



D&B Country Insight Snapshot: Australia

September 2014



Overview

Overall Country Risk Rating : DB3c

A

Slight risk : Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

Rating Outlook: Stable →

Core Outlook

- + Australia is well placed to benefit from Asian demand.
- + Expect population ageing to be more moderate than in European countries.
- Beware of making cast-iron assumptions about the long-term economic trajectory, as productivity and growth will depend on foreign demand for energy and mineral exports.
- Track whether sectors in which you have credit exposure have assumed a smooth and rapid further expansion of Chinese demand, which may not materialise over a 5-year time frame.

Key Development

Growth remains lacklustre amid rising unemployment and an overheating housing market. Most major GDP components are declining or posting slower year-on-year growth.

Credit Environment Outlook

A

Key Development has had a positive impact on the outlook.

Supply Environment Outlook

A

Key Development has had a neutral impact on the outlook.

Market Environment Outlook

A

Key Development has had a negative impact on the outlook.

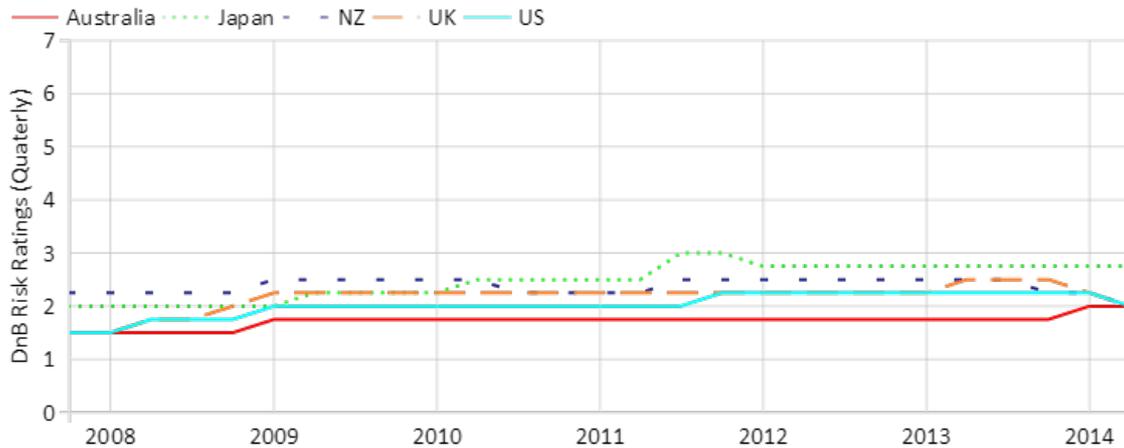
Political Environment Outlook

A

Key Development has had a neutral impact on the outlook.

Key Indicators

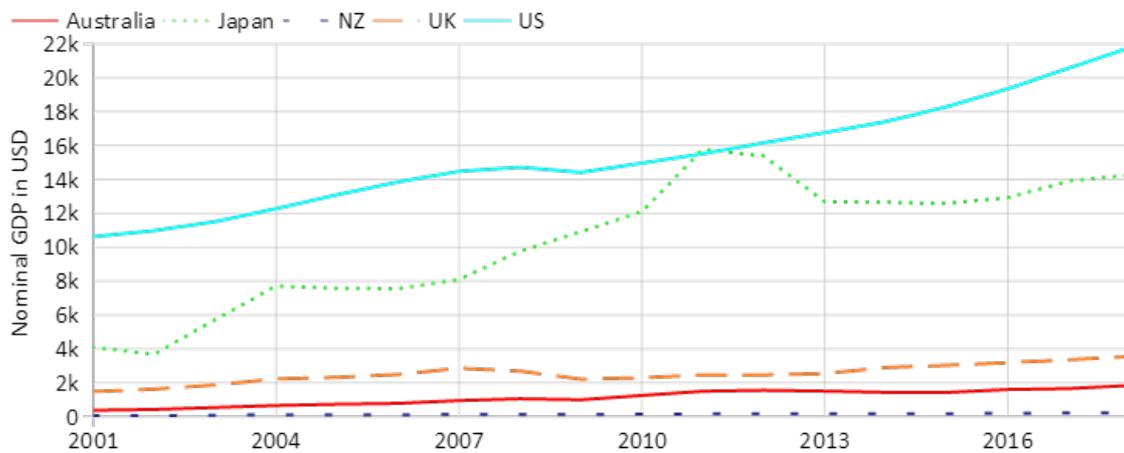
Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

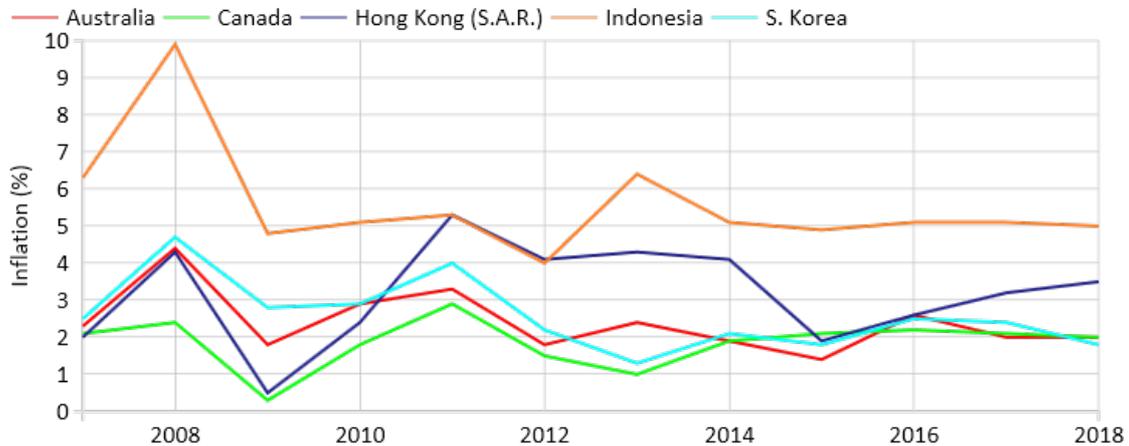
Economic Indicators

Indicator	2011	2012	2013	2014f	2015f	2016f	2017f	2018f
C/A balance % GDP	-2.7	-4.2	-3.2	-3	-5.2	-4.1	-4.1	-4.1
Govt balance, % GDP	-2.6	-2.2	-2.1	-1.5	-1.8	-0.9	-1	-1
Real GDP Growth, %	2.6	3.7	2.4	2.2	2.6	1.8	3.4	2.1
Unemployment, %	5.08	5.23	5.66	5.9	5.8	5.6	5.6	5.6

Source : Haver Analytics/D&B

Selected economic indicators

Chart of the Month 1



Source : Haver Analytics/D&B

Comparative inflation rates in selected competitor countries

Trade and Commercial Environment

Outlook

The Reserve Bank of Australia opted to keep the benchmark rate unchanged at 2.5% in September. Conflicting economic indicators have created a more complicated commercial and trade environment as Australia struggles to stimulate economic growth while discouraging an overheated property market. The Australian dollar fell relative to the US dollar after the announcement, falling to a two-week low. Although a cheaper Australian dollar is beneficial to Australian exporters, the lower currency rate may signal more serious concerns about the overall economy. Low interest rates should remain the norm in the short term, which will aid the current commercial environment, but controlling property prices seems to be the focus of the central bank.

Trade Terms and Transfer Situation

Minimum Terms: OA

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: OA

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 days

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

Local Delays: 0-1 month

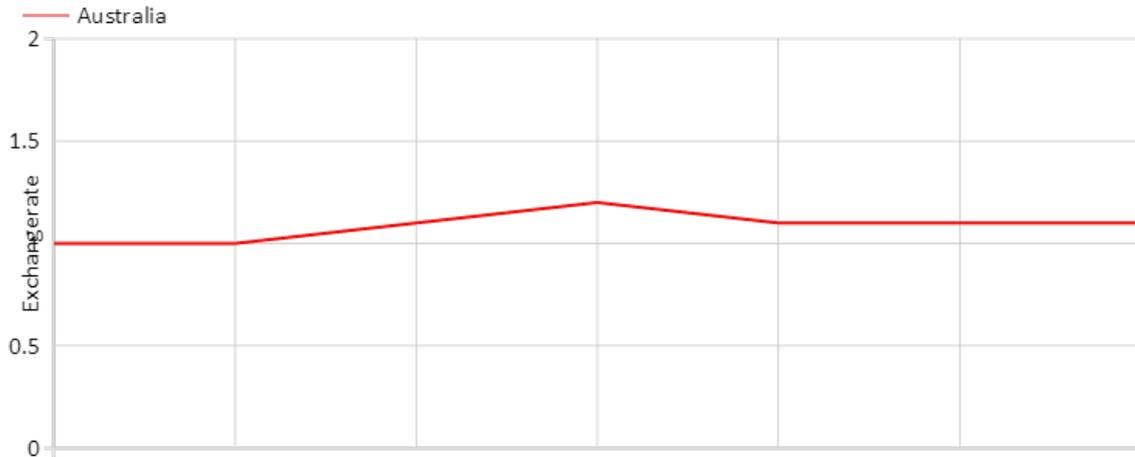
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



Exchange Rate



Source : D&B

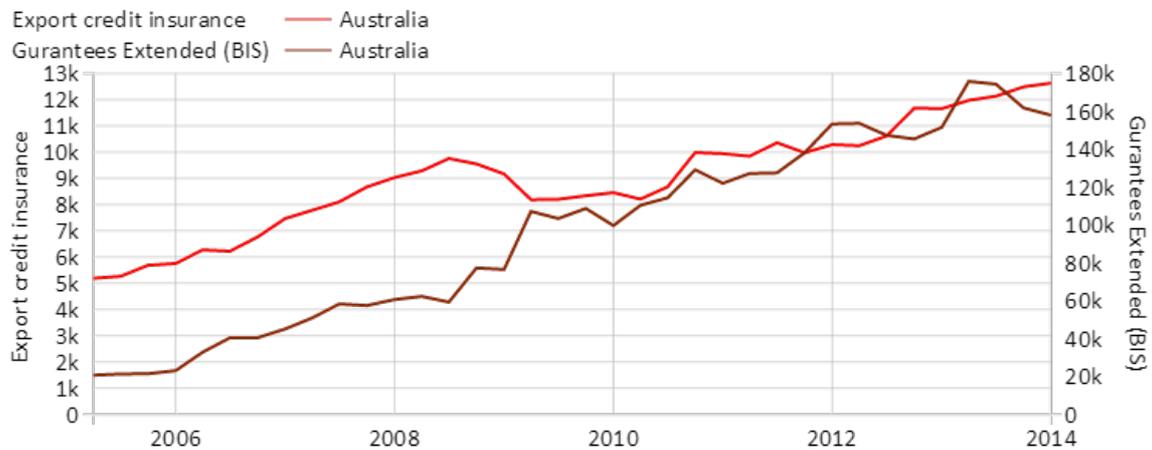
LCU:GBP



Source : IMF International Financial Statistics, National Statistical Offices

Exchange rate against US Dollar

Credit Conditions



Source : Haver

Comparative levels of export credit insurance/guarantees

Risks and Opportunities

Short-Term Economic Outlook

Socio-economic problems cause slowdown

A combination of lacklustre economic growth, rising unemployment and an overheating housing market has caused D&B to maintain its 'Deteriorating' outlook. Real GDP slowed sequentially in Q2 to a 2.0% annualised rate, below the long-term trend of 3.2%. Most of the major components of GDP (such as consumption, gross fixed capital formation and exports of goods) either declined or recorded slower year-on-year (y/y) growth. In addition, the unemployment rate jumped to 6.4% in July, marking a 12-year high. After dipping earlier this year, the rate has continued to trend higher, creating fears of a further slowdown.

Housing prices continue to complicate monetary policy in the country. Existing home prices are up 17.2% since the last quarterly decline was recorded in Q4 2011. Sydney remains an attractive market for residents and investors, growing 3.1% from Q1 2014, far out pacing other capital cities. However, gains registered in other cities were also robust, reflecting a broader national housing issue.

The Australian central bank governor, Glenn Stevens, has already ruled out interest rate cuts at this time as controlling surging housing prices has taken priority over further economic stimulation. The current housing situation, coupled with rising unemployment, has created the potential for systemic risks within the broader economy. Foreign investment in Australian housing from other Asian economies continues to push prices up further. Due to the exposure of Australia to foreign investment in housing, a regional economic slowdown could complicate the situation further, leading to an abrupt decline in home prices.

Business Environment Quality

Business profits solid

D&B's survey outlook for Australian business' profits and revenues showed strength through the end of the year. Businesses are optimistic that despite recent setbacks profits will remain solid, rising to a ten-year high. Despite expectations, D&B is maintaining its 'Deteriorating' outlook. Mixed macroeconomic messages will continue to be a concern going into Q3. As a result, D&B is downgrading its 2015 real GDP forecast to 2.4% annual growth.

Country Profile and Statistics

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 China was maintained; however, as a result the economy has grown unevenly, complicating policy responses.

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.

Key Facts

Key Fact	Detail
Capital	Canberra
GDP (USD)	1,433.90
GDP per capita (USD)	61,671.30
head of government	Prime Minister Tony ABBOTT
Life expectancy (years)	82.26
Literacy (% of adult pop.)	99.90
Official language	English
Population	23.25
Surface area (sq km)	7,741,220.00
Timezone	GMT +10-00

Source : UN

Historical Data

Metric	2009	2010	2011	2012	2013
Real GDP growth (%)	1.6	2.3	2.6	3.7	2.4
Nominal GDP in USDbn	0	0	0	0	0
Nominal GDP in local currency (bn)	1,257	1,359	1,453	1,502	1,556
GDP per Capita in USD	45,195	55,816	65,982	67,531	64,549
Population (year-end, m)	22.04	22.4	22.74	23.05	23.34
Exchange rate (yr avge, USD-LCU)	1.3	1.1	1	1	1
Current Account in USDbn	-49	-43.9	-41.2	-65.4	-48.4
Current Account (% of GDP)	-4.9	-3.5	-2.7	-4.2	-3.2
FX reserves (year-end, USDbn)	39	38.7	42.8	44.9	49.7
Import Cover (months)	2.3	1.8	1.6	1.6	1.9
Inflation (annual avge, %)	1.8	2.9	3.3	1.8	2.4
Govt Balance (% GDP)	-3.4	-4.3	-2.6	-2.2	-2.1

Source : Haver Analytics/D&B

Forecasts

Metric	2014	2015	2016	2017	2018
Real GDP growth (%)	2.2	2.6	1.8	3.4	2.1
Nominal GDP in USDbn	0	0	0	0	0
Nominal GDP in local currency (bn)	1,620.3	1,685.7	1,760.7	1,857	1,933.9
GDP per Capita in USD	61,671	60,887	67,609	69,419	76,448
Population (year-end, m)	23.3	23.5	23.7	23.9	24.1
Exchange rate (yr avge, USD-LCU)	1.1	1.2	1.1	1.1	1.1
Current Account in USDbn	-43	-74.3	-65.6	-68	-75.5
Current Account (% of GDP)	-3	-5.2	-4.1	-4.1	-4.1
FX reserves (year-end, USDbn)	48	43	47	47	47
Import Cover (months)	2.7	1.8	2.1	2.1	1.9
Inflation (annual avge, %)	1.9	1.4	2.6	2	2
Govt Balance (% GDP)	-1.5	-1.8	-0.9	-1	-1

Source : Haver Analytics/D&B

Comparative Market Indicators

Indicator	Australia	Japan	NZ	UK	US
Income per Capita (USD)	61,671	99,530	38,581	45,635	53,975
Country Population (m)	23.3	127	4.6	63.5	322.6
Internet users (% of population)	83	86.3	82.8	89.8	84.2
Real GDP Growth (% p.a., 2014 - 2023)	2 - 3	0.5 - 1.2	1.5 - 2.8	1.5 - 3.5	1.5 - 3

Source : D&B

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