

5

Victoria: A Broad Economic View

INTRODUCTION

This Chapter provides a broad overview of the Victorian economy for the six years to 1990-91. The overview is based on an analysis of a selected range of important economic indicators drawn mainly from National Accounts and Labour Force statistics and includes comparisons with the Australian economy. The chapter concludes with an analysis of the role of manufacturing industry in the Victorian economy over the six years to 1990-91. This Chapter also serves as a prelude to Chapters 6 to 11, which cover specific sectors of the Victorian economy in more detail.

Economic growth

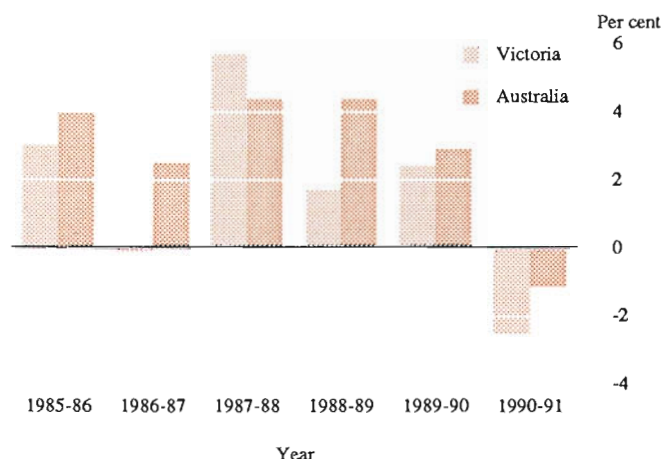
The Victorian economy, as measured by Gross State Product (GSP) in real terms (average 1984-85 prices), grew at an average annual rate of 1.7 per cent during the six years to 1990-91, compared with 2.9 per cent for the Australian economy. Following a strong growth rate of 5.7 per cent in 1987-88, Victorian GSP in real terms grew only moderately in the next two years before culminating in negative growth of -2.5 per cent in 1990-91 compared with -1.1 per cent for the national economy. With the exception of 1987-88 the performance of the Victorian economy in terms of real GSP growth was below that of Australia over the period.

TABLE 5.1 GROSS DOMESTIC PRODUCT (a)

Year	Current Prices				Constant Prices (b)			
	\$m		Percentage change		\$m		Percentage change	
	Victoria	Australia	Victoria	Australia	Victoria	Australia	Victoria	Australia
1985-86	68,512	240,319	10.1	11.2	64,090	224,807	3.0	4.0
1986-87	73,503	264,564	7.3	10.1	64,027	230,456	-0.1	2.5
1987-88	83,923	298,335	14.2	12.8	67,680	240,593	5.7	4.4
1988-89	93,270	340,440	11.1	14.1	68,834	251,247	1.7	4.4
1989-90	101,076	370,805	8.4	8.9	70,485	258,581	2.4	2.9
1990-91	101,359	377,114	0.3	1.7	68,718	255,671	-2.5	-1.1

(a) Based on the income based measure of GDP.

(b) Average 1984-85 prices using the GDP deflator for Australia.

REAL GROSS DOMESTIC PRODUCT GROWTH (a)
(\$m)

(a) Based on average 1984-85 prices using GDP deflator

The year 1990-91 was generally regarded as one of recession for the Australian economy. In fact, the Australian economy experienced either zero or negative rates of growth over five consecutive quarters from June quarter 1990 to June quarter 1991. The performance of the Victorian economy within this recessionary economic context is evident in various economic indicators referred to in the remainder of this chapter.

TABLE 5.2 REAL GROSS DOMESTIC PRODUCT (a),
AUSTRALIA

Quarter	Percentage change over previous quarter
June 1990	0.0
September 1990	-0.5
December 1990	-0.8
March 1991	-0.8
June 1991	-1.5

(a) Average 1984-85 prices, trend estimates.

**Gross state
product
per capita**

Victoria's GSP per capita, at current prices, was on average about 7 per cent above the national average and was consistently higher than the other States in the six years to 1990-91. Victoria's GSP per capita fell from \$23,234 in 1989-90 to \$23,004 in 1990-91. This was 5 per cent above the national average.

TABLE 5.3 GROSS STATE PRODUCT PER CAPITA, BY STATE AND TERRITORY

	(\$)						Index Average 1985-86 to 1990-91
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	
New South Wales	15,050	16,664	18,531	20,959	22,379	22,655	102.1
Victoria	16,547	17,567	19,814	21,718	23,234	23,004	107.0
Queensland	13,411	14,436	15,663	18,014	19,452	19,522	88.3
South Australia	13,982	14,732	15,989	17,932	19,340	19,332	89.0
Western Australia	15,535	17,058	19,152	21,532	23,227	22,772	104.8
Tasmania	12,177	13,518	14,699	16,368	17,430	17,682	80.7
Northern Territory	16,774	18,973	19,949	21,432	25,176	26,749	113.3
Australian Capital Territory	18,399	20,023	21,169	23,936	25,094	26,358	118.6
Australia	15,114	16,392	18,189	20,390	21,865	21,908	100.0

**Industry gross
domestic product**

In the six years to 1990-91 Victoria's contribution to Australia's GDP at factor cost averaged 27.0 per cent. Victoria's share had however decreased over the period from 27.2 per cent in 1985-86 to 26.5 per cent in 1990-91.

In Victoria all industries except wholesale and retail trade experienced an increase in GDP at current prices in the five years to 1989-90. However 1990-91 saw decreases in *Agriculture, forestry, fishing and hunting*; *Manufacturing*; *Construction*; *Wholesale and retail trade*; and *Finance, property and business services*.

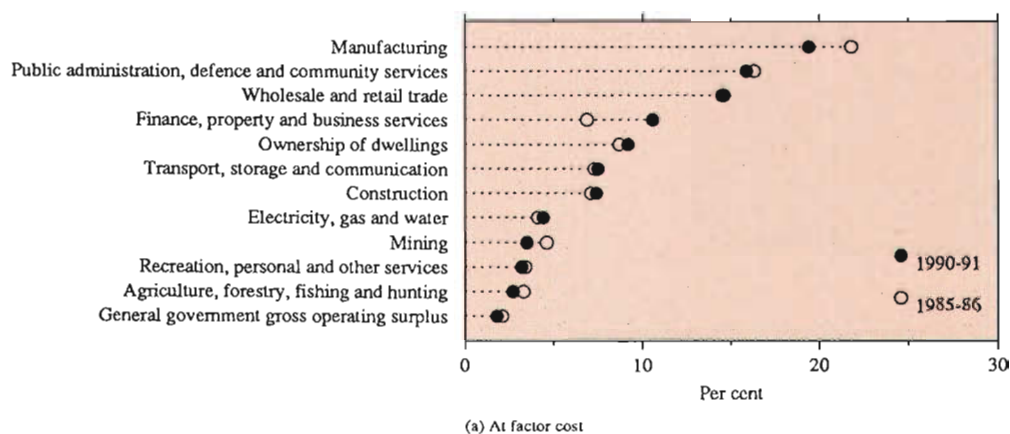
Agriculture, forestry, fishing and hunting suffered the largest loss in share from 3.5 per cent in 1989-90 to 2.7 per cent in 1990-91, followed by *Manufacturing*, down from 19.9 per cent to 19.4 per cent; *Construction* from 7.8 per cent to 7.4 per cent; *Finance, property and business services* from 11.0 per cent to 10.6 per cent and to a lesser extent, *Wholesale and retail trade* from 14.6 per cent to 14.5 per cent. As a result of these decreases, their share of Victorian GSP decreased in 1990-91.

The loss in share for *Agriculture, forestry, fishing and hunting* was even more severe when compared with its peak share of 3.8 per cent of Victorian GSP in 1988-89. Its large loss of share was attributed to unfavourable export prices for agricultural products (particularly for wool) and to the effects of lower domestic demand resulting from the recession. The poor performance of the *Construction* sector in 1990-91 was clearly related to the effects of overspending on building and construction projects in the mid to late 1980's and the subsequent dramatic falls in asset values, particularly for commercial buildings. This, coupled with the effects of high interest rates in the late 1980's, resulted in a dampening of activity in the industry.

During the period 1985-86 to 1990-91, the most significant changes in industry share of Victorian GSP occurred in the *Finance, property and business services* sector, which increased its share by 3.7 percentage points (from 6.9 per cent to 10.6 per cent), and *Manufacturing*, which decreased its share by 2.4 percentage points (from 21.8 per cent to 19.4 per cent).

In 1990-91, as in 1985-86, three industries accounted for about one half of Victoria's GSP at factor cost. These industries were *Manufacturing*, *Wholesale and retail trade* and *Public administration, defence and community services*, which accounted for 52.7 per cent of Victorian GSP in 1985-86 and 49.8 per cent in 1990-91.

INDUSTRY CONTRIBUTION TO GROSS DOMESTIC PRODUCTS (a), VICTORIA



Manufacturing continued to be the most important Victorian industry in terms of its impact on overall activity in Australia, contributing 33.3 per cent to Australia's manufacturing industry gross product in 1990-91, notwithstanding that this contribution decreased from a peak of 34.2 per cent in 1987-88.

TABLE 5.6 VICTORIAN INDUSTRY GDP AS A PERCENTAGE OF AUSTRALIAN INDUSTRY GDP

Industry	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
Agriculture, forestry, fishing and hunting	21.3	23.1	23.2	22.0	21.8	21.7
Mining	24.0	17.3	19.6	19.8	18.1	18.2
Manufacturing	33.5	34.0	34.2	33.3	33.7	33.3
Electricity, gas and water	29.1	30.8	30.4	30.1	31.5	31.7
Construction	25.2	25.2	24.6	24.4	25.4	24.3
Wholesale and retail trade	27.8	28.8	28.8	29.2	28.0	27.2
Transport, storage and communication	23.8	25.0	24.9	24.6	24.1	23.8
Finance, property and business services	24.5	24.4	29.0	26.3	28.3	27.8
Public administration, defence and community services	27.0	26.9	26.9	26.7	26.7	26.4
Recreation, personal and other services	24.0	22.5	22.8	21.6	20.4	20.0
Ownership of dwellings	27.6	27.4	26.5	25.3	25.2	25.3
General government gross operating surplus	24.1	23.8	23.6	23.4	23.2	23.1
All industries	27.2	27.2	27.6	27.0	26.9	26.5

**Private final
consumption
expenditure (PFCE)**

In the six years to 1990-91 the private sector accounted for, on an average annual basis, approximately 78.0 per cent of total Victorian final consumption expenditure.

In real terms (average 1984-85 prices) PFCE in Victoria grew at an average annual rate of 2.2 per cent from 1986-87 to 1990-91 compared with 3.1 per cent for Australia. This lower rate for Victoria was reflected in the declining rates of growth for PFCE in Victoria since 1986-87 relative to Australian expenditure. This resulted in Victoria's share of national private consumption expenditure decreasing from 26.6 per cent in 1985-86 to 25.4 per cent in 1990-91.

TABLE 5.7 PRIVATE FINAL CONSUMPTION EXPENDITURE
(\$m)

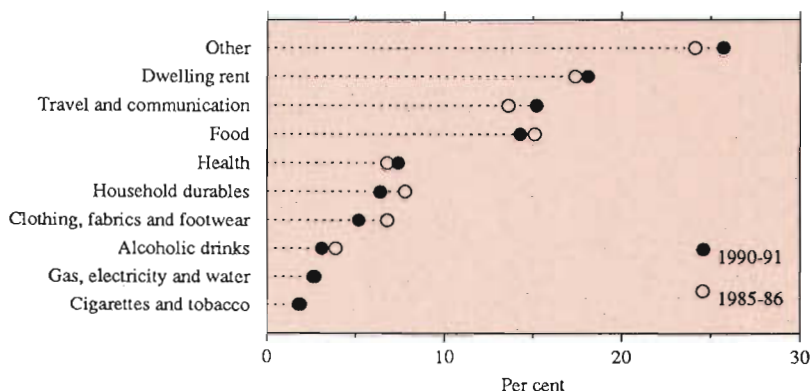
Year	Current Prices				Constant Prices (a)			
	\$m		Percentage change		\$m		Percentage change	
	Victoria	Australia	Victoria	Australia	Victoria	Australia	Victoria	Australia
1985-86	38,225	143,760	12.5	12.1	n.a.	n.a.	n.a.	n.a.
1986-87	42,281	157,499	10.6	9.6	35,399	133,872	n.a.	n.a.
1987-88	46,399	175,627	9.7	11.5	36,875	139,214	4.2	4.0
1988-89	50,902	194,886	9.7	11.0	38,092	144,355	3.3	3.7
1989-90	55,648	216,283	9.3	11.0	39,068	150,500	2.6	4.3
1990-91	58,076	228,511	4.4	5.7	38,581	151,077	-1.2	0.4

(a) At average 1984-85 prices.

In 1990-91 real PFCE in Victoria decreased by 1.2 per cent in contrast to a 0.4 per cent increase for Australia. This downturn in consumer spending was mainly due to a fall in consumer confidence stemming from the high unemployment levels, relatively high interest rates and slower wages growth associated with the 1990-91 recession.

The bulk of private consumption expenditure in Victoria was concentrated on three items in the six years to 1990-91. *Food; Dwelling rent; and Travel and communication* accounted for 46.1 per cent of Victorian PFCE in 1985-86, and 47.6 per cent in 1990-91. During this period *Travel and communication* increased its share the most, from 13.6 per cent in 1985-86 to 15.2 per cent in 1990-91 followed by *Dwelling rent*, which rose from 17.4 per cent to 18.1 per cent. The share held by *Food* decreased from 15.1 per cent to 14.3 per cent over the same period. Other main items which experienced a decrease in share were *Clothing, fabrics and footwear* (from 6.8 per cent to 5.7 per cent) and *Household durables* (from 7.8 per cent to 6.4 per cent).

PRIVATE FINAL CONSUMPTION EXPENDITURE, VICTORIA
(\$m)



In 1990-91 consumer spending (at current prices) for *Household durables* actually decreased by 7.3 per cent as consumers deferred purchases until confidence in the economy picked up.

TABLE 5.8 PRIVATE FINAL CONSUMPTION EXPENDITURE, VICTORIA
(\$m)

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
Food	5,766	6,263	6,757	7,591	8,189	8,311
Cigarettes and tobacco	688	754	814	891	1,011	1,118
Alcoholic drinks	1,509	1,597	1,716	1,791	1,829	1,811
Clothing, fabrics and footwear	2,606	2,947	3,162	3,192	2,985	3,003
Health	2,581	2,945	3,207	3,570	3,913	4,287
Dwelling rent	6,653	7,408	8,118	8,912	9,762	10,536
Gas, electricity and fuel	1,041	1,153	1,200	1,276	1,430	1,530
Household durables	2,972	3,247	3,475	3,774	4,005	3,711
Travel and communication	5,208	5,751	6,424	7,182	8,186	8,840
Other	9,201	10,216	11,526	12,723	14,338	14,929
Total	38,225	42,281	46,399	50,902	55,648	58,076

**Government final
consumption
expenditure
(government FCE)**

In the six years to 1990-91 the public sector accounted for , on an average annual basis, approximately 22.0 per cent of total Victorian final consumption expenditure. Over this period government FCE in Victoria increased by 60.0 per cent, compared with an increase of 67.6 per cent at the national level. Victoria's share of national government FCE decreased from 25.0 per cent in 1985-86 to 24.0 per cent in 1990-91.

TABLE 5.9 GOVERNMENT FINAL CONSUMPTION EXPENDITURE (a)
(\$m)

Year	Victoria	Percentage change	Australia	Percentage change	Victoria as percentage of Australia
1985-86	11,194	10.6	44,743	11.3	25.0
1986-87	12,209	9.1	48,975	9.5	24.9
1987-88	12,897	5.6	52,549	7.3	24.5
1988-89	14,005	8.6	56,898	8.3	24.6
1989-90	15,186	8.4	62,418	9.7	24.3
1990-91	16,188	6.6	67,377	7.9	24.0

(a) Includes Commonwealth, State and Local Governments.

Private gross fixed capital expenditure (PGFCE)

In Victoria, approximately 75 per cent of expenditure on fixed capital was accounted for by the private sector in the six years to 1990-91. During this period Victoria's share of national gross fixed capital expenditure declined from 27.3 per cent in 1985-86 to 23.3 per cent in 1990-91.

TABLE 5.10 PRIVATE GROSS FIXED CAPITAL EXPENDITURE
(\$m)

Year	Victoria	Percentage change	Australia	Percentage change	Victoria as percentage of Australia
1985-86	11,265	19.6	41,255	14.9	27.3
1986-87	13,117	6.4	45,323	9.9	28.9
1987-88	14,299	9	54,296	19.8	26.3
1988-89	17,854	24.9	67,596	24.5	26.4
1989-90	17,192	-3.7	67,852	0.4	25.3
1990-91	14,158	-17.6	60,812	-10.4	23.3

Private investment in Victoria fell sharply between 1988-89 and 1990-91. Following a 24.9 per cent increase in 1988-89, private investment in Victoria decreased by 3.7 per cent in 1989-90 and by 17.6 per cent in 1990-91. A similar trend was evident at the national level.

The sharp decline in private investment was preceded by high spending on dwelling and non-dwelling buildings, following the stockmarket crash in late 1987. Boom conditions predominated in the housing industry, and in the strongly growing non-dwelling construction industry a speculative office construction boom occurred. This crashed in 1989-90. Such activities contributed to the high internal demand conditions within the economy.

The late 1980s saw interest rates rise sharply. The effect of this on private investment in Victoria was reflected in the declining rates of growth of expenditure on dwellings, other dwellings and equipment in 1989-90 and 1990-91.

**TABLE 5.11 PRIVATE GROSS FIXED CAPITAL
EXPENDITURE, VICTORIA**
(Percentage change over previous year)

Year	Dwellings	Non-dwelling construction	Equipment
1985-86	13.3	26.8	22.3
1986-87	2.2	18.2	26.4
1987-88	8.4	30.5	-1.5
1988-89	23.0	24.2	22.2
1989-90	2.2	13.3	10.6
1990-91	-20.3	-18.6	-19.7

Government investment

The government sector (Commonwealth, State and Local) accounted for, on average, one quarter of total gross fixed capital expenditure in Victoria in the six years to 1990-91. Approximately two thirds of government gross fixed capital expenditure occurred in the public enterprises sector and one third in the general government sector.

General government GFCE increased in each of the years 1988-89 to 1990-91 (by 2.6 per cent, 13.0 per cent, and 8.8 per cent respectively). Public enterprise GFCE followed a similar trend in 1988-89 and 1989-90 but decreased by 14.4 per cent in 1990-91.

In 1990-91, general government GFCE in Victoria accounted for 19.0 per cent of national general government GFCE and public enterprise GFCE accounted for 24.9 per cent of such expenditure at the national level.

TABLE 5.12 GOVERNMENT GROSS FIXED CAPITAL EXPENDITURE (a), VICTORIA
(\$m)

Year	General government	Percentage change	Public enterprises	Percentage change	Total	Percentage change
1985-86	1,479	13.1	2,733	14.6	4,212	14.1
1986-87	1,360	-8.0	2,660	-2.6	4,020	-4.6
1987-88	1,275	-6.3	2,476	-6.9	3,751	-6.7
1988-89	1,308	2.6	2,799	13.0	4,107	9.5
1989-90	1,478	13.0	3,509	25.4	4,987	21.4
1990-91	1,608	8.8	3,005	-14.4	4,613	-7.5

Employment and unemployment

The number of persons employed in Victoria increased by 244,500 (13.4 per cent) from August 1986 to August 1990. This compared with an increase of 906,400 persons or 13.1 per cent at the national level. This growth in the demand for labour was reflected to a large extent in a falling unemployment rate (trend estimate) from 6.8 per cent in August 1986 to 4.7 per cent in August 1989 for Victoria and from 8.2 per cent to 6.0 per cent for Australia over the same period.

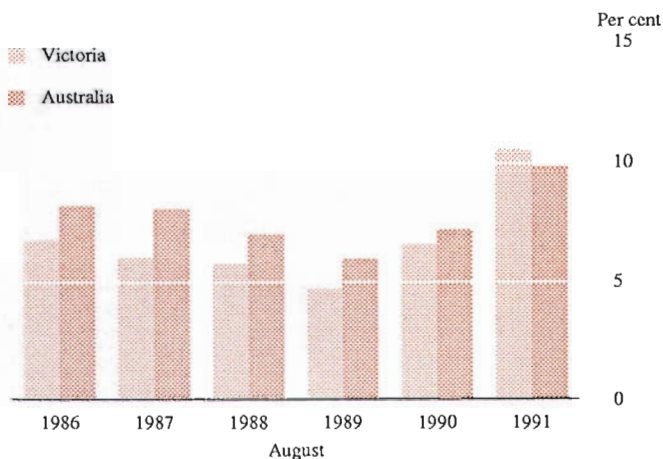
TABLE 5.13 EMPLOYED PERSONS
(^{'000})

August	Victoria	Percentage change	Australia	Percentage change	Victoria as percentage of Australia	Unemployment rate (a)	
						Victoria	Australia
1986	1,828.6	2.4	6,918.6	3.6	26.4	6.8	8.2
1987	1,923.6	5.2	7,092.3	2.5	27.1	6.1	8.1
1988	1,930.5	0.4	7,353.4	3.7	26.3	5.8	7.0
1989	2,049.8	6.2	7,727.6	5.1	26.5	4.7	6.0
1990	2,073.1	1.1	7,825.0	1.3	26.5	6.6	7.2
1991	1,972.1	-4.9	7,669.2	-2.0	25.7	10.5	9.9

(a) Trend estimate

The 1990-91 recession caused a dramatic change in the job market as the deteriorating economy saw the number of persons employed in Victoria decrease by 101,000 (from 2,073,100 persons in August 1990 to 1,972,100 persons in August 1991). This decrease represented 64.8 per cent of the 155,800 person decrease in employment across Australia in the same period. Concurrent with this, the unemployment rate rose to 10.5 per cent in Victoria and 9.9 per cent in Australia in August 1991.

UNEMPLOYMENT RATE (Trend Estimate)



In 1991, as in 1986, three industries accounted for approximately 62.0 per cent of persons employed in Victoria. These were *Public administration, defence, and community services*; *Wholesale and retail trade*; and *Manufacturing*, with respective shares of Victorian employment of 23.6 per cent; 20.1 per cent and 18.6 per cent in 1991. Of these three industries, only *Manufacturing* experienced a fall in employment share over the six years, from 20.3 per cent in 1986 to 18.6 per cent in 1991.

Notwithstanding this fall, *Manufacturing* still remained the most significant Victorian industry at the national level in 1991 (as in 1986), providing employment for one third (366,600 persons) of Australia's manufacturing workforce.

In terms of percentage change over the six year period, the most significant decreases in number of employed persons occurred in *Electricity, gas and water* (-34.6 per cent) and *Mining* (-31.0 per cent). The most significant increases occurred in *Recreation, personal and other services* (39.4 per cent) which resulted in its share of Victorian employment increasing by 1.6 percentage points, from 5.3 per cent in 1986 to 6.9 per cent in 1991. Other increases occurred in *Wholesale and retail trade* (16.4 per cent); *Finance, property and business services* (15.1 per cent); and *Public administration, defence, and community services* (13.1 per cent).

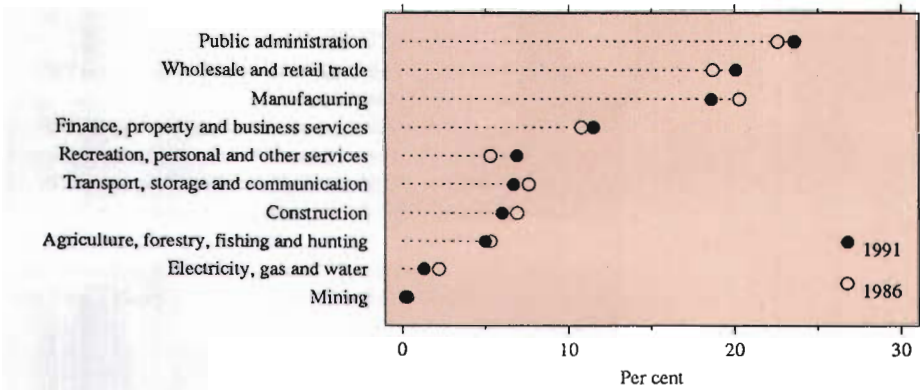
TABLE 5.14 EMPLOYED PERSONS, (a) (b) VICTORIA
('000)

Industry (c)	1986 ('000)	1991 ('000)	Percentage change	Industry groups as a percentage of total Victoria		Victorian industry as a percentage of Australian Industry 1991
				1986	1991	
Agriculture, forestry, fishing and hunting	97.1	98.8	1.8	5.3	5.0	24.3
Mining	5.8	4.0	-31.0	0.3	0.2	4.2
Manufacturing	371.7	366.6	-1.4	20.3	18.6	33.1
Electricity, gas and water	40.5	26.5	-34.6	2.2	1.3	25.6
Construction	126.6	118.4	-6.5	6.9	6.0	23.2
Wholesale and retail trade	341.1	397.2	16.4	18.7	20.1	25.0
Transport, storage and communication	139.0	131.8	-5.2	7.6	6.7	24.8
Finance, property and business services	197.2	227.0	15.1	10.8	11.5	25.4
Public administration, defence and community services	412.4	466.3	13.1	22.6	23.6	25.6
Recreation, personal and other services	97.1	135.4	39.4	5.3	6.9	22.4
Total	1,828.6	1,972.1	7.8	100.0	100.0	25.7

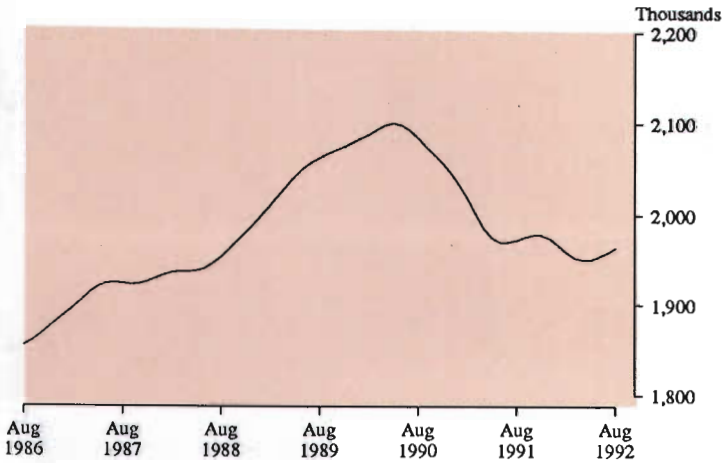
(a) (b) At August. Based on State of usual residence and 1986 Population Census benchmark.

(c) Classified according to Australian Standard Industry Classification, 1983

EMPLOYED PERSONS BY INDUSTRY, VICTORIA
Industry contribution to employment



EMPLOYED PERSONS: TREND ESTIMATES, VICTORIA



VICTORIAN MANUFACTURING INDUSTRY: AN OVERVIEW 1985-86 TO 1990-91

Manufacturing gross product

Victorian manufacturing gross product (at factor cost) grew by 36.1 per cent (at current prices) between 1985-86 and 1990-91, compared with an increase of 53.0 per cent for all Victorian industries. On an average annual rate of growth basis the respective increases were 6.0 per cent and 8.0 per cent.

Over this six year period, the contribution of the Victorian manufacturing sector to Victoria's GSP fell steadily from 21.8 per cent in 1985-86 to 19.4 per cent in 1990-91. This was a decrease of 2.4 percentage points. This contrasted sharply with a 3.9 percentage point increase in the contribution of the Services sector, from 63.2 per cent in 1985-86 to 67.1 per cent in 1990-91.

TABLE 5.15 GROSS DOMESTIC PRODUCT (a) BY SECTOR, VICTORIA
(Proportion of total GDP attributable to each sector)

Year	Rural	Mining	Manu- facturing	Const- struction	Services
1985-86	3.3	4.6	21.8	7.1	63.2
1986-87	3.6	3.0	21.0	7.3	65.1
1987-88	3.7	3.2	20.4	6.8	66.0
1988-89	3.8	2.9	20.1	7.3	65.9
1989-90	3.5	3.2	19.9	7.8	65.6
1990-91	2.7	3.5	19.4	7.4	67.1

(a) At factor cost and current prices.

Manufacturing employment

The manufacturing sector's share of total Victorian employment also progressively declined over the six year period to 1991. It decreased by 1.7 percentage points, from 20.3 per cent in 1985-86 to 18.6 per cent in 1990-91. This contrasted sharply with a 3.1 percentage points increase in share held by the Services sector, from 67.1 per cent to 70.2 per cent over the same period.

TABLE 5.16 NUMBER OF EMPLOYED PERSONS BY SECTOR, VICTORIA
(Proportion of total employment attributable to each sector)

Year	Rural	Mining	Manu- facturing	Const- struction	Services
1985-86	5.3	0.3	20.3	6.9	67.1
1986-87	5.0	0.4	20.4	6.7	67.6
1987-88	5.0	0.3	21.1	6.8	66.8
1988-89	4.8	0.3	19.7	7.7	67.5
1989-90	4.7	0.3	18.9	7.2	68.9
1990-91	5.0	0.2	18.6	6.0	70.2

Use of Advanced Technology in manufacturing industry

The proportion of Victorian manufacturing establishments using one or more advanced technologies increased from 32 per cent in 1988 to 42 per cent in 1991. At the national level the proportion increased from 33 per cent to 41 per cent.

Within the Victorian manufacturing sector, from 1988 to 1991, the most significant increases in the proportion of establishments using advanced technology occurred in the industry subdivisions of *Fabricated metal products* (from 30 per cent to 55 per cent); *Clothing and footwear* (from 15 per cent to 33 per cent); *Miscellaneous manufacturing* (from 30 per cent to 45 per cent); *Basic metal products* (from 46 per cent to 59 per cent); and *Other machinery and equipment* (from 57 per cent to 69 per cent). In the *Food, beverage and tobacco* and *Textile* industry subdivisions the proportion of Victorian manufacturing establishments using advanced technology did not change from 1988 and remained at 29 per cent and 38 per cent respectively in 1991.

TABLE 5.17 MANUFACTURING ESTABLISHMENTS WITH ADVANCED TECHNOLOGY BY INDUSTRY (a)

Industry	Victoria		Australia	
	1988(b)	1991(c)	1988(b)	1991(c)
Food, beverages and tobacco	29	29	28	32
Textiles	38	38	34	34
Clothing and footwear	15	33	15	29
Wood, wood products and furniture	21	22	23	30
Paper, paper products, printing and publishing	24	26	21	27
Chemical, petroleum and coal products	42	46	43	44
Non-metallic mineral products	33	43	41	47
Basic metal products	46	59	50	62
Fabricated metal products	30	55	31	46
Transport equipment	57	63	47	54
Other machinery and equipment	57	69	56	64
Miscellaneous manufacturing	30	45	34	44
Total manufacturing	32	42	33	41

(a) Establishments with ten or more employees.

(b) At 30 June 1988.

(c) At 31 December 1991.

TABLE 5.18 PRIVATE NEW CAPITAL EXPENDITURE, VICTORIA (\$m)

Year	Manufacturing industry	Percentage change	All industries	Percentage change	Manufacturing industry as percentage of all industries	Victorian manufacturing industry as percentage of Australian manufacturing industry
1985-86	1,973	71.1	4,587	11.6	43.0	37.3
1986-87	2,447	24.0	5,831	27.1	42.0	38.3
1987-88	2,595	6.0	6,369	9.2	40.7	36.5
1988-89	2,698	4.0	7,566	18.8	35.7	35.2
1989-90	2,803	3.9	7,840	3.6	35.8	32.9
1990-91	2,173	-22.5	6,321	-19.4	34.4	29.0

The contraction of private investment in Victorian manufacturing industry was also reflected in its decreased share of national private manufacturing investment from 37.3 per cent in 1985-86 to 29.0 per cent in 1990-91.

Manufacturing gross operating surplus (GOS)

The ratio of gross operating surplus to wages, salaries and supplements (the two components of manufacturing industry gross product at factor cost) rose steadily for Victorian manufacturing industry, from 53 per cent in 1985-86 to a peak of 59 per cent in 1988-89. There was a similar trend at the national level. During this period the ratio for Victorian manufacturing industry was slightly above that for Australian manufacturing industry. Since 1988-89 however the ratio decreased for both Victorian and Australian manufacturing industry with the ratio for Victoria falling below that for Australia in both 1989-90 and 1990-91. In Victoria the ratio fell by 0.15, from 0.59 in 1988-89 to 0.44 in 1990-91. This compares with a fall of 0.09 to 0.47 over the same period for Australian manufacturing industry.

TABLE 5.19 GROSS OPERATING SURPLUS AS A RATIO OF WAGES, SALARIES AND SUPPLEMENTS

Year ended 30 June	Manufacturing		All industries	
	Victoria	Australia	Victoria	Australia
1986	0.53	0.53	0.75	0.73
1987	0.53	0.51	0.74	0.74
1988	0.56	0.53	0.78	0.78
1989	0.59	0.56	0.80	0.81
1990	0.51	0.55	0.73	0.77
1991	0.44	0.47	0.70	0.73

Labour costs

In the five year period 1986-87 to 1990-91 average total labour costs per employee in the Victorian manufacturing sector were consistently higher than the average for all Victorian industries. The increase for the manufacturing sector over this period was 44.9 per cent, compared with an increase of 36.9 per cent for all Victorian industries. The increase for the Australian manufacturing sector over the same period was 36.6 per cent.

TABLE 5.20 AVERAGE TOTAL LABOUR COSTS PER EMPLOYEE PRIVATE SECTOR (\$)

	Manufacturing		All Industries	
	Victoria	Australia	Victoria	Australia
1986-87	23,030	23,622	20,949	20,985
1987-88	25,991	26,252	21,455	22,310
1988-89	28,326	28,413	24,268	23,830
1989-90	31,289	30,756	26,714	26,086
1990-91	33,379	32,273	28,670	27,788

Average total labour costs per employee for Victorian manufacturing industry were slightly lower in comparison with Australian manufacturing in the period 1986-87 to 1988-89 but then increased above the Australian average in 1989-90 and 1990-91. In 1990-91 the Victorian average total labour cost per employee in the manufacturing sector was \$33,379 compared with \$32,273 for the Australian manufacturing sector.

Manufacturing exports

Manufactures, as defined by the ABS, comprise those commodities which are classified to manufacturing industries to which their production is primary, in accordance with the Australian Standard Industrial Classification.

On this basis, exports by manufacturing industries in Victoria increased from 50.1 per cent of total Victorian exports in 1985-86 to 79.1 per cent in 1990-91, but decreased as a proportion of Australian manufacturing sector exports from 33.1 per cent to 28.6 per cent over the same period.

TABLE 5.21 EXPORTS BY MANUFACTURING INDUSTRIES (a)
\$m (f.o.b.)

Year	Victoria (b)	Australia	Victoria as percentage of Australia	Victorian manufacturing exports as a percentage of total Victorian exports	Total Exports	
					Victoria (b)	Australia
1985-86	3,416	10,311	33.1	50.1	6,819	31,899
1986-87	4,465	13,216	33.3	60.4	7,390	34,195
1987-88	5,594	17,241	32.4	61.8	9,045	39,701
1988-89	5,467	18,232	30.0	63.7	8,576	42,190
1989-90	5,912	20,780	28.5	68.9	8,581	47,366
1990-91	6,999	24,476	28.6	79.1	8,847	50,474

(a) Excludes re-exports. Exports are classified by industry of origin according to the ABS Australian Standard Industrial Classification.

(b) State in which final stage of production or manufacture occurs.

The large share of total exports attributed to the manufacturing sector, on the above basis, does not take into account the fact that many of these exports have not embodied a high degree of value added, processing, technology or skills. This perspective, however, is provided by the Trade Exports Classification (TREC) developed by the former Department of Trade, which is structured according to the degree of processing of commodities and accordingly defines 'manufactures' as 'simply transformed' (STMs) or 'elaborately transformed' (ETMs).

On this basis, manufactured exports accounted for a lower percentage of total exports compared with the proportion attributed to manufacturing industries classified according to the Australian Standard Industrial Classification. Based on the TREC, exports of Australian manufactures accounted for only 16.7 per cent of total Australian exports in 1985-86, rising to 23.8 per cent in 1990-91. In 1990-91, exports of ETMs accounted for 13.3 per cent of total Australian exports and exports of STMs accounted for 10.5 per cent.

TABLE 5.22 EXPORTS OF AUSTRALIAN MANUFACTURED PRODUCTS (a)
\$m (f.o.b.)

	Simply transformed manufactures (STMs) (b)	Elaborately transformed manufactures (ETMs) (b)	Total manufactures (b)	Percentage of total Australian exports		
				STMs	ETMs	Total manufactures
1985-86	2,538	2,802	5,340	8.0	8.8	16.7
1986-87	2,943	3,642	6,585	8.6	10.7	19.3
1987-88	4,097	4,298	8,395	10.3	10.8	21.2
1988-89	5,067	4,585	9,653	12.0	10.9	22.9
1989-90	5,238	5,473	10,711	11.1	11.6	22.6
1990-91	5,290	6,723	12,013	10.5	13.3	23.8

(a) Excludes re-exports.

(b) Source: Department of Foreign Affairs and Trade.

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