Australia’s Economy

- Exchange Rate
- Measures of Well-Being in Australia (and other countries)
  - Economic
  - Non-economic
- Other Economic Aspects
- Agricultural Programs
Australian Dollar (AUD, A$, AU$)

- Currency of the Commonwealth of Australia
  - Australia, Christmas Island, Cocos (Keeling) Islands, Norfolk Island, Kiribati, Nauru, and Tuvalu
- Introduced in 1966
  - Replaced Australian pound (distinct from pound sterling since 1931)
  - Introduced a decimal system
- Fifth-most-traded currency in the world (behind U.S. dollar, euro, yen, and pound sterling)
  - AUD accounts for 7–8% of worldwide foreign exchange transactions
Australian Dollar (AUD, A$, AU$)
Exchange Rate

Exchange Rate (AU$/U.S. Dollars)

1.0109 AU$ per U.S. Dollar as of 1/21/2011
Australia’s Economy

- Prosperous, Western-style market economy

World Bank classification of member countries:

- **Low-income economies**
  - Per capita GNI < $975/year
  - 43 countries (e.g., Haiti)

- **Lower-middle income economies**
  - Per capita GNI = $976/year - $3855/year
  - 55 countries (e.g., Guatemala)

- **Upper-middle income economies**
  - Per capita GNI = $3856/year - $11,905/year
  - 46 countries (e.g., Mexico)

- **High-income economies**
  - Per capita GNI > $11,906/year
  - 66 countries (e.g., U.S., Australia)
World Gross Domestic Product - 1999

GDP Density

GDP per square kilometer
- $0 - 499
- $500 - 1,099
- $1,100 - 2,999
- $3,000 - 8,099
- $8,100 - 21,199
- $22,000 - 59,999
- $60,000 - 162,999
- $163,000 - 441,999
- $442,000 - 546,000,000
- No Data
Earth’s Satellite Picture at Night
Gross Domestic Product, 2008

- **Australia**: 830 billion U.S. dollars, PPP
- **U.S.**: 14,370 billion U.S. dollars, PPP
POPULATION, 2010

- Australia (54) 22 million
- U.S. (3) 310 million
- China (1) 1,330 million
- India (2) 1,170 million
- World 6,770 million
World Population Density

![Map showing world population density with different color codes for population per square mile (square km).]

**POPULATION DENSITY**
People per square mile (square km)
- over 520 (over 200)
- 261-520 (101-200)
- 131-260 (51-100)
- 52-130 (21-50)
- 30-51 (13-20)
- 14-29 (6-12)
- 4-13 (1-5)
- below 3 (below 1)
Population Density in Australia and the U.S.
Per Capita GDP, 2008

- Australia: 34,200 U.S. dollars, PPP
- U.S.: 41,800 U.S. dollars, PPP
Why PPP?

- What you pay for something may be different in different places.

Gasoline Price (U.S. Dollars/Gallon) (gasbuddy.com)
Why PPP?

- What you pay for something may be different in different places.

Price of a Big Mac (U.S. Dollars) – July 2010

Sources: McDonald’s; The Economist

*Weighted average of member countries
1Average of four cities
2At market exchange rate (July 21st)
Per Capita Annual GDP Growth, 2006-2008

- **Australia**: 1.5%
- **U.S.**: 0.8%
Why “Real” PPP?

- Inflation

**U.S. Price of Big Mac in Local Currency (U.S. Dollars)**

**Australia's Price of Big Mac in Local Currency (AU$)**

- “Big Mac” inflation in Australia: 14%
- “Big Mac” inflation in the U.S.: 46%
Why “Real” PPP?

Price of a Big Mac in the U.S. and Australia (U.S. Dollars)

Relative Price of a Big Mac (Australia/U.S.)
Why “Real” PPP?

- **Australia**: 1.45% per year
- **U.S.**: 0.96% per year
Net Immigration Rate, 2005-2007

- Australia: 8.6 people per 1,000 inhabitants per year
- U.S.: 3.0 people per 1,000 inhabitants per year
Foreign-Born Population, 2007

- Australia: 25.0%
- U.S.: 13.6%
Unemployment Rates, 2006-2008

- **Australia**: 4.5%
- **U.S.**: 5.0%

[Graph showing unemployment rates for various countries, with data points for Australia and U.S. highlighted.]
Life Expectancy at Birth, 2007

- Australia: 81.4 years
- U.S.: 78.1 years
Infant Mortality, 2007

- **Australia**: 4.2 deaths per 1,000 live births
- **U.S.**: 6.7 deaths per 1,000 live births
Obese Population, 2007

- **Australia**: 21.7% of population aged 15 and above
- **U.S.**: 34.3% of population aged 15 and above
Health Expenditures, 2007

Australia 8.9% of GDP (6.0% public, 2.9% private)
U.S. 16.0% of GDP (7.4% public, 8.7% private)
Population that has Attained at Least Tertiary Education, 2007

- **Australia**: 27% of 55-64 year olds, 41% of 25-34 year olds.
- **U.S.**: 39% of 55-64 year olds, 40% of 25-34 year olds.
## Other Economic Measures, 2009

<table>
<thead>
<tr>
<th>Measure</th>
<th>Australia</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Expenditures (% GDP)</td>
<td>4.7</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>(83rd)</td>
<td>(46th)</td>
</tr>
<tr>
<td>Military Expenditures (% GDP)</td>
<td>3</td>
<td>4.1</td>
</tr>
<tr>
<td></td>
<td>(41st)</td>
<td>(24th)</td>
</tr>
</tbody>
</table>
Poverty, mid-2000s

**Poverty Rate**
- Australia: 12.4%
- U.S.: 17.1%

**Poverty Gap**
- Australia: 23.6%
- U.S.: 38.3%
GINI Index (higher income inequality, higher index)
Gini Index, mid-2000s

- **Australia** 0.30
- **U.S.** 0.38
Change in Gini Index, mid-1980s to mid-2000s

- **Australia** -0.008
- **U.S.** +0.020
Taxes on Average Worker, 2008

- Australia: 26.9% of labor cost
- U.S.: 30.1% of labor cost
Tax revenues, 2008

- Australia: 26.9% of GDP
- U.S.: 30.8% of GDP
Violent Deaths

- **Australia**: 1.6 per 100,000 people
- **U.S.**: 6.1 per 100,000 people
Violent Deaths

- Australia 1.6 per 100,000 people
- U.S. 6.1 per 100,000 people
Prison Population Rate, 2009

- Australia: 129 per 100,000 people
- U.S.: 760 per 100,000 people
Suicide Rates, 2006

- **Australia**: 9.8 per 100,000 people
- **U.S.**: 10.1 per 100,000 people
Life Satisfaction (Gallup World Poll), 2006

- Australia 7.4
- U.S. 7.3
Water Consumption, 2007

- Australia: 930 m$^3$ per capita per year
- U.S.: 1,690 m$^3$ per capita per year
## Composition of GDP, 2009 (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Australia</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>4.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Industry</td>
<td>24.8</td>
<td>22.2</td>
</tr>
<tr>
<td>Services</td>
<td>71.2</td>
<td>76.7</td>
</tr>
</tbody>
</table>
Trade Balance (= Exports minus Imports), 2006-2008

- Australia - 10 billion U$S per year
- U.S. - 867 billion U$S per year
## Composition of Exports (%)

<table>
<thead>
<tr>
<th>Category</th>
<th>Australia</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minerals and Metals</td>
<td>60</td>
<td>?</td>
</tr>
<tr>
<td>Rural Goods</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Manufactured Goods</td>
<td>18</td>
<td>82</td>
</tr>
</tbody>
</table>
Destinations of Exports, 2009

AUSTRALIA
- China (22%)
- Japan (19%)
- South Korea (8%)
- India (8%)
- U.S. (5%)

U.S.
- Canada (20%)
- Mexico (12%)
- China (7%)
- Japan (5%)
- U.K. (4%)
## Origins of Imports, 2009

<table>
<thead>
<tr>
<th>AUSTRALIA</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (18%)</td>
<td>China (19%)</td>
</tr>
<tr>
<td>U.S. (11%)</td>
<td>Canada (14%)</td>
</tr>
<tr>
<td>Japan (8%)</td>
<td>Mexico (11%)</td>
</tr>
<tr>
<td>Thailand (6%)</td>
<td>Japan (6%)</td>
</tr>
<tr>
<td>Singapore (6%)</td>
<td>Germany (5%)</td>
</tr>
</tbody>
</table>
Australia: Free Trade Agreements

Free Trade Agreements:

Free Trade Agreements under Negotiation
- Japan
- China
- Gulf Cooperation Council
- South Korea
- Malaysia
- Pacific Agreement on Closer Economic Relations (PACER) Plus
- Trans-Pacific Partnership Agreement

Free Trade Agreements under Consideration
- India
- Indonesia
Government Net Borrowing or Lending, 2006-2008

- **Australia**: 1.5% of GDP
- **U.S.**: -3.8% of GDP

Average 2006-2008
Average 1995-1997

18.3
Government Debt, 2008

- **Australia**: 14.3% of GDP
- **U.S.**: 70.0% of GDP
Australia’s Economy: Recent History

- Major economic reforms starting in the 1980s
  - Australian Dollar floated in 1983
  - Free-trade agreements and reduction of trade barriers
  - Financial sector deregulation, including 1992 access for foreign bank branches
  - Rationalization and reduction of trade unions
  - Restructuring of centralized system of industrial relations and labor bargaining
  - Better integration of individual state economies into federal system
  - Improvement and standardization of national infrastructure
  - Privatization (e.g., Australian Wheat Board, Qantas)
Australia’s Economy: Current Concerns

- Large trade balance deficit
- Absence of export-oriented manufacturing industry
- Real estate bubble
- High levels of net foreign debt owed by the private sector
- Pressure on environment
AUSTRALIA: Farm Support Programs

- Tax arrangements and risk-management tools to manage income fluctuations
- Excise tax rebates on diesel used by farmers
- Accelerated depreciation for land and water-conservation investments
- Publicly funded research and development
- Assistance for exceptional situations (e.g., droughts and floods)
- Import tariffs on certain types of cheese, unprocessed tobacco, and processed fruits and vegetables
Producer Support Estimates as % of Gross Farm Receipts

- Australia
- Japan
- United States
- EU25
- OECD Total

Graph showing trends from 1990 to 2005.
Agricultural Producer Support, 2006-2008

- **Australia**: 6.3% of gross farm receipts
- **U.S.**: 9.5% of gross farm receipts
Reduction of trade-distorting support schemes for producers
Major reduction in support to dairy producers
Implementation of drought-support measures
Emphasis in policies encouraging drought-preparedness amongst farmers
More market-oriented policies for water usage
Expansion and strengthening of natural resource and environmental policies, mainly aimed at preventing soil degradation
Streamlining of sanitary measures for imports
Australia Wheat Board

- Near-monopoly for Australian wheat exports
  - AWB currently exports 96% of Australian wheat
- Created in 1939
  - Served as model for Canadian Wheat Board
- Government-controlled until 1999
- Privatized in 1999 (owned by active wheat growers)
- Publicly traded in Australian Stock Exchange since 2001
THE END
Main Sources