



# about Australia

## investing in Australia

- Australia's economic strengths, world leading corporate governance standards, innovative skills base, cultural diversity and political stability make it a very attractive investment destination.

Australia is endowed with a resource base which has underpinned the development of our great mining and agricultural industries. Today Australia has a sophisticated, modern economy with services industries dominating economic activity.

Australia's attraction as an investment destination is undeniable. One of the most resilient economies in the world, Australia is the gateway to the world's fastest growing region, the Asia-Pacific.

Over the five years to June 2007, the stock of foreign direct investment (FDI) in Australia increased by 47 per cent to \$332 billion. There was a 14 per cent increase in 2006-07.

The stock of total foreign investment in Australia rose by 20 per cent in the year to June 2007 to almost \$1.6 trillion. Portfolio investment comprised 63 percent of total foreign investment in Australia and direct investment contributed 21 per cent.

In the United Nations Conference on Trade and Development (UNCTAD) *World Investment Prospects Survey*, Australia ranked as the 10th most attractive location for foreign direct investment for the period 2007-09.

## Economic strength

Australia continues to be one of the strongest economies in the world. Our average annual GDP growth rate from 1997 to 2007 was 3.5 per cent, well above the rate of world growth (3.0 per cent) and ahead of other developed economies including the United States, the United Kingdom, Japan, France, Canada and Germany.

Although Australia's population is less than half a per cent of the global total, its economy ranks among the 20 largest in the world, rivalling countries such as India, Mexico and the Netherlands in size and strength. GDP is around US\$1 trillion, overtaking South Korea as the fourth largest economy in Asia.

Two decades of economic reforms have bolstered Australia's ability to weather global downturns.

## A truly global financial services industry

Australia's economy is now a service-based economy, with service industries accounting for around 70 per cent of total gross value

added. The finance and insurance industry is larger than the booming mining sector (the industry traditionally associated with Australia's economic wellbeing) and its expansion has also aided growth in related sectors such as communications, property and business services. Finance and insurance is the third largest sector in Australia's economy, generating 8.4 per cent or \$78 billion of real gross value added in 2007. This contribution is up from 7.1 per cent two decades ago.

Highly developed financial markets make Australia one of the major centres of capital markets activity in Asia.

Australia's large and mature financial services sector has assets of more than \$3.5 trillion, which is equivalent to almost three and a half times GDP. The sector has benefited from almost two decades of strong economic growth, with favourable macroeconomic conditions reflecting the benefits of wide ranging structural reforms and sound economic policies.

Australia's stock market is the largest and most liquid (measured by floating stocks) in the Asia-Pacific region behind Japan. In 2006–07, market capitalisation of floating stocks in Australia was almost triple that of Hong Kong and five times larger than Singapore. The depth, liquidity and sophistication of Australia's financial markets underpin the country's appeal as a global financial services centre.

## A democratic and stable environment

Australia has one of the most stable economic, political and social environments in the region. Its government and regulatory institutions are reliable, transparent, impartial

and internationally competitive—providing investors with a safe and secure business framework.

In the *World Competitiveness Yearbook 2007*, published by the Committee for Economic Development of Australia, Australia was ranked as having the lowest risk of political instability in the Asia-Pacific and fourth lowest in the world. It is the only country in the world that has consistently ranked at this level since 1999.

## A highly skilled and diverse workforce

Australia has enjoyed strong and sustained labour productivity growth over the last decade, founded on a highly educated workforce, which is known for its strong work ethic. Real unit labour costs have fallen consistently since 2000.

With around a quarter of its population born overseas, Australia is the most culturally diverse country in the Asia-Pacific region and one of the most multicultural countries in the world.

It is also home to one of the most multilingual workforces in the Asia-Pacific region with citizens from over 200 countries. About 3 million of Australia's 21 million strong population speak a language other than English at home.

Australia has over 1.4 million people who speak an Asian language in their home. Almost 1.2 million Australians speak a European language at home. Australia's linguistic diversity is nationwide, ensuring a ready supply of personnel with foreign language skills in all major centres.

Australia's strong cultural links to Europe and Asia are an ideal mix for multinational organisations.

On average, across all industry sectors, over 30 per cent of the Australian workforce has tertiary qualifications.

## Cost competitiveness

Australia's business inputs are highly competitive—from lower property, construction and research and development (R&D) costs, to competitive wage, transport and utility costs, Australia consistently presents a compelling business case.

The cost of prime office space in Australia (using an average of all major cities) is among the most competitively priced in the developed world and compares exceptionally well to other major regional and global centres. For example, the cost of office space in Tokyo is more than three times that of Sydney and the cost of space in Hong Kong is almost twice as much as Sydney.

Australia's corporate tax rate of 30 per cent is globally competitive. It is on par with the UK, significantly lower than the US, and taking infrastructure and salary costs into account, makes the overall Australian business environment very attractive.

## An innovative culture

Research and development expenditure by government agencies in Australia, as a percentage of GDP, is among the highest in Organisation for Economic Co-operation and Development (OECD) countries. This is supported by R&D tax concessions (up to 175 per cent), plus other incentives and support programs. Business expenditure on R&D doubled over the five years to 2005–06.

## Sophisticated information and communications technology systems

A powerful combination of world-class information and communications technology (ICT) infrastructure and high-level technological adaptability across all Australian industry sectors provides an excellent environment for investment.

Australia ranks fourth in the world for Internet use and is in the top eight countries for per capita computer use.

E-readiness is a measure of a country's information and communications technology and the ability of businesses and consumers to use ICT to their advantage. Australia performs well in this regard, ranking fourth in the world and second in the Asia–Pacific (2008 Economist Intelligence Unit data) in terms of its overall e-readiness with a score of 8.83 out of 10. This rate is well above the Asia–Pacific average of 6.34.

## Strategic time zone

Companies based in Australia are ideally positioned to do business in the Asia–Pacific region and worldwide. Located within the Asia–Pacific time zone, Australia can provide European and US companies with the ability to conduct continuous operational systems.

The time difference between Australia and most of Asia is only two to three hours, and the 14-hour difference between the US and Australian east coasts means that, as the work day is finishing in New York, it is starting in Sydney.

## Quality of life

Australia's quality of life is one of the most desirable in the world. The country's climate, pristine natural environment, low air and water pollution levels, great recreational facilities, cost of living, business environment and political stability, are all compelling attractions for global companies and expatriates. Education and health systems are second to none in the region.

The *World Competitiveness Yearbook 2007* ranks Australia fifth in the worldwide quality of life index behind Austria, Iceland, Finland and Norway, and third (behind Norway and Ireland) in the human development index.

## Government support for investors

The Australian Government encourages and supports foreign investment in Australia.

Australia has been ranked as one of the most business-friendly economies in the world, offering a business environment that is both stable and flexible. The country has a robust regulatory framework that provides security and integrity, while promoting efficiency by minimising time consuming business and bureaucratic processes.

In the 2007 Global Corporate Governance ratings, Australia was ranked first in the world and well above other major centres in the Asia-Pacific region (Governance Metrics International Sept 2007). In addition, out of 178 countries, the World Bank has ranked Australia ninth overall for the ease of doing business (World Bank, *Doing Business 2008*).

Australia's intellectual property regime is modern and effective. There are no imposts on foreign firms seeking credit or loan facilities and there are no restrictions

on capital flows, profit remittances, capital repatriation, and transfer of royalties or trade-related payments.

The Institutions Climate Index (German Institute for Economic Research) ranks Australia as having among the best institutional growth conditions of OECD countries. The index looks at institutional regulations and their impact on economic growth. Australia's ranking has risen significantly over the past decade, from ninth in 1998, to first in 2002, and first again in 2006.

*Austrade*, the Australian Trade Commission, helps international companies develop trade and investment connections with Australia. Austrade can identify relevant government industry assistance schemes or offer tailored programs to help an investment project.

The *Foreign Investment Review Board* recommends to government whether investment proposals should be approved.

Note: All monetary values are in Australian dollars unless otherwise stated. The term 'billion' means 'a thousand millions' (one billion therefore equals 1 000 000 000); the term 'trillion' means 'a million millions' (one trillion therefore equals 1 000 000 000 000).

## Further information

Austrade  
[www.austrade.gov.au](http://www.austrade.gov.au)

Foreign Investment Review Board  
[www.firb.gov.au](http://www.firb.gov.au)

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