

5 December 2023

Australia's current account, September quarter Slips into deficit as trade position weakens.

Current a/c, Q3: -\$0.2bn

Net export, ppts cont'n: -0.6qtr

Terms of trade: -2.6%qtr

Australia's current account slipped into deficit in the September quarter, a wafer-thin deficit of \$0.2bn, which was a \$7.9bn deterioration on the prior quarter. That result follows the current account being in surplus for 16 of the past 17 quarters.

The trade position weakened in the quarter, with the surplus narrowing from \$31.4bn to \$22.9bn. The net income deficit improved a fraction, from -\$23.7bn to -\$23.0bn.

That \$8.6bn deterioration in the trade surplus reflected the combined impact of a further decline in the terms of trade, which is retracing from the record high of mid-2022, and a sizeable net export subtraction.

The terms of trade declined by 2.6% in the quarter, as global commodity prices moderated a little further, to be 14% below the peak of June 2022. That still has the terms of trade a substantial 49% above the long-run average.

Net exports subtracted 0.6ppts from activity in the quarter, representing a substantial turnaround from a positive contribution of 0.7ppts for the June quarter. Exports edged 0.7% lower in the period while imports advanced, up by 2.1%.

Notably, the picture on the services front shifted materially.

The rebound in service exports, centred on returning students, ran out of steam in the September quarter - the period of particularly rapid growth has passed. Service export volumes grew by a more modest 1.9% in the September quarter, to be 3.6% below pre-covid levels. That follows outcomes over the 5 previous quarters of +14.2%, +13.8%, +10.1%, +8.8% and +11.5%.

Service imports continued to expand at a brisk pace in the September quarter, increasing by 8.4%, as more of us holidayed abroad. The recovery still has some way to go, with service imports some 21% below pre-covid levels. A strong showing is likely for the December / March half year - as more opt to spend some of the Christmas / New Year holiday period overseas.

Export goods volumes stumbled in the quarter, declining by 1.2% to be only 2.6% higher over the past year and 0.5% below pre-covid levels.

The September export result was held back by a 3.7% decline in resource shipments, which reversed a 3.9% rise the quarter prior. Over the past year, resource exports are little changed, up by 0.6%, to be 5% below pre-covid levels. Weakness in the latest quarter was broadly based across the BIG 3 of metal ores, coal, and fuels.

Rural goods exports have been a stand-out. They jumped 11.8% in the quarter, up by \$2.1bn. Rural exports are a staggering 42% above pre-covid levels. For much of this period, the upswing was centred on cereals and due to improved seasonal conditions. More recently, with conditions switching from La Nina (above average rainfall) to El Nino (below average

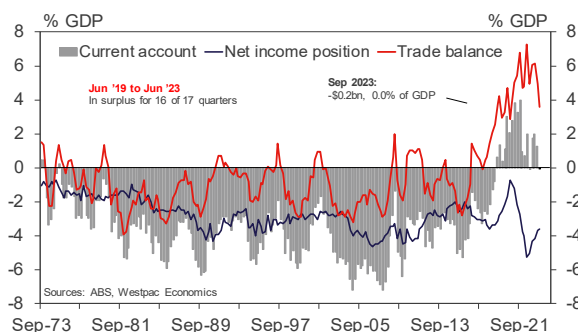
External accounts

AUDbn	Quarter		Annual	
	Jun	Sep	Jun	Sep
Trade balance	31.4	22.9	139.6	131.9
Income balance	-23.7	-23.0	-109.2	-100.9
Current account balance	7.7	-0.2	30.4	31.0
% of GDP	1.2	0.0	1.2	1.2

%chg	Quarter		Annual	
	Jun	Sep	Jun	Sep
Export volumes	4.5	-0.7	7.6	6.8
Import volumes	1.8	2.1	3.5	2.2
Net exports, contr'n ppts	0.7	-0.6	1.2	1.2
Terms of trade	-7.2	-2.6	-11.8	-9.0

Sources: ABS 5302, Westpac Economics

Current a/c slips into deficit, -\$0.2bn



rainfall) meat producers are destocking in anticipation of likely emerging drought conditions.

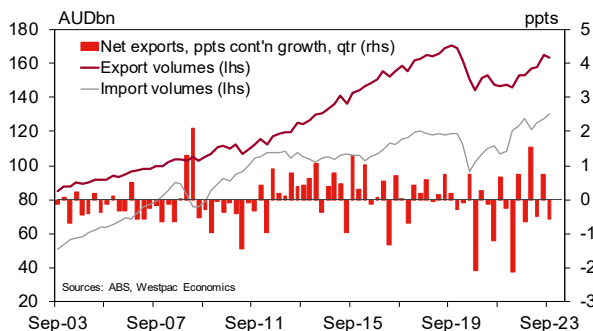
Manufactured goods export volumes consolidated in the quarter to be 5.2% above the level of a year ago, but some 9.5% below pre-covid levels.

Import goods volumes made only small gains in both the June and September quarter, up 0.7% and 0.5%, to be only 0.7% higher over the past year. That is against the backdrop of generally soft household demand, impacted by high inflation and higher interest rates. Import goods volumes are up a strong 18.4% on pre-covid levels, reflecting earlier strength in the economy - during the reopening phase and boosted by the impact of substantial policy stimulus.

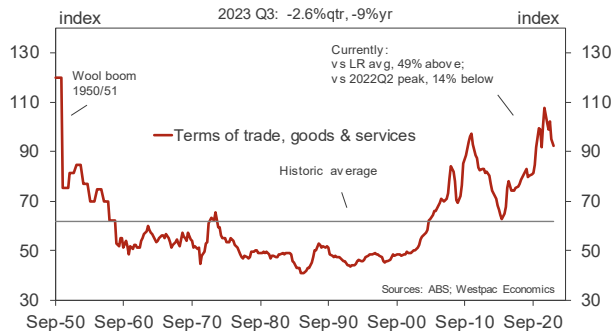
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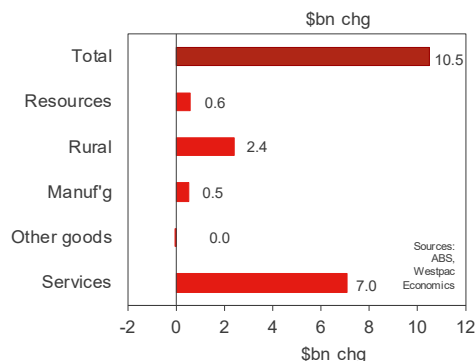
Net exports, Q3: -0.6ppts qtr, +1.2ppts yr



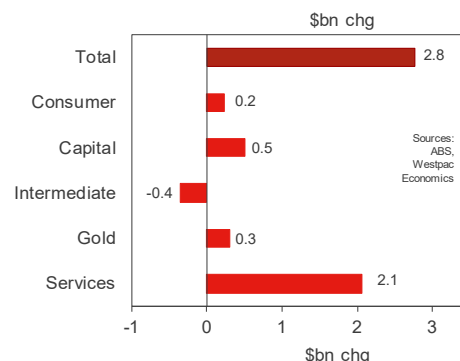
Terms of trade, recedes from record high



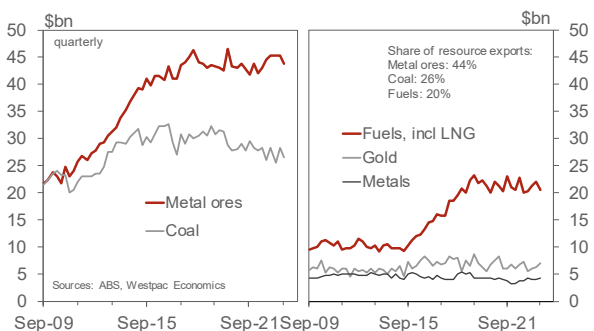
Export volumes: year to Sep 2023



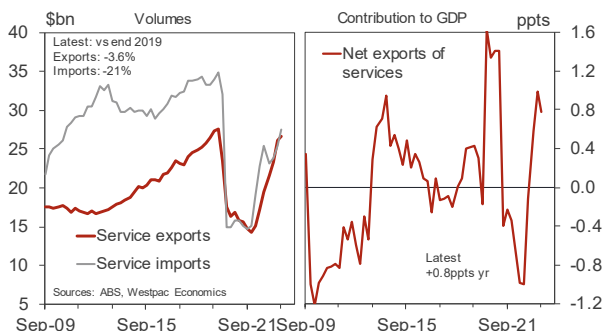
Import volumes: year to Sep 2023



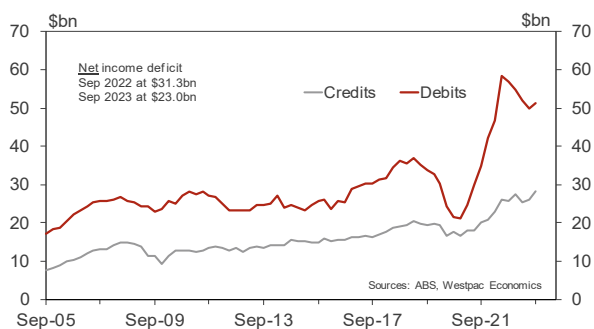
Resource exports: volumes



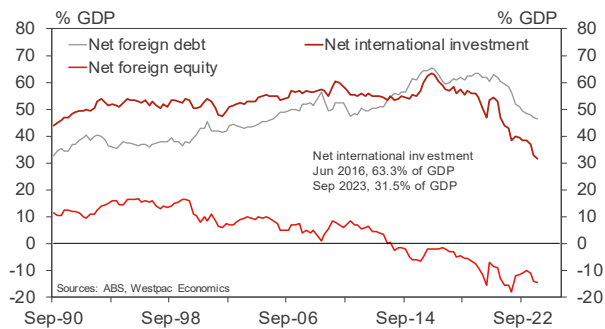
Border reopens: trade in services rebounds



Income flows: net income deficit, \$23.0bn



Australia's external position



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