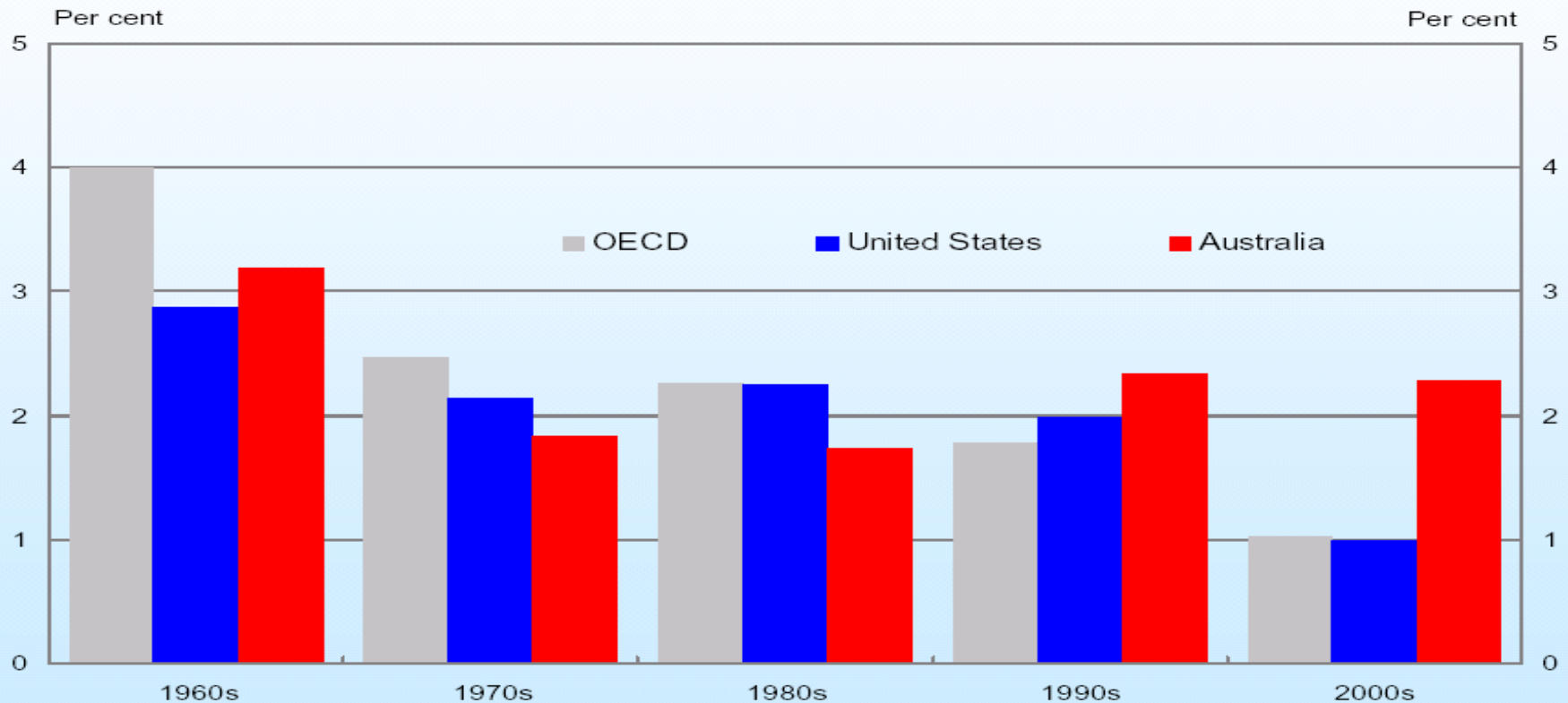
Exports and imports as a share of GDP



Source: RBA Preliminary Annual Database, ABS

Trade has been associated with higher living standards

Per Capita GDP Growth



Source: Groningen Growth and Development Centre and The Conference Board

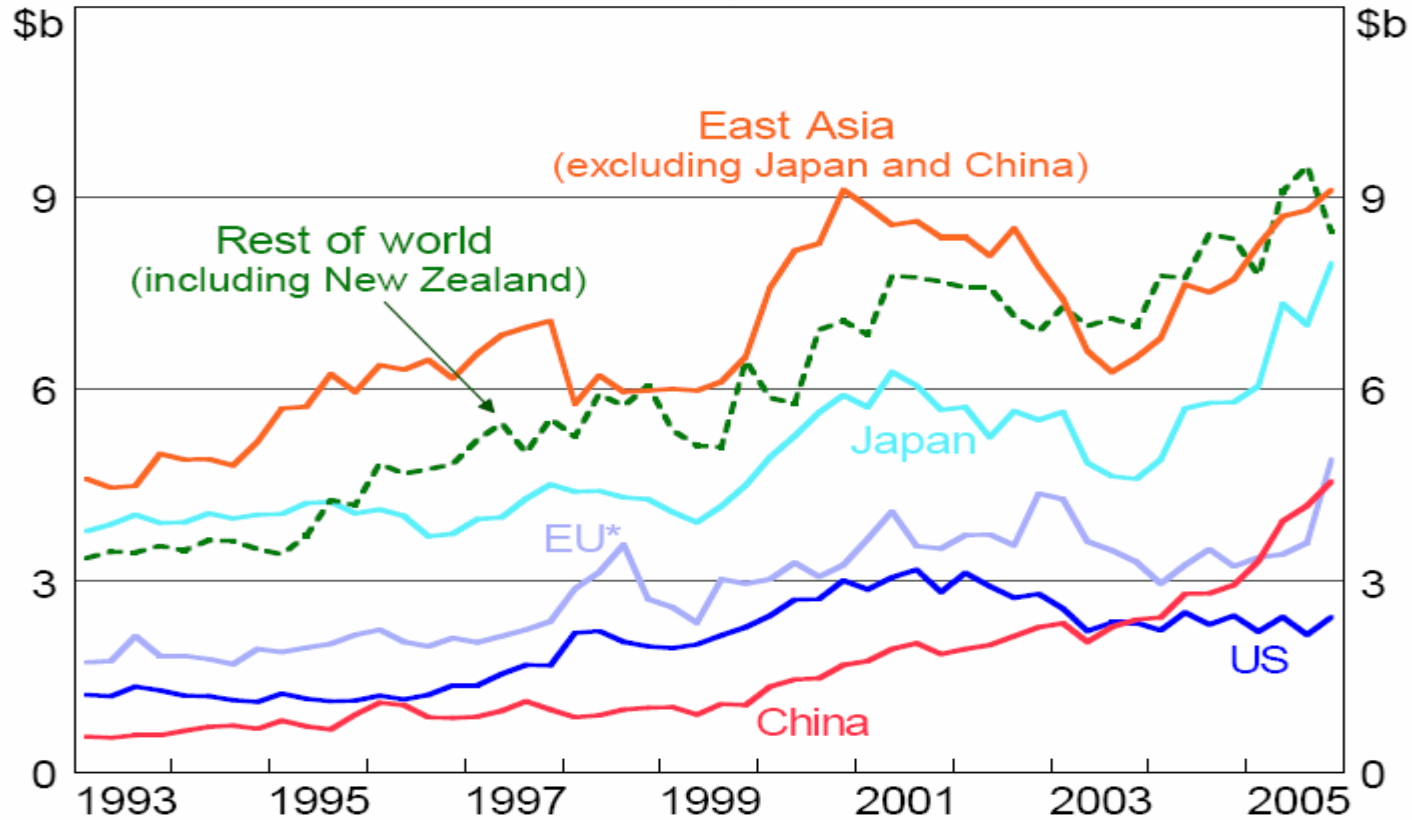
Asia's rise means that trade-wise we are now in the right place at the right time: 'The Tyranny of distance' has been replaced by 'The Power of Proximity'



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China's recent rise up the ranks is certainly noticeable

Merchandise Exports by Destination Current prices



* EU - 15

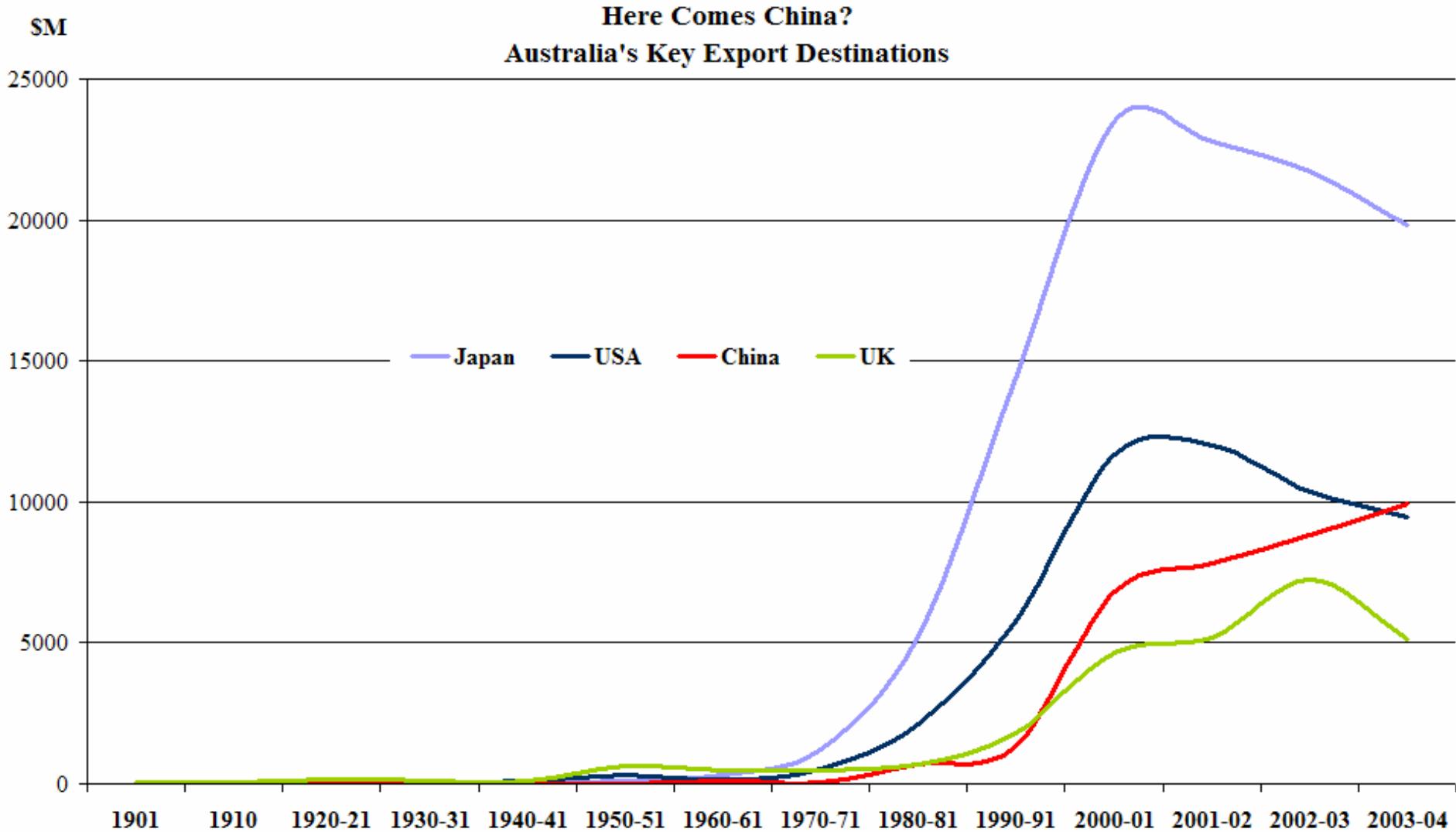
Source: ABS, seasonal adjustment by the RBA



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Especially when you take an historical view



Technology has also played a role and Australia has fared well (e.g. in 'e-readiness' rankings)

Economist Intelligence Unit e-readiness rankings, 2006

Asia-Pacific

2006 rank in region	2005 rank in region	Country	Overall ranking (of 68)	e-readiness score (of 10)
1	2	Australia	8	8.50
2	1	Hong Kong	10	8.36
3	3	Singapore	13	8.24
4	4	N. Zealand	14 (tie)	8.19
5	5	South Korea	18	7.90
6	6	Japan	21	7.77
7	7	Taiwan	23	7.51
8	8	Malaysia	37	5.60
9	9	Thailand	47	4.63
10	10	India	53	4.25
11	11	Philippines	56	4.04
12	12	China	57	4.02
13	13	Sri Lanka	59	3.75
14	14	Indonesia	62	3.39
15	15	Vietnam	66	3.12
16	16	Pakistan	67	3.03

Source: Economist Intelligence Unit, 2006.

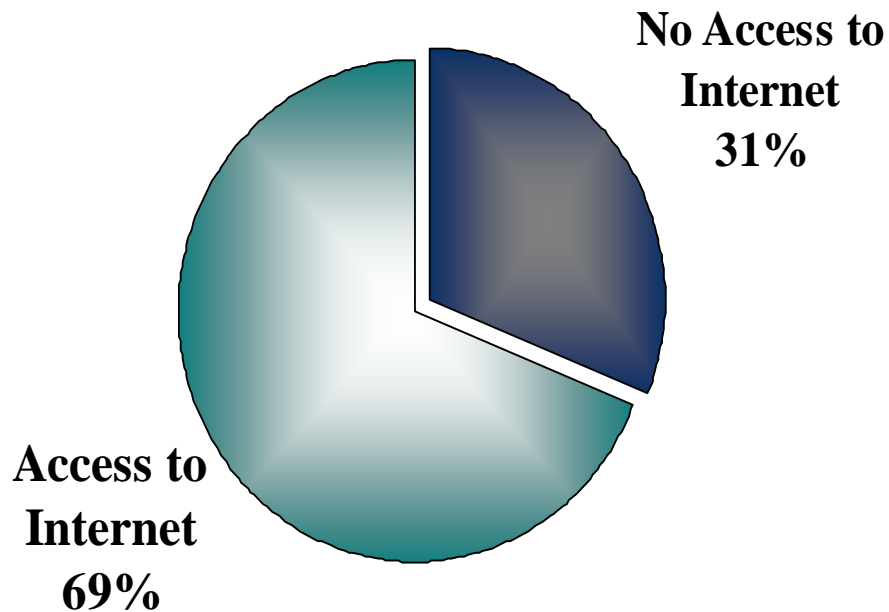


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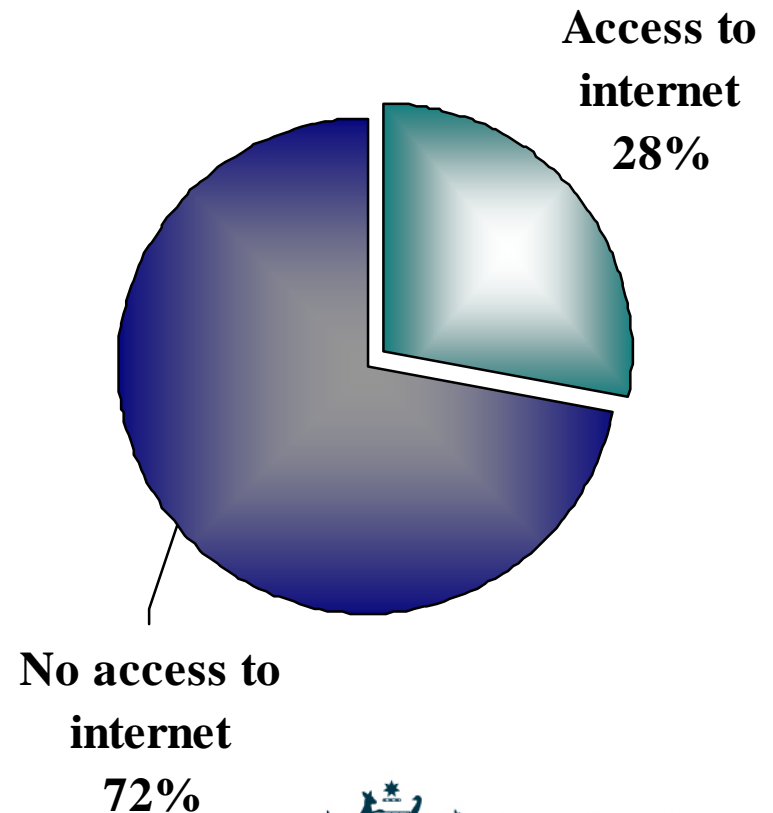
At the outset, Australian exporters were quick to pick up the Internet

Internet connections

Exporters



Non-exporters



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Now technology has helped as 34 per cent of SMEs use e-commerce to sell to overseas customers

Types of Customers Sold To

	<u>All SMEs</u>	
	Mainly Sell To	Total Sell To
Local – same city or town	61%	83%
Elsewhere in State	9%	55%
Interstate	18%	56%
Overseas	8%	34%

Base = Use e-commerce

SOURCE: Sensis® Business Index
Sweeney Research - May 2005



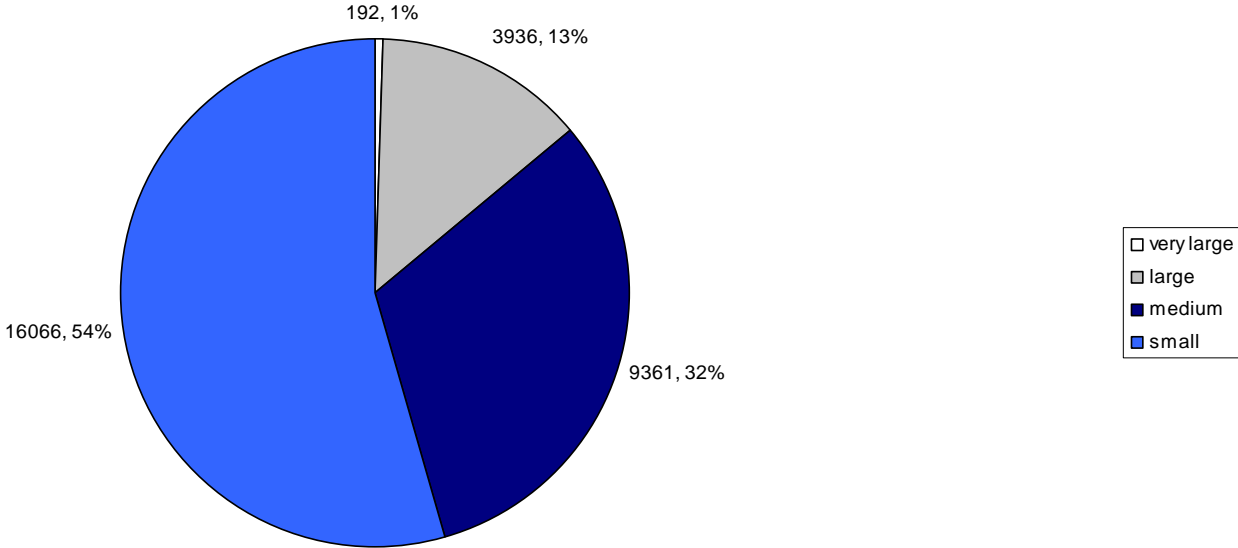
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Openness to trade has played a role micro level too - small business now plays an important role in the export game

Australian Exporter Community: 2003-04
Number of exporters

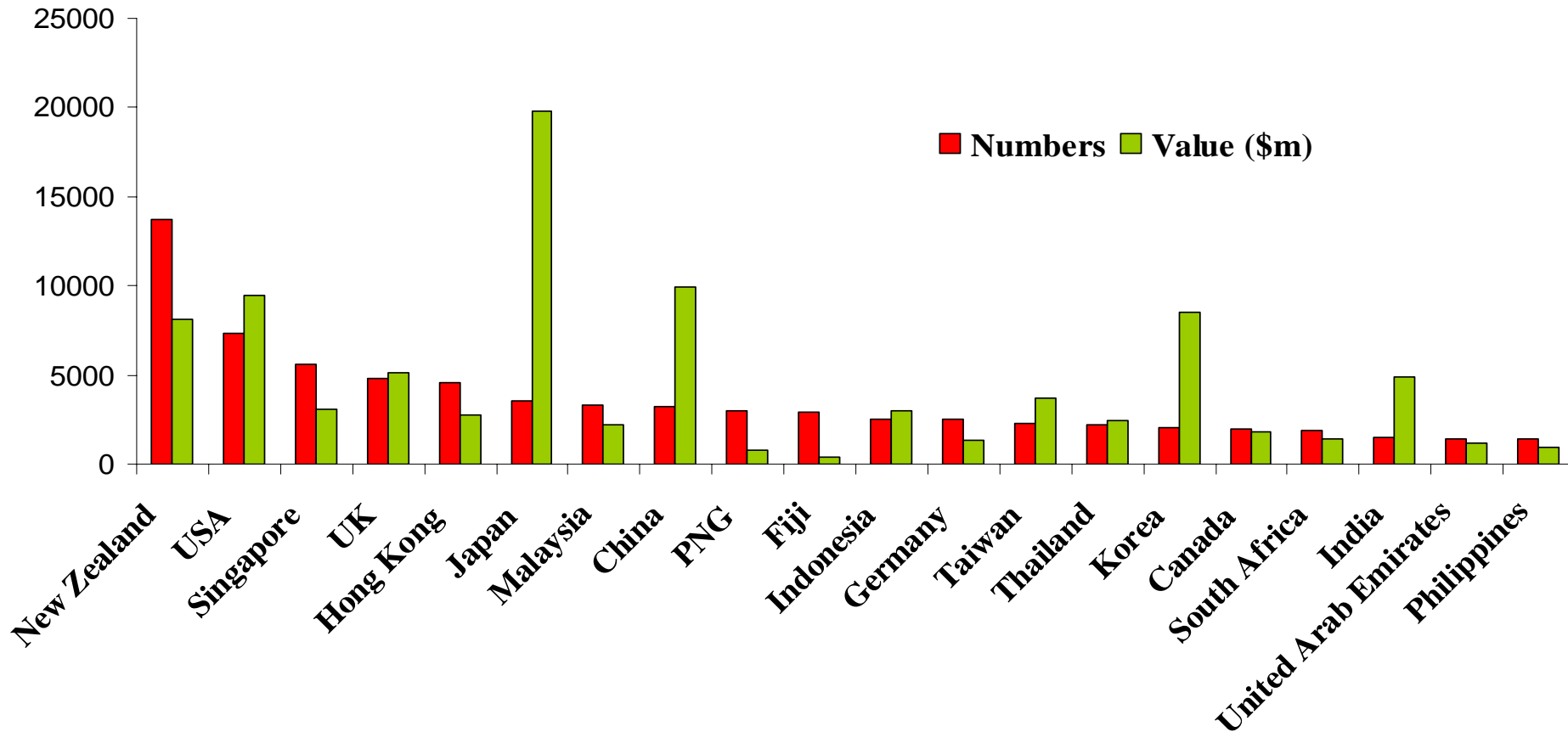


Source: ABS

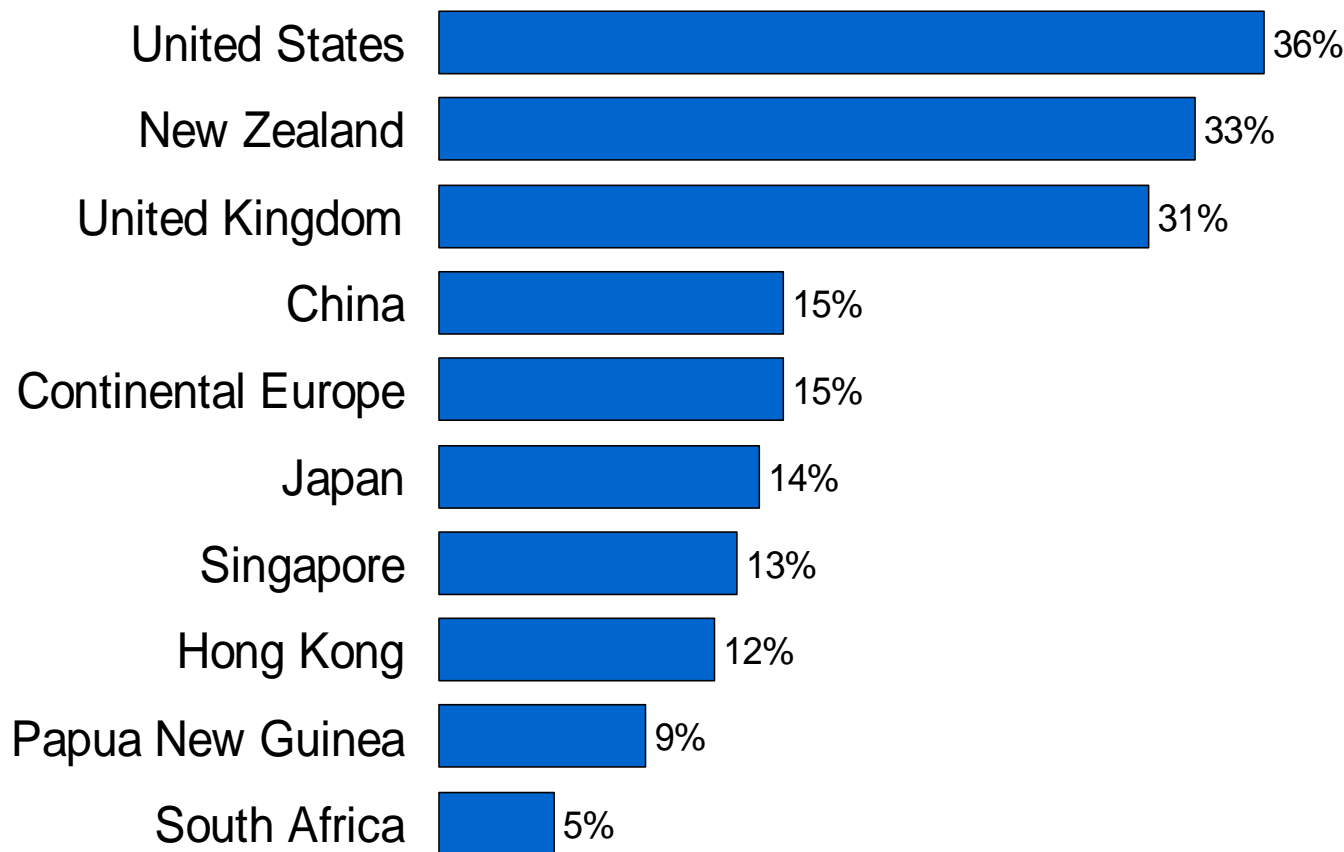


Economic reform has helped to widen the geographic spread of Australia's exporters

Exporters by country*: 2003-04
(*includes multiple destinations)

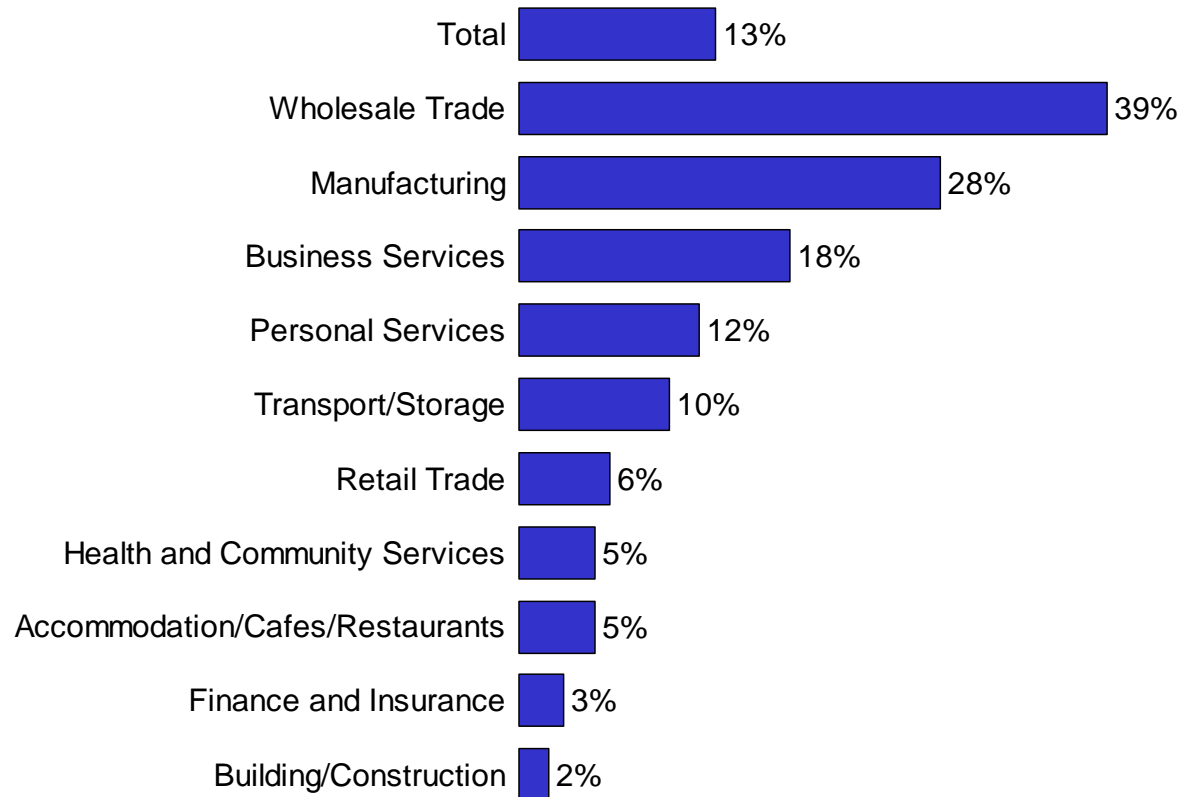


As a result more small businesses export now export to more places too



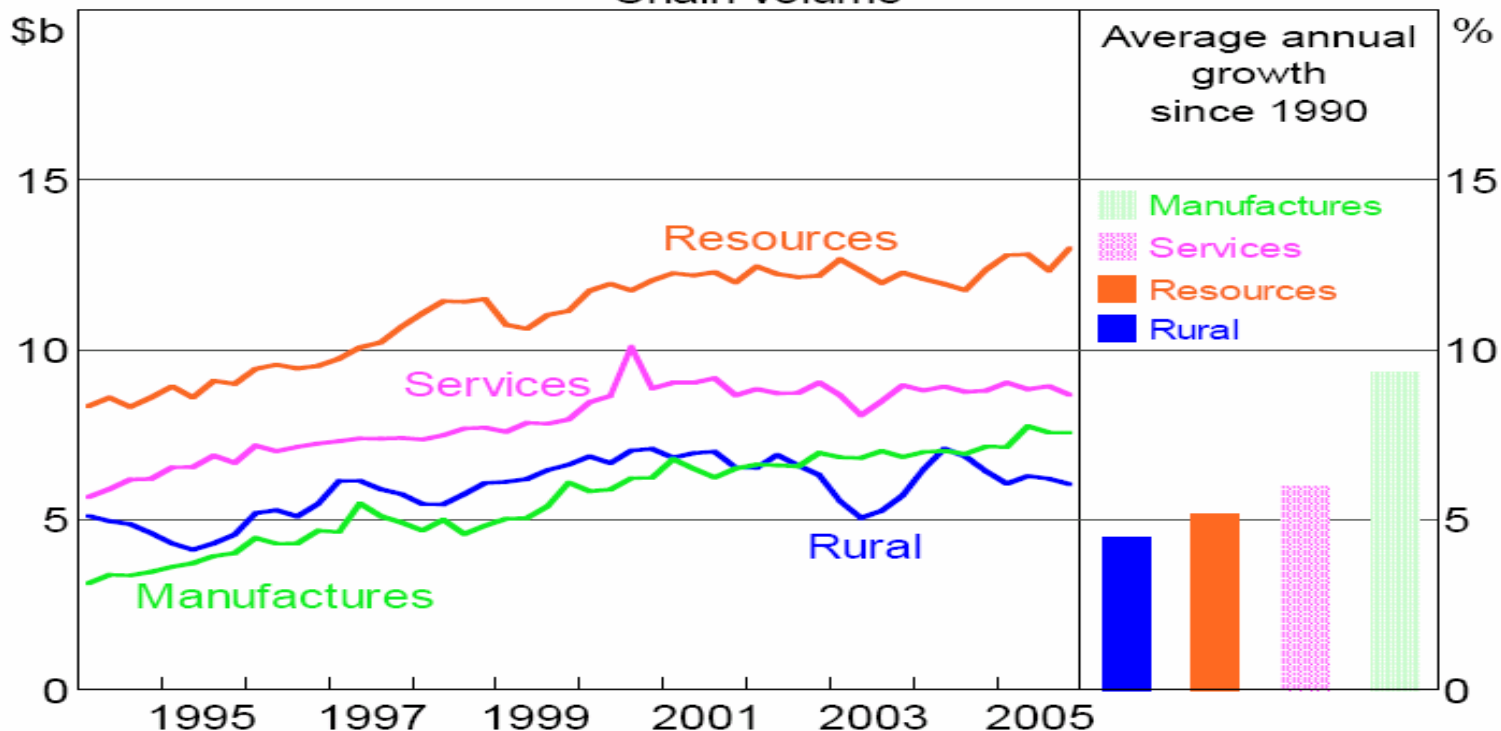
Base : Exported goods or services overseas in last three months
All other answers less than 3%

And from more industries...



Which reflects strong growth in both manufacturing and services exports in the 1990s....

Composition of Exports* Chain volume



* Excludes RBA gold transactions and 'other goods'
Source: ABS



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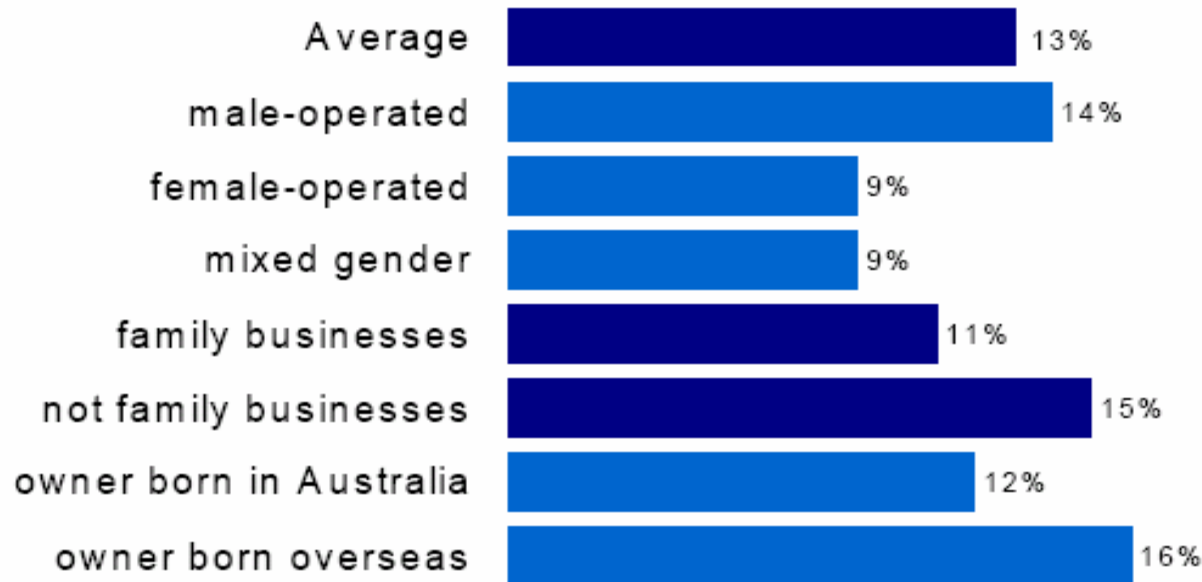
Is there a 'Godfather' effect?



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Many SME exporters are run by an overseas born owner but they are not family businesses

Characteristics of exporting proprietors



Q. In the last year have you exported any of your goods or services to overseas markets?

SOURCE: Sensis® Business Index :Sweeney Research - May 2005



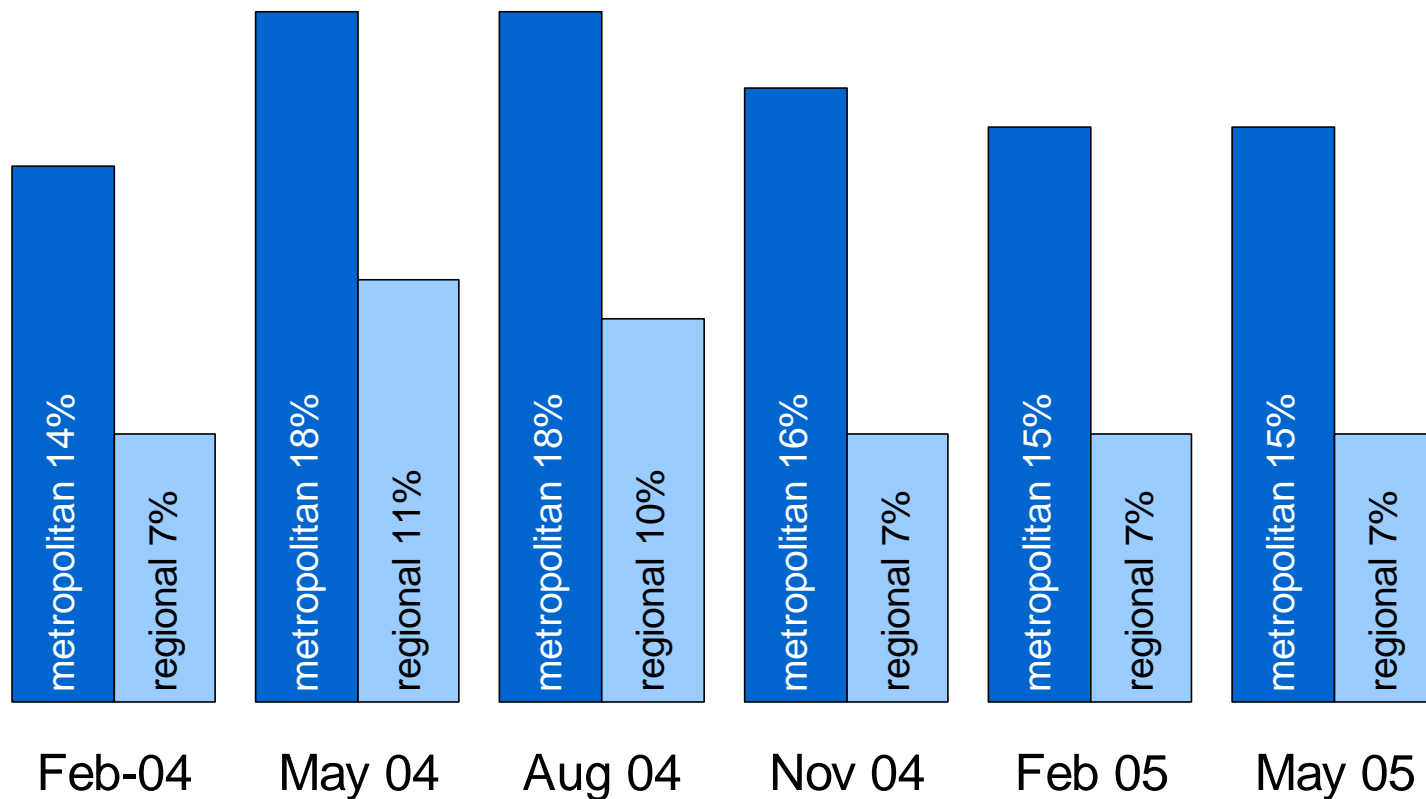
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Is there a Kath & Kim effect?



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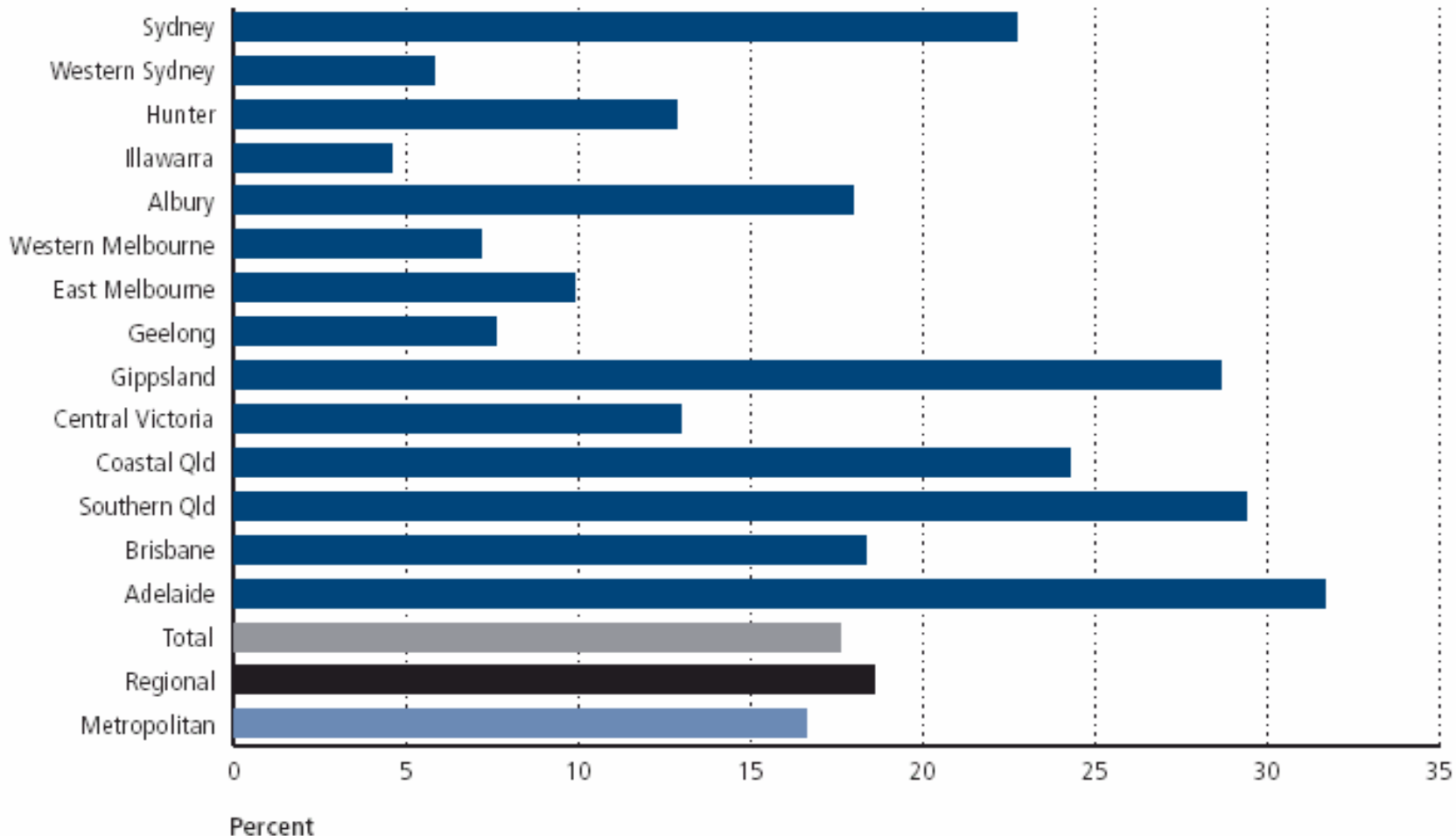
Most exporting SMEs *are* in metropolitan areas



But there has also been strong growth in 'Sea-change' regional areas as well

Export intensity by region

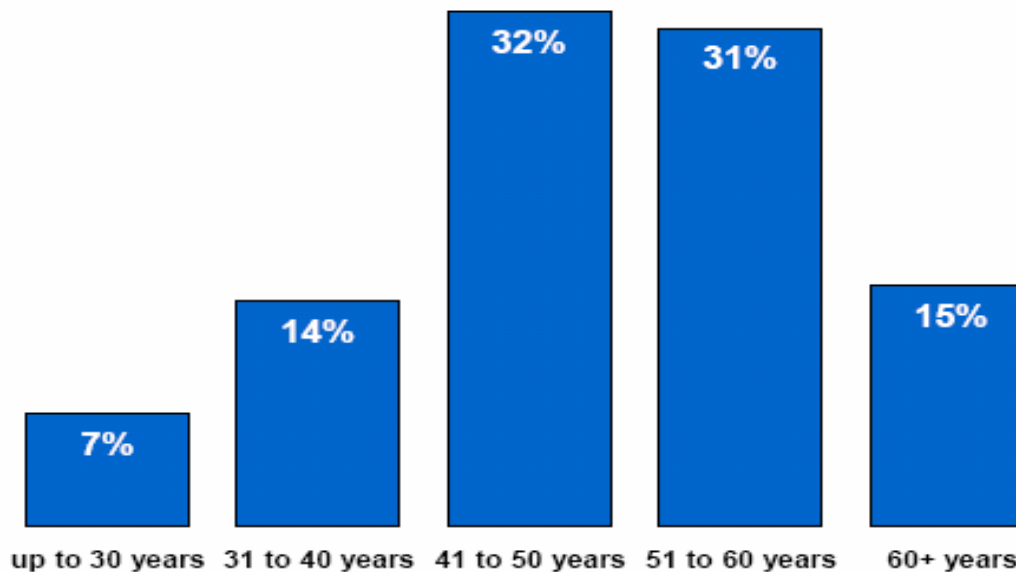
Source: AI Group





Despite some Gen X and Gen Y growth exporting SMEs are mainly run by baby-boomers

Age of exporting SMEs proprietors



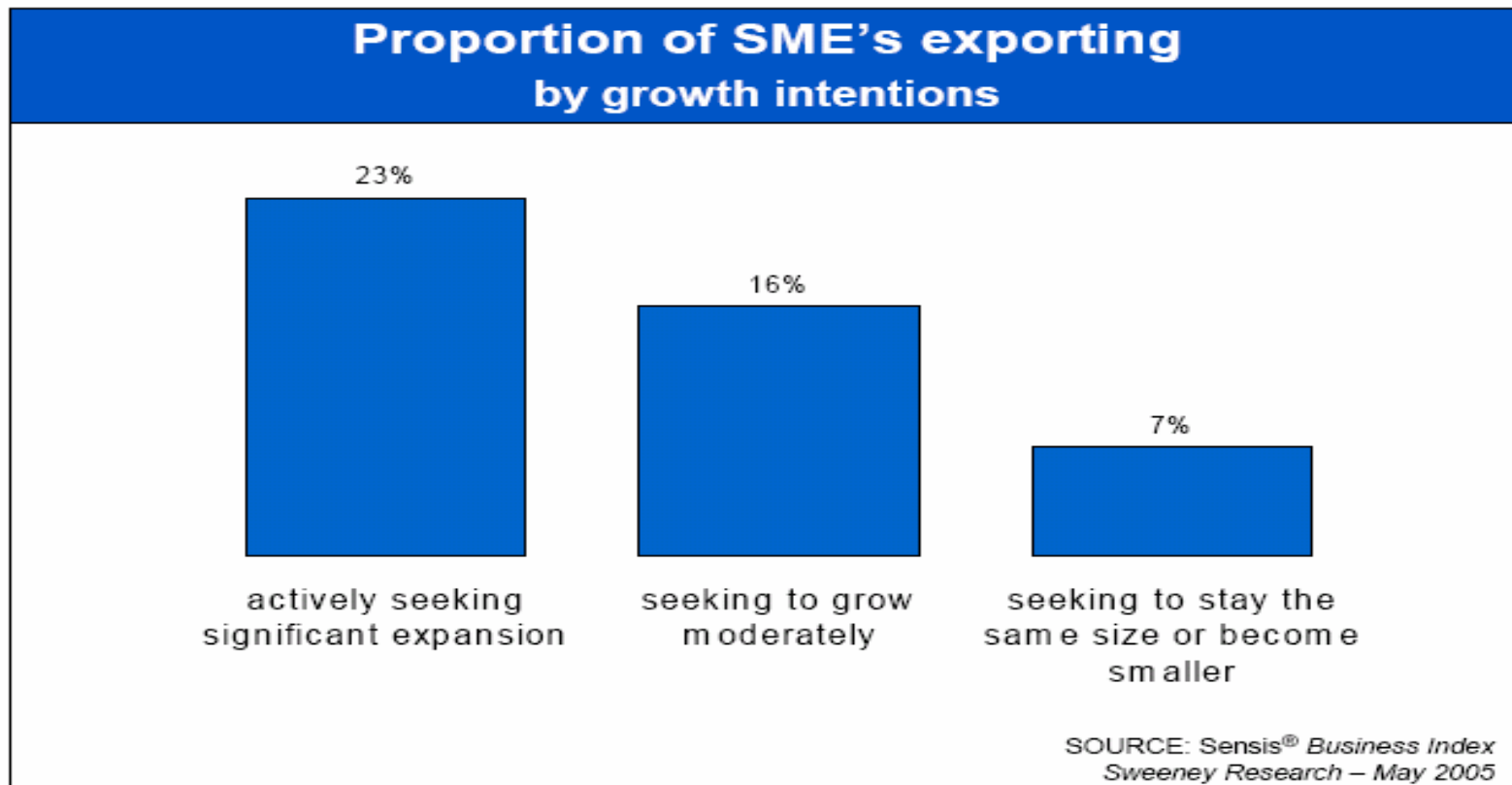
Base : Exported goods or services overseas in last three months

SOURCE: Sensis® Business Index
Sweeney Research – May 2005



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Exporting SMEs typically have an aggressive growth strategy



Confidence, confidence...SME exporters are particularly bullish on profits, wages and employment

Expectations on key indicators for the next 12 months May 2005

	SMEs that exported	SMEs that didn't export	All SMEs
Sales	+59%	+44%	+46%
Profitability	+51%	+39%	+40%
Capital expenditure	+16%	+12%	+13%
Employment	+21%	+17%	+17%
Wages	+44%	+32%	+33%
Prices	+51%	+52%	+51%

**net balance of the proportion of SMEs reporting an increase minus the proportion reporting a decrease*

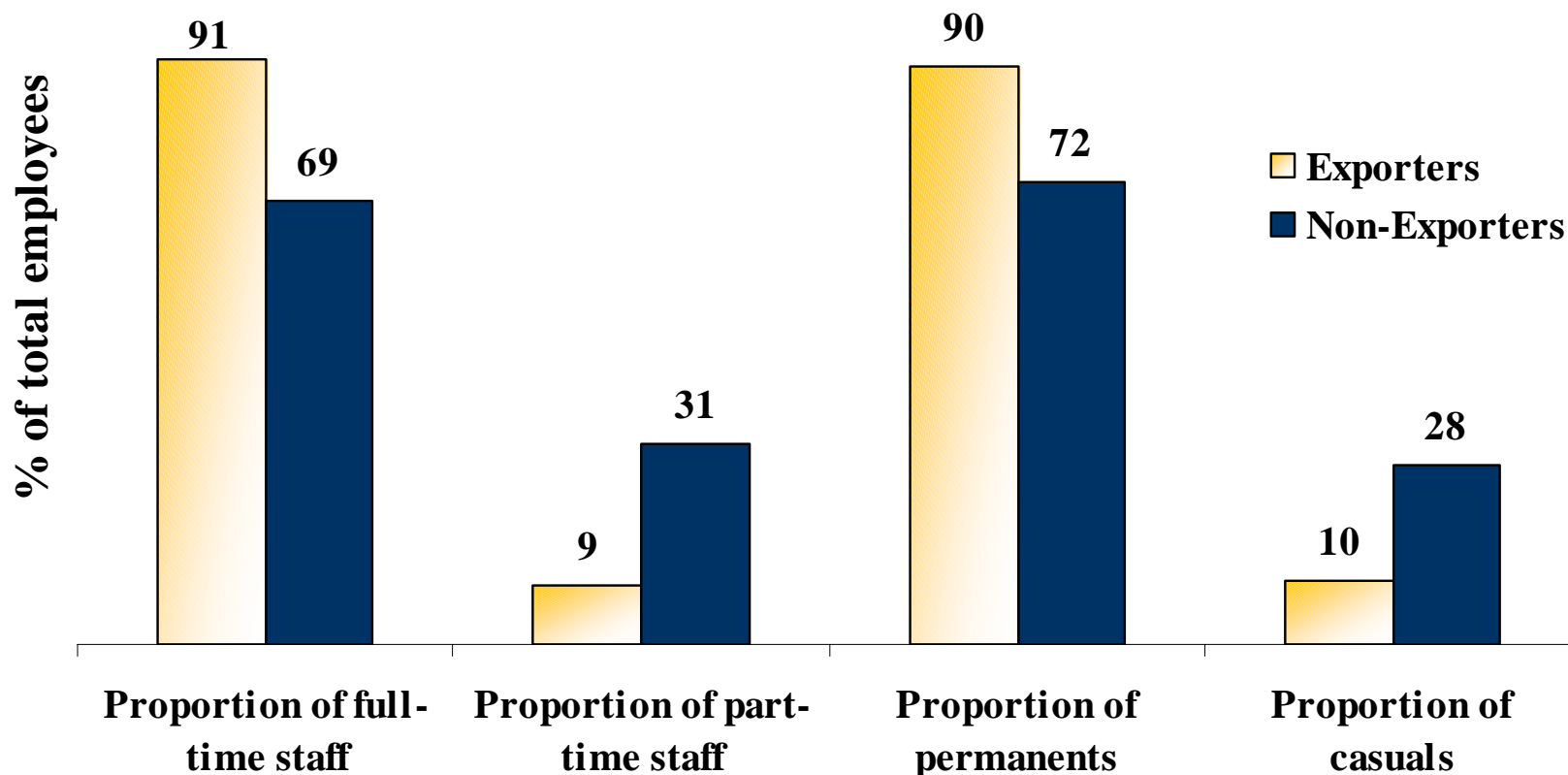
SOURCE: Sensis® Business Index
Sweeney Research – May 2005



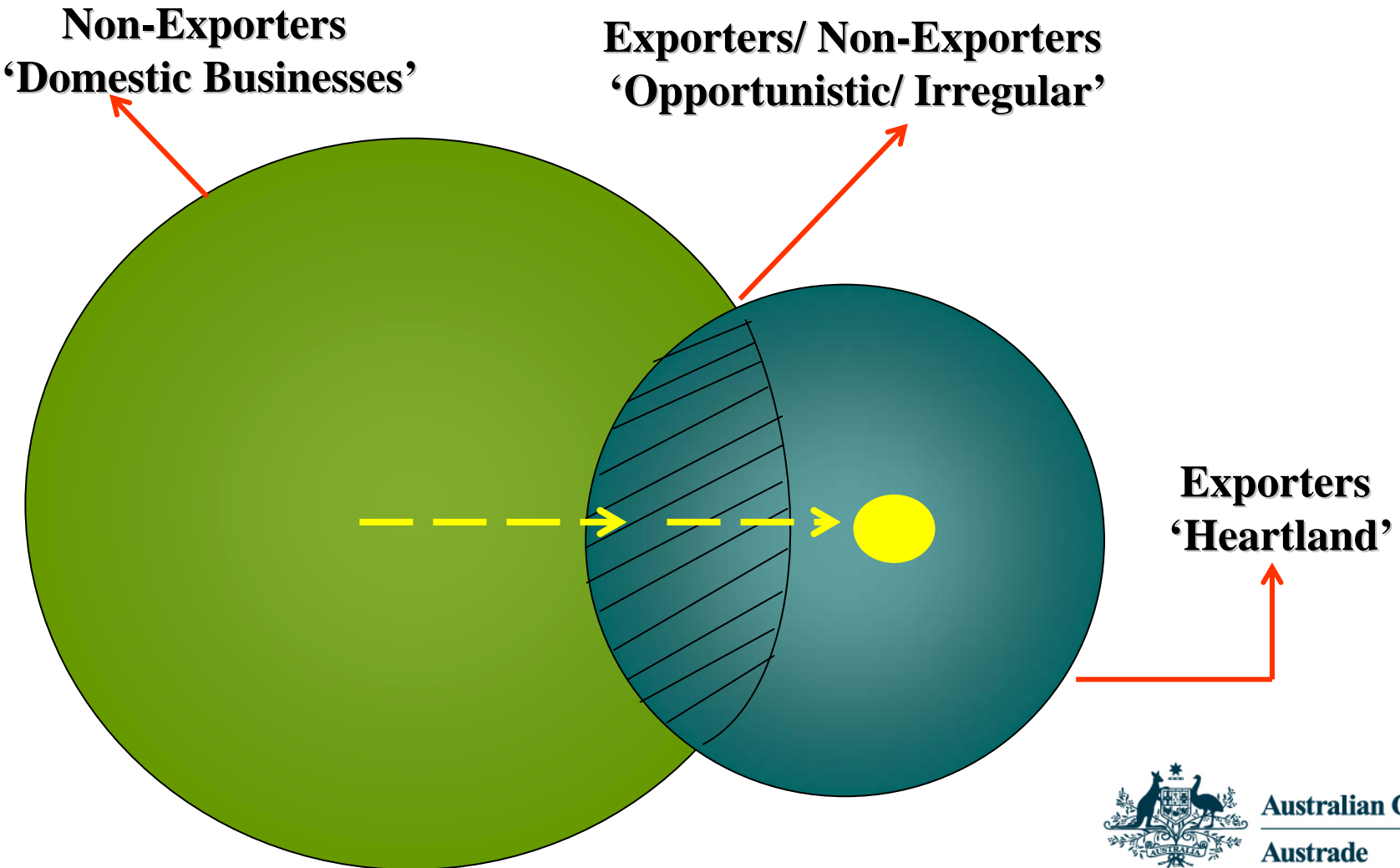
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Exporters, on average, provide more full-time and permanent jobs than non-exporters

Employment Status (Source: BLS)

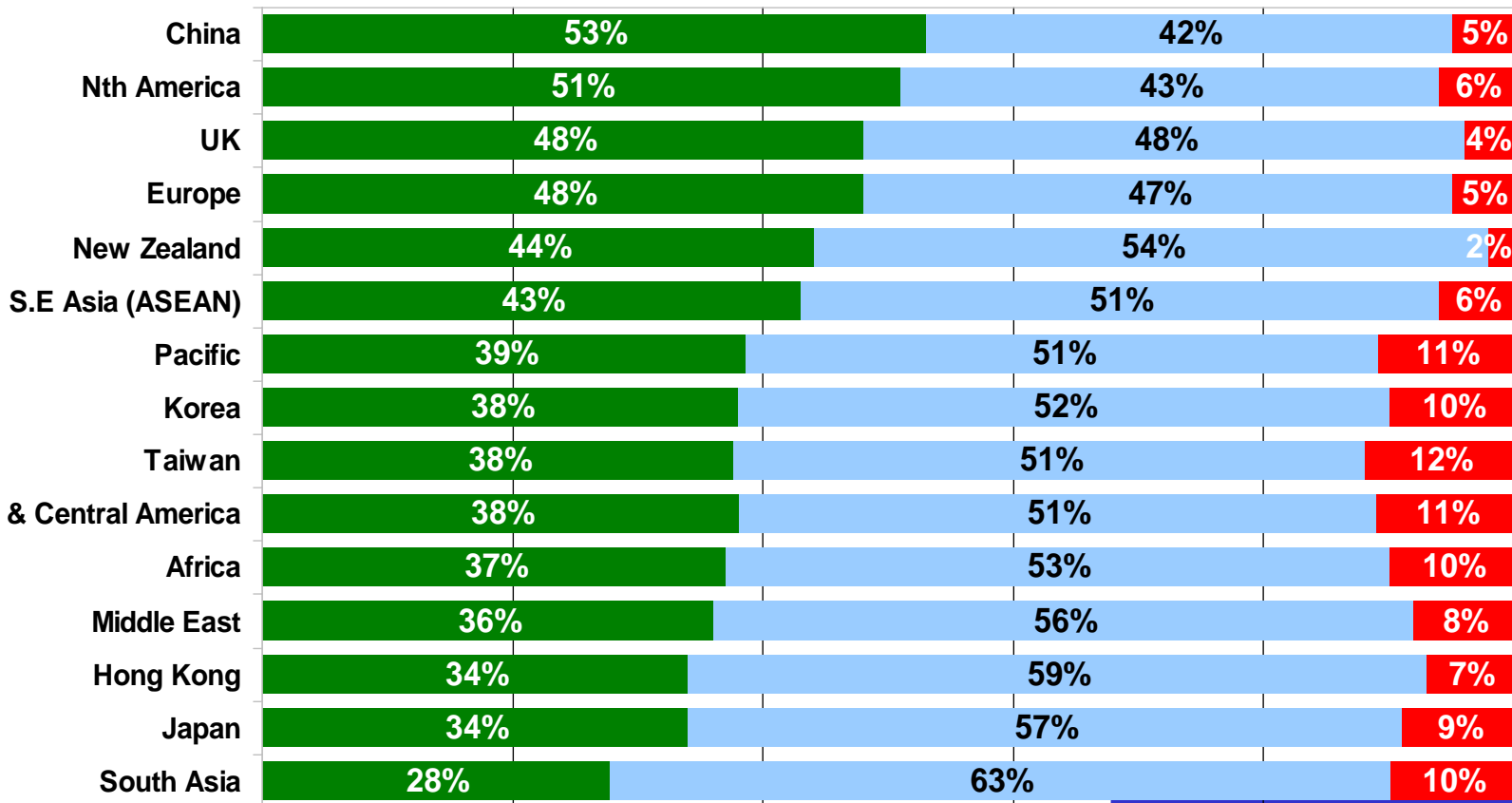


Australia has also been able to build a stronger exporter 'heartland'



The 'heartland' of exporter-land consistently rates China highly

Changes to export orders over the next 12 months by region



■ Increase
 ■ Stay same
 ■ Decrease

China is consistently our top growth exporting destination.

Base = Companies that export to the geographic area

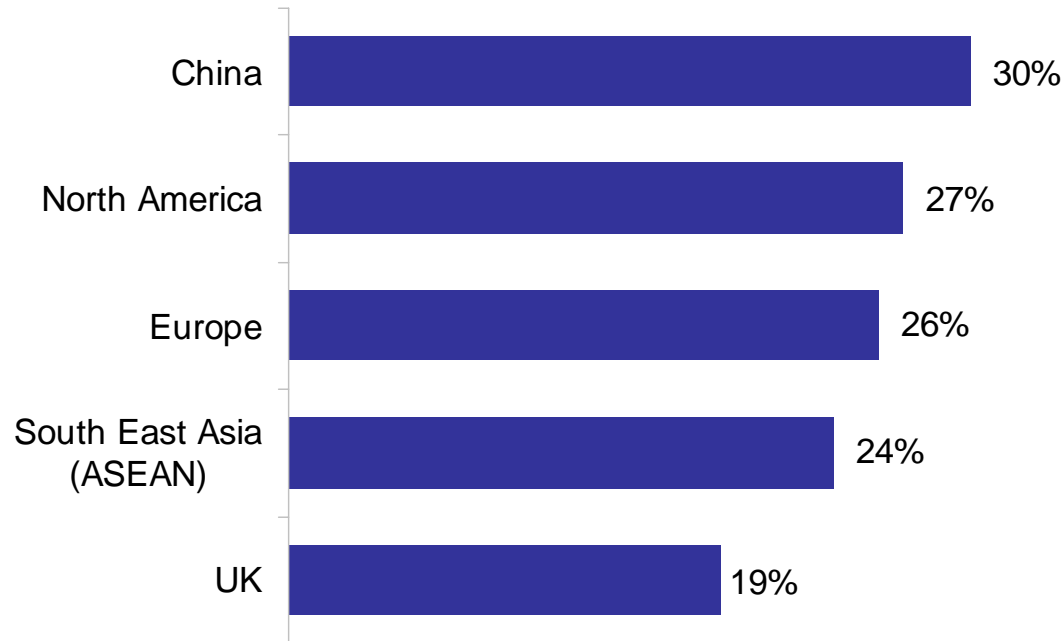
Our surveys show a fair bit of ‘panda-hugging’ amongst both exporters and importers



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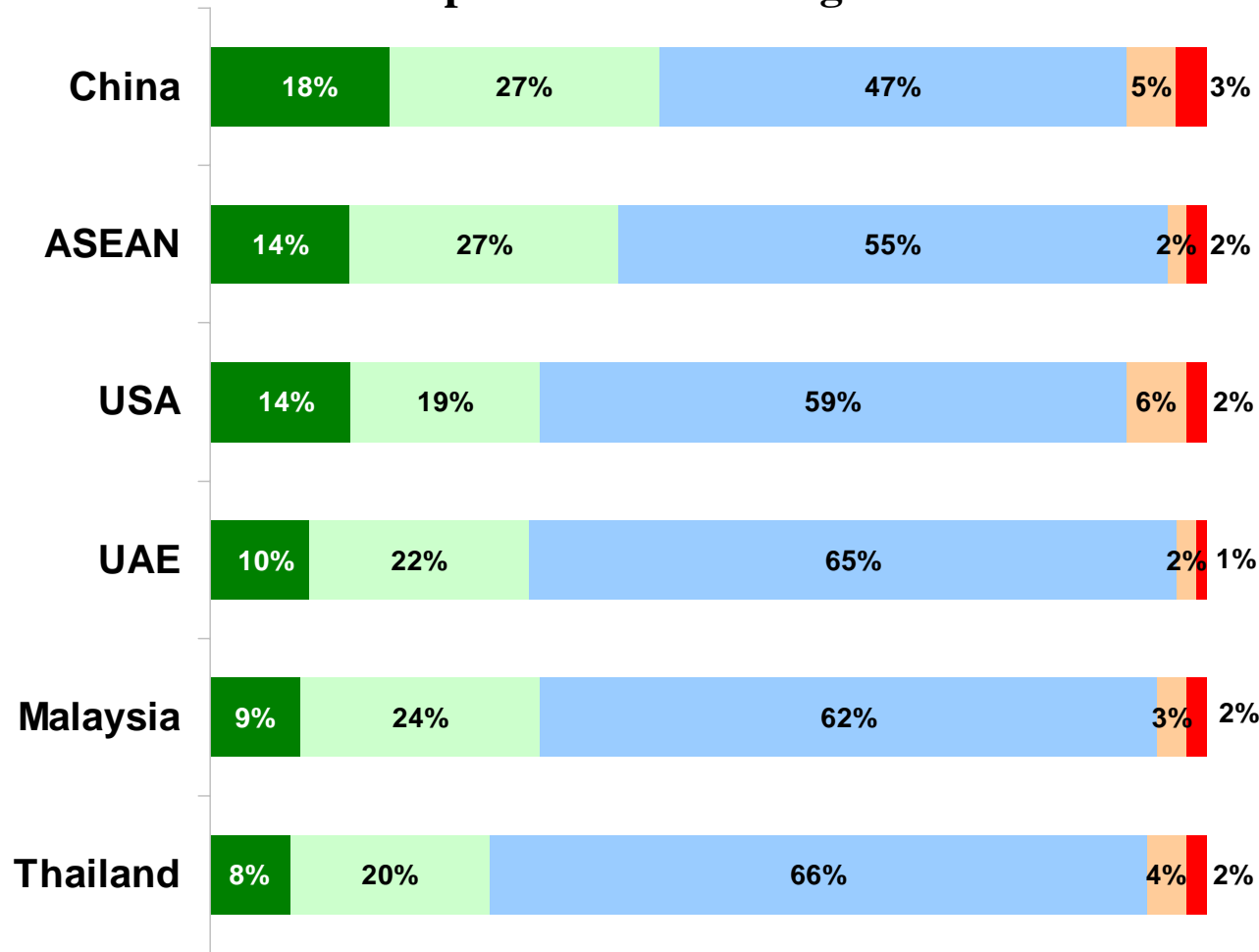
And this is likely to continue into the future

Top 5 exporting destinations in the future

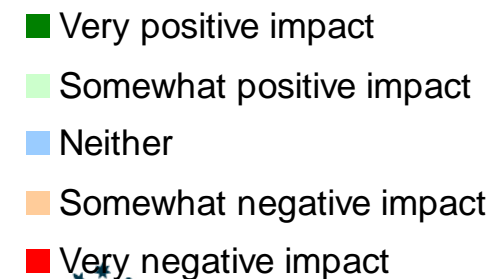


Especially with free trade agreements....

Impact on your business of FTAs or Closer Economic Partnership with the following countries



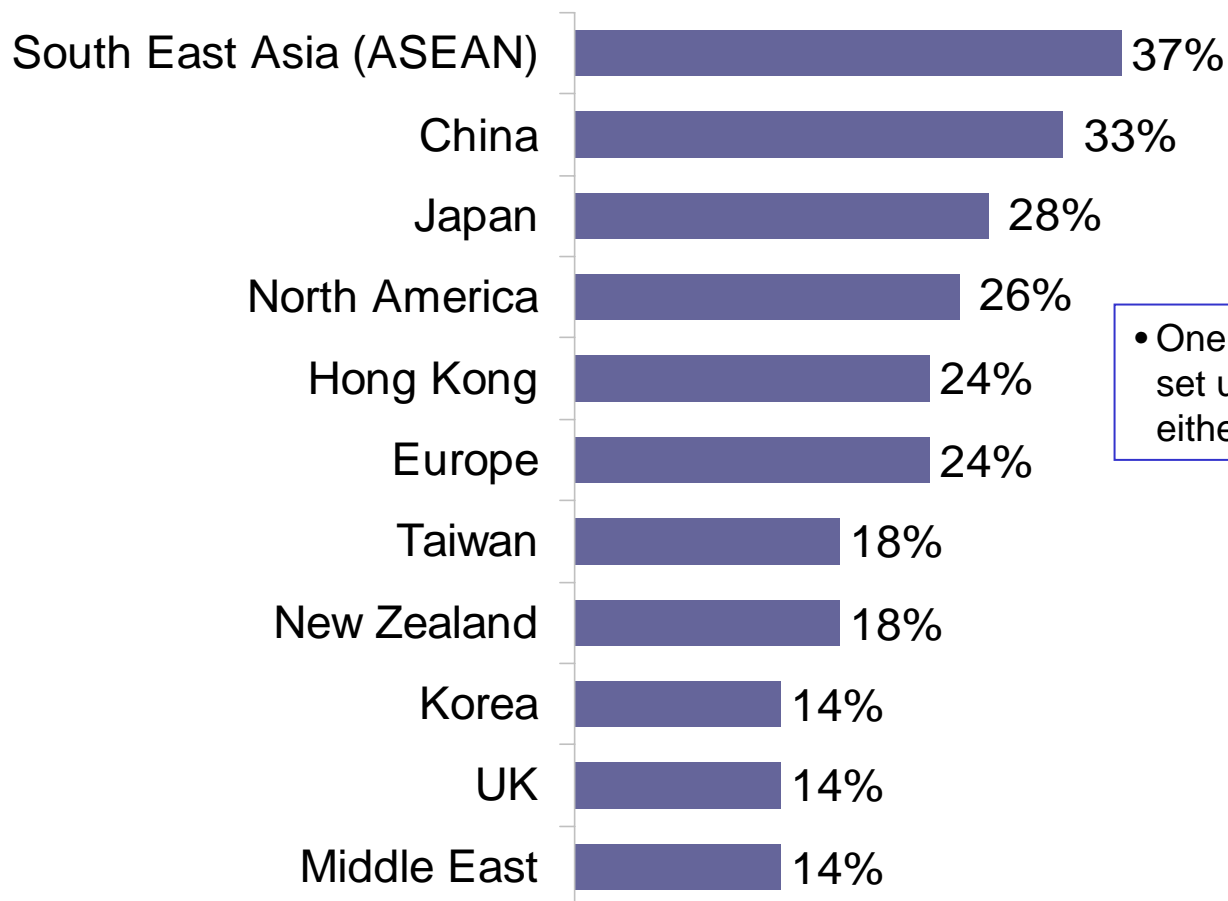
• FTAs with China and ASEAN will have the most positive impact for Australian exporters.



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And the forging of strategic alliances

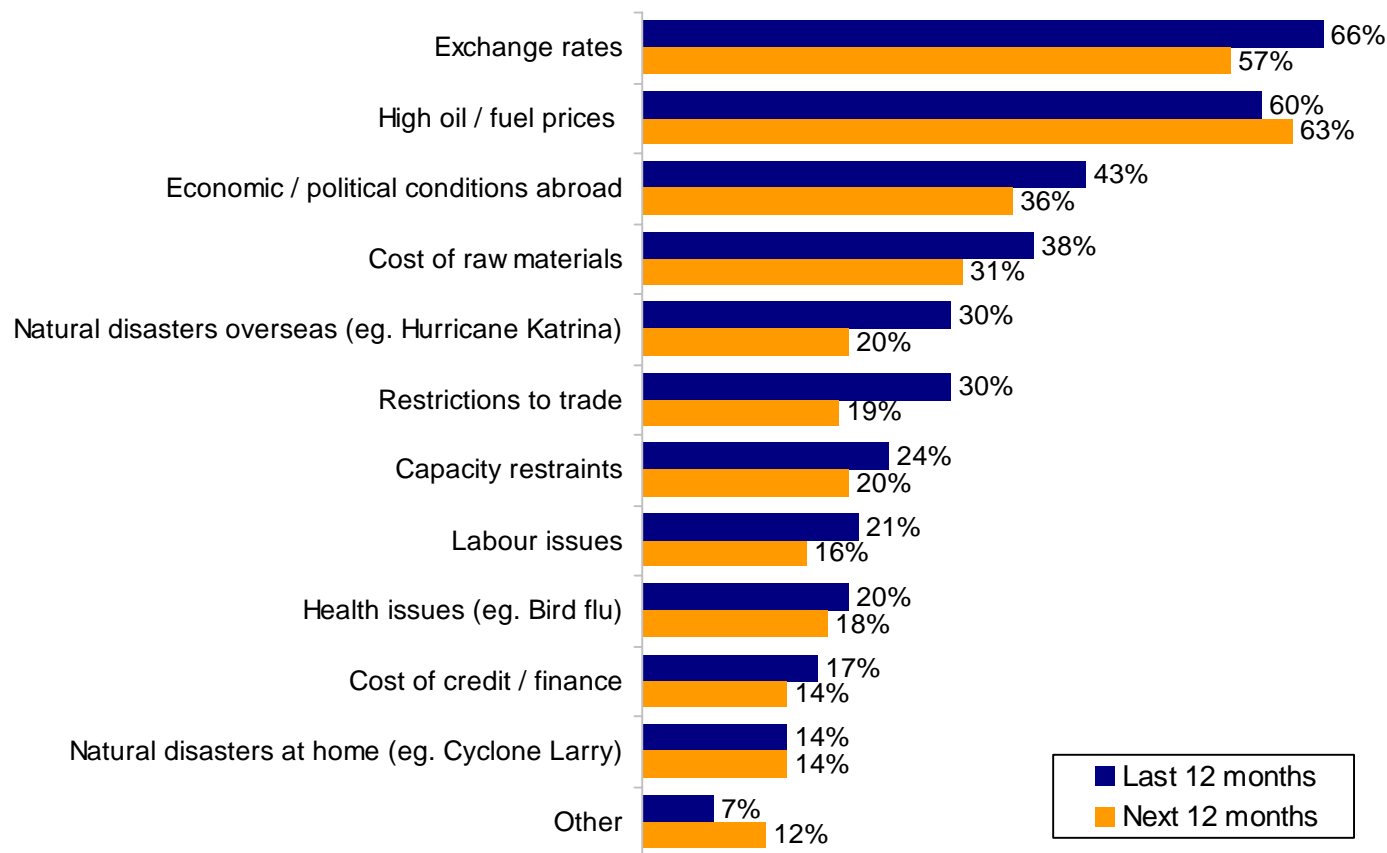
Top 11 export markets where exporters have set-up a strategic alliance



- One in three exporters have set up a strategic alliance in either ASEAN or China.

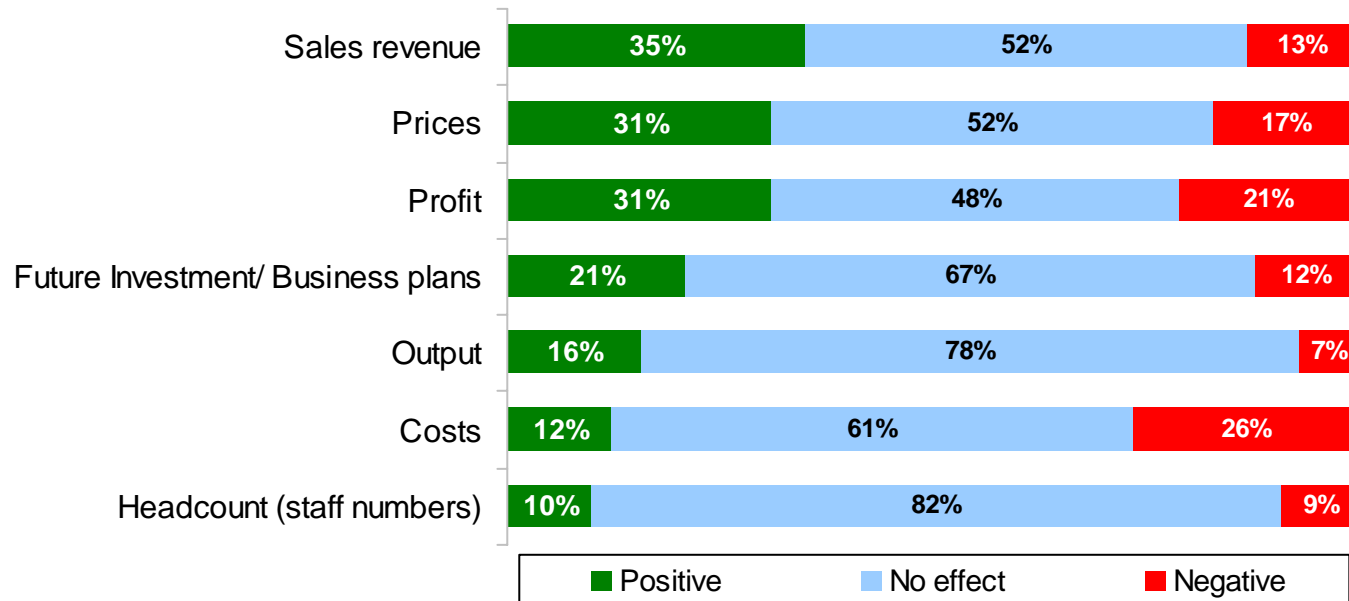


The heartland sticks in there...even with a higher dollar



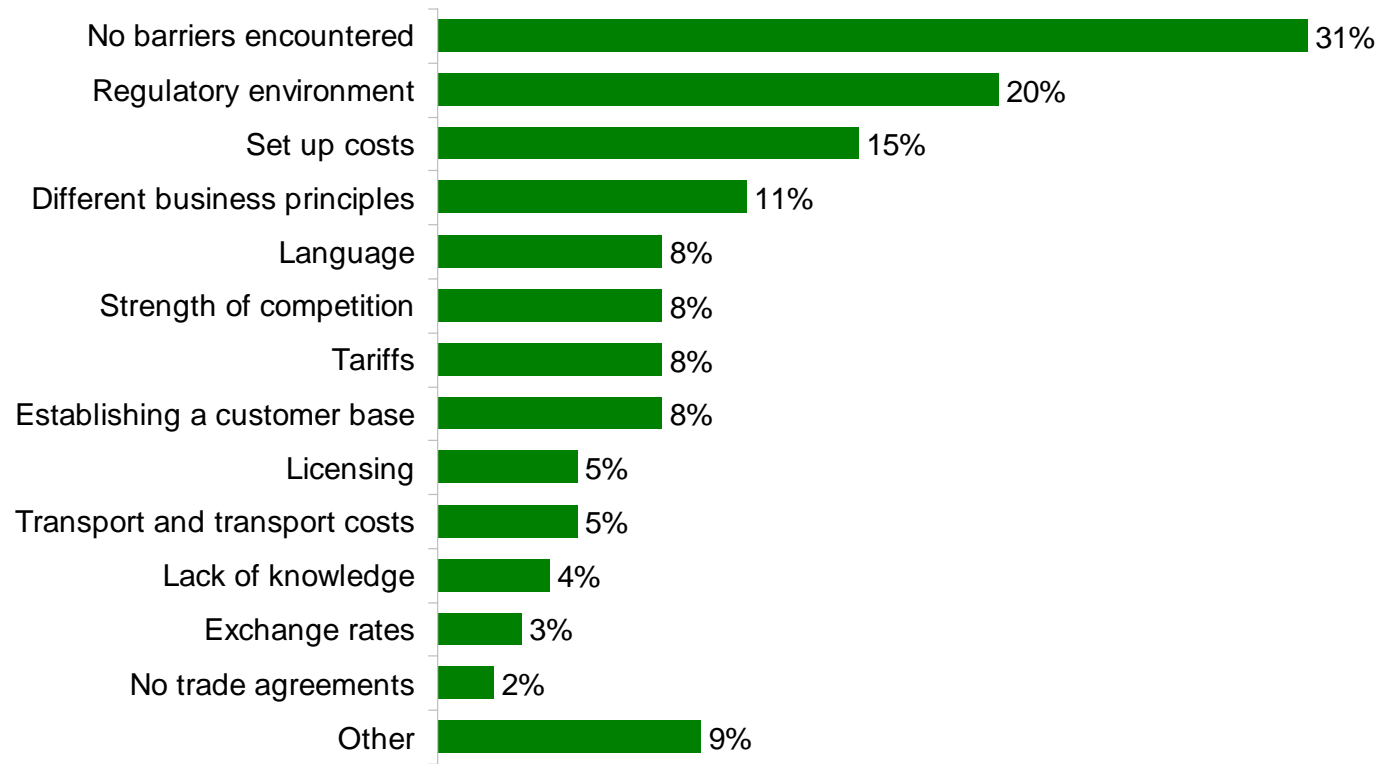
As they have long term commitment to exporting

With the weakening of the Australian dollar, what effect has this had on ... ?



Trade barriers are becoming less of a problem (notwithstanding the need for agricultural reform)

Major barriers faced when exporting in the first instance

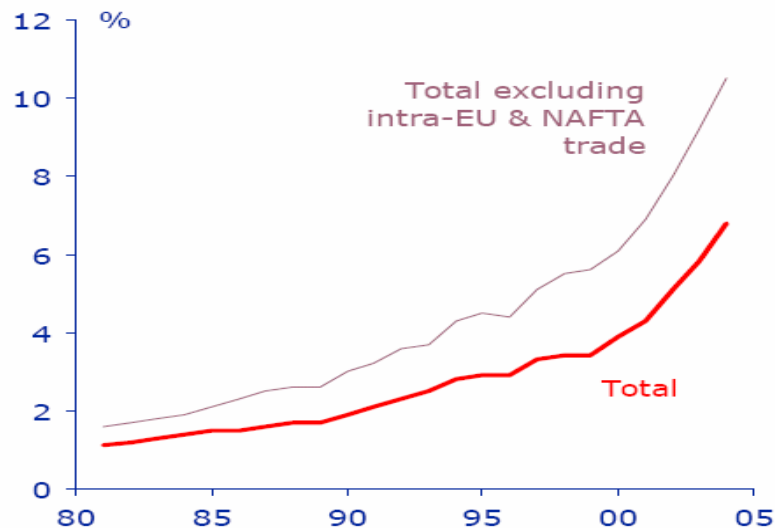




China is now the world's third largest exporter – after Germany and the USA

China is the world's third largest exporter, and could be #1 by 2009

China's share of global merchandise exports



Source: IMF, Direction of Trade Statistics database; Economics@ANZ.

Top 10 exporters 2004



economics@ANZ



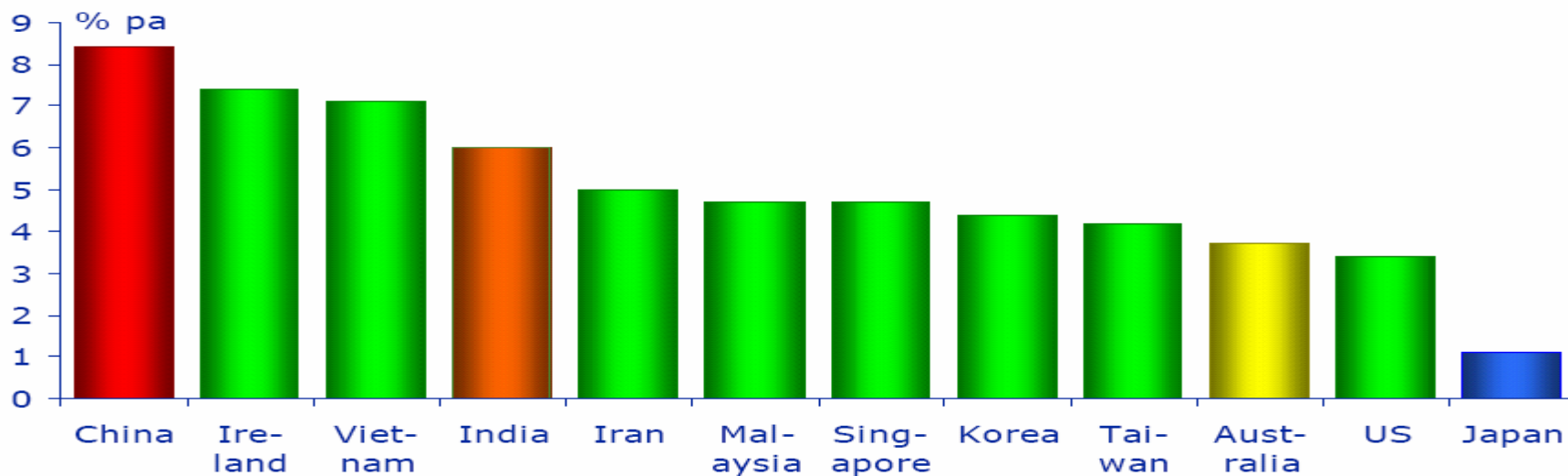
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India is also joining China in the openness stakes

China's and India's economies have grown extremely rapidly over the past decade

Real GDP growth, 1995-2005



Source: IMF, *World Economic Outlook* database, April 2005.

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BEYOND OUR SHORES

Essays on Australia and the Global Economy

By Tim Harcourt, Chief Economist, Australian Trade Commission



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Useful links/further reading:

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www.abareconomics.com

www.treasury.gov.au

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www.accesseconomics.com.au

www.sensis.com.au

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