

Why Australia?

Summary

Area: 7.69 million sq. km

Population: 24 million

Population growth rate: 1.7% (of change)

Population density: 3.1 people per sq. km

Urban population: 89.3%

Capital city: Canberra (population 395,000)

Official language: No official language, but primarily English (80%) plus indigenous and minority languages

Currency: Australian dollar (A\$ / AUD)

Nominal GDP: US\$1,223.9 billion

Real annual GDP Growth: 2.5%

GDP per capita: US\$50,962

Annual inflation rate: 1.5%

Unemployment rate: 6.1%

General government gross debt: 36.8% (of GDP)

Fiscal balance: -2.8% (of GDP)

Current account balance: -4.6% (of GDP)

Current account balance: US\$-56.2 billion

Exports of goods to UK: US\$3,313 million

Imports of goods from UK: US\$5,485 million

Inward direct investment flow: US\$51.9 billion

Exports & imports as share of GDP: 49%

[Source: mostly FCO Economics Unit (Latest update, Apr 2016)]

Australia's economy has famously avoided recession for the last 25 years, navigating the global financial crisis more successfully than most. While economic conditions are now more challenging, strong cultural and institutional ties mean Australia remains an excellent place for British companies to do business – it is our 14th largest export market and we are its second largest investor.

Despite boasting one of the best-performing economies in the industrialised world in recent times, economic growth in Australia has moderated in recent years. The country benefits from increasing volumes of commodity exports, particularly iron-ore, coal and LNG to booming Asian markets (China in particular) following a massive wave of investment into mining and gas extraction. However, heavy falls in commodity prices in recent years have savagely cut the income flowing from the resources sector. Housing construction is strong and services sectors are healthy. GDP growth is running at 3.1% in the year to March 2016. Interest rates have been cut to record lows (1.75%) in order to stimulate the domestic economy and help engineer a growth transition away from the resources sector to the non-mining economy.

The transition is slow and patchy. Victoria and NSW, the two biggest states, are currently the best performing regions, while the resource-rich states of Western Australia and Queensland have slowed.

[Source: FCO/gov.uk (Aug 2016)]

Geography

Australia – the 6th largest country in the world – is also a continent in its own right, located in Oceania and bordering Indonesia, East Timor and Papua New Guinea to the north, Vanuatu, the Solomon Islands and the French dependency of New Caledonia to the east, and New Zealand to the southeast.

The northernmost regions of Australia include the sparsely-populated Cape York Peninsula of Queensland, including remnants of the last tropical rainforest in the country, and the Northern Territory including the city of Darwin.

The western half of Australia consists of the Western Plateau, which is generally flat, but with a few mountain ranges and with most of the population centred around the city of Perth on the west coast.

The Great Dividing Range runs near the eastern coast of Australia, separating the narrow eastern coastal plain from the rest of the continent. This coastal plain contains the densest human settlement, including the cities of Melbourne in the south, Sydney

in the south-east and Brisbane in the north-east. Off the coast of this coastal plain is the Great Barrier Reef, the world's largest coral reef complex.

Between the Western Plateau and the Great Dividing Range lie the mostly arid and sparsely-populated Central Lowlands, made up of the Great Artesian Basin and the large river systems of the Murray-Darling Basin, and the Lake Eyre Basin.

The southern coastal region of South Australia includes the City of Adelaide and Australia's principal wine-growing area.



Government overview

Australia has a system of Government based on liberal democratic values of religious tolerance, freedom of speech and association, and the rule of law. Australia has similar political, legal and regulatory practices to the UK, the USA and other liberal democracies.

The Australian Constitution of 1901 established a federal system of government. Under this system, powers are distributed between a federal government (the Commonwealth) and the six States. Two Territories – the Australian Capital Territory and the Northern Territory – have more limited powers; there are also a number of offshore territories, of which the most significant are Norfolk Island and the Australian Antarctic Territory. The Parliament is at the heart of the Australian government. The Parliament consists of The Queen (represented by the Governor-General) and two Houses: the Senate and the House of Representatives. Australia is thus a constitutional monarchy, a federation and a parliamentary democracy.

Malcolm Turnbull became Prime Minister in September 2015, leading the centre-right governing coalition of the Liberal and National parties. After a very close election on 2nd July 2016, Malcolm Turnbull declared victory and is once again Prime Minister, but with a very narrow majority.

It is important to note that laws and regulatory practices can change between Australian states, so businesses looking to operate in multiple Australian states should check the regulations in each state.

Find out more about Australian politics on Australia's Department of Foreign Affairs and Trade website: www.dfat.gov.au/pages/default.aspx

Trade overview

Australia's trade is increasingly directed towards Asia. The country's biggest two-way trading partner is China, followed by Japan, the USA, Republic of Korea, Singapore, New Zealand and the UK. Biggest exports are iron-ore and coal, followed by education services, natural gas and gold.

Australia is a strong proponent of trade liberalisation. It has ten free trade agreements (FTAs) in place: with China, Japan, Korea, USA, New Zealand, Singapore, Thailand, Chile, Malaysia and the Association of South East Asian Nations (ASEAN). It is also pursuing agreements with the EU, India and Indonesia and is also one of the 12 members of the Trans-Pacific Partnership.

Trade and investment patterns between Australia remain strong and are growing. The UK is the second largest foreign investor in Australia after the US, with stock worth almost A\$500 billion. Major Australian investors in the UK include Westfield, Macquarie Group, QBE, National Australia Bank and Lend Lease.

Australia is the UK's 14th biggest export market, ahead of Canada and Russia. The leading UK goods exports to Australia are motor vehicles, pharmaceuticals, machinery & equipment, scientific instruments, clothing and beverages. Services exports account for more than half of total exports to Australia and are led by travel and transportation, financial, and professional/other business services.

Human rights and business

The Australian Government has acknowledged the importance of promoting and protecting human rights standards by ratifying a number of international instruments including the Universal Declaration of Human Rights, as well as conventions on anti-discrimination and international labour standards.

All Australian employers are required to create a workplace that is free from discrimination and harassment. The Australian Human Rights Commission provides more information for employers. See: www.humanrights.gov.au/our-work/employers

It is important to be aware of the Fair Work Commission as the national workplace relations tribunal, see: www.fwc.gov.au. It is an independent body providing a safety net of minimum conditions, including minimum wages and working ages, as well as a mechanism for resolving a range of collective and individual workplace disputes. Workers' rights extend to freedom of association in terms of the right to form trade unions. For industrial action to be lawful in Australia it must be protected industrial action and can take a variety of forms, including employee strikes.

The Native Title Act 1993 recognised the land rights of Australia's indigenous population. British businesses and developers involved in land transactions where Native Title applies must respect the rights of traditional landowners and custodians to negotiate agreements for development proposals. Read more on the website of the National Native Title Tribunal at: www.nntt.gov.au/aboutus/Pages/default.aspx

Australia is a member of the Voluntary Principles on Security and Human Rights (VPs), a multi-stakeholder initiative involving governments, companies, and non-governmental organizations that promotes implementation of a set of principles that guide oil, gas, and mining companies on providing security for their operations in a manner that respects human rights.

Australia is also a Member State of the International Code of Conduct for Private Security Service Providers (ICoC) Association, a multi-stakeholder initiative working with private security companies to set out international principles and standards for the responsible provision of private security services, particularly in complex environments

[Source: FCO Overseas Business Risk/gov.uk (Aug 2016)]

Economic overview

Australia is the fifth largest economy in the Asia-Pacific region, and the 12th largest economy in the world. It has had 25 years of uninterrupted economic growth. Australia's GDP per capita at current exchange rates make its citizens among the world's top five wealthiest.

Over 1,000 British businesses operate in Australia, including well-known companies like BP, HSBC, Virgin, British Airways and BT, as well as hundreds of small and medium sized companies. Australia is ranked by the World Bank as the 13th easiest country in which to do business. You can set up a new business in Australia within two days.

There are more British citizens in Australia than in any other foreign country. 1.2 million Britons are permanent residents in Australia and over 600,000 visits every year.

Economic growth Australia has had one of the best-performing advanced economies in recent decades. This success is due to a number of different factors including:

- sound fiscal management
- strong population growth
- rich in natural resources – particularly iron-ore, coal, gold and gas
- close ties to fast-growing Asian economies

More than 70% of Australia's economy is services based, and mining, financial services and healthcare the leading contributors to growth.

Despite its strong overall performance compared to other advanced economies, the Australian economy slowed recently, due in part to:

- winding down of a large mining investment boom
- falling commodity prices
- continuing low levels of non-mining business investment
- an overvalued currency

Economic growth is forecast at 2.5% rising to 3.25% over the next couple of years.

Unemployment stood at 6.1% in early 2016 and inflation was contained at around 1.5%.

Asia Australia's exposure to, and engagement with, the fast-growing Asian region can help British companies looking to expand into this region. Seven out of Australia's top ten trading partners are Asian countries. More than two million Australians (approximately 10% of the population) speak an Asian language at home.

Free trade agreements Australia has free trade agreements currently in place: Japan, South Korea, New Zealand, Singapore, Thailand, USA, Chile, the Association of South East Asian Nations (ASEAN) (with New Zealand) and Malaysia. An FTA with China came into force at the end of 2015. The countries covered by these agreements account for two thirds of Australia's total trade.

These free trade agreements mean that parties enter into legally binding commitments to relax access to each other's markets' for goods, services, and investment.

UK and Australia trade Around 1,000 UK companies are currently doing business in Australia each day. Australia is the UK's 14th biggest export market, with the top ten UK exports to Australia being:

- road vehicles
- medicines and pharmaceuticals
- general industrial machinery
- specialised machinery
- professional and scientific instruments and apparatus
- power generating machinery and equipment
- electrical machinery and appliances
- beverages
- apparel and clothing accessories
- metal manufactures

Contact a Department for International Trade (DIT) export adviser at: www.greatbusiness.gov.uk for a free consultation if you are interested in exporting to Australia.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies. You can also check the current UKEF cover position for Australia. See: www.gov.uk/guidance/country-cover-policy-and-indicators#australia

[Source: Department for International Trade/gov.uk (Aug 2015)]

Growth potential

Benefits for UK businesses exporting to Australia

Benefits for British businesses exporting to Australia include:

- proximity to Asia-Pacific economies
- familiar products and service providers
- common language and similar culture
- similar business and legal practices
- similar technical standards

Strengths of the market

Strengths of the Australian market include:

- an extended period of strong economic growth
- strong business and consumer base
- strong technology sector
- similar language, culture and business practices
- high personal wealth
- strong intellectual property (IP) protection

In addition:

- In 2015 Australia was ranked 13th out of 168 countries in Transparency International's latest corruption perception index (the UK is ranked 10th): www.transparency.org/cpi2015/#map-container
- Australia is ranked 13th out of 189 in the World Bank's 2015 Ease of Doing Business index (the UK is ranked 6th): www.doingbusiness.org/rankings

- The World Economic Forum's Global Competitiveness report 2014-15 ranks Australia 22nd out of 144 (the UK is ranked 9th): www.reports.weforum.org/global-competitiveness-report-2014-2015/rankings

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[Source: Department for International Trade/gov.uk (Aug 2016)]

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