

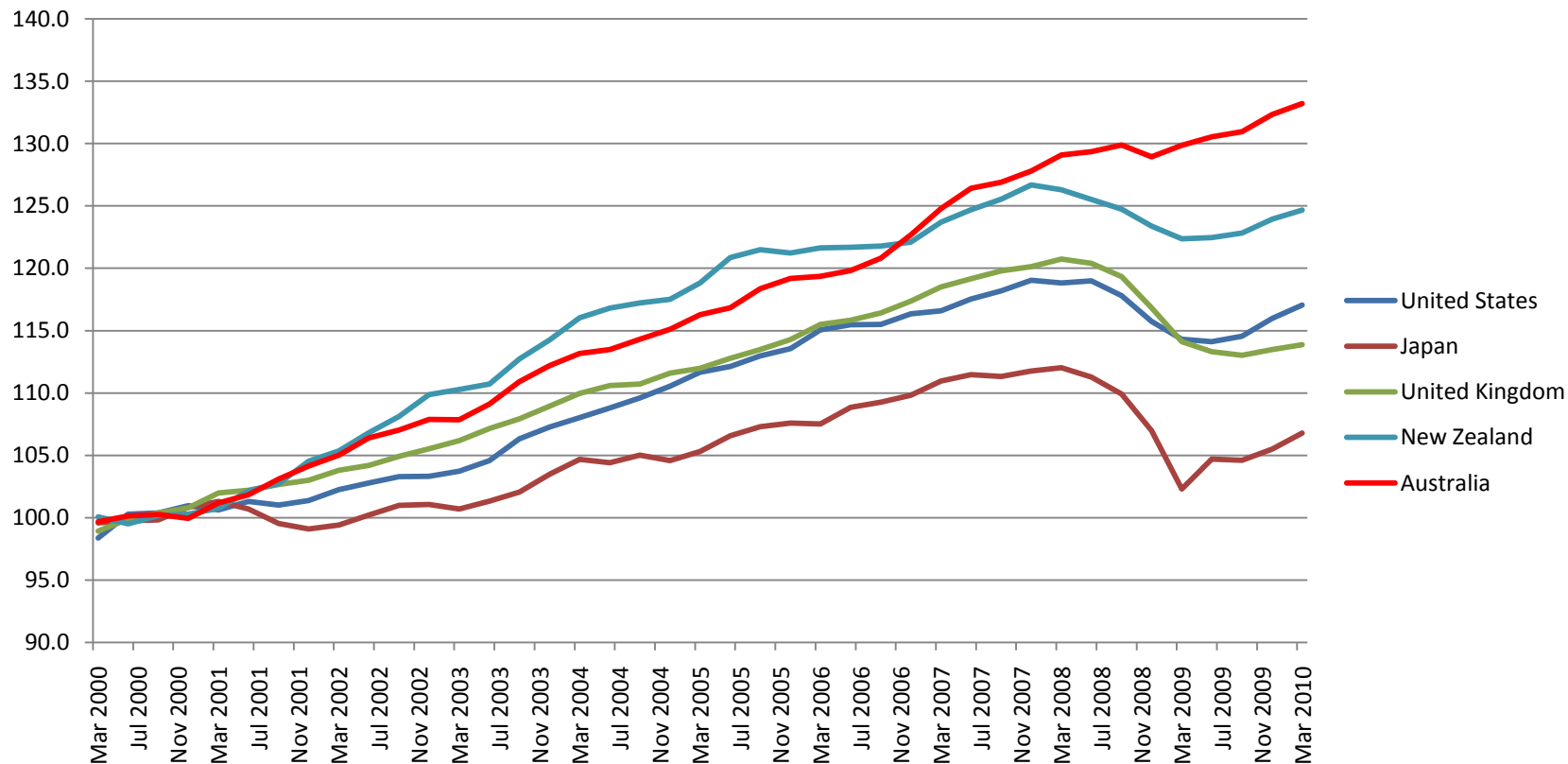
Economic development, productivity & change



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Commonwealth Bank Strategy Division



The economy has got a lot bigger



Source: RBA



Partly because more people work



Partly because we have invested



* Excludes livestock. Adjusted for second-hand asset transfers between the private and other sectors

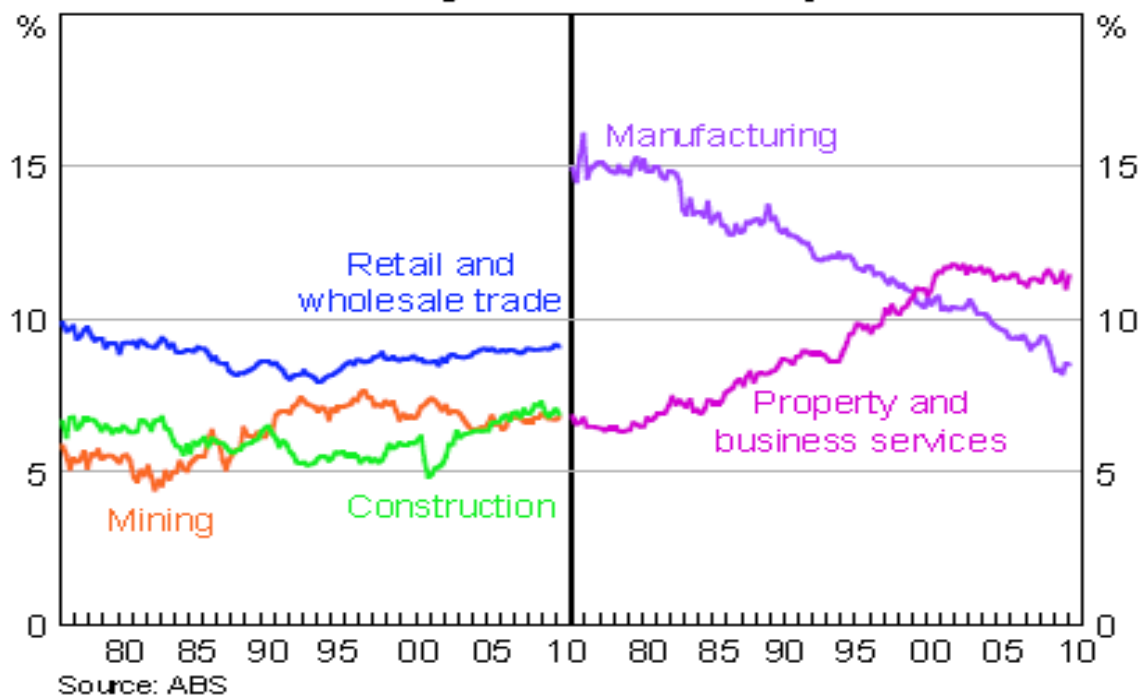
Source: ABS



Very flexible economy

Employees and employers very flexible

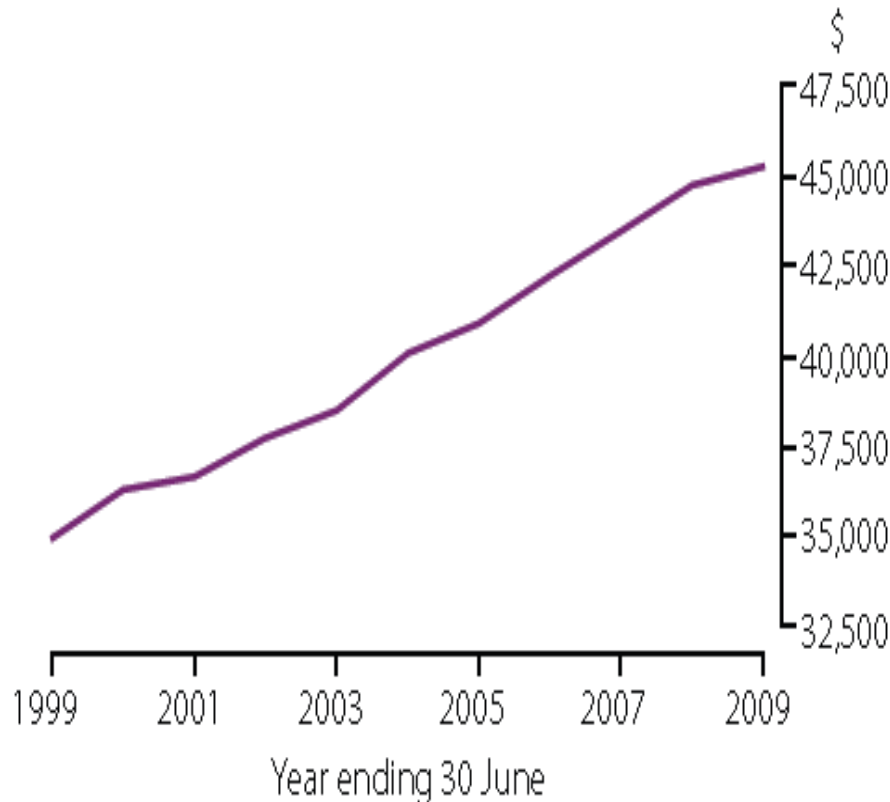
Industry Share of Output





Outcome: growth exceeds population

Real net national income per capita rises

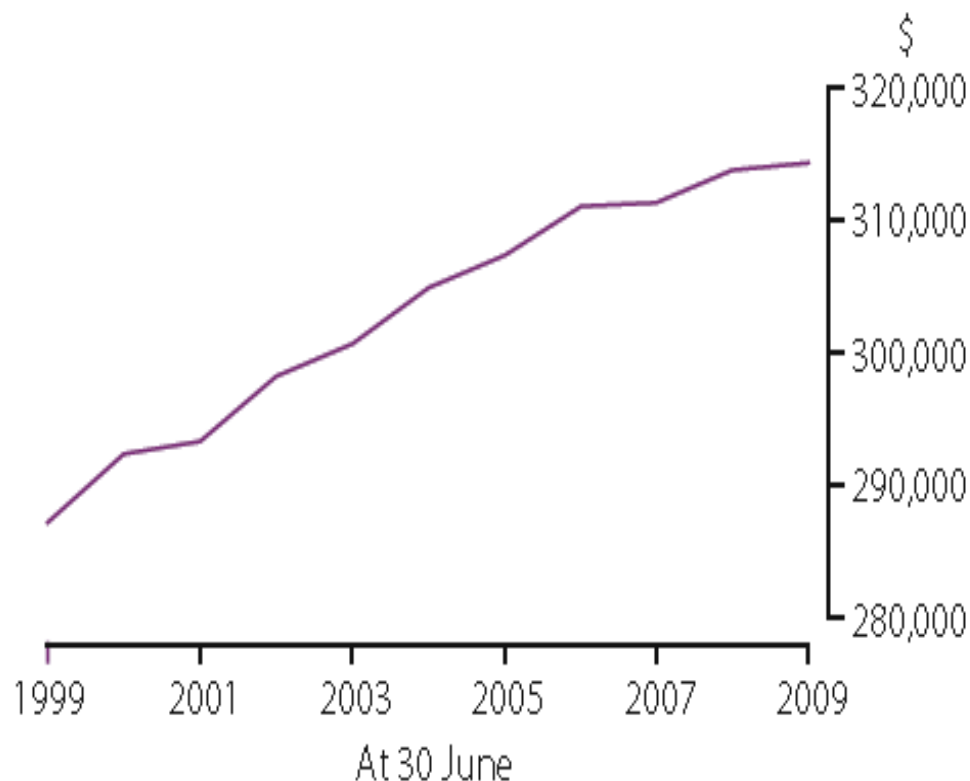


Source: ABS



And we have got wealthier

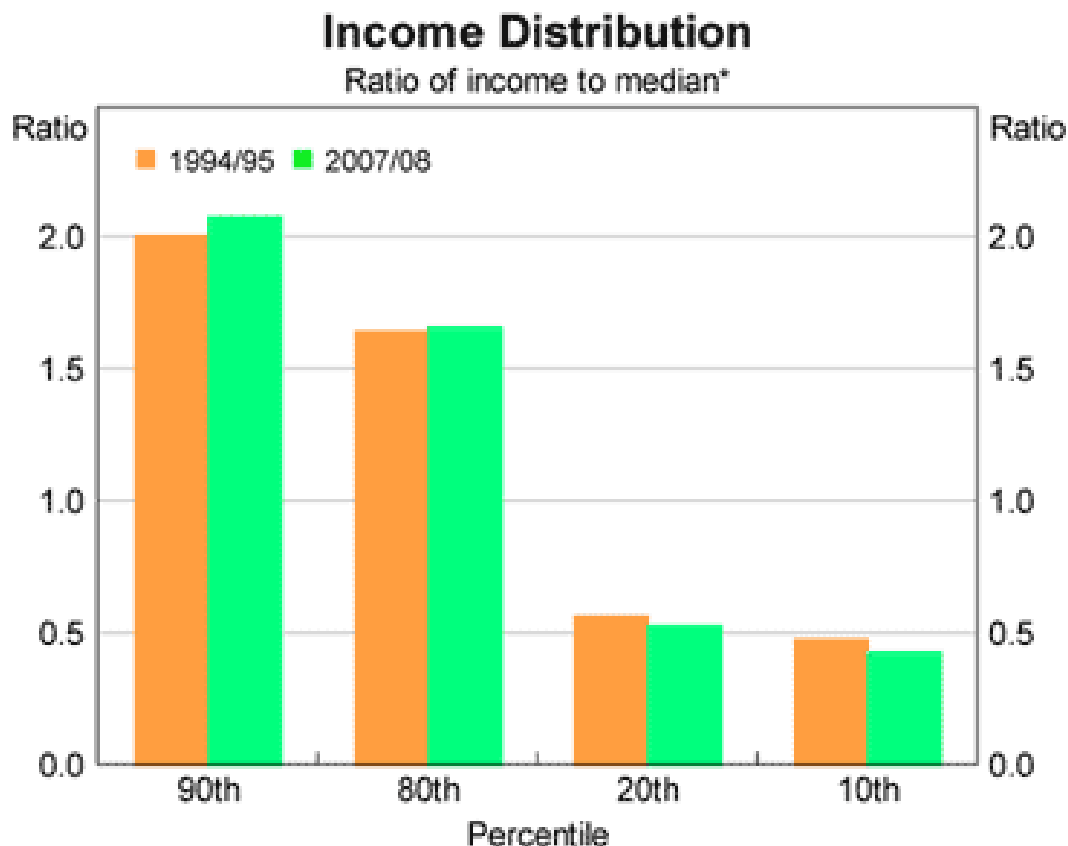
Real national net worth per capita



Source: ABS



And income distribution unchanged

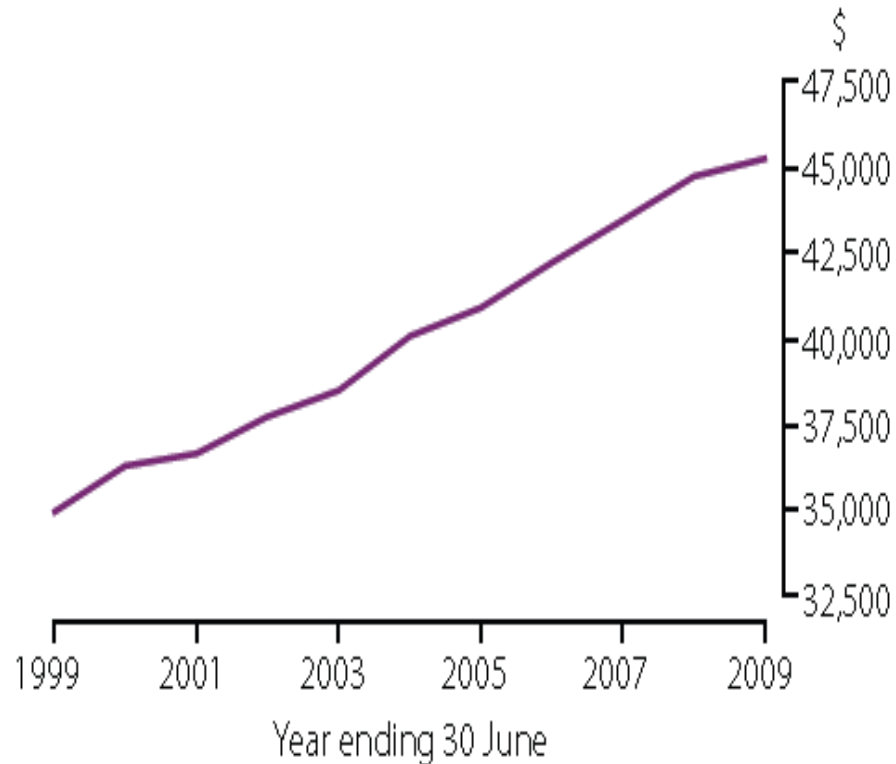


* Equivalised household disposable income
Sources: ABS; RBA



Explaining the rise in incomes

Real net national income per capita rises



Source: ABS



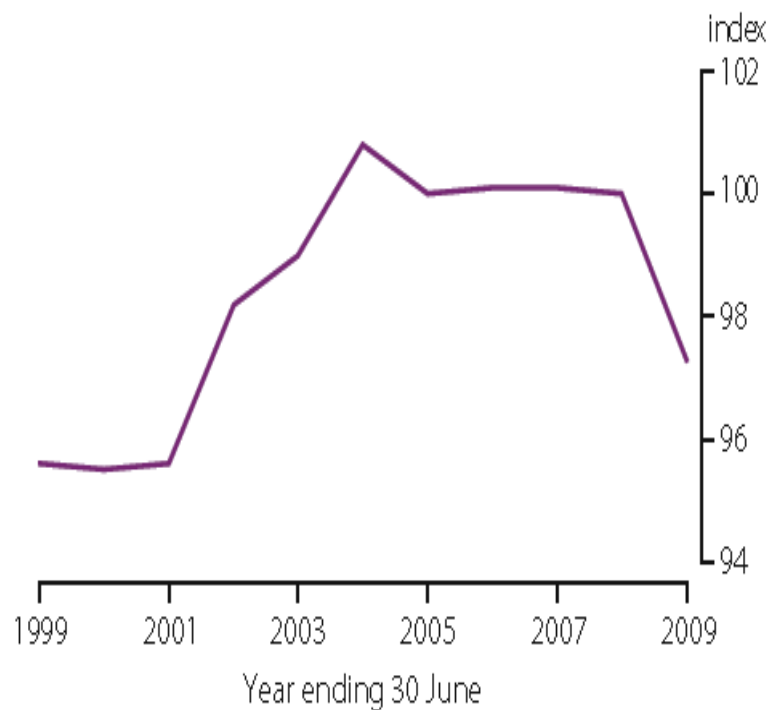
A reward for being very productive

	Annual GDP growth	Source of Contribution (%)		
		Labour	Capital	Productivity
1991/2000	3.6	0.8	1.3	1.5
2000/2009	3.2	1.0	1.8	0.4
Source: RBA				



But improvement has slowed

Productivity

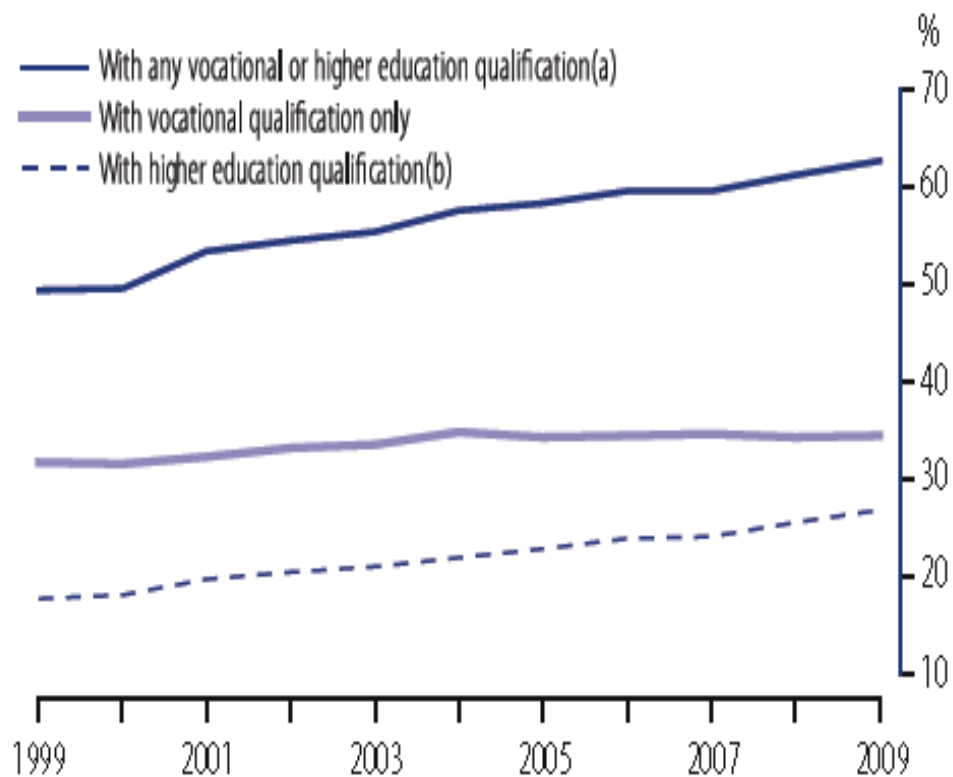


Source: ABS



Not clear why? reform, skills??

Education



Source: ABS



Policies seem likely: State differences

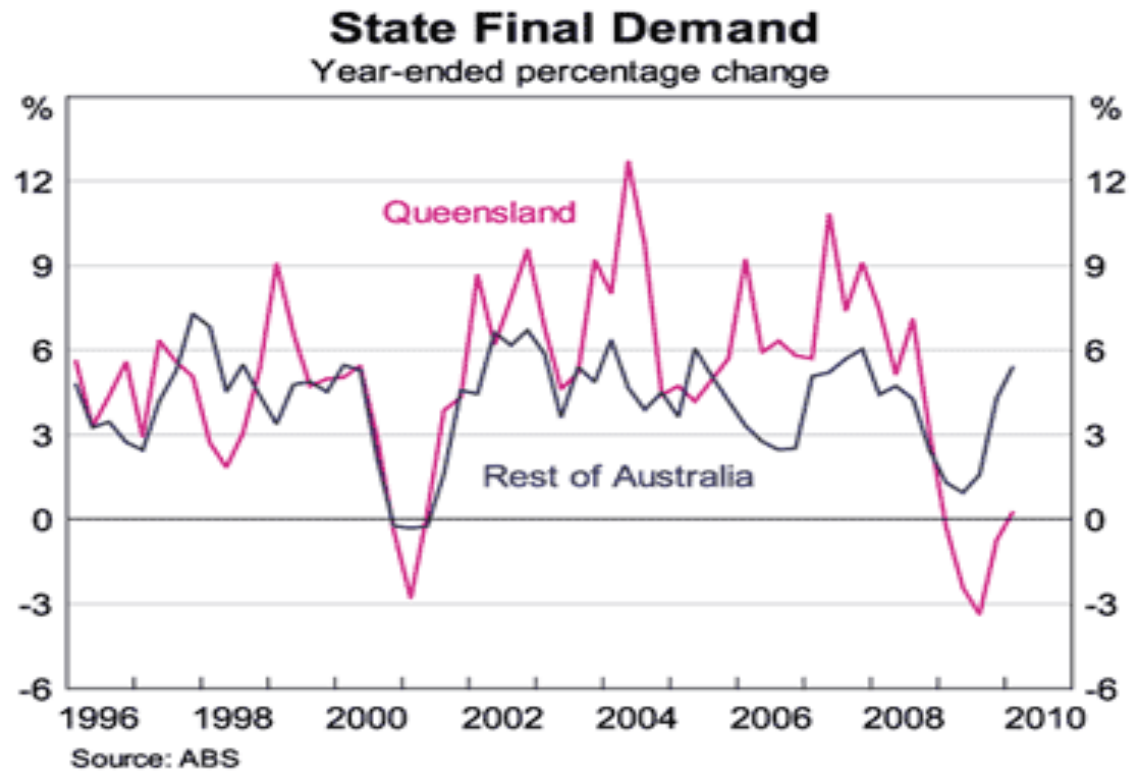
Change since 1991

Growth	NSW	VIC	QLD	WA	SA	TAS
Production	2.8	3.7	4.8	4.5	2.9	2.9
Population	1.0	1.2	2.2	1.8	0.6	0.4
Production/head	1.8	2.5	2.6	2.7	2.3	2.5
Source: ABS						



But industry composition too?

Queensland is having a very hard time





Conclusions

- ❑ We have had a very good decade
- ❑ Growth has come from our increased ability to produce
 - more people, more investment, more flexibility, more productivity
- ❑ And strong demand for our output
 - China, but also from good policy
- ❑ But productivity has started to fall off
- ❑ Skills are an issue
- ❑ But policy weakness is also important

Economic development, productivity and change

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