



There'll be no records set this week by Australian economic growth figures

June 6, 2017 2:42am BST

Australia would need to avoid consecutive quarters of negative real GDP growth until at least 2024 if it is truly to be able to claim this “world record” as its own. www.shutterstock.com

With the release of the March quarter national accounts, there have been reports the Australian economy could break the Netherlands’ “world record” for continuous growth. But there are three problems with this assertion.

Author

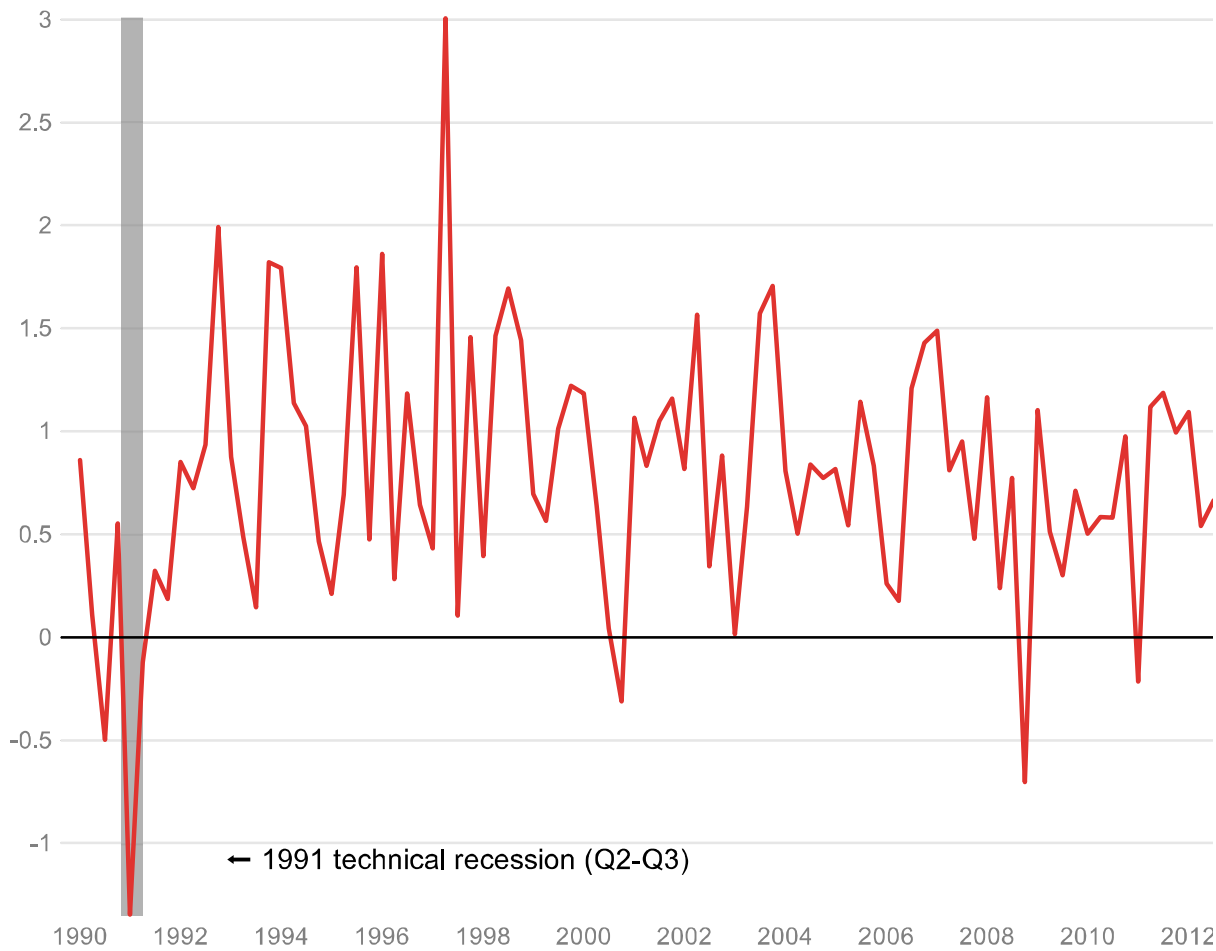


Saul Eslake

Vice-Chancellor's Fellow, University of Tasmania

Australian GDP from Q1 1990 - Q4 2016

GDP = Gross Domestic Product per quarter



Source: [OECD Get the data](#)

It's now been 103 quarters (25 years and 9 months) since Australia last had consecutive quarters of negative growth in real gross domestic product (GDP), in the March and June quarters of 1991.

Contrary to much-repeated claims, the Netherlands didn't experience more than a quarter-century of economic growth without consecutive quarters of negative real GDP growth between the early 1980s and the global financial crisis.

The Netherlands' real GDP declined by 0.3% in the June quarter of 2003, and by 0.01% in the September quarter of that year, according to data published by Statistics Netherlands and, separately, by the OECD. So, at best, the Netherlands went for only 22 years without experiencing a recession. Australia surpassed that benchmark in 2013.

Dutch GDP Q1 1980 - Q1 2017

GDP = Gross Domestic Product per quarter

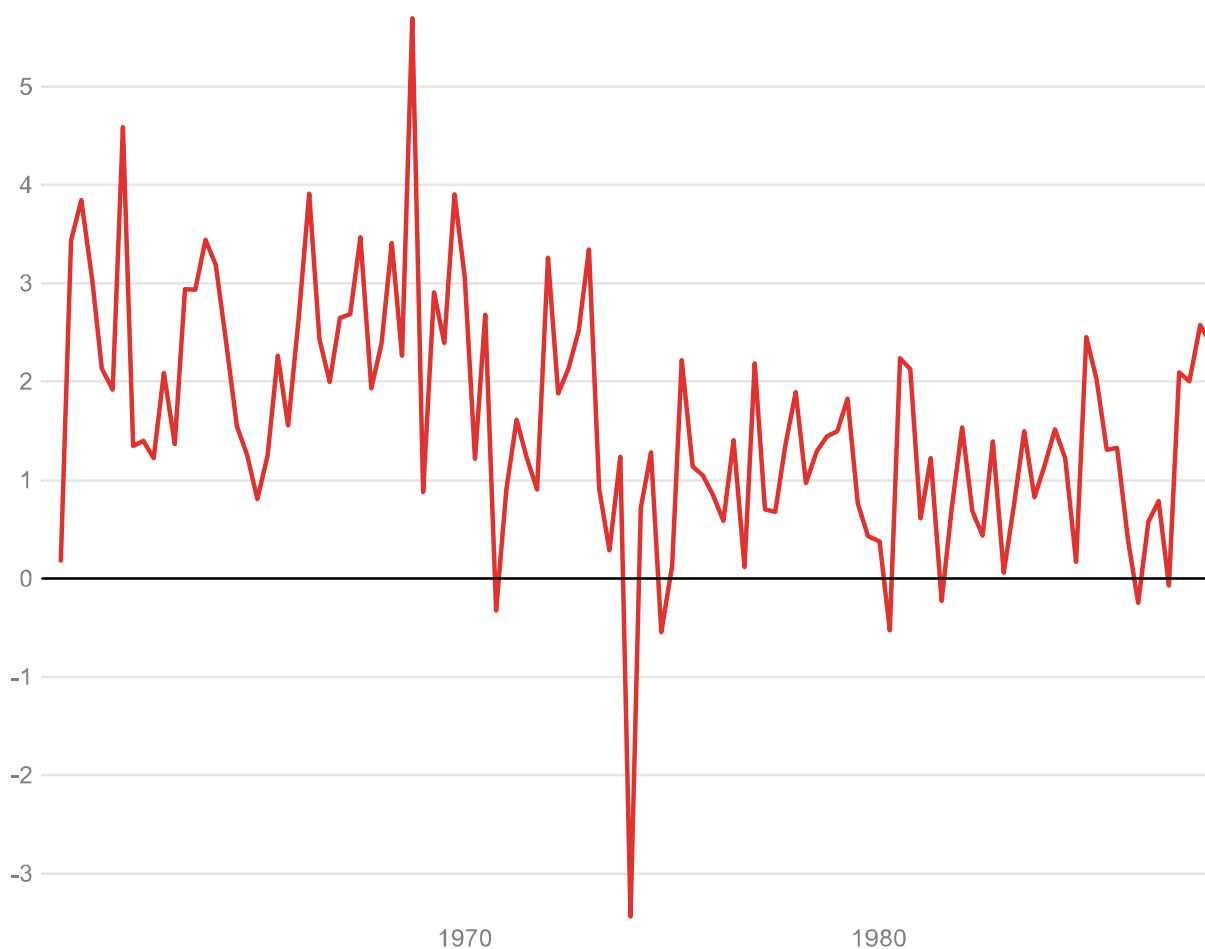
1980			
Q1			-0.06
1980			
Q2	-1.85		
1980			
Q3		-0.67	
1980			2.32
Q4			
1981			
Q1		-0.96	
1981			
Q2			-0.03
1981			
Q3		-0.91	
1981			
Q4			0.08
1982			
Q1			0.94
1982			
Q2	-2.43		
1982			
Q3			1.11
1982			
Q4	-2.1		
1983			
Q1			0.83
1983			
Q2			2.72
1983			
Q3			1.48
1983			
Q4		-0.7	
1984			
			1.68

Yes, that second quarterly decline in 2003 was almost imperceptible. But sporting records are delineated by margins as small as one one-hundredth of a second, so we can't blithely discount a -0.01% fall in real GDP as "not relevant".

Even if you blinked and missed that tiny second successive decline in real GDP in the September quarter of 2003, the Netherlands still wouldn't hold the record for the longest run of continuous economic growth. That belongs to Japan – which, according to OECD data, went from the March quarter of 1960 to the March quarter of 1993 without ever registering two or more consecutive quarters of negative growth in real GDP. That's 133 quarters, or more than 33 years.

Japanese GDP from Q2 1960 - Q2 1993

GDP = Gross Domestic Product per quarter



Source: [OECD Get the data](#)

Indeed, if Japanese GDP data were available on a quarterly basis earlier than 1960 it's likely that this run of continuous economic growth would have been even longer, perhaps as long as 38 years, inferring from annual data available back to 1955. So Australia would need to avoid consecutive quarters of negative real GDP growth until at least 2024 if it is truly to be able to claim this “world record” as its own.

Even more importantly, the definition of a technical recession as (two or more consecutive quarters of negative growth in real GDP) is, as former RBA Governor **Glenn Stevens** said, “not very useful”. It was originally proposed in December 1974 by **Julius Shishkin**, who at that time was the head of the Economic Research and Analysis Division of the US Census Bureau (now the Bureau of Economic Analysis, which publishes the US national accounts).

It's not used to identify recessions in the US. It takes no account of differences over time, or as between countries, in the rates of growth of either population or productivity – which are the key determinants of whether a given rate of economic growth is sufficient to prevent a sharp rise in unemployment. This is something which most people (other than economists) would use to delineate a recession.

While Australia has avoided consecutive quarterly contractions in real GDP since the first half of 1991, we've had two periods of consecutive quarterly declines in real per capita GDP (in 2000 and 2006). We've also had two periods of consecutive quarterly declines in real gross domestic income or GDI, which takes account of income gains or losses accruing from movements in Australia's terms of trade (in 2008-09, and in 2014). Perhaps most meaningfully of all, Australia has had two episodes where the unemployment rate has risen by one percentage point or more in 12 months or less (in 2001 and 2009).

That's still a better track record than almost any other advanced economy during the past quarter-century or so – and it reflects well on the quality of economic management (and the nature of our luck) over this period. Nonetheless, we shouldn't be in the business of awarding ourselves prizes to which we're not entitled.



[GDP](#) [Economics](#) [Recession](#) [Growth](#) [Economic recession](#)

Facts matter. Your tax-deductible donation helps deliver fact-based journalism.

[Make a donation](#)