

COUNTRY PROFILE:**The Commonwealth of Australia****DATED:****SEPTEMBER 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/Opinion</i>	Rating: 1A. Open Cover. High value of exposure and commitments. This is not a claims free market. (Euler Hermes: A/A; Altradius: 2; Coface: A1/A1) Sanctions: None
--	--

Recent Political Highlights

- Julia Gillard is the current Prime Minister of Australia. The government is based on a constitutional monarchy where Queen Elizabeth II is head of state.
- Upcoming elections are scheduled for 2013, but expectations are that a poll might be called before schedule, due to the slim one-seat majority that the ruling Labor Party holds.

Recent Economic Highlights

- Australia has a population of 21,766,711 and it is a country rich in natural resources attracting a significant amount of foreign investment in its resource sector.
- The services sector contributes the most to GDP accounting for more than 75% of total output. In August 2011 this industry grew, with the finance & Insurance and the communication sectors contributing the most to the overall expansion. This growth was reflected in increase of the Australian Performance of Services Index by 3.3 points to 52.1. Scores above 50 show increases in economic activity.
- The business environment is experiencing the weakest growth in the six months since the floods that swept over Queensland and Victoria. On the macro-economic side the economy has encountered real production losses amounting to \$9 billion, mostly in the resource and agricultural sectors. Although the agriculture sector reported losses earlier this year, farm production is estimated to have grown by 8% in 2010/2011 and it is expected to rise by 3% in 2011/2012.
- The IMF predicts that real GDP growth will be 2% in 2011 and 3.5% in 2012. The reason for these growth rates are increased commodity demand and private investment in mining and liquefied natural gas. GDP in the second quarter of 2011 rose by 1.2% from the previous quarter where it had fallen 0.9%. The Australian Central Bank has predicted that inflation would exceed the 2-3% target band by the end of 2011 and to remain there till 2013; currently it stands at 3.6%. Although overall growth is positive, it is also uneven as many businesses are challenged by declining consumer spending and difficulty in accessing credit. Australia's demand for imports is expected to increase as a result of a need for capital goods required for large resource projects. The country is experiencing a strong exchange rate and the Reserve Bank of Australia expects further strengthening.
- Planned mining investment for 2011 and 2012 is \$76 billion; this is roughly eight times the pre-mining boom level. Investment in the non-mining sector for 2011 and 2012 is expected to be below average. A proposed carbon tax on Australia's top 500 polluters is set to affect business sentiment. If put into place, the tax may increase headline inflation by 0.7% from the third quarter of 2012. In the oil and gas sector, heightened demand for liquefied natural gas has increased the development of unconventional energy, specifically coal seam gas. Plans are in the pipeline for the liquefied natural gas to be exported to Asia-Pacific economies. Two of these projects (Curtis Island and Gladstone LNG) are under construction and are due for completion in 2015. It is estimated that 5000 construction and 500 operational jobs will be created as a result of these projects.

Latest Trade Developments

- Major exports from Australia: coal, iron ore, gold, meat, wool, alumina, wheat, machinery and transport equipment
- Major imports to Australia: machinery and transport equipment, computers and office machines, telecommunication equipment and parts; crude oil and petroleum products
- Main trading partners of Australia: China, Japan, US, South Korea, Thailand, India, Singapore
- SA's exports to Australia in 2009 totaled R6.1 bn; in 2010 they were R7.03bn; and R3.2bn year to June 2011.
- SA's import from Australia in 2009 totaled R9.2bn; in 2010 they were R9.7bn; and R4.9bn year to June 2011.

Researched and compiled by Nthabiseng Ntuli, economic services – Credit Guarantee Insurance