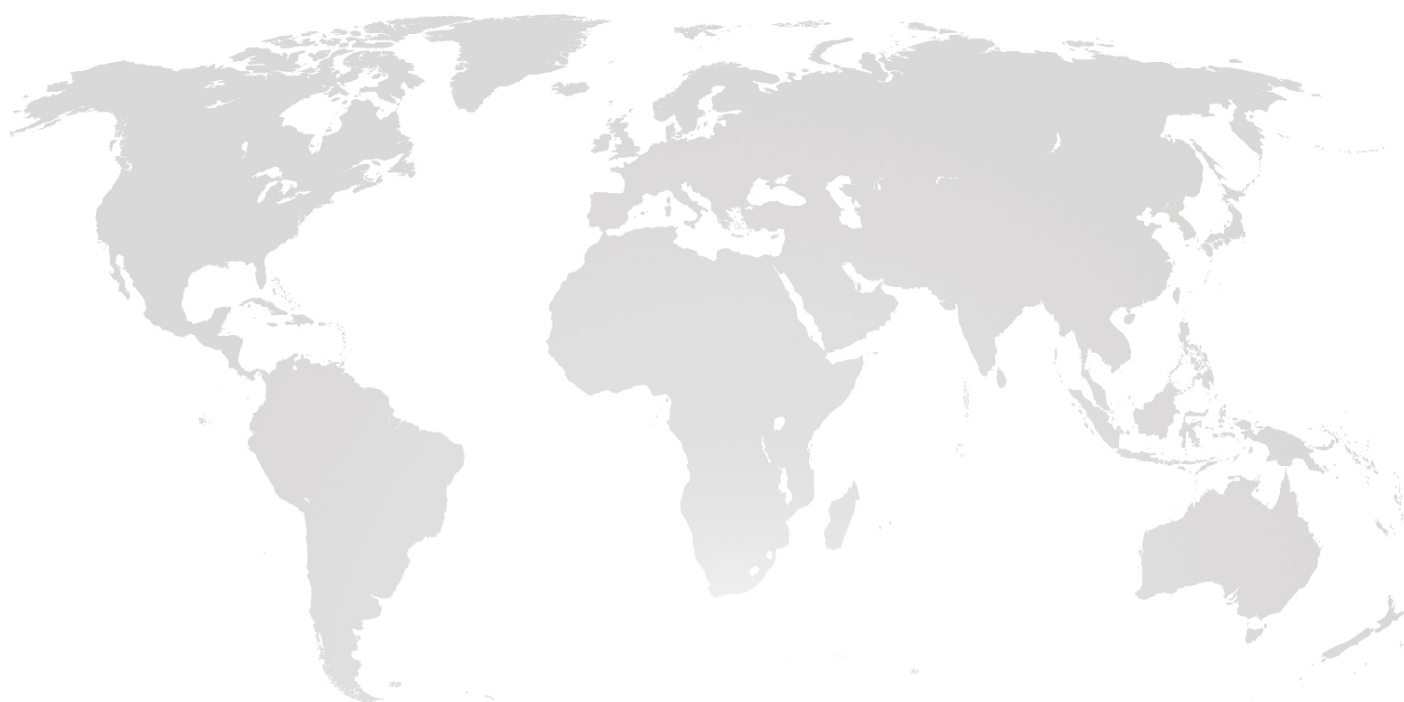




D&B Country Insight Snapshot: Australia

June 2015



Written 05 June 2015



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.

Rating Outlook: Stable →

Core Outlook

- + Australia is well placed to benefit from Asian demand.
- + Expect population ageing to be more moderate than in European countries.
- The long-term economic trajectory of productivity and growth will depend on rising demand for energy and mineral exports.
- Chinese demand is slowing, impacting Australian exporters.

Key Development

Mining exports help lift first-quarter growth above expectation, and tax breaks and historically-low interest rates may provide future stimulus.

Credit Environment Outlook



Key Development has had a neutral impact on the outlook.

Supply Environment Outlook



Key Development has had a positive impact on the outlook.

Market Environment Outlook



Key Development has had a neutral impact on the outlook.

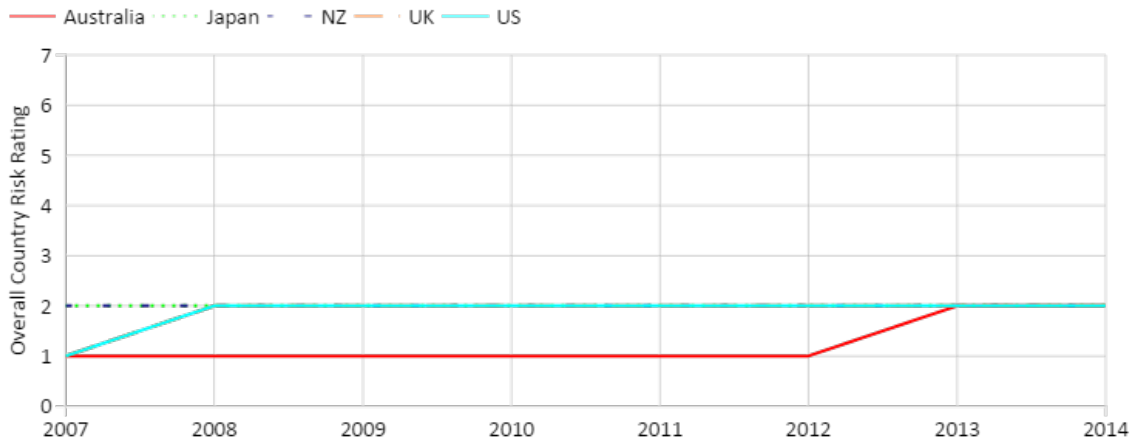
Political Environment Outlook



Key Development has had a positive impact on the outlook.

Key Indicators

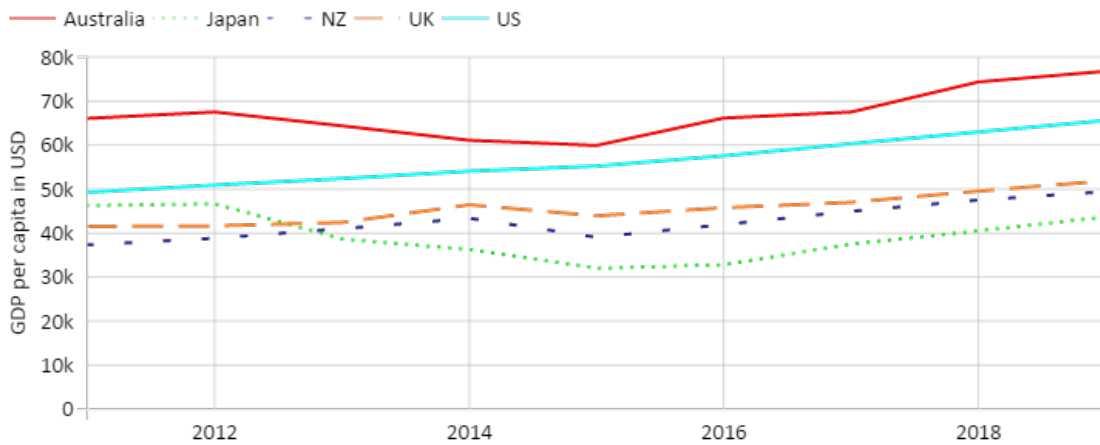
Rating History and Comparison



Source : D&B

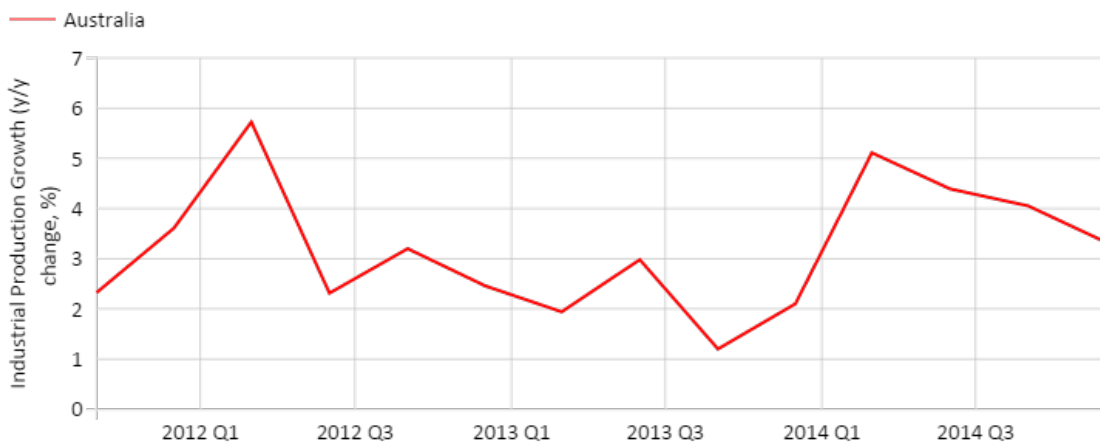
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Industrial Production Growth (Quarterly)



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-4.3	-3.3	-2.8	-5.2	-4.1	-4.1	-4.1	-4.1
Govt balance, % GDP	-2.2	-1.9	-2.8	-3.0	-1.3	-1.0	-1.0	-0.4
Inflation, annual avge %	1.8	2.4	2.5	1.4	2.0	2.0	2.0	2.0
Real GDP Growth, %	3.7	2.0	2.7	2.3	1.8	2.8	2.1	2.1
Unemployment, %	5.2	5.7	6.1	6.2	5.8	5.6	5.0	5.3

Source : Haver Analytics/D&B

Trade and Commercial Environment

Current trade and commercial environment conditions remain supportive as public policy and a falling local currency strongly position Australia's economy for future growth. Despite the supportive policies credit growth remains a concern and potential headwind among the commercial environment that risks derailing future growth. Private sector credit as a percentage of GDP continued to rise through Q1 climbing to 147.6% of GDP or a 20 quarter high. Low interest rates continue to support private sector borrowing and should help to enable access to available credit. The rate of credit growth has picked up over the prior year as the Reserve Bank reduced its official policy rate twice since 2014. While the ratio of credit-to-GDP remains historically high, comparatively it remains below other G10 countries. Further reductions in the interest rate this year will raise the rate of credit growth and with it the associated financial risks.

Trade Terms and Transfer Situation

Minimum Terms: OA

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

Recommended Terms: SD

D&B'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

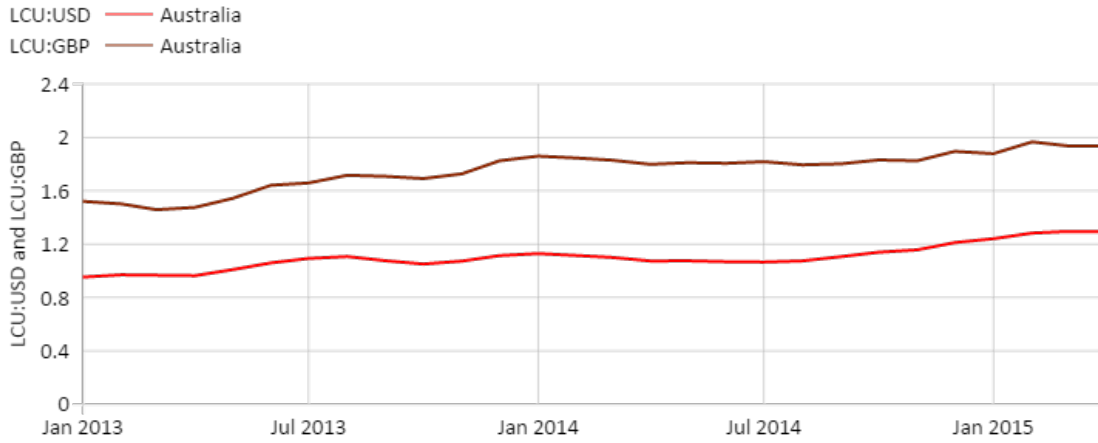
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



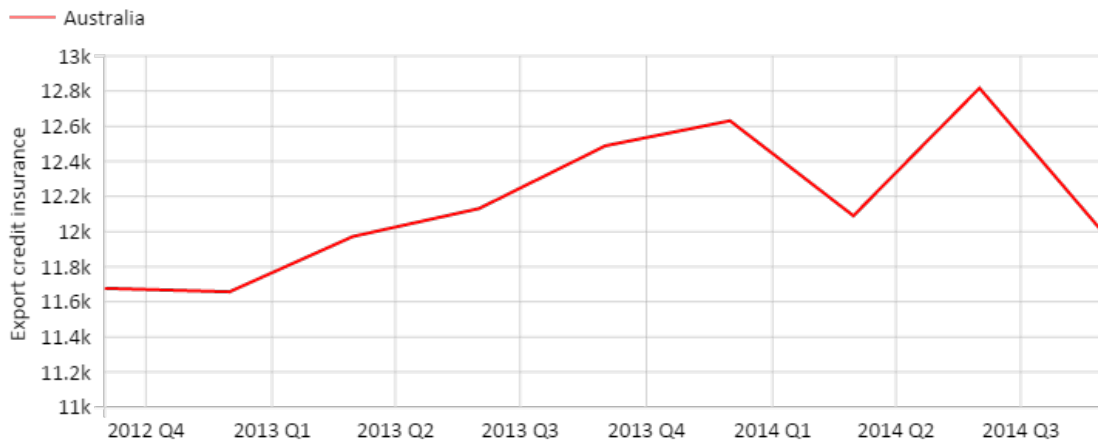
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

Mining exports lift first-quarter growth as the 2015 budget aims to *boost GDP potential*

Despite headwinds, Australia recorded strong real GDP growth during Q1 2015. The Australian economy grew at annual rate of 3.8% from the prior quarter—the fastest pace in nearly a year. Mining exports, specifically coal and iron ore, helped lift the Q1 numbers, compensating for the continual decline in mining investment; exports contributed 1.1 percentage points to real GDP growth. In addition, private consumption has remained buoyant despite historically-high levels of unemployment and soft wage growth. A fall in global oil prices through Q1 likely contributed to the uptick in consumption. Currently, consumers are spending at a healthy pace, forgoing savings over purchases. The national savings rate has fallen to the lowest level since the end of the global financial crisis. An expectation for further growth amongst the private consumption sector is low as labour market conditions remain weak. Despite strong Q1 growth, structural issues such as the economy's heavy reliance on the mining industry will make it difficult for Australia to continue above-trend growth through 2015. Prices for iron ore and coal continue to be depressed, and will likely remain low until mining output declines.

A boost in activity from small businesses is expected during the second half of 2015, as tax breaks designed to stimulate the small business sector will take effect. These tax cuts will then accelerate over the next four years; as the small business sector accounts for roughly 34% of Australia's total employment, the cuts will make a significant impact on Australia's overall economy. In addition, large increases in government expenditure are expected over the next four years, totaling nearly 25% of GDP each fiscal year. During Q1, the contribution of public consumption to real GDP was minimal, but the planned government spending will provide an increase to real GDP, helping to cushion declines in mining investment. As a result of the cuts and an increase in expenditures, the government deficit should widen this year.

Market Potential

Business expectations fall despite supportive policy

The supportive measures adopted in the 2015 federal budget, as well as historically low-interest rates, are intended to encourage business investment over the medium-term. However, according to Dun & Bradstreet's Q3 2015 *Business Expectations Survey*, concerns about the current and short-term potential of the Australian economy pushed survey participant expectations to a two-year low. Business owners have indicated that expansion plans will momentarily be shelved until conditions improve. While policies are in place to encourage an increase in capital expenditures, it might be some time before businesses increase investment, further confirmation that an improvement in the economy needs to take place.

Country Profile and Statistics

Overview

Australia is situated in the South Pacific; its immediate 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 economic growth in recent years, as well as cushioning the country from the worst effects of the global slowdown in 2008-09, as demand from China was maintained; however, as a result the economy has grown 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 Tony ABBOTT
Capital	Canberra
Timezone	GMT +10-00
Official language	English
Population (millions)	23.6
GDP (USD billions)	1,443.7
GDP per capita (USD)	61,098
Life expectancy (years)	82
Literacy (% of adult pop.)	99.9
Surface area (sq km)	7,741,220

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	2.33	2.63	3.67	2.05	2.7
Nominal GDP in USDbn	1,249.73	1,502.54	1,556.51	1,502.66	1,443.74
Nominal GDP in local currency (bn)	1,358	1,455	1,502	1,552	1,599
GDP per Capita in USD	55,782	66,072	67,527	64,373	61,098
Population (year-end, m)	22.4	22.74	23.05	23.34	23.63
Exchange rate (yr avge, USD-LCU)	1.09	0.97	0.97	1.03	1.11
Current Account in USDbn	-44.55	-43.63	-66.47	-49.74	-40.38
Current Account (% of GDP)	-3.56	-2.9	-4.27	-3.31	-2.8
FX reserves (year-end, USDbn)	38.66	42.78	44.87	49.75	50.81
Import Cover (months)	1.83	1.65	1.6	1.87	2.01
Inflation (annual avge, %)	2.9	3.3	1.8	2.4	2.5
Govt Balance (% GDP)	-4.3	-2.6	-2.2	-1.9	-2.8

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.3	1.8	2.8	2.1	2.1
Nominal GDP in USDbn	1,405.9	1,566	1,612.7	1,791.5	1,865.7
Nominal GDP in local currency (bn)	1,659.0	1,722.6	1,806.3	1,881.1	1,959.0
GDP per Capita in USD	59,921	66,147	67,524	74,362	76,785
Population (year-end, m)	23.5	23.7	23.9	24.1	24.3
Exchange rate (yr avge, USD-LCU)	1.2	1.1	1.1	1.1	1.1
Current Account in USDbn	-73.1	-64.2	-66.1	-73.5	-76.5
Current Account (% of GDP)	-5.2	-4.1	-4.1	-4.1	-4.1
FX reserves (year-end, USDbn)	43	47	47	47	47
Import Cover (months)	1.84	2.1	2.08	1.98	1.97
Inflation (annual avge, %)	1.4	2	2	2	2
Govt Balance (% GDP)	-3	-1.3	-1	-1	-0.4

Source : D&B

Comparative Market Indicators

Indicator	Australia	Japan	NZ	UK	US
Income per Capita (USD)	61,098	36,264	43,370	46,431	54,086
Country Population (m)	23.6	127.1	4.6	63.5	322.6
Internet users (% of population)	83	86.3	82.8	89.8	84.2
Real GDP Growth (% p.a., 2015 - 2024)	2 - 3	-0.5 - 1.2	1.5 - 2.8	1.5 - 3.5	1.5 - 3

Source : D&B

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