



INQUIRIES

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BALANCE OF PAYMENTS : MARCH QUARTER 1977

MAIN FEATURES

- . An overall surplus, as measured by net official monetary movements, of \$138 million.
- . A trade surplus of \$4 million, with exports of \$2,791 million almost exactly matched by record imports of \$2,787 million.
- . A record current account deficit of \$665 million.
- . A record net apparent capital inflow of \$803 million, with very high levels of inflow in January and February falling off sharply in March.

TRENDS IN MAJOR AGGREGATES

Current account

- . The *current account* deficit of \$665 million in the March quarter was a record, over double the \$327 million deficit in the March quarter 1976 and \$38 million up on the previous highest deficit in the September quarter 1974.
- . *Seasonally adjusted*, the *current account* deficit of \$745 million was \$423 million greater than the December quarter 1976 deficit.
- . The small *balance of trade* surplus of \$4 million was substantially down on the \$291 million surplus in the previous March quarter.
- . *Seasonally adjusted*, the *trade balance* was a deficit of \$20 million, a turnaround of \$349 million on the \$329 million trade surplus in the December quarter 1976.
- . *Exports* (on a balance of payments basis) were \$2,791 million, about the same as in the December quarter 1976, but 20 per cent up on the March quarter 1976. From the limited commodity details available this increase over the previous March quarter seems to be the result of higher exports of cereals, sugar, coal, ores, wool and meat.

- . *Seasonally adjusted exports*, at \$2,854 million, were 5 per cent up on the December quarter 1976.
- . *Imports* (on a balance of payments basis) were a record \$2,787 million, 15 per cent higher than the December quarter 1976 and 37 per cent above the previous March quarter. The main increases over the March quarter 1976 were in imports of machinery and transport equipment, chemicals and plastics, metal manufactures and miscellaneous manufactures.
- . *Seasonally adjusted imports*, at \$2,874 million, were 21 per cent up on the December quarter 1976. Most imports arriving in the March quarter would have been affected by the November devaluation of 17.5 per cent. Although subsequent revaluations reduced the effective devaluation to 12.2 per cent by the end of February this still represents a 14 per cent increase in the Australian dollar cost of goods imported.
- . The \$669 million deficit on *net invisibles* was \$51 million higher than in the March quarter 1976.
- . The *Seasonally adjusted net invisibles* deficit of \$725 million was \$75 million up on the December quarter 1976.

Capital account

- . The *net apparent capital inflow* of \$803 million was \$528 million higher than the net inflow in the December quarter 1976, \$491 million up on the previous March quarter, and well above the previous record net apparent capital inflow of \$540 million in the September quarter 1972.
- . Identified capital transactions by government and marketing authorities accounted for only a small net inflow of \$9 million. This implies a net inflow of \$794 million in respect of private capital transactions (including not-official monetary sector transactions and the balancing item) during the quarter.
- . The pattern of private capital inflow (including the balancing item) during the quarter showed very high levels in both January and February falling sharply in

March as the borrowing restrictions announced in mid-January, particularly the reactivation of the variable deposit requirement scheme, began to take effect.

Overall result

- Net official monetary movements during the March quarter 1977 showed a surplus of \$138 million compared with deficits of \$9 million in the December quarter 1976 and \$15 million in the March quarter 1976.

Level of reserves

- At 31 March 1977, Australia's official reserve assets, valued at market rates of exchange, totalled \$2,999 million.

Exchange rate

- The effective exchange rate of the Australian dollar vis-a-vis the basket of currencies against which its value is measured was reduced by 17.5 per cent on 28 November 1976. A series of subsequent revaluations reduced the effective devaluation to 12.2 per cent by the end of February 1977, since when the effective rate has been unchanged.

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					
1974 31 December	-141	+10	-131	3,217	1.3270	0.5649	3.181	398.30	1.0087
1975 31 March	+26	-23	+3	3,220	1.3537	0.5609	3.172	393.51	1.0081
30 June	+242	+31	+273	3,493	1.3258	0.5968	3.120	393.43	1.0232
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	+12	+5	2,576	1.2356	0.6927	3.182	366.44	1.2450
30 September	+42	+14	+56	2,632	1.2373	0.7409	3.036	354.96	1.2678
31 December	-7	+294	+287	2,919	1.0864	0.6385	2.555	317.34	1.1435
1977 31 March	+127	-47	+80	2,999	1.1031	0.6411	2.638	306.32	1.1475

EXPLANATORY NOTES

Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the March quarter 1977, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in the bulletin *Balance of Payments* (Reference No. 8.1).

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* (Reference No. 8.1) for a more detailed 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. This change gives more meaningful figures on the level of official reserve assets at any point of time, and also improves the internal consistency of the balance of payments in as much as market rates are now used throughout to derive the Australian currency equivalents of transactions.

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 December quarter 1974 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. A major change occurred in the Australian dollar value of official reserves 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.

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 the case of the statistics published in this bulletin, annual re-analysis, taking into account 1976 data, has recently been completed. An outline of the methods used, together with selected measures of variability for the series, are available on request.

15. 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.

16. 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

17. 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.

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

Related publications

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

Balance of Payments, monthly bulletin (Reference No. 8.30)

Balance of Payments, annual bulletin (Reference No. 8.1)

Imports by Commodity Divisions (Preliminary), monthly (Reference No. 8.13)

Exports by Commodity Divisions (Preliminary), monthly (Reference No. 8.18)

Overseas Investment 1975-76 (Preliminary) (Reference No. 5.21)

Foreign Investment in Enterprises in Australia (Preliminary), quarterly (Reference No. 5.60)

20. All publications produced by A.B.S. are listed in *Publications of the Australian Bureau of Statistics* (Reference No. 1.8) which is available free of charge from any A.B.S. office.

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

Years quarters	Exports				Imports				
	Trade basis	Adjustments		Balance of Payments basis	Trade basis	Adjustments			Balance of Payments basis
		Coverage	Timing			Coverage	Timing	Valuation	
1972-73	6,214	–227	24	6,010	4,121	–93	..	–220	3,808
1973-74	6,914	–193	–33	6,688	6,085	–53	..	–279	5,753
1974-75	8,726	–256	17	8,487	8,080	–76	..	–344	7,660
1975-76	9,606	–254	20	9,372	8,240	–29	..	–288	7,923
1974-75 December	2,169	–59	55	2,165	2,182	11	..	–106	2,087
March	2,158	–77	30	2,111	1,852	–19	..	–75	1,758
June	2,393	–47	–52	2,295	1,843	–54	..	–74	1,715
1975-76 September	2,339	–118	–68	2,153	1,960	–25	..	–73	1,862
December	2,287	–54	60	2,292	1,979	–5	..	–67	1,906
March	2,329	–48	43	2,323	2,121	–18	..	–70	2,032
June	2,652	–34	–14	2,604	2,181	20	..	–78	2,123
1976-77 September	2,968	–55	–73	2,840	2,416	17	..	–40	2,393
December	2,751	–29	54	2,775	2,419	24	..	–29	2,414
March	2,841	–28	–23	2,791	2,779	61	..	–53	2,787

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BALANCE OF PAYMENTS : MARCH QUARTER 1977**TABLES**

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

	Quarters Ended -													
	Year				1974-75			1975-76			1976-77			
	1972-73	1973-74	1974-75	1975-76	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Visible trade -														
Exports f.o.b.	6,010	6,688	8,487	9,372	2,165	2,111	2,295	2,153	2,292	2,323	2,604	2,840	2,775	2,791
Imports f.o.b.	-3,808	-5,753	-7,660	-7,923	-2,087	-1,758	-1,715	-1,862	-1,906	-2,032	-2,123	-2,393	-2,414	-2,787
Balance of trade	2,202	935	827	1,449	78	353	579	291	386	291	481	446	361	4
Invisible credits -														
Gold production	27	30	56	23	10	19	14	11	12	..	..	..	..	..
Transportation	571	680	947	1,026	250	249	226	248	256	255	267	310	316	345
Travel	123	159	206	229	64	53	41	50	71	62	46	56	84	77
Government (a)	69	67	75	77	20	17	18	19	19	21	18	20	20	23
Miscellaneous	135	130	153	126	45	30	30	33	37	25	31	21	28	25
Property income	370	510	410	326	114	81	101	94	85	72	75	82	90	89
Transfers (b)	260	275	429	358	86	140	131	105	99	71	84	62	74	64
Total invisible credits	1,554	1,851	2,275	2,164	589	589	560	560	577	506	521	550	612	622
Invisible debits -														
Transportation -														
Freight on imports	-426	-637	-803	-842	-224	-172	-182	-205	-199	-218	-220	-254	-262	-293
Other transportation	-415	-538	-662	-741	-167	-177	-162	-173	-170	-189	-209	-209	-215	-230
Travel	-321	-341	-428	-509	-88	-92	-140	-125	-113	-107	-164	-134	-107	-100
Government (a)	-119	-109	-140	-167	-32	-30	-51	-35	-40	-37	-55	-36	-40	-48
Miscellaneous	-236	-271	-302	-260	-72	-67	-73	-62	-68	-81	-50	-69	-51	-54
Property income -														
Investment income -														
Undistributed	-302	-424	-237	-580	-74	-44	-44	-145	-145	-145	-145	-160	-160	-160
Other	-634	-661	-769	-820	-192	-173	-251	-175	-230	-191	-224	-230	-247	-231
Royalties and copyrights	-75	-66	-75	-75	-16	-22	-21	-22	-15	-21	-17	-13	-12	-11
Transfers -														
Government (c)	-255	-297	-361	-388	-100	-99	-97	-94	-140	-66	-88	-98	-93	-106
Private	-217	-261	-266	-313	-61	-65	-75	-79	-85	-69	-80	-77	-70	-60
Total invisible debits	-2,998	-3,603	-4,041	-4,695	-1,026	-941	-1,095	-1,114	-1,205	-1,123	-1,253	-1,281	-1,256	-1,291
Net invisibles	-1,444	-1,753	-1,766	-2,531	-437	-352	-535	-554	-627	-618	-732	-731	-645	-669
Balance on current account	758	-818	-939	-1,082	-359	1	44	-263	-242	-327	-250	-284	-284	-665

(a) Changed treatment; item now excludes social security cash benefits. (b) Item now includes social security cash benefits paid through the Australian government by overseas governments.
(c) Item now includes Australian social security cash benefits paid overseas.

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

	Year				Quarters Ended -										
	1972-73	1973-74	1974-75	1975-76	1974-75			1975-76			1976-77				
					Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	
Capital inflow (net) -															
Government capital movements -															
Government securities	-33	-84	21	46	-5	-8	52	-41	-62	-14	163	226	137	-12	
Other government capital movements	-31	80	-53	-144	3	-14	-26	-29	-26	-26	-63	-50	-17	-22	
Total government capital movements	-64	-4	-32	-98	-2	-22	26	-70	-88	-40	100	176	120	-34	
Private capital movements -															
Overseas investment in Australian companies -															
Undistributed income	302	424	237	580	74	44	44	145	145	145	145	160	160	160	700 1000
Other direct investment	47	172	401	-44	160	30	90	9	-205	52	99	-50	65	(a)	
Portfolio investment and Institutional loans	107	-140	257	166	10	45	250	69	52	17	28	-72	234	(a)	
Total companies	455	456	895	702	245	119	384	223	-8	215	273	38	459	n.a.	
Australian investment overseas	-110	-231	-130	-153	-34	-32	-51	-6	-55	-34	-58	-34	-39	(a)	7
Marketing authorities	34	-95	-59	133	-43	8	26	55	17	53	8	51	19	43	
Total private capital movements	380	130	706	682	168	96	359	272	-46	234	223	56	438	n.a.	
Non-official monetary sector transactions	-44	154	47	-25	-18	6	40	-6	-125	45	61	-87	71	(a)	
Net identified capital inflow	272	281	721	560	148	80	426	196	-259	240	384	145	629	169	
Balancing item (b)	40	102	-246	-498	77	-58	-242	-220	-223	72	-128	-128	-353	635	
Net apparent capital inflow	312	383	475	61	225	22	184	-24	-482	312	255	17	275	803	
Official monetary movements -															
Changes in official reserve assets	1,079	-384	-460	-1,053	-141	26	242	-271	-738	-37	-7	42	-7	127	
Allocation of SDR	...	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transactions	-9	-50	-4	32	7	-3	-13	-16	14	22	12	-310	-1	11	
Net official monetary movements	1,071	-435	-464	-1,020	-134	23	228	-287	-723	-15	5	-268	-9	138	

(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 -									
	1974-75				1975-76				1976-77	
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Visible trade -										
Exports f.o.b.	2,104	2,151	2,296	2,169	2,231	2,372	2,606	2,853	2,707	2,854
Imports f.o.b.	2,058	-1,809	-1,782	-1,771	-1,878	-2,094	-2,205	-2,275	-2,378	-2,874
Balance of trade	46	342	515	398	353	278	401	578	329	-20
Invisible credits -										
Gold production	8	27	13	11	9	..	..	..	..	..
Transportation	246	249	227	252	252	254	268	314	311	344
Travel	53	50	49	56	58	59	55	62	69	73
Government	20	18	19	18	19	22	18	19	20	24
Miscellaneous	43	31	30	34	33	26	32	21	26	26
Property income	111	85	104	91	82	74	77	79	88	92
Transfers	81	144	132	104	95	75	85	62	70	67
Total invisible credits	561	603	574	564	549	510	536	557	585	626
Invisible debits -										
Transportation -										
Freight on imports	-213	-183	-186	-200	-187	-234	-225	-247	-247	-315
Other transportation	-169	-164	-164	-178	-173	-181	-210	-215	-219	-221
Travel	-102	-112	-108	-123	-130	-131	-128	-130	-123	-122
Government	-32	-31	-45	-39	-40	-39	-48	-41	-40	-49
Miscellaneous	-74	-67	-75	-58	-71	-80	-52	-64	-53	-53
Property income -										
Investment income -										
Undistributed	-74	-44	-44	-145	-145	-145	-145	-160	-160	-160
Other	-169	-173	-251	-199	-203	-189	-224	-249	-228	-229
Royalties and copyrights	-17	-19	-22	-22	-17	-18	-18	-14	-13	-10
Transfers -										
Government	-94	-117	-89	-89	-126	-77	-86	-97	-84	-127
Private	-60	-68	-73	-79	-84	-73	-78	-77	-68	-64
Total invisible debits	-1,004	-979	-1,057	-1,131	-1,175	-1,166	-1,214	-1,295	-1,235	-1,351
Net invisibles	-443	-376	-483	-566	-626	-656	-678	-738	-650	-725
Balance on current account	-397	-34	31	-168	-274	-378	-277	-160	-322	-745

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

	1974-75				1975-76				1976-77	
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Exports f.o.b.	8.5	2.2	6.8	-5.5	2.8	6.4	9.8	9.5	-5.1	5.4
Invisible credits	3.7	7.5	-4.7	-1.7	-2.7	-7.2	5.1	3.9	5.0	7.0
Imports f.o.b.	3.0	-12.1	-1.5	-0.6	6.0	11.5	5.3	3.2	4.5	20.8
Invisible debits	0.7	-2.5	8.0	6.9	4.0	-0.8	4.1	6.7	-4.6	9.4