

**THE EXPORTS TRANSMISSION MECHANISM OF FOREIGN
BUSINESS CYCLES TO AUSTRALIA**

Nicolas de Roos[†] and Bill Russell[#]

Abstract

This paper examines the impact of foreign business cycles on Australian exports. After accounting for the effect of domestic activity on exports we find that foreign activity has at times had a large impact on Australian exports and, therefore, also on Australian GDP. We also find evidence that the US and Japan have a high output elasticity of demand for Australia's exports. Consequently, their business cycles have a larger impact on Australia's exports than that suggested by their market shares of Australian exports.

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