

the same period. Those trends in sectoral contribution to GDP and industrial employment patterns are forecast to continue well into the 1980s (Table 2).

The early 1970s witnessed rapidly accelerating import and export prices, a significant increase in domestic wages and prices, expansionary fiscal and monetary policy, and a slow-down of mineral developments and exports. Economic policy since 1975 has been aimed at correcting the imbalances that developed, namely the wage-productivity gap, inflation and a decline in the profit share of total prices and wages. Moderate success has been achieved, and there has been a substantial and continuous reduction in the rate of increase of both prices and wages up to 1979. Unit labor costs were reduced in the 1975-1979 period, but not enough to compensate for the large gains made earlier in the 1970s. Company profits recovered in the 1975-1977 period but have not matched the growth of wages and salaries per employee. The share of profits in total non-farm income has risen only slightly since the mid 1970s and remains four per cent below its long-term average.

The same period was accompanied by slow growth, rising unemployment, weak investment, and persistent - but not pressing - balance of payments deficits. Non-farm GDP grew at an average rate of two per cent between 1973-74 and 1978-79, compared to five per cent annually in the five years previous to 1973. As a percentage of total private sector expenditure, business fixed investment fell from 15 per cent, in the decade up to 1975-76, to 13 per cent in the subsequent four years. Over the past few years, however, considerable progress has been made in the lengthy adjustment process, and Australia's short term economic outlook is encouraging. In 1979-80, GDP real growth was 2.2 per cent, with non-farm sector growth up 3.1 per cent.

The federal budget for 1980-81 forecasts real GNP growth of three per cent overall, with non-farm growth being 3.5 per cent. Private consumption, which increased on average 2.25 per cent annually from 1978-1980, is expected to rise by three per cent in real terms in 1980-1981, while business fixed-investment is expected to show strong growth of about 10 per cent in 1980-1981. A key aspect of the expected pick-up and long-term growth of investment is the development of energy, mining and resource-based metal industries. Investment in those industries increased by 35 per cent in value in 1979 and is expected to grow at an even faster rate in the 1980s. Employment grew 2.4 per cent in 1979-80 and, for the first time since 1973-74, the unemployment rate declined marginally on an annual basis to an average of six per cent. 1979-80 inflation, measured by the CPI, reached a high level of nine per cent, while wages increased by 13 per cent. The budget deficit of \$2.6 billion (a modest two per cent of GDP) in