

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.)

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.

The relationship between these aggregates (other than household income) are illustrated in the following diagram.

RELATIONSHIP OF MAIN IDENTITIES

	Imports of goods and services	Imports of goods and services	Imports of goods and services	Imports of goods and services	Imports of goods and services	Imports of goods and services	Exports of goods and services
National turnover of goods and services	Gross domestic product	Gross domestic product at factor cost	Domestic factor incomes	Net income paid overseas	Net income paid overseas	Net income paid overseas	Gross national expenditure
					Net transfers to overseas	Net transfers to overseas	
						Net lending to overseas	
		Indirect taxes less subsidies	Indirect taxes less subsidies	National income	National disposable income	Gross national expenditure	Gross national expenditure
		Indirect taxes less subsidies	Depreciation allowances	Depreciation allowances	Depreciation allowances		

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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 (*see* page 578), a national income and outlay account (*see* page 579) and a national capital account (*see* page 579). In addition, there is an overseas sector having an account (*see* page 580) which shows a summary of the transactions into which overseas governments, persons and businesses enter with Australian residents.

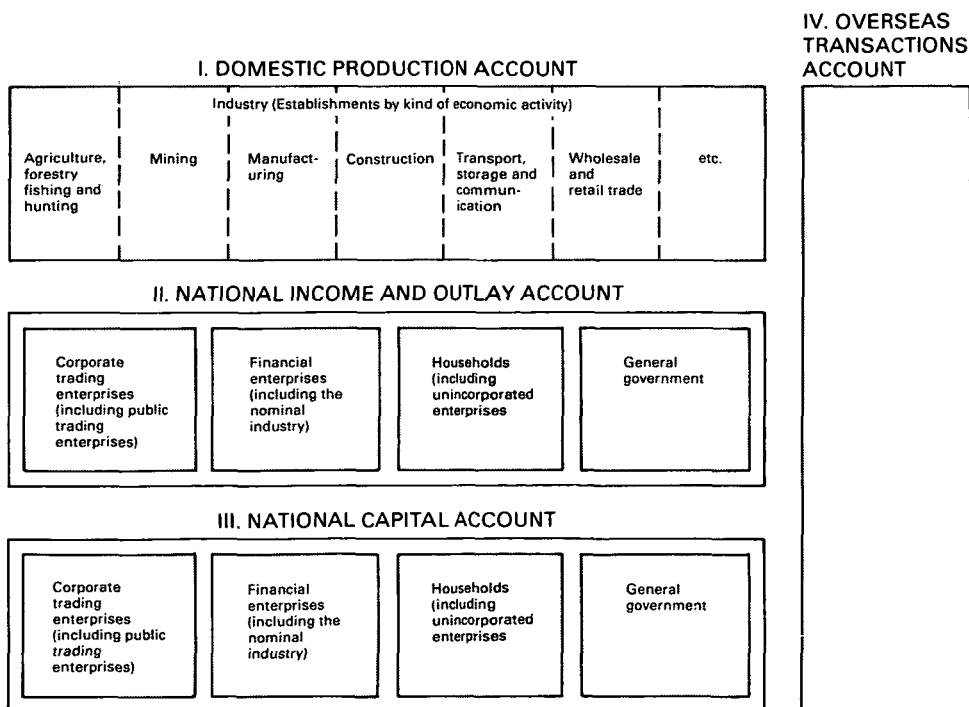
The framework of sectors and accounts underlying the Australian national accounts is set out in the following diagram. The heavy rectangles depict the minimum system of four accounts which represent the consolidated accounts of the nation. The light rectangles represent the accounts for institutional 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.

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

ARTICULATION OF AUSTRALIAN NATIONAL ACCOUNTS**PLATE 43**

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 for gross domestic product, exports and imports of goods and services, and gross national expenditure and its principal components shown on pages 578 and 581 respectively.

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 20, 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 the first six tables are as published in *Budget Paper No. 10, National Income and Expenditure, 1984–85* (5213.0). The figures shown in the last table are consistent with those published in *Quarterly Estimates of National Income and Expenditure, Australia, June Quarter 1985* (5206.0).

DOMESTIC PRODUCTION ACCOUNT
(\$ million)

	1982-83	1983-84	1984-85
Final consumption expenditure—			
1 Private	103,216	114,189	125,714
2 Government	28,318	31,311	35,508
Gross fixed capital expenditure—			
3 Private	25,068	25,946	28,402
4 Public enterprises	8,200	8,216	10,326
5 General government	5,595	6,479	7,645
6 Increase in stocks	-2,482	1,390	1,370
7 Statistical discrepancy	1,068	1,756	2,480
<i>Gross national expenditure</i>	<i>168,983</i>	<i>189,287</i>	<i>211,445</i>
8 Exports of goods and services	24,470	27,801	34,321
9 Less Imports of goods and services	28,147	30,538	38,677
Expenditure on gross domestic product	165,306	186,550	207,089
10 Wages, salaries and supplements	92,935	98,120	107,648
Gross operating surplus—			
Trading enterprises—			
11a Companies	17,311	22,986	25,924
11b Unincorporated enterprises	15,330	19,515	20,276
11c Dwellings owned by persons	14,157	16,684	19,653
Public enterprises	5,135	6,117	7,093
11e Financial enterprises	4,715	4,956	5,418
11f Less Imputed bank service charge	4,305	4,953	5,524
<i>Gross domestic product at factor cost</i>	<i>145,278</i>	<i>163,425</i>	<i>180,488</i>
12 Indirect taxes less subsidies	20,028	23,125	26,601
Gross domestic product	165,306	186,550	207,089
Gross farm product	5,890	9,006	8,685
Gross non-farm product	159,416	177,544	198,404

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

	1982-83	1983-84	1984-85
Final consumption expenditure—			
Private	77,359	79,293	81,988
Government	20,256	21,148	22,610
Gross fixed capital expenditure—			
Private	18,638	18,177	18,829
Public	9,680	9,699	11,189
Increase in stocks	-1,803	1,282	1,011
Statistical discrepancy	821	1,213	1,659
<i>Gross national expenditure</i>	<i>124,951</i>	<i>130,812</i>	<i>137,286</i>
Exports of goods and services	20,846	22,391	25,710
Less Imports of goods and services	23,022	24,405	28,250
Expenditure on gross domestic product	122,775	128,798	134,746
Gross farm product	6,366	8,486	8,370
Gross non-farm product	116,409	120,312	126,376

NATIONAL INCOME AND OUTLAY ACCOUNT

(\$ million)

	1982-83	1983-84	1984-85
10 Wages, salaries and supplements	92,935	98,120	107,648
11g Net operating surplus	40,170	51,600	57,490
<i>Domestic factor incomes.</i>	133,105	149,720	165,138
13 Less Net income paid overseas	3,335	4,121	5,305
12a Indirect taxes	22,937	26,201	29,876
12b Less Subsidies	2,909	3,076	3,275
<i>National income</i>	149,798	168,724	186,434
14 Less Net transfers to overseas	455	530	427
15g Withholding taxes from overseas	258	304	403
<i>National disposable income</i>	149,601	168,498	186,410
Final consumption expenditure—			
1 Private	103,216	114,189	125,714
2 Government	28,318	31,311	35,508
15			
to Saving	18,067	22,998	25,188
19 Disposal of income	149,601	168,498	186,410

NATIONAL CAPITAL ACCOUNT

(\$ million)

	1982-83	1983-84	1984-85
11h Depreciation allowances	12,173	13,705	15,350
<i>Saving—</i>			
15 Increase in income tax provisions	—603	700	419
<i>Undistributed income—</i>			
16a Trading enterprises	409	3,197	3,391
16b Financial enterprises	865	791	1,016
17 Household saving	15,254	18,188	18,619
18 General government surplus on current transactions	1,942	122	1,743
19 Extraordinary insurance claims paid	200
<i>Finance of gross accumulation</i>	30,240	36,703	40,538
Gross fixed capital expenditure—			
<i>Private—</i>			
3a Dwellings	5,483	6,286	7,718
3b Non-dwelling construction	4,759	3,835	4,708
3c Equipment	13,402	13,755	13,514
3d Real estate transfer expenses	1,424	2,070	2,462
4 Public enterprises	8,200	8,216	10,326
5 General government	5,595	6,479	7,645
<i>Total gross fixed capital expenditure</i>	38,863	40,641	46,373
<i>Increase in stocks—</i>			
6a Private non-farm	—2,213	—356	1,295
6b Farm	—292	422	34
6c Public marketing authorities	—215	1,163	34
6d Other public authorities	238	161	7
7 Statistical discrepancy	1,068	1,756	2,480
20 Net lending to overseas	—7,209	—7,084	—9,685
<i>Gross accumulation</i>	30,240	36,703	40,538

GROSS FIXED CAPITAL EXPENDITURE AND INCREASE IN STOCKS AT AVERAGE 1979-80 PRICES

(\$ million)

	1982-83	1983-84	1984-85
Gross fixed capital expenditure—			
Private—			
Dwellings	3,943	4,325	4,948
Non-dwelling construction	3,308	2,538	2,941
Equipment	10,309	9,870	9,442
Real estate transfer expenses	1,078	1,444	1,498
<i>Total private</i>	<i>18,638</i>	<i>18,177</i>	<i>18,829</i>
Public—			
Public enterprises	5,844	5,537	6,512
General government	3,836	4,162	4,677
<i>Total public</i>	<i>9,680</i>	<i>9,699</i>	<i>11,189</i>
Total	28,318	27,876	30,018
Increase in stocks—			
Private non-farm	-1,654	-256	935
Farm	-130	242	62
Public marketing authorities	-196	1,182	12
Other public authorities	177	114	2
Total	-1,803	1,282	1,011

OVERSEAS TRANSACTIONS ACCOUNT

(\$ million)

	1982-83	1983-84	1984-85
9a Imports f.o.b.	21,705	23,497	30,131
9b Transportation	3,663	3,866	4,730
9c Travel	1,916	2,177	2,588
9d Government transactions	371	387	442
9e Other goods and services	492	611	786
9 <i>Imports of goods and services</i>	<i>28,147</i>	<i>30,538</i>	<i>38,677</i>
13a Property income to overseas	4,222	5,362	6,872
14a Personal transfers overseas	600	635	670
14b General government transfers overseas	803	863	959
20 Net lending to overseas	-7,209	-7,084	-9,685
Use of current receipts	26,563	30,314	37,493
8a Exports f.o.b.	20,656	23,682	29,531
8b Transportation	2,185	2,273	2,720
8c Travel	1,113	1,277	1,455
8d Government transactions	194	207	214
8e Other goods and services	322	362	401
8 <i>Exports of goods and services</i>	<i>24,470</i>	<i>27,801</i>	<i>34,321</i>
13b Property income from overseas	887	1,241	1,567
14c Personal transfers from overseas	920	968	1,202
14d Extraordinary insurance claims	28
15g Withholding taxes	258	304	403
Current receipts from overseas	26,563	30,314	37,493

MAIN AGGREGATES AT CURRENT PRICES, 1959-60 TO 1984-85

(\$ million)

Year	1		2	3	4	5	6	7
	<i>Final consumption expenditure</i>		<i>Private gross fixed capital expenditure</i>	<i>Public gross fixed capital expenditure</i>	<i>Increase in stocks</i>	<i>Statistical discrepancy</i>	<i>Gross national expenditure (1 to 6)</i>	
	<i>Private</i>	<i>Government</i>						
1959-60	9,049	1,288	2,276	1,157	168	-87	13,851	
1960-61	9,602	1,393	2,501	1,203	478	-166	15,011	
1961-62	9,898	1,510	2,400	1,323	-219	-242	14,670	
1962-63	10,613	1,583	2,671	1,375	253	-229	16,266	
1963-64	11,477	1,747	3,028	1,527	120	-255	17,644	
1964-65	12,417	2,027	3,527	1,789	561	-145	20,176	
1965-66	13,203	2,336	3,784	1,992	109	-187	21,237	
1966-67	14,264	2,669	3,966	2,108	360	-296	23,071	
1967-68	15,565	3,130	4,320	2,265	113	-421	24,972	
1968-69	16,874	3,243	4,991	2,410	682	-263	27,937	
1969-70	18,597	3,591	5,424	2,639	439	-117	30,573	
1970-71	20,548	4,103	6,119	2,883	447	-282	33,818	
1971-72	22,832	4,691	6,600	3,283	11	-47	37,370	
1972-73	25,600	5,338	7,237	3,482	-290	61	41,428	
1973-74	30,236	6,731	8,444	4,045	1,172	902	51,530	
1974-75	36,770	9,051	8,958	5,865	1,022	701	62,367	
1975-76	43,927	11,198	11,048	6,886	139	-181	73,017	
1976-77	50,287	13,082	12,714	7,199	1,128	-172	84,238	
1977-78	55,760	14,740	13,685	7,927	-465	276	91,923	
1978-79	62,833	16,373	16,211	8,258	1,271	-581	104,365	
1979-80	70,854	18,290	17,883	8,974	800	-1,049	115,752	
1980-81	80,257	21,514	22,939	10,150	458	150	135,468	
1981-82	91,349	24,690	27,511	11,254	1,524	-173	156,155	
1982-83	103,216	28,318	25,068	13,795	-2,482	1,068	168,983	
1983-84	114,189	31,311	25,946	14,695	1,390	1,756	189,287	
1984-85	125,714	35,508	28,402	17,971	1,370	2,480	211,445	

Year	8	9	10	11	12	13	14
	<i>Exports of goods and services</i>	<i>Imports of goods and services</i>	<i>Gross domestic product (7 + 8-9)</i>	<i>Gross domestic product at factor cost</i>	<i>National income</i>	<i>Household income</i>	<i>Wages, salaries and supplements</i>
1959-60	2,142	2,285	13,708	12,238	12,451	10,867	6,961
1960-61	2,166	2,601	14,576	13,010	13,191	11,678	7,500
1961-62	2,458	2,204	14,924	13,398	13,466	12,130	7,748
1962-63	2,481	2,610	16,137	14,500	14,563	12,925	8,202
1963-64	3,150	2,860	17,934	16,171	16,213	14,359	8,965
1964-65	3,035	3,473	19,738	17,787	17,850	15,712	10,056
1965-66	3,122	3,617	20,742	18,601	18,666	16,533	10,871
1966-67	3,468	3,695	22,844	20,577	20,553	18,329	11,883
1967-68	3,549	4,134	24,387	21,924	21,869	19,288	12,951
1968-69	3,877	4,268	27,546	24,828	24,784	21,700	14,353
1969-70	4,736	4,758	30,551	27,556	27,476	23,974	16,143
1970-71	5,032	5,092	33,758	30,509	30,493	26,870	18,532
1971-72	5,605	5,217	37,758	34,092	34,209	30,418	20,686
1972-73	6,944	5,348	43,024	38,882	39,189	34,992	23,117
1973-74	7,810	7,774	51,566	46,412	47,534	42,952	28,337
1974-75	9,921	10,227	62,061	55,773	57,345	53,568	36,427
1975-76	11,005	10,831	73,191	64,999	67,609	62,703	41,946
1976-77	13,206	13,788	83,656	74,455	77,038	71,679	47,331
1977-78	13,979	15,008	90,894	81,174	83,525	79,145	51,992
1978-79	16,502	17,784	103,083	91,737	94,716	88,206	55,871
1979-80	21,586	20,921	116,417	102,962	106,761	98,404	62,314
1980-81	22,003	24,766	132,705	117,267	121,548	112,633	72,268
1981-82	22,656	28,558	150,253	132,707	136,706	130,146	83,804
1982-83	24,470	28,147	165,306	145,278	149,798	145,324	92,935
1983-84	27,801	30,538	186,550	163,425	168,724	161,261	98,120
1984-85	34,321	38,677	207,089	180,488	186,434	178,432	107,648

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