

5 March 2024

Australia's current account, December quarter

Import volumes slump, by -3.4%, on soft domestic spending.

Current a/c, Q4: +\$11.8bn
Net export, ppts cont'n: +0.6qtr
Terms of trade: +2.3%qtr

Australia's current account surplus rebounded, to print at \$11.8bn for the December quarter, up from \$1.3bn the quarter prior and not greatly different from this time a year ago, at \$10.4bn.

That was the 19th consecutive quarterly current account surplus - thanks to upward revisions to the September quarters of both 2022 and 2023, tipping those readings from small deficits to small surpluses.

For the December quarter 2023, key swings factors were a slump in import volumes, down by a sizeable -3.4%, and a rise in the terms of trade, up 2.3%, on higher global commodity prices.

The trade surplus recovered to \$32.4bn in the quarter, benefiting from lower import volumes and higher export prices, up from a low of \$24.2bn the quarter prior.

The net income deficit improved a little, to print at \$20.6bn from \$22.9bn last quarter.

The terms of trade rose by 2.3% to still be 3.9% lower over the year and about 12% below the historic high of June 2022. The terms of trade remains at very elevated levels, some 53% above the long-run average. In the December quarter, export prices rose by 3.1% (goods 3.5% and services 0.7%), while import prices rose 0.7% (goods 0.8% and services -0.3%).

Net exports were a sizeable positive for growth, adding 0.6ppts to Q4 activity as declining import volumes outpaced a fall in export volumes, down by -0.3%.

That Q4 decline in export volumes follows a fall the previous quarter, down -0.2%, to end the year 4.2% higher.

Goods export volumes continue to disappoint, with a Q4 reading of -0.4%qtr, -0.1%yr. Resources were little changed in the quarter, edging 0.4% higher to be 1.8% lower over the year. Rural goods eased back after a good run, down -2.3%. Manufactured goods, -3.0%, and other goods, -4.8%, were also lower in the period.

Goods export volumes are still below pre-covid levels at end 2019, down by -1.6%, largely reflecting the underwhelming performance of resources, down by -5.2%

Service exports consolidated in Q4, posting a 0.5% rise after rebounding over the previous 7 quarters on the national border reopening, which resulted in a return of international students. Tourism (including education) rose by 1.3% in Q4, while business services fell by -1.9%.

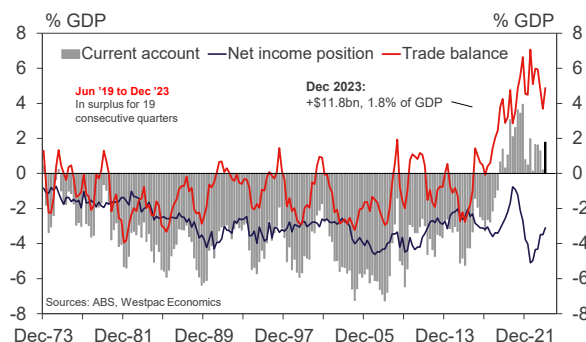
Total import volumes contracted by a sizeable -3.4% in the December quarter, including goods down by -2.8% and services down by -5.3%. That drop in imports is associated with the soft domestic demand backdrop.

External accounts

AUDbn	Quarter		Annual	
	Sep	Dec	Sep	Dec
Trade balance	24.2	32.4	131.8	126.1
Income balance	-22.9	-20.6	-101.2	-94.1
Current account balance	1.3	11.8	30.6	31.9
% of GDP				
%chg	Quarter		Annual	
	Sep	Dec	Sep	Dec
Export volumes	-0.2	-0.3	7.5	4.2
Import volumes	2.3	-3.4	2.5	3.5
Net exports, contr'n ppts	-0.6	+0.6	1.4	0.4
Terms of trade	-2.1	+2.3	-9.1	-3.9

Sources: ABS 5302, Westpac Economics

Current a/c surplus rebounds to \$11.8bn



Falls in goods imports were evident in both consumption items, -5.4%, and capital goods, -3.4%, while intermediate were flat at -0.1%.

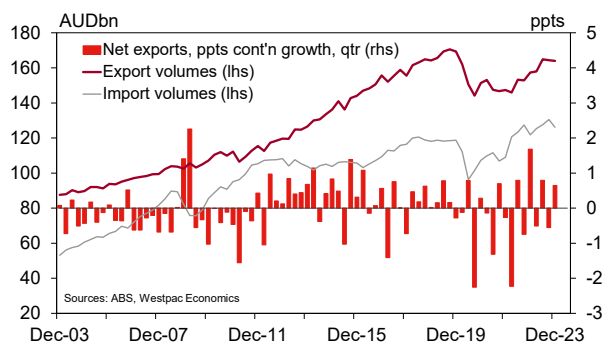
Lower service import volumes were centred on tourism, down by -8.5% in the period, while business services fell by -3.8%. It is noticeable that tourism imports fell sharply in the December quarter 2022, down by -8.7%, which was then followed by strong growth over the following three quarters on the border reopening effect. It may be that there are some shifting seasonal factors which are weighing on the December quarter.

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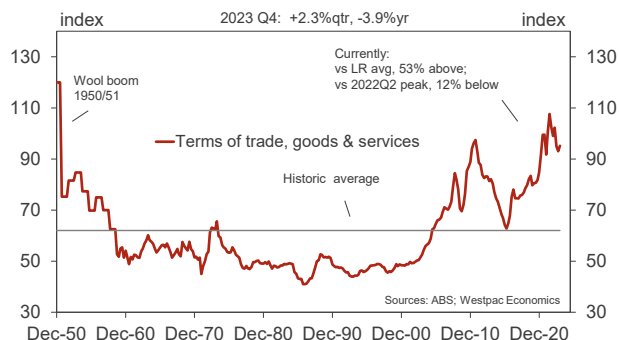
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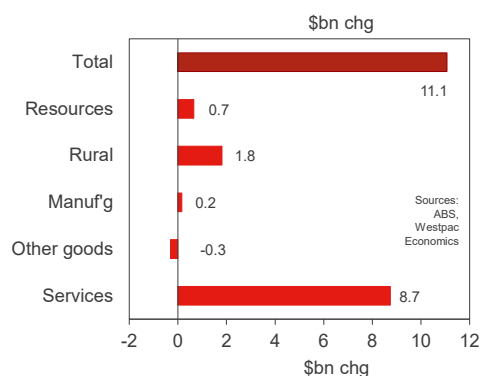
Net exports, Q4: +0.6ppt qtr, +0.4ppt yr



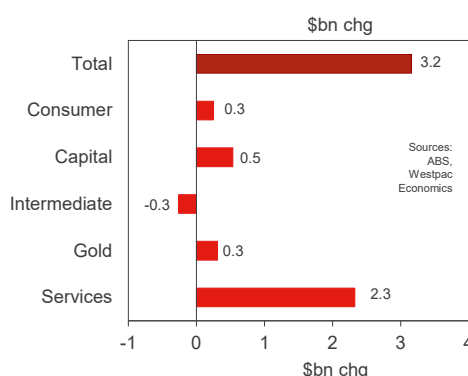
Terms of trade, elevated



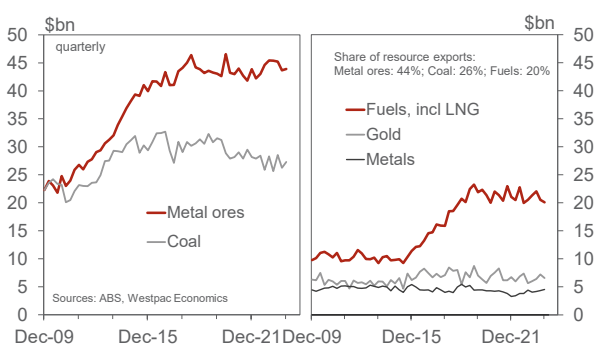
Export volumes: year to Dec 2023



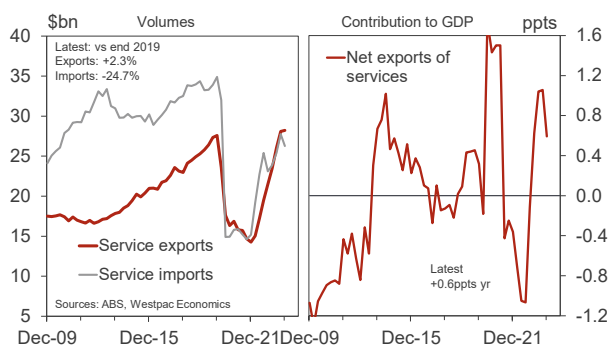
Import volumes: year to Dec 2023



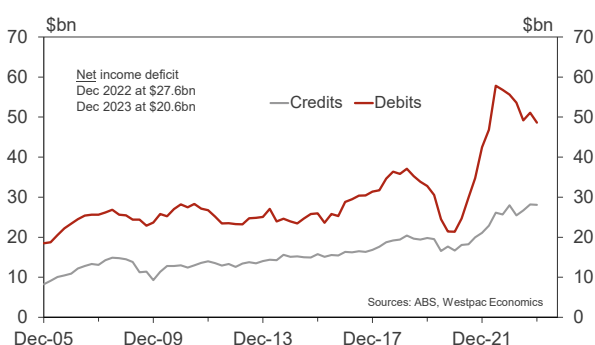
Resource exports: volumes



Border reopens: trade in services rebounds



Income flows: net income deficit, \$20.6bn



Australia's external position



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