Prior to the 1980s Australia's international investment stocks (inwards and outwards) broadly changed in line with changes in the country's GDP. Hence the ratio of stocks to GDP stayed fairly constant. From the early 80s however, both foreign investment in Australia and Australian investment abroad rose at considerably stronger rates than the rate of GDP growth, for a period of 25 years, before levelling off around the time of the GFC. Between 1979-80 and 2006-07:

- the level of foreign investment in Australia rose from 30 per cent of GDP to over 150 per cent
- the level of Australian investment abroad rose from 10 per cent of GDP to nearly 100 per cent.

The level of foreign direct investment in Australia rose from around 15 per cent of GDP to more than 35 per cent, and it has achieved higher levels post GFC than any time before the crisis. The level of Australian direct investment abroad rose from less than 5 per cent of GDP in 1979-80 to 34.4 per cent in 2006-07. However it eased following the GFC, not showing a clear sign of recovery until 2012-13.

Foreign investment in Australia has been dominated by three countries: the United States, the United Kingdom and Japan. In 2013 these three countries accounted for over 55 per cent of all foreign investment in Australia. Over the 30 years from 1983 to 2013, at no time did their combined holdings ever fall below 50 per cent, although it did fall from the highs of the early 1980s, where the three countries accounted for about two thirds of all foreign held investment in Australia.
Foreign direct investment in Australia and Australia’s foreign direct investment abroad as a percentage of GDP, 1979-80 to 2012-13

Based on ABS catalogues 5302.0 & 5363.0 and RBA Occasional Paper No. 8.

Share of foreign investment in Australia by major source countries, 1983 to 2013

Based on ABS catalogue 5352.0.

Of the three, the United States was the only country to increase its share of foreign investment between 1983 and 2013 – rising marginally from 24.3 per cent in 1983 to 26.7 per cent in 2013. The shares of the United Kingdom (down 4 percentage points) and Japan (down 8 percentage points) were both lower in 2013 relative to 1983.

Share of Australian investment abroad by major destination countries, 1983 to 2013

Based on ABS catalogue 5352.0.
Australian investment abroad, similar to foreign investment in Australia, has been dominated over the last three decades by a few key countries: the United States, the United Kingdom and New Zealand (the top destination countries since 1986\(^1\)). From 1983 to 2013 the share of Australian investment abroad held in these countries rose from 43.4 per cent in 1983 to 49.5 per cent in 2013 (after going as high as 65.2 per cent in 2000).

All three countries increased their individual shares of Australian investment between 1983 and 2013 with the United Kingdom being the standout. In 1983 the United Kingdom accounted for 3.9 per cent of Australian investment abroad. By 1998 this had risen to nearly 20 per cent and in 2013, although lower than the highs of the 1990s, it still accounted for more than quadruple (15.7 per cent) its share in 1983.

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**Author:** Economic Diplomacy, Trade Advocacy and Statistics Section
Economic Advocacy & Analysis Branch
Trade Investment & Economic Diplomacy Division
statssection@dfat.gov.au

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\(^1\) Although this analysis focuses on these three major investment destinations, other countries have also been significant in the rankings. In the 1980’s Singapore and PNG were important destinations, before being overtaken by New Zealand and Japan. Japan was ranked 3\(^{rd}\) ahead of New Zealand in the late 1990’s. Germany and Canada have increased in importance in recent years, pushing Japan out of the top 5 in 2009.