

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2016 - 2017

Department/Agency: Treasury

Question: BET275-282

Topic: FDI destination

Reference: Written - 6 May 2016

Senators: Penny Wong and Chris Ketter

Question:

"The OECD foreign direct investment statistics which show that FDI inward flows to Australia declined by USD17.3 billion or 30% in 2014 and then declined again by a further \$17.4 billion or 44% in 2015. (see <http://www.oecd.org/daf/inv/investment-policy/FDI-in-Figures-April-2016.pdf> at page 10).

275. Do these OECD FDI statistics show that FDI inflows to Australia in 2015 were at their lowest level since 2005?

276. Has Treasury analysed the declining FDI inflows to Australia?

277. What factors does Treasury believe are causing this decline?

278. Has Treasury been analysing Australia's declining ranking on this index over the last two years?

279. What factors does Treasury believe are causing this decline?

280. Would reducing FIRB screening thresholds cause senior executives of major international corporations to lower their view of the attractiveness of a country for FDI?

281. Would increasing fees for FIRB applications cause international investors to lower their view of the attractiveness of a country for FDI?

282. Is Treasury aware of the A.T. Kearney? A.T. Kearney produces a Foreign Direct Investment Confidence Index based on surveys of executives of major international corporations – it ranks countries based on how political, economic and regulatory changes will affect FDI inflows in coming years. Can Treasury confirm that Australia's ranking in the A.T. Kearney index fell from sixth place in 2013 to eighth place in 2014 and then fell again to 10th place in 2015?

<http://www.atkearney.com.au/documents/10192/5797358/Connected+Risks%E2%80%94Investing+in+a+Divergent+World.pdf/e45b9ffa-700b-445e-bb34-e2dfff082009>"

Answer:

Foreign Investment Statistics

The OECD released data in April 2016 which indicated that inward Foreign Direct Investment (FDI) flows for Australia decreased from USD 56.9 billion in 2013 to USD 39.6 billion in 2014, and to USD 22.2 billion in 2015.

In Australian dollar terms, Australian Bureau of Statistics' Balance of Payments (ABS Catalogue No. 5302.0) released on 6 September 2016 showed inward FDI net flows were around \$A54 billion in 2013-14, \$A61 billion in 2014-15 and \$A50 billion in 2015-16. These flows are above the net flows that Australia received over 2008-09 (\$A49 billion), 2009-10 (\$A41 billion) and 2010-11 (\$A39 billion).

The stock of inward FDI in Australia as a percentage of GDP has increased over the past three years from around 44 per cent in 2013-14 to around 50 per cent of GDP in 2015-16. (ABS Catalogue No. 5302.0 and 5206.0).

Foreign investment reforms

The decision to invest in a particular country is based on a wide range of factors. The changes to Australia's foreign investment framework that were introduced in 2015 are not expected to have a material impact on investment decisions.

A.T. Kearney Confidence Index

Australia's ranking in the A.T. Kearney FDI Confidence Index has improved from 10th in 2015 to 7th in 2016. Australia was ranked 6th in 2013 and 8th in 2014.