

Looking ahead— the future is global

The global economic environment is currently open and buoyant, with many opportunities for a small, open stable economy like Australia with a strong resource sector and manufacturing and services capabilities.

The world economic outlook is in its most healthy state for at least 30 years and the expansion is expected to continue. The strength and sustainability of China's growth continues, Japan's economic resurgence has assisted the region and India has been a major economic growth market in the first decade of the 21st century, with Australia a key beneficiary.

Australia is now in its 16th year of continuous economic expansion, with strong indicators including the lowest unemployment rate in 30 years, high commodity export prices and the highest terms of trade since the 1950s. At the same time, there have been some concerns for exporters on the supply side of the economy in terms of the drought, capacity constraints and an appreciation of the exchange rate.

The trend towards openness in the global economy has also changed the nature of Australia's engagement with the world at the enterprise level. Australian businesses are now 'born to be global'. Manufacturing and services are now more open, and we've been able to take advantage of global growth in the emerging economies.

Small and medium enterprises (SMEs) in particular have also been more engaged in the global economy. Austrade/ABS/Sensis research estimates that there are around 42 000 exporting businesses today, with around 15 per cent of all SMEs now actively engaged in exporting. Many SMEs are also moving beyond traditional exporting and importing and are globally engaged with the world through licensing, franchising, strategic alliances and global supply chains. The new model of internationalization is well suited to many Australian businesses who are engaged in knowledge-based services and advanced manufacturing and providing professional and technical services to extractive industries in resources and agribusiness.

In summary, the global economy is in its best shape in nearly 30 years and Australian businesses are in an excellent position to take advantage of this environment whilst remaining alive to the possibility of external shocks and the risks associated with imbalances in global financial markets.

Tim Harcourt
Chief Economist