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INVEST

FOREIGN DIRECT INVESTMENT

After an economic slowdown, FDI flows to Australia have been strong thanks to the energy sector: according to the [World Investment Report 2023](#) published by UNCTAD, FDI inflows rose by 194.9% year-on-year in 2022, totalling USD 61.6 billion, making the country the sixth-largest recipient worldwide. In the same year, the total stock of FDI reached USD 758 billion, around 44.5% of the country's GDP. Meanwhile, outflows from Australia rose from USD 3.4 billion to USD 117 billion, mainly due to the acquisition of BHP (United Kingdom) from BHP (Australia). The main investing countries in Australia are the United States (24.1%), the United Kingdom (22.2%), Belgium (7.9%), Japan (5.7%), Singapore (3.3%), and Hong Kong (2.9%). These investments are mainly oriented towards the mining sector (32.1%), real estate (13%), finance and insurance (12.6%), manufacturing (10.6%), and trade (6% - data Department of Foreign Affairs and Trade). While Australia's resources sector, which has traditionally been attractive for foreign investment, continues to receive investor interest, the services sector is now receiving greater attention. Furthermore, investments in battery storage have also been on the rise. The latest figures from the OECD show that investment inflows decreased to USD 7.8 billion in the first half of 2023, down from a peak of USD 48.4 billion in the same period one year earlier.

Australia is one of the most open to foreign direct investment among OECD member states, with FDI representing over a third of GDP. FDI through both majority and minority ownership supports 1 in 10 jobs in Australia (DFTA). That is thanks to its economic liberalism, stability, transparency of its legal system and strong economic growth over the last 25 years, which compensate for the narrowness of its market and its geographic isolation. The business environment is attractive, and the trading environment is conducive considering the strategic positioning of the economy within the Asia-Pacific region and the political links that it has with the United States. Australia is also involved in mega trade agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership. The new legislation is designed to ensure that foreign investment is appropriately assessed and that national interest factors are properly considered. The government supports a case-by-case approach to considering foreign investment proposals, and in case proposals are found to be contrary to the national interest they can be either rejected or asked to be modified. This flexible approach is preferred to hard and fast rules because the government believes that rigid laws that prohibit a class of investments can stop valuable investments. Moreover, the country recently revised the 2015 Foreign Acquisitions and Takeovers Regulation to clarify specific elements of the foreign investment review system and simplify the procedures for less sensitive investment categories. Furthermore, updates were made to the Guidance Notes pertaining to agriculture, commercial land, mining, residential land, securities, and other investment sectors. Australia ranks 24th among the 132 economies on the [Global Innovation Index 2023](#) and 13th out of 184 countries on the [2023 Index of Economic Freedom](#). The country also stands at the 10th position in AT Kearney's [Foreign Direct Investment Confidence Index 2023](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	13,583	20,899	61,629
FDI Stock <i>(million USD)</i>	779,674	755,178	758,032

Foreign Direct Investment	2020	2021	2022
Number of Greenfield Investments*	325	344	442
Value of Greenfield Investments (million USD)	20,421	12,854	69,046

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Australia	OECD	United States	Germany
Index of Transaction Transparency*	8.0	6.5	7.0	5.0
Index of Manager's Responsibility**	2.0	5.3	9.0	5.0
Index of Shareholders' Power***	8.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN AUSTRALIA

Strong Points

Economic conditions in Australia are excellent. Australia's main assets are:

- Strong growth
- Stable and judicially reassuring business environment
- Large reserves of natural resources
- Good quality business climate and infrastructure
- Strategic location close to Asia
- Low public debt
- An attractive tourism destination

Weak Points

Disadvantages for FDI in Australia are:

- Reduced competition in some sectors can limit returns on scale
- Lack of investment in transport and telecommunication infrastructure
- High household debt (185% of gross disposable income)
- Australia is vulnerable to variation in commodity prices
- High dependence on Chinese demand (although the Australian economy has shown its resilience)
- Particular vulnerability to climate change
- Lack of qualified workforce

Government Measures to Motivate or Restrict FDI

The Australian Government provide support to assist investors set up and run a business in Australia. The form of assistance available will vary by location, industry, and the nature of the business activity. Foreign companies get assistance, especially for productive investment, R&D, professional training and job creation. Foreign investors benefit from the same rights as nationals.

The Australian government has a proactive policy towards FDI. Several agencies are working to implement its affect on the regional level. [Austrade](#) provides coordinated government assistance to attract and facilitate productive foreign direct investment (FDI) into Australia.

Consult the [Australian government website](#), which outline aid available to investors.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Agri-food, the mining and agricultural sectors, logistics, agrarian machines.

High Potential Sectors

Biotechnologies, environment, infrastructure

Privatization Programmes

Electricity production

Tenders, Projects and Public Procurement

[AusTender](#), Annual Procurement Plan List

[Tenders NSW](#), Public Procurement opportunities in NSW

[SA Tenders and Contracts](#), Public Procurement opportunities in South Australia

[Tenders Info](#), Tenders in Australia

[DgMarket](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

The Australian government still maintains legal monopolies in public service companies: the postal service (Australia Post) and the rail network.

Sectors in Decline

Textiles, Shoes

Finding Assistance For Further Information

Investment Aid Agency

[Austrade \(Australian Trade and Investment Commission\)](#)

[Invest Victoria](#)

[Invest in New South Wales](#)

[Invest in South Australia](#)

[Invest in Western Australia](#)

[Invest in Queensland](#)

[Invest in Northern Territory](#)

[Invest in Tasmania](#)

Other Useful Resources

[Australian Department of Industry, Innovation and Science](#)

[Investment opportunities in Australian Tourism](#)

[Doing Business in Australia \(Gadens\)](#)

Doing Business Guides

[International Tax Australia Highlights \(Deloitte\)](#)

[Foreign investment and trade in Australia \(MinterEllison\)](#)

[Doing business in Australia \(Thomson Reuters Practical Law\)](#)