

**EXECUTIVE  
BOARD  
MEETING**

SM/20/40  
Supplement 1

February 7, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Australia—Staff Report for the 2019 Article IV Consultation—Informational Annex**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
Tentative Board Date:	<b>Friday, February 21, 2020</b>
Publication:	Yes*
Questions:	Mr. Nozaki, APD (ext. 39436)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Asian Development Bank, Asian Infrastructure Investment Bank, Food and Agriculture Organization, Organisation for Economic Cooperation and Development, World Food Programme, World Trade Organization

**\*Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**





# AUSTRALIA

## STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

February 6, 2020

Prepared By

Asia and Pacific Department

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## FUND RELATIONS

(As of December 31, 2019)

**Membership Status:** Joined: August 5, 1947; Article VIII

### General Resources Account:

	<u>SDR Million</u>	<u>Percent Quota</u>
Quota	6,572.40	100.00
Fund holdings of currency (exchange rate)	5,561.43	84.62
Reserve tranche position	1,011.33	15.39
Lending to the Fund		
New Arrangements to Borrow	125.17	

### SDR Department:

	<u>SDR Million</u>	<u>Percent Allocation</u>
Net cumulative allocation	3,083.17	100.00
Holdings	3,141.39	101.89

**Outstanding Purchases and Loans:** None

**Financial Arrangements:** None

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	May 1, 1961	September 5, 1961	100.00	0.00

### Projected Obligations to Fund<sup>1</sup>

(SDR million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Principal					
Charges/interest	0.05	0.05	0.05	0.05	0.05
<b>Total</b>	0.05	0.05	0.05	0.05	0.05

<sup>1</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Exchange Rate Arrangement.** Australia has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement, and maintains an exchange system that is free from restrictions

on the making of payments and transfers for current international transactions, except for exchange restrictions that are maintained solely for the preservation of national or international security and which have been notified to the Fund pursuant to Executive Board Decision No. 144-(52/51). The exchange rate is free floating, but the Reserve Bank of Australia retains discretionary power to intervene. There are no taxes or subsidies on purchases or sales of foreign exchange.

**Restrictions on Capital Transactions.** Australia maintains a capital transactions regime that is virtually free of restrictions. Two main restrictions on foreigners require: authorization for significant ownership of Australian corporations; and approval for acquisition of real estate.

**Article IV Consultation.** Australia is on the 12-month consultation cycle. The 2018 Article IV consultation discussions were held during November 7-20, 2018; the Executive Board discussed the staff report and concluded the consultation on February 4, 2019.

**FSAP.** The 2018 FSAP missions were held during June 6-26 and August 29-September 14, 2018. The findings were discussed with the authorities during the Article IV consultation discussions in November 2018 and were presented to the Executive Board for discussion alongside the Article IV staff report on February 4, 2019. The previous FSAP Update was discussed by the Executive Board on November 12, 2012 (IMF Country Report No. 12/308).

## STATISTICAL ISSUES

Data provision is adequate for surveillance. Australia has subscribed to the Special Data Dissemination Standard (SDDS) since April 1996, and its metadata are posted on the Fund's Dissemination Standards Bulletin Board (DSBB). Australia implemented all the recommendations of the first phase of the G-20 Data Gaps Initiative (DGI), with the exception of semi-annual reporting of Coordinated Portfolio Investment Survey (CPIS) data. Australia also participates in the second phase of the DGI but has no plans to adhere to the SDDS Plus. In recent years, the Australian Bureau of Statistics (ABS) has taken several initiatives to further improve the quality of the data, such as issues relating to seasonal adjustment of unemployment and employment statistics. Adding monthly inflation data to the suite of statistics would assist surveillance.

### I. Assessment of Data Adequacy for Surveillance

**Real Sector.** GDP is compiled on a quarterly basis in current prices and chained volume terms, with timely, regular publication in the first week of the third month after the end of a quarter. Based on the 2008 SNA, GDP is derived by income, expenditure, and production approaches, with their estimates aligned annually based on supply and use tables, which are incorporated in published quarterly estimates 17 months after the reference period. Seasonal and trend estimates are also published. According to the ABS, Australia's implementation of the 2008 SNA standards reflect local conditions and requirements, with departures from the standards relatively minor and not affecting the cross-country comparability of national accounts information. The compiling methodology and the departures from 2008 SNA recommendations are disseminated to the public in detail.

The Consumer Price Index (CPI) is published only quarterly (rather than monthly) in the month following the end of a quarter, based on almost 900,000 separate price quotations collected each quarter, together with a breakdown by categories and geographical locations, as well as various analytical series. Since 2018, the CPI expenditure weights have been updated annually. The ABS also publishes quarterly producer, trade, wage cost, living cost and residential property price indices.

**Fiscal Sector.** The ABS provides annual data (operating statement, balance sheet, government expenses by function, taxation revenue and non-financial assets reconciliation) on the general government and its Commonwealth (central), state/territorial and local government subsectors following the Government Finance Statistics Manual 2014 (GFSM 2014) recommendations, publishing data from 10 years back (with or without revision) on a fiscal year (July-June) basis. It is published roughly 10 months following the fiscal year end, preceded by data on a provisional basis at the time of the budget (usually in May, based on data from 3 months prior to fiscal year end).

The Commonwealth, State and Territorial governments also provide data on a timely basis for their respective public sectors that complies with the ABS implementation of the GFS on an accrual basis and the Australian Accounting Standards (AAS). They are presented using the

Uniform Presentation Framework to enhance comparability among states and territories, and with the Commonwealth. They are provided on a monthly basis (with a one-month lag), with an annual statement published within 4 months of the fiscal year end, and are also part of the budgets and mid-year reviews of their respective governments.

The provided data enable adequate assessment of the impact of fiscal policy measures on Australia's economic performance.

### **Monetary and Financial Sectors.**

The Reserve Bank of Australia (RBA) publishes monthly and quarterly data on a broad range of financial variables for financial institutions, the payments system, money and credit statistics, and household and business finances. Most data are monthly, quarterly for banking lending, and weekly or daily series for open market operations, exchange and interest rates.

*Monetary and Financial Statistics:* The RBA reports monthly monetary and financial statistics (MFS) to the IMF Statistics department based on the standardized report forms. While MFS for Australia are broadly in line with the concepts and definitions of the *IMF's Monetary and Financial Statistics Manual* (2000), the scope of the other financial corporations' sector data could be improved by also including insurance corporations, pension funds, and other financial institutions. The ABS, the Australian Prudential Regulation Authority, and the RBA are reviewing some of their MFS reporting forms with the aim to increase the quality and granularity of source data and to meet the G-20 Data Gaps Initiative (DGI-2) recommendations.

*Financial Sector Surveillance:* The RBA reports all core financial soundness indicators (FSI) for deposit takers except for the FSIs on the "net open position in foreign exchange to capital" and 21 of the 28 encouraged FSIs for other sectors on a quarterly basis.

*Financial Access Survey:* Australia reports data on several series and indicators of the Financial Access Survey (FAS) including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

**External Sector.** The ABS publishes the Balance of Payment (BOP) and International Investment Position (IIP) statistics based on the IMF's Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). Comprehensive data reporting systems support the accuracy and reliability of the external sector statistics. The statistics are disseminated quarterly and timely published in the first week of the third month after the end of the reference quarter. The BOP and IIP data are consistent and reconcilable with national accounts, monetary, financial and external debt statistics. Historical time series date back to 1959, facilitating researchers to analyze long-term economic issues such as the terms of trade.

**Table of Common Indicators Required for Surveillance**  
(As of January 2, 2020)

	Date of Latest Observation	Date Received	Frequency of Data <sup>7</sup>	Frequency of Reporting <sup>7</sup>	Frequency of Publication <sup>7</sup>
Exchange Rates	1/2/20	1/2/20	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	11/19	12/31/19	M	M	M
Reserve/Base Money	11/19	12/31/19	M	M	M
Broad Money	11/19	12/31/19	M	M	M
Central Bank Balance Sheet	12/26/19	12/28/19	W	W	W
Consolidated Balance Sheet of the Banking System	11/19	12/31/19	M	M	M
Interest Rates <sup>2</sup>	1/2/20	1/2/20	D	D	D
Consumer Price Index	Q3 2019	10/30/19	Q	Q	Q
Revenue, Expenditure, and Balance – General Government <sup>3</sup>	09/19	12/07/19	Q	Q	Q
Revenue, Expenditure, and Balance – Central Government	09/19	12/03/19	Q	Q	Q
Composition of Financing <sup>4</sup> – General Government	09/19	12/03/19	Q	Q	Q
Composition of Financing <sup>4</sup> – Central Government	11/19	12/20/19	M	M	M
External Current Account Balance	Q3 2019	12/03/19	Q	Q	Q
Exports and Imports of Goods and Services	10/19	12/05/19	M	M	M
GDP/GNP	Q3 2019	12/04/19	Q	Q	Q
Gross External Debt <sup>5</sup>	Q3 2019	12/03/19	Q	Q	Q
International Investment Position <sup>6</sup>	Q3 2019	12/03/19	Q	Q	Q
<sup>1</sup> Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.					
<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.					
<sup>3</sup> Consists of the central government (including budgetary, extra budgetary, and social security funds) and state and local governments.					
<sup>4</sup> Foreign, domestic bank, and domestic nonbank financing.					
<sup>5</sup> Including currency and maturity composition.					
<sup>6</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.					
<sup>7</sup> Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).					