OVERSEAS EXCHANGE TRANSACTIONS YEAR ENDED JUNE 1983

The year ended June 1983 was one of mixed fortunes for New Zealand's balance of payments. The terms of trade, the ratio of export to import prices, declined to 72 in the March 1983 quarter (equivalent to the record low in June 1976) and averaged 74 for the year ended June 1983 compared with 77 the previous year. Nevertheless, the external position, as measured by the OET current account, had improved by the end of the June year to a deficit of $1053 million (compared with $1487 million the previous year). This improvement was due largely to cyclical factors associated with the decline in domestic activity which brought about a sharp fall in import volumes and payments, although a slight improvement in international trading conditions late in the June year, enabled the large stocks of meat and wool to be reduced, and boosted export receipts for the June 1983 quarter.

This article is a summary of OET developments in the year ended June 1983 (referred to as '1982/83' in this article). Following an outline of the major developments in the external accounts, it briefly reviews the international economies of importance to New Zealand, and then looks in greater detail at the market conditions which prevailed for the major export categories. Finally it reviews import, invisible and capital account developments.

It should be noted that the basis on which the OETs are recorded differs significantly from the procedure employed by the Department of Statistics in generating the Balance of Payments (BOP) figures. The OET figures are a measure of New Zealand's cash transactions with the rest of the world arising from imports and exports of goods and services plus those private and official overseas borrowings and investment activities which involve a cash remittance or receipt. The BOP figures, on the other hand, measure the value of goods and services exchanged between New Zealand and the rest of the world, and movements in New Zealand's claims and liabilities with foreigners, irrespective of whether or not a cash transaction is involved. That difference is further compounded by variability in valuation methods and in timing of recording procedures used by the two measures.

The OET recording procedure uses exchange rates applying at the time each transaction occurs. Consequently exchange rate fluctuations will contribute to the changes in receipt figures occurring from year to year. Apart from the 6 per cent devaluation of the New Zealand dollar in March following the Australian devaluation of 10 per cent, the New Zealand dollar has remained fixed in value against a basket of currencies comprising New Zealand's major trading partners since June 1982. However, significant movements of the New Zealand dollar against individual currencies have occurred as the relative strengths of those currencies on international foreign exchange markets have fluctuated. The magnitude of these changes against significant individual currencies is indicated in the 'Exchange Rates' table to be found elsewhere in this Bulletin.

CURRENT ACCOUNT

The current account deficit of $1,053 million in 1982/83 represents a significant improvement on the 1981/82 deficit of $1,487 million and the peak deficit of $1,845 million in the year to December 1982. The fluctuations in the current account largely reflect developments in the visible trade surplus (exports minus imports), with the invisible transactions deficit displaying a much more stable trend. The surplus on trade transactions grew from $395 million in 1981/82 to $1,067 million in 1982/83, while the deterioration in the deficit on invisible transactions was from $1,881 million to $2,120 million.

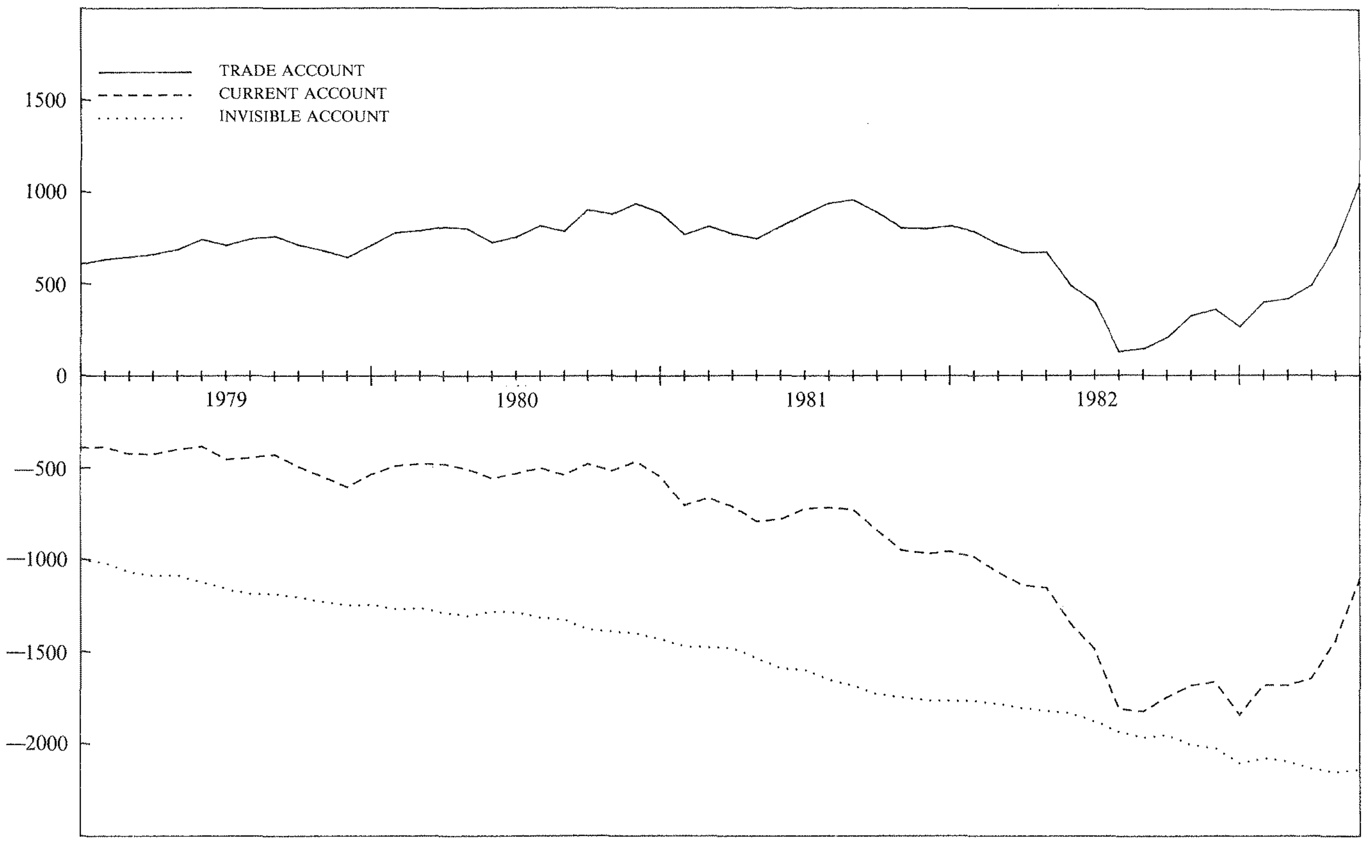
Developments in the external accounts can be distinguished more easily by dividing the 1982/83 year into two separate six-month periods. Through the first half of 1982/83 (July to December 1982) the annual trade surplus remained at a low level as the rate of growth in export receipts averaged only 5 per cent and the rate of growth in import payments averaged over 17 per cent. During this period the depth of the world recession continued to have a pronounced effect on export receipts. In New Zealand's case it was reflected in the weak demand for and growing stockpiles of meat and wool, and sharp declines in international dairy and

Table 1
OVERSEAS EXCHANGE TRANSACTIONS

(NZ$ million)

Year ended June	*Visible Trade*	*Invisible Transactions*	*Current Account*	*Official Capital Account Balance*	*Private Capital Account Balance*	*I.M.F. Transactions*	*Change in Official Overseas Reserves*
1973	+ 524.4	− 199.4	+ 325.0	− 88.7	+ 95.4	—	+ 335.8
1974	− 101.2	− 232.8	− 333.9	− 60.2	− 1.0	—	− 499.9
1975	− 716.7	− 350.1	− 1066.8	+ 552.9	+ 275.5	+ 100.5	− 29.4
1976	− 236.5	− 468.0	− 704.4	+ 165.7	+ 182.8	+ 250.2	+ 7.7
1977	+ 183.7	− 714.2	− 530.5	+ 268.1	+ 212.4	+ 59.7	+ 166.0
1978	+ 422.2	− 911.1	− 488.9	+ 422.8	+ 282.4	− 14.6	+ 196.9
1979	+ 707.1	− 1160.4	− 453.3	+ 560.6	− 147.6	− 37.8	− 2.6
1980	+ 755.1	− 1287.1	− 532.0	+ 145.3	+ 117.5	− 127.7	− 220.6
1981	+ 876.5	− 1601.1	− 724.5	+ 846.6	+ 100.5	− 136.8	+ 11.4
1982	+ 394.5	− 1881.1	− 1486.6	+ 1259.0	+ 354.2	− 85.0	− 21.9
1983	+ 1067.5	− 2120.5	− 1053.0	+ 561.3	+ 1324.1	− 24.3	+ 840.0

OVERSEAS EXCHANGE TRANSACTIONS
Year ended June



forestry product prices and in the volume of forestry exports. On the import side, the expansionary conditions of 1981 spilled over into the following year to maintain domestic activity and import volumes at high levels at a time when export activity was faltering, although flows associated with the construction of the major projects also had a marked effect.

In the second half of the 1982/83 year, large receipt flows associated with meat and dairy trading were partly responsible for a small rise in the average growth in export receipts to 6 per cent. Internationally there were signs that recovery was underway and that commodity prices were strengthening. However, this had little immediate impact on export receipts, except to the extent that it facilitated a reduction in meat and wool stockpiles. Again import volume and payment developments were more significant. The stagnation of domestic economic activity impacted on import volumes in 1983 and import payments, having grown at an annual average rate of 17 per cent in the first half of 1982/83, declined by an average of 6 per cent in the second half, with the rate of growth falling rapidly throughout the period to the point that import payments in the year to June 1983 were 2 per cent lower than in the June 1982 year. The net result was that the annual trade surplus increased from $263 million in the year to December 1982 to $1,067 million in the year to June 1983 with the improvement occurring predominantly in the June 1983 quarter. In addition the annual deficit on invisible transactions stabilised in the second half of the year to be $2,120 million by June, after a moderate deterioration in the first half of the year to $2,108 million in December.

The export and import volume and price indices clearly illustrate the turnaround. Import volumes which grew by 11 per cent in 1981/82, declined by an estimated 9 per cent in 1982/83. Import prices have moderated from a 14 per cent annual increase in 1981/82 to an estimated 9 per cent in 1982/83. For exports, volumes are estimated to have increased by 8 per cent in 1982/83 after a 1 per cent decline in 1981/82, while prices are estimated to have increased by a modest 6 per cent in 1982/83 compared with 15 per cent in 1981/82.

EXTERNAL TRADE INDICES
Annual Percentage Change

Year Ended June	*Import Volume*	*Import Price*	*Export Volume*	*Export Price*
1979	+12	+ 5	+9	+15
1980	+ 5	+27	+5	+21
1981	− 2	+19	+5	+11
1982	+11	+14	−1	+15
1983	− 9	+ 9	+8	+ 6

Developments in the international economy have had an important bearing on New Zealand's external accounts. The OECD, in its July 1983 Economic Outlook, estimates that real GNP in its member countries declined by 0.2 per cent in 1982 after increasing by 1.2 per cent in 1981. While activity in the second half of 1982 was stronger than previously estimated, the depth of the recession has been such that the volume of world trade fell in 1982 for the first time since 1975. OECD countries, responding to historically high inflation rates following the second oil shock, pursued tighter domestic policies which facilitated a rapid economic adjustment process, but at the cost of increased unemployment. While inflation was sharply lower in 1982, output also fell, partly in response to a marked reduction in OECD exports to the non-OECD world. There are now indications, however, that the long-awaited economic recovery is getting under way.

Table 2
BALANCES ON CURRENT ACCOUNT

(NZ$ million)	*1978-79*	*1979-80*	*1980-81*	*1981-82*	*1982-83*
July-December	−406.8	−490.2	−507.6	−736.7	−1095.1
January-June	− 46.6	− 41.8	−217.0	−749.9	+ 42.1
Year ended June	−453.3	−532.0	−724.5	−1486.6	−1053.0

Since late 1982 two main developments, lower oil prices and easier monetary conditions, have given rise to moderate optimism regarding the short term outlook for demand, output and trade volumes. OECD real GDP is projected to grow by a moderate 2 per cent in 1983, inflation is expected to stabilise at about 6 per cent, and intra-OECD trade volumes are expected to accelerate gradually through the next eighteen months. At present, evidence of recovery is clearest in the United States being based on rising real incomes, an expansionary fiscal policy stance and easier monetary conditions. Future developments in terms of the monetary/fiscal policy mix in the US are a little uncertain, and these are crucial in influencing the more fundamental components of economic activity which will sustain recovery — the related variables of consumption expenditure, profitability and investment. In the other main OECD countries recovery is expected to be relatively slow reflecting both basic conditions and policy settings. Activity has grown in Japan, but it remains weak by past Japanese standards. Europe remains an area of particular uncertainty and only modest growth in the range of 1 — 2 per cent is expected over the next year.

It seems unlikely that the international recovery will bear very significantly on New Zealand's external accounts in the short term. In the longer term there are grounds for expecting that a sustained international economic recovery, if it occurs, will have a tangible beneficial impact on New Zealand's exports.

EXPORT RECEIPTS

Export receipts totalled $7,280 million in the 1982/83 year, an 8 per cent increase which compares with an equally modest increase of 9 per cent in the previous year. Forest products was the only category to show a decline in receipts, reflecting a particularly sharp fall in export volumes, although meat receipts grew only by a modest amount. Of the remaining major categories, wool and dairy receipts grew by 11 per cent and 8 per cent respectively, with the former on an upward trend as overseas demand improves and the latter on a downward trend as international prices decline and stockpiles in the United States and EEC build up. Although manufactured export receipts increased by a relatively strong 16 per cent, much of that growth was due to the sales of DC10 aircraft during the year (see table 3). The major markets for exports were the United States (16 per cent), Japan (15 per cent), Australia (12 per cent) and the United Kingdom (11 per cent).

Meat receipts increased by only 2 per cent over the previous year. The reduced returns from exports of sheepmeats were more than offset by buoyant receipts from beef which reflected both increased export volumes and prices.

In the year to June 1983 export *lamb* production was 14 per cent higher than in the previous year, the consequence of a higher lambing percentage in 1982 and an increase in breeding ewe numbers. Lamb shipments also increased by 14 per cent, to 411 thousand tonnes, due to major sales to Iran in the first half of 1983. Those sales will assist in restoring sheepmeat stocks to normal levels by the end of the 1982/83 meat season.

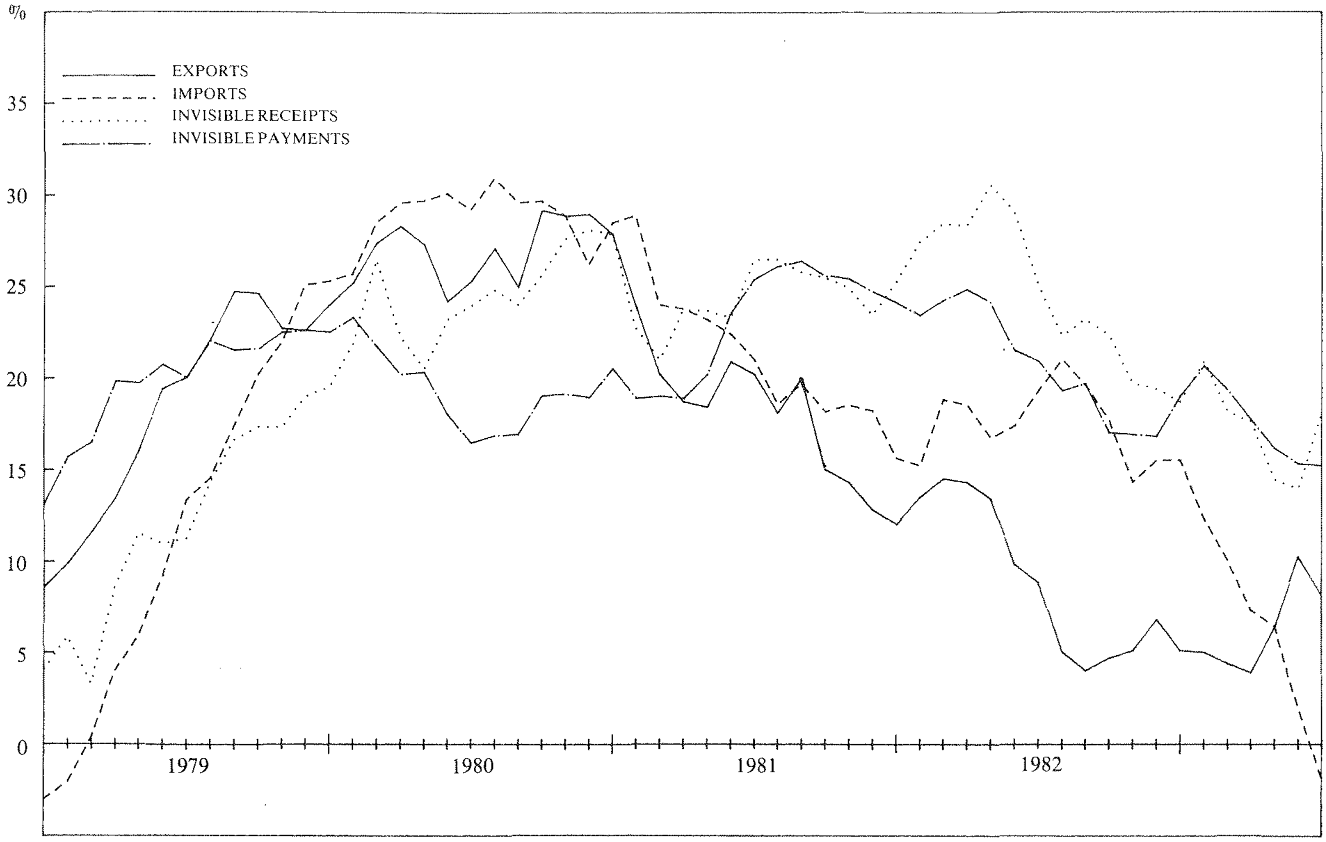
In the United Kingdom, the Smithfield price for New Zealand PM grade lamb averaged 56 p/lb, 12 per cent below the previous year. At the beginning of the period under review lamb prices were around 61 p/lb but fell to around 52 p/lb in November as United Kingdom lamb came onto the market in greater quantities. The high levels of New Zealand owned and privately held lamb stocks in Britain contributed to a further weakening of prices through to March and delayed the introduction of the 1982/83 season's product by almost three months. Sales of new season's lamb, when they finally commenced in March, were generally satisfactory bearing in mind the sluggish market, and prices eased down from 63 p/lb in April to around 59 p/lb in June.

Mutton production declined by 5 per cent as a result of increased boning-out of carcases, while shipments were down 34 per cent to 75 thousand tonnes as exports to both the major markets declined. Russia, at 37 thousand tonnes, remained the major buyer of mutton in 1982/83, and late in the year was involved in the purchasing of substantial quantities of lamb and mutton as part of the Meat Board's 100 thousand tonne sale of sheepmeats in May. Shipments to Japan were only 13 thousand tonnes, little more than half that of the previous year. The Japanese market for New Zealand mutton was depressed throughout much of the period and at the end of June the Board was quoting 52 US cents per lb for ML1 carcases compared with 55 cents per lb a year earlier.

Beef and *veal* production increased by 9 per cent, while shipments increased by 20 per cent to 261 thousand tonnes. Although the average United States price for New Zealand manufacturing cow beef was unchanged from the 104 US c/lb recorded in 1981/82 the 20 per cent increase in shipments and an average 14 per cent devaluation of the New Zealand dollar against the United States dollar resulted in a 34 per cent increase in receipts. The low level of demand depressed prices in mid – 1982, but they improved when the voluntary restraint programme for beef imports from New Zealand, Canada and Australia was announced in September. Prices held up reasonably well in the first few months of 1983 under the influence of forecasts of lower imports but tended downwards in the second quarter in the face of ample supplies of United States beef and pork and a higher than expected level of imports.

After three years of almost static receipt levels *wool* receipts increased by 11 per cent to $1,687 million in 1982/83. The increase in receipts was largely the result of a 14 per cent increase in export volumes. The devaluation of the New Zealand dollar in March 1983 assisted in supporting the average auction price for the season of 255.9 c/kg, only 0.1 c/kg above that of the 1981/82 season. This reflected the generally low level of activity in the world wool textile industry although in the second half of the season there was an increase in demand for New Zealand wool with greater interest evident from China, Iran and Pakistan. The increased

OVERSEAS EXCHANGE TRANSACTIONS
Annual Percentage change of 12 months running totals June years



demand and a lower than expected quantity of new clip wool available later in the season enabled the Wool Board to decrease its stockpile significantly. The stockpile fell from 421 thousand bales in June 1982 to 285 thousand bales in June 1983 with over three-quarters of the reduction occurring in the second half of the period. At the last sale of the season the market indicator was 294 c/kg and the outlook for wool is more encouraging as the international economy shows signs of improvement.

The world market for *dairy products* deteriorated throughout 1982/83 in the face of over-supply of all major dairy products and declining market opportunities. As a consequence dairy export receipts increased by only 8 per cent after three years of increases averaging 34 per cent per annum. In particular butter receipts were down 20 per cent largely because of the effects on export volumes of the release of over 23 thousand tonnes of subsidised EEC 'Christmas butter' onto the United Kingdom market at the end of 1982. Offsetting the decrease in butter receipts was a 35 per cent increase in milkpowder receipts, largely due to an increase in volumes, and a 49 per cent increase in casein receipts due to both price and volume increases.

At the beginning of 1983 it appeared that milkfat production would substantially exceed the record output of the 1979/80 season, however production was affected by adverse climatic conditions in the last few months of the season and the total output of milkfat for the season was 290.1 million kgs. This was only 0.3 per cent below the record output and exceeded the previous season's output by almost 3 per cent. The short term outlook for the international dairy trade is described as gloomy and the Dairy Board has indicated its concern over possible increases in future production levels, associated with a recent trend of farmers switching to dairy farming, which may have to be sold on an over-supplied world market.

In the *other animal products* category, receipts increased by 16 per cent to $488 million. The major contributors to the increase were sheepskins and pelts. Good demand for these products and an increase in export volumes resulted in a 32 per cent increase in receipts.

Forestry receipts fell by 6 per cent to $576 million due largely to an abnormally low level of newsprint exports although volume and receipt flows for other forest products indicate weak consumer demand in major markets and/or declining real prices. The external trade price index for forestry exports grew by 1 per cent in 1982/83, while the volume index declined by 11 per cent. That decline continues a trend evident since mid - 1981 and resulted in the lowest volume index value since 1978. The potential for an expansion in the volume of exports in future years will depend on improved market demand and is tempered by the domestic timber supply constraint expected to continue through the 1980s.

Woodpulp, newsprint and sawn timber exports accounted for 70 per cent of forestry export receipts in 1982/83. The volume of woodpulp exports is expected to have increased by some 7 per cent to 450,000 tonnes in 1982/83, a development which belies the weakness of final demand, while the newsprint export volume declined by approximately 45 per cent to 117,000 tonnes, reflecting a production stoppage which reduced the volume available for export. In the case of both products, prices, on average, declined in real terms over the year under review, and a gradual improvement in the North American indicator price will depend more on a sustained recovery in the economies of the western

Table 3
RECEIPTS FROM EXPORTS

(NZ$ million)	Years ended June 1979	1980	1981	1982	1983
Meat	1196.4	1326.0	1660.8	1651.0	1687.4
Wool	729.5	967.6	984.5	947.5	1,056.3
Milk Products					
Butter	208.1	299.0	431.1	511.1	408.7
Casein	92.4	119.0	125.7	144.5	215.8
Cheese	81.7	87.6	126.5	171.1	166.5
Milk Powders	154.9	222.8	359.9	471.5	635.3
Other Milk Products ..	62.4	82.2	130.6	143.2	137.5
Sub-total	**599.6**	**810.6**	**1173.8**	**1441.3**	**1563.7**
Other Animal Products:					
Hides and Skins ..	110.8	113.3	89.1	94.3	107.0
Meat By-products (Inedible)	32.4	34.0	36.3	47.1	48.8
Sausage Casings ..	33.3	30.2	48.6	46.1	48.7
Sheepskins and Pelts	130.7	150.0	115.0	127.6	168.5
Tallow	42.9	47.4	59.1	63.1	67.7
Livestock	23.0	27.8	31.7	42.0	47.2
Sub-total	**373.2**	**402.6**	**379.8**	**420.2**	**487.8**
Forest Products:					
Timber & Logs	90.1	159.1	183.6	159.0	149.4
Wool Pulp & Chips ..	97.7	160.0	174.4	178.0	212.8
Newsprint	66.9	92.4	124.1	175.9	115.9
Paperboard	36.7	42.2	40.8	26.6	22.0
Other Forest Products	29.3	47.6	64.8	73.8	75.4
Sub-total	**320.6**	**501.2**	**587.7**	**612.7**	**575.6**
Other Primary Products:					
Fresh Fish	65.1	112.4	126.1	156.8	202.6
Fresh Fruit, Vegetables and Honey	96.1	106.6	130.2	193.3	185.4
Seeds	39.6	50.8	62.8	63.1	69.4
Sub-total	**200.9**	**269.8**	**319.0**	**413.1**	**457.4**
Manufactured Goods:					
Processed Foodstuffs	60.0	71.1	89.2	104.9	128.9
Machinery & Electrical Equipment	104.3	130.4	177.0	184.8	171.5
Carpets and other Textiles	72.3	100.0	112.2	125.1	115.6
Base Metals and Manufactures of Metals ..	226.5	278.5	279.6	381.3	440.0
Other Manufactured Goods	189.7	244.2	366.0	405.8	538.4
Sub-total	**652.8**	**824.2**	**1024.1**	**1202.0**	**1394.3**
Miscellaneous:					
Minerals	23.0	28.1	40.6	29.9	37.6
Sundry (incl Gold) ..	7.5	14.8	16.3	12.7	20.1
Sub-total	**30.5**	**42.9**	**56.8**	**42.5**	**57.7**
TOTAL	**4103.5**	**5144.8**	**6186.5**	**6730.5**	**7280.2**

industrialised nations than the restocking activity which is currently occurring. An estimated 20 per cent decline in the volume of sawn timber exports in 1982/83 in part reflects the subdued level of activity within the construction sector of the Australian economy, competition from other suppliers, and the restrictions on access for certain of the sawn timber exports to that market during the year. Of the remaining forestry products, the volume and value of woodchip exports, destined primarily for Japan, expanded strongly while the trade in log products, again destined mainly for Japan but with significant volumes recently being exported to other Asian markets, has remained relatively static and at much lower levels than 2–3 years ago.

The rate of growth in *other primary product* receipts slowed to 11 per cent in 1982/83, resulting in total receipts of $457 million. Fish exports were again the main contributor. Receipts from fish increased 29 per cent in 1982/83 although the volume of fish exports is estimated to have increased only marginally to around 130,000 tonnes. The strong increase in receipts is due to the higher return associated with an expanded level of local processing and also to an overall international supply situation which has induced upward pressure on fresh fish prices. The major markets for fish exports, Japan, Australia and the United States remain particularly buoyant.

Receipts from the sub-category of 'fresh fruit, vegetables and honey' actually declined over the year under review as the volumes of both kiwifruit and vegetables fell from the previous year's levels.

The timing of the selling season abroad means that receipt flows for apples and kiwifruit straddle the June year, with the result that neither lends itself to analysis on a June year basis. Therefore not too much emphasis should be placed on fluctuating receipt levels for the 'fresh fruit, vegetables and honey' category as representing the changed supply and demand conditions in different seasons.

In the current 1983 apple season (which extends from April to August) average realisations in the dominant EEC and North American markets (which together accounted for 70 per cent of exports) held at the profitable levels of the previous season. In the major EEC market the record European crop in the summer of 1982 prompted the imposition of 'voluntary' restraint quotas on Southern Hemisphere suppliers, including New Zealand. However, the poor quality of the EEC carryover stocks and Southern Hemisphere supply which fell well short of the total quota level were conducive to relatively buoyant trading conditions.

Kiwifruit exports, after declining in volume terms in 1982 due to adverse climatic conditions prior to harvest, more than doubled to an estimated 37,000 tonnes in 1983 and substantial increases in volumes and receipts will continue to occur through much of the current decade. While demand in the major markets of Japan and West Germany has remained strong, the increased fruit supply from New Zealand and increased competition later in the season from North American and European producers will moderate market realisations.

Manufactured export receipts increased by a relatively strong 16 per cent to $1,394 million, although the rates of change in individual categories, as evidenced in table 3, diverged significantly. In general, the dominance of the Australian market as a destination for manufactured exports (35 per cent of receipts in 1982/83) meant that economic developments in that country had a substantial influence on demand. The OECD forecasts a 15 per cent rate of decline in the volume of imports into Australia through 1983 and that, coupled with only a modest recovery in other markets is likely to restrain the growth in manufactured exports over the next twelve months. However, the significant export receipt and volume flows associated with the onset of production from a number of the

Table 4
RECEIPTS FROM EXPORTS

(NZ$ million)	*1978–79*	*1979–80*	*1980–81*	*1981–82*	*1982–83*
July	300.8	385.3	564.6	663.7	533.8
August	302.6	399.2	429.0	567.9	651.9
September	262.5	293.6	517.3	508.7	541.8
October	335.3	388.1	440.5	458.9	508.3
November	294.3	364.6	462.2	488.9	626.5
December	279.6	391.3	483.7	541.2	492.3
First half of June Year	**1775.0**	**2222.3**	**2897.3**	**3229.3**	**3,354.6**
January	334.9	461.9	437.9	497.3	551.4
February	342.8	491.8	501.5	569.0	602.2
March	410.2	524.7	585.8	647.9	677.9
April	374.5	446.2	515.9	539.9	732.9
May	454.2	474.7	622.7	568.9	760.1
June	411.8	523.3	625.6	678.0	601.1
Second half of June Year	**2328.5**	**2922.5**	**3289.4**	**3501.0**	**3925.5**
TOTAL	**4103.5**	**5144.8**	**6186.5**	**6730.5**	**7280.2**

major projects in the near future will boost manufactured export receipts from 1984.

Within the sub-categories of manufactured exports, a large proportion of the growth in base metals and manufactures of metals receipts stems from the expansion in the volume of aluminium exports associated with the commissioning of the third potline at Tiwai Point. In 1982/83 the export volume increased by 34 per cent to 171,000 tonnes, with a large proportion of that volume destined for Japan on long term supply contracts. There remains substantial over-capacity in aluminium production world-wide and although Japanese smelters cut output drastically recently, that may prove to be only temporary if international aluminium prices rise quickly, as they have done in the first half of 1983, from the record low levels of 1982. The decline in carpet and other textile receipts to $116 million to a large extent reflects the depressed level of activity within the building industry in Australia. Machinery and electrical equipment receipts declined by 7 per cent to $171 million with 53 per cent of exports destined for Australia. The sale of four DC10 aircraft boosted receipts of other manufactured goods by over $100 million in the 1982/83 year.

IMPORT PAYMENTS

The 2 per cent decline in import payments to $6,213 million contrasts with positive growth rates of 19 per cent and 21 per cent recorded in the previous two years. The domestic economic downturn of the past year has impacted strongly on import volumes in the second half of the year as import payments still grew by 16 per cent in the year to December 1982 (See table 5). The slowdown in volumes in essence reflected factors within the domestic economy which weakened the aggregate level of domestic demand through reducing consumption and investment expenditure. In particular the decline in real disposable incomes has constrained expenditure growth.

While both price and volume changes have contributed to the falling level of import payments, it is the latter which has had the most significant effect. Import volumes, which grew by 11 per cent in the year to June 1982, declined by 9 per cent in the year to June 1983. Particularly notable have been the falling import volumes of food products, textiles and light manufactured goods, which are mainly final consumption goods. Imports associated with the construction phase of some of the major projects prevented the overall import volume level from recording an even stronger decline.

Import prices have also displayed a moderating trend and are estimated to have increased by 9 per cent in 1982/83 compared with 14 per cent in 1981/82. This reflects both the continued decline in world inflation rates and the current New Zealand system of exchange rate management. The marked real decline in international oil prices has been partially offset by the appreciation of the United States dollar (in which mineral fuels are traded) and the 6 per cent devaluation of the New Zealand dollar, but has nevertheless contributed to the overall slowdown in import prices. Mineral fuel prices, in New Zealand dollar terms, are estimated to have slowed to a 9 per cent rate of increase in 1982/83 compared with a 22 per cent rate of increase in 1981/82.

Table 5 shows the monthly flow of import payments and table 6 payments on a country of settlement and country of origin basis.

Table 5
PAYMENT FOR IMPORTS

(NZ$ million)	*1978–79*	*1979–80*	*1980–81*	*1981–82*	*1982–83*
July	269.1	318.8	438.8	476.9	614.6
August	270.9	351.1	411.1	532.7	600.7
September	263.3	343.9	452.3	510.4	480.5
October	272.8	353.8	429.1	534.1	465.0
November	285.3	393.8	433.4	464.5	568.5
December	274.5	318.0	460.3	503.4	549.7
First half of June Year	**1635.8**	**2079.5**	**2625.0**	**3022.0**	**3,279.0**
January	275.8	336.6	430.2	518.9	438.1
February	265.5	404.7	369.9	507.7	522.5
March	290.7	384.5	488.6	594.7	551.9
April	289.6	371.8	467.7	489.0	457.2
May	312.3	405.1	485.9	616.6	475.7
June	326.8	407.5	442.6	586.9	488.2
Second half of June Year	**1760.7**	**2310.2**	**2684.9**	**3313.8**	**2933.6**
TOTAL	**3396.5**	**4389.7**	**5310.0**	**6335.9**	**6,212.7**

Table 6
IMPORT PAYMENTS BY COUNTRY OR REGION

	June Years			
	Country of Consignment		*Country of Settlement*	
(NZ$ million)	*1982*	*1983*	*1982*	*1983*
United Kingdom	683.6	761.2	746.5	832.0
Australia	1244.5	1265.6	1146.1	1136.4
United States of America ..	1118.8	1239.5	2209.9	2107.9
Canada	146.4	116.8	138.8	114.0
Japan	1085.8	983.5	984.2	903.6
West Germany	206.7	230.6	199.4	220.5
Other E.E.C. Countries ..	270.6	237.9	207.7	222.6
Other O.E.C.D. Countries	118.5	128.9	120.9	143.4
Asia-Oceania	862.3	1014.2	502.0	468.6
Latin America-Caribbean ..	38.9	45.4	28.2	31.4
Middle East	506.0	154.7	4.9	5.7
Other Countries	53.9	34.5	47.4	26.6
TOTAL	**6335.9**	**6212.7**	**6335.9**	**6212.7**

INVISIBLE (NON-MERCHANDISE) TRANSACTIONS

The deficit on invisible transactions reached $2,121 million in the year to June 1983, $240 million more than that recorded in the previous year. The increase in the deficit was less than in the previous two years but is a continuation of the long term trend of an increasing deficit on invisible transactions.

Invisible receipts were up 18 per cent to $1,937 million. Although the rate of increase of receipts compared favourably with that of exports, nevertheless it was smaller than the increases of around 25 per cent achieved in each of the previous three years. Insurance receipts increased by 46 per cent due to a large increase in receipts from insurance claims. Miscellaneous receipts also rose by 46 per cent with the major contributor being New Zealand expenses of overseas firms which were up 66 per cent. This is the third successive year of strong growth in this category and reflects the increasing involvement of overseas firms in projects in New Zealand. Among the larger receipt categories transport receipts increased by 19 per cent to $560 million, reflecting increased freight earnings, but travel receipts (which exclude fares) were up only 6 per cent to $317 million.

Invisible payments rose by 15 per cent to $4,058 million. Transport expenses increased by 17 per cent to $1,120 million while government debt interest payments and miscellaneous government payments increased by 29 per cent to total $922 million. Expenditure on travel increased by only 4 per cent reflecting the impact of the domestic recession and overseas expenses of New Zealand firms increased by 7 per cent after a 48 per cent increase the previous year.

Table 7
CURRENT ACCOUNT INVISIBLE RECEIPTS

	Years ended June				
(NZ$ million)	*1979*	*1980*	*1981*	*1982*	*1983*
Transport	275.1	293.0	401.2	469.8	559.7
Insurance	26.3	59.4	39.5	49.8	72.8
Travel, Private and Business (excluding fares) ..	170.8	200.6	260.7	300.1	317.1
Interest and Investment Income	58.0	68.0	70.6	169.4	174.6
Foreign Govt. Expenditure (n.e.i.)	18.0	23.0	25.0	30.3	31.7
New Zealand Govt. Receipts (n.e.i.) ..	30.0	24.2	36.9	40.2	56.0
Personal Receipts	116.7	173.0	214.0	258.7	294.3
Legacies	16.7	22.1	28.1	24.6	30.7
Immigrants' Tranfers ..	31.7	51.1	68.1	74.4	88.4
Commissions and Royalties	25.6	32.7	40.1	54.6	68.7
Miscellaneous Receipts ..	67.3	89.2	127.0	168.2	243.0
TOTAL	**836.2**	**1036.1**	**1311.2**	**1640.1**	**1937.0**

Table 8
CURRENT ACCOUNT INVISIBLE PAYMENTS

	Years ended June				
(NZ$ million)	*1979*	*1980*	*1981*	*1982*	*1983*
Private:					
Freight on Exports ..	203.3	278.0	333.2	361.2	412.2
Fares	144.7	196.1	228.0	271.9	286.9
Other Transport	108.7	141.9	241.6	314.0	419.6
Insurance	40.0	50.2	61.0	88.3	104.5
Travel	438.2	514.0	564.0	654.1	681.6
Interest & Investment Income	212.8	187.3	261.1	335.5	415.7
Personal Remittances and Donations	42.5	47.3	39.2	39.9	38.3
Film Hire & Entertainment	8.6	8.9	7.8	6.0	9.5
Emigrants' Transfers ..	92.8	79.7	129.0	127.9	75.4
Transfers by Temporary Residents Leaving New Zealand	7.8	7.5	9.4	10.8	10.8
Legacies	15.0	19.2	24.4	29.5	30.1
Export Commissions and Royalties	21.4	23.8	26.9	28.9	24.8
Other Commissions ..	33.2	34.6	45.2	64.5	95.2
Overseas Expenses of New Zealand Firms ..	136.1	155.8	277.2	409.3	437.7
Miscellaneous	51.9	55.2	103.6	63.5	93.4
Total Private Invisible Payments	**1557.0**	**1799.4**	**2351.6**	**2805.3**	**3135.9**
Government:					
Debt Interest	253.6	312.4	349.6	519.4	670.3
Miscellaneous Payments	186.0	211.4	211.0	196.5	251.3
Total Government Invisible Payments ..	**439.6**	**523.8**	**560.6**	**715.9**	**921.6**
TOTAL CURRENT INVISIBLE PAYMENTS	**1996.6**	**2323.2**	**2912.2**	**3521.2**	**4057.5**

CAPITAL ACCOUNT

Capital account transactions in 1982/83 (including those with the International Monetary Fund) resulted in a net capital inflow of $1,861 million compared with an inflow of $1,528 million in 1981/82. However, the distinguishing feature of the figures in 1982/83, was a reversal of the usual pattern of capital flows — the net official capital inflow was only $537 million compared with $1,174 million in 1981/82 but the net private capital inflow was $1,324 million, an increase of almost $1,000 million. The substantial private inflow, together with the reduced current account deficit, provided room for reduced net government borrowing (some large government debt repayments were made in the last few months of the year), and for an increase in overseas reserves which more than doubled during the period to $1,541 million.

The reduction in net official borrowing resulted in a sharp drop in the ratio of net official capital receipts to GDP when compared to 1981/82 (see table 10). However the ratio of official debt interest payments as a proportion of export receipts (or total current receipts) continued its upward trend as indicated in table 11.

The substantial increase in private overseas borrowing was primarily the result of firm monetary conditions in New Zealand, falling interest rates overseas, expectations that the New Zealand exchange rate would not move much on average in the short-term, and the financing demands of the major projects and the Meat Board. Total private capital receipts increased by 114 per cent to $2,071 million. Private capital payments increased by only 21 per cent to $747 million, but these should continue to increase as repayments of the recent large borrowings become due.