

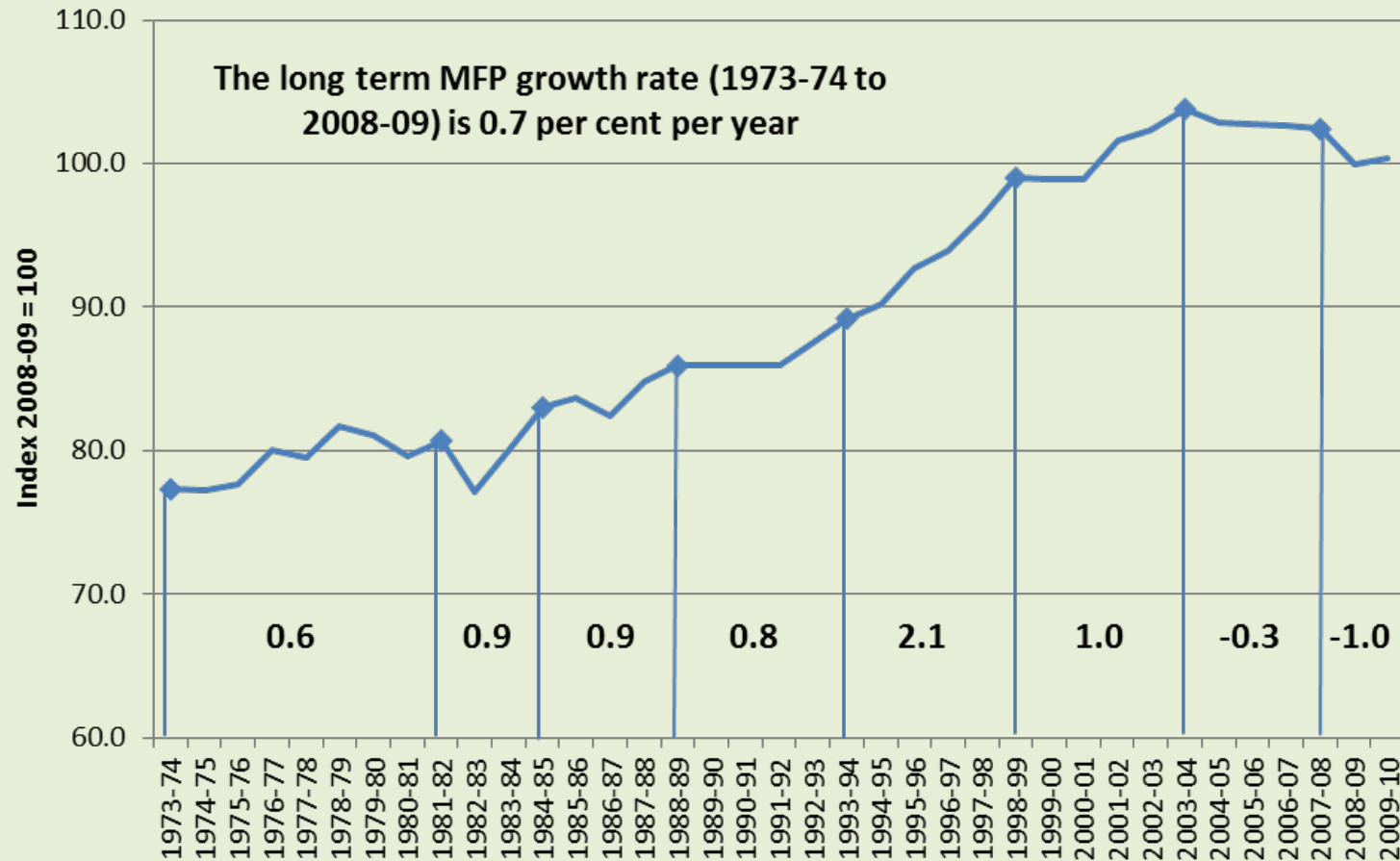
Australia's Productivity Performance

Michael Woods

**Deputy Chairman,
Productivity Commission**

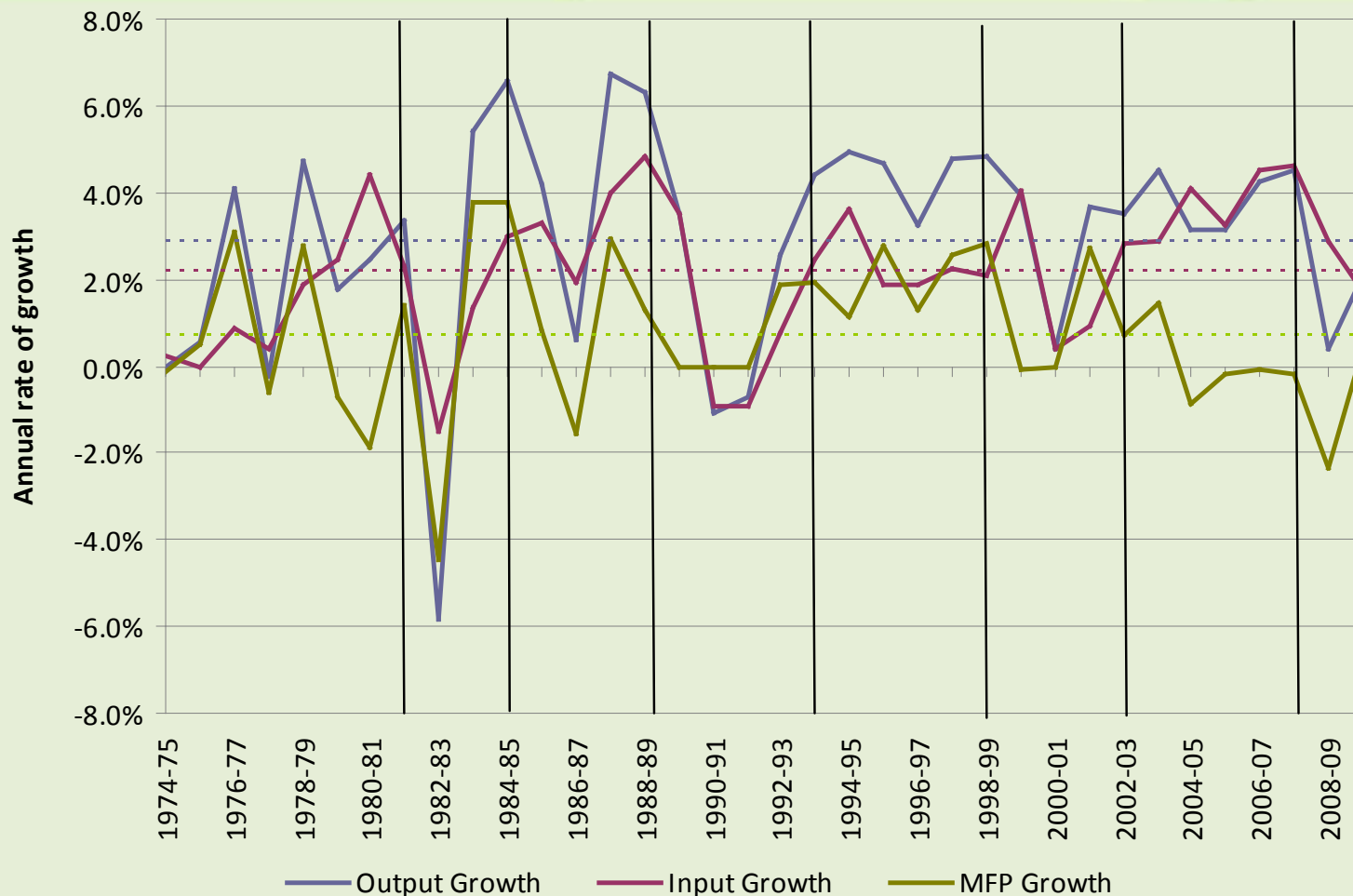
Is Australia Managing? The Impact of the Global Financial
Crisis and the Outlook for Australia's Trade and
Competitiveness APEC Conference, Melbourne,
17 November 2011

MFP Growth – mostly negative since 2003-04

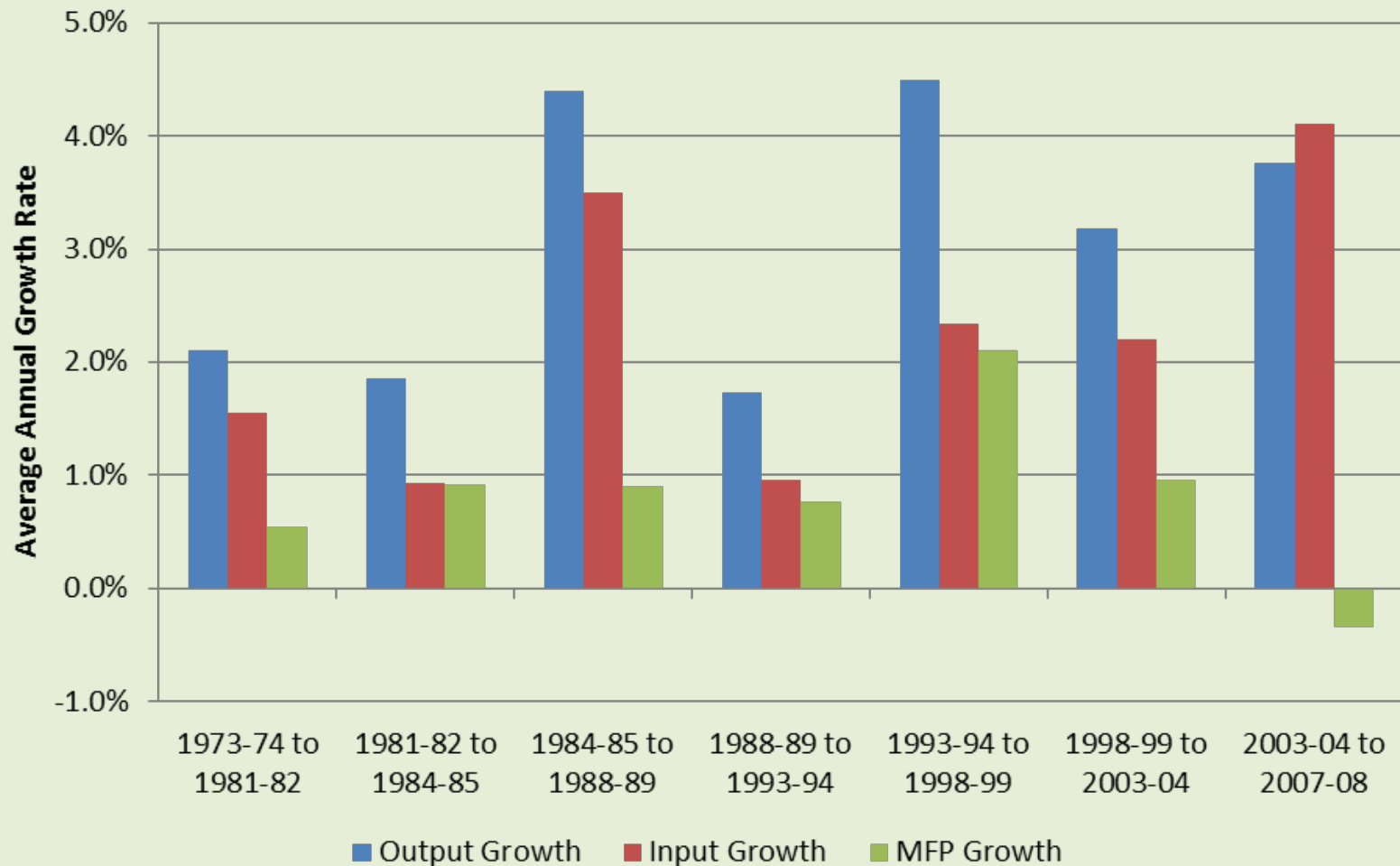


Based on a twelve industry market sector.

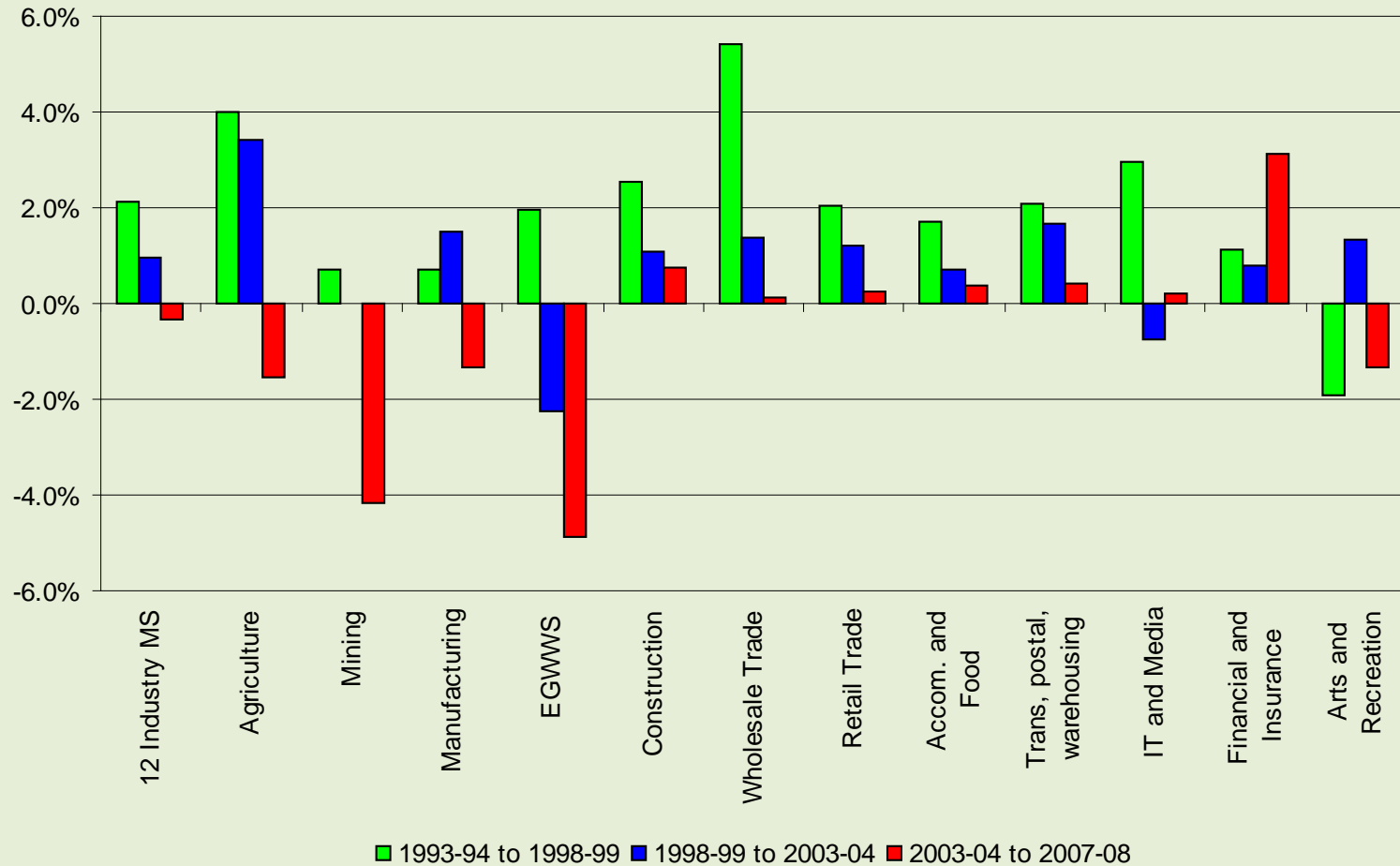
Growth in outputs and inputs over the cycles



The most recent cycle: Strong input growth, slower output growth



Industry Level MFP - Growth



Industry Level MFP – Contributions

Contributions to aggregate MFP growth

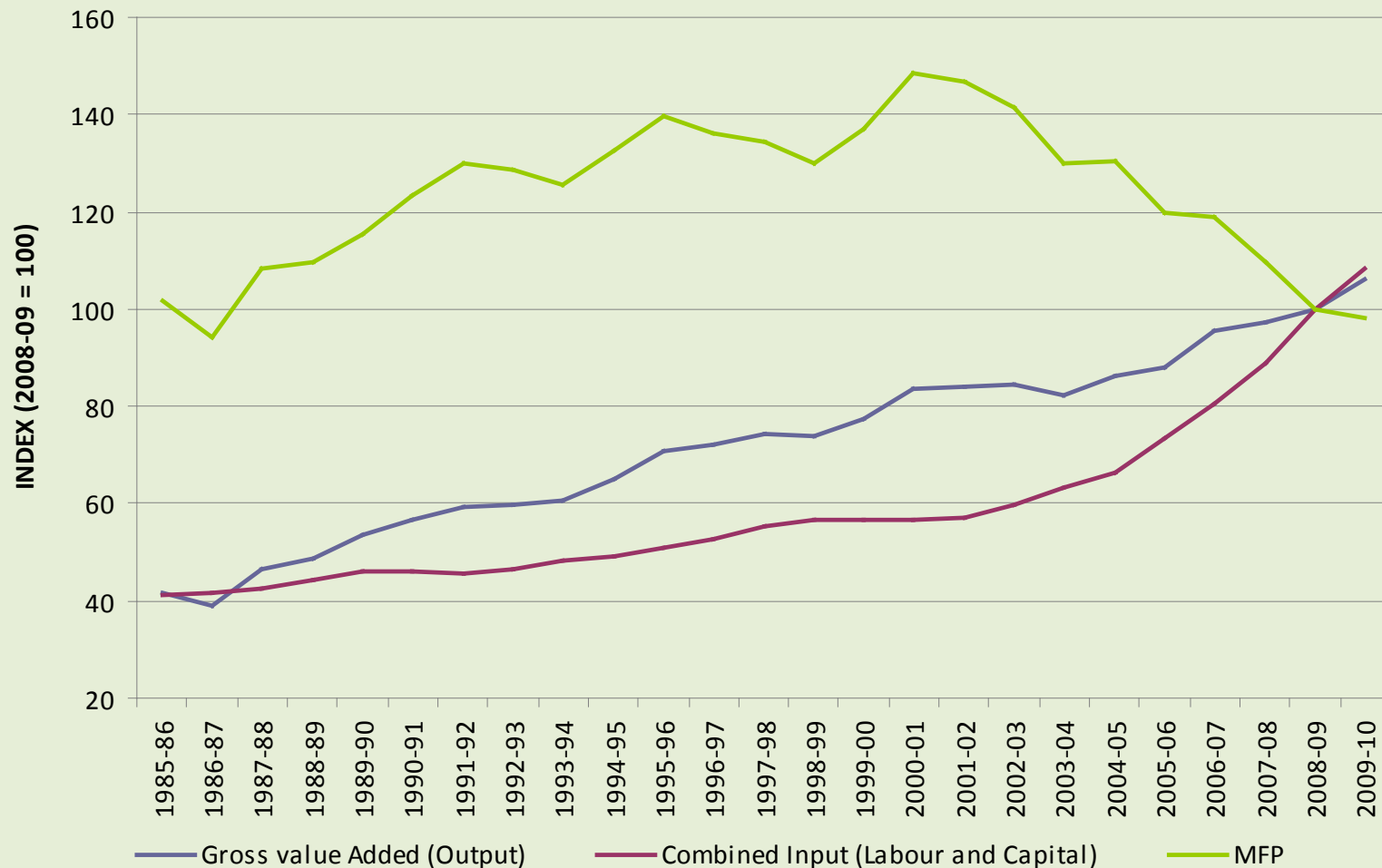
Industry <i>(Errors due to rounding)</i>	1998-99 to 2003-04 (pp)	2003-04 to 2007-08 (pp)	Change in Contribution to MS12 MFP (pp)
A Agriculture, Forestry & Fishing	0.3	0.0	-0.3
B Mining	0.0	-0.4	-0.4
C Manufacturing	0.3	-0.3	-0.5
D Electricity, Gas, Water & Waste Services	-0.1	-0.2	-0.1
E Construction	0.1	0.1	0.0
F Wholesale Trade	0.1	0.0	-0.1
G Retail Trade	0.1	-0.1	-0.1
H Accommodation & Food Services	0.0	0.0	0.0
I Transport, Postal & Warehousing	0.1	0.0	-0.1
J Information, Media & Telecommunications	-0.1	0.0	0.1
K Financial & Insurance Services	0.2	0.7	0.5
R Arts & Recreation Services	0.0	0.0	-0.1
Total Market sector MFP	1.0	-0.3	-1.3



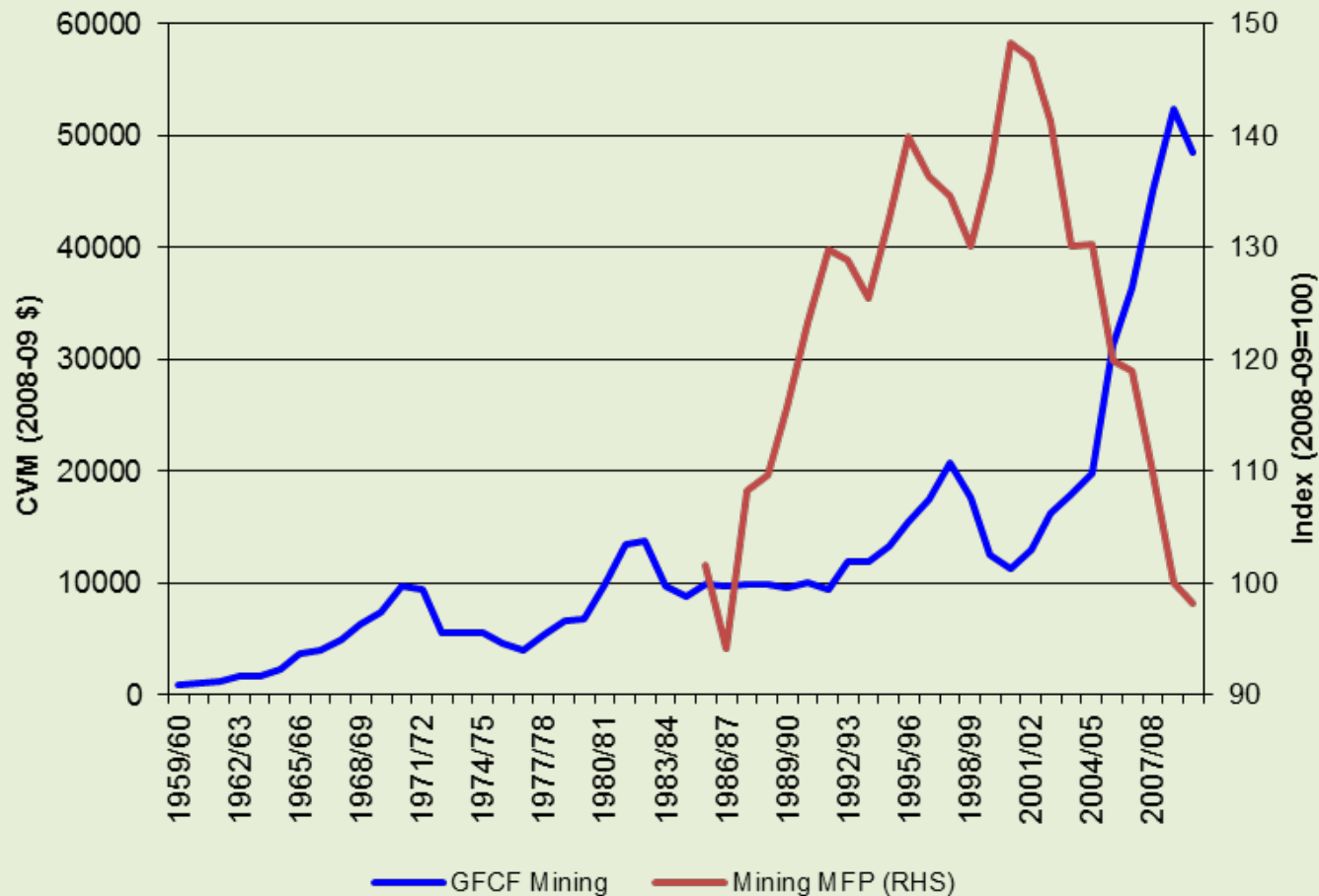
Causes for the slowdown

- Less mining output per dollar of costs
- Droughts
- Output measurement
- Technology change
- Unmeasured quality improvements
- Cyclical and lumpy investment

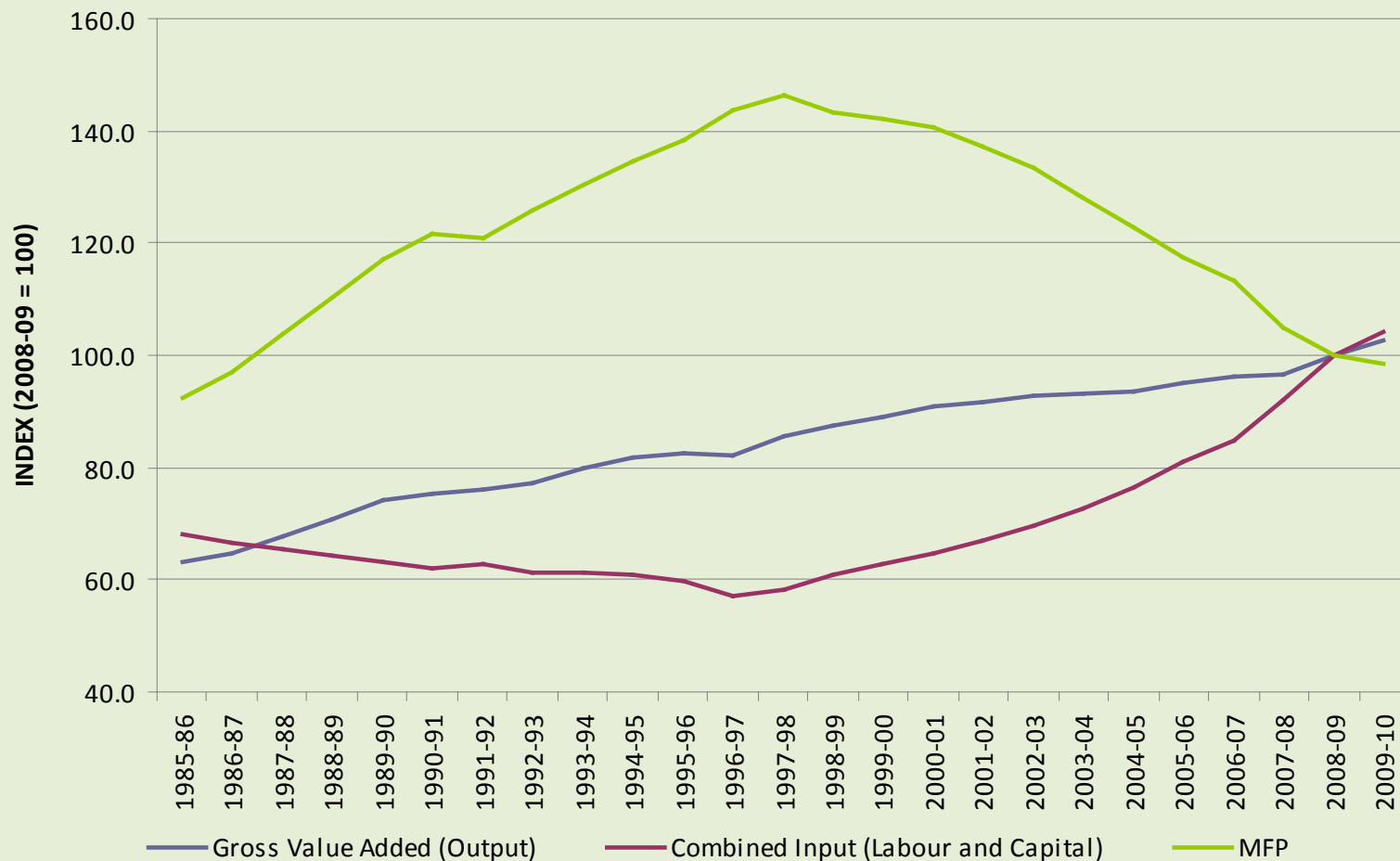
Example 1: Mining – Strong growth in inputs



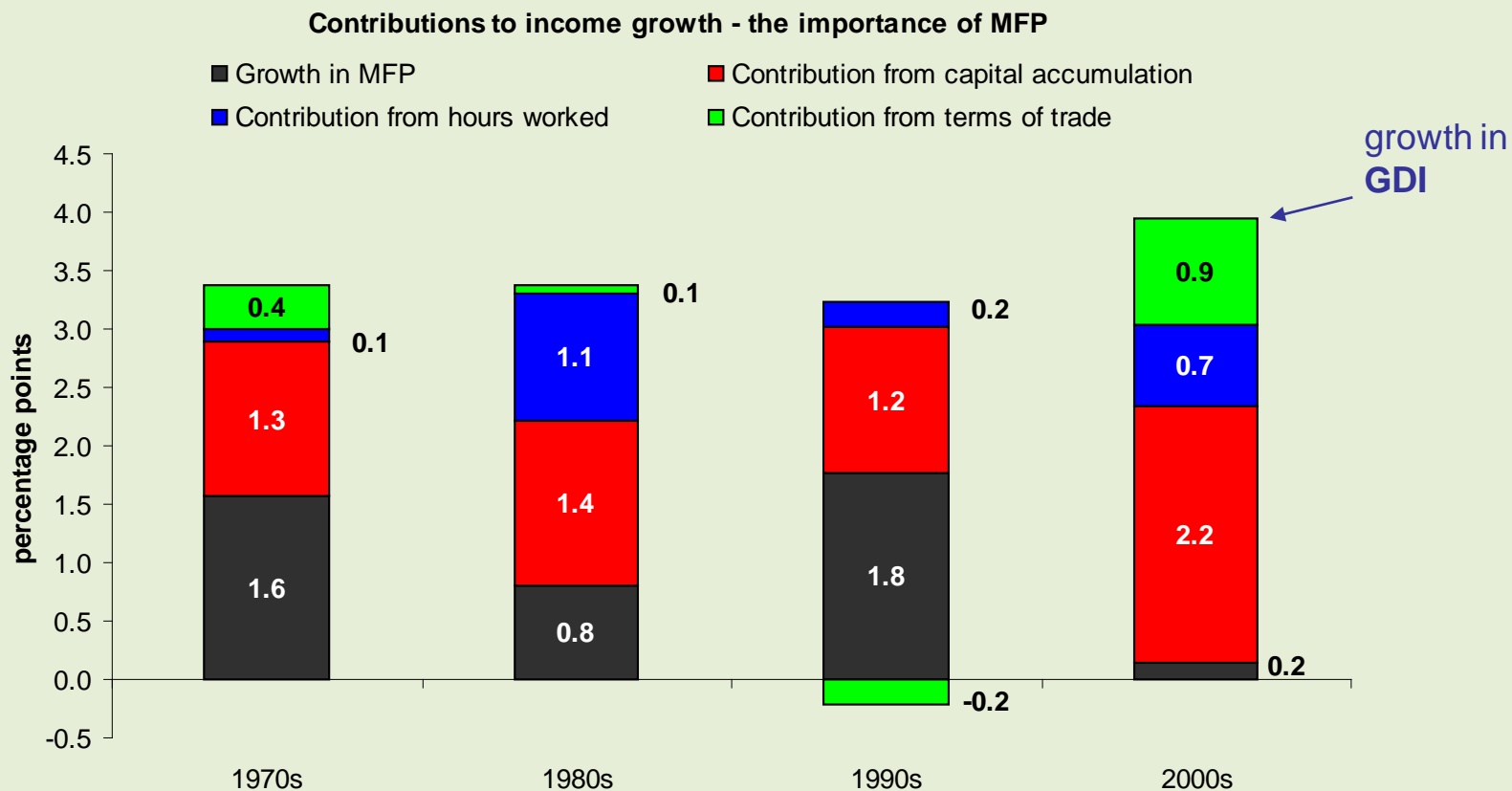
Example 1: Mining Investment (GFCF) and MFP



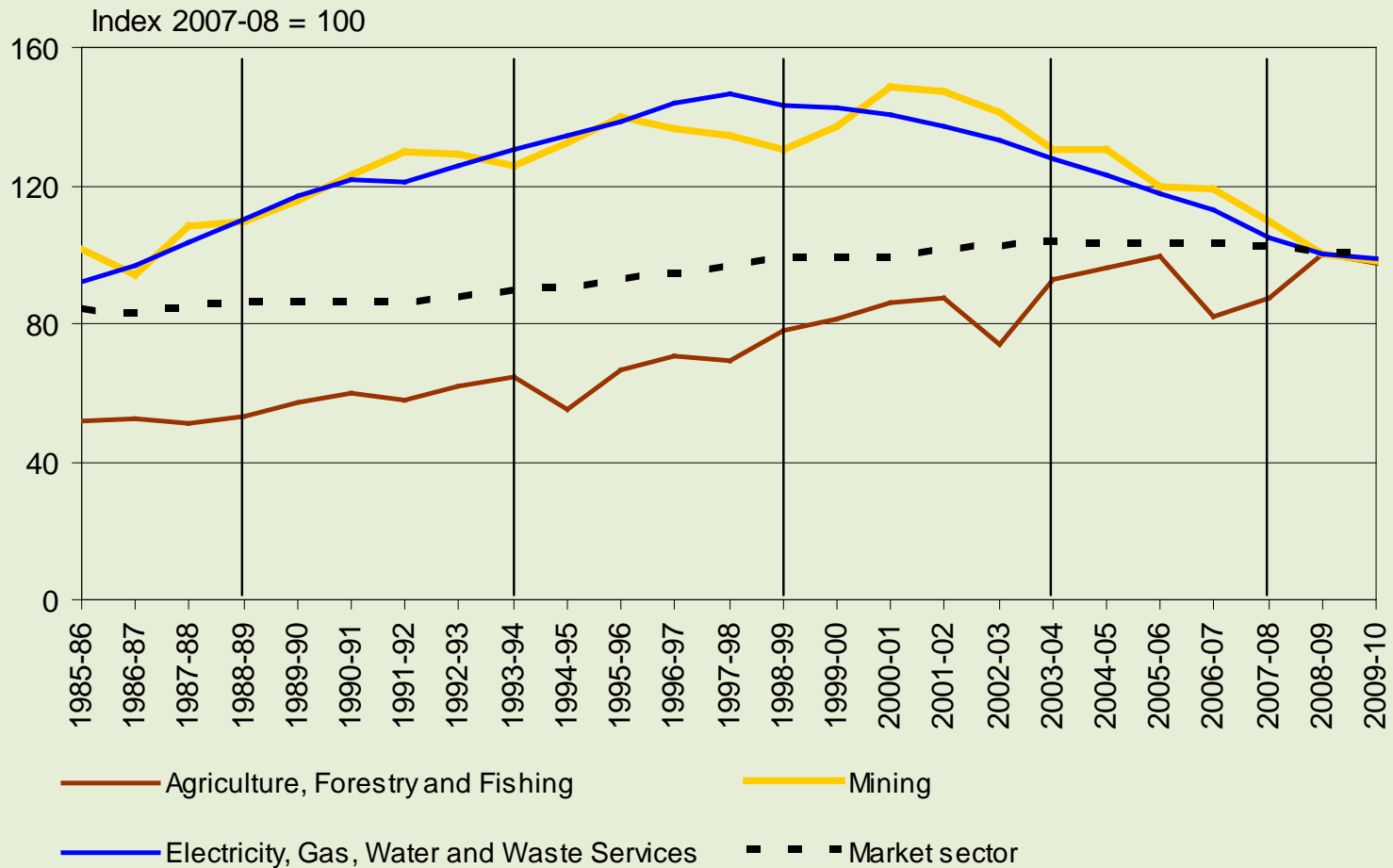
Example 2: Utilities (EGWWS) – Strong growth in inputs



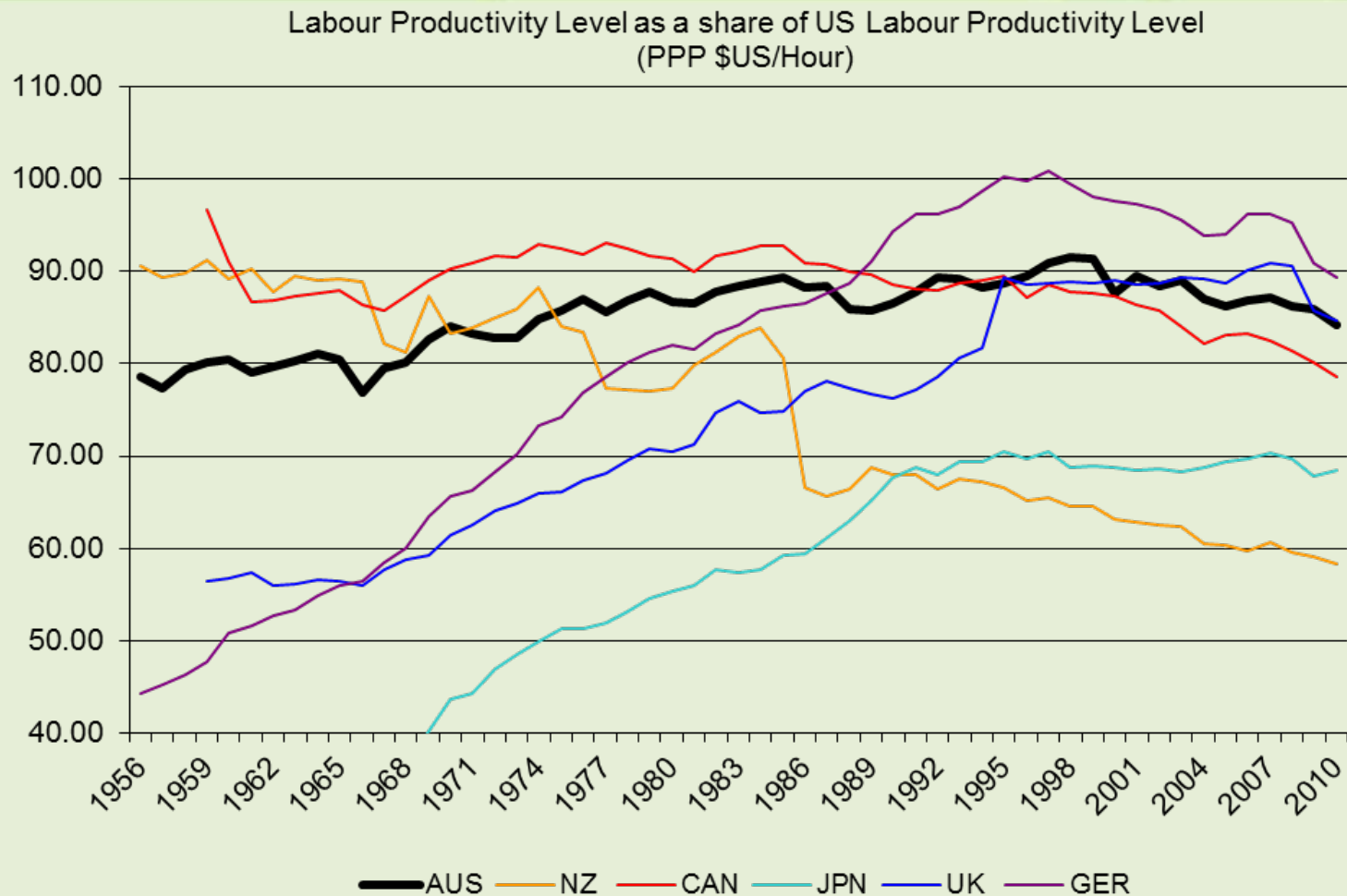
The Terms of Trade



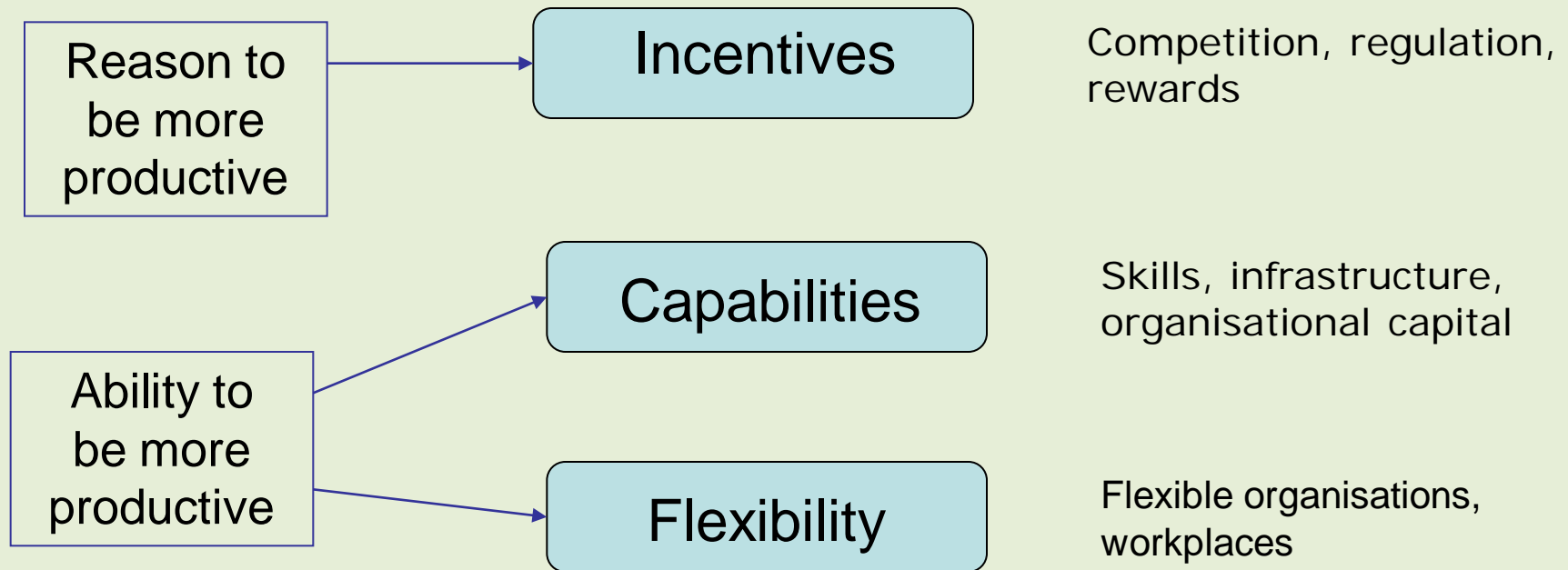
MFP by market sector and three selected industries



International Comparisons



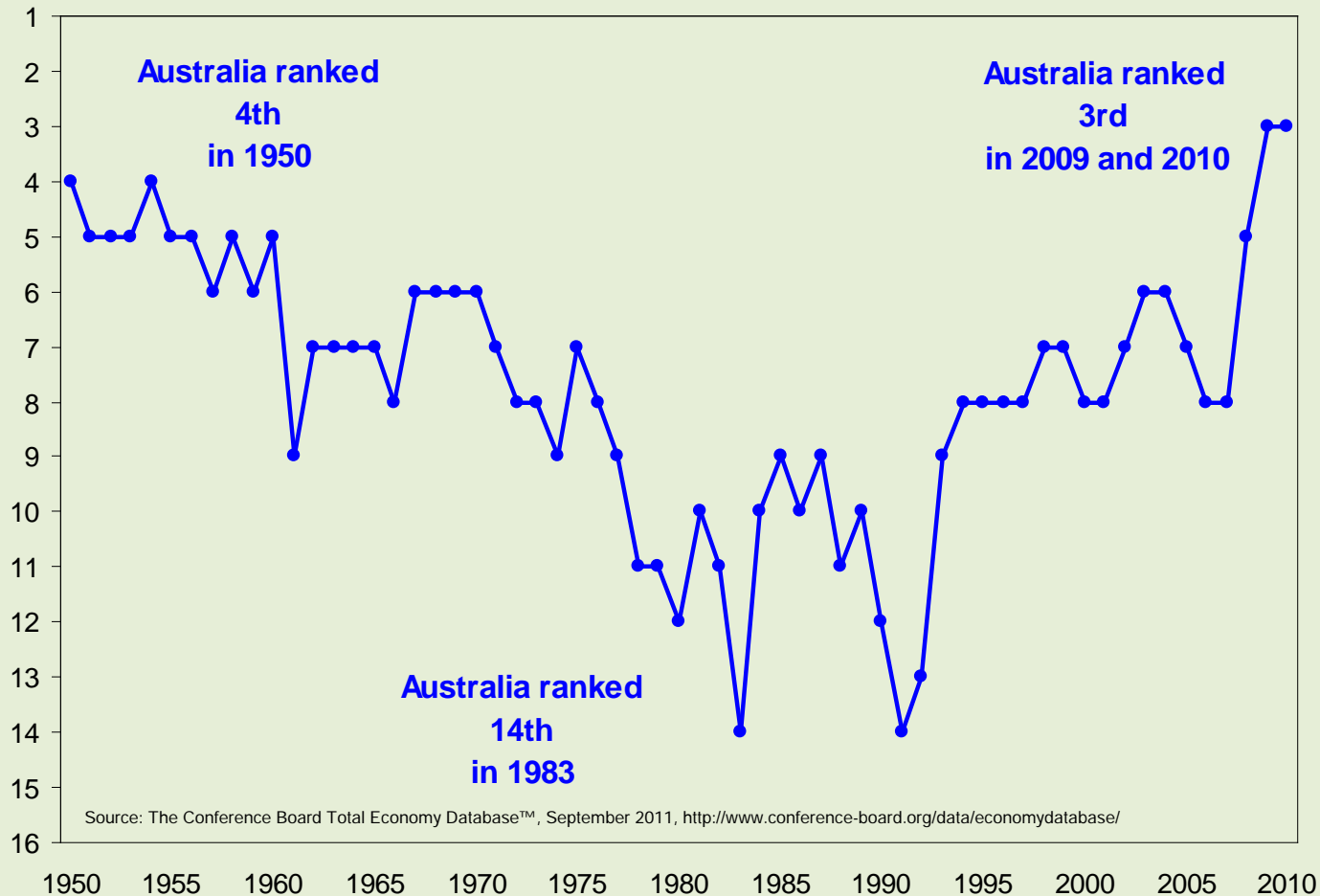
The platform for productivity growth



Inter-related! Need all three!

Australia's economic ranking

GDP per capita in 1990 US\$ (converted at Geary Khamis PPPs) 23 OECD countries



In 2009 and in 2010
the United States was ranked 1st
and
Norway was ranked 2nd