

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account balance fell by A\$4,436m to -A\$10,725m in Q2, from a revised -A\$6,289m (originally -A\$4,896m) in Q1. Market participants expected a current account balance of around -A\$5,000m.

Deterioration in the current account balance was driven by a A\$3,882m plunge in the trade surplus and, to a lesser extent, a A\$543m wider net primary income deficit.

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

	Change	Q2 2024	Q1 2024
Current Account	-4,436	-10,725	-6,289
Trade Balance	-3,882	11,979	15,861
Net Primary Income Balance	-543	-22,457	-21,914

The decline in the trade surplus was driven by a A\$4,191m drop in exports, partly offset by slightly lower imports (-A\$308m).

The decline in exports was concentrated to metal ores and minerals (mainly iron ore), coal, coke and briquettes, as well as rural goods.

The decline in coal, coke and briquettes, and rural goods exports was due to lower volumes and prices. The decline in metal ores and minerals exports was due to an 11.8% fall in prices, while volumes picked up by 1.8% in the quarter.

At the same time, the export values of other mineral fuels (mainly oil and gas), the volatile non-monetary gold, and services all picked up in Q2.

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	-367	-1.7	-0.6
Metal Ores and Minerals	-4,611	1.8	-11.8
Coal, Coke and Briquettes	-2,247	-1.1	-8.6
Other Mineral Fuels (Oil and Gas)	283	-2.2	3.6
Non-Monetary Gold	188	-8.9	12.1
Services	1,778	5.6	0.5

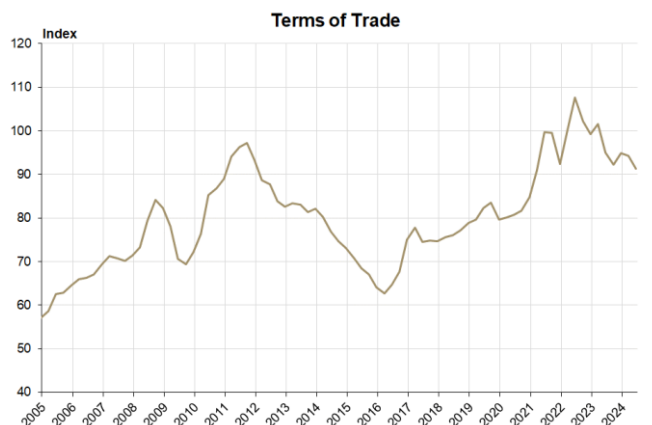
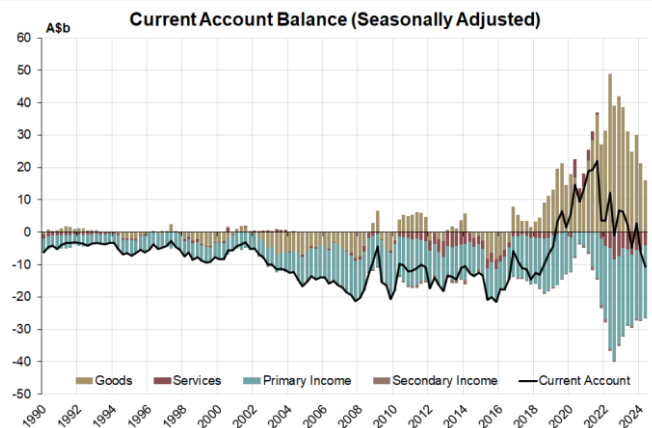
The slight decline in imports was driven by lower volumes of capital goods and non-monetary gold, while imports of 'intermediate and other merchandise goods' fell due to lower prices.

These declines were partly offset by higher imports of consumption goods and services, in both cases driven by both volumes and prices.

Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	377	0.5	0.6
Capital Goods	-587	-2.7	0.6
Intermediate and Other Merch. Goods	-327	0.8	-1.4
Non-Monetary Gold	-155	-17.0	12.4
Services	384	0.5	1.1

Balance of Payments Q2 2024



The net primary income balance fell by A\$543m to -A\$22,457m, as a A\$772m increase in payments to foreign investors in Australia more than offset the A\$229m rise in income from Aussie investments overseas.

The decline in prices of rural goods and coal translated into a further 3.0% fall in the terms of trade.

Net International Investment Position

The net international liability position narrowed to A\$720.0b from A\$741.3b in Q2, as a pickup in net foreign debt to A\$1,266.6b was offset by a rise in net foreign equity assets to A\$546.5b.

Comment

As expected, the Australian external position is normalising after being boosted by elevated prices and demand for our export commodities.

The current account deficit is now the widest in precisely six years and roughly back at the pre-COVID 10-year average of A\$11,784m. Given the expected gradual recovery at home and only modest growth abroad, it is likely that it will remain negative in the coming quarters.

The ABS estimate that net exports added 0.2ppts to real GDP growth in Q2.

3 SEPTEMBER 2024

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