

6 September 2022

## Australia's current account: Surplus widens on a record trade performance. Q2 Current a/c: **\$18.3bn (3.0% of GDP)** Net export, ppts cont'n: **+1.0qtr, -0.9yr** Terms of trade: **4.6qtr, 7.5%yr**

Australia's current account remains in surplus, for a record 13th consecutive quarter.

The surplus, having narrowed to only \$2.8bn in the March quarter, widened to a sizeable \$18.3bn (3.0% of GDP) in the June quarter 2022.

Key to this improvement was a record trade surplus, which jumped to \$43.1bn in the June quarter, representing 7.2% of GDP. That was a \$16.3bn increase on the quarter prior.

The net income deficit, having touch an historic low of \$4bn in the final quarter of 2020, has widened progressively, to be at \$24.8bn in the June quarter 2022, representing -4.1% of GDP - which is now larger than the post 1980 average of -3.0% of GDP.

Export earnings surged over the first half of the year, up by 10.4% in the March quarter (on higher prices) and then rose by a further 14.7% in the June quarter, on a combination of higher prices, +8.8%, and higher volumes, +5.5%.

The import bill is up by 33% over the past year, including a 21% rise in prices and a 10% increase in volumes. For the June quarter, the import bill increased by 4.6%, centred on higher prices, up by 3.9%.

The terms of trade is at a record high, with the rest of the world paying Australia considerably more for our exports - notably for resources. The terms of trade posted a 4.6% increase in the quarter, to be 7.5% higher over the year - and a staggering 77% above the long-run average.

Import volumes advanced by a further 0.7% in the June quarter, building upon an 11.3% surge the quarter prior. Goods imports edged 1.6% lower, after a 9% increase in March,

Since the end of 2019, prior to the pandemic, import volumes in total are up by 4.4%, including a 16.3% increase in goods (in response to increased domestic demand) and a 32.4% decline in services.

Service import volumes are up sharply over the first half of 2022, +27.6% in Q1 and +14.3% in Q2. Overseas travel has taken off again, with the reopening of the national border.

Export volumes had a strong showing in the June quarter, up by 5.5%, including a 4.2% rise in goods.

However, that still leaves export volumes 8.9% below pre-pandemic levels, including goods at -0.8% and services at -38%.

Resource export volumes are down by 2.4% on pre-pandemic levels, impacted by supply disruptions. The positive is that these constraints eased in the June quarter, such that volumes increased by 5%, including +2.6% for both metal ores and for coal. Other mineral fuels (dominated by LNG) rebounded, so

### External accounts

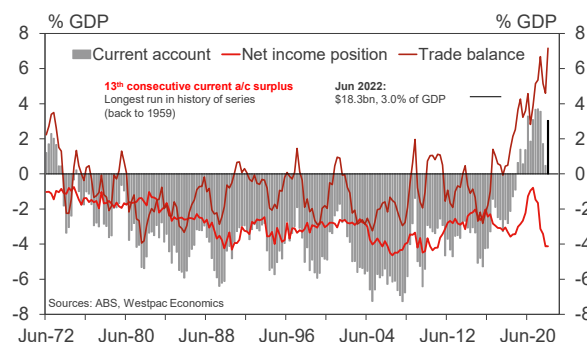
AUDbn	Quarter		Annual	
	Mar	Jun	Mar	Jun
Trade balance	26.7	43.1	120.9	134.8
Income balance	-24.0	-24.8	-69.0	-84.8
Current account balance	2.8	18.3	51.8	50.0
% of GDP	0.5	3.0	2.3	2.2

%chg	Quarter		Annual	
	Mar	Jun	Mar	Jun
Export volumes	-0.8	5.5	-4.9	+4.9
Import volumes	11.3	0.7	10.7	10.0
Net exports, contr'n ppts	-2.3	1.0	-3.1	-0.9
Terms of trade	7.5	4.6	9.8	7.5

Sources: ABS 5302, Westpac Economics

### Current a/c surplus: at \$18.3bn for Q2



too gold and base metals.

Manufactured goods exports are also down on pre-pandemic levels, -14.7%, impacted by supply disruptions (globally and domestically).

Rural goods have been a bright spot, on improved seasonal conditions. They are up 16% on pre-pandemic levels, including a 5.9% rebound in the June quarter.

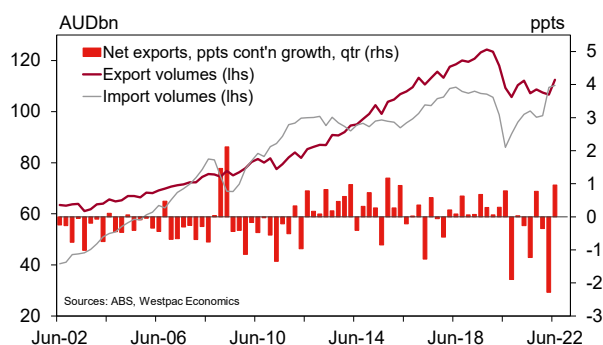
Service exports turned the corner, on the border reopening, up by 5.3% in the March quarter and rising 13.7% in the June quarter. That still has them 38% below pre-pandemic levels.

**Andrew Hanlan**, Senior Economist ph (61-2) 8254 9337

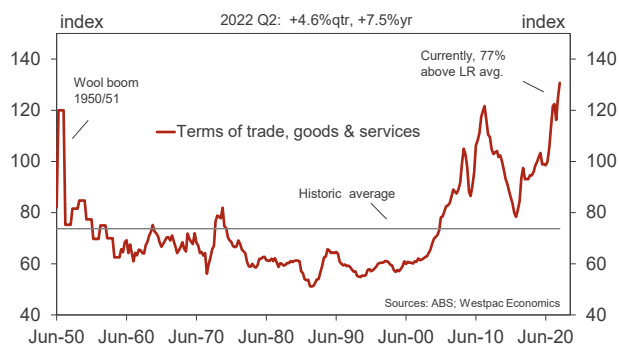
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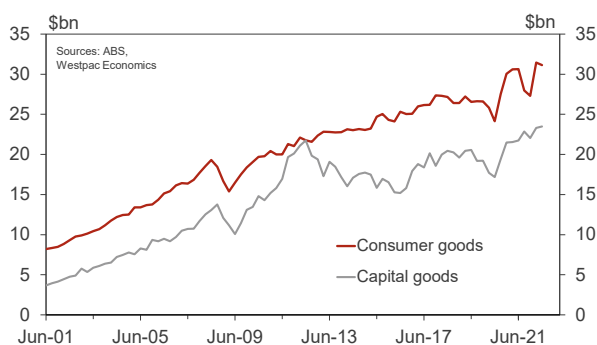
## Net exports, Q2: +1.0ppt qtr, -0.9ppts yr



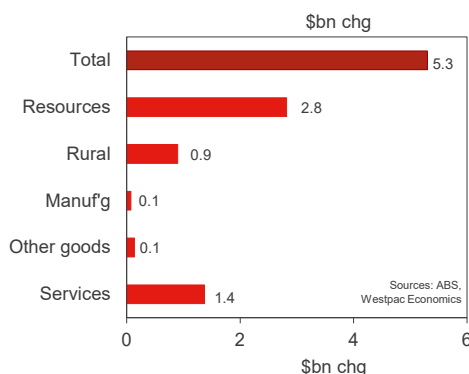
## Terms of trade, record high



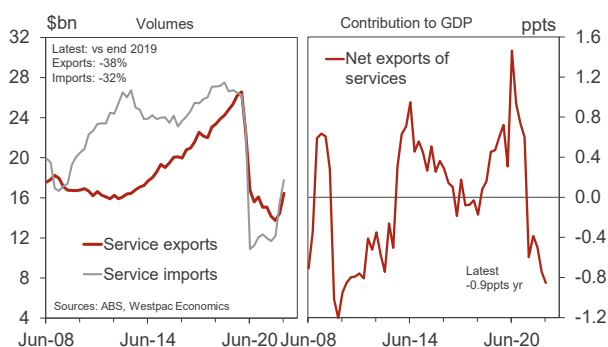
## Import volumes rebounded sharply post delta



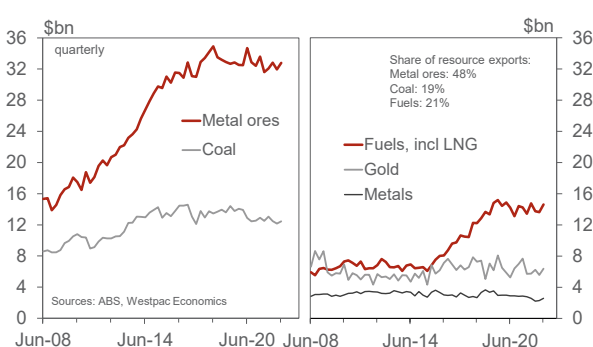
## Export performance (volumes): yr to Jun 2022



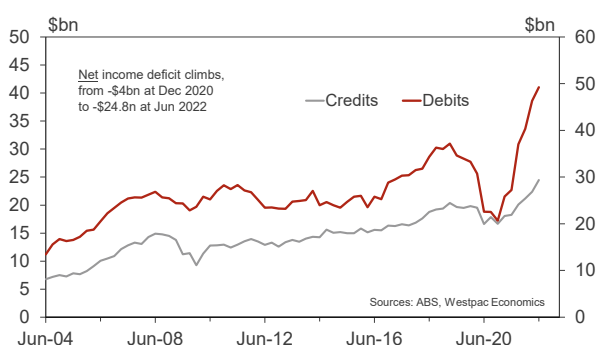
## Border reopens: trade in services rebounds



## Resource exports: volumes



## Income flows: net income deficit, \$24.8bn



## Australia's external position



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