

CHAPTER 23

NATIONAL ACCOUNTS

National accounting aims at providing a systematic summary of the transactions taking place in the economy, especially 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 ABS since 1944–45 and have been published annually as papers entitled *National Income and Expenditure* accompanying the Commonwealth Budgets. (Other national accounting publications are also produced regularly. A list of these can be found at the end of this chapter under the heading 'Further references').

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, Concepts, Sources and Methods* (5216.0).

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 net indirect taxes.

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 net transfers from overseas. 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

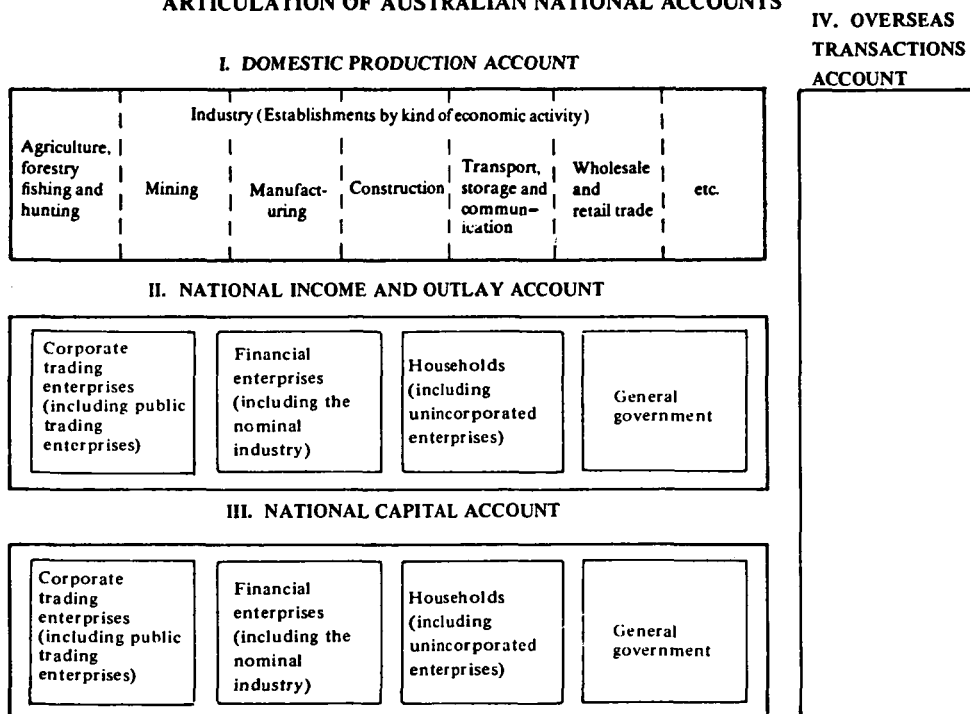
enterprises. However, it excludes any income which might be said to accrue to persons in the form of undistributed company income. It also includes any property income received by non-profit organisations such as private schools, churches, charitable organisations, etc.

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 654), a national income and outlay account (Table 3, page 655) and a national capital account (Table 4, page 656). In addition, there is an overseas sector having an account (Table 6, page 657) 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



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, transfers from overseas and withholding taxes 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, 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 655 and 656 respectively) for gross domestic product, exports and imports of goods and services, and gross national expenditure and its principal components.

Chapter 4 of *Australian National Accounts, Concepts, Sources and Methods* (5216.0) contains a discussion of the conceptual problems involved in making these estimates. Chapter 12 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 one or two years because tabulations of income tax statistics become available progressively one to two years 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

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, Concepts, Sources and Methods* (5216.0).

The figures shown in Tables 1-6 are as published in *Budget Paper No. 10, National Income and Expenditure, 1981-82* (5213.0). The figures shown in Table 7 are consistent with those published in *Quarterly Estimates of National Income and Expenditure, Australia, June Quarter 1982* (5206.0).

TABLE 1
DOMESTIC PRODUCTION ACCOUNT
(\$ million)

	1979-80	1980-81	1981-82
Final consumption expenditure—			
1 Private	69,711	78,434	88,754
2 Government	18,732	22,180	25,454
Gross fixed capital expenditure—			
3 Private	16,668	21,642	26,781
4 Public enterprises	4,810	5,717	5,836
5 General government	4,050	4,351	4,575
6 Increase in stocks	576	187	1,548
7 Statistical discrepancy	-677	596	1,062
<i>Gross national expenditure</i>	<i>113,870</i>	<i>133,107</i>	<i>154,010</i>
8 Exports of goods and services	21,572	22,151	22,807
9 Less Imports of goods and services	20,917	24,761	28,582
Expenditure on gross domestic product	114,525	130,497	148,235
10 Wages, salaries and supplements	61,720	71,684	82,390
Gross operating surplus—			
Trading enterprises—			
11a Companies	13,462	16,005	17,066
11b Unincorporated enterprises	14,568	15,125	16,298
11c Dwellings owned by persons	8,009	8,939	10,523
11d Public enterprises	2,624	2,835	3,382
11e Financial enterprises	2,828	3,063	3,930
11f Less Imputed bank service charge	2,767	3,266	3,945
<i>Gross domestic product at factor cost</i>	<i>100,444</i>	<i>114,385</i>	<i>129,644</i>
12 Indirect taxes less subsidies	14,081	16,112	18,591
Gross domestic product	114,525	130,497	148,235
Gross farm product	7,442	7,123	7,412
Gross non-farm product	107,083	123,374	140,823

TABLE 2
EXPENDITURE ON GROSS DOMESTIC PRODUCT AT AVERAGE 1979-80 PRICES
(\$ million)

	1979-80	1980-81	1981-82
Final consumption expenditure—			
Private	69,711	71,789	74,374
Government	18,732	19,768	20,333
Gross fixed capital expenditure—			
Private	16,668	19,510	21,984
Public	8,860	8,975	8,276
Increase in stocks	576	318	1,406
Statistical discrepancy	-677	573	931
<i>Gross national expenditure</i>	<i>113,870</i>	<i>120,933</i>	<i>127,304</i>
Exports of goods and services	21,572	20,525	20,588
Less Imports of goods and services	20,917	22,722	25,555
Expenditure on gross domestic product	114,525	118,736	122,337
Gross farm product	7,442	6,614	7,638
Gross non-farm product	107,083	112,122	114,699

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

	1979-80	1980-81	1981-82
10 Wages, salaries and supplements	61,720	71,684	82,390
11g Net operating surplus	30,814	33,773	37,089
<i>Domestic factor incomes</i>	<i>92,534</i>	<i>105,457</i>	<i>119,479</i>
13 Less Net income paid overseas	1,741	1,914	2,366
12a Indirect taxes	14,886	17,115	19,670
12b Less Subsidies	805	1,003	1,079
<i>National income</i>	<i>104,874</i>	<i>119,655</i>	<i>135,704</i>
14 Less Net transfers to overseas	324	355	424
15g Withholding taxes from overseas	141	161	205
National disposable income	104,691	119,461	135,485
Final consumption expenditure—			
1 Private	69,711	78,434	88,754
2 Government	18,732	22,180	25,454
15 Saving	16,248	18,847	21,277
19 Disposal of income	104,691	119,461	135,485

TABLE 4
NATIONAL CAPITAL ACCOUNT
(\$ million)

	1979-80	1980-81	1981-82
11a Depreciation allowances	7,910	8,928	10,165
Saving—			
15 Increase in income tax provisions	1,562	785	365
16 Undistributed (company) income	1,209	1,809	1,428
17 Retained income of public financial enterprises	414	482	640
18 Household saving	9,609	11,612	13,272
19 General government surplus on current transactions	3,454	4,159	5,572
Finance of gross accumulation	24,158	27,775	31,442
Gross fixed capital expenditure—			
Private—			
3a Dwellings	4,851	6,132	6,658
3b Non-dwelling construction	2,572	3,934	5,173
3c Equipment	9,065	11,576	14,950
4 Public enterprises	4,810	5,717	5,836
5 General government	4,050	4,351	4,575
<i>Total gross fixed capital expenditure</i>	<i>25,528</i>	<i>31,710</i>	<i>37,192</i>
Increase in stocks—			
6a Private non-farm	969	552	910
6b Public authority	8	213	319
6c Farm	-401	-578	319
7 Statistical discrepancy	-677	596	1,062
21 Net lending to overseas	-1,269	-4,718	-8,360
Gross accumulation	24,158	27,775	31,442

TABLE 5
GROSS FIXED CAPITAL EXPENDITURE AND INCREASE IN STOCKS AT AVERAGE 1979-80 PRICES
(\$ million)

	1979-80	1980-81	1981-82
Gross fixed capital expenditure—			
Private—			
Dwellings	4,851	5,458	5,286
Non-dwelling construction	2,752	3,507	4,103
Equipment	9,065	10,545	12,595
<i>Total private</i>	<i>16,668</i>	<i>19,510</i>	<i>21,984</i>
Public	8,860	8,975	8,276
Total	25,528	28,485	30,260
Increase in stocks—			
Private non-farm	969	531	755
Public authority	8	189	273
Farm	-401	-402	378
Total	576	318	1,406

TABLE 6
OVERSEAS TRANSACTIONS ACCOUNT
(\$ million)

	1979-80	1980-81	1981-82
9a Imports f.o.b.	15,828	19,188	22,450
9b Transportation	3,023	3,348	3,697
9c Travel	1,478	1,561	1,692
9d Government transactions	264	287	316
9e Other goods and services	324	377	427
9 Imports of goods and services	20,917	24,761	28,582
13a Property income to overseas	2,122	2,385	2,828
14a Personal transfers overseas	347	439	491
14b General government transfers overseas	565	627	731
21 Net lending to overseas	-1,269	-4,718	-8,360
Use of current receipts	22,682	23,494	24,272
8a Exports f.o.b.	18,579	18,816	19,130
8b Transportation	1,887	2,013	2,108
8c Travel	762	949	1,123
8d Government transactions	123	126	158
8e Other goods and services	221	247	288
8 Exports of goods and services	21,572	22,151	22,807
13b Property income from overseas	381	471	462
14c Personal transfers from overseas	588	711	798
15g Withholding taxes	141	161	205
Current receipts from overseas	22,682	23,494	24,272

TABLE 7
 MAIN AGGREGATES AT CURRENT PRICES, 1959-60 TO 1981-82
 (\$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							
1959-60	9,040	1,302	2,191	1,214	168	-26	13,889	
1960-61	9,586	1,409	2,415	1,256	478	-92	15,052	
1961-62	9,876	1,528	2,328	1,380	-219	-179	14,714	
1962-63	10,592	1,605	2,580	1,434	253	-153	16,311	
1963-64	11,429	1,771	2,913	1,586	120	-138	17,681	
1964-65	12,360	2,056	3,398	1,852	561	-20	20,207	
1965-66	13,143	2,371	3,657	2,066	109	-81	21,265	
1966-67	14,196	2,708	3,825	2,184	360	-178	23,095	
1967-68	15,488	3,175	4,164	2,369	113	-313	24,996	
1968-69	16,773	3,299	4,730	2,525	682	-56	27,953	
1969-70	18,473	3,665	5,161	2,745	440	83	30,567	
1970-71	20,411	4,198	5,837	2,937	446	-32	33,797	
1971-72	22,665	4,788	6,330	3,296	13	197	37,289	
1972-73	25,422	5,452	6,684	3,483	-286	557	41,312	
1973-74	30,039	6,846	7,764	3,979	1,171	1,520	51,319	
1974-75	36,441	9,219	8,536	5,652	1,016	1,209	62,073	
1975-76	43,519	11,462	10,331	6,694	111	536	72,656	
1976-77	49,785	13,411	11,860	7,155	1,131	384	83,726	
1977-78	55,187	15,106	12,701	7,949	-480	868	91,331	
1978-79	62,119	16,735	15,139	8,160	1,255	28	103,436	
1979-80	69,711	18,732	16,668	8,860	576	-677	113,870	
1980-81	78,434	22,180	21,642	10,068	187	596	133,107	
1981-82	88,754	25,454	26,781	10,411	1,548	1,062	154,010	

Year	8	9	10	11	12	13	14
	Exports of goods and services	Imports of goods and services	(7 + 8 - 9) Gross domestic product	Gross domestic product at factor cost	National income	Household income	Wages, salaries and supplements
1959-60	2,142	2,285	13,746	12,271	12,484	10,851	6,961
1960-61	2,166	2,601	14,617	13,046	13,227	11,660	7,500
1961-62	2,458	2,204	14,968	13,433	13,495	12,109	7,748
1962-63	2,481	2,610	16,182	14,539	14,590	12,900	8,202
1963-64	3,150	2,860	17,971	16,199	16,232	14,321	8,948
1964-65	3,035	3,473	19,769	17,809	17,859	15,665	10,035
1965-66	3,122	3,617	20,770	18,626	18,671	16,467	10,845
1966-67	3,468	3,695	22,868	20,595	20,549	18,246	11,850
1967-68	3,549	4,134	24,411	21,930	21,867	19,189	12,911
1968-69	3,877	4,268	27,562	24,821	24,766	21,587	14,303
1969-70	4,736	4,758	30,545	27,522	27,434	23,821	16,079
1970-71	5,032	5,092	33,737	30,450	30,441	26,673	18,447
1971-72	5,605	5,217	37,677	33,982	34,098	30,169	20,575
1972-73	6,944	5,353	42,903	38,661	39,030	34,608	22,966
1973-74	7,810	7,782	51,347	46,045	47,286	42,555	28,127
1974-75	9,921	10,246	61,748	55,134	57,005	52,916	36,115
1975-76	11,005	10,836	72,825	64,301	67,149	61,876	41,580
1976-77	13,206	13,788	83,144	73,396	76,533	70,690	46,926
1977-78	13,999	15,030	90,300	79,980	82,930	77,981	51,488
1978-79	16,503	17,889	102,050	90,072	93,741	86,935	55,415
1979-80	21,572	20,917	114,525	100,444	104,874	96,575	61,720
1980-81	22,151	24,761	130,497	114,385	119,655	110,160	71,684
1981-82	22,807	28,582	148,235	129,644	135,704	126,388	82,390

Further references

Detailed annual estimates of national income and expenditure are published in *Australian National Accounts, National Income and Expenditure* (5204.0). Less detailed annual estimates are first 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).

Australian National Accounts, Gross Product by Industry, 1980-81 was published in November 1982.

The Bureau also compiles input-output tables for the Australian economy. Tables for the year 1974-75 were published in *Australian National Accounts, Input-Output Tables 1974-75* (5209.0) in September 1981. Preliminary tables for 1977-78 were published in *Australian National Accounts, Input-Output Tables (Advance Release) 1977-78* (5214.0) in December 1982.

Other national accounts publications which may be of interest are:

Australian National Accounts, National Income and Expenditure (Advance Release) (5201.0).

Quarterly Estimates of National Income and Expenditure, Australia (Preliminary) (5205.0) (June quarter only).

Historical Series of Quarterly Estimates of National Income and Expenditure, Australia (5207.0).

