



Full length article

The role of export composition in export-led growth in Australia and its regions[☆]



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ABSTRACT

The export-led economic growth hypothesis is explored at the sectoral level for Australia and its regions. The merchandise exports data can be disaggregated into four broad sectors: (i) Agriculture, (ii) Mining and Fuels, (iii) Manufacturing and, (iv) Other. The results reveal that Mining and Fuels exports have played a crucial role in driving economic growth in Australia nationally and in three of its regions, New South Wales, Queensland, and Western Australia, and that the growth path of each region is unique.

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1. Introduction

Australia is a small open economy where resources are the dominant export. The resource sector in Australia has grown exponentially since the latter half of the 20th century, facilitated by a notable boom in the 2000s which was led by surging resource demand from China and India. As a result of this boom, Australia's economy was able to weather the Global Financial Crisis—the worst economic downturn on record since the Great Depression (Bajada and Trayler, 2010, Garnaut, 2012, Downes et al., 2014). Looking forward, the Australian economy is expected to undergo further Export-Led Growth (ELG) buoyed by the mining boom.¹ The reason is that this increase in mining opportunities which is credited to have ushered long-run export-led economic growth in Australia nationally and in some of its regions (Shafiullah et al., unpublished manuscript).

Fig. 1 presents the value of real merchandise exports by the three main export sectors of Australia between 1991 and 2012. In charting these figures, this graph paints a revealing picture of the rising prominence of mining exports during

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¹ Although mining boom has moderated in recent years it is widely believed that the industry has moved into a phase of production from a capital- and investment-heavy construction phase.

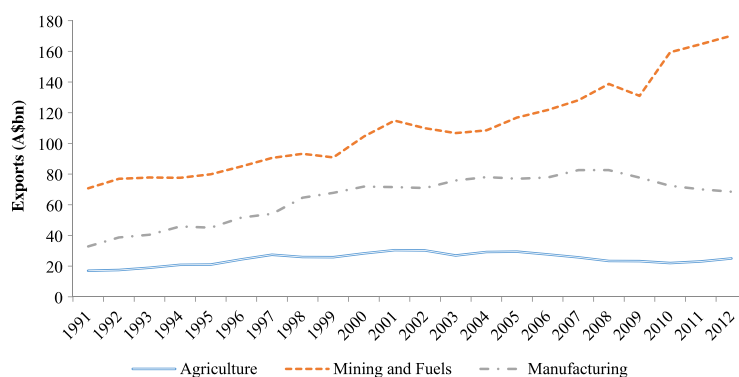


Fig. 1. Real merchandise exports by sector, Australia, 1991–2012.
Source: ABS (2013d) and ABS (2013e).

Table 1

Stylized facts of Australian regions, 2012.

Source: Geoscience Australia (2010), ABS (2013a), ABS (2013b), ABS (2013c) and Geoscience Australia (2014).

Region (1)	Percentage of Australian population (2)	Economic growth rate (%) (3)	Iron ore deposits (% of total) (4)	Coal deposits (% of total) (5)
NSW	32	2.37	<1	38
Victoria	25	2.82	<1	0
Queensland	20	4.63	<1	61
WA	11	7.34	91	1
SA	7	1.77	8	0
Tasmania	2	0.44	<1	0
NT	1	4.51	<1	0
ACT ^a	2	3.65	–	–
Australia		3.61		

^a Resource deposits data are not available for ACT.

this period. Since 1991, ‘Mining and Fuels’ has been Australia’s leading export sector and has grown more rapidly than either agriculture or manufacturing. This is especially evident in the period after 2001 as while exports of agricultural goods increased substantially up to this point they began to decline shortly after. Exports from the manufacturing sector are also seen to have declined slowly in the period between 1991 and 2012.

Australia has a federal government and it is also divided into eight administrative regional governments, more commonly referred to as states and territories. These eight regions are, New South Wales (NSW), Victoria (VIC), Queensland (QLD), Western Australia (WA), South Australia (SA), Tasmania (TAS), Northern Territory (NT), and Australian Capital Territory (ACT).²

Table 1 presents the population, economic growth rate and share of resource endowments for each region (see also Connolly and Orsmond, 2011). Columns (4) and (5) of Table 1 indicate that the reserves of Australia’s two largest resource exports are concentrated in only a few regions. WA is home to 91% of Australia’s iron ore deposits and Queensland is home to 61% of Australian coal deposits. A substantial share of Australian coal is also in NSW (38%). As expected, the concentration of these resources exports have resulted in differing growth experiences—a trend which is evident from the economic growth rate presented in column 3 of Table 1. The regions most impacted by the mining boom of the 2000s were also the fastest growing regional economies in Australia during 2012.

In Table 2 and Fig. 2, we present the sector-wise real merchandise exports data for Australia and its seven regions in 2012 categorized into four broad sectors: (i) Agriculture (AG), (ii) Mining and Fuels (MF), (iii) Manufacturing (MA) and (iv) Other (O).³ Table 2 also presents, as a percentage, the contribution of these sector-wise exports in each region. As can be seen, NSW exports are mainly from the ‘mining’ and manufacturing sectors; Victorian exports are mainly from the agriculture and manufacturing sectors; Queensland and WA exports are from the mining sector; SA exports are mainly from the agriculture sector; Tasmanian exports are predominantly from the manufacturing sector; and NT exports are primarily from the mining sector. Fig. 2 also clearly shows the significant impact the real merchandise export contributions by WA and Queensland, followed to a smaller extent by NSW, have made towards Australia’s exports, especially in the Mining and Fuels sector.

² The ACT is not included in this analysis due to the region’s miniscule export figures and the high volatility of its data.

³ Exports belonging to the ‘Other’ sector include some merchandise exports that cannot either be categorized under the previous three sectors or are confidential export items which may include commercially and politically sensitive items belonging to the three main export sectors.

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