

DEMYSTIFYING CHINESE INVESTMENT IN AUSTRALIA

April 2022

About our reports

KPMG and The University of Sydney formed a strategic relationship to research and publish insights on Chinese investments. Our first report was launched in September 2011 and this is the eighteenth Demystifying Chinese Investment report in our series. This report examines Chinese investment in Australia for the calendar year 2021.

The catalyst for our report series was the lack of detailed factual information about the nature and distribution of China's outbound direct investment (ODI) in Australia. Without this information, there is misinformation and speculation. Our reports seek to set the record straight and debunk the myths associated with Chinese investment in this country.

Methodology

The dataset is compiled jointly by KPMG and The University of Sydney Business School and covers investments into Australia made by entities from the People's Republic of China through mergers and acquisitions (M&A), joint ventures (JV) projects, and greenfield projects. Knight Frank has provided data and analysis on real estate transactions in the 2021 calendar year. 'Real estate' referred to in this report does not include residential apartment and private home sales.

The dataset also tracks Chinese investment by subsidiaries or special purpose vehicles in Hong Kong, Singapore, and other locations. The data, however, does not include portfolio investments, such as the purchase of stocks and bonds, which do not result in foreign management, ownership or legal control.

Our database includes direct investments recognised in the year in which parties enter into legally binding contracts and if necessary, receive mandatory Foreign Investment Review Board (FIRB) and Chinese Government investment approvals. In certain instances, final completion and financial settlement may occur in a later year.

For consistency, the geographic distribution is based on the location of the head office of the Australian invested company and not on the physical location of the actual investment project. Completed deals which are valued below USD 5 million are not included in our analysis, as such deals consistently lack detailed, reliable information.

Unless otherwise stated, the data referred to throughout this report is sourced from the KPMG/University of Sydney database, and our previously published reports¹. The University of Sydney and KPMG team obtains raw data on China's outbound direct investment (ODI) from a wide variety of public information sources which are verified, analysed and presented in a consistent and summarised fashion. Our sources include commercial databases, corporate information, and official Australian and Chinese sources including the Australian Bureau of Statistics, FIRB, and Ministry of Commerce (MOFCOM) of the People's Republic of China.

Our data is regularly updated and continually revised when new information becomes available. In line with international practice, we traditionally record deals using USD as the base currency. However, since 2015 our reports have used AUD for detailed analysis.

We believe that the KPMG/University of Sydney dataset contains the most detailed and up-to-date information on Chinese ODI in Australia.

¹ Includes Australia & China Future Partnership, September 2011; The Growing Tide: China ODI in Australia, November 2011; Demystifying Chinese Investment, August 2012; The Energy Imperative: Australia-China Opportunities, 25 September 2012; Demystifying Chinese Investment in Australia, March 2013; Demystifying Chinese Investment in Australian Agribusiness, October 2013; Demystifying Chinese Investment in Australia, March 2014; Demystifying SOE Investment, August 2014; Chinese Investors in Australia Survey, November 2014; Demystifying Chinese Investment in Australia, May 2015 Update; Demystifying Chinese Investment in Australia, April 2016; Demystifying Chinese Investment in Australia, May 2017; Demystifying Chinese Investment in Australian Healthcare, January 2018; Demystifying Chinese Investment in Australia, June 2018; Demystifying Chinese Investment in Australia, April 2019; Demystifying Chinese Investment in Australia, June 2020; Demystifying Chinese Investment in Australia, July 2021.

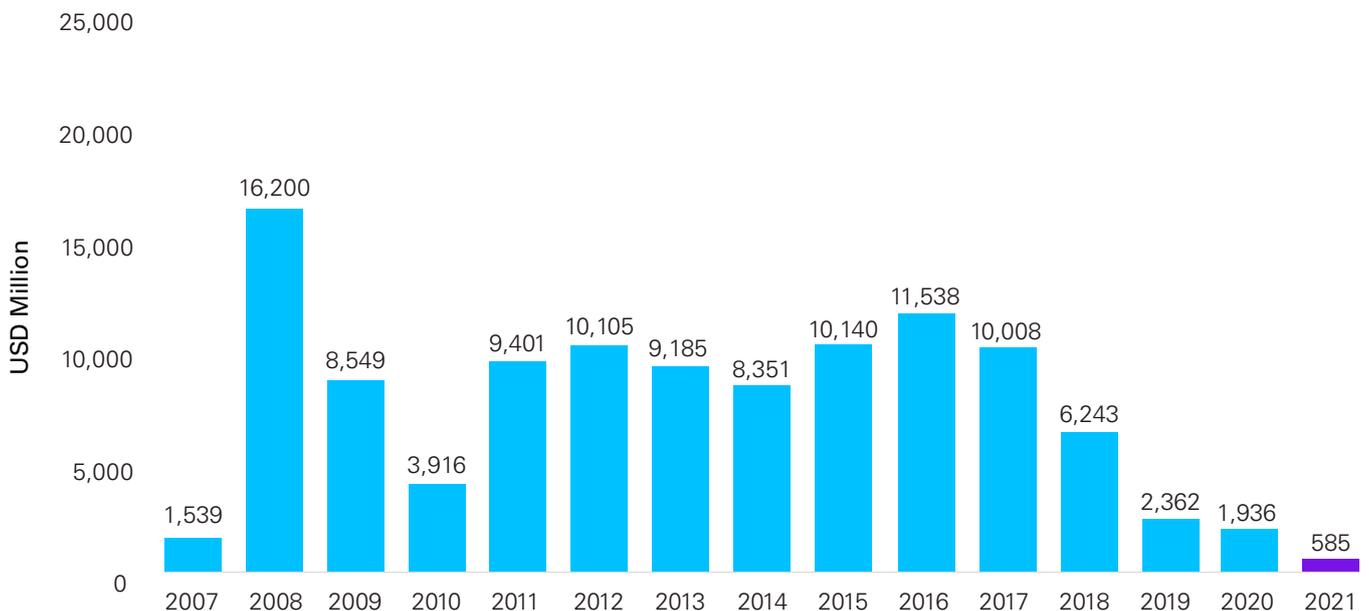
Chinese investment in Australia in 2021

In the 2021 calendar year, Chinese investment in Australia declined by 69.8 percent, from USD 1.9 billion in 2020 to USD 0.6 billion. In Australian dollar terms, the decline was 69 percent from AUD 2.5 billion to AUD 0.8 billion.

There were eleven completed transactions in 2021, compared with 20 transactions in 2020.

Based on our accumulated data between 2007 and 2021, a total of USD 110.1 billion has been invested by Chinese companies into Australia.

Chinese ODI into Australia 2007 – 2021 by value (USD million)



Source: KPMG/Sydney University database

Note: Prior year annual figures are updated with the latest information as new information becomes available and as required

Selected Chinese investments in Australia in 2021

TARGET NAME	ACQUIRER NAME	INDUSTRY SECTOR	STATE	FINAL VALUE (AUD M)
AVZ Minerals	Suzhou CATH Energy-Technologies	Mining	WA	318
Balmoral Iron Pty Ltd	CITIC	Mining	WA	187

Source: KPMG/Sydney University database

| By industry

Mining accounted for 70.1 percent of the total Chinese investment inflows with four deals totaling AUD 545 million including one iron ore and three lithium mining deals. Commercial real estate accounted for 26.7 percent (AUD 208 million) of the total Chinese investment inflows, and renewable energy accounted for 3.2 percent (AUD 25 million) of the overall volume of AUD 778.2 million.²

| By ownership

Private Chinese companies accounted for 73 percent of the total investment value in 2021. Investment value by private companies fell from AUD 1.4 billion in 2020 to AUD 0.6 billion in 2021, across 9 deals. Investment from the state-owned enterprises fell from AUD 1.1 billion in 2020 to AUD 0.2 billion in 2021 across 2 deals.

| By state

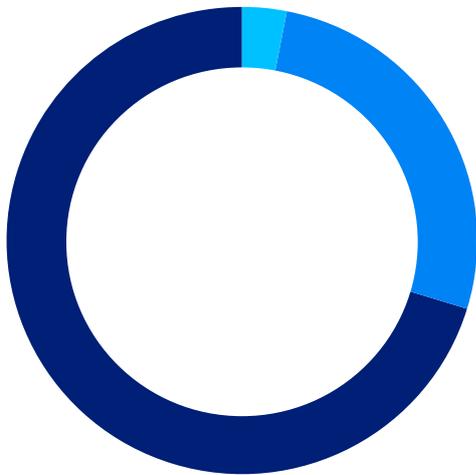
WA received the largest amount of Chinese investment with 66 percent (AUD 511.1 million). This was followed by VIC with 17 percent (AUD 133.6 million), NSW with 13 percent (AUD 99.5 million), and SA with 4 percent (AUD 34 million).

| By deal size

Six deals were under AUD 25 million, totaling AUD 75 million. Three deals were between AUD 25 million and AUD 100 million, totaling AUD 198 million. One deal was between AUD 100 million and AUD 200 million and one was between AUD 200 million and AUD 500 million. The average deal size in 2021 was AUD 71 million, half of the average deal size in 2020 (AUD 142 million).

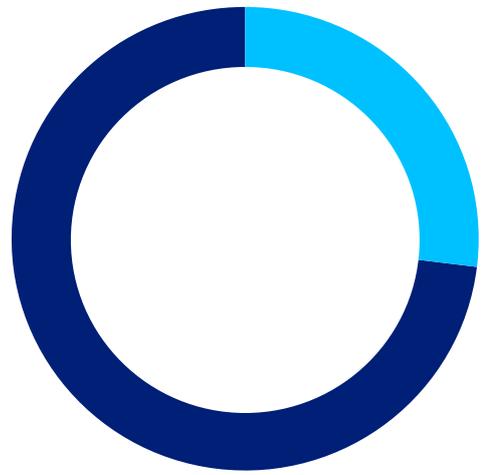
² Knight Frank provided data for commercial real estate industry.

**Chinese investment by industry in 2021
(% of total value)**



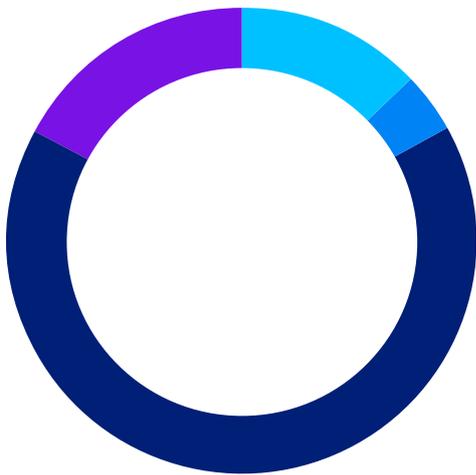
Renewable Energy	3.2%
Commercial Real Estate	26.7%
Mining	70.1%

**Chinese investment by ownership in 2021
(% of total value)**



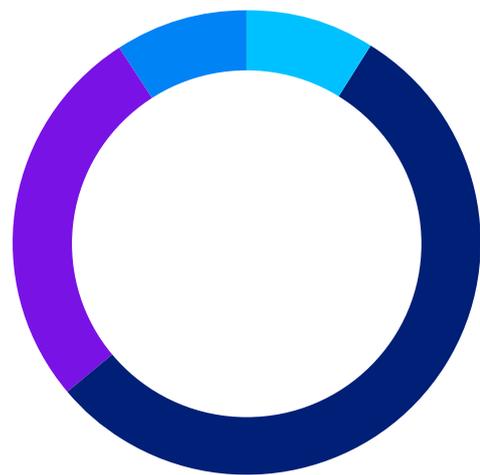
SOE	27%
Private	73%

**Chinese investment by state in 2021
(% of total value)**



SA	4%
NSW	13%
VIC	17%
WA	66%

**Chinese investment by deal size in 2021
(% of total deal number)**



AUD 500m – 200m	9%
AUD 200m – 100m	9%
AUD 100m – 25m	27%
AUD 25m – 5m	55%

Source: KPMG/Sydney University database

Global context

Preliminary data released by the United Nations Conference on Trade and Development (UNCTAD) in January 2022 showed a 77 percent increase in global Foreign Direct Investment (FDI) in 2021. After falling below USD 929 billion in 2020, global FDI bounced back to USD 1.65 trillion, surpassing the 2019 pre-COVID-19 level of USD 1.5 trillion.³

Developed economies recorded a threefold increase in FDI to USD 777 billion, marking an increase of USD 500 billion over 2020. Developing economies experienced a comparatively modest increase of 30 percent to a total of USD 870 billion, with FDI mainly directed to East Asia and Southeast Asia.⁴

The United States regained its leading position as the largest recipient country of global FDI. FDI inflows rose by 114 percent to USD 323 billion, mainly due to a threefold increase in cross-border mergers and acquisitions (M&As) to USD 285 billion.

China returned to the second position with a rise of 20 percent to a record USD 179 billion according to UNCTAD data, and USD 173.48 billion according to official Chinese sources.⁵ ASEAN countries led FDI growth in Asia with FDI inflows up 35 percent. FDI into Oceania, including Australia, fell by 22 percent to USD 18 billion. FDI inflows into India declined by 26 percent.⁶

According to the UNCTAD report, infrastructure investment into renewable energy and industrial real estate attracted the highest FDI volumes. At the same time, FDI into industries and global value chains remained relatively subdued. Global cross-border M&As increased most strongly in services with increases of more than 50 percent in information and communication. Greenfield investment remained low and has not returned to pre-COVID-19 levels.⁷

3 <https://unctad.org/webflyer/global-investment-trend-monitor-no-40>

4 <https://unctad.org/news/global-foreign-direct-investment-rebounded-strongly-2021-recovery-highly-uneven>

5 https://english.www.gov.cn/archive/statistics/202201/20/content_WS61e9408fc6d09c94e48a4006.html

6 <https://unctad.org/news/global-foreign-direct-investment-rebounded-strongly-2021-recovery-highly-uneven>

7 <https://unctad.org/news/global-foreign-direct-investment-rebounded-strongly-2021-recovery-highly-uneven>

According to China's Ministry of Commerce, Outbound Direct Investment (ODI) from China remained steady with a 2 percent rise to CNY 937 billion.⁸

In USD terms, the rise was 9.2 percent to USD 145 billion. Chinese ODI into countries affiliated with the Belt and Road Initiative increased by 14 percent to USD 20 billion. Europe recorded an increase of 25 percent to USD 12.8 billion while Chinese ODI into the United States fell 34 percent to USD 5.8 billion.⁹

The five dominant target sectors of global Chinese ODI for 2021 are Energy (USD 12.1 billion), Transport (USD 8.7 billion), Consumer-related industries (USD 6.2 billion), Metals and Mining (USD 5.8 billion), and Logistics (USD 3.0 billion). Four very large deals recorded in 2021 include two oil deals with Petrobras, Brazil, worth USD 5 billion, a domestic appliances deal with Philips, Netherlands, worth USD 4.4 billion, and a USD 3.8 billion rail deal with Columbia, South America.¹⁰

The 2021 shift toward direct investment into Europe is confirmed by the American Enterprise Institute's China Global Investment Tracker which lists large projects above USD 100 million and provides a general overview of significant Chinese global outbound investment trends.¹¹ The China Global Investment Tracker data shows that investment in large projects has not changed from 2020 (USD 41.9 billion) to 2021 (USD 41.6 billion). Forty percent of significant investments (USD 16.7 billion) relate to the Belt and Road Initiative with projects spread across West Asia, Southeast Asia, Middle East, Southern Europe, Africa, and Latin America.¹²

While the China Global Investment Tracker does not record any large Chinese investment for Australia in 2021, Australia overall remains the second largest recipient country behind the United States for accumulated Chinese investment during the period from 2005 to 2021.¹³

Regional distribution of global Chinese ODI in 2021:



Source: China Global Investment Tracker,
<https://www.aei.org/china-global-investment-tracker/>

Major recipient countries of Chinese ODI from 2005 to 2021:



Source: China Global Investment Tracker,
<https://www.aei.org/china-global-investment-tracker/>

8 https://english.www.gov.cn/archive/statistics/202201/20/content_WS61e9408fc6d09c94e48a4006.html

9 <https://www.globallegalpost.com/news/chinese-outbound-investment-into-north-america-drops-by-more-than-a-third-in-2021-260628397>

10 Calculated from <https://www.aei.org/china-global-investment-tracker/>

11 <https://www.aei.org/china-global-investment-tracker/>

12 Calculated from <https://www.aei.org/china-global-investment-tracker/>

13 Global ranking based on AEI <https://chinapower.csis.org/china-foreign-direct-investment/>

14 Switzerland is an outlier in this group due to the unique 2017 USD 43 billion Syngenta deal

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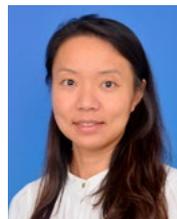
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