

The current account deficit widened to a seasonally adjusted \$13.5 billion in Q2 2018, from a revised deficit of \$11.7 billion in Q1 (revised from \$10.5 billion). The WATC forecast had been for a \$10.0 billion deficit, while the consensus market forecast was for an \$11.0 billion deficit.

#### Current Account Deficit (Seasonally Adjusted)

	Change	Q2	Q1
Current Account	-\$1,794	-\$13,472	-\$11,678
Trade Balance	-\$532	\$2,812	\$3,344
Net Primary Income	-\$1,102	-\$15,934	-\$14,832

Exports of goods and services rose \$2,679 million to \$106.3 billion, led by big increases in oil and gas, as well as rural goods exports.

#### Key Exports Millions (Seasonally Adjusted)

	Change	Volume	Prices
Rural Goods	\$813	4%	3%
Metal Ores and Minerals (Iron Ore)	\$385	3%	-2%
Coal, Coke & Briquettes	-\$189	-1%	0%
Other Mineral Fuels (Oil and Gas)	\$1,338	2%	10%
Non-Monetary Gold	-\$337	-7%	2%
Services	\$337	1%	0.4%

On the other side of the ledger, goods and services imports were up \$3,211 million to \$103.5 billion, with capital goods imports posting a solid rise for the second quarter in a row.

#### Imports Millions (Seasonally Adjusted)

	Change	Volume	Prices
Consumption Goods	\$727	2%	1%
Capital Goods	\$1,019	4%	1%
Intermediate and other merchandise goods	\$1,463	-1%	6%
Non-Monetary Gold	\$394	22%	2%
Services	-\$393	-4%	2%

The increase in the primary income deficit was mainly driven by a \$1,993 million rise in income payable to foreign investors in Australia, while income received from overseas investments rose \$891 million.

The terms of trade, the ratio of export prices to import prices, fell a seasonally adjusted 1.3% as a 2.7% rise in the import price index more than offset a 1.4% rise in the export price index. The terms of trade was up 2.1% YoY.

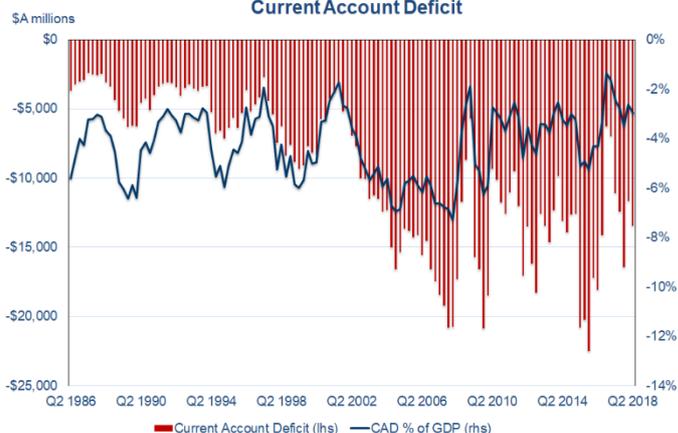
#### Net International Investment Position

Australia's net international liabilities increased \$19.5 billion to \$953.4 billion at the end of Q2. The net equity asset position fell \$4.2 billion to \$83.0 billion. The net foreign debt liability increased by \$15.3 billion to \$1,036 billion.

#### Australia's Terms of Trade (Export Prices/Import Prices)



#### Current Account Deficit



#### Comment

The rise in both imports and exports in Q2 reflect the still buoyant domestic and global economic conditions. Though, the escalating US and Chinese trade dispute remains a dark cloud over the outlook.

While the terms of trade edged down during the quarter, the decline was driven by a rise in import prices. High export prices remain supportive of national income.

The ABS estimates that net exports will contribute 0.1 percentage points to the Q2 real GDP headline when the national accounts report is released tomorrow, after net exports added 0.3ppts to growth in Q1.

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