

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account surplus widened to yet another record high of A\$23.9b in Q3 2021, from an upwardly revised A\$22.9b in the previous quarter.

Despite the record level, the Q3 current account surplus was somewhat lower than envisaged by the market consensus (A\$27.8b).

Similarly to the previous quarter, the rise in the current account surplus in Q3 was driven by an A\$8.1b surge in the trade surplus, partly offset by a A\$7.7b deterioration in the primary income deficit.

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

	Change	Q3 2021	Q2 2021
Current Account	1,016	23,886	22,870
Trade Balance	8,101	38,911	30,810
Net Primary Balance	-7,725	-14,327	-6,602

The wider trade surplus reflected a A\$9.7b jump in export values, which more than offset a A\$1.6b rise in imports.

The major contributors to the surge in the value of exports were coal, coke and briquettes as well as other mineral fuels (mainly oil and gas), which saw double-digit spikes in prices over the quarter.

Metal ores and minerals (mainly iron ore) was the only goods export category to decline in value in Q3. This was solely due to a 10.5% drop in prices, with export volumes seeing a solid rise

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	1,562	4.8	6.6
Metal Ores and Minerals	-4,167	3.1	-10.5
Coal, Coke and Briquettes	6,339	1.3	57.0
Other Mineral Fuels (Oil and Gas)	5,595	1.3	36.6
Non-Monetary Gold	224	0.5	3.3
Services	-809	-8.4	3.4

The rise in imports was driven by increases in imports of capital goods as well as intermediate and other merchandise goods, mainly on the back of the rise in oil prices.

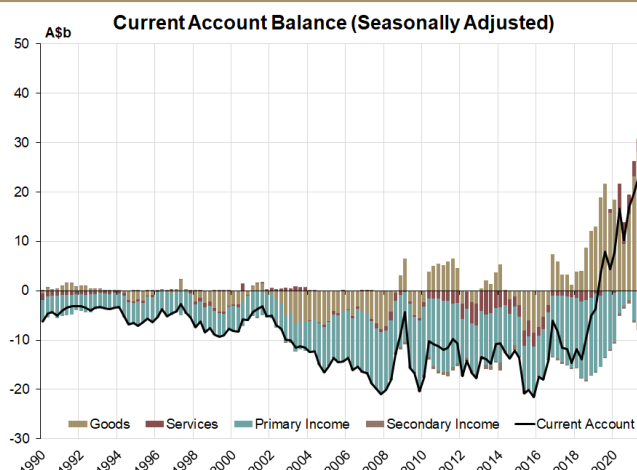
Imports of consumption goods fell, mainly due to declines in vehicle shipments amid supply-chain disruptions. Non-monetary gold, which is usually volatile, also saw a decline.

Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	-1,657	-9.5	4.2
Capital Goods	1,359	4.4	2.3
Intermediate and Other Merch. Goods	2,090	-1.5	8.0
Non-Monetary Gold	-547	-30.0	3.4
Services	306	-8.2	11.9

The terms of trade saw a slight uptick, to reach a fresh record high.

Balance of Payments Q3 2021



The primary income deficit widened to A\$14.3b, thereby coming back to pre-COVID levels. This was due to increased flows to non-residents amid higher profits and dividend payments by non-financial entities.

Net International Investment Position

The ongoing increase in the current account surplus was reflected in further narrowing in the net international liability position, which fell to A\$860.9b at the end of Q3.

Comment

Australia's external position has improved substantially over the past couple of years. This was due to higher prices of our key export commodities, the depressed level of imports, particularly of services amid travel restrictions, as well as the narrower primary income deficit amid lower income payments to foreign investors.

If Australia remains on its path to adjusting to living with COVID-19 and commodity prices normalise, the current account surplus is likely to fall over time.

The ABS estimates that net exports will add 1.0 percentage point to Q3 GDP growth.

30 NOVEMBER 2021

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