



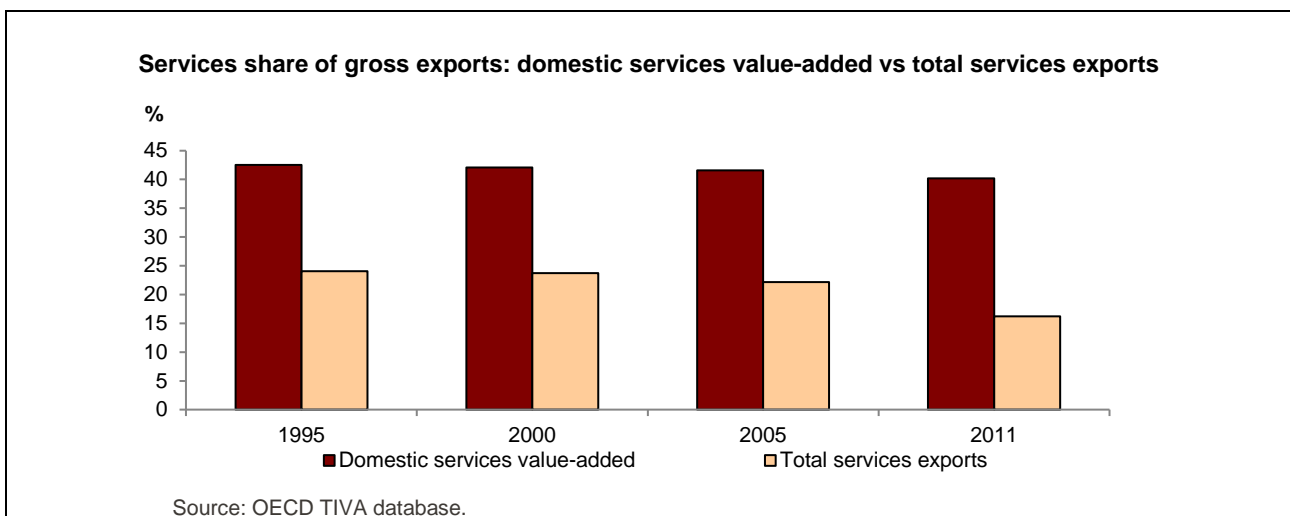
Importance of Australian services industries to the Australian export sector

In some commentary, the low ratio of Australian services exports to total exports (less than 20 per cent since 2009 on a gross flow basis) compared with Australian services industries¹ proportion of GDP (around 70 per cent of GDP) is often used to imply that Australia's exports of services are much less than they should be, especially when compared with other similar countries.

Although Australia's geographic isolation makes it harder to deliver services compared to countries that border other nations, the gross flows measure still greatly underestimates the contribution of Australian services industries to Australian exports.

Because many services are not traded directly, services contributions to exports are more fully captured on a value-added basis. For instance land transport and electricity services used up in the mining and export of resources are reflected in trade on a value added basis. On a gross exports basis these values are inherent in the value of the resource and are not separately identified.

In the chart below it can be seen that in 2011 services exports accounted for only 16 per cent of gross exports, down from 22 per cent in 2005². However the contribution of domestic services to gross exports of goods and services, measured by the OECD database on a Trade in Value Added (TIVA) basis, amounted to over 40 per cent (and remained relatively constant between 1995 and 2011).



¹ Services industries proportion of GDP includes Utilities, Construction and other services industries at basic prices but excludes ownership of dwellings.

² Services exports' share of total exports has risen since 2011, reaching nearly 21 per cent in the latest information available (2015).

To understand the full value of services provided abroad by Australian residents, those delivered by foreign affiliates abroad must also be taken into account. Neither the simple gross flows measure nor the trade in value-add measure capture services delivered in this manner. In many cases it is often necessary (or preferable) to set up an Australian affiliate in a host country to deliver services (e.g. construction services). The Australian Bureau of Statistics has found that up to two-thirds of Australia's services provided to non-residents are supplied in this manner.

Conclusion

Simply analysing gross services exports contribution to gross exports overall, significantly underestimates the importance of Australia's services industries to the Australian export sector. Using the value-added measure it can be shown that over 40 per cent of the value of exports overall are accounted for by Australia's domestic services industries. In addition around two-thirds of Australian services provided to the world are delivered by Australian foreign affiliates abroad, not via direct export.

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