



## INQUIRIES

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## BALANCE OF PAYMENTS : JUNE QUARTER 1977

### MAIN FEATURES

#### June quarter 1977

- an overall deficit, as measured by net official monetary movements, of \$352 million.
- Record exports of \$2,938 million, \$76 million higher than the previous record in September quarter 1976 and \$302 million above the June quarter 1976 figure.
- Imports of \$2,755 million, \$38 million down on the previous quarter but \$631 million higher than the June quarter 1976.
- A trade surplus of \$183 million, a rise of \$176 million on the previous quarter but a fall of \$329 million on the June quarter 1976.
- Net invisibles — payments exceeded receipts by \$818 million.
- A deficit on current account of \$635 million.
- A net apparent capital inflow of \$284 million.

#### Year 1976-77

- An overall deficit, as measured by net official monetary movements, of \$492 million, less than half the \$1,020 million deficit in 1975-76.
- Record exports of \$11,403 million, \$1,993 million, or 21 per cent, higher than in 1975-76.
- Record imports of \$10,348 million, \$2,424 million, or 31 per cent, higher than in 1975-76.
- A trade surplus of \$1,056 million, \$430 million lower than 1975-76.
- A deficit of \$2,934 million in respect of current invisibles transactions, \$350 million up on the deficit in 1975-76.
- A record current account deficit of \$1,878 million, \$780 million up on the deficit in 1975-76.
- A net apparent capital inflow of \$1,386 million, the highest net inflow since the record \$1,779 million in 1971-72.

### TRENDS IN MAJOR AGGREGATES

#### Current Account

- The *current account* deficit of \$635 million for the June quarter compared with a deficit of \$242 million in the June quarter 1976.
- *Seasonally adjusted*, the *current account* deficit was \$686 million, \$63 million lower than the deficit for the March quarter 1977.
- The *current account* deficit for the year 1976-77 was, at \$1,878 million, \$780 million more than in 1975-76.
- The *balance of trade* surplus of \$183 million for the June quarter was \$329 million lower than in June quarter 1976.
- *Seasonally adjusted*, the *trade surplus* was \$78 million, a turnaround of \$96 million on the deficit for the March quarter 1977.
- The *balance of trade* surplus of \$1,056 million in 1976-77 was \$430 million lower than for 1975-76.
- *Exports* (on a balance of payments basis) were a record at \$2,938 million in the June quarter, 5 per cent up on the March quarter and 11 per cent higher than exports in the June quarter 1976. *Seasonally adjusted*, *exports* were \$2,940 million, an increase of \$77 million, or 3 per cent on the March quarter.
- For 1976-77 as a whole, the \$1,993 million (21 per cent) increase in the value of *exports* reflected increases in both volume and in export prices. In value terms the most significant increases were in exports of wool, metal ores, coal, metal manufactures, meat, chemicals and sugar.
- *Imports* (on a balance of payments basis) in the June quarter 1977 fell by \$38 million from the record level of the previous quarter but were \$631 million, or 30 per cent, higher than in June quarter 1976. *Seasonally adjusted*, *imports* at \$2,862 million were down slightly from the record level of the previous quarter.

The \$2,424 million (31 per cent) rise in the value of imports in 1976-77, from \$7,924 m in 1975-76 to \$10,348 m appears to have been due approximately equally to volume and price factors. In value terms the main increases were recorded in imports of machinery, transport equipment, petroleum, chemicals and plastics, paper and textile manufactures and foodstuffs.

The deficit of \$818 million for *net invisibles* in the June quarter was a substantial increase on the net deficits for previous quarters. *Seasonally adjusted, net invisibles* at \$764 million were \$33 million up on the March quarter. The \$2,934 million deficit for the year was \$350 million higher than in 1975-76 due mainly to a \$530 million increase in invisible debits, particularly in respect of transportation services and investment income payable overseas.

### Capital Account

The *net apparent capital inflow* of \$284 million in the June quarter was substantially lower than the net inflow in the March quarter. There was a net outflow of \$89 million in respect of government capital transactions. The implied net inflow of \$391 million for private capital (excluding marketing authorities but including the balancing item) compared with a net inflow of \$810 million in the March quarter 1977 and \$147 million in the December quarter 1976.

For 1976-77 as a whole, there was a *net apparent capital inflow* of \$1,386 million. The turnaround of \$230 million on account of government capital transactions largely resulted from a \$300 million increase in net government borrowings which more

than offset the increased outflow in respect of other government capital transactions. Net apparent capital inflow in 1976-77 was the third highest on record, principally due to substantial government overseas borrowings in the first half year and massive inflows of private capital following the devaluation of the Australian dollar in November 1976. Details of private capital movements for the June quarter 1977 and 1976-77 as a whole are not yet available and for these periods the unidentified components are reflected in the balancing item.

### Overall result

*Net official monetary movements* during the June quarter 1977 reflected a substantial deficit of \$352 million compared with a small \$5 million surplus in the June quarter 1976.

The overall result for the year 1976-77 as measured by *net official monetary movements* was a deficit of \$492 million, comprised of a reduction due to balance of payments transactions of \$190 million in official reserve assets and a net increase of \$302 million in official liabilities, mainly reflecting the Australian drawing from the I.M.F. under the Compensatory Financing Facility in July 1976. The overall deficit of \$492 million was the fourth successive annual deficit but was significantly below the \$1,020 million deficit recorded in 1975-76.

### Level of Reserves

At 30 June 1977, Australia's *official reserve assets*, valued at market rates of exchange, totalled \$2,638 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. Germ Mark	Japan Yen	N.Z. Dollar
			Changes in levels	Levels at end of quarter					
1975 31 March	+26	-23	+3	3,220	1.3537	0.5609	3.172	393.51	1.0081
30 June	+242	+31	+273	3,493	1.3258	0.5968	3.120	393.43	1.0232
30 September	-271	+96	-175	3,318	1.2560	0.6160	3.351	380.69	1.2008
31 December	-738	+8	-730	2,588	1.2571	0.6206	3.292	383.35	1.2044
1976 31 March	-37	+20	-17	2,571	1.2486	0.6513	3.171	374.62	1.2205
30 June	-7	+12	+5	2,576	1.2356	0.6927	3.182	366.44	1.2450
30 September	+42	+14	+56	2,632	1.2373	0.7409	3.036	354.96	1.2678
31 December	-7	+294	+287	2,919	1.0864	0.6385	2.555	317.34	1.1435
1977 31 March	+127	-47	+80	2,999	1.1031	0.6411	2.638	306.32	1.1475
30 June	-352	-9	-361	2,638	1.1108	0.6458	2.616	300.84	1.1506

## EXPLANATORY NOTES

### Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the June quarter 1977, 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 main tables represent the recorded trade figures adjusted in respect of coverage, timing and valuation for balance of payments purposes. The table on page 4 sets out the values for these adjustments. For the first time in this bulletin these adjustments include a timing adjustment based on information on changes in the value of Australian exports held on consignment overseas and on imports held on consignment in Australia. This adjustment is made to bring the value of exports and imports on a balance of payments basis more closely into line with the concept whereby goods shipped on consignment ought not to be recorded on shipment or arrival but the time they are sold. Reference should be made to the annual bulletin *Balance of Payments* (Reference No. 8.1) for a more detailed 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. 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.

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 March 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. A major change occurred in the Australian dollar value of official reserves 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.

### 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 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.

15. 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

16. 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.

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

#### Related publications

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

*Balance of Payments*, monthly bulletin (Reference No. 8.30)

*Balance of Payments*, annual bulletin (Reference No. 8.1)

*Imports by Commodity Divisions (Preliminary)*, monthly (Reference No. 8.13)

*Exports by Commodity Divisions (Preliminary)*, monthly (Reference No. 8.18)

*Overseas Investment 1975-76* (Reference No. 5.20)

*Foreign Investment in Enterprises in Australia*, quarterly (Reference No. 5.61)

19. All publications produced by A.B.S. are listed in *Publications of the Australian Bureau of Statistics* (Reference No. 1.8) which is available free of charge from any A.B.S. office.

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Australian Statistician

Trade statistics : adjustments for balance of payments purposes  
(\$ million)

Years quarters	Exports			Balance of Payments basis	Trade basis(a)	Imports			Balance of Payments basis
	Trade basis(a)	Adjustments				Adjustments			
		Coverage	Timing			Coverage	Timing	Valuation	
1973-74	6,914	-193	-34	6,688	6,085	-53	1	-279	5,754
1974-75	8,726	-256	20	8,490	8,080	-76	-9	-344	7,652
1975-76	9,642	-252	20	9,410	8,240	-26	-2	-288	7,924
1976-77	11,648	-127	-117	11,403	10,412	95	-7	-152	10,348
1974-75 March	2,158	-77	29	2,110	1,852	-19	-2	-75	1,756
June	2,393	-47	-47	2,299	1,843	-54	-4	-74	1,711
1975-76 September	2,339	-118	-64	2,157	1,960	-25	-4	-73	1,858
December	2,287	-54	60	2,293	1,979	-5	-1	-67	1,905
March	2,331	-48	41	2,324	2,121	-18	4	-70	2,037
June	2,685	-32	-17	2,636	2,181	22	-1	-78	2,124
1976-77 September	2,987	-54	-71	2,862	2,415	16	..	-37	2,394
December	2,776	-22	50	2,804	2,417	23	-3	-31	2,406
March	2,855	-31	-24	2,800	2,777	52	8	-44	2,793
June	3,030	-20	-72	2,938	2,803	3	-11	-40	2,755

(a) 1976-77 figures have been revised since the June 1977 issue of bulletin *Exports and Imports (Preliminary)* (Reference No. 8.12).

**BALANCE OF PAYMENTS : JUNE QUARTER 1977**

**TABLES**

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

	Quarters Ended -															
	Year				1974-75				1975-76				1976-77			
	1973-74	1974-75	1975-76	1976-77	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June		
Visible trade -																
Exports f.o.b.	6,688	8,490	9,410	11,403	2,110	2,299	2,157	2,293	2,324	2,636	2,862	2,804	2,800	2,938		
Imports f.o.b.	-5,754	-7,652	-7,924	-10,348	-1,756	-1,711	-1,858	-1,905	-2,037	-2,124	-2,394	-2,406	-2,793	-2,755		
Balance of trade	934	838	1,486	1,056	354	588	299	388	287	512	468	398	7	183		
Invisible credits -																
Gold production	30	56	23	..	19	14	11	12	..	..	..	..	..	..		
Transportation	680	947	1,024	1,260	249	226	246	256	254	268	287	309	327	337		
Travel	159	206	229	280	53	41	50	71	62	46	56	84	77	64		
Government	67	75	77	87	17	18	19	19	21	18	20	20	23	24		
Miscellaneous	130	153	126	97	30	30	33	37	25	31	21	29	24	23		
Property income	514	415	336	356	81	106	96	87	74	80	82	90	90	95		
Transfers	275	429	358	274	140	131	105	99	71	84	62	75	70	68		
Total invisible credits	1,855	2,280	2,173	2,353	589	565	560	580	507	526	527	606	610	610		
Invisible debits -																
Transportation -																
Freight on imports	-637	-803	-839	-1,110	-172	-182	-202	-199	-219	-220	-255	-267	-291	-297		
Other transportation	-538	-662	-735	-869	-177	-162	-172	-169	-187	-207	-212	-209	-218	-231		
Travel	-341	-428	-509	-520	-92	-140	-125	-113	-107	-164	-134	-109	-106	-171		
Government	-109	-140	-167	-166	-30	-51	-35	-40	-37	-55	-33	-38	-45	-50		
Miscellaneous	-271	-302	-260	-239	-67	-73	-62	-68	-81	-50	-69	-52	-61	-57		
Property income -																
Investment income -																
Undistributed	-425	-236	-616	-700	-44	-44	-154	-154	-154	-154	-175	-175	-175	-175		
Other	-665	-782	-854	-935	-174	-260	-183	-231	-196	-245	-231	-247	-205	-252		
Royalties and copyrights	-66	-75	-75	-53	-22	-21	-22	-15	-21	-17	-13	-14	-13	-12		
Transfers -																
Government	-297	-361	-388	-412	-99	-97	-94	-140	-66	-88	-98	-93	-106	-114		
Private	-261	-266	-313	-282	-65	-75	-79	-85	-69	-80	-77	-71	-65	-69		
Total invisible debits	-3,609	-4,054	-4,757	-5,287	-942	-1,104	-1,127	-1,213	-1,136	-1,280	-1,298	-1,275	-1,285	-1,429		
Net invisibles	-1,754	-1,774	-2,584	-2,934	-353	-539	-567	-634	-629	-754	-771	-670	-675	-818		
Balance on current account	-820	-936	-1,098	-1,878	1	49	-268	-246	-341	-242	-303	-271	-668	-635		

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

	Quarters Ended -													
	Year				1974-75		1975-76				1976-77			
	1973-74	1974-75	1975-76	1976-77	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Capital inflow (net) -														
Government capital movements -														
Government securities	-84	21	46	347	-8	52	-41	-62	-14	163	226	137	-7	-8
Other government capital movements	80	-53	-144	-216	-14	-26	-29	-26	-26	-63	-54	-39	-41	-80
Total government capital movements	-4	-32	-98	132	-22	26	-70	-88	-40	100	171	97	-49	-89
Private capital movements -														
Overseas investment in Australian companies -														
Undistributed income	425	236	616	700	44	44	154	154	154	154	175	175	175	175
Other direct investment	174	400	-57	(a)	30	90	6	-202	56	83	-47	106	188	(a)
Portfolio investment and Institutional loans	-134	246	185	(a)	44	243	74	63	2	46	-72	187	218	(a)
Total companies	464	882	744	n.a.	118	376	233	15	212	283	57	468	581	n.a.
Australian investment overseas	-235	-130	-161	(a)	-32	-51	-7	-57	-36	-61	-34	-39	-42	(a)
Marketing authorities	-95	-59	133	94	8	26	55	17	53	8	51	19	43	-19
Total private capital movements	135	693	716	n.a.	95	352	282	-25	230	230	73	447	582	n.a.
Non-official monetary sector transactions	149	51	-25	(a)	5	44	-6	-125	45	61	-79	79	-10	(a)
Net identified capital inflow	280	712	594	925	77	422	206	-238	236	391	166	624	523	67
Balancing item (b)	106	-241	-516	461	-55	-242	-224	-239	91	-144	-130	-361	281	216
Net apparent capital inflow	386	471	78	1,386	22	179	-18	-477	326	247	36	263	804	284
Official monetary movements -														
Changes in official reserve assets	-384	-460	-1,053	-190	26	242	-271	-738	-37	-7	42	-7	127	-352
Allocation of SDR	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Other transactions	-50	-4	32	-302	-3	-13	-16	14	22	12	-310	-1	9	..
Net official monetary movements	-435	-464	-1,020	-492	23	228	-287	-723	-15	5	-268	-9	136	-352

(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 -									
	1974-75		1975-76				1976-77			
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Visible trade -										
Exports f.o.b.	2,150	2,301	2,173	2,231	2,373	2,638	2,875	2,735	2,863	2,940
Imports f.o.b.	-1,808	-1,777	-1,768	-1,877	-2,099	-2,206	-2,276	-2,370	-2,880	-2,862
Balance of trade	343	523	406	354	275	431	599	365	-18	78
Invisible credits -										
Gold production	27	13	11	9	..	..	..	..	..	..
Transportation	249	227	250	252	254	269	291	305	326	338
Travel	50	49	56	58	59	55	62	69	73	77
Government	18	19	18	19	22	18	19	20	24	24
Miscellaneous	31	30	34	33	26	32	21	27	25	24
Property income	85	109	92	84	76	82	79	88	92	97
Transfers	144	132	104	95	75	85	62	71	73	68
Total invisible credits	603	580	564	551	511	541	534	579	613	629
Invisible debits -										
Transportation -										
Freight on imports	-183	-186	-197	-187	-235	-225	-248	-251	-313	-304
Other transportation	-164	-164	-177	-172	-179	-208	-218	-212	-209	-233
Travel	-112	-108	-123	-130	-131	-128	-130	-125	-130	-134
Government	-31	-45	-39	-40	-39	-48	-37	-38	-47	-44
Miscellaneous	-67	-75	-58	-71	-80	-52	-65	-54	-60	-60
Property income -										
Investment income -										
Undistributed	-44	-44	-154	-154	-154	-154	-175	-175	-175	-175
Other	-174	-260	-207	-205	-194	-244	-251	-229	-203	-253
Royalties and copyrights	-19	-22	-22	-17	-18	-18	-14	-16	-11	-13
Transfers -										
Government	-117	-89	-89	-126	-77	-86	-97	-84	-127	-112
Private	-68	-73	-79	-84	-73	-78	-77	-70	-70	-66
Total invisible debits	-980	-1,066	-1,144	-1,185	-1,179	-1,240	-1,311	-1,254	-1,345	-1,393
Net invisibles	-377	-486	-580	-633	-667	-699	-777	-675	-731	-764
Balance on current account	-34	37	-175	-279	-393	-268	-178	-309	-749	-686

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

	Quarters Ended -									
	1974-75		1975-76				1976-77			
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Exports f.o.b.	2.2	7.0	-5.5	2.7	6.4	11.1	9.0	-4.9	4.7	2.7
Invisible credits	7.5	-3.8	-2.7	-2.2	-7.3	5.8	-1.4	8.5	5.9	2.5
Imports f.o.b.	-12.1	-1.7	-0.6	6.2	11.8	5.1	3.2	4.1	21.6	-0.6
Invisible debits	-2.5	8.8	7.4	3.5	-0.5	5.2	5.7	-4.4	7.2	3.6