Government of **Western Australia**
Department of **Treasury**

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Chair
Economics and Industry Standing Committee
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Dear Mr Tinley

COMMITTEE INQUIRY INTO CHALLENGES AND OPPORTUNITIES FOR THE WA ECONOMY

Thank you for your invitation to make a submission to the Economics and Industry Standing Committee's Inquiry into Challenges and Opportunities for the WA Economy.

Please find enclosed the Department of Treasury's submission (**Attachment**), which focuses on the first two terms of reference of the inquiry, namely:

- the structure of the Western Australian economy; and
- factors driving current demand for Western Australian exports.

Yours sincerely

Michael Barnes
UNDER TREASURER
26 AUG 2021

Enc. Submission to the Inquiry into Challenges and Opportunities for the WA Economy

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DEPARTMENT OF TREASURY SUBMISSION TO THE COMMITTEE INQUIRY INTO CHALLENGES AND OPPORTUNITIES FOR THE WA ECONOMY

This submission focuses on the first two terms of reference of the inquiry, namely:

1. the current structure of the Western Australian economy; and
2. factors driving current demand for Western Australian exports.

TERM OF REFERENCE 1 – THE CURRENT STRUCTURE OF THE WESTERN AUSTRALIAN ECONOMY

There are several ways of looking at and analysing the structure of the Western Australian economy:

- by industry, using:
  - the sum of the estimated value of each industry's production, as measured by the Gross Value Added (GVA, industry output minus intermediate consumption)[1]. Total industry GVA net of taxes plus subsidies (not broken down by industry) equals Gross State Product (GSP); and
  - employment in each industry as an indicator of the structure of the economy; and
  - the sum of the estimated value of income (labour income and profit), combined with net taxes and subsidies equals GSP; and
- by expenditure category. This approach measures total expenditure in the economy on goods and services. This includes international exports and imports of goods and services. The value of expenditure categories, including a balancing item which largely represents interstate trade in goods and services, sums to GSP.

There are two ways of measuring economic activity:

- in real (chain-weighted) terms. This effectively measures the volume of activity abstracting from changes in price from year to year. The volume of activity is summed across different products using prices in a reference year to obtain a dollar value of activity in the reference year (currently 2018-19). Changes in the dollar value of activity relative to the reference year are solely the result of changes in volumes not prices; and
- in nominal (current price) terms. This measures the value of production in dollars at the time of production or sale of a good or service. Changes in the nominal value from one year to another reflect changes in both volumes and prices.

The real measure of GSP is often preferred as it is effectively an inflation adjusted measure of GSP – where inflation is the combined change in prices of all goods in the economy. Removing the impact of inflation allows like for like comparisons over time. The production and expenditure estimates of GSP are available in real and nominal terms. The income measure is only available in nominal terms.

Industry Structure

By Gross Value Added

In 2019-20, the real value of GSP was $292 billion. Mining accounted for 40.2% of total production in the State, compared to 11.1% nationally (Table 1). The next two largest sectors, construction and health care and social assistance, accounted for 5.9% and 5.6% of industry production, respectively.

[1] Gross State Product (GSP) is the sum of Gross Value Added (GVA) plus taxes less subsidies. GVA is GSP less taxes plus subsidies. For the purposes of this submission, industry shares are presented as a share of GVA for all industries.

The mining sector's dominance reflects both the State's natural endowment of resources, and the emergence of China as a global economic power, which has underpinned very strong demand for commodities (to allow it to establish infrastructure necessary for its development) to date.

TABLE 1 – GROSS VALUE ADDED BY INDUSTRY, CHAIN VOLUME[2]

	Western Australia		Australia		WA Share
2019-20	$ millions	Share (%)	$ millions	Share (%)	Share (%)
Agriculture, Forestry and Fishing	5,493	1.9	38,132	2.1	14.4
Mining	113,168	40.2	202,441	11.1	55.9
Manufacturing	13,858	4.9	108,404	5.9	12.8
Electricity, Gas, Water and Waste Services	4,879	1.7	47,204	2.6	10.3
Construction	16,618	5.9	137,673	7.5	12.1
Wholesale Trade	8,453	3.0	70,860	3.9	11.9
Retail Trade	8,375	3.0	79,171	4.3	10.6
Accommodation and Food Services	3,998	1.4	39,405	2.2	10.1
Transport, Postal and Warehousing	9,975	3.5	84,144	4.6	11.9
Information Media and Telecommunications	2,738	1.0	43,403	2.4	6.3
Financial and Insurance Services	11,767	4.2	167,057	9.1	7.0
Rental, Hiring and Real Estate Services	5,247	1.9	54,802	3.0	9.6
Professional, Scientific and Technical Services	14,456	5.1	136,736	7.5	10.6
Administrative and Support Services	6,038	2.1	63,430	3.5	9.5
Public Administration and Safety	9,976	3.5	106,521	5.8	9.4
Education and Training	9,031	3.2	93,678	5.1	9.6
Health Care and Social Assistance	15,854	5.6	144,023	7.9	11.0
Arts and Recreation Services	1,271	0.5	14,810	0.8	8.6
Other Services	4,486	1.6	32,394	1.8	13.8
Ownership of Dwellings	16,114	5.7	162,290	8.9	9.9
Total	**281,797**	**100.0**	**1,826,577**	**100.0**	**15.4**

By Employment

In 2019-20, mining constituted 8.4% of total employment in Western Australia, well above equivalent national shares, where mining constitutes 2% of total employment (Table 2).

TABLE 2 – EMPLOYMENT BY INDUSTRY[3]

	EMPLOYMENT BY INDUSTRY				
	Western Australia		Australia		WA Share
2019-20	Emp ('000)	Share (%)	Emp ('000)	Share (%)	Share (%)
Agriculture, Forestry and Fishing	34.9	2.6	333.8	2.6	10.5
Mining	113.0	8.4	238.6	1.9	47.4
Manufacturing	78.2	5.8	886.9	6.9	8.8
Electricity, Gas, Water and Waste Services	21.9	1.6	155.8	1.2	14.0
Construction	123.2	9.1	1,179.0	9.2	10.4
Wholesale Trade	40.7	3.0	392.0	3.1	10.4
Retail Trade	125.0	9.3	1,235.7	9.7	10.1
Accommodation and Food Services	80.9	6.0	851.5	6.7	9.5
Transport, Postal and Warehousing	67.1	5.0	641.2	5.0	10.5
Information Media and Telecommunications	13.1	1.0	205.0	1.6	6.4
Financial and Insurance Services	30.1	2.2	467.0	3.7	6.4
Rental, Hiring and Real Estate Services	25.6	1.9	214.5	1.7	11.9
Professional, Scientific and Technical Services	109.4	8.1	1,148.0	9.0	9.5
Administrative and Support Services	39.6	2.9	438.1	3.4	9.0
Public Administration and Safety	89.9	6.7	827.7	6.5	10.9
Education and Training	110.6	8.2	1,085.3	8.5	10.2
Health Care and Social Assistance	166.8	12.4	1,763.2	13.8	9.5
Arts and Recreation Services	22.8	1.7	225.8	1.8	10.1
Other Services	57.3	4.2	485.0	3.8	11.8
Total	**1,350.2**	**100.0**	**12,774.2**	**100.0**	**10.6**

[2] Source: Australian Bureau of Statistics, cat. no. 5220.0.
[3] Source: Australian Bureau of Statistics, cat. no. 6291.0.55.003.

The mining industry's share of total employment (8.4%) is not as large as its share of GVA because of the capital-intensive nature of the industry. Reflecting this, the capital stock of mining accounted for 44% of Western Australia's capital stock in 2019-20.

In 2019-20, health care and social assistance was the largest employing industry in the State (12.4% of total employment), followed by retail trade and construction. However, healthcare in Western Australia contributes less than its population share of national employment in the sector (9.5%).

Across all industries, Western Australia accounted for 10.6% of national employment in 2019-20, broadly consistent with the State's share of the national population (10.4%).

GSP by Expenditure

In 2019-20, net international trade represented the largest component of the Western Australian economy (Table 3). Exports of goods and services (which contributes to GSP as it represents international spending on goods and services produced in the State) were valued at $173 billion (in real terms) or 59% of GSP. International imports of goods and services (which detract from GSP, because they represent spending by Western Australian residents on goods and services produced overseas) were valued at $44 billion or 15% of GSP. In net terms, international trade contributed $128.8 billion or 44% of GSP.

Households spent around $106.6 billion consuming goods and services. As a result, household consumption represented the second highest share of GSP, at 36.5%, in 2019-20.

Finally, public demand (consumption and investment) constituted 17.1% of GSP in 2019-20 in Western Australia, compared to 25.6% at the national level. In 2019-20, the largest proportion of State public demand was general government consumption expenditure, accounting for 14% of GSP.

TABLE 3 – GSP BY EXPENDITURE – CHAIN VOLUME[4]

	Western Australia		Australia		WA Share
2019-20	$ billions	Share (%)	$ billions	Share (%)	Share (%)
Consumption	106.6	36.5	1,047.5	53.8	10.2
Business Investment	38.3	13.1	211.3	10.9	18.1
Dwelling Investment	7.2	2.4	101.1	5.2	7.1
Ownership Transfer Costs	1.8	0.6	25.5	1.3	7.3
Public Consumption	41.1	14.1	395.6	20.3	10.4
Public Investment	8.9	3.0	103.1	5.3	8.6
Exports of Goods and Services	173.0	59.2	462.1	23.7	37.4
Imports of Goods and Services	44.2	15.1	390.8	20.1	11.3
Balancing Item & Statistical Discrepency	-40.4	-13.8	-8.2	-0.4	na
Gross State Product	**292.3**	**100.0**	**1,947.1**	**100.0**	**15.0**

GSP by Income

In 2019-20, GSP by income (which is only available in nominal terms) was valued at $301 billion. Mining is again the dominant sector of the Western Australian economy, accounting for 44.6% of Total Factor Income (TFI) in the State (Table 4).

In 2019-20, 87.4% of mining income was gross operating surplus plus mixed income (very loosely, a measure of profit) with the remainder being the compensation of employees (Tables 5, 6). Across all industries, Western Australia accounted for 16.4% of national TFI over the same period.

[4] Source: Australian Bureau of Statistics, cat. no. 5220.0.

TABLE 4 – TOTAL FACTOR INCOME[5]

Total Factor Income	Western Australia		Australia		WA Share
2019-20	$ billions	Share (%)	$ billions	Share (%)	Share (%)
Agriculture, Forestry and Fishing	5.3	1.8	37.8	2.1	14.1
Mining	134.2	44.6	205.2	11.1	65.4
Manufacturing	13.0	4.3	113.5	6.2	11.4
Electricity, Gas, Water and Waste Services	4.6	1.5	44.0	2.4	10.4
Construction	17.2	5.7	144.8	7.9	11.9
Wholesale Trade	8.8	2.9	75.1	4.1	11.7
Retail Trade	8.6	2.9	82.5	4.5	10.4
Accommodation and Food Services	4.1	1.4	41.5	2.3	9.9
Transport, Postal and Warehousing	10.2	3.4	88.5	4.8	11.5
Information Media and Telecommunications	2.7	0.9	43.5	2.4	6.2
Financial and Insurance Services	11.1	3.7	159.6	8.7	6.9
Rental, Hiring and Real Estate Services	4.8	1.6	50.8	2.8	9.4
Professional, Scientific and Technical Services	15.1	5.0	143.7	7.8	10.5
Administrative and Support Services	6.3	2.1	67.0	3.6	9.4
Public Administration and Safety	9.8	3.3	105.0	5.7	9.4
Education and Training	9.2	3.0	95.5	5.2	9.6
Health Care and Social Assistance	15.9	5.3	146.2	7.9	10.8
Arts and Recreation Services	1.4	0.5	16.3	0.9	8.5
Other Services	4.4	1.4	32.4	1.8	13.4
Ownership of Dwellings	14.5	4.8	147.4	8.0	9.8
Total	**301.1**	**100.0**	**1,840.2**	**100.0**	**16.4**

TABLE 5 – COMPONENT OF TOTAL FACTOR INCOME[5]

Compensation of Employees (CoE)	Western Australia		Australia		WA Share
2019-20	$ billions	Share (%)	$ billions	Share (%)	Share (%)
Agriculture, Forestry and Fishing	1.3	1.1	9.4	1.0	13.7
Mining	16.9	14.8	30.6	3.2	55.2
Manufacturing	7.8	6.9	68.1	7.2	11.5
Electricity, Gas, Water and Waste Services	1.5	1.4	14.7	1.5	10.5
Construction	11.6	10.1	74.9	7.9	15.4
Wholesale Trade	5.5	4.8	46.2	4.9	11.8
Retail Trade	5.5	4.8	53.7	5.6	10.3
Accommodation and Food Services	2.8	2.5	30.1	3.2	9.4
Transport, Postal and Warehousing	5.2	4.6	44.8	4.7	11.6
Information Media and Telecommunications	0.9	0.8	17.7	1.9	4.9
Financial and Insurance Services	3.3	2.9	49.9	5.2	6.7
Rental, Hiring and Real Estate Services	2.0	1.7	19.0	2.0	10.4
Professional, Scientific and Technical Services	10.9	9.5	104.2	10.9	10.4
Administrative and Support Services	5.4	4.7	58.2	6.1	9.3
Public Administration and Safety	8.0	7.0	86.2	9.1	9.3
Education and Training	8.1	7.1	84.4	8.9	9.6
Health Care and Social Assistance	13.7	12.0	126.2	13.3	10.9
Arts and Recreation Services	0.9	0.7	9.3	1.0	9.2
Other Services	2.9	2.5	23.9	2.5	12.0
Total	**114.2**	**100.0**	**951.4**	**100.0**	**12.0**

[5] Source: Australian Bureau of Statistics, cat. no. 5220.0. Data is presented in nominal terms.

TABLE 6 – COMPONENT OF TOTAL FACTOR INCOME[6]

Gross Operating Surplus and Mixed Income	Western Australia		Australia		WA Share
2019-20	$ billions	Share (%)	$ billions	Share (%)	Share (%)
Agriculture, Forestry and Fishing	4.0	2.2	28.3	3.2	14.2
Mining	117.4	62.8	174.6	19.6	67.2
Manufacturing	5.1	2.8	45.4	5.1	11.3
Electricity, Gas, Water and Waste Services	3.0	1.6	29.3	3.3	10.3
Construction	5.6	3.0	69.9	7.9	8.1
Wholesale Trade	3.3	1.8	28.9	3.2	11.5
Retail Trade	3.0	1.6	28.8	3.2	10.6
Accommodation and Food Services	1.3	0.7	11.3	1.3	11.2
Transport, Postal and Warehousing	5.0	2.7	43.8	4.9	11.4
Information Media and Telecommunications	1.8	1.0	25.8	2.9	7.1
Financial and Insurance Services	7.8	4.2	109.8	12.3	7.1
Rental, Hiring and Real Estate Services	2.8	1.5	31.8	3.6	8.9
Professional, Scientific and Technical Services	4.3	2.3	39.5	4.4	10.8
Administrative and Support Services	0.9	0.5	8.8	1.0	10.3
Public Administration and Safety	1.8	1.0	18.7	2.1	9.5
Education and Training	1.0	0.5	11.1	1.3	9.2
Health Care and Social Assistance	2.1	1.1	20.0	2.2	10.5
Arts and Recreation Services	0.5	0.3	7.0	0.8	7.5
Other Services	1.5	0.8	8.5	1.0	17.3
Ownership of Dwellings	14.5	7.8	147.4	16.6	9.8
Total	**186.8**	**100.0**	**888.8**	**100.0**	**21.0**

[6] Source: Australian Bureau of Statistics, cat. no. 5220.0. Data is presented in nominal terms.

TERM OF REFERENCE 2 – FACTORS DRIVING CURRENT DEMAND FOR WA EXPORTS

Current demand for Western Australia's exports is showing up through high volumes of exports and/or high commodity prices, which together are supporting high export values. Reflecting this, the value of exports in 2020-21 totalled $222 billion, a record annual value.

The tables supporting much of the analysis in response to factors driving current demand for Western Australian exports are provided up to calendar year 2020, as this is the latest point in time that data is available for all commodities and services measures being reported. On occasion, reference is made to more recent data.

Brief Overview of Exports

A brief breakdown of the types and destinations of Western Australia's exports highlights the areas of current demand for Western Australia's exports (see supporting tables in Appendix):

- Western Australia's exports are dominated by goods (around 95%), with services accounting for less than 5% of total exports (Appendix Table 1);
- the State's goods exports are highly concentrated, with:
    - three commodities (iron ore, LNG and gold) accounting for around 80% of goods exports (Appendix Table 2); and
    - one export market (China) accounting for more than 60% of goods exports, and the top five export markets (China, Japan, South Korea, the United Kingdom and Singapore) accounting for more than 80% of goods exports (Appendix Table 3); and
- the State's service exports are less concentrated than its good exports (Appendix Table 4), however:
    - for education services (which accounted for 28% of services exports pre-COVID), a large minority of international students (around 40%) come from just two countries – China and India. The ASEAN-3 (Singapore, Malaysia and Indonesia) account for a further 14% of students (Appendix Table 5); and
    - for tourism services, 45% of visitor numbers and visitor spend is from ASEAN-3 together with China and the United Kingdom (Appendix Table 7).

Factors driving current demand

There are a range of factors driving current demand for exports. These include:

- the rapid economic growth and urbanisation of China over recent decades has underpinned a large increase in demand for the State's mineral exports to allow China to build its capital stock. This mirrors similar transformations in Japan and South Korea which underpinned the creation of the State's iron ore and LNG industries (albeit at a smaller scale);
- more recently, stimulus (e.g. monetary policy easing) in China and elsewhere, has supported demand for steel and iron ore at a time when iron ore supply from Brazil, the second largest exporter, has been constrained. This is why prices have been so elevated over the first half of 2021;
- China's on-going growth and its COVID-19 stimulus are providing support for construction-related commodity exports, most notably iron ore. On-going demand from China is particularly important as there is no other market for iron ore as large as China:
    - in 2020-21, the value of Western Australia's exports to China reached $134 billion (up 36.2%). This reflects the dominant impact of an increase in prices (57%). Strong

demand is showing through high prices as the State's largest producers are operating at close to capacity, and supply from Brazil, the only other large global producer, remains constrained following a January 2019 tailings dam disaster; and

- China accounted for 82% of Western Australia's iron ore exports in 2020. Indeed, the emergence of China has been the key source of growth in iron ore exports. Since 2000, the increase in Western Australian iron ore exports to China accounted for more than 90% of the total increase in the State's iron ore exports over the period;

- economic growth in energy constrained coastal cities throughout the South and East Asia region in combination with the desire for low particulate (smog causing) emissions have supported rapid growth in LNG demand over recent years. This has underpinned Western Australia's LNG exports;
- efforts to electrify transport and mitigate climate change have resulted in significant global investment in electrical networks, renewable energy and battery technology. These developments have supported demand for a range of commodities including copper, nickel and especially lithium – with lithium exports valued at almost $800 million in 2020;
- heightened uncertainty since the Global Financial Crisis (exacerbated by the COVID-19 pandemic), combined with the long-term decline of real interest rates (which reduces the cost of holding a zero yielding asset such as gold), has underpinned demand for gold, as gold is seen as a store of value in uncertain times;
- an expanding middle-income cohort and overall increases in income, particularly in South East Asia, have supported demand for Western Australian exports – including discretionary goods (e.g. wine, crustaceans and meat) and higher quality education:
  - exports of alcohol (which includes wine) grew by 72% over the decade to 2019 to reach $60 million;
  - Western Australian crustacean exports almost doubled over the decade prior to the onset of COVID-19 to reach over $500 million. Indeed, rising demand from China led to the construction of a $23 million rock lobster live export facility near the Perth Airport in 2018, which can transport live crustaceans to China in less than 20 hours; and
  - beef exports grew by 177% (more than doubled) over the same time period to reach $278 million; and
- on-going growth in the global population impacts on global demand for goods and services. Where Western Australia is a producer of those goods and services, it is a beneficiary of the increased demand.

While COVID-19 has not had a significant impact on goods export volumes for the largest commodities, other exports including services exports that are reliant on air transport have been impacted by a reduction in flights due to international border restrictions.

DETAILED INFORMATION ON EXPORTS

The following table provides a breakdown of the value of goods and services trade in recent years on a balance of payments basis[7], in real and nominal terms. The table indicates that:

- goods exports account for more than 95% of total exports and that services exports account for less than 5% of total exports (in both real and nominal terms);
- the value of services exports and share of services exports declined in calendar year 2020 when international travel restrictions impacted on services trade; and
- the value of goods exports adjusted for price movements has varied around $165 billion but allowing for price has resulted in a significant increase in value from $165.1 billion in 2018-19 to $191.2 billion in calendar year 2020. This reflects a strong lift in various commodity prices, most notable iron ore prices.

TABLE 1 – WA EXPORTS – BALANCE OF PAYMENST BASIS[8]

	Financial Years		Calendar Years			
	2018-19	2019-20	2019		2020	
	$m	$m	$m	% Share	$m	% Share
Real Value (2018-19 dollars)						
Goods exports	165,176	166,013	167,228	95.6	163,132	97.0
Services exports	6,693	7,211	7,759	4.4	5,125	3.0
Total	**171,869**	**173,224**	**174,987**	**100.0**	**168,257**	**100.0**
Nominal Value						
Goods exports	165,144	187,484	184,179	95.9	191,236	97.4
Services exports	6,688	7,265	7,789	4.1	5,182	2.6
Total	**171,832**	**194,748**	**191,967**	**100.0**	**196,419**	**100.0**

Goods exports

The following table provides a breakdown of goods exports on a commodity basis for calendar year 2020. It shows that:

- three commodities – iron ore, LNG and gold – accounted for around 80% of the total value of exports;
- the value of iron ore exports increased strongly (by $19.3 billion or 21.4%) in 2020, increasing its share of the total value of exports from around 53% in 2019 to more than 60% in 2020;
    - this was largely due to an increase in iron ore prices as the volume of iron ore exports only increased by around 4%; and
- in aggregate, agriculture exports amounted to more than $7 billion (or around 4% of the total value of exports) in 2020.

[7] The Balance of Payments (BOP) measure, which is used to calculate the value of exports as part of GSP. The BOP approach treats goods as being exported when ownership of the vehicle changes. Where an overseas purchaser buys a product, but stores it in Western Australia (e.g. buys gold from the Perth mint, but stores it at the mint, then it would be an export). The merchandise trade measure, which treats goods as being exported when the good crosses the physical border, even if ownership does not change. The distinction is important because detailed commodity data on exports is only available on a merchandise trade basis.

[8] Source: Australian Bureau of Statistics, cat. no. 5302.0.

TABLE 2 – WA EXPORTS BY COMMODITY[9] – INTERNATIONAL TRADE BASIS

	2019		2020		Annual	Annual
Commodity	$ billion	Share (%)	$ billion	Share (%)	**Change ($b)**	**Growth (%)**
Iron ore	95.8	52.9	115.1	61.4	19.3	20.1
LNG	27.2	15.0	19.3	10.3	-7.9	-29.0
Gold (non-monetary)	20.6	11.4	21.8	11.6	1.2	5.8
Alumina	6.9	3.8	6.5	3.5	-0.4	-5.4
Wheat	2.8	1.6	2.4	1.3	-0.4	-15.7
Barley	0.9	0.5	0.9	0.5	-0.1	-8.7
Other	27.0	14.9	21.3	11.4	-5.6	-20.9
Total	**181.2**	**100.0**	**187.3**	**100.0**	**6.1**	**3.4**

The following table provides a summary of Western Australia's goods exports by destination. It highlights that there is a high concentration in Western Australia's export markets, with one country, China, accounting for more than half of total goods exports and the top five export markets (all in East Asia) accounting for more than 80% of exports by destination.

TABLE 3 – WA EXPORT MARKETS[9] – INTERNATIONAL TRADE BASIS

	2019		2020		Annual	Annual
Destination	$ billion	Share (%)	$ billion	Share (%)	**Change ($b)**	**Growth (%)**
China	95.1	52.5	104.8	56.0	9.7	10.2
Japan	24.0	13.2	17.9	9.6	-6.0	-25.2
UK	12.4	6.9	12.1	6.5	-0.3	-2.7
South Korea	10.4	5.7	10.3	5.5	-0.1	-0.6
Singapore	7.5	4.1	7.6	4.1	0.1	2.0
USA	1.3	0.7	6.7	3.6	5.4	415.1
Hong Kong	3.8	2.1	4.2	2.3	0.4	10.1
Taiwan	3.8	2.1	3.1	1.6	-0.7	-18.2
Malaysia	3.1	1.7	2.2	1.2	-0.9	-28.8
Indonesia	2.2	1.2	2.1	1.1	-0.1	-5.5
Other	17.7	9.8	16.3	8.7	-1.5	-8.3
Total	**181.2**	**100.0**	**187.3**	**100.0**	**6.1**	**3.4**

Services exports

Tables 4 to 6 provide more detailed information on services exports. In particular, they show that:

- prior to the onset of COVID-19, education and tourism exports accounted for around 60% of services exports;
- a large minority of international students (around 40%) come from just two countries – China and India. The ASEAN-3 (Singapore, Malaysia and Indonesia) account for a further 14% of students; and
- the tourism export market is more diversified than the international student market, with ASEAN-3 together with China and the United Kingdom accounting for around 45% of visitor numbers and visitor spend. The United Kingdom is the single largest market by visitor numbers while China is the largest market by visitor spend.

[9] Source: Australian Bureau of Statistics cat. no. 5368.0; Department of Mines, Industry Regulation and Safety.

TABLE 4 – WA'S SERVICES EXPORT CATEGORIES[10]

	2019		2020	
Services Exports	$ Billion	% Share	$ Billion	% Share
Education	2,160	27.8	1,816	34.6
Tourism	2,659	34.2	710	13.5
Business	1,784	23.0	1,525	29.1
Other	1,078	13.9	1,123	21.4
Total Services Exports	**7,765**	**100.0**	**5,245**	**100.0**

TABLE 5 – WA'S INTERNATIONAL STUDENT MARKET[11]

	2019		2020	
Number of Commencements	Number	% Share	Number	% Share
India	2,484	23.1	1,273	16.1
China	2,147	20.0	1,788	22.6
Bhutan	651	6.1	374	4.7
Malaysia	620	5.8	477	6.0
Nepal	508	4.7	409	5.2
Pakistan	504	4.7	469	5.9
Sri Lanka	474	4.4	240	3.0
Singapore	465	4.3	398	5.0
Indonesia	293	2.7	205	2.6
Philippines	274	2.5	138	1.7
Total	**10,753**	**100.0**	**7,908**	**100.0**

TABLE 6 – WA'S INTERNATIONAL VISITOR MARKET[12]

	2019			2020		
	Total Visitors	Visitor Nights	Visitor Spend	Total Visitors	Visitor Nights	Visitor Spend
Country of Origin	000s	000s	$m	000s	000s	$m
China	73	2,467	360	15	635	89
Singapore	107	1,613	251	14	290	38
UK	142	3,175	239	45	993	69
Malaysia	101	1,370	195	11	146	23
New Zealand	75	1,322	107	12	233	16
USA	57	1,079	102	17	315	38
Hong Kong	32	630	91	7	106	20
Germany	34	800	81	10	325	25
Indonesia	39	924	79	6	203	14
India	31	1,628	62	9	441	24
Japan	39	746	62	9	177	13
France	21	816	56	7	280	17
Switzerland	15	376	50	3	61	8
Total	**996**	**25,189**	**2,321**	**220**	**6,443**	**541**

[10] Source: Australian Bureau of Statistics cat. no. 5368.0 and 5368.0.55.004.
[11] Source: Department of Education, Skills and Employment.
[12] Source: TourismWA.