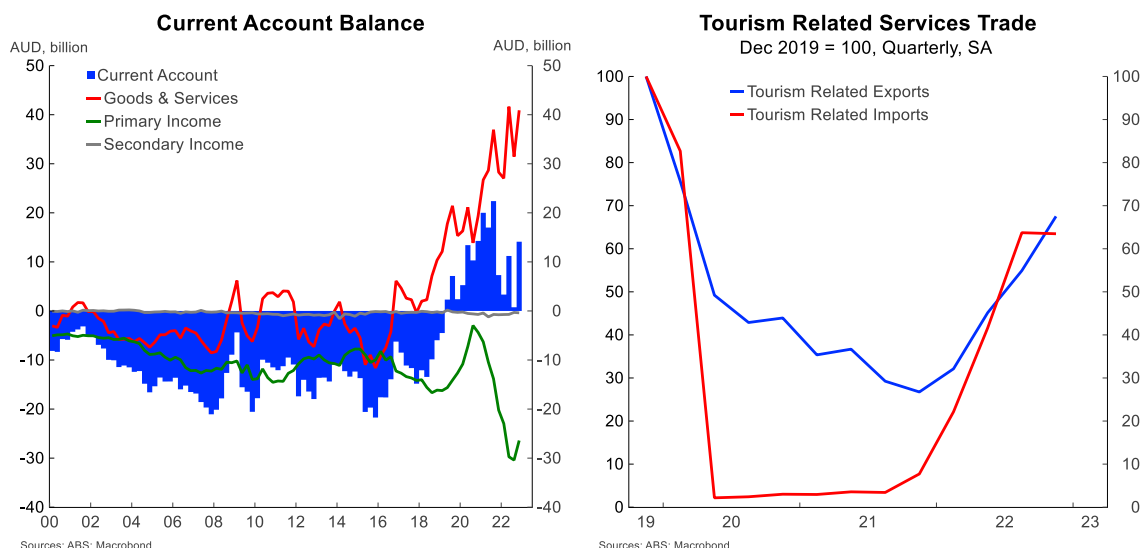


Tuesday, 28 February 2023

Current Account and GDP Preview

Record Run of Surpluses Returns

- Australia's record run of current account surpluses returned in the December quarter and extended to 15 quarters. A \$14.1 billion surplus was recorded, an increase of \$13.4 billion.
- Revisions shifted the September quarter outcome from a deficit of \$2.3 billion to a surplus \$0.8 billion, making the run of surpluses in 2022 even more spectacular.
- The current account surplus was driven by a \$9.5 billion widening in the trade surplus (to \$40.9 billion). This reflected a 3.0% rise in exports and a 3.1% fall in imports. A \$4.0 billion narrowing in the primary income deficit (to \$26.4 billion) also contributed to the surplus.
- In volume terms (i.e. stripping out prices), exports rose 1.1% and imports declined 4.3%. Services exports (+9.8%) drove exports as international students and tourists continue to return to Australian shores at a rapid pace. Goods (-3.8%) and services (-6.5%) imports both pulled back.
- Net exports are expected to contribute 1.1 percentage points to GDP in the December quarter. The terms of trade, which is a ratio of export prices to import prices, rose 0.5% in the quarter, to be 7.2% higher over the year.
- New public sector demand rose 0.3% in the December quarter, to be 2.6% higher over the year. This reflected a 0.6% increase in public consumption, partly offset by a 1.0% decline in new public investment. The public sector is expected to contribute 0.1 percentage points to growth in the December quarter.
- December quarter GDP data will be released tomorrow. Following the release of partial data, we expect GDP to have expanded by 0.8% in the quarter, to be 2.8% higher over the year. Such a result suggests the economy remained resilient in the late part of 2022.



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