

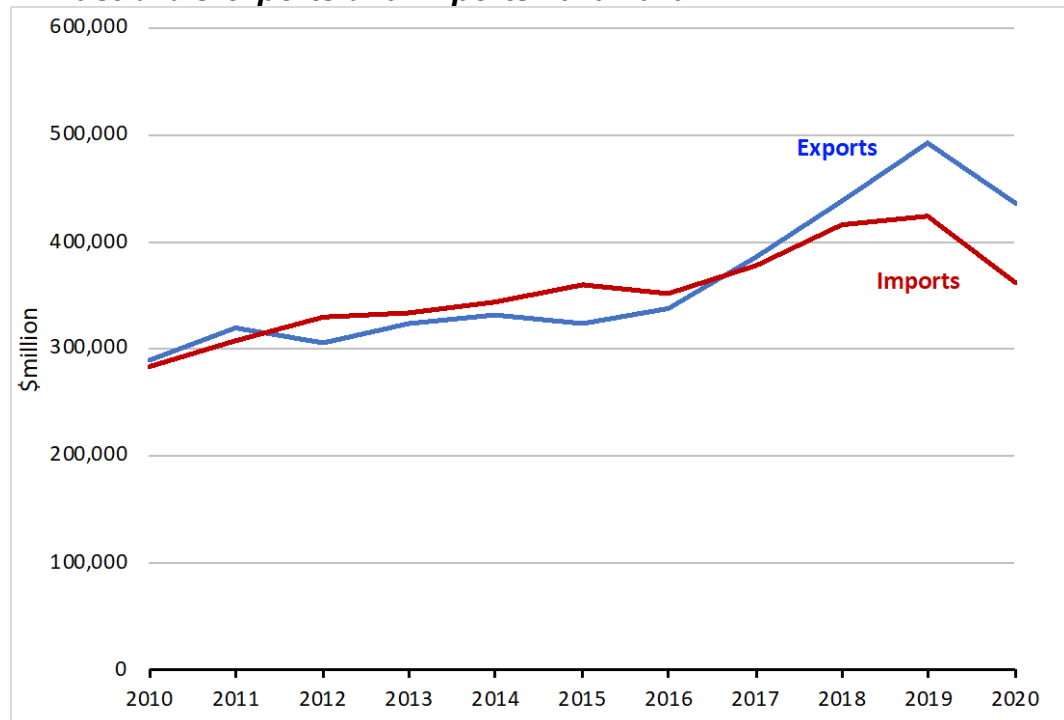


## Australia's trade

Trade is an important part of the economy helping to increase production, employment and incomes. Both exports and imports are important. One in every five jobs is related to trade. When a firm exports its goods and services it can increase its revenue and profit and increase the number of workers it employs. Some firms need to import goods and services they require for their business such as a motor vehicle or specialised machinery. Many consumers also rely on imports as part of their daily routine – goods such as clothes, mobile phones and laptops are all imports. Trade brings benefits to all and contributes to a higher standard of living.

Australia's trade balance is the difference between what we export and what we import. It is calculated by subtracting the value of the goods and services Australia buys from overseas from the value of the goods and services we sell to other countries. Countries export goods and services in which they have a cost advantage in producing and import goods and services in which they have a cost disadvantage. Australia's most import export categories are resources such as iron ore, coal and natural gas as well as rural commodities such as beef, wheat and wine. Australia mainly imports manufactured goods such as motor vehicles, telecom equipment and computers. Australia's most important trading partners are China, the United States and Japan.

### A. Australia's exports and imports 2010-2020



### I. Questions

1. In what ways does an economy benefit from exports?
2. In what ways does an economy benefit from imports?
3. How is the trade balance calculated? What is meant by a trade deficit?
4. Refer to the graph. In which period did Australia record successive trade surpluses?



- Calculate the trade surplus in 2020.
- What event caused both exports and imports to decline in 2020?

### ***B. Australia's main exports and imports 2020***

<b>Australia's main exports and imports 2020</b>			
Exports	\$ billion	Imports	\$ billion
Iron ore	117	Motor vehicles	28
Coal	43	Petroleum	22
Natural gas	36	Telecom equip.	15
Education	32	Freight	11
Gold	25	Computers	10
Total exports	436	Total imports	361

### ***C. Australia's two-way trade 2020***

Rank	Two way trade	\$ billion	% share of total
1	China	245	
2	United States	73	
3	Japan	66	
4	South Korea	35	
5	United Kingdom	32	
6	Singapore	27	
7	India	24	
8	New Zealand	24	
9	Germany	21	
10	Thailand	20	
Total all economies		797	100

## ***II. Questions***

- What type of goods dominate Australia's exports? Can you provide a reason for this?
- For every year prior to 2020, personal travel (Australian tourists going overseas) was Australia's largest import. In 2020, personal travel was ranked 7<sup>th</sup>. What caused this change?
- What is meant by 'two-way trade'?
- Complete the 3<sup>rd</sup> column for Australia's two-way trade. What percentage of Australia's trade is with China? The top 10 countries account for what proportion of Australia's trade?
- Use a map of the world to label and highlight Australia's top 10 trading partners. Where are most of the trading partners located? What does this highlight about trade?



## Answers I – Question p.1

1. Exports add to an economy's total production or GDP (gross domestic product), its total income and total employment. A rise in exports will equate to a rise in living standards.
2. Imports allow consumers and producers to purchase goods and services that are not produced domestically. Imports provide a greater choice of goods and services and are often more competitively priced. A rise in imports will also equate to a rise in living standards.
3. The trade balance = exports of goods & services - imports of goods & services  
A trade deficit means that total imports exceed total exports.
4. 2017-2020
5. Between \$75,000 and \$80,000 million
6. The Covid pandemic

## Answers II – Question p.2

1. Resources – minerals and energy e.g. iron ore, coal, natural gas, gold. These four exports account for 51% of total exports. Australia can produce these commodities at a relatively low cost compared to other countries.
2. The Covid pandemic resulted in restrictions on overseas travel causing a huge decline in Australians travelling overseas.
3. Two-way trade refers to the sum of both exports and imports.
4. China accounts for 31% of Australia's trade while the top 10 countries account for 71%.

Rank	Two way trade	\$ billion	% share of total
1	China	245	30.7
2	United States	73	9.2
3	Japan	66	8.3
4	South Korea	35	4.4
5	United Kingdom	32	4.0
6	Singapore	27	3.4
7	India	24	3.0
8	New Zealand	24	3.0
9	Germany	21	2.6
10	Thailand	20	2.5
Total all economies		797	100

5. Most of Australia's trading partners are in the Asia-Pacific region – 7 of the top 10 which account for 65% of all trade. Most trade occurs with countries in the same geographical region – this minimises transport costs.