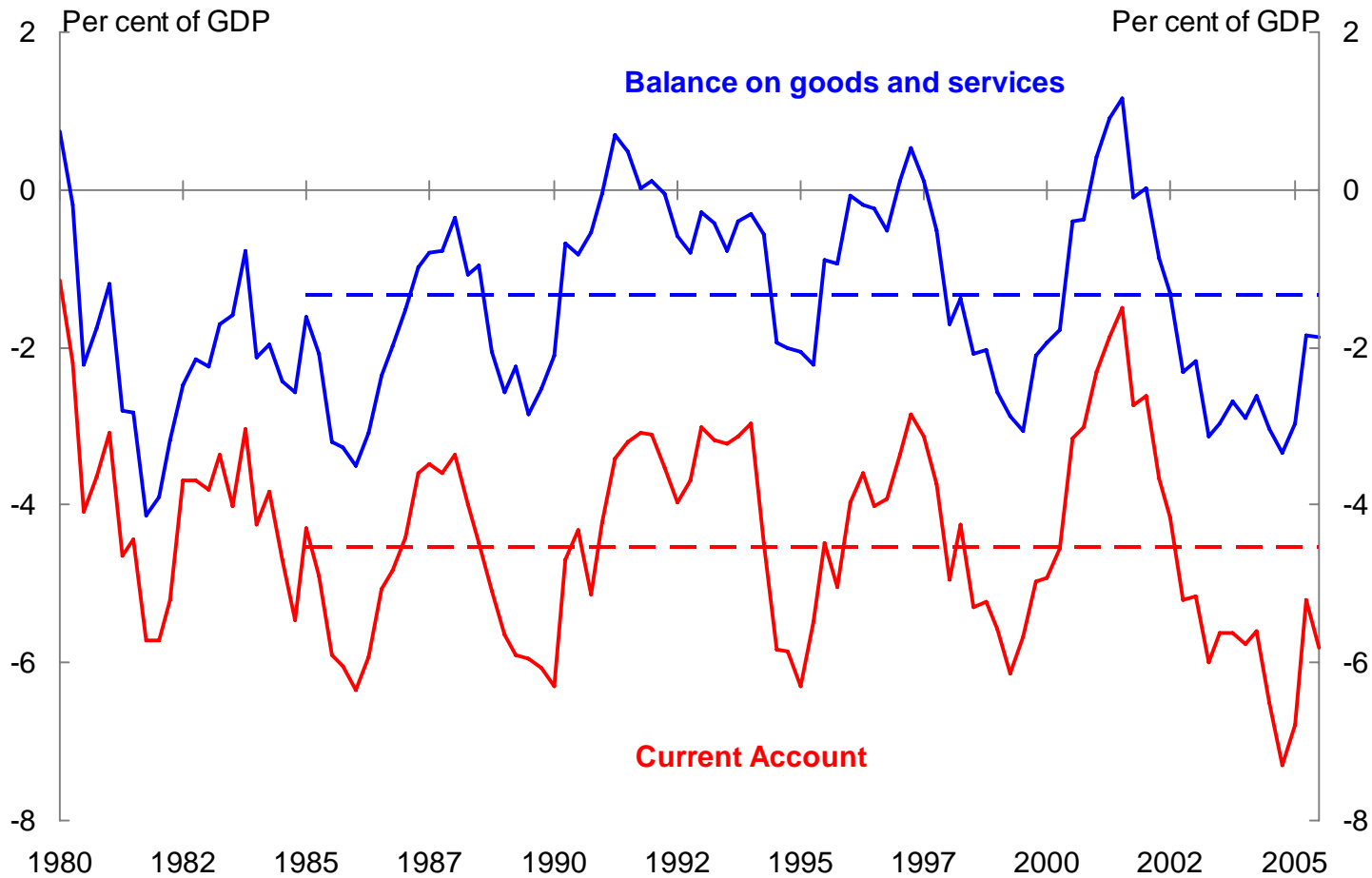


Perspectives on Australia's Current Account Deficit

David Gruen
Australian Treasury

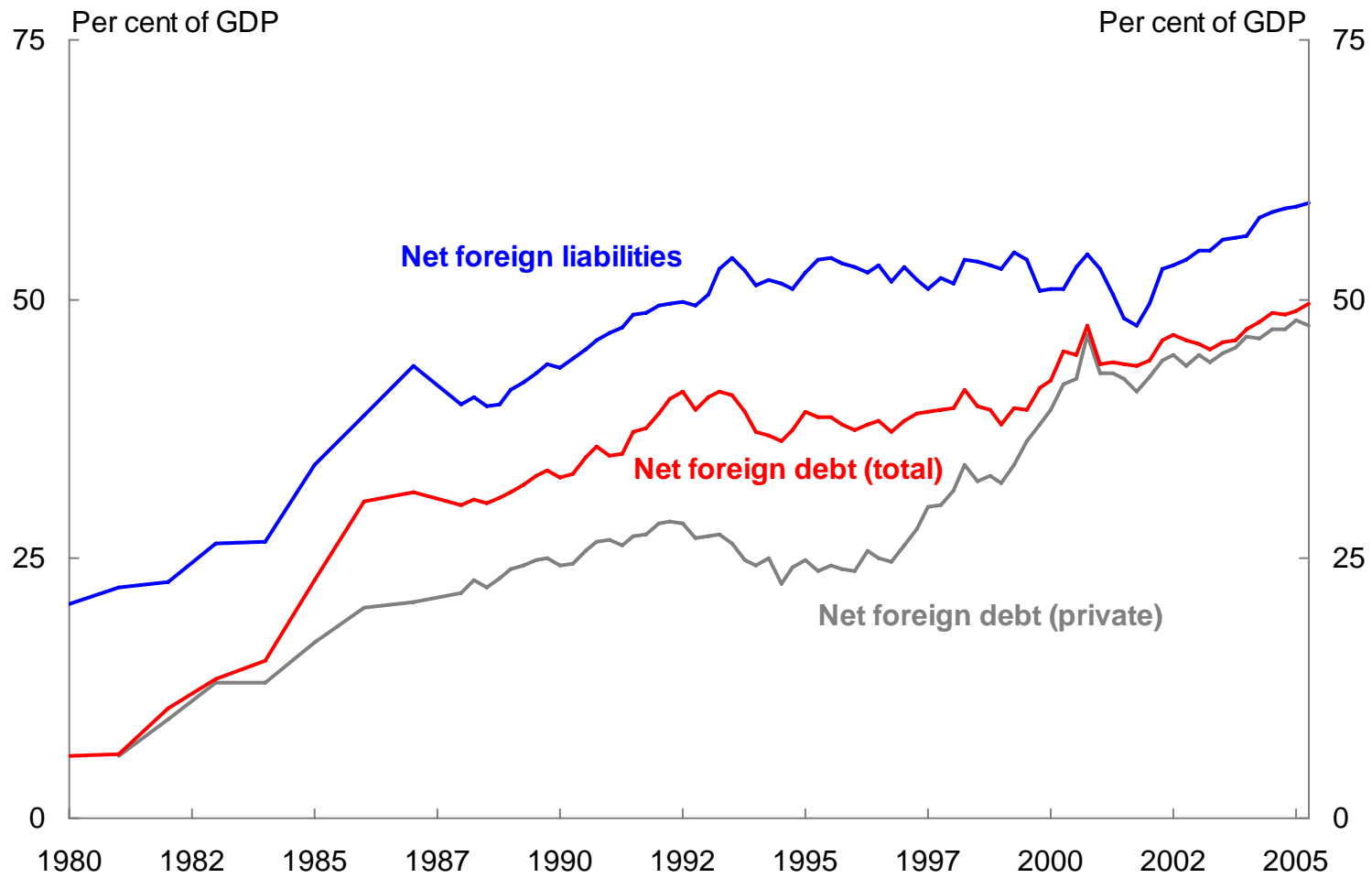
13 December 2005

Current Account and Balance of Trade

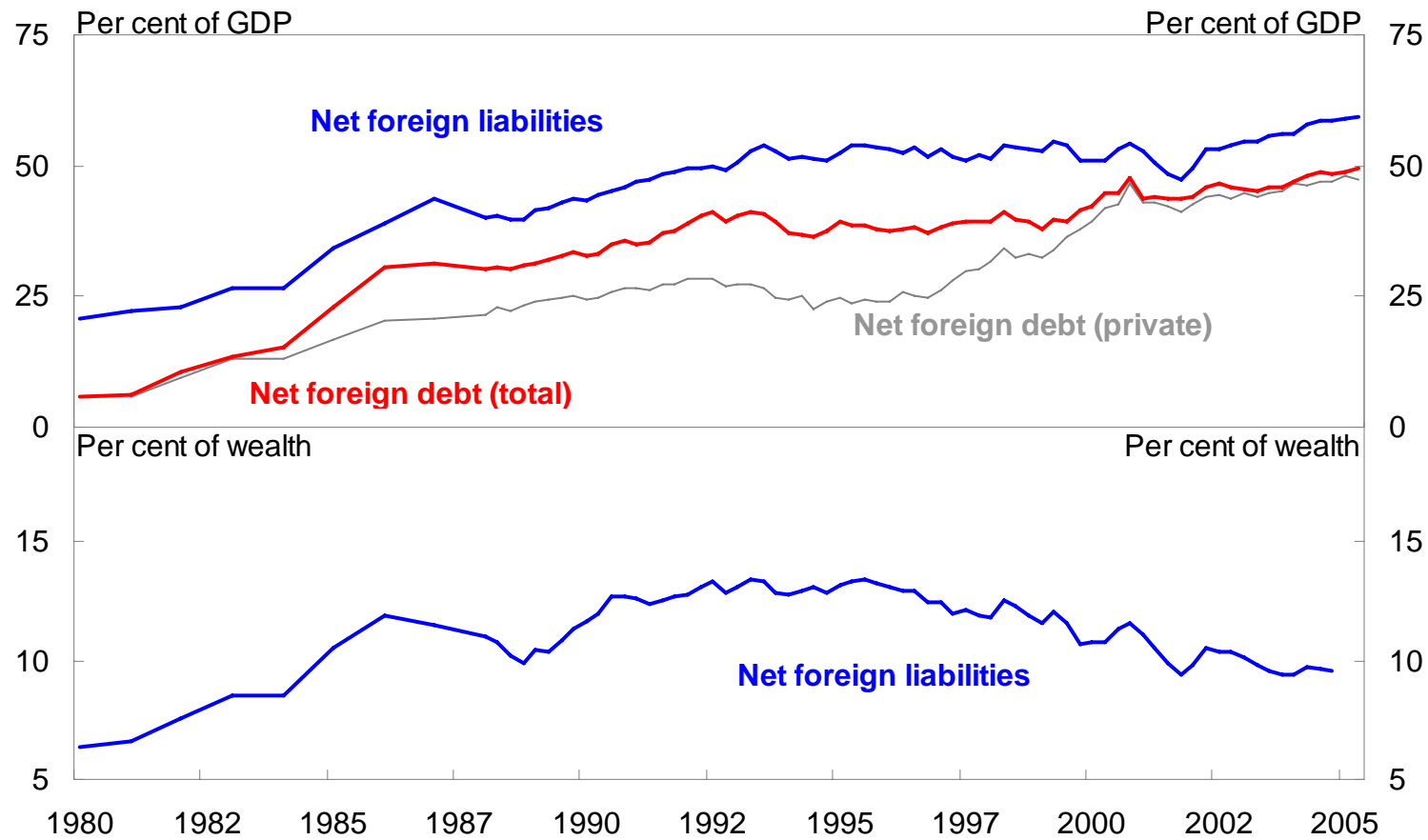


Dotted lines show averages since 1985

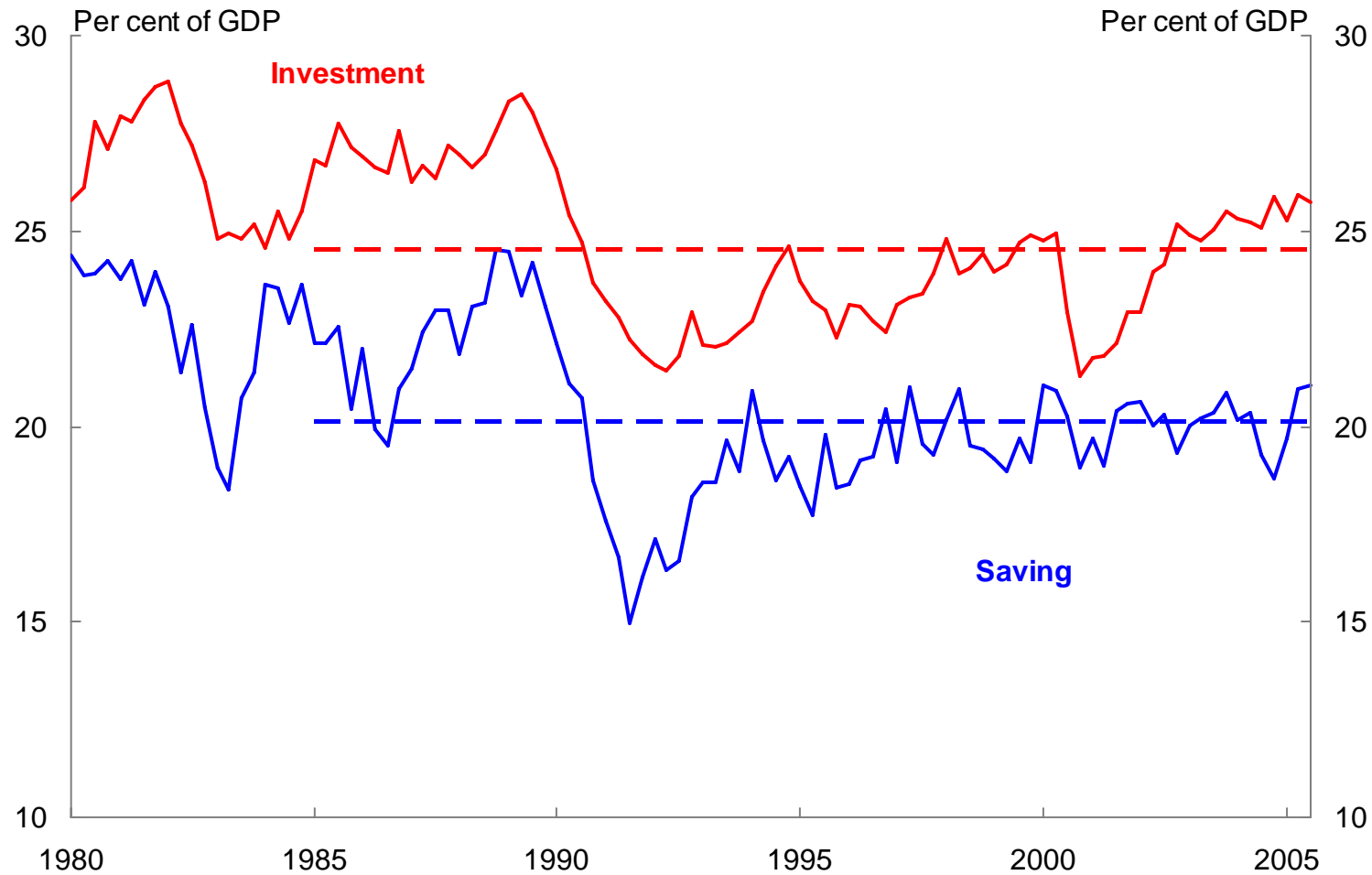
Net Foreign Liabilities and Debt



Net Foreign Liabilities and Debt

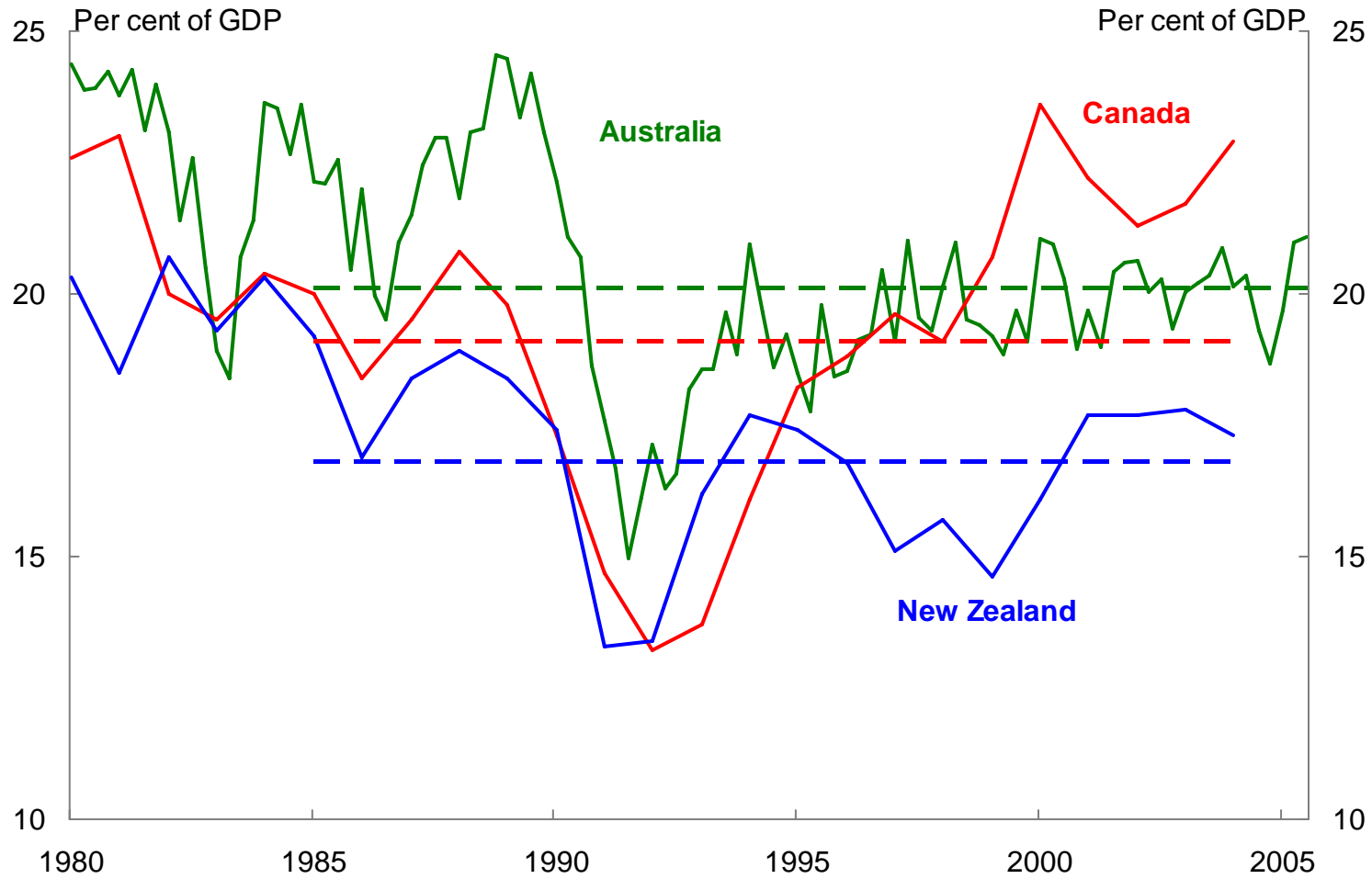


Australian Gross National Saving and Investment



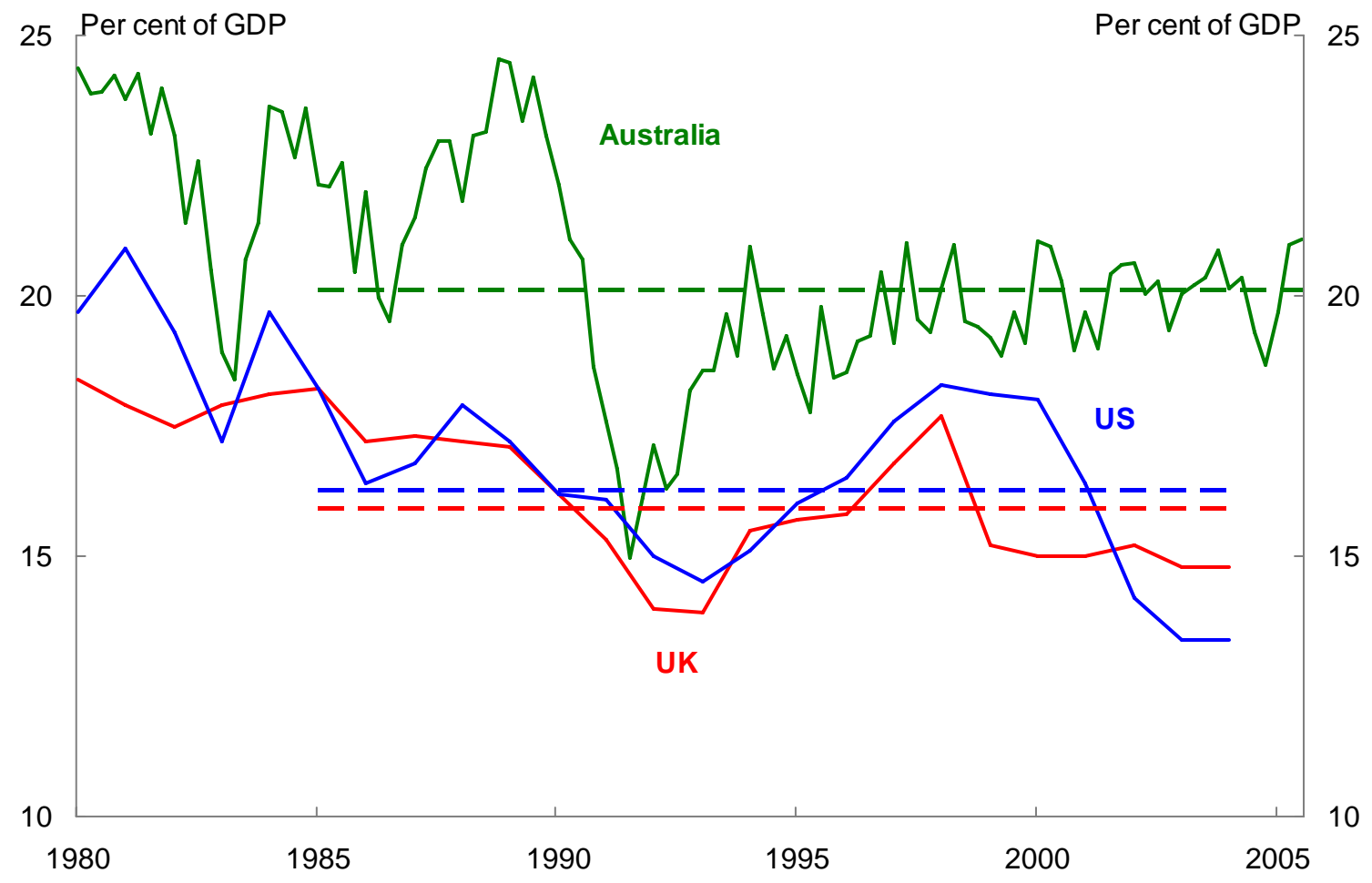
Dotted lines show averages since 1985

Gross National Saving



Dotted lines show averages since 1985

Gross National Saving



Dotted lines show averages since 1985

Budget balances

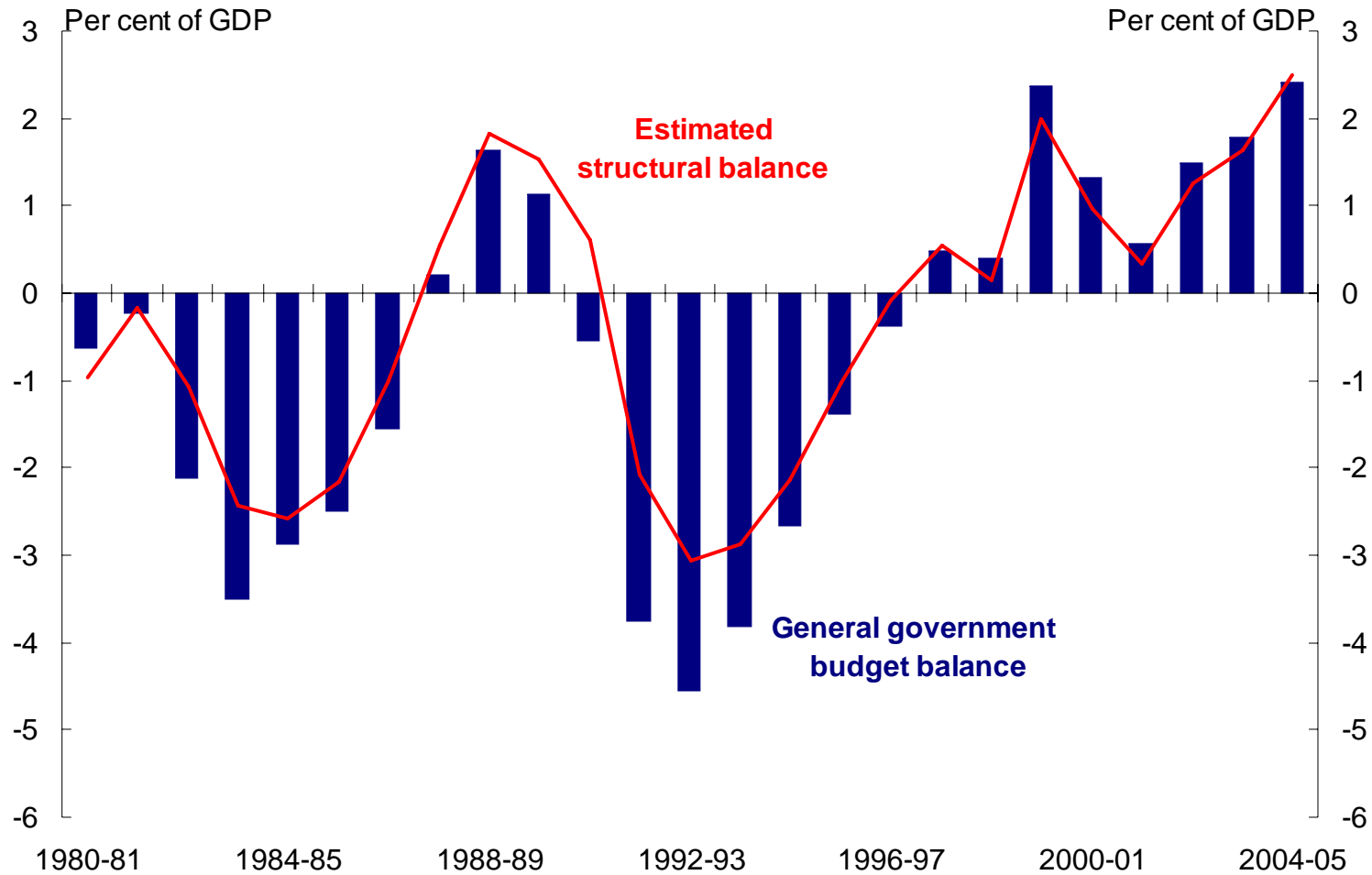
Latest three years relative to past two-decade average:

per cent of GDP

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

Australian Budget Balance

(All levels of government)

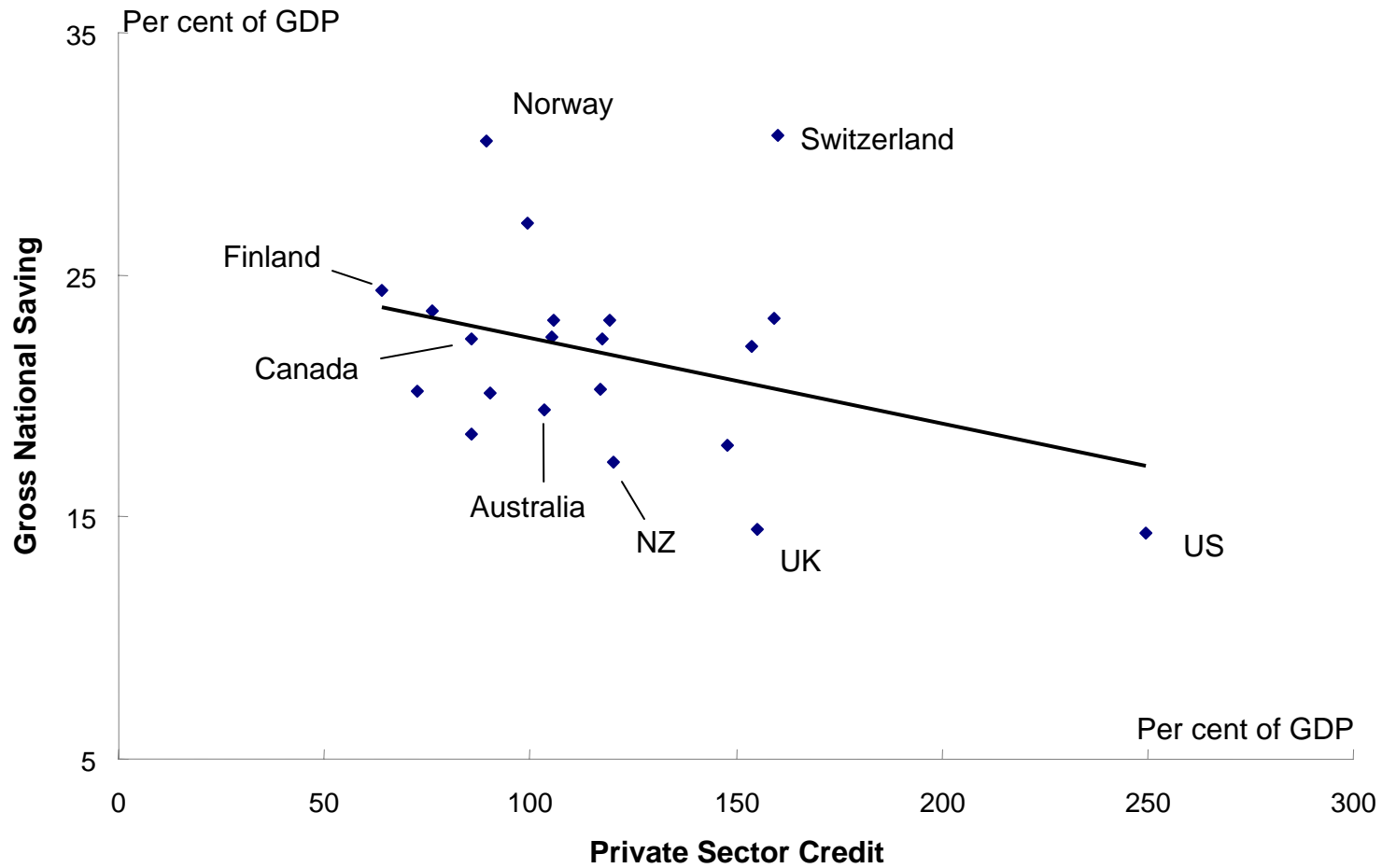


Housing booms

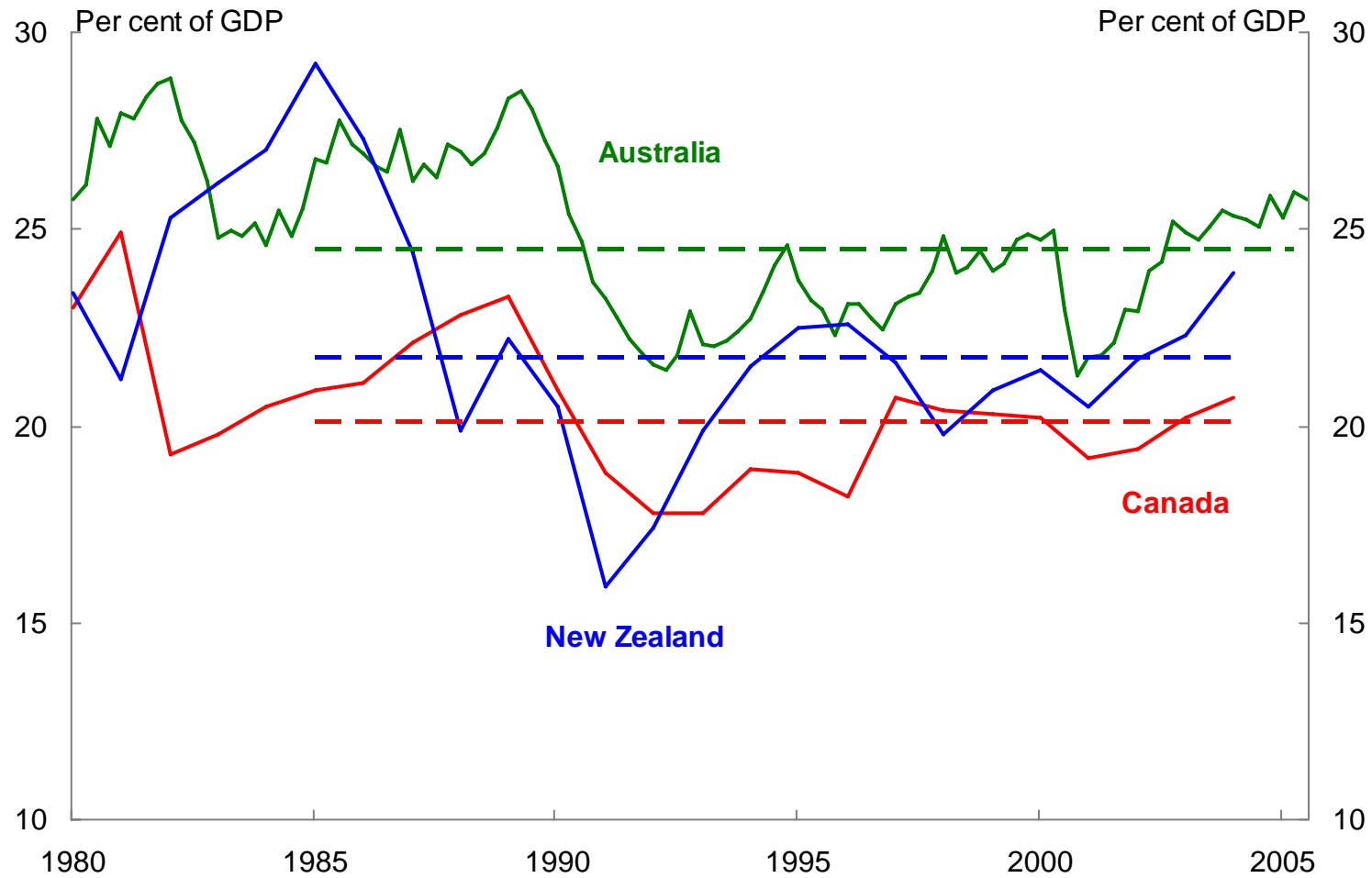
Rise in house prices from 1997 to now:
per cent

UK	160
Australia	120
US	80
New Zealand	80
Canada	60

National Saving and Private Credit

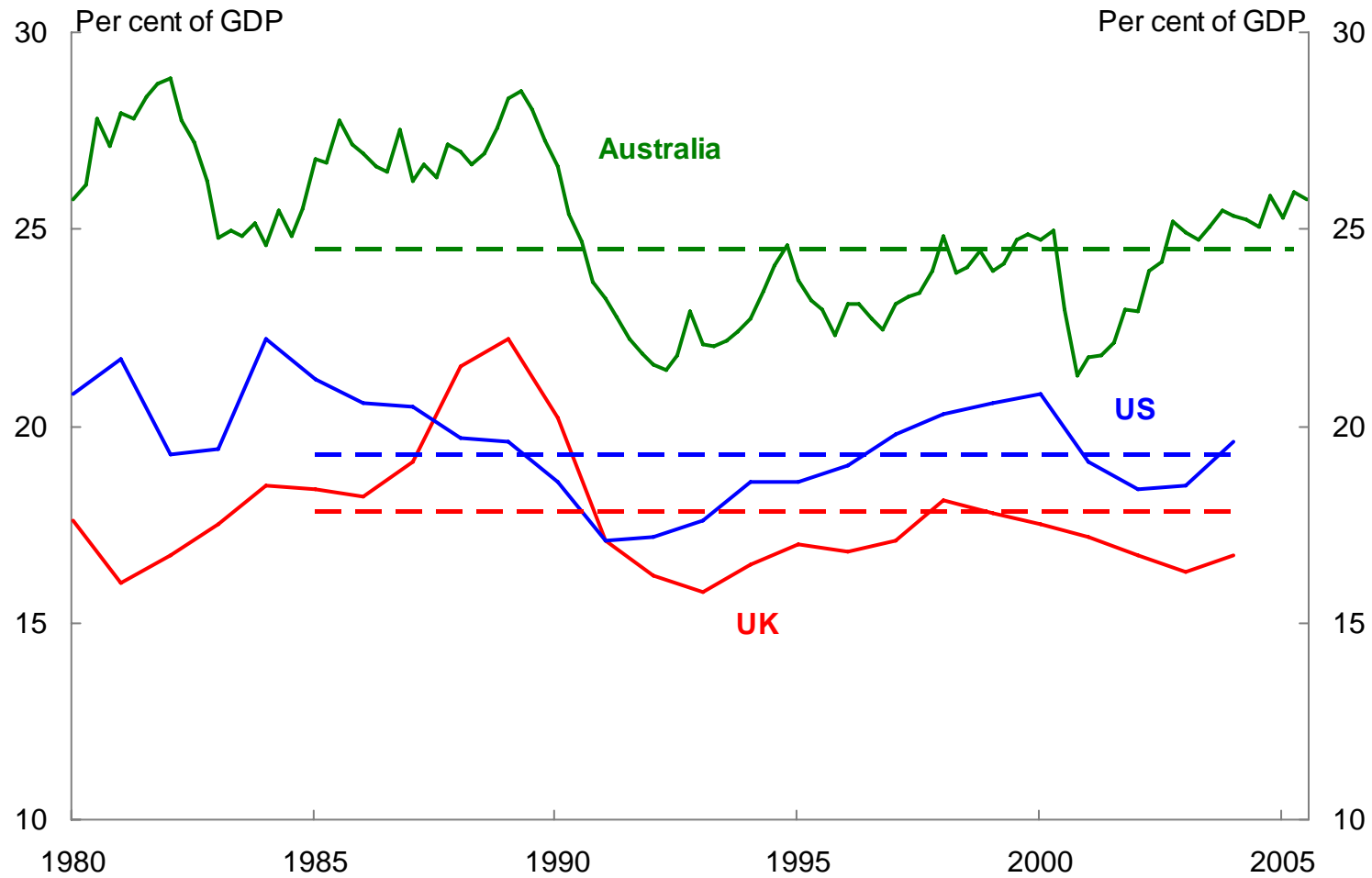


Gross National Investment



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

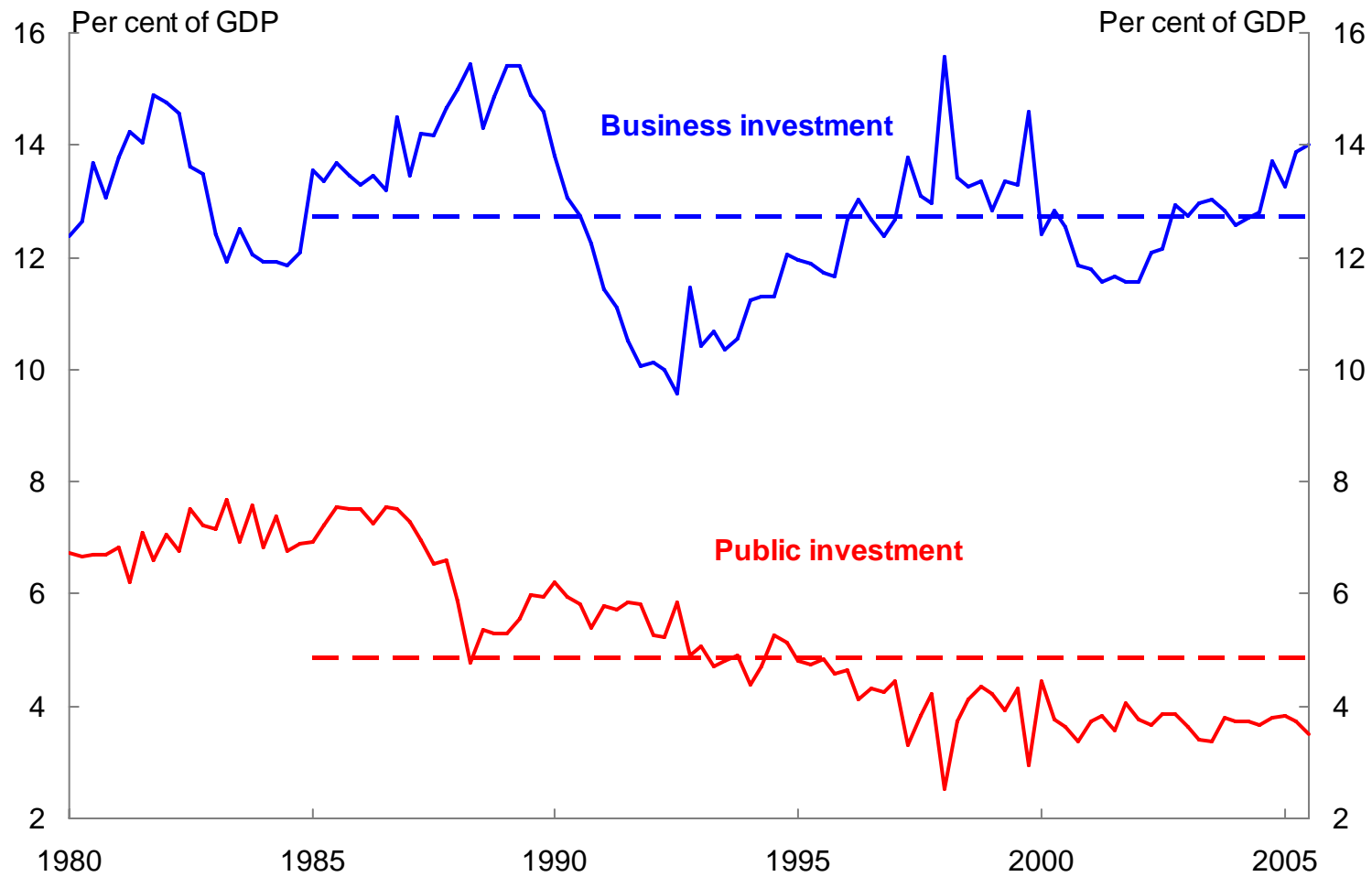
2¾ per cent of GDP above that in NZ

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

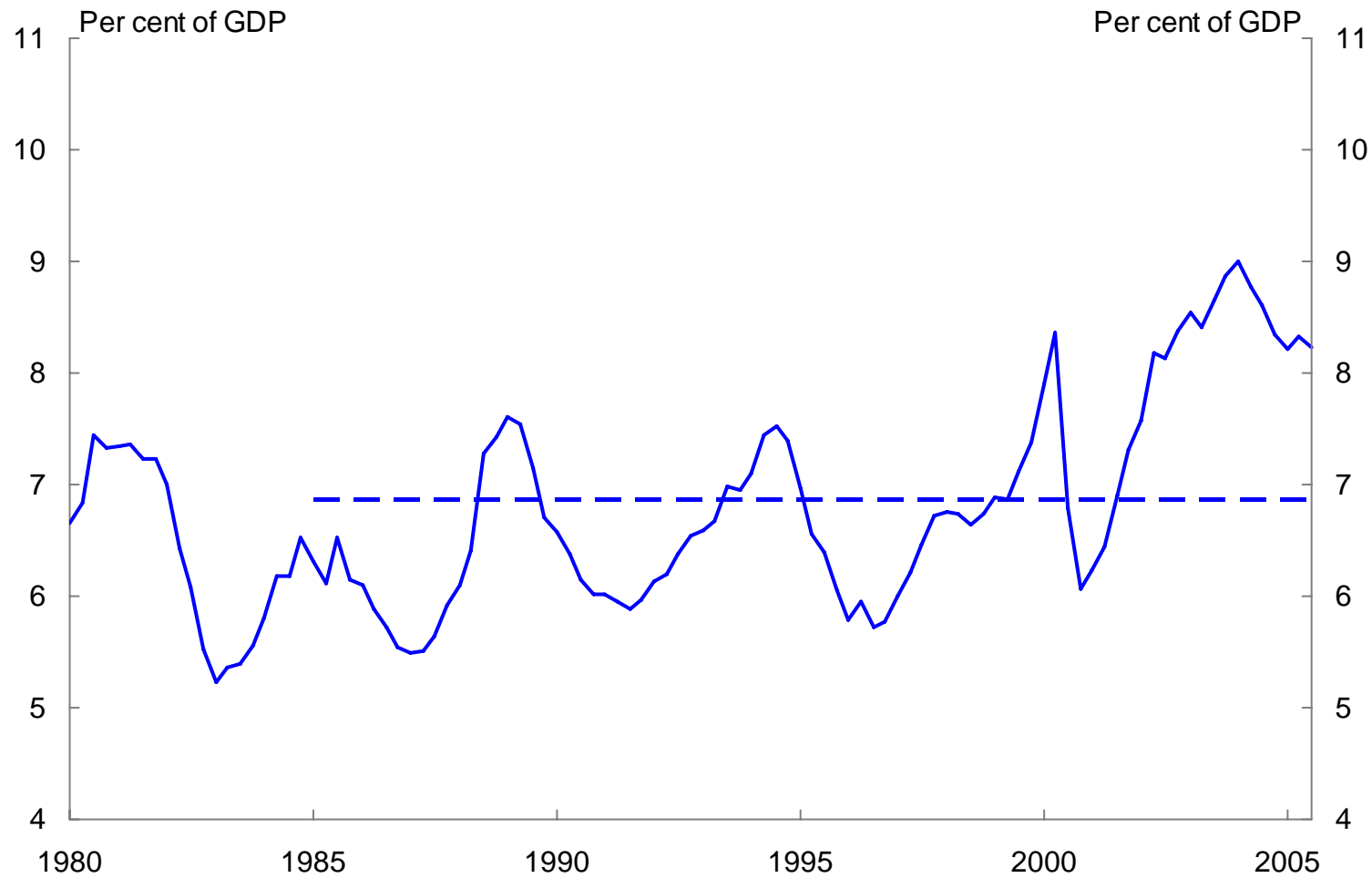
Business and Public Investment



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

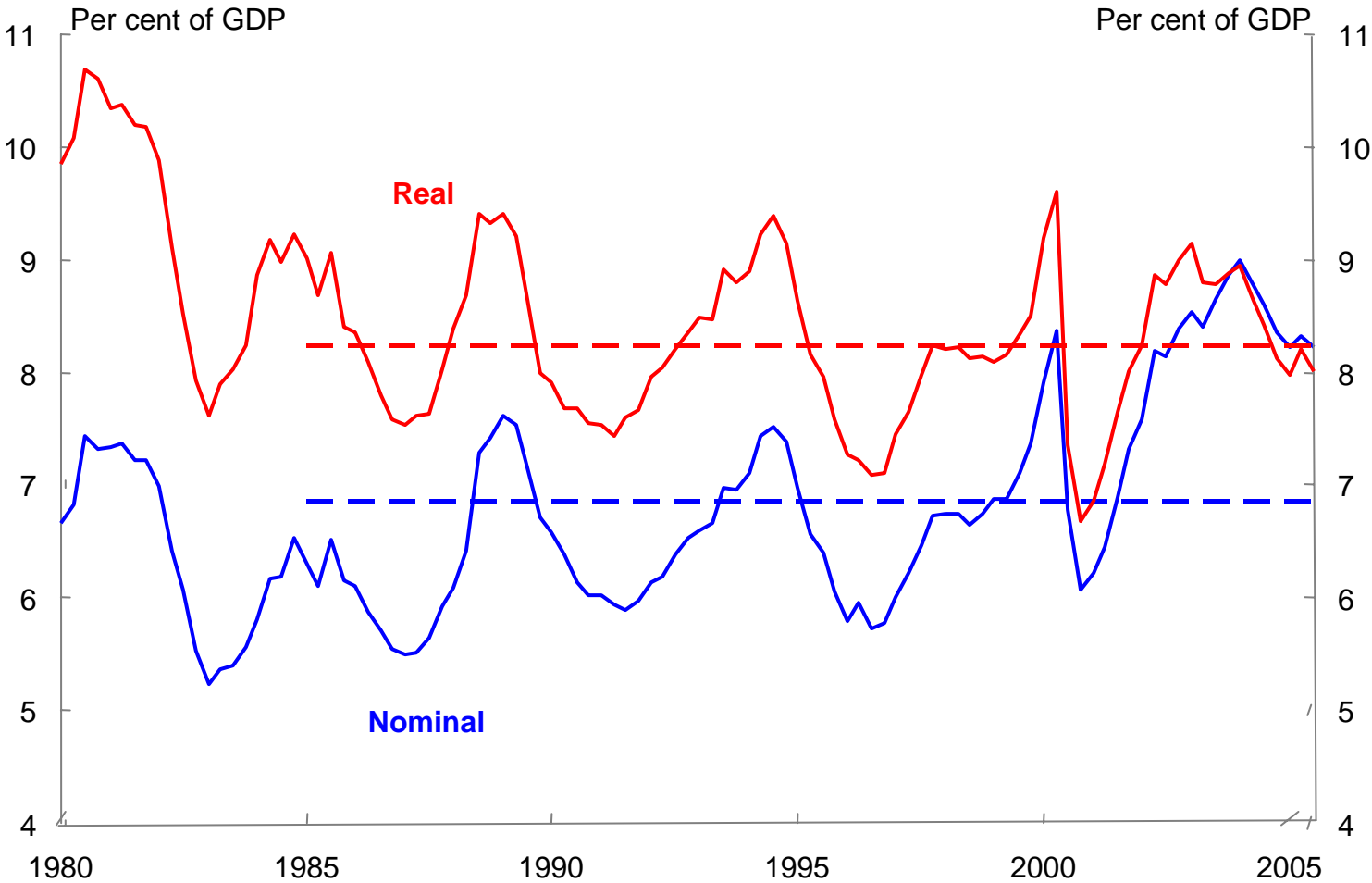
6.5

2000s

7.9

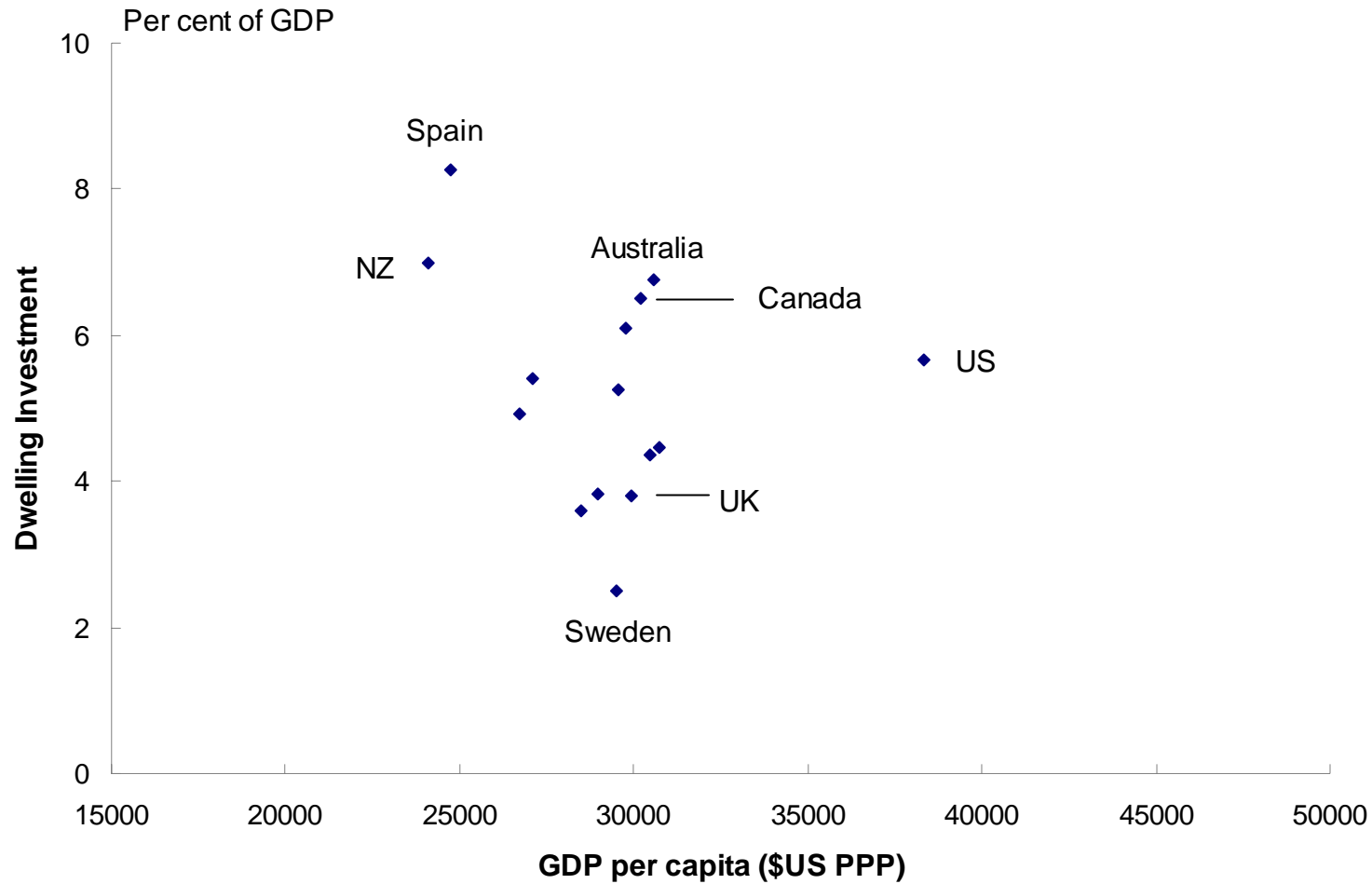
Dwelling Investment

(Including ownership transfer costs)



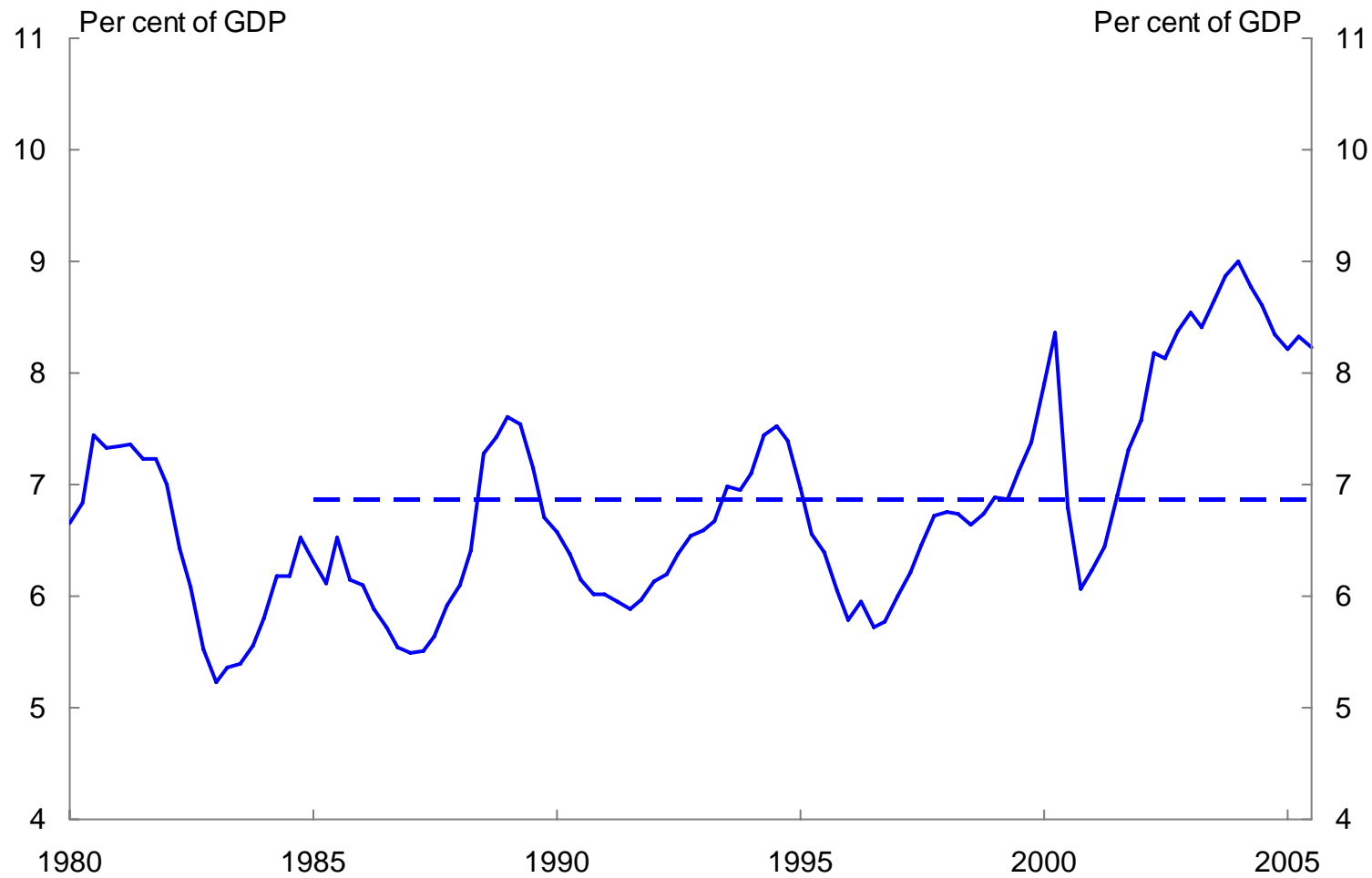
Dotted lines show averages since 1985

Dwelling Investment and GDP per capita in 2004



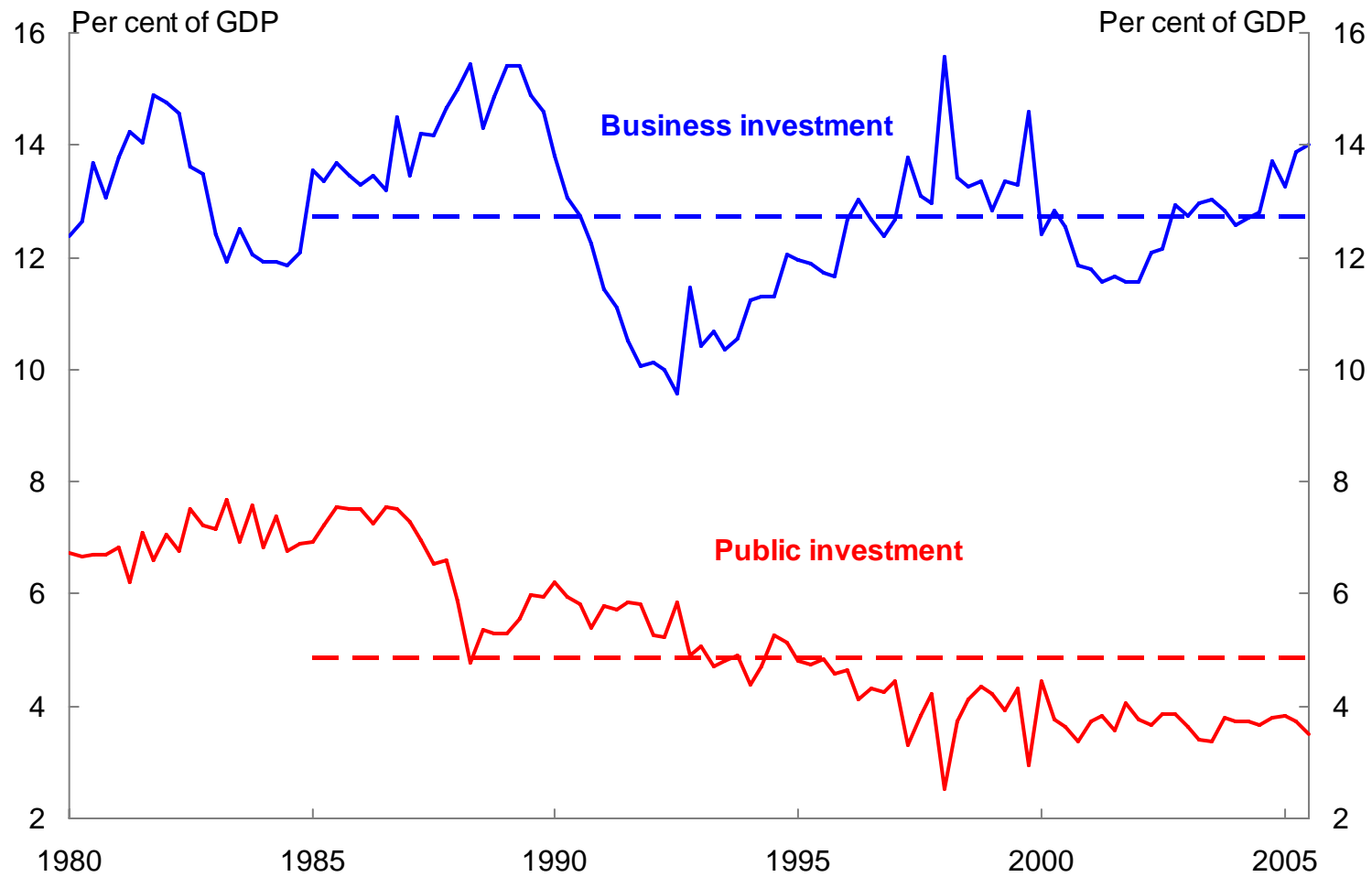
Dwelling Investment

(Including ownership transfer costs)



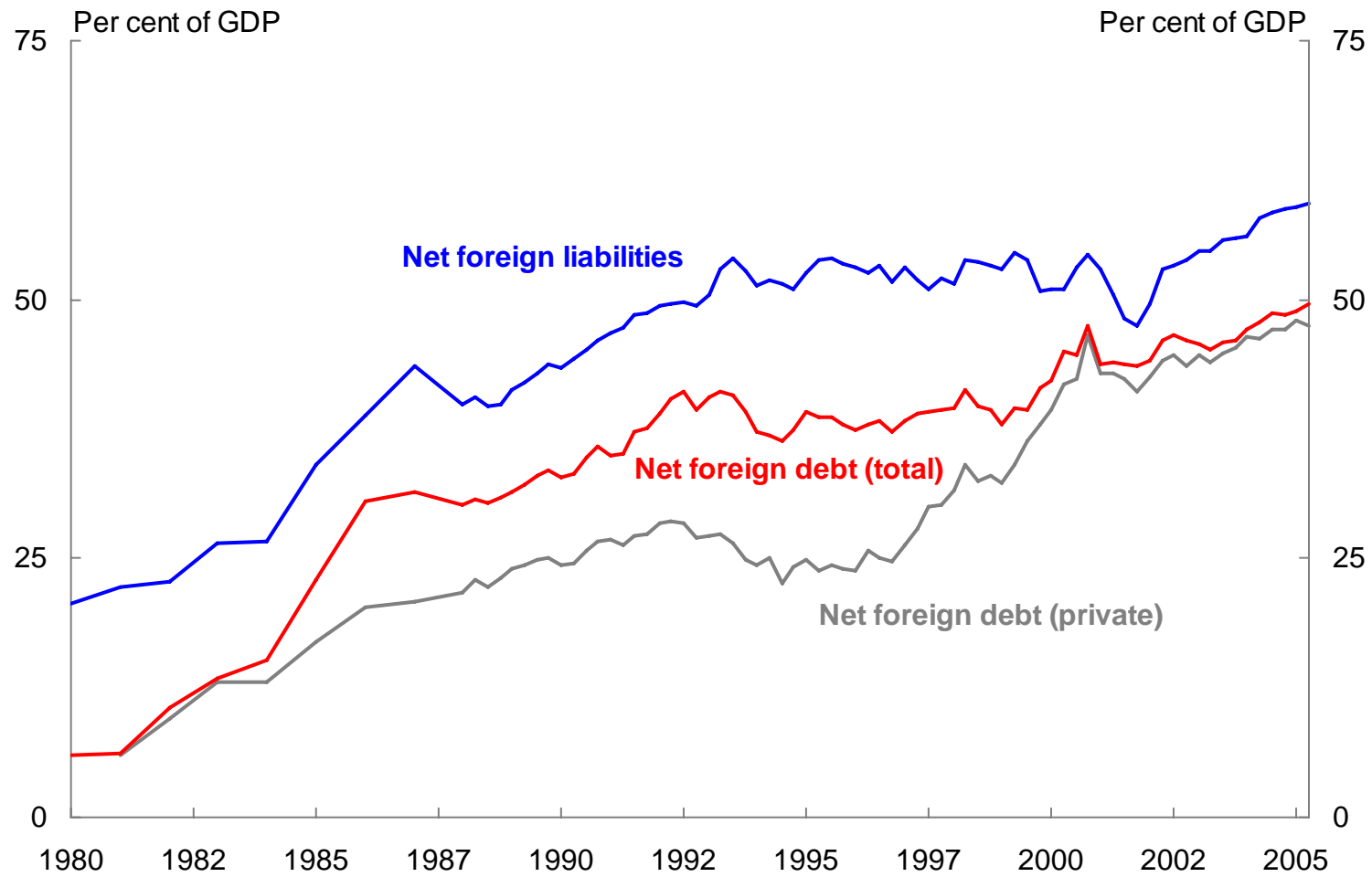
Dotted line shows average since 1985

Business and Public Investment



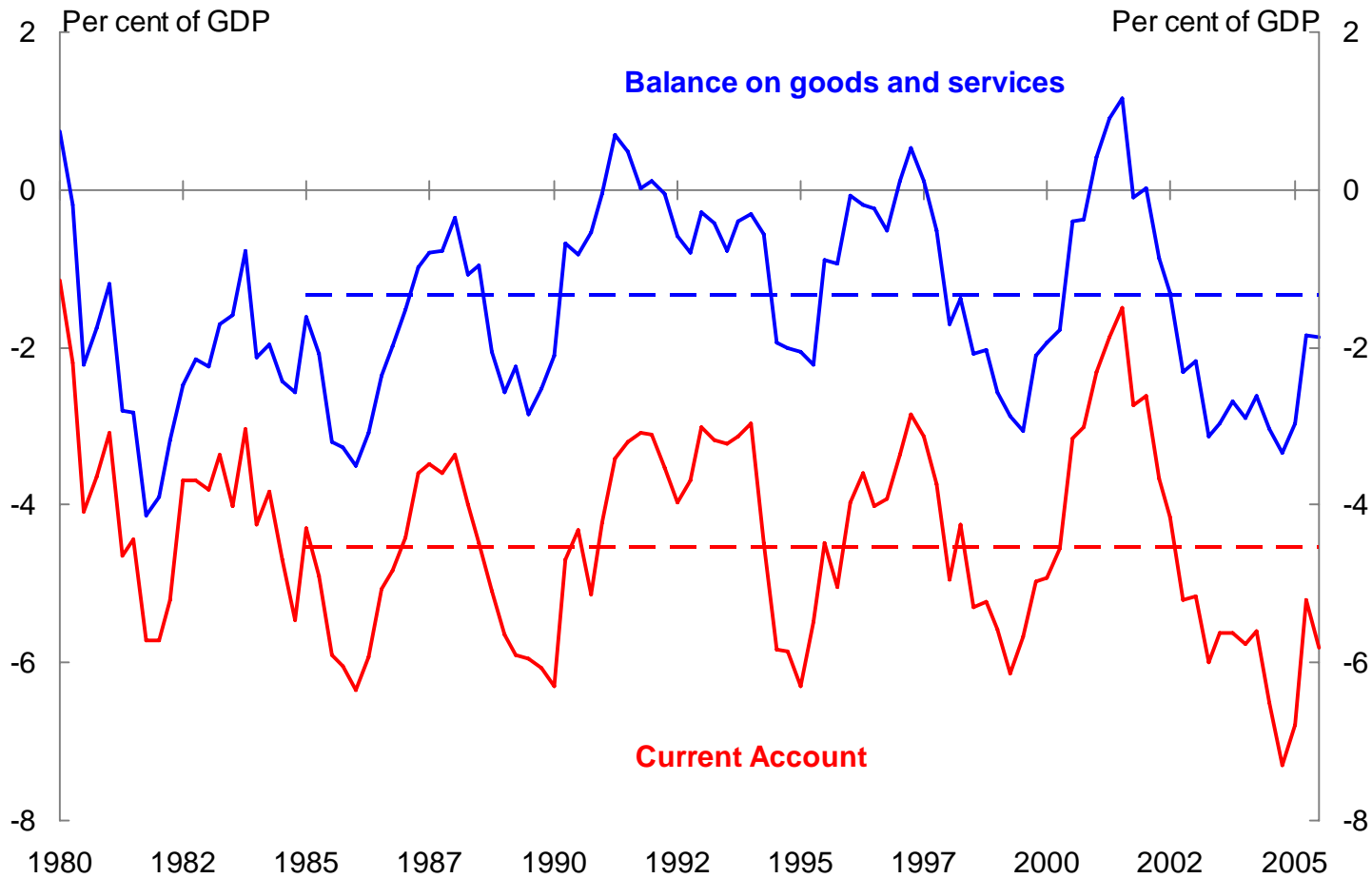
Dotted lines show averages since 1985

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