

WORLD RANK:

4

REGIONAL RANK:

4

ECONOMIC FREEDOM STATUS:
FREE

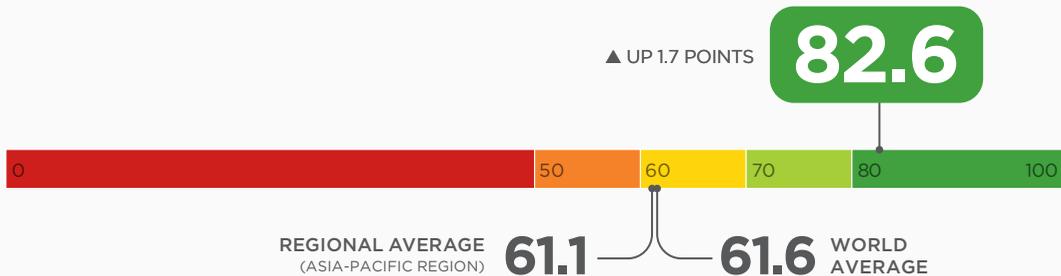
AUSTRALIA

Australia's economic freedom score is 82.6, making its economy the 4th freest in the 2020 *Index*. Its overall score has increased by 1.7 points, led by improvements in scores for **government integrity** and **fiscal health**. Australia is ranked 4th among the 42 countries in the Asia-Pacific region, and its overall score is substantially higher than the regional and world averages.

Australia has been a leader in economic freedom ever since the inception of the *Index* in 1995, and its economy has been in the highest, free category for the past 14 years. GDP has recorded steady gains, although the growth rate could slow in coming years because of softer world trade growth and faltering investment.

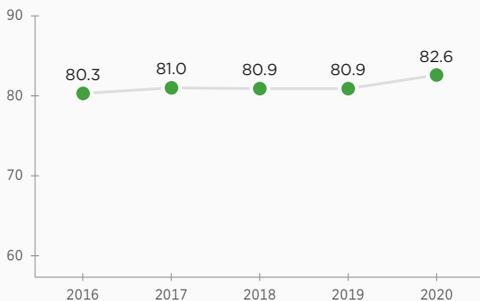
Far from resting on its laurels, the new government plans to promote investments in infrastructure, cybersecurity, and digital payments platforms while also pursuing further regulatory and industrial policy reforms as well as personal income tax cuts, all of which should drive economic freedom in Australia even higher.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
25.2 million

GDP (PPP):
\$1.3 trillion
2.8% growth in 2018
5-year compound
annual growth 2.6%
\$52,373 per capita

UNEMPLOYMENT:
5.4%

INFLATION (CPI):
2.0%

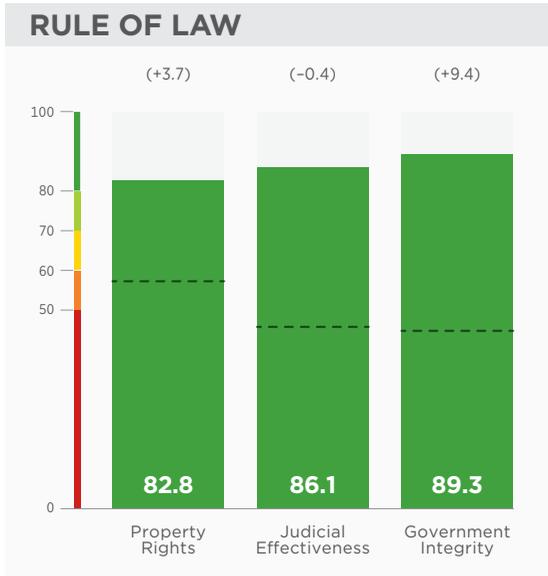
FDI INFLOW:
\$60.4 billion

PUBLIC DEBT:
40.7% of GDP

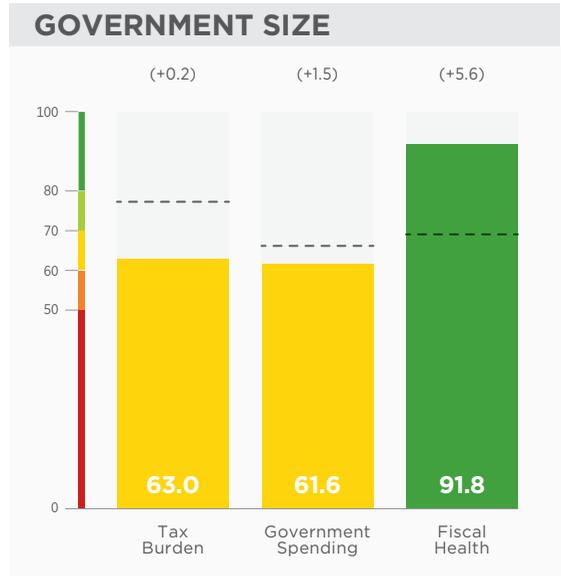
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Australia is one of the wealthiest Asia-Pacific nations and has enjoyed more than two decades of economic expansion. After Prime Minister Malcolm Turnbull resigned his seat in 2018, Scott Morrison formed a new Liberal Party minority government and went on to lead his party to an upset victory in May 2019 parliamentary elections. Australia is internationally competitive in financial and insurance services, technologies, and high-value-added manufactured goods. Mining and agriculture are important export sectors. Australia's 10 free-trade agreements include FTAs with the U.S., China, Japan, South Korea, and the Association of Southeast Asian Nations. Negotiations on similar agreements are ongoing with the European Union and are expected to begin with the United Kingdom following Britain's exit from the European Union.

12 ECONOMIC FREEDOMS | AUSTRALIA



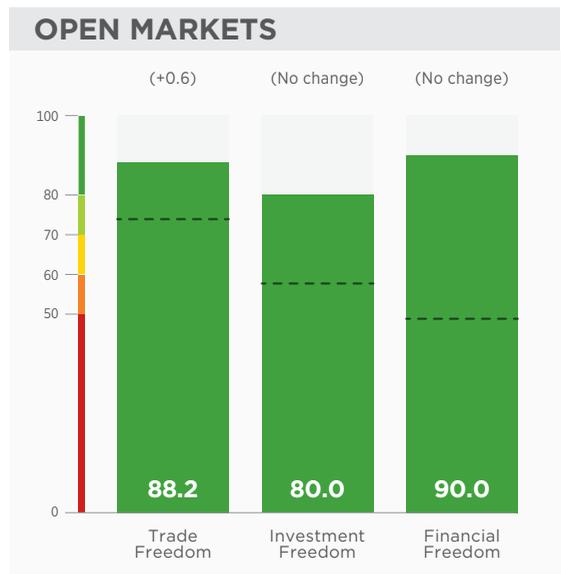
Strong legal frameworks protect property rights, and Australia's robust rule of law minimizes corruption. Expropriation is highly unusual, and enforcement of contracts is reliable. Australia's stable political environment supports a strong judicial system, which operates independently and impartially. In December 2018, the prime minister announced the formation of a new anticorruption commission.



The top income tax rate is 45 percent, and the flat corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 27.8 percent of total domestic income. Government spending has amounted to 35.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.8 percent of GDP. Public debt is equivalent to 40.7 percent of GDP.



Australia has one of the world's most transparent and efficient regulatory environments. New government regulations generally may not be imposed unless all affected parties have first been consulted. The country's modern and flexible employment code invigorates the labor market. In 2019, the IMF estimated that annual energy subsidies in Australia total \$29 billion, representing approximately 2.3 per cent of GDP.



The total value of exports and imports of goods and services equals 43.0 percent of GDP. The average applied tariff rate is 0.9 percent, and 320 nontariff measures are in force. Facilitated by a transparent investment framework, foreign firms generally compete with domestic companies on equal terms. The financial sector is competitive and well developed. All banks are privately owned and subject to prudent regulations.