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 COUNTRY
REPORT

 Australia

October 2018

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1. General information

1.1 Population

- Total Population: 24,210,809
- Population of main urban zones: Sydney (3,908,643); Melbourne (3,707,529); Brisbane (1,874,426); Perth (1,627,576); Adelaide (1,103,979); Gold Coast (533,659); Canberra (391,473)
- Ethnic Origins: Australia is a multicultural nation with more than 170 different nationalities whose diversity is continually growing. 92% of the population is of European origin (mostly English, Irish, Scottish, Italian and Greek), with 7% of Asian origin and 1% who identify as Indigenous Australian. (Australian Bureau of Statistics - ABS).
- Religion: Protestant 30%; Catholic 25%; Unspecified 9%; Buddhist 2.5%; Muslim 2.2%.
- A declining majority of people (58% according to certain surveys) say they are Christian. Most Protestant Churches, except the Anglican Church, have merged to form the Uniting Church; the Catholic Church has a large following. There are also non-Christian minorities. 20% of the population say they are non-believers. While traditional Aboriginal religions exist and are closely linked to culture and the land, many Indigenous Australians were converted to Christianity after Australia's colonisation.

1.3 Language

- Official Language: The official language of Australia is English. English is also the common language in different sectors such as the legislature, justice, administrative services, work and correspondence.
- Other Languages Spoken: In Australia minority groups use more than 200 languages including the Aborigine languages and immigrant languages (Italian, Greek, Cantonese, Lebanese, Vietnamese, Turkish, etc.)
- Business Language(s): English

1.4 Government

- Type of State: The Commonwealth of Australia is a Federal State of 6 States and 2 Territories based on a parliamentary democracy.

1.5 Currency

- National Currency: Australian Dollar (AUD)
- 1 AUD = 0.6154 EUR, 1 EUR = 1.6249 AUD

2. Economy

2.1 General Overview

The Australian economy experienced 28 years of uninterrupted economic growth (it was the only country of the OECD that did not enter into recession during the financial crisis), holding one of the highest growth rates of the developed world and being the world's 13th largest economy. The economy continues to be driven by business and government spending, while households and the consumer sector struggle amid low wages growth (generally, consumer spending represents almost 60% of the economy).

The country also benefits from large-scale exports of agricultural products and a vigorous financial sector. For 2018/19, the Australian Treasury foresees a real GDP growth of 3%, as it expects household consumption to rebound following a continued strengthening in the country's labour market.

In 2017, the inflation rate in Australia was around 1.9%, while wages grew by 2.1%. The Australian net debt is still low by international standards, at 18.9% of GDP in the fiscal year 2016–17. Based on the official government's budget forecasts, it is set to peak in 2017–18 at 19.2%, and then gradually decline. Nevertheless, the IMF has recently warned Australia about its high level of household debt (which has risen to 100% of GDP, well ahead of other advanced economies where the ratio is around 63%).

The Government is seeking to increase national appeal relative to its Asian competition in international trade. At the same time, to boost the economy, Australia is increasing its economic integration with Asia. Australia's economy is increasingly dependent on China (even more now that the free trade deal between the two countries came into effect). As such, despite increasing integration, Australia is keeping an eye on Chinese investments: recently, the country rejected a project aiming to entrust the entire electrical network of an Australian state to a Chinese consortium. A similar decision was taken concerning the largest ranch in the world (2.5% of the farmlands in the country). Nevertheless, a report from Sydney University and KPMG shows that 103 deals were signed between Chinese and Australian companies in 2016, marking a new record.

The unemployment rate - at 5.6% - is quite low: according to the Australian Bureau of Statistics, approximately 725.000 Australians are currently unemployed and the rate is falling. However, the ABS also reported that underemployment - defined as people who want to work more - was rising instead: Australia now has 1.1 million underemployed people, which is part of a global trend that is weighing on wage growth. On the other hand, Australia must face an ageing population and climate issues: as an example, the Great Coral Reef lost 20% of its coral due to a catastrophic bleaching situation. Also, the country is one of the largest polluters in the world. Facing international pressure, Australia has committed to developing its nuclear energy sector in order to reduce its greenhouse gas emissions.

Main Indicators	2015	2016	2017	2018 (e)	2019 (e)
GDP (billions USD)	1,229.94	1,261.65	1,390.15	1,482.28	1,564.29
GDP (Constant Prices, Annual % Change)	2.4	2.5	2.2	2.9	3.0
GDP per Capita (USD)	51,220	51,737e	56,135e	58,941	61,251
Inflation Rate (%)	1.5	1.3	2.0	2.2	2.4
Unemployment Rate (% of the Labour Force)	6.1	5.7	5.6	5.4	5.2

Table 1: Main Economic Indicators. Source: IMF – World Economic Outlook Database, 2018

Strengths

- Large natural resource endowments
- Strong infrastructure and business environment
- Proximity with Emerging Asia
- Low public debt
- Top touristic destination

Weaknesses

- Dependent on Chinese demand and commodity prices evolution
- Highly exposed to a change in climate and to natural hazards
- External vulnerabilities stem from chronic current account deficit and high external debt
- High household debt (above 180% of disposable incomes)

2.2 Structure of the Economy

The services sector occupies a dominant position in the Australian economy, contributing 70.3% to the GDP and employing 70% of the workforce. The biggest growth in this sector has been the rise of business and financial services (holding the world's sixth largest pool of managed fund assets). Health care and social assistance have also given a fundamental contribution to growth.

Agriculture employs 2.6% of the workforce and contributes 3.6% to the GDP. However, the agricultural and mining sectors are the most important for exports: Australia is a vast agricultural country and one of the world's main exporters of wool, meat, wheat and cotton. The country is overflowing with mineral and energy raw materials, which secure substantial revenues when exported (Australia is the world's largest producer of iron ore, gold and uranium and will soon become the world's largest LNG exporter). It has the world's largest reserves of numerous strategic resources, such as uranium, of which it holds 40% of the world's confirmed reserves.

Traditionally, Australia is an importer of finished goods. Its industrialisation is fairly recent, a fact which explains the small scale of its manufacturing sector. Nevertheless, it is characterised by high productivity levels, with 75% of the

industries rating above the global average. The industrial sector employs about one-fifth of the workforce and contributes slightly more than a quarter to GDP (26.1%). The manufacturing industry is built around the food industry (approximately one-fifth of the workforce), machinery and equipment (around 20%), metal processing and metal goods (nearly 20%) and the chemical and petrochemical industries (slightly more than 10%).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (<i>in % of Total Employment</i>)	2.6	19.1	78.3
Value Added (<i>in % of GDP</i>)	2.8	24.3	73.1
Value Added (<i>Annual % Change</i>)	16.3	2.2	3.1

Table 2: Economic Activity by Sector Source: World Bank, 2016

2.3 Investment Environment

After an economic slowdown due to the international financial crisis, FDI flows to Australia have been strong since 2011 (with the exception of 2015), driven by the energy sector. According to the World Investment Report 2018 published by UNCTAD, Australia is the world's 8th top economy in terms of FDI inflows in 2017, winning 1 place compared to 2016. In 2017, FDI inflows remain steady, with a small decrease of 3%, while the global trend was down by 23%. Inflows reached 46 368 millions in 2017, and stocks increased by 15% to attain 662 296 millions of dollars.

Main investing countries are the US, Japan, the UK, the Netherlands, China and Singapore, which represents more than 70% of the Australian FDI stocks. These investments are mainly oriented towards the mining sector, manufacturing, wholesale and retail trade, finance and insurance services and real estate.

Australia is one of the most open countries to foreign direct investment among OECD member states, with FDI representing over a third of the country's GDP. This is because of its economic liberalism, stability, the transparency of its legal system and strong economic growth over the last 25 years, which compensate for the narrowness of its market and its geographic isolation. Australia recently introduces a series of changes to its foreign investment framework by simplifying the regulation. Furthermore, Australia was ranked 14th out of 190 countries in the World Bank ranking for business climate Doing Business 2018.

Foreign Direct Investment	2015	2016	2017
FDI Inward Flow (<i>million USD</i>)	20,463	47,756	46,368
FDI Stock (<i>million USD</i>)	537,743	576,777	662,296
Number of Greenfield	384	404	407

Investments***			
FDI Inwards (in % of GFCF****)	6.0	15.3	n/a
FDI Stock (in % of GDP)	43.6	45.8	n/a

Table 3: Foreign Direct Investment. Source: UNCTAD

2.4 Taxation

GST: Goods and Services tax

Tax Rate 10%

Corporate Taxes

Company Tax: 30% or 27.5% (companies with annual turnover below AUD 2 million)

3. Consumer Behavior

Australia has substantial liquid assets, a high standard of living, and a population among which there is a strong demand for high value products from Asia, North America and Europe.

Australians value healthy products and are willing to pay more for these goods. As national production does not cover all their needs, consumers are receptive to imported products.

The decision to buy is principally determined by the price factor in Australia. At the same time, the Australians' increasing interest in quality, the growing impact of fashion phenomena fuelled by the media and advertising, make 'authentic' products, brand names and top of the range goods particularly popular.

Consumers have remained fairly optimistic, as reflected by continued growth in spending. In fact, fewer consumers are cutting back on non-essentials: around 25% of consumers aren't prepared to spend less on "lifestyle" purchases and young people are no more willing to cut their spending than middle aged Australians.

Areas where consumers were most prepared to spend less include take-away food, transport and alcohol.

Consumers' growing health awareness is driving the demand for healthier food and beverages and a healthier lifestyle in general.

Australians are avid online shoppers, often buying from foreign retailing sites. Australia can also be seen as a pilot market. An increasing number of companies who want to penetrate the American market use Australia as a test zone. Their investment is limited and modes of consumption are very similar.

With a GDP per capita of USD 46.790, Australian consumers tend to have high consumption habits. Their purchasing power is particularly high and has grown by more than 43% in 15 years.

While household debt is also high, domestic consumption sustains the country's growth. European trends are popular and emulated in their purchases.

Australian consumers like new products and alternative ones. They are what is called 'early adopters', fond of new technologies.

Australians are increasingly concerned with their health and the environment. Consequently, demand is rising for fresh and organic foodstuffs, environmental markets and products linked to energy saving technology.

Over the next several decades, population ageing will have a range of implications for Australia, including health, size of the working-age population, housing and demand for skilled labour.

4. Trade Relations

4.1 Imports-Exports

Australia is very open to international trade. The country's trade balance was characterised by a structural deficit until 2007, but since then the country has been alternating between periods of surplus and deficit. Structurally, foreign trade is highly dependent on the Chinese economic situation, the prices of raw materials and the value of the Australian dollar.

In 2017 Australia exported USD 229.7 billion worth of goods (thus exports accounted for about 18.6% of total Australian GDP). Australia's most valuable exported products are iron ores and concentrates followed by coal, petroleum gases gold. The country also exported meat (4% of total exports) and cereals (2.9%).

Having imported good for USD 221.4 billion, overall Australia generated a trade surplus of USD 8.4 billion in 2017. The main imports have been vehicles - especially cars - trucks and automotive parts or accessories. The main customers of Australia were China (29.6%), Japan (10.3%), South Korea (5.5%) and India (4.4%); while imports arrived mainly from China, the U.S., Germany and Thailand.

Foreign Trade Indicators	2012	2013	2014	2015	2016
Imports of Goods (<i>million USD</i>)	260,940	242,140	236,933	208,419	196,150
Exports of Goods (<i>million USD</i>)	256,675	252,981	241,238	188,445	190,271
Foreign Trade (<i>in % of GDP</i>)	42.6	40.6	41.9	40.8	40.0

Table 4: Foreign Trade
 Source: WTO – World Trade Organization, World Bank

Main Customers <i>(% of Exports)</i>	2017
China	29.6%
Japan	10.4%
South Korea	5.7%
India	4.7%
Hong Kong	4.0%
United States	3.7%
New Zealand	3.0%
Indonesia	2.1%
United Kingdom	2.0%
Singapore	1.6%

Table 5: Top 10 Export Partners. Source: UN Comtrade

Main Suppliers <i>(% of Imports)</i>	2017
China	21.9%
United States	10.3%
Japan	7.2%
South Korea	7.0%
Thailand	4.8%
Germany	4.7%
Malaysia	3.7%
Singapore	2.8%
New Zealand	2.7%
United Kingdom	2.4%

Table 6: Top 10 Import Partners. Source: UN Comtrade

230.2 bn USD of products exported in 2017	
Iron ores and concentrates, incl. roasted iron...	21.1%
Coal; briquettes, ovoids and similar solid fuels...	18.8%
Petroleum gas and other gaseous hydrocarbons	8.8%
Gold, incl. gold plated with platinum, unwrought...	5.7%
Artificial corundum, whether or not	2.5%

chemically...	
Wheat and meslin	2.0%
Petroleum oils and oils obtained from bituminous...	1.7%
Copper ores and concentrates	1.6%
Meat of bovine animals, frozen	1.5%
Wool, neither carded nor combed	1.2%

Table 7: Top 10 Import Goods. Source: UN Comtrade

228.4 bn USD of products imported in 2017	
Motor cars and other motor vehicles principally...	7.9%
Petroleum oils and oils obtained from bituminous...	6.6%
Transmission apparatus for radio-telephony,...	3.5%
Petroleum oils and oils obtained from bituminous...	3.3%
Automatic data processing machines and units...	3.2%
Motor vehicles for the transport of goods, incl....	3.0%
Light-vessels, fire-floats, dredgers, floating...	2.7%
Medicaments consisting of mixed or unmixed...	2.4%
Gold, incl. gold plated with platinum, unwrought...	1.9%
Parts and accessories for tractors, motor vehicles...	1.0%

Table 8: Top 10 Import Goods. Source: UN Comtrade

4.3 Greek-Australian Trade Relations

Greece enjoys a trade surplus in its economic relations with Australia. The top 5 categories of products that Greece exports to Australia are: preserved fruits and vegetables, dairy products, pharmaceuticals, olive oil, and aluminum sheets

Exports to Australia	2015	2016	2017
FOOD & LIVE ANIMALS	56.782.202	60.111.707	68.235.204
BEVERAGES & TOBACCO	2.428.957	2.534.793	3.014.503
CRUDE MATERIALS, INEDIBLE	826.810	809.999	1.380.248
MINERAL FUELS, LUBRICANTS	32.979	175.419	6.157
ANIMAL & VEGETABLE OILS, FATS	4.697.871	6.914.620	5.816.033
CHEMICALS & RELATED PRODUCTS	23.850.803	19.785.440	22.470.807
MANUFACTURED GOODS	21.475.191	19.702.320	27.032.703
MACHINERY & TRANSPORT EQUIPMENT	20.667.432	10.704.187	15.382.277
MISCELLANEOUS MANUFACTURED ARTICLES	5.572.002	5.473.959	5.425.900
OTHER COMMODITIES	2.390.029	2.261.414	2.199.010
TOTAL	138.724.276	128.473.858	150.962.842

Table 9: Greek Exports to Australia. Source: Eurostat

Imports from Australia	2015	2016	2017
FOOD & LIVE ANIMALS	1.843.658	2.091.614	1.900.987
BEVERAGES & TOBACCO	56.677	67.026	52.490
CRUDE MATERIALS, INEDIBLE	652.830	373.559	465.583
MINERAL FUELS, LUBRICANTS	123.513	189.701	186.224
ANIMAL & VEGETABLE OILS, FATS	:	:	:
CHEMICALS & RELATED PRODUCTS	1.763.456	1.780.552	3.146.978

MANUFACTURED GOODS	1.067.608	677.958	788.820
MACHINERY & TRANSPORT EQUIPMENT	2.698.572	3.262.411	6.570.985
MISCELLANEOUS MANUFACTURED ARTICLES	605.529	786.967	1.255.034
OTHER COMMODITIES	:	23.500	5.820
TOTAL	8.811.843	9.253.288	14.372.921

Table 10: Greek Imports from Australia. Source: Eurostat

Sources

International Organizations

- OECD: Global Economic Outlook, Economic Surveys
- World Economic Forum: Global Competitiveness Reports
- IMF: Country Information
- International Trade Center
- UNCTAD
- The World Bank
- World Trade Organization: Trade Policy Reviews
- European Commission: Market Access Database, Eurostat
- Fitch Group: BMI Research
- The Economist Intelligence Unit
- Global Affairs Canada: Country Insights
- Euler Hermes: Economic Research, Country Reports

Financial Institutions

- Eurobank: Export Gate
- Rabobank: RaboResearch
- Banco Santander: Santander Trade

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