

Economic Analysis

Balance of Payments

Australia's seasonally adjusted current account balance rose by A\$13,361m to +A\$14,114m in Q4 2022, from the upwardly revised +A\$753m in the previous quarter (originally -A\$2,278m). The market consensus was for a much lower surplus, of A\$5,800m.

The rebound in the current account surplus in Q4 was driven by both a higher trade surplus and a narrower net primary income deficit.

Current Account Balance (A\$m, Seasonally Adjusted)

	Change	Q4 2022	Q3 2022
Current Account	13,361	14,114	753
Trade Balance	9,450	40,903	31,453
Net Primary Income Balance	3,994	-26,407	-30,401

The rise in the trade surplus was due to higher exports as well as lower imports.

Exports of goods and services rose by A\$5,085m (3.0%), supported by solid increases in metal ore and minerals (mainly iron ore), services and, to a lesser extent, other mineral fuels (mainly oil and gas). These solid increases concerned both volumes and prices and were partly offset by declines in non-monetary gold and coal.

Key Exports (Seasonally Adjusted)

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	86	-3.5	4.1
Metal Ores and Minerals	2,793	1.2	5.6
Coal, Coke and Briquettes	-479	8.2	-8.8
Other Mineral Fuels (Oil and Gas)	795	1.3	1.4
Non-Monetary Gold	-1,517	-23.7	4.3
Services	2,253	9.8	1.5

Imports saw a decline of 3.1% in Q4, with volumes lower and prices higher in all the major categories.

The largest contribution to the decline in imports in Q4 came from services imports, which follows very strong gains in the previous six quarters. Despite the Q4 drop, services imports were still very high by historical standards.

The second largest contribution to the drop was made by intermediate and other merchandise goods amid a fall in global petrol prices.

The declines in imports of consumption and capital goods were broad-based, with non-industrial transport equipment being the only major exception amid strong demand and easing supply chain constraints.

Key Imports (Seasonally Adjusted)

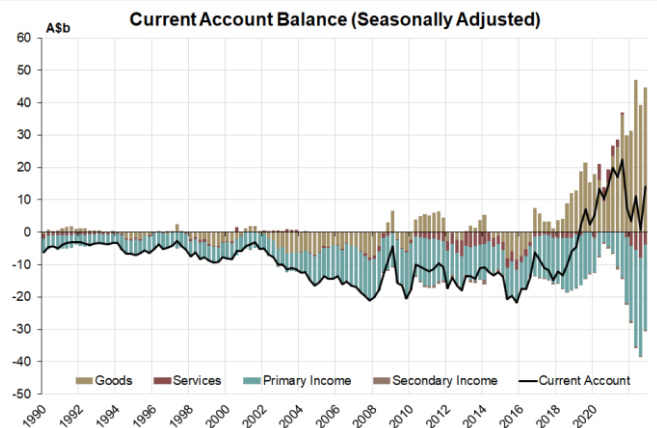
	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	-237	-3.0	2.4
Capital Goods	-417	-5.3	3.8
Intermediate and Other Merch. Goods	-1,474	-2.4	-0.5
Non-Monetary Gold	-400	-24.9	4.1
Services	-1,837	-6.5	1.5

The net primary income deficit narrowed from a record in the previous quarter, but remained high at A\$26,407m.

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Balance of Payments Q4 2022



Net International Investment Position

The net international liability position narrowed slightly, to A\$856.8b from A\$859.9b. The negative contributions from transactions and price changes were almost fully offset by exchange rate changes.

Comment

Following the upward revision to Q3 2022 figures, Australia recorded its 15th consecutive current account surplus.

What is more, the Q4 2022 surplus was surprisingly strong, the highest since Q3 2021, due to a wider trade surplus and narrower, albeit still high, net primary income deficit.

The ABS estimates that net exports will add a solid 1.1 pts to Q4 2022 GDP growth.

The Australian economy continues to benefit from high commodity prices, with the terms of trade appearing to have risen by 0.5% in Q4 2022, to be just 5.4% off the record high from Q2 2022.

Looking ahead, in its recently published annual Article IV Consultation report, the International Monetary Fund projected the current account will return to a slight deficit over the medium term as commodity prices normalise.

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