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FOREIGN INVESTMENT, AUSTRALIA, JUNE QUARTER 1987, PRELIMINARY

(Previously: Foreign Investment in Australia, Preliminary)

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Changes in this issue:

Commencing with this issue, the scope and content of this publication have been expanded to include preliminary quarterly details of Australian investment abroad and Australia's gross and net foreign debt. Also the methodology for measuring foreign portfolio investment in corporate equities has been changed. For more details of these changes see page 2. In view of the expanded scope of the publication it has been retitled Foreign Investment, Australia, Preliminary.

Tables showing capital transactions classified by country and industry for foreign investment in Australia will no longer be available in this publication. They will, however, continue to be provided in the quarterly foreign investment publication 5306.0.

Forthcoming changes to foreign investment publications:

Significant changes to both data content and presentation of foreign investment statistics will be introduced from the 1985-86 issue of the annual publication Foreign Investment, Australia (Catalogue number 5305.0), due for release in early September 1987. These changes will be carried through to the next issue of this quarterly publication, as well as to the June quarter 1987 issue of Foreign Investment, Australia (Catalogue number 5306.0) and the 1986-87 issue of Foreign Investment, Australia, Preliminary (Catalogue number 5304.0). For more details about these changes, see pages 2 and 3.

MAIN FEATURES

June quarter 1987 -

Preliminary estimates for the quarter show that foreign investment in Australia recorded a net inflow of $5,377 million, down $1,314 million on the March quarter, while Australian investment abroad recorded a net outflow of $4,608 million, up $3,503 million.

Preliminary estimates of Australia's foreign debt at the end of June 1987 show that gross debt (foreign borrowing) rose $996 million during the quarter to reach $109,964 million, but net debt actually fell $1,593 million to $82,925 million.

CHANGES IN THIS ISSUE

Changes in scope and content

The tables in previous issues of this publication were confined to statistics showing capital transactions in respect of foreign investment in Australia. From this issue the tables in this publication provide details of:

- capital transactions for both foreign investment in Australia and Australian investment abroad (Table 1)
- the level of Australia's foreign debt (Table 2).

Tables providing country and industry dissections of capital transactions for foreign investment in Australia have been discontinued. They will, however, continue to be released in the quarterly foreign investment publication 5306.0.

The new tables provide more timely statistics on foreign investment, particularly Australia's foreign debt, than previously. However, care should be exercised in the use of these statistics, particularly in relation to the latest quarter, as they are preliminary and subject to revision as more complete and accurate information becomes available.

Change in the methodology for measuring foreign portfolio investment in corporate equities

The annual Survey of Foreign Investment approaches companies and nominees in order to obtain details of shares (corporate equities) in Australian enterprises held by foreign residents. Information from this source is used to measure the levels and capital transactions associated with foreign portfolio investment in corporate equities. In order to obtain a quarterly dissection of these annual statistics, as well as to estimate this class of investment for more recent quarters until results of the annual survey are available, the quarterly Survey of Foreign Investment approaches share brokers for details of sales and purchases of shares by foreign residents.

However, the data collected from brokers in the quarterly Survey of Foreign Investment does not include "off-market" transactions, that is new issues and placements of shares not made through brokers. With the increasing foreign take up of shares via "off-market" transactions, estimates of this activity have been compiled from data available from other sources, notably the Survey of New Capital Raisings. This latter survey collects, among other things, new issues and placements of shares taken up by non-residents.

Commencing from this issue of this quarterly publication, the capital transactions series for foreign portfolio investment in corporate equities incorporates these estimates of "off-market" transactions for those periods for which annual Survey of Foreign Investment data are not yet available. Consequently the series now takes account of "off-market" transactions in more recent quarters as well as in past periods. As a result of introducing this change, figures for capital transactions in respect of foreign portfolio investment in corporate equities have been revised for the September quarter 1986, December quarter 1986 and March quarter 1987 by $115 million, $240 million and $100 million, respectively.

FORTHCOMING CHANGES TO FOREIGN INVESTMENT PUBLICATIONS

Significant changes to both the data content and presentation of foreign investment statistics will be introduced from the 1985-86 issue of the annual publication Foreign Investment, Australia (Catalogue number 5305.0), due for release in early September 1987. These changes will be carried through to the next issue of this quarterly publication (Catalogue number 5307.0), as well as to the June quarter 1987 issue of Foreign Investment, Australia (Catalogue number 5306.0) and the 1986-87 issue of Foreign Investment, Australia (Preliminary) (Catalogue number 5304.0). The main changes to the statistics will be:

- the valuation of all corporate equities on a market value basis. At present corporate equities are valued partly on the basis of paid-up values and partly on the basis of market values.

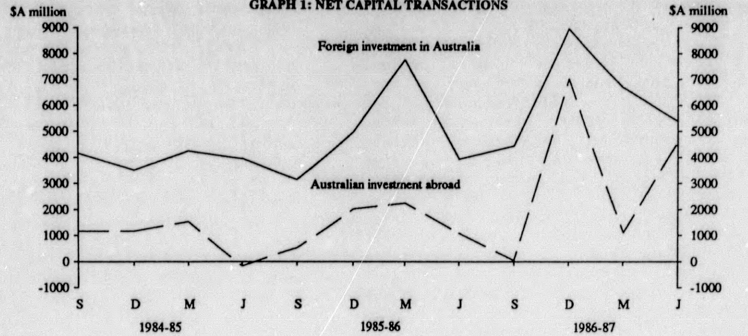
- a changed treatment of the foreign investment activity of banks resulting from the application of all standard foreign investment classifications to banks and improved data sources.

- a greater dissection by institutional sector, including the reclassification of some enterprises in the institutional sector classification. Within the general government sector, separate details will be provided for Commonwealth and State governments, while within the non-official sector, separate categories will be provided for banks, non-bank financial enterprises and trading enterprises. The new category for banks will cover savings and development banks as well as trading banks; it will replace the trading bank category in current foreign investment publications. State government central borrowing authorities will be reclassified to the general government sector; previously these were included in the trading and non-bank financial enterprises sector.

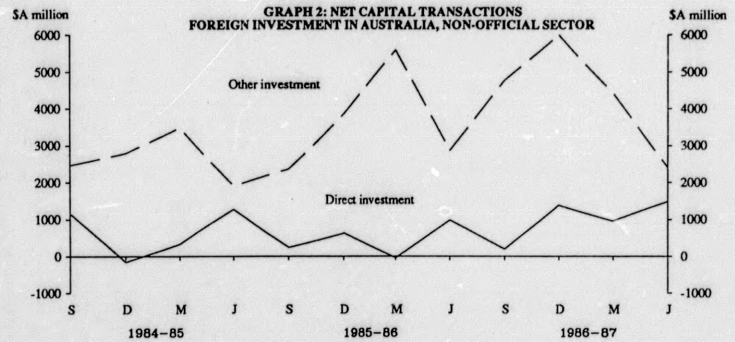
- the reclassification of deposits with Australian banks from borrowing domiciled abroad to borrowing domiciled in Australia and changes to other classifications of borrowing, such as drawings and repayments and maturity structure, to exclude borrowing domiciled in Australia.

For more details about these changes please contact Mark Dubner on (062) 52 5604.

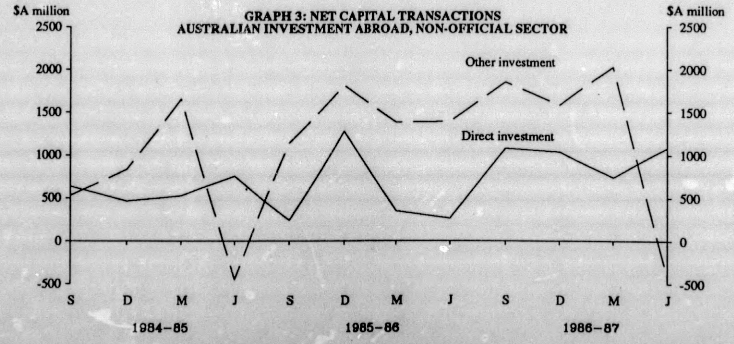
GRAPH 1: NET CAPITAL TRANSACTIONS



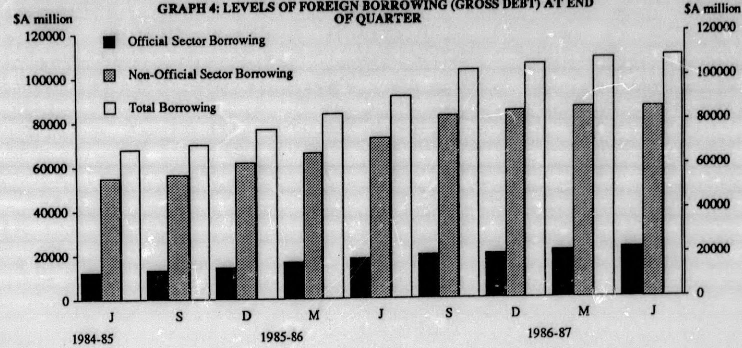
GRAPH 2: NET CAPITAL TRANSACTIONS
FOREIGN INVESTMENT IN AUSTRALIA, NON-OFFICIAL SECTOR



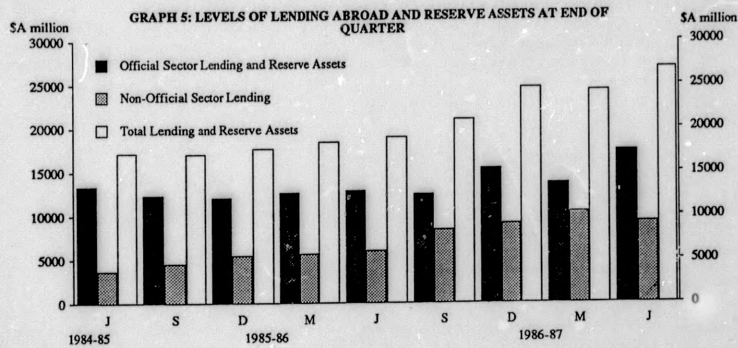
GRAPH 3: NET CAPITAL TRANSACTIONS
AUSTRALIAN INVESTMENT ABROAD, NON-OFFICIAL SECTOR



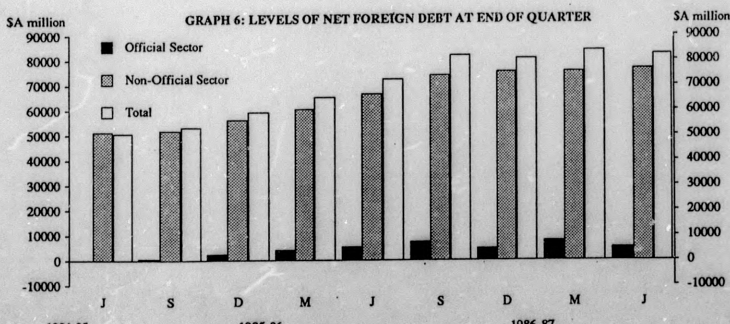
GRAPH 4: LEVELS OF FOREIGN BORROWING (GROSS DEBT) AT END OF QUARTER



GRAPH 5: LEVELS OF LENDING ABROAD AND RESERVE ASSETS AT END OF QUARTER



GRAPH 6: LEVELS OF NET FOREIGN DEBT AT END OF QUARTER



EXPLANATORY NOTES

Introduction

This publication presents preliminary statistics on foreign investment in Australia and Australian investment abroad for the June quarter 1987 and for the financial year 1986-87. It is consistent with the estimates that will be published in Balance of Payments, Australia, June Quarter 1987 (5302.0) on 31 August 1987. More comprehensive and detailed quarterly statistics for the periods covered in the tables will be published in Foreign Investment, Australia, June Quarter 1987 (5306.0) due for release in October 1987.

Scope, coverage and reliability

2. The statistics in this publication provide information about capital transactions which increase or decrease the level of foreign liabilities and foreign financial assets of Australian residents, and information about Australia's foreign debt.

3. The statistics are compiled from the latest information collected in quarterly surveys of foreign investment and from other sources. They are subject to revision as more complete and accurate information becomes available. Their coverage is not as complete as that of the quarterly statistics published in catalogue number 5306.0; and the coverage of those statistics, in turn, is not as complete as that of the annual statistics shown in the annual foreign investment publications, catalogue numbers 5304.0 (preliminary) and 5305.0 (final).

Classifications and definitions

4. The classifications and definitions used in these statistics are described in Foreign Investment, Australia, 1984-85 (5305.0).

Related publications

5. Statistics on foreign investment capital transactions and income are published in all balance of payments publications: the monthly, 5301.0; the quarterly, 5302.0; and the annual, 5303.0. Foreign investment statistics are presented consistently in both foreign investment and balance of payments publications.

6. Publications produced at present by the ABS are listed in the Catalogue of Publications, Australia (1101.0). Also, on Tuesdays and Fridays the ABS issues a Publications Advice (1105.0) which lists publications expected to be released in the next few days. Both publications are available free of charge from any ABS office.

Symbols and other usages

-	nil or rounded to zero
n.a.	not available
ABS	Australian Bureau of Statistics

7. A negative value denotes a net withdrawal of investment.

8. All figures have been rounded and discrepancies may occur, therefore, between the sum of components and the total.

Ian Castles
AUSTRALIAN STATISTICIAN

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TABLE 1. CAPITAL TRANSACTIONS
($A million)

	YEAR -			QUARTER ENDED -					
				1985-86		1986-87			
	1984-85	1985-86	1986-87	MARCH	JUNE	SEPTEMBER	DECEMBER	MARCH	JUNE
FOREIGN INVESTMENT IN AUSTRALIA									
OFFICIAL -									
General government -									
Borrowing	2,675	3,337	3,880	2,255	46	-493	1,526	1,338	1,509
Other	-46	30	-12	-12	31	-19	73	-28	-38
Total	2,629	3,367	3,868	2,243	77	-512	1,599	1,310	1,471
Reserve Bank	-10	-16	18	-20	16	-7	8	-	17
Total official	2,619	3,351	3,886	2,223	93	-519	1,607	1,310	1,488
NON-OFFICIAL -									
Direct investment -(a)									
Reinvestment of earnings	610	936	650	234	234	163	162	163	162
Corporate equities	353	1,934	1,784	428	632	249	1,086	81	368
Net equity in branches	68	-490	710	-699	98	-334	90	753	201
Borrowing(b)	1,148	-817	855	-1	-74	184	136	94	441
Other	432	255	12	-1	92	-68	-94	-132	306
Total	2,611	1,818	4,013	-39	982	194	1,381	960	1,478
Portfolio & other investment -(a)									
Corporate equities	464	307	2,800	138	117	406	598	670	1,126
Borrowing -(b)									
Public sector(c)	3,793	2,160	2,580	1,683	-215	242	919	1,001	418
Private sector(d)	6,172	12,244	12,317	3,755	3,105	3,849	4,562	3,036	870
Total	9,965	14,404	14,897	5,438	2,890	4,091	5,481	4,037	1,288
Accounts payable/prepayments received	233	-31	-97	16	-146	272	-80	-286	-3
Total	10,662	14,681	17,600	5,592	2,861	4,769	5,999	4,421	2,411
Total non-official	13,273	16,499	21,613	5,553	3,843	4,963	7,380	5,381	3,889
TOTAL	15,892	19,850	25,500	7,776	3,936	4,445	8,987	6,691	5,377
AUSTRALIAN INVESTMENT ABROAD									
OFFICIAL -									
Reserve assets	-1,520	-2,140	3,394	479	-741	-2,790	4,070	-1,566	3,680
Lending	2	11	-15	-4	17	-15	-2	4	-2
Other	268	181	431	52	161	-87	345	-98	271
Total official	-1,250	-1,948	3,810	527	-563	-2,892	4,413	-1,660	3,949
NON-OFFICIAL -									
Direct investment -(a)									
Reinvestment of earnings	315	614	720	154	154	180	180	180	180
Corporate equities	1,841	1,968	2,135	375	720	450	887	157	641
Net equity in branches	111	300	192	23	194	143	-30	19	60
Lending(b)	104	-753	820	-185	-760	287	-2	375	160
Other	6	-2	69	-17	-44	18	3	6	42
Total	2,378	2,127	3,936	350	264	1,078	1,038	737	1,083
Portfolio & other investment -(a)									
Corporate equities	697	2,533	2,787	924	647	522	466	815	984
Lending(b)	795	3,089	2,333	390	1,010	1,193	1,095	1,204	-1,159
Accounts receivable/prepayments made	1,079	100	-82	66	-266	138	20	9	-249
Total	2,570	5,722	5,038	1,380	1,391	1,853	1,581	2,028	-424
Total non-official	4,948	7,849	8,974	1,730	1,655	2,931	2,619	2,765	659
TOTAL	3,698	5,901	12,784	2,257	1,092	39	7,032	1,105	4,608

(a) The definition of direct investment (and as a consequence the scope of portfolio and other investment) changed from 1985-86 and therefore entries from that date are not strictly comparable with entries for previous periods; see Foreign Investment, Australia, March Quarter, 1986 (Cat. no. 5306.0), Explanatory Notes, paragraph 9.
(b) Direct investment borrowing and lending by trading banks are included in 'Portfolio and other investment'.
(c) Excludes public sector trading banks which are included in the private sector.
(d) Includes all trading banks; see footnote (c).

TABLE 2. LEVELS OF FOREIGN DEBT
($A million)

Period	Foreign borrowing				Australian lending abroad and reserve assets			Net foreign debt(c)		
	Official	Non-official		Total	Official	Non-official	Total	Official	Non-official	Total
		Public sector(a)	Private sector(b)							
YEAR -										
1984-85	12,982	15,446	40,094	68,522	(d)13,522	3,811	17,333	-540	51,730	51,190
1985-86	18,998	18,840	54,303	92,140	13,040	6,133	19,173	5,958	67,010	72,967
1986-87	23,404	20,967	65,593	109,964	17,595	9,444	27,039	5,809	77,116	82,925
QUARTER ENDED -										
1985-86										
MARCH	17,585	17,987	48,760	84,332	12,811	5,781	18,592	4,774	60,966	65,740
JUNE	18,998	18,840	54,303	92,140	13,040	6,133	19,173	5,958	67,010	72,967
1986-87										
SEPTEMBER	20,539	20,514	62,663	103,716	12,616	8,558	21,174	7,923	74,619	82,542
DECEMBER	20,948	20,562	64,678	106,188	15,560	9,266	24,826	5,388	75,974	81,362
MARCH	22,320	21,279	65,369	108,968	13,869	10,581	24,450	8,451	76,067	84,518
JUNE	23,404	20,967	65,593	109,964	17,595	9,444	27,039	5,809	77,116	82,925

(a) Excludes public sector trading banks which are included in the private sector.
(b) Includes all trading banks; see footnote (a).
(c) Foreign borrowing by Australian residents less the sum of Australian lending abroad and reserve assets.
(d) From 1984-85, figures for official reserve assets are not fully comparable with earlier data due to changes in the Reserve Bank's accounting procedures.