

BALANCE OF PAYMENTS : DECEMBER QUARTER 1977

INQUIRIES

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MAIN FEATURES

- . An overall deficit, as measured by net official monetary movements, of \$67 million.
- . Record exports of \$3,086 million.
- . A trade surplus of \$446 million.
- . A deficit of \$746 million on invisible transactions.
- . A current account deficit of \$300 million.
- . A net apparent capital inflow of \$233 million including a net inflow of \$340 million on government capital transactions.

TRENDS IN MAJOR AGGREGATES

Current account

- . The *current account* deficit of \$300 million for the December quarter compared with a deficit of \$270 million in the December quarter 1976
- . *Seasonally adjusted, the current account* deficit was \$348 million, \$318 million less than the deficit for the September quarter.
- . The *balance of trade* surplus of \$446 million for the December quarter was \$48 million higher than December quarter 1976.
- . *Seasonally adjusted, the trade surplus* was \$415 million, a rise of \$140 million on the surplus for the September quarter.
- . *Exports* (on a balance of payments basis) were a record \$3,086 million in the December quarter, 3 per cent up on the previous quarter and 10 per cent higher than exports in the December quarter 1976. Full export commodity details for the December quarter are not yet available, but a comparison of the first two months of the quarter with the corresponding months of 1976 shows increases in the value of exports of meat, coal, chemicals and metaliferous ores, and a decrease in the value of exports of wool.

- . *Seasonally adjusted exports* at \$3,015 million, were 0.4 per cent up on the September quarter.

- . *Imports* (on a balance of payments basis) were \$2,640 million, 7 per cent lower than the previous quarter and 10 per cent above the December quarter 1976. Most major categories of imports showed some rise in value compared with the December quarter 1976, the most significant increases being in the value of imports of petroleum (up \$97 million, 53 per cent), non-electric machinery (up \$70 million, 19 per cent) and chemicals (up \$17 million, 20 per cent).

- . *Seasonally adjusted imports* at \$2,600 million, were 3 per cent down on the September quarter.

- . The \$746 million deficit on *net invisibles* was \$78 million higher than in the December quarter 1976.

- . The *seasonally adjusted net invisibles* deficit of \$763 million was \$178 million down on the September quarter. This reduction is partly due to government transfers being high in the September quarter and low in the December quarter.

Capital account

- . The *net apparent capital inflow* of \$233 million in the December quarter was a turnaround of \$240 million on the previous quarter.
- . There was a large net inflow of \$340 million on *government capital transactions* during the quarter, due mainly to the receipt of proceeds from two Deutsche Mark loans raised in October and a New York public bond issue in December.
- . Interim estimates of *overseas investment in Australian companies* indicate a net inflow of \$343 million in the December quarter 1977, an increase of \$200 million on the net inflow in the previous quarter but lower than the December quarter 1976. The net total comprised \$188 million undistributed income (reinvested earnings) and net inflows of \$14 million other direct investment and \$141 million portfolio investment and institutional loans.

Complete information on *trade credit n.e.i.* transactions is not yet available for the December quarter. However, for marketing authorities there was a net outflow of \$83 million, reflecting a further net increase in amounts owing on exports.

Overall result

The deficit of \$67 million as measured by *net official monetary movements* compares with deficits of \$736 million in the previous quarter, and \$9 million in December quarter 1976.

Official reserve assets were reduced by \$43 million during the December quarter as a result of balance of payments transactions (i.e., after excluding changes in value due to the effects of revaluations).

Other transactions by the official monetary sector resulted in a net increase of \$24 million in liabilities to non-residents, including the Bank of International Settlements.

Level of reserves

At 31 December 1977 Australia's *official reserve assets*, valued at market rates of exchange and with gold holdings at market related value, stood at \$2,879 million.

Official Reserve Assets and Exchange Rates

Quarter ended	Official Reserve Assets \$ million				Exchange Rates (end of quarter) – Units of foreign currency for \$A				
	Changes included in the balance of payments	Changes due to effects of revaluations	Reserve Bank Series		U.S.A. Dollar	U.K. Pound	W. Germ Mark	Japan Yen	N.Z. Dollar
			Changes in levels	Levels at end of quarter					
1975 30 September	-271	+96	-175	3,318	1.2560	0.6160	3.351	380.69	1.2008
31 December	-738	+8	-730	2,588	1.2571	0.6206	3.292	383.35	1.2044
1976 31 March	-37	+20	-17	2,571	1.2486	0.6513	3.171	374.62	1.2205
30 June	-7	+522	+515	3,086	1.2356	0.6927	3.182	366.44	1.2450
30 September	+42	-57	-15	3,071	1.2373	0.7409	3.036	354.96	1.2678
31 December	-7	+486	+479	3,550	1.0864	0.6385	2.555	317.34	1.1435
1977 31 March	+127	+54	+181	3,731	1.1031	0.6411	2.638	306.32	1.1475
30 June	-352	-67	-419	3,312	1.1108	0.6458	2.616	300.84	1.1506
30 September	-584	+92	-492	2,820	1.1076	0.6348	2.572	293.63	1.1406
31 December	-43	+102	+59	2,879	1.1414	0.5965	2.395	273.85	1.1193

EXPLANATORY NOTES

Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the December quarter 1977, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in the bulletin *Balance of Payments* (Catalogue No. 5303.0.)

2. Included are corresponding seasonally adjusted estimates of the current account. Notes on the statistics and their seasonal adjustment are provided below. Unless otherwise stated, figures reported in the commentary and tables refer to the original estimates.

3. Estimates for the more recent periods are preliminary and subject to revision. The items which can be most affected by revisions are those for which benchmark data are derived from annual surveys where long time lags in collection and processing are inevitable.

Australian currency values

4. The Australian currency equivalents shown in these statistics for transactions originally denominated in foreign currencies were derived by converting into Australian dollars at market rates of exchange.

Adjustments to exports and imports

5. The figures for *exports* and *imports* in the main tables represent the recorded trade figures adjusted in respect of coverage, timing and valuation for balance of payments purposes. The table on page 4 sets out the values for these adjustments. Reference should be made to the annual bulletin *Balance of Payments* (5303.0) for a description of the adjustments.

Net official monetary movements

6. The aggregate *net official monetary movements* is usually taken as a measure of the overall surplus or deficit in the balance of payments. In order not to obscure the underlying performance of the balance of payments this item excludes changes that do not arise from international economic transactions. The main exclusions made for this reason are: the allocation of Special Drawing Rights (SDR) by the International Monetary Fund (included in official reserve assets but excluded from net official monetary movements by means of the offset item shown in the table); compensation received under the Sterling Agreement amounting to \$24 million in January 1973 and \$26 million in May 1974; and changes in the Australian dollar value of official reserve assets due to revaluations (see paragraphs 8 and 9 below).

7. Since June 1974, the official parity basis of measuring *official reserve assets* was replaced by a series based on market rates of exchange. This revised series has been calculated back to June 1972 (prior to which

date, differences between the two series are relatively minor) and forms the basis of the estimates of changes in official reserve assets in the balance of payments from the September quarter 1972 onwards. From July 1977 the method of valuing official reserve assets was changed by the Reserve Bank to include gold valued at a market-related price. The official reserve assets series published by the Bank (shown in the table on page 2 of this bulletin) has been revised back to 30 June 1976 on this basis. As these changes in value were due solely to the revaluation of gold holdings they have no effect on the changes in official reserve assets included in the balance of payments.

8. As noted in paragraph 6, some adjustments are made to exclude from the balance of payments changes in the value of assets which are not due to economic transactions. In the case of official reserve assets, amongst the changes to be excluded are those due to revaluation effects, that is, to fluctuations in the market value of certain assets and to fluctuations in the market rates of exchange used to convert into Australian dollars.

9. The table on page 2 sets out changes in official reserve assets as recorded in the balance of payments from the September quarter 1975 and the adjustments which are necessary to reconcile these figures with statistics on the levels of reserve assets published by the Reserve Bank of Australia. Major revaluation changes occur in the Australian dollar value of official reserves in the June quarter 1976 due to the revised basis of valuing gold holdings referred to in paragraph 7 and in the December quarter 1976, due to the devaluation of the Australian dollar on 28 November which was subsequently partly offset by a number of minor revaluations during December 1976 and February 1977. A small devaluation of the Australian dollar took place in August 1977 and this has been followed by a number of minor adjustments to the dollar's effective exchange rate.

Seasonal adjustment

10. Most of the current account series in this bulletin are affected to some extent by seasonal influences and it is useful to recognise and take account of this element of variation.

11. While some degree of seasonality is evident in some capital account items over certain periods, the overall seasonal element is small compared with the large cyclical and irregular movements which have characterised capital flows in recent years. For these reasons, capital account items are, as in most countries, not being seasonally adjusted.

12. Seasonal adjustment may be carried out by various methods and the results may vary slightly according to the procedure adopted. Accordingly, seasonally adjusted statistics are in fact only estimates and should not be regarded as in any way definitive. In

interpreting particular seasonally adjusted statistics it is important, therefore, to bear in mind the methods by which they have been derived and the limitations to which the methods used are subject.

13. Particular care should be taken in interpreting quarter to quarter movements in the adjusted figures, especially for those items showing substantial irregular movement. It should be recognised that levels of overseas transactions can be directly affected by changes in foreign exchange rates which, while they are working through the system, lead to movements that do not appear so directly or with such frequency in other statistical series.

14. In order to maintain an accounting identity, the balance items (balance of trade, net invisibles and balance on current account) are derived by differencing independently adjusted series and could contain irregular fluctuations somewhat larger than those appearing in the individual series being differenced.

15. Historical series (from September quarter 1959 onwards) for the seasonally adjusted current account at the level of detail shown in this bulletin are available on request.

Presentation

16. In the following tables, minus sign (–) denotes: a debit for items in the current account; an outflow for components of capital inflow (net); and, for components of monetary movements, a decrease in assets, an increase in liabilities, or the receipt of an allocation of Special Drawing Rights in the I.M.F.

17. Discrepancies may occur between totals and sums of components in the tables, due to rounding.

Related publications

18. Other A.B.S. publications which may be of interest include :

Balance of Payments, monthly bulletin (5301.0).

Balance of Payments, annual bulletin (5303.0).

Imports by Commodity Divisions (Preliminary), monthly (5405.0).

Exports by Commodity Divisions (Preliminary), monthly (5402.0).

Overseas Investment 1975-76 (5305.0).

Foreign Investment in Enterprises in Australia, quarterly (5306.0).

19. All publications produced by A.B.S. are listed in *Catalogue of Publications 1977* (1101.0) which is available free of charge from any A.B.S. office.

R. J. CAMERON
Australian Statistician

Trade statistics : adjustments for balance of payments purposes
(\$ million)

Years quarters	Exports			Balance of Payments basis	Trade basis	Imports			Balance of Payments basis
	Trade basis	Adjustments				Adjustments			
		Coverage	Timing			Coverage	Timing	Valuation	
1973-74	6,914	-193	-34	6,688	6,085	-53	1	-279	5,754
1974-75	8,726	-256	20	8,490	8,080	-76	-8	-344	7,652
1975-76	9,640	-252	19	9,408	8,240	-26	-2	-288	7,924
1976-77	11,646	-133	-115	11,399	10,410	87	-3	-151	10,350
1975-76									
September	2,339	-118	-64	2,157	1,960	-25	-4	-73	1,858
December	2,287	-54	60	2,293	1,979	-5	-1	-67	1,905
March	2,332	-48	41	2,324	2,121	-18	4	-70	2,037
June	2,683	-32	-18	2,634	2,181	22	-1	-78	2,124
1976-77									
September	2,983	-55	-71	2,857	2,415	20	-2	-37	2,397
December	2,778	-23	50	2,804	2,417	22	-1	-32	2,406
March	2,855	-32	-24	2,799	2,778	51	10	-44	2,794
June	3,032	-22	-70	2,940	2,801	-5	-4	-38	2,753
1977-78									
September	3,076	-73	9	3,012	2,828	37	4	-44	2,825
December	3,064	-37	59	3,086	2,629	45	n.a.	-34	2,640

BALANCE OF PAYMENTS : DECEMBER QUARTER 1977

TABLES

TABLE 1. BALANCE OF PAYMENTS - CURRENT ACCOUNT
(\$ million)

	Quarters Ended -													
	Year				1975-76				1976-77				1977-78	
	1973-74	1974-75	1975-76	1976-77	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Visible trade -														
Exports f.o.b.	6,688	8,490	9,408	11,399	2,157	2,293	2,324	2,634	2,857	2,804	2,799	2,940	3,012	3,086
Imports f.o.b.	-5,754	-7,652	-7,924	-10,350	-1,858	-1,905	-2,037	-2,124	-2,397	-2,406	-2,794	-2,753	-2,825	-2,640
<i>Balance of trade</i>	934	838	1,484	1,049	299	387	288	510	460	398	5	186	187	446
Invisible credits -														
Gold production	30	56	23	..	11	12	..	..	..	..	..	..	..	..
Transportation	680	947	1,024	1,206	246	256	254	268	287	308	308	303	314	336
Travel	159	206	229	280	50	71	62	46	56	84	80	61	73	100
Government	67	75	77	88	19	19	21	18	20	21	23	24	21	24
Miscellaneous	130	153	126	94	33	37	25	31	21	29	24	20	25	26
Property income	514	415	336	355	96	87	74	80	82	90	90	94	80	89
Transfers	275	429	359	276	105	99	71	84	62	75	67	72	86	82
<i>Total invisible credits</i>	1,855	2,280	2,173	2,298	560	580	507	526	527	606	591	574	597	656
Invisible debits -														
Transportation -														
Freight on imports	-637	-803	-839	-1,110	-202	-199	-219	-220	-255	-267	-291	-297	-304	-281
Other transportation	-538	-662	-735	-859	-172	-169	-187	-207	-212	-206	-214	-227	-236	-237
Travel	-341	-428	-509	-510	-125	-113	-107	-164	-134	-109	-103	-165	-138	-118
Government	-112	-147	-175	-189	-36	-41	-39	-60	-34	-46	-48	-60	-52	-52
Miscellaneous	-271	-302	-260	-235	-62	-68	-81	-50	-67	-49	-59	-60	-82	-71
Property income -														
Investment income -														
Undistributed	-425	-236	-616	-615	-154	-154	-154	-154	-153	-154	-154	-154	-187	-188
Other	-665	-782	-854	-1,006	-183	-231	-196	-245	-236	-264	-221	-286	-258	-300
Royalties and copyrights	-66	-75	-75	-57	-22	-15	-21	-17	-13	-14	-13	-16	-22	-16
Transfers -														
Government	-297	-361	-388	-414	-94	-140	-66	-88	-98	-93	-107	-115	-146	-54
Private	-261	-266	-313	-290	-79	-85	-69	-80	-77	-71	-65	-77	-90	-84
<i>Total invisible debits</i>	-3,611	-4,061	-4,764	-5,283	-1,128	-1,214	-1,138	-1,285	-1,279	-1,273	-1,274	-1,456	-1,513	-1,402
<i>Net invisibles</i>	-1,757	-1,781	-2,591	-2,985	-568	-634	-630	-759	-753	-668	-683	-882	-916	-746
<i>Balance on current account</i>	-823	-943	-1,108	-1,936	-269	-247	-343	-249	-293	-270	-678	-696	-729	-300

TABLE 2. BALANCE OF PAYMENTS – CAPITAL ACCOUNT
(\$ million)

	Year				Quarters Ended –									
					1975-76				1976-77				1977-78	
	1973-74	1974-75	1975-76	1976-77	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Capital inflow (net) –														
Government capital movements –														
Government securities	-84	21	55	347	-38	-59	-12	164	226	137	-7	-8	482	357
Other government capital movements	62	-55	-184	-235	-50	-39	-31	-64	-71	-17	-28	-118	-70	-17
<i>Total government capital movements</i>	-22	-34	-129	112	-88	-98	-43	99	155	119	-35	-127	411	340
Private capital movements –														
Overseas investment in Australian companies –														
Undistributed income	425	236	616	615	154	154	154	154	153	154	154	154	187	188
Other direct investment	174	400	-57	421	6	-202	56	83	-43	120	186	157	-75	14
Portfolio investment and Institutional loans	-134	246	185	435	74	63	2	46	-75	192	200	118	32	141
<i>Total companies</i>	464	882	744	1,471	233	15	212	283	36	466	540	429	143	343
Australian investment overseas	-235	-130	-161	-160	-7	-57	-36	-61	-33	-39	-43	-46	-38	(a)
Trade credit n.e.i.														
Marketing authorities	-111	-60	120	111	21	33	52	15	12	34	71	-5	-164	-83
Other	55	-10	-14	127	-16	23	30	-52	31	63	10	23	26	(a)
<i>Total private capital movements</i>	174	682	689	1,549	231	14	258	185	46	524	578	401	-33	n.a.
Non-official monetary sector transactions	149	51	-25	20	-6	-125	45	61	-79	79	-11	30	45	(a)
<i>Net identified capital inflow</i>	301	699	535	1,672	138	-209	261	345	121	722	532	305	423	600
Balancing item	87	-221	-448	-235	-155	-268	67	-92	-96	-461	282	41	-430	(b)-367
<i>Net apparent capital inflow</i>	388	478	87	1,446	-18	-477	328	254	25	261	814	346	-7	233
Official monetary movements –														
Changes in official reserve assets	-384	-460	-1,053	-190	-271	-738	-37	-7	42	-7	127	-352	-584	-43
Allocation of SDR	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transactions	-50	-4	32	-301	-16	14	22	12	-310	-1	9	2	-152	-24
<i>Net official monetary movements</i>	-435	-464	-1,020	-491	-287	-723	-15	5	-268	-9	136	-350	-736	-67

(a) Not yet available. Included in the balancing item. (b) Includes items footnoted (a). n.a. – not available.

TABLE 3. BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED
(\$ million)

	Quarters Ended -									
	1975-76				1976-77				1977-78	
	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Visible trade -										
Exports f.o.b.	2,166	2,231	2,396	2,621	2,853	2,736	2,895	2,919	3,004	3,015
Imports f.o.b.	-1,783	-1,877	-2,089	-2,187	-2,309	-2,370	-2,863	-2,832	-2,729	-2,600
Balance of trade	383	353	307	434	545	366	32	87	275	415
Invisible credits -										
Gold production	11	9	..	..	..	..	..	..	..	..
Transportation	250	252	254	268	292	304	307	304	319	331
Travel	55	57	59	59	60	67	76	78	80	80
Government	18	19	21	18	20	21	23	24	20	24
Miscellaneous	33	34	26	32	21	27	25	21	25	24
Property income	94	86	75	80	81	89	91	94	79	88
Transfers	104	97	75	82	62	72	71	71	86	80
Total invisible credits	566	554	509	540	535	580	592	592	609	627
Invisible debits -										
Transportation -										
Freight on imports	-196	-194	-227	-223	-247	-262	-302	-302	-293	-276
Other transportation	-175	-173	-182	-204	-215	-212	-208	-223	-239	-244
Travel	-120	-131	-130	-129	-128	-126	-125	-130	-131	-136
Government	-41	-43	-40	-50	-39	-48	-50	-51	-59	-54
Miscellaneous	-58	-72	-79	-51	-63	-53	-57	-61	-79	-77
Property income -										
Investment income -										
Undistributed	-154	-154	-154	-154	-153	-154	-154	-154	-187	-188
Other	-219	-199	-200	-235	-264	-239	-231	-271	-310	-258
Royalties and copyrights	-23	-16	-18	-17	-14	-15	-12	-16	-23	-18
Transfers -										
Government	-89	-131	-70	-89	-96	-88	-115	-119	-140	-57
Private	-78	-84	-73	-78	-76	-70	-70	-74	-88	-84
Total invisible debits	-1,154	-1,198	-1,175	-1,231	-1,295	-1,266	-1,323	-1,400	-1,549	-1,390
Net invisibles	-588	-645	-665	-692	-760	-686	-731	-808	-941	-763
Balance on current account	-205	-291	-358	-257	-215	-320	-699	-721	-666	-348

TABLE 4. BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED
PERCENTAGE CHANGE FROM PRECEDING QUARTER

	PERCENTAGE CHANGE FROM PRECEDING QUARTER									
	1975-76				1976-77				1977-78	
	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Exports f.o.b.	-5.9	3.0	7.4	9.4	8.9	-4.1	5.8	0.8	2.9	0.4
Invisible credits	-2.7	-2.1	-8.1	6.1	-0.9	8.4	2.1	..	2.9	3.0
Imports f.o.b.	0.4	5.3	11.3	4.7	5.6	2.6	20.8	-1.1	-3.6	-4.7
Invisible debits	8.3	3.8	-1.9	4.8	5.2	-2.2	4.5	5.8	10.6	-10.2