

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.)

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.

The relationship between these aggregates (other than household income) are illustrated in the following diagram.

RELATIONSHIP OF MAIN IDENTITIES

National turnover of goods and services	Imports of goods and services	Imports of goods and services	Imports of goods and services	Imports of goods and services	Imports of goods and services	Imports of goods and services	Exports of goods and services
	Gross domestic product	Gross domestic product at factor cost	Domestic factor incomes	Net income paid overseas	Net income paid overseas	Net income paid overseas	Gross national expenditure
					Net transfers to overseas	Net transfers to overseas	
						Net lending to overseas	
		Indirect taxes less subsidies	Indirect taxes less subsidies	National income	National disposable income	Gross national expenditure	Gross national expenditure
		Indirect taxes less subsidies	Depreciation allowances	Depreciation allowances	Depreciation allowances		

PLATE 46

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 583), a national income and outlay account (Table 3, page 584) and a national capital account (Table 4, page 585). In addition, there is an overseas sector having an account (Table 6, page 585) 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

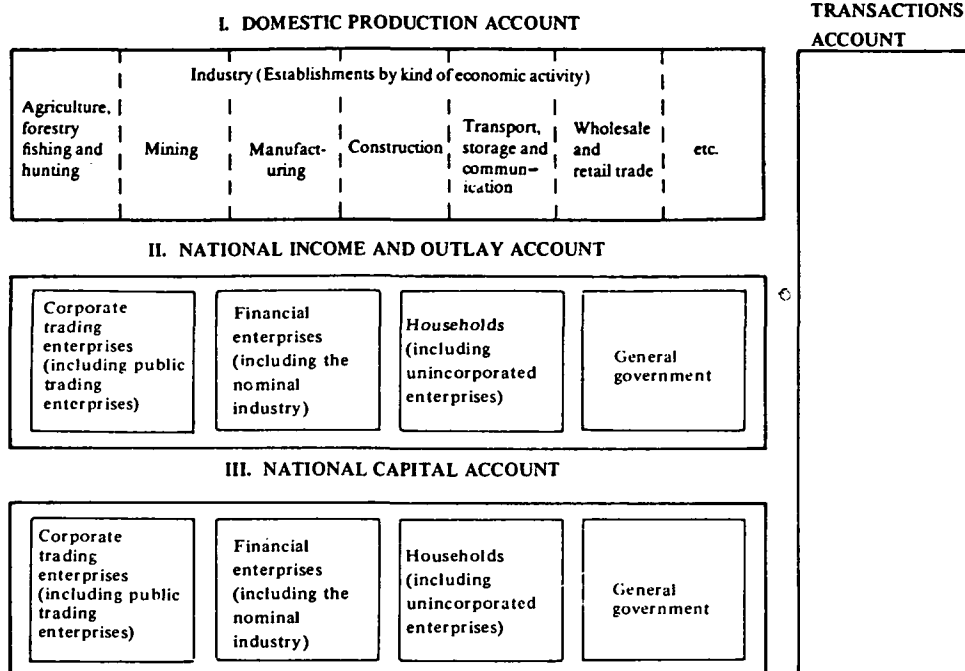


PLATE 47

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 583 and 585 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, Concepts, 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 26, 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. 10, National Income and Expenditure, 1982-83* (5213.0). The figures shown in Table 7 are consistent with those published in *Quarterly Estimates of National Income and Expenditure, Australia, June Quarter 1983* (5206.0).

TABLE 1
DOMESTIC PRODUCTION ACCOUNT
(\$ million)

	1980-81	1981-82	1982-83
Final consumption expenditure—			
1 Private	78,913	89,415	100,249
2 Government	22,139	25,351	28,742
Gross fixed capital expenditure—			
3 Private	21,724	26,936	24,602
4 Public enterprises	5,644	6,070	7,800
5 General government	4,461	4,822	5,632
6 Increase in stocks	209	1,146	-2,515
7 Statistical discrepancy	475	93	-201
Gross national expenditure	133,565	153,833	164,309
8 Exports of goods and services	22,002	22,663	24,559
9 Less Imports of goods and services	24,750	28,558	27,976
Expenditure on gross domestic product	130,817	147,938	160,892
10 Wages, salaries and supplements	71,736	82,722	91,338
Gross operating surplus—			
Trading enterprises—			
11a Companies	15,901	16,853	16,663
11b Unincorporated enterprises	15,096	16,162	14,983
11c Dwellings owned by persons	8,933	10,494	12,846
11d Public enterprises	2,924	3,273	3,823
11e Financial enterprises	3,374	3,771	4,282
11f Less Imputed bank service charge	3,286	3,798	4,078
Gross domestic product at factor cost	114,678	129,477	139,857
12 Indirect taxes less subsidies	16,139	18,461	21,035
Gross domestic product	130,817	147,938	160,892
Gross farm product	7,091	7,257	5,611
Gross non-farm product	123,726	140,681	155,281

TABLE 2
EXPENDITURE ON GROSS DOMESTIC PRODUCT AT AVERAGE 1979-80 PRICES
(\$ million)

	1980-81	1981-82	1982-83
Final consumption expenditure—			
Private	72,211	74,832	75,394
Government	19,723	19,964	20,583
Gross fixed capital expenditure—			
Private	19,584	22,077	18,071
Public	9,016	8,646	9,459
Increase in stocks	329	1,197	-1,919
Statistical discrepancy	466	140	-118
Gross national expenditure	121,329	126,856	121,470
Exports of goods and services	20,404	20,603	20,882
Less Imports of goods and services	22,817	25,569	22,940
Expenditure on gross domestic product	118,916	121,890	119,412
Gross farm product	6,615	7,682	6,323
Gross non-farm product	112,301	114,208	113,089

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

	1980-81	1981-82	1982-83
10 Wages, salaries and supplements	71,736	82,722	91,338
11g Net operating surplus	33,770	36,335	36,617
<i>Domestic factor incomes</i>	<i>105,506</i>	<i>119,057</i>	<i>127,955</i>
13 Less Net income paid overseas	1,855	2,560	2,723
12a Indirect taxes	17,136	19,538	22,301
12b Less Subsidies	997	1,077	1,266
<i>National income</i>	<i>119,790</i>	<i>134,958</i>	<i>146,267</i>
14 Less Net transfers to overseas	355	427	349
15g Withholding taxes from overseas	161	205	258
<i>National disposable income</i>	<i>119,596</i>	<i>134,736</i>	<i>146,176</i>
Final consumption expenditure—			
1 Private	78,913	89,415	100,249
2 Government	22,139	25,351	28,742
15 Saving	18,544	19,970	17,185
19, 26 Disposal of income	119,596	134,736	146,176

TABLE 4
NATIONAL CAPITAL ACCOUNT
(\$ million)

	1980-81	1981-82	1982-83
11h Depreciation allowances	9,172	10,420	11,902
<i>Saving—</i>			
15 Increase in income tax provisions	641	-66	-464
16 Undistributed (company) income	2,241	1,527	697
17 Retained income of public financial enterprises	441	359	238
18 Household saving	11,032	12,847	13,703
19 General government surplus on current transactions	4,489	5,303	2,811
26 Extraordinary insurance claims paid	200
<i>Finance of gross accumulation</i>	<i>27,716</i>	<i>30,390</i>	<i>29,087</i>
Gross fixed capital expenditure—			
Private—			
3a Dwellings	6,111	6,663	5,464
3b Non-dwelling construction	3,824	5,001	5,125
3c Equipment	11,789	15,272	14,013
4 Public enterprises	5,644	6,070	7,800
5 General government	4,461	4,822	5,632
<i>Total gross fixed capital expenditure</i>	<i>31,829</i>	<i>37,828</i>	<i>38,034</i>
Increase in stocks—			
6a Private non-farm	584	664	-2,387
6b Public authority	211	328	524
6c Farm	-586	154	-652
7 Statistical discrepancy	475	93	-201
21 Net lending to overseas	-4,797	-8,677	-6,231
<i>Gross accumulation</i>	<i>27,716</i>	<i>30,390</i>	<i>29,087</i>

TABLE 5
GROSS FIXED CAPITAL EXPENDITURE AND INCREASE IN STOCKS AT AVERAGE 1979-80 PRICES
(\$ million)

	1980-81	1981-82	1982-83
Gross fixed capital expenditure—			
Private—			
Dwellings	5,439	5,284	3,942
Non-dwelling construction	3,409	3,946	3,559
Equipment	10,736	12,847	10,570
<i>Total private</i>	<i>19,584</i>	<i>22,077</i>	<i>18,071</i>
Public	9,016	8,646	9,459
Total	28,600	30,723	27,530
Increase in stocks—			
Private non-farm	552	560	-1,771
Public authority	186	281	433
Farm	-409	356	-581
Total	329	1,197	-1,919

TABLE 6
OVERSEAS TRANSACTIONS ACCOUNT
(\$ million)

	1980-81	1981-82	1982-83
9a Imports f.o.b.	19,169	22,374	21,528
9b Transportation	3,355	3,743	3,726
9c Travel	1,561	1,696	1,868
9d Government transactions	287	321	362
9e Other goods and services	378	424	492
9 <i>Imports of goods and services</i>	<i>24,750</i>	<i>28,558</i>	<i>27,976</i>
13a Property income to overseas	2,387	3,079	3,534
14a Personal transfers overseas	439	491	562
14b General government transfers overseas	627	734	806
21 Net lending to overseas	-4,797	-8,677	-6,231
Use of current receipts	23,406	24,185	26,647
8a Exports f.o.b.	18,718	19,089	20,697
8b Transportation	2,013	2,095	2,192
8c Travel	898	1,030	1,157
8d Government transactions	126	161	191
8e Other goods and services	247	288	322
8 <i>Exports of goods and services</i>	<i>22,002</i>	<i>22,663</i>	<i>24,559</i>
13b Property income from overseas	532	519	811
14c Personal transfers from overseas	711	798	979
14d Extraordinary insurance claims	40
15g Withholding taxes	161	205	258
Current receipts from overseas	23,406	24,185	26,647

TABLE 7
MAIN AGGREGATES AT CURRENT PRICES, 1959-60 TO 1982-83
(\$ million)

Year	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>	(1 to 6)	
	<i>Private</i>	<i>Government</i>					<i>Gross national expenditure</i>	
1959-60	9,049	1,302	2,191	1,214	168	-35	13,889	
1960-61	9,601	1,409	2,415	1,256	478	-107	15,052	
1961-62	9,887	1,528	2,328	1,380	-219	-190	14,714	
1962-63	10,599	1,605	2,580	1,434	253	-160	16,311	
1963-64	11,437	1,771	2,913	1,586	120	-146	17,681	
1964-65	12,366	2,056	3,398	1,852	561	-26	20,207	
1965-66	13,149	2,371	3,657	2,066	109	-87	21,265	
1966-67	14,207	2,708	3,825	2,184	360	-189	23,095	
1967-68	15,499	3,175	4,164	2,369	113	-324	24,996	
1968-69	16,795	3,299	4,730	2,525	682	-78	27,953	
1969-70	18,498	3,665	5,161	2,745	440	58	30,567	
1970-71	20,428	4,196	5,837	2,936	446	-46	33,797	
1971-72	22,690	4,787	6,330	3,295	11	178	37,291	
1972-73	25,452	5,450	6,684	3,484	-285	525	41,310	
1973-74	30,086	6,841	7,764	3,980	1,170	1,490	51,331	
1974-75	36,514	9,214	8,536	5,653	1,016	1,148	62,081	
1975-76	43,630	11,456	10,331	6,699	111	424	72,651	
1976-77	49,954	13,390	11,818	7,136	1,134	313	83,745	
1977-78	55,388	15,105	12,670	7,945	-467	727	91,368	
1978-79	62,289	16,734	15,034	8,151	1,264	-27	103,445	
1979-80	69,834	18,696	16,650	8,833	594	-516	114,091	
1980-81	78,913	22,139	21,724	10,105	209	475	133,565	
1981-82	89,415	25,351	26,936	10,892	1,146	93	153,833	
1982-83	100,249	28,742	24,602	13,432	-2,515	-201	164,309	

Year	8	9	10	11	12	13	14
	<i>Exports of goods and services</i>	<i>Imports of goods and services</i>	(7+8-9) <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>
1959-60	2,142	2,285	13,746	12,271	12,476	10,851	6,961
1960-61	2,166	2,601	14,617	13,046	13,219	11,660	7,500
1961-62	2,458	2,204	14,968	13,433	13,494	12,109	7,748
1962-63	2,481	2,610	16,182	14,539	14,590	12,900	8,202
1963-64	3,150	2,860	17,971	16,199	16,232	14,321	8,948
1964-65	3,035	3,473	19,769	17,809	17,859	15,665	10,035
1965-66	3,122	3,617	20,770	18,626	18,669	16,467	10,845
1966-67	3,468	3,695	22,868	20,595	20,549	18,246	11,850
1967-68	3,549	4,134	24,411	21,930	21,867	19,189	12,911
1968-69	3,877	4,268	27,562	24,821	24,766	21,587	14,303
1969-70	4,736	4,758	30,545	27,522	27,436	23,821	16,079
1970-71	5,032	5,092	33,737	30,449	30,438	26,669	18,447
1971-72	5,605	5,216	37,680	33,985	34,096	30,163	20,575
1972-73	6,945	5,348	42,907	38,665	39,034	34,611	22,966
1973-74	7,810	7,775	51,366	46,013	47,301	42,524	28,127
1974-75	9,920	10,228	61,773	55,124	57,028	52,910	36,115
1975-76	11,005	10,830	72,826	64,267	67,146	61,834	41,580
1976-77	13,208	13,788	83,165	73,427	76,519	70,699	46,926
1977-78	13,980	15,008	90,340	80,019	82,938	77,984	51,530
1978-79	16,502	17,784	102,163	90,191	93,773	86,923	55,446
1979-80	21,585	20,919	114,757	100,687	105,144	96,578	61,720
1980-81	22,002	24,750	130,817	114,678	119,790	110,054	71,736
1981-82	22,663	28,558	147,938	129,477	134,958	126,720	82,722
1982-83	24,559	27,976	160,892	139,857	146,267	140,679	91,338

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