

National Accounts Briefing

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National Accounts – Questions and Answers

1. National income

Question: What did measures of living standards do in the September quarter?

Answer

- Real incomes have been depressed by falls in Australia's terms of trade that reduces the price paid for our exports. Real net national disposable income per capita, a measure of living standards, fell by 0.5 per cent in the September quarter and is 2.4 per cent lower through the year.
 - However, growth in employment is helping to insulate the household sector from the fall in national income. Household gross disposable income rose by 0.5 per cent in the September quarter.
 - This employment growth is being supported by moderate wage growth. The national accounts measure of wages rose 0.7 per cent in the quarter but is only 0.6 per cent higher through the year.
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2. Productivity

Question: What was the productivity outcome in the September quarter?

Answer

- Labour productivity growth in the market sector was reasonably strong in the September quarter at 0.9 per cent. Productivity is 2.0 per cent higher through the year.
 - While measures of productivity can be volatile in the short-term, over the past five years annual labour productivity growth in the market sector has averaged 2.0 per cent.
 - Over the past 30 years productivity growth has averaged 1.6 per cent.
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3. Iron ore prices and the terms of trade

Question: Why is there a strong exports contribution to GDP despite a falling iron ore price and decreasing terms of trade?

Answer

- The resources sector continues to provide a cushion as we transition from the resources investment boom. Australia's resources exports rose 8.8 per cent in the September quarter following a weak June quarter due to adverse weather.
 - At the same time the prices of our key commodities have fallen significantly over the past 18 months as substantial increases in supply have been met with weaker demand, particularly from China.
 - On Monday, the iron ore spot price fell to around ^{S47}. This is the lowest spot price in over ten years and is now over 20 per cent lower than the Budget forecast of US\$48/tonne.
 - Since its peak in 2011, the terms of trade has fallen by around 30 per cent.
 - The lower prices will be reflected in the upcoming Mid-year Economic Fiscal Outlook.
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4. Public final demand

Question: How has Commonwealth spending and investment changed under the previous and current government?

Answer

- Commonwealth new public final demand fell by 2.3 per cent in the September quarter.
- This follows low growth in general spending over the past two financial years. Nominal Commonwealth spending grew by an average of 5 per cent over this period, in contrast to the previous six years where growth averaged 7 per cent.
- Commonwealth investment fell sharply in the September quarter, reflecting movements in defence investment, which can be very volatile.

Commonwealth investment is expected to rise after 2015-16 with the roll out of the Government's \$42 billion Infrastructure Investment Program and other major infrastructure commitments.

5. Divergence between States

Question: How are economic conditions varying between States?

Answer

- The quarterly national accounts do not provide a clear picture of conditions across the various states because state final demand does not include exports and net exports contributed strongly to growth in the September quarter.
 - The recently released 2014-15 State Accounts show that gross state product varied from 3.5 per cent in 2014-15 in WA to just 0.5 per cent in Queensland. Victoria grew 2.5 per cent, New South Wales grew 2.4 per cent, and South Australia and Tasmania both grew 1.6 per cent.
 - The direction of growth also varied, with NSW, Victoria, SA and Tasmania experiencing an increase in growth, while the WA and Queensland economies slowed relative to 2013-14. This reflects the wind down in resources investment in the North and West of the country. Conversely, migration to NSW and Victoria is picking up as mining employment is winding down. The depreciation of the Australian dollar also helps to restore industries' competitiveness in the Southern States.
 - The strength of the dwellings markets in Sydney and Melbourne is also fuelling activity and employment in the construction and related services sectors, such as real estate, and in turn supporting consumption in areas such as household goods and services.
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6. Mining and non-mining investment

Question: According to the ABS feature article on mining and non-mining investment, non-mining investment has remained stable over the past few years. Why does commentary on the outlook paint a more subdued picture?

Answer

- The data provided by the ABS is in current prices. It shows that non-mining investment has been fairly stable. Moreover, as a share of GDP it has fallen from above 13 per cent to just under 10 per cent over the last decade.
 - In real terms, that is accounting for price movements, non-mining investment grew by 2.2 per cent in 2014-15, averaging just 2 per cent in the last five years.
 - The most recent indicators also point to a more negative outlook. Non-mining capex fell by 8.2 per cent in the September 2015 quarter, the largest fall in 18 years, with investment intentions now signalling a fall in investment of 8.3 per cent in 2015-16.
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Summary tables

Table 1: Alternate measures of GDP (chain volume)

	Quarter (s.a.)		tty		(orig.)
	Jun	Sep	Jun	Sep	
Per cent change					
GDP	0.3	0.9	1.9	2.5	2.2
Non-farm GDP	0.3	1.0	1.9	2.6	2.2
Farm GDP	-1.5	-3.2	2.3	-1.3	-0.5
Expenditure-based GDP	-0.2	0.9	1.8	1.9	2.2
Income-based GDP	0.6	1.1	2.0	3.1	2.3
Production-based GDP	0.4	0.8	2.0	2.6	2.0
Consensus expectations*		0.8		2.4	

*Median market expectations for real GDP growth

Source: ABS Cat No. 5206.0 Tables 2, 3 and 41 and Bloomberg.

Table 2: Expenditure components of GDP (chain volume)

	(Per cent change)			Cont. to grow th (percentage pts)	
	Jun	Sep	tty	Jun	Sep
Private final demand	0.2	-0.3	0.7	0.2	-0.2
Household consumption	0.6	0.7	2.7	0.3	0.4
Dwelling investment	0.4	0.9	10.3	0.0	0.0
New business investment	-2.2	-4.6	-11.0	-0.3	-0.7
New building	0.7	-2.8	2.6	0.0	-0.1
New engineering construction	-3.0	-7.1	-21.5	-0.1	-0.3
New machinery and equipment	-2.7	-5.7	-11.4	-0.1	-0.3
New public final demand	2.3	-1.1	2.3	0.4	-0.2
Domestic final demand	0.6	-0.5	0.8	0.6	-0.5
Changes in inventories				0.0	-0.1
Gross national expenditure	0.5	-0.6	0.2	0.5	-0.6
Exports	-3.3	4.6	6.5	-0.7	1.0
Imports	0.1	-2.4	-1.2	0.0	0.5
Net exports				-0.8	1.5
GDP (E)	-0.2	0.9	1.9		
GDP	0.3	0.9	2.5		

Source: ABS Cat No. 5206.0 Tables 2, 6, 7, 8, 40 and 41 and Treasury.

Table 3: Production-based GDP (chain volume)

	(Per cent change)			Cont. to grow th (percentage pts)	
	Jun	Sep	tty	Jun	Sep
Ag, forestry & fishing	-1.2	-2.3	-0.6	0.0	-0.1
Mining	-2.7	5.2	4.1	-0.2	0.4
Manufacturing	0.1	0.0	-0.9	0.0	0.0
Construction	0.4	1.2	2.0	0.0	0.1
Total services (ex. mining)	1.0	0.5	3.5	0.6	0.3
Rental, hiring & real estate	3.7	2.8	8.0	0.1	0.1
Transport, postal & w.housing	1.7	0.2	2.4	0.1	0.0
Retail trade	1.0	0.6	3.7	0.0	0.0
Wholesale trade	-0.6	-0.1	2.3	0.0	0.0
Finance & insurance	1.2	1.3	5.3	0.1	0.1
GDP (P)	0.4	0.8	2.6		
GDP	0.3	0.9	2.5		

Source: ABS Cat No. 5206.0 Tables 2, 16, 17 and 41.

Table 4: Income-based GDP (current prices)

	(Per cent)		
	Jun	Sep	tty
Compensation of employees	0.9	1.1	2.6
Gross operating surplus	-0.8	0.4	0.2
Private non-financial corporations and Financial corporations	-2.0	0.7	-1.6
Gross mixed income	2.8	1.4	12.3
Avg. non-farm compensation per employee	0.2	0.8	0.6
Household gross disposable income	1.6	0.5	3.9
Real household gross disposable income	1.0	0.4	2.3
Household saving ratio	9.4	9.0	
Profits share of total factor income	25.2	25.0	
Wages share of total factor income	53.9	54.1	
Gross national income	0.3	0.8	2.5
Nominal GDP	0.2	0.8	2.2

Source: ABS Cat No. 5206.0, Tables 2, 6, 9, 19, 36 and 41.

Table 5: Price measures (sa unless otherwise stated)

	(Per cent change)		
	Jun	Sep	tty
Chain price indexes (original)			
GDP	-0.5	-0.2	-0.5
Domestic final demand	0.7	0.6	2.1
Household consumption	0.4	0.6	1.8
Consumer price index (original)	0.7	0.5	1.5
Implicit price deflators			
GDP	0.0	-0.1	-0.3
Exports	-3.1	0.4	-4.9
Imports	1.1	2.9	6.3
Terms of trade	-4.1	-2.4	-10.5
Labour productivity (a)	0.7	0.9	2.0
Labour productivity (trend) (a)	0.6	0.7	1.9
Non-farm nominal unit labour costs	1.2	0.4	0.6

(a) For the market sector

Source: ABS Cat No. 5206.0, Tables 1, 2, 11, 13 and ABS Cat No. 6401.0.

Table 6: State final demand (chain volume)

	(Per cent change)		
	Jun	Sep	tty
New South Wales	1.1	-0.2	2.6
Victoria	1.3	0.0	4.2
Queensland	-1.3	-0.2	-2.5
South Australia	0.1	0.1	1.6
Western Australia	0.4	-1.3	-2.6
Tasmania	1.1	0.1	1.4
Northern Territory	-3.4	-7.1	-10.9
Australian Capital Territory	1.8	-1.5	0.6
Australia	0.6	-0.5	0.8

Source: ABS Cat No. 5206.0, Tables 7, 24, 25, 26, 27, 28, 29, 30 and 31.

International Comparisons

International real GDP growth comparisons¹

	Quarter on quarter				Through the year				Year average	
	Dec-14	Mar-15	Jun-15	Sep-15	Dec-14	Mar-15	Jun-15	Sep-15	2014	2014-15
Australia	0.4	0.9	0.3	0.9	2.2	2.1	1.9	2.5	2.6	2.2
G7										
United States	0.5	0.2	1.0	0.5	2.5	2.9	2.7	2.2	**2.4	**2.7
Japan	0.3	1.1	-0.2	-0.2	-0.8	-0.8	1.0	1.1	-0.1	-0.6
Germany	0.6	0.3	0.4	0.3	1.5	1.1	1.6	1.7	1.6	1.4
France	0.1	0.7	0.0	0.3	0.1	0.9	1.1	1.2	**0.2	**0.6
United Kingdom	0.8	0.4	0.7	0.5	3.0	2.7	2.4	2.3	2.9	2.7
Italy	-0.1	0.4	0.3	0.2	-0.4	0.1	0.6	0.8	-0.4	0.0
Canada	0.8	-0.2	-0.1	0.6	2.4	2.1	1.1	1.2	2.6	2.2
Euro area	0.4	0.9	0.4	0.3	1.1	1.6	1.9	1.9	**1.1	**1.4
OECD	0.5	0.5	0.6	0.4	1.8	2.0	2.2	2.0	**1.9	**2
Korea	0.3	0.8	0.3	1.2	2.7	2.4	2.2	2.7	3.3	2.7
Taiwan	0.2	0.6	-1.1	-0.3	3.2	3.8	0.9	-0.6	3.9	3.1
Hong Kong	0.2	0.7	0.4	0.9	*2.4	*2.4	*2.8	*2.3	2.5	2.6
Singapore	1.2	0.9	-0.7	0.5	2.2	2.6	2.1	1.9	2.9	2.4
ASEAN-5										
Indonesia	na	na	na	na	*5	*4.7	*4.7	*4.7	5.0	4.8
Thailand	1.2	0.3	0.3	1.0	2.0	3.1	2.8	2.9	0.9	2.2
Malaysia	1.8	1.2	1.1	0.7	5.7	5.5	5.0	4.8	6.0	5.5
Philippines	2.3	0.5	2.0	1.1	6.6	5.2	5.5	6.0	6.1	5.7
Vietnam	na	na	na	na	*6	*6.1	*6.3	*6.4	5.6	6.0
Key BRICs										
Brazil ²	0.1	-0.8	-2.1	-1.7	-0.7	-2.1	-2.9	-4.4	0.1	-1.7
Russia	-0.7	-1.6	-2.0		-0.5	-2.2	-4.5		0.6	-1.3
India	na	na	na	na	*6.6	*7.5	*7	*7.4	7.1	7.4
China	na	na	na	na	*7.2	*7	*7	*6.9	7.3	7.1
Ireland	1.0	2.1	1.9		6.1	6.6	7.3		5.2	5.9
New Zealand²	0.8	0.2	0.4		3.5	2.7	2.4		3.3	3.0

Current as at 1/12/15

1 Data are sourced from national statistical publications, OECD, CEIC databases, Thomson Reuters and Treasury.

2 The production measure of GDP (rather than the expenditure measure of GDP) is used, in accordance with the preference of national statistical agencies.

Quarter-on-quarter and through-the-year data calculated using seasonally adjusted data unless otherwise noted. Year average growth and financial year averages calculated using original data, unless otherwise noted.

Financial year average data align with the Australian financial year (September quarter to June quarter).

na = not available - country does not publish seasonally adjusted data

* Through the year results calculated from non-seasonally adjusted data

** Year average growth and financial year average growth calculated using seasonally adjusted data

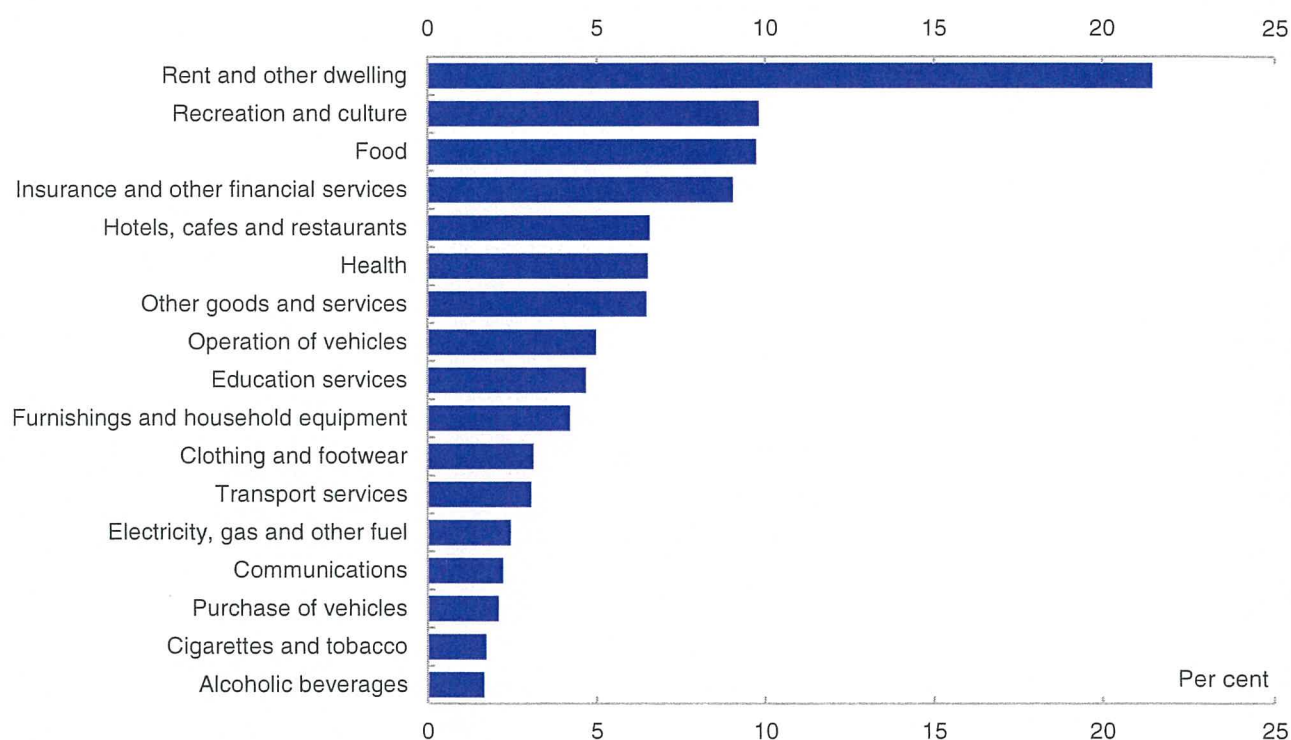
Contributions to Household Final Consumption Growth

(cvm, tty)	
Cigarettes and tobacco	-0.20
Hotels, cafes and restaurants	-0.11
Alcoholic beverages	-0.03
Transport services	0.01
Education services	0.03
Electricity, gas and other fuel	0.09
Communications	0.10
Operation of vehicles	0.15
Purchase of vehicles	0.16
Clothing and footwear	0.17
Other goods and services	0.19
Furnishings and household equipment	0.21
Food	0.26
Recreation and culture	0.26
Health	0.33
Rent and other dwelling services	0.49
Insurance and other financial services	0.53
Tty HFCE growth	2.66

Contributions to Household Final Consumption Growth

(cvm, qoq)	
Hotels, cafes and restaurants	-0.03
Cigarettes and tobacco	-0.02
Alcoholic beverages	-0.01
Furnishings and household equipment	0.01
Education services	0.01
Transport services	0.02
Purchase of vehicles	0.03
Communications	0.04
Clothing and footwear	0.04
Health	0.04
Recreation and culture	0.05
Electricity, gas and other fuel	0.07
Operation of vehicles	0.08
Insurance and other financial services	0.09
Other goods and services	0.10
Food	0.10
Rent and other dwelling services	0.12
QoQ HFCE growth	0.73

Percentages of Consumption (cp)



cvm, sa	QoQ	TTY	Contribution to new public final demand growth (quarterly)
Final consumption expenditure	0.7	3.6	0.6
National	2.1	4.6	0.7
State and Local	-0.2	2.9	-0.1
New public gross fixed capital formation	-8.6	-3.3	-1.7
General government	-14.3	-7.3	-2.1
Commonwealth	-29.2	-16.2	-1.5
State and local	-6.2	-3.1	-0.6
Public corporations	10.7	9.0	0.5
Commonwealth	-1.2	15.0	0.0
State and local	14.7	7.4	0.5
New public final demand	-1.1	2.3	-1.1
National	-2.3	2.3	-0.9
State and Local	-0.3	2.3	-0.2

Growth in components of state final demand (per cent, qoq)

	Public Consumption	Household Consumption	Private Investment	Public Investment	State Final Demand
New South Wales	0.6	0.9	-4.5	-1.4	-0.2
Victoria	-1.1	0.9	0.8	-13.2	0.0
Queensland	2.8	0.5	-1.3	-13.5	-0.2
South Australia	1.0	0.4	1.2	-14.1	0.1
Western Australia	0.6	0.5	-3.2	-12.8	-1.3
Tasmania	1.9	0.8	-2.7	-8.2	0.1
Northern Territory	6.2	-0.4	-21.1	12.8	-7.1
Australian Capital Territory	-0.1	0.6	-3.7	-16.3	-1.5

Growth in components of state final demand (per cent, tty)

	Public Consumption	Household Consumption	Private Investment	Public Investment	State Final Demand
New South Wales	3.2	2.8	0.3	7.6	2.6
Victoria	3.3	2.6	12.2	-7.0	4.2
Queensland	5.4	3.1	-15.8	-22.2	-2.5
South Australia	3.2	2.7	0.1	-17.5	1.6
Western Australia	3.2	1.7	-8.4	-17.4	-2.6
Tasmania	0.6	1.6	4.2	-7.0	1.4
Northern Territory	7.0	1.6	-30.6	33.3	-10.9
Australian Capital Territory	2.9	3.4	-16.5	-10.2	0.6

Key concepts in the national accounts

Compensation of employees	<p>Total wages, salaries and other remuneration paid to employees. This differs to wage measures, such as the wage price index, as it accounts for changes in employment and wages.</p> <p><i>Sep-15: 1.1% (quarterly), 2.6% (yearly)</i></p>
GDP deflator	<p>The GDP deflator is a measure of the price of Australia's output:</p> $\underbrace{\text{Nominal GDP}}_{\text{value}} = \underbrace{\text{GDP deflator}}_{\text{price}} \times \underbrace{\text{Real GDP}}_{\text{volume}}$ <p><i>Sep-15: -0.1% (quarterly), -0.3% (yearly)</i></p>
Gross fixed capital formation	<p>Investment.</p> <p><i>Sep-15: -4.0% (quarterly), -4.9% (yearly)</i></p>
Gross mixed income GMI	<p>Profits of small unincorporated businesses - it is a mix of profits and wages, because the owners of the firm are also its employees.</p> <p><i>Sep-15: 1.4% (quarterly), 12.3% (yearly)</i></p>
Gross operating surplus GOS	<p>Profits.</p> <p><i>Sep-15: 0.4% (quarterly), 0.2% (yearly)</i></p>
Nominal GDP	<p>The dollar value of goods and services produced in Australia. Movements in nominal GDP reflect changes in both the volume and price of Australia's output.</p> <p><i>Sep-15: 0.8% (quarterly), 2.2% (yearly)</i></p>
Real GDI	<p>Real gross domestic income (GDI) is an adjusted type of GDP that captures the effect on real incomes of changes in Australia's terms of trade.</p> <p><i>Sep-15: 0.3% (quarterly), 0.2% (yearly)</i></p>
Real GDP	<p>The volume of goods and services produced in Australia. Movements in real gross domestic product (GDP) reflect changes in the quantity of Australia's output, not price changes.</p> <p><i>Sep-15: 0.9% (quarterly), 2.5% (yearly)</i></p>
Real GNI	<p>Real gross national income (GNI) is an adjusted type of GDP that captures the effect on real incomes of changes in the terms of trade as well as net incomes payable overseas (eg dividends paid to foreign companies). It is a measure of the value of Australian production to Australian residents.</p> <p><i>Sep-15: 0.1% (quarterly), -0.1% (yearly)</i></p>
Real NNDI	<p>Real net national disposable income (NNDI) is like real GNI but it also accounts for income lost to capital depreciation and net transfers of income overseas (eg foreign aid). It measures the amount of real income in Australia that is available to spend or save.</p> <p><i>Sep-15: -0.1% (quarterly), -1.0% (yearly)</i></p>
Seasonal adjustment	<p>Raw or original data can be adjusted to remove seasonal patterns that show up in different variables. This makes it easier to identify cycles and other underlying patterns that can be obscured by regular seasonal movements in the data. The main outcomes reported in the national accounts (eg quarterly GDP growth) are seasonally-adjusted data.</p>
Terms of trade	<p>Export prices divided by import prices.</p> <p><i>Sep-15: -2.4% (quarterly), -10.5% (yearly)</i></p>

Through-the-year GDP growth	<p>How much the GDP level in one quarter has grown compared to the level in the same quarter in the previous year. For example, through-the-year growth to September quarter 2015 refers to how much higher this quarter's GDP level is compared to the September quarter 2014. This calculation compares two quarters a year apart and does not involve summing the levels in the intervening quarters. It is only sampling part of the data and does not account for the full activity over a year.</p> <p><i>Sep-15: 2.5%</i></p>
Year average GDP growth	<p>The sum of the quarterly GDP levels in one year, divided by the sum of the quarterly GDP levels in the previous year. This calculation measures the total activity in one year compared to the total activity in the previous year.</p> <p><i>2014-15: 2.2%</i></p>

Measures of GDP

Measuring GDP	<p>There are three standard ways of measuring GDP: a production approach, an income approach and an expenditure approach. Each method should produce the same value of GDP; any differences show up as statistical discrepancies in the national accounts.</p>
Expenditure approach GDP(E)	<p>The expenditure approach measures GDP as the value of everything that is spent on Australia's output:</p> <p>$GDP(E) = \text{Consumption} + \text{Investment} + \text{Public spending} + \text{Exports} - \text{Imports}$</p>
Income approach GDP(I)	<p>The income approach measures GDP as the value of everything that is earned from Australia's output:</p> <p>$GDP(I) = \text{Wages} + \text{Profits} + (\text{Taxes} - \text{Subsidies on production and imports})$</p>
Production approach GDP(P)	<p>The production approach measures GDP as gross value added (GVA) to production across all of Australia's industries, plus net taxes on products. The value a firm adds to a good (or service) is the item's price less the value of any non-wage inputs the firm used to produce it.</p> <p>$GDP(P) = \text{GVA for all firms} + (\text{Taxes} - \text{Subsidies on products})$</p>

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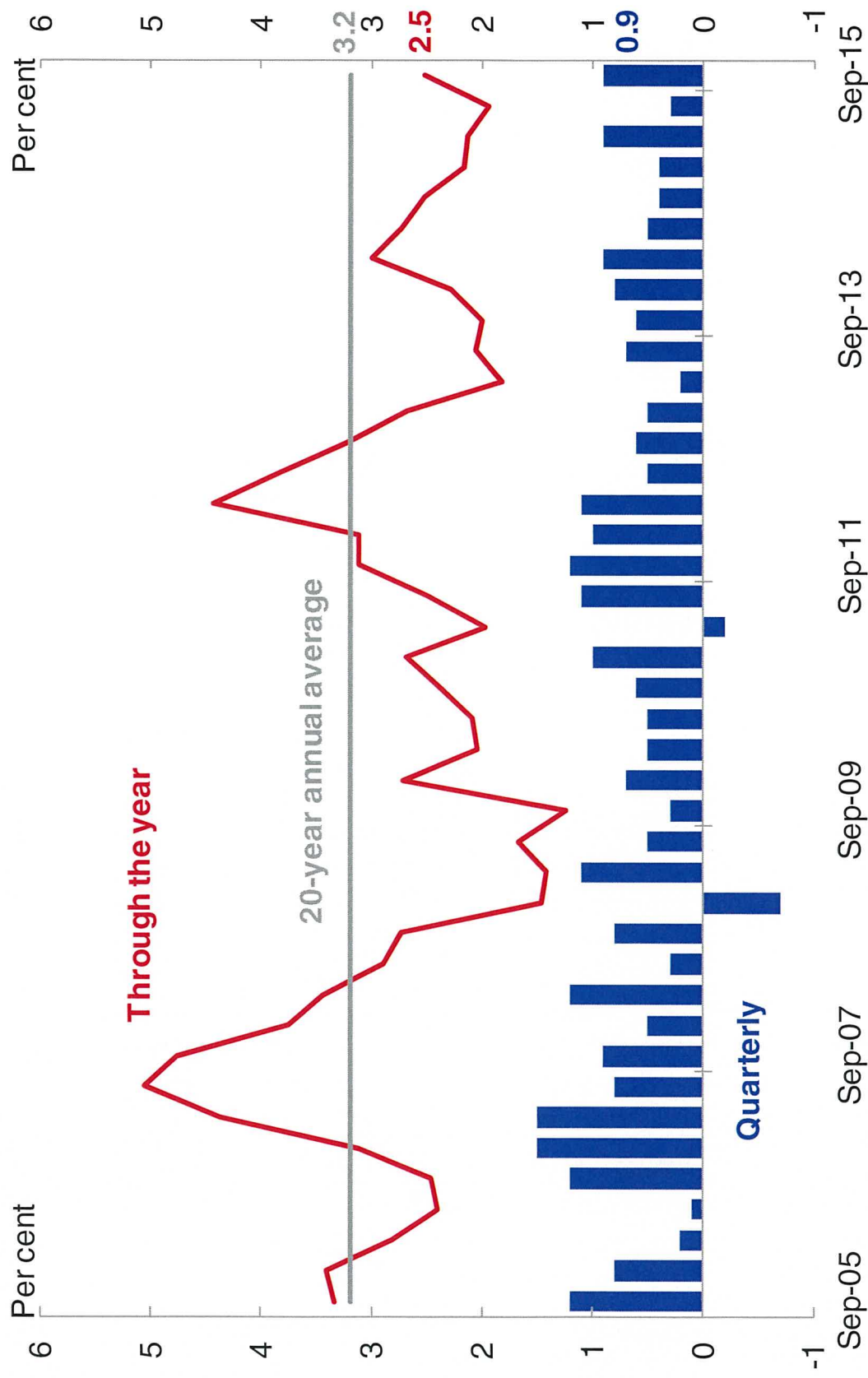
Australian Government

The Treasury

NATIONAL ACCOUNTS

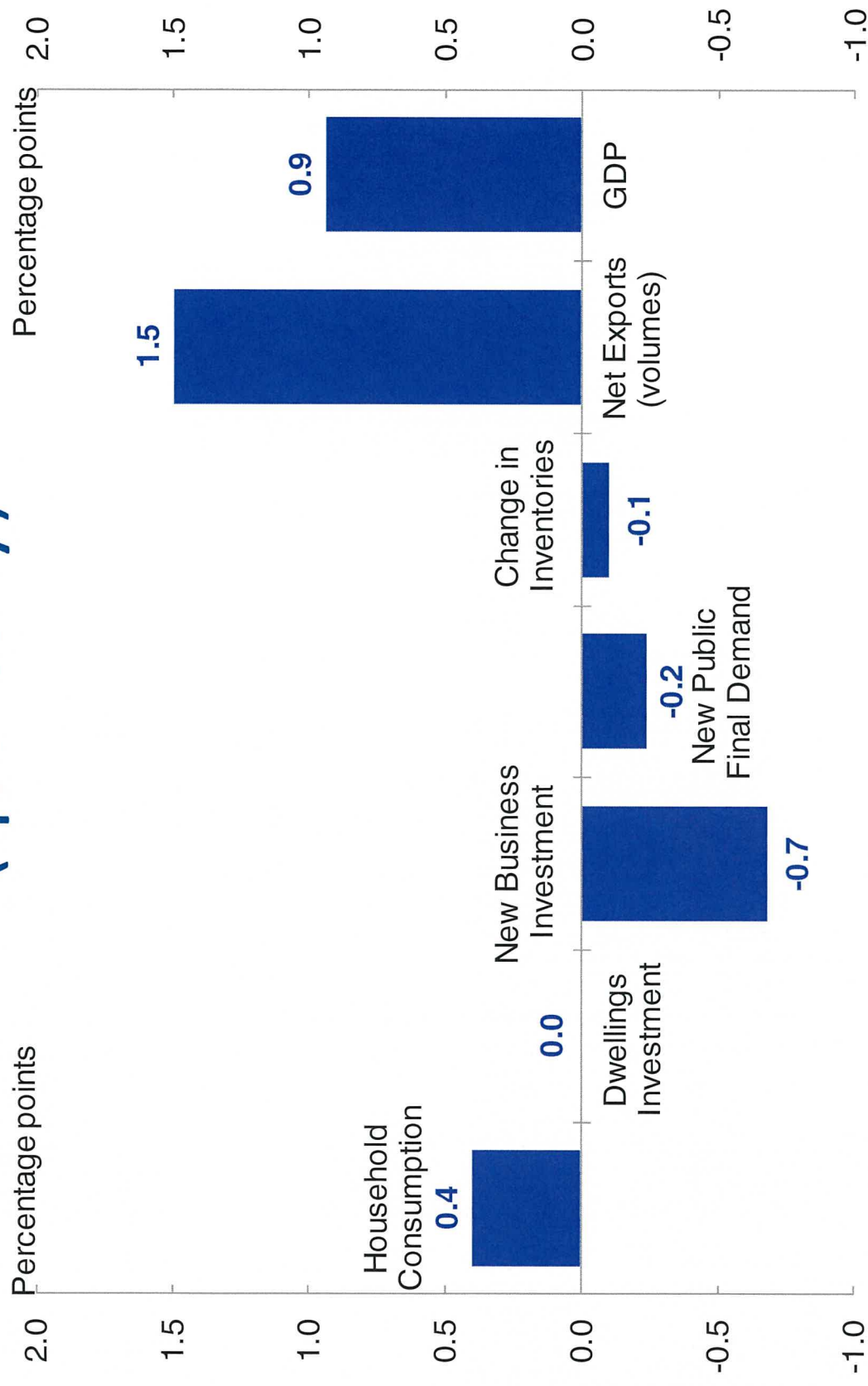
September Quarter 2015

Real GDP



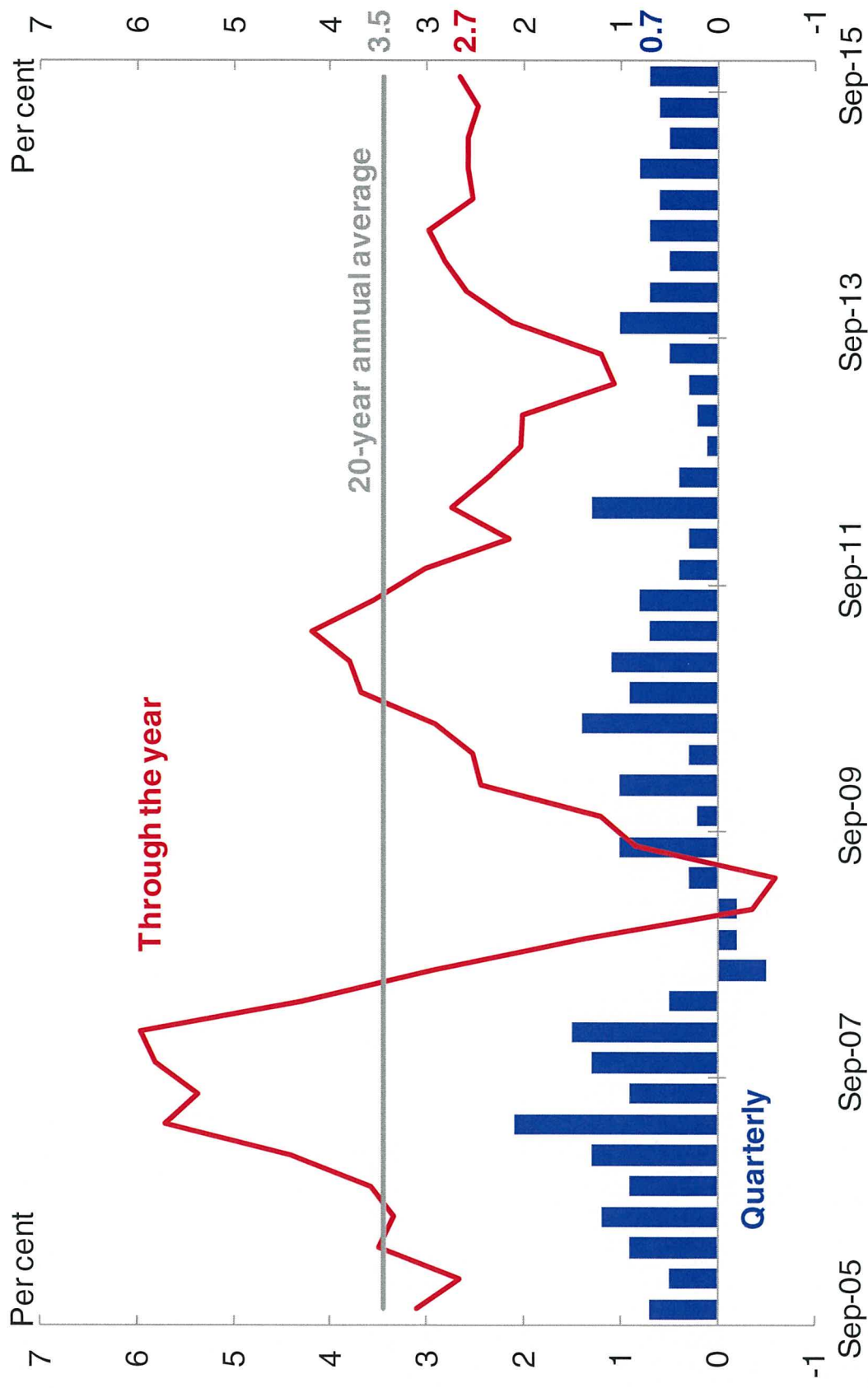
Note: Median market expectations for quarterly growth were 0.8 per cent (range: 0.3 per cent to 1.0 per cent).
 Median market expectations for through-the-year growth were 2.4 per cent (range: 1.9 per cent to 2.6 per cent).

Contributions to real GDP growth (quarterly)

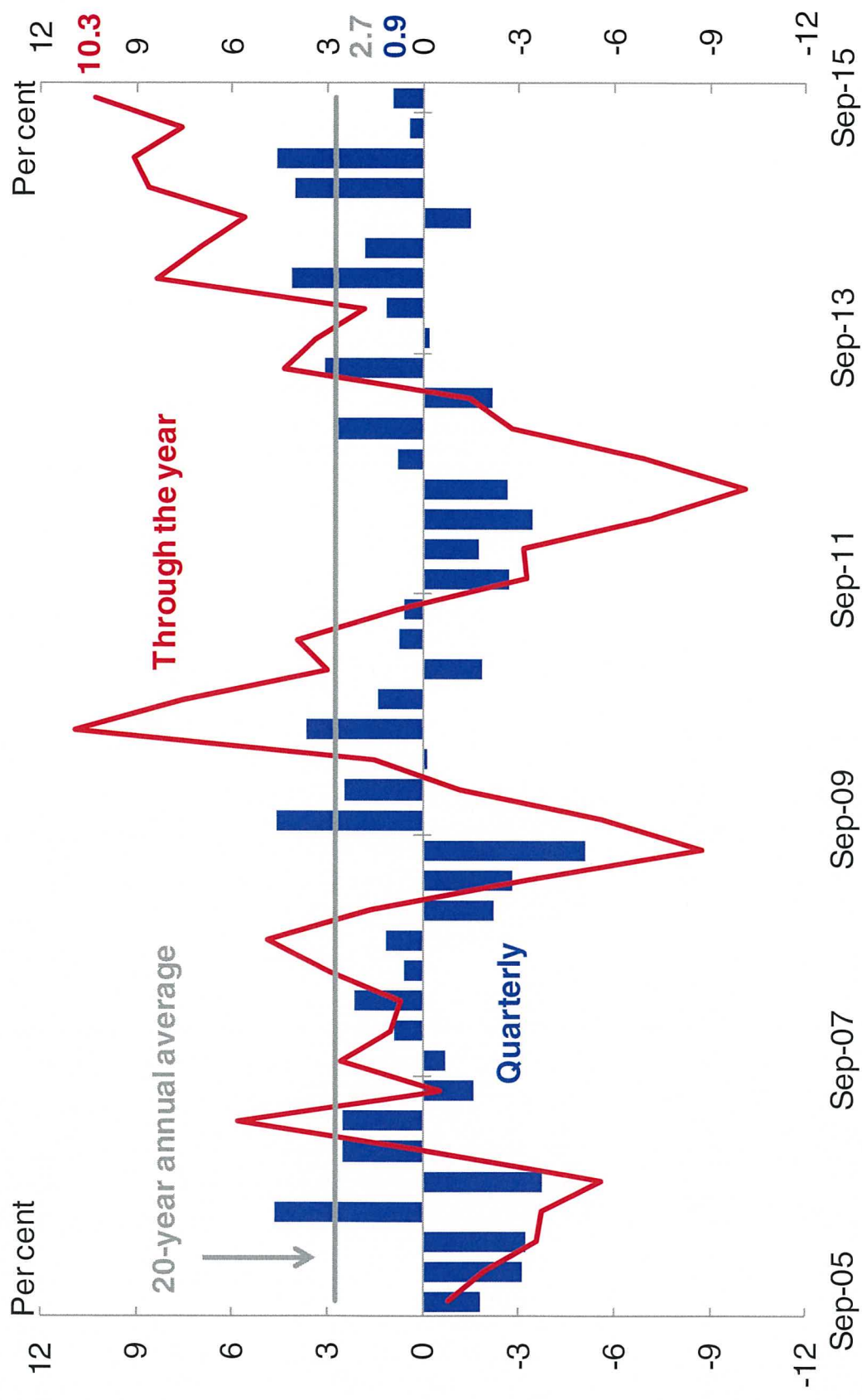


Note: The sum of individual components does not add to the aggregate due to rounding.

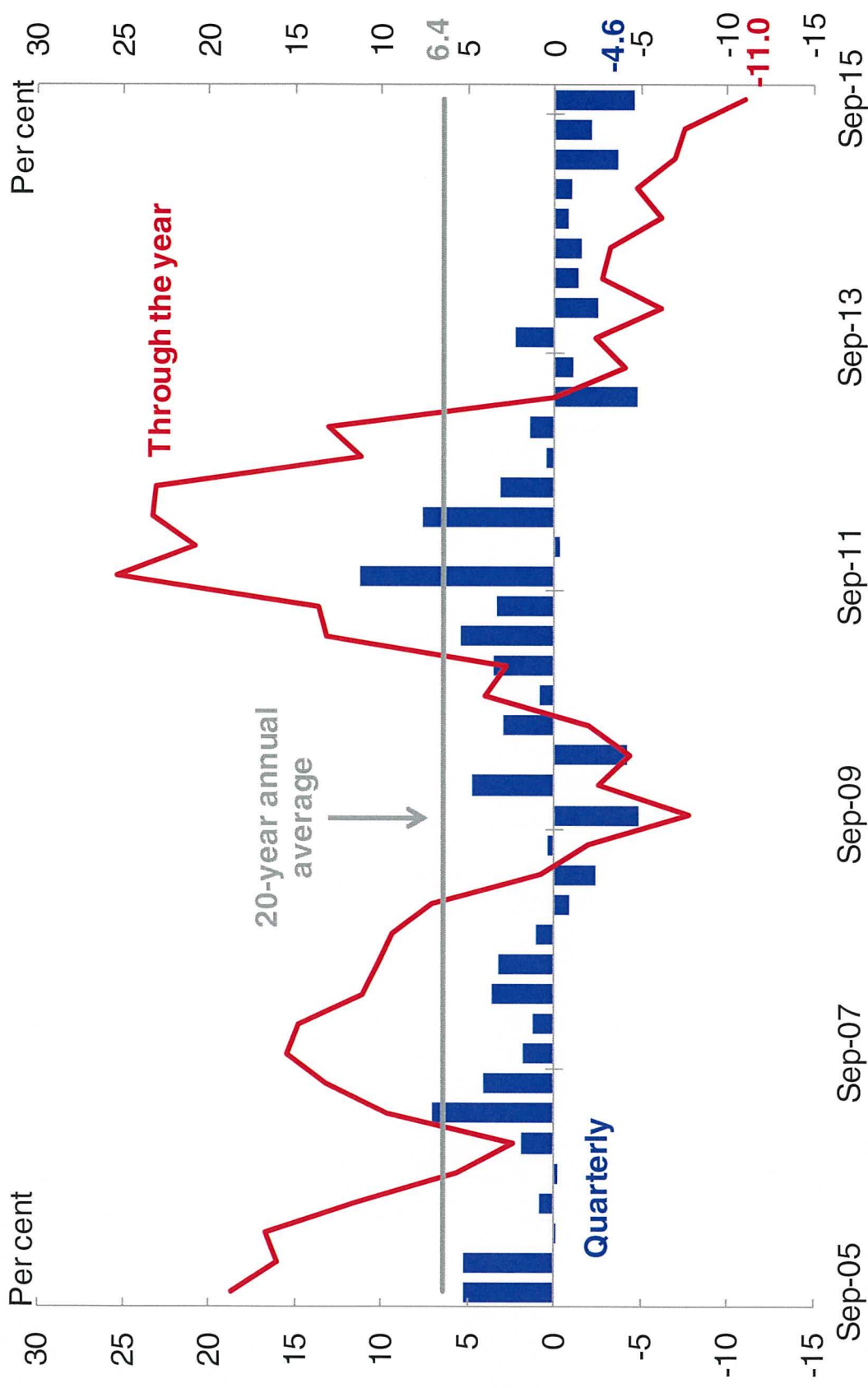
Household consumption



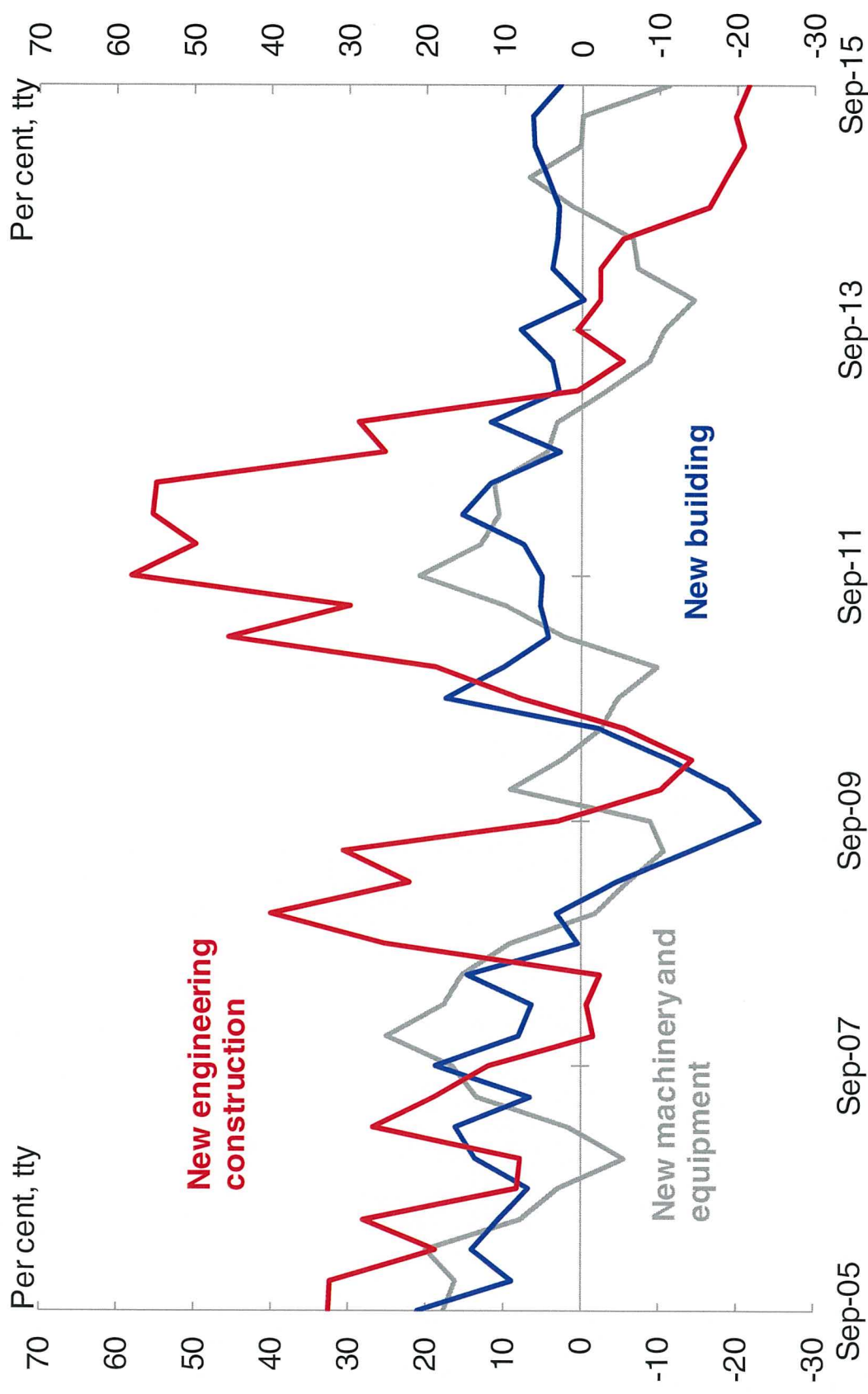
Dwellings investment



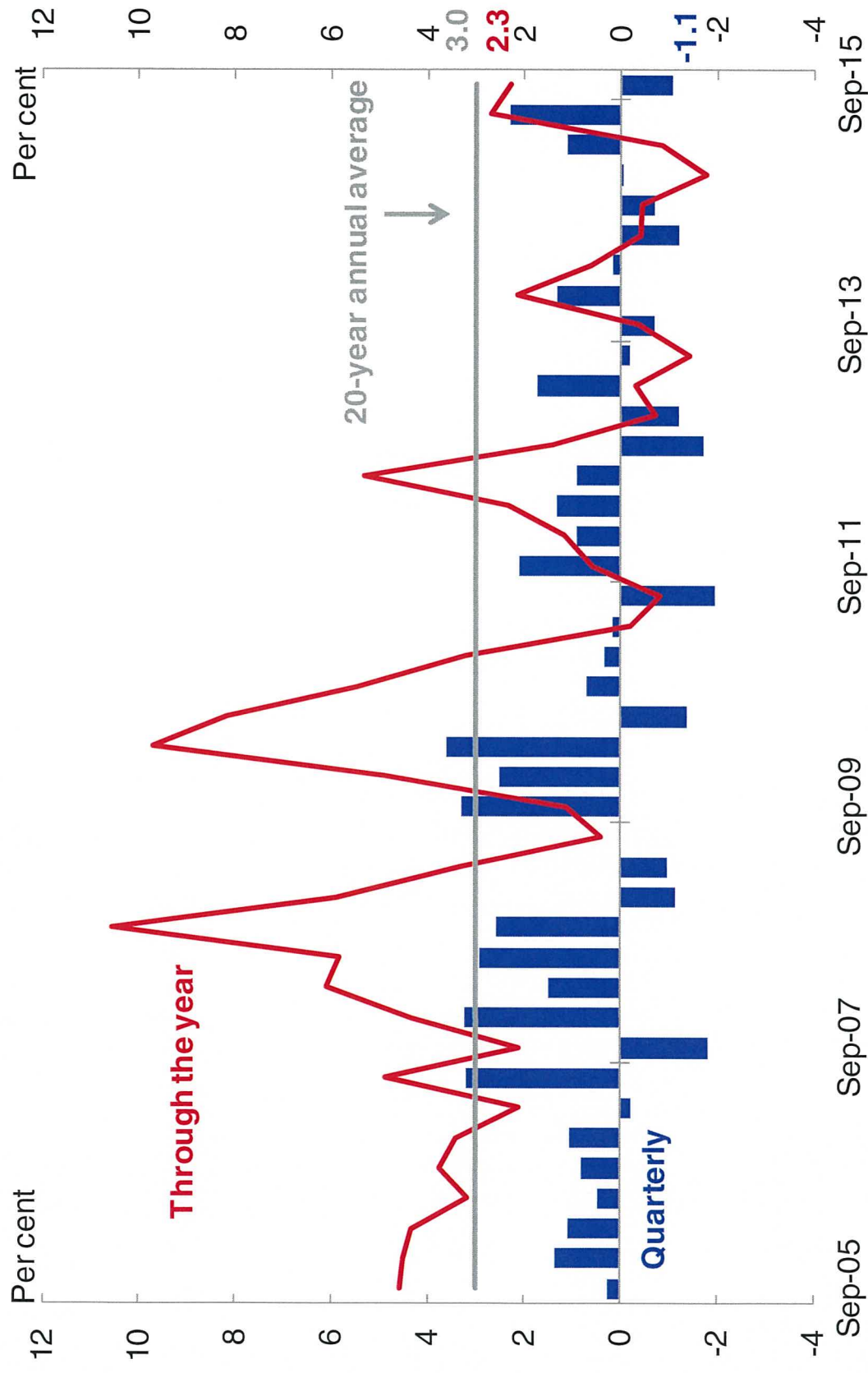
New business investment



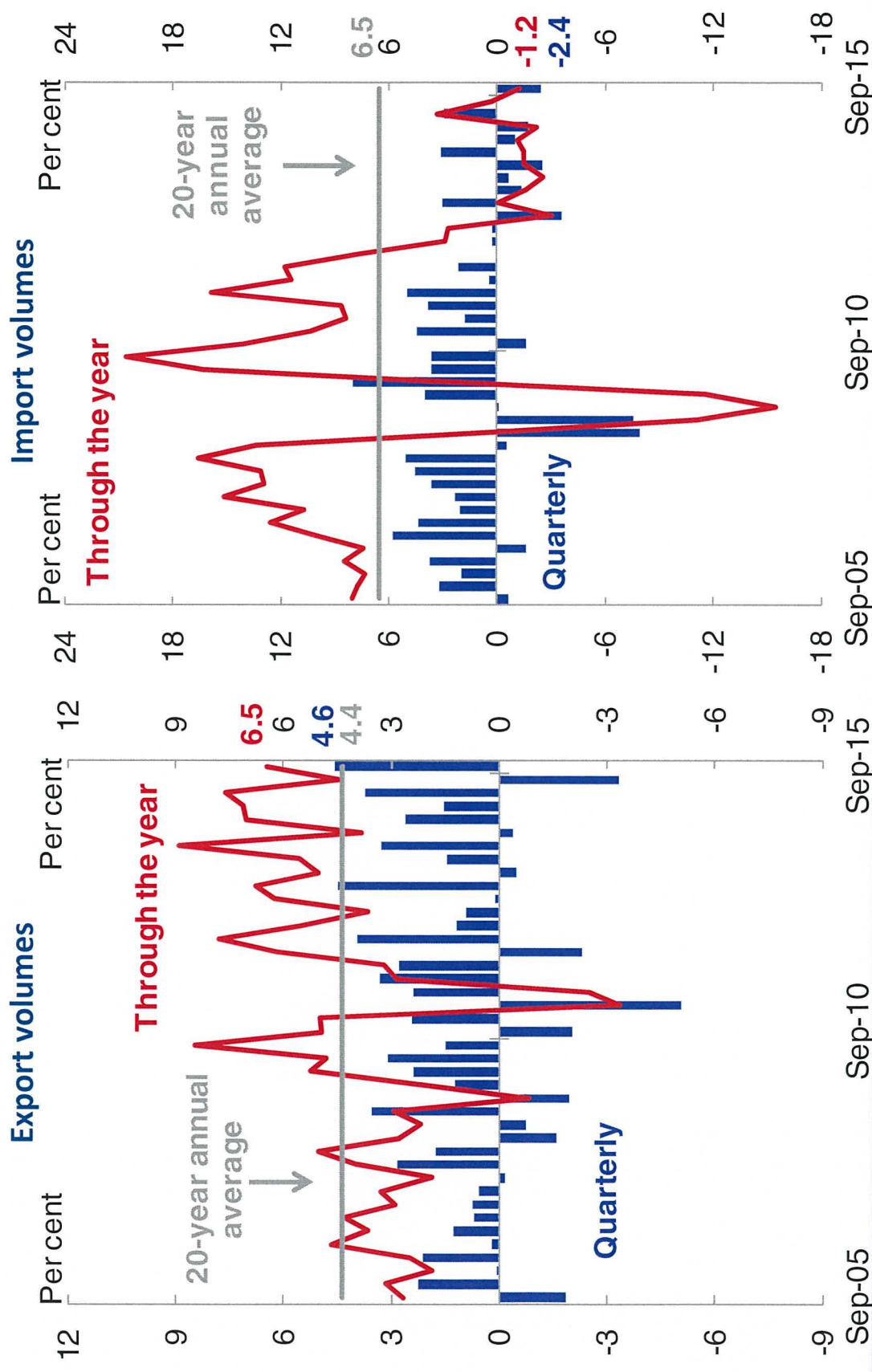
New business investment



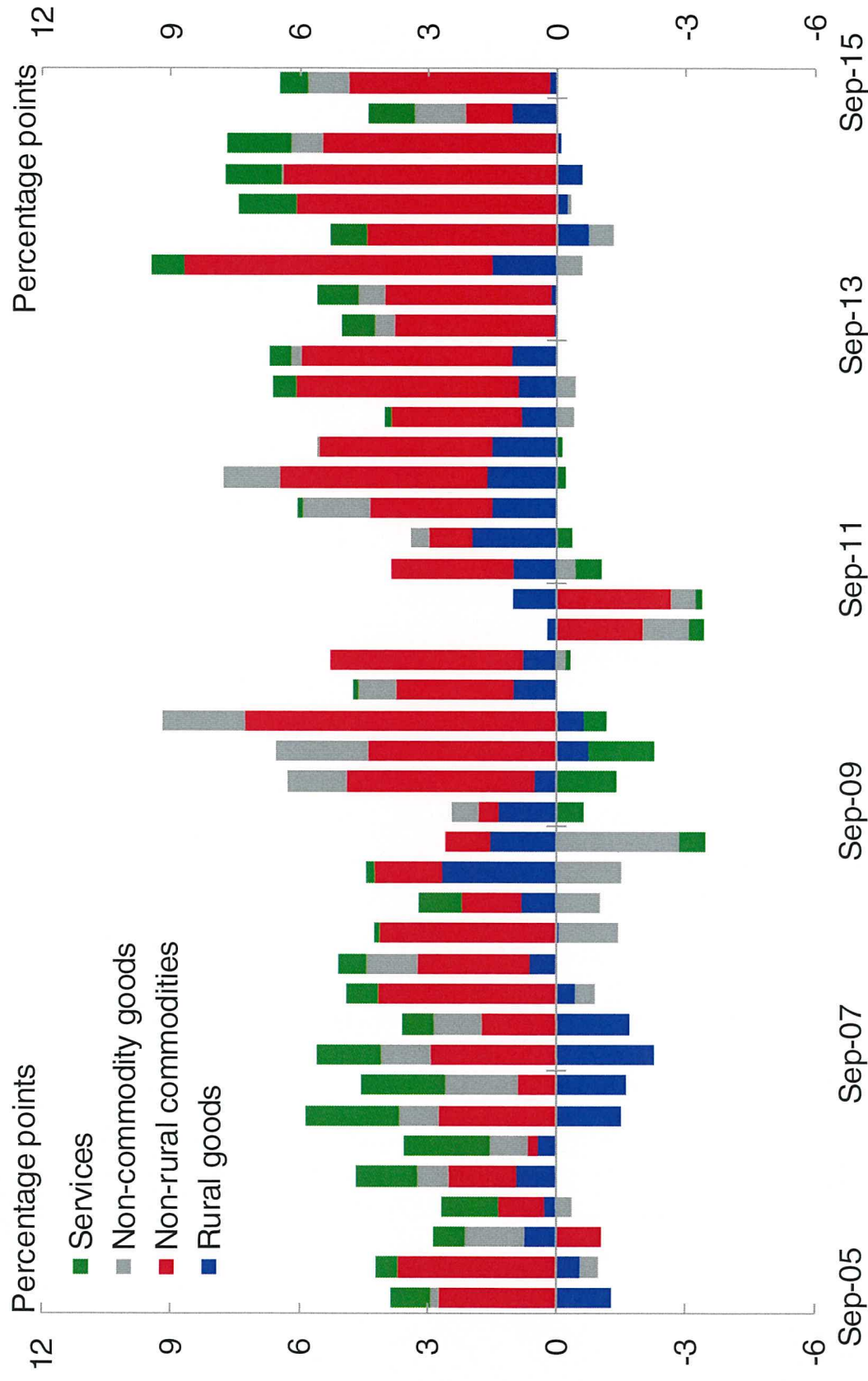
New public final demand



Export and import volumes

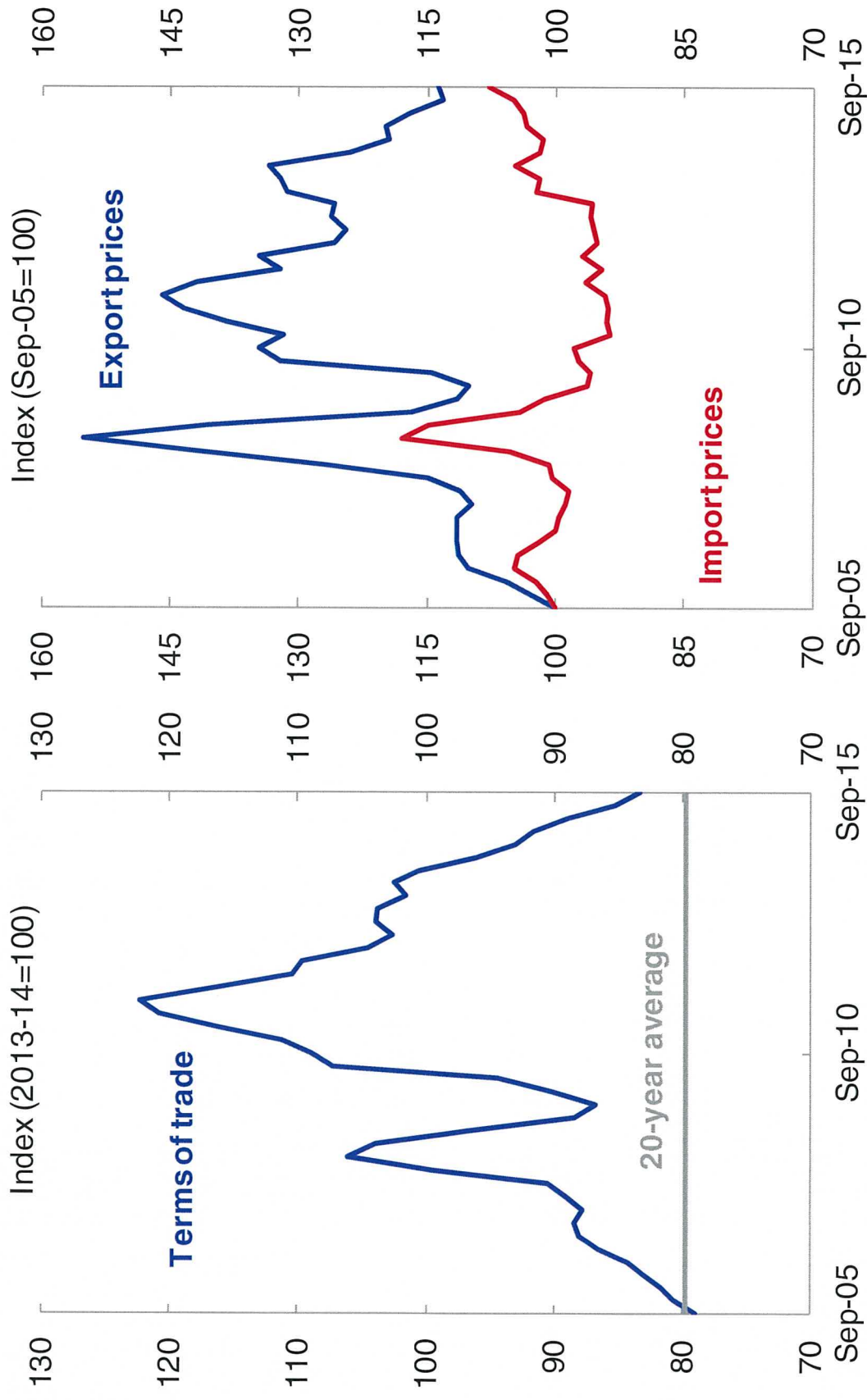


Exports drivers

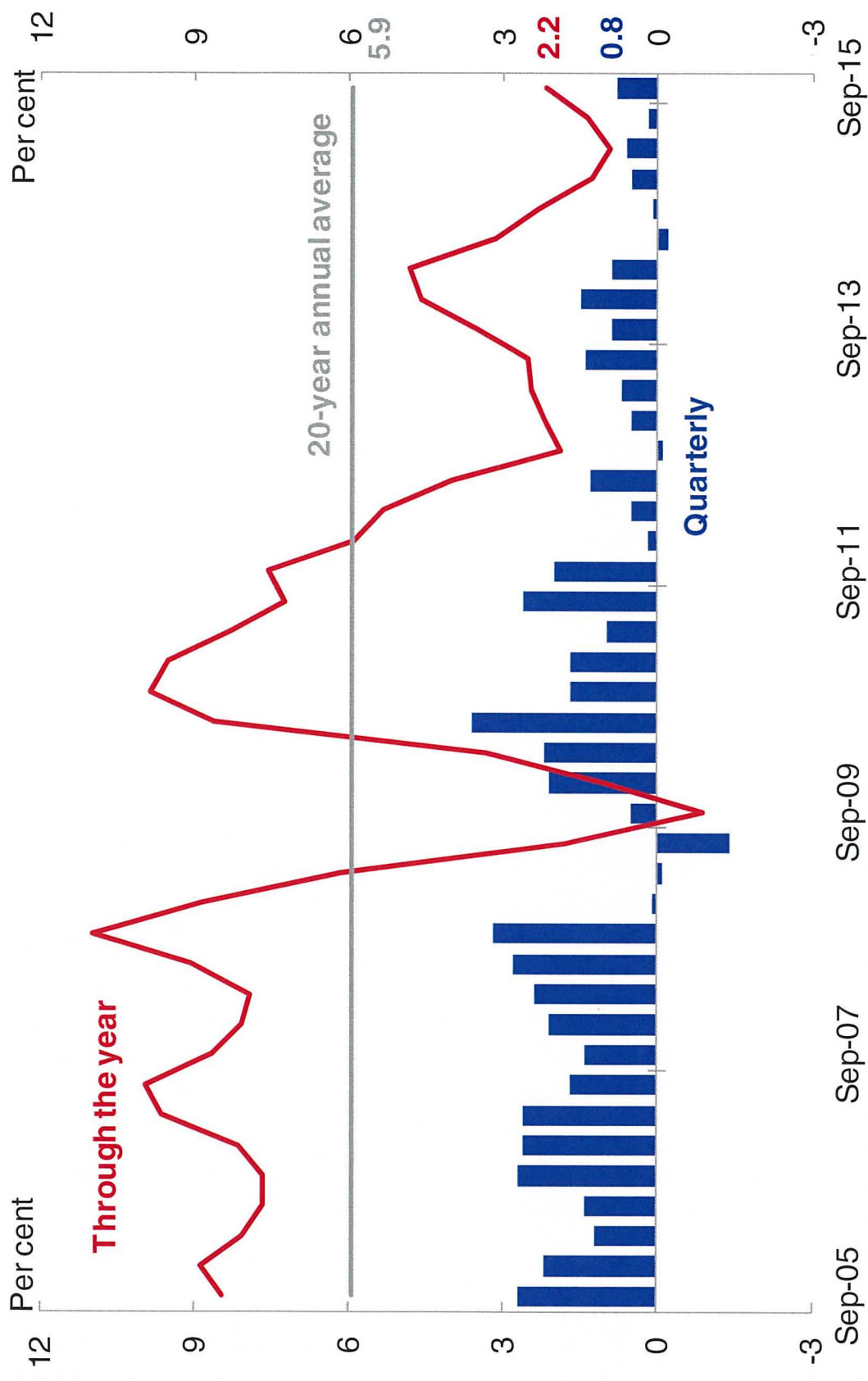


Note: This chart shows percentage point contributions to through the year growth. Non-commodity goods exports are calculated as a residual of the total.
Source: ABS Cat. No. 5302.0.

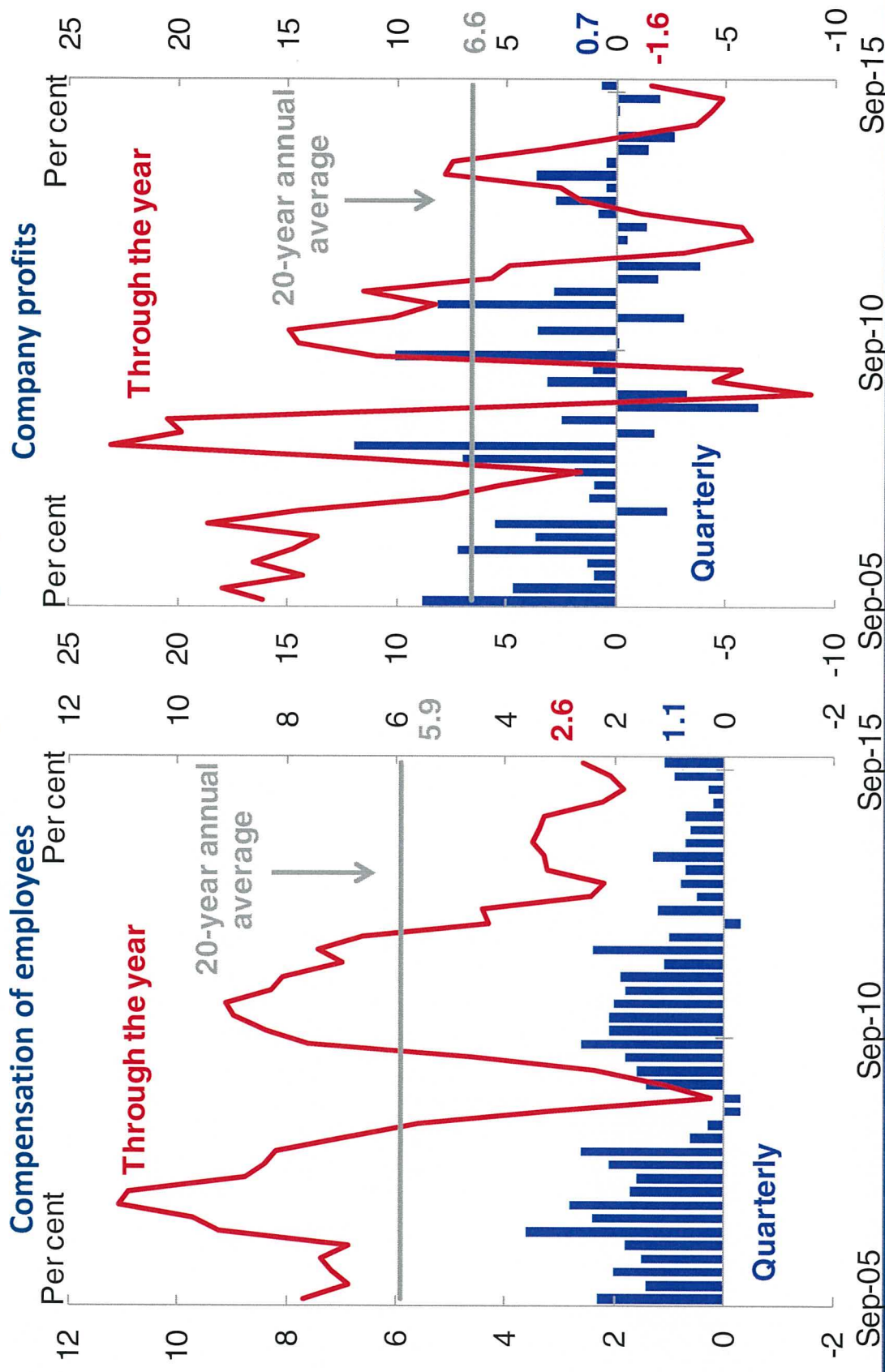
Terms of trade and import/export prices



Nominal GDP

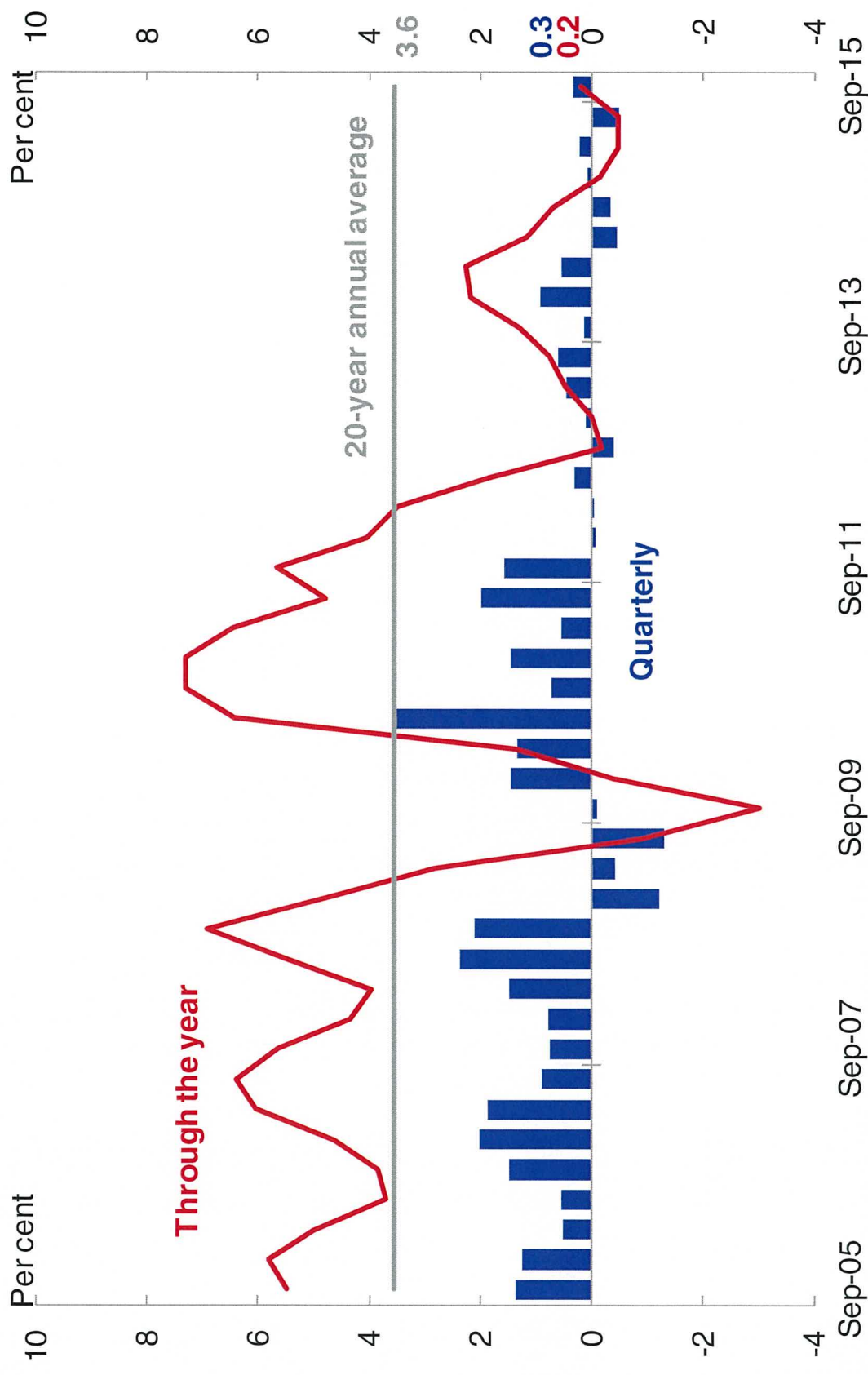


Compensation of employees and company profits

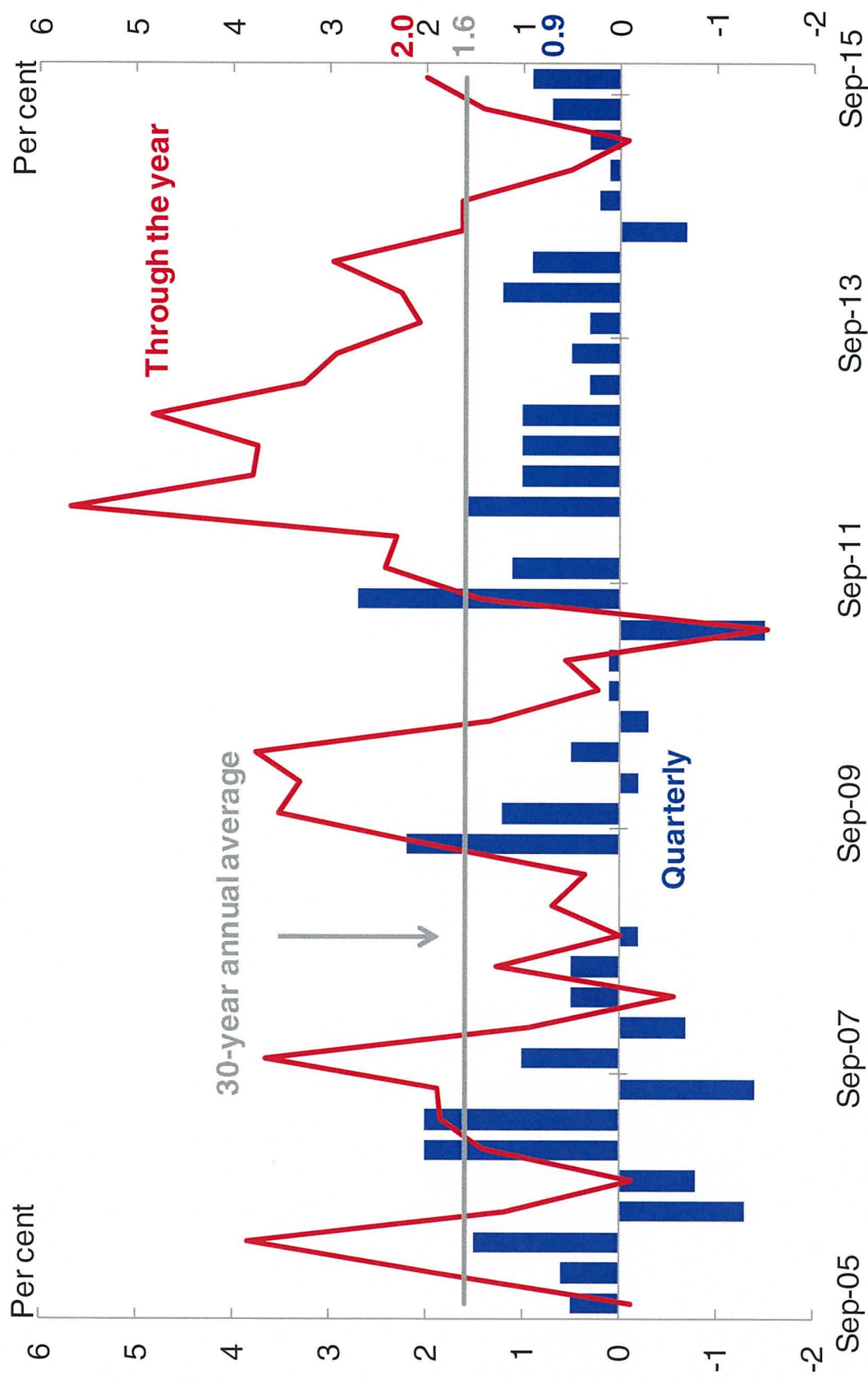


Note: Profit is the sum of private non-financial corporations gross operating surplus (GOS) and financial corporations GOS. GOS only includes the income derived from the production of goods and services and does not include depreciation, foreign exchange or other revaluation gains and losses.

Real gross domestic income

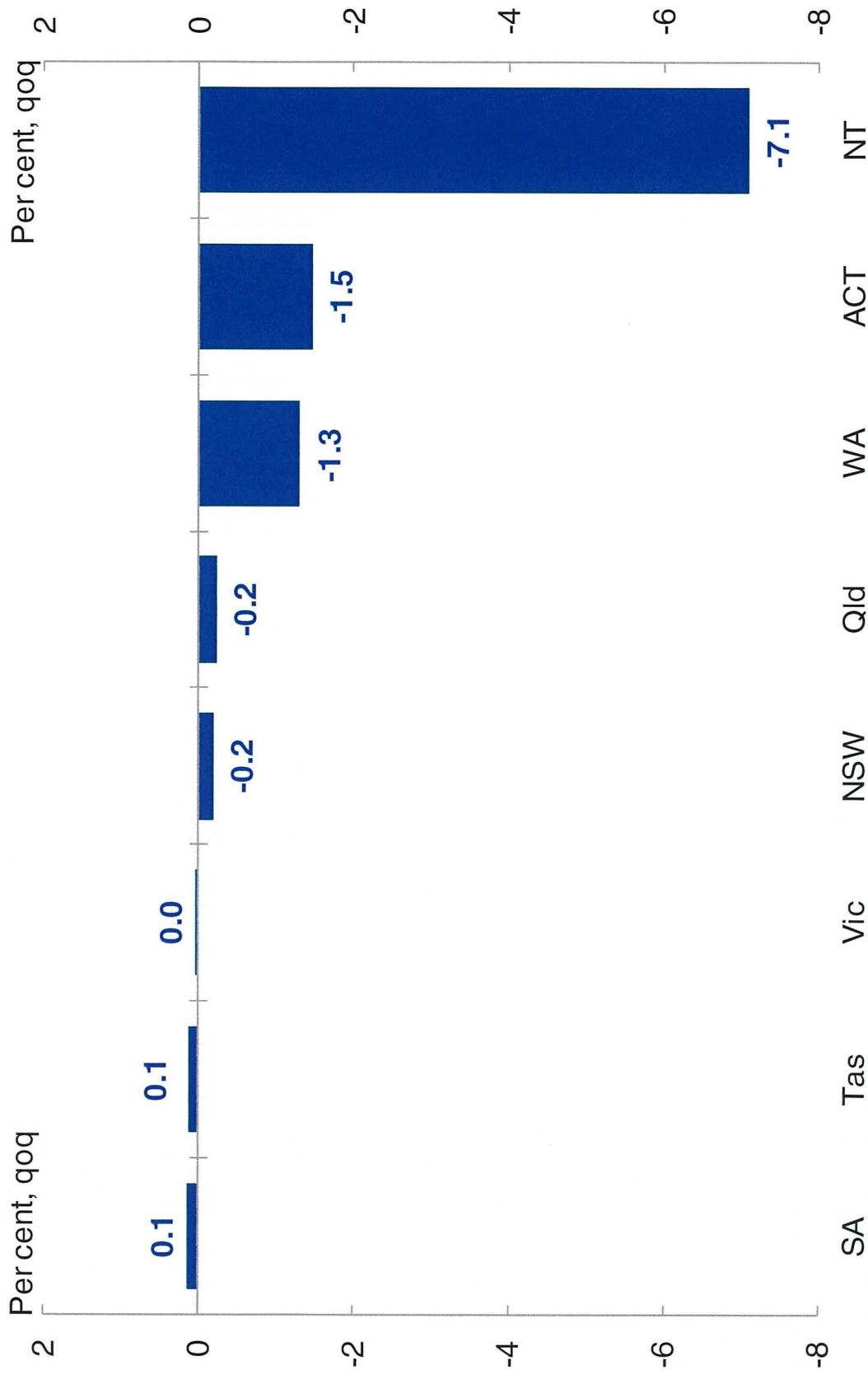


Productivity growth



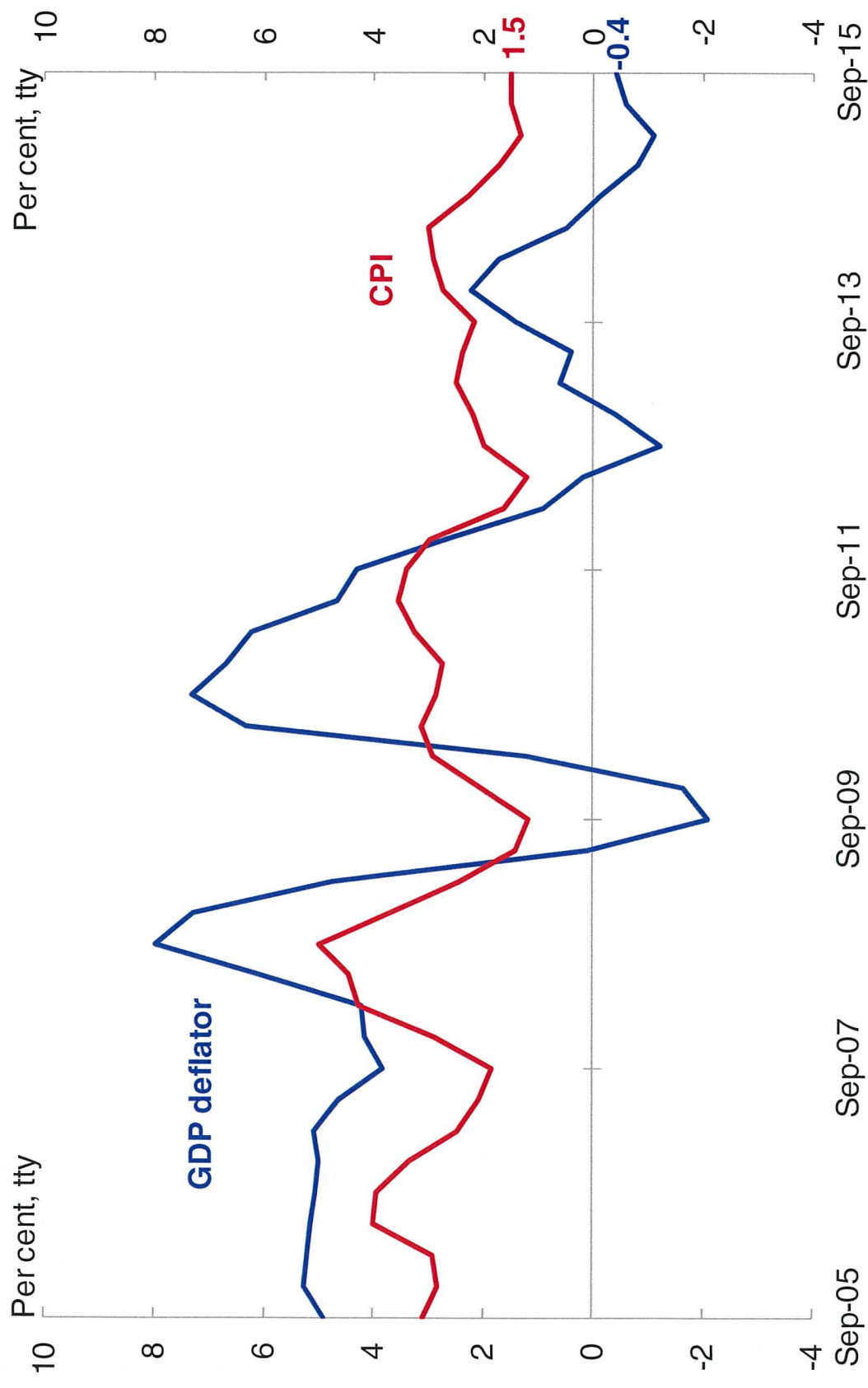
Note: Productivity is measured as gross value added per hour worked, market sector, seasonally adjusted.

State final demand



Note: State final demand (SFD) is a partial measure of gross state product (GSP) as measured by the expenditure approach, in that it excludes both international and interstate trade as well as changes in inventories. GSP is published on an annual basis in the State Accounts (ABS Cat. No. 5220.0).

GDP deflator and CPI



Source: ABS Cat. No. 5206.0 and 6401.0.



Australian Government

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NATIONAL ACCOUNTS

September Quarter 2015