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BALANCE OF PAYMENTS: JUNE QUARTER 1978

INQUIRIES

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MAIN FEATURES

June quarter 1978

- an overall deficit, as measured by net official monetary movements, of \$35 million.
- Exports of \$3,107 million, \$312 million higher than in the previous quarter and \$168 million above the June quarter 1977 figure.
- Record imports of \$2,905 million, \$59 million up on the previous quarter and \$148 million higher than the June quarter 1977.
- A trade surplus of \$202 million, a turnaround from the \$51 million deficit in the previous quarter and \$19 million up on the surplus in the June quarter 1977.
- Net invisibles — payments exceeded receipts by \$932 million.
- A deficit on current account of \$729 million.

Year 1977-78

- An overall deficit, as measured by net official monetary movements, of \$542 million, \$51 million greater than the 1976-77 deficit.
- Record exports of \$12,043 million, \$644 million, or 6 per cent, higher than in 1976-77.
- Record imports of 11,203 million, \$858 million, or 8 per cent, higher than in 1976-77.
- A trade surplus of \$839 million, \$215 million lower than 1976-77.
- A deficit of \$3,249 million in respect of current invisibles transactions, \$267 million up on the deficit in 1976-77.
- A record current account deficit of \$2,410 million, \$482 million up on the deficit in 1976-77.
- A record apparent capital inflow of \$1,868 million, mainly due to substantial government borrowings overseas.

TRENDS IN MAJOR AGGREGATES

Current Account

- The *current account* deficit of \$729 million for the June quarter compared with a deficit of \$684 million in the June quarter 1977.
- Seasonally adjusted*, the *current account* deficit was \$764 million, \$5 million lower than the deficit for the March quarter 1978.
- The *current account* deficit for the year 1977-78 was, at \$2,410 million, \$482 million more than in 1976-77.
- The *balance of trade* surplus of \$202 million for the June quarter was \$19 million higher than in June quarter 1977.
- Seasonally adjusted*, the *trade surplus* was \$110 million, a turnaround of \$126 million on the \$16 million deficit for the March quarter 1978.
- The *balance of trade* surplus of \$839 million in 1977-78 was \$215 million lower than in 1976-77.
- Exports* (on a balance of payments basis) were \$3,107 million in the June quarter, 11 per cent up on the March quarter and 6 per cent higher than exports in the June quarter 1977. *Seasonally adjusted exports* were \$3,075 million, an increase of \$189 million, or 7 per cent on the March quarter.
- For 1977-78 as a whole, the \$644 million (6 per cent) increase in the value of *exports* mainly reflected increased export prices. In value terms the most significant increases were in exports of coal, meat and chemicals while the value of wool and sugar exports fell sharply.
- Imports* (on a balance of payments basis) were a record at \$2,905 million in the June quarter 2 per cent up on the March quarter and 5 per cent higher than imports in the June quarter 1977. *Seasonally adjusted imports* at \$2,965 million were up \$62 million from the level of the previous quarter.
- The \$858 million (8 per cent) rise in the value of *imports* in 1977-78 from \$10,345 million in 1976-77 to \$11,203 million appears to have been due mainly to price factors. In value terms the main increases were recorded in imports of non-electric machinery, transport equipment, petroleum, chemicals and plastics, textile manufactures, and foodstuffs.

The deficit of \$932 million for *net invisibles* in the June quarter was a substantial increase on the net deficits for most previous quarters but below the record \$955 million in the September quarter 1977. *Seasonally adjusted, net invisibles* at \$874 million were \$122 million up on the March quarter. The \$3,249 million deficit for the year was \$267 million higher than in 1976-77 due mainly to a \$517 million increase in invisible debits, particularly in respect of transportation services, investment income payable overseas and transfer payments.

Capital Account

The *net apparent capital inflow* of \$694 million in the June quarter was a fall of \$364 million on the previous quarter. For 1977-78 as a whole net apparent capital inflow was a record \$1,868 million.

Interim estimates of *overseas investment in Australian companies* indicate a net inflow of \$538 million in the June quarter 1978 an increase of \$235 million on the net inflow in the previous quarter and \$100 million higher than the June quarter 1977. For the full year the interim estimate of a net inflow of \$1,359 million, \$192 million lower than the net inflow in 1976-77.

Complete information on *trade credit n.e.t.* transactions is not yet available for the June quarter. However, for marketing authorities there was a net

outflow of \$38 million, reflecting the excess of exports over receipts.

Government capital movements showed a net inflow of \$276 million in the June quarter, due mainly to the receipt of proceeds of overseas loans. The overseas borrowing programme implemented during 1977-78 was the main factor in a record net inflow of \$1,533 million from government capital transactions during the year.

Overall results

Net official monetary movements during the June quarter 1978 showed a deficit of \$35 million compared with a deficit \$350 million in the June quarter 1977.

The overall result for the years 1977-78 as measured by *net official monetary movements* was a deficit of \$542 million, comprised of a reduction due to balance of payments transactions of \$474 million in official reserve assets and a net increase of \$68 million in official liabilities. The overall deficit of \$542 million was the fifth successive annual deficit, \$51 million up on the 1976-77 deficit but significantly below the record \$1,020 million deficit in 1975-76.

Level of Reserves

At 30 June 1978, Australia's *official reserve assets*, valued at market rates of exchange, totalled \$3,225 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. Ger.m Mark	Japan Yen	N.Z. Dollar
			Changes in levels	Levels at end of quarter					
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
31 December	-43	+102	+59	2,879	1.1414	0.5965	2.395	273.85	1.1193
1978 31 March	+187	+196	+383	3,262	1.1431	0.6127	2.314	253.65	1.1179
30 June	-34	-3	-37	3,225	1.1475	0.6151	2.379	234.63	1.1133

EXPLANATORY NOTES

Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the June quarter 1978, 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).

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 below sets out the values for these adjustments. Reference should be made to the annual bulletin *Balance of Payments* (5303.0) 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.

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	
1974-75	8,726	-256	20	8,490	8,080	-76	-8	-344	7,652
1975-76	9,640	-252	19	9,408	8,240	-26	-2	-288	7,924
1976-77	11,646	-133	-115	11,400	10,411	62	20	-148	10,345
1977-78	12,245	-188	-15	12,403	11,170	114	69	-150	11,203
1975-76 March	2,332	-48	41	2,324	2,121	-18	4	-70	2,037
June	2,683	-32	-18	2,634	2,181	22	-1	-78	2,124
1976-77 September	2,983	-55	-71	2,857	2,415	19	-2	-39	2,393
December	2,778	-23	50	2,804	2,417	21	-1	-30	2,407
March	2,855	-32	-24	2,799	2,778	44	11	-44	2,789
June	3,032	-22	-69	2,939	2,801	-22	11	-33	2,757
1977-78 September	3,079	-74	9	3,014	2,828	36	4	-37	2,831
December	3,072	-47	103	3,127	2,629	49	-15	-41	2,622
March	2,919	-42	-83	2,795	2,807	44	25	-30	2,846
June	3,175	-25	-43	3,107	2,906	-15	56	-42	2,905

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 December 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 the case of the statistics published in this bulletin, annual re-analysis, taking into account 1977 data, has recently been completed. An outline of the methods used, together with selected measures of variability for the series, are available on request.

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.

16. 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

17. 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.

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

Related publications

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

Balance of Payments, monthly bulletin (5301.0)

Balance of Payments, annual bulletin (5303.0)

Imports by Commodity Divisions (Preliminary), monthly (5405.0)

Exports by Commodity Divisions (Preliminary), monthly (5402.0)

Foreign Investment 1976-77 (5304.0)

Foreign Investment in Enterprises in Australia, quarterly (5306.0)

20. All publications produced by A.B.S. are listed in *Catalogue of Publications* 1977 (1101.0) which is available free of charge from any A.B.S. office.

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BALANCE OF PAYMENTS : JUNE QUARTER 1978

TABLES

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

	Quarters Ended -													
	Year				1975-76		1976-77				1977-78			
	1974-75	1975-76	1976-77	1977-78	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Visible trade -														
Exports f.o.b.	8,490	9,408	11,399	12,043	2,324	2,634	2,857	2,804	2,799	2,939	3,014	3,127	2,795	3,107
Imports f.o.b.	-7,652	-7,924	-10,345	-11,203	-2,037	-2,124	-2,393	-2,407	-2,789	-2,757	-2,831	-2,622	-2,846	-2,905
Balance of trade	838	1,484	1,054	839	288	510	464	397	10	183	183	505	-51	202
Invisible credits -														
Gold production	56	23	..	..	..	..	..	..	..	..	..	..	..	..
Transportation	949	1,038	1,234	1,326	260	273	293	312	312	315	310	335	333	348
Travel	212	233	278	326	63	47	54	84	80	60	68	104	88	66
Government	75	77	88	90	21	18	20	21	23	24	21	24	22	24
Miscellaneous	153	126	94	115	25	31	21	29	24	20	25	31	28	31
Property income	431	343	378	362	72	83	82	104	88	104	77	86	85	114
Transfers	429	359	276	378	71	84	62	75	67	72	86	93	100	99
Total invisible credits	2,305	2,198	2,347	2,597	513	536	533	623	596	596	587	673	655	681
Invisible debits -														
Transportation -														
Freight on imports	-784	-802	-1,034	-1,083	-208	-207	-243	-244	-275	-272	-272	-266	-254	-291
Other transportation	-686	-771	-910	-990	-197	-219	-224	-218	-221	-247	-246	-232	-238	-274
Travel	-428	-509	-510	-531	-107	-164	-134	-109	-103	-165	-144	-104	-110	-173
Government	-147	-175	-189	-226	-39	-60	-34	-46	-48	-61	-53	-52	-56	-64
Miscellaneous	-294	-253	-255	-320	-78	-48	-73	-54	-64	-65	-82	-80	-79	-79
Property income -														
Investment income -														
Undistributed	-241	-605	-659	-750	-151	-151	-165	-165	-165	-165	-187	-188	-187	-188
Other	-783	-872	-1,011	-1,069	-201	-249	-237	-274	-221	-280	-299	-253	-222	-295
Royalties and copyrights	-75	-75	-57	-70	-21	-17	-13	-14	-13	-16	-22	-16	-14	-18
Transfers -														
Government	-361	-388	-414	-452	-66	-88	-98	-93	-107	-116	-146	-54	-118	-134
Private	-266	-313	-290	-356	-69	-80	-77	-71	-65	-77	-91	-87	-82	-97
Total invisible debits	-4,065	-4,762	-5,329	-5,846	-1,136	-1,283	-1,298	-1,288	-1,281	-1,462	-1,542	-1,331	-1,360	-1,613
Net invisibles	-1,760	-2,564	-2,982	-3,249	-623	-747	-765	-665	-685	-867	-955	-658	-705	-932
Balance on current account	-922	-1,080	-1,928	-2,410	-336	-237	-301	-268	-675	-684	-771	-153	-756	-729

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

	Year				Quarters Ended -									
					1975-76		1976-77		1977-78					
	1974-75	1975-76	1976-77	1977-78	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Capital inflow (net) -														
Government capital movements -														
Government securities	21	46	371	1,627	-14	163	234	145	-4	-5	482	357	467	321
Other government capital movements	-45	-176	-222	-94	-28	-62	-67	-14	-25	-116	-65	-18	34	-45
<i>Total government capital movements</i>	-24	-129	148	1,533	-41	101	167	131	-29	-121	416	339	501	276
Private capital movements -														
Overseas investment in Australian companies -														
Undistributed income	241	605	659	750	151	151	165	165	165	165	187	188	187	188
Other direct investment	403	-41	396	322	58	86	-43	113	185	141	-38	61	50	249
Portfolio investment and Institutional loans	237	198	496	287	2	49	-44	199	209	132	30	90	66	101
<i>Total companies</i>	881	762	1,551	1,359	211	286	77	477	559	438	179	339	303	538
Australian investment overseas	-94	-174	-207	(a)	-38	-66	-39	-57	-51	-60	-59	-60	-59	(a)
Trade credit n.e.t.	-60	120	111	-209	52	15	11	34	71	-5	-164	-85	78	-38
Marketing authorities	-9	-16	129	(a)	30	-54	31	63	10	26	25	-58	-2	(a)
<i>Total private capital movements</i>	718	692	1,584	n.a.	255	181	81	516	589	399	-18	136	321	n.a.
Non-official monetary sector transactions	51	-25	24	(a)	45	61	-79	79	-11	34	47	-18	-21	(a)
<i>Net identified capital inflow</i>	745	538	1,756	2,683	259	343	169	726	549	312	445	457	801	776
<i>Balancing item</i>	-287	-478	-319	-815	62	-101	-135	-466	261	21	-409	-377	257	(b) -82
<i>Net apparent capital inflow</i>	458	60	1,437	1,868	321	242	34	260	811	333	36	80	1,058	694
Official monetary movements -														
Changes in official reserve assets	-460	-1,053	-190	-474	-37	-7	42	-7	127	-352	-584	-43	187	-34
Allocation of SDR	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transactions	-4	32	-301	-68	22	12	-310	-1	9	2	-152	-30	116	-1
<i>Net official monetary movements</i>	-464	-1,020	-491	-542	-15	5	-268	-9	136	-350	-736	-73	302	-35

(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 -									
	1975-76		1976-77				1977-78			
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Visible trade -										
Exports f.o.b.	2,392	2,618	2,854	2,746	2,887	2,913	3,007	3,073	2,886	3,075
Imports f.o.b.	-2,083	-2,176	-2,290	-2,410	-2,847	-2,817	-2,715	-2,627	-2,903	-2,965
Balance of trade	309	442	564	336	41	96	292	446	-16	110
Invisible credits -										
Gold production	..	..	..	..	..	..	..	..	..	..
Transportation	257	274	298	309	311	316	316	332	329	349
Travel	60	60	60	67	75	77	75	83	83	85
Government	21	18	20	21	23	24	21	23	22	24
Miscellaneous	26	32	21	27	25	21	24	29	30	32
Property income	74	83	81	103	90	104	76	86	86	114
Transfers	75	83	61	72	71	71	85	92	104	98
Total invisible credits	514	530	541	599	595	613	598	645	653	701
Invisible debits -										
Transportation -										
Freight on imports	-213	-210	-234	-243	-281	-277	-261	-266	-260	-297
Other transportation	-191	-218	-227	-223	-214	-247	-248	-238	-231	-273
Travel	-131	-129	-128	-125	-125	-130	-138	-119	-134	-137
Government	-41	-51	-38	-47	-51	-52	-59	-53	-59	-56
Miscellaneous	-77	-49	-68	-58	-63	-66	-77	-87	-77	-81
Property income -										
Investment income -										
Undistributed	-151	-151	-165	-165	-165	-165	-187	-188	-187	-188
Other	-202	-238	-264	-251	-225	-267	-355	-227	-227	-282
Royalties and copyrights	-18	-18	-13	-17	-12	-16	-21	-19	-13	-18
Transfers -										
Government	-71	-89	-93	-91	-117	-118	-134	-57	-129	-151
Private	-73	-78	-75	-71	-71	-74	-88	-87	-89	-93
Total invisible debits	-1,168	-1,231	-1,305	-1,291	-1,322	-1,413	-1,568	-1,341	-1,406	-1,575
Net invisibles	-654	-682	-764	-692	-727	-800	-970	-696	-752	-874
Balance on current account	-345	-239	-200	-355	-686	-704	-677	-251	-769	-764

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

	1975-76		1976-77				1977-78			
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Exports f.o.b.	7.0	9.4	9.0	-3.8	5.1	0.9	3.2	2.2	-6.1	6.5
Invisible credits	-8.5	7.0	-1.6	10.7	-0.7	3.1	-2.5	7.8	1.3	7.3
Imports f.o.b.	9.6	4.4	5.3	5.2	18.1	-1.0	-3.6	-3.2	10.5	2.2
Invisible debits	-3.4	5.4	6.0	-1.1	2.4	6.9	11.0	-14.4	4.8	12.0