UNITED STATES

What’s happening in this economy

The US is the largest economy in the world. The current economic expansion is the second longest on record, and is predicted to continue into 2020. The US unemployment rate has recently been as low as 3.5 per cent—its lowest level since 1969. The US economy is well known for its entrepreneurship and innovation, as well as high levels of R&D expenditure. It is a global leader in technology and high-value manufacturing sectors.

Trade policy uncertainty: in a series of measures targeted at product sectors (steel, aluminium) and countries (China), the US has imposed tariffs and quotas on a significant proportion of goods imported to the US. This has created uncertainty that has weighed on capital investment decisions. The ongoing threat of further tariffs on automotive products and on additional goods from China continues to concern the US business community. US business is focused on passage through Congress of the US–Canada–Mexico agreement, and conclusion of a trade deal with China to support greater certainty in the business environment.

Innovation and R&D: innovation is a key driver of economic growth in the US. The Trump Administration’s National Security Strategy shows the clearest policy direction in innovation and technology to date. The strategy states the US will nurture a healthy innovation economy, collaborate with allies and partners, improve STEM education, draw on an advanced technical workforce, and invest in early stage R&D. US R&D priority areas include autonomous technologies (cars and weapons), data science, encryption, gene editing, nanotechnologies, new materials, advanced computing technologies, and artificial intelligence.

Tax Cuts and Jobs Act: this legislation, passed in late 2017, reduced the corporate tax rate from 35% to 21%. This tax cut was a key part of the Trump Administration’s new tax framework, which aims to attract and retain investment. The R&D tax credit was maintained in the Trump Administration’s tax reform package of December 2017.

Trade, investment, and commercial opportunities and activities

- Commercial presence in market: there are over 4,000 Australian parent companies with 1,500 individual entities in the US, and more than 3,000 individual points of presence:

Key facts and figures

- Population: 327 million
- GDP growth: 2.9% (2018)
- GDP per capita: USD 64,767 (2018)
- Political system: Constitutional Federal Republic
- Two-way trade/key goods and services traded: AUD 74 billion (2018)
- Two-way investment/major investments: AUD 1.65 trillion (2018)

Demographic trends

- Millennials were projected to outnumber Baby Boomers by 2019.
- There is a broader trend toward shared living, with record numbers of Americans living in multigenerational households.
- Hispanics are now the second largest ethnic group in the US—accounting for 18 per cent of the population—and are the second fastest growing ethnic group behind Asian-Americans.
- In 1970, 70 per cent of US adults were married, compared to 50 per cent in 2017.

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major Australian firms include Austal, BHP, Lend Lease, Macquarie Group, Pratt (Visy) Industries and Servcorp

an estimated 180,000 people in the US are directly employed by Australian companies, while US trade with Australia supports over 300,000 US jobs

the state with the most jobs created by Australian companies is Texas, followed by New York, California and Georgia, and

Australia’s business reach is most diverse in California, spanning 83 different industries including manufacturing, wine production and finance.

• The US is Australia’s largest foreign investor and Australia’s largest economic partner:
  – since 2010, the US has been consistently the largest investor in Australia in FDI stock terms
  – more than a quarter of Australia’s total inward foreign investment—AUD 896.9 billion—is from the United States, and
  – the US invests more in Australia than in any other country in the Asia Pacific, including Japan and China. Leading sectors for US investment are mining, finance and insurance.

• Recent feedback from US investors about the Australian operating environment included concerns on changes to Australia’s visa system, which they say make it difficult and more expensive to bring in skilled workers on both short and long term visas. As a result:
  – some major US companies have said they may need to scale back planned investments in Australia, and
  – there is also concern from investors about skills availability for technology intensive industries such as cybersecurity and digital technologies.

• An ongoing threat for US investment in Australia includes the reduction in US corporate tax rates:
  – this makes the US a more competitive destination for investment.

• Austrade in the US focuses on attracting investment to Australia in:
  – agribusiness and food
  – resources and energy
  – major infrastructure and cities
  – international education
  – international health
  – defence
  – advanced manufacturing and space, and
  – digital technology (including cybersecurity and Fintech).

• In 2018–19 Austrade ran missions to the US in:
  – agtech
  – international education (Edtech and researchers from Australian universities focused on Artificial Intelligence)
  – space
digital technology
- blockchain, and
- cybersecurity.

- In established agribusiness markets like the US, agtech solutions are needed to maintain competitiveness and increase efficiency. The growing number of agtech incubators and accelerators both in the US and Australia defines this trend, as does the rapid growth in venture capital being placed in agtech companies across the globe:
  - food processing companies are scoping Australia for new innovations, from novel and nutritious ingredients to technologies to eliminate waste in the value chain
  - the Foodtech Mission to Australia capitalised on this, which included PepsiCo and Campbell’s, and
  - there is appetite from multinationals, wealthy families and pension funds to aggregate Australian farm and pastureland and build value-adding supply chains to Asia.

- The US has growing expertise in digital health technology. This creates an opportunity for new investment in Australia, especially since Australia has implemented an opt-out system for electronic health records (My Health Record). The number of electronic medical records is expected to increase from 5 million to 20 million in the next year. Applications are in:
  - telemedicine and mHealth (aged care especially)
  - connected devices/IoT big data, and
  - cyber security and electronic pharmacy application.

- there are also opportunities for US firms to bring their expertise to Australia in partnership with Australia’s Digital Health CRC and through university research partnerships

- Australia has a unique advantage in clinical trials for US firms:
  - early-stage clinical trials are up to 60 per cent cheaper to conduct in Australia compared with the US
  - this is due to the R&D tax incentive and speed of approval process.

Trade policy and negotiations

The Australia–US Free Trade Agreement (AUSFTA) is well-used—88 per cent of Australia’s exports enter under preferential arrangements. AUSFTA is used less on US goods coming into Australia (78 per cent).

The seventh meeting of the AUSFTA Joint Committee was in April 2019. Other committees established under AUSFTA meet as needed and report to the AUSFTA Joint Committee. Australia and the US are both members of the WTO, APEC, G20 and OECD.

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