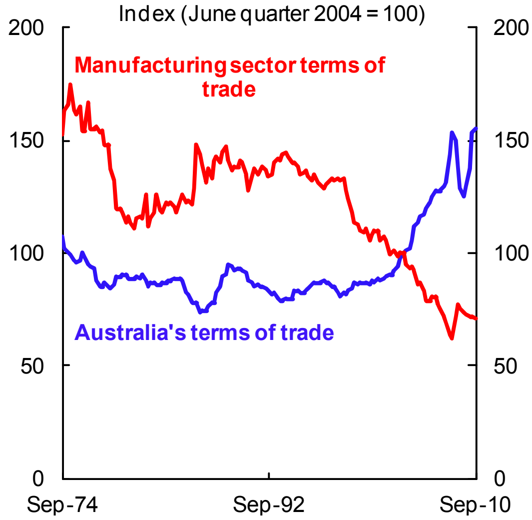
Irrelevant under section 22

Australia's other terms of trade

While miners enjoy the spoils of the terms of trade boom, its benefits have not been spread equally across all sectors of the Australian economy. The manufacturing industry, another of Australia's trade-exposed sectors, has seen its own terms of trade decline sharply since the early 2000s (Chart 1).

Chart 1: Comparative terms of trade



Source: ABS Cat. Nos. 6427.0, 5302.0, 5206.0 and Treasury.

Since the beginning of the terms of trade boom, the growth in the prices received by Australian exporters of manufactured goods has been outstripped by the growth in the prices of imported inputs into the manufacturing process. Since the beginning of the 2000s, the price of manufactured exports has fallen by around 8 per cent, while the prices of inputs into manufacturing have risen considerably, growing by around 49 per cent. Though the purchasing power of the Australian dollar has risen over this time, it is a double-edged sword for Australian manufacturers, as both their exports and imported inputs are typically priced in US dollars.

The primary factor driving the fall in the manufacturing sector's terms of trade over this time has been a steep increase in the cost of fuels and lubricants, which has outstripped the increase in the purchasing power of the Australian dollar. Meanwhile, some Australian resource companies have, of course, benefitted from high energy prices.

Irrelevant under section 22

Pages 3-4 irrelevant under section 22