

Australia a safe haven for business investment

Nation ranks in the top four on global risk indicator

Australia is considered one of the world's safest countries in which to invest, due to the relatively mild economic slowdown experienced as a result of the global credit crisis. Dun & Bradstreet's *Global Risk Indicator* places Australia in the top four countries, with a ranking in line with Canada, Norway and Switzerland.

The *Global Risk Indicator (GRI)* assesses economic, commercial, external and political risk to provide risk ratings for 131 countries around the world. The highest possible rating (DB1a) is allocated to countries that display the lowest degree of uncertainty against these measures.

The latest rankings have Australia, Canada, Norway and Switzerland rated a DB1d, the fourth highest possible rating on the GRI – no countries currently have a higher rating. However within this group, Australia, Norway and Switzerland are all categorised as having a stable risk profile, while Canada has been earmarked as having a deteriorating outlook. This could result in a downgrade to Canada's rating if the country's risk profile continues on this trend.

Within the Asia-Pacific region, Australia is the only country to be rated in the DB1 range however four countries – Japan, Hong Kong, New Zealand and Singapore – have managed a rating in the DB2 category. Australia's rating demonstrates that although the nation is facing a number of challenges, it is faring well compared to others amidst the current global economic crisis.

According to Christine Christian, D&B's CEO, the latest rankings provide some very important reminders for Australian policy makers and the business community.

"The world is continuing to change at a rapid pace and although Australia is faring well compared to other nations we cannot afford to stand still," said Ms Christian.

"The latest GRI rankings show that Australia is a low risk environment for business investment. However to maintain strong trading relationships and attract foreign investment to our shores, we must at the very minimum, maintain our current rating.

"When the rest of the developed world recovers and returns to economic growth, global competition will intensify. To keep our position in the top four safest countries, Australia's regulators will need to ensure that their focus on reform and strong economic management continue."

Highest ranked countries	
Global	Asia-Pacific
Australia – DB1d	Australia – DB1d
Canada – DB1d	Japan – DB2b
Norway – DB1d	Hong Kong – DB2c
Switzerland – DB1d	New Zealand – DB2c
Austria – DB2a	Singapore – DB2d
Finland – DB2a	Korea (South) – DB3a
France – DB2a	Taiwan – DB3a
Germany – DB2a	Malaysia – DB3c
Luxembourg – DB2a	China – DB3d
Netherlands – DB2a	India – DB3d
Qatar – DB2a	Philippines – DB4c
Sweden – DB2a	Indonesia – DB4d
UAE – DB2a	Thailand – DB4d
US – DB2a	Vietnam – DB4d

Global economic heavyweights, the United States and United Kingdom are ranked DB2a and DB2b respectively (the 5th and 6th highest available rankings), with the latest economic data in both countries revealing the reasons behind the ratings. The United States economy recorded a fourth consecutive quarter-on-quarter contraction in Q2, marking the longest period of decline for the US since records began in 1947. While D&B does believe that conditions are stabilising, it remains cautious about the prospects for a genuine recovery in the near term. Furthermore, in the United Kingdom data shows that the economy experienced its fifth consecutive contraction in Q2, while business insolvencies continued to rise and personal bankruptcies hit a new high. Both of these countries have had their GRI rating downgraded multiple times since February 2008.

Meanwhile there are doubts about the quality of the recent surge in economic growth in China. The emerging nation's growth is expected to play a significant role in pulling the global economy out of recession and is also partially responsible for Australia's current relative stability, however these doubts keep uncertainty about China high. The country has had its risk rating downgraded twice since October 2008. India is also expected to play a key role in returning the world economy to growth. D&B expects that recent government measures, including tax cuts, increased expenditure for infrastructure and social spending should sustain economic growth above 5.0% year-on-year (y/y) in the coming quarters.

Australia had its GRI ranking downgraded from DB1c to DB1d in October 2008 as the impacts of the credit crisis and local economic conditions impacted the country's risk outlook. However the local economic slowdown is proving to be relatively mild compared with other regional states and G10 members, with aggressive policy action expected to limit the economic contraction to 0.7% in 2009. In addition, continued government spending is likely to support growth of around 1.0% in 2010. Once economic pressures have abated, Australia's trend would be expected to shift from stable to improving and ultimately this should push Australia back into the DB1c category.

"The latest GRI results are positive news for Australia," said Ms Christian.

"However businesses must not see this as an indicator that they can relax their focus on the fundamentals of cash flow and risk management. The road to recovery will continue to be challenging, with cash constraints, a high debt interest burden and tightened lending criteria perpetuating a difficult trading environment.

"To assist Australia's return to prosperity, executives must tightly manage their operations. This includes ensuring that appropriate and timely monitoring systems exist to keep firms ahead of the risk game. This is particularly pertinent for firms involved in cross-boarder business."

Media Notes

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