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BALANCE OF PAYMENTS, AUSTRALIA, OCTOBER 1985

PHONE INQUIRIES for more information about these statistics - contact Mr Neil Patterson on Canberra (062) 525519 or any of our State offices.

other inquiries including copies of publications - contact Information Services on Canberra (062) 526627 or in any of our State offices.

MAIL INQUIRIES write to Information Services, ABS, PO Box 10, Belconnen, ACT 2616 or any of our State offices.

Forthcoming changes to this publication:

Commencing with the January 1986 issue of this publication, which is due for release in February 1986, major changes will be made in the presentation of balance of payments statistics. The changes will bring the statistics into line with the latest statistical standards. They have been endorsed by major users and should facilitate analyses.

Details of the changes will be described in an ABS Information Paper (Catalogue No. 5340.0) which is planned for release before the end of 1985. If you would like a copy of the paper, please write to Information Services, ABS, P.O. Box 10, Belconnen, A.C.T. 2616. An order form is enclosed.

MAIN FEATURES

October 1985 -

The trade deficit increased $357 million to $552 million in October 1985. Exports fell by 4 per cent while imports rose by 9 per cent. However, in seasonally adjusted terms the trade deficit rose only $40 million to $214 million.

The net invisibles deficit was $1,089 million, up $218 million on the previous month. This rise was primarily due to very large interest payments made on government overseas borrowings (up $96 million) reflecting the high proportion of loans with October payment dates, and to increased government aid payments abroad (up $85 million) which are routinely made in the first month of each quarter.

The increased trade and net invisibles deficits resulted in a current account deficit of $1,641 million, up $575 million on the deficit recorded in September 1985. It appears that most of this increase was due to seasonal influences.

Net apparent capital inflow at $1,613 million, was up $942 million on September 1985.

Official reserve assets rose by $21 million on account of transactions. After including the effects of revaluations, the level of official reserve assets rose by $270 million to $12,775 million.

The trade weighted index of the value of the Australian dollar (base May 1970 = 100) stood at 63.4, down 2.2 per cent on the end of September 1985 and 22.7 per cent on the end of October 1984. Through October 1985, the dollar fell against the $US (1.1 per cent), the £UK (3.5 per cent), the West German Mark (2.9 per cent) and the Japanese Yen (3.2 per cent).

Four months ended October 1985 -

The current account deficit rose $1,092 million on the deficit recorded for the four months ended October 1984 to reach $5,057 million, with the trade and net invisibles deficits contributing roughly equally to the rise.

The trade deficit was $1,350 million, up $507 million on the deficit for the same period last financial year.

The net invisibles deficit, at $3,707 million, was $585 million higher than the deficit for the period July to October 1984.

Net apparent capital inflow was recorded at $4,251 million, up $482 million on the inflow for the four months ended October 1984.

Official reserve assets fell $765 million on account of transactions, compared with the fall of $102 million for the corresponding period the previous financial year.

ANALYSIS OF SELECTED MAJOR AGGREGATES

October 1985 -

Exports f.o.b. at $2,624 million were down $99 million or 4 per cent from September 1985. An increase of 8 per cent in rural exports was more than offset by a fall of 9 per cent in non-rural exports. Within rural, all broad commodity groups rose with the exception of meat which fell about 20 per cent. The largest increase was in exports of sugar which was more than double the level of the previous month. Cereals also increased, up about 10 per cent from the particularly low level recorded in September. The remaining groups (wool and the "other rural" category) recorded increases of 5 per cent or less. The only significant increase in non-rural exports was in machinery and transport equipment which was up about 15 per cent. Exports of mineral fuels other than coal also increased slightly, but all other non-rural groups recorded falls. Metal ores and minerals and metals and metal manufactures were both down about 15 per cent, coal was down about 10 per cent (from a particularly high September level) and other non-rural exports were down about 20 per cent, partly due to a fall in gold exports.

Seasonally adjusted exports f.o.b. fell 12 per cent.

Imports f.o.b. were $3,176 million, up $258 million or 9 per cent on the previous month. The only broad commodity group to post a significant fall was fuels; this volatile serie4s was down about 25 per cent. The basic materials and chemicals groups displayed little change. Rises of about 10 per cent were recorded in imports of food, beverages and tobacco and machinery and transport equipment and about 15 per cent in the metals and metal manufactures and textiles, fabrics etc groups. The residual "other imports" category was up about 20 per cent mainly due to increased defence imports within this category.

Seasonally adjusted imports f.o.b. fell 10 per cent.

Government capital movements yielded a net inflow of $484 million after a net outflow of $10 million in September 1985. The turnaround of $494 million resulted from both transactions in securities, where the net inflow rose $200 million to $300 million, and other government transactions, which changed from a net outflow of $110 million to a net inflow of $184 million. The net inflow on account of transactions in securities was mainly attributable to a Yen 90 billion ($A 601 million) borrowing partially offset by the repayment of an earlier Yen loan.

Four months ended October 1985 -

Exports f.o.b. were $11,112 million, up $1,785 million or 19 per cent on the four months ended October 1984. Rural exports rose 18 per cent with wool (up about 60 per cent) accounting for over half this increase. All broad rural commodity groups rose strongly except sugar which was down about 5 per cent, and cereals which was virtually unchanged. Non-rural exports rose 20 per cent with all groups contributing strongly to the increase with the exception of machinery and transport equipment which fell by about 5 per cent.

Imports f.o.b. at $12,462 million, were up $2,292 million or 23 per cent on the same period last financial year. Fuels and basic materials posted falls of about 10 per cent and 5 per cent respectively while all other groups rose by at least 10 per cent. Machinery and transport equipment (up about 30 per cent) accounted for about 60 per cent of the overall increase.

The **net invisibles** deficit of $3,707 million was $585 million or 19 per cent higher than the deficit for the period July to October 1984. Invisible credits and debits rose 22 per cent and 20 per cent respectively. Transportation, travel, property income and transfers all contributed significantly to the increase in invisible credits while property income and transportation accounted for most of the rise in invisible debits.

EXPLANATORY NOTES

Introduction

This issue contains, in Table 1, preliminary estimates of Australia's international balance of payments for the month of October 1985 together with revised estimates for previous months and financial years. Supplementary information is contained in Tables 2 and 3. The estimates should be examined in conjunction with the series contained in the quarterly and annual balance of payments publications (5302.0 and 5303.0, respectively). Reference should be made to the publication **Balance of Payments, Australia: Concepts, Sources and Methods** (5331.0) released on 19 March 1981 for information about balance of payments concepts and definitions. Changes to concepts, sources and methods since that publication are described in the 1983-84 issue of 5303.0 and in the September quarter 1985 issue of 5302.0.

2. Care should be exercised in interpreting monthly movements in the balance of payments, especially those of the most recent months. The sources available for the production of timely and reliable monthly estimates are limited. Consequently, estimates in this publication, to a greater degree than estimates in the quarterly and annual balance of payments publications, are subject to revision as more complete and more accurate information becomes available.

Visible trade
3. The figures for exports free-on-board (f.o.b.) and imports f.o.b. in Table 1 represent recorded trade figures adjusted in respect of coverage, timing and valuation for balance of payments purposes. The balance of trade is exports f.o.b. less imports f.o.b. Seasonally adjusted estimates for exports f.o.b. and imports f.o.b. are shown in Table 2.

Invisibles
4. Invisibles includes transactions in services (transportation, travel, government and miscellaneous); property income; and unrequited transfers (such as foreign aid, gifts, donations and migrants' funds). Net invisibles is invisible credits less invisible debits.

Government capital
5. In Table 2, government securities includes net government borrowings from non-residents while other government capital mainly includes transactions in Australia's assets with, and liabilities to, international development financing institutions and trade credit transactions associated with the purchase abroad of major items of equipment by the defence services.

Private capital and balancing item
6. This aggregate covers private capital movements (ie foreign investment in enterprises in Australia, Australian investment abroad, trade credit n.e.i.), non-official monetary sector transactions and the balancing item (i.e. net errors and omissions). Within this aggregate, separate details are shown in Table 2 for public non-monetary enterprises (borrowings and trade credit separately) and other (which includes the balancing item).

Net official monetary movements
7. 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.

Official reserve assets and exchange rates
8. Table 3 shows changes in official reserve assets which are included in the balance of payments, together with the adjustments made to the original Reserve Bank statistics to exclude changes in the Australian dollar value of reserve assets that are the result of revaluations. The table 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. These measures are provided by the Reserve Bank of Australia and relate to the last trading day of the month. For a fuller explanation of their compilation see paragraphs 8 to 10 of the Explanatory notes of the latest quarterly balance of payments publication (5302.0).

Residual items
9. Due to lack of monthly data certain aggregates in Tables 1 and 2 are derived as residuals after having first calculated those aggregates for which monthly information can be obtained or estimated. The aggregates which are derived as residuals are net apparent capital inflow, which is calculated by subtracting the balance on current account from net official monetary movements, and private capital and balancing item, which is derived by subtracting government capital from net apparent capital inflow.

Foreign exchange arrangements
10 Effective from 12 December 1983 the Government floated the Australian dollar. An appendix to the March 1984 issue of this publication explains in detail how the interpretation of balance of payments statistics has been affected by the change.

Seasonal adjustment
11. In carrying out seasonal adjustment of exports f.o.b. and imports f.o.b. account is taken not only of seasonal factors, but also of 'trading-day' effects (arising from the varying numbers of Sundays, Mondays, etc. in the month) which may affect figures for different months in different years. Details of the methods used in the seasonal adjustment of these series are given in **Seasonally Adjusted Indicators, Australia** (1308.0). The statistics are also subject to large irregular influences which are not removed by seasonal adjustment and may be affected by changes in the composition of exports and imports. For these reasons, particular care should be exercised in interpreting individual month-to-month movements.

Presentation
12. In Tables 1 and 2, a minus sign (-) denotes: a debit for aggregates in the current account; an outflow for components of capital inflow (net); and for monetary movements, a decrease in assets or an increase in liabilities.

Available longer-term and more detailed monthly series

13. Estimates for months prior to that shown in this publication and in more detail are available and can be obtained by contacting Mr Alan Puckeridge on Canberra (062) 52 5507.

Related publications

14. 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

.. not applicable

– nil or rounded to zero

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

A.R. BAGNALL
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TABLE 1. BALANCE OF PAYMENTS
($ MILLION)

	CURRENT ACCOUNT							CAPITAL INFLOW (NET)			OFFICIAL MONETARY MOVEMENTS		
	VISIBLE TRADE			INVISIBLES									
	EXPORTS F.O.B.	IMPORTS F.O.B.	BALANCE OF TRADE	INVISIBLE CREDITS	INVISIBLE DEBITS	NET INVISIBLES	BALANCE ON CURRENT ACCOUNT	GOVERNMENT CAPITAL	PRIVATE CAPITAL AND BALANCING ITEM (A)	NET APPARENT CAPITAL INFLOW	CHANGES IN OFFICIAL RESERVE ASSETS	OTHER CHANGES	NET OFFICIAL MONETARY MOVEMENTS
1982-83	20656	-21705	-1049	5895	-11235	-5340	-6389	813	8012	8825	2460	-24	2436
1983-84	23719	-23497	222	6624	-14194	-7570	-7348	620	8578	9198	1855	-5	1850
1984-85	29440	-30104	-664	7863	-17546	-9683	-10347	1843	6906	8749	-1521	-77	-1598
1984-85-													
AUGUST	2210	-2553	-343	604	-1302	-698	-1041	308	978	1285	237	8	244
SEPTEMBER	2587	-2495	92	589	-1323	-734	-642	-167	540	373	-282	13	-269
OCTOBER	2233	-2478	-245	627	-1548	-921	-1166	131	795	926	-170	-70	-240
NOVEMBER	2465	-2487	-22	652	-1444	-792	-814	428	608	1036	213	9	222
DECEMBER	1964	-2097	-133	663	-1443	-780	-913	51	680	731	-223	41	-182
JANUARY	2156	-2446	-290	676	-1578	-902	-1192	141	911	1052	-111	-29	-140
FEBRUARY	2348	-2271	77	674	-1331	-657	-580	180	66	246	-329	-5	-334
MARCH	2432	-2246	186	663	-1431	-768	-582	-166	386	221	-374	13	-362
APRIL	2837	-2538	299	721	-1557	-836	-537	16	43	59	-440	-38	-478
MAY	2992	-3034	-42	718	-1619	-901	-943	513	725	1238	260	36	295
JUNE	2919	-2815	104	694	-1619	-925	-821	-21	417	397	-415	-9	-424
1985-86													
JULY	2719	-3221	-502	724	-1613	-889	-1391	416	847	1262	-112	-17	-129
AUGUST	3046	-3147	-101	735	-1593	-858	-959	133	571	704	-280	25	-255
SEPTEMBER	2723	-2918	-195	718	-1589	-871	-1066	-10	681	671	-394	-2	-395
OCTOBER	2624	-3176	-552	755	-1844	-1089	-1641	484	1129	1613	21	-49	-28
FOUR MONTHS ENDED-													
OCT. 1984	9327	-10170	-843	2402	-5524	-3122	-3965	700	3070	3769	-102	-94	-196
OCT. 1985	11112	-12462	-1350	2932	-6639	-3707	-5057	1023	3228	4251	-765	-42	-806

(A) INCLUDES PRIVATE CAPITAL MOVEMENTS, NON-OFFICIAL MONETARY SECTOR TRANSACTIONS AND THE BALANCING ITEM.

TABLE 2. VISIBLE TRADE, SEASONALLY ADJUSTED; GOVERNMENT CAPITAL; AND PRIVATE CAPITAL AND BALANCING ITEM
($ MILLION)

	SEASONALLY ADJUSTED VISIBLE TRADE		GOVERNMENT CAPITAL			PRIVATE CAPITAL AND BALANCING ITEM (A)			
						PUBLIC NON-MONETARY ENTERPRISES			
	EXPORTS F.O.B.	IMPORTS F.O.B.	SECURITIES	OTHER	TOTAL	TRADE CREDIT	BORROWINGS	OTHER	TOTAL
1982-83	..	..	967	-154	813	27	2172	5812	8012
1983-84	..	..	1199	-579	620	-224	2490	6312	8578
1984-85	..	..	2158	-315	1843	-621	3171	4356	6906
1984-85-									
AUGUST	2193	-2378	278	30	308	-9	90	897	978
SEPTEMBER	2866	-2732	17	-183	-167	-113	86	567	540
OCTOBER	2154	-2213	153	-22	131	-47	159	683	795
NOVEMBER	2359	-2461	374	54	428	-31	503	136	608
DECEMBER	2128	-2400	146	-94	51	-42	707	15	680
JANUARY	2076	-2460	133	8	141	6	426	479	911
FEBRUARY	2562	-2428	117	63	180	-116	876	-694	66
MARCH	2599	-2270	45	-211	-166	-87	137	336	386
APRIL	2851	-2647	-50	66	16	-13	-98	154	43
MAY	2751	-2865	460	53	513	-22	-29	776	725
JUNE	2888	-2873	250	-270	-21	-72	239	250	417
1985-86									
JULY	2434	-2941	283	133	416	-10	277	580	847
AUGUST	3107	-3026	118	15	133	10	-176	737	571
SEPTEMBER	2921	-3095	100	-110	-10	-36	-240	957	681
OCTOBER	2579	-2793	300	184	484	-73	103	1099	1129

(A) INCLUDES PRIVATE CAPITAL MOVEMENTS, NON-OFFICIAL MONETARY SECTOR TRANSACTIONS AND THE BALANCING ITEM.

TABLE 3. OFFICIAL RESERVE ASSETS AND EXCHANGE RATES

	OFFICIAL RESERVE ASSETS ($ MILLION)				EXCHANGE RATES (END OF YEAR/MONTH) UNITS OF FOREIGN CURRENCY PER $A				TRADE-WEIGHTED INDEX (END OF YEAR/MONTH) OF VALUE OF AUSTRALIAN DOLLAR, MAY 1970=100(A)
			RESERVE BANK SERIES						
	CHANGES INCLUDED IN THE BALANCE OF PAYMENTS	CHANGES DUE TO EFFECTS OF REVALUATIONS	CHANGES IN LEVELS	LEVELS AT END OF YEAR/MONTH	U.S.A. DOLLAR	U.K. POUND	GERMANY FED. REP. MARK	JAPAN YEN	
1982-83	2460	1771	4231	10748	0.8745	0.5730	2.227	209.38	77.7
1983-84	1855	-186	1669	12417	0.8613	0.6378	2.399	204.60	79.2
1984-85	-1521	(B)	(B)	13517(C)	0.6655	0.5136	2.030	165.68	65.0
1984-85-									
AUGUST	237	-251	-14	12618	0.8488	0.6472	2.452	205.07	80.1
SEPTEMBER	-282	(B)	(B)	12431(C)	0.8330	0.6696	2.526	204.67	80.3
OCTOBER	-170	-238	-408	12024	0.8487	0.6984	2.573	208.17	82.0
NOVEMBER	213	-171	42	12066	0.8596	0.7163	2.654	212.02	83.5
DECEMBER	-223	215	-8	12058	0.8278	0.7130	2.606	207.24	81.3
JANUARY	-111	-30	-141	11918	0.8150	0.7218	2.585	207.61	80.8
FEBRUARY	-329	1526	1197	13115	0.7138	0.6563	2.377	185.25	72.3
MARCH	-374	390	16	13130	0.7051	0.5641	2.172	176.94	69.2
APRIL	-440	1298	858	13988	0.6523	0.5229	2.006	163.94	64.2
MAY	260	-206	53	14041	0.6580	0.5159	2.031	165.64	64.8
JUNE	-415	-110	-524	13517	0.6655	0.5136	2.030	165.68	65.0
1985-86									
JULY	-112	-906	-1018	12499	0.7271	0.5092	2.035	172.07	68.5
AUGUST	-280	556	276	12774	0.7034	0.5034	1.959	166.88	66.4
SEPTEMBER	-394	125	-269	12505	0.7077	0.5042	1.891	152.97	64.8
OCTOBER	21	248	270	12775	0.7002	0.4866	1.837	148.07	63.4

(A) THE TRADE-WEIGHTED INDEX IS CALCULATED BY THE RESERVE BANK AND IS AN INDEX OF THE AVERAGE VALUE OF THE AUSTRALIAN DOLLAR VIS A VIS CURRENCIES OF AUSTRALIA'S MAJOR TRADING PARTNERS. (B) NOT AVAILABLE; SEE FOOTNOTE (C). (C) FROM SEPTEMBER 1984, FIGURES FOR OFFICIAL RESERVE ASSETS ARE NOT FULLY COMPARABLE WITH EARLIER DATA DUE TO CHANGES IN THE RESERVE BANK'S ACCOUNTING PROCEDURES.