



RESERVE BANK OF AUSTRALIA

Explaining and Teaching Economic Concepts in the Classroom

The Balance of Payments: Trade and Financial Flows

Education



RESERVE BANK OF AUSTRALIA

Developments in Australia's Trade and Financial Flows

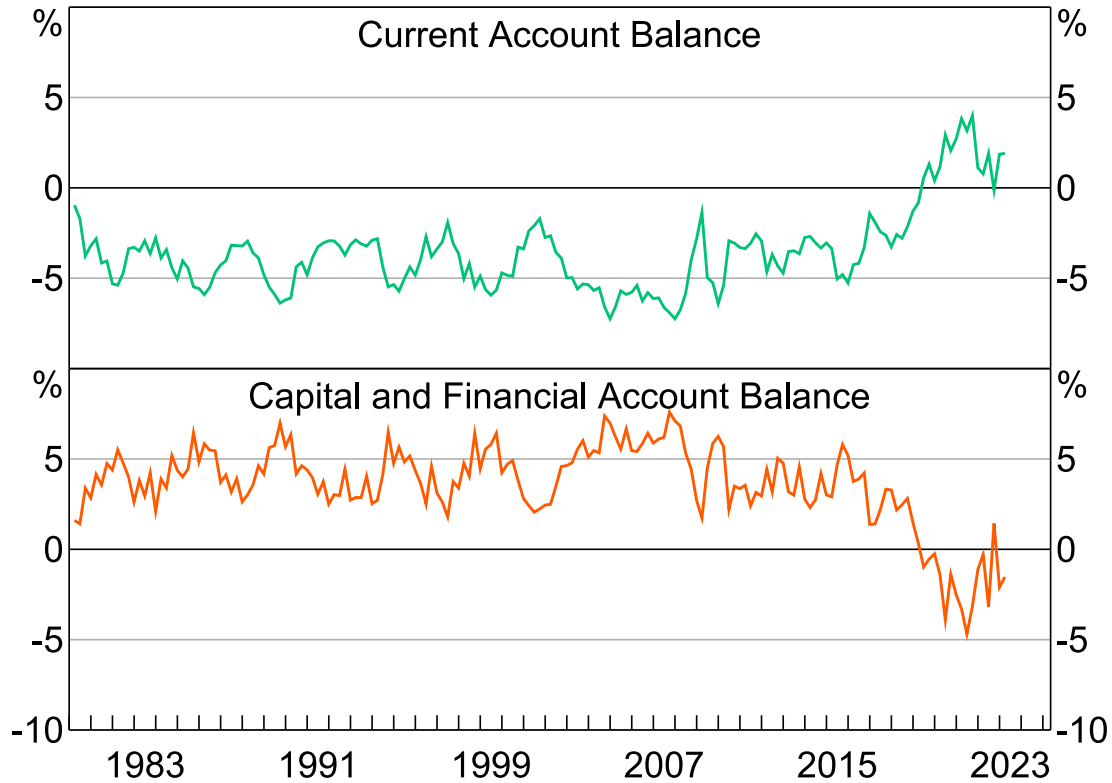
Tim Atkin

Education



Balance of Payments

Per cent of nominal GDP



Sources: ABS; RBA.



Outline

- A quick refresher...
- Savings and investment trends
- Current account perspective
- Financial account perspective
- The international investment position



A Quick Refresher...

- The BoP summarises economic transactions with the rest of the world
- Current account
 - Trade balance
 - Net income balance
- Capital and financial account
 - Net change in ownership of assets and liabilities / net capital flows
- International investment position
 - Net stock of financial assets and liabilities



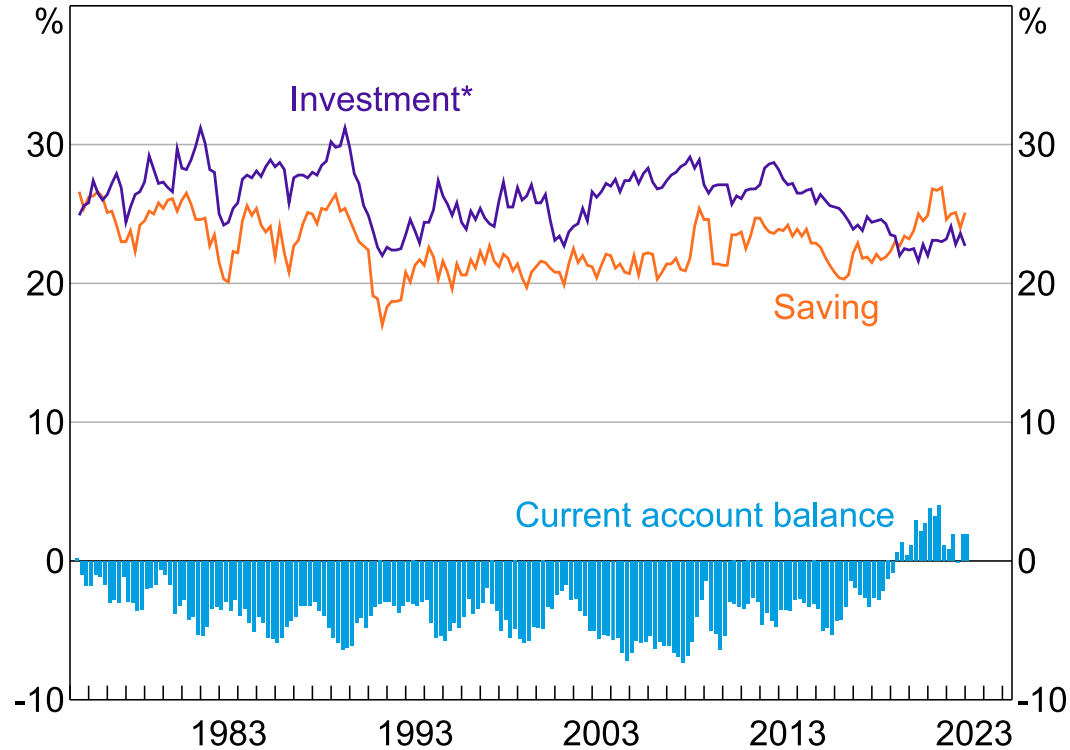
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Savings and Investment Trends



Saving and Investment

Per cent of nominal GDP



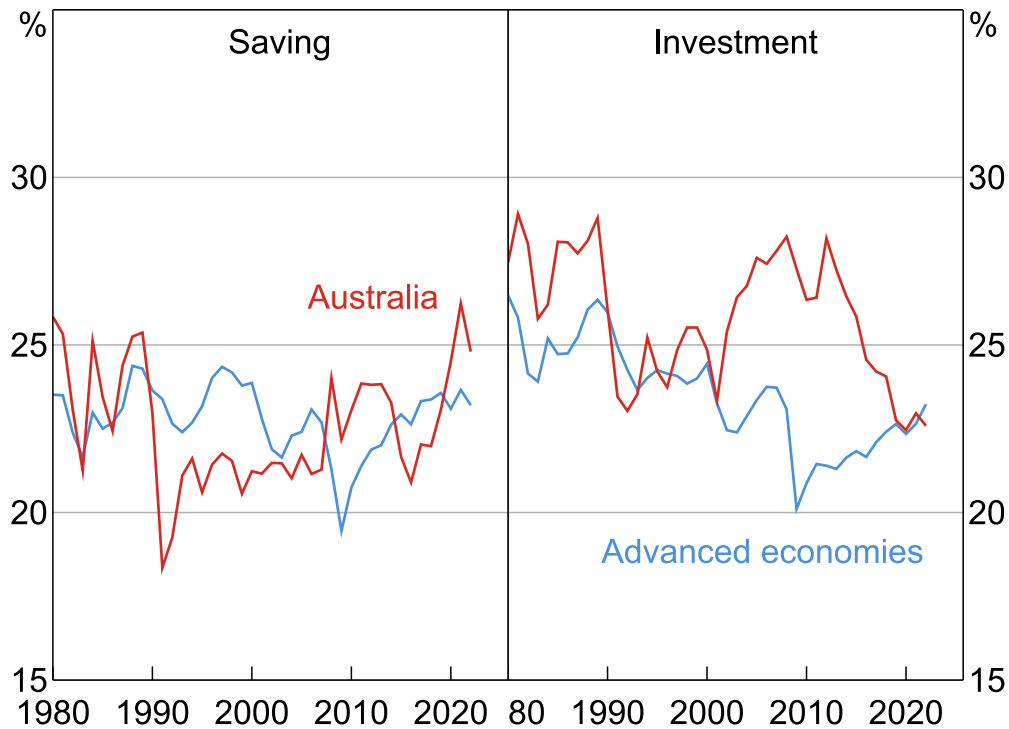
* Includes ownership transfer costs and change in inventories.

Sources: ABS; RBA.



National Saving and Investment

Per cent of nominal GDP

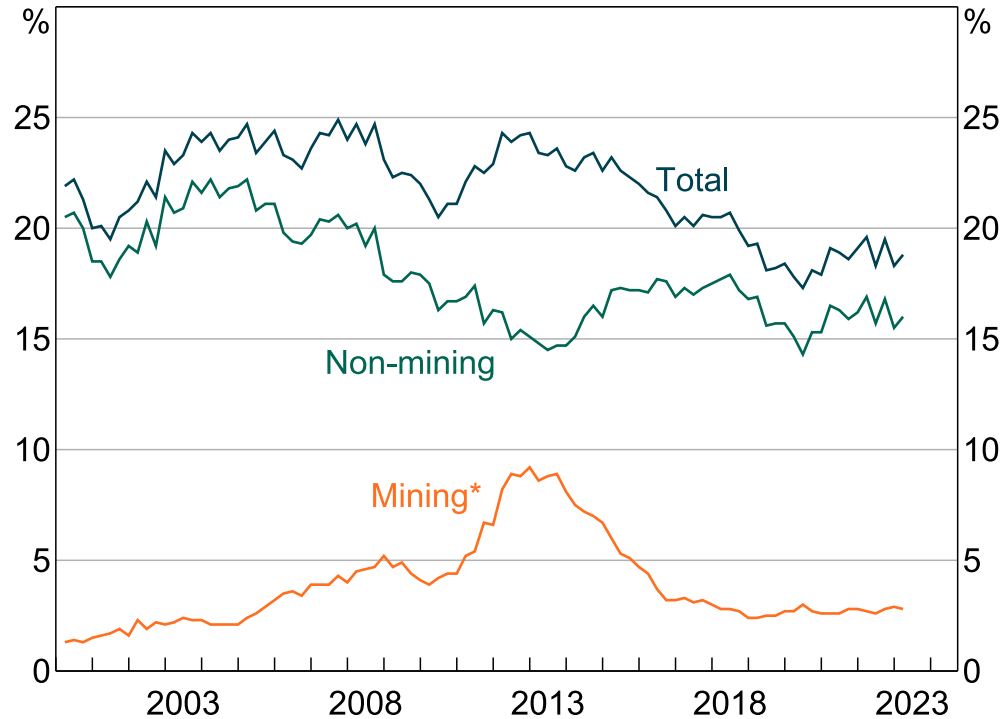


Sources: ABS; IMF; RBA.



Private Investment

Per cent of nominal GDP



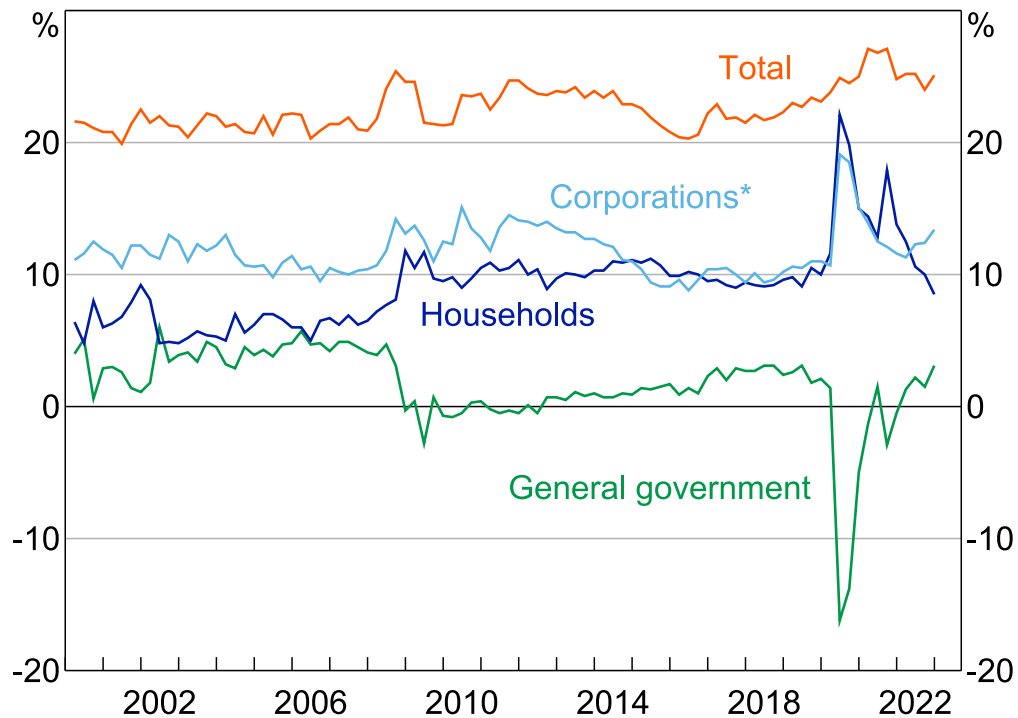
* Includes change in mining inventories.

Sources: ABS; RBA.



Gross Saving by Sector

Per cent of nominal GDP



* Corporations' savings are calculated as a residual.

Sources: ABS; RBA.

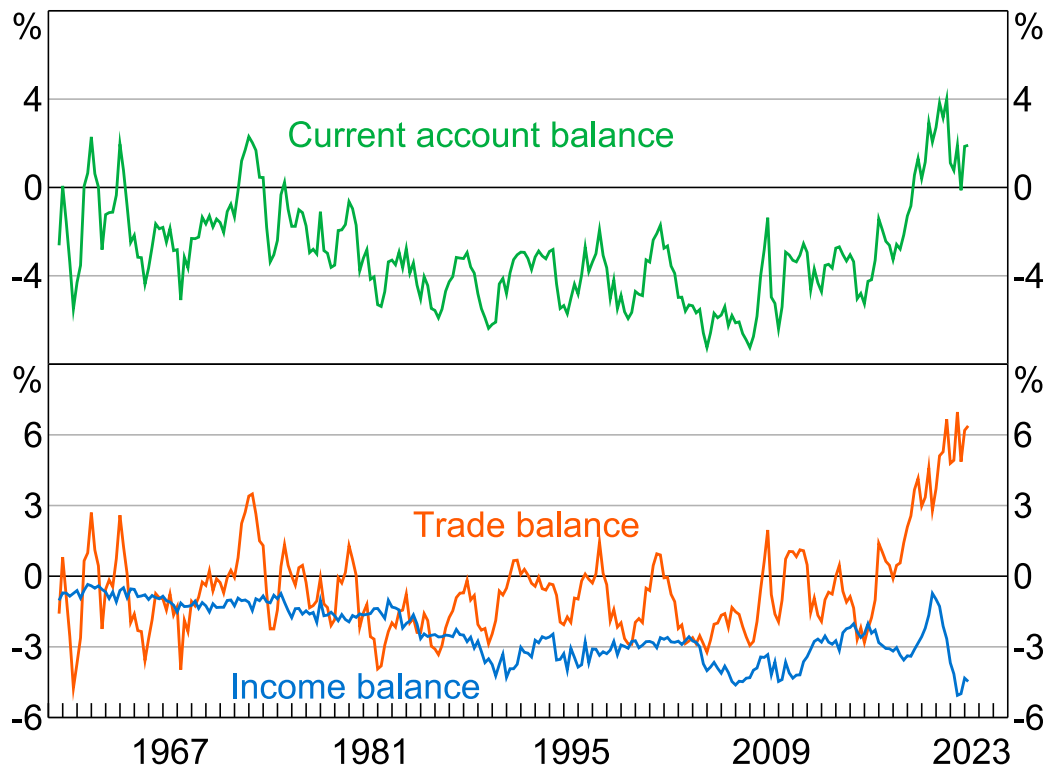


The Current Account Perspective



Current Account Balance

Per cent of GDP

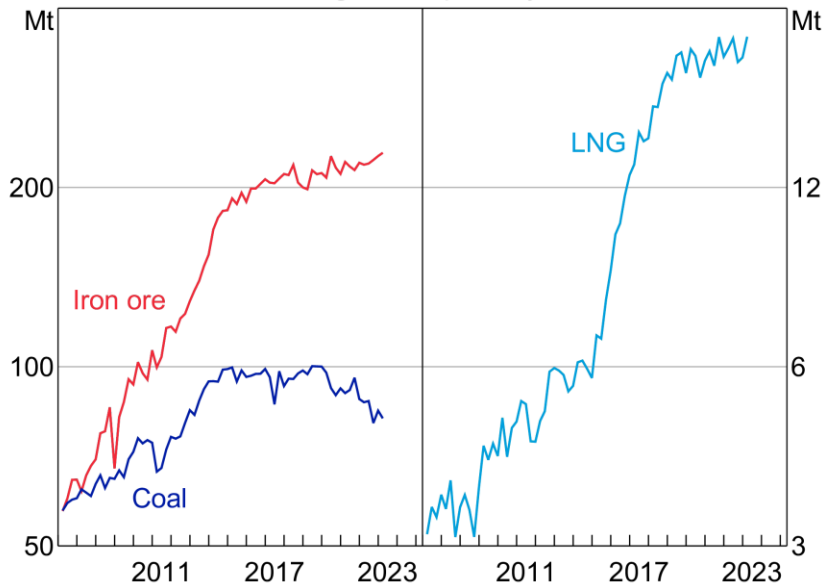


Sources: ABS; RBA.



Resource Exports*

Log scale, quarterly

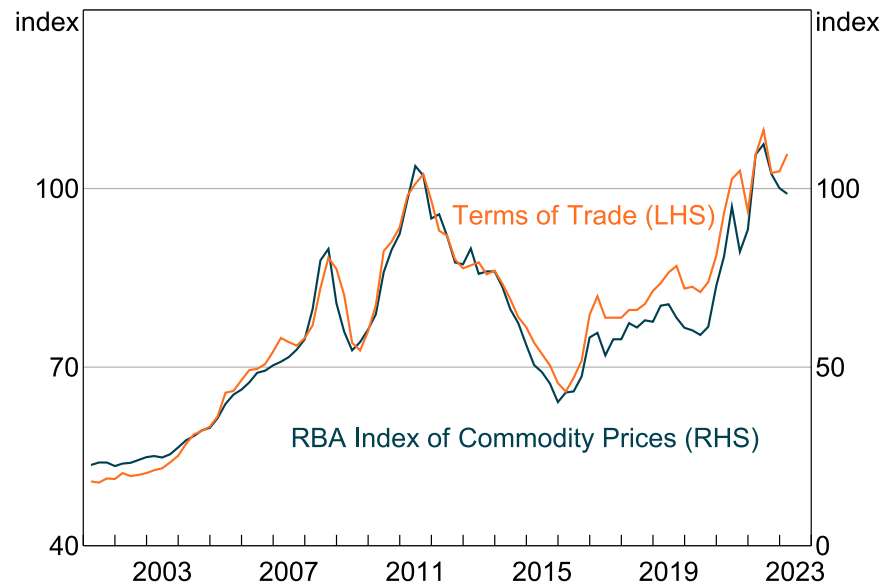


* Seasonally adjusted by the RBA.

Sources: ABS; Department of Industry, Science, Energy and Resources; RBA.

Terms of Trade and Commodity Prices

Indexed to 2011 = 100

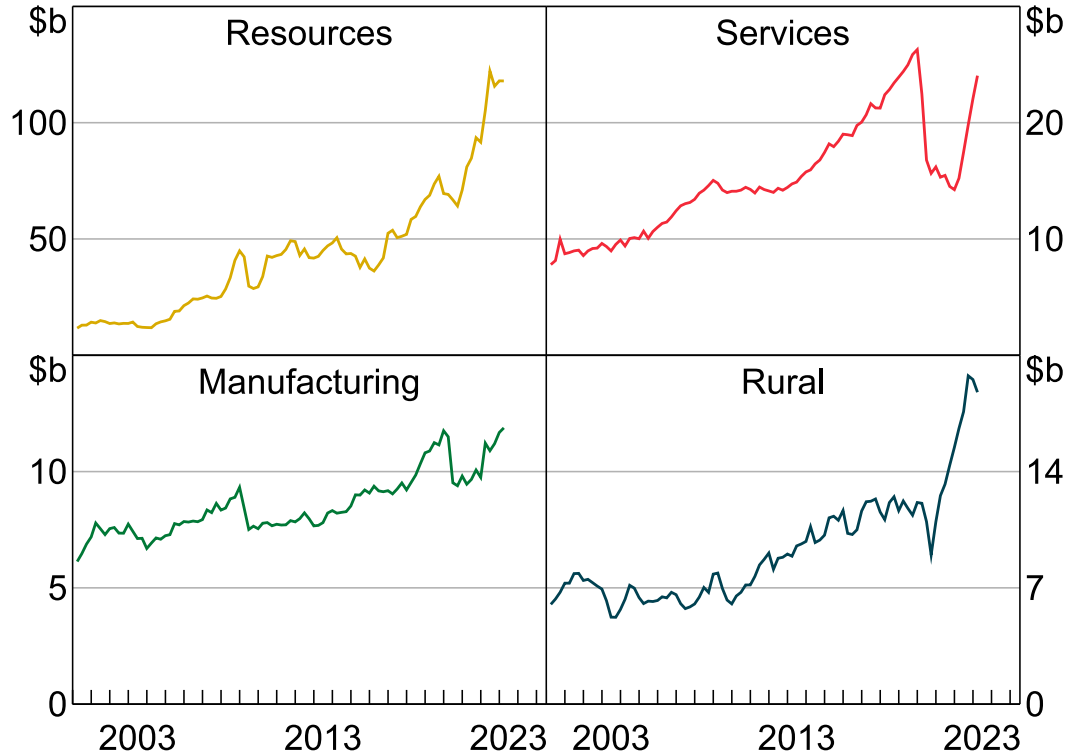


Sources: ABS; RBA.



Export Values

Quarterly

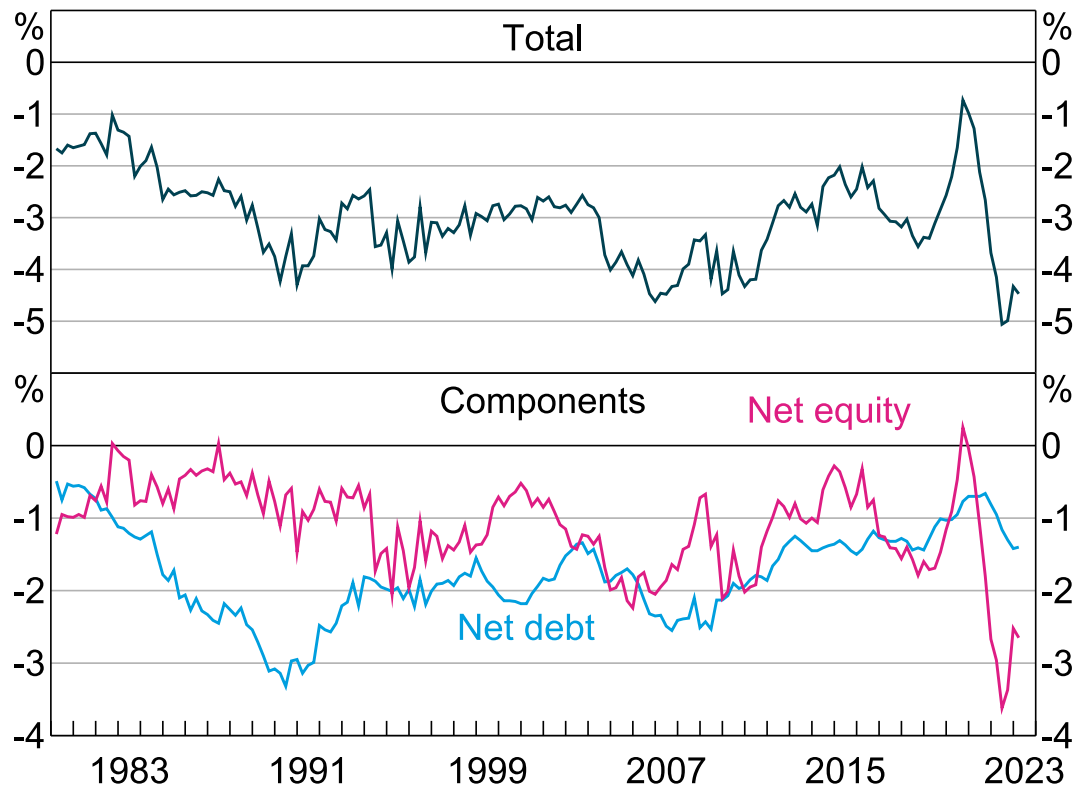


Sources: ABS; RBA.



Net Income Balance

Per cent of GDP



Sources: ABS; RBA.

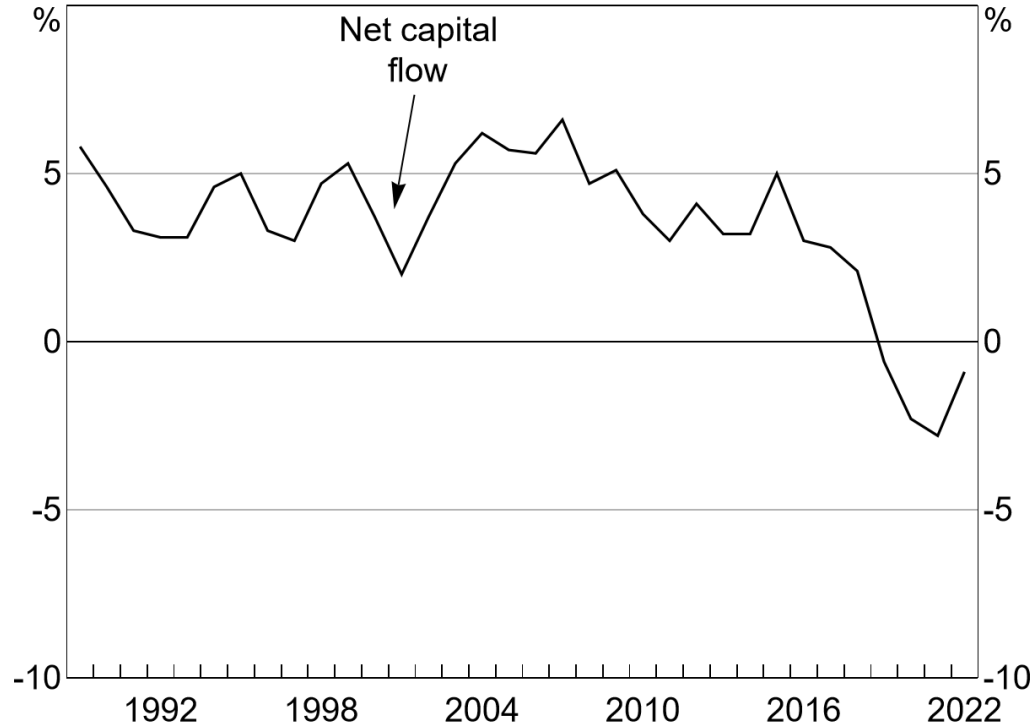
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The Financial Account Perspective



Australian Capital Flows by Type

Net inflows, per cent of nominal GDP

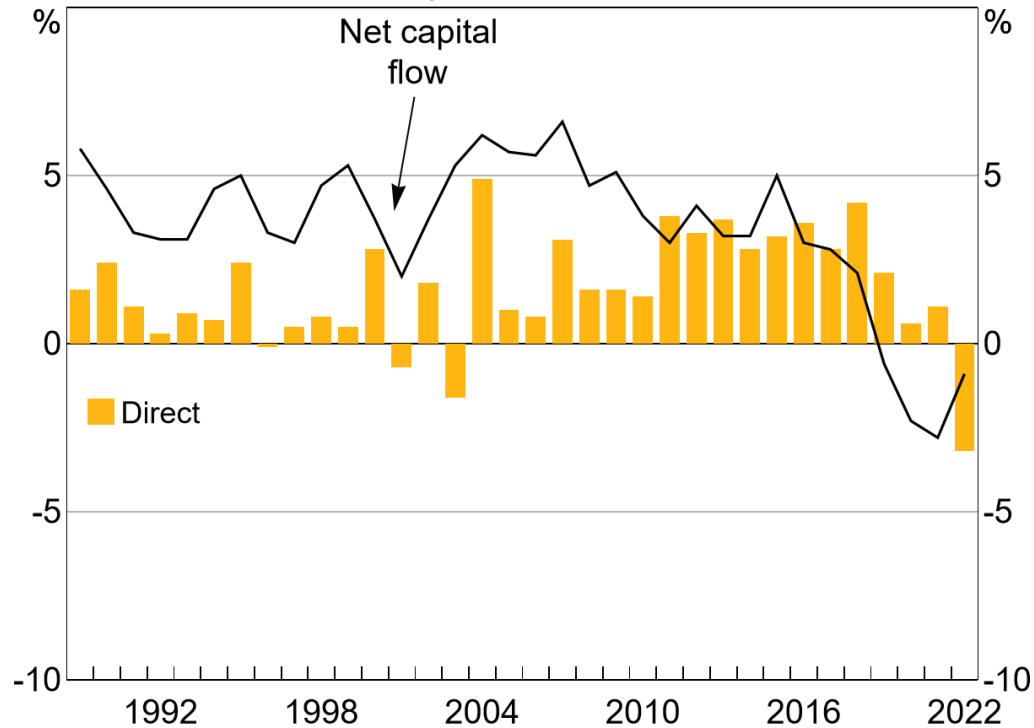


Sources: ABS; RBA.



Australian Capital Flows by Type

Net inflows, per cent of nominal GDP

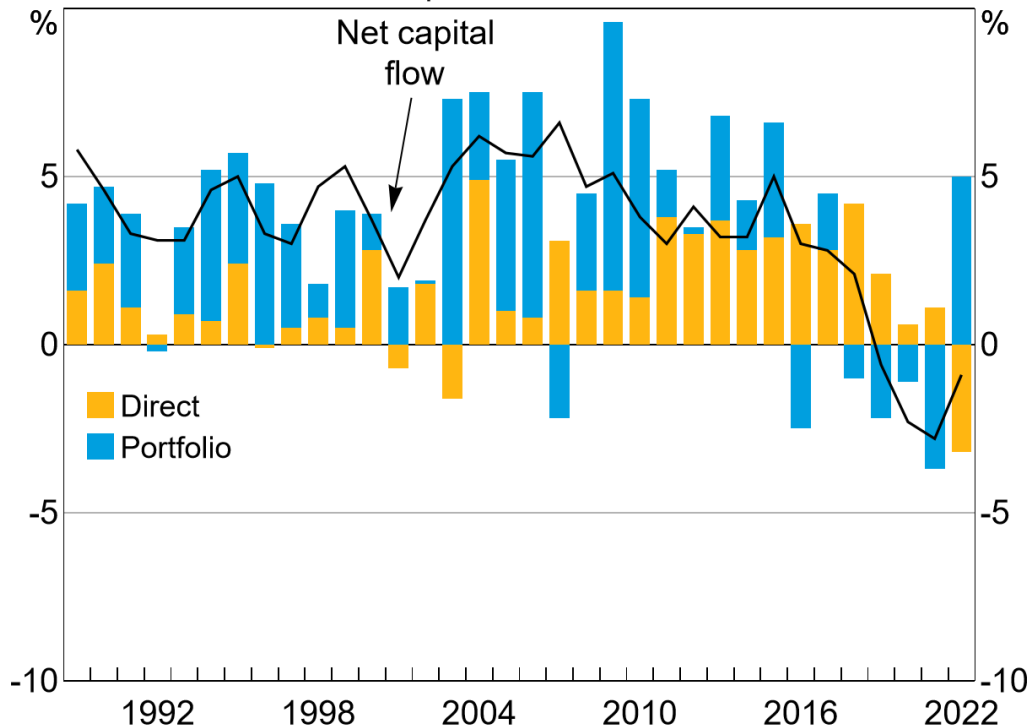


Sources: ABS; RBA.



Australian Capital Flows by Type

Net inflows, per cent of nominal GDP

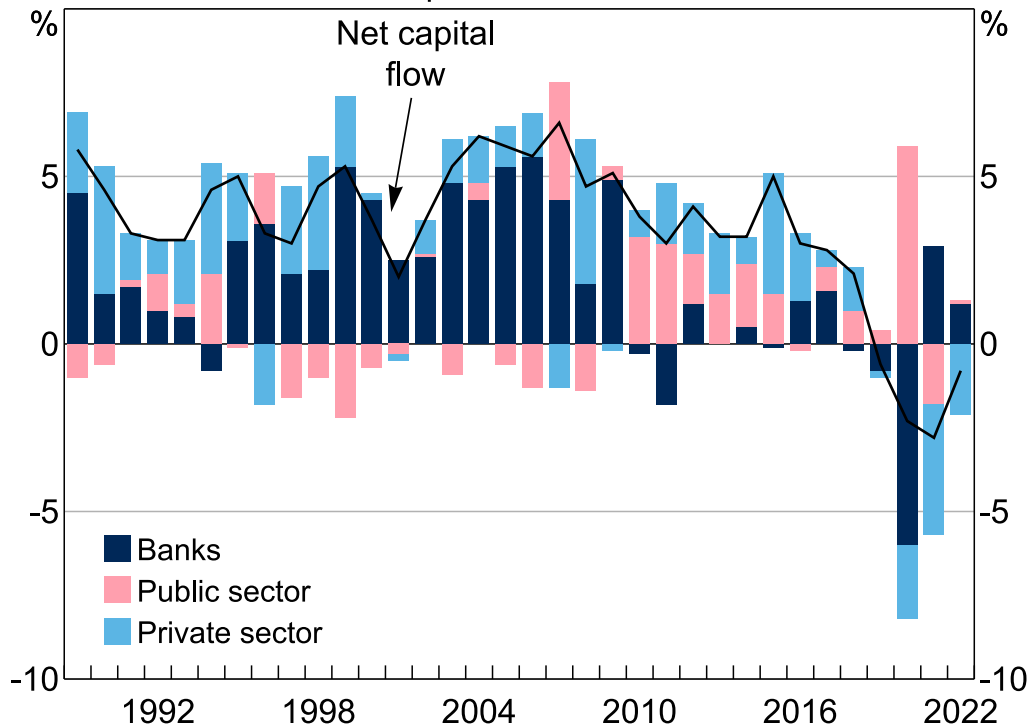


Sources: ABS; RBA.



Australian Capital Flows by Sector

Net inflows, per cent of nominal GDP



Sources: ABS; RBA.

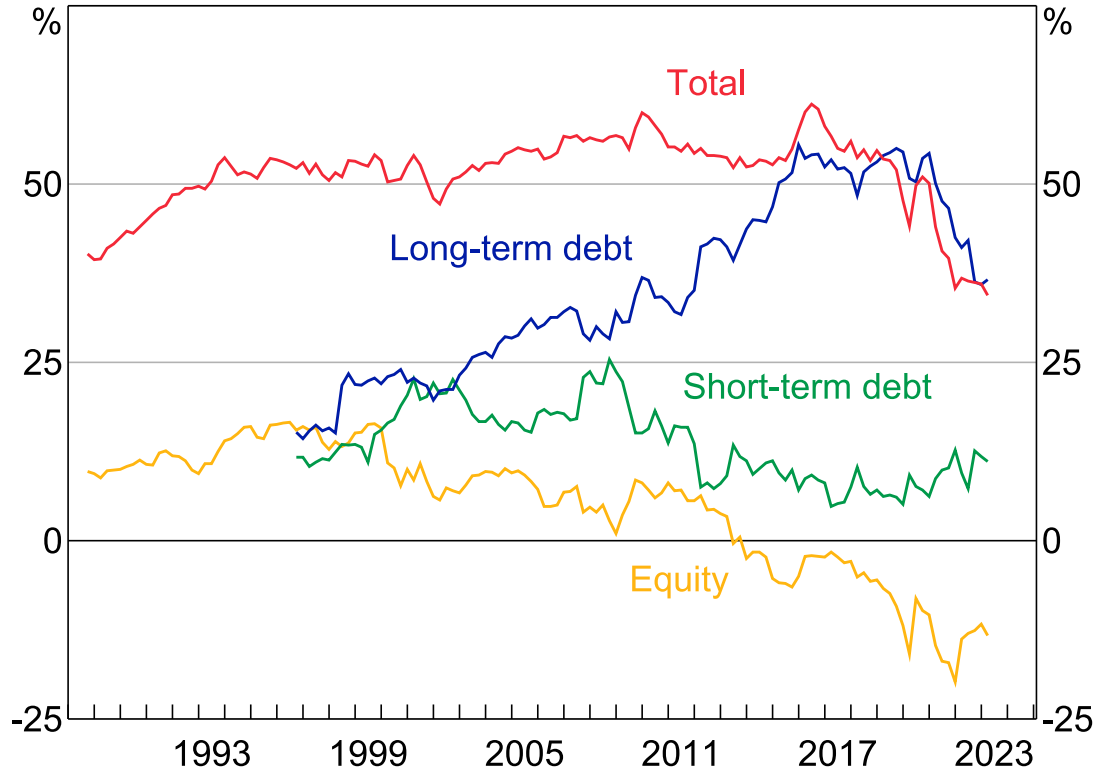


The International Investment Position



Net Foreign Liability Position

Per cent of GDP



Sources: ABS; RBA.



Summary

- The current account has shifted from deficit to surplus...
 - Increase in the trade balance to record highs reflecting export earnings and high commodity prices
- Mirrored by shift to net capital outflows and financial account deficit
 - Decline in foreign direct investment following the mining boom and increase in portfolio equity outflows as superannuation sector has expanded
- The net foreign liability position has declined
 - Widening in net foreign equity asset position and decline in net foreign debt position