



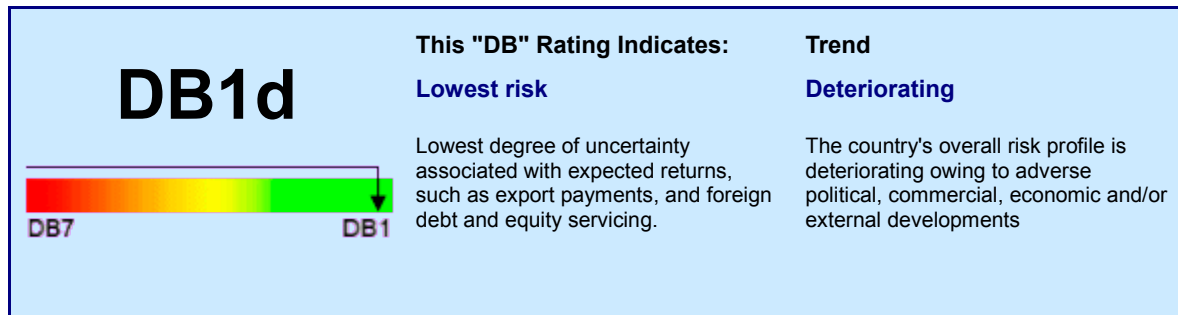
Decide with Confidence

AUSTRALIA

Region : Asia Pacific

Edition : January 2013

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	22.8m
Surface area (sq km):	7,741,220
Capital:	Canberra
Timezone:	GMT +10:00
Official language:	English
Head of government:	Prime Minister Julia GILLARD
GDP (USD):	1,555bn
GDP per capita (USD):	68,127
Life expectancy (years):	81
Literacy (% of adult pop.):	99.9

Country 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 commodity-hungry China was maintained; however it is extremely vulnerable to a slowdown in China.

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.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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.

Trade & Commercial Environment

D&B data shows that average payment times dropped from the 10-year peak of 57.4 days to 52.5 days in Q3 2012. However, the next move in average payment times could be a rise, despite optimism among business executives surveyed as recently as November 2012 by D&B. Capital investment in Q3 2012, according to D&B National Business Expectations Survey results, fell to its lowest level since Q1 2009 (indeed to less than zero, showing more firms reduced investment than expanded it) while survey results showed selling price expectations for Q1 2013 falling to their lowest level since the survey began in 1988. Despite having restored Australia's ratings trend from 'deteriorating' to 'stable' in December, the context necessitated moving it back from 'stable' to 'deteriorating' in January.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	2.6	2.5	2.7	1.9	2.9
Inflation, annual ave, %	2.9	3.3	1.6	1.5	1.9
Govt balance, % GDP	-4.3	-2.6	-2.5	-0.8	-1.0
Unemployment, %	5.2	5.1	5.2	5.4	5.5
C/A balance, % GDP	-2.8	-3.1	-3.8	-4.5	-3.0

Economic Indicators: Government balance data are for fiscal years (July-June).

Currency Information

Exchange Rates

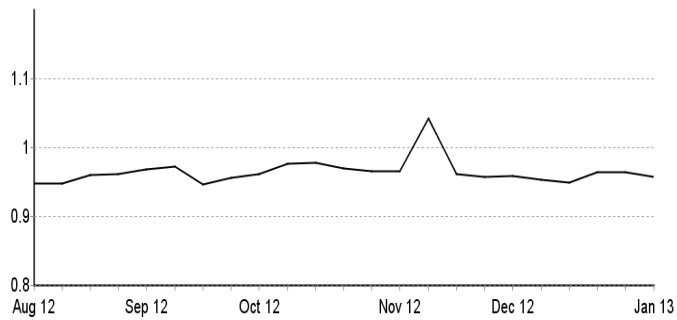
(London, 07 Jan 13)

EUR	1.2479
GBP	1.5341
JPY*	1.0866
USD	0.9566

*(x 100)

Local Currency

(Australian dollar [AUD]): USD

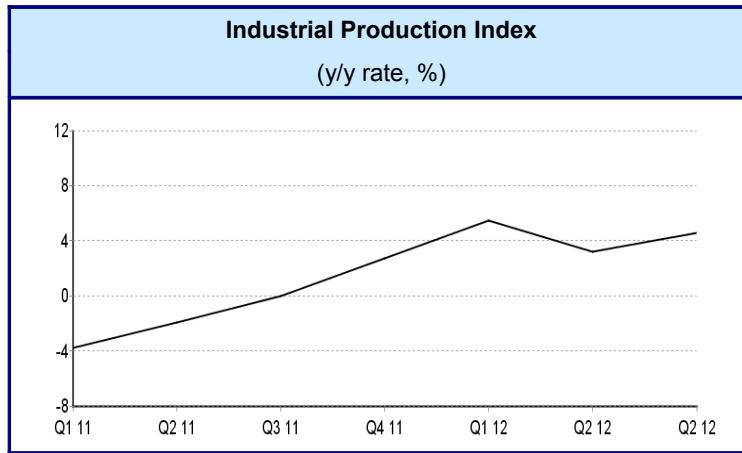


Local Currency

(Australian dollar [AUD]): USD

	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Jan 13
Week 1	0.948	0.968	0.962	0.964	0.958	0.957
Week 2	0.947	0.972	0.977	1.042	0.953	
Week 3	0.959	0.946	0.977	0.961	0.948	
Week 4	0.962	0.955	0.969	0.957	0.964	
Week 5			0.965		0.963	

Industrial Production Index



Data Table						
Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q2 12
-3.82	-1.95	0.0	2.73	5.48	3.17	4.54

Risk Factor

The Australian economy should present stable credit risks in Q1-Q2 2013, but confidence remains vulnerable. Consumers are concerned by the recent moderate rise in unemployment, and the challenges for long-term job security evidenced by the boom-bust cycle of the mining sector. Australia's interest rates are also high compared to OECD averages and given likelihood of weak inflation. Business confidence is likewise mixed and reflects a strengthening of the Australian dollar against the US dollar, which has intensified in recent weeks, as well as concern that the mining sector's expansion cannot expand at the pace seen to date, and may need retrenching.

The Reserve Bank's minutes for December showed that the cut to the official cash rate from 3.25% to 3.00% was made despite an apparent stabilisation of the Chinese economy and continued moderate growth in the US. Weakness in Japan's and the EU economies was noted, but the most significant driver for the decision was domestic economic conditions, with the Board remarking on cost-cutting in the iron ore and coal industries, below average capacity utilisation outside of the mining sector, and weak prospects for employment and wage growth. The latter apparently impacted on household sentiment in late 2012, with the Westpac Melbourne Institute of Consumer Sentiment falling 4.1% from November 2012 to December. D&B Australia surveys suggest that executives seem to have been caught out by a sharp turn in sentiment. D&B's National Business Expectations survey in November showed that sales expectations were the second highest and profits expectations had reached the highest level in the past eight quarters. Moreover, investment expectations remained above the 10-year average. However, the identical survey in December showed sales expectations falling 14 points (the number represents the net percentage of survey respondents anticipating positive developments in the next quarter). The analysis shows clearly that actual selling prices have now tracked below the expectations of business executives for 10 consecutive quarters, suggesting businesses are still catching up with the extent of price competition. This is borne out by the heavy discounting expectations of shoppers and a year-on-year decline in personal credit by 0.7% in November.

Accordingly, despite the good prospects for agricultural and resource exports in the current fiscal year 2012-13 (running July to June) the domestic economy is close to stalling, in a reminder that Australia is a highly developed economy with private consumption dominant. However, mining/energy and agricultural, fisheries and forestry exports earnings are likely to drop in 2012/13, according to official forecasts. Bureau of Resources and Energy Economics projections show mining and energy exports down 4% from 2011-12, even as export volumes rise, with a 4% drop also projected for agricultural, fisheries and forestry exports, in Australian dollar terms.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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:

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

Local Delays:

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

F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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