WESTERN AUSTRALIAN
TREASURY CORPORATION

Economic Analysis Balance of Payments September Qtr 2018

The current account deficit decreased to a seasonally adjusted $10.7 billion in Q3 2018, from a revised deficit of $12.1 billion in Q2 (revised from $13.5 billion). The WATC forecast had been for a $10.5 billion deficit, while the consensus market forecast was for a $10.2 billion deficit.

Current Account Deficit (Seasonally Adjusted)

	Change	Q3	Q2
Current Account	$1,368	-$10,688	-$12,056
Trade Balance	$2,704	$6,607	$3,903
Net Primary Income	-$1,162	-$16,911	-$15,749

Exports of goods and services rose $3,390 million to $111 billion, led by big increases in oil and gas, as well as services.

Key Exports Millions (Seasonally Adjusted)

	Change	Volume	Prices
Rural Goods	$288	1%	2%
Metal Ores and Minerals (Iron Ore)	-$587	-6%	3%
Coal, Coke & Briquettes	$410	-2%	4%
Other Mineral Fuels (Oil and Gas)	$1,720	2%	12%
Non-Monetary Gold	-$77	2%	-3%
Services	$1,155	5%	1%

On the other side of the ledger, goods and services imports were up $688 million to $104.4 billion, due to falls in the import of consumption goods, capital goods and non-monetary gold.

Imports Millions (Seasonally Adjusted)

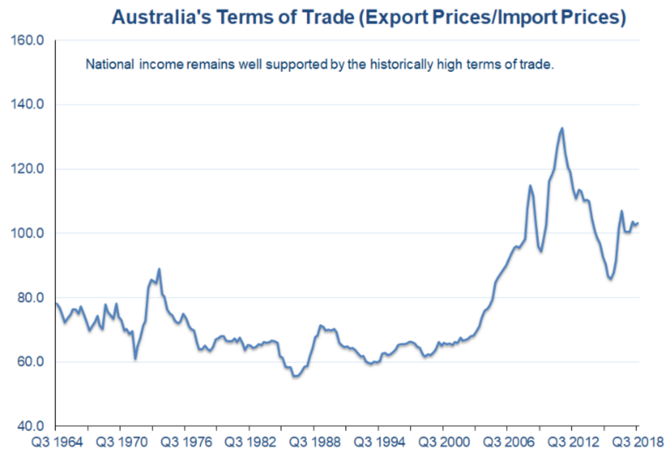
	Change	Volume	Prices
Consumption Goods	-$191	-2%	2%
Capital Goods	-$208	-2%	1%
Intermediate and other merchandise goods	$1,123	0%	3%
Non-Monetary Gold	-$512	-23%	-4%
Services	$474	2%	2%

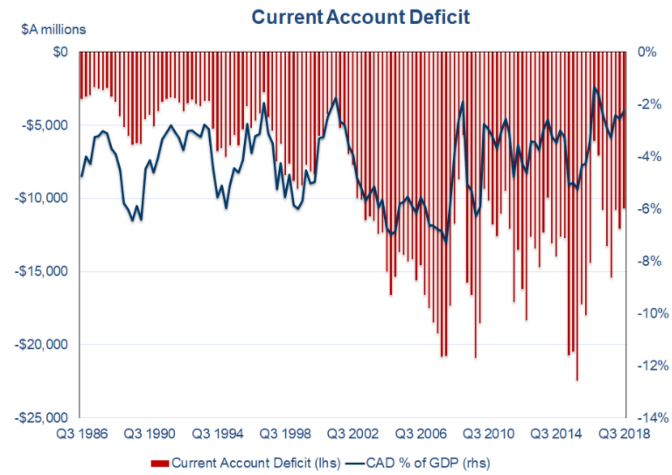
The increase in the primary income deficit was mainly driven by a $1,679 million rise in income payable to foreign investors in Australia, while income received from overseas investments rose $517 million.

The terms of trade, the ratio of export prices to import prices, rose a seasonally adjusted 0.8% as a 2.2% rise in the import price index failed to offset a 3.0% rise in the export price index. The terms of trade was up 2.7% YoY.

Net International Investment Position

Australia's net international liabilities decreased $17.3 billion to $940.2 billion at the end of Q3. The net equity asset position rose $29.9 billion to $103.9 billion. The net foreign debt liability increased by $12.6 billion to $1,044 billion.





Comment

The improvement in the current account deficit was due to a strengthening in the trade surplus. Though, if the US and China fail to agree on a trade deal over the next 90 days, the trade dispute could remain a risk to the outlook.

The terms of trade improved reflecting higher commodity prices in the quarter. High export prices remain supportive of national income.

The ABS estimates that net exports will contribute 0.4 percentage points to the Q3 real GDP headline when the national accounts report is released tomorrow, after net exports added just 0.1ppt to growth in Q2.

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