

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				
		Indirect taxes less subsidies	Depreciation allowances	Depreciation allowances	Depreciation allowances		

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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 537), a national income and outlay account (Table 3, page 538) and a national capital account (Table 4, page 538). In addition, there is an overseas sector having an account (Table 6, page 539) 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

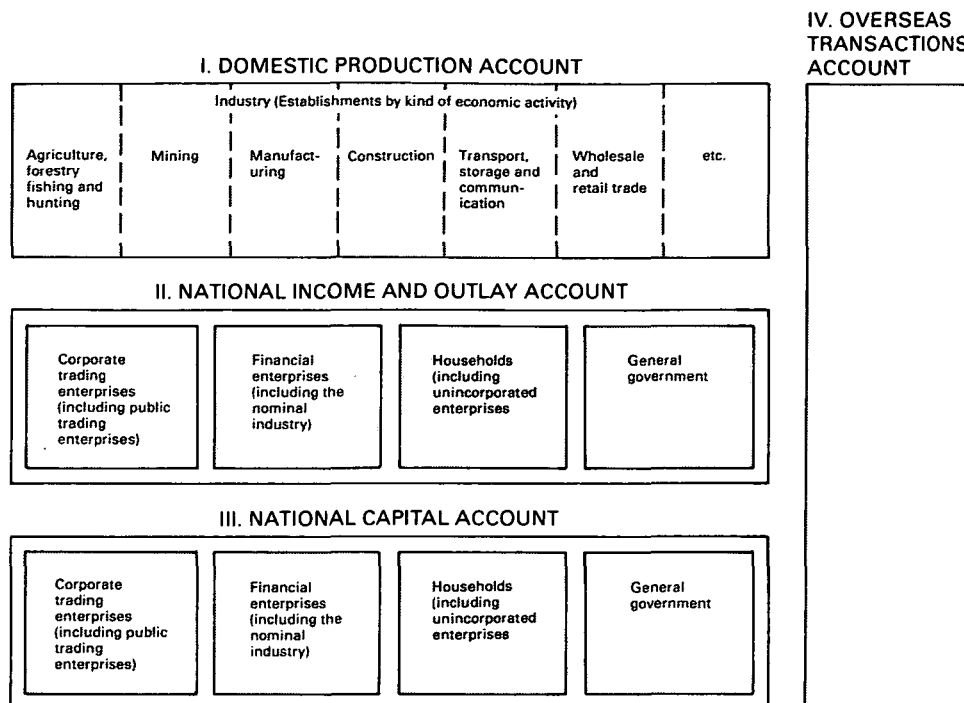


PLATE 46

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 537 and 539 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, 1983-84* (5213.0). The figures shown in Table 7 are consistent with those published in *Quarterly Estimates of National Income and Expenditure, Australia, June Quarter 1984* (5206.0).

TABLE I
DOMESTIC PRODUCTION ACCOUNT
(\$ million)

	1981-82	1982-83	1983-84
Final consumption expenditure—			
1 Private	90,210	101,752	112,669
2 Government	25,356	29,080	32,092
Gross fixed capital expenditure—			
3 Private	25,928	23,690	23,451
4 Public enterprises	6,166	8,027	8,387
5 General government	4,705	5,463	6,401
6 Increase in stocks	1,486	-2,565	1,196
7 Statistical discrepancy	1,333	1,664	3,728
Gross national expenditure	155,184	167,111	187,924
8 Exports of goods and services	22,657	24,482	27,835
9 Less Imports of goods and services	28,563	27,993	30,302
Expenditure on gross domestic product	149,278	163,600	185,457
10 Wages, salaries and supplements	83,268	92,161	97,920
Gross operating surplus—			
Trading enterprises—			
11a Companies	16,492	17,156	22,751
11b Unincorporated enterprises	16,332	15,146	19,089
11c Dwellings owned by persons	11,589	14,151	16,667
11d Public enterprises	3,111	3,625	4,638
11e Financial enterprises	3,857	4,813	5,496
11f Less Imputed bank service charge	3,809	4,595	5,190
Gross domestic product at factor cost	130,840	142,457	161,371
12 Indirect taxes less subsidies	18,438	21,143	24,086
Gross domestic product	149,278	163,600	185,457
Gross farm product	7,386	5,717	9,119
Gross non-farm product	141,892	157,883	176,338

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

	1981-82	1982-83	1983-84
Final consumption expenditure—			
Private	75,287	76,349	78,292
Government	19,952	20,829	21,722
Gross fixed capital expenditure—			
Private	21,387	17,538	16,531
Public	8,619	9,465	9,772
Increase in stocks	1,272	-1,897	1,406
Statistical discrepancy	1,148	1,258	2,578
Gross national expenditure	127,665	123,542	130,301
Exports of goods and services	20,657	20,901	22,413
Less Imports of goods and services	25,320	22,863	24,193
Expenditure on gross domestic product	123,002	121,580	128,521
Gross farm product	7,680	6,147	8,405
Gross non-farm product	115,322	115,433	120,116

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

	1981-82	1982-83	1983-84
10 Wages, salaries and supplements	83,268	92,161	97,920
11g Net operating surplus	36,696	38,019	49,994
Domestic factor incomes	119,964	130,180	147,914
13 Less Net income paid overseas	2,559	3,242	4,006
12a Indirect taxes	19,533	22,386	25,484
12b Less Subsidies	1,095	1,243	1,398
National income	135,843	148,081	167,994
14 Less Net transfers to overseas	426	455	468
15g Withholding taxes from overseas	205	259	304
National disposable income	135,622	147,885	167,830
Final consumption expenditure—			
1 Private	90,210	101,752	112,669
2 Government	25,356	29,080	32,092
15 Saving	20,056	17,053	23,069
19, 26 Disposal of income	135,622	147,885	167,830

TABLE 4
NATIONAL CAPITAL ACCOUNT
(\$ million)

	1981-82	1982-83	1983-84
11h Depreciation allowances	10,876	12,277	13,457
Saving—			
15 Increase in income tax provisions	-120	-341	791
16 Undistributed (company) income	826	-20	3,342
17 Retained income of public financial enterprises	427	449	452
18 Household saving	13,716	14,403	17,711
19 General government surplus on current transactions	5,207	2,362	773
26 Extraordinary insurance claims paid	200	..
Finance of gross accumulation	30,932	29,330	36,526
Gross fixed capital expenditure—			
Private—			
3a Dwellings	6,680	5,439	6,119
3b Non-dwelling construction	4,972	4,891	4,027
3c Equipment	14,276	13,360	13,305
4 Public enterprises	6,166	8,027	8,387
5 General government	4,705	5,463	6,401
Total gross fixed capital expenditure	36,799	37,180	38,239
Increase in stocks—			
6a Private non-farm	731	-2,165	-513
6b Public authority	332	448	220
6c Farm	423	-848	1,489
7 Statistical discrepancy	1,333	1,664	3,728
21 Net lending to overseas	-8,686	-6,949	-6,637
Gross accumulation	30,932	29,330	36,526

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

	1981-82	1982-83	1983-84
Gross fixed capital expenditure—			
Private—			
Dwellings	5,296	3,911	4,213
Non-dwelling construction	3,928	3,401	2,662
Equipment	12,163	10,226	9,656
<i>Total private</i>	<i>21,387</i>	<i>17,538</i>	<i>16,531</i>
Public—			
Public enterprises	4,940	5,721	5,656
General government	3,679	3,744	4,116
<i>Total public</i>	<i>8,619</i>	<i>9,465</i>	<i>9,772</i>
<i>Total</i>	<i>30,006</i>	<i>27,003</i>	<i>26,303</i>
Increase in stocks—			
Private non-farm	619	-1,597	-300
Public authority	285	375	199
Farm	368	-675	1,507
<i>Total</i>	<i>1,272</i>	<i>-1,897</i>	<i>1,406</i>

TABLE 6
OVERSEAS TRANSACTIONS ACCOUNT
(\$ million)

	1981-82	1982-83	1983-84
9a Imports f.o.b.	22,379	21,610	23,494
9b Transportation	3,743	3,663	3,828
9c Travel	1,696	1,857	2,022
9d Government transactions	321	371	389
9e Other goods and services	424	492	569
9 <i>Imports of goods and services</i>	<i>28,563</i>	<i>27,993</i>	<i>30,302</i>
13a Property income to overseas	3,109	4,091	5,201
14a Personal transfers overseas	491	600	583
14b General government transfers overseas	733	803	874
21 Net lending to overseas	-8,686	-6,949	-6,637
<i>Use of current receipts</i>	<i>24,210</i>	<i>26,538</i>	<i>30,323</i>
8a Exports f.o.b.	19,083	20,656	23,725
8b Transportation	2,095	2,182	2,289
8c Travel	1,030	1,128	1,251
8d Government transactions	161	194	208
8e Other goods and services	288	322	362
8 <i>Exports of goods and services</i>	<i>22,657</i>	<i>24,482</i>	<i>27,835</i>
13b Property income from overseas	550	849	1,195
14c Personal transfers from overseas	798	920	944
14d Extraordinary insurance claims	28	45
15g Withholding taxes	205	259	304
<i>Current receipts from overseas</i>	<i>24,210</i>	<i>26,538</i>	<i>30,323</i>

TABLE 7
MAIN AGGREGATES AT CURRENT PRICES, 1959-60 TO 1983-84
(\$ million)

Year	1		2	3	4	5	6	7
	Final consumption expenditure		Private gross fixed capital expenditure	Public gross fixed capital expenditure	Increase in stocks	Statistical discrepancy	Gross national expenditure	(1 to 6)
	Private	Government						
1959-60	9,049	1,302	2,191	1,214	168	-36	13,888	
1960-61	9,601	1,409	2,415	1,256	478	-108	15,051	
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	-152	17,675	
1964-65	12,366	2,056	3,398	1,852	561	-31	20,202	
1965-66	13,149	2,371	3,657	2,066	109	-85	21,267	
1966-67	14,207	2,708	3,825	2,184	360	-187	23,097	
1967-68	15,499	3,175	4,164	2,369	113	-326	24,994	
1968-69	16,795	3,299	4,797	2,525	682	-159	27,939	
1969-70	18,494	3,665	5,196	2,668	440	86	30,549	
1970-71	20,421	4,196	5,869	2,855	446	4	33,791	
1971-72	22,679	4,786	6,373	3,209	11	245	37,303	
1972-73	25,430	5,450	6,762	3,393	-289	594	41,340	
1973-74	30,013	6,842	7,833	3,884	1,171	1,668	51,411	
1974-75	36,442	9,212	8,640	5,553	1,021	1,345	62,213	
1975-76	43,508	11,452	10,412	6,590	138	717	72,817	
1976-77	49,775	13,396	11,997	7,048	1,128	574	83,918	
1977-78	55,170	15,116	12,842	7,884	-468	961	91,505	
1978-79	62,168	16,747	15,169	8,115	1,271	465	103,935	
1979-80	70,103	18,703	16,277	8,805	801	404	115,093	
1980-81	79,319	22,151	21,377	10,127	414	1,472	134,860	
1981-82	90,210	25,356	25,928	10,871	1,486	1,333	155,184	
1982-83	101,752	29,080	23,690	13,490	-2,565	1,664	167,111	
1983-84	112,669	32,092	23,451	14,788	1,196	3,728	187,924	

Year	8	9	10	11	12	13	14
	Exports of goods and services	Imports of goods and services	Gross domestic product	Gross domestic product at factor cost	National income	Household income	Wages, salaries and supplements
1959-60	2,142	2,285	13,745	12,270	12,475	10,850	6,961
1960-61	2,166	2,601	14,616	13,045	13,218	11,659	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	17,965	16,193	16,226	14,315	8,948
1964-65	3,035	3,473	19,764	17,804	17,854	15,660	10,035
1965-66	3,122	3,617	20,772	18,628	18,671	16,469	10,845
1966-67	3,468	3,695	22,870	20,597	20,552	18,252	11,850
1967-68	3,549	4,134	24,409	21,928	21,865	19,198	12,911
1968-69	3,877	4,268	27,548	24,807	24,754	21,587	14,303
1969-70	4,736	4,758	30,527	27,504	27,446	23,885	16,143
1970-71	5,032	5,092	33,731	30,443	30,460	26,754	18,532
1971-72	5,605	5,217	37,691	33,996	34,134	30,275	20,686
1972-73	6,944	5,348	42,936	38,694	39,091	34,743	23,097
1973-74	7,810	7,774	51,447	46,094	47,407	42,688	28,288
1974-75	9,921	10,227	61,907	55,259	57,185	53,128	36,324
1975-76	11,005	10,831	72,991	64,434	67,332	62,086	41,817
1976-77	13,206	13,788	83,336	73,601	76,706	70,942	47,173
1977-78	13,979	15,008	90,476	80,158	83,095	78,311	51,795
1978-79	16,502	17,784	102,653	90,680	94,305	87,332	55,663
1979-80	21,585	20,919	115,759	101,689	106,153	97,422	62,078
1980-81	22,002	24,750	132,112	115,974	121,000	111,245	71,983
1981-82	22,657	28,563	149,278	130,840	135,843	128,376	83,268
1982-83	24,482	27,993	163,600	142,457	148,082	142,938	92,161
1983-84	27,835	30,302	185,457	161,371	167,994	159,103	97,920

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