

NZ'S TRADING RELATIONSHIP WITH AUSTRALIA: A STATE LEVEL ANALYSIS

CONDENSED VERSION



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SUMMARY

- The Australian economy is currently undergoing a significant re-adjustment as it transitions away from the mining investment boom. This has resulted in a slowdown in overall growth. While the transition is bearing down on domestic demand in Western Australia and Queensland, lower interest rates and a more competitive exchange rate are propelling growth in both New South Wales and Victoria.
- At the State level, New South Wales and Victoria are NZ's key trading partners in Australia. Further, a relatively high proportion of this trade is in the arguably more 'value added' areas of processed foods and elaborately transformed manufactures.
- Nearly 90% of NZ's goods exports to Australia enter via the Eastern states of New South Wales, Victoria and Queensland, and an equivalent share of our goods imports from Australia are sourced from these states.
- We also 'compete' internationally with Australia in the export of some products. For instance, Queensland is a significant exporter of beef, while Victoria is an important exporter of dairy products such as milk, cream, whey, yoghurt and cheese (albeit, with a proportion of that dairy product being from NZ/Fonterra owned entities).
- NZ also maintains strong people-to-people links with Australia with each country being the major source of tourist arrivals for the other. Linkages are also strong between Australia's and NZ's labour markets: there was an influx of NZers to the mining states of Western Australia and Queensland during 2011/12, with a subsequent reversal of trend more recently due to the winding down of Australia's mining investment boom.

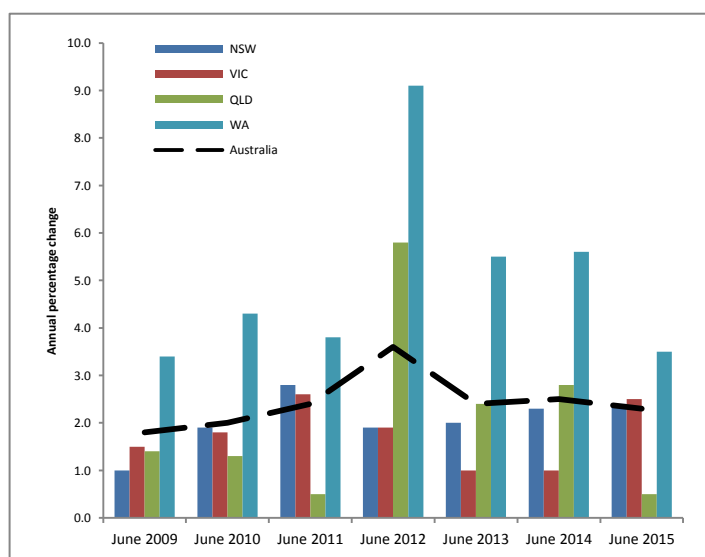
INTRODUCTION

The mining investment boom in Western Australia and Queensland has driven growth in Australia for much of the period since the Global Financial Crisis. With China's industrial growth spurt easing off and significant investment bearing fruit in the form of growing commodity supplies, the prices of Australia's key export resources have fallen in recent years, prompting a slowdown in economic growth. The headline figures, however, mask a significant re-adjustment taking place in the Australian economy. Mining investment has turned into less labour-intensive mining production, resulting in a slowdown in construction activity as well as weak employment growth and consumption spending in the resource-rich states of Western Australia and Queensland. At the same time, lower interest rates and a more competitive exchange rate are supporting growth along the Eastern Seaboard states.

Given the critical importance of Australia in NZ's trading profile, Australia's economic performance will always have a strong influence on NZ's economic performance. However, while Australia remains NZ's main goods and services export destination, and third largest source of goods imports, our trade with Australia is not evenly spread across the states. The aim of this report is to use state-level data to provide a more refined understanding of how the transition in Australia away from the mining investment boom may impact on NZ's trade prospects over the near to medium term.

RECENT ECONOMIC DEVELOPMENTS

Figure 1: Growth in Gross State Product (GSP), YE June



Rapid growth in Western Australia and, to a lesser extent, in Queensland has supported growth in the broader Australian economy making it one of the best performing OECD countries since the Global Financial Crisis. A surge in mining investment and related construction projects, largely driven by strong demand from developing economies, notably China, has been a key contributor. This has had flow on effects to both employment and income growth. However, in response to falling commodity prices and the completion of many mining projects, these trends have reversed, with both Queensland and Western Australia bearing the brunt of the economic adjustment

Notwithstanding the transition underway, the mining industry remains the biggest contributor to overall GDP growth in Australia.¹ On the back of low interest rates and a falling exchange rate, service sector activity is also picking up, notably through the Eastern Seaboard states. Rises in construction activity in New South Wales, Victoria and the Northern Territory², have also partially offset the negative impact of the significant downturn in construction activity in Queensland and Western Australia (Table 1 refers). This is due, in some part, to

¹ By industry, financial and insurance services contributes the largest share (9.3%) to Australian total Gross Value Added, followed by construction (8.8%) and mining (7.2%).

² Strong growth in the Northern Territory over the last year reflects the impact of several large LNG projects under way, and supporting construction activity.

changes in interstate-migration flows, with labour attracted to better employment conditions along the Eastern Seaboard.

Table 1: Industry Gross Value Added Contribution to Gross State Product Growth Year Ending June 2015 (Percentage Points)
Cells highlighted in blue represent the industry with the highest contribution to GSP growth for each state.

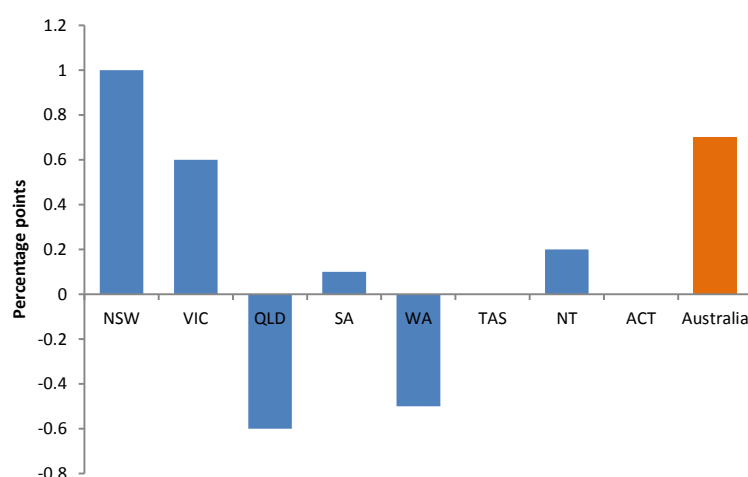
	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Australia
Agriculture, forestry and fishing	0.1	0.1	0.1	0.2	-0.4	0.7	-0.2	-	-
Mining	-	0.1	0.6	-0.1	3.0	-0.2	-0.2	-	0.6
Manufacturing	-0.4	0.1	0.1	-0.3	0.2	-	-0.4	-	-0.1
Electricity, gas, water & waste services	-0.1	0.1	0.2	-0.1	0.1	-0.1	-	0.1	-
Construction	0.3	0.5	-1.5	-0.3	-0.6	0.8	8.7	0.3	-0.1
Wholesale trade	0.2	-	-	0.1	0.1	-0.2	0.1	0.1	0.1
Retail trade	0.2	0.2	-	0.2	-	0.2	-	-	0.1
Accommodation & food services	0.3	0.2	0.1	0.2	-	0.2	0.1	0.2	0.2
Transport, postal & warehousing	-0.1	-0.2	-	0.1	0.2	-	-	0.3	-
Information media & telecommunications	0.4	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.3
Financial & insurance services	0.5	0.4	0.3	0.3	0.3	-0.1	0.1	0.1	0.4
Rental, hiring & real estate services	0.2	0.2	-	0.2	-0.1	-	0.4	0.1	0.1
Professional, scientific & technical services	-0.1	-0.2	-0.3	-0.2	-0.5	0.1	0.1	-0.6	-0.3
Administrative & support services	0.1	-	-0.1	-	0.1	-	0.1	-	-
Public administration & safety	-	-	0.1	0.1	0.1	-0.5	0.5	0.1	-
Education & training	0.2	0.1	0.1	-	-	-	-0.1	0.3	0.1
Health care & social assistance	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3
Arts & recreation services	-	-	-	-	-	-	-	0.1	-
Other services	-	-	0.1	0.1	0.1	-	-	0.1	0.1
Ownership of dwellings	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2
Taxes less subsidies on products	0.1	-	-	-	-0.1	-0.2	-0.1	-	-
Statistical discrepancy (P)	0.1	0.1	-	0.3	0.2	-	0.5	-0.1	0.1
GSP Growth	2.4	2.5	0.5	1.6	3.5	1.6	10.5	1.4	2.3

Source: Australian Bureau of Statistics, <http://www.abs.gov.au/AusStats/ABS@.nsf/MF/5220.0>

Taking out net exports, provides a clearer picture of the adjustment taking place in the Australian economy. Figure 2 outlines the contribution of individual states to Domestic Final Demand in Australia (which excludes net exports). In the year ended June 2015, both New South Wales and Victoria made strong positive contributions to growth in domestic demand in Australia, as employment grew off the back of increased residential construction activity, and spending increased in response to lower interest rates and rising house prices. Conversely weak employment growth stemming from a decline in construction activity and the transition to the less labour intensive production phase of mining, coupled with an outflow of migration, resulted in negative contributions from both Western Australia and Queensland.

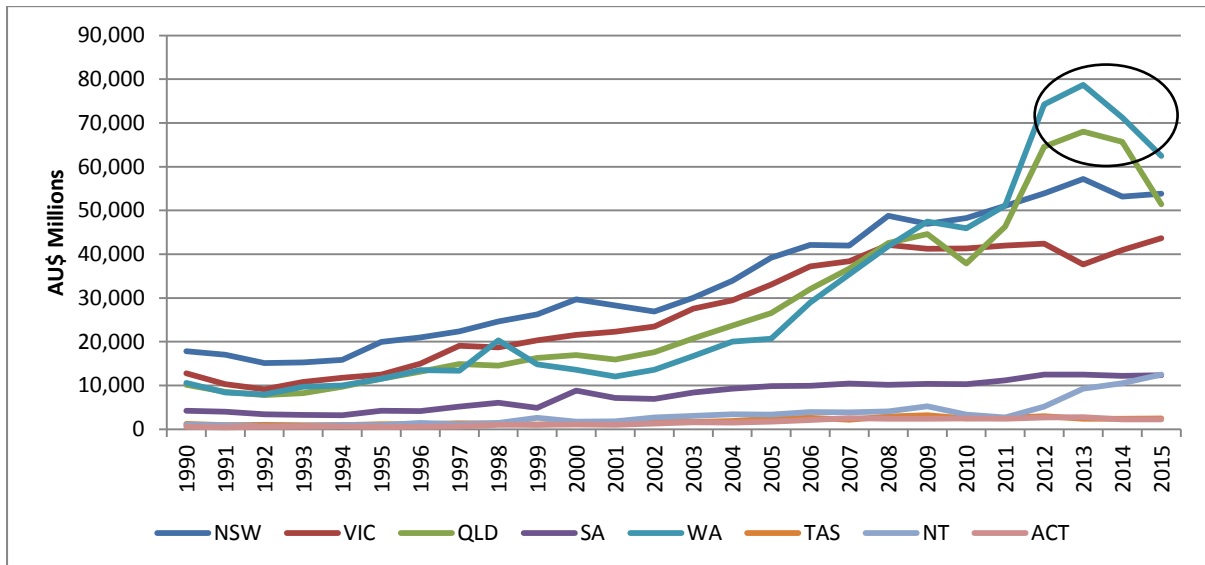
Business investment in Australia's resource-oriented states (Western

Figure 2: State Contributions to Domestic Final Demand (YE June 2015)



Australia and Queensland) has also contracted sharply since its peak in 2012/13 (see Figure 3). In the most recent June year, total private business investment fell by 12.3% in Western Australia and by 21.7% in Queensland. On the other hand, business investment in New South Wales and Victoria is starting to pick up (albeit modestly).

Figure 3: Total private business investment in Australia by State (constant prices, June years)

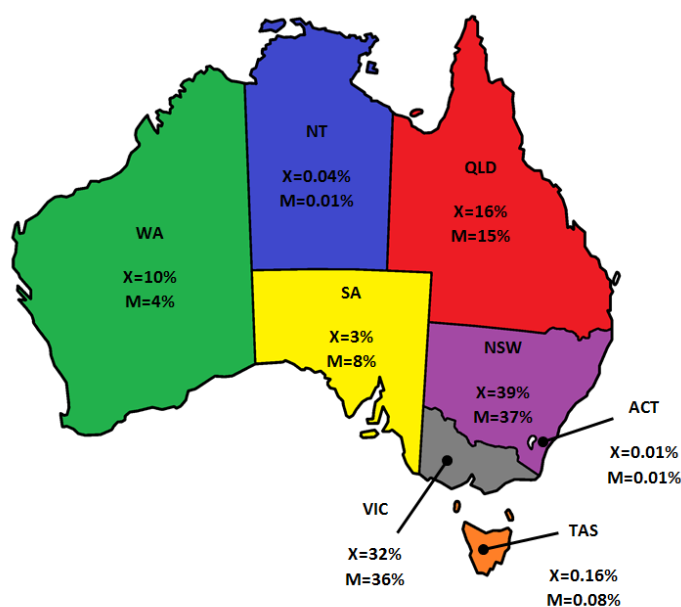


A lower exchange rate as a result of commodity price falls and low interest rates are expected to continue to propel the economies of New South Wales and Victoria over the next year, coupled with forecasts for significant increases in investment in public infrastructure. Export activity, particularly in the services sector, is benefitting from the lower exchange rate, while also helping to offset the impact of commodity prices falls in other industries. The tourism, agriculture and education sectors, in particular, are expected to benefit from a more favourable exchange rate. The outlook is not without risks. Concerns remain that growth in house prices in New South Wales is unsustainable, with a downturn likely to have flow on effects to consumer spending.

TRANS-TASMAN TRADE³

- Australia is NZ's largest two-way trading partner in terms of goods and services trade, whilst NZ is Australia's sixth largest two-way trading partner.
- Australia is NZ's largest export market for both goods and services and is our second largest source of imports (behind the EU).
- At the state-level, however, our exports and imports are not evenly spread. Just under 90% of our goods exports to Australia are sent to the Eastern Seaboard states of New South Wales (NSW), Victoria and Queensland, with a similar proportion of our imports leaving from these states (Figure 4 refers). **[NOTE - These statistics reflect the port of entry and/or exit for NZ's exports and imports. They do not take into account how the goods are transported inter-state after their arrival to, or before their exit from, Australia. A number of distribution centres are located in NSW and Victoria].**

Figure 4: NZ's goods exports (X) and imports (M) to Australia broken down by share going to each State (YE June 2015)



- New South Wales and Victoria, in particular, are over-represented in terms of how their trade with NZ compares to their share in the Australian population.
- NZ's imports from Australia have declined since 2009 due to a reduction in the value of oil (crude and non-crude) and copper bar imports. Over 70% of NZ's imports from Australia come from NSW and Victoria.

³ Note: Trade statistics used in this report is largely based on Overseas Cargo statistics which differ slightly from Overseas Merchandise Trade statistics – both of which are produced by Statistics NZ. Cargo statistics provides us with a breakdown of NZ's trade by port of destination and source. For detail as to what is included and excluded in Overseas Cargo statistics, please refer here: http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/OverseasCargo_HOTPYeJun07/Technical%20Notes.aspx.

- NZ is a more important export destination for some Australian states and territories than others, coming in 1ST for ACT and 4th for Victoria.

Table 2: Australian State/Territory Rankings of NZ as a Goods Trading Partner (YE June 2014)

	Export Destination	Import Source
NSW	5	9
VIC	4	7
QLD	9	10
SA	6	13
WA	-	13
TAS	11	11
NT	-	-
ACT	1	4
	- Not in top 20 ranking	

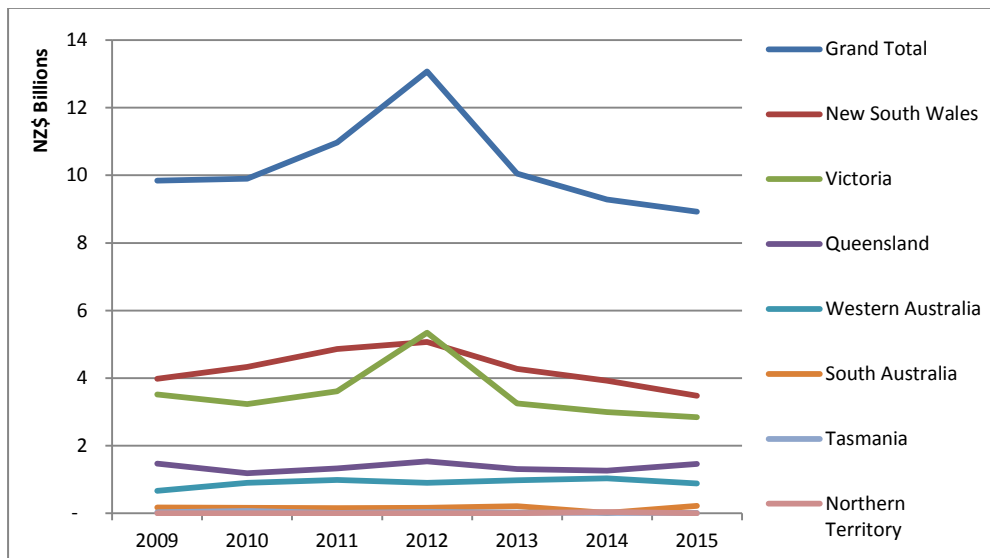
- While Australia is a critical trading partner for NZ, it is also a major competitor for some of our key exports, most notably for beef exports. Exports of beef is Queensland’s second largest goods export – valued at AU\$3.7 billion in the June 2014 year (cf. AU\$2.5 million exported from NZ in the June 2015 year). On the other hand, Victoria is an important exporter of dairy products such as milk, cream, whey, yoghurt and cheese (albeit, with a proportion of that dairy product being from NZ/Fonterra owned entities).

EXPORTS

GOODS

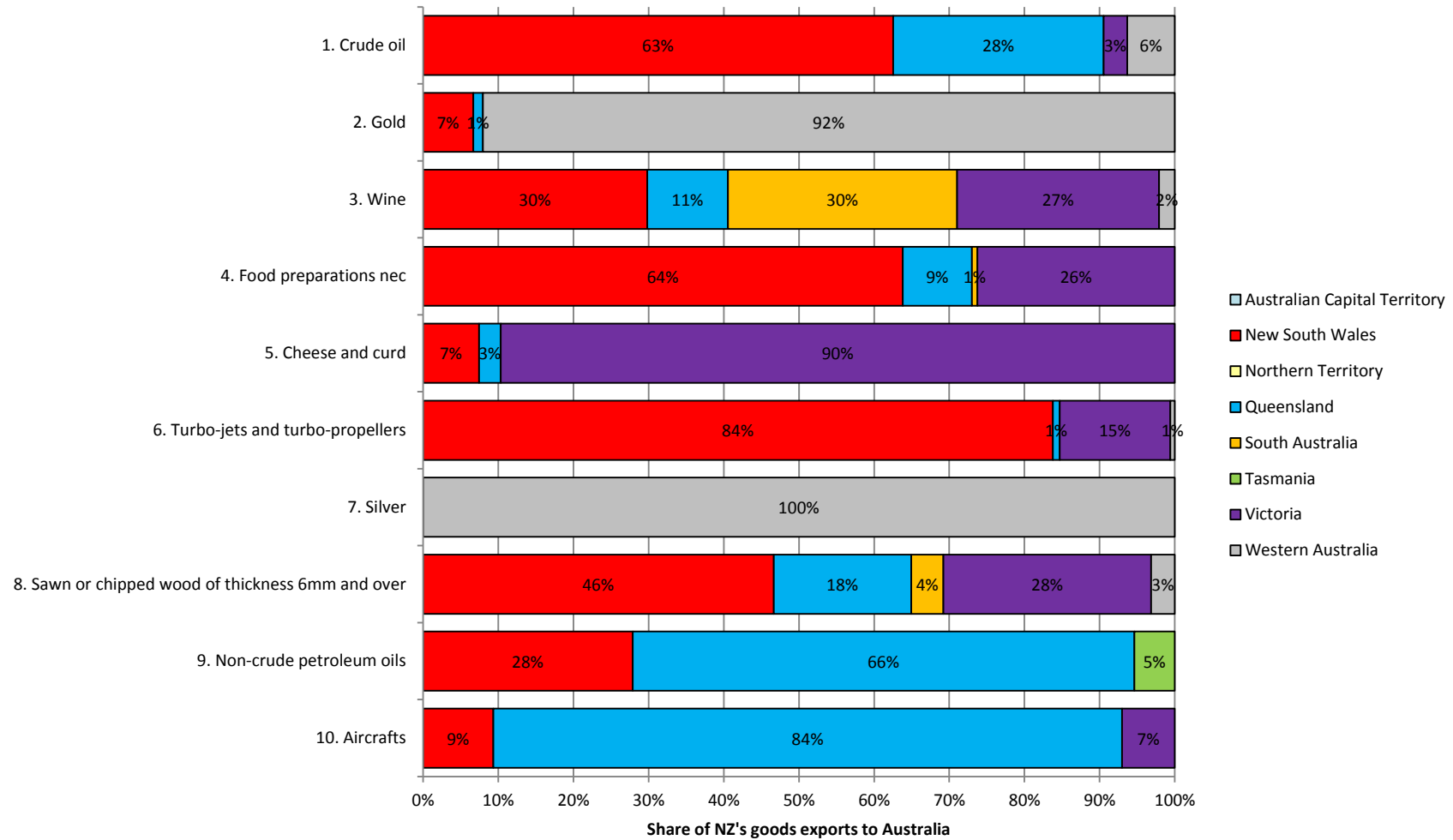
- The value of NZ’s total goods exports to Australia was valued at NZ\$8.9 billion for the year ended June 2015. NZ’s goods exports to Australia have been declining each year since 2012, led by a decline in NZ exports to Victoria (down 47% over 2012-15) and New South Wales (down 31% over 2012-15). Goods exports to Queensland also fell (down 4.6%) over the past three years.

Figure 5: NZ’s goods exports to Australian States (June years 2009-15)



- Figure 6 on the following page provides a breakdown of NZ’s top 10 goods exports to Australia in 2015 broken down by destination State. These top 10 goods comprised 34% of NZ’s total exports to Australia by value in 2015. For more detail on NZ’s top 10 exports to each state, please refer to the Annex.

Figure 6: Share of NZ's top 10 goods exports to Australia broken down by State (YE June 2015)⁴



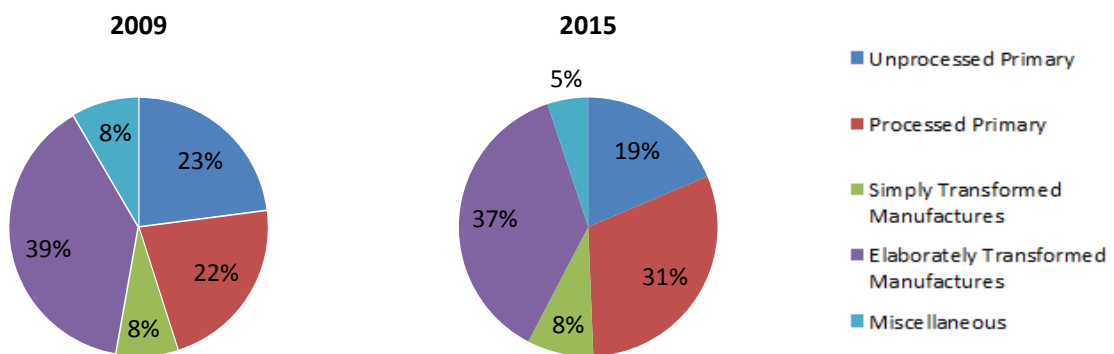
⁴ A breakdown of this chart in dollar values (rather than shares) is provided in the Annex.

- Notwithstanding declining oil prices, crude oil remains NZ's biggest goods export to Australia in value terms, with New South Wales the destination for over 62% of this trade (\$556m year ended June 2015).
- A near halving of our crude oil exports to New South Wales since 2012, driven in part by the closure of a major oil refinery, has increased the proportion of our crude oil exports to Queensland from 4% (\$71m) in 2012 to 28% (\$249m) in the year ended June 2015.
- The value of NZ gold exports to Australia is currently on a declining trend as prices have fallen.
- While the Eastern Seaboard states are the key destination for most of our other major exports to Australia, gold, silver and wine are notable exceptions.
- Gold exports – NZ's second biggest export to Australia – are predominantly sent to Western Australia. Western Australia has one of the largest gold refineries in the world with the Perth facility refining the total annual production of gold in Australia as well as, gold mined in NZ and other countries. It is important to note that in 2009, 40% of NZ's gold exports to Australia were sent to New South Wales and 60% to Western Australia. Today, 92% of NZ's gold exports to Australia are sent directly to Western Australia, with a very small proportion (7%) exported to New South Wales.
- Our **silver** exports are almost exclusively destined for Western Australia (\$212 million).
- South Australia is the entry port for approximately 30% of our **wine** exports (\$110 million), compared to just 3% of our total goods exports to Australia.
- Other standouts include the 90% of our **cheese** exports sent to Victoria (\$219 million), notwithstanding that Victoria is also the biggest Australian state for dairy production. It is likely that Fonterra is exporting cheese to their plants in Victoria for wider distribution or further processing in Australia.
- We are unable to access more detailed information as to what goods comprise our fourth largest export category to Australia: **Food Preparations nec** – most of which is destined for New South Wales. However, NZ Customs has advised us that the majority of NZ companies exporting to Australia under this HS code are health product manufacturers.

LEVEL OF PROCESSING

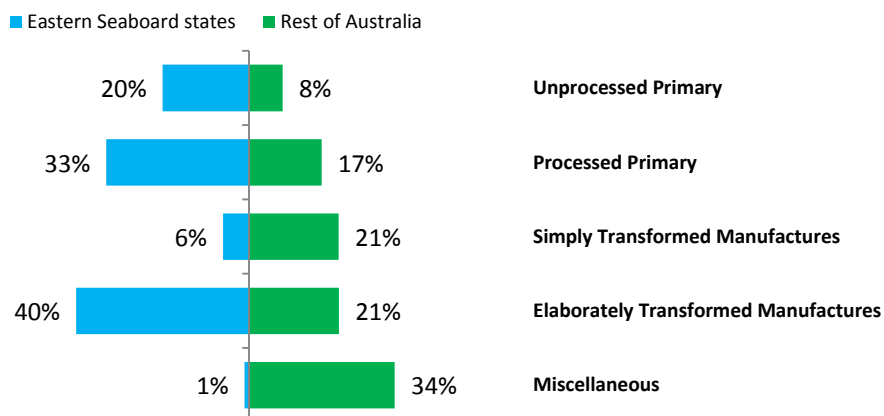
- The charts below illustrate NZ's goods exports by level of processing to Australian states for the years ended June 2009 and 2015.
- The majority of NZ's exports to Australia are elaborately transformed manufactures although this share has declined from 39% in 2009 to 37% today.
- Exports of processed primary products have increased from comprising 22% of NZ's total exports to Australia in 2009 to 31% in 2015.

Figure 7: NZ exports to Australia by level of processing category (June years)



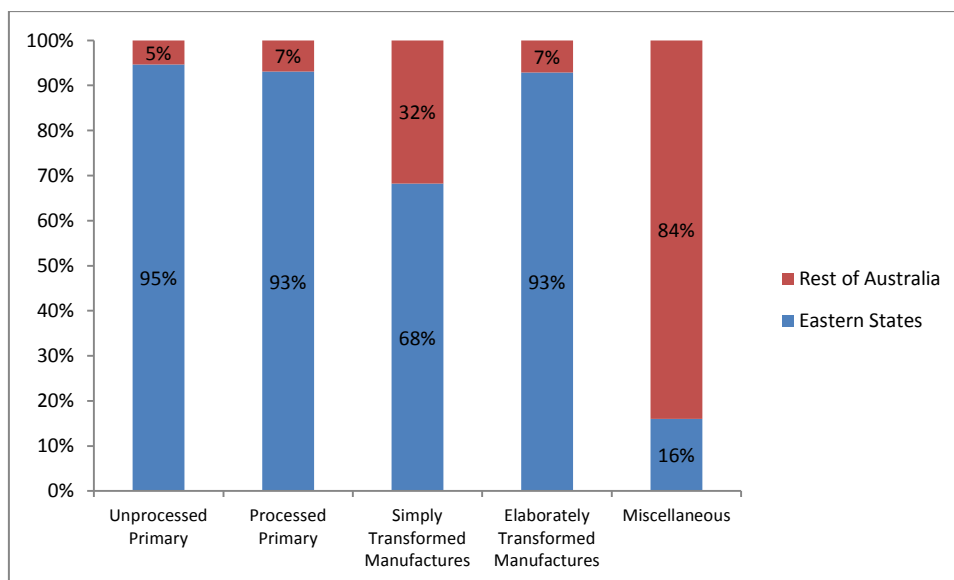
- Figure 8 shows that NZ's exports to Australia's Eastern Seaboard states are weighted towards exports of elaborately transformed manufactures (40% of total NZ exports to the Eastern States), followed by processed primary exports (33% of total NZ exports to the Eastern States), and unprocessed primary products (20% of total NZ exports to the Eastern States).
- The majority (33%) of NZ's exports to the rest of Australia are in the miscellaneous category— mostly gold exports. Exports of manufactures (both, elaborately transformed and simply transformed) is NZ's next largest export category to the rest of Australia.

Figure 8: Share of NZ's total exports to Australia's Eastern and Non-Eastern states broken down by Level of Processing category (YE June 2015)



- In absolute terms, however, the majority of NZ's primary (both, unprocessed and processed) and manufactured (both, simply transformed and elaborately transformed) exports are sent to Australia's Eastern states (Figure 9 refers).

Figure 9: Share of NZ's total exports to Australia broken down by Level of Processing category and Eastern/Non-Eastern states (YE June 2015)



SERVICES

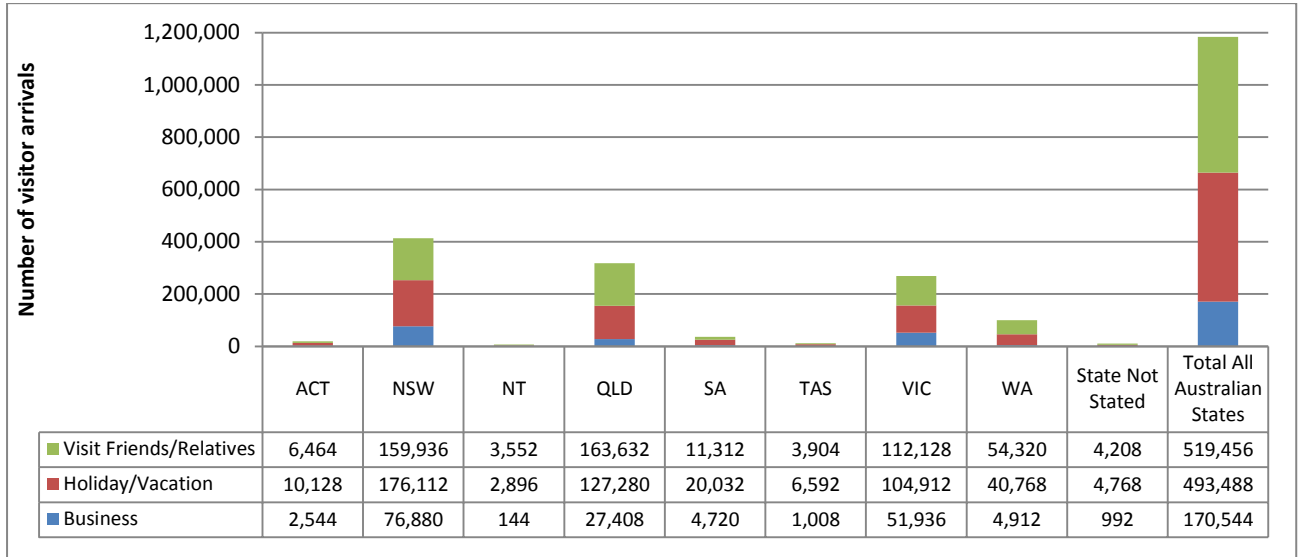
- Australia is firmly entrenched as NZ's number one destination for services exports. However, data at the state level is limited, with most of the focus on tourism. Tourism exports are a major export earner for NZ (second only to milk powder, butter, and cheese in the June 2015 year). Australia is the largest source of visitors to NZ and hence, the major source of tourism earnings for NZ. For the year ended June 2015, nearly 1.3 million Australian short-term travellers visited NZ.
- Table 3 shows the proportion of Australian visitors to NZ by state compared to the distribution of the Australian population by state. New South Wales (445 thousand) is the biggest source of visitors to NZ from Australia, followed by Queensland (342 thousand) and Victoria (291 thousand). New South Wales and Queensland have a disproportionately high number of visitors to NZ relative to their share of the Australian population. For Queensland this is likely driven by a relatively high proportion of NZers living there compared to the state's share of Australia's total population.

Table 3: Australian visitors to NZ by State vs. State population

	Australian Population (end June qtr 2015)	Visitors to NZ (YE June 2015)
NSW	32%	35%
VIC	25%	23%
QLD	20%	27%
SA	7%	3%
WA	11%	8%
TAS	2%	1%
NT	1%	1%
ACT	2%	2%

- Figure 10 illustrates the purpose of travel of Australian visitors to NZ by state of departure. Unsurprisingly, most Australian visitors travel to NZ to visit friends/relatives and for a holiday. Business travel is less common and predominantly comes from the Eastern Seaboard states.

Figure 10: NZ visitor arrivals from Australia by State and Purpose (YE June 2015)

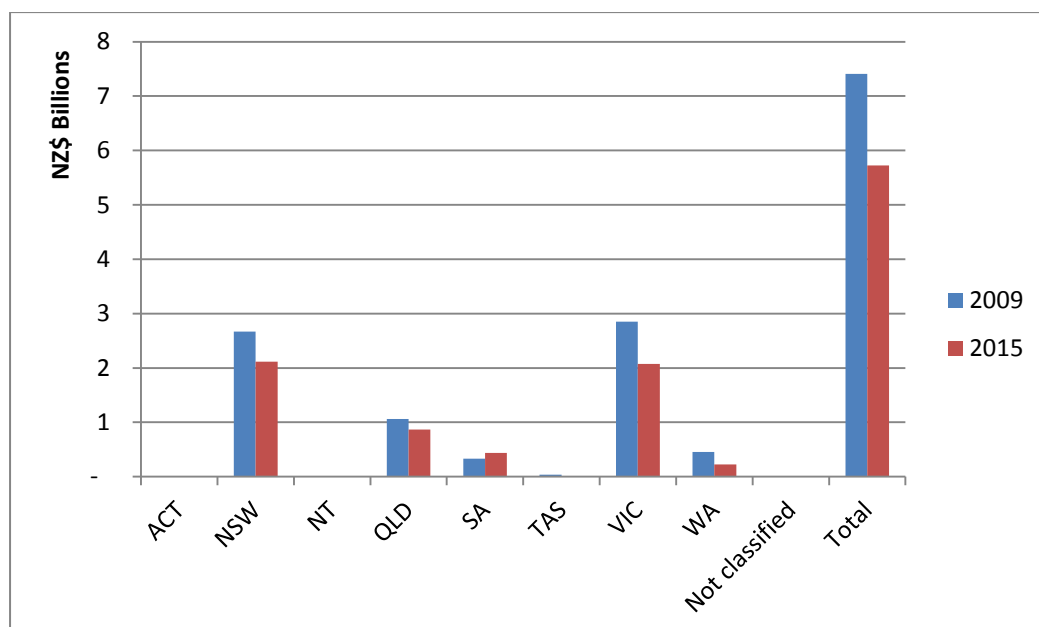


IMPORTS

GOODS

- Australia is NZ's third largest source for goods imports, after China and the EU, accounting for over 12% of our total goods imports. This proportion has fallen from around 18% in 2009, driven by significant decline in oil (both, crude and non-crude) imports. Imports of copper bars/rods from Australia have also declined markedly over the past six years.
- NZ's goods imports from Australia are quite broadly spread. Our main goods imports from across the Tasman are: motor vehicles, aluminium oxide and retail medicines.
- 88% of NZ's imports from Australia come from NSW, Queensland and Victoria.

Figure 11: NZ's goods imports from Australia by State (June years)

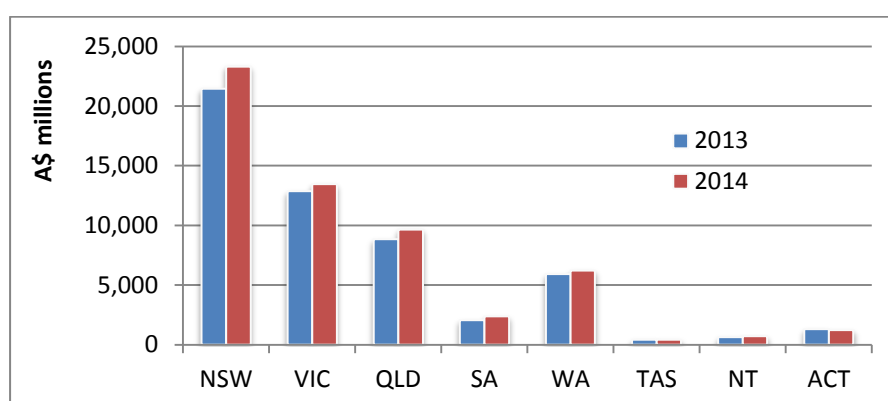


For a detailed breakdown of NZ's top 10 goods imports from each state, please refer to the Annex.

SERVICES

- NZ imported NZ\$5.3 billion worth of services from Australia in the June 2015 year – mostly tourism related travel services. A detailed breakdown of NZ's services imports from Australia at the state level is not available. However, as illustrated in Figure 12, most of Australia's services exports to the world originate along the Eastern Seaboard. With strong linkages in terms of investment and people flows between NZ and these states, we would expect that a large proportion of NZ's services imports from Australia would also come from these states.

Figure 12: Australia's total services exports by state (June years)



- Up-to-date visitor arrivals data by country of origin is available at the state-level for Australia which provides us with a proxy for NZ's tourism services imports from Australia by State. According to Australian data, 1.2 million NZers travelled to Australia in the September 2015 year.⁵ NZ was the single largest source of international visitor arrivals to Australia for this year – an annual increase of 5%.
- Around 7% (81,000) of NZ visitors to Australia were travelling there for the very first time in the September 2015 year.
- The majority of NZ visitors travelled to Queensland, followed by New South Wales and Victoria (i.e. the Eastern Seaboard). According to the available data, NZ was the largest source of visitor arrivals to Queensland and 2nd largest to New South Wales, Victoria and South Australia.
- Note: Australia's tourism data by state is updated every quarter and is available on each state's tourism website. Links to these sources is presented in the Annex.

Table 4: NZ visitor arrivals to Australia by State (YE September 2015)

	Number of NZ visitors (thousands)	% change 2014-15	Total international visitors (thousands)	NZ visitors as a share of total international visitors	NZ's rank as a source of international visitors
QLD	429	5.8%	2,255	19%	1
NSW	399	1.8%	3,339	12%	2
VIC	320	11.1%	2,321	14%	2
WA	80	5.4%	852	9%	3
SA	38	-10.0%	392	10%	2
TAS	15	-11.0%	199	8%	5
ACT	15	-4.8%	186	8%	4
NT	16	-2.8%	1,484	1%	6
Total to Australia	1,176	4.7%	6,678	18%	1

Note: The sum of NZ visitors to all states exceeds the total number of reported NZ visitors to Australia possibly due to NZers visiting multiple states in one trip.

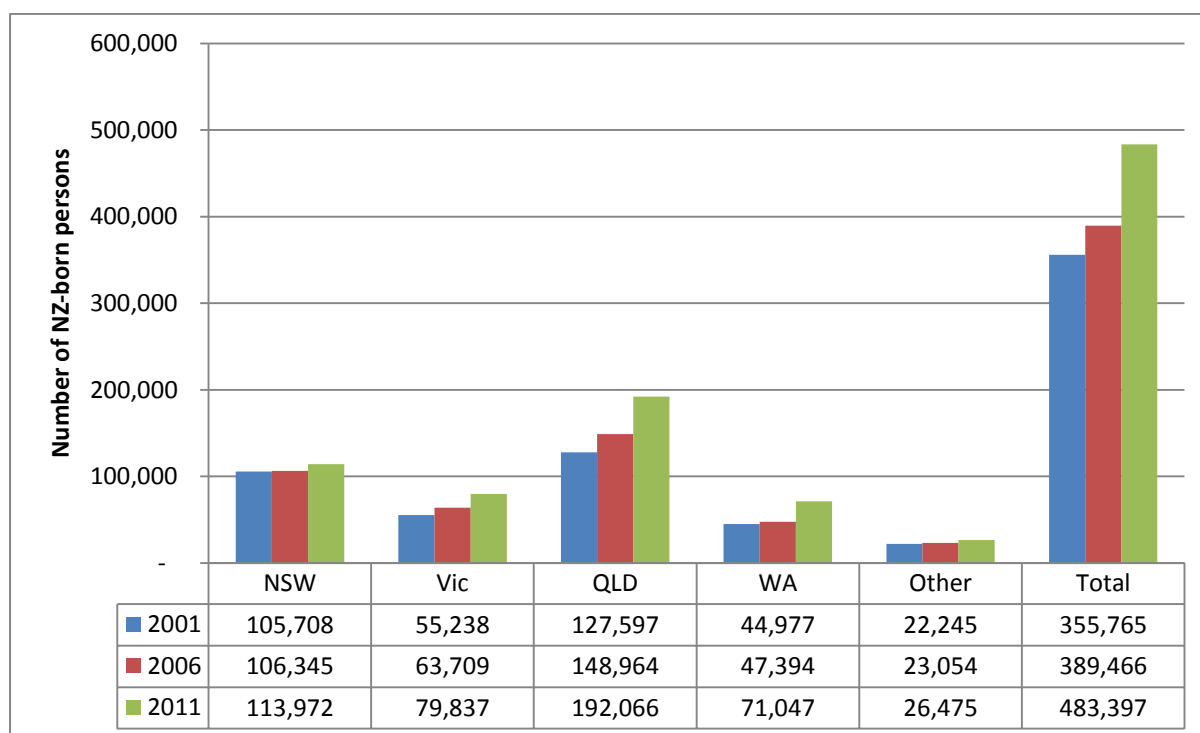
⁵ Note: these statistics are based on Australian data and might differ slightly to NZ's data on NZ departures to Australia. According to NZ data, around 1.1 million NZers travelled to Australia in the year ended September 2015.

PEOPLE TO PEOPLE LINKS

WHERE DO NZERS LIVE IN AUSTRALIA?

- According to Australia's 2011 census, NZers were the second largest group of immigrants living in Australia after those from the UK, with over 483,000 NZ-born people living in Australia accounting for 2.2% of Australia's total population.
- The majority of NZers live in Queensland (a mining state) – close to 40% of total NZers living across the Tasman.
- Interestingly, the number of NZers living in Western Australia increased by more than 1.5 times over 2006-11 whilst the number of NZers living in Queensland grew by 1.3 times – most likely reflecting a greater number of workers living in those states during Australia's mining investment boom.

Figure 13: NZers living in Australia by State (ABS Census data)



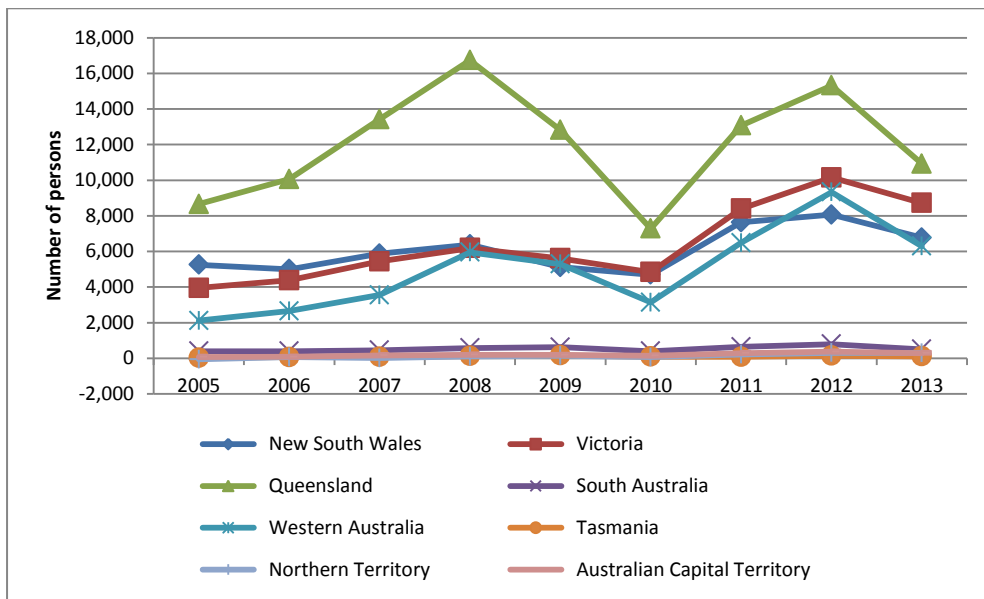
MIGRATION

- The October 2015 year saw positive net migration from Australia to New Zealand for the first time in over 20 years (i.e. since the November 1991 year). The net gain of 100 migrants from Australia was driven by:
 - Fewer NZ citizens leaving for Australia
 - More Kiwis returning from Australia to New Zealand (two thirds of the 25,000 individuals moving into New Zealand from Australia were New Zealand citizens).
 - Higher numbers of non-New Zealand citizens shifting from Australia to New Zealand.
- Australian migration data by state is available on a limited basis with the most recent information being for the year ended June 2013. The chart below shows net overseas migration (from Australia's

perspective) by state for those persons who enter/leave the country on a New Zealand Citizen subclass 444 visa (i.e. NZ citizens). Links to this data is available in the Annex.

- There was an increase in Western Australia’s net migration with NZ over the June 2012 year as the number of NZ citizens migrating to Western Australia increased by 37% over that year. Since 2012, the key mining states of Queensland and Western Australia have experienced the largest declines in net migration with NZ (down 29% and 33%, respectively). The decline was driven by tightening labour market conditions in NZ owing to the reconstruction activity in Christchurch which occurred at the same time that spare capacity in the Australian labour market increased due to the winding down of the country’s resource sector.

Figure 14: Australia's Net Overseas Migration by New Zealand Citizen (subclass 444) visa (June years)



INTERSTATE MIGRATION

- There appears to be an inverse relationship between net interstate migration in Victoria and Western Australia. Interstate movement into Western Australia was high during the mining investment boom years. Since 2013, however, net interstate migration now moves in the opposite direction, corresponding with rising unemployment rates in Western Australia alongside falling commodity prices.
- The state of Victoria recorded positive net interstate migration from all other states in 2014-2015 except Northern Territory, as well as significant net international immigration. As a result, Victoria has been growing faster than any other state since the year to June 2014. However, Victoria’s status as the fastest growing state is more to do with population growth slowing in mining-focused Queensland and Western Australia than Victoria’s own growth improving, which has been relatively slight. Victoria’s total population grew by 1.7% over the June 2015 year. Victoria not only has good job prospects, but relatively affordable housing (compared to NSW in particular) is thought to be one of its key attractions.

INVESTMENT

- Australia is NZ's largest source and destination for foreign direct investment (the tables below refer).

Table 5: Australia's stock of direct investment in NZ, NZ\$ millions (Sept 2015)

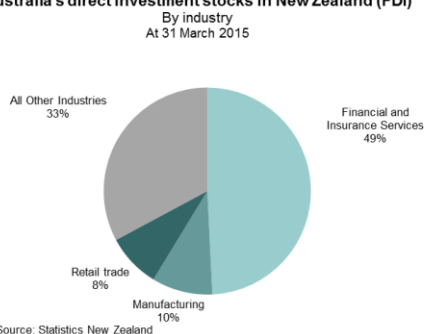
	2010	2015	Rank	% of total
FDI	\$46,171	\$50,082	1	51.6
Total	\$113,031	\$110,254	1	29.6

Table 6: NZ's stock of direct investment in Australia, NZ\$ millions (Sept 2015)

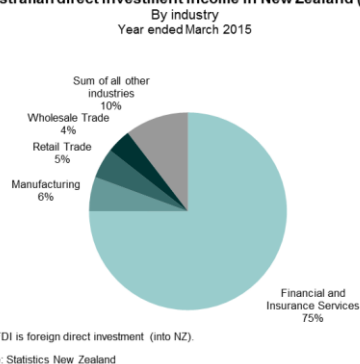
	2010	2015	Rank	% of total
ODI	\$13,779	\$12,225	1	48.5
Total	\$48,083	\$59,422	1	26.9

- Around half of Australia's foreign investment in NZ is in financial and insurance services. Given that this industry in Australia is largely concentrated in New South Wales, a significant amount of investment is likely to be from this state, as well as from Victoria. The financial and insurance services industry as a share of Australia's total direct investment in NZ has declined from 58% in 2012. However, this sector earns a disproportionately large share of the income from Australian investments in NZ in 2015 (roughly the same proportion as in 2012). The retail trade and, to a lesser extent, manufacturing, industries now comprise a greater proportion of Australia's total FDI stocks in NZ (up from 5% and 9% in 2012, respectively).

Australia's direct investment stocks in New Zealand (FDI)

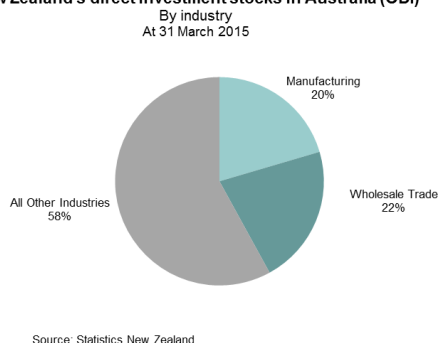


Australian direct investment income in New Zealand (FDI)

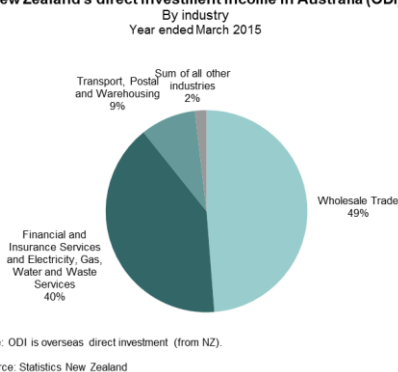


- On the other hand, the majority of NZ's direct investment in Australia is in the wholesale trade industry. This industry's share of NZ's direct investment stocks in Australia has declined from 32% in 2012 to 22% today. The wholesale trade industry also earns the greatest proportion of NZ's direct investment income in Australia (a similar share as in 2012).

New Zealand's direct investment stocks in Australia (ODI)



New Zealand's direct investment income in Australia (ODI)



Note: These charts were provided to us via a customised request from Statistics NZ.

CONCLUSIONS

- The effects of Australia's changing economic scene will undoubtedly ripple across the Tasman to NZ given the strong economic relationship between the two countries. At first glance, a slowdown in Australia's growth could be expected to be harsh for NZ exporters.
- The effects of the slowdown are most concentrated in Australia's mining states of Queensland and Western Australia. Notwithstanding this, however, Queensland continues to be a relatively important state for NZ trade and people-to-people links.
- NZ maintains its strongest trading relationship with New South Wales and Victoria, and these states remain relatively well poised for growth, though this is not without risks.
- Future growth in Australia is expected to be focused in services exports such as tourism, education and business services, as well as in other non-mining sectors. This could pose some competition for NZ's exports to third countries, particularly in light of Australia's recently concluded FTAs with key NZ trading partners: China, Japan and South Korea.
- Looking further ahead: If the Australian economy successfully rebalances into the non-mining economy, this should be beneficial for NZ. Housing market activity has already picked up and this has been accompanied by stronger consumption growth, particularly in New South Wales and Victoria. Increasing consumption spending could likely lead to greater demand for NZ's food and manufactured exports.

ANNEX

NZ'S TOP 10 OVERALL GOODS EXPORTS TO AUSTRALIA BROKEN DOWN BY STATE (YE JUNE 2015)

Source: Statistics NZ (customised request)

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
	NZ\$ millions								
1. Crude oil	-	556	-	249	-	-	28	56	889
2. Gold	-	27	-	5	-	-	0	371	403
3. Wine	0	108	-	39	110	0	97	8	362
4. Food preparations nec	-	193	-	28	2	-	79	0	303
5. Cheese and curd	-	18	-	7	0	-	219	0	245
6. Turbo-jets and turbo-propellers	-	184	0	2	0	-	32	1	220
7. Silver	-	0	-	0	0	-	0	212	213
8. Sawn or chipped wood of thickness 6mm and over	-	68	-	27	6	0	41	5	147
9. Non-crude petroleum oils	-	36	-	85	0	7	0	0	129
10. Aircrafts	-	12	0	105	-	-	9	0	126

NZ'S GOODS EXPORTS TO AUSTRALIAN STATES BY LEVEL OF PROCESSING (YE JUNE)

Source: Statistics NZ (customised request) & ECO's calculations

		Unprocessed Primary	Processed Primary	Simply Transformed Manufactures	Elaborately Transformed Manufactures	Miscellaneous
		NZ\$ millions				
ACT	2009	0.001	-	-	1.0	-
	2015	-	0.03	-	0.7	-
NSW	2009	1,129.3	709.8	199.2	1,598.2	343.7
	2015	869.1	988.0	163.5	1,409.8	44.6
NT	2009	-	-	-	0.8	-
	2015	-	-	0.0	2.6	1.1
QLD	2009	343.6	267.4	86.0	679.5	93.2
	2015	368.1	420.4	85.2	573.5	19.5
SA	2009	4.8	66.8	15.4	74.6	13.7
	2015	8.3	137.3	8.6	69.4	3.1
TAS	2009	1.1	26.9	1.5	8.1	-
	2015	1.7	7.7	1.0	4.0	0.1
VIC	2009	759.2	1,055.3	398.7	1,296.0	6.7
	2015	336.0	1,144.4	256.5	1,102.8	8.8
WA	2009	21.8	50.8	59.0	160.7	371.3
	2015	78.7	45.5	226.2	159.4	378.6
Total	2009	2,259.9	2,177.0	759.8	3,819.0	828.7
	2015	1,662.0	2,743.4	741.0	3,322.2	455.7

NZ'S TOP 10 GOODS EXPORTS TO AUSTRALIAN STATES (YE JUNE 2015)

Source: Statistics NZ (customised request)

NZ\$ millions				
ACT		NSW		
1	Wine	0.02	Crude petroleum oils	555.97
2	Base metal mountings, fittings, and fixtures	0.02	Food preparations nec	193.00
3	Telephones and cellphones	0.02	Turbo-jets and turbo-propellers	183.89
4	Radio and television transmission apparatus	0.02	Wine	107.99
5	Transmission apparatus parts	0.11	Malt extract	83.52
6	Individual function electrical machines and apparatus nec	0.14	Cigars and cigarettes	83.16
7	Surveying equipment	0.08	Sawn or chipped wood of thickness 6mm and over	68.46
8	Lamps and light fittings	0.04	Organic surface-active agents	55.18
9	Toys	0.02	Live horses	53.61
10	Paintings, drawings, and pastels	0.07	Retail medicines	49.75
Total top 10 exports		0.53	Total top 10 exports	1,434.53
Total exports		0.78	Total exports	3,475.07
NT		QLD		
1	Confidential items	1.06	Crude petroleum oils	248.69
2	Radio and television transmission apparatus	0.46	Aircrafts	105.46
3	Transmission apparatus parts	0.40	Non-crude petroleum oils, waste oil, and biodiesel	85.42
4	Metal forging, bending, or flattening machine-tools	0.26	Wine	38.84
5	Insulated wire, cable, and other electric conductors	0.17	Prepared or preserved vegetables nec	34.80
6	Anchors, grapnels and parts	0.15	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens	34.05
7	Aircraft parts	0.12	Food preparations nec	27.88
8	Office, kitchen, and bedroom furniture	0.12	Plastic containers	27.68
9	Instruments and apparatus for physical or chemical analysis	0.12	Sweetened water	27.18
10	Liquid pumps	0.08	Sawn or chipped wood of thickness 6mm and over	26.87
Total top 10 exports		2.93	Total top 10 exports	656.87
Total exports		3.70	Total exports	1,466.69
SA		TAS		
1	Wine	110.40	Non-crude petroleum oils, waste oil, and biodiesel	6.89
2	Wooden joinery	6.47	Dried legumes	1.44
3	Sawn or chipped wood of thickness 6mm and over	6.28	Composite paper and paperboard	0.96
4	Plastic containers	4.39	Surveying equipment	0.81
5	Parquet flooring wood	3.87	Paper, paperboard, and cellulose wadding cut, shaped, or moulded	0.63
6	Plastic articles n.e.c	3.65	Sawn or chipped wood of thickness 6mm and over	0.47
7	Refrigerators and freezers	3.22	Milking machines	0.43
8	Parts for pulleys, cranes, lifts, fork-lifts, and earth-movers	3.18	Furnace burners	0.33
9	Confidential items	3.07	Refrigerators and freezers	0.24
10	Poultry meat and edible offal	3.02	Electrical transformers	0.23
Total top 10 exports		147.56	Total top 10 exports	12.41
Total exports		226.64	Total exports	14.43

NZ\$ millions				
VIC		WA		
1	Cheese	219.41	Gold	370.89
2	Chocolate	98.31	Silver	212.25
3	Wine	97.32	Crude petroleum oils	56.30
4	Food preparations nec	79.42	Parts for pulleys, cranes, lifts, fork-lifts, and earth-movers	13.70
5	Butter and dairy spreads	73.60	Machinery and mechanical appliances with individual functions nec	10.16
6	Tufted carpets	57.18	Refrigerators and freezers	8.86
7	Non-dissolving chemical wood pulp, soda, or sulphate	57.06	Plastic containers	8.55
8	Milk powder	46.46	Wine	7.59
9	Non-chocolate confectionery	45.12	Confidential items	7.49
10	Plywood	43.58	Fruit nec	6.77
Total top 10 exports		817.45	Total top 10 exports	702.56
Total exports		2,848.53	Total exports	888.54

NZ'S TOP 10 GOODS IMPORTS FROM AUSTRALIAN STATES (YE JUNE 2015)

Source: Statistics NZ (customised request)

NZ\$ millions			
ACT		NSW	
Monumental or building stone	0.15	Retail medicines	156.5
Printed circuits	0.12	Media for recording	83.5
Coin	0.12	Computers	66.4
Transmission apparatus parts	0.06	Food preparations nec	64.3
Computers	0.01	Iron or non-alloy steel angles, etc	49.0
Tarpaulins, tents, and sails	0.01	Uncoated paper and paperboard nec	46.5
Base metal mountings, fittings, and fixtures	0.01	Medical, dental, or veterinary instruments	42.9
Mechano-therapy and massage appliances	0.00	Bread, pastry, cakes, and biscuits	40.4
Sports equipment	0.00	Pet food	35.6
Appliance or instrument parts	0.00	Newspapers, journals, and periodicals	35.5
Total top 10 imports	0.49	Total top 10 imports	620.6
Total imports	0.51	Total imports	2113.3
NT		QLD	
Machining centres	0.07	Aluminium oxide	129.8
Motor vehicles	0.03	Trucks and vans	48.6
Instruments and apparatus for physical or chemical analysis	0.03	Cane sugar and pure sucrose	38.9
Medical, dental, or veterinary instruments	0.02	Chilled beef meat	35.8
Plastic articles n.e.c	0.02	Bread, pastry, cakes, and biscuits	28.5
Wood working machine-tools	0.01	Pet food	22.7
Lamps and light fittings	0.01	Unwrought zinc	21.5
Turbo-jets and turbo-propellers	0.01	Insecticides, rodenticides, herbicides, and fungicides	21.3
Electrical transformers	0.01	Sweetened water	19.0
Saddles and harnesses	0.01	Yachts and other vessels	19.0
Total top 10 imports	0.23	Total top 10 imports	385.2
Total imports	0.34	Total imports	867.8
SA		TAS	
Motor vehicles	134.4	Phosphate fertilisers	1.7
Wheat	69.1	Pet food	1.1
Wine	57.4	Chocolate	0.8
Edible nuts nec	12.4	Yachts and other vessels	0.4
Electric heaters, hair dryers, and microwave ovens	12.2	Surveying equipment	0.3
Gypsum	7.1	Ferro-alloys	0.2
Glass carboys, bottles and jars, or glass containers	7.0	Fish fillets	0.1
Plastic tubes, pipes, hoses, and fittings	6.8	Fishing vessels	0.1
Sweetened water	6.1	Measuring or checking instruments nec	0.0
Hydrazine and hydroxylamine and their inorganic salts	5.8	Motor vehicles	0.0
Total top 10 imports	318.3	Total top 10 imports	4.7
Total imports	438.6	Total imports	4.8

NZ\$ millions			
VIC		WA	
Motor vehicles	106.6	Aluminium oxide	126.8
Chocolate	97.8	Inorganic colouring matter	12.0
Wheat	82.1	Wheat	8.0
Food preparations nec	78.3	Machinery for sorting, washing, or grinding mineral substances	5.7
Trucks and vans	63.2	Retail medicines	5.0
Pet food	31.5	Prepared or preserved meat	4.9
Bread, pastry, cakes, and biscuits	31.1	Ceramic building bricks	4.5
Milk powder	30.1	Motor vehicles	2.8
Uncoated kraft paper nec	27.5	Silver	2.7
Motor vehicles parts and accessories	27.2	Wood working machine-tools	2.5
Total top 10 imports	575.3	Total top 10 imports	174.8
Total imports	2075.6	Total imports	223.6

NEW SOUTH WALES' TOP GOODS AND SERVICES EXPORTS AND IMPORTS (YE JUNE 2014, AU\$ MILLION)



Major Goods Exports

- Coal (13,277)
- Copper ores and concentrates (2,159)
- Refined petroleum (1,486)
- Aluminium (1,406)
- Beef c.f.c. (1,169)
- Cotton (1,027)



Major Goods Imports

- Telecom equipment and parts (7,257)
- Medicaments (incl veterinary) (6,755)
- Passenger motor vehicles (5,871)
- Computers (5,572)
- Refined Petroleum (5,130)
- Crude Petroleum (2,698)



Major Services Exports

- Education-related travel (5,779)
- Personal travel excl education (4,720)
- Prof and management consulting (3,303)
- Financial Services (1,864)
- Technical, trade-related & other business services (1,596)
- Business Travel (1,416)



Major Services Imports

- Personal travel excl education (8,414)
- Freight transport (2,970)
- Prof and management consulting (2,913)
- Passenger transport (2,474)
- Technical, trade-related & other business services (1,489)
- Business travel (1,284)

VICTORIA'S TOP GOODS AND SERVICES EXPORTS AND IMPORTS (YE JUNE 2014, AU\$ MILLION)



Major Goods Exports

- Milk, cream, whey and yoghurt (1,377)
- Passenger motor vehicles (1,349)
- Wool and other animal hair (incl tops) (1,317)
- Meat (excl beef) (1,007)
- Wheat (1,027)
- Beef (1,007)



Major Goods Imports

- Crude petroleum (6,666)
- Passenger motor vehicles (5,693)
- Refined petroleum (2,517)
- Goods vehicles (1,640)
- Vehicle parts and accessories (1,440)
- Telecom equipment and parts (1,153)



Major Services Exports

- Education-related travel (4,705)
- Personal travel excluding education (2,911)
- Professional and management consulting (937)
- Technical, trade-related and other business services (806)
- Business travel (802)
- Other transports (640)



Major Services Imports

- Personal travel excl education (6,205)
- Freight transport (2,645)
- Passenger transport (1,542)
- Technical, trade-related and other business services (959)
- Professional and management consulting (950)
- Business travel (916)

QUEENSLAND'S TOP GOODS AND SERVICES EXPORTS AND IMPORTS (YE JUNE 2014, AU\$ MILLION)



Major Goods Exports

- Coal (19,261)
- Beef (3,726)
- Copper (2,392)
- Other ores and concentrates (1,717)
- Aluminum (1,024)
- Cotton (977)



Major Goods Imports

- Crude petroleum (7,774)
- Refined petroleum (3,952)
- Passenger motor vehicles (3,672)
- Goods vehicles (1,693)
- Heating and cooling equipment and parts (960)
- Pumps (excl liquid pumps) and parts (844)



Major Services Exports

- Personal travel excl education (3,222)
- Education-related travel (2,431)
- Financial Services (702)
- Business travel (699)
- Passenger transport (501)
- Passenger transport (501)



Major Services Imports

- Personal travel excl education (4,325)
- Freight transport (1,918)
- Passenger transport (1,087)
- Professional and management consulting services (705)
- Business travel (628)
- Technical, trade-related and other business services (495)

WESTERN AUSTRALIA'S TOP GOODS AND SERVICES EXPORTS AND IMPORTS (YE JUNE 2014, AU\$ MILLION)



Major Goods Exports

- Iron ores and concentrates (72,469)
- Natural gas (13,087)
- Gold (12,689)
- Crude petroleum (9,284)
- Wheat (2,819)
- Copper ores and concentrates (1,731)



Major Goods Imports

- Refined petroleum (4,979)
- Crude petroleum (4,450)
- Gold (4,021)
- Passenger motor vehicles (1,857)
- Pumps (excl liquid pumps) and parts (1,130)
- Tubes and pipes of iron or steel (1,062)



Major Services Exports

- Personal travel excl education (1,704)
- Education-related travel (1,284)
- Business travel (809)
- Technical, trade-related & other business services (560)
- Other transport (396)
- Government goods & services nie (339)



Major Services Imports

- Personal travel excl education (4,141)
- Technical and other business (2,577)
- Freight transport (1,539)
- Passenger transport (926)
- Business travel (414)
- Professional & management consulting services (300)

USEFUL RESOURCES

- **Australia's Top Goods and Services Exports by State – DFAT publication.**
<http://dfat.gov.au/about-us/publications/Pages/australia-s-trade-by-state-and-territory.aspx>

- **Australian tourism/visitor arrivals and expenditure data**
 - [Tourism Research Australia](#) (for data at the country level)
 - Tourism Victoria <http://www.tourism.vic.gov.au/research.html>
 - Destination New South Wales <http://www.destinationnsw.com.au/tourism/facts-and-figures>
 - Tourism and Events Queensland <http://teq.queensland.com/en-AU/Research-and-Insights/Source-Market-Research>
 - Tourism Western Australia http://www.tourism.wa.gov.au/Research-Reports/Pages/Research_Reports.aspx
 - South Australian Tourism Commission <http://www.tourism.sa.gov.au/research-reports.aspx>
 - Tourism NT <http://www.tourismnt.com.au/research.aspx>
 - Tourism Tasmania <http://www.tourismtasmania.com.au/research>
 - Visit Canberra <http://www.tourism.act.gov.au/research/latest-research>

- **Australian Net Overseas Migration by State and Type of Visa**
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3412.02013-14?OpenDocument>