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Bankwest Curtin Economics Centre

AUSTRALIA'S TRADE AND ECONOMIC RELATIONSHIP WITH CHINA

Benefits to Australian Households

ABOUT ACBC AND BCEC

Bankwest Curtin Economics Centre (BCEC)

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Bankwest Curtin Economics Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The Centre was established in 2012 through the generous support of Bankwest, a division of the Commonwealth Bank of Australia. The Centre's core mission to deliver high quality, accessible research that enhances our understanding of key economic and social issues that contribute to the wellbeing of West Australian families, businesses and communities.

The Bankwest Curtin Economics Centre is the first research organisation of its kind in WA and draws great strength and credibility from its partnership with Bankwest, Curtin University and the Western Australian government. The Centre brings a unique philosophy to research on the major economic issues facing the State.

By bringing together experts from the research, policy and business communities at all stages of the process – from framing and conceptualising research questions, through the conduct of research, to the communication and implementation of research findings – we ensure that our research is relevant, fit for purpose, and makes a genuine difference to the lives of Australians, both in WA and nationally.

The Centre is able to capitalise on Curtin University's reputation for excellence in economic modelling, forecasting, public policy research, trade and industrial economics and spatial sciences. Centre researchers have specific expertise in economic forecasting, quantitative modelling, micro-data analysis and economic and social policy evaluation. The Centre also derives great value from its close association with experts from the corporate, business, public and not-for-profit sectors.

Australia China Business Council (ACBC)

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ACBC is a national not-for-profit membership organisation with branches in every state and territory in Australia. It has a network of over 20,000 professionals and a membership of around 500 organisations focused on furthering Australia-China trade and investment.

ACBC actively promotes two-way trade and investment, economic cooperation and understanding between the business communities of Australia and China. ACBC also works closely with state and federal governments on commercial relations with China.

ACBC has been at the heart of the Australia-China trade relationship for nearly five decades – acting as Australia's business network for China and the independent voice of business within this relationship.

ACBC helps Australian companies develop and grow their business with China, and Chinese companies expand and invest in Australia. Despite diplomatic tensions between Australia and China, it has never been more important to understand what drives the world's second largest economy and Australia's number one trading partner. Membership of the ACBC is about joining a collective force of companies who believe in the opportunities and potential of deepening the Australia-China bilateral business relationship.

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FOREWORD

David Olsson AM
National President ACBC

James Clarke
Chair ACBC Thought Leadership Committee

Five decades have passed since the establishment of formal diplomatic relations between Australia and the People's Republic of China.

The relationship has grown considerably over those decades, based upon a pragmatic political approach underpinned by economic complementarity.

Despite recent tensions, Australia continues to prosper from a strong and dynamic economic partnership with China, thriving on trade relations built over decades in areas such as the export of minerals, energy, agricultural products, education, tourism, and health.

As relations stabilise between the two nations, it is an opportune time to discuss further the benefits that this economic partnership provides using fact-based evidence.

This report offers rich, in-depth information and insights relevant to business and government.

Importantly, it affirms that the complementarity of these two economies, realised through the fruit of many hard-earned long-term relationships, plays a crucial role in the average Australian household today, and has the potential to continue to do so for many years to come.

Professor Alan Duncan

Director, Bankwest Curtin Economics Centre
Curtin Business School, Curtin University

China is the second largest economy in the world and is Australia's largest trading partner.

Trade and diplomatic tensions between China and Australia escalated over the course of the COVID-19 pandemic. While tensions remain, there are signals of improved trade relations, with China dropping some tariffs imposed on Australian exports.

This report establishes a firm evidence base on the economic impact of trade with China on Australian households. Our findings demonstrate that Australia-China trade offers measurable benefits to the average Australian household through the channels of increased employment, higher household income, and a lower cost of living.

These benefits vary across state and territory, with different levels of trade intensity observed for each jurisdiction. But taken together, the benefits are sizeable.

The Australia-China trade relationship presents many opportunities for the Australian economy going forward. It is imperative that economic relations are supported across the nations to ensure that the full benefits of trade are afforded to our two economies and their communities.

EXECUTIVE SUMMARY

The economic ties between China and Australia are significant. China is Australia's largest trading partner constituting 32.4 per cent of the country's total exports and 26.4 per cent of total imports in 2022-23.

After setting out a detailed review of the merchandise and service trade between China and Australia, this report examines the primary channels through which Australia-China trade affects the welfare of Australian households. Three channels are considered in this report, namely, income effects, labour market effects, and cost of living or price effects. This report is accompanied by individual state and territory briefing notes that provide additional insights for each jurisdiction. These briefing notes should be read in conjunction with this national report.

Applying rigorous economic modelling, this report estimates that Australia's trade intensity with China increased average Australian household disposable income by an average of $2,600 in 2022-23. This equates to 4.6 per cent of the average household disposable income and around $29 billion (bn) on aggregate for Australian households.

Income effects *Labour market effects* *Cost of living*

In terms of labour market effects, it is estimated that two-way trade with China in 2022-23 contributed to approximately 595,600 jobs, 4.2 per cent of the total employment in Australian.

Considering the share of imports that goes towards final consumption, Australian households would pay 4.2 per cent more for the same consumption items without China as a major import partner.

As for investment, China accounts for $85.1bn, which equates to 2 per cent of total foreign investment in Australia. This compares to $1092.2Bn (24.1% share) from the United States, and $740.3Bn (16.3% share) from the EU.

While the number of Australian investment approvals for China accounted for 26 per cent of all approvals in 2020-21, in value terms, China accounted for only 5.8 per cent of Australian investment approvals. This highlights that there are opportunities for securing further investment from China in the years ahead.

It is imperative that Australia-China trade relations are supported by both national and at the state and territory level , to ensure that the full benefits of trade are afforded to the two economies and their citizens.

WELFARE GAINS FOR AUSTRALIAN HOUSEHOLDS DUE TO TRADE WITH CHINA

LABOUR MARKET EFFECTS

595,600
Trade related Jobs

4.24%
Of total employment

HOUSEHOLD DISPOSABLE INCOME EFFECTS

+$2,600
Disposable income per household

4.6%
Of average household disposable income

COST OF LIVING EFFECTS

4.2%
reduction in cost of living

CHINESE INVESTMENT

$85.1Bn

2.0%
Share of total investment into Australia

VALUE OF GOODS EXPORTED

$191.7Bn
Value of exports to China in 2022-23

32.4%
Share of total exports goods

VALUE OF GOODS IMPORTED

$110.6Bn
Value of imports from China to Australia in 2022-23

26.3%
Share of total imported goods

SERVICES EXPORTS

$10.9Bn
Value of exports to China in 2022-23

11.4%
Share of total exports services

SERVICES IMPORTS

$2.6Bn
Value of imports from China to Australia in 2022-23

2.4%
Share of total imported services

Note: All findings relate to 2022-23 unless otherwise stated. Labour market, cost of living and household income effects relate to benefits from the nation's trade with China.

INTRODUCTION

China is the second largest economy in the world and is expected to represent over 20 per cent of the world economy by 2026. China is Australia's largest trading partner constituting 32.4 per cent of the country's total exports and 26.4 per cent of its total imports in 2022-23.

The Sino-Australian relationship has entered a new phase in a post-COVID-19 world. Managing geopolitical risks and concerns around defence and security will remain at the forefront of Indo-Pacific discussions. And the economics of trade is not disconnected from these discussions with various arguments around supply chain security and the relationship between trade and peace[1].

With such discussions at hand, it is both pertinent and timely to examine the benefits of Australia-China trade. Such benefits are complex and can have substantially different effects on governments, businesses, and individual households, as well as the broader community.

The Australia China Business Council (WA Branch) commissioned the Bankwest Curtin Economics Centre (BCEC) to assess the economic benefits of Australia-China trade on Australian households. This national report focuses on three key channels through which households in Australia are impacted by trade, namely, levels of employment, household income, and the price of goods consumed by the typical household and builds on a 2022 report that looked at the impact of trade with China on Western Australian households (see Duncan et al., 2022).

Having laid out the economic trajectory of the Australian economy, and global growth projections for China, a detailed insight into the key goods and services exported to and imported from China to Australia is provided. The level of foreign investment to Australia from China is discussed, along with the mix of investment sectors and how investment approvals compare to other nations.

Novel techniques are applied in this report to address the benefits of the Australia-China trade relationship on the average Australian household. Estimated impacts of Australia-China trade intensity on household income, levels of employment and unemployment rates are reported, as well as the impact on the price of a typical basket of goods for Australian consumers.

State comparisons are made provided, with individual briefing notes for each state and territory highlighting the unique distinct nature of individual state and territory relationships with China. Key conclusions are drawn in the final section of the report.

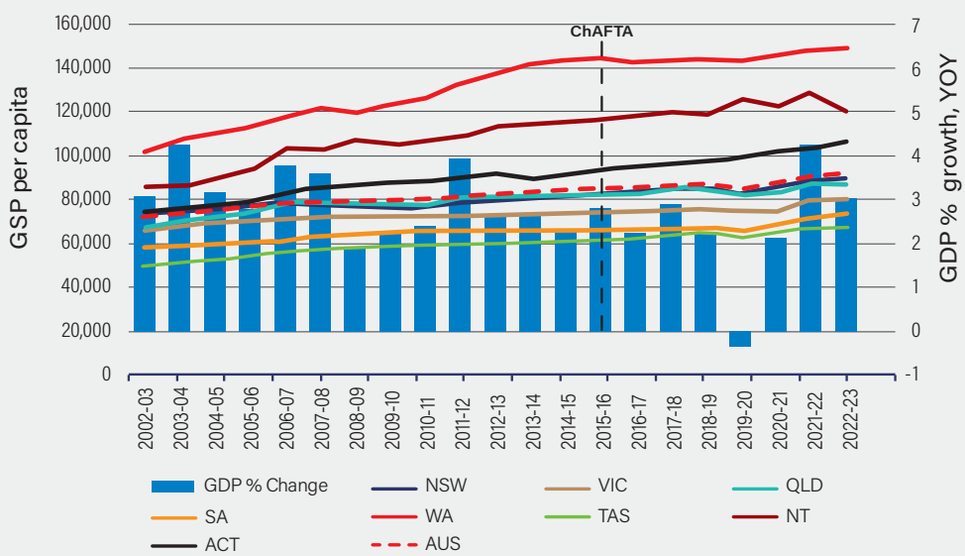
1: See for example: https://www.adb.org/publications/does-trade-integration-contribute-peace; https://www.jstor.org/stable/20798962; https://www.nytimes.com/2022/04/11/opinion/germany-russia-ukraine-trade-gas.html

AUSTRALIA'S ECONOMIC TRAJECTORY

The Australian economy has enjoyed substantial economic growth in recent history, with an average annual growth rate of 2.73 per cent in Gross Domestic Product (GDP) over the past 20 years (Figure 1). This equated to an increase of roughly $1,967[2] per person nationally, with the largest GSP per capita evident for Western Australia (WA).

Figure 1

GDP/GSP per capita, Australia and selection of states, 2002-03 to 2022-23



Source: Bankwest Curtin Economics Centre | alculations based on ABS Cat No. 5220 and ABS Cat No. 3101..

While Australia's growth is projected to soften for 2023 and 2024, analysis from the OECD suggests that China will continue to grow at a relatively strong pace, albeit lower than that observed pre-COVID-19. China's growth continues to present opportunities for Australian exporters, with a growing middle class fuelling the demand for many of the goods and services Australia has to offer.

Table 1 Global growth 2018 to 2025

	World Output Growth	USA	Euro	China	India	Indonesia	Japan	Australia
	Actual and Forecast Growth rates (%)							
2018	+3.6	+3.0	+1.8	+6.7	+6.5	+5.2	+0.6	+2.8
2019	+2.8	+2.5	+1.6	+6.0	+3.9	+5.0	-0.4	+1.9
2020	-3.0	-2.2	-6.3	+2.2	-5.8	-2.1	-4.2	-1.9
2021	+6.3	+5.8	+5.3	+8.4	+9.1	+3.7	+2.2	+5.2
2022	+3.3	+1.9	+3.4	+3.0	+7.2	+5.3	+0.9	+3.7
2023	+2.9	+2.4	+0.6	+5.2	+6.3	+4.9	+1.7	+1.9
2024 (f)	+2.7	+1.5	+0.9	+4.7	+6.1	+5.2	+1.0	+1.4
2025 (f)	+3.0	+1.7	+1.5	+4.2	+6.5	+5.2	+1.2	+2.1

Notes: Forecast denoted by (f).
Source: Bankwest Curtin Economics Centre | Data sourced from the Organisation for Economic Co-operation and Development, 2023. OECD Economic Outlook: Volume 2023 Issue 2.

2: All dollar values are in Australia dollars unless otherwise specified.

Open for trade

Australia is one of the world's leading open economies in terms of international trade as a share of overall economic activity. In 2022-23, total trade accounted for 47.2 per cent of Australia's GDP.

For Western Australia and the Northern Territory, trade makes up a significant share of gross state product (GSP), the former 76.5 per cent, and the latter 65.0 per cent as of 2022-23. Trade accounts for approximately 45 per cent of both Queensland's and New South Wales's economies.

Total trade accounts for 47 per cent of the Australian economy.

New South Wales, Victoria, and to a lesser extent South Australia have historically, imported more products in value terms compared to what they export.

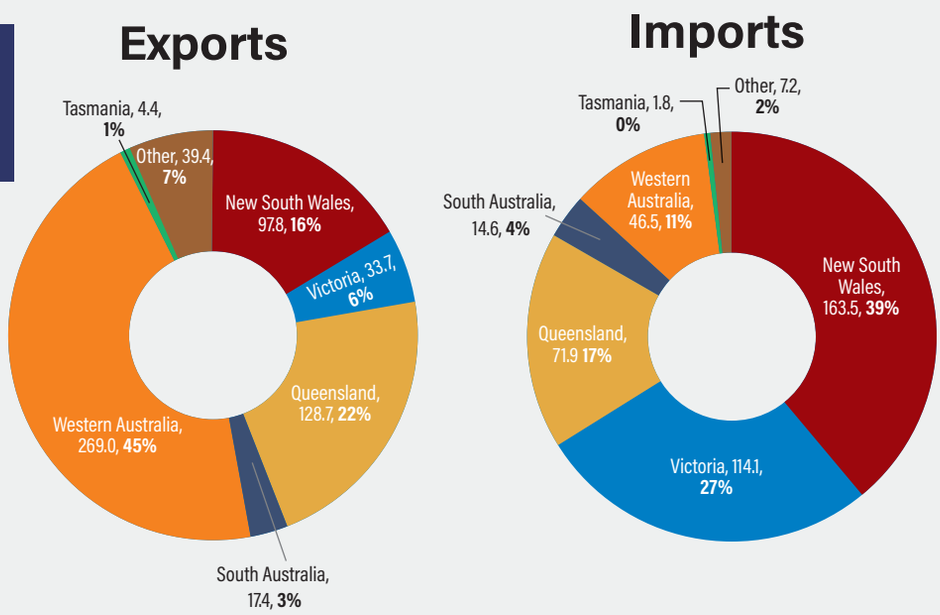
Western Australia and Queensland, on the other hand, are positive net exporters, with the price and volume of mining and minerals a key factor. In 2022-23, WA contributed to 45 per cent of Australian export value, followed by Queensland at 22 per cent.

As for imports, New South Wales account for 39 per cent of national imports, followed by Victoria (27%), Queensland (17%) and Western Australia (11%). The size of a state's population is naturally a factor at play with larger populations requiring a greater quantity of goods and services from both domestic and overseas sources.

Total trade accounts for 47% of the Australian economy.

Figure 2

Australian export and import values ($Bn) by state, and share (%) of national trade, 2022-23

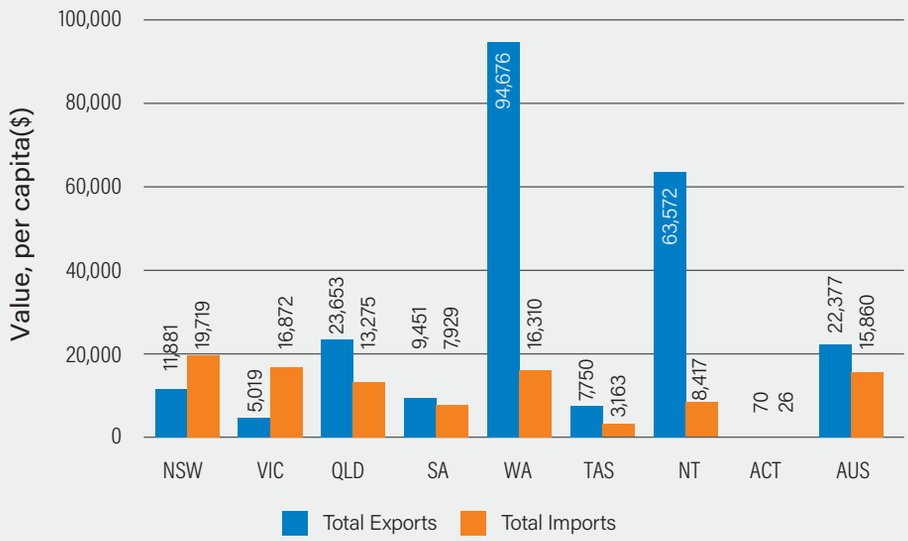


Source: Bankwest Curtin Economics Centre | Calculations based on ABS 5368.0 International Trade in Goods and Services, Australia, Table 15a and Table 15b.

Australian exports equate to $22,377 per capita with an equivalent per capita import value of $15,860 in 2022-23. The value of WA's exports per capita ($94,676) is well above the national average, while WA's imports per capita ($16,310) sit just above the national average.

Queensland and the Northern Territory are both mineral and resource heavy states and have exports per capita above the national average. Along with WA, New South Wales and Victoria recorded import values per capita above the national average in 2022-23.

Figure 3 Merchandise exports and imports value per capita, 2022-23



Note: Current prices.
Source: Bankwest Curtin Economics Centre | Calculations based on ABS Census of Population and DFAT publication 'Australia's trade by State and Territory'https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

Trade with China

China is Australia's largest trading partner. In value terms, over 32 per cent of Australia's exports went to China in 2022-23, with 26 per cent of imports to Australia sourced from China. The value of Australian exports to China increased from $74.8bn in 2014-15 to $191.7bn in 2022-23.

Australia's overall export profile has become more concentrated over time. In 2014-15, roughly 76 per cent of exports came from the top ten partners. This share is now 81 per cent.

Table 2 Top 10 countries for merchandise exports and imports, Australia, 2014-15 to 2022-23

Exports

	2014-15		2018-19		2022-23	
Country	Value ($Bn)	%	Value ($Bn)	%	Value ($Bn)	%
China	74.8	29.4	134.1	36.0	191.7	32.4
Japan	43.9	17.3	58.1	15.6	110.9	18.7
Republic of Korea	18.1	7.1	25.1	6.7	46.1	7.8
Taiwan	6.7	2.6	12.3	3.3	28.7	4.8
India	9.7	3.8	16.1	4.3	24.3	4.1
Unites States	12.7	5.0	14.3	3.8	20.9	3.5
Singapore	8.3	3.2	10.6	2.8	20.1	3.4
Malaysia	5.4	2.1	8.8	2.4	13.6	2.3
New Zealand	8.2	3.2	9.9	2.7	12.9	2.2
Indonesia	5.0	2.0	6.2	1.7	12.7	2.1
Others	61.7	24.3	77.0	20.7	110.6	18.7
Total	**254.6**		**372.6**		**592.4**	

Imports

	2014-15		2018-19		2022-23	
Country	Value ($Bn)	%	Value ($Bn)	%	Value ($Bn)	%
China	57.0	22.2	77.9	25.4	110.6	26.3
Japan	27.4	10.7	32.7	10.7	45.2	10.8
Republic of Korea	14.1	5.5	12.3	4.0	27.2	6.5
Taiwan	18.2	7.1	22.0	7.2	24.6	5.9
India	10.1	3.9	12.4	4.1	18.3	4.4
Unites States	12.1	4.7	14.6	4.8	18.0	4.3
Singapore	10.7	4.2	10.8	3.5	17.3	4.1
Malaysia	11.8	4.6	15.1	4.9	17.1	4.1
New Zealand	4.8	1.9	5.2	1.7	10.8	2.6
Indonesia	4.9	1.9	6.1	2.0	9.6	2.3
Others	85.9	33.4	97.6	31.8	121.2	28.9
Total	**257.0**		**306.7**		**419.9**	

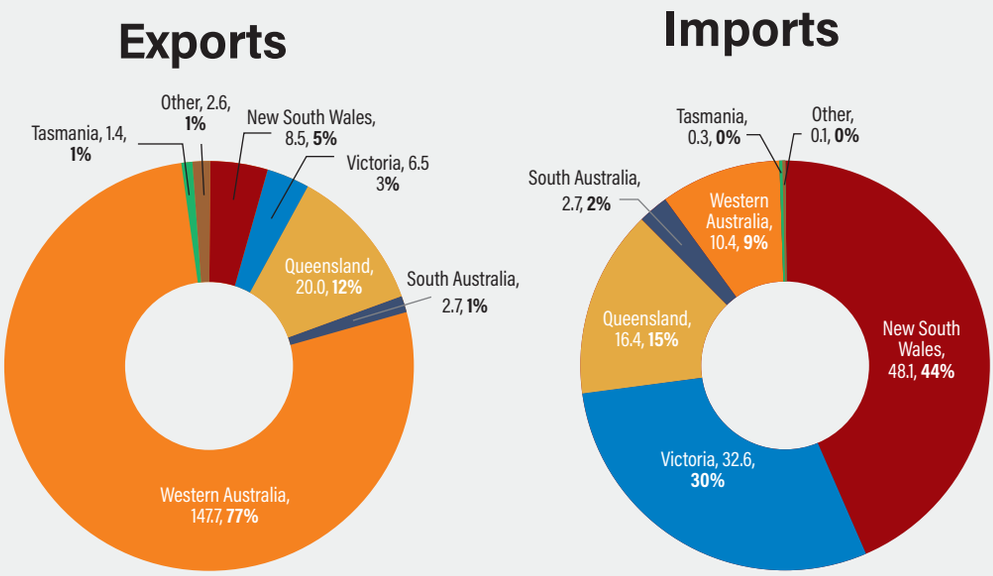
Note: Sorted based on 2022-23 values, in descending order. Percentages refer to export or import shares from the respective country. Current prices.
Source: Bankwest Curtin Economics Centre | DFAT publication 'Australia's trade by State and Territory'available from https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

In value terms, 77 per cent of Australia's exports to China are from WA, with 12 per cent from Queensland and 5 per cent from New South Wales.

Some 44 per cent of Australian imports from China are to New South Wales, 30 per cent to Victoria, 15 per cent to Queensland and 9 per cent to WA.

Figure 4

Australian export and import values ($bn) to China by state, and share (%) of national trade, 2022-23



Note: Current prices.

Source: Bankwest Curtin Economics Centre | DFAT publication 'Australia's trade by State and Territory' https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

CASE STUDY - SEA WEST

Sea West is a small, family-owned tourism business, employing 42 staff in Mandurah, Western Australia. Operating since 2016, Sea West has grown rapidly (excluding COVID-19 border closures) thanks to its day cruises, which are notably popular in South-East Asian and Greater Chinese inbound tourism markets. Their 'hero' cruises highlight WA's world-class, sustainable Western Rock Lobster fishery. Lobsters are caught and served on tour, alongside other superb local seafood and fine Margaret River wine (from the Howard Park estate). This commitment to excellence means Sea West was awarded WA's 'Best Seafood Experience' in May 2024.

The company has long invested in the Chinese market. Sea West employs Chinese speaking staff and focuses on growth in Chinese sales channels. This has helped the company sustain jobs with North Asian travel patterns offsetting low local demand periods. In 2016 the company employed just 1 permanent staff member. Now approximately half (21 staff) of the organisation work on its seafood tours and the assets underpinning these. The offshore, high-end nature of these tours enables staff to gain broader skills which would otherwise be difficult to achieve in a regional context. For example, staff have developed skills and networks to enable export sales while other staff have offshore maritime qualifications which enables the organisation to successfully deliver safe and complex ocean-going tours.

Sea West knows Chinese consumers continue to have a strong appetite for the incredible and unique experiences Western Australia has to offer. The company welcomes the State government's financial commitment to international tourism marketing and in re-developing Chinese flight connectivity and looks forward to a re-growth in this important market.

Source:Sea West Response

A MUTUALLY BENEFICIAL RELATIONSHIP: TRENDS IN AUSTRALIA-CHINA TRADE

This chapter provides a detailed insight detailed insights into Australia's trade relationship with China and other partners, and the key goods and services traded. The analysis serves to demonstrate the mutually beneficial relationship that exists between Australia and China.

Merchandise exports

Australia's primary merchandise exports consist of minerals and fuels, with a heavy focus on iron ore and coal exports. Australiaalso exports large amounts of natural gas and other minerals.

Whilst China has historically been a strong importer of coal from Australia, coal exports to Japan have increased in recent years. With an 85 per cent share, China is by far the dominant partner for Australia's iron ore exports.

China imports most of Australia's crude minerals exports that do not fall under other classifications, such as graphite, quartz, and metal slag. Due to confidentiality concerns, information on the destination of most of Australia's natural gas exports is not publicly available. Natural gas delivered an export value of $92.6bn to the Australian economy in 2022-23, and anecdotally, China contributed a significant share to that figure.

Table 3 Destination of merchandise exports for main resources sector, Australia, 2022-23

Minerals and Fuels

Good	Value ($ Bn)	Share (%)	Good	Value ($ Bn)	Share (%)
Coal	126.9		Iron ore & concentrates	124.8	
Japan	53.3	42.0	China	105.7	84.7
India	18.0	14.2	Japan	8.1	6.5
Taiwan	13.1	10.4	Republic of Korea	6.7	5.4
Republic of Korea	13.0	10.2	Taiwan	2.0	1.6
Vietnam	4.9	3.9	Indonesia	1.0	0.8
Other	24.5	19.3	Other	1.3	1.0
Crude minerals, nes	20.2		Aluminium ores & conc	9.4	
China	19.9	98.3	China	1.7	18.0
Belgium	0.17	0.8	Bahrain	1.58	16.7
Republic of Korea	0.09	0.4	United Arab Emirates	1.07	11.4
United States	0.04	0.2	South Africa	0.66	7.0
Japan	0.01	0.1	Qatar	0.64	6.8
Other	0.03	0.1	Other	3.80	40.2

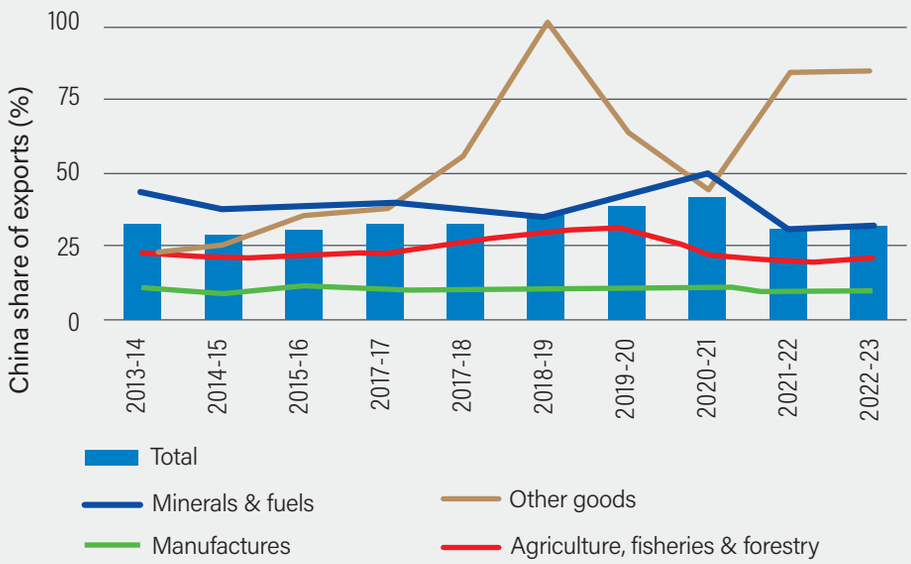
Note: Due to confidentiality concerns, information on the destination of most of Australia's natural gas exports is not publicly available, and therefore it is not included in this table. Natural gas delivered an export value of $92.6bn to the Australian economy in 2022-23. Current prices.

Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory' https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

Analysing exports by broad sector shows that China has a significant share of Australian exports in each sector, with the largest share being minerals and fuels. China constituted more than half of all of Australia's minerals and fuels exports in 2020-21, although this share has fallen in the post-pandemic years.

Figure 5

China's share of total merchandise exports from Australia, by sector, 2013-14 to 2022-23



Note: Current prices.

Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory' https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

Beyond resources and fuels, China also imports a considerable sum of Australia's agricultural goods. China was the largest importer of Australian wheat and beef in 2022-23 and ranked second behind the USA for other meat products.

However, China sat outside of Australia's top five export destinations for oil seeds and oleaginous fruits in 2022-23, with exports of these goods to China worth roughly $144,000 or 2.1 per cent of exports.

Table 4 Destination of merchandise exports by main agricultural commodity, 2022-23

Agriculture, Forestry, and Fishing

Good	Value ($ Bn)	Share (%)	Good	Value ($ Bn)	Share (%)
Wheat	16.7		Beef, f.c.f.	10.7	
China	3.8	23.0	China	2.3	21.5
Indonesia	2.4	14.5	Japan	2.0	18.3
Vietnam	1.7	10.0	United States	2.0	18.2
Philippines	1.5	9.3	Republic of Korea	1.9	17.5
Republic of Korea	1.4	8.4	Indonesia	0.5	4.4
Other	5.8	34.8	Other	2.1	20.1
Oil-seeds & oleaginous fruits, soft	6.2		Meat (excl beef), f.c.f.	9.4	
Belgium	1.0	16.4	United States	1.3	21.9
Germany	1.0	15.6	China	1.2	19.1
United Arab Emirates	0.9	15.1	Republic of Korea	0.6	9.8
Japan	0.9	14.0	Japan	0.5	7.5
France	0.6	9.3	United Arab Emirates	0.3	4.4
Other	1.8	29.4	Other	2.3	37.4

Note: Current prices.

Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory' https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

The top five exports from Australia to China under the three key industry sectors are presented in **Figure 6.** China has been a notable importer of Australian copper ores and concentrates.

However, such exports have trended down in recent years. Coal exports to China also saw a very heavy decline in 2020-21. While some recovery is underway, as of 2022-23, export values to China had not recovered to 2019-20 levels.

China is also a strong importer of wool and other animal hair products.

Chinese tariffs on barley imports imposed in 2020 resulted in a complete decline of the imported grain, with a similar impact seen from the tariffs imposed on lobsters and wine. The removal of barley tariffs in August 2023 will likely result in a return to some a degree of normality in 2023-24 although it may take longer for markets to pivot.

As for manufactured products, China has been a growing importer of processed copper as well as various other pharmaceutical goods and medicaments.

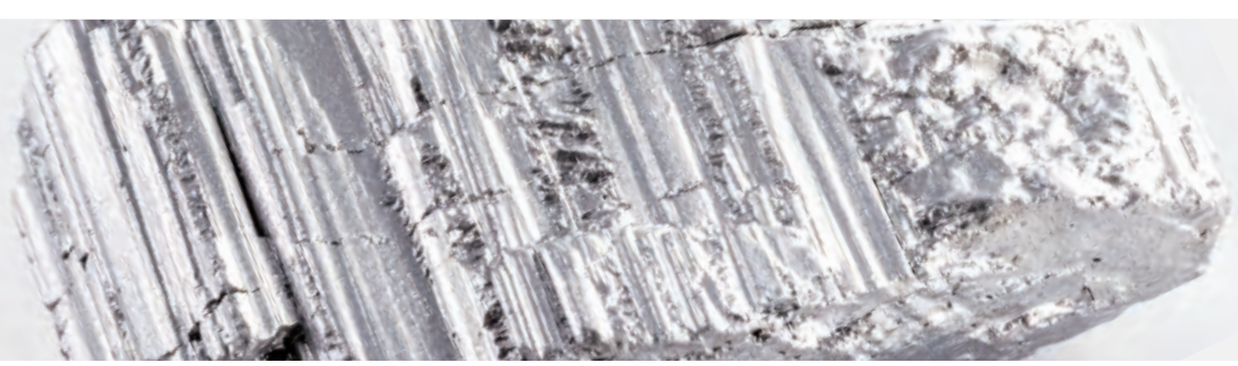
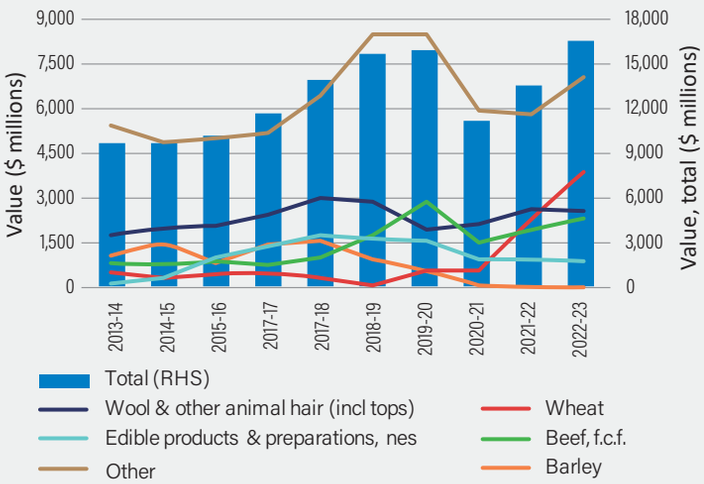


Figure 6 Top five merchandise exports to China by main sector, Australia, 2013-14 to 2022-23

2013-14 to 2022-23

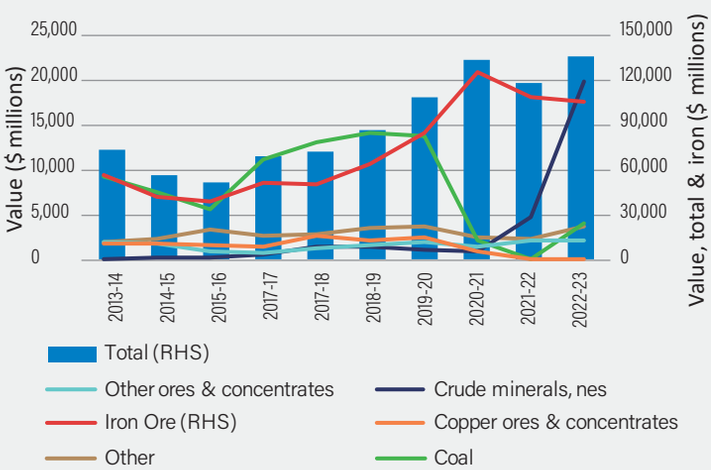
2022-23

Agriculture, forestry & fisheries



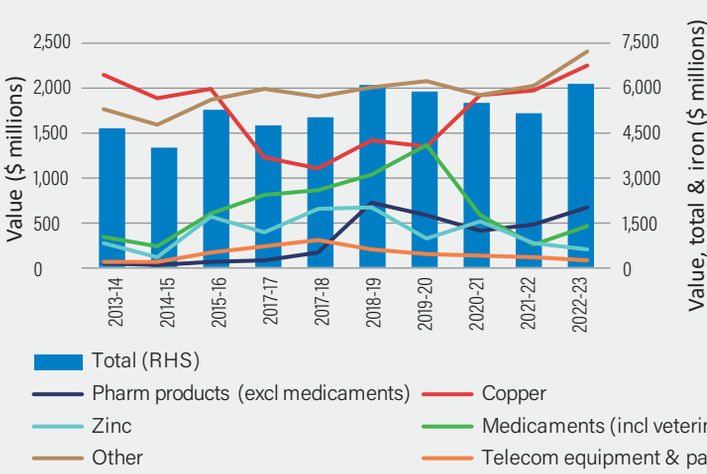
Good	Value ($ millions)	Share (%)
Wheat	3,847	23.2
Wool & other animal hair (incl tops)	2,535	15.3
Beef, f.c.f.	2,303	13.9
Edible products & preparations, nes.	878	5.3
Barley	0	0.0
Other	7,021	42.3
Total	**16,584**	

Minerals and fuels



Good	Value ($ millions)	Share (%)
Iron ore & concentrates	105,740	78.0
Crude minerals, nes	19,893	14.7
Coal	4,045	3.0
Other ores & concentrates	2,069	1.5
Copper ores & concentrates	131	0.1
Other	3,711	2.7
Total	**135,588**	

Manufactures



Good	Value ($ millions)	Share (%)
Copper	2,245	36.9
Pharm products (excl medicaments)	668	11.0
Medicaments (incl veterinary)	459	7.6
Zinc	210	3.5
Telecom equipment & parts	89	1.5
Other	2,407	39.6
Total	**6,078**	

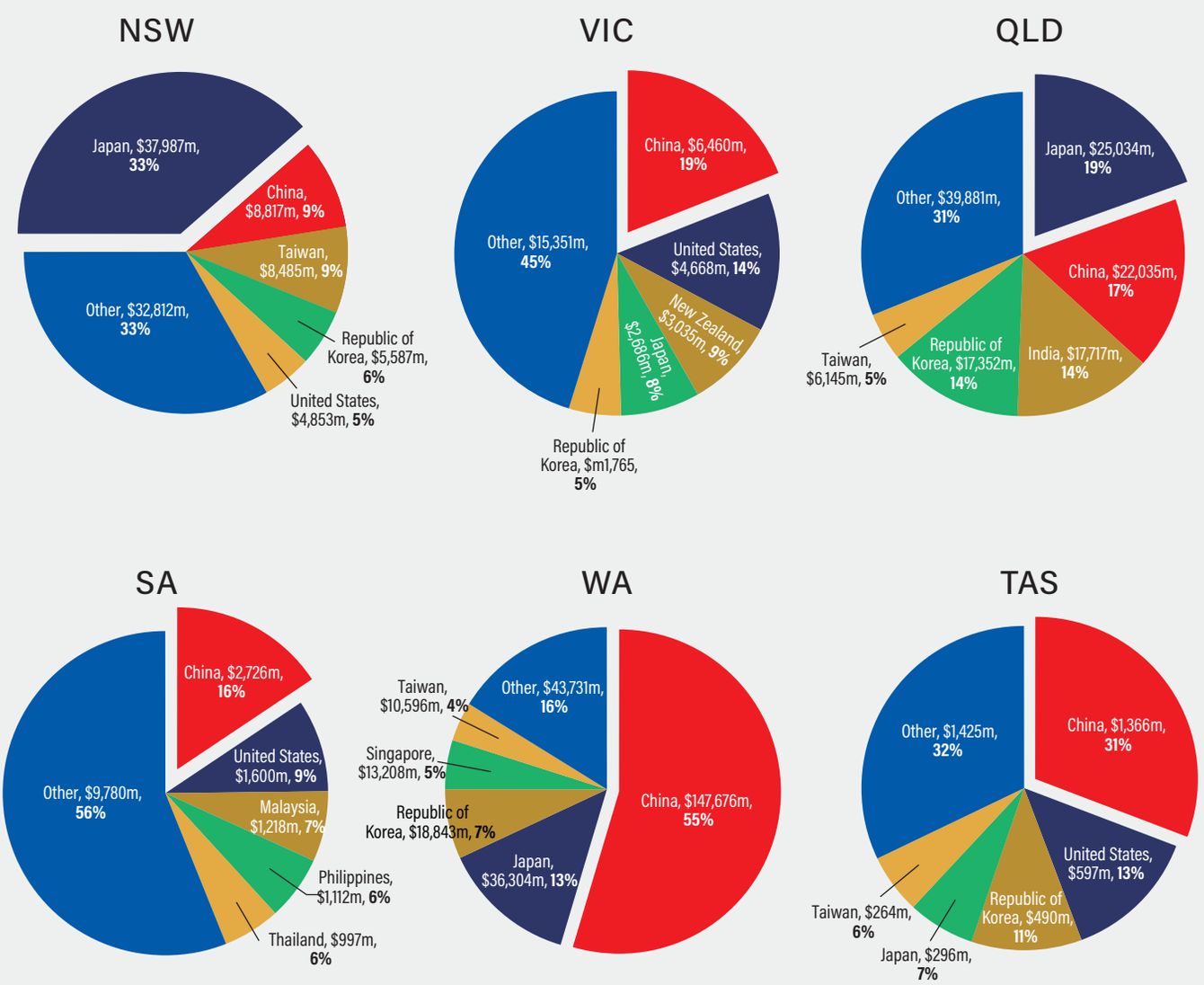
Notes: Ranked based on 2021 data. Current prices.

Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory'.

Exports of goods to China vary substantially by state. China is the largest overall trading partner for every state except New South Wales and Queensland for which China comes in second behind Japan.

In 2022-23, 55 per cent of Western Australia's merchandise export value was generated from trade with China. This is followed by Tasmania (31%), Victoria (19%) and Queensland (17%), with South Australia (16%) and New South Wales (9%). There is further discussion on this in the individual state and territory briefing notes that accompany this report.

Figure 7 Share of merchandise exports, by state and partner country, Australia, 2022-23



In 2022-23, 55 per cent of Western Australia's merchandise export value was generated from trade with china.

Note: Current prices.
Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory'.

Services exports

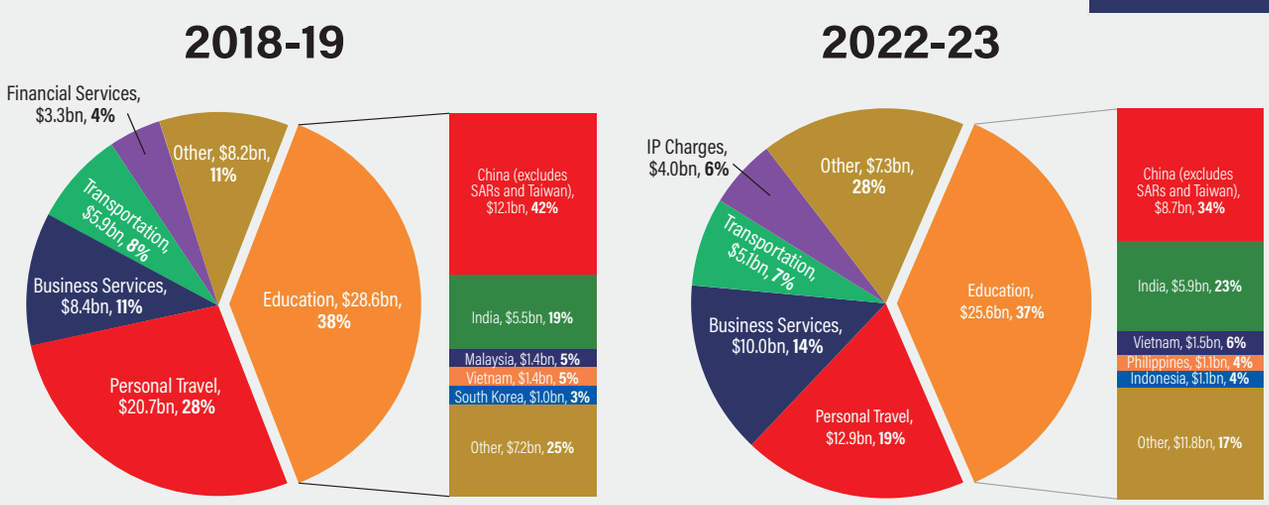
International education

Australia's primary service export to both China and the rest of the world is international education. However, exports of education make up a smaller share of Australia's overall profile in the post-pandemic environment. In 2018-19 education exports comprised a 38 per cent share of Australian service exports ($28.6bn). In that year, China accounted for 42 per cent of education related export value ($12.1bn).

The impact of the COVID-19 pandemic on travel hit the international education sector hard. In 2021-22, Australia's international education sector declined by nearly 50 per cent to $14.6bn. However, given declines across many other traded services as well, international education's share of overall traded services only declined by 4 percentage points to 34 per cent. By 2022-23, the value of international education was on the road to recovery, rising to $25.6bn and to 37 per cent of total services exports. China constituted the largest share (34%) of Australia's education services income with a value of $8.7bn.

The impact of the COVID-19 pandemic on travel hit the international education sector hard.

Figure 8 Service exports by service type, Australia, 2018-19 and 2022-23

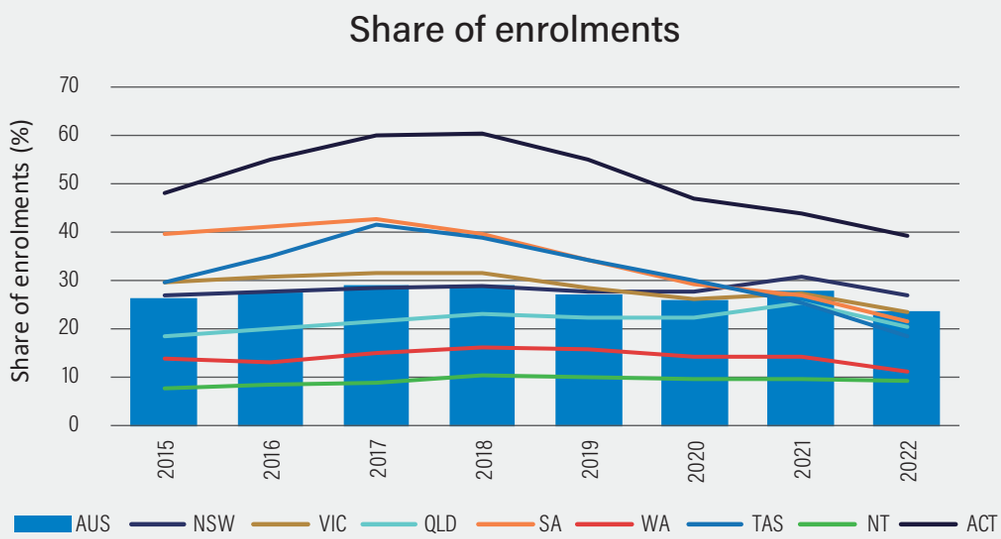


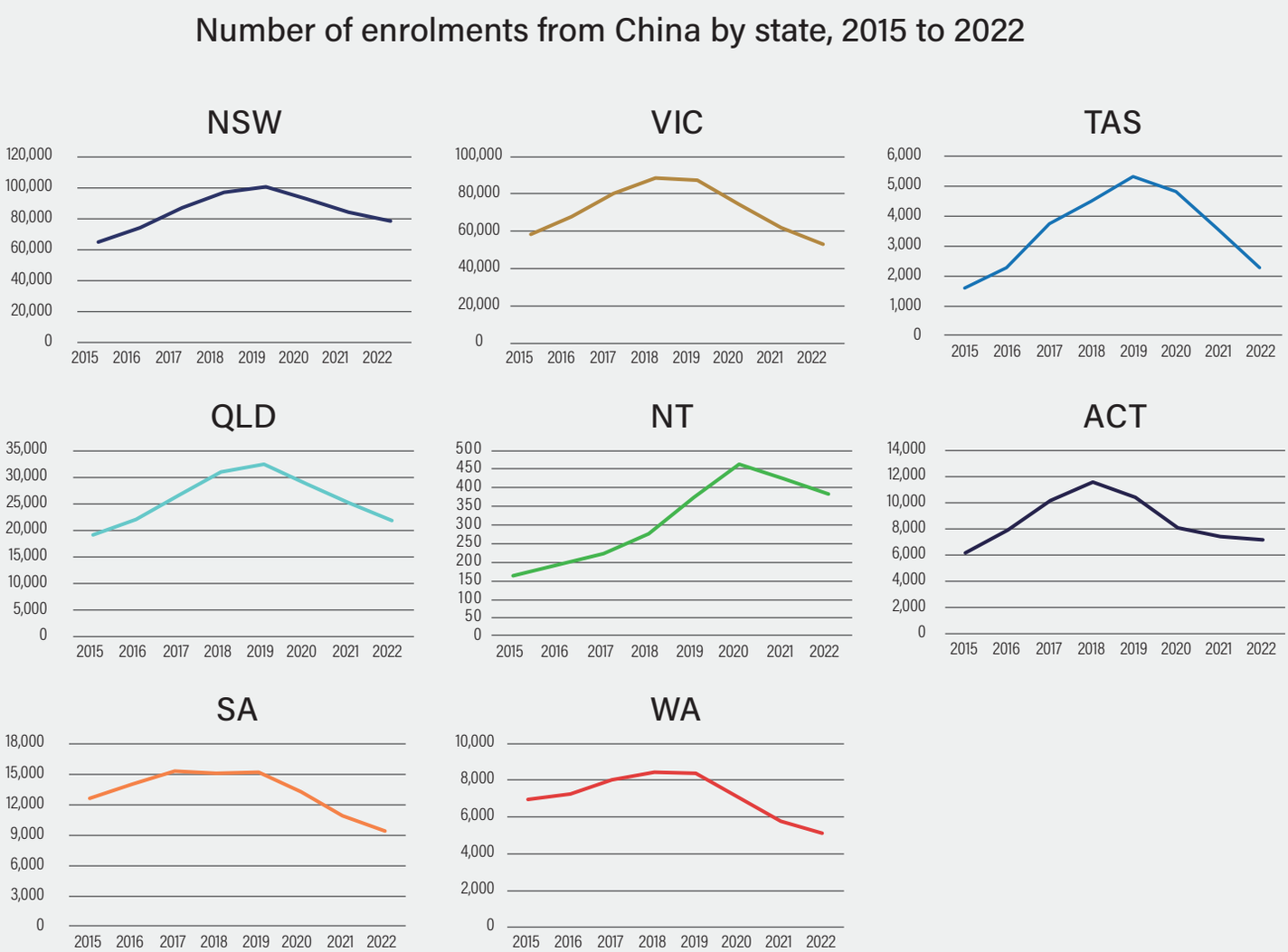
Note: Current prices.
Source: Bankwest Curtin Economics Centre | ABS CAT 5368.0.55.003, Table 3.

The extent of border closures on international student enrolments across Australian jurisdictions can be seen in **Figure 9**. Across the states and territories, international student enrolments were on a strong growth trajectory to 2018, and for some into 2019. But a sharp decline is observed across the regions with the onset of the pandemic. It will take time for the sector to fully recover, but China is a key market and one that has further growth potential with a growing middle-class society.

Figure 9

International student enrolments in Australia from China, and Chinese enrolments as a share of total enrolments in Australia, 2015 to 2022





Source: Bankwest Curtin Economics Centre | Calculations based on Department of Education, PRISMS.

CASE STUDY - UNIVERSITY OF TECHNOLOGY SYDNEY

Australia's higher education sector is one of the nation's great success stories. There are now nine Australian universities ranked in the QS global top 100 (of which UTS is one): an impressive outcome for a country that accounts for just 0.3 per cent and 1 per cent of the world's population and GDP, respectively.

The sector's achievements are rooted in international connections. Total spending on higher education in Australia amounts to 1.9 per cent of GDP, significantly above the OECD average. But this owes heavily to private sources, like international students. The government funding proportion is the fourth lowest amongst 38 OECD members.

Students from China have long been the most important. During the pandemic they also proved amongst the most resilient, assisted by initiatives such as UTS establishing Offshore Learning Centres in three cities in China to ensure they had the necessary support to continue their studies. In the first three quarters of 2023-24, the number of visas granted to Chinese students wanting to enter Australian universities remained at record highs.

China is now a knowledge creation powerhouse. It spends 2.4 per cent of GDP on R&D, or $620 billion annually. Australia spends just 1.8 per cent of GDP, or $22 billion. A single Chinese technology company, Huawei, spends one-third more on R&D than all Australian businesses combined. These numbers help to explain why Australian researchers benefit from collaborating with their Chinese counterparts: since 2019, 43 per cent of Australian scientific publications in the top 1per cent most-cited globally have included a co-author affiliated with a Chinese institution. In some fields, like Computer Science – Artificial Intelligence, the share jumps to 69 per cent.

UTS's vision is to become a world-leading university of technology. Now a global top 100 university and Australia's leading university under 50 years old, UTS is well on the way. One of the keys to UTS' accomplishments has been deep, consistent and informed engagement with China. Continuing engagement will be aligned with guidelines provided by the Australian government and the rigorous processes and systems the university has put in place.

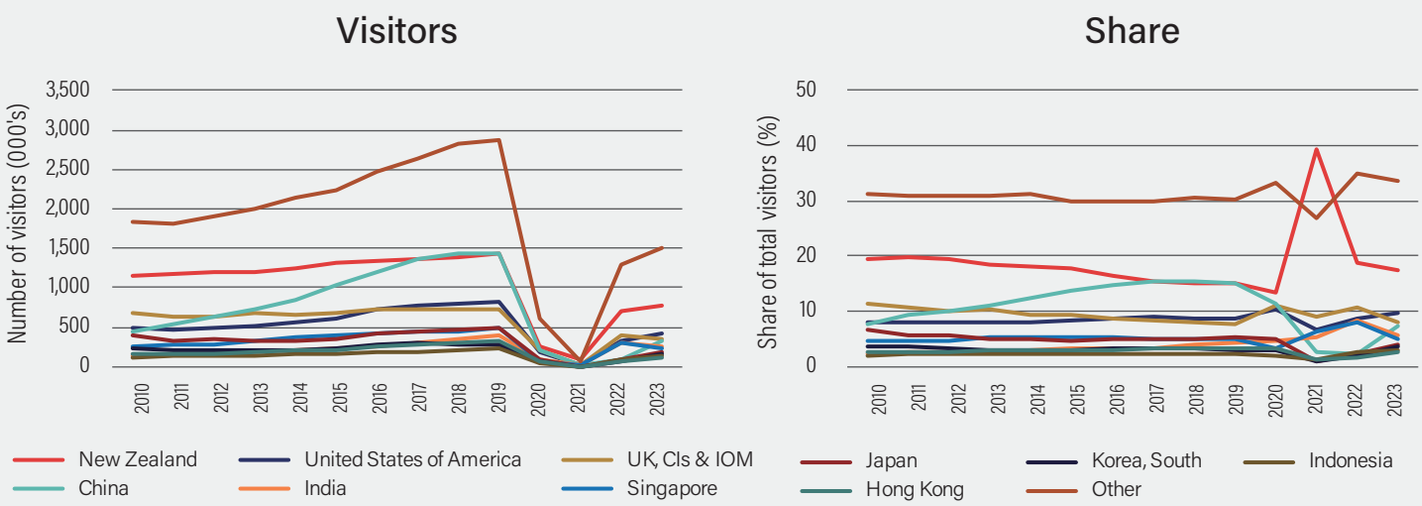
Source: University of Technology Sydney

Tourism

In the immediate years prior to the COVID-19 pandemic, China emerged as the largest contributor to international visitors to Australia, just overtaking New Zealand.

With the onset of the COVID-19 pandemic, visitor arrivals from China saw a very sharp decline both in raw numbers as well as in share terms, and they have been slow to recover compared to other nations. Again, this is likely stemmed from travel restrictions that China put in place in the wake of the pandemic, which outlasted those imposed by other governments.

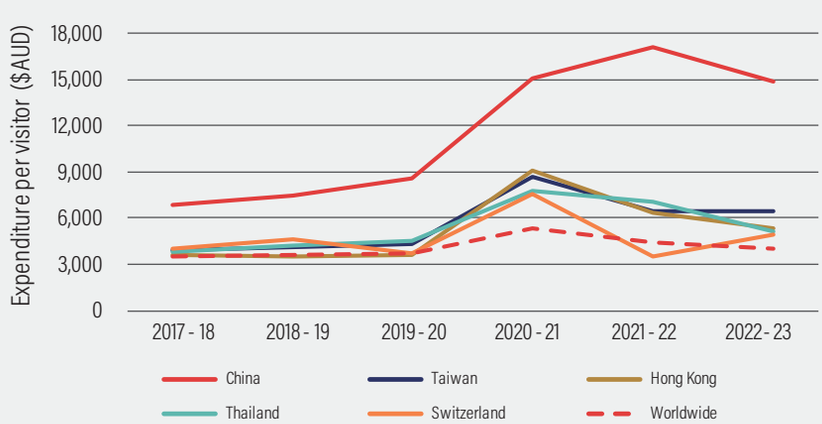
Figure 10 Top 10 international visitors to Australia, 2010 to 2023



Source: Bankwest Curtin Economics Centre | alculations using ABS CAT 3401 "Overseas Arrivals and Departures", Table 4.

Chinese tourists have higher average levels of expenditure compared to the average tourist population. Chinese tourist expenditure averaged $14,800 in 2022-23, more than twice that of the next most lucrative visitor (Taiwan) and more than triple the worldwide average of $4,000.

Figure 11 Expenditure per visitor, top 5 countries, 2017-18 to 2022-23



Note: Current prices.
Source: Bankwest Curtin Economics Centre | Calculations using Austrade, Tourism Research Australia, International Trips and Expenditure by Country of Residence and Financial Year.

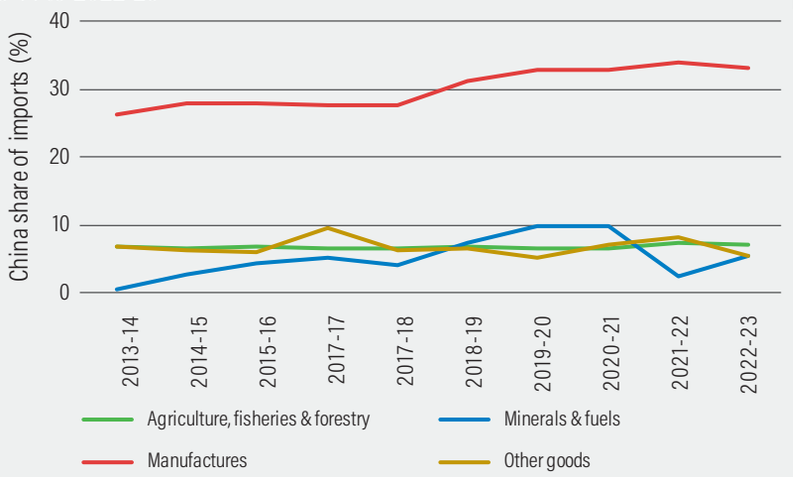
Merchandise Imports

Imports from China make up more than 30 per cent of Australia's total imports of manufactured goods, but China's share of imports from other industries is below 10 per cent of Australia's overall profile. This is to be expected with China's lower labour costs providing a comparative advantage in manufactured items.

30 per cent of Australia's imports of manufactured goods come from China .

Figure 12

Share of merchandise imports to Australia from China, by main sector, 2013-14 to 2022-23



Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory' https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

There is a broad diversity in Australia's imports from China. No single classification of manufacturing good comprises more than 10 per cent of the overall imports profile.

Telecom equipment and parts takes up the largest share of manufacturing imports, with a 9.4 per cent share, followed by computers (7.4%), and furniture, mattresses, and cushions (4.0%).

Chinese mineral exports to Australia, however, are fairly concentrated in refined petroleum, which constitutes 82.9 per cent of overall minerals and fuels imports from China in 2022-23. Residual petroleum products, coke, and a few other minerals comprise the remainder of mineral imports.

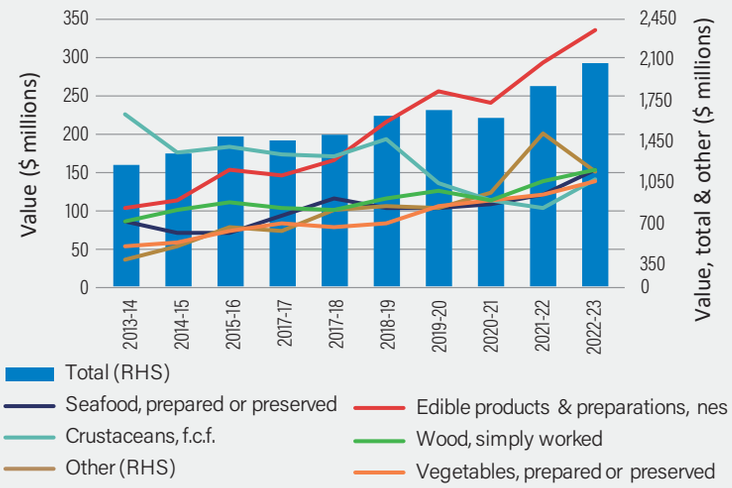
Finally, agricultural imports from China are also somewhat diverse, with edible products comprising 16.6 per cent of total agricultural imports. Seafood and wood are the next most notable imports, comprising 7.7 and 7.5 per cent of agricultural imports, respectively. Crustaceans, grouped separately from other seafood, also comprise above 7 per cent of all agricultural imports from China.

Figure 13 Top five merchandise imports from China by main sector, Australia, 2013-14 to 2022-23

2013-14 to 2022-23

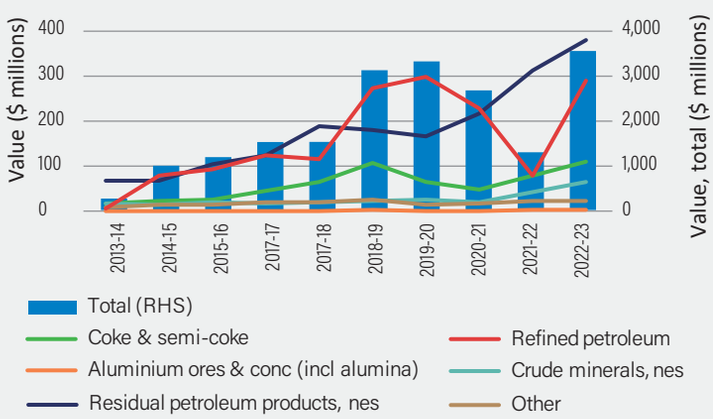
2022-23

Agriculture, forestry & fisheries



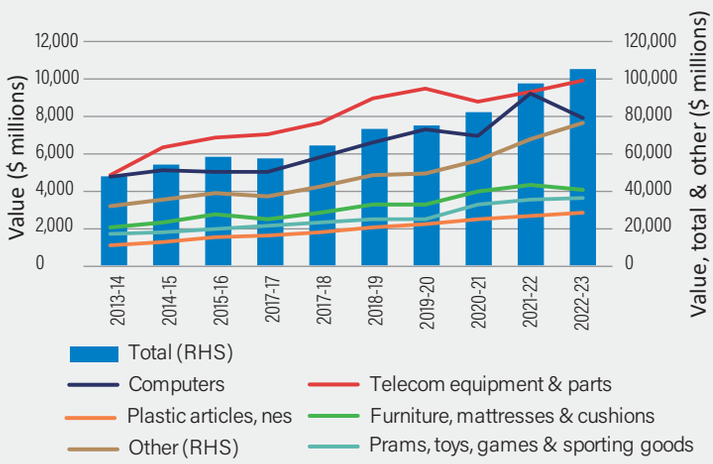
Good	Value ($ millions)	Share (%)
Edible products & preparations, nes	337	16.6
Seafood, prepared or preserved	158	7.7
Wood, simply worked	154	7.5
Crustaceans, f.c.f.	144	7.1
Vegetables, prepared or preserved	143	7.0
Other (RHS)	1,102	54.1
Total	**2,307**	

Minerals and fuels



Good	Value ($ millions)	Share (%)
Refined petroleum	2,942	82.9
Residual petroleum products, nes	384	10.8
Coke & semi-coke	115	3.2
Crude minerals, nes	72	2.0
Aluminium ores & conc (incl alumina)	8	0.2
Other	27	0.8
Total	**3,547**	

Manufactures

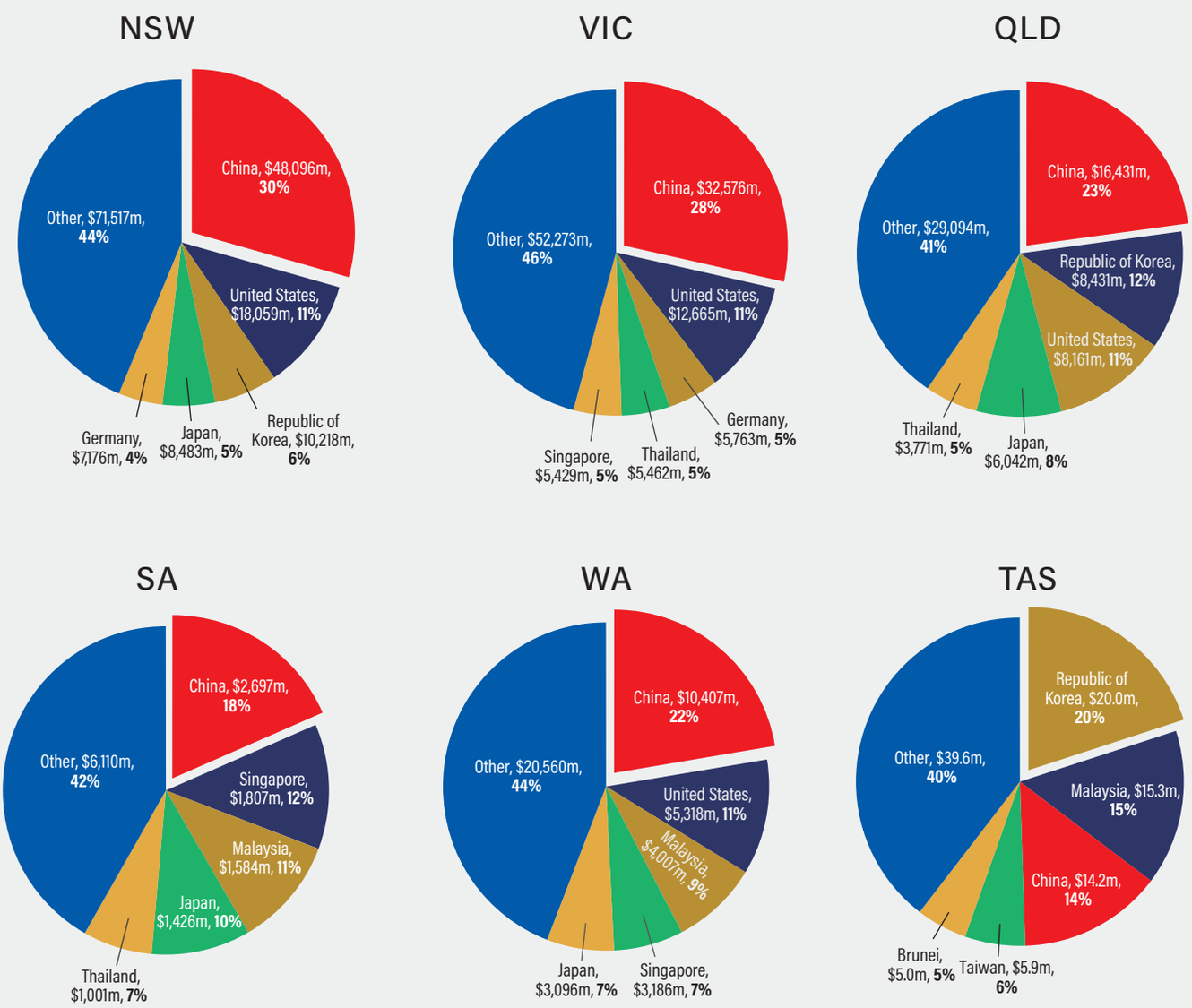


Good	Value ($ millions)	Share (%)
Telecom equipment & parts	9,834	9.4
Computers	7,901	7.6
Furniture, mattresses & cushions	4,133	4.0
Prams, toys, games & sporting goods	3,725	3.6
Plastic articles, nes	2,918	2.8
Other (RHS)	75,798	72.7
Total	**104,310**	

Notes: Ranked based on 2021 data. Current prices.
Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory'.

China is the single largest import source country for all Australian states as presented in Figure 14. This share is particularly large for New South Wales (30%) and Victoria (28%), and smallest for Tasmania (14%). There is further discussion on this in the individual state and territory briefing notes that accompany this report.

Figure 14 Share of merchandise imports, by state and partner country, Australia, 2022-23



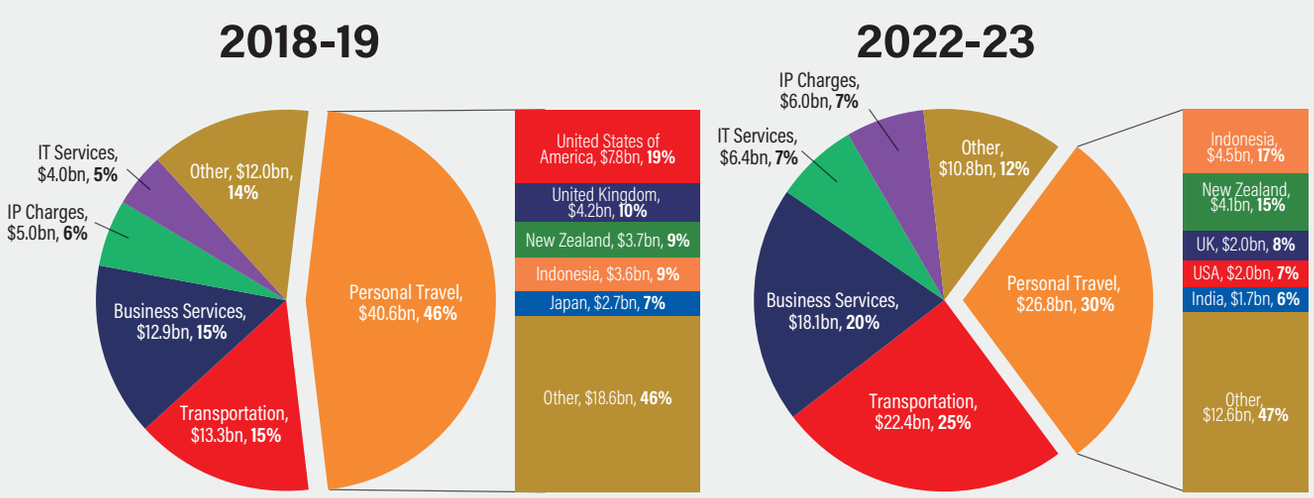
Note: Current prices.
Source: Bankwest Curtin Economics Centre | Calculations based on DFAT publication 'Australia's trade by State and Territory'.

Service Imports

Service imports have a strong role to play in the Australian economy, but Australia also relies on its global partners as a source for essential (and recreational) service imports as well. In particular, prior to the COVID-19 pandemic, Australia was a major importer of personal travel (tourism) services from a wide variety of destinations, with the United States, the UK, and New Zealand being the most popular destinations for outbound tourists.

However, with the onset of the pandemic, the value of tourism imports collapsed due to travel restrictions, leaving transportation and shipping services as Australia's primary international service import. However, a recovery in the global tourism industry is underway. As of 2022-23, imports of personal travel have recovered and claimed the top spot but remain below the pre-pandemic levels.

Figure 15 Service imports, by service type, Australia, 2018-19 and 2022-23



Note: Current prices.
Source: Bankwest Curtin Economics Centre | ABS CAT 5368.0.55.003, Table 4.

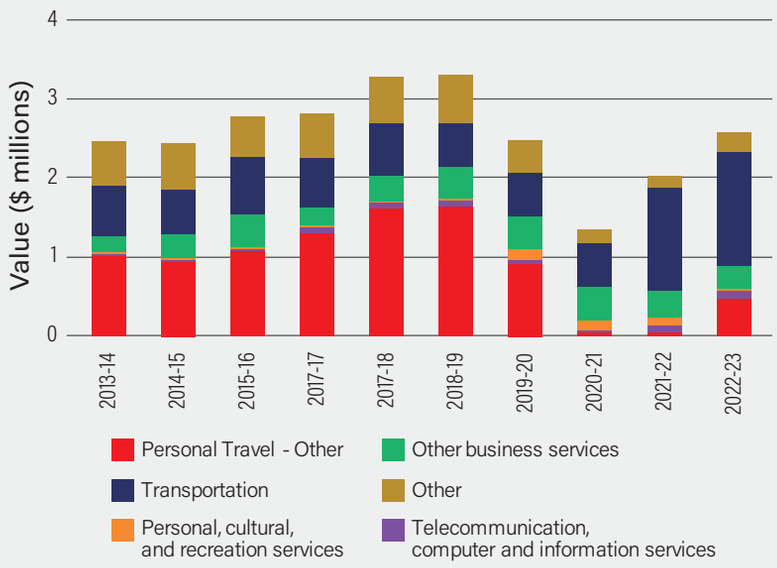
China has not been a large player in Australia's imports of services. The little tourism imports from China to Australia that existed before completely faded away with the pandemic and have been extremely slow to recover because of the extended travel restrictions put in place by China.

Tourism imports from China are worth $483,000, which is a very small value in comparison to popular destinations such as Indonesia, with tourism to the latter worth almost ten times that of China.

Transportation service imports from China did see some notable growth between 2020-21 and 2022-23, with the latter value sitting at $1.4m, but still below 2018-19 peak levels.

Figure 16

Services imports from China, by service type, Australia, 2013-14 to 2022-23



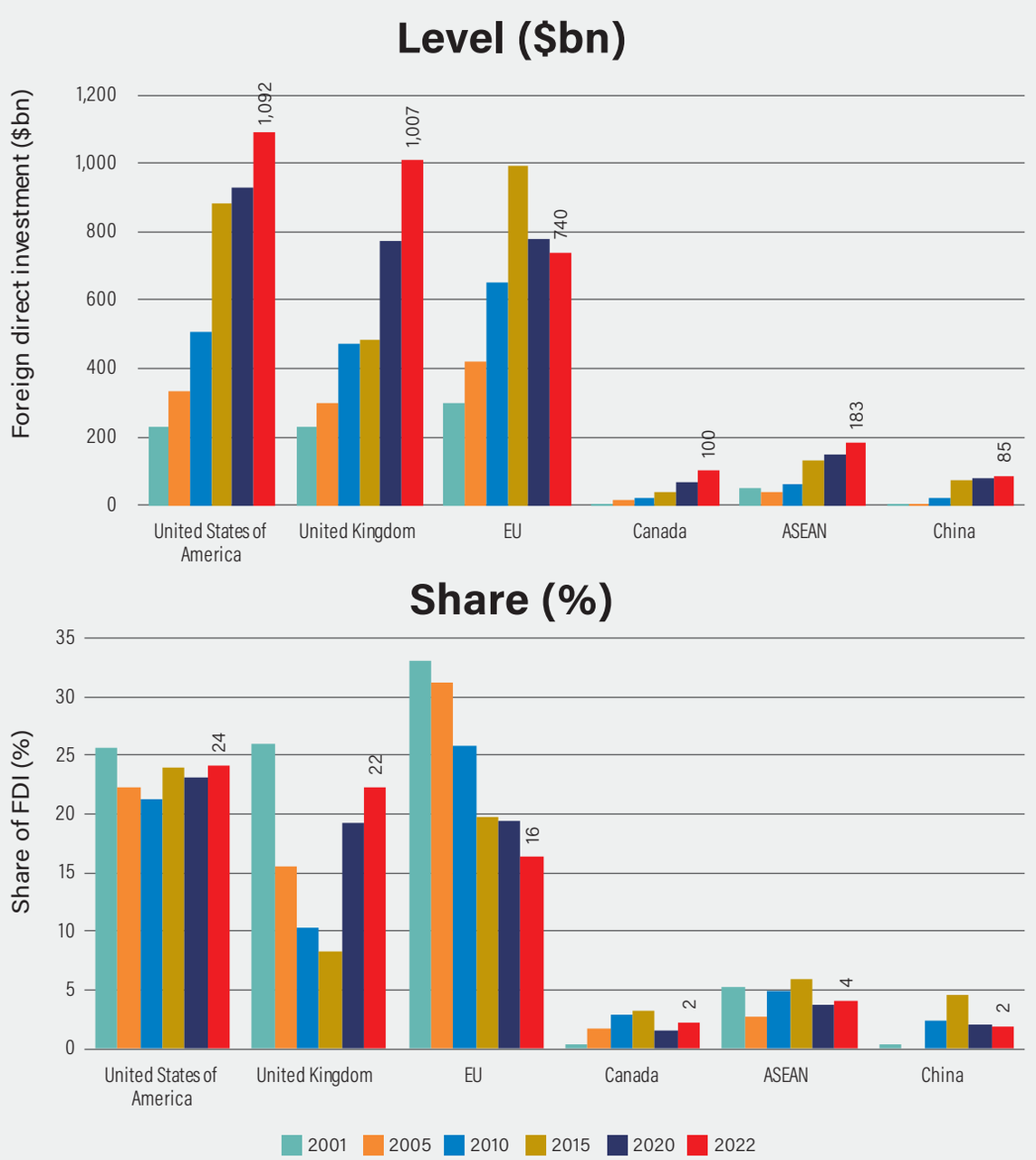
Note: Current prices.

Source: Bankwest Curtin Economics Centre | DFAT publication 'Australia's trade by State and Territory' https://www.dfat.gov.au/about-us/publications/trade-statistical-pivot-tables.

FOREIGN INVESTMENT

Foreign investment[3] from China to Australia hhas continued to grow in recent years (Figure 17). However, China's relative share of overall foreign investment into Australia has declined since 2015, with the UK increasing its share of the investments over that same timeframe. The USA, UK and EU remain the largest sources of investment in Australia.

Figure 17 Level and share of foreign investment in Australia, by country/country group, 2001 to 2022



Note: Current prices.
Source: Bankwest Curtin Economics Centre | ABS, International Investment Position, Australia: Supplementary Statistics 2022.

3: Foreign investment comprises the aggregate of foreign direct investment, portfolio investment liabilities, financial derivative liabilities and other investment liabilities.

Of the total investment from China in 2020-21, the highest share was concentrated in real estate and property investments, much like many of Australia's other foreign investment partners (Table 5). Finance and insurance services come second to real estate in terms of investment value, with the services sector, mineral exploration and manufacturing following closely. Chinese investment is much lower in the agricultural sector.

Table 5 Approvals by country investor (top 10), by industry sector, in 2020-21

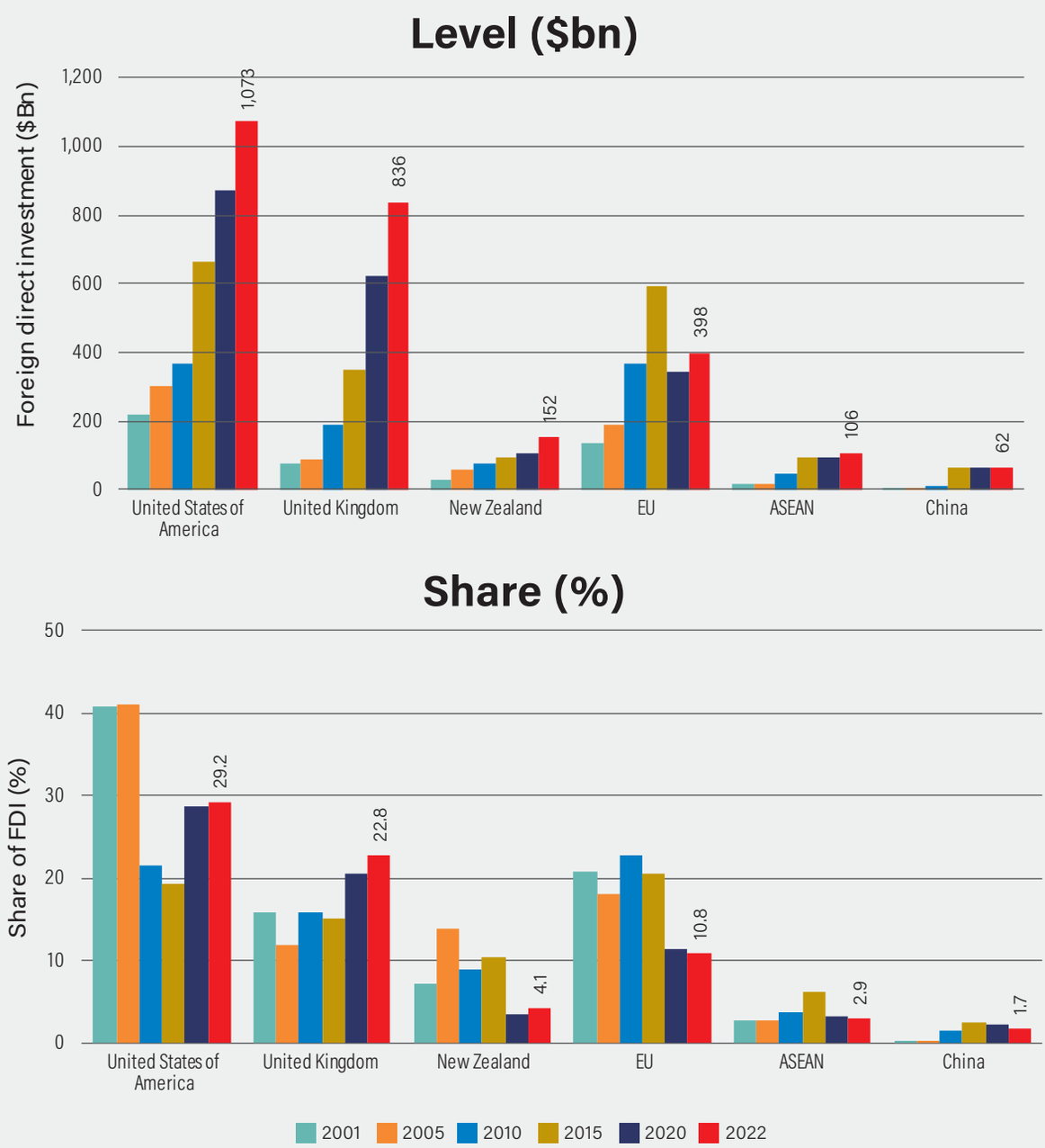
Country	Number of Approvals	Agriculture, forestry and fishing		Finance & insurance		Manufacturing, electricity, and gas		Mineral exploration & development		Real estate		Services		Total	
	Count	Value ($m)	Share %	Value ($m)	Share %	Value ($m)	Share %	Value ($m)	Share %	Value ($m)	Share %	Value ($m)	Share %	Value ($m)	Share %
United States	931	874.7	15.1	2,350	22.0	3,959	11.1	1,623	14.1	20,832	22.7	27,321	35.5	56,959	24.5
Singapore	524	186	3.2	435	4.1	1,526	4.3	22	0.2	13,849	15.1	5,327	6.9	21,345	9.2
Canada	378	818.5	14.1	73	0.7	3,534	9.9	82	0.7	7,371	8.0	6,946	9.0	18,824	8.1
China	2,733	645.5	11.1	1,902	17.8	1,538	4.3	1,586	13.8	6,306	6.9	1,598	2.1	13,575	5.8
Germany	156	65.7	1.1	204	1.9	1,281	3.6	1,082	9.4	7,572	8.3	1,866	2.4	12,070	5.2
South Africa	108	25.6	0.4	5	0.0	2	0.0	21	0.2	6,292	6.9	283	0.4	6,629	2.9
Spain	23	–		0	0.0	5,084	14.2	1,066	9.3	44	0.0	0	0.0	6,193	2.7
United Kingdom	533	518.8	8.9	688	6.4	291	0.8	597	5.2	2,403	2.6	1,191	1.5	5,688	2.4
Japan	206	81.4	1.4	128	1.2	408	1.1	78	0.7	2,646	2.9	1,757	2.3	5,099	2.2
Other	4,755	2594.3	44.6	4,879	45.8	18,147	50.7	5,356	46.5	24,337	26.6	30,643	39.8	85,956	37.0
Total	**10,347**	**5810.5**		**10,663**		**35,769**		**11,512**		**91,651**		**76,932**		**232,337**	

Source: Bankwest Curtin Economics Centre | based on Foreign Investment Review Board (FIRB) Annual Report 2020-21, Current prices.
Notes: The statistics presented in this table do not measure foreign investment made in Australia but indicate investor intentions and not actual acquisitions to procure Australian assets[4].

4: For more details on the methodology and caveats, see Appendix B in Foreign Investment Review Board Annual Report 2020-21.

Australia has historically not been a particularly large investor in Chinese industries. China makes up a relatively small share of Australia's investment profile compared to the USA, UK, and EU (**Figure 18**). There does not appear to be any evident upward trend trend in Australian investment into China over time either, with a slight decline over the last couple of years.

Figure 18 Level and share of Australian investment abroad, by country/country group, 2001 to 2022



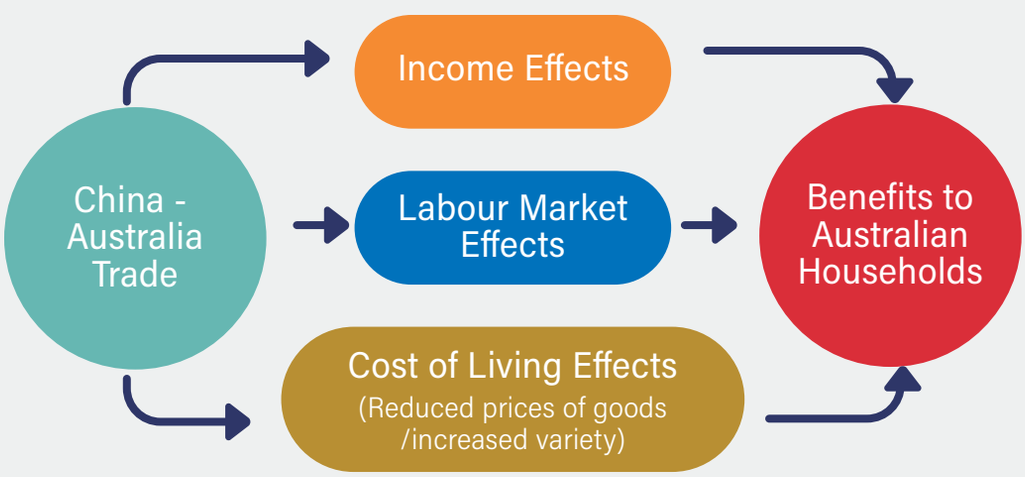
Note: Current prices.
Source: Bankwest Curtin Economics Centre | ABS, International Investment Position, Australia: Supplementary Statistics 2022.

BENEFITS OF AUSTRALIA-CHINA TRADE TO AUSTRALIAN HOUSEHOLDS

This chapter identifies and objectively estimates the key channels through which the impact of Australia-China trade transmits to household welfare. **Figure 19** depicts the three main channels through which trade with China translates into benefits to Australian households, namely household income, employment generation, and cost of living effects. Following a widely adopted approach in the international economics literature (e.g., Frankel and Romer, 1999; Irwin and Terviö, 2002), econometric modelling is employed to estimate these benefits of trade to households.

Figure 19

Channels through which Australia's trade with China translates into benefits to Australian households

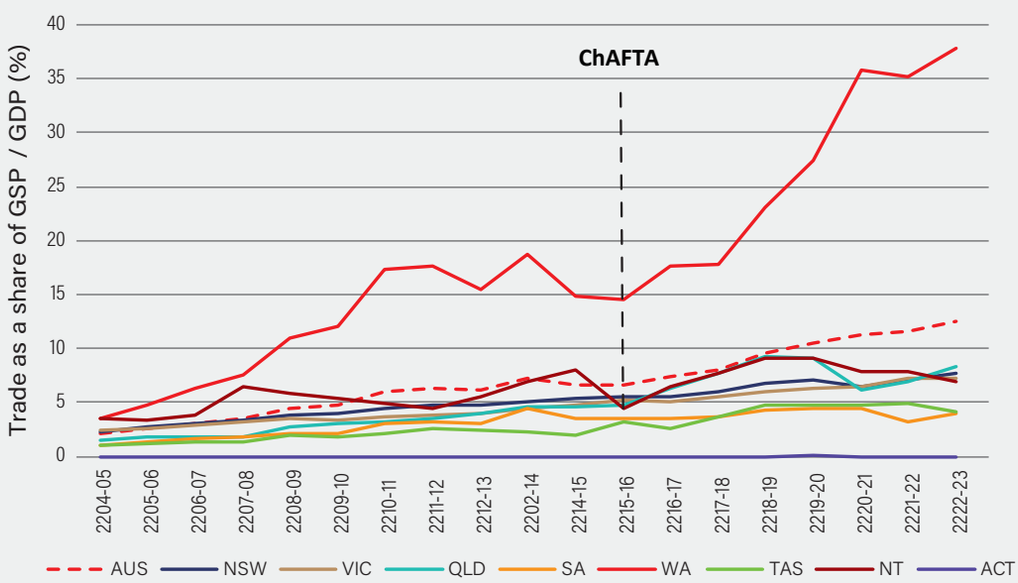


Source: Bankwest Curtin Economics Centre.

Income effects

Economic theory posits that free trade increases national income, as it allows countries to specialise in areas in which they have a comparative advantage. Trade also facilitates the diffusion of technologies that enhance productivity and lead to an increase in income in the globalised world. In this context, two-way trade between China and Australia has increased significantly in recent years. As can be seen in **Figure 20**, Australia's trade intensity with China significantly increased after the China–Australia Free Trade Agreement (ChAFTA) entered into force on 20 December 2015.

Figure 20 Australia's trade intensity with China by state, 2004-05 to 2022-23



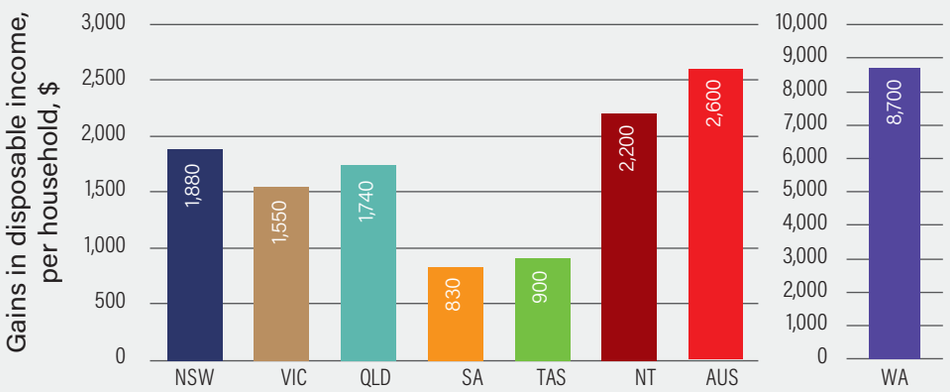
Source: Bankwest Curtin Economics Centre | Authors' calculations based on ABS CAT 5220 and CAT 5368.

Figure 21 presents the modelling estimates on the effects of Australia-China trade on household disposable income by state and territory in 2022-23. Trade in goods and services with China increased average household disposable income by $2,600 nationally in 2022-23. This is equivalent to 4.6 per cent of the average total household disposable income that year. In aggregate, the national gain in household disposable income due to trade with China in 2022-23 is estimated at $29bn.

By state, WA households benefited the most with gains to average household disposable income of $8,700. Northern Territory, New South Wales, and Queensland follow WA with gains in average household disposable incomes of $2,200, $1,880, and $1,740 respectively. Benefits to Tasmania and South Australia are lower than for Australia's other jurisdictions, largely because trade with China accounts for a smaller share of overall trading activity in each state.

Figure 21

Gains in Australian's household disposable income from trade with China, 2022-23



Note: ACT is not included here due to low trade flows with China. Values for the ACT are reported in the ACT Briefing Note that accompanies this publication.

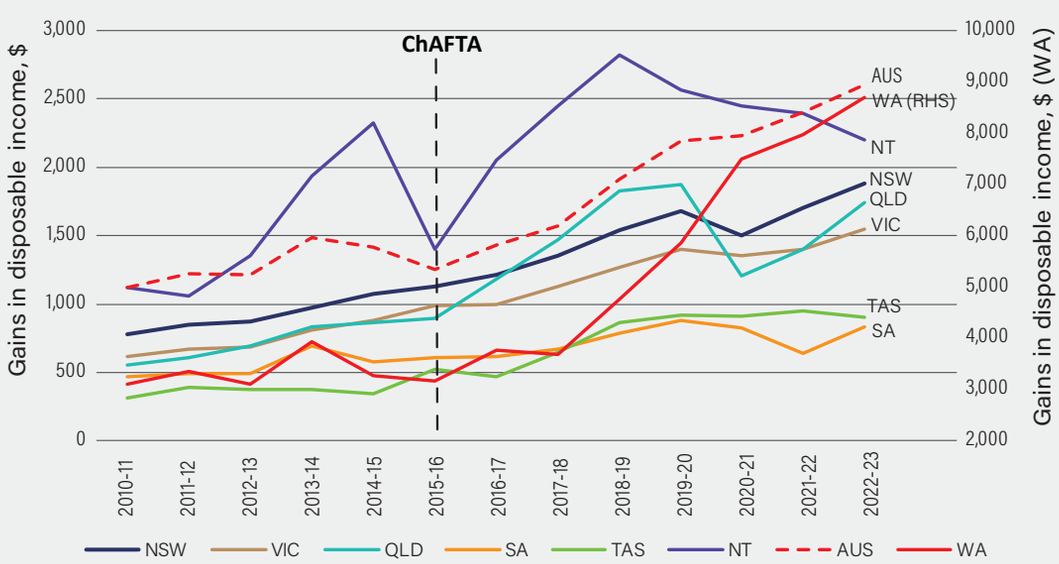
Source: Bankwest Curtin Economics Centre | BCEC model estimates based on DFAT and various ABS data.

Looking at the historical trends, **Figure 22** shows that there is a significant upward trend in disposable income due to trade with China over time for most states. This trend is clearly steeper in the post-ChAFTA period. This signifies the importance of reducing trade barriers to boost gains from two-way trade between the two countries. WA consistently outperforms other states in terms of gains in household disposable income with a sharp increase following ChAFTA.

WA consistently outperforms other states in terms of gains in household disposable income with a sharp increase following ChAFTA.

Figure 22

Gains in disposable income per household from trade with China, 2010-11 to 2022-23



Note: The estimates for WA are reported in the right-hand side (RHS) of the of the y-axis. ACT is not included here due to low trade flows with China. Values for the ACT are reported in the ACT Briefing Note that accompanies this publication.

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

Labour market effects

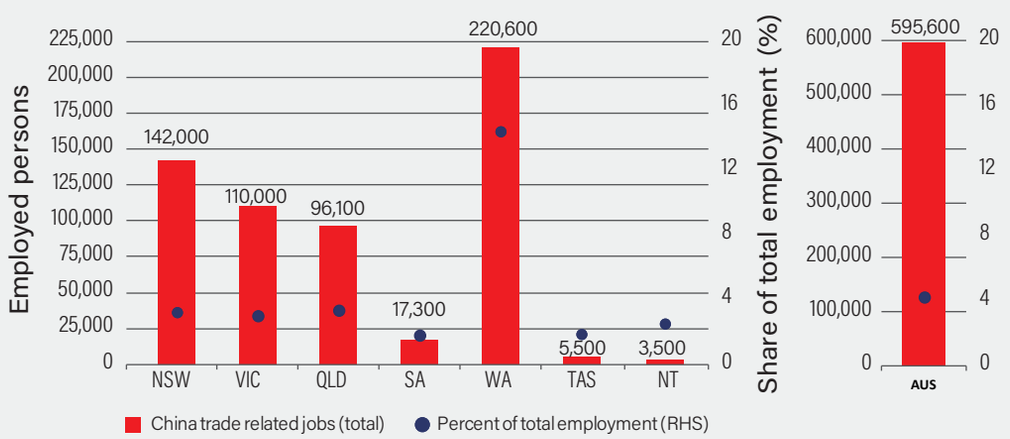
Trade may affect the welfare of households and businesses through the changes in the structure of employment and unemployment. Using an innovative modelling approach, this report investigates the net national impact of the Australia-China trade relationship on the Australian labour market. Specifically, the report employs a quasi- experimental approach utilising the ChAFTA deal to identify the causal effects of Australia-China trade on Australia's labour market.[5]

The modelling results presented in Figure 23 show that the number of jobs across the country that can be attributed to Australia-China trade in 2022-23 is estimated at about 595,600.

The sheer size of WA's exports to China ensures that WA has the single largest count of additional jobs created as a result of from trade with China, estimated at 220,600 jobs in 2022-23. For WA, the concentration of the mining industry and minerals endowments, including critical minerals that are key for the global decarbonisation agenda, offers a unique advantage to outperform other states and territories both now and into the future. The number trade-related jobs for New South Wales is estimated at 142,000 followed by Victoria (110,000) and Queensland (96,100).

About 595,600 jobs in Australia were generated due to trade with China in 2022-23.

Figure 23 Employment effects of trade with China by state, 2022-23



Notes: The estimates are based on economic modelling. ACT is not individually reported here due to low trade flows and relatedly low employment effects. Values for the ACT are reported in the ACT Briefing Note that accompanies this publication. Aggregate numbers for Australia may not equate the sum of individual states due to rounding.

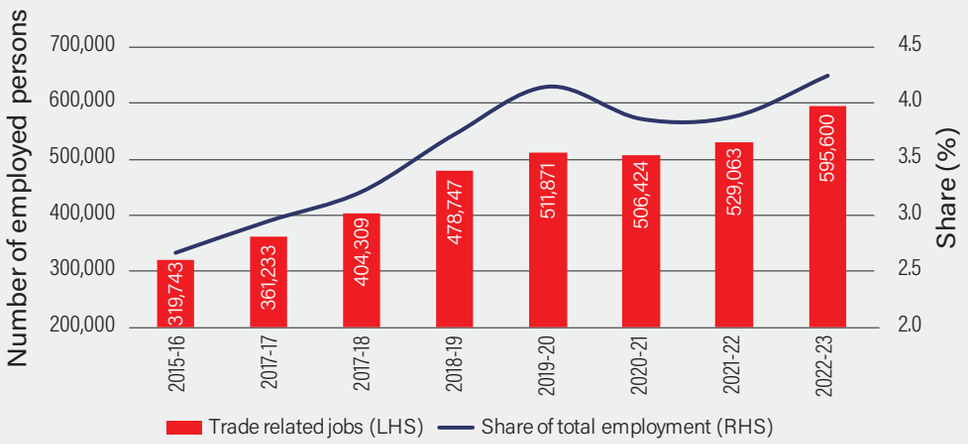
Source: Bankwest Curtin Economics Centre | Authors' calculations based on ABS and DFAT data.

Furthermore, the gain in jobs from trade with China is increasing over time. As shown in **Figure 24**, the estimated number of Australia-China trade related jobs increased by more than 86 per cent from 319,743 in 2015-16 to 595,600 in 2022-23 (**Figure 24**). In the absence of trade related negative shocks, and with appropriate political will, this trajectory is expected to continue. Australia and China have clear comparative advantages along the value chain (such as battery manufacturing) that can lead the global agenda towards achieving net zero emissions. These advantages lie in resource availability, technological know-how and investment in the green trade agenda.

5: Regression discontinuity design is used to estimate the labour market effects of WA-China trade.

Figure 24

Trends in trade-related employment and share of total employment, Australia, 2015-16 to 2022-23



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

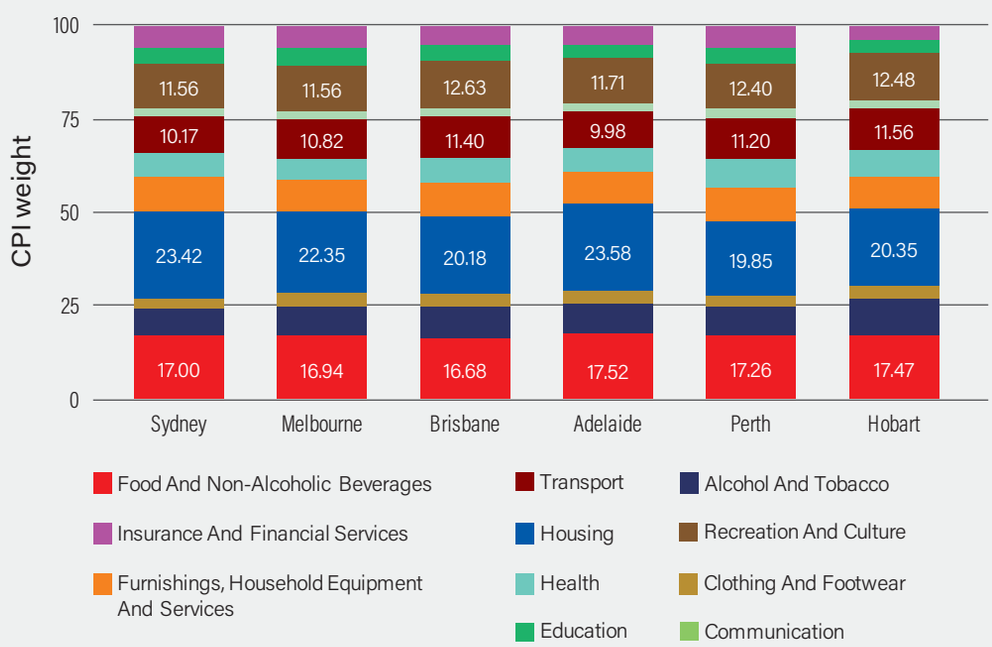
As for unemployment, the modelling results show that a 1 per cent increase in trade intensity with China is associated with a decline in the unemployment rate of around 0.25 per cent. As a case in point, Australia -China trade intensity increased by 9 per cent in 2022-23 compared to the previous financial year. This implies that, other things being equal, the unemployment rate was approximately 2.25 percentage points higher than it would have been had trade intensity remained at 2021-22 levels.

Cost of living effects

International trade theory predicts that free trade improves household welfare by lowering the costs of imported products that constitute the basket of consumer expenditures. Consumers derive direct advantages from trade as they gain access to a diverse range of items, including furniture, machinery, and vehicles, at more affordable prices. For this report, we identify the goods that form the greater shares of the shopping baskets of typical Australian households, and the price benefits for those goods that accrue from Australia's trading relationship with China.

Figure 25 presents the weights for consumer price index (CPI) groups for major Australian cities in 2023. Housing constitutes the largest weight ranging from 19.9 per cent to 23.6 per cent across the cities, followed by food and non-alcoholic beverages (16.7% to 17.5%) and furnishings, household equipment and services (11.6% to 12.6%).

Figure 25 Weights for CPI groups, October 2023

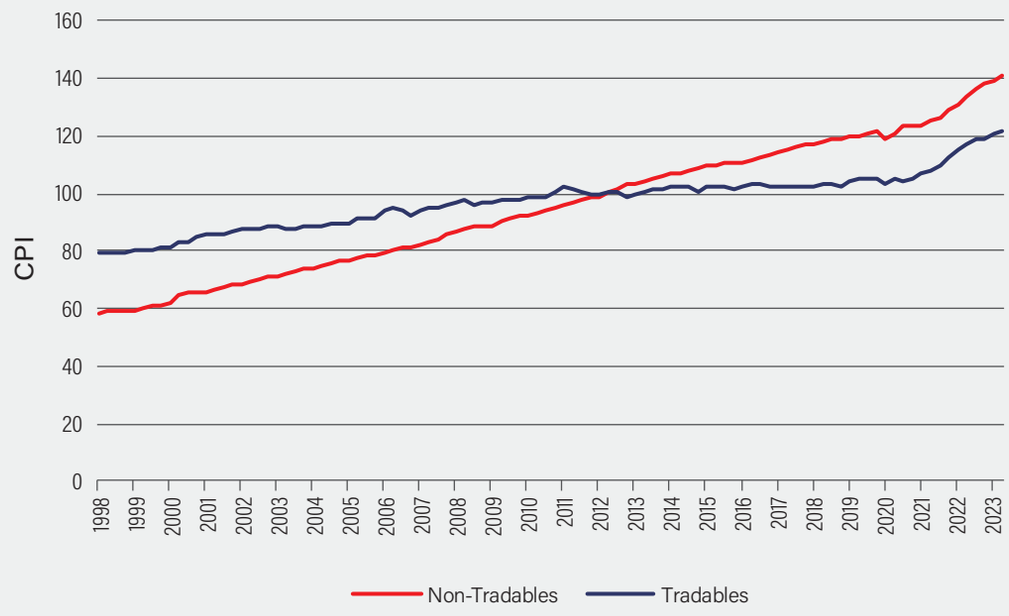


Source: Australian Bureau of Statistics, Annual weight update of the CPI and Living Cost Indexes 2023.

Households benefit from trade when they can access imported goods at lower prices. Imported goods constitute approximately 25 per cent of Australia's total household consumption. Australia's primary imports consist of manufactured goods and equipment, which form a significant component of the CPI basket.

Figure 26 compares CPI for tradable and non-tradable goods and services across Australian. It is evident that the inflation rate for tradable goods and services is lower than that of non-tradable goods and services over the last decade.

Figure 26 CPI for tradable and non-tradable goods and services, Australia 1998 to 2023



Note: Base year set to 2012=100.
Source: Bankwest Curtin Economics Centre | ABS CAT 6401, Table 9.

This report assesses the cost-of-living benefits associated with trade between Australia and China by comparing the unit costs of Chinese imports to Australia with those imports sourced from other countries using detailed data trade data from the National Freight Data Hub (NFDH). The NFDH data offers a unique advantage as it provides both the value and quantity of imports to Australia, categorised by country of origin and product group. This allows for a comprehensive comparison of unit prices for similar Standard International Trade Classification (SITC) product classes.

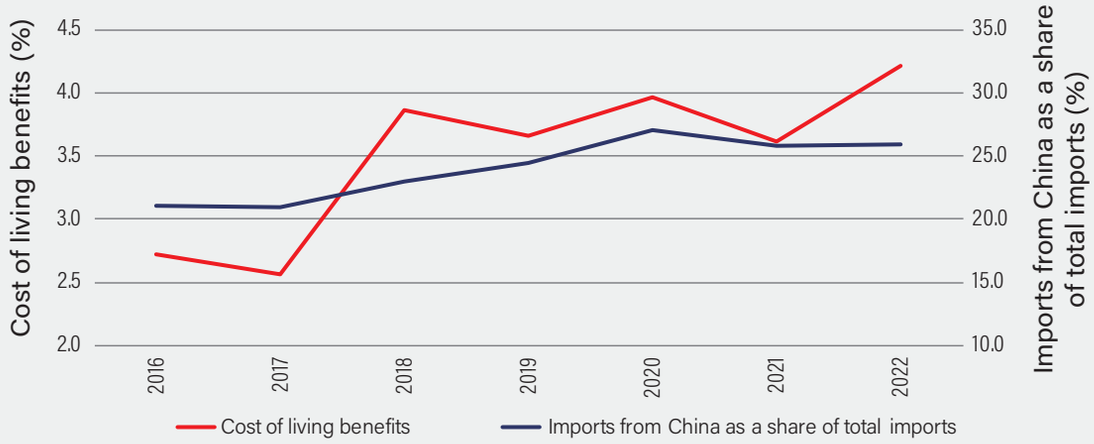
BCEC researchers use the input-output tables included in the ABS national account data release to dissect household consumption into domestic and imported components. Utilising data on the value of imports contributing to final demand, the share of imports as a proportion of total household consumption is estimated for each commodity group.

BCEC analysis shows that if Australians sourced Chinese imports from an alternative source country in 2022, it would have costed them 4.2 per cent more (**Figure 27**).

Figure 27 also highlights that there is a strong positive association between the share of Australian imports obtained from China and the cost-of-living benefits.

If Australians sourced Chinese imports from an alternative source country in 2022, it would have costed them an additional 4.2 per cent.

Figure 27 Benefits of trade on cost of living, 2016 to 2022



Source: Bankwest Curtin Economics Centre | NFDH and various ABS data.

SUMMARY AND CONCLUSION

Two-way trade between China and Australia has increased significantly over the last decade, especially since the signing of ChAFTA. The primary objective of this report is to quantify the economic benefits of Australian trade with China to Australian households. The report examines the main channels through which trade with China translates to benefits to Australian households, namely, increased disposable income, additional employment, and reduced cost of living effects.

China is Australia's largest trading partner. In value terms, over 32 per cent of Australia's exports went to China in 2022-23, with 26 per cent of imports to Australia sourced from China. The value of Australian exports to China increased from $74.8bn in 2014-15 to $191.7bn in 2022-23. BCEC modelling shows that these trade effects are sizeable for the Australian households. Specifically, Australia's trade intensity with China added approximately $2,600 to average household disposable income in 2022-23. This value accounts for 4.6 per cent of total disposable income per household and around $29bn on aggregate for Australian households that year alone.

Australia's levels of trade with China are estimated to have contributed to around 595,600 jobs in 2023-23, just over 4.2 per cent of the nation's total employment.

Imported goods from China form a large share of the typical basket of goods consumed by Australian households. It is estimated that Australian households would have to pay 4.2 per cent more for the same consumption items if they were required to source Chinese imports from an alternative trade partner.

The COVID-19 pandemic and tariffs imposed on Australian exports have impacted, and in the case of the latter, increased trade tensions. This has been disruptive for many Australian businesses and industries. Some have been able to pivot towards alternative sources without a detrimental impact on revenue. For others, the impacts were more significant. The relationship is getting back on track. Diplomatic visits at the national and state level, the removal of many tariffs and the re-opening of borders have helped.

In the absence of trade related shocks, and with appropriate political will and entrepreneurial spirit, there are opportunities for the Australia-China trade relationship to remain strong and grow further over the decades ahead.

GLOSSARY AND TECHNICAL NOTES

Trade intensity

Total trade (imports and exports) with country X as a share of GDP (or GSP). The higher the share the greater the trade intensity.

Net exports

Net exports denote the value of exports minus imports.

Unemployment rate

The unemployment rate is the number of unemployed persons expressed as a percentage of the labour force (employed plus unemployed).

Employment-to-population ratio

Employment-to-population ratio is defined as the number of people aged 15 years and over that are employed as a percentage of the civilian population aged 15 years and over.

APPENDIX

Following the influential paper of Frankel and Romer (1999), the effect of trade on income is estimated using an econometric model specified as:

$$ln\, Y_{it} = a + \beta\, lnT_{it} + cX_{it} + \delta_i + \gamma_t + \varepsilon_{it}$$

where Y_{it} is income per person (GSP per capita) in jurisdiction i at time t, T_{it} is the measure of the intensity of trade with China (two-way trade as per cent of GSP) and X_{it} is a set of controls including the labour force participation rate. The parameter δ_i denotes state fixed effects that account for time-invariant factors of jurisdictions whereas γ_t denote time fixed effects and ε_{it} is the error term that captures other omitted factors.

In the above equation, β measures the response of GSP per capita for every percentage point increase in trade intensity. Using this relationship, the gains from trade with China to Australian households in terms of gross disposable income per capita can be estimated for every year over the last decade.

From the modelling exercise, it is estimated that every percentage point increase in trade intensity is associated with a 0.14 per cent increase in real GSP per capita. Then, the increase in GSP per capita in dollar values due to an increase in trade with China can be computed using this relationship and the changes in percentage points in each jurisdiction's trade intensity with China. To compute the gain in gross disposable income per person, the increase in GSP per capita is multiplied by the ratio of gross disposable household income per capita to GSP per capita. Then, gross disposable income per household is computed by multiplying this value by the average number of persons in households of a jurisdiction based on census figures.

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