Chapter Three

Forecasts of Overseas Exchange Transactions: 1984/85 and 1985/86

Summary

After reaching a peak of $1,845 million in the year to December 1982 the overseas exchange transactions current account deficit contracted rapidly to a low of $699 million in the year to August 1983. The deficit then gradually increased to $1,457 million for the May 1984 year. The forecasts presented in this paper show a widening of the deficit to $1,995 million in the year ended June 1984 (this includes a $670 million additional net outflow associated with exchange rate speculation in June 1984). Assuming normal repayment patterns are restored, a corresponding reduction in the year ended June 1985 current account deficit to $1,475 million is forecast. The forecast increase to $1,915 million in the year ended June 1986 current account deficit represents an improvement in the underlying deficit after allowance is made for the distortions arising from the June 1984 flows. The trends in this OET forecast reflect expected developments in both domestic demand and export competitiveness. In previous international recoveries, sustained growth in the international economy had led to an improvement in New Zealand's terms of trade, which have normally moved roughly in phase with the international business cycle. However, New Zealand's terms of trade are expected to remain flat over the forecast period. This is because the benefits from the general recovery in international demand are expected to be offset by weaknesses in primary commodity markets of particular concern to New Zealand.

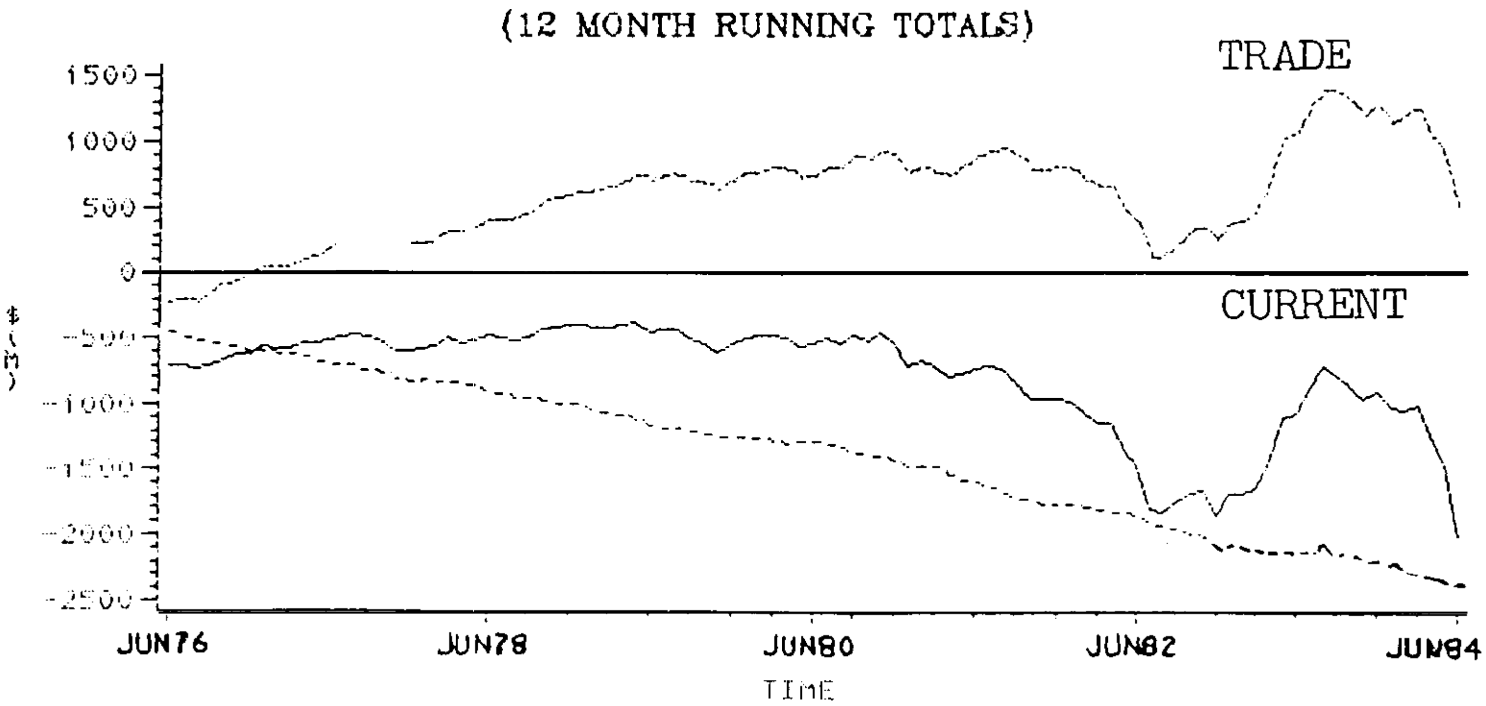
The essentially flat trend portrayed for pastoral export production reflects the decline in sheep and beef farm real incomes which has occurred since 1980/81 and the currently depressed state of the international dairy market, which is expected to impact on dairy farm incomes in the 1984/85 season. The major influences accounting for the decline in farm incomes have been the increases in on-farm and processing costs and depressed returns on overseas markets. While it is difficult to obtain a clear picture of the changing export competitiveness of the manufacturing sector, on the basis of relative labour cost there has been an improvement in export competitiveness following the slow down in the rate of growth in wages subsequent to the imposition of the wage/price freeze in June 1982. After adjustment for nominal exchange rate changes, average wage rates in New Zealand fell by about 10 percent compared with Australian

manufacturing wage rates in the two years to December 1983. New Zealand also improved its competitive position relative to the United States and Japan over this period.

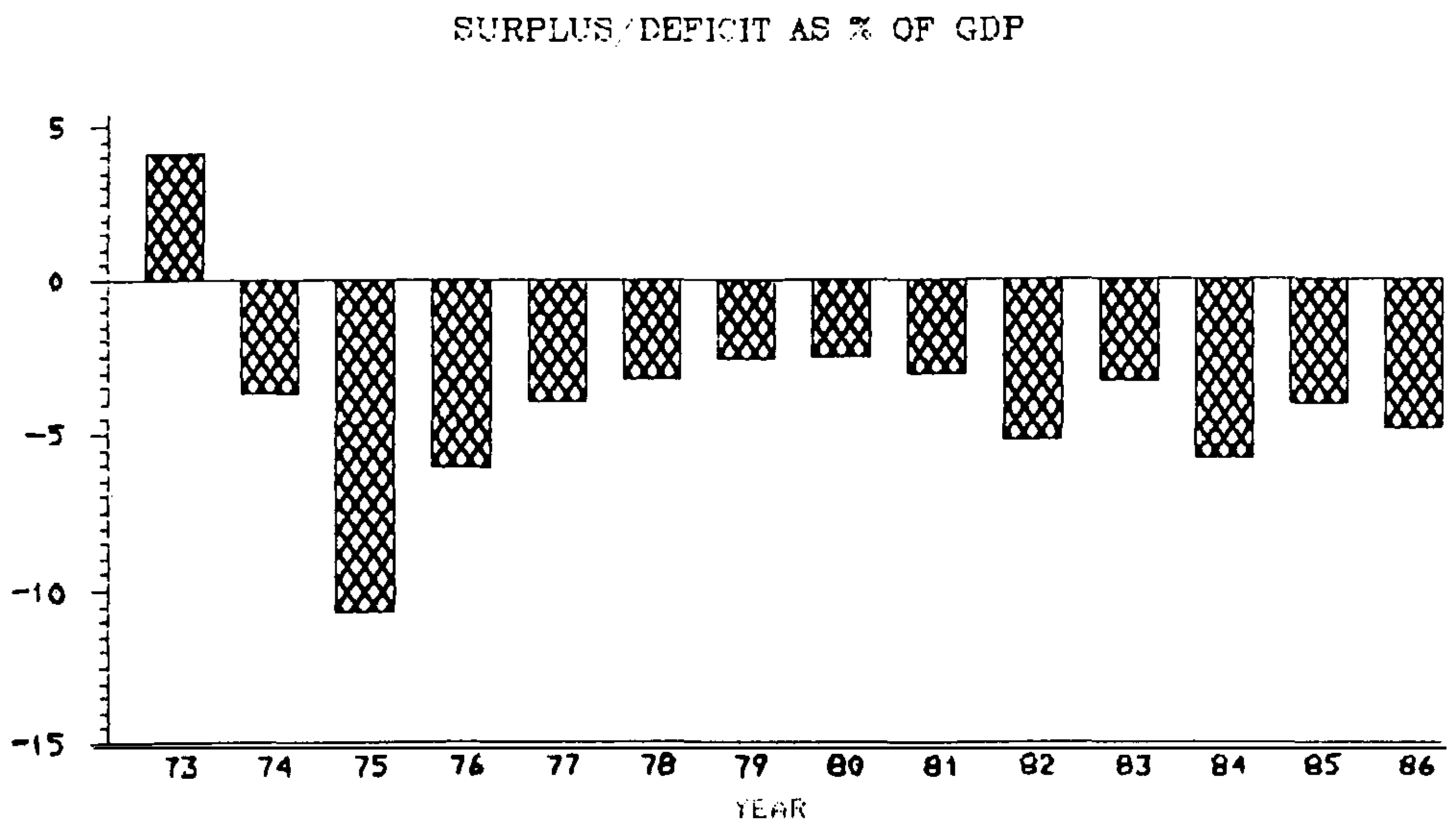
The growth in base-load manufacturing export volumes is estimated at 10 percent for 1983/84 and this growth is expected to be sustained in 1984/85. Base-load manufacturing exports are defined as total exports less major project exports. However, if the recent acceleration in the growth rates of money and credit underpinned by the large fiscal deficit are allowed to continue, it will add to inflationary pressures and thus erode the competitiveness of New Zealand exporters and import substitute producers.

Official overseas debt is expected to rise over the forecast period to $10,385 million (29.7 percent of GDP) as at June 1984, $11,640 million (30.9 percent of GDP) as at June 1985 and $13,435 million (33.2 percent of GDP) as at June 1986. Official debt interest payments as a percentage of current receipts are expected to be 7.1 percent as at June 1984, and to rise to 9.1 percent as at June 1985 and 9.9 percent as at June 1986.

Graph 1: O.E.T. Balances

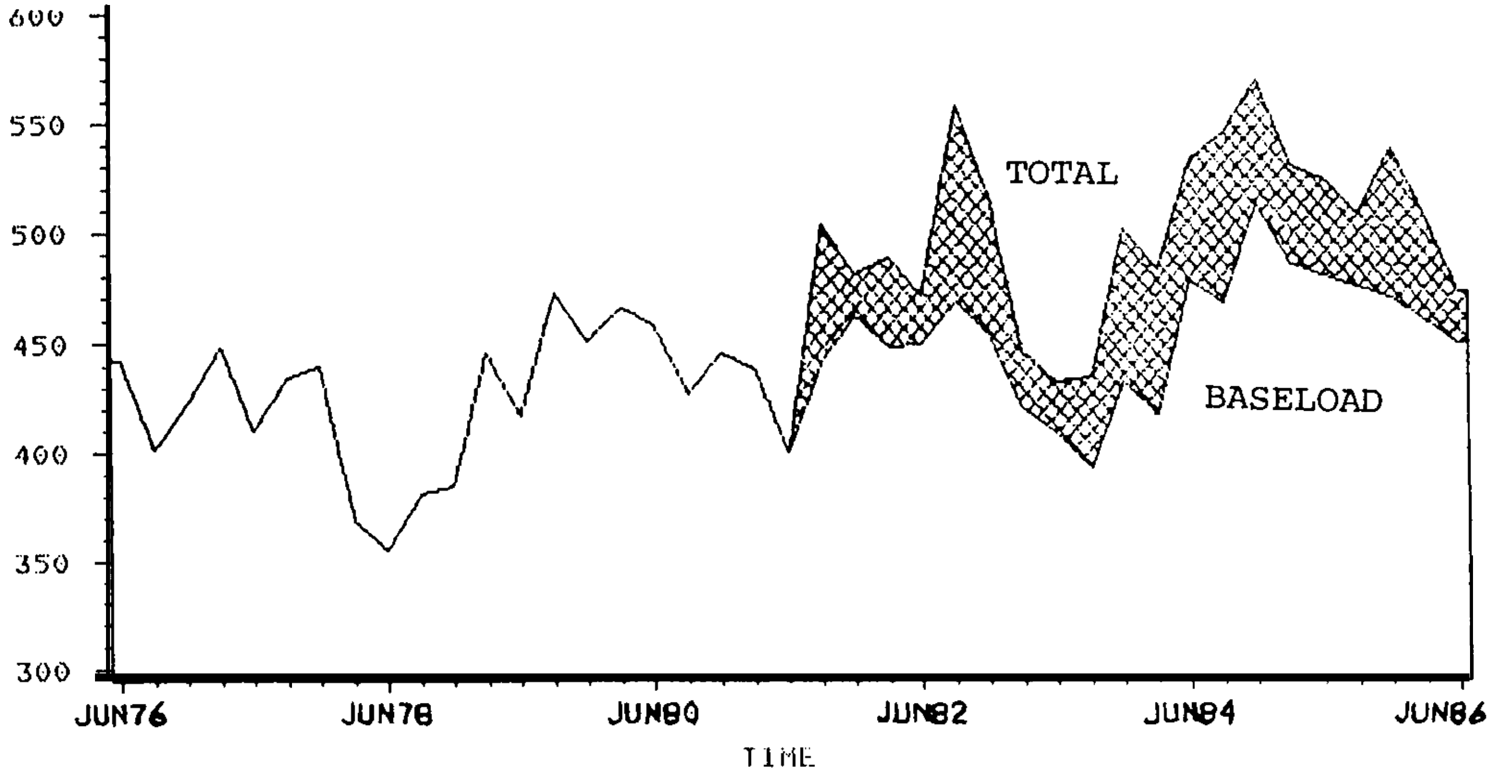


Graph 2: O.E.T. Current Account



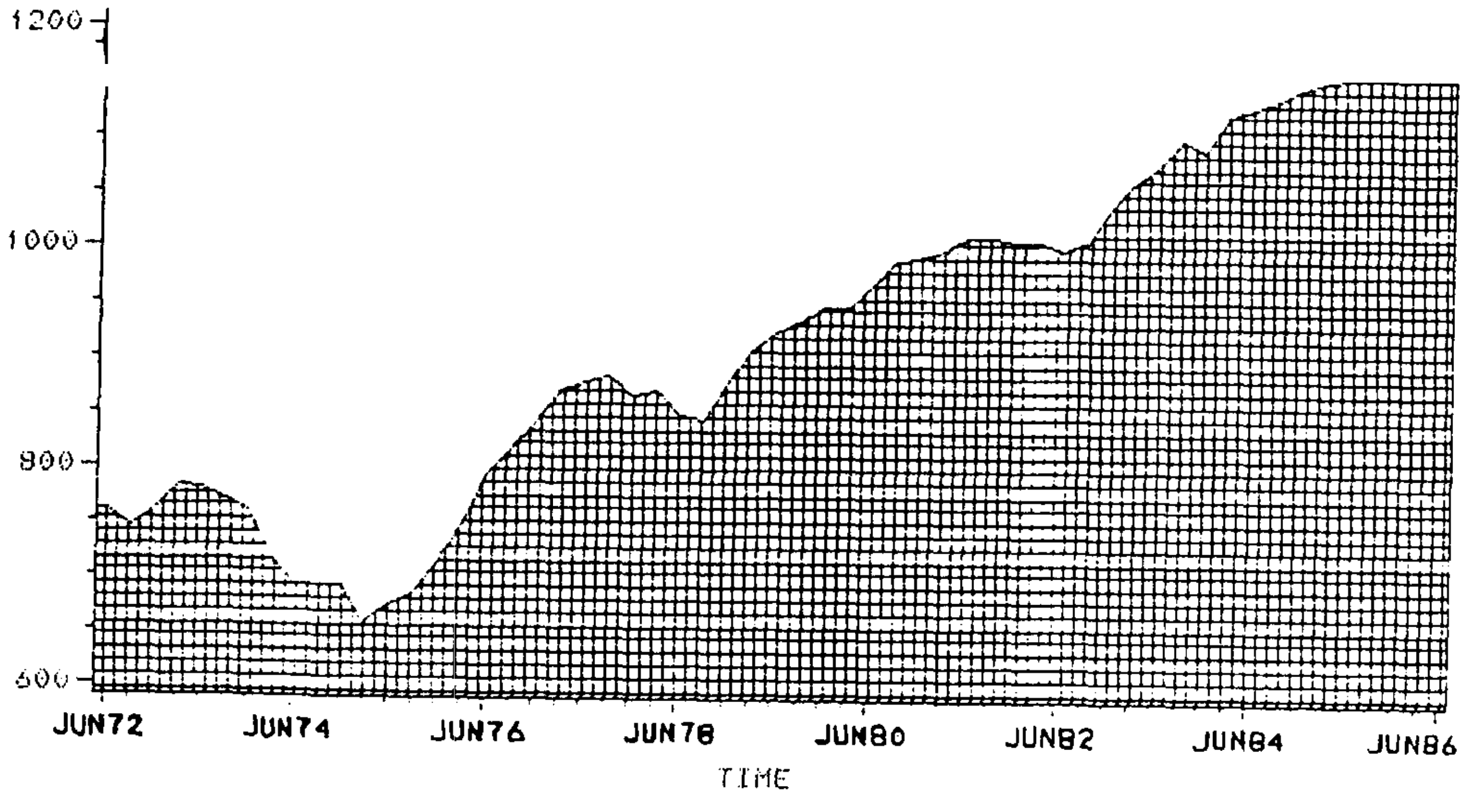
Graph 3: **Import Volumes**

(INDEX BASE JUNE YEAR 1982=1000)



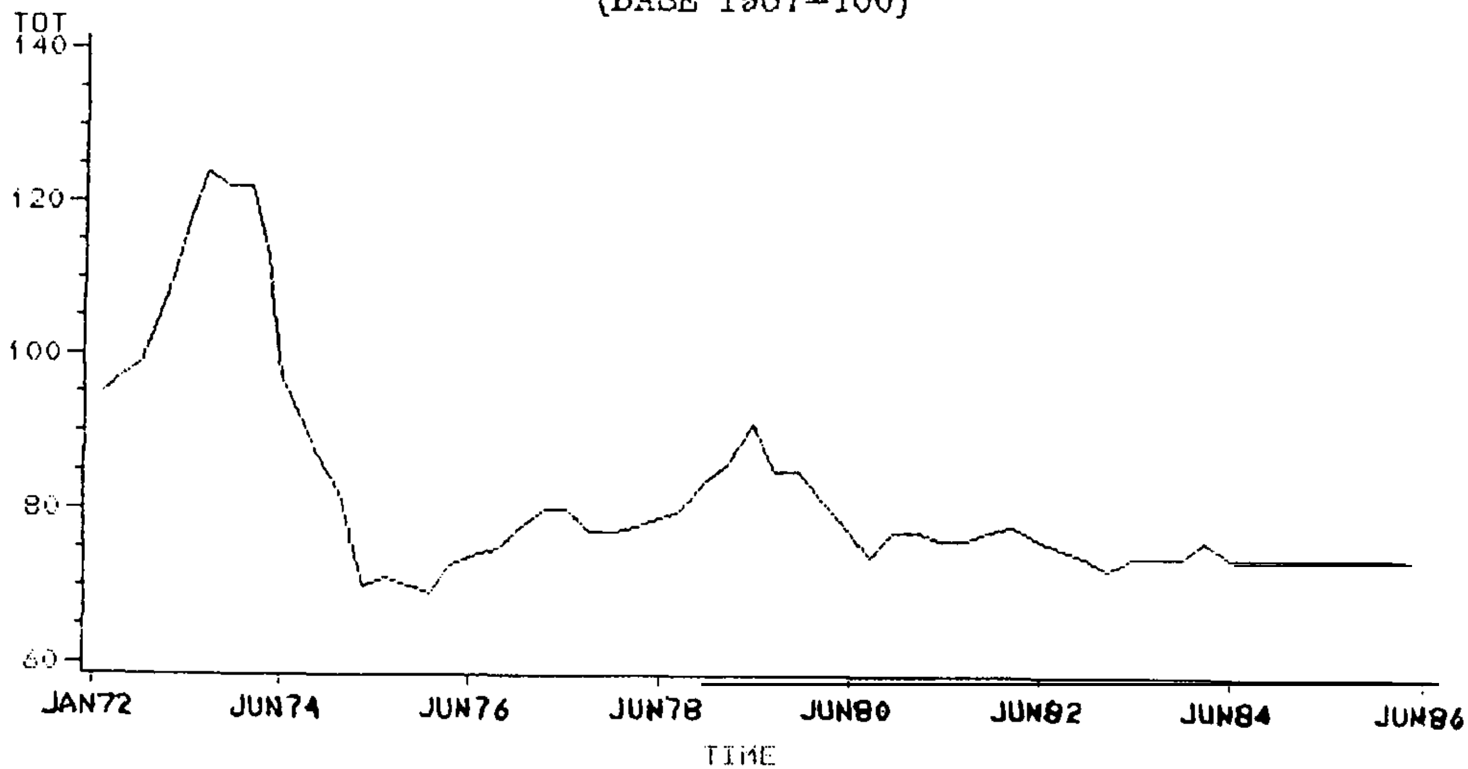
Graph 4: **Export Volumes**

(INDEX BASE JUNE YEAR 1982=1000)

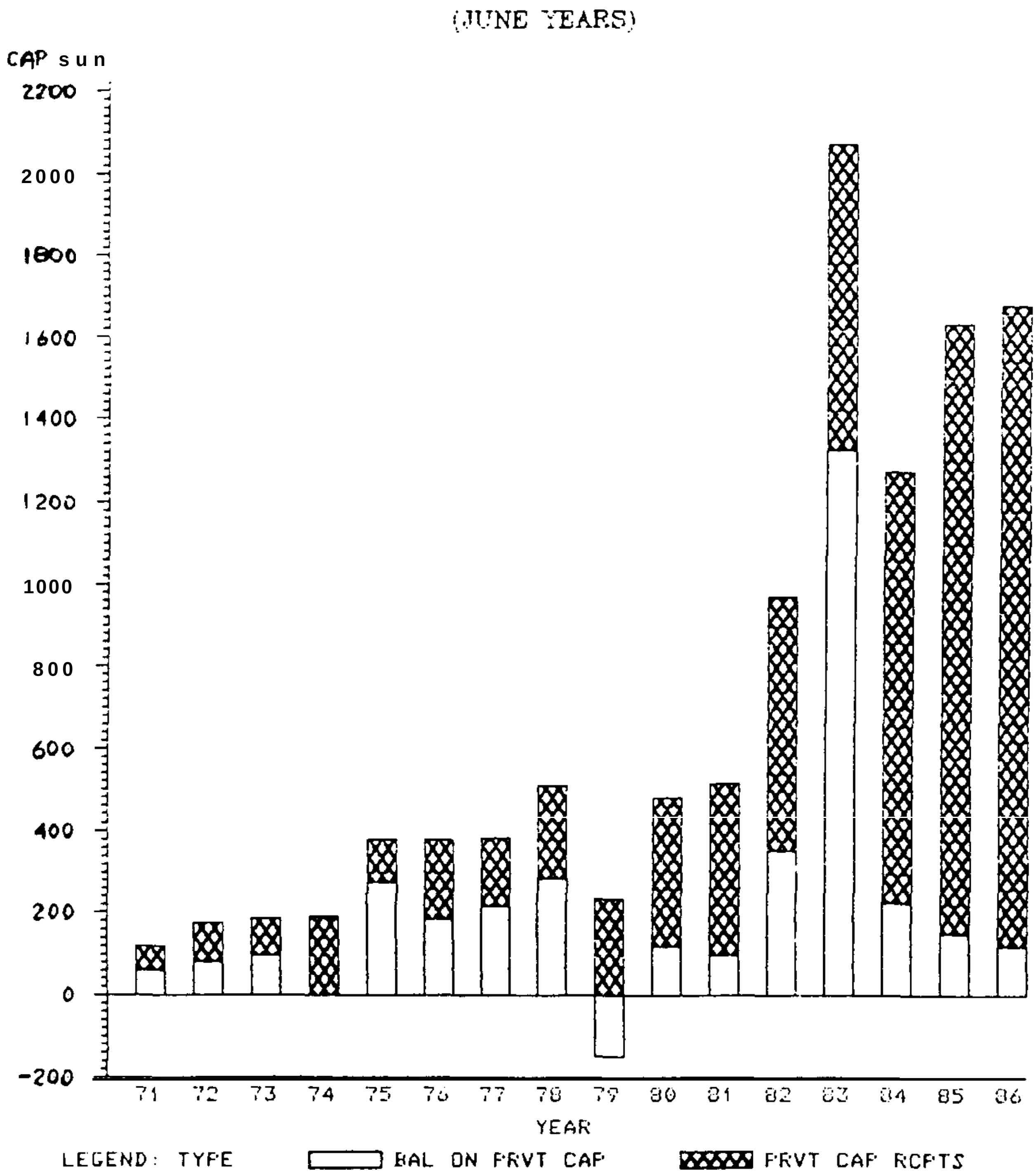


Graph 5: **Terms of Trade**

(BASE 1957=100)

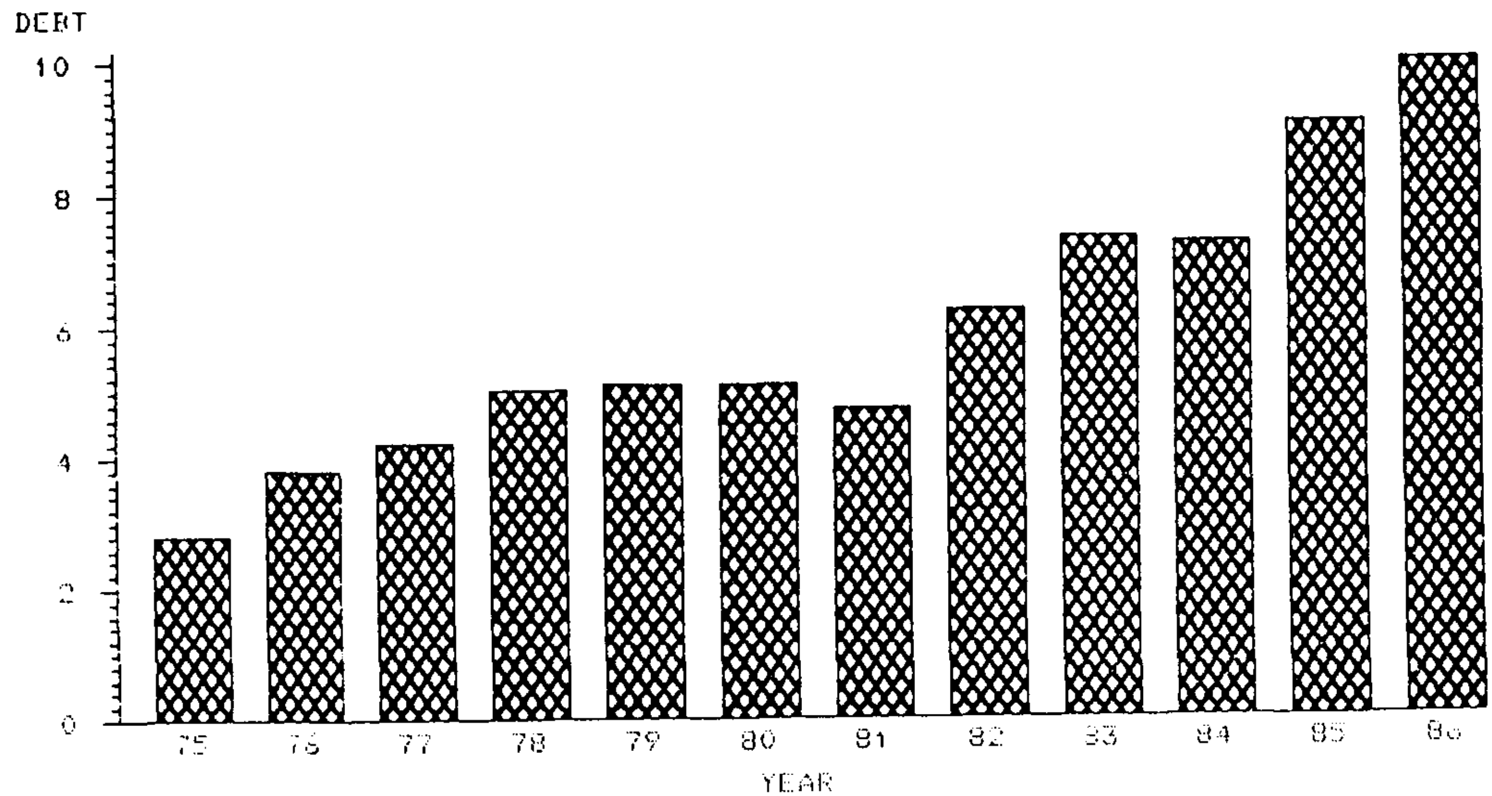


Graph 6: Private Capital Transactions



Graph 7: **Official Debt Interest Payments**

AS % OF CURRENT RECEIPTS



Introduction

The view of the international economy which underpins the export side of these forecasts is for a continued recovery. This is reflected in a growth rate in the OECD economies of about 3-3.5 percent for both 1984/85 and 1985/86. Initially, the US economy is seen as the major contributor with the stronger European economies and Japan picking up as the rate of the US expansion slows towards 1985/86. However, market conditions for some of New Zealand's major primary products continue to be either unfavourable or offer scope for only a marginal improvement in prices. As a consequence, the terms of trade which are estimated to have risen to 75 in 1983/84 are expected to slip back to 74 throughout the forecast period.

The basic underlying influence on the volume of *pastoral exports* is the levelling off in the growth of livestock units which has been apparent in recent seasons on beef and sheep farms and is expected to occur in dairying from the current season. Forecast export volumes are, however, affected by climatic influences on production and changes in stock levels. Production increases arising from favourable weather conditions in 1983/84 will push up 1984/85 export volumes but there will be a decline in 1985/86 reflecting the assumptions of average climatic conditions and a return of meat and wool stocks to normal levels.

The 10 percent growth in baseload *manufactured exports* estimated for 1983/84 largely offsets a decline of a similar magnitude in the previous year. The improved performance reflects a combination of demand recovery in major markets, particularly Australia, and improved competitiveness. Baseload volume growth is anticipated to slow gradually to rates of 8 percent in 1984/85 and 6 percent in 1985/86. Overall volume growth is boosted by the positive impact of major project exports which are estimated to add 5 percent, 2 percent and slightly over 3 percent to manufactured export volumes in 1983/84, 1984/85 and 1985/86 respectively.

The increased level of domestic economic activity which has become apparent during the latter half of 1983/84 together with a turnaround in the stock cycle to a restocking phase, are forecast to lead to a 7 percent growth in baseload import volumes in 1983/84, followed by a 9 percent increase in 1984/85. **A** decline of 7 percent is expected in 1985/86 as the level of domestic activity flattens out and stock-building is completed. The downturn in total import volumes is accentuated by a sharp fall-off in major project imports as the level of construction activity winds down.

The net private capital inflow fell sharply to $225 million in 1983/84 as the financing requirements of the major projects and producer boards declined. Forecast net inflows in 1984/85 and 1985/86 of $150 million and $120 million respectively are dependent on domestic monetary conditions and are thus potentially subject to considerable variability. The more favourable current account developments and net private capital inflow in 1982/83 reduced the estimated net official borrowing requirement to $537 million in that year. Conversely a deteriorating current account deficit and declining net private inflows are expected to increase the net official borrowing requirement in 1983/84 and in the remaining forecast years. The aggregate trade, invisible and capital flows are set out in Table 1 while the relative contributions of trade volumes, the terms of trade and invisibles to the change in the current account balance are summarised in Table 2. The implications of the projected official borrowing programme for the official overseas debt stock is outlined in Table 6.

Background

1981/82-l 1982/83 Review

A weak international economy together with a relatively buoyant domestic economy during 1981/82 resulted in a rapid widening of the OET deficit from $725 million in the year to June 1981 to a peak of $1,845 million in the year to December 1983. High levels of domestic demand combined with the beginning of the construction phase of the major projects resulted in a 10 percent increase in import volumes in 1981/82. Export volumes, however, fell by 1 percent as difficulties were encountered in selling wool, meat and forest products in the face of the international recession. In addition international interest rates and the growing external debt resulted in a large increase in government debt interest payments.

By the middle of 1982 the widening external deficit coupled with a stable fiscal deficit and a relatively steady debt sales programme led to a rapid tightening of monetary conditions, With real disposable incomes and consequently domestic demand falling, the result was an unintended stock build-up and a rapid fall off in import volumes and payments from the September quarter of 1982.

Although the terms of trade declined by 3 percentage points, higher levels of agricultural production combined with a significant rundown of stocks of wool, and to a lesser extent of lamb and beef, were primarily responsible for a 9 percent growth in export volumes in 1982/83. Export prices increased by only 6 percent despite a 4.8 percent devaluation of the average nominal exchange rate. Difficult market conditions for meat and dairy products resulted in only small price increases for these products and with the international economy still generally depressed wool prices remained weak. Prices for manufactured goods and other primary products held up relative to import prices.

As a consequence of these influences on exports and imports, the current account deficit contracted significantly to a low of $699 million in the year to August 1983. Since then the pick up in the domestic economy, in conjunction with the major projects imports, has been reflected in an upturn in import payments and the current account deficit has gradually widened to $1,245 million in the year to April 1984.

Assumptions

Following the $8 a week cost of living allowance from 1 April 1984, no further wage adjustment is assumed until a return is made to wage bargaining under a reformed system in 1985/86. Wage settlements in 1985/86 are assumed to average around 8 percent. On the further assumption of accommodating monetary conditions, a further moderate increase in domestic demand is expected in 1984/85 followed by a decline in 1985/86. The average nominal exchange rate is assumed to remain fixed until the end of June 1986.

Exports of Goods

Although pastoral export volumes are expected to fall in 1983/84 reflecting both lower levels of meat and wool production and lower sales from stocks, overall export volumes are expected to increase by 5 percent because of a sharp recovery in forestry and manufacturing export volumes and an acceleration in the rate of growth of other primary products.

During 1984/85 a continued rundown of stocks and the boost to production occasioned by the very favourable climatic conditions experienced in the second half of 1983/84 should see pastoral exports increase by 2.5 percent. In the following year, it is assumed that the only contribution from stocks will be from dairy products, and with production being consistent with average climatic conditions volumes should fall by 4 percent. No growth is forecast for total exports.

Export prices are expected to increase by 6 percent in 1983/84, 4 percent in 1984/85 and by 5 percent in 1985/86.

Export *meat* production is estimated to have declined by 6.2 percent in the 1983/84 season. In part this reflects the effect of climatic factors on the profile of lamb production following the record year in 1982/83 and in part the bottoming out of the rundown in the beef herd. Although favourable climatic conditions should allow a 2.5 percent rise in production in 1984/85, stationary stock numbers will mean that output in 1985/86 is expected to return to 1983/84 levels. The effect of the fall from the record levels of 1983/84 of export meat production on shipments is delayed somewhat by the overhang of excess sheepmeat stocks from the 1982/83 season. In value weighted terms, exports in 1983/84 are up slightly on the previous year's level but there is a fall off of 2 percent in 1983/84 and 4 percent in 1984/85 as stock return to normal levels by the beginning of the final forecast year. These forecasts are based on the assumption of continued lamb exports to Iran totalling one third of total lamb exports.

Meat exports are facing both price competition from pork and poultry as well as an apparent switch in consumer preferences towards white meat. In addition, there is increased lamb and beef production in the United Kingdom and the European Community respectively. Therefore, while meat prices are currently at relatively low levels in historical terms there is only limited scope for improvement.

In New Zealand dollar terms, fob average meat prices are expected to increase by 5 percent in 1983/84 and then by 6 and 5 percent in 1984/85 and 1985/86 respectively.

Because favourable climatic conditions are expected to increase the size of clip per sheep, total wool production in 1984/85 is expected to be up 6 percent over the drought affected 1983/84 season. However, the underlying production trend is only slightly upward and more average climatic conditions should see a decline in production of 4 percent in the following season. As the wool stockpile is expected to have been cleared in the previous season, wool export volumes are expected to fall by 8 percent in 1985/86. Wool prices during the current season have not been as favourable as expected and the average is now estimated to be 296 c/kg. However, on balance the major underlying price determinants still appear favourable and an increase to 325 c/kg in the average auction price is forecast for 1984/85 followed by a further rise to 345 c/kg in 1985/86. This expected price increase is not large when compared with previous international recoveries, reflecting the impact high interest rates overseas have had on the cost of holding stocks.

Although milkfat production in 1983/84 was up 11 percent on 1982/83 the volume of dairy exports is expected to fall by 4 percent as the earlier year's figure was boosted by stock disposals while there has been a build up of stocks this year. Export volumes are forecast to increase by 9 percent in 1984/85 as the record production in the latter part of the 1983/84 season and some excess stocks are sold. Further stock disposals should hold volumes at this level in 1985/86. Average prices are forecast to fall by 6 percent in 1983/84 and a further 11 percent in 1984/85. This reflects the lagged impact of the downturn in prices on international dairy markets which has already occurred, lower prices for exports to the EC and the impact of excessive international stock levels on prices in other markets. The latter factor is expected to continue to exert a generally dampening effect on prices in 1985/86 with any price improvements likely to be small and too late to have a significant impact on average returns for that season. European Commission policy decisions on export restitution (re dairy subsidies) and the buying policies of the USSR will have a major impact on the outlook for dairy exports.

The substantial forest *product* export volume growth of 19 percent expected in 1983/84 stems from the return to a normal export volume of newsprint. This is supported by higher than previously forecast export volumes of sawn timber and woodpulp. The former reflects a marked improvement in the housing construction sector of the Australian economy while the latter reflects a general improvement in international market conditions which is also evident in the increase in the indicator prices, The forecast volume growth of 6 percent in 1984/85 and 4 percent in 1985/86 is due to higher newsprint and timber volumes plus increased woodpulp exports associated with expanding capacity. Overall prices are expected to improve as the influential North American market further strengthens and Japanese demand increases from its present subdued level.

A greater than two-fold increase in the volume of kiwifruit exports underlies the 20 percent volume growth in exports of *other primary products* in 1983/84. However, the overall volume growth in both 1983/84 and 1984/85 is moderated by assumed declines in the volume of fish exports which reflects a continuation of the trend toward domestic processing of a higher proportion of the total catch and in the latter year a declining contribution from the depleted inshore fishery stock. Further volume growth of apple and kiwifruit exports is expected to occur in 1984/85 although prices are expected, at best, to remain static. Overall price growth reflects an anticipated cyclical upswing in international fish prices.

A significant recovery in *manufactured* export volumes is estimated to have occurred in 1983/84. While this reflects sizeable individual contributions from aluminium, urea and methanol exports, there is also assumed strong growth in baseload export volumes (+lO percent). This results from the international economic improvement and, in particular, the sharp upswing in the Australian economy combined with the improved competitiveness of our manufactured exports. Particularly strong growth is evident in the processed foodstuffs, metal manufactures and metals categories. The growth in baseload volumes which is projected to moderate in 1984/85 (+ 8 percent) and 1985/86 (+ 6 percent), is modest by historical standard (volume growth averaged almost 15 percent in 1970s) and reflects uncertainty about the sustainability of the Australian recovery and the impact of the phase out of performance based export incentives under the ANZCERT Agreement. The trend in overall prices is assumed to follow developments in international manufactured export prices, and hence remain relatively stable through the forecast period.

Imports of Goods

Total import volumes fell by 9 percent in 1982/83. Baseload imports (defined as total imports less major project and large government imports) declined by 8 percent in 1982/83 as a result of a sharp decline in domestic output in response to lower domestic demand. The increased levels of economic activity experienced from the latter half of 1983, together with some restocking by manufacturers, are expected to lead to a 7 percent growth in baseload import volumes in 1983/84, followed by a further 9 percent increase in 1984/85. Baseload volumes are forecast to decrease by 7 percent in 1985/86 due to the expected weakening of domestic activity combined with some de-stocking.

The above forecasts are produced on the basis of no policy changes occurring over the remainder of the forecast period. Consequently, a wage breakout in 1984/85 or excessive loosening of monetary conditions would be expected to feed through to an increase in import volumes, causing a worsening of the OET deficit.

Import prices are estimated to have risen by 5 percent in 1983/84 reflecting the full year impact of the March devaluation. In 1984/85 the assumed stable New Zealand dollar, and forecast low rates of inflation amongst our major trading partners and assumed stable nominal oil prices are forecast to result in an import price increase of 5 percent. Similarly, import prices are expected to rise by a further 5 percent in 1985/86.

It should be noted that the major project imports do not fully impact on the OETs. This is due to the fact that much of the construction activity is being financed offshore and payments are not remitted through the New Zealand banking system.

Invisibles

A slowdown in the rates of increase in both invisible receipts and payments has occurred since 1981/82 and 1982/83 (Table 8). This in part reflects the falling rates of inflation experienced over the period both domestically and by New Zealand’s major trading partners. The world and domestic recessions were also responsible for declining rates of growth in receipts and payments for transport (freight and fares) and travel.

Debt interest has continued to make a large impact on the accounts, and unfavourable exchange rate movements contributed to the high rates of increase in official debt interest payments over 1981/82 (49 percent) and 1982/83 (29 percent). The forecast 9 percent increase in official debt interest payments for 1983/84 is moderated by more favourable exchange rate movements to date. Official debt interest payments are forecast to rise by 40 percent in 1984/85 and 14 percent in 1985/86.

Private interest and investment payments, which include payments by Government Corporations, is forecast to increase by 29 percent over 1983/84 as a result of heavy overseas borrowing in 1982/83. The falling trend in the growth rate of invisible receipts and payments over the forecast period reflects expected lower rates of overseas price increases and the assumed stable exchange rate.

Capital Account

A large net private capital inflow ($1,324 million) in 1982/83 facilitated the rescheduling of some official debt repayments and a build up in official reserves from $601 million in June 1982 to $1,256 million in June 1983. The private inflow was largely associated with major project financing and short term Meat Board trade financing although tight domestic monetary conditions also contributed to the increase. In the 1983/84 year to date the net private inflow has been reduced largely as a result of a lower Meat Board requirement and considerably lower major project funding. The marked change in monetary conditions, the removal of the income tax exemption on overseas interest payments and uncertainties about exchange rate movements are also factors contributing to the lower net inflow which is expected to be $225 million in 1983/84.

In the years 1984/85 and 1985/86 the net private capital inflow has been forecast as $150 million and $120 million respectively. These forecasts reflect a continuation of the trends that became evident in the current year, i.e. lower requirements by the Meat Board and for major projects as well as a perception of the increased relative costs of external borrowing. The impact of domestic monetary conditions on overseas borrowing is expected to result in a switch from overseas to domestic financing; however, strict adherence to the government's credit guideline would limit access to domestic finance for some borrowers.

The official borrowing requirement for 1983/84 is estimated to be $2,495 million. An official borrowing requirement of $3,295 million is forecast for 1984/85, and one of $2,895 million forecast for 1985/86. These forecasts assume that official reserves will be about $1,200 million over the forecast period.

Official overseas debt totalled $8,600 million or approximately 27 percent of GDP at the end of June 1983 while the debt of government corporations totalled a further $2,492 million. On the basis of the forecasts contained in this paper, official overseas debt is expected to rise to $10,385 million (29.7 percent of GDP) as at June 1984, $11,640 million (30.9 percent of GDP) in June 1985 and $13,435 million (33.2 percent of GDP) in June 1986. The overseas debt of government corporations is forecast to increase more slowly to reach $2,950 million by June 1986 (7 percent of GDP).

TABLE 1

OVERSEAS EXCHANGE TRANSACTIONS

(June Year $ million)

	Actual	*Forecasts*			
	1981/82	*1982/83*	*1983/84*	*1984/85*	*1985/86*
Export Receipts	6,731	7,280	7,950	8,895	9,155
Import Payments	6,336	6,213	7,420	7,795	8,030
Trade Balance	+395	+1,068	+530	+1,100	+1,125
INVISIBLE BALANCE	-1,881	-2,121	-2,525	-2,575	-3,040
Current Account Balance'	-1,487	-1,053	-1,995	-1,475	-1,915
Private Capital Balance	+354	+1,324	+225	+150	+120
Official Debt					
Repayments	-1,003	-1,410	-710	-2,040	-1,100
Borrowing	2,117	1,947	2,495	3,295	2,895
OVERALL BALANCE	+41	808	+15	-70	-
RESERVES AT END OF PERIOD	601	1,256	1,270	1,200	1,200

TABLE 2

CONTRIBUTIONS TO CHANGES IN OET CURRENT ACCOUNT BALANCE

(June Years $ Million)

	1982/83	*1983/84*	*1984/85*	*1985/86*
Trade Volumes[1]	1,057	-492	-23	+562
Trade Prices[2]	-231	-34	-34	+56
Timing[3]	-152	-12	+627	-593
Net Invisibles	-240	-404	-50	-465
OET Current Account Balance	434	-942	+520	-440

1 A positive/negative number indicates an increase/decrease in fob export volumes relative to cif import volumes.

2 A positive/negative number indicates an increase/decrease in the terms of trade i.e. export price index/import price index.

3 Timing is an adjustment for the difference between fob and cif trade flows and the flow of payments through the banking system.

TABLE 3

VOLUMES AND PRICES EXTERNAL TRADE EXPORT
(Annual Percent Change-June Years)

	Actuals								*Estimates*	
	1981/82		*1982/83*		*1983/84*		*1984/85*		*1985/86*	
	Vol.	*Price*	*Vol.*	*Price*	*Vol.*	*Price*	*Vol.*	*Price*	*Vol.*	*Price*
Meat .	-5	+8	+16	+3	+1	+5	-2	+6	-4	+5
Wool .	-1	+4	+14	-3	-2	+16	+3	+10	-8	+6
Dairy .	0	+35	+6	+6	-4	-6	+9	-11	0	0
Animal By-Products	0	+6	+6	+4	+3	+8	-2	+11	-1	+5
Forest .	-9	+13	-11	+1	+19	+6	+6	+8	+4	+8
Other Primary .	+3	+17	+7	+11	+20	+12	+3	+15	+4	+10
Manufacturers .	+1	+19	-5	+12	+12	+8	+13	+6	+8	+6
TOTAL EXPORTS : .	−1	+14	+8	+6	+5	+6	+5	+4	0	+5

PRICE INDICES AND TERMS OF TRADE'

			Actuals		*Estimates*
	1981/82	*1982/83*	*1983/84*	*1984/85*	*1985/86*
Percentage change in the Export Price Index	+14	+6	+6	+4	+5
Percentage change in the Import Price Index	+14	+9	+5	+5	+5
Terms of Trade	77	74	75	74	74

1 Base: December 1957 (100)

TABLE 4

AGRICULTURAL PRODUCTION

	1982/83	Annual 1983/84	1984/85	Estimates 1985/86
Livestock Units				
(as at June 1st year)				
Total Sheep	62.5	62.5	62.7	63.2
Total Cattle	42.5	41.3	41.3	41.7
Production Indicators				
(Year Ended September)				
Breeding ewes (m)	50.8	51.1	51.1	51.4
Lambing percentage ..	99.4	97.0	102.0	98.0
Lambs slaughtered (inspected kill) (m)	35.9	33.9	36.3	34.1
Average lamb carcase weight (kg)	13.2	13.45	13.3	13.3
Export lamb production (000t)[1]	445.1	423.0	452.0	420.8
Export mutton production[1]	106.7	105.0	108.0	112.5
Beef cattle numbers ..	4.91	4.50	4.50	4.57
Cattle slaughtered (inspected kill) ..	2.16	1.93	1.85	1 .a7
Average carcase weight .	226.8	229.5	229.5	229.5
Export beef & veal production (000t)[1]	236.6	202.0	189.0	193.0
Wool production per head (kg)	5.28	5.18	5.50	5.25
Total production (000t)	371.0	364.0	388.0	373.0
Dairy Cows in milk (000)[2]	2,174	2,200	2,220	2,220
Milkfat processed (000t)[3]	290.3	323	305	305
Agricultural Prices (Indicators)				
(September Year)				
Lamb NZ c/kg	283	290	313	335
Beef NZ c/kg	324	342	368	384
Wool (AWASP) c/kg June year	256	296	325	345

1 Product weight
2 Year ended January
3 Year ended May

TABLE 5

IMPORTS

(June Years, $ Million)

	Actual			forecasts	
	1981/82	1982/83	1983/84	1984/85	1985/86
Prices (% change $NZ)	14	10	5	5	5
Volumes (% change) Baseload[1]	5	-8	7	9	-7
Total Imports	10	-9	12	6	-7
Payments ($NZ million)					
Major projects and ANZ .	652[2]	632[3]	997	838	685
Total CIF Imports .	7,600	7,596	8,948	9,955	9,676
Total OET Imports	6,336	6,213	7,420	7,795	8,030
Ratio OET/CIF Imports	83	82	83	78	83

1 Total imports less major projects requirements. Air New Zealand aircraft and New Zealand Railways imports.

2 Includes $96 million for one 747 aircraft.

3 Includes $102 million for one 747 aircraft.

TABLE 6

OFFICIAL OVERSEAS DEBT

($ million)

June Years	Actuals 1981/82	1982/83	1983/84	Estimates 1984/85	1985/86
Reserve Bank	1,181.5	1,386.8	1,830	1,110	1,070
Government[1] .	5,715.7	7,213.0	8,555	10,530	12,365
Total Official Debt .	6,897.2	8,599.8	10,385	11,640	13,435
% of GDP .	23.7	26.8	29.7	30.9	33.2
Government Corporations . .	1,114.4[2]	2,491.5	2,820	2,900	2,950
% of GDP	3.8	7.8	8.1	7.7	7.3

1 From March 1982 the audited Government debt figures have been adjusted to exclude railways loans that were outstanding to the Crown at the time Railways became a corporation. Amounts involved are $89.4 million (March 1982) and $74 million (March 1983).

2 Estimate.

OFFICIAL DEBT SERVICING ON AN OET BASIS

($ million)

June Years	Actuals 1981/82	Actuals 1982/83	1983/84	Estimates 1984/85	1985/86
Interest	519.4	670.4	730	1,025	1,170
Principal	1,002.8	1,408.3	710	2,040	1,100
Total	1522.2	2,078.7	1,440	3,065	2,270
Interest as a percent of current receipts	6.2	7.3	7.2	9.0	9.9
Debt servicing ratio	18.2	22.6	14.1	26.9	19.2

TABLE 7

OVERSEAS EXCHANGE TRANSACTIONS

($ million)

June Years	Actuals 1981/82	Actuals 1982/83	1983/84	Estimates 1984/85	1985/86
CURRENT ACCOUNT TRANSACTIONS					
RECEIPTS					
Exports					
a Meat	1,651.0	1,687.4	1,830	1,950	1,970
b Wool	947.5	1,056.3	1,175	1,375	1,320
c Dairy Products ..	1,441.3	1,563.7	1,520	1,450	1,410
d Other Animal By-Products ..	420.2	487.8	545	600	620
e Forest Products	612.9	575.6	705	815	880
f Other Primary Products	413.1	457.4	580	690	760
g Manufactured Goods	1,202.0	1,394.3	1,530	1,945	2,120
h Miscellaneous	42.5	57.7	65	70	75
Total Exports,,	6,730.5	7,280.2	7,950	8,895	9,155
Invisibles					
(Government and Private)	1,640.1	1,937.0	2,235	2,485	2,675
Total Current Receipts	8,370.6	9,217.2	10,185	11,380	11,830
PAYMENTS					
Imports					
Total Imports	6,335.9	6,212.7	7,420	7,795	8,030
Invisibles					
a Government	693.0	907.1	990	1,310	1,475
b Private ..	2,828.2	3,150.4	3,770	3,750	4,240
Total Current Invisible Payments ..	3,521.2	4,057.5	4,760	5,060	5,715
Total Current Payments	9,857.1	10,270.2	12,180	12,855	13,745
Trade Balance .	+394.5	+1,067.5	+530	+1,100	+1,125
Invisible Balance ..	−1,881.1	−2,120.5	-2,525	-2,575	-3,040
CURRENT ACCOUNT BALANCE: : :	-1.486.6	-I ,053.0	-1,995	-1,475	-1,915

TABLE 7-*Continued*

June Years	*Actuals* 1981/82	*Actuals* 1982/83	*Estimates* 1983/84	*Estimates* 1984/85	*Estimates* 1985/86
CAPITAL ACCOUNT TRANSACTIONS					
A PAYMENTS					
a Government Debt Repayments[1]	782.7	1,212.6	520	1,320	1,060
b IMF Repurchases	85.0	24.3	-		
c Reserve Bank Repayments[2]	135.1	171.4	190	720	40
d Other Official Payments	0.2	1.9			
e Private	616.0	747.2	1,050	1,480	1,555
Total Capital Payments	1,619.0	2,157.4	1,760	3,520	2,655
B RECEIPTS					
Private	970.2	2,071.3	1,275	1,630	1,675
Balance on Private Capital Account ..	+354.2	1,324.1	+225	+150	+120
Balance on Capital Account before Official Borrowing ..	-648.8	-86.1	-485	− 1,890	-980
OVERALL BALANCE (before Official Borrowing)	−2,135.4	−1,139.1	-2,480	-3,365	-2,895
Official Borrowing—					
a Government Borrowing	1,554.7	1,703.4	3		
b IMF Drawings	+	-			
c Reserve Bank Borrowing*	618.5	241.7	-		
d Other Official Receipts	3.7	2.1	.		
Official Borrowing required to maintain reserves the level indicated below			2,495	3,295	2,895
Total Official Borrowing	2,176.9	1.947.1	-		
OVERALL BALANCE:	+41.5	+808.0	+15	-70	-
Valuation Adjustments, Timing Differences, Errors and Omissions ..	+80.0		-152.2		- - -
CHANGE IN OFFICIAL OVERSEAS RESERVES (as a result of above)	+121.5	+655.8	+15	-70	-
RESERVES AT END OF PERIOD:	600.6	1,256.4	1,270	1,200	1,200

Notes to Table 7

1 **Il is assumed that existing drawings under the Citicorp syndicated note facility will be rolled over throughout the period under review or will be refinanced. The Lloyds revolving credit is due for repayment in 1984/85 and this raises debt repayments by approximatley $670 million in 1984/85.**

2 **In 1981/82 the amount of $618 million includes funds drawn under a Petrocorp facility. It is assumed that borrowing under the Petrocorp facility will be rolled over throughout the forecast period or will be refinanced.**

3 **Official borrowing for 10 months to April 1984 was $1,465 million.**

TABLE 8

INVISIBLE RECEIPTS AND PAYMENTS

June Years	Actuals 198 1/82	1982/83	1983/84	Estimates 1984/85	1985/86
INVISIBLE RECEIPTS					
Transport	469.8	559.7	725	785	870
	(17)	(19)	(29)	(8)	(11)
Travel	300.1	317.1	376	416	445
	(15)	(6)	(19)	(11)	(7)
Interest & Investment Income	181.2	183.4	233	291	335
	(124)	(1)	(27)	(25)	(15)
Personal Receipts	331.7	389.1	418	468	495
	(20)	(17)	(7)	(12)	(6)
Other	357.3	487.7	482	525	530
	(22)	(36)	(−1)	(9)	(1)
Total Receipts	1,640.1	1.937.0	2,235	2.485	2.675
	(25)	(18)	(17)	(7)	(7)
INVISIBLE PAYMENTS					
Transport	958.8	1,119.6	1,400	1,370	1,540
	(19)	(17)	(25)	(−2)	(12)
Travel	656.0	684.1	740	745	840
	(16)	(4)	(8)	(1)	(13)
Interest & Investment Income	372.5	439.2	565	598	660
	(32)	(18)	(29)	(6)	(10)
Overseas Expenses of NZ Firms	516.3	575.7	640	630	710
	(42)	(12)	(11)	(−2)	(13)
Other Private Payments	324.7	331.9	425	408	490
	(-7)	(2)	(28)	(−4)	(20)
Total Private Payments	2,828.2	3,150.4	3,770	3,750	4,240
	(10)	(11)	(20)	(−1)	(13)
Official Interest Payments	519.4	670.4	730	1,025	1,170
	(49)	(29)	(9)	(40)	(14)
Other Official Payments	173.6	236.7	260	285	305
	(-14)	(36)	(10)	(10)	(7)
Total Official Payments	693.0	907.1	990	1,310	1,475
	(26)	(31)	(9)	(32)	(13)
Total invisible Payments	3,521.2	4,057.5	4,760	5,060	5,715
	(21)	(15)	(17)	(6)	(13)
Deficit on Invisibles	1,881	,12,120,5	-2,525	-2,575	3,040