
II. *ECONOMY AND FOREIGN TRADE*

General

Australia retains its position as one of the world's more affluent countries with a per capita income comparable to that of northwestern Europe. Traditionally, agriculture has been the base of the country's economy. However, after the Second World War, the industrial sector expanded rapidly; sophisticated and diverse manufacturing industries developed, particularly the heavier industries such as steel, metals and machinery, chemicals and consumer durables. Massive mineral discoveries have further broadened the economic base.

Australia's gross domestic product (GDP) in 1987-88 stood at A\$292 billion while the current account on trade balance showed a deficit of A\$11.7 billion in the same year (the merchandise trade balance on goods and services showing a A\$2.89-billion deficit). Real GDP growth in 1987-88 was 3.6 per cent, up from 2.7 per cent in 1986-87. The budget has forecasted 3.5 per cent growth in 1988-89.

The Australian economy in 1989-90 will continue to be strongly influenced by developments in the major economies. The prospect of economic activity remaining reasonably strong in the industrial nations over the year should help to support commodity prices that are vital to Australia's balance of payments performance. However, despite firm commodity prices, the current account deficit can be expected to show only marginal improvement. The government, according to economists, must maintain a firm policy stance to restrain the growth in consumer imports and hasten the restructuring process of the economy.

Agriculture

While the agricultural sector no longer dominates Australia's economy it still accounts for a significant (though declining) share of the gross national product (GNP) and total export income. Approximately 65 per cent of the total land area is composed of rural holdings, but only a small proportion is suitable for cropping. Consequently, the majority of these holdings is used for rough grazing only. The threat of drought is a continuing concern for Australian agriculture.