

5 September 2023

Australia's current account, June quarter

Surplus narrows on terms of trade pull-back.

Current a/c, Q2: +\$7.7bn (1.2% of GDP)

Net export, ppts cont'n: +0.8qtr, 1.3yr

Terms of trade: -7.8qtr, -12.7%yr

Australia's current account remained in surplus, albeit the surplus narrowed on a pull-back in the terms of trade, receding from the record high of a year earlier.

The current account has now been in surplus for 16 of the past 17 quarters (from June 2019 onwards).

For the June quarter 2023, the current account printed a surplus of \$7.7bn, following the \$12.5bn outcome the period prior, a narrowing of \$4.8bn.

The trade surplus, while still sizeable, moderated by \$8.0bn to be \$31.4bn for the June quarter, representing 4.9% of GDP.

The key driver of that moderation in the trade position was an easing of the terms of trade, down by 7.8% in the quarter to be 12.7% below the peak of one year earlier. The terms of trade is still a striking 53% above the long-run average.

Net exports made a sizeable positive contribution to growth in the quarter, some 0.8ppts, providing a partial offset to the weakening of export prices and the terms of trade.

The net income deficit improved over the past year, mirroring the receding of the terms of trade. The deficit has narrowed from a trough of \$32.4bn in the June quarter 2022 to be at \$23.7bn for the June quarter 2023 (including a \$3.2bn improvement on the March quarter 2023 outcome).

Export volumes grew by 4.3% in the June quarter, centred on a stellar 12.1% jump in services. That has export volumes back at the level prevailing in December 2019, prior to the pandemic (goods are up by 2.1% over that period while services are still 5.9% below pre-covid levels).

Goods export volumes increased by 2.5% in the June quarter. This extends the upward trend from the low of March 2022, with volumes up by 7.2% over the five quarters, a development aided by fewer domestic disruptions, favourable growing conditions for the agriculture sector and the low Australian dollar.

The June quarter result for goods exports included a 2.8% rise for resource shipments, with strong gains across most segments, with the exception of metal ores, which edged 0.3% higher. Rural goods largely consolidated in June, +0.9%qtr, +9.9%yr. Manufactured goods had another strong showing, +2.2%qtr, +8.5%yr, albeit to still be 9.3% below pre-covid levels.

Service export volumes have recovered strongly from the low of the December quarter 2021, facilitated by the reopening of the national border. Services posted a 12.1% jump in the June quarter, to now be 5.9% below pre-covid levels. International student numbers have recovered strongly, and tourism has also rebounded.

Import volumes rose a modest 0.7% in the June quarter, driven by a 4.7% rise in services and constrained by a dip in goods.

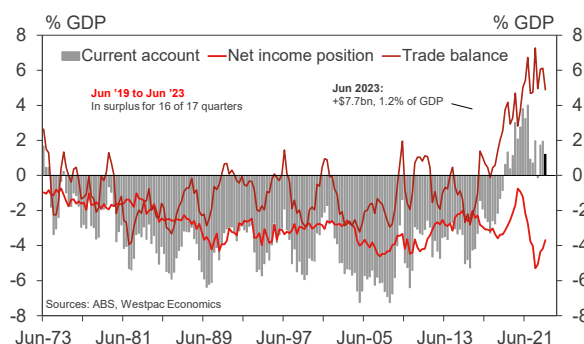
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External accounts

	Quarter		Annual	
AUDbn	Mar	Jun	Mar	Jun
Trade balance	39.4	31.4	152.7	139.6
Income balance	-26.9	-23.7	-117.9	-109.2
Current account balance	12.5	7.7	34.8	30.4
% of GDP	1.9	1.2	1.4	1.2
	Quarter		Annual	
%chg				
Export volumes	1.8	4.3	10.9	9.8
Import volumes	3.6	0.7	5.7	4.4
Net exports, contr'n ppts	-0.3	0.8	1.2	1.3
Terms of trade	2.7	-7.8	0.4	-12.7

Sources: ABS 5302, Westpac Economics

Current a/c surplus narrows to \$7.7bn



Goods import volumes declined by 0.2% in the quarter to be 0.7% higher than a year earlier and only 0.2% above the level in the March quarter 2022. This levelling out of goods imports mirrors the cooling of domestic demand, with the reopening effect having long since passed.

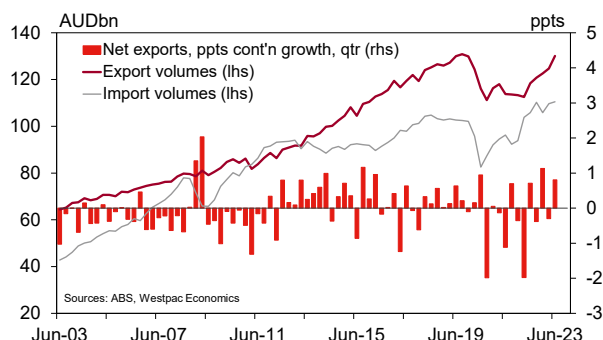
That stalling of import goods over the past five quarters is centred on intermediate items, down 3.8%, while consumer goods and capital goods are up by around 2.2-to-2.4%.

Service imports advanced by 4.7% in the quarter, extending the recovery from a low in the September quarter 2021, as more of us are holidaying abroad. However, compared to pre-covid, import services are still down by 21.3%.

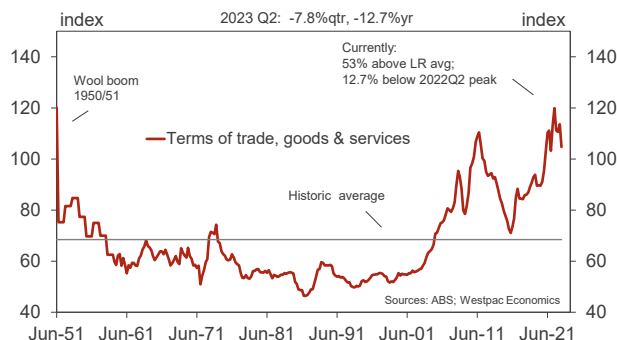
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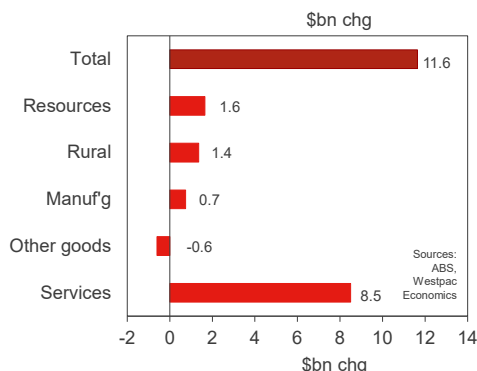
Net exports, Q2: +0.8ppts qtr, +1.3ppts yr



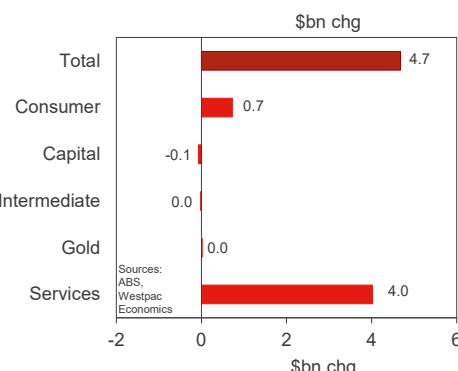
Terms of trade, recedes from record high



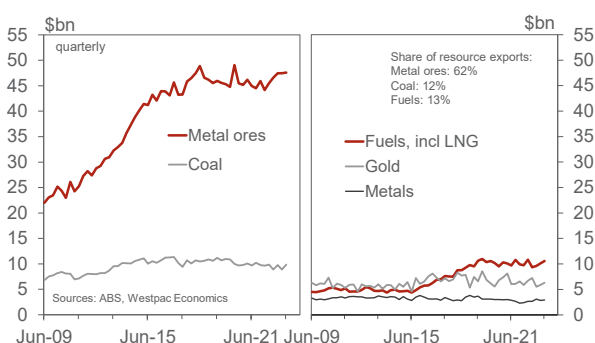
Export volumes: year to Jun 2023



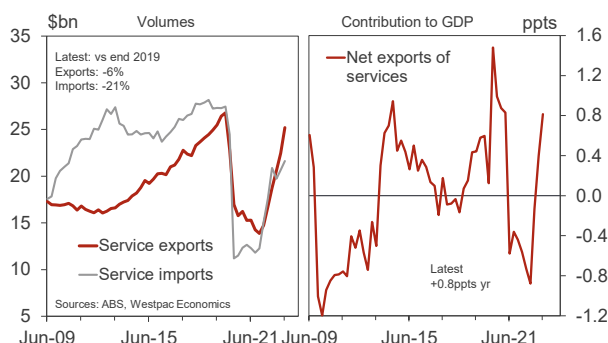
Import volumes: year to Jun 2023



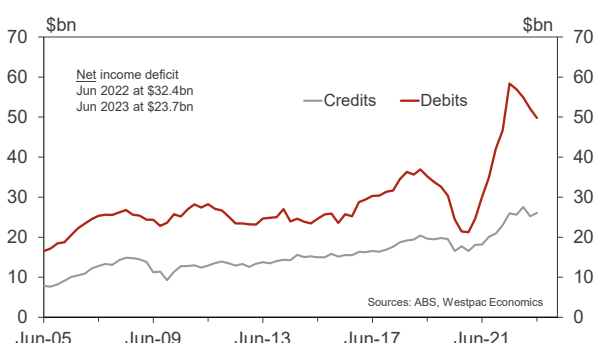
Resource exports: volumes



Border reopens: trade in services rebounds



Income flows: net income deficit, \$23.7bn



Australia's external position



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