



Australia China Business Council  
澳大利亚中国工商业委员会



Bankwest Curtin Economics Centre

# The Benefits of Australia's Trade and Economic Relationship with China

Bankwest Curtin Economics Centre

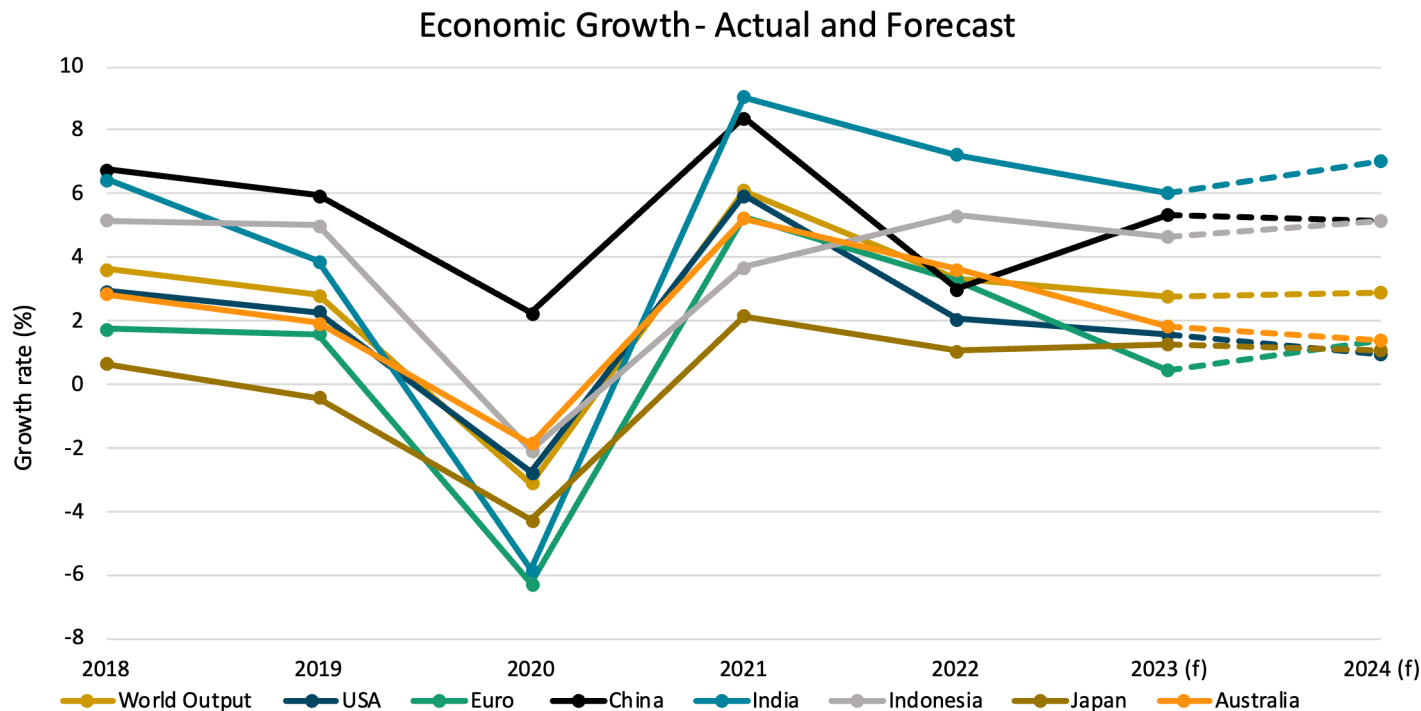
Professor Alan Duncan



# The State of Play

# Economic growth forecasts for China remain high

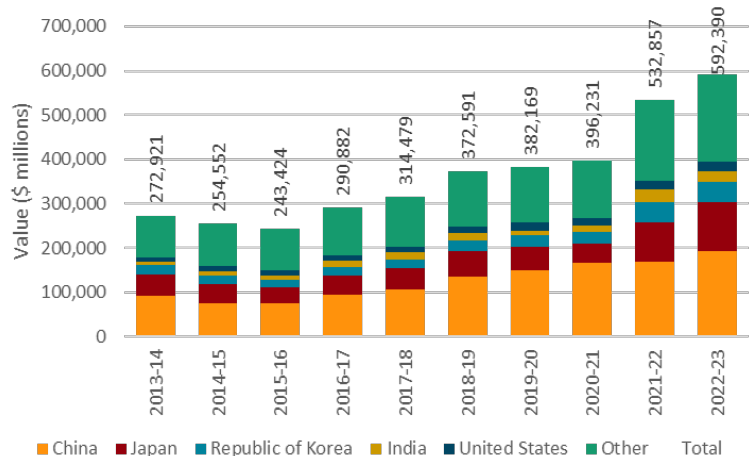
Growth intensity 2018-2024(f) – OECD Economic Outlook, 2023



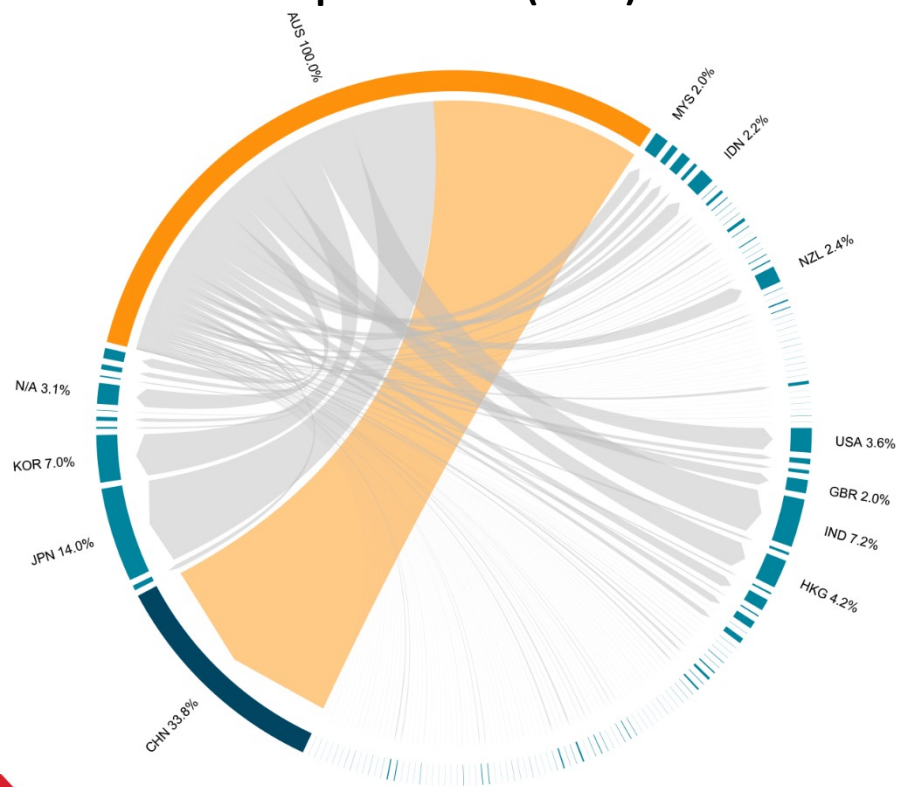
# China is Australia's biggest single trade partner for merchandise...

Merchandise exports, by partner country, 2013-14 to 2022-23

- Australia exports around \$192bn in merchandise goods to China – **around a third of total exports.**
- Roughly 21% of China's agricultural imports come from Australia, 33% of its resource imports, and 10% of its manufactures.



## Export shares (2022)



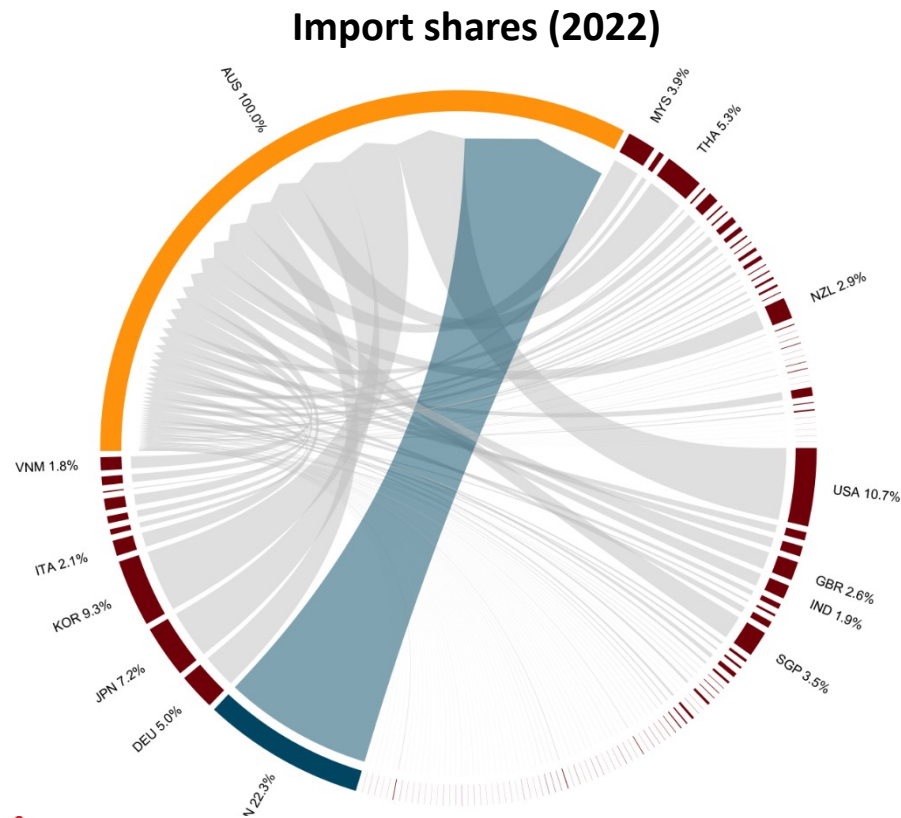
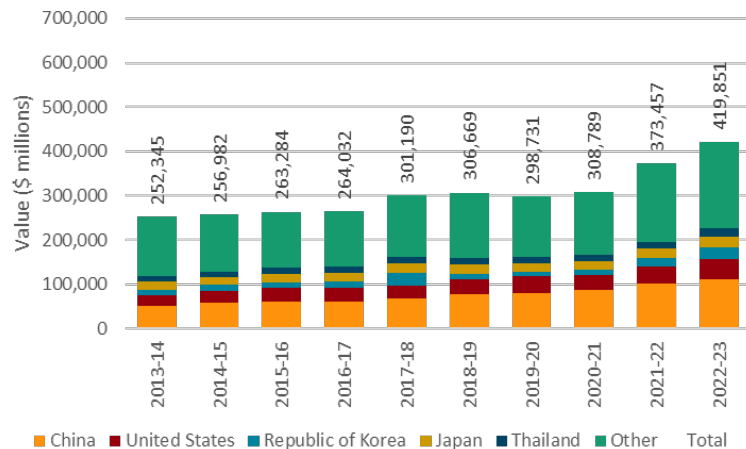
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# China is also Australia's biggest import partner

Merchandise imports by partner country, 2013-14 to 2022-23

- China is also the top source of imports accounting for **nearly a quarter of Australia's total imports** worth \$111bn.
- Roughly 33% of Australia's imports of manufactures and 7% of agriculture imports are sourced from China.



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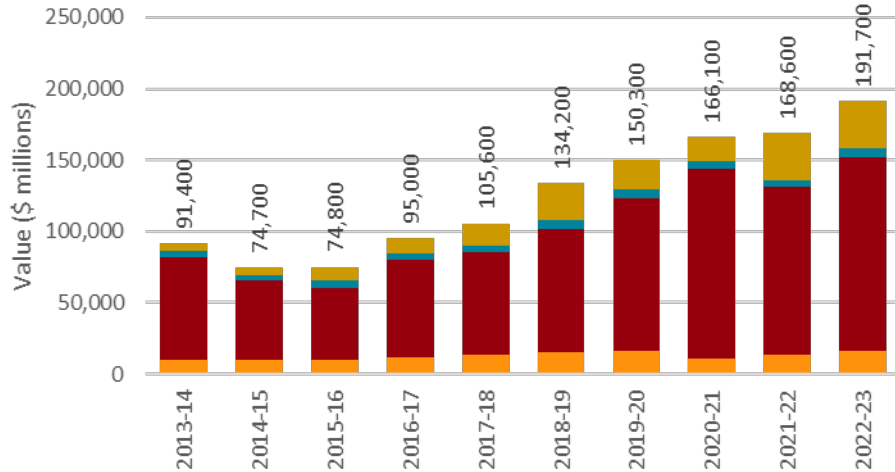
# Merchandise Trade

## Australia's export and imports by category: 2013-14 to 2022-23

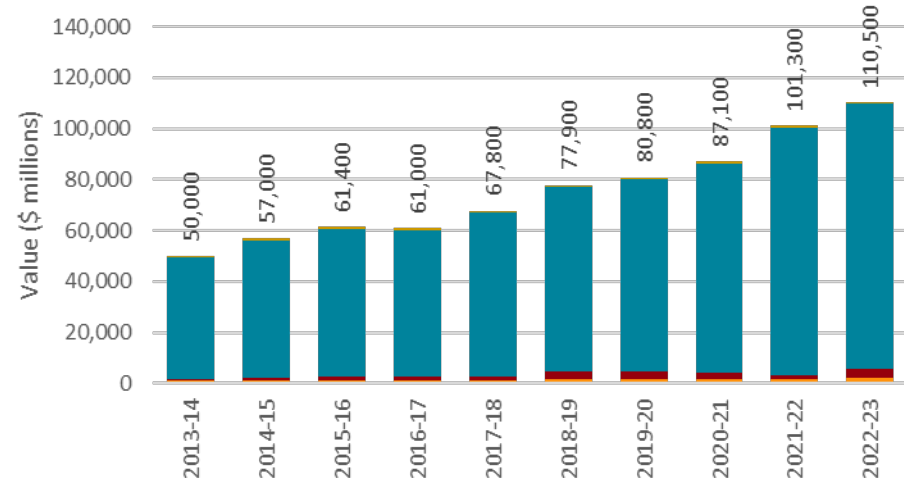
- Roughly 70% of Australia's exports to China are resources

- And over 90% of imports from China are manufactures

### Exports



### Imports

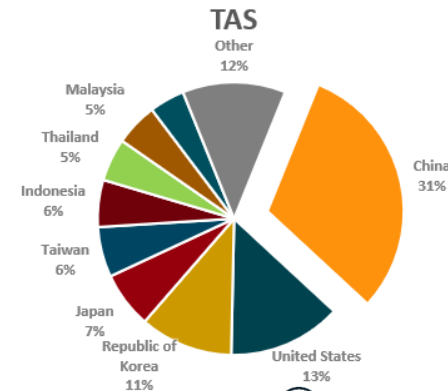
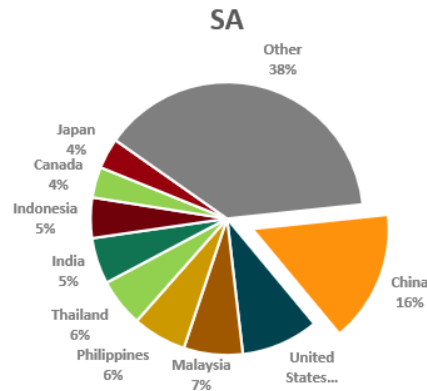
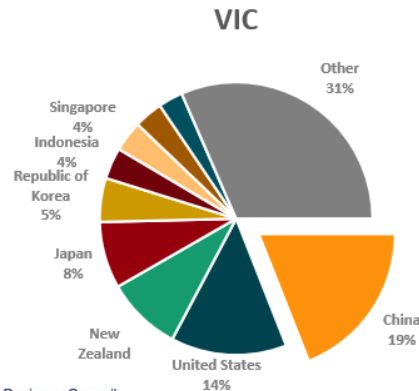
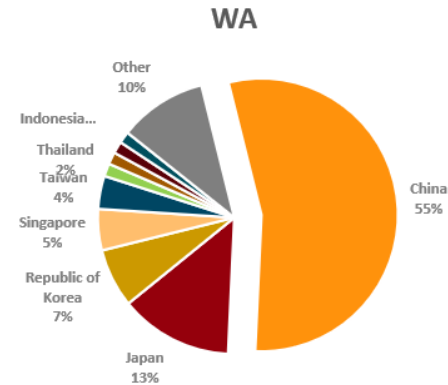
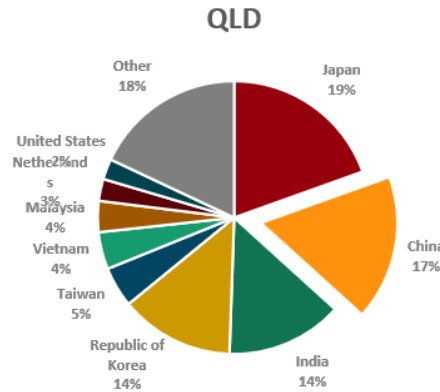
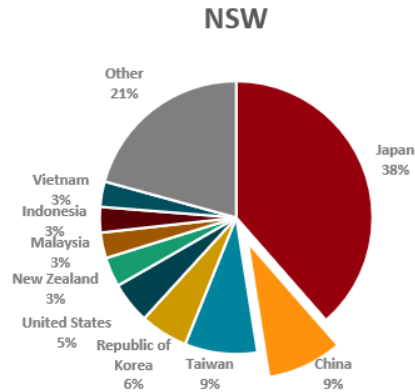


■ Agriculture, fisheries & forestry ■ Minerals & fuels ■ Manufactures ■ Other goods Total

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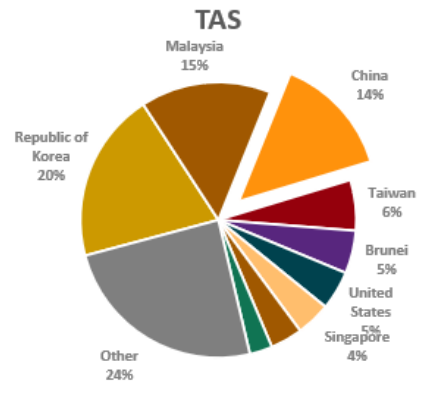
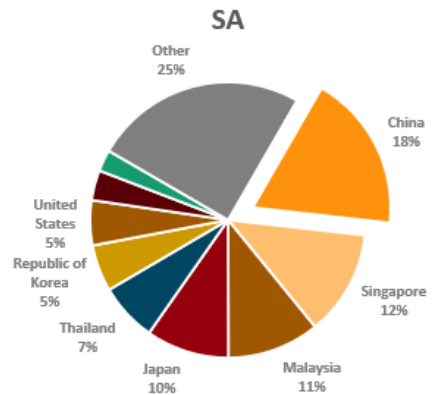
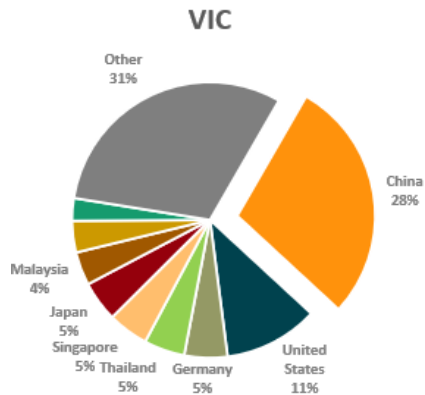
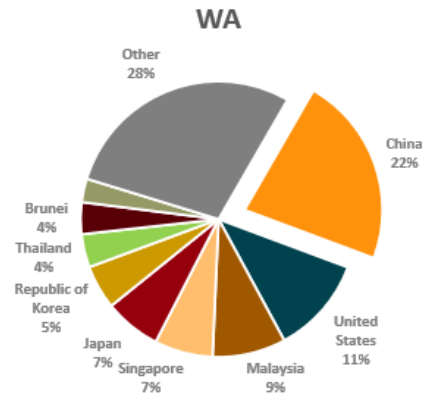
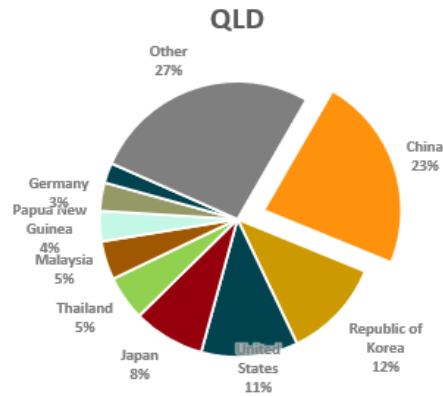
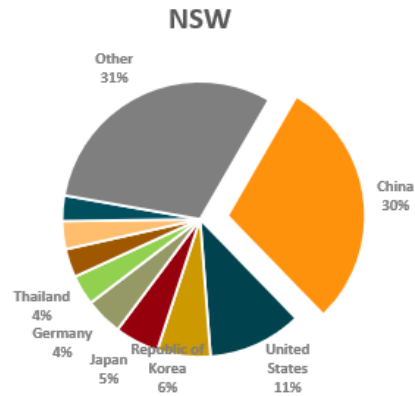
# We know that export shares to China differ substantially across states....

Shares of merchandise exports to partner countries: by state, 2022-23



# But China is almost always the most important import partner for states

Shares of merchandise imports from partner countries: by state, 2022-23








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# Services Trade

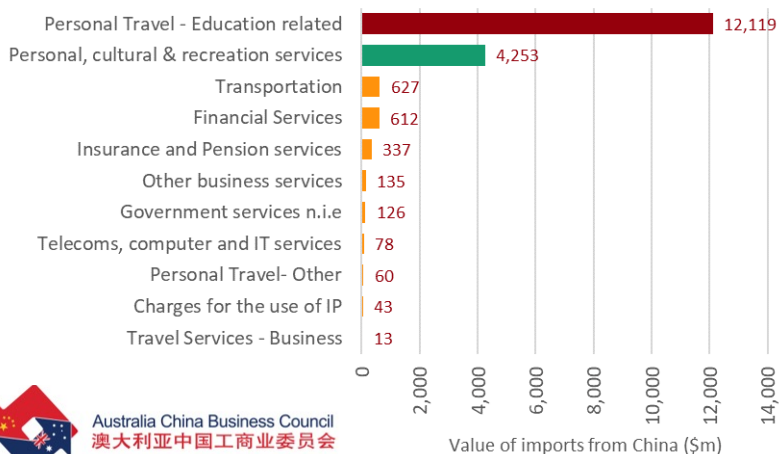
 @BankwestCurtin #AusChina

# Service exports to China have taken a hit from reduced education service exports...

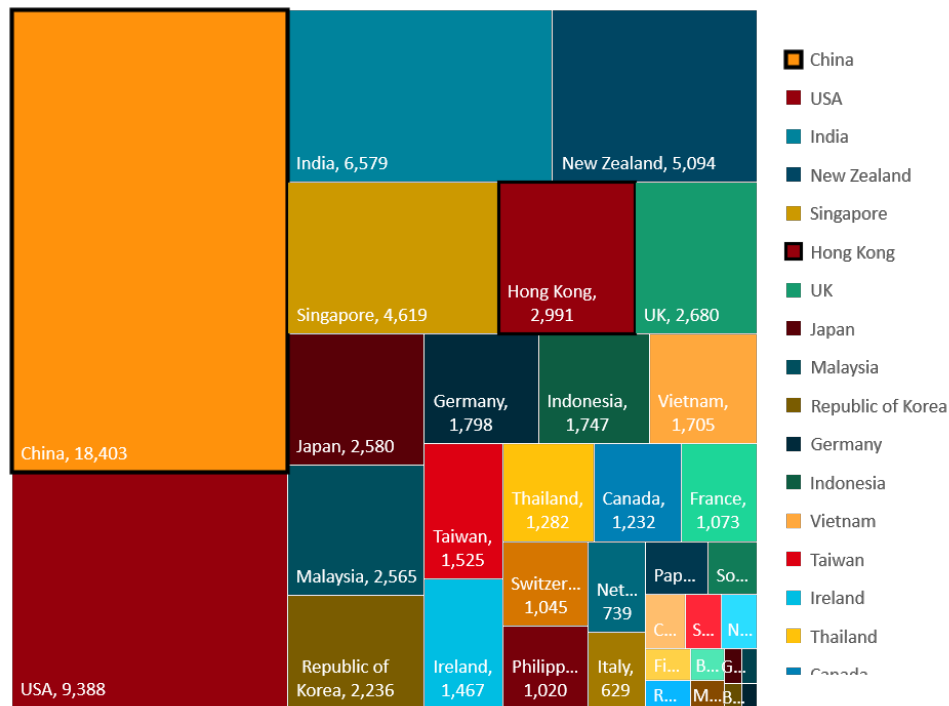
Share of services exports by country partner and type: 2018-19

- Prior to COVID, China was Australia's largest service export partner, with **around \$18.4bn** in exports – primarily **education services** and **personal, cultural and recreational services**.

Service exports to China: 2018-19



Service exports: country shares, 2018-19

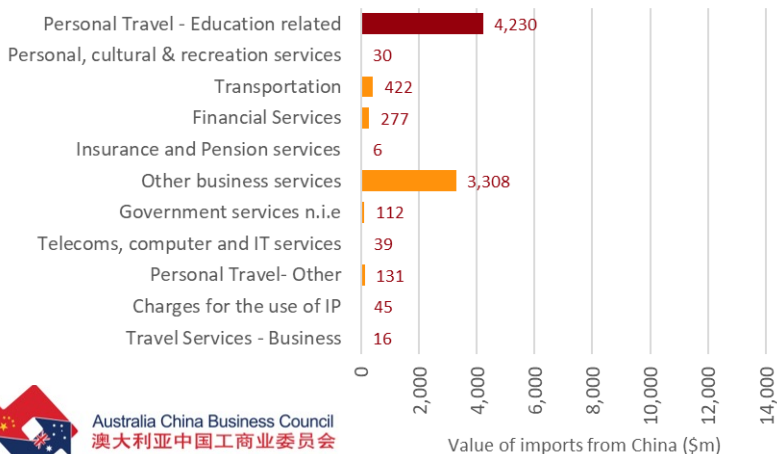


# Service exports to China have taken a hit from reduced education service exports...

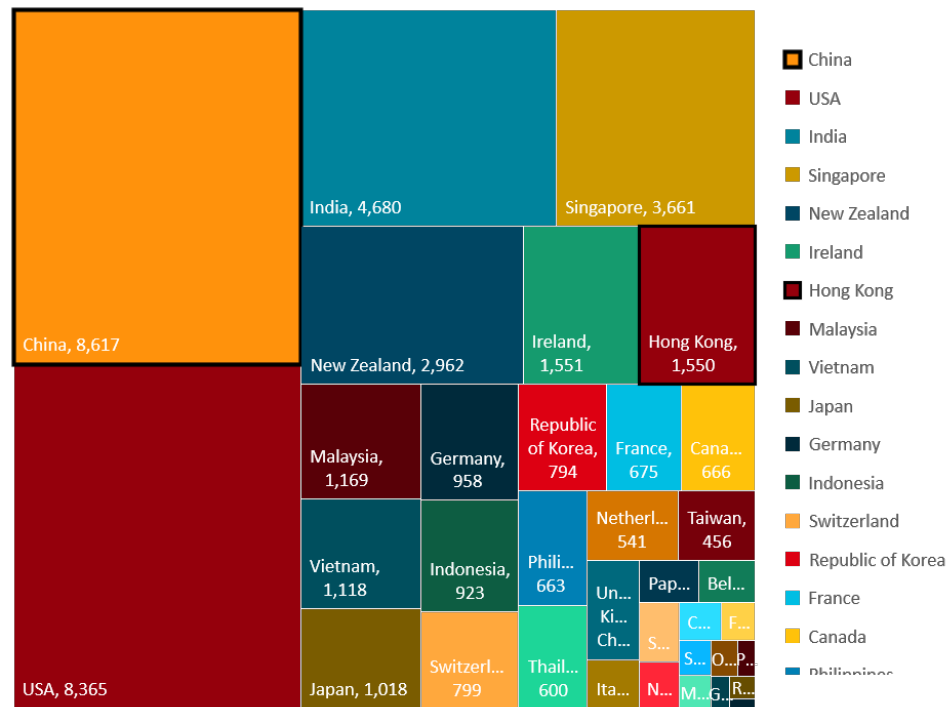
Share of services exports by country partner and type: 2021-22

- But service exports to China **more than halved to \$8.6bn** by 2021-22 – primarily due to **education services** exports falling from **\$12.1bn to \$4.2bn** in three years and **personal, cultural and recreational services** exports disappearing.

## Service exports to China: 2021-22



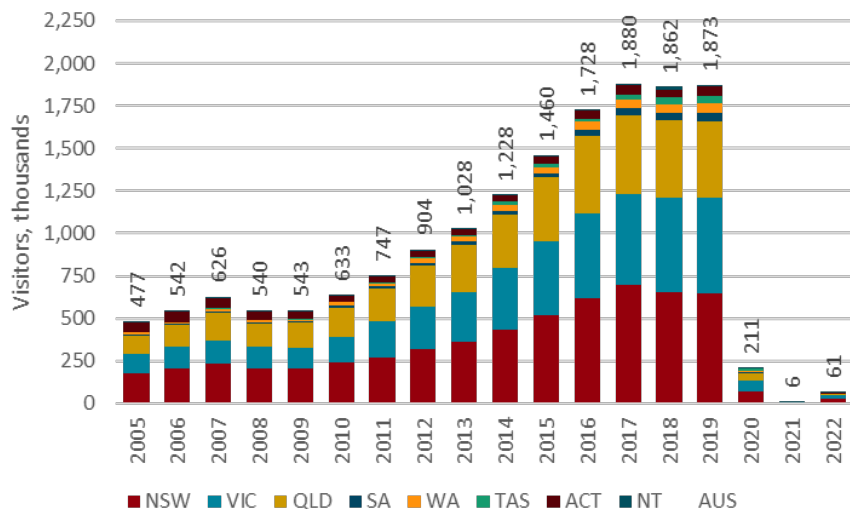
## Service exports: country shares, 2021-22



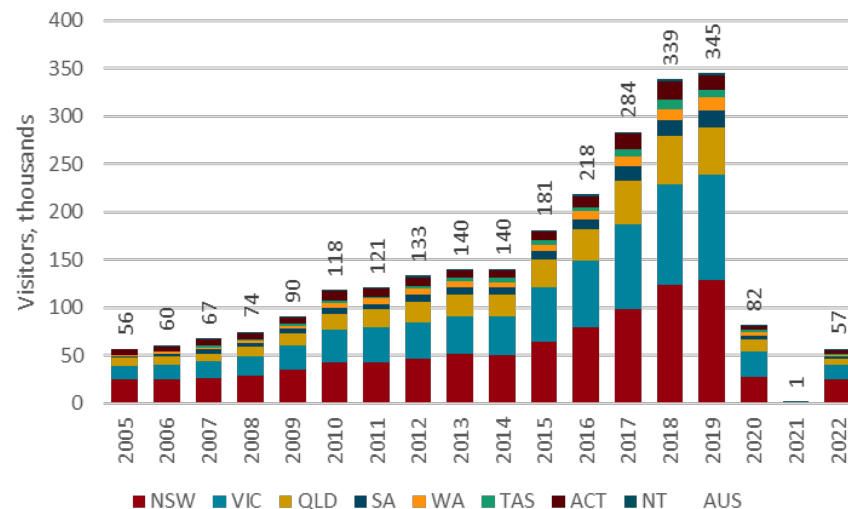
# But the flow of international visitors from China is slowly recovering...

Number of international visitors from China, by visitor type and by state, 2005 to 2022

## Non-education related travel



## Education-related travel

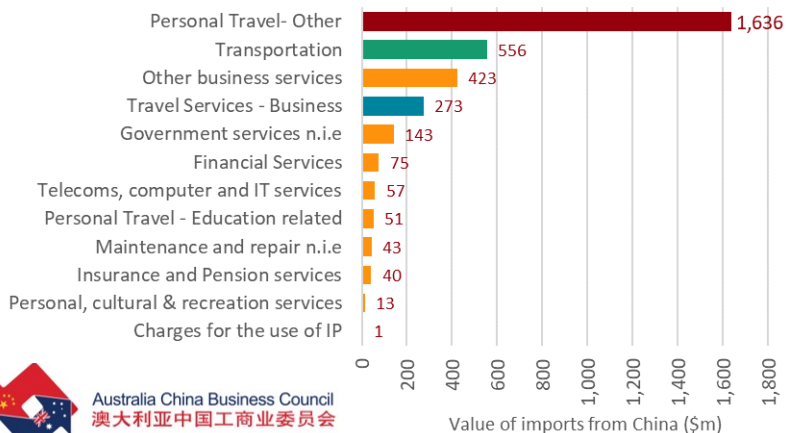


# ...while Australia's service import partners have grown more diverse

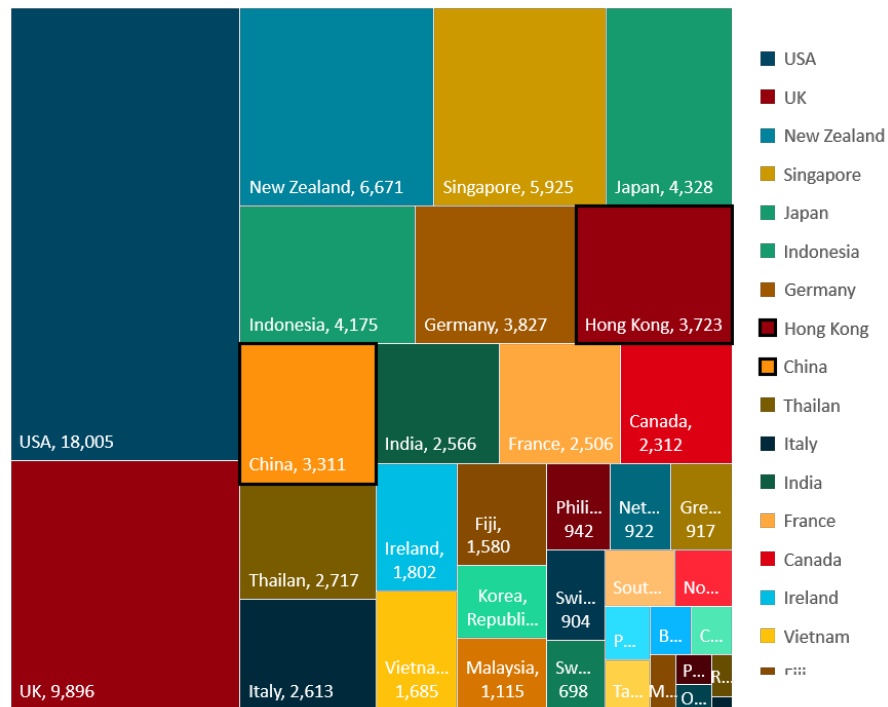
## Share of services imports by country partner: 2018-19

- China ranks **ninth largest** as a contributor to Australia's service imports
- Australia imported **\$3.31bn** from China in 2018-19, accounting for **around 3.8%** of total service imports, principally **personal travel (\$1.6bn)**

### Service imports from China: 2018-19



### Service imports: country shares, 2018-19

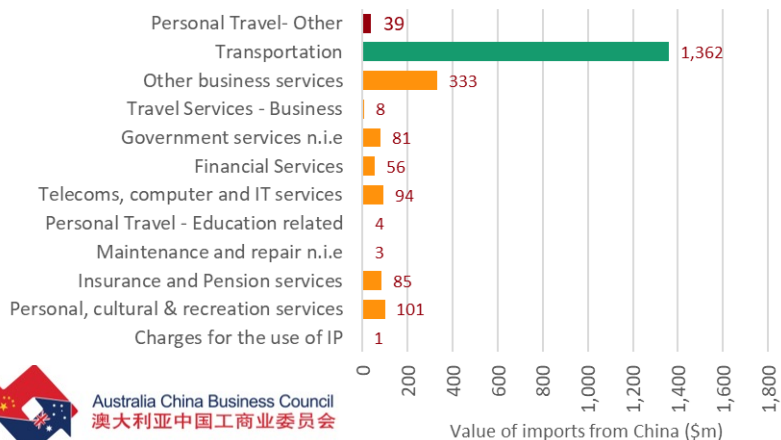


# ...while Australia's service import partners have grown more diverse

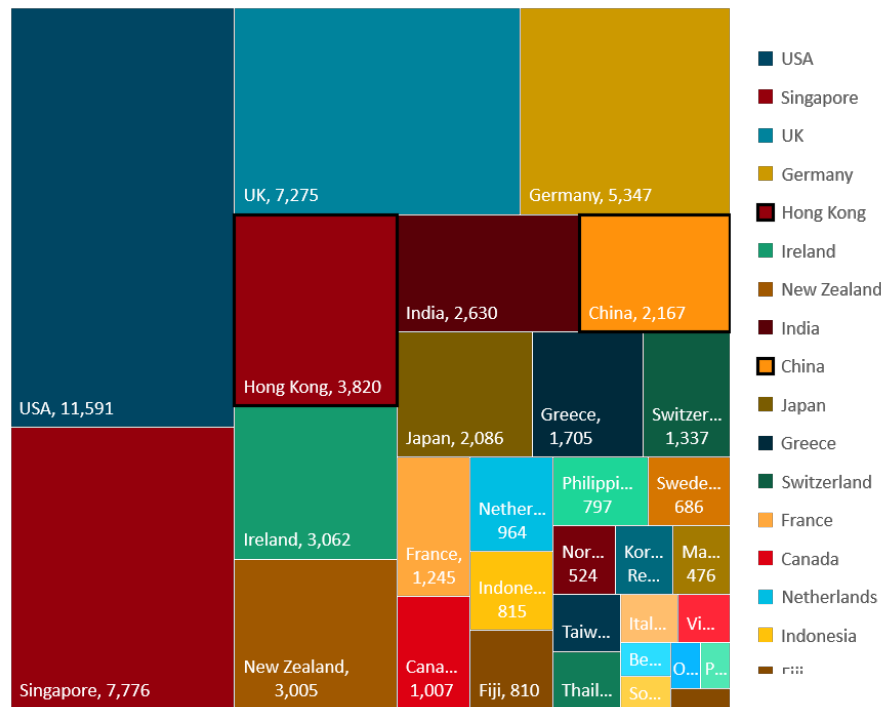
## Share of services imports by country partner: 2021-22

- Australia's service imports from China fell by **\$1.14bn** to **\$2.17bn** due to the near disappearance of **personal travel** offset by an **\$800m** increase in **transportation**.
- Australia's overall service imports fell **\$25.7bn** to **\$62.1bn** by 2021-22

### Service imports from China: 2021-22



### Service imports: country shares, 2021-22

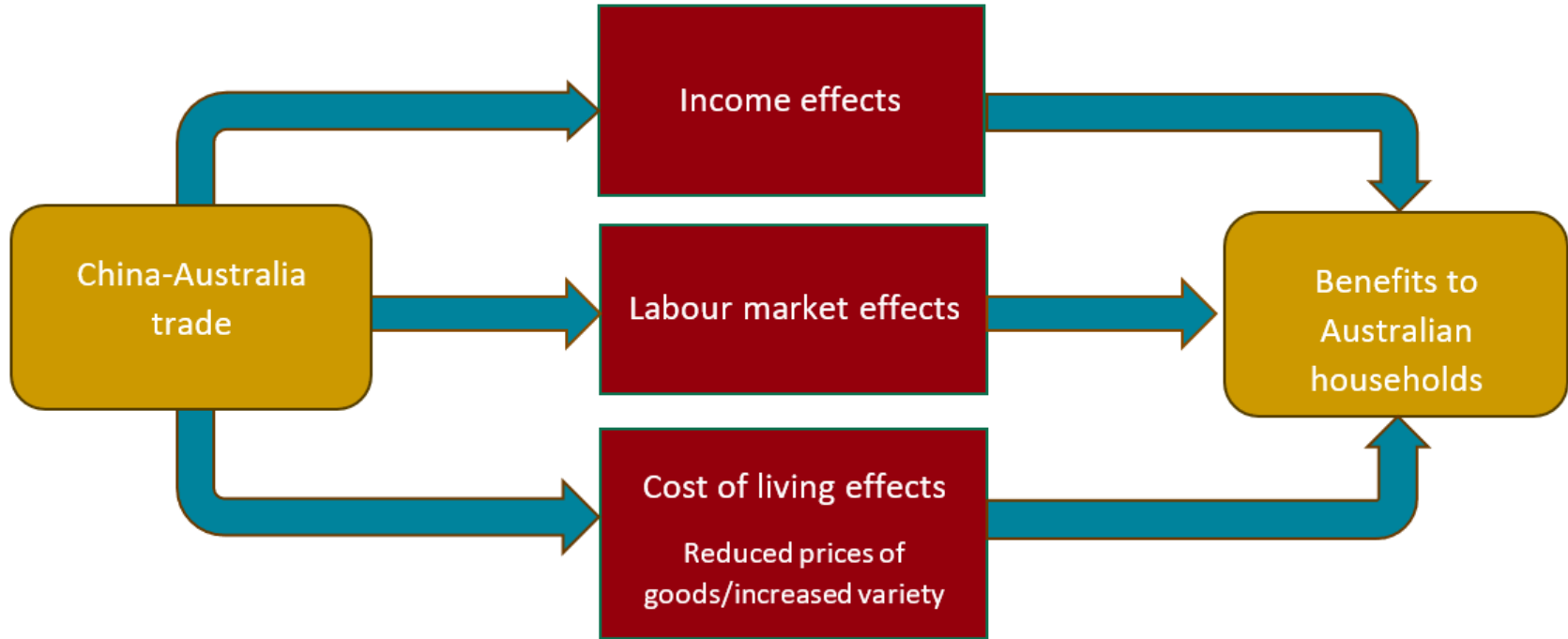




# Modelling gains from trade with China to Australian Households

# Benefits to Australian households from trade with China

## Channels of transmission

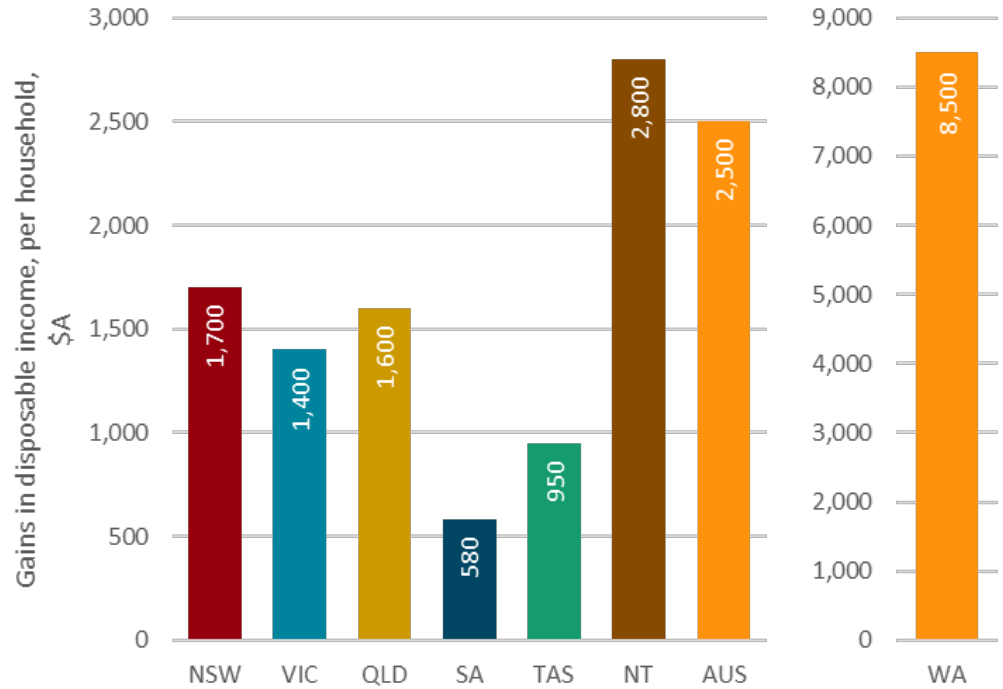




# Gains in household income

Estimated increase in household income from trade with China, by state, 2021-22

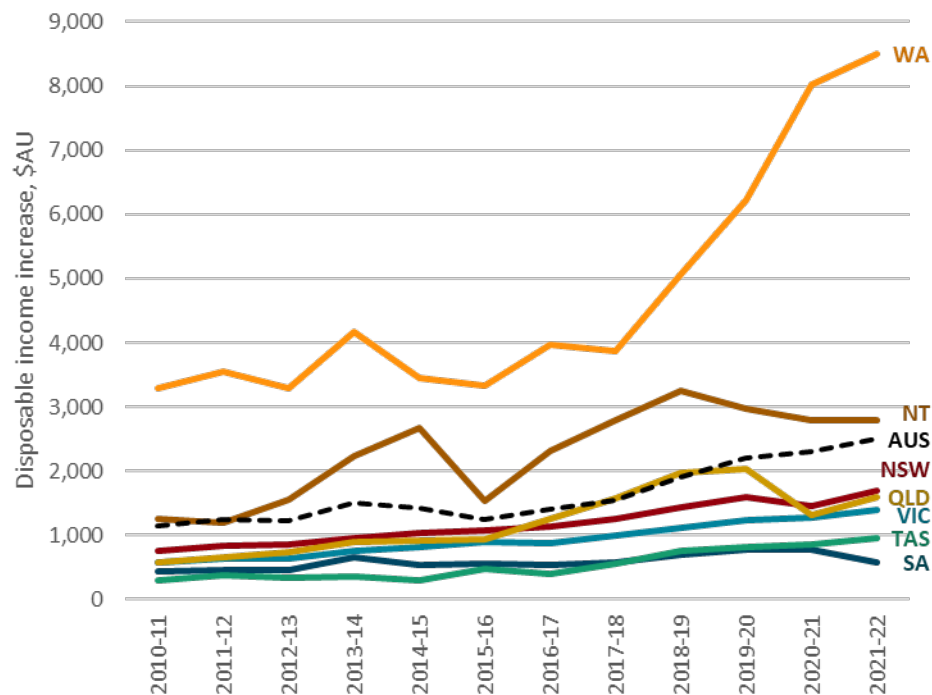
- Two-way trade between Australia and China is estimated to have **increased disposable incomes per household by \$2,500** nationally in 2021-22.
- This translates to **4.5%** of gross disposable income per capita, and **\$26.7 billion on aggregate** to Australian households.
- The largest increase is for **Western Australia**, with average household income gains estimated to be about **\$8,500 per annum**.



# Gains in household income

Estimated increase in household income from trade with China, by state, 2015-16 to 2021-22

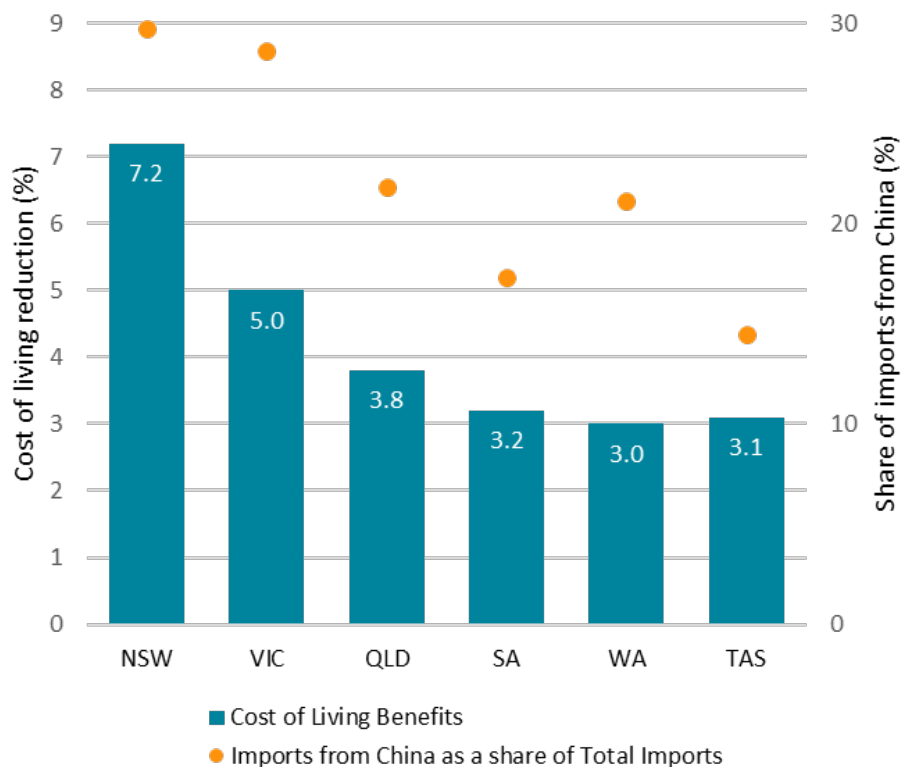
- **WA households benefit the most** from trade with China, due to Chinese investment in the resources sector.
- For **South Australia**, income benefits have reduced due to **education exports**
- Most of the benefits in **New South Wales** and **Queensland** stem from investment in **commercial real estate**.
- For **Victoria** the main driver of income benefits is through **education services**
- Benefits are more pronounced following the **signing of ChAFTA** in 2015.



# Reduced cost of living

Estimated per-cent reduction in cost of living from trade with China, by state

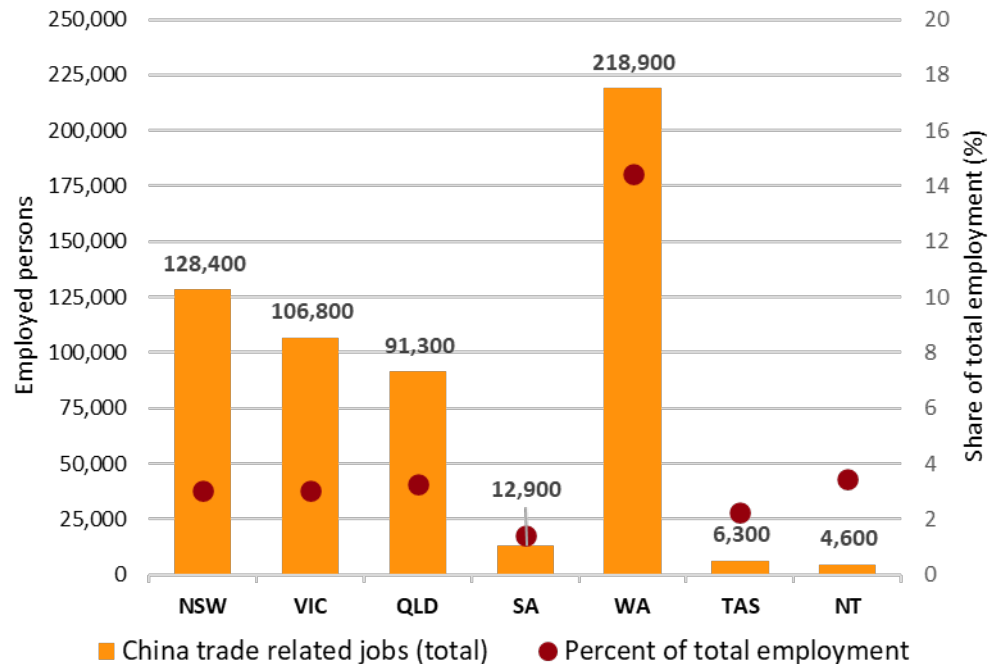
- Costs of living have been **reduced by about 4.2% nationally** because of Australia's trade with China.
- The **larger eastern states** are found to enjoy greater reductions in costs of living:
  - 7.2% for NSW
  - 5.0% for VIC
- The cost-of-living benefits are **higher** for states with **greater shares of imports from China**



# Gains in employment

Estimated increase in employed persons from trading with China, by State, 2021-22

- Australia's trade with China contributes to around **569,000 jobs nationally**, equivalent to **4.2%** of total employment.
- WA has seen the largest gains in jobs, **estimated at 218,900** – the equivalent of **14.5%** of the state's total employment.





## "THE BENEFITS OF AUSTRALIA'S TRADE AND ECONOMIC RELATIONSHIP WITH CHINA" REPORT KEY PRELIMINARY FINDINGS



### LABOUR MARKET EFFECTS

**569,200**

Added to number of employed people

↓ **0.25%**

Reduction in Australia's unemployment rate



### HOUSEHOLD INCOME EFFECTS

**\$2,500**

Added to average household disposable income

↑ **4.5%**

Added to average household gross income



### COST OF LIVING EFFECTS

↓ **4.2%**

Lower average cost of living in Australia



### EXPORTS TO CHINA

**\$191.7bn**

Value of exports to China in 2022-23

**32.4%**

China's share of Australia's total exports in 2022-23



### IMPORTS FROM CHINA

**\$111bn**

Value of imports from China in 2022-23

**26.3%**

China's share of Australia's total imports in 2022-23



### INWARD INVESTMENT (INCLUDING FDI & PORTFOLIO)

**\$85.1bn**

Value of inward investment from China to Australia in 2022

**1.9%**

China's share of Australia's total inward investment 2022



## NORTHERN TERRITORY

Gains in disposable income per household (\$), 2021-22

**2,800**

Gains in employment (Persons), 2021-22

**4,600**

Reduced cost of imported goods (% of total import expenditure), 2022

-

Merchandise export earnings (\$m), 2022-23

**1,955**

## WESTERN AUSTRALIA

Gains in disposable income per household (\$), 2021-22

**8,500**

Gains in employment (Persons), 2021-22

**218,900**

Reduced cost of imported goods (% of total import expenditure), 2022

**3.0**

Merchandise export earnings (\$m), 2022-23

**147,676**

## SOUTH AUSTRALIA

Gains in disposable income per household (\$), 2021-22

**580**

Gains in employment (Persons), 2021-22

**12,900**

Reduced cost of imported goods (% of total import expenditure), 2022

**3.2**

Merchandise export earnings (\$m), 2022-23

**2,726**

## TASMANIA

Gains in disposable income per household (\$), 2021-22

**950**

Gains in employment (Persons), 2021-22

**6,300**

Reduced cost of imported goods (% of total import expenditure), 2022

**3.1**

Merchandise export earnings (\$m), 2022-23

**1,366**

## QUEENSLAND

Gains in disposable income per household (\$), 2021-22

**1,600**

Gains in employment (Persons), 2021-22

**91,300**

Reduced cost of imported goods (% of total import expenditure), 2022

**3.8**

Merchandise export earnings (\$m), 2022-23

**22,035**

## NEW SOUTH WALES

Gains in disposable income per household (\$), 2021-22

**1,700**

Gains in employment (Persons), 2021-22

**128,400**

Reduced cost of imported goods (% of total import expenditure), 2022

**7.2**

Merchandise export earnings (\$m), 2022-23

**8,817**

## VICTORIA

Gains in disposable income per household (\$), 2021-22

**1,400**

Gains in employment (Persons), 2021-22

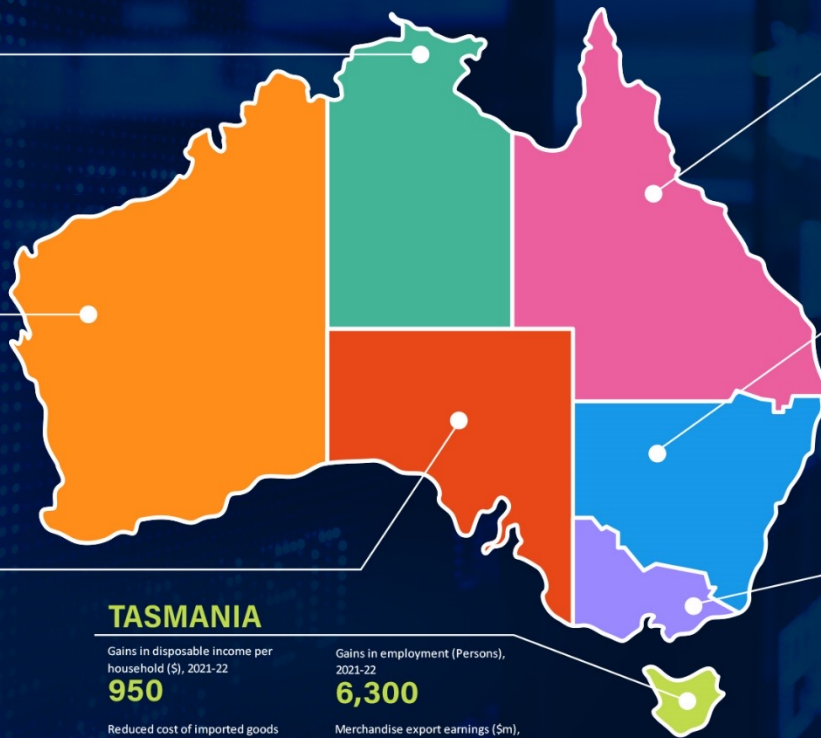
**106,800**

Reduced cost of imported goods (% of total import expenditure), 2022

**5.0**

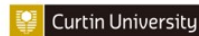
Merchandise export earnings (\$m), 2022-23

**6,460**





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# Thank You

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