

## Economic Analysis

### Balance of Payments

Australia's seasonally adjusted current account balance turned negative in Q3 2022, registering a deficit of A\$2,278m against a downwardly revised surplus of A\$14,745m in Q2 2022 (originally A\$18,324m). The market consensus was for a surplus of A\$6,200m.

The decline in the current account balance was driven by a A\$11,088m drop in the trade surplus amid a surge in imports and a small decline in exports, coupled with a A\$6,368m deterioration in the net primary income deficit.

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

	Change	Q3 2022	Q2 2022
Current Account	-17,023	-2,278	14,745
Trade Balance	-11,088	31,193	42,281
Net Primary Income Balance	-6,368	-33,191	-26,823

Exports of goods and services dropped A\$384m (0.2%), as bad weather on the east coast disrupted coal exports and iron ore prices fell. This was partly offset by strong increases in rural goods, 'other mineral fuels' (mainly LNG) and services exports.

The plunge in the value and volume of coal, coke and briquettes exports followed a year of very strong increases. The lower value of metal ores and minerals was due to a 7.3% decline in prices, while volumes climbed (+3.7%).

**Key Exports (Seasonally Adjusted)**

	Change (A\$m)	Volume (%)	Prices (%)
Rural Goods	2,214	9.8	2.5
Metal Ores and Minerals	-1,635	3.7	-7.3
Coal, Coke and Briquettes	-4,720	-9.8	-1.7
Other Mineral Fuels (Oil and Gas)	1,889	-10.2	19.1
Non-Monetary Gold	288	7.9	-3.6
Services	2,157	10.6	1.6

Imports of goods and services rose A\$10,704b (8.2%), with all categories increasing but non-monetary gold.

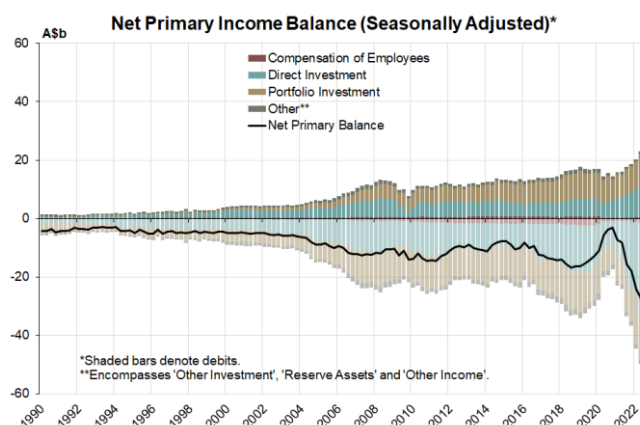
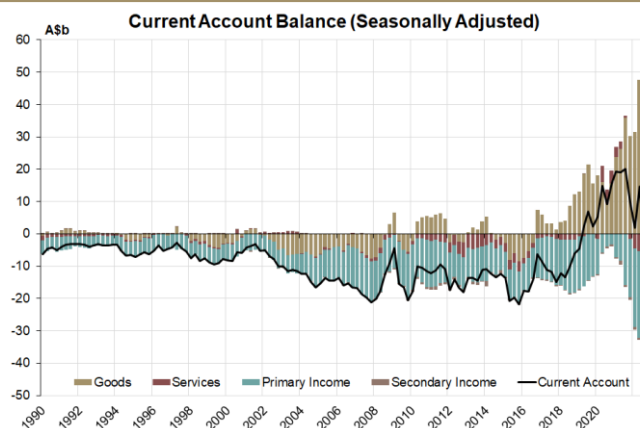
Most notably, imports of services surged A\$4,491m (19.7%) to a new record high of A\$27,300m. The increase was driven by a further strong increase in travel-related services.

**Key Imports (Seasonally Adjusted)**

	Change (A\$m)	Volume (%)	Prices (%)
Consumption Goods	2,135	1.3	5.3
Capital Goods	1,240	1.8	3.3
Intermediate and Other Merch. Goods	2,987	1.7	4.3
Non-Monetary Gold	-149	-4.2	-3.4
Services	4,491	16.2	2.3

Net primary income deficit widened to a new record of A\$33,191m. This deterioration was from a sharp rise in income paid to non-resident investors, largely driven by strong profits and increased foreign investment in the Australian resources sector.

## Balance of Payments Q3 2022



### Net International Investment Position

The net international liability position widened to A\$861.6b from A\$844.6b, driven by an increase in net foreign debt liabilities to A\$1,162.7b, largely due to exchange rate changes amid the depreciation of the Australian dollar.

### Comment

The current account surprisingly returned to deficit in Q3, following 13 quarters of consecutive surpluses. This deterioration in Australia's external balance was driven by the net primary income deficit hitting a new record and a narrowing of the trade surplus amid the normalisation of the trade in services.

Despite the decline due to higher imports in Q3, the surplus in goods was the second highest on record. Trade volumes for rural goods and iron ore continued to climb, while the value of LNG exports was supported by a further strong increase in prices.

The terms of trade declined from a record high, reflecting lower prices for iron ore and coal, as well as higher import prices.

With respect to tomorrow's Q3 national accounts, the ABS estimates that net exports will detract 0.2ppts from Q3 GDP growth.

6 DECEMBER 2022

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