

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account balance turned back to negative in Q1, dropping to -A\$4,896m from the downwardly revised +A\$2,667m (originally +A\$11,800m) in Q4 2023.

The A\$7,563m drop in the current account balance in Q1 was due to a A\$6,101m slump in the trade surplus and, to a lesser extent, a A\$1,493m rise in the net primary income deficit.

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

	Change	Q1 2024	Q4 2023
Current Account	-7,563	-4,896	2,667
Trade Balance	-6,101	17,765	23,866
Net Primary Income Balance	-1,493	-22,300	-20,807

The plunge in the trade surplus was due to a decline in exports and a rise in imports.

Exports of goods and services declined A\$1,850m (1.1%) in nominal terms, driven by a 1.5% fall in goods exports, while services saw a 0.6% gain.

The decline in goods exports in nominal terms was due to a 2.5% fall in export prices driven by an 8.6% plunge in prices of metal ores and minerals (mainly iron ore). At the same time, goods export volumes gained 1.1% in Q1, with a solid 8.3% rise in other mineral fuels (oil and gas).

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	-377	-2.9	0.7
Metal Ores and Minerals	-4,299	-0.1	-8.6
Coal, Coke and Briquettes	-534	-2.7	0.5
Other Mineral Fuels (Oil and Gas)	2,073	8.3	1.9
Non-Monetary Gold	978	8.6	3.5
Services	178	-1.1	1.8

The A\$4,251m (3.0%) increase in imports of goods and services in nominal terms was due to a broad-based 4.5% surge in goods imports, while imports of services declined by another 1.8%.

The rise in goods imports was driven by volumes, with increases for all categories except for the non-monetary gold. The strongest 9.5% gain was registered for consumption goods and was broad-based across the subcategories. Capital goods import volumes rose by 2.7%, while intermediate and other merchandise goods saw a 6.8% increase.

Prices declined across the imported goods categories (except gold), with intermediate and other merchandise goods seeing the largest decline of 2.7%.

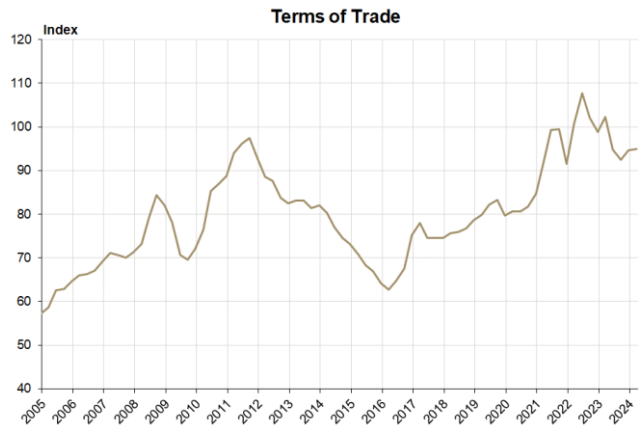
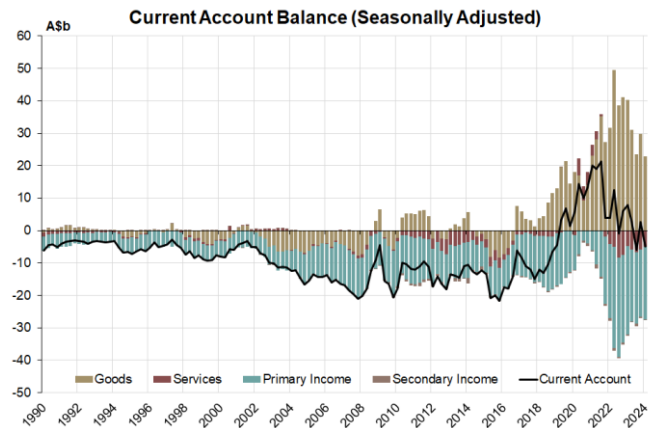
Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	2,426	9.5	-2.0
Capital Goods	642	2.7	-0.3
Intermediate and Other Merch. Goods	1,775	6.8	-2.7
Non-Monetary Gold	45	-1.8	3.8
Services	-637	0.7	-2.8

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Balance of Payments Q1 2024



The net primary income deficit widened by A\$1,493m to -A\$22,300m. This came as higher overseas income was more than offset by payments to foreign investors, driven largely by increased dividend payments to foreign investors in the petroleum sector due to higher profits amid a rise in LNG prices.

The terms of trade picked up by 0.2% in Q1, reflecting the relatively strong decline in import prices.

Net International Investment Position

The net international liability position narrowed from A\$834.2b to A\$730.3b, the smallest since Q2 2009. This was thanks to a strong rise in Aussie foreign equity assets amid gains in global share markets.

Comment

The Aussie current account position unexpectedly turned back to negative in Q1, following a bounce back into surplus in Q4 2023. This was mainly thanks to increased imports and decline in iron ore prices.

The ABS estimates that net exports detracted 0.9ppts from Q1 real GDP growth, with the report scheduled for release tomorrow. This will be offset by a positive contribution from the change in inventories, total public demand as well as investment in equipment, plant and machinery, reported by the ABS separately.

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