

OVERSEAS EXCHANGE TRANSACTIONS

YEAR ENDED JUNE 1984

INTRODUCTION

This article is a summary of OET developments in the year ended June 1984 (referred to as 1983/84 in this article). After an overview section which outlines the key features of external account developments in 1983/84, the article presents details on the current account before discussing individual developments in the visible trade, invisible transactions and capital accounts. Since the last review of the OETs in the March 1984 Bulletin, the category classifications for exports and invisible transactions have been revised. As a result of these changes some of the detailed information previously presented is now not available.

It should be noted that the OETs are recorded using a procedure significantly different from that employed by the Department of Statistics in generating 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. The difference is further compounded by variability in valuation methods and in the timing of recording procedures used by the two measures.

The OET records use exchange rates applying on the day each currency transaction occurs. Consequently, exchange rate fluctuations will contribute to the changes in receipts figures occurring from year to year. During 1983/84 the New Zealand dollar remained fixed against a basket of trade weighted currencies. 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*.

OVERVIEW

A current account deficit of \$1,757 million was recorded in the year to June 1984, a substantial deterioration from the \$1,053 million recorded in the previous June year. The increase in the current account deficit can be attributed partly to a large increase in private imports of goods and services and a continuing deterioration of the invisibles deficit; and partly to some special factors (at the end of the year).

In contrast to some previous increases in private import payments, which have been supported by a combination of export led growth and increases in real incomes, the 1983/84 rise in import payments resulted primarily from an expansion of domestic activity which is largely attributable to the relatively easy monetary conditions which prevailed. Over 1983/84 high growth

rates in both the monetary base and private sector credit have occurred, while the level of real personal disposable incomes is estimated to have remained essentially unchanged.

Another key feature characterising the OETs for 1983/84 is the absence of a significant beneficial flow-on effect in response to the recovery taking place in the world economy. The OECD, in its July 1984 Economic Outlook, estimates that real GNP in its member countries increased by 2.4 per cent in the 1983 calendar year, compared with a 0.3 per cent decrease in 1982. Reflecting the heightened pace of economic activity, the OECD estimated a 2 per cent annual growth rate of world trade volumes for the 1983 year; a marked reversal from the 3 per cent decline recorded in the 1982 year.

Although the world economic recovery clearly gathered strength during 1983/84, New Zealand's total export receipts increased by only 8 per cent, the same as the previous year's growth rate. In previous upturns in the world economy New Zealand's export receipts have benefited from a marked improvement in prices, thereby improving our terms of trade. Whilst some export sectors have exhibited modest volume growth in 1983/84, price increases have been lower than would normally be expected given historical relationships and as a result New Zealand's terms of trade has remained virtually unchanged.

Another feature embodied in the 1983/84 accounts is the impact of the unusually large foreign exchange outflow during the month of June. The widespread expectation that a devaluation would occur accelerated the underlying trend of a worsening current account deficit as firms made early payments for merchandise imports and receipts were held offshore in an attempt to realise post devaluation prices for export of goods and services. For the month of June 1984, an OET current account deficit of \$406 million was recorded, compared with a deficit of \$100 million in the previous month and a deficit of \$106 million for June 1983.

Compared with the substantial net private capital inflow of \$1,324 million in the June 1982/83 year, a reduced inflow of \$313 million was recorded in 1983/84. This reduction stemmed from the lower financing requirements of the major projects and the Meat Producers Board. It was also related to higher domestic liquidity during 1983/84 relative to 1982/83 and a lowering of domestic nominal interest rates compared to the cost of overseas capital. The substantial reduction in the net private capital inflow and the deterioration of the current account deficit, together with the pressure on foreign exchange markets in the month of June 1984, led to large net official overseas borrowing totalling \$2,047 million in 1983/84.

CURRENT ACCOUNT

Whereas in 1982/83 a large visible trade surplus of \$1,068 million offset the deterioration in the invisibles deficit to give an improved current account deficit of \$1,053 million, in 1983/84 the trade surplus fell to \$706 million. Together with the invisibles deficit which

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
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	+ 165.9
1978	+ 422.2	- 911.1	- 488.9	+ 422.8	+ 282.4	- 14.6	+ 197.0
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	- 220.7
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
1984	+ 705.5	- 2462.8	- 1757.3	+ 2047.3	+ 312.7	—	- 77.6 ¹

¹ Short-term borrowing by the Reserve Bank which has previously been excluded from the net official capital inflow is included in the 1984 figure. This is consistent with the official reserves definition which was revised in 1984. Previous years OET flows of official reserves are recorded on a consistent basis in this table.

deteriorated further to \$2,463 million in 1983/84 this led to a current account deficit of \$1,757 million for the year.

The 1983/84 current account deficit represented 5.2 per cent of estimated March year GDP which is significantly larger than the 3.3 per cent for the previous year and the annual average ratio of 4.5 per cent over the period 1975 to 1984.

As has historically been the case, fluctuations in the current account balance (see table 1) continue to be mainly caused by changes in the merchandise trade balance. Accompanying trade balance fluctuations has been a more stable but worsening trend in the invisibles transactions deficit. Developments in the various components of the current account over 1983/84 are now described in more detail.

EXPORT RECEIPTS

Export receipts totalled \$7,844 million in 1983/84, representing a small 8 per cent increase, unchanged from the previous year's growth rate. While dairy products was the only category to show a decline in receipts, reflecting a fall in export volumes and prices, both wool and other animal products (mainly hides and skins) recorded only very small increases in receipts. Although OET data indicate that the export meat industry (the largest export sector), had a relatively good season with receipts increasing by 13 per cent, this increase in foreign currency earned by the meat industry disguises the actual trend in the value of meat exported, and largely reflects the unusual timing of payment flows for meat exports. Of the remaining categories, export receipts from the forestry and manufacturing sectors exhibited modest rates of increase, whilst the other primary products category continued its strong growth. Expansion in the forestry, manufacturing and other primary products sectors represents mainly an increase in the volume of goods exported rather than a strengthening of prices.

Although OET *meat receipts* increased by 13 per cent in 1983/84 to \$1,900 million, external trade statistics compiled by the Department of Statistics indicate that the value of meat exported declined by 8 per cent in 1983/84. Possible reasons for this difference include the sale of overseas stocks of meat and the unusual timing of foreign exchange flows. The difference was particularly evident in the United Kingdom market

where meat receipts on an OET basis doubled in 1983/84.

Other notable market developments include continued sales of meat to Iran and Russia, while meat receipts from the USA fell by 21 per cent in 1983/84 as New Zealand beef producers retained stock to build up their herds.

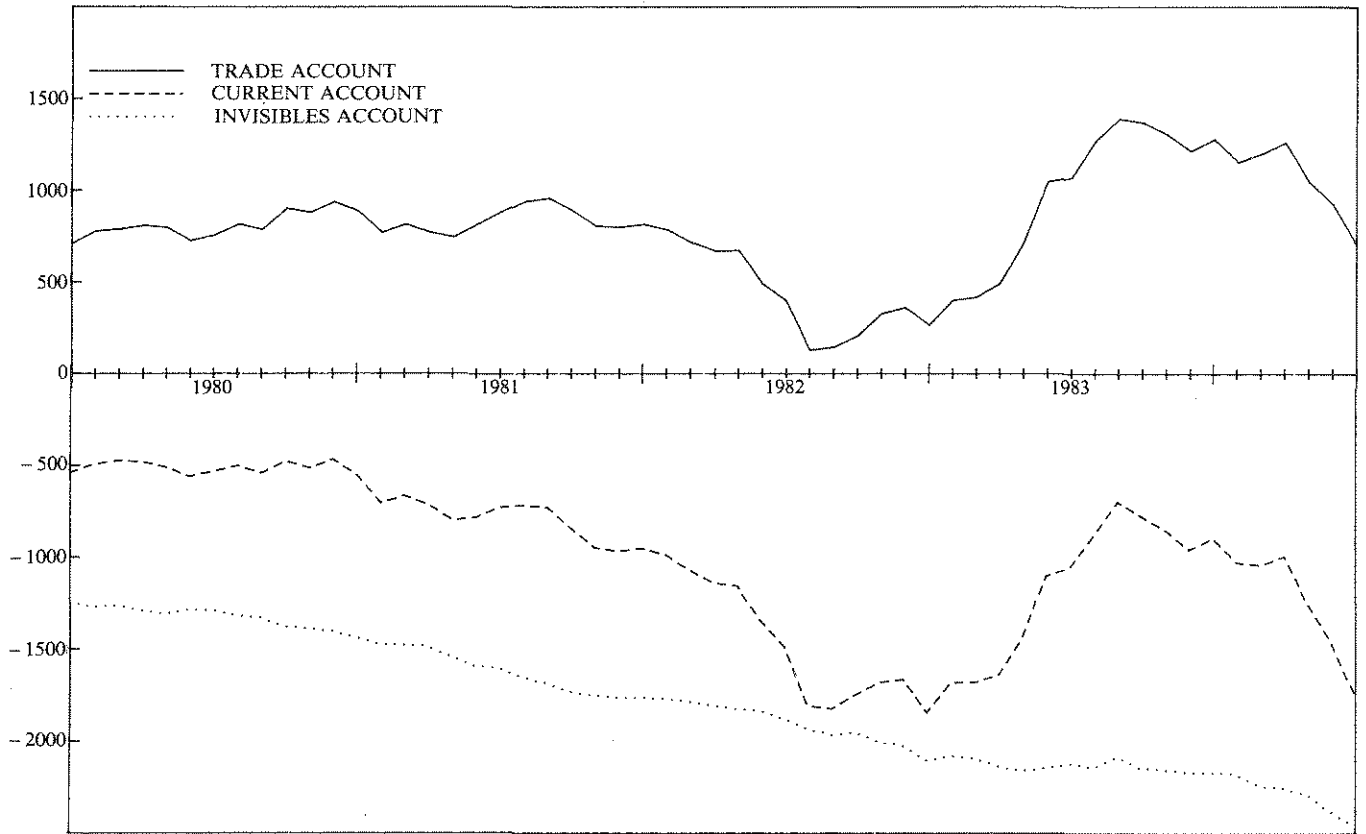
Following an increase of 11 per cent in 1982/83, export receipts from *wool* rose by 5 per cent to \$1,105 million in 1983/84. This small increase reflects an improvement in the price received for wool which outweighed a small decline in the volume exported. The average price for greasy wool at New Zealand's auctions increased from 255.9 c/kg in the 1982/83 season to 296.4 c/kg in the 1983/84 season. With the improved prices and a 2 per cent decline in wool production, due mainly to drought conditions, the New Zealand Wool Board was able to reduce its stockpile from 285 million bales in June 1983 to 109 million bales in June 1984.

A combination of a decline in average dairy prices and lower export volumes lowered *dairy export* receipts from \$1,564 million in 1982/83 to \$1,444 million in 1983/84. Although milkfat production increased in the 1983/84 May season, the volume of dairy products exported is estimated to have fallen by 4 per cent. In addition, the average price received for New Zealand's dairy products has declined as a result of a continuing over-supply in world markets. The major markets from which dairy returns fell compared to the previous year were the USSR (- 61 per cent), ASEAN¹ (- 25 per cent) and Japan (- 13 per cent).

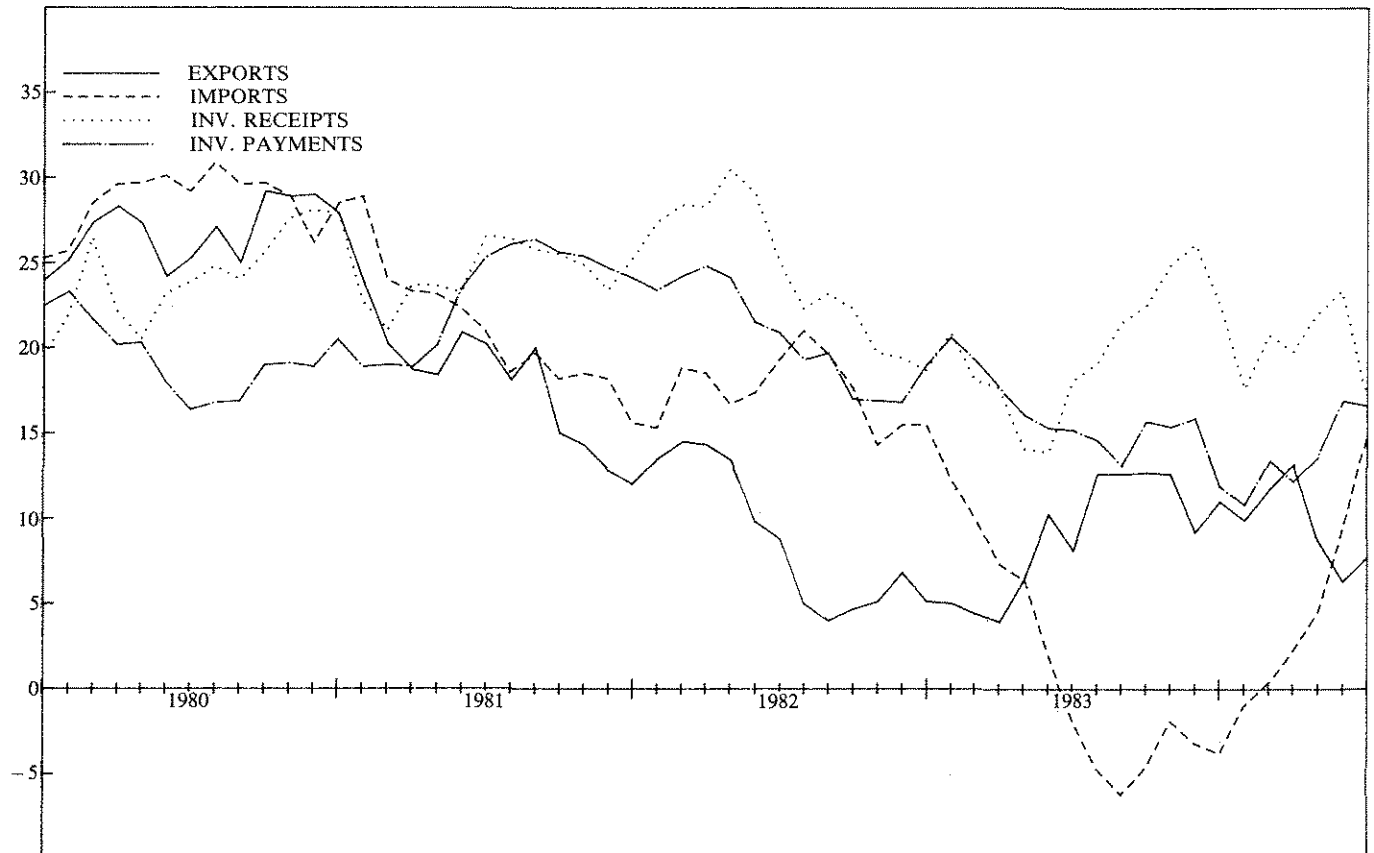
Forestry receipts increased by 17 per cent to \$674 million in 1983/84. Department of Statistics information indicates that the growth in forestry receipts reflects the return to normal export volumes of newsprint, supported by higher receipts from timber and wood pulp exports. An improvement in the housing construction sector of the Australian economy is responsible for the increased exports of sawn timber whilst increased receipts from woodpulp were due to an improvement in international market conditions. New Zealand's major markets for forestry products are principally Pacific Rim nations, with Australia and Japan accounting for 39 per cent and 25 per cent of forestry export receipts respectively.

¹ ASEAN includes Malaysia, Thailand, Singapore, Indonesia and Philippines.

OVERSEAS EXCHANGE TRANSACTIONS
YEAR ENDED JUNE



OVERSEAS EXCHANGE TRANSACTIONS
ANNUAL PERCENTAGE CHANGE OF 12 MONTHS RUNNING
TOTALS JUNE YEARS



The rate of growth in *other primary products* was higher than any other category at 33 per cent for the 1983/84 year. The increase in these receipts from \$457 million to \$608 million can be accounted for by the further development of the domestic fish processing industry and increased export tonnages of both pipfruit and kiwifruit.

Manufactured exports receipts increased at a relatively modest rate of 11 per cent to \$1,554 million for the 1983/84 year — the previous five year average growth rate was 22 per cent. It should be noted, though, that receipts in 1982/83 were artificially boosted by the sale of DC10s by Air New Zealand in that year. If these sales are excluded, a growth rate of about 20 per cent is recorded for the 1983/84 year.

The strong recovery in the Australian economy, which started in mid-1983, coupled with the introduction of the Australia New Zealand Closer Economic Relations (ANZCER) trade agreement, have benefited New Zealand export manufacturers. In addition favourable movements in prices and the bilateral exchange rate have improved the New Zealand manufacturer's competitive position within Australia. Manufactured export receipts from Australia increased by 13 per cent in the 1983/84 year compared to a 1 per cent decline for the previous year. Increased exports of aluminium, as indicated by Department of Statistics information, resulting from the commissioning of the third potline at Tiwai Point, accounted for most of the 35 per cent rise in manufactured receipts from Japan.

New Zealand's reliance upon traditional markets — the USA, the United Kingdom and other EEC nations — has changed over the last decade. There has been a trend toward diversification of export markets with only 56 per cent of New Zealand's foreign exchange derived from our four main trading partners (UK, USA, Japan and Australia) in 1983/84 compared with 63 per cent in 1973/74. However, within this group, exports to Australia have increased. Compared to 1973/74, when export receipts from Australia accounted for 9.8 per cent of total exports, the Australian market purchased 13.4 per cent of New Zealand's exports in 1983/84. Tables 14-16 give a breakdown by major trading partners of OET data for 1983/84.

IMPORT PAYMENTS

The 15 per cent increase in import payments to \$7,139 million contrasts with the previous year's 2 per cent decline. The substantial turnaround in private import payments stemmed from the rapid growth in domestic activity in 1983/84.

Previous cyclical upturns in private import payments, while often associated with monetary aggregate growth, have usually been underpinned by strong export led growth and increases in real income. The 1983/84 increase in activity and imports resulted primarily from domestic monetary expansion. M3 and private sector credit are estimated to have increased by 15.5 per cent and 21 per cent, respectively, over the year to June 1984, while real personal disposable incomes are estimated to have remained unchanged over the March year 1984. With credit easily available to the private sector, private consumption and import spending accelerated over the latter half of 1983/84 and in real terms were growing at respective annual rates of around 3 and 10 per cent at the end of the year. A further factor was the widespread

Table 2
RECEIPTS FROM EXPORTS

(NZ\$ million)	1979-80	1980-81	1981-82	1982-83	1983-84
July	385.3	564.6	663.7	533.8	688.8
August	399.2	429.0	567.9	651.9	743.4
September	293.6	517.3	508.7	541.8	590.8
October	388.1	440.5	458.9	508.3	554.7
November	364.6	462.2	488.9	626.5	550.6
December	391.3	483.7	541.2	492.3	559.1
First half of June Year	2222.3	2897.3	3229.3	3354.6	3687.4
January	461.9	437.9	497.3	551.4	536.0
February	491.8	501.5	569.0	602.2	760.3
March	524.7	585.8	647.9	677.9	820.7
April	446.2	515.9	539.9	732.9	625.2
May	474.7	622.7	568.9	760.1	794.0
June	523.3	625.6	678.0	601.1	620.6
Second half of June Year	2922.5	3289.4	3501.0	3925.5	4156.8
TOTAL	5144.8	6186.5	6730.5	7280.2	7844.1

Table 3
PAYMENT FOR IMPORTS

(NZ\$ million)	1979-80	1980-81	1981-82	1982-83	1983-84
July	318.8	438.8	476.9	614.6	569.7
August	351.1	411.1	532.7	600.7	572.0
September	343.9	452.3	510.4	480.5	549.2
October	353.8	429.1	534.1	465.0	574.4
November	393.8	433.4	464.5	568.5	584.6
December	318.0	460.3	503.4	549.7	552.7
First half of June Year	2079.5	2625.0	3022.0	3,279.0	3402.6
January	336.6	430.2	518.9	438.1	547.6
February	404.7	369.9	507.7	522.5	633.6
March	384.5	488.6	594.7	551.9	633.5
April	371.8	467.7	489.0	457.2	564.3
May	405.1	485.9	616.6	475.7	629.9
June	407.5	442.6	586.9	488.2	727.1
Second half of June Year	2310.2	2684.9	3313.8	2933.6	3,736.0
TOTAL	4389.7	5310.0	6335.9	6,212.7	7,138.6

Table 4
IMPORT PAYMENTS BY COUNTRY OR REGION

(NZ\$ million)	June Years			
	Country of Consignment 1983	Country of Consignment 1984	Country of Settlement 1983	Country of Settlement 1984
United Kingdom	761.2	776.2	832.0	877.4
Australia	1265.6	1524.2	1136.4	1380.2
United States of America	1239.5	1464.2	2107.9	2193.2
Canada	116.8	145.0	114.0	139.4
Japan	983.5	1285.0	903.6	1227.5
West Germany	230.6	243.2	220.5	234.7
Other E.E.C. Countries	237.9	321.1	222.6	292.0
Other O.E.C.D. Countries	128.9	168.6	143.4	165.8
Asia-Oceania	1014.2	990.4	468.6	552.7
Latin America-Caribbean	45.4	62.7	31.4	30.1
Middle East	154.7	121.5	5.7	15.2
Other Countries	34.5	36.6	26.6	30.4
TOTAL	6212.7	7138.6	6212.7	7138.6

anticipation of price rises following the lifting of the wage/price freeze in February 1984. Also, during the March quarter 1984 it was becoming evident that the manufacturing and distribution sectors were beginning to replenish stock levels that had been run down during the calendar year 1983.

These various influences on import demand were further boosted in OET terms by abnormally high payment flows during the month of June 1984 as importers remitted funds in advance, in anticipation of a devaluation. Private import payments at \$707 million in June 1984 were 51 per cent higher than for the same month a year ago. Comparable rates of change for the previous three months averaged 27 per cent.

INVISIBLE (NON-MERCHANDISE) TRANSACTIONS ²

The invisible transactions deficit totalled \$2,463 million in 1983/84, a 16 per cent increase on the previous year. Whereas the 1981/82 and 1982/83 invisible deficits exhibited slowing rates of expansion, the acceleration in the growth rate in 1983/84 represents a continuation of the long-term trend of increasing deficits on the invisibles account.

Invisible receipts increased 17 per cent to \$2,267 million in 1983/84. The rate of growth in invisible receipts has slowed from increases of around 25 per cent in the period 1979/80 — 1981/82 to 18 per cent in 1982/83. Contributing to this slowdown has been a marked fall off in the private component of the category interest and investment income receipts since 1981/82. This occurred during a period when widespread interest rate controls were imposed in New Zealand. During 1983/84 two invisible receipt categories exhibited strong rates of increase: gross international airfare receipts increased by 48 per cent to \$432 million and travel receipts, representing foreign exchange earned by New Zealand's tourism industry, increased by 28 per cent to \$407 million.

Invisible payments also increased by 17 per cent to \$4,730 million. Significant increases were recorded for private (including Government Corporations) overseas debt interest payments (39 per cent) and international fare payments (22 per cent). Official debt interest payments totalled \$731 million in 1983/84, an increase of 9 per cent on the 1982/83 year.

CAPITAL ACCOUNT

The net private capital inflow of \$313 million in 1983/84 was well down on the \$1,324 million recorded in the previous year. This reflected a reduction in the private sector's external borrowing in response to lower financing requirements resulting from major project investment, a substantial reduction in the Meat Board's external borrowing and the greater availability of domestic finance at more favourable nominal interest rates during 1983/84 as compared to 1982/83.

The lower net private capital inflow together with the devaluation scare which followed the announcement of the snap election necessitated a sharp increase in government borrowing in 1983/84. This is evident from the net official capital inflow of \$2,047 million for

² The revision in the OET recording procedure involved some minor changes to the invisible receipts and payments categories. Tables 5 and 6 incorporate the changes to the classification system.

Table 5
CURRENT ACCOUNT INVISIBLE RECEIPTS

(NZ\$ million)	Years ended June			
	1981	1982	1983	1984
Transport	401.2	469.8	559.7	764.4
Insurance	29.3	38.0	63.9	42.4
Travel, Private and Business (excluding fares) ..	260.7	300.1	317.1	407.1
Interest and Investment Income	80.9	181.2	183.4	193.3
Foreign Govt. Expenditure (n.e.i.)	25.0	30.3	31.7	26.0
New Zealand Govt. Receipts (n.e.i.) ..	36.9	40.2	56.0	73.7
New Zealand Expenses of Overseas Firms ..	101.8	144.9	218.7	234.8
Personal Receipts	276.7	331.7	389.1	411.4
Immigrants' Transfers ..	68.1	74.4	88.4	84.0
Miscellaneous	30.5	29.5	28.8	30.2
TOTAL	1,311.2	1,640.1	1,936.8	2,267.3

Table 6
CURRENT ACCOUNT INVISIBLE PAYMENTS

(NZ\$ million)	Years ended June			
	1981	1982	1983	1984
Private:				
Freight on Exports ..	333.2	361.2	412.2	564.7
Fares	228.0	271.9	286.9	349.9
Other Transport	241.6	314.0	419.6	434.2
Insurance	40.2	51.4	81.0	87.0
Travel	564.0	654.1	681.6	738.9
Interest & Investment Income	282.0	372.5	439.2	610.5
Overseas Expenses of New Zealand Firms ..	363.0	516.2	575.6	662.1
Personal Remittances ..	158.0	120.8	145.1	147.4
Transfers by Temporary Residents Leaving New Zealand	9.4	10.8	10.8	16.0
Emigrants' Transfer ..	129.0	127.9	75.4	103.0
Miscellaneous	3.3	4.6	8.3	1.9
Total Private Invisible Payments	2,351.6	2,805.3	3,135.9	3,715.6
Official:				
Debt Interest	349.6	519.4	670.3	730.9
Miscellaneous Payments	211.0	196.5	251.3	283.5
Total Official: Invisible Payments ..	560.6	715.9	921.6	1014.4
TOTAL CURRENT INVISIBLE PAYMENTS	2,912.2	3,521.2	4,057.5	4,730.1

1983/84 which compares with \$561 million in 1982/83 and \$1,259 million in 1981/82. Table 8 measures the size of the net official inflow relative to the level of GDP and for 1983/84 the ratio was 6 per cent, the largest recorded since 1975.

The debt servicing implications of the large Government borrowing programme during 1983/84 are not yet embodied in the debt servicing ratios in table 9. This table shows that the ratios of official debt interest to export receipts and current receipts in 1983/84 were 9.3 per cent and 7.2 per cent respectively, essentially unchanged from the ratios for 1982/83.

Total official overseas debt increased by 15 per cent to an estimated \$9,875 million in June 1984. Table 10 shows both official and Government Corporation overseas debt as a percentage of GDP. The relative size

of Government overseas debt in March 1984 was practically the same as for the previous year at 28 per cent of GDP, after having jumped from around 20 per cent of GDP in the period 1978-1982.

Table 7
CAPITAL ACCOUNT TRANSACTIONS
Year ended June 1984

<i>(NZ\$ million)</i>			
Official Overseas Borrowing:			
United Kingdom Loans	..	..	192.1
U.S.A. Loans and Credits	..	..	19.6
Deutschmark Loans	..	..	144.8
Lloyds Revolving Credit	..	..	843.6
Citicorp Note Facility..	..	..	524.1
Middle East Loans	..	..	62.7
Japanese Bonds ..	..	..	223.3
Standby Facilities	..	..	588.2
Other Official Receipts	..	..	0.1
Total Official Receipts	..	..	2,598.5
Repayments:			
London Loans and Credits	..	..	25.4
I.B.R.D. ..	..	..	3.1
U.S.A. Loans and Credits	..	..	16.9
Deutschmark Loans	..	..	149.8
Standby ..	..	..	46.2
Swiss Loans	..	..	47.6
Dutch Loans and Credit	..	..	37.9
French Credits ..	..	..	2.1
Japanese Bonds and Credits	..	..	30.7
Middle East Loans	..	..	124.7
Canadian Credits	..	..	7.1
Other Official Repayments	..	..	59.8
Total Official Payments	..	..	551.3
Net Official Capital Inflow	..	..	+ 2,047.2
Private Capital Receipts:			
Disposal of New Zealand-owned Overseas Assets	..	..	189.6
Overseas Investment in New Zealand ¹	..	..	1,035.6
Total Private Receipts	..	..	1,225.2
Private Capital Payments:			
New Zealand Investment Overseas	..	..	26.5
Repayment of Overseas Investment in New Zealand ..	..	..	886.0
Total Private Payments	..	..	912.5
Net Private Capital Inflow	..	..	+ 312.7
TOTAL NET CAPITAL INFLOW	..	..	+ 2,359.9

Table 8
RATIO OF NET OFFICIAL CAPITAL INFLOW TO G.D.P.

<i>(NZ\$ million)</i>			
Year Ended June	Net Official Capital Inflow	Gross Domestic Product (Year ended March)	Net Inflow ¹ as Percentage of G.D.P.
1975	+ 653.4	10,117	6.5
1976	+ 415.9	11,669	3.6
1977	+ 327.8	14,105	2.3
1978	+ 408.2	15,424	2.6
1979	+ 522.8	17,510	3.0
1980	+ 17.5	21,092	0.1
1981	+ 709.7	24,461	2.9
1982	+ 1,173.9	29,296	4.0
1983	+ 537.0	32,092	1.7
1984	+ 2,047.3	33,990*	6.0

* N.Z.I.E.R. estimate.

Table 9
RATIO OF OFFICIAL DEBT INTEREST PAYMENTS TO EXPORT RECEIPTS

<i>(NZ\$ million)</i>		<i>Debt Interest as Percentage of:</i>	
Year Ended June	Official Debt Interest Payments	Export Receipts	Current Receipts
1974	33.9	1.9	1.6
1975	61.3	3.7	2.8
1976	119.4	4.8	3.8
1977	170.0	5.1	4.2
1978	208.1	6.1	5.0
1979	253.6	6.2	5.1
1980	312.4	6.1	5.1
1981	349.6	5.7	4.7
1982	519.4	7.7	6.2
1983	670.3	9.2	7.3
1984	730.9	9.3	7.2

Table 10
NEW ZEALAND'S OVERSEAS DEBT

<i>(NZ\$ million)</i>					
	Government ¹	Reserve Bank	Total	% of GDP	% Government Corporations
1978					
Mar.	2,446.7	809.1	3,255.8	21.1	
1979					
Mar.	2,920.1	756.3	3,676.4	21.0	
1980					
Mar.	3,567.5	729.3	4,296.8	20.4	
1981					
Mar.	4,236.1	572.9	4,809.0	19.7	
1982					
Mar.	5,460.0	1,227.5	6,687.5	22.8	1.114.1
June	5,715.7	1,181.5	6,897.2		3.8
Sept.	6,303.6	1,303.8	7,607.4		
Dec.	6,758.3	1,371.3	8,129.6		1,958.4
1983					
Mar.	7,690.7	1,486.9	9,177.6	28.5	2,218.0
June	7,213.0	1,386.8	8,599.8		2,491.5
Sept.	7,646.5	1,237.7	8,884.2		2,525.8
Dec.	8,383.1	1,172.7	9,555.8		2,605.2
1984					
Mar. (est.)	8,174.9	1,161.6	9,336.5	27.5	2,804.8
June (est.)	8,633.0	1,242.2*	9,875.2		2,900.0

¹ From March 1982 the audited Government debt figures have been adjusted to exclude railways loans that were outstanding to the Crown when the Railways Department became a corporation. The amounts involved are \$89.4 million (March 1982), \$84.0 million (June 1982), \$81.3 million (September 1982), \$74.4 million (December 1982), \$74.0 million (March 1983), \$72.6 million (June 1983), \$68.1 million (September 1983), \$61.9 million (December 1983), and \$51.5 million (March 1984), \$46.9 million (June 1984).

* Not included in the total are short-term liabilities (stand-bys) totalling \$542.5 million.

SUMMARY AND CONCLUSION

The substantial deterioration in the OET current account deficit recorded in 1983/84 was due principally to a rise in import payments as a result of a rapid expansion in domestic liquidity. In addition there was only moderate growth in export receipts, a disappointing result during a period of buoyant world economic activity. The deterioration reflected the structural imbalances in the New Zealand economy, such as an over-valued exchange rate during this period,

an inappropriate range of subsidies and incentives and a heavily protected and regulated domestic economy. Furthermore, the budget deficit rose sharply, from 5.5 per cent of GDP in 1982/83 to 8.7 per cent in 1983/84 — and this, in conjunction with some other factors, led to easy monetary conditions and a consequent boost to activity and import payments.

Recent measures undertaken by the new Government (during July and August 1984) such as the 20 per cent devaluation of the New Zealand dollar, the announced phase out of export incentives and the removal of interest rate controls address a number of these fundamental problems. They should help to improve New Zealand's competitiveness in world markets and in time increase export receipts. However, if New Zealand's current account deficit and overseas debt ratios are to be kept to sustainable levels, it will be necessary to ensure that these gains in competitiveness are not eroded by renewed domestic inflation, and that remaining structural imbalances are also addressed. The proper conduct of both monetary and fiscal policies will be a vital ingredient of this approach.

Table 11
BALANCE ON CURRENT ACCOUNT
BY COUNTRY OR REGION¹
Years ended June

(NZ\$ million)	1981	1982	1983	1984
United Kingdom	- 57.5	- 47.5	- 511.0	- 511.3
Australia	- 656.4	- 553.5	- 585.4	- 713.8
U.S.A.	- 517.5	- 837.4	- 705.2	- 1112.7
Canada	+ 32.5	- 35.3	+ 54.7	- 32.1
Japan	- 76.0	- 264.2	- 65.9	- 233.1
E.E.C. (excl. U.K.)	+ 68.1	- 67.1	- 2.2	- 91.2
Other O.E.C.D.	- 87.6	+ 164.1	- 192.2	- 248.3
Asia-Oceania	+ 216.2	+ 288.5	+ 224.4	+ 274.7
Latin America- Caribbean	+ 125.3	+ 117.9	+ 164.9	+ 177.0
Others	+ 228.3	+ 136.1	+ 564.8	+ 669.5
All Countries	- 724.5	- 1,486.6	- 1,053.0	- 1,757.3

¹ Payments data used in the calculation of current balances are recorded on a country of consignment basis.

Note: Totals may not add due to rounding.

Table 12
NEW ZEALAND'S OVERSEAS EXCHANGE TRANSACTIONS
Receipts from Export — Monthly — Year Ended June 1984

(NZ\$ million)	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	Total
Meat	221.8	228.1	134.6	65.1	60.6	52.3	62.9	208.1	265.3	168.5	242.4	190.4	1900.1
Wool	94.4	71.8	69.3	70.0	80.1	90.0	92.3	130.8	127.6	96.8	101.6	80.2	1104.8
Dairy Products ..	104.3	134.5	122.6	132.9	150.7	110.6	127.3	128.1	105.9	97.9	134.4	95.1	1444.4
Other Animal Products	41.4	45.6	39.0	37.2	27.5	32.4	31.6	44.3	58.3	48.4	43.0	43.8	492.5
Forest Products ..	50.4	65.5	57.8	59.7	50.3	69.3	52.2	59.7	50.7	52.2	61.1	45.2	674.3
Other Primary Products	51.7	45.0	62.0	50.3	45.0	39.6	34.5	50.0	76.8	51.6	56.1	45.0	607.8
Manufactured Exports	118.8	146.6	98.8	131.5	130.6	160.4	133.0	137.1	128.4	104.0	148.3	116.0	1553.5
Miscellaneous ..	6.0	6.3	6.7	8.0	5.7	4.4	2.0	2.1	7.6	5.8	7.1	4.9	66.7
TOTAL EXPORT RECIPTS	688.8	743.4	590.8	554.7	550.6	559.1	536.0	760.3	820.7	625.2	794.0	620.6	7,844.1

Table 13
NEW ZEALAND'S OVERSEAS EXCHANGE TRANSACTIONS
Receipts and Payments, Years Ended June

(NZ\$ millions)	1980	1981	1982	1983	1984
RECEIPTS:					
Exports:					
Meat	1,326.0	1,660.8	1651.0	1687.4	1900.1
Wool	967.6	984.5	947.5	1056.3	1104.8
Dairy Products	810.6	1173.8	1441.3	1563.7	1444.4
Other Animal Products	402.6	379.8	420.2	487.8	492.5
Forest Products	501.2	587.7	612.9	575.6	674.3
Other Primary Products	269.8	319.0	413.1	457.4	607.8
Manufactured Exports	824.2	1,024.1	1,202.0	1394.3	1553.5
Miscellaneous	42.9	56.8	42.5	57.7	66.7
Total Exports	5,144.8	6,186.5	6,730.5	7,280.2	7,844.1
Other Current Receipts	1,036.1	1,311.2	1,640.1	1,937.0	2,267.3
Total Current Receipts	6,180.9	7,497.7	8,370.6	9,217.2	10,111.4
Capital Receipts:					
Government Borrowing	441.7	1,030.0	1,554.7	1,703.4	1,947.5
Other Official Receipts	252.5	223.6	622.3	243.8	651.1
Private	482.2	516.2	970.2	2,071.3	1,225.2
Total Capital Receipts	1,176.4	1,769.9	3,147.2	4,018.5	3,823.8
I.M.F.:					
Drawings	—	—	—	—	—
Allocation of SDRs	32.4	31.2	—	—	—
TOTAL RECEIPTS	7,389.8	9,298.8	11,517.7	13,235.7	13,935.2
PAYMENTS:					
Imports:					
Government	199.6	211.0	305.0	326.5	324.7
Private	4,190.1	5,099.0	6,030.9	5,886.3	6,813.9
Total Imports	4,389.7	5,310.0	6,335.9	6,212.7	7,138.6
Other Current Payments:					
Government	523.8	560.6	715.9	921.6	1,014.4
Private	1,799.4	2,351.6	2,805.3	3,135.9	3,715.7
Total Other Current Payments	2,323.2	2,912.2	3,521.2	4,057.5	4,730.1
Total Current Payments	6,712.9	8,222.2	9,857.1	10,270.2	11,868.7
Capital Payments:					
Government Debt Repayments	449.7	163.2	782.7	1,212.6	322.8
Other Official Payments	99.3	243.8	135.3	173.3	228.5
Private	364.6	415.7	616.0	747.2	912.5
Total Capital Payments	913.6	822.7	1,534.0	2,133.1	1,463.8
I.M.F. Repurchases	160.1	168.1	85.0	24.3	—
TOTAL PAYMENTS	7,786.7	9,213.0	11,476.1	12,427.7	13,332.5
Balance on Trade Transactions	+ 755.1	+ 876.5	+ 394.5	+ 1,067.5	+ 705.5
Balance on Invisible Transactions	- 1,287.1	- 1,601.1	- 1,881.1	- 2,120.5	- 2,462.8
Current Account Balance	- 532.0	- 724.5	- 1,486.6	- 1,053.0	- 1,757.3
Official Capital Account Balance	+ 145.3	+ 846.6	+ 1,259.0	+ 561.3	+ 2,047.3
Private Capital Account Balance	+ 117.5	+ 100.5	+ 354.2	+ 1,324.1	+ 312.7
I.M.F. Transactions (including SDRs)	- 127.7	- 136.8	- 85.0	- 24.3	—
Change in Official Overseas Reserves	- 220.7	+ 11.4	- 21.9	+ 840.0	- 77.6
Official Overseas Reserves at End of Period	711.6	722.9	701.0	1,541.0	1,463.4