



Australia: A Dynamic Economic Partner

Ian Smith – Australian Trade Commissioner
Chicago & the Midwest



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There is a lot more to Australia than



Australia: Key Facts



Population: 21.9 million

Population Growth Rate: 2.1%

Land Area: 7,686,850 sq km

Currency: A\$1 = US\$0.86; €0.59
(as at Sep 09)

Annual GDP Growth: 3.7%

Annual Inflation: 5%

Unemployment rate: 5.8%

Major Trading Partners: Japan,
China, USA, Singapore and UK.



Australia's Key Strengths

- Internationally Competitive
- Strong and resilient economy
- Low level of public debt
- Strong financial institutions
- Sound and proven regulatory frameworks
- Strong investment in inputs to innovation (e.g. spending on R&D and education)
- Well positioned to access growing Asian markets and multicultural population
- Large and sophisticated domestic market which has served as ideal test market/ trial location for number of industries (e.g. fin services, ICT, bio-tech).
- Pipeline of infrastructure and clean energy projects



Demographics

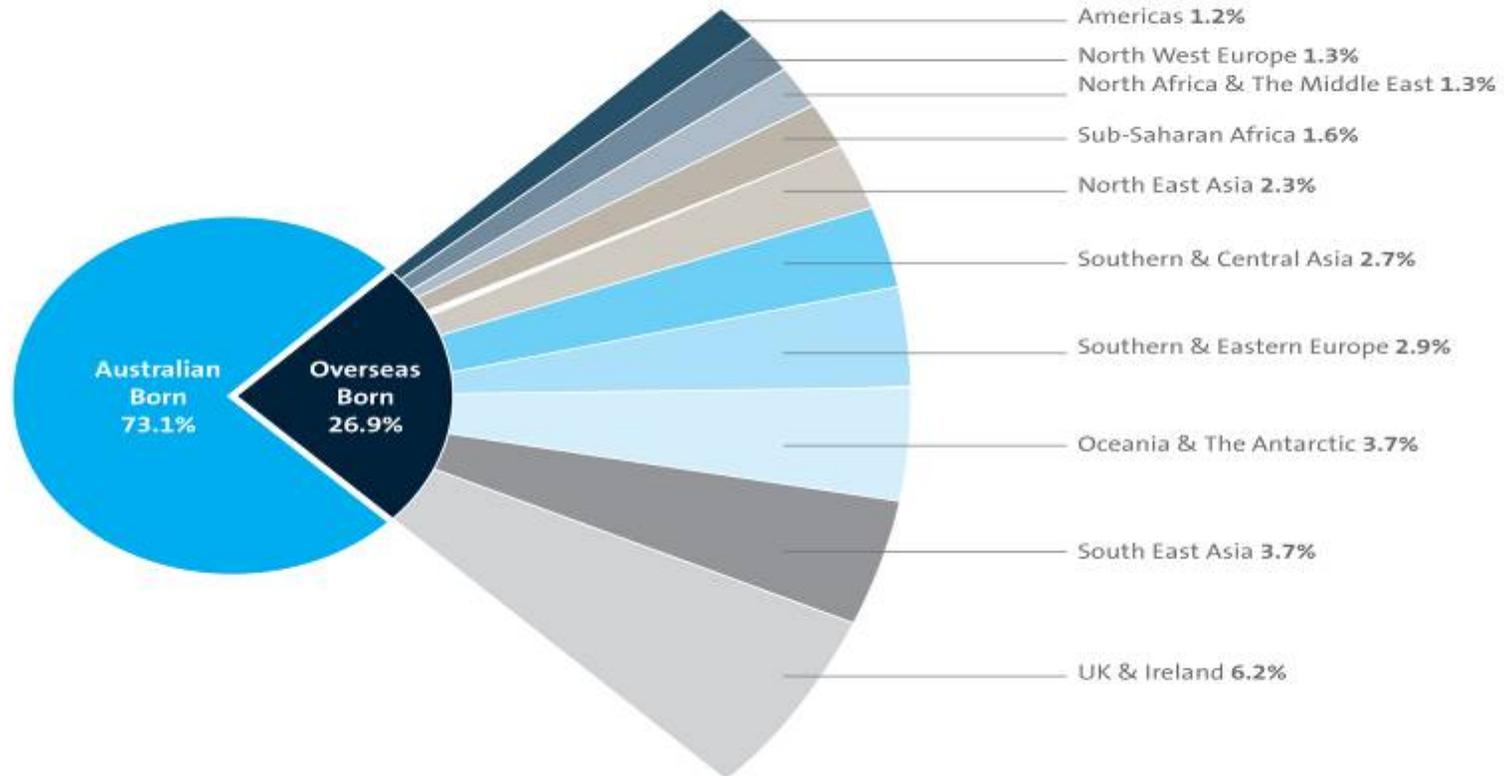
- Over 25% of the population is born overseas
- English main language but more than 200 spoken including Italian, Greek, Japanese, Arabic, Vietnamese and Mandarin
- Over 85 per cent of the population live within 30 miles of the coast
- Over 60 per cent of the population live in the five cities with a population of 1 million or more (Sydney, Melbourne, Brisbane, Perth and Adelaide)
- These five cities consistently appear in the top ten 'most liveable cities' in the world



Multilingual Workforce

Australia's Labour Force by Birthplace – May 2009

Total Labour Force as at May 2009: 11,444,500



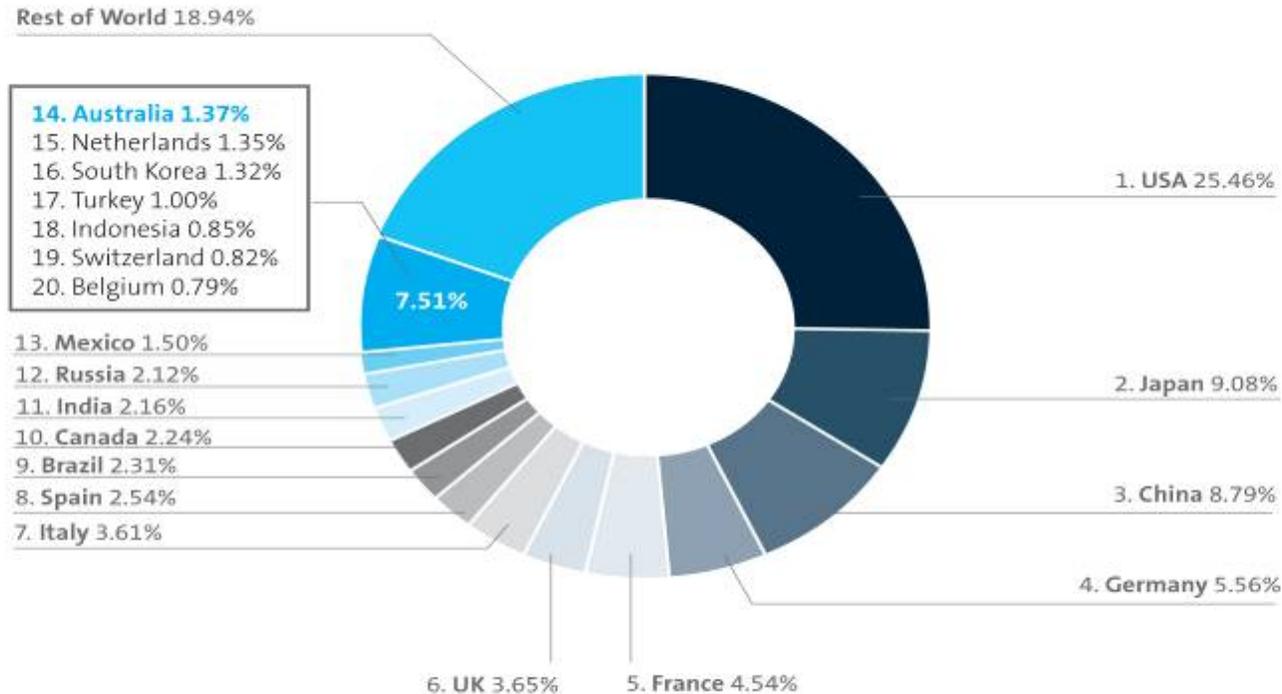
Sources: Australian Bureau of Statistics, cat. no. 6105.0, Australian Labour Market Statistics, July 2009; Austrade



One of the Worlds Top 20 Largest Economies

World's 20 Largest Economies – 2009^F

% Share of Total World Nominal GDP in US\$



GDP of the world's 182 economies: US\$55,005 billion

GDP of Asia Pacific Economic Cooperation's 21 member economies: US\$30,815 billion (56.02%)

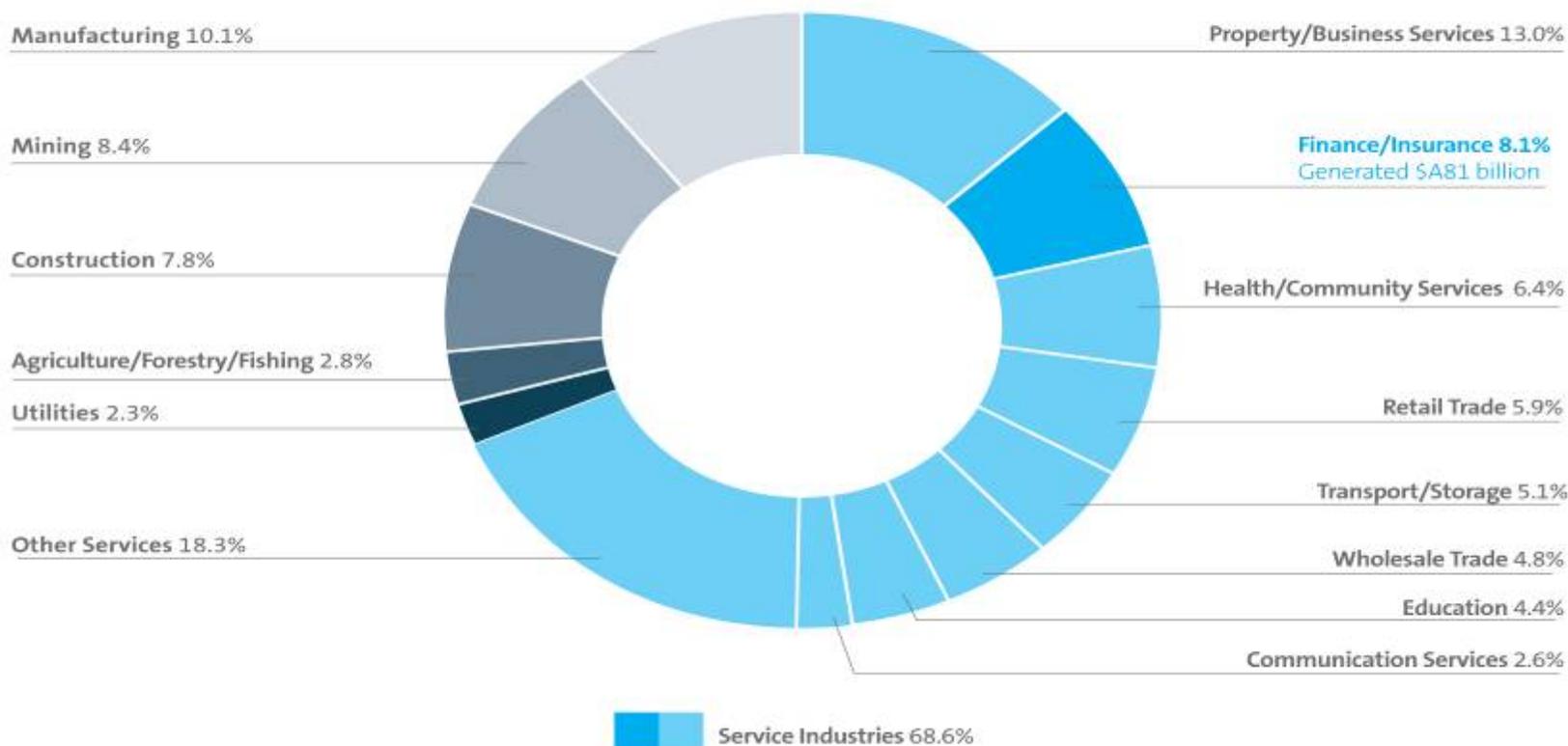
F = Forecast

Sources: International Monetary Fund, World Economic Outlook Database, April 2009; Austrade



Strong Service Industries

Australia's Real Gross Value Added by Industry – 2009¹



1. Annual total to June 2009.

Sources: Australian Bureau of Statistics, cat. no. 5206.0, National Income, Expenditure and Product, Time Series Workbook (released 2 September 2009), Table 6; Austrade



Strong Economic Growth

Real GDP Growth - 2001 to 2010^F

Country	Average Rate 1998 to 2008	2001	2002	2003	2004	2005	2006	2007	2008	2009F	2010F
China	9.6	8.3	9.1	10.0	10.1	10.4	11.6	13.0	9.0	8.5	9.0
Vietnam	7.1	6.9	7.1	7.3	7.8	8.4	8.2	8.5	6.2	4.6	5.3
India	7.0	3.9	4.6	6.9	7.9	9.2	9.8	9.4	7.3	5.4	6.4
UAE	6.6	1.7	2.6	11.9	9.7	8.2	9.4	6.3	7.4	-0.2	2.4
Singapore	5.0	-2.4	4.1	3.8	9.3	7.3	8.4	7.8	1.1	-3.3	4.1
Malaysia	4.4	0.5	5.4	5.8	6.8	5.3	5.8	6.2	4.6	-3.6	2.5
Philippines	4.3	1.8	4.4	4.9	6.4	5.0	5.3	7.1	3.8	1.0	3.2
South Korea	4.2	4.0	7.2	2.8	4.6	4.0	5.2	5.1	2.2	-1.0	3.6
Taiwan	3.9	-2.2	4.6	3.5	6.2	4.2	4.8	5.7	0.1	-4.1	3.7
Hong Kong	3.7	0.5	1.8	3.0	8.5	7.1	7.0	6.4	2.4	-3.6	3.5
Australia	3.5	2.1	4.2	3.0	3.8	2.8	2.8	4.0	2.4	0.7	2.0
Thailand	3.4	2.2	5.3	7.1	6.3	4.6	5.2	4.9	2.6	-3.5	3.7
Indonesia	3.1	3.6	4.5	4.8	5.0	5.7	5.5	6.3	6.1	4.0	4.8
Canada	3.0	1.8	2.9	1.9	3.1	3.0	2.9	2.5	0.4	-2.5	2.1
Brazil	3.0	1.3	2.7	1.1	5.7	3.2	4.0	5.7	5.1	-0.7	3.5
New Zealand	3.0	2.6	4.9	4.1	4.5	2.8	2.0	3.2	0.2	-2.2	2.2
USA	2.8	1.1	1.8	2.5	3.6	3.1	2.7	2.1	0.4	-2.7	1.5
UK	2.7	2.5	2.1	2.8	3.0	2.2	2.9	2.6	0.7	-4.4	0.9
Netherlands	2.6	1.9	0.1	0.3	2.2	2.0	3.4	3.6	2.0	-4.2	0.7
France	2.2	1.8	1.1	1.1	2.3	1.9	2.4	2.3	0.3	-2.4	0.9
Switzerland	2.1	1.2	0.4	-0.2	2.5	2.6	3.6	3.6	1.8	-2.0	0.5
Germany	1.5	1.2	0.0	-0.2	1.2	0.7	3.2	2.5	1.2	-5.3	0.3
Italy	1.2	1.8	0.5	0.0	1.5	0.7	2.0	1.6	-1.0	-5.1	0.2
Japan	1.0	0.2	0.3	1.4	2.7	1.9	2.0	2.3	-0.7	-5.4	1.7
World Average	3.9	2.3	2.9	3.6	4.9	4.5	5.1	5.2	3.0	-1.1	3.1

Sources: International Monetary Fund, World Economic Outlook Database, October 2009; Austrade



Strongest Performing Economy in the OECD

- The June 2009 National Accounts show that the Australian economy has been the best performing advanced economy over the past year and the only advanced economy to record positive growth over this period.
- GDP rose by 0.6 per cent in the June quarter to be 0.6 per cent higher through the year. Household consumption spending also rose 0.8 per cent in the quarter.
- The solid performance of the Australian economy comes at a time of continuing weakness in many parts of the world. G7 economies contracted by an average of 4.6 per cent in the year to the June quarter, with the US, UK and Japan recently experiencing their biggest yearly falls in output in 50 years.



Low Percentage of Non Performing Loans

Percentage of Nonperforming Bank Loans to Total Bank Loans – 2003 to 2008

	2003	2004	2005	2006	2007	2008	Latest	Average
China ¹	20.4	12.8	9.8	7.5	6.7	2.5	Dec	10.0
Philippines ²	16.1	14.4	10.3	7.5	5.8	5.2	Jun	9.9
Thailand	13.5	11.9	9.1	8.4	7.9	6.5	Dec	9.6
Malaysia	13.9	11.7	9.6	8.5	6.5	5.1	Sep	9.2
UAE	14.3	12.5	8.3	6.3	2.9	2.5	Jun	7.8
Italy ³	6.7	6.6	5.3	4.9	4.6	NA	Dec	5.6
Indonesia ⁴	6.8	4.5	7.6	6.1	4.1	3.5	Nov	5.4
India ⁵	8.8	7.2	5.2	3.3	2.5	2.3	Mar	4.9
Germany	5.2	4.9	4.0	3.4	2.7	NA	Dec	4.0
France ⁶	4.8	4.2	3.5	3.0	2.7	NA	Dec	3.6
Singapore	6.7	5.0	3.8	2.8	1.5	1.4	Sep	3.5
Brazil	4.1	2.9	3.5	3.5	3.0	2.9	Oct	3.3
Mexico ⁷	3.2	2.5	1.8	2.0	2.7	2.5	Sep	2.5
Japan ⁸	5.2	2.9	1.8	1.5	1.5	1.5	Sep	2.4
Hong Kong ⁹	3.9	2.3	1.4	1.3	0.9	1.0	Sep	1.8
UK	2.5	1.9	1.0	0.9	0.9	NA	Dec	1.4
Korea ⁹	2.6	1.9	1.2	0.8	0.7	1.1	Dec	1.4
Netherlands	2.0	1.5	1.2	0.8	NA	NA	Dec	1.4
Spain ¹⁰	1.0	0.8	0.8	0.7	0.9	3.2	Nov	1.2
USA ¹¹	1.1	0.8	0.7	0.8	1.4	2.3	Sep	1.2
Canada	1.2	0.7	0.5	0.4	0.7	1.1	Sep	0.8
Switzerland	1.3	0.9	0.5	0.3	NA	NA	Dec	0.8
Luxembourg ¹²	0.5	0.3	0.2	0.2	0.2	NA	Dec	0.3
Australia¹³	0.3	0.2	0.2	0.2	0.2	0.5	Sep	0.3

Note: Due to differences in national accounting, taxation, and supervisory regimes, the data is not strictly comparable across countries.

1. Major commercial banks (state-owned commercial banks and joint stock commercial banks). 2. The data exclude IBL. 3. Banking groups. For the 2002-04 period, nonperforming loans include only substandard and bad loans. For the 2005-06 period, the aggregate also includes loans overdue past 180 days. 4. Reported nonperforming loan ratio for commercial banks. 5. For the end of the fiscal year, i.e., March of the following calendar year. 6. Gross doubtful debts. A break in the data series starting in 2006. 7. Commercial banks. 8. For the end of the fiscal year, i.e., March of the following calendar year, for major banks. 9. Loans classified as "substandard," "doubtful," and "loss." 10. Doubtful exposures to other resident sectors over total lending to other resident sectors. 11. All FDIC-insured institutions. 12. Nonperforming large exposures to total loans: end-year data for 2007 and annual average for previous years. 13. Impaired assets to total assets. Figures exclude loans in arrears that are covered by collateral.

Sources: International Monetary Fund, Global Financial Stability Report, April 2009, Statistical Appendix, Table 24; Austrade



Trade and Investment

- Australia's annual export value of goods and services now exceeds US\$230 billion
- Compound annual growth rate of 9 per cent since 1988.
- Imports of US\$220 billion

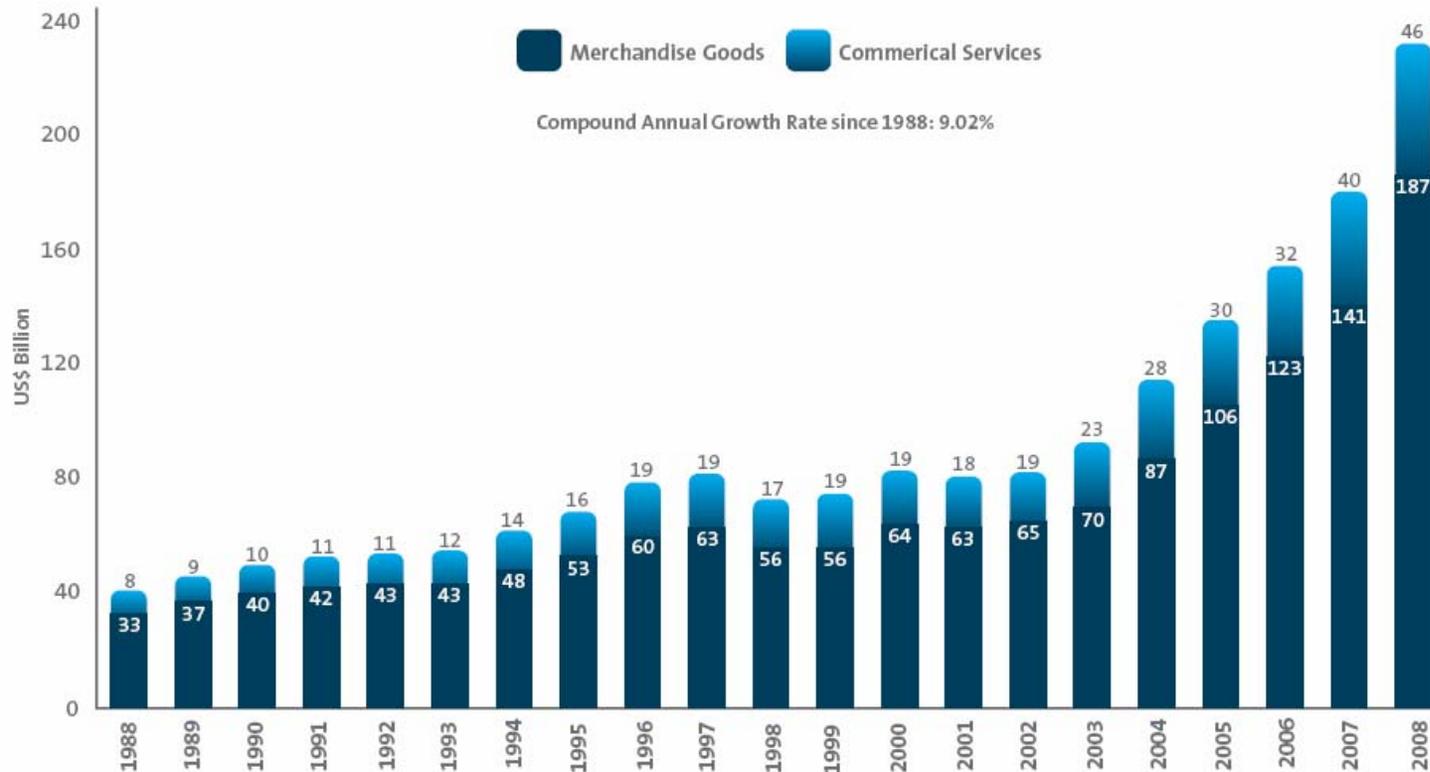
Major Export Destinations	Major Import Sources
<ol style="list-style-type: none">1. Japan2. China3. Republic of Korea4. India5. United States	<ol style="list-style-type: none">1. China2. United States3. Japan4. Singapore5. Germany

- Australian investment abroad = US\$1 trillion
- Foreign investment in Australia = US\$1.7 trillion



Prolonged Export Growth

Australia's Exports of Goods and Services (US\$ Billion)



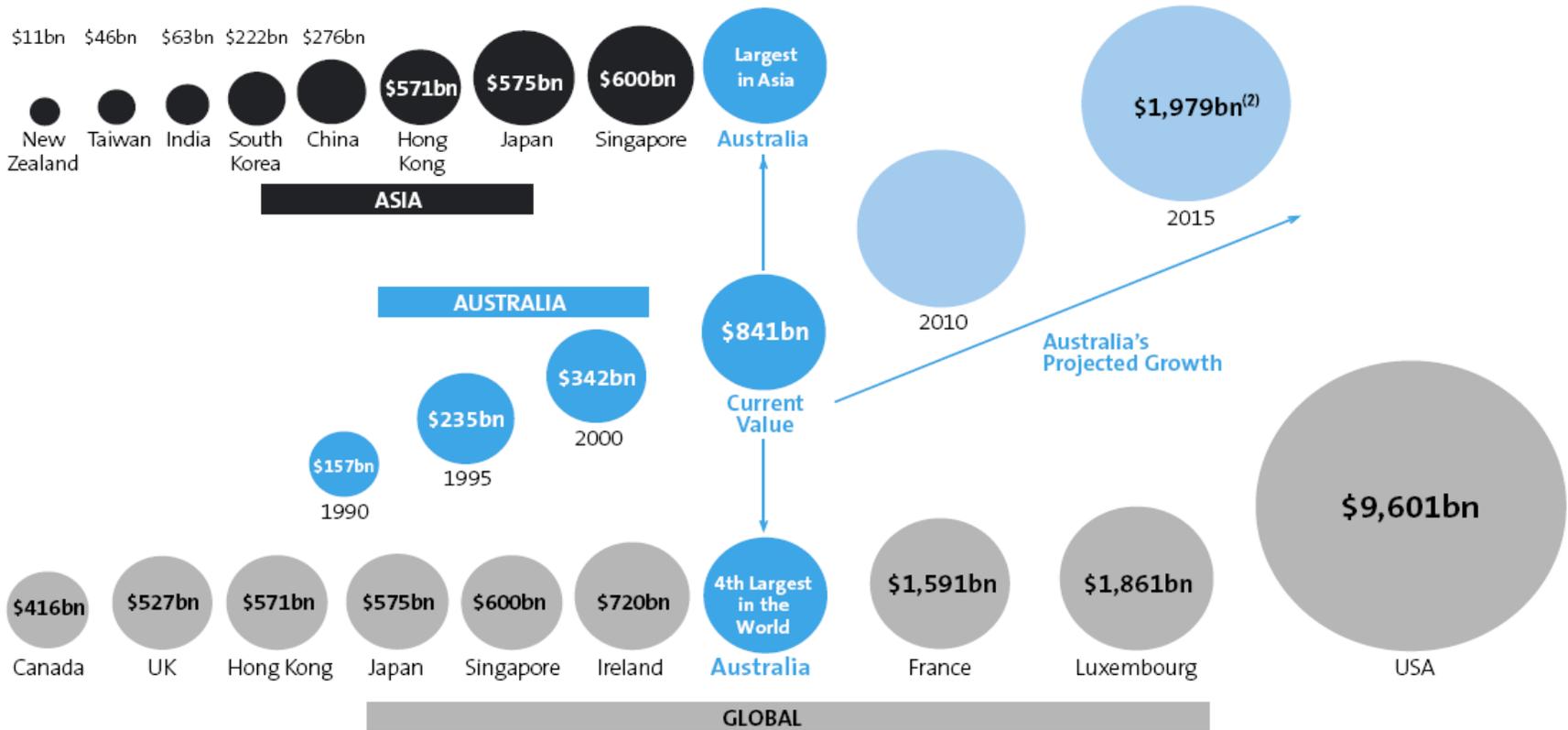
Sources: World Trade Organisation, Statistics database (data downloaded 12 May 2009); Austrade



Large Pool of Investment Fund Assets

The Global Significance of Australia's Investment Fund Assets Pool

Investment Fund Assets¹, US\$, December Quarter 2008



Note: Circles are not to scale. Data between countries is not strictly comparable.

Bilateral Trade and Investment

- The United States is Australia's fifth largest merchandise export market and largest market for services.
- The United States is Australia's largest import source for services and second largest import source for merchandise.
- The value of goods and services exported from Australia to the US rose from A\$7.7 billion in 1990 to A\$18.3 billion in 2008.
- The value of goods and services Australia imported from the US over the same period rose from A\$16 billion to A\$36.5 billion.
- The United States is the largest investor in Australia (A\$95.4 billion)
- Australia is the ninth largest provider of foreign direct investment in the US (A\$121.4 billion)



- Illinois ranks 2nd among the fifty states in exports to Australia trailing only California with exports of \$3.9 billion.
- Australia has appeared in the “Top Ten” countries for Illinois exports for the last 13 consecutive years.
- Last year Australia was Illinois’ fourth-largest export market totaling \$2.4 billion.
- The top Illinois export commodities to Australia were:
 - industrial machinery
 - pharmaceutical products
 - medical and surgical instruments
 - electrical machinery
 - aerospace and transportation equipment
- Over 50 Australian companies have a physical presence in Illinois including Maquarie Group, Nufarm, Westfield and Flight Centre (Liberty Travel)



Why Companies Choose Australia

- The Asia-Pacific economic region comprises about 33% of global GDP - Australia is the perfect location to launch into this market.
- The range of languages and the proficiency with which the languages are spoken.
- A strong and growing open market economy with a number of bilateral and multilateral agreements in place.
- Sound financial market credentials with the second largest stock market in the Asia-Pacific region and excellent corporate governance.
- Unique time-zone advantages to service the global market.



Strategically located in the world's fastest growing region



Strong Asia-Pacific Networks

The trade and investment relationship between Australia and the rest of the Asian region is strong and growing

- Australia's top 5 export destinations include Japan, Korea and China. Our top 3 import sources include Japan and China.
- Australia's top investment source countries include Japan, Hong Kong and Singapore (Stocks). FDI stock from China, Hong Kong and Japan rose significantly in 2008.
- Australia has a wider variety of skilled Asian language speakers than many other Asian locations. Australia's status as a developed country with a sound economic and political environment, with the same or similar time zones as much of Asia means it is also a great place for firms to base their Asian operations.



Unique Time-Zone Advantages

- Australia has unparalleled time zone and Asian location advantages.
- By investing in Australia, firms can ‘follow the sun’ from the US and Europe, and operate 24 hours a day.
- The 14-hour time difference in December between the United States and Australian east coasts means that just as the work day is finishing in the US, it is starting in Australia.



Excellent Trade & Investment Location

- Australia has one of the lowest tax rates in the world
- Australia has the second lowest rate of import tariff barriers in the world
- Australia is ranked as third best on the terms of trade index
- Australia has one of the best national credit rankings in the world



Trade Liberalisation – FTA's

- Australia has pursued Free Trade agreements with many of its regional partners and has agreements in place with the ASEAN group of countries, Chile, New Zealand, Singapore, Thailand and the US.
- Australia is currently in FTA negotiations with China, the Gulf Cooperation Council, Japan, Malaysia and the Trans Pacific Partnership
- Discussions for further FTA's are underway with India, Indonesia and PACER Plus (the Pacific Agreement on Closer Economic Relations)



Business-Friendly Policy Settings

THE BUSINESS ENVIRONMENT

	2008-12 Rank	2008-12 Total Score	2003-07 Rank	2003-07 Total Score	Change in Total Score	Change in Rank
Denmark	1	8.76	2	8.74	0.01	1
Finland	2	8.74	3	8.71	0.03	1
Singapore	3	8.73	1	8.84	-0.11	-2
Canada	4	8.71	5	8.64	0.07	1
Switzerland	5	8.68	4	8.67	0.01	-1
Australia	6	8.65	14	8.20	0.45	8
Hong Kong	7	8.64	7	8.64	0.00	0
Netherlands	8	8.63	8	8.59	0.04	0
Sweden	9	8.63	11	8.34	0.29	2
USA	10	8.60	6	8.64	-0.04	-4
Ireland	11	8.57	9	8.53	0.04	-2
UK	12	8.56	10	8.52	0.04	-2
Germany	13	8.48	15	8.13	0.35	2
New Zealand	14	8.29	13	8.20	0.08	-1
Austria	15	8.26	16	8.00	0.26	1
Belgium	16	8.25	12	8.22	0.03	-4
Norway	17	8.14	17	7.97	0.16	0
Taiwan	18	8.11	22	7.57	0.54	4
France	19	8.03	18	7.89	0.14	-1
Chile	20	8.02	19	7.80	0.22	-1

(1) The EIU's business rankings model measures the quality and attractiveness of the business environment in 82 countries by examining the political environment, the macroeconomic environment, market opportunities, policy towards free enterprise and competition, policy towards foreign investment, foreign trade and exchange controls, taxes, financing, the labour market and infrastructure.

Sources: *The Economist Intelligence Unit, Press Release – 21 Apr 2008; Austrade*



Strong Intellectual Property Protection

- Australia offers one of the strongest intellectual property frameworks in the world
- Australia's patent and copyright enforcement regime is ranked second in the Asia-Pacific region, and sixth globally
- Australia's private property protection and personal security system is ranked third in the Asia Pacific, and eighth globally



Innovative Location

- Australia is one of the most innovative countries in the world
- Australia has strong national policies supporting innovation and research
- Australia provides a wide range of incentives for innovative companies
- Australia has a strong capacity for innovation through collaboration, extensive business links and research and education networks
- Australia has one of the highest nationwide rates of Research and Development personnel in the world

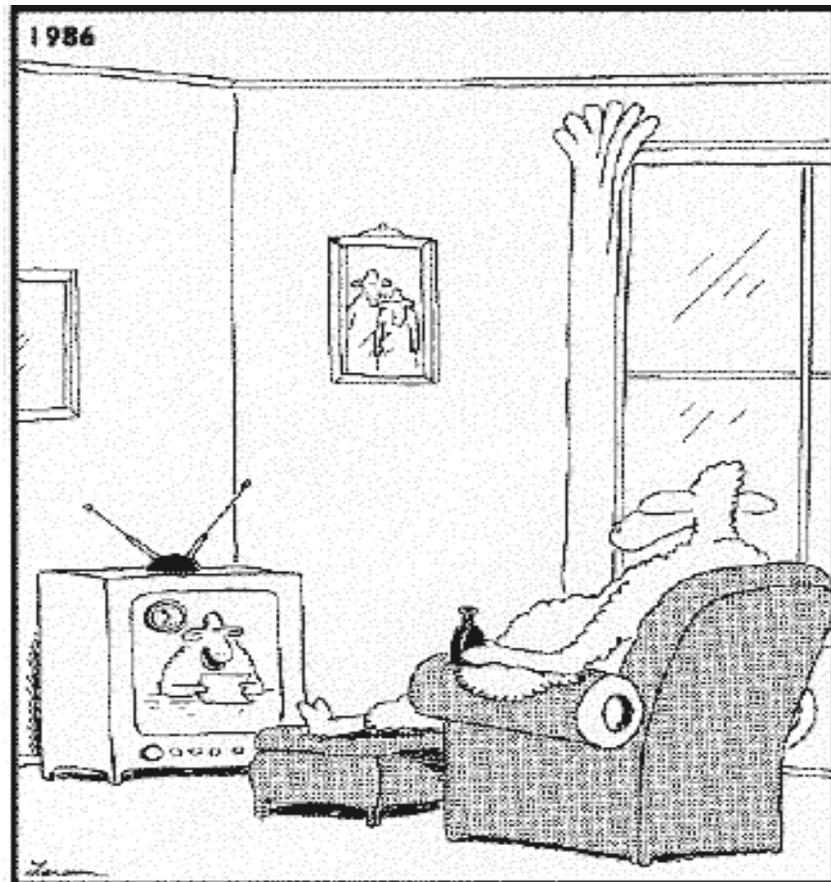


The Australian Trade Commission (Austrade)

- The Australian Trade Commission (Austrade) promotes and facilitates trade and investment with the United States
- We are your one-stop source of advice on innovative goods and services from Australia.
- We can reduce the time, cost and risk of selecting the right Australian partner to do business with.
- We can also provide comprehensive information on business opportunities in Australia, the business environment, investment regulations and government programs



Australia – A Dynamic Economic Partner



“And this report just in. ... Apparently, the grass is greener on the other side.”

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