

University

**IMPACT OF BREXIT ON AUSTRALIA**

Name

Lecturer's name

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## **Introduction**

The UK has played an important role in molding Australia as an independent nation. The first settlement in Australia took place when the First Fleet consisting of 11 ships reached Australia from the UK in the year 1788. Australia remains a member of the British Commonwealth. Australia has a similar legal system and form of governance to the UK. The UK has significant cultural ties with Australia. However, the last few decades have seen a decrease in the impact that the UK previously had over Australia. Australia has strengthened its position as a nation in the wider global community, the Asia-Pacific region in particular. At present, China, Japan, South Korea and Singapore are four of the top five trading partners of Australia. As a result of this, the overall effect of Brexit on Australia has been minimal.

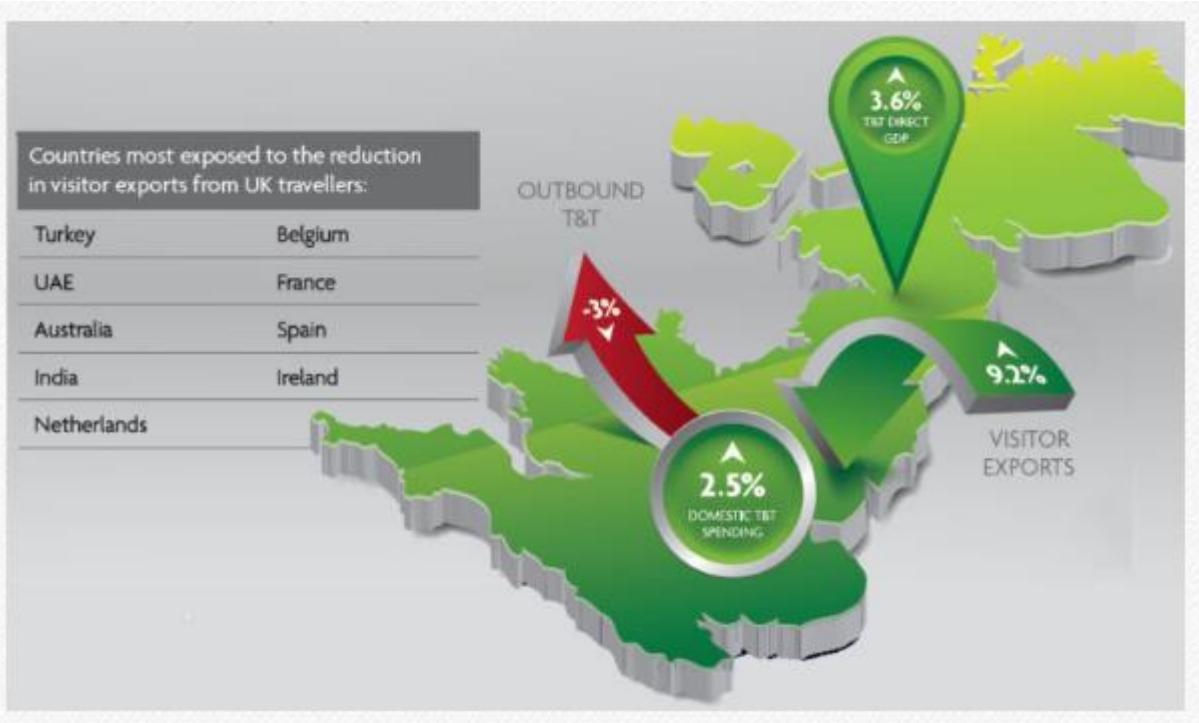
The tourism industry may be the industry that is hardest hit by an economic downturn in the UK. About 7 per cent of Australia's export in travel is to the UK, which is expected to decrease when the UK goes through low or negative growth over a period of time. However, domestic tourism in the UK may experience a boom owing to the fall of the value of sterling. A depreciating UK sterling is further expected to compound this factor (Carroll and O'Dea Lawyers, 2017). On the other hand, Brexit is expected to bring about a decrease in visitor arrivals to Australia from the UK and Europe (Department of Foreign Affairs and Trade, 2017).

The real estate industry is expected to benefit from Brexit. Australia has been considered a safe-haven for real estate investors, both domestic and commercial. This is a result of Australia's solidarity, low sovereign risk and economic growth. Australia attracts a lot of global capital in the commercial real estate industry and it has been observed that it competes with locations within Europe in most cases. The economic slowdown in Britain and Brexit has led to greater uncertainty in the mind of real estate investors to invest in property in Britain and Europe in general (Favell, 2017). As a result of this, Australia is expected to be more attractive for commercial property investors and seekers. Similarly, the residential property market is expected to see a positive upturn as a result of Brexit, as Australia will be seen safe compared to the uncertainty and volatility surrounding Britain and Europe (NewsComAu, 2017).

## **Body**

Outbound tourism from Australia to the UK has declined post Brexit. According to Andrew Shelton, the Managing Director of global flight search and travel deals website,

Cheapflights.co.uk has revealed that flight searches to the UK from Australia has decreased by 12% in the 3 months post Brexit (Travel Daily UK, 2017). This may be attributed to various issues likely to be faced by outbound tourists from Australia to the UK. Firstly, the direct implication of Brexit means that anyone travelling from Australia to Britain will need a separate visa. Most Australian travelers tend to base themselves in the UK and travel back and forth to the EU (Akinsomi *et al*, 2016). This means that these Australian travelers would need two visas, one for entering the UK and another for all other EU countries. This would lead to additional headache for the Australian travelers and is expected to result in a decrease in the number of travelers from the Australia to the UK (Mail Online, 2017). However, a decrease in valuation of the Pound Sterling due to uncertainty and volatility in the UK and the EU in the short-term as a direct result of the Brexit means that the purchasing power of the Australian traveler will increase and this might influence the Australian travelers to visit the UK during the economic slowdown in the UK. On the long-term, outbound tourism from Australia to the UK is expected to decrease post Brexit owing to visa troubles and low or negative growth of UK (Portes, 2016). Inbound tourism from UK to Australia increased by 2% in the September 2016 quarter, post Brexit. Speculations saying that consumer confidence would plummet post Brexit has not been fulfilled yet. This sentiment is expected to change when inflations starts to set in during 2017 and consumer have a more concise understanding of the Brexit plan. However, visitor spending decreased 15 per cent off the back of an 18 per cent decrease in visitor nights. The rapid decrease in the valuation of Pound Sterling is believed to have influenced the length of stay in Australia and spending power among business travelers and VFR in the immediate quarter post Brexit (www.tourism.australia.com, 2017). UK Visiting Friends and Relatives arrivals declined by 2% and average length of stay also declined to 25 nights. A devaluation of the Pound Sterling means that its purchasing power decreases in respect of the global community. Travelers from the UK to Australia faced a decrease in purchasing power of their funds. This directly resulted in the decrease in visitor spending from the UK to Australia. It also led to a decrease in the average length of visitor nights. These have been the short-term results of Brexit on inbound tourism from the UK to Australia. In the long term, inbound tourism from the UK to Australia is expected to further decline if the UK goes through a sustained period of economic slowdown post the full-scale implications of Brexit.



**Figure 1: Countries most exposed to the reduction in visitor exports from UK travellers.**

(Source: Lim, 2017)

The effect of Brexit on the Real Estate industry in Australia may be studied in a two-fold manner, firstly, the effect of Brexit on the minds of real estate investors of other countries of the global community and secondly, the effect of Brexit on the minds of the real estate investors and seekers in the UK.

Under the first head, it can be safely argued that real estate investors of the global community will look for a safe haven to invest in following the uncertainty and volatility that resulted in the UK and the EU post Brexit (Murphy, 2016). It has been observed that Australia competes with the UK and Europe for the real estate capital circulating in the global market. During economic slowdown in the UK and the EU following Brexit, real estate investors and seekers may look for a safe haven to invest in and that is where Australia looks increasingly lucrative to such investors and seekers. It has also been observed that a significant percent of real estate investors and seekers in the Asia-Pacific region look at the UK as the primary country to invest in. However, the economic slowdown and the uncertainty and volatility post Brexit in the UK and the EU will deter them from investing in that region (Edwards, 2016). As a result of this, Australia will look increasingly attractive to these real estate investors and seekers in the Asia-Pacific region which is expected to lead to an increase in real estate investment in Australia from the investors of this

region. So, it can be safely expected that Brexit will impact the real estate investment in Australia from the Global community in a positive way. It can be inferred that the real estate industry will see a positive upheaval as a direct result of Brexit, other factors remaining constant (Sourceable, 2017).

Under the second head, it can be safely understood that the real estate investors and seekers from the UK previously looking to invest in the UK and the EU will look for a safe haven to invest in following the economic slowdown in the UK. In this context, Australia can be expected to be an attractive option for these real estate investors from the UK. This will result in a positive impact on the real estate investment arising out of the UK in Australia (Nedzel, 2017). However, the economic slowdown in the UK has also led to a devaluation of the Pound Sterling. This means that the purchasing power of the Pound Sterling in Australia has undergone a depreciation and will undergo further depreciation in the context of a sustained period of low or negative growth in the UK. This factor may deter real the real estate investors based out of the UK from investing in Australia. So, it can be inferred that all other factors remaining constant, the real estate investment arising out of the UK in Australia post Brexit may see no significant change or may see a very steady growth (Barkham and Holberton, 2017).

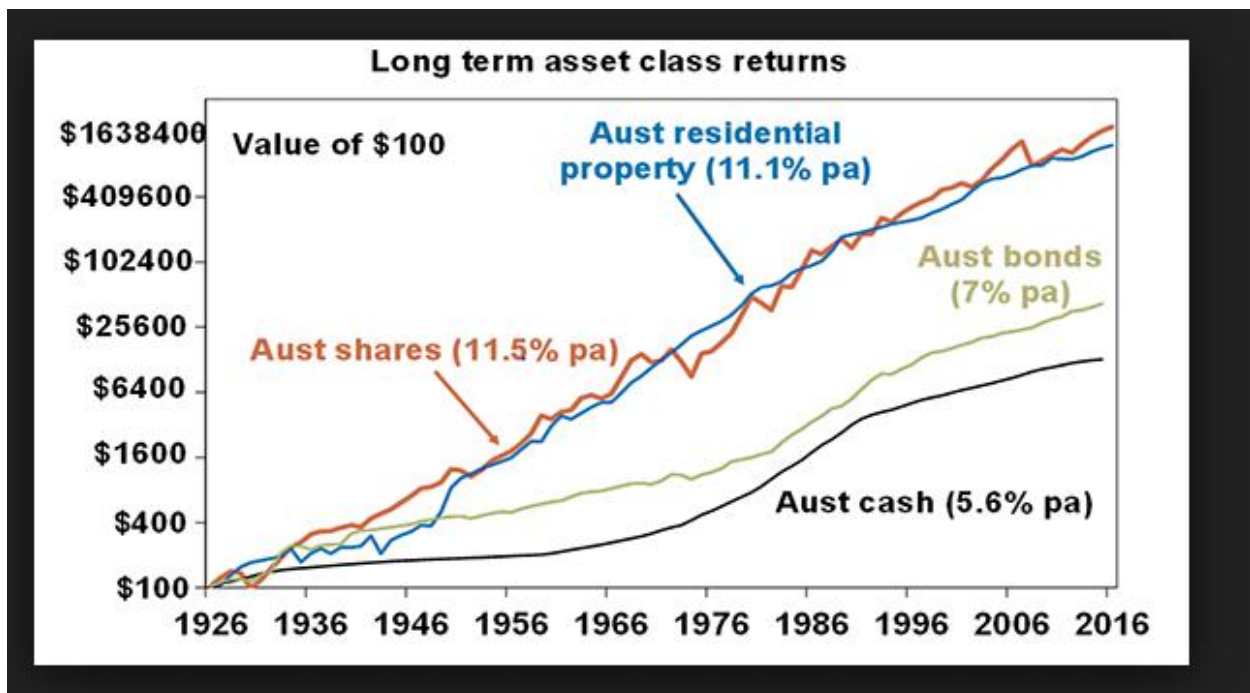


Figure 2: Growth in residential sector in Australia

(Source: Robinson *et al.* 2017)

## **Conclusion**

The immediate consequence of Brexit on the UK's inbound tourism saw a tremendous boom in its domestic tourism. However, it is expected that, as the full implications of the Brexit becomes clear to the consumers, inbound tourism to the UK from Australia will see a decline due to low or negative growth of UK and visa headaches. Inbound tourism to Australia From the UK will decline due to the devaluation of the Pound Sterling following Brexit. The real estate industry can be safely expected to see a steady growth as a direct result of the economic slowdown in the UK and the uncertainty and volatility surrounding the EU, other factors remaining constant.

## **Recommendation**

The process of Brexit has posed various impacts on United Kingdom. However, there were some further impacts of the process on Australia. However, these impacts are somewhat indirect but are very effective in the context of Australia. There are certain implications of the same in various sectors of Australia. For example, the tourism of the country has seen small growth post Brexit. There is a small but unexpected growth in inbound tourism of the citizens of UK in Australia. However, there are even certain areas of consideration of the situation are viewed the other way round. UK has seen depreciation in the volume of tourists visiting the country from Australia post Brexit. Therefore, it has been quite a headache for the country to attract the tourists as a part of inbound tourism to enhance the rate of tourism in the country. The foremost problem that tourists face while entering Australia is the issue of Visa. They might require different Visas to enter the country for not being a part of the European Union. Therefore, in order to promote tourism in the country might be certain step taken towards lowering the usual cost of travelling in areas in the country.

On the other hand, there has been quite a fall in the fields of real estate business in the country. Most of the business persons are becoming interested in investing more in Australia rather than in UK. Therefore, there must be increased ease of business in UK so as to make the process friendly and profitable. This might as well include provision of high profit range to the businesspersons on investing in the real estate business in UK.und tourism. In order to do the same, the government of UK should take up initiative to make the process lighter and more profitable to make the businessperson gain interest in the country.

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