

The current account deficit decreased to a seasonally adjusted \$2.9 billion in Q1 2019, from a revised deficit of \$6.3 billion in Q4 (revised from \$7.2 billion). The result was spot on the consensus market forecast and narrower than the WATC forecast of a \$4.5 billion deficit.

#### Current Account Deficit (Seasonally Adjusted)

	Change	Q1	Q4
Current Account	\$3,425	-\$2,900	-\$6,325
Trade Balance	\$4,753	\$13,594	\$8,841
Net Primary Income	-\$1,192	-\$15,984	-\$14,792

Exports of goods and services rose \$4,239 million to \$119 billion, led by big increases in non-monetary gold and iron ore.

#### Key Exports Millions (Seasonally Adjusted)

	Change	Volume	Prices
Rural Goods	\$816	6%	0%
Metal Ores and Minerals (Iron Ore)	\$1,692	-5%	12%
Coal, Coke & Briquettes	-\$37	-0.3%	0.1%
Other Mineral Fuels (Oil and Gas)	-\$360	-1%	-1%
Non-Monetary Gold	\$1,818	39%	7%
Services	\$544	2%	0.3%

On the other side of the ledger, goods and services imports fell \$514 million to \$105 billion, due to a big fall in the value of imports of fuels and lubricants.

#### Imports Millions (Seasonally Adjusted)

	Change	Volume	Prices
Consumption Goods	\$598	3%	-1%
Capital Goods	\$371	1%	1%
Intermediate and other merchandise goods	-\$1,605	-3%	-2%
Non-Monetary Gold	\$131	4%	7%
Services	-\$9	-1%	2%

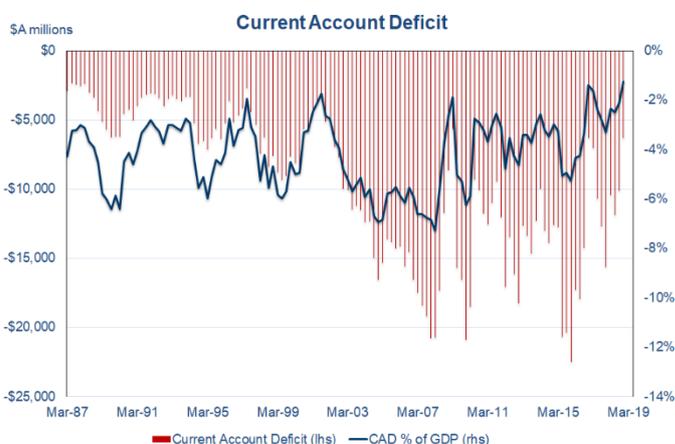
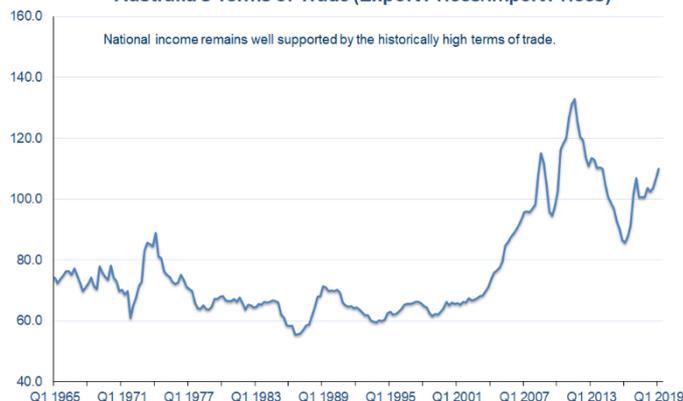
The wider primary income deficit was driven by a \$2,427 million rise in income payable to foreign investors in Australia, which more than offset a \$1,234 million increase in income received from overseas investments.

The terms of trade, the ratio of export prices to import prices, rose a seasonally adjusted 3.1% due to a 2.7% rise in the export price index and a 0.4% fall in the import price index. The terms of trade was up 6.1% YoY.

#### Net International Investment Position

Australia's net international liabilities declined \$31.8 billion to \$966.1 billion at the end of Q1. The net equity asset position increased \$36.8 billion to \$133.3 billion. The net foreign debt liability increased by \$5.0 billion to \$1,099 billion.

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



#### Comment

The rising terms of trade continues to drive a narrowing in the current account deficit and will make another solid contribution to national income growth when the GDP figures are released tomorrow.

In terms of real GDP, the ABS estimates that net exports will add 0.2 percentage points to the Q1 real GDP headline, after net exports shaved 0.2ppt, from growth in Q4 2018.

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