

BALANCE OF PAYMENTS : MARCH QUARTER 1979

INQUIRIES

If you want to know more about these statistics ring Mr Neil Patterson on Canberra 525519 or our State office, or write to Information Services, ABS, P.O. Box 10, Belconnen, A.C.T. 2616
For copies of this publication contact Information Services, Canberra 526627 or State offices.

MAIN FEATURES

March quarter 1979

- . An overall deficit, as measured by net official monetary movements of \$2 million.
- . Record exports of \$3,648 million, \$273 million higher than in the previous quarter.
- . Imports of \$3,343 million, \$43 million down on the previous quarter.
- . A trade surplus of \$305 million, representing a turnaround of \$317 million from the \$12 million deficit of the previous quarter.
- . Net invisibles – payments exceeded receipts by \$895 million.
- . A deficit on current account of \$590 million.
- . A net apparent capital inflow of \$588 million of which \$347 million was due to government capital transactions.

TRENDS IN MAJOR AGGREGATES

Current Account

- . The *current account* deficit of \$590 million for the March quarter compared with a deficit of \$772 million in the March quarter 1978.
- . *Seasonally adjusted*, the *current account* deficit was \$456 million, \$661 million lower than the deficit for the December quarter.
- . The *balance of trade* surplus of \$305 million for the March quarter represented a turnaround of \$358 million from the deficit of \$53 million in the March quarter 1978.
- . *Seasonally adjusted*, the *trade balance* was a surplus of \$527 million, a turnaround of \$752 million on the \$225 million deficit for the December quarter.
- . *Exports* (on a balance of payments basis) were \$3,648 million in the March quarter, 8 per cent up on the previous quarter and 30 per cent higher than exports in the March quarter 1978. Export commodity statistics for the whole quarter are not yet available,

but a comparison of the first two months of the quarter with the corresponding months of 1978 show increases in the value of exports of meat, textile fibres metalliferous ores, coal, iron and steel and non-ferrous metals and decreases in the exports of cereals and sugar.

- . *Seasonally adjusted exports* at \$3,829 million, were 18 per cent up on the December quarter.
- . *Imports* (on a balance of payments basis) were \$3,343 million, 1 per cent lower than the previous quarter but 17 per cent above the March quarter 1978. Import commodity statistics for the March quarter compared with the corresponding quarter of 1978 show increases in the value of imports of textiles, yarn and made up articles (up \$43 million or 26 per cent), manufactures of metals (up \$21 million or 14 per cent) and machinery and transport equipment (up \$394 million or 40 per cent). Imports of petroleum fell slightly.
- . *Seasonally adjusted imports* at \$3,302 million, were 5 per cent down on the December quarter.
- . The \$895 million deficit on *net invisibles* was \$179 million higher than in the March quarter 1978.
- . The *seasonally adjusted net invisibles* deficit of \$983 million was \$91 million up on the previous quarter.

Capital Account

- . The *net apparent capital inflow* of \$588 million in the March quarter is a fall of \$178 million on the previous quarter.
- . There was a net inflow of \$347 million on *government capital transactions* during the quarter, mainly reflecting the receipt of proceeds of Swiss Franc and Dutch Guilder borrowings.
- . Interim estimates of foreign investment in Australian enterprises indicate a net inflow of \$517 million in the March quarter, \$131 million higher than the inflow in the December quarter and \$232 million higher than in March quarter 1978.
- . The *trade credit n.e.i.* estimate shows a net outflow of \$34 million in the March quarter, comprising a net inflow of \$35 million for *marketing authorities* which was more than offset by a net outflow of \$69 million for other.

Overall results

- Net official monetary movements during the March quarter 1979 showed a deficit of \$2 million compared with a deficit of \$97 million in the December quarter and a surplus of \$302 million in the March quarter 1978.
- Official reserve assets increased by \$109 million during the March quarter due to the allocation of Special Drawing Rights of \$94 million as well as net balance of payments transactions (i.e. after excluding changes due to the effects of revaluations).
- Australia was allocated Special Drawing Rights in the IMF equivalent to \$94 million in January 1979. While the allocation is included in changes to Australia's

official reserve assets, it has been offset, as on previous occasions, by a counterpart entry in the net official monetary movements item. Consequently the net official monetary movements item reflects no change as a result of the allocation. The counterpart entry is necessary because without it there would be no corresponding credit to offset the increase in assets (debit). This entry has been included in the net official monetary movements item so that the underlying balance of payments performance, as measured by the item, is not obscured.

Level of reserves

- At 31 March 1979, Australia's official reserve assets, valued at market rates of exchange and with gold holdings at market related value, stood at \$3,600 million.

Table A. Official Reserve Assets and Exchange Rates

Quarters	Official Reserve Assets \$ million				Exchange Rates (end of quarter) Units of foreign currency for \$A				Trade-weighted index (end of quarter) of value of Australian dollar, May 1970 = 100
	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	
			Changes in levels	Levels at end of quarter					
1976-77 December	-7	+486	+479	3,550	1.0864	0.6385	2.555	317.34	92.2
March	+127	+54	+181	3,731	1.1031	0.6411	2.638	306.32	92.5
June	-352	-67	-419	3,312	1.1108	0.6458	2.616	300.84	92.5
1977-78 September	-584	+92	-492	2,820	1.1076	0.6348	2.572	293.63	91.5
December	-43	+102	+59	2,879	1.1414	0.5965	2.395	273.85	89.4
March	+187	+196	+383	3,262	1.1431	0.6127	2.314	253.65	87.5
June	-34	-3	-37	3,225	1.1475	0.6151	2.379	234.63	86.2
1978-79 September	-205	+254	+49	3,274	1.1566	0.5853	2.234	218.31	83.6
December	-113	+39	-74	3,200	1.1505	0.5656	2.099	222.83	82.7
March	+109	+291	+400	3,600	1.1182	0.5423	2.087	233.62	82.3

Table B. Trade statistics : adjustments for balance of payments purposes (\$ million)

Years/ quarters	Exports				Imports				Balance of Payments basis
	Trade basis	Adjustments		Balance of Payments basis	Trade basis	Adjustments		Valuation	
		Coverage	Timing			Coverage	Timing		
1974-75	8,726	-256	20	8,490	8,080	-76	-8	-344	7,652
1975-76	9,640	-252	19	9,408	8,241	-27	-2	-288	7,924
1976-77	11,646	-133	-115	11,399	10,411	62	20	-148	10,345
1977-78	12,270	-188	-19	12,063	11,167	111	36	-147	11,167
1976-77 December	2,778	-23	50	2,804	2,417	21	-1	-30	2,407
March	2,855	-32	-24	2,799	2,777	45	11	-44	2,789
June	3,032	-22	-70	2,939	2,803	-22	11	-35	2,757
1977-78 September	3,079	-74	10	3,015	2,828	35	4	-38	2,829
December	3,085	-47	97	3,135	2,629	45	-14	-40	2,620
March	2,925	-42	-87	2,796	2,804	45	27	-27	2,849
June	3,181	-25	-39	3,116	2,905	-14	19	-41	2,869
1978-79 September	3,039	-56	36	3,019	3,184	16	-18	-45	3,136
December	3,428	-40	-13	3,375	3,436	-1	-10	-39	3,386
March	3,597	-49	100	3,648	3,412	-25	14	-58	3,343

EXPLANATORY NOTES

Introduction

This bulletin contains preliminary estimates of Australia's international balance of payments for the March quarter 1979, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in the bulletin *Balance of Payments* (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. Table B on page 2 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. The line drawn between 1975-76 and 1976-77 in the imports, trade basis column of table B on page 2 indicates that the figures from 1976-77 are not comparable with previous years because of the change in the basis of valuation, which occurred on 1 July 1976 when Australia adopted the internationally recognised Brussels Definition of Value (BDV) on a free-on-board basis. For further details, see ABS bulletin *Imports* (5406.0).

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.

7. The measurement of official reserve assets is based on market valuations. This means that changes in the value of these assets occur not only as a result of economic transactions and certain other changes (such as the allocation of SDR) but also as a result of fluctuations in the market value of certain assets and in the market rates of exchange used to convert them into Australian dollars. Table A on page 2 sets out separately the changes in official reserve assets which result from transactions and certain other changes, which are recorded in the balance of payments, and revaluation changes, which are excluded from the balance of payments. The major change that occurred in the Australian dollar value of official reserve assets in the December quarter 1976 was due to a devaluation of the Australian dollar on 28 November 1976.

8. Table A on page 2 also shows the exchange rate of the Australian dollar with four major currencies and a trade-weighted index of value of the Australian dollar provided by the Reserve Bank. The trade-weighted index is the average value of the Australian dollar vis a vis currencies of Australia's major trading partners.

Seasonal adjustment

9. 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.

10. 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.

11. 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.

12. 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.

13. Seasonally adjusted statistics shown in Table 3 of this bulletin have been revised to take account of the quarterly observations for 1978 and a re-analysis of the quarterly observations for earlier years. Details of the seasonal adjustment methods used, together with selected measures of variability for these series, are given in *Seasonally Adjusted Indicators* (1308.0).

14. 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.

15. 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.

Changes in this issue

16. For the first time, an estimate of the item *trade credit n.e.i. - other* for the latest quarter has been included in table 2 of this bulletin.

Related publications

17. Other ABS 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 (5305.0)

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

18. All publications produced by ABS are listed in *Catalogue of Publications* (1101.0) which is available free of charge from any ABS office.

Symbols and other usages

- n.y.a. not yet available
- nil or less than half the final digit shown
- .. not applicable
- break in continuity of series (where drawn across a column between two consecutive figures)

19. 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.

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

A. R. BAGNALL
Acting Australian Statistician

BALANCE OF PAYMENTS : MARCH QUARTER 1979

T A B L E S

TABLE I. BALANCE OF PAYMENTS - CURRENT ACCOUNT
(\$ million)

	Quarters Ended -													
	Year				1976-77			1977-78			1978-79			
	1974-75	1975-76	1976-77	1977-78	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Visible trade -														
Exports f.o.b.	8,490	9,408	11,399	12,063	2,804	2,799	2,939	3,015	3,135	2,796	3,116	3,019	3,375	3,648
Imports f.o.b.	-7,652	-7,924	-10,345	-11,167	-2,407	-2,789	-2,757	-2,829	-2,620	-2,849	-2,869	-3,136	-3,386	-3,343
<i>Balance of trade</i>	<i>838</i>	<i>1,484</i>	<i>1,054</i>	<i>896</i>	<i>397</i>	<i>10</i>	<i>183</i>	<i>186</i>	<i>515</i>	<i>-53</i>	<i>247</i>	<i>-118</i>	<i>-12</i>	<i>305</i>
Invisible credits -														
Gold production	56	23	..	..	..	..	..	..	..	..	..	..	..	..
Transportation	952	1,041	1,238	1,316	313	316	316	312	345	335	325	357	389	388
Travel	212	233	278	325	84	80	60	68	104	88	65	78	113	106
Government	75	77	88	93	21	23	24	21	24	22	26	23	23	25
Miscellaneous	153	126	94	154	29	24	20	25	31	38	60	61	65	58
Property income	431	343	378	354	104	88	104	84	93	82	95	97	106	97
Transfers	429	359	276	402	75	67	72	86	95	117	104	106	101	97
<i>Total invisible credits</i>	<i>2,307</i>	<i>2,201</i>	<i>2,351</i>	<i>2,644</i>	<i>624</i>	<i>597</i>	<i>597</i>	<i>596</i>	<i>692</i>	<i>683</i>	<i>674</i>	<i>722</i>	<i>796</i>	<i>770</i>
Invisible debits -														
Transportation -														
Freight on imports	-784	-802	-1,034	-1,076	-244	-275	-272	-272	-269	-249	-287	-300	-321	-314
Other transportation	-712	-802	-949	-1,038	-228	-229	-258	-259	-241	-252	-287	-318	-307	-321
Travel	-428	-509	-510	-551	-109	-103	-165	-144	-104	-112	-190	-167	-140	-130
Government	-147	-175	-189	-223	-46	-48	-61	-53	-52	-56	-61	-43	-46	-53
Miscellaneous	-294	-253	-255	-399	-54	-64	-65	-92	-89	-112	-106	-93	-93	-97
Property income -														
Investment income -														
Undistributed	-241	-605	-672	-609	-168	-168	-168	-152	-152	-152	-152	-170	-170	-170
Other	-783	-872	-1,024	-1,170	-277	-222	-283	-318	-283	-243	-326	-267	-355	-325
Royalties and copyrights	-75	-75	-57	-81	-14	-13	-16	-22	-16	-18	-25	-18	-22	-24
Transfers -														
Government	-361	-388	-414	-452	-93	-107	-116	-146	-54	-118	-134	-111	-104	-138
Private	-266	-313	-290	-367	-71	-65	-77	-91	-87	-91	-98	-105	-90	-93
<i>Total invisible debits</i>	<i>-4,091</i>	<i>-4,793</i>	<i>-5,395</i>	<i>-5,964</i>	<i>-1,304</i>	<i>-1,294</i>	<i>-1,480</i>	<i>-1,549</i>	<i>-1,347</i>	<i>-1,402</i>	<i>-1,666</i>	<i>-1,593</i>	<i>-1,648</i>	<i>-1,665</i>
<i>Net invisibles</i>	<i>-1,784</i>	<i>-2,591</i>	<i>-3,043</i>	<i>-3,320</i>	<i>-680</i>	<i>-697</i>	<i>-884</i>	<i>-953</i>	<i>-656</i>	<i>-719</i>	<i>-993</i>	<i>-871</i>	<i>-852</i>	<i>-895</i>
<i>Balance on current account</i>	<i>-946</i>	<i>-1,107</i>	<i>-1,989</i>	<i>-2,424</i>	<i>-283</i>	<i>-687</i>	<i>-701</i>	<i>-767</i>	<i>-141</i>	<i>-772</i>	<i>-745</i>	<i>-989</i>	<i>-864</i>	<i>-590</i>

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

	Year				Quarters Ended –									
	1974-75	1975-76	1976-77	1977-78	1976-77			1977-78			1978-79			
					Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Capital inflow (net) –														
Government capital movements –														
Government securities	21	47	375	1,647	146	-3	-4	490	366	476	315	429	471	365
Other government capital movements	-45	-176	-222	-129	-14	-25	-116	-59	-20	40	-90	91	-3	-18
Total government capital movements	-24	-128	153	1,518	132	-28	-120	432	346	516	224	520	469	347
Private capital movements –														
Foreign investment in Australian enterprises –														
Undistributed income	241	605	672	609	168	168	168	152	152	152	152	170	170	170
Other direct investment	403	-42	405	463	115	189	144	-42	78	76	352	121	193	173
Portfolio investment and institutional loans	237	200	500	257	200	211	133	-4	118	57	86	73	23	174
Total enterprises	881	763	1,577	1,329	484	567	444	106	348	285	590	365	386	517
Australian investment abroad	-94	-180	-227	-155	-63	-56	-67	-37	-34	-38	-46	-32	-44	(a)
Trade credit n.e.i. –														
Marketing authorities	-60	120	111	-208	34	71	-5	-164	-84	79	-39	-41	107	35
Other	-14	-10	132	-37	58	13	30	29	-72	2	5	58	-66	-69
Total private capital movements	714	693	1,593	929	512	594	402	-67	158	328	509	350	383	<i>n.y.a.</i>
Non-official monetary sector transactions	51	-25	24	-17	79	-11	34	47	-18	-21	-25	64	-50	(a)
Net identified capital inflow	741	540	1,770	2,430	723	556	316	412	487	823	708	933	802	831
Balancing item	-259	-453	-271	-548	-448	267	34	-381	-419	251	1	-150	-36	(b)-243
Net apparent capital inflow	481	87	1,499	1,882	275	823	350	31	68	1,074	709	783	766	588
Official monetary movements –														
Changes in official reserve assets	-460	-1,053	-190	-474	-7	127	-352	-584	-43	187	-34	-205	-113	109
Allocation of SDR	-	-	-	-	-	-	-	-	-	-	-	-	-	-94
Other transactions	-4	32	-301	-68	-1	9	2	-152	-30	116	-2	-	15	-17
Net official monetary movements	-464	-1,020	-491	-542	-9	136	-350	-736	-73	302	-36	-205	-97	-2

(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 -									
	1976-77			1977-78			1978-79			
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Visible trade -										
Exports f.o.b.	2,696	2,926	2,896	3,052	3,009	2,931	3,068	3,055	3,237	3,829
Imports f.o.b.	-2,451	-2,774	-2,803	-2,754	-2,674	-2,820	-2,912	-3,061	-3,462	-3,302
Balance of trade	245	153	93	298	335	111	155	-6	-225	527
Invisible credits -										
Gold production	..	..	..	..	..	..	..	..	..	..
Transportation	309	311	321	317	340	329	330	363	382	380
Travel	67	74	77	77	83	82	83	89	90	98
Government	21	23	23	22	24	22	25	24	23	25
Miscellaneous	28	25	20	25	31	41	57	63	63	62
Property income	103	91	103	84	92	84	94	105	105	99
Transfers	73	71	71	86	94	121	102	105	99	101
Total invisible credits	599	594	614	611	662	678	691	741	762	764
Invisible debits -										
Transportation -										
Freight on imports	-244	-280	-276	-262	-271	-253	-292	-288	-325	-319
Other transportation	-234	-230	-250	-256	-249	-256	-275	-315	-317	-328
Travel	-127	-126	-129	-137	-121	-138	-149	-159	-163	-160
Government	-47	-50	-52	-60	-54	-59	-53	-48	-48	-55
Miscellaneous	-58	-62	-66	-87	-95	-106	-110	-89	-101	-92
Property income -										
Investment income -										
Undistributed	-168	-168	-168	-152	-152	-152	-152	-170	-170	-170
Other	-248	-239	-264	-378	-250	-264	-301	-305	-316	-354
Royalties and copyrights	-15	-13	-16	-22	-18	-18	-23	-18	-24	-24
Transfers -										
Government	-91	-114	-110	-143	-57	-126	-141	-103	-101	-147
Private	-70	-69	-76	-87	-87	-97	-97	-100	-89	-99
Total invisible debits	-1,303	-1,352	-1,406	-1,584	-1,353	-1,468	-1,594	-1,594	-1,654	-1,747
Net invisibles	-704	-758	-792	-973	-697	-790	-903	-853	-892	-983
Balance on current account	-460	-605	-699	-675	-355	-679	-747	-859	-1,117	-456

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

	Percentage Change from Preceding Quarter									
	1976-77			1977-78			1978-79			
	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
Exports f.o.b.	-6.7	8.6	-1.0	5.4	-1.4	-2.6	4.7	-0.4	5.9	18.3
Invisible credits	9.7	-0.7	3.4	-0.6	8.4	2.4	1.9	7.3	2.8	0.3
Imports f.o.b.	6.0	13.2	1.1	-1.8	-2.9	5.5	3.3	5.1	13.1	-4.6
Invisible debits	-1.9	3.8	4.0	12.7	-14.6	8.5	8.6	-	3.8	5.6