

Room to grow: The Australia-India economic relationship

Mark Thirlwell

Chief Economist



Australian Government
Australian Trade Commission



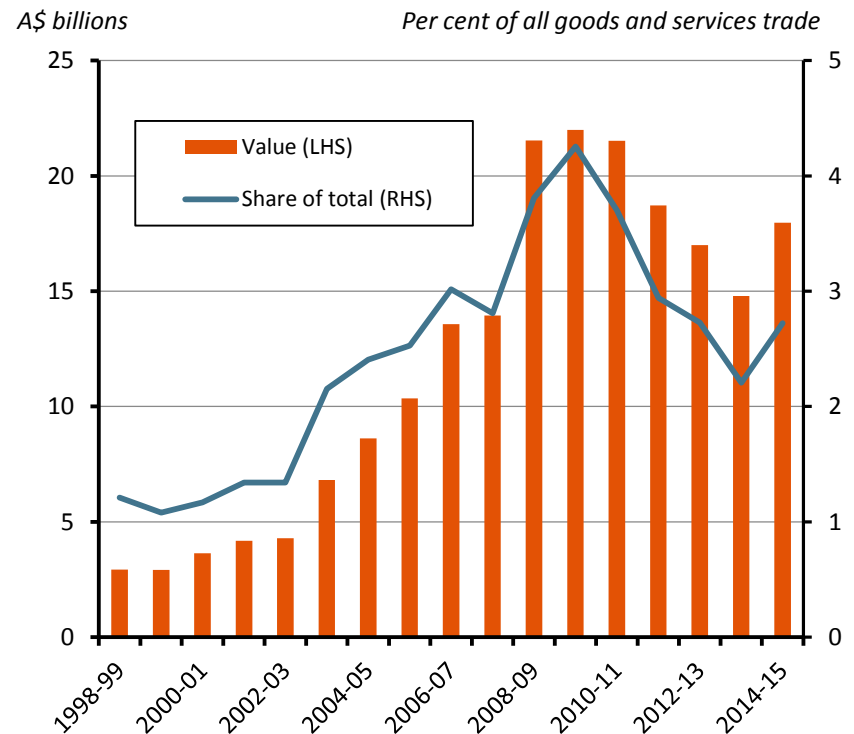
The background is a solid yellow color. On the left side, there are several thin, white, abstract lines that form a series of overlapping, curved shapes, resembling a stylized arrow or a series of connected segments. These lines are positioned on the left side of the slide, extending from the top left towards the bottom left.

Australia and India: A developing bilateral relationship

Top ten trading partners, 2014-15

Top ten trading partners goods and services, 2014-15			
		A\$ bn	Share (%)
1	China	149.8	22.7
2	Japan	67.7	10.3
3	United States	64.6	9.8
4	Korea	34.8	5.3
5	Singapore	28.4	4.3
6	New Zealand	23.7	3.6
7	United Kingdom	21.1	3.2
8	Thailand	19.9	3.0
9	Malaysia	19.6	3.0
10	India	18.0	2.7
	<i>Subtotal</i>	447.5	67.8
	Total all countries	660.0	100.0
	ASEAN	98.6	14.9
	EU	83.1	12.6

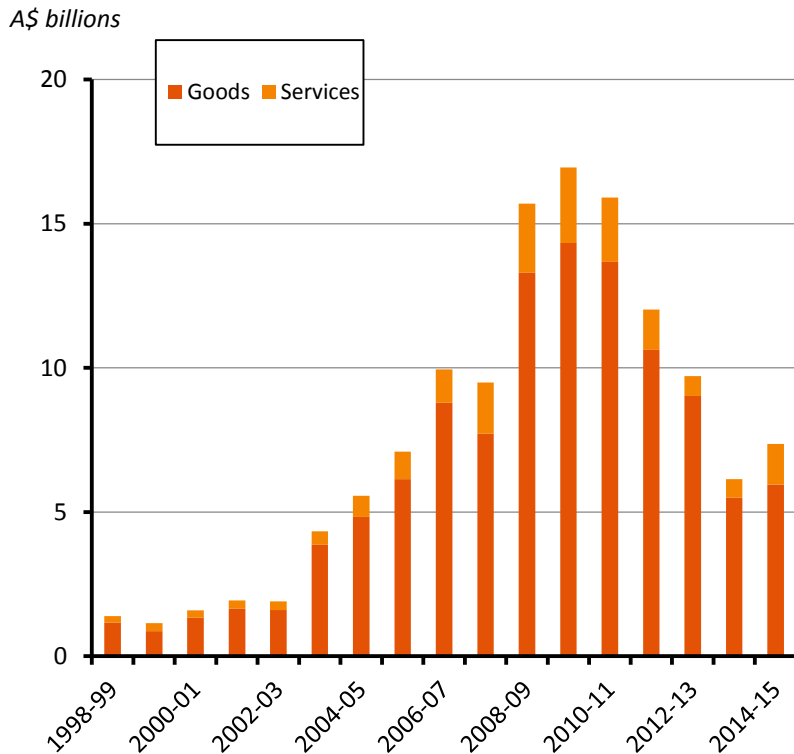
Australia's two-way trade with India



Source: DFAT annual direction of trade data

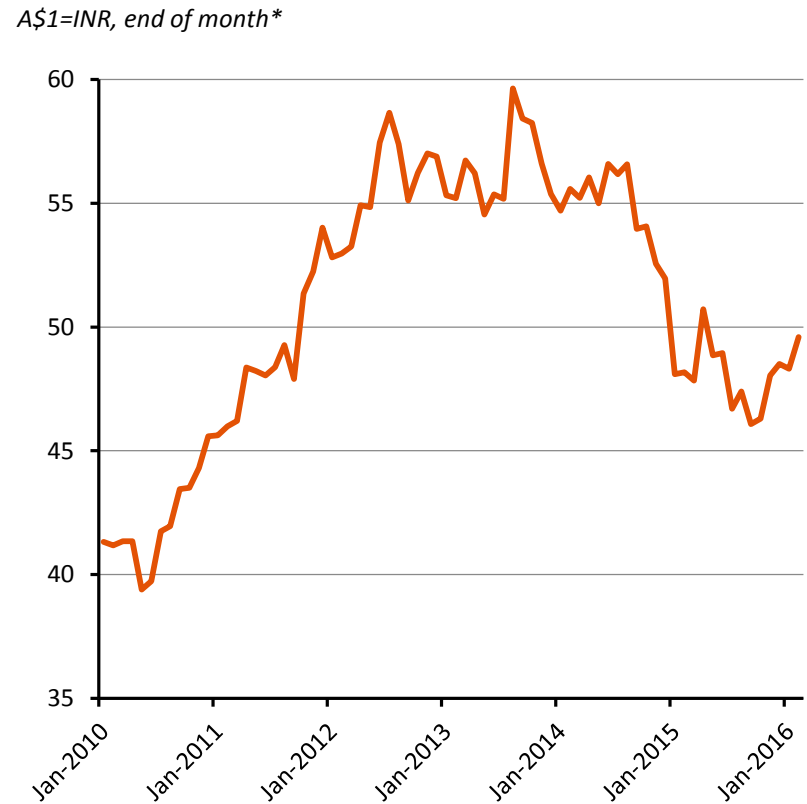
Balance of trade and exchange rate

Australia's trade surplus with India



Source: DFAT annual direction of trade data

Australia-India bilateral exchange rate



Source: RBA. * For February 2016, value is for close on 23 February, not month end

Top ten export markets 2014-15: Goods vs Services

Top ten export markets for goods 2014-15			
		A\$ bn	Share (%)
1	China	81.5	31.8
2	Japan	44.5	17.4
3	Republic of Korea	18.8	7.4
4	United States	13.4	5.2
5	India	9.8	3.8
6	New Zealand	8.3	3.2
7	Singapore	8.3	3.2
8	Taiwan	6.9	2.7
9	Malaysia	6.1	2.4
10	Indonesia	5.6	2.2
	<i>Subtotal</i>	<i>203.1</i>	<i>79.3</i>
	Total all countries	256.0	100.0
	ASEAN	30.1	11.8
	EU	12.5	4.9

Top ten export markets for services 2014-15			
		A\$ bn	Share (%)
1	China	8.8	14.1
2	United States	7.1	11.3
3	United Kingdom	4.9	7.8
4	New Zealand	4.0	6.4
5	Singapore	3.8	6.0
6	India	2.9	4.6
7	Hong Kong SAR	2.1	3.4
8	Japan	2.1	3.3
9	Malaysia	1.9	3.0
10	Republic of Korea	1.6	2.6
	<i>Subtotal</i>	<i>39.2</i>	<i>62.5</i>
	Total all countries	62.8	100.0
	ASEAN	10.0	15.9
	EU	10.2	16.2

Top ten import sources 2014-15: Goods vs Services

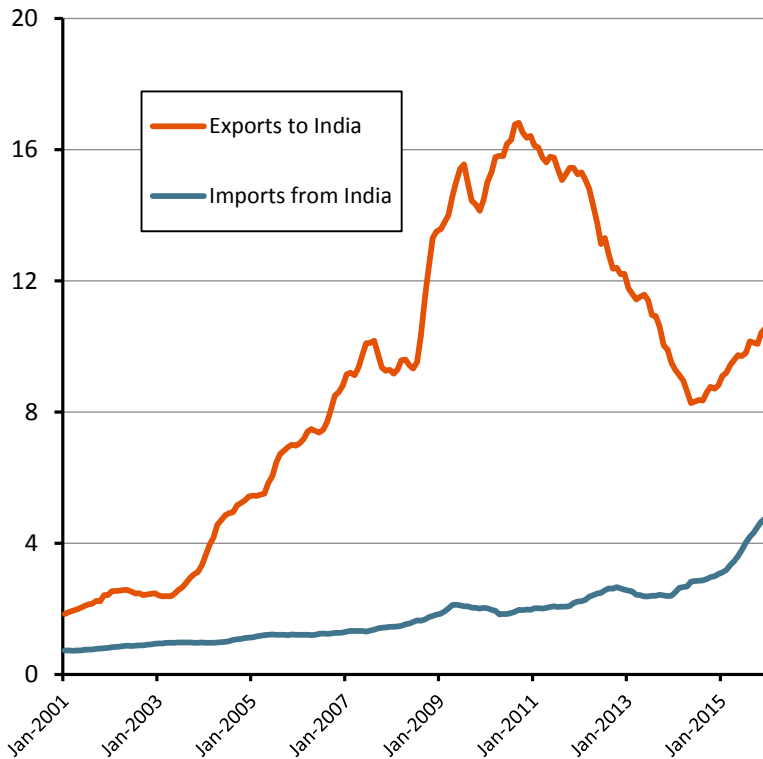
Top ten import sources for goods 2014-15			
		A\$ bn	Share (%)
1	China	57.1	22.3
2	United States	30.4	11.9
3	Japan	18.3	7.1
4	Korea	13.6	5.3
5	Thailand	12.1	4.7
6	Germany	12.0	4.7
7	Singapore	10.8	4.2
8	Malaysia	10.4	4.0
9	New Zealand	7.8	3.0
10	United Kingdom	6.3	2.5
	<i>Subtotal</i>	<i>178.8</i>	<i>69.7</i>
16	India	3.8	1.5
	Total all countries	256.5	100.0
	ASEAN	45.5	17.7
	EU	44.4	17.3

Top ten import sources for services 2014-15			
		A\$ bn	Share (%)
1	United States	13.7	19.2
2	United Kingdom	6.2	8.7
3	Singapore	5.6	7.8
4	New Zealand	3.5	5.0
5	Japan	2.8	4.0
6	Indonesia	2.6	3.6
7	Hong Kong SAR	2.5	3.5
8	China	2.4	3.4
9	UAE	2.2	3.1
10	Germany	2.0	2.8
	<i>Subtotal</i>	<i>43.5</i>	<i>61.2</i>
12	India	1.5	2.1
	Total all countries	71.2	100.0
	ASEAN	13.0	18.3
	EU	16.0	22.5

Merchandise trade with India

Merchandise trade with India

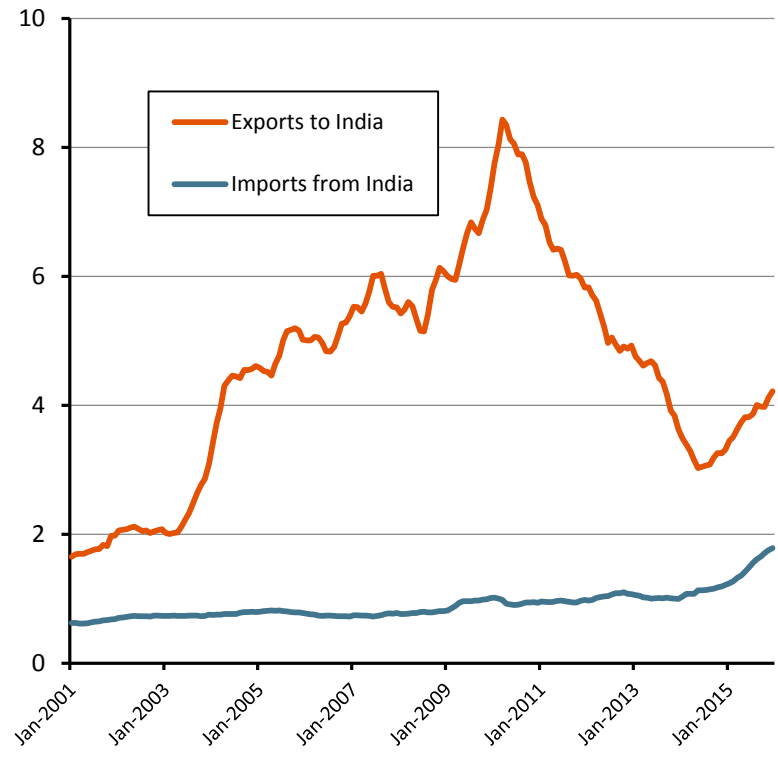
Rolling annual total, A\$ billions



Source: ABS. Note excludes confidential items

Merchandise trade with India

Per cent of total

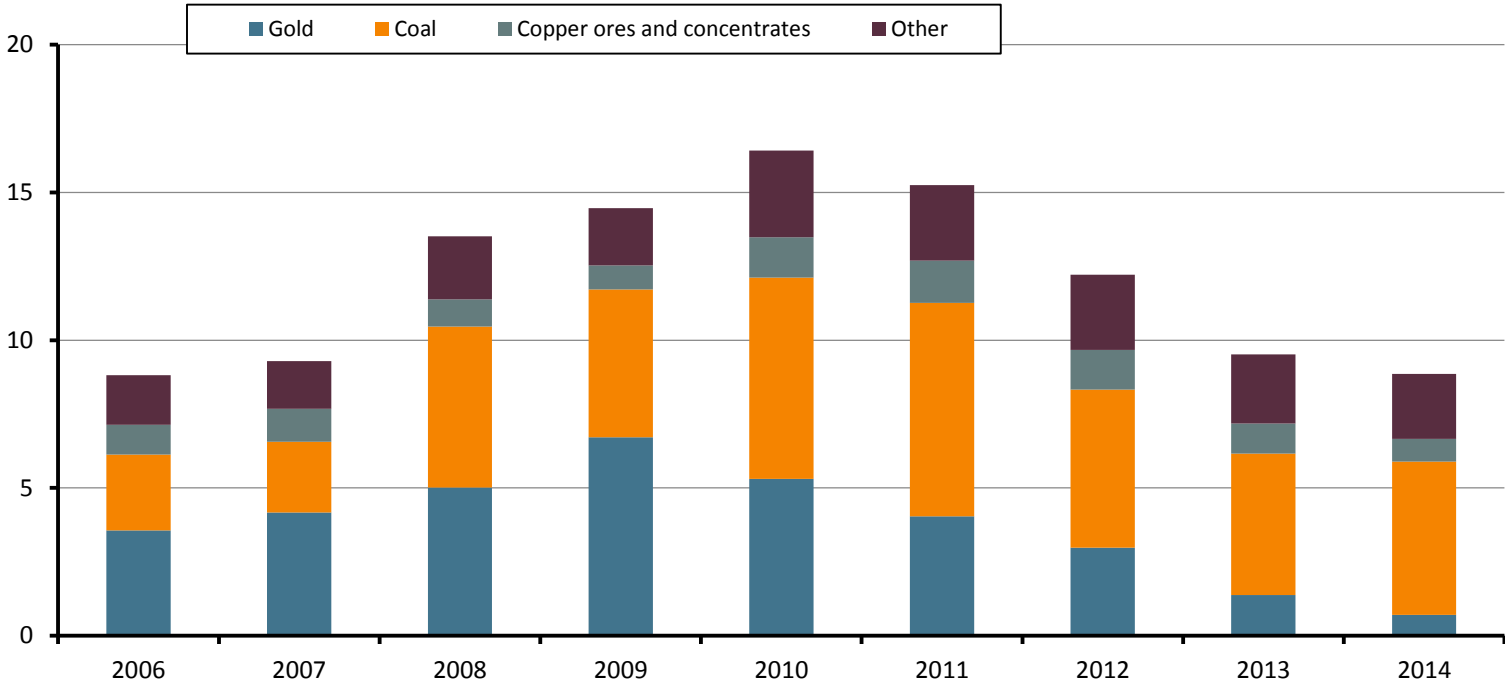


Source: ABS. Note excludes confidential items

Perspective on merchandise exports

Developments in selected merchandise exports to India

A\$ billions



Source: DFAT pivot tables

Services trade with India

Services trade with India

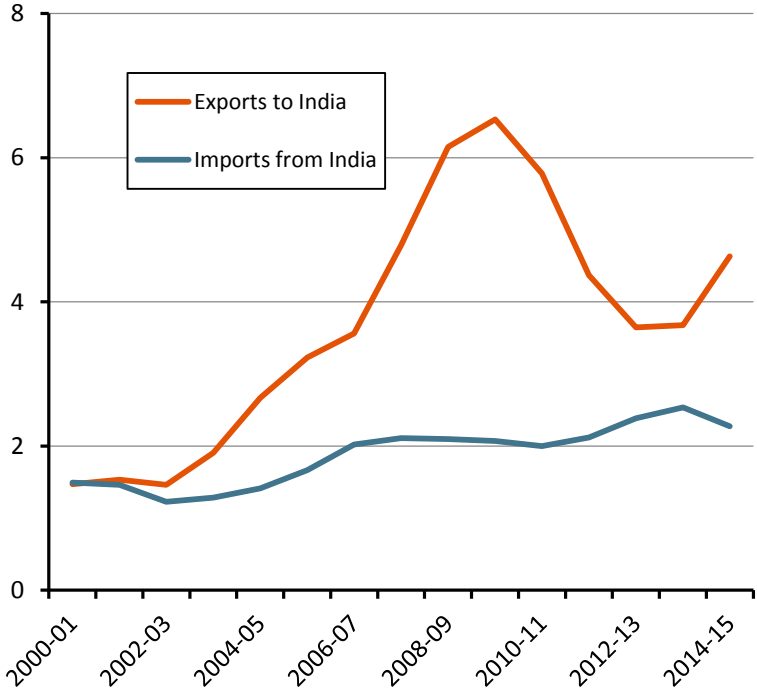
FY annual total, A\$ billions



Source: ABS

Services trade with India

FY annual, Share of total, per cent



Source: ABS

Composition of trade, 2014-15

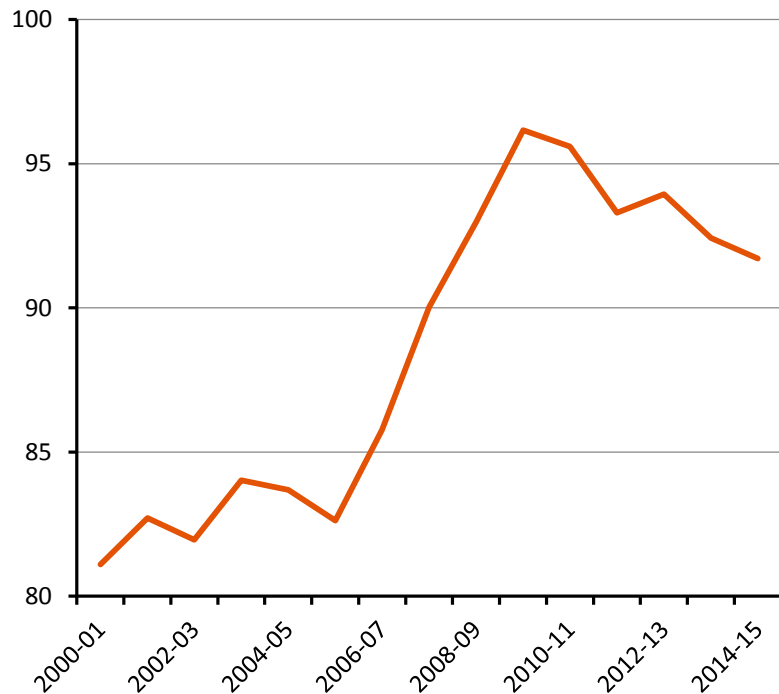
Top ten exports to India, 2014-15			
		A\$ bn	Share (%)
1	Coal	5.5	43.5
2	Education-related travel	2.5	19.4
3	Gold	0.9	7.1
4	Copper ores & concs.	0.8	6.5
5	Personal travel ex. Educ.	0.4	2.0
6	Vegetables	0.3	1.4
7	Wool	0.2	1.4
8	Fruit & nuts	0.2	1.1
9	Other ores & concs.	0.1	1.1
10	Ferrous waste & scrap	0.1	1.1
	<i>Subtotal</i>	<i>10.9</i>	<i>86.4</i>
	Total all exports	12.7	100.0

Top ten imports from India, 2014-15			
		A\$ bn	Share (%)
1	Refined petroleum	0.9	17.2
2	Personal travel ex. Educ.	0.6	10.6
3	Other business services	0.5	9.1
4	Telcom, computer & info.	0.3	5.0
5	Medicaments	0.2	4.6
6	Pearls & gems	0.2	4.5
7	Passenger motor vehicles	0.2	3.2
8	Jewellery	0.1	2.8
9	Made-up textile articles	0.1	2.8
10	Organo-inorganic comps.	0.9	16.4
	<i>Subtotal</i>	<i>4.0</i>	<i>76.2</i>
	Total all imports	5.3	100.0

Services trade with India: Detail

Services trade with India: Exports

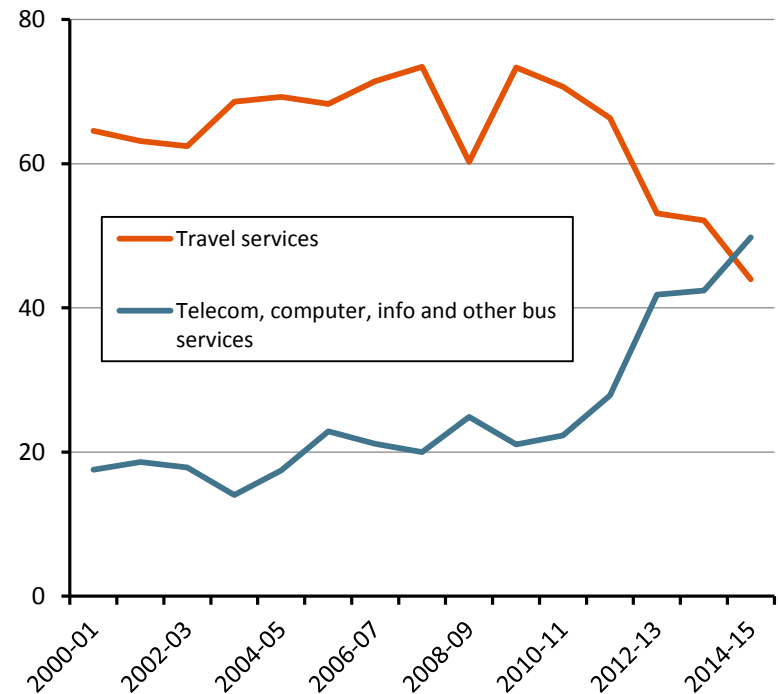
Share of travel in exports of services to India



Source: ABS

Services trade with India: Imports

Share of imports of services from India



Source: ABS

Perspectives on education exports

Top ten export markets for Education-related services, 2014-15			
		A\$ bn	Share (%)
1	China	4.7	25.0
2	India	2.1	11.1
3	Vietnam	1.0	5.6
4	Korea	0.8	4.1
5	Malaysia	0.7	4.0
6	Thailand	0.7	3.6
7	Nepal	0.6	3.5
8	Indonesia	0.6	3.1
9	Pakistan	0.5	2.8
10	Brazil	0.5	2.7
	<i>Subtotal</i>	<i>12.3</i>	<i>65.5</i>
	Total all countries	18.8	100.0

Top ten sources of international students, 2014-15			
		Number	Share (%)
1	China	121,318	26.7
2	India	46,380	10.2
3	Vietnam	21,987	4.8
4	Korea	20,178	4.4
5	Malaysia	19,201	4.2
6	Thailand	16,115	3.6
7	Brazil	14,970	3.3
8	Indonesia	13,726	3.0
9	Nepal	13,491	3.0
10	Pakistan	10,790	2.4
	<i>Subtotal</i>	<i>298,156</i>	<i>65.7</i>
	Total all countries	453,532	100.0

Perspectives on tourism exports

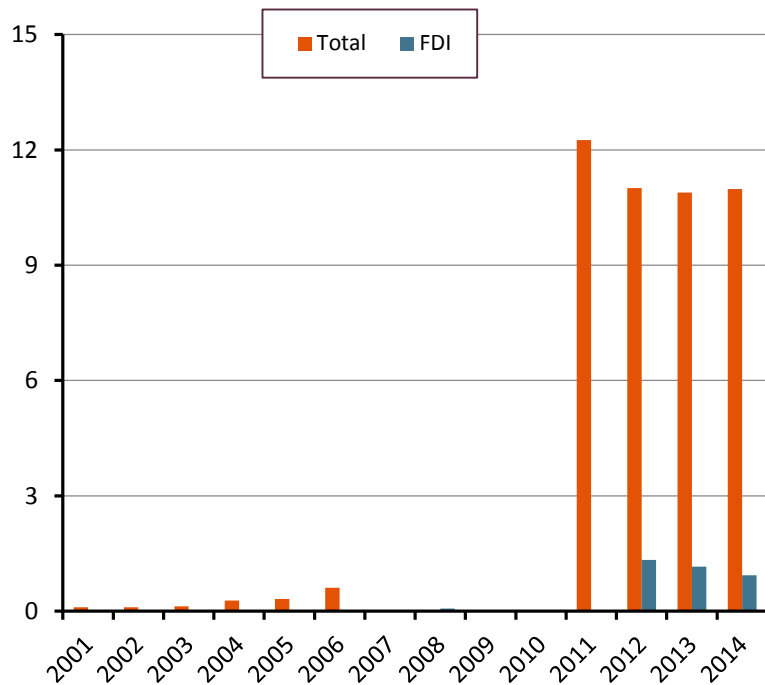
Top ten sources of ST visitor arrivals, 2014-15			
		Number	Share (%)
1	New Zealand	1,266,900	17.8
2	China	927,700	13.1
3	United Kingdom	666,200	9.4
4	United States	576,600	8.1
5	Singapore	371,900	5.2
6	Malaysia	327,800	4.6
7	Japan	323,900	4.6
8	India	220,200	3.1
9	Hong Kong SAR	203,800	2.9
10	Germany	188,400	2.9
	<i>Subtotal</i>	<i>5,073,400</i>	<i>71.4</i>
	Total all countries	7,103,300	2.9

Top ten sources of average per capita spend, 2014-15			
		A\$	Growth (%)
1	China	8,096	8.5
2	Switzerland	7,186	6.3
3	Italy	6,731	-7.9
4	France	6,675	1.6
5	Scandinavia	6,287	8.5
6	Taiwan	6,225	8.4
7	Canada	6,075	0.7
8	Other Europe	6,004	-4.4
9	Korea	5,980	-0.7
10	Netherlands	5,580	-4.3
	India	5,029	15.8
	Total all countries	5,089	3.6

Indian investment in Australia

Stock of Indian investment in Australia

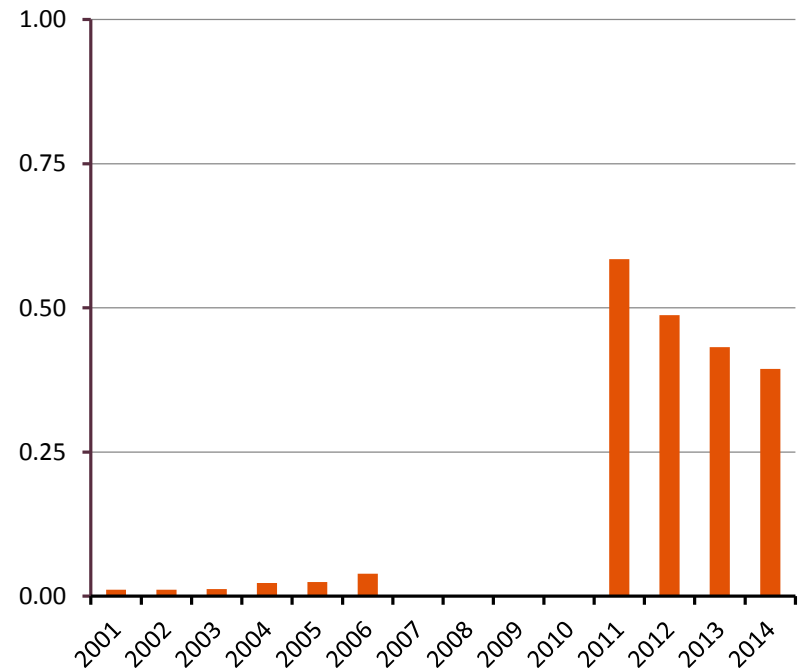
A\$ billions



Source: ABS. Note data influenced by treatment of confidential investments.

Stock of Indian investment in Australia

Share of total foreign investment, per cent

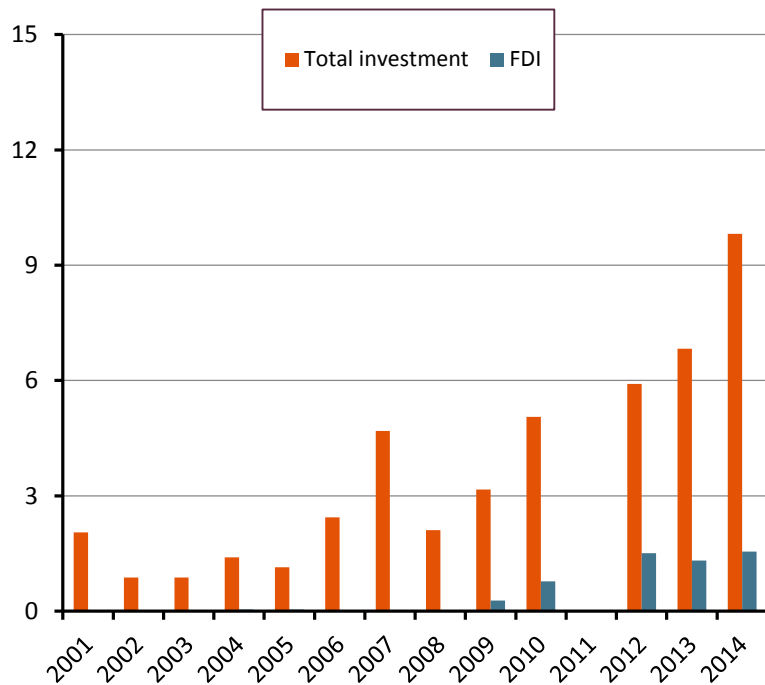


Source: ABS. Note data influenced by treatment of confidential investments.

Australian investment in India

Stock of Australian investment in India

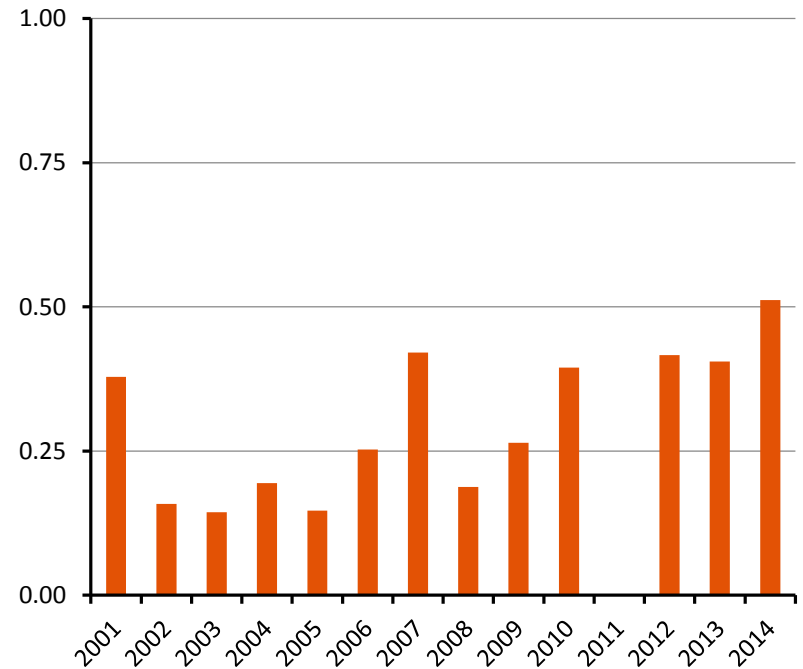
A\$ billions



Source: ABS. Note data influenced by treatment of confidential investments.

Stock of Australian investment in India

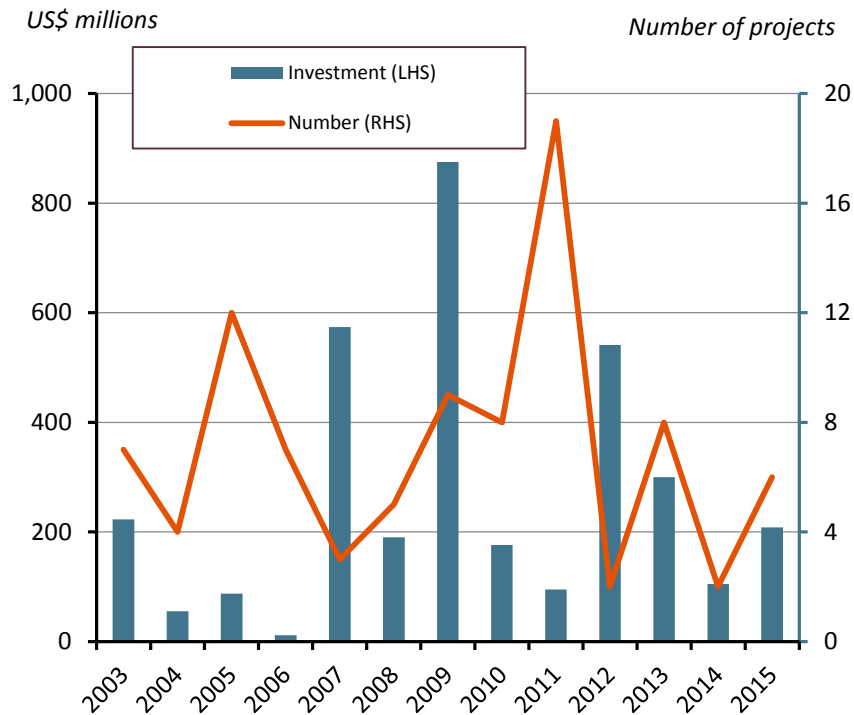
Share of total, per cent



Source: ABS. Note data influenced by treatment of confidential investments.

Australian FDI projects in India

Australia: Announced FDI projects in India



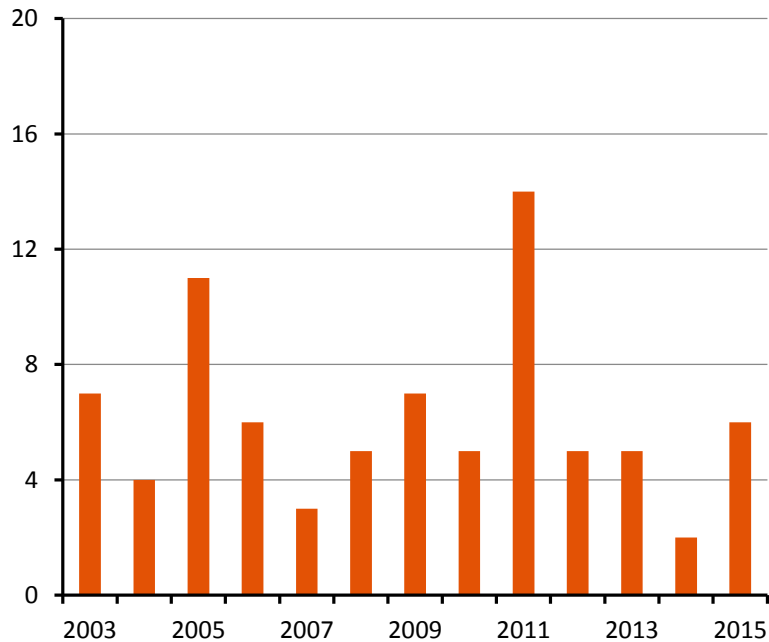
Investment by sector, 2003-15	
Leading sectors	US\$ m
Financial services	788.2
Coal, oil and gas	732.3
Metals	671.6
Other sectors	498.1
Communications	282.6
Business services	158.3
Software & IT services	99.6
Medical devices	66.5
Food & tobacco	50.5
Hotels & tourism	33.1
Textiles	7.5
Total	3441.8

Source: FDI Markets.

Australian firms investing in India

Australia: Companies investing in India

Number of companies

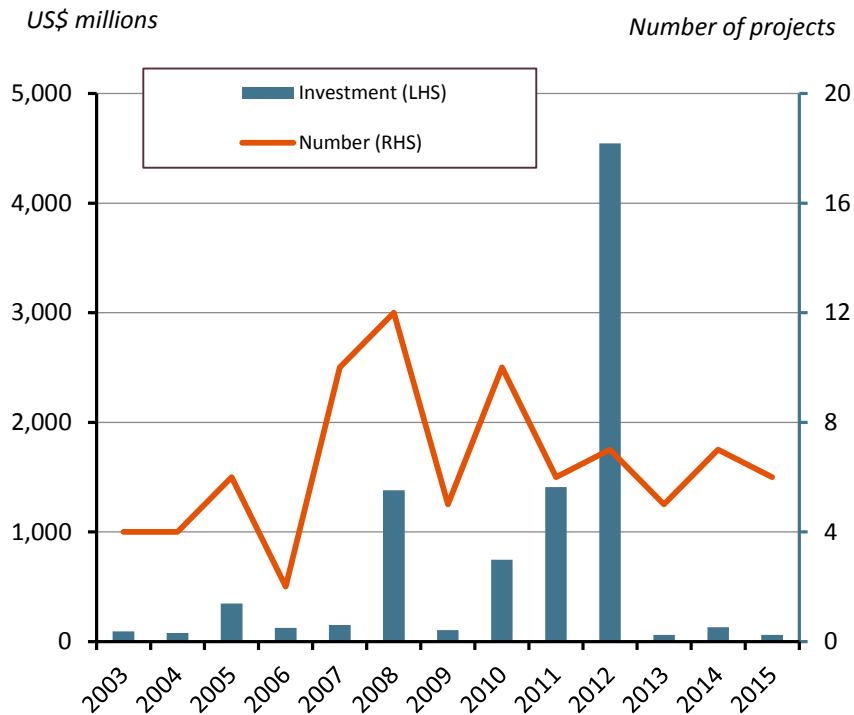


Investment by company, 2003-15	
Top 10 companies	US\$ m
Telstra Telecommunications	232.8
ANZ bank	227.3
BlueScope Steel	202.8
CBA Bank	103.6
Cochlear	66.5
Deakin University	29.4
Di Bella Coffee India	28.5
iSOFT Group (IBA Health)	26.6
Mastersoft	26.4
Australian Retail College (ARC)	14.0

Source: FDI Markets.

Indian FDI projects in Australia

India: Announced FDI projects in Australia



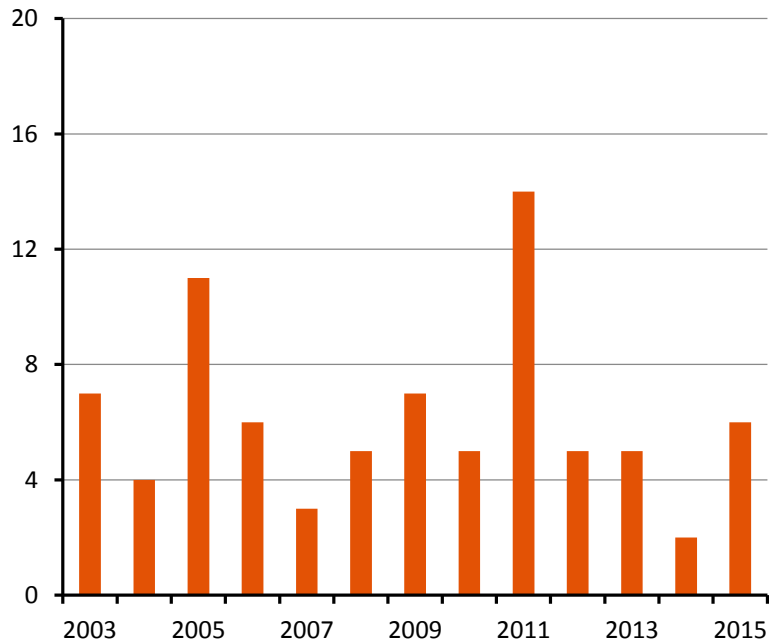
Investment by sector, 2003-15	
Leading sectors	US\$ m
Coal, oil and gas	5361.5
Alternative/Renewable energy	1354
Metals	463.7
Software & IT services	441.1
Financial services	430.4
Transportation	161
Business services	109.2
Other sectors	88.3
Automotive	18.7
Biotechnology	5.4
Communications	4.1
Total	9228.8

Source: FDI Markets.

Indian firms investing in Australia

Australia: Companies investing in India

Number of companies



Investment by company, 2003-15	
Top 10 companies	US\$ m
Adani Enterprise Ltd	4527.7
Bank of Baroda	104.4
Infosys Technologies	72.2
HCL Technologies	41.2
Infotech Enterprises	37.2
Rajesh Exports	32.3
Satyam Computer Services	27.7
Wipro Technologies	16.3
Mahindra & Mahindra	11.4
Dhanush Infotech	2.8

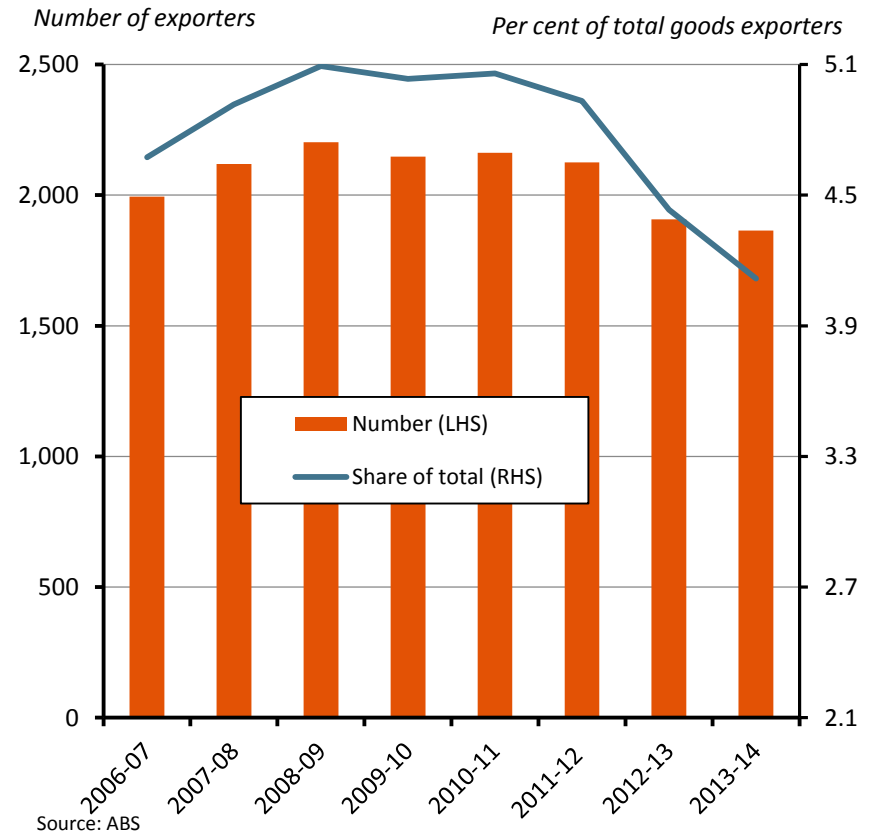
Source: FDIMarkets.

Number of goods exporters selling to India

Australian firms exporting to India

Top ten destinations by exporter numbers, 2013-14			
		Number	Share (%)
1	New Zealand	17,256	38.1
2	United States	9,401	20.8
3	Singapore	6,181	13.6
4	China	5,853	12.9
5	Hong Kong	5,294	11.7
6	United Kingdom	5,153	11.4
7	PNG	4,769	10.5
8	Malaysia	3,801	8.4
9	Japan	3,016	6.7
10	Fiji	2,850	6.3
19	India	1,865	4.1
	Total all countries	45,306	100.0

Source: ABS. Note total will not sum to 100 as exporters sell to multiple markets. Goods exporters only.



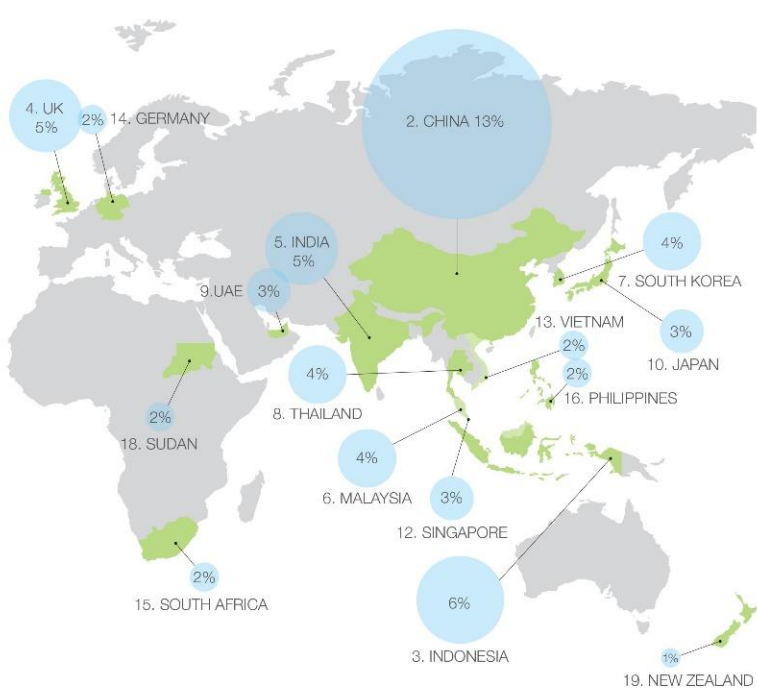
The background is a solid yellow color. On the left side, there are several thin, white, abstract lines that form a series of overlapping, curved shapes, resembling a stylized arrow or a series of connected segments. These lines are positioned on the left side of the page, extending from the top left towards the bottom right.

Australia and India: Results from our survey work

India is a top five target market for exporters

NEW TARGET MARKETS

Which new markets are expected to be the most important for respondents in terms of additional revenue over the next two years?



Target markets by industry



	Agricultural, forestry and fishing	1. China 2. USA 3. Vietnam
	Education and training	1. China 2. Indonesia 3. Malaysia
	Processed food and beverage	1. China 2. South Korea 3. UK
	Manufacturing	1. China 2. USA 3. UK
	ICT	1. USA 2. UK 3. Indonesia
	Agricultural equipment, technology and services	1. China 2. USA 3. Thailand
	Mining equipment, technology and services	1. Indonesia 2. USA 3. India
	Professional, scientific and technical services	1. USA 2. Indonesia 3. China

Main modes of servicing markets

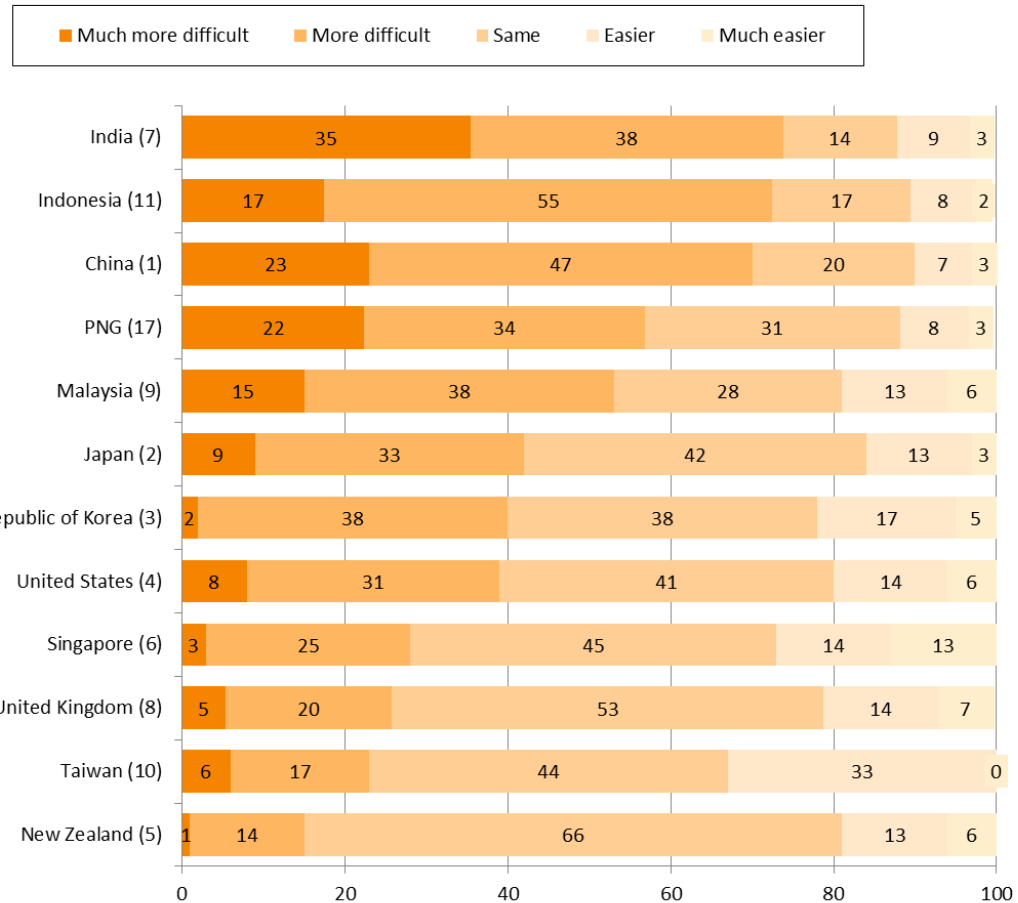


*Equal third with Joint Venture

Exporters view on business environment

AIBS 2015: Ease of doing business compared to Australia

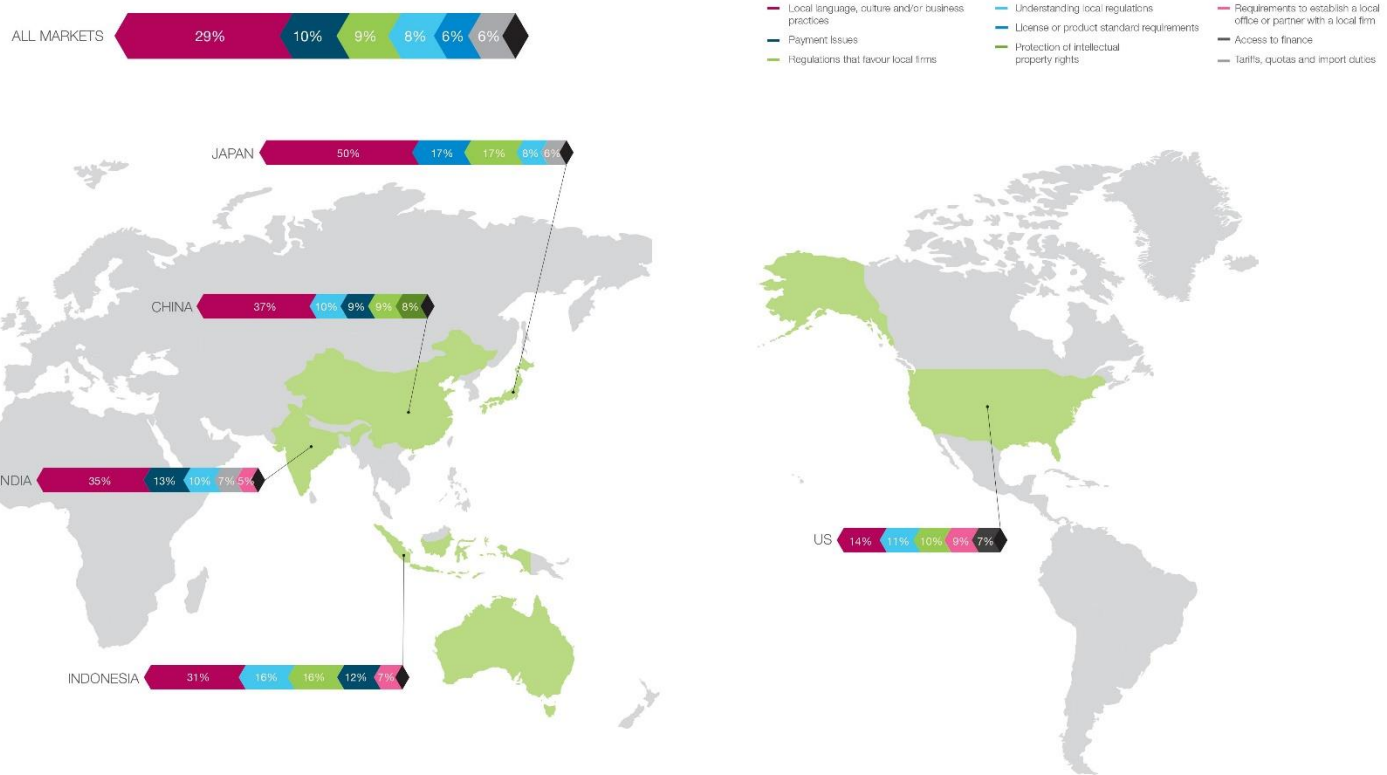
Q. How easy is it to conduct business in this market compared to Australia?



Source: AIBS 2015. Note totals may not sum to 100 due to rounding. Note also small sample size for Taiwan.

Exporters on nature of 'barriers' to business

BARRIERS FACED BY AUSTRALIAN BUSINESSES IN THEIR MOST DIFFICULT AND IMPORTANT MARKET

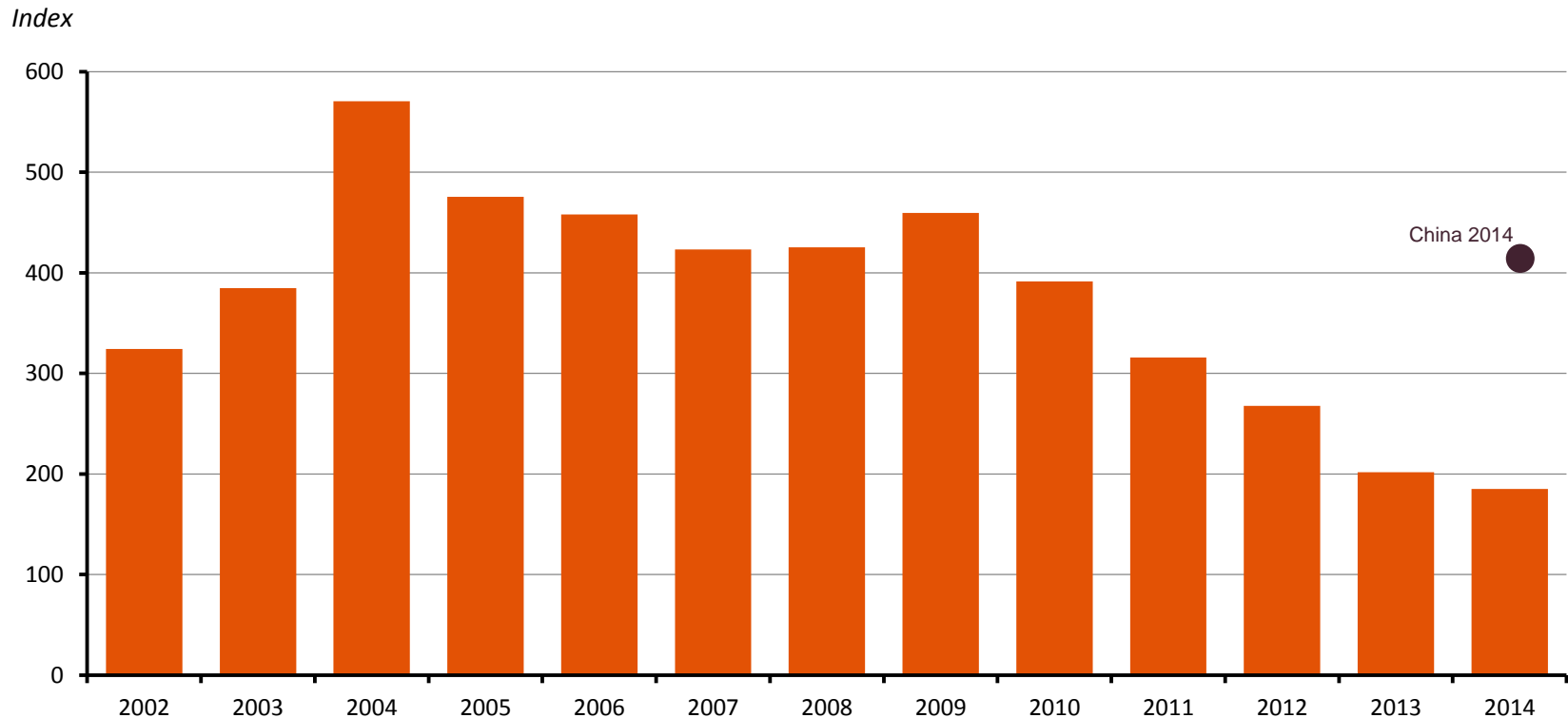


The background is a solid yellow color. On the left side, there are several thin, white, overlapping lines that form a series of nested, rounded shapes pointing towards the right. These lines create a sense of depth and movement, resembling a stylized arrow or a series of overlapping pages.

Australia and India: What next?

Trade intensity index, India

Australia's trade intensity index, India, 2002-2014

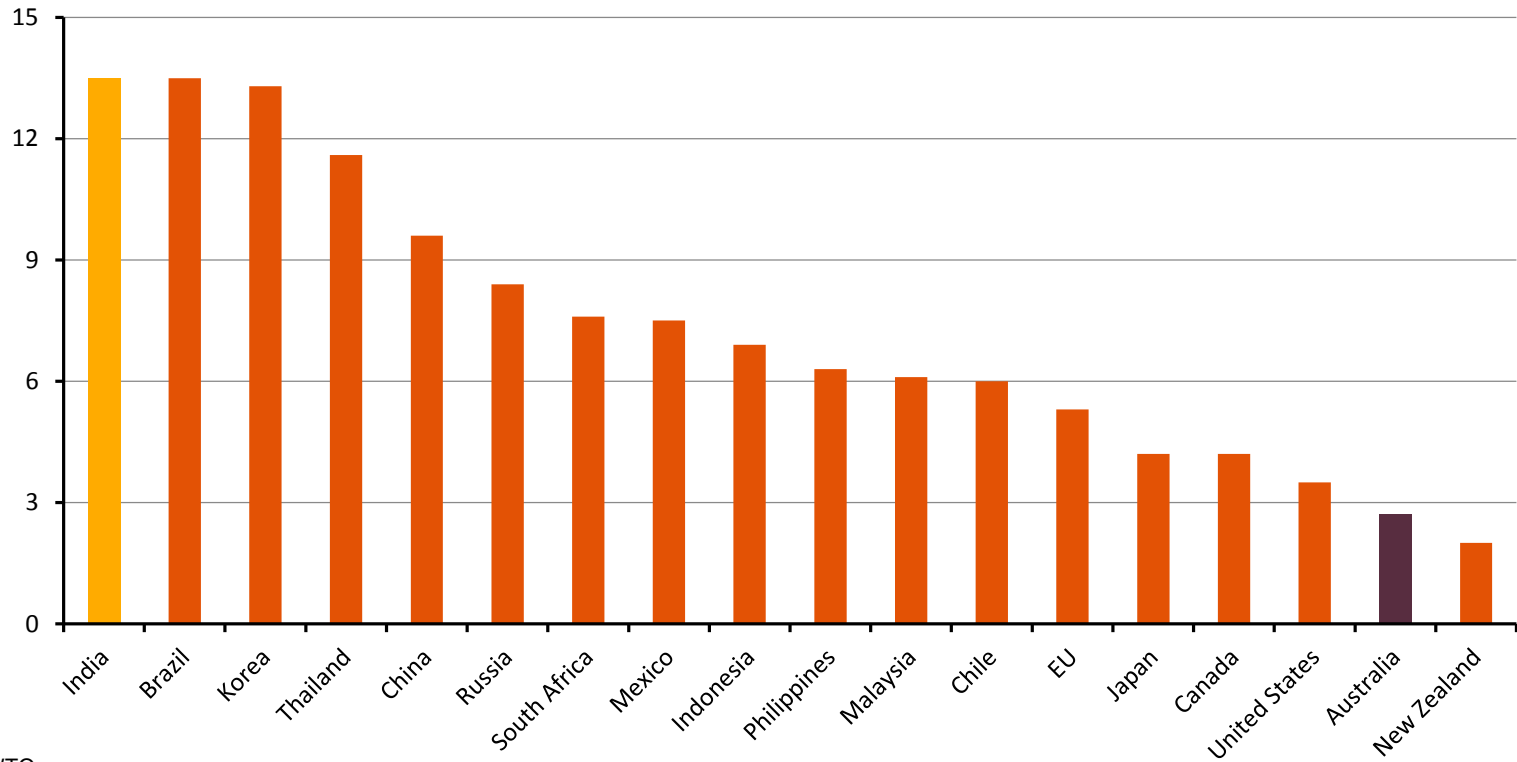


Source: UN Comtrade, World Bank WITS, Austrade.

Scope for further integration (1)

Selected economies: Tariff levels

Simple average MFN applied tariff

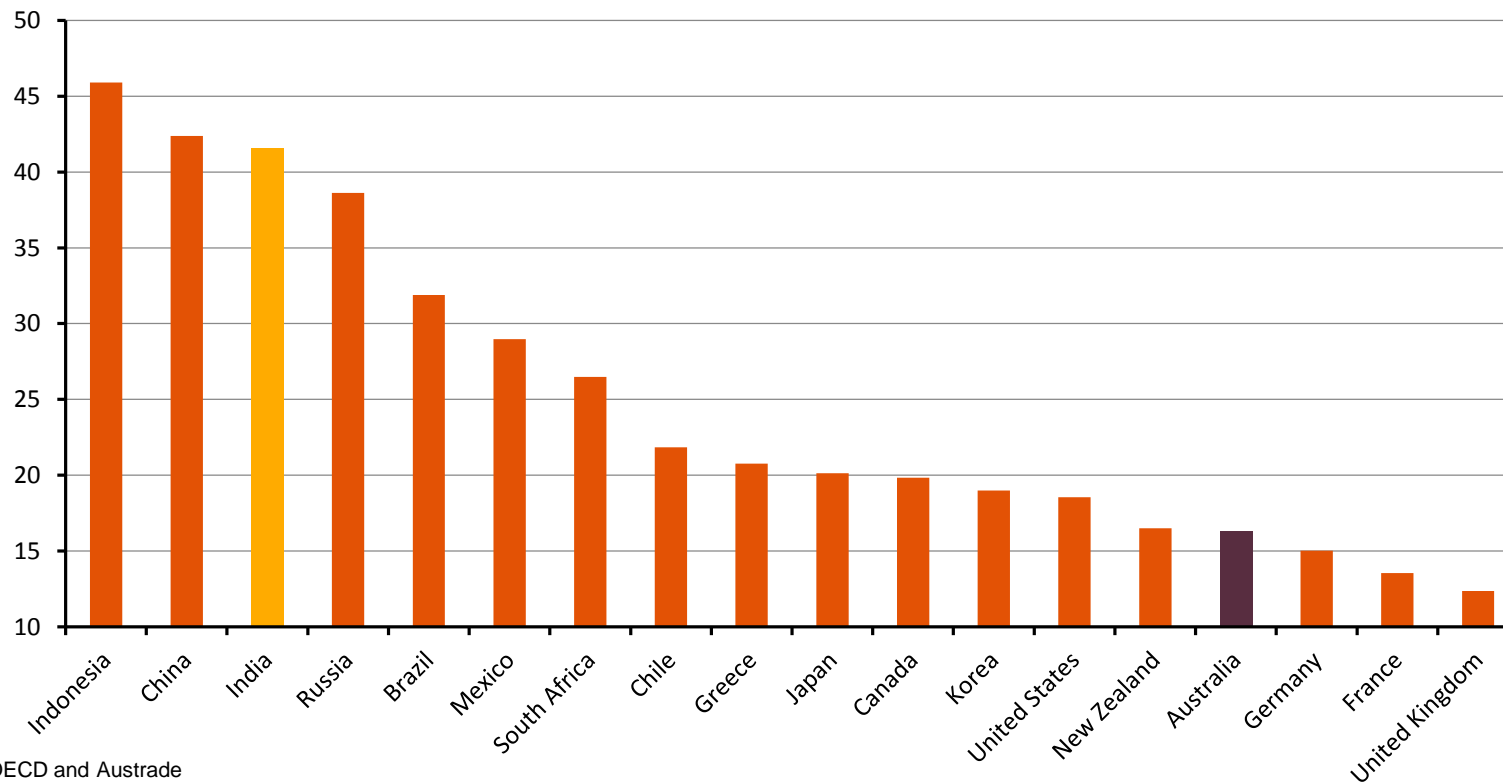


Source: WTO

Scope for further integration (2)

Selected economies: Services trade restrictiveness

Simple average of OECD sector STRI 2015, ranges from 0 (completely open) to 100 (completely closed)

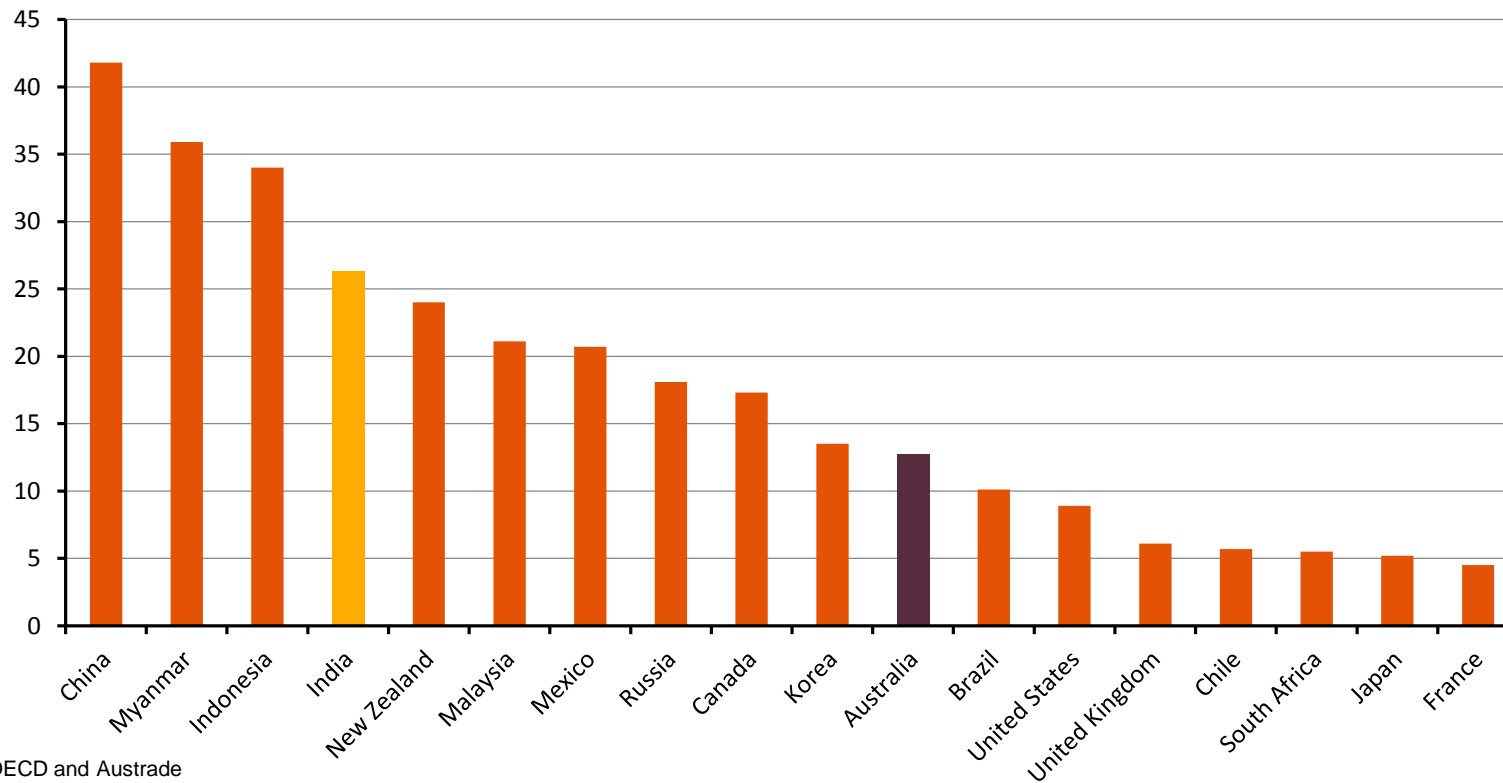


Source: OECD and Austrade

Scope for further integration (3)

Selected economies: Restrictions on inward FDI

OECD FDI Regulatory Restrictiveness Index, 2014, ranges from 0 (completely open) to 100 (completely closed)



Source: OECD and Austrade

CECA could further support economic ties

- Negotiations on an Australia-India Comprehensive Economic Cooperation Agreement (CECA) were launched in May 2011.
- The ninth round of negotiations took place in New Delhi on 21-23 September 2015 and were followed by a visit by (then) Trade Minister Robb in October 2015 – his fourth visit of the year.
- CECA offers prospect of stronger ties in goods and services trade and increased two-way investment.

And would add to a growing list of FTAs

Agreement	Date entered into force
Australia-New Zealand CER	January 1983
Singapore-Australia FTA	July 2003
Thailand-Australia FTA	January 2005
Australia-United States FTA	January 2005
Australia-Chile FTA	March 2009
ASEAN-Australia-New Zealand FTA	January 2012*
Malaysia-Australia FTA	January 2013
Korea-Australia FTA	December 2014
Japan-Australia EPA	January 2015
China-Australia FTA	December 2015

Room to grow: The Australia-India economic relationship

Mark Thirlwell

Chief Economist



Australian Government
Australian Trade Commission

