

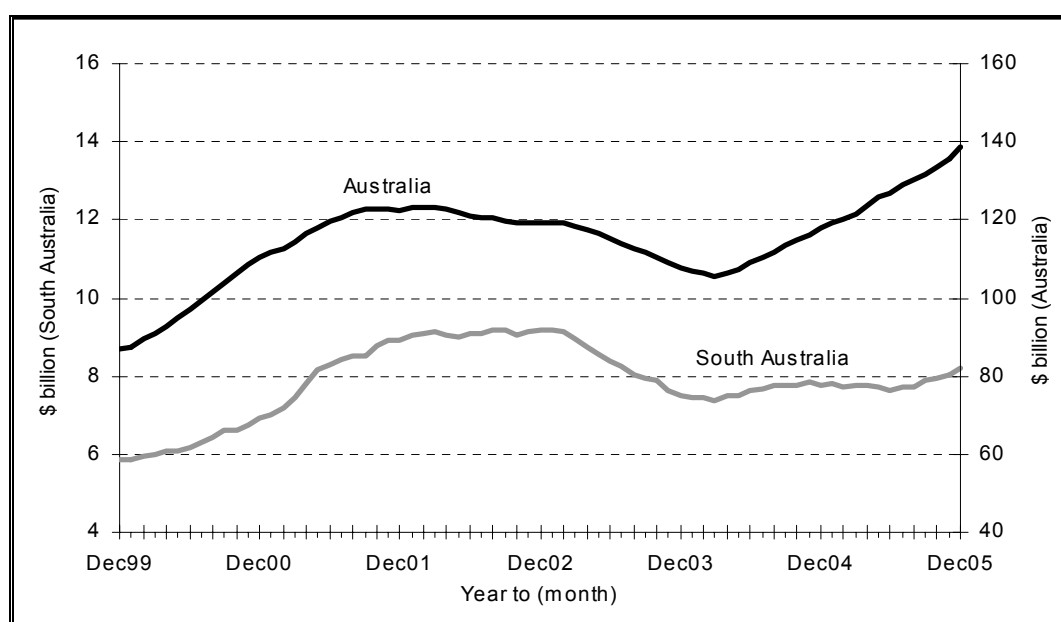


South Australia's Export Performance in 2005: South Australia remains the third most export oriented State

South Australia's overseas goods exports improved slightly in 2005 after rising marginally in the previous year. In contrast, Australia's recent export performance has been stronger, helped by the boom in the resources sector and strong commodity prices. The resource intensive economies of Western Australia and Queensland have been the major beneficiaries.

Figure 1 illustrates the value of South Australia's overseas goods exports was 6 per cent higher in the year to December 2005 relative to 2004 (Australian goods exports rose by 18 per cent).

Figure 1
Overseas Goods Exports, Moving Annual Totals (current value)



Source: ABS Statistics, International Trade in Goods and Services (Cat. No. 5368.0)

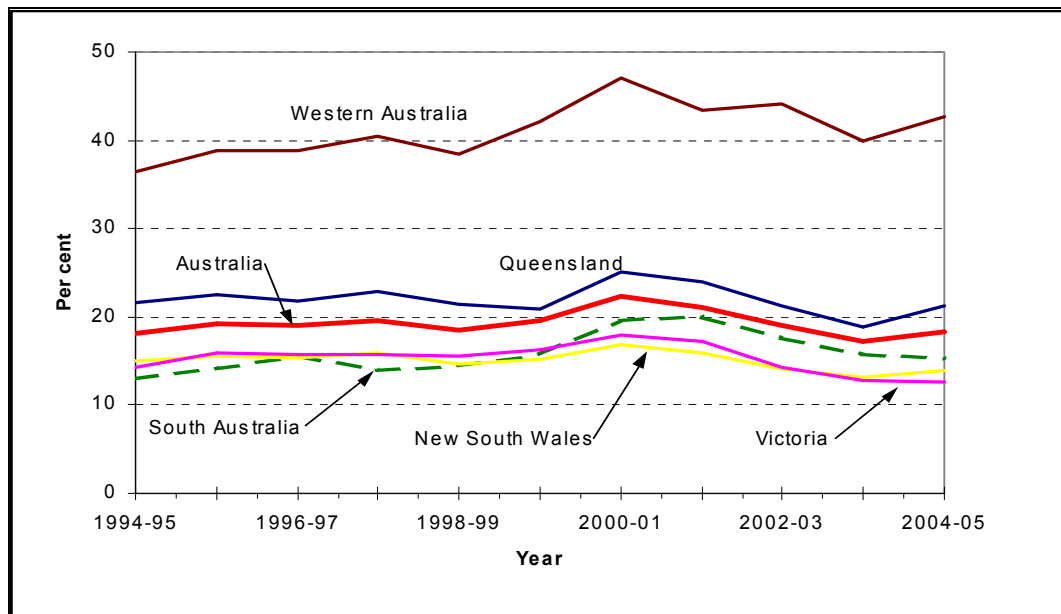
A more comprehensive account of the State's overseas export performance is provided by State Accounts data, though the latest data is now somewhat dated (being for 2004-05). The **volume** of South Australian overseas exports of goods *and services* fell by 1.0 per cent in 2004-05. However, the **value** of South Australian overseas exports actually rose by 2.1 per cent in 2004-05, implying that prices received by South Australian exporters improved between 2003-04 and 2004-05. The data indicate that it was export volumes rather than export prices that have led to a slowing in growth of export receipts.

The total value of South Australian exports in 2005 (\$8.2 billion) was 11 per cent or \$1.0 billion below its most recent peak of \$9.2 billion in 2002. Australian exports were up 16 per cent (\$19.3 billion) between 2002 and 2005. The diverging trends in Australia's and South Australia's export performance is principally due to the impact of mineral commodity exports and underscores why South Australia's mining sector, which is expected to expand in the next five years, will be even more important.

The result of the recent sluggishness in South Australia's exports is that the State economy has (in a statistical sense) become less export oriented, while Australia's has become more export oriented. South Australia's total overseas exports as a share of Gross State Product (GSP) fell from 15.8 per

cent in 2003-04 to 15.3 per cent in 2004-05 (see Figure 2). Western Australia, and Queensland increased their share of exports to GSP/GDP in 2004-05. New South Wales had a moderate rise while Victoria had a fall in the ratio of exports to GSP. Western Australia, the most export oriented economy of Australia, increased its share of exports to GSP from 40 to 43 per cent in 2004-05. Despite the drop, South Australia remains the third most export oriented State.

Figure 2
Ratio of State Exports to Gross State Domestic Product



Source: ABS Statistics, State Accounts (Cat. No. 5220.0)

The stronger national export performance is largely explained by international demand for minerals and resources, particularly from China, which has led to significant increases in commodity prices and increases in the quantities exported. As reported by SACES in the Economic Briefing Report November 2005, between 2003-04 and 2004-05 there was a price increase of 33 per cent for 'mineral fuels, lubricants and related materials', a commodity group that comprises only 3.2 per cent of South Australia's total exports, but 21 per cent of Australia's exports. While other State's exports have benefited from large increases in the unit prices of their mineral exports, South Australia's smaller minerals sector means that South Australian exports have benefited less.

The State's export performance is also affected by seasonal and cyclical factors that impact on the agricultural sector. On the supply side, unfavourable seasonal conditions in certain agricultural sectors, particularly grain, have led to reduced production. South Australian manufacturing exporters may also have had difficulty adjusting to the relatively higher value of the Australian dollar over recent years, which makes Australian produced goods more expensive in foreign currency terms.

However, on a positive note, agricultural conditions improved considerably over the autumn/summer period. ABARE estimates that South Australian winter crop production will be 34 per cent higher in 2005-06; wheat production is estimated to have increased by 33 per cent (890 kilotonnes), barley production by 33 per cent (667 kilotonnes). Improved production is likely to flow into increased agricultural exports. Contracts for wheat may yet be affected by the AWB scandal.

Source:

Australian Bureau of Agricultural and Resource Economics, *Australian Crop Report*, No. 137, 14 February 2006.

South Australian Centre for Economic Studies, *Economic Briefing Report*, November 2005.