

## Economic Analysis

Australia's seasonally adjusted external trade surplus narrowed to A\$8,733m in July, from a downwardly revised record high of A\$17,131m in June (previously A\$17,670m). The market consensus was for a decline to A\$14,200m.

The drop in the trade surplus was driven by a 9.9% fall in exports and 5.2% increase in imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	July	June
Trade Balance	-8,398	8,733	17,131
Goods and Services Exports	-6,077	55,282	61,359
Goods and Services Imports	2,321	46,549	44,228

The fall in exports was broad-based, with declines reported for all major groups but services and rural goods.

The strongest export decline was a 17.4% decrease in coal, coke and briquettes, driven by lower volumes. Other mineral fuels (mainly gas) saw a 4.4% fall. This was the second month of declines in fossil fuel exports, although export values remain at very high levels.

Exports of metal ores and minerals (mainly iron ore) dropped by 14.9%, amid a sharp fall in prices. Chinese trade data continues to signal ongoing strong demand for iron ore.

Exports of services rose by another 4.0% in July, mainly driven by a rise in tourism, but were still 27.8% below pre-pandemic levels.

Exports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Rural Goods	250	6,684	6,434
Metal Ores and Minerals (Incl. Iron Ore)	-2,276	12,999	15,275
Coal, Coke and Briquettes	-2,511	11,903	14,414
Other Mineral Fuels (Oil and Gas)	-399	8,661	9,060
Non-Monetary Gold	-1,172	2,457	3,629
Manufactures	-118	3,302	3,420
Services	241	6,320	6,079

Imports saw a broad-based increase to a new record high. The only category to record a decline was non-monetary gold, which is often volatile.

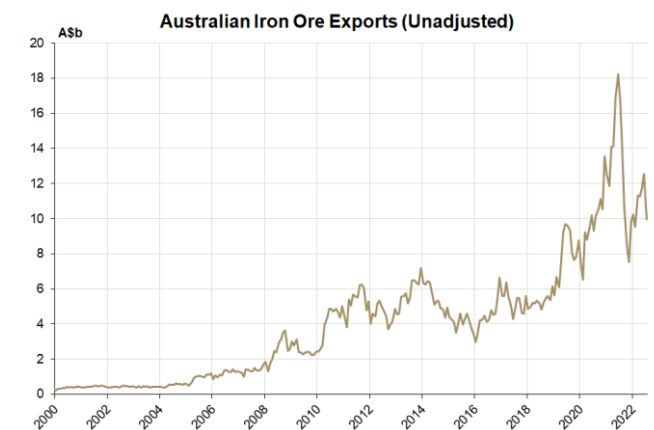
Consumption goods saw the strongest increase of 9.1%, with all major subcategories seeing solid increases.

Services imports surged by 8.1% and have now fully recovered from the COVID-related collapse, reaching the highest level on record. The rebound was driven by tourism-related services, which rose by 19.4%.

Imports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Consumption Goods	964	11,542	10,578
Capital Goods	394	8,232	7,838
Intermediate and Other Merchandise Goods	348	17,339	16,991
Non-Monetary Gold	-44	687	731
Services	659	8,749	8,090

## Trade Balance July 2022



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

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

	July	June
Western Australia	46	45
New South Wales	16	17
Victoria	7	5
Queensland	22	23
South Australia	3	3
Tasmania	1	1

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

### Comment

The July trade surplus was due to a mix of goods exports falling from record highs and rising import demand from the strong Aussie economy.

Services imports have now fully recovered from the pandemic and there was a marked increase in consumer goods imports, as Aussie household demand remained strong in the early stages of the RBA monetary tightening campaign.

The trade surplus is likely to narrow further, as demand and prices of commodities are adversely impacted by concerns over the global outlook. This may be partly offset by weaker demand at home, as the full impact of the RBA tightening are yet to be felt by households.

7 April 2022

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