

Country Insight Snapshot

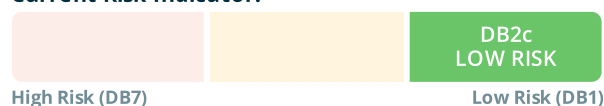
Australia

April 2023



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: December 2022 (DB2b → DB2c)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **DETERIORATING**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

WorldWatch Headline

The near-term economic outlook and market potential are clouded by still-high inflation, external headwinds and an ongoing energy crisis on the east coast.

Recent Changes

- The short-term economic outlook score has been downgraded on the expectation of a sharp growth slowdown in 2023.
- The business regulatory environment outlook has moved to 'deteriorating' after proposals to intervene further in energy markets have increased risk to energy exports.
- The market potential score has been downgraded in light of still-high inflation and a weaker growth outlook.
- The EU indicated in early April 2023 that it is hoping to sign a free-trade agreement with Australia by the summer, although various issues still have to be resolved.
- Trade relations between Australia and China appear to be improving with the latter's decision to review tariffs on barley.

Events to Watch

- Elevated consumer price inflation (albeit slowing) and high interest rates will likely weigh on consumer sentiment for at least H1 2023, despite low unemployment.
- The possibility of an imminent El Niño period of weather increases the chances of drought and a deterioration in agricultural production; the Defence Department has warned that the emergency services now face near-persistent natural disasters.
- A referendum on Indigenous representation in the parliament is likely to be supported by voters; the vote is scheduled to take place before the end of 2023.

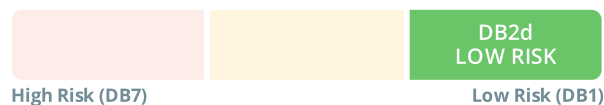
Call to Action

- Factor in a moderate weakening in payments performance as economic growth decelerates in 2023.
- Follow developments in the energy market as demand will likely peak in the upcoming winter months (Southern Hemisphere).
- Do not rule out interest rate cuts in H2 2023, which will make financing cheaper and improve liquidity.
- Watch for the government's response to cyberattacks; one option would be to introduce new legislation that increases the financial penalties for firms that lose customer data.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: December 2021 (DB3a → DB2d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **DETERIORATING**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

- Elevated consumer price inflation (albeit slowing) and high interest rates will likely weigh on consumer sentiment for at least H1 2023, despite low unemployment.
- However, with the increased possibility of interest rates being cut in the second half of this year, the economy may receive some support in late-2023 or early 2024.
- There continues to be considerable uncertainty around the near-term development of world commodity prices and prospects for global growth.
- As one of the world's largest carbon emitters per capita, Australia is under significant pressure to deliver on its climate policies.
- More needs to be done by the Australian government to improve innovation, strengthen competition and boost education outcomes.

Trade Terms

Description	Terms
Minimum Terms	OA
Recommended Terms	SD
Usual Terms	0-60 days

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CIA: Cash in Advance. **Source:** Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available
Eksport Kredit Fonden (EKF)	Full cover available, conditions apply
ECGD	Medium- or long- term cover only
Euler Hermes AG	Medium- or long- term cover available, limited short-term cover

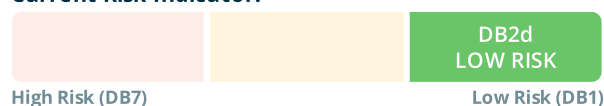
Source: Export Credit Agencies

Call to Action

- Factor in a moderate economy-wide weakening in **payments performance** across this year as growth in economic activity decelerates, especially in H1.
- Consider reviewing terms on trade conducted with Australian counterparts that have exposure to bank borrowing given a likely cut in interest rates later this year.
- Closely track the development of commodity prices and global political developments as the world economy sees further fragmentation.
- Become familiar with the major legislation approved by the parliament in late-2022 that aims to slash Australia's carbon emissions.
- Note that cybersecurity in space is a high-priority area for Australia; tech firms with related expertise should look to explore any associated opportunities.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: December 2021 (DB3a → DB2d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

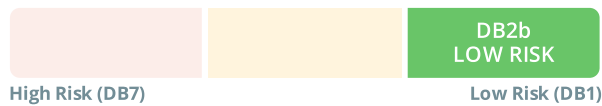
- The rising number of Covid-19 infections increases the chance of disruption, although any further lockdowns are highly unlikely.
- The possibility of an imminent El Niño period of weather increases the chances of drought and a deterioration in agricultural production; the Defence Department has warned that the emergency services now face near-persistent natural disasters.
- Major bushfire incidents, like those experienced in 2019-20, will increase pressure on the Albanese government to intensify action on climate change initiatives.
- With US interest rates set to rise at least once more this year and Australian rates probably set to fall in H2, the Australian dollar may see some weakening.
- Despite regular current-account surpluses over recent years, import cover remains below the three-month minimum recommended by the IMF.

Call to Action

- Factor in that the government will come under increased pressure to significantly strengthen Australia's preparedness for natural disasters.
- Be aware that the **reopening of international borders** should eventually help bring in additional foreign workers to help fill job vacancies.
- Note that diverting gas away from the export sector and towards domestic use may require the renegotiation of certain export contracts.
- Expect the central bank to probably start lowering interest rates in H2 2023, which will make financing cheaper and improve liquidity.
- Closely monitor the development of wages and inflation; declining consumer price inflation should feed into a reduction in wage growth.

MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: April 2023 (DB2a → DB2b)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

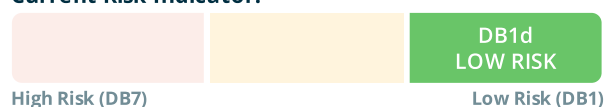
- High levels of prosperity and participation in multiple FTAs continue to make Australia an attractive market for exporters globally.
- On the downside, the country's heavy trade reliance on China and strategic security alliance with the US makes it susceptible to geopolitical tension between the two economic giants.
- Australia offers some excellent opportunities in green energy sectors; this is especially the case with respect to both solar and wind.
- Recent high-profile data breaches highlight the fact that Australia is believed to be up to a decade behind other developed countries when it comes to data protection.
- The commercial regulatory regime is likely to become more crypto-friendly, which should help to further enhance market penetration.

Call to Action

- Be sure to closely monitor ongoing **trade negotiations** between Australia and the EU; discussions between the two sides started in 2017.
- At the same time, become familiar with Australia's recent trade deal with India and whether this could have any impact on your commercial dealings with Australia.
- Note that companies with expertise in reducing carbon emissions should consider that there are likely to be forthcoming commercial opportunities in Australia.
- Watch for the government's response to cyberattacks; one option would be to introduce new legislation that increases the financial penalties for firms that lose customer data.
- Factor in that labour protection and climate action will remain relatively high up on the current government's regulatory agenda.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: October 2021 (DB2a → DB1d)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Lowest degree of uncertainty associated with expected returns, such as export payments, and foreign debt and equity servicing.

Risks and Opportunities

- Under the Albanese government, Australia has taken steps toward reversing the recent decline in ties with China but economic diversification away from China has bipartisan support.
- Rapidly changing legislation on climate policy will not only create complications but also opportunities with regard to long-term investment planning by businesses.
- A referendum on Indigenous representation in the parliament is likely to be supported by voters; the vote is scheduled to take place before the end of 2023.
- There is bipartisan backing for business-friendly policies and support for the private sector, especially where significant R&D spending is involved.
- The legal system is transparent and highly effective, offering adequate protection for property rights and intellectual property.

Call to Action

- Note that major revisions to domestic economic policy are unlikely in the near term, even given the recent change of government; Australia remains a business-friendly country.
- Note that Australia continues to shore up defence spending in a geopolitically charged environment, which creates opportunities in the sector but also elevates operational risks for businesses.
- Urge businesses to prepare defences against cross-border cyberattacks from foreign jurisdictions that may be hostile to Australia.
- Note that investment opportunities in Australia's technology and real estate sectors are relatively high, despite the possibility of greater scrutiny.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Historical Data/Forecasts

Metric	2018	2019	2020	2021	2022	2023f	2024f	2025f	2026f	2027f
Real GDP growth (%)	2.8	1.9	-1.8	5.2	3.7	1.8	2	2.1	2.2	2.4
Nominal GDP in USDbn	1,416	1,386	1,358	1,646	1,675	1,717	1,857	1,982	2,115	2,240
Nominal GDP in local currency	1.9tn	2.0tn	2.0tn	2.2tn	2.4tn	2.6tn	2.7tn	2.9tn	3.0tn	3.2tn
GDP per Capita in USD	56,682	54,657	52,891	63,487	63,982	64,932	69,548	73,532	77,700	81,557
Population (year-end, m)	25	25.4	25.7	25.9	26.2	26.4	26.7	27	27.2	27.5
Exchange rate (yr ave, USD-LCU)	1.3	1.4	1.5	1.3	1.4	1.5	1.5	1.4	1.4	1.4
Current Account in USDbn	-31.5	5.1	31.2	50	19.5	23.6	4.2	-4	-5.7	-7.5
Current Account (% of GDP)	-2.2	0.4	2.3	3	1.2	1.4	0.2	-0.2	-0.3	-0.3
FX reserves (year-end, USDbn)	51	56.4	39.6	54.6	54.6	47	51	54	56	58
Import Cover (months)	2	2.3	1.9	2.2	1.8	1.5	1.6	1.6	1.6	1.6
Inflation (annual ave, %)	1.9	1.6	0.8	2.9	6.6	4.8	4	3.2	3	2.8
Govt Balance (% GDP)	-1.3	-4.4	-8.7	-6.3	-3.3	-2.3	-2.1	-2	-1.8	-1.4

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Australia	Japan	New Zealand	Mainland China	US
Income per Capita (USD)	64,932	37,223	49,497	13,775	78,619
Country Population (m)	26.4	123.3	5.2	1,425.7	340
Internet users (% of population)	89.6	90.2	91.5	70.1	90.9

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
FX/Bank Delays	0-1 month
Local Delays	0-3 month

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	Australia	Asia Pacific	OECD Average
Restrictions on non-Residents' Accounts	0	0.18	0.06
Restrictions on Payments for Imports	1	1.18	0.06
Restrictions on Payments for Invisible and other Current Transfers	0	1.55	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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