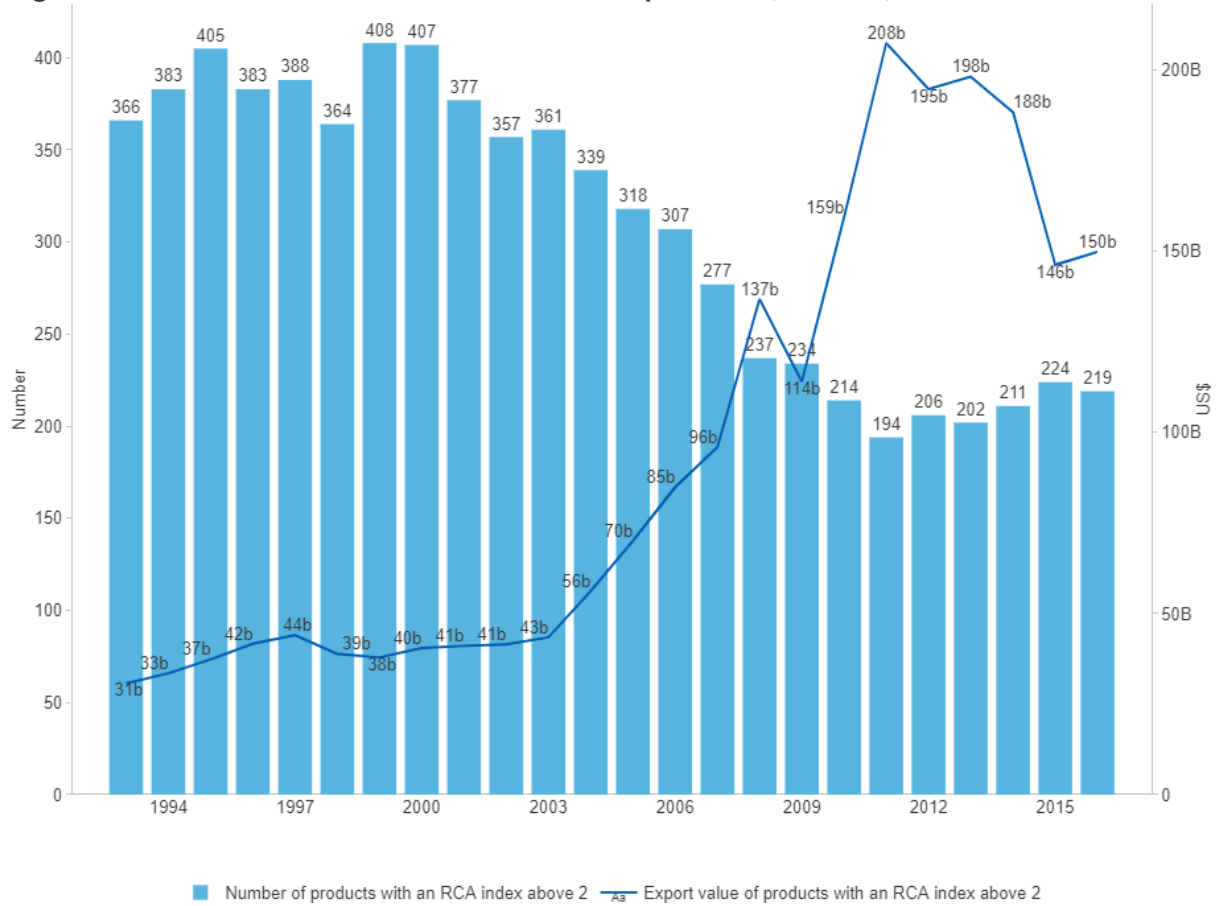


5.2.3 Australian exports with a revealed comparative advantage (RCA) index above two

RCA is an important measure of export competitiveness. It measures a country's relative advantage in a certain class of products as evidenced by export flows. For values above one, a higher RCA index value implies a stronger export competitive advantage.¹ Between 1993 and 2016, the *number of products with an RCA index above two* dropped by 117 (from 336 to 219), while their *export value* increased by \$119 billion or 387 per cent. In other words, Australia has become more specialised in exporting fewer product classes at a considerably higher value. This shift has been driven by a very limited number of mineral commodities for which Australia exhibits a super-competitive position in the world. In the export of iron ore, for instance, Australia has an RCA index of around 53 — meaning we are 53 times more competitive at producing and exporting iron ore than the world average. However, an excessive concentration of exports in a handful of mineral commodities is risky, as the prices of those commodities are set by global markets. Australia's lack of export diversity could therefore weigh on growth prospects in the future.²

Figure: Products with RCA index above 2.0 and export value, number, latest 2016



¹ Department of Industry, Innovation and Science (2014) *Australian Innovation System Report 2014*, Office of the Chief Economist (https://www.industry.gov.au/sites/default/files/May%202018/document/pdf/australian_innovation_system_report_2014.pdf)

² Department of Industry, Innovation and Science (2018) *Economic Insight: Australia's low complexity – should we be concerned?*, Office of the Chief Economist research paper 2/2016 (<https://mailchi.mp/33fc6728e911/checking-out-a-case-study-in-automation-1165579?e=d0f51f013d>)