

AUSTRALIAN BUREAU OF STATISTICS Canberra

CATALOGUE NO. 5302.0

NOON 8 FEBRUARY 1979

BALANCE OF PAYMENTS : DECEMBER QUARTER 1978

INQUIRIES

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MAIN FEATURES

December quarter 1978

- An overall deficit, as measured by net official monetary movements of \$138 million.
- Exports of \$3,379 million, \$363 million higher than in the previous quarter.
- Record imports of \$3,374 million, \$224 million up on the previous quarter.
- A trade surplus of \$5 million, representing a turnaround of \$139 million from the \$134 million deficit of the previous quarter.
- Net invisibles – payments exceeded receipts by \$839 million.
- A deficit on current account of \$834 million.
- A net apparent capital inflow of \$696 million of which \$487 million was due to government capital transactions.

TRENDS IN MAJOR AGGREGATES

Current Account

- The *current account* deficit of \$834 million for the December quarter compared with a deficit of \$131 million in the December quarter 1977.
- *Seasonally adjusted*, the *current account* deficit was \$925 million, \$7 million higher than the deficit for the September quarter.
- The *balance of trade* surplus of \$5 million for the December quarter was a reduction of \$515 million on the surplus of \$520 million in the December quarter 1977.
- *Seasonally adjusted*, the *trade balance* was a deficit of \$55 million, a rise of \$37 million on the \$18 million deficit for the September quarter.

- *Exports* (on a balance of payments basis) were \$3,379 million in the December quarter, 12 per cent up on the previous quarter and 8 per cent higher than exports in the December quarter 1977. Export commodity statistics for the whole quarter are not yet available, but a comparison of the first two months of the quarter with the corresponding months of 1977 show increases in the value of exports of meat, wool metalliferous ores, iron and steel and non-ferrous metals and decreases in the exports of cereals and coal.

- *Seasonally adjusted exports* at \$3,326 million, were 11 per cent up on the September quarter.

- *Imports* (on a balance of payments basis) were \$3,374 million, 7 per cent higher than the previous quarter and 29 per cent above the December quarter 1977. Import commodity statistics for the whole quarter are not yet available but a comparison of the first two months of the quarter with the corresponding months of 1977 show increases in the value of imports of textiles, yarn and made up articles (up \$44 million or 38 per cent), manufactures of metals (up \$21 million or 44 per cent) and machinery and transport equipment (up \$286 million or 42 per cent). Imports of petroleum fell \$55 million or 25 per cent.

- *Seasonally adjusted imports* at \$3,382 million, were 12 per cent up on the September quarter.

- The \$839 million deficit on *net invisibles* was \$188 million higher than in the December quarter 1977.

- The *seasonally adjusted net invisibles* deficit of \$870 million was \$30 million down on the previous quarter.

Capital Account

- The *net apparent capital inflow* of \$696 million in the December quarter is a fall of \$134 million on the previous quarter.

- There was a net inflow of \$487 million on *government capital transactions* during the quarter, mainly reflecting the receipt of proceeds from Yen borrowings.

Interim estimates of foreign investment in Australian enterprises indicate a net inflow of \$388 million in the December quarter, \$5 million higher than the inflow in the September quarter and \$45 million higher than in December quarter 1977.

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 inflow of \$109 million, reflecting the excess of receipts over exports.

Overall results

Net official monetary movements during the December quarter 1978 showed a deficit of \$138

million compared with deficits of \$205 million in the September quarter and \$73 million in the December quarter 1977.

Official reserve assets decreased by \$113 million during the December quarter as a result of balance of payments transactions (i.e. after excluding changes due to the effects of revaluations).

Level of reserves

At 31 December 1978, Australia's official reserve assets, valued at market rates of exchange and with gold holdings at market related value, stood at \$3,200 million.

Official Reserve Assets and Exchange Rates

Quarter ended	Official Reserve Assets \$ million				Exchange Rates (end of quarter) Units of foreign currency for \$A				Trade-weighted index of value of Australian dollar, May 1970 = 100
	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	
			Changes in levels	Levels at end of quarter					
1976 30 September	+42	-57	-15	3,071	1.2373	0.7409	3.036	354.96	105.3
31 December	-7	+486	+479	3,550	1.0864	0.6385	2.555	317.34	92.2
1977 31 March	+127	+54	+181	3,731	1.1031	0.6411	2.638	306.32	92.5
30 June	-352	-67	-419	3,312	1.1108	0.6458	2.616	300.84	92.5
30 September	-584	+92	-492	2,820	1.1076	0.6348	2.572	293.63	91.5
31 December	-43	+102	+59	2,879	1.1414	0.5965	2.395	273.85	89.4
1978 31 March	+187	+196	+383	3,262	1.1431	0.6127	2.314	253.65	87.5
30 June	-34	-3	-37	3,225	1.1475	0.6151	2.379	234.63	86.2
30 September	-205	+254	+49	3,274	1.1566	0.5853	2.234	218.31	83.6
31 December	-113	+39	-74	3,200	1.1505	0.5656	2.099	222.83	82.7

EXPLANATORY NOTES

Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the December quarter 1978, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in the bulletin *Balance of Payments* (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 below 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.

7. The measurement of official reserve assets is based on market valuations so that changes in the value of the assets occur both as a result of economic transactions and as a result of fluctuations in the market value of certain assets and in the market rates of exchange used to convert them into Australian dollars. The table on page 2 sets out separately the changes in official reserve assets which result from transactions and are recorded in the balance of payments and revaluation changes, which are excluded from the balance of payments. The major change that occurred in the Australian dollar value of official reserve assets in the June quarter 1976 was due mainly to the revaluation of gold holdings to a market value basis (for further details see paragraphs 7 to 9 of the explanatory notes in previous publications). A further major change in the December quarter 1976 was due to a devaluation of the Australian dollar on 28 November 1976.

8. The table on page 2 also shows the exchange rate of the Australian dollar with four major currencies and a trade-weighted index of value of the Australian dollar published by the Reserve Bank. The trade-weighted index is the average value of the Australian dollar vis a vis currencies of Australia's major trading partners.

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	
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	10,411	62	20	-148	10,345
1977-78	12,270	-188	-13	12,069	11,167	111	45	-147	11,179
1976-77 September	2,983	-55	-71	2,857	2,415	19	-2	-39	2,393
December	2,778	-23	50	2,804	2,417	21	-1	-30	2,407
March	2,855	-32	-24	2,799	2,778	44	11	-44	2,789
June	3,032	-22	-69	2,939	2,801	-22	11	-33	2,757
1977-78 September	3,079	74	9	3,014	2,828	35	4	-38	2,829
December	3,085	-47	103	3,140	2,629	45	-14	-40	2,620
March	2,925	-42	-84	2,800	2,804	45	27	-27	2,849
June	3,181	-25	-40	3,115	2,905	-14	31	-42	2,881
1978-79 September	3,040	-56	32	3,016	3,171	14	13	-46	3,150
December	3,426	-41	-6	3,379	3,427	-1	-10	-42	3,374

Seasonal adjustment

9. 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.

10. 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.

11. 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.

12. 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.

13. In the case of the statistics published in this bulletin, annual re-analysis, taking into account 1977 data, has recently been completed. An outline of the methods used, together with selected measures of variability for the series, are available on request.

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 ABS 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)

Foreign Investment 1976-77 (5305.0)

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

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

Symbols and other usages

n.a. not available.

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Australian Statistician

BALANCE OF PAYMENTS : DECEMBER QUARTER 1978

TABLES

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

	Quarters Ended –													
	Year				1976-77				1977-78				1978-79	
	1974-75	1975-76	1976-77	1977-78	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Visible trade –														
Exports f.o.b.	8,490	9,408	11,399	12,069	2,857	2,804	2,799	2,939	3,014	3,140	2,800	3,115	3,016	3,379
Imports f.o.b.	-7,652	-7,924	-10,345	-11,179	-2,393	-2,407	-2,789	-2,757	-2,829	-2,620	-2,849	-2,881	-3,150	3,374
<i>Balance of trade</i>	<i>838</i>	<i>1,484</i>	<i>1,054</i>	<i>891</i>	<i>464</i>	<i>397</i>	<i>10</i>	<i>183</i>	<i>185</i>	<i>520</i>	<i>-49</i>	<i>235</i>	<i>-134</i>	<i>5</i>
Invisible credits –														
Gold production	56	23	..	..	..	..	..	..	..	..	..	..	..	..
Transportation	952	1,041	1,238	1,315	294	313	316	316	312	345	335	323	344	380
Travel	212	233	278	325	54	84	80	60	68	104	88	65	78	113
Government	75	77	88	93	20	21	23	24	21	24	22	26	23	25
Miscellaneous	153	126	94	154	21	29	24	20	25	31	38	60	40	40
Property income	431	343	378	354	82	104	88	104	84	93	82	95	95	104
Transfers	429	359	276	409	62	75	67	72	86	95	119	109	106	109
<i>Total invisible credits</i>	<i>2,307</i>	<i>2,202</i>	<i>2,351</i>	<i>2,649</i>	<i>534</i>	<i>624</i>	<i>597</i>	<i>597</i>	<i>596</i>	<i>692</i>	<i>684</i>	<i>677</i>	<i>685</i>	<i>770</i>
Invisible debits –														
Transportation –														
Freight on imports	-784	-802	-1,034	-1,083	-243	-244	-275	-272	-272	-266	-254	-291	-328	-318
Other transportation	-712	-803	-949	-1,044	-235	-227	-229	-258	-259	-241	-251	-293	-285	-275
Travel	-428	-509	-510	-551	-134	-109	-103	-165	-144	-104	-112	-190	-150	-124
Government	-147	-175	-189	-223	-34	-46	-48	-61	-53	-52	-56	-61	-43	-50
Miscellaneous	-294	-253	-255	-395	-73	-54	-64	-65	-91	-88	-111	-105	-105	-106
Property income –														
Investment income –														
Undistributed	-241	-605	-672	-609	-168	-168	-168	-168	-152	-152	-152	-152	-170	-170
Other	-783	-872	-1,024	-1,170	-241	-277	-222	-283	-318	-283	-243	-326	-274	-347
Royalties and copyrights	-75	-75	-57	-81	-13	-14	-13	-16	-22	-16	-18	-25	-17	-17
Transfers –														
Government	-361	-388	-414	-452	-98	-93	-107	-116	-146	-54	-118	-134	-110	-104
Private	-266	-313	-290	-365	-77	-71	-65	-77	-91	-87	-91	-96	-105	-98
<i>Total invisible debits</i>	<i>-4,090</i>	<i>-4,794</i>	<i>-5,394</i>	<i>-5,971</i>	<i>-1,316</i>	<i>-1,304</i>	<i>-1,294</i>	<i>-1,480</i>	<i>-1,548</i>	<i>-1,343</i>	<i>-1,405</i>	<i>-1,674</i>	<i>-1,586</i>	<i>-1,609</i>
<i>Net invisibles</i>	<i>-1,783</i>	<i>-2,592</i>	<i>-3,043</i>	<i>-3,321</i>	<i>-782</i>	<i>-680</i>	<i>-697</i>	<i>-884</i>	<i>-952</i>	<i>-651</i>	<i>-721</i>	<i>-997</i>	<i>-901</i>	<i>-839</i>
<i>Balance on current account</i>	<i>-945</i>	<i>-1,108</i>	<i>-1,989</i>	<i>-2,431</i>	<i>-319</i>	<i>-283</i>	<i>-687</i>	<i>-701</i>	<i>-767</i>	<i>-131</i>	<i>-770</i>	<i>-762</i>	<i>-1,035</i>	<i>-834</i>

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

	Year				Quarters Ended –									
					1976-77				1977-78				1978-79	
	1974-75	1975-76	1976-77	1977-78	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Capital inflow (net) –														
Government capital movements –														
Government securities	21	47	375	1,647	235	146	–3	–4	490	366	476	315	426	471
Other government capital movements	–45	–176	–222	–129	–67	–14	–25	–116	–59	–20	40	–90	98	16
Total government capital movements	–24	–128	153	1,518	169	132	–28	–120	432	346	516	224	524	487
Private capital movements –														
Foreign investment in Australian enterprises –														
Undistributed income	241	605	672	609	168	168	168	168	152	152	152	152	170	170
Other direct investment	403	–42	405	463	–42	115	189	144	–48	84	75	352	131	167
Portfolio investment and institutional loans	237	200	500	257	–44	200	211	133	7	107	53	91	81	51
Total enterprises	881	763	1,577	1,329	82	484	567	444	111	343	280	595	383	388
Australian investment abroad	–94	–180	–227	–155	–42	–64	–56	–66	–37	–34	–38	–46	–35	(a)
Trade credit n.e.i. –														
Marketing authorities	–60	120	111	–209	11	34	71	–5	–164	–85	78	–39	–40	109
Other	–14	–10	132	–26	32	58	13	30	29	–70	13	2	57	(a)
Total private capital movements	714	693	1,593	938	84	512	595	403	–61	155	334	512	364	n.a.
Non-official monetary sector transactions	51	–25	24	–17	–79	79	–11	34	47	–18	–21	–25	64	(a)
Net identified capital inflow	741	540	1,770	2,439	173	723	557	317	417	483	828	711	952	984
Balancing item	–260	–452	–271	–551	–122	–448	–266	33	–386	–425	244	16	–123	(b)–288
Net apparent capital inflow	481	88	1,499	1,889	51	275	823	351	31	59	1,072	727	830	696
Official monetary movements –														
Changes in official reserve assets	–460	–1,053	–190	–474	42	–7	127	–352	–584	–43	187	–34	–205	–113
Allocation of SDR	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transactions	–4	32	–301	–68	–310	–1	9	2	–152	–30	116	–2	..	–25
Net official monetary movements	–464	–1,020	–491	–542	–268	–9	136	–350	–736	–73	302	–36	–205	–138

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

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

	Quarters Ended –									
	1976-77				1977-78				1978-79	
	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Visible trade –										
Exports f.o.b.	2,854	2,746	2,887	2,913	3,007	3,086	2,892	3,083	3,007	3,326
Imports f.o.b.	-2,290	-2,410	-2,847	-2,817	-2,713	-2,625	-2,905	-2,941	-3,024	-3,382
Balance of trade	564	336	41	96	294	461	-14	142	-18	-55
Invisible credits –										
Gold production	..	..	..	..	..	..	..	..	..	..
Transportation	299	310	312	317	318	342	331	324	351	377
Travel	60	67	75	77	75	83	83	83	86	90
Government	20	21	23	24	21	23	22	27	22	25
Miscellaneous	21	27	25	21	24	29	41	63	39	37
Property income	81	103	90	104	83	93	83	95	94	104
Transfers	61	72	71	71	85	93	123	108	105	107
Total invisible credits	542	600	596	614	607	663	683	698	697	739
Invisible debits –										
Transportation –										
Freight on imports	-234	-243	-281	-277	-261	-266	-260	-297	-314	-320
Other transportation	-237	-233	-223	-257	-260	-248	-245	-290	-285	-282
Travel	-128	-125	-125	-130	-138	-119	-137	-151	-143	-142
Government	-38	-47	-51	-52	-59	-53	-59	-53	-48	-52
Miscellaneous	-68	-58	-63	-66	-85	-95	-108	-107	-98	-116
Property income –										
Investment income –										
Undistributed	-168	-168	-168	-168	-152	-152	-152	-152	-170	-170
Other	-269	-254	-227	-271	-378	-253	-248	-312	-325	-311
Royalties and copyrights	-13	-17	-12	-16	-21	-19	-16	-25	-16	-21
Transfers –										
Government	-93	-91	-117	-118	-134	-57	-128	-151	-97	-98
Private	-75	-71	-71	-74	-88	-87	-99	-93	-101	-98
Total invisible debits	-1,323	-1,306	-1,336	-1,430	-1,576	-1,350	-1,453	-1,631	-1,597	-1,609
Net invisibles	-781	-706	-740	-816	-970	-687	-770	-933	-900	-870
Balance on current account	-217	-370	-700	-720	-676	-226	-784	-791	-918	-925

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

	1976-77				1977-78				1978-79	
	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
Exports f.o.b.	9.0	-3.8	5.1	0.9	3.2	2.6	-6.3	6.6	-2.5	10.6
Invisible credits	-1.5	10.7	-0.6	3.0	-1.2	9.3	3.0	2.2	-0.2	6.0
Imports f.o.b.	5.3	5.2	18.1	-1.0	-3.7	-3.3	10.7	1.2	2.8	11.8
Invisible debits	6.8	-1.3	2.3	7.0	10.2	-14.4	7.7	12.2	-2.1	0.7