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**Title:**

Press release: Devaluation

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PRESS RELEASE FROM THE PREMIER, MR. DUNSTAN.

DEVALUATION.

25.9.74

The South Australian Government welcomes the decision of the Federal Government to devalue the Australian currency by 12% and to suspend its fixed link with the U.S. dollar, the Premier, Mr. Dunstan, said today. The Federal Government had exhibited by doing this a flexibility in action in response to new circumstances which was earlier shown by the revaluations when imports were sluggish and Australia had built up tremendous overseas reserves. The latest move offsets two earlier revaluations.

The 12% devaluation of the Australian dollar announced today had the direct effect of increasing the prices of imported goods in Australia while decreasing the prices of our exports in world markets.

This should improve our balance of trade in the medium to longer term by encouraging the volume of our exports and reducing the volume of our imports.

This will have beneficial effects on employment and production levels in Australian manufacturing, primary and mineral industries.

In the short term the benefits to our balance of payments position will largely be limited to an improvement in capital inflow, but this inflow may make it possible to ease somewhat the credit restrictions which are severely limiting firms' operations at present, Mr. Dunstan said.

"It is apparent that the Federal Government has acted in the currency valuation area in an attempt to protect domestic employment, especially in industries that have become very vulnerable to import competition.

"The devaluation is not likely to be a complete answer on the employment front because there are already at hand large stocks of imported goods, and the effect on local production of the encouragement given in this new move may take some time to be felt", he added.

The devaluation would only partly relieve the credit situation which would have been more severe had this move not been made. A boost to business confidence could be expected however, both in the aspect of meeting import competition and also in being able to compete more readily in export markets.

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