

CHAPTER 23

NATIONAL ACCOUNTS

National accounting aims at providing a systematic summary of the transactions taking place in the economy, especially of 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 Bureau since 1944-45 and have been published annually as papers entitled *National Income and Expenditure* accompanying the Commonwealth Budgets.

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, National Income and Expenditure, 1976-77*.

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 rural industries. *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 indirect taxes plus subsidies.

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 redistributive transfers. It is equivalent to national income less net transfers and net withholding taxes paid to 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 the internal sectors; these accounts are published in *Budget Paper, National Income and Expenditure, 1977-78*. The transactions of the internal sectors are summarised in three accounts: a domestic production account (Table 1, page 568), a national income and outlay account (Table 3, page 569) and a national capital account (Table 4, page 569). In addition, there is an overseas sector having an account (Table 6, page 570) 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, 1976-77* (5204.0). Such production accounts can be developed in detail to produce input-output accounts.

ARTICULATION OF AUSTRALIAN NATIONAL ACCOUNTS

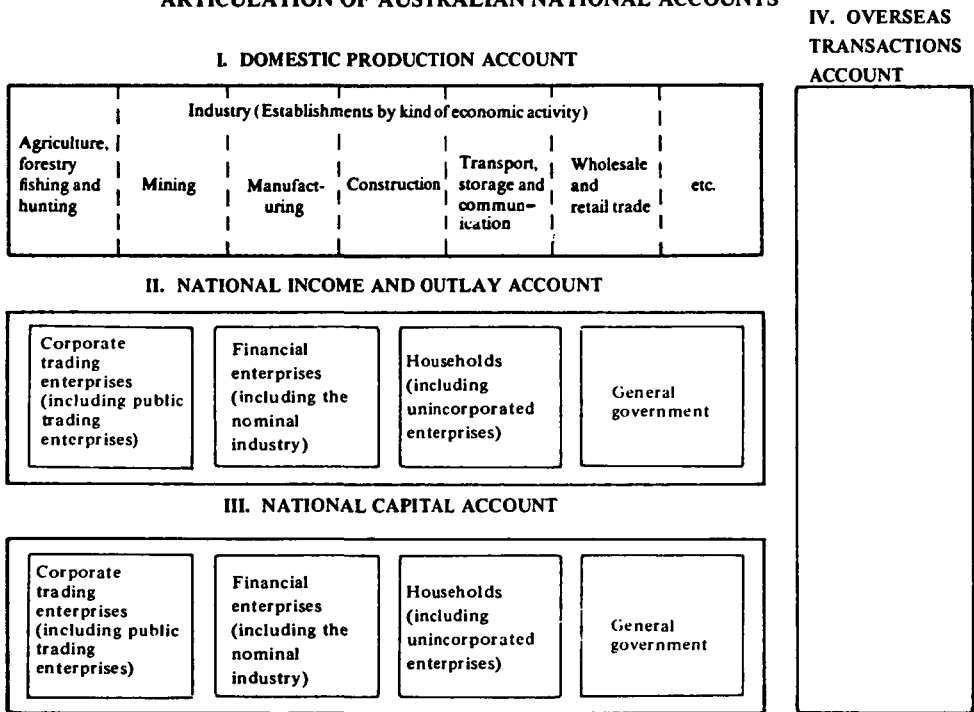


PLATE 39

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 and transfers 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 also, 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 568 and 570 respectively) for gross domestic product, exports and imports of goods and services, and gross national expenditure and its principal components.

Part 1 of *Australian National Accounts, National Income and Expenditure, 1976-77* contains a discussion of the conceptual problems involved in making these estimates. Appendix B 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 gross private fixed investment—which are subject to substantial revisions for the last two years because tabulations of income tax statistics do not become available until about twenty-two months 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. For illustrations of common causes of revisions reference should be made to *Australian National Accounts, National Income and Expenditure, 1976-77*.

National income and expenditure tables

(For explanatory note on item numbers see Note following Table 3.)

TABLE 1
DOMESTIC PRODUCTION ACCOUNT
(\$ million)

	1975-76	1976-77	1977-78
Final consumption expenditure—			
1 Private	41,912	48,013	53,628
2 Government	11,361	13,301	15,126
Gross fixed capital expenditure—			
3 Private	10,240	12,016	13,158
4 Public enterprises	3,288	3,668	4,051
5 General government	3,387	3,477	3,659
6 Increase in stocks	33	1,073	-225
7 Statistical discrepancy	671	1,074	1,276
<i>Gross national expenditure</i>	70,892	82,622	90,673
8 Exports of goods and services	10,905	13,092	13,900
9 Less Imports of goods and services	10,433	13,243	14,353
Expenditure on gross domestic product	71,364	82,471	90,220
10 Wages, salaries and supplements	40,589	45,773	50,119
Gross operating surplus—			
Trading enterprises—			
11a Companies	8,313	10,016	10,713
11b Unincorporated enterprises	8,371	9,993	10,793
11c Dwellings owned by persons	4,053	5,040	6,076
11d Public enterprises	1,642	1,904	2,078
11e Financial enterprises	1,714	2,128	2,420
11f Less Imputed bank service charge	1,850	2,144	2,346
<i>Gross domestic product at factor cost</i>	62,832	72,710	79,853
12 Indirect taxes less subsidies	8,532	9,761	10,367
Gross domestic product	71,364	82,471	90,220
Gross farm product	3,706	4,192	4,034
Gross non-farm product	67,658	78,279	86,186

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

	1975-76	1976-77	1977-78
Final consumption expenditure—			
Private	36,274	37,310	38,173
Government	9,871	10,406	10,982
Gross fixed capital expenditure—			
Private	8,822	9,201	9,244
Public	5,818	5,527	5,555
Increase in stocks	55	809	-412
Statistical discrepancy	629	869	938
<i>Gross national expenditure</i>	61,469	64,122	64,480
Exports of goods and services	10,064	10,955	11,247
Less Imports of goods and services	9,232	10,304	10,058
Expenditure on gross domestic product	62,301	64,773	65,669
Gross farm product	3,889	3,891	3,692
Gross non-farm product	58,412	60,882	61,977

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

	1975-76	1976-77	1977-78
10 Wages, salaries and supplements	40,589	45,773	50,119
11g Net operating surplus	17,473	21,518	23,666
<i>Domestic factor incomes</i>	58,062	67,291	73,785
13 Less Net income paid overseas	765	876	995
12a Indirect taxes	8,848	10,064	10,821
12b Less Subsidies	316	303	454
<i>National income</i>	65,829	76,176	83,157
14 Less Net transfers to overseas	342	428	428
15g Withholding taxes from overseas	96	96	118
<i>National disposable income</i>	65,583	75,844	82,847
Final consumption expenditure—			
1 Private	41,912	48,013	53,628
2 Government	11,361	13,301	15,126
15 to 19, 26 } Saving	12,310	14,530	14,093
Disposal of income	65,583	75,844	82,847

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, National Income and Expenditure 1976-77* (5204.0).

TABLE 4
NATIONAL CAPITAL ACCOUNT
(\$ million)

	1975-76	1976-77	1977-78
11h Depreciation allowances	4,770	5,419	6,068
Saving—			
15 Increase in income tax provisions	399	383	93
16 Undistributed (company) income	918	1,960	2,420
17 Retained income of public financial enterprises	520	529	408
18 Household saving	7,640	8,774	9,130
19 General government surplus on current transactions	2,833	2,884	2,042
26 Extraordinary insurance claims paid	-	-	-
Finance of gross accumulation	17,080	19,949	20,161
Gross fixed capital expenditure—			
Private—			
3a Dwellings	3,218	4,038	3,972
3b Other building and construction	1,967	1,938	2,278
3c All other	5,055	6,040	6,908
4 Public enterprises	3,288	3,668	4,051
5 General government	3,387	3,477	3,659
Total gross fixed capital expenditure	16,915	19,161	20,868
Increase in stocks—			
6a Farm and miscellaneous	33	6	-256
6b Private non-farm	..	1,067	31
7 Statistical discrepancy	671	1,074	1,276
21 Net lending to overseas	-539	-1,359	-1,758
Gross accumulation	17,080	19,949	20,161

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

	1975-76	1976-77	1977-78
Gross fixed capital expenditure—			
Private—			
Dwellings	2,771	3,097	2,872
Other building and construction	1,696	1,487	1,610
All other	4,355	4,617	4,762
<i>Total private</i>	<i>8,822</i>	<i>9,201</i>	<i>9,244</i>
Public	5,818	5,527	5,555
Total	14,640	14,728	14,799
Increase in stocks—			
Farm and miscellaneous	73	4	-432
Private non-farm	-18	805	20
Total	55	809	-412

TABLE 6
OVERSEAS TRANSACTIONS ACCOUNT
(\$ million)

	1975-76	1976-77	1977-78
9a Imports f.o.b.	7,924	10,345	11,203
9b Transportation	1,573	1,944	2,073
9c Travel	509	510	531
9d Government transactions	175	189	226
9e Other goods and services	253	255	320
9 <i>Imports of goods and services</i>	<i>10,433</i>	<i>13,243</i>	<i>14,353</i>
13a Property income to overseas	1,043	1,164	1,257
14a Personal transfers overseas	313	290	356
14b General government transfers overseas	388	414	450
21 Net lending to overseas	-539	-1,359	-1,758
Use of current receipts	11,638	13,752	14,658
8a Exports f.o.b.	9,408	11,399	12,043
8b Transportation	1,038	1,234	1,326
8c Travel	233	278	326
8d Government transactions	77	88	90
8e Other goods and services	149	94	115
8 <i>Exports of goods and services</i>	<i>10,905</i>	<i>13,092</i>	<i>13,900</i>
13b Property income from overseas	278	288	262
Transfers from overseas—			
14c Personal	359	276	378
14d Extraordinary insurance claims	-	-	-
15g Withholding taxes	96	96	118
Current receipts from overseas	11,638	13,752	14,658

TABLE 7
MAIN AGGREGATES AT CURRENT PRICES, 1954-55 TO 1977-78
(\$ 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>	<i>Gross national expenditure (1 to 6)</i>	
	<i>Private</i>	<i>Government</i>						
1954-55	6,375	936	1,482	871	166	48	9,878	
1955-56	6,852	1,043	1,640	927	229	-78	10,613	
1956-57	7,327	1,086	1,717	950	-45	-165	10,870	
1957-58	7,682	1,121	1,858	998	56	-59	11,656	
1958-59	8,089	1,223	1,922	1,100	253	-59	12,528	
1959-60	8,874	1,312	2,191	1,214	168	95	13,854	
1960-61	9,416	1,410	2,415	1,256	478	22	14,997	
1961-62	9,703	1,535	2,328	1,378	-219	-76	14,649	
1962-63	10,400	1,629	2,580	1,429	253	-118	16,173	
1963-64	11,225	1,786	2,913	1,583	120	-118	17,509	
1964-65	12,144	2,044	3,398	1,848	561	1	19,996	
1965-66	12,922	2,378	3,657	2,064	109	-147	20,983	
1966-67	13,955	2,698	3,828	2,180	360	-252	22,769	
1967-68	15,258	3,043	4,162	2,366	140	-343	24,626	
1968-69	16,511	3,325	4,725	2,531	721	-332	27,481	
1969-70	18,179	3,634	5,160	2,753	454	-185	29,995	
1970-71	20,021	4,183	5,841	2,926	498	-321	33,148	
1971-72	22,221	4,739	6,309	3,292	29	-50	36,540	
1972-73	24,833	5,409	6,585	3,470	-381	399	40,315	
1973-74	29,305	6,766	7,771	3,982	1,317	1,457	50,598	
1974-75	35,321	9,170	8,545	5,649	930	1,123	60,738	
1975-76	41,912	11,361	10,240	6,675	33	671	70,892	
1976-77	48,013	13,301	12,016	7,145	1,073	1,074	82,622	
1977-78	53,628	15,126	13,158	7,710	-225	1,276	90,673	

Year	8	9	10	11	12	13	14
	<i>Exports of goods and services</i>	<i>Imports of goods and services</i>	<i>Gross domestic product (7+8-9)</i>	<i>Gross domestic product at factor cost</i>	<i>National income</i>	<i>Household income</i>	<i>Wages, salaries and supplements</i>
1954-55	1,702	1,983	9,597	8,617	8,902	7,891	4,964
1955-56	1,734	1,953	10,394	9,331	9,601	8,561	5,444
1956-57	2,184	1,736	11,318	10,121	10,458	9,144	5,758
1957-58	1,840	1,925	11,571	10,274	10,529	9,146	5,980
1958-59	1,860	1,960	12,428	11,080	11,286	9,844	6,273
1959-60	2,126	2,285	13,695	12,220	12,449	10,811	6,961
1960-61	2,168	2,601	14,564	12,993	13,201	11,617	7,500
1961-62	2,452	2,204	14,897	13,351	13,459	12,021	7,722
1962-63	2,491	2,610	16,054	14,411	14,495	12,781	8,148
1963-64	3,156	2,860	17,805	16,033	16,174	14,151	8,860
1964-65	3,035	3,473	19,558	17,597	17,671	15,454	9,908
1965-66	3,135	3,617	20,501	18,359	18,435	16,210	10,677
1966-67	3,459	3,695	22,533	20,265	20,261	17,929	11,640
1967-68	3,539	4,134	24,031	21,550	21,545	18,272	12,650
1968-69	3,895	4,268	27,108	24,369	24,385	21,171	13,982
1969-70	4,733	4,759	29,969	26,948	26,937	23,320	15,671
1970-71	5,044	5,092	33,100	29,792	29,887	26,158	17,946
1971-72	5,596	5,216	36,920	33,221	33,432	29,541	20,067
1972-73	6,935	5,327	41,923	37,681	38,154	33,808	22,375
1973-74	7,760	7,649	50,709	45,389	46,671	41,958	27,596
1974-75	9,935	9,991	60,682	54,059	56,062	51,886	35,409
1975-76	10,905	10,433	71,364	62,832	65,829	60,488	40,589
1976-77	13,092	13,243	82,471	72,710	76,176	69,796	45,773
1977-78	13,900	14,353	90,220	79,853	83,157	77,086	50,119

Sources of information

The detailed annual estimates of national income and expenditure are published in *Australian National Accounts, National Income and Expenditure* (5204.0). Preliminary estimates (less detailed) are published in a Budget Paper *National Income and Expenditure* (5213.0) usually in August. Quarterly estimates are published in *Quarterly Estimates of National Income and Expenditure* (5206.0). A supplement to the December quarter issue of *Quarterly Estimates of National Income and Expenditure* (5207.0) presents historical quarterly series of gross domestic product and related aggregates at current and constant prices consistent with the Australian National Accounts bulletin (5204.0).

Australian National Accounts, Gross Product by Industry at Current and Constant Prices, 1976-77 was published in September 1978. 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.

The figures shown on pages 568-570 are as published in *Budget Paper, National Income and Expenditure, 1977-78* (5213.0).