

6 June 2023

Australia's current account: Surplus consolidates, net exports a small negative. Q1 Current a/c: **+\$12.3bn (1.9% of GDP)** Net export, ppts cont'n: **-0.2qtr, +1.3yr** Terms of trade: **+2.8qtr, +0.1%yr**

Australia's current account surplus consolidated in the opening quarter of 2023, printing at \$12.3bn (representing 1.9% of GDP), following an \$11.7bn outcome the quarter prior (revised down from \$14.1bn).

The current account has now been in surplus for 15 of the past 16 quarters (from June 2019 onwards). Note the result for the September 2022 was revised lower, to be a wafer-thin deficit of \$0.8bn.

For the March quarter 2023, the trade surplus widened a little, rising by \$2bn, while the net income deficit deteriorated a little, a move of \$1.5bn.

The trade surplus printed at \$41.1bn for the March quarter, representing a very sizeable 6.4% of GDP - only a little below the peak in the June 2022, of 7.0% of GDP.

Net exports are a small negative for GDP growth in the March quarter, subtracting -0.2ppts, with import strength outpacing the expansion of exports in the period.

The terms of trade remains near its historic high. The index rose by 2.8% in the quarter (with the dip in import prices, -4.0%, exceeding the drop in export prices, -1.3%). That has the terms of trade 67% above its long run average and only 3.7% below the peak of June 2022.

The net income deficit deteriorated over the past couple of years to be at \$28.8bn in the March quarter 2023, representing a relatively sizeable -4.5% of GDP - well above the post 1980 average of -3.0%.

Export volumes grew 1.8% in the March quarter to be 10.8% above the level of a year ago, but still 4% below pre covid levels.

Goods export volumes nudged 0.7% in the quarter and grew by 5% over the past year, to be unchanged on pre-covid levels. Rural goods have been a stand-out on improved seasonal conditions, up by 6.5%qtr, 15.1%yr to be 29% above end 2019. Resource exports continue to struggle, with a broadly flat result for the quarter (-0.2%) to be 5.1% higher over the past year but still 1.5% below end 2019.

Service exports are in recovery on the reopening of the national border, resulting in increased tourism and greater student numbers. Service exports grew in March by 7.7%qtr, 49.7%yr to be still below pre covid levels, by some 18%.

Import volumes rose strongly in the March quarter, expanding by 3.2%qtr, 5.1%yr to be above pre covid levels by 6.7%.

From the start of 2022, the story has been one of import strength, to meet rising domestic demand and with the national border reopening permitting more of us to holiday abroad.

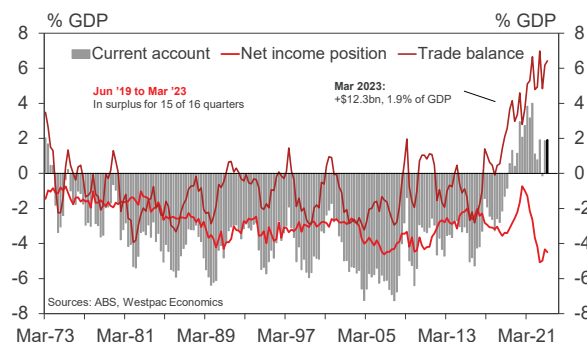
External accounts

AUDbn	Quarter		Annual	
	Dec	Mar	Dec	Mar
Trade balance	39.0	41.1	140.6	152.7
Income balance	-27.3	-28.8	-113.5	-117.9
Current account balance	11.7	12.3	27.1	34.8
% of GDP	1.9	1.9	1.1	1.4

%chg	Quarter		Annual	
	Dec	Mar	Dec	Mar
Export volumes	1.4	1.8	8.1	10.8
Import volumes	-4.0	3.2	12.4	5.1
Net exports, contr'n ppts	1.1	-0.2	-0.5	1.3
Terms of trade	0.3	2.8	6.9	0.1

Sources: ABS 5302, Westpac Economics

Current a/c surplus consolidates at \$12.3bn



Goods import volumes grew by 3.3%qtr, 0.2%yr in March, to be a sizeable 17.3% above pre covid levels.

Consumer goods posted a sizeable 4.9% rise in the quarter (in part contributing to an inventory rebuild) to be 21.7% above end 2019 levels. Capital goods also rose strongly in the March quarter, rising by 5.2%qtr, to be 27.4% above end 2019.

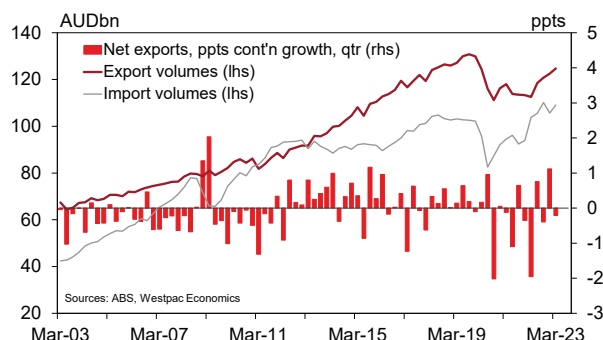
Service imports are also in recovery mode on the border reopening, with growth in the March quarter of 3.1%qtr, 33.6%yr. That has service imports still below levels pre covid, by 26.7% - pointing to the scope for further gains over coming quarters (a move albeit likely tempered by the slowing economy which will weigh on consumer spending, including overseas holidays).

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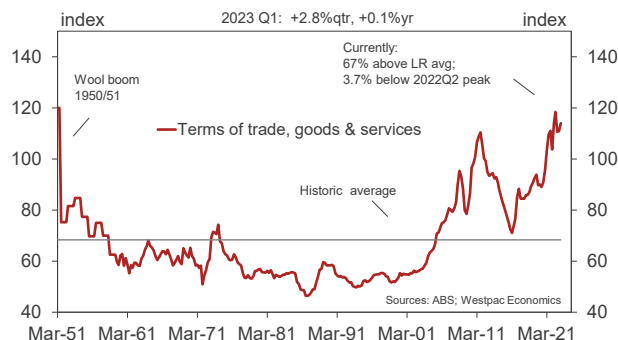
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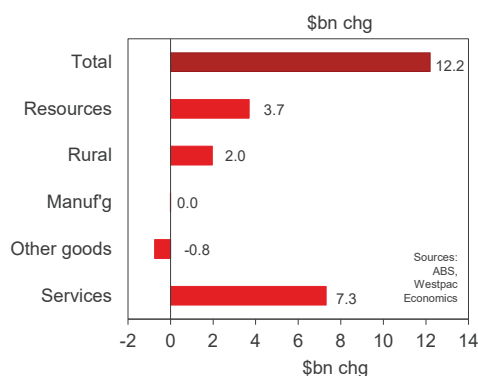
Net exports, Q1: -0.2ppts qtr, +1.3ppts yr



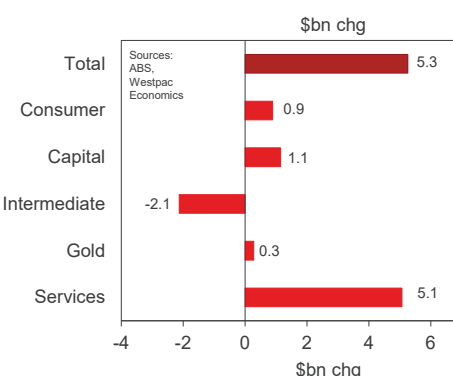
Terms of trade, remains near record high



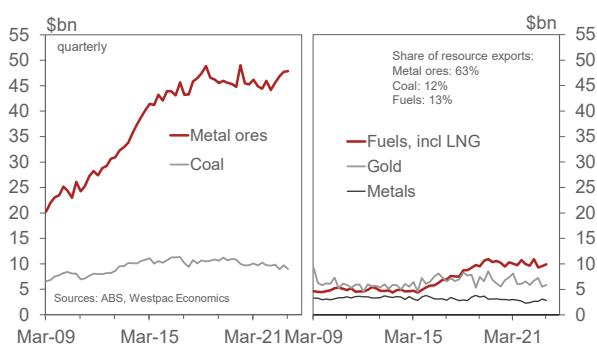
Export performance (volumes): yr to Mar 2023



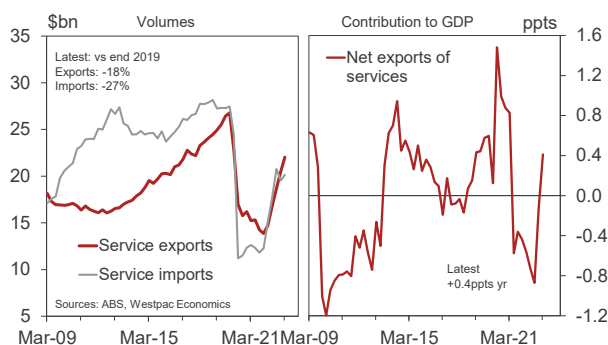
Import volumes: year to Mar 2023



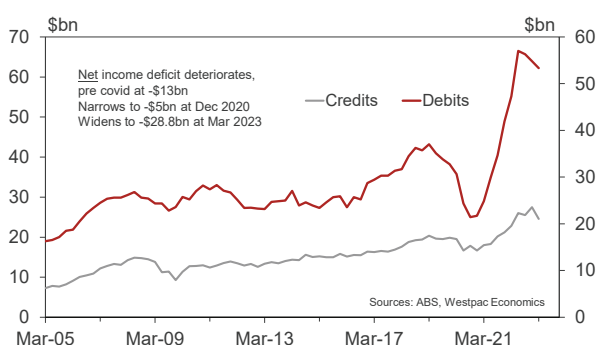
Resource exports: volumes



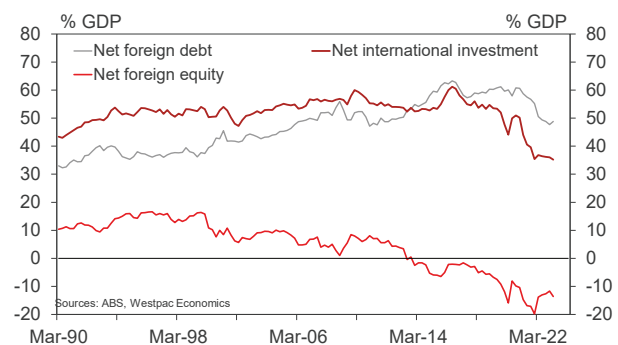
Border reopens: trade in services rebounds



Income flows: net income deficit, \$28.8bn



Australia's external position



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