



Reference No. 8.2

BALANCE OF PAYMENTS : DECEMBER QUARTER 1975

MAIN FEATURES

- A record overall deficit of \$722 million, as measured by net official monetary movements.
- A trade surplus of \$401 million.
- Net invisibles — payments exceeded receipts by \$570 million.
- A current account deficit of \$169 million.
- A large net apparent capital outflow of \$553 million.

TRENDS IN MAJOR AGGREGATES

Current Account

- The deficit of \$169 million in the current account balance represents a reduction of \$111 million on the September quarter and a reduction of \$218 million on the deficit in the December quarter 1974.
- Seasonally adjusted the current account deficit of \$269 million was \$86 million up on the \$183 million deficit in the September quarter.
- The balance of trade surplus of \$401 million was well up on the \$86 million surplus recorded in the previous December quarter.
- Seasonally adjusted, the balance of trade showed a surplus of \$325 million, a fall of \$50 million compared with the September quarter 1975.
- Exports, at \$2,291 million, were 9 per cent up on the September quarter, and 5 per cent above the value in the December quarter 1974. Commodity details are not yet available, but the rise over the previous December quarter seems to include rises in exports of coal, wool, cereals and meat and a fall in exports of sugar.
- Seasonally adjusted exports, at \$2,197 million, were 2 per cent up on the September quarter.
- Imports were \$1,890 million, 2 per cent above the September quarter, but 9 per cent below the corresponding December quarter in 1974. Commodity details indicate that the fall from the previous December quarter was mainly due to reductions in imports of iron and steel, chemicals, paper and plastics which more than offset rises in imports of electrical machinery and petroleum.
- Imports, seasonally adjusted, rose to \$1,872 million, up 5 per cent on the September quarter 1975.

- The \$570 million deficit on net invisibles was \$97 million higher than in the December quarter 1974. This was due to a rise of \$101 million in invisible debits which was only partly offset by a \$5 million rise in invisible credits.
- The seasonally adjusted net invisibles deficit of \$594 million was \$36 million greater than in the September quarter 1975.

Capital Account

- The net apparent capital outflow of \$553 million in the December quarter 1975 was substantially higher than the \$7 million outflow in the September quarter 1975 and represents a turnaround of \$806 million on the \$253 million inflow recorded in the December quarter 1974.
- The identified net capital outflow of \$56 million in respect of government and marketing authorities' transactions implies a net outflow of \$497 million in respect of private capital transactions (including non-official monetary sector transactions and the balancing item). This compares with an inflow for the corresponding items of \$297 million in the December quarter 1974 and an outflow of \$41 million in the September quarter 1975.

Overall Result

- The overall deficit of \$722 million, as measured by net official monetary movements, reflects both the capital outflow of \$553 million and the current account deficit of \$169 million. The fall of \$738 million in official reserve assets during the quarter occurred mainly in the month of December. The overall deficit of \$722 million compares with deficits of \$287 million in the September quarter and \$134 million in the December quarter 1974.

Level of Reserves

- At 31 December 1975, official reserve assets, valued at market rates of exchange, totalled \$2,588 million.

EXPLANATORY NOTES

Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the December quarter 1975, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in the bulletin *Balance of Payments* (Reference 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 accompanying table represent the recorded trade figures adjusted in respect of coverage, timing and valuation for balance of payments purposes.

Treatment of insurance transactions

6. In this bulletin a revised treatment of general insurance transactions has been adopted which differs from the traditional treatment used up to December 1974 and from the interim treatments used in the bulletins for the March, June and September quarters 1975.

7. Up to December 1974 transactions of the general insurance industry were reflected in the current account of the balance of payments as undistributed and distributed income payable overseas in the investment income items of invisible debits.

8. Following the Darwin cyclone in December 1974 substantial funds were remitted to Australia in the March and June quarters of 1975 to meet claims on non-resident insurers and re-insurers. It was considered inappropriate to record these amounts as negative (i.e., reduced) income payable overseas and, as an interim measure, the amounts in question were recorded in the June and September quarter bulletins as transfers credits pending a review when the 1974-75 overseas investment survey results were available.

9. This review has now been completed and it has been decided to distinguish between transactions of Australian branches and subsidiaries of overseas companies and transactions of overseas insurers and re-insurers. The former will, as in the past, continue to be regarded as overseas investment transactions giving rise to investment income and capital flows; but the latter will be treated as falling outside the scope of the survey of overseas investment and recorded in the balance of payments statistics as current transfers credits (in periods when claims received exceed premiums remitted) or as miscellaneous debits (when premiums exceed claims).

10. For consistency this revised treatment has been applied to the years 1972-73 and 1974-75.

Net official monetary movements

11. 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, and to maintain consistency between periods, 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 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 13 and 14 below).

12. 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. This change gives more meaningful figures on the level of official reserve assets at any point of time, and also improves the internal consistency of the balance of payments in as much as market rates are now used throughout to derive the Australian currency equivalents of transactions.

13. As noted in paragraph 11, 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.

14. The table below sets out changes in official reserve assets as recorded in the balance of payments from the June quarter 1973 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 changes occurred in the Australian dollar value of official reserves in the September quarter of 1973 and the September quarter of 1974. These were due mainly to the revaluation of the Australian dollar in September 1973 and the devaluation of the Australian dollar in September 1974, respectively.

Changes and Levels of Official Reserve Assets
\$ million

Quarter ended	Changes recorded in the balance of payments	Adjustments		Reserve Bank series	
		Changes due to effects of revaluations	Sterling Agreement Compensation	Changes in levels	Levels at the end of quarter
1973 30 September	- 9	-307	..	-316	3,932
31 December	+ 12	- 73	..	- 61	3,871
1974 31 March	-181	+ 61	..	-121	3,750
30 June	-206	- 10	+ 26	-191	3,560
30 September	-587	+375	..	-212	3,348
31 December	-141	+ 10	..	-131	3,217
1975 31 March	+ 26	- 23	..	+ 3	3,220
30 June	+242	+ 31	..	+273	3,493
30 September	-271	+ 96	..	-175	3,318
31 December	-738	+ 8	..	-730	2,588

Seasonal adjustment

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. An outline of the methods used and selected measures of variability for these series were provided in an appendix to the March Quarter 1975 bulletin. A general description of seasonal adjustment methods is given in *Seasonally Adjusted Indicators 1975* (Reference No. 1.10).

21. 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

22. 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.

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

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NOTE. Inquiries concerning these statistics may be made in Canberra by telephoning Mr A. James 52 7911 extension 5519 or, in each State capital, by telephoning the office of the Australian Bureau of Statistics.

BALANCE OF PAYMENTS - CURRENT ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
					1973-74				1974-75				1975-76	
	1971-72	1972-73	1973-74	1974-75	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
VISIBLE TRADE-														
EXPORTS F.O.B.	4741	6015	6694	8463	1602	1730	1626	1737	1921	2174	2122	2246	2103	2291
IMPORTS F.O.B.	-3792	-3808	-5753	-7658	-1234	-1302	-1472	-1745	-2100	-2088	-1753	-1718	-1860	-1890
BALANCE OF TRADE	949	2207	941	805	368	428	154	-8	-180	86	370	529	242	401
INVISIBLE CREDITS-														
GOLD PRODUCTION	13	15	15	15	4	4	3	4	4	4	3	4	4	4
TRANSPORTATION	498	571	680	827	145	165	176	192	199	209	208	211	226	236
TRAVEL	131	123	162	210	34	49	43	36	43	51	56	49	51	80
GOVERNMENT	90	90	93	107	23	21	24	26	25	26	28	28	28	26
MISCELLANEOUS	160	135	130	160	29	31	30	39	49	47	33	31	31	36
PROPERTY INCOME	233	372	509	392	112	129	136	129	110	110	77	96	100	92
TRANSFERS	226	238	223	320	53	58	53	59	55	67	115	83	63	55
TOTAL INVISIBLE CREDITS	1351	1544	1811	2030	401	457	469	485	484	523	520	502	503	528
INVISIBLE DEBITS -														
TRANSPORTATION -														
FREIGHT ON IMPORTS	-409	-426	-637	-841	-124	-150	-153	-209	-232	-239	-182	-189	-206	-208
OTHER TRANSPORTATION	-395	-415	-532	-624	-110	-119	-148	-155	-147	-145	-161	-171	-168	-173
TRAVEL	-264	-321	-341	-388	-80	-73	-68	-119	-94	-79	-92	-123	-106	-89
GOVERNMENT	-124	-122	-116	-150	-27	-30	-29	-31	-29	-35	-33	-54	-35	-40
MISCELLANEOUS	-210	-235	-271	-286	-65	-65	-65	-75	-88	-59	-65	-64	-76	-82
PROPERTY INCOME -														
INVESTMENT INCOME -														
UNDISTRIBUTED	-231	-313	-431	-210	-114	-114	-102	-102	-67	-68	-37	-38	-80	-80
OTHER	-537	-629	-693	-754	-134	-171	-172	-177	-140	-191	-172	-250	-165	-205
ROYALTIES AND COPYRIGHTS	-56	-75	-66	-73	-14	-15	-22	-15	-16	-16	-22	-19	-20	-20
TRANSFERS -														
GOVERNMENT	-206	-252	-290	-350	-66	-56	-71	-97	-63	-97	-96	-94	-104	-136
PRIVATE	-172	-217	-253	-235	-58	-69	-51	-76	-61	-58	-58	-59	-65	-65
TOTAL INVISIBLE DEBITS	-2603	-3005	-3589	-3910	-791	-861	-882	-1055	-936	-997	-917	-1061	-1025	-1098
NET INVISIBLES	-1251	-1461	-1777	-1880	-390	-404	-413	-570	-451	-473	-397	-558	-522	-570
BALANCE ON CURRENT ACCOUNT	-302	746	-836	-1076	-22	23	-259	-578	-631	-387	-28	-30	-280	-169

BALANCE OF PAYMENTS - CAPITAL ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
					1973-74				1974-75				1975-76	
	1971-72	1972-73	1973-74	1974-75	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
CAPITAL INFLOW (NET) -														
GOVERNMENT CAPITAL MOVEMENTS -														
GOVERNMENT SECURITIES	-46	-33	-84	16	25	-41	-16	-52	-20	-6	-9	50	-1	-29
OTHER GOVT CAPITAL MOVEMENTS	-14	-31	77	-46	54	32	2	-10	-15	5	-12	-24	-20	-44
TOTAL GOVERNMENT CAPITAL MOVEMENTS	-60	-64	-7	-30	79	-10	-14	-62	-35	-1	-21	26	-21	-73
PRIVATE CAPITAL MOVEMENTS -														
OVERSEAS INVESTMENT IN AUSTRALIAN COMPANIES -														
UNDISTRIBUTED INCOME	231	313	431	210	114	114	102	102	67	58	37	38	80	80
OTHER DIRECT INVESTMENT	652	40	147	362	-85	-6	52	186	122	153	48	39	-21	(A)
PORTFOLIO INVESTMENT AND INSTITUTIONAL LOANS	600	104	-106	273	-69	-34	-83	80	-32	23	49	233	19	(A)
TOTAL COMPANIES AUST. INVESTMENT OVERSEAS	1482	457	472	845	-40	74	71	367	157	244	134	310	78	N.A.
MARKETING AUTHORITIES	-140	-111	-188	-109	-37	-39	-69	-43	-10	-33	-28	-38	-30	(A)
	-45	34	-95	-59	27	18	-35	-105	-51	-43	8	26	55	17
TOTAL PRIVATE CAPITAL MOVEMENTS	1297	380	189	677	-50	52	-33	219	97	168	114	298	104	N.A.
NON-OFFICIAL MONETARY SECTOR TRANSACTIONS	69	-25	154	51	52	4	48	51	34	-33	10	40	-9	(A)
NET IDENTIFIED CAPITAL INFLOW	1305	291	336	697	81	47	..	208	96	135	102	364	74	23
BALANCING ITEM (B)	471	34	61	-80	-76	-81	77	142	-46	118	-52	-106	-81	-576
NET APPARENT CAPITAL INFLOW	1776	325	397	611	5	-35	78	350	50	253	50	258	-7	-553
OFFICIAL MONETARY MOVEMENTS -														
CHANGES IN OFFICIAL RESERVE ASSETS	1544	1079	-384	-460	-9	12	-181	-206	-587	-141	26	242	-271	-738
ALLOCATION OF SDR	-63
OTHER TRANSACTIONS	-8	-9	-55	-5	-8	-24	..	-22	5	7	-3	-14	-15	16
NET OFFICIAL MONETARY MOVEMENTS	1474	1071	-439	-465	-17	-12	-182	-228	-581	-134	23	228	-287	-722

(A) NOT YET AVAILABLE, INCLUDED IN THE BALANCING ITEM. (B) INCLUDES ITEMS FOOTNOTED (A). N.A. NOT AVAILABLE.

BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED
\$ MILLION

	QUARTERS ENDED -									
	1973-74				1974-75				1975-76	
	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
VISIBLE TRADE-										
EXPORTS F.O.B.	1638	1668	1640	1747	1969	2088	2141	2261	2159	2197
IMPORTS F.O.B.	-1183	-1290	-1508	-1797	-2014	-2068	-1793	-1771	-1783	-1872
BALANCE OF TRADE	455	378	132	-50	-45	21	348	490	375	325
INVISIBLE CREDITS-										
GOLD PRODUCTION	4	4	3	4	4	4	3	4	4	4
TRANSPORTATION	143	161	180	199	195	205	211	218	222	230
TRAVEL	40	40	40	43	50	50	53	58	60	65
GOVERNMENT	23	21	23	25	25	27	28	27	28	27
MISCELLANEOUS	30	31	29	39	50	47	32	31	32	36
PROPERTY INCOME	108	127	143	131	105	108	81	98	97	91
TRANSFERS	51	56	55	60	54	64	117	85	62	53
TOTAL INVISIBLE CREDITS	400	441	474	501	484	504	524	520	504	506
INVISIBLE DEBITS -										
TRANSPORTATION -										
FREIGHT ON IMPORTS	-121	-145	-159	-215	-226	-230	-189	-194	-200	-200
OTHER TRANSPORTATION	-120	-121	-135	-159	-160	-147	-144	-176	-182	-175
TRAVEL	-80	-94	-82	-86	-93	-102	-111	-89	-105	-115
GOVERNMENT	-31	-30	-30	-26	-33	-35	-34	-46	-40	-41
MISCELLANEOUS	-63	-65	-66	-78	-85	-69	-63	-68	-74	-83
PROPERTY INCOME -										
INVESTMENT INCOME -										
UNDISTRIBUTED	-114	-114	-102	-102	-67	-68	-37	-38	-80	-80
OTHER	-156	-154	-175	-171	-162	-173	-174	-243	-193	-187
ROYALTIES AND COPYRIGHTS	-15	-14	-19	-17	-18	-15	-19	-22	-21	-18
TRANSFERS -										
GOVERNMENT	-62	-51	-83	-94	-60	-97	-110	-87	-102	-136
PRIVATE	-58	-69	-51	-76	-61	-58	-58	-59	-65	-65
TOTAL INVISIBLE DEBITS	-820	-856	-902	-1022	-965	-995	-938	-1021	-1062	-1100
NET INVISIBLES	-420	-415	-428	-522	-481	-491	-414	-500	-558	-594
BALANCE ON CURRENT ACCOUNT	35	-37	-296	-572	-520	-470	-66	-10	-183	-269

BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED

PERCENTAGE CHANGE FROM PRECEDING QUARTER

	1973-74				1974-75				1975-76	
	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
EXPORTS F.O.B.	8.4	1.8	-1.7	6.5	12.7	6.1	2.5	5.6	-4.5	1.8
INVISIBLE CREDITS	3.9	10.3	7.4	5.5	-3.4	4.2	4.0	-0.7	-3.2	0.3
IMPORTS F.O.B.	13.4	9.1	16.9	19.2	12.0	2.7	-13.3	-1.2	0.7	5.0
INVISIBLE DEBITS	7.8	4.5	5.3	13.4	-5.7	3.2	-5.7	8.1	4.1	3.5