Revaluation of the Australian Dollar

On 23rd December, 1972, the Australian Government announced an upwards revaluation of the Australian dollar by 7.05 per cent. As Papua New Guinea uses Australian currency and comes largely within the Australian monetary system, this affects Papua New Guinea as if it were a state of Australia.

Before the change, \$A1.00 was equal to \$US1.191; after the change, \$A1.00 could buy \$US1.275. (United States currency is the leading World currency, and most other currencies are compared with it.) So Australian currency has now become more valuable compared with other currencies than it was before. Goods imported into Australia and Papua New Guinea now will cost 7.05 per cent less for us to buy. However, as most of our exports are rural products sold on world markets, we cannot alter the price of them, and we will have to accept an effectively lower price than we got before. So even though the world price for tea (in new British pence per lb.) and for rubber (in Singapore cents per lb.) stay the same, by the time that money which is owing to us for the sale of our produce is changed into our money (at the new exchange rate) we have got less than we would have got before.

Why did Australia do this? Over recent months, Australia has been having a boom period for exports which have consistently been worth more than imports. So much so, that Australia has accumulated a huge positive balance of payments of \$A2,000 million dollars. It became obvious that the Australian currency was a very strong one, and was undervalued hence the change to bring the value of Australian currency closer to its real value.

Overall, in Papua New Guinea, this should have a good effect on the economy, as our imports are far greater than our exports. Our imports will now cost less. However our exports will also earn less income for us, which will mean less income for the primary producer.