



Australia's foreign debt—data and trends

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Executive summary

- Australia has always been a net recipient of overseas funds.
- Australia's foreign debt has grown rapidly. Between 1976 and 2008, the level of gross foreign debt increased from \$8 billion to \$1 072 billion, or from 9 to 95 per cent of gross domestic product (GDP). Net foreign debt increased from \$3 billion to \$600 billion, or from 4 to 53 per cent of GDP. (Table 1.)
- Gross interest paid overseas averaged around half of one per cent of GDP through the 1960s and most of the 1970s. It then increased rapidly and by 2007–08 was equal to 3.8 per cent of GDP, or its second highest level ever. (Table 2.)
- Estimates of Australia's gross foreign debt are available back to 1901. These show that at 95 per cent of GDP, Australia's gross foreign debt in 2008 was at its highest level ever. (Table 3.)
- The general government and Reserve Bank's share of gross foreign debt has fallen sharply since the 1980s, as has the share held by private non-financial corporations. At 74 per cent of GDP, the largest holders of debt in 2008 were private financial corporations. (Table 4.)
- The proportion of debt denominated in Australian dollars increased from 15 per cent in 1981 to peak at 47 per cent in 1995. In 2008 it was equal to 39 per cent. (Table 5.)
- The most important creditor countries for Australia are the United Kingdom and the United States which, in 2007, accounted for 23 and 22 per cent (respectively) of Australia's gross foreign debt. (Table 6.)
- The turnover of foreign debt is rapid with many loans outstanding due within a very short period. In 2008, 37 per cent of loans were due within 90 days. (Table 7.)
- Exchange rate movements can have a significant impact on the level of debt. (Table 8.)
- Debt accounted for 87 per cent of net investment in 2008; the corresponding figure in 1980 was just 29 per cent. (Table 9.)

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Introduction

This research paper on foreign debt is the fourth update of a Parliamentary Library paper originally published in September 1989.¹

The objectives of the paper are to provide statistical information on:

- the levels of gross and net foreign debt;
- comparisons over time;
- the interest liability on foreign debt;
- composition of foreign debt by institutional sector, currency, country and repayment period.

The tables in this paper do not all cover the same period of time. This is due mainly to changes in international standards (including definitions) and availability of data.

Australian Bureau of Statistics (ABS) publications used in compiling statistics for this paper were: *Balance of payments and international investment position, Australia* (Cat. no. 5302.0); *International investment position, Australia: supplementary statistics* (Cat. no. 5352.0); and *Australian national accounts: national income, expenditure and product* (Cat. no. 5206.0).

Level of foreign debt

Dollar amount of foreign debt

Concepts

Foreign debt is defined as all non-equity liabilities by residents of Australia to non-residents. It is not to be confused with *external debt* which excludes financial derivatives². Foreign debt is distinguished from other forms of foreign investment capital inflow such as foreign ownership, because it carries with it the obligation to pay interest and repay the principal. It should be noted that foreign debt does not equal 'national debt'. The latter is the total government debt—which comprises government borrowings from overseas residents and government borrowings from Australian residents—and thus excludes overseas borrowings by the private sector.

Gross foreign debt is the sum of all non-equity liabilities by Australian residents, the major component of which is the total amount of borrowings from non-residents by residents of Australia. It includes securities issued such as bonds as well as loans, advances, deposits, debentures and overdrafts.

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1. Robert Dippelsman, 'Australia's Foreign Debt', *Current Issues Paper* no. 4, 1989–90, Legislative Research Service, Parliamentary Library.
 2. Financial derivatives are securities that derive their value from other securities.

Net foreign debt is equal to gross foreign debt minus lending by residents of Australia to non-residents and non-equity assets such as foreign reserves held by the Reserve Bank. Reserve assets held by the Reserve Bank comprise gold, foreign exchange, special drawing rights and Australia's reserve position in the International Monetary Fund.

Comments

Gross foreign debt at June 2008 was \$1 072 billion. After deducting Australia's reserve assets and lending abroad of \$472 billion, there was a net foreign debt of \$600 billion. Foreign debt increased steadily from 1981, after being fairly low and stable through the late 1970s and early 1980s. This occurred largely as the result of the accumulation of high current account deficits and the expansion of Australian equity investment abroad, part of which was funded by increased borrowings.

Between 1976 and 2008, gross foreign debt increased at an annual average rate of 16.7 per cent. The corresponding figure for net foreign debt was higher at 17.8 per cent, indicating that Australian lending abroad has not risen as fast as Australian borrowing abroad.

Statistics: Table 1 and Chart 1a.

Relative size of foreign debt

Concepts

Foreign debt is often expressed as a percentage of annual gross domestic product (GDP) in order to show its significance relative to the size of the overall economy. It allows more appropriate comparisons over time, as GDP grows with inflation and population, and reflects to a degree the economy's capacity to repay the debt. GDP is a measure of the total output of the economy. Although the ratio is a conventional measure, it does not mean that this proportion of GDP must be applied to the repayment of foreign debt. GDP is a flow of goods and services during a period, while foreign debt is a level at a point in time which will involve interest and repayments of principal over many periods into the future.

Another measure of the relative size of foreign debt is the ratio of gross foreign debt to the value of exports of goods and services.

Data on average debt per person (or family) are sometimes used as a dramatic way of presenting foreign debt statistics. This may make large numbers easier to comprehend, but can be misleading to the extent that it suggests that liability for the debt is evenly divided throughout the whole population. In fact, liability lies largely with business (including foreign-owned), which financed the purchase of assets which in turn generate income to service and repay the debt.

Comments

Throughout the late 1970s and early 1980s, gross foreign debt was fairly low at less than 15 per cent of GDP. It grew rapidly after 1981 and in the six years to June 1987 it more than tripled from 13 to 44 per cent of GDP. It grew steadily over the next decade to 56 per cent at June 1997, rising sharply thereafter to 95 per cent at June 2008.

Net foreign debt has followed a similar pattern, rising quickly at first from 6 to 32 per cent of GDP between June 1981 and June 1987, followed by a more modest increase to 38 per cent at June 1997 and then rising again sharply to 53 per cent at June 2008.

Gross foreign debt has risen from 68 per cent of annual exports of goods and services as at June 1976, to well over quadruple those exports for the entire period from June 2004. As at June 2008, gross foreign debt was 4.6 times the value of exports.

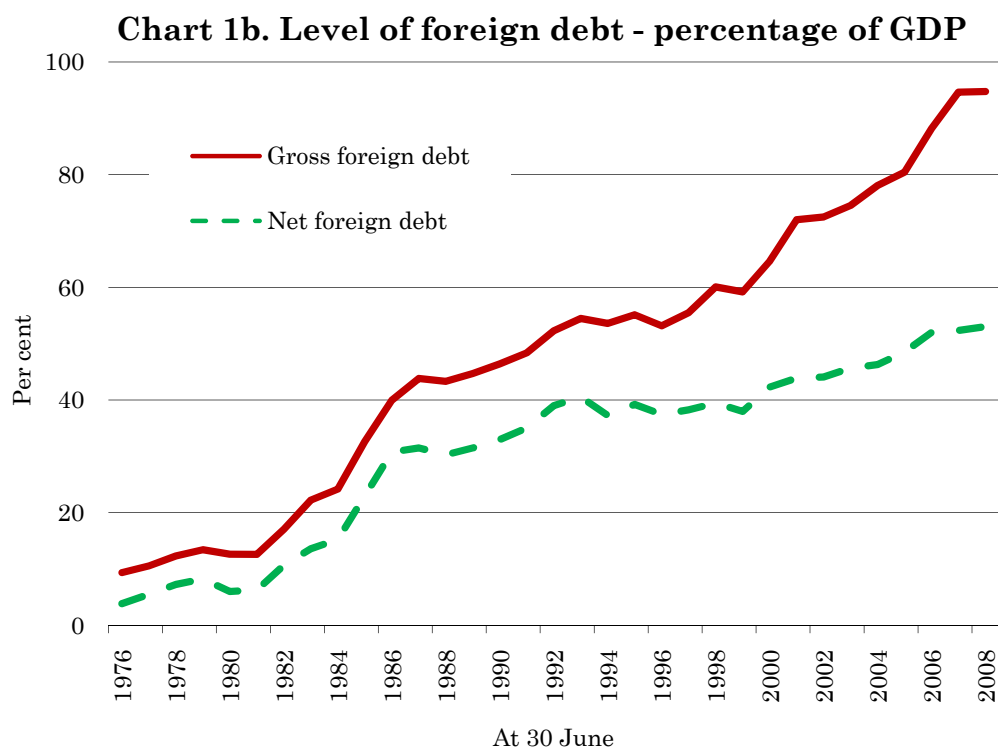
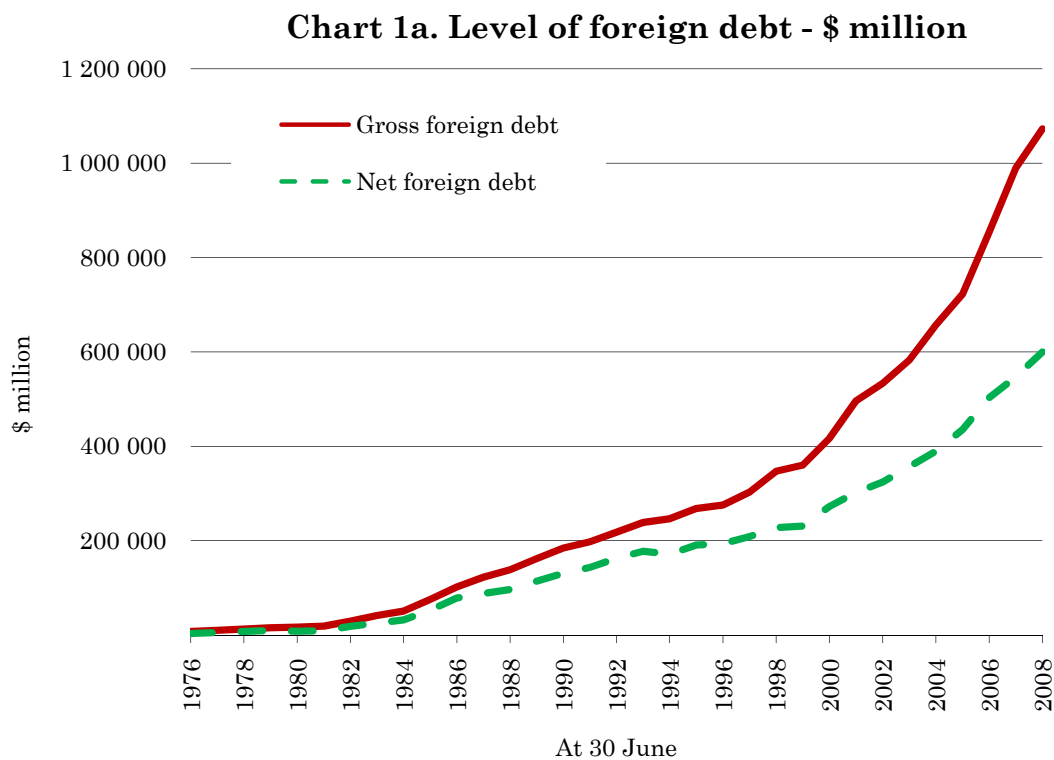
Net foreign debt per capita has increased in nominal terms from \$223 at June 1976 to \$28 069 at June 2008.

Statistics: Table 1 and Chart 1b.

Table1. Gross and net foreign debt, 1976 to 2008

30 June	Gross foreign debt				Net foreign debt		
	\$ million	% of GDP	% of exports of goods and services	\$ per capita	\$ million	% of GDP	\$ per capita
1976	7 647	9.4	68.2	545	3 133	3.8	223
1977	9 929	10.5	74.0	700	5 160	5.5	364
1978	12 664	12.3	88.9	882	7 434	7.2	518
1979	15 615	13.4	92.3	1 076	9 553	8.2	658
1980	16 666	12.6	75.7	1 134	7 923	6.0	539
1981	18 847	12.6	83.4	1 263	9 361	6.3	627
1982	29 394	17.1	124.1	1 936	18 378	10.7	1 210
1983	41 224	22.2	160.9	2 678	25 169	13.6	1 635
1984	50 676	24.2	175.4	3 253	31 850	15.2	2 044
1985	75 452	32.6	211.1	4 779	53 055	23.0	3 360
1986	101 925	40.0	261.8	6 363	78 396	30.7	4 894
1987	122 439	43.8	276.3	7 528	87 971	31.5	5 409
1988	138 130	43.3	267.0	8 355	96 502	30.3	5 837
1989	161 874	44.7	292.6	9 627	113 989	31.5	6 779
1990	184 239	46.4	302.8	10 796	130 809	32.9	7 665
1991	197 662	48.4	298.4	11 436	143 153	35.0	8 282
1992	217 955	52.3	311.4	12 458	162 466	39.0	9 287
1993	238 542	54.5	309.6	13 502	177 453	40.5	10 044
1994	246 484	53.6	295.9	13 805	171 313	37.3	9 595
1995	268 247	55.1	304.5	14 843	190 790	39.2	10 557
1996	275 533	53.2	277.0	15 048	193 872	37.4	10 588
1997	302 846	55.5	285.5	16 354	208 628	38.2	11 266
1998	346 971	60.1	301.4	18 543	227 782	39.5	12 173
1999	359 839	59.2	315.4	19 013	230 689	38.0	12 189
2000	416 825	64.6	324.5	21 762	272 639	42.3	14 234
2001	496 307	72.0	317.8	25 565	302 467	43.9	15 580
2002	533 416	72.5	341.7	27 144	324 147	44.1	16 495
2003	582 651	74.5	383.9	29 286	356 995	45.7	17 944
2004	657 135	78.1	446.4	32 649	389 487	46.3	19 351
2005	722 135	80.4	431.0	35 408	435 324	48.5	21 345
2006	853 494	88.2	434.8	41 236	502 918	52.0	24 298
2007	989 737	94.7	459.0	47 097	547 412	52.4	26 049
2008	1 072 463	94.8	456.2	50 176	599 953	53.0	28 069

Sources: ABS, *Balance of payments and international investment position*, Cat. No. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. No. 5206.0.



Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

Interest liability on foreign debt

Dollar amount of interest liability

Concepts

Interest payments on debt are an important aspect of foreign debt. While the level of debt reflects the amount of principal that needs to be repaid, interest liabilities have also to be paid on the level of debt outstanding at various points in time.

Comments

After being fairly low for a number of years, gross interest paid overseas increased from \$1 billion in 1979–80 to \$16 billion in 1990–91. It then fell as a result of declining average interest rates to \$11 billion in 1993–94. Gross interest paid overseas increased sharply after 2003–04 and in 2007–08 was equal to \$43 billion.

After deducting the \$15 billion in interest received from overseas, the net interest paid overseas in 2007–08 was \$28 billion. The net interest paid adds directly to the current account deficit. Between 2006–07 and 2007–08, net interest paid overseas increased by \$4 billion and accounted for a third of the increase in the current account deficit (\$11 billion) that occurred over this period.

Statistics: Table 2 and Chart 2a.

Relative size of interest liability

Concepts

As with the level of debt, it is useful to obtain a measure of the relative size of interest on foreign debt. The method most commonly used is interest as a percentage of exports of goods and services (or debt service ratio). This measure emphasises the international liquidity aspects of interest payments since exports provide a source of foreign exchange income that can be applied to meeting interest payments. (Other sources of foreign exchange income are property and labour income, transfer payments and further borrowings.) The debt service ratio enables more meaningful comparisons over time, because both interest and exports are affected by inflation.

Another measure of the relative size of interest on foreign debt is interest as a percentage of GDP, which emphasises the burden on incomes.

An estimate of the average interest rate can be made by dividing gross interest paid overseas in a given year by the weighted sum of two-thirds the debt stock at the start of the year and

one-third the debt stock at the end of the year. This accords with a method published by the former Economic Planning Advisory Council.³

Comments

Gross interest paid overseas was around half of one per cent of GDP through all of the 1960s and most of the 1970s. It increased through the 1980s to peak at 3.9 per cent in 1990–91, later falling to 2.1 per cent in 2002–03. It subsequently increased again and in 2007–08 was equal to 3.8 per cent of GDP, meaning that 3.8 per cent of the value of all goods and services produced within Australia was required to meet the interest commitment on our gross foreign debt.

For many years, interest received from overseas was relatively small, often less than half of one per cent of GDP. In recent years, however, it has increased and in 2007–08 was equal to 1.3 per cent of GDP— the difference between gross and net interest paid overseas of 3.8 and 2.5 per cent of GDP respectively.

As a percentage of exports of goods and services, gross interest paid overseas has increased from between 3 and 5 per cent in the 1960s and 1970s to a high of 24.0 per cent in 1990–91. It then fell to 10.7 per cent in 2002–03 and by 2007–08 had climbed back up to 18.2 per cent of the value of goods and services exported.

The average interest rate for 2007–08 was 4.2 per cent. This is lower than domestic interest rates at the time because the majority of debt is denominated in foreign currencies, which have had lower interest rates than those for the Australian dollar. Average interest rates are now at levels half those reached during several years in the 1980s.

Statistics: Table 2 and Chart 2b.

3. Economic Planning and Advisory Council, 'External Balance and Economic Growth', *Council Paper* no. 22, October 1986.

Table 2. Interest on foreign debt, 1959–60 to 2007–08
\$ million and debt service ratios

	Interest on gross foreign debt			Interest on net foreign debt		Average
	\$ million	% of GDP	% of exports of goods and services	\$ million	% of GDP	interest rate % p.a.
1959–60	61	0.4	2.8	34	0.2	n.a.
1960–61	68	0.4	3.1	35	0.2	n.a.
1961–62	72	0.4	2.9	24	0.1	n.a.
1962–63	75	0.4	3.0	39	0.2	n.a.
1963–64	83	0.4	2.6	36	0.2	n.a.
1964–65	88	0.4	2.9	27	0.1	n.a.
1965–66	102	0.4	3.3	49	0.2	n.a.
1966–67	112	0.4	3.2	49	0.2	n.a.
1967–68	124	0.4	3.5	71	0.2	n.a.
1968–69	154	0.5	4.0	79	0.2	n.a.
1969–70	191	0.5	4.0	118	0.3	5.5
1970–71	237	0.6	4.7	143	0.4	6.0
1971–72	293	0.7	5.2	150	0.3	6.0
1972–73	297	0.6	4.2	78	0.2	5.4
1973–74	306	0.5	3.9	8	0.0	5.9
1974–75	404	0.6	4.0	123	0.2	7.6
1975–76	435	0.5	3.9	240	0.3	6.7
1976–77	477	0.5	3.6	314	0.3	5.7
1977–78	576	0.6	4.0	449	0.4	5.3
1978–79	838	0.7	5.0	677	0.6	6.1
1979–80	1 108	0.8	5.0	908	0.7	6.9
1980–81	1 216	0.8	5.4	938	0.6	7.0
1981–82	1 839	1.1	7.8	1 582	0.9	8.2
1982–83	2 839	1.5	11.1	2 302	1.2	8.5
1983–84	3 705	1.8	12.8	2 884	1.4	8.3
1984–85	5 297	2.3	14.8	4 382	1.9	9.0
1985–86	6 703	2.6	17.2	5 932	2.3	8.0
1986–87	7 891	2.8	17.8	7 214	2.6	7.3

Table 2. Interest on foreign debt, 1959–60 to 2007–08 (continued)**\$ million and debt service ratios**

	Interest on gross foreign debt			Interest on net foreign debt		Average
	\$ million	% of GDP	% of exports of goods and services	\$ million	% of GDP	interest rate
						% p.a.
1987–88	8 845	2.8	17.1	7 793	2.4	6.9
1988–89	11 197	3.1	20.2	9 416	2.6	7.7
1989–90	14 420	3.6	23.7	11 935	3.0	8.5
1990–91	15 922	3.9	24.0	12 884	3.2	8.4
1991–92	13 690	3.3	19.6	10 717	2.6	6.7
1992–93	12 123	2.8	15.7	9 367	2.1	5.4
1993–94	11 240	2.4	13.5	8 961	1.9	4.7
1994–95	13 215	2.7	15.0	10 750	2.2	5.2
1995–96	13 606	2.6	13.7	11 362	2.2	5.0
1996–97	14 276	2.6	13.5	11 785	2.2	5.0
1997–98	14 211	2.5	12.3	11 040	1.9	4.5
1998–99	13 643	2.2	12.0	10 571	1.7	3.9
1999–00	17 347	2.7	13.5	13 441	2.1	4.6
2000–01	19 350	2.8	12.4	14 570	2.1	4.4
2001–02	18 389	2.5	11.8	13 669	1.9	3.6
2002–03	16 182	2.1	10.7	11 674	1.5	2.9
2003–04	17 475	2.1	11.9	12 476	1.5	2.9
2004–05	22 953	2.6	13.7	16 486	1.8	3.4
2005–06	27 483	2.8	14.0	18 134	1.9	3.6
2006–07	37 213	3.6	17.3	24 301	2.3	4.1
2007–08	42 747	3.8	18.2	28 035	2.5	4.2

n.a. Not available

Note : Where interest on foreign debt was not available, total interest paid overseas was used.

Sources: ABS, *Balance of payments and international investment position*, Cat. No. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

Chart 2a. Interest liability on foreign debt - \$ million

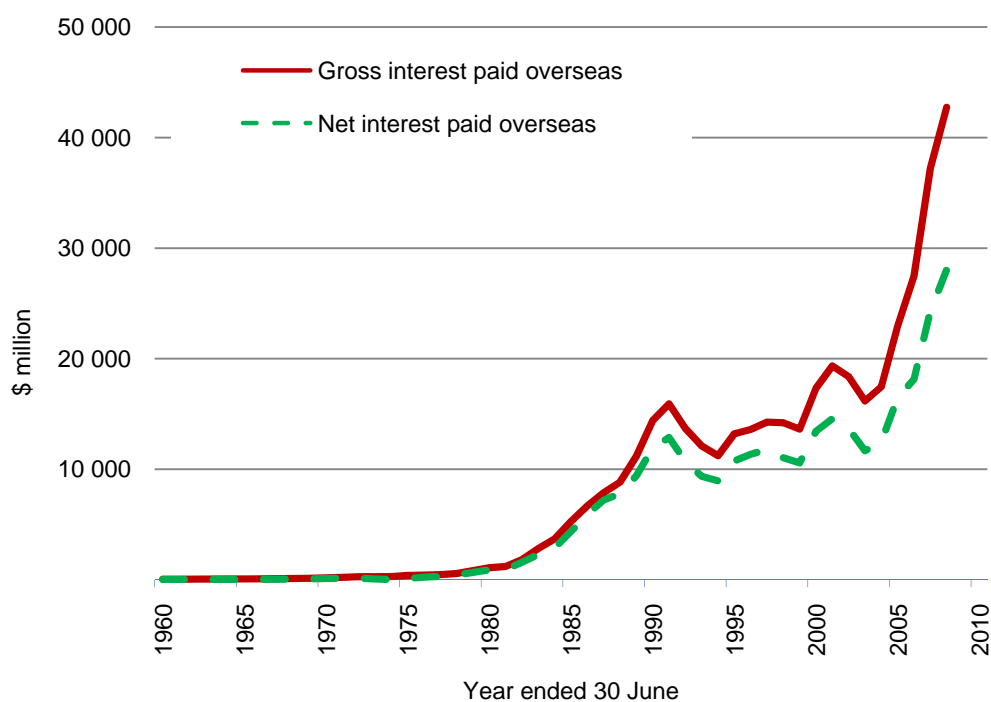
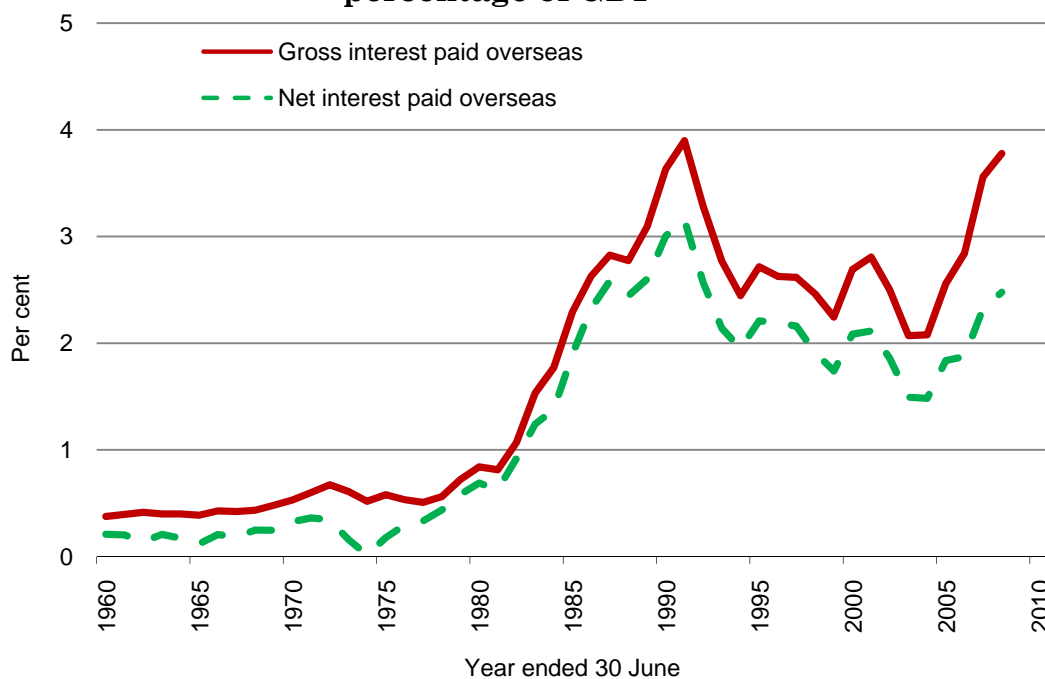


Chart 2b. Interest liability on foreign debt - percentage of GDP



Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

Historical perspective

Relative size of foreign debt

Concepts

Long-term data can be used to give an historical perspective on Australia's current foreign debt situation. Comprehensive estimates of foreign debt are only available from 1976 onwards. However, data for public securities held overseas are available for the whole of the twentieth century. Although public securities now represent only a minor part of foreign debt, this was not the case in the past. While estimates of private foreign debt are not available for earlier years, data on interest paid suggest that the level of this debt was insignificant prior to the mid-1960s. Therefore, there exists a reasonable, although not comprehensive, measure of foreign debt since 1901.⁴

Comments

As a proportion of GDP, Australia's gross foreign debt has risen sharply from less than 10 per cent in the mid-1970s to 95 per cent today. Since the level of debt on public securities represents almost the total foreign debt during the first half of the last century, it is possible to say that as a percentage of GDP, Australia's gross foreign debt in 2007–08 was at its highest level ever.

Statistics: Table 3 and Chart 3a.

Relative size of interest liability

Concepts

Interest payments on public securities held overseas are also available for the whole of the twentieth century. Total interest payments on foreign debt are available since official balance of payments statistics were first compiled, i.e. for 1936–37 to 1939–40 and from 1945–46 onwards. The difference, however, between total interest payments on foreign debt and interest payments on only public securities held overseas is so small (not more than \$2 million) as to be virtually negligible before 1959–60.

Comments

For the first four decades of last century, Australia's interest liability on foreign debt (approximated in these early years by its interest liability on public securities held overseas) fluctuated between 2 and 4 per cent of GDP. It then fell to less than one per cent for all of the

4. Historical estimates were compiled from various public records held by the Department of Economic History, Research School of Social Sciences, Australian National University.

1950s, 1960s and 1970s, before rising to 3.9 per cent in 1990–91. It fell below 3 per cent for almost all of the years following, rising to 3.8 per cent in 2007–08.

The ratio of Australia's interest on foreign debt to the value of its exports of goods and services (or debt service ratio) follows a similar pattern. Rates in excess of 10 per cent, and sometimes higher than 20 per cent, were recorded during the first four decades of last century. It then fell to below 5 per cent for most of the period that followed until the early 1980s when it started to rise again. It peaked at 24.0 per cent in 1990–91, before falling by more than half to 10.7 per cent in 2002–03. It then rose again and in 2007–08 Australia's interest on foreign debt was equal to 18.2 per cent of the value of exports.

Statistics: Table 3 and Chart 3b.

Table 3. Historical data, 1900–01 to 2007–08

	Level of gross foreign debt				Interest on gross foreign debt					
	Public securities / Official		Total		Public securities / Official			Total		
	\$ million	% of GDP	\$ million	% of GDP	\$ million	% of exports of goods & services		\$ million	% of exports of goods & services	
						% of GDP	% of GDP		% of GDP	% of GDP
1900–01	357	73.8	n.a.	n.a.	13	12.6	2.7	n.a.	n.a.	n.a.
1901–02	364	71.0	n.a.	n.a.	13	13.4	2.5	n.a.	n.a.	n.a.
1902–03	375	75.8	n.a.	n.a.	14	14.9	2.8	n.a.	n.a.	n.a.
1903–04	377	72.8	n.a.	n.a.	14	13.2	2.7	n.a.	n.a.	n.a.
1904–05	378	73.7	n.a.	n.a.	14	11.6	2.7	n.a.	n.a.	n.a.
1905–06	384	69.4	n.a.	n.a.	14	10.5	2.5	n.a.	n.a.	n.a.
1906–07	372	59.9	n.a.	n.a.	13	8.8	2.1	n.a.	n.a.	n.a.
1907–08	367	59.3	n.a.	n.a.	13	9.0	2.1	n.a.	n.a.	n.a.
1908–09	381	57.6	n.a.	n.a.	14	10.1	2.1	n.a.	n.a.	n.a.
1909–10	383	53.2	n.a.	n.a.	14	8.9	1.9	n.a.	n.a.	n.a.
1910–11	382	48.3	n.a.	n.a.	14	8.4	1.8	n.a.	n.a.	n.a.
1911–12	388	45.8	n.a.	n.a.	14	8.5	1.7	n.a.	n.a.	n.a.
1912–13	409	44.1	n.a.	n.a.	15	8.8	1.6	n.a.	n.a.	n.a.
1913–14	455	45.6	n.a.	n.a.	16	9.4	1.6	n.a.	n.a.	n.a.
1914–15	493	50.9	n.a.	n.a.	19	13.4	2.0	n.a.	n.a.	n.a.
1915–16	542	48.4	n.a.	n.a.	21	12.7	1.9	n.a.	n.a.	n.a.
1916–17	587	49.7	n.a.	n.a.	23	9.5	1.9	n.a.	n.a.	n.a.
1917–18	701	57.1	n.a.	n.a.	29	13.9	2.4	n.a.	n.a.	n.a.
1918–19	694	52.5	n.a.	n.a.	29	12.8	2.2	n.a.	n.a.	n.a.
1919–20	716	49.5	n.a.	n.a.	31	10.3	2.1	n.a.	n.a.	n.a.
1920–21	743	46.5	n.a.	n.a.	33	12.3	2.1	n.a.	n.a.	n.a.
1921–22	823	51.7	n.a.	n.a.	38	14.2	2.4	n.a.	n.a.	n.a.
1922–23	839	48.1	n.a.	n.a.	38	14.5	2.2	n.a.	n.a.	n.a.
1923–24	922	50.9	n.a.	n.a.	43	16.2	2.4	n.a.	n.a.	n.a.
1924–25	928	46.7	n.a.	n.a.	44	12.9	2.2	n.a.	n.a.	n.a.
1925–26	1 004	52.4	n.a.	n.a.	48	15.9	2.5	n.a.	n.a.	n.a.
1926–27	1 032	51.7	n.a.	n.a.	49	17.1	2.5	n.a.	n.a.	n.a.
1927–28	1 142	56.8	n.a.	n.a.	55	18.8	2.7	n.a.	n.a.	n.a.
1928–29	1 144	57.8	n.a.	n.a.	55	17.9	2.8	n.a.	n.a.	n.a.
1929–30	1 150	63.6	n.a.	n.a.	55	25.5	3.0	n.a.	n.a.	n.a.
1930–31	1 198	80.6	n.a.	n.a.	57	28.4	3.8	n.a.	n.a.	n.a.

Table 3. Historical data, 1900–01 to 2007–08 (continued)

	Level of gross foreign debt				Interest on gross foreign debt							
	Public securities / Official		Total		Public securities / Official			Total				
	\$ million	% of GDP	\$ million	% of GDP	\$ million	% of exports of goods & services		% of GDP	\$ million	% of exports of goods & services		% of GDP
						& services	% of GDP			& services	% of GDP	
1931–32	1 310	93.7	n.a.	n.a.	49	22.4	3.5	n.a.	n.a.	n.a.	n.a.	
1932–33	1 299	89.0	n.a.	n.a.	47	20.9	3.2	n.a.	n.a.	n.a.	n.a.	
1933–34	1 289	82.3	n.a.	n.a.	44	17.0	2.8	n.a.	n.a.	n.a.	n.a.	
1934–35	1 286	77.7	n.a.	n.a.	43	17.6	2.6	n.a.	n.a.	n.a.	n.a.	
1935–36	1 281	70.5	n.a.	n.a.	42	14.6	2.3	n.a.	n.a.	n.a.	n.a.	
1936–37	1 278	64.4	n.a.	n.a.	41	11.5	2.1	42	11.8	2.1	2.1	
1937–38	1 278	59.6	n.a.	n.a.	41	11.7	1.9	42	12.0	2.0	2.0	
1938–39	1 288	61.3	n.a.	n.a.	41	13.1	2.0	42	13.4	2.0	2.0	
1939–40	1 306	56.7	n.a.	n.a.	41	10.9	1.8	42	11.2	1.8	1.8	
1940–41	1 324	53.9	n.a.	n.a.	42	11.1	1.7	n.a.	n.a.	n.a.	n.a.	
1941–42	1 317	45.8	n.a.	n.a.	40	9.6	1.4	n.a.	n.a.	n.a.	n.a.	
1942–43	1 321	39.8	n.a.	n.a.	40	9.3	1.2	n.a.	n.a.	n.a.	n.a.	
1943–44	1 269	37.6	n.a.	n.a.	39	6.6	1.2	n.a.	n.a.	n.a.	n.a.	
1944–45	1 230	37.5	n.a.	n.a.	38	7.2	1.2	n.a.	n.a.	n.a.	n.a.	
1945–46	1 148	33.8	n.a.	n.a.	32	5.7	0.9	33	5.9	1.0	1.0	
1946–47	1 111	30.4	n.a.	n.a.	31	4.7	0.8	32	4.9	0.9	0.9	
1947–48	1 122	24.9	n.a.	n.a.	29	3.2	0.6	30	3.3	0.7	0.7	
1948–49	1 093	21.4	n.a.	n.a.	28	2.5	0.5	30	2.6	0.6	0.6	
1949–50	1 099	18.2	n.a.	n.a.	27	2.1	0.4	29	2.2	0.5	0.5	
1950–51	1 067	13.3	n.a.	n.a.	26	1.2	0.3	27	1.3	0.3	0.3	
1951–52	1 113	12.9	n.a.	n.a.	27	1.8	0.3	28	1.9	0.3	0.3	
1952–53	1 142	11.7	n.a.	n.a.	28	1.5	0.3	30	1.6	0.3	0.3	
1953–54	1 165	10.9	n.a.	n.a.	28	1.6	0.3	29	1.6	0.3	0.3	
1954–55	1 216	10.7	n.a.	n.a.	30	1.8	0.3	31	1.8	0.3	0.3	
1955–56	1 269	10.3	n.a.	n.a.	45	2.6	0.4	46	2.7	0.4	0.4	
1956–57	1 216	9.1	n.a.	n.a.	44	2.0	0.3	46	2.1	0.3	0.3	
1957–58	1 248	9.1	n.a.	n.a.	47	2.6	0.3	49	2.7	0.4	0.4	
1958–59	1 319	9.0	n.a.	n.a.	52	2.8	0.4	54	2.9	0.4	0.4	
1959–60	1 389	8.5	n.a.	n.a.	56	2.6	0.3	61	2.8	0.4	0.4	
1960–61	1 413	8.2	n.a.	n.a.	60	2.8	0.3	68	3.1	0.4	0.4	
1961–62	1 424	8.2	n.a.	n.a.	61	2.5	0.4	72	2.9	0.4	0.4	

Table 3. Historical data, 1900–01 to 2007–08 (continued)

	Level of gross foreign debt				Interest on gross foreign debt					
	Public securities / Official		Total		Public securities / Official			Total		
	\$ million	% of GDP	\$ million	% of GDP	\$ million	% of exports of goods & services	% of GDP	\$ million	% of exports of goods & services	% of GDP
1962–63	1 522	8.1	n.a.	n.a.	67	2.7	0.4	75	3.0	0.4
1963–64	1 545	7.4	n.a.	n.a.	69	2.2	0.3	83	2.6	0.4
1964–65	1 539	6.8	n.a.	n.a.	69	2.3	0.3	88	2.9	0.4
1965–66	1 505	6.3	n.a.	n.a.	69	2.2	0.3	102	3.3	0.4
1966–67	1 562	5.9	n.a.	n.a.	73	2.1	0.3	112	3.2	0.4
1967–68	1 557	5.4	n.a.	n.a.	77	2.2	0.3	124	3.5	0.4
1968–69	1 747	5.4	n.a.	n.a.	84	2.2	0.3	154	4.0	0.5
1969–70	1 636	4.5	n.a.	n.a.	91	1.9	0.3	191	4.0	0.5
1970–71	1 600	4.0	n.a.	n.a.	89	1.7	0.2	237	4.7	0.6
1971–72	1 497	3.4	n.a.	n.a.	91	1.6	0.2	293	5.2	0.7
1972–73	1 350	2.8	n.a.	n.a.	84	1.2	0.2	297	4.2	0.6
1973–74	1 163	2.0	n.a.	n.a.	80	1.0	0.1	306	3.9	0.5
1974–75	1 334	1.9	n.a.	n.a.	86	0.8	0.1	404	4.0	0.6
1975–76	1 501	1.8	7 647	9.4	94	0.8	0.1	435	3.9	0.5
1976–77	2 417	2.6	9 929	10.5	130	1.0	0.1	477	3.6	0.5
1977–78	4 351	4.2	12 664	12.3	187	1.3	0.2	576	4.0	0.6
1978–79	5 928	5.1	15 615	13.4	356	2.1	0.3	838	5.0	0.7
1979–80	5 894	4.5	16 666	12.6	438	2.0	0.3	1 108	5.0	0.8
1980–81	5 105	3.4	18 847	12.6	416	1.8	0.3	1 216	5.4	0.8
1981–82	6 046	3.5	29 394	17.1	435	1.8	0.3	1 839	7.8	1.1
1982–83	8 151	4.4	41 224	22.2	596	2.3	0.3	2 839	11.1	1.5
1983–84	9 242	4.4	50 676	24.2	711	2.5	0.3	3 705	12.8	1.8
1984–85	15 211	6.6	75 452	32.6	964	2.7	0.4	5 297	14.8	2.3
1985–86	23 934	9.4	101 925	40.0	1 474	3.8	0.6	6 703	17.2	2.6
1986–87	30 763	11.0	122 439	43.8	2 288	5.2	0.8	7 891	17.8	2.8
1987–88	32 350	10.1	138 130	43.3	2 962	5.7	0.9	8 845	17.1	2.8
1988–89	32 013	8.8	161 874	44.7	3 209	5.8	0.9	11 197	20.2	3.1
1989–90	37 475	9.4	184 239	46.4	3 982	6.5	1.0	14 420	23.7	3.6
1990–91	39 856	9.8	197 662	48.4	4 437	6.7	1.1	15 922	24.0	3.9
1991–92	47 638	11.4	217 955	52.3	3 777	5.4	0.9	13 690	19.6	3.3

Table 3. Historical data, 1900–01 to 2007–08 (continued)

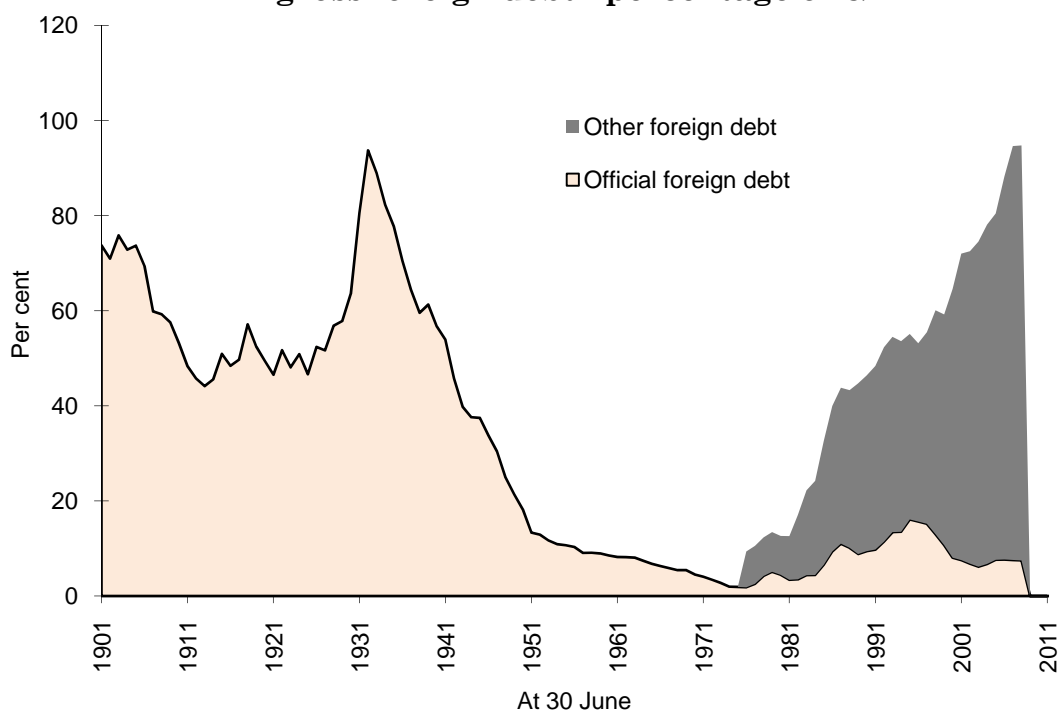
	Level of gross foreign debt				Interest on gross foreign debt					
	Public securities / Official		Total		Public securities / Official			Total		
	\$ million	% of GDP	\$ million	% of GDP	\$ million	% of exports of goods & services	% of GDP	\$ million	% of exports of goods & services	% of GDP
1992–93	58 825	13.4	238 542	54.5	3 335	4.3	0.8	12 123	15.7	2.8
1993–94	62 179	13.5	246 484	53.6	3 658	4.4	0.8	11 240	13.5	2.4
1994–95	78 372	16.1	268 247	55.1	4 952	5.6	1.0	13 215	15.0	2.7
1995–96	81 136	15.7	275 533	53.2	5 066	5.1	1.0	13 606	13.7	2.6
1996–97	82 824	15.2	302 846	55.5	4 900	4.6	0.9	14 276	13.5	2.6
1997–98	75 082	13.0	346 971	60.1	3 753	3.3	0.7	14 211	12.3	2.5
1998–99	65 185	10.7	359 839	59.2	2 990	2.6	0.5	13 643	12.0	2.2
1999–00	51 966	8.1	416 825	64.6	2 884	2.2	0.4	17 347	13.5	2.7
2000–01	51 983	7.5	496 307	72.0	2 360	1.5	0.3	19 350	12.4	2.8
2001–02	49 989	6.8	533 416	72.5	2 196	1.4	0.3	18 389	11.8	2.5
2002–03	48 121	6.2	582 651	74.5	1 864	1.2	0.2	16 182	10.7	2.1
2003–04	56 714	6.7	657 135	78.1	2 152	1.5	0.3	17 475	11.9	2.1
2004–05	68 420	7.6	722 135	80.4	2 521	1.5	0.3	22 953	13.7	2.6
2005–06	74 276	7.7	853 494	88.2	2 886	1.5	0.3	27 483	14.0	2.8
2006–07	79 148	7.6	989 737	94.7	3 333	1.5	0.3	37 213	17.3	3.6
2007–08	84 617	7.5	1 072 463	94.8	3 909	1.7	0.3	42 747	18.2	3.8

n.a. Not available

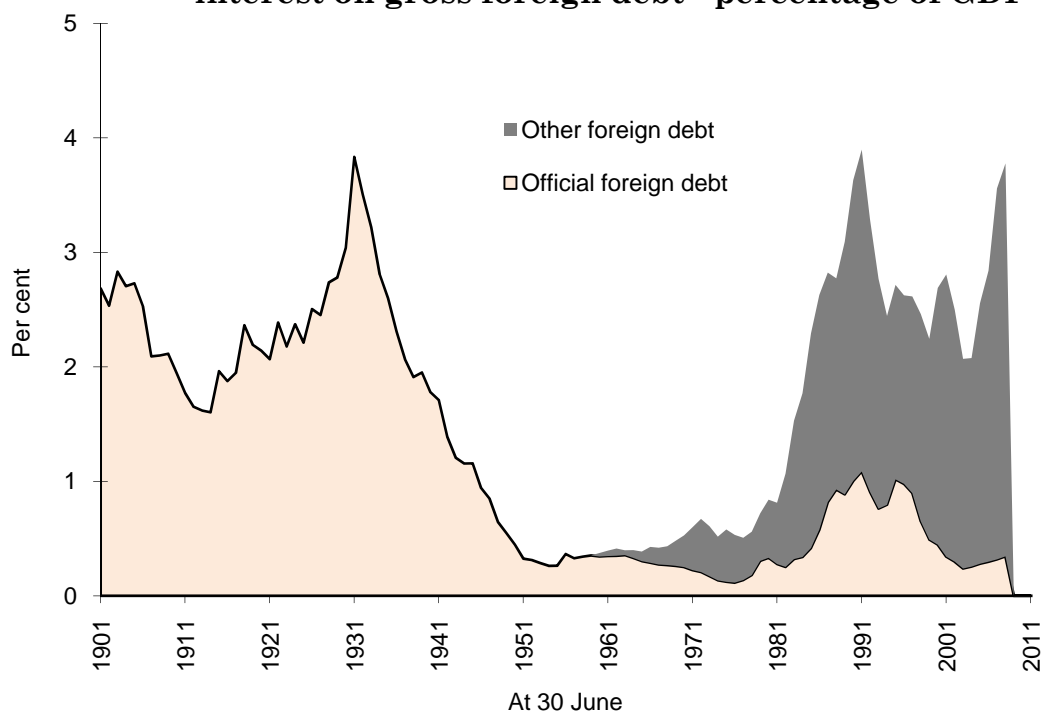
Note : Where interest on foreign debt was not available, total interest paid overseas was used.

Sources: Department of Economic History, Research School of Social Sciences, Australian National University; ABS, *Balance of Payments and International Investment Position*, Cat. No. 5302.0; ABS, *Australian National Accounts: National Income Expenditure and Product*, Cat. No. 5206.0.

**Chart 3a. Historical perspective :
gross foreign debt - percentage of GDP**



**Chart 3b. Historical perspective :
interest on gross foreign debt - percentage of GDP**



Sources: Department of Economic History, Research School of Social Sciences, Australian National University; ABS, *Balance of payments and international investment position*, Cat. no. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

Composition of gross foreign debt by institutional sector

Concepts

Foreign debt may be classified by the type of borrower.

The *private sector* comprises all corporations outside the general government sector. It can be subdivided into *financial* and *non-financial* corporations. General government consists of departments, offices and organisations which are agents of the Commonwealth government. Public financial corporations include the Reserve Bank and central borrowing authorities. Central borrowing authorities are entities set up by state and territory governments to centralise their borrowing and financial assets management. It is only since 1984 that state and territory governments have begun borrowing in their own right.⁵ Local government foreign borrowing is negligible.

Comments

Some interesting trends in shares of gross foreign debt by institutional sector are:

- Decline in the general government and Reserve Bank's share of gross foreign debt from 35 per cent in 1980 to 8 per cent in 1992, rising to 14 per cent in 1996 and falling again to 3 per cent in 2008.
- Growth in the central borrowing authorities' (i.e. state and territory governments) share from 1 per cent in 1984 to 18 per cent in 1995, falling to 5 per cent in 2008.
- Little change in the private sector's share during the 1980s and the first half of the 1990s, increasing rapidly from 63 per cent in 1996 to 92 per cent in 2008.
- Rapid rise in the private financial corporations' share from 7 per cent in 1980 to 74 per cent in 2008.
- Decline in the private non-financial corporations' share from 48 per cent in 1980 to 18 per cent in 2008.

Statistics: Table 4 and Chart 4.

5. For many years a 'Gentlemen's Agreement' existed which brought borrowings by state semi-governmental authorities under Loan Council supervision. This meant that all borrowings by the states were effectively undertaken by the Commonwealth and secured by the issuance of Commonwealth securities. This agreement, however, unravelled when the states established central borrowing authorities (CBAs) to circumvent Loan Council borrowing limits and began borrowing in their own right by issuing CBA securities. The Commonwealth responded to the situation in 1984 by suspending the 'Gentlemen's Agreement'. (See Richard Webb, 'The Australian Loan Council', *Research Note No. 43*, 2001–02, Information and Research Services, Parliamentary Library.)

Table 4. Composition of gross foreign debt – institutional sector, 1980 to 2008**\$ million**

30 June	Public Sector				Private Sector			Total gross foreign debt
	General government and Reserve Bank	Central borrowing authorities	Other	Total public sector	Financial corporations	Non-financial corporations	Total private sector	
1980	5 894	..	1 497	7 391	1 226	8 049	9 275	16 666
1981	5 105	..	2 122	7 227	1 753	9 867	11 620	18 847
1982	6 046	..	3 786	9 832	3 464	16 098	19 562	29 394
1983	8 151	..	6 895	15 046	4 269	21 909	26 178	41 224
1984	8 902	340	9 358	18 600	6 086	25 990	32 076	50 676
1985	13 310	1 901	15 597	30 808	10 121	34 523	44 644	75 452
1986	20 079	3 855	19 864	43 798	15 957	42 170	58 127	101 925
1987	24 079	6 684	20 251	51 014	23 070	48 355	71 425	122 439
1988	23 932	8 418	21 155	53 505	32 474	52 151	84 625	138 130
1989	19 344	12 669	25 999	58 012	41 515	62 347	103 862	161 874
1990	20 498	16 977	30 181	67 656	51 161	65 421	116 583	184 239
1991	18 347	21 509	29 364	69 220	62 457	65 985	128 441	197 662
1992	18 038	29 600	30 522	78 160	72 263	67 532	139 795	217 955
1993	23 417	35 408	33 128	91 953	74 922	71 666	146 588	238 542
1994	24 545	37 634	30 963	93 142	88 926	64 417	153 342	246 484
1995	30 027	48 345	23 352	101 724	103 729	62 795	166 524	268 247
1996	39 748	41 388	20 133	101 269	115 780	58 484	174 264	275 533
1997	42 621	40 203	13 454	96 278	145 415	61 153	206 568	302 846
1998	38 511	36 571	11 639	86 721	187 507	72 742	260 250	346 971
1999	32 413	32 772	10 094	75 279	209 734	74 825	284 560	359 839
2000	22 906	29 060	11 447	63 413	269 917	83 496	353 413	416 825
2001	24 361	27 622	17 167	69 150	328 001	99 157	427 157	496 307
2002	25 083	24 906	17 321	67 310	365 419	100 687	466 106	533 416
2003	24 166	23 955	15 455	63 576	408 215	110 860	519 075	582 651
2004	29 286	27 428	14 756	71 470	467 720	117 945	585 665	657 135
2005	35 688	32 732	15 186	83 606	499 310	139 219	638 529	722 135
2006	33 673	40 603	13 934	88 210	615 203	150 081	765 284	853 494
2007	34 146	45 002	1 793	80 941	729 926	178 871	908 796	989 737
2008	36 052	48 565	787	85 404	793 441	193 619	987 060	1 072 463

Table 4. Composition of gross foreign debt - institutional sector, 1980 to 2008 (continued)**Percentage of total**

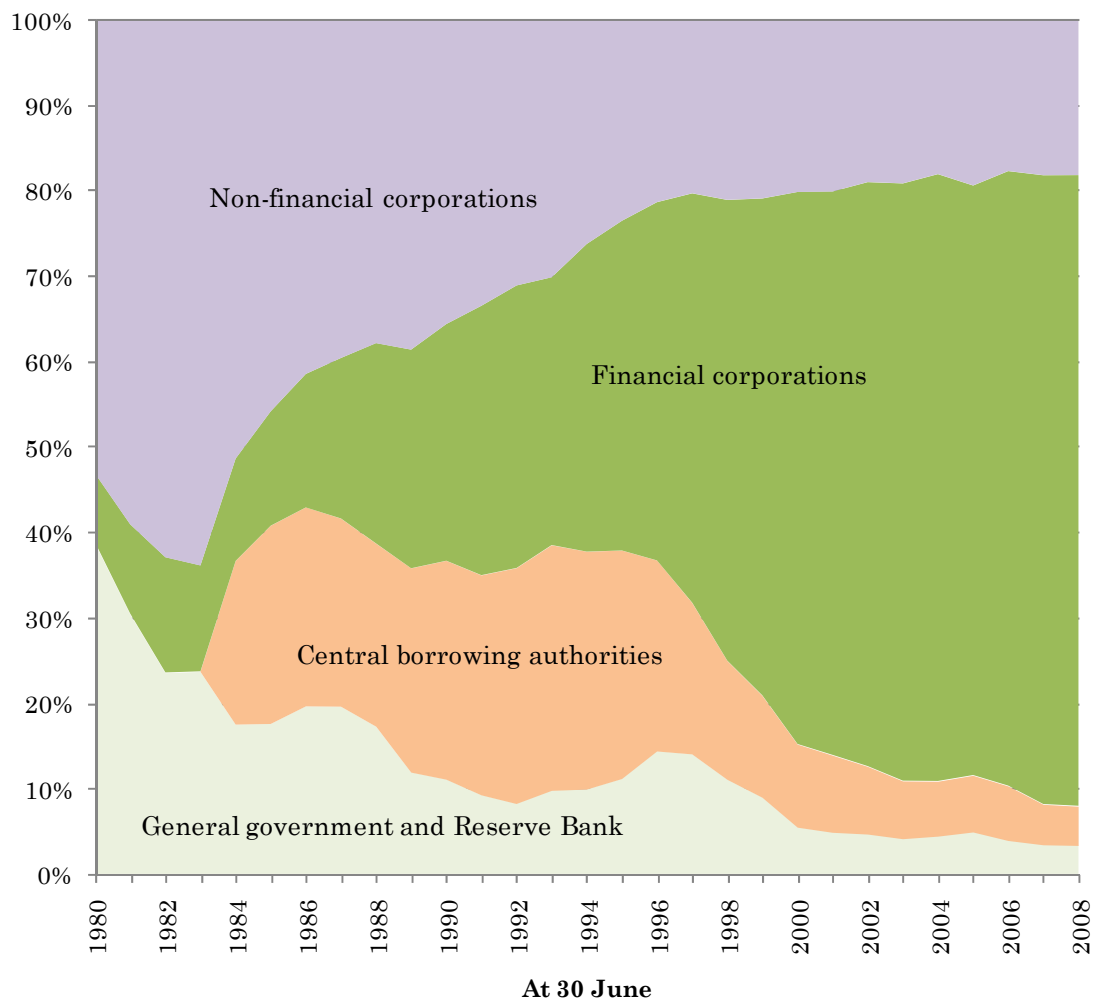
30 June	Public Sector				Private Sector			Total gross foreign debt
	General government and Reserve Bank	Central borrowing authorities	Other	Total public sector	Financial corporations	Non-financial corporations	Total private sector	
1980	35.4	..	9.0	44.3	7.4	48.3	55.7	100.0
1981	27.1	..	11.3	38.3	9.3	52.4	61.7	100.0
1982	20.6	..	12.9	33.4	11.8	54.8	66.6	100.0
1983	19.8	..	16.7	36.5	10.4	53.1	63.5	100.0
1984	17.6	0.7	18.5	36.7	12.0	51.3	63.3	100.0
1985	17.6	2.5	20.7	40.8	13.4	45.8	59.2	100.0
1986	19.7	3.8	19.5	43.0	15.7	41.4	57.0	100.0
1987	19.7	5.5	16.5	41.7	18.8	39.5	58.3	100.0
1988	17.3	6.1	15.3	38.7	23.5	37.8	61.3	100.0
1989	12.0	7.8	16.1	35.8	25.6	38.5	64.2	100.0
1990	11.1	9.2	16.4	36.7	27.8	35.5	63.3	100.0
1991	9.3	10.9	14.9	35.0	31.6	33.4	65.0	100.0
1992	8.3	13.6	14.0	35.9	33.2	31.0	64.1	100.0
1993	9.8	14.8	13.9	38.5	31.4	30.0	61.5	100.0
1994	10.0	15.3	12.6	37.8	36.1	26.1	62.2	100.0
1995	11.2	18.0	8.7	37.9	38.7	23.4	62.1	100.0
1996	14.4	15.0	7.3	36.8	42.0	21.2	63.2	100.0
1997	14.1	13.3	4.4	31.8	48.0	20.2	68.2	100.0
1998	11.1	10.5	3.4	25.0	54.0	21.0	75.0	100.0
1999	9.0	9.1	2.8	20.9	58.3	20.8	79.1	100.0
2000	5.5	7.0	2.7	15.2	64.8	20.0	84.8	100.0
2001	4.9	5.6	3.5	13.9	66.1	20.0	86.1	100.0
2002	4.7	4.7	3.2	12.6	68.5	18.9	87.4	100.0
2003	4.1	4.1	2.7	10.9	70.1	19.0	89.1	100.0
2004	4.5	4.2	2.2	10.9	71.2	17.9	89.1	100.0
2005	4.9	4.5	2.1	11.6	69.1	19.3	88.4	100.0
2006	3.9	4.8	1.6	10.3	72.1	17.6	89.7	100.0
2007	3.5	4.5	0.2	8.2	73.7	18.1	91.8	100.0
2008	3.4	4.5	0.1	8.0	74.0	18.1	92.0	100.0

Table 4. Composition of gross foreign debt - institutional sector, 1980 to 2008 (continued)**Percentage of GDP**

30 June	Public Sector				Private Sector				Total gross foreign debt
	General government and Reserve Bank	Central borrowing authorities	Other	Total public sector	Financial corporations	Non-financial corporations	Total private sector		
1980	4.5	..	1.1	5.6	0.9	6.1	7.0	12.6	
1981	3.4	..	1.4	4.8	1.2	6.6	7.8	12.6	
1982	3.5	..	2.2	5.7	2.0	9.3	11.4	17.1	
1983	4.4	..	3.7	8.1	2.3	11.8	14.1	22.2	
1984	4.3	0.2	4.5	8.9	2.9	12.4	15.3	24.2	
1985	5.8	0.8	6.7	13.3	4.4	14.9	19.3	32.6	
1986	7.9	1.5	7.8	17.2	6.3	16.5	22.8	40.0	
1987	8.6	2.4	7.2	18.3	8.3	17.3	25.6	43.8	
1988	7.5	2.6	6.6	16.8	10.2	16.4	26.5	43.3	
1989	5.3	3.5	7.2	16.0	11.5	17.2	28.7	44.7	
1990	5.2	4.3	7.6	17.0	12.9	16.5	29.4	46.4	
1991	4.5	5.3	7.2	16.9	15.3	16.2	31.4	48.4	
1992	4.3	7.1	7.3	18.8	17.3	16.2	33.5	52.3	
1993	5.3	8.1	7.6	21.0	17.1	16.4	33.5	54.5	
1994	5.3	8.2	6.7	20.3	19.3	14.0	33.4	53.6	
1995	6.2	9.9	4.8	20.9	21.3	12.9	34.2	55.1	
1996	7.7	8.0	3.9	19.5	22.3	11.3	33.6	53.2	
1997	7.8	7.4	2.5	17.6	26.6	11.2	37.9	55.5	
1998	6.7	6.3	2.0	15.0	32.5	12.6	45.1	60.1	
1999	5.3	5.4	1.7	12.4	34.5	12.3	46.8	59.2	
2000	3.6	4.5	1.8	9.8	41.8	12.9	54.8	64.6	
2001	3.5	4.0	2.5	10.0	47.6	14.4	62.0	72.0	
2002	3.4	3.4	2.4	9.1	49.7	13.7	63.4	72.5	
2003	3.1	3.1	2.0	8.1	52.2	14.2	66.4	74.5	
2004	3.5	3.3	1.8	8.5	55.6	14.0	69.6	78.1	
2005	4.0	3.6	1.7	9.3	55.6	15.5	71.1	80.4	
2006	3.5	4.2	1.4	9.1	63.6	15.5	79.1	88.2	
2007	3.3	4.3	0.2	7.7	69.8	17.1	86.9	94.7	
2008	3.2	4.3	0.1	7.5	70.1	17.1	87.2	94.8	

Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

Chart 4. Composition of foreign debt by institutional sector - percentage of gross foreign debt



Source: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0.

Composition of gross foreign debt by currency

Concepts

Loans in foreign currencies are converted to Australian dollars (\$A) using market rates of exchange prevailing at the reference date (end of the quarter).

The greater the proportion of debt that is denominated in foreign currency, the greater the risk that a fall in the \$A with respect to another currency will increase the \$A value of the debt denominated in that currency. To eliminate or reduce exposure to such risk, many Australian enterprises engage in hedging activities, predominantly through foreign currency derivative contracts. According to a survey conducted by the ABS, Australian resident enterprises in 2005 had policies in place that had the intent of hedging 79 per cent of the value of their foreign currency denominated debt assets and liabilities.⁶

Comments

The proportion of Australia's foreign debt denominated in Australian dollars increased rapidly during the 1980s and much of the 1990s—from 15 per cent in 1981 to 47 per cent in 1995—reflecting an increased willingness by foreigners over this time to hold \$A denominated assets. It then fell to 33 per cent in 2001 but climbed back up to 39 per cent by 2008.

Of debt denominated in foreign currency, the largest share is that expressed in United States dollars which peaked at 59 per cent in 1984, but then fell to a low of 32 per cent in 2008. Significantly smaller proportions of debt are denominated in Euros (13 per cent in 2008), Pounds Sterling (6 per cent) and Japanese Yen (4 per cent).

Statistics: Table 5 and Chart 5

6. Australian Bureau of Statistics, *Foreign Currency Exposure*, Australia, March 2005 (Cat. no. 5308.0), p.4.

Table 5. Composition of gross foreign debt – currency, 1981 to 2008
\$ million (in Australian dollar terms)

30 June	Foreign Currency							Total	Total gross foreign debt
	Australian Dollars	U.S. Dollars	Pounds Sterling	Swiss Francs	Euro	Japanese Yen	Other (a)		
1981	2 733	9 782	622	1 206	..	1 319	3 185	16 114	18 847
1982	3 792	16 549	911	2 263	..	1 440	4 438	25 602	29 394
1983	6 184	23 209	1 402	2 721	..	1 979	5 730	35 040	41 224
1984	8 362	29 950	1 672	2 939	..	1 824	5 929	42 314	50 676
1985	14 260	41 574	2 037	4 527	..	5 508	7 545	61 192	75 452
1986	23 749	50 351	3 364	5 912	..	10 091	8 460	78 176	101 925
1987	30 365	59 750	4 408	6 000	..	11 387	10 530	92 074	122 439
1988	44 754	49 451	5 249	5 940	..	14 227	18 509	93 376	138 130
1989	61 674	65 397	4 856	5 018	..	12 788	12 141	100 200	161 874
1990	78 486	65 773	3 685	5 527	..	14 923	15 845	105 753	184 239
1991	82 820	70 170	2 965	4 546	..	18 383	18 778	114 842	197 662
1992	89 580	89 580	3 269	3 923	..	17 872	13 731	128 375	217 955
1993	94 940	105 197	2 385	3 340	..	20 515	12 166	143 602	238 542
1994	102 537	101 551	2 711	3 697	..	23 169	12 817	143 947	246 484
1995	126 344	98 178	2 682	3 219	..	25 483	12 339	141 903	268 247
1996	125 916	87 626	4 050	3 188	..	23 577	23 891	142 332	268 248
1997	137 053	105 522	6 984	3 502	..	25 316	24 470	165 794	302 846
1998	139 089	138 820	8 004	2 773	..	23 816	<u>34 468</u>	207 881	346 971
1999	136 994	143 230	9 349	3 307	14 597	22 789	29 573	222 845	359 839
2000	146 627	178 066	14 755	2 234	24 946	31 752	18 446	270 199	416 825
2001	164 108	236 743	18 202	2 875	27 557	25 572	21 251	332 200	496 307
2002	178 583	241 518	22 900	4 694	31 896	24 755	29 069	354 832	533 416
2003	221 708	218 640	29 721	5 024	45 460	26 754	35 349	360 948	582 651
2004	228 013	256 816	42 767	4 611	70 890	19 057	34 981	429 122	657 135
2005	249 936	274 957	42 099	5 700	94 747	17 198	37 498	472 199	722 135
2006	308 814	312 728	48 634	10 915	90 425	34 213	47 766	544 681	853 494
2007	367 896	370 792	47 261	7 602	112 900	24 875	58 411	621 841	989 737
2008	420 893	338 272	64 470	10 249	138 648	45 452	54 479	651 570	1 072 463

Table 5. Composition of gross foreign debt - currency, 1981 to 2008 (continued)**Percentage of total**

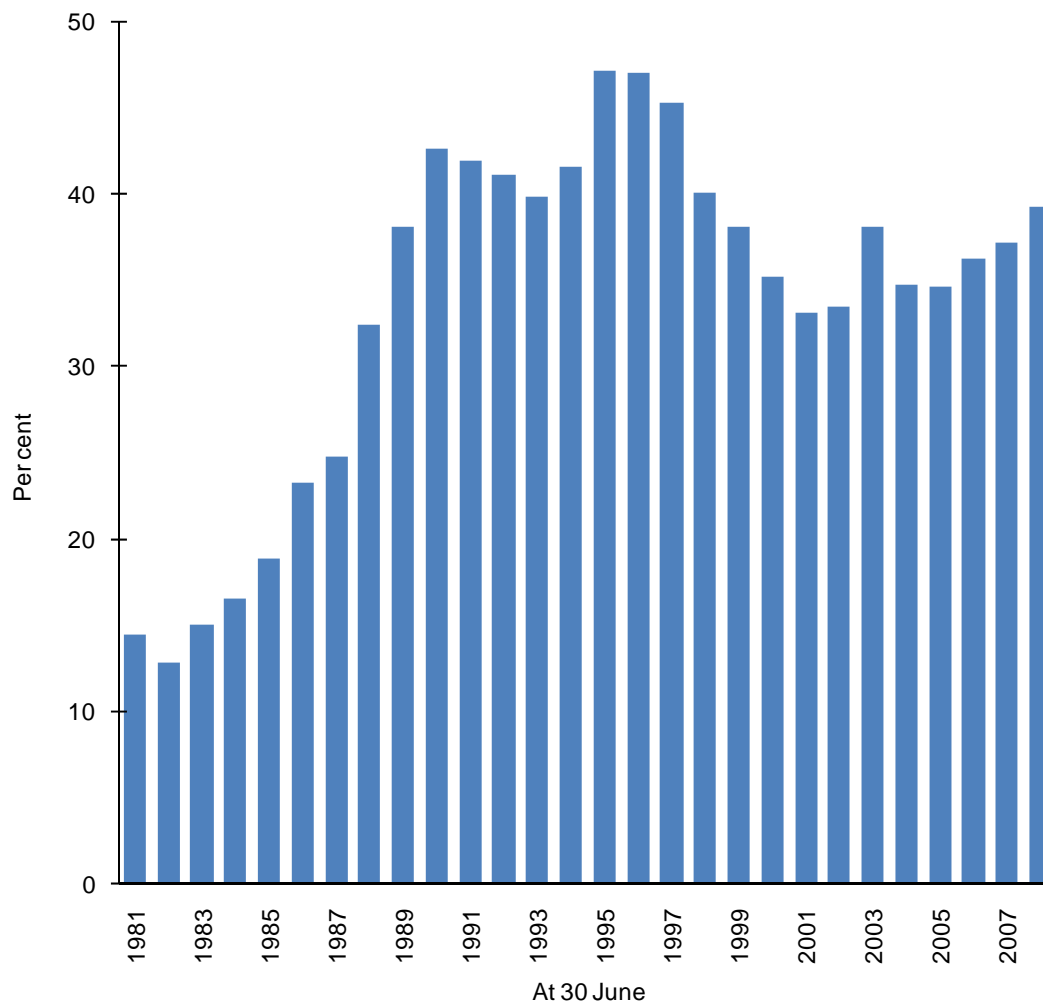
30 June	Foreign Currency							Total	Total gross foreign debt
	Australian Dollars	U.S. Dollars	Pounds Sterling	Swiss Francs	Euro	Japanese Yen	Other (a)		
1981	14.5	51.9	3.3	6.4	..	7.0	16.9	85.5	100.0
1982	12.9	56.3	3.1	7.7	..	4.9	15.1	87.1	100.0
1983	15.0	56.3	3.4	6.6	..	4.8	13.9	85.0	100.0
1984	16.5	59.1	3.3	5.8	..	3.6	11.7	83.5	100.0
1985	18.9	55.1	2.7	6.0	..	7.3	10.0	81.1	100.0
1986	23.3	49.4	3.3	5.8	..	9.9	8.3	76.7	100.0
1987	24.8	48.8	3.6	4.9	..	9.3	8.6	75.2	100.0
1988	32.4	35.8	3.8	4.3	..	10.3	13.4	67.6	100.0
1989	38.1	40.4	3.0	3.1	..	7.9	7.5	61.9	100.0
1990	42.6	35.7	2.0	3.0	..	8.1	8.6	57.4	100.0
1991	41.9	35.5	1.5	2.3	..	9.3	9.5	58.1	100.0
1992	41.1	41.1	1.5	1.8	..	8.2	6.3	58.9	100.0
1993	39.8	44.1	1.0	1.4	..	8.6	5.1	60.2	100.0
1994	41.6	41.2	1.1	1.5	..	9.4	5.2	58.4	100.0
1995	47.1	36.6	1.0	1.2	..	9.5	4.6	52.9	100.0
1996	46.9	32.7	1.5	1.2	..	8.8	8.9	53.1	100.0
1997	45.3	34.8	2.3	1.2	..	8.4	8.1	54.7	100.0
1998	40.1	40.0	2.3	0.8	..	6.9	9.9	59.9	100.0
1999	38.1	39.8	2.6	0.9	4.1	6.3	8.2	61.9	100.0
2000	35.2	42.7	3.5	0.5	6.0	7.6	4.4	64.8	100.0
2001	33.1	47.7	3.7	0.6	5.6	5.2	4.3	66.9	100.0
2002	33.5	45.3	4.3	0.9	6.0	4.6	5.4	66.5	100.0
2003	38.1	37.5	5.1	0.9	7.8	4.6	6.1	61.9	100.0
2004	34.7	39.1	6.5	0.7	10.8	2.9	5.3	65.3	100.0
2005	34.6	38.1	5.8	0.8	13.1	2.4	5.2	65.4	100.0
2006	36.2	36.6	5.7	1.3	10.6	4.0	5.6	63.8	100.0
2007	37.2	37.5	4.8	0.8	11.4	2.5	5.9	62.8	100.0
2008	39.2	31.5	6.0	1.0	12.9	4.2	5.1	60.8	100.0

(a) Includes reserve assets

– Break in series due to introduction of Euro in 1999.

Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0.

Chart 5. Composition of foreign debt by currency – percentage of gross foreign debt denominated in \$A



Source: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0.

Composition of gross foreign debt by country

Concepts

Country refers to the foreign creditor. International capital markets such as the Euro Bond market cannot be subdivided by country. Similarly, international institutions cannot be classified to one country.

Comments

For several years, the most important creditor countries for Australia have been the United Kingdom and the United States, representing 23 and 22 per cent of gross foreign debt respectively in 2007. 'Unallocated (principally international capital markets) account for almost a third of all debt. In 2007, almost 60 per cent of debt was owed to residents of OECD countries and (while not mutually exclusive) 35 per cent was owed to residents of APEC countries.

While the United Kingdom and the United States are currently the most important creditor countries, this has not always been the case and in the early 1990s that position was occupied by Japan. The relative importance of Japan, however, has declined significantly and in 2007 less than 3 per cent of debt was owed to Japan.

Statistics: Table 6 and Chart 6.

Table 6. Composition of gross foreign debt – country, 2001 to 2007

31 Dec	Country:						Country Groups:					TOTAL
	United States	Japan	United Kingdom	Singapore	Hong Kong	Other Countries	Unallocated ^(a)	APEC ^(b)	ASEAN ^(c)	EU ^(d)	OECD ^(e)	
\$ million												
2001	114 359	33 638	123 813	22 770	26 060	49 943	138 007	213 688	28 596	158 378	313 777	508 590
2002	136 646	32 291	150 765	n.a.	29 510	47 999	177 941	239 246	26 941	188 241	370 609	575 152
2003	159 525	27 131	154 173	17 566	21 038	74 835	156 587	250 068	24 893	200 305	406 297	610 855
2004	167 488	29 496	177 535	n.a.	22 815	90 253	209 161	262 889	25 222	242 630	454 489	696 748
2005	185 670	28 434	180 209	14 498	24 290	94 198	249 857	285 842	27 102	251 908	485 782	777 156
2006	188 048	26 363	212 790	20 310	30 211	137 988	308 495	307 488	34 637	294 169	540 896	924 205
2007	226 587	28 950	239 337	24 028	32 657	139 346	330 837	364 610	37 981	312 349	607 684	1 021 742
Percentage of total												
2001	22.5	6.6	24.3	4.5	5.1	9.8	27.1	42.0	5.6	31.1	61.7	100.0
2002	23.8	5.6	26.2	n.a.	5.1	8.3	30.9	41.6	4.7	32.7	64.4	100.0
2003	26.1	4.4	25.2	2.9	3.4	12.3	25.6	40.9	4.1	32.8	66.5	100.0
2004	24.0	4.2	25.5	n.a.	3.3	13.0	30.0	37.7	3.6	34.8	65.2	100.0
2005	23.9	3.7	23.2	1.9	3.1	12.1	32.2	36.8	3.5	32.4	62.5	100.0
2006	20.3	2.9	23.0	2.2	3.3	14.9	33.4	33.3	3.7	31.8	58.5	100.0
2007	22.2	2.8	23.4	2.4	3.2	13.6	32.4	35.7	3.7	30.6	59.5	100.0

n.a. Not available

(a) Includes international institutions and international capital markets, not allocated to any particular country.

(b) Includes Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong (SAR of China), Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russian Federation, Singapore, Taiwan, Thailand, USA and Viet Nam.

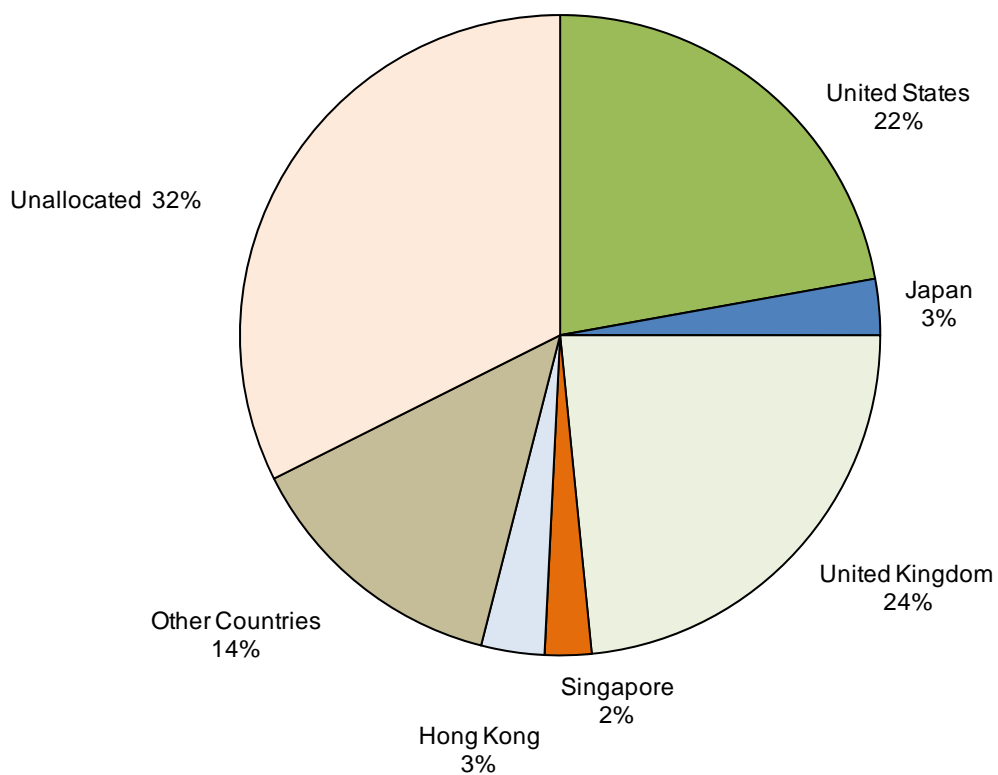
(c) Includes Brunei Darussalam, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Viet Nam.

(d) Includes Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Republic of Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and UK.

(e) Includes Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Republic of Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, UK and USA.

Source: ABS, *International investment position, Australia: supplementary statistics*, Cat. no. 5352.0.

Chart 6. Composition of foreign debt by country - percentage of gross foreign debt at 31 December 2007



Source: ABS, *International investment position, Australia: supplementary statistics*, Cat. no. 5352.0.

Composition of gross foreign debt by maturity

Concepts

The *maturity profile* of foreign debt shows the period left to repayment of the debt and thus points to the liquidity or flow aspects of foreign debt.

Comments

A large proportion of loans outstanding are due within a very short period. In 2008, 37 per cent of loans were due within 90 days and 48 per cent were due within a year. Only about a fifth of all loans were due later than 5 years.

Over the period 2000 to 2008, the level of debt outstanding has grown significantly in relation to GDP. This has been particularly so for loans due within 90 days which have grown from 22 to 35 per cent of GDP, and loans due between one and 5 years which have grown from 18 to 30 per cent of GDP.

Statistics: Table 7.

Table 7. Composition of gross foreign debt – residual maturity of debt outstanding, 2000 to 2008

Contractually due for repayment in:						
1 year or less						
30 June	Less than or up to 90 days	Greater than 90 days and up to 1 year	Total, 1 year or less	Greater than 1 year and up to 5 years	Greater than 5 years	Total
\$ million						
2000	138 532	72 460	210 992	113 969	91 865	416 825
2001	193 050	73 847	266 897	121 924	107 487	496 307
2002	211 761	73 276	285 037	120 149	128 230	533 416
2003	213 316	71 375	284 691	149 195	148 767	582 651
2004	224 074	82 640	306 714	183 788	166 633	657 135
2005	236 058	80 434	316 492	215 082	190 561	722 135
2006	294 262	95 660	389 922	259 252	204 320	853 494
2007	331 987	107 427	439 414	314 357	235 966	989 737
2008	401 042	113 606	514 648	334 664	223 150	1 072 463
Percentage of total						
2000	33.2	17.4	50.6	27.3	22.0	100.0
2001	38.9	14.9	53.8	24.6	21.7	100.0
2002	39.7	13.7	53.4	22.5	24.0	100.0
2003	36.6	12.3	48.9	25.6	25.5	100.0
2004	34.1	12.6	46.7	28.0	25.4	100.0
2005	32.7	11.1	43.8	29.8	26.4	100.0
2006	34.5	11.2	45.7	30.4	23.9	100.0
2007	33.5	10.9	44.4	31.8	23.8	100.0
2008	37.4	10.6	48.0	31.2	20.8	100.0

Table 7. Composition of gross foreign debt – residual maturity of debt outstanding, 2000 to 2008 (*continued*)

Contractually due for repayment in:						
1 year or less						
30 June	Less than or up to 90 days	Greater than 90 days and up to 1 year	Total, 1 year or less	Greater than 1 year and up to 5 years	Greater than 5 years	Total
Percentage of GDP						
2000	21.5	11.2	32.7	17.7	14.2	64.6
2001	28.0	10.7	38.7	17.7	15.6	72.0
2002	28.8	10.0	38.7	16.3	17.4	72.5
2003	27.3	9.1	36.4	19.1	19.0	74.5
2004	26.6	9.8	36.5	21.8	19.8	78.1
2005	26.3	9.0	35.3	24.0	21.2	80.4
2006	30.4	9.9	40.3	26.8	21.1	88.2
2007	31.7	10.3	42.0	30.1	22.6	94.7
2008	35.4	10.0	45.5	29.6	19.7	94.8

Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0;
ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

Components of increase in net foreign debt

Concepts

There are four components of an increase in net foreign debt that are identified in Australian Bureau of Statistics data:

- transactions;
- exchange rate movements;
- price changes; and
- other.

Transactions refers to the net increase in new borrowings from non-residents and is the difference between drawings and repayments.

Exchange rate movements can have a significant impact on the level of debt expressed in Australian dollars. Foreign debt data are expressed in Australian dollars, although the majority of debt is denominated in foreign currencies. Estimates of debt denominated in foreign currencies are converted to Australian dollars using market rates of exchange prevailing at the reference date (end of the quarter).

Price changes refer mainly to revaluations of issued shares and securities purchased by overseas investors. It also includes changes in the market values of bonds.

The *other* component is small and includes write-off of bad debts and classification changes.

Comments

Net new borrowings (i.e. transactions) are often the single largest contributor to an increase in net foreign debt, although in some years other factors can also have a significant impact. In 2000–01, for example, exchange rate movements added four times as much as net new borrowings to the increase in net foreign debt. On several occasions the effect of exchange rate movements, security revaluations and other adjustments (collectively referred to as valuation effects) has been to reduce the level of net foreign debt below what it would otherwise have been. In 2007–08, net new borrowings rose by \$81 billion but net foreign debt increased by only \$53 billion due to these valuation effects.

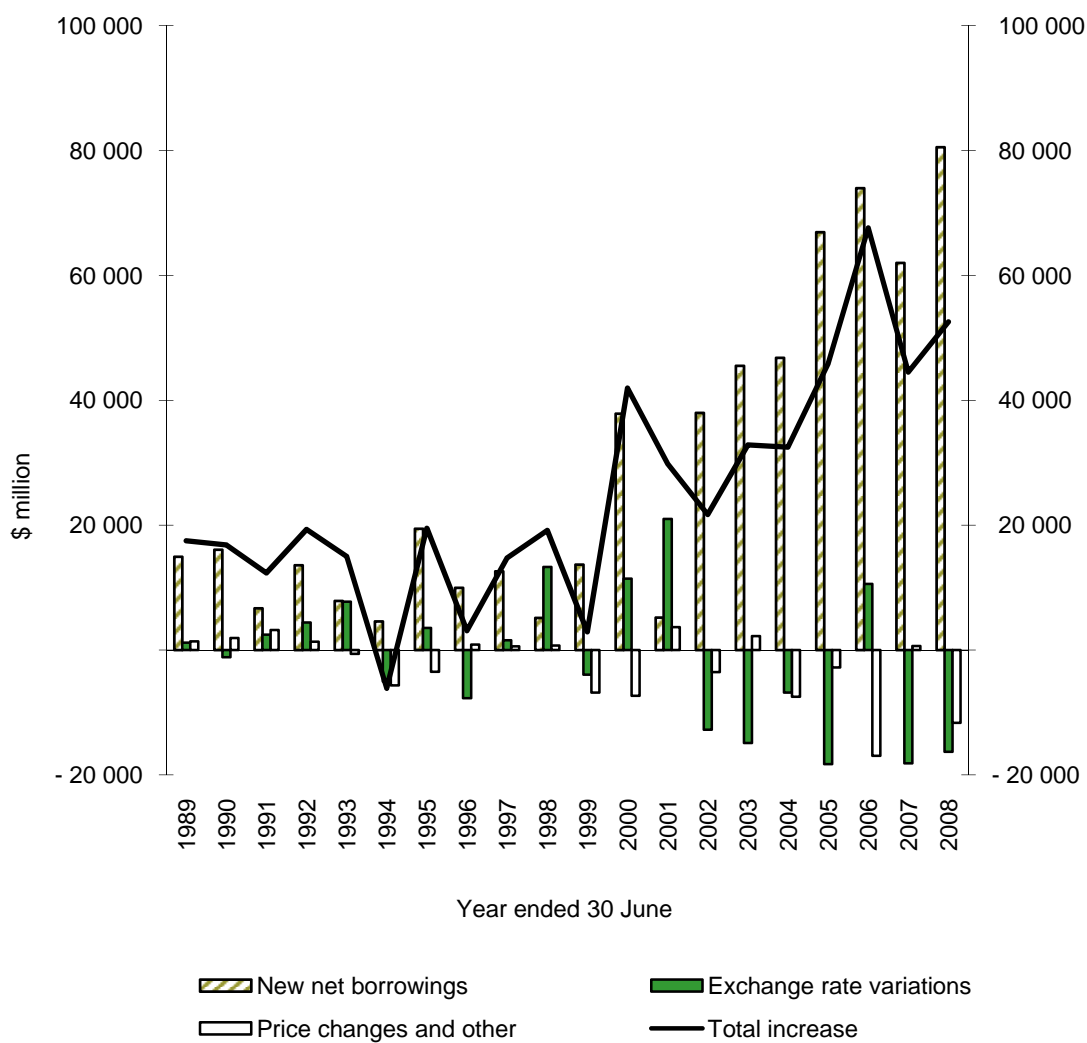
Statistics: Table 8 and Chart 7.

Table 8. Components of increase in net foreign debt, 1988-89 to 2007-08**\$ million**

	Transactions	Exchange rate variations	Price changes	Other adjustments	Total increase in net foreign debt
1988-89	14 927	1 184	- 43	1 420	17 488
1989-90	16 059	- 1 155	- 81	1 999	16 822
1990-91	6 682	2 464	617	2 583	12 346
1991-92	13 574	4 401	680	657	19 312
1992-93	7 859	7 737	1 461	- 2 069	14 988
1993-94	4 584	- 5 065	- 4 882	- 778	- 6 141
1994-95	19 423	3 537	- 1 174	- 2 309	19 477
1995-96	9 952	- 7 731	1 587	- 728	3 080
1996-97	12 594	1 567	1 546	- 949	14 758
1997-98	5 135	13 303	2 158	- 1 441	19 155
1998-99	13 685	- 3 956	- 6 808	- 16	2 905
1999-00	37 858	11 435	- 2 598	- 4 746	41 949
2000-01	5 179	20 995	3 577	76	29 827
2001-02	37 980	- 12 768	- 3 976	444	21 680
2002-03	45 512	- 14 902	1 855	383	32 848
2003-04	46 794	- 6 812	- 8 436	945	32 491
2004-05	66 932	- 18 284	- 2 906	96	45 838
2005-06	73 969	10 576	- 14 856	- 2 095	67 594
2006-07	62 004	- 18 157	59	588	44 494
2007-08	80 532	- 16 314	- 11 465	- 213	52 540

Sources: ABS, *Balance of payments and international investment position*, Cat. No. 5302.0.

Chart 7. Components of increase in net foreign debt



Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0.

Composition of net foreign investment—debt and equities

Concepts

Borrowing is only one kind of capital inflow. Another is investment in ownership of Australian assets including shares, property and retained earnings of foreign owned companies. Capital transfers (debt forgiveness involving the cancellation of liabilities by mutual agreement between creditor and debtor, and migrant transfers) is another category of capital inflow but is relatively small.

Comments

In the early 1980s, well over half of Australia's net foreign investment was in the form of equities. From 1983, however, that situation reversed with debt accounting for 51 per cent of net foreign investment in that year and climbing to above 70 per cent in the latter half of the 1980s and all of the 1990s. Since 2000, it has consistently been above 80 per cent, peaking at 93 per cent in 2006. In 2008, debt accounted for 87 per cent of net foreign investment.

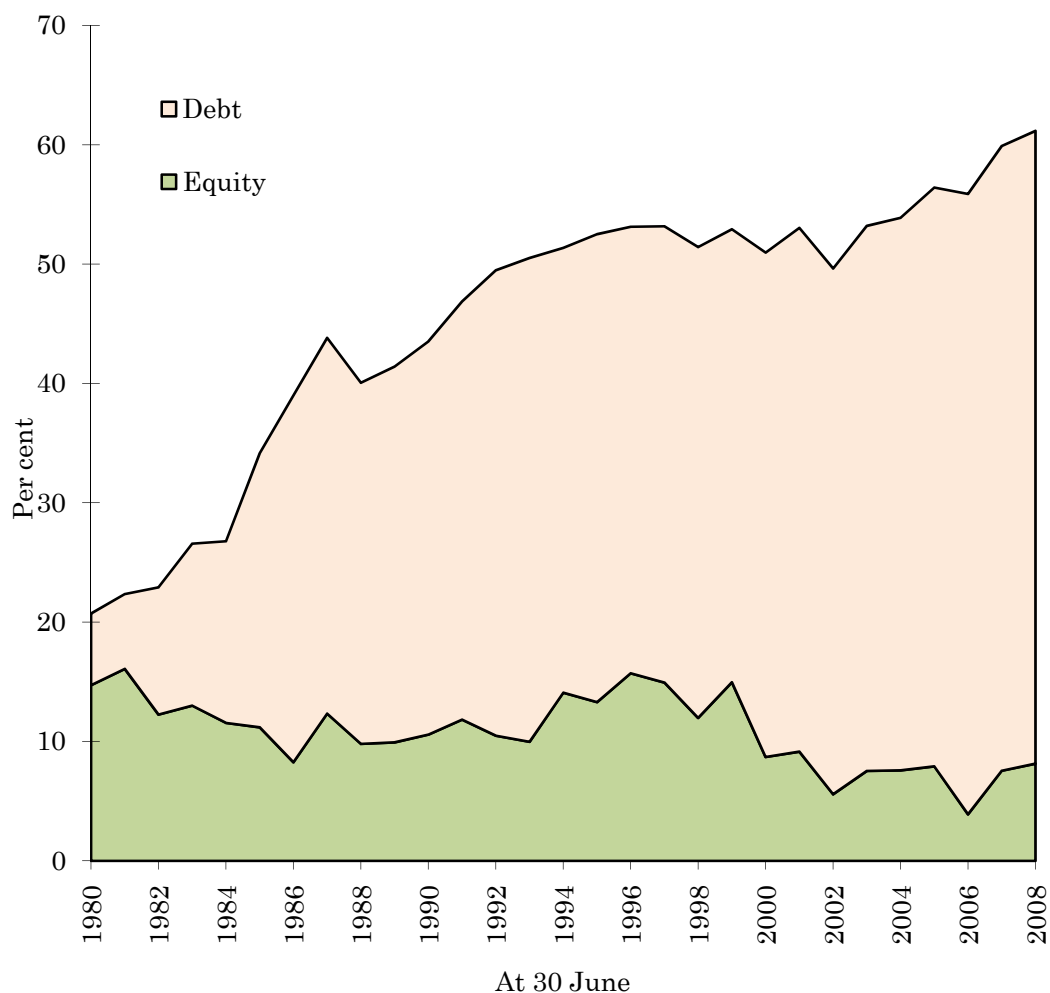
Statistics: Table 9 and Chart 8.

Table 9. Net foreign investment in Australia – levels 1980 to 2008

30 June	Net foreign debt			Net foreign equity			Net foreign investment	
	\$ million	% of GDP	% of net foreign investment	\$ million	% of GDP	% of net foreign investment	\$ million	% of GDP
1980	7 923	6.0	29.0	19 426	14.7	71.0	27 349	20.7
1981	9 361	6.3	28.0	24 050	16.1	72.0	33 411	22.4
1982	18 378	10.7	46.5	21 114	12.3	53.5	39 492	22.9
1983	25 169	13.6	51.1	24 120	13.0	48.9	49 289	26.6
1984	31 850	15.2	56.8	24 203	11.6	43.2	56 053	26.8
1985	53 055	23.0	67.2	25 875	11.2	32.8	78 930	34.1
1986	78 396	30.7	78.8	21 080	8.3	21.2	99 476	39.0
1987	87 971	31.5	71.8	34 477	12.3	28.2	122 448	43.8
1988	96 502	30.3	75.5	31 260	9.8	24.5	127 762	40.1
1989	113 989	31.5	76.0	35 946	9.9	24.0	149 935	41.4
1990	130 809	32.9	75.7	41 995	10.6	24.3	172 803	43.5
1991	143 153	35.0	74.8	48 328	11.8	25.2	191 482	46.9
1992	162 466	39.0	78.8	43 714	10.5	21.2	206 179	49.5
1993	177 453	40.5	80.2	43 674	10.0	19.8	221 127	50.5
1994	171 313	37.3	72.6	64 785	14.1	27.4	236 098	51.4
1995	190 790	39.2	74.7	64 719	13.3	25.3	255 509	52.5
1996	193 872	37.4	70.4	81 439	15.7	29.6	275 311	53.1
1997	208 628	38.2	71.9	81 528	14.9	28.1	290 156	53.2
1998	227 782	39.5	76.7	69 156	12.0	23.3	296 938	51.4
1999	230 689	38.0	71.7	90 967	15.0	28.3	321 655	52.9
2000	272 639	42.3	82.9	56 131	8.7	17.1	328 770	51.0
2001	302 467	43.9	82.7	63 090	9.2	17.3	365 557	53.0
2002	324 147	44.1	88.8	41 034	5.6	11.2	365 181	49.6
2003	356 995	45.7	85.8	58 910	7.5	14.2	415 905	53.2
2004	389 487	46.3	85.9	63 840	7.6	14.1	453 326	53.9
2005	435 324	48.5	86.0	71 114	7.9	14.0	506 438	56.4
2006	502 918	52.0	93.0	37 734	3.9	7.0	540 652	55.9
2007	547 412	52.4	87.4	78 971	7.6	12.6	626 383	59.9
2008	599 953	53.0	86.7	92 185	8.1	13.3	692 138	61.2

Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

Chart 8. Composition of net foreign investment – percentage of GDP



Sources: ABS, *Balance of payments and international investment position*, Cat. no. 5302.0; ABS, *Australian national accounts: national income expenditure and product*, Cat. no. 5206.0.

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