AUSTRALIAN BUREAU OF STATISTICS
CANBERRA

CATALOGUE NO. 5304.0 EMBARGOED UNTIL 11.30 A.M. 20 JANUARY 1986

FOREIGN INVESTMENT, AUSTRALIA 1984-85 (PRELIMINARY)

PHONE INQUIRIES *for more information about these statistics*—contact Mr Dudley Scoullar on Canberra (062) 52 5604 or any of our State offices.
other inquiries including copies of publications—contact Information Services on Canberra (062) 52 6627 or in any of our State offices.

MAIL INQUIRIES *write to* Information Services, ABS, P.O. Box 10, Belconnen, A.C.T. 2616 or any of our State offices.

Forthcoming changes to foreign investment publications:

Major changes to both the scope and presentation of quarterly foreign investment publications will be introduced from the forthcoming September quarter 1985 issue of 5306.0, due for release later this month. In addition a number of changes to definitions and classifications for particular series will be introduced.

To date, many of the statistical series derived from foreign investment surveys have only been published in the annual foreign investment publications (5304.0 and 5305.0). A range of these series, together with series derived from other sources and previously not released in foreign investment publications at all, will be published quarterly in 5306.0 in future. Publication 5306.0 will be retitled 'Foreign Investment, Australia' to reflect its more comprehensive nature and will include data on both foreign investment in Australia and Australian investment abroad, as well as data on external debt. This 1984-85 issue of 5304.0 will be the last to present data in the current format.

For more information about the forthcoming changes to foreign investment publications, please write to the Director, Foreign Investment Section, ABS, P.O. Box 10, Belconnen A.C.T. 2616 or contact Mr Colin Nagle on Canberra (062) 52 6254.

MAIN FEATURES

Foreign investment in Australia

There was a record annual net inflow of foreign investment in Australia for 1984-85, rising by $3,273m or 35 per cent on the flow for the previous year to $12,589m. The 1984-85 result was well above the previous highest annual inflow which occurred in 1981-82. The major factors underlying the rise in the latest year were:

- **a large turnaround in head office investment in branches, from a net disinvestment of $784m in 1983-84 to a net investment of $64m in 1984-85;**
- **a substantial increase in borrowings from unrelated foreign investors by both public and private sector enterprises (by $1,603m to $7,255m);**
- **record foreign investment in government securities of $2,638m, almost double the previous record inflow recorded in 1977-78.**

Investment income payable abroad continued to rise strongly in 1984-85 to $6,816m, up $1,452 or 21 per cent on the previous year's figure. This rise was mainly due to substantial increases in interest payable by enterprises in Australia on borrowings from unrelated investors (up $1,177m) and in interest paid on government debt (up $255m).

Australian investment abroad

There was a significant rise in the net outflow of Australian investment abroad in 1984-85, reaching a new record annual figure of $3,224m, up $1,186m or 58 per cent on the previous year. Rises were evident in most components of investment, the strongest being direct and portfolio investment in corporate equities and lending to both related and unrelated enterprises abroad.

Direct investment income receivable from abroad fell by $98m to $462m in 1984-85. Nearly all components of income receivable fell, the most significant decrease occurring in undistributed income of subsidiaries.

ANALYSIS OF MAJOR AGGREGATES

Foreign investment in Australia

After three consecutive years in which the annual net inflow of foreign investment in Australia remained around $10 billion, it rose by 35 per cent to $12,589m in 1984-85.

12. Both the direct investment and the portfolio investment and institutional loans components of investment abroad rose strongly in 1984-85. The rise in the direct investment component was mainly attributable to a substantial increase in investment in corporate equities associated with a number of large takeovers of foreign companies by Australian enterprises. The increase in the portfolio investment and institutional loans component was associated with significantly increased investment activity abroad by large institutional investors, such as life insurers and fund managers, together with an increase in financial assets held abroad by Australian trading and financial enterprises.

Income receivable on Australian direct investment abroad

13. Income receivable on Australian direct investment abroad fell by $99m from the previous year to $462m in 1984-85. Both undistributed and distributed income fell, the former by $35m and the latter by $62m. As in the previous year, New Zealand ($154m) was the largest source of direct investment income receivable in 1984-85. In line with the substantial growth in investment in the U.S.A. in recent years, income from this source rose rapidly in the latest year to reach $70m, the highest from any country after New Zealand.

EXPLANATORY NOTES

Introduction

This publication contains preliminary estimates for 1984-85 of foreign investment in Australia, Australian investment abroad and associated income flows. For purposes of comparison, details are also shown for the years 1982-83 and 1983-84. Figures for these earlier years have been revised to incorporate the latest available amendments. The statistics for all three years are subject to further revision when the final publication *Foreign Investment, Australia 1984-85* (5305.0) is released later this year. More detailed information than that published herein is available on request, subject to confidentiality restrictions. For information regarding the basis of the figures and more detailed figures for earlier years, reference should be made to *Foreign Investment, Australia 1983-84* (5305.0) released on 27 August 1985.

Related publications

2. This publication and the final publication (5305.0) are supplemented by the quarterly publications *Foreign Investment in Enterprises in Australia* (5307.0) (preliminary) and (5306.0) (final) and are consistent with them in terms of concepts and definitions, although broader in scope. Foreign investment statistics are also contained in the *Balance of Payments* publications (5301.0, 5302.0 and 5303.0) and the relationship between the corresponding annual publications is set out in *Foreign Investment, Australia* (5305.0). Information on the scope of, and concepts and definitions used in, foreign investment statistics and, in particular, their relationship with the balance of payments, is set out in detail in *Balance of Payments, Australia: Concepts, Sources and Methods* (5331.0).

3. 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

— nil or rounded to zero

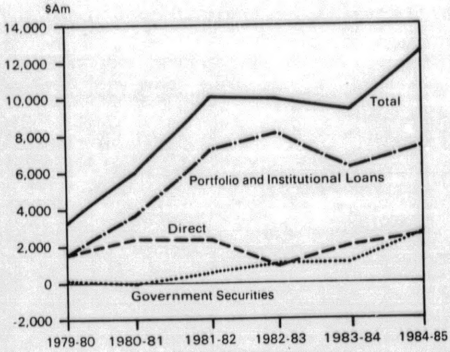
n.p. not available for separate publication (but included in totals where applicable)

4. In the tables relating to the inflow as well as those relating to the outflow of investment, increases in investment by some investors are offset against withdrawals of investment by other investors. A negative value denotes an excess of withdrawals of investment over increases in investment. With respect to undistributed income, a negative value reflects an overall loss by the direct investment enterprises concerned and/or a distribution of dividends in excess of net profits after tax for the particular period.

5. Discrepancies may occur between sums of the component items and totals because of rounding.

A. R. BAGNALL
Acting Australian Statistician

FOREIGN INVESTMENT IN AUSTRALIA
BY TYPE OF INVESTMENT



2. The direct investment inflow rose by $544m (27 per cent) to $2,552m. Of the components of direct investment, the major item contributing to the increase was branch liabilities to head office, which recorded a turnaround from a net disinvestment of $784m in 1983-84 to a net investment of $64m in the latest year. Undistributed income accruing to direct foreign investors rose marginally (by $10m) due primarily to a small fall in losses recorded by Australian branches of foreign enterprises (these losses largely reflect their exploration expenditure which is treated in these statistics as a current expense of operations). Falls were recorded for each of the remaining components of direct investment.

3. After falling in 1983-84 from the peak of $8,092m in the previous year, the net inflow of portfolio investment and institutional loans rose by $1,163m (19 per cent) to $7,399m in 1984-85. Net borrowings, particularly those by public sector enterprises, from unrelated foreign enterprises rose strongly in the latest year. This rise more than offset a sharp fall in investment in corporate equities to the lowest net inflow ($143m) for this component of investment since 1978-79.

4. Net investment in government securities rose markedly (up $1,566m or 146 per cent) in 1984-85. The rise was evident for both foreign currency borrowings by the government sector and for $A demonimated government securities issued in Australia and held by nominees on behalf of foreign residents.

5. Japan replaced the U.K. as the most significant source of foreign investment in Australia during 1984-85. The U.S.A. was the second largest source of funds for the year, followed by the U.K. A significant proportion of funds classified to the 'other countries' category was sourced from international capital markets.

6. In terms of industry, 49 per cent of foreign investment in enterprises was classified to finance, property and business services in 1984-85, compared with 42 per cent the previous year. Some proportion of these funds would be on-lent to clients in other industries. A further 21 per cent was recorded for enterprises classified to the wholesale and retail trade industry. Significant flows of investment in 1984-85 were also recorded for the electricity, gas and water and manufacturing industries.

Investment income payable abroad

7. For the second consecutive year, total income payable on foreign investment in Australia rose strongly. The increase of $1,452m to a new record annual figure of $6,816m for the latest year basically stems from a continuing rapid increase in interest payable on borrowings from unrelated investors (up $1,177m on the previous year), and also partly from the rising interest bill on government debt (up $255m).

8. A fall of $159m in remitted profits of branches more than offset rises in other components of direct investment income, causing an overall fall of $46m in such income payable for 1984-85. Dividends payable to foreign portfolio shareholders increased by $65m to $310m.

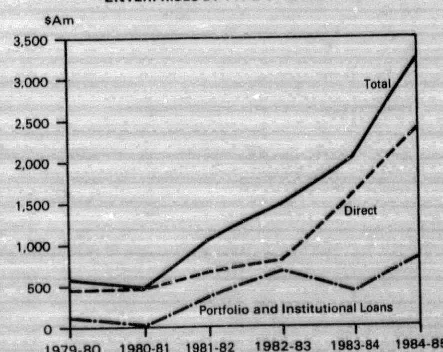
9. As in the previous year, U.S.A. investors were the largest recipients of investment income from Australia in 1984-85. U.K. and Japanese investors followed in second and third places respectively.

10. As in the previous year, enterprises classified to the manufacturing industry recorded the largest amount of direct investment income payable for the year ($778m). This was followed by finance, property and business services ($518m) and wholesale and retail trade ($410m). Income from direct investment in the mining industry dropped significantly in 1984-85 when compared with the previous year.

Australian investment abroad

11. Australian investors continued to invest substantial amounts abroad in 1984-85, the net outflow for the year rising by 58 per cent to $3,224m. Since 1980-81, the major destination for such investment has been the U.S.A.

AUSTRALIAN INVESTMENT IN FOREIGN
ENTERPRISES BY TYPE OF INVESTMENT



SECTION 1: INFLOW OF FOREIGN INVESTMENT IN AUSTRALIA

TABLE 1. INFLOW OF TOTAL FOREIGN INVESTMENT IN AUSTRALIA, BY BROAD TYPE OF INVESTMENT
($A million)

	Investment in enterprises in Australia					*Investment in government securities repayable in—*				
	Direct investment						*Foreign currencies to—*			
Year	*Undistributed income*	*Other direct investment*	*Total*	*Portfolio investment and institutional loans*	*Total*	*Australian currency*	*Foreign countries*	*IBRD(a)*	*Total*	*Total*
1982-83	-586	1,482	895	8,092	8,988	385	589	-7	967	9,955
1983-84	555	1,453	2,008	6,236	8,244	711	368	-7	1,072	9,316
1984-85	565	1,987	2,552	7,399	9,951	1,708	939	-9	2,638	12,589

(a) International Bank for Reconstruction and Development.

TABLE 2. INFLOW OF TOTAL FOREIGN INVESTMENT IN AUSTRALIA, BY COUNTRY AND BROAD TYPE OF INVESTMENT
($A million)

	EEC								
Year	*United Kingdom*	*Other (a)*	*Switzerland*	*U.S.A.*	*Canada*	*Japan*	*ASEAN(b)*	*Other countries*	*Total*
				UNDISTRIBUTED INCOME					
1982-83	118	-71	-3	-517	-26	-55	-20	-11	-586
1983-84	355	22	17	99	68	—	-2	-5	555
1984-85	328	-13	23	92	64	41	-9	37	565
				OTHER DIRECT INVESTMENT					
1982-83	391	406	-23	425	6	460	-238	55	1,482
1983-84	531	115	25	-734	47	390	750	328	1,453
1984-85	1,188	508	32	-142	51	176	136	39	1,987
				PORTFOLIO INVESTMENT AND INSTITUTIONAL LOANS					
1982-83	1,738	559	241	330	49	2,266	1,775	1,134	8,092
1983-84	1,279	624	175	1,425	-25	463	1,382	914	6,236
1984-85	420	342	254	2,347	77	1,506	679	1,772	7,399
				TOTAL INVESTMENT IN ENTERPRISES					
1982-83	2,246	894	215	239	30	2,671	1,517	1,177	8,988
1983-84	2,166	761	217	790	90	853	2,130	1,237	8,244
1984-85	1,936	837	310	2,297	193	1,723	807	1,849	9,951
				INVESTMENT IN GOVERNMENT SECURITIES(c)					
1982-83	183	129	—	89	—	568	—	-2	967
1983-84	200	430	-120	135	1	373	—	53	1,072
1984-85	97	1,004	18	-245	—	1,430	—	335	2,638
				TOTAL					
1982-83	2,429	1,023	214	328	30	3,239	1,517	1,174	9,955
1983-84	2,366	1,191	97	925	91	1,226	2,131	1,290	9,316
1984-85	2,033	1,841	328	2,052	192	3,153	807	2,183	12,589

(a) Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg and Netherlands. (b) Indonesia, Malaysia, Philippines, Singapore and Thailand; also includes Brunei from 1 January 1984. (c) Includes net inflow from the IBRD.

TABLE 3. INFLOW OF FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA, BY TYPE OF INVESTMENT
($A million)

Year	Direct investment						Portfolio investment and institutional loans			Total
	Undistributed income		Other direct investment					Borrowings		
	Branches	Subsidiaries	Corporate equities	Branch liabilities to head office	Inter-company indebtedness	Borrowings	Corporate equities	Public non-monetary enterprises	Other	Total
1982-83	-113	-474	391	574	68	448	858	2,171	5,064	8,988
1983-84	-189	744	206	-784	602	1,429	584	2,036	3,616	8,244
1984-85	-178	742	118	64	433	1,372	143	3,137	4,118	9,951

TABLE 4. INFLOW OF FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA, BY COUNTRY AND BROAD TYPE OF INVESTMENT(a)
($A million)

Year / ASIC Division	Mining (Div. B)	Manufacturing (Div. c)	Electricity, gas and water (Div. D)	Wholesale and retail trade (Div. F)	Transport and storage (Div. G)	Finance, property, etc. (Div. I)	Other industries(b)	Total
UNDISTRIBUTED INCOME								
1982-83	-314	-320	—	-101	-22	185	-14	-586
1983-84	-226	-358	—	117	-3	248	-1	555
1984-85	-215	416	—	200	2	179	-18	565
OTHER DIRECT INVESTMENT								
1982-83	645	33	—	754	1	-33	82	1,482
1983-84	-805	342	—	779	11	1,026	100	1,453
1984-85	-197	117	—	582	5	1,453	28	1,987
TOTAL DIRECT INVESTMENT								
1982-83	330	-288	—	653	-20	152	68	895
1983-84	-1,031	699	—	958	8	1,274	99	2,008
1984-85	-412	533	—	782	7	1,631	11	2,552
PORTFOLIO INVESTMENT AND INSTITUTIONAL LOANS								
1982-83	2,379	1,443	2,463	-96	347	1,263	293	8,092
1983-84	1,112	697	731	896	159	2,228	412	6,236
1984-85	744	480	1,171	1,307	137	3,223	336	7,399
TOTAL								
1982-83	2,710	1,155	2,463	557	327	1,415	361	8,988
1983-84	81	1,396	731	1,855	168	3,502	511	8,244
1984-85	333	1,014	1,171	2,089	144	4,855	346	9,951

(a) These flows have been classified to industry on the basis of the predominant activity of the enterprise group holding the immediate foreign liability; this is not the industry of end use of the funds in many cases. (b) Consists of: Division A—Agriculture, forestry, fishing and hunting, Division E—Construction, Division H—Communication, Division J—Public administration and defence, Division K—Community services, Division L—Recreation, personal and other services, and Division M—Non-classifiable economic units.

SECTION II: INCOME PAYABLE ON FOREIGN INVESTMENT IN AUSTRALIA

TABLE 5. INCOME PAYABLE ON FOREIGN INVESTMENT IN AUSTRALIA, BY TYPE OF INCOME
(\$A million)

Year	Investment income payable abroad by enterprises in Australia on—									Interest paid on foreign holdings of government securities(a)	Total
	Direct investment					Portfolio investment and institutional loans					
	Undistributed income	Remitted profits of branches	Dividends payable	Interest payable	Total	Dividends	Interest	Total	Total		
1982-83	-586	427	496	286	623	176	1,808	1,984	2,607	535	3,142
1983-84	555	591	526	371	2,042	245	2,429	2,674	4,716	648	5,364
1984-85	565	432	548	452	1,996	310	3,606	3,917	5,913	903	6,816

(a) Interest paid on foreign holdings of securities repayable in Australian and foreign currencies including interest paid to the IBRD.

TABLE 6. INCOME PAYABLE ON FOREIGN INVESTMENT IN AUSTRALIA, BY COUNTRY AND BROAD TYPE OF INCOME
(\$A million)

Year	EEC		Switzerland	U.S.A.	Canada	Japan	ASEAN(b)	Other countries	Total
	United Kingdom	Other(a)							
UNDISTRIBUTED INCOME									
1982-83	118	-71	-3	-517	-26	-55	-20	-11	-586
1983-84	355	22	17	99	68	—	-2	-5	555
1984-85	328	-13	23	92	64	41	-9	37	565
DISTRIBUTED INCOME ON DIRECT INVESTMENT									
1982-83	247	36	17	739	26	59	38	46	1,209
1983-84	292	49	9	915	43	83	57	40	1,488
1984-85	262	41	18	785	38	88	147	52	1,432
INCOME PAYABLE ON PORTFOLIO INVESTMENT AND INSTITUTIONAL LOANS									
1982-83	569	166	52	364	20	286	239	288	1,984
1983-84	719	232	67	417	22	456	379	383	2,674
1984-85	1,015	331	104	653	22	655	565	571	3,917
INTEREST ON GOVERNMENT SECURITIES(c)									
1982-83	10	117	77	158	—	158	—	15	535
1983-84	32	127	73	187	—	206	—	23	648
1984-85	62	117	69	281	—	344	—	29	903
TOTAL									
1982-83	944	249	144	744	20	447	256	338	3,142
1983-84	1,398	430	165	1,619	133	745	432	442	5,364
1984-85	1,668	478	214	1,811	124	1,128	703	690	6,816

(a) Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg and Netherlands. (b) Indonesia, Malaysia, Philippines, Singapore and Thailand; also includes Brunei from 1 January 1984. (c) Includes interest payable to IBRD.

TABLE 7. INCOME PAYABLE ON DIRECT FOREIGN INVESTMENT IN ENTERPRISES IN AUSTRALIA, BY INDUSTRY(a)
(\$A million)

ASIC Division / Year	Mining (Div. B)	Manufacturing (Div. c)	Electricity, gas and water (Div. D)	Wholesale and retail trade (Div. F)	Transport and storage (Div. G)	Finance, property, etc. (Div. I)	Other industries(b)	Total
1982-83	138	27	—	79	12	342	24	623
1983-84	419	750	—	376	21	446	31	2,042
1984-85	267	778	—	410	3	518	21	1,996

(a) These flows have been classified to industry on the basis of the predominant activity of the enterprise group holding the immediate foreign liability; this is not the industry of end use of the funds in many cases. (b) Consists of: Division A—Agriculture, forestry, fishing and hunting, Division E—Construction, Division H—Communication, Division J—Public administration and defence, Division K—Community services, Division L—Recreation, personal and other services, and Division M—Non-classifiable economic units.

SECTION III: OUTFLOW OF AUSTRALIAN INVESTMENT ABROAD

TABLE 8. OUTFLOW OF AUSTRALIAN INVESTMENT ABROAD, BY TYPE OF INVESTMENT (\$A million)

	Direct investment										
	Undistributed income		Other direct investment					Portfolio investment and institutional loans(a)	Total investment in foreign enterprises	Investment in foreign government securities	Total
Year	Branches	Subsidiaries	Corporate equities	Branch-liabilities to head office	Inter-company indebtedness	Borrowings	Total				
1982-83	39	207	310	14	12	221	803	674	1,476	7	1,483
1983-84	-10	340	952	60	10	253	1,603	427	2,030	8	2,038
1984-85	35	258	1,508	111	24	460	2,397	836	3,233	-9	3,224

(a) Includes investment in foreign shares, debentures and other securities as well as other financial assets held abroad. Prior to 1983-84, includes certain net remittances abroad by life insurance enterprises (see Explanatory notes, paragraph 3).

TABLE 9. OUTFLOW OF AUSTRALIAN INVESTMENT ABROAD, BY COUNTRY (\$A million)

	EEC							
Year	United Kingdom	Other(a)	New Zealand	U.S.A.	Papua New Guinea	ASEAN(b)	Other countries	Total
1982-83	117	22	168	721	13	155	287	1,483
1983-84	99	53	154	1,291	91	253	96	2,038
1984-85	756	80	217	1,962	57	77	74	3,224

(a) Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg and Netherlands. (b) Indonesia, Malaysia, Philippines, Singapore and Thailand; also includes Brunei from 1 January 1984.

SECTION IV: INCOME RECEIVABLE ON AUSTRALIAN DIRECT INVESTMENT ABROAD

TABLE 10. INCOME RECEIVABLE ON AUSTRALIAN DIRECT INVESTMENT IN FOREIGN ENTERPRISES, BY TYPE OF INCOME(a) (\$A million)

	Undistributed income			Distributed income				
Year	Branches	Subsidiaries	Total	Remitted profits of branches	Dividends of subsidiaries	Interest	Total	Total
1982-83	39	207	246	54	138	16	208	454
1983-84	-10	340	329	48	144	40	232	561
1984-85	35	258	294	31	125	14	170	462

(a) Details are not available of income receivable in Australia on either portfolio investment and institutional loans or on Australian holdings of foreign government securities.

TABLE 11. INCOME RECEIVABLE ON AUSTRALIAN DIRECT INVESTMENT IN FOREIGN ENTERPRISES, BY COUNTRY(a) (\$A million)

	EEC							
Year	United Kingdom	Other(b)	New Zealand	U.S.A.	Papua New Guinea	ASEAN(c)	Other countries	Total
1982-83	133	4	126	5	33	80	73	454
1983-84	111	14	150	8	77	133	67	561
1984-85	66	13	154	70	31	56	72	462

(a) Details are not available of income receivable in Australia on either portfolio investment and institutional loans or on Australian holdings of foreign government securities. (b) Belgium, Denmark, France, Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg and Netherlands. (c) Indonesia, Malaysia, Philippines, Singapore and Thailand; also includes Brunei from 1 January 1984.

Printed by C. J. Thompson, Commonwealth Government Printer, Canberra