

# The Week Ahead

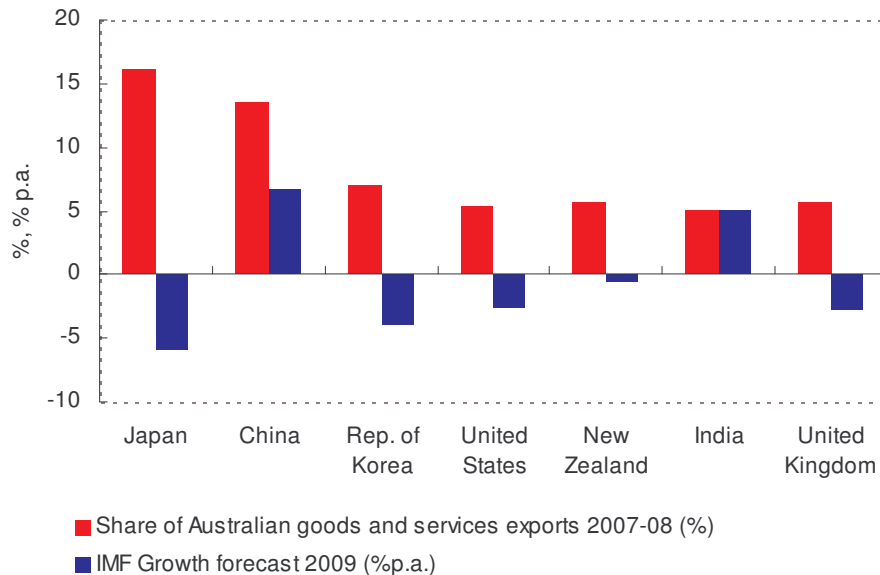
## 30 March – 3 April 2009

### ECONOMIC ALERT

## HOT ISSUE – Australia’s key trading partners slump

- Australia’s major trading partners are facing significant downturns putting pressure on demand for our exports.
- Chart 1 shows that in 2009 the top seven markets for Australian goods and services exports are facing either recession: Japan, Republic of Korea, the US, New Zealand and UK, or seeing sharp slowdowns in growth: China’s growth will fall from 9.0% in 2008 and 13.0% in 2007 to at best 6.7% in 2009, India’s growth will fall from 7.3% in 2008 and 9.3% in 2007 to at best 5.1% in 2009.

**Chart: Country shares of Australian exports and their growth prospects**



- These economies account for nearly 60% of Australia’s goods and services exports and because most are among the world’s largest economies, their economic growth also plays a key role in driving economic growth in Australia’s other key trading partners. The most obvious example of this interrelationship is that the US accounts for nearly 20% of China’s exports, 20% of Japan’s exports, around 12% of the Republic of Korea’s exports and 14% of the UK’s exports.
- All of these economies have been strongly dependent on exports growth to drive overall economic growth over recent years.
- The contraction in US demand for exports is having significant spillover effects on economies such as China and Japan and in turn for prices for Australia’s key commodity exports including iron ore and coal, as well as demand for goods and services across the whole range of Australian exports.

## Key Economic Events

- Another relatively quiet week on the domestic data front, with only retail trade and international trade data for February 2009 released by the ABS.
- Two RBA speeches this week: Deputy Governor Ric Battelino giving *An Update on the Economy and Financial Development*, and Assistant Governor Guy Debelle on *Some Effects of the Global Financial Crisis on Australian Financial Markets* both talks on 31 March.