WHY AUSTRALIA

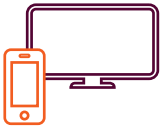
BENCHMARK REPORT 2018

Australian Government
Australian Trade and Investment Commission

Australia UNLIMITED

WHY AUSTRALIA

ROBUST ECONOMY



DYNAMIC INDUSTRIES

INNOVATION AND SKILLS

GLOBAL TIES

STRONG FOUNDATIONS

Australia's economy has outperformed its peers for more than two decades and the country is achieving great success in global industries.

These accomplishments reflect its stable institutions, smart people, abundant natural resources, sophisticated services sector and agility to adapt to changes in the global economy.

Australia's sound governance, political stability and transparent regulatory system build economic resilience and minimise sovereign risk. In an uncertain world, Australia is a safe and secure place to invest and do business.

Asia continues to look to Australian resources to help power its industrialisation, and to Australian firms for wealth management, healthcare, education, tourism and professional services. Australian agricultural products and premium food are in high demand by Asian consumers.

Australia's globally ranked universities and research institutions are focused on creating and commercialising new ideas. Australia is also attracting global attention for its niche capabilities in disruptive technologies.

Multinational companies can benefit from Australia's network of free trade agreements, strong business and cultural ties with Asia, and longstanding trade, investment and research links with Europe and North America.

There is no better business partner than Australia.

01

ROBUST ECONOMY

World's 13th Largest Economy 4
27th Year of Consecutive Annual Economic Growth 5
Highest Growth Among Advanced Economies 6
Strong Ties to Asia Support Long-term Growth 7
High Productivity in Growth Sectors 8
Diversified, Services-based Economy 9
Steadily Growing Services and Technology Sectors 10
Low Government Debt 11

ROBUST ECONOMY

Australia is in its 27th year of consecutive annual economic growth – the only developed economy in the world to achieve this distinction.

Over the next five years, Australia's economic growth rate is forecast to be the highest among major advanced economies.

The country's strong institutions, ability to respond to global changes and above average productivity in global growth sectors underpin its steady growth.

Longstanding ties with the Asian region have helped Australia to prosper. The country is a long-term supplier of natural resources to the region, and a trusted provider of clean, green and safe agricultural products and premium food.

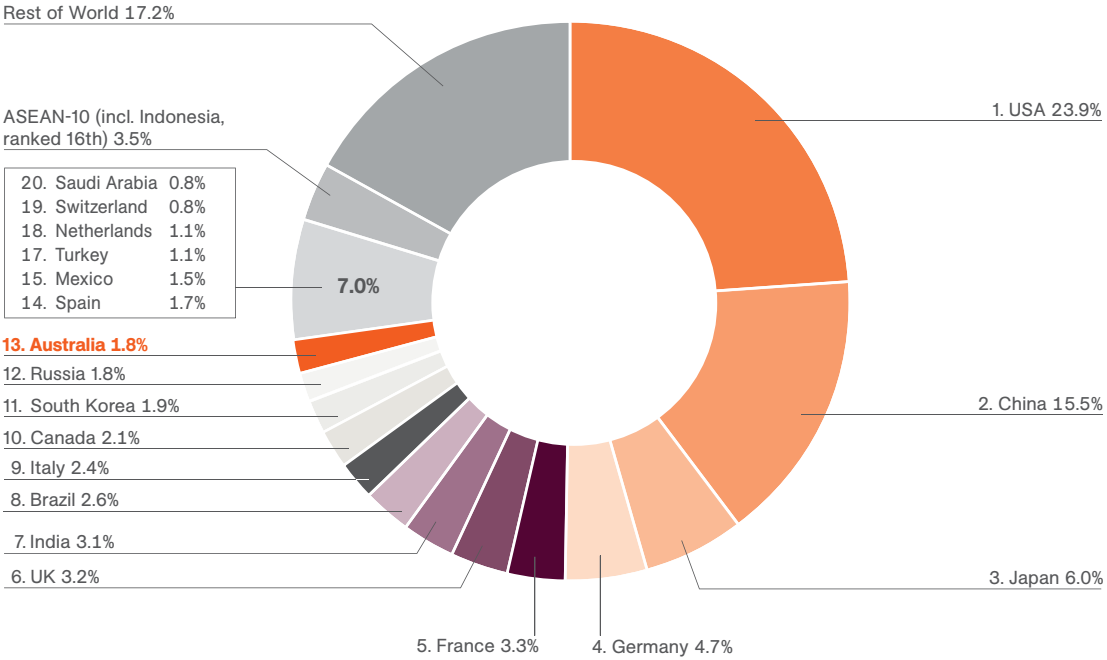
Asia's growing middle classes are also benefiting from Australia's high-quality financial, professional, healthcare, education and tourism services.

WORLD'S 13TH LARGEST ECONOMY

The Australian economy is forecast to be the 13th largest in the world and the fifth largest in the Asian region in 2018, despite the fact the country is home to only 0.3 per cent of the world's population. Australia's nominal GDP is estimated at US$1.5 trillion (A$1.9 trillion) and accounts for 1.8 per cent of the global economy. Australia has almost tripled the value of its total production from two decades ago.

WORLD'S 20 LARGEST ECONOMIES – 2018[F]

Percentage share of total world nominal GDP in US$



F = Forecast

GDP of the world: **US$84,375 billion**

GDP of 20 largest economies: **US$67,988 billion (80.6% of world's GDP)**

GDP of ASEAN–10 economies: **US$2,938 billion (3.5% of world's GDP)**

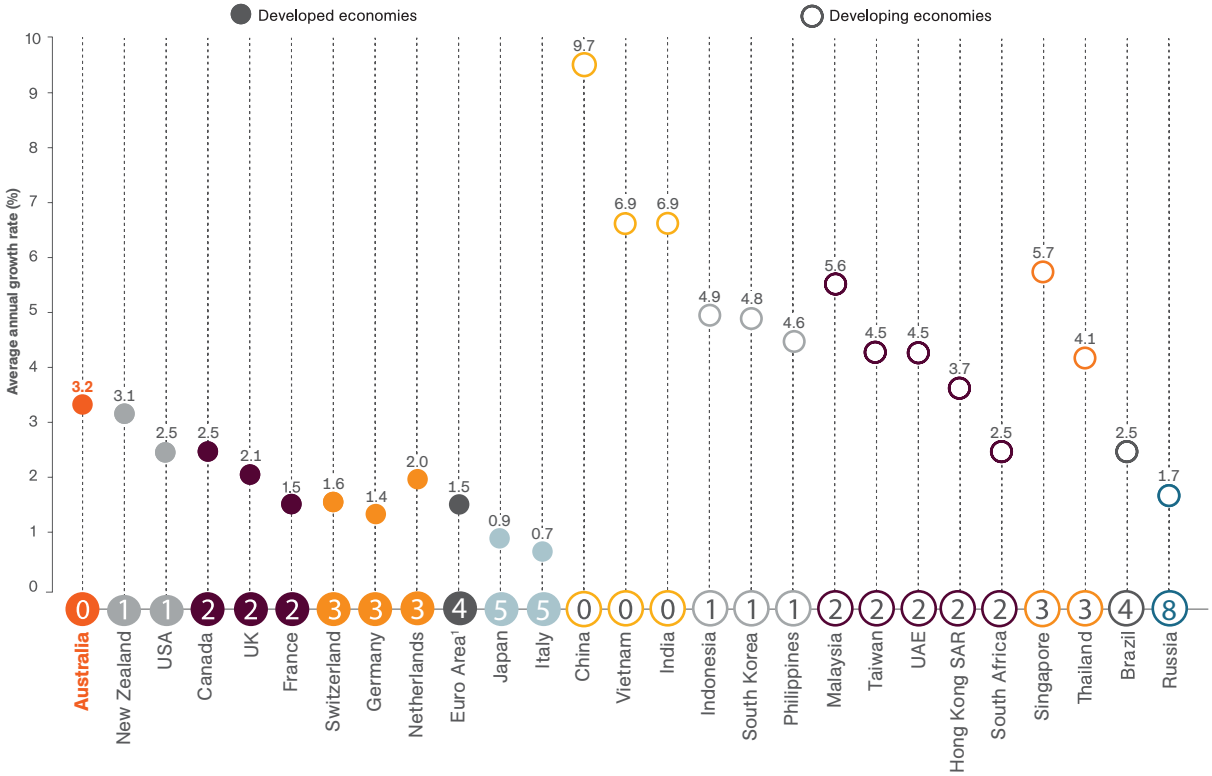
Sources: International Monetary Fund, World Economic Outlook Database, October 2017; Austrade

27TH YEAR OF CONSECUTIVE ANNUAL ECONOMIC GROWTH

Growing more than three per cent on average each year since 1992, Australia is the only major developed economy to have recorded no annual recessions from 1992 to 2017 and is now in its 27th year of consecutive growth. The Australian economy's resilience is sustained by robust policy frameworks, strong institutions, sophisticated financial systems, an attractive investment environment and deep trade ties with the Asian region.

ECONOMIC RESILIENCE – REAL GDP GROWTH

1992–2017[F]



F = Forecast

Note: Colour circles on x-axis represent the number of years in recession.

1. Euro Area = Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia and Spain.

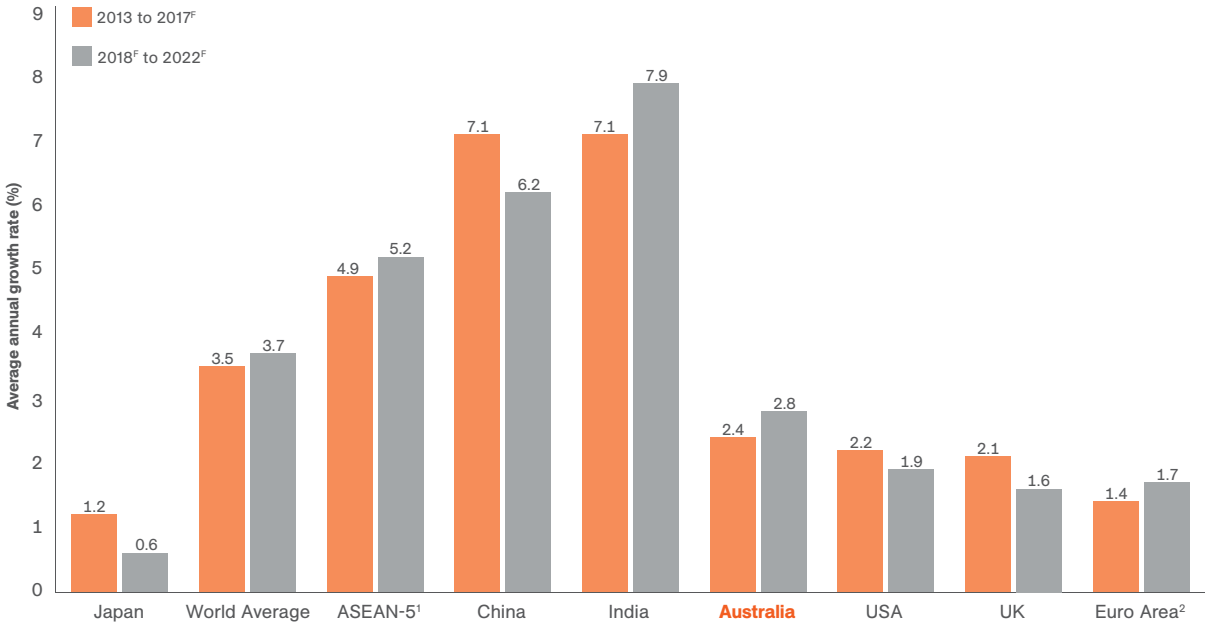
Sources: International Monetary Fund, World Economic Outlook Database, October 2017; Austrade

HIGHEST GROWTH AMONG ADVANCED ECONOMIES

Australia's economic growth has outperformed its peers for the past two decades and the fundamentals are in place for this trend to continue. Australia is expected to realise average annual real GDP growth of 2.8 per cent between 2018 and 2022 – the highest among major advanced economies and up from an average growth rate of 2.4 per cent between 2013 and 2017.

REAL GDP GROWTH BY ECONOMIC GROUPING

Average annual growth rate: 2013–17[F] and 2018[F]–22[F]



F = Forecast

1. ASEAN-5 = Indonesia, Malaysia, Philippines, Thailand and Vietnam.

2. Euro Area = Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia and Spain.

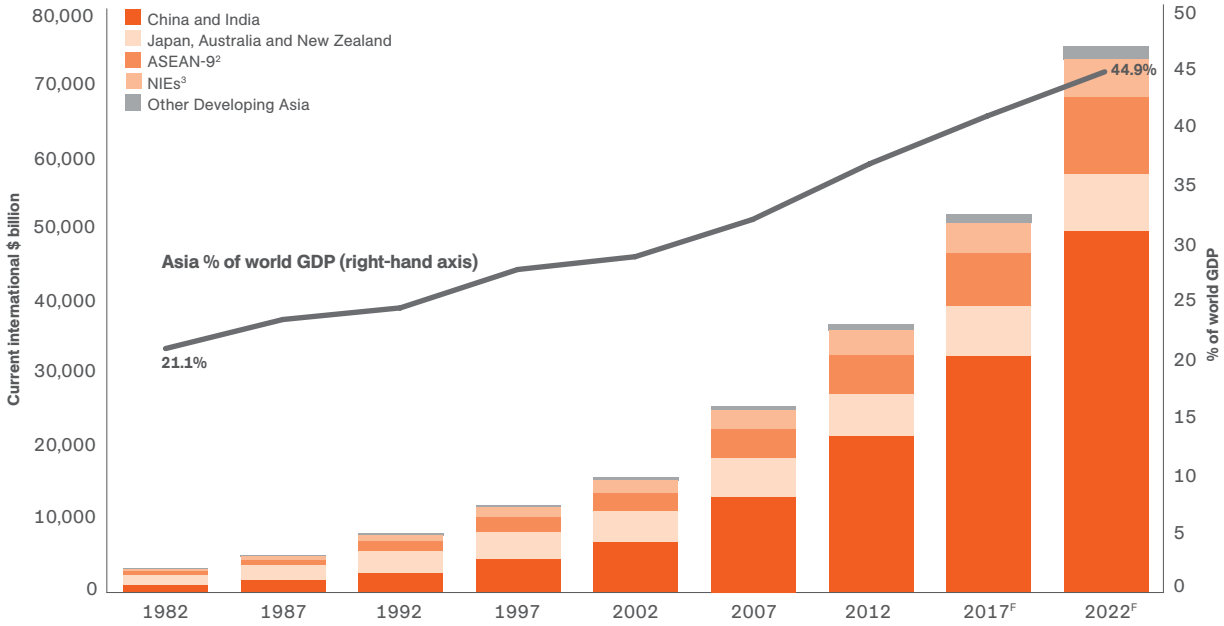
Sources: International Monetary Fund, World Economic Outlook Database, October 2017; Austrade

STRONG TIES TO ASIA SUPPORT LONG-TERM GROWTH

Australia's medium- and long-term growth outlook is supported by its strong ties to the Asian region. By 2022, the regional economy is expected to account for 45 per cent of global production (US$168 trillion) in terms of purchasing power parity valuation, more than double the ratio in 1982. Over the same period, the combined economies of China and India will likely represent almost 30 per cent of the world's GDP, significantly up from less than six per cent in 1982.

ASIAN ECONOMIC GROWTH

GDP based on purchasing power parity valuation (PPP, current international dollar billion)[1]



Note: The bars represent the value of the regional GDP.

F = Forecast

1. An international dollar would buy in the cited country a comparable amount of goods and services a US dollar would buy in the United States. Local currency values are converted into international dollars using PPP exchange rates.

2. Composed of 9 countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand and Vietnam.

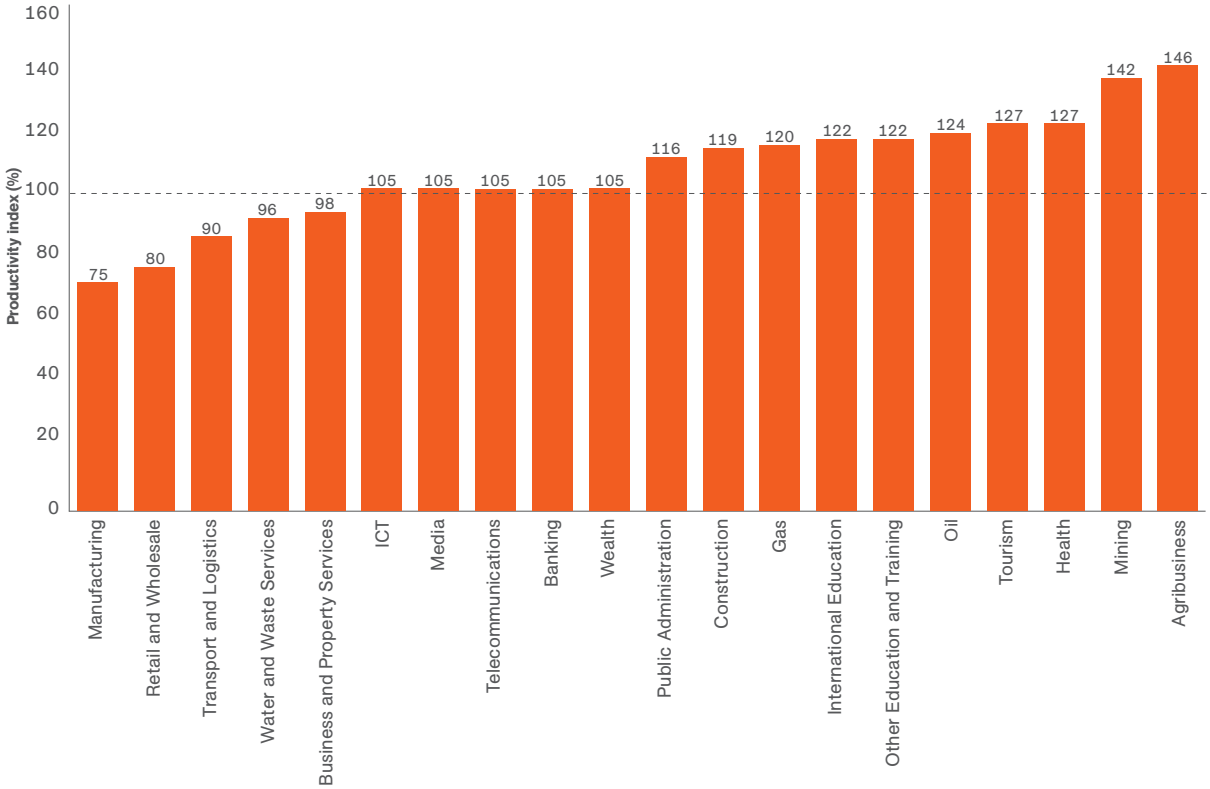
3. Newly Industrialised Economies: Singapore, Hong Kong SAR, South Korea and Taiwan.

Sources: International Monetary Fund, World Economic Outlook Database, October 2017; Austrade

HIGH PRODUCTIVITY IN GROWTH SECTORS

The productivity levels of 15 out of 20 Australian industries rate above the average productivity of global competitors in the same sector. Australia is performing 20 per cent above this global average in five key growth sectors – gas, education, oil, tourism and health – and over 40 per cent in mining and agribusiness.

PRODUCTIVITY OF AUSTRALIAN INDUSTRY SECTORS COMPARED WITH GLOBAL COMPETITORS



Note: A score of 110 means Australia is 10% more productive than the average productivity of global competitors in the industry.

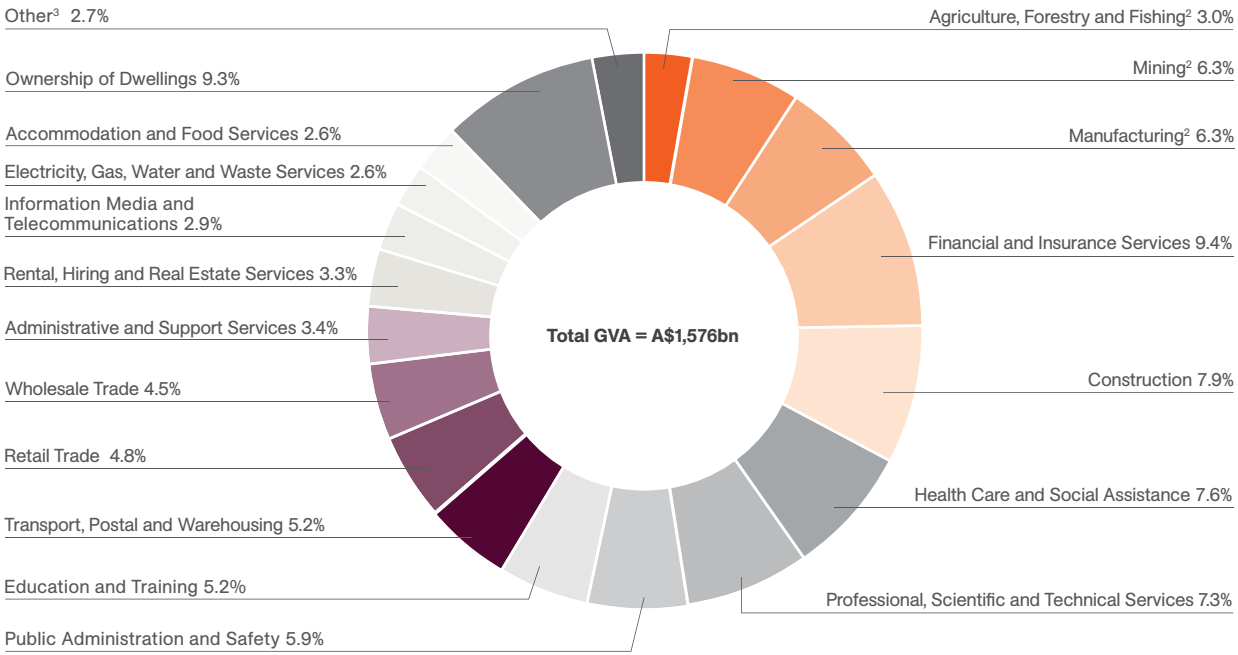
Sources: Deloitte Access Economics analysis, 2015. Based on data provided in The Conference Board Total Economy Database™, May 2015; Austrade

DIVERSIFIED, SERVICES-BASED ECONOMY

Australia's services sector (including construction) accounts for three-quarters of real gross value added (GVA). The country's sophisticated financial and insurance services industry is the largest contributor to its economy, generating 9.4 per cent of total GVA. Other top sectors include construction, health care and social assistance, professional, scientific and technical services, manufacturing and mining.

AUSTRALIA'S REAL GROSS VALUE ADDED[1] BY INDUSTRY

Annual total ending June 2016–17, as a percentage of total industry



1. Gross value added (GVA) measures the contribution to the economy of each individual producer, industry or sector. **2.** Goods comprise Agriculture, Mining and Manufacturing. **3.** Other includes: Arts and Recreation Services (0.9%) and Other Services (1.8%).

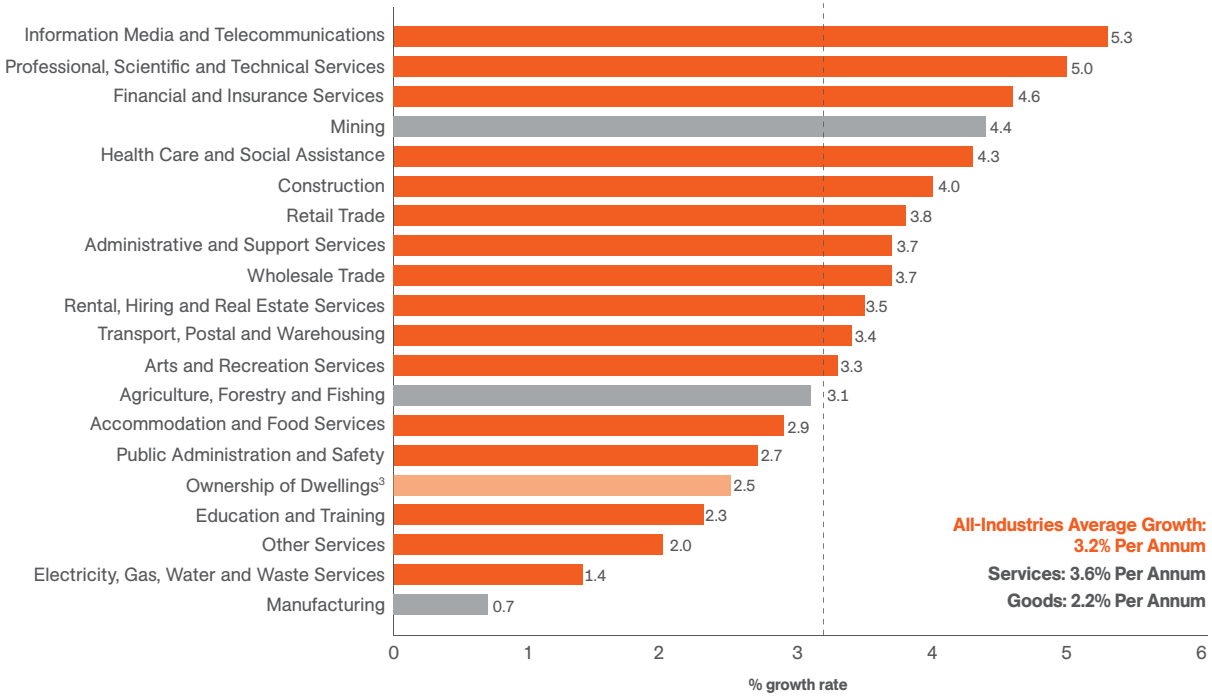
Sources: Australian Bureau of Statistics Cat. No. 5204.0 Australian System of National Accounts, Table 5, Gross Value Added (GVA) by Industry, Chain volume measures (released 27 October 2017); Austrade

STEADILY GROWING SERVICES AND TECHNOLOGY SECTORS

Australia's services sector has expanded by an average of 3.6 per cent per annum since 1992, above the goods sector's average of 2.2 per cent. Information media and telecommunications, professional, scientific and technical services, and financial and insurance services have seen solid annual growth rates of above four per cent, reflecting the country's skills base in technology- and knowledge-intensive sectors.

GROWTH BY INDUSTRY IN AUSTRALIA'S REAL GROSS VALUE ADDED

Average annual % growth rate 1991–92 to 2016–17



Notes: 1. Goods comprise Agriculture, Mining and Manufacturing. **2.** Grey bars denote goods-based sectors, and orange bars denote services-based sectors. **3.** Ownership of Dwellings is not classified as a Good or Service.

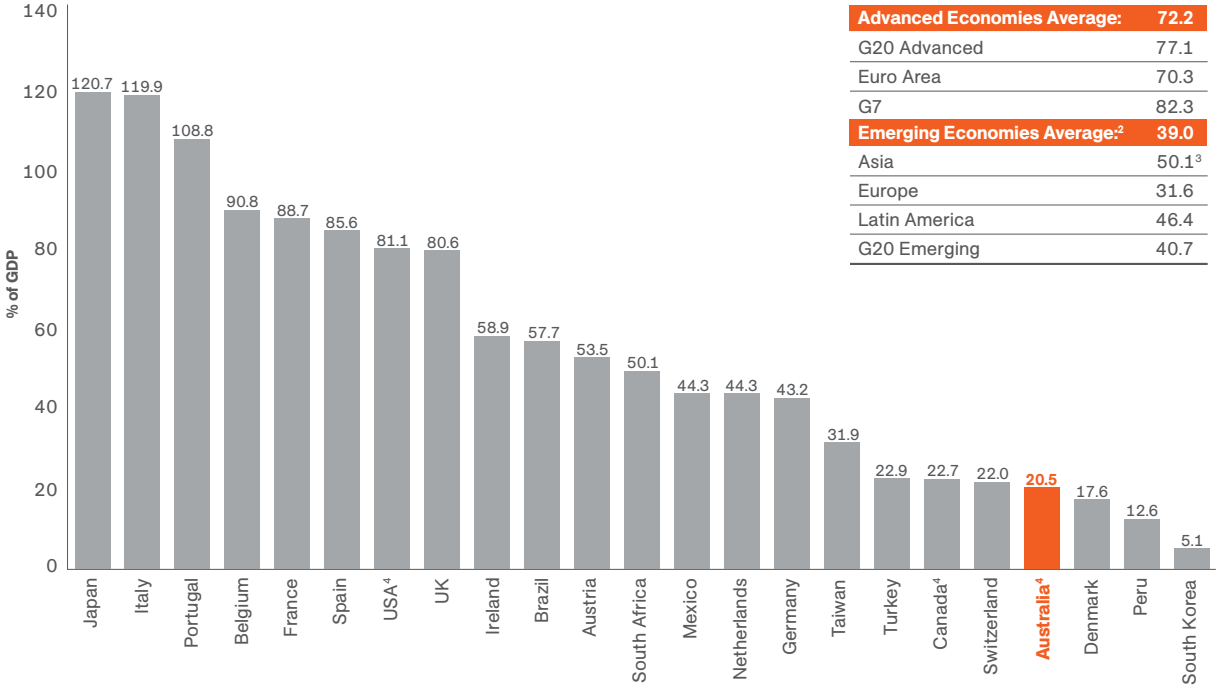
Sources: Australian Bureau of Statistics Cat. No. 5204.0 Australian System of National Accounts, Table 5, Gross Value Added (GVA) by Industry, Chain volume measures (released 27 October 2017); Austrade

LOW GOVERNMENT DEBT

The IMF estimates the Australian Government's net debt will be around 20 per cent of GDP in 2018, well below the 72 per cent forecast for advanced economies as a group. Australian Government debt is predicted to fall below 16 per cent of GDP by 2022, while the average debt ratio of advanced economies will remain high at around 69 per cent of GDP. The low level of public sector debt reinforces the Australian Government's healthy financial position and sound economic credentials, and underpins its strong sovereign credit ratings.

GENERAL GOVERNMENT NET DEBT[1] – 2018[F]

As a percentage of GDP



Advanced Economies Average:	**72.2**
G20 Advanced	77.1
Euro Area	70.3
G7	82.3
Emerging Economies Average:[2]	**39.0**
Asia	50.1[3]
Europe	31.6
Latin America	46.4
G20 Emerging	40.7

F = Forecast

Notes: 1. IMF staff estimates and projections include sub-national debt. Projections are based on IMF assessment of current policies. **2.** Emerging Economies include: Algeria, Angola, Argentina, Azerbaijan, Belarus, Brazil, Chile, China, Colombia, Croatia, Dominican Republic, Ecuador, Egypt, Hungary, India, Indonesia, Iran, Kazakhstan, Kuwait, Libya, Malaysia, Mexico, Morocco, Oman, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Saudi Arabia, South Africa, Sri Lanka, Thailand, Turkey, Ukraine, UAE, Uruguay, Venezuela. **3.** Gross debt as a percentage of GDP (Source: IMF, *Fiscal Monitor October 2017*, Statistical Tables A15). Net debt for Asia is not available. **4.** For cross-country comparability, gross and net debt levels reported by national statistical agencies for countries that have adopted the 2008 System of National Accounts (Australia, Canada, and the USA) are adjusted to exclude unfunded pension liabilities of government employees' defined benefit pension plans.

Sources: International Monetary Fund (IMF), World Economic Outlook Database, October 2017; IMF Fiscal Monitor October 2017, Statistical Tables A8 and A16; Austrade

02

DYNAMIC INDUSTRIES

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Top Agribusiness and Food Exporter	18
Clean, Green and Safe Source of Agribusiness and Food	19
Strong, Sophisticated Financial Markets	20
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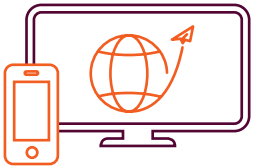
A Top Destination for Education and Skills Training	22
Major Tourism Destination	23
Record Levels of International Tourism Expenditure	24

DYNAMIC INDUSTRIES

GLOBALLY SUCCESSFUL IN 5 KEY INDUSTRIES



RESOURCES & ENERGY
AGRIBUSINESS
FINANCIAL SERVICES
EDUCATION
TOURISM

Australia has the capacity and capabilities to provide high-quality natural resources, food, education, tourism and financial services to the world.

The country is also applying its niche capabilities in disruptive technologies to established industries, winning acclaim for its innovative mining, agricultural, financial and educational solutions.

With large reserves of mineral and energy resources, Australia is a world-leading producer of gold, iron ore and uranium, and will soon be the world's largest LNG exporter. The country is also ranked in the world's top 15 for solar and wind generation.

Australia is a top producer of major agricultural commodities that are in demand worldwide. Its premium food and agricultural goods are particularly valued in Asia for their safety and quality.

Financial services is another sector where Australia has strong capabilities. It has one of the Asian region's largest pool of bank assets, significant wealth management and infrastructure financing skills, and a growing reputation for fintech expertise.

Australia draws large numbers of students and visitors to its shores as the world's third most popular destination for education and the 10th largest international tourism market.

GLOBALLY SUCCESSFUL IN FIVE KEY INDUSTRIES

Australia is a leading provider of goods and services that are in high demand across the global economy. The country is a major producer of natural resources, including significant liquefied natural gas reserves that are coming into production, and clean, green agricultural commodities and premium food. Australia has large, sophisticated financial markets, including the world's sixth largest pool of managed fund assets. It is also a leading destination for education and tourism.

AUSTRALIA'S GLOBALLY SIGNIFICANT INDUSTRIES

FOREIGN STUDENTS IN TERTIARY EDUCATION (6.4% of the world's total, 2015)
THIRD LARGEST IN THE WORLD

Source: UNESCO, Institute for Statistics

MERCHANDISE EXPORT – AGRICULTURAL PRODUCTS (US$33.8 billion, 2016)
TOP 12 IN THE WORLD[1]

Source: UN Comtrade Database

INTERNATIONAL TOURISM RECEIPTS (US$32.4 billion, 2016)
10TH LARGEST IN THE WORLD

Source: UNWTO Tourism Highlights 2017 Edition

AUSTRALIA'S INVESTMENT FUND ASSETS (US$1.8 trillion, June 2017)
SIXTH LARGEST IN THE WORLD

Source: Investment Company Institute, Quarterly Worldwide Mutual Fund Market

MERCHANDISE EXPORT – MINING AND FUELS (US$108.0 billion, 2016)
TOP 3 IN THE WORLD[2]

Source: UN Comtrade Database

1. Ranking not including Thailand, due to unavailable data in 2016.
2. Ranking not including Saudi Arabia, due to unavailable data in 2016.

ABUNDANT RESERVES OF MINERAL AND ENERGY RESOURCES

Australia is endowed with a rich variety of mineral and natural energy resources. The sector has been and continues to be an important contributor to the nation's wealth. Australia has the world's largest resources of iron ore, gold and lead, as well as the second largest bauxite reserves. It also has the world's largest uranium reserves and the second largest brown coal deposits, enabling the nation to play an important role in supplying the world's energy needs.

AUSTRALIA'S PRODUCTION OF MAJOR MINERAL AND ENERGY RESOURCES AND WORLD RANKINGS

As at December 2016

Commodity	Unit	Economic Demonstrated Resources[1]	World Ranking for Resources	% of World Resources	Mine Production[2]	World Ranking for Production[3]	% of World Production[4]
Minerals							
Iron ore	Mt	49,588	1	29	858.0	1	38
Rutile	Mt	33	1	42	0.3	1	50
Zircon	Mt	79	1	67	0.6	1	31
Lead	Mt Pb	35	1	40	0.5	2	9
Gold	t Au	9,830	1	17	288.0	2	9
Zinc	Mt Zn	64	1	28	0.9	3	7
Nickel	Mt Ni	19	1	24	0.2	5	9
Bauxite	Mt	6,005	2	22	85.2	1	31
Copper	Mt Cu	88	2	12	0.9	5	5
Cobalt	kt Co	1,164	2	14	na	5	4
Silver	kt Ag	89	2	16	1.4	5	5
Diamond (Industrial)	Mc	116	3	18	14.0	2	24
Energy							
Uranium	kt U	1,270	1	29	6.3	3	10
Brown Coal	Mt	76,508	2	24	63.3	5	6
Black Coal	Mt	70,972	4	10	566.3	4	7
Gas	Bn cu m	3,205	13	1.6	56.3	15	1.5
Oil	Mb & b/d	3,985	28	0.3	289,300	33	0.4

Mc = million carats; **t** = tonne; **kt** = kilotonnes; **Mt** = million tonnes; **Bn cu m** = billion standard cubic metres; **Mb** = million barrels; b/d = barrels per day.

Notes: 1. Economic Demonstrated Resources (EDR) includes JORC Reserves, Measured and Indicated Resources. **2.** Source: Office of the Chief Economist, Department of Industry, Innovation and Science (Resources and Energy Quarterly June 2017), unless otherwise stated. **3.** Source: Geoscience Australia and the USGS (Mineral Commodity Summaries 2016), unless otherwise stated. **4.** Source: USGS (Mineral Commodity Summaries 2016), unless otherwise stated. **na** = not available

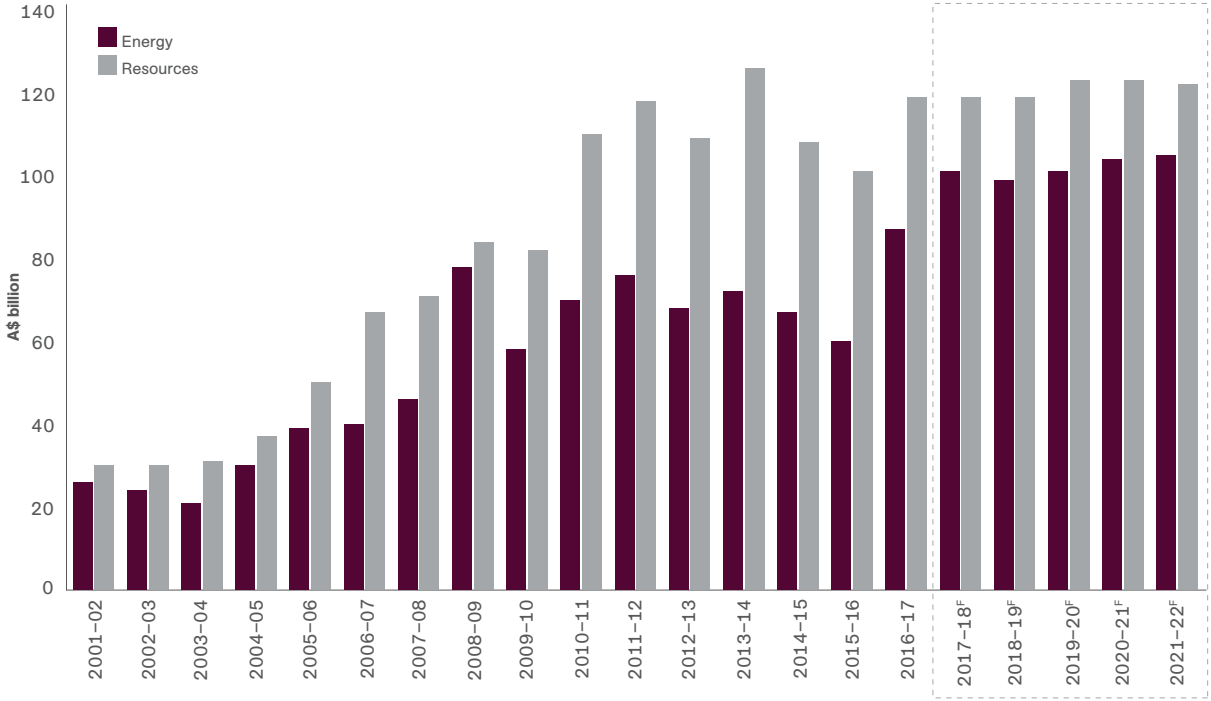
Sources: USGS, Mineral Commodity Summaries 2017; OECD Nuclear Energy Agency/International Atomic Energy Agency, The Red Book 2016; World Nuclear Association, World Uranium Mining Production, July 2017 Update; Federal Institute for Geosciences and Natural Resources, Germany, Energy Study 2016; Geoscience Australia; Austrade

LEADER IN ENERGY AND RESOURCES EXPORTS

Australia's abundant resources and proximity to Asia underpin its position as a major global exporter of mineral and energy resources and products. From 2001–02 to 2016–17, the country's total resources and energy exports are estimated to have increased more than three and a half-times to over A$200 billion, with the majority of these exports going to Asia. Steady growth in the export volume of most bulk commodities is expected to contribute to higher export earnings over the outlook period.

AUSTRALIA'S ENERGY AND RESOURCES SECTOR

Value of exports



Historical and estimated (s) data from Resources and Energy Quarterly, June 2017; **F** = Forecast figures from Resources and Energy Quarterly, March 2017

Notes: Resource commodities are non-energy minerals and semi-manufactured products produced from non-energy minerals. Energy commodities are minerals and petroleum products typically used for power generation.

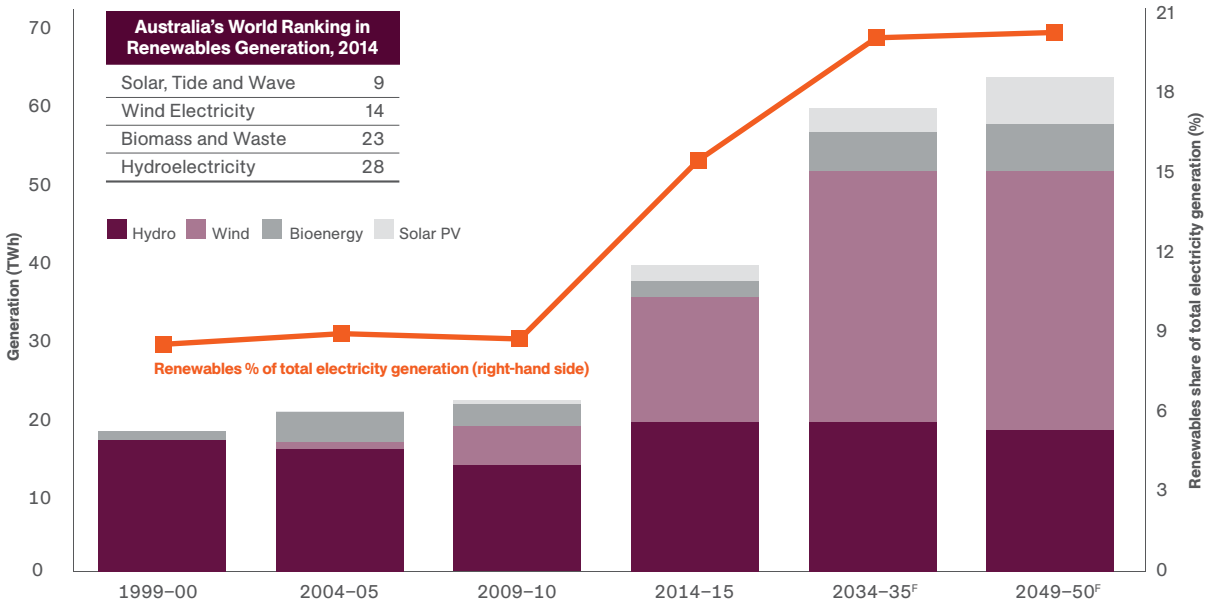
Sources: Department of Industry, Innovation and Science, Office of the Chief Economist, Resources and Energy Quarterly, June 2017 and Resources and Energy Quarterly, March 2017, Table 1.2: Outlook for Australia's resources and energy exports; Austrade

GROWING MARKET FOR RENEWABLES

Renewable energy accounted for about 15 per cent of Australia's total electricity generation in 2014–15, and is forecast to increase to 20 per cent by 2049–50. Wind, solar and bioenergy sources are also expected to grow solidly, leveraging Australia's natural advantages. Electricity generation from wind power is expected to double the current rate to account for over 10 per cent of Australia's total electricity generation by 2049–50.

AUSTRALIA'S RENEWABLE ENERGY GENERATION VOLUMES AND WORLD RANKINGS

1999–00 to 2049–50F, TWh



F = Forecast; **TWh** = Terawatt-hour.

Notes: Solar energy generation in 1999–00 was 0.04TWh and in 2004–05 was 0.08TWh; wind energy generation in 1999–00 was 0.06TWh and in 2004–05 was 0.89TWH; total renewable energy also includes geothermal generation (0.5TWh) from 2014–15, 4TWh in 2034–35, and 4TWh in 2019–50; world rankings are in 2014, sourced from the International Energy Agency (IEA).

Sources: Bureau of Resources and Energy Economics, Australian Energy Projections to 2049–50, Canberra, November 2014, Table 10: Electricity generation by energy type (TWh); IEA, International Energy Statistics; Austrade

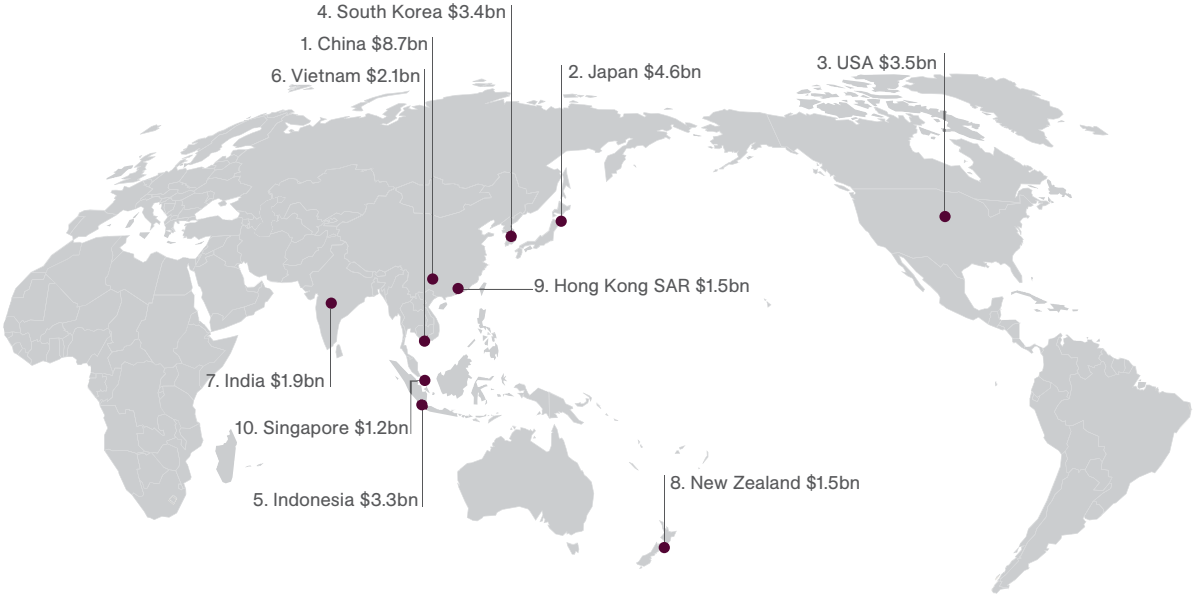
TOP AGRIBUSINESS AND FOOD EXPORTER

Australian food and fibre exports were worth A$45 billion in 2016, with nine of the top 10 destination markets (62 per cent of total food exports) in the Asian region. According to the Brookings Institution, the number of middle-class consumers in the region is forecast to grow to approximately 3.5 billion (65 per cent of the world's total) by 2030. Australia's proximity to Asia and reputation as a safe and reliable source of quality produce and premium products ensure the country is well placed to capitalise on this growth.

TOP 10 EXPORT DESTINATIONS FOR AUSTRALIAN FOOD AND FIBRE

A$ billion, 2016

	Exports (A$ billion) 2016	Turnover (A$ billion) 2015–16
Unprocessed	21.2[1]	84.7
Processed	23.8	103.4
Total	**45.0[2]**	**193.9[3]**



1. Includes all unprocessed food and live animals; raw hides, skins and fur skins; and all unprocessed textile fibres. **2.** Export value of Australian food and fibre is defined as the total export value of primary products (unprocessed – food & live animals total); primary products (unprocessed – Other – Hides skins & fur skins raw); primary products (unprocessed – Other – Textile fibres unprocessed & waste); and primary products (processed – food total). **3.** Including sales and service income for agriculture, forestry and fishing support services (A$5.8bn).

Note: The Asian region is defined as Asia, ASEAN and Oceania.

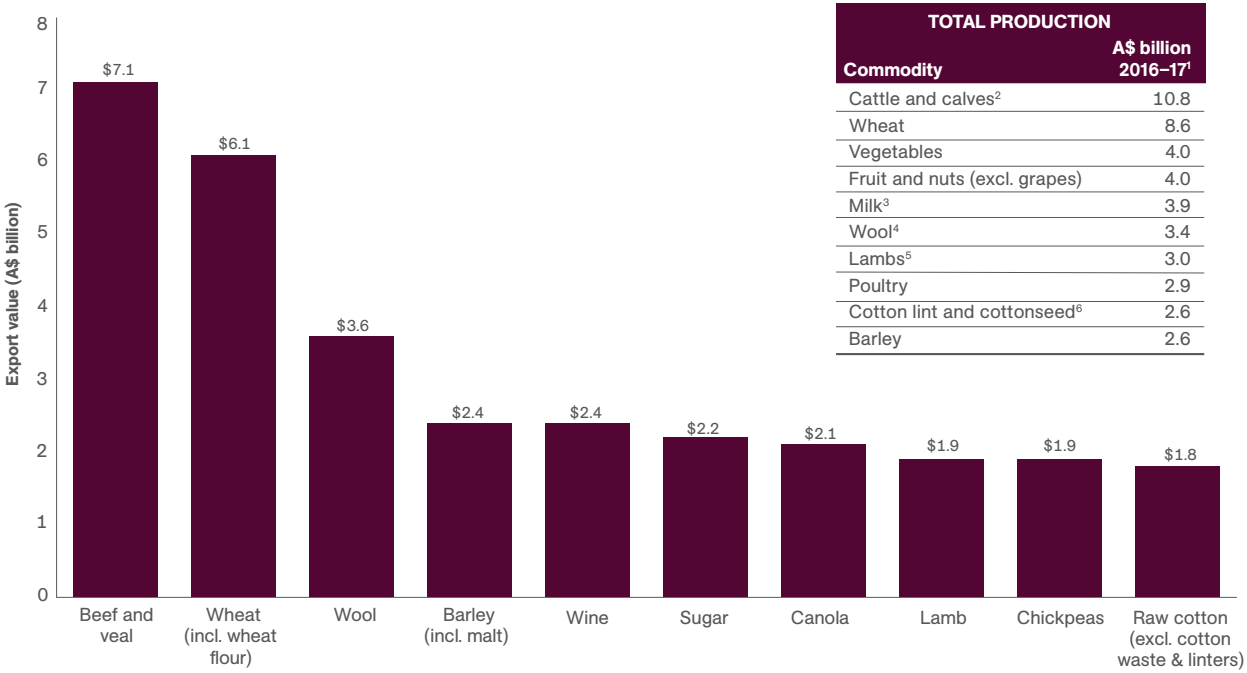
Sources: Exports by country data based on the DFAT publication "Composition of Trade" using country and TRIEC pivot table 1990 to 2016; turnover figures based on ABS Cat. No. 8155.0 Australian Industry 2015–16 (released 26 May 2017); Austrade

CLEAN, GREEN AND SAFE SOURCE OF AGRIBUSINESS AND FOOD

Australia is a major global producer of beef, wheat, wool, barley, wine, sugar, canola, lamb, chickpeas and raw cotton. Demand for Australia's clean and green agricultural commodities drives the country's export trade in high-value branded premium products. Beef and wheat are Australia's two largest agricultural exports as well as its two largest agricultural commodities in terms of production value.

AUSTRALIA'S TOP AGRICULTURAL COMMODITIES

Top 10 exports, 2016–17



TOTAL PRODUCTION	
Commodity	A$ billion 2016–17[1]
Cattle and calves[2]	10.8
Wheat	8.6
Vegetables	4.0
Fruit and nuts (excl. grapes)	4.0
Milk[3]	3.9
Wool[4]	3.4
Lambs[5]	3.0
Poultry	2.9
Cotton lint and cottonseed[6]	2.6
Barley	2.6

1. The gross value of production is the value placed on recorded production at the wholesale prices realised in the marketplace. ABARES estimates. **2.** Includes dairy cattle slaughtered and excludes skin and hide values. **3.** Milk intake by factories and valued at the farm gate. **4.** Shorn, dead and fellmongered wool, and wool exported on skins. **5.** Excludes skin and hide values. **6.** Value delivered to gin.

Sources: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Agricultural commodities: September Quarter 2017 – Statistics – data tables – MS Excel (released 20 September 2017), Tables 13 and 17; Austrade

STRONG, SOPHISTICATED FINANCIAL MARKETS

Australia has one of the world's largest, most robust and competitive financial services sectors. The country has deep and liquid financial markets, including the world's fourth largest alternative assets under management, sixth largest managed fund assets pool, and eighth largest OTC foreign-exchange daily turnover. The managed funds sector is underpinned by a mandated retirement savings scheme (superannuation system) that has resulted in the fourth largest pension pool in the world.

GLOBAL SIGNIFICANCE OF AUSTRALIA'S FINANCIAL MARKETS

US$6,067 billion[1]

ASSETS OF AUSTRALIAN FINANCIAL INSTITUTIONS*

4.5 times Australia's nominal GDP

***June 2017**

US$281 billion[4]

ALTERNATIVE ASSETS UNDER MANAGEMENT*

4th largest in the world
Largest in the Asian region

***2016**

US$1,828 billion[2]

MANAGED FUND ASSETS UNDER MANAGEMENT*

6th largest in the world

***June quarter 2017**

US$121 billion[5]

OTC FOREIGN EXCHANGE DAILY AVERAGE TURNOVER*

8th largest in the world
4th largest in the Asian region

***April 2016**

US$1,164 billion[3]

STOCK MARKET*

9th largest in the world
3rd largest in the Asian region

***Market capitalisation of freely floating stocks, October 2017**

US$1,908 billion[6]

INTERNATIONAL AND DOMESTIC DEBT SECURITIES OUTSTANDING*

10th largest in the world
3rd largest in the Asian region

***Total outstanding value, March quarter 2017**

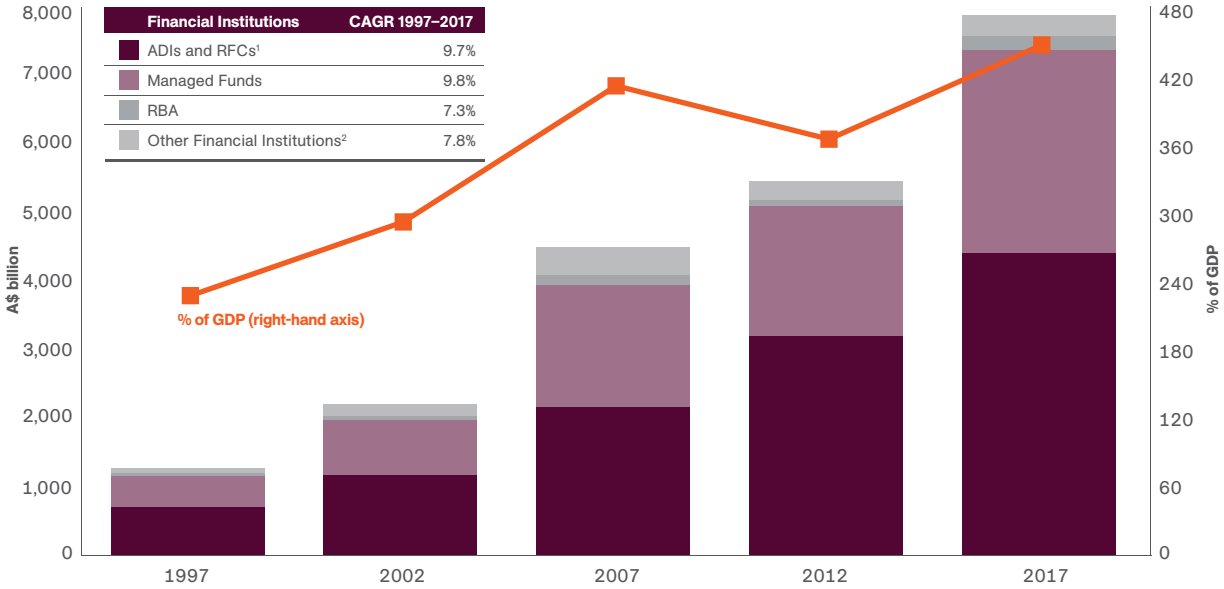
Sources: 1. Reserve Bank of Australia Statistics, B1 Assets of Financial Institutions (updated 3 October 2017); ABS Cat. No. 5655, Managed Funds, June 2017 (updated 7 September 2017), A$ exchange rate as at 30 June 2017 = US$0.7692; 2. Investment Company Institute, Worldwide Mutual Fund Assets and Flows, June quarter 2017 (updated 27 September 2017), survey does not include Hong Kong SAR and Singapore; 3. Standard & Poor's, S&P Dow Jones Indices World-By-Numbers: October 2017; 4. Willis Towers Watson, Global Alternatives Survey 2017, July 2017. Figure includes asset class of real assets, hedge funds, private equity funds, private equity funds of funds, funds of hedge funds, infrastructure and illiquid credit. Alternative assets under management is by Australian domiciled financial institutions; 5. Bank for International Settlements, Triennial Central Bank Survey of Foreign Exchange and OTC Derivatives Markets in 2016 (updated 11 December 2016); 6. Bank for International Settlements, Debt securities statistics, summary of debt securities outstanding by residence and sector of issuer (updated 17 September 2017); Austrade

AUSTRALIA'S A$8 TRILLION FINANCIAL SECTOR

Australia's sophisticated financial services sector has significant depth with estimated assets of almost A$8 trillion – over four and a half-times the country's nominal GDP in June 2017. The sector has grown on average 9.6 per cent a year over the past two decades, well above the average nominal GDP growth rate of 5.9 per cent. The strength of the financial industry means it is Australia's largest contributor to gross value added, one of its highest growth sectors and a significant source of capital.

ASSETS OF AUSTRALIAN FINANCIAL INSTITUTIONS

A$ billion, year ending June quarter



CAGR = Compound annual growth rate from June quarter 1997 to June quarter 2017.

1. The combined assets of Authorised Deposit-taking Institutions (ADIs comprising Banks, Building Societies and Credit Unions) and Registered Financial Corporations (comprising Money Market Corporations, Finance Companies and General Financiers).

2. General Insurance Offices and Securitisation Vehicles.

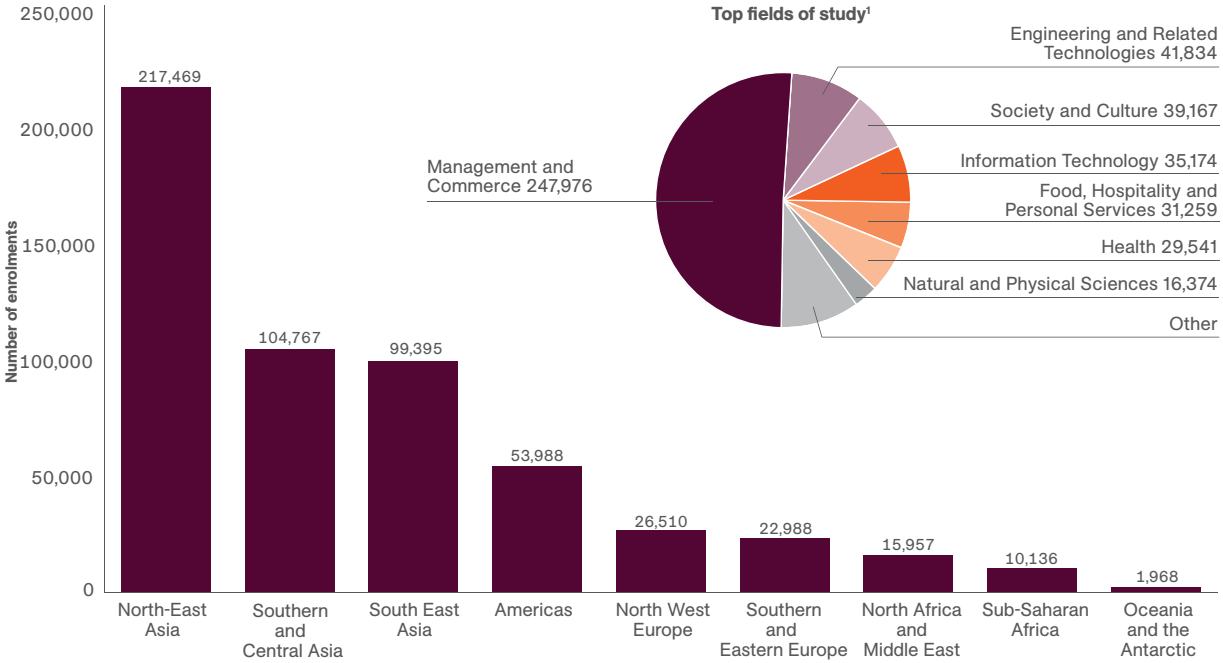
Sources: Reserve Bank of Australia Statistics, B1 Assets of Financial Institutions (updated 3 October 2017); ABS, Cat. No. 5655.0 Managed Funds, Australia, June 2017, Table 1 (released 7 September 2017); ABS, Cat. No. 5204.0 Australian System of National Accounts, Table 5, Gross Value Added (GVA) by Industry (released 27 October 2017); Austrade

A TOP DESTINATION FOR EDUCATION AND SKILLS TRAINING

Australia is the third most popular destination in the world for foreign students enrolled in higher education. Australia attracted over 550,000 international students in 2016, including to higher education, vocational education and training. International education contributes over A$26 billion to the Australian economy each year, with both student numbers and export value in their third consecutive year of double-digit growth.

INTERNATIONAL STUDENTS BY REGION

All sectors, full-year 2016



1. Higher Education and Vocational Education and Training only. Excludes Schools, English Language and Non-Award. Students can be enrolled in more than one course, so enrolment numbers will not add to the student numbers total.

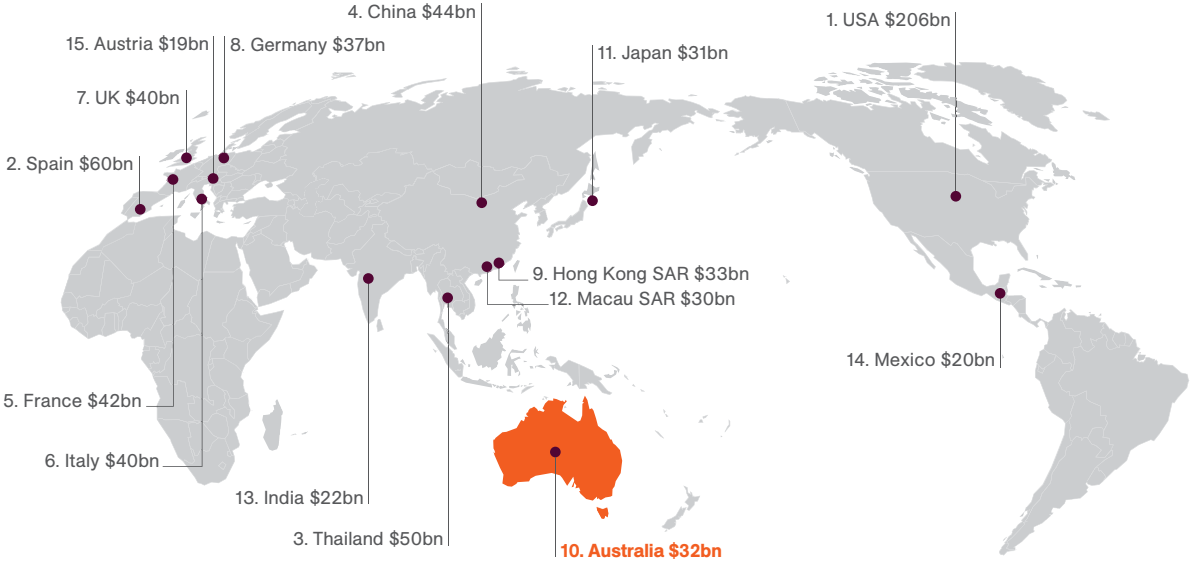
Sources: Department of Education and Training, International Student Data, August 2017; Australian Bureau of Statistics Cat. No. 5368.0 International Trade in Goods and Services, Table 11a, September 2017 (released 2 November 2017); Austrade

MAJOR TOURISM DESTINATION

According to the UNWTO, Australia is the world's 10th largest international tourism market with a 2.6 per cent share of global tourism receipts. The country benefits more from the contribution of tourism receipts to its GDP than nations such as the USA, France, the UK and Italy. The Australian Bureau of Statistics estimated that tourism contributed 3.2 per cent to Australia's total GDP (or A$53 billion) in 2015–16. In 2015–16, tourism GDP grew 7.4 per cent compared to 2014–15.

TOP 15 GLOBAL TOURISM RECEIPTS MARKETS

2016, receipts (US$)

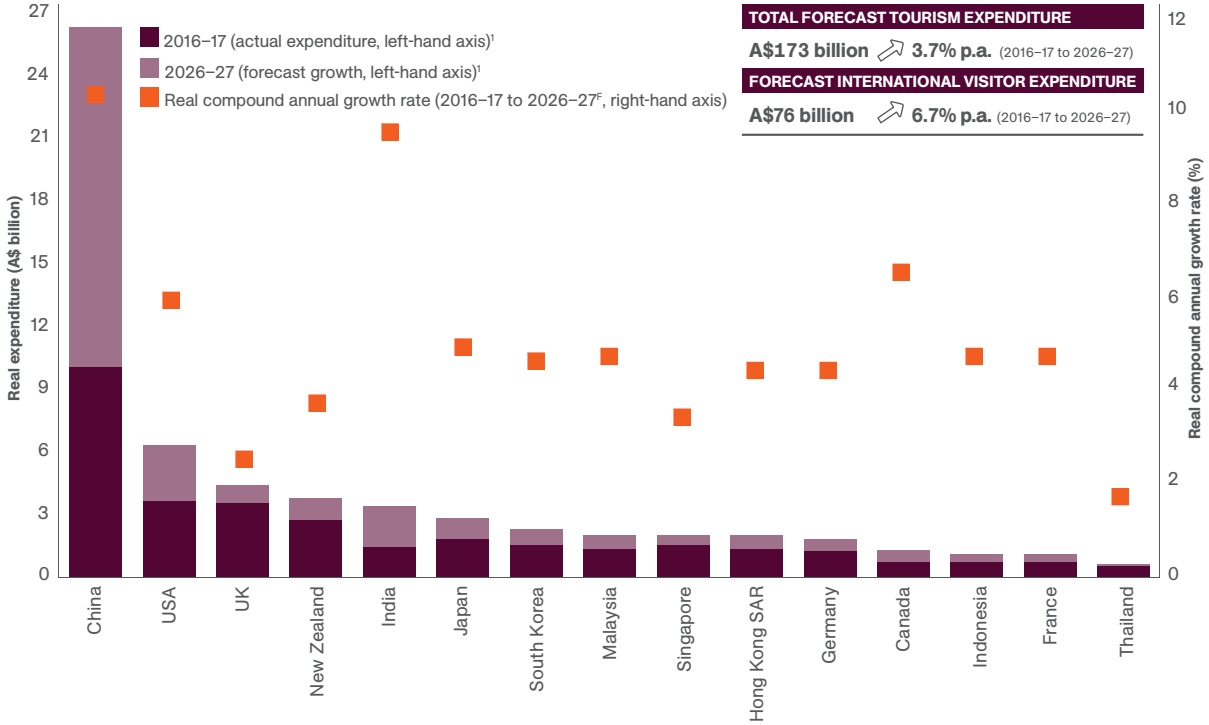


Sources: United Nations World Tourism Organization, Tourism Highlights 2017 Edition; International Monetary Fund, World Economic Outlook Database, October 2017; Austrade

RECORD LEVELS OF INTERNATIONAL TOURISM EXPENDITURE

Australia experienced record inbound tourism expenditure in 2016–17, driven by strong growth from China, Japan, India, Malaysia, Hong Kong SAR and other Asian countries. Collectively, the tourism expenditure of the top 10 Asian markets grew by eight per cent to A$22 billion – over half of Australia's tourism receipts. The outlook to 2026–27 remains robust, with overseas visitor real spending expected to rise by 6.7 per cent a year to reach A$76 billion. China, India, Japan and other Asian nations are forecast to represent around three-quarters of this growth.

AUSTRALIA'S INTERNATIONAL VISITOR EXPENDITURE BY MARKET



1. Real value growth from 2016–17 to 2026–27[F], (real, base = 2015–16); inbound expenditure includes prepaid international airfare and package; domestic expenditure includes tourism expenditure on domestic day trips and overnight trips.

Sources: Tourism Research Australia, Tourism Forecasts 2017, Tables A1 and A12 (released 2 August 2017); Austrade

03

INNOVATION AND SKILLS

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INNOVATION AND SKILLS

Australia's highly educated, multicultural and multilingual workforce has the smarts and skills to drive innovation and grow international businesses.

The country's services-based workforce has expertise in a range of sectors, including world-leading niche capabilities in new disruptive technologies such as automation, immersive simulation and quantum computing.

Australia recognises the contribution of science and innovation to the nation's growth, economic prosperity and ability to create jobs of the future. Its expenditure on R&D is one of the fastest growing in the world.

Ranked the fourth smartest country in the world by INSEAD, Australia is a nation of entrepreneurs. The Australian startup ecosystem is robust and growing, with strong capabilities in fintech, edtech, medtech and agtech.

International organisations have numerous opportunities to collaborate with Australian research institutions, invest in or incorporate Australian solutions into existing products, or enter into joint ventures to take them to the global market.

RECORD OF INNOVATION

Australia is an ingenious nation: the country invented the black box, penicillin for civilian use, high-speed wi-fi, the cervical cancer vaccine and Google Maps, among other innovations. Entrepreneurship is on the rise in Australia; it is one of nine OECD countries that recorded an increase in the number of new businesses between 2013 and 2017. Almost half of all Australian firms are innovation-active, laying the groundwork for future discoveries.

AUSTRALIA'S INNOVATION CREDENTIALS

3RD HIGHEST

NUMBER OF UNIVERSITIES IN THE **WORLD'S TOP 100**[1]

CSIRO RANKS IN THE

TOP 1%

OF THE WORLD'S **SCIENTIFIC INSTITUTIONS** IN 14 RESEARCH FIELDS[4]

RANKED 6TH

FOR ABILITY TO **COMPETE FOR TALENT**[2]

AROUND 45%

OF AUSTRALIAN FIRMS ARE **INNOVATION-ACTIVE**[5]

RANKED 7TH

FOR GLOBAL **ENTREPRENEURSHIP**[3]

OVER 40%

OF AUSTRALIA'S WORKFORCE HAS A **TERTIARY QUALIFICATION**[6]

Sources: 1. Shanghai Ranking Consultancy, Academic Ranking of World Universities 2017; 2. INSEAD, Global Talent Competitiveness Index 2017, January 2017; 3. Global Entrepreneurship and Development Institute, Global Entrepreneurship Index 2017, November 2016; 4. CSIRO Annual Report 2016–17; 5. Department of Innovation, Industry and Science, Australian Innovation System Report, November 2016; 6. Australian Bureau of Statistics, Cat. No. 62270DO001_201505 Education and Work, Australia, May 2016, Table 10 (released 29 November 2016)

AN INNOVATIVE, HIGHLY EDUCATED NATION

Australia has a highly educated workforce with the skills to service a diverse range of industries. Australia's knowledge- and technology-intensive industries add more value to its economy than the knowledge- and technology-intensive industries of France, Germany, Japan and South Korea. The quality of Australia's infrastructure, human capital and research, and scientific research institutions are ranked in the world's top 10.

SKILLED WORKFORCE AND INNOVATION INDICATORS – 2017

	Australia	USA	UK	France	Germany	Japan	South Korea	China	India	Singapore
WEF Global Competitiveness Report 2017–18 Ranking[a] in:										
Secondary Education Enrolment Rate	**4**	57	9	20	36	41	53	66	97	25
Tertiary Education Enrolment Rate	**5**	9	46	38	32	39	3	67	88	4
Internet Access in Schools	**5**	10	17	43	31	29	15	50	51	1
Mobile Broadband Subscriptions	**6**	11	27	38	40	5	14	59	124	4
Quality of Scientific Research Institutions	**10**	5	2	7	11	14	32	36	35	12
IMD World Competitiveness Yearbook 2017 Ranking[b] in:										
Value Added of Knowledge & Technology Intensive Industries	**8**	2	5	9	16	17	30	36	39	3
Attractiveness of Business Environment to Foreign Personnel	**8**	4	12	33	16	51	48	34	36	3
Educational System (Meets Needs of a Competitive Economy)	**14**	25	26	22	9	30	42	34	37	6
The Global Innovation Index 2017 Ranking[c] in:										
Human Capital and Research	**9**	13	6	12	10	14	2	25	64	5
Infrastructure	**7**	21	5	12	20	9	13	27	73	2
UNDP's Human Development Report 2016 Ranking[d] in:										
Human Development Index	**2**	10	16	21	4	17	18	90	131	5

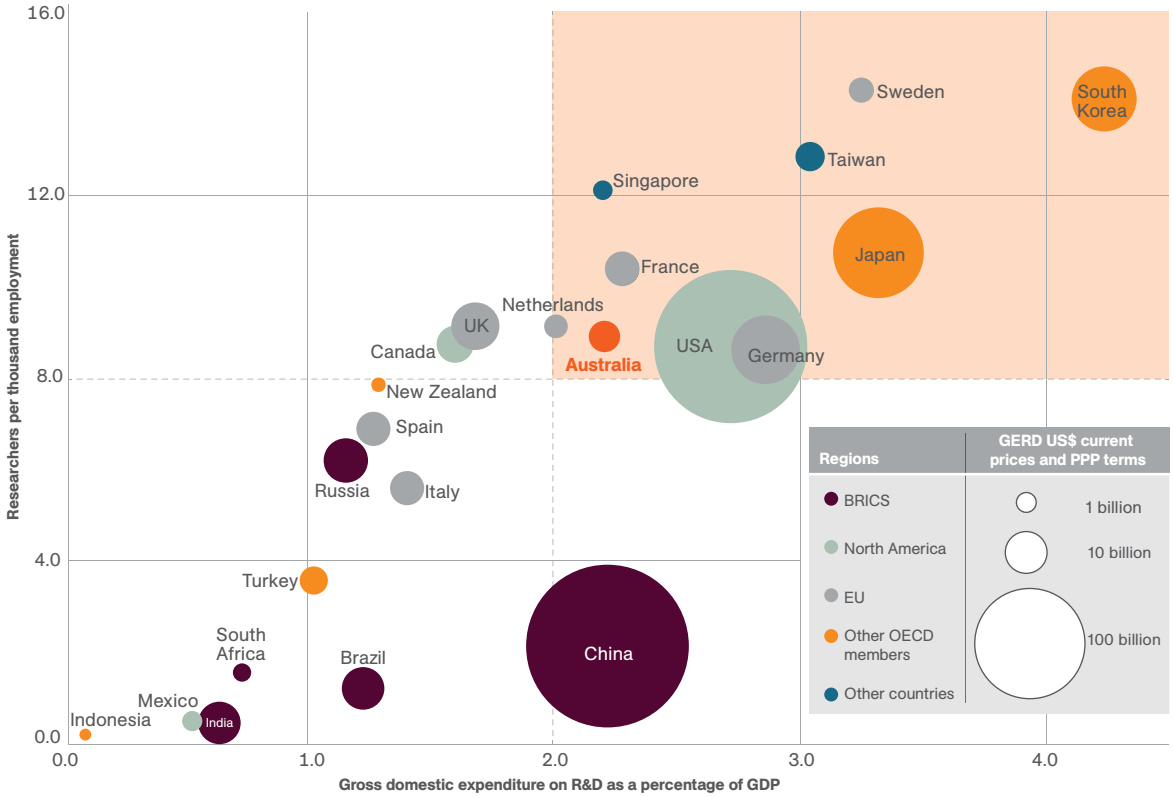
Sources: (a) World Economic Forum, Switzerland and Harvard University, Global Competitiveness Report 2017–18 (September 2017, 137 economies); (b) International Institute for Management Development, Switzerland, IMD World Competitiveness Yearbook 2017 (May 2017, 62 economies); (c) Cornell University, INSEAD and the World Intellectual Property Organization, Global Innovation Index 2017 (published 15 June 2017); (d) The United Nations Development Programme, Human Development Report 2016 (published 31 March 2017, 188 economies); Austrade

LEADING ECONOMY FOR R&D EXPENDITURE

Innovation and science are major contributors to Australia's economic, cultural and social advancement. In 2017–18, the Australian Government is investing A$10.3 billion in research and experimental development. Australia's R&D expenditure places it among the world's leading innovative countries, including the USA, Japan, Germany and South Korea. Australia's gross R&D expenditure has increased on average by 8.5 per cent a year in real terms since 2000, well above the OECD average growth rate of 4.8 per cent.

WORLD OF RESEARCH AND DEVELOPMENT

Size of circle reflects the relative amount of annual gross domestic expenditure on R&D (GERD) in US$ current prices and purchasing power parity terms



Note: GERD % of GDP and GDP PPP refer to 2015 except for Australia, Indonesia and South Africa (2013), Brazil, Canada, Singapore and Turkey (2014). Researchers' data is full-time unit and refer to 2015 except for Indonesia (2009), Australia and Brazil (2010), Canada, Mexico, New Zealand, South Korea and South Africa (2013), France, Singapore, Turkey and USA (2014). For Taiwan, data is provided by the OECD, Main Science and Technology Indicators Database.

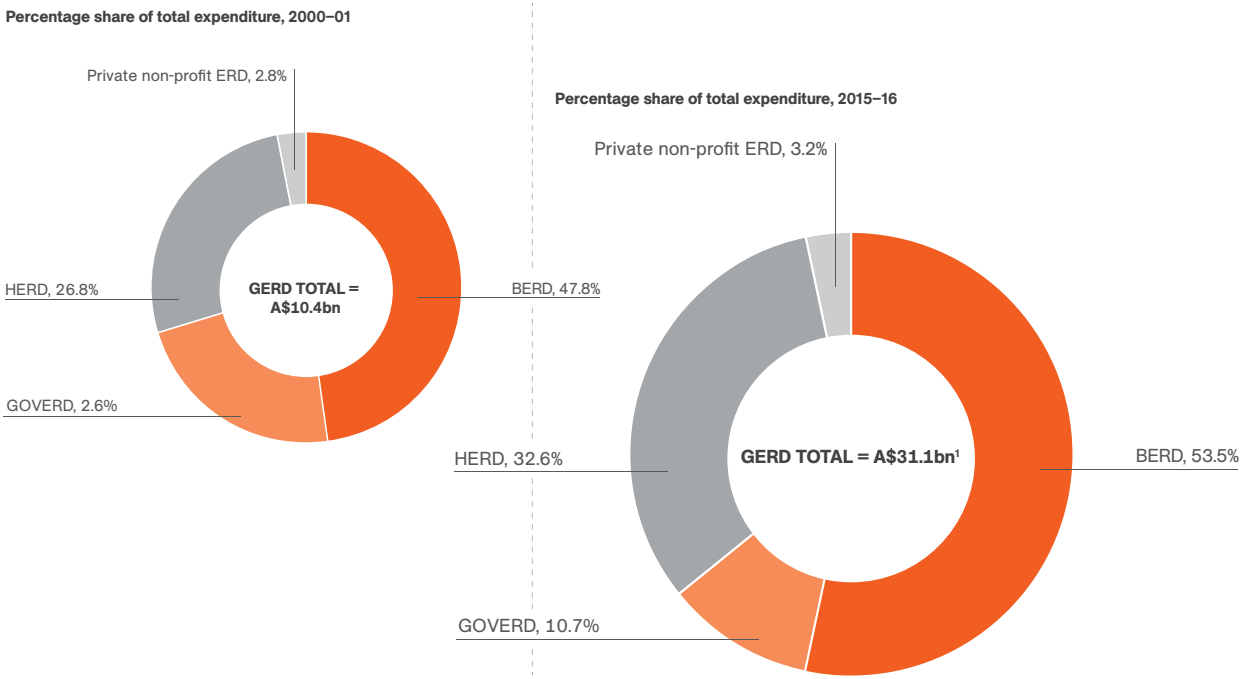
Sources: UNESCO Institute for Statistics, Science, Technology and Innovation Database, July 2017, UIS.Stat (http://data.uis.unesco.org/); Austrade

AUSTRALIAN INDUSTRY DRIVES R&D EXPENDITURE

Australia's annual gross expenditure on R&D is one of the fastest-growing in the world, having risen 8.5 per cent per annum between 2000–01 and 2015–16. Business expenditure on R&D accounts for 54 per cent of Australia's total R&D expenditure, expanding from A$5 billion in 2000–01 to about A$17 billion in 2015–16 – a compound annual growth rate of eight per cent since 2001.

AUSTRALIA'S GROSS EXPENDITURE ON RESEARCH AND DEVELOPMENT

Compound annual growth rate of Australia's GERD total from 2000–01 to 2015–16 = 7.6%



GERD = Gross expenditure on research and development; **BERD** = Business expenditure on R&D; **GOVERD** = Government expenditure on R&D; **HERD** = Higher Education expenditure on R&D; **Private non-profit ERD** = Private non-profit expenditure on R&D.

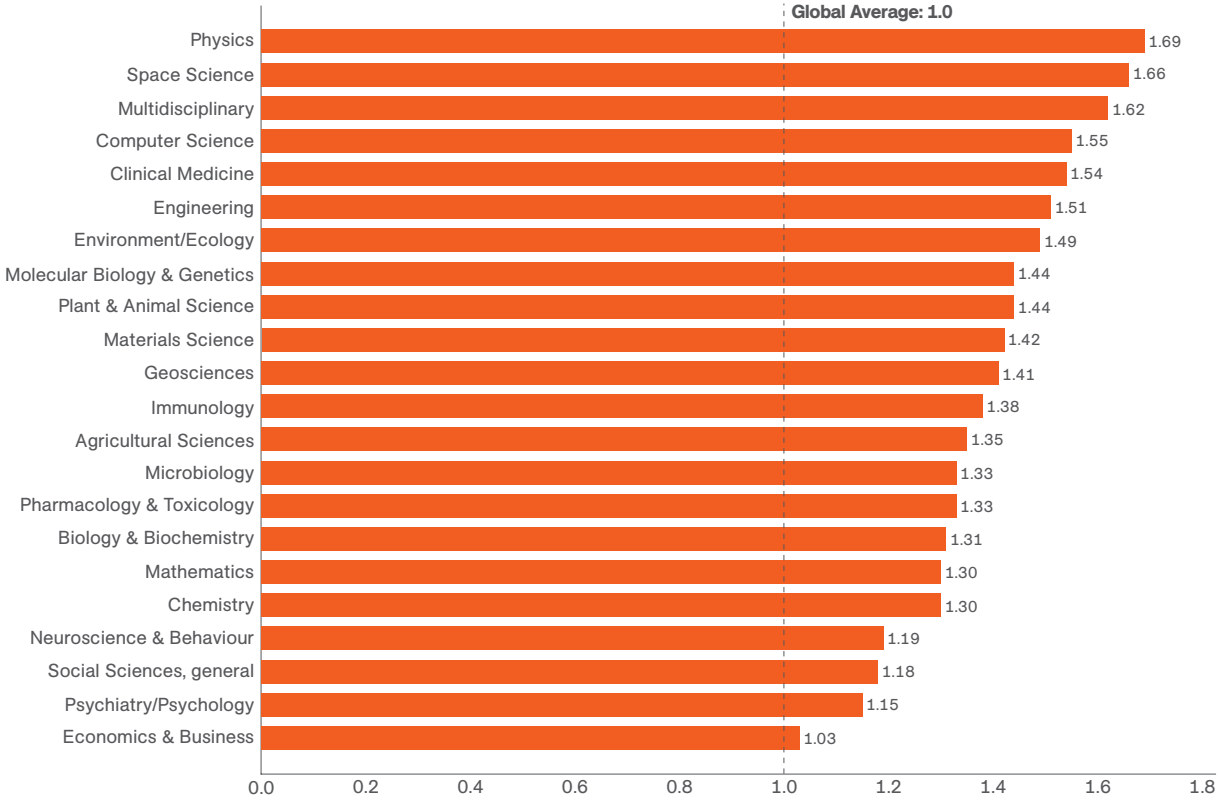
1. 2015–16 GERD total was estimated based on 2015–16 data for BERD, 2014 data for HERD, and 2014–15 figures for GOVERD and for Private non-profit ERD.

Sources: Australian Bureau of Statistics, Cat. No. 8104.0 Research and Experimental Development, Businesses, Australia, 2015–16 (released 15 September 2017); ABS Cat. No. 8109.0 Research and Experimental Development, Government and Private Non-Profit Organisations, Australia, 2014–15 (released 6 July 2016); ABS Cat. No. 8111.0 Research and Experimental Development, Higher Education Organisations, Australia, 2014 (released 17 May 2016); Austrade

AUSTRALIAN SCIENTIFIC RESEARCH HAS MAJOR IMPACT

Australia's scientific research publications averaged a relative impact of at least 20 per cent above the global average in almost 82 per cent of the 22 scientific research fields in the Essential Science Indicators classification. Australia's seven strongest categories of published research – physics, space science, multidisciplinary, computer science, clinical medicine, engineering and environment/ecology – reflect the country's diverse research interests.

RELATIVE IMPACTS OF AUSTRALIAN SCIENTIFIC PUBLICATIONS BY RESEARCH FIELD – 2012–16



Sources: InCitesTM, Clarivate Analytics. Data as at 9 September 2017, accessed 24 October 2017; Austrade

TOP RANKING ACADEMIC INSTITUTIONS

Australia has six universities in the top 100 in the Academic Ranking of World Universities (ARWU) 2017: the University of Melbourne, the University of Queensland, Monash University, the University of Sydney, the University of Western Australia and the Australian National University. The number of Australian universities listed on the ARWU top 500 rankings has increased from 14 in 2004 to 23 in 2017.

ACADEMIC RANKING OF WORLD UNIVERSITIES 2017

	Country	Top 100	Top 200	Top 300	Top 400	Top 500
1	USA	48	70	99	119	135
2	UK	9	20	28	34	38
3	**Australia**	**6**	**10**	**14**	**21**	**23**
4	Switzerland	5	7	7	7	8
5	Germany	4	15	22	26	37
6	Netherlands	4	9	10	12	12
7	Canada	4	8	11	17	19
8	France	3	9	14	17	20
9	Japan	3	7	9	13	17
10	Sweden	3	5	9	10	11
11	China[1]	2	13	25	44	57
12	Belgium	2	4	6	7	7
13	Denmark	2	3	4	5	5
14	Israel	1	4	4	4	6
15	Norway	1	2	3	3	3
16	Singapore	1	2	2	2	2
17	Finland	1	1	1	2	5
18	Russia	1	1	1	2	3
19	Italy	–	2	7	12	16
20	Austria	–	2	3	3	4
21	Saudi Arabia	–	2	3	3	4
22	South Korea	–	1	6	7	12
	Top 23 to 53 Countries	**–**	**3**	**12**	**30**	**56**
	Total	**100**	**200**	**300**	**400**	**500**

1. Including Hong Kong SAR, Macau SAR and Taiwan.

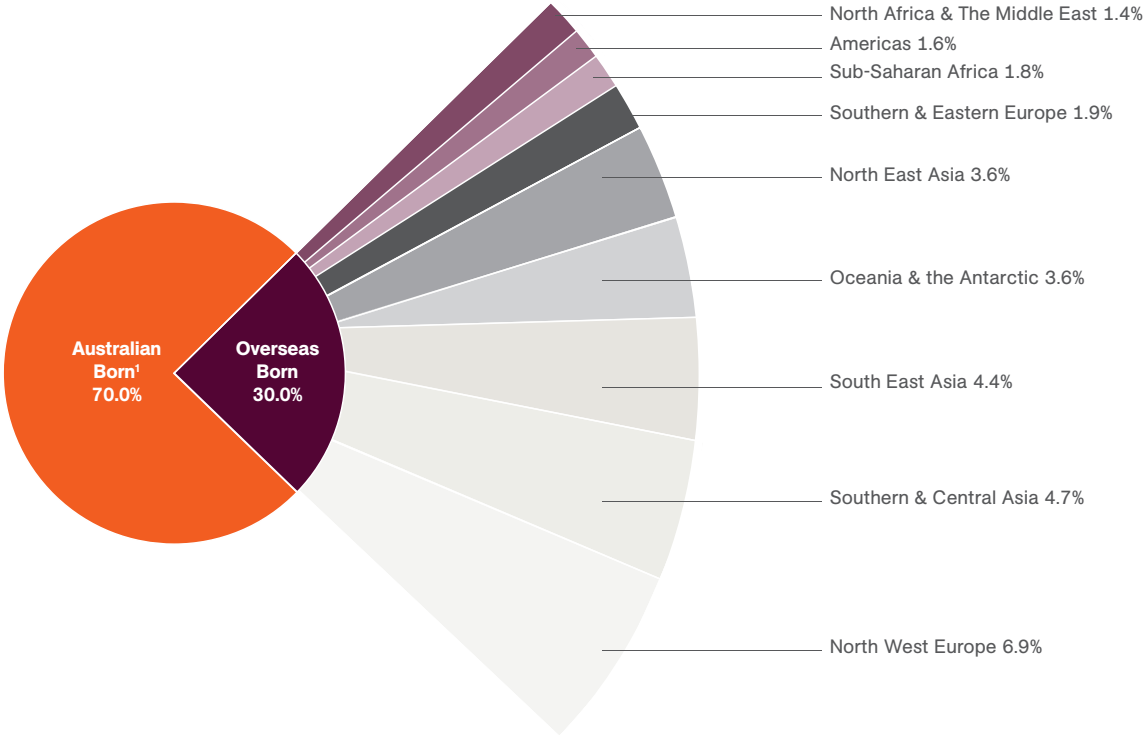
Sources: The Academic Ranking of World Universities, The Center for World-Class Universities at Shanghai Jiao Tong University (CWCU) (http://www.shanghairanking.com/index.html); Austrade

CULTURALLY DIVERSE LABOUR FORCE

Almost 30 per cent of Australia's 12.2 million-strong employed persons was born overseas. Many foreign-born employees are from Asia or Europe, enriching Australia's reputation for culturally diverse workplaces and boosting the nation's competitive edge in international business.

AUSTRALIA'S EMPLOYED PERSONS BY BIRTHPLACE – 2017

Total employed persons as at August 2017: 12.2 million



1. Australia figure includes External Territories and data inadequately described.

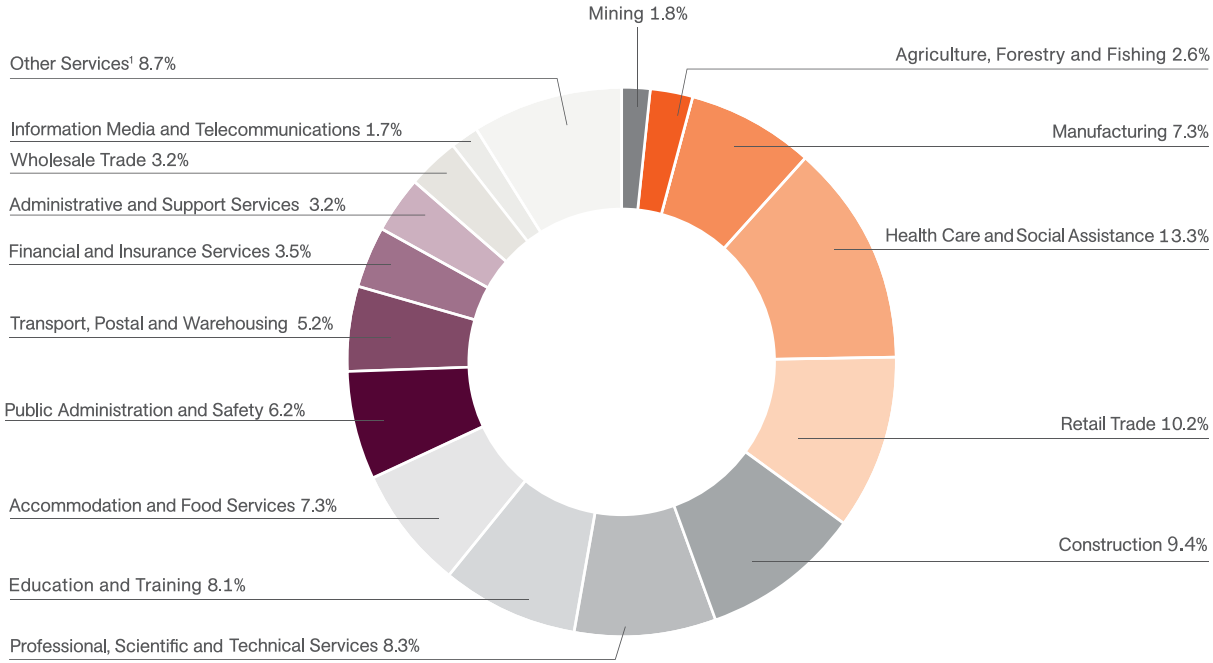
Sources: Australian Bureau of Statistics, Cat. No. 6291.055.001 – Labour Force, Australia, Detailed – Electronic Delivery, August 2017, data cubes LM5 (released 21 September 2017); ABS, Cat. No. 62270DO001_201705 Education and Work, Australia, May 2017, Table 14 (released 6 November 2017); Austrade

DIVERSIFIED, SERVICES-BASED WORKFORCE

Eighty-eight per cent of Australians are employed in the services sector. Over 40 per cent or five million people work in sectors where tertiary education is standard for many employees, including education and training; professional, scientific and technical services; financial and insurance services; health care; information media and telecommunications; and public administration.

AUSTRALIA'S EMPLOYED PERSONS BY INDUSTRY – 2017

Total employed persons: 12.3 million, August 2017, trend terms



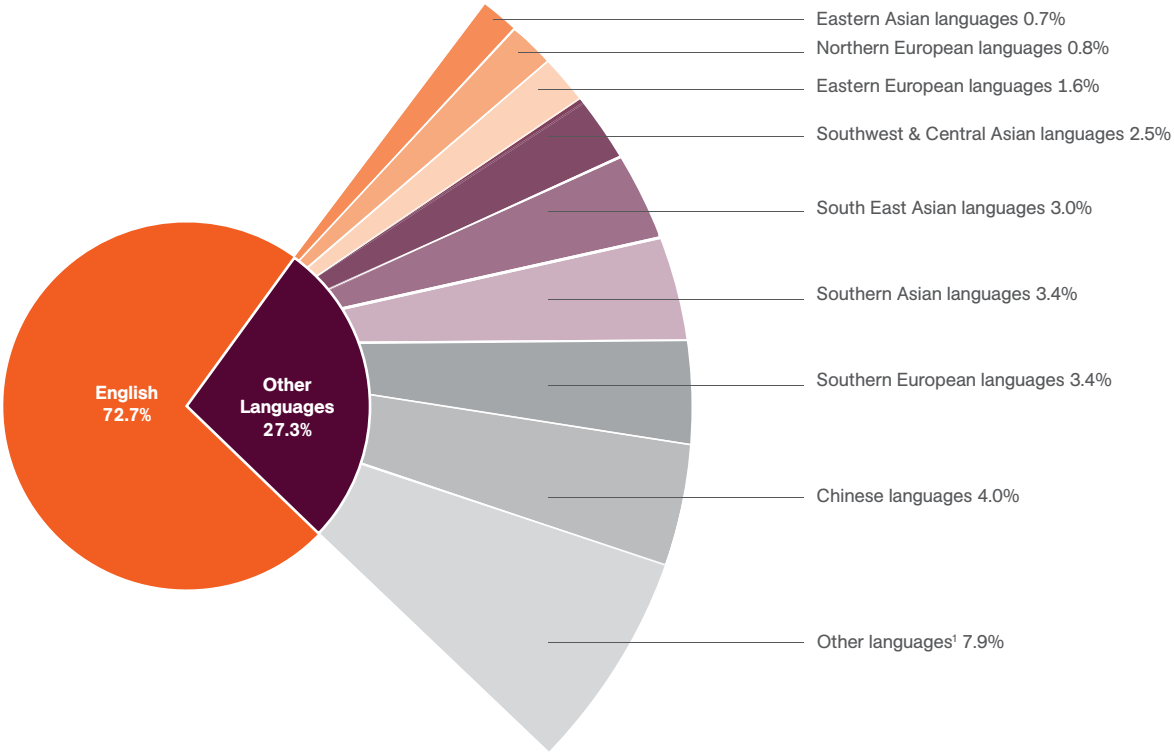
1. Including Arts and Recreation Services (1.9%), Rental, Hiring and Real Estate Services (1.7%), Electricity, Gas, Water and Waste Services (1.0%) and Other (4.0%).

Sources: Australian Bureau of Statistics, Cat. No. 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, Table 4. Employed persons by industry division of main job (ANZSIC) – Trend, Seasonally Adjusted and Original Time Series Workbook (released 21 September 2017); ABS, Cat. No. 62270DO001_201705 Education and Work, Australia, May 2017, Table 14 (released 6 November 2017); Austrade

A MULTILINGUAL POPULATION

International companies can tap into a multilingual workforce across Australia. Twenty-seven per cent (or 6.4 million) of the nation's population speak an Asian or European language. Almost 3.2 million (or one in seven) Australians speak an Asian language – more than 900,000 speak a Chinese language and 800,000 speak a Southern Asian language – and 1.4 million Australians speak a European language.

MAJOR LANGUAGES SPOKEN IN AUSTRALIAN HOMES – 2016



1. Including Australian Indigenous languages (64,763) & languages not stated (1.5 million) spoken in Australian homes in the 2016 Census.

Sources: Australian Bureau of Statistics, 2016 Population Census; Austrade

04

GLOBAL TIES

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Services Attract Growing Foreign Direct Investment	44
Expanding Network of Free Trade Agreements	45

GLOBAL TIES

Australia is a globally integrated economy. The country continues to play an integral role in Asia's dynamic economic growth and is a trusted economic partner globally.

Close to Asia's home markets, Australia's experience and trade agreements facilitate the smooth flow of goods, services and investments with major economies across Asia, Europe and North America.

International companies can tap into Australia's deep business and cultural ties with Asia to expand into or enter global value chains across the region.

A top destination for international investment, Australia's inwards foreign direct investment continues to grow, driven in part by rising contributions from the Asian region.

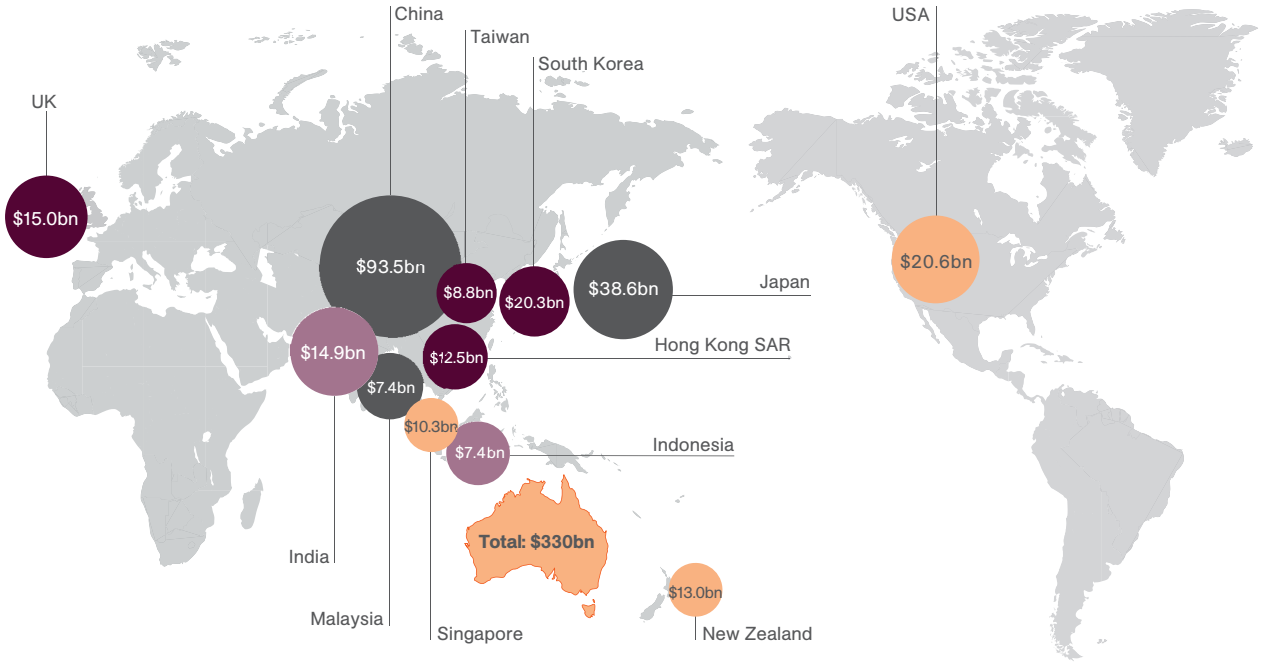
Australia's location bridges the world's major time zones, offering 24-hour access for organisations with round-the-clock operations.

AUSTRALIA'S TOP 12 EXPORT MARKETS

Australia's integration with the dynamic Asian region is driving wealth creation and overall economic growth. Of the top 12 export markets in 2016, 10 were in the Asian region and all were rated above investment-grade. Their combined value was around A$227 billion, making up more than two-thirds of Australia's total goods and services export earnings of A$330 billion in 2016.

AUSTRALIA'S TOP 12 GOODS AND SERVICES EXPORT MARKETS – 2016

A$, as at 2016



● Aaa ● Aa (Aa1, Aa2, Aa3) ● A (A1, A3) ● Baa (Baa3)

Source: Government Bond Ratings – Foreign Currency (Moody's, 10 November 2017)

Note: The Asian region is defined as Asia, ASEAN and Oceania.

Sources: Department of Foreign Affairs and Trade, Trade, investment and economic statistics, Australia's trade in goods and services; Austrade

STRONG TWO-WAY TRADE

Australia's two-way trade in goods and services in 2016 totalled A$673 billion, making up about 40 per cent of nominal GDP. The Asian region accounted for 62 per cent of Australia's total trade in 2016, with a compound annual growth rate of 5.6 per cent since 2006. Nine of Australia's 12 largest markets – with a total trade value of around A$373 billion – are within the region, reflecting the nation's competitive location and growing economic ties with the fast-growing region.

AUSTRALIA'S EXPORTS AND IMPORTS OF GOODS AND SERVICES[1,2]

Current price – goods on a recorded trade basis; services on a balance of payments basis

Rank	Selected Economies	A$ billion 2015	A$ billion 2016	% Share of Total 2016	Cumulative % Share 2016	% Growth 2015 to 2016	% Growth 5-year Trend
1	China	149.7	155.6	23.1	23.1	4.0	5.6
2	USA	70.2	64.3	9.6	32.7	-8.5	4.5
3	Japan	65.0	61.1	9.1	41.8	-6.0	-3.2
4	South Korea	36.1	32.2	4.8	46.6	-10.8	1.1
5	UK	23.2	29.1	4.3	50.9	25.5	2.9
6	New Zealand	24.0	24.8	3.7	54.6	3.5	3.4
7	Singapore	25.7	22.7	3.4	58.0	-11.6	-3.4
8	Thailand	20.8	21.2	3.2	61.1	2.3	3.1
9	India	19.8	21.0	3.1	64.2	6.1	1.1
10	Germany	18.6	20.2	3.0	67.2	8.8	4.5
11	Malaysia	19.1	17.6	2.6	69.9	-7.7	2.5
12	Hong Kong SAR	15.6	16.3	2.4	72.3	4.7	13.0
	Other	180.7	186.5	27.7	100.0	3.2	–
	Total all countries	**668.3**	**672.7**	**100.0**	**–**	**0.6**	**1.9**
	APEC[3]	**486.6**	**478.9**	**71.2**	**–**	**-1.6**	**2.5**
	ASEAN	**95.9**	**93.2**	**13.8**	**–**	**-2.8**	**1.5**
	European Union[4]	**89.3**	**98.3**	**14.6**	**–**	**10.1**	**2.4**
	OECD[3,4]	**304.1**	**301.0**	**44.8**	**–**	**-1.0**	**1.4**

1. All data is on a balance of payments basis, except for goods by country which are on a recorded trade basis. **2.** May exclude selected confidential export or import commodities from partner country totals as well as for the country groups. Refer to the DFAT website (http://dfat.gov.au/about-us/publications/trade-investment/Pages/dfat-adjustments-to-abs-official-trade-data.aspx) for more information and a list of the commodities excluded. **3.** Includes DFAT estimate for the USA for 2016.
4. Includes DFAT estimate for France from 2011 to 2016.

Note: The Asian region is defined as Asia, ASEAN and Oceania. Totals may not always add up exactly due to rounding.

Sources: Department of Foreign Affairs and Trade (DFAT), Data was based on DFAT STARS database, ABS Cat. No. 5368.0 (Jun-2017) & 536830.55.004 and unpublished ABS data; Austrade

SUCCESSFUL TRADING ECONOMY

Australia's export volumes have increased as the inflow of foreign direct investment over the past decade translates into new production capacity. The export value of goods and services improved in 2016, with robust growth in mineral and fuel exports. Services exports increased by over nine per cent in 2016 and contributed A$71 billion to export earnings, thanks to strong growth in education and tourism services.

AUSTRALIA'S TRADE BY BROAD SECTOR AND TOP 10 GOODS AND SERVICES

Australia's Trade by Broad Sector[1]

	(A$ billion) 2015	2016	% Change 2015–16
Exports of goods and services	**315.7**	**330.3**	**4.6**
Goods exports	**250.4**	**259.1**	**3.5**
Rural goods	**45.1**	**42.5**	**-5.8**
Meat & meat preparations	13.1	11.1	-15.6
Cereal grains & cereal preparations	9.3	7.6	-18.8
Wool & sheepskins	3.3	3.4	3.1
Other rural	19.3	20.4	5.7
Non-rural goods	**189.5**	**196.1**	**3.5**
Minerals and fuels	133.3	140.4	5.3
Manufactures	44.5	43.7	-1.8
Other non-rural (incl. sugar & beverages)	10.2	10.4	2.2
Goods procured in ports by carriers	1.5	1.6	2.4
Other goods[3]	**15.8**	**20.5**	**29.7**
Services exports	**65.2**	**71.2**	**9.2**
Imports of goods & services	**352.7**	**342.4**	**-2.9**
Goods imports	275.8	266.9	-3.2
Services imports	76.8	75.5	-1.7
Two-way trade	**668.3**	**672.7**	**0.6**

Top 10 Commodities (Goods and Services)[2]

	(A$ billion) 2015	2016	% Change 2015–16
Exports of goods and services			
1 Iron ores & concentrates	49.1	53.8	9.5
2 Coal[4]	37.0	42.3	14.3
3 Education-related travel services[5]	18.7	22.0	17.7
4 Gold	14.5	18.9	30.0
5 Natural gas	16.4	17.9	8.9
6 Personal travel (excl. education) services	15.3	17.4	13.8
7 Beef, f.c.f.[6]	9.3	7.4	-20.4
8 Aluminium ores & conc (incl. alumina)	7.5	6.5	-13.8
9 Wheat	5.8	4.9	-16.5
10 Professional services	5.1	4.8	-5.8
Imports of goods and services			
1 Personal travel (excl. education) services	27.0	28.5	5.4
2 Passenger motor vehicles	20.4	21.4	5.1
3 Refined petroleum	18.4	14.9	-19.4
4 Telecommunication equipment & parts	11.7	12.0	2.5
5 Freight transport services	10.2	8.8	-14.2
6 Crude petroleum	9.4	8.0	-15.2
7 Medicaments (incl. veterinary)	7.3	7.6	4.5
8 Goods vehicles	6.7	7.5	11.9
9 Gold	4.5	7.5	67.6
10 Computers	8.5	7.3	-13.2

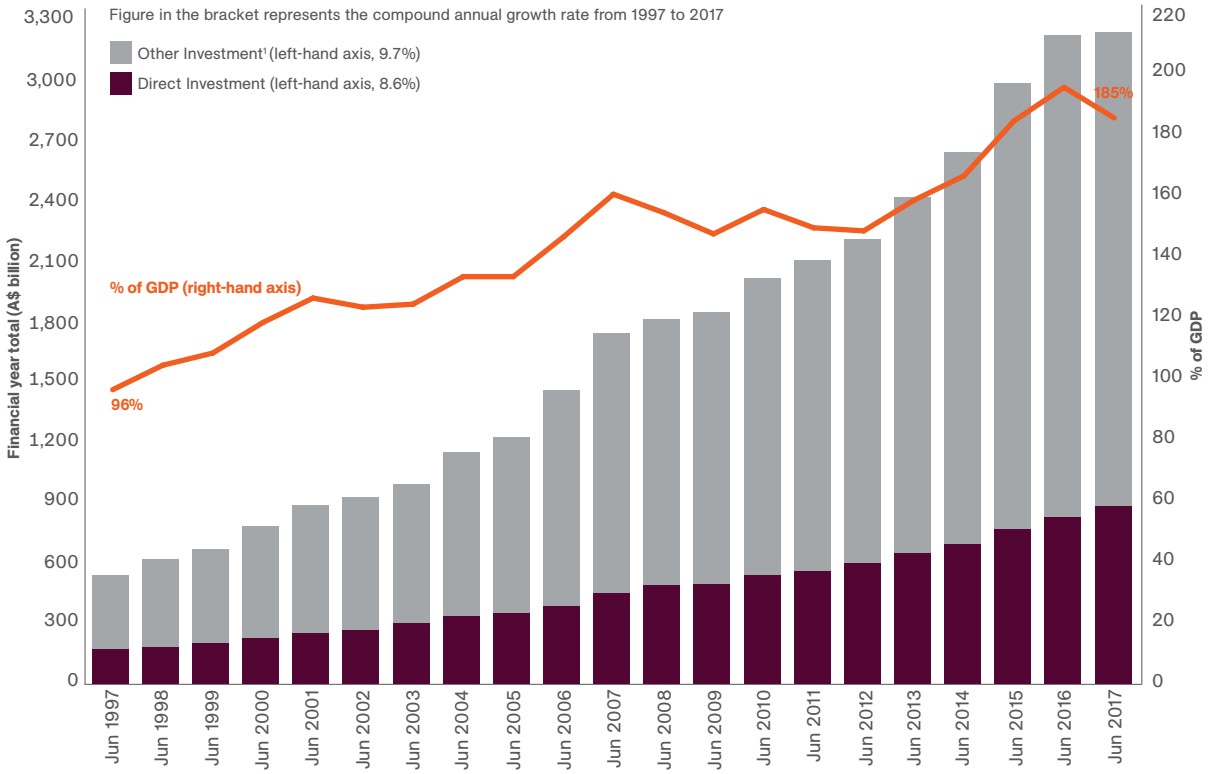
1. Balance of payments basis. Based on ABS Cat. No. 5302.0. **2.** Goods trade is on a recorded trade basis, Services trade is on a balance of payments basis.
3. Net exports of goods under merchanting plus non-monetary gold. **4.** Includes BOP adjustment for 2016. **5.** Includes student expenditure on tuition fees and living expenses.
6. f.c.f = fresh, chilled or frozen. **Note:** Totals may not always add up exactly due to rounding.

Sources: Department of Foreign Affairs and Trade (DFAT), Data was based on DFAT STARS database, ABS Cat. No. 5368.0 (Jun-2017) & 536830.55.004 and unpublished ABS data; Austrade

HIGH-GROWTH DESTINATION FOR FOREIGN INVESTMENT

Australia presently hosts around A$3.3 trillion of foreign investment stock. Both foreign direct investment and other investment (including portfolio investment) have recorded strong growth, up 8.6 per cent and 9.7 per cent on average each year respectively since 1997. As a percentage of GDP, Australia's total value of foreign investment stock reached 185 per cent in June 2017, double that of two decades ago.

TOTAL FOREIGN INVESTMENT STOCK IN AUSTRALIA – 1997–2017



1. Other investment is the balance of total investment less direct investment. As such, it represents portfolio investment, financial derivatives and other investment categories from the source ABS data.

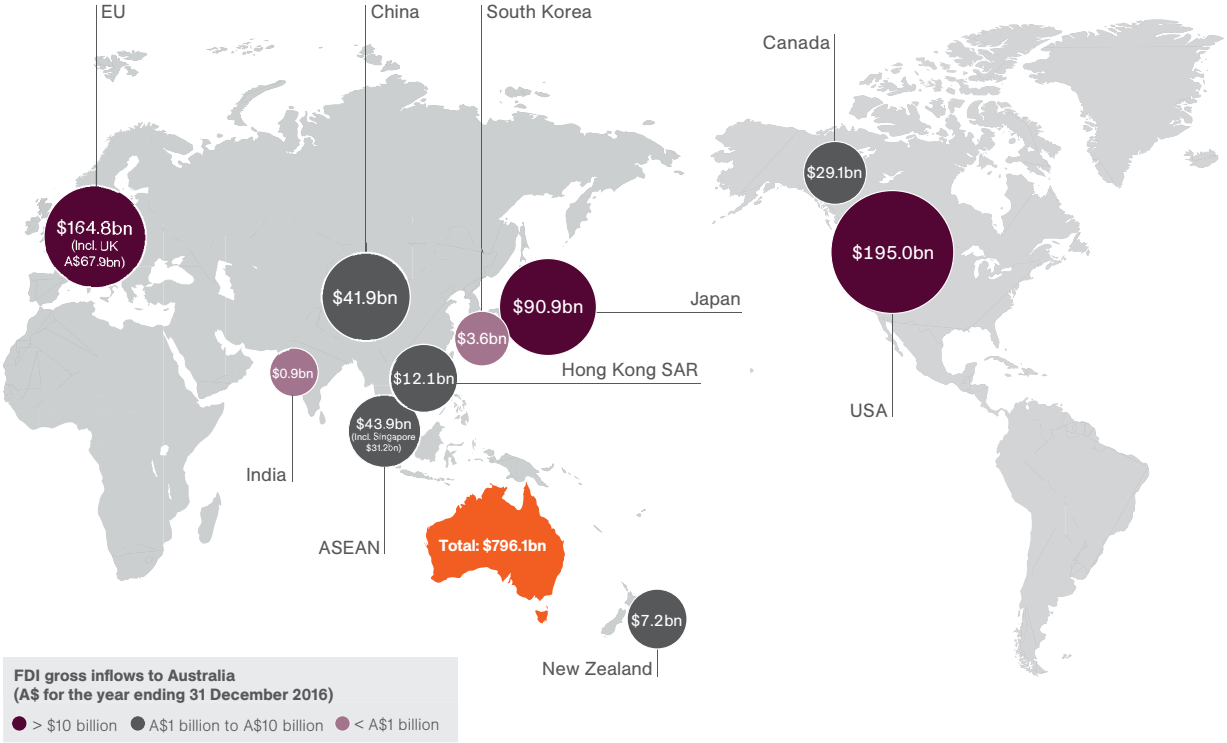
Sources: Australian Bureau of Statistics (ABS), Cat. No. 5302.0 Balance of Payments and International Investment Position, Australia, Table 15. International Investment: Foreign Liabilities – Quarter (latest issue released 5 September 2017); ABS Cat. No. 5206.0 Australian National Accounts: National Income, Expenditure and Product, June 2017, Table 34. Key aggregates and analytical series, Annual (latest issue released 6 September 2017); Austrade

LARGE FOREIGN DIRECT INVESTMENT STOCK

Australia is one of the world's top destinations for foreign direct investment (FDI) stock, receiving a 2.2 per cent share of the global stock of FDI in 2016. According to UNCTAD's World Investment Report, Australia was the world's eighth most popular destination for global FDI flows in 2016 (up from 16th in 2015). The country's FDI stock continue to grow on the back of stable economic expansion and integration with trading partners, particularly the Asian region.

FOREIGN DIRECT INVESTMENT STOCK IN AUSTRALIA

A$, as at December 2016



Note: FDI stock measures the total level of direct investment into Australia from a given country as at 31 December 2016. Gross FDI flows represent the quantum of new investment received during 2016 through cross-border direct investment transactions and reinvested earnings from existing investors.

Sources: Department of Foreign Affairs and Trade, International Investment Australia, 2016; Australian Bureau of Statistics, Cat.No. 5352.0 – International Investment Position, Australia; Supplementary Statistics, 2016 (released 10 May 2017); Austrade

ASIA: A GROWING SOURCE OF FOREIGN DIRECT INVESTMENT

After a seven per cent rise per year in 2014 and 2015, Australia's inward FDI stock value grew by around nine per cent to A$796 billion in 2016. Traditional sources of FDI continued to perform well: the USA, Japan and the European Union remain dominant sources of FDI. In recent years, there has been a solid increase in capital inflows from Asia, particularly China and the ASEAN region, reflecting Australia's close ties to these important economies.

MAIN SOURCES OF FOREIGN DIRECT INVESTMENT (FDI) STOCK IN AUSTRALIA, 2010–16

Ranking by Economy in 2016		A$ billion 2010	2011	2012	2013	2014	2015	2016	% Share 2016	% Change 2015–16	% CAGR 2010–16	Growth (A$ billion)
1	USA	110.3	115.5	131.1	152.4	163.3	182.8	195.0	24.5	6.7	10.0	84.7
2	Japan	51.1	54.9	64.3	67.8	71.3	85.8	90.9	11.4	5.9	10.1	39.8
3	UK	53.7	66.1	72.9	79.3	78.4	64.7	67.9	8.5	4.9	4.0	14.2
4	Netherlands	27.6	29.7	30.0	29.7	40.1	47.8	50.4	6.3	5.3	10.5	22.8
5	China	12.9	14.5	16.5	23.4	31.9	36.2	41.9	5.3	15.7	21.7	29.0
6	Singapore	18.7	19.9	22.4	23.3	27.9	29.2	31.2	3.9	7.0	8.9	12.5
7	Canada	14.9	19.0	21.0	16.9	22.7	24.8	29.1	3.6	17.3	11.8	14.2
8	Bermuda	7.5	5.8	6.7	10.0	28.6	23.3	22.7	2.9	-2.4	20.4	15.3
9	British Virgin Islands	np	np	19.3	np	np	21.5	21.5	2.7	0.2	na	na
10	Germany	16.8	14.1	13.6	13.5	15.8	17.0	19.5	2.5	15.0	2.5	2.7
11	Hong Kong SAR	6.6	7.6	7.4	7.9	9.6	12.1	12.1	1.5	-0.4	10.5	5.5
12	Malaysia	3.7	np	7.1	9.1	9.6	10.8	11.4	1.4	5.1	20.8	7.7
13	Switzerland	20.9	22.9	22.5	19.0	7.9	9.1	9.5	1.2	4.2	-12.3	-11.4
14	New Zealand	6.4	5.3	4.3	5.1	5.1	5.6	7.2	0.9	28.8	1.9	0.8
15	Luxembourg	1.5	3.4	4.2	2.4	2.5	2.3	5.9	0.7	152.6	26.3	4.5
	FDI stock – All economies	**518.6**	**546.4**	**591.2**	**641.7**	**685.1**	**733.5**	**796.1**	**100.0**	**8.5**	**7.4**	**277.5**
	APEC	**231.0**	**247.8**	**279.0**	**312.3**	**348.0**	**391.2**	**423.8**	**53.2**	**8.3**	**10.6**	**192.8**
	ASEAN	**25.8**	**28.0**	**32.7**	**37.1**	**42.1**	**41.9**	**43.9**	**5.5**	**4.8**	**9.3**	**18.1**
	European Union	**133.8**	**138.0**	**144.3**	**148.2**	**154.5**	**153.9**	**164.8**	**20.7**	**7.1**	**3.5**	**31.0**
	OECD	**340.6**	**358.5**	**390.2**	**412.4**	**427.9**	**464.9**	**500.7**	**62.9**	**7.7**	**6.6**	**160.1**
	FDI stock – All countries % GDP	**38.2**	**37.5**	**39.2**	**41.2**	**42.7**	**44.9**	**47.0**				

ASEAN = The Association of Southeast Asian Nations; **CAGR** = compound annual growth rate from 2010 to 2016; **np** = not available for publication but included in totals where applicable, unless otherwise indicated; **na** = not applicable

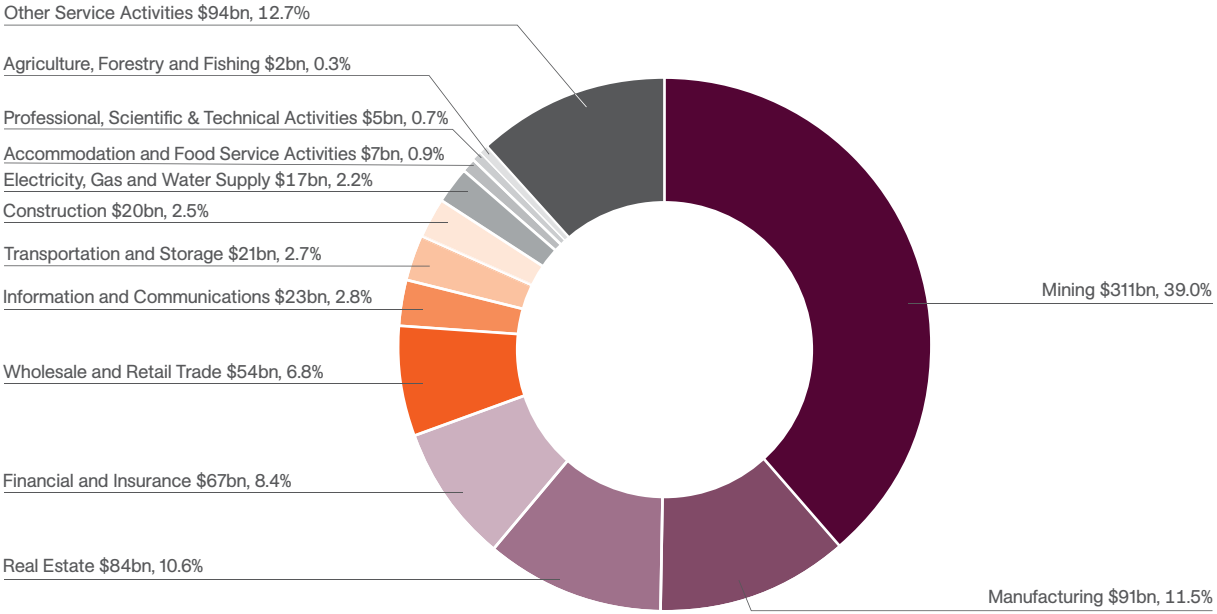
Sources: Australian Bureau of Statistics, Cat. No. 5352.0 – International Investment Position, Australia: Supplementary Statistics, 2016 (released 10 May 2017), Table 2. Foreign Investment in Australia: Level of Investment by Country and Country Groups by type of investment and year; Austrade

SERVICES ATTRACT GROWING FOREIGN DIRECT INVESTMENT

Half of Australia's A$796 billion of foreign direct investment (FDI) stock in 2016 was invested in service-driven sectors. The sectors experiencing the most significant growth in FDI stock between 2015 and 2016 were real estate (up 45 per cent to A$84 billion), construction (13 per cent to A$20 billion) and professional, scientific and technical activities (19 per cent to A$5 billion). Mining and manufacturing accounted for the other 50 per cent of Australia's FDI stock in 2016.

FOREIGN DIRECT INVESTMENT STOCK IN AUSTRALIA BY INDUSTRY – VALUE AND PERCENTAGE SHARE

Total value: A$796 billion in 2016



Note: Other Service Activities includes Administrative & Support Service Activities ($4bn); Human Health and Social Work Activities ($3bn); Public Administration, Activities of Households & Extraterritorial Organisations (np); Education (np); Arts, Entertainment & Recreation (np); Other Service Activities (np); and Unallocated Industries ($79bn).

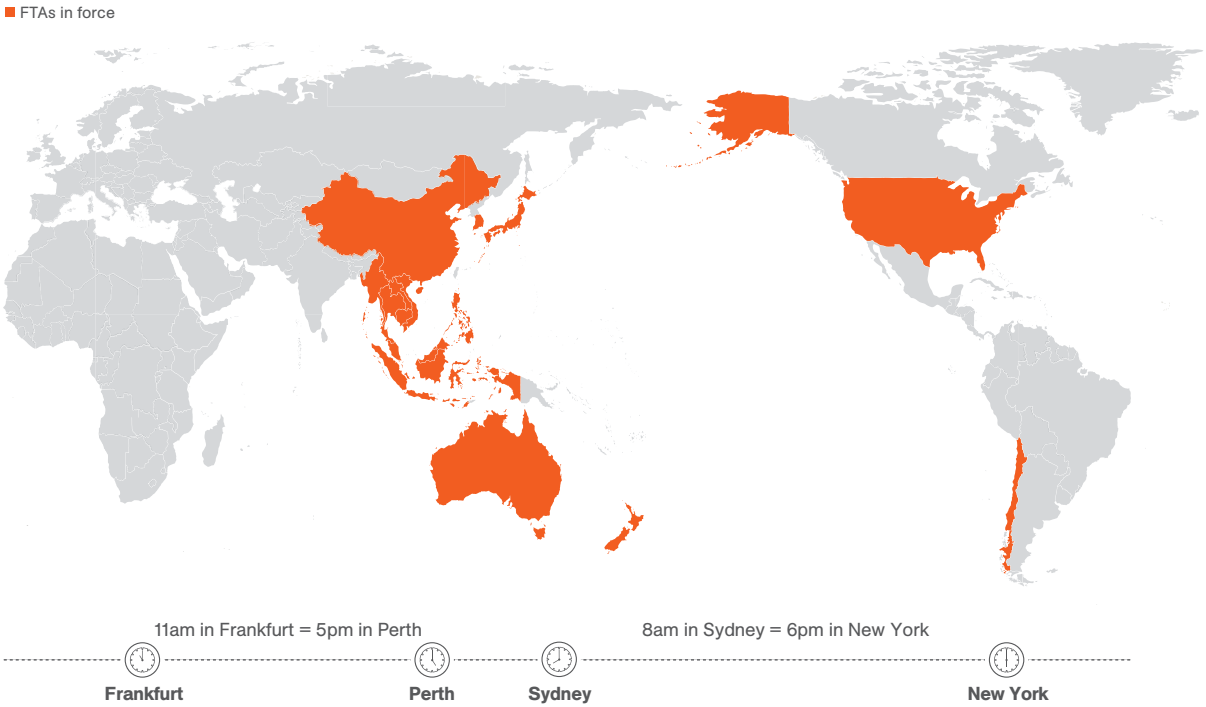
np = not available for publication.

Sources: Australian Bureau of Statistics Cat. No. 5352.0 – International Investment Position, Australia: Supplementary Statistics, 2016 (released 10 May 2017), Table 15a. Foreign Investment in Australia: Level of Investment at 31 December by Industry Division (ANZSIC), Direct Investment in Australia ($million); Austrade

EXPANDING NETWORK OF FREE TRADE AGREEMENTS

Australia currently has 10 free trade agreements (FTAs) in force with 16 World Trade Organization members. The countries covered by these FTAs account for around two-thirds of Australia's total trade. With several FTAs under negotiation, the expanding network of agreements will provide a greater range of trade and investment opportunities and improve Australia's position to take advantage of growth in the Asia-Pacific region. Investment frameworks established by these agreements also support a more attractive and predictable investment environment and help drive further economic integration in the Asian region.

AUSTRALIA'S FREE TRADE AGREEMENTS IN FORCE



Notes: 1. As at November 2017, Australia's FTA negotiating agenda included: Australia-Gulf Cooperation Council FTA, Australia-Hong Kong FTA, Australia-India Comprehensive Economic Cooperation Agreement, Environmental Goods Agreement, Indonesia-Australia Comprehensive Economic Partnership Agreement, Pacific Alliance FTA, Regional Comprehensive Economic Partnership and Trade in Services Agreement. Information on the status of FTA negotiations can be found at http://dfat.gov.au/trade/agreements/Pages/status-of-fta-negotiations.aspx. **2.** The Trans-Pacific Partnership Agreement, Pacific Agreement on Closer Economic Relations (PACER) Plus and Peru-Australia FTA have been concluded but were not in force at time of publication.

Source: Department of Foreign Affairs and Trade

05

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STRONG FOUNDATIONS

In unpredictable times, Australia's sound governance and solid democratic institutions provide certainty for international companies seeking an easy, low-risk location to do business.

Ranked fifth in the world for economic freedom by the 2017 Index of Economic Freedom, Australia's efficient business frameworks make it relatively easy for multinationals to set up their operations.

According to the 2017 Social Progress Index, Australia also offers a quality of life that is rated the ninth highest in the world. Six Australian cities are ranked in the global top 40 for their quality of living.

These credentials attract some of the world's largest organisations to Australia. More than 23,000 foreign companies are registered in the country.

Nine of the top 10 Fortune Global 500 and eight of the top 10 Forbes Global 2000 companies have operations in Australia. One in four businesses in Australia with more than 200 employees is at least 50 per cent foreign-owned.

AN ATTRACTIVE PLACE TO DO BUSINESS

Australia is one of the easiest places in the world to do business, ranking 14th out of 190 economies. It takes around 2.5 days and a minimum of three procedures to start a business. The country also ranks particularly well for enforcing contracts (3rd globally), getting credit (6th) and dealing with construction permits (6th).

KEY INDICATORS OF EASE OF DOING BUSINESS[1]

	Ease of Doing Business	Starting a Business			Dealing with Construction Permits			Getting Credit			Enforcing Contracts		
	Overall Ranking Out of 190 Economies	Rank	Procedures (number)	Time (days)	Rank	Procedures (number)	Time (days)	Rank	Strength of Legal Rights Index (0–12)	Depth of Credit Information Index (0–8)	Rank	Time (days)	Quality of Judicial Processes Index (0–18)
New Zealand	1	1	1	0.5	3	11	93	1	12	8	21	216	9.5
Singapore	2	6	3	2.5	16	10	54	29	8	7	2	164	15.0
Denmark	3	34	5	3.5	1	7	64	42	8	6	32	485	11.0
South Korea	4	9	2	4.0	28	10	28	55	5	8	1	290	14.5
Hong Kong SAR	5	3	2	1.5	5	11	72	29	8	7	28	385	10.0
USA	6	49	6	5.6	36	15.8	81	2	11	8	16	420	13.8
UK	7	14	4	4.5	14	9	86	29	7	8	31	437	15.0
Norway	8	19	4	4.0	21	11	111	77	5	6	8	400	11.0
Australia	**14**	**7**	**3**	**2.5**	**6**	**11**	**121**	**6**	**11**	**7**	**3**	**402**	**15.5**
Taiwan	15	16	3	10.0	4	10	93	90	2	8	10	510	14.0
Canada	18	2	2	1.5	54	12	249	12	9	8	114	910	9.5
Germany	20	113	9	10.5	24	9	126	42	6	8	22	499	11.0
Malaysia	24	111	9	18.5	11	14	78	20	8	8	44	425	12.0
Thailand	26	36	5	4.5	43	18	104	42	7	7	34	420	8.5
France	31	25	5	3.5	18	9	183	90	4	6	15	395	11.0
Japan	34	106	9	12.2	50	12	197	77	5	6	51	360	7.5
Italy	46	66	6	6.5	96	12	228	105	2	7	108	1,120	13.0
Vietnam	68	123	9	22.0	20	10	166	29	8	7	66	400	6.5
Indonesia	72	144	11	23.1	108	17	200	55	6	7	145	403	7.9
China	78	93	7	22.9	172	23	247	68	4	8	5	496	15.1
India	100	156	12	29.8	181	30.1	144	29	8	7	164	1,445	10.3
Philippines	113	173	16	28.0	101	23	122	142	1	5	149	962	7.5

1. ***Doing Business 2018*** is the 15th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report measures aspects of regulation affecting 11 areas in the life of a business. Ten of these areas are included in this year's ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The report also measures features of labour market regulation, which is not included in this year's ranking. Data in Doing Business 2018 is current as of 1 June 2017. The indicators are used to analyse economic outcomes and identify what reforms of business regulation have worked, where and why. The Australian city covered by the 2018 report is Sydney.

Sources: World Bank Group, Doing Business 2018: Reforming to Create Jobs (released 1 November 2017); Austrade

FOURTH LARGEST PENSION SYSTEM IN THE WORLD

Australia's A$1.6 trillion pension (superannuation) system is the fourth largest in the world and a major driver behind the country's rapidly expanding, globally significant managed funds industry. This investible pool of pension assets has one of the highest growth rates in the world and, according to Deloitte's *Dynamics of the Australian Superannuation System* report, is projected to reach A$4 trillion in the next 10 years and A$9.5 trillion by 2035.

GLOBAL PENSION ASSETS

Economy	2016[e] (US$ billion)	10-year CAGR (US$ terms)	% share of world (2016[e])	Assets/GDP ratio (%)[8] 2016[e]
USA[2]	22,480	4.9	61.7	121
UK	2,868	1.6	7.9	108
Japan[3]	2,808	-0.4	7.7	59
Australia	**1,583**	**6.9**	**4.3**	**126**
Canada	1,575	5.0	4.3	103
Netherlands	1,296	2.8	3.6	168
Switzerland[4]	817	5.5	2.2	123
South Korea[1]	575	–	1.6	41
Germany[5]	415	2.3	1.1	12
Brazil[6]	251	3.6	0.7	14
South Africa	207	2.6	0.6	74
Finland[1]	199	–	0.5	83
Malaysia[1]	190	–	0.5	63
Chile	172	6.8	0.5	73
Mexico	154	4.8	0.4	15
Italy[1]	153	–	0.4	8
France	146	-0.8	0.4	6
China[1,7]	141	–	0.4	1
Hong Kong SAR	133	7.8	0.4	42
Ireland	130	1.2	0.4	42
India[1]	105	–	0.3	5
Spain	39	-0.1	0.1	3
Total	**36,435**	**4.0**	**100.0**	**62.0[9]**

Note: The *Global Pension Assets Study 2017* covers 22 major pension markets (the P22), which total US$36,435 billion in pension assets and account for 62.0% of the GDP of these economies. China, Finland and Italy were added to this year's study. A deeper analysis was performed for Australia, Canada, Japan, Netherlands, Switzerland, UK and USA, which comprise 91.7% of total assets (the P7). **e** = estimate

1. Ten-year growth rates are not available for China, Finland, India, Italy, Malaysia and South Korea. **2.** Includes individual retirement accounts. **3.** Does not include the unfunded benefit obligation of corporate pension plans (account receivables). **4.** Only includes autonomous pension funds. Does not consider insurance companies' assets. **5.** Only includes pension assets for company pension schemes. **6.** Only includes pension assets from closed entities. **7.** Only includes enterprise annuity assets. **8.** The assets/GDP ratio for individual markets are calculated in local currency terms, and the total assets/GDP ratio is calculated in US$. **9.** The ratio of total pension assets to GDP declined from 2016 with the addition of China. China's pension assets represent 1.2% of total GDP.

Source: Willis Towers Watson Global Pension Assets Study 2017, pages 6, 11 and 19; Austrade

STABLE, FRIENDLY AND EFFICIENT BUSINESS ENVIRONMENT

Australia has one of the world's most robust regulatory environments and is rated among the most business-friendly economies. The country is ranked highly in terms of legal rights, the soundness of its banks, the regulation of securities exchanges and the efficacy of corporate boards. Australia is also in the world's top 10 for its business legislation (tariff on imports and protectionism) and judicial independence.

BUSINESS EFFICIENCY AND ENVIRONMENT – 2017

	Australia	USA	UK	China	India	Japan	South Korea	Hong Kong SAR	Singapore
WEF Global Competitiveness Report 2017–18 Ranking[a] in:									
Inflation, Annual % Change	**=1**	=1	=1	=1	93	63	=1	=1	76
Legal Rights Index	**=4**	=4	30	85	49	85	69	22	22
Soundness of Banks	**4**	24	59	82	78	21	91	7	6
Time to Start a Business (Days)	**=4**	28	19	116	110	71	12	2	=4
Regulation of Securities Exchanges	**7**	18	20	60	64	12	71	5	1
Intensity of Local Competition	**8**	6	15	33	98	1	4	3	16
Efficacy of Corporate Boards	**8**	15	17	126	97	18	109	23	10
Judicial Independence	**8**	25	6	46	53	15	72	13	19
IMD World Competitiveness Yearbook 2017 Ranking[b] in:									
Business Legislation – Tariff on Imports	**5**	6	14	55	60	7	63	1	2
Business Legislation – Protectionism	**10**	41	17	54	42	32	53	5	19
Gross Fixed Capital Formation (% of GDP)	**10**	44	55	1	7	21	5	30	11
Finance – Regulatory Compliance (Banking Laws)	**11**	30	26	55	42	17	49	1	4
Investment Risk	**11**	16	20	37	46	28	22	14	3

Sources: (a) World Economic Forum, Switzerland and Harvard University, Global Competitiveness Report 2017–18 (released September 2017, 137 economies); (b) Institute for Management Development, Switzerland, World Competitiveness Yearbook 2017 (released May 2017, 62 economies); Austrade

GOOD GOVERNANCE AND STRONG INSTITUTIONS

The quality of governance in Australia ranks among the best in the world. The country's strong governance and stable institutions are key to sustaining economic growth and security, providing assurance for multinationals expanding their businesses or considering Australia as a base in the Asian region.

WORLDWIDE GOVERNANCE INDICATORS 2016[1]

Economy	Voice and Accountability	Political Stability & Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
New Zealand	97.0	99.0	97.1	99.0	98.1	100.0
Switzerland	97.5	95.7	99.5	98.1	98.6	96.2
Canada	96.1	93.3	95.2	94.2	96.6	95.2
Netherlands	98.5	77.6	96.2	98.6	97.1	94.7
Australia	**94.1**	**81.9**	**92.3**	**97.6**	**95.2**	**93.3**
Germany	94.6	71.0	94.2	96.2	91.3	93.8
Singapore	36.9	99.5	100.0	100.0	96.2	97.1
Japan	77.8	86.2	95.7	90.4	88.5	90.9
UK	90.6	59.0	92.8	95.2	91.8	94.2
Hong Kong SAR	54.7	74.3	98.1	99.5	93.3	91.8
USA	84.2	58.6	91.3	91.8	92.3	89.9
France	82.3	44.3	89.9	83.2	89.4	90.4
Spain	81.3	61.9	83.2	81.7	80.8	68.8
South Korea	67.0	51.9	80.8	84.1	86.1	66.8
Italy	79.3	58.1	71.6	75.0	61.1	59.6
Malaysia	33.0	50.0	76.0	75.5	71.2	61.5
Brazil	61.6	30.0	47.6	46.6	51.9	38.5
India	58.6	14.3	57.2	41.3	52.4	47.1
Indonesia	50.2	33.3	53.4	50.0	38.9	42.8
Thailand	20.7	15.7	66.3	60.1	55.3	40.9
Vietnam	9.9	51.4	52.9	35.1	57.2	41.8
China	6.9	27.1	67.8	44.2	46.2	49.0

1. The *Worldwide Governance Indicators* reports aggregate and individual governance indicators for 214 economies over the period 1996–2016, for six dimensions of governance in the above table. They are based on over 30 individual data sources. Economy scores are reported as percentile ranks, with higher values indicating better governance ratings.

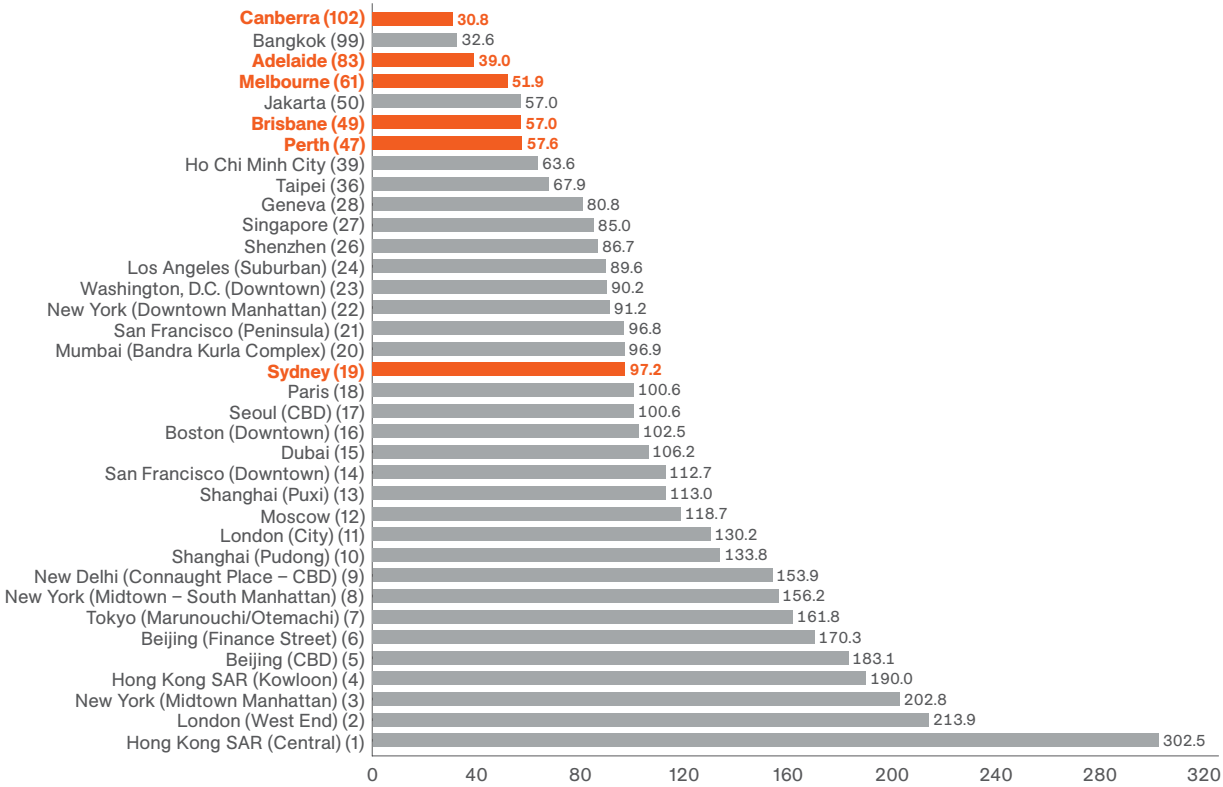
Sources: The World Bank, Worldwide Governance Indicators 2016 (released 22 September 2017). Full interactive access to the aggregate indicators, and the underlying source data, is available at www.govindicators.org; Austrade

COST-COMPETITIVE LOCATION FOR OFFICE SPACE

Prime office space in Australia (using an average of all major cities) is among the most competitively priced in the world, and compares favourably to global and regional business centres. The cost of prime office space in Sydney is around a third of the cost of Hong Kong SAR (Central) and half of those in New York (Midtown Manhattan) and London (West End). The average office cost in Melbourne is also inexpensive relative to Beijing, Tokyo, Shanghai and Singapore.

GLOBAL PRIME OFFICE OCCUPANCY COSTS – 2017

US$ per square foot/annum



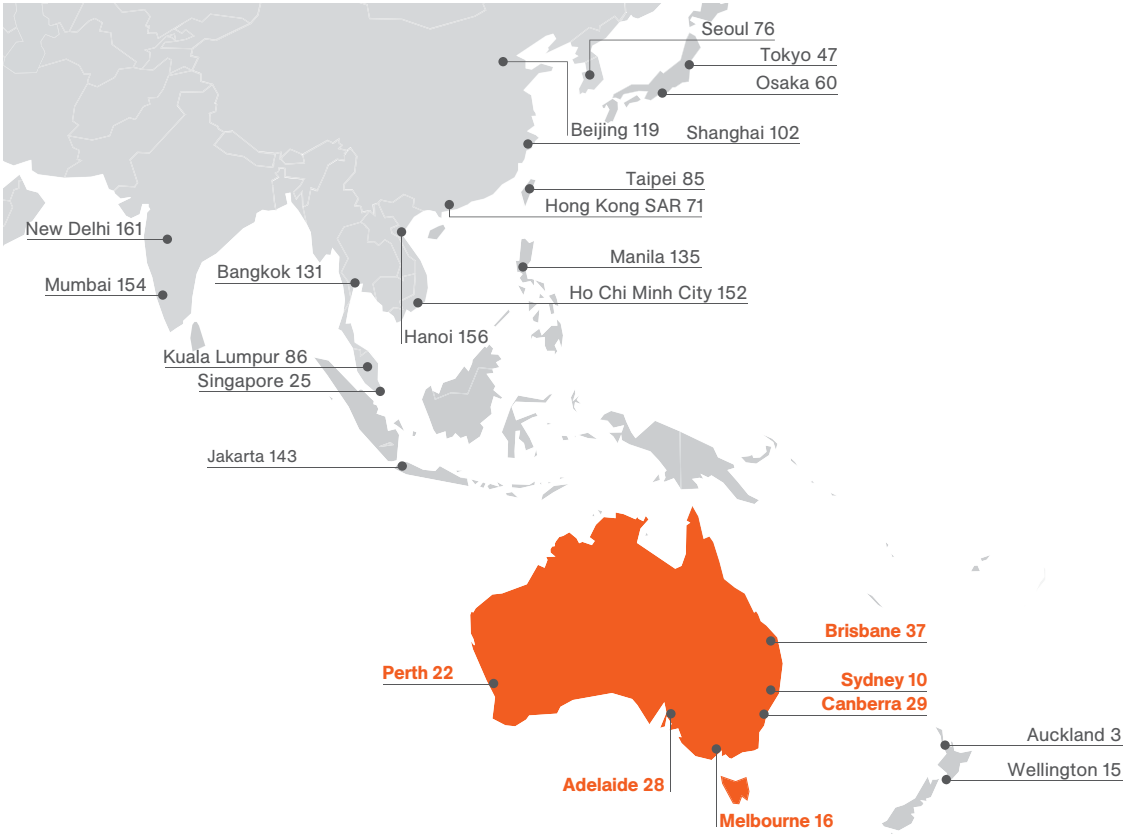
Note: The CBRE 2017 annual report outlines rent for prime office locations in 121 key markets in the Americas, Asia Pacific and EMEA as of Q1 2017. Local office costs are reported for the highest quality office space in a prime location. These rents are reported on a gross basis (inclusive of service charges and taxes) and have been adjusted to a net internal area of measurement. The number in brackets indicates the market's ranking across the 121 markets.

Sources: CBRE Research, Q1 2017, June 2017, Global Prime Office Occupancy Costs; Austrade

ENVIABLE QUALITY OF LIFE

Australia's major cities enjoy some of the highest quality of living in the world. Sydney ranks 10th globally, Melbourne 16th and Perth 22nd in Mercer's *2017 Quality of Living Rankings*. These three cities top the rankings across the Asian region, well above Singapore (25th), Tokyo (47th), Hong Kong SAR (71st), Shanghai (102nd), Beijing (119th) and Mumbai (154th).

QUALITY OF LIVING RANKINGS BY CITY, 2017



Sources: Mercer 2017 Quality of Living Rankings; Austrade

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