

# AUSTRALIAN BUREAU OF STATISTICS Canberra

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## BALANCE OF PAYMENTS : MARCH QUARTER 1978

### INQUIRIES

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### MAIN FEATURES

- . An overall surplus, as measured by net official monetary movements, of \$302 million.
- . Exports of \$2,835 million and record imports of \$2,875 million.
- . A trade deficit of \$41 million.
- . A deficit of \$730 million on invisible transactions.
- . A current account deficit of \$771 million.
- . A net apparent capital inflow of \$1,073 million including a net inflow of \$482 million on government capital transactions.

### TRENDS IN MAJOR AGGREGATES

#### Current account

- . The *current account* deficit of \$771 million for the March quarter compared with a deficit of \$676 million in the March quarter 1977.
- . *Seasonally adjusted*, the *current account* deficit was \$784 million, \$496 million greater than the deficit for the December quarter.
- . The *balance of trade* deficit of \$41 million for the March quarter was a turnaround of \$52 million on the surplus of \$11 million in the March quarter 1977.
- . *Seasonally adjusted*, the *trade deficit* was \$5 million a turnaround of \$401 million on the \$396 million surplus for the December quarter.
- . *Exports* (on a balance of payments basis) were \$2,835 million in the March quarter, 8 per cent down on the previous quarter and only 1 per cent higher than exports in the March quarter 1977. Full export commodity details for the March quarter are not yet available, but a comparison of the first two months of the quarter with the corresponding months of 1977 shows increases in the value of exports of meat, coal and chemicals and decreases in the value of exports of wool, sugar and iron and steel.

. *Seasonally adjusted exports* at \$2,928 million, were 3 per cent down on the December quarter.

. *Imports* (on a balance of payments basis) were \$2,875 million, 9 per cent higher than the previous quarter and 3 per cent above the March quarter 1977. Most major categories of imports showed some rise in value compared with the March quarter 1977, the most significant rise being in the value of imports of petroleum (up \$58 million, 21 per cent) while imports of electric machinery fell (down \$68 million, 24 per cent) as did imports of transport equipment (down \$31 million, 10 per cent).

. *Seasonally adjusted imports* at \$2,933 million, were 11 per cent up on the December quarter.

. The \$730 million deficit on *net invisibles* was \$44 million higher than in the March quarter 1977.

. The *Seasonally adjusted net invisibles* deficit of \$779 million was \$95 million up on the previous quarter. This rise is largely due to higher government transfers to overseas.

#### Capital account

- . The *net apparent capital inflow* of \$1,073 million in the March quarter was a record, exceeding the previous record net inflow in the March quarter 1977 by \$261 million.
- . There was a large net inflow of \$482 million on *government capital transactions* during the quarter, mainly reflecting the receipt of proceeds from a Yen bond issue in February and a Eurodollar loan in March.
- . Interim estimates of *overseas investment in Australian companies* indicate a net inflow of \$329 million in the March quarter, similar in magnitude to the net inflow in the December quarter but well below the net inflow of \$561 million in the March quarter 1977.
- . Complete information on *trade credit n.e.i.* transactions is not yet available for the March quarter. However, for marketing authorities there was a net inflow of \$76 million, reflecting the excess of receipts over exports.

### Overall results

The surplus of \$302 million as measured by *net official monetary movements* compares with a deficit of \$73 million in the previous quarter, and a surplus of \$136 million in March quarter 1977.

*Official reserve assets* increased by \$187 million during the March quarter as a result of balance of payments transactions (i.e., after excluding changes in value due to the effects of revaluations).

*Other transactions* by the official monetary sector resulted in a net decrease of \$116 million in liabilities to non-residents, reflecting part repayment to the I.M.F. of the July 1976 Compensatory Financing facility drawing.

### Level of reserves

At 31 March 1978 Australia's *official reserve assets*, valued at market rates of exchange and with gold holdings at market related value, stood at \$3,262 million.

Official Reserve Assets and Exchange Rates

Quarter ended	Official Reserve Assets \$ million				Exchange Rates (end of quarter) – Units of foreign currency for \$A				
	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	N.Z. Dollar
			Changes in levels	Levels at end of quarter					
1975 31 December	-738	+8	-730	2,588	1.2571	0.6206	3.292	383.35	1.2044
1976 31 March	-37	+20	-17	2,571	1.2486	0.6513	3.171	374.62	1.2205
30 June	-7	+522	+515	3,086	1.2356	0.6927	3.182	366.44	1.2450
30 September	+42	-57	-15	3,071	1.2373	0.7409	3.036	354.96	1.2678
31 December	-7	+486	+479	3,550	1.0864	0.6385	2.555	317.34	1.1435
1977 31 March	+127	+54	+181	3,731	1.1031	0.6411	2.638	306.32	1.1475
30 June	-352	-67	-419	3,312	1.1108	0.6458	2.616	300.84	1.1506
30 September	-584	+92	-492	2,820	1.1076	0.6348	2.572	293.63	1.1406
31 December	-43	+102	+59	2,879	1.1414	0.5965	2.395	273.85	1.1193
1978 31 March	+187	+196	+383	3,262	1.1431	0.6127	2.314	253.65	1.1179

## EXPLANATORY NOTES

## Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the March quarter 1978, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in the bulletin *Balance of Payments* (Catalogue No. 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 (see paragraphs 8 and 9 below).

7. 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. From July 1977 the method of valuing official reserve assets was changed by the Reserve Bank to include gold valued at a market-related price. The official reserve assets series published by the Bank (shown in the table on page 2 of this bulletin) has been revised back to 30 June 1976 on this basis. As these changes in value were due solely to the revaluation of gold holdings they have no effect on the changes in official reserve assets included in the balance of payments.

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	
1973-74	6,914	-193	-34	6,688	6,085	-53	1	-279	5,754
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	11,400	10,410	87	-3	-151	10,341
1975-76 December	2,287	-54	60	2,293	1,979	-5	-1	-67	1,905
March	2,332	-48	41	2,324	2,121	-18	4	-70	2,037
June	2,683	-32	-18	2,634	2,181	22	-1	-78	2,124
1976-77 September	2,983	-55	-71	2,857	2,415	20	-2	-37	2,396
December	2,778	-23	50	2,804	2,417	21	-1	-32	2,406
March	2,855	-32	-24	2,799	2,778	44	11	-44	2,788
June	3,032	-22	-69	2,940	2,801	-22	11	-38	2,752
1977-78 September	3,077	-73	9	3,013	2,828	36	4	-44	2,824
December	3,060	-38	60	3,081	2,629	46	-14	-34	2,627
March	2,912	-33	-44	2,835	2,831	46	29	-31	2,875

8. As noted in paragraph 6, 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.

9. The table on page 2 sets out changes in official reserve assets as recorded in the balance of payments from the December quarter 1975 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. Major revaluation changes occur in the Australian dollar value of official reserves in the June quarter 1976 due to the revised basis of valuing gold holdings referred to in paragraph 7 and in the December quarter 1976, due to the devaluation of the Australian dollar on 28 November which was subsequently partly offset by a number of minor revaluations during December 1976 and February 1977. A small devaluation of the Australian dollar took place in August 1977 and this has been followed by a number of minor adjustments to the dollar's effective exchange rate.

#### Seasonal adjustment

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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

17. 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.

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

#### Related publications

19. Other A.B.S. 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* (5304.0).

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

20. All publications produced by A.B.S. are listed in *Catalogue of Publications 1977* (1101.0) which is available free of charge from any A.B.S. office.

**BALANCE OF PAYMENTS : MARCH QUARTER 1978**

**TABLES**

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

	Quarters Ended –													
	Year				1975-76			1976-77			1977-78			
	1973-74	1974-75	1975-76	1976-77	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Visible trade –														
Exports f.o.b.	6,688	8,490	9,408	11,400	2,293	2,324	2,634	2,857	2,804	2,799	2,940	3,013	3,081	2,835
Imports f.o.b.	-5,754	-7,652	-7,924	-10,341	-1,905	-2,037	-2,124	-2,396	-2,406	-2,788	-2,752	-2,824	-2,627	-2,875
<i>Balance of trade</i>	934	838	1,484	1,059	387	288	510	461	398	11	189	189	454	-41
Invisible credits –														
Gold production	30	56	23	..	12	..	..	..	..	..	..	..	..	..
Transportation	681	949	1,038	1,231	257	260	273	293	312	313	313	324	343	355
Travel	164	212	233	278	72	63	47	54	84	80	60	68	104	91
Government	67	75	77	88	19	21	18	20	21	23	24	21	23	24
Miscellaneous	130	153	126	94	37	25	31	21	29	24	20	25	31	28
Property income	514	416	341	366	88	75	81	85	92	92	97	84	92	82
Transfers	275	429	359	276	99	71	84	62	75	67	72	86	93	91
<i>Total invisible credits</i>	1,861	2,289	2,197	2,332	583	515	534	536	611	599	587	608	687	670
Invisible debits –														
Transportation –														
Freight on imports	-637	-803	-802	-1,043	-192	-208	-207	-241	-247	-275	-280	-287	-272	-261
Other transportation	-551	-684	-774	-922	-178	-197	-219	-225	-221	-225	-251	-241	-227	-241
Travel	-341	-428	-509	-510	-113	-107	-164	-134	-109	-103	-165	-144	-103	-104
Government	-112	-147	-175	-189	-41	-39	-60	-34	-46	-48	-61	-53	-53	-57
Miscellaneous	-271	-294	-253	-255	-67	-78	-48	-73	-54	-64	-65	-82	-80	-82
Property income –														
Investment income –														
Undistributed	-425	-241	-613	-673	-153	-153	-153	-168	-168	-168	-168	-187	-188	-187
Other	-665	-784	-868	-995	-234	-200	-249	-233	-269	-217	-276	-282	-252	-251
Royalties and copyrights	-66	-75	-75	-57	-15	-21	-17	-13	-14	-13	-16	-22	-16	-16
Transfers –														
Government	-297	-361	-388	-414	-140	-66	-88	-98	-93	-107	-116	-146	-54	-117
Private	-261	-266	-313	-290	-85	-69	-80	-77	-71	-65	-77	-91	-87	-86
<i>Total invisible debits</i>	3,625	-4,082	-4,769	-5,348	-1,218	-1,137	-1,284	-1,296	-1,293	-1,285	-1,474	-1,534	-1,332	-1,401
<i>Net invisibles</i>	-1,764	-1,792	-2,572	-3,016	-635	-622	-750	-760	-682	-686	-887	-926	-645	-730
<i>Balance on current account</i>	-830	-954	-1,089	-1,957	-248	-334	-240	-299	-284	-676	-699	-737	-191	-771

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

	Quarters Ended –													
	Year				1975-76			1976-77			1977-78			
	1973-74	1974-75	1975-76	1976-77	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
<b>Capital inflow (net) –</b>														
<b>Government capital movements –</b>														
Government securities	-84	21	46	371	-62	-14	163	234	145	-4	-5	482	357	463
Other government capital movements	62	-55	-184	-235	-39	-31	-64	-71	-17	-28	-119	-74	-13	19
<b>Total government capital movements</b>	<b>-22</b>	<b>-34</b>	<b>-138</b>	<b>136</b>	<b>-101</b>	<b>-44</b>	<b>99</b>	<b>163</b>	<b>128</b>	<b>-32</b>	<b>-123</b>	<b>408</b>	<b>344</b>	<b>482</b>
<b>Private capital movements –</b>														
<b>Overseas investment in Australian companies –</b>														
Undistributed income	425	241	613	673	153	153	153	168	168	168	168	187	188	187
Other direct investment	174	410	-6	395	-173	64	96	-43	113	185	141	-50	56	33
Portfolio investment and Institutional loans	-134	234	177	492	60	2	44	-45	198	208	131	30	94	109
<b>Total companies</b>	<b>464</b>	<b>885</b>	<b>783</b>	<b>1,560</b>	<b>41</b>	<b>220</b>	<b>293</b>	<b>81</b>	<b>479</b>	<b>561</b>	<b>440</b>	<b>167</b>	<b>338</b>	<b>329</b>
<b>Australian investment overseas</b>	<b>-235</b>	<b>-93</b>	<b>-169</b>	<b>-168</b>	<b>-60</b>	<b>-37</b>	<b>-64</b>	<b>-30</b>	<b>-45</b>	<b>-43</b>	<b>-50</b>	<b>-49</b>	<b>-46</b>	<b>(a)</b>
Trade credit n.e.i.														
Marketing authorities	-111	-60	120	111	33	52	15	11	34	71	-5	-164	-85	76
Other	55	-9	-16	129	25	30	-54	31	63	10	26	27	-58	(a)
<b>Total private capital movements</b>	<b>174</b>	<b>722</b>	<b>719</b>	<b>1,633</b>	<b>39</b>	<b>264</b>	<b>190</b>	<b>92</b>	<b>530</b>	<b>598</b>	<b>412</b>	<b>-20</b>	<b>150</b>	<b>405</b>
<b>Non-official monetary sector transactions</b>	<b>149</b>	<b>51</b>	<b>-25</b>	<b>24</b>	<b>-125</b>	<b>45</b>	<b>61</b>	<b>-79</b>	<b>79</b>	<b>-11</b>	<b>34</b>	<b>46</b>	<b>-19</b>	<b>(a)</b>
<b>Net identified capital inflow</b>	<b>301</b>	<b>739</b>	<b>556</b>	<b>1,792</b>	<b>-187</b>	<b>265</b>	<b>350</b>	<b>176</b>	<b>737</b>	<b>556</b>	<b>323</b>	<b>433</b>	<b>475</b>	<b>887</b>
<b>Balancing item</b>	<b>95</b>	<b>-250</b>	<b>-488</b>	<b>-326</b>	<b>-288</b>	<b>54</b>	<b>-104</b>	<b>-145</b>	<b>-462</b>	<b>256</b>	<b>26</b>	<b>-432</b>	<b>-357</b>	<b>(b)186</b>
<b>Net apparent capital inflow</b>	<b>395</b>	<b>490</b>	<b>68</b>	<b>1,467</b>	<b>-476</b>	<b>319</b>	<b>245</b>	<b>32</b>	<b>275</b>	<b>812</b>	<b>349</b>	<b>1</b>	<b>118</b>	<b>1,073</b>
<b>Official monetary movements –</b>														
Changes in official reserve assets	-384	-460	-1,053	-190	-738	-37	-7	42	-7	127	-352	-584	-43	187
Allocation of SDR	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transactions	-50	-4	32	-301	14	22	12	-310	-1	9	2	-152	-30	116
<b>Net official monetary movements</b>	<b>-435</b>	<b>-464</b>	<b>-1,020</b>	<b>-491</b>	<b>-723</b>	<b>-15</b>	<b>5</b>	<b>-268</b>	<b>-9</b>	<b>136</b>	<b>-350</b>	<b>-736</b>	<b>-73</b>	<b>302</b>

(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 -									
	1975-76			1976-77			1977-78			
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Visible trade -										
Exports f.o.b.	2,235	2,392	2,618	2,854	2,746	2,887	2,914	3,006	3,028	2,928
Imports f.o.b.	-1,902	-2,083	-2,176	-2,293	-2,408	-2,846	-2,813	-2,709	-2,632	-2,933
Balance of trade	334	309	442	562	338	41	102	297	396	-5
Invisible credits -										
Gold production	9	..	..	..	..	..	..	..	..	..
Transportation	254	257	274	298	309	310	314	330	340	351
Travel	58	60	60	60	67	75	77	75	83	85
Government	19	21	18	20	21	23	24	20	23	24
Miscellaneous	34	26	32	21	27	25	21	24	29	30
Property income	87	77	81	83	92	94	97	83	92	83
Transfers	97	75	83	61	72	71	71	85	92	95
Total invisible credits	558	516	548	544	588	598	604	618	658	668
Invisible debits -										
Transportation -										
Freight on imports	-190	-213	-210	-232	-246	-282	-285	-275	-273	-267
Other transportation	-183	-191	-219	-228	-226	-218	-252	-243	-232	-234
Travel	-131	-131	-129	-128	-125	-125	-130	-138	-119	-127
Government	-42	-41	-51	-38	-47	-51	-52	-59	-54	-60
Miscellaneous	-71	-77	-49	-68	-58	-63	-66	-77	-86	-80
Property income -										
Investment income -										
Undistributed	-153	-153	-153	-168	-168	-168	-168	-187	-188	-187
Other	-205	-201	-237	-259	-247	-221	-264	-335	-227	-257
Royalties and copyrights	-17	-18	-18	-13	-17	-12	-16	-21	-19	-14
Transfers -										
Government	-134	-71	-89	-93	-91	-117	-118	-134	-57	-127
Private	-84	-73	-78	-75	-71	-71	-74	-88	-87	-94
Total invisible debits	-1,212	-1,169	-1,233	-1,302	-1,296	-1,326	-1,425	-1,556	-1,342	-1,447
Net invisibles	-654	-653	-685	-758	-709	-728	-821	-937	-684	-779
Balance on current account	-320	-344	-243	-197	-371	-687	-719	-640	-288	-784

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

	1975-76			1976-77			1977-78			
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Exports f.o.b.	3.2	7.0	9.4	9.0	-3.8	5.1	0.9	3.1	0.7	-3.3
Invisible credits	-2.0	-7.4	6.2	-0.9	8.1	1.8	1.1	2.3	6.5	1.4
Imports f.o.b.	7.2	9.6	4.4	5.4	5.0	18.2	-1.2	-3.7	-2.8	11.4
Invisible debits	5.5	-3.5	5.5	5.6	-0.4	2.3	7.5	9.1	-13.7	7.8