



BALANCE OF PAYMENTS : SEPTEMBER QUARTER 1977

INQUIRIES

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MAIN FEATURES

- An overall deficit, as measured by net official monetary movements, of \$733 million.
- Record exports and imports of \$3,044 million and \$2,822 million respectively.
- A trade surplus of \$223 million.
- A deficit of \$827 million on invisible transactions.
- A current account deficit of \$605 million.
- A net apparent capital outflow of \$128 million notwithstanding the large net inflow of \$411 million on government capital transactions.

NOTE

This issue of the bulletin shows for the first time estimates of net inflows of other direct investment and portfolio investment and institutional loans for the latest quarter. Hitherto estimates of these items for the most recent quarter have not been available in time for inclusion in the bulletin.

Estimates of trade credit transactions previously not identified in the balance of payments are also published in this bulletin for the first time. However, results of the trade credit survey are not available for the latest quarter. For this period, only an estimate of the marketing authorities' component of trade credit is shown. The capital account item trade credit n.e.i. covers, in the main, short-term (i.e. less than 6 months) leads and lags in payments between Australian importers and exporters (including marketing authorities) and unrelated companies overseas. As the notation n.e.i. (not elsewhere included) implies, it is not a comprehensive measure of trade credit, as some trade credit is also contained in several other capital account items, notably other government capital movements, other direct investment, portfolio investment and institutional loans, and non-official monetary sector transactions.

TRENDS IN MAJOR AGGREGATES

Current account

- The *current account* deficit of \$605 million for the September quarter compared with a deficit of \$290 million in the September quarter 1976
- *Seasonally adjusted, the current account* deficit was \$468 million, \$233 million less than the deficit for the June quarter.
- The *balance of trade* surplus of \$223 million for the September quarter was \$238 million lower than September quarter 1976.
- *Seasonally adjusted, the trade surplus* was \$372 million, a rise of \$284 million on the surplus for the June quarter.

· *Exports* (on a balance of payments basis) were a record \$3044 million in the September quarter, 4 per cent up on the previous quarter and 7 per cent higher than exports in the September quarter 1976. Full export commodity details for the September quarter are not yet available, but a comparison of the first two months of the quarter with the corresponding months of 1976 shows increases in the value of exports of meat, coal, chemicals and manufactures of iron and steel and non-ferrous metals, and decreases in the value of exports of wool, cereals and sugar.

· *Seasonally adjusted exports* at \$3,054 million, were 4 per cent up on the June quarter.

· *Imports* (on a balance of payments basis) were a record \$2,822 million, 3 per cent higher than the previous quarter and 18 per cent above the September quarter 1976. All major categories of imports showed some rise in value compared with the September quarter 1976, the most significant increases being in the value of imports of machinery and transport equipment (up \$140 million, 16 per cent), food and live animals (up \$74 million, 81 per cent) miscellaneous manufactures (up \$69 million, 21 per

cent) and manufactured goods classified by materials (up \$51 million, 11 per cent).

- Seasonally adjusted imports at \$2,682 million, were 6 per cent down on the June quarter.
- The \$827 million deficit on *net invisibles* was \$76 million higher than in the September quarter 1976.
- The *seasonally adjusted net invisibles* deficit of \$840 million was \$52 million up on the June quarter.

Capital account

- The *net apparent capital outflow* of \$128 million in the September quarter was the first net apparent outflow since the December quarter 1975.
- There was a large net inflow of \$411 million on *government capital transactions* during the quarter, due mainly to the receipt of proceeds from a US dollar Eurobond issue and two Deutsche Mark loans raised overseas during September.
- Interim estimates of *overseas investment in Australian companies* indicate a net inflow of \$152 million in the September quarter 1977, well down on the net inflow in the three previous quarters but higher than the September quarter 1976. The net total comprised \$187 million undistributed income (reinvested earnings), a net outflow of \$61 million other direct investment, and a net inflow of \$26 million of portfolio investment and institutional loans.

Complete information on *trade credit n.e.i.* transactions is not yet available for the September quarter. However, for marketing authorities there was a large net outflow of \$126 million, reflecting a net increase in amounts owing on exports.

- The negative *balancing item* of \$565 million (which includes all errors and omissions) indicates that a substantial amount of capital outflow during the September quarter remains to be identified.

Overall result

- The deficit of \$733 million as measured by *net official monetary movements* compares with a deficit of \$350 million in the previous quarter, and \$268 million in September quarter 1976.
- Official reserve assets* were reduced by \$584 million during the September 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 increase of \$149 million in liabilities to non-residents, including the Bank of International Settlements.

Level of reserves

- At 30 September 1977 Australia's *official reserve assets*, valued at market rates of exchange and with gold holdings at market related value, stood at \$2,820 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 30 June	+242	+31	+273	3,493	1.3258	0.5968	3.120	393.43	1.0232
30 September	-271	+96	-175	3,318	1.2560	0.6160	3.351	380.69	1.2008
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

EXPLANATORY NOTES

Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the September quarter 1977, 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. Previously Ref. No. 8.1).

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 on page 4 sets out the values for these adjustments. Reference should be made to the annual bulletin *Balance of Payments* (Catalogue No. 5303.0. Previously Ref. No. 8.1) 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.

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 June 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 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.

Presentation

16. 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.

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

Related publications

18. Other A.B.S. publications which may be of interest include :

Balance of Payments, monthly bulletin (Catalogue No. 5301.0. Previously Ref. No. 8.30)

Balance of Payments, annual bulletin (Catalogue No. 5303.0. Previously Ref. No. 8.1)

Imports by Commodity Divisions (Preliminary), monthly (Catalogue No. 5405.0. Previously Ref. No. 8.13)

Exports by Commodity Divisions (Preliminary), monthly (Catalogue No. 5402.0. Previously Ref. No. 8.18)

Overseas Investment 1975-76 (Catalogue No. 5305.0. Previously Ref. No. 5.20)

Foreign Investment in Enterprises in Australia, quarterly (Catalogue No. 5306.0. Previously Ref. No. 5.61)

19. All publications produced by A.B.S. are listed in *Catalogue of Publications 1977* (Catalogue No. 1101.0. Previously Ref. No. 1.8) which is available free of charge from any A.B.S. office.

R. J. CAMERON
Australian Statistician

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			
		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	-9	-344	7,652
1975-76	9,642	-252	20	9,410	8,240	-26	-2	-288	7,924
1976-77	11,648	-127	-117	11,403	10,412	95	-7	-152	10,348
1974-75 June	2,393	-47	-47	2,299	1,843	-54	-4	-74	1,711
1975-76 September	2,339	-118	-64	2,157	1,960	-25	-4	-73	1,858
December	2,287	-54	60	2,293	1,979	-5	-1	-67	1,905
March	2,331	-48	41	2,324	2,121	-18	4	-70	2,037
June	2,685	-32	-17	2,636	2,181	22	-1	-78	2,124
1976-77 September	2,985	-55	-71	2,858	2,415	21	-2	-37	2,398
December	2,778	-23	50	2,804	2,417	24	-1	-32	2,408
March	2,855	-32	-24	2,799	2,777	51	10	-44	2,794
June	3,030	-22	-69	2,939	2,801	-5	-12	-38	2,746
1977-78 September	3,060	-35	19	3,044	2,829	38	n.a.	-45	2,822

BALANCE OF PAYMENTS : SEPTEMBER QUARTER 1977

TABLES

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

	Quarters Ended -																	
	Year				1974-75					1975-76				1976-77				1977-78
	1973-74	1974-75	1975-76	1976-77	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.				
Visible trade -																		
Exports f.o.b.	6,688	8,490	9,410	11,400	2,299	2,157	2,293	2,324	2,636	2,858	2,804	2,799	2,939	3,044				
Imports f.o.b.	-5,754	-7,652	-7,924	-10,346	-1,711	-1,858	-1,905	-2,037	-2,124	-2,398	-2,408	-2,794	-2,746	-2,822				
<i>Balance of trade</i>	934	838	1,486	1,054	588	299	388	287	512	461	396	5	192	223				
Invisible credits -																		
Gold production	30	56	23	..	14	11	12	..	..	..	..	..	..	..
Transportation	680	947	1,024	1,244	226	246	256	254	268	287	307	314	337	331				
Travel	159	206	229	274	41	50	71	62	46	56	84	77	58	73				
Government	67	75	77	88	18	19	19	21	18	20	21	23	24	23				
Miscellaneous	130	153	126	93	30	33	37	25	31	21	29	24	20	22				
Property income	514	415	336	355	106	96	87	74	80	82	90	90	94	82				
Transfers	275	429	359	280	131	105	99	71	84	62	75	70	73	70				
<i>Total invisible credits</i>	1,855	2,280	2,173	2,334	565	560	580	507	526	527	604	597	607	602				
Invisible debits -																		
Transportation -																		
Freight on imports	-637	-803	-839	-1,110	-182	-202	-199	-219	-220	-255	-267	-291	-297	-304				
Other transportation	-538	-662	-735	-873	-162	-172	-169	-187	-207	-212	-205	-216	-241	-225				
Travel	-341	-428	-509	-508	-140	-125	-113	-107	-164	-134	-109	-102	-163	-134				
Government	-109	-140	-167	-177	-51	-35	-40	-37	-55	-33	-38	-47	-59	-43				
Miscellaneous	-271	-302	-260	-243	-73	-62	-68	-81	-50	-69	-52	-61	-61	-65				
Property income -																		
Investment income -																		
Undistributed	-425	-236	-616	-615	-44	-154	-154	-154	-154	-153	-154	-154	-154	-187				
Other	-665	-782	-854	-967	-260	-183	-231	-196	-245	-234	-258	-208	-268	-239				
Royalties and copyrights	-66	-75	-75	-57	-21	-22	-15	-21	-17	-13	-14	-13	-16	-14				
Transfers -																		
Government	-297	-361	-388	-414	-97	-94	-140	-66	-88	-98	-93	-107	-116	-143				
Private	-261	-266	-313	-289	-75	-79	-85	-69	-80	-77	-71	-65	-76	-75				
<i>Total invisible debits</i>	-3,609	-4,054	-4,757	-5,254	-1,104	-1,127	-1,213	-1,136	-1,280	-1,278	-1,262	-1,263	-1,451	-1,429				
<i>Net invisibles</i>	-1,754	-1,774	-2,583	-2,920	-539	-567	-633	-629	-754	-751	-658	-667	-844	-827				
<i>Balance on current account</i>	-820	-936	-1,098	-1,866	49	-268	-246	-341	-242	-290	-262	-662	-652	-605				

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

	Quarters Ended –																
	Year				1974-75				1975-76				1976-77				1977-78
	1973-74	1974-75	1975-76	1976-77	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.			
Capital inflow (net) –																	
Government capital movements –																	
Government securities	-84	21	46	347	52	-41	-62	-14	163	226	137	-7	-8	482			
Other government capital movements	62	-55	-184	-231	-34	-50	-39	-31	-64	-70	-15	-28	-118	-71			
<i>Total government capital movements</i>	<i>-22</i>	<i>-34</i>	<i>-138</i>	<i>116</i>	<i>18</i>	<i>-91</i>	<i>-101</i>	<i>-44</i>	<i>99</i>	<i>156</i>	<i>122</i>	<i>-35</i>	<i>-126</i>	<i>411</i>			
Private capital movements –																	
Overseas investment in Australian companies –																	
Undistributed income	425	236	616	615	44	154	154	154	154	153	154	154	154	187			
Other direct investment	174	400	-57	400	90	6	-202	56	83	-46	127	172	146	-61			
Portfolio investment and Institutional loans	-134	246	185	426	243	74	63	2	46	-75	189	198	115	26			
<i>Total companies</i>	<i>464</i>	<i>882</i>	<i>744</i>	<i>1,441</i>	<i>376</i>	<i>233</i>	<i>15</i>	<i>212</i>	<i>283</i>	<i>32</i>	<i>470</i>	<i>524</i>	<i>415</i>	<i>152</i>			
Australian investment overseas	-235	-130	-161	-160	-51	-7	-57	-36	-61	-34	-39	-42	-45	(a)			
Trade credit n.e.i.																	
Marketing authorities	-111	-60	114	100	41	38	17	50	10	52	19	37	-8	-126			
Other	55	-10	-8	153	-46	-34	39	34	-47	-9	80	43	40	(a)			
<i>Total private capital movements</i>	<i>174</i>	<i>682</i>	<i>690</i>	<i>1,535</i>	<i>320</i>	<i>230</i>	<i>14</i>	<i>260</i>	<i>185</i>	<i>41</i>	<i>529</i>	<i>562</i>	<i>403</i>	<i>n.a.</i>			
Non-official monetary sector transactions	149	51	-25	22	44	-6	-125	45	61	-79	79	-10	31	(a)			
<i>Net identified capital inflow</i>	<i>301</i>	<i>699</i>	<i>527</i>	<i>1,672</i>	<i>382</i>	<i>134</i>	<i>-212</i>	<i>261</i>	<i>345</i>	<i>117</i>	<i>730</i>	<i>517</i>	<i>308</i>	<i>437</i>			
<i>Balancing item</i>	<i>85</i>	<i>-228</i>	<i>-450</i>	<i>-297</i>	<i>-203</i>	<i>-152</i>	<i>-265</i>	<i>65</i>	<i>-98</i>	<i>-95</i>	<i>-477</i>	<i>280</i>	<i>-6</i>	<i>-565(b)</i>			
Net apparent capital inflow	386	471	77	1,375	179	-18	-478	326	247	22	254	798	302	-128			
Official monetary movements –																	
Changes in official reserve assets	-384	-460	-1,053	-190	242	-271	-738	-37	-7	42	-7	127	-352	-584			
Allocation of SDR	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transactions	-50	-4	32	-301	-13	-16	14	22	12	-310	-1	9	2	-149			
<i>Net official monetary movements</i>	<i>-435</i>	<i>-464</i>	<i>-1,020</i>	<i>-491</i>	<i>228</i>	<i>-287</i>	<i>-723</i>	<i>-15</i>	<i>5</i>	<i>-268</i>	<i>-9</i>	<i>136</i>	<i>-350</i>	<i>-733</i>			

(a) Not yet available. Included in the balancing item. (b) Includes items footnoted (a). n.a. – not available.

TABLE 3. BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED
(\$ million)

	Quarters Ended -									
	1974-75		1975-76			1976-77			1977-78	
	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
Visible trade -										
Exports f.o.b.	2,301	2,173	2,231	2,373	2,638	2,872	2,735	2,862	2,941	3,054
Imports f.o.b.	-1,777	-1,768	-1,877	-2,099	-2,206	-2,279	-2,372	-2,881	-2,853	-2,682
Balance of trade	523	406	354	275	431	592	363	-19	88	372
Invisible credits -										
Gold production	13	11	9	..	..	..	..	..	..	..
Transportation	227	250	252	254	269	291	302	313	338	336
Travel	51	55	57	59	58	61	67	74	73	80
Government	19	18	19	22	18	19	21	24	24	22
Miscellaneous	30	34	33	26	32	21	27	25	21	23
Property income	109	92	84	76	82	79	88	92	97	80
Transfers	132	104	96	75	85	62	71	73	74	69
Total invisible credits	582	563	550	512	544	533	575	601	627	610
Invisible debits -										
Transportation -										
Freight on imports	-186	-197	-187	-235	-225	-248	-251	-313	-304	-295
Other transportation	-164	-177	-172	-179	-208	-217	-209	-206	-241	-231
Travel	-108	-123	-130	-131	-128	-130	-125	-125	-127	-130
Government	-45	-39	-40	-39	-48	-37	-38	-49	-52	-48
Miscellaneous	-75	-58	-71	-80	-52	-65	-54	-60	-64	-61
Property income -										
Investment income -										
Undistributed	-44	-154	-154	-154	-154	-153	-154	-154	-154	-187
Other	-260	-207	-205	-194	-244	-254	-238	-206	-270	-272
Royalties and copyrights	-22	-22	-17	-18	-18	-14	-16	-11	-17	-14
Transfers -										
Government	-89	-89	-126	-77	-86	-97	-84	-128	-114	-139
Private	-73	-79	-84	-73	-78	-77	-70	-70	-73	-74
Total invisible debits	-1,066	-1,144	-1,185	-1,179	-1,240	-1,291	-1,238	-1,322	-1,415	-1,451
Net invisibles	-484	-581	-635	-667	-696	-758	-663	-721	-788	-840
Balance on current account	39	-175	-280	-392	-265	-166	-300	-740	-701	-468

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

	Quarters Ended -									
	1974-75		1975-76			1976-77			1977-78	
	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
Exports f.o.b.	7.0	-5.5	2.7	6.4	11.1	8.9	-4.8	4.6	2.8	3.9
Invisible credits	-3.5	-3.2	-2.4	-6.9	6.3	-2.0	7.8	4.5	4.4	-2.7
Imports f.o.b.	-1.7	-0.6	6.2	11.8	5.1	3.3	4.1	21.4	-1.0	-6.0
Invisible debits	8.8	7.4	3.5	-0.5	5.2	4.1	-4.1	6.8	7.0	2.5