WESTERN AUSTRALIAN
TREASURY CORPORATION

Economic Analysis

Balance of Payments Q3 2023

Balance of Payments

Australia's seasonally adjusted current account balance turned marginally negative in Q3, dropping to -A$158m from +A$7,782m (roughly unchanged from the initial estimate).

The A$7,940m drop in the current account balance in Q3 was due to a A$7,975m plunge in the trade surplus, which was marginally offset by a A$395m narrowing in the net primary income deficit.

Current Account Balance (A$m, Seasonally Adjusted)

	Change	Q3 2023	Q2 2023
Current Account	-7,940	-158	7,782
Trade Balance	-7,975	22,862	30,837
Net Primary Income Balance	395	-22,324	-22,719

The plunge in the trade surplus was due to lower exports and higher imports.

Goods exports fell by A$4,267m (3.1%), reflecting declines in both prices (-1.9%) and volumes (-1.2%). The decline in prices was driven by rural goods and fossil fuels, while metal ores and minerals (mainly iron ore) saw a 6.9% increase. Rural export volumes surged 11.8%, however, volumes fell across most non-rural commodities.

Exports of services rose by another A$745m (2.7%), led by travel, education and tourism.

Key Exports (Seasonally Adjusted)

	Change (A$m)	Volume (%)	Prices (%)
Rural Goods	240	11.8	-9.3
Metal Ores and Minerals	1,446	-3.4	6.9
Coal, Coke and Briquettes	-4,100	-6.8	-9.1
Other Mineral Fuels (Oil and Gas)	-3,156	-6.3	-7.6
Non-Monetary Gold	931	12.2	0.2
Services	745	1.9	0.7

The increase in imports was led by intermediate and other merchandise goods, which itself was driven by a A$1,432m increase in fuels and lubricants, due to a 13.5% increase in prices.

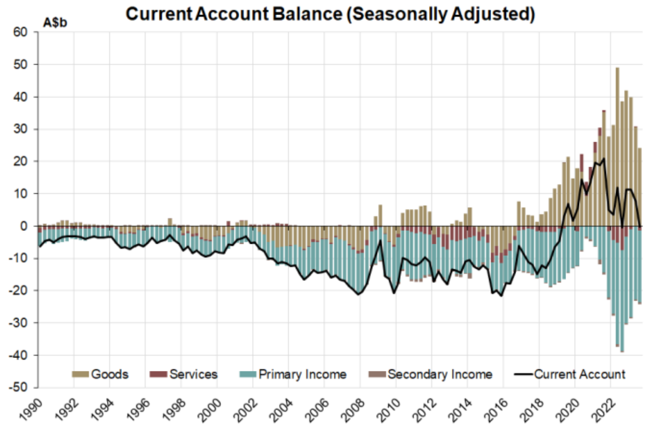
Capital goods imports climbed to a record high, led by a 3.4% increase in volumes, including a 16.6% rise in industrial transport equipment.

Consumption goods was the only category to see a decline as a strong gain in passenger vehicle imports was offset by lower imports of food and beverages as well as 'consumption goods not elsewhere specified'.

Services imports continued to rise briskly, with a A$2,079m increase, driven by outbound tourism.

Key Imports (Seasonally Adjusted)

	Change (A$m)	Volume (%)	Prices (%)
Consumption Goods	-72	-0.5	0.3
Capital Goods	902	3.4	0.0
Intermediate and Other Merch. Goods	1,307	-0.9	3.8
Non-Monetary Gold	237	11.0	-0.5
Services	2,079	8.4	-0.5



The net primary income deficit narrowed by A$395m to A$22,324m amid reduced dividend payments by public mining companies.

The decline in prices of rural goods and fossil fuels translated into a further 2.6% fall in the terms of trade.

Net International Investment Position

The net international liability position narrowed to A$814.7b from A$842.5b in Q2. Net foreign debt declined slightly, to A$1,166.6b from A$1,169.3b.

Comment

Aussie current account position turned slightly negative for the first time in a year, reflecting lower export volumes of non-rural commodities, a decline in fossil fuel and rural commodity prices and a rise in petrol prices in Q3.

However, the factors underpinning the strong Aussie external position remain. Demand for commodities and their prices, while lower than in the previous quarters, remain strong, while the recent retail sales data and other consumption indicators, suggest renewed weakness in consumer demand. Given this, the Aussie external position will likely remain more balanced than in the past.

The ABS estimate that net exports detracted 0.6ppts from real GDP growth in Q3.

5 DECEMBER 2023