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## ECONOMIC AND POLITICAL OVERVIEW

### ECONOMIC OVERVIEW

The Australian economy experienced 27 years of uninterrupted economic growth. It was the only OECD country that did not enter into recession during the financial crisis of 2007-2008, holding one of the highest growth rates of the developed world. After growing by 3.7% in 2022, the Australian economy's growth stayed below its usual pace in 2023 (+1.8%) due to persistent cost-of-living pressures and increased interest rates, which dampened demand. The main drivers of growth were elevated net migration, resilient private investment, and strong public investment in transport, health, education, and national defence. Economic activity is forecasted to continue slowing down in the short term; consequently, growth is anticipated to decrease to approximately 1.2% in 2024 before it picks up to 2% the following year (IMF).

Monetary policy has significantly tightened in 2023, marked by a cumulative increase of 400 basis points in interest rates since early 2022. Additionally, the fiscal deficit has shrunk more rapidly compared to other advanced economies, standing at 1.6% of GDP in 2023, largely owing to a spike in tax receipts from businesses and households. Nevertheless, the IMF expects it to widen to 2.3% this year. While the anticipation of increased debt servicing is likely to drive up spending during the 2023-2024 financial year, tax reforms - especially the planned reduction in income tax set to take effect in July 2024 - will partially counterbalance this rise. Consequently, this gradual fiscal consolidation is expected to stabilize the government debt ratio over the medium term. Moreover, the proportion of Australian public debt held by non-residents, currently around 45%, has been decreasing since 2020. Overall, the debt-to-GDP ratio was estimated at 51.9% in 2023. Headline inflation dropped to 5.8% in 2023, down from its peak of 7.8% in Q4 2022, surpassing the Reserve Bank of Australia's (RBA) target range of 2-3%. Services inflation persists despite a reduction in global supply chain pressures and a domestic demand slowdown due to tighter monetary policy, which have contributed to a decline in goods inflation. Despite recent moderation, services inflation remains elevated and widespread, fueled by robust demand, increased input costs from both labour and non-labor factors like rent and electricity, and supply constraints. The IMF expects inflation to decrease gradually over the forecast horizon, to 3.4% in 2025.

The short-term projection for employment growth has been adjusted upwards by the Reserve Bank of Australia due to the improved forecast for domestic activity and the expectation of stronger growth in the working-age population in the coming year. Employment is anticipated to continue expanding over the next few years, and a significant portion of the labour market adjustment to below-trend economic growth is anticipated to happen through a reduction in average hours worked. During 2023, unemployment averaged 3.7%, in line with the previous year, although it is seen to rise to 4.3% in 2024. In general, Australians enjoy a high standard of living, with GDP per capita (PPP) estimated at USD 64,675 in 2023 by the IMF. Nevertheless, according to the Council of Social Services' "2022 Poverty in Australia Snapshot", 3.3 million people (13.4% of the population) live below the poverty line of 50% of median income, including 761,000 children (16.6%).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>GDP</b> (billions USD)	1,702.55	1,687.71	1,685.67	1,780.93	1,870.76
<b>GDP</b> (Constant Prices, Annual % Change)	3.7	1.8	1.2	2.0	2.2

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>GDP per Capita</b> (USD)	64,814	63,487	62,596	65,317	67,798
<b>General Government Balance</b> (in % of GDP)	-2.5	-1.6	-2.3	-1.9	-1.4
<b>General Government Gross Debt</b> (in % of GDP)	50.7	51.9	55.6	56.3	56.3
<b>Inflation Rate</b> (%)	n/a	5.8	4.0	3.4	3.1
<b>Unemployment Rate</b> (% of the Labour Force)	3.7	3.7	4.3	4.5	4.8
<b>Current Account</b> (billions USD)	18.36	10.38	-11.89	-14.37	-15.27
<b>Current Account</b> (in % of GDP)	1.1	0.6	-0.7	-0.8	-0.8

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

Traditionally, Australia is an importer of finished goods. Its industrialisation is fairly recent, a fact which explains the small scale of its manufacturing sector. Nevertheless, the industrial sector is characterised by high productivity levels, with 75% of the industries rating above the global average. The secondary sector employs 19% of the workforce and contributes to just over a quarter of the GDP (25.5% - World Bank, latest data available). The manufacturing industry is built around the food industry (27% of the workforce), machinery and equipment (around 20%), metal processing and metal goods (nearly 16%), the chemical and petrochemical industries (slightly more than 10%) and building materials, wood, furniture & other manufacturing products with 17% (AI Group, 2022).

Agriculture employs 2% of the workforce and contributes 2.7% of the GDP (World Bank, 2023). However, the agricultural and mining sectors are the most important for exports: Australia is a vast agricultural country and one of the world's main exporters of wool, meat, wheat and cotton. The country is overflowing with mineral and energy raw materials, which secure substantial revenues when exported. Australia was again the world's largest producer of iron ore in 2023, and the second of gold and uranium, and stayed the world's largest LNG exporter ahead of Qatar the same year. In fact, iron ore exports alone account for 24% of the country's total annual exports and it was the first Australian commodity to reach the AUD 100 billion mark in annual export value. Australia also has the world's largest reserves of numerous strategic resources, such as uranium, of which it holds 40% of the world's confirmed reserves. According to the latest official government data, Australian agriculture production is forecast to fall in 2023-24 as increasing global supply and drier conditions impact farmers. The total value is projected at AUD 78 billion as drier conditions impact record-high crop production levels, AUD 16 billion lower than estimated production values for 2022-23 but still the third-highest result on record.

The services sector occupies a dominant position in the Australian economy, contributing to 63.3% of the GDP and employing over 79% of the workforce (World Bank). The biggest growth in this sector has been the rise of business and financial services (holding the world's sixth-largest pool of managed fund assets). Health care and social assistance have also made a fundamental contribution to growth. Travel services, such as education-related travel, recreational travel and business travel services have also been growing significantly. The banking sector is dominated by four major banks: Commonwealth Bank, Westpac, Australia & New Zealand Banking Group and National Australia Bank.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	2.4	18.8	78.8
<b>Value Added</b> <i>(in % of GDP)</i>	3.2	27.9	62.4
<b>Value Added</b> <i>(Annual % Change)</i>	23.4	1.7	4.3

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
<b>Australian Dollar (AUD) - Average Annual Exchange Rate For 1 USD</b>	1.35	1.30	1.34	1.40	1.49

Source: World Bank - Latest available data.

## FOREIGN TRADE

Australia is very open to international trade, which represents 45% of its GDP (World Bank). According to official figures, the country's exports were led by coal in 2022 (21.2% of the total), followed by iron ore & concentrates (18.5%), natural gas (13.5%), education-related travel services (4%), and gold (3.5%). On the other hand, imports mostly comprised refined petroleum (10%), passenger motor vehicles (5.2%), freight transport services (5%), personal travel (excluding education-related) services (4%), and telecom equipment & parts (3.2%).

Australia's main trading partners in 2022 were China, Japan, South Korea, the U.S., and India, accounting for 63.1% of total international trade in exports. The top five importing partners for Australia were China, the U.S., Japan, South Korea, and Singapore (data Australian Bureau of Statistics). Structurally, Australian foreign trade is highly dependent on the Chinese economic situation and the country's diplomatic relations with China. As a bloc, the EU is Australia's second-largest trading partner. As such, the European Union and Australia opened free trade negotiations in 2018. However, following five years of intense negotiation, the anticipated preferential trade agreement faces significant challenges, as talks were halted on October 29, 2023, with scant likelihood of immediate resumption. On the 15th of November 2020, Australia also signed the Regional Comprehensive Economic Partnership ([RCEP](#)) with 14 other Indo-Pacific countries. This free trade agreement is the largest trade deal in history, covering 30% of the global economy. It includes the Association of Southeast Asian Nations (ASEAN: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN's free trade agreement partners (Australia, China, India, Japan, New Zealand and the Republic of Korea). The RCEP covers goods, services, investment, economic and technical cooperation. It also creates new rules for electronic commerce, intellectual property, government procurement, competition, and small and medium-sized enterprises.

The country's trade balance was characterised by a structural deficit until 2007, but since then the country has been alternating between periods of surplus and deficit. In 2022, Australia exported USD 412.5 billion in goods and USD 50.6 billion in services (+19.6% and +14% y-o-y, respectively); whereas imports stood at USD 309.1 billion for goods and USD 63.6 billion for services (+18.3% and +54.5%, respectively – data WTO). The overall trade balance was estimated to be positive by 5.7% of GDP by the World Bank.

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> <i>(million USD)</i>	235,386	221,564	211,824	261,165	309,189
<b>Exports of Goods</b> <i>(million USD)</i>	257,098	271,005	250,823	344,864	412,562
<b>Imports of Services</b> <i>(million USD)</i>	74,462	71,322	39,537	41,203	63,687
<b>Exports of Services</b> <i>(million USD)</i>	69,107	70,652	49,435	44,398	50,610

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> <i>(in % of GDP)</i>	43.4	45.8	44.2	39.9	45.8
<b>Trade Balance</b> <i>(million USD)</i>	20,836	48,095	40,510	87,478	112,397
<b>Trade Balance (Including Service)</b> <i>(million USD)</i>	15,602	47,467	50,453	90,808	97,202
<b>Imports of Goods and Services</b> <i>(Annual % Change)</i>	7.0	0.2	-7.0	-3.4	7.1
<b>Exports of Goods and Services</b> <i>(Annual % Change)</i>	4.1	3.9	-1.7	-8.4	-0.1
<b>Imports of Goods and Services</b> <i>(in % of GDP)</i>	21.5	21.7	20.2	17.8	19.9
<b>Exports of Goods and Services</b> <i>(in % of GDP)</i>	21.9	24.2	24.0	22.1	25.8

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of exports of goods and services (Annual % change)</b>	8.3	1.8	2.0	2.1	2.2
<b>Volume of imports of goods and services (Annual % change)</b>	4.0	2.2	2.4	2.4	2.4

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

## International Economic Cooperation

Australia is a member of the following international economic organisations: OECD, Asia-Pacific Economic Cooperation (APEC), WTO, G-20, Pacific Islands Forum (PIF), ICC, among others. For the full list of economic and other international organisations in which participates Australia click [here](#). International organisation membership of Australia is also outlined [here](#).

## Free Trade Agreements

Australia is a member of Regional Comprehensive Economic Partnership ([RCEP](#)) signed on 15 November 2020. The complete and up-to-date list of Free Trade Agreements signed by Australia can be consulted [here](#).

## Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
<b>China</b>	24.9%
<b>Japan</b>	12.8%
<b>South Korea</b>	6.0%
<b>India</b>	4.7%
<b>United States</b>	3.0%
<b><a href="#">See More Countries</a></b>	48.5%

Main Suppliers (% of Imports)	2022
China	27.1%
United States	10.0%
South Korea	6.2%
Japan	5.8%
Singapore	4.5%
See More Countries	46.5%

Source: Comtrade, Latest Available Data

## POLITICAL OUTLINE

### Current Political Leaders

Governor General: David HURLEY (since 1 July 2019)

Prime Minister: Anthony ALBANESE (since 23 May 2022) - Australian Labour Party.

### Next Election Dates

Senate: May 2025

House of Representatives: May 2025

### Current Political Context

In the May 2022 federal elections, the centre-left Labour Party reclaimed power after nine years in opposition, securing a narrow majority in the House of Representatives, the lower house of Parliament. The party obtained 77 out of 151 seats, an increase from 68 seats in the previous federal election in 2019, while the centre-right Liberal-National coalition, previously in power, retained 58 seats. Therefore, the Labor leader Anthony Albanese was nominated Prime Minister.

In October 2023, Australians voted on a referendum to establish an Indigenous advisory body enshrined in the Constitution. Despite a strong campaign and bipartisan support, the proposal was ultimately rejected by a majority of voters. In March, the New South Wales state election saw the incumbent Liberal Party lose power to the Labor Party after 12 years. This marked a significant shift in the political landscape of the state and had implications for national politics.

### Main Political Parties

Three parties dominate the political life:

- The Liberal Party: conservative, centre-right, neoliberal
- The National Party of Australia (former Country Party): conservative, centre-right, mostly represents rural interests, in a coalition with the Liberal Party.
- The Australian Labour Party: social democrat, centre-left

The Greens and Independent members are also present in the parliament.

### Executive Power

Australia is an independent nation that belongs to the Commonwealth, and recognises the British Monarch as its sovereign. As such, King Charles III is the Head of State. He is represented in Australia by a Governor General

who has a symbolic function (they are appointed by her on the recommendation of the Prime Minister). The Prime Minister is the Head of the Government. The [Prime Minister](#) runs state business and appoints the Cabinet. The Prime Minister is the leader of the party that wins the majority of seats in the House of Representatives at the General Election.

### **Legislative Power**

The parliament is bicameral and composed of the [Senate](#) with 76 members and the [House of Representatives](#) with 151 members. Senators are elected for a six-year term, with half of the membership being renewed every three years. Members of the House of Representatives serve terms of up to three years. By Westminster convention, the decision as to the date on which an election is to take place is that of the Prime Minister, who 'advises' the Governor-General to set the process in motion by dissolving the House of Representatives (if it has not expired) and then issuing writs for election. The Prime Minister and the Cabinet are responsible for parliament, of which they must be elected members.

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## **COVID-19 COUNTRY RESPONSE**

### **Travel restrictions**

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#). To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### **Import & export restrictions**

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### **Economic recovery plan**

For a general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) undertaken by the Australian government, please consult the section dedicated to Australia in the IMF's [Policy Tracker](#) platform.

### **Support plan for businesses**

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document. You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).