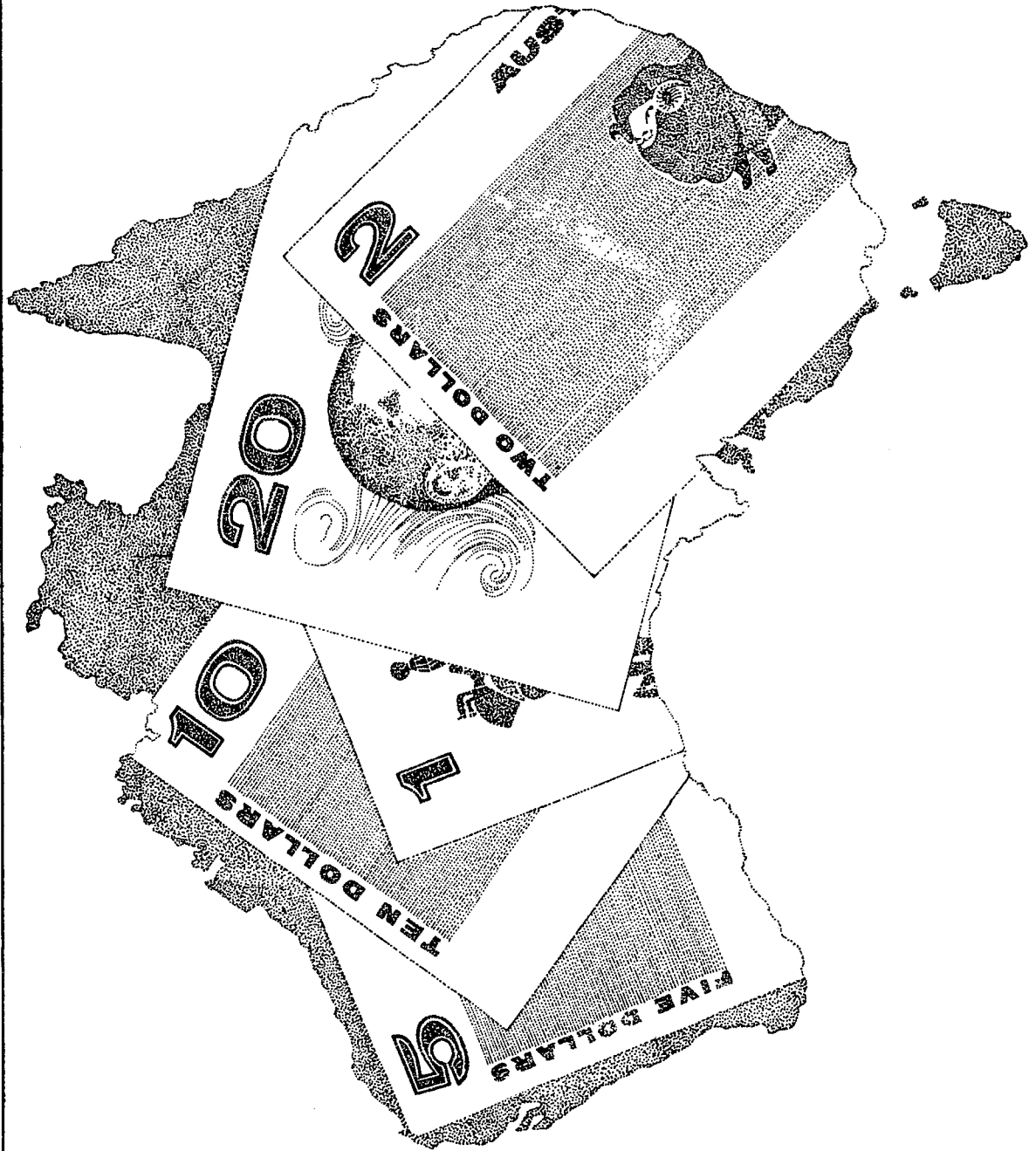


CHAPTER 23

NATIONAL ACCOUNTS



CHAPTER 23

NATIONAL ACCOUNTS

National accounting aims at providing a systematic summary of the transactions taking place in the economy, especially of those that relate to the production and use of goods and services, and to transfers of income or capital between sectors of the economy.

Estimates of national income and expenditure have been compiled by the Bureau since 1944-45 and have been published annually as papers entitled *National Income and Expenditure* accompanying the Commonwealth Budgets.

NATIONAL INCOME AND EXPENDITURE

Description of National Income and Expenditure Accounts

A brief description of the conceptual basis of national accounts is given in this section, but for a more detailed treatment of the concepts and structure of the Australian national accounts reference should be made to *Australian National Accounts, National Income and Expenditure, 1976-77* (5204.0).

Definition and relationship of the concepts of product, income and expenditure

The main concepts of product, income and expenditure in the Australian National Accounts are defined and expressed in equivalents as follows:

Gross domestic product is the total market value of goods and services produced in Australia within a given period after deduction of the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital. Thus, gross domestic product, as here defined, is 'at market prices'. It is equivalent to gross national expenditure plus exports of goods and services less imports of goods and services. *Gross farm product* is that part of gross domestic product which derives from production in agriculture and services to agriculture. *Gross non-farm product* arises from production in all other industries.

Gross domestic product at factor cost is that part of the cost of producing the gross domestic product which consists of gross payments to factors of production (labour, land, capital and enterprise). It represents the value added by these factors in the process of production and is equivalent to gross domestic product less indirect taxes plus subsidies.

Domestic factor incomes is that part of the value added within a given period by factors of production (labour, land, capital and enterprise) which accrues as income to their suppliers after allowing for the depreciation of fixed capital. It is equivalent to gross domestic product at factor cost less depreciation allowances.

National income is the net income accruing within a given period to Australian residents from their services in supplying factors of production (labour, land, capital and enterprise) in Australia or overseas plus indirect taxes less subsidies. It is equivalent to domestic factor incomes plus indirect taxes less subsidies and net income paid overseas.

National disposable income is the net income accruing within a given period to Australian residents from their services in supplying factors of production, from net indirect taxes and from redistributive transfers. It is equivalent to national income less net transfers overseas plus net withholding taxes received from overseas.

Gross national expenditure is the total expenditure within a given period on final goods and services (i.e. excluding goods and services used up during the period in the process of production) bought by Australian residents. It is equivalent to the gross domestic product plus imports of goods and services less exports of goods and services.

Household income is the total income, whether in cash or kind, received by persons normally resident in Australia in return for productive activity (such as wages, salaries and supplements, incomes of unincorporated enterprises, etc.) and transfer incomes (such as cash social service benefits, interest, etc.). It includes the imputed interest of life offices and superannuation funds, which is the benefit accruing to policy holders and members from investment income of the funds. It also includes third party motor vehicle and public risk insurance claims paid to persons in respect of policies taken out by enterprises. However, it excludes any income which might be said to accrue to persons in the form of undistributed company income. It also includes any property income received by non-profit organisations such as private schools, churches, charitable organisations, etc.

Framework of accounts and sectors

In the Australian national accounts, four internal sectors are distinguished: corporate trading enterprises (including public trading enterprises), financial enterprises (including the nominal industry), households (including their unincorporated enterprises) and general government. All of these internal sectors engage in productive activity, receive and disburse income and accumulate assets. In this publication no accounts are shown for individual internal sectors. The transactions of the internal sectors are summarised in three accounts: a domestic production account (Table 1, page 646), a national income and outlay account (Table 3, page 647) and a national capital account (Table 4, page 647). In addition, there is an overseas sector having an account (Table 6, page 648) which shows a summary of the transactions into which overseas governments, persons and businesses enter with Australian residents.

The framework of sectors and accounts underlying the Australian national accounts is set out in the following diagram. The heavy rectangles depict the minimum system of four accounts which represent the consolidated accounts of the nation. The light rectangles represent the accounts for institutional sectors. The subdivision of the domestic production account represents production accounts for establishments classified according to industry. Selected transactions from such production accounts are shown in *Australian National Accounts, National Income and Expenditure* (5204.0). Such production accounts can be developed in detail to produce input-output tables.

ARTICULATION OF AUSTRALIAN NATIONAL ACCOUNTS

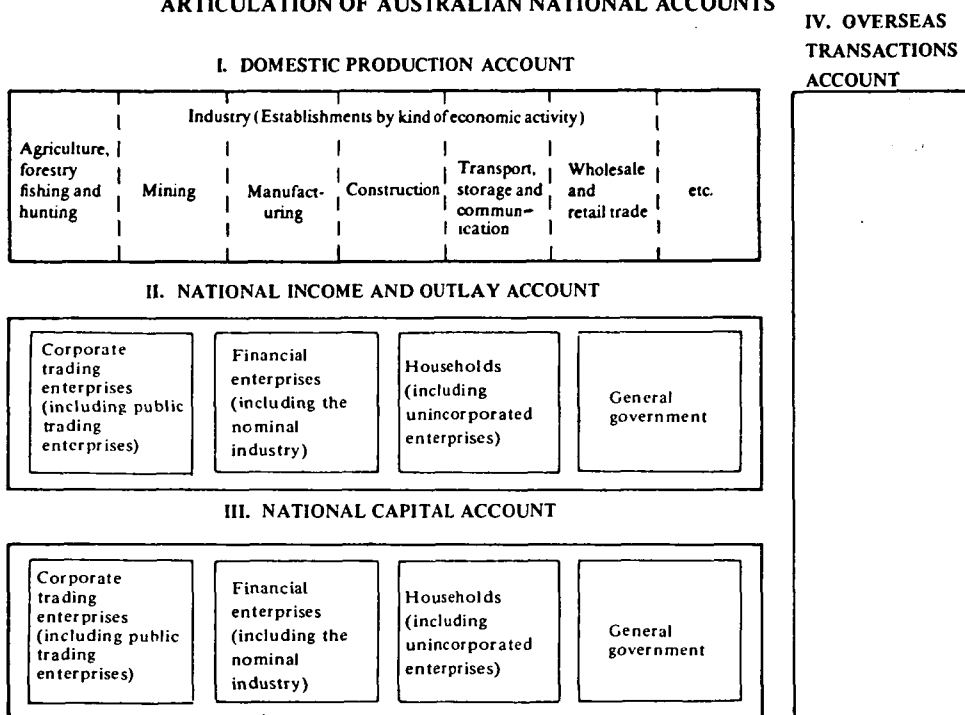


PLATE 46

Description of the accounts

The *domestic production account* is a consolidation of the production accounts of all producers regardless of sector. The production account is shown as receiving revenue from the sale of goods and services to final buyers; all intermediate goods and services are cancelled out, since they represent a cost to one producer to offset the revenue of the other. On the payments side are shown the payments of indirect taxes less subsidies, and, since the account is presented from the point of view of the producing unit, the wages and salaries paid to employees. The balance is the gross operating surplus which may be divided into depreciation allowances and net operating surplus. Depreciation allowances is carried to the national capital account (or the sector capital accounts) and net operating

surplus, together with wages and salaries and indirect taxes less subsidies, is carried to the national income and outlay account (or sector income and outlay accounts). In input-output tables, the domestic production account is broken up into accounts for separate industries, and transactions associated with intermediate usage of goods and services are shown in the production accounts for the separate industries.

The *national income and outlay account* is shown as receiving wages, salaries and supplements, net operating surplus and indirect taxes less subsidies from the domestic production account. From this income are deducted net payments of income and miscellaneous transfers to overseas; the remainder is the national disposable income. The outlay side of the account shows that this disposable income is largely used for final consumption expenditure and the balance is the nation's saving. The national income and outlay account is a consolidation of the sector income and outlay accounts.

The *national capital account* is a consolidation of the sector capital accounts. It shows on the receipts side depreciation allowances transferred from the domestic production account and saving transferred from the national income and outlay account (or from the sector income and outlay accounts). On the payments side are shown purchases by all sectors of new buildings and capital equipment, the increase in stocks of all sectors and a balance described as net lending to overseas. This concept of net lending to overseas includes increases (and, negatively, decreases) in Australia's overseas monetary reserves. The net lending to overseas is also the balance on current transactions in the overseas transactions account.

The *overseas transactions account* records all transactions of a current nature between Australian and overseas residents. Although this is an account for the overseas sector, the items are named from the Australian viewpoint. The account shows that Australia's current receipts from overseas consist of the value of Australia's exports of goods and services, property income received from overseas and transfers from overseas. These receipts are used for Australia's imports of goods and services and payments of property income and transfers to overseas; the balance of current receipts represents net lending to overseas. Positive net lending to overseas corresponds to a surplus on current transactions with overseas, and negative net lending corresponds to a deficit. The transactions in property income shown in this account differ from estimates shown in balance of payments statistics because, in the national accounts, undistributed company income is not imputed to the beneficial owners. For this reason also, net lending to overseas differs from the balance on current account shown in balance of payments statistics.

Estimates at constant prices

For certain kinds of intertemporal comparison, it is desirable to derive measures which attempt to remove the direct effect of price changes during the periods under review. Such estimates, conventionally described as 'at constant prices', are presented in Tables 2 and 5 (pages 646 and 648 respectively) for gross domestic product, exports and imports of goods and services, and gross national expenditure and its principal components.

Part 1 of *Australian National Accounts, National Income and Expenditure, 1976-77* (5204.0) contains a discussion of the conceptual problems involved in making these estimates. Appendix B of that publication contains a brief account of the sources and methods used in preparing the estimates.

It should be noted that estimates at constant prices involve approximations and assumptions, and care must be taken in the interpretation and use of results.

Reliability and revisions

Estimates of national income and expenditure are necessarily prepared from a very wide range of statistical information, some of which is available quickly and some of which is available only after a delay of several years. Some of it is closely related to the desired national income concepts, but some of it is not completely satisfactory in various respects, including coverage, concepts and timing. Estimates, in particular for the most recent years, are therefore subject to revision. This applies particularly to estimates based on income tax statistics—income of companies, non-farm unincorporated enterprises, depreciation, and part of private gross fixed capital expenditure—which are subject to substantial revisions for the last two years because tabulations of income tax statistics do not become available until about twenty-two months after the end of each financial year.

It is not possible to put precise limits on the degree of revision likely to any particular series, nor to state degrees of reliability in a statistical sense. These depend in large part on the range and quality of the basic statistical data.

National income and expenditure tables

(For explanatory note on item numbers see Note following Table 3.)

TABLE 1
DOMESTIC PRODUCTION ACCOUNT
(\$ million)

	1976-77	1977-78	1978-79
Final consumption expenditure—			
1 Private	48,507	54,227	60,547
2 Government	13,226	15,031	16,689
Gross fixed capital expenditure—			
3 Private	11,766	12,650	14,496
4 Public enterprises	3,703	4,229	4,337
5 General government	3,448	3,723	3,880
6 Increase in stocks	1,001	-400	928
7 Statistical discrepancy	1,329	1,379	1,688
<i>Gross national expenditure</i>	<i>82,980</i>	<i>90,839</i>	<i>102,565</i>
8 Exports of goods and services	13,097	13,930	16,323
9 Less Imports of goods and services	13,297	14,474	17,255
Expenditure on gross domestic product	82,780	90,295	101,633
10 Wages, salaries and supplements	46,880	51,548	55,879
Gross operating surplus—			
Trading enterprises—			
11a Companies	9,721	10,572	10,949
11b Unincorporated enterprises	9,706	10,089	13,301
11c Dwellings owned by persons	4,881	6,094	7,332
11d Public enterprises	1,915	2,048	2,349
11e Financial enterprises	2,062	1,925	2,275
11f Less Imputed bank service charge	2,137	2,339	2,620
<i>Gross domestic product at factor cost</i>	<i>73,028</i>	<i>79,937</i>	<i>89,465</i>
12 Indirect taxes less subsidies	9,752	10,358	12,168
Gross domestic product	82,780	90,295	101,633
Gross farm product	4,254	4,022	6,642
Gross non-farm product	78,526	86,273	94,991

TABLE 2
EXPENDITURE ON GROSS DOMESTIC PRODUCT AT AVERAGE 1974-75 PRICES
(\$ million)

	1976-77	1977-78	1978-79
Final consumption expenditure—			
Private	37,706	38,606	39,555
Government	10,342	10,912	11,426
Gross fixed capital expenditure—			
Private	9,025	8,812	9,432
Public	5,490	5,652	5,498
Increase in stocks	811	-556	1,163
Statistical discrepancy	1,068	1,003	1,138
<i>Gross national expenditure</i>	<i>64,442</i>	<i>64,429</i>	<i>68,212</i>
Exports of goods and services	10,951	11,202	11,357
Less Imports of goods and services	10,500	10,061	10,931
Expenditure on gross domestic product	64,893	65,570	68,638
Gross farm product	4,039	3,746	5,095
Gross non-farm product	60,854	61,824	63,543

TABLE 3
NATIONAL INCOME AND OUTLAY ACCOUNT
(\$ million)

	1976-77	1977-78	1978-79
10 Wages, salaries and supplements	46,880	51,548	55,879
11g Net operating surplus	20,613	22,248	26,792
<i>Domestic factor incomes</i>	67,493	73,796	82,671
13 Less Net income paid overseas	938	1,122	1,247
12a Indirect taxes	10,091	10,848	12,738
12b Less Subsidies	339	490	570
<i>National income</i>	76,307	83,032	93,592
14 Less Net transfers to overseas	428	418	501
15g Withholding taxes from overseas	96	118	114
National disposable income	75,975	82,732	93,205
Final consumption expenditure—			
1 Private	48,507	54,227	60,547
2 Government	13,226	15,031	16,689
15 to Saving	14,242	13,474	15,969
19 Disposal of income	75,975	82,732	93,205

NOTE. Items in all current price tables are numbered from 1 to 25, with or without the addition of a letter, and this system is used to identify the corresponding credit and debit entries in the accounts. In some cases the items correspond exactly, while in other cases an entry in one table is the sum of two or more entries in other tables; here the total is given a number, and the components have a number and a letter. In the remaining type of case all entries are given the same number and a distinguishing letter, because in this group one item is not the sum of one or more entries. The relationship between these items can still be traced through because the sum of all credit entries must equal the sum of all debit entries. A description of the numbered items can be found in *Australian National Accounts, National Income and Expenditure 1976-77* (5204.0).

TABLE 4
NATIONAL CAPITAL ACCOUNT
(\$ million)

	1976-77	1977-78	1978-79
11h Depreciation allowances	5,535	6,141	6,794
Saving—			
15 Increase in income tax provisions	354	192	694
16 Undistributed (company) income	1,494	1,505	1,189
17 Retained income of public financial enterprises	538	271	258
18 Household saving	8,876	9,372	12,069
19 General government surplus on current transactions	2,980	2,134	1,759
Finance of gross accumulation	19,777	19,615	22,763
Gross fixed capital expenditure—			
Private—			
3a Dwellings	4,028	3,882	4,043
3b Other building and construction	1,938	2,268	2,530
3c All other	5,800	6,500	7,923
4 Public enterprises	3,703	4,229	4,337
5 General government	3,448	3,723	3,880
<i>Total gross fixed capital expenditure</i>	<i>18,917</i>	<i>20,602</i>	<i>22,713</i>
Increase in stocks—			
6a Farm and miscellaneous	-60	-424	891
6b Private non-farm	1,061	24	37
7 Statistical discrepancy	1,329	1,379	1,688
21 Net lending to overseas	-1,470	-1,966	-2,566
Gross accumulation	19,777	19,615	22,763

TABLE 5
GROSS FIXED CAPITAL EXPENDITURE AND INCREASE IN STOCKS AT AVERAGE 1974-75 PRICES
(\$ million)

	1976-77	1977-78	1978-79
Gross fixed capital expenditure—			
Private—			
Dwellings	3,085	2,805	2,840
Other building and construction	1,482	1,599	1,673
All other	4,458	4,408	4,919
<i>Total private</i>	9,025	8,812	9,432
Public	5,490	5,652	5,498
Total	14,515	14,464	14,930
Increase in stocks—			
Farm and miscellaneous	5	-596	1,098
Private non-farm	806	40	65
Total	811	-556	1,163

TABLE 6
OVERSEAS TRANSACTIONS ACCOUNT
(\$ million)

	1976-77	1977-78	1978-79
9a Imports f.o.b.	10,345	11,165	13,476
9b Transportation	1,998	2,136	2,513
9c Travel	510	551	655
9d Government transactions	189	223	213
9e Other goods and services	255	399	399
9 <i>Imports of goods and services</i>	<i>13,297</i>	<i>14,474</i>	<i>17,255</i>
13a Property income to overseas	1,196	1,391	1,559
14a Personal transfers overseas	290	367	374
14b General government transfers overseas	414	453	518
21 Net lending to overseas	-1,470	-1,966	-2,566
Use of current receipts	13,727	14,719	17,140
8a Exports f.o.b.	11,399	12,042	14,057
8b Transportation	1,238	1,316	1,545
8c Travel	278	325	370
8d Government transactions	88	93	99
8e Other goods and services	94	154	251
8 <i>Exports of goods and services</i>	<i>13,097</i>	<i>13,930</i>	<i>16,323</i>
13b Property income from overseas	258	269	312
14c Personal transfers from overseas	276	402	391
15g Withholding taxes	96	118	114
Current receipts from overseas	13,727	14,719	17,140

TABLE 7
MAIN AGGREGATES AT CURRENT PRICES, 1955-56 TO 1978-79
(\$ million)

Year	1		2	3	4	5	6	7
	Final consumption expenditure		Private gross fixed capital expenditure	Public gross fixed capital expenditure	Increase in stocks	Statistical discrepancy	Gross national expenditure	(1 to 6)
	Private	Government						
1955-56	6,907	1,043	1,640	927	229	-133	10,613	
1956-57	7,381	1,086	1,717	950	-45	-219	10,870	
1957-58	7,740	1,121	1,858	998	56	-117	11,656	
1958-59	8,142	1,223	1,922	1,100	253	-112	12,528	
1959-60	8,932	1,312	2,191	1,214	168	37	13,854	
1960-61	9,477	1,410	2,415	1,256	478	-39	14,997	
1961-62	9,763	1,529	2,328	1,380	-219	-119	14,662	
1962-63	10,462	1,629	2,580	1,434	253	-136	16,222	
1963-64	11,288	1,787	2,913	1,586	120	-108	17,586	
1964-65	12,213	2,042	3,398	1,852	561	36	20,102	
1965-66	12,990	2,373	3,657	2,066	109	-69	21,126	
1966-67	14,026	2,700	3,825	2,184	336	-148	22,923	
1967-68	15,321	3,048	4,164	2,369	125	-215	24,812	
1968-69	16,580	3,331	4,730	2,532	698	-162	27,709	
1969-70	18,234	3,643	5,162	2,756	449	67	30,311	
1970-71	20,118	4,202	5,839	2,935	496	-33	33,557	
1971-72	22,329	4,756	6,331	3,297	55	241	37,009	
1972-73	24,976	5,425	6,685	3,476	-287	673	40,948	
1973-74	29,465	6,765	7,772	3,983	1,252	1,706	50,943	
1974-75	35,669	9,160	8,535	5,673	873	1,430	61,340	
1975-76	42,472	11,356	10,219	6,703	47	972	71,769	
1976-77	48,507	13,226	11,766	7,151	1,001	1,329	82,980	
1977-78	54,227	15,031	12,650	7,952	-400	1,379	90,839	
1978-79	60,547	16,689	14,496	8,217	928	1,688	102,565	

Year	8	9	10	11	12	13	14
	Exports of goods and services	Imports of goods and services	(7+8-9)	Gross domestic product at factor cost	National income	Household income	Wages, salaries and supplements
			Gross domestic product				
1955-56	1,734	1,953	10,394	9,331	9,601	8,561	5,444
1956-57	2,184	1,736	11,318	10,121	10,458	9,144	5,758
1957-58	1,840	1,925	11,571	10,274	10,529	9,146	5,980
1958-59	1,860	1,960	12,428	11,080	11,286	9,844	6,273
1959-60	2,126	2,285	13,695	12,220	12,449	10,811	6,961
1960-61	2,168	2,601	14,564	12,993	13,201	11,617	7,500
1961-62	2,452	2,204	14,910	13,375	13,472	12,045	7,746
1962-63	2,491	2,610	16,103	14,460	14,544	12,830	8,197
1963-64	3,156	2,860	17,882	16,110	16,251	14,234	8,937
1964-65	3,035	3,473	19,664	17,707	17,777	15,564	10,018
1965-66	3,135	3,617	20,644	18,504	18,578	16,355	10,822
1966-67	3,459	3,695	22,687	20,416	20,396	18,107	11,816
1967-68	3,539	4,134	24,217	21,736	21,711	19,048	12,860
1968-69	3,895	4,268	27,336	24,597	24,583	21,425	14,237
1969-70	4,733	4,759	30,285	27,262	27,208	23,634	15,992
1970-71	5,044	5,092	33,509	30,201	30,252	26,543	18,340
1971-72	5,596	5,216	37,389	33,692	33,849	30,002	20,496
1972-73	6,937	5,347	42,538	38,295	38,706	34,417	22,904
1973-74	7,762	7,671	51,034	45,714	47,000	42,338	28,078
1974-75	9,938	10,018	61,260	54,644	56,608	52,557	36,027
1975-76	10,908	10,468	72,209	63,681	66,628	61,371	41,445
1976-77	13,097	13,297	82,780	73,028	76,307	70,406	46,880
1977-78	13,930	14,474	90,295	79,937	83,032	78,007	51,548
1978-79	16,323	17,255	101,633	89,465	93,592	87,883	55,879

Sources of information

The detailed annual estimates of national income and expenditure are published in *Australian National Accounts, National Income and Expenditure* (5204.0). Preliminary estimates (less detailed) are published in a Budget Paper *National Income and Expenditure* usually in August. Quarterly estimates are published in *Quarterly Estimates of National Income and Expenditure, Australia* (5206.0). Historical quarterly series of gross domestic product and related aggregates at current and constant prices consistent with the Australian National Accounts publication (5204.0) are presented in *Supplement to Quarterly Estimates of National Income and Expenditure, Australia, December Quarter* (5207.0).

Australian National Accounts, Gross Product by Industry at Current and Constant Prices, 1977-78 was published in December 1979. The Bureau also compiles input-output tables for the Australian economy. Tables for the year 1968-1969 were published in *Australian National Accounts, Input-Output Tables 1968-69* (5209.0) in November 1977. Preliminary tables for 1974-75 were published in *Australian National Accounts, Input-Output Tables (Preliminary)* (5208.0) in April 1979.

The figures shown on pages 646-8 are as published in *Budget Paper, National Income and Expenditure, 1978-79*.