

BALANCE OF PAYMENTS : QUARTERLY SUMMARY  
MARCH QUARTER 1973

NOTES ON THE STATISTICS

This statement contains estimates of Australia's balance of payments for the March quarter 1973, 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. The results of the 1971-72 Survey of Overseas Investment have not yet been finalised, although the latest available figures have been incorporated in the property income and private capital items in this bulletin.

3. 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.

4. In the accompanying table, for current account items minus sign (-) denotes a 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.

5. The estimates of exports and imports in the accompanying table represent the recorded trade figures adjusted in respect of coverage and valuation for balance of payments purposes.

6. 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.

MARCH QUARTER 1973

7. Highlights of the preliminary estimates of the balance of payments for the March quarter 1973 were:

- . A record quarterly trade surplus of \$654 million, the highest since quarterly balance of payments estimates were first compiled in 1959-60; this surplus exceeds the previous record (December quarter 1972) by \$111 million, and is nearly three times as large as the surplus in the March quarter of 1972.
- . Continuing strong growth in the value of exports which reached a new record of \$1,615 million, 40 per cent higher than in the March quarter of 1972.

## BALANCE OF PAYMENTS - MARCH QUARTER 1970 TO MARCH QUARTER 1973 AND YEARS 1967-68 TO 1971-72

\$ million

BALANCE OF PAYMENTS - MARCH QUARTER 1970 TO MARCH QUARTER 1972																		
	Year ended June -					Quarters ended -												
						1969-70		1970-71		1971-72		1972-73						
	1968	1969	1970	1971	1972	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
<b>CURRENT ACCOUNT (a) -</b>																		
Exports f.o.b. (a) .. ..	2,942	3,217	3,967	4,216	4,729	1,013	1,021	1,038	1,033	993	1,153	1,185	1,112	1,154	1,278	1,317	1,486	1,615
Imports f.o.b. (a) .. ..	-3,159	-3,203	-3,553	-3,790	-3,790	-856	-906	-962	-938	-909	-981	-1,047	-987	-912	-844	-894	-943	-961
Balance of trade .. ..	-218	14	414	426	939	158	115	76	95	84	171	138	125	242	434	423	543	654
<b>Invisible credits -</b>																		
Gold production .. ..	22	20	18	15	13	5	5	4	4	3	4	4	3	3	3	4	4	3
Transportation .. ..	362	392	445	472	511	115	112	119	118	113	122	132	126	124	129	142	150	154
Travel .. ..	88	107	120	136	135	33	29	30	39	36	31	30	41	36	27	30	46	38
Government .. ..	76	80	87	81	90	21	25	20	20	19	22	21	22	24	23	21	24	24
Miscellaneous .. ..	78	85	118	134	160	36	34	35	32	25	42	32	40	51	37	36	33	37
Property income .. ..	129	150	155	176	241	36	46	48	38	44	46	50	61	57	63	84	93	30
Transfers .. ..	159	168	186	181	226	48	47	46	50	41	44	51	56	55	65	61	63	53
Total invisible credits	914	1,001	1,129	1,195	1,376	292	299	301	300	282	311	330	350	350	347	378	412	397
<b>Invisible debits -</b>																		
Transportation .. ..	-655	-699	-754	-836	-849	-192	-201	-200	-211	-213	-212	-212	-218	-217	-201	-205	-228	-233
Travel .. ..	-147	-157	-186	-199	-266	-43	-65	-49	-38	-43	-69	-53	-50	-58	-106	-75	-57	-69
Government .. ..	-95	-111	-124	-127	-123	-28	-38	-27	-32	-29	-39	-27	-30	-30	-36	-28	-29	-30
Miscellaneous .. ..	-99	-106	-147	-170	-210	40	-	-39	-37	-47	-47	-53	-53	-53	-51	-52	-54	-51
Property income -																		
Investment income .. ..	-539	-654	-734	-750	-830	-193	-197	-173	-213	-183	-182	-180	-254	-187	-209	-217	-269	-253
Royalties and copyrights .. ..	-64	-63	-68	-64	-56	-16	-14	-20	-18	-13	-13	-15	-15	-15	-11	-13	-22	-18
Transfers -																		
Government .. ..	-154	-159	-180	-185	-205	-39	-46	-49	-54	-42	-40	-54	-48	-41	-62	-66	-73	-50
Private .. ..	-86	-92	-114	-134	-172	-26	-31	-32	-35	-33	-35	-40	-42	-44	-46	-46	-51	-48
Total invisible debits	-1,839	-2,041	-2,306	-2,465	-2,710	-576	-628	-589	-639	-602	-635	-634	-710	-644	-722	-701	-784	-752
Net invisibles	-925	-1,040	-1,178	-1,270	-1,334	-284	-329	-287	-339	-320	-324	-304	-360	-294	-375	-323	-372	-354
Balance on current account	-1,143	-1,025	-763	-844	-394	-126	-214	-212	-244	-236	-152	-167	-235	-52	59	100	172	290
<b>EXTERNAL INFLOW (NET) (a) -</b>																		
Government capital movements -																		
Government securities .. ..	145	136	-125	-48	-48	-6	-33	-30	-42	44	-20	-3	-24	11	-32	40	5	-49
Other government capital movements .. ..	-61	-67	-60	-15	-14	-26	-12	13	-8	-18	-3	10	14	-11	-28	5	-8	-26
Total government capital movements (net)	84	70	-185	-63	-63	-32	-45	-17	-49	26	-23	7	-10	..	-60	45	-3	-75
Private capital movements -																		
Overseas investment in Aust. companies -																		
Undistributed income .. ..	228	281	283	300	279	71	71	75	75	75	75	70	70	70	70	90	90	90
Other direct investment .. ..	333	352	506	637	628	159	230	86	87	180	285	181	114	141	192	100	3	*
Portfolio investment and institutional loans .. ..	401	412	291	637	539	102	70	56	154	161	266	82	183	133	141	131	80	*
Total companies (b) .. ..	962	1,046	1,080	1,573	1,445	332	370	217	316	416	625	332	366	343	403	320	173	*
Australian investment overseas (b) .. ..	-43	-60	-140	-89	-128	-28	-47	-15	-33	-29	-13	-36	-26	-20	-47	-10	-22	*
Marketing authorities .. ..	33	27	-47	-43	-44	-9	-16	2	-15	-22	-8	25	-12	-19	-38	12	-5	24
Total private capital movements (net)	953	1,013	894	1,441	1,273	294	307	204	268	366	605	321	329	305	318	323	146	*
Monetary sector transactions n.e.i. .. ..	42	-6	34	28	41	..	31	-4	8	51	-27	18	-2	12	12	63	67	-28
Net identified capital inflow	1,078	1,077	743	1,406	1,250	262	293	183	226	442	555	346	317	317	271	430	210	(c)10
Balancing item .. ..	143	97	58	36	586	-118	170	-41	43	56	-22	86	180	95	226	114	243	(d)632
Net apparent capital inflow	1,222	1,174	800	1,441	1,837	143	463	142	269	498	533	432	497	412	496	544	452	-621
<b>MONETARY MOVEMENTS (a) -</b>																		
Changes in official reserve assets .. ..	(e)73	143	(f)118	(f)742	(g)1,544	(f)106	306	-34	7	(f)343	426	256	(g)251	(f)453	585	637	(h)646	(i)-362
Allocation of Special Drawing Rights .. ..	..	..	-75	-64	-63	-75	..	..	..	-64	..	..	..	-63	..	..	..	..
Changes in other foreign assets .. ..	(e)8	26	6	-71	(g)-31	-14	-51	-34	22	-21	-38	9	(g)17	-30	-28	7	(h)-21	(i)32
Other monetary movements .. ..	-3	-20	-12	-10	-8	..	-6	-2	-5	3	-7	..	-6	1	-3	..	-2	-1
Net monetary movements	79	148	37	598	1,443	17	249	-70	25	262	381	265	262	360	555	644	624	-331
Net monetary movements of the balance of the balance of Overseas Investment are not available for the March Quarter 1973 and for this period the items																		

(a) See Notes on the Statistics, paragraph 4 and 5, page 1. (b) Details of the Survey of Overseas Investment are not available for the March Quarter 1973 and for this period the items marked (\*) are included with the balancing item. (c) Excludes items marked (\*). (d) Includes items marked (\*). (e) 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. (f) Includes the allocation of Special Drawing Rights. (g) 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. (h) 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 assets (which had been negative) was to increase them by \$1 million. (i) Excludes the effects of the February 1973 devaluation of the U.S. dollar which reduced by \$234 million and by \$1 million the Australian dollar equivalent of official reserve assets and of other foreign assets respectively; also excludes \$26 million received under the Sterling Agreement. (See para. 1 of Supplement)

- . Imports of \$961 million, 5 per cent higher than in the corresponding quarter last year; this result continues the upturn in imports which began in the September quarter 1972.
- . Total invisible credits of \$397 million, up 13 per cent on the March quarter 1972; items mainly responsible for this rise were transportation and property income (in particular, interest on international reserves).
- . Total invisible debits which, at \$762 million, were 18 per cent higher than in the March quarter of 1972; notable in this rise were large increases in travel, investment income and government transfer debits.
- . Another record quarterly current account surplus; the surplus, \$290 million, compares with a deficit of \$52 million in the corresponding quarter of 1972.
- . An abrupt reversal in the direction of net capital flows with a substantial net apparent capital outflow of \$621 million following an uninterrupted succession of quarterly apparent capital inflows lasting since the March quarter of 1962; government capital transactions contributed \$75 million to this apparent outflow, but its major components are as yet unidentified.
- . An overall deficit (as measured by net monetary movements) of \$331 million, the first such deficit since the September quarter of 1970; the deficit includes a fall of \$362 million in official reserve assets and compares with an overall surplus of \$360 million in the March quarter of 1972. For balance of payments purposes the fall in official reserve assets excludes the apparent loss of \$234 million caused by the devaluation of the U.S. dollar in February 1973. (For more details see enclosed Supplement.)

#### Level of reserves

8. At 31 March 1973 gold and net foreign assets of Australia's official and banking institutions totalled \$4,263 million, comprising official reserve assets of \$4,246 million and other foreign assets of \$17m. Holdings of gold and assets denominated in foreign currencies have been converted to Australian dollars on the basis of official parity relationships.

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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.

SUPPLEMENT TO THE  
BALANCE OF PAYMENTS QUARTERLY SUMMARY  
MARCH QUARTER 1973

CHANGES IN OFFICIAL RESERVE ASSETS

The accompanying balance of payments statement shows a fall of \$362 million (at par rates of exchange) in official reserve assets during the March quarter of 1973. This is significantly less than the fall of \$570 million (also at par rates of exchange) which can be derived from the levels of reserves at 31 December 1972 (\$4,816 million) and 31 March 1973 (\$4,246 million) shown in the Reserve Bank press release of 13 April 1973. The reasons for the difference of \$208 million in the measurements of change in official reserve assets over this period are given below.

(a) Change due to the devaluation of the U.S. dollar

The 10 per cent devaluation of the U.S. dollar on 12 February 1973 had the effect of reducing the Australian dollar equivalent of holdings of U.S. dollars by \$234 million. This change has been excluded from the balance of payments statistics, as it is due purely to a currency change of parity. This is done in accordance with international convention which restricts the balance of payments to a record of actual transactions between residents of a country and residents of the rest of the world. The rationale of this practice is that, if the accounts were to reflect changes other than those resulting from transactions, the underlying balance of payments performance would be obscured and comparisons between different periods of time made more difficult. Therefore, an attempt is made where possible to exclude the effects of currency revaluations from the published estimates.

(b) Change due to compensation under Sterling Agreement

For much the same reasons, that is, in order to maintain comparability between periods and to prevent obscuring the underlying performance, an amount of \$26 million received from the Bank of England in January 1973 has also been excluded from the change in official reserve assets in the balance of payments during the March quarter of 1973. This amount was received under the terms of the Sterling Agreement of September 1968 as compensation for the fall in market value of Australia's sterling reserve assets since the pound was floated in June 1972.

2. These two factors explain the net difference of \$208 million between the two measurements of change in official reserve assets; the change in level of foreign exchange holdings (expressed in Australian dollars) included the fall of \$234 million and the rise of \$26 million described above, but both of these changes are omitted from the accompanying balance of payments accounts (apart from footnote references).

VALUATION OF RESERVE ASSETS

3. As stated in the Notes on the Statistics (paragraph 3), changes in official reserve assets and in other foreign assets are calculated, for balance of payments purposes, by converting these assets to Australian dollars at par rates of exchange. The following table shows the levels of and changes in official reserve assets during the period since 31 December 1971 on this basis.

<u>Official Reserve Assets</u>			
<u>Date</u>	<u>Level</u>	<u>Qtr ended</u>	<u>Change</u>
	\$ million		\$ million
31 Dec. 1971	2726		
31 March 1972	3179	Mar. 1972	453
30 June 1972	3764	June 1972	585
30 Sept. 1972	4401	Sept. 1972	637
31 Dec. 1972	4816	Dec. 1972	414
31 Mar. 1973	4246	Mar. 1973	-570

4. Because most other items in the balance of payments are recorded at market rates of exchange, the above practice does give rise to some inconsistency which is reflected, along with other errors and omissions, in the balancing item. While the extent of this inconsistency cannot be measured precisely, some indication of its significance can be obtained by comparing the figures in the table above with corresponding figures showing total gold and foreign exchange holdings calculated by using market rates of exchange to convert the foreign exchange component to Australian dollars.

<u>Date</u>	<u>Level</u>	<u>Qtr ended</u>	<u>Change</u>
	\$ million		\$ million
31 Dec. 1971	2743		
31 Mar. 1972	3241	Mar. 1972	498
30 June 1972	3737	June 1972	496
30 Sept. 1972	4359	Sept. 1972	622
31 Dec. 1972	4648	Dec. 1972	289
31 Mar. 1973	4037	Mar. 1973	-611

NOTE: The changes shown in the above tables have not been adjusted to exclude the effects of changes in par rates in December 1972 and February 1973 or changes in market rates which have occurred during the period covered. While the effects of changes in par rates are known (see footnotes (h) and (i) to the balance of payments table) complete information on the effects of changes in market rates is not available. Caution should, therefore, be exercised in using the market rate series.

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