



Containers: Scale & Demand

Australia's Impact on the Shipping Industry



PACIFIC TYCOON

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Australia is a large developed island economy and therefore significant to the health of the container shipping industry. It is the **12th largest economy in the world**, with a GDP worth \$1.483 trillion in 2014. Moreover, it has benefited from growth in each of the last 20 years, averaging at more than 3% per annum. Such economic performance ensures that the amount of trade completed by this powerhouse continues to grow. This Containers: Scale and Demand report is going to analyse how this increasing trade, key agreements with partner economies and the performance of Australian ports is not only benefitting the Australian and world economy but also the global shipping industry.

Australian Trade

Australia's two way trade (imports and exports) was worth nearly **\$670 billion** in 2013-14 and is seen as a vital component of the country's economic prosperity. Australia is the 22nd largest trading economy in the world, and is particularly pertinent for commodity exchange. Key exports include metals such as iron ore, gold and aluminium in addition to coal, wool and wheat. The economy also relies on the imports of products such as machinery and equipment, computers and technology, crude oil and petroleum-based products.

Australia's key economic partners include China, Japan and the United States of America. Relations with China is worth almost one quarter of total Australian trade and between 2012/13 and 2013/14, grew by a staggering 21.8% to more than a \$159 billion. China is both the most significant export market and number one nation that Australia imports from. In addition to supporting the shipping industry, the growth of the Australian economy will also benefit China – the largest trading economy in the world.

Australian Trade Agreements

Whilst economies such as China and Japan are vital to Australia's economic development, Australia is also building relationships with other countries to ensure that the level of trade continues to rise. Australia currently has **9 trade agreements in place**, with a deal agreed with China but not yet in operation. Additionally, there are a further 8 deals currently being negotiated. Once all are completed and functioning, this would result in 18 agreements – boosting trade and investment between Australia and key regional economic powers.

For example, a free trade agreement, formally known as the Comprehensive Economic Cooperation Agreement, with **India** should be reached by the end of 2015. Both the Prime Minister of Australia, Tony Abbott and Prime Minister of India, Narendra Modi are working to reach this benchmark. Whilst worth less than 10% of the deal with China, the Indian-Australian agreement could be increased in size once in place. This deal will be hugely beneficial to a number of sectors and industries in both countries including education, health, financial services and tourism.

The successful conclusion of the range of agreements and deals currently being discussed will have a monumental impact not only for the Australian economy but also the entire shipping industry. Any rises in trade – either imports or exports – would increase the requirement for shipping and therefore the revenues of transportation firms and the overall strength of the industry.

Rising Trade

Trade and the size of Australia's economy is steadily increasing, and this growth is highlighted by the performance of a number of industries. For example, the Australian **cherry industry** has seen exports rise by up to a third, driven by growth of Asian markets. The country benefitted from a 30% increase in volumes exported in the 8 months to February 2015. This was worth a\$48 million to the Australian economy, and rose by 23% in value compared to the same period ending in 2014.

With domestic production of oil declining, Australia's **imports of this fuel** have also increased the demand for shipping. The Australian economy is set to become Asia-Pacific's second biggest gasoline importer by the end of the decade. With a number of ageing refineries being shut down, Australia could obtain up to 42% more oil and petroleum products from abroad during 2015 – boosting demand for specialised transportation vessels.

Port Performance

The result of rising trade and a steadily improving economy is an increase in the amount of containers that are being processed into and out of Australian ports. The improving performance of this infrastructure highlights the impact that Australia is having on the global shipping industry.

Port Botany in New South Wales saw total container trade for February 2015 reach 185,367 TEU, an increase of 16.5% compared to the same month in the previous year. Exports rose by 18.1%, driven by increases in paper, cereals and timber sales whilst imports rose by 19.2%.

The performance at Port Botany and elsewhere, highlights the impact that Australia's twenty year economic performance is having on the global shipping industry. With throughput rising by close to 20%, the benefits of increased demand for container transportation is clear to see.

Australia and the Global Shipping Industry

Australia is an important regional and global economic power, and its impact can also be seen on the shipping industry. With consistent growth and trade rising, the performance of this economy is beneficial to the development of this vital sector. With containers transporting 90% of all goods around the world, a rise in exports and imports will boost the requirement for shipping.

Rising imports of key inputs and the exports of minerals and commodities have increased the requirement for both standard and specialised containerships. Furthermore, there is a determination to sign a number of trade agreements with key economic partners that will see relations improve and trade exponentially grow.

The Australian economy positively impacts the shipping industry, and the rise in its overall trade will drive the continued expansion of the scale and demand of the shipping industry.

Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website: www.pacifictycoon.com



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