

Balance of Payments

Australia's current account balance surplus widened in Q1 2020 to A\$8.4B from the upwardly revised A\$1.7B in Q4 2019. The surplus was the largest on record in absolute terms. In relation to GDP, it was the widest since the early 1970s.

Current Account Deficit (A\$, Seasonally Adjusted)

	Change	Q1 2020	Q4 2019
Current Account	6,673	8,395	1,722
Trade Balance	5,628	19,188	13,560
Net Primary Income	822	-10,612	-11,434

The rise in the current account surplus in Q1 was driven by a larger trade surplus as well as a narrowing in the net income deficit.

The widening in the trade surplus was primarily due to a broad-based fall in imports resulting from supply chain disruptions. The value of goods exports picked up, mainly due to a rise in prices of the exported goods, particularly LNG as well as metal ores and minerals, which drove a 2.9% increase in terms of trade. Goods export volumes declined, led by rural goods and iron ore supply disruptions due to Cyclone Damien in early February.

Key Exports Millions (Seasonally Adjusted)

	Change (A\$M)	Volume (%)	Prices (%)
Rural Goods	134	-1.5	2.6
Metal Ores and Minerals (Iron Ore)	446	-1.8	3.2
Coal, Coke & Briquettes	184	0.8	0.6
Other Mineral Fuels (Oil and Gas)	890	3.4	2.5
Non-Monetary Gold	12	0.2	0.2
Services	-3,268	-12.8	0.5

The balance in services turned back to negative, reflecting a fall in exports of services, particularly related to transport and travel amid COVID-19 travel restrictions.

Imports Millions (Seasonally Adjusted)

	Change (A\$M)	Volume (%)	Prices (%)
Consumption Goods	-764	-2.1	-0.8
Capital Goods	-1,938	-10.3	0.4
Intermediate and other merchandise goods	-2,243	-3.2	-3.6
Non-Monetary Gold	844	47.1	11.2
Services	-3,021	-13.6	2.4

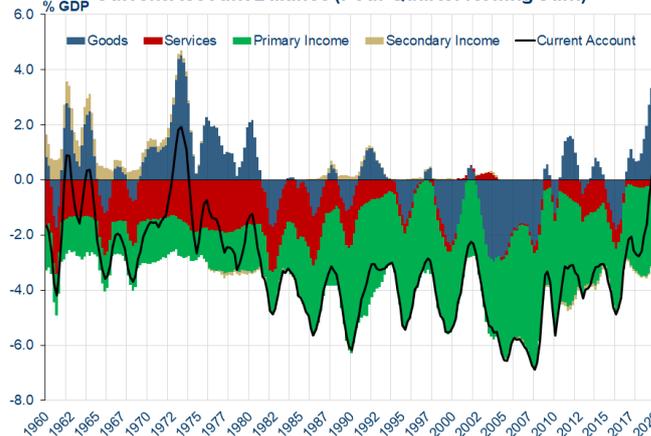
The narrower primary income deficit was mainly due to a 22% fall in compensation of foreign employees working in Australia, the sharpest since the global financial crisis. Income payable to foreign investors also declined while income from overseas investments increased.

The financial account saw a net outflow, the largest on record, driven by a flight-to-liquidity flows. The outflow was concentrated in the fixed income markets, with equity and investment fund shares seeing limited net inflows.

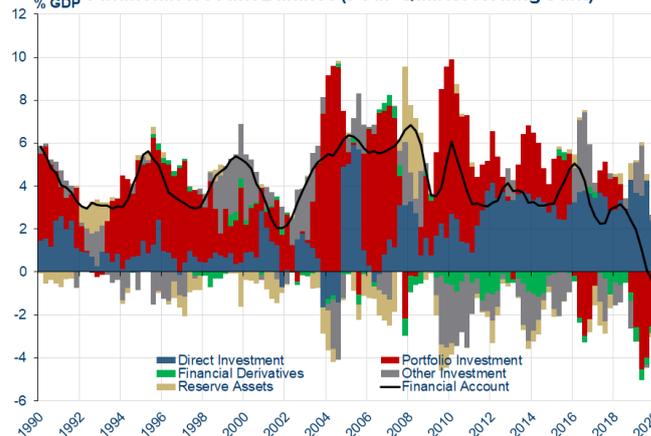
Net International Investment Position

Australia's net international liability position narrowed by A\$101.4B to A\$808.1B, reflecting a rise in the net foreign equity asset position. The net foreign debt position was little changed.

Current Account Balance (Four Quarter Rolling Sum)



Financial Account Balance (Four-Quarter Rolling Sum)



Comment

The Q1 current account figures provided an insight into the impact of COVID-19 on the Australian and global economies. A fall in imports and a rise in export prices pushed the current account balance to a record high.

According to the ABS estimates, net exports added 0.5 percentage points to real GDP growth in Q1 2020. However, it appears this will not be enough to prevent a decline in GDP when the national accounts are released tomorrow.

2 JUNE 2020

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