OECD

ECONOMIC SURVEYS

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

AUSTRALIA

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

JUNE 1980

BASIC STATISTICS OF AUSTRALIA

THE LAND

Area (1 000 sq. km)	7 682.8
Agricultural area, 1979, % of total	64.1
Urban population, 30.6.1976 census, % of total (cities over 100 000)	65
Population of major cities, 30.6.1978 (1 000):	
Sydney	3 155
Melbourne	2 718
Brisbane	1 005
Adelaide	931
Perth	865

THE PEOPLE

Population, 30.6.1979 (1 000)	14 418
No. of inhabitants per sq. km	1.9
Natural increase rate, per 1 000 inhabitants, 1978	1.3
Net migration, 1978 (1 000)	52
Civilian employment, February 1980 (1 000)	6 174
of which: Agriculture	381
Industry[1]	1 807
Other activities	3 986

PARLIAMENT AND GOVERNMENT

Composition of Parliament following latest election:

Party	Senate	House of Representatives
Australian Labor Party	26	38
Liberal Party of Australia	29	67
National Country Party	6	19
Other	3	—
Total	64	124

Present Government: Liberal-National Country Party

Next general elections for House of Representatives: at the latest February 1981

PRODUCTION[2]

Gross Domestic Product, 1979 ($ A million)	101 206
Gross fixed capital formation, 1979: Percentage of GDP	22.5

THE PUBLIC SECTOR % OF GDP IN 1979[2]

Expenditure on goods and services[3]	24.8
Current transfers	9.4
Current revenue	31.7
of which: Direct taxes	16.5

FOREIGN TRADE

Exports	
Main exports in 1978, % of total:	
Food and live animals	27.9
Crude materials, inedible, except fuels	30.6
Manufactured goods	12.1
Machinery and transport equipment	4.5
Imports	
Main imports in 1978, % of total:	
Machinery and transport equipment	38.9
Manufactured goods	17.9
Miscellaneous manufactured goods	13.3
Chemicals	8.7

THE CURRENCY

Monetary unit: Australian dollar

Currency unit per US dollar, average of daily figures:	
Year 1979	0.8945
April 1980	0.9185

1 Excluding electricity, gas, and water.
2 Fiscal year ended 30th June.
3 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

JUNE 1980

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.

The annual review of Australia
by the OECD Economic and Development Review Committee
took place on 27th May 1980

CONTENTS

Introduction		5
I	**Recent developments**	5
	Demand and output	5
	The components of demand	7
	The labour market	14
	Wages, costs and prices	16
	Balance of payments	20
II	**Resource development and medium-term economic policy**	24
	Minerals and energy	24
	Medium-term economic policy strategy	33
III	**Economic policy**	38
	Fiscal policy	38
	Monetary policy	42
	Wage determination policies	46
	External policy	50
IV	**Prospects and policy considerations**	51
	Short-term prospects	51
	Policy considerations	53
Annexes:		
I	**Crude oil pricing and levy arrangements**	57
II	**Wage determination principles**	59
III	**Calendar of main economic events**	63
Statistical annex		72

TABLES

Text

1	Demand and output	6
2	Household income and expenditure	9
3	Business fixed investment: actual and expected	11
4	Public expenditure	13
5	Labour supply and employment	14
6	Distribution of employment changes	16
7	Indicators of price changes	19

8	Balance of payments	21
9	Volume of mineral output	25
10	The energy balance, 1978	27
11	Trends in Australian and world crude oil prices, 1972-1980	30
12	Policy indicators, 1973/74 to 1979/80	33
13	Changes in prices, incomes and costs, 1973/74 to 1978/79	34
14	Private non-farm sector trends	36
15	Budget transactions	40
16	Budget and public sector deficits, 1973/74 to 1979/80	42
17	Formation of the volume of money	44
18	Decisions in national wage cases	47
19	Short-term forecasts	51

Annex I

Crude oil levy and producer returns, January 1980. 58

Statistical annex

A	Gross domestic product, current prices	72
B	Gross domestic product, average 1974-1975 prices	73
C	Income and expenditure of households	74
D	Labour market	75
E	Prices and wages	76
F	General government receipts and expenditure	77
G	Balance of payments	78
H	Foreign trade – commodity and geographic structure	79

DIAGRAMS

1	Final demand and output	7
2	Components of demand	8
3	Cyclical indicators	10
4	Employment and unemployment	15
5	Manufacturing industry prices	17
6	Wage rates, earnings and unit labour costs	18
7	Components of the consumer price index	20
8	Exchange rate, and interest rate differentials	23
9	Pattern of energy supplies and requirements, 1968 and 1978	28
10	Interest rates and security yields	46

INTRODUCTION

The management of the Australian economy has remained broadly unchanged since late 1975 when the authorities embarked on a steady policy approach which through relatively restrictive fiscal and monetary policies aimed at removing the imbalances impeding a return to sustained non-inflationary growth over the medium-term. Until end-1978 considerable success had been achieved in reducing inflation but since then some acceleration has occurred, sparked off initially by sharp rises in import and export prices. Despite the externally imposed setback, the process of adjustment has continued, though with some unevenness. The level of competitiveness is now much higher and real unit labour costs slightly lower than in 1975 and these preconditions seem to be reflected in the recent strengthening of manufacturing output, exports, investment and employment over the last eighteen months or so. The external current account has improved, the deficit in 1979 falling substantially. Labour market conditions overall have been picking up since early 1979.

The extent to which these more encouraging developments can be sustained should become clearer in the course of 1980. While the pace of the expansion is likely to be slower in 1980 as a whole than in 1979, a considerable acceleration associated with strong investment is expected in the second half of the year and into 1981. An important element in this – and which will become increasingly so as the decade proceeds – is the large-scale energy and minerals developments now in their early stages. While real GDP is expected to be rising quite rapidly over the next twelve months, little immediate change is likely in unemployment. With some of the forces responsible for the resurgence of inflation apparently easing towards the end of last year, the outlook is for a slowdown in the rate of price increase from the present 10½ per cent, but much will depend on the movements in wages and salaries. And despite some deterioration in the terms of trade and a weakening in the growth of world trade, the current external deficit is likely to remain relatively small.

Part I of the present Survey reviews economic developments since about mid-1978, while Part II examines briefly the role of minerals and energy in the economy and assesses the medium-term policy approach both as it has affected the economy since 1975 and the more important issues to be faced in the 1980s. The main elements of economic policy in the recent period are discussed in Part III. The Survey concludes with an assessment of short-term prospects and a review of the main policy considerations (Part IV).

I RECENT DEVELOPMENTS

Demand and output

Assessment of the development of aggregate demand and output in recent years has been complicated not only by large swings in farm output but also by substantial revisions to national accounts. The latest estimates show that the rise in real GDP in

1977 and 1978 was considerably less than had been thought earlier[1] and that the resumption of growth from the late 1976 pause started in the first half of 1978 rather than in the preceding half-year. In 1978 as a whole, real GDP is estimated to have risen by 1.7 per cent but after allowing for the changes in farm output the underlying growth rate was stronger than this. Indeed, farm output has been a major reason for the divergence over the last two years between the growth of final domestic demand and total output. The former aggregate slowed down between 1978 and 1979, but the growth of real GDP accelerated considerably. The gap between final domestic demand and output has been accounted for by a rapid growth of export volumes, a deceleration and decline in import volumes and substantial movements in both farm and non-farm stocks. In total, the changes in the real foreign balance and stockbuilding added 3.6 percentage points of the 4.6 per cent rise in real GDP last year.

Table 1 **Demand and output**

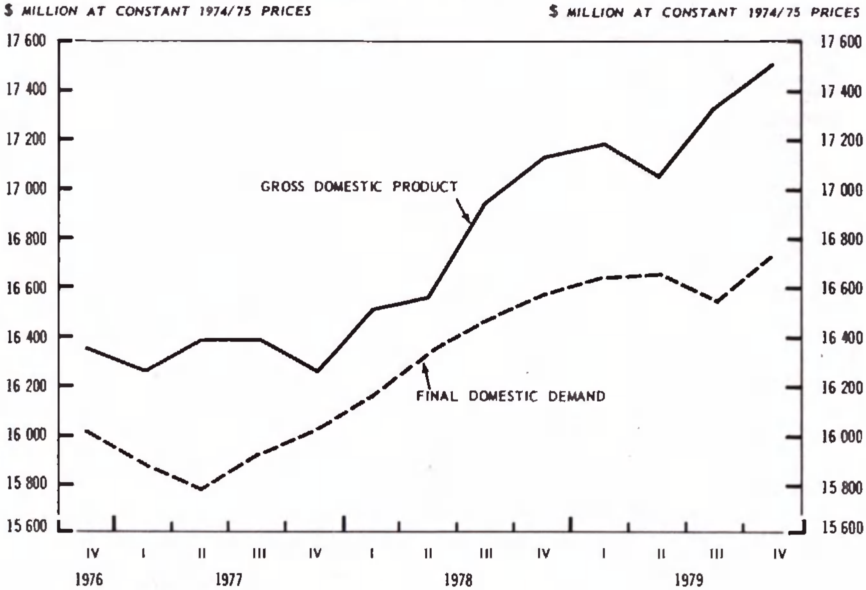
Percentage change, volume[1]

	From previous year[3]		From previous half-year: seasonally adjusted annual rate				
	1978	1979	1977 II	1978 I	1978 II	1979 I	1979 II
Consumption							
Private	2.4	2.2	1.8	2.8	2.6	2.0	1.9
Public	6.8	0.5	5.2	8.3	5.2	−2.2	1.4
Gross fixed investment	1.7	1.0	−0.7	1.8	3.8	3.4	−6.3
of which:							
Private : Dwellings	−6.4	8.8	−10.1	−5.8	−3.4	17.0	5.5
Other construction	6.5	−2.8	16.1	−2.3	14.8	−2.8	−15.3
Machinery and equipment	8.0	1.4	−6.3	11.2	14.8	2.8	−11.7
Total	3.0	2.9	−4.1	3.1	8.9	5.8	−7.2
Public	0.0	−2.3	4.9	0.0	−3.9	−0.6	−4.8
Final domestic demand	3.0	1.6	1.8	3.5	3.3	1.6	0.0
Change in stockbuilding[2]	−0.5	1.7	−5.6	0.8	6.7	−3.4	0.2
of which :							
Private non-farm[2]	−0.8	0.7	−2.5	−0.5	0.6	−0.6	3.0
Farm and miscellaneous[2]	0.3	1.0	−3.2	1.3	6.0	−2.8	−2.8
Statistical discrepancy[2]	0.2	−0.6	−0.8	1.6	−2.0	0.1	−0.1
Total domestic demand	2.6	2.7	−4.7	6.0	8.1	−1.8	0.0
Exports of goods and services	−1.1	14.2	16.2	−9.0	−0.1	19.6	18.0
Imports of goods and services	4.3	2.6	−13.4	10.6	11.9	1.7	−3.5
Change in foreign balance[2]	−0.8	1.9	4.8	−3.2	−1.8	2.7	3.6
Gross domestic product							
of which :	1.7	4.6	0.0	2.7	6.1	0.9	3.6
Farm	−3.3	37.7	−13.8	0.3	91.7	−4.0	−14.1
Non-farm	2.1	2.5	0.9	2.8	1.8	1.3	5.1

1 Volume data measured at 1974-1975 prices.
2 Contribution to GDP growth (percentage points).
3 Published annual national accounts estimates are compiled for years ended 30th June. The calendar year estimates have been obtained by summing original quarterly figures.
Source: Quarterly Estimates of National Income and Expenditure, ABS.

1 At the time of last year's OECD Economic Survey of Australia real GDP was estimated to have risen by 1.3 per cent (seasonally adjusted annual rate) in the second half of 1977 and by 2.7 per cent between calendar years 1977 and 1978.

Diagram 1 **Final demand and output**
Seasonally adjusted



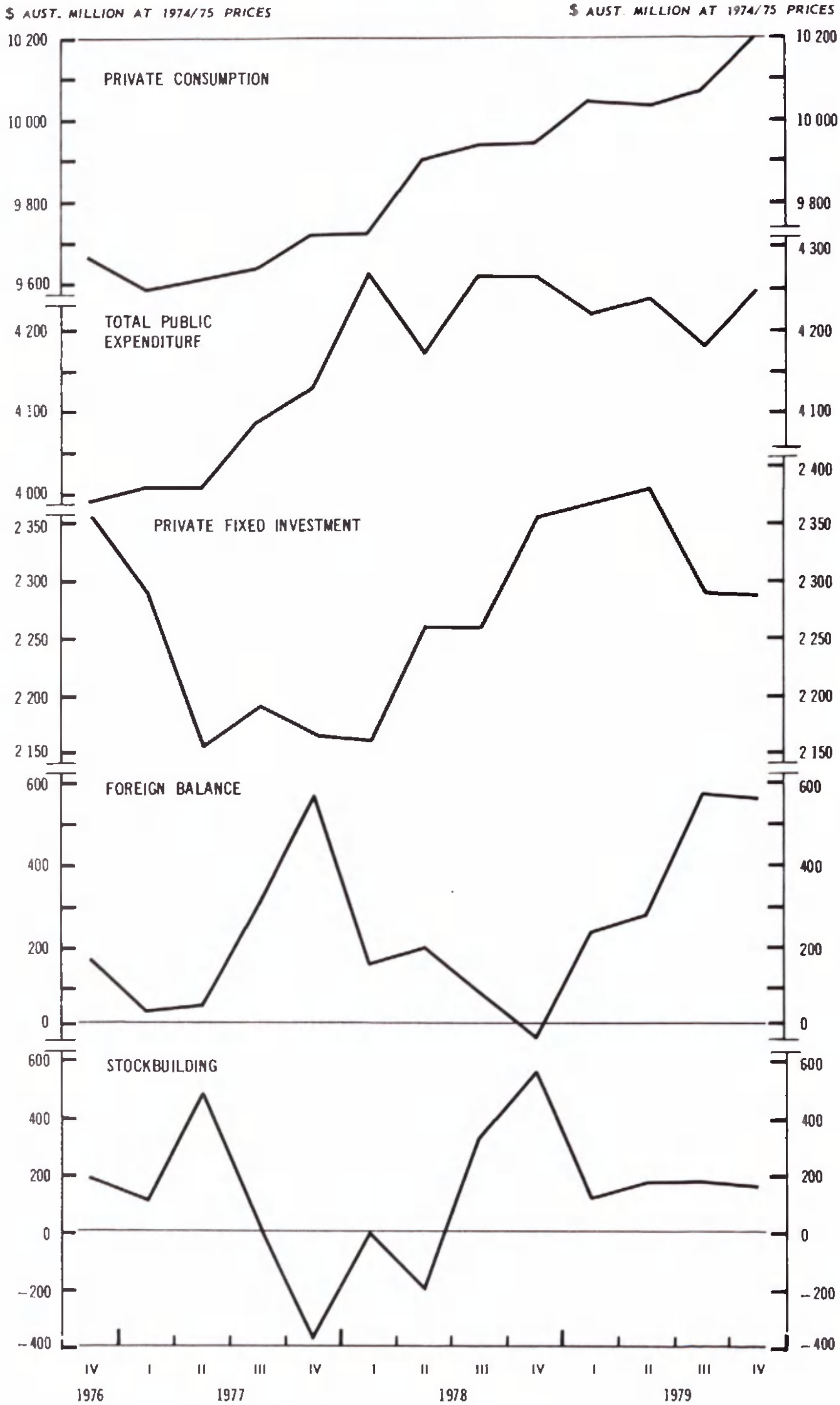
Source : ABS, *Quarterly National Accounts,* December 1979.

The turnaround in the non-farm stock cycle from decumulation to accumulation between the two halves of 1979 accounted for much of the strength in real non-farm GDP in the second half of the year, and more than compensated for the slowdown in final domestic demand. Non-farm stockbuilding was at a high level in both the third and fourth quarters of last year. Two important factors explaining the subdued development of final domestic demand have been public expenditure and private fixed business investment. The sluggishness in public expenditure reflects budgetary policy in both 1978/79 and 1979/80 while the fall in private business investment was a reaction to the phasing down of investment allowances in mid-1979. The fall in private business investment, however, occurred mainly in the third quarter of last year and there was a recovery in the last quarter which has continued into 1980. Reflecting both this investment recovery and higher consumption, final domestic demand seems to have rebounded sharply, suggesting a pick-up in the non-farm sector arising other than from the external sector or stockbuilding.

The components of demand

The relative stability and moderate rate of growth of private consumption has been a central feature of the Australian economy over the last two years. The latest estimates show that the growth of consumption has tended to slow down marginally – from 2.8 per cent in the first half of 1978 to 1.9 per cent in the second half of 1979 (seasonally adjusted annual rates) – but in comparison with the fluctuations which have taken place both in incomes and in other components of final demand, this is relatively small. Growth in private consumption over the last two years has been just over 2¼ per cent annually, approximately 1 per cent per annum in per capita terms. The underlying movements in incomes, taxes, and savings are shown in Table 2. The rise in wages and salaries accelerated from an annual rate of around 6½ per cent in the

Diagram 2 **Components of demand**
Seasonally adjusted



Source : ABS, *Quarterly National Accounts*, December 1979.

second half of 1978 to 11¼ per cent in the second half of 1979, and this movement was accompanied by strong growth in other non-farm incomes. Farm incomes rose abruptly and dramatically in the second half of 1978, as a consequence of the exceptional wheat harvest, and continued to grow very strongly throughout 1979 in response to improved export prices for wheat, meat and wool. On a calendar year basis farm incomes rose by 20 per cent in 1978, 115 per cent in 1979 and seem set to maintain this high level (if not the rate of growth) throughout 1980. As a consequence of these changes, total household incomes accelerated, from 10¼ per cent in 1978 to just over 13¾ per cent in 1979.

The transformation of the growth of household incomes into consumers' expenditure was heavily influenced by tax changes,[2] an acceleration in consumer prices and by compensating movements in the aggregate household saving ratio. Real taxes declined during 1978 in response to the tax reductions contained in the 1977/78 Budget but subsequently recovered sharply due to the increase in tax rates presented in the Budget for 1978/79[3] and the resumed fiscal drag. For 1979 as a whole, the consumption deflator rose by 9½ per cent compared to 8½ per cent in 1978. The acceleration in the Consumer Price Index was more marked and between the second and fourth quarters of 1979 rose at an annual rate of 11 per cent, a response partly to the pressure of accelerating wage costs but more importantly to higher food prices (partly export determined) and the increase in petroleum prices. The net effect of both the price and tax changes was some volatility in the development of real disposable incomes, which rose sharply in the second half of 1978 (5½ per cent annual rate), halted

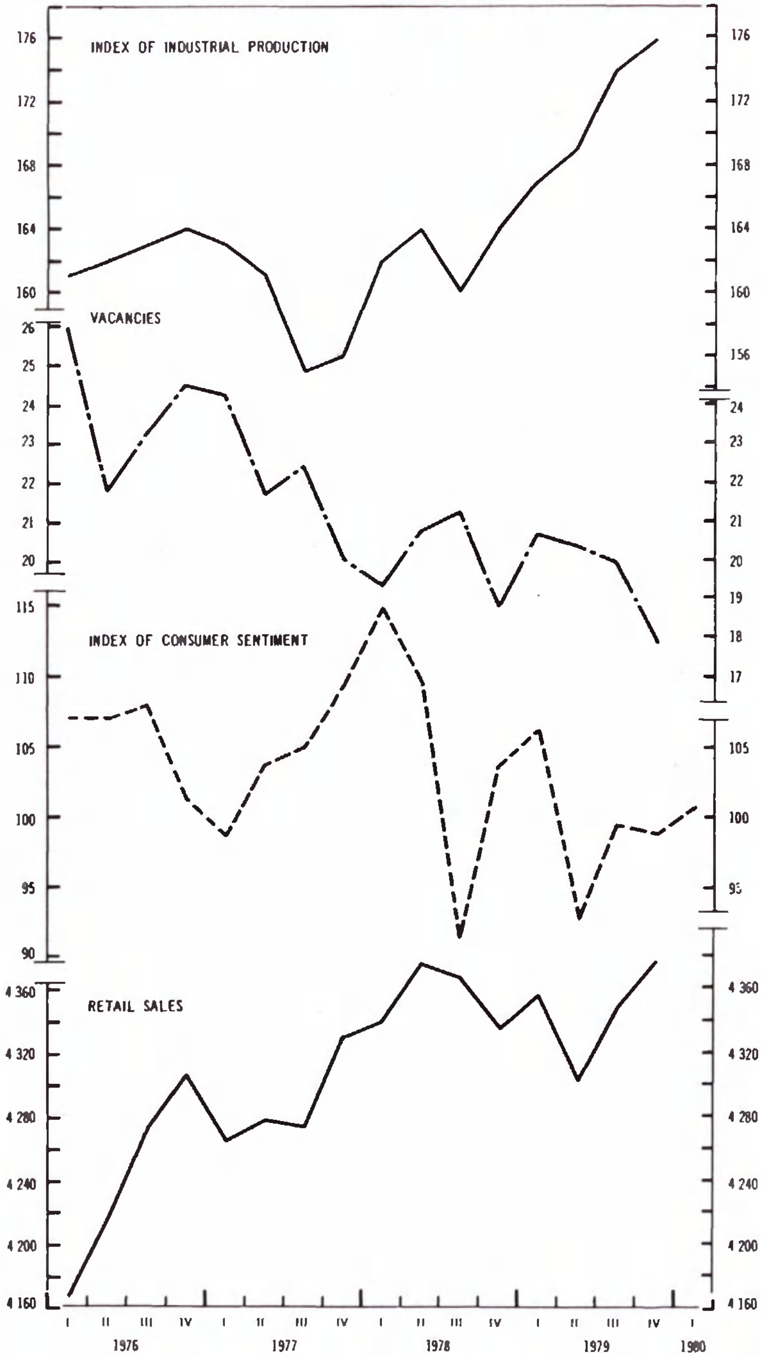
Table 2 **Household income and expenditure**
Percentage changes, seasonally adjusted annual rates

	From previous year		From previous half-year				
	1978 (Not seasonally adjusted)	1979 (Not seasonally adjusted)	1977 II	1978 I	1978 II	1979 I	1979 II
Wages and salaries	8.4	9.9	9.9	8.7	6.6	10.5	11.2
Other private income	14.6	12.8	18.2	13.5	11.6	15.1	10.9
Farm income	19.9	114.5	−35.4	11.7	314.7	30.2	23.6
Government transfers	10.3	10.6	16.7	7.3	13.4	8.9	11.0
Total household income	10.2	13.8	10.6	9.6	13.4	12.2	11.7
Taxes	0.6	12.8	7.8	−3.9	4.7	19.3	12.3
Transfers and interest	17.3	9.0	25.8	17.5	10.3	16.3	−5.3
Disposable income	12.1	14.1	11.0	12.4	15.2	10.8	11.9
Consumption	11.1	11.9	10.9	11.0	12.0	12.0	11.4
Savings	18.1	27.7	11.2	21.3	36.1	4.6	15.0
Memorandum items:							
Consumption deflator (1974-75=100)	8.5	9.5	9.0	8.0	9.1	9.8	9.3
Real household income	1.5	3.9	1.5	1.5	4.0	2.1	2.2
Real taxes	−7.3	3.0	−1.1	−11.0	−4.0	8.6	2.8
Real disposable income	3.3	4.2	1.8	4.0	5.6	0.9	2.4
Real consumption	2.4	2.2	1.8	2.8	2.6	2.0	1.9
Real savings	8.8	16.9	2.1	12.3	24.7	−4.8	5.2
Tax ratio (per cent household income)	15.8	15.7	17.0	15.9	15.3	15.8	15.8
Saving ratio (per cent disposable income)	14.1	15.7	13.6	14.1	15.4	14.9	15.1

Source: Quarterly National Accounts, December 1979: ABS.

2 For details of these, see the section on Fiscal Policy below.
3 The fiscal year runs from 1st July to 30th June.

Diagram 3 **Cyclical indicators**



Sources: ANZ Bank: *Business Indicators* for index of industrial production, seasonally adjusted.

Reserve Bank: *Statistical Bulletin* for vacancies, seasonally adjusted.

Institute of Applied Economic and Social Research: *Consumer Surveys* for index of consumer sentiment not seasonally adjusted.

ABS: *Retail Sales,* at constant prices, seasonally adjusted.

in the first half of 1979, but then appeared to rise by about 2½ per cent (annual rate) in the second half of 1979. The impact of these fluctuations on consumption was dampened very considerably by movements in the saving ratio, which increased quickly in the second half of 1978 then fell slightly. It is almost certain, however, that changes in the aggregate saving ratio disguise diverse movements between farm and non-farm households, and that the very large increases in farm incomes and savings were sufficient to offset a decline in the non-farm ratio[4]. In the first quarter of 1980 the volume of retail sales rose strongly.

Business fixed investment rose by about ½ per cent between 1978 and 1979; after strong growth in the second half of 1978, it increased by only 1½ per cent (annual rate) in the first half of 1979 then fell by 12½ per cent (annual rate) in the second half of the year. To some extent this decline had been expected. The additional investment allowance available on plant and equipment installed before July 1979 had resulted in a bunching of orders and expenditure during 1978 (with a corresponding profile for imports of machinery) and some fall-off was inevitable as the phasing down approached[5]. However, the reaction came later than investment expectations had indicated, in the second rather than the first half of the year, and may also have induced a sympathetic profile in building investment as well as some general change in the composition of investment away from structures and towards equipment (Table 3). Such a change appears to have been particularly important in mining and in finance and commerce. The survey of investment intentions now suggests a fairly rapid return to a more normal composition of investment at a level slightly higher than that prevailing in the second half of 1978.

A principal feature of both the expected pick-up and the long-term growth of investment is the development of energy, mining and resource-based metal industries. Investment in the latter industries increased by 35 per cent (value) in 1979 and is expected to rise by a further 80 per cent in the first half of 1980. Investment in mining, although subdued during 1979, is expected to show a value increase of 28 per cent in the first half of 1980. Both increases are forerunners of numerous development projects, many on a very large scale, whose planning, construction and initiation are likely

Table 3 **Business fixed investment: actual and expected**
Percentage change from previous half-year; seasonally adjusted, actual rates

	1977		1978		1979		1980
	I	II	I	II	I	II	I
Building and construction							
Actual	3.4	8.5	1.5	11.3	1.0	0.5	
Expected	4.6	6.9	0.2	6.2	5.0	2.2	17.6
Plant and equipment							
Actual	7.0	8.4	17.2	12.6	11.3	−6.2	
Expected	9.7	10.4	16.6	13.2	−0.2	6.1	14.7
Total investment							
Actual	5.7	8.8	12.3	12.4	8.6	−4.6	
Expected	8.0	9.2	11.9	11.1	1.2	5.0	15.5

NOTE The percentage changes in the expected series are based on the expected levels in the previous period.
Source: Survey of New Capital Expenditure: ABS.

4 The non-farm saving ratio has declined consistently over recent years, from about 17 per cent in 1974/75 to 14½ per cent in 1978/79.

5 See OECD Economic Survey of Australia, June 1979, page 11.

to span the next decade. In contrast, the investment performance of non-resource-based industries has been weak and its outlook less buoyant. Manufacturing investment, excluding the basic metal industries, rose by 1½ per cent in value in 1979, suggesting a fall of 6 to 7 per cent in real terms. Although this has obviously been partly a question of timing, as discussed above, and although the recent improvement in profitability should enhance investment intentions, the deceleration of final domestic demand through 1979, higher interest rates and tighter financial conditions will act in the opposite direction. For this area of manufacturing, the expectations survey suggests that the volume of investment expenditure in the first half of 1980 will be no higher than in the first half of 1979.

After two years of continuous decline, private investment in dwellings experienced a recovery during 1979. Real expenditure increased by 17 per cent (annual rate) in the first half of the year, settling back to a rate of 5 ½ per cent in the second half. The main reasons for the increase probably lie in the easier financial conditions and slower cost increases experienced towards the end of 1978. The number of loans for house purchases of all kinds rose steadily throughout 1978 and into 1979 and were followed by increases in approvals, commencements and, rather later in 1979, completions. Mortgage interest rates had eased slightly during 1978 and so also had the rise in house building costs – the building materials index increased by only 5½ per cent in the year to December 1978. Demand was also probably helped by the relatively strong growth in disposable incomes[6] and by the cumulative short-falls of earlier years. During 1979 most of these favourable conditions reversed, although not strongly. Materials and wage costs accelerated, mortgage interest rates advanced (by about ½ percentage point), finance became less readily available and real disposable incomes slowed down. As a result the number of loan approvals for the purchase of both new and existing houses levelled out in the middle of 1979. However, real expenditure on new dwellings was unchanged in the last quarter of the year and the level of building approvals (seasonally adjusted) was maintained into the first two months of 1980.

Public expenditure has slowed down and declined over the last two years following a tightening of expenditure policies in the Commonwealth Budgets of both 1978/1979 and 1979/80. In real terms the overall rate of growth declined from 4.3 per cent in the 1977/78 financial year to 2 per cent in 1978/79 and a fall of about 1 per cent is expected in 1979/80. The contraction has focussed on investment rather than current expenditure and has affected Commonwealth more than State outlays (Table 4). Commonwealth investment expenditures particularly were heavily cut, by about 20 per cent in real terms, in the 1978/79 financial year. Only recently however has investment by State and Local authorities declined in real terms whilst their current expenditure in nominal terms through 1979 continued to run two or three per cent ahead of the rate of inflation. In fact, the Commonwealth has already attempted to exercise some restraint via the transfer payments which make up over half the States' income. However, its ability to do so is restricted by the States (Personal Income Tax Sharing) Act of 1976 and although additional Federal grants for investment purposes have been considerably tightened, the States have been able to obtain access to alternative funds – from accumulated reserves, their surplus on current transactions and by borrowing – which enabled them to maintain the momentum of existing programmes into 1979. Most of these sources of additional finance have now dwindled and it is likely that for 1979/80 State investment expenditures will be little changed, or fall somewhat, in real terms.

6 Although farm incomes contributed much of the overall income strength, the non-farm sector was helped by tax reductions and buoyant growth of non-wage incomes.

Table 4 **Public expenditure**
Percentage changes over previous year, current prices

	Fiscal years 1976-77	1977-78	1978-79	1978 II to 1979 II	$ million 1978-79
Current expenditure					
Commonwealth	13.8	11.9	10.7	2.2	5 763
State and local authorities	18.7	14.0	10.3	11.7	10 981
Total	17.0	13.3	10.4	8.3	16 744
Investment expenditure					
Commonwealth					
General	−11.1	−10.8	−25.4	10.4	303
Enterprises	14.9	11.8	−12.3	9.4	1 243
Total	6.7	5.8	−15.2	9.6	1 545
State and local authorities					
General	3.7	10.2	7.5	4.7	3 542
Enterprises	10.7	15.5	14.4	11.7	3 218
Total	6.7	12.6	10.7	8.0	6 760
Total investment	6.7	11.0	4.7	8.3	8 305
Total expenditure	13.2	12.5	8.4	8.3	25 049
Total real expenditure	1.2	4.3	2.0	−1.1	
Deflator for:					
Current expenditure	11.0	7.8	6.0	8.7	
Investment expenditure	13.4	8.0	6.8	11.4	

Source: Quarterly National Accounts, December 1979: ABS.

Stock changes have played an important role over the last two years, with strong movements in both farm and non-farm stocks at times offsetting each other and at times reinforcing divergent movements between output and demand. As noted in the previous OECD Survey, farm stocks rose dramatically in the last two quarters of 1978 when the record wheat crop was harvested, and contributed 6 per cent to the growth of GDP between the first and second halves of the year (seasonally adjusted annual rate). The build-up continued during the first half of 1979, although at a diminished rate, as deliveries exceeded the speed at which grain could be shipped. The rundown in farm stocks eventually came in the second half of 1979, coinciding with a large increase in wheat shipments. Another large wheat harvest in 1979/80 probably implies no further depletion of grain stocks during the coming year. Non-farm stocks on the other hand were generally stable up to the latter half of 1979 when they rose abruptly, contributing 3 per cent to the growth of GDP (seasonally adjusted annual rate). The move appears to have partly been an involuntary accumulation of stocks by the manufacturing and distributive sectors reflecting a widening gap between actual and anticipated sales. Petroleum stocks were also intentionally built up. The ANZ Bank index of industrial production rose very rapidly during the first half of the year — by 7 per cent between December 1978 and August 1979 — but since then has remained flat. The rise appears to have been justified by an initial increase in sales at the manufacturing level (a value increase of 19 per cent for the year ending September) but may have owed more to exports than to domestic sales. Manufacturing exports increased in volume by 13 per cent in 1979, in contrast to domestic retail sales which experienced a volume increase of ¼ per cent over the same period. Whatever the originating force, however, it now seems clear that some realignment of stock levels is likely to take place in the early part of 1980.

The labour market

The substantial pick-up in non-farm output in the course of 1979 was accompanied by a general improvement in labour market conditions, the first since the 1974/75 recession. Employment grew strongly, the participation rate, which had been falling for several years, levelled out and unemployment rates declined slightly. The change in employment has been particularly marked, with the main employment series[7] showing a considerable rise, beginning in the second half of 1978. The series for employment based on the labour force survey shows an earlier recovery than the data based on payroll tax returns and also shows a more rapid acceleration in the middle of the year – a seasonally adjusted annual rate of 4.2 per cent between May and November 1979. It also suggests some slowdown in the rise in employment in the first half of last year before a strong acceleration in the second half which seems to have continued in the early months of 1980. The civilian employment series similarly indicates some pick-up in the first half of 1979.

Table 5 **Labour supply and employment**
Percentage changes over previous half-year; seasonally adjusted annual rates

	1978		1979	
	I	II	I	II
Population over 15	2.1	1.8	1.9	1.9
Labour force	−0.1	0.7	1.0	2.1
Total employment	−1.6	1.2	1.0	2.8
Civilian employees	−0.3	0.4	1.4	1.5
Memorandum item:				
Participation rate (per cent population)[1]	61.2	60.9	60.6	60.7

1 Average participation rate, seasonally adjusted.
Sources: Labour Force Survey and *Civilian Employees:* ABS; Department of Employment and Youth Affairs: *Monthly Review of the Employment Situation.*

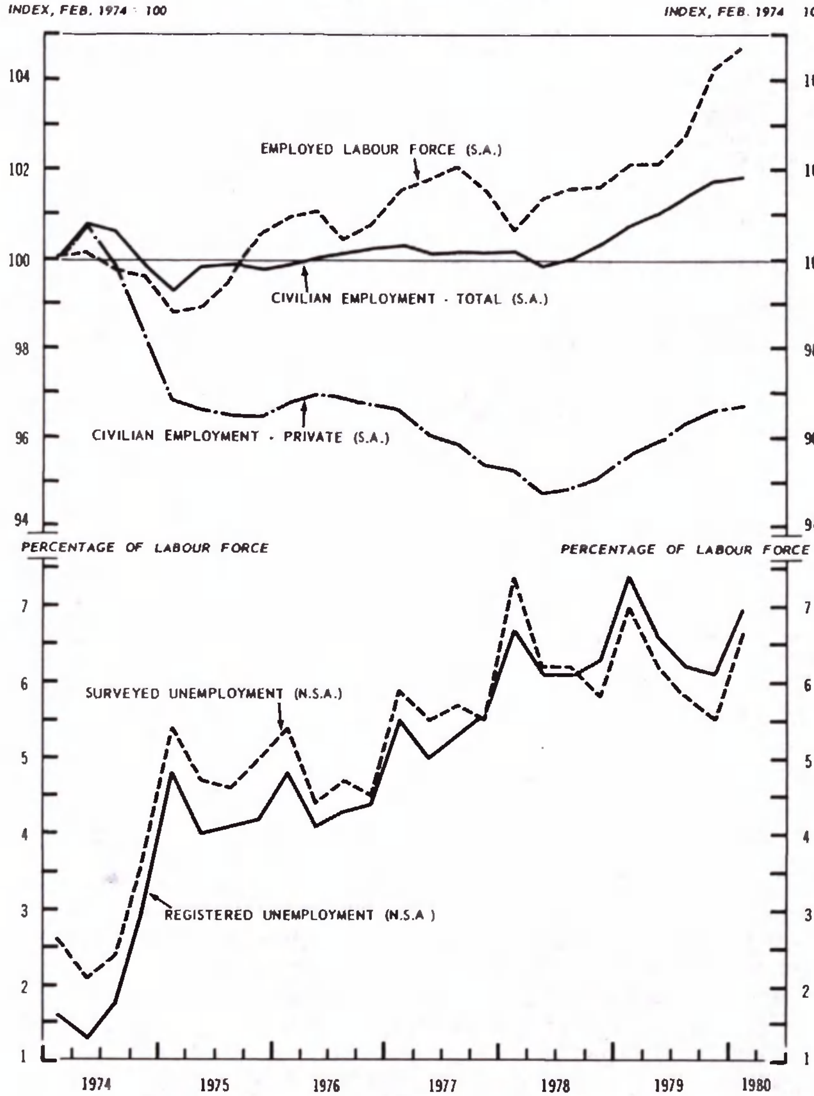
Apart from the speed and general magnitude of the rise in employment, the most significant aspects of the recent changes are the sectoral and industrial composition (Table 6). Although public sector employment increased at a faster rate than private sector employment in the two years to February 1980, the absolute increase in the private sector was greater, thus continuing the pattern which became evident during the latter part of 1978, and after almost five years of declining private civilian employment. Growth has been concentrated in the service industries – wholesale and retail trade, business and community services – and in the resource-based industries such as mining and basic metals. In construction and other manufacturing, employment fell over the period. Reflecting the strength of employment growth in the services sector which favours female labour, female employment rose by 3.9 per cent, accounting for most of the change in the employment series over the years.

Unemployment which was on an upward trend for much of the period 1974 to 1978[8] appears to have stopped rising in early 1979 and to have fallen a little in the

7 The coverage of the two employment series differs. The total employment series is from the population survey while the non-farm civilian wages and salary earners collection is based mainly on payroll tax returns. The former series is the broader measure. Sampling variability produces some volatility in the labour force survey series.

8 Unemployment levelled out in the second half of 1975 and was about stable for most of 1976.

Diagram 4 **Employment and unemployment**[1]



1 Data relate to months of February, May, August and November.

Sources: *Civilian Employees*, ABS; *Labour Statistics*, 1978, ABS; *The Labour Force*, ABS; *Employment and Unemployment*, ABS; *Monthly Review of the Employment Situation*, Dept. of Employment and Youth Affairs.

seven months to April this year. The labour force survey shows that the average number of persons seeking full-time and part-time work fell by 12 300 to 404 500 between April 1979 and April this year. As a proportion of the total labour force, this is a fall from 6.4 per cent to 6.1 per cent. The number of persons registered as unemployed has tended to move in the same direction. In contrast to the change in employment, the improvement in unemployment has been largely confined to adult males, the female labour force having risen in the twelve months to April this year substantially more than the male labour force (91 500 and 32 000 respectively). This difference

Table 6 **Distribution of employment changes**
February 1978 to February 1980

	Change (000's)	Percentage increase
Mining, basic metals and metal fabricating	14.9	5.4
Other manufacturing	−10.1	−1.0
Construction	−16.7	−4.6
Wholesale and retail trade	23.4	2.4
Business services	20.3	4.9
Public administration	7.1	2.8
Community services	33.9	3.9
Other industries	11.4	1.4
TOTAL	84.2	1.7
of which : Males	12.2	0.4
Females	72.1	3.9
Private	52.5	1.5
Government	31.7	2.1

Source: Civilian Employees: ABS.

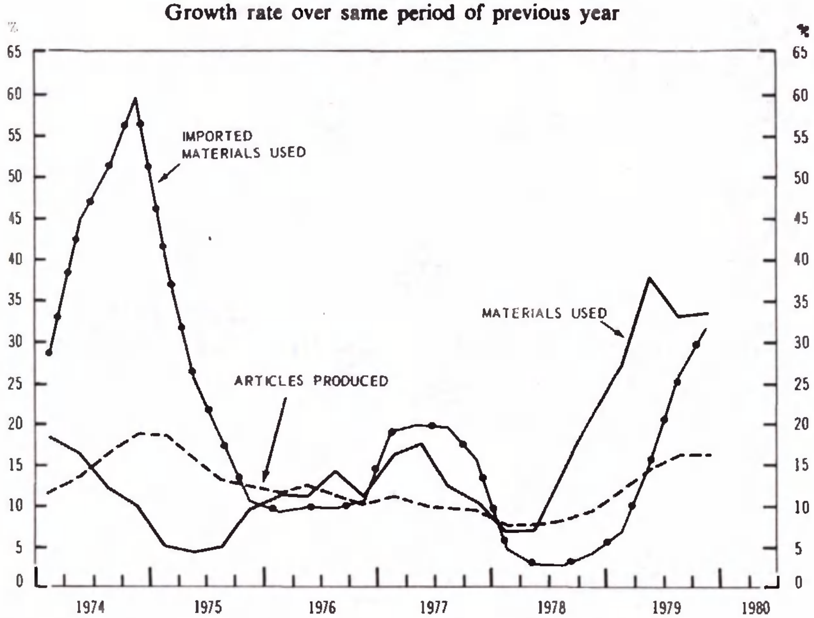
largely reflected movements in participation rates. While the participation rate of the whole labour force seems – as noted earlier – to have levelled off over the past twelve months, the participation rate for males has tended to edge down while that for females, probably reflecting the improved outlook for employment, has risen a little. As in many other Member countries, unemployment among youth is substantially higher than for adults and has tended to rise slowly. However, the unemployment rate for those in the 15 to 19 age group has fallen from 17.7 per cent in March last year to 16.0 per cent in March this year.

Wages, costs and prices

A sustained period of deceleration in most wage, cost and price series came to an end in mid-1978 and was followed by an acceleration in 1979. In general terms, this reversal originated externally, both import and export prices having risen strongly since the second half of 1978, with adverse effects on domestic costs and prices. Higher export prices for foodstuffs – particularly meat[9] – rapidly influenced output prices in the food manufacturing industries and subsequently the food component of consumer prices. In the year to the second quarter of 1979, wholesale food prices (materials) rose by nearly 60 per cent and the food component of the consumer price index increased by 14½ per cent. The higher oil levy announced in the 1978/79 Budget, also reflecting international developments and higher import prices for oil, added to costs in the second half of 1978 thus contributing to the acceleration in the price index of manufacturing material inputs from over 10 per cent to over 25 per cent (annual rates) between the two halves of 1978. The lift in non-oil import prices began to have a marked impact on materials costs from the beginning of 1979 and thereafter gathered pace. The effect on output prices of the marked rise in prices of imported materials used by manufacturing industry was more than offset in the second half of 1979 by a slowdown in some other costs and there was a small decline in the rate of increase in the price index of manufacturing output.

9 Retail prices of beef and veal in the June quarter of 1979 were over 70 per cent higher than a year earlier.

Diagram 5 **Manufacturing industry prices**
Growth rate over same period of previous year



Sources: *Price Index of Materials used in Manufacturing Industry*, ABS; *Price Index of Articles Produced by Manufacturing Industry*, ABS.

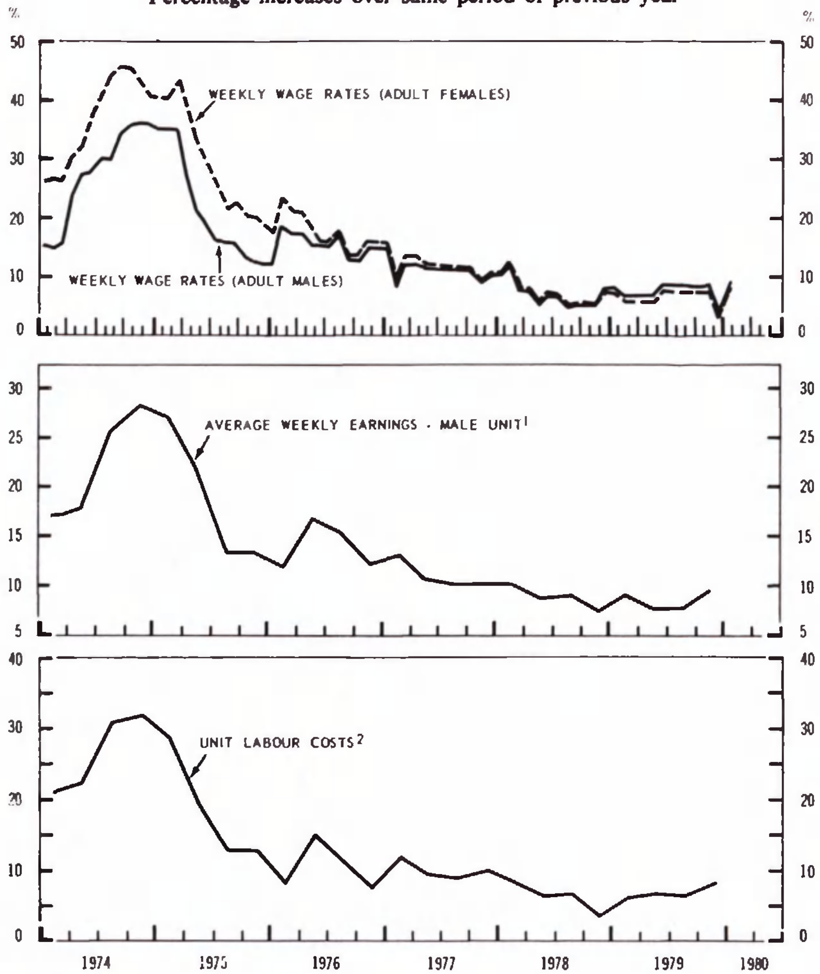
The effects of the external influences had already begun to influence the consumer price index in the September 1978 quarter and were then built directly into wages by the decision of the Arbitration Commission in December of that year to award full indexation of wage rates for the 4 per cent rise in consumer prices in the two preceding quarters. Reflecting this – and also the move from quarterly to six-monthly wage cases at that time – the increase in male award wage rates on a year-to-year basis accelerated from 5¼ per cent in the three months to November 1978 to 6¾ per cent in the following six months. Wage rates were further boosted by the June 1979 award – covering the December quarter 1978 and March quarter 1979 – despite the discounting of price increases for the direct effects of higher oil prices. Accordingly, since mid-1979 and into early 1980, wage rates seem to have been rising at a rate of over 8 per cent[10].

The developments in wage rates have been closely mirrored in average earnings. Ordinary time earnings for adult males in the last quarter of 1979 were 9¼ per cent higher than a year earlier compared with a corresponding figure of 7¾ per cent in December 1978. Though the pattern of change was uneven through the year and after taking account of the effect of the timing of wage awards, there seems to have been an acceleration in the second half of the year. Average weekly earnings per employed male unit (which include overtime) moved in much the same way and in the fourth quarter of 1979 were 9¾ per cent up on a year earlier. The wage rate and the ordinary-time earnings series point to the re-emergence of some wage drift in the latter part of the year, while the rise in average earnings also probably reflects the improvement in the labour market.

10 The year-to-year rise in male wage rates fell sharply from 8.6 per cent to 4.3 per cent between November and December 1979, but this largely reflected the timing of national wage cases and, in January 1980 it increased to 8.9 per cent reflecting the January 1980 decision.

Diagram 6 **Wage rates, earnings and unit labour costs**

Percentage increases over same period of previous year



1 Based on seasonally adjusted series.

2 Estimated by dividing non-farm wages, salaries and supplements, plus payroll tax, by real non-farm output. All data seasonally adjusted.

Sources: *Wage Rate Indexes*, ABS; *Average Weekly Earnings*, ABS; *Quarterly Estimates of National Income and Expenditure*, ABS.

The automatic flow-on of the major part of the external influences on the consumer price index into wages and earnings was exacerbated by the work value and other awards outside indexation; this trend is likely to have continued in early 1980. At the same time, the January 1980 wage decision in relation to the consumer price increase for the June and September quarters, while embodying a discount for the direct effect of higher oil prices, implies the most rapid increase in award wages over a six-month period since the first half of 1977. It seems that the change in wages and earnings reinforced external cost pressures in the first half of 1979 which saw a sharp jump in the annual rate of increase of unit labour costs[11] to about 9 per cent (4¾ per cent in

11 Estimated by dividing wages, salaries and supplements by real non-farm output.

the preceding half year). But in the second half of last year, the substantial rise in productivity more than offset the effects of higher earnings and the rise in unit labour costs slowed down considerably. At the same time, gross company profits[12] which were about flat in the second half of 1978 accelerated through 1979 to rise at an annual rate of about 19¾ per cent in the second half of the year. The improvement in profits is supported both by individual company reports and by an increased proportion of companies reporting satisfactory trading and good results[13]. What appears to have happened is that domestic cost pressures seem to have been accelerating in the first half of last year, but then slowed down considerably in the second half even allowing for wage developments and the pick-up in profits. This overall pattern is also indicated by the national accounts deflators for non-farm GDP and the major GNE components (Table 7).

There have recently been divergent movements between the implicit price deflators and the consumer price index. Also, most of the price indicators over the last two years have been markedly affected by special factors which are not related to the underlying inflationary forces in the economy. The more important of these relate to the changes in indirect taxation in the August 1978 Budget, changes in the financing of health care and its recording, international demand for beef and its impact on domestic meat prices and the effect of higher oil price rises as they flow on through the oil import parity pricing policy. The rate of increase in the consumer price index excluding food, petrol, health and indirect tax changes (Table 7) declined steadily on a year-to-year basis over a considerable period to a low of 6.2 per cent in the March quarter of last year, but by the March quarter of 1980 had risen to 7.6 per cent. The consumer price index as a whole, however, accelerated from a low of 7.8 per cent in the 1978 December quarter to 10½ per cent by March 1980. Reflecting these special factors, the gap between the total consumer price index and the discounted index over the four quarters to the 1980 March quarter widened from 2.0 to 2.9 percentage points

Table 7 **Indicators of price changes**
Percentage change from previous period, annual rate

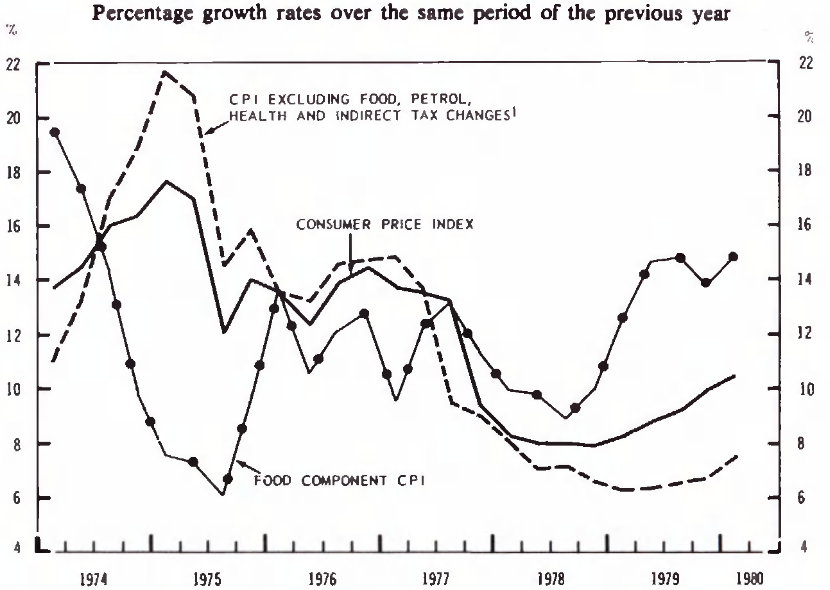
	1974[1]	1977	1978		1979	
	II	II	I	II	I	II
Total CPI	19.3	8.9	7.2	8.5	8.6	10.7
Total (excluding food, petrol, health and indirect tax changes)	24.0	8.0	7.0	6.5	6.1	7.3
Implicit deflators[2]						
Private final consumption	20.9	9.0	8.0	9.1	9.8	9.3
Major GNE components	23.7	8.8	7.5	7.6	9.8	9.3
Gross non-farm product	29.1	8.7	6.7	7.2	9.2	7.0
Manufacturing industry						
Materials used in	5.9	4.9	9.1	25.4	40.0	26.4
Imported materials used in	45.9	4.7	2.8	4.3	18.2	40.5
Articles produced by	21.4	7.5	7.8	9.8	16.7	15.8
Export prices	10.7	−1.0	2.7	11.2	25.8	20.4
Import prices	45.8	6.4	5.9	6.8	21.1	35.9
Import prices (excluding oil)	40.0	6.1	9.2	10.6	18.4	18.1

1 Peak rate for most series.
2 Seasonally adjusted.
Sources: Consumer Price Index, ABS; *Quarterly Estimates of National Income and Expenditure*, ABS; *Price Indexes of Articles Produced by Manufacturing*, ABS; *Price Indexes of Materials used in Manufacturing*, ABS; *Monthly Summary of Statistics*, ABS; *Statistical Bulletin*, Reserve Bank of Australia.

12 National accounts estimates of gross operating surplus of trading enterprise companies.

13 As reported by the Australian Chamber of Commerce and in the *National Bank Quarterly Business Survey*.

Diagram 7 **Components of the consumer price index**
Percentage growth rates over the same period of the previous year



1 Data prior to the third quarter of 1977 exclude only the food component.
Source: Consumer Price Index, ABS.

(Diagram 7). Recently, the most important factor explaining this development has been the movement in oil prices as a result of import parity pricing; the latter, although unfortunate for its effects on prices in the short term, is essential for longer-term adjustment in the economy. Nevertheless, the rise in the discounted consumer price index from early in 1979 suggests that underlying inflationary forces may have increased a little reflecting the distortion exerted on cost/price relationships by the inclusion by indexation of exogenous influences. In contrast to the movements in the consumer price index, the implicit non-farm GDP deflator indicates – as noted above – a more promising trend in the most recent period.

In view of the complexities arising from the timing of both wage and price changes over the recent period and the special factors influencing prices, assessment of the underlying rate of inflation is difficult. While there are some indications that the position may be improving and that some of the exogenous forces which initiated the renewed burst of inflation were moderating in the latter part of last year, inflation is now stronger than a year ago. It will be some time before a balanced judgement as to whether the strengthening in inflation in 1979 was temporary becomes possible. To a large extent, the outcome will hinge on whether a moderation in external influences will be reflected in wage developments.

Balance of payments

Over the last eighteen months the current account of the balance of payments has considerably strengthened. The current external deficit fell from just under $3.5 billion[14] in 1978 to $1.7 billion in 1979 – from 3.7 per cent to 1.6 per cent of

14 As elsewhere in this Survey, magnitudes expressed in dollars refer to Australian dollars unless otherwise stated.

Table 8 **Balance of payments**
$ million, current prices

	1977 I	1977 II	1978 I	1978 II	1979 I	1979 II
Seasonally adjusted						
Exports, fob	5 786	6 082	5 926	6 358	7 739	8 978
Imports, fob	5 585	5 416	5 738	6 508	6 987	7 523
Balance of trade	201	667	189	−150	752	1 455
Services credits[1]	882	927	992	1 143	1 186	1 338
Services debits[1]	1 531	1 597	1 694	1 819	1 933	2 033
Net services	−649	−670	−702	−676	−747	−695
Net transfers and property income	−929	−1 016	−1 002	−1 111	−1 253	−1 266
Current balance	−1 377	−1 020	−1 515	−1 936	−1 247	−507
Not seasonally adjusted						
Government capital	−87	779	786	976	380	28
Private capital and non-official monetary flows	1 012	118	725	785	1 060	331
Balancing item	276	−756	336	−198	65	−769
Current balance	−1 415	−949	−1 580	−1 865	−1 327	−384
Net official monetary flows	−214	−809	266	−302	178	−794

1 Services are defined as transportation, travel, government and miscellaneous debits and credits, and gold production.
Source: Balance of Payments: ABS.

GDP – and it seems likely that the decline has continued into 1980. The improvement stems entirely from changes in the balance of trade (the deficit on invisibles increased slightly); export volumes grew much more strongly than import volumes, and the terms of trade improved. In total, the balance of trade improved by about $2.2 billion.

The improvement in trade has been brought about by a variety of factors affecting individual markets and commodities, as well as by more general movements in the level of aggregate demand, stockbuilding and international competitiveness. Among the particular features of the last eighteen months have been:

i) A substantial rise in meat export prices, particularly for beef to the North American market. Export unit values for 1979/80 are expected to be almost double those of a year earlier.

ii) A very large rise in wheat production. Total output increased from 9½ million tonnes in 1977/78 to 18¼ million in 1978/79 and is forecast to fall back only slightly, to about 16 million tonnes, in 1979/80. This exceptional harvest occurred at a time when world prices were rising strongly, but the low carry-over of stocks from the drought-affected 1977/78 season meant that the main increase in export volumes did not occur until the second half of 1979. For 1979 as a whole, the volume of wheat exports increased by about 50 per cent and given a high level of stocks at the end of 1979 and a good harvest for 1979/80 the carryover of stocks into 1980 is substantial.

iii) Exports of minerals, coal and metals together increased by 22 per cent in value between 1978 and 1979, after an increase of nearly 10 per cent the year before. The growth reflected some recovery in volumes, mainly to non-Japanese markets, together with significant price rises, particularly for iron and steel, non-ferrous metals (mainly alumina) and metallic minerals.

iv) Although increases in the volume of wool exports were relatively modest, prices rose by 17½ per cent in the 1978/79 season and are expected to show a further 11 per cent rise for 1979/80.

v) On the import side, the volume of plant and machinery imports has been affected by the timing of the additional investment allowance which was reduced in July. This resulted in a concentration of imports in late 1978 and into 1979 but a sharp fall in imports in the September 1979 quarter. In line with investment trends, this category of imports recovered in the December quarter and in early 1980.

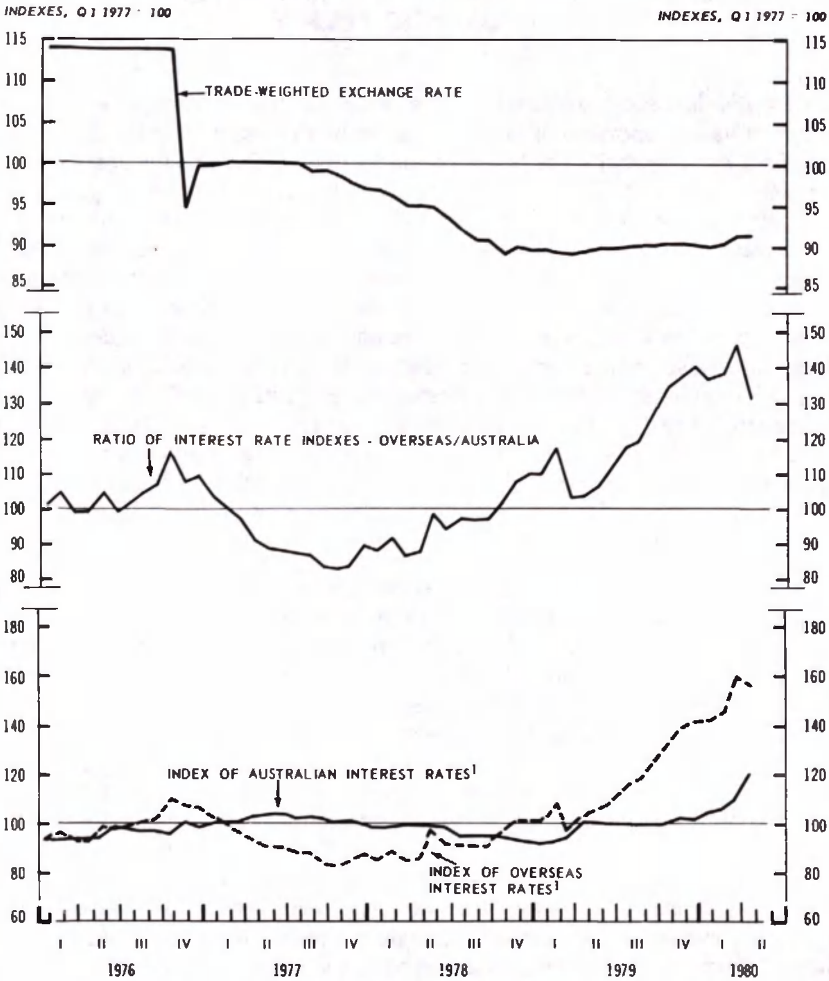
Beyond the effects of the special factors above on the balance of payments lie the broader influences of the growth of domestic demand, changes in non-farm stocks and in the general competitiveness of the economy. The influences are difficult to disentangle, both in themselves and relative to the individual features listed above. The cost/price competitiveness of the Australian economy has improved substantially over the last few years which partly explains the recent rapid growth in manufactured exports. In 1979 total exports of manufactures were 13 per cent higher in volume than a year earlier: excluding iron and steel the volume increase was 25 per cent. On the other side of the account, the decline in import volumes in the second half of 1979 occurred at a time when non-farm stockbuilding reached a very high level, and this too would suggest that the cumulative effects of lower inflation and exchange rate changes were at last having some discernible effect on trade volumes. However, other factors were also at work. The market for manufactured exports increased by 11 per cent in volume in 1979[15] in sharp contrast to the slow and declining growth of domestic markets, and it is possible that the combined attraction of relative prices and market growth persuaded manufacturers into a vigorous export drive.

Private capital inflow strengthened in the first half of 1979 but weakened in the course of the September quarter and an outflow of $ 584 million occurred in the last four months of the year. In part this was a reflection of seasonal influences, the counterpart of marked seasonal swings in domestic liquidity. However, there seem to have been some additional factors including sizeable net extensions of credit abroad by marketing authorities and other traders (a normal development in a period in which the trade surplus is rising strongly) and the impact, primarily on short-term capital flows, of the strong rise in overseas interest rates relative to those in Australia. In order to discourage a major shift in trade financing from external to domestic sources the Reserve Bank increased the discount on the forward exchange rate of the United States' dollar broadly in line with the rising interest rate differential. Longer-term capital inflow appears to have remained relatively strong judging by the high level of foreign investment in Australian enterprises. Such investment was particularly strong in the March quarter – it appears to have included substantial portfolio investment from abroad in equities of resource-based companies – and contributed importantly to the turnaround in the private capital flows to a net surplus. In the four months ended April the surplus on private capital account was $530 million.

The past two years have clearly been a period of considerable overall strengthening in Australia's balance of payments. This has enabled the authorities to shift from a stance of steadily lowering the exchange rate index (from late 1976 to early 1979) to one of making, on balance, small upward adjustments (Diagram 8). At the same time there has been a marked scaling down of the official borrowing programme which in earlier years had served to underpin reserves. In the first ten months of 1979/80 the surplus on Government capital account amounted to only $97 million compared with a surplus of $1 355 million in 1978/79. So far in 1979/80 (to April) the net effect of

15 Secretariat estimate.

Diagram 8 **Exchange rate, and interest rate differentials**



1 Indexes relate to a range of money-market activities. Overseas index relates to relevant major countries.

Sources: *Statistical Bulletin*, Reserve Bank of Australia; SYNTEC.

Government and private transactions has been a fall of $395 million in the level of reserves. However, this has been more than offset by revaluation effects. Large increases in the market price of gold in late 1979 and early 1980 contributed to an increase in the value of international reserves of over $2 billion in the three months to February but reserves have since fallen as the gold price has eased.

II RESOURCE DEVELOPMENT AND MEDIUM-TERM ECONOMIC POLICY

Australia is richly endowed with a wide variety of energy and mineral ore resources, a vast proportion of which is yet to be exploited. The last major phase of development occurred with the boom of the 1960s which was concentrated largely in mining and much of it in metallic ores and coking coal. Another large expansion is already getting under way and is of such a dimension that it will have an important impact on most aspects of the economy in the 1980s and beyond. The 1980s developments, however, will differ considerably from earlier experience focussing to a much greater extent on energy projects and on energy-intensive mineral processing in which Australia has substantial comparative advantage. The large scale of the planned developments raises some important medium-term issues about such areas as the balance of payments, income determination, protection and the development of manufacturing industry. This Part of the Survey examines some aspects of the minerals and energy situation, discusses briefly the medium-term policy strategy and some of the more important issues which seem likely to impinge on it through the 1980s.

Minerals and energy

The minerals sector plays an important role in the economy, mirroring not just the magnitude of indigenous energy resources, but also Australia's position as one of the world's leading producers of metallic ores and mineral sands[16]. The mining industry itself accounts for about 4 per cent of Gross Domestic Product, a proportion which rises to about 6 per cent if smelting and refining activities (which are classified as manufacturing) are added. In employment terms, mining, because of its inherent capital-intensity, is much less significant – it aborbs little more than 1½ per cent of civilian wage and salary-earners – but related activities have a significant direct job-content, the basic metals segment of manufacturing industry alone employing almost 100 000 (about 2 per cent of civilian employees). The exploitation of mineral resources has its greatest impact on investment and foreign trade. Over the past decade, mining and basic metal industries may together have been responsible for as much as a quarter of private sector capital formation, other than rural investment and dwellings[17]. Exports of mineral primary products are among the country's major earners of foreign exchange – accounting for about 30 per cent of total merchandise exports – while, in addition, the high level of self-sufficiency in raw materials, energy in particular, results in a substantial saving on imports.

At present, the output (on the basis of ex-mine value[18]) of the Australian minerals industry divides more or less equally between fuels and other minerals, largely metallic. However, this situation has evolved through a series of developments which

16 Australia is a major world producer of rutile and zircon concentrates, bauxite, ilmenite concentrates and bismuth, as well as contributing approximately 10 per cent of estimated world production of lead, iron, nickel, silver, tungsten and zinc.

17 As no official breakdown of the national accounts aggregate is available, this estimate is derived from the ABS series on *New Fixed Capital Expenditure by Private Enterprises in Selected Industries*. This period of course encompasses much of the mining/resource "boom" of the late 1960s and early 1970s.

18 A more appropriate basis of valuation would be to apply world parity prices from which Australian prices, notably for energy materials, diverged significantly in 1977, the year to which the data in Table 9 relate. More up-to-date data should, in the light of the move to import parity pricing for crude oil, and of volume trends, increase the relative importance of fuels but would probably still result in some understatement.

Table 9 **Volume of mineral output**

Physical quantities and index (1969 = 100) at constant prices

Year[1]	Coal (mill. tonnes) Black	Coal (mill. tonnes) Brown	Crude Oil mill. cu. m.	Natural Gas bill. cu. m.	Iron Ore mill. tonnes	Bauxite mill. tonnes	Lead (Metallic content, '000 tonnes)	Copper (Metallic content, '000 tonnes)	Zinc (Metallic content, '000 tonnes)	Total 1969 = 100
1931	10.8		..	..	..	n.a.	151	14	75	n.a.
1941	19.1		..	..	2.5	n.a.	296	23	251	n.a.
1951	25.9		..	..	2.5	n.a.	215	18	192	25.5
1961	40.9		..	..	5.4	n.a.	274	97	316	40.9
1966	56.0		0.5	..	11.1	1.8	371	111	375	58.6
1968	64.2		2.2	..	26.6	5.0	389	110	422	82.2
1970	48.5	23.9	4.9	0.7	45.1	8.3	459	142	502	128.0
1972	53.5	23.3	19.0	2.6	62.1	13.7	421	172	498	162.2
1974	59.3	26.4	23.1	4.4	91.5	18.5	370	247	441	200.4
1975	70.1	27.3	23.1	4.6	98.2	22.2	417	236	508	205.3
1976	69.3	29.2	23.8	5.2	92.7	19.8	397	218	479	211.0
1977	75.7	31.0	24.6	6.4	95.6	24.9	416	211	476	218.7
1978	78.9	30.5	25.3	7.0	90.3	24.8	415	221	483	n.a.
1979	81.7	32.1	24.9	7.8	84.2	25.6	419	232	483	n.a.
Memorandum item:										
Shares of total output[2]	32.4	1.4	7.9	1.8	17.9	n.a.[3]	4.1	3.9	2.8	

1 Except for the index which relates throughout to calendar years, the post-1968 data relate to the year ended 30th June.
2 Percentages of ex-mine value of production, 1977; for metals, value of ores and concentrates.
3 Not available for publication separately, but probably of the order of 5 per cent.
Sources: Minerals and Mineral Products, December 1979: ABS; *Yearbook Australia,* 1979: ABS; *Australian Mineral Industry Review,* 1977: BMR.

varied widely both as between different time-periods and individual commodities. These also underlie the overall rapid expansion of the minerals sector, a trend which has continued over several decades, although slackening somewhat since the mid-1970s. Up to a little more than a decade ago, the dominant influence was the extraction of metallic ores – with, at first, copper and, later, iron ores being the most buoyant elements – though the steady advance of coal production was also an important factor. For a period of seven years or so, beginning in the late 1960s, output of both of these metals rose sharply and, at the same time, large-scale mining of bauxite got under way. However, it was the discovery of the Bass Strait oil field in 1967, and the consequential surge in crude oil production, which characterised this period of very rapid (in absolute terms) expansion of the minerals sector. With metallic ore production, apart from bauxite mining which has continued to advance, peaking in the first half of the 1970s, and the levelling-off of the oil flow after 1972, the sector has grown less dramatically in recent years, the main impetus coming from the exploitation of coal and from increasing supplies of natural gas.

Although the development of Australia's mineral resources has been accompanied by an increase in domestic processing capabilities, the overall extent to which mine output is processed is relatively limited. This largely reflects the very low production processing indices[19] for alumina and iron ore: in 1977, 11 per cent for iron ore and 7 per cent for alumina (although the bauxite/alumina factor was 71 per cent). The comparatively recent development of many deposits is an important reason for the relatively low level of domestic processing but marked progress in this area is expected during the 1980s. The outlook has been changed to a considerable extent by the world energy situation as it has emerged in recent years, particularly in the case of aluminium smelting for which Australia is well placed in view not only of large bauxite deposits but also – and probably more important – abundant energy resources.

Australia – one of only five Member countries having a positive energy balance – has the largest absolute surplus of indigenous energy production over domestic requirements in the OECD area. The dominant energy resource is coal which accounts for about two-thirds of domestic output of total energy. (Table 10.) Crude oil is also a major contributor – to the extent of over one-quarter – with the balance coming from gas and renewable resources. The overall energy situation is, in fact, considerably stronger than is suggested by the current degree of self-sufficiency as present production levels bear little relation to known reserves. The large ratio of remaining reserves (taken as recoverable economic resources – demonstrated and inferred, and which could be substantially enlarged by new discoveries) to current annual production, masks wide divergences between the ratios for the various sectors. The range estimated from Bureau of Mineral Resources' data is from almost 1 600 for coal (black and brown), around 120/130 for natural gas and about 10 for crude oil[20].

The level and structure of energy production has undergone major changes since the late 1960s (Diagram 9). The growth of coal output[21] was a key factor in the improvement in energy self-sufficiency from 71 per cent in 1965 to 125 per cent in 1978, but the more significant change was in oil and gas which, from making a negligible contribution prior to the late 1960s, accounted for one-third of total energy production

19 These indices, calculated by the Bureau of Mineral Resources, indicate the proportion of output by volume (expressing quantities in a convenient common denominator) processed, beyond a certain level of initial treatment, within Australia. Corresponding indices are calculated for exported output alone. The production processing indices for nickel, copper, lead, tin and zinc were all in excess of 50 per cent (up to over 90 per cent) in 1977.

20 In 1977, reserves of crude oil were estimated to represent six years' consumption at current levels.

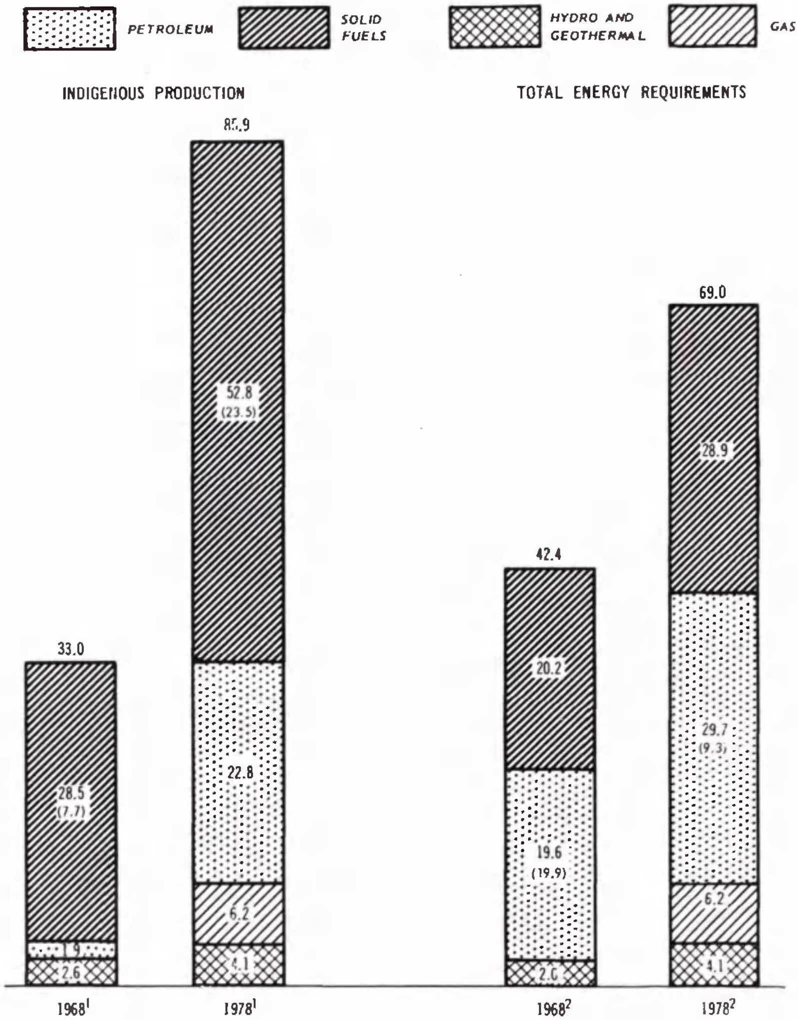
21 Coal output in terms of specific energy content nearly doubled between 1968 and 1978.

Table 10 **The energy balance, 1978**
Millions of tonnes of oil equivalent

	Solid fuels	Crude oil	Petroleum products	Gas	Hydro and geothermal	Electricity	Total
Indigenous production	52.8	22.8		6.2	4.1		85.9
Imports (+)	..	9.4	3.7	—			13.1
Exports (−)	−23.5	−0.4	−3.4	—			−27.3
Marine bunkers (−)			−2.4				−2.4
Stock change[1]	−0.4	—	—				−0.4
Total energy requirements	28.9	31.8	−2.1	6.2	4.1		69.0
Statistical difference	0.1	−2.2	2.0	—	—	—	−0.1
Electricity generation	−18.6		−0.5	−1.1	−4.1	7.4	−16.9
Gas manufacture	..	—	..	0.4			0.3
Refineries		−29.6	26.8				−2.8
Energy sector use and losses	−2.3	—	—	−0.9		−1.5	−4.6
Total final consumption	8.2		26.1	4.6		5.9	44.8
Industry	7.3		5.8	3.4		3.5	20.0
of which: Iron and steel	(3.1)		(1.2)	(0.1)		(—)	(4.3)
Transportation	..		15.1	..		0.1	15.2
of which: Road			(12.7)				(12.7)
Other sectors	0.8		3.4	1.2		2.3	7.8
of which: Residential	(0.7)		(1.7)	(1.0)		(2.3)	(5.7)
Non-energy uses	—		1.9	..			1.9

1 Stock increases have a negative sign.
Source: Energy balances of OECD countries, 1974-1978, IEA/OECD, 1980.

Diagram 9 **Pattern of energy supplies and requirements, 1968 and 1978**
Millions of tonnes of oil equivalent



1 Figures in parentheses indicate net exports.
2 Figures in parentheses indicate net imports.
Sources: Energy balances of OECD countries, 1960/1974 and 1974/1978.

by 1978. While forecasts of future global energy production are not available, certain broad trends seem evident. Market prospects for coal, together with mine and mineral processing developments, promise to be very buoyant over the next few years (see below), pointing to a continuation of historical growth rates[22], with a period of particularly rapid expansion up to the late 1980s. The development of proven commercial deposits of natural gas, as well as the likelihood of a major addition to output from the Northwest Shelf field, indicates a considerable expansion of supplies well into

22 Due to the higher base line, absolute increases will, of course, be substantially greater.

the future. The outlook for crude oil, however, is much less favourable. According to official estimates the mean projection is for an overall rise in annual production of crude oil up to the late 1990s but the temporal pattern underlying this entails a peak – at just over 50 per cent above the 1977 level – some five years earlier. Commercial production from the Rundle oil shale deposits could, of course, substantially alter this picture once the technology is proven.

Although energy output has been outstripping domestic requirements for a considerable period, requirements have also increased at a significantly faster rate than in the OECD area as a whole (5½ per cent compared to 4½ per cent per annum between 1960 and 1978). The higher elasticity with respect to GDP than in the OECD area (1.3 compared with 0.8/0.9), probably reflects to a large extent the energy-intensive nature of much of Australia's mineral-related manufacturing industry. The elasticity was particularly high in the first part of the period and since 1974 has been close to unity. It is not altogether clear where this reduction in energy-intensity originated, though sectoral consumption patterns show that industrial usage decelerated sharply[23] and that some easing also occurred in the sphere of transportation, whereas the requirements of other sectors continued to advance rapidly. However, it seems probable that the policy-induced adjustment of relative prices, coupled with the shift in longer-term price expectations which this fostered, have contributed, as is suggested by developments in relation to the consumption of petroleum products more recently.

The principal objectives of energy policy, defined in a Government statement of November 1977, are to restrain the growth of consumption, particularly of liquid fuels, to achieve the highest degree of self-sufficiency in liquid fuels consistent with the broad economic use of domestic resources, to develop new economic oil and gas resources, to substantially increase energy research and development, particularly in coal liquefaction and solar power, and to encourage major projects to meet overseas demand for energy materials where these would provide an adequate return. These objectives provided the basis for a number of initiatives since then, as well as for the movement towards world-parity pricing of domestic crude oil begun a little earlier.

Reliance on the operation of market forces, with direct intervention playing a supplemental role, has been the main instrument of energy policy[24]. Accordingly the provision of accurate pricing signals is seen as a central feature of energy strategy. Hitherto, the major advance has been in relation to the pricing of crude oil, both as applied to users and to producers[25]. The 1977/78 Budget marked a turning point for producer prices, the major changes in oil-pricing policy introduced at that time providing for the progressive implementation of import-parity pricing (less a $3 per barrel levy) for a substantial, and moreover increasing, proportion of domestic output[26]. Subsequent adjustments in the 1978/79 Budget completed the movement to

23 The fundamental changes in the supply situation severely hamper any attempt to assess the extent of inter-fuel substitution which might have been induced.

24 The principal non-price measures over recent years include an expanded programme of research, the introduction of measures to promote wider vehicular use of LPG (including the removal of excise, and of sales tax on conversion kits), taxation changes favouring the use of non-oil heating, a national energy conservation publicity campaign and the commencement of a voluntary programme of fuel economy goals for passenger vehicles.

25 This distinction is crucial to a full understanding of the development of oil-pricing policy. Pricing arrangements for locally-produced oil have undergone considerable and frequent changes since production commenced in 1964, as have the levy arrangements since their introduction in 1975. This section concentrates only on the more significant developments – a fuller account is to be found in Annex I.

26 The principal adjustment, in fact, related to "old" oil, "new" oil (from wells discovered subsequent to 13th September, 1975) already yielding import-parity (less the levy) to producers, but it was further announced in the 1976/77 Budget that oil discovered after 18th August, 1976 would be free of levy.

Table 11 **Trends in Australian and world crude oil prices, 1972-1980**
A$ per barrel

Period	Australia	World[1]	
	Price to refiners of Bass Strait crude	Saudi Arabian light (fob)	OECD[2] imports (cif)
1972 average	2.10	1.57	2.40
1974 average	2.10	6.96	8.04
1976 average	4.33	9.83	10.76
December 1977	6.78[3]	11.13	12.39
June 1978	6.71[3]	11.07	12.17
December 1978	12.59	11.04	12.26
June 1979	13.66	16.06	16.25
December 1979	18.66	21.71	24.21[4]
June 1980	24.77	24.34	28.34[4]

1 Conversion of world prices to Australian dollars was carried out at current exchange rates (i.e. for the periods indicated) which frequently differed from those applying at the time of Australian parity adjustments.
2 Weighted average of U.S., Japan, France, Germany, Italy, Netherlands and U.K.
3 Weighted average of prices of controlled-price and parity-related oil.
4 Estimate.
Sources: Budget Paper No. 1, 1979-1980; OECD Secretariat.

world prices, with corresponding increases in the levies on production from the larger, more profitable fields (which have, nevertheless, received higher returns). There has not been any change in the fundamental principle that oil users should pay world prices, while producers from "old" fields with low costs of production should pay a production levy out of the extremely large profits associated with rising world prices. The levy rates on "old" oil ("new" oil discovered after August 1976 is free of levy) range from $3 per barrel for fields producing less than 2 million barrels a year to a current weighted average rate for large fields of $19.50 per barrel, about 80 per cent of the import parity price. The import parity price which determines the cost of oil to users has been determined at six-monthly intervals since 1 January 1978[27] and is set by reference to the official price of Saudi Arabian 'light' market crude, taking account of the cost of freight and insurance and of quality differentials. The levy rates for "old" fields producing more than 2 million barrels a year are adjusted at the same time as the price adjustments to determine the returns to those producers out of the import parity price.

The changing relationship between domestic and world oil prices is shown in Table 11. While the linkage with the price of Saudi Arabian "marker" crude has, during the past year or so, given rise to some differential[28] with respect to true world parity prices, policy, notably with the changes introduced at the time of the 1978/79 Budget, has led to the broad restoration of an appropriate relationship between domestic and external prices which, following the 1973 OPEC decisions, had become seriously out of line. The adjustment has been substantial; between 1976 and 1980 Australian user-prices rose more than twice as fast as those in the rest of the OECD area[29]. While it is still too early to assess the impact of these price changes on overall

27 A more flexible approach to timing, announced in June 1979, has not so far caused a departure from this pattern.
28 Timing factors have tended to add to this.
29 Broadly the reverse of the relationship between increases in the previous four years. In comparing the overall 1972/80 movements, account must be taken of timing differences and of the fact that in the initial year Australian prices were below world-parity levels.

energy usage or on its commodity composition, there is some indication of positive effects in the easing of demand for petroleum products (other than LPG), across a broad front, in 1979. However, the full benefits in terms of conservation will be realised only over a considerably longer time-span.

Pricing of other energy forms varies. Until recently world parity pricing was applied in principle to liquid petroleum gas, but in April the Government announced that concessional administered prices would apply to certain domestic consumers of LPG, including automotive users. Natural gas in some cases is priced well below the current world price reflecting chiefly the lack of adequate escalation provisions in early long-term contracts[30]. With some 46 per cent of coal production being exported, a world parity clearly appears to exists and this (less an export duty, amounting to either $1 or $3.50 per tonne depending on quality or method of mining) is broadly mirrored in the price of coal for private usage. However, a somewhat different situation exists in relation to the substantial part of coal output which is used in electricity generation, generally controlled by non-Federal public authorities. Direct ownership of mines, preferential supply arrangements and the practice of valuing capital employed in power generation on a conventional cost-recovery basis has provided the opportunity for some authorities to price supplies to certain consumers at less than optimal pricing under arrangements which in some cases may be difficult to amend. While the requirements of energy policy and efficient resource allocation are sometimes seen as militating against development of other natural resources, the effect of the proximity of related inputs and the high cost of transporting both to an overseas location confers a substantial inbuilt cost advantage on domestic industry[31]. In these circumstances, it would seem sensible from the standpoint of the future growth and strength of the economy to place considerable weight on earning maximum income on resources converted into energy inputs for industrial activities, particularly those concentrating on exports. At the same time, the pricing structure may have adverse implications for public sector finances, a subject referred to in the section below on economic policy.

Energy policy has also paid attention to the supply side aspect, which in Australia is especially relevant, because of the potential extent of indigenous reserves. Indeed, the change to import-parity pricing for crude oil was initially made to strengthen the incentive for exploration and conservation. The levy arrangements applying to crude oil production, while serving to appropriate a portion of the "rent" for the community,[32] have also, to the extent that they differentiate between fields on the basis of commercial viability and date of discovery, strengthened respectively the incentives for production and exploration. Moreover, a range of taxation incentives, in respect of investment outlays, has been put in place with similar aims. It seems probable that these initiatives, coupled with global energy prospects, have contributed to the recent recovery in exploration activity, following its sharp decline through most of the 1970s.

30 These contracts, governing well-head prices, having been negotiated at the commencement of production, do not allow adequately for the subsequent change in circumstances. In addition, the financial criteria underlying the operation of publicly-owned distribution networks may be less stringent than those of comparable private sector activities.

31 One estimate suggests that, for a similar return to the domestic coal producer, the cost of coal for electricity generation might be 30 per cent less in Australia than overseas: Statistical Bulletin, Reserve Bank of Australia, August 1979. A like benefit would, of course, arise in the case of the material to be processed.

32 This is not a fundamental aspect of the levy, since this "rent" could be acquired by the authorities through less direct means e.g. royalties, profits, taxation, etc. The question of the distribution of the benefits is essentially separate also, but it should be noted that, within the context of a given budget deficit, this can be achieved either through higher spending or lower taxation than would otherwise have obtained.

The abundance of indigenous energy resources forms the main background to a period of large-scale resource-based developments which, as noted earlier, is already getting under way and promises to extend to the end of the 1980s or beyond. It has been estimated by the authorities that the total investment in or associated with such projects, either under way or planned at present, exceeds $22 billion[33] –representing approximately one-fifth of current GDP. Coal is particularly important to the projects: the exploitation of coal reserves, as well as constituting a substantial part of the overall rise in investment, also forms the basis – in that it implies the provision of abundant and cheap energy supplies – of a major expansion of processing of other minerals, notably bauxite. Major contributions are anticipated also from manufacturing projects in the petrochemicals sphere, uranium mining and the development of iron ore deposits and the Northwest shelf natural gas field. While many of the estimates are tentative, the planned projects comprise[34] :

i) Over $9 billion in mining projects, either committed or at the stage of final feasibility studies, of which coal-mining accounts for over $1½ billion (largely committed), oil and gas for close to $4 billion, iron ore for $1½ billion and uranium-mining for $1 billion (half committed).

ii) Almost $6 billion in power generation, predominantly in coal-based electricity projects.

iii) More than $7 billion in manufacturing projects, largely in the basic metal products sector and, within this, predominantly aluminium processing operations, though with a sizeable contribution from the petrochemicals grouping.

The time-profile of this investment is, inevitably, uncertain but it is tentatively estimated that expenditure on most of the projects now firmly committed or in the final feasibility stage will either be completed or well under way within the next five years. Not all of the projects can be considered a net addition to investment as the estimates probably encompass some projects which would in any case be undertaken, and a portion of the expansion of power-generation capacity would go to service trend growth in requirements. Nevertheless, it is clear that a major new block of investment is involved. Faced with the uncertainties surrounding the costing, timing and likelihood of the various projects listed, the questions of the prospective increment to demand and of the call on resources can only be approached in an extremely tentative way. Estimates suggest that in the early years of this decade capital investment in mining could stand in a broadly similar relationship to non-farm GDP (2 per cent) as it did in the previous period of intense activity – from 1968 to 1972. However, on this occasion, mineral-related investment activity – notably bauxite and alumina-processing – is envisaged to be significantly more buoyant[35]. Consequently, the resource-related investments could, in total, average as much as 3 per cent of non-farm GDP up to the mid-1980s and conceivably peak at well above this level, probably two or three years hence.

33 Statement by Minister for Trade and Resources, 9th January, 1980.

34 Based on Speech by the Minister for Industry and Commerce, 17th February 1980 and schedule of "Major manufacturing and mining investment projects", Department of Industry and Commerce, October 1979.

35 Committed investment in the aluminium industry, totalling $4 billion, is projected to amount to 20 per cent of new worldwide capacity and to result in a ten-fold increase in primary aluminium exports within a period of years; Statement by Minister for Trade and Resources, January 1980.

Medium-term economic policy strategy

The slowing down of mineral developments and exports in the mid-1970s coincided with a period of high inflation, which was associated with the rapid increases in import and export prices during 1972/73, 1973/74 and 1974/75, expansionary economic policy and an explosion of domestic wages and incomes. Following two years of high inflation, slow growth and increasing unemployment, and facing a progressively weaker balance of payments situation, the Government in 1975 introduced the basic elements of an economic approach which has since remained broadly unchanged. The fundamental aims of the approach are a reduction in the rate of inflation and the promotion of sustainable economic growth in the private sector of the economy over the medium-term, these two goals being closely identified with one another. The more immediate policy targets comprised a reduction in the magnitude of government deficits, a contraction in the overall size of the public sector relative to that of the private sector, restraint in the growth of the money supply, a restoration of the profit share of national income[36] and, from late 1976 onwards, an improvement in international competitiveness brought about jointly by a lower rate of inflation and a depreciation of the Australian dollar. The rationale was that constraints on the development of the public sector would provide room for the private sector to grow over the medium-term; the creation of the appropriate balance of costs, prices and factor income shares would ensure a balanced, non-inflationary growth in the demand for both labour and capital; and the improvement in international competitiveness would enable any ensuing expansion of domestic demand to occur without coming against a balance of payments constraint. Given these preconditions, the originating forces were expected to arise from within the private sector itself, either in response to positive shifts in the real foreign balance or from an automonous, but non-inflationary expansion of private domestic demand.

In the event, and taking the last four years as a whole, the policy stance has not been as severely restrictive as this rationale might suggest (Table 12). Commonwealth

Table 12 **Policy indicators, 1973-1974 to 1979-1980**[1]
Years ending June

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Commonwealth budget							
Total deficit[2]	0.6	4.2	4.9	3.3	3.7	3.4	1.9
Domestic deficit[2]	−0.4	3.2	4.0	2.2	2.6	2.2	0.8
Total public sector deficit[2]	1.5	5.6	5.5	4.9	6.0	5.5	4.7
Growth of money supply (M3)	14.5	15.1	13.6	10.5	8.0	11.8	11.0
Exchange rate index (end-period)	117.3	105.3	105.3	92.5	86.2	83.1	84.7
Growth of real public expenditure[3]	4.8	10.8	6.0	1.2	4.3	2.0	−1.0
Growth of public sector employment[4]	3.7	7.6	−0.3	2.3	2.2	1.2	1.0
Tax ratio (per cent household income)	14.3	15.8	16.1	16.8	16.7	15.6	15.9
Net indirect taxes (per cent GNE)[5]	10.4	10.7	11.8	11.7	11.4	11.9	12.2
Transfer payments to persons (per cent household income)	7.8	8.8	10.4	11.0	11.1	10.9	10.7
Degree of wage indexation (per cent)	—	100	94	70	76	90	90

1 Secretariat estimates for 1979-1980.
2 Per cent GDP; not incorporating post-Budget revisions for 1979-1980 (e.g. oil levy adjustment).
3 Percentage change over year earlier.
4 Civilian employees; percentage change over twelve months to June.
5 Indirect taxes less subsidies.
Sources: Budget Statements 1979-1980; *Quarterly Estimates of National Income and Expenditure* (and historical series), December quarter, 1979: ABS.

36 A substantial decline in the profit share of non-farm product had occurred by the beginning of 1974/75.

budget deficits have been reduced, but the reduction in the deficit for the public sector as a whole (that is, including the States) has been much smaller and slower. The rate of growth of the money supply has fallen substantially from its peak in 1974/75. The growth of real public expenditure has slowed down, both in absolute terms and as a proportion of Gross National Expenditure, and with it has come a slower growth of public sector employment. After a 12 per cent fall in 1976/77, the exchange rate index was moved further down in 1977/78 and 1978/79 bringing the total depreciation over these three years to 21 per cent; more recently the index has edged up a little. Aggregate tax ratios, both direct and indirect, were increased significantly in 1975/76 and 1976/77, but they have since remained relatively stable and have been partially offset by a parallel increase in transfer payments to households. As Table 12 indicates, these changes have not taken place uniformly: some relaxation of the policy stance occurred in 1977/78, when public sector deficits rose and public expenditure accelerated. But this departure was brought back into line in the following year and tightened still further in the 1979/80 Budget which anticipates a further contraction of the fiscal deficit, slower growth in public employment and a decline in real public expenditure.

The policy stance has had a substantial effect in reducing the rate of inflation, although it has been less successful in restoring factor shares and the structure of industrial costs to their earlier, pre-1974, position. Two other factors have influenced the effectiveness of the policy. First, as described in detail in Part III of this Survey, the

Table 13 **Changes in prices, incomes and costs, 1973-1974 to 1978-1979**
Percentage change on previous year - years ending June

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
National account deflators						
Consumption	12.1	17.6	15.6	11.4	9.4	9.1
Major GNE components	13.0	20.0	15.5	11.7	9.1	8.2
Non-farm GDP	13.4	21.8	16.2	10.8	8.4	7.5
Exports	18.3	17.2	7.6	11.1	4.4	15.5
Imports	11.4	28.4	11.1	15.8	13.3	9.5
Implied terms of trade	6.2	−8.7	−3.2	−4.1	−7.9	5.5
Merchandise trade						
Export prices	19.4	13.1	3.3	10.2	4.9	12.5
Import prices[1]	16.2	43.4	13.4	14.9	13.4	10.0
Terms of trade	2.8	−21.1	−8.9	−4.1	−7.5	2.3
Incomes						
Wage rates[2]	17.6	31.0	15.0	13.0	9.3	6.4
Wages and salaries per employee[3]	18.2	28.9	13.9	13.3	10.1	7.7
Company profits per volume of non-farm GDP[4]	4.5	6.2	11.0	14.0	7.3	2.3
Private non-farm sector factor shares[5]						
Profits	26.6	23.8	24.5	25.6	25.3	n.a.
Wages and salaries	73.4	76.2	75.5	74.4	74.7	n.a.
Real unit labour costs[6]	3.0	5.0	−2.7	−0.2	0.2	−1.2

1 Reserve Bank index.
2 Annual average of weekly wage rates for adult males; all industry groups.
3 Wages and salaries per non-farm employee.
4 Gross operating surplus of companies divided by non-farm output at constant prices.
5 Treasury submissions to National Wage case hearing, May 1980.
6 Treasury: for description of methods refer to September 1978 Round-up of Economic Statistics.
Sources: Partly derived from *Quarterly Estimates of National Income and Expenditure* (and historical series), December quarter, 1979: ABS.

Arbitration Commission has in general granted less than full indexation to prices when setting nominal award wage rates but there has been no reduction in actual real wages. Secondly, the terms of trade declined in each of the four years from 1974/75 to 1977/78. The outcome has nevertheless been a substantial and continuous reduction until quite recently in the rate of increase in both wages and prices, up to the point where in 1976/77, 1977/78 and 1978/79, the domestic rate of inflation was noticeably lower than that of import prices and, despite some reacceleration, still remains below the average for the OECD area as a whole. On the question of costs and factor shares, the outcome appears less clear cut and the restoration of previous balances less apparent. Real unit labour costs were reduced in 1975/76, 1976/77 and again in 1978/79 (Table 13) but not enough to make up for the very large gains which occurred in 1973/74 and 1974/75. Company profits per unit of (non-farm) output recovered in 1975/76 and 1976/77, but have since slowed down and over the last four years as a whole have not matched the growth of wages and salaries per employee. On a wider definition, the share of profits in total (non-farm) incomes has risen only slightly since 1974/75 and remains some 4 percentage points below its previous long-run average.

As in many other OECD countries, the process of reducing the rate of inflation, absorbing the terms of trade decline and improving external competitiveness was accompanied by slow growth, rising unemployment, weak investment and persistent, though not pressing, balance of payments deficits. Over the five years since 1973/74 non-farm GDP has grown at an average annual rate of 2 per cent compared to 5¼ per cent in the previous five years. The number of private sector (non-farm) employees fell by nearly 5 per cent between mid-1974 and mid-1979 and the unemployment rate has increased from 2½ to 6 per cent of the labour force. As a percentage of total private expenditure, business fixed investment fell from 15 per cent in the decade up to 1975/76, to 13 per cent in the subsequent four years.

There are a number of factors which explain this general weakness of the private sector over recent years. In the first place, demand from outside the sector was not buoyant. As noted earlier, the growth of public sector expenditures was subject to policy constraints from 1975/76 onwards and the net demand from the foreign sector was weak and variable: the growth of non-farm exports slowed down in the mid-1970s, import propensities remained high, and (excluding rural exports) the effect of changes in the real foreign balance on the growth of non-farm GDP oscillated between small negative and small positive contributions (Table 14). More importantly, the private sector was not able to find, within itself, the capacity for self-generating growth. Real factor incomes increased scarcely at all between 1974/75 and 1978/79, with increases in nominal incomes almost entirely eroded by inflation. Injections of income from the Government sector (i.e. net transfers less taxes) made a small contribution to the growth of private real incomes (Table 14), in spite of the moderately restrictive stance of policy, but contributions to income growth from the foreign sector were negligible. In total, and for the private sector as a whole, real disposable income which might have been used to support an expansion of either consumption or investment, grew by less than 1¼ per cent a year from 1974/75 to 1978/79 (Table 14).

The key to the process lies in the domestic reaction to the original acceleration of export and import prices between 1972/73 and 1974/75 and the subsequent decline in the terms of trade. Two adjustments were required. First, it was necessary that the economy should adjust to the real income loss associated with lower export prices and higher import prices. More fundamentally, it was necessary that the initial over-reaction of domestic inflation and the loss of international competitiveness should be restored. Given the reaction of domestic wage rates to price increases and the resistance to any fall in real wages, the path of adjustment has necessarily been a lengthy one, made longer by the links between its various elements. Real unit labour

Table 14 **Private non-farm sector trends**[1]
Changes in factor income, other receipts, expenditure and output:
percentage change on year earlier

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
At current prices						
Factor incomes	18.8	23.5	16.0	13.7	9.5	7.6
Total net receipts	11.7	23.6	17.8	14.1	8.8	10.6
Deflator	12.3	18.8	15.8	11.6	9.4	8.8
At constant prices						
Real factor incomes	5.8	4.0	0.2	1.9	0.2	−1.1
Change in Government net transfers[2] less taxes	−2.8	−1.2	2.3	0.0	0.4	1.8
Change in foreign sector transactions[2]	−4.5	0.4	−0.8	0.1	−1.1	1.2
Real total net receipts	−0.5	4.1	1.7	2.3	−0.5	1.6
Real expenditure	7.2	−0.3	0.7	4.0	−1.9	2.9
Non-farm GDP	4.6	1.2	2.3	3.3	1.2	1.7
Non-rural foreign balance: Contribution to change in non-farm GDP	−3.6	0.4	0.6	−1.0	1.2	−0.4

1 Secretariat estimates. The table is intended as a guide only to the sources of changes in income and other receipts for the non-farm private sector. Because of difficulties in netting transactions between the private and other sectors, the figures should be regarded as very approximate only. This particularly applies to transactions between the farm and non-farm sectors. Basic data has been drawn from ABS: *Australian National Accounts, 1977-1978* and the *Quarterly National Accounts for December 1979*. Definitions are as follows:

a) *Factor incomes:* GDP at factor cost (current prices) less gross operating surplus of public trading enterprises, less imputed rents of dwellings owned by persons, less income of farm unincorporated enterprises, less net operating surplus of public financial enterprises.
b) *Government net transfers less taxes:* Transfer payments to households plus public authorities grants for private capital purposes plus net Government interest payments in Australia less direct taxes on companies, households, withholding taxes and other direct taxes, fees and fines.
c) *Foreign sector transactions:* Private sector foreign exchange transactions, as in Budget Table 10, 1979-1980, less rural exports.
d) *Total net receipts* = (*a*) + (*b*) + (*c*).
e) *Deflator:* Implied national accounts deflator for total private expenditure (consumption plus investment plus non-farm stocks).
f) *Non-rural foreign balance:* Exports less imports of goods and services at constant prices, as in the national accounts, less rural exports at constant prices.
g) *Real expenditure:* Private consumption plus fixed investment plus non-farm stock change less imputed rent of owner-occupied dwellings.

2 Contribution to change in total net receipts.

costs have fallen slowly, as a consequence of increases in productivity rather than adjustment of wages. But productivity itself appears to have grown more slowly in a climate of weak demand and excess capacity. On the other hand, a weak labour market has probably been a necessary constraint to prevent the further rise in real wages, deterioration of labour costs, and loss of competitive position. In this setting the slow growth of demand in recent years must be seen as part of the private sector's process of self-adjustment to which policy has contributed less by its contractionary impact than by its unwillingness to support rapid growth of nominal incomes.

More recently there have been some signs that the process of adjustment has made considerable progress. The level of competitiveness is now somewhat higher than it was four years ago, real unit labour costs have recently fallen slightly and manufacturing exports, output and investment have all shown improved growth over the last eighteen months. These developments have yet to be confirmed and sustained, and may well show some, temporary, slippage during 1980. In the meantime, however other issues are likely to demand the attention of economic strategy. In the first place, it is tempting to see in the prospects for the world economy, and hence for Australia's external economic environment, some similarities with those experienced in 1974/75; that is, a period of rapid increase in import prices, not only oil, leading to a deterioration in the terms of trade and a slower volume increase for exports. This external cycle appears, at the moment, unlikely to be as severe as the previous one and Australia is in any case better placed, both in terms of economic posture and accumulated experience, to make the necessary adjustments and prevent the over-reaction, especially in wages, which in the previous cycle caused such a difficult and protracted adjustment.

In a number of ways the problems of economic strategy are rapidly changing and widening, as a consequence of the on-coming development of mineral, energy and related indsutries. As indicated earlier, the scale of the known planned developments is very large indeed and the potential still larger. Their construction, spanning a decade or more, will be associated with large inflows on the capital account of the balance of payments, matched probably by widening deficits in the current account as, at first, imports of equipement precede exports of raw or finished products. The potential changes in the balance of payments will impact directly on policy. There are also implications for the size of the public sector and the relationships between the public and private sectors. Large amounts of labour will be involved particularly in the construction phase – although the completed projects are on the whole likely to be more capital than labour-intensive.

One central issue for macro-economic policy would seem to concern the interaction between the large new developments and the existing industrial structure. The problem is how to simultaneously foster the growth of the first and the necessary adjustment of the second. As the investments produce exports at the same time as capital inflows continue, choices will have to be made which bear upon the type of industrial structure society wants. An important – if not the most important – consideration in this respect is the present protection afforded to manufacturing industry. Excessive protection on a range of industries[37] clearly runs counter to the Government's objective of promoting a stronger, more specialised and export-oriented manufacturing sector. This has been recognised by the authorities and policy is to gradually reduce tariff barriers over the longer run. At the same time, however, significant effects on the economy will flow from the large development projects in the near future and the longer it takes to reduce protection, the greater are likely to be the difficulties as the balance of payments strengthens, of controlling the monetary aggregates, avoiding a price/wage inflationary spiral, and/or an undue appreciation of the exchange rate which will adversely affect both existing efficient and inefficient industries alike.

A second important issue is the role of the public sector which will be increasingly involved in all aspects of the developments including investment in the infrastructure and utilities and the setting of both royalties and levies on the basic raw materials and the prices of the associated public goods and services. Already the commitments of the State Governments to provide infrastructure will make it difficult to constrain public expenditure and hold in check the general government borrowing requirement while the public sector simultaneously fulfils its traditional social and administrative functions. As many of the projects move into the development stage, the question of public sector participation seems likely to assume increasing significance, and there is a choice involved about the extent to which the public sector rather than the private sector carries the burden of paying for infrastructure. Related to this is the appropriate price to be charged by public authorities for energy supplies. Many of the projects are highly energy intensive which will require a substantial expansion of power supplies by public authorities whose coal/electricity price relationship, as noted above, appears to be less than ideal from the point of view of resource allocation. Accordingly, the price charged for non-oil energy also involves a choice in which commercial considerations and international price levels would seem to have an important influence.

37 For details on protection see OECD Economic Survey of Australia, June 1979, pp. 38-40.

A third major issue, and of greatest significance arising out of the minerals and energy developments through the 1980s is the response of inflation. Reference has already been made to the possible inflationary consequences if there is not greater freedom to import and the balance of payments becomes excessively strong. Public sector policies will also be important. But the role of wage determination and income distribution is probably more crucial. As the demand for labour rises, particularly for skilled workers who are already in short supply, there is a risk of pressures for increased wages leading to domestically-generated cost/price distortions. Should this occur, much of the painful process of reversing earlier factor share imbalances would have to be faced again.

III ECONOMIC POLICY

Fiscal policy

As indicated in last year's OECD Survey, the 1978/79 Budget was designed in accordance with the Government's medium-term strategy described earlier and aimed at a reduction in the budget deficit[38] to $2.8 billion (from $3.3 billion in 1977/78). Underlying this estimate was a marked curtailment in the growth of outlays and a modest acceleration of receipts, though the latter involved a number of discretionary tax adjustments. The actual deficit was, at $3.5 billion, well in excess of the Budget estimate and, indeed, above the previous year's outturn, though as a proportion of GDP it declined from 3.7 per cent to 3.4 per cent. This overrun stemmed principally from a shortfall in receipts of almost $0.5 billion, notably in non-PAYE income tax[39]. Outlays, following the pattern of recent years, were close to target, the slight excess – an increase of 8.4 per cent compared with a 7.7 per cent budgeted rise – being largely attributable to unemployment and sickness benefits[40]. This largely reflected a higher number of beneficiaries.

The basic framework of the 1979/80 Budget was established by the Treasurer's announcement, on 24th May 1979, of a package of fiscal measures. This initiative, prompted by forward estimates indicating – on then expected trends – a widening of the deficit to $4.6 billion in the coming financial year, aimed both to limit the 1979/80 deficit and to reaffirm the authorities commitment to their overall strategy. While foreshadowing marked stringency on public expenditures, the announced decisions related mainly to revenue measures:

i) The extension, for up to a further five months, of the legislation (otherwise due to expire on 30th June) applying the income tax surcharge, which for PAYE purposes was effectively 2.57 cents in the dollar, and deferring tax indexation. This was estimated to add some $120 million per month to PAYE deductions.

38 The concept of the budget deficit used here is that part of the general government net borrowing requirement attributable to the Federal Government's Budget transactions.

39 Collections were some $380 million below the Budget estimate reflecting both unexpectedly large tax avoidance and slower 1977/78 income growth. Shortfalls in indirect taxes across a broad front were largely offset by above-estimate PAYE receipts and additional revenues from the crude oil and LPG levies.

40 Smaller excesses which arose in respect of defence spending and public debt interest were substantially offset by savings in several other functional categories.

ii) Termination of the trading stock valuation adjustment, resulting in a $370 million annual revenue gain, mainly with effect from 1980/81.
iii) An increase from 1st July 1979, in the levy on 'parity-related' crude oil, then $3 per barrel[41].
iv) The imposition, from 1st July, of a 2 per cent ad valorem customs duty on most goods currently imported duty-free. Revenue from this, taking account of subsequent revisions, was estimated at $73 million.
v) Deferrment of the lifting of the coal export levy, saving about $100 million in revenue.

The 1979/80 Budget, brought down on 21st August 1979, envisaged a Commonwealth deficit[42] of $2.2 billion, a major reduction on the 1978/79 outturn and significantly lower than the original estimate for that year. At some 1.9 per cent of forecast GDP, this was less than half the average level of the previous five years. The domestic budget deficit[43], which provides a more meaningful indicator of the budget's macroeconomic impact in both the monetary and expenditure spheres, showed a more pronounced change – from $2.3 billion in 1978/79 to an estimated $0.9 billion (about ¾ per cent of GDP) in the current fiscal year.

Tight control on expenditures remained a feature of fiscal policy, the 9.1 per cent budgeted increase in outlays implying no rise in real terms. The onus for the reduction in the deficit nonetheless fell mainly on the receipts side. The taxation aspects were substantially in place, or had been signalled, prior to the Budget. The principal decisions announced in the Budget speech related to the removal of the income tax surcharge from 1st December 1979 and to the continued suspension of tax indexation for the remainder of fiscal 1979/80. It was officially estimated that, in the absence of the taxation measures adopted in the period May/August 1979, receipts would have risen by about 9 per cent in 1979/80 ; the effect of the decisions was to bring the estimated increase to 15.4 per cent[44]. The most notable shift was in respect of collections of personal income tax whose estimated growth, reflecting the decisions to defer tax indexation and to retain the surcharge for a portion of the year, was lifted from 10 per cent to over 18 per cent. The substantial rise in 1978/79 in primary producer incomes, on which tax is paid in arrears, contributed to the buoyancy of these estimates. Within the overall pattern of restraint on outlays, non-defence direct expenditure was most markedly curtailed, showing a nominal increase of less than 4 per cent. Buoyancy, in real terms was limited to defence expenditures[45] and transfers and net advances to the private sector. Underlying the latter was, on the one hand, the boost to welfare payments afforded by the restoration of twice-yearly indexation and, on the other, increases in public debt interest, home savings grants and export incentives[46].

The increase in the import-parity price of crude oil, which took effect in January of this year, in line with the development of OPEC prices in the second half of 1979,

41 The revised levy arrangements, announced on 29th June in conjunction with the new import parity prices, distinguished between fields, applying only part of the increase in import parity price to the levy in respect of the largest fields and leaving the levy arrangements for small fields unchanged. The combined impact of these two decisions on full-year revenue was of the order of $350 million.

42 Excludes non-budgetary transactions of Commonwealth authorities.

43 The domestic budget deficit excludes overseas transactions.

44 The addition to tax revenue in 1979/80 was estimated at over $1.6 billion and, in a full year, nearly $2.0 billion (based on an increase from 32 per cent to 33.07 per cent in the standard income tax rate), the difference largely stemming from the lagged impact of the withdrawal of the trading stock valuation adjustment.

45 Defence expenditure is treated as wholly of a current nature.

46 Payment lags and "full-year" effects were important influences on the increased 1979/80 allocations under these two heads.

Table 15 **Budget transactions**

$ million

	1976-1977	1977-1978		1978-1979			1979-1980		
	Actual	Actual	Percentage change	Budget estimate	Actual	Percentage change[1]	Budget estimate	Percentage change[1]	Contribution to increase (%)
Receipts									
Income tax									
Companies	2 921	3 213	+10.0	3 342	3 151	−1.9	3 400	+7.9	6.3
Individuals	11 054	12 129	+9.7	12 940	12 804	+5.6	15 128	+18.2	59.1
Indirect taxes	5 523	5 834	+5.6	7 346	7 172	+22.9	8 457	+17.9	32.7
Other receipts	1 886	2 292	+21.5	2 430	2 441	+6.5	2 513	+2.9	1.8
Total receipts	21 383	23 468	+9.8	26 057	25 567	+8.9	29 499	+15.4	100.0
Outlays									
Net expenditure on goods and services									
Defence	1 999	2 184	+9.3	2 303	2 401	+9.9	2 673	+11.3	10.3
Other current	2 636	2 993	+13.5	3 256	3 228	+7.9	3 404	+5.5	6.6
Capital	520	451	−13.3	344	331	−26.6	329	−0.6	—
Transfer payments and net advances									
To States and local government	8 939	10 052	+12.5	10 799	10 766	+7.1	11 609	+7.8	31.8
Cash benefits to persons	7 509	8 416	+12.1	9 112	9 267	+10.1	10 148	+9.5	33.3
Other	2 519	2 705	+7.4	3 056	3 051	+12.8	3 529	+15.7	18.1
Total outlays	24 123	26 802	+11.1	28 870	29 045	+8.4	31 692	+9.1	100.0
Surplus (+) or deficit (—)									
Domestic	−1 865	−2 361		−1 656	−2 258		−875		
Overseas	−875	−972		−1 157	−1 220		−1 318		
Total	−2 740	−3 333		−2 813	−3 478		−2 193		
Financing transactions									
Miscellaneous domestic financing, plus increase in government's own holding of debt	15	236			180				
Net borrowing requirement	2 725	3 097			3 298				
Overseas financing	357	1 612			1 349				
Net domestic borrowing requirement	2 368	1 486			1 949				
of which: Banks	−250	−13			878				
Other private sector	1 091	1 244			719				
Reserve Bank	1 527	256			351				

1 Affected by altered financial arrangements consequent upon the transition of the Northern Territory to self-government.
Sources: Budget Paper No. 10, Table 1; Budget Statement No. 6; Statistical Bulletin, Reserve Bank of Australia.

was estimated to yield an additional $0.4 billion in excise duties, partly offset by a downward revision of production estimates for the year. On 6th March 1980, the Treasurer announced that the $340 million net addition to 1979/80 revenues was, in view of the stronger performance of the economy, heightened inflationary risks and the need for firmness in monetary policy, to be applied towards a reduction in the budget deficit. In consequence, the overall budget deficit for 1979/80 should not exceed $1.9 billion, giving a domestic deficit of about ½ per cent of GDP. At the same time, it was announced that, with effect from 1st July 1980, reductions in personal income tax – involving half-indexation[47] of the personal taxation scale and a rise of about one-third in dependant rebates including the notional dependant rebates for children under the zone allowance – would be implemented. The revenue cost in 1980/81 of these changes, on the basis of certain assumptions in regard to the indexation factor, was estimated at rather more than $0.6 billion ; this is broadly equivalent to the incremental revenue in that year deriving from the January increase in the import-parity price for crude oil, allowing for the scheduled phasing towards "parity-related" prices for certain producers.

In the first half of the 1979/80 financial year, both expenditure and outlays, and consequently the net budget position, were broadly in line with the estimates. On a year-to-year basis, outlays rose by 9.6 per cent, marginally faster than the budgeted increase of 9.1 per cent for the year as a whole : timing factors explain this difference. Tax revenues also exceeded the Budget estimate – by about a percentage point, or even more if the early closing of accounts for the year-end holiday period is considered. This pattern was to be expected, in view of both the timing of receipts in 1978/79[48] and the termination of the tax surcharge from 1st December. The early months of 1980 saw a marked easing of the rate of growth of outlays, yielding an 8.3 per cent rise for the first three quarters of the fiscal year. A number of factors, including increases in indexed social security and veterans pensions will, however, push up the cumulative growth figures in the final quarter. Thus, the outcome for the fiscal year should be little, if any, in excess of the Budget estimate. On the revenue side, PAYE receipts have, as expected, decelerated in 1980, while, reflecting the 1st January increase in the oil levy, excise revenues have picked up. Customs duties and sales tax[49] revenues have been relatively sluggish but these do not have a major bearing on the overall outturn. Allowing for the impact of the subsequent increase in the oil levy, the 17.7 per cent year-to-year rise in total receipts in the first nine months of 1979/80 indicates an outcome broadly in line with the Budget estimates. This implies a deficit some $0.3/$0.4 billion lower than originally envisaged.

The budgetary outcome during the past two years has been much less even than the fiscal year data suggest, essentially because of the impact of the personal tax changes. Official estimates of the seasonally-adjusted domestic budget deficit indicate that it widened through calendar 1978, reaching about $2.8 billion (annual rate) in the second half of the year but, reflecting the imposition of the surcharge, a sharp contraction – to some $1.7 billion – occurred in the first half of 1979. Taking account of the special factors mentioned earlier, the underlying deficit may have declined only a little in the second half of 1979, implying that the budget position, on a seasonally-adjusted basis, may move into modest surplus in the current half-year.

While policy has successfully reduced the size of the Commonwealth budget

47 It is estimated that, discounting policy-induced price changes, the full indexation factor would be 2-3 points lower than the relevant CPI increase.

48 The excise increases imposed in the 1978/79 Budget did not apply in the early months of the financial year.

49 Allowing for the distortion of the year-to-year change caused by the 1978/79 Budget reduction in respect of motor vehicles.

Table 16 **Budget and public sector deficits, 1973-1974 to 1979-1980**

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80[1]
Commonwealth budget							
$ million	293	2 567	3 585	2 740	3 333	3 478	2 193
Per cent of GDP	0.6	4.2	4.9	3.3	3.7	3.4	1.9
Budget domestic deficit							
$ million	−211[3]	1 949	2 873	1 865	2 361	2 258	875
Per cent of GDP	−0.4	3.2	4.0	2.2	2.6	2.2	0.8
Commonwealth authorities							
$ million	339	2 553	3 526	3 037	3 917	3 702	2 858
Per cent of GDP	0.7	4.1	4.9	3.7	4.3	3.7	2.5
Public authorities							
$ million	791	3 468	3 967	4 036	5 466	5 599	5 318
Per cent of GDP	1.5	5.6	5.5	4.9	6.0	5.5	4.7
Memorandum items:							
Budget outlays (percentage of GDP)	23.8	28.9	30.1	29.0	29.6	28.7	27.8
Deficit of Commonwealth non-Budget subsector ($ million)[2]	497	1 073	601	603	697	290	782

1 Budget estimates, not incorporating subsequent revisions (e.g. crude oil levy adjustment); GDP percentages for all but first item are Secretariat estimates.
2 Financed in part by advances from the Budget sub-sector.
3 Surplus denoted by (—).
Sources: Budget Statement No. 6; Government Financial Estimates and *National Income and Expenditure*, ABS.

deficit as a proportion of GDP from the peak of 5 per cent in 1975/76 to less than the Budget estimate of 1.9 per cent in 1979/80, progress in decreasing the *total* public sector deficit has been slower and less even. The latter, which was 5¾ per cent of GDP in 1974/75 fell to about 5 per cent in 1976/77, rose to around 6 per cent in the following year and is estimated at close to 4½ per cent in 1979/80. The marked difference between the Commonwealth budgetary position and the public sector deficit as a whole reflects partly operations of Commonwealth authorities which fall outside the Budget and partly State Governments' and local authorities' financial transactions over which Commonwealth control is limited by the Constitution. The more important factor is the States and local authorities whose deficit in 1979/80 in terms of GDP seems likely to be little changed from the 3 per cent in 1978/79.

Monetary policy

In recent years, the principal aim of monetary policy has been to secure a progressive winding-back of the rate of growth of the monetary aggregates in order to curb inflationary pressures. It has also been envisaged that the parallel dampening of inflationary expectations should facilitate a reduction in interest rates and thereby enhance the prospect of self-sustaining growth in the private sector. As part of the overall steady approach of macroeconomic policy the Treasurer has presented, with each of the last four Budgets, conditional projections of the growth rate of the broadly-defined money supply (M3). Up to mid-1978 this approach met with considerable success, both in terms of intermediate objectives – M3 growth being virtually halved as compared with three years earlier and, in fact, kept towards the bottom of the indicated ranges – and in lower inflation. A major factor underlying this achievement was the marked reduction, during this period, in the Commonwealth budget deficit. Coupled with buoyant sales of Government paper to the non-bank public, this implied only a limited amount of monetary stimulus from the unfunded deficit. At the same time, the overall deficit on private sector foreign exchange transactions was also exerting a dampening influence on liquidity.

In fiscal 1978/79, however, the Budget projection of 6-8 per cent growth of M3 – representing a further reduction of monetary expansion – was exceeded by a significant margin, the increase being 11.8 per cent through the year. A subsequent upward revision of this range[50] may have been warranted by developments which could not have been foreseen, specifically the very good rural season and the buoyancy of international commodity prices. Yet, beyond these and the related strenghening of the external account, the slippage which occurred was a consequence both of an overrun on the Budget and of funding difficulties, which were aggravated by the change in interest rate expectations. Nonetheless, a notable feature of the monetary outcome in 1978/79 was that the marked acceleration in money supply as compared with the previous year was associated with a pace of domestic credit expansion only slightly faster[51]. In the 1979/80 Budget, the projection of the growth of M3 was set at about 10 per cent, representing a tightening of monetary policy. It was recognised that the likelihood of a marked turnaround in private sector external transactions and the substantial financing implications[52] of the further large wheat crop expected would together give a sizeable boost to domestic liquidity. Thus, despite the planned cut-back in the public sector borrowing requirement, realisation of the monetary projection would necessitate accelerated bond sales.

The early months of the current financial year saw a contraction of bank LGS[53] assets (seasonally adjusted) and only modest growth in the monetary aggregates, due mainly to the budget position and rural credits repayments. Secondary credit creation was, however, picking up sharply – partly reflecting a faster rise in banks' new lending commitments but, more particularly, higher utilisation rates. In response to these latter developments, the Reserve Bank issued more stringent lending directives to banks in September relating both to their new lending commitments and the growth in their loans outstanding; this was followed up in December with an increase in the SDR ratio from 5½ per cent to 6 per cent. Notwithstanding these policy actions and the comparative tightness of their liquidity positions[54], the growth in bank loans outstanding continued unabated, the increase in the six months to December 1979 representing a seasonally adjusted annual rate of almost 20 per cent.

An increasingly important factor stimulating demand for bank finance in Australia was the relative cheapness of such credit especially as there was no immediate adjustment to Australian interest rates following the sharp increases in interest rates abroad. These external developments also had important implications for the demand for Government paper. Yields had been increased substantially in the early months of 1979 and this had been successful in evoking an improved market response. However, uncertainties re-emerged towards the end of the year as Australian investors weighed the possible implications for the Australian interest rate

50 In April 1979, the Treasurer acknowledged that an outcome within the range was no longer practicable or desirable.

51 DCE through 1978/79 represented some 12.4 per cent of initial M3, whereas the corresponding figure for 1977/78 was 11.3 per cent.

52 Advances to wheat growers from the Australian Wheat Board have traditionally been financed by the Reserve Bank – known as Rural Credit advances. For the past two years, however, the Board has resorted to commercial financing on a large scale.

53 Liquid assets, excluding SRD (Statutory Reserve Deposit) balances at the Reserve Bank, and Commonwealth Government Securities. It is conventional that the major trading banks maintain a proportion of deposits in this form; since April 1977, the LGS "convention" has been 18 per cent.

54 Towards the end of 1979, the LGS ratio, both actual and seasonally adjusted, fell to its lowest level since the 18 per cent "convention" was established.

Table 17 **Formation of the volume of money**
Not seasonally adjusted, $ million

	1976-77	1977-78	1978-79	1978 I	1978 II	1979 I	1979 II
Budget deficit (+) or surplus (−)	2 740	3 333	3 478	−786	4 137	−659	3 885
less: Overseas budget deficit	875	972	1 220	539	569	651	611
Budget domestic deficit	1 865	2 361	2 258	−1 325	3 568	−1 310	3 274
less: Non-bank uptake of Commonwealth government securities	1 091	1 244	720	128	376	344	400
Unfunded domestic deficit	773	1 117	1 538	−1 453	3 192	−1 654	2 874
Private sector foreign exchange transactions	19	−1 202	−254	11	−639	385	−301
Net contribution of budget and overseas sectors to monetary base	792	−85	1 284	−1 442	2 553	−1 269	2 573
Rural credit advances	378	−106	78	−2	−236	314	−356
Other factors[1]	47	−333	36	618	−819	856	−1 002
Monetary base	1 217	−524	1 398	−826	1 498	−99	1 215
less: Non-bank currency holdings	360	384	421	−8	413	8	412
SRD balances	864	−970	391	−430	−52	443	144
Banking sector LGS assets	−7	62	586	−388	1 137	−550	659
Loans and advances	2 731	2 949	3 217	1 362	1 890	1 328	2 629
Other factors[2]	376	−480	399	−469	139	258	227
Bank deposits of public	3 100	2 531	4 202	505	3 166	1 036	3 515
Add back: Non-bank currency holdings	360	384	421	−8	413	8	412
Change in volume of money (M3)	3 460	2 915	4 623	497	3 579	1 044	3 927
(Rate of growth)	(10.5)	(8.0)	(11.8)				
Memorandum item:							
Domestic credit expansion	3 441	4 117	4 877	486	4 218	659	4 228

1 Reflects Reserve Bank transactions in commercial bills, other loans and advances, miscellaneous accounts and a balancing item (largely due to timing discrepancies).
2 A balancing item, comprising other bank assets and liabilities and the adjustment for government and inter-bank deposits.
Sources: Budget Paper No. 1; Round-up of Economic Statistics, The Treasury, February 1980.

structure of the higher rates abroad. In the event, nonbank uptake of Government paper slackened from late 1979 and at the same time the seasonal rise in rural credit advances – admittedly more restrained than in the previous year – was beginning to add to liquidity. It might have been expected that the emergence of a wide interest rate differential against external borrowing would have provided – through its negative impact on private capital flows – some offset to the expansionary influences mentioned above. Indeed, as mentioned earlier in the Survey, there was a weakening on private capital account, at least in the December quarter, but it was not especilly severe and in any case its monetary impact was offset to a considerable extent by the buoyancy of the current account. The net result of all these factors was a marked pick-up in monetary growth as evidenced by the expansion of M3 at a seasonally adjusted annual rate of 19 per cent in the three months to January 1980.

The concern of the authorities at the trend in M3 is evidenced in a number of policy actions in the early part of 1980. Thus in March the budgetary decision was announced to apply the supplemental oil revenues in the current fiscal year towards reducing the Budget deficit. Yields on Government paper were also raised (as described below) and judging by the success of the initial issue of tap stocks in May — a time of seasonal tightness — the higher yields seem to have succeeded in attracting improved investor demand. The most recent data[55] also suggest some slowing in the growth of bank advances following the rapid expansion in the eight months to February. Signs that the tightening of policy may be having the desired effect are evident with the recent slowing in the growth of M3, whose year-to-year rise moderated to just over 11 per cent in April 1980.

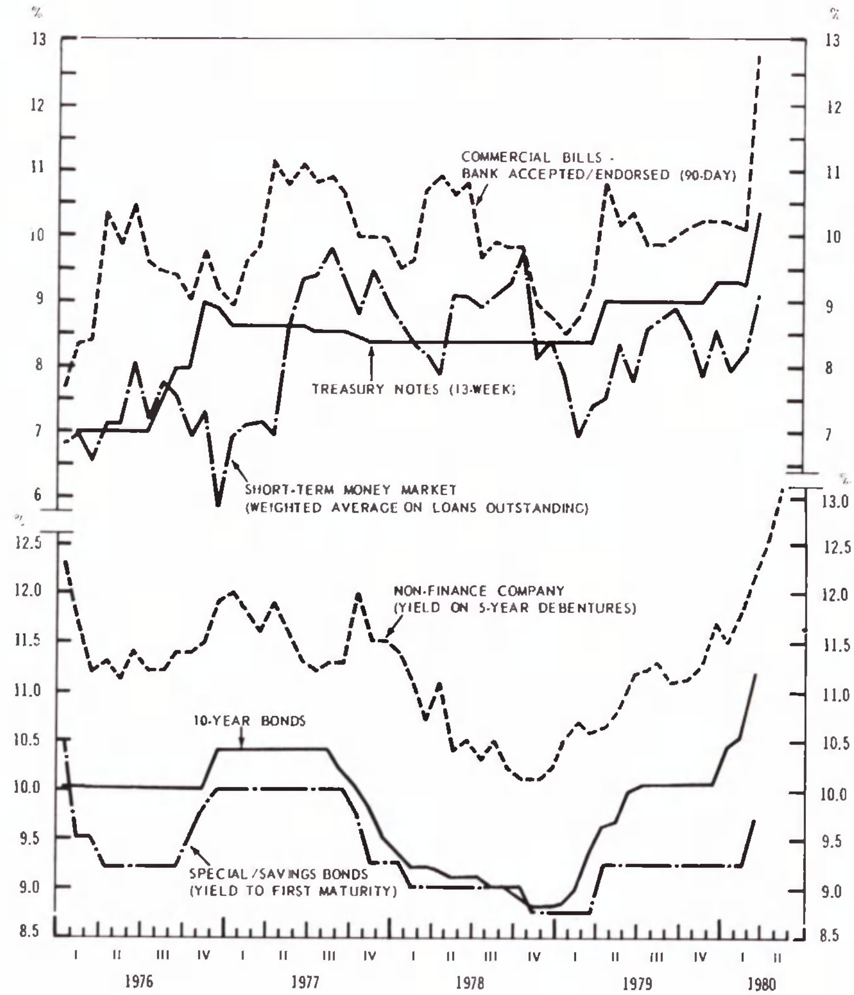
After moving down through much of 1978, interest rates generally have been edging up since. A marked decline in non-bank demand for Government securities, which resulted in the Reserve Bank becoming a fairly heavy net purchaser of bonds towards the end of the year, seems to have precipitated the upturn. This was reflected in the terms of the February 1979 conversion loan which brought yields back to their level of six months earlier, the authorities thereby acknowledging that the objective of lower interest rates has temporarily to be put in abeyance in order to moderate monetary growth. Short-term private rates started to rise in the first quarter of 1979 and this was followed by a 0.7 point increase to 9/9.3 per cent in Treasury note issue yields in mid-April. A package of monetary measures introduced shortly afterwards brought a rise (to 9¼ per cent) in the Australian Savings Bond coupon, an increase in permissible holdings and a lift (of 0.7 of a point) in the local and semi-government maximum borrowing rate. A May conversion loan, with a subsequent price adjustment by the Reserve Bank, brought bond yields to about 10 per cent by the end of the financial year.

A 'de facto' tap system for selling Government securities under which the Reserve Bank stood ready to sell certain securities, at specified yields, from its portfolio, was instituted in May 1979 and, in December, a new tendering system for selling Treasury Notes was introduced. The 'de facto' tap system was replaced by a formal tap system commencing in April 1980.

Despite the strength of international interest rates pressures, notably from September, Australian rates stayed broadly unchanged up to last December, with an increased forward premium vis-à-vis the US dollar offsetting the differential. However, since December the upward trend has resumed. Coincident with the implementation of the new arrangements for the issue of Treasury notes by tender, yields rose by 0.3 to 0.5 points and, while there was a lull in the first two months of 1980, further increases have since occurred. Since the beginning of 1980 official rates at the longer end have also been moved up in an effort to support sales of securities. Increases in the yields on the 'de facto' tap stocks brought bond rates to over 11 per cent by end-March while the five-year tap stock issued on 30th April had an initial yield of 11.8 per cent. The Series 16 Australian Savings Bonds introduced in March carried a coupon of 9¾ per cent (up half a point). Private sector interest rates have also risen in the early part of the year, all major trading banks having increased overdraft rates.

55 In the three months to April, growth in the major trading banks' loans outstanding eased to a seasonally-adjusted annual rate of 13 per cent. There are, however, some problems with the seasonal adjustment process.

Diagram 10 **Interest rates and security yields**



Source: Reserve Bank of Australia, *Statistical Bulletin.*

Wage determination policies

Australia for a very long period has had a centralised arbitration system to determine wages and employment conditions, although the degree of adherence to the system has varied over time. During the 1950s and 1960s the system generally worked well in an economic environment and policy setting conducive to comparatively low wage increases and modest rates of inflation. But in the first half of the 1970s in the face of a deteriorating economic situation and a certain lack of firmness in the conduct of economic policy, direct negotiations between employers and employees increasingly replaced national wage hearings as the avenue of wage adjustment, a development which coincided with rapidly rising wage rates and industrial unrest culminating in the

1973/74 wage explosion. Just as factors other than the fragmentation of the arbitration system contributed in no small measure to the wage/price spiral, so too the slowdown in economic activity and adoption of firm demand-management policies played a decisive role in curbing wage rises and halting industrial unrest following the introduction in April 1975 of quarterly national wage cases conducted by the Australian Conciliation and Arbitration Commission. Essentially, the present system has been based on indexation of award wages and salaries each quarter or six months to the most recent movement in the Consumer Price Index unless the Commission was persuaded to the contrary[56]. The Principles underlying wage determination also allowed for pay increases for genuine changes in work value. In determining the size of pay increases, the Commission was also bound by the Commonwealth Conciliation and Arbitration Act "to encourage, and provide means for, conciliation" and to try to prevent disputes, while at the same time having regard to "the state of the national economy". This latter clause was amended in 1976 to require the Commission to have special reference to the likely effects of any award on the level of employment and inflation.

Between April 1975 and May 1978, national wage cases were held quarterly but have since been held six-monthly. The awards in the fifteen cases[57] since the return to a centralised system are shown in Table 18, less than full indexation having been

Table 18 **Decisions in national wage cases**

Quarters	CPI change	Change in award wages	Effective indexation rates
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 per cent up to $125 per week; $3.80 flat rise above that.	72
June 1976	2.5	2.5 per cent up to $98 per week; $2.50 up to $166 per week; 1.5 per cent above that.	68
September 1976	2.2	2.2	100
December 1976	6.0	Flat $5.70 per week.	57
March 1977	2.3	1.9 per cent up to $200; than flat $3.80.	77
June 1977	2.4	2.0	83
September 1977	2.0	1.5	75
December 1977	2.3	1.5 per cent up to $170 per week; flat $2.60 per week above that.	55
March 1978	1.3	1.3	100
June, September 1978	4.0	4.0	100
December 1978, March 1979	4.0	3.2	80
June, September 1979	5.0	4.5	90

Source: Treasury Round-up of Economic Statistics.

56 For details of the full Principles see Annex II.

57 Under the Principles, no award was made for the September 1975 quarter price rise, it being less than 1 per cent.

granted in nine. The reasons advanced by the Commission for awarding partial indexation mainly relate to discounting for individual factors such as devaluation effects, changes in Medibank as they affect the consumer price index, personal taxation reductions and oil price increases. Where full indexation has been awarded, the Commission has sought to justify its decision mainly on industrial relations grounds, including concern about union acceptance of the indexation package and the likely industrial unrest if full indexation was not awarded. However, economic reasons have also been cited, including the need for demand stimulus from the wages side and the failure of unemployment levels to fall following earlier partial indexation increases. In the two most recent cases, the Commission discounted the rise in prices for oil[58], decisions which were in line with the agreement by OECD Ministers at their meeting in June 1979. While generally the discounting has been in line with Government submissions, the extent of indexation over the period has been higher than the Government has argued for on more general economic grounds. In the recent period industrial disputes and the uniform pattern of work value awards were seen to put indexation in jeopardy, and, to try and resolve the differences between the parties to national wage cases and to see whether indexation had a future, the Commission called an immediate conference to consider the issues.

The conference which concluded in September 1979 was not the first to be held by the Commission to consider the system of wage determination. Since the present system was introduced in April 1975, a number of meetings between the parties to national wage hearings have been convened to try and increase the degree of consensus on how the system should operate, the most important being the Wage Fixation Principles Inquiry of 1977 and 1978 when some changes to the Principles were made[59], particularly the move to six-monthly hearings. The outcome of the most recent conference was that in Part 2[60] of its January 1980 decision the Commission tightened the Principle relating to increases in wages and salaries on grounds other than the rise in the consumer price index[61], such as changes in work value. At that conference, however, the Government introduced proposals aimed at the development of renewed consensus in the wage determination system and the return of order to the centralised nature of that system.

In return for a firm and continuing commitment from all parties not to ask for or concede wage or other labour cost increases outside the wage fixation Principles and a rejection of industrial action in support of such increases, the Government was prepared to agree to the automatic adjustment of award wages every six months, discounted however for the effects of Commonwealth Government policy-induced price increases. The Government also asked that wage claims based on work value grounds should be subject to more rigorous examination and testing, that there should not be a hearing on productivity grounds until at least October 1980, and any productivity hearing should only consider the change in productivity over the preceding twelve months. During the November wage case the Government reiterated the package it had proposed and added that it would give serious consideration to supporting a set percentage of the rise in the Consumer Price Index being granted automatically. Following discussion of the Government's and other parties' submissions, the Commission noted that there had been a significant narrowing of the differences between

58 In the case for the December 1978 and March 1979 quarters, the Commission also took account of the extent of earnings drift, the degree of industrial disputation and the Conference on wage-fixing procedures it planned for later in the year.

59 The 1978 Principles are included in Annex II.

60 Released in late March 1980.

61 See Annex II.

many of the parties about the wage fixation system. The Commission further considered that the constructive nature of the debate on the Government's proposals warranted a further conference on the Principles later this year to consider the periodicity of national hearings, the degree of automaticity of indexation, treatment of substantial compliance, and work value, productivity and other claims impinging on labour costs.

The difficulties experienced in achieving consensus on wage fixation principles stem from disagreement between the parties on a number of factors, including the degree of "automatic" flow-through of CPI increases into award wages, the scope for extra-indexation wage rises and the frequency of indexation adjustments. However, two issues are perhaps more fundamental. The first concerns the extent to which the Commission's judgements can remain isolated from market pressures originating in the balance of demand and supply for labour and which find expression in the force of union representation to the hearings. The Commission has recognised that its ability to modify actual as against award rates is limited. Despite partial indexation there has been little change over the whole period in the level of real wages. Part of the reason for this has been the recent flow-through of work value awards and the presence of considerable earnings drift in much of 1978. The catch-up of real wages in 1978 and the increasing number of work value awards in 1979 and in the early part of this year have been accompanied by a high level of industrial disputes. So much so that in the December 1978 judgement the Commission stated that if the then trend in disputes continued, the whole system of wage determination based on indexation would be endangered. Again in the June 1979 decision, the Commission concluded that – partly because of a sharp increase in the number of working days lost and the spread of industry-level wage rises – "the system of wage fixation based on indexation is simply not working". The second issue concerns the apparent inability of the parties to tie themselves to agreements involving limitations on the pursuit of wage claims. In the light of these developments it seems to be the case that attempts to use a quasi-judicial procedure as a substitute for market forces will lead to rigidities, and therefore distorting pressures, in the labour market, resulting in industrial disputes and extra indexation wage gains in employment in areas in under-supply and high unemployment in other areas, particularly among the unskilled and the young. These pressures will prove difficult to resist in the absence of greater accommodation to market forces.

The other basic impediment to consensus is the lack of agreement among the parties about the relationship between wages, unemployment and economic growth. In the last two OECD Economic Surveys of Australia it has been argued that the then existing levels of real wages, the existence of a substantial real wage/productivity gap and the imbalance in income shares accruing to labour and productive capital were together incompatible with a return to high levels of employment and non-inflationary growth. On the one hand, the high cost structure reduces the international competitiveness of the economy, dampens employment opportunities and contributes to external imbalance. On the other hand, too small a return on capital precludes the productive investment which is a prerequisite for increased capacity, employment and sustainable growth. Such a relationship subsumes – at least partially – the macroeconomic policy reactions of government which must necessarily be concerned with the moderation of inflation and the maintenance of external balance whatever the effect of wage negotiations on the adjustment of the basic imbalances. What has been happening is that nominal wage rises based largely on past price rises have been incompatible with efforts to reduce inflation and enhance the viability of the external account and the attempt to achieve these objectives has necessitated tighter demand-management policies than would otherwise have been required, with possible consequences in the short run for output and employment levels.

External policy

The more flexible arrangements for managing the exchange rate introduced in November 1976[62] were acompanied in 1977 and 1978 by a gradual downward adjustment of the rate and since mid-1977 by increased reliance on official overseas borrowing[63]. The strengthening of the balance on private sector foreign exchange transactions which occurred in 1979 had an important impact on both elements of external policy. Its most direct consequence was to permit a sharp cut-back in the official overseas borrowing programme: only about one-third of the Commonwealth's net overseas borrowing of $ 1.35 billion in 1978/79 took place in the second half while the total for the first ten months of the current fiscal year amounts to less than $ ¼ billion. More important, however, was the scope created for external policy to reinforce the anti-inflationary thrust of domestic policies. The ensuing currency appreciation, although minor – the trade-weighted index rising by 2.7 per cent between March 1979 and May 1980 – was significant for the directional change it represented. The process of liberalisation of outward portfolio investment by Australian residents, begun in September 1972, was taken a step further on 1st April this year with an increase in the limits applying and a widening of the range of eligible investments. The effects on capital flows of this change are not expected to be large.

The 1978 and 1979 OECD Economic Surveys dealt in some detail with assistance and protection given to domestic manufacturing industry. The earlier analyses showed that although important reductions in protection had occurred up to 1974, the temporary assistance since then – mainly quantitative – on a range of manufactured goods had resulted in a rise in the level of protection for the most protected industries and in little net change in the overall degree of assistance[64]. While temporary assistance was given to mitigate the adverse effects of recession-related competition on employment in the most vulnerable sectors, it was incompatible with the Government's objective of creating a more open and competitive structure in manufacturing industry, thus giving rise to a conflict between short-term expedients and medium-term strategy. This position did not materially change in 1979[65]. Nevertheless, there may well have been some movement in the highly protected industries to adjust their structure to the evolving international situation, the temporary assistance having been designed to provide time for them to do so. At the same time, the Government gave its qualified approval to the recommendation of the Study Group on Structural Adjustment to embark on a programme of a general reduction in long-term protection. As temporary assistance for the clothing, textile and footwear industries is scheduled to end in mid-1981, a decision must soon be made whether it will be finally terminated or extended. During 1979 also, and following its consideration of the Report of the Study Group on Structural Adjustment, the Government reaffirmed its intention to embark on a programme of a gradual reduction in long-term protection, as circumstances permit. In announcing that reaffirmation the Government indicated its intention to await completion of the Tariff Review Programme (now

62 For details see OECD Economic Survey of Australia, April 1978, pp. 39-40.

63 As a means of supporting reserves, pending a return of private capital inflow to more normal levels.

64 The Industries Assistance Commission's (IAC) measure of the effective rate of assistance to manufacturing industry stood at 26 per cent in 1977/78, compared with 27 per cent in 1973/74. This does not, however, incorporate the impact of domestic sugar and petroleum pricing policies both of which, in recent years, involved a movement towards world parity, with the effect of diminishing the implicit subsidy to industry.

65 The introduction, from May 1979, of a 2 per cent ad valorem customs duty on certain categories of goods probably had the paradoxical effect for some industries of reducing, albeit marginally, the level of net assistance, bearing on the cost of inputs rather than on prices of competitive imports.

scheduled for late 1981), before asking the Industries Assistance Commission to inquire and report on the general approaches towards such a reduction in long-term protection. The decisions taken will have an important bearing on the medium-term developments of the economy, a subject discussed in Part II.

IV PROSPECTS AND POLICY CONSIDERATIONS

Short-term prospects

Since the last OECD Survey of the Australian economy, in June 1979, the prospects for the world economy have weakened considerably, following large increases in oil prices and the tightening of policies in a number of major OECD economies. The aggregate GDP of the OECD area is now expected to rise by 1¼ per cent in 1980, compared to 3½ per cent in 1979 and a long-run average of over 4 per cent. World trade – probably growing by about 3¾ per cent – is also expected to be sluggish. International interest rates are now generally high and the rate of inflation (private consumption deflators) seems set to increase from about 8½ per cent in 1979 to 11½ per cent in 1980. Although Australia is better placed than many other OECD countries to absorb the consequences of these international developments – which may affect Australia later than the larger industrialised economies, partly because of the commodity composition and direction of its trade – it is assumed that they will be

Table 19 **Short-term forecasts**
Percentage change, volume

	1978	1979	1980	1980-1981[4]
Consumption				
Private	2.4	2.2	2½	2½
Public	6.8	0.5	1	1
Gross fixed investment				
Private	3.0	2.9	6¾	9¾
of which: Dwellings	−6.4	8.8	4	3½
Other construction	6.8	−2.8	8½	15¼
Machinery and equipment	8.0	1.4	7¾	12
Public	0.0	−2.3	−3½	−2
Final domestic demand	3.0	1.6	2¼	3
Change in stockbuilding[1]	−0.5	1.7	−1	−¼
Total domestic demand[2]	2.6	2.7	1¼	2¾
Exports of goods and services	−1.1	14.2	9¼	6
Imports of goods and services	4.3	2.6	2¼	3
Change in foreign balance[1]	−0.8	1.9	1¼	½
Gross domestic product[2]	1.7	4.6	2½	3¼
Consumer prices[3]	8.5	9.5	10¼	10
Current external account (A$ billion)	−3.5	−1.9	−1¼	−1¾

1 Contribution to GDP growth (percentage points).
2 Includes statistical discrepancy not separately shown.
3 Private consumption deflator.
4 Fiscal year ending 30th June.
Sources: Quarterly National Accounts, ABS, and Secretariat forecasts.

felt in a reduction of export prospects (particularly for minerals and manufactured products), a continued rapid increase in import prices, a fall in the terms of trade of 5 to 6 per cent in 1980 and some uncertainty in the capital account of the balance of payments.

On the domestic side, the main assumptions which underlie the forecast concern fiscal and monetary policy and the development of wage rates. It is assumed that the present moderately restrictive stance of policy will be continued into the next, 1980/81, fiscal year. In quantitative terms this implies no increase in real public expenditure, after a small fall in 1979/80, no further relaxation of direct tax rates beyond those foreshadowed in the Treasurer's statement of 6th March, 1980, but some further, smaller adjustment of the oil levy in line with existing policy and the continued rise in world prices. Growth of M3 during the next twelve months is assumed to be restrained to about 10 per cent. The technical assumption has been adopted that wages will be fully indexed after discounting for oil price increases, but will be augmented by a continued flow-through of work-value awards which will add 2 per cent to the movement of wage rates between 1979 and 1980. There remains the possibility of a general productivity claim but the forecast does not allow for this.

For private households, wage incomes are expected to grow rather faster in 1980 than in 1979 but other personal incomes are likely to slow down. Total wages and salaries are forecast to rise by 12¼ per cent for the 1980 year, compared to 9¾ per cent in 1979, the consequence of a faster growth in wage rates, a continued (but slower) growth in employment and a small amount of wage drift. Some slowdown in the rise in wages and salaries is expected in the first half of next year. Farm incomes in 1980 should slow down considerably from the exceptional increases recorded during 1979, other private incomes (mainly self-employed) should decelerate in response to increased costs and the continued slow growth of demand; and, in line with the general stance of policy, it is assumed that transfer payments will increase at about the same rate this year (10¼ per cent) as they did in 1979. The balance of these forces is a steady profile for total household incomes which, in nominal terms, should show no acceleration between 1979 and 1980 but a small moderation in the first half of 1981. It is expected that while the rise in consumer prices is forecast to be higher on average in 1980 than in 1979, most of the acceleration has already taken place. In real terms, largely because of faster average growth in consumer prices this year, some slowing down is implied for both total household incomes and real disposable incomes, which slacken from a growth rate of just over 2½ per cent in 1979 to just under 1½ per cent in 1980. Tax changes play a relatively neutral role, the adjustment of tax rates from mid-year onward being approximately sufficient to prevent an increase in the aggregate tax ratio which might otherwise have arisen because of fiscal drag. Personal expenditure, however, should benefit from a further reduction in the saving ratio : the non-farm saving ratio has declined steadily in recent years but, because of the high level of farm incomes, the aggregate saving ratio is now significantly above its long-term trend. In view of this, there is clearly potential for a reduction which might add 1 per cent to real consumption, bringing growth for the year as a whole up to the 2½ per cent shown in the forecast. Little change in the growth rate of private consumption seems likely in the first half of 1981.

The course of private investment during 1980 appears likely to be more changeable and also subject to greater uncertainty than the pattern of consumption. Investment in dwellings is expected to slow down – there are already some signs that it may be doing so – in response to tighter financial conditions and a faster rise in house-building costs. For business fixed investment – building and construction plus plant and equipment – developments would appear to hinge on two main issues: the extent of any recovery in response to movements in demand, capacity utilisation and factor costs across the broad range of industry; and the amount of any additional investment associated with the development of resource-based industries in mining, energy and basic metal processing. On the first of these the main evidence derives from the survey of investment intentions which, excluding mining and basic metals, shows an expected level of investment in the first half of 1980 at least as high, and probably higher in volume terms than that recorded for the first half of 1979. If realised, this would represent a substantial recovery from the second half of 1979 when investment expenditures were depressed following the expiry of the additional investment allowance on plant and equipment. In addition to this recovery, the development cycle in energy, mining and mineral-related industries should begin to gather momentum during 1980 and into 1981. Some impetus has already been apparent in the rapid growth of investment in basic metals during 1979 and a further large increase is expected for 1980 which will have flow-through effects in other areas of manufacturing. In total, real private non-dwelling investment is expected to increase in 1980 by 8 per cent over 1979 and to continue this rate, probably with some acceleration in the first half of 1981.

An area of concern in the first part of 1980 is the likely behaviour of non-farm stocks. Stockbuilding in manufacturing, wholesale and retail trade was particularly large in the second half of 1979, contributing nearly 3 per cent (annual rate, seasonally adjusted) to the growth of GDP, and bringing the stock/sales ratio approximately back to the position at the beginning of 1978. Some reaction is expected during 1980, although the timing is uncertain, and given no further accumulation of farm stocks, stockbuilding as a whole is forecast to make a negative contribution of about 1 per cent to GDP growth in 1980. In total, and taken together with the continued restraint of real public expenditure, these movements in private expenditure imply a deceleration in total domestic demand, from 2.7 per cent in 1979 to about 1¼ per cent in 1980.

As far as external trade is concerned, the change in the real foreign balance should continue to make a positive contribution to GDP growth in 1980, although less than in 1979. There is still some momentum left in rural exports, particularly wheat, but manufactured exports, and probably minerals as well, may face slower growth of world markets during 1980. The forecast volume increase of over 9 per cent is in part a carryover from the very high levels reached towards the end of 1979, and implies a deceleration, to about 6 per cent per annum, in the second half of 1980. Imports are more directly related to the pattern of investment and stockbuilding. Import volumes were low in the second half of 1979, especially so in view of the increase in non-farm stocks. The fall, in the third quarter, reflects a reduction of investment expenditures on imported plant and equipment and transport machinery. There was an abrupt rise in the fourth quarter and in view of the expected increases in investment, some further recovery seems inevitable during 1980, although it could be offset by the lower level of stockbuilding. In total, import volumes are forecast to rise by just over 2 per cent, which embodies a rather faster increase – about 5 per cent per annum seasonally adjusted – in the first half of 1980. Real GDP is forecast to rise by 2½ per cent in 1980, equal to the 2.5 per cent increase in non-farm GDP in 1979. The rise in real GDP, however, is expected to accelerate considerably in the course of the year and an annual rate of increase of about 3½ per cent is forecast for the first half of next year. Between 1979 and 1980 employment growth is likely to be maintained, although at a slightly slower rate and unemployment may not improve to any marked extent. In spite of the fall in the terms of trade, the current external deficit is likely to be reduced to about $ 1¼ billion, compared to $ 1.7 billion in 1979.

Policy considerations

Since 1975 the Federal authorities have maintained a steady and moderately restrictive economic policy designed to correct the imbalances which developed as a result of the 1974 wage explosion. The Federal Budget deficit has been reduced and growth of public expenditure has slowed down as transfers to the private sector, and as far as possible to the States also, have been held in check; the growth of the money supply has been reduced; and the exchange rate taking the period as a whole has been depreciated, although the rate was adjusted upwards in 1979 and early-1980. Policy and the slowdown in world market prices produced a marked reduction in the rate of domestic inflation up to the end of 1978. There has also been an improvement in external competitiveness, some reduction in real unit labour costs and a partial reversal of the earlier increase in the measured wage and salary share of national income. The real economy, however, has grown slowly. The increases in demand and (non-farm) output have averaged about 2 per cent a year since 1974/75, a rate significantly lower than the growth of productive capacity so that until fairly recently unemployment has risen. Until 1978, the growth of import volumes exceeded those of exports which, combined with a deterioration in the terms of trade, made balance of payments prospects uncertain. Since then the external position has strengthened.

Looking ahead, it is difficult to assess the underlying strength of demand. The economy has recently benefited from two exceptional wheat harvests and a terms of trade improvement in 1979, while the pattern of investment has been affected by the reduction in mid-1979 of investment allowances. The recent large revisions to the national accounts statistics have also complicated the assessment of the current situation. Nevertheless, the growth of real non-farm GDP seems to have picked up since 1977. Despite the forecast slowdown in the rate of GDP growth in 1980 as a whole, a substantial acceleration is expected over the twelve months to mid-1981, reflecting notably business fixed investment. The expected weakening of the growth of world trade seems likely to dampen export prospects but less so than for many other Member countries, and a considerable rise in non-rural exports is probable. This together with improved external competitiveness and the recovery in manufacturing output and employment suggests that an underlying strengthening of real output and demand may be proceeding.

Whether or not the more encouraging signs prove durable may largely depend on the course of inflation. Within a setting of tight fiscal and monetary policies the outlook for inflation in the more immediate future seems likely to hinge considerably on the wage determination system. As discussed earlier, the recent period has seen some acceleration in the rise in wages and prices which is partly related to wage awards outside indexation. It is important that this development is not further exacerbated as it risks being if, following the widespread work value awards, there was an additional wage increase this year based on productivity rises or other grounds. It is to be hoped that progress can be made in improving consensus about the wage determination system and income distribution, taking into account the relationships between inflation, real wage costs and employment.

The formation and distribution of incomes will also play a vital role in the medium term as the large surge of investment in minerals, energy and related industries in the 1980s will raise the demand for labour, particularly for already-scarce skilled workers, which risks increasing wage inflation affecting the whole of the economy. These pressures are likely to be eased by immigration and an increase in the number of people being trained, but if they are to be contained, and in the absence of acceptance of economic realities about incomes, there may be little alternative but to maintain firm fiscal and monetary policies. In this context it seems important that the gains from the exploitation of natural resources are not reflected simply in higher nominal wages. The present wage fixation system based largely on full indexation every six months of wage rises to increases in consumer prices, unless the Arbitration Commission is persuaded to the contrary, may not be the most appropriate one as the authorities have recognised. The Government's recent consensus proposals on wage determination are to be welcomed in this regard: the continuation of six-monthly wage hearings would provide a higher degree of real wage security than in most other OECD countries, while agreement on automatic wage increases of less than full indexation would permit flexibility on real wage increases related to other economic requirements. It would seem eminently desirable, however, that wage determination takes account of the fact that if labour costs move out of line with those in other developed economies, efficient and internationally-competitive non-resource-based industries will be adversely affected as will employment.

Apart from the probable effects on the demand for labour and wages, the large natural resource projects now starting will have major effects on the economy over the medium term. As has been pointed out earlier, the scale of the projects is very large and although there are uncertainties about their size and timing, there is little doubt that there will be related developments:

i) large inflows of foreign equity and debt capital;
ii) very substantial increases in private fixed investment, particularly in minerals and basic manufacturing;
iii) substantial investment by governments and public enterprises in the provision of infrastructure, utilities and energy; and
iv) a high level of export receipts and the associated remittances abroad.

The prospective growth and the redistribution of resources towards high productivity industries arising from these developments are to be welcomed, but it is important nevertheless to recognise the major implications they have for economic policy if the economy is to be able to absorb the increased demand without creating inflationary pressures. It was pointed out in Part II of this Survey that the impact of the resource-based expansion of the economy on inflation prospects was closely related to protection of manufacturing industry and it is clear that the inflation risks involved will be lessened the more rapidly the longer-term policy of reducing protection is pursued. This task, of course, would be rendered less difficult by a lowering of import barriers in partner countries on exports of most importance to Australia. In addition to protection, it is desirable that the other possible effects of the large natural resource developments now starting are fully recognised and that policy is able to adjust to them. Among the more important of these is the role of the public sector — the extent to which it is involved in the development process through the provision of infrastructure and other services, in the pricing of its services, and the implications of these for the normal social and administrative priorities of government. The more the public sector is involved in the development process the more difficult will be the task of moderating the growth of public expenditure and it seems desirable that commitments by public authorities to attract large projects do not place undue demands on public financing or the national resources immediately available. As regards pricing, Australia has adopted an import-parity pricing for oil which is an essential basis for an efficient energy policy. But the pricing of some other energy forms, particularly electricity, may not in some areas be ideal for proper resource allocation and would appear to involve undue subsidies. The sizeable adjustments which will have to be faced may well be eased by more flexibility generally of interest rates than in the past. These would all seem to be major issues to be resolved quickly if the economy is to absorb in a non-inflationary way the large developments while at the same time achieving a more efficient and specialised non-resource-based manufacturing industry and high employment.

BLANK PAGE

Annex I

CRUDE OIL PRICING AND LEVY ARRANGEMENTS

From 1964, when domestic production commenced, until September 1970, the price of crude oil produced in Australia was set above import parity in order to encourage exploration. The discovery of large oil reserves (Bass Strait, 1967) prompted a change in pricing policy, announced in October 1968: in conjunction with a requirement that all home-produced oil be used by Australian refineries, the producer-price was established at October 1968 import parity for five years from 18th September 1970. An excise levy of $2.00 per barrel (also applying to naturally-occuring LPG), bearing on the price paid by refiners, was first introduced from 19th August 1975. A revision of policy, announced on 14th September 1975 and covering the next five years, introduced a distinction between "new" and "old" oil (see main text). It provided for producers of the former to receive import parity less the $2 levy and for a modest increase, based on costs and rates of return, in the price of "old" oil, to apply up to September 1978. In the 1976/77 Budget, oil discovered after 18th August, 1976 was entirely exempted from the levy.

Following the Industries Assistance Commission Report on crude oil pricing in September 1976, a major change in policy was instituted in the 1977/78 Budget, in conjunction with an increase in the levy to $3. Producers of "old" oil would receive import parity prices (less the levy) for a proportion of output (increasing from 10 per cent for the remainder of 1977/78 to 50 per cent by 1980/81) or 6 million barrels, whichever was greater. Such oil became known as "parity-related oil"; for the remaining oil from each field — known as "controlled-price oil" — the former post-levy return to producers was maintained, with the user-price equating to this plus the $3 levy.

The 1978/79 Budget raised the price paid by refineries (the user-price) for all domestic crude to import parity. While this did not affect either the user or producer price of "parity-related oil"[1], it sharply increased the user-price of "controlled-price oil". However, the return to producers of the latter was essentially unaltered in that the rate of levy was correspondingly raised. The latest change in the levy arrangements, bearing only on "parity-related oil", took effect from 1st July 1979, at the same time as an approximate $6 barrel rise in the import-parity price stemming from OPEC decisions during the first half of the year. The essence of this adjustment was to introduce a linkage between the rate of levy and *increases* in the import parity price. This implied that the return to producers of "parity-related oil" would no longer reflect the full extent of increases in the parity price. However, the new levy arrangements distinguished between fields (on the basis of annual production). In small fields (less than 2 million barrels), the levy remained at $3 per barrel. For medium fields (from 2 million to 15 million barrels), the levy was to be raised by 75 per cent of increases in the parity price subsequent to 30th June 1979, with the balance of 25 per cent supplementing the return to producers. In fields with annual production of 15 million barrels or more, the levy was raised by the amount of the 1st January and 1st July 1979 parity adjustments, stabilising the return to producers through 1979 at the level of December 1978. From 1st January 1980, this was to be indexed to the lesser of the increase in the consumer price index after end-1978 and the increase in parity prices after 1st July 1979. Decisions in relation to the phasing towards "parity-related" prices to producers beyond 1980/81 were also announced at that time: for fields producing more than 15 million barrels per annum, it is not intended to increase the proportion attracting a parity-related return above 50 per cent, but for others it has been decided in principle to continue beyond this level.

Annex Table 1 summarises the position in relation to "old" oil[2] following the January 1980 increase in the import parity price, giving a general indication of the proportion of output in each category. For the sake of simplicity, the levy rates and returns to producers shown are those in relation to Bass Strait oil (with an import-parity price of $24.77 per barrel) which, while accounting for about nine-tenths of Australian production, is not altogether representative in other respects.

---

1 The routine adjustments of the import-parity price itself continued, of course, to influence both.
2 Oil discovered after 18th August 1976 is, as noted above, exempt from the levy.

Annex Table 1 **Crude oil levy and producer returns, January 1980**
A$ per barrel

	Small areas	Medium areas		Large areas	
	A only	A	B	A	B
Levy	3.00	11.33	22.27	14.54	22.27
Price to producer	21.77	13.44	2.50	10.23	2.50
Approximate percentage of total production[1]	2½	12	2½	29	54

A Parity-related.
B Controlled-price.
1 First quarter of 1980.
Source: Budget Paper No. 1, 1979-1980.

Annex II

WAGE DETERMINATION PRINCIPLES

The Principles of wage determination laid down by the Australian Conciliation and Arbitration Commission in the April 1975 National Wage Case decision were:

1 The Commission will adjust its award wages and salaries each quarter in relation to the most recent movement of the six-capitals CPI unless it is persuaded to the contrary by those seeking to oppose the adjustment.

2 For this purpose, the Commission will sit in April, July, October and January following the publication of the latest CPI. We expect the time of such hearings to be short.

3 Any adjustment in wage and salary award rates on account of CPI should operate from the beginning of the first pay period commencing on or after the 15th of the month following the issue of the quarterly CPI.

4 The form of indexation will be determined by the Commission in the light of circumstances and the submissions of the parties, provided that an increase of less than 2 per cent in any one quarter should be applied fully to all award rates.

5 No wage adjustment on account of the CPI will be made in any quarter unless the movement in that quarter was at least 1 per cent. Movement in any quarter of less than 1 per cent will be carried forward to the following quarter or quarters and an adjustment will occur when the accumulated movement equals 1 per cent or more.

6 Each year the Commission will consider what increase in total wage should be awarded on account of productivity.

7 In addition to the above increases, the only other grounds which would justify pay increases are:

a) Changes in work value such as changes in the nature of the work, skill and responsibility required, or the conditions under which the work is performed. This would normally apply to some classifications in an award although in rare cases it might apply to all classifications.

b) Catch-up of community movements. As a result of a series of industry wage increases last year a firm base has been widely established with appropriate relativities between and within awards on which indexation can be applied. However, there may be some cases where awards have not been considered in the light of last year's community movements. These cases may be reviewed to determine whether for that reason they would qualify for a wage increase but care must be exercised to ensure that they are genuine catch-up cases and not leapfrogging. It will be clear that this catch-up problem is a passing one and should not occur under the orderly system of wage fixation we propose as the basis of indexation.

It is to be understood also that the compression of relativities which has occurred in awards in recent years does not provide grounds for special wage increases to correct the compression. Compression is a matter which could be raised for consideration in cases dealing with the form of indexation and in cases dealing with national productivity distribution.

8 Any applications under paragraph 7 above whether by consent or otherwise will be tested against the principles we have laid down, and viewed in the context of the requirements for the success of indexation. This does not mean the frustrtion of the process of conciliation but it does mean that the Commission should guard against contrived work value agreements and other methods of circumventing our indexation plan. We draw attention to section 4(1)(*q*) of the Act which says that the meaning of "industrial matters" includes "all questions of what is right and fair in relation to an industrial matter having regard to the interests of the persons immediately concerned and of society as a whole".

Between the April 1975 decision and the 1978 Wage Fixation Principles Inquiry, some of the Principles had been refined, but the major changes came with the Inquiry when the following Principles were laid down:

1 The Commission will adjust its award wages and salaries every six months in relation to the last two quarterly movements of the six-capitals CPI unless it is persuaded to the contrary by those seeking to oppose the adjustment.
2 For this purpose, the Commission will sit in October and April following the publication of the CPI for the September and March quarters respectively. We expect the time of such hearings to be short.
3 Any adjustment in wage and salary award rates on account of the CPI for the six month period will, if practicable, operate from the beginning of the first pay period commencing on or after the 15th of the month following the issue of the September quarter CPI in one case and the March quarter CPI in the other.
4 The form of indexation will be uniform percentage adjustment unless the Commission decides otherwise in the light of exceptional circumstances. It is to be understood that the compression of relativities which has occurred in awards in recent years does not provide grounds for special wage increases to correct the compression.
5 No wage adjustment on account of the CPI will be made in any six month period unless the movement in that six month period was at least 1 per cent. Movement in any six month period of less than 1 per cent will be carried forward to the following six months period or periods and an adjustment will occur when the accumulated movement equals 1 per cent or more.
6 Each year the Commission will consider what increase in total wage or changes in conditions of employment should be award nationally on account of productivity.
No hearing under this principle will commence before October 1979.
7 In addition to the above increases, the only other grounds which would justify increases in wages or salaries are:

a) *Changes in work value*

Changes in work value being changes in the nature of the work, skill and responsibility required, or the conditions under which the work is performed. This would normally apply to some classifications in an award although in rare cases it might apply to all classifications.

i) Prima facie the time from which work value changes should be measured is the last movement in the award rates concerned apart from National Wage and Indexation. That prima facie position can only be rebutted if a party demonstrates special circumstances and even then changes can go back only to 1st January 1970.
ii) Changes in work by themselves may not lead to changes in the value of work. The change should constitute a significant net addition to work requirements to warrant a wage increase.
iii) Where it has been demonstrated that a change has taken place in accordance with the principles, an assessment will have to be made as to how that change should be measured in money terms.
iv) The expression "the conditions under which the work is performed" relates to the environment in which the work is done.
v) Re-classification of existing jobs is to be determined in accordance with this principle.

b) *Catch-up of community movements*

As a result of a series of industry wage increases in 1974 a firm base has been widely established with appropriate relativities between and within awards on which indexation can be applied. However, there may be some cases where awards have not been considered in the light of the community movements in 1974. These cases may be reviewed to determine whether for that reason they would qualify for a wage increase but care must be exercised to ensure that they are genuine catch-up cases and not leap-frogging.

i) This principle refers to only one community and not to a plurality of communities.
ii) The $24 awarded in the Metal Industry Award should not simply be converted into a percentage and applied throughout a wage and salary scale.
iii) Paid rates awards should not be accorded increases for 1974 which differ from those granted in minimum rates awards nor is it relevant to compare minimum rates with paid rates.

Any application under this Principle must be lodged before 31st December 1978.

c) *Anomalies*

The resolution of anomalies and special and extraordinary problems by means of the Conference already established to deal with anomalies and in accordance with the procedures laid down for them.

d) *Inequities*

A. The resolution of inequities existing where employees performing similar work are paid dissimilar rates of pay without good reason. Such inequities shall be processed through the Anomalies Conference and not otherwise, and shall be subject to all the following conditions:

i) The work in issue is similar to the other class or classes of work by reference to the nature of the work, the level of skill and responsibility involved and the conditions under which the work is performed.

ii) The classes of work being compared are truly like with like as to all relevant matters and there is no good reason for dissimilar rates of pay.

iii) In addition to similarity of work, there exists some other significant factor which makes the situation inequitable. An historical or geographical nexus between the similar classes of work may not of itself be such a factor.

iv) The rate of pay fixed for the class or classes or work being compared with the work and is not vitiated by any reason such as an increase obtained for reasons inconsistent with these guidelines as a whole.

v) Rates of pay in minimum rate awards are not to be compared with those in paid rate awards.

B. In dealing with inequities, the following overiding considerations shall apply:

i) The pay increase sought must be justified on the merits.

ii) There must be no likehood of flow-on.

iii) The economic cost must be negligible.

iv) The increase must be a once-only matter.

C. The requirements of A and B above shall be observed in the Anomalies Conference and by a full bench to which an inequities application might be referred. The peak union councils must initiate these claims and, in particular, assist in the resolution of issues as to possible flow-on.

8 *Allowances*

Allowances may be adjusted from time to time where appropriate but this does not mean that existing allowances can be increased extravagantly or that new allowances can be introduced the effect of which would be to frustrate the general intention of the principles.

a) *Existing allowances*

i) Existing allowances which constitute a reimbursement of expenses incurred may be adjusted from time to time where appropriate to reflect the relevant change in the level of such expenses.

ii) Existing allowances which relate to work or conditions which have not changed may be adjusted from time to time to reflect the movements in wage rates as a result of national wage decisions.

iii) Existing allowances for which an increase is claimed because of changes in the work or conditions will be determined in accordance with the relevant provisions of Principle (7)(*a*).

b) *New allowances*

i) New allowances will not be created to compensate for disabilities or aspects of the work which are comprehended in the wage rate of the classification concerned.

ii) New allowances to compensate for the reimbursement of expenses incurred may be awarded where appropriate having regard to such expenses.

iii) New allowances to compensate for changes in the work or conditions will be determined in accordance with the relevant provisions of Principle (7)(*a*).

iv) New allowances to compensate for new work or conditions will be determined in accordance with the relevant provisions of Principle (9).

c) *Service increments*

Service increments shall not be introduced or altered except in accordance with the following provisions.

i) Existing service increments covered by federal awards may be adjusted in the manner prescribed in (*a*)(*ii*) of this Principle.

ii) New service increments to compensate for changes in the work or conditions will be determined in accordance with the relevant provisions of Principle (7)(*a*).

9 *First awards and extensions of existing awards*

a) In the making of a first award, the long established principles shall apply i.e. the main consideration is the existing rates and conditions (General Clerks Northern Territory Award III CAR 916).

b) In the extension of an existing award to new work or to award-free work the rates applicable to such work will be assessed by reference to the value of work already covered by the award.

c) In awards regulating the employment of workers previously covered by a State award or determination, existing rates and conditions prima facie will be the proper award rates and conditions.

In Part 2 of its January 1979 decision, the main change in the Principles related to Principle (7)(*a*). Principle (7)(*b*) was deleted. The revised (7)(*a*) is now:

7 a) *Changes in work value*

Changes in work value arising from changes in the nature of the work, skill and responsibility required, or the conditions under which the work is performed. Except for an award which has not been subject to averaging or across-the-board increases since 30th April 1975 it is not permissible under this Principle to alter the rates of all classifications or the substantial proportion of classifications or employees covered by an award unless the Anomalies Conference has found that there is a special and extraordinary problem.

i) Prima facie the time from which work value changes should be measured is the last movement in the award rates concerned apart from National Wage and Indexation. That prima facie position can only be rebutted if a party demonstrates special circumstances and even then changes can go back only to 1st January 1970.

ii) Changes in work by themselves may not lead to changes in the value of work. The change should constitute a significant net addition to work requirements to warrant a wage increase.

iii) Where a significant net addition to work value has been established in accordance with this Principle, an assessment will have to be made as to how that addition should be measured in money terms. Such assessment should normally be based on the previous work requirements, the wage previously fixed for the work and the nature and extent of the change in work. However, wherever appropriate, comparisons may also be made with other wages and work requirements within the award or to wage increases for changed work requirements in the same classification in other awards.

iv) The expression "the conditions under which the work is performed" relates to the environment in which the work is done.

v) Re-classification of existing jobs is to be determined in accordance with this principle.

Annex III

CALENDAR OF MAIN ECONOMIC EVENTS

1979

11th January

It was announced that the Statutory Reserve Deposit ratio of the major trading banks was being raised from 3.5 per cent to 4.5 per cent, effective 16th January, 1979. The move would require banks to lodge approximately an additional $195 million in their Statutory Reserve Deposit accounts with the Reserve Bank.

18th January

The Treasurer announced the establishment of a committee to inquire into the Australian financial system. In its terms of reference the committee is asked:

i) To inquire into and report on the structure and methods of operation of the Australian financial system;
ii) To inquire into and report on the regulation and control of the system;
iii) To make recommendations for the improvement of the structure and operations of the financial system and its regulation and control.

25th January

It was announced that the Commonwealth had completed a Gld. 300 million ($132 million) syndicated bank loan. The borrowing carried an interest rate of 9.25 per cent per annum for its 10 year term.

Changes were announced in the conditions which apply to exchange control authorities for direct investment overseas by Australian residents. The main change was that with some exceptions and subject to certain reporting procedures, earnings from such investments may be retained overseas for the financing of growth in working capital and for firmly planned future expansion without specific prior exchange control authority.

11th February

Increased yields on Commonwealth securities were announced (previous yields in brackets):

— May 1980 bonds	8.65 per cent (8.6 per cent)
— July 1982 bonds	8.9 per cent (8.8 per cent)
— February 1989 bonds	9.0 per cent (8.8 per cent)

Maximum rates for borrowings by local and semi-government authorities were raised by 0.2 percentage points.

21st February

The Reserve Bank of Australia announced an increase in SRD ratios from 4.5 per cent to 5.5 per cent effective from 2nd March, requiring banks to lodge approximately an additional $200 million with the Reserve Bank.

22nd February

The completion of arrangements for two new Swiss franc loans, each of approximately $132 million, was announced. One, a bank loan carrying an interest rate of 3.25 per cent, matures in 1984. The other, a private placement, matures in 1986 and carries an interest rate of 3.125 per cent.

25th February

Wool prices reach a five-year high with an indicator price at 343 cents/kg (clean).

6th March

The Crawford Report on structural adjustment was released. The report contained a number of recommendations designed to promote the development of a more export-oriented manufacturing sector including:

- further assistance under the export incentive grants scheme;
- increased government assistance for industrial research and development;
- a gradual reduction of tariff protection.

9th March

It was announced that $150 million of the Australian Wheat Board's financing requirement would be met by the issue of commercial bills.

12th March

Agreement to final terms of a public bond issue in Switzerland was announced. The borrowing of SF250 million (approximately $133 million) carried an interest rate of 3.625 per cent and matures in 1989.

2nd April

Federal and State Governments agreed to change arrangements for issuing new Commonwealth securities. The system of regular Commonwealth bond issues was to be replaced by a "tap" issue system and Treasury notes were to be sold by a periodic tender, replacing the system of continuous issue at predetermined prices.

17th April

Yields on new issue Treasury notes are increased from 8.353 per cent to 9.023 per cent (13 week notes) and from 8.616 per cent to 9.296 per cent (26 week notes).

22nd April

The Treasurer announced a package aimed at moderating money supply growth. The major elements were:

- a 0.5 per cent increase in interest rates on the new series of Australian Savings Bonds to 9.25 per cent and an increase in the maximum holding from $100 000 to $150 000.
- the issue of further commercial bills by the Australian Wheat Board (up to $300 million), the proceeds to be paid to the Reserve Bank of Australia to decrease the Board's overdraft with the bank;
- an immediate 0.7 per cent increase on interest rates on semi- and local government securities.

9th May

A May conversion loan, with yields ranging from 9.6 per cent to 9.7 per cent, was announced, lifting the long-term bond rate by 0.7 percentage points.

23rd May

The Reserve Bank announced that quantities of the three securities issued in the conversion loan would be made available through authorised money-market dealers and stock exchange brokers.

24th May

The Treasurer announced a package of fiscal measures aimed at limiting the budget deficit in 1979-80 and beyond. The major revenue items in the package were:

i) The extension, until 30th November 1979 or such earlier date as may be proclaimed, of existing PAYE income tax deductions. This meant that the reduction in personal income tax that was to take effect on 1st July 1979 would not occur. Adjustments were to be made in respect of:

a) The 1.5 cent in the dollar income tax surcharge introduced as a temporary measure in the 1978-1979 budget. The surcharge was imposed at an effective rate of 2.57 cents in the dollar for PAYE purposes from 1st November 1978 in order to collect the full year's revenue by 30th June 1979. The effective surcharge of 2.57 cents was continued.

b) The resumption of full indexation of income tax scales was further postponed. The indexation factor which would have been applied was 6.5 per cent derived from the CPI movement in the year to March 1979 (7.9 per cent) less the price effects of the December quarter 1976 devaluation (0.2 per cent), the net effects of changes in indirect taxes in the previous two budgets (1.0 per cent), and the effects of import parity pricing of local oil production (0.2 per cent).

As a consequence of the decision, additional tax at the rate of approximately $120 million per month would be collected from PAYE deductions.

ii) The restriction of taxation deferments or reductions due to "paper" losses carried forward and claimed against incomes earned in later years.

iii) An increase, as from 1st July 1979, in the import-parity oil levy by an amount equal to the increase in the import-parity price over the first six months of the year. This measure provided a self-adjusting mechanism for settling the levy on "import-parity" oil so that the public revenue – rather than producers – secures the gains from future price increases.

iv) Continuation of the coal export levy beyond the planned expiry of 30th June 1979, adding about $100 million to revenue in 1979-80.

v) Termination of the trading stock valuation adjustment, giving an annual revenue effect of around $370 million as from the 1980-81 fiscal year.

vi) The imposition of a 2 per cent ad valorem customs duty on most goods previously imported duty free. This measure to yield about $73 million in 1979-1980. (This revenue estimate reflects a decision subsequent to 24th May to exempt goods covered by the Florence agreement.)

The Treasurer also announced a number of expenditure-cutting decisions in the following areas:

– Health
– Assistance to primary industry
– Transport
– Home savings grants
– Export expansion grants

and foreshadowed the announcement of decisions in respect of education expenditure.

7th June

Yields on the "tap" stocks were increased; the new yields ranged from 9.85 per cent to 10.09 per cent.

13th June

Effective 14th June, the maximum interest rates for borrowings by local and semi-government authorities were increased by 0.4 percentage points.

29th June

The Loan Council agreed to State Government programmes for 1979-80 totalling $1 245.0 million and borrowing programmes for "larger" State authorities of $1 301.6 million, plus infrastructure borrowing programmes for such authorities of $400.7 million.

The Minister for National Development announced that, following the recent price rise decided by OPEC, new import parity prices for Australian indigenous crude applied from 1st July 1979. The price for Bass Strait crude oil was being raised to $18.66 per bbl.

July

Regular auctions of Treasury notes commenced.

5th July

The Minister for Business and Consumer Affairs and the Acting Minister for Industry and Commerce announced details of additional import quota allocations for textiles and apparel items in respect of the period 1st September 1979 to 29th February 1980. It was also announced that the Government would adopt the recommendations of the IAC report on hoists, pulley tackle and winches that a long-term industry rate of 25 per cent for all goods under reference should be adopted.

11th July

The Minister for Business and Consumer Affairs and the Minister for Industry and Commerce announced the Government's decision to extend by one year the current three-year programme of assistance for the textiles, clothing and footwear industries.

7th August

Terms were announced for a conversion offer to holders of $64.5 million Commonwealth securities which matured on 15th August 1979. The securities offered were: 9.9 per cent, November 1980, at par; 10 per cent, July 1986, issued at 99.80 per cent to yield 10.04 per cent; and Australian Savings Bonds – Series 14, yielding 9.25 per cent.

15th August

Increases (of up to 40 per cent) in the basic health insurance rates were announced, effective 1st September.

21st August

The Treasurer presented the 1979—80 Budget. The main features were:

- an increase in outlays of 9.1 per cent (to $31 692 million) in 1979-80, compared with an increase of 8.4 per cent in 1978-79;
- an increase in receipts of 15.4 per cent (to $29 499 million) in 1979-80 compared with an increase of 8.9 per cent in 1978-79;
- a deficit of $2 193 million, $1 285 million less than the actual 1978-79 Budget deficit, and a domestic deficit of $875 million, $1 383 million less than the 1978-79 outcome;
- the lifting of the personal income tax surcharge with effect from 1st December 1979;
- an increase in the retention allowance for trading profits of private companies from 60 to 70 per cent;
- the introduction of twice yearly indexation for all indexed pensions and benefits, with indexation being automatic, commencing in November, 1979;
- a statement in the Budget Speech that growth in the broadly defined measure of the volume of money (M3) of about 10 per cent over the course of the year would be compatible with policy and that on present assessments it seemed appropriate that the outcome be not more than 10 per cent.

18th September

It was announced that discussions were taking place with Japanese authorities and financial institutions regarding a possible public bond issue and the possibility of an institutional borrowing similar to those undertaken by the Commonwealth the previous year.

20th September

The Minister for Trade and Resources announced that, as part of a series of initiatives concerning Australia's trading relations with developing countries, especially ASEAN, British preferential tariff margins would be eliminated on those items where the British preferential rate is lower than the developing country rate.

28th September

A Full Bench of the Conciliation and Arbitration Commission announced that no final decision on the future of wage indexation had been reached during the conference on indexation.

26th October

The Treasurer announced the finalisation of negotiations in Tokyo for the Commonwealth's latest institutional borrowing in Japan. The interest rate on the loan of Y40 billion (approximately $A 160 million) over twenty years would be 8.3 per cent per annum and the effective cost to the Commonwealth, after commissions, 8.34 per cent per annum. It was also announced that the Commonwealth Government had filed with the Japanese Ministry of Finance a Registration Statement for a public bond issue on the Tokyo capital market.

31st October

A new series of Australian Savings Bonds – Series 15 – carrying an interest rate of 9.25 per cent, the same as for Series 14, was announced.

6th November

An announcement was made that the International Monetary Fund had approved an application by Australia for a drawing of $27.7 million from its Buffer Stock Financing Facility for the purpose of funding special stocks accumulated by Australia during 1978 as part of its obligations under the International Sugar Agreement.

8th November

The Minister for Trade and Resources and the Minister for National Development announced that the States were being invited to carry out a reassessment of the prospective demands on them for electricity and, if necessary, to submit proposals for new coal-based electricity projects for consideration under the Loan Council infrastructure financing guidelines, with a view to increasing electricity supply capacity.

22nd November

The completion of negotiations for a fourth Yen public bond issue on the Tokyo capital market was announced. The loan of ¥30 billion (approximately $A112 million) would carry an interest rate of 8.2 per cent per annum over a term of 12 years.

27th November

The Minister for National Development announced that oil produced from Esso/B.H.P.'s Fortescue field would be classified as "new" oil under the Government's crude oil pricing policy, thus attracting import parity price free of the production levy.

30th November

The Governor of the Reserve Bank announced that the Statutory Reserve Deposit ratio of the major trading banks would be raised from 5.5 per cent to 6 per cent effective 6th December.

The Minister for Primary Industry announced that the guaranteed minimum delivery price for wheat to apply for the 1979-80 season under the new wheat marketing arrangements would be $114.71 per tonne. The Minister also announced that the price of wheat sold on the domestic market for human consumption had been set under the legislation at $128.78 per tonne.

7th December

The Commonwealth and State Governments, meeting as the Loan Council, approved nine new infrastructure projects under the special financing programme designed to accelerate national development. The new projects would require additions to semi-government borrowing programmes totalling $800 million at current prices over the eight-year period to 1986-87.

The Treasurer announced the adoption by the Premiers' Conference of new guarantee arrangements which would set a minimum amount to be provided to the States in 1980-81 under the tax sharing arrangements. The States' tax sharing entitlements in 1980-81 would be 39.87 per cent of net personal income tax collected in 1979-80, distributed amongst the States according to the tax sharing relativities. Under the new guarantee arrangements each State would receive no less in real terms than the amount it received in 1979-80.

Details of the new arrangements for the issue of Treasury notes by tender, to operate from 19th December, 1979, were released. Treasury notes will now be sold by periodic tender instead of being on continuous issue at pre-determined prices.

The Treasurer announced that a conversion loan would not be made to holders of $496.2 million Commonwealth bonds due to mature on 15th December.

12th December

Further details of the proposed income tax concessions, announced in the 1979-80 Budget Speech, to apply in respect of expenditure on converting oil-fired industrial equipment to use alternative energy sources, were supplied.

30th December

New import parity prices to apply in respect of indigenous crude oil production from 1st January 1980 were established. The price of Bass Strait crude, which comprises over 90 per cent of Australian production, was increased by $6.11 per barrel to $24.77 per barrel.

1980

1st January

Australia repurchased the equivalent of SDR61.7 million of Australian currency from the International Monetary Fund. This repurchase obligation stemmed from Australia's 1976 drawing from the IMF's Compensatory Financing Facility.

The Treasurer announced that, on the basis of import parity price levels effective from 1st January 1980, the crude oil levy would produce extra revenue of approximately $404 million in the 1979-80 financial year. The total revenue from the crude oil and LPG levy in 1979-80 would rise to approximately $2 500 million.

4th January

The Treasurer announced that Australia had received, on 1st January, an allocation of 82.16 million Special Drawing Rights from the International Monetary Fund. The allocation, the fifth to be made to Australia by the Fund, would be worth approximately $A97.6 million.

The Conciliation and Arbitration Commission granted an increase of 4.5 per cent in all Federal Awards, effective from the first pay period commencing on or after 4th January.

11th January

The Reserve Bank announced that, from 14th January, stocks which, for the time being, the Bank stood ready to supply through selected intermediaries at named prices would be a 9.7 per cent October 1982 stock and a 10.0 per cent February 1985 stock. (The 9.7 per cent May 1989 stock previously available under these arrangements was withdrawn.) The effect was to increase yields by about 0.4 percentage points above the previous theoretical yield curve.

16th Januaray

An increase in the maximum interest rates for borrowings by local and semi-government authorities, effective from 17th January 1980, was announced.

24th January

The Minister for National Development and Energy announced a temporary scheme of assistance to household users of LPG. The scheme, involving a subsidy of $80 per tonne of LPG, would operate for three years.

29th January

The Australian Wheat Board requested up to an extra $100 million in commercial bill finance, in addition to the $767 million arranged in December.

30th January

The Treasurer announced the placing of the Commonwealth's name in the queue of prospective borrowers for a public bond issue and private placement in the German cpital market. Lead manager for both the public issue and private placement, if pursued, would be Deutsche Bank.

5th February

It was announced that Commonwealth securities totalling $182.4 million which were issued in February 1975 would be redeemed, with redemption payments being made from balances in the National Debt Sinking Fund and the Loan Fund.

The Minister for National Development and Energy announced that the Government had decided to defer adjustment of the import parity price of domestically-produced crude oil following the latest increase of $US2 per barrel in the price of Saudi Arabian light oil which was to take effect retroactively from 1st January 1980.

14th February

The Treasurer announced that the Government had completed negotiations with Deutsche Bank for a public bond issue on the German capital market of DM250 million (approximately equivalent to $A130 million). On 21st February, the completion of negotiations for a private placement borrowing of DM150 million (approximately $A78 million) was announced.

Reserve Bank approval of a 0.5 percentage increase in ANZ Bank small overdraft rates, the first for five years, was announced.

19th February

A five-year defence programme, announced by the Prime Minister, envisaged an increase in spending of 7 per cent per annum, raising it from 2.6 per cent of GDP currently to about 3 per cent in 1984/85, and involving additional expenditure of approximately $100 million in 1980/81.

2nd March

It was announced that the maximum interest rates for borrowings by local and semi-government authorities were to be increased with effect from 3rd March 1980.

The introduction of a new series of Australian Savings Bonds, Series 16, with an interest rate of 9.75 per cent, an increase of 0.5 per cent over the rate of the previous series, was announced.

6th March

The Treasurer delivered an economic statement in the House of Representatives in which he announced that:

- the mid-year review of Budget outlays and receipts had been completed and had indicated that, apart from the increased receipts from the crude oil levy, the Budget was very much on track;
- growth in the volume of money (M3) of about 10 per cent over 1979-80 was still judged by the Government to be appropriate;

- the entire proceeds of the increased oil revenue flowing from the increases in OPEC prices would be applied this year towards a reduction in the Budget deficit;
- with effect from 1st July 1980, the personal income tax rebate for dependant spouses would be increased from $597 per annum to $800 per annum. There would be equivalent percentage increases for other dependant rebates as well as for the sole parent rebate;
- 50 per cent indexation of the personal taxation scale would apply from 1st July 1980.

The Minister for Business and Consumer Affairs and the Minister for Industry and Commerce announced that the Government had adopted, with minor variation and subject to international commitments, the Industries Assistance Commission's recommendations on levels of assistance for the industry producing rubber products. This provided for a long-term industry rate of 25 per cent with a provision for phasing of some duties to this rate.

24th March

The Bank of New South Wales lifted its interest rate on housing loans by 0.5 per cent to 10 per cent, effective from April.

31st March

Modifications to the permissible amounts and categories of portfolio investment overseas were announced. The new annual limits for overseas equity and real estate investment are $40 000 for individuals, $250 000 for substantial private companies and $2.5 million for listed and substantial unlisted public companies and institutions. Within these limits individuals may now also invest annually up to $10 000, substantial private companies up to $100 000 and public companies up to $1 million in certain longer-term fixed interest securities.

8th April

The Minister for National Development and Energy announced a reduction in the maximum wholesale price of naturally occurring and ex-refinery liquid petroleum gas (propane and butane) to $205 per tonne for automotive and traditional LPG users. The effective price of LPG for household use would be $125 per tonne after taking into account the $80 per tonne subsidy announced on 24th January 1980. (For petro-chemical and non-traditional uses the price would be determined by commercial negotiation.) In the future, the wholesale price would increase by the same percentage as the price of indigenous crude oil.

9th April

The ANZ Bank's rate on overdrafts in excess of $100 000 was raised by 0.5 percentage points. Other banks followed with 1 per cent increases.

13th April

The Treasurer announced details of the new tap issue arrangements for the marketing of Commonwealth Bonds: Under these arrangements, bonds would be available on a more-or-less continuous basis throughout the year, but the Reserve Bank would continue operations from its own portfolio on the open market. It was also announced that the maximum interest rates on local and semi-government authorities' borrowings would be linked, on a weekly basis, to the yield on Commonwealth bonds.

16th April

It was announced that the Government had decided to eliminate all British tariff preferences still remaining on 1st July 1981. All imports from Britain and Ireland would then attract duties equivalent to General Tariff rates.

29th April

The Acting Treasurer announced that the Australian Loan Council had decided on the terms and conditions for the initial stocks to be issued, on 30th April, under the new tap system for the marketing of Commonwealth Bonds. The Acting Treasurer also announced that, consistent with yields offered on initial tap stocks, new maximum borrowing rates by local and semi-government authorities would apply from 30th April.

7th May

The Treasurer announced that the 1980/81 Federal Budget would be brought down on 19th August.

BLANK PAGE

STATISTICAL ANNEX

Table A Gross domestic product

$ million, current prices

Year ended 30th June	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Expenditure										
1 Private consumption	18 480	20 410	22 690	25 442	30 040	36 448	43 370	49 492	54 991	61 380
Durables	2 420	2 631	2 920	3 295	4 151	5 170	6 105	6 739	6 992	7 435
Other	16 060	17 779	19 770	22 147	25 889	31 278	37 265	42 753	47 999	53 945
2 Government current expenditure	3 658	4 199	4 781	5 441	6 832	9 201	11 445	13 390	15 166	16 744
3 Gross fixed capital formation	7 926	8 789	9 637	10 178	11 766	14 206	16 928	18 918	20 549	22 780
Private	5 162	5 839	6 331	6 685	7 772	8 534	10 227	11 769	12 617	14 475
Public enterprises	1 523	1 576	1 792	1 817	2 082	2 901	3 304	3 704	4 230	4 460
General government	1 241	1 374	1 514	1 676	1 912	2 771	3 397	3 445	3 702	3 845
4 Change in stocks	439	460	20	−293	1 207	1 099	53	1 168	−404	990
5 Exports of goods and services	4 733	5 044	5 596	6 937	7 762	9 938	10 942	13 061	13 924	16 403
6 Imports of goods and services	4 759	5 092	5 216	5 353	7 672	10 018	10 468	13 297	14 474	17 234
7 Statistical discrepancy	−84	−209	27	378	1 335	828	384	370	755	143
8 Gross domestic product at purchasers' values	30 393	33 601	37 535	42 730	51 270	61 702	72 654	83 102	90 507	101 206
Origin										
1 Agriculture, hunting, forestry and fishing	2 162	2 017	2 332	3 091	4 167	3 636	3 662	4 119	4 025	n.a.
2 Manufacturing	7 000	7 654	8 148	8 994	10 491	12 149	13 601	15 304	16 615	n.a.
3 Other industry	4 109	4 609	5 235	5 826	6 794	8 568	9 959	11 371	12 398	n.a.
4 Services	14 098	16 033	18 120	20 575	24 515	30 735	36 905	42 556	47 112	n.a.
5 Indirect taxes less subsidies	3 024	3 288	3 700	4 244	5 303	6 614	8 527	9 752	10 357	12 138
6 Gross domestic product at purchasers' values	30 393	33 601	37 535	42 730	51 270	61 702	72 654	83 102	90 507	101 206

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

Table B Gross domestic product

$ million, average 1974-1975 prices

Year ended 30th June	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Expenditure										
1 Private consumption	29 361	30 540	31 796	33 546	35 343	36 448	37 513	38 414	39 016	39 943
Durables	3 439	3 610	3 805	4 136	4 837	5 170	5 434	5 520	5 303	5 348
Other	25 922	26 930	27 991	29 410	30 506	31 278	32 079	32 894	33 713	34 595
2 Government current expenditure	7 275	7 570	7 690	7 898	8 488	9 201	9 942	10 479	11 009	11 458
3 Gross fixed capital formation	13 315	14 052	14 371	14 263	14 530	14 206	14 635	14 517	14 427	14 889
4 Change in stocks	788	461	−105	−532	1 500	1 099	72	937	−541	1 162
5 Exports of goods and services	8 111	8 901	9 453	9 616	9 098	9 938	10 172	10 926	11 170	11 392
6 Imports of goods and services	7 956	7 841	7 551	7 659	9 846	10 018	9 421	10 340	9 931	10 800
7 Statistical discrepancy	−129	−311	54	532	1 645	828	369	322	558	123
8 Gross domestic product at purchasers' values	50 765	53 372	55 708	57 664	60 758	61 702	63 282	65 255	65 708	68 167

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	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Compensation of employees	16 053	18 411	20 557	22 963	28 124	36 110	41 539	46 934	51 534	55 505
Wages and salaries	..	..	..	..	..	..	..	..	..	..
Supplements to wages and salaries	..	..	..	..	..	..	..	..	..	..
Income from property and entrepreneurship	5 700	6 029	6 993	8 495	10 616	11 586	13 150	15 316	16 994	21 310
Income from independent traders	..	..	..	..	..	..	..	..	..	..
Interest, rents and dividends	..	..	..	..	..	..	..	..	..	..
Current transfers from Government	1 659	1 823	2 158	2 684	3 302	4 585	6 399	7 732	8 663	9 513
Third party insurance transfers	66	70	83	94	125	185	198	231	263	293
Current transfers from the rest of the world	206	206	255	265	285	361	360	276	402	412
INCOME	23 684	26 539	30 046	34 501	42 452	52 827	61 646	70 489	77 856	87 033
less: Direct taxes paid on income	2 855	3 175	3 765	4 084	5 485	7 709	9 213	11 047	12 122	12 797
Consumer debt interest	163	194	213	243	368	492	570	698	824	954
Other direct taxes, fees, fines, etc.	391	408	440	488	563	590	682	785	844	821
Current transfers to the rest of the world	114	134	172	217	261	266	313	290	367	398
DISPOSABLE INCOME	20 161	22 628	25 456	29 469	35 775	43 770	50 868	57 669	63 699	72 063
Consumption expenditure	18 480	20 410	22 690	25 442	30 040	36 448	43 370	49 492	54 991	61 380
Food	3 570	3 819	4 144	4 569	5 393	6 213	7 104	8 203	9 311	10 524
Clothing	1 690	1 830	1 986	2 255	2 670	3 141	3 522	3 923	4 338	4 683
Rent	2 314	2 680	3 071	3 502	4 080	5 017	6 215	7 569	8 865	10 134
Other	10 906	12 081	13 489	15 116	17 897	22 077	26 529	29 797	32 477	36 039
SAVING[1]	1 681	2 218	2 766	4 027	5 735	7 322	7 498	8 177	8 708	10 683
(Per cent of disposable income)	8.3	9.8	10.9	13.7	16.0	16.7	14.7	14.2	13.7	14.8

1 Obtained as the difference between disposable income and consumption expenditure.
Sources: Australian submission to the OECD and Australian National Accounts.

Table D Labour market

Calendar year averages	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	Thousand persons									
Civilian employment: Total[1]	5 387.5	5 516.7	5 601.4	5 765.1	5 891.2	5 866.4	5 946.0	6 000.1	5 997.2	6 075.1
In manufacturing[2]	1 400.0	1 414.8	1 394.7	1 414.7	1 421.1	1 325.8	1 317.2	1 178.0	1 262.6	1 272.8
Unemployment[1]	90.6	107.3	150.1	136.3	161.6	302.5	298.1	358.1	402.1	404.7
Unfilled vacancies[3]	50.9	40.8	32.4	64.0	62.0	30.1	24.2	22.0	19.5	19.6
	Per cent									
Unemployment	1.7	1.9	2.6	2.3	2.7	4.9	4.8	5.6	6.3	6.2
Participation rate: Male	83.2	82.8	82.7	82.3	81.7	81.2	80.6	80.1	78.9	78.5
Female	39.8	40.4	40.6	41.8	42.8	43.7	43.6	44.2	43.8	43.6
	Hours									
Average weekly hours paid for[4]			Old basis / New basis							
All industries	43.5	43.2	42.9 / 42.0	42.3	41.3	40.6	40.7	40.7	40.6	40.9
Manufacturing	44.0	43.5	43.2 / 43.1	43.6	42.2	41.3	41.3	41.3	41.7	42.1

1 These estimates are derived from the labour force survey which is now conducted monthly. Until February 1978, surveys were conducted in February, May, August and November each year. Estimates are averages of all surveys conducted in each of the years shown.
2 These figures are from the payroll-tax based estimates of wage and salary earners. Including electricity, gas and water. The figures are based on revised benchmarks and other data. The classification used is the Australian Standard Industrial Classification (ASIC) described in *Australian Standard Industrial Classification* (Preliminary edition), 1969, Volume I (1 201.0).
3 Registered with Commonwealth Employment Service.
4 Refers to full-time adult male employees', not employed in the ACT or the NT (other than managerial, executive, professional and higher supervisory staff), in private employment (excluding rural industries and private domestic service) as at a pay-period in October each year. From 1972 figures include employees in the Government sector and in the Territories.
Sources: Survey of Weekly Earnings and Hours; Australian submission to the OECD.

Table E Prices and wages

Year ended 30th June	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
	1966-1967 = 100							*1974-1975 = 100*			
Implied GDP deflator, total	106.2	111.0	116.9	125.0	136.1	155.9	183.4	114.8	127.3	137.7	148.5
Private consumption	106.2	110.1	116.6	123.9	130.6	145.3	169.1	115.6	128.8	140.9	153.7
Gross fixed capital formation	106.5	111.2	118.0	126.0	134.1	150.3	184.9	115.7	130.3	142.4	153.0
Consumer prices: Total	106.0	109.4	114.6	122.4	129.8	146.6	171.1	113.0	128.6	140.9	152.4
Food	105.8	108.1	112.4	116.8	125.7	149.5	164.0	109.9	122.7	136.1	151.7
Non-food	106.1	110.0	115.6	124.9	131.6	145.4	173.7	114.1	130.6	142.5	153.0
Foreign trade prices[1]: Exports	97.2	99.9	97.5	100.0	120.4	145.7	174.7	106.3	118.2	122.5	143.1
Imports	98.7	101.0	104.6	108.9	107.0	119.0	156.1	111.2	126.1	143.6	158.7
Terms of trade	98.5	98.9	93.2	91.8	112.5	122.4	111.9	95.6	93.7	85.3	90.2
	Dollars										
Hourly wage rates[2]											
All activities[3]	1.25	1.32	1.48	1.61	1.83	2.34	2.81	3.23	3.58	3.83	4.12
of which: Manufacturing	1.22	1.28	1.44	1.56	1.76	2.25	2.68	3.07	3.42	3.66	3.94
Hourly earnings[4]				Old basis New basis							
All industries	1.70	1.84	2.08	2.24 2.35	2.72	3.58	4.05	4.61	5.10	5.46	5.93
Mining and quarrying	2.13	2.32	2.68	2.88 2.90	3.28	4.40	5.32	6.11	6.84	7.45	8.22
Manufacturing	1.66	1.79	2.04	2.21 2.20	2.58	3.44	3.82	4.33	4.79	5.11	5.66
Building and construction	1.80	2.02	2.26	2.42 2.27	2.66	3.55	3.97	4.54	4.98	5.30	5.74

1 Implicit prices.
2 Weighted average minimum rates payable to adult males as prescribed in awards, determinations, etc. Average of twelve monthly figures.
3 Excluding the rural, shipping and stevedoring industries.
4 Refers to full-time adult males (other than managerial, etc. staff) in private employment (excluding rural industries and private domestic service) as at a pay-period in October each year. From 1972 figures include employees in the Government sector and in the Territories.

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

Table F General government receipts and expenditure

$ million

Year ended 30th June	Total[1] 1976	1977	1978	1979	Australian Government 1976	1977	1978	1979
Current receipts	22 873	26 810	29 354	32 117	17 539	20 588	22 550	24 700
Direct taxes on income	11 718	13 850	15 194	15 799	11 718	13 850	15 194	15 799
Households	9 213	11 047	12 122	12 797	9 213	11 047	12 122	12 797
Corporations	2 505	2 803	3 072	3 002	2 505	2 803	3 072	3 002
Withholding taxes	95	96	118	114	95	96	118	114
Indirect taxes	8 879	10 091	10 847	12 703	5 039	5 678	6 040	7 420
Income from property and entrepreneurship	1 499	1 988	2 351	2 680	551	812	1 019	1 196
Compulsory fees, fines, etc.	682	785	844	821	136	152	179	171
Current disbursements	20 076	23 926	27 275	30 334	16 603	19 358	22 235	24 943
Goods and services	11 445	13 390	15 166	16 744	4 088	4 654	5 207	5 763
Subsidies	352	339	490	565	307	283	410	483
Interest on public debt	1 492	2 051	2 503	2 997	117	408	559	807
Current transfers to domestic sectors	6 399	7 732	8 663	9 513	11 704	13 599	15 606	17 375
Current transfers to the rest of the world	388	414	453	515	388	414	453	515
Saving	2 797	2 884	2 079	1 783	936	1 230	315	−243
Capital transfers	−240	−165	−193	−192	−1 745	−1 656	−1 646	−1 624
Finance of gross accumulation	2 557	2 719	1 886	1 591	−809	−426	−1 331	−1 867
Investment expenditure	3 566	3 550	3 712	n.a.	512	443	320	n.a.
Net lending	−1 009	−831	−1 826	n.a.	−1 321	−869	−1 651	n.a.

1 Combined Australian, State and Local Sectors.
Sources: Australian submission to the OECD; ABS, *National Income and Expenditure 1978-1979.*

Table G Balance of payments $ *A million*

Year ended 30th June	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Current account										
Exports, fob	3 967	4 230	4 740	6 010	6 688	8 490	9 442	11 363	12 016	14 092
Imports, fob	3 553	3 790	3 791	3 808	5 754	7 652	7 924	10 345	11 165	13 493
Trade balance	414	440	949	2 202	934	838	1 519	1 018	851	599
Invisibles, net	−1 132	−1 228	−1 287	−1 491	−1 776	−1 810	−2 609	−3 102	−3 395	−3 790
CURRENT BALANCE	−718	−788	−338	711	−842	−972	−1 090	−2 084	−2 545	−3 192
Capital account										
Government	−181	−80	−51	−60	30	−20	−93	249	1 564	1 355
Trade credit n.e.i.[1]	−48	−42	−45	59	−63	−74	110	244	−284	10
Other private capital	894	1 505	1 385	341	391	852	581	1 322	1 137	1 835
Balancing item[2]	93	6	527	26	60	−244	−527	−221	−414	−133
APPARENT CAPITAL BALANCE	758	1 389	1 816	366	417	514	71	1 594	2 002	3 068
Official monetary movements										
Change in official reserve assets	118	742	1 544	1 079	−384	−460	−1 053	−190	−474	−167
Allocation of SDR	−75	−64	−63	—	—	—	—	—	—	−94
Other transactions[3]	−3	−77	−3	−3	−41	2	33	−301	−68	137
Net official monetary movements	40	602	1 479	1 076	−425	−458	−1 019	−491	−542	−124
CHANGES IN MARKET VALUE OF OFFICIAL RESERVE ASSETS[4]										
(*a*) Gold[5]	10	−14	6	−13	−10	28	511	198	278	714
(*b*) Currency assets	16	741	1 404	539	−633	−41	−865	19	−456	−143
(*c*) IMF gold tranche	13	−31	−37	−7	6	7	−1	19	5	7
(*d*) Special Drawings Rights	79	67	63	−9	−50	−61	−52	−10	86	82
Total	118	763	1 436	510	−687	−67	−407	226	−87	660

1 Prior to 1972-1973 estimates cover principal Australian marketing authorities only. From 1972-1973 the coverage of marketing authorities is more comprehensive and the item covers trade credit transactions, mainly of short-term nature, of Australian exporters and importers.

2 Includes discrepancies in the current account as well as errors, omissions and timing differences related to capital transactions.

3 Prior to 1971-1972 includes changes in the net foreign exchange assets of Australian Trading Banks adjusted for settlements pending with the Reserve Bank. Since 1971-1972 Trading Banks have been permitted to deal in foreign exchange on their own account, hence this treatment has been appropriate. Changes in foreign currency balances of Trading Banks are now included in private capital flows. Also included are:

— Drawings and repayments made by Reserve Bank of New Zealand under a special loan arrangement with the Reserve Bank of Australia for the purposes of financing Australian exports to New Zealand.
— Purchases by Australia of shares in the Bank for International Settlements.
— Government working balances, other than London, held overseas.
— Changes in the balance of foreign central monetary institutions with the Reserve Bank of Australia and changes in Australian currency liabilities (notes and coins in circulation) in Papua New Guinea.
— Changes in investments of the Bank of Papua New Guinea.
— Deposits of the Bank for International Settlements with the Reserve Bank of Australia.
— Use of IMF credit.

4 Includes changes due to fluctuations in the foreign currency value of assets, variations in exchange rates and the receipt of compensation under the Sterling Agreement. Prior to 1971, conversion to Australian dollar equivalents is based on official parity relationship. Figures from 1971 are converted at market rates of exchange. Since 1973, foreign currency value of currency assets has been based on market quotations: figures for earlier periods are on a historical cost basis.

5 Prior to 1976 gold is valued at the IMF official price in SDRs converted to Australian dollars at the derived SDR/dollar a rate. From 1976, gold holdings are valued at the average London gold price for the month, converted to dollar a at market rate applying on last day of month.

Source: Australian Bureau of Statistics.

Table H Foreign trade-commodity and geographic structure

Per cent

	Imports			Exports		
	1976	1977	1978	1976	1977	1978
SITC sections:						
Food and live animals	3.8	4.8	4.3	31.9	30.8	27.9
Beverages and tobacco	0.9	1.1	1.1	0.2	0.2	0.2
Crude materials, inedible, except fuels	4.8	4.3	4.2	29.2	28.1	30.6
Mineral fuels, lubricants and related materials	9.6	10.1	9.1	12.5	13.5	13.8
Animal and vegetable oils and fats	0.5	0.6	0.5	0.7	0.8	0.8
Chemicals	9.1	9.0	8.7	6.9	7.1	4.7
Manufactured goods classified chiefly by material	18.6	17.8	17.9	11.1	11.8	12.1
Machinery and transport equipment	38.0	38.1	38.9	4.5	4.4	4.5
Miscellaneous manufactured articles	13.3	13.2	13.3	1.2	1.3	1.6
Commodities and transactions not classified according to kind[1]	1.3	1.0	2.0	1.8	2.0	3.8
Total (merchandise and non-merchandise)	100.0	100.0	100.0	100.0	100.0	100.0
OECD countries	77.1	75.9	76.4	68.7	66.5	64.6
North America	23.3	23.4	24.0	11.8	11.5	13.3
Japan	21.0	19.5	19.4	33.7	33.2	30.3
EEC	24.9	25.3	25.2	15.7	14.7	14.4
Other	7.9	7.7	7.8	7.5	7.1	6.6
Non-OECD countries	22.3	23.7	23.1	30.6	32.8	34.7
Sino-Soviet area[2]	1.4	1.5	1.5	7.3	7.7	6.8
Other developed countries	0.4	0.5	0.6	0.7	0.5	0.6
Developing countries	20.5	21.7	21.0	22.6	24.6	27.3
Unspecified	0.6	0.4	0.5	0.7	0.7	0.7
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.
Source: OECD, *Foreign Trade Statistics, Series A and B.*

BASIC STATISTICS :

INTERNATIONAL COMPARISONS

BASIC STATISTICS: INTERNATIONAL COMPARISONS

	Reference period	Units	Australia	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Greece	Iceland	Ireland	Italy	Japan
Population	Mid-1978	Thousands	14 248	7 508	9 841	23 499	5 105	4 752	53 278	61 327	9 360	223	3 221	56 697[2]	114 920
Inhabitants per sq. km	»	Number	2	89	323	2	119	16	97	247	71	2	46	188	309
Net average annual increase	Mid-1968 to Mid-1978	%	1.7	0.2	0.2	1.3	0.5	0.3	0.7	0.3	0.7	1.0	1.0	0.7	1.3
Employment Total civilian	1978	Thousands	5 975	3 015	3 711	9 972	2 473	2 074	20 921	24 679	(3 189)	(99)	1 033	19 932	54 080
of which: Agriculture, forestry, fishing	»	% of total	6.4	10.9	3.2	5.7	8.7	12.3	9.1	6.5	(27.3)	(13.3)	22.2	15.5	11.7
Industry[4]	»	»	31.6	40.6	36.6	28.7	30.3	34.4	37.1	45.1	(30.7)	(37.9)	30.9	38.3	35.0
Other	»	»	62.0	48.5	60.2	65.6	61.0	53.3	53.8	48.4	(42.0)	(48.8)	46.9	46.2	53.3
Gross domestic product at market prices	1978	US $ billion[11]	109.1	58.1	96.9	205.3	55.9	33.9	471.6	638.9	31.6	2.2	12.2	260.1	973.9
Average annual volume growth[6]	1973 to 1978	%	2.5	2.8	2.3	3.3	1.9	2.2	3.0	1.9	3.6	3.8	3.5	4.0	3.7
Per capita	1978	US $[11]	7 660	7 730	9 850	8 740	10 950	7 130	8 850	10 420	3 370	9 770	3 780	4 590	8 480
Gross fixed capital formation	1978	% of GDP	22.7[10]	26.3	21.2	22.2	22.3	23.3	21.5	21.5	23.8[8]	25.5	26.7	18.8	30.2
of which: Transport, machinery and equipment	»	»	10.0	9.7	6.5	7.6	7.4	7.8	9.1	8.9	8.1	6.8	(12.4)	7.8	10.9
Residential construction	»	»	4.0	16.5	7.3	5.7	7.5	7.0	6.9	6.0	8.4	5.8	..	5.0	7.3
Average annual volume growth[6]	1973 to 1978	%	0.4	1.7	2.1	2.2	–1.8	–3.1	0.4	0.0	–2.1	0.4	2.0	–1.7	1.2
National savings ratio[12]	1978	% of GNP	23.1[10]	26.7	20.3	20.6	19.0	23.9	23.7	25.1	21.1	26.6	17.7	22.2	32.6
General government Current expenditure on goods and services	1978	% of GDP	16.8[10]	17.8	17.9	20.5	23.7	19.0	15.1	20.0	16.0	11.6	18.3	16.4	9.6
Current transfer payments	»	»	10.6[10]	19.1	22.5	12.6	16.3	16.1	25.6	19.6	12.3	..	..	17.0	11.1
Current revenue	»	»	31.9[10]	44.5	42.7	35.8	49.0	40.2	42.3	43.3	30.2	..	..	37.0	24.3
Net official development assistance	1978	% of GNP	0.5	0.3	0.6	0.5	0.7	0.2	0.6	0.4	..	..	..	0.1	0.2
Indicators of living standards Private consumption per capita	1978	US $[11]	4 600	4 230	6 120	4 980	6 080	3 970	5 440	5 750	2 200	5 860	2 430	2 810	4 900
Passenger cars, per 1 000 inhabitants	1977	Number	392	248	292	389[14]	271	227	314	326	66	315	180	289	173
Telephones, per 1 000 inhabitants	1977	»	404	325	315	618	493	429	329	374	250	429	161	285	424
Television sets, per 1 000 inhabitants	1977	»	351[14]	247[16]	286	428[14]	338	363[14]	274[14]	308	127[14]	214[14]	193	224	239[20]
Doctors, per 1 000 inhabitants	1976	»	1.4[13]	2.3	2.0	1.7	1.9	1.5	1.5	2.0	2.1	1.7[16]	1.2	2.2	1.2
Full-time school enrolment[15]	1977	% of age group	45.0	32.0	61.3[20]	64.9	57.4	60.8[20]	54.6	41.5	45.4[20]	..	50.0[14]	43.9[14]	70.9
Infant mortality[17]	1978	Number	14.3	16.9	14.0	14.3	8.9	12.0	11.4	15.5	20.3	10.1	15.7	17.6	8.9
Wages and prices Hourly earnings in industry[18]	Average annual increase 1974 to 1979	%	11.9	8.5	10.9	11.2	12.7	14.7[21]	14.0	6.5	23.6	36.7	17.7	22.0	9.1
Consumer prices	»	%	11.5	5.7	7.5	8.9	9.8	11.9	10.1	4.2	14.1	40.0	14.5	15.8	7.3
Foreign trade Exports of goods, fob	1979	US $ million[11]	18 636	15 432	55 428[7]	55 932	14 616	11 148	97 980	171 516	3 852	792	7 164	72 120	103 032
As percentage of GDP	»	%	15.5	22.4	49.7	25.1	22.3	26.8	17.3	22.7	10.3	33.0	48.1	22.6	10.1
Average annual volume increase	1974 to 1979	%	4.7	6.5	3.5	4.9	4.1	4.5	5.1	3.0	8.4	10.6	9.7	8.1	5.9
Imports of goods, cif	1979	US $ million[11]	16 536	20 184	60 348[7]	53 520	18 456	11 304	106 872	157 752	9 624	828	9 864	77 808	110 672
As percentage of GDP	»	%	13.7	29.3	54.1	24.0	28.1	27.2	18.9	20.9	25.7	34.5	66.2	24.4	10.8
Average annual volume increase	1974 to 1979	%	1.7	6.6	3.2	3.2	3.6	–0.2	5.8	7.0	4.9	0.7	8.4	4.7	3.1
Total official reserves[24]	End-1979	US $ million	1 790	5 048	6 991[7]	3 887	3 312	1 586	21 357	56 940	1 126	165	2 230	21 239	20 327
As percentage of imports of goods	In 1979	%	10.8	25.0	11.6	7.3	17.9	14.0	20.0	36.1	11.7	19.9	22.6	27.3	18.4

	Luxembourg	Netherlands	New Zealand	Norway	Portugal	Spain	Sweden	Switzerland	Turkey	United Kingdom	United States	Yugoslavia[1]
Population	358	13 937	3 129	4 060	9 820	36 778	8 278	6 337	42 738	55 902	218 717	21 968
Inhabitants per sq. km	138	412	12	13	107	73	18	153	55	229	23	86
Net average annual increase	0.6	0.9	1.3	0.6	0.7	1.1	0.5	0.4	2.4	0.1	0.9	0.9
Employment Total civilian	150	4 569	(1 204)	1 854	3 772	12 091	4 115	2 839	14 907	24 610	94 373	9 276[3]
of which: Agriculture, forestry, fishing	5.7	6.2	(11.8)	8.7	31.3	20.2	6.1	8.4	60.9	2.7	3.7	36.8
Industry[4]	43.1	32.5	(34.1)	31.6	34.8	37.3	33.0	42.7	16.5	39.7	31.2	21.8
Other	51.2	61.3	(54.1)	59.7	33.9	42.5	60.9	48.9	22.6	57.6	65.1	41.4
Gross domestic product at market prices	3.5	130.8	18.4	40.0	17.8	147.1	87.3	84.6	52.5	309.2	2 112.4	47.1[5]
Average annual volume growth[6]	0.6	2.6	1.1	4.6	2.3	3.2	1.3	–1.0	6.6	1.1	2.5	6.1
Per capita	9 800	9 380	5 880	9 850	1 820	3 960	10 550	13 340	1 160	5 530	9 660	2 140
Gross fixed capital formation	25.8	21.2	20.5[9]	31.1	20.7	18.4	19.3	21.1	20.5	18.1	18.1	35.6
of which: Transport, machinery and equipment	9.2[22]	8.2	..	11.0	7.0	..	7.2	7.0	..	9.2	7.3	..
Residential construction	6.6[22]	5.9	..	5.1	3.6	..	5.0	..	3.8	3.2	5.0	..
Average annual volume growth[6]	–1.8	0.4	..	2.7	–2.9	–0.8	–1.5	–4.7	5.7	–0.7	0.5	9.8
National savings ratio[12]	36.2	22.5	24.3	25.1	11.5	20.8	17.4	26.8	19.8	21.1	18.5	17.3
General government Current expenditure on goods and services	15.5	18.3	16.3	18.5	14.7	10.5	28.9	12.9	12.7	20.3	18.2	25.1
Current transfer payments	29.3[22]	31.7	..	25.9	9.1	12.7[22]	29.2	15.4	10.5	15.5	11.2	..
Current revenue	37.9	54.4	..	52.1	27.1	26.6[22]	60.3	34.0	25.9	38.8	32.6	44.0
Net official development assistance	..	0.8	0.3	0.9	..	..	0.9	0.2	..	0.5	0.3	..
Indicators of living standards Private consumption per capita	5 770	5 550	3 490[9]	5 300	1 350	2 700	5 580	8 420	950	3 270	6 200	1 230
Passenger cars, per 1 000 inhabitants	398	277	385	273	107[14]	161	350[14]	307	11[14]	255[14]	505[14]	88
Telephones, per 1 000 inhabitants	523	418	533	386	120	261	717	657	28[14]	415	744	71
Television sets, per 1 000 inhabitants	293[14]	279	259[14]	270[14]	76[14]	185[14]	363[14]	285[14]	44[14]	324	571[20]	161[14]
Doctors, per 1 000 inhabitants	1.1	1.7	1.3[14]	1.8	1.2	1.8	1.7[20]	1.9	0.6	1.3	1.6	1.4
Full-time school enrolment[15]	33.5[20]	62.7	44.8	63.6	33.4[14]	35.5[14]	56.3[14]	70.1	12.7[20]	44.6[20]	73.7	..
Infant mortality[17]	10.6	9.5	13.9	10.5	38.9[14]	15.6	8.0	10.7[14]	..	14.0	14.0	36.7[14]
Wages and prices Hourly earnings in industry[18]	..	7.8	14.8	11.4	20.1	26.5[21]	11.1	3.2	27.5[23]	16.6	8.6	19.6
Consumer prices	6.9	6.7	14.3	8.5	20.0	18.9	9.7	2.9	36.6	15.5	8.1	16.7
Foreign trade Exports of goods, fob	—	63 624	4 709	13 452	3 480	18 192	27 528	26 472	2 472	90 816	181 800	6 240
As percentage of GDP	—	41.9	22.3	29.7	17.2	9.2	26.6	28.1	3.7	23.2	7.7	..
Average annual volume increase	—	3.6	5.1	8.5	6.8	10.3[21]	0.0	4.2	–2.7	4.4	4.1	3.8
Imports of goods, cif	—	67 212	4 566	13 728	6 540	25 380	28 536	29 304	5 688	102 828	207 132	12 360
As percentage of GDP	—	44.3	21.6	30.3	32.4	12.9	27.6	31.1	8.6	26.3	8.8	..
Average annual volume increase	—	4.4	–3.2	2.3	0.8	0.5[21]	0.2	4.4	–2.8	3.6	5.8	2.1
Total official reserves[24]	—	9 619	453	4 269	1 962	13 898	3 583	20 275	941	20 694	19 956	1 336
As percentage of imports of goods	—	14.3	9.9	31.1	30.0	54.8	12.6	69.2	16.5	20.1	9.6	10.8

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 Social product.
6 At constant prices.
7 Including Luxembourg.
8 Excluding ships operating overseas.
9 Fiscal year beginning April 1st.
10 Year ended 30th June.
11 At current prices and exchange rates.
12 $\left[\frac{\text{GNP} - (\text{Priv. cons.} + \text{Pub. cons.})}{\text{GNP}}\right] \times 100.$
13 1972.
14 1976.
15 Children aged 15-19.
16 1974.
17 Deaths in first year per 1 000 live births.
18 Figures are not strictly comparable due to differences in coverage.
19 1973.
20 1975.
21 1973 to 1978.
22 1977.
23 1972 to 1977.
24 Gold included in reserves is valued at 35 SDR per ounce (see IMF, International Financial Statistics, series Total Reserves).

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.

OECD SALES AGENTS
DÉPOSITAIRES DES PUBLICATIONS DE L'OCDE

ARGENTINA – ARGENTINE
Carlos Hirsch S.R.L., Florida 165, 4° Piso (Galería Guemes)
1333 BUENOS-AIRES. Tel. 33-1787-2391 Y 30-7122

AUSTRALIA – AUSTRALIE
Australia & New Zealand Book Company Pty Ltd.,
23 Cross Street, (P.O.B. 459)
BROOKVALE NSW 2100 Tel. 938-2244

AUSTRIA – AUTRICHE
OECD Publications and Information Center
4 Simrockstrasse 5300 BONN Tel. (0228) 21 60 45
Local Agent:
Gerold and Co., Graben 31, WIEN 1. Tel. 52.22.35

BELGIUM – BELGIQUE
LCLS
44 rue Otlet, B1070 BRUXELLES. Tel. 02-521 28 13

BRAZIL – BRÉSIL
Mestre Jou S.A., Rua Guaipá 518,
Caixa Postal 24090, 05089 SAO PAULO 10. Tel. 261-1920
Rua Senador Dantas 19 s/205-6, RIO DE JANEIRO GB.
Tel. 232-07. 32

CANADA
Renouf Publishing Company Limited,
2182 St. Catherine Street West,
MONTREAL, Quebec H3H 1M7 Tel. (514) 937-3519

DENMARK – DANEMARK
Munksgaards Boghandel,
Nørregade 6, 1165 KØBENHAVN K. Tel. (01) 12 85 70

FINLAND – FINLANDE
Akateeminen Kirjakauppa
Keskuskatu 1, 00100 HELSINKI 10. Tel. 65-11-22

FRANCE
Bureau des Publications de l'OCDE,
2 rue André-Pascal, 75775 PARIS CEDEX 16. Tel. (1) 524.81.67
Principal correspondant :
13602 AIX-EN-PROVENCE : Librairie de l'Université.
Tel. 26.18.08

GERMANY – ALLEMAGNE
OECD Publications and Information Center
4 Simrockstrasse 5300 BONN Tel. (0228) 21 60 45

GREECE – GRÈCE
Librairie Kauffmann, 28 rue du Stade,
ATHÈNES 132. Tel. 322.21.60

HONG-KONG
Government Information Services,
Sales and Publications Office, Baskerville House, 2nd floor,
13 Duddell Street, Central. Tel. 5-214375

ICELAND – ISLANDE
Snaebjörn Jónsson and Co., h.f.,
Hafnarstraeti 4 and 9, P.O.B. 1131, REYKJAVIK.
Tel. 13133/14281/11936

INDIA – INDE
Oxford Book and Stationery Co.:
NEW DELHI, Scindia House. Tel. 45896
CALCUTTA, 17 Park Street. Tel. 240832

INDONESIA – INDONÉSIE
PDIN-LIPI, P.O. Box 3065/JKT., JAKARTA. Tel. 583467

IRELAND – IRLANDE
TDC Publishers – Library Suppliers
12 North Frederick Street, Dublin 1 Tel. 744835-749677

ITALY – ITALIE
Libreria Commissionaria Sansoni:
Via Lamarmora 45, 50121 FIRENZE. Tel. 579751
Via Bartolini 29, 20155 MILANO. Tel. 365083
Sub-depositari:
Editrice e Libreria Herder,
Piazza Montecitorio 120, 00 186 ROMA. Tel. 6794628
Libreria Hoepli, Via Hoepli 5, 20121 MILANO. Tel. 865446
Libreria Lattes, Via Garibaldi 3, 10122 TORINO. Tel. 519274
La diffusione delle edizioni OCSE è inoltre assicurata dalle migliori librerie nelle città più importanti.

JAPAN – JAPON
OECD Publications and Information Center,
Landic Akasaka Bldg., 2-3-4 Akasaka,
Minato-ku, TOKYO 107 Tel. 586-2016

KOREA – CORÉE
Pan Korea Book Corporation,
P.O.Box n° 101 Kwangwhamun, SÉOUL. Tel. 72-7369

LEBANON – LIBAN
Documenta Scientifica/Redico,
Edison Building, Bliss Street, P.O.Box 5641, BEIRUT.
Tel. 354429–344425

MALAYSIA – MALAISIE
and/et SINGAPORE-SINGAPOUR
University of Malaya Co-operative Bookshop Ltd.
P.O. Box 1127, Jalan Pantai Baru
KUALA LUMPUR Tel. 51425, 54058, 54361

THE NETHERLANDS – PAYS-BAS
Staatsuitgeverij
Verzendboekhandel Chr. Plantijnstraat
S-GRAVENHAGE Tel. nr. 070-789911
Voor bestellingen: Tel. 070-789208

NEW ZEALAND – NOUVELLE-ZELANDE
The Publications Manager,
Government Printing Office,
WELLINGTON: Mulgrave Street (Private Bag),
World Trade Centre, Cubacade, Cuba Street,
Rutherford House, Lambton Quay, Tel. 737-320
AUCKLAND: Rutland Street (P.O.Box 5344), Tel. 32.919
CHRISTCHURCH: 130 Oxford Tce (Private Bag), Tel. 50.331
HAMILTON: Barton Street (P.O.Box 857), Tel. 80.103
DUNEDIN: T & G Building, Princes Street (P.O.Box 1104),
Tel. 78.294

NORWAY – NORVÈGE
J.G. TANUM A/S Karl Johansgate 43
P.O. Box 1177 Sentrum OSLO 1 Tel (02) 80 12 60

PAKISTAN
Mirza Book Agency, 65 Shahrah Quaid-E-Azam, LAHORE 3.
Tel. 66839

PHILIPPINES
National Book Store, Inc.
Library Services Division, P.O.Box 1934, Manila.
Tel. Nos. 49-43-06 to 09 40-53-45 49-45-12

PORTUGAL
Livraria Portugal, Rua do Carmo 70-74,
1117 LISBOA CODEX. Tel. 360582/3

SPAIN – ESPAGNE
Mundi-Prensa Libros, S.A.
Castelló 37, Apartado 1223, MADRID-1. Tel. 275.46.55
Libreria Bastinos, Pelayo, 52, BARCELONA 1. Tel. 222.06.00

SWEDEN – SUÈDE
AB CE Fritzes Kungl Hovbokhandel,
Box 16 356, S 103 27 STH, Regeringsgatan 12,
DS STOCKHOLM. Tel. 08/23 89 00

SWITZERLAND – SUISSE
OECD Publications and Information Center
4 Simrockstrasse 5300 BONN Tel. (0228) 21 60 45
Agent local :
Librairie Payot, 6 rue Grenus, 1211 GENÈVE 11. Tel. 022-31.89.50

TAIWAN – FORMOSE
National Book Company,
84-5 Sing Sung South Rd., Sec. 3, TAIPEI 107. Tel. 321.0698

THAILAND – THAILANDE
Suksit Siam Co., Ltd., 1715 Rama IV Rd.
Samyan, BANGKOK 5 Tel. 2511630

UNITED KINGDOM – ROYAUME-UNI
H.M. Stationery Office, P.O.B. 569,
LONDON SE1 9 NH. Tel. 01-928-6977, Ext. 410 or
49 High Holborn, LONDON WC1V 6 HB (personal callers)
Branches at: EDINBURGH, BIRMINGHAM, BRISTOL,
MANCHESTER, CARDIFF, BELFAST.

UNITED STATES OF AMERICA – ÉTATS-UNIS
OECD Publications and Information Center, Suite 1207,
1750 Pennsylvania Ave., N.W. WASHINGTON, D.C.20006.
Tel. (202)724 1857

VENEZUELA
Libreria del Este, Avda. F. Miranda 52, Edificio Galipán,
CARACAS 106. Tel. 32 23 01/33 26 04/33 24 73

YUGOSLAVIA – YOUGOSLAVIE
Jugoslovenska Knjiga, Terazije 27, P.O.B. 36, BEOGRAD.
Tel. 621-992

Les commandes provenant de pays où l'OCDE n'a pas encore désigné de dépositaire peuvent être adressées à :
OCDE, Bureau des Publications, 2 rue André-Pascal, 75775 PARIS CEDEX 16.
Orders and inquiries from countries where sales agents have not yet been appointed may be sent to:
OECD, Publications Office, 2 rue André-Pascal, 75775 PARIS CEDEX 16.

OECD PUBLICATIONS
2, rue André-Pascal
75775 PARIS CEDEX 16
No. 41 605 1980.
(350 UQ 10 80 04 1) ISBN 92-64-12089-0
ISSN 0376-6438

•

PRINTED IN FRANCE

OECD

Department of Economics and Statistics

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ANNUAL ECONOMIC SURVEYS

Detailed surveys of development and prospects in each OECD country

Subscription US $ 60.00 £ 26.60 F 240,00

ORGANISATION DE COOPÉRATION ET DE DÉVELOPPEMENT ÉCONOMIQUES

OECD ECONOMIC OUTLOOK

Each July and December the OECD ECONOMIC OUTLOOK surveys the latest economic developments in the OECD area and, by means of an integrated set of quantitative forecasts, assesses future prospects. In addition, there are frequently special studies designed to assist in the interpretation of economic trends.

(350 UQ 10 80 04 1) ISBN 92-64-12089-0
ISSN 0376-6438