

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account surplus dropped A\$4,787m to A\$7,721m in Q2 2023, from the upwardly revised A\$12,508m in the previous quarter (originally A\$12,283m). This came against the market expected decline to a A\$8,000m surplus.

The drop in the current account surplus in Q2 was due to a lower trade surplus, partly offset by a narrower net primary income deficit.

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

	Change	Q2 2023	Q1 2023
Current Account	-4,787	7,721	12,508
Trade Balance	-7,952	31,422	39,374
Net Primary Income Balance	3,247	-23,416	-26,663

The decline in the trade surplus was due to lower exports and a slight increase in imports.

Goods exports fell by A\$10,523m (7.0%), reflecting a 9.3% decline in prices, while export volumes increased 2.5%. The decline in prices was big falls in commodity prices. Exports of metal ores and minerals (mainly iron ore) dropped 14.2% in nominal terms, despite a small lift in volumes, but remained high by historical standards.

Exports of services surged A\$3,128m (12.8%), mainly driven by a strong 18.5% increase in travel services volumes.

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	-574	0.9	-3.9
Metal Ores and Minerals	-7,021	0.3	-14.4
Coal, Coke and Briquettes	-2,529	11.0	-17.5
Other Mineral Fuels (Oil and Gas)	-1,845	4.9	-11.4
Non-Monetary Gold	907	6.9	6.4
Services	3,128	12.1	0.6

The rise in imports was due to a A\$1,842m (7.1%) increase in services imports that was partly offset by a A\$1,284m (1.2%) fall in goods imports.

The fall in goods imports was mainly due to a 1.0% fall in prices, while volumes were only slightly down. The decline in prices was driven by a 4.7% fall in the price index for intermediate and other merchandise goods, particularly fuels and lubricants (-13.7%).

At the same time, there was a decline in import volumes of consumption goods (-1.1%) and capital goods (-3.3%).

The surge in services imports was driven by a 15.0% rise in travel.

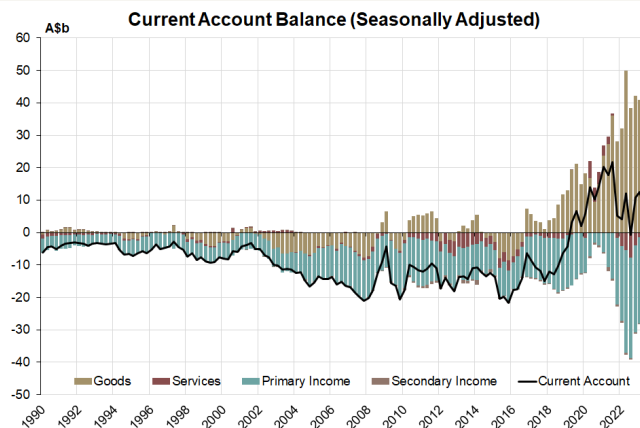
Key Imports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	-312	-1.1	0.2
Capital Goods	-274	-3.3	2.4
Intermediate and Other Merch. Goods	-841	3.0	-4.7
Non-Monetary Gold	143	-0.4	7.2
Services	1,842	4.7	1.6

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Balance of Payments Q2 2023



The net primary income deficit narrowed by A\$3,247m to A\$23,416m, mainly driven by lower payments to foreign investors largely due to weaker profits on investments in the mining sector.

The decline in export commodity prices was reflected in a 7.9% drop in the terms of trade.

Net International Investment Position

The net international liability position narrowed to A\$822.2b from A\$916.3b in Q1. This was thanks to a decline in net foreign debt to A\$1,169.5b from A\$1,199.5b. The negative net foreign equity position widened to A\$347.3b from A\$283.2b.

Comment

Despite the deterioration, Australia's current account balance remained solid in Q2, supported by ongoing strong demand and high prices for Australian commodities, despite the hefty fall in the quarter.

The ABS estimate that net exports contributed 0.8ppts to real GDP growth in the quarter.

The International Monetary Fund, in its recent External Stability Report, forecast the current account will eventually turn back negative, as windfalls from higher commodity prices dissipate.

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