

WORLD RANK:

12

REGIONAL RANK:

4

ECONOMIC FREEDOM STATUS:
MOSTLY FREE

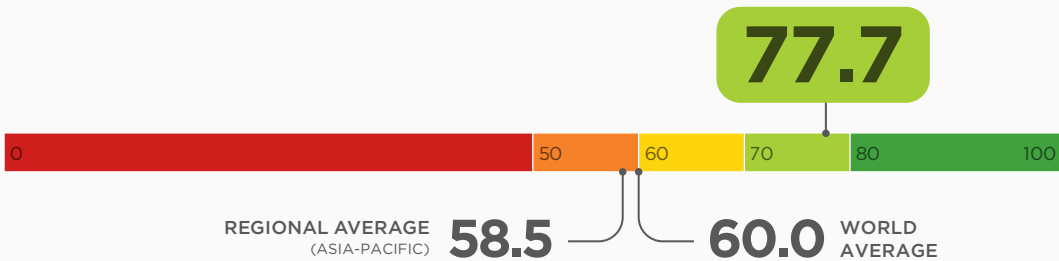
AUSTRALIA

Australia's economic freedom score is 77.7, making its economy the 12th freest in the 2022 *Index*. Australia is ranked 4th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Over the past five years, Australia's economic growth accelerated from 2017 through 2018, decelerated in 2019, turned negative in 2020, and rebounded in 2021. A five-year trend of expanding economic freedom has been broken. Dragged down by a huge drop in its **fiscal health** score, Australia has recorded a 3.3-point overall loss of economic freedom since 2017 and has fallen from the "Free" category to the "Mostly Free" category. Rule of law is strong, but **fiscal health** and **government spending** are problematic.

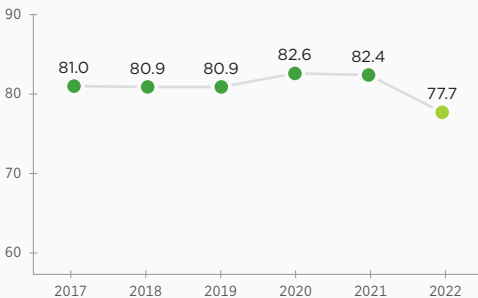
IMPACT OF COVID-19: As of December 1, 2021, 2,021 deaths had been attributed to the pandemic in Australia, and the government's response to the crisis ranked 13th among the countries included in this *Index* in terms of its stringency. The economy contracted by 2.4 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
25.7 million

GDP (PPP):
\$1.3 trillion
-2.4% growth
in 2020
5-year compound
annual growth 1.5%
\$51,680 per capita

UNEMPLOYMENT:
6.6%

INFLATION (CPI):
0.9%

FDI INFLOW:
\$20.1 billion

PUBLIC DEBT:
63.1% of GDP

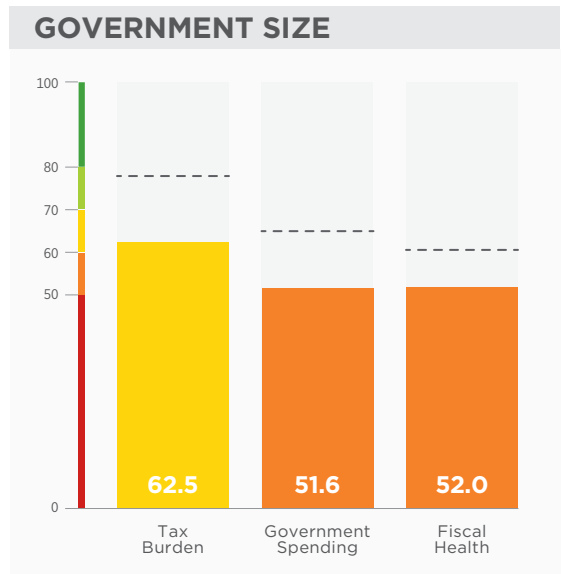
2020 data unless otherwise noted. Data compiled as of September 2021

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 2019 parliamentary elections. Australia is internationally competitive in financial and insurance services, technologies, and high-value-added manufactured goods. The country's many free-trade agreements include FTAs with the U.S., China, Japan, South Korea, the Association of Southeast Asian Nations, and most recently the United Kingdom. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive and exportable reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources.

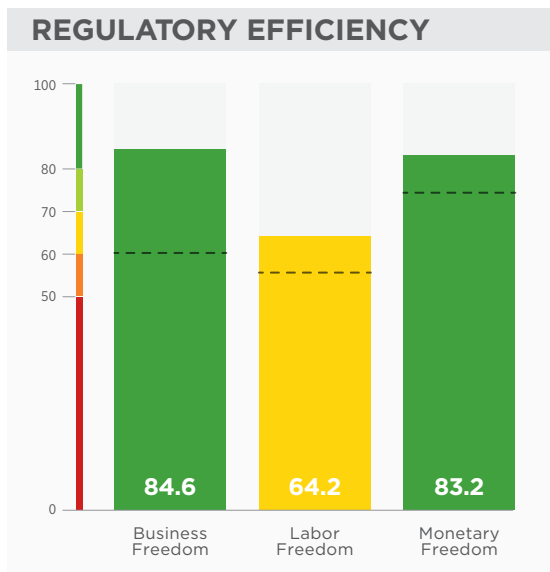
12 ECONOMIC FREEDOMS | AUSTRALIA



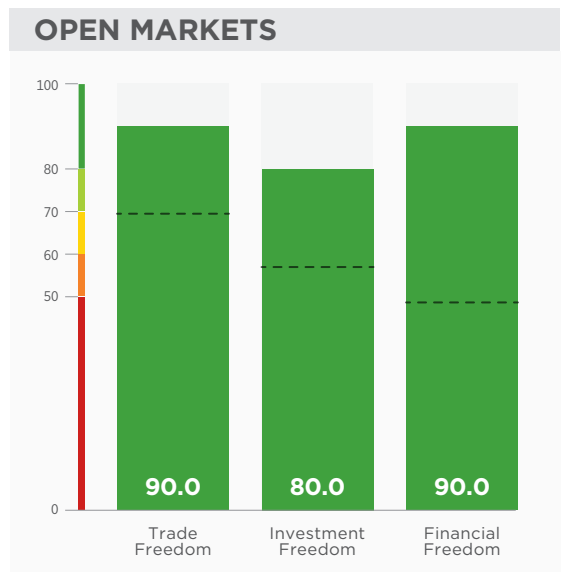
Strong legal frameworks protect property rights, and the robust rule of law mitigates corruption. Expropriation is highly unusual, and enforcement of contracts is reliable. Australia's stable political environment supports transparent and well-established political processes, a strong legal system, competent 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. The overall tax burden equals 28.7 percent of total domestic income. Government spending has amounted to 40.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.0 percent of GDP. Public debt is equivalent to 63.1 percent of GDP.



Restrictions on business activity because of COVID-19 contributed to Australia's first recession in three decades. Labor regulations are generally light, but Australia's minimum wage is high relative to those of other countries. Wage growth has been low in recent years. Government subsidies for agriculture, infrastructure spending on roads and telecommunications, child care, and facilities for old-age pensioners, among other sectors, are significant.



Australia has 17 preferential trade agreements in force. The trade-weighted average tariff rate is 2.5 percent, and 335 nontariff measures are in effect. Facilitated by a transparent investment framework, foreign firms generally compete on equal terms with domestic companies. The financial sector is competitive and well developed. All banks are privately owned and subject to prudent regulations.