LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

QON No. 19

STANDING COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM
JEREMY HANSON MLA (CHAIR), MICHAEL PETTERSSON MLA (DEPUTY CHAIR), MARK PARTON MLA, SUZANNE ORR MLA

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ACT LA
COMMITTEE SUPPORT

Inquiry into referred 2016–17 Annual and Financial Reports
ANSWER TO QUESTION ON NOTICE

Asked by MS ORR MLA:

Chief Minister, Treasury and Economic Development Directorate Volume 1 Output 4.1 Economic Management

In relation to:

1. What is the annual growth rate of the most recent multifactor productivity estimate for the ACT? If data not available for the ACT what is the Australian estimate?
   a. What component is driving the result?
2. How are each of the components that make up this estimate performing?
3. How has this evolved over recent years?
4. What does the multifactor productivity estimate and each its components measure in the construction industry?

MR BARR MLA: The answer to the Member's question is as follows:–

1. Multifactor productivity estimates are unavailable for the ACT. For Australia, on a quality adjusted hours worked basis, market sector multifactor productivity (MFP) for Australia grew 0.6 per cent in 2015-16[1].

1a. Multifactor productivity measures the efficiency with which labour and capital are used together in the production process. It is a residual estimate – it is not measured directly, and therefore the contribution of labour and capital to overall MFP growth cannot be determined. MFP is distinct from 'labour' and 'capital' productivity, which measure the independent productivity of these components in the production process. Together, these three components, as well as labour composition – which measures the change in the composition of human capital in the workforce – describe gross value added growth.

MFP estimates at the industry level provide a comparison of productivity growth across different sectors of the Australian economy. On a quality adjusted hours worked basis, the main driver of this result was the *Wholesale Trade* industry sector, the multifactor productivity of which grew by 6.7 per cent and contributed 0.4 percentage points to overall growth[2].

[1] Source: ABS Cat. No. 5260.0.55.002.
[2] Source: ABS Cat. No. 5260.0.55.002 and ACT Treasury calculations.

2. **Table 1** describes the growth of each market[3] industry sector, and the contribution to total national MFP growth on a quality adjusted hours worked basis.

Table 1: Australian productivity growth and contributions, by market sector industries, quality adjusted hours worked basis, 2015-16

	2015-16	
	Growth (per cent)	Contribution to total (percentage points)
Agriculture, Forestry and Fishing	-6.3	-0.2
Mining	2.4	0.2
Manufacturing	1.0	0.1
Electricity, Gas, Water and Waste Services	0.0	0.0
Construction	0.8	0.1
Wholesale Trade	6.7	0.4
Retail Trade	0.3	0.0
Accommodation and Food Services	0.3	0.0
Transport, Postal and Warehousing	-1.3	-0.1
Information, Media and Telecommunications	5.3	0.2
Financial and Insurance Services	1.7	0.2
Rental, Hiring and Real Estate Services	8.0	0.3
Professional, Scientific and Technical Services	-3.4	-0.3
Administrative and Support Services	-6.9	-0.3
Arts and Recreation Services	-2.7	0.0
Other Services	1.5	0.0
Total multifactor productivity	**0.6**	**0.6**

Source: ABS Cat. No. 5260.0.55.002 and ACT Treasury calculations.

3. **Charts 1-4** describe national multifactor productivity growth on a quality adjusted hours worked basis by industry over the past 20 years.

[3] As distinct from non-market sectors, which are the public administration, healthcare and safety and education and training industries.

Chart 1 – National multifactor productivity growth, selected industries

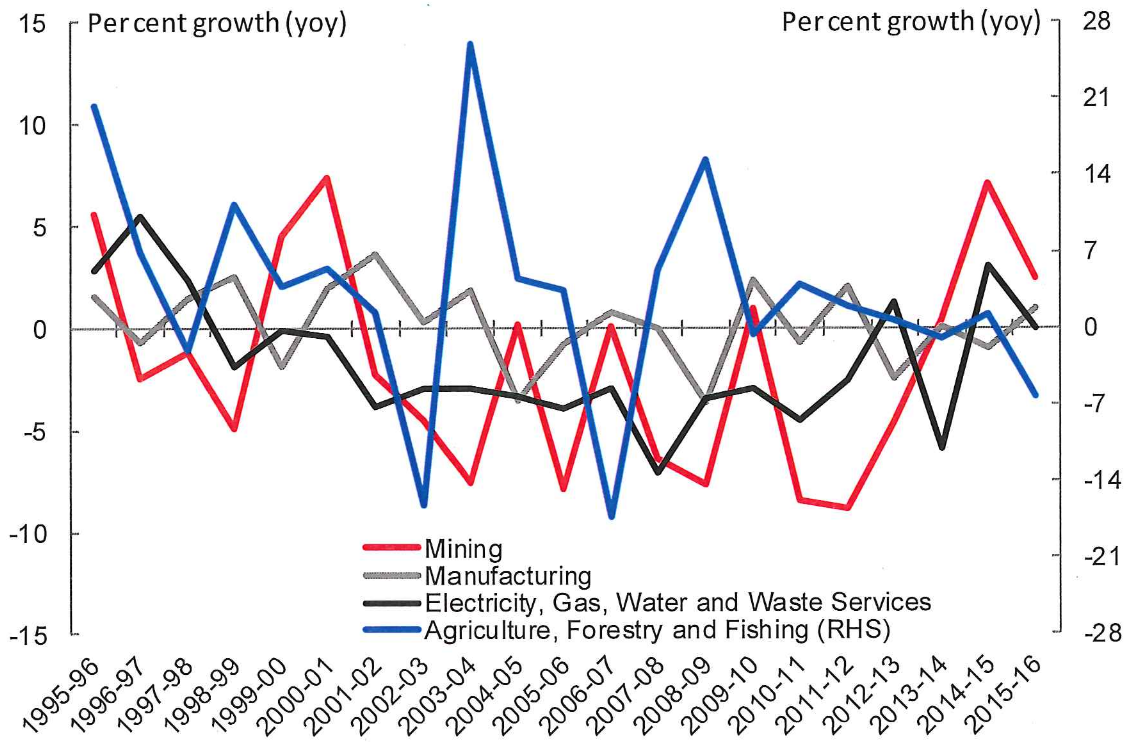


Chart 2 – National multifactor productivity growth, selected industries

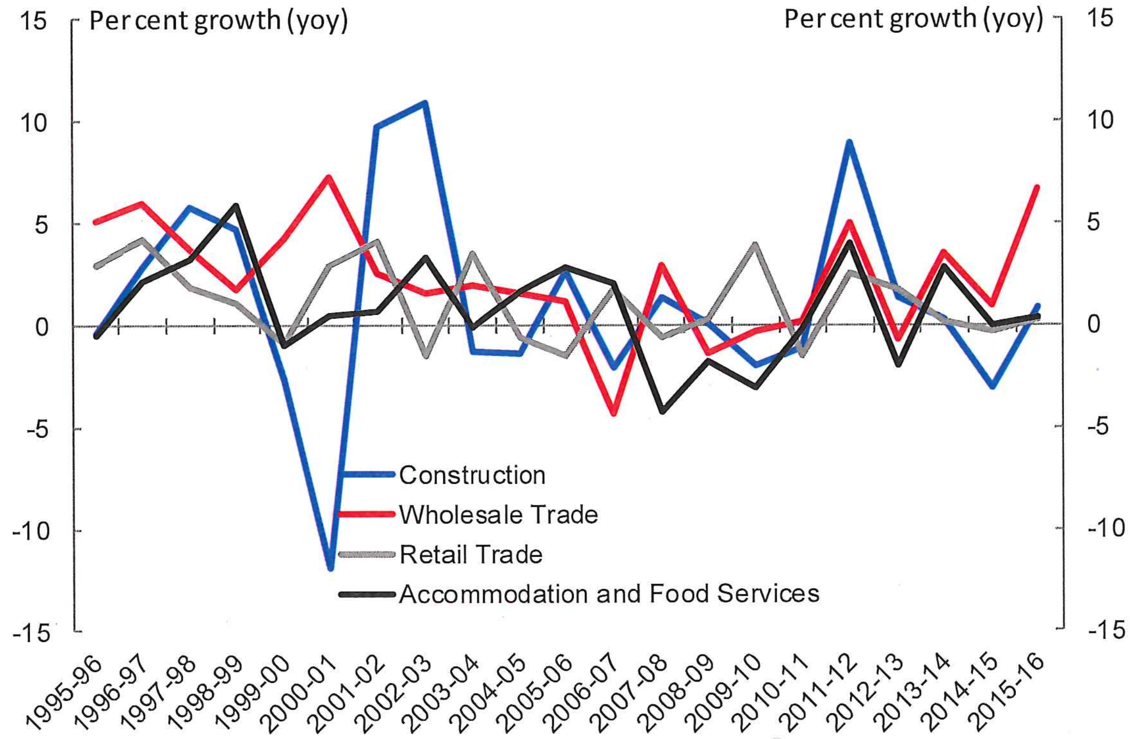


Chart 3 – National multifactor productivity growth, selected industries

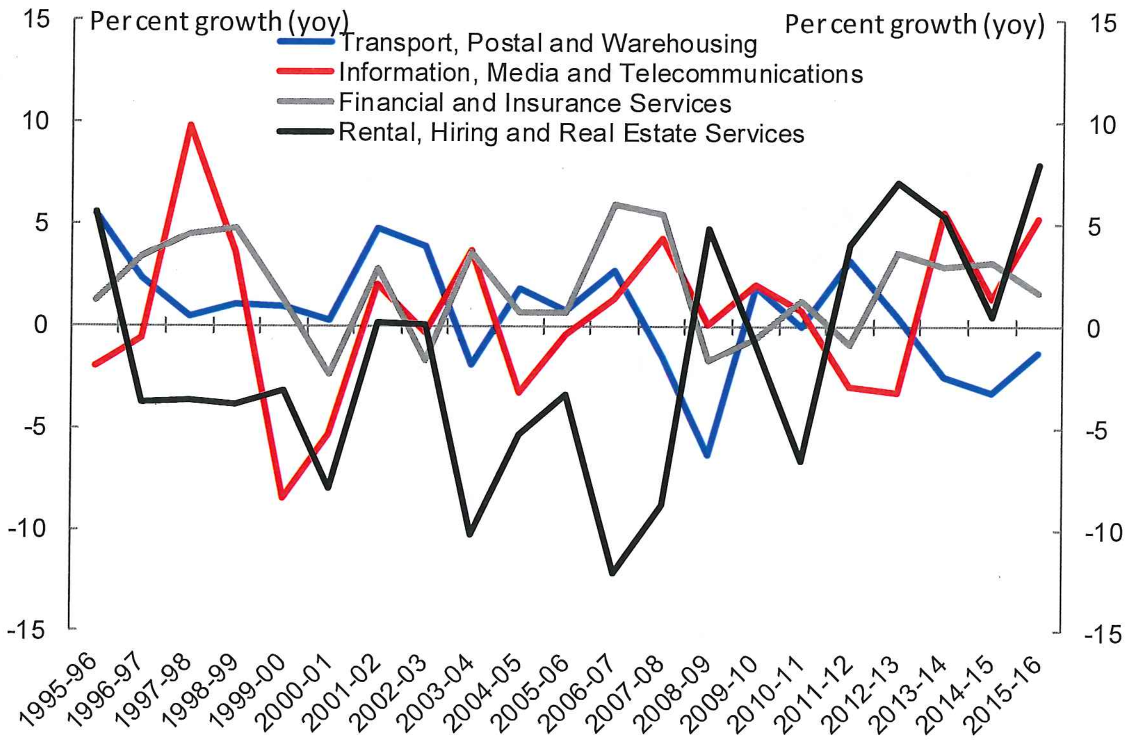
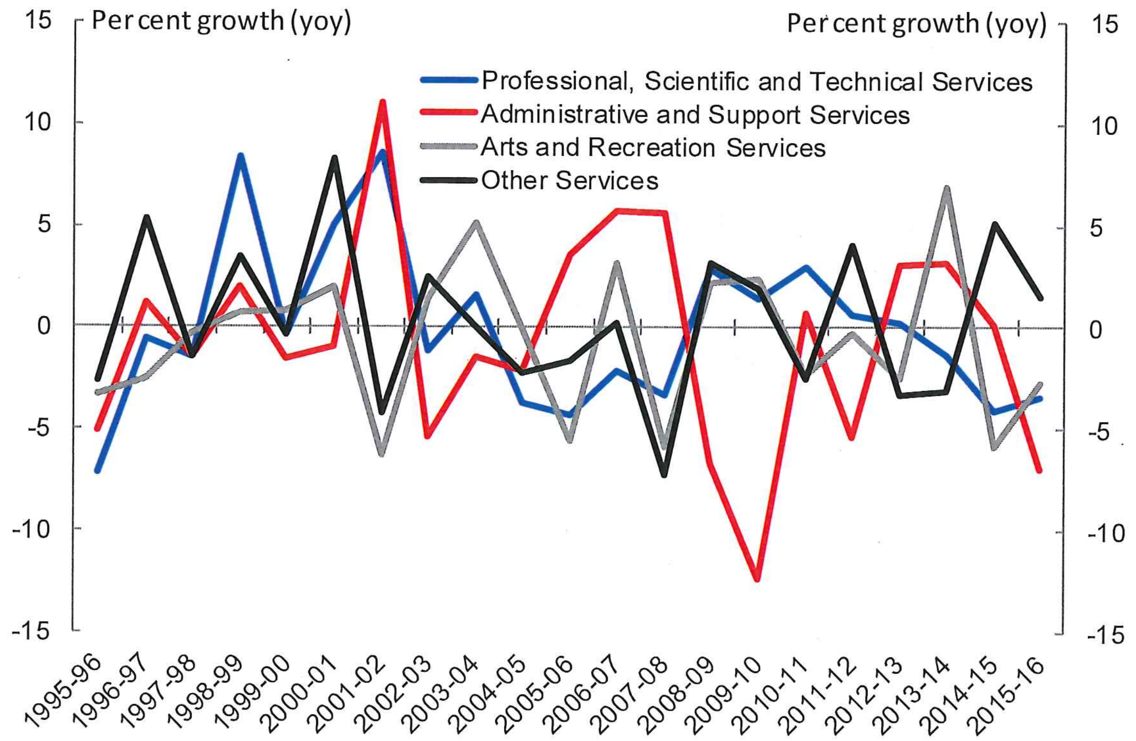


Chart 4 – National multifactor productivity growth, selected industries



Source: ABS Cat. No. 5260.0.55.002 and ACT Treasury calculations.

4. Multifactor productivity measures technical change attributable to the improved use of factor inputs. It is not possible, though, to independently measure the contribution of labour and capital productivity to overall MFP growth at either the industry or aggregate level. **Chart 2** includes a description of the performance of multifactor productivity growth in the national construction industry over the past 20 years.

Approved for circulation to the Standing Committee on Economic Development and Tourism

Signature: Andrew Barr	Date: 1.12.2017

By the Treasurer, Andrew Barr MLA