

The Australian current account surplus increased to a seasonally adjusted \$7.9 billion in Q3 from a surplus of \$4.7 billion in Q2 (revised from \$5.9 billion). The Q2 surplus was the first in 44 years. The Q3 surplus was bigger than our forecast for a \$6.0 billion surplus and the consensus market forecast of \$6.1 billion.

	Change	Q3	Q2
Current Account	\$3,186	\$7,855	\$4,669
Trade Balance	\$1,799	\$21,065	\$19,266
Net Primary Income	\$1,596	-\$13,033	-\$14,629

Goods and services credits rose \$2.6 billion to \$127.4 billion as increases in exports of non-monetary gold, iron ore and LNG more than offset a drop in coal exports.

**Key Exports Millions (Seasonally Adjusted)**

	Change	Volume	Prices
Rural Goods	-\$364	-3%	-0.3%
Metal Ores and Minerals (Mainly Iron Ore)	\$1,377	2%	2%
Coal, Coke & Briquettes	-\$1,769	-4%	-6%
Other Mineral Fuels (Oil and Gas)	\$1,011	3%	4%
Non-Monetary Gold	\$2,560	31%	16%
Services	\$494	2%	0.4%

On the other side of the ledger, goods and services imports increased \$808 million to \$106.3 billion, due mainly to a big rise in imports of non-monetary gold.

**Imports Millions (Seasonally Adjusted)**

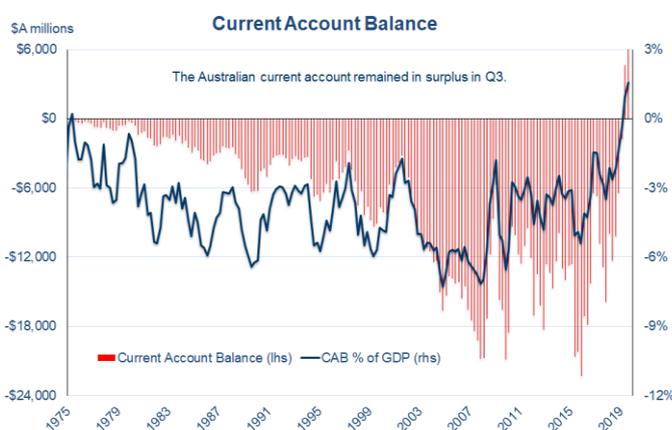
	Change	Volume	Prices
Consumption Goods	\$231	-1%	1%
Capital Goods	-\$839	-6%	1%
Intermediate and other merchandise goods	\$252	2%	-1%
Non-Monetary Gold	\$1,116	52%	15%
Services	\$47	-2%	2%

The narrower primary income deficit was due to a \$1.6 billion fall in income payable to foreign investors in Australia, mainly due to a decline in interest payments. Income receivable was virtually unchanged.

The terms of trade, the ratio of export prices to import prices, rose a seasonally adjusted 0.4%, as a 1.4% rise in the export price index offset a 1.0% increase in the import price index. The terms of trade was up 7.8% YoY.

**Net International Investment Position**

Australia's net international liabilities fell \$22 billion to \$976 billion at the end of Q3. The net equity asset position increased \$42.4 billion to \$187.4 billion. The net foreign debt liability increased by \$20.4 billion to \$1,163.3 billion.



**Comment**

The Australian current account surplus widened in Q3 thanks largely to the ongoing boom in iron ore supported by a sharp rise in gold exports and the ramp up in LNG production.

The ABS estimates that net exports added 0.2 percentage points to real GDP growth in Q3 after contributing 0.6pppts in Q2, which is in line with market expectations.

The government finance report for Q3 suggests public sector demand added around 0.3pppts to growth in the quarter.

Our forecast is that tomorrow's national accounts will see real GDP growth of 0.5% for the quarter as public spending and net exports continue to drive headline growth while private domestic demand remains soft.

**3 DECEMBER 2019**

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