

CHAPTER 23

NATIONAL ACCOUNTS

National accounting aims at providing a systematic summary of the transactions taking place in the economy, especially those that relate to the production and use of goods and services, and to transfers of income or capital between sectors of the economy.

Estimates of national income and expenditure have been compiled by the ABS since 1944–45 and have been published annually as papers entitled *National Income and Expenditure* accompanying the Commonwealth Budgets. (Other national accounting publications are also produced regularly. A list of these can be found at the end of this chapter under the heading 'Further references').

NATIONAL INCOME AND EXPENDITURE

Description of National Income and Expenditure Accounts

A brief description of the conceptual basis of national accounts is given in this section, but for a more detailed treatment of the concepts and structure of the Australian national accounts reference should be made to *Australian National Accounts, Concepts, Sources and Methods* (5216.0).

Definition and relationship of the concepts of product, income and expenditure

The main concepts of product, income and expenditure in the Australian National Accounts are defined and expressed in equivalents as follows:

Gross domestic product is the total market value of goods and services produced in Australia within a given period after deduction of the cost of goods and services used up in the process of production but before deducting allowances for the consumption of fixed capital. Thus, gross domestic product, as here defined, is 'at market prices'. It is equivalent to gross national expenditure plus exports of goods and services less imports of goods and services. *Gross farm product* is that part of gross domestic product which derives from production in agriculture and services to agriculture. *Gross non-farm product* arises from production in all other industries.

Gross domestic product at factor cost is that part of the cost of producing the gross domestic product which consists of gross payments to factors of production (labour, land, capital and enterprise). It represents the value added by these factors in the process of production and is equivalent to gross domestic product less net indirect taxes.

Domestic factor incomes is that part of the value added within a given period by factors of production (labour, land, capital and enterprise) which accrues as income to their suppliers after allowing for the depreciation of fixed capital. It is equivalent to gross domestic product at factor cost less depreciation allowances.

National income is the net income accruing within a given period to Australian residents from their services in supplying factors of production (labour, land, capital and enterprise) in Australia or overseas plus indirect taxes less subsidies. It is equivalent to domestic factor incomes plus indirect taxes less subsidies and net income paid overseas.

National disposable income is the net income accruing within a given period to Australian residents from their services in supplying factors of production, from net indirect taxes and from net transfers from overseas. It is equivalent to national income less net transfers overseas plus net withholding taxes received from overseas.

Gross national expenditure is the total expenditure within a given period on final goods and services (i.e. excluding goods and services used up during the period in the process of production) bought by Australian residents. It is equivalent to the gross domestic product plus imports of goods and services less exports of goods and services.

Household income is the total income, whether in cash or kind, received by persons normally resident in Australia in return for productive activity (such as wages, salaries and supplements, incomes of unincorporated enterprises, etc.) and transfer incomes (such as cash social service benefits, interest, etc.). It includes the imputed interest of life offices and superannuation funds, which is the benefit accruing to policy holders and members from investment income of the funds. It also includes third party motor vehicle and public risk insurance claims paid to persons in respect of policies taken out by

enterprises. However, it excludes any income which might be said to accrue to persons in the form of undistributed company income. It also includes any property income received by non-profit organisations such as private schools, churches, charitable organisations, etc.

Framework of accounts and sectors

In the Australian national accounts, four internal sectors are distinguished: corporate trading enterprises (including public trading enterprises), financial enterprises (including the nominal industry), households (including their unincorporated enterprises) and general government. All of these internal sectors engage in productive activity, receive and disburse income and accumulate assets. In this publication no accounts are shown for individual internal sectors. The transactions of the internal sectors are summarised in three accounts: a domestic production account (Table 1, page 616), a national income and outlay account (Table 3, page 617) and a national capital account (Table 4, page 618). In addition, there is an overseas sector having an account (Table 6, page 619) which shows a summary of the transactions into which overseas governments, persons and businesses enter with Australian residents.

The framework of sectors and accounts underlying the Australian national accounts is set out in the following diagram. The heavy rectangles depict the minimum system of four accounts which represent the consolidated accounts of the nation. The light rectangles represent the accounts for institutional sectors. The subdivision of the domestic production account represents production accounts for establishments classified according to industry. Selected transactions from such production accounts are shown in *Australian National Accounts, National Income and Expenditure* (5204.0). Such production accounts can be developed in detail to produce input-output tables.

ARTICULATION OF AUSTRALIAN NATIONAL ACCOUNTS

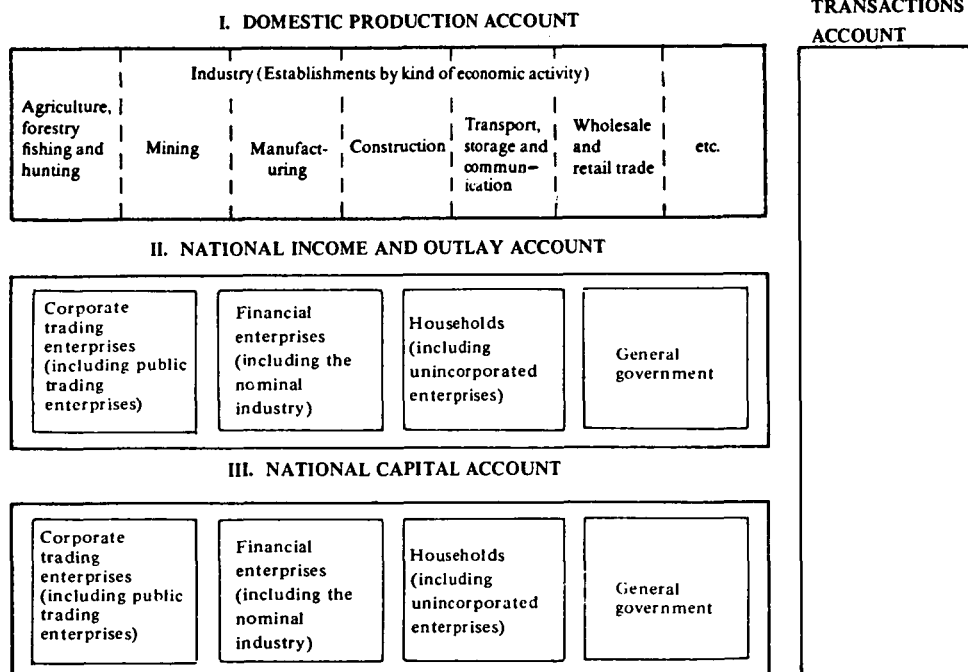


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Description of the accounts

The *domestic production account* is a consolidation of the production accounts of all producers regardless of sector. The production account is shown as receiving revenue from the sale of goods and services to final buyers; all intermediate goods and services are cancelled out, since they represent a cost to one producer to offset the revenue of the other. On the payments side are shown the payments of indirect taxes less subsidies, and, since the account is presented from the point of view of the producing unit, the wages and salaries paid to employees. The balance is the gross operating surplus which may be divided into depreciation allowances and net operating surplus. Depreciation allowances is carried to the national capital account (or the sector capital accounts) and net operating surplus, together with wages and salaries and indirect taxes less subsidies, is carried to the national income and outlay account (or sector income and outlay accounts). In input-output tables, the domestic production account is broken up into accounts for separate industries, and transactions associated with intermediate usage of goods and services are shown in the production accounts for the separate industries.

The *national income and outlay account* is shown as receiving wages, salaries and supplements, net operating surplus and indirect taxes less subsidies from the domestic production account. From this income are deducted net payments of income and miscellaneous transfers to overseas; the remainder is the national disposable income. The outlay side of the account shows that this disposable income is largely used for final consumption expenditure and the balance is the nation's saving. The national income and outlay account is a consolidation of the sector income and outlay accounts.

The *national capital account* is a consolidation of the sector capital accounts. It shows on the receipts side depreciation allowances transferred from the domestic production account and saving transferred from the national income and outlay account (or from the sector income and outlay accounts). On the payments side are shown purchases by all sectors of new buildings and capital equipment, the increase in stocks of all sectors and a balance described as net lending to overseas. This concept of net lending to overseas includes increases (and, negatively, decreases) in Australia's overseas monetary reserves. The net lending to overseas is also the balance on current transactions in the overseas transactions account.

The *overseas transactions account* records all transactions of a current nature between Australian and overseas residents. Although this is an account for the overseas sector, the items are named from the Australian viewpoint. The account shows that Australia's current receipts from overseas consist of the value of Australia's exports of goods and services, property income received from overseas, transfers from overseas and withholding taxes from overseas. These receipts are used for Australia's imports of goods and services and payments of property income and transfers to overseas; the balance of current receipts represents net lending to overseas. Positive net lending to overseas corresponds to a surplus on current transactions with overseas, and negative net lending corresponds to a deficit. The transactions in property income shown in this account differ from estimates shown in balance of payments statistics because, in the national accounts, undistributed company income is not imputed to the beneficial owners. For this reason, net lending to overseas differs from the balance on current account shown in balance of payments statistics.

Estimates at constant prices

For certain kinds of intertemporal comparison, it is desirable to derive measures which attempt to remove the direct effect of price changes during the periods under review. Such estimates, conventionally described as 'at constant prices', are presented in Tables 2 and 5 (pages 617 and 618 respectively) for gross domestic product, exports and imports of goods and services, and gross national expenditure and its principal components.

Chapter 4 of *Australian National Accounts, Concept, Sources and Methods* (5216.0) contains a discussion of the conceptual problems involved in making these estimates. Chapter 12 of that publication contains a brief account of the sources and methods used in preparing the estimates.

It should be noted that estimates at constant prices involve approximations and assumptions, and care must be taken in the interpretation and use of results.

Reliability and revisions

Estimates of national income and expenditure are necessarily prepared from a very wide range of statistical information, some of which is available quickly and some of which is available only after a delay of several years. Some of it is closely related to the desired national income concepts, but some of it is not completely satisfactory in various respects, including coverage, concepts and timing. Estimates, in particular for the most recent years, are therefore subject to revision. This applies particularly to estimates based on income tax statistics—income of companies, non-farm unincorporated enterprises,

depreciation, and part of private gross fixed capital expenditure—which are subject to substantial revisions for the last one or two years because tabulations of income tax statistics become available progressively one to two years after the end of each financial year.

It is not possible to put precise limits on the degree of revision likely to any particular series, nor to state degrees of reliability in a statistical sense. These depend in large part on the range and quality of the basic statistical data.

National income and expenditure tables

NOTE. Items in all current price tables are numbered from 1 to 25, with or without the addition of a letter, and this system is used to identify the corresponding credit and debit entries in the accounts. In some cases the items correspond exactly, while in other cases an entry in one table is the sum of two or more entries in other tables; here the total is given a number, and the components have a number and a letter. In the remaining type of case all entries are given the same number and a distinguishing letter, because in this group one item is not the sum of one or more entries. The relationship between these items can still be traced through because the sum of all credit entries must equal the sum of all debit entries. A description of the numbered items can be found in *Australian National Accounts, Concepts, Sources and Methods* (5216.0).

The figures shown in Tables 1-6 are as published in *Budget Paper No. 9, National Income and Expenditure, 1980-81* (5213.0). The figures shown in Table 7 are consistent with those published in *Quarterly Estimates of National Income and Expenditure, Australia, June Quarter 1981* (5206.0).

TABLE 1
DOMESTIC PRODUCTION ACCOUNT
(\$ million)

	1978-79	1979-80	1980-81
Final consumption expenditure—			
1 Private	62,122	69,823	78,428
2 Government	16,815	18,762	22,055
Gross fixed capital expenditure—			
3 Private	14,917	16,290	21,265
4 Public enterprises	4,364	4,825	5,482
5 General government	3,817	3,980	4,304
6 Increase in stocks	1,057	674	394
7 Statistical discrepancy	-52	-719	614
<i>Gross national expenditure</i>	<i>103,040</i>	<i>113,635</i>	<i>132,542</i>
8 Exports of goods and services	16,513	21,626	22,303
9 Less Imports of goods and services	17,892	20,914	24,816
Expenditure on gross domestic product	101,661	114,347	130,029
10 Wages, salaries and supplements	55,443	61,766	71,332
Gross operating surplus—			
Trading enterprises—			
11a Companies	11,418	13,437	15,880
11b Unincorporated enterprises	13,124	14,255	14,519
11c Dwellings owned by persons	7,132	8,043	8,905
11d Public enterprises	2,355	2,649	2,940
11e Financial enterprises	2,459	2,867	3,625
11f Less Imputed bank service charge	2,358	2,771	3,389
<i>Gross domestic product at factor cost</i>	<i>89,573</i>	<i>100,246</i>	<i>113,812</i>
12 Indirect taxes less subsidies	12,088	14,101	16,217
Gross domestic product	101,661	114,347	130,029
Gross farm product	6,472	7,462	6,969
Gross non-farm product	95,189	106,885	123,060

TABLE 2
EXPENDITURE ON GROSS DOMESTIC PRODUCT AT AVERAGE 1974-75 PRICES
(\$ million)

	1978-79	1979-80	1980-81
Final consumption expenditure—			
Private	40,345	41,318	42,623
Government	11,480	11,685	12,172
Gross fixed capital expenditure—			
Private	9,640	9,585	11,284
Public	5,447	5,223	5,177
Increase in stocks	1,216	250	106
Statistical discrepancy	-8	-399	358
<i>Gross national expenditure</i>	<i>68,120</i>	<i>67,662</i>	<i>71,720</i>
Exports of goods and services	11,472	13,143	12,135
Less Imports of goods and services	11,169	11,107	12,107
Expenditure on gross domestic product	68,423	69,698	71,748
Gross farm product	4,982	4,578	4,016
Gross non-farm product	63,441	65,120	67,732

TABLE 3
NATIONAL INCOME AND OUTLAY ACCOUNT
(\$ million)

	1978-79	1979-80	1980-81
10 Wages, salaries and supplements	55,443	61,766	71,332
11g Net operating surplus	27,222	30,895	33,987
<i>Domestic factor incomes</i>	<i>82,665</i>	<i>92,661</i>	<i>105,319</i>
13 Less Net income paid overseas	1,402	1,821	1,565
12a Indirect taxes	12,672	14,908	17,270
12b Less Subsidies	584	807	1,053
<i>National income</i>	<i>93,351</i>	<i>104,941</i>	<i>119,971</i>
14 Less Net transfers to overseas	501	324	383
15g Withholding taxes from overseas	114	141	161
National disposable income	92,964	104,758	119,749
Final consumption expenditure—			
1 Private	62,122	69,823	78,428
2 Government	16,815	18,762	22,055
15 Saving	14,027	16,173	19,266
19 Disposal of income	92,964	104,758	119,749

TABLE 4
NATIONAL CAPITAL ACCOUNT
(\$ million)

	1978-79	1979-80	1980-81
11h Depreciation allowances	6,908	7,585	8,493
Saving—			
15 Increase in income tax provisions	494	1,491	892
16 Undistributed (company) income	1,675	1,475	2,961
17 Retained income of public financial enterprises	369	379	654
18 Household saving	9,835	9,344	10,492
19 General government surplus on current transactions	1,654	3,484	4,267
Finance of gross accumulation	20,935	23,758	27,759
Gross fixed capital expenditure—			
Private—			
3a Dwellings	4,065	4,818	(a)
3b Non-dwelling construction	2,532	2,752	4,019
3c Equipment	8,320	8,720	11,262
4 Public enterprises	4,364	4,825	5,482
5 General government	3,817	3,980	4,304
<i>Total gross fixed capital expenditure</i>	<i>23,098</i>	<i>25,095</i>	<i>31,051</i>
Increase in stocks—			
6a Private non-farm	95	1,058	701
6b Public authority	-162	18	168
6c Farm	1,124	-402	-475
7 Statistical discrepancy	-52	-719	614
21 Net lending to overseas	-3,168	-1,292	-4,300
Gross accumulation	20,935	23,758	27,759

(a) Not shown separately, but included in 'total gross fixed capital expenditure'.

TABLE 5
GROSS FIXED CAPITAL EXPENDITURE AND INCREASE IN STOCKS AT AVERAGE 1974-75 PRICES
(\$ million)

	1978-79	1979-80	1980-81
Gross fixed capital expenditure—			
Private—			
Dwellings	2,855	3,144	(a)
Non-dwelling construction	1,669	1,623	2,108
Equipment	5,116	4,818	5,698
<i>Total private</i>	<i>9,640</i>	<i>9,585</i>	<i>11,284</i>
Public	5,447	5,223	5,177
Total	15,087	14,808	16,461
Increase in stocks—			
Private non-farm	67	571	332
Public authority	-99	11	89
Farm	1,248	-332	-315
Total	1,216	250	106

(a) Not shown separately, but included in 'total private'.

TABLE 6
OVERSEAS TRANSACTIONS ACCOUNT
(\$ million)

	1978-79	1979-80	1980-81
9a Imports f.o.b.	13,493	15,829	19,147
9b Transportation	2,498	3,021	3,341
9c Travel	1,299	1,479	1,573
9d Government transactions	219	264	289
9e Other goods and services	383	321	466
9 Imports of goods and services	17,892	20,914	24,816
13a Property income to overseas	1,689	2,123	1,967
14a Personal transfers overseas	398	347	440
14b General government transfers overseas	515	565	633
21 Net lending to overseas	-3,168	-1,292	-4,300
Use of current receipts	17,326	22,657	23,556
8a Exports f.o.b.	14,074	18,581	18,890
8b Transportation	1,559	1,902	2,021
8c Travel	537	801	995
8d Government transactions	98	120	118
8e Other goods and services	244	221	279
8 Exports of goods and services	16,513	21,626	22,303
13b Property income from overseas	287	302	402
14c Personal transfers from overseas	412	588	690
15g Withholding taxes	114	141	161
Current receipts from overseas	17,326	22,657	23,556

TABLE 7
MAIN AGGREGATES AT CURRENT PRICES, 1959-60 TO 1980-81
(\$ million)

	1	2	3	4	5	6	7
	<i>Final consumption expenditure</i>		<i>Private gross fixed capital expenditure</i>	<i>Public gross fixed capital expenditure</i>	<i>Increase in stocks</i>	<i>Statistical discrepancy</i>	<i>Gross national expenditure</i>
<i>Year</i>	<i>Private</i>	<i>Government</i>					<i>(1 to 6)</i>
1959-60	9,040	1,301	2,191	1,214	168	-26	13,888
1960-61	9,586	1,408	2,415	1,256	478	-89	15,054
1961-62	9,876	1,527	2,328	1,376	-219	-177	14,711
1962-63	10,591	1,605	2,580	1,430	253	-151	16,308
1963-64	11,427	1,771	2,913	1,585	120	-136	17,680
1964-65	12,358	2,056	3,398	1,852	561	-17	20,208
1965-66	13,140	2,372	3,657	2,064	109	-79	21,263
1966-67	14,192	2,708	3,825	2,182	360	-175	23,092
1967-68	15,484	3,174	4,164	2,367	113	-310	24,992
1968-69	16,771	3,299	4,730	2,525	682	-58	27,949
1969-70	18,472	3,659	5,162	2,758	438	85	30,574
1970-71	20,408	4,201	5,839	2,943	460	-43	33,808
1971-72	22,686	4,783	6,331	3,301	20	213	37,334
1972-73	25,449	5,444	6,685	3,485	-293	537	41,307
1973-74	30,092	6,838	7,772	3,982	1,209	1,549	51,442
1974-75	36,569	9,205	8,534	5,650	1,094	1,075	62,127
1975-76	43,605	11,455	10,322	6,700	50	430	72,562
1976-77	49,830	13,408	11,859	7,103	1,152	416	83,768
1977-78	55,390	15,171	12,707	7,904	-416	550	91,306
1978-79	62,122	16,815	14,917	8,181	1,057	-52	103,040
1979-80	69,823	18,762	16,290	8,805	674	-719	113,635
1980-81	78,428	22,055	21,265	9,786	394	614	132,542

	8	9	10	11	12	13	14
			<i>(7+8-9)</i>				
	<i>Exports of goods and services</i>	<i>Imports of goods and services</i>	<i>Gross domestic product</i>	<i>Gross domestic product at factor cost</i>	<i>National income</i>	<i>Household income</i>	<i>Wages, salaries and supplements</i>
<i>Year</i>							
1959-60	2,142	2,285	13,745	12,270	12,483	10,850	6,961
1960-61	2,166	2,603	14,617	13,045	13,227	11,659	7,500
1961-62	2,459	2,204	14,966	13,432	13,494	12,109	7,748
1962-63	2,481	2,610	16,179	14,537	14,589	12,898	8,202
1963-64	3,150	2,860	17,970	16,197	16,231	14,318	8,948
1964-65	3,033	3,474	19,767	17,807	17,856	15,663	10,035
1965-66	3,121	3,617	20,767	18,623	18,669	16,465	10,845
1966-67	3,468	3,695	22,865	20,592	20,545	18,244	11,850
1967-68	3,549	4,134	24,407	21,926	21,861	19,184	12,911
1968-69	3,878	4,269	27,558	24,817	24,762	21,583	14,303
1969-70	4,737	4,758	30,553	27,529	27,429	23,820	16,079
1970-71	5,032	5,092	33,748	30,459	30,445	26,672	18,447
1971-72	5,578	5,218	37,694	33,993	34,111	30,183	20,575
1972-73	6,918	5,353	42,872	38,628	39,013	34,619	22,966
1973-74	7,784	7,782	51,444	46,139	47,371	42,571	28,127
1974-75	9,889	10,247	61,769	55,154	57,053	52,909	36,115
1975-76	10,982	10,837	72,707	64,186	67,038	61,826	41,580
1976-77	13,191	13,783	83,176	73,428	76,580	70,716	46,926
1977-78	13,990	15,021	90,275	79,935	82,972	78,068	51,500
1978-79	16,513	17,892	101,661	89,573	93,351	86,922	55,443
1979-80	21,626	20,914	114,347	100,246	104,941	96,416	61,766
1980-81	22,303	24,816	130,029	113,812	119,971	108,990	71,332

Further references

Detailed annual estimates of national income and expenditure are published in *Australian National Accounts, National Income and Expenditure* (5204.0). Less detailed annual estimates are first published in a Budget Paper *National Income and Expenditure* usually in August. Quarterly estimates are published in *Quarterly Estimates of National Income and Expenditure, Australia* (5206.0).

Australian National Accounts, Gross Product by Industry at Current and Constant Prices, 1979-80 was published in December 1981. The Bureau also compiles input-output tables for the Australian economy. Tables for the year 1968-1969 were published in *Australian National Accounts, Input-Output Tables 1968-69* (5209.0) in November 1977. Final tables for 1974-75 were published in *Australian National Accounts, Input-Output Tables 1974-75* (5209.0) in September 1981.

Other national accounts publications which may be of interest are:

Australian National Accounts (Preliminary Statement No. 1)—Gross Domestic Product at Current and Constant Prices (5201.0).

Australian National Accounts (Preliminary Statement No. 2)—Household Income by States (5202.0).

Australian National Accounts (Preliminary Statement No. 3)—Gross Domestic Product at Factor Cost by Industry (5203.0).

Quarterly Estimates of National Income and Expenditure, Australia (Preliminary) (5205.0) (June quarter only).

Historical Series of Quarterly Estimates of National Income and Expenditure, Australia (5207.0).

