

BALANCE OF PAYMENTS : QUARTERLY SUMMARY  
DECEMBER QUARTER 1972

NOTES ON THE STATISTICS

This statement contains estimates of Australia's balance of payments for the December quarter 1972, together with revised estimates for previous quarters and financial years. More detailed estimates are published in the mimeographed bulletin "Balance of Payments" (Reference No. 8.1).

2. Quarterly estimates are preliminary and subject to revision. The items most subject to revision are those for which the basic data are derived from annual surveys which inevitably involve substantial time lags before the results become available. Thus, the 1971-72 estimates of transportation credits and debits are still provisional.

Preliminary results of the 1971-72 Survey of Overseas Investment become available for the first time in this bulletin. These results have necessitated substantial revisions to earlier estimates of private capital movements and small revisions to property income credits and debits for 1971-72.

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, except for changes in official reserve assets and in other foreign assets which were converted at par rates. (For more details of the valuation of official reserve assets, see enclosed Supplement.)

5. Any discrepancies between totals and sums of components in the accompanying table, or between aggregates quoted in the text and their components, are due to rounding.

DECEMBER QUARTER 1972

6. Highlights of the preliminary estimates of the balance of payments for the December quarter 1972 were:

- . A record quarterly trade surplus of \$561 million, the largest since quarterly balance of payments estimates were first compiled in 1959-60; this surplus exceeds the previous record (June quarter 1972) by \$127 million, and is \$436 million larger than the surplus in the December quarter of 1971. In fact, the trade surplus for the first two quarters of 1972-73 is already \$60 million in excess of the record annual trade surplus of \$939 million for 1971-72.
- . Another record quarter for exports, which rose to \$1500 million, 35 per cent up on the value of exports during the previous December quarter.
- . Continuation of the upturn in imports which started in the September quarter; however, at \$939 million, imports were still 5 per cent lower than in the corresponding quarter of 1971.

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## BALANCE OF PAYMENTS - DECEMBER QUARTER 1969 TO DECEMBER QUARTER 1972 AND YEARS 1967-68 TO 1971-72

\$ million

BALANCE OF PAYMENTS - DECEMBER QUARTER 1969 TO DECEMBER QUARTER 1972																		
	Year ended June -					Quarters ended -												
						1969-70			1970-71				1971-72				1972-73	
	1968	1969	1970	1971	1972	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
CURRENT ACCOUNT (a) -																		
Exports f.o.b. (b) .. ..	2,942	3,217	3,967	4,216	4,729	970	1,013	1,021	1,038	1,033	993	1,153	1,185	1,112	1,154	1,278	1,327	1,500
Imports f.o.b. (b) .. ..	-3,159	-3,203	-3,553	-3,790	-3,790	-897	-856	-906	-962	-938	-909	-981	-1,047	-987	-912	-844	-895	-939
Balance of trade .. ..	-218	14	414	426	939	74	158	115	76	95	84	171	138	125	242	434	432	561
Invisible credits -																		
Gold production .. ..	22	20	18	15	13	4	5	5	4	4	3	4	4	3	3	3	4	4
Transportation .. ..	362	392	445	472	511	112	115	112	119	118	113	122	132	126	124	129	142	152
Travel .. ..	88	107	120	136	135	34	33	29	30	39	36	31	30	41	36	27	32	46
Government .. ..	76	80	87	81	90	20	21	25	20	20	19	22	21	22	24	23	23	25
Miscellaneous .. ..	78	85	118	134	160	24	36	34	35	32	25	42	32	40	51	37	44	50
Property income .. ..	129	150	155	176	236	42	36	46	44	39	42	51	59	60	56	62	81	98
Transfers .. ..	159	168	186	181	226	45	48	47	46	50	41	44	51	56	55	65	62	66
Total invisible credits	914	1,001	1,129	1,195	1,372	280	292	299	298	302	280	316	328	349	349	346	389	441
Invisible debits -																		
Transportation .. ..	-655	-699	-754	-836	-849	-187	-192	-201	-200	-211	-213	-212	-212	-218	-217	-201	-200	-223
Travel .. ..	-147	-157	-186	-199	-266	-33	-43	-65	-49	-38	-43	-69	-53	-50	-58	-106	-75	-75
Government .. ..	-95	-111	-124	-127	-123	-29	-28	-38	-27	-32	-29	-39	-27	-30	-30	-36	-28	-29
Miscellaneous .. ..	-99	-106	-147	-170	-210	-37	-40	-37	-39	-37	-47	-47	-53	-53	-53	-51	-55	-60
Property income -																		
Investment income .. ..	-539	-654	-734	-750	-827	-196	-193	-197	-162	-210	-179	-199	-180	-249	-187	-211	-200	-268
Royalties and copyrights .. ..	-64	-63	-68	-64	-56	-19	-16	-14	-20	-18	-13	-13	-14	-15	-15	-11	-13	-15
Transfers -																		
Government .. ..	-154	-159	-180	-185	-205	-55	-39	-46	-49	-54	-42	-40	-54	-48	-41	-62	-66	-73
Private .. ..	-86	-92	-114	-134	-172	-29	-26	-31	-32	-35	-33	-35	-40	-42	-44	-46	-50	-53
Total invisible debits	-1,839	-2,041	-2,306	-2,465	-2,707	-585	-576	-628	-578	-636	-599	-653	-634	-705	-645	-724	-686	-796
Net invisibles	-925	-1,040	-1,178	-1,270	-1,336	-305	-284	-329	-280	-334	-319	-337	-305	-357	-296	-378	-297	-356
Balance on current account	-1,143	-1,025	-763	-844	-396	-232	-126	-214	-204	-239	-235	-165	-167	-231	-53	56	135	205
CAPITAL INFLOW (NET) (a) -																		
Government capital movements -																		
Government securities .. ..	145	136	-125	-48	-48	-10	-6	-33	-30	-42	44	-20	-3	-24	11	-32	40	-7
Other government capital movements .. ..	-61	-67	-60	-15	-9	4	-26	-12	13	-8	-18	-3	10	13	-12	-20	-2	-15
Total government capital movements (net)	84	70	-185	-63	-57	-6	-32	-45	-17	-49	26	-23	7	-11	-1	-52	39	-22
Private capital movements -																		
Overseas investment in Aust. companies -																		
Undistributed income .. ..	228	281	283	300	300	71	71	71	75	75	75	75	75	75	75	75	90	*
Other direct investment .. ..	333	352	506	637	541	76	159	230	86	87	180	285	161	88	108	183	74	*
Portfolio investment and institutional loans .. ..	401	412	291	637	5	94	102	70	56	154	161	266	77	174	132	129	156	*
Total companies (c) .. ..	962	1,046	1,080	1,573	1,353	241	332	370	216	316	416	625	313	337	315	387	320	*
Australian investment overseas (c) .. ..	-43	-60	-140	-89	-113	-38	-28	-47	-15	-33	-29	-13	-31	-24	-20	-39	-19	*
Marketing authorities .. ..	33	27	-47	-43	-45	-22	-9	-16	2	-15	-22	-8	25	-12	-19	-39	11	-10
Total private capital movements (net)	953	1,013	894	1,441	1,194	181	294	307	204	268	366	605	308	302	276	309	312	*
Monetary sector transactions n.e.i. .. ..	42	-6	34	28	41	-8	..	31	-4	8	51	-27	18	-2	12	12	63	34
Net identified capital inflow	1,078	1,077	743	1,406	1,178	167	262	293	182	226	442	555	333	289	287	269	413	(d)2
Balancing item .. ..	143	97	58	36	661	21	-118	170	-48	38	55	-9	100	204	127	230	95	(e)420
Net apparent capital inflow	1,222	1,174	800	1,441	1,839	187	143	463	134	264	497	546	432	493	414	499	509	422
MONETARY MOVEMENTS (a) -																		
Changes in official reserve assets .. ..	(f)73	143	(g)118	(g)742	(gh)544	-110	(g)106	306	-34	7	(g)343	426	256	(h)251	(g)453	585	637	(i)646
Allocation of Special Drawing Rights .. ..	..	..	-75	-64	-63	..	-75	..	..	..	-64	..	..	..	-63	..	..	..
Changes in other foreign assets .. ..	(f)8	26	6	-71	(h)-31	72	-14	-51	-34	22	-21	-38	9	(h)17	-30	-28	7	(i)-21
Other monetary movements .. ..	-3	-20	-12	-10	-8	-7	..	-6	-2	-5	3	-7	..	-6	1	-3	..	1
Net monetary movements	79	148	37	598	1,443	-45	17	249	-70	25	262	381	265	262	360	555	644	627

(a) For current account minus sign (-) denotes debit; for capital inflow minus sign (-) denotes outflow; for monetary movements minus sign (-) denotes a decrease in assets or an increase in liabilities or the receipt of an allocation of Special Drawing Rights in the I.M.F. (b) Recorded trade figures adjusted in respect of coverage and valuation for balance of payments purposes. (c) Details of the Survey of Overseas Investment are not available for the December Quarter 1972 and for this period the items marked (\*) are included with the balancing item. (d) Excludes items marked (\*). (e) Includes items marked (\*). (f) Excludes the effects of the November 1967 devaluation of the pound sterling and other currencies which reduced by \$111 million and \$2 million, respectively, the Australian dollar equivalents of official reserve assets and other foreign assets. (g) Includes the allocation of Special Drawing Rights. (h) Excludes the effects of the December 1971 change in official parity relationships between the Australian dollar and various foreign currencies which reduced by \$60 million and \$1 million, respectively, the Australian dollar equivalents of official reserve assets and other foreign assets. (i) Excludes the effects of the December 1972 revaluation of the Australian dollar which reduced by \$232 million the Australian dollar equivalent of official reserve assets; the effect of the revaluation on other foreign

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- . Strong growth of \$92 million (26 per cent) in total invisible credits; all component items contributed to this increase, especially transportation and property income (in particular, interest on international reserves).
- . Total invisible debits of \$796 million, up \$91 million, or 13 per cent, on the December quarter 1971; items mainly responsible for this rise were travel (up 50 per cent), investment income payable overseas (in particular undistributed income) and government transfers, mainly to Papua New Guinea.
- . A \$205 million surplus on current account, the highest recorded since quarterly estimates have been compiled; the current account result in the corresponding quarter of 1971 was a deficit of \$231 million.
- . Some reduction in the apparent rate of capital inflow; at \$422 million, the net apparent capital inflow for the quarter was \$71 million, or 14 per cent, below that in the December quarter of 1971.
- . A large overall surplus (as measured by net monetary movements) of \$627 million, more than double the surplus in the December quarter 1971; included in the surplus was a record quarterly rise of \$646 million in official reserve assets. For balance of payments purposes the rise in reserves excludes the apparent loss of \$232 million due to revaluation of the Australian dollar. (For more details see enclosed Supplement.)

#### Level of reserves

7. At 31 December 1972, gold and net foreign assets of Australia's official and banking institutions totalled \$4800 million, comprising official reserve assets of \$4816 million and other foreign assets of -\$16 million. Holdings of gold and assets denominated in foreign currencies at 31 December 1972 have been converted to Australian dollars on the basis of the new official parity relationships.

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NOTE. Inquiries concerning these statistics may be made in Canberra by telephoning 63 9111, extension 2213 or, in each State capital, by telephoning the office of the Bureau of Census and Statistics.

SUPPLEMENT TO THE  
BALANCE OF PAYMENTS QUARTERLY SUMMARY  
DECEMBER QUARTER 1972

CHANGES IN OFFICIAL RESERVE ASSETS: Note on the treatment in the balance of payments of exchange rate variations.

In the accompanying balance of payments statement, Australia's official reserve assets are shown as having risen by \$646 million during the December quarter of 1972. This appears to differ from figures published by the Reserve Bank which show that Australia's official gold and foreign exchange holdings were valued at \$4,401 million at 30 September 1972 and \$4,816 million at 31 December 1972, a rise of \$414 million during the quarter.

2. The difference between the two figures is due to the fact that, in accordance with international convention, balance of payments accounts record only the effects of transactions between residents of a country and residents of the rest of the world. The reason for this is that if the accounts were to reflect changes other than those resulting from transactions the underlying balance of payments performance would be obscured. Accordingly an attempt is made to exclude the effects of revaluations from the published estimates.

3. The appreciation of the Australian dollar announced on 23 December 1972 was 4.85 per cent in terms of official parities. In terms of the U.S. dollar, the Australian dollar is now valued at U.S. \$1.2750 compared with U.S. \$1.2160 before revaluation. As indicated in the Reserve Bank of Australia's press release of 15 January 1973, this change in parities resulted in a reduction of \$232 million in the value of Australia's holdings of official reserve assets as expressed in Australian dollars at the new par rate. It should be stressed that this loss in reserves appears as such only when their value is expressed in Australian dollar terms. The appreciation in the Australian dollar in no way affects the purchasing power of these reserves overseas. In terms of the amount of goods and services which can be obtained overseas their real value is left unchanged.

4. The following table shows in detail the effect of the December 1972 revaluation on individual components of official reserve assets:

\$ million

Official Reserve Assets	Level at 30-9-72 (old parity)	Level at 31-12-72 (new parity)	Change		
			Total	Due to Revaluation	Due to Transactions
	(1)	(2)	(3)	(4)	(5)
Gold	233	220	-13	-11	-2
SDR's	209	200	-9	-9	0
IMF Gold Tranche	149	143	-7	-7	0
Foreign Exchange	3,809	4,253	+444	-205	+649
Total	4,401	4,816	+414	-232	+646

5. As already explained, the rise in official reserve assets in the balance of payments accounts is shown as \$646 million, the change due to transactions during the

December quarter, rather than the \$414 million which is the change in the level of reserves obtained by valuing them at the old and new parities at the beginning and end of the quarter, respectively.

6. A further problem in ascertaining the precise extent of changes in official reserve assets arises out of the difference between official parity and market rates for the Australian dollar. Until the December 1971 realignment of currencies this was of minor importance as the market and official parity rates were not significantly different. After 22 December 1971, however, the market rate for the Australian dollar was held at the lower end of the permitted margin of 2½ per cent for fluctuations of market rates either side of official parity. Because most items in the balance of payments accounts other than official reserve assets are recorded at market rates, this gives rise to some inconsistency which is reflected, along with other errors and omissions, in the balancing item.

7. The table below shows the extent to which the use of par rates, as compared to market rates, has affected the levels and changes in the levels of official reserve assets over the past five quarters.

Level of official reserve assets at -

	30 Sept. 1971	31 Dec. 1971	31 March 1972	30 June 1972	30 Sept. 1972	31 Dec. 1972
At official par rates	2,536	2,726	3,179	3,764	4,401	4,816
At market rates	2,518	2,743	3,241	3,737	4,359	4,648

Changes in official reserve assets during quarter ended -

	Dec. 1971	March 1972	June 1972	Sept. 1972	Dec. 1972
At official par rates	190	453	585	637	414
At market rates	225	498	496	622	289

NOTE. The changes in official reserve assets shown in the above table have not been adjusted to exclude the effects of changes in par rates in December 1971 and December 1972 or the changes in market rates which have occurred during the quarters. While the effects of changes in par values are known (see footnotes (h) and (i) to the accompanying balance of payments table) complete information on the effects of changes in market rates is not yet available. Caution should, therefore, be exercised in using the market rate series.

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