



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



Bankwest Curtin Economics Centre



# VICTORIA-CHINA TRADE

Briefing Note

Benefits to  
Victorian Households

ECONO

2118.04  
+135.08 +2.3%

7239  
572

# FOREWORD



This report analyses the impact of Victoria-China trade on households across the state through the channels of income, employment and cost of living effects. It provides a clear and accurate picture and some reassuring statistics.

The report shows that not only did Victoria export over \$6.46bn of goods to China in 2022-23, but it also indicates the positive flow-on effects to Victorian households from this crucial and beneficial trading relationship.

In 2022-23 Victoria's trade with China contributed to approximately 110,000 jobs to our state. In the same period Victorian households enjoyed a 5% reduction in the cost of living and an additional \$1,550 or 2.9% in disposable income per household.

This report affirms that the complementarity nature of these two economies continues to play a crucial role in the average Victorian household today and has the potential to continue to do so for many years to come.

**Rhys Roberts**

President – ACBC Victoria

# INTRODUCTION AND KEY FINDINGS

This briefing note provides an overview of the trade relationship between China and Victoria. It highlights the impact of Victoria-China trade on the welfare of households in the state through household income, labour market and cost of living effects.

This note should be read in conjunction with the national report which provides a detailed methodological approach and highlights the benefits to the average Australian household.



## LABOUR MARKET EFFECTS

**110,000**

Trade related Jobs

**3%**

Of total employment



## HOUSEHOLD INCOME EFFECTS

**+\$1,550**

Disposable income per household

**2.9%**

Of average household disposable



## COST OF LIVING EFFECTS

**5%**

Reduction in cost of living



## DESTINATION CHINA

**26%**

Of Victoria's agriculture exports



## VALUE OF GOODS EXPORTED TO CHINA

**\$6.46bn**

**19.0%**

Share of total exports goods



## VALUE OF GOODS IMPORTED FROM CHINA

**\$32.6bn**

**28.5%**

Share of total imported goods



## LARGEST GOODS EXPORT TO CHINA

**\$1.22bn**

Wool and other animal hair



## LARGEST GOODS IMPORT FROM CHINA

**\$1.80bn**

Passenger motor vehicles

# MERCHANDISE TRADE WITH CHINA

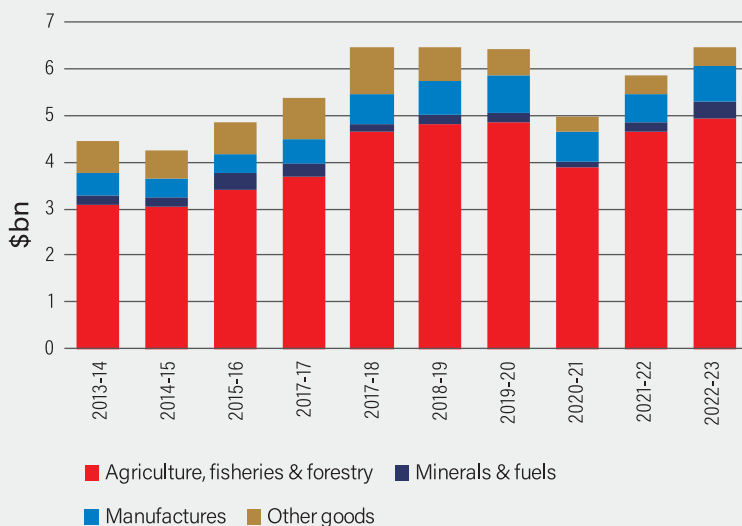
## Exports

Victoria's exports to China constitute more than 1.1 per cent of Australia's overall export value and 19 per cent of the state's exports. In dollar terms, this equates to \$6.5 billion.

Victoria is unique amongst the states and territories with respect to exports to China, with exports being dominated primarily by agricultural goods rather than minerals and fuels. Almost 31 per cent (\$4.9bn) of the value of Australia's agriculture exports to China originate in Victoria. As of 2022-23, wool and other animal hair exports are Victoria's largest export product to China. These are valued at \$1.2bn and account for almost 19 per cent of the state's exports.

Wheat was the next most prominent export with a value of \$700m and contributing 10.9 per cent of the state's exports to China. In fact, outside of confidential goods (which were worth a little less than \$400m) and pharmaceuticals, the top 10 most valuable goods exports to China in 2022-23 were all agricultural, forestry, or fishing-related produce.

**Exports to China by industry category, 2013-14 to 2022-23, Victoria**



Notes: Current prices.

Source: Bankwest Curtin Economics Centre | Department of Foreign Affairs and Trade, Trade Statistical Pivot Tables.

**Victoria's top export products to China, 2022-23**

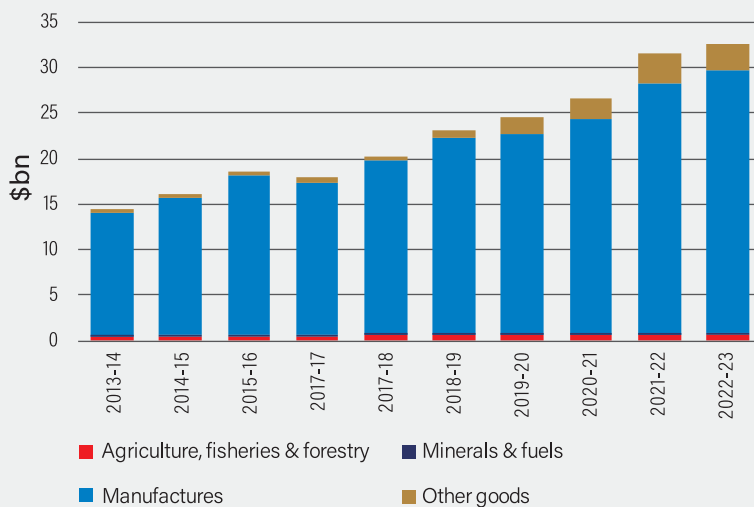
Good	Value (\$bn)	Share (%)
Wool & other animal hair (incl tops)	1.2	18.8
Wheat	0.7	10.9
Milk, cream, whey & yoghurt	0.6	9.7
Fruit & nuts	0.5	8.3
Live animals (excl seafood)	0.3	5.4
Beef, f.c.f.	0.3	5.0
Pharm products (excl medicaments)	0.3	4.1
Edible products & preparations, nes	0.2	3.6
Meat (excl beef), f.c.f.	0.2	3.3
Others	1.6	24.9
Confidential items of trade	0.4	6.1
<b>Total</b>	<b>6.5</b>	<b>100.0</b>

## Imports

Victoria has the second largest economy and holds the second largest population across the Australian states (with 6.8 million people as of March 2023). Victoria is Australia's second largest importer of Chinese merchandise, sitting behind New South Wales. Imports from China account for 29 per cent (\$32.6bn) of all imports to Victoria.

Victoria's Chinese imports profile is dominated by manufactured products, agricultural produce and minerals and fuels. Whilst Victoria's largest import product from China is confidential (worth just under \$3bn and 9.1 per cent of the state's imports), the next most notable import product is passenger motor vehicles being worth a little less than \$1.8bn and comprising 5.5 per cent of the state's overall imports from China.

**Imports from China by industry category, 2013-14 to 2022-23, Victoria**



**Victoria's top import products from China, 2022-23**

Good	Value (\$bn)	Share (%)
Passenger motor vehicles	1.8	5.5
Prams, toys, games & sporting goods	1.7	5.1
Furniture, mattresses & cushions	1.6	5.0
Other textile clothing	1.2	3.6
Telecom equipment & parts	1.0	3.1
Computers	0.9	2.9
Women's clothing (excl knitted)	0.9	2.6
Plastic articles, nes	0.8	2.4
Made-up textile articles, nes	0.8	2.3
Others	19.0	58.3
Confidential items of trade	3.0	9.1
<b>Total</b>	<b>32.6</b>	<b>100.0</b>

Notes: Current prices.

Source: Bankwest Curtin Economics Centre | Department of Foreign Affairs and Trade, Trade Statistical Pivot Tables.



# SERVICES TRADE WITH CHINA

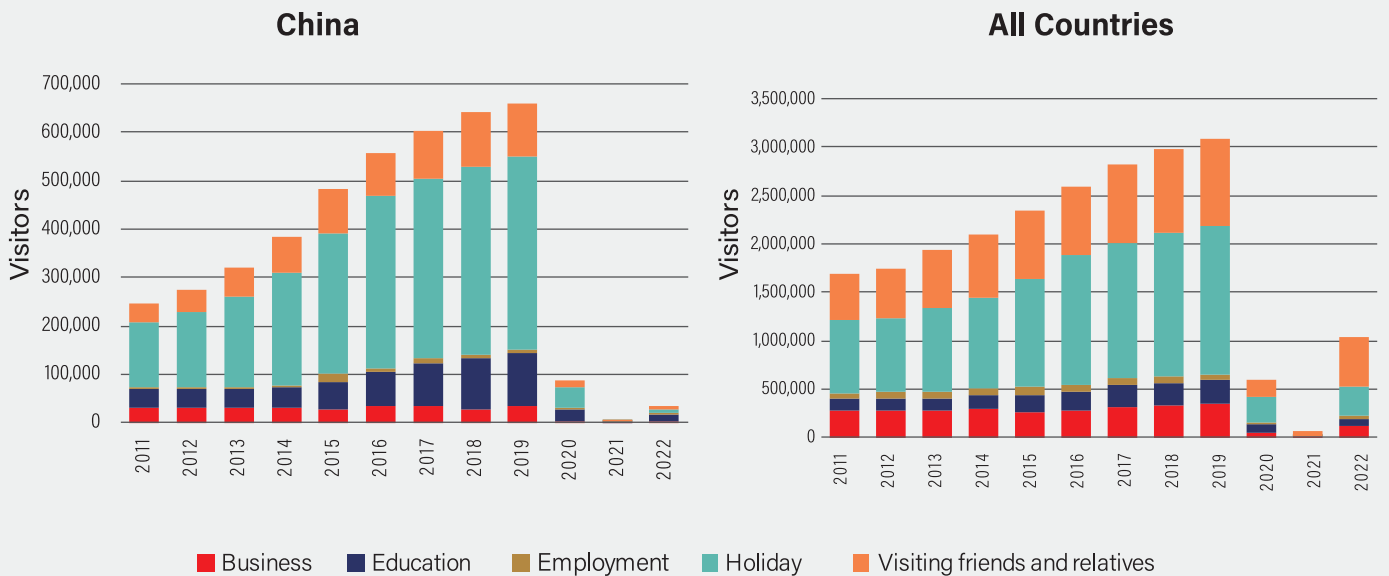
Victoria has a sizeable services industry. This base provides a promising picture for future growth opportunities with respect to the state's services trade with China and other nations.

Chinese visitors to Victoria accounted for 21 per cent of overall visitor arrivals to the state in 2019, with a record growth rate of 168 per cent from 2011. The number of holiday makers was the driver for this growth, with arrivals more than doubling from 2011 to sit at 660,000 arrivals in 2019.

Growth in the number of education-related arrivals has more than doubled over the same period. Visitors from China are more likely to be visiting for a holiday (60%) or education purposes (16%), and for business purposes (5%) compared to the shares reported across all countries (50%, 7%, and 11% respectively).

Growth in the number of business-related arrivals from China has been relatively stagnant over time, compared to the growth in other visitors' categories.

**Count of arrivals from China and the Rest of the World, by purpose of visit, 2011 to 2022**

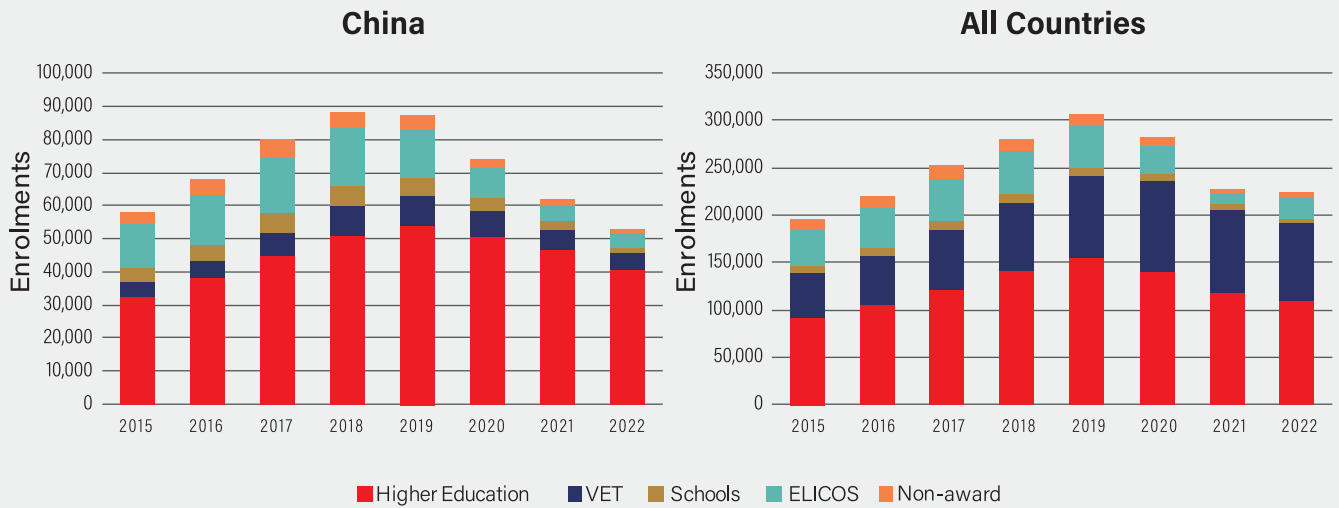


Source: Bankwest Curtin Economics Centre | Tourism Research Australia, International Visitor's Survey.

Students from China are a valuable contributor to Victoria's international education sector, making up just under 30 per cent of all enrolments in 2019. A greater share of international student enrolments from China are focused in the higher education sector (77%), compared to that reported for countries (49%).

Chinese students are more likely than the average for all countries to enrol in the English-language courses (ELICOS) and schools' sectors, but have a lower share of enrolments in the vocational education and training (VET) sector. Enrolments across all education industries began to decline with the onset of the COVID-19 pandemic in 2020, with VET, schools and the ELICOS sector seeing very notable contractions. Enrolments into higher education also began to decline, though not as quickly as the other education sectors.

### Total international student enrolments from China and All Countries, by sector, 2015 to 2022

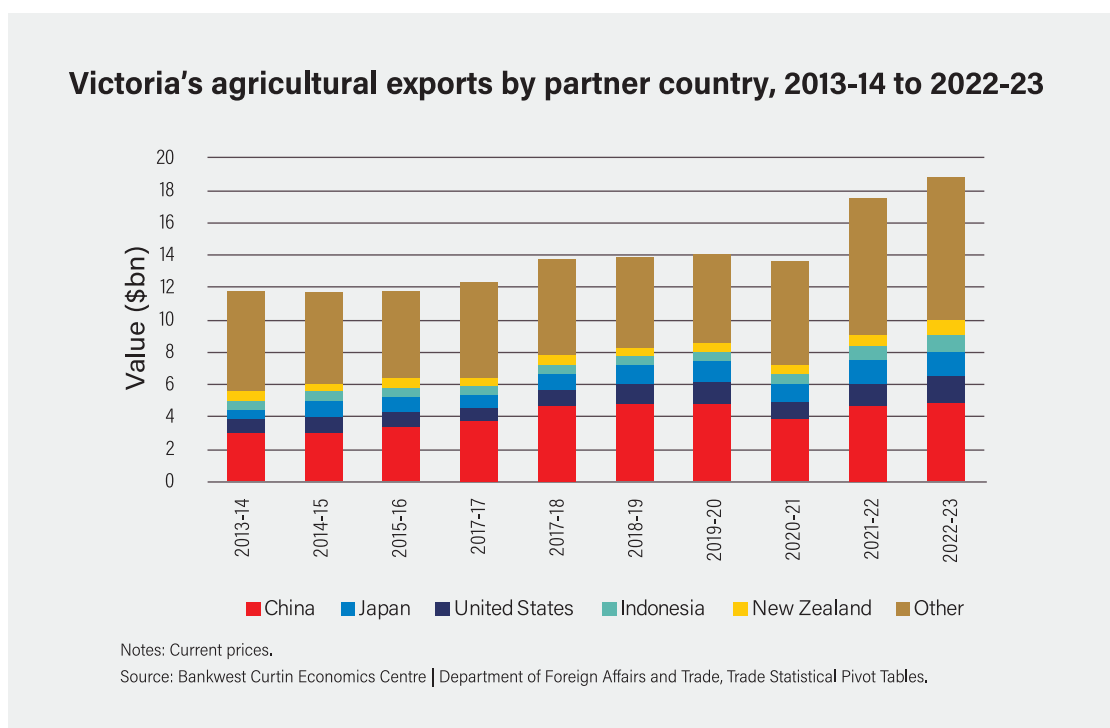


Source: Bankwest Curtin Economics Centre | Department of Education, PRISMS Data



# FOCUS ON AGRICULTURE

China has historically been Victoria's largest export partner for agricultural products, with a share of 26 per cent as of 2022-23. This share was as high as 35 per cent in 2018-19. Indonesia, New Zealand, and other countries outside of Victoria's top five trading partners generated stronger growth in agricultural imports since 2019-20.



Victoria's agricultural exports to China are comprised of a wide range of products. In value terms, wool and animal hair products have been Victoria's top export to China for some time, valued at \$1.2bn in 2022-23. In share terms, the sectors contribution to the state's overall export value has gone down from a recent historical peak of 36 per cent in 2016-17 to 25 per cent in 2022-23. While a decline in the value of wool and animal hair products from this peak is part of the story, growth in the value of dairy products and fruit and nuts is also an element at play.

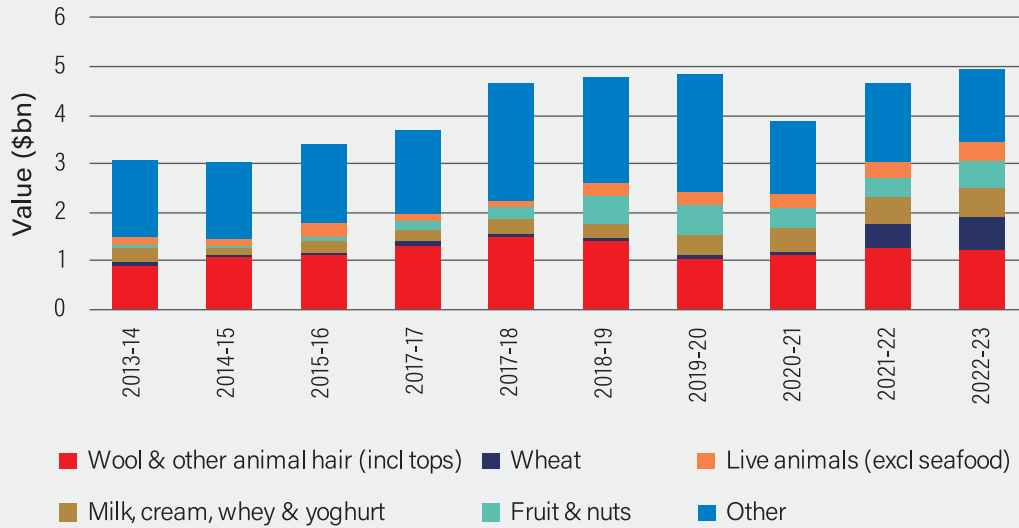
Albeit from a low base, Victoria's value of wheat exports to China grew substantially in recent years, up some 610 per cent since 2019-20. In 2022-23, wheat was Victoria's second-largest export product to China. China's population and growing middle class present opportunities for further growth in agricultural exports to China.



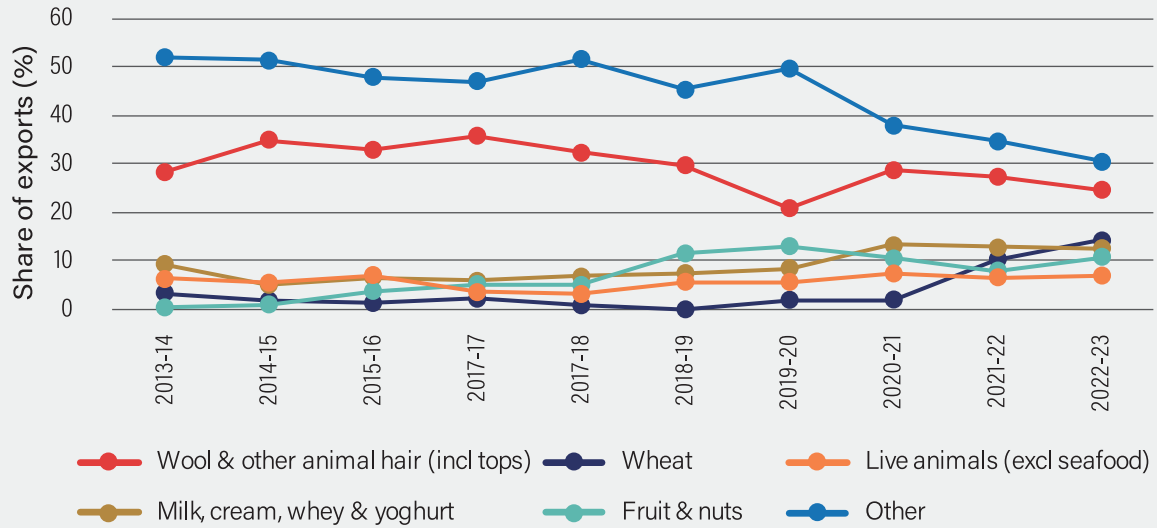


### Victoria's major agricultural exports to China, 2013-14 to 2022-23

#### Value (\$bn)



#### Share (%)



Notes: Share (%) is share of the value of total goods exported to China. Current prices.

Source: Bankwest Curtin Economics Centre | Department of Foreign Affairs and Trade, Trade Statistical Pivot Tables.

# CASE STUDY - HARMONY AGRICULTURE & FOOD COMPANY

Harmony Agriculture & Food Company is a producer and exporter of premium-branded beef focusing on wagyu. Today, its annual production volume of over 4,300 tonnes places it in the world's top 10 Wagyu producers.

Since inception in 2016, Harmony's China-based shareholder has been committed to a sustainable and commercial relationship with the Australian partners. While Harmony's strategy is underpinned by market diversification, enabling it to reduce risk and maximise value, the scale and value of the market in China is undeniable. Today, it represents over \$40 million in annual value for the company, and \$210 million in total since the company first traded.

Trading with China is not always smooth sailing; COVID-19, loss of market access via an abattoir licence suspension, and the company being placed into administration in late 2019, are among the many challenges Harmony has tackled and overcome in recent years. In June 2021, Harmony successfully exited administration and having transferred operations to a new abattoir, continued supplying key partners with its wagyu brands.

Harmony has a strong commitment to understanding the intricacies of China. Communication is a key factor in Harmony's success and underpins the enduring relationships with its Chinese investors. In a 'high context' culture Harmony now consistently utilises cross-cultural expertise to build mutual respect and understanding into all interactions with its partners: from wagyu sales through to engagement with the Chairman of the board. This tactic seeks to avoid a repeat of the poor communication that plagued the business in its early stages. Harmony's customers and investors remain loyal to the company and with demand exceeding supply, the company has a clear growth strategy.

Looking ahead, Harmony will continue to develop its integrated supply chain through investment in genetics. The company is also building a fullblood herd and expanding its product and brand offerings to both China and the rest of its markets globally.



Source: Provided by Harmony Agriculture & Food Company

# EMPLOYMENT, HOUSEHOLD INCOME AND COST OF LIVING EFFECTS

Victoria-China trade intensity<sup>1</sup> sat at 7.9 per cent in 2022-23. This compares to 6.0 per cent observed prior to the signing of the China-Australia Free Trade Agreement (ChAFTA) recording more than a 31 per cent growth during the post-ChAFTA period. The BCEC modelling results show that in 2022-23, Victoria’s trade with China contributed to approximately 110,000 jobs representing about 3 per cent of the state’s total employment. Further, the gain in jobs from Victoria’s trade with China has increased over time. The number of employed persons due to trade with China increased from 75,300 in 2015-16 to 110,000 in 2022-23 – a 46 per cent increase. This compares to a 17 per cent increase in overall employment in the state over the same period (from 3,098,000 to 3,636,000 persons).

**The impact of China-Victoria trade on employment in Victoria**



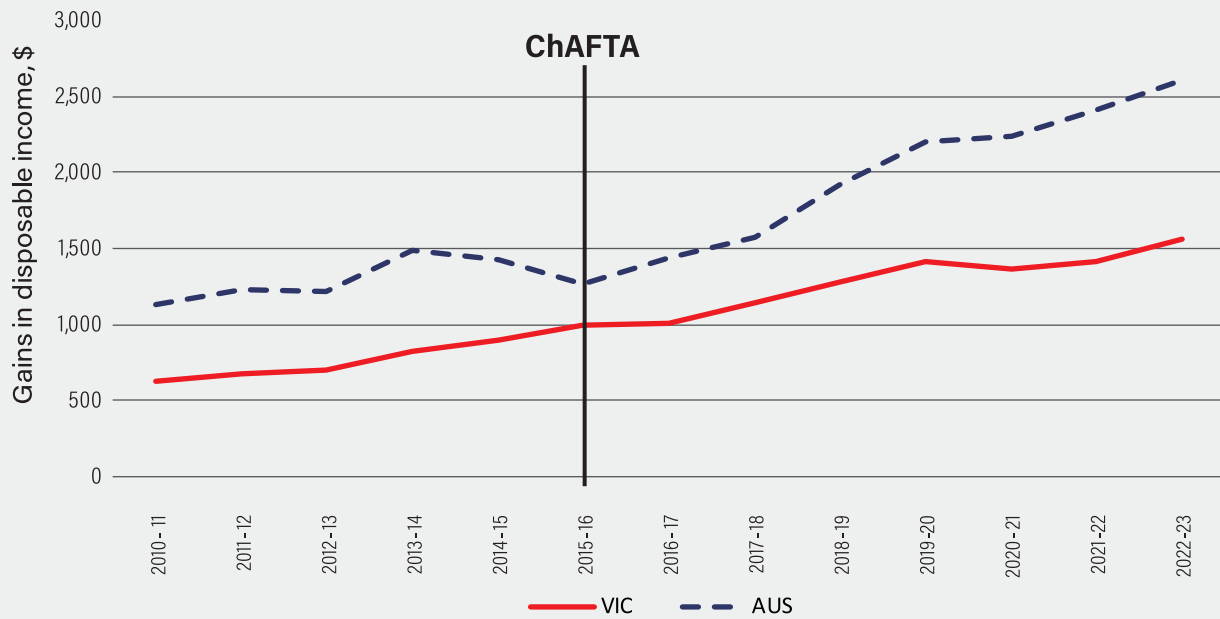
Source: Bankwest Curtin Economics Centre | BCEC model estimates based on DFAT and various ABS historical data

In terms of gains in household income, Victoria-China trade increased household disposable income by \$1,550 per household, representing around 2.9 per cent of average household income in 2022-23. On aggregate for Victoria, gains in household disposable income resulting from trade with China sat at \$4.2bn in 2022-23, equivalent to around \$620 per person.

Another benefit of trade with China is a reduction in the cost of living for Victorian households. In 2022, around 24.4 per cent of Victoria’s total household consumption was sourced from imports rather than domestic production. The same year, approximately 68 per cent of Victoria’s current Chinese imports were less expensive compared to the average unit costs from the rest of the world. The modelling results suggest that Victoria’s households would pay 5 per cent more for the same consumption items if they were sourced from a country other than China.

<sup>1</sup> Trade intensity is a measure of two-way trade (imports and exports) with country X as a share of the state’s economy, as measured by Gross State Product. The higher the share the greater the trade intensity.

### Disposable income effects per household from trade with China, Victoria and Australia



### Cost of living effects from trade with China over time, Victoria



Notes: Disposable income gains in current prices.

Source: Bankwest Curtin Economics Centre | BCEC model estimates based on DFAT and various ABS historical data

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