

BALANCE OF PAYMENTS: QUARTERLY SUMMARY
DECEMBER QUARTER 1971

Reference No. 8.2

NOTES ON THE STATISTICS

1. This statement contains estimates of Australia's balance of payments for the December quarter 1971 together with revised estimates for previous quarters and financial years. More detailed estimates are published half-yearly in the mimeographed bulletin "Balance of Payments" (Reference No. 8.1).
2. Quarterly estimates are available only in summary form and are preliminary and subject to revision. The items most subject to revision are those for which the basic data are derived from annual surveys which inevitably involve substantial time lags before the results become available.
3. Any discrepancies between totals and sums of components in the accompanying table, or between aggregates quoted in the text and their components, are due to rounding.

DECEMBER QUARTER 1971

4. Preliminary estimates of the balance of payments for the three months ended December 1971 show a deficit of \$177 million on current account, a net apparent capital inflow of \$443 million and a favourable net monetary movement of \$266 million. Compared with the corresponding quarter of 1970 in which there was a favourable net monetary movement of \$25 million, the much larger net monetary movement in the December quarter of 1971 resulted partly from a smaller deficit on current account (down \$64 million) but mainly from a substantial increase in the net apparent capital inflow (up \$177 million).
5. The current account balance improved from a deficit of \$241 million in the December quarter of 1970 to a deficit of \$177 million in the December quarter of 1971. This improvement was mainly due to an increase of \$42 million in the balance of trade surplus coupled with a decrease of \$22 million in the net deficit on invisible transactions. Exports on a balance of payments basis in the December quarter of 1971 were \$1,117 million, \$84 million (8 per cent) higher than in the corresponding quarter a year earlier, while imports on a balance of payments basis were \$980 million, \$42 million (4 per cent) greater. As a result the balance of trade surplus increased from \$95 million to \$137 million. Full commodity details of exports during the December quarter of 1971 are not yet available but a comparison of recorded trade figures for the first two months of the quarter with the corresponding 2 months a year earlier indicates that notable increases occurred in the value of exports of meats and machinery and transport equipment while the value of exports of wool and sheepskins declined sharply. In respect of imports, a comparison of recorded trade figures for the December quarter of 1971 with the corresponding quarter of the previous year shows that although a number of principal categories of merchandise imports rose in value, notably manufactured textiles and transport equipment other than road motor vehicles, these increases, in total, were more than offset by falls in the value of a number of other principal categories, in particular imports of non-electric machinery and chemicals. The major factor contributing to the overall rise in the value of imports on a balance of payments basis, despite the fall in recorded imports, was the delivery of aircraft for use on overseas routes during the three months ended December 1971. Such aircraft are excluded from recorded trade statistics but are included in imports on a balance of payments basis.
6. The net deficit in respect of current account invisible transactions improved from \$336 million during the December quarter of 1970 to \$314 million in the quarter just ended. Both invisible credits and invisible debits showed increases in value between the two periods. Total invisible credits rose by \$49 million (16 per cent) to \$347 million, largely on account of increased earnings in respect of transportation services, property income receivable from overseas and miscellaneous services; and total invisible debits rose by \$26 million (4 per cent) to \$660 million, the major factors contributing to this rise being investment income payable overseas and miscellaneous debits.

(continued on page 4.)

2. BALANCE OF PAYMENTS - DECEMBER QUARTER 1968 TO DECEMBER QUARTER 1971 AND YEARS 1966-67 TO 1970-71

\$ million

	Year ended June -					Quarters ended -												
	1967	1968	1969	1970	1971	1968-69			1969-70			1970-71			1971-72			
						Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
CURRENT ACCOUNT (a) -																		
Exports f.o.b. (b)	2,926	2,942	3,217	3,967	4,213	826	793	856	963	970	1,013	1,021	1,034	1,033	993	1,153	1,189	1,117
Imports f.o.b. (b)	2,837	3,159	3,203	3,553	3,790	804	740	815	894	897	856	906	962	938	909	981	1,054	980
Balance of trade	89	-218	14	414	423	22	52	41	69	74	158	115	72	95	84	171	135	137
Invisible credits -																		
Gold production	24	22	20	18	15	6	4	5	4	4	5	5	4	4	3	4	4	4
Transportation	320	362	392	445	480	98	98	101	107	112	115	112	121	120	115	124	136	131
Travel	70	88	108	124	144	28	28	29	28	33	32	31	30	43	42	30	32	46
Government	85	76	80	87	81	19	22	21	21	20	21	25	20	20	19	22	23	22
Miscellaneous	55	69	75	108	121	18	21	21	21	22	33	32	32	28	22	39	28	37
Property income	123	129	150	156	153	29	43	42	31	42	36	47	39	34	36	44	56	56
Transfers	136	156	165	182	177	43	39	42	45	44	47	46	45	49	40	43	48	52
Total invisible credits	810	902	989	1,120	1,172	240	254	260	256	277	288	298	290	298	278	306	327	347
Invisible debits -																		
Transportation	554	655	699	754	826	170	181	175	175	187	192	201	197	209	211	209	209	212
Travel	133	140	150	176	187	27	35	54	42	32	40	63	46	36	40	66	47	39
Government	81	95	111	124	127	26	30	32	29	29	28	38	27	32	29	39	32	32
Miscellaneous	98	98	104	144	166	16	3	23	33	36	39	37	38	36	46	45	51	46
Property income -																		
Investment income	409	539	652	736	761	170	150	180	150	196	194	197	165	214	182	200	183	231
Other	56	64	63	68	64	17	13	16	18	19	16	14	20	18	13	13	14	14
Transfers -																		
Government	151	154	159	180	185	46	32	46	41	55	39	46	49	54	42	40	53	48
Private	79	84	90	112	132	23	21	25	27	29	25	30	31	35	33	33	37	38
Total invisible debits	1,560	1,828	2,028	2,294	2,448	506	494	550	514	582	573	624	573	634	596	645	626	660
Net invisibles	-750	-927	-1,039	-1,174	-1,277	-265	-240	-290	-258	-305	-285	-326	-284	-336	-318	-340	-299	-314
Balance on current account	-661	-1,144	-1,024	-760	-854	-243	-187	-249	-190	-232	-127	-211	-211	-241	-234	-168	-164	-177
CAPITAL INFLOW (a) -																		
Overseas investment in Australia -																		
Government securities -																		
Domiciled overseas	25	134	138	-121	-48	1	72	-21	-68	-11	-8	-35	-30	-42	44	-20	-2	-25
Domiciled in Australia	-2	14	-1	6	4	1	..	-1	4	..	1	1	4	..	..	..	-2	..
Total government securities	23	148	136	-115	-44	2	72	-22	-64	-11	-7	-34	-27	-42	44	-20	-3	-25
Companies -																		
Undistributed income	115	229	280	295	322	70	70	70	74	74	74	74	81	81	81	80	86	*
Other direct investment	219	315	339	445	655	92	50	148	37	67	139	202	88	90	185	293	181	*
Portfolio investment and institutional loans	176	417	402	285	516	114	133	50	25	92	100	68	45	125	131	216	105	*
Total companies (c)	509	962	1,021	1,025	1,493	276	253	268	136	232	313	344	214	295	396	588	373	*
Total overseas investment in Australia (c)	532	1,110	1,158	910	1,449	278	325	246	72	221	307	310	187	253	440	569	370	*
Australian investment overseas (c)	-27	-36	-50	-149	-60	-19	-5	-17	-30	-41	-32	-47	-8	-25	-17	-10	-28	*
Other government capital movements	-52	-60	-67	-60	-15	3	-20	-10	-25	4	-26	-12	13	-8	-18	-3	2	14
Marketing authorities	-75	33	27	-47	-43	15	15	-11	1	-22	-9	-16	2	-15	-22	-8	30	-5
Monetary sector transactions n.e.i.	6	42	-6	30	24	5	-2	-5	11	-11	..	31	-4	8	51	-30	14	-21
Net identified capital inflow	384	1,089	1,063	684	1,356	282	313	203	28	151	239	266	191	214	433	518	387	(d)-37
Balancing item	153	135	110	113	100	20	3	47	-23	37	-95	194	-49	52	62	35	38	(e)479
Net apparent capital inflow	537	1,223	1,173	796	1,456	302	316	250	5	187	144	460	142	266	496	553	424	443
MONETARY MOVEMENTS (a) -																		
Changes in official reserve assets	-132	(f)73	143	(g)118	(g)742	12	133	-2	-184	-110	(g)106	306	-34	7	(g)343	426	256	(b)251
Allocation of Special Drawing Rights	..	..	..	-75	-64	..	..	..	..	..	-75	..	..	..	-64	..	..	..
Changes in other foreign assets	-18	(f)8	26	6	-66	53	-4	12	-1	72	-14	-51	-34	22	-21	-34	5	(h)18
Other monetary movements	26	-3	-20	-12	-10	-7	..	-9	..	-7	..	-6	-2	-5	3	-7	..	-3
Net monetary movements	-124	79	148	37	602	59	129	1	-184	-44	17	249	-70	25	262	385	261	266

(a) For current account balances minus sign (-) denotes deficit; for capital inflow minus sign (-) denotes outflow; for monetary movements minus sign (-) denotes a decrease in assets or an increase in liabilities or the receipt of an allocation of Special Drawing Rights in the I.M.F. (b) Recorded trade figures adjusted in respect of coverage and valuation for balance of payments purposes. (c) Full details of the Survey of Overseas Investment are not available for the December quarter 1971 and for this period the items marked (*) are included with the balancing item. (d) Excludes items marked (*). (e) Includes items marked (*). (f) Excludes the effects of the November 1967 devaluation of the pound sterling and other currencies which reduced by \$111 million and \$2 million, respectively, the Australian dollar equivalents of official reserve assets and other foreign assets. (g) Includes the allocation of Special Drawing Rights. (h) Excludes the effects of the December 1971 change in official parity relationships between the Australian dollar and various foreign currencies which reduced by \$60 million and

7. The net apparent capital inflow of \$443 million during the December quarter of 1971 (a record net inflow for a December quarter) was \$177 million (67 per cent) higher than the net apparent inflow in the corresponding quarter of 1970. Because details of many of the major components of this net apparent capital inflow are not yet available for the quarter just ended, comments on capital movements can be made only in terms of broad aggregates. Identified capital movements accounted for a net outflow of \$37 million during the December quarter of 1971 compared with a net outflow of \$57 million for the same group of items (government securities, other government capital movements, marketing authorities and monetary sector transactions not elsewhere included) during the corresponding quarter of 1970. Most of this lower net outflow can be attributed to government capital movements. There was a reduction in the net outflow in respect of transactions in government securities domiciled overseas, from \$42 million in the December quarter of 1970 to \$25 million in the three months ended December 1971, due mainly to larger drawings on overseas loans (other than defence loans); and other government capital movements accounted for a net inflow of \$14 million compared with a net outflow of \$8 million in the December quarter of 1970, due largely to increased deliveries (over payments) of civil aircraft from overseas. Marketing authorities' transactions resulted in a net outflow of \$5 million compared with a net outflow of \$15 million in the corresponding quarter a year earlier. A large part of this change can be attributed to a net decrease in the estimated value of unsold butter stocks held overseas. Monetary sector transactions n.e.i. showed a turnaround from a net inflow of \$8 million in the December quarter of 1970 to a net outflow of \$21 million in the corresponding three months of 1971. The major part of the significant increase in net apparent capital inflow in the recent quarter, however, can be attributed to as yet unidentified capital movements (private overseas investment in companies in Australia and Australian investment overseas) which, together with the balancing item, accounted for a net inflow of \$479 million, an increase of \$157 million over the net inflow of \$322 million for these same items in the December quarter of 1970.

8. The favourable net monetary movement of \$266 million during the quarter ended December 1971 included a rise of \$251 million in official reserve assets and a rise of \$18 million in other foreign assets. These increases exclude the effects of the December 1971 change in official parity relationships between the Australian dollar and various foreign currencies which reduced by \$60 million and \$1 million, respectively, the Australian dollar equivalents of official reserve assets and other foreign assets. Such reductions are excluded from balance of payments estimates because the balance of payments generally covers only transactions and does not record changes in the value of assets and liabilities resulting from revaluations. At 31 December 1971 gold and net foreign assets of Australia's official and banking institutions totalled \$2,782 million, comprising official reserve assets of \$2,727 million and other foreign assets of \$56 million. Holdings of gold and assets denominated in foreign currencies have been converted to Australian dollars on the basis of official parity relationships.

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NOTE. Inquiries concerning these statistics may be made in Canberra by telephoning 63 9111, extension 2192 or, in each State capital, by telephoning the office of the Bureau of Census and Statistics.