

# Country Insight Snapshot

## Australia

March 2018





## OVERVIEW

**OVERALL COUNTRY RISK RATING:** DB2c

**Low risk:** Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.

G

**Rating Outlook:** Stable

## CORE OUTLOOK

- + Australia is well placed to benefit from Asian demand and the expanding middle class.
- + Expect population ageing to be more moderate than in European countries.
- The long-term economic trajectory of productivity and growth will depend on demand for energy and mineral exports.
- Australian households remain among the highest leveraged in the world, raising financial stability risks.
- Top export-market China is experiencing the common conditions that typically appear during the late stages of a credit cycle.

## KEY DEVELOPMENT

Foreign investment is likely to fall amid greater restrictions and scrutiny, while new legislation attempts to shrink the underground economy.

### CREDIT ENVIRONMENT OUTLOOK

A

**Trend:** Stable

Key Development has had a neutral impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK

G

**Trend:** Stable

Key Development has had a neutral impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK

G

**Trend:** Stable

Key Development has had a negative impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK

G

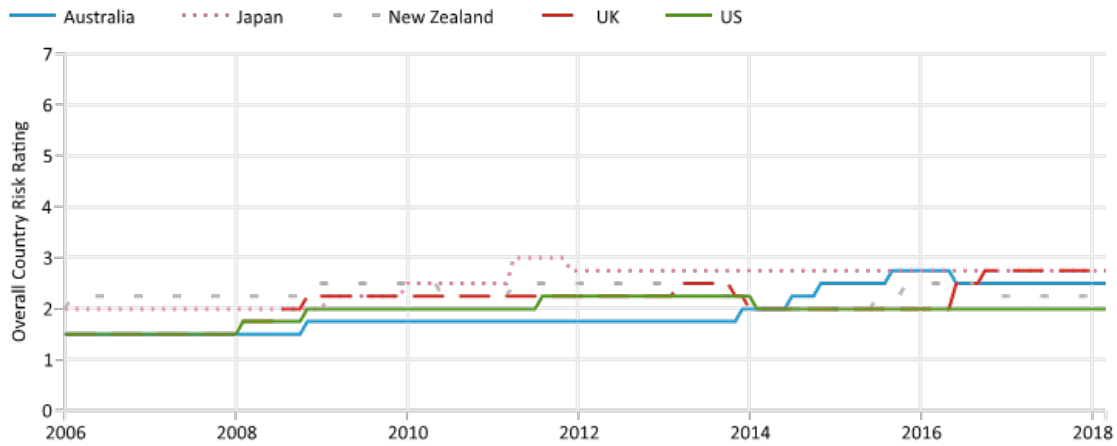
**Trend:** Stable

Key Development has had a negative impact on the outlook.



## KEY INDICATORS

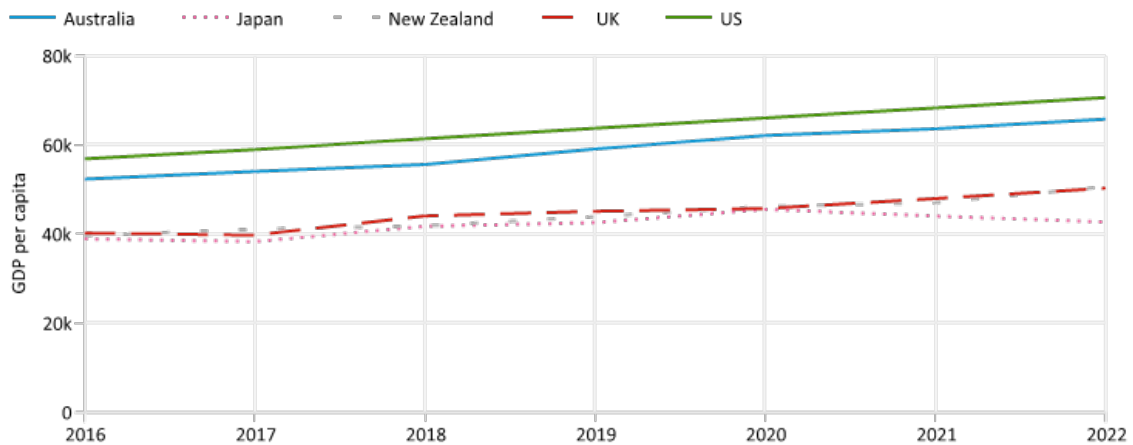
### Rating History and Comparison



Source : Dun & Bradstreet

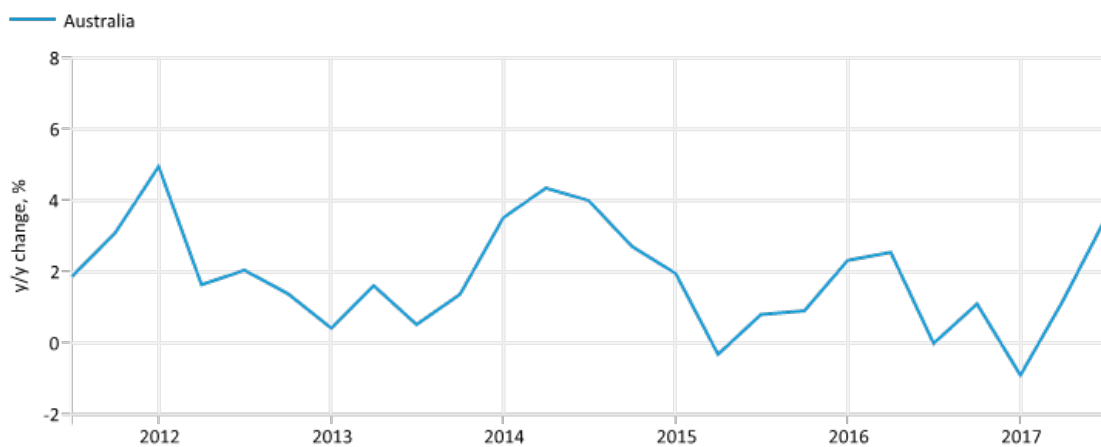
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

### Industrial Production Growth (Quarterly)



Source : Haver Analytics/Dun & Bradstreet



## Economic Indicators

Indicator	2015	2016	2017e	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-4.7	-2.8	-2.0	-1.5	-1.7	-2.0	-2.3	-1.3
Govt balance, % GDP	-2.2	-2.1	-1.0	-1.2	-0.9	-1.0	-1.2	-1.5
Inflation, annual avge %	1.5	1.3	1.9	2.0	2.2	1.9	1.8	1.5
Real GDP Growth, %	2.5	2.6	2.1	2.2	2.7	2.3	2.0	1.9
Unemployment, %	5.7	5.8	5.6	5.3	5.0	5.3	5.5	5.5

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

Australian demand for merchandise goods and services remained strong in December 2017 as imports continued to grow at an above y/y pace (+7.6%), 4.8 percentage points above the five-year average. Demand for capital goods, including machinery and industrial equipment, remained strong amid ongoing public infrastructure spending, as well as building and construction spending. Meanwhile, consumption goods imports continued to improve, indicating that slowing household consumption could reverse in the months ahead. However, a sustained recovery is unlikely due to still-below-trend wage growth and increasing household-debt leverage. Additionally, we forecast currency weakness in 2018 that will sap some of the Australian dollars buying power.

## TRADE TERMS AND TRANSFER SITUATION

### Minimum Terms: OA

*The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.*

### Recommended Terms: SD

*Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### Usual Terms: 30-60 days

*Normal period of credit associated with transactions with companies in the stated country.*

### Local Delays: 0-1 month

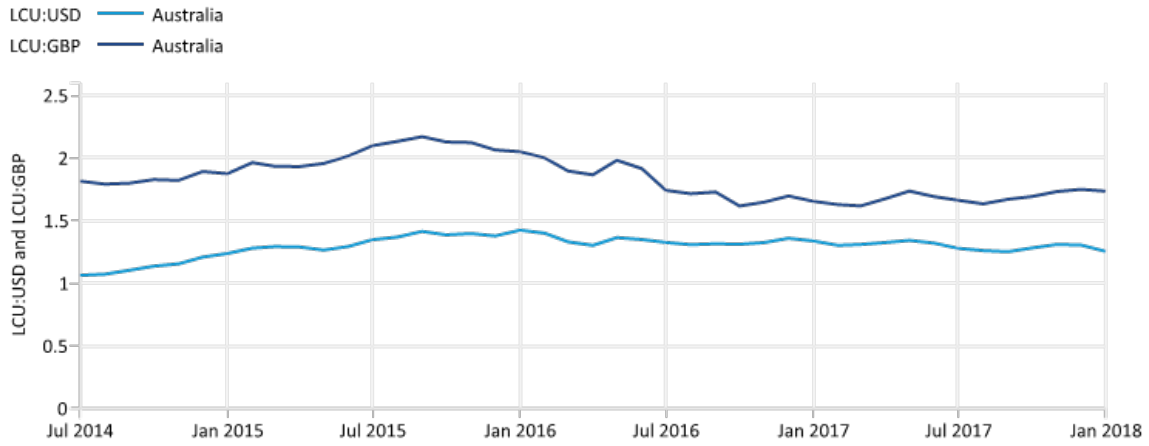
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### FX/Bank Delays: 0-1 month

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



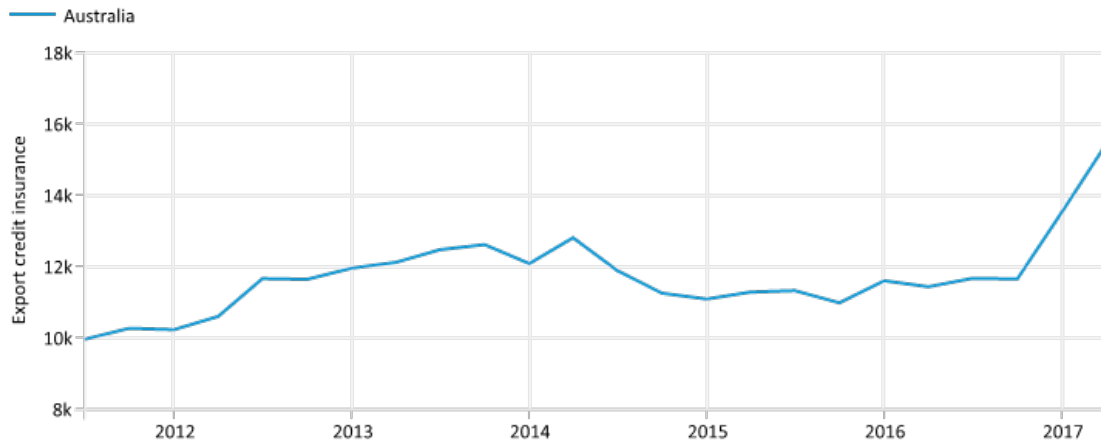
## Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

*LCU (local currency unit) = Australian dollar*

## Credit Conditions



Source : Export Credit Agencies

*Insured export credit exposures, USDm; increase going into 2017 is partly due to methodology changes.*



## RISKS AND OPPORTUNITIES

### Market Potential

#### *Protectionist measures adopted*

In February, Australia continued to oscillate between greater regional integration and overt protectionism. Australia has enacted tighter foreign investment criteria regarding energy infrastructure and farmland. The latest measures will expand the Foreign Investment Review Board's (FIRB) powers to more closely monitor business transactions and prevent foreign owners from gaining too high a total percentage. Rules will also allow preferential treatment regarding farm sales, with Australian nationals being given first option for purchasing highly-valued land. This latest action may be seen as an extension of the newly-passed foreign interference laws. While Australia has established deeper regional trade relations over recent years, especially with China (which remains its top export market), the country has also prevented foreign investment, including blocking Chinese purchases on two occasions in 2016, on strategic grounds. This will likely result in a fall in new sources of FDI flows. Additionally, net FDI flows had been trending downwards recently following the completion of the mining investment boom; this may accelerate that trend.

### Business Regulatory Environment

#### *Legislation targets underground economy*

Further measures to enhance the fiscal sphere have also been enacted as the Black Economy Task Force (BETF) has issued legislation that bans the use of electronic sales suppression tools that hide sales transactions. The aim is to target firms that engage in tax evasion and raise tax revenue (in the region of AUD0.5bn a year). This is the first legislative measure passed by the BETF since its inception. In recent years, the Australia Taxation Office's resources have been expanded, and harsher tax avoidance laws have been issued. This has helped to boost tax revenues.

### Political/Insecurity Risk

#### *Coalition's popularity falters*

Despite an increase in protectionist measures and the adoption of new legislation to crackdown on tax avoidance - both of which would typically boost popularity - the popularity of the Coalition's government is falling. A sex-scandal is resulting in real losses for the party, with Newspan's mid-February vote indicating that Labor has gained a six-percentage point advantage over Coalition, remaining the preferred party in the federal election. Polls since September 2016 have indicated that Coalition has not been the preferred party. With the next federal election - in 2019 - approaching, a change in party leadership seems more likely, as popularity in the Coalition government erodes. A shuffling in National's leadership - one of the two parties that make up the coalition - has already occurred as a result of the scandal.



## COUNTRY PROFILE AND STATISTICS

### Overview

Australia is situated in the South Pacific; its closest neighbours include Indonesia, Papua New Guinea and New Zealand. It is a member of the British Commonwealth and the OECD. The economy has undergone considerable liberalisation in recent years and offers a conducive environment in which to do business.

Australia's population numbers around 23m and income levels are on a par with other developed economies. While the economy is diversified, mineral and agricultural commodities still play an important role in the country's export profile. This has helped the economy to enjoy a prolonged period of growth in recent years, and protected the country from the worst effects of the global slowdown in 2008-09, as demand from China was maintained. However, this has also contributed to the economy growing unevenly, complicating policy responses.

The political system is generally stable and policy risk is low, with broad policy agreement between the main parties. The bicameral parliamentary model helps to ensure a robust system of checks and balances, although an opposition-held Senate occasionally frustrates policy initiatives.

### Key Facts

Key Fact	Detail
Head of government	Prime Minister Malcolm Turnbull
Capital	Canberra
Timezone	GMT +10-00
Official language	English
Population (millions)	24.5
GDP (USD billions)	1,323.5
GDP per capita (USD)	54,131
Life expectancy (years)	82.6
Literacy (% of adult pop.)	99.9
Surface area (sq km)	7,741,220

Source : Various sources/Dun & Bradstreet

### Historical Data

Metric	2013	2014	2015	2016	2017e
Real GDP growth (%)	2.2	2.5	2.5	2.6	2.1
Nominal GDP in USDbn	1,516	1,455	1,232	1,265	1,324
Nominal GDP in local currency (bn)	1,565	1,612	1,638	1,700	1,726
GDP per Capita in USD	65,471	61,980	51,787	52,417	54,131
Population (year-end, m)	23.2	23.5	23.8	24.1	24.5
Exchange rate (yr avge, USD-LCU)	1.0	1.1	1.3	1.3	1.3
Current Account in USDbn	-51.1	-45.4	-57.7	-35.7	-26.5
Current Account (% of GDP)	-3.4	-3.1	-4.7	-2.8	-2.0
FX reserves (year-end, USDbn)	49.7	50.8	43.1	50.9	63.6
Import Cover (months)	1.8	2.0	1.9	2.4	2.9
Inflation (annual avge, %)	2.4	2.5	1.5	1.3	1.9
Govt Balance (% GDP)	-1.9	-2.8	-2.2	-2.1	-1.0

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	2.2	2.7	2.3	2.0	1.9
Nominal GDP in USDbn	1,342	1,438	1,524	1,574	1,641
Nominal GDP in local currency (bn)	1,825	1,869	1,920	1,983	2,051
GDP per Capita in USD	55,695	59,185	62,198	63,717	65,884
Population (year-end, m)	24.1	24.3	24.5	24.7	24.9
Exchange rate (yr avge, USD-LCU)	1.4	1.3	1.3	1.3	1.3
Current Account in USDbn	-20.1	-24.4	-30.5	-36.2	-21.3
Current Account (% of GDP)	-1.5	-1.7	-2.0	-2.3	-1.3
FX reserves (year-end, USDbn)	63.5	62.5	59.0	54.0	50.0
Import Cover (months)	3.2	3.1	2.7	2.4	2.5
Inflation (annual avge, %)	2.0	2.2	1.9	1.8	1.5
Govt Balance (% GDP)	-1.2	-0.9	-1.0	-1.2	-1.5

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Australia	Japan	NZ	UK	US
Income per Capita (USD)	55,695	41,838	41,933	44,159	61,495
Country Population (m)	24.1	125.5	4.7	66.6	326.8
Internet users (% of population)	88.2	92.0	88.5	94.8	76.2
Real GDP Growth (% p.a., 2018 - 2027)	0.9 - 3.3	-0.5 - 1.2	1.4 - 3.0	1.8 - 3.5	1.8 - 2.5

Source : Various sources/Dun & Bradstreet





## LINKS

### User Guide

Please [click here](#) to visit our online user guide.

### Other Dun & Bradstreet Products and Services

#### Sales

Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office  
or call +44 1628 492700

#### Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: [countryinsight@dnb.com](mailto:countryinsight@dnb.com)

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit [www.dnb.com](http://www.dnb.com) for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service ([www.dnbcountryrisk.com](http://www.dnbcountryrisk.com)) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

### Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

### Disclaimer

*Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.*