

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account surplus widened to a fresh record high of A\$18.3b in Q1 2021, from an upwardly revised A\$16.0b in Q4 2020. The consensus market forecast was for a slightly lower A\$17.8b surplus.

The rise in the current account surplus in Q1 was driven by an A\$5.2b increase in the trade surplus, which was partly offset by a renewed deterioration in the primary income deficit after seven quarters of narrowing.

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

	Change	Q1 2021	Q4 2020
Current Account	2,273	18,283	16,010
Trade Balance	5,238	24,761	19,523
Net Primary Balance	-3,063	-6,048	-2,985

The widening of the trade surplus reflected a further increase in exports of goods, both in nominal and real terms. The rise in exports in nominal terms was driven by the higher value of metal ores and mineral exports (mainly iron ore), which rose to a fresh record of A\$48.2b mainly thanks to a 14.0% surge in prices. The volume of iron ore exports ticked up by 1.2% and remained elevated.

A rise in exports was also recorded for other goods categories, with a notable exception of the volatile non-monetary gold.

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	1,418	13.8	-0.8
Metal Ores and Minerals	6,446	1.2	14.0
Coal, Cole and Briquettes	243	1.7	0.9
Other Mineral Fuels (Oil and Gas)	970	1.7	12.3
Non-Monetary Gold	-55	9.9	-9.7
Services	-1,246	-8.0	0.5

Goods imports increased by A\$2.3b, partly offsetting the positive impact of the higher exports on the current account surplus. The rise was led by intermediate and other merchandise goods, most notably fuels and lubricants.

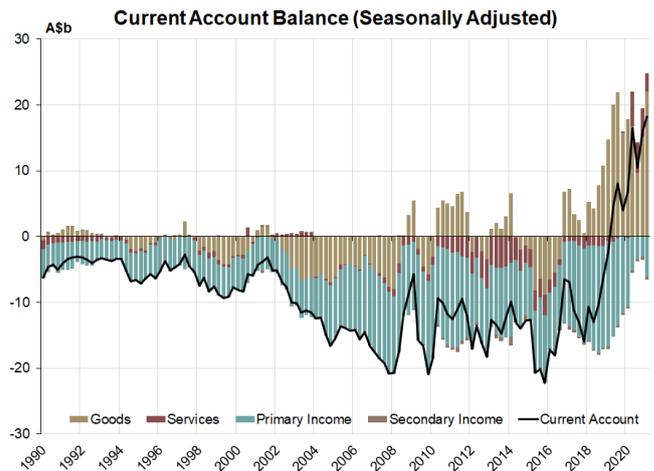
Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	226	3.1	-2.2
Capital Goods	-580	0.1	-3.0
Intermediate and Other Merch. Goods	2,322	4.7	3.4
Non-Monetary Gold	297	31.4	-9.6
Services	300	6.5	-3.8

The trade balance decreased by A\$3.0b in real terms and the ABS estimates that net exports reduced Q1 GDP growth by 0.6 percentage points.

The primary income deficit widened by A\$3.1b in Q1 2020, reflecting to a large extent a rise in income to foreign investors, particularly from portfolio investments.

Balance of Payments Q1 2021



Net International Investment Position

Australia's net international liability position narrowed to A\$874.6b, which is the narrowest negative position since early 2015. Net foreign debt declined to A\$1,138.9b due to the negative impact of price changes. The negative foreign net equity asset position stood at A\$264.2b at the end of March 2021.

Comment

The record current account surplus in Q1 2021 was driven mainly by a rise in commodity prices, particularly iron ore. The implicit price deflator for goods exports rose by 7.4% in the quarter. The rise in the volume of commodity exports, at 2.0%, was slower than the 3.3% rise in import volumes. This will be reflected in another negative contribution of net exports to Australian GDP growth.

At the same time, the rise in export prices, coupled with a fall in the prices of many imported commodities, has translated into a 7.4% surge in terms of trade, to the highest level since late 2011, which contributes positively to Australian national income.

1 JUNE 2021

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