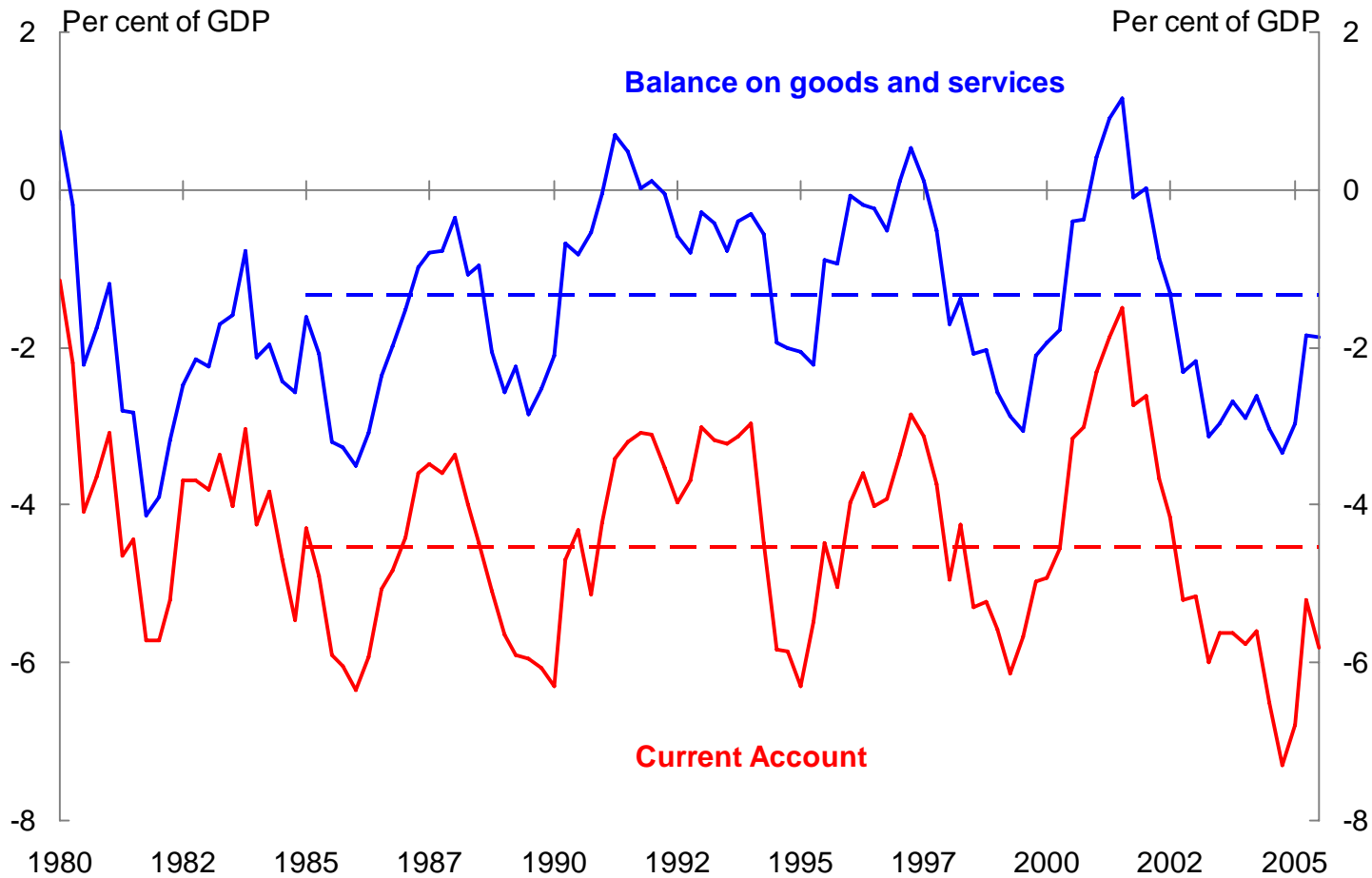


# Perspectives on Australia's Current Account Deficit

David Gruen  
Australian Treasury

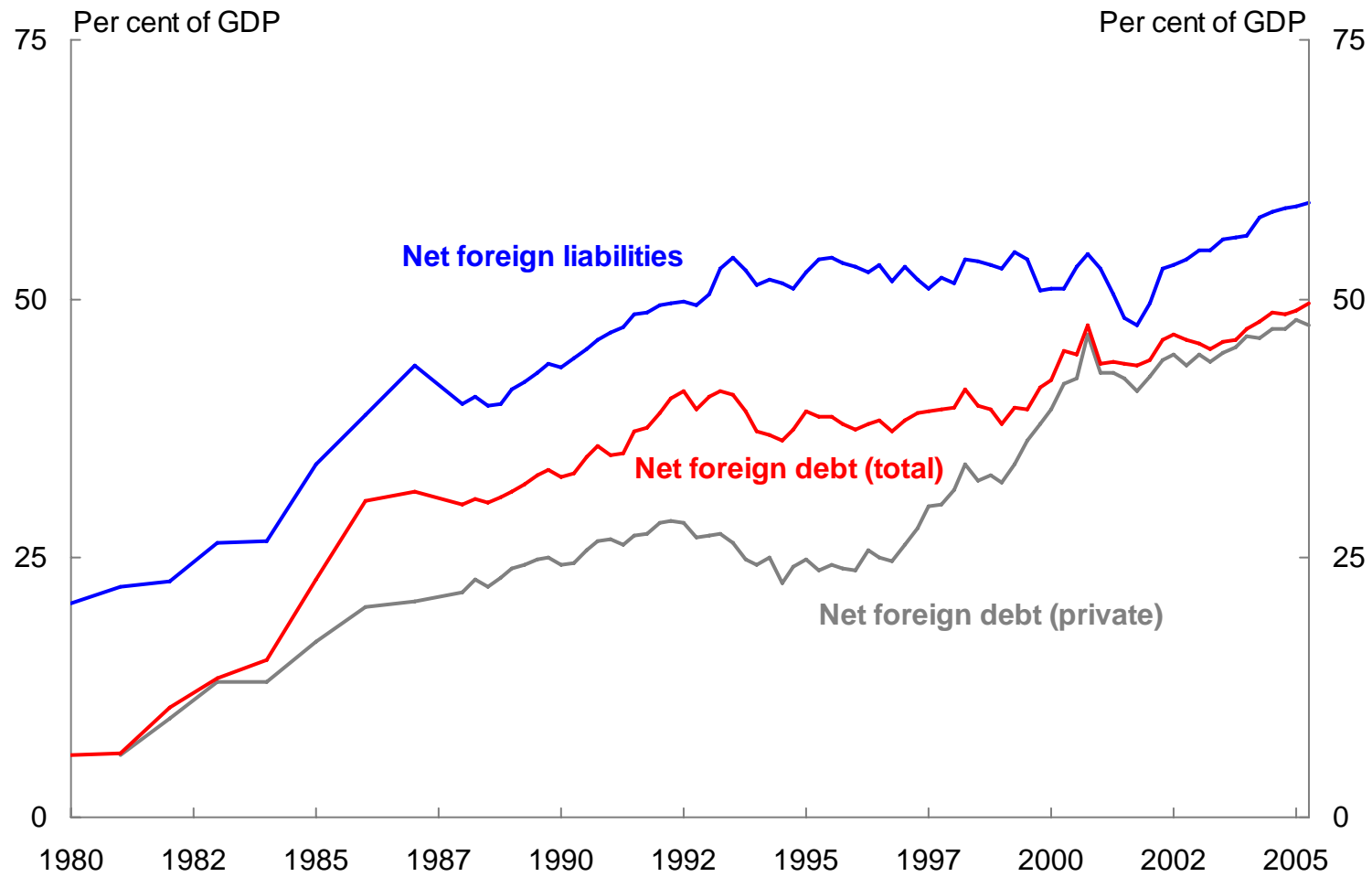
13 December 2005

# Current Account and Balance of Trade

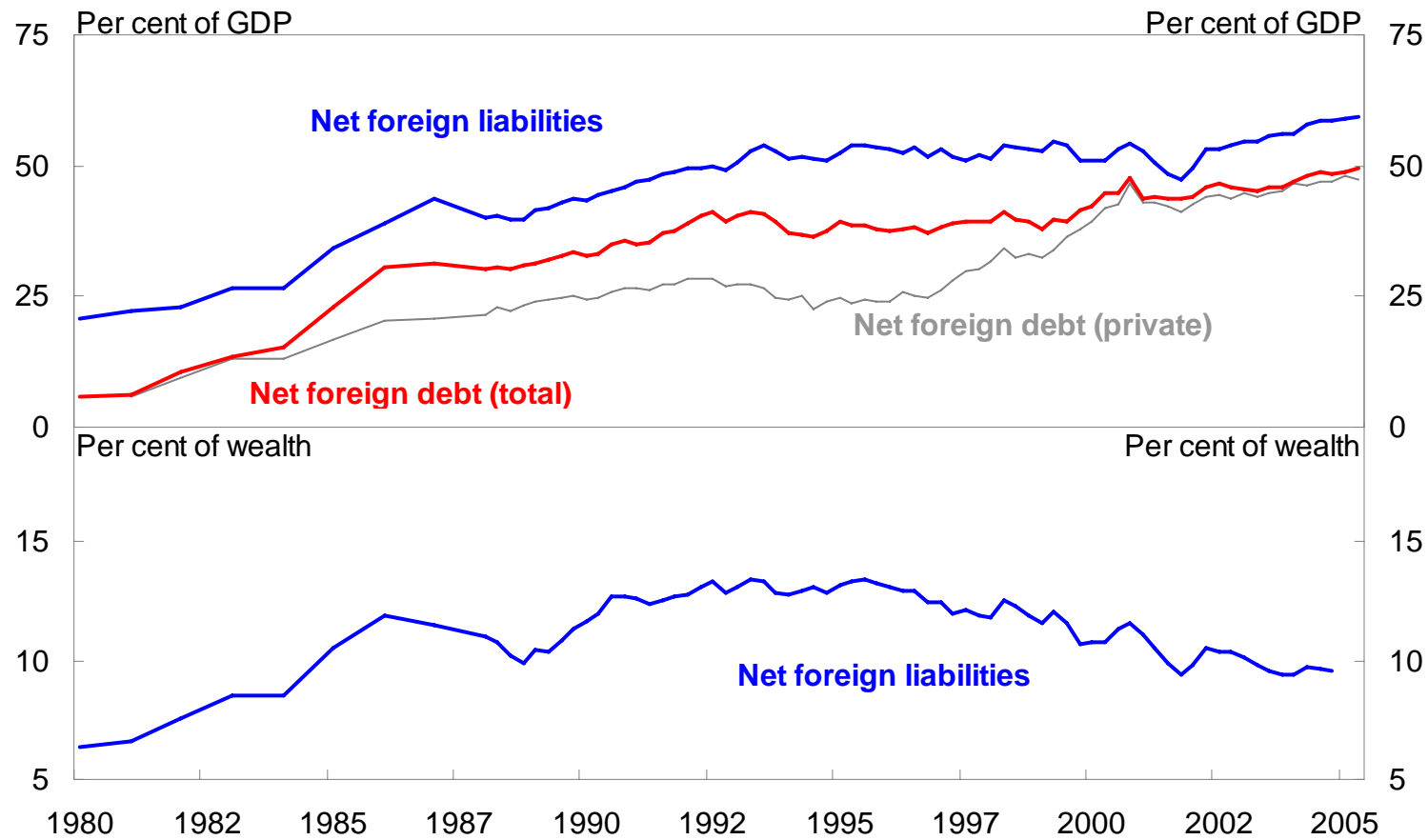


Dotted lines show averages since 1985

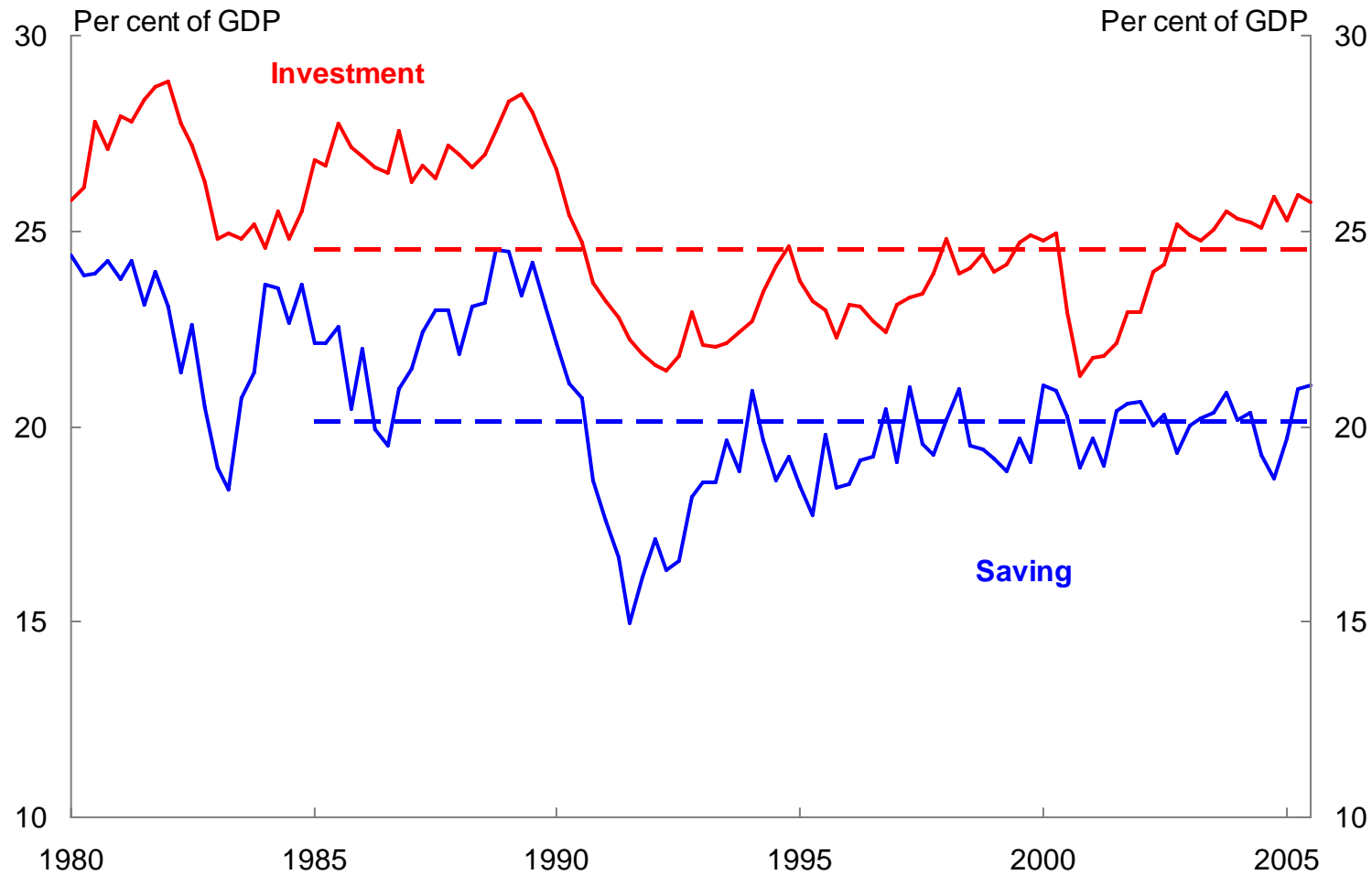
# Net Foreign Liabilities and Debt



# Net Foreign Liabilities and Debt

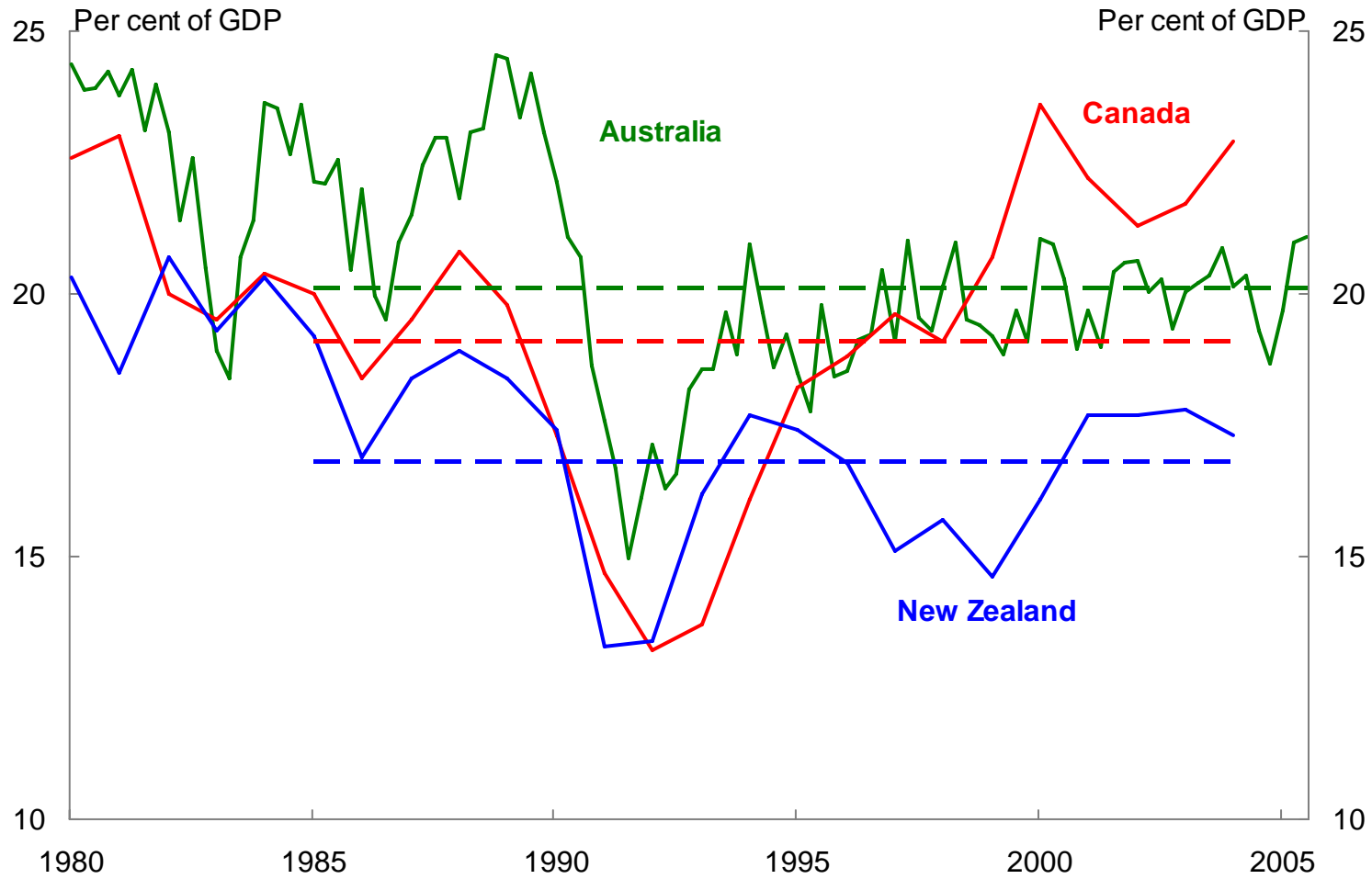


# Australian Gross National Saving and Investment



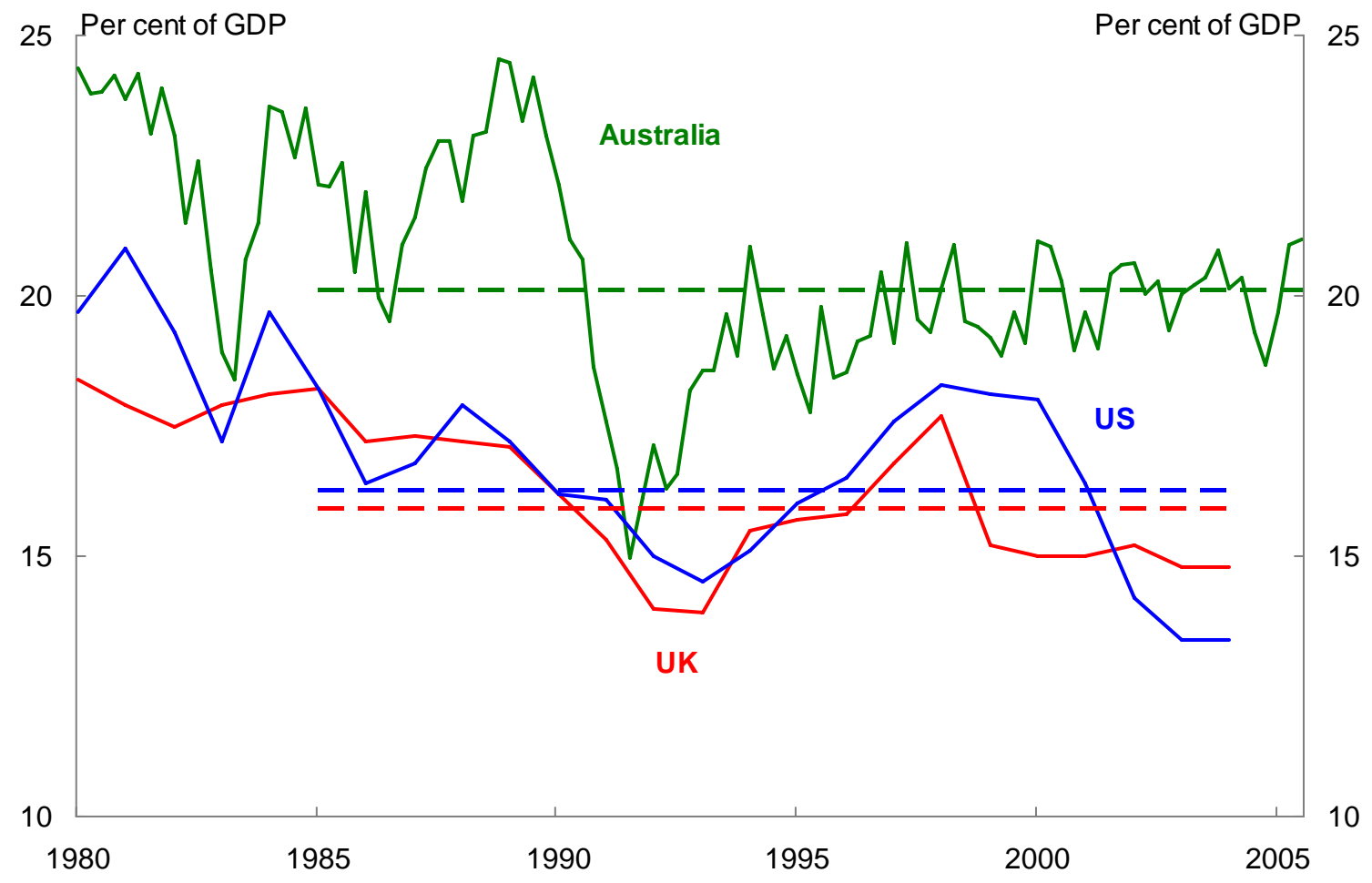
Dotted lines show averages since 1985

# Gross National Saving



Dotted lines show averages since 1985

# Gross National Saving



Dotted lines show averages since 1985

# Budget balances

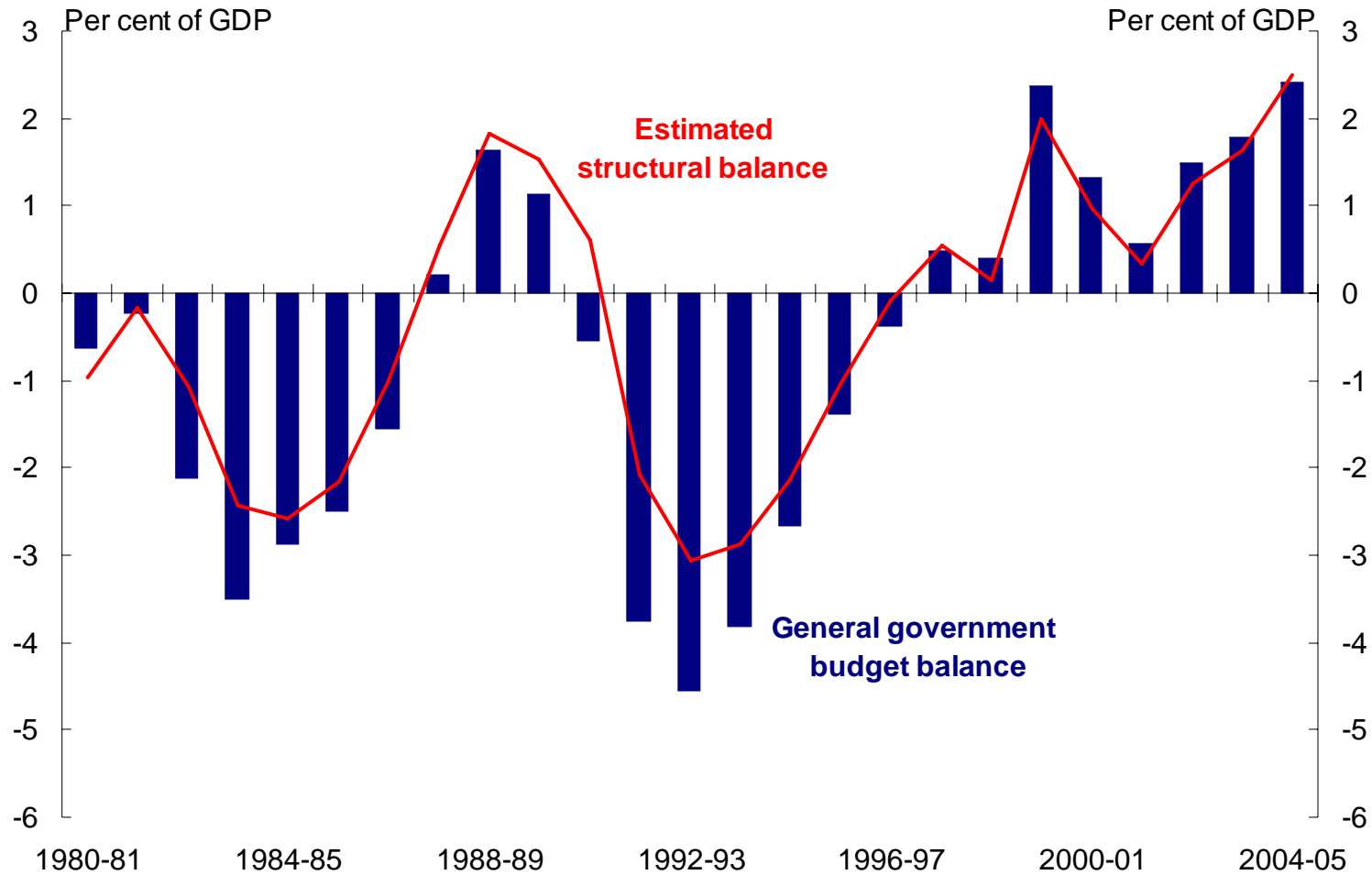
Latest three years relative to past two-decade average:

per cent of GDP

Canada	+4
New Zealand	+3½
Australia	+2¼
UK	-1
US	-1¼

# Australian Budget Balance

(All levels of government)

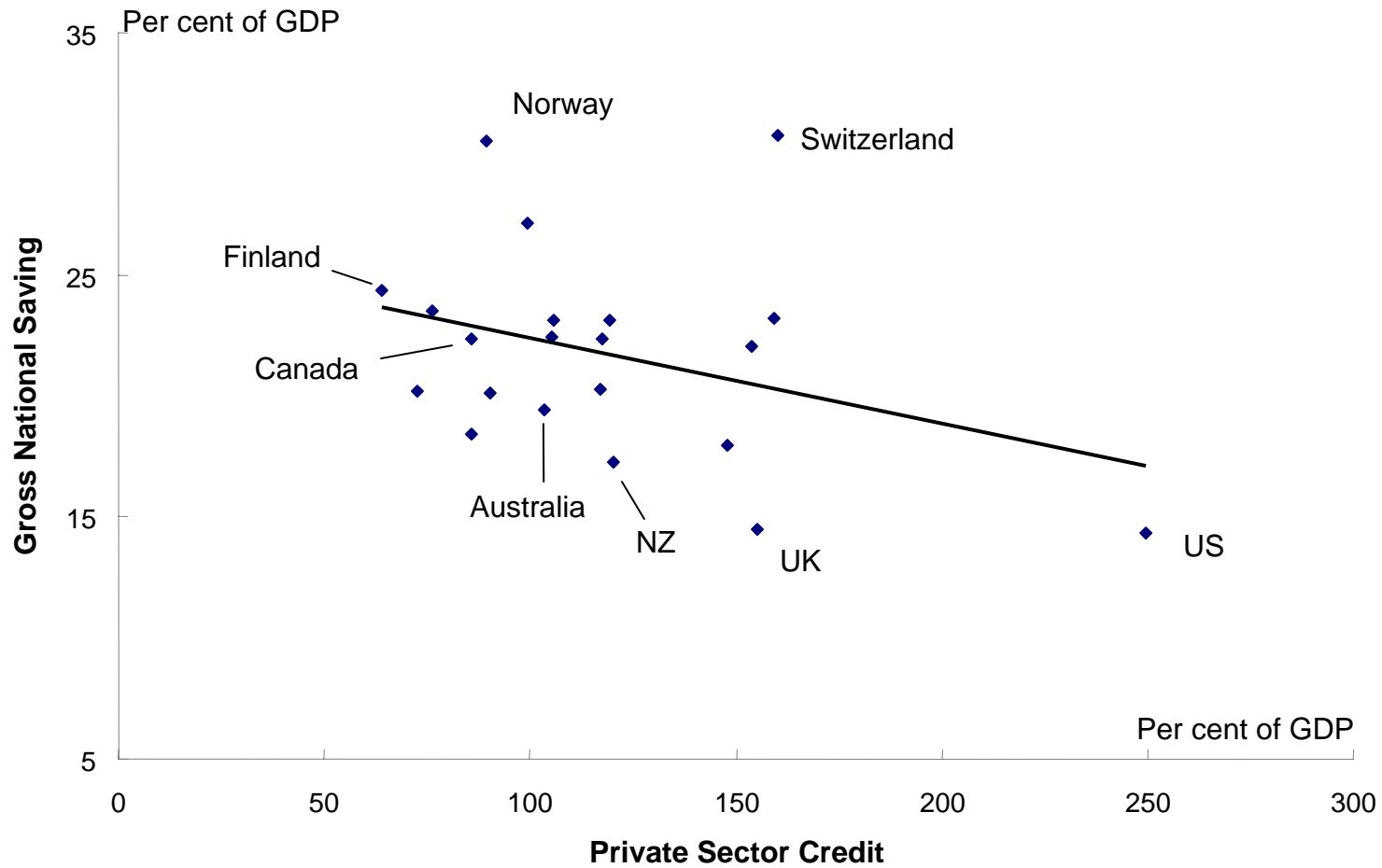


# Housing booms

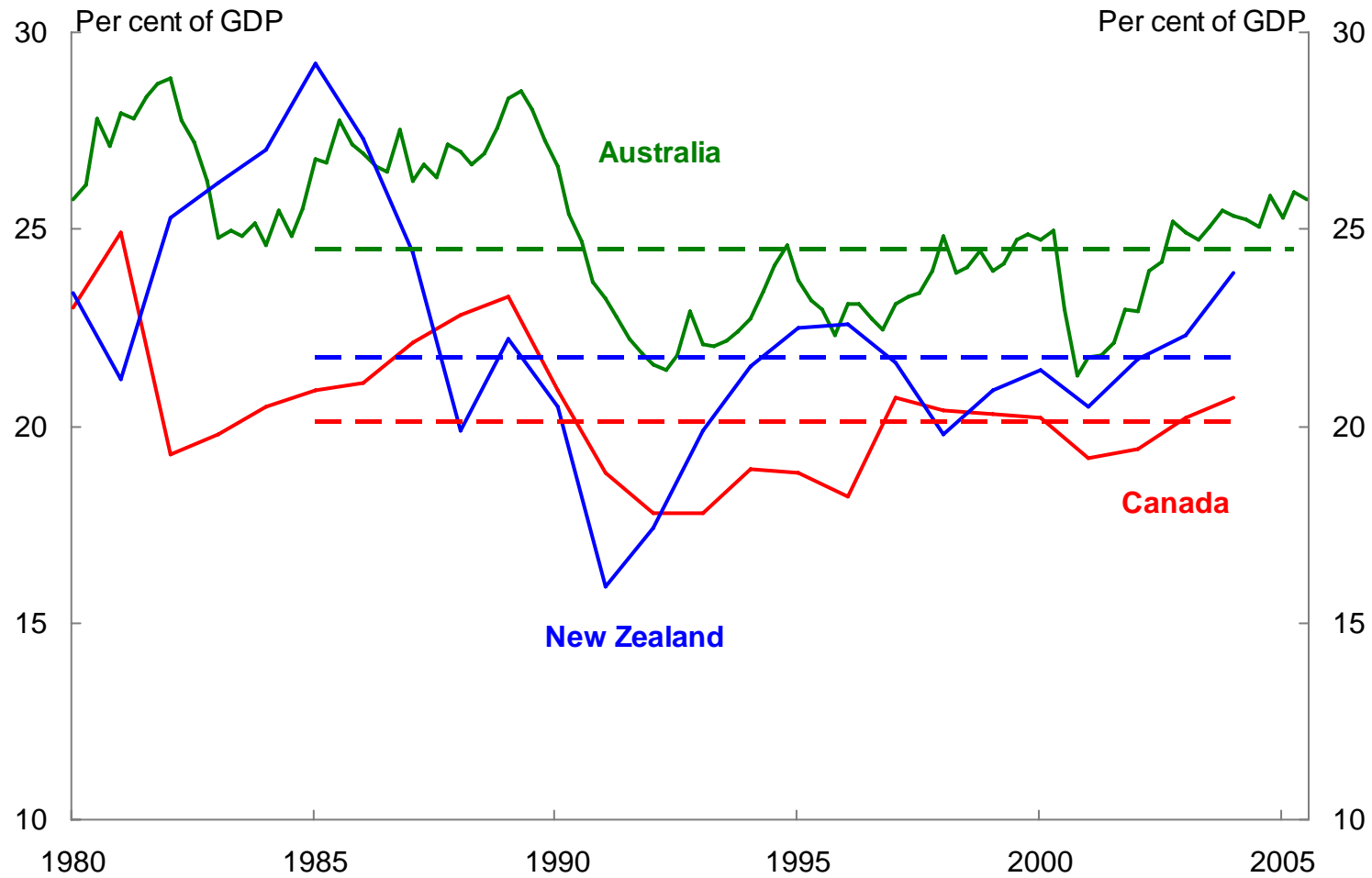
Rise in house prices from 1997 to now:  
per cent

UK	160
Australia	120
US	80
New Zealand	80
Canada	60

# National Saving and Private Credit

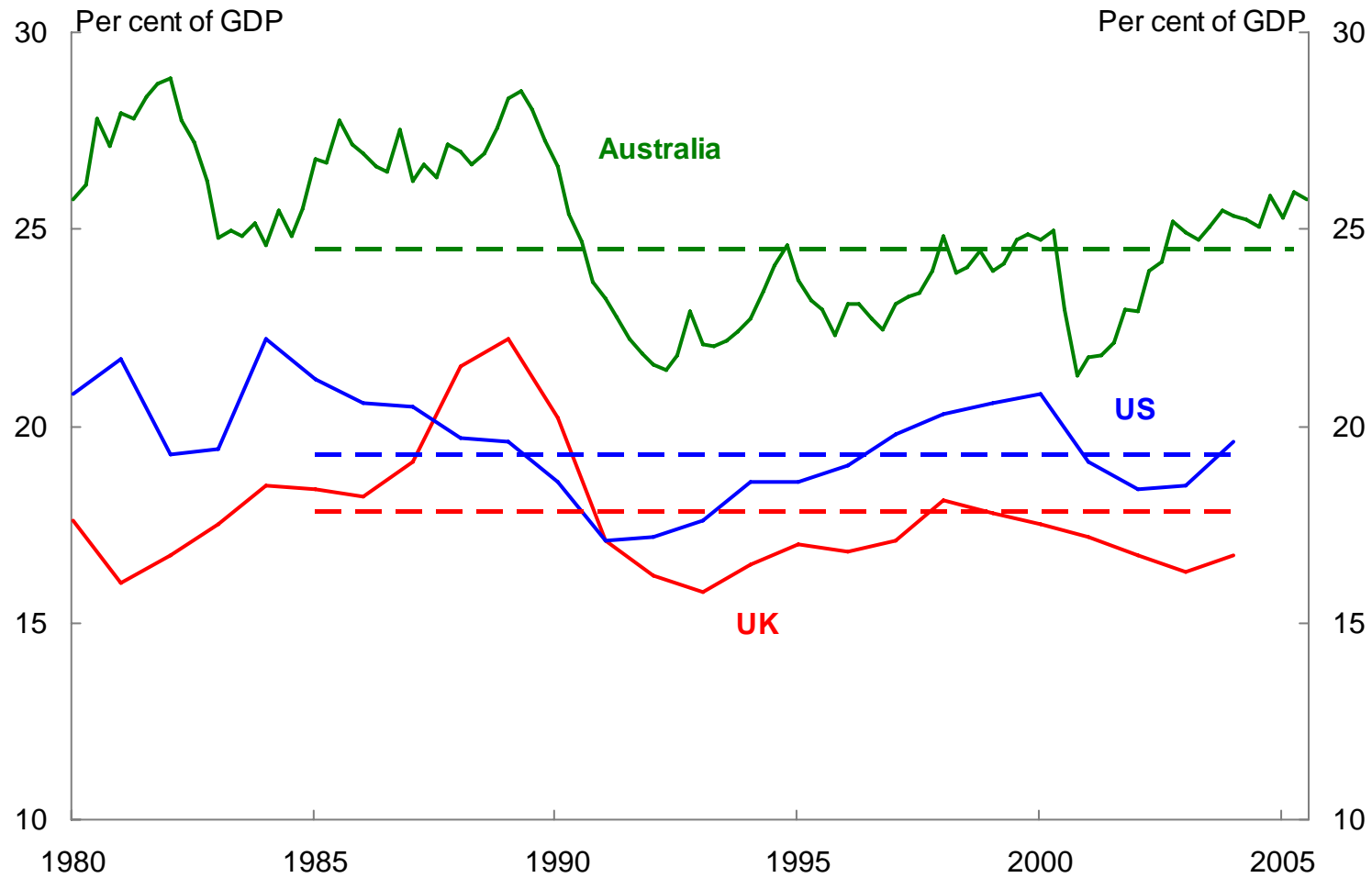


# Gross National Investment



Dotted lines show averages since 1985

# Gross National Investment



Dotted lines show averages since 1985

On average over the past two decades,  
national investment in Australia has  
averaged

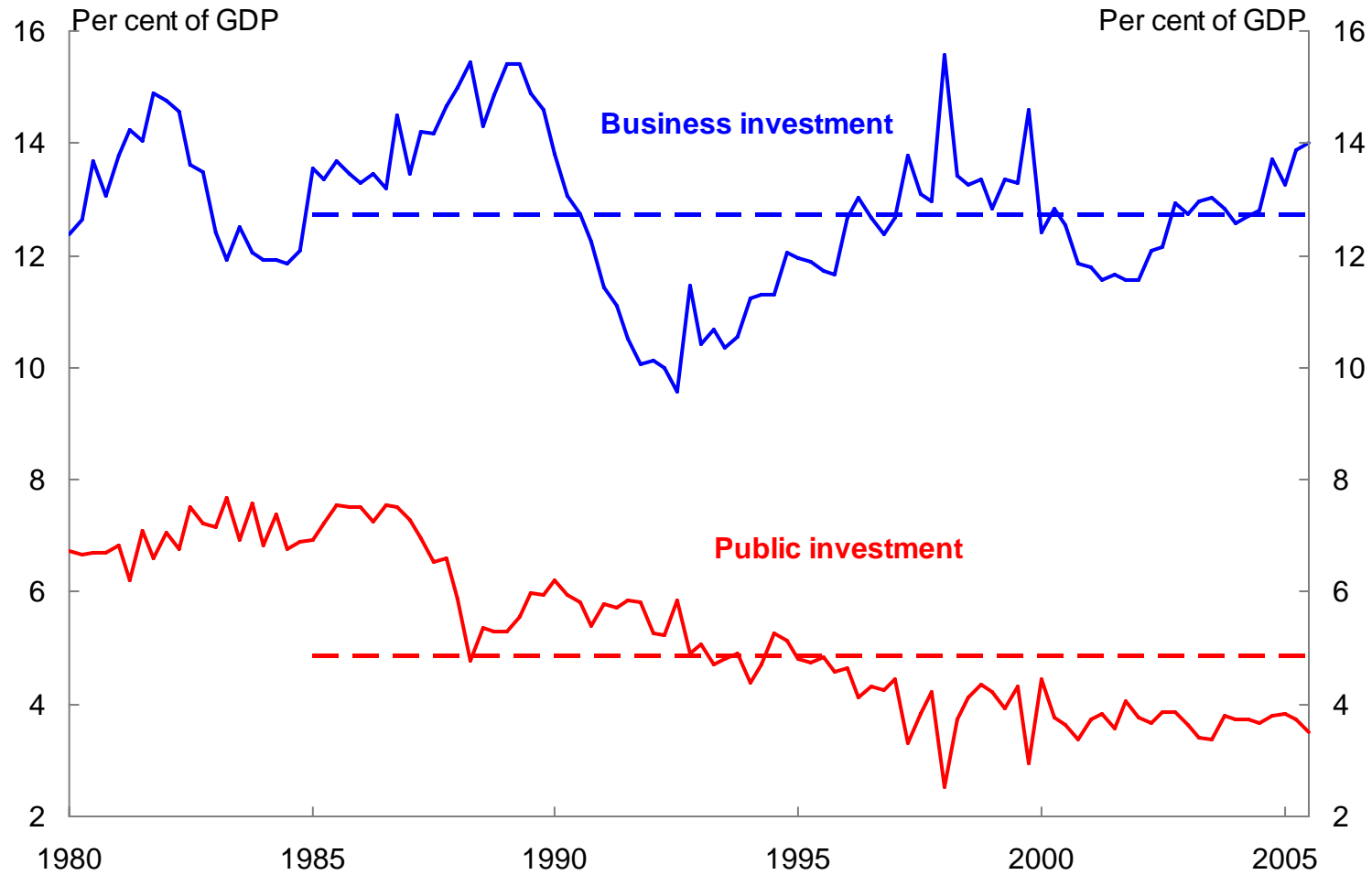
2¾ per cent of GDP above that in NZ

4½ per cent of GDP above that in Canada

5¼ per cent of GDP above that in the US

6¾ per cent of GDP above that in the UK

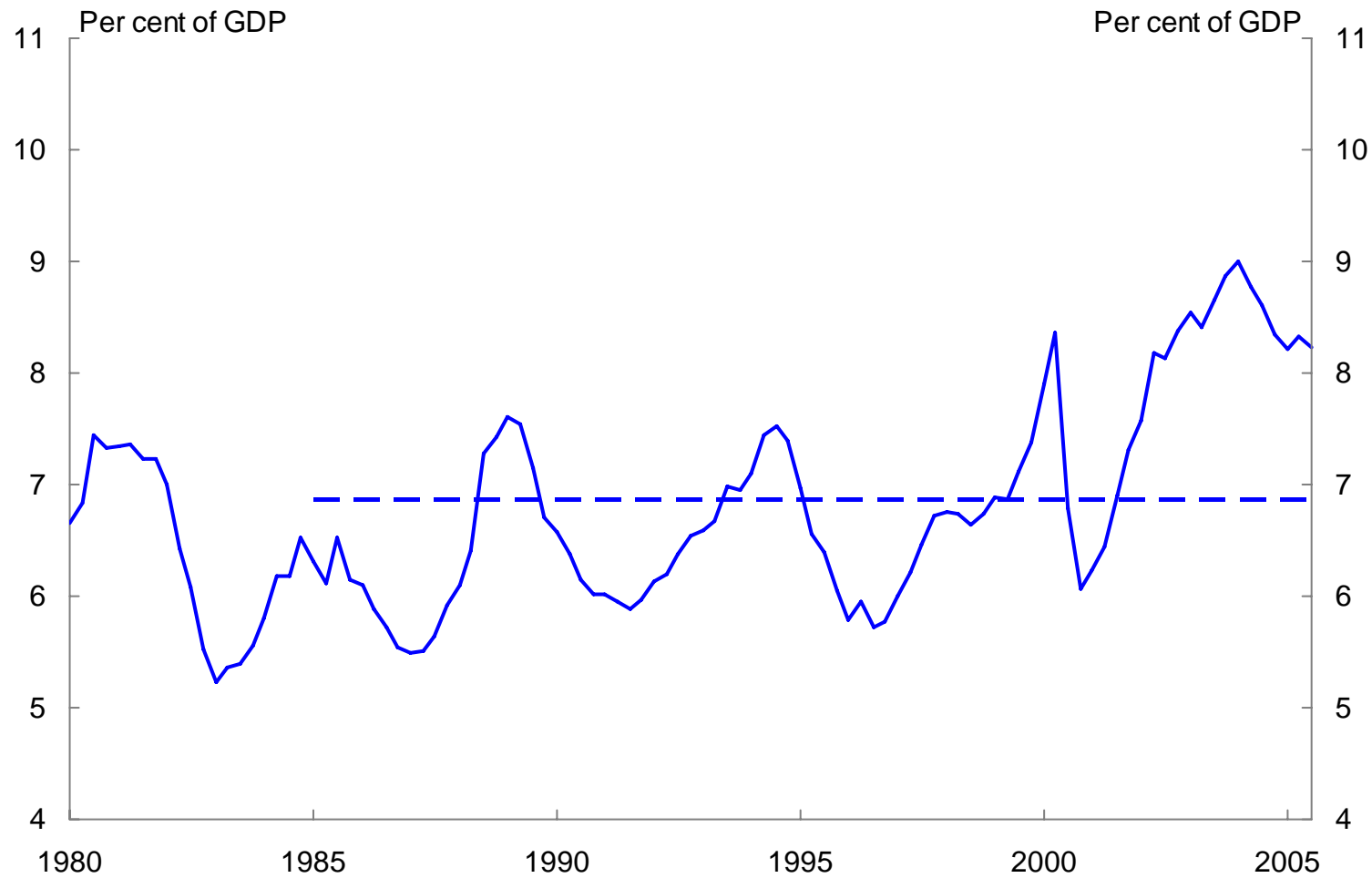
# Business and Public Investment



Dotted lines show averages since 1985

# Dwelling Investment

(Including ownership transfer costs)



Dotted line shows average since 1985

# Australian Dwelling Investment

(Including ownership transfer costs)

Nominal share:

per cent of GDP

1960s

5.1

1970s

6.1

1980s

6.4

1990s

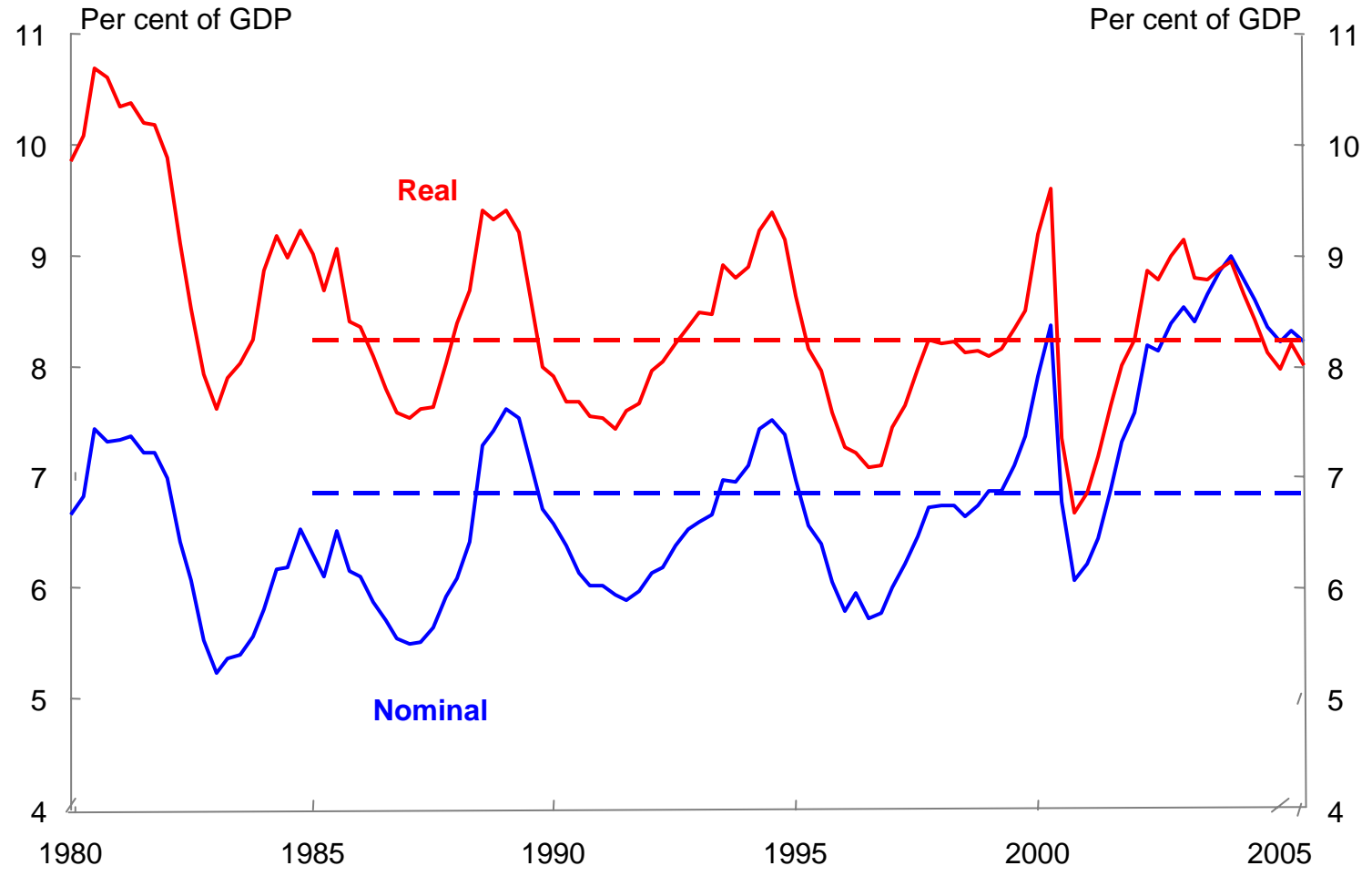
6.5

2000s

7.9

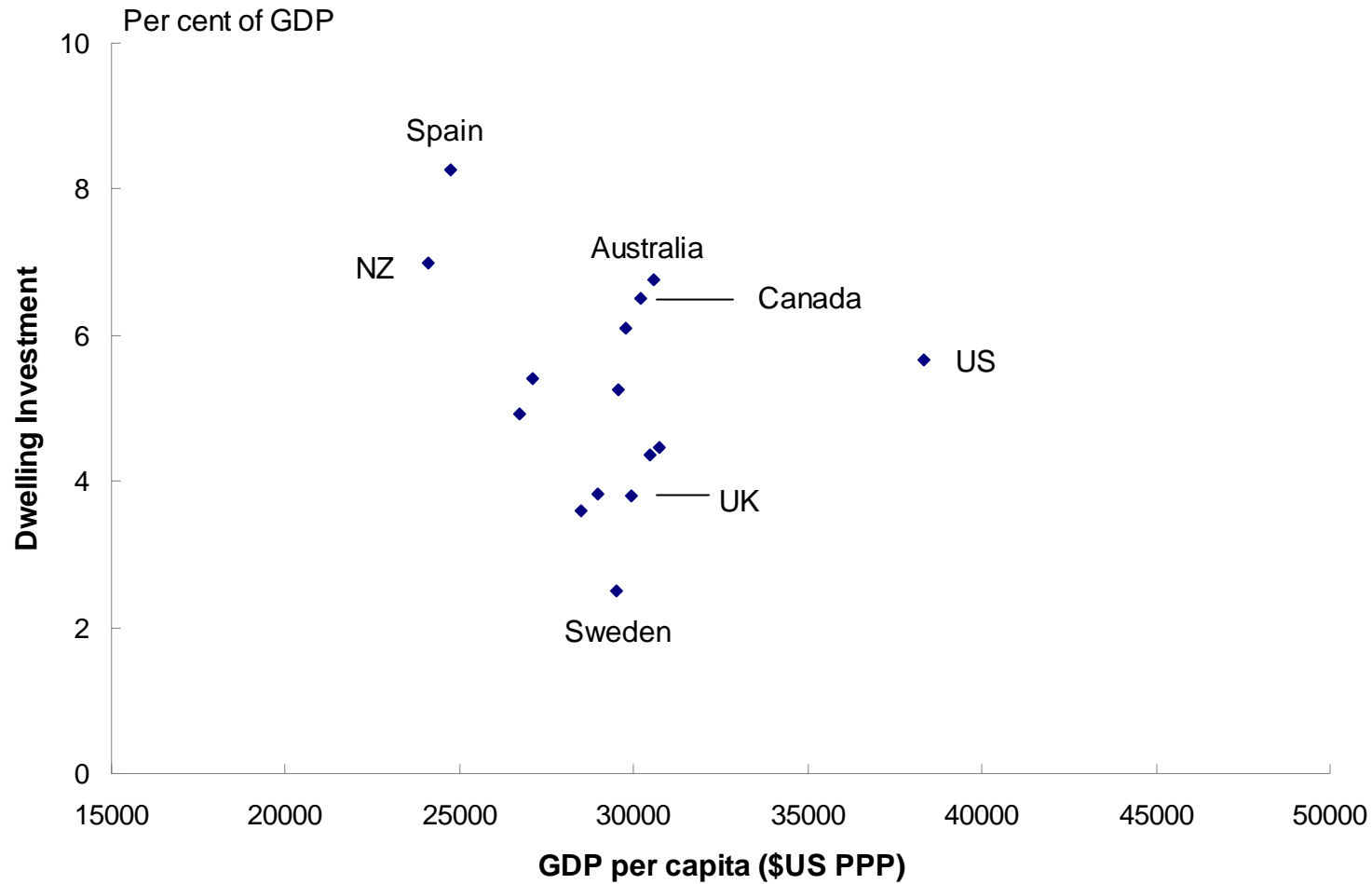
# Dwelling Investment

(Including ownership transfer costs)



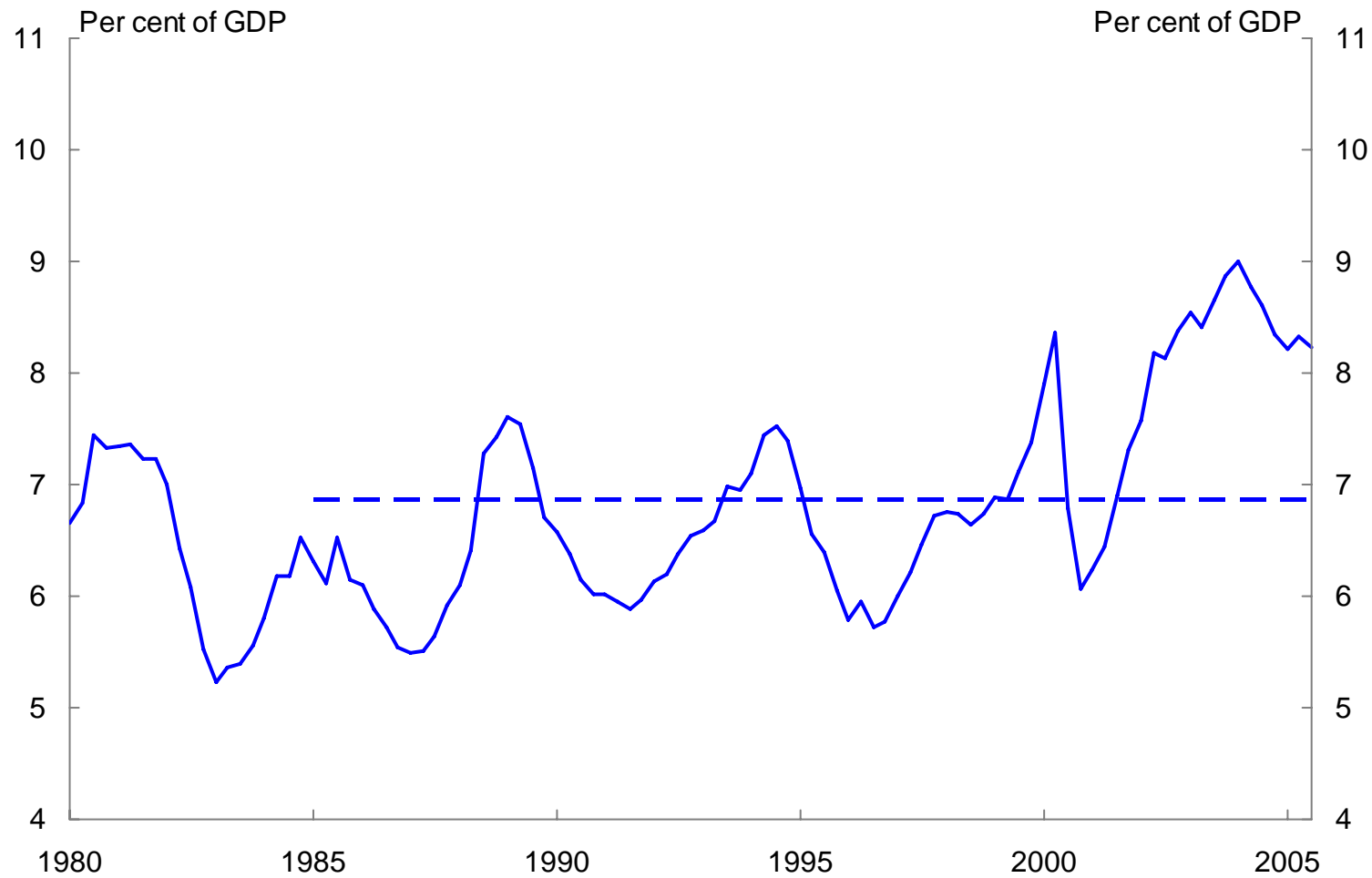
Dotted lines show averages since 1985

# Dwelling Investment and GDP per capita in 2004



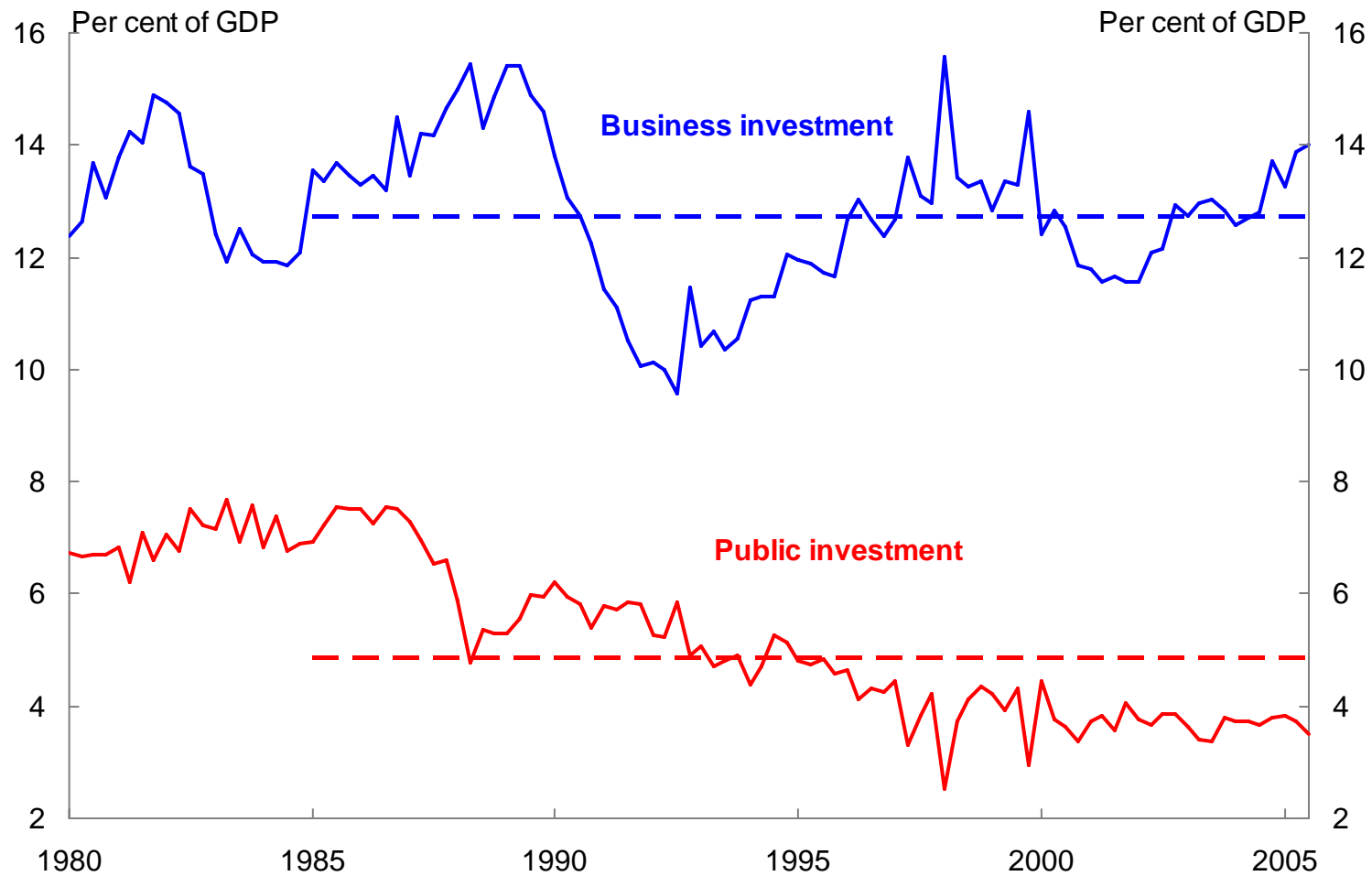
# Dwelling Investment

(Including ownership transfer costs)



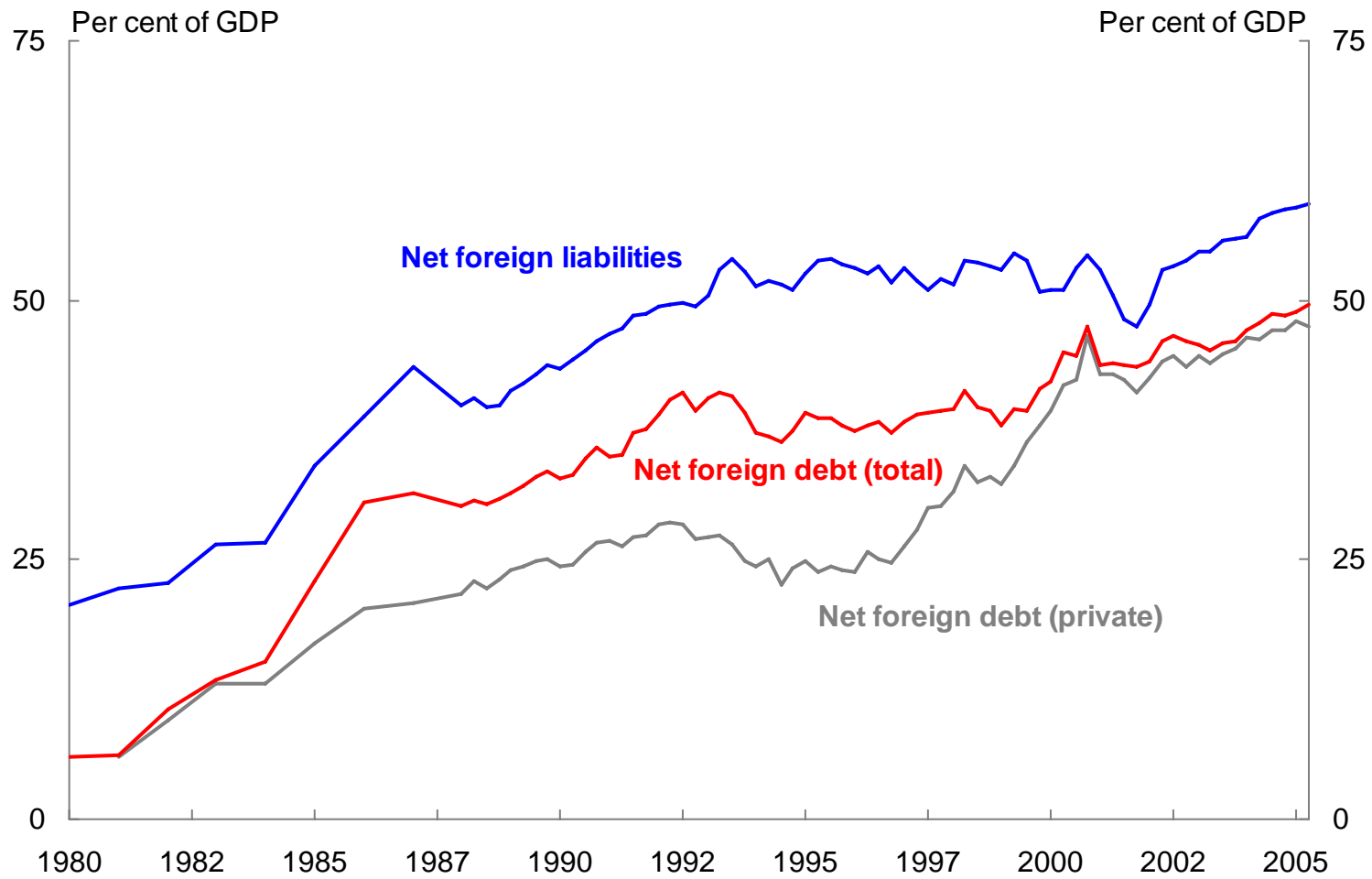
Dotted line shows average since 1985

# Business and Public Investment



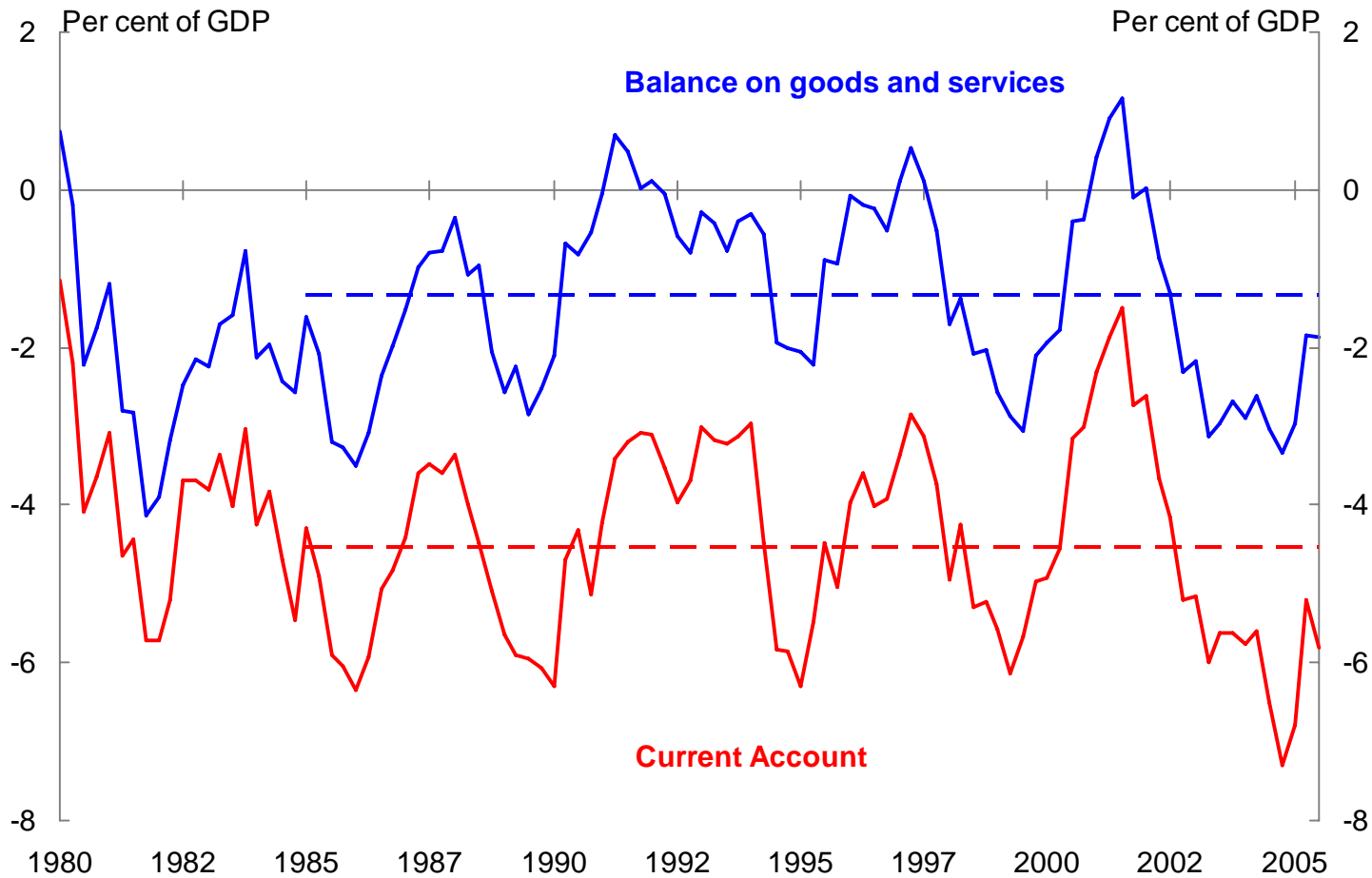
Dotted lines show averages since 1985

# Net Foreign Liabilities and Debt



To stabilise the ratio of net foreign liabilities to GDP around current levels requires a sustained trade surplus on goods and services of something like  $\frac{1}{2}$  to  $\frac{3}{4}$  of a per cent of GDP

# Current Account and Balance of Trade



Dotted lines show averages since 1985