

Economic Analysis

Australia's seasonally adjusted external trade surplus declined to A\$12,217m in October, from A\$12,444m. The market consensus was for a fall to A\$12,100m.

The slight decline in trade surplus was driven by a A\$568m drop in exports, partly offset by a A\$340m fall in imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	October	September
Trade Balance	-227	12,217	12,444
Goods and Services Exports	-568	60,066	60,634
Goods and Services Imports	-340	47,850	48,190

The fall in exports was mainly driven by a drop in the volatile non-monetary gold (-A\$502m). There were also declines in metal ores and minerals (mainly iron ore; -A\$283m) as well as coal, coke and briquettes (-A\$54m).

In original unadjusted terms, iron ore export volumes to mainland China increased, but shipments to Japan, Taiwan and Vietnam declined. In original terms, the value of iron ore exports rose by 0.5%, to be up 15.4% over the year.

There were increases in exports of other mineral fuels (mainly LNG; +A\$283m), driven by higher volumes and prices. Exports of rural goods rose as well (+A\$117m), supported by a 9.8% gain in cereal grains and cereal preparations.

The steady recovery in services exports continued, with a 0.4% gain in October. However, they remain 22.1% below the pre-pandemic levels.

Exports (A\$ Millions)

Seasonally Adjusted	Change	October	September
Rural Goods	117	7,184	7,067
Metal Ores and Minerals (Incl. Iron Ore)	-283	14,191	14,474
Coal, Coke and Briquettes	-54	11,984	12,038
Other Mineral Fuels (Oil and Gas)	289	11,231	10,942
Non-Monetary Gold	-502	1,950	2,452
Manufactures	-191	3,749	3,940
Services	27	6,813	6,786

The major contribution to the decline in imports also came from non-monetary gold (-A\$222m) but there were also falls for capital goods imports (-A\$150m) and intermediate and other merchandise goods (-A\$152m), driven by a \$512m drop in fuel imports.

Consumption goods were the only category to see an increase (+A\$132m) thanks to a 16.9% rebound in imports of non-industrial transport equipment.

Services imports ticked up by another 0.6%, to reach a new record high.

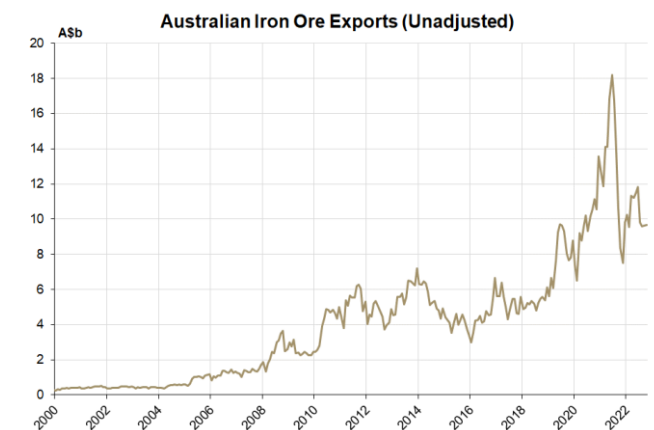
Imports (A\$ Millions)

Seasonally Adjusted	Change	October	September
Consumption Goods	132	11,451	11,319
Capital Goods	-150	8,769	8,919
Intermediate and Other Merchandise Goods	-152	17,944	18,096
Non-Monetary Gold	-222	400	622
Services	51	9,285	9,234

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Trade Balance October 2022



Western Australia remained the state with by far the largest share of Aussie exports.

State Share Merchandise Goods Exports Excluding Re-Exports (Original, %)

	October	September
Western Australia	45	46
New South Wales	18	18
Victoria	6	5
Queensland	21	22
South Australia	3	2
Tasmania	1	1

*May not add to 100% due to exclusion of re-exports.

Comment

Australia's external position remains strong, despite the small decline in the trade surplus. While slightly lower than in the previous months, the demand for Aussie commodities remains solid.

The expected global slowdown in 2023 may prove a headwind to the demand for commodities. However, this could be offset by an easing of the COVID-zero policy in China and support for the Chinese property sector.

At the same time, imports declined in October, but remained close to record highs. Given the still robust domestic demand, imports are likely to remain strong in the near term. However, import demand is likely to ease as the domestic economy and inflation slow next year.

8 December 2022