



Reference No. 8.2

## BALANCE OF PAYMENTS : DECEMBER QUARTER 1974

### MAIN FEATURES

- . An overall deficit, as measured by net monetary movements, of \$147 million.
- . Record exports of \$2,128 million, \$184 million higher than the previous record in the September quarter.
- . Imports of \$2,096 million, slightly down on the record level of the September quarter.
- . A small trade surplus of \$32 million.
- . A current account deficit of \$440 million.
- . A net apparent capital inflow of \$293 million, the highest net inflow since December quarter 1972.

### TRENDS IN MAJOR AGGREGATES

#### Current account

- . The *balance of trade* surplus of \$32 million was a turnaround of \$189 million from the deficit in the September quarter and compares with a surplus of \$388 million in the December quarter 1973.
- . *Seasonally adjusted, the balance of trade* was a surplus of \$89 million, as compared to the \$85 million deficit in the September quarter.
- . *Imports* of \$2,096 million were \$795 million, or 61 per cent, up on the previous December quarter. The value of imports of most commodities rose in the December quarter 1974 compared with December quarter 1973, most notably petroleum, chemicals, plastics, clothing, machinery and transport equipment.
- . *Seasonally adjusted imports* were \$2,048 million, \$23 million (1 per cent) up on the September quarter.
- . The value of *exports*, at \$2,128 million, was a record and was \$439 million (26 per cent) up on the previous December quarter. Compared with December quarter 1973, increases in the value of exports of cereals, sugar, metal ores, coal and chemicals more than offset falls in the value of exports of meat and wool.

- . *Seasonally adjusted exports* were \$2,137 million during December quarter 1974, an increase of \$197 million (10 per cent) on the September quarter.
- . The deficit on *invisible transactions* of \$472 million was \$101 million, or 27 per cent, greater than that for the December quarter 1973.
- . *Seasonally adjusted, net invisibles* showed a deficit of \$470 million, \$7 million (2 per cent) down on the September quarter.
- . The \$440 million *balance on current account* deficit compared with a surplus of \$17 million in December quarter 1973.
- . *Seasonally adjusted, the current account deficit* of \$381 million was \$181 million (32 per cent) down on the September quarter deficit.

#### Capital account

- . The *net apparent capital inflow* of \$293 million in December quarter 1974 was a turnaround of \$298 million from the outflow in the September quarter 1974 and compares with an outflow of \$19 million in the December quarter 1973. The identified net outflow of \$67 million on account of government and marketing authorities' transactions implies a net inflow of \$360 million for private capital movements (including the balancing item) for the December quarter, well above the \$91 million in the September quarter 1974 and a turnaround of \$387 million on December quarter 1973.

#### Overall result

- . The overall deficit measured by *net monetary movements* was \$147 million compared with the record deficit of \$613 million for the September quarter and the approximate equilibrium in December quarter 1973.

#### Level of reserves

- . *Official reserve assets*, valued at market rates of exchange, totalled \$3,217 million at 31 December 1974.
- . The value of *other foreign assets* at 30 September and 31 December are not available. The change of \$35 million shown for September quarter is that for the two months July and August.

## EXPLANATORY NOTES

## Introduction

1. This bulletin contains preliminary estimates of Australia's international balance of payments for the December quarter 1974, together with revised estimates for previous quarters and financial years. More detailed estimates are published annually in the bulletin *Balance of Payments* (Reference 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.

## Net monetary movements

6. *Net monetary movements* are 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 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 below sets out changes in official reserve assets as recorded in the balance of payments from the September quarter 1972 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. The large positive adjustment of \$375 million in the September quarter 1974 was the result mainly of an increase of \$396 million in the Australian dollar value of official reserve assets arising from the devaluation of 25 September 1974.

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
1972 30 September	+649	- 27	..	+622	4,359
31 December	+662	-373	..	+289	4,648
1973 31 March	-327	-309	+24	-612	4,037
30 June	+ 95	+116	..	+211	4,248
30 September	- 16	-300	..	-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	-586	+375	..	-212	3,348
31 December	-141	+ 10	..	-131	3,217

### 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. Particular care should be taken in interpreting quarter to quarter movements in the adjusted figures, especially for those items showing substantial irregular movement.

13. 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, give rise to movements that do not appear so directly or with such frequency in other

statistical series. Also, 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.

14. An outline of the methods used, together with selected measures of variability for these series, was provided in the Appendix to the September quarter bulletin. A general description of seasonal adjustment methods is given in *Seasonally Adjusted Indicators 1974* (Reference No. 1.10).

15. Historical series for the seasonally adjusted current account at the level of detail shown in this bulletin for September quarter 1958 onwards are available on request.

### Presentation

16. In the following tables for current account items minus sign (–) denotes a debit; 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.

17. Discrepancies may occur between totals and sums of components in the tables or between aggregates quoted in the text and their components, due to rounding.

BALANCE OF PAYMENTS - CURRENT ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
	1970-71	1971-72	1972-73	1973-74	1972-73				1973-74				1974-75	
					SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
VISIBLE TRADE-														
EXPORTS F.O.B.	4217	4726	5991	6719	1316	1486	1604	1586	1608	1689	1649	1772	1944	2128
IMPORTS F.O.B.	-3790	-3792	-3808	-5750	-893	-940	-960	-1016	-1234	-1301	-1473	-1742	-2101	-2096
BALANCE OF TRADE	427	934	2183	969	423	546	644	570	374	388	176	31	-157	32
INVISIBLE CREDITS-														
GOLD PRODUCTION	15	13	15	15	4	4	3	4	4	4	3	4	4	4
TRANSPORTATION	474	498	574	720	138	147	145	144	165	179	183	193	218	230
TRAVEL	136	139	132	167	27	39	36	30	34	50	46	37	42	65
GOVERNMENT	82	90	90	93	22	23	22	23	23	21	24	26	29	28
MISCELLANEOUS	134	160	135	121	36	34	33	32	29	28	30	33	33	35
PROPERTY INCOME	165	229	369	496	86	91	103	89	113	128	141	114	114	112
TRANSFERS	181	226	236	214	62	63	58	53	53	52	50	60	52	55
TOTAL INVISIBLE CREDITS	1187	1356	1551	1826	375	401	400	374	421	462	476	467	493	529
INVISIBLE DEBITS -														
TRANSPORTATION -														
FREIGHT ON IMPORTS	-409	-409	-426	-665	-94	-105	-112	-115	-137	-160	-162	-206	-243	-239
OTHER TRANSPORTATION	-423	-439	-458	-509	-104	-114	-126	-114	-114	-118	-140	-137	-143	-161
TRAVEL	-199	-264	-312	-335	-82	-59	-65	-106	-80	-63	-69	-123	-90	-77
GOVERNMENT	-127	-124	-122	-116	-25	-30	-29	-38	-26	-29	-32	-30	-32	-38
MISCELLANEOUS	-170	-210	-223	-257	-53	-55	-56	-58	-65	-61	-66	-64	-75	-73
PROPERTY INCOME -														
INVESTMENT INCOME -														
UNDISTRIBUTED	-274	-248	-293	-487	-73	-73	-73	-73	-121	-122	-122	-122	-90	-90
OTHER	-479	-538	-662	-606	-125	-172	-217	-148	-129	-161	-163	-154	-131	-148
ROYALTIES AND COPYRIGHTS	-64	-56	-75	-60	-13	-22	-22	-17	-14	-15	-18	-14	-16	-17
TRANSFERS -														
GOVERNMENT	-185	-206	-252	-290	-66	-73	-49	-64	-66	-56	-71	-97	-63	-97
PRIVATE	-134	-172	-211	-214	-47	-53	-53	-58	-54	-49	-51	-60	-62	-61
TOTAL INVISIBLE DEBITS	-2463	-2666	-3034	-3539	-683	-756	-804	-792	-805	-833	-894	-1007	-944	-1000
NET INVISIBLES	-1276	-1309	-1483	-1713	-308	-355	-403	-418	-384	-371	-417	-540	-451	-472
BALANCE ON CURRENT ACCOUNT	-849	-375	699	-744	116	191	240	152	-10	17	-241	-510	-608	-440

BALANCE OF PAYMENTS - CAPITAL ACCOUNT

\$ MILLION

	YEAR				QUARTERS ENDED-									
					1972-73				1973-74				1974-75	
	1970-71	1971-72	1972-73	1973-74	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
CAPITAL INFLOW (NET) -														
GOVERNMENT CAPITAL MOVEMENTS -														
GOVERNMENT SECURITIES	-48	-46	-33	-85	38	24	-45	-49	24	-41	-16	-52	-23	-10
OTHER GOVT CAPITAL MOVEMENTS	-15	-14	-31	77	5	-9	-13	-14	54	32	2	-10	-20	-20
TOTAL GOVERNMENT CAPITAL MOVEMENTS	-63	-60	-64	-8	43	14	-58	-63	79	-10	-14	-62	-42	-30
PRIVATE CAPITAL MOVEMENTS -														
OVERSEAS INVESTMENT IN														
AUSTRALIAN COMPANIES -														
UNDISTRIBUTED INCOME	274	248	293	487	73	73	73	73	121	122	122	122	90	90
OTHER DIRECT INVESTMENT	654	626	-31	106	143	28	-160	-42	-84	-14	50	154	89	(A)
PORTFOLIO INVESTMENT AND														
INSTITUTIONAL LOANS	655	588	116	-115	139	189	-134	-78	-74	-37	-89	85	-35	(A)
TOTAL COMPANIES	1584	1463	379	478	356	291	-221	-47	-37	71	83	361	144	N.A.
AUST. INVESTMENT OVERSEAS	-82	-140	-128	-173	-26	-31	-50	-21	-51	-31	-55	-37	-28	(A)
MARKETING AUTHORITIES	-43	-45	34	-95	12	-6	14	14	27	18	-35	-105	-54	-37
TOTAL PRIVATE CAPITAL MOVEMENTS	1459	1278	285	210	341	254	-257	-53	-60	58	-6	219	62	N.A.
MONETARY SECTOR TRANSACTIONS (N.E.I.)	28	44	89	(A)	63	68	-68	27	(A)	(A)	(A)	(A)	(A)	(A)
NET IDENTIFIED CAPITAL INFLOW	1423	1262	310	203	447	336	-384	-89	19	48	-21	157	20	23
BALANCING ITEM	23	556	69	-28(B)	97	118	-155	9	-12(B)	-67(B)	14(B)	37(B)	-25(B)	270(B)
NET APPARENT CAPITAL INFLOW	1447	1818	379	175	544	454	-538	-80	7	-19	-7	194	-5	293
MONETARY MOVEMENTS -														
CHANGES IN OFFICIAL RESERVE ASSETS	742	1544	1079	-391	649	662	-327	95	-16	12	-181	-206	-586	-141
ALLOCATION OF SDR	-64	-63	..	..	..	..	..	..	..	..	..	..	..	..
CHANGES IN OTHER FOREIGN ASSETS	-71	-31	10	-150	11	-15	31	-17	18	..	-73	-95	-35	N.A.
OTHER MONETARY MOVEMENTS	-10	-8	-10	-28	..	-2	-2	-6	-5	-14	6	-15	8	-6
NET MONETARY MOVEMENTS	598	1442	1079	-569	660	645	-298	72	-3	-2	-248	-316	-613	-147

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

BALANCE OF PAYMENTS - CURRENT ACCOUNT <sup>6.</sup> SEASONALLY ADJUSTED  
\$ MILLION

	QUARTERS ENDED -									
	1972-73				1973-74				1974-75	
	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
VISIBLE TRADE-										
EXPORTS F.O.B.	1307	1494	1640	1550	1602	1698	1686	1730	1940	2137
IMPORTS F.O.B.	-860	-921	-996	-1040	-1189	-1273	-1528	-1785	-2025	-2048
BALANCE OF TRADE	447	573	643	510	413	425	159	-55	-85	89
INVISIBLE CREDITS-										
GOLD PRODUCTION	4	4	3	4	4	4	3	4	4	4
TRANSPORTATION	135	145	147	147	162	176	186	197	215	227
TRAVEL	31	33	34	34	40	42	42	43	49	54
GOVERNMENT	23	23	22	22	24	21	24	25	30	28
MISCELLANEOUS	37	34	32	32	30	29	29	33	34	35
PROPERTY INCOME	85	89	106	90	111	125	145	115	112	109
TRANSFERS	60	60	61	54	51	50	53	61	51	53
TOTAL INVISIBLE CREDITS	375	388	405	383	422	446	481	478	495	510
INVISIBLE DEBITS -										
TRANSPORTATION -										
FREIGHT ON IMPORTS	-93	-101	-116	-116	-137	-154	-168	-208	-242	-230
OTHER TRANSPORTATION	-111	-112	-119	-116	-122	-115	-132	-140	-152	-157
TRAVEL	-82	-75	-75	-79	-81	-80	-80	-91	-91	-97
GOVERNMENT	-28	-31	-30	-33	-28	-30	-33	-26	-35	-40
MISCELLANEOUS	-52	-55	-56	-60	-63	-61	-66	-67	-74	-72
PROPERTY INCOME -										
INVESTMENT INCOME -										
UNDISTRIBUTED	-73	-73	-73	-73	-121	-122	-122	-122	-90	-90
OTHER	-147	-150	-222	-144	-151	-138	-169	-151	-154	-128
ROYALTIES AND COPYRIGHTS	-13	-19	-22	-20	-14	-13	-18	-17	-17	-14
TRANSFERS -										
GOVERNMENT	-60	-66	-58	-66	-59	-50	-85	-102	-56	-93
PRIVATE	-47	-51	-55	-60	-54	-47	-52	-62	-62	-58
TOTAL INVISIBLE DEBITS	-707	-733	-826	-766	-828	-809	-924	-985	-972	-979
NET INVISIBLES	-332	-345	-421	-384	-406	-363	-443	-507	-477	-469
BALANCE ON CURRENT ACCOUNT	115	228	223	127	7	62	-285	-562	-562	-381

BALANCE OF PAYMENTS - CURRENT ACCOUNT - SEASONALLY ADJUSTED

PERCENTAGE CHANGE FROM PRECEDING QUARTER

	PERCENTAGE CHANGE FROM PRECEDING QUARTER									
	1972-73				1973-74				1974-75	
	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.
EXPORTS F.O.B.	4	14	10	-5	3	6	-1	3	12	10
INVISIBLE CREDITS	7	3	4	-5	10	6	8	-1	4	3
IMPORTS F.O.B.	..	7	8	4	14	7	20	17	13	1
INVISIBLE DEBITS	2	4	13	-7	8	-2	14	7	-1	1

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NOTE. Inquiries concerning these statistics may be made in Canberra by telephoning Mr A. James on 527911 extension 5519 or, in each State capital, by telephoning the office of the Australian Bureau of Statistics.