

**KCCI - Country Wrap** (December 2013)

**Australia**



**Australia – a brief overview**

Australia has one of the largest economies with highest per capita income in the world. The country is termed as the world's most wealthiest and highly developed possessing the second-highest human development index globally. Australia holds important position in many international comparisons of national performance, such as quality of life, health, education, economic freedom, and the protection of civil liberties and political rights. Moreover, the country also contain abundant and diverse natural resources which has made it possible to attract high levels of foreign investment. The country possess extensive reserves of coal, iron ore, copper, gold, natural gas, uranium, and renewable energy sources. However aging population, pressure on infrastructure, and environmental issues are some of the important concerns of the Australian economy.

**Economy of Australia**

Australian economy is dominated by its service sector, comprising 68% of GDP. Economic growth is largely dependent on the mining sector and agricultural sector with East Asian markets being important export markets of the country. The mining sector represents 19% of GDP, while agriculture constitutes the remaining 13%. It is also the largest exporter of live animals in the world and a prominent exporter of natural resources, minerals, and food. The Australian economy will likely outpace all major advanced economies over the next two years, with IMF forecasting growth of 3.5% in 2013 and annual growth of 3.4% till 2017. This rate is expected to exceed that of the USA, Canada, UK, and more than double that of Japan, France, Germany and Italy. IMF also predicts Australia's low unemployment rate to remain at 5.2 % in the coming two years.

**Key Industries and Agriculture products of Australia**

The industrial sector which is considered to be a major revenue generating sector of the Australian economy mainly comprise of mining, industrial and transportation equipment, food processing, chemicals and steel. The key agriculture products of Australia include wheat, barley, sugarcane, fruits; cattle, sheep, poultry.

**Australia's Major Trading Partners and Commodities**

The major export partners of Australia are China (27.4%), Japan (19.2%), South Korea (8.9%), India (5.8%). The major commodities that are exported by Australia are coal, iron ore, gold, meat, wool, alumina, wheat, machinery and transport equipment.

The major import partners of Australia are China (18.5%), U.S. (11.4%), Japan (7.9%), Singapore (6.2%), Germany (4.7%). The important import items of Australia are machinery and transport equipment, computers and office machines, telecommunication equipment and parts, crude oil and petroleum products.

**Australian Currency**

The Australian dollar is the 5th most traded currency in the world as of 2011, accounting for 7.6% of the world's daily trade. The Australian dollar is popular with currency traders, because of the comparatively high interest rates in Australia, the relative freedom of the foreign exchange market from government intervention, the general stability of Australia's economy and political system.

**Economic Relations between Pakistan and Australia**

Pakistan-Australia Joint Trade Committee (JTC) was established under the bilateral trade agreement of 1990 to oversee and foster stronger commercial and economic links between the two countries. The previous meetings of the JTC were held alternatively in Australia and Pakistan in 2006 and 2010 respectively. While the success of Pakistan-Australia agriculture sector linkages were acknowledged at the meetings, JTC focused on finalizing of proposed agreements like signing of a new MoU on revising present bilateral trade agreement, and a bilateral investment treaty. It has also been agreed by the JTC that time bound targets should be set for making progress on all the trade and economic matters of mutual interest.

**Australia's Corporation in Pakistan's Health and Education sector**

During 2011-12, Australia's accumulated Official Development Assistance (ODA) for Pakistan was estimated at \$92.8Mn. Australia's assistance to Pakistan include support for basic health care and education. The country is also making large investments in education sector of Pakistan, with main focus on improving access to, and quality of, education, particularly for girls. Current partners in delivering this assistance include the United Nations and the Aga Khan Foundation.

**Bilateral Trade between Pakistan and Australia**

Pakistan and Australia maintains strong bilateral trade relations where large trade volume is the reflection of this fact. During Fiscal Year 2012-13, Pakistan exported goods to Australia worth \$ 178.57Mn as against exports of \$ 187.61Mn during Fiscal Year 2011-12 whereas goods imported by Pakistan from Australia were recorded at \$ 514.56Mn as against imports of \$ 364.99Mn during Fiscal Year 2011-12. The trade balance remained in the favour of Australia where Pakistan's export experienced decline of 4.8% while Pakistan's import increased by 41%.

**Areas for enhancing Pakistan-Australia Bilateral Trade Ties**

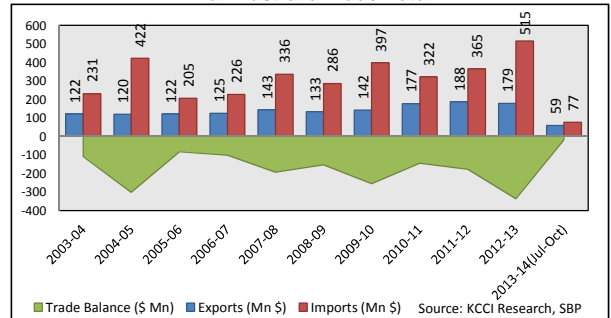
- Pakistani mangoes have potential to penetrate into Australian markets at large. Tapping Australian market for exporting mangoes would provide impetus for enhancing further bilateral trade.
- Pakistan can seek Australian assistance in expanding its dairy and agriculture sector by adopting modern techniques.

**Economic Indicators**

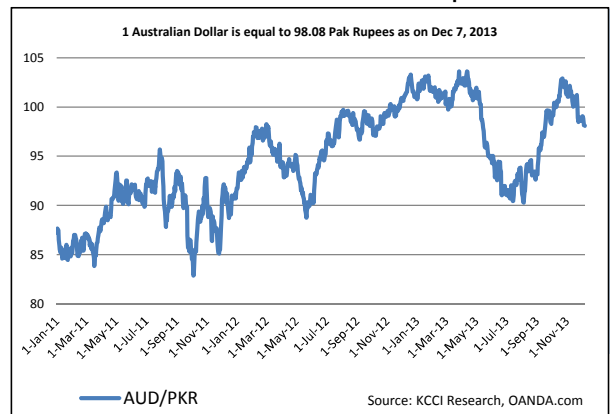
Indicators	Unit	2011	2012	Change
GDP (PPP)	\$Bn	953	987	3.58%
GDP per Capita	\$	42400	43300	2.12%
GDP Growth	%	2.4	3.6	1.20%
Forex Reserves	\$ Bn	47	49	5.10%
External Debt	\$ Bn	1,383	1,497	8.24%
Exports	\$ Bn	272	259	-4.71%
Imports	\$ Bn	242	240	-1.07%
Trade Balance	\$ Bn	29	19	-34.81%
Current Account	\$ Bn	-29.5	-47.1	-59.66%
CPI	%	3.3	1.8	-1.50%
Unemployment	%	5.1	5.2	0.10%
Discount Rate	%	4.4	3.0	-1.35%

Sources: KCCI Research, CIA Factbook, TDAP, SBP

**Pak Australia Trade Data**



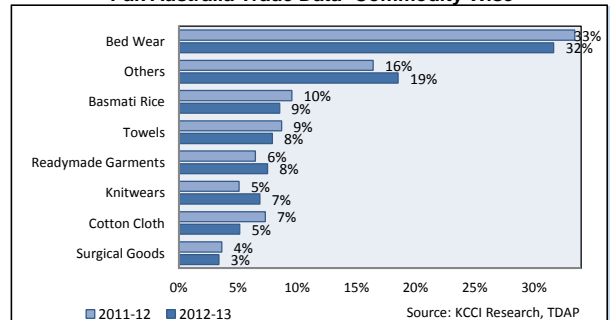
**Australian Dollar Vs. Pakistani Rupee**



**Key Memberships**

Australia was a founding member of the United Nations (UN) in 1945 and has been actively engaged in the organisation since its formation. Australia is also a member of WTO, the Commonwealth, SAARC (as an observer) and Paris Club amongst others

**Pak Australia Trade Data- Commodity Wise**



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