

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account surplus widened to A\$14.5b in Q4 2020, from a revised A\$10.7b in Q3 (originally A\$10.0b). The consensus market forecast was for a A\$13.0b surplus.

The wider current account surplus in Q4 reflected a A\$4.4b increase in the trade surplus which more than offset a A\$0.4b widening in the primary income deficit.

Current Account Deficit (Seasonally Adjusted)

	Change	Q4	Q3
Current Account	\$3,817	\$14,523	\$10,706
Trade Balance	\$4,430	\$18,124	\$13,694
Net Primary Income	-\$444	-\$3,167	-\$2,723

Goods exports increased A\$7.7b in the quarter to A\$93b driven by a mix of higher volumes (4%) and higher prices (5%). The value of metal ores and mineral exports (mainly iron ore) rose A\$3.7b and exports of cereal grains and preparations rose A\$1.3b.

The increase in exports of metal ores and minerals (mainly iron ore) was driven by rising prices rather than higher volume, though this followed a 6.2% increase in volumes in Q2.

Services exports gained A\$247m.

Key Exports Millions (Seasonally Adjusted)

	Q4	Change	(%)
Rural Goods	\$11,240	\$2,031	22%
Metal Ores and Minerals (Mainly Iron Ore)	\$40,375	\$3,707	10%
Coal, Coke & Briquettes	\$9,339	\$43	0%
Other Mineral Fuels (Oil and Gas)	\$9,067	\$865	11%
Non-Monetary Gold	\$7,662	\$300	-4%
Services	\$15,366	\$247	2%

Goods imports rose A\$3.1b in the quarter to A\$78.8b with volumes up 5% and prices down 1%. Consumption goods imports rose A\$2.6b, largely on the back of imports of passenger vehicles. Capital goods imports climbed A\$1.6b, reflecting the big jump in business investment in machinery, plant and equipment we saw in the private capex figures released last week.

Imports Millions (Seasonally Adjusted)

	Q4	Change	(%)
Consumption Goods	\$29,254	\$2,594	10%
Capital Goods	\$20,112	\$1,625	9%
Intermediate and other merchandise goods	\$27,805	\$317	1%
Non-Monetary Gold	\$1,581	-\$1,443	-48%
Services	\$11,494	\$411	4%

The ABS estimate that the faster rise in import volumes will see net exports shave 0.1pts off headline growth when the GDP numbers are released tomorrow.

The terms of trade picked up 4.7% in the quarter, driven by a 3.9% rise in goods export prices and a 0.8% fall in the import price index.

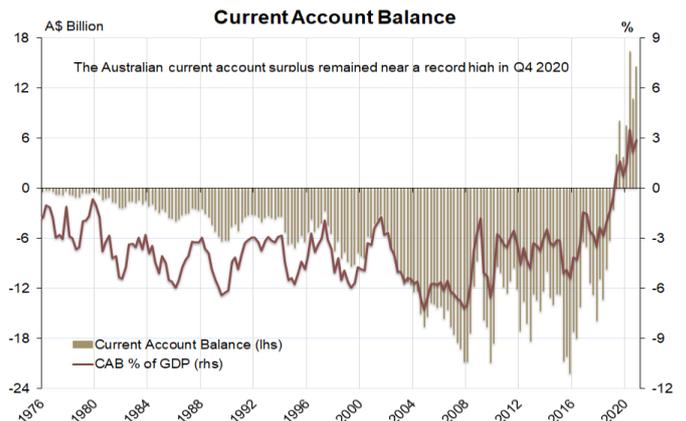
Balance of Payments Q4 2020

Net Primary Income

The primary income deficit widened by A\$0.4b in Q4 as income paid to Australians from foreign investments fell more than the income paid to foreign investors in Australia.

Net International Investment Position

Australia's net international liability position was little changed at A\$947.2b on 31 December 2020, with the foreign net debt liability of A\$1,165.3b. The foreign net equity asset position was A\$218.1b.



Comment

Australia continues to run a substantial current account surplus thanks to the ongoing series of large trade surpluses. With the surplus not far short of the record set in Q2 2020.

The rise in the surplus in Q4 was mainly driven by a rise in the export price index which drove the terms of trade to its highest level since June 2012, boosting national income.

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