



****Coronavirus Covid-19 Update****

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Australia

April 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2d

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + Australia is well placed to benefit from Asian demand and the expanding middle-class.
- + Expect population ageing to be more moderate than in European countries.
- The long-term economic trajectory of productivity and growth will depend on demand for energy and mineral exports.
- Australian households remain among the highest-leveraged in the world, elevating financial stability risks.
- Exposure to changing demand for upstream materials will significantly expose Australia's export basket to upcoming demand shocks.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Australia's country risk rating from DB2c to DB2d after a human biosecurity emergency is declared: economic growth will contract sharply.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



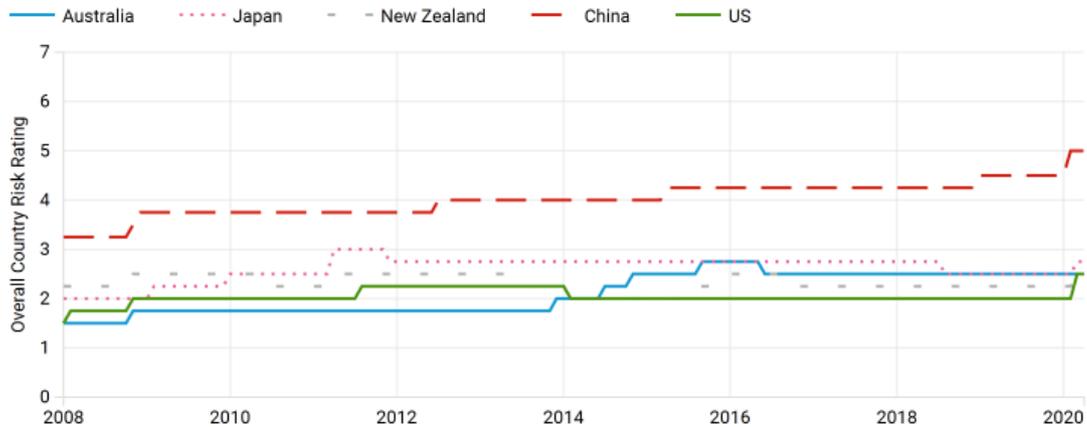
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

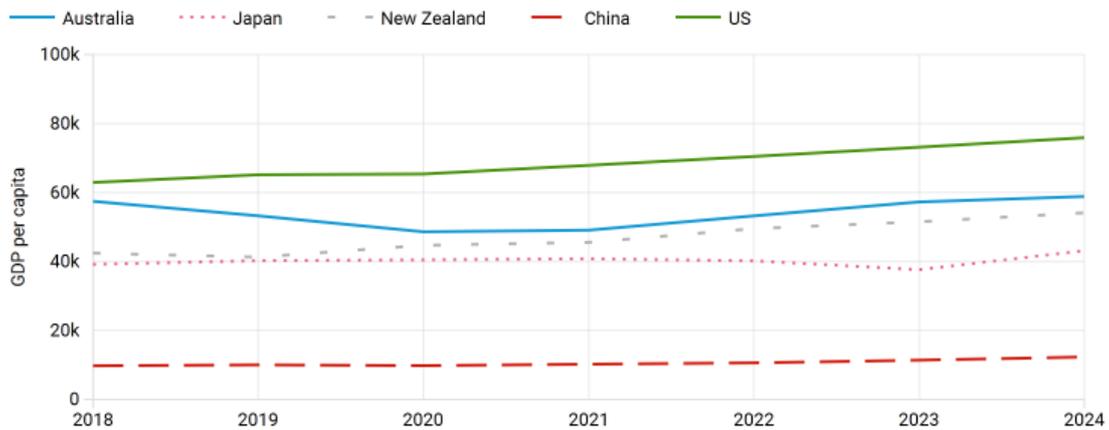
Rating History and Comparison



Source: Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019e	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	-2.6	-2.0	0.5	-1.7	-1.5	-1.4	-0.9	-0.5
Govt balance, % GDP	-1.0	0.5	0.1	-3.0	-2.5	-2.3	-1.0	-0.8
Inflation, annual avge %	1.9	1.9	1.6	1.9	1.8	1.5	1.7	1.9
Real GDP Growth, %	2.5	2.7	1.8	-0.5	2.5	2.5	2.3	2.3
Unemployment, %	5.6	5.3	5.2	7.2	6.4	5.6	5.3	5.3

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The Reserve Bank of Australia acted swiftly to provide low-cost liquidity for businesses amid the Covid-19 outbreak by dropping the cash rate to an all-time low of 0.25% and establishing expanded-term repo operations, a term-funding facility and a quantitative-easing programme. Also, regulations that dictate specific capital requirements will be relaxed to enable greater credit availability from lending institutions, while loan deferments will be offered to small business. Even with these aggressive monetary actions, the amount of total credit that has been destroyed becomes a primary risk. Previous recessions created manageable losses of credit, but widespread business closures in the wake of the virus outbreak support the case for a massive spike in credit demand. Other risks include the demand for USD FX reserves, which prior to the crisis were ample, at over USD50bn. Swap lines established with the US Federal Reserve of up to USD60bn will help to alleviate demand.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: SD

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

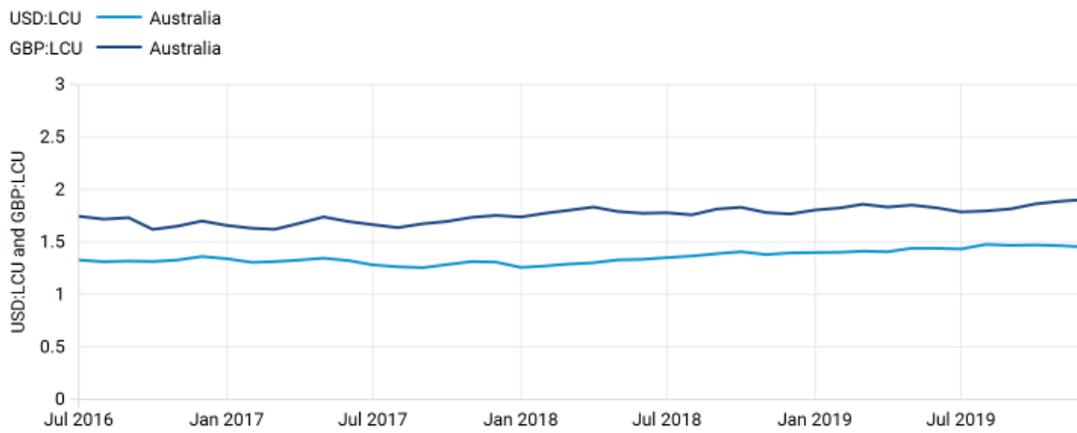
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



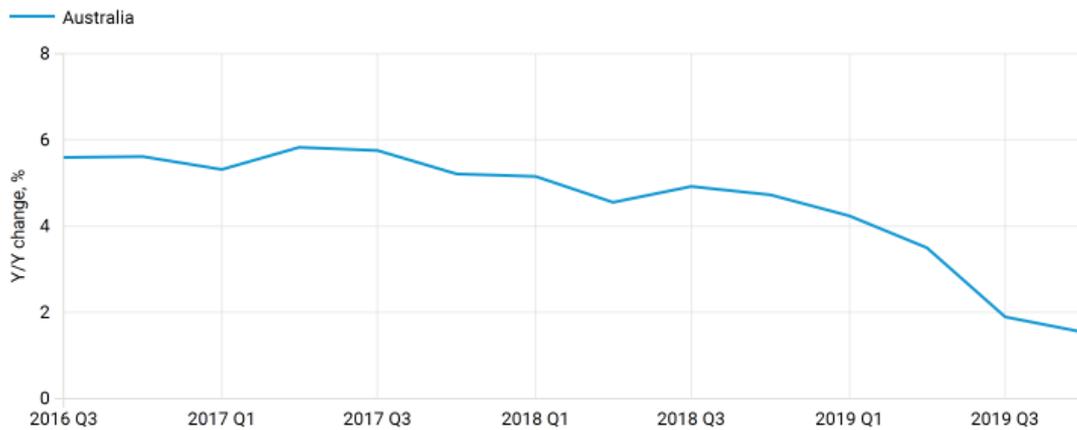
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Australian dollar

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Risk rating downgraded

We have downgraded our risk rating for Australia from DB2c to DB2d amid a forecast negative economic impact from the Covid-19 virus. A human biosecurity emergency has been formally declared in Australia, giving the federal government widespread powers to close off cities, impose curfews and order people to enter quarantine. The government has selectively closed businesses, meaning that specific types of retailers such as hairdressers and personal trainers could remain open (with restrictions), representing a departure from more extreme measures adopted by other advanced economies. This could help to produce a small amount of business activity, but the offset will be minimal compared to the expected decline in growth, rise in the number of bankruptcies, and total lost wages. The education, tourism and transportation sectors will be the largest impacted.

Overall real GDP growth in Australia was already expected to be weak in Q1 due to the ongoing impact from bushfires in New South Wales, a state that had already undergone two states of emergency prior to the global onset of Covid-19 - the coronavirus emergency will add to that impact. Even before advice to stay at home, consumer confidence had already been trending lower from 2017 highs, due to slight rises in the number of unemployed and amid declining home prices. The rapid decline in the ANZ-Roy Morgan Consumer Confidence Index in March (to an 11-year low) indicated that household consumption growth would contract sharply in the months ahead. The sharp turn toward consumer pessimism had not yet reached the lows recorded during Australia's last recession - which ran from 1990 to 1991 - but the speed of the decline indicates the severity and size of the economic impact, which will last through the June quarter. Despite supply-chain freezes, early indications were that demand for coal and iron ore had not dipped in China, and while there was some indication that coal usage in China had begun to pick up, overseas demand will help to cushion some of the economic fallout.

Business Continuity

Initial fiscal package adequate

Plans to support the continuity of wages and business survival will come from an initial fiscal support package valued at 5.2% of GDP, below the US (10.2%) but higher than other G20 countries. A more favourable fiscal position than other advanced nations will allow the government to dispense large sums over the next four years, giving balance-sheet support to businesses and loan guarantees to banks to provide cash to small and mid-sized enterprises. In addition to the initial fiscal response, the Job Keeper Allowance will provide bi-weekly AUD1,500 payments to workers via a business subsidy for firms facing lost revenue, beginning in May and lasting six months. Other areas of the stimulus will target the recovery phase, raising the instant tax write-off threshold from AUD30,000 to AUD150,000 for those with annual turnover of less than AUD500m. Most businesses are likely to delay investment, but the incentives should help to boost to growth during the recovery phase.



COUNTRY PROFILE AND STATISTICS

Overview

Australia is situated in the South Pacific; its closest neighbours include Indonesia, Papua New Guinea and New Zealand. It is a member of the British Commonwealth and the OECD. The economy has undergone considerable liberalisation in recent years and offers a conducive environment in which to do business.

Australia's population numbers around 23m and income levels are on a par with other developed economies. While the economy is diversified, mineral and agricultural commodities still play an important role in the country's export profile. This has helped the economy to enjoy a prolonged period of growth in recent years, and protected the country from the worst effects of the global slowdown in 2008-09, as demand from China was maintained. However, this has also contributed to the economy growing unevenly, complicating policy responses.

The political system is generally stable and policy risk is low, with broad policy agreement between the main parties. The bicameral parliamentary model helps to ensure a robust system of checks and balances, although an opposition-held Senate occasionally frustrates policy initiatives.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Scott Morrison
Capital	Canberra
Timezone	GMT +10-00
Official language	English
Population (millions)	25.2
GDP (USD billions)	1,342.0
GDP per capita (USD)	53,248
Life expectancy (years)	83.0
Literacy (% of adult pop.)	99.9
Surface area (sq km)	7,741,220

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019e
Real GDP growth (%)	2.3	2.8	2.5	2.7	1.8
Nominal GDP in USDbn	1,234	1,267	1,387	1,430	1,342
Nominal GDP in local currency (bn)	1,641	1,703	1,808	1,913	1,930
GDP per Capita in USD	51,579	52,211	56,417	57,451	53,248
Population (year-end, m)	23.9	24.3	24.6	24.9	25.2
Exchange rate (yr avge, USD-LCU)	1.3	1.3	1.3	1.3	1.4
Current Account in USDbn	-56.9	-41.4	-35.5	-29.2	7.1
Current Account (% of GDP)	-4.6	-3.3	-2.6	-2.0	0.5
FX reserves (year-end, USDbn)	43.1	50.9	63.6	51.0	56.4
Import Cover (months)	1.9	2.3	2.6	2.0	2.3
Inflation (annual avge, %)	1.5	1.3	1.9	1.9	1.6
Govt Balance (% GDP)	-2.3	-2.1	-1.0	0.5	0.1

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-0.5	2.5	2.5	2.3	2.3
Nominal GDP in USDbn	1,191	1,213	1,326	1,437	1,488
Nominal GDP in local currency (bn)	1,870	1,819	1,856	1,911	1,934
GDP per Capita in USD	48,617	49,090	53,238	57,269	58,848
Population (year-end, m)	24.5	24.7	24.9	25.1	25.3
Exchange rate (yr avge, USD-LCU)	1.6	1.5	1.4	1.3	1.3
Current Account in USDbn	-20.0	-18.1	-18.3	-12.9	-6.9
Current Account (% of GDP)	-1.7	-1.5	-1.4	-0.9	-0.5
FX reserves (year-end, USDbn)	54.4	55.5	56.0	57.7	59.4
Import Cover (months)	2.1	2.0	1.9	1.8	1.7
Inflation (annual avge, %)	1.9	1.8	1.5	1.7	1.9
Govt Balance (% GDP)	-3.0	-2.5	-2.3	-1.0	-0.8

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Australia	Japan	NZ	UK	US
Income per Capita (USD)	48,617	40,490	44,691	38,878	65,377
Country Population (m)	24.5	125.5	4.8	67.9	331.0
Internet users (% of population)	88.2	92.0	88.5	94.8	76.2
Real GDP Growth (% p.a., 2020 - 2029)	0.9 - 3.3	-0.5 - 1.2	1.4 - 3.0	1.8 - 3.5	1.8 - 2.5

Source: Various sources/Dun & Bradstreet



LINKS

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Please click [here](#) to visit our online user guide.

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