



### BALANCE OF PAYMENTS, AUSTRALIA, MARCH QUARTER 1984

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#### MAIN FEATURES

##### March quarter 1984 -

The deficit on current account of \$1,577 million was up \$368 million or 30 per cent on the relatively low deficit for the December quarter 1983 (the lowest quarterly deficit since December quarter 1980). The increased deficit mainly resulted from a sharp rise in imports which brought the trade account to near balance following the surplus of \$357 million for the previous quarter. The net invisibles deficit rose only marginally.

In seasonally adjusted terms, the deficit on current account rose \$259 million on the December quarter 1983. This increase resulted from a fall of \$216 million in the trade account surplus and a rise of \$43 million in the net invisibles deficit.

Following the introduction of the new exchange rate arrangements (see note below) there was a sharp reduction in net apparent capital inflow which was \$809 million compared with \$4,118 million in the December quarter 1983.

Net official monetary movements recorded a deficit of \$768 million compared with a surplus of \$2,909 million for the previous quarter.

The trade weighted index of the value of the Australian dollar (base May 1970 = 100) stood at 82.9 at the end of March, up 2.2 per cent on the end of December 1983 and up 8.9 per cent on the end of March 1983. Through the March quarter 1984 the Australian dollar rose against the \$US (3.7 per cent), the ECU (4.1 per cent) and the Japanese Yen (0.5 per cent) but fell against the West German Mark (1.0 per cent).

##### Nine months ended March 1984 -

The deficit on current account of \$4,679 million was \$56 million or 1 per cent lower than for the nine months ended March 1983. The turnaround (from deficit to surplus) of \$1,143 million in the trade balance was almost entirely offset by the \$1,087 million rise in the net invisibles deficit.

Net apparent capital inflow was estimated at an inflow of \$7,043 million, up \$559 million on the corresponding period of the previous financial year.

Net official monetary movements at a surplus of \$2,364 million was up \$615 million on the surplus for July to March 1982-83.

#### NEW FOREIGN EXCHANGE ARRANGEMENTS

Effective from 12 December 1983, the Government floated the Australian dollar and abolished a major part of existing exchange controls. One effect of the changes was to expand the scope for the non-official sector to hold foreign currency balances. Therefore the composition of transactions covered by net official monetary movements and net apparent capital inflow has changed.

Consequently net official monetary movements no longer serves as a comprehensive measure of the overall surplus or deficit in the balance of payments.

The changes in the composition of transactions covered by net official monetary movements and net apparent capital inflow should be borne in mind in comparing the December 1983 and subsequent months' estimates with estimates for earlier months.

The composition of current account items is generally unaffected by the changed foreign exchange arrangements.

An appendix to this publication explains in more detail how the interpretation of balance of payments statistics has been affected by the new arrangements.

#### LEVELS OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

Tables presenting estimates of the levels of Australia's foreign financial assets and liabilities as at the end of each financial year 1979-80 to 1982-83 are available on request. See paragraph 16 of the Explanatory Notes.

#### ANALYSIS OF SELECTED MAJOR AGGREGATES

March quarter 1984 compared with December quarter 1983-

##### Current account

. Exports f.o.b. of \$5,947 million were up \$70 million or 1 per cent on the previous quarter

. Seasonally adjusted exports f.o.b. rose 4 per cent. A rise in rural exports (up 14 per cent) was partially offset by a small fall in non-rural exports (down 1 per cent). The rise in rural exports was largely due to increased cereals exports (up 80 per cent) reflecting shipments from the record wheat crop. "Other rural" (up 17 per cent) was the only other broad rural exports category to record a rise. Partially offsetting these rises were falls in exports of meat (down 20 per cent), sugar (down 45 per cent) and wool and sheepskins (down 7 per cent). The small fall in non-rural exports was largely due to falls in metal ores and minerals, and machinery and transport equipment (both down 15 per cent) largely offset by a rise in coal exports (up 23 per cent).

. Imports f.o.b. of \$5,944 million rose \$424 million or 8 per cent.

. Seasonally adjusted imports f.o.b. rose 8 per cent. Rises were recorded for all broad import commodity categories except machinery and transport equipment which fell by 1 per cent. Of the rises, the most significant were food, beverages and tobacco (up 15 per cent), fuels (up 21 per cent), chemicals (up 16 per cent), metals and metal manufactures (up 23 per cent) and the "other imports" category (up 12 per cent).

. The net invisibles deficit of \$1,580 million was up \$14 million or 1 per cent.

. The seasonally adjusted net invisibles deficit rose by \$43 million or 3 per cent. This increase resulted from a rise of \$64 million in invisible credits more than offset by the \$108 million rise in invisible debits. The rise in invisible credits reflected in part further Ash Wednesday bushfire insurance claims received from abroad and recorded in the private transfers item. Increases in transportation and travel credits were also recorded. For invisible debits the largest rise was recorded in other investment income payable abroad while freight on imports increased in line with import growth.

##### Capital Account

. Government capital transactions reflected a turnaround from a net inflow of \$287 million in the December quarter 1983 to a net outflow of \$110 million in March quarter 1984. Decreases of \$307 million in net overseas borrowings and \$145 million in net non-resident investment in government securities issued in Australia more than offset the fall of \$54 million in the net outflow on account of other government transactions. Net overseas borrowings included the final drawing of £UK 75 million (\$A 107 million) on a £UK 100 million borrowing.

. Interim estimates of foreign investment in enterprises in Australia recorded a net inflow of \$1,622 million, almost half that recorded for the previous quarter. These estimates show an almost complete cessation of net borrowings by private non-monetary enterprises in Australia, although public non-monetary enterprises increased their net borrowings by \$823 million to \$1,308 million in the March quarter 1984.

. Official reserve assets fell \$752 million as a result of changes included in the balance of payments (ie after excluding the effects of revaluations), compared with a rise of \$2,924 million in the preceding quarter.

Nine months ended March 1984 compared with nine months ended March 1983 -

##### Current account

. Exports f.o.b. were up \$2,008 million or 13 per cent on the corresponding period of the previous financial year. Rural exports rose 8 per cent with all broad commodity groups recording rises except meat (down 14 per cent). Cereals exports recorded the strongest rise (up 19 per cent) reflecting increased shipments from the record wheat harvest. All other broad rural categories rose by between 10 and 12 per cent. Non-rural exports increased 17 per cent. While the largest broad non-rural category, metal ores and minerals, rose only 8 per cent, all other non-rural categories rose by 17 per cent or more.

. **Imports f.o.b.** rose \$865 million or 5 per cent. This modest outcome masked quite divergent patterns being displayed by the components of imports. The predominantly investment related import groups remained sluggish (machinery and transport equipment, up 7 per cent, and metals and metal manufactures, down 14 per cent) while all broad commodities relating primarily to intermediate and final consumption, excepting fuels, displayed solid rises of between 19 and 27 per cent. The sharp decline in fuels imports, down 36 per cent, resulted from substitution by locally produced products.

. **Invisible credits** rose \$497 million (12 per cent). All items rose, with property income credits (up 40 per cent largely due to increased interest earnings on international reserves) being the most significant.

. **Invisible debits** were up by \$1,584 million (20 per cent). The estimated turnaround (from loss to profit) in the undistributed income of direct investment enterprises attributable to foreign direct investors was \$633 million. Other investment income payable overseas also increased strongly (up 24 per cent). Transportation other than freight on imports (down 2 per cent) was the only item to record a fall.

#### **Capital account**

. **Net government capital transactions** recorded an inflow of \$315 million, down \$706 million on the inflow for the nine months ended March 1983. The fall resulted from a reduced net inflow of \$171 million for government borrowings and an increased net outflow of \$535 million for other government capital transactions. While drawings on overseas government borrowings rose by \$89 million and net non-resident investment in government securities issued in Australia rose \$224 million these rises were more than offset by a rise of \$484 million in repayments of overseas borrowings. The increased outflow for other

government capital transactions reflects a higher level of prepayments for major items of equipment.

. The net inflow of **foreign investment in enterprises in Australia** was \$331 million lower than the net inflow for the same period of 1982-83. While direct investment rose \$2,085 million, portfolio investment and institutional loans fell \$2,416 million.

#### **Levels of reserves**

. At 31 March 1984, Australia's holdings of **official reserve assets** valued at market rates of exchange and with gold holdings at market related value stood at \$12,241 million or \$1,876 million higher than at 31 March 1983.

#### **REVISIONS**

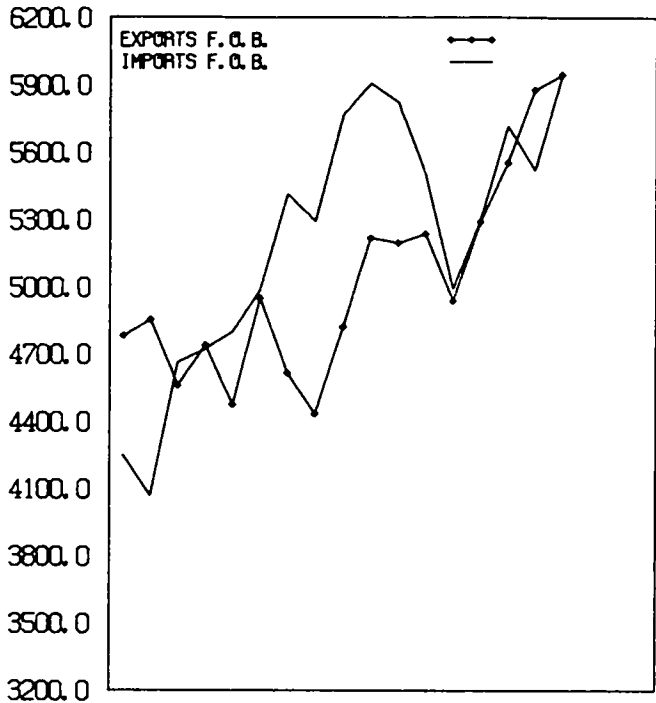
The current account deficit for the nine months ending March 1984 published in **Balance of Payments, Australia, March 1984** (5301.0) was revised upwards by \$282 million in this issue. The principal contributors to this revised result were downward revisions to recorded export statistics (these increased the deficit by \$111 million) and upward revisions to estimates of distributed direct investment income debits (these increased the deficit by \$158 million). The latter revision to investment income primarily arose from an upward adjustment to initial results from the quarterly Surveys of Foreign Investment.

A number of revisions have been made to previously published capital account estimates for 1983-84 following receipt of revised data from various sources. For earlier years revisions have been made to trade credit net (from 1981-82 onwards following the receipt of revised Survey of International Trade Credit results) and non-official monetary sector transactions (from 1970-71 onwards following a review of data reported on overseas borrowings by trading banks).

GRAPHS OF PRINCIPAL BALANCE OF PAYMENTS AGGREGATES

GRAPH 1 - EXPORTS AND IMPORTS

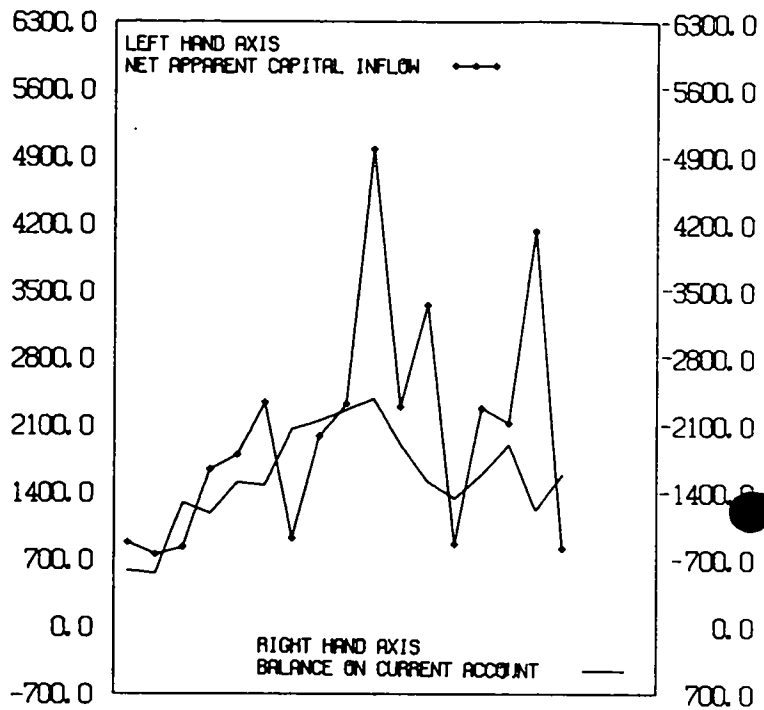
\$ MILLION



M J S D M J S D M J S D M J S D M J S D  
1980 1981 1982 1983 1984

GRAPH 3 - BALANCE ON CURRENT ACCOUNT AND NET APPARENT CAPITAL INFLOW

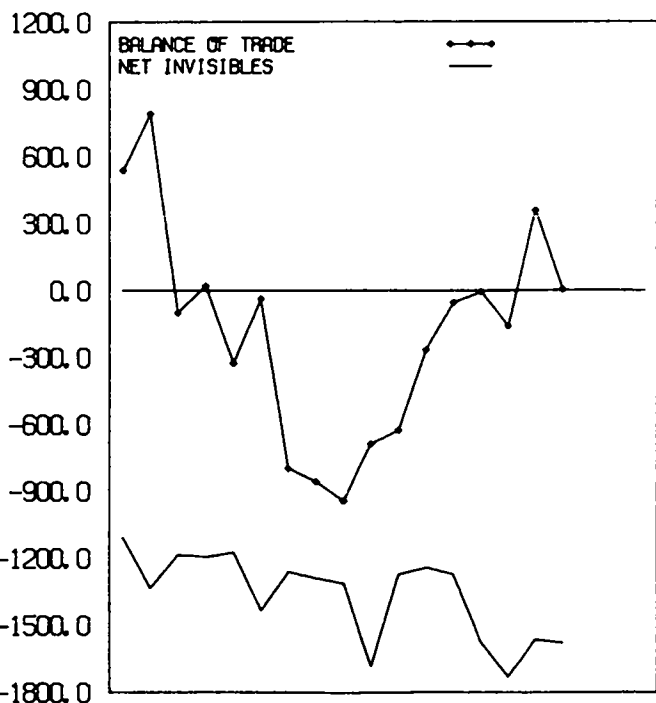
\$ MILLION



M J S D M J S D M J S D M J S D M J S D  
1980 1981 1982 1983 1984

GRAPH 2 - BALANCE OF TRADE AND NET INVISIBLES

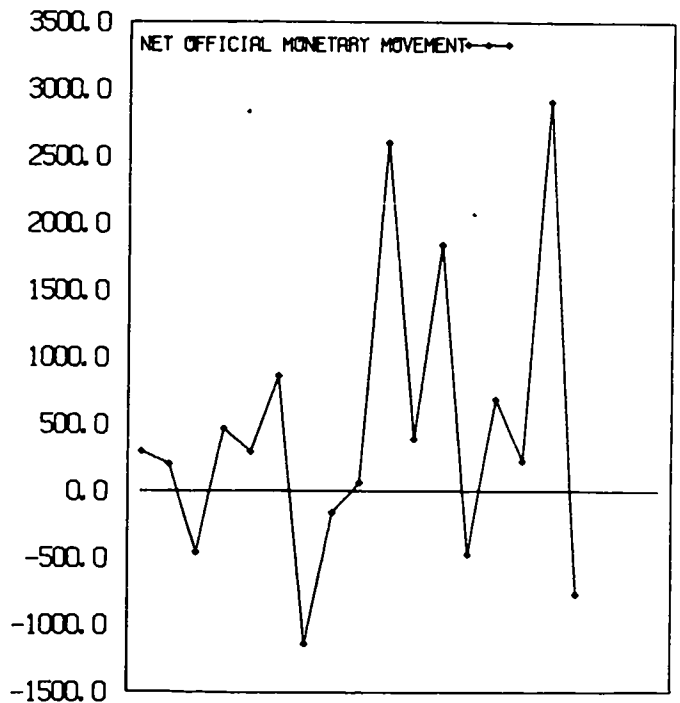
\$ MILLION



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1980 1981 1982 1983 1984

GRAPH 4 - NET OFFICIAL MONETARY MOVEMENTS

\$ MILLION



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1980 1981 1982 1983 1984

## EXPLANATORY NOTES

## INTRODUCTION

This publication contains preliminary estimates of Australia's international balance of payments for the March quarter 1984, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in **Balance of Payments, Australia** (5303.0). Descriptions of the concepts, data sources and methods used in compiling such estimates are to be found in the publication **Balance of Payments, Australia, Concepts, Sources and Methods** (5331.0) released on 19 March 1981. Changes to concepts, sources and methods since that publication are described in the 1979-80, 1980-81 and 1981-82 issues of the annual balance of payments publication (5303.0), in the December quarter 1983 issue of this publication and in paragraph 17 below.

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** represent recorded trade figures adjusted in respect of coverage, timing and valuation for balance of payments purposes. Table 7 sets out the values for these adjustments. Reference should be made to the annual publication **Balance of Payments, Australia** (5303.0) for a description of the adjustments.

## NET OFFICIAL MONETARY MOVEMENTS

6 The aggregate **net official monetary movements**, the main component of which is changes in official reserve assets, excludes changes that do not arise from international economic transactions. The main exclusions are the allocation of Special Drawing

Rights (SDRs) by the International Monetary Fund (included in changes in official reserve assets but excluded from net official monetary movements by means of the counterpart item shown in the table) 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. 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 SDRs) 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 9 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.

## EXCHANGE RATES AND TRADE WEIGHTED INDEX

8 Table 9 also shows the exchange rate of the Australian dollar with four major currencies and a trade-weighted index of the value of the Australian dollar.

9 The exchange rates shown are provided by the Reserve Bank of Australia and relate to the last trading day of the quarter. Prior to 12 December 1983, the rate for the US dollar was the mid-point of the rates at which the Reserve Bank was prepared to deal with Australian trading banks. From that date, the rate is a representative mid-point determined by the Reserve Bank on the basis of market quotations at 4pm Eastern Australian time. Rates for the other currencies are calculated by crossing the rate for the US dollar with the mid-points of closing buying and selling rates in New York (prior to 31 October 1983) or largely in Asian markets (from 31 October 1983); in the case of New Zealand, the rate is based on the rate between the US and New Zealand dollars as set by the Reserve Bank of New Zealand. The rates shown are indications of market value only and could differ from those quoted by Australian banks.

10 The trade weighted index is also provided by the Reserve Bank and is an index of the average value of the Australian dollar vis-a-vis currencies of Australia's trading partners. Prior to 12 December 1983, the index was as published each morning by the Reserve Bank; from that date, the index is as calculated at 4pm on the basis of the representative rate for the US dollar and rates for other currencies, mainly from Asian markets.

**SEASONAL ADJUSTMENTS**

11 Most of the current account series in this publication are affected to some extent by seasonal influences and it is useful to recognise and take account of this element of variation.

12 While some degree of seasonality may be evident in some capital account items over certain periods, the overall seasonal element is likely to be 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 seasonally adjusted.

13 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. Details of the seasonal adjustment methods used, together with selected measures of variability for these series, are given in **Seasonally Adjusted Indicators, Australia (1308.0)**.

14 Particular care should be taken in interpreting quarter to quarter movements in the adjusted figures, especially for those items showing substantial irregular movement.

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.

**SERIES AVAILABLE ON REQUEST**

16 Estimates for quarters prior to those shown in this publication and in more detail are available back to the September quarter 1959. Estimates of the levels of foreign investment in Australia and Australian investment abroad as at the end of each financial year from 1979-80 to 1982-83 are also available. These series can be obtained by contacting Mr John Lazanis on Canberra (062) 525507. More detailed quarterly statistics relating to transportation and international trade credit can be obtained from Mr Tim Power on Canberra (062) 526057.

**CHANGES IN THIS ISSUE**

17 Commencing with this issue, the estimate for **Australian investment abroad (item 15)** is published for the latest quarter; previously it was released with a lag of one quarter. The improvement in timeliness has been made possible because more timely data are available for two key components of this item viz:

. **other direct investment abroad (item 15.12)** - the introduction of the new ABS Survey of Direct Investment Abroad (as mentioned in the previous issue) has provided more timely data.

. **other foreign financial assets (a component of item 15.2, portfolio investment and institutional loans)** - improved processing procedures have provided more timely data from the foreign investment surveys.

The remaining components of item 15 for the latest quarter are mainly estimated by extrapolating previous quarters' figures. However, in extrapolating data for **foreign exchange transactions involving the purchase and sale by Australian residents of shares, debentures and other securities (a component of item 15.2)** account is taken of certain large identified transactions.

**RELATED PUBLICATIONS**

18 Other ABS publications which may be of interest include:

**Balance of Payments, Australia (5301.0) - issued monthly**

**Balance of Payments, Australia 1981-82 (5303.0)**

**Balance of Payments, Australia, Concepts, Sources and Methods (5331.0) - published 19 March 1981**

**Imports by Commodity Divisions, Australia (Preliminary) (5405.0) - issued monthly**

**Exports by Commodity Divisions, Australia (Preliminary) (5402.0) - issued monthly**

**Exports and Imports (Balance of Payments Basis) at Constant Prices, Australia (5332.0) - issued quarterly**

**Foreign Investment, Australia, (5305.0)**

**Foreign Investment in Enterprises in Australia (5306.0) - issued quarterly**

19 Current publications produced by the ABS are listed in the **Catalogue of Publications, Australia** (1101.0). The ABS also issues, on Tuesdays and Fridays, a **Publications Advice** (1105.0) which lists publications to be released in the next few days. The Catalogue and Publications Advice are available from any ABS office.

#### SYMBOLS AND OTHER USAGES

nya not yet available  
- nil or rounded to zero

20 In the following tables, minus signs (-) are used to denote current and capital account debits (ie the acquisition of goods and services from non-residents, income payable to non-residents and increases in foreign financial assets or decreases in foreign liabilities) except in the case of official monetary movements where they denote credits (ie decreases in assets, increases in liabilities, or counterpart entries to increases in official reserve assets due to either the allocation of SDRs or the monetisation of

gold). Correspondingly, the absences of sign are used to denote current and capital account credits (ie the provision of goods and services to non-residents, income receivable from non-residents and decreases in foreign financial assets or increases in foreign liabilities) except in the case of official monetary movements where they indicate debits (ie increases in assets, decreases in liabilities or the counterpart entries to decreases in official reserve assets due to either the cancellation of SDRs or the demonetisation of gold).

21 Where figures have been rounded, discrepancies may occur between the sums of component items and totals.

**A. R. BAGNALL**  
Acting Australian Statistician

TABLE 1

## BALANCE OF PAYMENTS - CURRENT ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
	1979-80	1980-81	1981-82	1982-83	1981-82			1982-83			1983-84			
					DEC.	MAR.	JUNE	SEPT	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.
VISIBLE TRADE-														
EXPORTS FOB	18589	18718	19089	20660	4433	4822	5219	5196	5237	4937	5290	5554	5877	5947
IMPORTS FOB	-15829	-19169	-22379	-21610	-5291	-5768	-5906	-5821	-5502	-4991	-5296	-5715	-5520	-5944
BALANCE OF TRADE	2760	-451	-3290	-950	-857	-946	-687	-625	-265	-54	-6	-161	357	3
INVISIBLE CREDITS-														
TRANSPORTATION	1887	2013	2095	2181	512	546	540	551	561	541	528	544	572	587
TRAVEL	765	898	1030	1128	272	285	241	256	304	317	251	287	337	357
GOVERNMENT	123	126	161	194	40	41	44	49	47	47	51	54	50	49
MISCELLANEOUS	221	247	288	322	71	74	77	77	79	82	84	87	90	92
PROPERTY INCOME	662	736	653	907	144	132	219	215	179	258	255	285	322	307
TRANSFERS	588	711	798	950	196	203	215	225	235	256	234	239	242	275
TOTAL INVISIBLE CREDITS	4247	4731	5024	5682	1235	1280	1336	1373	1405	1501	1403	1496	1613	1667
INVISIBLE DEBITS -														
TRANSPORTATION -														
FREIGHT ON IMPORTS	-1521	-1717	-1960	-1795	-470	-495	-498	-487	-468	-416	-424	-487	-482	-497
OTHER TRANSPORTATION	-1502	-1638	-1782	-1867	-433	-440	-482	-490	-467	-463	-447	-470	-455	-464
TRAVEL	-1479	-1561	-1696	-1857	-410	-427	-447	-505	-452	-448	-452	-507	-510	-520
GOVERNMENT	-264	-287	-321	-371	-79	-78	-96	-77	-89	-101	-104	-90	-93	-98
MISCELLANEOUS	-324	-378	-424	-492	-101	-114	-109	-110	-115	-138	-129	-132	-136	-160
PROPERTY INCOME -														
INVESTMENT INCOME -														
UNDISTRIBUTED	-1021	-828	-271	525	-68	-68	-68	131	131	131	132	-80	-80	-80
OTHER	-1895	-2118	-2762	-3638	-672	-601	-925	-755	-839	-948	-1096	-1070	-1061	-1026
ROYALTIES AND COPYRIGHTS	-93	-126	-135	-150	-34	-34	-34	-37	-38	-37	-38	-39	-39	-42
TRANSFERS -														
GOVERNMENT	-565	-627	-734	-805	-134	-216	-233	-176	-158	-214	-257	-196	-169	-229
PRIVATE	-347	-439	-491	-600	-124	-121	-131	-140	-153	-142	-165	-157	-154	-131
TOTAL INVISIBLE DEBITS	-9010	-9718	-10576	-11050	-2525	-2594	-3023	-2646	-2648	-2776	-2980	-3228	-3179	-3247
NET INVISIBLES	-4764	-4986	-5552	-5368	-1290	-1314	-1687	-1273	-1243	-1275	-1577	-1732	-1566	-1580
BALANCE ON CURRENT ACCOUNT	-2004	-5437	-8842	-6318	-2148	-2260	-2374	-1898	-1508	-1329	-1583	-1893	-1209	-1577



TABLE 2

## BALANCE OF PAYMENTS - CAPITAL ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
	1979-80	1980-81	1981-82	1982-83	1981-82			1982-83			1983-84			
					DEC.	MAR.	JUNE	SEPT	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.
<b>CAPITAL INFLOW (NET) -</b>														
<b>GOVERNMENT CAPITAL MOVEMENTS -</b>														
SECURITIES	171	-83	558	892	358	21	160	575	418	102	-203	308	534	82
OTHER	-252	11	-53	-201	-6	-28	-50	-28	-121	74	-127	-170	-247	-193
<b>TOTAL GOVERNMENT</b>	<b>-81</b>	<b>-72</b>	<b>505</b>	<b>691</b>	<b>352</b>	<b>-7</b>	<b>111</b>	<b>548</b>	<b>297</b>	<b>176</b>	<b>-330</b>	<b>138</b>	<b>287</b>	<b>-110</b>
<b>PRIVATE CAPITAL MOVEMENTS -</b>														
<b>FOREIGN INVESTMENT IN</b>														
<b>ENTERPRISES IN AUSTRALIA -</b>														
UNDISTRIBUTED INCOME	1021	828	271	-525	68	68	68	-131	-131	-131	-132	80	80	80
OTHER DIRECT INVESTMENT	551	1556	1939	1392	-96	563	1098	145	321	352	574	712	1500	58
PORTFOLIO INVESTMENT AND														
INSTITUTIONAL LOANS	1451	3599	7261	7428	1640	1674	3302	1710	2424	1884	1410	503	1615	1484
<b>TOTAL IN ENTERPRISES (A)</b>	<b>3023</b>	<b>5983</b>	<b>9471</b>	<b>8295</b>	<b>1612</b>	<b>2305</b>	<b>4468</b>	<b>1724</b>	<b>2614</b>	<b>2105</b>	<b>1852</b>	<b>1295</b>	<b>3195</b>	<b>1622</b>
<b>AUSTRALIAN INVESTMENT ABROAD</b>	<b>-545</b>	<b>-456</b>	<b>-940</b>	<b>-1075</b>	<b>-30</b>	<b>-221</b>	<b>-232</b>	<b>-343</b>	<b>-226</b>	<b>-434</b>	<b>-73</b>	<b>-152</b>	<b>-180</b>	<b>-214</b>
<b>TRADE CREDIT NEI -</b>														
MARKETING AUTHORITIES	-379	93	83	4	32	117	-83	32	35	-82	20	181	51	-58
OTHER	-384	-150	63	-328	-9	-41	5	-54	-57	-235	18	47	-49	-26
<b>TOTAL PRIVATE</b>	<b>1715</b>	<b>5470</b>	<b>8677</b>	<b>6897</b>	<b>1605</b>	<b>2160</b>	<b>4157</b>	<b>1359</b>	<b>2366</b>	<b>1354</b>	<b>1818</b>	<b>1371</b>	<b>3017</b>	<b>1324</b>
<b>NON-OFFICIAL MONETARY SECTOR</b>														
<b>TRANSACTIONS</b>	<b>165</b>	<b>-65</b>	<b>106</b>	<b>661</b>	<b>229</b>	<b>-62</b>	<b>86</b>	<b>210</b>	<b>327</b>	<b>2</b>	<b>122</b>	<b>122</b>	<b>141</b>	<b>(B)</b>
<b>NET IDENTIFIED</b>														
<b>CAPITAL INFLOW</b>	<b>1799</b>	<b>5334</b>	<b>9287</b>	<b>8249</b>	<b>2185</b>	<b>2091</b>	<b>4353</b>	<b>2117</b>	<b>2991</b>	<b>1532</b>	<b>1610</b>	<b>1631</b>	<b>3446</b>	<b>1214</b>
<b>BALANCING ITEM</b>	<b>-96</b>	<b>1252</b>	<b>909</b>	<b>505</b>	<b>-201</b>	<b>228</b>	<b>621</b>	<b>168</b>	<b>356</b>	<b>-679</b>	<b>660</b>	<b>485</b>	<b>673</b>	<b>-405 (C)</b>
<b>NET APPARENT</b>														
<b>CAPITAL INFLOW</b>	<b>1703</b>	<b>6586</b>	<b>10196</b>	<b>8754</b>	<b>1984</b>	<b>2319</b>	<b>4974</b>	<b>2285</b>	<b>3346</b>	<b>853</b>	<b>2270</b>	<b>2116</b>	<b>4118</b>	<b>809</b>
<b>OFFICIAL MONETARY MOVEMENTS -</b>														
<b>CHANGES IN OFFICIAL</b>														
RESERVE ASSETS	-348	1101	1364	2460	24	56	2406	406	1876	-482	660	241	2924	-752
ALLOCATION OF SDRS	-98	-86	-	-	-	-	-	-	-	-	-	-	-	-
OTHER TRANSACTIONS	145	134	-10	-24	-187	4	195	-19	-38	6	27	-18	-15	-17
<b>NET OFFICIAL</b>														
<b>MONETARY MOVEMENTS</b>	<b>-301</b>	<b>1149</b>	<b>1354</b>	<b>2436</b>	<b>-163</b>	<b>60</b>	<b>2600</b>	<b>387</b>	<b>1838</b>	<b>-476</b>	<b>687</b>	<b>223</b>	<b>2909</b>	<b>-768</b>

(A) SEE TABLE 8 FOR FURTHER DETAILS OF FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA  
 (B) NOT YET AVAILABLE, INCLUDED IN THE BALANCING ITEM, (C) INCLUDES ITEMS FOOTNOTED (B)

TABLE 3 BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED  
\$ MILLION

	QUARTERS END-									
	1981 - 82			1982 - 83			1983 - 84			
	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.
VISIBLE TRADE-										
EXPORTS FOB	4372	4905	5057	5271	5188	5096	5166	5585	5806	6041
IMPORTS FOB	-5313	-5789	-5979	-5710	-5520	-5012	-5361	-5583	-5545	-5996
BALANCE OF TRADE	-941	-884	-922	-439	-332	84	-195	2	261	45
INVISIBLE CREDITS-										
TRANSPORTATION	497	539	561	552	547	534	547	545	560	579
TRAVEL	253	257	278	271	282	287	289	304	312	323
GOVERNMENT	40	41	44	49	47	47	51	54	50	49
MISCELLANEOUS	71	74	77	77	79	82	84	87	90	92
PROPERTY INCOME	151	139	194	210	196	294	222	276	360	350
TRANSFERS	192	208	216	223	231	261	235	237	238	280
TOTAL INVISIBLE CREDITS	1203	1257	1370	1382	1382	1504	1428	1503	1609	1673
INVISIBLE DEBITS -										
TRANSPORTATION -										
FREIGHT ON IMPORTS	-469	-503	-505	-473	-467	-424	-430	-471	-482	-507
OTHER TRANSPORTATION	-441	-446	-476	-480	-473	-473	-441	-459	-463	-474
TRAVEL	-422	-432	-446	-488	-463	-454	-452	-490	-521	-527
GOVERNMENT	-82	-76	-86	-86	-92	-98	-95	-100	-95	-95
MISCELLANEOUS	-105	-104	-113	-112	-119	-126	-134	-134	-142	-147
PROPERTY INCOME -										
INVESTMENT INCOME -										
UNDISTRIBUTED	-68	-68	-68	131	131	131	132	-80	-80	-80
OTHER	-654	-667	-787	-817	-837	-1044	-942	-1168	-1066	-1126
ROYALTIES AND COPYRIGHTS	-34	-34	-34	-37	-38	-37	-38	-39	-39	-42
TRANSFERS -										
GOVERNMENT	-159	-196	-196	-196	-194	-194	-219	-216	-207	-208
PRIVATE	-117	-131	-131	-138	-145	-154	-164	-154	-147	-142
TOTAL INVISIBLE DEBITS	-2550	-2658	-2844	-2695	-2696	-2871	-2783	-3312	-3240	-3348
NET INVISIBLES	-1347	-1400	-1473	-1313	-1314	-1367	-1355	-1810	-1631	-1674
BALANCE ON CURRENT ACCOUNT	-2288	-2284	-2395	-1752	-1646	-1283	-1550	-1808	-1370	-1629

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TABLE 4 BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED

	PERCENTAGE CHANGE FROM PRECEDING QUARTER									
	1981 - 82			1982 - 83			1983 - 84			
	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.
EXPORTS FOB	-6.0	12.2	3.1	4.2	-1.6	-1.8	1.4	8.1	4.0	4.0
INVISIBLE CREDITS	-0.3	4.5	9.0	0.8	-	8.8	-5.1	5.3	7.1	4.0
IMPORTS FOB	-	9.0	3.3	-4.5	-3.3	-9.2	7.0	4.1	-0.7	8.1
INVISIBLE DEBITS	2.6	4.2	7.0	-5.2	-	6.5	-3.1	19.0	-2.2	3.3

TABLE 5

BALANCE OF PAYMENTS - EXPORTS FOB AND IMPORTS FOB  
\$ MILLION

	YEAR				QUARTERS ENDED-									
	1979-80	1980-81	1981-82	1982-83	1981-82			1982-83			1983-84			
					DEC.	MAR.	JUNE	SEPT	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.
<b>EXPORTS FOB -</b>														
<b>RURAL EXPORTS FOB -</b>														
MEAT AND MEAT PREPARATIONS	1729	1593	1380	1675	299	311	421	458	438	370	409	422	381	280
CEREALS AND CEREAL PREPARATIONS	2957	2339	2484	1848	393	795	859	525	539	504	280	298	482	1086
SUGAR, SUGAR PREPS. AND HONEY	719	1199	784	608	243	83	108	215	154	56	183	190	225	61
WOOL AND SHEEPSKINS	1790	1920	1875	1789	437	579	513	345	464	527	453	388	516	580
OTHER RURAL	1653	1636	1752	1985	408	382	504	501	505	425	554	548	513	511
<b>TOTAL RURAL</b>	<b>8847</b>	<b>8687</b>	<b>8275</b>	<b>7905</b>	<b>1780</b>	<b>2149</b>	<b>2406</b>	<b>2044</b>	<b>2100</b>	<b>1882</b>	<b>1879</b>	<b>1846</b>	<b>2117</b>	<b>2518</b>
<b>NON-RURAL EXPORTS FOB -</b>														
METAL ORES AND MINERALS	3306	3409	3456	3852	784	930	875	1044	1016	849	943	1125	1143	887
MINERAL FUELS-														
COAL, COKE AND BRIQUETTES	1686	1981	2295	3078	592	488	666	689	686	832	871	794	833	946
OTHER (1)	427	517	873	1058	223	261	204	221	313	283	241	307	336	353
METALS AND METAL MANUFACTURES	2027	1686	1627	1912	404	404	380	467	440	468	537	569	526	508
MACHINERY AND TRANSPORT EQUIPMENT	798	912	1053	1150	271	250	277	320	283	225	322	355	398	279
OTHER NON-RURAL (2)	1498	1528	1510	1705	379	339	411	411	399	398	497	558	524	456
<b>TOTAL NON-RURAL</b>	<b>9741</b>	<b>10032</b>	<b>10814</b>	<b>12755</b>	<b>2653</b>	<b>2673</b>	<b>2814</b>	<b>3152</b>	<b>3137</b>	<b>3055</b>	<b>3411</b>	<b>3708</b>	<b>3760</b>	<b>3429</b>
<b>TOTAL EXPORTS FOB</b>	<b>18589</b>	<b>18718</b>	<b>19089</b>	<b>20660</b>	<b>4433</b>	<b>4822</b>	<b>5219</b>	<b>5196</b>	<b>5237</b>	<b>4937</b>	<b>5290</b>	<b>5554</b>	<b>5877</b>	<b>5947</b>
<b>IMPORTS FOB -</b>														
FOOD, BEVERAGES AND TOBACCO	791	818	902	1017	216	249	217	253	255	251	258	283	291	326
FUELS	2091	2715	2987	3087	730	806	808	807	952	746	582	501	489	610
BASIC MATERIALS	777	821	846	728	202	200	208	206	152	153	217	224	209	214
CHEMICALS (INCLUDING PLASTICS)	1552	1563	1813	1769	431	468	469	468	421	400	480	514	496	581
TEXTILES, FABRICS, ETC	950	978	1094	1009	262	285	277	275	264	215	255	311	316	328
METALS AND METAL MANUFACTURES	864	1052	1357	1193	274	336	434	390	300	252	251	262	246	298
MACHINERY AND TRANSPORT EQUIPMENT	5570	7559	9017	8500	2114	2307	2408	2282	2039	1976	2203	2300	2215	2192
OTHER	3234	3663	4364	4307	1063	1119	1085	1140	1119	998	1050	1320	1258	1395
<b>TOTAL IMPORTS FOB</b>	<b>15829</b>	<b>19169</b>	<b>22379</b>	<b>21610</b>	<b>5291</b>	<b>5768</b>	<b>5906</b>	<b>5821</b>	<b>5502</b>	<b>4991</b>	<b>5296</b>	<b>5715</b>	<b>5520</b>	<b>5944</b>

(1) UNTIL JULY 1981 EXCLUDES DIVISION 34

(2) UNTIL JULY 1981 INCLUDES DIVISION 34

TABLE 6 BALANCE OF PAYMENTS - EXPORTS FOB AND IMPORTS FOB - SEASONALLY ADJUSTED  
\$ MILLION

	QUARTERS ENDED-									
	1981-82			1982-83			1983-84			
	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.	JUNE	SEPT	DEC.	MAR.
EXPORTS FOB -										
RURAL EXPORTS FOB -										
MEAT AND MEAT PREPARATIONS	304	339	400	435	445	408	388	399	389	311
CEREALS AND CEREAL PREPARATIONS	423	670	811	646	570	424	265	369	509	914
SUGAR, SUGAR PREPS. AND HONEY	203	148	138	146	131	98	231	130	192	106
WOOL AND SHEEPSKINS	438	491	488	445	470	444	431	500	525	487
OTHER RURAL	414	444	462	473	508	497	507	518	514	600
TOTAL RURAL	1782	2092	2299	2145	2124	1871	1822	1916	2129	2418
NON-RURAL EXPORTS FOB -										
METAL ORES AND MINERALS	763	984	874	1014	987	905	944	1086	1111	949
MINERAL FUELS-										
COAL, COKE AND BRIQUETTES	580	516	610	726	676	887	795	832	824	1012
OTHER (1)	207	237	215	253	292	254	258	349	313	315
METALS AND METAL MANUFACTURES	405	418	383	446	444	483	541	543	532	524
MACHINERY AND TRANSPORT EQUIPMENT	258	284	282	294	269	257	328	326	377	319
OTHER NON-RURAL (2)	377	374	394	393	396	439	478	533	520	504
TOTAL NON-RURAL	2590	2813	2758	3126	3064	3225	3344	3669	3677	3623
TOTAL EXPORTS FOB	4372	4905	5057	5271	5188	5096	5166	5585	5806	6041
IMPORTS FOB -										
FOOD, BEVERAGES AND TOBACCO	212	251	225	247	250	254	267	276	286	330
FUELS	738	763	824	836	948	712	590	524	482	585
BASIC MATERIALS	215	215	206	183	162	165	215	199	224	230
CHEMICALS (INCLUDING PLASTICS)	438	478	460	457	431	409	471	500	511	594
TEXTILES, FABRICS, ETC	256	292	284	266	259	221	262	301	310	337
METALS AND METAL MANUFACTURES	280	351	430	366	310	264	248	245	255	313
MACHINERY AND TRANSPORT EQUIPMENT	2114	2307	2408	2282	2039	1976	2203	2300	2215	2192
OTHER	1060	1132	1142	1073	1121	1011	1105	1238	1262	1415
TOTAL IMPORTS FOB	5313	5789	5979	5710	5520	5012	5361	5583	5545	5996

(1) UNTIL JULY 1981 EXCLUDES DIVISION 34

(2) UNTIL JULY 1981 INCLUDES DIVISION 34

TABLE 7 OVERSEAS 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		
1979-80	18871	-396	114	18589	16218	-175	-4	-210	15829	
1980-81	19177	-488	30	18718	18965	-70	422	-147	19169	
1981-82	19581	-434	-58	19089	23005	-582	42	-86	22379	
1982-83	22064	-1265	-139	20660	21806	-487	307	-16	21610	
1981-82	DECEMBER	4478	-73	28	4433	5446	-107	-14	-34	5291
	MARCH	4959	-110	-27	4822	5841	-63	-5	-5	5768
	JUNE	5456	-170	-67	5219	6151	-317	77	-5	5906
1982-83	SEPTEMBER	5538	-326	-16	5196	6005	-161	-20	-3	5821
	DECEMBER	5705	-422	-46	5237	5767	-232	-28	-5	5502
	MARCH	5304	-316	-51	4937	4843	-51	202	-3	4991
	JUNE	5517	-201	-26	5290	5191	-43	153	-5	5296
1983-84	SEPTEMBER	5868	-292	-22	5554	5876	-54	-117	10	5715
	DECEMBER	6096	-233	14	5877	5627	-69	-47	9	5520
	MARCH	6252	-344	39	5947	6099	-150	-17	12	5944

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TABLE 8 FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA  
\$ MILLION

YEARS/ QUARTERS	DIRECT INVESTMENT					PORTFOLIO INVESTMENT AND INSTITUTIONAL LOANS					
	UNDISTRI- BUTED INCOME	OTHER DIRECT INVESTMENT			TOTAL	CORPORATE EQUITIES	BORROWINGS			TOTAL	TOTAL
		CORPORATE EQUITIES	BORROWINGS	OTHER			PUBLIC NON- MONETARY ENTERPRISES	OTHER			
1979-80	1021	34	211	307	1572	698	509	244	1451	3023	
1980-81	828	530	566	460	2384	1289	402	1908	3599	5983	
1981-82	271	-138	1118	959	2210	677	1164	5420	7261	9471	
1982-83	-525	386	402	602	865	805	1593	5030	7428	8295	
1981-82	DECEMBER	68	-319	30	193	-28	147	160	1333	1640	1612
	MARCH	68	96	231	236	631	229	198	1247	1674	2305
	JUNE	68	3	738	357	1166	236	596	2470	3302	4468
1982-83	SEPTEMBER	-131	48	-162	258	13	210	714	786	1710	1724
	DECEMBER	-131	206	112	3	190	64	486	1874	2424	2614
	MARCH	-131	122	326	-96	221	214	331	1339	1884	2105
	JUNE	-132	10	126	437	441	317	62	1031	1410	1852
1983-84	SEPTEMBER	80	66	-1	647	792	195	127	181	503	1295
	DECEMBER	80	81	1137	282	1580	33	485	1097	1615	3195
	MARCH	80	24	-18	52	138	137	1308	39	1484	1622

TABLE 9 OFFICIAL RESERVE ASSETS AND EXCHANGE RATES

YEARS/ QUARTERS	OFFICIAL RESERVE ASSETS \$ MILLION				EXCHANGE RATES (END OF YEAR/QUARTER) UNITS OF FOREIGN CURRENCY PER \$A				TRADE- WEIGHTED INDEX (END OF YEAR/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.GERMAN MARK	JAPAN YEN		
			CHANGES IN LEVELS	LEVELS AT END OF YEAR/ QUARTER						
1979-80	-349	2145	1796	5681	1.1576	0.4917	2.033	251.31	85.0	
1980-81	1101	-1072	29	5709	1.1480	0.5895	2.747	259.51	92.9	
1981-82	1364	-556	808	6517	1.0223	0.5870	2.506	260.18	88.2	
1982-83	2460	1771	4231	10748	0.8745	0.5730	2.227	209.38	77.7	
1981-82	DECEMBER	24	-160	-135	4360	1.1279	0.5905	2.539	247.69	90.5
	MARCH	56	-350	-295	4065	1.0503	0.5895	2.536	259.24	88.8
	JUNE	2406	46	2452	6517	1.0223	0.5870	2.506	260.18	88.2
1982-83	SEPTEMBER	406	1473	1880	8396	0.9493	0.5595	2.402	255.58	83.8
	DECEMBER	1876	-178	1698	10094	0.9806	0.6050	2.335	229.51	83.4
	MARCH	-482	753	270	10365	0.8629	0.5867	2.094	206.99	76.1
	JUNE	660	-277	383	10748	0.8745	0.5730	2.227	209.38	77.7
1983-84	SEPTEMBER	241	-317	-76	10672	0.8965	0.6001	2.365	212.43	80.4
	DECEMBER	2924	-246	2679	13350	0.9020	0.6205	2.451	209.22	81.1
	MARCH	-752	-357	-1110	12241	0.9350	0.6461	2.426	210.22	82.9

## APPENDIX

**THE INTERPRETATION OF BALANCE OF PAYMENTS STATISTICS  
UNDER THE CHANGED EXCHANGE RATE ARRANGEMENTS**

**INTRODUCTION**

1 Effective from 12 December 1983, the Government floated the Australian dollar and abolished a major part of the existing exchange controls. These changes have a number of implications for the compilation and interpretation of Australian balance of payments statistics.

2 The following notes explain matters to be borne in mind in interpreting balance of payments statistics under the changed exchange rate arrangements. As background, they outline relevant aspects of the changed arrangements and then discuss the interpretation of trends in the principal balance of payments aggregates in the light of the changes.

3 This explanation has been prepared with the requirements of the general user in mind. A short technical memorandum has been added for users with a more detailed interest.

**EXCHANGE RATE ARRANGEMENTS**

4 Broadly, as from 12 December 1983 exchange rates are determined on the basis of demand and supply conditions in the foreign exchange market, rather than directly by the central authorities. Banks are free to deal with their customers at negotiated rates and are no longer required (or able) to clear their net foreign currency positions with the Reserve Bank at the end of each day. To allow operating flexibility, banks may hold foreign currency balances or incur foreign currency liabilities within limits established for each bank.

5 While the Reserve Bank has announced that it will not generally be intervening in the foreign exchange market, it retains discretion to do so, for example to test market trends or, if appropriate, to smooth large transactions. Also, in the normal course the Bank envisages making market purchases and sales of foreign exchange arising from transactions with its clients, including the Commonwealth Government.

**INTERPRETATION OF TRENDS IN THE PRINCIPAL BALANCE OF PAYMENTS AGGREGATES**

6 The Australian balance of payments is a statistical statement designed to provide a systematic record of Australia's economic transactions with the rest of the world. While it cannot be represented by a single series, it does contain a number of aggregates or balances which summarise various categories of transactions and provide various measures of balance of payments "performance".<sup>2</sup>

**Overall Balance**

7 In principle, striking an overall balance means segregating those transactions which can be characterised as "compensatory" or "accommodating" from all other transactions (current and capital) which are regarded as "autonomous". Broadly, "autonomous" transactions are those customarily effected for commercial or similar reasons by the public or private sectors whereas "compensatory" or "accommodating" transactions are regarded as "financing" the autonomous transactions. (For example, the import of a good or the purchase of shares from non-residents are regarded as autonomous transactions; if either transaction were directly or indirectly "financed" by a run-down in holdings of foreign exchange, this run-down would be regarded as an accommodating transaction.)

8 Prior to 12 December 1983, "net official monetary movements" was described as the measure of "overall balance" and was the main focus of those seeking an overall indicator of balance of payments "performance". When the balance of all transactions other than official monetary movements was a net credit, the accounts were described as being in overall surplus and when it was a net debit, the accounts were described as being in overall deficit. As from 12 December 1983, this situation changed. Although "net official monetary movements" continues to be shown and the conceptual basis on which it is compiled remains unchanged, the composition of transactions covered by it has changed significantly.

1 Reserve Bank of Australia Bulletin, January 1984, p. 473

2 ABS Balance of Payments, Australia, Concepts, Sources and Methods (5331.0) paragraphs 43-55, 89-97.

Consequently, "net official monetary movements" no longer serves as a comprehensive measure of the overall surplus or deficit in the balance of payments.

#### **Net Official Monetary Movements**

9 "Net official monetary movements" comprises changes in official reserve assets (the main component) and in related foreign assets and liabilities of the official monetary sector arising from international transactions. It provides a measure of the extent to which official monetary sector transactions finance all other balance of payments transactions.

10 Because the trading banks were required, prior to late 1983,<sup>3</sup> to clear their foreign currency positions with the Reserve Bank at the end of each day at the exchange rate announced by the Bank, any excess of foreign currency receipts over payments arising from autonomous international transactions automatically led to an increase in Australia's holdings of official reserve assets. Conversely, any excess of foreign currency payments over receipts automatically led to a decrease in Australia's official reserve assets. In any period, a substantial surplus or deficit on autonomous international transactions could be reflected in "net official monetary movements".

11 However, from 12 December 1983 the surpluses or deficits on autonomous international transactions will, for the most part, not be reflected in increases or decreases in official reserve assets or in "net official monetary movements". In other words, "net official monetary movements" can no longer be regarded as broadly covering all the compensatory or accommodating transactions recorded in the balance of payments. While the trading bank sector is broadly required to balance foreign currency receipts and payments through the medium of the exchange rate, some imbalances may be absorbed through changes in the trading banks' foreign currency assets or liabilities, within the established limits.

12 Under the changed arrangements, foreign exchange transactions of the Reserve Bank with the domestic banks will only occur at the discretion of the official sector. Such transactions will result in

3 Prior to 31 October 1983, banks were permitted to hold small working balances in foreign currencies. When the Reserve Bank withdrew from the forward market from 31 October, banks were given increased scope to retain foreign currency balances and liabilities. The 12 December change meant that the trading banks were no longer able to clear their positions at the end of the day with the Reserve Bank.

changes in holdings of official reserve assets and will therefore be recorded in "net official monetary movements". For example, the sale by the Reserve Bank to the domestic banks of proceeds, received in an earlier period, from a government foreign borrowing will lead to a change in "net official monetary movements". The item will continue to reflect any Reserve Bank foreign exchange receipts from and payments to non-residents (eg the acquisition of earnings on official reserve assets and the funding of government payments abroad out of official reserve assets).

13 Information about official monetary sector transactions remains relevant, if not necessarily central, to balance of payments analysis. However, the change in the composition of transactions covered by "net official monetary movements" should be borne in mind in comparing estimates for December 1983 and subsequent periods with estimates for earlier periods. Furthermore, movements in exchange rates now provide more immediate indicators of balance of payments pressures than previously.

#### **Balance On Current Account**

14 The "balance on current account" comprises the net sum of credit and debit entries for foreign transactions in goods, services, income and unrequited transfers. The composition of current account items is generally unaffected by the changed foreign exchange arrangements and this aggregate can be interpreted as before.

#### **Net Apparent Capital Inflow**

15 "Net apparent capital inflow" comprises the net sum of credit and debit entries for the capital account, except for the official monetary sector. It includes the balancing item. It is, in practice, derived by subtracting the "balance on current account" from "net official monetary movements".

16 Because of the diverse nature of the foreign capital transactions (both inflows and outflows) included in this aggregate, as well as its inclusion of the balancing item, its interpretation has never been straightforward. It is important to examine its "government" and "private" components and to continue the examination process to the detail of these items. Because of constraints imposed by data availability and timeliness, only limited information is provided in the monthly balance of payments bulletin, but considerable detail is provided in quarterly and annual balance of payments and foreign investment publications.



17 The expanded scope of the non-official sector to hold foreign currency balances under the new exchange rate arrangements is reflected in "net apparent capital inflow". In particular, all changes in foreign currency assets and liabilities of the trading banks arising from transactions (ie excluding valuation changes) are recorded in this aggregate. Their financing of foreign exchange imbalances (see paragraph 11 above) is included as an integral part of the item "non-official monetary sector transactions". This change in the composition of "net apparent capital inflow" should be borne in mind in comparing estimates for December 1983 and subsequent periods with estimates for earlier periods.

18 To the extent that trading banks allow their foreign exchange holdings to vary (within the limits established by the Reserve Bank) in response to market imbalances, "net apparent capital inflow" can no longer be said to comprise solely "autonomous" foreign capital transactions. However, while the item "non-official monetary sector transactions" is likely to be of increased significance in interpreting "net apparent capital inflow", any interpretation is complicated by the fact that not all variation in

trading banks' foreign exchange holdings will necessarily be "accommodating" in nature. While separate estimates of this item are currently not available in time for the monthly balance of payments bulletin, they are provided with a one quarter lag in the quarterly bulletin and further detail is available on request and in annual bulletins. Work on the development of statistics on non-official monetary sector transactions for inclusion in the monthly bulletin is underway in conjunction with the Reserve Bank.

#### Concluding Comment

19 Any comprehensive analysis of the balance of payments should consider separately aggregates such as the balance of trade, net invisibles, the balance on current account, the government and private components of net apparent capital inflow and official monetary sector transactions. Under the new arrangements, statistics on exchange rates become particularly important in analysing balance of payments performance and, depending on the analysis, other economic statistics (such as money and banking statistics and the national accounts) may need to be appraised.

### TECHNICAL MEMORANDUM - CONCEPTS OF ANALYTIC PRESENTATION AND BALANCE IN A FLOATING EXCHANGE RATE ENVIRONMENT

A1 This memorandum outlines the balance of payments concepts of "analytic presentation" and "balance", and discusses their meaning in an environment of floating exchange rates. It also briefly examines views and practices regarding measures of overall balance in selected overseas countries with floating exchange rates.

#### Concepts of Analytic Presentation and Balance

A2 The internationally-accepted conventions of the double-entry accounting system are used for recording balance of payments transactions. Transactions in a double entry system are recorded in pairs of equal credit and debit entries. For example, an export transaction for which payment is received through the banking system involves a credit entry for the export and a debit entry for the increase in foreign exchange assets. Similarly the repayment of a foreign loan through the banking system involves a debit entry for

the reduction in foreign liabilities and a credit entry for the decrease in foreign exchange assets.

A3 In a complete balance of payments statement, the net sum of all debit and credit entries (including the entry for net errors and omissions) is necessarily zero because of the double-entry system. However, in an "analytic presentation" of the balance of payments, certain items are grouped together according to what attributes are considered relevant for examining a country's international economic relationships. It is possible that credit entries will exceed debit entries or that debit entries will exceed credit entries for a selected set of components and this situation is referred to as a "surplus" or "deficit" respectively. It is also common to speak of the net sum of debit and credit entries for a selection of components as a "balance" of those items, eg "balance on current account", "net official monetary movements" balance.

4 Further details of the concepts underlying Australian balance of payments presentation are provided in the ABS publication Balance of Payments, Australia: Concepts, Sources and Methods (5331.0)

A4 "Net official monetary movements" in the Australian balance of payments corresponds to what is described by the International Monetary Fund and in some other countries as the "official reserve transactions" or "official settlements" balance (in

consequence of the fact that it is most easily measured as the net sum, with the sign reversed, of the official reserve assets component and the relatively few other balance of payments components closely related to that component). The rationale for this concept is to provide a measure of the residual imbalance that is financed through the use and acquisition of official reserve assets and other foreign financial assets and liabilities that are seen as a substitute for them.<sup>5</sup>

A5 In many countries, an important reason for the use of official reserve assets by the central authorities has been to determine an exchange rate for their currency different from that which would otherwise result from market forces. Therefore the official settlements balance is perhaps most meaningful for a country maintaining a fixed exchange rate and least relevant for one that has allowed the exchange rate to float freely. Consequently, in the appraisal of such a balance, account needs to be taken of any changes that have occurred in the exchange rate for the national currency.<sup>6</sup>

A6 Despite the general resort to flexible exchange rates in the 1970's, there are few countries which have allowed currency relationships to fluctuate in a manner approaching free floating. For this reason, information about the transactions of the central authorities remains of interest in balance of payments analysis in most countries.

### Foreign Countries' Presentations

A7 The general trend in major overseas countries with floating exchange rates has been to regard measures such as the official settlements balance as no longer being appropriate measures of the overall balance of payments outcome.

A8 For example, in the United States in 1976 a committee advising on the presentation of balance of payments statistics concluded that "a meaningful picture of US international transactions can be obtained only from an analysis of information on several if not all of the categories of transactions, rather than by concentration on one or even several overall balances". Also the United Kingdom authorities stated in 1981 that their "balance on official settlements" had become "increasingly irrelevant in present circumstances"<sup>8</sup>. Neither country now publishes any overall balance series.

A9 Canada continues to publish a "net official monetary movements" balance but this balance is neither highlighted nor described as the overall balance. Japan continues to strike a "balance of monetary movements" whereby both official reserves and the foreign exchange position of the commercial banks are shown in a separate category from all other transactions.

5 International Monetary Fund, Balance of Payments Manual (fourth edition, 1977) paragraph 152.

6 Ibid, paragraph 153

7 United States, Advisory Committee on the Presentation of Balance of Payments Statistics, Report to the Office of Management and Budget, Survey of Current Business, Vol 56, No 6, June 1976.

8 United Kingdom Central Statistical Office, United Kingdom Balance of Payments, 1981 Edition, page 1.