

## Economic Analysis

### Balance of Payments

Australia's seasonally adjusted current account surplus rose to A\$18,324m in Q2 2022, from the downwardly revised A\$2,774m in the previous quarter.

The strong increase in the current account surplus was due to a surge in the trade surplus to a new record high, partly offset by further deterioration in net primary income balance.

Current Account Balance (A\$m, Seasonally Adjusted)

	Change	Q2 2022	Q1 2022
Current Account	15,550	18,324	2,774
Trade Balance	16,339	43,085	26,746
Net Primary Income Balance	-709	-23,950	-23,241

The A\$16,339m surge in trade surplus was thanks to export values skyrocketing by A\$22,071m (14.7%) amid a rise in both volumes (+5.5%) and prices (+8.7%).

Over half of the rise in exports came from coal, coke and briquettes, which saw an A\$11,741m (40.4%) surge, mainly thanks to a 36.9% gain in prices.

The 12.1% rise in prices was also behind the increase in export values for other mineral fuels (mainly gas), which was the second largest contributor.

Other goods also saw considerable increases in export values and volumes. There were increases in prices for all categories but iron ore, which saw a 1.5% decline.

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	1,198	5.9	1.4
Metal Ores and Minerals	466	2.6	-1.5
Coal, Coke and Briquettes	11,741	2.6	36.9
Other Mineral Fuels (Oil and Gas)	4,418	7.3	12.1
Non-Monetary Gold	1,009	14.6	1.6
Services	2,276	13.7	1.2

The surge in export values was partly offset by a A\$5,731m (4.6%) increase in the value of imports.

The largest contribution came from higher values of intermediate and other merchandise goods imports, driven by higher prices (11.3%). Fuels and lubricants saw a 26.7% increase in prices, with volumes declining by 4.2%.

The value and volume of consumption goods imports declined, dragged down by passenger vehicles.

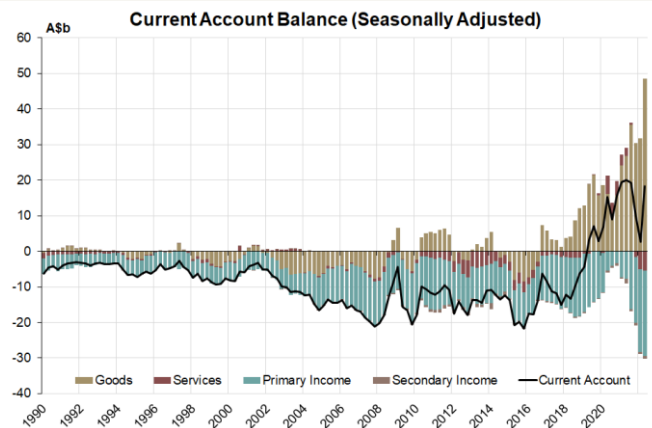
Trade in services continued to recover, but remained depressed compared to pre-COVID standards.

Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	-761	-1.0	-1.3
Capital Goods	441	0.8	1.2
Intermediate and Other Merch. Goods	3,044	-4.2	11.3
Non-Monetary Gold	287	15.7	1.0
Services	2,720	14.3	-2.2

The high dividend payments resulting from the surge in commodity prices saw the primary income deficit widen to a new record.

## Balance of Payments Q2 2022



### Net International Investment Position

The net international liability position narrowed to A\$834.4b from A\$853.5b, with the net foreign equity asset position widening to A\$323.3b and the net foreign debt liability position rising to A\$1,157.7b.

### Comment

Higher commodity prices contributed to sharp widening in the trade surplus during Q2, boosting national income. The 8.7% rise in export prices easily offset the 4.0% increase in import prices, driving the terms of trade to a new record high.

On the flipside, the rise in the current account was partly contained by higher dividends to foreign investors, also attributable to high commodity prices.

The sustainability of the surge in commodity prices is questionable, however. There are more signs of a global slowdown and the Chinese economy is struggling with multiple headwinds. A decline in commodity prices in the coming months would see the current account move closer to balance.

With respect to tomorrow's Q2 national accounts, the ABS estimates that net exports will add 1 percentage point to Q2 GDP growth.

6 SEPTEMBER 2022

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