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# RUBIX COUNTRY INSIGHTS

## AUSTRALIA

Australia's growth story remains steady, anchored by resilient domestic demand, cooling inflation, robust trade ties across Asia, and a deepening partnership with India spanning trade, critical minerals, and defence.

### EXECUTIVE SUMMARY

- Australia is a USD 2 trillion economy with consistent GDP growth of 2% in 2025 and 2026.
- Goods exports stood at USD 344 billion in CY2025 recording a flat CAGR of -0.1% since CY2021.
- Goods imports stood at USD 297 billion in CY2025 recording a CAGR of 4.5% since CY2021.
- India was Australia's 10<sup>th</sup>-largest import source (3% share) and 6<sup>th</sup>-largest export destination (4% share) in 2025.
- The India–Australia Economic Cooperation and Trade Agreement (ECTA) completed four years in April 2026.
- India–Australia total goods trade reached USD 21.1 billion in FY2026.
- Refined petroleum products led India's exports to Australia (37% share), while coal dominates imports (45% share) in FY2026.
- India–Australia ties are mainly driven by ECTA trade, critical minerals, and defence cooperation.

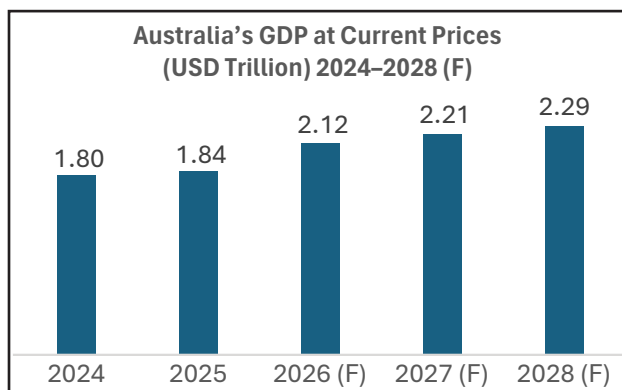
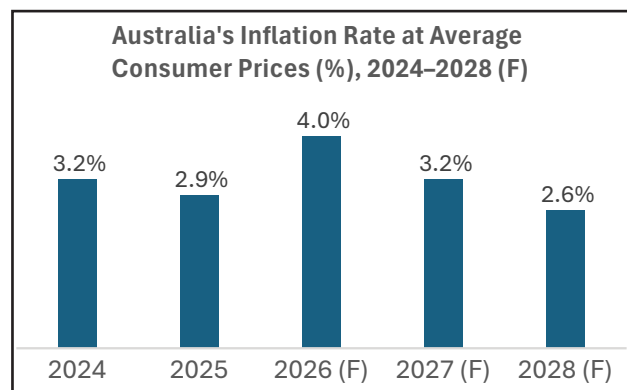


## Key Economic Indicators: Summary

| Indicator                                   | 2024 | 2025  | 2026 (F) | 2027 (F) | 2028 (F) | Forecast |
|---------------------------------------------|------|-------|----------|----------|----------|----------|
| GDP, current prices (USD Trillion)          | 1.80 | 1.84  | 2.12     | 2.21     | 2.29     | ●        |
| GDP growth, real prices (%)                 | 1    | 2     | 2        | 1.7      | 1.9      | ●        |
| GDP per capita, current prices (USD '000)   | 65.7 | 66.35 | 75.65    | 77.82    | 79.74    | ●        |
| Inflation rate, average consumer prices (%) | 3.2% | 2.9%  | 4.0%     | 3.2%     | 2.6%     | ●        |
| General government gross debt (% of GDP)    | 50.6 | 51    | 50.6     | 50.7     | 50.5     | ●        |
| Current account balance (% of GDP)          | -2.2 | -2.6  | -2.3     | -2.2     | -2.3     | ●        |

Note: ● = positive outlook; ● = negative outlook; ● = stable/unchanged  
Source: International Monetary Fund

## Key Economic Indicators: Major Insights



Source: International Monetary Fund  
Note: All figures are rounded off to the nearest decimal.

### Moderate expansion with tight monetary policy and inflation<sup>1</sup>

**Modest economic growth:** Australia's GDP increased 0.3% in the March quarter of 2026 compared to the December quarter of 2025, and was 2.5% higher than that of the March quarter in 2025, reflecting moderate economic expansion despite higher interest rates and cost-of-living.

**Easing inflation but remains above target:** Headline inflation slowed to 4.0% in May (from 4.2% in April), largely due to lower fuel prices after the temporary fuel excise cut. However, underlying inflation rose to 3.6%, remaining above the Reserve Bank of Australia's 2%–3% target range. West Asia geopolitical tensions also contributed to volatility in global energy prices, adding

temporary inflation pressure before easing later.

**Elevated interest rates:** The Reserve Bank of Australia raised interest rates three times in 2026 to counter inflation and energy-price pressures, taking the cash rate to 4.35% by June 2026. Markets still expect some possibility of further tightening later in 2026, although falling oil prices have increased expectations of potential rate cuts in 2027.

**External imbalance despite goods trade surplus:** Despite a goods trade surplus, Australia's current account deficit remains around -2.3% of GDP because large net income outflows to foreign investors, services trade deficits, and transfer payments more than offset strong export earnings, with global energy price swings also adding some short-term volatility.

## Cross-Border Trade Dynamics

### For the period of CY2021 to CY2025:

#### Australia's Goods Trade Momentum Softens as Surplus Narrows Sharply from CY2021 to CY2025

**Exports:** Goods exports declined from USD 346 billion in 2021 to USD 344 billion in 2025, after peaking at USD 402 billion in 2022. Export performance weakened over the period, resulting in a marginal -0.1% CAGR from 2021 to 2025, reflecting softer external demand and lower commodity export values.

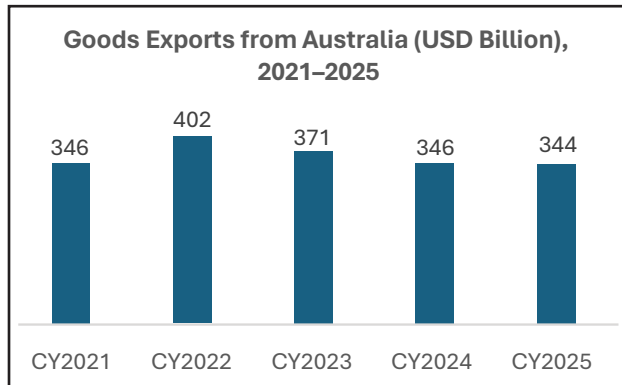
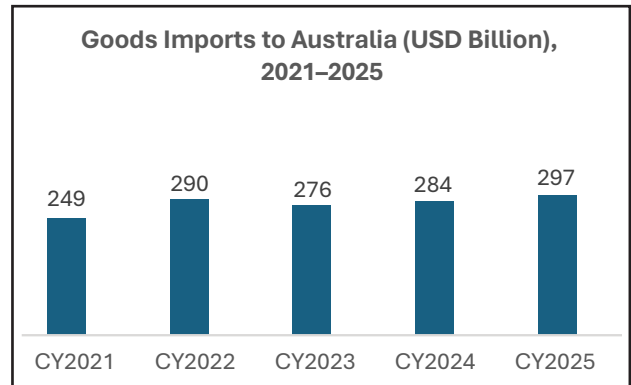
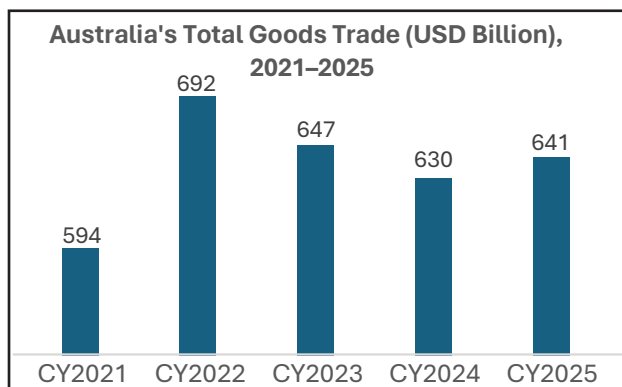
<sup>1</sup> Australian Bureau of Statistics, June 2026, Reuters, June 2026

**Imports:** Goods imports increased steadily from USD 249 billion in 2021 to USD 297 billion in 2025, recording a robust 4.5% CAGR. Rising domestic demand and higher import requirements supported sustained import growth despite some year-to-year fluctuations.

**Total Trade:** Australia's total goods trade expanded from USD 594 billion in 2021 to USD 641 billion in 2025, reaching a high of USD 692 billion in 2022. It

grew at a 1.9% CAGR from 2021 to 2025, a moderate long-term expansion despite softer trade activity after 2022.

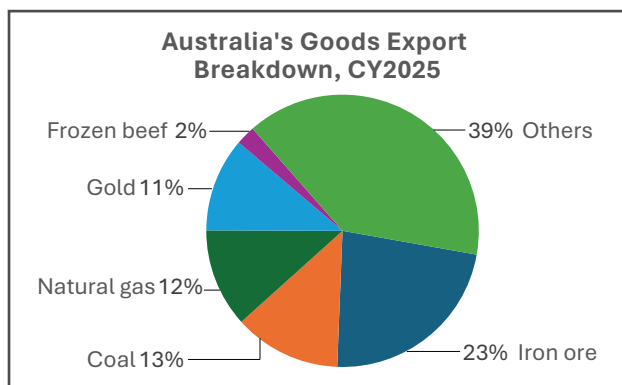
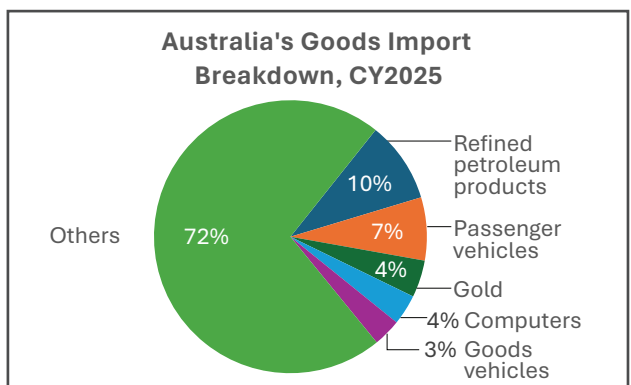
**Trade Surplus:** The goods trade surplus fell sharply from USD 97 billion in 2021 to USD 47 billion in 2025, a decline of more than 50% over the period. After peaking at USD 112 billion in 2022, the surplus contracted rapidly as import growth outpaced exports, resulting in a -16.8% CAGR from 2021 to 2025.



Source: International Trade Centre (ITC).

Note: Total Trade = Imports plus Exports; Trade Surplus = Exports minus Imports. All figures are rounded off to the nearest decimal.

## Product-wise Trade



Source: International Trade Centre (ITC).

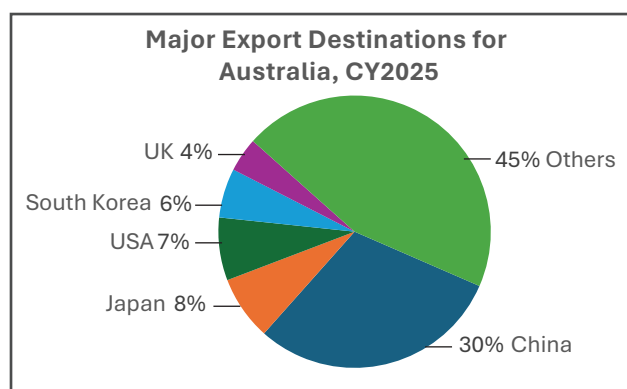
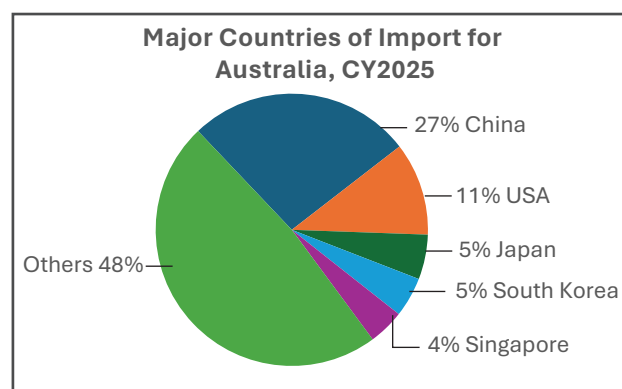
Note: 4-digit HS codes have been considered for the analysis. All figures are rounded off to the nearest decimal.

## Trade driven by commodities and energy, supported by diverse imports

Australia's trade profile in CY2025 shows its continued reliance on commodity and energy exports. Iron ore, the largest category, accounted for 23% of total exports, followed by coal (13%), natural gas (12%), and gold (11%), while the remaining 39% comprised a diverse range of other products. In contrast, imports were more diversified, led by refined petroleum products (10%)

and passenger vehicles (7%), with a substantial 72% spread across various manufactured goods, machinery, technology products, and intermediate inputs. This export concentration offers a glimpse of Australia's dependence on global commodity and energy markets, while its import structure reflects broad domestic demand for industrial and consumer goods. This structural imbalance means the economy is dependent on resource-based exports and exposure to fluctuations in global commodity prices and energy demand.

### Country-wise Trade



Source: International Trade Centre (ITC).

Note: 4-digit HS codes have been considered for the analysis. All figures are rounded off to the nearest decimal.

### Asian countries playing a critical role in Australia's international trade

Australia's trade is heavily Asia-oriented: four Asian economies (China, Japan, South Korea, and Singapore) account for 41% of imports, while three Asian markets (China, Japan, and South Korea) account for 44% of exports, underscoring the region's central role in both Australia's supply chains and export demand base.

In 2025, China continued to be Australia's largest trading partner, accounting for 27% of imports and 30% of exports, playing a central role in Australia's trade structure as both a major destination for key commodity exports such as iron ore, coal, natural gas, and gold, and a significant source of manufactured goods and industrial inputs. The US was the second-largest import source (11%) and third-largest export

destination (7%), supporting trade in high-value products, including vehicles, computers, machinery, and technology-related goods. Japan (8% of exports) and South Korea (6% of exports) remained critical markets for Australia's energy and resource exports, particularly coal, natural gas, and minerals, while also supplying manufactured products and industrial equipment. On the import side, Singapore accounted for 4% of imports, acting as an important regional hub for refined petroleum and other traded goods, while the UK represented 4% of exports, indicating steady demand for Australian products.

India, Australia's 10<sup>th</sup>-largest import source (3%) and 6<sup>th</sup>-largest export destination (4%) in 2025, has emerged as a growing partner in recent years, supplying a range of manufactured and intermediate goods while also increasing the demand for Australian resources.

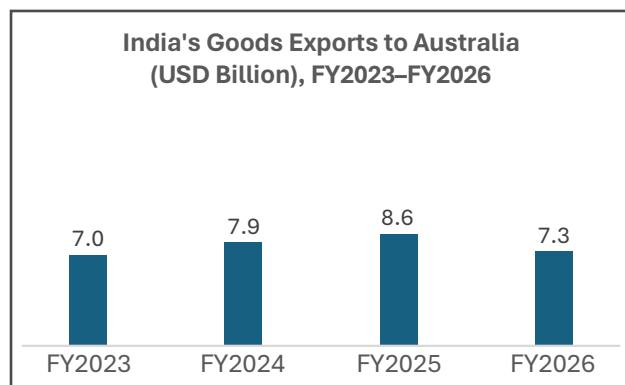
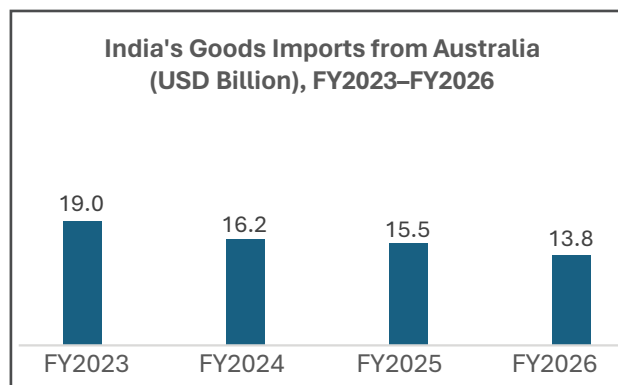
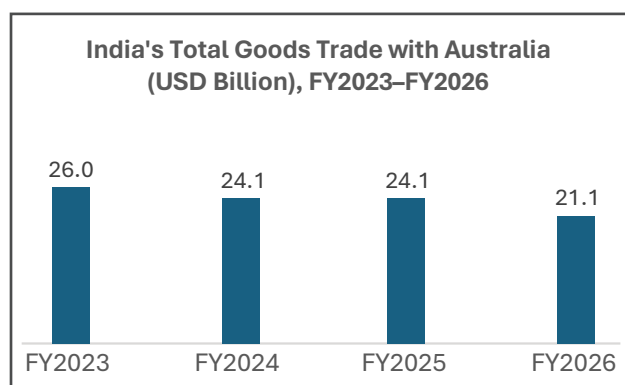
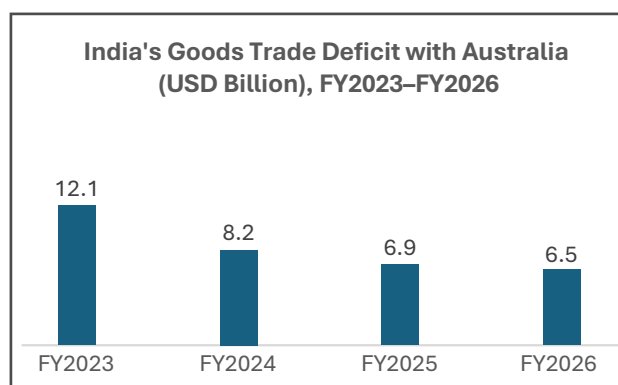


**"Investment has been a bright spot recently, and growth is expected to continue in sectors of the economy with strong structural tailwinds, such as software, data centres and renewable energy."**

Ms. Michele Bullock,  
Governor, Reserve Bank of Australia



## Cross-Border Trade Dynamics: With India



Source: Department of Commerce, Ministry of Commerce and Industry, Government of India

Note: Total Trade = Imports plus Exports; Trade Surplus = Exports minus Imports. All figures are rounded off to the nearest decimal.

### ECTA strengthens India's trade position with an improving trade balance

The India–Australia Economic Cooperation and Trade Agreement (ECTA), signed on 2 April 2022 (i.e. FY2023), completed four years on 2 April 2026. Against this backdrop, Rubix Data Sciences has analysed the impact of ECTA on India from FY2023 to FY2026.

**Export growth:** India's exports to Australia rose modestly from USD 7.0 billion in FY2023 to USD 7.3 billion in FY2026, at only 1.6% CAGR. The relatively subdued export growth indicates limited expansion in export penetration so far under the ECTA framework.

**Import decline:** India's imports from Australia have consistently declined, falling from USD 19.0 billion in FY2023 to USD 13.8 billion in FY2026, recording -10% CAGR. This reflects weaker import demand for Australian commodities and resources over the period.

**Total trade contraction:** Overall bilateral goods trade between India and Australia declined from USD 26.0

billion to USD 21.1 billion, registering a -7% CAGR due to import declines outweighing the gradual growth in exports.

**Trade deficit reduction:** India's trade deficit with Australia has more than halved, narrowing from USD 12.1 billion in FY23 to USD 6.5 billion in FY26, at a sharp -19% CAGR. The improvement is primarily driven by falling imports rather than strong export acceleration.

### Conclusion

The analysis suggests a mixed picture under the ECTA so far. While export growth has remained modest, a steady decline in imports has more than halved India's trade deficit with Australia, an improvement on the import side rather than a broad-based trade gain. Further, all Indian exports being eligible for zero-duty market access into Australia from 1 January 2026 is expected to significantly enhance India's export competitiveness by eliminating remaining tariff barriers and expanding price advantages across the entire export basket in the Australian market.

| Major Products Exported by India to Australia |                 |                 | Major Products Imported by India from Australia |                 |                 |
|-----------------------------------------------|-----------------|-----------------|-------------------------------------------------|-----------------|-----------------|
| Product                                       | Share in FY2023 | Share in FY2026 | Product                                         | Share in FY2023 | Share in FY2026 |
| Refined petroleum products                    | 42%             | 37%             | Coal                                            | 77%             | 45%             |
| Pharmaceuticals                               | 5%              | 6%              | Gold                                            | 5%              | 20%             |
| Gold jewellery                                | 2%              | 4%              | Copper ores                                     | 2%              | 7%              |
| Industrial machinery                          | 0%              | 3%              | Dried pulses                                    | 1%              | 5%              |
| Passenger vehicles                            | 1%              | 2%              | Raw cotton                                      | 2%              | 3%              |
| Others                                        | 50%             | 48%             | Others                                          | 13%             | 20%             |
| Total                                         | 100%            | 100%            | Total                                           | 100%            | 100%            |

Source: Department of Commerce, Ministry of Commerce and Industry, Government of India

Note: 4-digit HS codes have been considered for the analysis. All figures are rounded off to the nearest decimal.

### Diversifying exports beyond petroleum with rising value-added goods

India's exports to Australia remain heavily concentrated in refined petroleum products, though their share has declined from 42% in FY2023 to 37% in FY2026. Growth has been observed in higher-value and emerging categories such as pharmaceuticals (5% to 6%), gold jewellery (2% to 4%), industrial machinery (0% to 3%), and passenger vehicles (1% to 2%), reflecting a slow but steady broadening of India's export basket under the ECTA framework. The share of "other products" has remained broadly stable at 48–50%, pointing to a diversified export base spread across a wide range of categories, rather than dependence on a handful of dominant products such as refined petroleum. This diversification is expected to deepen further as ECTA's benefits continue to take fuller effect. Taken together, these trends point to a gradual but sustained diversification of India's export basket, enhancing the long-term potential of bilateral trade under ECTA.

### Coal dominance weakens as minerals and agri imports diversify

India's imports from Australia are dominated by coal, although its share has sharply declined from 77% in FY2023 to 45% in FY2026, with reduced dependence on thermal coal imports. This is a likely result of increased domestic production, as India's coal production has been estimated to cross the 1-billion-tonne mark in FY2026. This is further supplemented by an uptick in renewable energy installations, especially in the solar segment, whose cumulative installations increased by more than two times from 67 GW in FY23 to 150 GW in FY2026. Among other imports, there has been strong growth in gold (5% to 20%) and copper ores (2% to 7%), alongside increases in dried pulses (1% to 5%) and raw cotton (2% to 3%), showing diversification into minerals, metals, and agricultural commodities. While the share of "Others" in India's imports from Australia has increased from 13% to 20%, the ECTA may further expand this segment as India's exposure to a broader basket of imported products grows.

## Brief Snapshot of Key Developments in Australia: Impact Metrics

| Key Developments                                                             | Impact    |           |            |
|------------------------------------------------------------------------------|-----------|-----------|------------|
|                                                                              | 1–2 years | 3–5 years | 6–10 years |
| 2026-27 Budget balances energy security, growth, and tax relief priorities   | High      | Medium    | Medium     |
| Australia's foreign investment inflows led by mining and advanced economies  | High      | Medium    | Medium     |
| Tax incentives drive Australia's critical minerals and hydrogen push         | NA        | High      | High       |
| CEPA strengthens Australia–UAE trade and investment cooperation              | High      | High      | High       |
| Australia deepens Pacific ties through strategic Vanuatu partnership deal    | High      | High      | High       |
| Australia significantly boosts defence spending towards NATO-aligned targets | High      | High      | Medium     |
| Australia adopts a cautious, regulated approach to AI governance             | High      | High      | Medium     |

## 2026-27 Budget Balances Energy Security, Growth, and Tax Relief Priorities<sup>2</sup>

Australia's 2026-27 Budget, unveiled in May 2026, focuses on strengthening energy and fuel security, industrial competitiveness, and long-term economic resilience, with major investments in critical minerals, low-emissions technologies, infrastructure, and public services. It also delivers broad-based tax relief and business incentives while supporting housing, healthcare, and productivity-enhancing reforms to boost sustainable growth and supply chain security.

### Energy Security and Fuel Resilience

This includes the AUD 7.5 billion Fuel and Fertiliser Security Facility, the AUD 3.2 billion Australian Fuel Security Reserve, and measures such as reserving 20% of gas exports for domestic use, aimed at strengthening Australia's long-term energy security and reducing exposure to global supply disruptions.

### Tax Relief and Household Support

This encompasses a broad cost-of-living package including an AUD 250 Working Australians Tax Offset, an AUD 1,000 instant tax deduction, additional legislated tax cuts, and measures benefiting over 13 million workers, alongside reforms to simplify the tax system and deliver over AUD 500 million in annual compliance savings for households and businesses.

## Industry, Manufacturing, and Business Competitiveness

This includes AUD 1 billion in interest-free loans for manufacturing and logistics, more than AUD 3.5 billion in business tax cuts and incentives, expanded instant asset write-off measures, and productivity reforms under a Single National Market framework expected to add around AUD 13 billion annually to GDP.

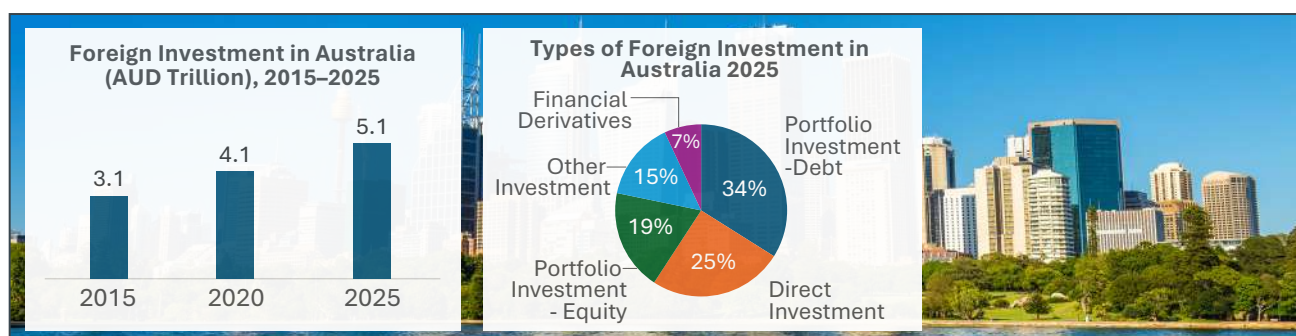
### Infrastructure, Housing, and Public Services

Major investments include AUD 2 billion for housing infrastructure (supporting up to 65,000 homes), AUD 8.6 billion for roads and rail, an AUD 25 billion boost to public hospitals, and AUD 1.8 billion for Medicare Urgent Care Clinics, strengthening national infrastructure and essential public services.

### Energy Transition, R&D, and Strategic Industries

This includes AUD 1.1 billion for low-emissions fuels, AUD 1.5 billion for research institutions, and the establishment of the Critical Minerals Strategic Reserve, supported by AUD 1 billion from the Critical Minerals Facility, plus AUD 150 million for stockpiling and AUD 20.4 million for operations, targeting key minerals such as rare earths, gallium, and antimony, which are critical for clean energy, advanced manufacturing, and defence supply chains.

## Australia's Foreign Investment Inflows Led by Mining and Advanced Economies<sup>3</sup>



Source: Department of Foreign Affairs and Trade, Australian Government

**Strong growth in foreign investment:** Foreign investment in Australia reached AUD 5.1 trillion at the end of December 2025, growing at a 5% CAGR since 2015 and a stronger 10% growth over the 2023–2025 period with sustained global capital inflows.

**Investment structure:** Portfolio investment (debt instruments) dominates at 34%, followed by direct investment at 25%, reflecting Australia's strong sovereign credit profile and deep, liquid financial markets.

**Investor concentration:** The US and UK together account for 43% of total foreign investment, mirroring deep financial and strategic linkages with major advanced economies.

**India's position:** India ranks as the 18<sup>th</sup>-largest foreign investor in Australia with a 1% share, while China is 11<sup>th</sup> with a share of 1.7%.

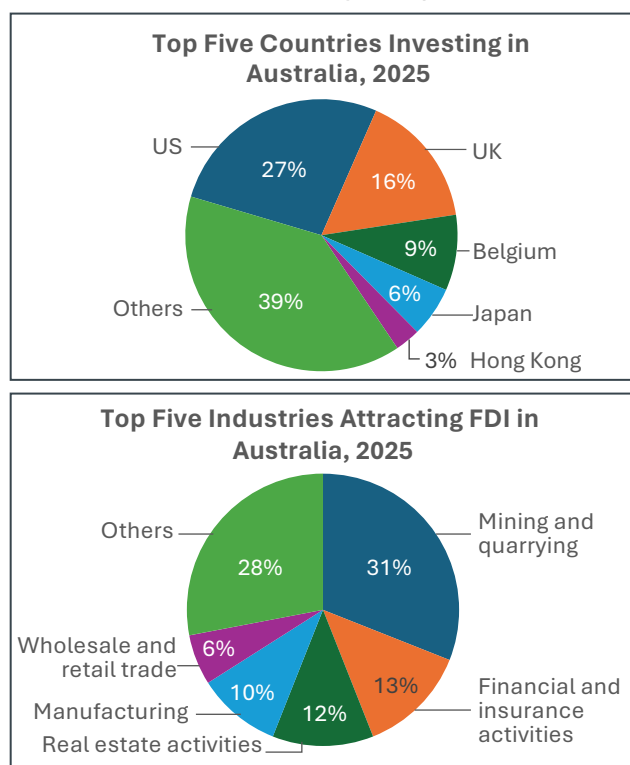
**Global investment ranking in FDI:** Australia is the

<sup>2</sup> Australian Budget, 2026-27

<sup>3</sup> Department of Foreign Affairs and Trade, Australian Government

15<sup>th</sup>-largest destination for FDI globally, owing to its attractiveness as a stable, resource-rich, and services-oriented advanced economy.

**FDI sectoral concentration:** Mining and quarrying attracted the highest share of FDI (31%), driven by Australia's abundant reserves of iron ore, coal, LNG, and critical minerals, strong export demand, established infrastructure, and a stable regulatory environment.



Source: Department of Foreign Affairs and Trade, Australian Government

### Tax Incentives Drive Australia's Critical Minerals and Hydrogen Push<sup>4</sup>

In February 2025, Australia passed new legislation to accelerate its energy transition and reduce reliance on China by offering major tax incentives for critical minerals processing and renewable hydrogen production. The law introduces a 10% tax offset on processing and refining costs for 31 critical minerals from FY2028 to 2040, available for up to 10 years per project. For renewable hydrogen, producers will receive an AUD 2 per kg production tax incentive, supporting scale-up of clean fuel supply. This forms part of a broader government package, including AUD 7 billion for critical minerals processing and AUD 6.7 billion for renewable hydrogen, aimed at strengthening domestic supply chains and advancing Australia's net-zero target by 2050.

### CEPA Strengthens Australia-UAE Trade and Investment Cooperation<sup>5</sup>

The Australia-UAE Comprehensive Economic Partnership Agreement (CEPA) and the associated Investment

Agreement entered into force on 1 October 2025, marking Australia's first FTA in the Middle East. Once fully implemented by 2029, the deal will eliminate tariffs on over 99% of Australian goods exports to the UAE, including key products such as alumina, frozen red meat, and oilseeds, significantly enhancing market access. The agreement also includes a dedicated First Nations Action Plan, the first of its kind in an Australian trade deal, designed to help indigenous businesses access emerging opportunities in the UAE and broader Middle East across sectors such as agrifood, clean energy, creative industries, and technology, while promoting cultural exchange, sustainable trade, and investment collaboration.

### Australia Deepens Pacific Ties Through Strategic Vanuatu Partnership Deal<sup>6</sup>

Australia and Vanuatu have agreed to a major long-term strategic partnership, centred on an approximately AUD 500 million investment over a decade to strengthening Vanuatu's climate resilience, infrastructure, security cooperation, labour mobility, and budget support. The arrangement, evolving from earlier security negotiations and the proposed Nakamal Agreement, reflects Australia's effort to reinforce its position as Vanuatu's key security and development partner in the Pacific. In May 2026, an updated version of the pact was approved by Vanuatu's cabinet after extended negotiations, reaffirming deepening bilateral ties and Australia's strategic engagement in the region.

### Australia Significantly Boosts Defence Spending Towards NATO-aligned Targets<sup>7</sup>

The Australian Government has announced a major hike in defence spending under the 2026 Integrated Investment Program, building on the 2024 National Defence Strategy. An additional AUD 14 billion over four years and AUD 53 billion over ten years will be invested through defence funding, estate divestment proceeds, and alternative financing where value for money is achieved. Overall, this brings total new defence investment to AUD 30 billion over four years and AUD 117 billion over the decade till 2035-36, with defence expenditure projected to reach approximately 3.0% of GDP by 2033-34 in line with NATO measurement standards.

### Australia Adopts a Cautious, Regulated Approach to AI Governance<sup>8</sup>

In December 2025, Australia's Productivity Commission dropped proposals that would have allowed tech companies to use copyrighted material for training AI models, following strong opposition from creative industries. Instead, it recommended delaying any major copyright reform decisions for three years, signalling a cautious and highly regulated approach to AI adoption focused on balancing innovation with intellectual property protection.

<sup>4</sup> Reuters, February 2025

<sup>5</sup> Department of Foreign Affairs and Trade, Australian Government

<sup>6</sup> ABC News, May 2026

<sup>7</sup> Australian National Defence Strategy, 2026

<sup>8</sup> The Guardian, December 2025

## India–Australia Economic Relationship



### Four years of ECTA deepen the India–Australia economic partnership<sup>9</sup>

The India–Australia Economic Cooperation and Trade Agreement (ECTA), signed on 2 April 2022, has now completed four years, marking a key milestone in strengthening bilateral economic relations through improved market access, reduced trade barriers, and deeper business linkages. During this period (FY2023 to FY2026), India’s exports to Australia increased by 2% CAGR, imports declined by 10%, and total bilateral trade reached USD 21.1 billion in FY2026. ECTA has enabled significant tariff liberalisation, with Australia offering 100% tariff line coverage for Indian exports, of which 98.3% became duty-free immediately, and the remaining was phased out. From 1<sup>st</sup> January 2026, all Indian exports are fully duty-free and eligible for zero-

tariff market access into Australia. Sectoral gains have been broad-based across textiles, pharmaceuticals, chemicals, and agriculture, alongside India’s access to critical raw materials such as base metals, fertilisers, and pulses, collectively strengthening supply chain resilience, industrial competitiveness, and mutually beneficial trade integration.

Further, a major milestone in India–Australia bilateral cooperation was achieved with the signing of the Mutual Recognition Arrangement (MRA) on Organic Products in September 2025. By mutually recognising each other’s organic certification systems, the agreement facilitates smoother trade in organic products, reduces compliance costs and certification duplication for exporters, and enhances transparency, trust, and cooperation in the organic sector.

“We’re Comprehensive Strategic Partners, and we both share a vision of a peaceful, stable and prosperous Indo-Pacific.”

Ms Penny Wong,  
Minister for Foreign Affairs,  
Government of Australia

<sup>9</sup> Ministry of Commerce and Industry, Government of India, April 2026

## Strategic Mineral Cooperation Deepens India–Australia Economic Ties<sup>10</sup>

Australia is a critical partner in supporting India's mineral security, with reserves of at least 21 of the 49 critical minerals identified by the Government of India. As one of the world's top producers of cobalt and zircon, and with substantial reserves of lithium, rare earth elements,

antimony, and tantalum, Australia is well positioned to help diversify and strengthen India's supply chains for clean energy, advanced manufacturing, defence, and emerging technologies. Against this backdrop, both countries have progressively deepened cooperation through a series of policy initiatives, investment partnerships, trade agreements, and research collaborations aimed at building resilient critical mineral value chains.

| Year | Policy/Agreement                                                     | Key Highlight                                                                                    |
|------|----------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| 2020 | Memorandum of Understanding (MoU) on Critical Minerals               | Established JWG to boost trade, investment and R&D in lithium, cobalt, rare earths               |
| 2022 | India-Australia Critical Minerals Investment Partnership             | Committed AUD 5.8 million to support Indian investment in Australian lithium and cobalt projects |
| 2022 | India-Australia Economic Cooperation and Trade Agreement (ECTA)      | Eliminated tariffs on cobalt, nickel, copper, manganese, titanium, zirconium, and aluminium ores |
| 2023 | Milestone in Critical Minerals Investment Partnership                | Advanced five projects, including two lithium and three cobalt projects, for due diligence       |
| 2023 | India-Australia Critical Minerals Research Hub                       | Established joint research hub for lithium, cobalt and critical minerals value chains            |
| 2024 | Critical Minerals Research Partnership and Minerals Scholars Network | Launched AUD 12.2 million minerals and AUD 10.4 million green steel research partnerships        |

Source: Centre for Social and Economic Progress

## India–Australia Defence Ties Deepen Across Maritime and Strategic Domains

India and Australia have significantly deepened defence cooperation in recent years, reflecting their shared commitment to a free, open, and secure Indo-Pacific. Maritime collaboration remains a key pillar, anchored by AUSINDEX, the flagship biennial naval exercise launched in 2015 to enhance interoperability between the Indian Navy and the Royal Australian Navy. Defence engagement expanded further in 2025 with India's inaugural participation in Exercise Talisman Sabre and Exercise Puk Puk, while both

countries agreed to strengthen maritime security, defence industrial cooperation, and defence technology collaboration. During the first annual Australia–India Defence Ministers' Dialogue in October 2025, the two sides signed a Mutual Submarine Rescue Arrangement, and India offered maintenance and repair support for Royal Australian Navy vessels at Indian shipyards during Indian Ocean deployments. Cooperation is also increasingly aligned with broader Quad initiatives, including maritime surveillance, regional maritime coordination, critical minerals, and energy security, underscoring the growing strategic convergence between the two countries.

## Outlook

### Moderate growth outlook with easing inflation and lingering external risks

As per the International Monetary Fund, the Australian economy is expected to maintain a moderate but stable growth of around 2% in 2026, followed by a slight moderation to 1.7% in 2027 before recovering to 1.9% in 2028. This pattern reflects the lagged impact of earlier monetary tightening and softer consumption in 2027, followed by a gradual recovery in domestic demand and easing financial conditions in 2028.

Growth is supported by resilient domestic demand and investment, although activity remains constrained by elevated borrowing costs, the effects of past monetary tightening, and ongoing geopolitical uncertainty linked

to the Middle East conflict. Monetary policy is expected to remain restrictive in the near term, with policy settings dependent on domestic demand conditions and price stability considerations. Inflation is expected to rise temporarily in 2026 (~4%) due to higher fuel and energy costs before easing gradually to 3.2% in 2027 and 2.6% in 2028 as global energy pressures subside and supply conditions normalise. Fiscal policy is expected to remain broadly consolidatory, with improving budget balances supported by commodity-related revenues, partly offset by energy-related support measures. Overall, short-term risks remain tilted to the downside, including persistent inflation, weaker-than-expected consumption, and heightened geopolitical risks affecting global energy markets, trade flows, and financial conditions.

<sup>10</sup> Department of Foreign Affairs and Trade, Australian Government

| Date           | Credit Rating Agency          | Outlook                                                                                                          | Brief Details                                                                                                                                                                                                                                                                         |
|----------------|-------------------------------|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 2025   | <b>Fitch Ratings, Inc.</b>    | Affirmation of Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AAA' with a stable outlook.            | The ratings reflect the country's strong institutions, resilient growth outlook, credible fiscal trajectory with stabilising debt levels, and robust financial system supported by solid household and banking sector fundamentals.                                                   |
| September 2025 | <b>S&amp;P Global Ratings</b> | Affirmation of 'AAA' long-term and 'A-1+' short-term unsolicited sovereign credit ratings with a stable outlook. | The ratings reflect the credible monetary policy, floating exchange rate regime, strong institutions, which are conducive to decisive policymaking, and wealthy economy with expectation that the general government deficit and net debt will remain modest over the next two years. |

Source: Fitch Ratings, S&P Global Inc.



## ABOUT RUBIX

Rubix Data Sciences Pvt. Ltd. helps you to take prudent credit risks, build a robust supply chain and monitor compliance for your business partners in India and around the world. Rubix helps you collect payments in time from your debtors, helping generate predictable cash flows.

Set up by highly experienced Risk Professionals, the company has been recognised at the IMC Digital Technology Awards in 2020 for the Rubix ARMS™ platform, and in 2021 for the Rubix Early Warning System (EWS). Rubix has also received the prestigious ET BFSI Exceller Award three times in a row: in 2023 for its ground-breaking analytics initiative, 'SME Income Range Estimation and Financial Ratio Benchmarking', in 2024 for the Rubix Risk Scoring Model, and in 2025 for Rubix Nexus Check.

Rubix has been appointed as India's first Validation Agent for the Legal Entity Identifier (LEI) by Legal Entity Identifier India Ltd, the Local Operating Unit accredited by the Global Legal Entity Identifier Foundation (GLEIF), Switzerland.

The Rubix ARMS™ and Early Warning System (EWS) platforms and their suite of reports, products and services are based on Rubix's extensive database of structured and unstructured data aggregated from over 120+ sources, customised predictive analytics and proprietary technology.

### Corporate Office:

D - 424, Neelkanth Business Park, Vidyavihar (West), Mumbai - 400086, India

Ahmedabad | Bengaluru | Bhopal | Bhubaneswar | Chandigarh | Chennai | DelhiNCR | Hyderabad | Indore | Jaipur | Kanpur | Kolkata | Lucknow | Nagpur | Patna | Pune | Raipur | Rajkot | Ranchi | Surat | Thiruvananthapuram | Vadodara | Visakhapatnam

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## The Rubix Country Insights Team

### INDUSTRY DATA & ANALYTICS

Rubix Data Sciences

### RESEARCH

Yogesh Jambhale

### EDITOR

Lakshmi Subramanian

### DESIGN

Chandan Naik

### BUSINESS DEVELOPMENT

Tushar Bhaskar

✉ [tushar.bhaskar@rubixds.com](mailto:tushar.bhaskar@rubixds.com)

☎ +91-9999064524

### CUSTOMER SERVICE

✉ [info@rubixds.com](mailto:info@rubixds.com)

☎ +91-22-49744274

### MARKETING & MEDIA QUERIES

Rahul Chopadekar

✉ [rahul.chopadekar@rubixds.com](mailto:rahul.chopadekar@rubixds.com)

☎ +91-9819735111

**If you'd like to learn more about Rubix's Solutions, please visit [www.rubixds.com](http://www.rubixds.com) or contact us via [info@rubixds.com](mailto:info@rubixds.com)**