OECD

ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

AUSTRALIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

DECEMBER 1976

BASIC STATISTICS OF AUSTRALIA

THE LAND

Area (1 000 sq. km)	7 686.8	Urban population, 1971, % of total (cities over 100 000)	64
Agricultural area, 1973, % of total	65.0	Population of major cities, 30.6.1973 (1 000):	
Tillage and temporary grassland, 1973, % of total	5.6	Sydney	2 874
		Melbourne	2 584
		Brisbane	911
		Adelaide	868
		Perth	739

THE PEOPLE

Population, 30.6.1976 (1 000)	13 643	Civilian employment, 1975 (1 000)	5 726
No. of inhabitants per sq. km	1.8	*of which:* Agriculture	385
Natural increase rate, per 1 000 inhabitants, 1974	9.6	Industry	1 934
Net migration rate, per 1 000 inhabitants, 1974	6.5	Other activities	3 407

PARLIAMENT AND GOVERNMENT

Present composition of Parliament:

Party	Senate	House of Representatives
National Country Party	8	23
Liberal Party of Australia	27	68
Australian Labor Party	27	36
Other	2	—
Total	64	127

Present Government: Liberal National - Country Party
Next general elections for House of Representatives: at the latest December 1978

PRODUCTION[1]

Gross Domestic Product, 1976 ($ A million)	69 622	Gross fixed capital formation, 1976: Percentage of GDP	24.0
GDP per head (US $)	6 460	Per head (US $)	1 550

THE PUBLIC SECTOR % of GDP in 1976[1]

Expenditure on goods and services[2]	25.6	Current revenue	31.8
Current transfers	9.2	*of which:* Direct taxes	17.9

FOREIGN TRADE

Exports[1]		Imports[1]	
Main exports in 1976, % of total:		Main imports in 1976, % of total:	
Food and live animals	32.4	Machinery and transport equipment	38.6
Crude materials, inedible, except fuels	26.6	Manufactured goods	17.7
Manufactured goods	10.6	Miscellaneous manufactured articles	12.7
Machinery and transport equipment	5.2	Chemicals	8.6

THE CURRENCY

Monetary unit: Australian dollar	Currency unit per US dollar, average of daily figures:	
	Year 1975	0.7598
	November 1976	0.8267

1 Fiscal year ended 30th June.
2 Current and capital expenditure. Including public enterprises.

NOTE An international comparison of certain basic statistics is given in an annex table.

OECD ECONOMIC SURVEYS

AUSTRALIA

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Organisation for Economic Co-operation and Development (OECD) was set up under a Convention signed in Paris on 14th December, 1960, which provides that the OECD shall promote policies designed:

— to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
— to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development;
— to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The Members of OECD are Australia, Austria, Belgium, Canada, Denmark, Finland, France, the Federal Republic of Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

The Socialist Federal Republic of Yugoslavia is associated in certain work of the OECD, particularly that of the Economic and Development Review Committee.

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The annual review of Australia
by the OECD Economic and Development Review Committee
took place on 25th November, 1976.

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DIAGRAMS

This Survey does not take account of any measures introduced after 25th November, 1976. On 28th November the Australian Government announced a $17\frac{1}{2}$ per cent devaluation of the Australian dollar and a move to a more flexibly administered exchange rate.

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INTRODUCTION

The last EDRC examination of Australia took place nearly 18 months ago[1]. Over this time span, the economy went through a difficult period characterised by high rates of inflation and unemployment and, until the close of 1975, continuing recessionary tendencies. Recent developments have been somewhat more promising, with a number of indicators suggesting that some recovery is under way, accompanied by a substantial deceleration in the rate of inflation, but by no improvement in unemployment which in mid-1976 reached a postwar peak. The current account of the balance of payments during this period recorded moderate deficits, smaller, in relation to GDP, than the longer run trend.

Economic policy has become more restrictive during the course of this period. Both fiscal and monetary policies have been directed to curbing the rate of inflation, entailing restraint of public expenditure in the 1975/76 financial year[2], the adoption of further restraints for the present financial year, and a monetary posture which aimed at a growth of monetary aggregates somewhat below the expected growth of nominal GDP. In addition, the authorities have strongly argued the case for only partial wage-indexation and have met with varying degrees of success. Indications of an upturn in early 1976 on the one hand, and a restrictive economic policy on the other, suggest that growth will continue in 1977 but only at a modest rate. Further progress in the fight against inflation can be expected, but unemployment may remain high in the short term. The expected widening of the current external deficit would still leave it somewhat below historical levels.

The present survey follows the by-now traditional outline, with the first part describing recent developments, the second part analysing the policy experience and the final section considering prospects and policy issues. The time span covered, however, will not be limited to the last year or so, but will stretch somewhat further back in the past in order to cover developments from late 1974 to date.

I RECENT DEVELOPMENTS

The recent cycle

By the first half of 1976, it was possible to say that some recovery was under way, after the longest recession in the postwar period. The recovery is, at this stage, rather more hesitant in nature than in previous Australian upswings, and later and less rapid than generally in the OECD countries. The evidence that a turning point has been reached is as yet scattered, with the recovery in residential construction and the turnaround in stockbuilding at all stages of production the clearest signs. In addition, foreign trade and capital expenditure on new plant and equipment have

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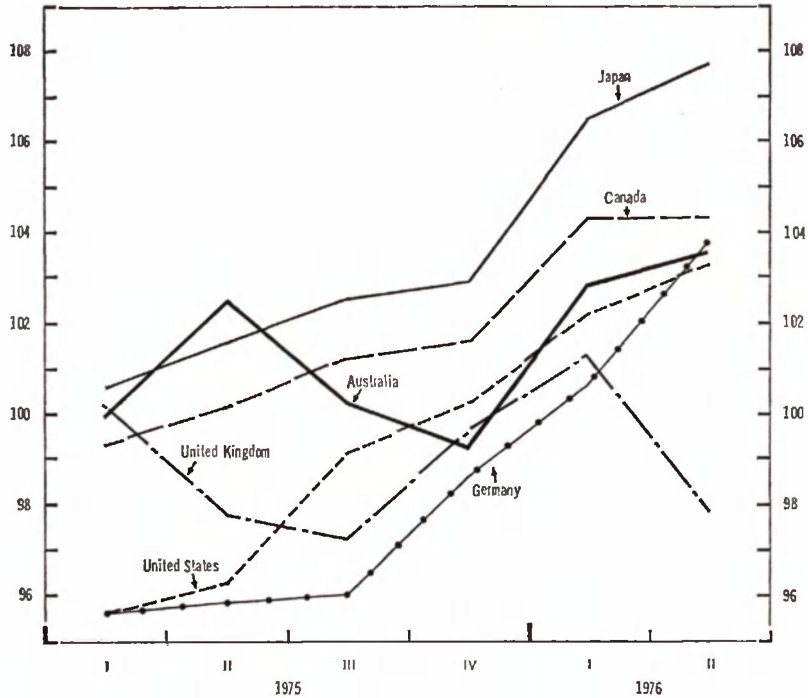
1 There was a change of government during the period. In December 1975 a Liberal-National Country Party Administration replaced the Labor Government which had been in power since December 1972.

2 Running from 1st July 1975 to 30th June 1976.

Diagram 1 **Recovery phase in selected OECD countries**
Indices of seasonally adjusted GDP in constant prices, 1974 = 100[1]



1 GNP for United States, Canada, Japan and Germany.
Source: OECD.

picked up and indicators of both consumer and business confidence also show an improvement over 1975.

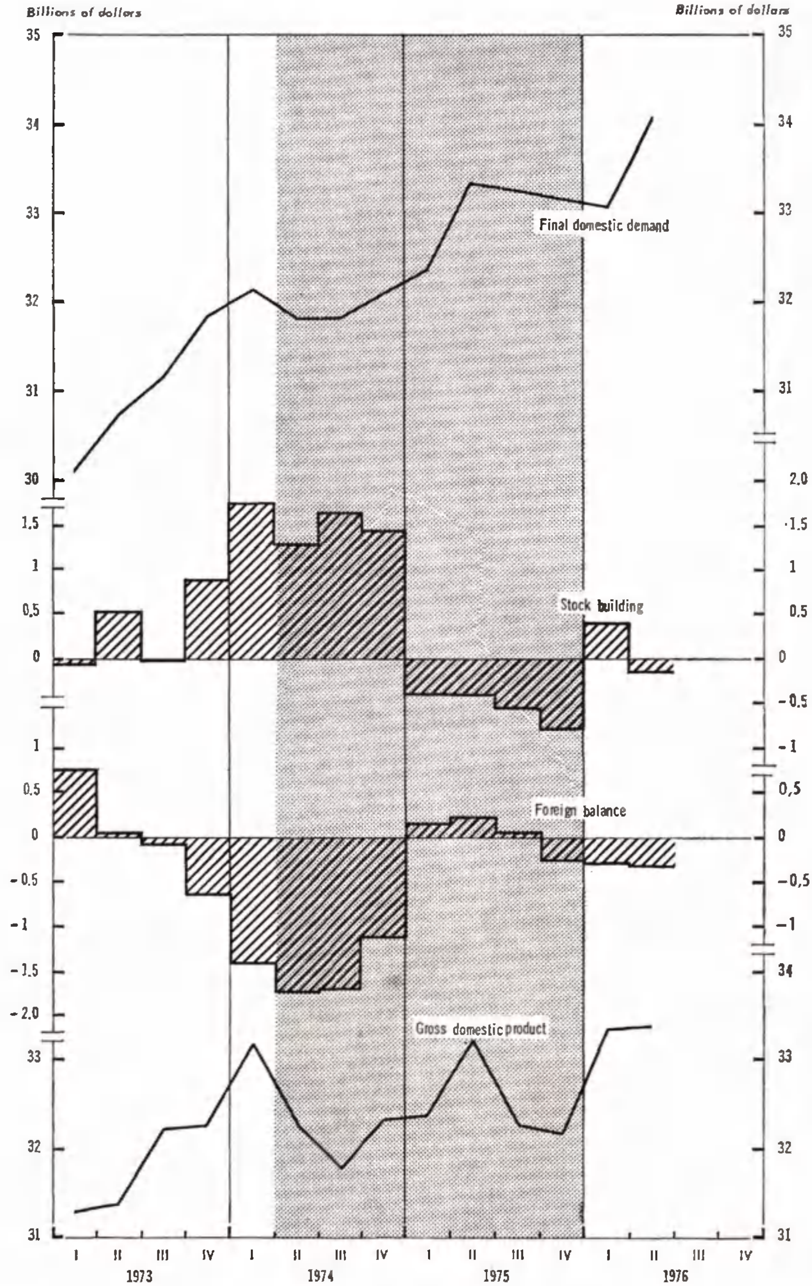
The pattern of development over the last two years has been unusual. On the basis of movements in the level of seasonally-adjusted real GDP or of non-farm output, the decline in activity started around the second quarter of 1974 and continued until the first quarter of 1976, interrupted, however, by a short-lived upturn around the first half of 1975. This would suggest that the recession could be approximately dated from a peak in the first quarter of 1974 to a trough in the fourth quarter of 1975, a period during which GDP fell by 3.1 per cent and gross non-farm product by 4.8 per cent[3]. However, there are a number of difficulties involved in establishing these turning points and notably the latter one[4]. Several indicators on the supply side suggest that the trough may have occurred earlier with industrial production and employment already growing in the second half of 1975[5]. The difficulty of

3 The most severe previous post-war recession was 1960/61. Between the third quarters of 1960 and 1961, real GDP and real gross non-farm product fell by 3.6 and 4.7 per cent respectively.

4 In addition to the qualifications mentioned below, it must also be pointed out that the reliability of seasonally-adjusted quarterly national accounts data has increasingly come under considerable doubt. For this reason much of the discussion on recent developments will be carried out in terms of half-yearly data.

5 Using the trend-deviation or " growth-cycle " method on 40 economic indicators Defris suggests that the peak be dated August 1973 and the trough May 1975; see L. Defris " Leading Australian Cyclical Indicators ", *Australian Economic Review*, 4/1975. This earlier dating of the peak is to be expected from the use of trend-deviation indicators, but is nevertheless slightly

Diagram 2 **Final domestic demand and gross domestic product**
Seasonally adjusted annual rates, 1966/67 dollars[1]



1 Shaded band represents period from the first fall in GDP to the last.
Source: Quarterly Estimates of National Income and Expenditure, ABS.

surprising considering the continued growth of real GDP, of factory production and of deflated retail sales until the early part of 1974. It is also possible to question the need for the trend-deviation conversion during a period when there were clear falls in the levels of the economic indicators under consideration.

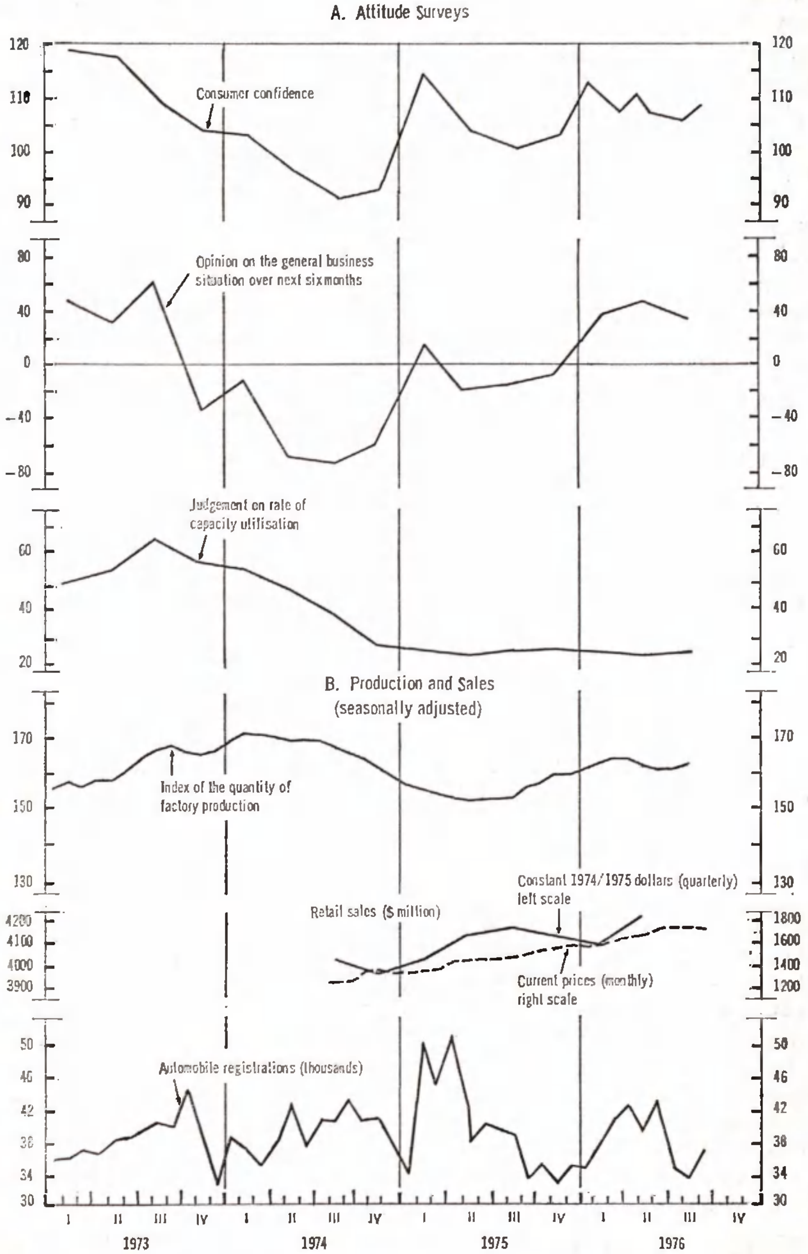
Table 1 **Demand and output, 1973 to 1976**
Percentage change (volume)[1]

	1975 $ million	From previous year				From previous half-year (seasonally adjusted at annual rate)				
		Average 1962-1972	1973	1974	1975	1974 I	1974 II	1975 I	1975 II	1976 I
Consumption:										
Private	38 336	4.9	6.9	3.7	3.7	4.2	0.7	6.0	1.9	2.9
Public	10 405	5.6	9.7	2.7	9.0	–2.4	10.4	8.2	8.6	5.1
Gross fixed investment	15 579	5.7	3.4	1.6	–0.1	2.1	–6.4	3.0	–0.2	–1.2
Private	9 417	6.1	6.8	–0.9	–6.6	–2.0	–14.9	–6.1	1.0	8.3
of which: Residential construction	2 689	7.7	10.3	–12.3	–12.9	–12.6	–27.5	–17.9	18.9	38.8
Other construction	2 096	5.9	–3.9	0.5	–2.5	–0.8	–3.6	2.0	–10.1	–28.8
Machinery and equipment	4 632	5.3	9.4	5.7	–4.8	4.6	–12.0	–2.6	–2.6	9.2
Public	6 162	4.9	–3.1	7.0	12.1	11.2	12.0	20.0	–2.1	–15.4
Final domestic demand	64 320	5.2	6.2	2.5	3.4	2.9	0.0	5.6	2.2	2.2
Change in stockbuilding[2]	–639	..	(2.8)	(3.7)	(–6.3)	(6.8)	(0.1)	(–11.8)	(–1.6)	(5.0)
of which: Private non-farm[2]	–980	..	(0.5)	(3.5)	(–5.4)	(7.4)	(0.0)	(–10.4)	(–0.4)	(4.0)
Farm and miscellaneous[2 3]	341	..	(2.3)	(0.2)	(–0.9)	(–0.6)	(0.1)	(–1.4)	(–1.2)	(0.9)
Statistical discrepancy[2]	7	..	(1.7)	(–0.3)	(–1.2)	(0.2)	(–4.6)	(1.0)	(–1.7)	(0.7)
Total domestic demand	63 687	5.0	11.1	5.8	–4.0	9.8	–4.3	–5.4	–1.1	8.0
Exports of goods and services	10 291	7.7	–0.2	–1.0	6.1	–8.3	13.9	6.5	–1.8	12.1
Imports of goods and services	9 627	5.9	23.0	24.3	–17.1	35.7	6.7	–35.8	8.2	18.2
Change in foreign balance[2]	664	..	(–3.6)	(–4.5)	(4.8)	(–7.4)	(0.8)	(10.3)	(–1.7)	(–1.1)
Gross domestic product	64 351	5.3	7.1	1.3	0.6	2.2	–3.7	4.4	–2.9	6.9
of which: Farm	3 654	3.1	0.0	1.0	15.7	–19.2	23.8	22.4	–3.3	13.1
Non-farm	60 697	5.6	7.7	1.3	–0.7	4.3	–5.8	2.8	–2.8	6.3

1 Volume data are measured in average 1966-67 prices.
2 As a percentage of GDP in the previous period.
3 Includes public authority stocks.

Source: Quarterly Estimates of National Income and Expenditure, ABS.

Diagram 3 **Cyclical indicators**



Sources: Consumer confidence is from *Consumer Surveys,* Institute for Applied Economic and Social Research. The opinion on the general business situation and the rate of capacity utilisation are from the *Survey of Industrial Trends* carried out jointly by the Associated Chambers of Manufacturers and the Bank of N.S.W. The latter series was seasonally adjusted by the Secretariat. Index of the quantity of factory production from ANZ Bank *Business Indicators.* Retail sales from *Retail Sales of Goods,* ABS. Automobile registrations from *Digest of Current Statistics,* ABS interpretation is complicated further by the consideration that since final demand was still weak in the second half of 1975, one would have expected the output increase to show up in unintended stock accumulation. Yet this was the period of greatest inventory run-down.

Taking the national accounts data, the other interesting feature of the 1974/75 recession is the short-lived upturn in final domestic demand in the first half of 1975. This upturn became apparent at the time of the preparation of the 1975/76 budget, but did not, contrary to expectations, signal a durable revival of activity. The up-swing was led by a policy-induced (in the form of personal and sales tax reductions) surge in consumption, and was at the time accompanied by a clear improvement in consumer and business confidence. However, as is evidenced by the continuing low level of capacity utilisation and by the failure of factory production to respond quickly, the increased demand appears to have been largely met from stocks. The subsequent decline in the level of final demand during the last half of 1975 was to some extent a reaction to this earlier upturn, and the expiry of the temporary taxation measures.

The upswing in the first half of 1976 seems to have been more broadly based. It is significant that the upturn in final demand was due entirely to increased private demand, public expenditure actually declining. But following vigorous growth of final demand in the first and especially in the second quarter of the year, indicators of economic activity in the third quarter of 1976 suggest some slackening. Growth in retail sales, after a burst in the second quarter, slowed, and automobile sales dropped away sharply in July and August (in the aftermath of the introduction of more stringent exhaust emission controls from July) before recovering somewhat in September. Industrial production has been flat since about March, dwelling approvals declined in the first two months of the September quarter before rising in the final month and employment fell according to the August survey figures. On the other hand exports continue to increase strongly. It is too early yet to rule out the possibility that developments so far in 1976 may be pointing to a recovery which is of a technical nature (i.e. largely based on a turnaround in the stock cycle) and not to one which could become self-sustaining.

Demand components

Real private consumption rose by about 3 to 3½ per cent in both the 1974/75 and 1975/76 financial years. However, the similar consumption performance in these two periods was achieved against a background of quite different disposable income growth. In 1974/75 real disposable income grew by over 5 per cent (22.6 per cent in nominal terms) while in 1975/76 it grew by less than 1 per cent (15.9 per cent nominal). Between these two years the personal saving ratio decreased from a record annual level of 17.3 per cent in 1974/75 to 15.4 per cent in 1975/76. On a seasonally-adjusted quarterly basis[6], a peak (18.6 per cent) was reached in the fourth quarter of 1974; since then there has been a reasonably smooth downward movement[7]. However, the ratio remained considerably higher than its longer-term average of about 10 per cent[8].

Understanding the behaviour of the saving ratio is essential for an interpretation of recent developments in the Australian economy and, as explained later, crucial for any assessment of its prospects. The rise in the saving ratio in Australia was as sharp as any in the OECD area—approximately doubling between mid-1972 and the

6 These figures are from Statement No. 2 attached to the Budget Speech for 1976/77.
7 Except for a sharp drop in the second quarter of 1975.
8 Between 1962 and 1972, the average saving ratio was 9¾ per cent, with the last two years of this period showing 12.2 and 14.4 per cent respectively.

Table 2 **Disposable income, saving and consumption**
Percentage changes from previous year

	1972	1973	1974	1975
Household disposable income	11.8	18.9	22.8	18.7
Private consumption	10.6	15.1	19.0	19.8
Saving ratio[1]	11.8	14.5	17.2	16.4
Real household disposable income[2]	6.0	10.3	7.0	2.8
Real private consumption[2]	4.9	6.9	3.7	3.7

1 As a percentage of household disposable income.
2 Deflated by the national accounts consumption deflator.
Source: Quarterly Estimates of National Income and Expenditure, ABS.

end of 1974. As in other OECD countries, this sharp rise led to much discussion of the relation between, inter alia, savings, incomes, the rate of inflation and unemployment[9]. It should be noted that in Australia, in partial contrast to the experience of other OECD countries, the very sharp rises in the saving ratio occurred during periods when real disposable income was growing extremely rapidly. In the two years between June 1972 and June 1974, real disposable income rose at an annual rate of 9¼ per cent[10]. The savings behaviour can thus be more readily accounted for by the traditional explanations than in many other OECD countries. This is not to say that the rate of inflation and the rate of unemployment did not play a role—the fact that the saving ratio is still much higher than its long-term average even though the rate of growth of real disposable income has returned to normal or below normal, is evidence of their importance.

Private fixed investment has remained weak over the past two years with the volume in the second quarter of 1976 being 9½ per cent below the peak recorded in the fourth quarter of 1973. A recovery in dwelling investment since mid-1975 has been partly offset by further declines in other construction, while the movement in machinery and equipment investment has been erratic. The recovery in residential construction has been substantial with private dwelling commencements in the second quarter of 1976 22 per cent above the figure of the corresponding period of 1975. In the September quarter, however, there has been some decline in dwelling approvals, probably due to the decline in building society lending during the March to June period. Non-residential private fixed investment has been deterred by generally low levels of capacity utilisation and uncertain demand and price prospects. Non-residential building and construction declined almost continuously from the March quarter of 1974[11] to the June quarter of 1976, but rebounded strongly in the September quarter[12]. The improvement in investment in plant and equipment in the first half of 1976 probably owes something to the accelerated depreciation allowances granted in December 1974 (which expired in June 1976) and to the investment

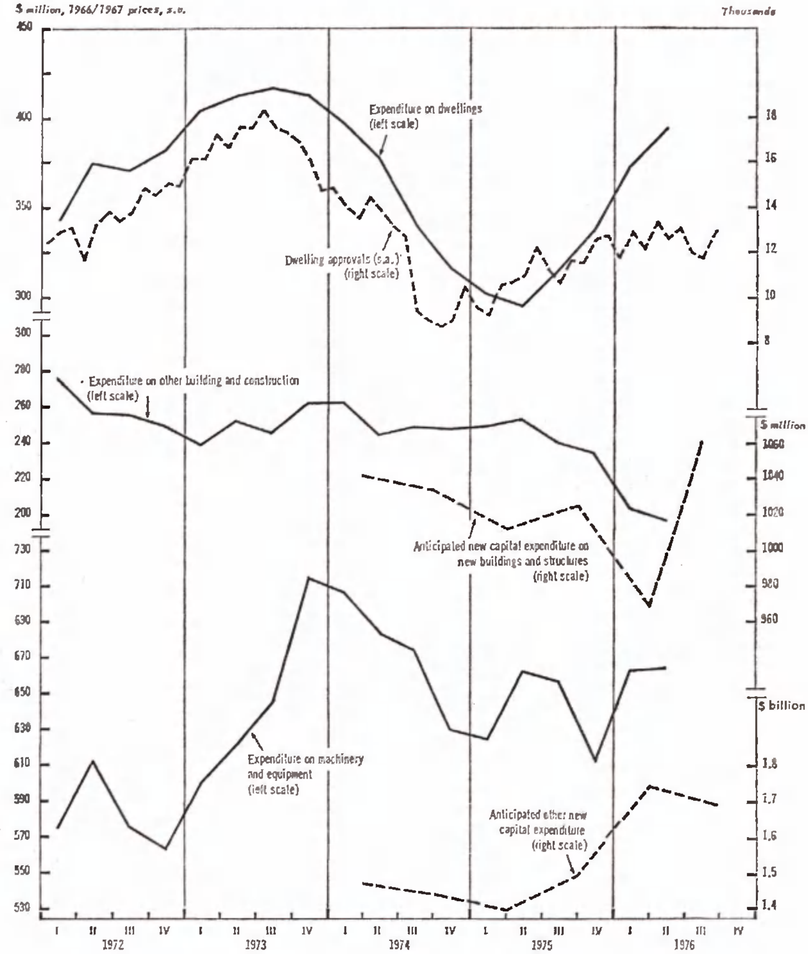
9 For early attempts to explain the linkage between saving ratios, rates of inflation and unemployment for selected OECD countries see OECD *Economic Outlook*, December 1972 p. 12 and December 1974 p. 108. Two articles which had established the link between the rate of inflation, the rate of unemployment and the saving ratio for the United States are F.T. Juster and P. Wachtel, " Inflation and the Consumer ", *Brookings Papers on Economic Activity*, (1, 1972) and " A Note on Inflation and the Saving Rate ", *ibid.* (3, 1972). See also M.L. Lovell, *ibid.* (2, 1975).

10 In the following two years, during much of which the saving ratio decreased, real disposable income increased by about 3 per cent.

11 A major factor in this was the earlier overbuilding of large office blocks in the capital cities.

12 Based on preliminary figures contained in *New Capital Expenditure by Private Business in Australia*, ABS.

Diagram 4 **Components of fixed investment**



Source: Dwelling approvals: ***Monthly Review of Business Statistic***, **ABS.** Expenditure on dwellings, other building and machinery and equipment: ***Quarterly Estimates of National Income and Expenditure***, **ABS.** Anticipations from ***New Capital Expenditure by Private Business***, **ABS.**

credits announced on 22nd December, 1975. The overlap in these schemes meant that in the first half of 1976 there were two different incentives operating to encourage investment. Even so, the level recorded in the second quarter was 7 per cent below the peak reached at the end of 1973.

The contributions to the level of activity of changes in stockbuilding and the foreign balance have been extremely large, reaching figures of $-6\frac{1}{2}$ per cent for stockbuilding and $4\frac{3}{4}$ per cent for the foreign balance in 1975. While some degree of negative correlation can be expected between these two components, the extent of the offsetting behaviour over the past three years has been remarkable. Following strong stockbuilding in 1974, 1975 witnessed four successive quarters of large stock decumulation, which was halted in the first half of 1976. Most of this pattern was accounted for by non-farm stocks, although it was reinforced by movements in the farm sector[13]. The stock recovery in the first half of 1976 was broadly based with the seasonally adjusted book value of stocks of materials and work-in-progress showing a clear increase for the first time in a year, and that of finished goods also continuing to rise. The accompanying developments in foreign trade are discussed below.

The strong increase in government expenditure on goods and services during the 1974/75 financial year was not repeated in 1975/76. During the year to June 1975, government purchases rose by over 16 per cent in volume, while in the twelve months to June 1976 they showed no growth at all, with falls in capital spending in the September, December and March quarters offsetting the growth in current expenditure.

The labour market

After the very sharp rise in unemployment between mid-1974 and mid-1975, labour market conditions have remained relatively static. Unusually large difficulties are involved in interpreting the standard statistical series which, during this period, show contrasting developments. The bulk of the evidence nonetheless suggests that conditions have, if anything, deteriorated somewhat over the last eighteen months. Employment has risen but this has not been sufficient to absorb the growth of the labour force, and consequently unemployment so far in 1976 has generally been higher than in 1975. Much of this increase could, however, be explained by the phasing out of the job-creating schemes operating in 1975.

The most widely used series for employment in Australia—the monthly series for civilian employment based on payroll tax returns—shows no growth in total employment since June 1974 and a large fall in private employment. Data compiled from the labour force survey show some decline in employment between May 1974 and August 1975, but a reasonable recovery thereafter except for the most recent observation (August 1976), with the level of employment in the first three quarters of 1976 standing 1.2 per cent higher than in the corresponding period in 1975[14]. A higher figure is obtained (1.8 per cent) if allowance is made for the various government employment-creating schemes operating in 1975 that have been run down in 1976[15]. The percentage of total employment accounted for by part-time employment has risen during the last two years from 12 per cent in May 1974 to 14¼ per cent

13 In 1975, in the face of strong international demand, wheat stocks remained low. Wool stocks were reduced slightly as the Australian Wool Corporation became a net seller in the 1975/76 season. Early in 1976 some involuntary accumulation of wool stocks occurred as a result of the national wool handlers strike.

14 The series for civilian employment has recently been revised upwards because it was considered that estimating procedures were:

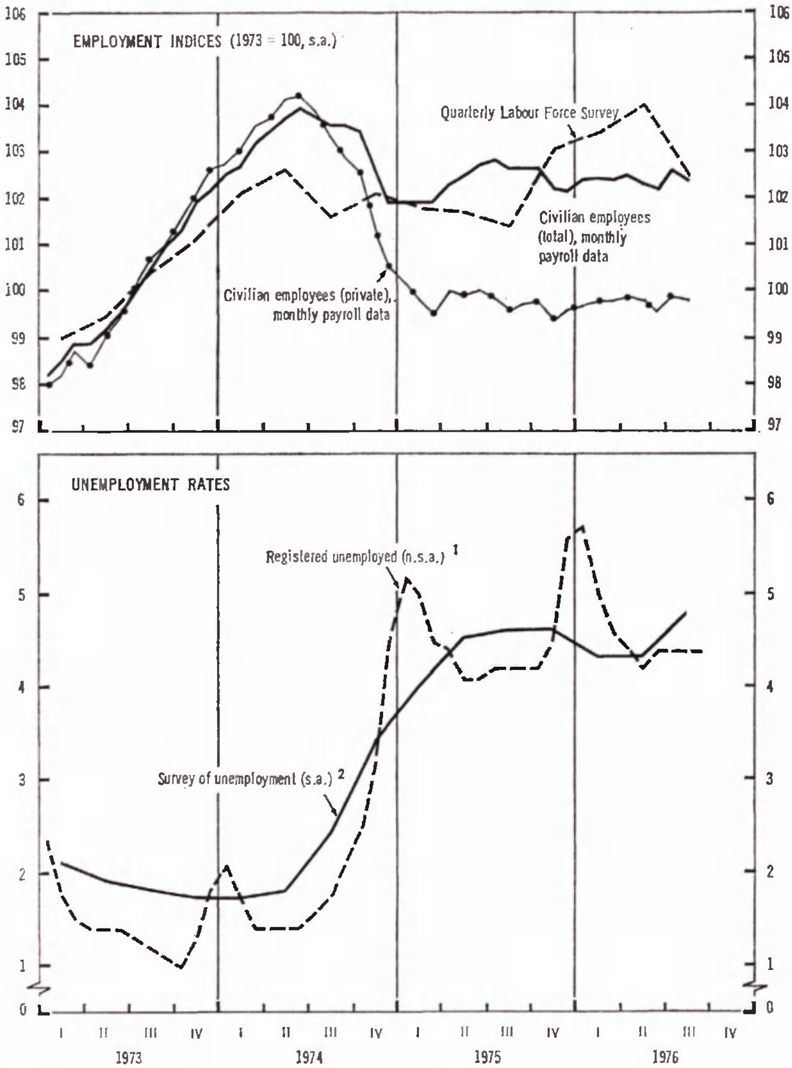
(*a*) overcorrecting for the incidence of multiple-job holders and labour turnover;
(*b*) overstating the fall in employment in small businesses not subject to payroll tax.

Notwithstanding the revision the series continues to show a weaker picture than that shown by the survey data. There may still be elements of understatement in the civilian employment series. Certainly the labour force data appear more (though not fully) consistent with the course of unemployment over the last twelve months or so, and more consistent with the movement of industrial production, the other important supply indicator.

15 The three main schemes that have been in operation are:

(*i*) The Regional Employment Development Scheme (RED) introduced in September 1974. It reached its peak in July 1975 when it employed 32 000 persons, but was phased out by mid-1976.
(*ii*) The National Employment and Training Scheme (NEAT) established in July 1974 with the aim of retraining 15 000 persons in 1974/75 and 24 000 in 1975/76. The number of persons receiving training rose from 8 000 at end 1974 to around 14 000 in mid-1975, and remained at that level throughout the year.
(*iii*) Various employment schemes sponsored by the State governments which at their peak in May 1975 employed 9 300 persons but have been largely wound down since.

Diagram 5 **Employment and unemployment**



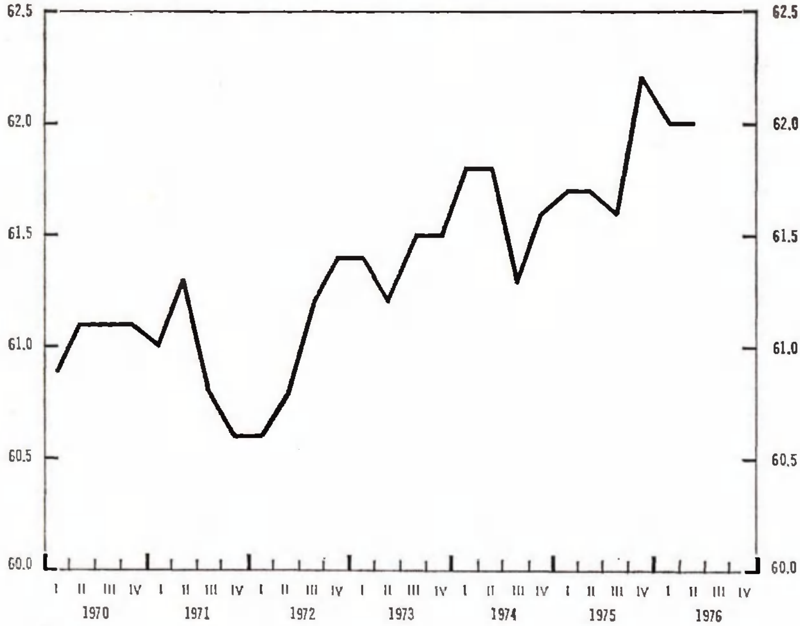
1 Persons registered for employment as a percentage of labour force.
2 Unemployed persons as a per cent of labour force.
Sources: The Labour Force, ABS. *Employment and Unemployment*, ABS.

in May 1976. The proportion of the work force on short-time working peaked in February 1975 and has declined to relatively normal levels in 1976.

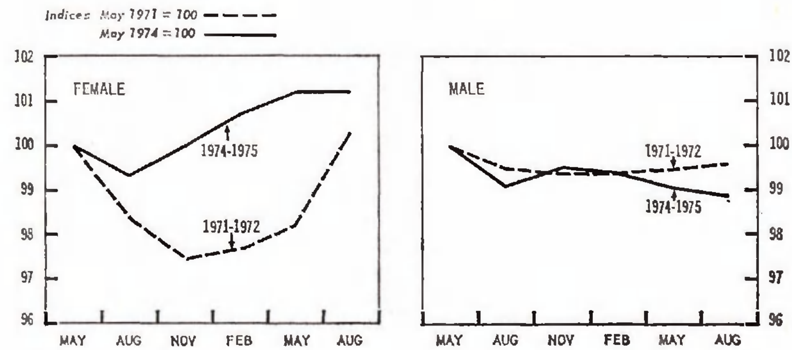
The labour force was 1.8 per cent higher in the first three quarters of 1976 than in the corresponding period in 1975. Over the past two years, the cyclical response of the participation rate to the weak demand for labour has been dampened. Compared even with the mild downturn in 1971/72, participation rates in the present cycle have held up relatively strongly, and what fall there has been has come from changes in the male participation rate. Interestingly, the traditionally more sensitive female participation rate showed very little downward cyclical reaction in 1974-76. Also

Diagram 6 **Participation rates**
Seasonally adjusted

A. Total participation rate (per cent) 1



B. Comparison of participation rates in two cycles



1 Weighted average of seasonally adjusted male and female participation rates.
Source: The Labour Force, ABS.

of interest is that the participation rates of persons aged 15 to 24 have risen over the last two years against a longer-term downward trend[16].

Despite difficulties involved in interpreting the data, unemployment seems to

16 The participation rate for persons aged 15 to 19 years rose from 58.2 per cent in May 1974 to 59.5 per cent in May 1976. In the same period the participation rate for persons aged 20 to 24 years rose from 77.5 to 79.2 per cent.

have risen slightly in 1976[17]. The seasonally-adjusted unemployment rate given by the quarterly labour force survey shows that, after an initial fall, the rate rose subsequently and by August had reached the highest level recorded since the inception of the survey in its present form in 1964. Using the seasonally unadjusted series for registered unemployment suggests that, after some rise between March and July, there has been a flattening out in the following three months.

The unemployment pattern among major demographic groups has been relatively stable over the present cycle. Traditionally, the unemployment rate among young persons has been higher than among adult females which, in turn, has been higher than among adult males. Since mid-1974 all rates have moved up together but the relation between them has not changed much. The only noticeable difference is that the proportion of total unemployment accounted for by young persons has increased while that by adult females has declined. This latter development is interesting in the light of the already-mentioned strong growth of the female labour force stemming from the limited participation rate reaction in this cycle. Explanations may be found in the familiar sectoral employment growth pattern during recessions when sectors using a high proportion of female labour (e.g. services) show more growth (or smaller declines) than other industries[18], and the substitution towards part-time employment of females on account of the higher costs of supplements for full-time employees.

Table 3 **Selected unemployment rates**[1]

As a percent of corresponding labour force; not seasonally adjusted

	Adult males	Adult females	Persons aged 15 to 19
May 1974	1.0	1.9	4.1
	(36.7)	(33.5)	(29.7)
May 1975	2.7	3.9	10.0
	(40.8)	(28.9)	(30.3)
May 1976	2.5	3.9	12.1
	(36.6)	(28.0)	(35.3)

1 Figures in brackets are the proportion of total unemployment accounted for by each group.
Source: The Labour Force, ABS.

Australia's unemployment experience over the last two years is somewhat exceptional both in a historical and in a cross-country perspective. Internationally, the difference between the present unemployment rate and the longer-term average is one of the highest among those OECD countries for which roughly comparable statistics exist, suggesting that the deterioration in the unemployment performance over the last cycle has been more marked in Australia than in many other countries.

17 The most widely used indicator of unemployment in Australia is the monthly series of " Persons Registered for Employment with the Commonwealth Employment Service " (CES Series). In August 1976, the seasonally-adjusted CES series was discontinued owing to a serious overstatement of the compensation for seasonality resulting from the use of multiplicative seasonal adjustment factors on a series which contained a large change in level. The seasonal adjustment method applied to the labour force survey data has recently been revised for similar reasons so that the figures shown in Table 4 are less subject to this criticism.

18 According to the monthly series for civilian employees, the industries which showed the largest growth of employment between mid-1974 and mid-1976 were public administration, community services and entertainment, recreation, restaurants, hotels and personal services. The sharpest declines were recorded by manufacturing and construction.

Table 4 **Adjusted unemployment rates in selected OECD countries**
Per cent of total labour force; seasonally adjusted

	Average 1962-73	1974	1975	1976		
				Q1	Q2	Q3
Australia	1.6[1]	2.3	4.3	4.3	4.3	4.9
Canada	5.1	5.4	7.0	6.8	7.1	7.2
United States	4.6	5.4	8.3	7.5	7.3	7.7
Japan	1.2	1.4	(2.0)	(2.1)	(2.2)	(2.1)
France	(2.2)	(2.7)	(4.1)	(4.1)	(4.1)	(3.9)
Germany	(0.6)	(1.5)	(3.6)	(3.8)	(3.4)	(3.4)
Italy	(3.5)	(3.1)	(3.6)	(3.5)	(3.0)	(3.7)
United Kingdom	(3.1)	(2.9)	(4.5)	(5.5)	(5.9)	(6.4)
Spain	(2.0)	(2.3)	(3.9)	(4.6)	(5.2)	(5.2)
Sweden	2.1	2.0	1.6	1.6	1.6	1.5
Total[2]	(2.8)	(3.3)	(5.1)	(5.0)	(5.0)	(5.2)

Note Figures in brackets have been adjusted by the OECD to the international definitions used by the other countries. A description of the method used is included in OECD, *Economic Outlook*, July 1976.
1 Average 1964-1973.
2 Representing about 90 per cent of total OECD.
Source: OECD.

And it has been much more marked than during the 1961 recession when the unemployment rate peaked at 3 per cent. These changes probably reflect a number of factors. The initial steep rise in unemployment in late 1974 may have owed much to the very rapid rise in wages with the consequent effect on profits and to the concurrent credit crunch. Firms may thus have been forced to " shake out " labour. Unemployment has stayed high since then, as demand conditions have been slack, real wages have remained high and confidence has been weak partly on account of continuing high inflation.

Prices and incomes

There has been a clear improvement in the rate of inflation in Australia over the last eighteen months, although the rate remains above the OECD average. The 1975/76 increase in the consumer price index of 13 per cent represented an improvement over the previous year's figure of 16.7 per cent. Similarly, other broad indicators of price movements have shown a deceleration between these two years. The consumption deflator decelerated less than the CPI, recording 14.8 per cent in 1975/76 compared with 16.6 in 1974/75, while the GDP deflator slowed from 17.8 per cent to 15.4 per cent between the two years.

Consumer prices have moved somewhat erratically over the past eighteen months, making it difficult to identify the underlying trend from the aggregate figures. Much of the uneven development of the consumer price index is attributable to the effects of the introduction of the Medibank scheme in the September quarter of 1975[19], which greatly reduced the user-cost of health services; and to the increases in public charges and indirect taxes in the following quarter[20]. The increase in food prices

19 See Section II below for a brief description of this scheme.
20 The introduction of Medibank reduced the CPI by approximately 2 per cent in the September quarter (some effects were also felt in the December quarter). As explained in Annex I its effect on the consumption deflator was negligible. In the December quarter, increases in postal and telephone charges and indirect taxes on petrol, tobacco and beer are estimated to have contributed more than 2 percentage points to the increase in the total index.

Table 5 **Consumer prices in selected OECD countries**
Percentage changes from previous year

	Average 1962-72	1973	1974	1975	12 months to Sept. 1976
Australia[2]	3.4	9.5	15.1	15.1	13.9[1]
Canada	3.3	7.6	10.9	10.8	6.5
United States	3.3	6.2	11.0	9.1	5.5
Japan	5.7	11.7	24.5	11.8	9.7
France	4.4	7.3	13.7	11.7	9.7
Germany	3.2	6.9	7.0	6.0	4.0
Italy	4.3	10.8	19.1	17.0	17.0
United Kingdom	4.9	9.2	16.0	24.2	14.3
Belgium	3.8	7.0	12.7	12.8	9.3
Netherlands	5.4	8.0	9.6	10.2	8.1
New Zealand[2]	5.1	8.3	11.0	14.7	17.2
Spain	7.1	11.4	15.7	16.9	17.3
Sweden	4.7	6.7	9.9	9.8	9.3
Switzerland	4.0	8.7	9.8	6.7	0.9
Total OECD[3]	3.9	7.9	13.4	11.2	8.1

1 This figure overstates the underlying rate of increase in consumer prices. The annual rates of increase of the CPI in Australia in the first three quarters of 1976 were 12.6, 10.4 and 9.1 per cent. The corresponding rates for total OECD were 8.2, 9.1 and 8.1.
2 Based on quarterly data.
3 1973 private consumption weights and exchange rates.
Source: OECD.

acted as a generally restraining influence from about mid-1974 to the end of 1975. In 1976, however, there has been evidence of a re-acceleration of food prices, with the index rising by about 13 per cent in the year to September 1976. Table 6, which gives an indication of the underlying movement in consumer prices by excluding the effects of food prices, Medibank, taxes and charges, shows that there has been a clear deceleration since the second half of 1974. The three quarterly increases in 1976 of 3 per cent in March, 2.5 per cent in June and 2.2 per cent in September (seasonally-unadjusted quarterly rates) are further evidence of this trend[21].

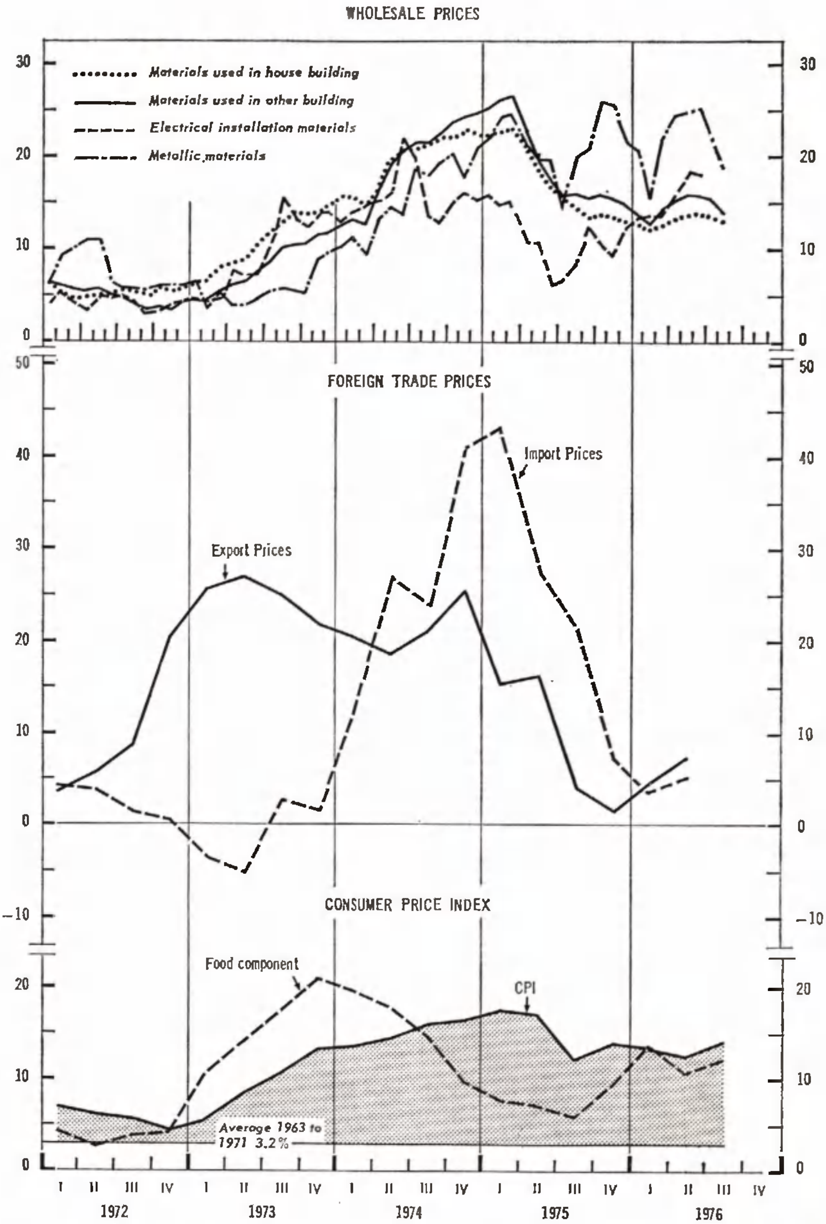
Table 6 **Components of the consumer price index**
Percentage changes from previous period, seasonally unadjusted, annual rates

	1974		1975		1976
	I	II	I	II	I
Total CPI	13.0	19.2	15.1	11.1	14.7
Total excluding food	12.4	23.4	18.8	11.5	14.9
Total excluding food, Medibank and major taxes and charges	11.1	22.1	18.8	16.0	13.0

Source: Budget Paper No. 1, 1976-77, Statement No. 2.

21 One of the most common, but in many cases misleading, ways of expressing the annual rate of inflation (in Australia as elsewhere) is by calculating the growth of the index over the same quarter in the previous year (see Diagram 7). This shows an acceleration in the annual rate from 12.3 per cent to 13.9 per cent between June and September 1976, even though the September figure was the third successive quarterly deceleration in the CPI.

Diagram 7 **Wholesale prices, foreign trade prices and consumer prices**
Growth rates over same period in previous year



Source: Wholesale price indices: *Monthly Review of Business Statistics*, ABS. Import and export prices are implicit deflators for goods: *Exports and Imports of Merchandise at Constant Prices*, ABS. Consumer Prices: *Consumer Price Index*, ABS.

Some stabilising influence on the general level of prices has come from the foreign sector. Import prices were 6.7 per cent higher in the June quarter of 1976 than a year earlier, while the corresponding figure for export prices was 10.3 per cent[22]. Wholesale prices, on the other hand, and in contrast to the experience of many OECD countries over the last eighteen months, have not made a significant contribution to the deceleration in consumer prices, although the available indicators of wholesale prices do show some slackening. The wholesale price index of articles produced by manufacturing industry increased by 12.3 per cent in the 12 months to June 1976 compared with a rise of 15.0 per cent in the previous 12 months; price indexes of materials used in building have shown a marked decline in recent months.

By far the largest contribution to the dampening of inflationary trends appears to have come from the labour costs side. The year-to-year increase of weekly wage rates for adult males peaked at about 34 per cent in March 1975. The growth of female wage rates followed the same pattern, reaching a peak of over 45 per cent at about the same time. The deceleration through the last three quarters of 1975 was sharp, with weekly male wage rates in December about 12 per cent higher than a year earlier. Following the full indexation decision which became effective on 15th February, 1976 there was a small acceleration, but trends have since been moving downwards. Movements in earnings have been less pronounced than in wage rates. During the period shown in Diagram 8 two systems of wage-fixing have operated and two markedly different sets of labour market conditions have prevailed. The labour market weakened sharply from about July 1974 and this was followed in April 1975 by the introduction of the present wage indexation system. Table 7, which compares wage rates and ordinary time earnings over the recent period shows that the average annual increase in wage rates after April 1975 was 16 per cent compared with about 26 per cent in the period immediately prior to that[23]. A comparison of earnings[24] over the same period shows a larger deceleration than that of wage rates. The indexation period contrasts with its predecessor in that wage rates, on average, have risen faster than earnings reflecting the influence of the weak demand for labour on the non-award determined component of earnings.

The increase in unit labour costs closely followed the movement in earnings, peaking at around 34 per cent in the second half of 1974 then slowing down to about 12½ per cent in the first half of 1976. A notable feature of recent price performance

Table 7 **Wage rates and earnings**
Percentage changes at annual rates

Period	Wage rates[2]	Average ordinary time earnings[3]
September 1973 to March 1975[1]	25.7	28.3
March 1975 to June 1976	15.7	13.1

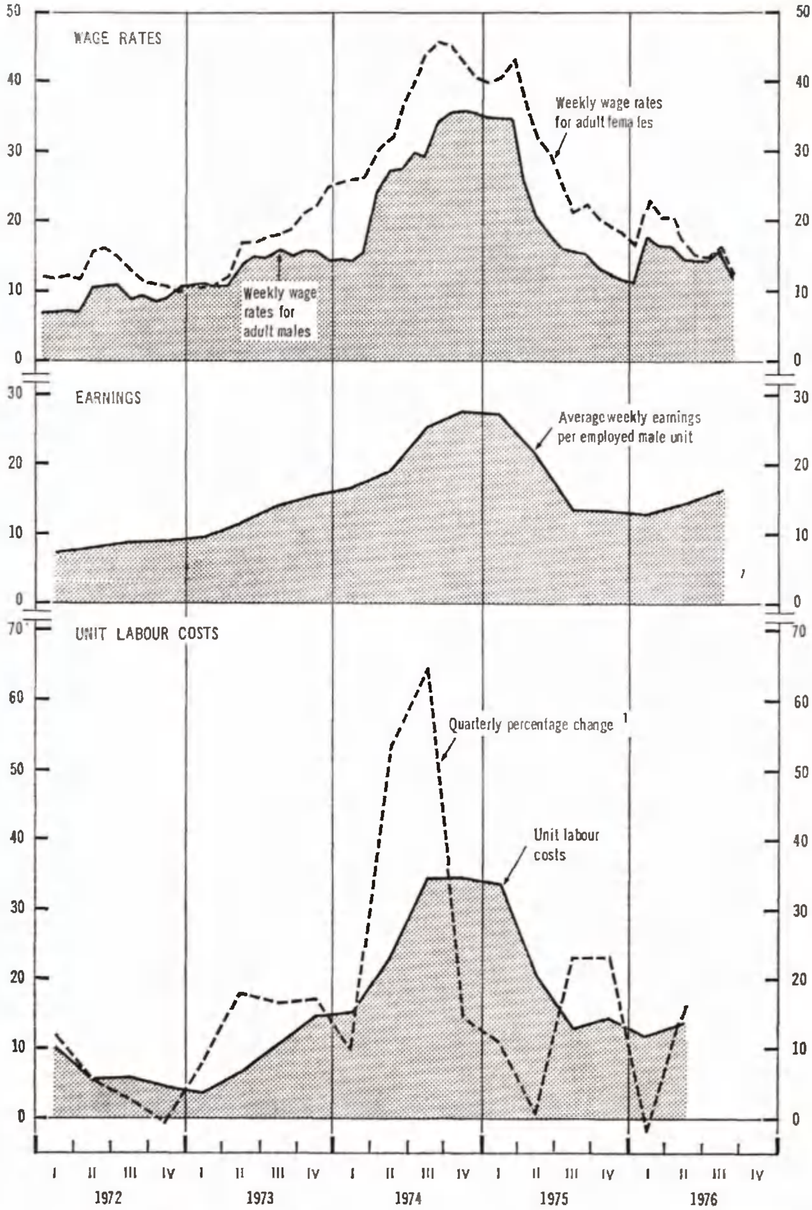
1 Starting point of period determined by first available observation in earnings series.
2 Weighted average of minimum weekly rates payable for a full week's work (excluding overtime), adult males excluding salary earners, not seasonally adjusted.
3 Average weekly ordinary time earnings, full-time adult males (other than managerial), seasonally-adjusted.
Source: Wage Rates and Earnings, ABS.

22 These figures refer to the implicit deflators for imports and exports of goods and services. Implicit deflators for imports and exports of goods, show increases of 5.0 per cent and 7.4 per cent respectively. For a discussion of the Australian Bureau of Statistics' export price index and of the Reserve Bank's import price index see below.

23 The immediate pre-indexation wage fixing arrangements are often referred to as the three-tiered system in that wages were determined by the National Wage Cases, industry awards and agreements and over-award gains from employers.

24 The series for average ordinary time earnings, particularly in the period since the introduction of indexation, is heavily influenced by the series for wage rates. The principal differences from the wage rate series are that it includes over-award payments, and also some sectors of the workforce not subject to awards.

Diagram 8 **Wage rates, earnings and unit labour costs**
Growth rates over same period in previous year



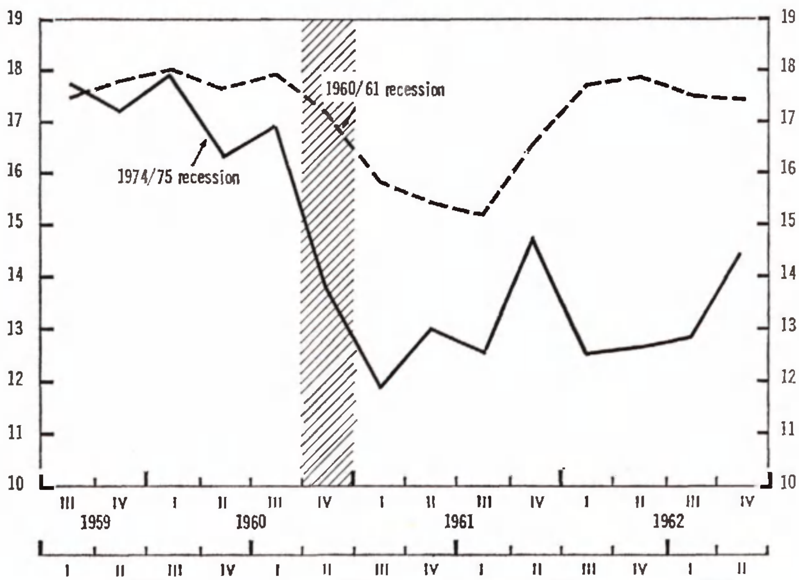
1 Seasonally adjusted at annual rate.

Sources: Figures for wage rates and average weekly earnings from *Wage Rates and Earnings*, ABS. Unit labour costs estimated by dividing wages, salaries and supplements by real non-farm output, *Quarterly Estimates of National Income and Expenditure*, ABS.

has been how closely together the various components of the aggregate price indices have moved. Broadly speaking, in 1976 to date, most material costs (as measured by wholesale prices), earnings and unit labour costs have shown year-on-year increases in the 12 to 16 per cent range. Food prices, which are to some extent exogenous, have also shown increases in this range. Foreign trade prices are the only major exception.

A very sharp change in factor shares has occurred over the past three years. While some decline in the profit share and an associated increase in the wage share are to be expected in the downward phase of a cycle, the present recession exhibits atypical behaviour in at least two respects. Firstly, compared with the 1960/61

Diagram 9 **The profit share in two cycles**
Seasonally adjusted



The shaded area represents the first quarter of decline in real GDP in each recession.

The profit share is the ratio of the gross operating surplus of companies to gross non-farm product at factor cost.

Source: Quarterly Estimates of National Income and Expenditure, ABS.

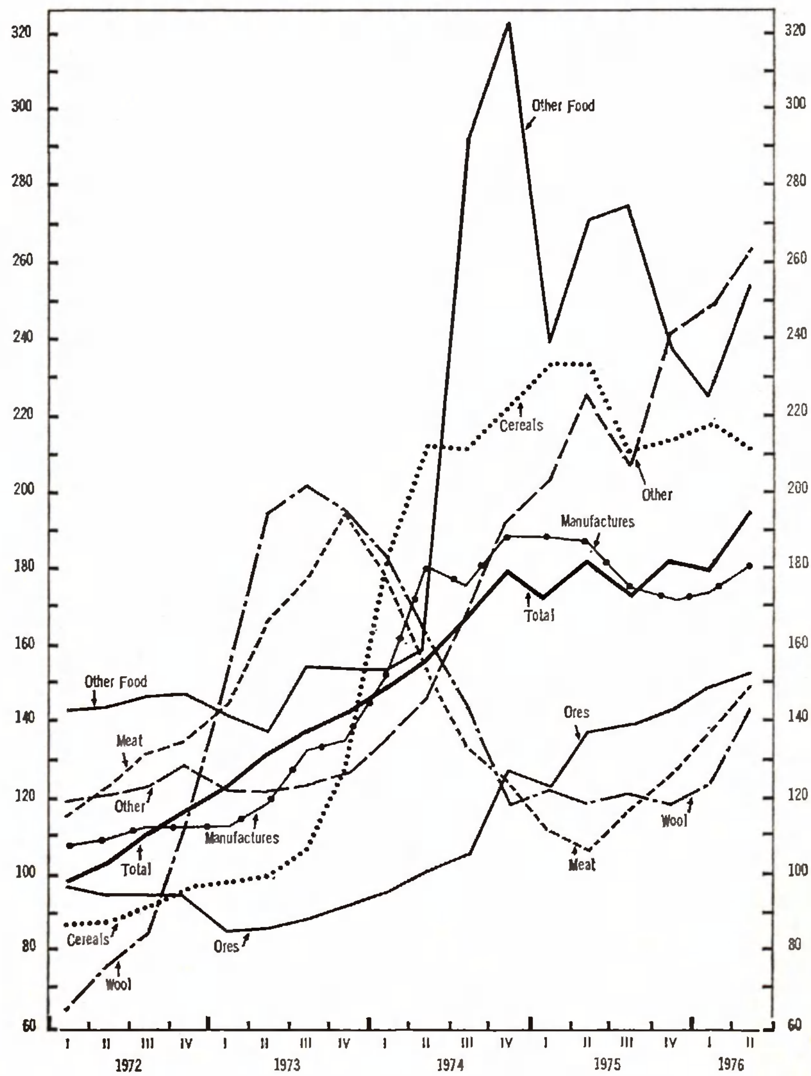
recession the decline in the profit share this time has been extremely large and has lasted longer. Secondly, the decline in the profit share started earlier in the recent recession—at least half a year before the peak was reached. Thus the initial impetus to the decline in the profit share seems to have come from the rapid increase in earnings that started in the second half of 1973, rather than from the decline in activity. The real decline in the profit share is probably greater than indicated by the national accounts due to the well-known effect of inflation on the calculation of profits[25]. Policies motivated by concern for the profitability of the company sector were introduced as early as December 1974 and various measures have continued to be introduced through to the present (see Annex II).

25 Rose and Sheehan estimated that if two distortions are compensated for, namely, the profits earned by inflation-induced stock appreciation and the under-depreciation of fixed capital through the use of historical rather than replacement costs, non-finance companies may have actually experienced a loss in 1975. See *Australian Economic Review*, 3/1975, Chapter 2 and P. J. Rose and P. J. Sheehan " Company Profits, Finance and Capital Expenditure: Manufacturing and Non-Manufacturing Companies ", *ibid.* 4/1975.

Balance of payments

The influence of the foreign sector on the level of activity and the rate of inflation has been less pronounced since about the first quarter of 1975 than in the previous few years. For 1975 as a whole, the current account deficit was around \$ 400 million or 0.6 per cent of GDP—a considerable reduction from the 3.2 per cent recorded in 1974, itself close to the long-run average. The movement was almost entirely attributable to the trade balance, with the traditional deficit on invisibles declining only slightly to just below 3 per cent of GDP. The current account deficit which emerged in 1974 and the subsequent rapid reduction in that deficit resulted mainly from price and volume developments on the import side. On the face of it this is

Diagram 10 **Implicit deflators for export commodities**
1966-67 = 100



Source: Exports and Imports of Merchandise at Constant Prices, ABS.

Table 8 **Balance of payments**[1]
$ million

	1974	1975	1975 I	1975 II	1975 III	1975 IV	1976 I	1976 II	1976 III
			Seasonally adjusted						
Current account:									
Exports (fob)	7 439	8 767	2 140	2 255	2 187	2 179	2 358	2 626	2 934
Imports (fob)	7 404	7 246	1 821	1 789	1 777	1 857	2 105	2 211	2 288
Trade balance	35	1 522	320	466	410	322	253	415	645
Transportation and travel (net)	–759	–676	–158	–160	–190	–176	–201	–178	–206
Property income (net)	–600	–796	–149	–204	–223	–223	–213	–236	–302
Other (net)	–125	–159	–24	–53	–29	–50	–75	–83	–65
Transfers (net)	–314	–275	–42	–37	–80	–111	–85	–79	–90
Invisibles (net)	–1 798	–1 904	–370	–453	–519	–560	–572	–577	–662
CURRENT BALANCE	–1 763	–382	–50	13	–109	–237	–319	–162	–16
			Not seasonally adjusted						
Capital account (net):									
Government	–104	–154	–22	26	–70	–88	–40	103	163
Inward direct investment	901	143	71	124	75	–127	102	129	..
Outward direct investment	–188	–106	–33	–50	10	–33	–23	–33	..
Portfolio investment and institutional loans	–14	357	56	264	25	12	14	–5	..
Marketing authorities[2]	–234	106	8	26	55	17	53	8	51
Monetary sector[3]	99	–80	6	40	–5	–121	68	67	..
Balancing item[4]	174	–641	–74	–201	–145	–221	45	–89	–414
NET APPARENT CAPITAL INFLOW	635	–377	12	229	–56	–562	220	180	–88
NET OFFICIAL MONETARY MOVEMENTS	–1 128	–759	23	228	–287	–723	–15	5	–265
OFFICIAL RESERVE ASSETS AT END OF PERIOD[5]	3 217	2 588	3 220	3 493	3 318	2 588	2 571	2 576	2 632

1 Up to the end of 1975, gold production was included in invisible credits. With the removal of restrictions on the private ownership of gold in January 1976, trade in gold is now included in the visible trade components; while gold transactions between the Reserve Bank and residents (which change gold reserves) are included in official monetary movements.
2 Changes in the estimated value of commodity stocks held overseas by the principal marketing authorities; and changes in overseas debts to these authorities.
3 Non-official monetary institutions.
4 Includes the effects of errors, omissions and timing discrepancies (between trade or invisible transactions and the corresponding foreign exchange flows). In the third quarter of 1976, the as-yet unidentified capital account items are also included.
5 The change in official reserve assets is not necessarily equal to net official monetary movements because of the effects of some special transactions and, more importantly, the revaluation of reserve assets to current market value in Australian dollars. A significant special transaction in the third quarter of 1976 was a drawing of $ 309 million from the IMF Compensatory Financing Facility.
Source: Balance of Payments, ABS.

somewhat surprising as the Australian external account has traditionally been characterised by greater instability on the export side. Simple Secretariat calculations suggest that over the last decade, Australia has experienced the greatest export price variability and the second highest export volume variability among OECD countries[26].

On the export side large erratic movements shown by individual commodities

26 During the period 1961-74, the average year-to-year change (without regard to sign) in the rate of increase of export prices in US dollar terms was 12 per cent —equalled by New Zealand, but three times the 4 per cent average for the European industrialised countries. Corresponding figures for export volumes are 8 per cent for Australia, compared with a European average of 5½ per cent. The relative positions do not appear to be sensitive to the choice of period.

have tended to offset one another, so that the total volume has evolved more smoothly, with 1975 showing strong growth, at 8¾ per cent the highest in the OECD area[27]. The volume of imports declined by 20 per cent although some of this decline was made up again in the first half of 1976. Export prices for individual commodities have exhibited large but offsetting movements, and the overall deflator showed little change between the end of 1974 and the end of 1975[28]. Some upward movement was resumed in the first half of 1976, led by meat and wool prices and certain minerals. The deceleration in import prices came later than that of export prices, but recently the movement has been flatter than that of export prices. The terms of trade, calculated on the basis of the implicit deflators, reflect these movements: from a peak in the December quarter of 1973 (at the end of the commodity boom) they fell by 20½ per cent to reach a trough in the March quarter of 1975—but the level reached then was still significantly above that of the early 1970s. Since then a slight upward movement has occurred, which gained strength in 1976.

With the sharp decline in imports during the final quarter of 1974 and in the first quarter of 1975, the current account reached a peak (on a seasonally adjusted basis) in the June quarter of 1975, when a small surplus was recorded. A deficit then re-emerged, reflecting essentially resumed growth in imports and a return to a more normal deficit on invisible transactions[29].

A capital outflow of some $ 380 million, was recorded in 1975. Although small, any capital outflow is unusual for Australia, where the traditional current account deficit of 2 to 3 per cent of GDP has normally been covered by a capital inflow of comparable size. The most notable feature in 1975 was the decline in inward direct investment from $ 900 million in 1974 to about $ 150 million. Factors influencing direct investment inflows were changes in the guidelines for approval of foreign investment proposals[30], the erosion through increases in domestic costs of the expected profitability of new undertakings, and, more recently, continuing rumours of possible devaluation of the Australian dollar. On the other hand, a significant inflow of portfolio investment and institutional loans was recorded in mid-1975, probably reflecting international interest rate differentials and the easing late in 1974 of restrictions on borrowing abroad. Unidentified short-term movements, as indicated by the balancing item, were negative throughout 1975, and amounted to a significant sum. Overall, a small capital inflow was recorded in the first three quarters of 1975, but an outflow of close to $ 600 million occurred in the

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27 However, exports had fallen by more than 6 per cent in the previous year, compared with a rise in total OECD exports of 7¼ per cent.

28 See Diagram 10. The external price and terms of trade indices used in the diagram and the text, which are expressed in Australian dollars, are all implicit deflators derived from the constant price estimates of merchandise trade. They are therefore current-weighted indices, unlike the published export and import price indices which have fixed weights. On the exports side, the two types of index show broadly similar behaviour. However, large discrepancies have emerged for imports, which appear to be largely attributable to weighting differences (for example with regard to petroleum) rather than to the basic pricing methods used. The Reserve Bank index has weights which are fixed on both a commodity and a country basis, and records mainly wholesale and export price movements in supplier countries; it is thus more of an indicator of world price movements than of prices actually paid for Australian imports.

29 In part the widening of the net invisibles deficit in 1975 II was due to the fact that the financial effects of the Darwin cyclone of December 1974 lowered the deficit in the previous half year. These financial effects increased transfer credits and lowered undistributed investment income debts in 1975 I. Net private transfers were also affected by a turnaround in net migration from an inflow in 1974 to an outflow in 1975. In addition the deficit on net transportation and travel widened in the second half of 1975.

30 In general, the previous Government's objective had been to achieve the highest practicable level of Australian ownership and control of local industry, especially in the mining sector, but the application of this policy created a number of uncertainties. The attitude of the present Government toward foreign investment is more favourable, although some restrictions remain in key sectors.

December quarter, when devaluation rumours were at their strongest. However, the capital account showed a positive balance of some $ 400 million in the first half of 1976, with a recovery in private capital movements being supported by the resumption of official government borrowing overseas. Government gross borrowing totalled about $ 500 million in the first nine months of 1976, and in addition $ 309 million was drawn from the IMF Compensatory Financing Facility in July[31]. In September and October private capital outflow resumed with a movement of about $ 250 million in each month. Official reserve assets which had stood at about $ 2.6 billion at the end of 1975 declined to $ 2.36 billion by end-October.

II ECONOMIC POLICY

At present, the main priority of economic policy in Australia is to reduce the rate of inflation. Fiscal and monetary policies have been designed to provide the appropriate conditions under which this could occur. Restraints on outlays, mainly on capital account, are leading to a reduction in the size of the budget deficit which in turn should allow the new monetary guidelines to operate without more than temporary increases in interest rates. Meanwhile, the Federal Government has argued, with varying degrees of success, before wage fixing tribunals to bring about a more direct reduction in the rate of inflation through the wage setting process. Advocacy of only partial indexation in order to reduce real award wages is seen as necessary to bring about a satisfactory deceleration in the rate of inflation while allowing for a movement in profits towards a more normal position. The effectiveness of the present combination of fiscal, monetary and wage policies in bringing down the rate of inflation depends on a fourth element, namely the maintenance of the present exchange rate. This in turn would be more easily achieved if there were a return to more normal inflows of private direct investment.

Fiscal policy[32]

The Federal budgets for the financial years 1974/75 and 1975/76 closed with deficits of respectively 4.3 and 5.1 per cent of GDP, as against planned outcomes roughly equivalent to 1 and 4 per cent[33]. These were record levels by Australian standards; the largest deficit recorded in the previous 20 years was in 1967/68 and amounted to only 2.7 per cent of GDP. The reasons for the relatively large discrepancies between initial estimates and final outcomes are diverse: for 1974/75 they reflected mainly discretionary actions by the authorities taken in an attempt to stimulate a flagging economy; for 1975/76, on the other hand, they resulted largely from a shortfall in receipts due to lower than expected growth in earnings and domestic activity.

The Federal Budget for the 1974/75 fiscal year had originally envisaged an overall deficit of $ 570 million, with " domestic " transactions close to balance; total receipts were expected to increase by some 30 per cent, final expenditure by 27½ per cent, and net transfers and advances by 32½ per cent. Despite subsequent cuts in personal

31 For a list of overseas official loan raisings, see Annex II, Calendar of Main Economic Events.

32 Amounts and percentage changes quoted in this section are adjusted to permit comparability between years, and are not necessarily the same as the figures given in earlier Budget papers.

33 On a " domestic " basis, that is excluding direct central government expenditure abroad (mainly consisting of defence equipment and overseas aid transfers), the deficits were 1 per cent of GDP smaller.

Table 9 **Budget transactions**[1]

$ million

	1974-75		1975-76			1976-77	
	Actual	Percentage change[2]	Budget	Actual	Percentage change[2]	Budget	Percentage change[3]
Receipts:							
Income tax:							
— Individuals[4]	7 714	40.5	10 340	9 219	19.5	11 307	22.6
— Companies	2 359	20.7	2 160	2 523	7.0	2 900	14.9
Other income	5 201	15.8	6 617	6 532	25.6	7 506	14.9
Total	15 273	28.0	19 117	18 275	19.7	21 713	18.8
Outlays:							
Net expenditure on goods and services:							
— Defence	1 445	18.2	1 643	1 680	16.3	1 994	18.7
— Other current	2 043	36.9	2 587	2 383	16.6	2 696	13.1
— Capital[5]	408	53.4	567	559	37.0	527	-5.7
Transfer payments:							
— Cash benefits to persons[6]	4 408	40.3	5 782	6 199	40.6	7 525	21.4
— Grants to States[7]	5 184	50.8	7 057	7 094	36.8	7 803	10.0
— Other	1 682	22.7	1 858	1 789	6.4	2 130	19.1
Net Advances	2 669	105.6	2 422	2 156	–19.2	1 646	–23.7
Total	17 840	45.9	21 915	21 859	22.5	24 321	11.3
Surplus (+) or Deficit (—):							
— Domestic	–1 949		–2 068	–2 905		–1 879	
— Overseas	–618		–731	–680		–729	
— Total	–2 567		–2 798	–3 585		–2 608	
Financing transactions:							
Net overseas financing, miscellaneous domestic financing, and increase in government's own holdings of debt	71			303			
Net domestic borrowing requirement	2 497			3 282			
Met by: Banks	1 405			69			
Other private sector	599			1 453			
Reserve Bank[8]	492			1 759			

1 The data refer to the Federal Government budget sector for fiscal years (1st July-30th June).
2 Actual percentage change.
3 Budgeted percentage change.
4 Includes estimates of receipts from the Medibank levy from 1st October 1976.
5 Fixed capital expenditure on new assets plus increase in stocks less sales of previously rented houses.
6 Includes unfunded employee retirement benefits.
7 The 1975-76 figure includes an advance payment of $216 million for hospital operating costs which would normally have been paid in 1976-77.
8 Includes the Bank's take-up of all government securities, and the Government's use of cash balances.

Source: Budget Paper No. 1; Reserve Bank of Australia, *Statistical Bulletin*.

and company tax, receipts increased only marginally less than originally estimated (28 per cent). Outlays went up by as much as 46 per cent largely reflecting substantial additional measures to assist the housing industry, much larger transfer payments partly linked to the sharp rise in unemployment, and special advances to the Australian Wool Corporation to finance the wool floor-price scheme. The outcome was a deficit of some $ 2½ billion, more than half of which was financed by the banks with a further $ 600 million drawn from the non-bank private sector.

The 1975/76 Budget, presented in August 1975, was prepared against a background (in the first half of 1975) of some pick-up in demand and output, continuing high rates of inflation and unemployment, and relatively easy monetary conditions. Its central pre-occupation was with the rate of inflation. The aim of the Budget was to provide a mix of outlays and receipts which would ensure a sustained (although moderate) recovery in the private sector, while holding the budget deficit to a level which would be consistent with moderating the rates of expansion of monetary aggregates without creating pressures on interest rates. Receipts were estimated to increase by 25 per cent, a little less than in the previous year, while the growth in outlays was budgeted to halve to some 23 per cent; these figures implied only a slight widening of the deficit from $ 2½ billion to $ 2.8 billion.

The most significant feature on the outlay side was the inclusion in the Budget for the first time of provision for the cost of Medibank—a new Government-funded health insurance scheme[34]. Other strong increases were budgeted in transfers to households and States; on the other hand there were sizeable reductions in advances to the Wool Corporation and for housing and other investment purposes. On the revenue side, a new federal income tax system was introduced with effect from 1st January 1976. This system incorporated a substantial increase in minimum taxable incomes (from $ 1 040 to $ 2 520 where no special concessions were available), a considerable reduction in marginal tax rates at average income levels, and the conversion of most special deductions from taxable income to rebates on tax payable. The full-year cost to revenue of the revision was put at some 2 per cent of net taxation of individual incomes; its greatest importance was as an income redistribution measure towards, particularly, lower income taxpayers with dependants. In fact, it was estimated that close to half a million taxpayers would be freed from tax entirely. These changes, together with a cut in company tax rates and the extension of company tax concessions, were more than offset by increases in indirect taxes and duties which were expected to add $ 722 million to receipts in 1975/76, and $ 758 million in a full year. In conjunction with the changes to income tax provisions, the net effect of budget policy changes on receipts was to increase them by some $ 200 million in 1975/76 and by $ 330 million in a full year.

The 1975/76 Budget deficit was much larger than proposed mainly because earnings and employment increased less strongly than forecast, while expenditure was kept on track. Restraints on expenditure growth announced in December and February helped contain total outlays within the Budget estimate. Nevertheless

34 Medibank was introduced on 1st July 1975, and appropriations to meet the expected costs amounted to $ 1 445 million —accounting for one-third of the increase in total outlays, although offset by reductions in some previous categories of health expenditure. Broadly, Medibank benefits fall into two categories: first, refunds are provided for 85 per cent of the schedule fees for medical services supplied by private doctors to patients out of hospital, and to private patients in private or public hospitals. These refunds are paid directly from Federal funds. Secondly, the Federal government meets (by grants to the States) 50 per cent of the net operating costs of public hospitals in participating States; in return, the States provide free standard ward public hospital treatment without means test and free public hospital outpatient services. All States now participate in the scheme: South Australia and Tasmania from 1st July 1975, Victoria and Western Australia from 1st August 1975, Queensland from 1st September 1975 and New South Wales from 1st October 1975. Supplementary private insurance could also be arranged by individuals to meet the costs of private or intermediate hospital care.

the deficit widened rapidly from $ 0.6 billion in 1974 to $ 4.2 billion in 1975, though the final financial year outcome showed a somewhat smaller deficit ($ 3.4 billion adjusting for some prepayments to States[35]). After adjusting for the above-mentioned prepayments, outlays increased by 21 per cent and receipts by 20 per cent. The unadjusted $ 3.6 billion deficit was financed by three main means—take-up of securities by the Reserve Bank ($ 1.5 billion), use of cash balances ($ 0.4 billion) and, most significantly, nearly $ 1½ billion of security sales to the non-bank private sector.

The 1976/77 Budget was prepared against a background of some signs of recovery in the private sector in the first half of the year, still high unemployment, a high, though decelerating, rate of inflation, and tighter monetary conditions. When presented in August 1976, the Budget made it clear that the reduction of inflation was the principal objective of policy. The general intention of the Budget—a reduction in the relative size of the public sector and promotion of recovery through an expanding private sector—had already been foreshadowed in December 1975. A new investment allowance scheme was also introduced at that time (for details see Annex II). In May 1976 a statement by the Treasurer had included four important measures:

(*i*) Introduction of personal income tax indexation from 1st July 1976[36];
(*ii*) Changes to the funding of Medibank expenditure from 1st October 1976[37];
(*iii*) Abolition of taxation rebates for child dependents from 1st July 1976, with a substantial increase in family allowances (formerly called child endowment). The main aim was to enable families with low incomes to obtain full benefit from the concession, and 300 000 families were expected to gain. The overall cost to the budget, on a full-year basis, was expected to be about $ 100 million.
(*iv*) Steps to significantly restrain the growth of Federal outlays in 1976/77.

The latter measure along with cuts in taxation will exert significant effects on the course of economic developments in 1976/77. Following growth rates of total outlays in the previous two budgets of 46 and 22½ per cent, the present budget plans for an increase barely above 11 per cent (or 13½ per cent if adjusted for the 1975/76 prepayments[38] with actual reductions (in nominal terms) in capital expenditure and a sharp deceleration in grants and advances to the States[39]. Though State and Local governments have some financial leeway (in the form of cash reserves and variations in their own taxation), Federal transfers and advances represent nearly 60 per cent of their total outlays. States' expenditures have thus also been curtailed although

35 Payments to the States in June 1976 to meet the Federal government's share of public hospital operating costs included an amount of $ 216 million for the third quarter of 1976, which would ordinarily have been paid in the 1976/77 financial year.

36 See Annex I.

37 The original Medibank legislation had proposed a levy of 1.35 per cent on incomes to fund payments under the scheme. However, the bill was rejected by the then Opposition in the Senate and the scheme as launched in July 1975 was entirely financed from general revenue. The changes effective from 1st October 1976 mean that an individual must either pay a levy of 2½ per cent of his income (with a maximum of $ 300 per family per year) or arrange his own private cover. An individual paying the levy receives the same benefits as previously (see footnote 34 on page 30); benefits under private schemes vary widely, but all provide the basic benefits plus coverage for intermediate or private hospital care. It is also possible to pay the levy, and buy additional cover on top if additional benefits are desired, but the rates have been set in a way which means that this option is only attractive to lower income earners.

38 In addition two other changes affect the growth of outlays: an expected repayment of advances of $ 245 million by the Wool Corporation as its stocks are run down, and a requirement that the Telecommunications Commission borrow $ 200 million of its expected $ 415 million capital requirement directly on the domestic capital market.

39 This coincided with the introduction of new arrangements for calculating grants to the States. For details, see Annex II.

some growth in real terms is expected. In view of a planned increase in Federal receipts of close to 19 per cent (not very different from the previous year's 19.7 per cent), the apparent deficit is budgeted at $ 2.6 billion, $ 1 billion less than in 1975/76. However, the reduction in the size of the deficit is influenced by the already mentioned $ 200 million prepayment of hospital operating costs to the States. Correcting for this, the decline in the deficit between the two financial years would be about $ 600 million, to a level equivalent to 3½ per cent of GDP.

It is important that the time profile of expenditures and receipts suggests that increasing restraint is not likely to occur through the year. The considerable slow-down in the rate of growth of expenditure through 1975/76 implies that nominal rates of increase need not decline from recent levels[40]. With a reduction in the rate of inflation, this might imply some modest increase in the volume of outlays through the year. On the other hand, the growth of receipts will accelerate slightly through the year though the variety of taxation changes introduced recently makes any precise assessment difficult. The deficit remains large by historical standards, but this may not cause any serious problems on the financing side provided that sales of bonds to the non-bank private sector, which had been proceeding well until July but have slowed down since, are increased.

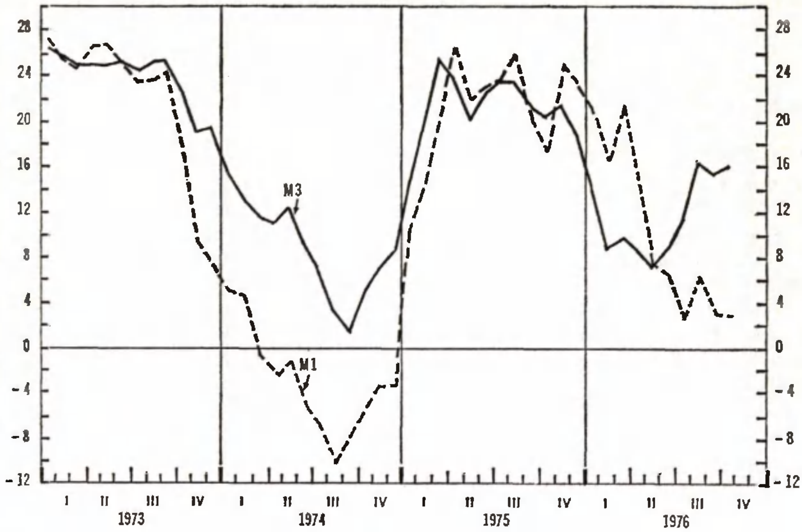
The last two financial years' budgets as well as the 1976/77 one are clearly exceptional by past Australian standards. They have resulted, or are planned to result, in deficits of the order of 3½ to 5½ per cent of GDP and they have gone hand in hand with important changes in social welfare programmes and tax policy. They should be assessed, of course, in the light of domestic developments and, notably, of the very serious recession the economy has witnessed since mid-1974. Not unlike the experience of other countries, the authorities consciously incurred a large deficit in 1974/75 in an attempt to sustain activity. The further widening of the 1975/76 deficit, on the other hand, owed much to unforeseen developments on the receipts side. And the limited reduction in the size of the deficit planned in the 1976/77 budget reflects the fact that the expenditure restraint in the Budget was offset by the effect on revenue collections of personal income tax indexation and other tax concessions including the investment allowance. It would seem, prima facie, that the 1975/76 budget, moderately expansionary at first, turned to a more restrictive stance by the end of the financial year. Overall, the 1976/77 budget stance seems even tighter than that of the preceding financial year, but much of the adjustment on the expenditure side has already occurred. Assuming some lag, most of the demand effects of these restrictive policies are likely to come through in the second half of 1976.

Monetary policy

Following the experience in much of 1974 when an expansionary fiscal policy was accompanied by a monetary squeeze, developments in the stance of the two main demand management instruments have been much more in unison. Taking the growth of monetary aggregates as a broad indicator of monetary conditions suggests that these were easy throughout 1975 but considerably tighter in the first half of 1976. The growth of the broadly defined money supply (M3), at around 20 per cent during most of 1975, came down to 9 per cent (seasonally-adjusted annual rate) in the period December 1975-June 1976. The latter period was one of great activity in Australian

40 Total federal outlays increased in the four quarters of the 1975/76 financial year by 43, 22, 22 and 10 per cent respectively (compared with the same quarter of the previous year). In the September quarter (the first of the 1976-77 financial year) the increase was 13 per cent. The budget figure of 11.3 per cent for the year as a whole implies an average rate of increase of about 11 per cent in the remaining three quarters.

Diagram 11 **Volume of money**
Percentage change over 6 months earlier, seasonally adjusted annual rate



M1 is currency and current deposits with all trading banks.
M3 is currency, total deposits with trading banks and deposits with savings banks.
Source: Reserve Bank of Australia; *Statistical Bulletin.*

monetary policy, during which all the regular tools of monetary management, together with some notable innovations, were used.

The biggest contribution to the growth of the money supply in 1975 was exerted by the budget " domestic " deficit. This was offset to some extent by sales of government securities of $ 0.5 billion. Reasonably strong growth of bank lending yielded a growth of the money supply of about 20 per cent, with a slight deceleration through the year. The major single change in the first half of 1976 was the large sale of government securities. Despite this, and a more than seasonal reduction in the budget deficit, the money supply nonetheless recorded positive growth due to further increases in bank lending and the turnaround to surplus in private sector foreign exchange transactions.

Policy action to contain the growth of the money supply began in the first half of 1975. In March, the Reserve Bank requested the major trading banks not to expand their new and increased lending commitments above the rate then prevailing (about $ 90 million per week). In July, market yields on longer-term government securities were increased and the Budget for 1975/76, introduced in August, planned to hold down the level of the prospective deficit. Despite a decline in international reserves and the observance of the new lending limits, M3 grew at close to 20 per cent (annual rate) in the second half of the year. During this period of strong monetary growth, trading bank liquidity actually rose, even though further action to limit bank liquidity was taken by the Reserve Bank in the form of several increases in the Statutory Reserve Deposits (SDR) ratio bringing it up from 3.0 per cent in July 1975 to 7.6 per cent in January 1976.

In 1976, efforts to reduce the rate of growth of the money supply were intensified. In addition to further restraint on government expenditure, two other measures acting on the liquidity of households and financial intermediaries were brought in. In January, a new government security—the Australian Savings Bond (ASB)—was

Table 10 **Formation of the volume of money**[1]
Not seasonally adjusted

	1974	1975	1974	1975		1976[5]
			II	I	II	I
Budget deficit (+) or surplus (—)	626	4 167	2 190	376	3 791	–206
less O/S budget transactions	533	718	273	345	373	339
Budget contribution to private sector LGS assets	93	3 449	1 917	31	3 418	–545
Private sector foreign exchange transactions[2]	–487	–13	–422	579	–592	126
Reserve Bank accounts[3]	496	–733	–51	191	–924	525
Private sector LGS assets[4]	102	2 703	1 444	801	1 902	106
less non-bank holdings of:						
Notes and coin	370	436	318	81	355	40
Government securities	90	518	476	123	395	1 040
Banking sector LGS assets	–357	1 749	650	597	1 152	–974
Loans and advances	2 460	2 554	739	1 466	1 088	1 690
Other assets and liabilities	–225	798	243	–298	1 096	–471
Bank deposits of public	1 878	5 101	1 632	1 765	3 336	245
add back notes and coin	370	436	318	81	355	40
Volume of money (M3)	2 248	5 537	1 950	1 846	3 691	286
Memorandum items:						
Percentage change in M3, during period at annual rate:						
Actual	9.1	20.7	15.6	13.7	25.6	1.8
Seasonally adjusted	..	..	8.5	21.1	17.9	8.7

1 Average weekly figures basis except for budget deficit, overseas budget transactions, budget contribution to private sector LGS assets, private sector foreign exchange transactions and holdings of the public of Government securities which are on a last day basis and private sector LGS assets which is partly last day. Movements except for first three items.
2 Defined as the movement in Reserve Bank holdings of gold and foreign exchange adjusted to exclude the effects of exchange rate variations and Government budgetary and financing transactions overseas.
3 Includes SRD accounts, rural credit advances and other Reserve Bank loans and miscellaneous accounts and the balancing item (largely due to the different timing bases used).
4 Defined as banking sector LGS assets (the sum of their holdings of notes, coin, cash with Reserve Bank, Treasury bills, Treasury notes and other Commonwealth Government securities) plus holdings of the public of notes and Commonwealth Government securities.
5 Preliminary.
Sources: Budget Paper No. 1, 1976-77, Statement No. 2; Reserve Bank of Australia, *Statistical Bulletin.*

introduced which absorbed some $ 750 million of personal savings[41]. It was followed by two other series of ASB's at lower interest rates[42] so that net raisings from the non-bank public in the first half of 1976 amounted to about $ 1.1 billion. In January 1976, the minimum liquidity ratio (LGS) convention was raised to 23 per cent from the 18 per cent which had prevailed since 1962. This change was designed to have effect from 1st February 1976 to 31st March 1977.

One effect of these various measures was to produce a sharp contraction in

41 The first series of the Australian Savings Bond yielded 10½ per cent (½ a point above the ten-year bond rate) and was redeemable at par at one month's notice. Although in theory very liquid —ASB's are marketable as well as redeemable— with the present structure of interest rates holders are to some extent locked in.

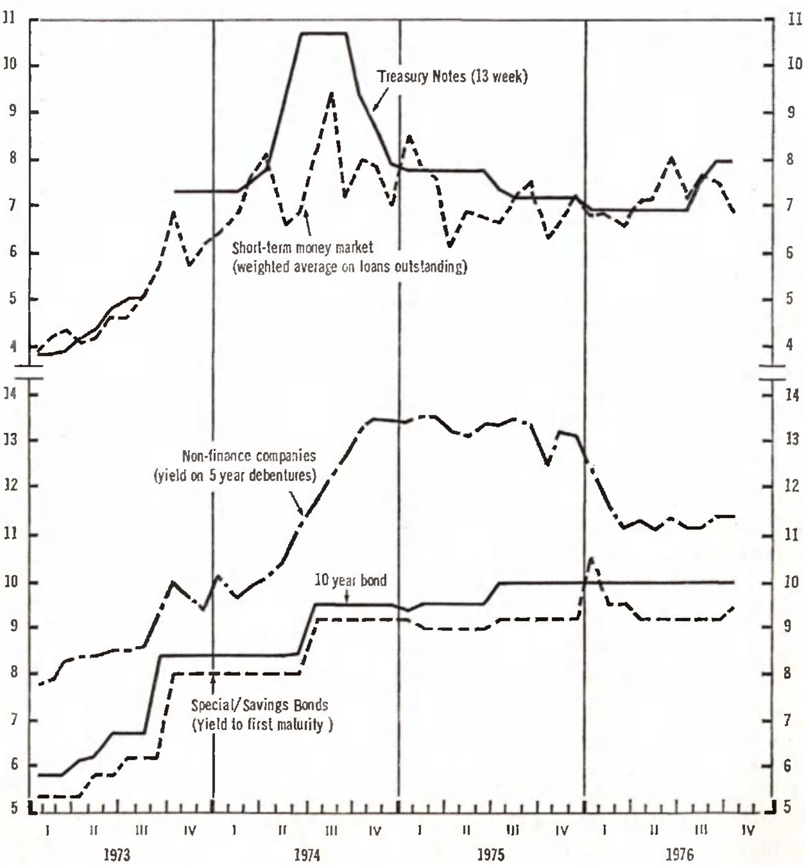
42 All series had a minimum subscription of $ 20 and a maximum of $ 100 000. The net raisings during the financial year were as follows:

	Period offered	*Interest rate*	*Net raisings*
Series 1	23rd Jan.-10th Feb.	10.5	$ 752 million
Series 2	11th Feb.-4th Apr.	9.5	$ 275 million
Series 3	5th Apr.-30th June	9.2	$ 48 million

bank liquidity in the first half of 1976. In response to this problem, the pressures on trading bank liquidity were eased (without changing the underlying policy of restraint) by reductions in the SRD ratio from 7.6 per cent in January to 5 per cent in June. In addition the Reserve Bank purchased a substantial amount of commercial bills and government securities from the banks and money market dealers[43]. The short-term bills were then allowed to mature after the seasonal rundown of liquidity had passed, thus automatically reversing the earlier support when it was no longer needed.

Short-term interest rates, which reached a peak in the third quarter of 1974[44], showed a clear downward movement until the end of 1975. For example, rates on Treasury notes fell from a peak of 10¾ per cent to around 7 per cent in January 1976, while short-term money market rates, which had averaged about 8¼ per cent at their peak fell to about 6¾ per cent in the fourth quarter of 1975. Treasury note yields remained constant during the first half of 1976 while private sector short-term rates

Diagram 12 **Interest rates and security yields**

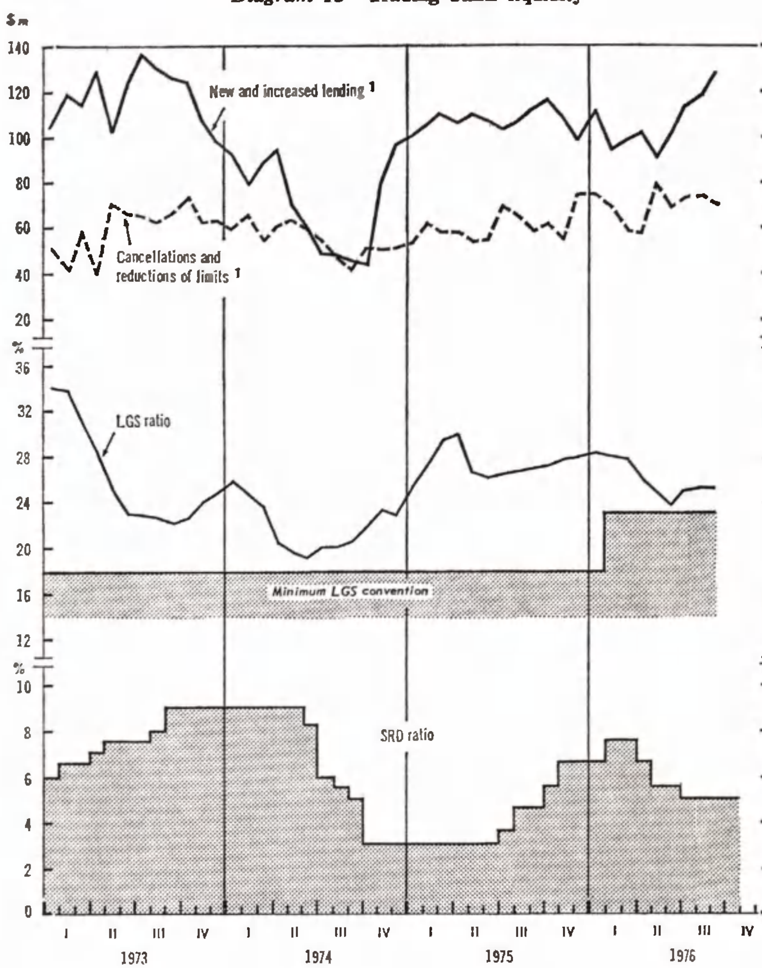


Source: Reserve Bank of Australia, *Statistical Bulletin.* Series for non-finance companies and special/savings bonds are from Reserve Bank Annual Report.

43 Peak holding of commercial bills by the Reserve Bank was $ 480 million in early June.

44 The peak in the case of certificates of deposit was slightly earlier; some banks were paying over 20 per cent in June 1974.

Diagram 13 **Trading bank liquidity**



1 Seasonally adjusted. $ million, weekly averages.

Source: Reserve Bank of Australia, *Statistical Bulletin.* Seasonally adjusted Cancellation series is from Reserve Bank Annual Report.

generally moved upwards towards the end of the period, reflecting the tighter liquidity conditions. This latter movement was partly reversed during the opening months of the new financial year; between mid-August and early November Treasury note yields were increased 1½ percentage points and this movement appears to have arrested the downward movement of private sector short-term rates. After the rise in the 10-year bond rate of ½ per cent in July 1975, yields on long-term government securities showed little or no change; on the other hand, there was a clear reduction in the rates paid on non-finance company debentures, particularly in 1976.

Trading bank deposits increased by 13½ per cent between June 1975 and June 1976, down from 16 per cent in the previous year. In accordance with the new lending limits agreed to with the Reserve Bank, new and increased lending commitments continued to grow throughout the year at about the same monthly rate as that reached in late 1974/75. Bank liquidity, which had reached a peak in January 1976 when the LGS ratio was 10 points above the minimum convention, declined sharply during the remainder of 1975/76. Despite some deceleration in the growth of deposits caused by the introduction of the ASB, savings banks' deposits still grew by 15 per cent in 1975/76. Permanent building societies were more strongly affected by the ASB float with a net outflow of funds occurring in February 1976. Partly as a result, the value of mortgage approvals by major lending institutions in the first two quarters of 1976 was considerably lower than the high level in the final quarter of 1975. Net borrowing by the non-finance corporate sector in 1975/76 was well down on the previous year. The recovery in company profits (although limited) and the easier conditions for raising equity[45] provided alternative sources of finance, and with fixed investment sluggish the need for funds was not great.

These various developments do not necessarily point conclusively in any one direction if an attempt is made to assess the impact of monetary policies on the course of demand. While the tightening of monetary policy during 1974 doubtless contributed to the ensuing down-turn, the sluggishness of business investment in 1975 and its pick-up in the first half of 1976 seem to have been largely unrelated to credit conditions as was the course of stockbuilding. On the other hand, residential construction, given a lag, seems to have been strongly influenced by monetary conditions. Its pick-up in the middle of 1975 (although assisted by fiscal measures) lagged by about six months the general movements in monetary conditions. The tightening of monetary policy may also have had an effect in dampening inflationary expectations.

In August 1976, the Treasurer announced a figure of 10-12 per cent for M3 growth in 1976/77 as being appropriate[46] to underwriting the expected recovery shown in the budget documents. At the same time it was stressed that this monetary expansion would be " less than fully accommodating to inflationary demands ". In the light of a Secretariat forecast pointing to an increase in nominal GDP between mid-1976 and mid-1977 of the order of 15 per cent, the figure of 10 to 12 per cent for M3 growth could be regarded, with certain qualifications, as representing a moderately strict monetary policy stance. However, with the contribution of the government domestic deficit to monetary growth reduced in 1976/77, plus perhaps some small deficit on private sector foreign exchange transactions, there could still be room for a reasonable rate of bank lending. Much depends on sales of government debt to the non-bank private sector. With clear evidence of a deceleration in the rate of inflation and with forecasts suggesting a further deceleration, expectations are becoming more conducive to long-term lending to the Government.

After the excellent results in early 1976, sales of Government securities to the non-bank private sector have recently been less buoyant and were particularly weak in the three months to October, especially given the high volume of liquidity and rises in interest rates on Treasury notes. The monetary aggregates began to show faster growth and increased at an annual rate in excess of 15 per cent in the three months to October (Diagram 11). This acceleration owed much to a quickening in the growth of bank advances and was associated with a sizeable deficit in private sector overseas transactions. In these circumstances, the Government announced some additional monetary measures early in November. These included a further increase of half a point on Treasury note yields, some operations by the Reserve Bank to increase yields on other short- and medium-term securities and an increase in the SRD ratio from 5 to 6 per cent.

45 With the Sydney Stock Exchange " all ordinaries " index 80 per cent above the 1974 trough, many companies chose to raise equity and thus restore debt/equity ratios. In 1975/76 listed companies raised nearly 90 per cent more through equity issues than in the previous year.

46 The word target was studiously avoided, no doubt to emphasise that *a)* it can be changed if circumstances change *b)* variations within the period are to be expected and *c)* other indicators than M3, e.g. other aggregates, interest rates and domestic credit expansion, are also to be taken into account.

Policy towards wage determination

The Federal Government in Australia has very limited direct powers in the field of wage determination[47]. Apart from the direct effects of its pay policy towards its own employees, the Federal government's main influence is exerted through its submission to the National Wage Case held before the Australian Conciliation and Arbitration Commission[48]. In April 1975, in broad agreement with the submission by the then Government, the Commission moved to a system of quarterly wage indexation. The exact form of indexation was to be decided following each quarterly National Wage Case. For the four quarters of 1975, the increase in the consumer price index (CPI) was passed on fully into award wage rates, although the increase for the third quarter was incorporated into the fourth quarter increase[49].

The new Government, in its submissions to the National Wage Cases held in 1976, has argued against the idea of full indexation of award wages. In the February National Wage Case, held to consider the combined September and December quarter 1975 consumer price increase of 6.4 per cent, the government submission was unsuccessful and full indexation was granted by the Commission. In May, however, the Commission decided that the March quarter price increase of 3 per cent should only be granted to recipients of award rates up to $ 125 per week: on incomes above this a flat increase of $ 3.80 was to be granted. Again in August less than full indexation was granted. On this occasion the June quarter increase of 2.5 per cent was applied to award wages of $ 98 per week (close to the minimum wage), a flat $ 2.50 on wages up to $ 166 per week, and 1.5 per cent above this. Very roughly these two decisions represented about two-thirds compensation for price increases for an average wage earner.

The government argument is that full indexation, in the absence of a strong external shock, would tend to prolong excessively high rates of inflation. The possibility of an external shock in the form of a strong downward movement in one of the non-wage determinants of prices (e.g. food prices or a currency revaluation) is unlikely in the present circumstances: some moderating influence from trade prices could be expected, but little more[50]. The only other ways in which prices could then decelerate without a deceleration in wages would be either for the cyclical productivity gain to be passed through into prices, or for wage increases not to be passed through, (or for some combination of these). In the former case this would prevent the normal cyclical reconstitution of profits and in the latter case it could actually reduce them, thus inhibiting investment.

External policy

Since the devaluation of September 1974, the exchange rate has continued to be set on a daily basis by the Reserve Bank so as to maintain a constant effective exchange rate against a reference basket of the currencies of major trading partners. This

47 The Australian Constitution prevents the Federal Government from legislating directly on wages and conditions of employment of general application. An attempt in December 1973 to amend the Constitution by two referenda to allow Federal Government legislation on wages and prices was unsuccessful in both cases.

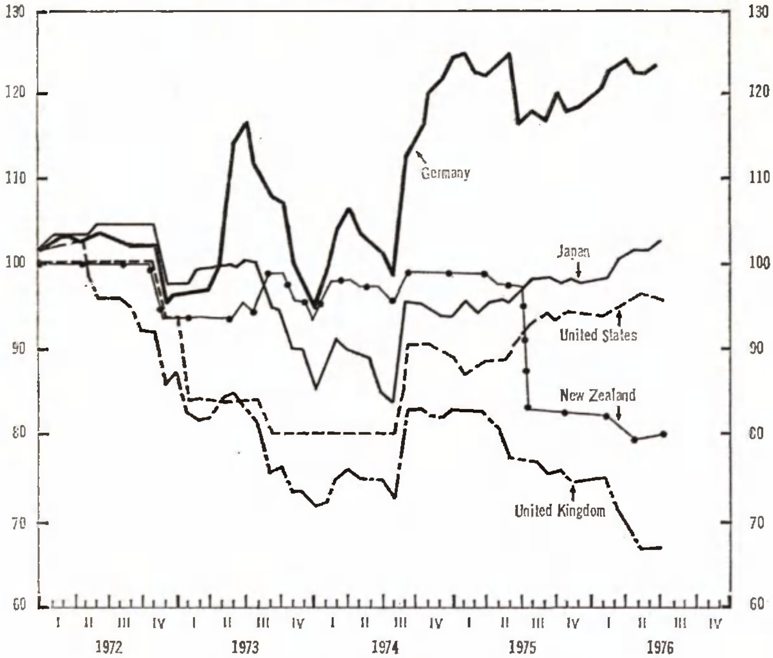
48 For a description of the Australian Conciliation and Arbitration Commission, see OECD, *Economic Survey of Australia*, 1972. Before reaching a decision in the National Wage Case, the Commission hears submissions from the trade unions, the employers and the Federal Government. In making submissions, the parties can request the Commission to take into account recent changes in taxes or transfers and to advance other reasons why less than full indexation of award wages should be made.

49 As explained earlier the third quarter CPI increase was held down to 0.8 per cent due to the introduction of Medibank. Under the April 1975 indexation principles this was too small to warrant indexation, and so was carried forward.

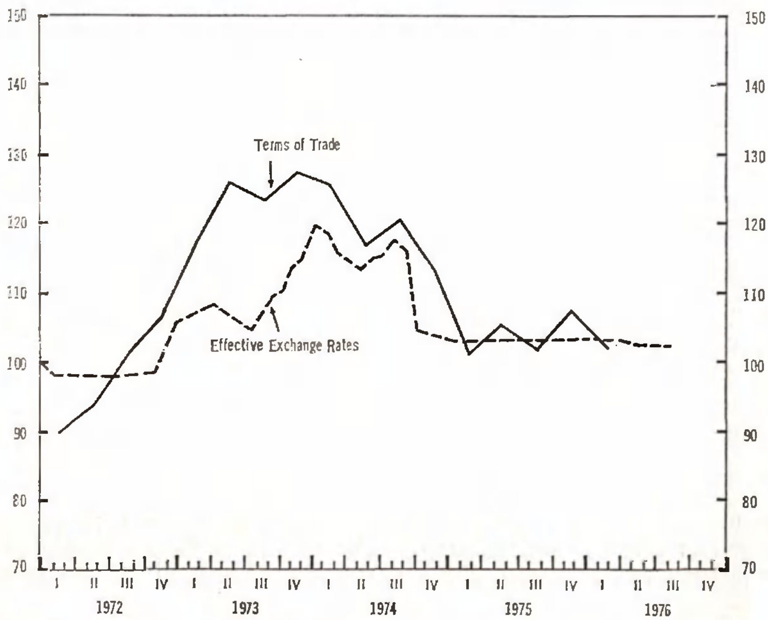
50 Supporters of full indexation have used these considerations to propose indirect tax cuts.

Diagram 14 **Exchange rate developments and the terms of trade**
December 1971 = 100

A. Selected bilateral exchange rates [1]



B. Effective exchange rate [2] and the terms of trade [3]



1 Australian dollars per unit of foreign currency.
2 Weighted average of foreign currency units per Australian dollar. The country weights are derived from trade data for 1972.
3 Base 1966-1967 = 100. Calculated from implicit deflators for merchandise trade.
Source: OECD.

has involved a significant depreciation against the US dollar and the yen in the eighteen months to late 1976, and an appreciation against the pound sterling and the NZ dollar. Rumours of a devaluation were strong in December 1975, following the change in government, and again in September 1976. Partly as a result of this, private capital inflows have been particularly small over this period, but the fall in reserves has been limited by the resumption of official capital raising abroad. In April 1976, a new foreign investment policy was announced. It aimed at encouraging direct foreign investment while providing maximum opportunity for local participation where practicable. Projects are examined on a case-by-case basis.

III PROSPECTS AND CONCLUSIONS

Prospects

The section on recent developments above has already pointed out that there was an upswing in real growth in the first half of 1976, but that a major factor in this was a turnaround in the stock cycle, with inventory decumulation in late 1975 giving way to no pronounced movements in stocks either way in the first half of 1976. The judgment passed on the development of final demand in the first two quarters of 1976 was that a recovery was under way, but that doubts could be expressed on whether it was sufficiently broadly based. Despite the hesitant nature of the recovery so far, the Secretariat's forecasts presented in Table 11 suggest that growth will continue through the latter part of 1976 and into 1977 at a moderate rate. Detailed official forecasts are not published in Australia, but indications are given in budget documents and they will be mentioned below when comparison is appropriate with the Secretariat's assessment. The latter is based on the following main assumptions, in line with the present policy stance:

(*i*) Government expenditure follows the 1976/77 budget estimates, and revenue is consistent with the budget tax calculations. For the second half of 1977 it is assumed that no discretionary changes in expenditure on goods and services, transfers or taxes occur[51];

(*ii*) A moderately restrictive monetary policy with M3 increasing at between 10 and 12 per cent in 1976/77, subsequently adjusted downwards with reductions in the rate of inflation so that its growth is kept below that of nominal GDP;

(*iii*) The continuation of partial wage indexation so that approximately two-thirds of the increase in consumer prices is passed on in wage rates, and no significant wage drift occurs[52];

(*iv*) The maintenance of the present effective exchange rate.

It is clear that the assumptions made for the second half of 1977 are more speculative and subject to much greater uncertainties and changes than those made for the 1976/77 financial year.

Very broadly, the picture shown suggests that real output will grow relatively slowly and that the rate of inflation will decrease considerably through 1977. A modest acceleration may occur in the rate of growth of GDP during 1977 but the

51 The Australian authorities have informed the Secretariat that, in the context of taxation reform, reductions in direct taxation in the course of 1977 have been foreshadowed.

52 This assumption does not take account of the decision announced on 22nd November by the Conciliation and Arbitration Commission to increase award wages by the full 2.2 per cent increase in the September quarter CPI.

absolute growth rates seem likely to remain low when compared with previous recoveries, and would lead to a small increase in the unemployment rate. The half-yearly growth rates imply a GDP increase of slightly over 3 per cent for the 1976/77 financial year, which is broadly consistent with the 4 per cent forecast for non-farm product shown in the budget documents. A substantial decline in the rate of inflation is forecast, with the rise in consumer prices coming down to a 7½ per cent annual rate in the second half of 1977.

Table 11 **Short-term forecasts of demand, output and prices**
Percentage changes (volume)

	From previous year			From previous half-year (Seasonally adjusted at annual rate)			
				1976		1977	
	1975	1976	1977	I	II	I	II
Consumption:							
Private	3.7	2.4	3¼	2.9	3.2	3	3¾
Public	9.0	5.0	1¼	5.1	1.4	1	1½
Gross fixed investment	–0.1	0.0	3	–1.1	2.5	3	3½
of which:							
Residential construction	–12.9	24.1	2¼	38.8	3.9	2	2
Other construction	–2.5	–19.3	1	–28.8	–6.9	2	5
Machinery and equipment	–4.8	2.8	1¾	9.2	–3.8	3	4½
Public	12.1	–6.1	5	–15.4	10.8	3¼	3
Final domestic demand	3.4	2.3	3	2.2	2.8	2¾	3½
Change in stockbuilding[1]	(–6.3)	(1.5)	(1)	(5.0)	(–2.0)	(2½)	(½)
Total domestic demand[2]	–4.0	3.8	3¾	8.0	0.7	5¼	4
Exports of goods and services	6.1	7.6	3½	12.1	8.3	–½	7¼
Imports of goods and services	–17.1	12.8	6¾	18.2	7.2	6½	6½
Change in foreign balance[1]	(4.8)	(–0.9)	(–¾)	(–1.1)	(0.1)	(–1½)	(0)
Gross domestic product[2]	0.6	3.0	3	6.5	0.9	3¾	4
Memorandum items:							
Consumer price index	15.1	12.9	10	14.6	11.4	10¼	7½
Private consumption deflator	15.5	14.0	8¾	15.4	10.6	8½	7¾
Saving ratio (level)	16.3	13.9	13	14.4	13.4	13½	12¾

1 As a percentage of GDP in the previous period.
2 Includes a statistical discrepancy not included in the components.
Sources: Quarterly Estimates of National Income and Expenditure, ABS; Secretariat forecasts.

The behaviour of consumption through the forecast period will be of particular importance. The Secretariat forecast projects a moderate pick-up, due, in approximately equal measure, to an increase in real disposable income and to a further fall in the saving ratio. On the income side, Table 12 presents some elements of the household account. The figures shown are consistent with an increase in average weekly earnings of a little over 11 per cent in 1976/77 and 1½ per cent employment growth. Incomes in the farm sector are forecast to decline (year-on-year) in both 1976 and 1977 but this should be more than offset by the development of other unincorporated income. As for fiscal policy, the impact of recent transfer payments and tax changes (including the effects of the Medibank levy), will be expansionary at the beginning of the 1976/77 financial year and become more restrictive

Table 12 **Household appropriation account**

	1975 $ *million*	Annual percentage changes	
		1976	1977
Wages and salaries	37 760	13.7	12
Other income	17 829	16.6	11¼
Total income	55 589	14.6	11¾
Tax and other deductions	9 720	20.1	14
Disposable income	45 869	13.5	11½
Consumption expenditure	38 336	17.0	12½
Memorandum items:			
Real disposable income	..	–0.5	2¼
Saving ratio (level)[1]	16.4	13.9	13

1 As a percentage of disposable income.
Sources: Quarterly Estimates of National Income and Expenditure, ABS; Secretariat forecasts.

as the year progresses. The July income tax indexation adjustment will impart an expansionary influence in the second half of 1977[53].

The main uncertainties surround the development of savings. This element has traditionally been difficult to forecast, but, as explained earlier, the squeeze on disposable income growth and the further expected falls in the rate of inflation should lead to a continuation of the recent tendency for the saving ratio to fall back towards its longer-term average. The extent of the decline will depend partly on such subjective factors as households' perception of their " economic security " and in this respect the continued upward drift in the unemployment rate implied by the forecast could limit the extent of the fall. The index of consumer confidence, after its sharp rise at the turn of 1976, has fluctuated since and this, together with an allowance for the effects of special factors which had encouraged consumption earlier in 1976[54], makes a quick return of the saving ratio to its longer-term trend unlikely.

A number of uncertainties also surround the forecast for private fixed investment. On the one hand firms seem to be in a much better position to expand their investment outlays than they have been for some time. Business confidence, according to recent surveys, has improved, the internal financial position of firms has strengthened and access to longer-term funds, both equity and fixed interest, is easier. But it is not certain that availability of funds will, of itself, be sufficient to stimulate capital formation. In the past demand factors have played a larger role in explaining movements in productive investment than financial variables[55]. Given that the prospects for demand growth are modest and that present levels of capacity utilisation

53 The latter factor could be substantial since the indexing factor used to adjust tax schedules downwards (and exemptions upwards) in July 1977 could be about 11½ per cent, compared with an annual rate of price increase of about 7½ per cent forecast for the second half of 1977.

54 There were anticipatory automobile purchases before the July 1976 emission controls and a strong increase in durable goods purchases in mid-1976.

55 In a recent study, Higgins *et al* compared a number of alternative theoretical approaches and found that none explained the 1974 and 1975 experience very well, for either plant and equipment investment or non-dwelling construction. Overall, a conventional accelerator model worked best for plant and equipment, with a cash-flow model the next best. For non-dwelling construction, the accelerator and two models involving cash flow performed about equally. Models based on the supply price of capital (i.e. the rate of return required by equity and debt holders) or the user cost of capital (i.e. the supply price as modified by provisions for economic depreciation and taxation) were less successful in both cases. See C.I. Higgins, H. N. Johnston and P.L. Coghlan, " Business Investment: The Recent Experience " (mimeo), Paper presented at the Conference on Applied Economic Research, Reserve Bank of Australia, September 1976.

are low, there must remain doubts as to the prospects of an upswing in this field. The forecast assumes that there will be a decline in the second half of 1976 in reaction to the earlier speed-up of investment outlays qualifying for investment incentives before July 1976, but that in 1977 some recovery will occur in line with intentions surveys.

A modest contribution to growth could also come from inventory formation. Non-farm stockbuilding should be boosted by the tax changes relating to stock appreciation introduced in the 1976/77 budget, particularly toward the end of the financial year. However, since the stock to sales ratio did not fall to a particularly low level in 1975 in relation to its downward trend, steady, but not very rapid, reconstitution of non-farm stocks is forecast in the near future. In addition, farm stocks are expected to decrease in 1976 and 1977. Given the restrictive policy stance, the growth of government expenditure on goods and services is assumed to be small in 1976/77. This involves little increase in current expenditure, but some renewed growth in investment at the State but not the Federal level, after a sharp decline in the first half of 1976.

The growth in total domestic demand is expected to be greater than that of output with a modest negative contribution foreseen from the real foreign balance up to the end of 1977. Exports grew strongly in the first half of 1976, but with a slower rate of recovery likely in most OECD countries[56] and expected declines in some categories of agricultural production, a more modest rate of growth is envisaged for the forecast period. Some slowdown is also expected for imports even if increases significantly greater than those occurring in total domestic demand are likely—the price/cost competitiveness of domestic producers will be further eroded throughout the period, and rebuilding of stocks (even if only moderate) will exert a direct influence. The rise in import prices should decelerate to about 5 per cent in 1977. Export prices, despite uncertainties about the prospects for individual commodities, are likely to rise somewhat faster. The terms of trade might thus improve by some 2 per cent in 1977 reflecting movements in 1976. In conjunction with some further widening in the invisible deficit, these assumptions imply that the current account deficit may increase only slightly from the 1976 level and stand at 1½ to 2 per cent of GDP, a modest deficit by past Australian standards. Net private capital inflows are unlikely to be significant until major new resource projects progressively get under way; in the interim the deficit may be largely financed by the public sector, either through further government borrowing, or some rundown of reserve assets.

The most encouraging feature of the Secretariat forecast is the improvement in the inflationary picture. Eliminating the effects of the Medibank changes (by using the consumption deflator), the rise in consumer prices could decelerate, year-on-year, from 14 per cent in 1976 to less than 9 per cent in 1977 (11 per cent for the 1976/77 financial year). And by the second half of 1977, prices are expected to grow at an annual rate of about 7½ per cent. This deceleration may, at first glance, seem optimistic, yet it is not implausible when seen in the light of assumptions and expectations about wage determination, demand-management policies, foreign trade prices and the exchange rate. Problems could, however, arise through the effects of the recent drought on food prices, particularly in the already seasonally difficult December quarter of 1976.

In contrast to the improvement expected on the price front stands the likely development of unemployment over the coming year. Forecasting the unemployment rate with any precision is complicated by, among other things, the difficulty of establishing the pattern in the immediate past. In the past, unemployment

56 See Table I of the Statistical Annex for the geographical structure of Australian exports. Demand from the principal markets, Japan and the United States, should hold up well; prospects in New Zealand and the United Kingdom, the next two countries in importance (and the largest markets for manufactures) are distinctly less favourable.

remained constant in Australia in the presence of growth rates of non-farm output of the order of 4½ to 5 per cent per annum. This relationship may not be a good guide in the present cycle, but even so it is difficult to see, on the basis of the Secretariat's output forecast, how a small increase in unemployment can be avoided in 1977.

Conclusions

Like most other OECD economies, Australia has suffered over the last few years from rates of inflation and unemployment that have exceeded anything comparable recorded in the postwar period. In the second half of 1975 the Australian authorities began to give priority in the formulation of their policies to the fight against inflation and this policy emphasis has been sharply stepped up in 1976. Such a strategy takes time to become effective and inevitably entails short-term costs. On the inflation front progress has been made, with the rate of inflation having been reduced in the second half of 1976 to an underlying rate of 10-11 per cent. Unemployment, however, remains high by past standards. Government policy continues to give top priority to further reducing inflation as a prerequisite for achieving sustainable growth, very much in line with the medium-term strategy agreed upon by OECD Ministers in June 1976. Following changes during 1976 both fiscal and monetary policies have become more restrictive. In addition, the official strategy is to argue strongly for a continuation of only partial indexation of wage agreements which, if successful, would make the transition to a lower rate of inflation both speedier and smoother. It would also allow a restoration of profit margins—which have been severely eroded in the last few years—thereby improving the conditions for a revival of investment in the longer run.

The strategy followed by the authorities was virtually the only possible one in the conditions applying. And it is clear that with Australia's rate of price increase still high and above that of most of her main trading partners, demand-management policy must remain relatively cautious. It is also essential that the adjustment of wages to increases in the cost of living should be only partial. It is probably inevitable that maintenance of a determined anti-inflationary policy will entail short-term costs in the form of below-capacity growth and higher unemployment. It would seem that to mitigate the social costs involved a continuation of the more generous attitude towards unemployment benefits developed in recent years would be desirable.

The maintenance of a tight policy stance, particularly in conditions of weakening growth of world trade, entails the risk that the growth of activity will slow down unduly. The Secretariat's forecast does not suggest that this will be the case, but the uncertainties surrounding it are such that the risks are weighted towards the downside. It would therefore seem prudent to be prepared to act if even the modest recovery now foreseen did not materialise.

It would be a mistake in present circumstances to increase public expenditure. Such increases are not easy to reverse later and would run counter to the authorities' aim of gradually diminishing the role of the public sector. But reductions in direct taxation could be contemplated if the conjunctural situation warrants it. At the appropriate time such measures could also play a useful role in the wage determination process. A substantially more expansionary fiscal policy could, however, jeopardise the money supply aims of the authorities.

*
* *

After this examination had been completed the Australian Government announced a 17½ per cent devaluation of the Australian dollar. The devaluation was accompanied by a change in the exchange rate arrangements involving the adoption of a flexibly administered rate and an indication that this would involve more frequent and smaller shifts in the relationship of the Australian dollar to a trade weighted basket of currencies. While the devaluation has not been taken into account in the body of the Survey, it will clearly change the outlook over the coming year as discussed in pages 40 to 44. Very broadly its main effects would seem to be in the direction of putting upward pressure on the price level, providing some stimulus to demand and improving the current and capital accounts of the balance of payments. Much will also depend on the future stance of policies, particularly monetary policy, which will have to be adapted to the changed situation.

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Annex I

INCOME TAX AND WAGE INDEXATION IN AUSTRALIA

1 *Income tax indexation*[1]

Indexation of the personal income tax system was announced on 20th May 1976 to take effect from 1st July 1976. Its stated aim was to " prevent the automatic increase in effective tax rates which used to come about as rising money incomes resulting purely from inflation took taxpayers further up the progressive rate scale "[2]. The method of achieving this involved the following provisions:

(*i*) To prevent the marginal and hence average tax rate increasing when taxable income expands at the inflation rate, the income brackets of the rate scale were indexed.

(*ii*) The main rebates were also indexed[3]. These were the general rebate, the rebates for dependents (other than rebates for dependent children and students which were abolished as part of the new family allowance arrangements), the housekeeper rebate and the sole parent rebate.

(*iii*) The indexing factor for a particular financial year is a form of the increase in the Consumer Price Index. The average level of the index in the year ending with the March quarter immediately preceding the financial year in question, divided by the average level in the previous year ending March, gives the indexing factor.

(*iv*) Any part of the increase in the CPI that is attributable to higher indirect taxes imposed by the Federal Government is netted out for the purpose of indexing personal income tax. This is to ensure that when indirect taxes are altered, the resource allocation objective of transfers between the private and government sectors is not nullified by indexation (C.W. wage indexation).

The indexing factor applied for the 1976-77 financial year is 13 per cent, 1 percentage point less than the movement in the published CPI, reflecting increases in indirect taxes over the period.

2 *Wage indexation*

(a) *Principles*

The *main* principles of wage indexation applying to National Wage Cases are:

(*i*) The Commission will adjust award wages and salaries each quarter in relation to the most recent movement of the CPI unless it is persuaded to the contrary by those seeking to oppose it.

(*ii*) For this purpose the Commission will sit in April, July, October and January following the publication of the latest CPI.

(*iii*) Any adjustment will operate from the beginning of the first pay period commencing on or after the 15th of the month following the issue of the CPI.

(*iv*) The form of indexation will be determined by the Commission in the light of circumstances and the submissions of the parties[4].

(*v*) No wage adjustment will be made if the CPI increase is less than 1 per cent, but will be carried forward to the next quarter.

(*vi*) Each year the Commission will also consider what further increase in total wages should be awarded on account of productivity.

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1 This annex is largely based on Statement No. 4 attached to the Budget Speech, 1976-77.

2 Budget Speech 1976-77.

3 Even with a proportional tax system, the failure to index rebates would have the effect of increasing the proportion of total income paid in taxes in periods of inflation.

4 The phrase " provided that an increase of less than 2 per cent in any one quarter should be applied fully to all award wages " was included in the original April 1975 principles but deleted in April 1976.

(b) *Decisions*

Annex Table 1 summarises the decisions that have been reached since the introduction of the indexation principles.

Table 1 **Decisions in National Wage Cases**

Quarter	CPI change	Change in award wages	Effective indexation rate (%)[1]
March 1975	3.6	3.6	100
June 1975	3.5	3.5	100
September 1975	0.8	—	—
December 1975	5.6	6.4	100
March 1976	3.0	3.0 % up to $ 125 per week $ 3.80 flat increase above that	70
June 1976	2.5	2.5 % up to $ 98 per week $ 2.50 up to $ 166 per week 1.5 % above that	66
September 1976	2.2	2.2	100

1 Change in average award wages as a percentage of the corresponding change in the CPI.
Source: Round-up of Economic Statistics, Treasury.

(c) *The consumer price index as a basis for indexation*

The consumer price index is a chain of " fixed weight " aggregative indexes. which has experienced eight significant changes in composition and weighting since 1948. The last change was in September 1974, since which time the weights have been constant. In the September quarter of 1975, with the introduction of Medibank, the index of the user-cost of medical and hospital services declined from 215.2 to 124.4. This was large enough to reduce the CPI increase for that quarter from 2.9 per cent to 0.8 per cent. In the December quarter of 1976, as a result of the changes in Medibank, an upward shift in the CPI is expected to occur. The 2.5 per cent levy, being effectively an income tax, should not affect the CPI, but the movement out of Medibank into private health funds, on the basis of the existing method of compilation, should. By paying the full health insurance premiums, rather than only " topping-up " premiums, the user-cost of medical and hospital services will rise.

Measures aiming to redistribute income from households to government that affect user-cost (e.g. indirect taxes, user charges) will thus be either fully or partly offset under a system of CPI based indexation, as will measures aiming to redistribute expenditure from govermnent to households (such as the shift from Medibank to private funds).

The consumption deflator on the other hand was largely unaffected by the Medibank changes. With the introduction of Medibank a large proportion of health services was shifted from private consumption into government consumption. This did not affect the unit-cost of private health care but merely reduced its weight in the private consumption deflator. An analogous result is expected for the October 1976 Medibank changes.

Annex II

CALENDAR OF MAIN ECONOMIC EVENTS

1974

September 25

Australian dollar devalued by 12 per cent and the fixed link to the US dollar discontinued. Exchange rate of Australian dollar to be fixed in terms of a weighted average of foreign exchange rates.

November 10

The Treasurer announced measures which formed the first part of a policy package designed to stimulate activity in the private sector. The measures included:

(*a*) A reduction in Treasury Note yields. The yield on 13-week Notes was reduced by .671 percentage points to 8.687 per cent; the corresponding figures for 26-week Notes were .614 points and 8.858 per cent.

(*b*) The embargo introduced in September 1972 on new overseas borrowings repayable, or carrying options to repay, in two years or less was modified with effect from 11th November so that it applied only to overseas borrowings for periods of six months or less.

(*c*) The Variable Deposit Requirement scheme relating to overseas borrowings in excess of two years was suspended, with effect from 11th November.

November 12

The Prime Minister announced the second part of the Government's policy package which included:

(*a*) A cut of $ 650 m in personal income tax bringing the total reduction for 1974-75 to $ 1 200 m which would increase take-home pay at average weekly earnings by 3 per cent. As far as possible the full year effects of the reduction are to be reflected in PAYE deductions in the January-June half-year of 1974-75.

(*b*) A sum of $ 150 m to be advanced to the savings banks to increase their rate of lending for housing, with particular emphasis on new construction.

(*c*) A cut in company tax of 2.5 per cent for public companies and withdrawal of the 2.5 per cent increase in the tax rate for private companies announced in the 1974-75 Budget.

(*d*) Relaxation of the staff growth ceiling on full-time staff employed under the Public Service Act by extending the trainee intake and increasing the intake of school-leaver recruits for base-grade categories.

(*e*) Duties on imported completely built-up vehicles were increased by 10 per cent to 45 per cent and duties on completely knocked down vehicles were increased by 9 per cent to 35 per cent. These duties will be lowered again when imports fall below 20 per cent of registrations over a designated period. For the longer term, existing motor vehicle industry plans will be replaced by a single, simplified, lower content plan.

(*f*) The Government will submit to the Arbitration Commission that, in connection with the most appropriate date for the introduction of cost-of-living adjustments, the announced reductions in personal income tax be regarded as compensation for the increase in the cost of living for the December quarter 1974.

December 9

The Government announced the following steps to assist private sector profitability and liquidity:

(*a*) Companies will be permitted to postpone payment of their February 1975 quarterly company tax instalment until the final assessment of their 1973-74 income in April 1975.

(*b*) Introduction of a scheme of accelerated depreciation to apply to new plant and equipment installed on or after 1st July 1974 and before 1st July 1975.

1975

January 1

PAYE tax deductibility for housing loan interest concessions and changes in personal income tax rates announced by the Prime Minister on 12th November came into effect.

January 28

The Treasurer accounced a series of measures designed to secure employment in the Australian motor vehicle industry:

(*a*) A reduction in sales tax on passenger vehicles from 27½ per cent to 15 per cent and on commercial vehicles from 15 per cent to 5 per cent, for three months, after which the rates will be restored to former levels by equal monthly steps by 1 September.
(*b*) Reversal of a decision to impose a tax on the net standby value to employees of the use of company cars.
(*c*) Imposition of import quotas on passenger and light commercial vehicles during the next 12 months.

February 14

At the Premiers' Conference the Australian Government approved additional funds for the States of $ 240 m to be spent by 30th June. Of this advance, $ 40 m was to provide direct employment for about 10 000 unemployed persons.

February 21

The Minister for Labour and Immigration announced the approval of another 28 projects to employ approximately 500 people under the Regional Employment Development Scheme (RED).

March 2

Major trading banks announced lower rates of interest on most loans and deposits below $ 50 000. The banks' overdraft rate would be cut by 0.5 per cent and their housing loan rates by between 0.5 and 0.25 per cent. Rates on interest-bearing term deposits would fall by up to 1 per cent.

March 9

The Minister for Manufacturing Industry and the Special Minister for State announced a decision to cut imports of iron and steel rolled plates by up to 75 per cent in order to protect the domestic steel industry. The Ministers said that quotas would apply from 1 January and that imports in 1975 would be limited to 25 per cent of the total during 1972 and 1973.

March 18

The Minister for Labour and Immigration announced that the funds allocated by the Australian Government to the RED scheme now totalled $ 114.7 m.

April 30

The Conciliation and Arbitration Commission handed down its decision on the National Wage Case on 30th April 1975.

The decision provides an immediate increase of 3.6 per cent in all wages under Federal awards and an increase of $ 4 per week in the minimum wage, effective from the first pay period on or after May 15.

The decision also sets out proposals for the introduction of a form of wage indexation. These proposals provide:

(*a*) Semi-automatic indexation—the Commission will conduct a hearing each quarter and adjust wages for the increase in the CPI unless it is persuaded to the contrary.
(*b*) The form of indexation will be determined by the Commission on each occasion but increases of less than 2 per cent will be applied as a percentage to all award rates.
(*c*) There will be an annual review to account for productivity changes.
(*d*) Other wage increases would be strictly limited to changes in work value and cases where awards have not been considered in the light of last year's community (wage) movements.

May 23

The Australian Government intervened in a case before the PJT, for the first time since the Tribunal's inception, to put a submission in support of the principle of allowing price increases sufficient to ensure profitability and capital investment. The Tribunal was hearing an application by BHP for a 14 per cent price increase for steel products.

May 26

The report of the Committee of Inquiry into Inflation and Taxation, headed by Professor R. L. Mathews, was tabled in Parliament. The main recommendations of the report are indexation of personal income tax scales and deductions, and changes in company taxation procedures.

The Minister for Agriculture announced that the 250 cents per kilo wool floor price for 1974-75 would be extended to the 1975-76 season.

June 13

A Federal Arbitration Commissioner adjusted rates to give full equal pay to women in the clothing industry. The decision affected 60 0000 women and was backdated to 6 June.

The Treasurer announced that negotiations had been completed for a US $ 100 m public bond issue by the Australian Government on the United States capital market.

June 26

At the close of the 1974-75 wool selling season, the Australian Wool Corporation held 1.6 m bales, valued at more than $ 320 m.

July 4

The Governor of the Reserve Bank announced steps to reduce free liquid assets of the major trading banks; the SRD ratio would rise by 1.0 percentage point on 16th July and by a further 1.0 percentage point on 5th August; the Term and Farm Development Loan Funds of the major trading banks will be replenished by about $ 82 m - $ 55 m coming from a reduction of 0.4 percentage points in the SRD ratio on 17 July. Banks have also agreed to prepay, during the first half of July, loans amounting to $ 112.5 m which had been made available under a special facility due to expire on 18th October 1975.

July 21

The Prime Minister announced that a staff ceiling of 1.5 per cent in 1975-76 has been applied to the operative staff growth of the Australian Public Service and Statutory Authorities. The co-operation of Departments and Statutory Authorities in maintaining a tight discipline on the use of overtime, consultants and part-time staff had also been sought.

July 30

The PJT approved a 10.5 per cent increase in steel prices by Broken Hill Pty Ltd. The increase was made with reference to the need for the company to achieve a more acceptable level of profits on steel making and to provide adequate incentive for implementation of its proposed new investment programme.

August 10

Counsel for the Australian Government informed the Arbitration Commission that an argument exists—which the Government may wish to put from time to time in quarterly National Wage Case hearings—for excluding the price effects of increases in indirect taxes and government charges from indexation adjustments.

August 18

The Treasurer presented the 1975-76 Australian Government Budget. The main features were:

(*a*) An increase in outlays of $ 4 084 m or 23 per cent (including $ 1 437 m for the introduction of Medibank) compared with an increase of $ 5 601 m or 46 per cent in 1974-75.

(*b*) An increase of $ 3 852 m or 25 per cent in receipts compared with an increase of $ 3 702 m or 31 per cent in 1974-75.

(*c*) A major restructuring of the personal taxation system including the introduction of a system of rebates to replace most deductions.

(*d*) A reduction in the general rate of company tax by 2.5 per cent and a continuation of the system of doubled rates of depreciation.

(*e*) Increases in duty on beer, potable spirits and tobacco and the introduction of a levy on the production of crude oil and an export duty on coal.

September 5

The Governor of the Reserve Bank announced that the Statutory Reserve Deposit ratio of the major trading banks would be increased from 4.6 per cent to 5.6 per cent with effect from 16th September, requiring a transfer of about $ 140 m from the banks to the Reserve Bank.

September 14

The Prime Minister announced the introduction of a two-tiered pricing structure for Australian produced oil. Beginning on 18 September, higher prices would be paid for oil from existing fields while oil from newly discovered fields would sell at the landed cost of imported oil.

September 18

The National Wage Case decision was handed down. The Conciliation and Arbitration Commission granted an increase of 3.5 per cent (the increase in the June quarter consumer price index) in Federal awards and an increase of $ 2.80 in the minimum weekly wage.

September 24

The Prime Minister announced new guidelines for foreign investment in Australia. The guidelines covered the establishment of new businesses and the expansion of existing ones; provided generally for a maximum 50 per cent foreign ownership of new mineral development projects and a relaxation of the requirements for Australian participation in mineral exploration projects; and detailed developments in the policy towards foreign investment in real estate.

October 3

The Governor of the Reserve Bank announced that the SRD ratio of the major trading banks would be increased from 5.6 per cent to 6.6 per cent with effect from 5th November, requiring a transfer of about $ 140 m from the banks to the Reserve Bank.

October 16

The Opposition in the Senate moved to defer Appropriation Bill (No. 1) 1975-76 and Appropriation Bill (No. 2) 1975-76.

November 3

The Full Bench of the Conciliation and Arbitration Commission rejected an application for an immediate national wage increase of 0.8 per cent to compensate for the increase in the consumer price index during the September quarter. The Bench held that, consistent with its wage indexation principles, the increase should be carried forward and combined with the increase in the consumer price index for the December quarter.

November 11

The Hon. M. Fraser was appointed Prime Minister in a caretaker capacity by the Governor-General until a general election could be held on 13th December.

December 13

National elections for both the House of Representatives and Senate were held.

December 22

The Treasurer released details of the new investment allowance announced by the Prime Minister in his Policy Speech. The allowance will apply to new plant and equipment ordered on or after 1st January 1976 and by 30th June 1978 at a rate of 40 per cent with a rate of 20 per cent to apply during the second phase from 1st July 1978 to 30th June 1983. The allowance, which extends to all industries, applies to new depreciable plant and equipment used for the purpose of producing assessable income. There are some specific exclusions from the allowance and the first $ 1 000 of the cost of any individual item is also excluded.

December 23

The Treasurer announced measures aimed at restraining the rapid rise in government spending. The measures include a freeze on new policy expenditure, apart from Policy Speech proposals, the introduction of a staff ceiling on employment under the Public Service Act equivalent to the end-November level of employment, and reductions in the 1975-76 Budget allocations for overtime and travel expenses.

1976

January 7

The Governor of the Reserve Bank announced that the Statutory Reserve Deposit ratio of the trading banks would be raised from 6.6. per cent to 7.6 per cent with effect from 16th January.

January 14

The Minister for Industry and Commerce announced interim allocations of quotas of items of apparel, footwear, motor vehicles and certain iron and steel sheets and plates, pending final consideration by the Government.

January 22

The Treasurer and the Governor of the Reserve Bank announced a set of monetary policy measures aimed at mopping up excessive liquidity and stimulating the private sector. Specific measures were:

(*a*) The introduction of a new security—the Australian Savings Bond—to replace Special Bonds as the Commonwealth security designed especially for 'household' savers and non-professional investors. The new security carries a fixed interest rate of 10.5 per cent and a period to maturity of seven years. It is redeemable on one month's notice.
(*b*) Temporary increase in the agreed minimum LGS ratio for the purposes of the LGS convention from 18 per cent to 23 per cent.
(*c*) A reduction in maximum bank lending rates from 11.5 per cent to 10.5 per cent.
(*d*) An increase from $ 50 000 to $ 100 000 in the size of trading bank overdrafts to which the maximum lending rate applies.
(*e*) A reduction of about 0.2 per cent in yields on 13-week and 26-week Treasury Notes.

January 30

Restrictions were removed on the freedom of Australian residents to own, buy or sell gold in Australia.

February 3

The Prime Minister announced further reductions in planned expenditure for 1975-76 of $ 300 million, bringing the total announced reductions to $ 360 million for the current financial year.

The Government argued before the Conciliation and Arbitration Commission that award wages and salaries, for anti-inflationary reasons, should be increased by about half the increase in prices in the September and December quarters 1975.

February 9

The Prime Minister announced new staff ceilings for the Public Service; these ceilings were estimated to reduce expenditure by $ 20 million in 1975-76.

February 10

The Minister for Primary Industry announced the suspension of the meat export levy from 1st March 1976; the reintroduction of the superphosphate bounty on orders dated on or after 11th February until 30st June 1977—subsequently, on 26th February, the Minister announced that the bounty would be payable on sales rather than orders of phosphatic fertilizers; and the extension of the existing Dried Vine Fruit stabilisation scheme for 1976.

February 13

The Conciliation and Arbitration Commission granted an increase of 6.4 per cent (the increase in the Consumer Price Index for the September and December quarters 1975) to Federal award wages and salaries.

February 20

Details of Commonwealth Government negotiations for a public loan in Germany were released. An amount of $ 100 million Deutsche Marks (approximately $ A31 million) was to be sought at a coupon rate of 7.25 per cent and a term of seven years.

March 3

Wool auctions which were to be held in Sydney, Melbourne and Canberra on 3rd and 4th March were cancelled because of the wool handling dispute.

March 18

The Treasurer released details of Commonwealth Government negotiations for a public bond issue in Switzerland for an amount of 100 million Swiss Francs (approximately $ A31 million). A term of 15 years and a coupon rate of 6.75 per cent were proposed.

March 23

The Minister for Employment and Industrial Relations announced further changes to the eligibility conditions for unemployment benefit. The new guidelines changed the definition of 'suitable work', ceased payment of unemployment benefits to school leavers until after the Christmas vacation, deferred payment for six weeks in the case of persons who became voluntarily unemployed, and required Income Statements to be lodged personally with the CES each fortnight.

March 25

The Australian Conciliation and Arbitration Commission awarded an increase in the minimum wage of $ 5.00 per week for employees under Federal awards.

March 30

The Minister for Industry and Commerce announced liberalisation of conditions for importing vehicles and vehicle parts. The main elements included a lowering to 85 per cent of the local content plan and abolition of import quotas from 31st December 1976.

April 1

The Treasurer made a detailed statement on leased plant attracting the Federal investment allowance.

April 8

The Governor of the Reserve Bank announced a reduction of two percentage points to 5.6 per cent in the Statutory Reserve Deposit ratio of the major trading banks.

April 21

Storemen and packers, engaged in the seven-week long wool dispute, returned to work.

May 1

The Treasurer announced that Australia had filed a Registration Statement with the United States Securities and Exchange Commission relating to a proposed offering of $ US200 million of bonds to be sold in the USA. On 21st May it was announced that negotiations for the loan were complete.

May 4

Wool sales resumed following an end to the wool handling ban.

May 10

The Minister for Primary Industry announced a temporary relaxation of eligibility conditions concerning receipt of unemployment benefits by farmers.

May 15

The Treasurer announced results of an offer to European investors of 100 million Netherlands guilders ($ A30 million) of 8 per cent notes. With a maturity of seven years, the security was issued at par. The loan closed fully subscribed at the end of the first day.

May 20

Following the Prime Minister's statement on 17th May, the Treasurer presented details of a major set of fiscal policy measures, including:

(*a*) Introduction of personal income tax indexation from 1st July 1976.
(*b*) Changes to Medibank to apply from 1st October 1976.
(*c*) Abolition of present taxation rebates for children and their replacement by a new system of family allowances.
(*d*) Reductions in departmental forward estimates in 1976-77 of some $ 2 600 million.

May 28

The Conciliation and Arbitration Commission announced its decision on the March quarter indexation hearing. The decision provided for an increase of 3.0 per cent in Federal award wages up to and including $ 125 per week and a flat $ 3.80 per week increase above that. The increase was made retrospective to the first pay period to commence on or after 15th May 1976.

June 10

A Premiers' Conference and Loan Council meeting was held. It was estimated that there would be a 16.4 per cent increase overall in 1976-77 in funds available to the States and local authorities as tax sharing entitlements, Loan Council programmes and welfare housing advances. In particular, it was estimated that the funds available to the States under the tax sharing arrangements would be 20.8 per cent more than the financial assistance grants in 1975-76.

July 3

The Treasurer announced that the International Monetary Fund had approved an Australian purchase equivalent to $ 309 million from the Fund under the Compensatory Financing Facility.

July 7

The Prime Minister and Minister for Primary Industry announced that the floor price of wool would be increased for the next two selling seasons to 234c a kilo on the " whole clip average " (previously 206c a kilo).

July 12

There were widespread work stoppages in response to a call for a national strike by the ACTU over proposed changes to Medibank.

July 28

Results of the July cash loan were announced. Subscriptions totalled a record $ 725 million, including $ 407 million from non-bank sources.

August 12

The Conciliation and Arbitration Commission handed down its quarterly National Wage Case decision, applying the 2.5 per cent increase in the CPI in the June quarter to the lowest wage in the Metal Industry Award for Melbourne ($ 98 per week) and the resulting $ 2.50 flat to awards up to and including $ 166 per week; award wages and salaries in excess of $ 166 per week were increased by 1.5 per cent.

August 17

The budget for 1976-77 was delivered. A number of its major provisions had already been foreshadowed in the May announcements. Among measures included for the first time were:

(*a*) A revision of the company tax system so as to allow firms to subtract from their taxable income inflation-induced increases in the value of trading stock. In particular the cost of a firm's trading stock as at 1st July 1976 is to be revalued for income tax purposes by reference to percentage increase in the 'goods' component of the CPI between the June quarter of 1976 and the June quarter of 1977. The scheme is to be introduced by stages; at least 50 per cent of the full adjustment will be allowed on income earned in 1976-77.

(*b*) Incentives to mineral exploration:

- (*i*) Petroleum exploration expenditure to be deductible against income from any source;
- (*ii*) Allowable capital expenditure on development of a mine or field to be deductible on a diminishing value basis by reference to a maximum life of mine or field of 5 years (instead of 25 years previously);
- (*iii*) Abolition of the $ 2 a barrel levy on crude oil for new discoveries;
- (*iv*) First stage of the abolition of the coal export duty with the higher rate of duty being reduced from $ 6 to $ 4.50 per tonne, the lower rate dropping from $ 2 to $ 1.50 per tonne and non-coking coal being exempted.

(*c*) New arrangements for calculating financial grants to the States were in use for the first time. Under the previous system (i.e. up to and including 1975-76) financial assistance grants to the States were determined under a formula by which the grant to each State each year was equal to the grant paid in the previous year escalated by the percentage increase in the State's population and in average wages in the economy as a whole and by a further 'betterment' factor. In recent years, including 1975-76, the betterment factor was 1.8 per cent; it was to have increased to 3.0 per cent in 1976-77.

The financial assistance grants are to be replaced by personal income tax sharing arrangements between the Federal and State Governments. Under 'Stage 1' of these arrangements which will apply in 1976-77 and subsequent years, the States will be entitled to 33.6 per cent of Federal personal income tax collections excluding the revenue effects of any special surcharges or rebates applied by the Federal Government. Under 'Stage 2' the States will also be able, if they wish, to legislate to impose a surcharge on personal income tax in the State additional to that imposed by the Federal Government or to give, at cost to the State, a rebate on personal income tax payable under Federal law. These arrangements for State surcharges or rebates are expected to apply from the beginning of 1977-78. The 'Stage 1' arrangements include a guarantee that the States' entitlements in any year, will not be less than in the previous year and, in the four years 1976-77 to 1979-80, will not be less in a year than the amount which would have been yielded in that year by the financial assistance grants formula referred to above. On the basis of present estimates, the States will receive $ 3 716 million under the tax sharing arrangement in 1976-77, $ 89 million more than their estimated entitlement under the former formula arrangements.

August 26

Yields on Treasury Notes were increased by about 0.5 percentage points from 27th August. The new yields to maturity were 7.477 per cent for 13-week Notes and 7.727 per cent for 26-week Notes.

September 7

The Treasurer announced that the Commonwealth had commenced negotiations for a public bond issue on the Euro-dollar market for an amount of up to $ US 300 million. A further announcement that negotiations had been completed was made on 21st September.

September 12

The Minister for Employment and Industrial Relations announced the introduction of the Relocation Assistance Scheme. The Scheme provides for individual grants of up to $ 1 900 to allow for the relocation of unemployed persons and their families to areas where suitable employment/training is available. The Scheme was to begin operation on 1st October 1976 and will be administered by the CES.

September 22

The Acting Minister for Employment and Industrial Relations announced the introduction of a new scheme—Special Youth Employment Training Programme—to help unemployed school leavers who have not been able to obtain stable employment. Employers participating in the provision of six months on-the-job training will be paid a subsidy of $ 58 per week by the Government.

September 23

Yields on Treasury Notes were increased by about 0.5 percentage points from 24th September. The new yield to maturity for 13-week Notes was set at 7.977 per cent, and for 26-week Notes at 8.226 per cent.

October 20

The Treasurer announced that the Commonwealth had commenced negotiations for a public bond issue of up to $ US200 million on the New York Market.

October 27

The Acting Treasurer announced that subscriptions to the Cash Loan which closed on 21st October totalled $ 230 million; about 60 per cent of the total was received from the banking sector. The 1978 stock attracted 3 per cent of total subscriptions, the 1982 stock 26 per cent, the 1987 stock 62 per cent and the 1996 stock 9 per cent. The net amount raised by Series 5 Australian Savings Bonds since its introduction was $ 12 million.

November 7

A set of monetary measures was announced by the Treasurer. They included a further increase of half a point in Treasury Note yields, some operations by the Reserve Bank to increase yields on other short- and medium-term securities and an increase in the SRD ratio from 5 to 6 per cent.

STATISTICAL ANNEX

Table A **Gross domestic product**

$ million, current prices

Year ended 30th June	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Expenditure										
1 Private consumption	13 954	15 258	16 507	18 156	19 991	22 189	24 836	29 233	35 074	41 603
Durables	1 701	1 919	2 051	2 299	2 491	2 758	3 087	3 906	4 757	5 644
Other	12 253	13 339	14 456	15 857	17 500	19 431	21 749	25 327	30 317	35 959
2 Government current expenditure	2 702	3 052	3 334	3 634	4 198	4 760	5 435	6 769	9 194	11 513
3 Gross fixed capital formation	6 009	6 533	7 263	7 914	8 778	9 605	10 040	11 907	14 336	16 697
Residential	1 055	1 183	1 369	1 580	1 645	1 861	2 193	2 692		
Other building and construction	2 232	2 451	2 725	2 925	3 352	3 654	3 758	4 306		
Machinery and equipment	2 722	2 899	3 169	3 409	3 781	4 090	4 089	4 909		
4 Change in stocks	363	144	669	448	326	–114	–319	1 549	831	–433
5 Exports of goods and services	3 476	3 556	3 913	4 749	5 070	5 633	6 956	7 780	9 923	10 963
6 Imports of goods and services	3 711	4 156	4 276	4 764	5 117	5 194	5 328	7 645	9 982	10 535
7 Statistical discrepancy	–221	–324	–337	–197	–316	–149	230	1 101	176	–186
8 Gross domestic product at purchasers' values	22 572	24 064	27 073	29 940	32 929	36 729	41 852	50 693	59 552	69 622
Origin										
1 Agriculture, hunting, forestry and fishing	2 348	1 838	2 336	2 177	2 015	2 302	2 992	4 325		
2 Manufacturing	5 276	5 733	6 359	6 932	7 482	7 960	8 875	10 480		
3 Other industry	2 828	3 047	3 442	4 082	4 597	5 259	5 767	6 594		
4 Services	9 854	10 969	12 201	13 730	15 537	17 517	19 987	23 852		
5 Indirect taxes less subsidies	2 266	2 478	2 736	3 018	3 298	3 691	4 231	5 306	6 595	8 490
6 Gross domestic product at purchasers' values	22 572	24 064	27 073	29 940	32 929	36 729	41 852	50 693	59 552	69 622

Sources: Australian submission to the OECD and Australian National Accounts.

Table B Gross domestic product

$ million, average 1966-67 prices

Year ended 30th June	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
EXPENDITURE										
1 Private consumption	13 954	14 779	15 538	16 489	17 140	17 910	19 015	20 131	20 717	21 401
Durables	1 701	1 909	1 992	2 192	2 300	2 429	2 630	3 107	3 300	3 500
Other	12 253	12 870	13 546	14 297	14 840	15 481	16 385	17 024	17 417	17 901
2 Government current expenditure	2 702	2 912	3 031	3 089	3 229	3 272	3 435	3 677	3 923	4 220
3 Gross fixed capital formation	6 009	6 355	6 817	7 118	7 438	7 620	7 488	7 921	7 771	7 784
4 Change in stocks	363	154	707	402	313	–95	–164	977	568	–272
5 Exports of goods and services	3 476	3 684	3 975	4 738	5 165	5 501	5 719	5 493	5 830	6 041
6 Imports of goods and services	3 711	4 151	4 272	4 705	4 866	4 715	4 915	6 431	6 485	6 228
7 Statistical discrepancy	–221	–316	–309	–168	–259	–109	182	757	119	–71
8 GROSS DOMESTIC PRODUCT AT PURCHASERS' VALUES	22 572	23 417	25 487	26 961	28 159	29 382	30 760	32 525	32 444	32 874

Sources: Australian submission to the OECD and Australian National Accounts.

Table C **Income and expenditure of households (including unincorporated enterprises)**

$ million, current prices

Year ended 30th June	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Compensation of employees	11 636	12 645	13 974	15 654	17 936	20 068	22 435	27 560	35 242	40 510
Wages and salaries	11 252	12 214	13 497	15 119	17 330	19 313	21 529	26 387		
Supplements to wages and salaries	384	431	477	535	606	755	906	1 173		
Income from property and entrepreneurship	4 850	4 652	5 442	5 706	6 049	6 904	8 263	10 470	10 860	12 388
Income from independent traders	3 553	3 214	3 879	3 956	4 126	4 744	5 824			
Interest, rents and dividends	1 297	1 438	1 563	1 750	1 923	2 162	2 439			
Current transfers from Government	1 286	1 346	1 468	1 667	1 854	2 168	2 698	3 321	4 607	6 439
Third party insurance transfers	44	48	49	62	69	80	89	118	135	155
Current transfers from the rest of the world	138	159	168	186	181	226	238	253	321	321
INCOME	17 954	18 850	21 101	23 275	26 089	29 448	33 721	41 722	51 165	59 814
less: Direct taxes payable on income	1 933	2 083	2 427	2 861	3 123	3 815	4 084	5 852	7 319	8 930
Consumer debt interest	129	144	166	185	220	239	277	433	571	770
Current transfers to Government	130	143	163	174	181	220	252	339	595	659
Current transfers to the rest of the world	81	86	92	114	134	172	217	261	264	303
DISPOSABLE INCOME	15 681	16 394	18 253	19 941	22 431	25 002	28 891	34 837	42 416	49 151
Consumption expenditure	13 954	15 258	16 507	18 156	19 991	22 189	24 836	29 233	35 074	41 603
Food	3 026	3 199	3 342	3 570	3 819	4 126	4 569	5 393	6 190	7 159
Clothing	1 389	1 479	1 553	1 667	1 814	1 987	2 224	2 698	3 097	3 533
Rent	1 647	1 830	2 042	2 314	2 680	3 053	3 469	4 038	4 886	6 061
Other	7 892	8 750	9 570	10 605	11 678	13 023	14 574	17 104	20 901	24 850
SAVING	1 727	1 136	1 746	1 785	2 440	2 813	4 055	5 604	7 342	7 548
(Per cent of disposable income)	11.0	6.9	9.6	9.0	10.9	11.3	14.0	16.1	17.3	15.4

Sources: Australian submission to the OECD and Australian National Accounts.

Table D Labour market

Calendar year averages	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
	Thousand persons									
Civilian employment: total[1]	4 760.6	4 880.4	5 001.4	5 150.9	5 329.2	5 424.5	5 488.8	5 640.2	5 755.9	5 725.5
in manufacturing[2]	1 415.9	1 457.7	1 468.1	1 493.0	1 531.1	1 559.8	1 414.6	1 442.3	1 308.2	1 209.3
Unemployment[3]	71.5	79.1	77.8	80.0	74.7	87.6	125.9	107.7	133.2	265.7
Unfilled vacancies[4]	43.7	37.5	37.1	44.3	50.9	40.8	32.4	64.0	62.0	30.1
	Per cent									
Unemployment	1.5	1.6	1.5	1.5	1.4	1.6	2.3	1.9	2.3	4.4
Participation rate: male	84.0	83.7	83.3	83.3	83.2	82.6	82.5	82.1	81.6	81.1
female	35.3	36.3	36.8	37.6	38.9	39.2	39.5	40.6	41.7	42.5
	Hours									
Average weekly hours paid for[5]										
all industries	43.0	43.1	43.3	43.6	43.5	43.2	42.9[5] 42.0[6]	42.3	41.3	40.6
manufacturing	43.5	43.7	43.7	44.1	44.0	43.5	43.2 43.1	43.6	42.2	41.3

1 Estimates for 1972 and 1973 not comparable with those for earlier periods due to exclusion of trainee teachers from labour force since 1971 (about 24 thousand at August 1971).
2 Including electricity, gas and water. Estimates for 1972 and 1973 not comparable with those for earlier periods. The 1966 census classification of industries has been used prior to 1972 and Australian Standard Industrial Classification from 1972 onwards.
3 According to labour force survey.
4 Registered with Commonwealth Employment Service.
5 Refers to full time adult male employees (other than managerial, executive, professional and higher supervisory staff) in private employment (excluding rural industries and private domestic service) as at the last pay-period in October each year.
6 From 1972 figures refer to full time adult male employees in private and government employment.

Sources: Survey of Weekly Earnings and Hours; Australian submission to the OECD.

Table E Prices and wages

Year ended 30th June	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
	1966-67 = 100										
Implied GDP deflator, total	96.8	100.0	102.8	106.2	111.0	116.9	125.0	136.1	155.9	183.6	211.8
Private consumption	97.0	100.0	103.2	106.2	110.1	116.6	123.9	130.6	145.2	169.3	194.4
Gross fixed asset formation	96.8	100.0	102.8	106.5	111.2	118.0	126.0	134.1	150.3	184.5	214.5
Consumer prices: Total	97.4	100.0	103.3	106.0	109.4	114.6	122.4	129.8	146.6	171.1	193.3
Food	98.4	100.0	104.7	105.8	108.1	112.4	116.8	125.7	149.5	164.0	180.2
Non-food	96.9	100.0	102.7	106.1	110.0	115.6	124.9	131.6	145.4	173.7	198.2
Foreign trade prices: Exports	102	100	95	97[5]	98	96	99	128	152	172	178
Imports	99	100	99	99	101	105	109	107	117	151	
Terms of trade	103	100	96	98	97	91	91	120	130	114	
	Dollars										
Hourly wage rates[1]											
All activities[2]	1.02	1.09	1.14	1.22	1.28	1.39	1.54	1.69	2.01	2.62	3.01
of which: Manufacturing	1.00	1.06	1.12	1.19	1.25	1.34	1.50	1.64	1.94	2.52	2.87
Hourly earnings[3]											
All industries[4]	1.42	1.50	1.59	1.70	1.84	2.08	2.24	2.72	3.59	4.05	
Mining and quarrying	1.77	1.86	1.97	2.13	2.32	2.68	2.88	3.28	4.43	5.30	
Manufacturing	1.40	1.48	1.57	1.66	1.79	2.04	2.21	2.58	3.44	3.82	
Building and construction	1.52	1.59	1.72	1.80	2.02	2.26	2.42	2.66	3.55	3.97	

1 Weighted average minimum rates payable to adult males as prescribed in awards, determinations, etc. Average of twelve monthly figures.
2 Excluding the rural, shipping and stevedoring industries.
3 Refers to full-time adult males in private employment (other than managerial, etc. staff) and to conditions in October of respective year.
4 Excluding rural industry and domestic service.
5 Interim Series, including additional items linked as at June 1969.

Sources: Quarterly Summary of Australian Statistics; Survey of Weekly Earnings and Hours: Wage Rates and Earnings; Australian submission to the OECD.

Table F **Liquidity formation**

Changes in $ million

Year ended 30th June	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Government debt (net)	521	485	172	305	86	156	705	430	2 500	3 299
Reserve Bank transactions										
Gold and foreign exchange[1]	–170	–91	210	47	784	1 535	440	–584	–172	–851
Rural Credits advances	184	–142	260	–140	–39	–44	–53	–7	–6	9
Statutory Reserve Deposits (—)	–(+2)	–(–17)	–(+110)	–(+111)	–(–59)	–(–62)	–(+227)	–(+248)	–(–611)	–(+419)
Term loan funds (—)	–(–8)	–(+11)	–(–22)	–(–10)	–(+5)	–(+27)	–(–31)	–(–17)	–(+12)	–(–3)
Farm development loan funds (—)	–(–17)	–(+13)	–(–21)	–(–15)	–(+22)	–(+6)	–(–18)	–(–15)	–(+9)	–(+1)
Miscellaneous[2]	17	134	–16	71	–211	–224	728	379	–667	–29
Total (= LGS[3] assets of private sector)	575	379	559	197	652	1 452	1 642	2	2 245	2 011
less: LGS[1] assets of private non-bank sector	389	279	269	249	424	831	103	256	998	1 832
LGS assets of banks (excl. Reserve Bank)	186	100	290	–52	228	621	1 539	–253	1 247	178
Statutory Reserve Deposits	2	–17	110	111	–59	–62	227	248	–611	419
Loans and advances										
Trading banks	365	474	361	519	415	559	1 981	2 365	1 085	1 354
Savings banks	235	243	246	227	277	287	463	833	1 126	1 435
Other assets and liabilities of banks[4]	–1	99	61	–65	3	121	48	–334	551	195
Notes and coin in the hands of the public	99	82	101	122	150	131	235	304	399	395
Total (= Volume of money)	886	982	1 169	863	1 014	1 657	4 493	3 162	3 796	3 976

1 Valued at market prices.
2 Includes balancing item.
3 LGS = Liquid Assets and Government Securities, valued at average of weekly figures except for government securities held by private non-bank sector which are included on a last day basis.
4 Including public deposits with Reserve Bank (+) and government and interbank deposits with trading banks (—).

Source: Australian submission to the OECD.

Table G **General government receipts and expenditure**
$ million

Year ended 30th June	Total[1]					Australian Government				
	1972	1973	1974	1975	1976	1972	1973	1974	1975	1976
Current receipts	10 672	11 619	14 512	18 467	22 415	8 231	8 783	11 203	14 429	17 379
Direct taxes on income	5 284	5 701	7 499	10 143	11 814	5 284	5 701	7 499	10 143	11 814
Households	3 765	4 084	5 485	7 709	9 213	3 765	4 084	5 485	7 709	9 213
Corporations	1 519	1 617	2 013	2 432	2 600	1 519	1 617	2 013	2 432	2 600
Indirect taxes	4 079	4 553	5 624	6 917	8 802	2 518	2 629	3 238	3 899	4 991
Income from property and entrepreneurship	1 090	1 113	1 092	1 091	1 455	368	385	372	335	527
Compulsory fees, fines, etc.	219	252	298	317	345	61	67	94	54	48
Current disbursements	8 437	9 715	11 765	15 754	20 081	6 511	7 524	9 105	12 491	16 586
Goods and services	4 757	5 435	6 769	9 194	11 513	2 152	2 353	2 843	3 558	4 096
Subsidies	392	322	318	322	312	359	294	288	284	272
Interest on public debt	914	1 008	1 069	1 281	1 448	–14	15	6	108	123
Current transfers to domestic sectors	2 168	2 698	3 321	4 608	6 438	3 809	4 610	5 680	8 192	11 725
Current transfers to the rest of the world	206	252	288	349	370	205	252	288	349	370
Saving	2 235	1 904	2 747	2 713	2 334	1 720	1 260	2 098	1 938	793
Capital transfers	165	164	174	145	160	–627	–707	–900	–1 415	–1 567
Finance of gross accumulation	2 400	2 068	2 921	2 858	2 494	1 093	554	1 198	523	–774
Investment expenditure	1 560	1 705	2 028	2 966	3 476	179	192	264	481	498
Net lending	840	363	893	–108	–982	914	362	934	42	–1 272

1 Combined Australian, State and Local Sectors.
Sources: Australian submission to the OECD; ABS, " Commonwealth Authorities ".

Table H Balance of payments

$ A million

Year ended 30th June	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Current account										
Exports, fob	2 916	2 931	3 235	3 967	4 230	4 741	6 010	6 688	8 434	9 343
Imports, fob	2 837	3 159	3 203	3 553	3 790	3 792	3 808	5 753	7 662	7 892
Trade balance	79	–229	32	414	440	949	2 202	935	772	1 452
Invisibles, net	–750	–924	–1 020	–1 130	–1 249	–1 251	–1 444	–1 727	–1 708	–2 292
CURRENT BALANCE	–670	–1 153	–988	–716	–809	–302	758	–792	–935	–840
Capital account										
Government	–28	88	70	–185	–63	–60	–64	–4	–24	20
Marketing authorities	–75	33	27	–48	–42	–45	34	–95	–59	131
Other private	483	963	946	908	1 504	1 410	302	383	839	330
Balancing item[1]	167	148	94	78	7	471	40	74	–285	–660
APPARENT CAPITAL BALANCE	547	1 232	1 136	753	1 406	1 776	312	357	471	–180
Other foreign assets[2] / Other monetary movements[3]	9	6[4]	6	–7	–81	–8[4]	–9[4]	–50	–4	33
Allocation of SDR's	—	—	—	75	64	63	—	—	—	—
CHANGES IN OFFICIAL RESERVES	–132	73[4]	143	118	742	1 544[4]	1 079[4 5]	–384	– 460	–1 053
(*a*) Gold	6	25	1	10	–14	6	–13	–10	6	–17
(*b*) Currency assets	–165	–23	187	16	718	1 512			–368	–972
(*c*) IMF gold tranche	26	71	–45	13	–30	–37	–6	6	–12	–12
(*d*) Special Drawings Rights	—	—	—	79	68	63	–9	–50	–86	–52

1 Includes errors and omissions and balances the figures for changes in official reserves on an official parities (rather than market values) basis.
2 Includes changes in the net foreign exchange assets of Australian trading banks adjusted for settlements pending with the Reserve Bank and changes in foreign exchange assets of the Australian Government other than in London.
3 Includes:
a) Drawings and repayments made by Reserve Bank of New Zealand under a special arrangement with the Reserve Bank of Australia for the purposes of financing Australian exports to New Zealand. Also included are small amounts for the purchase of shares in the Bank for International Settlements.
b) Changes in the balances of foreign central monetary institutions with the Reserve Bank of Australia and changes in Australia' currency liabilities (notes and coins in circulation) in Papua New Guinea.
4 Excludes effects of changes in official parity relationship between $ A and other currencies.
5 Excludes effect on official reserve assets of $ 26 million equivalent received in March 1973 under the Sterling Agreement compensation arrangements.

Source: Australian Bureau of Statistics.

Table I **Foreign trade-commodity and geographic structure**
Per cent

Year ended 30th June	Imports 1974	Imports 1975	Imports 1976	Exports 1974	Exports 1975	Exports 1976
SITC sections:						
Food and live animals	3.9	3.7	3.4	31.6	34.3	32.4
Beverages and tobacco	1.1	0.9	1.1	0.2	0.2	0.2
Crude materials, inedible, except fuels	6.8	4.8	4.7	32.2	24.8	26.6
Mineral fuels, lubricants and related materials	6.2	9.0	9.8	6.3	9.6	12.0
Animal and vegetable oils and fats	0.5	0.5	0.5	0.7	0.6	0.7
Chemicals	9.5	9.7	8.6	5.1	5.5	6.8
Manufactured goods classified chiefly by material	23.1	18.5	17.7	12.4	13.3	10.6
Machinery and transport equipment	34.4	37.9	38.6	6.5	6.5	5.2
Miscellaneous manufactured articles	11.9	11.9	12.7	1.5	1.4	1.3
Commodities and transactions not classified according to kind[1]	2.6	3.0	2.9	3.5	3.8	4.2
Total (merchandise and non-merchandise)	100.0	100.0	100.0	100.0	100.0	100.0
OECD countries	79.0	78.7	77.2	69.0	64.0	67.3
North America	25.3	23.3	22.6	13.3	12.9	12.8
Japan	17.8	17.6	19.5	31.0	27.5	32.4
EEC	27.9	29.5	27.1	16.3	15.4	14.6
Other	8.0	8.3	8.0	8.4	8.2	7.5
Non-OECD countries	21.0	21.3	22.8	31.0	36.0	32.7
Sino-Soviet area[2]	1.9	1.6	1.3	6.0	6.9	7.8
Other developed countries	0.6	0.6	0.5	1.3	1.1	1.0
Developing countries	18.5	19.1	21.0	23.7	28.0	23.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

1 Including non-merchandise.
2 Including Mainland China, North Korea and North Vietnam.
Sources: Australian submission to the OECD and OECD, Foreign Trade Statistics, Series A.

INTERNATIONAL COMPARISONS

BASIC STATISTICS: INTERNATIONAL COMPARISONS

	Reference period	Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany
POPULATION	Mid-1975	Thousands	13 507	7 533	9 801	22 831	5 060	4 707	52 743	61 832
Inhabitants per sq. km	»	Number	2	90	321	2	117	14	96	249
Net average annual increase	Mid-1965 to Mid-1975	%	1.8	0.4	0.4	1.5	0.6	0.3	0.8	0.5
EMPLOYMENT Total civilian	1974	Thousands	5 736	3 010	3 801	9 137	2 355	2 220	21 096	25 689
of which: Agriculture, forestry, fishing	»	% of total	6.9	13.0	3.7	6.3	9.6	16.3	11.6	7.3
Industry[4]	»	»	35.1	41.0	41.2	31.1	32.3	36.1	39.2	47.6
Other	»	»	58.0	46.0	55.1	62.6	58.1	47.6	49.2	45.1
GROSS DOMESTIC PRODUCT at market prices	1974	US $ billion	78.39	33.00	53.42	145.30	30.40	22.03	266.10	384.53
Average annual volume growth[5]	1969 to 1974	%	4.2	5.9	5.3	4.8	2.9	5.6	5.3	3.6
Per capita	1974	US $	5 877	4 372	5 466	6 464	6 026	4 712	5 061	6 195
GROSS FIXED CAPITAL FORMATION	1974	% of GDP	24.0[6]	28.0	22.3	23.2	21.9	29.0	25.1	22.5
of which: Machinery and equipment	»	»	9.9[6]	11.2	8.2	8.2	9.1	10.7	12.1	9.8
Residential construction	»	»	4.6[6]	16.8[9]	6.2	5.4	5.5	7.6	7.3	5.3
Average annual volume growth[5]	1969 to 1974	%	1.5[6]	8.1	4.9	6.0	2.0	6.4	5.7	2.0
NATIONAL SAVINGS RATIO[11]	1974	% of GNP	25.5	30.8	26.2	24.0	20.0	33.0	25.5	26.6
GENERAL GOVERNMENT										
Current expenditure on goods and services	1974	% of GDP	15.4[6]	15.3	15.1	19.2	23.2	17.1	13.0	19.7
Current transfer payments	»	»	9.1[6]	14.7	17.8	11.7	15.8	12.6	23.4	16.6
Current revenue	»	»	28.9[6]	38.4	37.9	38.6	47.4	38.7	38.9	41.4
NET OFFICIAL DEVELOPMENT ASSISTANCE	1974	% of GNP	0.6	0.2	0.5	0.5	0.6	0.2	0.6	0.4
INDICATORS OF LIVING STANDARDS										
Private consumption per capita	1974	US $	3 429	2 357	3 256	3 590	3 382	2 317	3 119	3 312
Passenger cars, per 1 000 inhabitants	1973	Number	340	204	245	353	249	191	268[13]	267
Telephones, per 1 000 inhabitants	»	»	355	246	257	528	400	329	217	287
Television sets, per 1 000 inhabitants	»	»	227[13]	237	244	348	304	263	237[13]	298
Doctors, per 1 000 inhabitants	1972	»	1.3[14]	1.9	1.6	1.6	1.6	1.2	1.4	1.8
Access to higher education[15a]	1973	% of relevant age group	30.5	15.7	(28.5)[15]	49.8[13]	35.0	(23.3)	26.4	15.8[15]
Infant mortality[16]	1974	Number	16.1	23.5	16.2	16.8[12]	12.0[13]	10.2	12.0	21.1
WAGES AND PRICES										
Hourly earnings in industry[18]	Average annual increase 1970 to 1975	%	15.9	13.3	15.8	10.9	17.4	17.8	14.0	9.9
Consumer prices	Average annual increase 1970 to 1975	%	10.2	7.3	8.4	7.3	9.3	11.7	8.8	6.1
FOREIGN TRADE										
Exports of goods, fob	1975	US $ million	11 902	7 519	28 809[20]	32 301	8 710	5 503	52 211	90 021
as percentage of GDP	»	%	14.1	20.0	44.7[20]	20.8	24.5	20.7	16.0	21.3
average annual volume increase	1970 to 1975	%	3.9	7.7	5.9[20]	2.8	4.4	-0.4	7.6	6.0
Imports of goods, cif	1975	US $ million	9 988	9 393	30 707[20]	33 955	10 329	7 618	54 241	74 208
as percentage of GDP	»	%	11.9	25.0	47.7[20]	21.8	29.1	28.6	16.6	17.5
average annual volume increase	1970 to 1975	%	2.8	6.8	5.9[20]	7.7	1.2	4.6	5.7	5.5
TOTAL OFFICIAL RESERVES	End-1975	US $ million	3 256	4 439	5 797[20]	5 326	877	470	12 593	31 034
as percentage of imports of goods	In 1975	%	32.6	47.3	18.9[20]	15.7	8.5	6.2	23.2	41.8

	Greece	Iceland	Ireland	Italy	Japan	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia[1]
POPULATION	9 046	218	3 127	55 812[2]	110 950	359	13 654	3 104	4 007	9 448	35 219	8 196	6 403	40 063	56 042	213 631	21 352
Inhabitants per sq. km	69	2	44	185	298	138	404	12	12	106	70	18	155	51	230	23	83
Net average annual increase	0.6	1.3	0.8	0.7	1.2	0.8	1.1	1.7	0.7	0.5	0.9	0.6	0.7	2.5	0.3	1.0	(0.9)
EMPLOYMENT Total civilian	(3 170)	93	1 047	18 715	52 010	151	4 579	1 180	1 659	3 081	12 860	3 962	2 943	14 868	24 767	85 936	8 023[3]
of which: Agriculture, forestry, fishing	(36.2)	16.9	24.3	16.6	12.9	6.4	6.6	12.0	10.5	28.2	23.1	6.7	7.6	64.1	2.8	4.1	47.6
Industry[4]	(27.8)	37.2	31.1	44.1	37.0	49.2	35.5	34.7	34.2	33.6	37.2	37.0	47.0	14.8	42.3	(31.0)	21.9
Other	(36.0)	45.9	44.6	39.3	50.1	44.4	57.9	53.3	55.3	38.2	39.7	56.3	45.4	21.1	54.9	(64.9)	30.5
GROSS DOMESTIC PRODUCT at market prices	19.17	1.39	6.73	149.81	455.30	2.13	69.18	13.36	23.30	13.32	85.50	56.10	47.29	29.43	188.99	1 411.33	27.81
Average annual volume growth[5]	5.4	6.2	3.3	3.9	7.1	4.1	4.5	3.8	4.2	6.4	6.4	3.2	3.6	6.8	2.7	2.7	6.6
Per capita	2 139	6 465	2 180	2 706	4 152	5 987	5 109	4 388	5 847	1 517	2 446	6 878	7 340	748	3 371	6 660	1 315
GROSS FIXED CAPITAL FORMATION	21.7[7]	32.5	24.9	23.4	34.3	25.5	22.2	26.3[8]	32.1	19.3	25.0	22.0	26.1	20.7	20.1	17.5	24.8
of which: Machinery and equipment	8.7	9.6	10.5	10.5	12.5	8.6	9.4	..	12.0	7.7	9.2	9.2	9.3	6.4	8.8	6.8	9.6
Residential construction	4.4	7.3	6.3	7.1	8.0	6.3	5.7	..	5.3	4.0	6.8	4.5	..	4.8	3.9	3.9	6.6
Average annual volume growth[5]	0.7	15.3	3.7	2.4	6.9	5.9	2.1	..	8.9[10]	10.3	7.7[10]	2.3	3.4	8.3	1.2	1.6	7.6
NATIONAL SAVINGS RATIO[11]	18.0	23.5	12.8	18.9	37.3	34.5	27.3	22.2	30.4	13.5[12]	22.5	23.3	32.0	19.0	17.0	17.7	..
GENERAL GOVERNMENT																	
Current expenditure on goods and services	13.6	10.4	17.6	14.0	9.9	12.1	17.2	16.7[8]	16.5	14.5	9.5	23.6	12.0	14.1	20.5	18.8	15.7
Current transfer payments	9.8	14.7	17.6	19.6	5.7	19.9	26.6	..	22.4	7.6	12.0	18.7	13.9	..	14.8	9.9	..
Current revenue	24.2	..	35.1[12]	32.6	24.7	44.3	51.4	..	48.5	23.0	23.1	49.4	35.8	27.5[13]	40.0	30.2[12]	31.5
NET OFFICIAL DEVELOPMENT ASSISTANCE	..	..	..	0.2	0.3	..	0.6	0.3	0.6	..	..	0.7	0.1	..	0.4	0.3	..
INDICATORS OF LIVING STANDARDS																	
Private consumption per capita	1 517	4 079	1 542	1 782	2 185	3 199	2 860	2 633	3 056	1 089	1 444	3 647	4 299	568	2 142	4 148	679
Passenger cars, per 1 000 inhabitants	39	239[13]	157	243	133	339	239	350	230	90	109	307	260	6	244	478	54
Telephones, per 1 000 inhabitants	187	381	120	229	357	382	320	475	329	109	181	594	560	21	340	657	48
Television sets, per 1 000 inhabitants	58[13]	220[13]	176	208	229	227[14]	258	304	249	66	164	339	253	7	309	523	121
Doctors, per 1 000 inhabitants	1.7	1.4[14]	1.2	1.9	1.2	1.1	1.4	1.2	1.5	1.0	1.4	1.5	1.7	0.5	1.3	1.7	1.1
Access to higher education[15a]	..	..	..	27.9	23.8[15]	..	20.5[14]	..	39.2	(9.8)	27.1[13]	(31.1)[13]	..	..	21.5[13]	43.9	16.1[14]
Infant mortality[16]	23.9	9.6[12]	17.8[12]	22.6	10.8	13.5[13]	11.2	15.5	10.4	44.8[12]	13.6	9.6	12.8[12]	153.0[17]	16.7	17.6[12]	45.0
WAGES AND PRICES																	
Hourly earnings in industry[18]	16.8	34.0[19]	19.7	17.5	18.6	..	13.8[10]	13.7	13.7	16.3	20.4	11.3	9.5	18.2	15.9	7.4	..
Consumer prices	12.4	24.7	13.3	11.3	11.5	7.2	8.6	10.2	8.2	15.1	12.1	8.0	7.7	..	13.0	6.3	20.4
FOREIGN TRADE																	
Exports of goods, fob	2 293	308	3 211	34 830	55 753	—	34 440	2 148	7 196	1 935	7 683	17 406	12 957	1 401	43 756	107 652	4 072
as percentage of GDP	10.9	25.7	41.2	20.2	11.4	—	42.4	16.9	25.4	13.2	7.6	25.2	24.1	4.0	19.2	7.2	12.3
average annual volume increase	14.6	..	7.1	6.2	9.9	—	7.0	-1.3	5.5	..	9.2	3.2	3.0	-0.4	5.4	7.3	4.8
Imports of goods, cif	5 317	487	3 807	38 364	57 863	—	35 145	2 912	9 675	3 827	16 261	18 049	13 303	4 641	53 252	96 940	7 697
as percentage of GDP	25.3	40.6	48.8	22.3	11.8	—	43.3	22.9	34.2	26.1	16.1	26.1	24.7	13.1	23.4	6.4	23.3
average annual volume increase	6.7	..	2.7	0.8	4.1	—	3.9	9.1	4.4	..	7.7	3.4	-0.4	15.6	4.4	2.3	6.0
TOTAL OFFICIAL RESERVES	931	47	1 532	4 774	12 815	—	7 109	428	2 237	1 534	6 090	3 077	10 428	1 064	5 459	15 883	871
as percentage of imports of goods	17.5	9.7	40.2	12.4	22.1	—	20.2	14.7	23.1	40.1	37.5	17.0	78.4	22.9	10.3	16.4	11.3

1 Partly from national sources.
2 Total resident population.
3 Private and socialised sector.
4 According to the definition used in OECD: Labour Force Statistics: mining, manufacturing, construction and utilities (electricity, gas and water).
5 At constant (1970) prices.
6 Fiscal year beginning July 1st.
7 Excluding ships operating overseas.
8 Fiscal year beginning April 1st.
9 Total construction.
10 1970 to 1974.
11 $\frac{\text{GNP} - (\text{Priv. cons.} + \text{Pub. cons.})}{\text{GNP}} \cdot 100.$
12 1973.
13 1972.
14 1971.
15 1970.
15a Figures are not strictly comparable due to differences in coverage. For more details see "Educational Statistics Yearbook - Volumes 1 and 2, 1974 and 1975 - OECD, Paris."
16 Deaths in first year per 1 000 live births.
17 1967.
18 Figures are not strictly comparable due to differences in coverage.
19 1971 to 1975.
20 Including Luxembourg.

NOTE Figures within brackets are estimates by the OECD Secretariat.

Sources: Common to all subjects and countries: OECD: Labour Force Statistics, Main Economic Indicators, National Accounts, Observer, Statistics of Foreign Trade (Series A); Office Statistique des Communautés Européennes, Statistiques de base de la Communauté; IMF, International Financial Statistics; UN, Statistical Yearbook.

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(10 77 04 1) **ISBN 92-64-21592-1**
ISSN 0304-3363