

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account surplus narrowed to A\$12,677m in Q4 2021, from the downwardly revised A\$21,981m in the previous quarter.

The decline in the current account surplus was driven by a lower trade surplus and, to a lesser extent, further deterioration in net primary balance.

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

	Change	Q4 2021	Q3 2021
Current Account	-9,304	12,677	21,981
Trade Balance	-6,399	31,001	37,400
Net Primary Balance	-2,719	-17,461	-14,742

The narrowing in trade surplus was due to both lower exports and higher imports.

The decline in exports reflected a drop in the value of metal ores and minerals (mainly iron ore) amid a plunge in prices for this commodity. The volume of metal ores and minerals actually saw a slight uptick. Exports of services also declined due to a lower volume.

These declines were offset by gains in other export categories, particularly energy commodities due to a surge in prices. The export volumes for these commodities fell.

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	1,122	2.9	4.6
Metal Ores and Minerals	-13,803	0.7	-28.8
Coal, Coke and Briquettes	6,971	-4.9	46.1
Other Mineral Fuels (Oil and Gas)	4,389	-4.9	31.5
Non-Monetary Gold	610	8.8	1.3
Services	-576	-4.6	0.8

The rise in imports was caused mainly by a broad-based rise in intermediate and other merchandise goods. The largest contributor to this increase were fuels and lubricants, to a large extent due to a surge in prices. Services imports also saw an increase in value, but volumes continued to decline. The other categories saw a decline in imports, which could reflect the persisting supply chain disruptions.

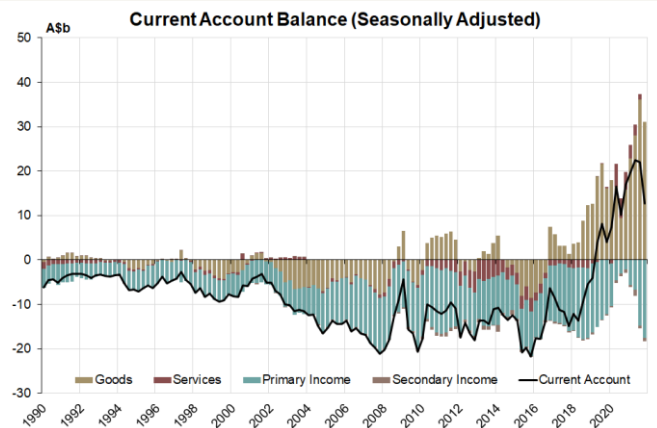
Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	-123	-2.6	2.1
Capital Goods	-68	-3.9	3.8
Intermediate and Other Merch. Goods	4,356	4.0	8.0
Non-Monetary Gold	-20	-2.7	1.3
Services	729	-4.8	12.4

The terms of trade fell 5.1% in Q4, from a record high in Q3, as a 5.8% increase in import prices more than offset a 0.4% in export prices.

The primary income deficit widened further, reaching the largest level on record. This was mainly due to increased income flows to non-resident investors as a result of higher commodity prices.

Balance of Payments Q4 2021



Net International Investment Position

The net international liability narrowed to A\$809.4b from A\$878.6b in Q3, with the net foreign debt liability declining to A\$1,204.9b while the net foreign equity asset position increased to A\$395.5b.

Comment

Despite the deterioration in Q4, Australia's current account balance remains healthy by historical standards. The smaller surplus in the final quarter of 2021 primarily reflected a rise in imports. The jump in services imports was largely driven by higher shipping costs.

With international travel restrictions being lifted for the vaccinated, the trade in services is likely to pick up over the course of 2022, though it will take some time to return to pre-pandemic levels.

The return to some form of normalcy over time (fingers crossed) will likely see the Australian current account move closer to balance, following an extended period of surpluses in excess of A\$10 billion.

With respect to tomorrow's Q4 national accounts, the ABS estimates that net exports will detract 0.2 percentage points from Q4 GDP growth.

1 MARCH 2022

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