

COMMONWEALTH TREASURY
OF
AUSTRALIA

Economic Roundup

SUMMER
2003

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ISBN 0642 74185 9

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Annual Subscriptions (including postage and GST) \$47.30

Single Issue \$11.75

Annual subscriptions are payable in advance and should be sent to:

NMM — The Treasury
National Mailing and Marketing Pty. Ltd.
PO Box 7077
Canberra BC, ACT 2610

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Printed by Canprint Communications Pty Limited

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This issue includes data up to 17 January 2003

Key themes from the Treasury Business Liaison Program – November 2002

The following is a summary of findings from Treasury's business liaison conducted in the last week of October and throughout November 2002.¹

Indications from contacts in the non-farm sectors of the economy are that domestic activity was solid in the December quarter 2002, and the outlook for the year ahead remains positive. However, sentiment has been tempered by the prospect of continued drought, the expected easing in the residential construction sector, and weak global economic conditions.

Treasury greatly appreciates the commitment of time and effort made by the Australian businesses and industry associations that participate in this program.²

Overview

The November business liaison round comprised approximately 80 interviews. The meetings were predominantly conducted in Sydney, Melbourne and Brisbane. This was supplemented by meetings in regional towns in New South Wales and phone interviews with contacts in other states.

Business liaison focused on conditions in the farm sector and developments in the construction sector. Other industries contacted included finance, tourism and accommodation, manufacturing, mining and energy, transport and storage, and retail trade.

Sentiment about business conditions and the outlook remained generally positive in November, but was tempered by:

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- 1 A detailed explanation of the Treasury Business Liaison Program is provided in the Treasury *Economic Roundup Spring 2001*. Further information is contained in the May/June business liaison summary report in the *Winter 2002 Economic Roundup*.
 - 2 Summary reports of Treasury's business liaison reflect the views and opinions of contacts. A summary of business conditions reported by liaison contacts is provided for the information of readers. While Treasury's evaluation of the economic outlook is informed by findings from business liaison, a much wider range of information and data is utilised to ensure a rigorous assessment of the Australian economy.

- A deterioration in current agricultural conditions, particularly for winter crop production, and an unfavourable outlook for summer cropping.
- A softening in the outlook for the residential construction sector, particularly with respect to medium density dwellings and investor activity.
- Further evidence of the impact of weak global economic conditions on the domestic economy.

Aside from the effect of the drought on the farm sector, business liaison contacts indicated that the outlook for economic growth over the remainder of 2002-03 is expected to be solid, although moderating from recent strong growth. Business liaison contacts indicated that investment intentions remain on track (especially for non-residential construction), and that there were signs of continued growth in consumer demand. In addition, contacts indicated that they expected the residential construction sector to ease in the second half of 2003.

Prospects for the farm sector

Meetings with a wide range of agricultural contacts were held during the August and November liaison rounds, which included meetings in rural NSW.

The outlook for most segments of the farm sector deteriorated over the second half of 2002, with the drought becoming widespread across many parts of Australia.

- A number of contacts in NSW reported that the current drought is worse than the 1994-95 drought in terms of water and feed availability.
- The poor outlook reported by contacts for agricultural production in 2002-03 is consistent with previously published official estimates.

Broad-acre crops (both summer and winter), dairy, livestock, and horticulture have been most affected. There was cautious optimism among contacts that the drought will break in autumn of 2003, as recently reported by the National Climate Centre. However, contacts noted their concerns about the potential impact of the drought if it continues into 2003-04.

Crop production

Winter crop production has been badly affected by the drought, and estimates for 2002-03 are beginning to firm as farmers begin the harvest. Significant rainfall going forward will have little to no impact on 2002-03 winter crop production. Many contacts, however, expect a strong rebound in winter crop production if the drought breaks in time for 2003-04.

Contacts were concerned that the prospects for **summer crop** production appeared poor. They indicated that irrigated summer crops such as cotton were facing extensive water shortages and restricted water allocations. The lack of rain has meant that major head-water storages and dams have not refilled in several key production areas.

The reported outlook for **sugar** production was uncertain. Some contacts have reported significant downgrades to sugar production, whereas others believe that below average rainfall has not lead to decreased production in areas that traditionally experience excessive wet conditions. Contacts have also reported an increase in diversification away from sugar production to other produce such as macadamias and sweet potatoes.

- In general, the outlook for world sugar prices is pessimistic, stemming from excess supply in the market.

The drought has adversely impacted the **horticulture** industry, with contacts commenting on water restrictions reducing production and sales in the nursery and garden sector. Some fruit and vegetable production in Queensland has been severely affected.

Livestock

Contacts reported a marked increase in the slaughter of livestock and as such, contacts reported favourable business conditions for abattoirs, with most plants operating at capacity and some scheduled to run throughout Christmas.

- The outlook for **beef exports** remains positive with signs of recovery in exports to Japan. Contacts expect the Japanese market to fully recover from the BSE scares by the end of 2003.
- In addition, there have been reports of increased interest from Korea and live **cattle exports** to the Middle East and Asia are also doing well as there are few countries that export live animals.

Contacts have reported a strong jump in feed and water costs. There have been reports of **feed costs** rising by 30 to 35 per cent. In Victoria, some farmers have been able to agist stock in the south where conditions are better. In NSW, the widespread nature of the drought has meant there are fewer prospects for local agistment. Some contacts have reported an increase in their vet bills of over 300 per cent due to increased stress on animals.

Dairy

The short-term outlook for the dairy industry is for production and incomes to fall due to lower world dairy prices and the drought. The drought has impacted significantly on milk production and also led to some slaughtering of dairy cattle, contributing to lower wholesale beef prices.

- According to contacts, milk production volumes in northern Victoria are down 15 to 18 per cent, due to poor pasture conditions.

Contacts noted their concerns about the damaging impact on the dairy industry if the drought continues into 2003-04. This would require a substantial period of re-stocking once the drought breaks and costs associated with this are likely to be significant as cattle prices are expected to rise due to the lack of supply.

- World dairy prices remain weak because of increased subsidies in the US and Europe, and New Zealand (the second largest producer) being able to maintain high production levels.

Wool

One of the main concerns for the **wool** industry is the declining sheep numbers over recent years. Higher sheep meat prices relative to wool have led to increased slaughterings, and increasing live sheep exports have also contributed to the declining flock number. As such, concerns about the future wool supply have pushed wool prices to historical highs.

- Contacts in the fine wool industry are fairly positive about general business conditions as they have been able to continue to supply at these higher prices to countries such as Italy. However, some contacts have experienced a fall in the quality of wool produced due to a lack of feed.

Flow-on effects from the drought

Many **agribusiness** contacts have reported that farmers seem to be better prepared for this drought, with high incomes in the previous year, a supportive exchange rate and lower debt levels.

- Contacts reported evidence of farmers having made significant repayments of their term and seasonal debts.
- Contacts have commented on the strong productivity gains in the farm sector, particularly in broadacre cropping. Technological developments such as improved drought tolerant varieties of crops, better rotations and tillage have helped farmers maintain some production.

A number of the larger agribusinesses are diversified, in areas such as insurance and financial services, and maintain a positive medium-term outlook for their business.

Most agribusiness contacts reported they were deferring their **farm investment** for 2002-03. However, they expected farm investment to rebound strongly when the drought breaks.

- After more than a year of strong activity, most farm machinery companies are expecting low sales over the next few months.

Contacts reported that **fertiliser** sales have dropped around two-thirds since the onset of the drought. Rural and regional **freight** volumes have also fallen.

Many **regional towns**, reliant on the farming industry, are experiencing the effects of the drought, with **retail sales** slowing since August and poor sales were expected over the 2002 Christmas season.

- The significant decline in agricultural **employment** was confirmed, consistent with other available data.

Residential construction trends

Contacts in the construction industry indicated that the high levels of **residential** construction activity in the September quarter, continued into the December quarter.

- Residential building supply manufacturers also noted that material sales were strong going into the December quarter, although these contacts commented that they would expect easing sales in the first half of 2003.

Contacts across most states still expect residential construction to ease in 2003. There were some differences around the timing of the expected decline in 2003, but contacts generally characterised the expected easing in residential construction as a 'soft landing'. In addition, several construction related industries expect to benefit from a pick up in non-residential construction.

Overall, there has been a softening in sentiment in the residential sector since the August round. While contacts were still generally positive about prospects for the industry, they felt more assured about the likely decline in activity in the second half of 2003.

- Contacts indicated that extensive media coverage around a possible correction in the residential property market has appeared to discourage some potential investors.
- Contacts continued to report oversupply in medium-density developments in Sydney and Melbourne, noting that these 'overdeveloped' segments would be more likely to experience a correction in the near future. Contacts generally felt that the owner-occupier segment was well placed.

Emerging cost pressures in the construction industry

Despite the positive outlook for construction activity, several cost pressures are emerging in the industry, including growing insurance and labour costs.

- Premiums for professional indemnity **insurance** and some classes of industrial insurance have increased by up to several hundred per cent. Double-digit increases in overall insurance premiums are possible in the next year, from an already high base.
- Margins were reported by some as being tight in the construction sector, with profit being generated through high volumes. Contacts reported that

insurance increases will place further pressure on margins going forward, and some cost increases may be passed on to buyers.

- Manufacturers of bulky building and **construction materials** are running at (or above) capacity at the moment and price increases for some products are anticipated where there is no natural import competition.

The high demand for labour has seen a general tightening in the construction labour force, and several contacts noted that a move to a 36-hour working week has increased spending on overtime payments.

The outlook for business investment

Contacts reported that many business investment plans for 2002-03 and 2003-04 are on schedule. **Major investment projects** in the mining and transport sectors continue to progress well. On the down side, farm spending is deferred, and some investment is being restrained by international conditions and the poor profitability of foreign parent companies.

Prospects for the **non-residential** construction sector were reported by contacts to be very solid over the next year, including a substantial pick up in engineering construction and a sound outlook for non-residential building. There is a substantial stock of construction work yet to be done over the next 12 months – consistent with findings from the two previous liaison rounds.

- The outlook for contacts involved in large engineering construction projects, such as mining projects, roads and other infrastructure developments, was particularly positive. Several contacts in these industries have noted record order books in recent months.
- A couple of contacts also noted that they were capitalising on business opportunities in Asia, such as project work flowing from the boom in infrastructure development in China.

The prospects for **equipment investment** appear sound, boosted by anticipated investment in the aviation sector. The finance sector provided some indications that the prospects for overall business investment remain positive.

Consumer sentiment

Retail contacts were reasonably positive about the outlook for sales going into the Christmas shopping season and for the remainder of 2002-03. Sales of consumer goods linked to the strength of residential construction are expected to moderate in line with an easing in housing activity. Reduced rural income due to the drought is expected to have some impact on regional retail sales in 2003.

Some contacts also noted the possibility of a slight shift in discretionary expenditure away from overseas holidays into increased domestic travel and expenditure on household items, due to international security concerns.

- Contacts noted other risks to the outlook include potential adverse impacts on consumer confidence linked to a possible war against Iraq and negative wealth effects from a sharper than expected correction in house prices.
- Retail finance contacts noted that credit quality remained sound, with low rates of defaults, credit card delinquencies and bad debts.

Motor vehicle manufacturers are generally expecting sound conditions, with the release of several new and updated models likely to boost sales going into 2003.

The impact of international conditions on tourism

The direct impact of international conditions has been highlighted by contacts in the **tourism** sector. Conditions in the tourism industry have varied over the past 12 months, depending on the exposure that contacts have to the international travel market. Contacts commented consistently that inbound tourism remains weak, but that conditions in the domestic travel market were relatively good in 2002.

Hotel contacts that are highly exposed to international corporate business travel have been worst affected. Contacts were cautiously optimistic about the outlook for the international tourism market, but there is significant uncertainty due to the continued weakness of overseas economies and security concerns.

- International events such as the Rugby World Cup and the Commonwealth Games in 2006 were noted as bonuses for the industry.

On a state basis, concerns remain around the continued growth in capacity in the Melbourne hotel market, but the Sydney market is looking more positive past the short to medium-term as the flow of new capacity slows.

Views from contacts on the impact of international security alerts and the Bali bombings for outbound tourism were mixed. There was limited anecdotal evidence that outbound tourists may shift their plans to domestic travel.

The expansion of domestic aviation routes was also noted as a positive development for the tourism industry going forward.

Hiring intentions, wages and prices

While November's business liaison confirmed the decline in rural employment, the overall employment outlook and **hiring intentions** remain sound. Contacts indicated that employment in the construction sector and related industries remains particularly strong.

- Finance industry contacts reported plans to increase their staffing where they were expanding their branch operations. However, consolidation in areas of the financial sector that are heavily exposed to the international economy has led to office closures and job shedding.
- In broad terms, retailers were planning to keep their staff numbers steady and in line with future store expansions.
- Despite the softness in the tourism sector, overall employment in the industry is expected to remain steady, with normal seasonal fluctuations.

Wage increases are expected to be moderate in the year ahead, offset by expected productivity gains in many cases. Wage increases of around 3 to 4 per cent per annum were anticipated by most contacts, but there were individual instances of additional wage pressures. Most industry contacts indicated that they were not facing any significant skill shortages, with the exception of perhaps the construction industry.

Business contacts continue to report restrained **price** pressures. Strong competition in many sectors is reported to be keeping margins tight. Nevertheless, some contacts thought price increases were inevitable where rising cost pressures over the past few years had eroded margins.

Australian net private wealth

Treasury has published annual estimates of Australian net private sector wealth since the Summer 1990 Economic Roundup. This article updates previous estimates, and provides preliminary estimates for net private sector wealth as at June 2002.

The market value of Australian net private sector wealth grew by 12.6 per cent in the year to 30 June 2002. In real terms (that is, after allowing for inflation¹), wealth grew by 10.9 per cent. Real wealth per Australian grew by 9.6 per cent.

Wealth definitions and uses

From an economic perspective, wealth can be defined as 'a store of spending power that can be carried into the future' (Jones and Perkins 1986, p. 150). Therefore, wealth includes a wide variety of assets, both financial assets, such as cash, shares and bonds, and non-financial assets, such as dwellings, factories and other business assets that can be used to generate future income.

Measurements of the *store* (or 'stock') of spending power, such as wealth, complement measurements of the *production* (or 'flow') of income, such as gross domestic product (GDP). Wealth thus provides a useful additional measure of living standards as well as a benchmark for examining trends in such aggregates as external liabilities and private sector debt. In addition, wealth appears to be a significant determinant of current and future aggregate private consumption.

Wealth can also include a variety of other less tangible assets that are sometimes referred to as 'human wealth'. Human wealth includes, for example, the skills, education and social structures that contribute to capacity to generate income in the future.

In addition, a broader definition of wealth might include such assets as natural resources or even leisure time or aesthetic qualities.

1 The consumption deflator is used for this purpose.

Measuring wealth

From a practical perspective, some components of wealth can be extremely difficult to quantify. In particular, it is difficult to value those assets that are not readily tradeable and hence for which there are no readily observable prices. This is often the case for the various components of human wealth and some natural resources. As a result, the estimates in this article relate only to financial assets and non-financial (or physical) assets in those cases where there are well-developed markets and observable prices.

The scope of the estimates presented in this article is the Australian private sector. This consolidation of the private household and business sectors greatly simplifies the calculation of private sector wealth.² However, this consolidation does result in loss of detail on the liabilities of these two sectors. Consequently, the data on asset types contained in the attached tables and charts should not be used to infer relative ownership by either the household or business sectors, or the level of personal wealth.³

A number of assumptions and approximations are required to construct these estimates, particularly for the latest year where much of the data remain provisional. Together with inevitable revisions to historical data, these limitations imply that the estimates should be interpreted as indicative of trends and broad orders of magnitude, rather than precise estimates.

The Australian Bureau of Statistics (ABS) also publishes estimates of wealth. The Appendix has a discussion of the relationship between these estimates and the Treasury estimates.

Methodology – How is wealth measured?

The wealth estimates presented in this article are a measure of the value of net domestic and foreign assets owned by the Australian private sector. These estimates are constructed using the inventory approach⁴, largely following the

2 Consolidating the private household and business sectors implies that the bulk of financial instruments held by households (such as bank deposits, debt instruments and superannuation) are netted out in the analysis.

3 Details on assets by sector are available in the ABS publication *Australian National Accounts: National Balance Sheet* (ABS Catalogue No. 5241.0), and Bacon (1998) discusses household wealth estimates in detail.

4 Other approaches for constructing estimates of wealth include the portfolio and estate methods. Piggott (1987) provides a useful summary of these approaches.

methodology of Callen (1991). This approach involves aggregating across different asset types and adjusting for the public and/or foreign ownership⁵ of assets. The estimates are largely based on ABS estimates of the dwelling stock, business capital stock, stock of consumer durables and Australia's international investment position. Reserve Bank of Australia (RBA) data are used for holdings of public securities and RBA liabilities. Some private sector data and estimates from previous studies also enter the estimates.

Treasury estimates of net private sector wealth are calculated on both a market value and replacement cost basis. The market value of an asset represents the value that would be obtained if assets were to be sold in current market conditions. The replacement cost of an asset is the cost of reproducing that asset.⁶ Detailed wealth estimates since 1960 are presented in the attached tables.

Private saving and wealth

The pure economic definition of saving is the change in the real net wealth of households from one period to the next.⁷ Therefore, the annual change in real private sector wealth can be interpreted as the annual economic saving of the private sector.

As a measure of private saving, the change in private wealth has advantages to the commonly quoted net household saving measure published by the ABS (see Chart 1). The main advantage is that it captures the effect of changes in the value of the stock of private wealth through changing asset values. However, these valuation effects can mean that it is more volatile than measures that exclude them.

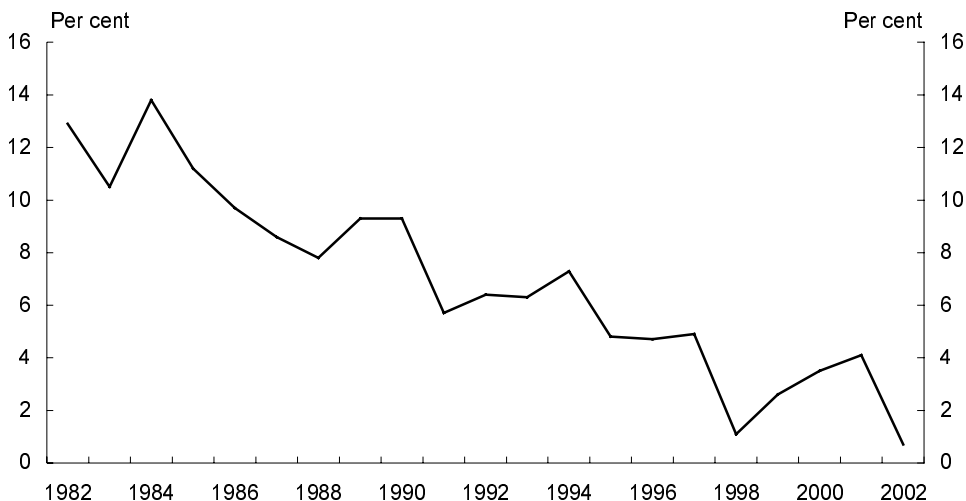
5 The wealth estimates presented in this article measure wealth owned by Australians, regardless of where that wealth is located. For example, an Australian-owned factory located overseas contributes to Australian net private wealth, while an overseas-owned factory located in Australia does not.

6 The (depreciated) replacement cost is the price which would have to be paid for an identical asset which is in the same condition and expected to yield the same flow of services as the original asset. It is the relevant concept for physical assets such as consumer durables, the stock of dwellings and the business capital stock. The equivalent concept is the face value, which in the case of debt, for example, represents the price (excluding any accrued interest or dividends) which the borrower promises to repay the lender on expiry of the loan.

7 See the article, 'The Measurement of Saving in Australia', in the *Spring 1999 Economic Roundup*.

A further advantage is that it has a broader scope. Household saving as measured by the ABS refers only to saving by the household sector, including unincorporated enterprises. It does not include changes in the value of the household sector's interest in private corporations. As private corporations are ultimately owned by households, saving by private corporations is conceptually also household saving.

Chart 1: ABS net household saving ratio

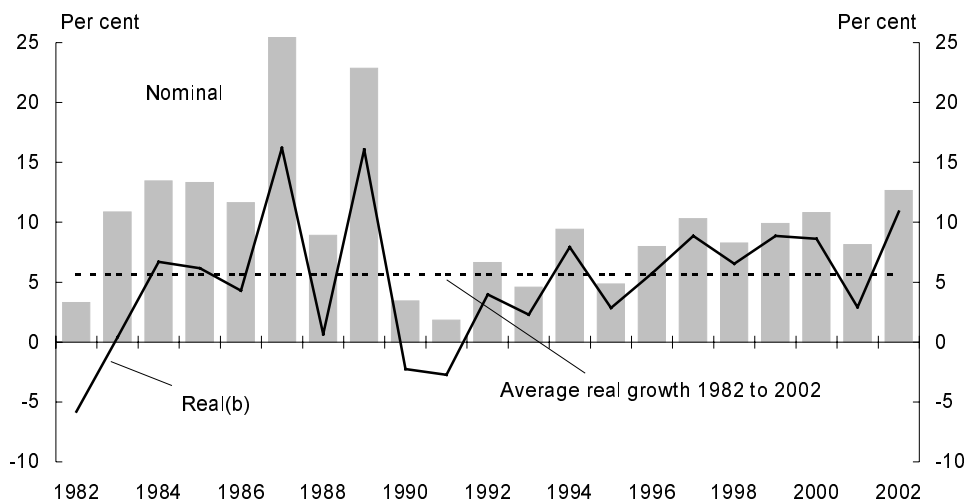


Source: ABS 5206.0.

Movements in Australian private sector wealth in 2002

Through the year to 30 June 2002, Australian net private sector wealth at market value grew by 12.6 per cent in nominal terms, 10.9 per cent in real terms and 9.6 per cent in real per capita terms. The growth rate in real net private sector wealth during the year to June 2002 was the highest for more than a decade (Chart 2). The tables in the Appendix provide further details.

Chart 2: Growth in Australian net private sector wealth at market value^(a)



(a) As at June 30.

(b) Real wealth is determined using the consumption deflator. This includes the transitional impacts of the New Tax System.

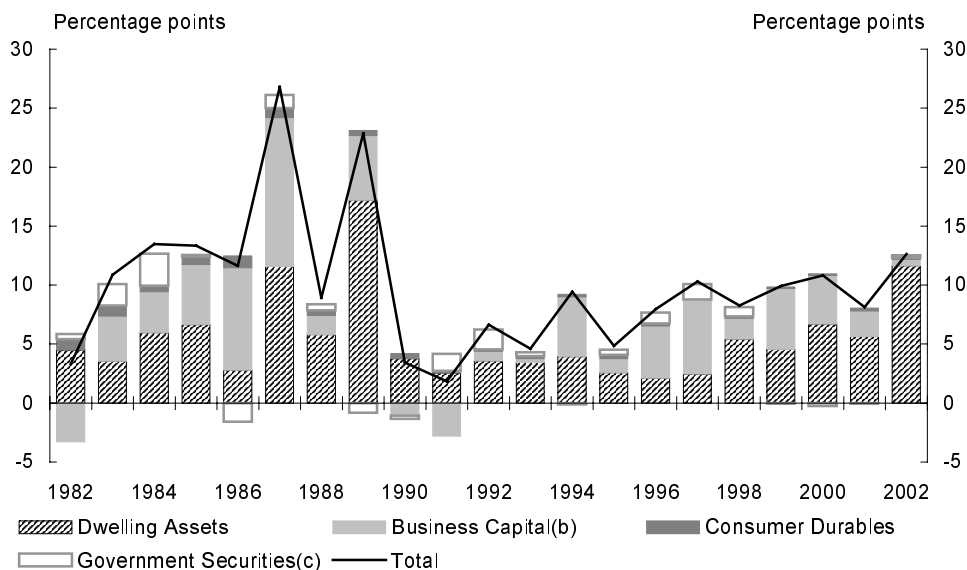
Source: Treasury.

In current prices, Australian net private sector wealth was approximately \$3,913 billion at market value and \$2,682 billion at replacement cost on 30 June 2002. This represents around:

- \$198,500 per Australian (\$136,100 on a replacement cost basis); and
- 5.5 times the value of the annual nominal gross domestic product of the economy (3.8 times on a replacement cost basis).

In the year to June 2002, growth in the market value of dwelling assets dominated growth in all other forms of assets, contributing 11.6 percentage points to the growth in private wealth, more than double the long-term average contribution to growth of 5.6 percentage points (see Chart 3). The other main contribution to growth in wealth over the period was from business assets (net of net foreign liabilities), which contributed 1.0 percentage points. This contribution, the lowest since 1993, was well below the long-term average contribution to growth of 4.1 percentage points.

Chart 3: Contributions to growth in nominal Australian net private sector wealth at market value^(a)



(a) As at June 30.

(b) Includes Australian investment abroad and excludes foreign liabilities.

(c) Includes money base.

Source: Treasury.

Valuation ratios for Australian net private wealth

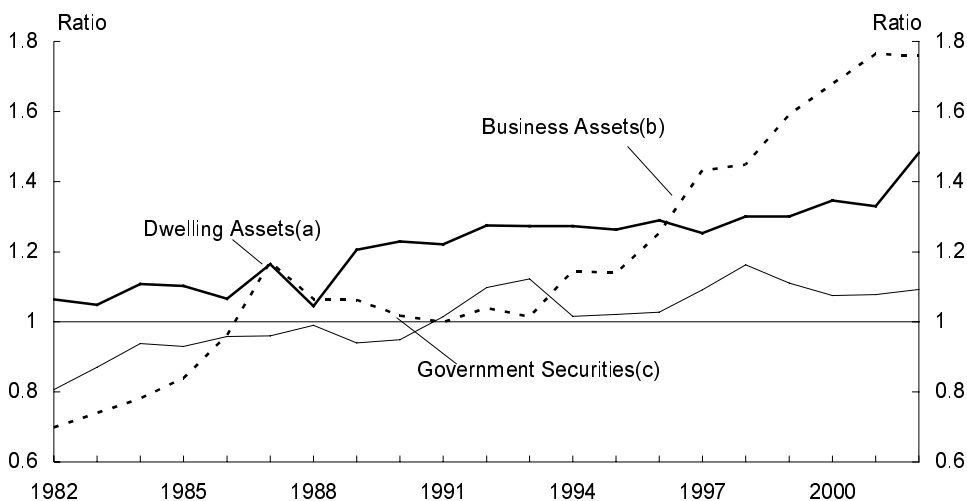
Valuation ratios for individual components of wealth (Appendix Table A3) provide a measure of the relationship between the market value and the replacement cost for that component. For dwelling assets, the valuation ratio represents the ratio between the price of established houses and the cost of building new dwellings (inclusive of land). The valuation ratio for business assets is the ratio between the price of existing business assets (as valued by the stock market) and the price of new business investment. The valuation ratio for government securities is determined by current interest rates relative to the interest rates at the time the securities were issued. If there is an unanticipated fall in interest rates relative to the interest rate at the time of issue then the value of the security rises and vice versa.

Changes in market conditions for particular components of wealth (for example, dwellings) will affect the valuation ratio for that component. Changes in market sentiment and business confidence will lead to changes in individual valuation ratios and fluctuations in the total market value of private

sector wealth. The value of wealth at replacement cost is not directly affected by these changes in sentiment or confidence, and hence is more stable.

Over time, the valuation ratios of the different components have performed differently (Chart 4).

Chart 4: Valuation ratios for selected components of wealth



(a) Established house prices divided by the deflator for dwelling investment.

(b) Equity prices divided by the deflator for business fixed investment.

Market price divided by face value.

Source: Treasury.

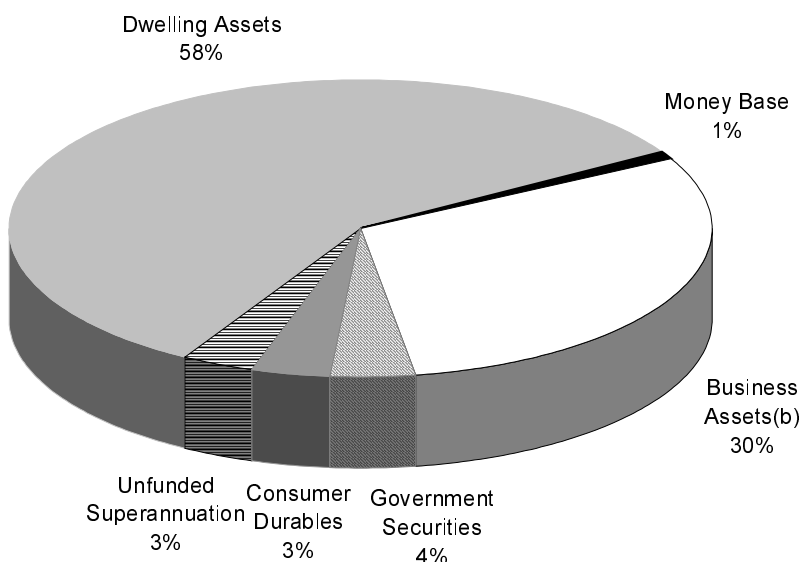
During the year to 30 June 2002:

- The valuation ratio for dwelling assets increased by 11.5 per cent. This increase, the largest since 1989, is a direct result of substantial house price increases throughout the country. The ABS House Price index reported a broad-based rise in house prices of 18.9 per cent in the year to June 2002, with the Sydney (up 21.7 per cent) and Melbourne (up 19.0 per cent) markets particularly strong.
- The valuation ratio for business assets fell slightly for the first time in seven years, reflecting a fall in stock market prices.
- The valuation ratio for government securities rose slightly, commensurate with movements in interest rates in 2001-2002.

Composition of Australian net private wealth by type of asset

The composition of wealth at market value by asset type shifted slightly during the year to 30 June 2002 (Chart 5). Dwelling assets comprised a greater proportion of Australian net private sector wealth while the share of business assets declined.

Chart 5: Composition of Australian net private sector wealth by asset type^(a)



(a) The components do not necessarily sum to 100% due to rounding.

(b) Includes Australian investment abroad and excludes foreign liabilities.

Source: Treasury.

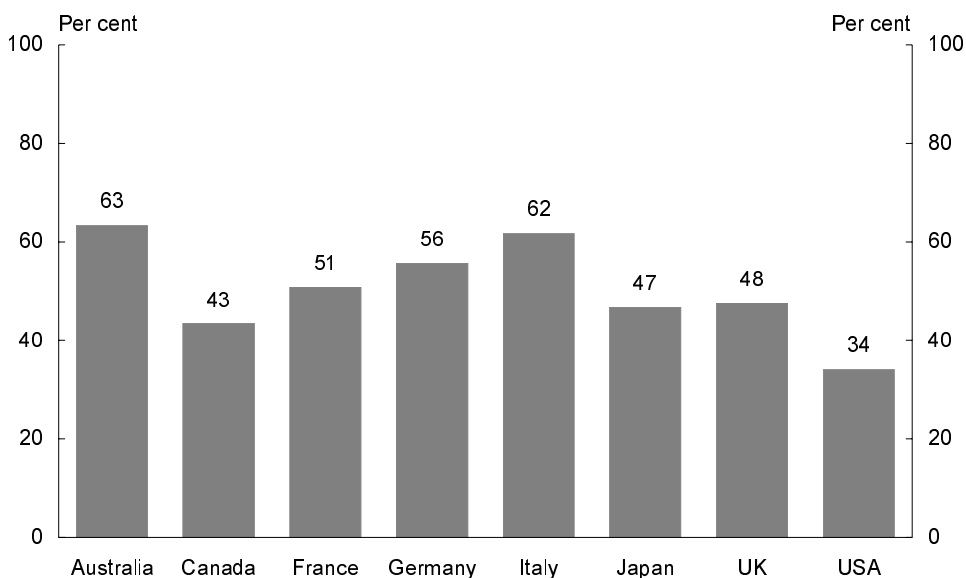
An international comparison of wealth

Australian households hold a greater share of their wealth in dwelling assets than households in most G-7 nations (Chart 6). The high concentration of Australia's population in the largest cities, where house prices tend to be highest, is likely to contribute to average house prices being higher and the share of wealth in dwelling assets being higher than in other countries.⁸ This

8 See Ellis and Andrews (2001).

difference cannot be fully explained by policies that affect the relative attractiveness of dwellings or home ownership rates.

Chart 6: Share of dwelling assets in total assets



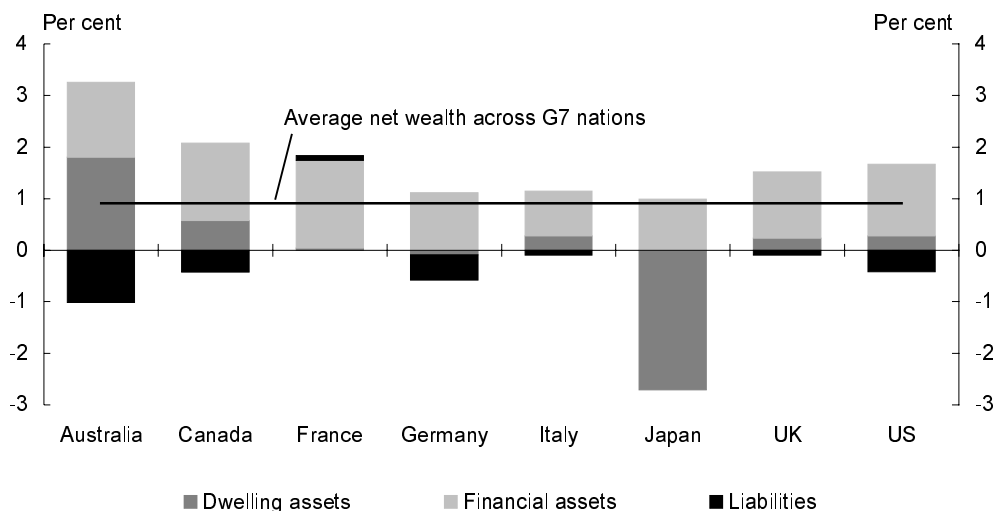
Source: OECD Economic Outlook, ABS 5206.0 and 5232.0, Treasury.

Recent rates of growth in Australian net wealth compare favourably to the G-7 nations.⁹ Over the last decade¹⁰, growth in Australian net household wealth has averaged 2.4 per cent, higher than the G-7 average of 0.9 per cent (Chart 7).

9 Comparisons are based on net household wealth as a percentage of disposable income. Data limitations do not enable a comparison to take place using net private wealth. Data for the G-7 nations is sourced from OECD Economic Outlook, Volume 2002/03, No. 72 December. A comparable household measure for Australia is sourced from ABS National Accounts (5206.0), ABS Financial Accounts (5232.0) and Treasury.

10 The decade ends in 2001 as this is the latest available international data.

Chart 7: Composition of net household wealth as a percentage of income (average annual growth 1991-2001)^(a)



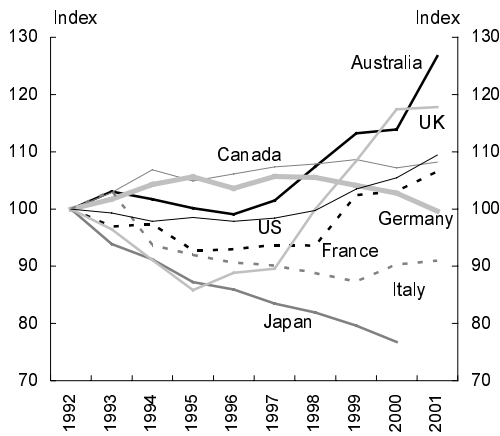
(a) Data for Japan are only available for 1991-2000, and data for Australia are only available for 1992-2001.

Source: OECD Economic Outlook, ABS 5206.0 and 5232.0, Treasury.

Movements in house prices and equity prices varied widely across countries over the decade (Charts 8 and 9).¹¹ These price movements, together with the difference in wealth composition across countries, helps to explain net wealth growth over the period. For instance, dwelling assets contributed more to net household wealth growth in Australia than any of the G-7 countries, reflecting substantial house price growth and the large share of wealth held in dwellings.

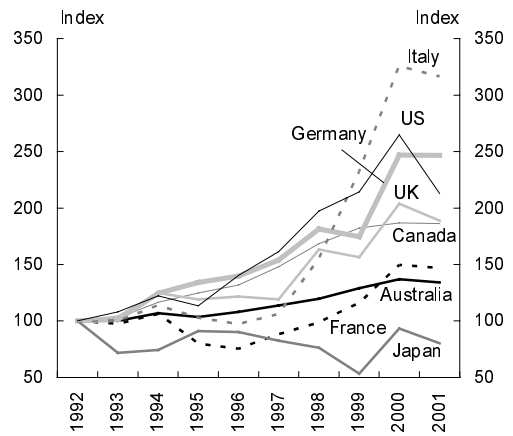
11 Dwelling assets as a per cent of disposable income can be used as a proxy for house prices. Similarly, equity assets as a per cent of disposable income can be used as a proxy for equity prices. See Ellis and Andrews (2001).

Chart 8: Dwelling assets^(a)



(a) Dwelling assets as a per cent of disposable income.
 Source: OECD Economic Outlook, ABS 5206.0, Treasury.

Chart 9: Equity assets^(a)



(a) Equity assets as a per cent of disposable income. This only includes direct equity holdings, with the exception of Australia where total financial assets are used.
 Source: OECD Economic Outlook, ABS 5206.0, ABS 5232.0, Treasury.

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Appendix

Relationship with the ABS national balance sheets

The Treasury net wealth estimates presented in this article are broadly consistent with those published in the ABS publication, *Australian National Accounts: National Balance Sheet* (ABS Cat. 5241.0.40.001). The main differences are that the scope of the Treasury estimates is the aggregate private sector and that the Treasury estimates are prepared using a consistent basis for valuing the assets. In addition, the Treasury estimates are available for a much longer time period, thus allowing longer-term analysis of past changes in wealth.

In terms of scope, the Treasury estimates cover the total private sector in Australia. In contrast, the ABS balance sheets are prepared for a range of institutional sectors and for Australia as a whole, but not for the private sector as such. In terms of the ABS institutional sector classifications, the private sector is the sum of the ABS household and unincorporated enterprise sector and the private sector components of each of the non-financial corporation and financial corporation sectors.

In terms of scope, the major difference is that the ABS estimates include the value of demonstrated sub-soil assets and timber in native forests. These assets are not included within the Treasury estimates for two reasons. First, the ABS estimates for these assets typically only go back to 1989; the Treasury wealth estimates are calculated for each year back to 1960. Second, the valuation of these assets is difficult. The ABS valuations involve 'calculating the expected future net income flow generated by the asset, and then discounting at some interest rate for the life of the asset'. These figures cannot easily be added to the Tables below, since it is unclear to what extent these assets are already included in the valuations of businesses. In addition, comparisons with pre-1989 data will obviously not be possible.

Another important difference between the ABS and Treasury estimates is the valuation basis that is used. As noted earlier in this article, the Treasury estimates are compiled on both a market value and replacement cost basis. In contrast, the ABS uses a replacement cost basis for produced assets and a market value basis for financial assets and liabilities. As a result, the ABS estimates of 'net worth' (or wealth) are actually based on a mix of these two valuation methodologies.

Table A: ABS valuations of sub-soil and native timber assets

As at June	Subsoil assets	Native standing timber
1989	62.2	1.2
1990	52.0	1.3
1991	56.4	1.7
1992	55.8	1.5
1993	66.6	1.7
1994	72.2	1.9
1995	93.5	2.1
1996	95.7	2.1
1997	114.2	2.2
1998	126.0	2.2
1999	139.7	2.2
2000	162.7	2.5
2001	199.7	2.9
2002 (a)	245.7	3.1

(a) Preliminary figures.

Source: ABS 5204.0

It is possible to reconcile the main components of the Treasury estimates of wealth at replacement cost with the estimates of produced assets in the ABS balance sheets, although allowance needs to be made for the differences in scope and coverage. While it is not generally possible to derive estimates of wealth at market value from the ABS balance sheets, it is possible to infer an estimate of the valuation ratio (the ratio of the market value of an asset to its replacement cost) for business assets. This is because the net financial assets held by the combined household and unincorporated, general government and foreign sectors (valued at market prices) should represent claims over the net physical assets held by the financial and non-financial corporation sectors (valued at replacement cost). The ratio so derived is reasonably similar to the valuation ratio for business assets presented in this article, thus confirming that, apart from the scope and coverage issues noted above, the Treasury wealth estimates are broadly consistent with the ABS estimates in the national balance sheets.

Table A1(a): Nominal private sector wealth at market value

As at June	Dwelling Assets	Business Assets	Consumer Durables	Government Securities	Money Base	Australian Investment Abroad	Foreign Liabilities	Total Wealth	Wealth per Person
(\$ billion)									(\$ '000)
1960	21.6	25.0	5.4	7.4	1.8	0.4	-3.5	60.0	5.7
1961	23.3	27.2	5.6	7.5	1.7	0.5	-3.1	64.7	6.0
1962	25.8	28.5	5.6	8.3	1.8	0.5	-3.3	69.4	6.4
1963	27.1	30.9	5.8	9.3	1.8	0.7	-4.1	73.9	6.6
1964	31.2	35.5	6.0	9.8	2.1	0.8	-5.4	82.7	7.3
1965	34.0	35.5	6.4	10.0	2.1	0.7	-4.8	87.0	7.5
1966	36.1	39.0	6.8	10.8	1.9	0.9	-5.1	93.5	7.9
1967	37.7	40.8	7.1	11.7	2.1	0.9	-6.0	97.8	8.1
1968	41.4	57.7	7.5	12.3	2.2	1.4	-9.3	117.2	9.6
1969	46.7	64.0	8.1	13.0	2.4	1.4	-10.5	129.5	10.3
1970	53.9	63.9	8.9	12.5	2.7	1.5	-10.1	138.3	10.8
1971	61.5	65.8	9.8	13.7	2.8	1.9	-11.2	149.7	11.5
1972	70.8	76.3	10.7	16.2	3.0	2.5	-14.5	171.3	12.9
1973	86.3	78.1	12.0	16.5	4.0	2.2	-14.8	191.3	14.2
1974	113.4	78.9	14.2	14.5	4.5	2.0	-13.0	222.4	16.2
1975	128.6	74.0	17.6	17.3	4.1	2.5	-13.2	240.2	17.3
1976	147.8	87.5	21.3	20.1	5.1	2.9	-18.9	276.7	19.7
1977	164.6	93.5	24.6	21.7	6.3	3.8	-20.1	307.2	21.6
1978	176.8	105.7	27.5	25.9	5.9	4.5	-22.1	338.8	23.6
1979	199.7	122.7	29.2	29.1	6.4	5.7	-25.4	384.3	26.5
1980	232.9	165.1	33.0	30.5	6.9	6.5	-34.3	460.2	31.3
1981	277.8	200.8	36.8	33.3	7.6	6.8	-42.1	543.8	36.4
1982	302.3	187.7	41.8	34.5	8.7	8.7	-48.8	561.8	37.0
1983	322.3	219.5	46.8	44.3	9.1	10.8	-61.3	622.9	40.5
1984	359.4	247.3	50.0	60.1	10.2	12.6	-69.3	706.8	45.4
1985	406.4	297.9	54.8	59.6	11.8	18.0	-89.4	801.0	50.7
1986	428.7	374.2	62.7	45.8	13.0	30.4	-108.5	894.2	55.8
1987	532.3	506.7	69.8	54.7	14.1	44.4	-142.2	1133.8	69.7
1988	597.9	528.2	74.5	59.0	15.8	58.1	-158.7	1234.8	74.7
1989	810.2	617.9	79.8	47.8	16.7	70.2	-192.9	1517.1	90.2
1990	867.2	618.0	86.5	42.7	17.7	76.5	-215.3	1569.1	91.9
1991	907.1	592.8	89.4	64.3	18.7	75.9	-233.6	1598.1	92.5
1992	964.3	610.5	92.3	90.5	19.1	90.4	-253.0	1704.1	97.4
1993	1022.7	616.4	95.9	94.6	20.5	111.6	-274.2	1782.5	100.9
1994	1092.7	720.8	99.5	90.9	22.0	135.2	-311.6	1950.5	109.2
1995	1143.0	753.4	105.5	98.0	23.5	152.9	-338.6	2045.0	113.2
1996	1186.3	863.3	109.9	115.6	24.5	162.3	-367.4	2208.2	120.6
1997	1240.6	1022.6	110.3	134.5	34.1	198.7	-423.6	2435.6	131.4
1998	1372.9	1091.6	114.6	156.5	31.4	258.2	-509.7	2637.2	140.6
1999	1493.0	1263.1	117.9	155.1	31.8	284.4	-571.5	2898.6	152.7
2000	1687.0	1403.4	122.2	151.3	28.1	381.1	-689.1	3212.0	167.1
2001	1867.7	1520.9	130.4	148.8	29.6	420.2	-775.6	3473.6	178.3
2002 (a)	2271.3	1555.9	135.5	151.2	34.9	420.7	-792.0	3912.8	198.5

(a) Preliminary figures.

Table A1(b): Real private sector wealth at market value^(a)

As at June	Dwelling Assets	Business Assets	Consumer Durables	Govern- ment Securities	Money Base	Australian Investment Abroad	Foreign Liabilities	Total Wealth
(\$2000-01 billion)								
1960	211.8	245.1	52.9	72.5	17.6	3.9	-34.3	588.2
1961	221.9	259.0	53.3	71.4	16.2	4.8	-29.5	616.2
1962	245.7	271.4	53.3	79.0	17.1	4.8	-31.4	661.0
1963	255.7	291.5	54.7	87.7	17.0	6.6	-38.7	697.2
1964	286.2	325.7	55.0	89.9	19.3	7.3	-49.5	758.7
1965	303.6	317.0	57.1	89.3	18.8	6.3	-42.9	776.8
1966	311.2	336.2	58.6	93.1	16.4	7.8	-44.0	806.0
1967	314.2	340.0	59.2	97.5	17.5	7.5	-50.0	815.0
1968	333.9	465.3	60.5	99.2	17.7	11.3	-75.0	945.2
1969	362.0	496.1	62.8	100.8	18.6	10.9	-81.4	1003.9
1970	399.3	473.3	65.9	92.6	20.0	11.1	-74.8	1024.4
1971	427.1	456.9	68.1	95.1	19.4	13.2	-77.8	1039.6
1972	462.7	498.7	69.9	105.9	19.6	16.3	-94.8	1119.6
1973	526.2	476.2	73.2	100.6	24.4	13.4	-90.2	1166.5
1974	603.2	419.7	75.5	77.1	23.9	10.6	-69.1	1183.0
1975	581.9	334.8	79.6	78.3	18.6	11.3	-59.7	1086.9
1976	581.9	344.5	83.9	79.1	20.1	11.4	-74.4	1089.4
1977	583.7	331.6	87.2	77.0	22.3	13.5	-71.3	1089.4
1978	579.7	346.6	90.2	84.9	19.3	14.8	-72.5	1110.8
1979	597.9	367.4	87.4	87.1	19.2	17.1	-76.0	1150.6
1980	631.2	447.4	89.4	82.7	18.7	17.6	-93.0	1247.2
1981	689.3	498.3	91.3	82.6	18.9	16.9	-104.5	1349.4
1982	683.9	424.7	94.6	78.1	19.7	19.7	-110.4	1271.0
1983	660.5	449.8	95.9	90.8	18.6	22.1	-125.6	1276.4
1984	692.5	476.5	96.3	115.8	19.7	24.3	-133.5	1361.8
1985	733.6	537.7	98.9	107.6	21.3	32.5	-161.4	1445.8
1986	722.9	631.0	105.7	77.2	21.9	51.3	-183.0	1507.9
1987	822.7	783.2	107.9	84.5	21.8	68.6	-219.8	1752.4
1988	854.1	754.6	106.4	84.3	22.6	83.0	-226.7	1764.0
1989	1093.4	833.9	107.7	64.5	22.5	94.7	-260.3	2047.4
1990	1106.1	788.3	110.3	54.5	22.6	97.6	-274.6	2001.4
1991	1104.9	722.0	108.9	78.3	22.8	92.4	-284.5	1946.5
1992	1145.2	725.1	109.6	107.5	22.7	107.4	-300.5	2023.9
1993	1187.8	715.9	111.4	109.9	23.8	129.6	-318.5	2070.3
1994	1251.7	825.7	114.0	104.1	25.2	154.9	-356.9	2234.2
1995	1284.3	846.5	118.5	110.1	26.4	171.8	-380.4	2297.8
1996	1305.1	949.7	120.9	127.2	27.0	178.5	-404.2	2429.3
1997	1347.0	1110.3	119.8	146.0	37.0	215.7	-459.9	2644.5
1998	1466.8	1166.2	122.4	167.2	33.5	275.9	-544.6	2817.5
1999	1579.9	1336.6	124.8	164.1	33.7	301.0	-604.8	3067.3
2000	1750.0	1455.8	126.8	157.0	29.1	395.3	-714.8	3332.0
2001	1843.7	1501.4	128.7	146.9	29.2	414.8	-765.6	3429.0
2002 (b)	2207.3	1512.1	131.7	146.9	33.9	408.8	-769.7	3802.5

(a) Real wealth is calculated by dividing nominal wealth by the private consumption deflator.

(b) Preliminary figures.

Table A1(c): Real private sector wealth per person at market value^(a)

As at June	Dwelling Assets	Business Assets	Consumer Durables	Govern- ment Securities	Money Base	Australian Investment Abroad	Foreign Liabilities	Total Wealth
(\$ per capita, 2000-01 prices)								
1960	20212	23394	5053	6925	1684	374	-3275	56146
1961	20711	24177	4978	6666	1511	444	-2755	57510
1962	22519	24876	4888	7245	1571	436	-2880	60575
1963	22988	26212	4920	7889	1527	594	-3478	62687
1964	25240	28719	4854	7928	1699	647	-4368	66902
1965	26252	27410	4941	7721	1621	540	-3706	67173
1966	26313	28427	4957	7872	1385	656	-3717	68152
1967	26091	28237	4914	8097	1453	623	-4152	67685
1968	27224	37942	4932	8088	1447	921	-6115	77068
1969	28885	39585	5010	8041	1484	866	-6494	80099
1970	31187	36973	5150	7233	1562	868	-5844	80022
1971	32684	34969	5208	7281	1488	1010	-5952	79558
1972	34782	37484	5257	7959	1474	1228	-7124	84156
1973	38965	35262	5418	7450	1806	993	-6682	86373
1974	43955	30582	5504	5620	1744	775	-5039	86204
1975	41884	24101	5732	5635	1335	814	-4299	78232
1976	41466	24548	5976	5639	1431	814	-5302	77629
1977	41128	23362	6147	5422	1574	949	-5022	76759
1978	40370	24135	6279	5914	1347	1028	-5046	77361
1979	41189	25308	6023	6002	1320	1176	-5239	79264
1980	42951	30447	6086	5625	1272	1199	-6326	84869
1981	46192	33389	6119	5537	1264	1131	-7000	90423
1982	45043	27968	6228	5141	1296	1296	-7271	83709
1983	42906	29221	6230	5897	1211	1438	-8161	82923
1984	44450	30586	6184	7433	1262	1558	-8571	87416
1985	46464	34059	6265	6814	1349	2058	-10221	91579
1986	45133	39395	6601	4822	1369	3200	-11423	94139
1987	50585	48153	6633	5198	1340	4219	-13514	107747
1988	51666	45643	6438	5098	1365	5021	-13714	106702
1989	65028	49594	6405	3837	1340	5634	-15483	121766
1990	64818	46192	6465	3192	1323	5718	-16092	117281
1991	63925	41775	6300	4531	1318	5349	-16462	112620
1992	65462	41444	6266	6144	1297	6137	-17175	115683
1993	67233	40523	6305	6219	1348	7337	-18026	117183
1994	70101	46242	6383	5832	1411	8674	-19990	125133
1995	71064	46841	6559	6093	1461	9506	-21052	127144
1996	71272	51866	6603	6945	1472	9751	-22073	132667
1997	72662	59894	6460	7878	1997	11638	-24810	142654
1998	78186	62166	6526	8913	1788	14704	-29027	150188
1999	83222	70407	6572	8646	1773	15853	-31856	161573
2000	91027	75725	6594	8164	1516	20563	-37183	173313
2001	94623	77053	6606	7539	1500	21289	-39294	175983
2002	(b) 111966	76699	6680	7454	1720	20739	-39042	192885

(a) Real wealth is calculated by dividing nominal wealth by the private consumption deflator.

(b) Preliminary figures.

Table A3: Valuation ratios for selected wealth components

As at June	Dwelling		Business		Government	
	Assets(a)	% growth	Assets(b)	% growth	Securities(c)	% growth
1960	0.513		0.923			
1961	0.519	1.1	0.907	-1.7	0.974	
1962	0.552	6.5	0.893	-1.5	1.012	3.9
1963	0.550	-0.5	0.906	1.4	1.045	3.2
1964	0.589	7.1	0.954	5.3	1.021	-2.3
1965	0.591	0.4	0.883	-7.5	0.990	-3.0
1966	0.601	1.6	0.894	1.3	1.000	1.0
1967	0.604	0.6	0.895	0.0	1.009	0.9
1968	0.633	4.8	1.085	21.2	1.008	0.0
1969	0.685	8.2	1.117	3.0	0.985	-2.3
1970	0.751	9.6	1.058	-5.3	0.919	-6.7
1971	0.803	7.0	1.002	-5.3	0.938	2.1
1972	0.845	5.2	1.041	3.9	1.006	7.2
1973	0.923	9.2	0.987	-5.1	0.954	-5.2
1974	1.023	10.9	0.847	-14.3	0.810	-15.1
1975	0.976	-4.6	0.684	-19.2	0.852	5.2
1976	0.974	-0.3	0.702	2.6	0.874	2.5
1977	0.954	-2.0	0.664	-5.4	0.858	-1.9
1978	0.925	-3.0	0.667	0.5	0.928	8.2
1979	0.962	4.0	0.692	3.7	0.898	-3.2
1980	1.050	9.1	0.801	15.8	0.859	-4.3
1981	1.098	4.7	0.858	7.1	0.845	-1.6
1982	1.064	-3.2	0.699	-18.6	0.806	-4.6
1983	1.048	-1.4	0.740	5.9	0.870	8.0
1984	1.107	5.6	0.780	5.5	0.938	7.7
1985	1.102	-0.5	0.839	7.6	0.930	-0.8
1986	1.066	-3.3	0.962	14.6	0.958	3.1
1987	1.165	9.3	1.171	21.8	0.960	0.2
1988	1.044	-10.4	1.065	-9.1	0.990	3.2
1989	1.206	15.5	1.062	-0.3	0.939	-5.1
1990	1.230	2.0	1.017	-4.2	0.949	1.0
1991	1.222	-0.7	0.999	-1.8	1.014	6.9
1992	1.276	4.4	1.039	4.1	1.097	8.2
1993	1.273	-0.2	1.014	-2.4	1.122	2.3
1994	1.273	0.0	1.146	12.9	1.016	-9.5
1995	1.263	-0.8	1.139	-0.6	1.021	0.5
1996	1.290	2.1	1.254	10.0	1.027	0.6
1997	1.254	-2.8	1.432	14.3	1.091	6.3
1998	1.301	3.7	1.448	1.1	1.163	6.6
1999	1.301	0.0	1.591	9.9	1.110	-4.5
2000	1.346	3.5	1.679	5.5	1.075	-3.2
2001	1.330	-1.2	1.764	5.1	1.077	0.3
2002 (d)	1.483	11.5	1.759	-0.3	1.092	1.3

(a) Established house prices divided by the deflator for dwelling investment.

(b) Equity prices divided by the deflator for business fixed investment.

(c) Market price divided by face value.

(d) Preliminary figures.

STATISTICAL APPENDIX

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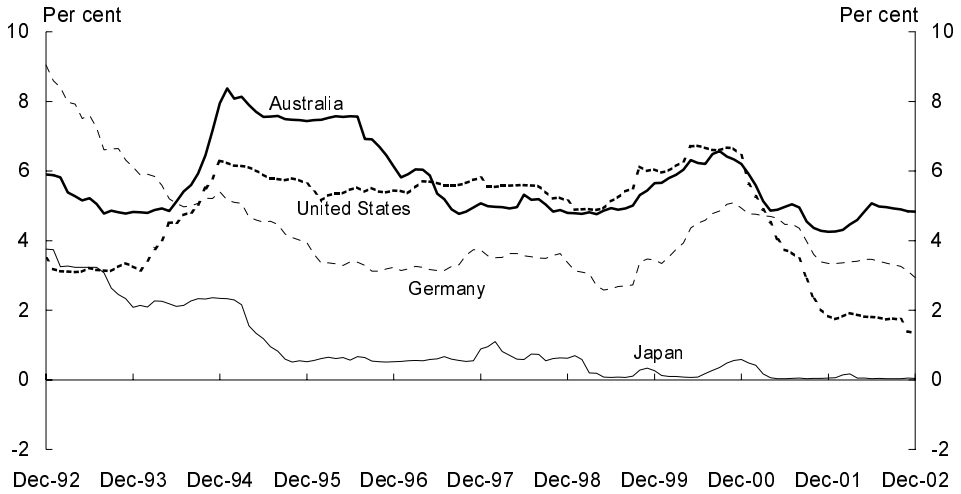
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Key to tables

- | | |
|--------|--------------------------------|
| n.a. | not available |
| n.y.a. | not yet available |
| .. | change less than 0.05 per cent |

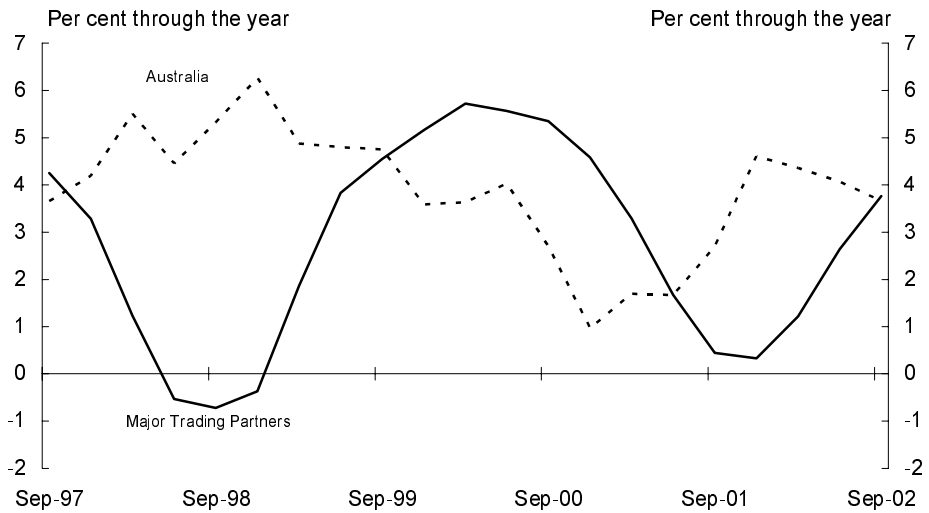
Chart 1: Selected international indicators
Panel A: Short-term interest rates^(a)



(a) Short-term interest rates are monthly averages and are defined as follows: US — 3-month certificates of deposits, Japan — 3-month certificates of deposit, Australia — 90-day bank accepted bills and Germany — 3-month FIBOR.

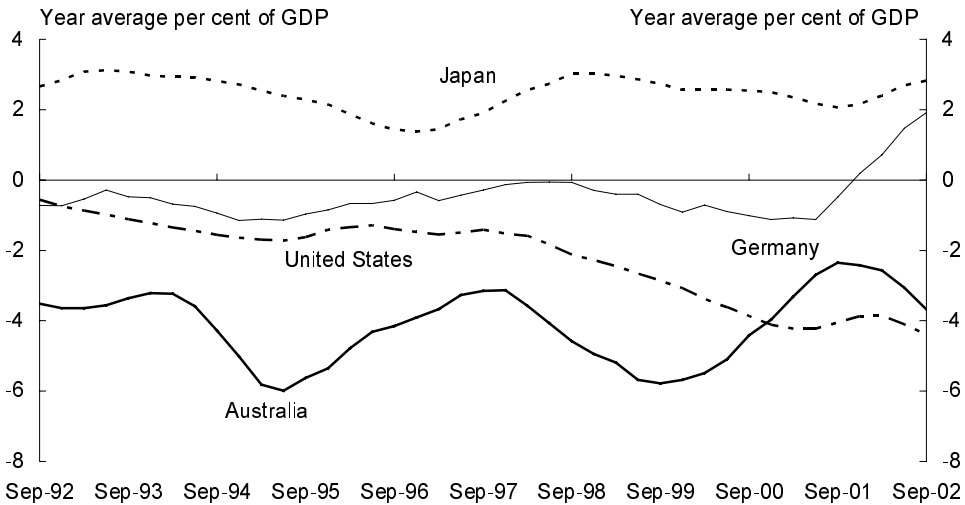
Source: OECD Main Economic Indicators.

Panel B: Real output^(a)



(a) Seasonally adjusted real GDP growth for each major trading partner is weighted by their respective shares of total Australian merchandise exports averaging from 1998-99 to 2000-01. Major trading partners are Japan, US, South Korea, New Zealand, China, Taiwan, Singapore, UK, Hong Kong, Indonesia, Malaysia, Italy, Thailand, Canada, Germany, the Philippines and France.

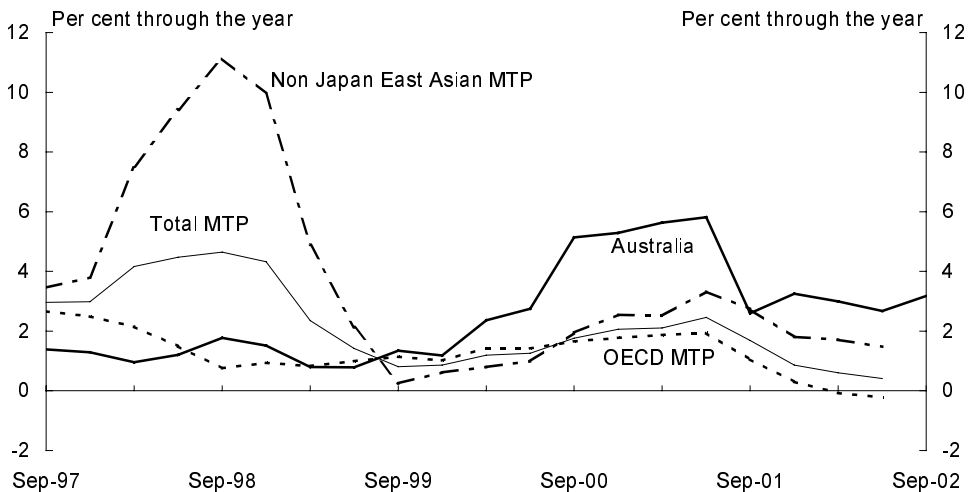
Panel C: Current account balances^(a)



Data are seasonally adjusted.

Source: Data are from statistical agencies of respective countries, except for Germany which is from the OECD Main Economic Indicators.

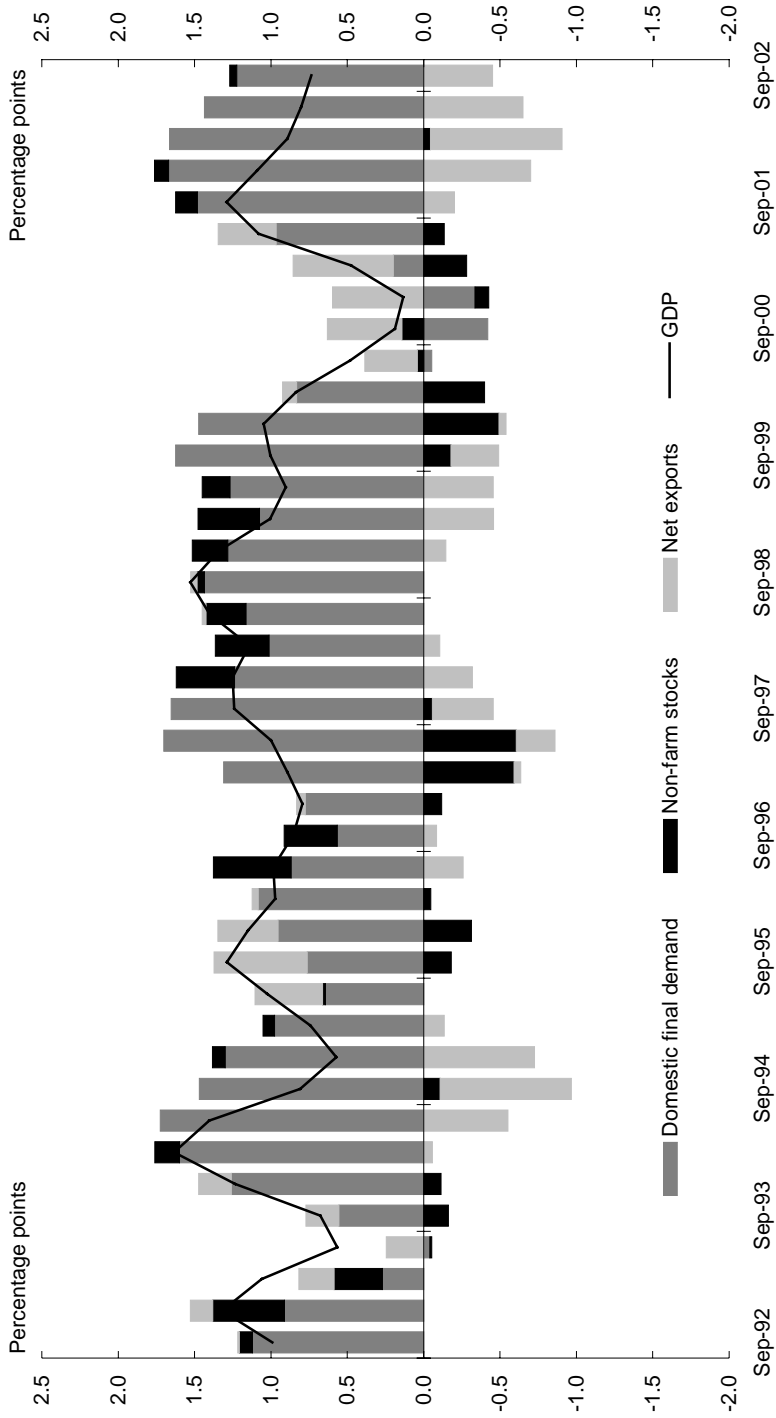
Panel D: Consumer price inflation^(a)



(a) The aggregate inflation rates are derived from the weighted average of inflation rates of individual trading partners, with the weights being their respective shares of Australian total merchandise trade from 1998-99 to 2000-01. Major trading partners are Japan, US, South Korea, New Zealand, China, Taiwan, Singapore, UK, Hong Kong, Indonesia, Malaysia, Italy, Thailand, Canada, Germany, the Philippines and France.

Source: Data for Japan, US, South Korea, New Zealand, Taiwan, Singapore, UK, Hong Kong, Indonesia, Canada and Germany are from the ABS All Groups CPI (excluding housing) measure. For the rest of Australia's MTPs (China, Malaysia, Italy, Thailand, the Philippines and France), the CPI are from each country's respective all groups CPI series which exclude the effects of mortgage interest rate changes.

**Chart 2: Contributions to trend quarterly GDP growth
(Chain volume measures)**



Source: ABS Cat. No. 5206.0.

Table 1: Components of Gross Domestic Product (chain volume measures)

Year	Final domestic demand										Imports	Exports	GDP
	Household consumption	Private investment in dwellings	Private business investment fixed	Private final demand	Public final demand	Domestic final demand	(Percentage change on preceding year)						
1999-00	4.1	14.3	7.8	5.6	3.8	5.2	9.4	12.5	4.0				
2000-01	3.0	-20.9	-4.6	-0.1	1.7	0.3	7.2	-1.3	1.8				
2001-02	3.5	19.5	5.3	5.0	4.5	4.9	-1.5	2.3	3.9				
Quarter													
2001 Sep	0.8	8.0	1.2	1.4	1.8	1.5	-0.7	0.2	1.3				
Dec	1.0	7.2	2.1	1.6	1.8	1.7	-0.7	2.5	1.1				
2002 Mar	1.2	5.6	3.7	1.9	0.8	1.7	0.0	3.9	0.9				
Jun	1.2	4.7	3.7	1.8	0.2	1.4	0.5	3.4	0.8				
Sep	1.0	4.1	2.9	1.5	0.1	1.2	0.4	2.3	0.7				
Quarter													
2001 Sep	0.5	9.8	3.2	1.7	0.6	1.5	-0.9	-1.3	1.3				
Dec	0.9	7.8	2.3	1.6	3.7	2.1	-3.2	3.9	1.2				
2002 Mar	1.4	3.0	0.6	1.4	0.9	1.3	2.4	3.8	0.7				
Jun	1.5	6.8	5.9	2.5	0.2	2.0	0.5	4.4	0.8				
Sep	0.4	3.3	2.9	1.0	-0.4	0.7	-0.7	0.8	0.9				
Quarter													
2001 Sep	2.9	-5.3	1.2	2.3	2.4	2.3	1.3	-4.8	3.0				
Dec	3.3	16.7	4.0	4.5	3.9	4.4	-0.2	-0.6	4.0				
2002 Mar	3.8	29.9	8.1	6.2	4.8	5.9	-1.1	5.3	4.4				
Jun	4.2	28.1	11.1	6.9	4.6	6.4	-0.8	10.4	4.1				
Sep	4.4	23.4	13.0	7.0	2.9	6.1	0.3	12.7	3.6				

Source: ABS Cat. No. 5206.0.

Table 2: Contributions to change in Gross Domestic Product (chain volume measures)

Year	Final domestic demand				Change in inventories				GDP	
	Household consumption	Private investment in dwellings	Private business fixed investment	Private final demand	Public final demand	Total final demand	Private non-farm	Farm & public authority		Net exports
1999-00	2.5	0.8	0.9	4.4	0.8	5.2	-0.4	0.0	-0.8	4.0
2000-01	1.8	-1.3	-0.6	-0.1	0.4	0.3	-0.3	-0.1	1.9	1.8
2001-02	2.1	0.9	0.6	3.9	1.0	4.9	0.0	0.1	-0.9	3.9
Quarter	(Contribution to change in GDP - Trend)									
2001 Sep	0.5	0.4	0.1	1.1	0.4	1.5	0.1	-0.1	-0.2	1.3
Dec	0.6	0.4	0.2	1.3	0.4	1.7	0.1	0.0	-0.7	1.1
2002 Mar	0.7	0.3	0.4	1.5	0.2	1.7	0.0	0.0	-0.9	0.9
Jun	0.7	0.3	0.4	1.4	0.0	1.4	0.0	-0.1	-0.6	0.8
Sep	0.6	0.2	0.3	1.2	0.0	1.2	0.0	-0.1	-0.5	0.7
Quarter	(Contribution to change in GDP - Seasonally adjusted)									
2001 Sep	0.3	0.5	0.4	1.3	0.1	1.5	0.2	-0.1	0.1	1.3
Dec	0.6	0.4	0.3	1.3	0.8	2.1	0.0	0.3	-1.5	1.2
2002 Mar	0.8	0.2	0.1	1.1	0.2	1.3	0.0	-0.1	-0.3	0.7
Jun	0.9	0.4	0.7	1.9	0.0	2.0	-0.2	-0.1	-0.9	0.8
Sep	0.2	0.2	0.4	0.8	-0.1	0.7	0.3	-0.1	-0.3	0.9

Source: ABS Cat. No. 5206.0.

Table 3: Gross value-added by industry (chain volume measures)

Year	Electr-			Acomm-			Gov.			Cultural					
	Agriculture, forestry & fishing	Manu- facturing	Electricity, gas & water	Wholesale trade	Retail trade	Accommodation, cafes & restaurants	Transport & storage	Communication services	Finance & insurance services	Property & business services	Administration & defence	Health & community services	Personal & recreational services		
1999-00	7.6	5.7	1.0	2.1	5.7	5.0	4.0	7.0	6.3	5.9	0.7	1.3	4.5	2.7	3.7
2000-01	-0.5	8.3	2.7	1.3	-15.6	2.9	5.2	0.8	1.0	6.7	2.6	1.9	4.4	6.9	2.5
2001-02	5.3	-0.3	3.1	-0.4	12.0	4.1	5.2	2.9	3.1	4.6	1.1	1.5	4.9	1.3	4.6
Quarter	(Percentage change on preceding year)														
2001 Jun	0.3	-0.1	0.7	-0.7	4.5	1.7	1.5	0.5	0.8	2.1	0.1	0.4	2.2	0.0	2.1
Sep	1.1	-0.4	1.3	-0.1	4.8	0.6	1.3	0.8	0.9	2.0	-0.2	0.3	0.5	2.4	1.3
Dec	3.4	-0.2	1.3	0.4	3.3	0.0	1.0	1.0	0.8	0.6	0.0	0.3	0.1	0.9	0.3
2002 Mar	1.8	-0.4	0.8	0.6	3.7	0.7	1.4	1.5	0.9	-0.6	0.7	0.3	0.8	0.4	-0.1
Jun	-1.6	-0.9	0.3	0.3	4.5	1.5	1.7	1.5	1.1	-0.6	0.8	0.4	1.2	0.7	0.0
Sep	-3.5	-1.0	-0.1	0.3	4.6	1.8	1.5	1.2	1.2	-0.3	0.9	0.3	1.1	1.0	0.1
Quarter	(Change on previous quarter - Seasonally adjusted)														
2001 Jun	-1.2	-0.7	2.8	-1.7	4.0	1.2	1.8	1.0	0.7	2.7	-1.9	0.4	1.9	1.2	3.6
Sep	-0.2	-1.7	0.0	-0.5	4.4	2.7	1.3	0.2	1.1	2.0	1.5	0.3	-1.2	3.3	-1.2
Dec	3.7	1.5	1.7	2.1	5.0	-2.8	0.1	0.5	0.8	1.3	-1.0	0.3	1.6	-0.3	2.4
2002 Mar	5.0	-0.2	1.1	-0.5	0.0	1.1	2.1	2.5	0.5	-1.5	0.8	0.4	-0.5	0.4	-0.3
Jun	-0.7	-2.0	0.4	0.2	6.1	3.2	1.2	1.3	1.6	-1.6	1.4	0.4	2.2	0.3	-2.1
Sep	-11.4	-0.9	-1.0	0.9	7.0	0.8	2.4	0.8	1.2	1.9	0.6	0.4	1.1	2.4	2.9
Quarter	(Change on year earlier - Trend)														
2001 Jun	-0.1	5.2	0.1	-1.0	-12.6	5.2	5.1	-0.5	1.3	7.3	2.2	1.9	8.6	-1.1	8.1
Sep	0.9	2.4	1.3	-1.6	-0.7	5.5	5.2	0.8	2.2	7.5	1.1	1.7	8.8	-0.9	9.2
Dec	5.0	0.3	3.2	-1.1	11.0	4.3	5.2	2.4	2.9	6.4	0.4	1.6	6.2	1.1	6.8
2002 Mar	6.8	-1.0	4.2	0.2	17.4	3.0	5.2	3.8	3.5	4.0	0.6	1.4	3.6	3.7	3.7
Jun	4.7	-1.8	3.8	1.2	17.3	2.8	5.4	4.8	3.8	1.3	1.3	1.4	2.6	4.5	1.6
Sep	-0.1	-2.5	2.3	1.6	17.1	4.0	5.7	5.3	4.0	-1.0	2.5	1.4	3.1	3.1	0.3

Source: ABS Cat. No. 5206.0.

Table 4: Real household income^(a)

	Non-farm employees	Non-farm average earnings	Non-farm compensation employees	Gross mixed income	Household income	Household disposable income
Year	(Percentage change on preceding year)					
1999-00	2.2	1.7	3.9	4.3	4.7	4.2
2000-01	2.7	-0.9	1.7	2.4	2.4	4.6
2001-02	0.9	2.1	3.0	11.6	1.7	1.9
Quarter	(Percentage change on preceding quarter - Seasonally adjusted)					
2001 Sep	-0.1	1.4	1.3	8.7	-0.5	-1.3
Dec	0.4	-0.4	0.0	-0.3	0.7	1.2
2002 Mar	0.6	0.0	0.6	3.8	0.4	0.8
Jun	0.5	0.9	1.4	-1.6	1.1	0.7
Sep	0.8	0.5	1.3	-2.5	0.4	0.3
Quarter	(Percentage change on year earlier - Seasonally adjusted)					
2001 Sep	0.3	2.5	2.9	9.4	1.0	-0.1
Dec	0.5	2.0	2.5	13.5	2.2	2.8
2002 Mar	1.2	1.8	3.0	13.3	1.9	3.1
Jun	1.4	1.9	3.3	10.8	1.8	1.4
Sep	2.3	1.0	3.3	-0.7	2.7	3.0

(a) Deflated by the implicit price deflator for private final consumption expenditure.

Source: ABS Cat. Nos. 5204.0 and 5206.0.

Table 5: Wages, labour costs and company income

Year	Average weekly earnings (survey basis)			Unit labour costs			Factor shares	
	Full-time adult ordinary time earnings ^(e)	All persons total earnings ^(a)	Non-farm average earnings (national accounts basis) ^(e)	Non-farm average		Wage share ^(d) (per cent)	Profit share ^(e) (per cent)	
				(Percentage change on preceding year)	Nominal ^(b)			Real ^(c) (Index)
1999-00	3.3	2.2	3.3	1.9	95.7	54.5	23.6	
2000-01	5.3	5.5	3.6	4.2	96.4	54.8	23.3	
2001-02	5.5	4.2	4.3	1.5	95.8	54.3	23.5	
Quarter	(Percentage change on preceding quarter - Seasonally adjusted)							
2001 Sep	1.6	1.3	1.5	-0.5	96.5	54.8	22.8	
Dec	1.1	0.7	0.2	-0.6	95.2	54.1	23.7	
2002 Mar	1.5	1.1	0.7	1.5	95.4	53.8	23.9	
Jun	0.8	0.5	1.1	0.9	95.7	54.1	23.8	
Sep	1.4	1.3	1.4	0.2	95.1	54.4	23.9	
Quarter	(Percentage change on year earlier - Seasonally adjusted)							
2001 Sep	5.1	4.0	5.1	2.2				
Dec	5.7	4.9	4.4	-0.2				
2002 Mar	6.2	4.2	4.0	1.1				
Jun	5.2	3.7	3.6	1.3				
Sep	4.9	3.6	3.4	2.0				

(a) All numbers derived from seasonally adjusted data.

(b) Ratio of nominal hourly labour costs (non-farm compensation of employees, plus payroll tax and fringe benefits tax less employment subsidies, per hour worked by non-farm wage and salary earners) to average hourly productivity (real gross non-farm product per hour worked by all employed persons).

(c) Nominal unit labour costs as defined in footnote (a) deflated by the derived implicit price deflator for gross non-farm product. (Base for index: 1998-99 = 100.0).

Compensation of employees as a share of total factor income

Gross operating surplus of corporations as a share of total factor income.

Sources: ABS Cat. Nos. 5204.0, 5206.0 and 6302.0.

Table 6: Prices

	Consumer Price Index ^(a)		Implicit price deflators ^(b)	
	All groups	All groups excl housing	Gross non-farm product	Household final consumption expenditure
Year	(Percentage change on preceding year)			
1998-99	1.2	1.2	0.5	0.9
1999-00	2.4	2.0	2.3	1.6
2000-01	6.0	5.4	4.2	4.6
2001-02	2.9	2.9	2.5	2.2
Quarter	(Percentage change on preceding quarter)			
Dec	0.3	0.4	0.1	0.7
Mar	1.1	1.2	1.4	0.9
2001 Jun	0.8	1.0	0.7	0.8
Sep	0.3	0.0	-0.4	0.1
Dec	0.9	1.0	0.4	0.6
Mar	0.9	0.9	1.4	0.7
2002 Jun	0.7	0.7	0.6	0.2
Sep	0.7	0.5	0.8	0.9
Quarter	(Percentage change on a year earlier)			
Dec	5.8	5.3	4.4	4.7
Mar	6.0	5.6	3.9	5.0
2001 Jun	6.0	5.8	3.7	5.0
Sep	2.5	2.6	1.8	2.5
Dec	3.1	3.2	2.2	2.4
Mar	2.9	3.0	2.1	2.2
2002 Jun	2.8	2.7	2.0	1.6
Sep	3.2	3.2	3.2	2.4

(a) Based on the weighted average of eight capital cities consumer price index.

(b) Quarterly figures are derived from seasonally adjusted data.

Sources: ABS Cat. Nos. 6401.0 and 5206.0.

Table 7: Labour market

	ANZ Bank job advertisements series	Employed persons			Unemployment		Participation rate (per cent)
		Full-time	Part-time	Total	Rate (per cent)	Persons ('000)	
Year^(a)	(Percentage change on preceding year)						
1998-99	15.2	1.6	3.7	2.2	7.4	691.7	63.1
1999-00	15.7	2.5	3.4	2.7	6.6	634.5	63.4
2000-01	-22.5	1.5	3.8	2.1	6.4	625.5	63.7
2001-02	-12.1	-0.6	5.8	1.1	6.6	656.8	63.7
Quarter^(a)	(Percentage change on preceding quarter - Seasonally adjusted)						
2002 Mar	6.3	0.8	1.6	1.0	6.6	655.8	63.9
Jun	7.0	-0.2	0.9	0.1	6.3	629.3	63.6
Sep	-3.5	0.4	0.7	0.5	6.2	616.4	63.5
Dec	0.1	0.5	1.9	0.9	6.1	614.6	63.8
Quarter^(a)	(Percentage change on a year earlier - Seasonally adjusted)						
2002 Mar	-7.6	0.0	6.8	1.8			
Jun	11.5	0.3	4.9	1.5			
Sep	7.7	1.2	3.8	1.9			
Dec	10.0	1.5	5.2	2.5			
Month	(Percentage change on preceding month - Seasonally adjusted)						
2002 Jan	12.5	0.8	0.5	0.7	7.0	692.5	64.1
Feb	-5.4	-0.3	1.7	0.2	6.6	652.5	63.9
Mar	-8.8	0.5	-0.6	0.2	6.3	622.3	63.8
Apr	23.6	-0.8	0.4	-0.5	6.3	621.6	63.4
May	-8.2	1.1	-1.2	0.5	6.3	622.5	63.6
Jun	-1.8	-1.0	3.1	0.1	6.5	643.9	63.7
Jul	-0.6	-0.3	-0.4	-0.3	6.2	609.4	63.3
Aug	0.2	1.3	0.0	1.0	6.2	622.7	63.8
Sep	3.2	0.2	-1.6	-0.3	6.2	617.1	63.5
Oct	4.4	-0.9	2.9	0.2	6.0	598.6	63.4
Nov	-2.6	0.9	0.1	0.6	6.1	616.8	63.8
Dec	-13.7	0.7	0.1	0.6	6.2	628.4	64.2

(a) All figures refer to period averages.

Sources: ANZ Bank and ABS Cat. No. 6202.0.

Table 8: Current account

Year	Balance on		Net income balance	Current account balance		Net income balance		Volume of		
	merchandise trade	goods & services		balance	Net current transfers	Percentage of GDP	Percentage of current account balance	Exports of goods & services	Imports of goods & services	Terms of trade ^(a)
		(\$ million)			(\$ million)	(per cent)	(per cent)	(\$ million)		
1999-00	-12945	-14289	-18150	218	-32221	-5.1	56.3	143133	-154607	97.0
2000-01	-30	875	-19077	32	-18170	-2.7	105.0	153510	-152636	100.0
2001-02	-728	-1573	-20217	-17	-21807	-3.1	92.7	151224	-156124	102.2
Quarter					(Seasonally adjusted)					
2001 Jun	1645	1512	-5010	17	-3481	-2.0	143.9	38545	-37290	100.5
Sep	1936	1934	-5009	15	-3060	-1.8	163.7	38198	-36799	101.3
Dec	-565	-871	-5012	-64	-5947	-3.4	84.3	36993	-38226	101
2002 Mar	-206	420	-5119	25	-5514	-3.1	92.8	37893	-39680	103.6
Jun	-1829	-2128	-5182	5	-7305	-4.0	70.9	38091	-41421	102.9
Sep	-2180	-2611	-5238	-22	-7871	-4.3	66.5	37817	-41738	103.2
Month					(Seasonally adjusted)					
2001 Dec	-342	-386								
2002 Jan	-208	-292								
Feb	-428	-495								
Mar	-156	-313								
Apr	-402	-492								
May	-531	-606								
Jun	-739	-860								
Jul	-641	-835								
Aug	-753	-871								
Sep	-919	-963								
Oct	-794	-957								
Nov	-934	-1141								

(a) The ratio of the implicit price deflator for exports of goods and services to the implicit price deflator for imports of goods and services, 2000-01 = 100, calculated on a National Accounts basis.

Sources: ABS Cat. Nos. 5368.0, 5302.0 and 5206.0.

Table 9: Australia's external liabilities

	Public sector gross debt	Private sector gross debt	Total gross debt	Net debt	Net external liabilities
(Levels of Australian foreign liabilities)					
(\$A million)					
As at end					
2000 Jun	63445	358326	421771	277804	326505
2001 Jun	68950	429825	498775	313472	361034
2002 Jun	68236	458265	526501	330457	385739
2001 Jun	68950	429825	498775	313472	361034
Sep	71732	448807	520539	323648	379889
Dec	67824	440533	508357	323134	370816
2002 Mar	70219	439871	510090	328279	375744
Jun	68236	458265	526501	330457	385739
Sep	n.y.a	n.y.a	n.y.a	347156	404066
As at end					
(Percentage of GDP)					
2000 Jun	10.1	57.0	67.1	44.2	51.9
2001 Jun	10.3	64.2	74.5	46.8	53.9
2002 Jun	9.6	64.3	73.9	46.4	54.1
2001 Jun	10.3	64.2	74.5	46.8	53.9
Sep	10.6	66.2	76.8	47.7	56.0
Dec	9.8	63.7	73.6	46.8	53.7
2002 Mar	10.0	62.6	72.6	46.7	53.5
Jun	9.6	64.3	73.9	46.4	54.1
Sep	n.y.a	n.y.a	n.y.a	47.9	55.8

Source: ABS Cat. Nos. 5302.0 and 5206.0.

Table 10: Australia's income flows

	Public sector gross debt	Private sector gross debt	Total gross debt	Net debt	Net external liabilities
(Gross and net interest payable, and net investment income)					
(\$A million)					
Year ended					
2000 Jun	3455	13756	17210	13300	18013
2001 Jun	3105	16290	19395	14770	18908
2002 Jun	3107	15158	18265	14007	20102
Quarter ended					
2001 Jun	783	3984	4767	3682	5008
Sep	751	3954	4705	3640	5382
Dec	742	3708	4450	3397	4491
2002 Mar	808	3764	4572	3519	5072
Jun	806	3732	4538	3451	5157
Sep	n.y.a.	n.y.a.	n.y.a.	3159	5766
Year ended					
(Percentage of exports of goods and services)					
2000 Jun	2.7	10.9	13.7	10.6	14.3
2001 Jun	2.0	10.6	12.6	9.6	12.3
2002 Jun	2.0	9.9	12.0	9.2	13.2
Quarter ended					
2001 Jun	2.0	10.2	12.2	9.4	12.8
Sep	1.9	9.9	11.8	9.2	13.5
Dec	1.9	9.6	11.5	8.8	11.6
2002 Mar	2.2	10.1	12.3	9.4	13.6
Jun	2.2	10.1	12.3	9.4	14.0
Sep	n.y.a.	n.y.a.	n.y.a.	8.2	15.1

Source: ABS Cat. No. 5302.0.

Table 11: Selected economic indicators

Year	Inventories to total sales ^(e)	Imports to domestic sales ^(a)	Saving ratio ^(b)	Nominal exchange rates		Real exchange rate	
				USD / AUD ^(c)	Trade weighted index ^(c)	Export weighted index ^(d)	
1999-00	0.877	0.384	2.2	0.6290	55.2	105.1	
2000-01	0.864	0.412	3.8	0.5379	50.3	100.1	
2001-02	0.819	0.388	1.8	0.5239	50.8	102.7	
Quarter							
2001 Jun	0.85	0.41	4.1	0.5127	49.6	100.4	
Sep	0.845	0.389	2.0	0.5138	49.3	99.5	
Dec	0.828	0.389	2.2	0.5123	49.6	100.2	
2002 Mar	0.81	0.386	1.6	0.5181	51.0	103.9	
Jun	0.793	0.388	0.7	0.5515	53.4	107.3	
Sep	0.785	0.386	0.5	0.5478	50.9	103.7	

(a) ABS National Accounts measure. All numbers derived from seasonally adjusted data.

(b) Ratio of household saving to household disposable income derived from seasonally adjusted data.

(c) Exchange rates refer to the period average.

(d) Treasury estimate using GDP deflators.

Sources: ABS Cat. Nos. 5206.0, 5302.0.

Articles in the Economic Roundup

Details of articles published in the past two editions of the Economic Roundup are listed below:

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Copies of these articles are available from the Treasury. Written requests should be sent to The Manager, Economic Conditions Unit, Department of the Treasury, Langton Crescent, Parkes, ACT, 2600. Telephone requests should be directed to Ms Stephanie Tsikleas on (02) 6263 3797.

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