

## Economic Analysis

### Balance of Payments

Australia's seasonally adjusted current account surplus narrowed to A\$7,532m in Q1 2022, from the upwardly revised A\$13,235m in the previous quarter. Market expectations were for an increase to A\$13,500m.

The unexpected drop in the current account surplus was mainly due to further widening of the primary income deficit to a new record and, to a lesser extent, the decrease in the trade surplus.

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

	Change	Q1 2022	Q4 2021
Current Account	-5,703	7,532	13,235
Trade Balance	-919	28,229	29,148
Net Primary Income Balance	-4,858	-20,025	-15,167

The lower trade surplus reflected a sharp rise in the value of imports, which more than offset the increase in the value of exports.

The rise in the value of exports was driven by commodity prices, led by metal ores and minerals (mainly iron ore). However, the volume of goods exports saw a broad-based decline reflecting lower demand in the major markets, including China amid the zero-COVID policy.

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	1,106	-2.0	9.2
Metal Ores and Minerals	6,520	-2.7	21.6
Coal, Coke and Briquettes	2,827	-1.8	13.3
Other Mineral Fuels (Oil and Gas)	-589	-1.8	-0.3
Non-Monetary Gold	-432	-10.8	4.8
Services	418	2.3	0.6

The value of imports saw the largest increase on record of A\$12,721m, driven by both volumes and prices.

The volume of consumption goods imports jumped 15% amid strong domestic consumer demand, however, all import categories saw strong rises in volume.

The largest increase in prices was recorded for intermediate and other merchandise goods, with the price of fuels and lubricants seeing another double-digit surge. The prices of food and beverage imports also saw strong increases.

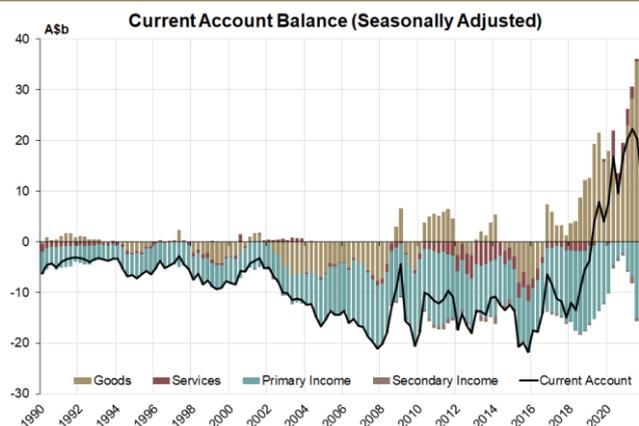
Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	4,860	14.9	2.3
Capital Goods	1,366	5.0	1.2
Intermediate and Other Merch. Goods	4,704	5.1	6.2
Non-Monetary Gold	291	14.9	5.0
Services	1,500	6.8	3.1

Export prices rose faster than import prices, translating into a pick-up in the terms of trade to a new record high.

The widening of the primary income deficit to a new record high was mainly due to a further rise in income flows to non-resident investors amid higher commodity prices.

## Balance of Payments Q1 2022



### Net International Investment Position

The net international liability position widened to A\$821.3b from A\$809.7b in Q4 2021, mainly due to exchange rate changes, as the depreciation of the Australian dollar translated into higher value of foreign liabilities in the domestic currency.

### Comment

Despite further deterioration in Q1, the current account remained in surplus for the twelfth quarter in a row, the longest run since the 1970s. The decline in the current account surplus reflected increased income flows to foreign investors from the surge in commodity prices, coupled with solid domestic consumer demand driving a rise in imports.

The Aussie current account surplus may decline further in the coming quarters, as domestic demand is projected to remain strong. However there are also some upside risks, mainly due to the upward pressure on commodity prices amid the Russian-Ukrainian war and the prospect of a rise in infrastructure spending in China aimed at offsetting the impact of the zero-COVID policy.

The ABS expects that the decline in the trade balance has detracted 1.7ppts from Q1 GDP growth, the report for which is to be released tomorrow.

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