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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE ECONOMY
OF
AUSTRALIA

November 7, 1956

Department of Operations
Europe, Africa and Australasia

CURRENCY EQUIVALENTS

U.S. \$1 = £ 0.45 (8 shillings and 11 pence)

£ 1 = U.S. \$2.24

£ 1,000,000 = U.S. \$2,240,000

£ 5 = £ sterling 4

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BASIC DATA

(In this report, "£" means the Australian pound)

Population: 9.5 million

Area: 2,970,000 square miles (almost size of U.S.A.)

National Income: £4,300 million

Income Per Head: £550 (\$1,230 equivalent)

<u>Investment</u> :	<u>% of G.N.P.</u>
Gross private investment in fixed capital equipment:	15%
Governmental expenditure on new works & maintenance:	8%
Total	23%

Exports: £770 million 15%

Of which:

Wool	46%
Other rural products	34%
Metals, manufactures, miscellaneous	20%

Imports: £820 million 16%

Of which:

Fuel and raw materials	60%
Capital goods	23%
Consumer goods	17%

Foreign Exchange Reserves: \$810 million (July 1956)

Of which:	<u>U.S. \$ Million</u>
Gold and dollars	210
Sterling and other	600

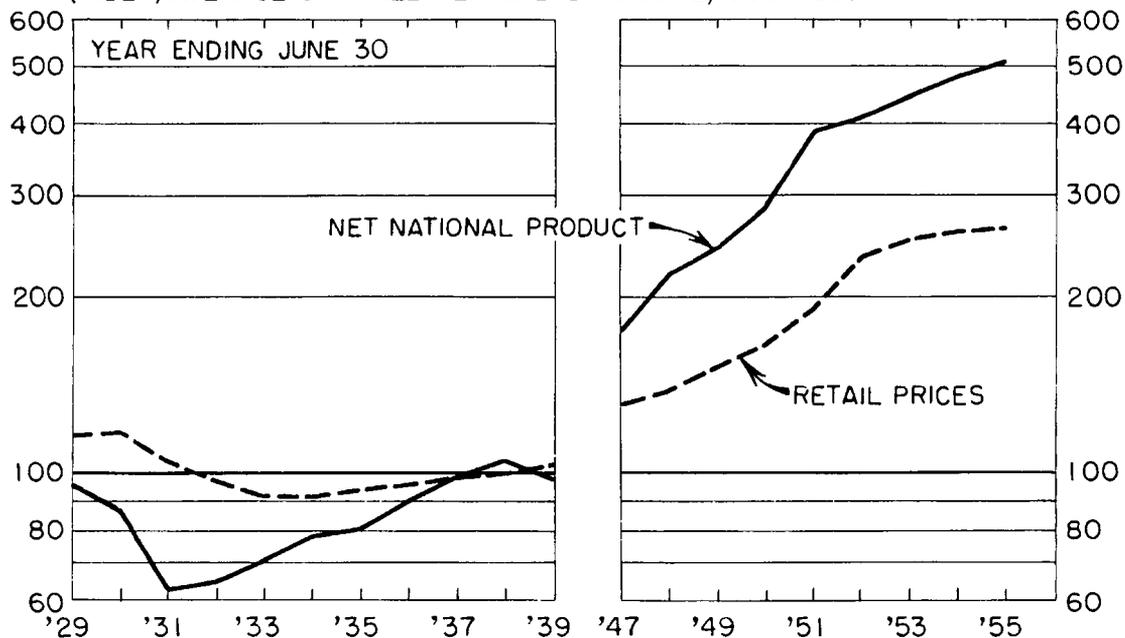
External Public Debt: \$1400 million

Of which:

Dollars and Swiss francs	450
Sterling	950

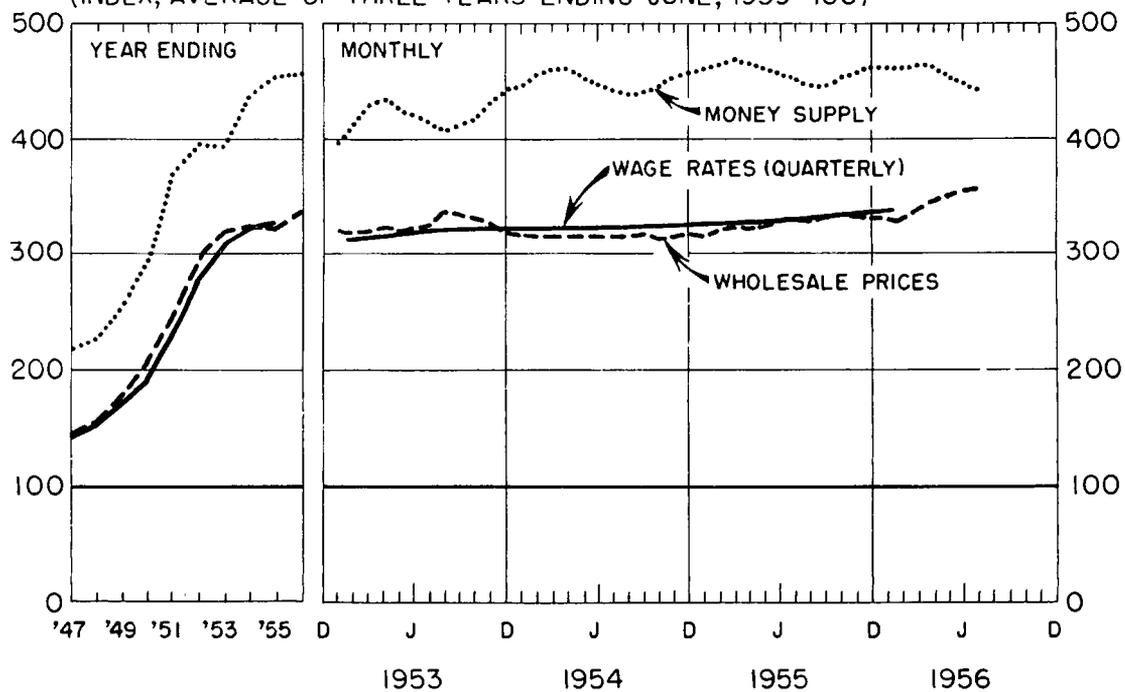
NET NATIONAL PRODUCT AND RETAIL PRICES

(INDEX, AVERAGE OF THREE YEARS ENDING JUNE, 1939 = 100)



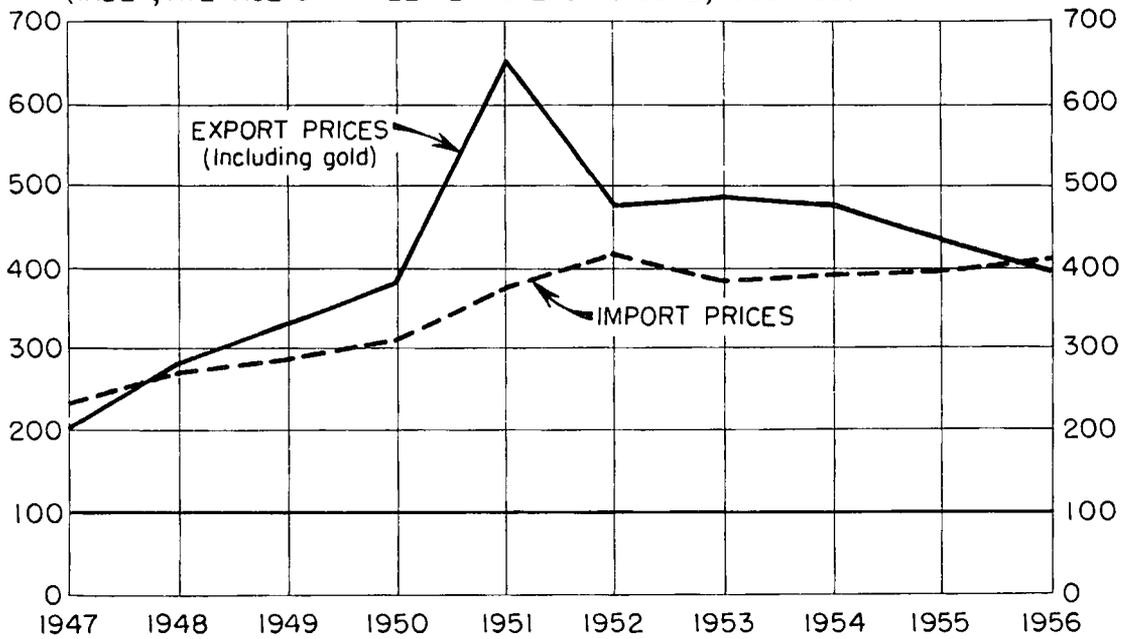
WHOLESALE PRICES, MONEY SUPPLY, AND WAGE RATES

(INDEX, AVERAGE OF THREE YEARS ENDING JUNE, 1939 = 100)



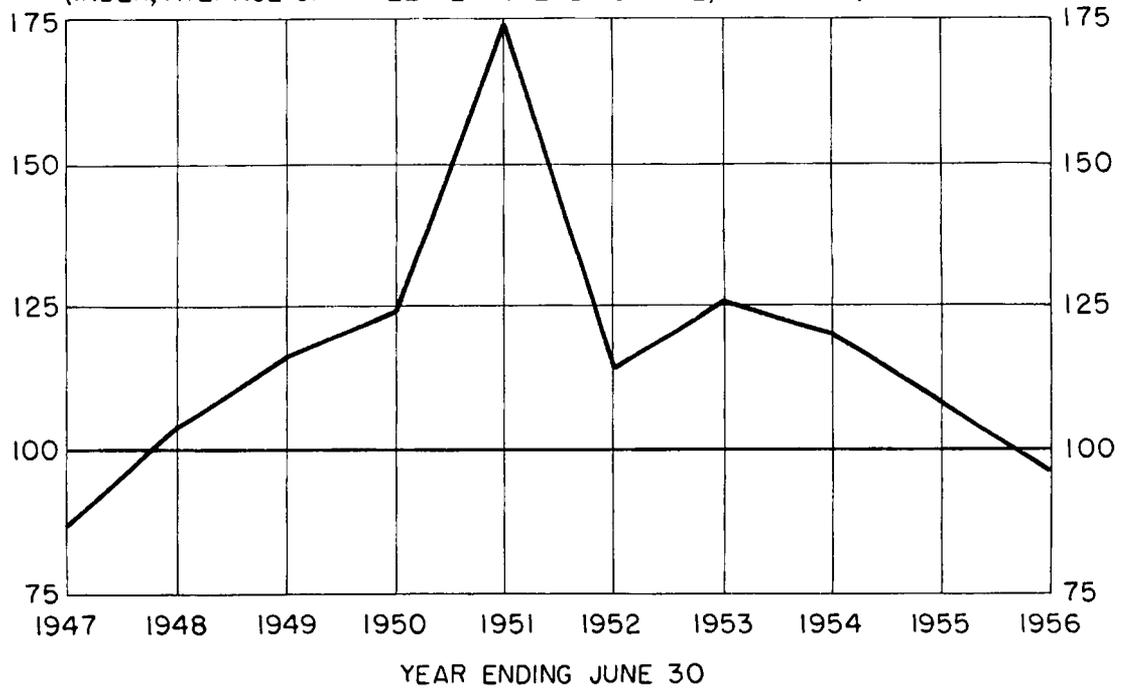
EXPORT AND IMPORT PRICES

(INDEX, AVERAGE OF THREE YEARS ENDING JUNE, 1939=100)



TERMS OF TRADE

(INDEX, AVERAGE OF THREE YEARS ENDING JUNE, 1939=100)



THE ECONOMY OF AUSTRALIA

I. Economic Policy Setting

A. Natural Setting

1. The Commonwealth of Australia occupies a continent of nearly three million square miles, about the size of the United States or nearly three-quarters of the whole of Europe. The external territories of Australia include Papua (90,000 square miles), the Trust Territory of New Guinea (93,000 square miles) and Nauru and Norfolk Islands.
2. Water is the key to the understanding of why Australia has developed the way she has (see Economic Map at back). The continent is mostly a vast ancient arid plateau with only one important chain of mountains, that along the eastern and south-eastern coasts. Rain-bearing winds from the Pacific and Antarctic Oceans strike these mountains and rain falls on the mountain slopes and along the coastal strip. Here most Australians live and work.
3. After allowing for permanent pastures, fallow and temporary pastures in rotation, the maximum area which could be put under crop in any year is about 8% of the continent, a total of between 40-50 million acres, or somewhat more than the cultivated area of Italy. The highest acreage ever sown was 25 million acres in 1930/31, while the area under crop in the postwar period has generally been around 20 million acres.
4. About 42% of the continent is semi-arid with rainfall adequate only for grazing. This enormous expanse, about as big as Western Europe, is where the bulk of Australian wool is raised. Most of the remaining half of Australia is desert or semi-desert - a land without water, animals or people.
5. Apart from the Murray, there are no great rivers. The total annual discharge of all the rivers is 60 million acre-feet, as compared with 230 million acre-feet for the Danube and 470 million acre-feet for the Mississippi. Less than 2 million acres are now under irrigation and 5 million acres are probably the maximum that can be irrigated. This compares with about 67 million acres under irrigation in India, for example.
6. The extent of Australia's mineral wealth has not yet been determined fully. Gold mining, which first attracted people to Australia in large numbers, is slowly declining. But good quality coal and iron ore are abundant. Although the output and export of minerals, such as lead, zinc and now uranium have increased and are expected to increase appreciably in the future, Australia has yet to experience mining development at a rate comparable to that of Canada or Southern Africa.

B. Institutional Setting

7. Until federation in 1900, the six Australian states each grew as a separate unit around its own port with its own railway system, each with a different gauge from its neighbor, each oriented to the world market rather than its neighbors, and with tariff barriers hindering the development of a continent-wide market.

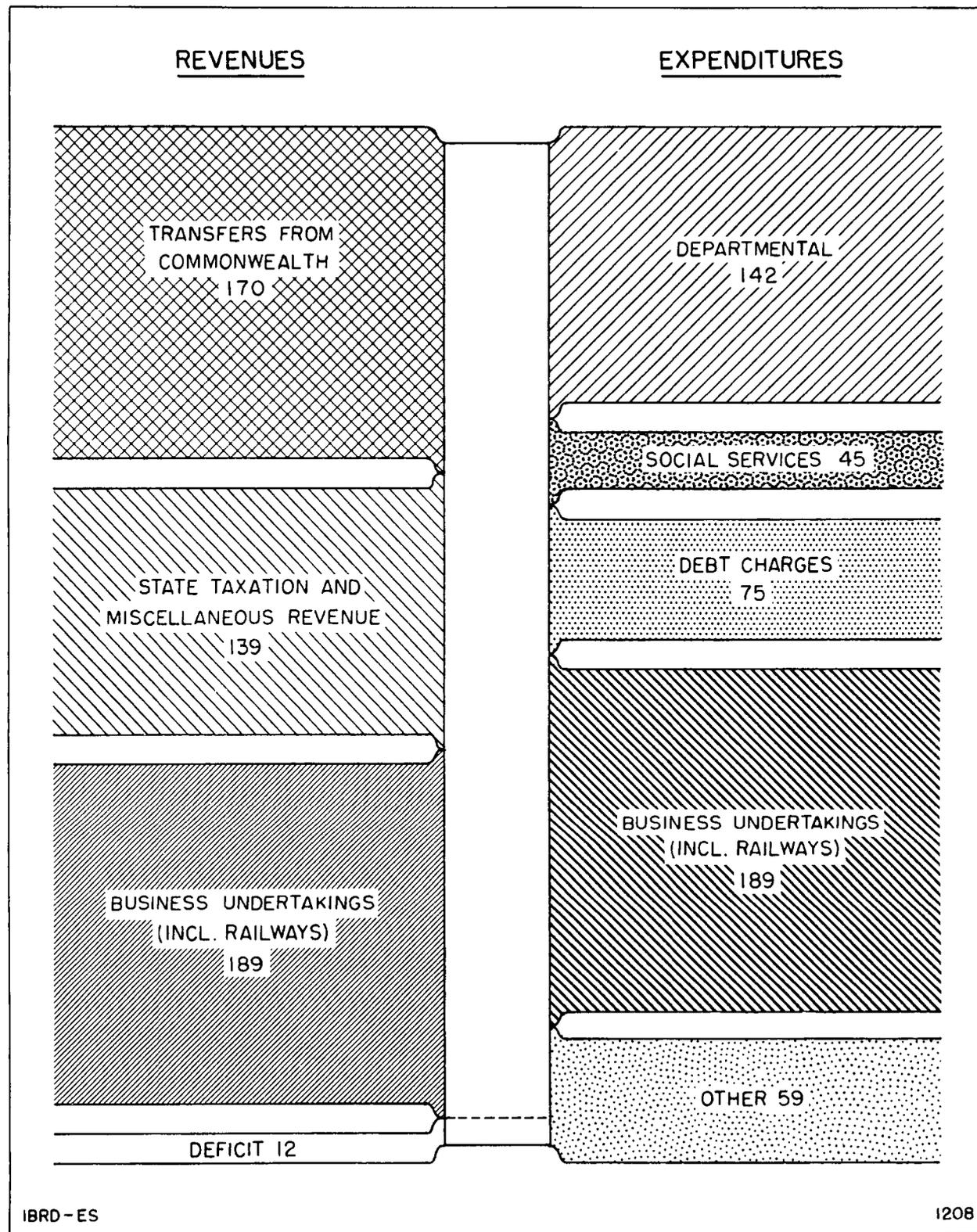
8. Under the Federal system, responsibility for providing the bulk of the basic services needed by the economy - railways, roads, electric power, water supply - has been left with the states. The state arbitration systems set the basic wage for about half of the labor force; the Commonwealth arbitration court sets the basic wage for the rest. But increasingly the needs of the nation as a whole become imperative and the Commonwealth Government is forced to take action in conjunction with, or apart from, the states. The Commonwealth, for example, now operates the international airline, Qantas, one of the two major internal airlines, a shipping line and a railway, and is building the enormous Snowy Mountains hydro-power and water supply scheme. Since 1942, the Commonwealth has been the main taxing authority and thus the income of the states is small in comparison with their responsibilities. The Commonwealth, on the other hand, even after providing for national works, has had budget surpluses. The Commonwealth makes annual grants to the states in consideration for their having vacated the income tax field; it helps finance state investments by direct grants, as for housing and roads, or by loans out of the Commonwealth's tax revenues.

9. The result of all this is a melange of state and Commonwealth arrangements that makes the formulation and implementation of a national policy in different fields very difficult, outside of a crisis. The encouraging feature is that in a crisis the fundamental unity of the people does come through and the necessary agreement is reached and action is taken in spite of the apparently clumsy machinery.

10. The most important body in setting the rate of public investment is the joint Commonwealth-State Loan Council. Each year the Loan Council decides the total amount of the loans to be raised by the Commonwealth for the states and by the semi-governmental authorities and apportions the amount among the individual states. The Commonwealth's own investments are financed out of revenue and therefore are not subject to the Loan Council's approval. In the Loan Council, each state has one vote and the Commonwealth has two votes and a casting vote. Hence, the states, if they can agree among themselves, can outvote the central government and have been doing so regularly for the last few years. In practice, however, the Commonwealth Government's figure is usually the one that is significant as the Commonwealth Government since 1927 has had the responsibility for raising the loans for the states themselves and it has a considerable influence on the market for the semi-governmental loan raisings. The total money raised has grown fairly slowly over the last 5 years. While the Loan Council sets the total amount of each year's borrowing and allocates it among the states, it leaves the individual states free to allocate the funds among their individual needs. In a few states, such as South Australia, the loan expenditure appears to be well handled. Most states do not have development plans extending over a number of years; projects, at least in some cases, are subject to costly stop-and-go construction depending upon the yearly allocation of funds. In all cases, the priorities are set on a state rather than national basis.

11. In the last few years, the Commonwealth Government has been providing an increasing part of the states' loan funds out of its own revenue surplus and out of the Australian pound counterpart of its loan raisings abroad. It already provides the bulk of the funds spent on current expenditures by the states (see accompanying chart). The continuance of this arrangement

AUSTRALIA: STATE REVENUES AND EXPENDITURES, 1954/55
(MILLIONS OF AUSTRALIAN POUNDS)



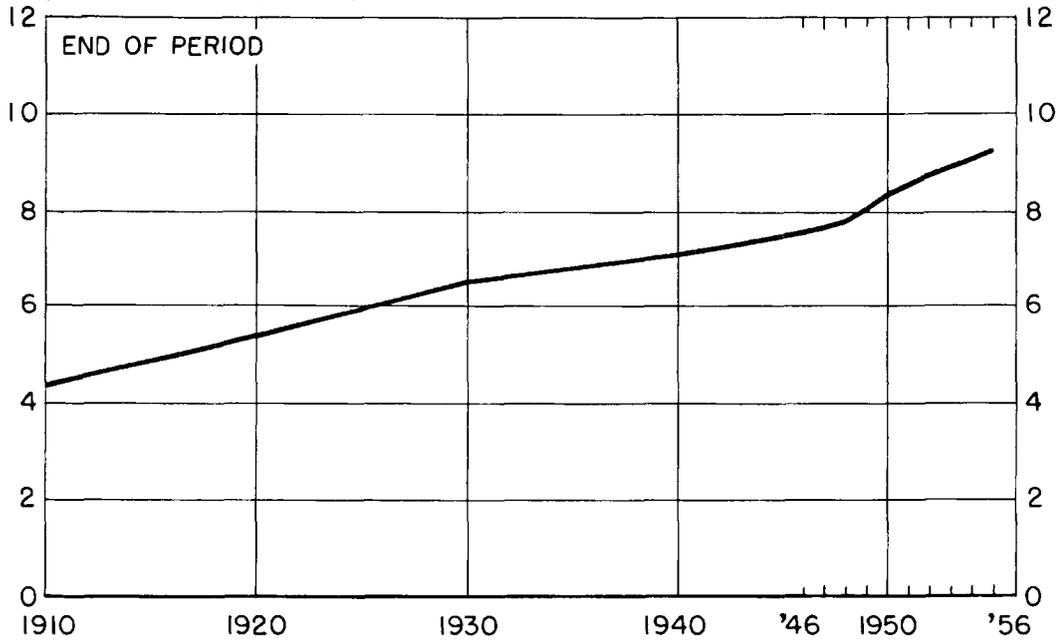
should carry with it some degree of economic review and guidance by the Commonwealth Government. There has been very little evidence of this so far, however. But the Loan Council is already providing considerable opportunity for a general discussion of public investments, wage and price policies, and other economic problems of importance. If there were closer cooperation between the Commonwealth and the states, it might develop, in future, into a more useful central policy instrument.

12. On the banking and credit side, the institutional arrangements make difficult the control of inflationary pressures in the economy. The leadership of the Commonwealth Bank (the central bank) has not yet been fully accepted by the other banks, in part because it has its own trading branch which competes actively with other banks. The commercial banks finance both short and long-term capital needs through lines of credit, the unutilized portion of which may always be called upon. Under this arrangement, a policy of monetary restraint mainly influences the extension of new commitments by trading banks. The small Australian money market limits the effective use of open-market operations as an instrument of monetary policy. Moreover, because of social and political considerations, the interest rate structure seems far more rigid than in many other advanced countries. Hence, the Special Account system - by which the central bank can call on the banks to deposit with it a portion of an increase in their deposits over a limited period of time - has been the main instrument of monetary control in the hands of the central bank. This, however, may fail to offset the primary expansion of money incomes arising from an inflow of capital or a foreign payments surplus and may also be ineffective if the banks' liquidity is high. Under Government pressure, the banks in early 1956 agreed to adopt and maintain, on a voluntary basis, minimum liquidity ratios to make the Special Account procedure more effective. It is questionable, however, whether this is a basis firm enough to meet needs over the long run. Consumer credit companies have in recent years become vigorous competitors for savings and consumer credit has become an important factor in total demand. The Commonwealth Bank and Government have not so far found legal powers to bring this under control, nor is moral suasion likely to have much effect.

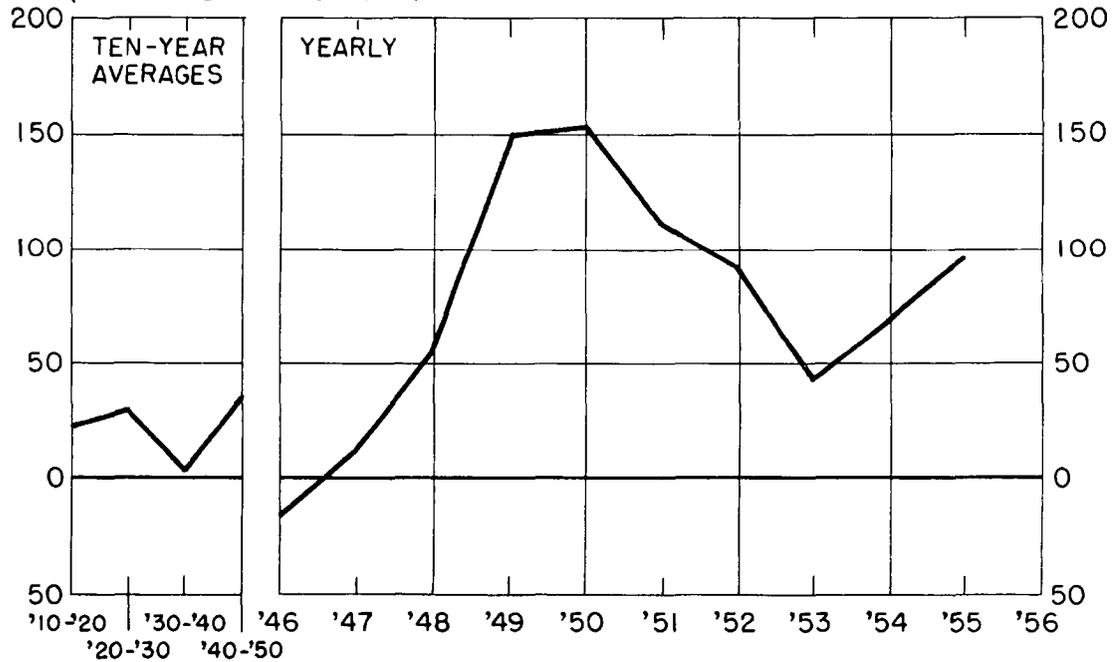
13. As mentioned later, the Australian balance of payments depends heavily on the exports of primary products - products that are peculiarly subject to erratic fluctuations of price and output. The country is also wedded to the maintenance of full employment, high and rising standards of living and rapid development. Even with ideal institutions it would take miracles of leadership to achieve all this with economic stability in the light of the extreme fluctuations in export income. With the present institutions the recurrent inflationary and balance of payments difficulties are not surprising.

AUSTRALIA

POPULATION
(MILLIONS OF PERSONS)



NET IMMIGRATION
(THOUSANDS OF PERSONS)



II. Economic Development

A. General

14. At the turn of this century, Australia was primarily a pastoral and agricultural country, dependent on imports for almost all her manufactures. Since then, while the rural output has continued to grow and to provide the bulk of the exports, a second economy - manufacturing - has emerged to make possible a livelihood for the increasing population.

15. Since the second World War, Australia has undertaken an ambitious immigration program and has taken other measures to accelerate her economic development. Over the postwar decade, the gross national product at constant prices is estimated to have increased at a rate of nearly 5% per annum, while the population has grown at an average rate of over 2.5% per year. Hence, the Australian people have enjoyed a rising standard of living. During the last eight years, output of rural products increased by about 30%, almost all in the last four years, while manufacturing output grew by about 75%. The basic services fell behind during the war and though most of the arrears have been made up, they still tend to be behind the growth in the rest of the economy. Starting in August 1950, Australia secured from the Bank four loans, totaling \$258.5 million, that have been of appreciable help in financing an important part of the dollar equipment required for the expansion of the economy.

16. A too ambitious expansion in the first five years of the postwar decade, accentuated by the Korean war wool boom, ended in the violent inflation of 1950/51 and 1951/52, during which growth practically stopped. By mid-1952, the government took drastic measures, including a cut in immigration and public investment plans and a rise in taxes and in interest rates. This program was helped by a large inflow of imports. At the same time most of the external factors which had helped the internal boom disappeared. With the restoration of stability, the forward movement of the economy was resumed. In the last year and a half, Australia entered another inflationary boom, much milder than the previous one, but mostly of domestic origin. (This will be covered later in more detail.)

B. Population

17. The accompanying charts show the growth in population since 1910. Since 1947, when the postwar immigration program was initiated, the population has increased from $7\frac{1}{2}$ million to $9\frac{1}{2}$ million. Over two-fifths of the increase was due to immigration. Fully determined to maintain a large intake of European immigrants, the Commonwealth Government decided this year, for general planning purposes, to aim at net annual immigration equivalent to one percent of the total population. (This, with the natural increase, would give a total increase of $2\frac{1}{2}\%$ per year, equivalent to the average rate maintained since 1947.) There is nearly universal agreement in Australia on this general objective and, as long as full employment lasts, it will probably be pursued. In prior periods, similar programs were quickly discarded when unemployment became a problem and it is probable the same thing would happen again.

C. Economic Growth and National Accounts

18. While no reliable statistics are available as to the growth of real output in Australia since the war, it has probably increased by about 50% in the last eight years, with an average rate of growth of nearly 5% per annum. Just before and after the war, gross investment (excluding motor cars) ran at around 17-18% of gross national product. In the last five years, it has been at the fairly high level of 22-23%. The inflow of capital, mostly in the private sector, has provided about one-tenth of this capital investment. Capital investment by governments has remained fairly steadily at about one-third of total gross capital formation.

D. Inflation

19. In most of the postwar period, the economy has clearly attempted to expand more rapidly than the real resources available would permit. Except for a relatively brief period from late 1953 to 1955, wholesale prices have gone up without a pause. The rate of increase from 1946/47 to 1949/50 was around 10% per year. In 1950/51 and 1951/52, with the doubling of wool income and very heavy immigration, prices increased by 20% per year. In 1952/53, the rate of increase was reduced to 6% and during the following two fiscal years Australia had reasonable stability and satisfactory growth.

20. In the second half of 1955, the upward movement of the prices was resumed, resulting in a 7% increase in wholesale prices and about a 5% increase in the cost of living. In 1955/56 wages increased over 4%. In recent months, although the intensity of pressure on resources has markedly declined, there is still upward pressure on prices and wage levels. Heavy imports persisted in 1954/55 and 1955/56, and resulted in heavy drains in international reserves.

21. The main causes of the revival of inflationary pressures were excessive private spending for consumption, stimulated by easy consumer credit and a substantial increase in private investment, financed partly by bank credit. Government expenditure for both capital and current purposes has increased only moderately since 1952 and it has been, except seasonally, mostly financed out of current revenue and the remainder from non-inflationary borrowing. From 1953/54 to 1954/55, commercial banks increased their advances at a rate of over 18% per annum, by reducing their liquidity. A steep increase in hire-purchase finance continued unhindered through the diversion of substantial amounts of savings for this purpose. The Commonwealth Government, in 1955/56, failed to raise adequate funds in the market to support the states' capital works. It had to resort temporarily to the Commonwealth Bank via Treasury bills and then to raise taxes. The Commonwealth Bank itself contributed to the inflationary pressures by supporting the Government bond market. These factors more than offset the deflationary effects of a heavy drain on the external reserves and the economy showed most of the symptoms of active inflation.

22. Although, even late in 1954, the Commonwealth Government was aware of the inflationary pressures, it did little until early in 1956 aside from appeals for voluntary restraint and tightening import restrictions. Only after the general election of December 1955 did the Government and the central bank adopt more effective anti-inflationary policies. Appendix A gives a brief summary of the measures so far taken.

23. Some beneficial effects of the Government's measures have become evident already. The labor situation has eased substantially (as shown in the accompanying chart). Commercial banks have become more cautious in their lending.

24. Nevertheless, the outlook is uncertain. It does not seem likely that the Government would find still stronger measures politically feasible, if they should become necessary. In the immediate future the Commonwealth Government faces heavy maturities of internal loans, as well as heavy commitments arising from the states' loan programs. With the limited loan market, particularly with the competition of the hire-purchase companies, it may well have to resort to temporary Treasury bill finance. In fact, if the Commonwealth Government succeeds in its aim of increasing Australia's external reserves during the current year, the banks will become more liquid.

25. Under the Australian system, wages are set by a system of arbitration courts. The Government cannot pursue a wages policy since, officially at least, its views are not considered by the Commonwealth Court. The Commonwealth Court abandoned automatic quarterly cost of living adjustments in 1953 and the Government is now trying to persuade the states to do likewise. While this would be a help in combating inflation, the central feature of the system remains. The courts in the past have raised wages throughout the economy at times when it added to inflationary pressure and it would be over-optimistic to assume that they will never do so again.

26. A favorable development has been a somewhat unexpected hardening in wool prices. Since the auctions opened two months ago, wool prices have risen by 10 to 15% above the close of the previous season.

27. In general, the conclusion would be that it is not yet entirely clear whether the measures so far taken are adequate to redress the situation. Possibly, if they are maintained firmly, with the continuance of the present more favorable wool prices, they may be sufficient.

28. The cost structure might pose a serious problem. Until the Korean boom, Australia seems to have had a substantial cost advantage in manufacturing over her trading partners, particularly the U.K. One consequence of the two inflations since 1950 is that the level of costs in Australia has risen to those of her competitors and may even have gone above them. Since internal stability has not yet been fully restored, it is not yet possible to reach definite conclusions whether the Australian costs are seriously out of line.

III. Economic Development: Major Industries and Basic Services

A. Agricultural Output and Exports

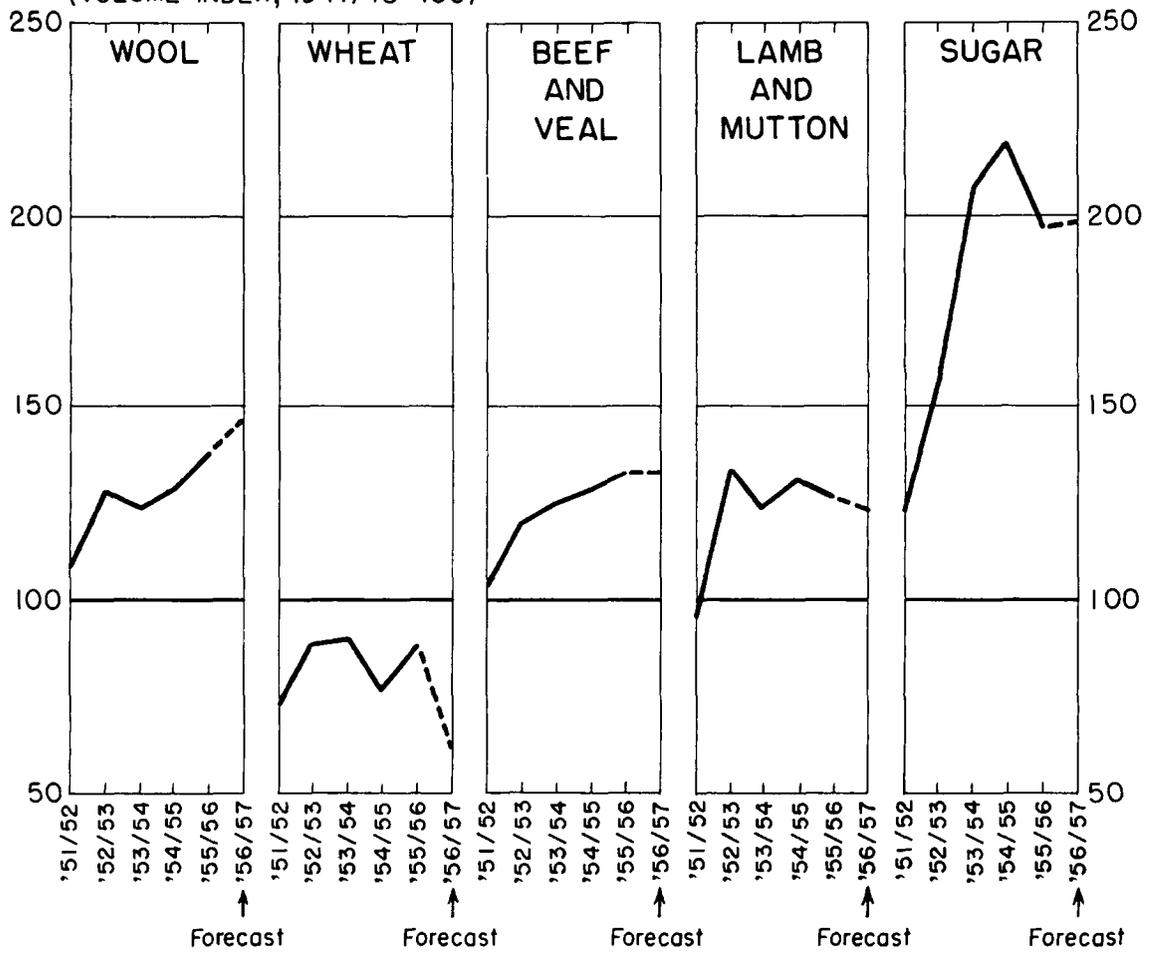
29. Despite the growth of her secondary industries in the twentieth century to the point where Australia has about as much of her labor force in manufacturing as West Germany, Australia still depends on her exports of agricultural products. Throughout Australia's history wool has been the principal export. For the last 60 years it has generally accounted for 40-50% of total export earnings. Wool, together with wheat, meat, dairy products, fruits and sugar earn more than three-fourths of total export income. The ability of the rural industries to earn sufficient foreign exchange for Australia's needs and, at the same time, to meet the requirements of a rapidly increasing population is, therefore, of major importance.

30. In the earlier part of the postwar period, except for wool, the production of major farm products failed to keep up with the growth in home consumption. As a result, exports dropped. During the inflation of 1950/52 farm output actually declined. From 1951/52, however, the Commonwealth Government has consistently given top priority to agriculture. The income tax was revised to encourage investments in agriculture. The Bank's loans have increased the availability of farm machinery and materials. The continuing research on farm problems has had some spectacular successes such as rabbit extermination through disease, finding of new methods of land clearance and extensive use of trace elements to increase soil fertility. Farmers have responded to the Government's efforts by improving their farms; by increasingly adopting new techniques of pasture improvement, fodder and water conservation; and by greater use of machinery.

31. Aided by good weather, the production of many rural commodities exceeded, as early as 1954/55, production goals set for 1957/58. The volume of rural output in 1955/56 was 32% higher than prewar; farm products exported increased by 31% in spite of the increase of population by 35% over the same period. To the increase in output, wool contributed nearly one-third, while dairy products and cereals each contributed about one-fifth. The area under cultivation and the rural labor force have, if anything, decreased over this period, indicating a higher yield per acre and a greater labor productivity. The possibilities for further increases in the yields and productivity are still large.

32. Australia provides about half of the wool sold in world markets. World wool output has been increasing steadily in recent years and it has all been consumed with no increase in raw wool stocks. The threat to the future of wool comes from the newer synthetics, which are making increasing inroads on the traditional uses of wool. But the present outlook is still for an uneasy co-existence between wool and the man-made fibers. Although wool and synthetics in some uses are competitive, in others they are complementary. With growth in population and higher standards of living, the world demand for textiles should increase more rapidly than the output of wool. With the closer competition of the new

AGRICULTURAL PRODUCTION
(VOLUME INDEX, 1947/48 = 100)



synthetics, the price of wool should tend to stay in line with them and perhaps some of the erratic fluctuations usual in the past will be eliminated. If the competition of synthetics should become more severe, many wool growers could switch to meat production, while the others would continue to produce wool. Nevertheless, this would still be a serious blow to the economy.

33. Wheat covers the greater part of the total area sown in Australia and provides close to 10% of export earnings. Since before the war, the total area sown to wheat has declined steadily while output has increased appreciably. As domestic consumption has been fairly even over the last few years and the exports have met increasing foreign competition - mainly from the U.S. surplus-disposal programs - Australia accumulated end-of-season carryovers as large as one-half of a year's output. Largely because of a poor harvest it is expected that stocks will be reduced substantially in the current year. The longer term outlook for Australian wheat seems closely related to the size of crops and disposal policies of producers in North America. The present outlook still remains clouded.

34. Meat exports, mainly beef and lamb, now rank third in importance after wool and wheat. Since 1950/51 the volume of exports has more than doubled. The capabilities for expanding meat production are good. The new techniques of pasture improvement and fodder conservation are helping to increase carrying capacity. The bulk of the meat exports are shipped to the United Kingdom. While the British market is becoming more competitive, the Australian meat industry has an assured market for its exportable surplus until 1967 under an agreement with the U.K.

35. Exports of dairy products, which now rank fourth in importance, have increased only slightly since 1950/51. The long-term contracts for the supply of butter and cheese to the United Kingdom, Australia's chief market, ended in 1955. With an expansion of trade with western Europe, exports are now more widely distributed. Prices, however, are generally depressed and, owing to increasingly keen international competition, the immediate outlook for increased exports of milk products does not seem very promising.

36. Under the International Sugar Agreement and British Commonwealth Agreement, Australia has an assured outlet for sugar exports of 618,000 tons a year. Australia produces nearly twice as much as this and the prospects for disposing of the surplus at satisfactory prices are not very bright. Her exports of fruits and vegetables are facing strong competition from America and the Mediterranean.

37. The prospects for continued growth of agricultural output in excess of home needs in Australia are excellent if markets are available - an important proviso. Over the next 5 to 10 years, wool and meat appear to have the best chances. Over a longer period, if economic development in Asia continues to progress as it has in recent years the great natural advantages of Australia should secure large and growing markets for meat, wheat and wool in this area.

B. Mining Output and Exports

38. The output of gold in recent years has been running at around \$35 million a year. At present world prices, no increase or even a slight decrease in output seems likely. Exports of other minerals, at around £50 million a year, account for almost 5% of total export income. Lead and zinc are the major mineral exports and some expansion is likely. Copper production has just recently increased to match domestic consumption and there are good prospects for Australia's becoming an exporter of copper by about 1960. In the next five years, export earnings from these minerals may go up by £10-15 million. Continued development beyond 1960, if prices do not become unfavorable, is also to be expected.

39. New South Wales black coal, the major fuel, was a bottleneck in power and steel for a number of years. Since 1953 total supply, now over 19 million tons per year, has been rather in excess of total demand. The building of five large new oil refineries in the last few years and the development of brown coal in Victoria and coal mines in other states, together with the improvement in efficiency in the New South Wales mines, give assurance that the supply of fuel should keep up with needs. There is a small export of coal to neighboring countries and this could grow in importance.

40. Australia's mineral imports include mainly crude oil, copper, aluminum, asbestos, sulphur, phosphate rock, tin and industrial diamonds. The total value of mineral imports last year was about \$60 million, which compares with exports of minerals, other than gold, valued at \$50 million. This relationship is likely to continue for at least the near future even though imports of copper will soon be eliminated, and the new aluminum factory in Tasmania will supply about half of Australian requirements. Most of the outcrop mineral deposits have been explored, relatively little underground exploration has been undertaken since the end of the last century and the rate of postwar expansion in mining has generally been slower than in the rural and manufacturing sectors.

41. Unlike prospectors of other minerals, seekers for uranium and oil are offered generous tax concessions. As a result, in addition to uranium mines already in operation at Radium Hill, Rum Jungle and Adelaide River, active exploration continues all over the continent. A large ore body at Mary Kathleen, close to Mt. Isa mines, is being developed for mining.

42. Although oil was discovered at Rough Range, Western Australia, in 1953, all the wells drilled since in the area have been dry. No new find has been reported elsewhere. Active exploration is going on over wide areas of Australia and New Guinea. The chances are that sooner or later some oil may be found but it is impossible to make any forecast as to when or in what amounts.

C. Basic Services

Electric Power

43. Over the past thirty years, the average rate of increase in demand for power has been around 10% per annum. On a per capita basis, Australia uses about as much power as West Germany and the United Kingdom.

44. In Australia electric power is in the hands of individual state electricity commissions. The Commonwealth Government's Snowy Mountains Hydroelectric scheme, which now provides peak power to New South Wales at a limited scale, will eventually provide a connection between N.S.W. and Victoria power systems. In 1951, the demand for power in the eastern states exceeded supply by about 20%. But with the large construction since then, during 1955 and 1956, the power supply in individual states has generally met peak demands with small margins. Minor power-shedding took place in Victoria. In order to cope with an estimated growth of about 8 to 10% per year in power demand during the next ten years, and to provide greater margins of capacity over demand, the state electric supply commissions are currently increasing the capacity of their plants. Less than 17% of the power now generated is hydro-power and the bulk of the growth in future power supply will still come from coal.

Transport

45. Because of vast distances, adequate and cheap transport are vital to the Australian economy. With over half of the population concentrated in six port cities, coastal shipping should be a mainstay of the transport system. Yet the freight tonnage carried by coastal shipping has barely increased since 1938, with the result that the burden has been thrown on the roads and the railways. Coastal shipping is now moving probably about a quarter of the total freight, as compared with about half before the war. Its relative stagnation is due to several factors, including bad labor-management relations, lack of initiative on the part of the private shipping interests and steeply climbing costs.

46. Labor-management relations are improving and although progress will be slow, there is reason to hope that over a period the industry's vitality can be restored.

47. Freight carried by road has grown enormously. The total number of commercial vehicles has more than doubled since 1938/39. Following a Privy Council decision two years ago invalidating discriminatory state taxation aimed at restricting or controlling the operation of interstate long distance road transport, heavy trucks are now carrying more and more interstate traffic. Under the increased traffic density and larger vehicles, the principal interstate highways are deteriorating and, despite more aid from the Commonwealth Government, state road authorities are facing difficulties in constructing and maintaining highways up to the standards needed.

48. A beneficial result of the growth in road transport has been that the railway systems are now facing keener competition and are turning to diesels to improve their competitiveness. The railways are run by state authorities susceptible to political influence and are used as an instrument for subsidizing development, for promoting decentralization, for protecting local industry, and many other more or less worthy ends. In the process, the essential purpose of providing transport for goods and services at the lowest possible cost is sometimes overlooked. The impact of road competition may have a salutary effect in this regard but a really economic transport system would probably require such a great change in political approach that it is unlikely to be realized.

49. Internal and external air transport services are well developed and are probably the most efficient part of the whole transport system.

D. Industry

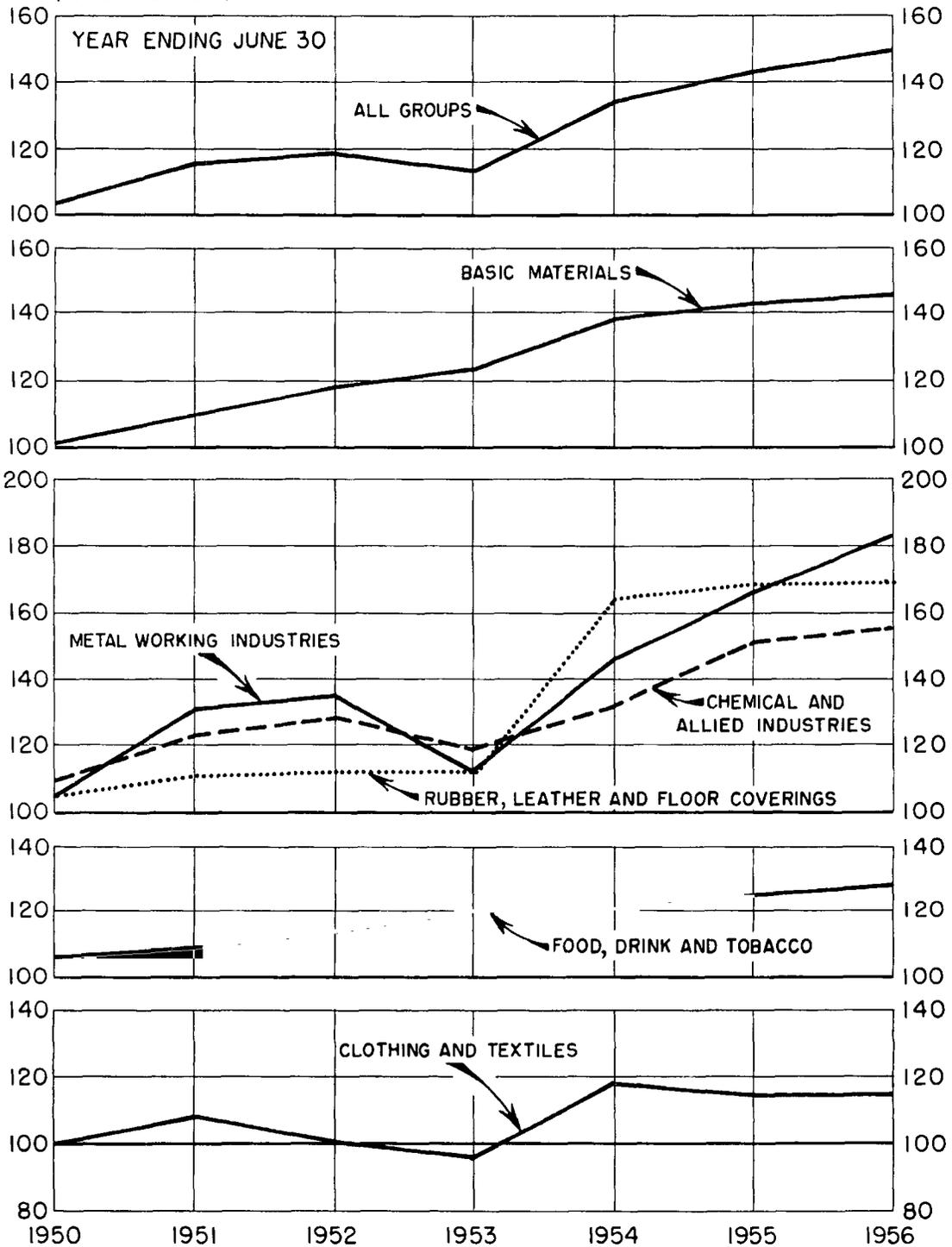
50. Manufacturing now employs about 30% of the total labor force (about the same as in the U.S.) and produces approximately one-third of the national product. In contrast with an absolute decline in employment in primary industries, the number of workers employed in manufacturing industries increased by about 60% from 1939 to 1956. Average productivity per factory worker has increased by about 30%, with the result that the volume of manufacturing output more than doubled.

51. With Australia's own output of finished consumer goods meeting most of her requirements, investment in consumer goods industries is mainly to keep up with replacement and the growth of population. The biggest gains in growth of industry lately have been by the producers of machinery, transport equipment and chemicals designed to supplement or replace imports.

52. The prospects are that manufacturing industries in Australia will continue to grow rapidly. In a number of cases, they have reached the point where they can export. At present the share of manufactures in total exports, while slowly growing, is still below 10%. Exports include agricultural equipment, motor cars, earthmoving equipment, and chemicals and are shipped mainly to countries in the Pacific-Indian Ocean area. The Government is encouraging manufacturing firms to develop export markets and has recently established an Export Payments Insurance Corporation to stimulate new exports. Depending on the developments in domestic costs - and here internal monetary, fiscal and wage policies are important - and the degree to which liberal trade policies are pursued in Australia's present and potential export markets, the long-run prospects for increasing exports of manufactured goods seem brighter than they did a few years ago.

INDUSTRIAL PRODUCTION INDEXES

(1948-49 = 100)

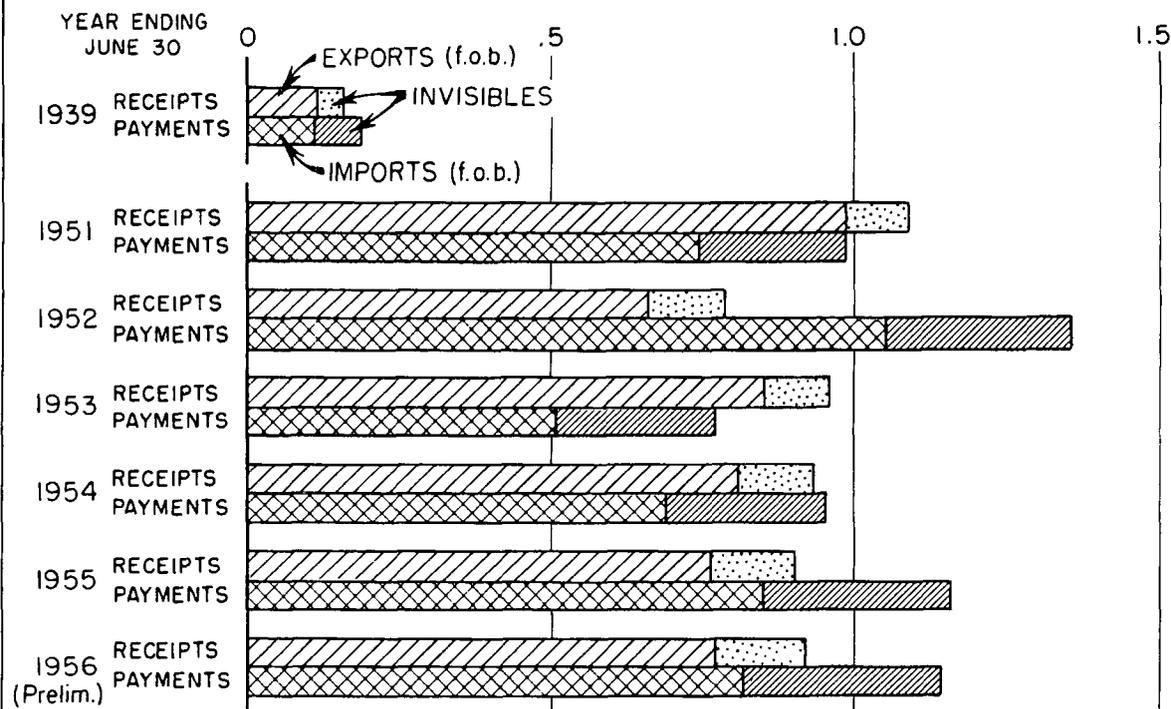


SOURCE: A.N.Z. Bank

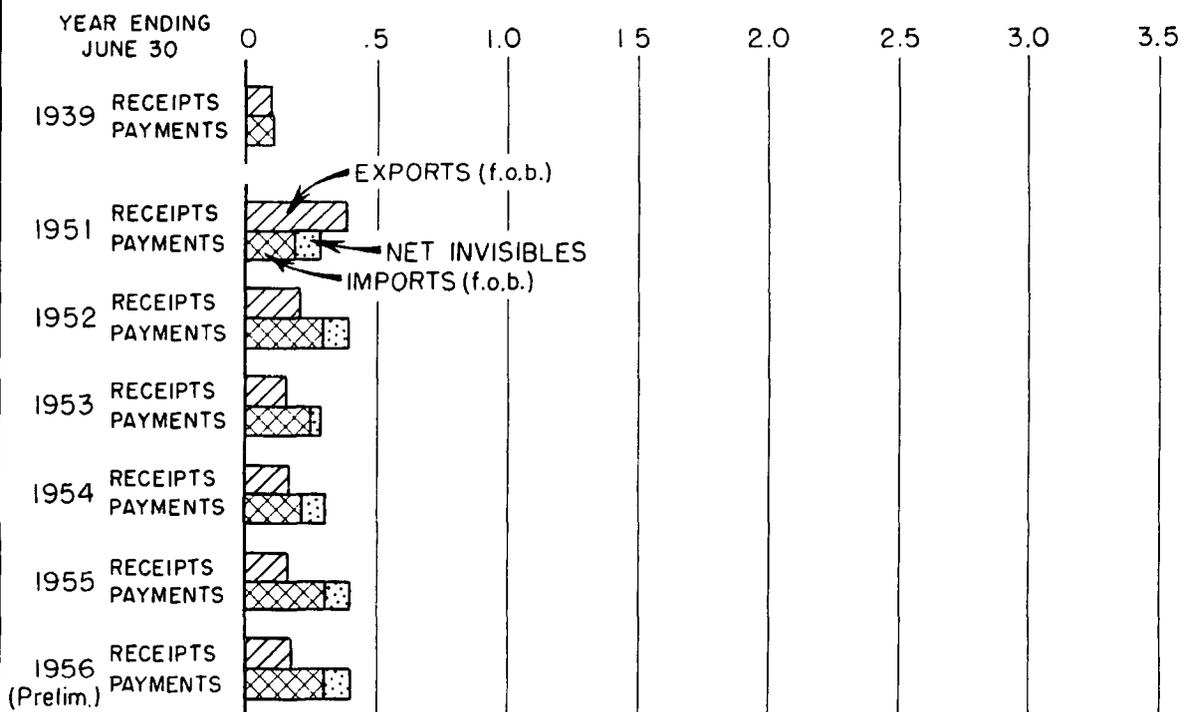
Iron and Steel

53. Iron and steel, which at times have been a serious bottleneck in the development of the economy, deserve special mention. A private company, Broken Hill Proprietary, Ltd., is virtually the only producer and is regarded as one of the lowest-cost producers in the world. Whenever capacity of the successive processes gets out of line the company has exported the surplus. But generally its capacity expands a step or two behind the expansion in home demand so that Australia continues to import more costly steel. Australia's first timplate plant is expected to be completed by late in 1957, resulting in savings in imports of \$5-10 million a year. The company has under way other expansion which will increase Australia's output of ingot steel from 2.4 million tons now to 3.3 million tons in 1960. In the meantime, demand is estimated to grow to 3.6 million tons. As long as the company pursues the policy of planning only for the minimum home demand and letting imports take the brunt of the swings in demand, Australia is likely to continue to be a net importer of steel.

TOTAL BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(BILLIONS OF AUSTRALIAN POUNDS)



DOLLAR BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(BILLIONS OF U.S. DOLLARS)



IV. Balance of Payments

A. External Trade

54. Before the first World War, over 20% of gross national product was exported, in the second half of the 1920's this dropped to an average of 16%; aside from exceptional years (such as 1950/51) when the ratio was as high as 27%, it has remained at around 15% in recent years.

55. Over half of imports consist of raw materials and fuel. The ratio of finished consumer goods to imports has been reduced from about 20% in 1938/39 to 17% in 1955/56, while machinery has increased from less than 12% to over 16% in the same period. Import restrictions, which have been repeatedly tightened since April 1954, are now cutting sharply into imports of consumer goods and since these constitute a relatively small part of the total imports, if a need should arise for further drastic reduction in imports, it might have to affect industrial raw materials, fuels and components, and so might reduce employment and output.

56. Export prices in most of the postwar period were higher compared to prewar than prices of imports were, so that with her export earnings Australia was able to buy a larger volume of imported goods and services. Since 1953/54, because of a steady decline in the price of her rural exports and a rise in price of imports, Australia's terms of trade have fallen by over 20% and are now back to the prewar relationship. It is probably reasonable to expect this to be maintained in the future. The need to readjust to the prewar terms of trade has been an important basic cause of Australia's recent balance of payments difficulties. To find a solution the government is hoping for an increase in export earnings.

B. Payments Position

57. As indicated in the chart, Australia's postwar trade and payments have undergone violent fluctuations. Assuming that the current season's wool prices will not be less than those of the previous season (and the indications are that they will be higher) and that the capital inflow will remain fairly strong, a slight rise in the reserves is expected in the current year.

C. Dollar Position

58. The Commonwealth Government maintains direct import controls on trade with the dollar area, but since early in 1954, has liberalized somewhat imports of non-consumer dollar goods. This, accompanied by the recent tightening of restrictions on non-dollar imports, has resulted in reducing the discrimination against dollar goods.

59. Australia's dollar export earnings have remained at about the same level since 1952/53. This has been due to a significant rise in exports of base metals which has compensated for a steady decline in the sales of wool. Yet, because of increased dollar imports and of a larger invisible deficit mainly from higher profits remittances and freight rates, the current dollar gap has become wider. Inflow of

dollar capital, partly direct investments by American companies in their Australian subsidiaries, has been relatively high. Most of the foreign companies operating in Australia have ploughed back more than half of their profits in expansion. (If the American companies had chosen to remit their profits in 1955/56 in full, profits would have been around 40% of Australia's dollar export earnings in the same year.) The deficit in dollar accounts is usually covered by Australia's drawing dollars from the sterling area's central dollar pool at an average rate of roughly \$100 million per year, and by external borrowing. There is no reason to expect that there will be any appreciable change in this pattern in the immediate future. In the longer run, Australia's mineral and specialty exports to the dollar area might grow while non-dollar sources might replace the dollar area to a greater extent as a supplier of machinery and equipment.

V. Conclusions and Creditworthiness

60. Over the past half century, the Australian economy has expanded and diversified fairly rapidly. Like that of most of the new countries, the U.S., Canada, Argentine, Australian development has proceeded by fits and starts. Her history since the second World War has not been very different from that of the past except that there has been no violent slump. Despite a high degree of industrialization, Australia's foreign exchange earnings still come mainly from primary products. Her export earnings consequently have been erratic. The inflow of foreign capital, though important, has hardly reached a level comparable with that of Canada. In the postwar period, assisted by inadequate monetary and credit policies and controls, a strong tendency toward over-consumption and over-investment has frequently appeared. The post-Korean boom of 1950/52 and the recent revival of inflationary pressures are instances of this. In both of these cases, the Commonwealth Government took, somewhat belatedly, strong measures to restore the economic balance. Although the more recent measures have had some effect, it is not yet clear that they will be sufficient.

61. As already discussed, the present outlook for some of Australia's rural exports is less bright than it appeared a few years ago. Prices have dropped somewhat and difficulties in marketing some products, such as wheat, still persist. The recent progress in applying new techniques and more efficient production methods to those products that have a growing market give some assurance for the future. The prospects for minerals seem brighter, but partly depend on more government encouragement than has been shown in the past. In addition to lead and zinc, Australia already exports uranium and expects to become a net exporter of copper. So far, only a small part of the country's mineral riches has been exploited and there is a good chance that further exploration would lead to new sources of income. Manufactured goods still account for less than 10% of the total export income and, because of some limitations such as high labor costs and limited scale of production, only a gradual rise in this ratio could be expected in the near future.

62. Assuming that the Government will be firm in coping with any revival of the now apparently receding inflationary pressures, Australia's long-term prospects are good. The country has ample resources and an enterprising, competent people.

63. Australia has paid off somewhat more debt than she incurred postwar and the total debt has gone down from this reason by over £20 million. Her debt in convertible currencies, dollars and Swiss francs, has however about doubled to \$450 million and is now about 30% of the total. With the growth of the economy and the world-wide postwar inflation, service on the debt has greatly shrunk in comparison with external earnings. The annual debt service (around \$100 million equivalent) takes about 5% of Australia's total external earnings. In view of her success in refinancing maturities, the more significant figure is that interest charges are less than 3% of total external earnings. This is considerably less than the interest

service ratio of over 10% before World War I, over 20% in the 'twenties, and over 40% in the slump of the 'thirties. In 1901, only 14% of total public debt was internal and 84% external; by 1930, it was half and half; now 84% is internal and 16% external.

64. Australia's exports have become more diversified and are likely to be more stable in value than they were in the 'twenties and 'thirties. On the other hand, in Australia as elsewhere, public opinion takes the maintenance of full employment as a matter of course and all political parties are committed to it. Indeed it has not been possible to restrain demands from wage earners and others for higher incomes in excess of those justified by the growth of the national income. Hence the paradox that even at a time when there is a world-wide boom, Australia has been losing foreign exchange reserves. The temptation to expand the economy and increase money incomes too fast will always be there and given the Australian temperament and political constitution and the facts of geography, it will be difficult to resist. But in difficult times in the past, Australia has always met her external obligations and there is every reason to believe that she can and will service external debt considerably in excess of what it is at present.

65. Australia's creditworthiness in dollars remains a special problem since all major currencies cannot yet be relied on to be fully and firmly convertible into dollars. Her total dollar and Swiss franc debt outstanding (including Bank loans of \$253.8 million) amounts to about \$450 million equivalent and accounts for nearly one-third of the total debt. The annual dollar debt service (about \$30-50 million) is equivalent to approximately 20-30% of Australia's dollar exports, while interest charges alone constitute about 10% of the total dollar export proceeds.

66. In 1950, when the Bank made its first loan to Australia, the Commonwealth was facing heavy dollar maturities amounting to \$122 million in the three years 1955/57. The large maturities of 1955 and 1956 have now already been taken care of, partly by two loans of \$25 million each, floated in New York in December 1954 and June 1956. Except for amortization on IBRD loans and for two public issues totaling \$25 million due in 1957, no dollar maturity is in sight until 1962. In the last few years, Australia has also repaid her drawing of \$50 million from the International Monetary Fund.

67. It is likely that Australia will continue to draw dollars from the sterling area dollar pool to meet her current dollar deficit and to maintain a more rapid rate of development than her own unaided resources would permit. If she were not able to draw on the sterling pool and had to balance her dollar accounts, Australia would certainly face difficulties and major adjustments. Fortunately, this contingency seems remote and, with the recent progress in the achievement of de facto convertibility of the major currencies, the significance of Australia's dollar problem should not be over-estimated.

APPENDIX A

1956 Anti-Inflationary Program of Commonwealth Government

- (1) In March 1956, the Government announced substantial increases in excise duties, sales taxes and company tax to obtain additional revenue, estimated to amount to an annual rate of about £115 million. In fiscal year 1955/56, the increased revenue was used to redeem the increase in the Treasury bill issue and to support the states' loan programs. The increased taxation on motor cars and petroleum helped to reduce appreciably the demand for new motor cars and hence to curb indirectly the hire-purchase business. The increase in the tax on company earnings was imposed to discourage industrial investment.
- (2) The Commonwealth Bank simultaneously raised by moderate amounts the maximum limits on interest rates chargeable and payable by commercial banks.
- (3) The Commonwealth Bank has withdrawn its active support of lower yields for the government bonds. This has raised the yields from about $4\frac{1}{2}\%$ to around $5-1\frac{1}{3}\%$.
- (4) The commercial banks have agreed to maintain minimum liquidity ratios. This gives the Commonwealth Bank greater leverage in putting pressure on the banks through calling up a portion of their cash reserves into their Special Accounts maintained at the Commonwealth Bank.
- (5) With its 1956/57 budget, the Commonwealth Government made no tax concessions and provided for a substantial surplus which will be used to finance a part of the states' loan programs. On the whole, public finance is expected not to have any inflationary impact on the economy.
- (6) Gross immigration for 1956/57 has been reduced to 115,000 compared with 125,000 in 1954/55 and 133,000 in 1955/56.
- (7) Aside from permitting some rise in the basic wage, the Commonwealth Arbitration Court has disallowed appeals to restore the automatic cost-of-living adjustments in wages. In the meanwhile, the Commonwealth Government has tried to get the states to give up the automatic wage adjustments. Although a Premiers meeting on this matter in August ended without reaching an agreement, another meeting has been called for November 7 with more prospects of success since the state, Victoria, that proved the stumbling block before, has now become convinced of the need to eliminate automatic adjustments.

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Table 1

Summary of External Public Debt
($\$$ million)

	<u>December 31, 1949</u>	<u>June 30, 1956</u>
<u>National and Government Guaranteed Debt</u>	<u>1166</u>	<u>1360</u>
Sterling Debt	970	908
U.S. Dollars		
(a) Bonds	196	148
(b) I.B.R.D.		216
(c) U.S. Government	—	<u>5</u>
Total	196	369
Canadian Dollars		
(a) Bonds		15
(b) I.B.R.D.		<u>39</u>
Total		49
Swiss Francs		
(a) Bonds		28
(b) I.B.R.D.		<u>6</u>
Total		34
<u>Debt of Political Subdivisions and</u> <u> Subordinate Authorities</u>	<u>66</u>	<u>56</u>
Sterling Debt	39	43
U.S. Dollar Debt	<u>27</u>	<u>13</u>
<u>Total External Public Debt</u> ^{1/}	1232	1416

1/ Excluding:

Surplus Property Loan (payable in real property)
and local currency as of June 30, 1956 (estimated) \$3.2 million.

World War I debt to U.K. (payment suspended by mutual agreement).

Source: Data submitted to the Bank and the I.B.R.D. Statistical Section.

Table 2
Availability and Use of Resources
(£A Million)

	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>
Private consumption	2,365	2,524	2,794	3,057	3,300
Government consumption	486	512	468	519	585
Gross public fixed capital formation	396	390	397	423	450
Gross private fixed capital formation	727	647	737	846	917
Increase (+) or Decrease (-) in stocks	<u>379</u>	<u>-139</u>	<u>75</u>	<u>165</u>	<u>82</u>
Available market supplies	4,353	3,934	4,471	5,010	5,334
Net foreign investment	<u>-523</u>	<u>257</u>	<u>66</u>	<u>-174</u>	<u>-140</u>
Gross National Product	<u>3,830</u>	<u>4,191</u>	<u>4,537</u>	<u>4,836</u>	<u>5,194</u>
Public investments as percentage of available market supplies	9%	10%	9%	8%	8%
Private fixed investments as percentage of available market supplies	17%	16%	16%	17%	17%

Source: National Income and Expenditure, 1955/56
(data rearranged).

Table 3

Public Investment By Sectors ^{1/}

(£A million)

	<u>1950-51</u>	<u>1951-52</u>	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
<u>I. Agriculture</u>						
(a) Irrigation	9.9	14.8	13.6	15.9	19.9	n.a.
(b) Land Settlement	5.9	8.0	8.3	6.5	5.9	n.a.
(c) Forestry	4.8	6.0	4.4	4.8	5.7	n.a.
<u>II. Mining</u>						
(a) Coal and briquettes	14.2	20.2	15.5	11.0	9.9	n.a.
(b) Uranium	-	-	1.7	5.5	3.6	n.a.
<u>III. Electric Power and Gas</u>	52.7	76.7	90.0	88.4	91.4	n.a.
<u>IV. Transport and Communication</u>						
(a) Railways	35.1	47.0	46.5	41.6	38.4	n.a.
(b) Roads and bridges	43.3	56.6	58.8	65.1	75.7	n.a.
(c) Ports and harbours	4.5	7.0	7.4	7.3	7.7	n.a.
(d) Shipping etc.	2.3	1.2	.8	2.5	1.8	n.a.
(e) Civil aviation	4.3	5.7	5.5	4.4	3.5	4.0
(f) Government airlines	1.4	1.7	.5	-	7.0	n.a.
(g) Trams and buses	3.1	4.7	3.6	2.7	3.1	n.a.
(h) Post office	22.3	28.2	27.7	25.3	25.5	29.4
<u>V. Water Supply and Sewerage</u>	19.0	26.0	23.8	27.1	33.8	n.a.
<u>VI. Social Expenditure</u>						
(a) Hospitals	6.9	9.2	11.9	15.1	15.0	n.a.
(b) Schools	7.9	12.4	12.3	14.2	17.8	n.a.
(c) Dwelling construction	28.4	39.3	32.5	36.7	32.4	36.0
(d) Migrant hostels	5.5	7.2	2.5	.7	.4	.3

^{1/} Figures exclude, wherever possible, all repairs and maintenance which do not add to the value of the assets. A good deal of maintenance expenditure remains in the figures, however, notably in the expenditure on roads and a good deal of replacement of worn out assets, notably in the railways. Net purchases of real assets existing in Australia are excluded.

Table 3

Public Investment by Sectors - Cont'd.

	<u>1950-51</u>	<u>1951-52</u>	<u>1952-53</u>	<u>1953-54</u>	<u>1954-55</u>	<u>1955-56</u>
VII. <u>Miscellaneous</u>						
(a) Commonwealth	4.1	5.9	5.8	6.9	5.3	n.a.
(b) State and semi-government	9.9	11.7	10.8	10.1	13.4	n.a.
(c) Local authorities	5.1	6.9	5.6	5.6	5.8	n.a.
VIII. <u>Change in Stocks</u> ^{2/}	18.2	40.7	4.8	-19.0	-1.3	4.0
IX. <u>Summary of Totals</u>						
(a) Agriculture	20.6	28.8	26.3	27.2	31.5	n.a.
(b) Mining	14.2	20.2	17.2	16.5	13.5	n.a.
(c) Electric power and gas	52.7	76.7	90.0	88.4	91.4	n.a.
(d) Transportation and communications	116.3	152.1	150.8	148.9	162.7	n.a.
(e) Water supply and sewerage	19.0	26.0	23.8	27.1	33.8	n.a.
(f) Social expenditure	48.7	68.1	59.2	66.7	65.6	n.a.
(g) Miscellaneous	19.1	24.5	22.2	22.6	24.5	n.a.
(h) Change in stocks	18.2	40.7	4.8	-19.0	-1.3	4.0
Grand Total (excluding stocks)	290.6	396.4	389.5	397.4	423.0	450.0
<u>Grand Total</u>	308.8	437.1	394.3	378.4	421.7	454.0

^{2/} Excludes stocks of materials for defense purposes
(included in expenditure on War and defense).

Source: Data provided to the Bank by the Government. Data rearranged.

Table 4

Sources of Finance for Public Investments

(\$A million)

	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>	<u>1956/57</u> <u>Estimate</u>
<u>I. The Commonwealth Sources</u>				
(a) Commonwealth Revenues	139	164	163	223
(b) Increase in Trust Fund Balances	28	-12	8	n.a.
(c) Sinking Funds and Redemptions (net)	10	33	47	<u>n.a.</u>
Total Revenue	<u>177</u>	<u>185</u>	<u>218</u>	
<u>II. Borrowing in Australia</u>				
(a) Public Loans (net of redemption)	88	62	48	n.a.
(b) State Domestic Raisings	7	8	5	2
(c) Local and Semi-Governmental Public Issues	27	31	26)
(d) Local and Semi-Governmental Private Placements	52	53	46) 80
Total Internal Borrowing	<u>174</u>	<u>154</u>	<u>125</u>)
<u>III. External Borrowing</u>				
(a) IERD Loans	21	24	19	n.a.
(b) Swiss Loans	6	6	-	n.a.
(c) Canadian Loan	-	-	6	n.a.
(d) Borrowing from New York	-	-	3	n.a.
(e) Redemptions	-16	-8	-3	<u>n.a.</u>
Total External Borrowing	<u>11</u>	<u>22</u>	<u>25</u>	
<u>IV. Other Sources</u>				
(a) Depreciation Allowances	15	17	19	21*
(b) Local Authority Revenues	32	35*	38*	40*
(c) Miscellaneous	-10	10	25	
Total	<u>37</u>	<u>62</u>	<u>82</u>	
<u>Grand Total</u>	<u>399</u>	<u>423</u>	<u>450</u>	

* Estimates

Table 5

Total Gross Private Investment

(£A million)

	<u>1950/51</u>	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>
Private dwelling construction	127	166	160	171	196	196
Other new construction	54	81	81	81	100	140
Trucks, utilities, etc.	72	82	58	65	77	82
Other capital equipment	203	255	237	275	290	313
Total fixed investment	<u>456</u>	<u>584</u>	<u>536</u>	<u>592</u>	<u>663</u>	<u>731</u>
Non-farm stocks	240	380	-170	50	165	(70)
Total private investment in real assets	<u>696</u>	<u>964</u>	<u>366</u>	<u>642</u>	<u>828</u>	<u>801</u>
Motor cars and cycles	116	143	111	145	183	186
Net increase in private holding of public indebtedness	<u>118</u>	<u>97</u>	<u>140</u>	<u>63</u>	<u>103</u>	<u>(136)</u>
Grand total of foregoing	930	1,204	617	850	1,114	1,123

Source: National income and expenditure 1955/56
(data rearranged)

() Preliminary Data.

Table 6

Source of Funds for Private Investment

(£A million)

	<u>1950/51</u>	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>
Allowances for depreciation etc.	192	149	183	223	270	318
Undistributed profits	187	121	100	213	208	(213)
Increase in insurance funds	55	65	72	79	86	94
Other personal savings	<u>475</u>	<u>370</u>	<u>497</u>	<u>357</u>	<u>305</u>	<u>(280)</u>
Sub total	909	705	852	872	869	905
Increase in funds of marketing authorities	64	-82	-45	-38	-13	-4
Public authority capital transfers	<u>62</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total current domestic savings	1,035	625	808	835	857	902
Net borrowing overseas	69	148	-2	25	115	148
Use of international reserves (- accumulation)	<u>-174</u>	<u>431</u>	<u>-189</u>	<u>-10</u>	<u>142</u>	<u>73</u>
<u>Grand Total</u>	<u>930</u>	<u>1,204</u>	<u>617</u>	<u>850</u>	<u>1,114</u>	<u>1,123</u>

Source: National Income and Expenditure 1955/56
(data rearranged)

() Preliminary data.

Table 7

Farm and Non-Farm

Personal Disposable Income and Saving

<u>Years</u>	<u>Percentage of Personal Disposable Income</u> ^{1/}		<u>Personal Savings as %</u>
	<u>Farm</u> %	<u>Non-Farm</u> %	<u>Personal Disposable</u> <u>Income</u> ^{2/} %
1948/49	16	84	12.2
1949/50	18	82	14.3
1950/51	20	80	17.8
1951/52	13.5	86.5	12.0
1952/53	16	84	15.9
1953/54	13	87	10.4
1954/55	10.5	89.5	7.7
1955/56	9.5	91.5	6.8

^{1/} Personal Income less direct taxes (incl. Estate Duty)

^{2/} Includes Insurance Funds

Source: The Commonwealth Government

Table 8

Consolidated Revenue Fund ^{1/}
The Commonwealth Government
 (£A million)

	<u>1953/54</u> (Actual)	<u>1954/55</u> (Actual)	<u>1955/56</u> (Actual)	<u>1956/57</u> (Estimate)
<u>Revenue</u>				
Income Tax	528	533	574	612
Customs and Excise	220	244	256	292
Sales Tax	96	100	110	130
Other Taxation	54	53	57	61
Business Undertakings	75	80	88	101
Other Revenue	<u>44</u>	<u>49</u>	<u>46</u>	<u>34</u>
Total Revenue	<u>1,017</u>	<u>1,059</u>	<u>1,131</u>	<u>1,230</u>
<u>Expenditure</u>				
Defense	190	186	191	190
National Welfare	177	189	215	226
Payments to/for States	194	199	220	244
Debt Charges	69	65	69	68
War and Repatriation	62	65	68	68
Business Undertakings	77	81	92	99
Other Expenditure	98	108	112	113
Capital Works and Services	<u>94</u>	<u>96</u>	<u>102</u>	<u>110</u>
Total Expenditure	<u>961</u>	<u>989</u>	<u>1,069</u>	<u>1,121</u>
<u>Surplus to:</u>				
Debt Redemption Reserve	56	70	-	-
Loan Consolidation and Investment Reserve	<u>-</u>	<u>-</u>	<u>62</u>	<u>109</u>
	<u>1,017</u>	<u>1,059</u>	<u>1,131</u>	<u>1,230</u>

^{1/} Excludes self-balancing items

Source: Commonwealth Budget Papers

Table 9
Volume of Money
 (£A million)

June	Notes and Coin (1)	Deposits* (2)	Total (1)+(2) (3)	Savings Bank Deposits (4)	Total (3)+(4) (5)	Total (3) as % of G.N.P. (6)	Total (5) as % of G.N.P. (7)	G. N. P.
1951/52	292	1,242	1,534	892	2,426	40	63	3,830
1952/53	320	1,381	1,701	947	2,648	41	63	4,191
1953/54	335	1,469	1,804	1,010	2,814	40	62	4,537
1954/55	352	1,473	1,825	1,073	2,893	38	60	4,836
1955/56	361	1,427	1,788	1,140	2,928	34	56	5,194

* Deposits of Public with all
 check-paying banks.

Source: The Commonwealth Bank and National
 Income White Paper.

Table 10

Liquidity of the Banking System
 (all check-paying banks)
 (£A million)

Average of weekly figures	Deposits (1)	Advances (2)	Cash (3)	Treasury Bills (4)	Govt. and municipal securities (5)	Total (3)+(4)+(5) (6)	Cash Reserve Ratio (6)/(1) (7) %	Special accounts (8)	Ratio (8)/(1) (9) %
1952/53	1333	762	88	144	126	358	27	234	18
1953/54	1486	794	87	130	174	391	26	321	22
1954/55	1543	938	82	69	174	325	21	306	20
1955/56	1533	984	80	60	167	307	20	273	18
July 1956	1474	980	77	34	166	277	19	255	17

Source: The Commonwealth Bureau of Census and Statistics

Table 11

Classification of Bank Advances by Sectors

(£A million)

	<u>June 30,</u> <u>1953</u>	<u>June 30,</u> <u>1954</u>	<u>June 30,</u> <u>1955</u>	<u>June 30,</u> <u>1956</u>
Agriculture, Grazing and Dairying	148.3	192.3	220.9	213.0
Manufacturing	141.5	139.3	190.7	185.1
Transport, Storage and Communication	12.7	16.7	17.2	17.2
Finance and Property	64.6	84.5	94.5	92.6
Commerce	109.6	132.5	160.8	158.4
Other	51.9	62.3	70.8	70.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Business Advances	528.6	627.6	754.9	736.6
Total Public Authority Advances	13.6	9.9	11.4	18.1
Personal Advances	127.9	155.0	161.1	142.5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	670.1	792.5	927.4	897.2

Source: Commonwealth Statistician.

Table 12

Hire Purchase Debt

<u>Date</u>	<u>Balance Outstanding (£A million)</u>	<u>Percentage change on preceding period</u>
June 30, 1953	88.1	n.a.
June 30, 1954	131.4	+49.1
June 30, 1955	180.3	+37.2
June 30, 1956	208.0	+15.4
March 31, 1955	169.4	+ 6.1
June 30, 1955	180.3	+ 6.4
September 30, 1955	194.5	+ 7.9
December 31, 1955	208.0	+ 6.9
March 31, 1956	207.9	neg.
June 30, 1956	209.0	neg.
August 31, 1956	213.0	+ 1.9

Source: Australian Treasury.

Table 13

Mining and Industrial Production

<u>Mining Products</u>	<u>Unit</u>	<u>1938/39</u>	<u>1948/49</u>	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>
Black coal	million tons	12.6	14.8	19.2	18.5	19.4	19.4	19.1
Brown coal	million tons	3.2	7.0	8.1	8.1	8.7	9.7	10.4
Lead (refined)	thousand tons	233	204	188	192	236	235	225
Zinc (refined)	thousand tons	70	76	84	86	99	100	104
Copper (refined)	thousand tons	17	11	18	19	21	30	29
Tin (refined)	thousand tons	3	2	1	2	2	2	2
Silver (refined)	million fine oz.	9	7	7	6	8	8	8
Gold (mine production)	thousand fine oz.	1621	899	909	1038	1111	1080	1021
<u>Industrial Products</u>								
Pig iron ^{2/}	million tons	1.1	1.0	1.4	1.7	1.8	1.9	1.9
Ingot steel ^{2/}	million tons	1.2	1.2	1.5	1.8	2.1	2.2	2.3
Clay bricks	million	721	617	720	667	802	839	828
Portland cement	million tons	0.9	1.0	1.2	1.4	1.7	1.9	2.0
Sulphuric acid	thousand tons	489	585	650	627	732	827	895
Super phosphate	million tons	1.2	1.4	1.6	1.6	1.8	2.0	2.1
Cotton yarn	million lbs.	11.7	26.1	34.5	27.6	38.1	41.2	40.3
Scoured and carbonized wool	million lbs.	105	162	121	124	137	136	141
Motor bodies ^{3/}	thousands	59.5	40.8	68.9	71.0	91.2	98.9	105.9
Electric power generated	million kwh	4688	9053	11297	12045	13707	15298	16787
of which: hydro power	million kwh	n.a.	1378	1648	1707	1871	2007	2815

^{1/} Subject to revision

^{2/} Years ended May 31

^{3/} Car and utility bodies only

Source: Commonwealth Statistician.

Table 14

Wool Statistics

	<u>Output millions lbs. greasy</u>	<u>Average price per lb. greasy (pence)</u>	<u>Total Value of Output (£A million)</u>	<u>Total value wool exports (£A million)</u>
1938/39	984	10.4	39	43
1946/47	977	24.5	92	126
1947/48	1,005	39.5	156	149
1948/49	1,057	48.1	195	231
1949/50	1,142	63.4	287	313
1950/51	1,118	114.2	636	633
1951/52	1,080	72.4	308	323
1952/53	1,201	81.8	405	403
1953/54	1,245	81.5	391	410
1954/55	1,283	70.9	353	353
1955/56	1,399	61.5	334	338
1956/57	1,480 (est.)			

Source: The Commonwealth Government

Table 15

Estimated Output and Requirements
for some Capital Goods

<u>Item</u>	Approximate percentage of local demand met by domestic output	
	<u>1956</u>	<u>1960</u> (Forecast)
Iron and steel products	80-85%	90-95%
Earthmoving and construction equipment	75%	75%
Conveyors, cranes, etc.	75%	85%
Metal working machinery	50%	55%
Diesel locomotives	almost 100%	100%
Generators	33%	25%
Electric motors	80%	85%
Railway rolling stock	90%	almost 100%
Motor vehicles	90%	90-95%
Harvesters, headers, etc.	86%	n.a.
Mowers	41%	n.a.

Source: The Commonwealth Government

Table 16

Balance of Payments
(£A million)

	<u>1950/51</u>	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u> (Prelim.)
<u>Current Account</u>						
<u>Credits</u>						
Exports (f.o.b.)	975.1	664.2	846.2	811.7	761.4	772.7
Net gold production	13.2	14.1	16.5	16.7	16.2	15.4
Government receipts	6.6	8.0	8.7	6.4	7.2	7.6
Other service receipts	53.6	62.9	62.0	68.0	77.8	82.3
Income from investment	9.2	9.0	15.4	18.6	18.5	21.5
Migrants' funds and other donations	21.3	22.7	16.5	15.6	18.3	19.8
<u>Debits</u>						
Imports (f.o.b.)	-741.9	-1050.9	-510.2	-681.9	-846.9	-819.5
Transportation and insurance	-101.9	-158.1	- 89.0	- 81.8	-105.2	-119.5
Government payments	- 25.1	- 31.0	- 42.5	- 32.9	- 37.9	- 34.4
Other service payments	- 28.1	- 31.9	- 35.4	- 39.5	- 46.9	- 44.9
Income from investment	- 66.2	- 69.6	- 72.1	- 92.2	- 95.0	- 94.7
Sustenance payments and other donations	- 11.4	- 18.6	- 25.5	- 23.7	- 24.8	- 27.3
Balance on current account	<u>104.4</u>	<u>-579.4</u>	<u>190.6</u>	<u>- 15.0</u>	<u>-257.3</u>	<u>-221.5</u>
<u>Capital Account</u>						
<u>Private</u>						
Direct investment in						
Australia	60.6	80.3	24.4	63.8	86.0)
Other (incl. errors and omissions)	27.0	88.2	- 55.9	- 33.5	13.8) 116.7
<u>Official</u>						
Public authority overseas debt	- 20.6	- 2.6	- 2.5	- 10.1	2.3	7.9
Miscellaneous official transactions (net)	3.5	- 6.0	8.2	- 6.0	1.3	5.9
Liabilities to foreign banks	- 4.7	- 35.6	- 7.4	- 0.5	- 0.5	- 0.3
Transactions with I.M.F. and I.B.R.D.	4.0	23.9	31.3	10.8	12.0	18.0
Gold and foreign exchange (increase -)	<u>-174.2</u>	<u>431.2</u>	<u>-188.7</u>	<u>- 9.5</u>	<u>142.4</u>	<u>73.3</u>
Balance on capital account	<u>-104.4</u>	<u>579.4</u>	<u>-190.6</u>	<u>15.0</u>	<u>257.3</u>	<u>221.5</u>

Source: The Commonwealth Statistician

Table 17

Exports of Australian Produce According to

Industrial Origin

(£A million)

<u>Industrial Group</u>	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>
Agriculture	145.4	176.5	153.4	150.5
Pastoral	374.8	489.3	490.1	437.2
Dairy and farmyard	25.9	50.4	43.3	46.8
Mines and quarries	65.6	70.0	62.9	58.9
Fisheries	2.0	2.5	2.7	3.1
Forestry	2.0	3.8	3.1	1.9
	—	—	—	—
Total Primary Produce	615.7	792.5	755.5	698.4
	—	—	—	—
Manufacturing	58.3	67.5	67.2	70.7
	—	—	—	—
Total	674.0	860.0	822.7	769.1

Source: The Commonwealth Government

Table 18

Principal Imports
(£A million, f.o.b.)

	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>
Electrical machinery and equipment	46.2	28.3	30.4	34.3	36.0
Other machinery	122.8	106.3	107.4	112.8	126.2
Basic materials	96.0	41.0	59.5	70.5	72.7
Fuels and lubricants	81.1	72.9	79.3	91.9	95.4
Base metals	91.0	41.5	28.8	68.7	58.0
Metal manufactures	36.1	13.7	21.6	23.0	21.8
Food, drink, tobacco	52.8	38.1	50.7	62.6	48.0
Textiles	190.0	47.0	112.8	120.0	105.7
Motor Vehicles	88.5	33.1	59.1	79.6	80.2
Other Manufactures	226.1	80.3	122.5	164.7	165.0
Miscellaneous	19.6	8.3	6.9	12.9	9.3
Total	<u>1,050.2</u>	<u>510.5</u>	<u>678.7</u>	<u>841.0</u>	<u>818.3</u>

Source: Commonwealth Statistician.

Table 19

Australia: Balance of Payments with the Dollar Area
(\$ million)

	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>
Exports	199	154	160	156	168
Imports	<u>-301</u>	<u>-240</u>	<u>-214</u>	<u>-298</u>	<u>-237</u>
Trade Balance	<u>-102</u>	<u>- 86</u>	<u>- 54</u>	<u>-142</u>	<u>-119</u>
Invisible Balance	<u>- 91</u>	<u>- 40</u>	<u>-109</u>	<u>-102</u>	<u>-115</u>
Balance on Current Account	<u>-193</u>	<u>-126</u>	<u>-163</u>	<u>-244</u>	<u>-234</u>
Balance on Investment Account	<u> 27</u>	<u> 63</u>	<u> 14</u>	<u> 107</u>	<u> 108</u> <u>1/</u>
Dollar Deficit	<u>-166</u>	<u>- 63</u>	<u>-149</u>	<u>-137</u>	<u>-126</u> <u>1/</u>
<u>Dollar Financing</u>					
Dollar Purchases from I.M.F. (net)	-	30	- 24	- 26	-
Dollar Loans from I.B.R.D. (net)	54	40	48	53	40
Estimated Dollar Drawings from Sterling Area Dollar Pool	133	12	97	121	90 <u>1/</u>
Movement in Australian dollar balances (increase -)	<u>- 21</u>	<u>- 19</u>	<u> 28</u>	<u>- 11</u>	<u>- 4</u>
Total	<u> 166</u>	<u> 63</u>	<u> 149</u>	<u> 137</u>	<u> 126</u>

1/ Subject to revision

Source: Commonwealth Statistician

Table 20

Financing of Australia's Dollar Surplus or Deficit

(\$ million)

	<u>Dollar Surplus or Deficit</u>	<u>Dollars Repaid to IMF (-)</u>	<u>Dollar Loans from IBRD (+)</u>	<u>Gold Sales to U.K.</u>	<u>Estimated Drawings from Sterling Area Dollar Pool (+)</u>	<u>Movements in Australia's Dollar Balances (increase -)</u>
1947/48	-196	-	-	+30	+164	+ 2
1948/49	-103	-	-	+32	+ 73	- 2
1949/50	- 48	+20	-	+30	+ 2	- 4
1950/51	+ 73	-	+ 9	+21	- 97	- 6
1951/52	-166	-	+54		+133	-21
1952/53	- 63	+30	+40		+ 12	-19
1953/54	-149	-24	+48		+ 97	+28
1954/55	-137	-26	+53		+121	-11
1955/56	-126	-	+40		+ 90	- 4

Table 21

Trade with the United States

(£ million)

<u>Exports</u>	<u>1950/51</u>	<u>1951/52</u>	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56^{1/}</u>
Wool & sheepskins	301	135	71	69	67	49
Minerals, crude	6	10	10	13	14	22
Metals & Metal manufactures	9	15	32	28	20	31
Other	17	13	17	14	17	21
	—	—	—	—	—	—
Total	333	173	130	124	118	123
<u>Imports</u>						
Tobacco	12	14	17	19	23	24
Tinplate	12	12	9	5	8	4
Aircraft & parts	2	4	21	7	9	9
Motor vehicles	9	12	8	9	19	19
Other metals & manufacture	11	14	12	12	19	14
Electrical equipment	4	6	5	3	5	7
Tractors & parts	18	25	15	20	23	18
Other machinery	26	51	51	33	46	52
Petroleum & products	11	36	22	13	17	15
Timber	4	14	3	7	8	7
Other	27	55	28	36	52	48
	—	—	—	—	—	—
Total	136	245	191	164	229	217
Trade Balance	+197	-72	-61	-40	-111	-94

^{1/} Preliminary

Source: The Commonwealth Statistician

