

Balance of Payments Q3 2024

Balance of Payments

Australia's seasonally adjusted current account balance rose A\$2,202m to -A\$14,149m in Q3 from -A\$16,351m in the previous quarter, which was the widest deficit in eight years (originally -A\$10,725m). Market participants expected a current account balance of -A\$10,900m.

The Q3 current account deficit was the sixth consecutive one in a row.

The slight improvement in the current account balance in Q3 was thanks to the narrower net primary income deficit, partly offset by deterioration in the trade surplus.

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

| | Change | Q3 2024 | Q2 2024 |
|----------------------------|--------|---------|---------|
| Current Account | 2,202 | -14,149 | -16,351 |
| Trade Balance | -3,269 | 3,250 | 6,519 |
| Net Primary Income Balance | 5,507 | -17,317 | -22,824 |

The fall in the trade surplus was due to a A\$3,858m drop in exports of goods and services, only partly offset by a A\$589m decline in imports.

The fall in exports was quite broad-based, with rural goods as well as coal, coke and briquettes the only major categories to gain.

The strongest fall of A\$2,147m was registered for 'other mineral fuels' (mainly gas), amid a 2.5% decline in volumes and 7.7% drop in prices. Metal ores and minerals (mainly iron ore) saw a A\$1,302m decline, with volumes and prices ebbing by 1.4% and 1.8%, respectively.

Key Exports (Seasonally Adjusted)

| | Change (A\$m) | Volume (%) | Prices (%) |
|-----------------------------------|---------------|------------|------------|
| Rural Goods | 287 | 0.6 | 1.2 |
| Metal Ores and Minerals | -1,302 | -1.4 | -1.8 |
| Coal, Coke and Briquettes | 359 | 8.2 | -6.0 |
| Other Mineral Fuels (Oil and Gas) | -2,147 | -2.5 | -7.7 |
| Non-Monetary Gold | -317 | -7.6 | 4.4 |
| Services | -965 | -3.6 | 0.8 |

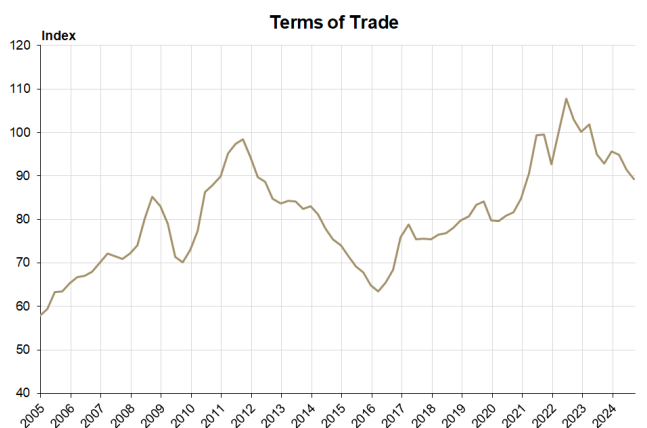
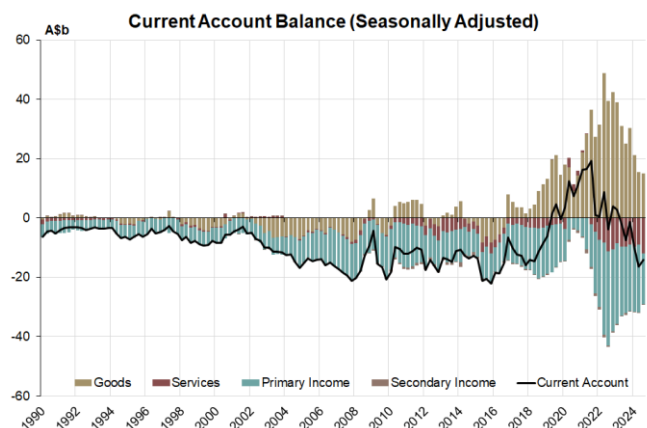
The fall in imports was driven by a A\$1,362m fall in imports of consumption goods amid a sharp fall in passenger vehicle deliveries, and a A\$1,753m drop in intermediate and other merchandise goods imports due to lower imports of fuels and lubricants.

At the same time, imports of capital goods and the volatile non-monetary gold saw slight gains in Q3, of A\$256m and A\$403m, respectively.

Services imports surged by A\$1,867m, driven by a A\$1,981m increase in travel-related services.

Key Imports (Seasonally Adjusted)

| | Change (A\$m) | Volume (%) | Prices (%) |
|-------------------------------------|---------------|------------|------------|
| Consumption Goods | -1,362 | -4.2 | 0.5 |
| Capital Goods | 256 | 1.6 | -0.7 |
| Intermediate and Other Merch. Goods | -1,753 | -1.7 | -2.0 |
| Non-Monetary Gold | 403 | 13.9 | 4.3 |
| Services | 1,867 | 3.0 | 1.9 |



The net primary income deficit narrowed A\$5,507m to a three-year low of -A\$17,317m. The improvement reflected lower dividend payments to foreign investors amid the recent declines in commodity prices.

The decline in export prices has translated into a further decline in the terms of trade, which reached the lowest level since late 2020.

Net International Investment Position

The net international liability position widened to A\$716.5b from A\$695.9b in Q2, with a A\$56.6b increase in net foreign debt to A\$1,302.9b more than offsetting a A\$35.9b increase in net foreign equity assets.

Comment

As expected, the Australian current account has turned sustainably negative, after a run of positive balances amid a sharp rise in export values in the wake of the pandemic recovery and Russia's invasion of Ukraine.

The International Monetary Fund expects that the current account will remain in deficit next year, reflecting the expected gradual recovery at home and only modest growth abroad. The likely rise in trade barriers during the second Trump presidency is a major risk factor for Aussie exports looking forward.

The ABS estimates that net exports added 0.1ppts to real GDP growth in Q3.

03 December 2024