

November 4, 1982 - 82/200

Statement by the Staff on Australia
Executive Board Meeting 82/142
November 5, 1982

Page 8 of EBS/82/183 (10/8/82) contains the following passage:
"Developments in the first two months (July-August) of 1982/83 provide evidence of a payments deficit being substantiated by a significant loss of reserves. In order to bolster reserves, the authorities have arranged substantial foreign borrowings. The staff believes that the proposed purchase will be justified by a balance of payments need if, at the time of Board consideration of the request, the deficit incurred during July-August has not subsequently been reversed."

The latest figures on the balance of payments position are as follows. Information received from the Australian authorities shows that in September 1982 there was an overall surplus on the balance of payments of SDR 861 million (made up of a current account deficit of SDR 633 million and a net apparent capital inflow of SDR 1,494 million). For the third quarter as a whole, there was an overall balance of payments surplus of SDR 340 million (made up of a current account deficit of SDR 1,900 million and a net apparent capital inflow, including overseas borrowing by the Australian Government, of SDR 2,240 million). Thus the overall deficit incurred during July and August has subsequently been reversed.

The Australian authorities have pointed out, however, that the Government has recently been borrowing substantial amounts overseas to support the balance of payments. The Government borrowed SDR 61 million (net) in July-August and the overall payments deficit, excluding this borrowing, amounted to SDR 603 million. In September, the Government borrowed SDR 324 million (net) and the overall surplus, excluding this borrowing, was SDR 537 million. For the quarter as a whole, there was an overall deficit of SDR 66 million, excluding official borrowing.

While complete balance of payments data are not available for October, the Australian authorities have also informed the staff that, on the basis of preliminary and tentative data, it is estimated that the current account deficit in that month was over SDR 600 million, i.e., about the same as the monthly average in the third calendar quarter of 1982. In October, government borrowing contributed about SDR 175 million to gross reserves, while private sector foreign exchange transactions led to an increase of around SDR 265 million, reflecting private capital inflows in the first half of the month.

From this updating of the passage quoted in the first paragraph above, it is not clear whether the test of balance of payments need has or has not been met. The staff intends, as already mentioned to Executive Directors, to supplement this note with an oral statement at the Board meeting on Friday.