

WORLD RANK:

3

REGIONAL RANK:

3

ECONOMIC FREEDOM STATUS:
FREE

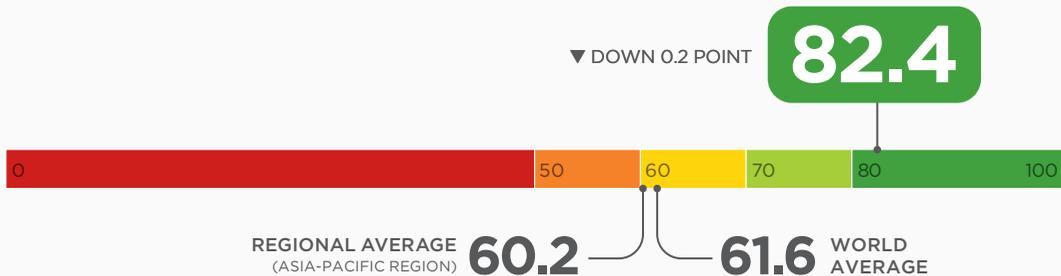
AUSTRALIA

Australia's economic freedom score is 82.4, making its economy the 3rd freest in the 2021 *Index*. Its overall score has decreased by 0.2 point, primarily because of a decline in the score for **government spending**. Australia is ranked 3rd among 40 countries in the Asia-Pacific region, and its overall score is above 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 15 years. The country's scores on the three rule-of-law indicators (property rights, judicial effectiveness, and government integrity) are among the highest in the world.

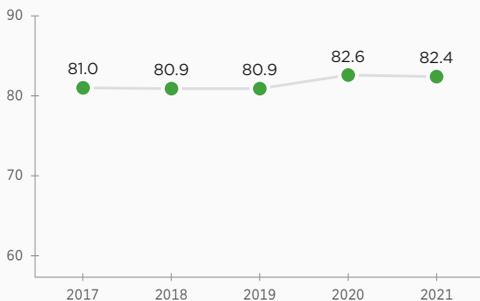
IMPACT OF COVID-19: As of December 1, 2020, 908 deaths had been attributed to the pandemic in Australia, and the economy was forecast to contract by 4.2 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +8.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
25.4 million

GDP (PPP):
\$1.4 trillion
1.8% growth in 2019
5-year compound
annual growth 2.4%
\$53,320 per capita

UNEMPLOYMENT:
5.3%

INFLATION (CPI):
1.6%

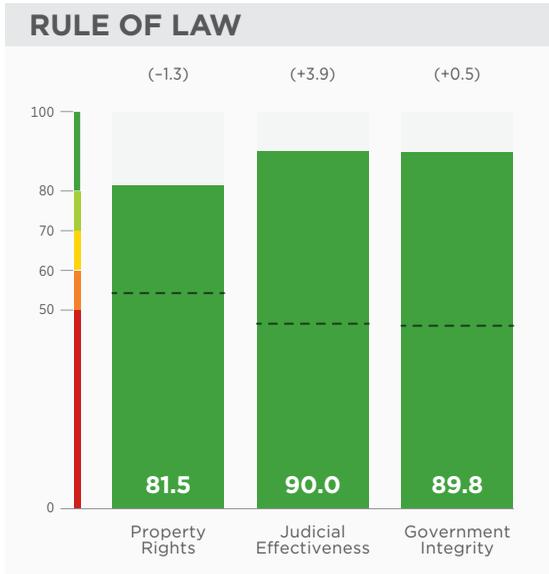
FDI INFLOW:
\$36.2 billion

PUBLIC DEBT:
45.0% of GDP

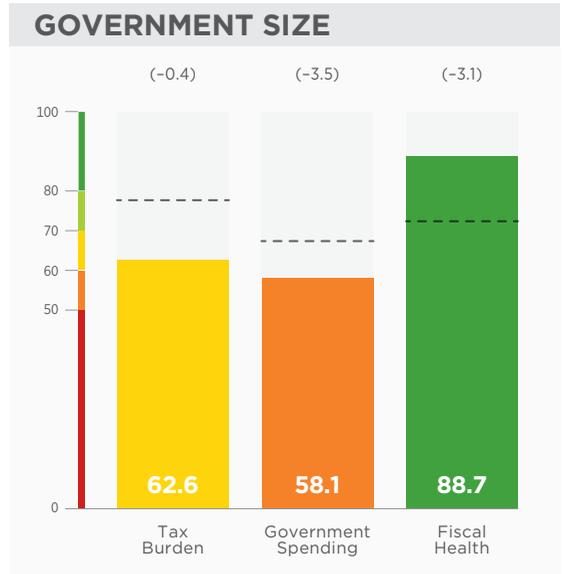
2019 data unless otherwise noted. Data compiled as of September 2020

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 Liberal Party minority government and went on to win 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 15 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 expected to begin with the United Kingdom now that it has left the EU.

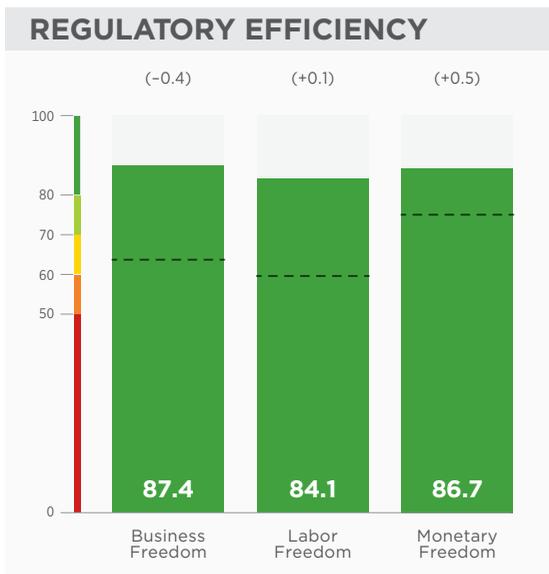
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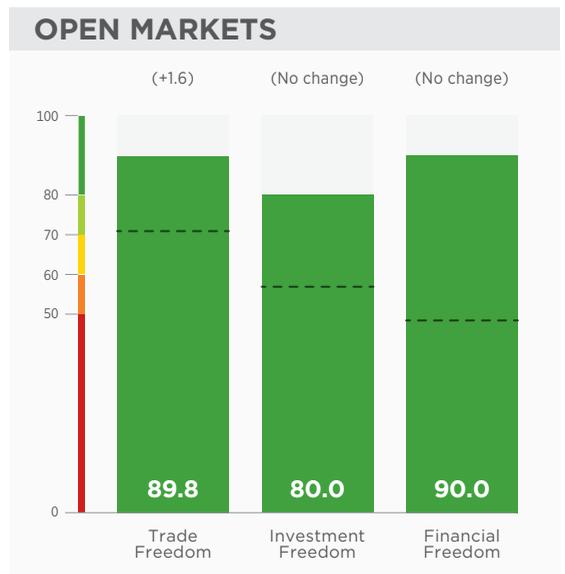
Strong legal frameworks protect property rights, and a robust rule of law mitigates corruption. Expropriation is highly unusual, and enforcement of contracts is reliable. Australia's stable political environment supports transparent and well-established political processes, a strong legal system, competent governance, and an independent bureaucracy. The judicial system operates independently and impartially. The government enforces laws against bribery and corruption effectively.



The top individual income tax rate is 45 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 28.5 percent of total domestic income. Government spending has amounted to 37.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.1 percent of GDP. Public debt is equivalent to 45.0 percent of GDP.



Access to credit has been improved, but property registration has become more time-consuming and expensive. Immigration, traditionally an important source of skilled labor, has largely been shut down because of COVID-19. A rise in inflation in 2020 was driven in part by higher food prices, reflecting the tail end of supply shortages caused by the drought and destruction of crops as a result of bushfires in late 2019 and early 2020.



Australia has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 2.6 percent, and 332 nontariff measures are in effect. Government policies do not significantly interfere with foreign investment. The competitive financial sector is well developed, and all banks are privately owned. The exchange rate has been allowed to adjust flexibly to absorb economic shocks caused by the pandemic.