

# Australia: Brief Profile

2025

## Domestic Economy

- ❖ The economy of Australia grew at an estimated 1% in 2024 from 2.1% in 2023, as high interest rates affected private consumption and investment.
- ❖ In absolute terms, GDP amounted to US\$ 1.8 trillion in 2024, while GDP per capita stood at an estimated US\$ 66,248 in 2024.
- ❖ Average consumer price inflation stood at 3.2% in 2024 compared to 5.6% in 2022.
- ❖ Services sector generates the bulk of GDP, accounting for 66.8% of the country's total GDP 2022, followed by industry sector (29.8% of GDP) and agriculture sector (3.4% of GDP).

### BASIC FACTS

**Land area:** 7,682,400 sq km

**Population:** 27.1 mn (2024, est.)

**Language:** English

**Currency:** Australian dollar (A\$)

**GDP:** US\$ 1.8 trn (2024, est.)

**Exports:** US\$ 340.9 bn (2024, est.)

**Imports:** US\$ 283.6 bn (2024, est.)

**Sovereign Rating:** AAA (S&P's)

## Trade and Current Account Balance

- ❖ Australia's exports decreased in 2024 to an estimated US\$ 340.9 billion from US\$ 371.4 billion in 2023.
- ❖ Australia's imports increased in 2024 to an estimated US\$ 283.6 billion from US\$ 274.8 billion in the previous year.
- ❖ As a result, Australia's trade surplus decreased to an estimated US\$ 57.3 billion in 2024s from US\$ 96.6 billion in 2023.
- ❖ Australia's export basket mainly comprised of mineral fuels and oils (32.8% of the total exports in 2024), ores, slag and ash (28%), pearls, precious stones and metals (7.4%), meat and edible meat offal (4.2%) and cereals (2.4%).
- ❖ Australia's major imports included vehicles other than railway or tramway (15% of total imports in 2024), machinery and equipment (14.4%), mineral fuels an oil (13.3%), electrical machinery and equipment (11%), pharmaceutical products (3.8%), and optical, photographic, cinematographic apparatus (3.5%).

- ❖ The major destination of Australia's exports in 2024 was China (30.1% of total exports), followed by Japan (9.1%), Korea (5.7%), India (4.6%), USA (4.5%) and Taiwan (2.5%).
- ❖ China is also the largest source of Australia's imports, accounting for 25.4% of Australia's total imports in 2024. The other major sources of imports in the same year were USA (11.8%), Japan (5.9%), Korea (5.5%), Thailand (4.6%), and Germany (4.3%)
- ❖ Current account deficit increased to an estimated US\$ 34.6 billion in 2024 (1.9% of GDP) from US\$ 5.1 billion (0.3% of GDP) in 2023.

## Foreign Direct Investment, Foreign Exchange Reserves, and Exchange Rate

- ❖ According to UNCTAD's *World Investment Report 2024*, foreign direct investment (FDI) inflows to Australia decreased in 2023 to US\$ 29.9 billion, compared to US\$ 63.4 billion in 2022.
- ❖ According to the same source, FDI outflows from Australia also decreased to US\$ 9.8 billion in 2023 from US\$ 118.1 billion in 2022.
- ❖ Australia's total foreign exchange reserves decreased in 2024 to an estimated US\$ 60.4 billion from US\$ 61.7 billion of the previous year. Reserves reflected an import cover of around 1.8 months.
- ❖ The local currency is Australian Dollar (A\$). The exchange rate depreciated to A\$ 1.52: US\$ 1 in 2024, from A\$ 1.50: US\$ 1 in the previous year.

## Country Rating

- ❖ *Dun and Bradstreet's (DB) Country Risk Indicator*<sup>1</sup>, February 2024, rates Australia as DB2d (Low Risk: Low degree of uncertainty associated with expected returns. However, country/region-wide factors may result in higher volatility of returns at a future date). The trend of D&B's ratings for Australia falls under the 'stable' category.

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<sup>1</sup> The DB risk indicator is divided into seven bands (DB1 to DB7, in the increasing order of risk). Each band is further divided into quartiles (a-d, ranging low to high), except the DB7 band.

- ❖ *Standard & Poor's Sovereign Ratings* as on date, rates Australia as AAA (less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions) with a 'stable' outlook.
- ❖ *Moody's Investor services*<sup>2</sup>, in its March 14, 2025, rating, Australia was placed in the Aaa category (low level of credit risk: obligations are judged to be of the upper medium grade) with a 'stable' outlook.
- ❖ *Organization for Economic Co-operation and Development (OECD)*<sup>3</sup> does not rank Australia in its country risk classification.

## Macroeconomic Outlook

- ❖ Slower inflation and the start of interest-rate cuts is likely to boost economic sentiment and cause economic growth to accelerate to 1.6% in 2025, from 1% in 2024. A more moderate global interest rates could revive demand for other, non-commodity exports, such as financial services and tourism. The green energy and defence sectors are expected to support the economy, aided by government policy support for the energy transition and the development of local manufacturing capabilities in defence.
- ❖ Consumer price inflation slowed markedly in late 2024, and the RBA's preferred measure of inflation, the trimmed mean, approached 3% year on year in October-December. However, a notable split in the pace of inflation has opened up between goods and services, with goods price growth decelerating much more sharply. Price growth for services such as accommodation and insurance are likely to remain elevated, preventing overall inflation from falling more quickly. Australia remains highly exposed to a re-emergence of elevated global prices for food or fuel, just as it was in 2022. Inflation is expected to reach an annual 2.6% in 2025, but risks are tilted to the upside.

<sup>2</sup> Moody's Investor services ranks countries in nine categories Aaa, Aa, A, Baa, Ba, B, Caa, Ca and C, according to increasing order of risk. Numerical modifiers 1, 2, and 3 are appended to each generic rating classification. The modifiers 1, 2 and 3, respectively indicate that the obligation ranks in the higher end, mid-range, and lower end of its generic rating category.

<sup>3</sup> The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest).

- ❖ The normalisation of trade flows with China is expected to keep a floor under the Australian dollar in 2025. The strength of the labour market—and thus, the continuation of private consumption spending—represents a domestic source of support. However, persistent woes in the Chinese property sector (and the wider economy), pose a risk to demand for Australian iron ore and could keep the sentiment bearish. The currency is projected to hover around the A\$1.60:US\$1 threshold in the first half of 2025 before strengthening marginally thereafter, as investors finish pricing in risks of the US's tariffs.
- ❖ The high global prices for exported commodities that resulted in enormous merchandise trade surpluses in 2021-23 is likely to continue to ebb in 2025-26. Consequently, any recovery in Australian export sales in 2025 could be strictly limited. Coal prices are expected to continue to fall, while Chinese demand for iron ore be subject to countervailing forces. The ongoing crisis in the country's property sector means less iron ore is likely to be required for housing construction, but opportunities are expected to emerge in relation to steelmaking for the automotive and renewable energy sectors.

### Australia: Economic Structure

Economic Indicators	2020	2021	2022	2023	2024 <sup>e</sup>	2025 <sup>f</sup>	2026 <sup>f</sup>
GDP at market prices (US\$ bn)	1362.6	1655.8	1725.5	1742.5	1796.8	1771.7	1841.0
Real GDP growth (%)	-2.0	5.4	4.1	2.1	1.0	1.6	2.1
Consumer price inflation (avg., %)	0.9	2.8	6.6	5.6	3.2	2.6	3.5
Population (mn)	25.6	25.8	26.3	27.0	27.1	27.4	27.8
Exports of goods fob (US\$ bn)*	250.3	343.7	411.7	371.4	340.9	343.9	356.7
Imports of goods cif (US\$ bn)*	203.2	247.7	289.0	274.8	283.6	291.2	310.9
Current-account balance (US\$ bn)	23.6	39.7	6.4	-5.1	-34.6	-54.4	-63.3
Total International Reserves (US\$ bn)*	42.5	57.8	56.7	61.7	60.4	62.3	64.1
Exchange rate (avg.; A\$: US\$) (Local Currency: Australian dollar (M\$))*	1.45	1.33	1.44	1.50	1.52	1.56	1.54

Note: \* Sourced from EIU, <sup>a</sup>- Actual <sup>e</sup>- Estimate; <sup>f</sup>- Forecast

Source: WEO, IMF (April 2025) & EIU Country Report.