

Australia

Macroeconomic Profile

Jules Boudreau

ECON 594

Outline

Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Australia

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Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Outline

Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Australia

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Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

OECD Country: Australia

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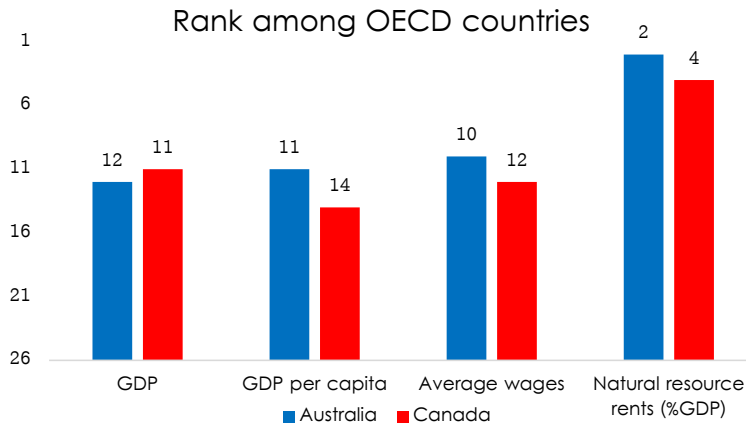
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Source: OECD, World Bank

Commodity-Centric Economy

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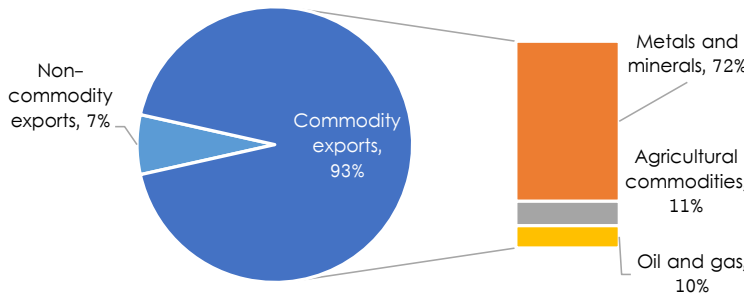
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Australian exports by category (%)



Source: Center for International Data

Brief Economic History

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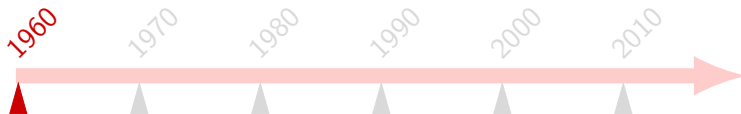
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NONPAR

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- ▶ **1960s:** Transition from British to US investment.
- ▶ **1970s:** Import substitution. Highly regulated economy. High inflation. Oil crisis (1973).
- ▶ **1980s:** Liberalisation, deregulation and floating of exchange rate. TOT fall.
- ▶ **1990s:** 1990 recession is followed by a decade of strong growth. Likely the result of the 1980s reforms.
- ▶ **2000s:** Further liberalisation. Removal of agricultural subsidies. Avoids the Great Recession.
- ▶ **2010s:** China-Australia FTA.

Brief Economic History

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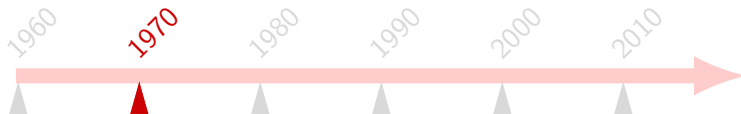
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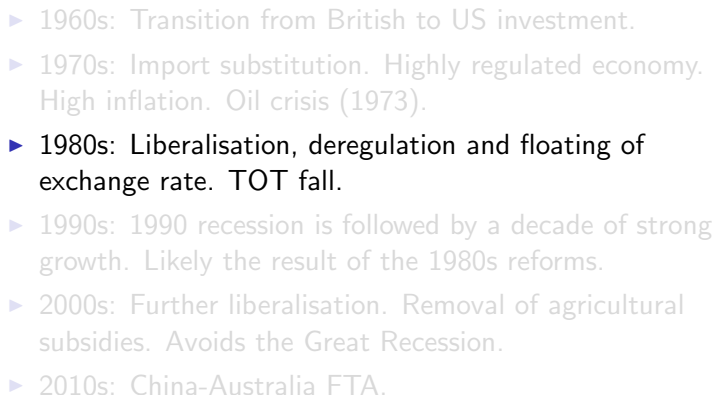
CMOD



- ▶ 1960s: Transition from British to US investment.
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Brief Economic History

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Background

Data and Indices

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PMOD

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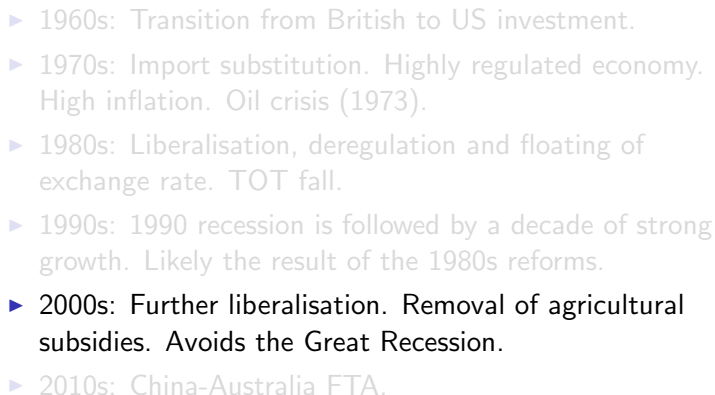
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Background



Outline

Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Australia

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Background

Data and Indices

PROD

PMOD

NONPAR

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Puzzle: Stronger Growth Than Canada

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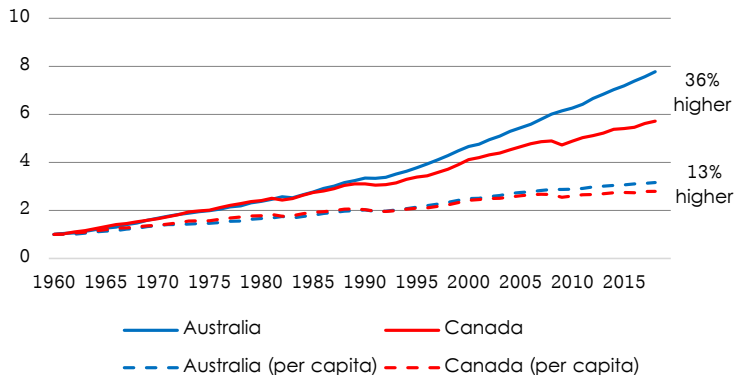
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GDP (1960 = 1)



Surge in Trade Volumes

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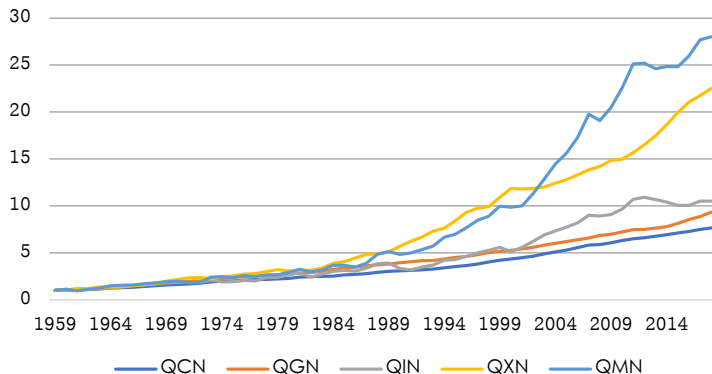
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Outputs (1959 = 1)



Puzzle: High Consumption Inflation

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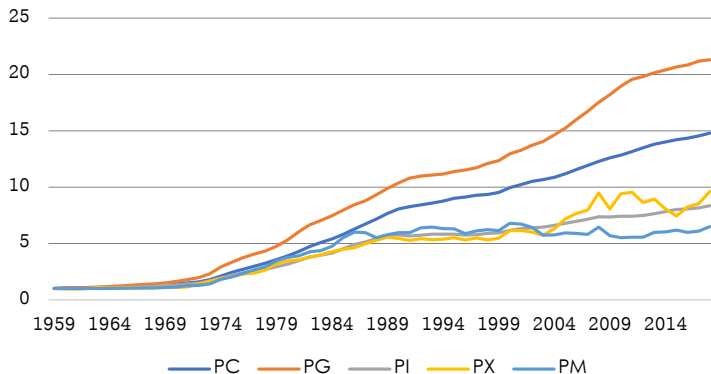
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Prices (1959 = 1)



Major Influence of TOT

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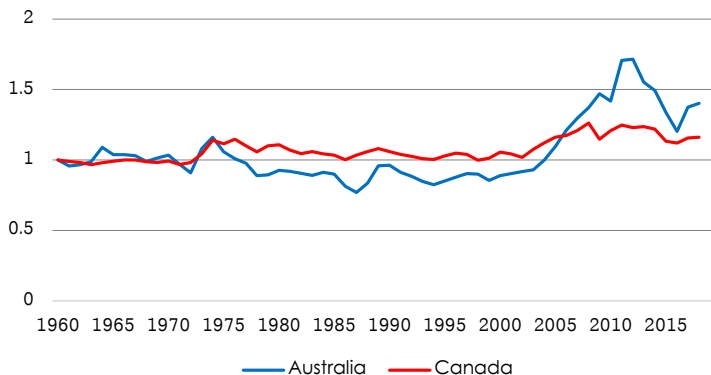
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Terms of Trade (1960 = 1)



Impressive Capital Growth

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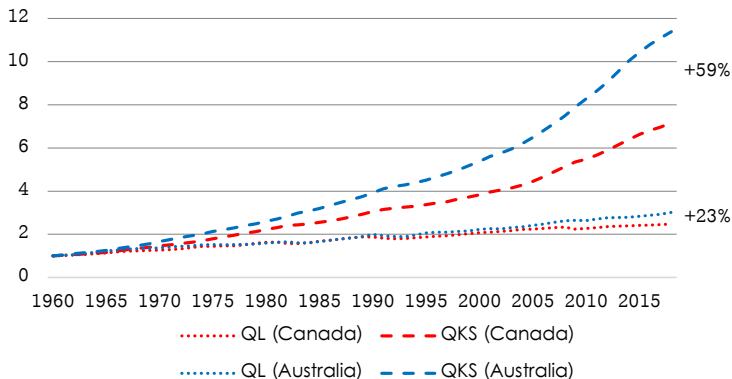
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Capital and labour volumes (1960 = 1)



Relatively Average Tax Rates

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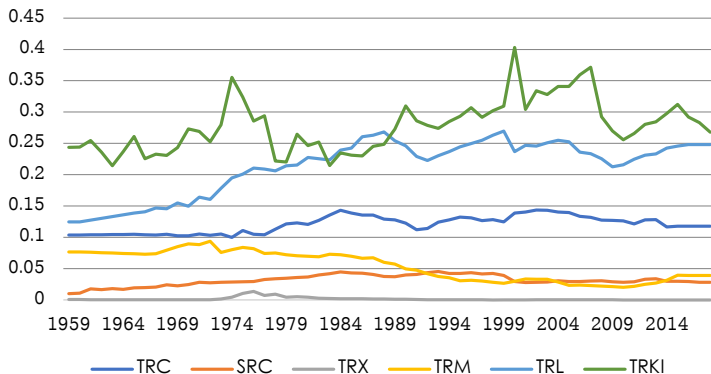
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Tax ratios



Low Real Input Price Growth

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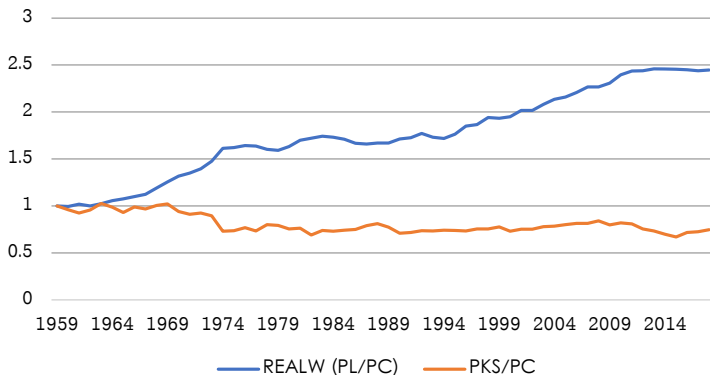
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Real input prices (1959 = 1)



Movement in R Driven by Capital Inflation

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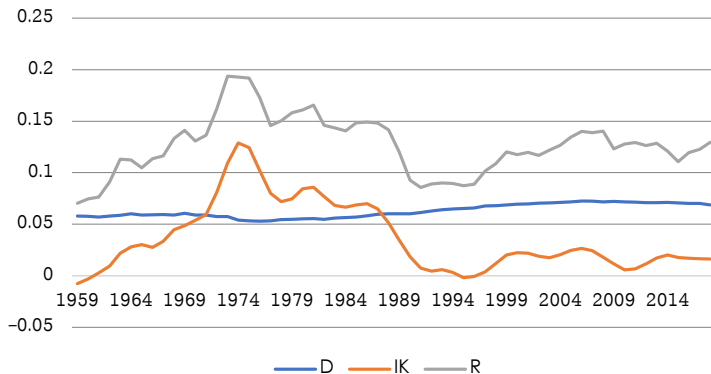
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Capital measures



Slightly Lower RR Than Canada

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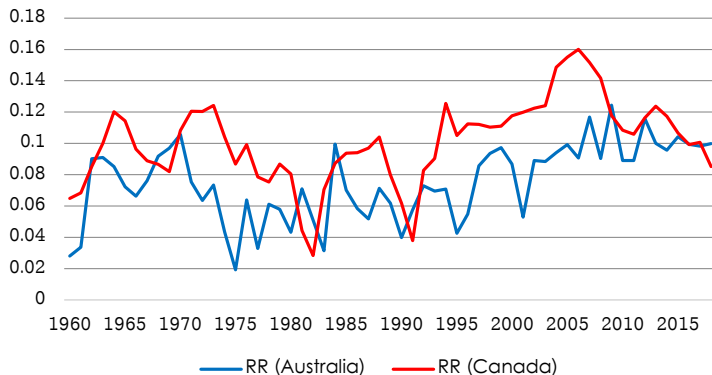
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Real rates of return



Same Productivity Growth, Different Paths

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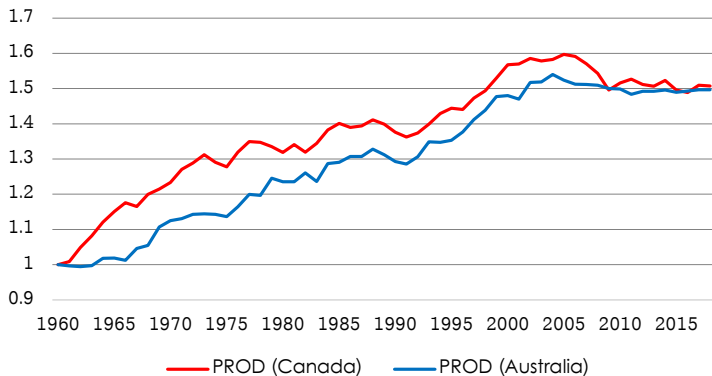
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Productivity (1960 = 1, ind. num. method)



Outline

Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

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Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Tamer Growth for Real Income Than for GDP

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Data and Indices

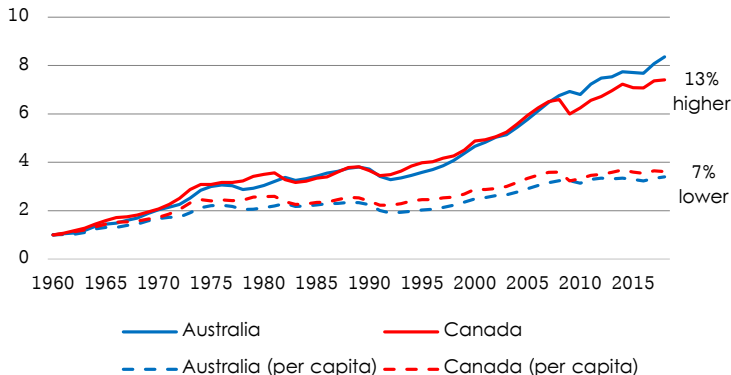
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Real income (net)



High Consumption Inflation Limits RI Growth

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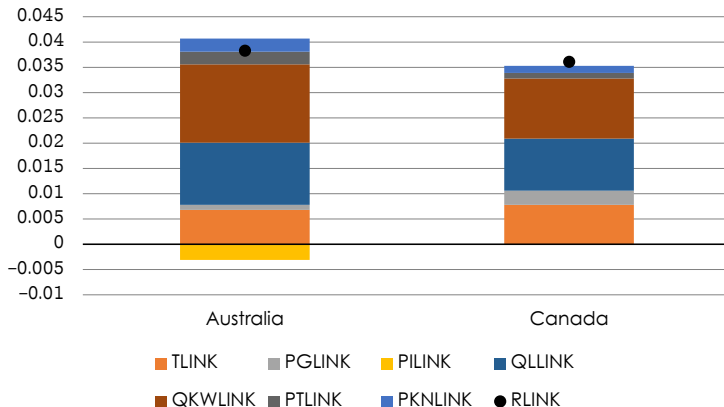
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Net real income growth factors (avg.)



Low Impact of Output Prices

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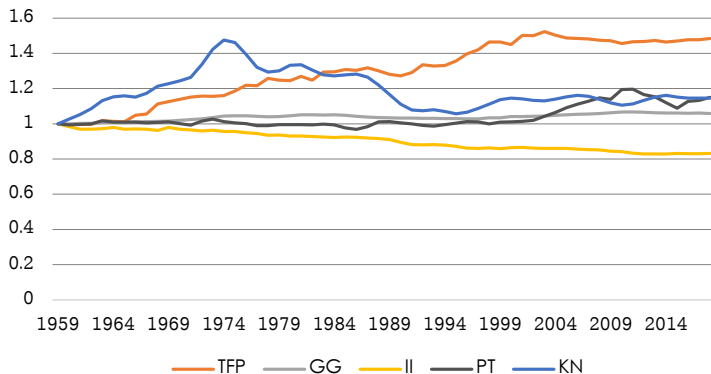
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Kohli decomposition (net)



High Impact of Input Quantities

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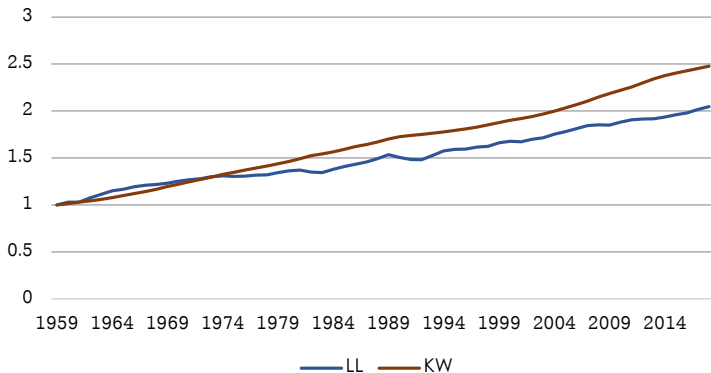
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Kohli decomposition (net)



Gross Real Income is Artificially Low

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Data and Indices

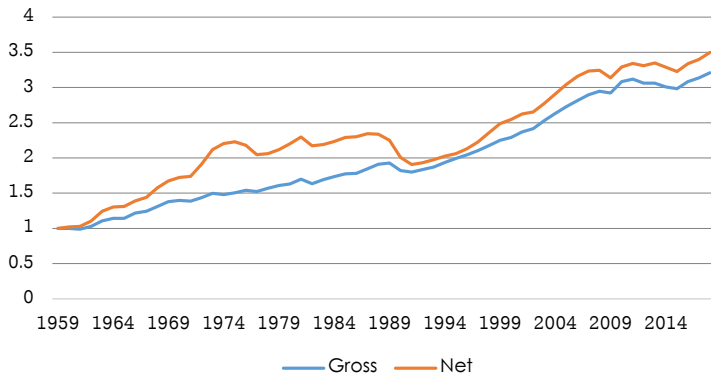
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Real income per capita



Gross Labour Share is Artificially Low

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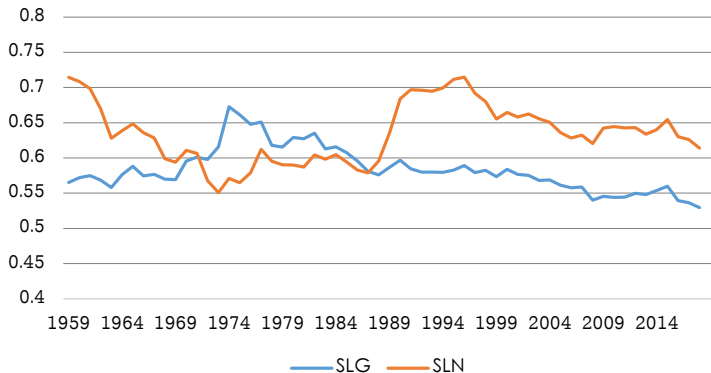
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Labour shares



Net vs. Gross Productivity

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Data and Indices

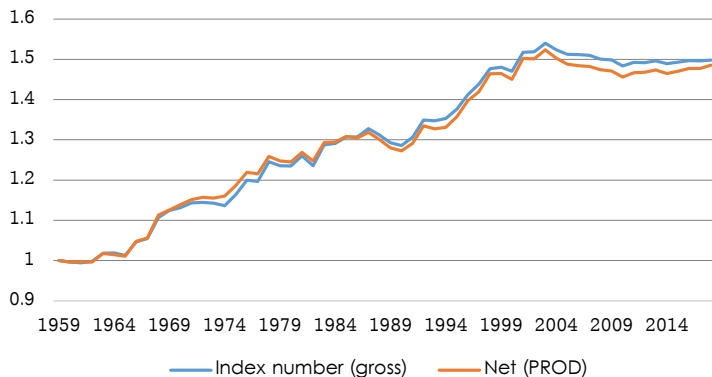
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PMOD

NONPAR

CMOD

Productivity index (1959 = 1)



Outline

Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

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Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Puzzle: TECHG is Consumption Diminishing

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Data and Indices

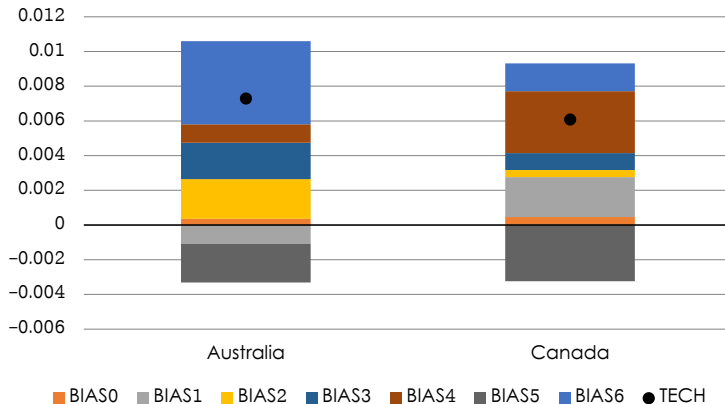
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Technology factors (avg. biases)



Labour Demand Elasticity Is Ever Increasing

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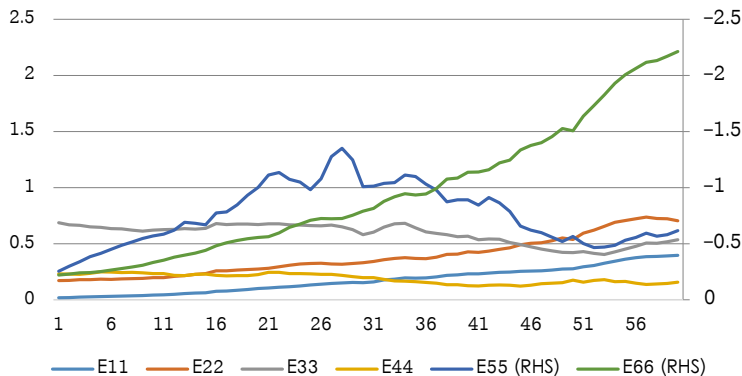
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Own-price elasticities



High PMOD Productivity Growth

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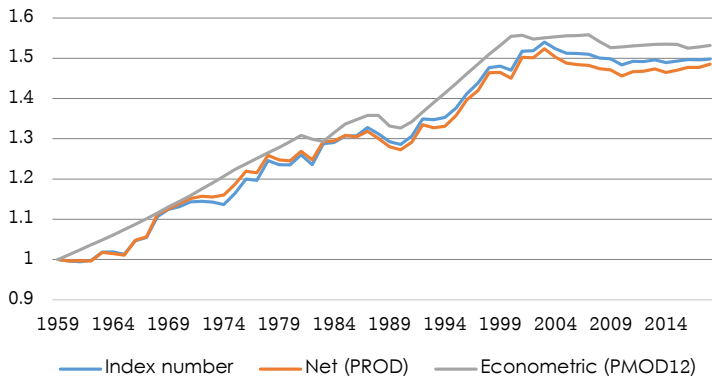
PROD

PMOD

NONPAR

CMOD

Productivity index (1959 = 1)



Outline

Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Australia

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Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Prod. from NONPAR6 is Sensible...

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Data and Indices

PROD

PMOD

NONPAR

CMOD

	NONPAR1 (Convex)	NONPAR2 (Convex/CRS)	NONPAR3 (Convex/Cost)	NONPAR4 (Convex/Cost/CRS)	NONPAR5 (Convex/Profit)	NONPAR6 (Convex/Profit/CRS)
1994	1	1	1	1	0.8452	0.88734
1995	1	1	1	1	0.8678	0.90053
1996	1	1	1	1	0.8952	0.91857
1997	1	1	1	0.9928	0.9237	0.93856
1998	1	1	1	1	0.9557	0.963
1999	1	1	1	0.9926	0.9594	0.96472
2000	1	1	1	1	0.9557	0.95991
2001	1	1	1	1	0.9885	0.98934
2002	1	1	1	1	0.9871	0.98756
2003	1	1	1	1	1	1
2004	1	1	0.9986	0.9986	0.9902	0.98969
2005	1	0.9959	0.9951	0.9951	0.9833	0.98169
2006	1	1	1	1	0.985	0.98278
2007	1	1	1	1	0.9871	0.98444
2008	1	0.998	1	0.996	0.9782	0.97214
2009	1	1	0.9993	0.9975	0.9852	0.98019
2010	1	1	1	0.9992	0.981	0.97344
2011	1	1	1	1	0.9873	0.98147
2012	1	1	1	1	0.9904	0.98522
2013	1	1	1	1	0.9918	0.98671
2014	1	1	0.9991	0.999	0.9901	0.98334
2015	1	1	1	1	0.9915	0.98526
2016	1	1	1	1	0.9936	0.98848
2017	1	1	1	1	0.9931	0.98739
2018	1	1	1	1	0.9933	0.98738

...But Not On the Full Sample

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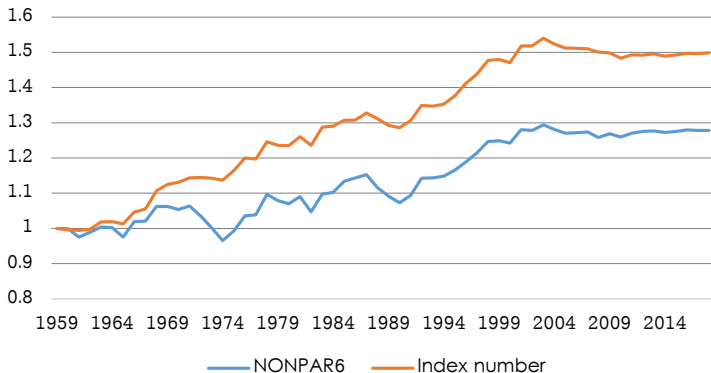
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Productivity index



NONPAR7 Decomposition

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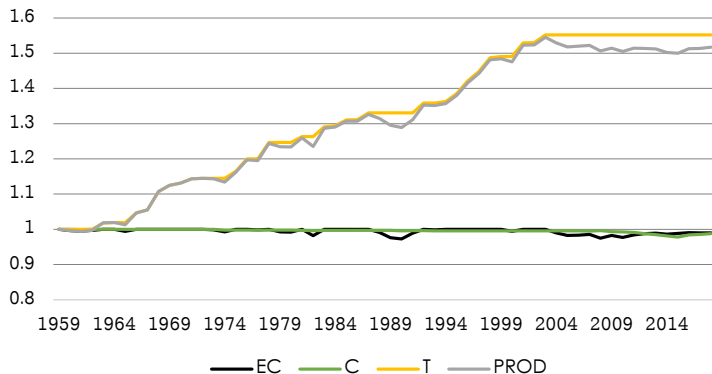
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NONPAR

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Non-par. Kohli decomp. (value added)



The Final Tally!

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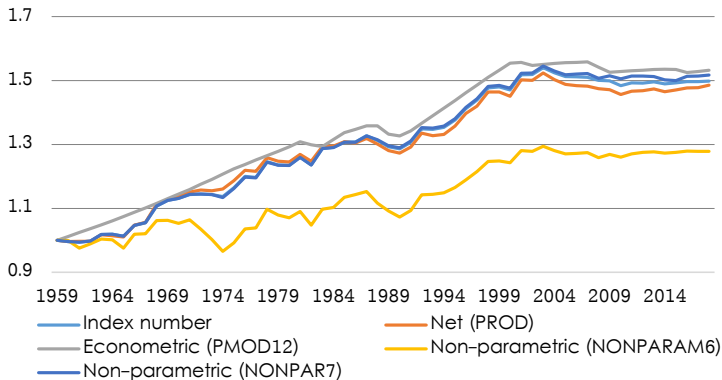
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PMOD

NONPAR

CMOD

Productivity indices (1959 = 1)



Outline

Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

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Background

Data and Indices

PROD

PMOD

NONPAR

CMOD

Elasticities are Extremely Small

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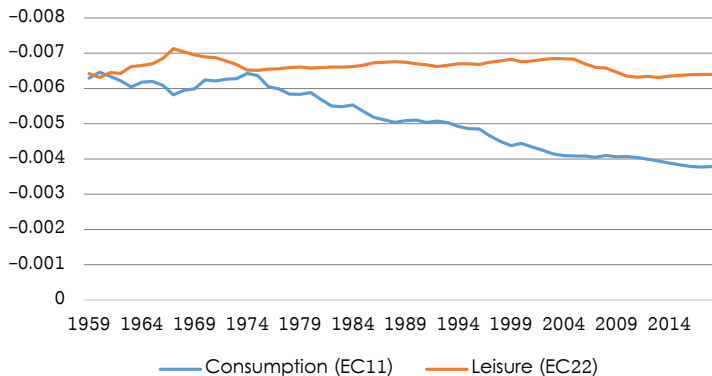
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Own-price elasticities



ECU1 is Inferior Good

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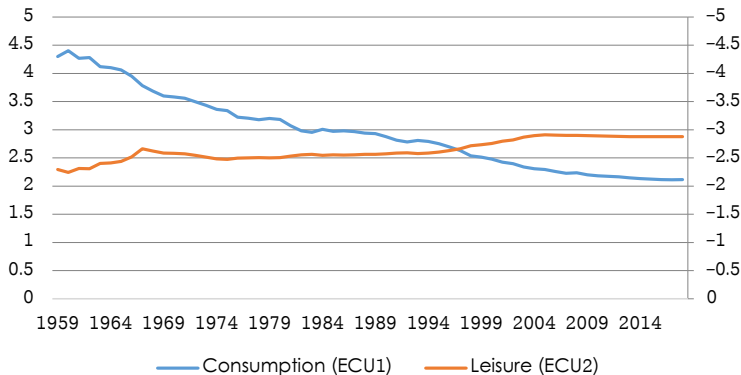
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Utility elasticities



Utility Growth is Tamer Than in Canada

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Utility (index number, 1960 = 1)

