

Introduction

This chapter provides an overview of the public and private finance sectors in Victoria. Areas for which analysis is presented include State and Local government finance, Commonwealth and State financial relations, the Australian financial system, banks and non-bank financial institutions.

Public Finance

The collection and expenditure of public monies in Victoria are undertaken by three levels of government:

- the government of the Commonwealth of Australia;
- the government of the State of Victoria, including statutory bodies authorised by State Acts; and
- Local government.

In addition to these three levels, Victorian universities are classified to the 'multi-jurisdictional' general government sector, because of the combined roles of the Commonwealth and State governments in their financing and control.

The Government Finance Statistics (GFS) in this chapter measure the financial operations and financial position of State and Local governments, as well as the relationship between State and Commonwealth governments, classified according to the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts 1993* (SNA93).

To assist users in understanding government finance statistics, the publication *Government Finance Statistics — Concepts, Sources and Methods, 1994* (Cat. no. 5514.0) outlines the major concepts, definitions of statistical units, and main classifications employed.

Accrual — based Government Finance Statistics

The Australian system for producing GFS was changed from 1998–99 because of the adoption of accrual accounting by governments, and the revision of international statistical standards. As a result, a new conceptual framework was introduced, in the form of an integrated statement of stocks and flows, in place of the cash-based framework. This new framework allows a more comprehensive assessment of the economic impact of government activity and the sustainability of fiscal policy. It also provides an improved basis for monitoring efficiency in the allocation and use of government resources.

The new framework is divided into a number of separate statements (Operating Statement, Statement of Stocks and Flows, Balance Sheet, and Cash Flow Statement), each of which focuses on analytical aggregates or balances of particular interest to decision makers. These financial statements are presented in this chapter for general government at the State and Local government levels. Statements of stocks and flows have not been implemented in this publication. Tables showing details of taxation revenue and expenditure by source and purpose are also included.

Prior to 1998–99, GFS were compiled on a cash basis. Users should note that the move to an accrual basis of recording has required a change in data sources and methodologies for some jurisdictions from 1998–99 onwards. Therefore, the surplus/deficit data for 1998–99 and subsequent years are not directly comparable to the ‘deficit’ series for earlier years.

Government Finance Statistics measures

The analytical GFS measures are defined as follows:

Net Operating Balance (NOB)

The GFS NOB is calculated as transactions in GFS revenues less transactions in GFS expenses. It measures (in accrual terms) the full cost of providing government services, including unfunded superannuation and non-cash items such as depreciation. The NOB is not affected by revaluations of existing assets, by acquisition or disposal of assets or by assets recognised in the balance sheet for the first time. This measure is conceptually equivalent to the concept of ‘Net savings plus capital transfers’ in the Australian System of National Accounts (ASNA).

When a government’s NOB is positive, it indicates that surplus funds have been generated from current operations and these have resulted in an increase in that government’s net worth. These surplus funds may be used to acquire assets and/or decrease liabilities. When a NOB is negative, it indicates that a shortfall has occurred on current operations and it has been necessary to incur liabilities and/or liquidate assets, but it does not necessarily indicate that a government is a net borrower. It can therefore be said that a government’s NOB, which is in an overall positive balance over a number of periods, such as an economic cycle, is indicative of the on-going sustainability of that government’s operations. However, it should not be necessarily taken as an indicator of sustainability or otherwise of a government’s future operations.

GFS Net Lending(+)/ Borrowing(-) (NLB)

GFS NLB is calculated as the NOB less net acquisition of non-financial assets (gross fixed capital formation less depreciation plus change in inventories plus other transactions in non-financial assets). It measures in accrual terms the gap between government savings plus net capital transfers and investment in non-financial assets. The GFS NLB is conceptually equivalent to the ASNA concept of ‘Net lending/borrowing’. As such, it measures the contribution of the sector to the balance on current and capital accounts in the balance of payments.

When NLB is positive, a government is placing financial resources at the disposal of other sectors in the domestic economy or overseas (i.e. it is lending). When NLB is negative, a government is utilising the financial resources of other sectors in the domestic economy or overseas (i.e. it is borrowing). In this way, NLB can be viewed as a macro or global indicator of the financial impact of government operations on the rest of the economy.

GFS Net Worth (NW) GFS NW is defined as assets less liabilities, less shares and other contributed capital. For the general government sector, NW is assets less liabilities.

The NW at two points in time can be compared to obtain the change in NW, which is attributable to transaction flows (i.e. the NOB) and other flows (i.e. revaluations and other changes in the volume of assets).

The NW is an economic measure of wealth. It reflects the contribution of governments to the wealth of Australia.

GFS Surplus(+)/Deficit(-) The Surplus(+)/Deficit(-) is a cash-based measure and is calculated as:

Net cash flows from operating activities

<i>plus</i>	Net cash flows from investments in non-financial assets
<i>less</i>	Distributions paid
<i>less</i>	Acquisitions of assets acquired under finance leases and similar arrangements
<i>equals</i>	Surplus(+)/Deficit(-)

The Surplus(+)/Deficit(-) measure described here is conceptually the same as the Deficit(+)/Surplus(-) used in the former cash-based GFS system; in practice, however, the Surplus(+)/Deficit(-) in the accrual-based GFS system has been derived using a different methodology, which results in a break in the time series across the two systems. The Surplus(+)/Deficit(-) is the cash-based equivalent of the GFS Net Lending/Borrowing described above.

The Surplus(+)/Deficit(-) is a broad indicator of a sector's cash flow requirements. When this measure is positive (i.e. a surplus), it reflects the extent to which cash is available to government to either increase its financial assets or decrease its liabilities (assuming no revaluations and other changes occur). When this measure is negative (i.e. a deficit), it is a measure of the extent to which a government requires cash, by drawing on the cash reserves of the domestic economy, or by running down its financial assets, or by borrowing from overseas.

Further information on accrual reporting by governments may be obtained from the ABS publications *Government Finance Statistics, Australia* (Cat. no. 5512.0) — latest issue 1999–2000 — issued June 2001 and Information Paper: *Accruals-based Government Finance Statistics* (Cat. no. 5517.0) issued March 2000.

State and Local Government finance

In 1999–2000, the overall financial outcome of Victorian State and local government was reflected in a combined net operating balance of \$1,491m and net lending of \$1,165m (table 15.1). Total expenses were \$23,139m, while total revenue was \$24,630m. Taxation revenue of \$11,136m made up 45.2% of total revenue.

Tax revenue increased consistently across all major categories. Although the payroll tax rate fell from 6% to 5.75% from 1 July 1999, payroll tax revenue increased by \$146m due to growth in aggregate taxable payrolls. Other major contributors to taxation increases were taxes on gambling devices (\$113m), other vehicle registration fees and taxes (\$96m) and petroleum product franchise taxes (\$95m). Other revenue fell by over \$1b due to a sharp decline in income tax equivalent receipts following privatisation of the gas industry. One off gas-related income tax equivalents amounted to \$1.2b in 1998–99.

The increase in other operating expenses resulted mainly from a purchase of services by the Department of Infrastructure from the privatised metropolitan train and tram transport companies (\$425m). The decrease in other capital transfers resulted from a fall in assets and resources provided free of charge (\$195m) and capital grants to government business enterprises (\$111m). The latter flowed mainly from the privatisation of metropolitan public transport in 1999.

15.1 GENERAL GOVERNMENT, Operating Statement

	State		Local		State and Local	
	1998–99 \$m	1999–2000 \$m	1998–99 \$m	1999–2000 \$m	1998–99 \$m	1999–2000 \$m
GFS Revenue						
Taxation revenue	9 190	9 708	1 330	1 427	10 520	11 136
Current grants and subsidies	7 021	7 280	549	561	7 107	7 374
Sales of goods and services	2 120	2 099	651	697	2 771	2 796
Interest income	200	199	48	52	248	250
Other	3 898	2 740	330	386	4 171	3 074
<i>Total</i>	22 429	22 027	2 908	3 123	24 817	24 630
less						
GFS Expenses						
Gross operating expenses						
Depreciation	776	762	573	608	1 348	1 369
Employee expenses	8 592	8 499	947	978	9 540	9 478
Other operating expenses	5 629	6 255	1 456	1 543	7 080	7 793
<i>Total</i>	14 997	15 515	2 976	3 129	17 968	18 640
Nominal superannuation interest expenses	580	806	—	—	580	806
Other interest expenses	666	453	47	46	713	499
Current transfers						
Grant expenses	1 711	1 808	—	—	1 319	1 459
Subsidy expenses	759	929	—	—	759	929
Other current transfers	196	270	—	—	196	270
Capital transfers						
Grant expenses	16	30	—	—	586	444
Other capital transfers	804	508	—	—	218	64
<i>Total</i>	19 729	20 321	3 023	3 175	22 339	23 139
equals						
GFS Net Operating Balance	2 700	1 706	-115	-52	2 478	1 491
less						
Net acquisition of non-financial assets						
Gross fixed capital formation	1 188	1 262	517	546	1 705	1 808
less Depreciation	776	762	573	608	1 348	1 369
plus Change in inventories	6	36	0	0	6	36
plus Other transactions in non-financial assets	-76	-103	-22	-20	-98	-122
<i>Total</i>	343	435	-78	-81	264	353
equals						
GFS Net Lending(+)/Borrowing(-)	2 357	1 271	-36	30	2 214	1 165

Source: Government Finance Statistics, Australia (Cat. no. 5512.0).

The cash flow statement for 1999–2000 (table 15.2) reveals cash surpluses for State and local government of \$1,895m and \$28m respectively, an increase of \$2,019m for State and a decrease of \$22m for local from 1998–99 levels.

For the State government a fall in total cash receipts from operating activities of \$472m, due to a sharp decline in income tax equivalent receipts following privatisation of the gas industry, was more than offset by a \$2,507m decrease in cash payments for operating activities. The latter was due to a one-off allocation of \$2,574m of privatisation proceeds to the State Superannuation Fund in 1998–99 to reduce the government's superannuation liability.

For local government small increases in net cash flows from operating activities (\$9m) and sales of non-financial assets (\$16m) were offset by an 8% (\$48m) increase in purchases of new non-financial assets in 1999–2000.

15.2 GENERAL GOVERNMENT, Cash Flow Statement

	State		Local		State and Local	
	1998–99 \$m	1999–2000 \$m	1998–99 \$m	1999–2000 \$m	1998–99 \$m	1999–2000 \$m
Cash receipts from operating activities						
Taxes received	9 209	9 667	1 330	1 427	10 539	11 094
Receipts from sales of goods and services	2 129	1 982	653	699	2 781	2 679
Grants and subsidies received	7 463	7 733	686	626	7 559	7 747
Other receipts	3 502	2 449	327	372	3 813	2 820
Total	22 303	21 831	2 996	3 123	24 692	24 340
Cash payments for operating activities						
Payments for goods and services	-17 233	-15 067	-2 403	-2 521	-19 632	-17 583
Grants and subsidies paid	-3 033	-3 167	-1	-2	-2 626	-2 789
Interest paid	-694	-450	-47	-46	-741	-496
Other payments	-340	-109	—	—	-340	-109
Total	-21 300	-18 793	-2 452	-2 569	-23 339	-20 978
Net cash flows from operating activities	1 003	3 038	545	554	1 353	3 363
Net cash flows from investments in non-financial assets						
Sales of non-financial assets	171	187	112	128	282	315
Purchases of new non-financial assets	-1 297	-1 330	-606	-654	-1 903	-1 985
Purchases of secondhand non-financial assets	—	—	—	—	—	—
Total	-1 127	-1 143	-494	-526	-1 621	-1 669
Net cash flows from investments in financial assets for policy purposes	4 524	107	—	—	4 524	107
Net cash flows from investments in financial assets for liquidity purposes	380	-1 163	—	—	380	-1 163
Net cash flows from financing activities						
Advances received (net)	-1 166	-1	-21	-1	-1 186	-2
Borrowing (net)	-3 633	-755	94	24	-3 539	-731
Deposits received (net)	-31	12	—	—	-31	12
Other financing (net)	-181	76	-123	-51	-110	254
Total	-5 011	-667	-50	-28	-4 867	-466
Net Increase(+)/Decrease(-) in Cash Held	-231	172	—	—	-231	172
Surplus(+)/Deficit(-)						
Net cash flows from operating activities and net cash flows from investments in non-financial assets	-124	1 895	50	28	-268	1 693
Acquisitions of assets under finance leases and similar arrangements	—	—	—	—	—	—
Surplus(+)/Deficit(-)	-124	1 895	50	28	-268	1 693

Source: Government Finance Statistics, Australia (Cat. no. 5512.0).

The consolidated GFS Net Worth for State and local government was \$67,879m at 30 June 2000, up from \$58,731m at 30 June 1999 (table 15.3). The main contributor was an increase of \$5,015m in land and fixed assets owned by local government following a broadening of the coverage of assets reported for GFS purposes, including recognition of the value of roads in line with relevant accounting standards.

For the State government an increase in investments, loans and placements from \$1,270m at 30 June 1999 to \$2,432m at 30 June 2000 followed the creation of the \$1b Growing Victoria infrastructure fund during the year.

15.3 GENERAL GOVERNMENT, Balance Sheet — 30 June

	State		Local		State and Local	
	1999 \$m	2000 \$m	1999 \$m	2000 \$m	1999 \$m	2000 \$m
Assets						
Financial Assets						
Cash and deposits	658	894	423	420	1 080	1 314
Advances paid	528	410	4	4	532	415
Investments, loans and placements	1 270	2 432	524	603	1 795	3 035
Other non-equity assets	769	681	324	422	1 093	1 103
Equity	22 809	23 791	56	—	22 866	23 791
Total	26 035	28 208	1 332	1 450	27 366	29 658
Non-financial assets						
Land and fixed assets	31 788	33 531	22 339	27 354	54 128	60 886
Other non-financial assets	696	978	—	—	696	978
Total	32 484	34 510	22 339	27 354	54 824	61 864
Total	58 519	62 718	23 671	28 804	82 189	91 522
Liabilities						
Deposits held	293	331	50	48	342	379
Advances received	8	9	8	6	17	16
Borrowing	6 966	6 373	630	647	7 596	7 020
Unfunded superannuation liability and other employee entitlements	13 645	14 414	287	258	13 932	14 672
Other provisions	103	134	0	0	103	134
Other non-equity liabilities	1 179	1 094	289	329	1 468	1 423
Total	22 196	22 355	1 264	1 288	23 458	23 643
GFS Net Worth	36 324	40 363	22 407	27 516	58 731	67 879
Net Debt(a)	4 811	2 977	-263	-326	4 548	2 651
Net Financial Worth(b)	3 839	5 853	68	162	3 907	6 015

Source: Government Finance Statistics, Australia (Cat. no. 5512.0).

State and Local Government expenditure

Total State government expenses were \$20,321m in 1999–2000 (table 15.4), up from \$19,729m in 1998–99. A \$1,550m fall in general public services was due to re-allocation of superannuation expenses to the purpose category to which they related. A \$591m increase in transport and communications to \$2,029m resulted from the creation of the Public Transport Fund, which purchases transport services on behalf of Victorian households from the privatised entities. A \$588m increase in public debt transactions followed revaluation of nominal interest on unfunded superannuation.

Total local government expenses were \$3,175m in 1999–2000, an increase of \$152m from 1998–99. The largest contributor to this increase was general public services (up \$44m). Other significant increases related to recreation and culture (up \$39m) and housing and community amenities (up \$35m).

15.4 GENERAL GOVERNMENT EXPENSES

	State		Local		State and Local	
	1998–99 \$m	1999–2000 \$m	1998–99 \$m	1999–2000 \$m	1998–99 \$m	1999–2000 \$m
General public services	2 388	838	278	322	2 660	1 154
Public order and safety	1 766	1 956	52	57	1 816	2 012
Education	5 113	5 629	32	31	5 145	5 659
Health	4 743	5 027	88	92	4 829	5 118
Social security and welfare	1 516	1 594	410	430	1 874	2 024
Housing and community amenities	801	833	544	579	1 047	1 101
Recreation and culture	381	486	530	569	865	996
Fuel and energy	115	16	—	—	115	16
Agriculture, forestry, fishing and hunting	480	480	1	1	480	480
Mining, manufacturing and construction	50	27	29	31	76	58
Transport and communications	1 438	2 029	825	844	2 263	2 873
Other economic affairs	266	146	107	107	372	250
Public debt transactions	671	1 259	47	46	718	1 305
Other purposes	2	1	80	65	107	93
Total	19 729	20 321	3 023	3 175	22 368	23 139

Source: Government Finance Statistics, Australia (Cat. no. 5512.0).

Taxation revenue

Taxation revenue increased by a little under 6% to \$11,136m in 1999–2000 compared with \$10,520m in 1998–99 (table 15.5). Although the payroll tax rate reduced from 6% to 5.75% from 1 July 1999, total employers' payroll tax receipts increased by over 6.6% to \$2,356m in 1999–2000. Payroll tax revenue plus taxes on property (\$4,297m) accounted for 59.7% of total taxation revenue during the year.

15.5 GENERAL GOVERNMENT TAXATION REVENUE, State and Local Government

	1998–99 \$m	1999–2000 \$m
Employers' payroll taxes	2 211	2 356
Taxes on property	4 019	4 297
Taxes on provision of goods and services		
Taxes on gambling	1 447	1 520
Taxes on insurance	532	579
Total	1 979	2 099
Taxes on use of goods and performance of activities		
Motor vehicle taxes	845	863
Franchise taxes	1 339	1 481
Other taxes on use of goods etc.	128	39
Total	2 312	2 384
Total	10 520	11 136

Source: Taxation Revenue, Australia (Cat. no. 5506.0).

Reform of Commonwealth-State financial relations

On 1 July 2000 a new system of Commonwealth-State financial relations commenced as part of the new tax system. At the Premiers' Conference held on 9 April 1999, Heads of Government signed an Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations which agreed on key aspects of the reforms. In June 1999, Heads of Governments endorsed a revised Intergovernmental Agreement. Under the terms of the June 1999 *Intergovernmental Agreement on Principles for the Reform of Commonwealth-State Financial Relations*, the Commonwealth Government imposed a goods and services tax (GST) from 1 July 2000, with all GST revenue to be passed to the States and Territories.

Commonwealth GST revenue grants replace the old financial assistance grants made by the Commonwealth to the States and Territories. Each government's share of GST revenue is based on its population share adjusted by a relativity factor reflecting per capita financial needs. The Commonwealth made a commitment to provide assistance to the States in the transitional years to ensure that no State is worse off than under previous arrangements. The agreement established a Ministerial Council for Commonwealth-State Financial Relations to oversight the implementation and operation of the Intergovernmental Agreement.

On 1 July 2000 accommodation taxes were abolished and financial institutions duty and stamp duty on quoted marketable securities ceased from 1 July 2001. The States have adjusted their gambling taxes to take account of the impact of the GST on gambling operators. State debit taxes will cease from 1 July 2005 and the need to continue a number of State stamp duties on financial instruments and leases will be reviewed in 2005.

The Commonwealth introduced a First Home Owners Scheme from 1 July 2000 to offset the impact of the GST on house prices for first home buyers. The scheme is administered by the States on the basis of principles agreed by all jurisdictions in the Intergovernmental Agreement.

Commonwealth financial assistance

As a consequence of the reform of Commonwealth-State financial relations, with the introduction of the new tax system, Commonwealth payments to the States have been significantly restructured. The impact of these changes is reflected in payments to Victoria, which totalled \$10,364m in 2000–01, an increase of \$2,659m (34.5%) on 1999–2000 (table 15.6).

15.6 COMMONWEALTH GOVERNMENT PAYMENTS TO STATE AND LOCAL GOVERNMENT

	1995–96	1996–97	1997–98	1998–99	1999–2000	2000–01
	\$m	\$m	\$m	\$m	\$m	\$m
General Purpose Grants	3 363	3 564	3 634	3 586	3 638	5 869
Specific Purpose Payments	3 869	4 602	2 964	3 567	3 769	4 184
Financial Assistance Local Government	276	287	284	289	298	311
State Fiscal Contributions	n.a.	-154	-159	-75	—	—
Total Commonwealth payments	7 508	8 299	6 723	7 367	7 705	10 364

Source: Commonwealth Final Budget Outcome, Financial Report of the State of Victoria.

Financial system

The financial system in Australia has three overlapping components. The first component consists of financial enterprises (such as banks) and regulatory authorities, the Reserve Bank and the Australian Prudential Regulation Authority (APRA). The second consists of financial markets (for example, the bond market) and their participants (issuers such as governments, and investors such as superannuation funds). The third is the payments system — that is, the cash, cheque and electronic means by which payments are effected — and its participants (for example, banks). The interaction of these components enables funds for investment or consumption to be made available from savings in other parts of the national or international economy.

In response to the recommendations of the Financial System Inquiry (the Wallis Committee), from 1 July 1998, a changed financial regulatory framework came into effect. Under the new structure a single prudential supervisor, APRA, was established to assume responsibility for the supervision of banks, life and general insurance companies, and superannuation funds. The Australian Securities and Investments Commission (ASIC) assumed responsibility for market integrity and consumer protection across the financial system. The Reserve Bank retained responsibility for monetary policy and the maintenance of financial stability, including stability of the payments system. From 1 July 1999 building societies and credit unions have also been supervised by APRA.

Banks

At 30 June 2000, there were 32 banks, with 1,217 branches and 1,262 agencies in Victoria (table 15.7). The number of bank branches in Victoria decreased by 4.5% between 1999 and 2000. This coincided with a 10.7% increase in the number of agencies, indicating a changing emphasis for delivering banking services within Victoria.

The GiroPost Network recorded a 35.7% decrease in Australia Post retail outlets and agencies during 1999–2000, mainly due to rationalisation of operations. The number of Automated Teller Machines (ATM's) increased by 16.0%.

15.7 BANK BRANCHES AND AGENCIES — At 30 June

	1998		1999		2000	
	Branches	Agencies	Branches	Agencies	Branches	Agencies
Commonwealth Bank of Australia(a)	385	1 026	362	999	381	1 013
National Australia Bank	295	41	299	42	294	42
ANZ Banking Group	204	18	219	8	221	9
Westpac Banking Corporation	325	102	218	4	176	26
Bendigo Bank	69	74	73	81	80	116
St. George Bank	32	6	32	6	30	10
Colonial State Bank(a)	38	1	39	—	—	—
Suncorp-Metway Bank	4	—	1	—	5	—
Citibank	3	—	2	—	2	—
Other banks	33	2	29	—	28	46
Total	1 388	1 270	1 274	1 140	1 217	1 262
GiroPost Network	n.a.	1 092	n.a.	1 089	n.a.	700
Automated Teller Machines	n.a.	2 036	n.a.	2 082	n.a.	2 416

(a) Colonial State Bank merged with Commonwealth Bank of Australia in 1999–2000.

Source: Australian Prudential Regulation Authority.

Deposits

At 30 June 2001, there was a total of \$104,769m in deposits in Victorian customers' accounts, a 4.8% increase on the June 2000 figure of \$99,977m (table 15.8). Term and at call deposits totalled \$57,180m at June 2001. These deposits moved against recent upward trends, with a 2.9% decrease from the June 2000 figure of \$58,905m. Term and at call deposits made up 54.6% of total deposits at June 2001. Current deposits bearing interest totalled \$24,291m at June 2001, a 21.3% increase on the June 2000 figure of \$19,997m.

15.8 BANK DEPOSITS, Repayable in Australia(a)

As at June(a)	Current bearing interest \$m	Current not bearing interest \$m	Term and at call \$m	Other \$m	Total \$m
1999	18 685	3 952	50 714	16 930	90 282
2000	19 997	4 537	58 905	16 538	99 977
2001	24 291	5 002	57 180	18 297	104 769

(a) Average of weekly figures for month of June.

Source: Australian Prudential Regulation Authority.

Credit cooperatives

There were 49 credit cooperatives in Victoria at the end of 1999–2000, down from 59 in 1997–98 (table 15.9). The value of assets held by credit cooperatives increased by 17.8% from 1997–98 to \$3,541.3m in 1999–2000. The total income of credit cooperatives increased by 27.4% from 1997–98 to \$313.2m in 1999–2000. Total expenditure increased by 25.3% over the same period, to \$274.5m in 1999–2000.

15.9 CREDIT COOPERATIVES

	Unit	1997–98	1998–99	1999–2000
Cooperatives	no.	59	51	49
Income and expenditure				
Total income	\$m	245.9	265.9	313.2
Total expenditure	\$m	219.1	231.5	274.5
Assets and liabilities				
Total assets	\$m	3 005.8	3 299.6	3 541.3
Total liabilities	\$m	3 005.8	3 299.6	3 541.3

Source: Annual Statistics on Financial Institutions on Hardcopy (Cat. no. 5661.0.40.001); Australian Prudential Regulation Authority.

Lending activity of financial institutions

Housing finance for owner occupation increased by 20.4% from 1998–99 to \$17,309.9m in 1999–2000, but only by a further 1.7% to \$17,603.8m in 2000–01 (table 15.10). The increase coincides with an increase in building approval statistics over the same period. From 1998–99 to 2000–01, personal finance increased by 23.1%, commercial finance decreased by 1.1%, and lease finance decreased by 33.8%.

Banks increased their housing finance for owner occupation commitments by 14.6% from 1998–99 to \$14,630.4m in 2000–01. Lenders other than banks accounted for 16.9% of housing finance for owner occupation in 2000–01, up from 11.2% in 1998–99.

Borrowers continued to move away from finance companies as a source for their personal finance. The market share of finance companies fell from 16.7% in this category in 1998–99 to 11.9% in 2000–01, while banks increased their market share from 75.3% to 80.3% over the same period. Credit cooperatives and other lenders maintained their share of lending for personal finance at around 8%. Overall, banks were the dominant leader in all finance lending categories except lease finance.

15.10 TYPE OF FINANCIAL COMMITMENT — At 30 June

	1999	2000	2001
	\$m	\$m	\$m
Housing finance for owner occupation			
Banks	12 770.7	15 421.4	14 630.4
Permanent building societies	239.6	124.6	158.7
Other lenders	1 365.8	1 763.9	2 814.7
Total	14 376.1	17 309.9	17 603.8
Personal finance			
Banks	8 327.1	10 898.6	10 930.4
Finance companies	1 846.1	1 660.0	1 617.7
Credit cooperatives	425.6	389.4	405.2
Other lenders	463.9	607.8	662.8
Total	11 062.7	13 555.8	13 616.1
Commercial finance			
Banks	37 155.0	37 037.0	37 572.2
Finance companies	1 089.0	1 119.0	1 129.1
Other lenders	6 384.0	3 125.0	5 429.2
Total	44 628.0	41 281.0	44 130.5
Lease finance			
Banks	808.0	753.0	364.3
Finance companies	724.0	533.0	347.0
Other lenders	595.0	593.0	696.6
Total	2 127.0	1 879.0	1 407.9

Source: ABS data available on request, *Lending Finance Australia*.

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