

Summary

In the March quarter 2009, Australia's current account deficit (CAD) decreased by 27.4% in seasonally adjusted terms to \$4.6B, below the market median expectation for a deficit of \$5.4B. This is expected to add 2.2 percentage points to growth in the March quarter 2009 measure of Australia's Gross Domestic Product (GDP).

Australia

(value in the quarter, annual % change, s.a.)

Exports	\$73 087M	↓	7.5%
Imports	\$68 012M	↓	9.1%
Current Account Deficit	\$4 614M	↓	27.4%

Balance of Payments

The balance of payments measures the economic transactions between Australia and the rest of the world, and includes: exports and imports of goods and services, income flows such as dividends and interest, financial flows such as investment in shares, and transfers such as foreign aid.

Current Account

The current account is equal to the balance of payments excluding financial flows. In the March quarter 2009, the CAD decreased by 27.4% in seasonally adjusted terms to \$4.6B, below the market median expectation for a deficit of \$5.4B. This is expected to add 2.2 percentage points to growth in the March quarter 2009 real measure of GDP. In annual terms, Australia's seasonally adjusted CAD narrowed by 77.1% (see Chart 1).

Year on year, the CAD decreased by \$36B to \$36.1B (see Chart 2). The decrease in the CAD in the year is mainly due to a 132% improvement in net goods and a 10.4% improvement in net income. Net income is the difference between income flows from Australia to foreigners and from foreigners to Australians. It includes: dividends, interest receipts and labour income. As shown in Chart 2 the net income deficit has, in large part, driven the CAD from mid 2001. This reflects the much larger income outflow from Australia, compared to the income flow into Australia.

Net Goods

In annual terms, seasonally adjusted net goods improved by \$12.5B.

- Seasonally adjusted goods imports increased by \$1.5B (2.9%).
- Seasonally adjusted goods exports increased by \$14.1B (31.2%).

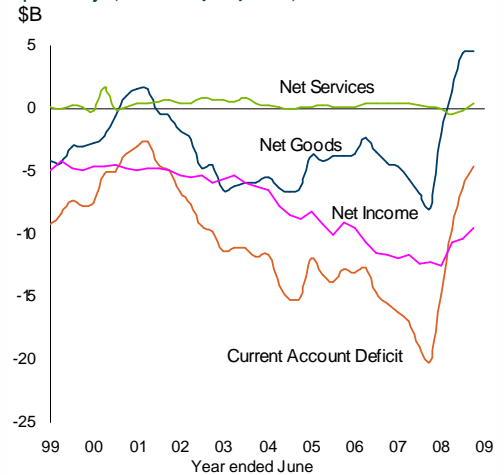
Net Services

In annual terms, seasonally adjusted net services improved by \$360M. Historically, service imports and service exports have increased at similar rates and have balanced each other out, so net services has had very little impact on the CAD.

Net Foreign Debt

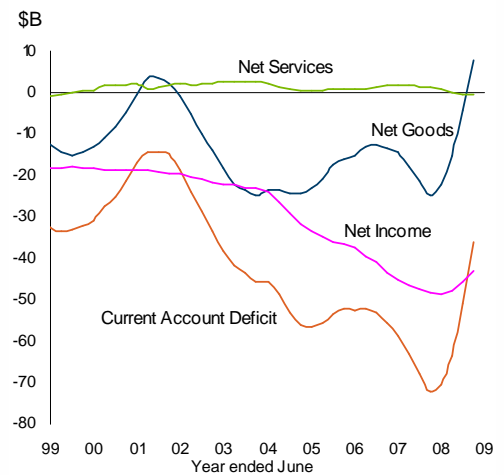
In annual terms, net foreign debt, which is defined as the difference between Australian direct investment overseas and foreign direct investment in Australia, increased by 9% to \$674B (see Chart 3).

Chart 1: Balance on Current Account, quarterly (seasonally adjusted)



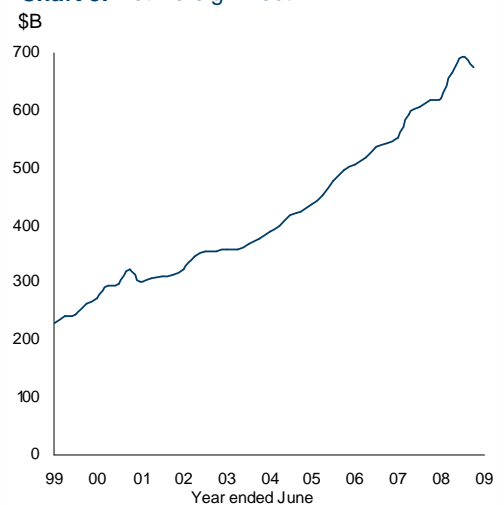
Source: ABS Cat. No. 5302.0

Chart 2: Balance on Current Account (moving annual total)



Source: ABS Cat. No. 5302.0

Chart 3: Net Foreign Debt



Source: ABS Cat. No. 5302.0

Balance on Current Account (\$M), Seasonally Adjusted

	March 2009		change		
	quarter	year to date ¹	quarterly ²	annual ³	year on year ⁴
Exports					
goods & services	73 087	292 185	-7.5%	25.9%	31.7%
goods	59 241	238 138	-9.6%	31.2%	38.1%
services	13 846	54 047	2.6%	7.3%	9.2%
income	9 778	42 580	-9.2%	-8.8%	3.8%
current transfer	1 222	5 075	-2.3%	-8.1%	-3.8%
Imports					
goods & services	-68 012	-284 537	-9.1%	3.2%	16.0%
goods	-54 615	-230 229	-10.7%	2.9%	16.8%
services	-13 397	-54 308	-2.1%	4.5%	12.5%
income	-19 277	-85 738	-8.7%	-15.9%	-3.9%
current transfer	-1 412	-5 620	-0.8%	0.2%	0.0%
Net					
goods & services	5 075	7 648	21.6%	-164.8%	-132.6%
goods	4 626	7 909	6.0%	-158.4%	-132.0%
services	448	- 261	-334.6%	409.1%	-121.4%
income	-9 498	-43 158	-8.3%	-22.2%	-10.4%
current transfer	- 190	- 545	10.5%	137.5%	58.0%
balance on current account	-4 614	-36 055	-27.4%	-77.1%	-49.9%
net foreign debt⁵	674 180		-3.0%	9.0%	12.0%

¹ original data

² compares the latest quarter with the previous quarter

³ compares the latest quarter with the same quarter last year

⁴ compares the 4 quarters of original data up to and including the latest quarter with the previous 4 quarter period.

⁵ net foreign debt position at the end of the period

Source: ABS Cat. No. 5302.0

Although all due care has been exercised in the preparation of this material, no responsibility is accepted for any errors or omission.