



# Synergy's Economic Insights

COMMODITY PRICE AND EXCHANGE RATE

YOUR CONSIDERED BRIEFING ON  
THE AUSTRALIAN NATIONAL ACCOUNTS  
BROUGHT TO YOU BY SYNERGY'S  
ADVANCED ECONOMIC MODELLING GROUP



# AUSTRALIA'S NATIONAL ACCOUNTS – MARCH 2020

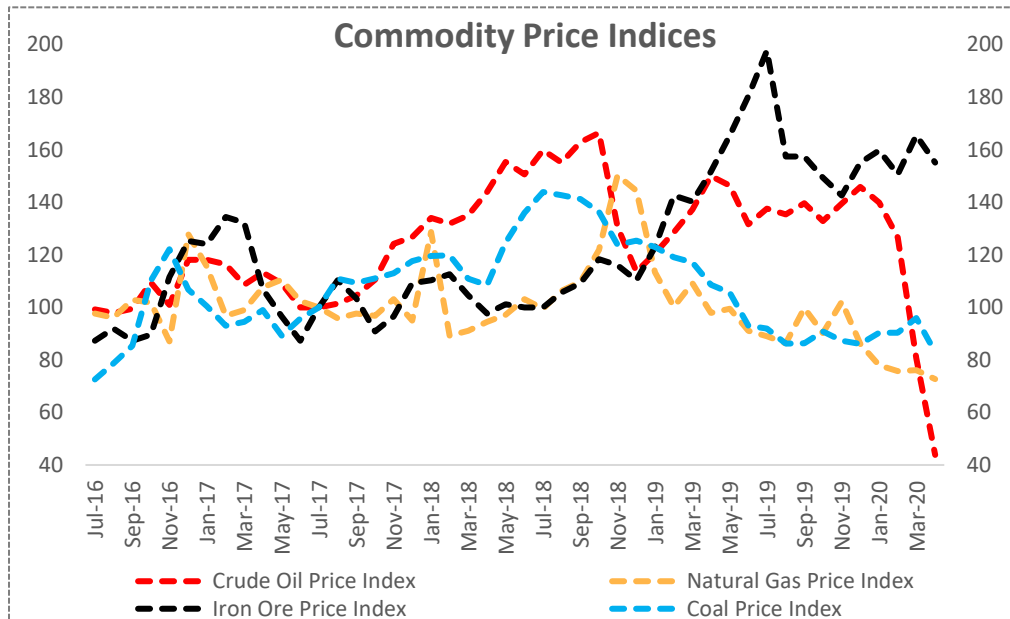
**Our objective is to provide key insights and thought leadership on topical issues affecting the economy through considered analysis.**

## Key Questions about the Australian Economy

- » How do we kick-start economic recovery post-COVID19?
- » How do we uplift workforce skills and avoiding economic situation of high unemployment and economic recession?
- » How do we jump-start productivity to speed up economic recovery?
- » How do we avoid chronic economic recession?

## Economic Overview – March 2020 – Commodity Price

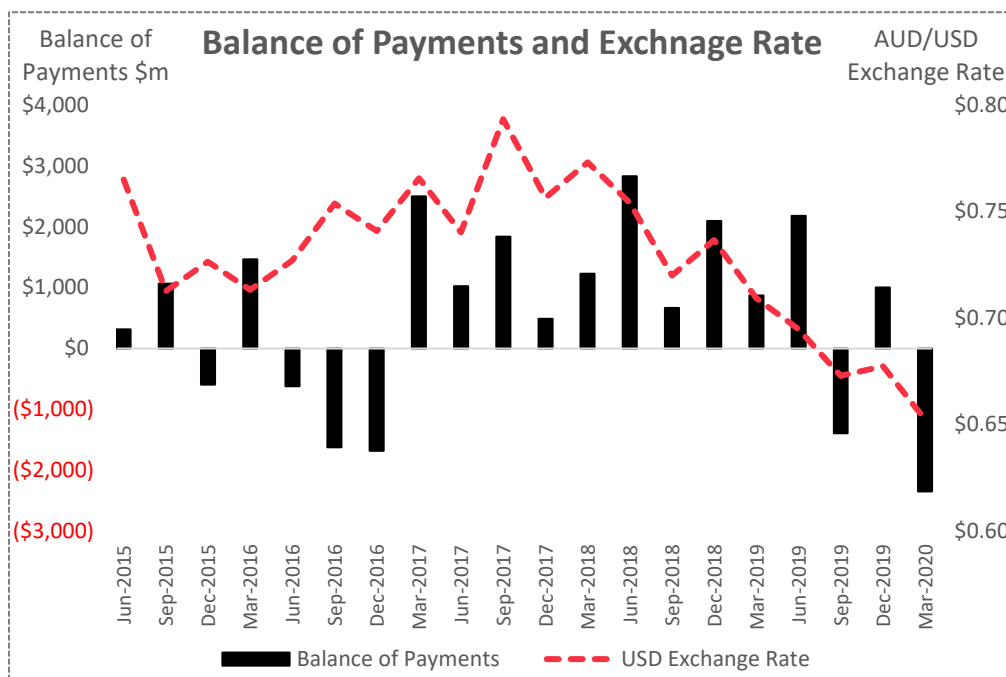
- » One of the lasting outcomes of the COVID-19 pandemic is the reduced economic activity causing significant changes in energy supply and demand patterns around the world.
  - Crude oil prices, in particular, have fallen significantly since the beginning of the year, largely driven by reduced oil demand because of COVID-19 restrictions of international and domestic travel in many countries as well as interruptions in attending workplaces.
  - Despite the April agreement between OPEC and partner countries (OPEC+) to reduce production levels crude oil prices have remained at some of their lowest levels in more than 20 years.
  - Short term forecasts of Brent crude oil prices are expected to average \$34 per barrel in 2020 (down from an average of \$64 per barrel in 2019) with prices expected to average at around \$23 per barrel during the second quarter of 2020 before increasing to \$32 per barrel during the second half of the year. Brent prices are forecasted to stabilise to an average of \$48 per barrel in 2021 after international travel restrictions are lifted.
- » Both prices of Natural Gas and Coal have declined recently due to the lower industrial production over the next few quarters caused by lower expected demand in the global economy.
- » One the other hand, China's demand for iron ore is expected to continue to increase in the short term with blast furnace steelmakers stepping up operations as the attempt to catch up on previously disrupted production, but the demand growth will be constrained in the medium-to-long run amid the spread of the global coronavirus outbreak.
  - Balance of payments continued to worsen significantly over the March 2020 quarter impacted by the restriction of international trade and continues to impact negatively on the value of the Australian dollar. The exchange rate adjustment also results in increasing competitiveness Australian exports in overseas markets aiding towards returning the Balance of Payment to balance in following periods.
  - While industrial production in Australia will remain constrained, the maintained activity in the mining sector has allowed Australia to retain resource exports revenues at previous levels.



Source: Index Mundi, Synergy AMG calculations

## Trade, Exchange Rate and Balance of Payment

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- » While industrial production in Australia will remain constrained, the maintained activity in the mining sector has allowed Australia to retain resource exports revenues at previous levels.



Source: ABS 5302.0, Yahoo Finance, Synergy AMG calculations

## What to look for in the June 2020 National Accounts

- » June Quarterly trade is anticipated to see further decrease of exports, while imports might recover slightly due to the appreciation of the Australian dollar
- » The appreciation is due to the rebuilt confidence from the investors to hold Australian currency while US dollar is losing its ground as a safe currency. Hence, Australian dollar will further appreciate (relative to major currencies) when global economic growth recovers and rises.

## What We Do

Advanced Modelling Group (AMG), specialises in:

- Labour Market, Workforce and Demographic Modelling
- Macroeconomic Modelling and Economic Impact Analysis
- Circular Economy
- Energy Modelling and Forecasting, Supply-Chain Modeling
- Cyber Security/Risk Economy
- Critical Infrastructure Modelling

## Contact Us

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