ECONOMIC INDICATORS

Balance of Payments Q2 2025

Balance of Payment

Current account deficit unexpectedly narrowed slightly to A$13.7b in Q2, from the A$14.1b in the previous quarter. Market participants had expected the deficit to widen to A$16.0b.

The slight improvement in Australia's external position was driven by a narrowing of the primary income deficit, partly offset by a drop in the value of trade surplus.

Current Account Balance (A$m, Seasonally Adjusted)

	Change	Q2 2025	Q1 2025
Current Account	438	-13,654	-14,092
Trade Balance	-1,221	3,084	4,305
Net Primary Income Balance	1,209	-16,781	-17,990

The drop in the value of trade surplus was driven by both a rise in import values and – to a lesser extent – a decline in export values.

The decline in export values was concentrated in iron ore and coal. While the decline in coal export values was caused by both lower volumes and prices, the lower iron ore export values were solely due to a 7.8% drop in prices in Q2, partly offset by a 3.0% rise in volumes.

At the same time, export volumes of other mineral fuels (mainly LNG) rose in Q2, reflecting higher volumes and prices.

Services exports also saw a solid gain, driven by travel.

Key Exports (Seasonally Adjusted)

	Change (A$m)	Volume (%)	Prices (%)
Rural Goods	236	1.7	-0.4
Metal Ores and Minerals	-2,137	3.0	-7.8
Coal, Coke and Briquettes	-1,280	-2.3	-5.7
Other Mineral Fuels (Oil and Gas)	1,385	3.7	3.4
Non-Monetary Gold	-175	-11.9	12.1
Services	1,217	3.3	0.4

The rise in imports was an outcome of mixed results across the categories.

There were increases in imports of consumption goods, the volatile non-monetary gold and services. The rise in consumption goods imports was broad-based, with food imports being the only category not to see a gain.

The above gains were partly offset by lower imports of capital goods as well as intermediate and other merchandise goods.

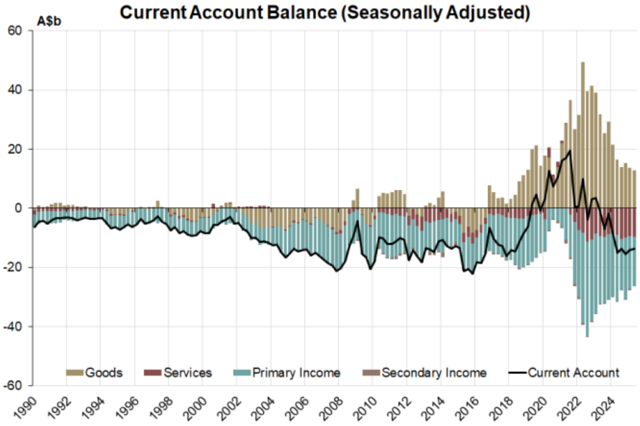
The fall in capital goods was almost exclusively due to the volatile 'capital goods not elsewhere specified' category.

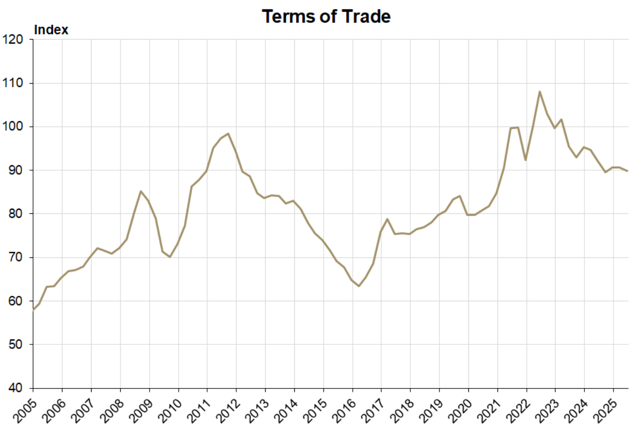
Most of the decline in intermediate and other merchandise goods came from a drop in the value of fuel imports caused by a fall in global oil prices in Q2.

The surge in services imports, similar to exports, was also driven by travel.

Key Imports (Seasonally Adjusted)

	Change (A$m)	Volume (%)	Prices (%)
Consumption Goods	1,411	3.5	0.4
Capital Goods	-330	-0.7	-0.5
Intermediate and Other Merch. Goods	-3,168	-1.7	-4.9
Non-Monetary Gold	1,865	37.7	12.5
Services	1,435	3.0	0.8





The narrowing of primary income deficit to the lowest level since Q3 2021 resulted from higher profits from Australian direct investments and the repatriation of equity holdings of Australian investors from overseas.

Lower prices for rural goods, iron ore and coal translated into a slight 1.0% decline in the terms of trade, which nevertheless remain strong by historical standards.

Net International Investment Position

The net international liability position widened by A26.0b to A$644.7b in Q2, the largest widening in over three years. The level of net foreign debt climbed to a new record high of A$1,426.2b in Q2.

Comment

Australia recorded its ninth current account deficit in a row. The slight improvement in Australia's foreign position in Q2 resulted from a narrower primary income deficit, which was partly offset by a decline in the value of trade surplus caused by lower export prices.

However, the trade surplus rose in chain volume terms, thanks to which net trade added 0.1ppts to Q2 GDP growth. The ABS also estimates that the total public demand was neutral to GDP growth in Q2, while the change in inventories reduced it by 0.4ppts. This implies some downside risk to the 0.5% market consensus for GDP growth in Q2.

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