



Reference No. 8.2

BALANCE OF PAYMENTS : MARCH QUARTER 1976

MAIN FEATURES

- A small overall deficit of \$12 million, as measured by net official monetary movements.
- Record exports of \$2,327 million and a trade surplus of \$308 million.
- Net invisibles – payments exceeded receipts by \$552 million.
- A current account deficit of \$244 million.
- A net apparent capital inflow of \$232 million.

TRENDS IN MAJOR AGGREGATES

Current Account

- The deficit of \$244 million in the current account balance represents an increase of \$47 million on the December quarter and a rise of \$212 million on the deficit in the March quarter 1975.
- Seasonally adjusted, the current account deficit of \$322 million was \$48 million up on the \$274 million deficit in the December quarter 1975.
- The balance of trade surplus of \$308 million was down on the \$354 million surplus recorded in the previous March quarter.
- Seasonally adjusted, the balance of trade showed a surplus of \$266 million, a fall of \$65 million compared with the December quarter 1975.
- Exports, at \$2,327 million, were 2 per cent up on the December quarter, and 10 per cent above the value in the March quarter 1975. Commodity details are not yet available, but the increase over the previous March quarter seems to include rises in exports of wool, coal, meat and chemicals and a fall in exports of cereals.
- Seasonally adjusted exports, at \$2,358 million, were 8 per cent up on the December quarter 1975.
- Imports were \$2,020 million, 6 per cent above the December quarter, and 15 per cent above the corresponding March quarter in 1975. Commodity details indicate that the rise on the previous March quarter was mainly due to increases in imports of textiles, electrical machinery, miscellaneous manufactures and petroleum.
- Imports, seasonally adjusted, rose to \$2,092 million, up 13 per cent on the December quarter 1975.

• The \$552 million deficit on net invisibles was \$166 million higher than in the March quarter 1975. This was due to a rise of \$129 million in invisible debits and a \$37 million fall in invisible credits.

• The seasonally adjusted net invisibles deficit of \$587 million was \$18 million less than in the December quarter 1975. The main feature of the change was a fall of \$74 million in government overseas aid. This was mainly due to the fact that the December quarter figure was inflated by the bringing forward of substantial payments originally scheduled for the second half of the financial year.

Capital Account

- The net apparent capital inflow of \$232 million in the March quarter 1976 was a turnaround of \$758 million from the \$526 million net outflow in the December quarter 1975 and \$177 million higher than the \$55 million net inflow in the March quarter 1975.
- The identified net capital inflow of \$21 million in respect of government and marketing authorities' transactions implies a net inflow of \$211 million in relation to other capital (investment in companies, non-official monetary sector transactions and the balancing item). This compares with a net outflow for the corresponding items of \$489 million in the December quarter 1975 and a net inflow of \$67 million in the March quarter 1975.
- The decline in the balancing item for the December quarter 1975 from – \$576 million to a revised – \$210 million mainly reflects the identification of data on other direct investment in Australian companies and transactions of the non-official monetary sector, both of which led to large net capital outflows.

Overall Result

- Measured by net official monetary movements there was a small overall deficit of \$12 million in the March quarter 1976. This was \$711 million lower than the record deficit in the December quarter 1975 and compares with a surplus of \$23 million in the March quarter 1975.

Level of Reserves

- At 31 March 1976 official reserve assets, valued at market rates of exchange, totalled \$2,571 million.

EXPLANATORY NOTES

Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the March quarter 1976, 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 accompanying table represent the recorded trade figures adjusted in respect of coverage, timing and valuation for balance of payments purposes.

Treatment of gold transactions

6. Acknowledging the previous special significance of gold as an internationally acceptable medium of exchange, gold transactions have been afforded prominence in the balance of payments by the inclusion of a separate *gold production* item in the current account. This item recorded the net value of gold exports (gold transactions being excluded from the visible trade exports and imports) plus the value of newly-won gold retained by the Reserve Bank in Australia's official reserve assets.

7. In January 1976 the Treasurer announced that restrictions on the private ownership of and transactions in gold had been removed by the suspension of Part IV of the *Banking Act 1959-1974*. As a result, the Reserve Bank no longer acquires all newly-won gold and Australian residents are free to export and import gold subject only to regulations in some States and to Commonwealth exchange control and Customs procedures.

8. These changed circumstances reflect the declining role of gold in the international monetary system and consequently gold transactions will no longer be recorded separately in the balance of payments. Beginning with the March quarter 1976, exports and

imports of gold will be included in the relevant visible trade items in the balance of payments and, should they occur, transactions reflecting the monetisation or demonetisation of gold (e.g. purchases from resident producers added to reserves, or sales to residents from gold reserves) by the Reserve Bank will be recorded as official monetary movements.

9. This bulletin also includes revised estimates of the gold production item for the period ended December quarter 1975. The revised figures, which include a large irregular purchase from a non-resident in 1971-72, incorporate up-dated information on the price and volume of exports and imports from those previously published.

Net official monetary movements

10. 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 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 12 and 13 below).

11. 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.

12. As noted in paragraph 10, 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.

13. The table below sets out changes in official reserve assets as recorded in the balance of payments from the December quarter 1973 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

September quarter of 1974 due mainly to the devaluation of the Australian dollar in September 1974.

Changes and Levels of Official Reserve Assets
\$ million

Quarter ended	Changes recorded in the balance of payments	Adjustments		Reserve Bank series	
		Changes due to effects of revaluations	Sterling Agreement Compensation	Changes in levels	Levels at the end of quarter
1973 31 December	+ 12	- 73	..	- 61	3,871
1974 31 March	-181	+ 61	..	-121	3,750
30 June	-206	- 10	+ 26	-191	3,560
30 September	-587	+375	..	-212	3,348
31 December	-141	+ 10	..	-131	3,217
1975 31 March	+ 26	- 23	..	+ 3	3,220
30 June	+242	+ 31	..	+273	3,493
30 September	-271	+ 96	..	-175	3,318
31 December	-738	+ 8	..	-730	2,588
1976 31 March	- 37	+ 20	..	- 17	2,571

Seasonal adjustment

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. In the case of the statistics published in this bulletin, annual re-analysis, taking into account 1975 data, has recently been completed and an outline of the methods used together with selected measures of variability for the series and available on request.

20. 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

21. 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.

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

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NOTE. Inquiries concerning these statistics may be made in Canberra by telephoning Mr Alun James on 52 5519 or, in each State capital, by telephoning the office of the Australian Bureau of Statistics.

BALANCE OF PAYMENTS - CURRENT ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
	1971-72	1972-73	1973-74	1974-75	1973-74			1974-75			1975-76			
					DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.
VISIBLE TRADE-														
EXPORTS F.O.B.	4740	6010	6688	8434	1729	1624	1733	1917	2165	2112	2241	2102	2291	2327
IMPORTS F.O.B.	-3791	-3808	-5753	-7662	-1302	-1472	-1745	-2100	-2087	-1757	-1718	-1861	-1900	-2020
BALANCE OF TRADE	949	2202	935	772	427	152	-12	-183	78	354	523	242	391	308
INVISIBLE CREDITS-														
GOLD PRODUCTION	1	27	30	56	8	5	12	14	10	19	14	11	12	..
TRANSPORTATION	498	571	680	937	165	178	192	222	250	234	232	254	263	271
TRAVEL	131	123	162	213	49	43	36	45	61	57	50	45	67	62
GOVERNMENT	90	90	89	100	20	22	25	25	26	24	25	27	29	28
MISCELLANEOUS	160	135	130	152	31	30	39	48	44	30	30	33	35	43
PROPERTY INCOME	233	372	509	392	129	138	129	110	110	77	96	90	85	66
TRANSFERS	226	238	223	324	58	53	59	55	67	115	87	63	53	48
TOTAL INVISIBLE CREDITS	1340	1556	1823	2173	460	469	492	518	567	555	533	521	544	518
INVISIBLE DEBITS -														
TRANSPORTATION -														
FREIGHT ON IMPORTS	-409	-426	-637	-841	-150	-153	-209	-232	-239	-182	-189	-206	-208	-226
OTHER TRANSPORTATION	-395	-415	-528	-672	-118	-147	-154	-152	-164	-182	-174	-194	-181	-212
TRAVEL	-264	-321	-341	-405	-73	-68	-119	-94	-80	-92	-140	-125	-106	-105
GOVERNMENT	-124	-122	-116	-150	-30	-29	-31	-29	-35	-33	-54	-38	-41	-37
MISCELLANEOUS	-210	-235	-271	-302	-65	-66	-75	-88	-72	-68	-73	-66	-73	-72
PROPERTY INCOME -														
INVESTMENT INCOME -														
UNDISTRIBUTED	-231	-313	-431	-210	-114	-102	-102	-67	-68	-37	-38	-78	-78	-78
OTHER	-537	-629	-653	-754	-171	-172	-177	-140	-191	-172	-250	-171	-216	-213
ROYALTIES AND COPYRIGHTS	-56	-75	-66	-73	-15	-22	-15	-16	-16	-22	-19	-21	-18	-20
TRANSFERS -														
GOVERNMENT	-206	-252	-290	-350	-56	-71	-97	-63	-97	-96	-94	-104	-136	-51
PRIVATE	-172	-217	-253	-242	-69	-51	-80	-61	-58	-58	-66	-73	-74	-57
TOTAL INVISIBLE DEBITS	-2603	-3005	-3585	-3999	-860	-881	-1058	-941	-1020	-941	-1097	-1075	-1131	-1070
NET INVISIBLES	-1263	-1449	-1762	-1826	-400	-411	-566	-423	-454	-386	-564	-554	-588	-552
BALANCE ON CURRENT ACCOUNT	-314	753	-827	-1054	27	-259	-578	-606	-376	-32	-41	-312	-197	-244

BALANCE OF PAYMENTS - CAPITAL ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
	1971-72	1972-73	1973-74	1974-75	1973-74			1974-75			1975-76			
					DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.
CAPITAL INFLOW (NET) -														
GOVERNMENT CAPITAL MOVEMENTS -														
GOVERNMENT SECURITIES	-46	-33	-84	21	-41	-16	-52	-18	-5	-8	52	-1	-29	5
OTHER GOVT CAPITAL MOVEMENTS	-14	-31	80	-45	30	6	-10	-15	6	-11	-25	-25	-25	-37
TOTAL GOVERNMENT CAPITAL MOVEMENTS	-60	-64	-4	-24	-11	-10	-62	-32	1	-20	27	-26	-54	-33
PRIVATE CAPITAL MOVEMENTS -														
OVERSEAS INVESTMENT IN AUSTRALIAN COMPANIES -														
UNDISTRIBUTED INCOME	231	313	431	210	114	102	102	67	68	37	38	78	78	78
OTHER DIRECT INVESTMENT	652	40	147	362	-6	52	186	122	153	48	39	..	-205	(A)
PORTFOLIO INVESTMENT AND INSTITUTIONAL LOANS	600	104	-106	273	-34	-83	80	-32	23	49	233	25	16	(A)
TOTAL COMPANIES AUST. INVESTMENT OVERSEAS	1482	457	472	845	74	71	367	157	244	134	310	102	-111	N.A.
MARKETING AUTHORITIES	-140	-111	-188	-109	-39	-69	-43	-10	-33	-28	-38	14	-35	(A)
	-45	34	-95	-59	18	-35	-105	-51	-43	8	26	55	17	54
TOTAL PRIVATE CAPITAL MOVEMENTS	1297	380	189	677	52	-33	219	97	168	114	298	171	-129	N.A.
NON-OFFICIAL MONETARY SECTOR TRANSACTIONS	70	-44	154	47	4	48	51	18	-18	6	40	-9	-133	(A)
NET IDENTIFIED CAPITAL INFLOW	1306	272	340	700	45	5	209	83	151	101	365	136	-317	98
BALANCING ITEM (B)	482	46	53	-110	-79	70	142	-58	91	-46	-96	-111	-210	134
NET APPARENT CAPITAL INFLOW	1788	318	393	590	-34	75	350	25	241	55	269	25	-526	232
OFFICIAL MONETARY MOVEMENTS -														
CHANGES IN OFFICIAL RESERVE ASSETS	1544	1079	-384	-460	12	-181	-206	-587	-141	26	242	-271	-738	-37
ALLOCATION OF SDR	-63	..	..	..	..	..	..	..	..	..	..	..	..	..
OTHER TRANSACTIONS	-8	-9	-50	-4	-19	-3	-22	5	7	-3	-13	-16	14	25
NET OFFICIAL MONETARY MOVEMENTS	1474	1071	-435	-464	-7	-184	-228	-581	-134	23	228	-287	-723	-12

(A) NOT YET AVAILABLE, INCLUDED IN THE BALANCING ITEM. (B) INCLUDES ITEMS FOOTNOTED (A). N.A. NOT AVAILABLE.

6.
BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED
\$ MILLION

	QUARTERS ENDED -									
	1973-74			1974-75			1975-76			
	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.
VISIBLE TRADE-										
EXPORTS F.O.B.	1663	1648	1738	1970	2070	2140	2255	2163	2181	2358
IMPORTS F.O.B.	-1273	-1524	-1812	-2006	-2035	-1820	-1798	-1776	-1851	-2092
BALANCE OF TRADE	390	124	-74	-36	35	320	467	387	331	266
INVISIBLE CREDITS-										
GOLD PRODUCTION	6	8	12	14	8	27	13	11	9	..
TRANSPORTATION	162	178	193	224	246	234	232	257	258	271
TRAVEL	40	41	43	51	50	54	50	51	55	58
GOVERNMENT	21	22	24	25	26	24	25	27	30	28
MISCELLANEOUS	30	30	39	49	42	30	30	33	33	44
PROPERTY INCOME	127	142	133	105	107	80	99	87	83	68
TRANSFERS	55	56	60	55	63	118	98	62	50	58
TOTAL INVISIBLE CREDITS	441	477	503	523	542	567	546	527	519	519
INVISIBLE DEBITS -										
TRANSPORTATION -										
FREIGHT ON IMPORTS	-142	-164	-211	-227	-226	-195	-191	-201	-196	-243
OTHER TRANSPORTATION	-121	-137	-153	-160	-170	-168	-173	-204	-188	-198
TRAVEL	-90	-84	-87	-94	-98	-114	-102	-126	-129	-138
GOVERNMENT	-30	-30	-26	-32	-35	-35	-47	-41	-42	-39
MISCELLANEOUS	-65	-69	-76	-84	-72	-70	-75	-62	-73	-75
PROPERTY INCOME -										
INVESTMENT INCOME -										
UNDISTRIBUTED	-114	-102	-102	-67	-68	-37	-38	-78	-78	-74
OTHER	-154	-174	-170	-159	-174	-172	-243	-198	-198	-213
ROYALTIES AND COPYRIGHTS	-15	-19	-17	-18	-16	-19	-21	-23	-18	-17
TRANSFERS -										
GOVERNMENT	-51	-82	-97	-60	-93	-109	-38	-103	-131	-97
PRIVATE	-66	-54	-79	-61	-56	-61	-64	-73	-71	-68
TOTAL INVISIBLE DEBITS	-849	-914	-1018	-961	-1008	-979	-1041	-1108	-1123	-1106
NET INVISIBLES	-408	-437	-515	-438	-466	-412	-495	-581	-605	-587
BALANCE ON CURRENT ACCOUNT	-18	-313	-589	-475	-431	-92	-28	-194	-274	-322

BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED

PERCENTAGE CHANGE FROM PRECEDING QUARTER

	1973-74			1974-75			1975-76			
	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.
EXPORTS F.O.B.	1.5	-0.9	5.4	13.4	5.1	3.4	5.4	-4.1	0.8	8.1
INVISIBLE CREDITS	9.3	8.1	5.6	3.8	3.7	4.6	-3.7	-3.4	-1.6	0.1
IMPORTS F.O.B.	7.9	19.7	18.9	10.7	1.4	-10.6	-1.8	-0.7	4.2	13.1
INVISIBLE DEBITS	5.0	7.7	11.4	-5.6	4.9	-2.9	6.3	6.5	1.4	-1.5