

COMMONWEALTH BUREAU OF CENSUS AND STATISTICS

CANBERRA, AUSTRALIA

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BALANCE OF PAYMENTS : QUARTERLY SUMMARY

JUNE QUARTER 1970

This statement contains estimates of Australia's balance of payments for the June quarter 1970 together with revised estimates for previous quarters and financial years. Quarterly estimates are available only in summary form and are preliminary and subject to revision. More detailed estimates are published half-yearly in the mimeographed bulletin "Balance of Payments" (Reference No. 8.1).

June Quarter 1970

Preliminary estimates of the balance of payments for the June quarter 1970 show a current account deficit of \$201 million, a net apparent capital inflow of \$450 million, and a net favourable monetary movement of \$249 million. Compared with the June quarter of 1969, when there was a net favourable monetary movement of \$1 million, the result for the June quarter 1970 shows a substantial improvement in both current and capital accounts, the current account deficit being \$44 million smaller and the net apparent capital inflow \$204 million greater in the quarter just ended than in the corresponding quarter of 1969.

The improvement of \$44 million in the current account balance in the June quarter 1970 compared with the June quarter 1969 was due largely to a rise of \$74 million in the balance of trade surplus which increased from \$42 million in the June quarter 1969 to \$116 million in the June quarter 1970. Both exports and imports (on a balance of payments basis) showed substantial increases in the June quarter 1970 compared with the corresponding quarter of the previous year. The value of exports reached a record quarterly total of \$1,028 million, \$172 million (20.1 per cent) higher than in the June quarter of 1969, while the value of imports during the quarter was also a record and at \$912 million, was \$98 million (12.0 per cent) higher than in the June quarter of 1969. The significant improvement in the value of exports in the June quarter 1970 was attributable to substantial increases in the value of exports of meats, wheat and flour, ores and concentrates, coal and coke, non-ferrous metals and machinery and transport equipment. Compared with the June quarter 1969, in fact, almost all major export commodities showed some increase in value, an exception being exports of wool which, in the June quarter 1970, were lower than in the corresponding quarter of 1969.

The trade surplus of \$116 million in the June quarter 1970 was offset by a deficit of \$317 million in respect of current invisible transactions, giving a current account deficit of \$201 million for the quarter. Both invisible credits and invisible debits in the June quarter 1970 showed increases in value by comparison with the June quarter 1969. Total invisible credits were, at \$289 million, \$29 million (11.1 per cent) higher, while invisible debits totalled \$606 million and were \$59 million (10.8 per cent) higher. On the credit side transportation credits rose by \$13 million (12.9 per cent) and miscellaneous credits by \$10 million (50.0 per cent); on the debit side transportation debits rose by \$22 million (12.7 per cent), travel debits by \$6 million (11.3 per cent), miscellaneous debits by \$8 million (33.3 per cent), and property income debits by \$20 million (10.3 per cent).

The net apparent capital inflow of \$450 million during the June quarter 1970 was a record quarterly total considerably exceeding the previous record of \$371 million during the March quarter 1968 and \$204 million (83 per cent) higher than the net apparent inflow in the June quarter 1969. Full details of the composition of the net apparent inflow during the quarter are not yet available so that, of the overall improvement of \$204 million, only \$12 million can so far be accounted for by identified capital transactions. These are (with June quarter 1969 figures in parentheses) : government capital transactions, a net outflow of \$46 million (net outflow \$32 million);

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transactions of marketing authorities, a net outflow of \$18 million (net outflow \$11 million); and monetary sector transactions n.e.i., a net inflow of \$29 million (net outflow, \$4 million). The composition of the remaining items of net apparent capital inflow - that is, private overseas investment in Australian companies, Australian investment overseas and the balancing item - is not yet known for the June quarter 1970. In total these resulted in a net inflow of \$485 million during the quarter, an increase of \$192 million (66 per cent) over the net inflow accounted for by these same items in the corresponding quarter of 1969.

The net favourable monetary movement of \$249 million during the June quarter 1970 included an increase of \$306 million in official reserve assets, partly offset by a fall of \$51 million in other foreign assets and unfavourable other monetary movements of \$6 million.

Preliminary Estimates for 1969-70

With estimates for the June quarter now available preliminary balance of payments figures for the year 1969-70 may be compared with the estimates for 1968-69. This comparison shows an improvement in the balance on current account in 1969-70 offset by a more substantial deterioration in the net apparent capital inflow and an overall result which is favourable, but somewhat less favourable than in 1968-69.

Due largely to a very significant increase in the value of exports during 1969-70 the deficit on current account during the year was, at \$830 million, \$176 million lower than in 1968-69. Although both imports and exports in 1969-70 reached record levels, the increase in the value of imports (\$3,584 million - \$381 million, or 11.9 per cent, above 1968-69) was greatly exceeded by the increase in the value of exports (\$3,981 million - \$764 million, or 23.7 per cent, up on 1968-69). As a result, the balance of trade improved from a surplus of \$14 million in 1968-69 to one of \$597 million in 1969-70. This was the best result on trade account since 1963-64 and the improvement more than offset a growth of \$207 million in the net deficit on current invisible transactions during 1969-70.

The \$176 million reduction in the deficit on current account in 1969-70 was accompanied by a fall of \$287 million compared with 1968-69 in the net apparent capital inflow during the year. Although full details of private capital movements for 1969-70 are not yet available, this decline in the apparent capital inflow can be accounted for by those transactions for which information is already available. Government capital transactions in 1969-70 resulted in a net outflow of \$159 million and marketing authorities' transactions for a further net outflow of \$48 million. This net outflow of \$207 million compares with a net inflow of \$98 million in respect of these same transactions during 1968-69, a turnaround of \$305 million between the two years which more than accounts for the overall decline in apparent capital inflow.

At 30 June 1970 gold and net foreign exchange holdings of Australia's official and banking institutions totalled \$1,638 million (official reserve assets \$1,538 million, other foreign assets \$100 million). The increase of \$118 million in official reserve assets during 1969-70 was due, in part, to the receipt in January 1970 of an allocation of \$75 million of Special Drawing Rights in the I.M.F. In the Monetary Movements section of the accompanying table, the allocation of SDR's has been offset against the changes in official reserve assets in order that the underlying balance of payments performance during the period under review as measured by net monetary movements (which is one of the more commonly used indicators of the overall balance of payments surplus or deficit) should not be obscured. Accordingly, although the \$75 million SDR allocation is included in the \$118 million increase in official reserve assets, it is not included in the net favourable monetary movement of \$37 million.

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NOTE. Inquiries concerning these statistics may be made in Canberra by telephoning 63 9111 extension 2193 or, in each State capital, by telephoning the office of the Bureau of Census and Statistics.