I. ECONOMIC ENVIRONMENT

(1) OVERVIEW

1. Since its previous Trade Policy Review in 2007, Australia, one of the most open economies in the world, has successfully weathered the global financial crisis. Following a prolonged period of expansion, resulting from sound macroeconomic policies and structural reforms (of which trade liberalization, induced by an exceptionally high degree of transparency, has long been an integral part) together with more favourable terms of trade, the global crisis caused a slowdown in Australia's economic growth from 3.8% (2007/08) to 1.4% (2008/09). However, the downturn has been milder than in most other advanced countries, with growth rebounding to an estimated 2.3% (Table I.1). This milder slowdown and subsequent rebound were due to, *inter alia*, strong demand, especially from China, for commodity exports, a flexible exchange rate, a healthy banking sector, and a timely and significant policy response to the crisis, involving the $A 42 billion Nation Building and Jobs Plan (Box I.1).[1] Although Australia is still considered one of the most competitive economies in the world[2], it has experienced a marked decline in multi-factor productivity (MFP) growth, which is a key determinant of Australian enterprises' international competitiveness and domestic living standards in the longer term (Box I.2). This slowdown in MFP growth is due mainly to special developments in three sectors: agriculture; mining; and electricity, gas, and water (Chapter IV).[3] Whereas inflation remained relatively stable, at around 3%, before dropping to 2.3% (2009/10), the unemployment rate rose gradually from 4.5% in 2006/07 to 5.5% in 2009/10. Despite Australia's impressive human development performance, there has been a slight increase in income inequality (which the authorities attribute in large part to methodology changes).[4] The changing patterns in international trade and foreign direct investment (FDI) reflect the rising importance of China as Australia's export market, and the fall in outward FDI to the United States owing to the global financial crisis and the appreciation of the Australian dollar.

Table I.1
Selected macroeconomic indicators, 2005-10

	2005/06	2006/07	2007/08	2008/09	2009/10
Real GDP ($A million, 2008/09 prices)	1,150,644.0	1,191,655.0	1,237,320.0	1,255,241.0	1,283,799.0
Real GDP (US$ million, 2008/09 prices)	860,020.1	936,938.7	1,109,659.5	935,907.7	1,133,594.5
Current GDP at market price ($A million)	1,001,440.0	1,091,633.0	1,185,740.0	1,255,241.0	1,284,670.0
Current GDP at market price (US$ million)	748,501.3	858,296.4	1,063,401.3	935,907.7	1,134,363.6
GDP per capita at current market price ($A)	48,752.0	52,303.0	55,771.0	57,770.0	57,965.0
GDP per capita at current market price (US$)	36,438.5	41,123.2	50,016.8	43,073.3	51,183.1
National accounts			*(% change)*		
Real GDP (at 2008/09 prices)	3.1	3.6	3.8	1.4	2.3
Consumption	2.8	4.2	4.4	0.8	2.0
Private consumption	2.8	4.3	4.7	0.2	2.1
Government consumption	2.5	3.7	3.2	2.8	1.8

Table I.1 (cont'd)

[1] IMF (2009a) and (2010a).

[2] In 2010, Australia ranked 5th (out of 58 countries) (12th in 2007) in the IMD *World Competitiveness Yearbook*. Furthermore, in 2010 Australia ranked 15th (out of 133 countries) (19th out of 131 in 2007/08) in the WEF *Global Competitiveness Index*, in which Australia's most problematic factors included restrictive labour regulations and access to financing (IMD, 2010; and WEF, 2010).

[3] Productivity Commission (2009c).

[4] In 2009, Australia ranked 2nd (out of 182 countries) in the UN Human Development Index (HDI) (UNDP, 2009). According to Australian Bureau of Statistics, the Gini coefficient rose from 0.314 (2006) to 0.331 (2008).

	2005/06	2006/07	2007/08	2008/09	2009/10
Gross fixed capital formation	8.8	5.4	10.4	0.8	2.5
Exports of goods and non-factor services	2.2	2.5	4.0	2.6	5.5
Imports of goods and non-factor services	7.3	9.1	14.6	-3.3	5.3
XGS/GDP (%) (at current market price)	19.5	19.7	19.7	22.7	19.8
MGS/GDP (%) (at current market price)	21.1	20.9	21.8	22.1	20.2
Unemployment rate (%)	5.0	4.5	4.2	4.9	5.5
Labour participation rate (%)	64.6	65.1	65.5	65.5	65.4
Productivity[a]					
Labour productivity	1.5	0.7	1.0	0.6	2.3
Capital productivity	-3.1	-2.4	-2.8	-4.5	-2.5
Multi-factor productivity	-0.6	-0.7	-0.7	-1.8	0.0
Prices and interest rates			*(%)*		
Inflation (CPI, % change)	3.2	2.9	3.4	3.1	2.3
90-day bank bill (end-period)	5.97	6.43	7.80	3.20	4.89
90-day bank bill (average-period)	5.68	6.33	7.30	4.79	4.04
Government bond yield (end-period)	5.79	6.26	6.45	5.52	5.10
Government bond yield (average-period)	5.39	5.80	6.17	5.02	5.50
Exchange rate					
US$/$A (financial year average)	0.747	0.786	0.897	0.746	0.883
Real effective exchange rate (% change)	2.0	3.5	8.9	-12.1	..
	(% of current GDP, unless otherwise indicated)				
General government fiscal balance					
Revenue	26.1	25.5	25.7	23.8	22.5
Tax revenue	24.6	24.1	24.2	22.2	20.6
Expenditure	24.2	23.7	23.7	25.9	26.1
Net operating balance	1.9	1.8	2.0	-2.0	-3.6
Commonwealth government debt	-0.4	-2.7	-3.8	-1.3	3.3
Saving and investment					
Gross national savings	22.5	22.6	23.3	23.9	-21.6
Gross domestic investment	27.9	28.2	29.6	28.72	28.3
Savings-investment gap	-5.4	-5.5	-6.3	-4.2	-6.7
External sector					
Current account balance	-5.4	-5.5	-6.3	-3.2	-4.3
Net merchandise trade	-1.5	-1.2	-1.8	0.9	-0.2
Merchandise exports	15.2	15.4	15.3	18.4	15.4
Merchandise imports	16.7	16.6	17.1	17.5	15.7
Services balance	0.0	0.1	-0.2	-0.3	-0.1
Capital account	0.0	0.0	0.0	0.0	0.0
Financial account	5.5	5.6	6.2	3.2	4.4
Direct investment	-0.6	1.1	2.5	1.4	1.3
Terms of trade (2007/08=100)	88.9	94.8	100.0	108.3	107.2
Merchandise exports (% change)[b]	20.2	10.2	7.6	27.6	-13.0
Merchandise imports (% change)[b]	12.5	8.3	11.6	8.6	-7.4
Service exports (% change)[b]	6.0	10.4	10.2	4.4	-0.2
Service imports (% change)[b]	4.6	8.7	18.1	5.3	-4.8

Table I.1 (cont'd)

	2005/06	2006/07	2007/08	2008/09	2009/10
Foreign exchange reserves ($A billion, end-period)[c]	60.6	77.0	32.8	48.0	33.4
Foreign exchange reserves (US$ billion, end-period)[c]	45.31	65.4	29.4	35.8	28.5
in months of imports of goods and non-factor services	3.4	4.0	1.5	2.1	1.5
Net external debt ($A billion)	494.9	539.6	600.4	624.3	671.9
Net external debt (US$ billion)	367.8	458.1	578.0	506.5	572.6
Debt service ratio[d]	9.4	11.5	12.2	10.4	10.5

.. Not available.

a Labour productivity = GDP per unit of labour input; capital productivity = GDP per unit of capital services; total factor productivity = GDP per combined unit of labour and capital.
b Growth rates on goods and services trade are based on Australian dollars.
c Excluding gold, SDRs (Special Drawing Rights) and reserve position in the IMF. Figures are taken from the Reserve Bank of Australia, as at 8 October 2010.
d Net interest payments to exports of goods and services.

Source: Australian Bureau of Statistics online information; and Reserve Bank of Australia online information.

2. Despite Australia's sound macroeconomic management and relative economic strength, downside risks to the immediate economic outlook are posed by, *inter alia*, the withdrawal of the economic stimulus package, global economic and financial fragility, as well as exposure to commodity prices, reliance on short-term external debt, and the high and growing indebtedness of households.[5] Long-term trends that will continue to shape the economy include the continuing emergence of China and India[6], a growing but ageing population, climate change, and technological change. There is also concern about Australia's growing dependence on mining, which may amplify the business cycle, as the economy will become more vulnerable to swings in its highly favourable terms of trade, which are forecast to improve by a further 17% in 2011 to around record levels.[7] One of the major economic challenges confronting Australia, with potential trade policy implications, is to formulate appropriate macroeconomic and structural policies to facilitate adjustment to the effects of its improved terms of trade, owing to the boom and increased inward FDI in mining as well as the associated appreciation of the Australian dollar. The latter is likely to reduce the competitiveness of import-competing activities and non-mining exports, unless productivity in these activities can be improved. Clearly, structural adjustment by the non-mining economy will be required.

[5] The authorities clarified that the risks are balanced by Australia's sound public finances, a strong and well regulated banking system, a flexible exchange rate and product and labour markets, limited foreign exchange risk, and the fact that foreign borrowing reflects increased investment Furthermore, they explained that while national savings have persistently fallen short of domestic investment, the majority of increased investment over the past few years has occurred in the mining sector and is not directly linked to household indebtedness.

[6] According to the authorities, these countries are the key drivers of the shift of global strategic weight towards Asia, from which Australia is a key beneficiary. According to the IMF, Australia's growing integration with emerging Asia underpins its favourable medium-term growth prospects; however, it brings with it vulnerabilities to which policy will need to respond as shifting resources to the mining sector without giving rise to inflationary pressures will be challenging. The impact on Australia's terms of trade from industrialization and urbanization in China and the rest of emerging Asia is expected to be long-lived and to remain more than 40% above the average for the 1990s (The Treasury, 2010c; and IMF, 2010a).

[7] The term business cycle (or economic cycle) refers to economy-wide fluctuations in production or economic activity over several months or years (IMF 2010a; and The Treasury, 2010d).

Box I.1: The economic stimulus shield

Australia's strong fiscal position in the wake of the global financial crisis allowed for the launch of a range of fiscal stimulus measures, of which the largest was the two-year, $A 42 billion Nation Building and Jobs Plan, announced in February 2009. To help cushion the economy from the worst effects of the global recession and strengthen future economic growth, the Plan was aimed at building lasting infrastructure necessary for enhancing long-term productivity, and supporting jobs.

The Plan funded or provided for:

(a) the Building the Education Revolution programme, investing $A 16.2 billion in building and refurbishing primary and secondary school infrastructure and maintenance;

(b) $A 5.9 billion to boost the number of social and defence-force houses by around 20,000 and to fast-track repairs and maintenance of existing social housing;

(c) $A 1.7 billion for investment in higher and vocational education as well as trade training centres;

(d) $A 800 million to enhance local community facilities and infrastructure;

(e) $A 2.3 billion to improve regional road and rail infrastructure and safety, through repairs to regional roads and black spots, and the installation of boom gates at rail crossings;

(f) an additional 30% tax deduction for small and general businesses buying eligible assets; and

(g) one-off cash tax bonus payments up to $A 900, to eligible families, single workers, students, drought affected farmers, and others having earned less than $A 100,000 in 2007/08 and paid tax.

These stimulus measures are being implemented broadly in line with planned timeframes. By December 2009, it was estimated that 71% of the infrastructure stimulus projects under the Nation Building – Economic Stimulus Plan were under construction, about 17% were completed, and over 60% of the budget of the Plan (i.e. $A 25.8 billion) had been used for targeted bonus payments, tax breaks, and medium-term infrastructure. According to the Treasury the overall stimulus supported around 200,000 jobs.

Without the stimulus plan, it is estimated that the economy would have contracted by 2% in 2008/09 and the unemployment rate would have risen to 8.25%, thus creating a vicious downward spiral in the economy and plunging Australia into recession.

Source: Information provided by the Australian authorities; Australian Government (2009), *Nation Building Economic Stimulus Plan – Commonwealth Coordinator General's Progress Report to 31 December 2009*. Viewed at: http://www.economicstimulusplan.gov.au/documents/pdf/YearinfocusWEB4.pdf [1 October 2010]; and Australian Government online information. Viewed at: http://www.economicstimulusplan.gov.au/pages/theplan.aspx [1 October 2010].

Box I.2: Productivity and economic reform: from success to challenge

Concerns about declining productivity growth and per capita income growth in the early 1980s provided an impetus to the wide ranging economic reforms begun in the mid-1980s and continued in the 1990s with the adoption of the National Competition Policy (NCP). These two waves of reform involved first the largely unilateral lowering of border protection, notably tariffs, and then behind-the-border reforms of infrastructure and labour markets. The extent of economic reform in Australia is perhaps best illustrated by the drop in the effective rate of assistance for manufacturing from 25% to 5% over two decades or so. The outcome was a surge in multi-factor productivity (MFP) growth to an average annual rate of 2.3%, during the 1993/94 to 1998/99 productivity cycle, more than double the long-term average rate of 1.1%, propelling Australia's ranking from 12th to 2nd amongst key OECD countries. Improved MFP growth thus accounted for more than half of the 3.1% average annual growth rate of incomes during the 1990s. In the first cycle of this century to 2003/04, average annual MFP growth returned to the long-term average of 1.3%. However, in the current partially completed cycle since then, MFP growth has fallen to an annual average of -0.2%. Given its importance in raising living standards in the longer term, this very significant slowdown in productivity growth has understandably been of concern.

Box I.2 (cont'd)

Some 70% of this recent rapid decline in MFP growth can be attributed to specific developments in three sectors: mining; electricity, gas, and water; and agriculture (Chapter IV). As the special factors reducing productivity in these sectors wash through the production processes, and new investments begin to contribute to output, some recovery in MFP growth can be expected.

However, the likely recovery in these sectors provides no grounds for complacency. Improved productivity ultimately depends on the performance of individual firms and competitive pressures that result in more efficient firms and industries prevailing over others. The main lessons from the unprecedented MFP growth of the 1990s were that broad, enabling reforms, together with the pervasive, competitively driven deployment of breakthroughs in information and communications technologies, provided exceptional opportunities to change production processes and re-design workplaces to improve productivity. In this regard, heightened market competition is crucial in encouraging cost reductions and product and process improvements, including through innovation and its diffusion.

Australia's first two waves of reform can be seen as mainly focused on incentives and market flexibility. Not all opportunities have been exhausted. For example, competitive reforms in coastal shipping and aviation, significant transport inputs, offer the potential to stimulate innovation and thus productivity more widely. Implementation of scheduled tariff reductions for the automotive, textile, clothing and footwear industries can be expected to deliver further net benefits. By contrast, subsidies to these or other sectors are unlikely to yield commensurate gains. Such support to investment or production tend to distort competition. While a case can be made for subsidies where market signals are inadequate, such measures need to be well-targeted to ensure that the public benefits exceed their costs. Notwithstanding Australia's exemplary record concerning transparency, including extensive use of cost-benefit analysis by the independent Productivity Commission, little of the nearly $A 17.5 billion of gross annual Commonwealth assistance to industry is regularly evaluated to determine whether such assistance yields value for money.

While unfinished business remains in these and other areas concerning incentives and market flexibility, there is relatively more to be done in building capabilities in the human capital area. This change in emphasis was reflected in the evolution and broadening of reform measures from the NCP to the 2005 "third wave" National Reform Agenda (NRA). However, implementation of the NRA under the auspices of the Council of Australian Governments (COAG) Reform Council, which plans to achieve a seamless national economy, has been rather slow.

Source: Productivity Commission (2009c), *Australia's Productivity Performance*, Submission to the House of Representatives Standing Committee on Economics, September. Viewed at: http://www.pc.gov.au/__data/assets/pdf_file/0005/91382/productivity-growth.pdf [3 August 2010].

(2) RECENT ECONOMIC DEVELOPMENTS

(i) Growth, incomes, and employment

3. The Australian economy has weathered the global financial crisis relatively well.[8] One of the main economic developments has been the boost in national income[9] owing to the commodity price boom, which pushed the terms of trade to their highest level in more than half a century.[10] If not temporary, the large improvement in terms of trade, which could "possibly prove to be the largest external shock to ever hit the Australian economy"[11], will likely have far-reaching implications for the pattern of growth and structure of the economy by necessitating a reallocation of resources. Sectors

[8] By 2009, Australia was the third fastest growing economy of the 33 IMF advanced economies; one of three economies not to fall into technical recession; and the economy with the lowest level of Government debt (approximately 10% of GDP) (Australian Government, 2009a).

[9] GDP per capita in Purchasing Power Parity terms increased from US$36,357 in 2007 to US$39,230 in 2009 according to World Bank data. Viewed at: http://databank.worldbank.org/ddp/home.do.

[10] IMF (2009a).

[11] *The Australian*, "Industry aid will spark rate rise, Ken Henry warns", 23 November 2010.

whose output prices have risen, thus making them more profitable, will seek to expand by attracting inputs of labour and capital from less profitable sectors whose output will decline as a share of GDP. Hence, one of the principal policy challenges facing the Government will be whether to help these sectors resist change or help them adjust to it.[12] Clearly, both macroeconomic and structural policies have an important role in this regard.

4. After rising steadily from 2001, real GDP growth slowed sharply to 1.4% in 2008/09 due to slowing business investment, related to declining commodity prices, tightening credit conditions in global capital markets, and slowing world growth (Table I.1).[13] According to the IMF, real GDP growth is projected at 3-3.5% in 2010 and 2011, with private investment in mining and commodity exports taking over from public demand as the main driver of growth; by contrast, the authorities forecast GDP growth of 3.25% over 2010 and 3.75%-4% over 2011 and 2012 underpinned, *inter alia*, by the positive prospects for mainly resource-related investment, strong growth in resource exports, and a gradual pick-up in business investment.[14] According to the IMF, output will likely remain below potential for some years; nevertheless, the authorities predict that the economy will return to full capacity in 2011.[15]

5. Since 2007, there have been minor changes in the sectoral pattern of Australia's GDP and employment, which remain dominated by services (Table I.2, Chapter IV); the GDP share of manufacturing dropped from 10.3% in 2006/07 to 9.3% in 2009/10, while that of mining rose from 7.7% to a peak of 9.8% during the same period as resources flowed into the sector, driven by booming world prices for commodities and strong demand from emerging economies.

Table I.2
Basic economic indicators, 2005-10

	2005/06	2006/07	2007/08	2008/09	2009/10
			(Annual % change)		
GDP by economic activity at 2008/09 prices[a]					
Agriculture, forestry and fishing	2.8	-15.3	6.9	17.6	-1.2
Mining	1.9	8.5	2.0	2.6	6.2
Manufacturing	-0.3	1.9	4.0	-5.9	1.5
Electricity, gas, water and waste services	1.7	1.0	0.2	3.8	2.7
Construction	8.2	5.5	7.0	3.0	0.5
Services	3.4	4.0	3.9	1.8	2.3
Wholesale and retail trade	2.4	3.7	3.9	0.7	2.6
Accommodation and food services	2.8	1.6	-0.2	-3.2	-2.1
Transport, postal and warehousing	3.1	5.8	5.5	-1.2	2.4
Information media and telecommunications	4.1	6.2	6.2	1.1	1.2
Financial and insurance services	6.0	10.4	8.2	0.1	3.0
Rental, hiring and real estate services	4.7	-5.2	-3.3	4.6	1.8
Professional, scientific and technical services	2.5	0.7	3.3	3.9	3.8
Administrative and support services	2.5	5.0	5.9	-4.2	1.5
Public administration and safety	2.3	4.6	0.5	5.7	0.0
Education and training	1.5	1.8	2.1	3.0	2.6
Health care and social assistance	5.0	4.1	5.0	5.5	3.6

Table I.2 (cont'd)

[12] Reserve Bank of Australia (2010c).
[13] IMF (2009a).
[14] IMF (2010b); Reserve Bank of Australia (2010b); and IMF (2010a).
[15] The Treasury (2010c).

	2005/06	2006/07	2007/08	2008/09	2009/10
Arts and recreation services	2.1	6.5	2.3	7.6	0.0
Other services	-0.4	2.1	1.9	1.8	-1.1
Ownership of dwellings	3.9	2.5	3.0	2.7	2.9
			(%)		
Share of sectors in GDP, current prices[b]					
Agriculture, forestry and fishing	3.0	2.4	2.4	2.4	2.3
Mining	7.2	7.7	7.6	9.8	8.4
Manufacturing	10.8	10.3	10.1	9.3	9.3
Electricity, gas and water	2.5	2.3	2.3	2.2	2.1
Construction	7.2	7.6	7.7	7.7	7.9
Services	69.3	69.7	69.9	68.7	70.0
Wholesale and retail trade	9.6	9.5	9.5	9.3	9.3
Accommodation and food services	2.6	2.5	2.4	2.3	2.3
Transport, postal and warehousing	5.2	5.5	5.4	5.1	5.2
Information media and telecommunications	3.5	3.4	3.3	3.3	3.3
Financial and insurance services	10.0	11.0	11.7	10.9	10.6
Rental, hiring and real estate services	3.1	3.1	3.1	2.8	2.7
Professional, scientific and technical services	6.0	6.1	6.3	6.4	7.3
Administrative and support services	2.7	2.7	2.7	2.5	2.5
Public administration and safety	5.6	5.5	5.2	5.2	5.2
Education and training	4.6	4.5	4.3	4.3	4.4
Health care and social assistance	6.0	6.0	6.1	6.0	6.2
Arts and recreation services	0.9	0.9	0.9	0.8	0.8
Other services	2.1	1.9	1.8	1.8	1.8
Ownership of dwellings	7.3	7.1	7.3	7.8	8.4
Share of sector in total employment					
Agriculture, forestry and fishing	3.5	3.4	3.3	3.3	3.3
Mining	1.3	1.3	1.4	1.6	1.6
Manufacturing	10.2	9.9	9.9	9.4	9.1
Electricity, gas and water	1.1	1.0	1.1	1.3	1.2
Construction	8.7	9.1	9.1	9.2	9.1
Services	75.4	75.3	75.3	75.2	75.7
Wholesale and retail trade,	15.4	15.3	15.2	15.0	14.7
Accommodation and food services	6.7	6.7	6.6	6.6	6.8
Transport, postal and warehousing	5.0	5.0	5.2	5.5	5.2
Information media and telecommunications	2.4	2.4	2.2	2.1	1.9
Financial and insurance services	3.8	3.9	3.8	3.7	3.6
Rental, hiring and real estate services	1.9	1.9	1.9	1.8	1.7
Professional, scientific and technical services	7.1	7.2	7.3	7.2	7.6
Administrative and support services	3.5	3.4	3.3	3.2	3.4
Public administration and safety	6.1	6.2	5.9	6.2	6.2
Education and training	7.4	7.2	7.4	7.4	7.5
Health care and social assistance	10.3	10.3	10.3	10.6	11.0
Arts and recreation services	1.8	1.7	1.8	1.9	1.8
Other services	4.1	4.0	4.3	4.2	4.1

a Based on chain volume measures.
b Percentage of gross value added at basic prices.

Source: Australian Bureau of Statistics, *Australian System of National Accounts, ABS Cat. No. 5204.0;* and *Labour Force, Australia, Detailed, Quarterly, ABS Cat No. 6291.0.55.00B.*

6. Despite the temporary economic stimulus package (Box I.1), unemployment and under-employment[16] has followed an upward trend since Australia's previous Review (to 5.5% in 2009/10) due to the effects of the global financial crisis, which made the economy run below capacity.[17] According to the IMF, unemployment is expected to drop gradually to 5.1% in 2011.[18] The authorities consider that various forward-looking indicators continue to suggest solid growth in employment over the years ahead as the economy is expected to return to full capacity in 2011.[19]

(ii) Prices

7. During the review period, consumer price inflation (CPI) slightly exceeded the officially set target rates of 2%-3% (section (3)(i)), largely due to the effect of the currency depreciation and the higher tobacco excise (Chapter III), before moderating to 2.3% in 2009/10 as a result of weaker demand growth, lower wage increases in 2009, and the appreciation of the exchange rate (Table I.1).[20] With the output gap forecast to close by mid-2011, further increase in the tobacco excise, large increases in the prices of utilities, and inflationary pressures from the mining boom, inflation is projected to re-emerge at 3% over the next three years, the top of the target range.[21]

(3) MAIN MACROECONOMIC POLICY DEVELOPMENTS

(i) Monetary and exchange rate policy

8. During the period under review, the Government endorsed the inflation target (2%-3% over the cycle) of the Reserve Bank of Australia (RBA) and its independence in setting monetary policy.[22] As indicated above, CPI rates slightly exceeded target levels in 2007/08 and 2008/09. To contain inflationary pressures in these years (and prior to the onset of the global financial crisis), the RBA had progressively raised the official cash rate on several occasions. Should the recovery unfold as expected, and downside risks dissipate, monetary policy will need to tighten further to contain inflation pressures generated by the China-fuelled mining boom.[23]

9. Australia has maintained its floating exchange rate system, which tends to rise with the terms of trade, thereby reducing the prices of imports and thus domestic inflation, as well as facilitating the reallocation of resources. However, foreign exchange market operations may be undertaken by the RBA when the market threatens to become excessively volatile or when the exchange rate is clearly

[16] According to the Australian Bureau of Statistics (ABS), under-employment rose from 6.6% in 2006 to 7.7% of the working population in 2009 (ABS online information, "1370.0 - Measures of Australia's Progress, 2010". Viewed at: http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~Underemployment%20(4.3.3) [18 November 2010].

[17] Unemployment has increased, but less so than in many other advanced countries. As prior to the crisis the economy was at full capacity and it was hard to hire qualified and skilled workers, when the crisis came employers preferred to reduce the employees working hours rather than have recourse to widespread layouts; thus, in 2008 while 200,000 full-time jobs were lost 180,000 part-time jobs were created, significantly cushioning the unemployment rate (The Treasury, 2009c).

[18] IMF (2010b).

[19] Reserve Bank of Australia (2010b); and The Treasury (2010c).

[20] Reserve Bank of Australia (2010b).

[21] IMF (2010a) and (2010b).

[22] Reserve Bank of Australia online information. *Statement on the Conduct of Monetary Policy* by the Treasurer and the Governor of the Reserve Bank of Australia, 30 September 2010. Viewed at: http://www.rba.gov.au/monetary-policy/framework/stmt-conduct-mp-5-30092010.html [1 October 2010].

[23] IMF (2010a).

inconsistent with underlying economic fundamentals.[24] These operations are invariably aimed at stabilizing market conditions rather than meeting exchange rate targets; explanations of these interventions are set out in the RBA's Quarterly Statements on Monetary Policy.

10. The responsiveness of the exchange rate to commodity price fluctuations helped stabilize export incomes, while the hedging of currency risk has minimized any negative impact on corporate or bank balance sheets.[25] Following a period of steady appreciation, in 2008/09 the exchange rate against the U.S. dollar depreciated sharply (Table I.1), driven by falling commodity prices, global uncertainty, and investors' search for safe haven assets, thus temporarily boosting exports and reducing imports.[26] Since then it has started to appreciate again supported, *inter alia*, by Australia's strong economic growth relative to other developed economies, the increase in the RBA's cash rate, the record high terms of trade, the rebound in prices for iron ore and coal, strong business confidence, a low risk assessment of the sovereign finances in Australia, and the weakening of the U.S. dollar.[27] The Australian dollar is expected to remain high over the short term as these factors are not expected to dissipate quickly. According to the IMF, by 2010 the national currency was broadly in line with fundamentals but mildly overvalued; this overvaluation could dissipate with the eventual normalization of interest rates in the United States and other advanced economies.[28] The recent strong appreciation of the Australian dollar relative to the U.S. dollar was also presumably due in large part to interest rate differentials that have stimulated carry-trade.

(ii) Fiscal policy

11. Following a period of continuous fiscal surpluses (about 2% of GDP), the Australian Government's fiscal position shifted to a deficit equivalent to 2% of GDP in 2008/09 (Table I.1) largely reflecting reduced tax revenues, and the implementation of the temporary economic stimulus measures (Box I.1).[29] Increased investment spending by states and public corporations is not taken into account in these calculations. The fiscal deficit is expected to narrow from 3.6% of GDP (Table I.1) in 2009/10 to 2.8% in 2010/11, before moving back to a small surplus by 2012/13 or 2013/14 as a result of the exit from the temporary stimulus plan and rising government receipts as growth picks up.[30]

12. The improvement in Australia's terms of trade owing to the boom in commodity prices and consequent appreciation of the exchange rate has prompted a debate over the role of fiscal policy in the longer term, with some suggesting that the federal government should consider setting aside the surpluses resulting from the resource boom in a "stabilization fund".[31] Insofar as such a fund were invested overseas, it would mitigate the appreciation of the Australian dollar's exchange rate and thus the threat of "Dutch disease".

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[24] APEC Secretariat online information. Viewed at: http://www.apecsec.org.sg [20 February 2001]; and WTO document WT/TPR/S/104, 26 August 2002.

[25] IMF (2010a).

[26] As policy rates declined further and faster in the United States than Australia, the interest rate differential widened and this acted to limit the depreciation.

[27] The depreciation of the Australian dollar sustained exporter incomes as the U.S. dollar price of commodity exports fell sharply in late 2008. CBS online information. Viewed at: http://www.cbs.gov.ws/publications/pub/exrdev/10/cbsexratesdev10Mar.pdf and http://www.cbs.gov.ws/publications/pub/exrdev/10/cbsexratesdev10July.pdf [2 October 2010].

[28] IMF (2009a) and (2010a).

[29] According to the IMF, by 2009 this deficit was appropriate given low public debt by advanced country standards; however, further fiscal adjustment would be needed to return to surplus if trend growth and the terms of trade turn lower than assumed (IMF, 2009a).

[30] Reserve Bank of Australia (2010b); and IMF (2010a).

[31] Reserve Bank of Australia (2010c).

(4) MAIN STRUCTURAL POLICY DEVELOPMENTS AND CHALLENGES

13. Soaring export prices and low unemployment seem to have temporarily reduced the appetite for further reform.[32] As a consequence, structural reforms in certain areas appear to have slowed or have failed to deliver during the period under review (section (1)). At the same time, productivity growth has dropped markedly (Box I.2). Structural reform for improving Australia's international competitiveness has been focused on the regulatory framework, innovation, adjustment to climate change, and domestic support to a few sectors, especially automotive products. Other areas of ongoing reform include the energy and telecommunication markets (Chapter IV). Transport infrastructure reform remains a major challenge (Chapter IV). According to a 2010 report by the Treasurer, an ageing population and climate change present, *inter alia*, significant long-term risks for the economy and the sustainability of government finances.[33] As the population ages, the rate of economic growth will slow and pressures for government spending will increase, particularly in the health sector. These challenges are being addressed through a broad agenda that includes: supporting productivity growth through investment in infrastructure, innovation, skills, and education; overhauling the health system to ensure it delivers maximum value for money; and adhering to a disciplined fiscal strategy.[34] Many of these policy options to deal with structural adjustment will have cost-of-living implications in the form of higher electricity, water, and road bills, which could be an impediment to reform, and may push the budget into deficit over the next 40 years, if corrective policy action is not taken.[35] According to the Treasury, in light of Australia's difficult medium-term fiscal position (section (3)(ii)), reforms should be "budget-neutral".[36]

Tax reform

14. A substantial tax reform programme is under way to make the tax system fairer, simpler, and more competitive internationally.[37] More specifically, the authorities intend to increase taxation of natural resource rents (e.g. iron ore, coal, oil, and gas) as well as to reduce the tax burden and ease compliance costs for small businesses. Among the major tax reforms envisaged are: the introduction of a Minerals Resource Rent Tax (MRRT); the extension of the Petroleum Resource Rent Tax (PRRT) to all onshore and offshore oil and gas projects; a cut in the company tax rate from 30% to 29% (from 2012 onwards for small firms, 2013 for others); and measures to build superannuation adequacy.[38] Furthermore, there is a long-standing need to reform state taxes, some of which are poorly designed and impose large deadweight losses on the economy, and to get industry assistance through the tax system (or otherwise) focussed on dealing with market failures rather than continuing to support inefficient industries at the expense of the community.[39] In September 2010, the Treasury

[32] *The Australian*, "Red Book's hard reading for Labor", 27 September 2010. Viewed at: http://www.theaustralian.com.au/news/features/red-books-hard-reading-for-labor/story-e6frg6z6-1225929697035 [1 October 2010].

[33] Commonwealth of Australia (2010).

[34] The CPRS is designed to deliver significant reductions in Australia's carbon emissions in a cost-effective way, while protecting Australian businesses and jobs during the transition period; it is expected to, *inter alia*, reduce emissions by 5% below their 2000 levels by the year 2020.

[35] The Treasury (2010c); and *The Australian*, "Red Book's hard reading for Labor", 27 September 2010. Viewed at: http://www.theaustralian.com.au/news/features/red-books-hard-reading-for-labor/story-e6frg6z6-12259296970 35 [1 October 2010].

[36] The Treasury (2010c).

[37] Australian Government online information "A Tax Plan for our Future". Viewed at: http://www.futuretax.gov.au/pages/topic_whytaxreform.aspx [1 September 2010].

[38] For the superannuation plan, the authorities envisage to increase retirement savings by gradually raising the superannuation guarantee from 9% to 12% (The Treasury, 2010c).

[39] The Treasury (2010c).

suggested the elimination of stamp duties on real estate, the reform of state payroll and land taxes, and the phased introduction of road congestion pricing.

Pension system reform

15. In May 2009, the pension system was reformed to provide more support to those who need it most, and to enhance the sustainability of the pension system.[40] The increase in the pension was delivered without placing additional long-term pressure on the Budget. The income test arrangements were revised to better target the pension to those most in need. Pension payments were changed so that they are simpler to understand and available on a more flexible basis. To respond to the long-term cost of demographic change, the authorities are to increase the pension age progressively to 67 years, at a rate of six months every two years, beginning in 2017.

Labour market reform

16. As of 1 July 2009, Australia moved to a new legal and institutional framework for workplace relations, with the commencement of the Fair Work Act 2009. The new framework is a significant shift from previous legislation, offering a stronger focus on enterprise level bargaining to closely link wages with productivity in the workplace. A number of initiatives to boost labour force participation have included: increasing incentives to work, through personal income tax cuts and increases in the Child Care Tax Rebate; reforms in education, employment services, and health; and the Productive Ageing Package to support mature-age participation through practical measures, e.g. retraining and re-skilling programmes and enhanced assistance through the Keep Australia Working Career Advice Line.[41]

(5) BALANCE-OF-PAYMENTS DEVELOPMENTS

Current and trade accounts

17. Reflecting the savings-investment gap, Australia's current account deficit peaked in 2007/08 (6.3% of GDP, Table I.3) largely due to constraints on export volume growth relating to drought and bottlenecks in the export supply chain; strong import growth owing to buoyant domestic demand and an appreciation of the real effective exchange rate; and increased investment income deficit reflecting higher interest payments on foreign debt and large dividend payments to foreign investors, particularly by the resource sector.[42] In 2008/09, the current account deficit was reduced considerably (3.2% of GDP) reaching the lowest annual level of the review period; the trade account turned to surplus, mainly reflecting large increases in commodity contract prices negotiated in early 2008 for iron ore and coal exports, as well as the sharp exchange rate depreciation; since then it has turned back to a deficit. The current account deficit is expected to narrow to less than 2.5% of GDP in 2010 and 2011 as improved terms of trade should help generate a trade surplus; however, it is forecast to widen to about 6% of GDP over the medium term.[43]

18. Growing external liabilities used, *inter alia,* for the financing of current account deficits are a potential source of vulnerability for the economy. Debt service payments on Australia's relatively high external debt remain the principal reason for the net income deficit, equivalent to about 88% of the current account deficit in 2009/10 (Table I.3), reflecting mainly interest and dividends paid to

[40] Commonwealth of Australia (2010).
[41] Commonwealth of Australia (2010).
[42] Australia's current account deficits largely reflect high investment rather than low saving, and should be sustainable as long as investment leads to growth in export capacity (IMF, 2008).
[43] IMF (2010a).

foreign investors in Australia (net of income received on Australian investment abroad).[44] Between 2006/07 and 2009/10, net external debt increased by 24.5% (Table I.3); in June 2010, the private sector, especially financial corporations, continued to account for 83.8% of foreign debt although public sector debt has increased almost tenfold since September 2007 (Table AI.1).[45] While Australia's net external liabilities are relatively high, at about 60% of GDP, gross external debt is lower than in many advanced countries, at just under 100% of GDP.[46] Similarly, short-term external debt remains sizable, at 46% of GDP, but is lower than in many advanced countries.

Table I.3
Balance of payments, 2005-10
($A million)

	2005/06	2006/07	2007/08	2008/09	2009/10
Current account	**-54,075**	**-60,541**	**-73,980**	**-40,515**	**-56,103**
Goods and services balance	-15,354	-13,231	-24,579	5,887	-5,965
Goods balance	-15,476	-14,048	-21,894	9,186	-4,561
Exports	154,035	169,524	182,952	231,564	201,458
Imports	169,511	183,572	204,846	222,378	206,019
Services balance	122	817	-2,685	-3,299	-1,404
Receipts	41,641	45,956	50,645	52,873	52,546
Transportation	8,186	8,546	9,129	7,342	6,376
Travel	22,624	25,161	28,252	31,096	33,285
Finance and insurance	1,492	1,444	1,420	1,616	1,304
Royalties and licence fees	771	887	778	872	1,064
Telecommunication	445	377	309	290	237
Computer and information	1,199	1,484	1,587	1,786	1,506
Other business	5,180	6,369	7,394	7,779	6,688
Personal and cultural	647	608	726	797	788
Government goods and services n.e.s.[a]	1,097	1,080	1,050	1,295	1,298
(Tourism-related services)	(26,728)	(29,398)	(32,370)	(34,506)	(35,866)
Payments	41,519	45,139	53,330	56,172	53,950
Transportation	14,838	15,732	16,797	15,832	13,835
Travel	15,089	15,934	20,153	22,082	23,354
Finance and insurance	1,646	1,822	2,216	1,325	1,198
Royalties and licence fees	2,688	3,181	3,514	3,526	3,585
Telecommunication	543	499	488	607	506
Computer and information	1,067	1,431	1,478	1,641	1,553
Other business	3,647	4,450	6,569	8,549	7,492
Personal and cultural	1,080	1,108	1,163	1,565	1,241
Government goods and services n.e.s.[a]	921	982	952	1,045	1,186
(Tourism-related services)	(21,373)	(22,810)	(27,431)	(27,917)	(28,556)
Income balance	-37,884	-47,001	-49,496	-45,407	-49,224
Credit	27,937	38,318	44,217	42,823	35,901
Debit	65,822	85,319	93,713	88,231	85,124
Current transfers	-837	-309	95	-995	-914
Credit	5,314	6,002	6,255	6,657	6,380
Debit	6,151	6,311	6,160	7,652	7,294

Table I.3 (cont'd)

[44] Garton, Sedgwick, and Shirodkar (2010).
[45] Australian Bureau of Statistics online information. Viewed at: http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/19A7112FC836013ECA25778F00204B18/$File/A3374925K [1 October 2010].
[46] IMF (2010a).

	2005/06	2006/07	2007/08	2008/09	2009/10
Capital and financial account	54,435	61,153	72,572	39,873	56,613
Capital account	-141	281	-232	-611	-132
Financial assets	-3	423	-1	-244	14
Credit	3	489	9	2	4
Debit	-6	-66	-10	-246	10
Capital transfers	-138	-142	-231	-367	-146
Credit	0	0	0	0	0
Debit	-138	-142	-231	-367	-146
Financial account	54,576	60,872	72,804	40,484	56,745
Direct investment	-5,675	11,507	29,117	17,665	17,398
Australian's direct investment abroad	-29,750	-34,432	-27,291	-30,474	-17,550
Foreign direct investment in Australia	24,074	45,938	56,407	48,140	34,948
Portfolio investment	64,937	66,370	-4,084	49,220	68,112
Assets	-59,996	-76,609	-65,469	4,008	-92,470
Liabilities	124,933	142,979	61,385	45,212	160,582
Financial derivatives	-3,511	2,006	-7,043	-3,726	-5,951
Assets	13,037	12,700	-4,365	30,682	37,651
Liabilities	-16,548	-10,694	-2,678	-34,408	-43,602
Other investment	4,431	1,116	10,523	-10,779	-28,743
Assets	-18,228	-21,090	-31,802	-51,415	-20,009
Liabilities	22,659	22,206	42,325	40,636	-8,734
Reserve assets	-5,605	-20,127	44,292	-11,896	5,929
Net errors and omissions	-359	-613	1,407	642	-510

a "Services n.e.s." include manufacturing services, maintenance and repair services, and construction.

Source: Australian Bureau of Statistics (2010), *Balance of Payments and International Investment Position - 5302.0*, June.

19. Since 2006/07, a peak year, Australia's international (foreign exchange) reserves have dropped significantly, from $A 77 billion equivalent to 4 months of imports of goods and services in 2006/07 to $A 33.4 billion or 1.5 months of imports in 2009/10 (Table I.1). This drop is due mainly to the withdrawal of Future Fund (Government budget surpluses) deposits from the reserves, for investment in other assets; it also reflects valuation losses arising from the appreciation of the Australian dollar, which has reduced the value of reserves in Australian dollar terms.[47] The authorities consider that the low reserves level is not a problem because of Australia's floating dollar.

(6) DEVELOPMENTS IN MERCHANDISE TRADE

20. As a result of the increased openness of the Australian economy to international trade, and its integration into the world economy, the ratio of its trade (exports plus imports) in goods and services to GDP increased from 40.6% in 2006/07 to 44.8% in 2008/09, before dropping to 40.0% in 2009/10 (Table I.1).

21. Since its previous Review, Australia has remained largely dependent on commodity exports (metalliferous ores, mineral fuels, food), particularly mining products, reflecting the world prices boom (Chart I.1, Table AI.2); agriculture exports have been adversely affected by the appreciation of the national currency and drought-related constraints (section (3)(i), Chapter IV). The share of manufactured items (machinery and transport equipment, automotive products) in total imports has fallen slightly since 2006 (Chart I.2, Table AI.3).

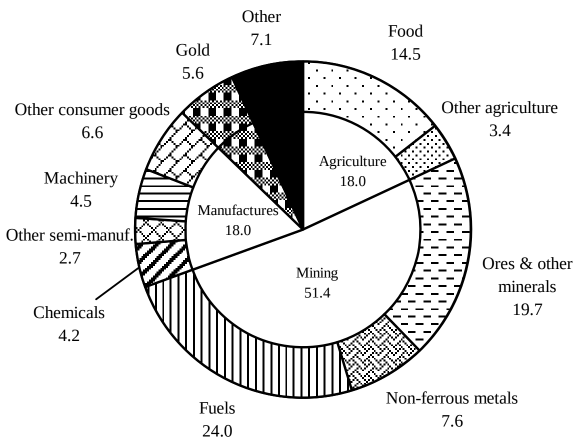
[47] Furthermore, the RBA indicated that there is a large difference between changes in net and gross reserves owing to the use of foreign exchange swaps (a type of foreign exchange derivative) for liquidity operations in the domestic market. The fall in gross reserves between 2006 and 2007 was due to a reduction in the level of swaps outstanding, held for domestic liquidity operations (Reserve Bank of Australia, 2008).

Chart I.1
Product composition of merchandise trade, 2006 and 2009

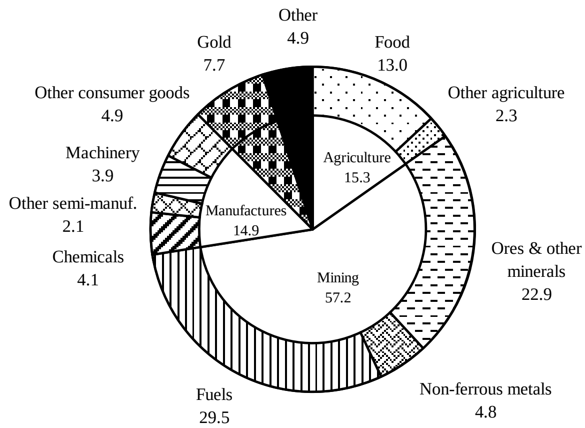
Per cent

2006 **2009**

(a) Exports (f.o.b.)

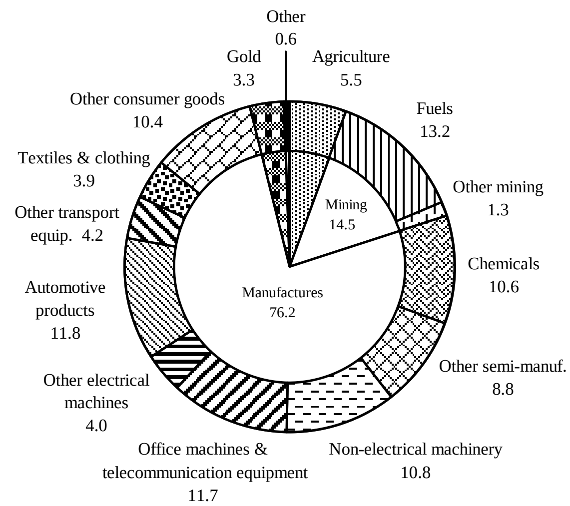


Total: US$123.3 billion

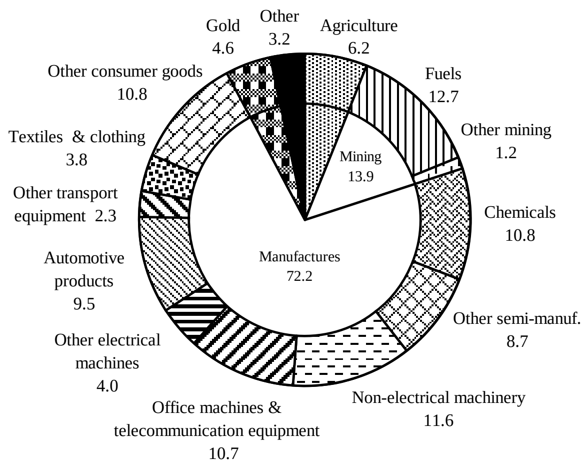


Total: US$153.8 billion

(b) Imports (f.o.b.)



Total: US$132.7 billion



Total: US$158.9 billion

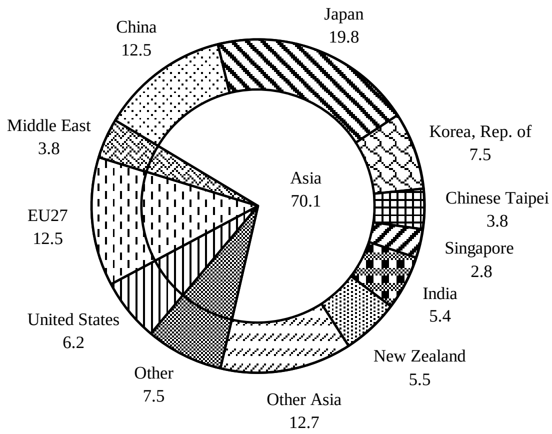
***Source*: UNSD, Comtrade database (SITC Rev.3).**

Chart I.2
Direction of merchandise trade, 2006 and 2009

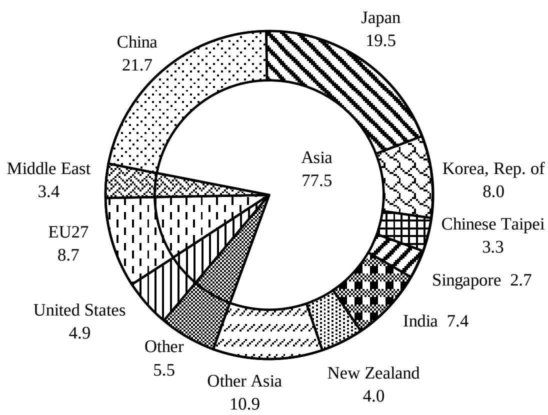
Per cent

2006 | **2009**

(a) Exports (f.o.b.)

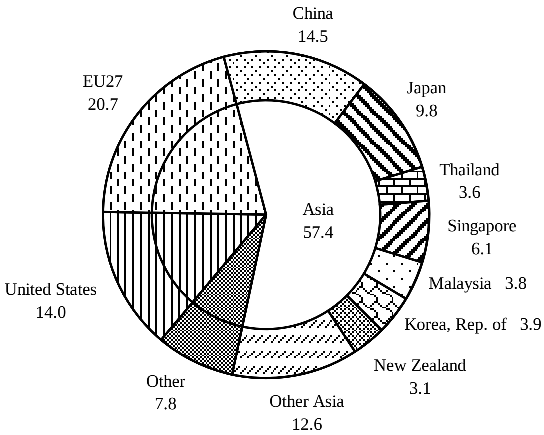


Total: US$123.3 billion

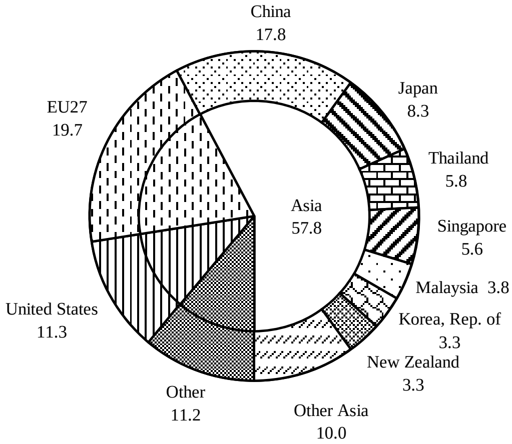


Total: US$153.8 billion

(b) Imports (f.o.b.)



Total: US$132.7 billion



Total: US$158.9 billion

***Source*: UNSD, Comtrade database (SITC Rev.3).**

22. Australia's merchandise trade with East Asia was further reinforced between 2006 and 2009 (Chart I.2) mainly as a result of the virtual doubling of China's share of total exports. Notwithstanding some fluctuation in trade shares, more than 72% of total merchandise trade has continued to be conducted with trading partners from the Asia-Pacific Economic Cooperation (APEC) and around 15% with members of the Association of East Asian Nations (ASEAN) (Tables AI.4 and AI.5). China, Japan, the EU, Korea (Rep. of), India, and the United States were Australia's main markets in 2009. New Zealand's share in Australian foreign trade fell during 2006-09; in 2009, it accounted for 3.6% of Australia's total merchandise trade.

(7) TRENDS AND PATTERNS IN FOREIGN INVESTMENT

23. During 2007-09, Australia's stock of inbound foreign direct investment (FDI) expanded by about 10% to $A 436 billion (Table I.4). The overall pattern of the FDI stock has remained unchanged; it is concentrated in mining, manufacturing, wholesale and retail trade, finance and insurance, and property and business services. It originates mainly in the EU, the United States, and Japan; the share of inward FDI stock originating in Australia's RTA partners (Chapters II and III) declined gradually.

24. Since 2007, the stock of Australian investment overseas has varied considerably and has not exceeded the value of inward FDI (Table I.5). It remains concentrated in manufacturing, and in finance and insurance services. The United States, the EU, and New Zealand remain the main destinations for Australian outbound FDI; the share of outward FDI stock in RTA partner countries declined considerably, driven mostly by Australian FDI stock reductions in the United States due to exchange rate movements and the impact of the global financial crisis.

Table I.4
Inward stock of foreign direct investment by partner and economic activity, 2005-09
(A$ million and %)

	2005	2006	2007	2008	2009
Total inward FDI stock (A$ million)	297,641	336,865	396,852	396,515	436,059
FDI by origin (% of total FDI)					
United States	25.4	25.7	25.3	25.2	22.7
United Kingdom	17.6	16.6	16.2	15.5	14.5
Japan	7.2	7.1	7.8	9.2	10.3
Netherlands	7.2	7.3	6.4	5.2	7.7
Switzerland	4.0	4.9	4.1	4.9	4.0
Germany	3.3	3.1	4.4	3.4	3.8
Singapore	1.4	1.7	3.6	2.6	3.6
FDI from RTA partner countries (% of total FDI)	32.2	33.3	33.7	31.6	30.3
Canada	2.0	2.3	2.8	2.4	2.5
Chile	..[a]	..[a]	..[a]	..[a]	..[a]
Malaysia	1.0	0.8	..[a]	..[a]	..[a]
New Zealand	2.3	2.8	2.0	1.4	1.4
Papua New Guinea	..[a]	..[a]	..[a]	..[a]	..[a]
Singapore	1.4	1.7	3.6	2.6	3.6
Thailand	0.0	0.0	0.1	..[a]	..[a]
United States	25.4	25.7	25.3	25.2	22.7
FDI by economic activity (% of total FDI)					
Agriculture, forestry and fishing	0.3	0.2	0.2	0.2	..
Mining	21.8	24.7	24.0	25.4	..
Manufacturing	18.7	18.1	18.4	18.8	..
Electricity, gas, and water	2.9	2.5	4.1	4.1	..
Construction	2.2	2.2	4.0	3.3	..

Table I.4 (cont'd)

	2005	2006	2007	2008	2009
Services	49.5	47.9	45.5	45.1	..
Wholesale and retail trade	16.6	15.9	14.5	14.5	..
Accommodation, cafes, and restaurants	0.5	0.3	0.3	0.2	..
Transport and communication	9.3	9.0	7.6	6.6	..
Finance and insurance	15.4	15.5	13.6	13.5	..
Property and business services	6.8	6.4	8.2	8.6	..
Other Services	0.8	0.8	1.4	1.6	..
Unallocated	4.5	4.5	3.8	3.2	..

.. Not available.

a Included in totals where applicable but not available for publication.

Source: Australian Bureau of Statistics document 5352.0.

Table I.5
Outward stock of foreign direct investment by partner and economic activity, 2005-09
(A$ million and %)

	2005	2006	2007	2008	2009
Total outward FDI stock (A$ million)	252,301	299,456	343,652	300,848	344,572
FDI by destination (% of total FDI)					
United States	45.5	44.0	48.1	45.1	28.9
United Kingdom	13.3	15.2	9.3	8.4	18.7
New Zealand	15.4	14.2	13.7	11.4	12.2
Hong Kong, China	1.8	2.2	1.9	2.0	3.3
Germany	1.5	2.0	3.2	2.9	2.8
Singapore	1.2	1.7	2.6	2.2	2.1
FDI to RTA partner countries (% of total FDI)	64.6	61.1	65.9	60.8	44.1
Canada	1.7	..[a]	..[a]	..[a]	..[a]
Chile	0.0	..[a]	..[a]	0.4	..[a]
Malaysia	0.1	0.1	0.7	0.7	0.9
New Zealand	15.4	14.2	13.7	11.4	12.2
Papua New Guinea	0.6	0.9	0.8	0.8	..[a]
Singapore	1.2	1.7	2.6	2.2	2.1
Thailand	..[a]	0.2	0.1	0.1	0.1
United States	45.5	44.0	48.1	45.1	28.9
FDI by economic activity (% of total FDI)					
Agriculture, forestry, and fishing	..[a]	..[a]	..[a]	..[a]	..
Mining	4.8	9.6	..[a]	11.5	..
Manufacturing	41.8	40.6	45.1	44.3	..
Electricity, gas, and water	..[a]	..[a]	1.2	1.1	..
Construction	2.5	1.2	1.7	2.1	..
Services	..[a]	..[a]	..[a]	..[a]	..
Wholesale and retail trade	2.4	2.2	1.9	3.0	..
Accommodation, cafes, and restaurants	..[a]	..[a]	..[a]	..[a]	..
Transport and communication	5.7	2.8	2.5	3.7	..
Finance and insurance	37.1	36.9	34.6	27.9	..
Property and business services	1.9	3.0	3.3	4.1	..
Other Services	1.3	1.4	1.5	1.8	..
Unallocated	..[a]	..[a]	..[a]	..[a]	..

.. Not available.

a Included in totals where applicable but not available for publication.

Source: Australian Bureau of Statistics, document 5352.0.