Economic Roundup

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Contents

Articles

Statistical appendix

Articles in the Economic Roundup

This issue includes data up to 18 March 2002

Restoring growth to the East Asian Region: The role of APEC Finance Ministers

The Annual Monash APEC Lecture

Tuesday 19 March 2002

By Dr Ken Henry
Secretary to the Treasury

Thank you for the invitation to speak to you tonight about the work that the APEC Finance Ministers are undertaking to restore growth in the East Asian region. My remarks will focus on Finance Ministers' work on promoting strong institutions, and robust regulatory arrangements and policies, to underpin financial markets. But I want to say something also about the response of Finance Ministers to the anti-globalisation movement. The way in which APEC Finance Ministers are responding to both of these challenges will have long lasting effects on the pace and pattern of regional economic growth.

APEC is a unique forum, having linked, for the first time, East Asia, North America, and Oceania in a framework that emphasises shared interests. It is important to Australia's goal of promoting regional engagement, providing an opportunity for regular meetings at the highest level with key regional counterparts.

The Asian Financial Crisis of 1997-98 highlighted the importance of strong institutions underpinning freer markets. While the economic downturn was relatively short-lived, it exposed weaknesses in prudential regulation, insolvency regimes and corporate governance that can only be overcome with many years work to train skilled regulators, accountants and lawyers and through initiatives designed to systemically integrate these enhanced skills into all areas of business activity.

As I will set out in more detail later, APEC Finance Ministers are addressing the need for long term strengthening of the institutions underpinning financial markets through training programs and policy dialogues among officials and ministers. This work is inevitably slow, unglamorous, 'behind the scenes', and low profile. It involves slowly building the capacity of cadres of officials,

administrators and prudential supervisors. But, slow as it is, its success is vital to sound regional markets.

Beyond placing the spotlight on the need for long term development of financial markets, the Asian crisis also raised concerns about the desirability of trade- and investment-oriented growth. Few Asian policy makers, if offered the choice, would have accepted avoiding the recent crisis at the cost of missing out on more than three decades of rapid growth based on trade and investment liberalisation. Yet we are, nevertheless, faced with a vocal anti-globalisation movement that opposes free trade and liberal capital markets and links rapid economic growth based on international economic integration with economic volatility and high, and ever growing, income inequality and poverty.

APEC Finance Ministers have been working to participate positively in the globalisation debate, noting at their meeting in Suzhou, China, last year that the debate must be based on rigorous analysis; not cheap assertion.

One cheap assertion that has recently been tested is the claim that globalisation is making the rich people of the world richer and the world's poor poorer. Yet APEC Finance Ministers have noted that making the most of globalisation provides the surest means of restoring growth and ensuring rising and more equitable living standards in the East Asian region.

Before looking further at these two issues — APEC Finance Ministers' work on development of financial markets and their response to the anti-globalisation protesters — I will provide a brief overview of economic conditions in Asia.

The East Asian miracle in the decades prior to 1997 saw most nations in the region enjoying high saving and investment rates, robust growth, and moderate inflation in an environment of fiscal restraint and monetary stability. The Asian crisis inflicted major economic set backs on a number of economies in Asia, and ignited an intense regional debate on the role of international capital flows, financial market players, and the need for reform of domestic and international institutions.

One of the striking experiences of the Asian crisis was that its impact on unemployment and poverty was much smaller and less persistent than originally expected. In most economies, labour markets were flexible — in large part because they had to be in a region with relatively under-developed social safety nets. Part of the shock of the crisis was absorbed into wage reductions, rather than in soaring unemployment.

Rapid wage adjustment and the avoidance of large-scale unemployment assisted economic recovery in most affected economies, especially those that had either made vigorous early attacks on structural problems (such as Korea), or not had such severe structural problems (such as Thailand). Among the crisis-affected economies, by 1999 only Indonesia, with its special political and institutional challenges, had not returned to pre-crisis levels of GDP.

Significantly contributing to the region's rapid recovery from the downturn was the strong export-orientation of East Asian economies. Domestic demand growth made a relatively small contribution, notwithstanding accommodative fiscal and monetary conditions. This strong export-orientation has, more recently, exposed vulnerability to the current slowdown in the United States and Japan. But in the immediate aftermath of the Asian financial crisis East Asian exports recovered strongly, on the back of buoyant United States' demand for electronic goods, assisted, in most cases, by substantial exchange rate adjustments.

Yet, despite the strong post-crisis macroeconomic recovery, the Asian crisis had exposed some core structural weaknesses in some economies in the region — weaknesses that left them vulnerable to further shocks; vulnerabilities illustrated by the post-crisis paucity of foreign investment flows.

By mid 2000, conditions again started to decline. Slower growth in the United States, and the bursting of the 'tech bubble' saw external demand weaken. Adverse external developments once again focussed attention on domestic problems — weak domestic demand in some economies, political instability, and the failure of some countries to adequately progress corporate and financial sector reform initiatives.

By the middle of 2001 a broad-based slowdown was in evidence across East Asia. Several countries moved into recession. The slowdown has been particularly pronounced in the newly industrialised Asian economies — Hong Kong, Korea, Singapore and Taiwan — and in South East Asian economies that have strong ties to the United States through the Information Communication Technology (ICT) production chain.

The recent downturn has not been as deep as during the Asian financial crisis. In 1997 the East Asian economies (excluding Japan and China) contracted by around 6 per cent; last year, growth is expected to have been around 1¼ per cent. The current period of weakness, however, is expected to be more protracted, so the eventual impact on the level of output is likely to be much closer than these comparisons suggest. The outlook for Japan has also

deteriorated and market forecasts suggest that the economy will fare even worse this year than the 1 per cent contraction recorded in 1998.

The terrorist attacks of 11 September last year exacerbated the downward momentum already evident in the global economy. Much of the APEC region is likely to be adversely affected, directly or indirectly, by the resulting deterioration in the economic outlook and the side effects of the war to combat terrorism. Insurance and transport costs have risen, and optimistic estimates of productivity gains from 'just-in time' inventory systems are being revisited. Combating the financing of terrorism will unavoidably raise the finance sector's costs. In a sense, the events of 11 September can be considered an exogeneously imposed increase in the barriers to trade in goods and services, and especially to the free flow of international finance.

But while the events of 11 September will unavoidably impact the regional economy, it is likely that growth will start to strengthen by mid year in line with broad-based global recovery. Already there are tentative signs that the United States economy has bottomed, or is close to bottoming. There are also early signs that the ICT cycle is starting to turn up. If this is the case, we should see a solid and relatively quick macroeconomic recovery in East Asia later in the year.

There are, however, important differences between this episode and the Asian crisis. The 1997-98 crisis was brought on by a financial shock. A sharp fall in confidence saw a dramatic turnaround in capital flows and pronounced financial market instability. The financial upheaval exposed financial and corporate sector weaknesses, which exacerbated the negative impact on the real economy.

In contrast, the current slowdown has been caused by a shock to the real economy — a downturn in the United States and weak global demand. Moreover, by historical standards the current global slowdown has been relatively mild: the slowdown in the United States is likely to be more moderate than in the early 1980s and early 1990s. On the other hand, relative to earlier periods of global weakness, regional impacts have been exacerbated by increasingly significant trade linkages between the United States and East Asia, and within East Asia, through the ICT production chain.

Over the past decade the structure of East Asian exports has changed dramatically, with electronics comprising a major part of exports. In Singapore, the Philippines and Malaysia, for example, electronics account for more than half of total exports. Two thirds of electronic exports are concentrated in electronic components and parts. This pattern of trade specialisation, and the sensitivity of prices and volumes of these products to shifts in global demand, tends to exacerbate the regional impact of swings in global economic activity.

Chart 1: Electronics contribution to exports — 2000
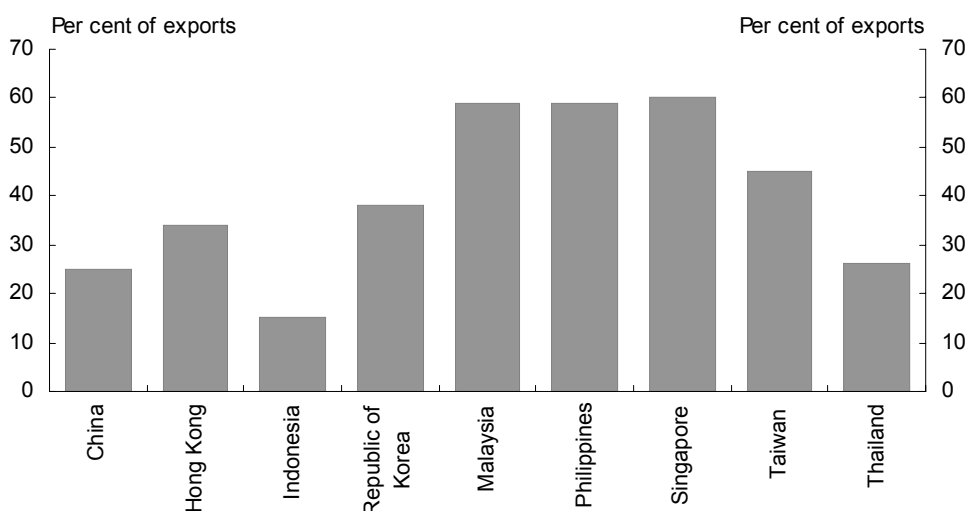
Source: CEIC Database.

The current downturn has not exposed new financial vulnerabilities. In part this is due to the nature of the shock. In large measure too, the response of international investors to the earlier crisis has reduced exposures to risk. But it also reflects the progress East Asian countries have made in recent years in strengthening their economies. Reflecting a combination of these factors, current accounts are generally now in surplus. The composition of muted capital inflows has shifted towards more stable FDI flows, and away from the more flighty bank-intermediated short-term lending. External debt levels have been reduced and reserves are generally comfortable. Exchange rates are more flexible. Substantial progress has been made on corporate and financial sector restructuring, and on governance. Positive developments in these areas have also provided more scope for macroeconomic policy settings to moderate the effects of adverse shocks.

5

Chart 2: Regional current account positions — 2001

Per cent of GDP
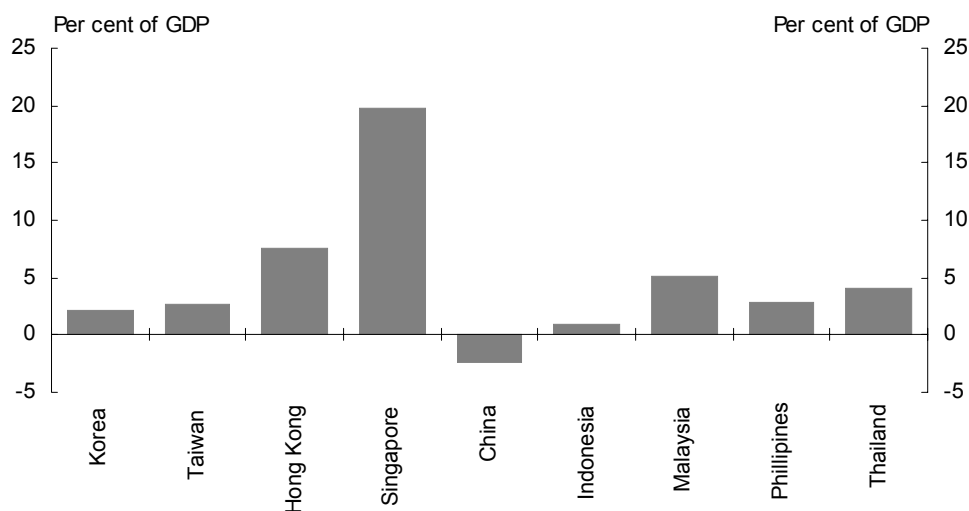
Source: IMF World Economic Outlook (WEO) October and December 2001 issues.

Notwithstanding this good progress, however, there are risks to the outlook.

The near-term risk is that the global economy may be slower to recover than currently expected. A slower recovery in the United States, and/or a further deterioration in conditions in Japan, could see East Asia suffer a deeper and more prolonged downturn. The region remains exposed to adverse shifts in sentiment.

A delayed recovery in ICT investment would also slow recovery. Recent industry forecasts suggest growth in ICT production will be weak in 2002, following the sharp falls in 2001. Growth is not forecast to strengthen significantly until 2003.

These are short-term risks. And they are not dominant. More important are the risks to a sustained pick up to the strong growth rates that preceded the financial crisis of 1997-98.

I would identify two such risks.

The first concerns the emerging pattern of trade specialisation to which I have just referred. Production and exports are increasingly heavily concentrated in a narrow range of product groups, particularly ICT. The ICT cycle is somewhat of a rollercoaster — last year, sales of semiconductors fell by over 30 per cent; after a slow year in 2002, sales are forecast to rise by over 20 per cent in 2003 and the same again in 2004. Demand volatility obviously comes at some cost.

6

Chart 3: World sales of semiconductors

$USbillions
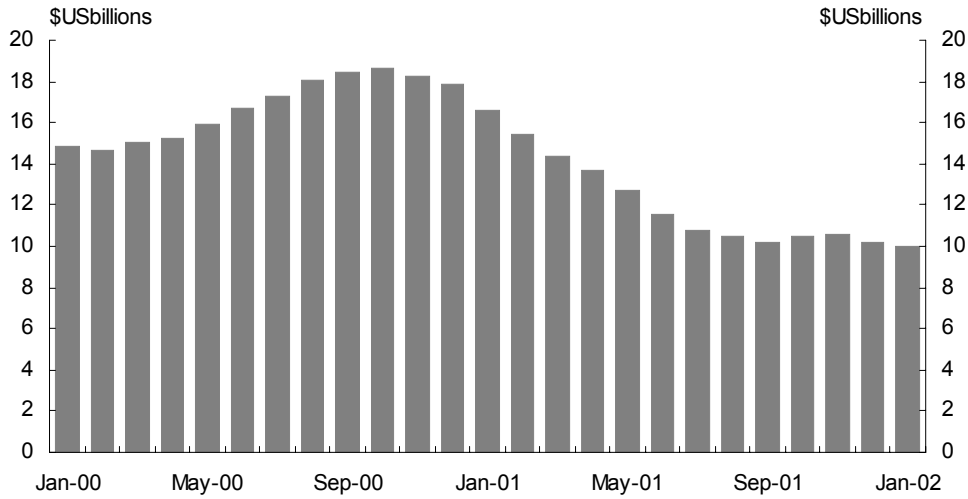
Source: Semiconductor Industry Association.

At the same time, prices of ICT products have tended to decline sharply —
averaging 17 per cent a year in the last decade. Semiconductors are the new
economy commodity export.

Chart 4: ICT Prices

$US

Source: Bloomberg.

7
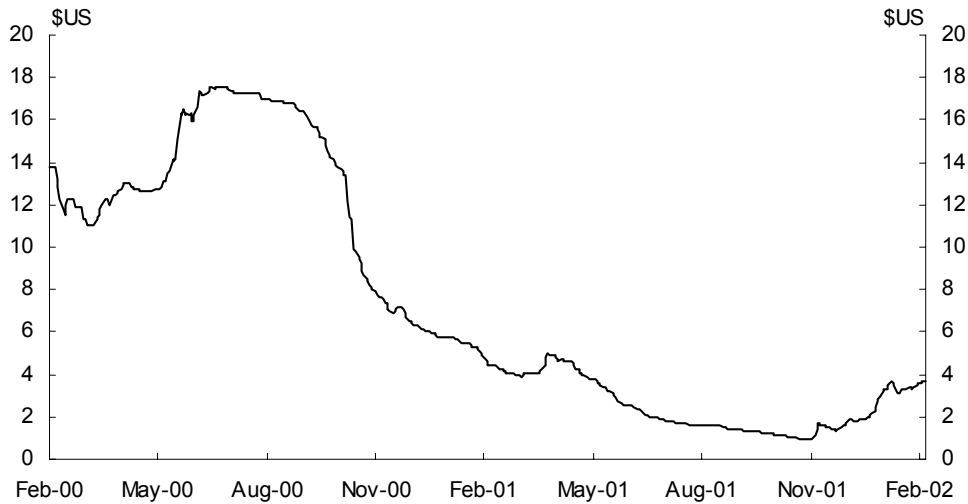
Our own history illustrates as well as any the challenges for economic management posed by exports being concentrated in relatively low value-added, low margin, products subject to volatile demand and a trend decline in world prices. Yet, in respect of the terms of trade, the last ten years or so have been relatively kind to Australia. It is interesting to compare our experience with that of Singapore.

Chart 5: Australia and Singapore
Terms of Trade (Goods)
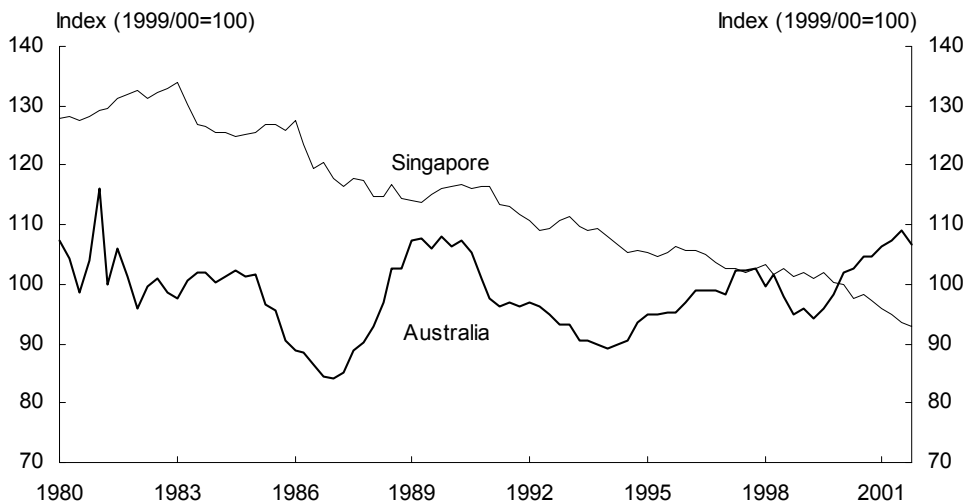
Source: ABS Time Series Statistics Plus Database; CEIC Database.

The second risk to sustained regional growth concerns the magnitude and direction of capital flows.

It is clear from the recent episode that East Asia is still heavily dependent on export-led growth. To sustain growth at a relatively high pace, and to moderate the effects of adverse global shocks, domestic demand needs to play a greater role. But this trite observation obscures a more basic truth. The sizeable current account surpluses being experienced by many East Asian economies are, by definition, matched by equally sizeable capital account deficits. That is, in terms of investment flows, broadly defined, more is flowing out than is flowing in. East Asia is exporting capital.

**Chart 6: Developing Asia Crisis Countries
net private capital flows**
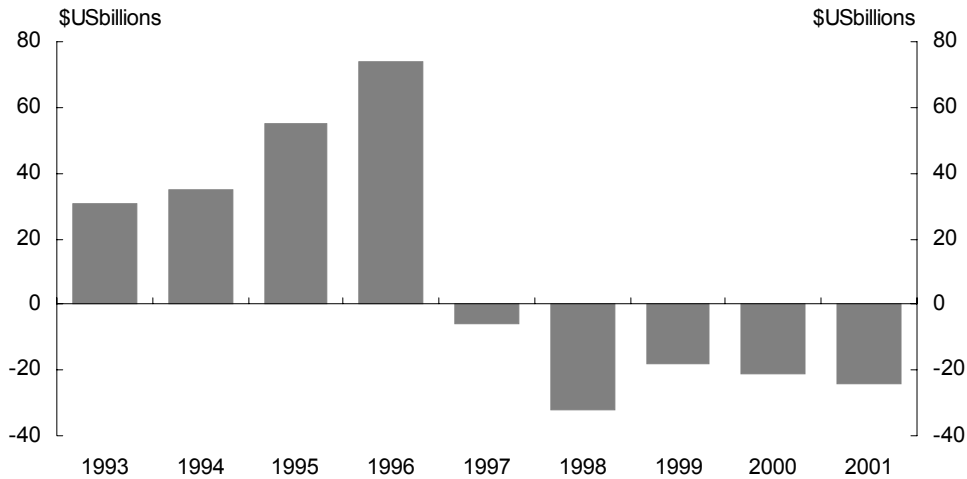
Source: IMF WEO December 2001 issue.

In contrast, the United States is the world's dominant capital importer. Global capital flows are favouring the most developed country on Earth, when one would have hoped that the better investment opportunities would be found in the developing world.

This should be of concern to anybody with an interest in regional economic development.

The pattern of investment flows reflects, overwhelmingly, investor perceptions of likely returns. Particularly since the events of 1997-98, in the calculations that international investors make the question of institutional risk — including regulatory and judicial systems and economic governance more generally — looms large. It is, indeed, likely that there was an insufficient appreciation of these risks in the pre-crisis period. Not so now.

One set of such risks concerns the stability and integrity of the financial and corporate systems. While a lot of progress has been made here my sense is that there are some unresolved issues to confront. High levels of non-performing loans appear to remain a problem in several countries in the region. Corporate sector restructuring also seems to have some way to go. If companies are hamstrung by poor cash flows and high leverage, investment may not be forthcoming, even as the financial sector returns to better health.

APEC members' success in increasing the pace of their structural reforms will be an important determinant of the pace and sustainability of the regional rebound from the current global slowdown.

Even more important will be maintaining support for an open, outward looking trade environment, fundamental to which is a need to tackle recent criticism of globalisation — a topic to which I will now turn.

Finance Ministers' meetings have proven to be an effective forum in which to address the 'globalisation' debate. At the APEC Finance Ministers' Meeting in China on 8-9 September last year, on the eve of the terrible events that were to hit New York and Washington, the Australian Treasurer led a discussion on promoting economic growth on a fair and equitable basis in a globalising world. He emphasised the importance of ensuring that the current debate about globalisation is based on a rigorous analysis of its impact, encouraging his colleagues to accept the overwhelming evidence that open economies are a powerful force for growth and poverty alleviation.

The APEC membership offers a microcosm of the wider world's experience with the post World War Two return to closer international economic integration. While this economic integration through trade and investment flows is only part of the multifaceted phenomenon that is globalisation, it is an important part of the phenomenon, and I will restrict my comment tonight to these economic dimensions.

In APEC communities, as in the broader world, it is frequently claimed that globalisation might well be making the rich richer, but it is making the poor poorer, widening the income distribution both within countries and between rich and poor countries. But as two World Bank researchers have concluded in a recent summary of the evidence,

> 'The problem with this new conventional wisdom is that the best evidence available shows the exact opposite to be true. So far, the current wave of globalization, which started around 1980, has actually promoted economic equality and reduced poverty.'[1]

The World Bank drew together this evidence in its December 2001 Policy Research Report, *Globalization, Growth and Poverty: Building an Inclusive World Economy*. In it, the Bank notes the unusual nature of the current wave

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1   David Dollar and Aart Kraay, *Spreading the Wealth*, in Foreign Affairs, January/February 2002

of globalisation, which it dates from about 1980. Two earlier surges of globalisation, in the 19th century until 1914, and from the end of World War II until about 1980, did not produce any general catch-up by developing countries on the living standards in the industrial economies of the OECD, although there was catch-up within the OECD. There is little doubt that the inter-country distribution of income widened steadily from the dawn of the first industrial revolution until about 1975.

Researchers have suggested that the widening in inter-country inequality from World War II until about twenty or thirty years ago probably owed mostly to the unwillingness of most developing countries, in those earlier days when protectionist or state-planned development policies were fashionable, to lower their trade barriers as the OECD economies were doing through successive GATT rounds and in their regional and unilateral actions.[2]

It is notable, however, that even in the earlier period of 20th century globalisation from 1945 to 1975, when most of the limited 'catch up' on the living standards of the leading economies was occurring only among the OECD economies, there were already some developing APEC members such as Hong Kong, Korea, Singapore and Taiwan that began to grow strongly as a consequence of implementing more outward looking policies.

Since about 1975, increasing numbers of APEC economies have figured prominently among the 24 countries the World Bank has identified as 'recent globalisers' who have benefited strongly from the rapid expansion of global trade, and especially from growth in trade of manufactures. The World Bank concluded that these 24 recently-globalising developing countries, home to some 3 billion people, have benefited strongly from increasing their integration into the global economy since about 1980. However, some 2 billion people in other poor countries have not yet been able to achieve comparable increases in trade and investment linkages, and indeed their per capita incomes actually contracted during the 1990s.

The World Bank has concluded that recent progress has meant that, 'the long trend of rising global inequality and rising numbers of people in absolute poverty has been halted and even reversed'. Within APEC, China, Taiwan,

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2 Peter H Lindert and Jeffrey G Williamson, (2001), *Does Globalization Make the World More Unequal?*, NBER Working Paper No. W 8228, April 2001. Available at: http://www.nber.org/papers/w8228. See also David Dollar and Aart Kraay, *Spreading the Wealth*, in Foreign Affairs, January/February 2002.

Indonesia, Thailand and South Korea are among the world's best examples of how globalization and outward-looking domestic policies harnessing international trade and investment can rapidly lift hundreds of millions out of poverty.

We can see these effects at work in striking figures on the rate at which income gaps among APEC members have narrowed recently as they have built closer trade and investment links, both with each other and the broader world.

The following charts compare global data from 1965 and 1997 for 114 countries, showing first the whole grouping, and then the subgroup of APEC members for which we have data. The data are in the form of Lorenz curves of inter-country income inequality. These curves compare per capita GDP, converted at purchasing power parities, and they weight those per capita GDP figures by the population sizes of the respective economies. They thus provide a rough indicator of how command over goods and services has become more or less equal for the population of APEC.[3]

Chart 7: Lorenz curves of Inter-Country Income Inequality
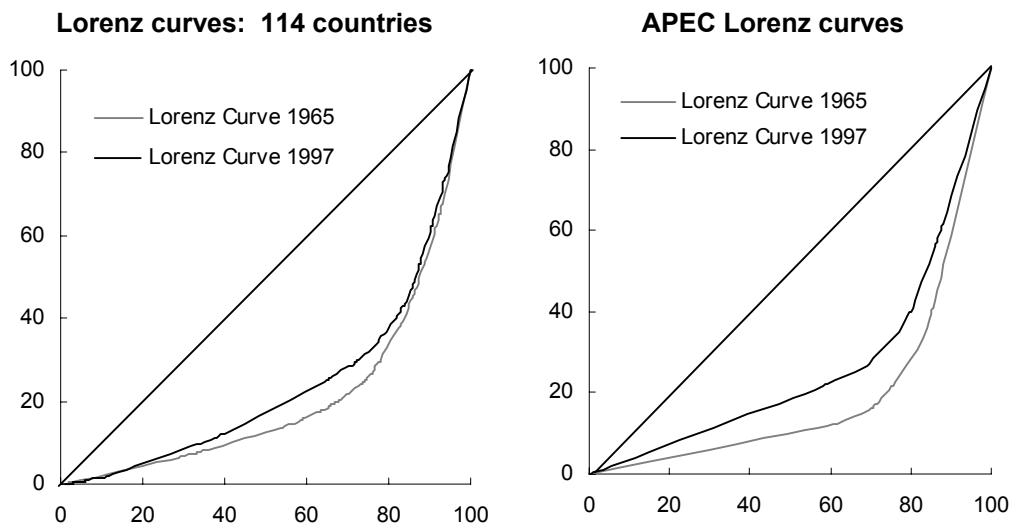
Lorenz curves: 114 countries   **APEC Lorenz curves**

Source: Melchior, Telle and Wiig (2000), *Globalisation and Inequality: World Income Distribution and Living Standards, 1960-1998.*

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3 Because of the limited PPP data set available over long periods, Russia, Vietnam and Brunei cannot be included in this comparison.

We can see that both for the 'world' of 114 countries and for the APEC group, the Lorenz curve moved inwards from 1965 to 1997: inter-country income distribution became more equal.

If we summarise the curve in a Gini coefficient, we see that inequality among the APEC members started higher in 1965 than in the broader grouping, but as trade barriers came down and economic reforms took root in countries such as China, Indonesia, Malaysia and Thailand, they began to catch up on richer APEC members and income inequality fell faster, and further, than in the world at large.

**Chart 8: Gini coefficient:
114 countries and APEC**
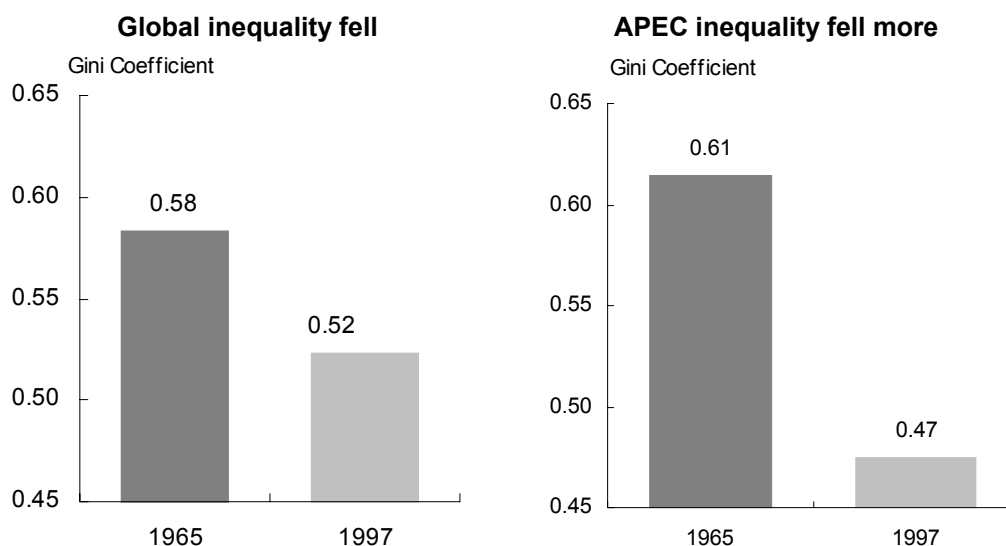
Global inequality fell

Gini Coefficient

0.58	0.52
1965	1997

APEC inequality fell more

Gini Coefficient

0.61	0.47
1965	1997

Source: Melchior, Telle and Wiig (2000), *Globalisation and Inequality: World Income Distribution and Living Standards, 1960-1998.*

These observations provide powerful testimony to the benefits of globalising policies.

So far, I have spoken only of inter-country inequality, based on a comparison of the average per capita GDPs of respective economies. A second question is, what has been happening to income inequality **within** each APEC member? Here again, APEC's experience is a microcosm of the broader world's.

Inequality has indeed gone up in some countries (such as China) and down in others (such as the Philippines). In yet others, such as Vietnam, it appears not to have changed, despite enormous economic transformations as the role of

central planning has declined and the economy has been opened to foreign trade and investment.

This diversity of experience reminds us that economic globalisation is only one influence among many on domestic income distribution. Other important influences include education, training and health spending, and redistributive taxation and social spending patterns. Even the **direction** of the impact of globalisation on within country income distribution is indeterminate, as it depends on the country's starting point, and the nature of its intensification of international economic links. For example, was the original income distribution very compressed because of wage regulation and the absence of property income, as in China? Have growing trade links been through agriculture or simple manufacturing exports, so that many of the benefits go directly to low skilled workers, as in Vietnam?

The complexity of these linkages should caution us to accept that we cannot hope to produce pro-poor growth or to reduce national or inter-national inequality by somehow collectively regulating the economic processes of globalisation. Rather, it is principally for each country to adopt those national policies that will best maximise the gains for their poor.

The Asian crisis challenged many APEC economies to re-examine their policies for poverty alleviation — the crisis having borne out the common perception that crises have a significant adverse impact on poverty. They do this in various ways, some obvious, some less so.

In general, the entire income distribution is moved downwards in the aftermath of an economic crisis. That adjustment occurs because economic activity is lower, prices are generally higher, the relative price of tradeables rises, asset prices often fall, and fiscal policy often has to be tightened. Moreover, the 'depth of poverty' usually increases: depending a little on local circumstances and the degree to which people may be clustered near the poverty line, however measured, many may be pressed well below the poverty line for a period.

Crises generally also have idiosyncratic impacts on the exact profile of the national income distribution, depending on local circumstances. Perhaps surprisingly, the biggest losers in percentage terms in a crisis are not necessarily the poorest quintile, who in developing countries may be relatively insulated from market downturns by their limited involvement in the market economy. Frequently, in a crisis the largest percentage fall in income occurs in the second-poorest quintile. But in most cases the overall inequality of the

income distribution, as measured by summary indicators such as the Gini coefficient, usually widens.

These impacts were sufficiently marked in the Asian crisis to show up in global poverty counts. While the proportion of the world's population in extreme poverty continued to fall notwithstanding the Asian crisis, the World Bank's researchers estimate that the recent fall in the absolute numbers of those below the US$1 a day benchmark was temporarily halted in the late 1990s as a result of the Asian crisis.[4]

Hardly any of this is news, but it does serve to remind us that crises are not only a terrible destruction of wealth, but are distressingly burdensome on the poorest members of society. That truism only reinforces the policy message that in confronting crises an ounce of prevention is worth a pound of cure, and that APEC must help its members redouble their efforts to build sound economic institutions, to develop and implement sustainable economic policies, and to undertake the structural reforms necessary to build their resilience against the next, unpredictable shock.

The Asian crisis indicates that openness to the global economy, and integration with it, while necessary for real human progress, is not itself sufficient to guarantee that progress will be secure and stable. Security and stability requires better domestic policies and institutions, better lending and investment assessments — including by the private sector in the industrial economies — and better performance from the international institutions.

There is a long and complex task of structural reform still to be completed in Asia — and not just in the crisis economies themselves. The institutional strengths required for good prudential supervision and transparent, sustainable economic policies are still being built and financial sector and corporate restructuring still have a way to go.

APEC Finance Ministers are contributing substantially to this task.

The APEC Finance Ministers' process, in operation for seven years, parallels the Senior Officials Meeting, or SOM as it is more commonly known. SOM is responsible for coordinating activities in a vast array of committees and working groups focusing, among others, on trade and investment, tourism, telecommunications, industrial science and technology, energy, and fisheries.

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4   Shaohoua Chen and Martin Ravallion, August 2000, *How did the World's Poorest Fare in the 1990s?*, World Bank Working Paper No 2409, available at: http://econ.worldbank.org/docs/1164.pdf .

The Department of Foreign Affairs and Trade manages Australia's input to this forum.

Although not widely known, Finance Ministers are leading a carefully planned and important work program, and are lending substance to APEC at a time when progress on trade and investment liberalisation is proving more elusive.

Finance Ministers' Meetings provide an opportunity for discussion of economic developments affecting the region, as well as encouraging effective responses to challenges confronting members, and pursuing cooperative programs to promote financial sector development. In the aftermath of the 1997-98 Asian Financial Crisis, these meetings have proved to be particularly valuable for developing dialogue and considering issues related to microeconomic reform, as well as macroeconomic and financial market developments.

Finance Ministers have adopted a long-term strategy for the promotion of economic growth and the strengthening of financial markets in the region, and are leading a number of well-targeted capacity-building initiatives aimed at creating more robust and resilient national financial systems. The range of collaborative initiatives address international financial reform by improving banking supervision, encouraging further capital market liberalisation, formulating strategies to strengthen social safety nets, promoting privatisation, and developing measures to improve transparency and strengthen corporate governance.

These initiatives have proven effective in prioritising training needs in the region and ensuring the delivery of high-quality programs. The financial regulators training initiative is a leading example, aimed at strengthening financial systems and promoting financial stability in the region, by providing training on bank supervision to junior and mid-level financial sector supervisors. It is expected that this initiative will strengthen training programs of national financial regulatory agencies, develop model curricula to provide standardised training programs, and strengthen collaboration of regional and international training programs for financial regulators.

Australia is committed to, and actively involved in, the APEC Finance Ministers' process, leading the APEC Future Economic Leaders Think Tank and the Company Accounting and Financial Reporting Task Force, as well as initiatives aimed at managing regulatory change (MRC) in life insurance and pensions, and strengthening corporate governance in the region.

Australia will host the second Think Tank in Sydney next month following the strong endorsement that the concept received at the inaugural session held in Sydney in August last year. This is an experimental program, focusing on building relationships and networks among the future financial and economic leaders in APEC and assisting the development of creative solutions to regional economic and financial challenges.

The corporate governance initiative was launched by Finance Ministers at their 1998 meeting in Kananaskis, Canada. The first phase of this project involved the preparation of the report, *Strengthening Corporate Governance in the APEC Region*, which contained a comprehensive analysis of the key corporate governance issues for the region. Finance Ministers at their 1999 meeting in Langkawi, Malaysia, endorsed the report and its recommendations.

At their summit in Auckland in September 1999 APEC Leaders made a strong commitment to the reform of corporate governance in the region. In their statement, *The Auckland Challenge*, Leaders pledged to work to strengthen markets, including by '(p)roviding greater transparency and predictability in corporate and public sector governance'. They also tasked their Finance Ministers to take forward the corporate governance agenda, including by '(d)eveloping and applying agreed corporate governance principles'. Australia has been a significant contributor to this initiative and in 2002 has joined Mexico, Korea and the Philippines as co-leader.

Throughout the region, there is widespread interest in doing everything possible to prevent a recurrence of the financial crisis that proved so crippling in 1997-98. Improving corporate governance is not only one way to do that, it is also a way to improve the efficiency of the economies themselves. APEC members realize that reforming their financial systems and strengthening corporate governance should not be delayed. Investors, both domestic and foreign, will demand these changes before bringing back the capital on which the regions' continued economic development depends.

For their part, APEC Finance Ministers are meeting these challenges by promoting training programmes and policy dialogues to strengthen financial markets. At the same time, they have engaged in the debate on globalisation, emphasising how economies that have been open to trade and investment have made much better progress in reducing poverty.

APEC is perhaps best known for its commitment to achieving free trade and investment by 2020. This commitment is not ideologically driven. Rather, it is a pragmatic regional response to the imperatives of economic development — a potent response to the critics of globalisation. Trade and investment

liberalisation is, however, only part of the story. Equally important, if somewhat less glamorous, are the continued efforts — notably, the efforts of APEC Finance Ministers — to rebuild financial systems, and to develop regulatory arrangements and policies that will underpin sustainable investment activity and sustainable economic growth in the region.

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 2001.

The market value of Australian net private sector wealth grew by 7.9 per cent in the year to 30 June 2001. In real terms (that is, after allowing for inflation), wealth grew by 2.8 per cent. Real wealth per Australian grew by 1.6 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 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 an increased 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.

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.[5] 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.[6]

A number of assumptions and approximations are required to construct these estimates, particularly for the current 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 publish estimates of wealth. Please refer to the Appendix for 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 approach[7], largely following the methodology of Callen (1991). This approach involves aggregating across

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5 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.

6 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.

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

different asset types and adjusting for the public and/or foreign ownership[8] 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.[9] Detailed wealth estimates since 1960 are presented in the attached tables.

Private saving and wealth

From an economic perspective, private saving can be defined as the change in the real private sector wealth from one period to the next.[10] 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 is superior to net household saving as derived by the ABS. The main advantages are that it has a broader scope (since it covers the private sector as a whole) and it captures valuation effects (that is, changes in asset prices). However, these valuation effects can mean that it is more volatile than measures that exclude them. The coverage limitations that apply to the wealth estimates will also affect the implied measure of private saving. While these limitations suggest that caution should be exercised when interpreting short-term movements, the change in

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8   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.

9   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.

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

the market value of private wealth provides a useful measure of saving by Australia's private sector.

Movements in Australian private sector wealth in 2001

Through the year to 30 June 2001, Australian net private sector wealth at market value grew by 7.9 per cent in nominal terms, 2.8 per cent in real terms, and 1.6 per cent in real per capita terms. Tables 1(a), 1(b), 1(c) and 2 provide further detail.

Although real net private sector wealth continued to grow during the year to June 2001, the growth rate was below the longer-term trend after five years of above average growth (see Chart 1).

Chart 1: Growth in Australian net private sector wealth at market value[a]
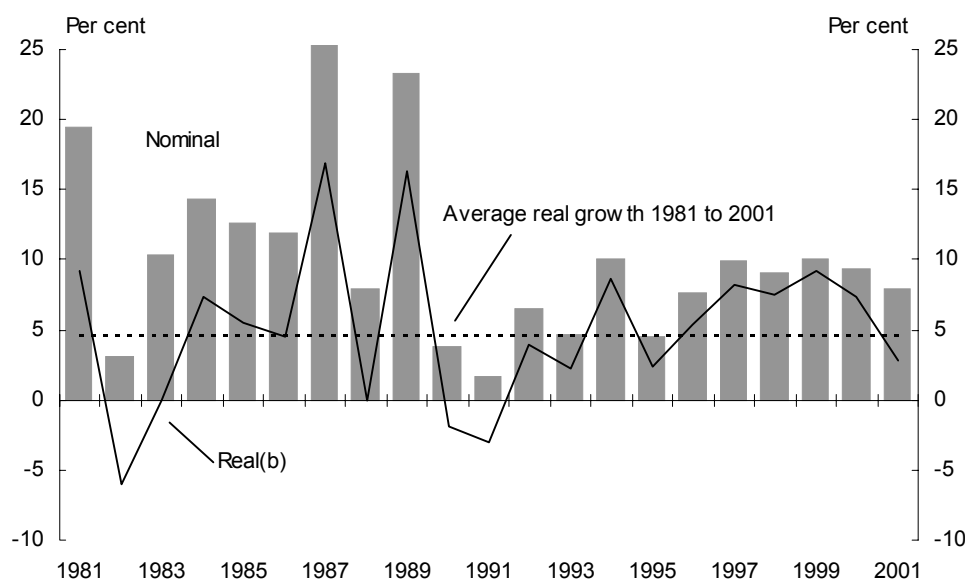
(a) As at June 30.
(b) Real wealth is determined using the consumption deflator. This includes the transitional impacts of the New Tax System.

In current prices, Australian net private sector wealth was approximately $3,431 billion at market value and $2,453 billion at replacement cost on 30 June 2001. This represents around:

- $167,100 per Australian ($126,500 on a replacement cost basis); and

22

- 5.1 times the value of the annual nominal gross domestic product of the economy (3.6 times on a replacement cost basis).

In the year to June 2001, the main factor contributing to the growth in private wealth was growth in the market value of dwelling assets, which contributed 5.7 percentage points, marginally above the long-term average contribution to growth of 5.5 percentage points. This is shown in Chart 2.

The other main contribution to growth in wealth over the period was from business assets (net of net foreign liabilities), which contributed 3.8 percentage points. This was above the previous years' contribution of 3.7 percentage points, but below the long-term average growth of 4.5 percentage points.

Chart 2: Contributions to growth in nominal Australian net private sector wealth at market value[c]
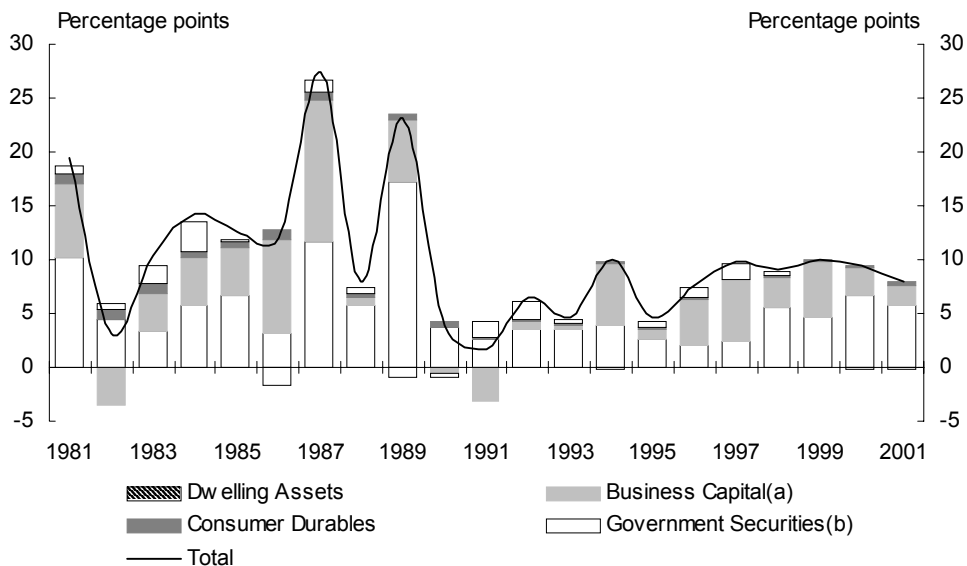
(a) Includes Australian investment abroad and excludes foreign liabilities.
(b) Includes money base.
(c) As at June 30

Valuation ratios for Australian net private wealth

Valuation ratios for individual components of wealth (Table 3) 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 3).

Chart 3: Valuation ratios for selected components of wealth
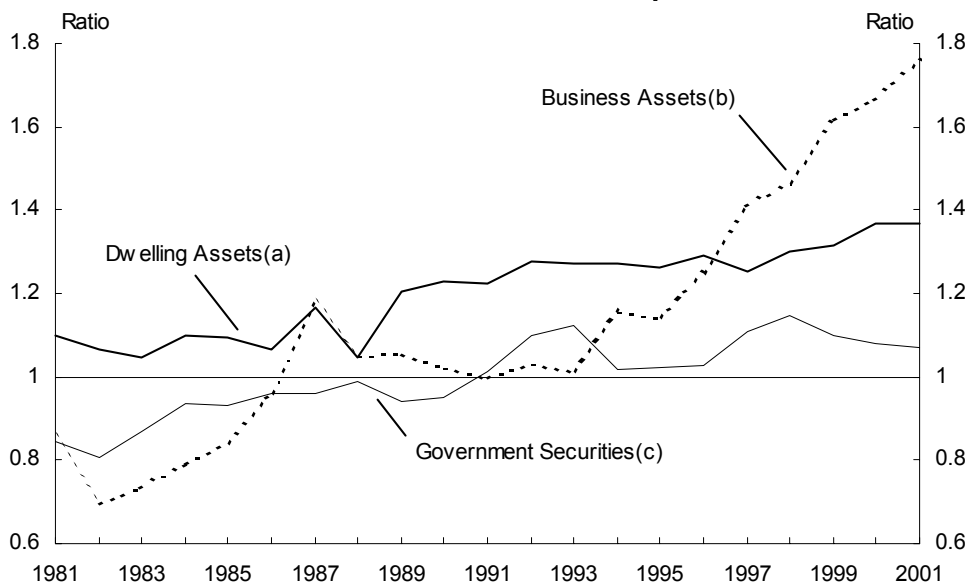
(a) Established house prices divided by the deflator for dwelling investment.
(b) Equity prices divided by the deflator for business fixed investment.
(c) Market price divided by face value.

During the year to 30 June 2001:

- The valuation ratio for business assets increased, reflecting faster growth in stock market prices.

- The valuation ratio for dwelling assets was virtually unchanged from the previous year.

- The valuation ratio for government securities fell for the third year in succession, although the fall was small compared to recent years as interest rates fell.

Composition of Australian net private wealth by type of asset

The composition of wealth at market value by asset type remained relatively stable during the year to 30 June 2001.

Chart 4: Composition of Australian net private sector wealth by asset type
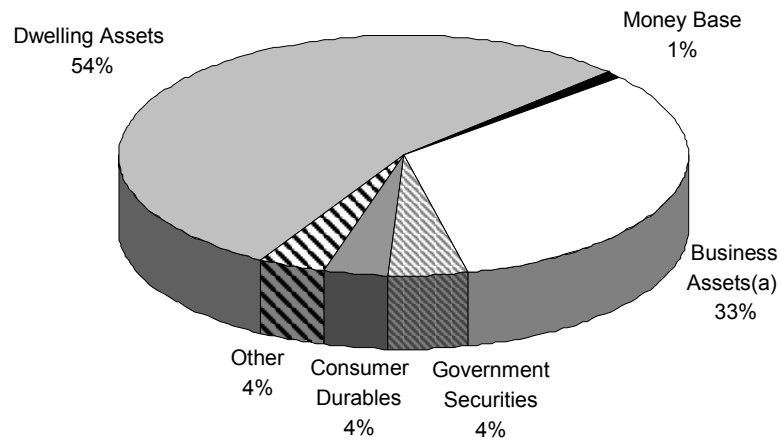
(a) Includes Australian investment abroad and excludes foreign liabilities

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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 1: ABS valuations of sub-soil and native timber assets

As at June -	Subsoil assets	Native standing timber
1989	62.2	1.3
1990	52.0	1.3
1991	56.4	1.7
1992	55.8	1.5
1993	66.6	1.7
1994	70.5	1.9
1995	87.5	2.2
1996	84.7	2.2
1997	96.7	2.2
1998	103.4	2.3
1999	120.4	2.3
2000	143.9	2.5
2001 (a)	172.9	2.6

(a)   Preliminary figures.

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 1(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 ($ '000)
					($billion)				($ '000)
1960	21.7	25.0	5.3	7.4	1.8	0.4	-3.5	60.0	5.7
1961	23.3	27.1	5.6	7.5	1.7	0.5	-3.1	64.7	6.0
1962	25.7	28.5	5.5	8.3	1.8	0.5	-3.3	69.2	6.3
1963	26.8	30.9	5.8	9.3	1.8	0.7	-4.1	73.6	6.6
1964	30.8	35.3	6.0	9.8	2.1	0.8	-5.4	82.1	7.2
1965	33.7	35.4	6.4	10.0	2.1	0.7	-4.8	86.5	7.5
1966	36.1	38.8	6.7	10.8	1.9	0.9	-5.1	93.4	7.9
1967	37.4	40.6	7.1	11.7	2.1	0.9	-6.0	97.3	8.1
1968	40.9	57.4	7.5	12.3	2.2	1.4	-9.3	116.4	9.5
1969	46.1	63.6	8.1	13.0	2.4	1.4	-10.5	128.5	10.3
1970	53.4	63.5	8.9	12.5	2.7	1.5	-10.1	137.3	10.7
1971	61.5	65.5	9.7	13.7	2.8	1.9	-11.2	149.4	11.4
1972	70.6	76.1	10.7	16.2	3.0	2.5	-14.5	170.9	12.8
1973	86.1	77.8	11.9	16.5	4.0	2.2	-14.8	190.8	14.1
1974	113.3	78.6	14.1	14.5	4.5	2.0	-13.0	222.1	16.2
1975	128.2	73.8	17.5	17.3	4.1	2.5	-13.2	239.6	17.2
1976	147.8	87.4	21.2	20.1	5.1	2.9	-18.9	276.5	19.7
1977	164.8	93.5	24.6	21.7	6.3	3.8	-20.1	307.3	21.7
1978	176.5	105.7	27.3	25.9	5.9	4.5	-22.1	338.4	23.6
1979	198.6	122.8	29.1	29.1	6.4	5.7	-25.4	383.1	26.4
1980	231.3	162.5	32.9	30.5	6.9	6.5	-34.3	455.8	31.0
1981	277.8	201.5	36.7	33.3	7.6	6.8	-42.1	544.3	36.5
1982	302.4	187.3	41.7	34.5	8.7	8.7	-48.8	561.3	37.0
1983	321.0	217.5	46.6	44.3	9.1	10.8	-61.3	619.5	40.2
1984	356.9	251.3	49.8	60.1	10.2	12.6	-69.3	708.0	45.4
1985	403.9	297.4	54.6	59.6	11.8	18.0	-89.4	797.7	50.5
1986	428.7	373.2	62.6	45.8	13.0	30.4	-108.5	893.0	55.7
1987	532.3	510.9	69.5	54.7	14.1	44.4	-142.2	1137.7	70.0
1988	597.9	522.1	74.4	59.0	15.8	58.1	-158.7	1228.5	74.3
1989	810.2	614.9	79.6	47.8	16.7	70.2	-192.9	1513.9	90.0
1990	867.2	621.5	86.1	42.7	17.7	76.5	-215.3	1572.3	92.1
1991	907.1	592.0	89.4	64.3	18.7	75.9	-233.6	1597.4	92.4
1992	964.3	607.6	92.1	90.5	19.1	90.4	-253.0	1700.9	97.2
1993	1022.7	614.8	95.6	94.6	20.5	111.6	-274.2	1780.6	100.8
1994	1092.7	728.8	99.5	90.9	22.0	135.2	-311.6	1958.5	109.7
1995	1143.0	756.5	105.1	98.0	23.5	152.9	-338.6	2047.7	113.3
1996	1186.3	860.6	109.4	114.6	24.5	162.3	-367.4	2204.2	120.4
1997	1240.6	1006.8	110.3	136.1	34.1	198.7	-423.6	2421.4	130.7
1998	1372.9	1102.0	114.3	151.0	31.4	258.2	-509.7	2641.8	141.0
1999	1493.0	1281.1	117.6	150.1	31.8	274.5	-566.0	2907.0	153.5
2000	1687.0	1389.0	121.8	150.2	28.1	349.7	-674.8	3178.9	165.9
2001 (a)	1867.6	1508.5	130.0	144.4	29.6	381.3	-762.5	3430.5	176.9

(a) Preliminary figures.

Table 1(b): Real private sector wealth at market value[a]

As at June	Dwelling Assets	Business Assets	Consumer Durables	Government Securities	Money Base	Australian Investment Abroad	Foreign Liabilities	Total Wealth
				($1999-2000 billion)				
1960	202.8	233.6	49.5	69.2	16.8	3.7	-32.7	560.7
1961	211.8	246.4	50.9	68.2	15.5	4.5	-28.2	588.2
1962	233.6	259.1	50.0	75.5	16.4	4.5	-30.0	629.1
1963	239.3	275.9	51.8	83.0	16.1	6.3	-36.6	657.1
1964	270.2	309.6	52.6	86.0	18.4	7.0	-47.4	720.2
1965	285.6	300.0	54.2	84.7	17.8	5.9	-40.7	733.1
1966	295.9	318.0	54.9	88.5	15.6	7.4	-41.8	765.6
1967	296.8	322.2	56.3	92.9	16.7	7.1	-47.6	772.2
1968	314.6	441.5	57.7	94.6	16.9	10.8	-71.5	895.4
1969	341.5	471.1	60.0	96.3	17.8	10.4	-77.8	951.9
1970	376.1	447.2	62.7	88.0	19.0	10.6	-71.1	966.9
1971	404.6	430.9	63.8	90.1	18.4	12.5	-73.7	982.9
1972	438.5	472.7	66.5	100.6	18.6	15.5	-90.1	1061.5
1973	497.7	449.7	68.8	95.4	23.1	12.7	-85.5	1102.9
1974	575.1	399.0	71.6	73.6	22.8	10.2	-66.0	1127.4
1975	552.6	318.1	75.4	74.6	17.7	10.8	-56.9	1032.8
1976	553.6	327.3	79.4	75.3	19.1	10.9	-70.8	1035.6
1977	556.8	315.9	83.1	73.3	21.3	12.8	-67.9	1038.2
1978	551.6	330.3	85.3	80.9	18.4	14.1	-69.1	1057.5
1979	567.4	350.9	83.1	83.1	18.3	16.3	-72.6	1094.6
1980	597.7	419.9	85.0	78.8	17.8	16.8	-88.6	1177.8
1981	656.7	476.4	86.8	78.7	18.0	16.1	-99.5	1286.8
1982	651.7	403.7	89.9	74.4	18.8	18.8	-105.2	1209.7
1983	627.0	424.8	91.0	86.5	17.8	21.1	-119.7	1210.0
1984	654.9	461.1	91.4	110.3	18.7	23.1	-127.2	1299.1
1985	694.0	511.0	93.8	102.4	20.3	30.9	-153.6	1370.6
1986	688.1	599.0	100.5	73.5	20.9	48.8	-174.2	1433.4
1987	783.9	752.4	102.4	80.6	20.8	65.4	-209.4	1675.6
1988	814.6	711.3	101.4	80.4	21.5	79.2	-216.2	1673.7
1989	1041.4	790.4	102.3	61.4	21.5	90.2	-247.9	1945.9
1990	1053.7	755.2	104.6	51.9	21.5	93.0	-261.6	1910.4
1991	1052.3	686.8	103.7	74.6	21.7	88.1	-271.0	1853.1
1992	1092.1	688.1	104.3	102.5	21.6	102.4	-286.5	1926.3
1993	1131.3	680.1	105.8	104.6	22.7	123.5	-303.3	1969.7
1994	1194.2	796.5	108.7	99.3	24.0	147.8	-340.5	2140.4
1995	1223.8	810.0	112.5	104.9	25.2	163.7	-362.5	2192.4
1996	1243.5	902.1	114.7	120.1	25.7	170.1	-385.1	2310.5
1997	1281.6	1040.1	113.9	140.6	35.2	205.3	-437.6	2501.4
1998	1396.6	1121.1	116.3	153.6	31.9	262.7	-518.5	2687.5
1999	1508.1	1294.0	118.8	151.6	32.1	277.3	-571.7	2936.4
2000	1672.0	1376.6	120.7	148.9	27.8	346.6	-668.8	3150.5
2001 (b)	1763.6	1424.5	122.8	136.4	28.0	360.1	-720.0	3239.4

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

Table 1(c): Real private sector wealth per person at market value[a]

As at June	Dwelling Assets	Business Assets	Consumer Durables	Government Securities	Money Base	Australian Investment Abroad	Foreign Liabilities	Total Wealth
				($ per capita, 1999-2000 prices)				
1960	19357	22301	4728	6601	1606	357	-3122	53522
1961	19769	22993	4751	6363	1442	424	-2630	54896
1962	21412	23745	4582	6915	1500	417	-2749	57655
1963	21516	24807	4656	7466	1445	562	-3292	59088
1964	23824	27304	4641	7580	1624	619	-4177	63504
1965	24697	25943	4690	7328	1539	513	-3518	63391
1966	25019	26890	4643	7485	1317	624	-3535	64731
1967	24651	26760	4680	7712	1384	593	-3955	64133
1968	25654	36003	4704	7715	1380	878	-5833	73009
1969	27247	37590	4787	7683	1418	827	-6206	75948
1970	29375	34931	4896	6876	1485	825	-5556	75527
1971	30963	32977	4884	6897	1410	957	-5639	75218
1972	32961	35529	4996	7563	1401	1167	-6770	79789
1973	36853	33301	5094	7063	1712	942	-6335	81668
1974	41911	29075	5216	5364	1665	740	-4809	82157
1975	39774	22897	5429	5367	1272	776	-4095	74337
1976	39447	23326	5658	5365	1361	774	-5044	73796
1977	39230	22257	5856	5166	1500	905	-4785	73151
1978	38412	23003	5941	5637	1284	979	-4810	73646
1979	39091	24171	5728	5728	1260	1122	-5000	75406
1980	40671	28573	5785	5363	1213	1143	-6031	80146
1981	44008	31921	5814	5275	1204	1077	-6669	86225
1982	42921	26584	5919	4897	1235	1235	-6926	79668
1983	40729	27596	5913	5621	1155	1370	-7778	78602
1984	42034	29597	5865	7078	1201	1484	-8162	83385
1985	43956	32365	5942	6486	1284	1959	-9729	86812
1986	42958	37397	6273	4589	1303	3046	-10872	89484
1987	48202	46264	6293	4953	1277	4021	-12877	103023
1988	49272	43026	6131	4862	1302	4788	-13078	101239
1989	61934	47005	6085	3654	1277	5366	-14746	115727
1990	61746	44252	6130	3040	1260	5447	-15330	111950
1991	60884	39735	6000	4316	1255	5094	-15679	107216
1992	62423	39332	5962	5858	1236	5852	-16378	110106
1993	64035	38495	5986	5923	1284	6988	-17169	111489
1994	66885	44610	6090	5564	1347	8276	-19073	119881
1995	67717	44819	6227	5806	1392	9059	-20060	121316
1996	67911	49266	6263	6560	1403	9291	-21032	126182
1997	69186	56147	6151	7590	1902	11081	-23623	135037
1998	74566	59852	6208	8201	1705	14024	-27683	143483
1999	79636	68333	6273	8006	1696	14642	-30190	155058
2000	87276	71859	6301	7771	1454	18092	-34910	164459
2001 (b)	90953	73465	6331	7032	1442	18570	-37134	167068

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

Table 2: Nominal private sector wealth at replacement cost

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	42.1	27.1	5.3	-0.1	1.8	0.4	-4.9	79.4	7.6
1961	44.9	30.0	5.6	7.7	1.7	0.5	-4.1	86.4	8.1
1962	46.7	31.9	5.5	8.2	1.8	0.5	-4.1	90.5	8.3
1963	49.3	34.1	5.8	8.9	1.8	0.7	-5.2	95.4	8.6
1964	53.0	37.0	6.0	9.6	2.1	0.8	-7.4	101.1	8.9
1965	57.5	40.2	6.4	10.1	2.1	0.7	-5.6	111.4	9.6
1966	60.1	43.4	6.7	10.8	1.9	0.9	-6.2	117.7	10.0
1967	62.4	45.5	7.1	11.6	2.1	0.9	-7.5	122.1	10.1
1968	65.4	52.9	7.5	12.2	2.2	1.4	-12.7	128.9	10.5
1969	68.2	56.9	8.1	13.2	2.4	1.4	-14.2	135.9	10.8
1970	71.8	60.1	8.9	13.6	2.7	1.5	-13.9	144.7	11.3
1971	76.6	65.4	9.7	14.6	2.8	1.9	-14.6	156.3	12.0
1972	83.8	73.2	10.7	16.1	3.0	2.5	-18.0	171.2	12.9
1973	93.5	78.8	11.9	17.3	4.0	2.2	-18.9	188.9	14.0
1974	110.8	93.0	14.1	17.9	4.5	2.0	-16.3	225.9	16.5
1975	131.7	108.1	17.5	20.3	4.1	2.5	-11.4	272.8	19.6
1976	151.8	124.6	21.2	23.0	5.1	2.9	-20.7	307.7	21.9
1977	172.5	140.8	24.6	25.3	6.3	3.8	-19.4	353.9	24.9
1978	191.1	158.3	27.3	27.9	5.9	4.5	-21.0	394.0	27.4
1979	207.6	177.4	29.1	32.4	6.4	5.7	-27.2	431.4	29.7
1980	221.9	206.1	32.9	35.5	6.9	6.5	-43.0	466.8	31.8
1981	252.9	233.9	36.7	39.4	7.6	6.8	-52.0	525.4	35.2
1982	284.2	268.7	41.7	42.8	8.7	8.7	-75.3	579.5	38.2
1983	307.4	296.6	46.6	50.9	9.1	10.8	-93.9	627.5	40.8
1984	324.6	316.9	49.8	64.1	10.2	12.6	-97.6	680.6	43.7
1985	368.8	354.8	54.6	64.1	11.8	18.0	-116.0	756.1	47.9
1986	402.3	389.0	62.6	47.8	13.0	30.4	-121.6	823.5	51.4
1987	457.0	432.7	69.5	57.0	14.1	44.4	-137.0	937.6	57.6
1988	572.6	496.0	74.4	59.6	15.8	58.1	-168.9	1107.6	67.0
1989	671.7	581.7	79.6	50.9	16.7	70.2	-205.5	1265.3	75.3
1990	705.1	607.6	86.1	45.0	17.7	76.5	-228.2	1309.8	76.8
1991	742.5	593.5	89.4	63.4	18.7	75.9	-241.6	1341.8	77.6
1992	756.0	587.4	92.1	82.5	19.1	90.4	-248.2	1379.4	78.8
1993	803.1	607.5	95.6	84.3	20.5	111.6	-274.3	1448.3	82.0
1994	858.2	629.2	99.5	89.5	22.0	135.2	-278.0	1555.5	87.1
1995	904.9	661.7	105.1	96.0	23.5	152.9	-301.6	1642.4	90.9
1996	919.8	689.2	109.4	111.7	24.5	162.3	-306.5	1710.4	93.4
1997	989.6	714.6	110.3	122.9	34.1	198.7	-320.3	1849.9	99.9
1998	1055.6	753.7	114.3	131.7	31.4	258.2	-363.2	1981.7	105.8
1999	1136.3	793.0	117.6	136.8	31.8	274.5	-373.8	2116.2	111.7
2000	1233.3	832.8	121.8	139.0	28.1	349.7	-421.4	2283.3	119.2
2001 (a)	1367.1	855.9	130.0	134.7	29.6	381.3	-446.1	2452.5	126.5

(a) Preliminary Figures

Table 3: Valuation ratios for selected wealth components

As at June -	Dwelling Assets(a)	% growth	Business Assets(b)	% growth	Government Securities(c)	% growth
1960	0.515		0.923			
1961	0.519	0.7	0.903	-2.1	0.974	
1962	0.550	6.0	0.893	-1.1	1.012	3.9
1963	0.544	-1.2	0.906	1.4	1.045	3.2
1964	0.581	6.9	0.954	5.3	1.021	-2.3
1965	0.586	0.9	0.881	-7.7	0.990	-3.0
1966	0.601	2.5	0.894	1.5	1.000	1.0
1967	0.599	-0.2	0.892	-0.2	1.009	0.9
1968	0.625	4.3	1.085	21.6	1.008	0.0
1969	0.676	8.1	1.118	3.0	0.985	-2.3
1970	0.744	10.0	1.057	-5.5	0.919	-6.7
1971	0.803	8.0	1.002	-5.2	0.938	2.1
1972	0.842	4.9	1.040	3.8	1.006	7.2
1973	0.921	9.3	0.987	-5.0	0.954	-5.2
1974	1.023	11.0	0.845	-14.4	0.810	-15.1
1975	0.973	-4.8	0.683	-19.2	0.852	5.2
1976	0.974	0.0	0.701	2.7	0.874	2.5
1977	0.955	-1.9	0.664	-5.3	0.858	-1.9
1978	0.924	-3.3	0.668	0.6	0.928	8.2
1979	0.957	3.6	0.692	3.7	0.898	-3.2
1980	1.042	9.0	0.788	13.9	0.859	-4.3
1981	1.098	5.4	0.861	9.3	0.845	-1.6
1982	1.064	-3.1	0.697	-19.1	0.806	-4.6
1983	1.044	-1.9	0.733	5.2	0.870	8.0
1984	1.100	5.3	0.793	8.1	0.938	7.7
1985	1.095	-0.4	0.838	5.7	0.930	-0.8
1986	1.066	-2.7	0.959	14.5	0.958	3.1
1987	1.165	9.3	1.181	23.1	0.960	0.2
1988	1.044	-10.4	1.053	-10.8	0.990	3.2
1989	1.206	15.5	1.057	0.4	0.939	-5.1
1990	1.230	2.0	1.023	-3.2	0.949	1.0
1991	1.222	-0.7	0.997	-2.5	1.014	6.9
1992	1.276	4.4	1.034	3.7	1.097	8.2
1993	1.273	-0.2	1.012	-2.2	1.122	2.3
1994	1.273	0.0	1.158	14.5	1.016	-9.5
1995	1.263	-0.8	1.143	-1.3	1.021	0.5
1996	1.290	2.1	1.249	9.2	1.026	0.5
1997	1.254	-2.8	1.409	12.8	1.107	7.9
1998	1.301	3.7	1.462	3.8	1.147	3.5
1999	1.314	1.0	1.616	10.5	1.097	-4.3
2000	1.368	4.1	1.668	3.2	1.081	-1.5
2001 (d)	1.366	-0.1	1.762	5.7	1.072	-0.8

(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

List of charts and tables

Charts

International economy

Tables

National accounts

Incomes, Costs and Prices

External sector

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]

Percent

Australia

United States

Germany

Japan

Feb-92 Feb-93 Feb-94 Feb-95 Feb-96 Feb-97 Feb-98 Feb-99 Feb-00 Feb-01 Feb-02
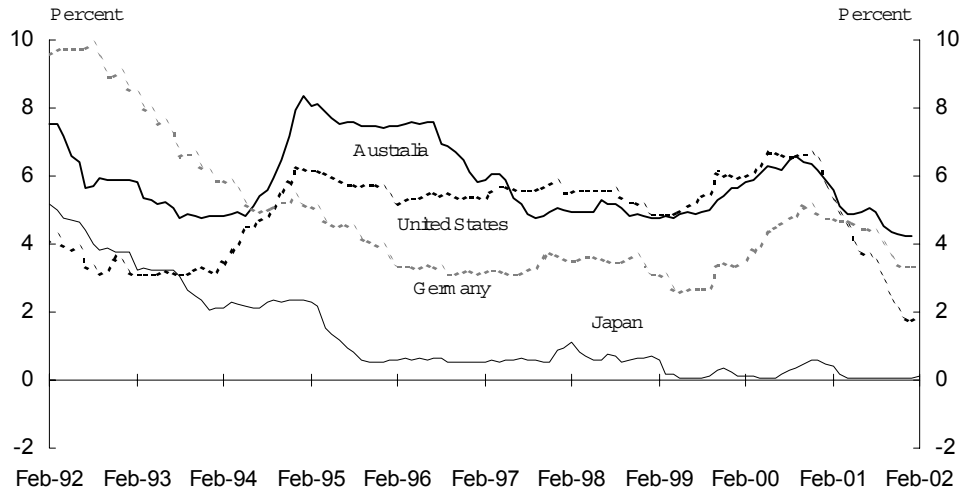
(a)   Short-term interest rates are monthly averages and are defined as follows: US — 3 month certificates of deposits, Japan — 3-month certificates of deposit, Australia — 90 day bank accepted bills and Germany — 3 month FIBOR.
Source: OECD Main Economic Indicators.

Panel B: Real output[a]

Through the year growth

Australia

Major trading partners

Dec-96   Dec-97   Dec-98   Dec-99   Dec-00   Dec-01
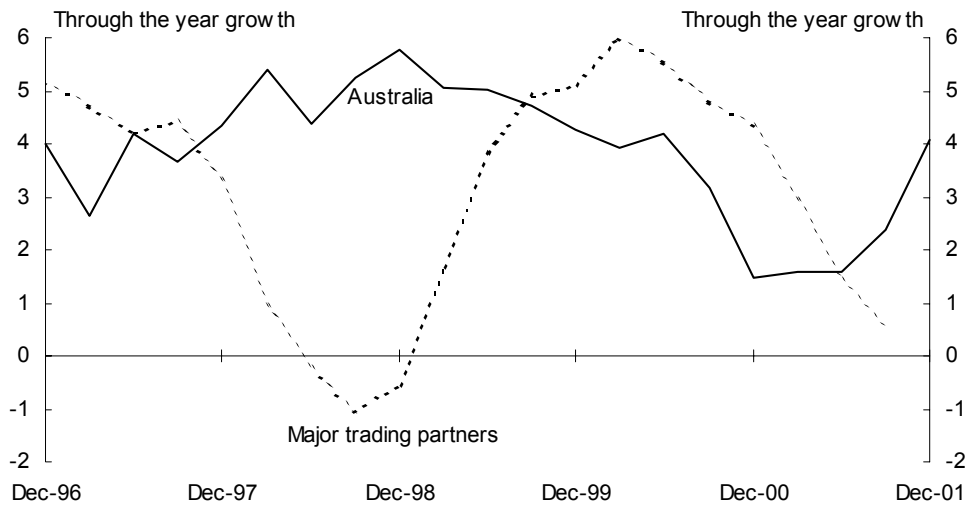
(a)   Seasonally adjusted real GDP growth for each major trading partner is weighted by their respective shares of total Australian merchandise exports averaging from 1998-99 to 2000-01. Major trading partners are Japan, US, South Korea, New Zealand, China, Taiwan, Singapore, UK, Hong Kong, Indonesia, Malaysia, Italy, Thailand, Canada, Germany, The Philippines and France.

Panel C: Current account balances[a]
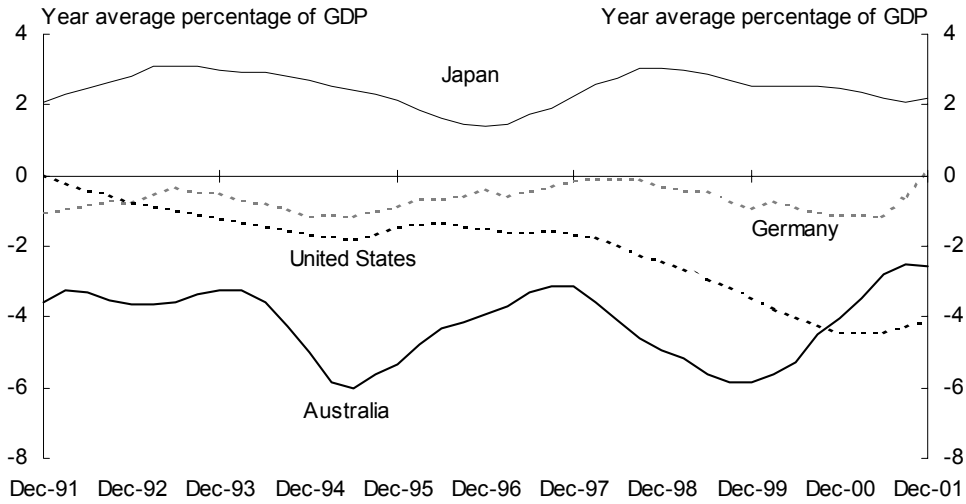
(a)   Data are seasonally adjusted.
Source: Data are from statistical agencies of respective countries, except for Germany which is from the OECD Main Economic Indicators.

Panel D: Consumer price inflation[a]
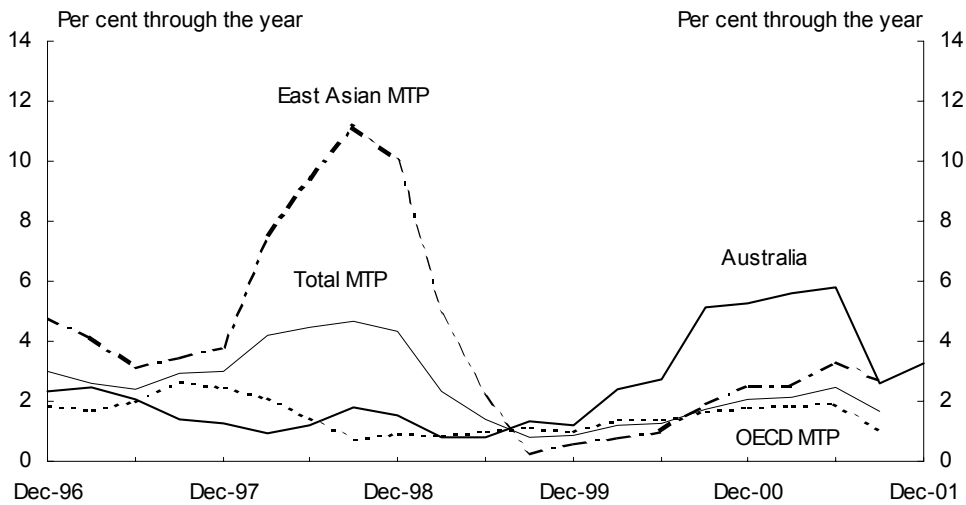
(a)   The aggregate inflation rates are derived from the weighted average of inflation rates of individual trading partners, with the weights being their respective shares of Australian total merchandise trade from 1998-99 to 2000-01. Major trading partners are Japan, US, South Korea, New Zealand, China, Taiwan, Singapore, UK, Hong Kong, Indonesia, Malaysia, Italy, Thailand, Canada, Germany, the Philippines and France.
Source: Data for US, Japan, Germany, UK, New Zealand, Canada, South Korea, Singapore, Indonesia, Taiwan and Hong Kong are from the ABS All Groups CPI (excluding housing) measure. For the rest of Australia's MTP (France, Italy, China, Malaysia, Thailand and the Philippines), 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)
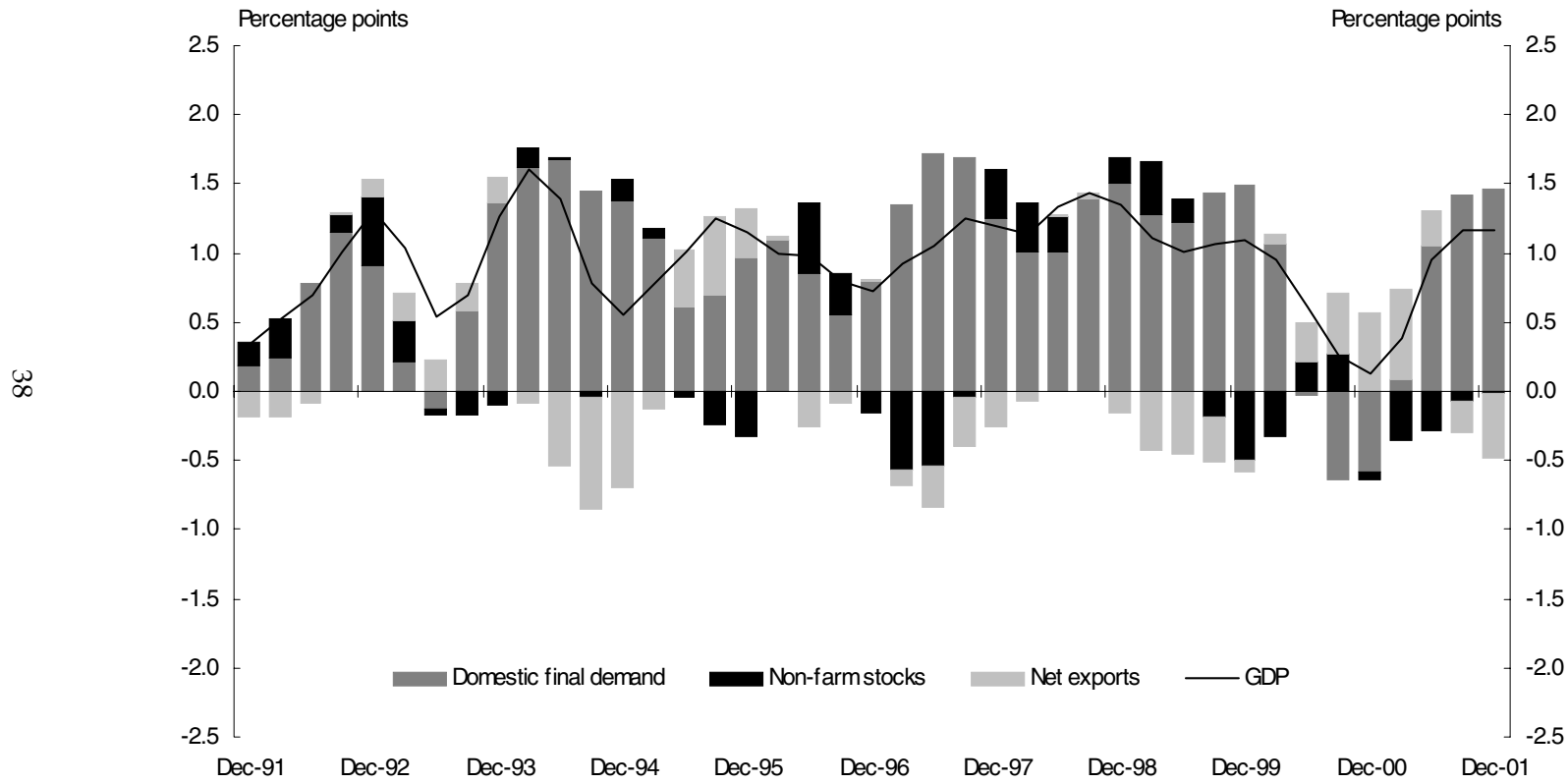
Source: ABS Cat. No. 5206.0.

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

		Final domestic demand							
	Household consumption	Private investment in dwellings	Private business fixed investment	Private final demand	Public final demand	Domestic final demand	Exports	Imports	GDP
Year				(Percentage change on preceding year)					
1998-99	5.1	7.6	1.6	4.6	6.7	5.1	2.0	4.8	5.3
1999-00	4.1	13.7	6.8	5.3	4.7	5.2	9.3	12.5	4.3
2000-01	2.4	-20.6	-5.8	-0.8	2.1	-0.2	7.0	-1.4	1.9
Quarter				(Percentage change on preceding quarter - Trend)					
2000 Dec	0.6	-13.1	-1.7	-0.7	-0.1	-0.6	0.7	-1.9	0.1
2001 Mar	0.8	-5.5	-1.9	0.1	0.0	0.1	0.8	-2.2	0.4
Jun	0.9	6.6	-0.2	1.2	0.6	1.1	0.1	-1.1	1.0
Sep	0.9	8.0	1.2	1.5	1.2	1.4	-0.8	0.3	1.2
Dec	0.9	7.2	1.8	1.5	0.9	1.5	-1.3	1.1	1.2
Quarter				(Percentage change on preceding quarter - Seasonally adjusted)					
2000 Dec	0.1	-13.3	-9.0	-2.2	2.1	-1.2	-2.2	-2.6	-0.4
2001 Mar	1.5	-0.1	1.2	1.4	0.2	1.1	0.3	-2.2	0.6
Jun	0.8	2.3	-3.2	0.3	0.2	0.3	1.1	-0.9	1.1
Sep	0.6	14.1	4.3	2.1	0.0	1.7	-1.6	-1.2	1.1
Dec	1.3	4.1	2.9	1.7	3.3	2.1	-3.2	4.4	1.3
Quarter				(Percentage change on a year earlier - Trend)					
2000 Dec	2.1	-18.8	-2.8	-0.4	0.5	-0.2	6.9	-0.1	2.0
2001 Mar	2.2	-27.7	-5.0	-1.4	-0.3	-1.2	4.8	-4.4	1.4
Jun	2.8	-21.4	-4.7	-0.2	0.3	-0.1	2.8	-5.9	1.7
Sep	3.3	-5.5	-2.6	2.1	1.7	2.0	0.8	-4.8	2.7
Dec	3.6	16.7	0.9	4.3	2.8	4.1	-1.1	-1.9	3.7

Source: ABS Cat. No. 5206.0.

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

	Final domestic demand						Change in inventories			
	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	GDP
Year				(Contribution to change in GDP)						
1998-99	3.1	0.4	0.2	3.7	1.5	5.2	0.9	-0.1	-0.6	5.3
1999-00	2.5	0.7	0.8	4.2	1.1	5.2	-0.4	0.0	-0.8	4.3
2000-01	1.4	-1.2	-0.7	-0.6	0.5	-0.2	0.1	-0.1	1.7	1.9
Quarter				(Contribution to change in GDP - Trend)						
2000 Sep	0.2	-0.6	-0.1	-0.6	0.0	-0.6	0.3	0.1	0.4	0.3
Dec	0.4	-0.7	-0.2	-0.6	0.0	-0.6	0.0	0.1	0.6	0.1
2001 Mar	0.5	-0.2	-0.2	0.1	0.0	0.1	-0.3	-0.1	0.7	0.4
Jun	0.6	0.3	0.0	0.9	0.1	1.1	-0.3	-0.1	0.3	1.0
Sep	0.5	0.4	0.1	1.1	0.3	1.4	-0.1	0.0	-0.2	1.2
Dec	0.5	0.3	0.2	1.1	0.2	1.5	0.0	0.1	-0.5	1.2
Quarter				(Contribution to change in GDP - Seasonally adjusted)						
2000 Sep	0.3	-1.3	0.3	-0.9	-0.1	-0.9	1.2	-0.9	0.9	0.3
Dec	0.1	-0.7	-1.1	-1.7	0.5	-1.2	-0.2	1.1	0.1	-0.4
2001 Mar	0.9	0.0	0.1	1.1	0.0	1.1	-1.2	-0.4	0.5	0.6
Jun	0.5	0.1	-0.4	0.2	0.0	0.3	0.5	0.0	0.4	1.1
Sep	0.4	0.6	0.5	1.6	0.0	1.6	-0.3	-0.2	-0.1	1.1
Dec	0.8	0.2	0.3	1.3	0.7	2.1	-0.1	0.7	-1.5	1.3

Source: ABS Cat. No. 5206.0.

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

	Agriculture, forestry & fishing	Mining	Manu-fact-uring	Electr-icity, gas & water	Cons-truction	Whole-sale trade	Retail trade	Accomm-odation, cafes & restaurants	Transport & storage	Commun-ication services	Finance & insurance services	Property & business services	Gov. admin-ist-ration & defence	Edu-cation	Health & community services	Cultural & recre-ational services	Personal & other services
Year	(Percentage change on preceding year)																
1998-99	4.8	0.5	3.9	1.4	7.2	4.2	5.3	7.8	1.8	10.4	12.7	10.0	4.5	2.0	2.6	2.4	4.0
1999-00	6.9	10.4	2.8	2.8	6.2	6.2	4.4	6.6	3.9	10.5	2.8	4.8	0.2	1.6	2.4	3.8	9.6
2000-01	-3.0	5.4	0.2	2.9	-17.4	0.2	0.8	2.9	1.4	9.0	4.6	9.7	2.9	1.8	7.2	12.3	3.1
Quarter	(Change on previous quarter-Trend)																
2000 Sep	-1.3	1.1	-0.7	0.9	-8.3	-0.7	-0.2	0.2	-0.2	2.7	1.4	2.9	1.0	0.5	1.5	3.7	0.4
Dec	-0.5	0.8	-1.5	0.2	-8.5	-0.8	0.4	0.9	0.2	1.8	1.5	2.6	0.8	0.5	3.5	0.1	1.6
2001 Mar	1.4	0.5	-0.7	-0.6	-2.4	-0.4	0.9	1.9	0.9	0.9	1.3	1.7	0.5	0.4	3.7	-1.6	1.7
Jun	0.6	-0.2	0.9	-0.6	4.4	0.5	1.3	1.8	1.0	-0.4	1.3	1.6	0.2	0.4	2.3	0.3	1.3
Sep	-0.7	-0.4	1.4	0.1	4.3	1.0	1.2	1.1	0.2	-1.1	1.2	1.8	0.0	0.4	1.3	2.6	1.5
Dec	-0.8	-0.2	1.4	0.5	3.1	1.1	1.0	0.3	-0.4	-1.6	1.0	1.7	-0.2	0.4	0.9	2.1	1.8
Quarter	(Change on previous quarter-Seasonally adjusted)																
Sep	-5.2	-0.1	-0.8	1.3	-14.6	-0.2	-1.9	0.9	-1.0	2.6	2.5	4.4	1.1	0.5	0.7	16.5	-0.2
Dec	1.1	0.9	-1.6	-0.5	-9.7	-2.3	1.0	-0.1	-0.7	2.1	0.5	1.6	0.2	0.5	3.5	-10.1	3.9
2001 Mar	3.3	2.2	-2.1	0.8	0.6	1.0	1.4	2.6	1.5	1.7	1.9	1.4	1.9	0.4	5.7	1.0	0.3
Jun	0.5	-1.5	3.1	-2.2	5.3	0.4	0.7	1.6	2.2	-2.6	0.6	2.3	-1.5	0.4	1.7	1.2	1.9
Sep	-2.8	-1.2	0.3	-0.2	4.4	-0.4	1.5	2.7	-0.7	2.0	2.0	1.0	1.6	0.4	-0.5	2.6	0.3
Dec	0.4	1.4	1.8	2.7	1.9	3.3	1.1	-2.3	-1.0	-4.4	0.5	2.6	-1.4	0.4	2.9	2.5	3.5
Quarter	(Change on year earlier-Trend)																
2000 Jun	0.5	11.0	5.0	4.6	1.8	6.1	2.0	3.4	3.4	10.5	1.4	5.1	1.0	1.6	1.7	10.8	5.3
Sep	-1.7	9.3	4.2	5.1	-8.3	3.4	0.8	1.7	1.8	11.3	2.5	7.5	2.5	1.7	2.4	14.3	2.2
Dec	-3.6	7.0	1.0	4.2	-18.3	0.5	0.3	1.7	0.8	10.8	4.2	9.7	3.3	1.8	5.5	13.8	1.8
2001 Mar	-1.9	4.2	-1.8	1.8	-21.1	-1.6	0.8	3.1	1.1	8.7	5.2	10.1	3.3	1.8	9.1	7.9	3.4
Jun	0.2	2.2	-2.0	-0.2	-14.5	-1.4	2.5	4.9	1.9	5.1	5.6	9.1	2.7	1.8	11.4	2.5	5.1
Sep	0.9	0.7	0.1	-1.0	-2.8	0.3	3.9	5.8	2.3	1.2	5.4	7.9	1.6	1.8	11.2	1.4	6.2
Dec	0.5	-0.4	3.0	-0.6	9.6	2.2	4.5	5.2	1.8	-2.2	5.0	7.0	0.5	1.6	8.4	3.3	6.4

Source: ABS Cat. No. 5206.0.

Table 4: Real household income[a]

Year	Non-farm employees	Non-farm average earnings	Non-farm compensation employees	Gross mixed income	Household income	Household disposable income
	(Percentage change on preceding year)					
1998-99	2.7	3.2	5.9	4.4	5.5	5.4
1999-00	2.2	1.7	3.9	6.1	4.5	4.0
2000-01	2.7	-0.7	2.0	1.4	3.1	5.1
Quarter	(Percentage change on preceding quarter - Seasonally adjusted)					
2000 Dec	0.4	-0.2	0.2	-3.2	0.1	-0.1
2001 Mar	0.1	0.8	0.9	1.4	0.3	-0.4
Jun	-0.4	0.4	0.0	2.4	1.0	2.2
Sep	0.7	0.4	1.1	3.9	0.1	-0.8
Dec	-0.2	0.0	-0.2	-0.1	0.3	1.7
Quarter	(Percentage change on year earlier - Seasonally adjusted)					
2000 Dec	3.4	-1.7	1.6	0.9	3.0	4.9
2001 Mar	2.4	-0.7	1.7	-1.3	2.2	3.4
Jun	0.8	0.1	0.9	0.1	2.0	4.9
Sep	0.8	1.3	2.2	4.4	1.5	0.8
Dec	0.2	1.5	1.7	7.7	1.8	2.7

(a)   Deflated by the chain price index for private final consumption expenditure.
Source: ABS Cat. No. 5206.0.

Table 5: Wages, labour costs and company income

	Average weekly earnings (survey basis)			Unit labour costs		Factor shares	
	Full-time adult ordinary time earnings[a]	All persons total earnings[a]	Non-farm average earnings (national accounts basis)[a]	Nominal[b]	Real[c]	Wage share[d]	Profit share[e]
Year	(Percentage change on preceding year)				(Index)	(per cent)	(per cent)
1998-99	3.7	2.4	4.0	0.5	96.5	55.0	22.8
1999-00	3.3	2.2	3.1	1.2	95.7	54.4	23.4
2000-01	5.3	5.5	3.9	3.9	96.0	54.6	23.2
Quarter	(Percentage change on preceding quarter - Seasonally adjusted)						
2000 Dec	0.6	-0.2	0.5	1.3	96.7	55.2	22.6
2001 Mar	0.8	1.7	1.7	1.3	96.2	54.7	23.3
Jun	2.2	1.1	1.1	-0.2	96.5	54.8	22.8
Sep	1.4	1.3	0.3	-0.9	95.9	54.6	22.7
Dec	1.2	0.6	0.4	-1.0	94.5	53.9	23.7
Quarter	(Percentage change on year earlier - Seasonally adjusted)						
2000 Dec	5.1	5.1	3.0	4.7			
2001 Mar	4.6	5.6	4.2	4.3			
Jun	5.3	4.4	5.1	4.3			
Sep	5.0	4.0	3.6	1.5			
Dec	5.8	4.9	3.6	-0.8			

(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 (base for index: 1986-87 = 100.0) as defined in footnote (b) deflated by the derived chain price index for gross non-farm product.
(d) Compensation of employees as a share of total factor income.
(e) Gross operating surplus of corporations as a share of total factor income.
Sources: ABS Cat. Nos. 5206.0 and 6302.0.

Table 6: Prices

Year	Consumer price index[a]		Implicit price deflators[b]	
	All groups	All groups excl housing	Gross non-farm product	Household final consumption expenditure
	(Percentage change on preceding year)			
1997-98	0.0	1.2	1.5	1.7
1998-99	1.2	1.2	0.3	0.8
1999-00	2.4	2.0	2.0	1.4
2000-01	6.0	5.4	4.3	4.6
Quarter	(Percentage change on preceding quarter)			
1999 Sep	0.9	0.8	0.7	0.2
Dec	0.6	0.2	0.4	0.3
2000 Mar	0.9	0.9	1.5	0.7
Jun	0.8	0.8	0.6	0.7
Sep	3.7	3.1	2.0	2.6
Dec	0.3	0.4	0.1	0.6
2001 Mar	1.1	1.2	1.5	0.9
Jun	0.8	1.0	0.3	0.7
Sep	0.3	0.0	-0.3	0.0
Dec	0.9	1.0	0.4	0.5
Quarter	(Percentage change on a year earlier)			
1999 Sep	1.7	1.3	1.1	0.8
Dec	1.8	1.2	0.9	0.9
2000 Mar	2.8	2.4	2.1	1.3
Jun	3.2	2.7	3.2	1.9
Sep	6.1	5.1	4.6	4.4
Dec	5.8	5.3	4.4	4.8
2001 Mar	6.0	5.6	4.3	4.9
Jun	6.0	5.8	4.0	5.0
Sep	2.5	2.6	1.6	2.3
Dec	3.1	3.2	1.8	2.1

(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)						
1997-98	13.2	0.8	2.9	1.4	8.0	737.8	63.1
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
	(Percentage change on preceding quarter						
Quarter [a]	- Seasonally adjusted)						
2001 Mar	-8.0	-0.3	1.1	0.1	6.5	632.3	63.6
Jun	-11.3	-0.5	2.6	0.4	6.8	668.2	63.8
Sep	-0.1	-0.6	1.8	0.1	6.8	669.2	63.7
Dec	-1.9	0.2	0.5	0.3	6.9	676.6	63.7
	(Percentage change on a year earlier						
Quarter [a]	- Seasonally adjusted)						
2001 Mar	-25.1	1.2	2.8	1.6			
Jun	-34.8	-0.3	5.1	1.1			
Sep	-25.1	-1.5	5.3	0.3			
Dec	-20.1	-1.1	6.2	0.9			
	(Percentage change on preceding month						
Month	- Seasonally adjusted)						
2001 Feb	-9.5	0.3	-0.8	0.0	6.6	647.5	63.7
Mar	-7.2	0.3	-0.5	0.1	6.5	633.5	63.6
Apr	-3.0	-0.7	3.1	0.3	6.7	660.5	63.9
May	0.3	0.1	-0.4	0.0	6.8	668.3	63.8
Jun	-1.8	-0.6	1.3	-0.1	6.9	675.8	63.8
Jul	1.0	-1.1	2.4	-0.2	6.9	673.8	63.6
Aug	0.5	1.0	-0.2	0.7	6.8	671.3	63.9
Sep	-1.1	0.7	-3.3	-0.4	6.7	662.6	63.5
Oct	-1.9	-0.8	2.9	0.2	7.0	693.6	63.8
Nov	0.0	0.2	-0.1	0.1	6.8	670.9	63.6
Dec	1.4	0.0	0.3	0.1	6.7	665.3	63.6
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

(a)   All figures refer to period averages.
Sources: ANZ Bank and ABS Cat. No. 6202.0.

Table 8: Current account

Year	Balance on merchandise trade	Balance on goods & services	Net income balance	Net current transfers	Current account balance ($ million)	Percentage of GDP (per cent)	Net income balance Percentage of current account balance (per cent)	Percentage of GDP (per cent)	Exports of goods & services	Imports of goods & services	Terms of trade[a]
	($ million)				($ million)	(per cent)	(per cent)	(per cent)	($ million)		
1998-99	-12644	-14428	-18189	-749	-33366	-5.6	54.5	-3.1	115258	-124752	95.9
1999-00	-12955	-14351	-19346	218	-33479	-5.3	57.8	-3.1	125972	-140323	100.0
2000-01	102	774	-19750	32	-18944	-2.8	104.3	-2.9	134824	-138290	103.1
Quarter					(Seasonally adjusted)						
2000 Sep	-1824	-522	-4513	6	-5029	-3.0	89.7	-2.7	34124	-35717	103.2
Dec	-654	-667	-4943	-77	-5687	-3.4	86.9	-3.0	33376	-34795	102.5
2001 Mar	947	561	-5240	73	-4606	-2.7	113.8	-3.1	33475	-34047	103.2
Jun	1784	1600	-5203	28	-3575	-2.1	145.5	-3.0	33850	-33731	103.8
Sep	1997	1879	-4992	25	-3088	-1.8	161.7	-2.9	33317	-33310	105.0
Dec	-835	-1336	-5173	-85	-6594	-3.7	78.5	-2.9	32267	-34780	104.0
Month					(Seasonally adjusted)						
2001 Feb	955	855									
Mar	483	375									
Apr	200	72									
May	546	543									
Jun	612	558									
Jul	940	1012									
Aug	144	15									
Sep	503	379									
Oct	387	182									
Nov	-115	-288									
Dec	-266	-358									
2002 Jan	-208	-308									

(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, 1999-2000 = 100, calculated on a National Accounts basis.

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

46

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)				
As at end	($A million)				
1999 Jun	75279	277335	352615	225577	325371
2000 Jun	63445	346468	409913	272071	342144
2001 Jun	72012	418989	491001	319983	397752
2000 Sep	68689	379466	448155	299382	357408
Dec	67460	397322	464783	303037	379210
2001 Mar	71746	447893	519638	335361	397326
Jun	72012	418989	491001	319983	397752
Sep	74584	439498	514082	328416	412137
Dec	n.y.a.	n.y.a.	n.y.a.	326115	412570
As at end	(Percentage of GDP)				
1999 Jun	12.7	46.9	59.6	38.1	55.0
2000 Jun	10.1	55.1	65.1	43.2	54.4
2001 Jun	10.7	62.3	73.1	47.6	59.2
2000 Sep	10.7	59.1	69.8	46.6	55.7
Dec	10.3	60.8	71.1	46.4	58.0
2001 Mar	10.8	67.6	78.4	50.6	59.9
Jun	10.7	62.3	73.1	47.6	59.2
Sep	11.0	64.7	75.7	48.3	60.7
Dec	n.y.a.	n.y.a.	n.y.a.	47.2	59.7

Source: ABS Cat. Nos. 5302.0 and 5206.0.

47

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)				
Year ended	($A million)				
1999 Jun	3513	9956	13469	10347	18132
2000 Jun	3434	12921	16355	12841	19209
2001 Jun	3117	15566	18683	14478	19581
Quarter ended					
2000 Sep	809	3619	4428	3472	4991
Dec	829	3718	4547	3468	4454
2001 Mar	695	4275	4970	3842	5100
Jun	784	3954	4738	3696	5036
Sep	782	3853	4635	3639	5494
Dec	n.y.a.	n.y.a.	n.y.a.	3409	4878
Year ended	(Percentage of exports of goods and services)				
1999 Jun	3.1	8.9	12.0	9.2	16.2
2000 Jun	2.7	10.3	13.0	10.2	15.2
2001 Jun	2.0	10.2	12.2	9.5	12.8
Quarter ended					
2000 Jun	2.5	10.4	12.9	10.0	13.7
Sep	2.2	9.7	11.8	9.3	13.3
Dec	2.1	9.4	11.5	8.8	11.3
2001 Mar	1.9	11.5	13.3	10.3	13.7
Jun	2.0	10.1	12.2	9.5	12.9
Sep	2.0	9.7	11.7	9.2	13.9
Dec	n.y.a.	n.y.a.	n.y.a.	8.8	12.7

Source: ABS Cat. No. 5302.0.

Table 11: Selected economic indicators

			Indices of unit labour costs & prices adjusted for exchange rate changes [b][c] (1999-2000=100)						
			Price based		Unit labour cost based[f]				
						Components of unit labour cost index			
	Inventories to total sales [a]	Imports to domestic sales[a]	CPI based[d]	GDP deflator based[e]		Nominal unit cost index	Nominal exchange rate	Saving ratio[g]	Trade weighted index[i]
Year									
1998-99	0.874	0.362	101.3	100.9	102.1	100.1	102.0	2.8	56.0
1999-00	0.884	0.386	100.0	100.0	100.0	100.0	100.0	2.3	55.2
2000-01	0.882	0.416	90.3	92.9	92.1	103.2	89.2	4.9	50.3
Quarter[h]			(Seasonally Adjusted)						
2000 Sep	0.875	0.412	94.0	96.4	95.6	102.4	93.3	5.7	52.1
Dec	0.896	0.431	88.3	90.5	90.7	103.6	87.6	5.4	49.6
2001 Mar	0.882	0.406	90.1	92.9	92.3	104.0	88.7	3.4	50.0
Jun	0.873	0.415	88.9	91.6	89.9	102.9	87.3	4.8	49.6
Sep	0.859	0.393	88.9	91.0	89.0	102.3	87.0	3.2	49.3
Dec	0.839	0.395	90.1	91.1	87.7	100.7	87.1	3.6	49.6

(a) ABS National Accounts measure. All numbers derived from seasonally adjusted data.
(b) A discussion of these indices and detailed figures covering the period from the September quarter 1970 to the March quarter 1983 may be found in a supplement to the July 1983 Roundup of Economic Statistics titled 'International Comparisons of Relative Price and Cost Levels'.
(c) The weights used are based on a 3 year moving average of Australia's imports from the US, Japan, UK and Germany. The four countries are the source of about 32 per cent of Australia's merchandise imports. Observations are quarterly averages. A rise (fall) implies a deterioration (improvement) in Australian costs and prices relative to the four countries above after adjusting for exchange rate changes.
(d) The CPI based index is the ratio of the Australian Consumer Price Index to the weighted geometric average of the exchange rate adjusted consumer price indices of Australia's four major import sources.
(e) The GDP deflator based index is the ratio of the GDP deflator for Australia to the weighted geometric average of the exchange rate adjusted GDP deflator of Australia's four major import sources.
(f) The unit labour cost based index is the ratio of unit labour costs in the non-farm sector of the Australian economy to the weighted geometric average of the exchange rate adjusted unit labour costs in the business sector for Australia's four major import sources.
(g) Ratio of household net saving to household net disposable income less consumption of fixed Capital.
(h) Quarterly data are seasonally adjusted except for the trade weighted index and the nominal exchange rate.
(i) Period average, May 1970 = 100.
Sources: ABS Cat. Nos. 5206.0 and 5302.0.

49

Articles in the Economic Roundup

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

Spring 2001	2000-01 in review: housing leads a temporary slowdown in Australian economic growth
	Australia's economic development
	Treasury's business liaison program
	The Board of Taxation: its role and current activities
	The household balance sheet in Australia
Winter 2001	Economic outlook
	A more productive Australia – policy and technology
	The growing dependence of East Asia economies on exports
	Financial capital and taxation policy: the way forward

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