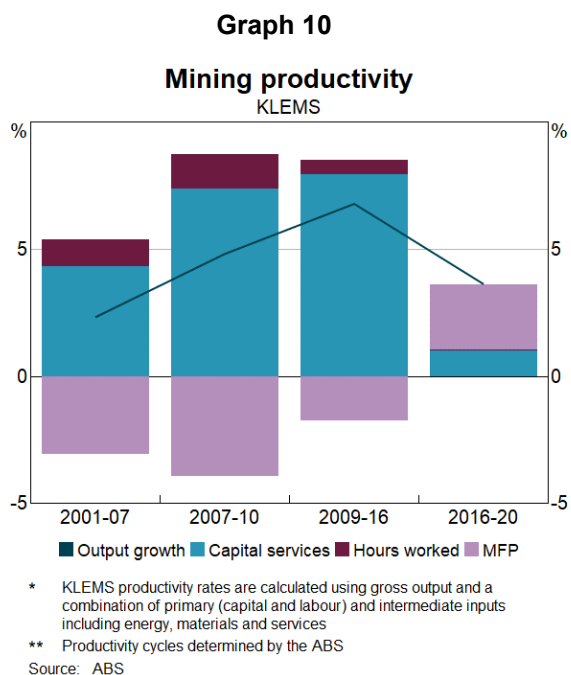


RECENT TRENDS IN AUSTRALIAN PRODUCTIVITY¹

Long-term MFP in selected industries

Mining MFP was negative for a number of years, given long lags in attaining full production capacity after the initial capital investment during the mining boom of the mid 2000s/early 2010s. Additionally, the high price of mined minerals and petroleum meant that firms were incentivised to dig up high cost, difficult to obtain

deposits. MFP growth did eventually become positive in the most recent cycle (2016-20) reflecting the shift of the mining boom to the production phase (Graph 10).



9 Such as the 2021 energy demand rebound and the recent Ukraine-Russia conflict.

From:
Sent: Thursday, 21 July 2022 1:42 PM
To: HOLLOWAY, James
Cc: EA - RIA - Senior Reps;
Subject: RE: The other narrow path: reflections on the current forecasts [SEC=OFFICIAL]

- Slow productivity growth doesn't necessary hold back growth in real incomes, especially when we have very volatile commodity prices/terms of trade. There may be a measurement issue about the split between prices and volumes in a world of highly variable inflation – thinking about the terms of trade adjusted GDP literature. For example, if the price of coal has increased sharply and, in response, a mining company decides to mine its lower quality/harder to get coal: this results in lower labour productivity (less coal out per worker). But it is unlikely that a mining company would therefore pay its workers less to get that coal out, even though they are less productive. Productivity doesn't capture the fact that the mine itself has suddenly become more useful, as it has more useable coal than was previously thought.