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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE AUSTRALIAN ECONOMY

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Economic Department

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BASIC STATISTICS

Area: 2,970,000 square miles (almost size of U.S.)

Population, December 31, 1951 (est.): 8.5 million

National Income, 1951/52 (est.): £(A) 3,200 million  
(\$7.2 billion, or \$840 per capita)

Balance of Payments (years to June 30):

	1949/50	£(A) Million 1950/51	1951/52 (est.)
Exports (f.o.b.)	594	975	660
Imports (f.o.b.)	-539	-742	-1100
Trade Balance	55	233	-440
Net Invisibles	-105	-142	-210
Current Account Balance	-50	91	-650
Capital Inflow, Errors & Omissions	236	103	35
Change in International Reserves	186	194	-615

International Reserves

	<u>Total</u>		<u>Gold Holdings</u>	
	£A Million	Equivalent in U.S. \$ m.	£A Million	Equivalent in U.S. \$ m.
June 1946	215	688 (£A1=3.20)	21	67 (£A1=3.20)
June 1951	843	1888 (£A1=2.24)	44	99 (£A1=2.24)
March 1952 (est.)	420	941 (£A1=2.24)	50	112 (£A1=2.24)

External Funded Public Debt

	£ Sterling Debt Million	U.S. \$ Debt Million	Total Debt Converted to U.S. \$ Million
June 1930	464	277	2532 (Estg.1 = 4.86)
June 1950	359	217	1222 (Estg.1 = 2.80)
June 1951	345	310	1275 (Estg.1 = 2.80)

Terms of Trade (1936/37-1938/39 = 100)

	1946/47	1949/50	1950/51	December 1951	March 1952
Export Price Index	209	399	690	481	424
Import Price Index	234	309	375	425	n.a.
Terms of Trade	89	129	184	113	n.a.

## (Basic Statistics Cont'd)

Consolidated Accounts of Public Authorities

	1938/39	(£A Million) 1950/51	1951/52 (est.)
Current Expenditures	136	492	515
Gross Investment	61	297	360
Defense	<u>13</u>	<u>96</u>	<u>165</u>
Total Expenditures	210	885	1040
Current Revenues	<u>183</u>	<u>790</u>	<u>1050</u>
Net	-27	-95	£10

Gross Fixed Capital Investment

	1938/39	1950/51	1951/52 (est.)
Total (£A million)	185	880	1070
Private (percentage)	67%	61%	62%
Public (percentage)	33%	39%	38%

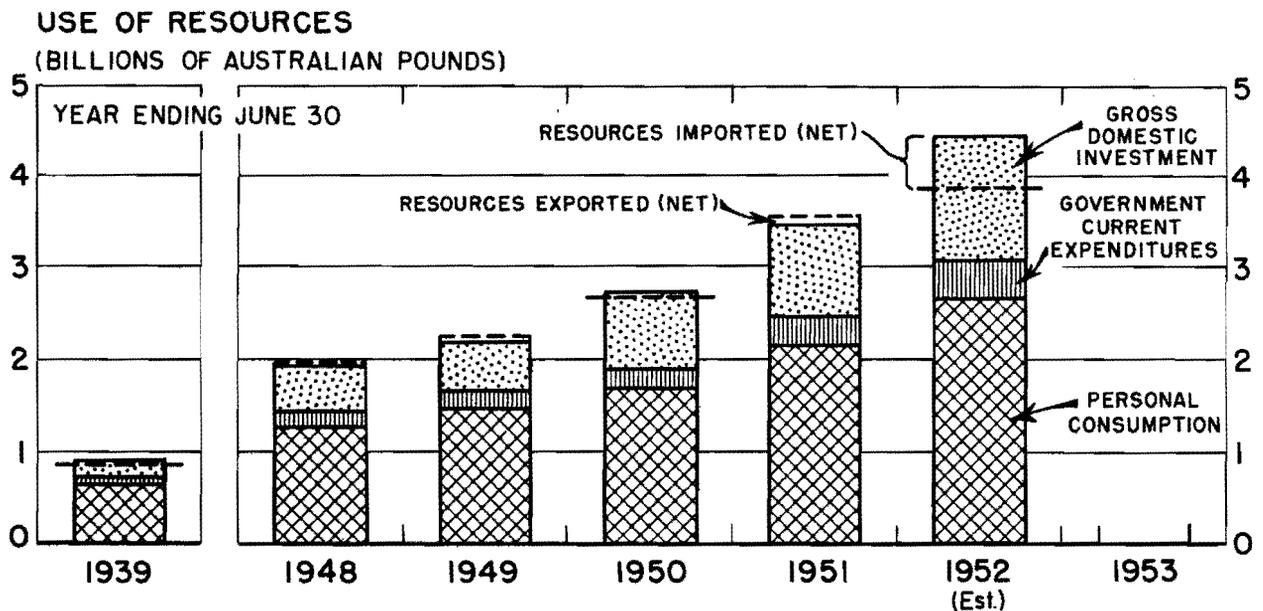
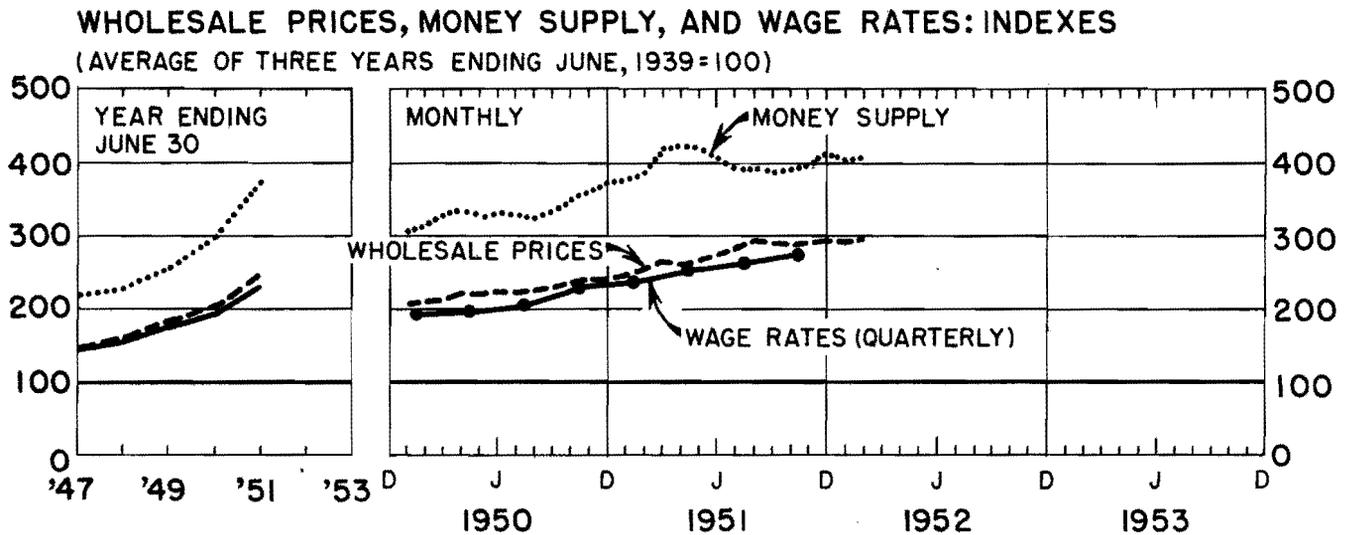
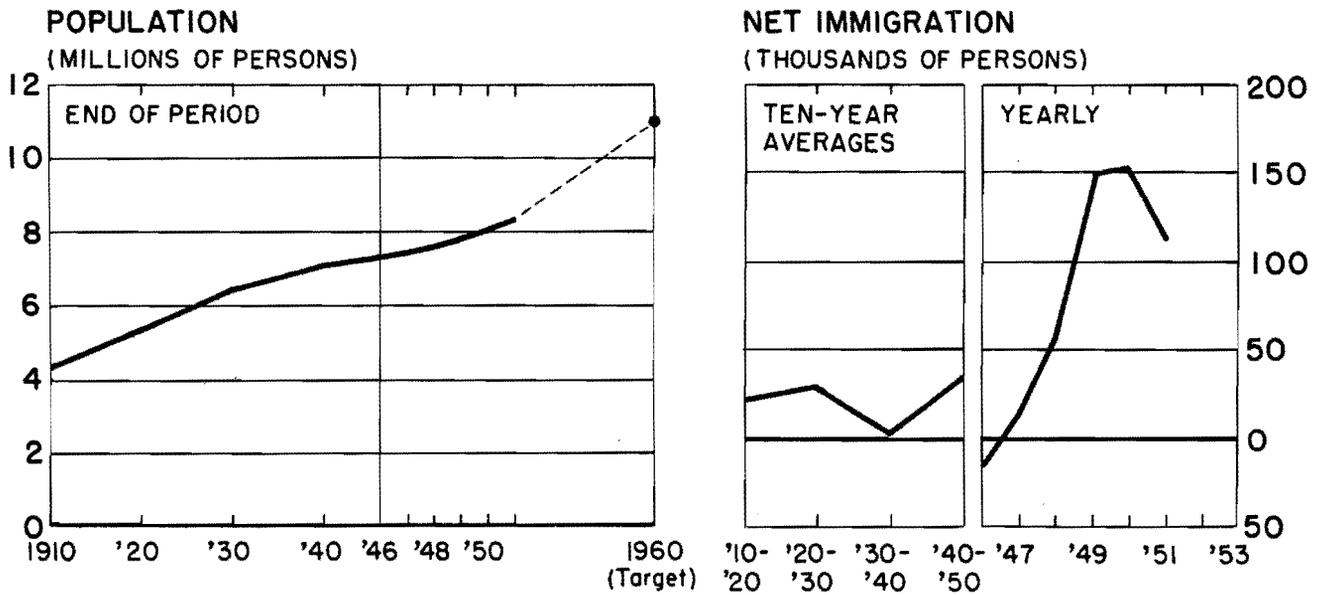
Prices and Wages (Average 3 years ended June 1939 = 100)

	1945/46	1949/50	June <u>1950</u>	June <u>1951</u>	Aug. <u>1951</u>	March <u>1952</u>
Wholesale						
Prices	141	205	223	277	294	304
Retail						
Prices	128	167	173	207	219	237
Wages	134	191	198	250	262	277 (Dec. Q.)

Percentage of Australian workers in main economic sectors

	<u>1921</u>	<u>1933</u>	<u>1947</u>
Primary	26	23	20
Manufacturing	21	19	27
Services	<u>53</u>	<u>58</u>	<u>53</u>
	100	100	100

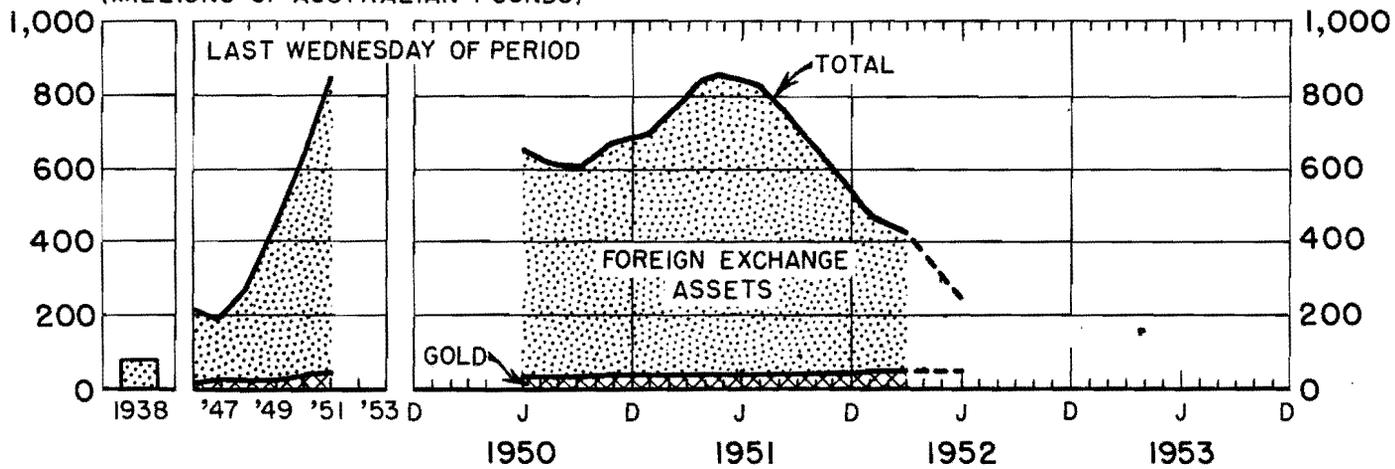
# AUSTRALIA



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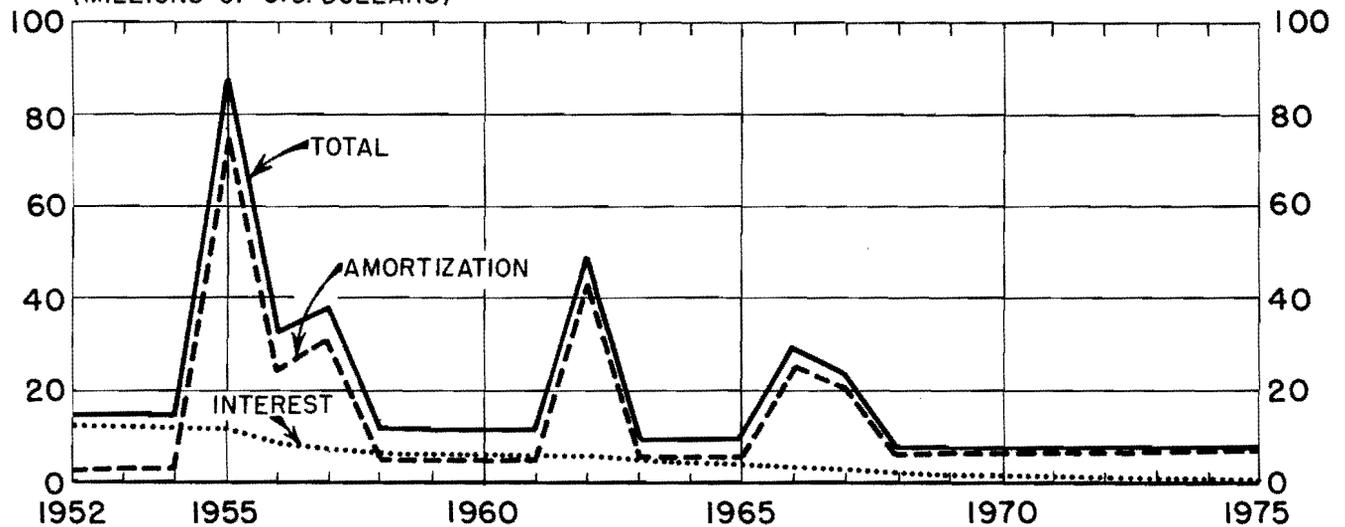
## GOLD AND FOREIGN EXCHANGE ASSETS

(MILLIONS OF AUSTRALIAN POUNDS)



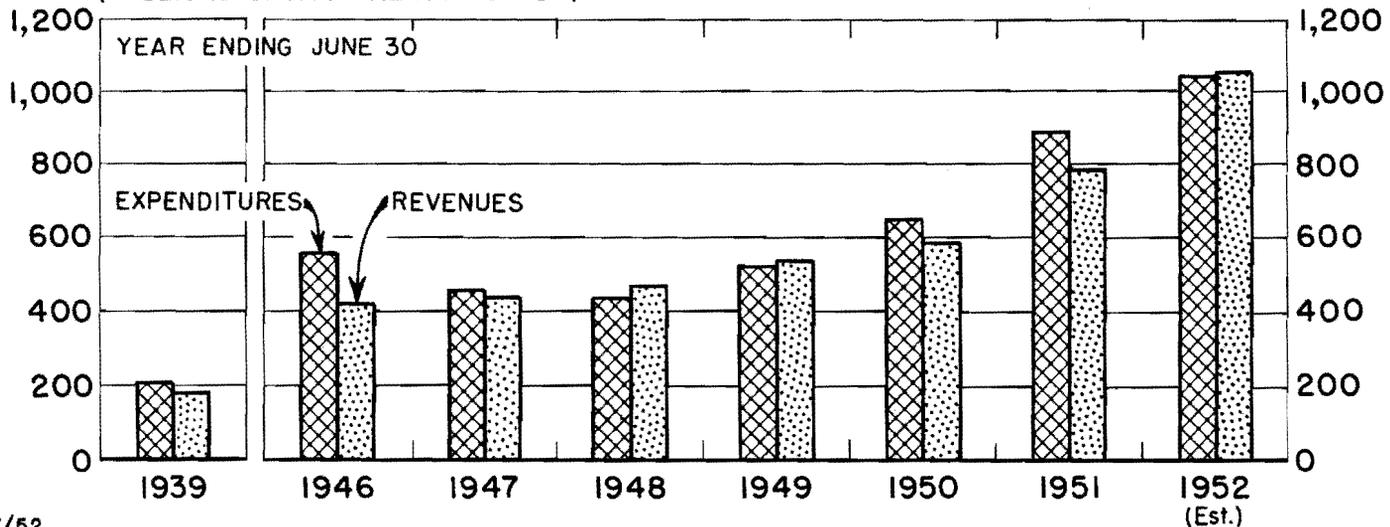
## TOTAL DOLLAR DEBT (PAYMENTS EACH YEAR)

(MILLIONS OF U.S. DOLLARS)



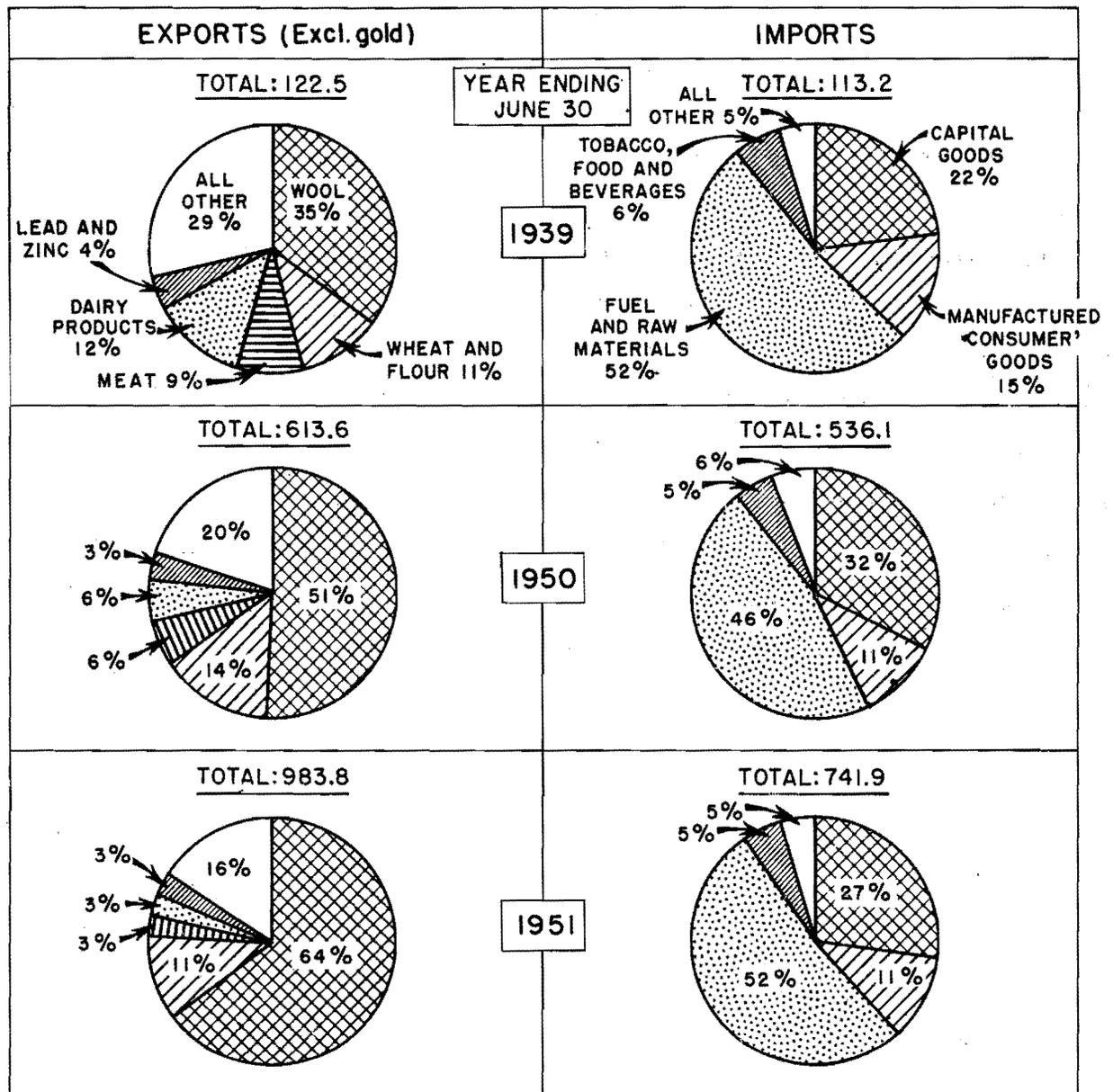
## CONSOLIDATED PUBLIC AUTHORITIES REVENUES AND EXPENDITURES

(MILLIONS OF AUSTRALIAN POUNDS)



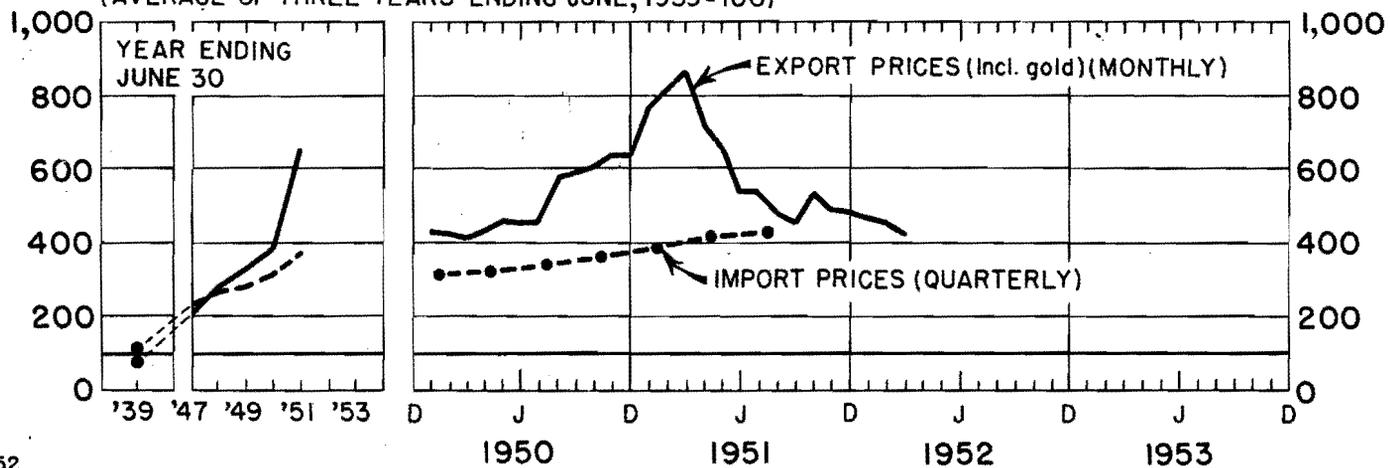
# AUSTRALIA

## COMPOSITION OF EXPORTS AND IMPORTS (TOTALS IN MILLIONS OF AUSTRALIAN POUNDS)



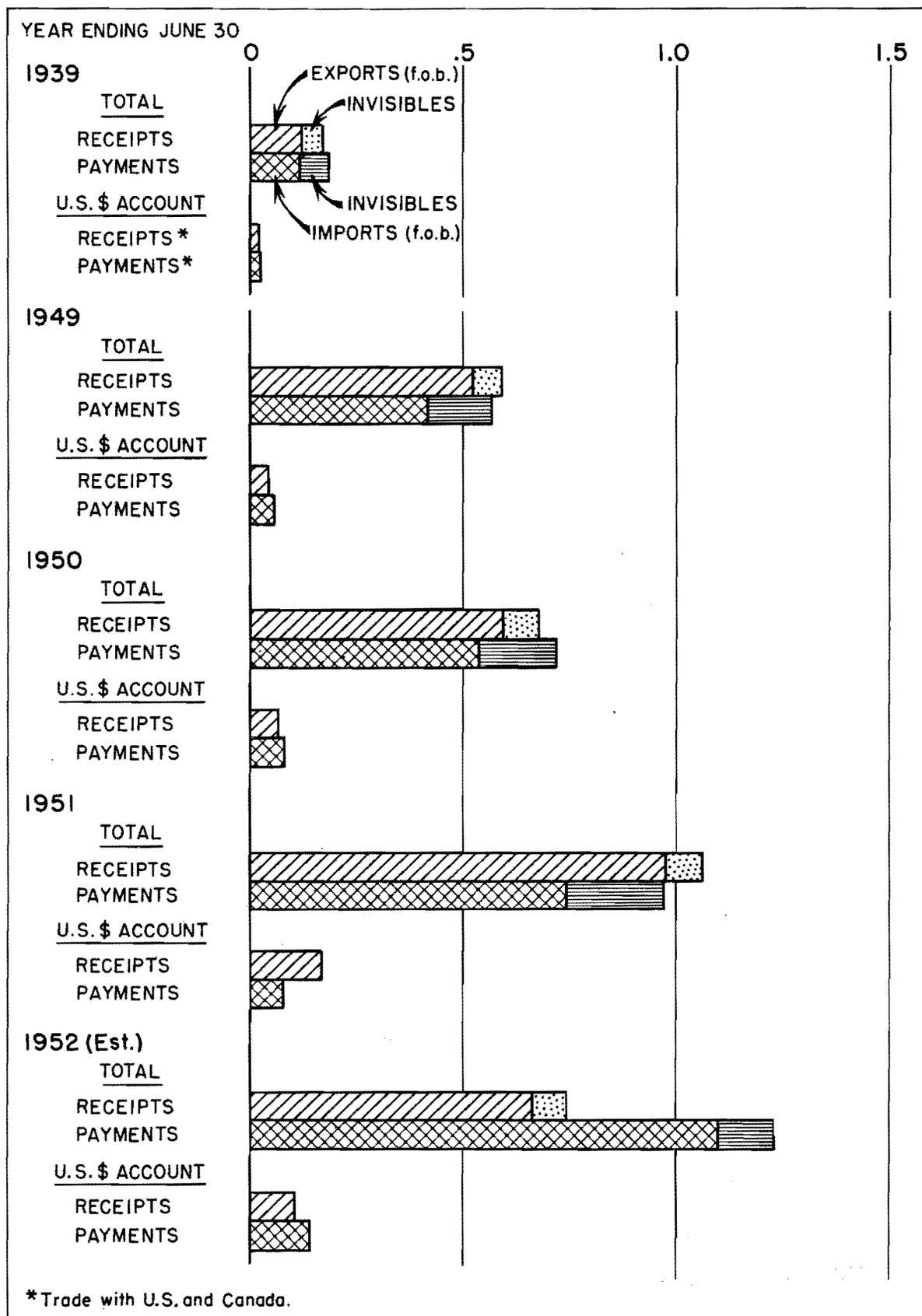
## EXPORT AND IMPORT PRICES: INDEXES

(AVERAGE OF THREE YEARS ENDING JUNE, 1939=100)



# AUSTRALIA

## BALANCE OF PAYMENTS ON CURRENT ACCOUNT (BILLIONS OF AUSTRALIAN POUNDS)



(The Australian fiscal year is July 1 to June 30)

### SUMMARY AND CONCLUSIONS

1) The main economic problem of Australia since 1947 has been to secure a balanced economic expansion, without disruptive inflation and without a cut in living standards, to meet the needs of a population growing at triple the prewar rate. Part of the accelerated growth is due to a rise in the rate of natural increase but mostly it is due to a large-scale immigration program. This was undertaken at a time when Australia had to overcome the arrears in investment caused by the depression and the war. The Australian situation was made still more difficult (a) by a large inflow of money that, due to supply difficulties, was not accompanied by an inflow of goods; (b) by a doubling of wool prices in the year after Korea; and (c) the government's starting a large rearmament effort from July 1950. As a result, Australia has had a continuous inflation which in the worst year so far, 1950/51, led to an increase in prices of 25%. The inflation has had a bad effect in preventing balanced growth, particularly in causing the basic services and industries to lag.

2) Australia still has considerable scope for development in agriculture, but due to limited water supply, this is not easy and requires considerable investment in land clearance and social capital. Even with the maximum rate of development of agriculture, the possibility of absorbing additional people on the land at undiminished standards of living is limited. While high priority has to be given to agriculture, which produces the bulk of export income, Australia must also continue to develop secondary industries which can compete with imports.

3) There is no one governmental center effectively concerned with development problems and the needs of the economy as a whole. Australia has a federal government and the states have large powers in the economic field: they carry out around three-fourths of total public investment. The totals spent by the states in economic development are decided by a joint Commonwealth-State Loan Council. In its meeting on the next fiscal year, 1952/53, the states outvoted the Commonwealth in its attempt to cut the investment programs. However, it is not likely that funds will be available for more than the Commonwealth figure. In 1951/52 and 1952/53, the Commonwealth is providing, out of funds under its control, the bulk of the money subscribed for carrying out the loan programs of the states. If this arrangement is continued, it should provide some possibility for central review in the future.

4) While some anti-inflationary action was taken prior to 1951/52, it was ineffective. In the financial year 1951/52, more effective monetary and fiscal anti-inflationary action was taken which was supplemented by a large import surplus. Further, the level of net immigration has dropped by a third from over 150,000 a year to around 100,000 and may drop a bit more. The inflation has thus come almost to a halt. For the next year, 1952/53, the government cannot plan for a large excess of imports as the current year has eliminated any surplus foreign exchange reserves. While some of the import surplus of the current year will be available in the form of over-large inventories to help the situation next year, additional anti-inflationary action may be necessary to prevent inflation in 1952/53.

5) Inflation has been an important cause in the lag in the growth of the basic industries, particularly agriculture. Australia has been and for the foreseeable future will continue to be mainly dependent on exports of primary products to pay for her essential imports. Except for wool, production of these commodities has either not kept up with the growth in domestic consumption and exports have dropped (e.g. meat and dairy products) or output has in the last year or two actually declined (e.g. wheat). In addition to inflation, other factors have held back output, some of which could have been avoided or mitigated by prompt government action. The Commonwealth Government in cooperation with the states adopted in February 1952 a five-year program of agricultural expansion. This program, if successfully carried out, is expected to result in an increase of about 10% in output and exports.

6) There has also been a lag in the other basic services and industries. Coastal shipping has been unable to increase its freight load beyond prewar levels and this has placed an unbearable burden on railways and road transport. In coal, almost the sole domestic source of energy, the New South Wales mines have also been producing at prewar levels - although open-cut output is up. This has made necessary large investment in coal production in other states, import of coal and increased import of fuel oil from abroad. Iron and steel production has increased by around 25% over prewar, principally in the last two years, but it is still below capacity and below demand. Large imports of iron and steel at high prices have been necessary as a result. Electric power production has doubled since prewar but is still insufficient to meet demand. There are blackouts, power shedding, etc., in the two main industrial states. Housing has also been a crucial sector. The record here has not been bad with new houses being provided at a rate which has kept up with or surpassed the increase of population. This has been in part accomplished by a large importation of prefabricated houses and building materials.

7) If inflation is successfully controlled, programs underway for coal, iron and steel, railroads, electric power should greatly improve the situation within a few years. In coastal shipping, no solution has yet been found.

8) For most of the postwar, Australia has enjoyed more favorable terms of trade than prewar. With only a small increase in the volume of exports, she has been able for most of the period to buy a much greater volume of imports, and still show a small current account surplus. There has also been a substantial inflow of foreign money. This, plus the results of the favorable terms of trade, has made possible building up her international reserves from £(A)215 million in June 1946 to £(A)840 million in June 1951. In 1951/52, there has been a drastic reversal of the postwar pattern: her terms of trade have reverted to near prewar levels; she has a deficit of around £(A)600 million which has eliminated practically the entire postwar accumulation of reserves; the net capital inflow has greatly decreased. As a result, Australia was forced in March 1952 to impose sweeping restrictions on imports from all areas, designed to ensure the reduction of the level of imports in 1952-53 to one-half the 1951/52 level, i.e. to enable her to pay her way next year.

9) Australia's future balance of payments depends primarily on wool, which provides around half of total export earnings. The main problem is markets, as wool is faced with the threat of development of synthetic substitutes. As long as wool is available and does not continue to undergo the spectacular, erratic price fluctuations of the last two years, synthetics are not likely to be a perfect substitute for wool, but rather to take their place along-side wool. This will mean a displacing of wool in some of its specialized uses and depressing the demand for wool. On balance, reliance on the longer-term future of wool is still a reasonable risk to run.

10) The main problem with foodstuffs, which compose 40% of total exports, is Australia's ability to expand her production for export more rapidly than home consumption. The government has recently begun action to increase production and so increase total exports by around 10% in the next 5 years. With the slowing down of immigration and therefore of the rate of increase of home consumption, this goal should be feasible if it is pursued energetically.

11) Australia proved herself able and willing to sacrifice to service her debt during the depression when interest payments were as high as 41% of export proceeds. External debt since then has been reduced and world prices have risen so that interest service is now only around 3% of total export receipts. Even if government action is only successful in preventing deterioration of the present position, Australia could be considered as creditworthy for a substantial amount of additional debt. Her ability to service additional debt in dollars, however, requires special consideration.

12) Australia's dollar earnings are even more dependent on wool than is her total balance of payments. The population and income of the U.S. and Canada are increasing and their domestic production of wool is falling. Except for the threat of synthetics and the possibility of a shift back into wool production by U.S. and Canadian farmers if other agricultural incomes are lowered, there would be no doubts at all in predicting a continued growth of Australian dollar wool exports. As it is, the forecast must be that it is reasonably probable that Australian wool will continue to be a good dollar earner. There should also be a favorable market for Australian metals and minerals in the U.S. Considerable investment has taken place in Australia in dollar-saving lines which should result in eliminating the need for a fair percentage of dollar imports in the next few years. Increasing availability of machinery and equipment from the U.K., Western Europe, and Japan should further reduce the need for dollar imports.

13) Australia's total dollar debt outstanding is \$310 million, i.e. not much above the \$277 million Australia owed in 1930. Total annual service payments now run at around \$15 million or about 7% of present dollar export receipts. Before the war, her dollar debt service was larger than her total dollar export receipts. Australia's annual gold production is over \$30 million and her gold reserves have grown from \$10 million before the war to over \$110 million now.

14) Australia has a rather difficult short-term dollar problem. Before 1956, she has arranged to repay a drawing of \$50 million from the IMF. Then, in 1955-57, she has to pay dollar debt outstanding of \$114 million. Part of this, however, is held in the sterling area. If market conditions permit, the maturities will, at least in part, be refinanced. If conditions prove unfavorable, Australia will have to get dollars from the sterling area's dollar reserves, or use her own gold reserves.

15) Australia has normally drawn dollars from the sterling area reserves to meet a dollar current account deficit with the exception of 1949/50 and 1950/51 when she made a net contribution. She intends to continue to be a net drawer of dollars to make possible a more efficient use of her resources and a more rapid rate of development than would otherwise be possible. If she were not able to draw on the sterling reserves for a number of years for this purpose, she could balance her dollar accounts without drastically bad effects on her economy and development. Her access to the sterling area dollar pool is thus an added element of strength in her position.

16) While there are risks involved for the Bank in further lending to Australia, they are not excessive. The Australians are a competent people with an ability to get things done once they have set their mind to it. They still have considerable resources to develop and have shown their ability in the past to take full advantage of their opportunities. Their debt record is excellent. In brief, Australia can be considered dollar creditworthy for an additional loan of \$50 million.

(All £ signs used in this report mean Australian Pounds.)  
(The Australian fiscal year is July 1 to June 30.)

## THE AUSTRALIAN ECONOMY

### I. Introduction

Since 1947, the main economic problem of Australia has been to secure a balanced economic expansion, without disruptive inflation and without a cut in living standards, to meet the needs of a population growing at triple the prewar rate. In particular, expansion is needed in: (a) the output and export of the primary products (wool, wheat, meat, dairy products, base metals) for the production of which Australia is particularly suited and which compose almost the whole of her exports; and (b) the basic services and industries (transport, electric power, housing, coal, and iron and steel). In August 1950, Australia secured a loan from the IBRD primarily to enable her to import dollar equipment for the expansion of these key sectors.

### II. Economic Policy Setting

From 1930 through 1945, the Australian population grew on the average by less than 1% per annum. After the war, the rate of natural increase went up and in 1947, Australia undertook a large immigration program to increase her population at a rate of around 3% per year. In 1949 and 1950, the population increased by 3.24% each year, and in 1951 by 2.68%. In the five years 1947-51, Australia absorbed half a million immigrants, or a number almost equal to the natural increase during those years. Total population grew by a million in these five years to 8-1/2 million at the end of 1951, and it was hoped to reach 11 million in 1960.

This objective of tripling the previous rate of increase of population has been central in postwar development in Australia. The program was begun while Australia still had the problem of overcoming the arrears caused by the depression and the war in agriculture, the basic services (transport, electric power and housing), and in the key industries (coal and iron and steel). It is not surprising this attempt to greatly increase investment has contributed to a continuing inflation.

While Australia is approximately the size of the United States, she does not possess the agricultural resources of the United States: instead of a fertile Mississippi-Missouri valley, she has a dead arid center. The opportunities for easy development of Australia's "vast empty spaces" are mythical. The era of easy land development closed in Australia in the 90's. Since then, the frontier has been rather the agricultural scientific laboratory and the field research and extension stations.

A little over half the total area is desert or barren highlands. A part of this may carry a few livestock which is periodically subject to loss by drought. Forty-two percent (800 million acres) of the total is semi-arid with enough rainfall for grazing. On this land, the problem is one of maintaining production rather than expanding it. (In 1891, Australia had 106 million sheep. This figure was not achieved again until near the beginning of the depression of the thirties. The record number of sheep, 125 million, was reached in 1942. Drought in 1945 caused sheep numbers to drop

below 100 million again in 1946 and 1947.) The remaining 7-1/2% (144 million acres) of Australia has a climate, soil and topography suitable for cropping and intensive livestock production. After allowing for permanent pastures, fallow and temporary pastures in rotation, the maximum area which could be put under crop annually is estimated at from 36 million to 48 million acres. The highest acreage ever sown was 25 million acres in 1930/31. The total area under crop in the postwar period has generally been under 20 million acres, i.e. about the same as in the state of Illinois.

Over almost the whole continent, the supply of water is short: the average annual discharge of all the rivers of Australia is 60 million acre-feet (compared with 72 million acre-feet for the Nile, 143 million for the U.S. Columbia River, and 228 million for the Danube). Special provision has had to be made, where possible, for supplies of water for rural domestic uses and for stock as well as for irrigation: in South Australia state water lines supply 94% of the state's population of 700,000. Of Australia's total area of 1900 million acres, 1-1/2 million are now under irrigation. Experts estimate that due to limitations of water supply, storage possibilities, etc., the maximum area which could be irrigated is 5 million acres. (The U.S. has over 21 million acres irrigated.)

While there is still scope for expanding agricultural production by bringing new land into use, this opportunity is limited and requires large investment in land clearance and social capital. There is also considerable possibility of increasing production through a more intensive and more scientific use of existing land. But a satisfactory rate of growth of agricultural production can only be attained by intelligent effort and expenditure by individuals and the government. Even with the maximum rate of development in this direction, the scope for absorbing additional people on the land at undiminished standards of living would be at most several hundred thousands.

High priority in development needs be given, of course, to agriculture which produces the bulk of the export income. But if Australia is to increase her population to anywhere near the goals which she has set, the conclusion is inescapable that her development must include secondary industry which can produce at a cost competitive with imports.

While Australia is attempting to grow rapidly, there is no one center of the Commonwealth effectively concerned with development problems and the needs of the economy as a whole. Australia is a federation of six states which have conserved considerable powers in the economic field. The responsibility and the power in the field of public investment (including all the basic services) is mostly in the hands of the state governments and their authorities. Since 1947, the states administer the price controls and any other internal direct controls that may exist. The principal economic policy levers of the Commonwealth Government are the fiscal, monetary, credit and defense powers, foreign trade and foreign exchange control, and some public investment projects, notably the Snowy River Scheme.

The importance of securing the most rational use of public investment funds is underlined by the growing importance of public investment in the economy. Before the war, public investment was less than 7% of total

gross national expenditure, in 1950/51 and 1951/52 it was close to or over 10%. Public investment has also become more important in relation to total investment: in 1938/39 it was 33%, starting in 1946/47 at about the same proportion, it grew in 1950/51 and 1951/52 to around 39%.

While there exists a Commonwealth Ministry of National Development and a National Security Resources Board, the most significant body in public investment is the joint Commonwealth-State Loan Council. The Loan Council decides the total of the loan programs and their allocation between the individual states and the Commonwealth. As the development programs of the states are all on a loan basis, the Loan Council is the focus of the state development programs in Australia. The states, if they can agree, can muster a majority, as each state has one vote and the Commonwealth only two votes and a casting vote.

While the bulk of the public investment programs come into the Loan Council, the Commonwealth's own program financed out of revenue does not; in the current year this is one-fourth of total public investment. Up to now, there has not been any attempt at weighing the relative advantages of using additional resources in the Commonwealth program as against the state programs.

The individual states, to date, have exercised complete autonomy in allocating resources among their individual needs. In most states, the programs appear to be well-handled but in all cases are based primarily on state rather than national needs. The Loan Council has a Coordinator-General who examines the various state programs on an engineering basis, but does not make a financial or economic assessment of the programs.

Until 1951-52, the Loan Council did not effectively exercise any quantitative control on the state programs except as these were modified by the Coordinator-General's assessment of the physical availabilities of labor and equipment. In the 1951/52 Loan Council meeting, cuts were made in the State programs; this, for the first time, held expenditures down in some states below what they would otherwise have been. In the meeting on the 1952/53 program, the Commonwealth failed to secure agreement to reduce programs below the 1951/52 level but may be able to do so in practice.

The Loan Council considers programs on an annual basis whereas state projects are, as they must be, on a pluriennial basis. As a result, it is possible for the Loan Council to approve initial expenditures on projects which commit a state to a total program which the Council might never approve if it had to consider the program as a whole.

In spite of the Commonwealth setback in the last Loan Council meeting, considerable opportunity for a unified financial and economic review of total public development investment exists. In 1951/52, the bulk of the state programs were financed from the Commonwealth budgetary surplus and other Commonwealth funds. In 1952/53, a similar arrangement will exist. Inevitably, continuance of this arrangement will tend to carry with it some degree of economic review; the Commonwealth must decide whether its revenues should be used to finance its own or the states' current expenditures as against using them in investment projects. Then, it must decide

whether to use funds to finance its own public investment or make the funds available to the states for their investment. Finally, the financing of state programs principally out of Commonwealth funds must result in some review of the content of the programs of the states.

### III. Inflation

A crucial problem in Australian postwar development has been the continuing inflation. There are special causes of distortions in particular sectors of the economy, but the one common to all has been the inflation. Its effects have been most marked in the greater development of light industry at the expense of the basic services and industries.

Throughout the postwar period, Australia has experienced a continuing inflation: wholesale prices from 1946/47 to 1949/50 rose by around 10% per year. To June 1950, however, Australia was not out of step with price developments in other countries. From June 1950, with the doubling of wool incomes and continued heavy investment, wholesale prices increased by 24% in a year, retail prices by 19%, and wages by 26%.

The main factors in the continuing inflation, aside from the imported effects of inflation abroad, were: (a) a high level of domestic private and public investment, financed in part by expansion of bank credit, due to the attempt to make up arrears and to a population growth triple the earlier rate. (Total gross investment increased from 19% of gross national expenditure prewar to 25% in 1947/48; 26%, 1948/49; 27%, 1949/50. See Appendix Table I.); (b) an inflow from abroad of some £600 million (U.S.\$ equivalent 1,340 million) of money which because of supply unavailabilities was not matched by an inflow of goods. This provided the easy money conditions making possible the capital investment mentioned. (c) Beginning with July 1950, the government started a rearmament program designed to more than triple the previous annual level of defense expenditures of £60 million. (d) In 1950/51, due to a doubling in price of her main export, wool, Australia ran an export surplus giving a surplus on current account of £90 million (U.S.\$ equivalent 200 million). The 'investment' of this amount in increased foreign reserves brought total gross investment in 1950/51 to 31% of gross national expenditure. (e) The system of automatic wage adjustments which encourages a wage-price spiral.

Some anti-inflationary action was taken in 1950/51, principally: a 20% levy was imposed on wool sales proceeds as income tax pre-payments; credit controls were tightened; capital issues controls were reinstated; the government imported houses, steel, coal and construction materials; customs duties were remitted on a number of essential goods in short supply; \$100 million was borrowed from the IBRD for the purchase of dollar capital equipment. Whether any anti-inflationary policy drastic enough to be effective would have been politically possible in this period, it is difficult to judge. In any case, it is clear by the results that the policy which was applied was ineffective.

It is not until the financial year 1951/52 that anti-inflationary policy really began to take effect:

a) The Commonwealth budget openly provided for a disinflationary surplus (£114 million - U.S.\$ equivalent 255 million) out of total revenues of £1,041 million (U.S.\$ equivalent 2,332 million). Since this surplus is being used to finance state loan programs, its real significance is that in the current year, the whole of the public investment program with the exception of public authority housing, is being financed out of revenues (Appendix Table II).

b) Changes were made in taxes to discourage private investment: the postwar special initial depreciation allowance on new plant of 40% was abolished; a step was taken to place companies on a pay-as-you-go tax basis; sales taxes were increased.

c) More restrictive monetary and credit policies were adopted: (1) The yield on government bonds rose from 3-1/8% to 3-3/4% in the summer of 1951 and, with the withdrawal of central bank support from the market, rose further to 4-1/4% in April 1952. This tended to raise other long-term interest rates. (2) The capital issues committee from July 1951 reduced capital issues approvals. (3) Total bank deposits, after increasing about 20% in 1950/51, stopped increasing from the June 1951 level. Bank advances continued to increase largely due to the need to finance the large inflow of imports. The increase in advances was made possible by drawing down the reserves held by the trading banks with the Commonwealth Bank, and by the funds which were made available to the market as a result of the central bank's attempt up to April 1952 to hold government bond yields to 3-3/4%. Harsher restrictions on advances for other purposes began to press hard on a wide range of business.

d) The rate of actual immigration dropped close to 100,000. (Net migration in 1949 was 150,000; in 1950, 152,000; and in 1951, 111,000.)

e) A brake was put on the expansion of the public investment programs.

f) A substantial import surplus was encouraged. The Commonwealth government encouraged the states and its own departments to expand their ordering abroad instead of in Australia.

The disinflationary government policies were reinforced by a drastic reversal in the international payments position - as against a current account surplus of £90 million (U.S.\$ equivalent 200 million) in 1950/51, there is now expected a current account deficit of around £600 million (U.S.\$ equivalent 1,340 million) in 1951/52. At the same time, net capital inflow for new investment has greatly decreased.

The beneficial effects of the government policies and the shift in international payments position began to become evident near the end of 1951: wholesale prices remained at around the August 1951 level; the rate of increase of retail prices and wages slowed; the number of unfilled jobs fell significantly; there was evidence of a shift of labor from the light industries into the key industries and public utilities which have been understaffed; there have also been some indications of a rise in labor productivity.

There are important elements of uncertainty in the present picture, however. The government had reckoned on an import surplus in 1951/52, but not for as large a one as happened. As a result, the government found itself facing the danger of an exhaustion of its international reserves. Under the circumstances, the government had no option but to impose sweeping restrictions designed to reduce 1952/53 imports to the level of expected receipts.

The government, therefore, cannot rely on an import surplus in 1952/53 to supplement its anti-inflationary policy: the supply of goods available for consumption and investment will be cut by £600 million (U.S.\$ equivalent 1,340 million) compared to 1951/52 (i.e. one-sixth of total gross national expenditure must be eliminated). In addition, the import restrictions provide the opportunity for a revival of investment in the newly-protected industries. The question whether inflation will continue depends in large part, therefore, on whether the government ensures that the monetary and financial conditions are such that people will not try to consume and invest more in 1952/53 than the supply of goods and services which will be available.

The situation is more hopeful than it seems. First, the import surplus of £600 million (U.S.\$ equivalent 1,340 million) in 1951/52 partly reflects the inflationary demand of 1950/51. Second, part represents over-ordering by importers and unexpected acceleration of deliveries. As a result, unwanted inventories have increased by several hundred million pounds to be carried over into 1952/53. Also, a considerable portion of the goods bought by consumers represents a replenishing of their stocks which will not need to be repeated.

On the other hand, the 1951/52 level of investment cannot be sustained in 1952/53. Gross fixed capital investment in 1951/52 is estimated at £1,070 million (U.S.\$ equivalent 2,400 million), or 28% of gross national expenditure (Appendix Tables I and III). This big investment was made possible by the large import surplus. Unfortunately, no reliable figures are available as to how much of this surplus has gone into increased inventories and how much used (e.g. if the whole £600 million import surplus has been consumed or used in investment, then there must be a cut of £600 million next year in investment and consumption compared to this year. If only £300 million has been used and £300 million is used in 1952/53, no change in investment or consumption is necessary).

In general, the conclusion would be that the situation is manageable by proper government action. It is necessary to maintain and reinforce the present anti-inflationary policies in the 1952/53 budget and Loan Council program. Secondly, the central bank must maintain pressure on the banks so that the liquidity they acquire as the advances on import inventories are liquidated is not used to allow private investment again to expand at an excessive rate.

The first test of the government's future policy was the Loan Council meeting held on May 1-2, 1952 for the year 1952/53 program. At this meeting, the Commonwealth attempted to secure agreement on a cut in the state loan programs from the £225 million (U.S.\$ equivalent 500 million) of 1951/52 to

£180 million (U.S.\$ equivalent 400 million) for 1952/53. The states unanimously outvoted the Commonwealth and agreed on a program of £248 million (U.S.\$ equivalent 560 million), i.e. the same as the current year allowing for a 10% increase in costs. The Commonwealth Government has agreed to provide £125 million (U.S.\$ equivalent 280 million) from Commonwealth sources, and estimates that the capital market might provide £50 million (U.S.\$ equivalent 110 million) in loan money. These two sources plus carry-over from 1951/52 would provide a total of around £180 million (U.S.\$ equivalent 400 million). Since the states cannot raise loans themselves, the Commonwealth as a practical matter probably will be able to hold the total of the programs to around £180 million.

#### IV. Economic Development: Export Industries

Australia has been and for the foreseeable future will continue to be dependent on exports of primary products to finance its essential imports, wool, wheat and flour, meat, butter and other dairy products, lead and zinc.

Except for wool, production of the other commodities has either not kept up with the growth in home consumption and exports have dropped, or output has in the last year or two actually declined.

The main reasons for the unsatisfactory performance in rural production are, briefly, as follows:

1) The impact of price controls in the inflation has caused directly or indirectly (through shortage of steel) the supply of materials and equipment to fall short of demand. Production of fencing wire, barbed wire, wire netting, has been consistently below the prewar level.

2) Postwar full (and over-full) employment has led to a fall in rural labor supply. (Workers permanently in agriculture dropped by 5% from 1938 to 1951 - from 424,000 to 406,000 - while total population increased by 20%. No figures are available on casual labor, usually estimated at around 110,000-130,000 but the decline here may be relatively even greater.) To a considerable extent, before the war labor stayed in rural areas because the alternative was unemployment in the city. Now that there are city jobs available, rural areas must not only compete with city wages but also with city amenities. In order to compete equally, an effort must be made in the rural areas to overcome the prewar lag. There is some indication that not enough public investment has been going into the rural areas to attract and hold labor by providing water, housing, electricity, transport, schools and hospitals.

3) The dollar shortage has prevented securing adequate supplies of equipment from the U.S. Crawler-tractors and heavy duty wheel-tractors needed particularly for grain-growing are available in the quantities and types required only from the U.S.

4) The international marketing agreements (International Wheat Agreement and the meat and dairy products agreements with the U.K.) have kept down the returns in some sectors. In addition, the price for wheat consumed in Australia has been kept below the international price. With

1946/47 prices as 100, the return to the wheat producer per unit in 1950/51 was 142 while wool was 585. In 1951/52, wheat would be around 150 and wool, 300. As a result, some farmers have shifted to wool growing.

5) Agricultural production in Australia largely depends on farmers getting enough superphosphate. Output of this fertilizer has increased by 50% over the prewar level of one million tons, but is still insufficient to meet the demand. In the last two years, production has been prevented from growing by insufficient world supplies of sulphur. In the current year, it is likely that sulphur available will be cut and fertilizer production fall still further short of demand.

6) The agricultural extension service is inadequate: while considerable progress has been made in research on agriculture, not enough is done to get the information to the farmers and to induce them to apply it.

### Wool

Wool production has grown by around 10% over prewar (Appendix Table IV). In 1942, Australia had a record number of sheep at 125 million. A series of droughts reduced this to below 100 million in 1946 and 1947. Flocks were rebuilt to 116 million in 1951/52. By investment in water points, pasture improvement, fencing, rabbit eradication, etc., agricultural experts believe that Australia could maintain 125 million sheep on the average. The average weight of fleece per sheep could also be further increased (Appendix Table V).

Home consumption of wool, while growing, is still small - around 10% of total output, and even substantial population increase will not materially affect the level of exports.

### Wheat

Wheat, after wool, is the most important of Australia's rural commodities (Appendix Table VI). From two-thirds to three-quarters of the total area sown is usually devoted to wheat.

The greatest area ever sown in wheat was in 1930/31 when 18 million acres were used. Wheat acreage dropped during the rest of the thirties and averaged about 13 million acres in the five years before the war. Acreage and production dropped during the last war but recovered quickly after the war. Production reached the record level of 220 million bushels in 1947/48 on an acreage of 13.9 million acres.

Since 1947/48 wheat acreage and production have fallen by 25% to 10.4 million acres and 160 million bushels in 1951/52. This decline has not been compensated by a comparable increase in other grain production.

The growth in Australian population is not an important factor in export availabilities. To 1950/51, exports compared to prewar were high, reaching 129 million bushels as compared to 108 million average in the five years ended 1938/39. The cut in acreage has its big impact on 1951/52 when it is estimated wheat exports will be 75 million bushels, i.e. Australia will not even meet its original I.W.A. quota of 89 million.

## Meat

Meat exports consist almost entirely of beef and lamb. Exportable surpluses of meat are contracted to the U.K. under a 15-year meat agreement.

Production of beef and lamb has been increasing, but not by as much as the increase in domestic consumption. Exports have, therefore, been falling. Beef exports, now about 50,000 tons a year, are half what they were before the war, and lamb exports have fallen from 69,000 tons to 10,000.

## Dairy Products

The dairy industry ranks third in importance after wool and wheat. Milk production has only slightly exceeded prewar production. Due to higher fluid milk and butter consumption in Australia, exports of butter have dropped steadily to an estimated 15,000 tons in 1951/52 compared to 96,000 tons prewar. Exports of cheese and processed milk increased from 18,000 tons prewar to 75,000 tons in 1949/50 but now are also dropping due to increasing home consumption.

## Government Program

The Commonwealth Government announced on February 25, 1952 that it was deeply concerned at the trends in agriculture and had decided that all activities directly related to the production of essential items of food and agricultural products "shall be classified in importance with defense and coal production." The State-Commonwealth Agricultural Council has adopted a program of agricultural expansion with targets to be achieved by 1957-58.

The targets provide for an increase over 1950/51 production of 10% in wool production, 15% in wheat, 16% in meat, and 6% in butter. Greater increases are expected in some of the lesser export products: 40% in other grains, 50% in cheese and processed milk, and 30% in sugar. Considerable increases are also provided for in the import-savers: cotton, tobacco, linseed (see Appendix, Table VII).

At 1951/52 prices, the total increase in production would amount to around £100 million (U.S.\$ equivalent 220 million), or about 10% of the total current value of Australian rural production. In exports, the increase would be roughly £60 million (U.S.\$ equivalent 130 million), again about 10% of total current exports. Imports would be cut by less than £10 million (U.S.\$ equivalent 22 million), including \$7 million of dollar imports.

To achieve these relatively modest objectives, the Australian government has already taken a number of steps:

a) Although prior to this program, the IBRD loan of August 1950 plays an important part in it. Of the loan, \$29 million was allocated to badly needed dollar agricultural equipment. To the end of 1951, these imports totaled \$12 million, leaving \$17 million still to come in.

b) The government announced on February 25, 1952 a two-year program to expand production of superphosphate by inducing the production of sulphuric acid from local pyrites.

c) The government agreed to assist companies manufacturing agricultural equipment and materials to secure labor through directing migrants and helping in their housing.

d) The government also decided to give preference in supplying directed migrants to rural producers. To encourage the construction of houses for labor on the farm, the government on March 28 decided to allow for tax purposes a depreciation rate of 20% per annum for five years on all houses for farm employees begun between April 1, 1952 and June 30, 1955.

e) The government also is giving a special depreciation rate of 20% per annum for five years on investment in farm implements, buildings for fodder conservation and irrigation materials such as piping.

f) While a general program of credit restriction is in effect, the central bank is attempting to provide the most liberal treatment to agricultural producers and their support industries.

g) The wheat export tax has been eliminated for the 1952/53 crop, increasing the farmers' return on export wheat by about 16%.

h) The government proposed to give dairy farmers a new 5-year price guarantee with a price adjustable annually based on an independent inquiry into production costs. At the same time, prices to domestic consumers would be increased: no increase would be made in the existing consumer subsidy on butter no matter how much the price rose and the subsidy on processed milk products would be eliminated.

Together with effective anti-inflationary action and improvements in the basic services and key industries, the program should contribute towards achieving the targets. Further action may still be needed, particularly by the states, to give rural areas a greater priority in investment. Also necessary is improvement in the agricultural advisory services. The states have asked financial help from the Commonwealth for this. In conclusion, the program should help stop further decrease in farm output and if it is pursued vigorously, should also come close to the targets.

### Metals

After agricultural products, lead and zinc are the only other important export items. In 1950, lead and zinc were 5% of total exports and were valued at around £30 million (U.S.\$ equivalent 67 million). Postwar production has never attained previous record levels. The decline is largely due to stopping developmental work during the war. In recent years, this has begun again, which should result in an increase in a few years of about 15% in zinc over the current level of 200,000 tons, metal content, and the same increase in lead over the present level of 220,000 tons, metal content. This will make production in 1955 still 20% below 1939 in lead, and 10% above for zinc.

There have been for several years large mine stockpiles of zinc concentrates that the railroads have not been able to carry. Around the first of 1952, the stockpiles amounted to around 200,000 tons. The main stockpile is

at Broken Hill. The South Australian Railway is increasing its capacity and hopes to begin to eat into the stockpile in January 1953 and to dispose of it in a year or two.

Lead and zinc users in Australia are allotted a fixed quantity at a price about one-third of U.S. prices. Australian consumption, now around 50,000 tons of each of the metals, has increased by 25-30% in the last four years. The low uneconomic price has probably encouraged consumption, reduced exports and has diverted zinc and lead from the most important uses. The shortage of zinc for galvanizing fencing materials has helped to retard growth in agricultural production.

Australia has been a gold producer now for a century. After dropping to around \$9 million a year in 1929, production revived to \$58 million in 1940. Production dropped again during the war but has since recovered and is running at \$30 million a year.

#### V. Economic Development: Other Basic Industries and Services

Together with rural production, the lag in the other basic industries and services has been the greatest weakness in Australia's postwar development. The inflation has been a principal cause. Prices of the basic industries and services have not risen as rapidly as prices of other products; partly because price control has been more diligently applied to them. For instance, the inability of brick production to surpass prewar levels appears to be almost entirely due to price control holding down brick prices in face of a general inflation. Even aside from price control, the enterprises usually hold prices down because they are either state-owned or because they are private monopolies and are afraid of public criticism or government attack. For the same reasons, these companies tend to pay only the legal basic minimum wage. As a result, the light industries bid away labor and other resources.

Also, because the prices of the basic services and industries lag behind, they become relatively too cheap: the demand for their products becomes exaggeratedly high and waste occurs in using them.

A second general reason is the nature of the basic industries themselves. They characteristically require heavy items of plant from overseas. It normally takes years from the time a decision is taken to expand to the time the needed equipment can be installed. During the war the normal flow of order and design was interrupted. When expansion was resumed, the war arrears had to be made up; overseas suppliers could deliver only after prolonged delay and U.S. equipment, due to the dollar shortage, could not be substituted. The light industries, on the other hand, needing simpler equipment, could secure much of it in Australia or could get faster delivery from overseas.

#### Transport

With over half of the Australian population concentrated in six port cities, coastal shipping is a crucial part of the transport system. But coastal shipping is barely carrying as much cargo as it did before the war. Before the war, half of total freight moved was carried in coastal ships. This proportion has now dropped below 30%. The lack of progress is due to

a whole complex of factors, including bad labor-management relations; need for port mechanization; unwillingness of private companies to invest further due in part to the existence of a Commonwealth-owned shipping line which in turn in part was formed because of lack of enterprise on the part of the shipping interests. Although some corrective action has been taken by the Commonwealth and state governments, no definite solution is yet in sight.

The burden has been thrown on the railroads and the roads. The railroads now carry 50% more tonnage than prewar but cannot cope with all the demand. Before the war, railroads carried less than half of the tonnage carried by coastal shipping; today they carry more. As the railroads were originally built in each state to feed into its ports, they are of different gauges, and interstate traffic is hampered by the break in gauge at the state lines. Maintenance and expansion of the railroads lagged during the depression and war years, and the railroads have had difficulty in making up arrears and coping with increased demands. The railroads are now expanding and within a few years should cope with some of the increased demand on them, particularly if coastal shipping could begin to reassume its proper role by carrying the bulk of the interstate freight traffic.

The surplus traffic which the railroads cannot carry is now being taken by trucks. Freight carried by road has grown enormously, at least double prewar. Trucks now carry more freight than either coastal shipping or railroads. The roads, however, were not designed for this heavy traffic and some are deteriorating.

### Coal

Coal is a key commodity. It is practically the only Australian source of energy now available on the mainland. Although total output has increased by 50%, the increase has been largely in the inferior coals and the supply has been insufficient to meet demand. The shortage of coal has been a major hindrance throughout the whole postwar period.

The underground black coal mines in New South Wales before the war supplied the bulk of the coal consumed and practically all the coking and gas coal. These mines produced 11,200,000 tons in 1938 and production is still at the same level. The failure of these mines to increase production has hampered the whole economy: iron and steel plants have had to work at 80% or under of capacity in spite of the unsatisfied demand for iron and steel. It has made it necessary for other states to develop their own coal fields and in New South Wales itself, open-cut coal mines have had to be started by government authorities. Production from these other sources in 1951 totaled under 9 million tons (black coal equivalent) as compared to 11-1/4 million in the underground mines. Exports of coal have dwindled and imports of higher cost foreign coal (500,000 tons in 1950/51) and greater imports of fuel oil have become necessary.

Since the New South Wales underground mines provide the best coal and almost the whole supply of coking and gas coals, expansion of their output is necessary. The reasons for the failure to expand are complex and as much sociological as economic: bitter labor-management relations; labor resistance to greater productivity; unwillingness of colliery owners to invest more capital and to mechanize - with the steel captive mines an honorable exception; and scarcity of labor.

The Commonwealth Government has declared coal production top priority. The Commonwealth and New South Wales set up a Joint Coal Board in 1947 to correct conditions in the industry. The Board has been responsible for the only important increase in coal production which has taken place in New South Wales (from its open-cut mines). The Board has also helped to mitigate labor bitterness by providing amenities. As a result, some progress has been made in removing labor obstruction to mechanization. The supply of labor is being increased by government investment in new housing and by recruiting immigrants. Whatever progress in mechanization has taken place in the coal fields, aside from the captive mines, has been due to the provision of machinery by the Coal Board. The Board has recently adopted a new price-profit policy - guaranteeing a generous minimum profit to colliery owners with provision for higher profits from increases in efficiency. It hopes that this will persuade mine-owners to mechanize.

Victoria, the second most industrialized state, has been developing its brown coal resources. Because of its inability to secure New South Wales coal, its coal deficit has been filled by imports from abroad and recently from Queensland. Victoria has underway a large program of expansion of brown coal, designed to raise output from the 8 million tons (2.6 million tons black coal equivalent) currently being produced to 20 million tons by 1957/58. The increase in output will be used for electric generation, for making briquettes for heating purposes, and for town gas production.

### Iron and Steel

Production in the iron and steel industry - regarded as one of the most efficient in the world - has been currently running about 25% above prewar. The bulk of the postwar increase has occurred in the last two years. In these years, the industry has been operating at only 80% of its capacity of 2 million tons of ingot steel, although demand made necessary substantial imports - 900,000 tons in 1951 at double the Australian price.

The below-capacity operation has been due to shortage of coal and labor. The reasons for the first have been explored above and the reason for the latter is primarily the inflation. The industry has underway a program of expanded production in its own coal mines to make it independent of other coal. The government's anti-inflationary policy is expected to correct the second.

There is, also, a program of balanced expansion to add 500,000 tons of steel capacity and a new one-million ton hot-and-cold strip mill that will eliminate the need for around 130,000 tons of imports of tinplate - half of which comes from the United States.

Completion of the iron and steel program within a few years should go far towards correcting a fundamental weakness in the present production pattern.

## Electric Power

Electric power is in the hands of individual state commissions. There is no inter-connection between the state systems. In 1940, firm power capacity of 1,085 MW exceeded maximum demand by a 40% margin for maintenance and operating contingencies. Due to the war, additions to capacity were small and by 1947, demand had caught up with capacity. Since then, demand has continued to increase more rapidly than capacity and power experts estimate that it exceeded supply by around 20% at the 1951 capacity of 1,610 MW. The reserve for contingencies has disappeared entirely, and demand is balanced against supply only by a drastic curtailment of consumption in the more heavily industrialized states of New South Wales and Victoria.

The principal reasons for the falling behind of capacity appear to be the halt in expansion during the war, the long delay in securing delivery from the British suppliers of plant ordered after the war, the shift to electricity for home uses, and the effect of inflation in bidding away construction labor.

The programs underway in all states are designed to catch up with demand and provide a normal reserve again within a period of 3 to 5 years. Investment in electricity has more than doubled in the past two years and is running at a rate 9 times the 1947/48 level. Some delay in achieving the programs is likely, however, due to cutbacks in the state loan programs. On the other hand, the general anti-inflationary program is likely also to slow down the increase in demand.

## Housing

As in other fields, Australia entered the postwar period with arrears in housing: in addition, the immigration program meant that many new houses had to be built.

The postwar record to date is not bad: investment in housing has tripled in the last 4 years, and is currently around 18% of gross fixed capital investment. By September 1951, nearly 300,000 houses and flats had been built providing new homes for about 1-1/4 million people, while population increased by only one million in this period. The current rate of building should continue to be sufficient to meet new housing needs and even to reduce the backlog. This rate, however, has been based on substantial imports of prefabricated houses and building materials (£50 million out of total building investment of £235 million).

As these imports are practically all marginal, a cut in net immigration from the 130,000 level of 1950/51 to 80,000 would probably eliminate the need for these imports. Since some improvement in domestic building supplies and building labor has taken place, a cut in net immigration to 100,000 might be sufficient to do so.

## VI. International Trade and Financial Position

The Australian economy is substantially dependent on international trade: normally, export and other earnings from abroad are around one-fifth of national income. During one year, 1950/51, this proportion rose to as high as one-third (Appendix Table I). In the postwar period, Australia's export trade has become even more dependent on one product, wool, than it was prewar. Before the war, wool was, on the average, 40% of total exports. Since the war, the proportion has been more like one-half. (In 1950/51, it was two-thirds.) Wool is also the main dollar earner: in the postwar period it has provided from 60% to 90% of total dollar income. Therefore, in spite of industrialization and the fact that agriculture produces only around a quarter of the national product, Australia still "rides on the sheep's back."

From 1945/46 to 1949/50 the pattern was fairly consistent. The volume of exports rose by a little over 10% over prewar. Export prices rose more rapidly than import prices so that with its export earnings, Australia could buy a larger volume of imports - in 1949/50, 50% more than prewar (Appendix Table IX). On top of this, there was an inflow of money which could only in part be converted into goods - by way of a small current account deficit - and for the rest went into Australia's international reserves. From June 1946 to June 1950, these reserves increased by £435 million (U.S.\$ equivalent 970 million) (Appendix Table X).

The year 1950/51 followed this pattern in accentuated form: wool prices jumped 120%. Import prices rose more slowly. In 1950/51, Australia was able to buy 70% more goods in volume than prewar with a volume of exports just barely above prewar, and still show a current account surplus of £90 million (U.S.\$ equivalent 200 million). With inflow of capital, reserves increased further by £190 million (U.S.\$ equivalent 425 million) to an all-time high of £843 million (U.S.\$ equivalent 1,890 million) in June 1951.

The current year, 1951/52, has shown a dramatic reversal of 1950/51 and to some extent of the whole postwar pattern. Wool prices have dropped back to the 1949/50 level, reducing export receipts by £300 million. Import prices have continued to climb. It is likely the advantageous relationship of export to import prices which Australia has enjoyed postwar will almost entirely disappear. The volume of exports may actually drop below prewar levels; while on the import side, Australia has been spending almost all of her postwar accumulation of reserves. Imports and invisibles are estimated to be nearly £400 million higher than 1950/51 and exports, £300 million smaller. Instead of a current account surplus of £90 million, there will be a deficit of around £600 million (Appendix Table XI). Meanwhile, net capital inflow has slowed, and the flow of dollars speculating against a possible revaluation has reversed itself.

The loss of international reserves is, therefore, likely to be of the order of £600 million, reducing them to under £300 million on June 30, 1952. Because of the usual seasonal movement, these reserves may drop another £100 million in the following 3-4 months. Confronted, therefore, with the danger of an exhaustion of reserves, the government imposed on March 8, 1952 sweeping import restrictions designed to ensure the reduction of the level of imports to half of the current level or around £500 million f.o.b. of

imports in 1952/53, i.e. based on what anticipated export income makes it possible to afford next year. The government regards these restrictions as temporary, and is attempting, by anti-inflationary measures, to cut investment and consumption and so cut the demand for imports to somewhere near this level.

On the dollar side, Australia has maintained direct import controls to ensure strict economy in the use of dollars. She has drawn dollars from the sterling dollar pool every year except 1949/50 and 1950/51 when she made a net gold and dollar contribution of \$28 million and \$118 million respectively (Appendix Table XII). In the preceding 3 years she had drawn \$239 million from the pool. Experience in 1951/52 has been consistent with these earlier years and it is estimated that she will need to draw over \$150 million.

In view of the present sterling area difficulties, Australia is attempting to cut her dollar imports in 1952/53 still further. Because of the necessary lag in doing so and in order to reduce her call on the dollar pool in the 1952/53 year, she is drawing \$30 million from the IMF (in addition to the \$20 million she drew in 1949) and is using her gold production.

## VII. Creditworthiness

### A. Total Balance of Payments Prospects

Australia is now and for the foreseeable future will be mainly an exporter of primary products; exports of manufactures have been running at around 4-6% of total exports and are not likely for some time to come to be much more important.

The prospects for the future depend first of all on wool, which now provides around half of total export earnings and is likely to continue at close to this proportion. Some further increase in wool production can be anticipated, probably in the neighborhood of the 10% increase over the next five years set as the target by the Agricultural Council. But the main problem in wool may be one of markets. Postwar the experience has been very good with the war accumulation of stocks amounting to a full year's clip having been completely worked off. Wool, however, is faced with the threat of a large production of new synthetic fiber substitutes. If wool prices do not continue to undergo the same spectacular erratic fluctuations of the last two years, the synthetics may not represent a serious threat to wool for some time. However, the synthetic fibers certainly will challenge wool in some of its specialized uses and will tend to depress the demand for wool. Since wool has many more uses than silk had, it is not as likely to suffer the same fate. Textile experts do not agree as to what is likely to happen to wool. Under the circumstances, all that we can conclude is that, as of now, reliance on the longer-term future of wool is still a reasonable risk to run. Finally, if wool consumption decreases, advances in techniques of improved pasture provide, within limits, alternative production possibilities, such as fat lambs and beef.

The second most important group of exports is foodstuffs, which before the war composed 43% of total exports and currently is running around 40%. The main problem in foodstuffs is not markets, but Australia's ability to expand her production for export more rapidly than her consumption. In meat, for example, Australia has a 15-year agreement under which the U.K. will purchase Australia's exportable surplus during the period. There are also agreements covering exports of butter and cheese until 1955, of sugar until 1958, and until next year, of wheat. In any event, there is general agreement that the long-term world outlook for food exports will continue to be favorable.

The real problem is increasing food production sufficiently. Australian exports of food have been dropping. This year, the government has started to reverse this trend and so increase total exports by around 10% in five years. This goal should be feasible if it is pursued energetically and the government does not attempt to increase population too rapidly.

Of Australia's other exports, metals and minerals, 4-5% of the total, are the remaining important category. The present outlook is for an increase in exports over the next few years. There should still be considerable scope for discovery and development of these resources in Australia but this is impossible to evaluate.

In addition to government policies fostering agricultural production, action to improve other parts of the investment and production pattern is also important for its impact on the balance of payments. Improvement of coastal shipping would save imports of railway and road equipment, would reduce costs and improve the competitive position of industry. Production of more coal and use of the iron and steel plants to capacity would remove the need for some £20-30 million of iron and steel imports. The financial, monetary and investment policies together with immigration policy will determine whether there will be any necessity to restrict imports.

In summary, until very recently the Australian economy was being allowed to drift in a direction which, if continued, might have brought the creditworthiness of Australia into question. The government recently has taken vigorous steps to arrest and reverse the movement. Australia proved itself able and willing to sacrifice to service her debt during the depression when interest payments were as high as 41% of export proceeds. Since then, her total external debt has been reduced by over a fourth and with the world rise of prices, export proceeds have so increased that interest service is now around 3% of total export receipts. Even if government action is successful only in preventing further deterioration of the situation, Australia could, therefore, be considered as credit-worthy for a substantial amount of additional debt. However, since sterling is not freely convertible into dollars and Australian development requires a considerable volume of goods obtainable only for dollars, a problem of dollar finance remains.

B. Dollar Balance of Payments Prospects

Australia's dollar earnings are mainly dependent on wool: normally, three-fourths of total receipts come from wool. Increasing population and income in the U.S. and Canada, coupled with their diminishing production of wool, provide a favorable outlook for Australian wool exports -tempered by the threat of synthetics as discussed above. In addition, there is the threat that if the returns in the U.S. and Canada from other products should drop, the farmers might start raising sheep again.

The remaining Australian dollar exports are also primary products, of which the most important are metals and minerals (Appendix Table XIII). The rapidity with which the United States is using up her limited raw materials will probably lead to her importing more of them. This should help Australian exports to the U.S. It is unlikely that this will be true of Australian food exports, however.

In the postwar period, an increasing proportion of Australian exports have gone to the dollar area: 13% compared to 5% prewar. The constant restriction of dollar imports into Australia has been an inducement for investment in dollar-saving lines, in part by dollar capital. Reduction or elimination of the need for certain dollar imports as a result is likely to occur even in the next few years: e.g. tobacco, tinplate, and motor vehicles. More machinery and equipment from the U.K., Western Europe and Japan should further reduce the need for dollar imports.

The total dollar debt outstanding, including the \$100 million IBRD loan, comes to \$310 million, which in view of the change in the value of money, is less important than the \$277 million Australia owed in 1930. Total annual service payments on existing dollar debt run at around \$15 million or about 7% of present dollar export receipts. In 1938/39 her dollar debt service was larger than her total receipts from exports to the United States.

Australia's annual gold production is over \$30 million in value and from time to time she uses it to add to her gold reserves. These have grown from \$10 million before the war to over \$110 million now.

Australia has a short-term dollar problem. Before 1956, she has arranged to repay her drawing of \$50 million from the I.M.F. Then, in 1955-57, she has to meet a pronounced peak of dollar maturities, the total outstanding on June 30, 1951 amounting to \$114 million (1955, \$71 million; 1956, \$19 million; 1957, \$24 million) (Appendix Table XIV). Part of these are held in the sterling area - the exact amounts unknown. If market conditions permit, these maturities will, at least in part, be refinanced. If market conditions prove unfavorable, Australia will have to get dollars from the sterling area reserves or use her own gold reserves.

Australia has normally drawn dollars from the sterling area reserves to meet a dollar current account deficit with the exception of 1949/50 and 1950/51 when she made a net contribution. She intends to continue to be a net drawer of dollars to make possible a more efficient use of her resources

and a more rapid rate of development than would otherwise be possible. If she were not able to draw on the sterling reserves for a number of years for this purpose, she could balance her dollar accounts without drastically bad effects on her economy and development. Her access to the sterling area dollar pool is thus an added element of strength in her position.

While there are risks involved for the Bank in further lending to Australia, they are not excessive. The Australians are a competent people with an ability to get things done once they have set their mind to it. They still have considerable resources to develop and have shown their ability in the past to take full advantage of their opportunities. Their debt record is excellent. In brief, Australia can be considered dollar creditworthy for an additional loan of \$50 million.

## APPENDIX

Table I

National Accounts and Major Aggregates

£A Million

	<u>1938-39</u>	<u>1945-46</u>	<u>1946-47</u>	<u>1947-48</u>	<u>1948-49</u>	<u>1949-50</u>	<u>1950-51</u>	<u>1951-52</u> (est)
<b>A. <u>National Income and International Earnings</u></b>								
1. National Income	779	1294	1363	1752	1937	2302	3101	3200
2. Export & Other Receipts for Goods & Services	154	176	293	429	561	638	1028	700
2a. As % of National Income	20%	14%	21%	24%	29%	28%	33%	22%
<b>B. <u>Gross National Expenditures, Investment and Public Authority Expenditure</u></b>								
3. Gross National Expenditure	921	1503	1617	2019	2267	2724	3593	3800
4. Gross Fixed Capital Investment <u>a/</u>	185	169	269	355	470	666	880	1070
4a. As % of Gross National Expenditure	20%	11%	17%	18%	21%	24%	24%	28%
5. Net Investment Abroad	-23	45	-49	3	28	-48	90	-600
6. Non-farm Stocks	10	50	120	140	100	120	150	300
7. Total Gross Investment from Domestic Resources (4+5+6)	172	264	340	498	598	738	1120	770
7a. As % of Gross National Expenditure	19%	18%	21%	25%	26%	27%	31%	20%
8. Government current expenditure on Goods & Services	56	282	178	143	184	218	281	400
9. Gross Government Investment in new works & maintenance	61	44	78	100	137	201	291	353
10. Public Housing	n.a.	n.a.	9	15	22	39	56	57
11. Total Government Expenditures	117	326	265	258	343	458	628	810
11a. As % of Gross National Expenditure	13%	22%	16%	13%	15%	17%	17%	21%

a/ Public authority expenditure on new works and maintenance and gross private investment in fixed capital equipment.

APPENDIX

Table II

Consolidated Accounts of Public Authorities

(£A Million)

	<u>1938-39</u>	<u>1945-46</u>	<u>1946-47</u>	<u>1947-48</u>	<u>1948-49</u>	<u>1949-50</u>	<u>1950-51</u>	<u>1951-52 (est)</u>
1. Taxation (net of subsidies)	139	360	393	419	506	555	764	1,025
2. Surplus of public authority business undertakings (Post Office, Railways, etc.)	32	37	26	22	12	5	-1	-5
3. Rent and interest received	<u>12</u>	<u>16</u>	<u>17</u>	<u>20</u>	<u>22</u>	<u>23</u>	<u>26</u>	<u>30</u>
<u>Current Revenue</u>	<u>183</u>	<u>413</u>	<u>436</u>	<u>461</u>	<u>540</u>	<u>583</u>	<u>790</u>	<u>1,050</u>
4. Net loan raising from public, etc.	{ 27	{ 149	80	47	71	76	93	{ -10
5. Issue of Treasury Bills	<u>27</u>	<u>149</u>	<u>-65</u>	<u>-70</u>	<u>-85</u>	<u>-15</u>	<u>2</u>	<u>-10</u>
<u>Net Borrowing</u>	<u>27</u>	<u>149</u>	<u>15</u>	<u>-23</u>	<u>-14</u>	<u>61</u>	<u>95</u>	<u>-10</u>
<u>Total Receipts</u>	<u>210</u>	<u>562</u>	<u>451</u>	<u>438</u>	<u>526</u>	<u>644</u>	<u>885</u>	<u>1,040</u>
6. Gross investment in works projects, public utilities, etc.	61	44	78	100	137	206	297	360
7a. Defence Works and Services	13	207	43	23	41	53	96	165
7b. Overseas gifts, relief, etc.	Nil	5	39	2	14	12	2	10
8. Administration, education, etc.	<u>43</u>	<u>70</u>	<u>96</u>	<u>118</u>	<u>129</u>	<u>153</u>	<u>183</u>	<u>225</u>
<u>Net Purchases of Goods and Services</u>	<u>117</u>	<u>326</u>	<u>256</u>	<u>243</u>	<u>321</u>	<u>424</u>	<u>578</u>	<u>760</u>
9. Cash Social Service benefits	30	68	80	87	104	116	144	175
10. Deferred military pay, war gratuity, etc.	3	78	22	13	5	5	62	Nil
11. Interest paid	<u>60</u>	<u>90</u>	<u>93</u>	<u>95</u>	<u>96</u>	<u>99</u>	<u>101</u>	<u>105</u>
<u>Transfer Payments</u>	<u>93</u>	<u>236</u>	<u>195</u>	<u>195</u>	<u>205</u>	<u>220</u>	<u>307</u>	<u>280</u>
<u>Total Expenditure</u>	<u>210</u>	<u>562</u>	<u>451</u>	<u>438</u>	<u>526</u>	<u>644</u>	<u>885</u>	<u>1,040</u>

Note: Detail may not add to total because of rounding.

## Notes to Table VII

"Public Authorities" include the Commonwealth, State and Local Governments (budgetary extra-budgetary trust and loan fund transactions) and all semi-governmental authorities, such as public utility commissions, except banks and housing authorities. Capital expenditure by public utilities and other public authority business undertakings is included, but in respect of their current transactions only the net surplus of revenue over working expenses, etc., is brought to account.

"Net loan raisings from the public, etc.," is the balancing item, and consists of gross loan raisings (other than in the form of Treasury Bills issued by the Central Bank), less securities acquired by Trust Funds, other public authorities, etc., less sinking fund provisions, less other debt repayments, less net advances to private enterprises, and less changes in cash balances. Substantial amounts of Treasury Bills are issued from time to time to various trust funds. Some of these trust funds are treated for National Income purposes as private funds (e.g., Superannuation, Wheat Prices Stabilization, Wool Reserve Prices), and any Treasury Bills issued to these funds are therefore included in the net loan raisings (Item 4). Such Treasury Bills are included in what the Budget papers call "internal" Treasury Bills.

Capital expenditure on works projects, public utilities, etc., is shown gross, and includes an element of replacements, maintenance, etc.

It is apparent that in recent years Australian public authorities as a whole have been undertaking from current revenue substantial capital expenditure (even if this were counted on a net basis) and using the proceeds of public loan raising to a large extent for the redemption of Treasury Bills from the Central Bank. This result is attributable chiefly to the operations of the Commonwealth Government.

If public housing authorities were included, capital expenditure, total expenditure, net loan raisings from the public, and net borrowing would all be £10-£20 million higher.

Source: Office of Commonwealth Statistician.

APPENDIX

Table III

Gross Investment by Sectors (Excluding Inventories)

£A Million

	<u>1938/39</u>	<u>1946/47</u>	<u>1947/48</u>	<u>1948/49</u>	<u>1949/50</u>	<u>1950/51</u>	<u>1951/52</u> (est.)
<u>Private</u>							
Housing <u>a/</u>	29	34	47	62	74	97	135
Other Building	28	44	53	55	57	70	78
Motor Vehicles	29	30	55	80	143	183	197
Other Capital Equip.	<u>38</u>	<u>74</u>	<u>85</u>	<u>114</u>	<u>152</u>	<u>183</u>	<u>250</u>
Total Private <u>a/</u>	124	182	240	311	426	533	660
<u>Public</u>							
Transport	28	34	41	49	63	94	124
Electricity	7	8	10	18	40	67	90
Communications <u>b/</u>	4	6	9	13	20	29	28
Water Supply & Sewerage	6	6	8	10	12	18	21
Irrigation	2	2	3	4	7	10	12
Schools & Hospitals <u>c/</u>	2	4	5	7	11	16	18
Housing <u>a/</u>	n.a.	9	15	22	39	56	57
Other Public Bdgs.	1	3	3	5	6	9	9
Extractive Industries <u>d/</u>	1	3	4	7	11	10	12
Other <u>e/</u>	<u>11</u>	<u>12</u>	<u>17</u>	<u>25</u>	<u>30</u>	<u>38</u>	<u>39</u>
Total Public	61	87	115	159	240	347	410
<u>Grand Total</u>	<u>185</u>	<u>269</u>	<u>355</u>	<u>470</u>	<u>666</u>	<u>880</u>	<u>1070</u>

Notes:

- a/ Public Authority Housing included in Public Investment.
- b/ Post Office, Overseas Telecommunications and Australian Broadcasting Commission.
- c/ Includes other social service buildings, e.g. child welfare.
- d/ Coal, shale oil, other mining, forestry, fishing.
- e/ Development of land for War Service Land Settlement, conversion of migrants ships, etc.

Source: Office of Commonwealth Statistician.

APPENDIX

Table IV

Wool: Prices, Output, Exports

	<u>Average Price (Greasy) Pence per lb.</u>	<u>Total Output Million lbs. (greasy)</u>	<u>Exports</u>
Average, 1934-38	13.7	995	942
1947/48	39.5	973	1,100
1948/49	48.1	1,030	1,294
1949/50	63.4	1,111	1,394
1950/51	144.2	1,092	1,173
1951/52	73.5	1,085	995

Source: Australian Department of Commerce and Agriculture.

APPENDIX

Table V

Average Yield of Rural Products

<u>Crop</u>	Av. 5 yrs. ended <u>1938-39</u>	<u>1947-48</u>	<u>1948-49</u>	<u>1949-50</u>	(Prelim) <u>1950-51</u>
Wool (lb./sheep)	8.57	9.63	9.57	9.59	9.60
Cattle, average carcass weight (lbs.)	509	500	506	509	525
Wheat (bu./acre)	11.89	15.86	15.15	17.83	15.80
Barley - 2 row (bu./acre)	17.26	25.43	17.72	18.95	21.58
Oats (bu./acre)	10.84	19.33	13.34	15.67	14.30
Maize (bu./acre)	23.60	27.69	28.51	30.97	27.93
Sorghum, grain (bu./acre)	n.a.	27.01	18.63	21.62	22.00
Rice (bu./acre)	99.66	102.12	83.79	100.78	79.79
Hay (ton)	1.13	1.53	1.45	1.51	1.50
Sugar Cane (ton/acre)	20.67	19.86	25.19	24.34	25.94
Tobacco, dried leaf (lb./acre)	498.98	646.40	918.34	902.62	640.92
Cotton, unginned (lb.)	330.03	244.00	292.64	267.30	373.31
Linseed (ton)	0.27	0.15	0.18	0.22	0.17
Milk (gal./cow)	355	385	388	391	378

Source: Australian Department of Commerce and Agriculture.

APPENDIX

Table VI

Gross Value of Rural Production

(Millions of £)

<u>Industry or Commodity</u>	Av. 5 yrs. ended <u>1938-39</u>	<u>1947-48</u>	<u>1948-49</u>	<u>1949-50</u>	<u>1950-51</u> (est.)
<u>Agriculture</u>					
Wheat	30.8	156.0	111.0	140.0	121.9
Other Grains	5.7	33.5	17.0	23.8	(47.4
Hay	11.8	17.1	13.7	20.0	)
Potatoes	2.7	6.6	9.0	10.0	11.0
Sugar	8.4	11.4	22.5	24.7	25.9
Dried Vine Fruits	(4.0	4.3	3.2	3.7	(10.6
Other Grapes	)	2.9	3.0	3.2	)
Fruit and nuts	7.5	22.1	22.0	26.0	31.2
Vegetables	6.0	13.5	13.5	16.1	19.0
Other crops	4.0	7.9	17.0	18.0	19.0
<u>Total Agriculture</u>	80.9	275.3	231.9	285.5	286.0
<u>Pastoral</u>					
Wool (incl. skins)	51.4	160.2	205.0	303.3	690.4
Lambs	(14.2	9.5	12.3	15.3	12.6
Sheep	)	8.2	10.1	12.8	12.7
Beef cattle & calves	14.9	36.1	43.7	56.9	75.0
<u>Total Pastoral</u>	80.5	214.0	271.1	388.3	790.7
<u>Dairying and Farmyard</u>					
Milk for Butter	(	35.3	39.1	44.8	48.4
Milk for Cheese	)	5.0	5.6	6.3	7.0
Milk for Processed Milk	(37.4	4.2	4.8	5.8	5.8
Farm Butter & Cheese	)	0.9	1.0	1.0	1.1
Milk for Other Purposes	(	21.7	22.4	22.4	29.0
Pigmeats	(10.6	8.2	10.9	13.1	14.5
Eggs- Poultry	)	26.7	31.0	34.0	32.5
Honey & Beeswax	0.2	0.8	1.7	1.0	1.0
<u>Total Dairy &amp; Farmyard</u>	48.2	102.8	116.5	128.4	139.3
<u>Total Rural</u>	209.6	592.1	619.5	802.2	1216.0

Source: Australian Department of Commerce and Agriculture.

APPENDIX

Table VI<sub>T</sub>

Targets of Commonwealth Five-Year Agricultural Program

<u>Product</u>	<u>Unit</u>	<u>Average five years ended 1938-39</u>	<u>1950-51 Output</u>	<u>1957-58 Target</u>	<u>Target % Increase over</u>	
					<u>Prewar</u>	<u>1950-51</u>
<b>A. <u>Output</u></b>						
Wool	(mil. pounds)	995	1,092	1,200	20.6	9.9
Wheat	(mil. bushels)	154	166	191	24.0	15.1
Other grains	(mil. bushels)	36	59	84	133.3	42.4
Beef and veal	(000 tons)	531	652	672	26.6	3.1
Lamb	(000 tons)	118	113	190	61.0	68.1
Mutton	(000 tons)	198	164	213	7.6	29.9
Pigmeats	(000 tons)	87	85	100	14.9	17.6
Milk	(mil. gallons)	1,150	1,200	1,350	17.4	12.5
Butter	(000 tons)	195	160	170	-12.8	6.3
Cheese	(000 tons)	22	45	40	81.8	-11.1
Processed milk	(000 tons)	30	104	190	533.3	82.7
Sugar	(000 tons)	740	929	1,228	65.9	32.2
Eggs	(mil. dozen)	n.a.	107	129	n.a.	20.6
Cotton	(mil. pounds)	18.5	0.4	10.0	-46.0	2400.0
Tobacco	(mil. pounds)	5	5	15	200.0	200.0
Linseed	(mil. bushels)	(negl.)	0.2	2.0		900.0
<b>B. <u>Acreage</u> (In thousand acres)</b>						
Wheat		12,980	11,700	13,650	5.2	16.7
Oats and Barley		2,100	2,800	4,200	100.0	50.0
Sugar		250	400	530	112.0	32.5
Cotton		56	7	60	7.1	757.1
Tobacco		10	6	17	70.0	183.3
Linseed		(negl.)	51	200		292.2

Source: Australian Department of Commerce and Agriculture.

APPENDIX

Table VIII

Basic Wage

(As fixed by the Commonwealth Court of Conciliation and Arbitration)

<u>Date of Operation</u> <u>1/</u>	<u>Sydney</u>	<u>Melbourne</u>	<u>Brisbane</u>
		(LA per week)	
June 1939	4/2/-	4/1/-	3/17/-
May 1945	4/18/-	4/18/-	4/13/-
May 1946	4/19/-	4/18/-	4/14/-
May 1947	5/10/-	5/7/-	5/4/-
May 1948	5/16/-	5/15/-	5/10/-
May 1949	6/7/-	6/5/-	5/19/-
May 1950	6/18/-	6/17/-	6/9/-
November 1950	7/6/-	7/3/-	6/15/-
December 1950 <u>2/</u>	8/5/-	8/2/-	7/14/-
May 1951	9/-/-	8/17/-	8/6/-
August 1951	9/13/-	9/9/-	8/15/-
November 1951	10/7/-	9/19/-	9/5/-
February 1952	10/16/-	10/9/-	9/19/-
May 1952	11/3/-	10/12/-	10/7/-

1/ All rates are operative from the beginning of the first pay period commencing in the months shown.

2/ An increase to operate from December 1950 was granted by the Court. This was quite distinct from the ordinary cost of living adjustments.

APPENDIX

Table IX.

A. TERMS OF TRADE

(Base: 1936-39 = 100)

<u>Year</u>	<u>Export Price Index</u>	<u>Import Price Index</u>	<u>Terms of Trade</u>
1946-47	209	234	89
1947-48	296	272	109
1948-49	348	285	122
1949-50	399	309	129
1950-51	690	375	184
Sept. 1951	509	420 <sup>1/</sup>	121
Dec. 1951	481	425 <sup>1/</sup>	113
March 1952	424	n.a.	n.a.

Source: The Acting Commonwealth Statistician, and the Commonwealth Bank.

<sup>1/</sup> Quarter ended month shown.

B. VOLUME OF TRADE

(Base: 1936-39 = 100)

<u>Year</u>	<u>Imports</u>	<u>Exports</u>
1946/47	78	107
1947/48	109	99
1948/49	127	112
1949/50	153	111
1950/51	173	103

Source: U.N. Monthly Bulletin of Statistics.

APPENDIX

Table Xi

Monetary Gold and Foreign Exchange Holdings

LA million

<u>End of</u>	<u>Gold</u>	<u>Foreign Exchange</u>	<u>Total</u>
June 1939	2	54	56
" 1946	21	195	215
" 1947	30	169	199
" 1948	27	246	274
" 1949	27	425	452
" 1950	39	611	650
" 1951	44	799	843
March 1952 (est.)	50	370	420

Note: Detail does not necessarily add to total because of rounding.

## APPENDIX

Table XI

Total Balance of Payments

£A Millions

	<u>1946/47</u>	<u>1947/48</u>	<u>1948/49</u>	<u>1949/50</u>	<u>1950/51</u>	<u>1951/52</u> (est.)
Exports f.o.b.	265	397	522	594	975	660
Imports f.o.b.	<u>-208</u>	<u>-338</u>	<u>-415</u>	<u>-538</u>	<u>-742</u>	<u>-1100</u>
Trade Balance	57	59	107	56	233	-440
Net Invisibles	<u>-105</u>	<u>-56</u>	<u>-79</u>	<u>-105</u>	<u>-143</u>	<u>-210</u>
Balance on Current A/c	- 49	3	28	- 50	91	-650
<u>Capital Items</u>						
Private capital movements	49	88	147	250	117	--
External public debt	- 13	- 9	- 14	- 30	- 19	(
Other capital transactions	<u>- 5</u>	<u>- 7</u>	<u>17</u>	<u>15</u>	<u>5</u>	(35
Balance on Capital A/c	31	72	150	235	103	35
Movement in International Reserves	<u>- 17</u>	<u>75</u>	<u>178</u>	<u>136</u>	<u>193</u>	<u>-615</u>

Note: Detail does not necessarily add to total because of rounding.

APPENDIX

Table XII

Dollar Balance of Payments

(Millions of U.S. dollars)

	<u>1946/47</u>	<u>1947/48</u>	<u>1948/49</u>	<u>1949/50</u>	<u>1950/51</u>	<u>1951/52</u> (est.)
Exports, f.o.b. <u>a/</u>	174	129	136	142	381	230
Imports, f.o.b.	<u>-189</u>	<u>-275</u>	<u>-181</u>	<u>-173</u>	<u>-176</u>	<u>-310</u>
Trade Balance	-15	-146	-45	-31	205	-80
Net Invisibles	<u>-76</u>	<u>-88</u>	<u>-73</u>	<u>-87</u>	<u>-90</u>	<u>-100</u>
Current Account Balance	-91	-234	-118	-118	115	-180
<u>Capital Items</u>						
Capital Inflow <u>b/</u>	36	38	17	81	-41	-38
External Public Debt	<u>- 1</u>	<u>--</u>	<u>- 2</u>	<u>-11</u>	<u>- 3</u>	<u>- 2</u>
Total Capital Account	<u>35</u>	<u>38</u>	<u>15</u>	<u>70</u>	<u>-44</u>	<u>-40</u>
<u>Net Dollar Position</u>	<u>-56</u>	<u>-196</u>	<u>-103</u>	<u>-48</u>	<u>71</u>	<u>-220</u>
<u>Dollar Financing</u>						
IMF or IERD	--	--	--	20	9	60
Gold Sales to U.K.	--	30	32	30	21	10
Dollar Drawings or Contributions (-) to sterling dollar pool	54	164	73	2	-97	150
Australian Dollar Balances	2	2	- 2	- 4	- 4	--
Total	<u>56</u>	<u>196</u>	<u>103</u>	<u>48</u>	<u>-71</u>	<u>220</u>

Note: Detail may not add to total because of rounding.

a/ Exports to U.S. and Canada, trade balance with other American account countries (1946/47 - 4; 1947/48 - 0; 1948/49 - 4; 1949/50 - 5; 1950/51 - 9).

b/ Capital inflow plus errors and omissions, latter believed to be mainly capital inflow.

APPENDIX

Table XIII

Australian Trade with U.S. and Canada

(In millions of U.S. dollars)

	<u>1947/48</u>	<u>1948/49</u>	<u>1949/50</u>	<u>1950/51</u>	<u>1951/52</u> (est.)
<u>A. EXPORTS</u>					
Wool	94	79	104	321	177
Skins	13	10	9	10	10
Minerals	11	18	6	13	11
Foodstuffs	3	13	11	18	17
Other	<u>8</u>	<u>12</u>	<u>7</u>	<u>13</u>	<u>15</u>
Total	129	132	137	375	230
<u>B. IMPORTS</u>					
Equipment & Machinery	35	30	38	35	60
Tractors & Parts	7	11	13	13	30
Motor Vehicles	27	21	21	26	35
Aircraft, Scientific Instruments	7	11	6	4	13
Tinplate	10	8	7	12	13
Textiles, Yarns	66	8	5	6	10
P.O.L.	21	18	13	11	30
Drugs, Chemicals	7	4	3	3	7
Tobacco	16	12	12	12	17
Timber	10	11	9	10	44
Paper	23	6	7	2	18
Other	<u>35</u>	<u>33</u>	<u>27</u>	<u>35</u>	<u>33</u>
Total	264 <sup>a/</sup>	173 <sup>a/</sup>	166 <sup>a/</sup>	174 <sup>a/</sup>	310

<sup>a/</sup> Excludes outside packages.

## APPENDIX

Table XIV

External Funded Debt of Australia

(In thousands)

	<u>Debt Outstanding June 30, 1951</u>	
	<u>In Currency of Payment</u>	<u>Expressed in U.S. Dollars</u>
<u>DOLLAR DEBT</u>		
Dollar Bonds		
Commonwealth Bonds		
Australia 5%, 1925 - 7/15/52-55	\$ 71,031	71,031
Australia 3 $\frac{1}{4}$ %, 1946 - 8/1/56	\$ 19,047	19,047
Australia 3 $\frac{1}{8}$ %, 1946 - 12/1/66	\$ 23,846	23,846
Australia 3 $\frac{1}{4}$ %, 1947 - 6/1/57	\$ 18,228	18,228
Australia 3-3/8%, 1947 - 2/1/62	\$ 43,001	43,001
Australia 3 $\frac{1}{2}$ %, 1947 - 6/1/67	\$ 18,205	18,205
Total Commonwealth Bonds	<u>\$ 193,358</u>	<u>193,358</u>
Municipal and Other Bonds		
Sydney County Council 3 $\frac{1}{2}$ %, 1947 - 1/1/57	\$ 7,800	7,800
City of Brisbane 5%, 1927 - 3/1/57	\$ 4,100	4,100
City of Brisbane 5%, 1928 - 2/1/58	\$ 4,400	4,400
Total Municipal and Other Bonds	<u>\$ 16,300</u>	<u>16,300</u>
Total Dollar Bonds	<u>\$ 209,658</u>	<u>209,658</u>
I.B.R.D. 4 $\frac{1}{2}$ %, 1950-1955-75 - Outstanding	\$ 9,058	9,058
- Undisbursed	\$ 90,942	90,942
Total I.B.R.D.	<u>\$ 100,000</u>	<u>100,000</u>
<u>Total Dollar Debt</u>	<u>\$ 309,658</u>	<u>309,658</u>
<u>STERLING DEBT</u>		
Commonwealth Debt		
South Australia 3%, 1897 - 1900/1916	£ 2,397	6,712
Western Australia 3 $\frac{1}{8}$ %, 1909 - 1911/1935-55	£ 3,205	8,974
Queensland 3 $\frac{1}{8}$ %, 1911 - 1950/70	£ 1,891	5,295
Australia 4%, 1933 - 7/1/55-70	£ 11,546	32,329
Australia 3 $\frac{1}{2}$ %, 1934 - 7/1/64-74	£ 13,373	37,444
Australia 3 $\frac{1}{8}$ %, 1934 - 6/1/54-59	£ 21,084	59,035
Australia 3 $\frac{1}{4}$ %, 1935 - 6/1/56-61	£ 20,754	58,111
Australia 3%, 1936 - 4/15/55-58	£ 20,141	56,395
Australia 3 $\frac{1}{8}$ %, 1937 - 9/15/50-52	£ 11,790	33,012
Australia 3 $\frac{1}{8}$ %, 1937 - 2/1/51-54	£ 10,796	30,229
Australia 3-3/4%, 1938 - 12/15/52-56	£ 6,951	19,463
Australia 4%, 1939 - 1/1/61-64	£ 5,775	16,170
Australia 3 $\frac{1}{2}$ %, 1941 - 9/1/61-66	£ 29,936	83,821

Table XIV (Continued)

	Debt Outstanding June 30, 1951	
	In Currency of Payment	Expressed in U.S. Dollars
<u>STERLING DEBT</u>		
Commonwealth Debt		
Australia 3%, 1945 - 12/1/58-60	£ 14,055	39,354
Australia 3 $\frac{1}{2}$ %, 8/1/65-69	£ 58,202	162,966
Australia 2-3/4%, 1946 - 7/1/67-71	£ 15,950	44,660
Australia 2 $\frac{1}{2}$ %, 1947 - 4/15/70-75	£ 18,441	51,635
Australia 3%, 1948 - 5/1/63-65	£ 12,871	36,039
Australia 3%, 1948 - 2/15/64-66	£ 10,000	28,000
Australia 3%, 1948 - 7/1/65-67	£ 14,900	41,720
Australia 3%, 1949 - 4/1/72-74	£ 12,300	34,440
Australia 3 $\frac{1}{2}$ %, 1949 - 7/1/75-77	£ 14,146	39,609
Total Commonwealth Debt	£330,504	925,413
Municipal and Other Debt		
City of Brisbane 4 $\frac{1}{4}$ %, 1950-60	£ 41)	
City of Brisbane 5%, 1928 - 1950/60	£ 959)	2,800
Launceston Corp. 5%, 1927-1952	£ 100	280
Launceston Corp. 5%, 1928-1953	£ 100	280
Melbourne & Metropolitan Bd. of Works 5%, 1929-1954	£ 1,978	5,538
Melbourne & Metropolitan Bd. of Works 3-3/4%, 1937-1960	£ 724	2,027
Electricity Trust of South Australia 4 $\frac{1}{2}$ %, 1947-1958	£ 767	2,148
Sydney County Council 4%, 1936-1956	£ 2,000	5,600
City of Sydney 5 $\frac{1}{4}$ %, 1927-1953	£ 2,000	5,600
City of Sydney 5 $\frac{1}{4}$ %, 1928-1954	£ 2,000	5,600
City of Sydney 4%, 1943 - 1961/63	£ 812	2,274
Metropolitan Water, Sewerage & Drainage Board (Sydney) 4%, 1937 - 1957	£ 2,000	5,600
State Electricity Commission of Victoria 3 $\frac{1}{2}$ %, 1937-1954	£ 847	2,372
Total Municipal and Other Debt	£14,328	40,119
<u>Total Sterling Debt</u>	£344,832	965,532
<u>Total Debt</u>		1,275,190

Notes: Pound sterling figures were converted at £1 = \$2.80.

Debt excludes the following:

- (a) Debt to the U.S. Government as of June 30, 1951
- |   |                     |
|---|---------------------|
| Lend-lease silver (payable in silver)           | \$ 8,372,000        |
| Credit-agreement offsets to grants              | 60,000              |
| Surplus property (payable in Australian pounds) | 5,931,000           |
|   | <u>\$14,363,000</u> |
- (b) Purchases from the International Monetary Fund of \$20,000,000.
- (c) Short-term Treasury Bills and Debentures, maturing in August and September 1951, amounting to £24,088,000 as of June 30, 1951.
- (d) World War I debt to the British Government amounting to £79,724,220.

