WESTERN AUSTRALIAN
TREASURY CORPORATION

Economic Analysis

Balance of Payments Q1 2023

Balance of Payments

Australia's seasonally adjusted current account surplus rose A$581m to A$12,283m in Q1 2023, from the downwardly revised A$11,702m in the previous quarter (originally A$14,114m). This came against the expected A$14,800m surplus pencilled in by the market consensus.

The rise in the current account surplus in Q1 was driven by a higher trade surplus, partly offset by a wider net primary income deficit.

Current Account Balance (A$m, Seasonally Adjusted)

	Change	Q1 2023	Q4 2022
Current Account	581	12,283	11,702
Trade Balance	2,029	41,051	39,022
Net Primary Income Balance	-1,579	-28,534	-26,955

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

Goods exports fell by A$1,210m (0.8%), as strong declines in the value of fossil fuels and rural exports more than offset a A$5,610m (12.7%) surge in metal ores and minerals (mainly iron ore) and a gain in the volatile non-monetary gold. The surge in value of iron ore exports was mainly due to higher prices (12.3%), though there was also a slight pick-up in volumes (0.3%).

Exports of services rose A$1,987m (9.0%) driven by a surge in travel services.

Key Exports (Seasonally Adjusted)

	Change (A$m)	Volume (%)	Prices (%)
Rural Goods	-762	6.5	-9.8
Metal Ores and Minerals	5,610	0.3	12.3
Coal, Coke and Briquettes	-3,921	-7.8	-3.8
Other Mineral Fuels (Oil and Gas)	-1,966	3.6	-10.0
Non-Monetary Gold	683	6.4	4.8
Services	1,987	7.7	1.2

Imports were dragged down by falls in intermediate and other merchandise goods (-A$3,435m or -7.0%), a little under half of which came from lower imports of fuels and lubricants, and a drop (-A$526m or -2.0%) in services imports.

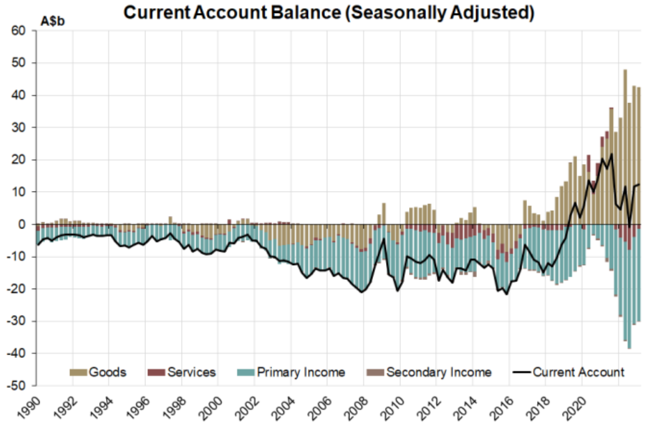
These declines were partly offset by increases in imports of consumption and capital goods, as well as the volatile non-monetary gold.

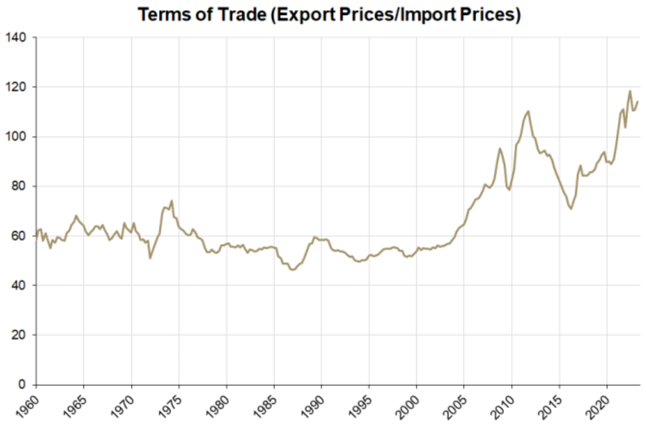
Key Imports (Seasonally Adjusted)

	Change (A$m)	Volume (%)	Prices (%)
Consumption Goods	791	4.9	-2.4
Capital Goods	1,231	5.2	-0.4
Intermediate and Other Merch. Goods	-3,435	-1.1	-6.0
Non-Monetary Gold	686	40.9	4.8
Services	-526	3.1	-4.9

The net primary income deficit rewidened by A$1,579m to A$28,534m, to be A$1,897m short of the record reached in Q3 2022.

The terms of trade picked up by 2.8%, to be just 3.7% lower than the record high from Q2 2022.





Net International Investment Position

The net international liability position narrowed to A$862.3b from A$881.1b in Q4 2022. This was thanks to a A$45.5b increase in net foreign equity assets to A$332.4b, partly offset by a A$26.7b rise in net foreign debt liabilities to A$1,194.8b.

Comment

Australia's current account remains solid, supported by the ongoing strong demand for Australian commodities. While lower in value terms in Q1, exports increased by another 1.8% in real terms, with gains for all major groups but coal, coke and briquettes.

However, volumes of imports rose more than real exports (3.2%), which will see net exports make a negative contribution to Q1 GDP growth (-0.2ppts) when the national accounts are released tomorrow.

The Australian economy continues to benefit from high commodity prices, with the terms of trade hovering around record highs.

Looking ahead, in its April World Economic Outlook forecasts, the International Monetary Fund predicts the Aussie current account surplus to narrow gradually, turn negative sometime in 2025 and remain in red thereafter.

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