

Economic Analysis

Australia's external trade surplus widened to a seasonally adjusted A\$11,321m in June, from a downwardly revised A\$10,497m in May (originally A\$11,791m). The consensus market expectation was for a A\$10,750m surplus.

The bigger surplus was driven by a fall in imports, partly offset by a drop in exports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	June	May
Trade Balance	824	11,321	10,497
Goods and Services Exports	-987	55,626	56,613
Goods and Services Imports	-1,811	44,305	46,116

Exports slipped A\$987m (1.7%), mainly driven by falls in exports of oil and gas as well as coal.

However, shipments of manufactured goods saw the sharpest percentage fall, with a drop of 10.8%, but that came after an 11.8% increase to a record high in May.

Exports of metal ores and minerals gained 2.3% to a three-month high, as Chinese demand for iron ore remained robust despite concerns over the economic outlook and demand for steel.

Exports of services climbed 2.1% to a fresh record high, with tourism-related services again the major contributor to the increase.

Exports (A\$ Millions)

Seasonally Adjusted	Change	June	May
Rural Goods	-73	5,975	6,048
Metal Ores and Minerals (Incl. Iron Ore)	333	14,824	14,491
Coal, Coke and Briquettes	-597	8,644	9,241
Other Mineral Fuels (Oil and Gas)	-741	7,544	8,285
Non-Monetary Gold	87	2,971	2,884
Manufactures	-450	3,699	4,149
Services	182	9,047	8,865

Imports slumped 3.9% to a three-month low, with falls across all major categories except for non-monetary gold and services.

Consumption goods imports slumped 12.4%, driven largely by a 32.6% fall in imports of passenger vehicles from a record high in May.

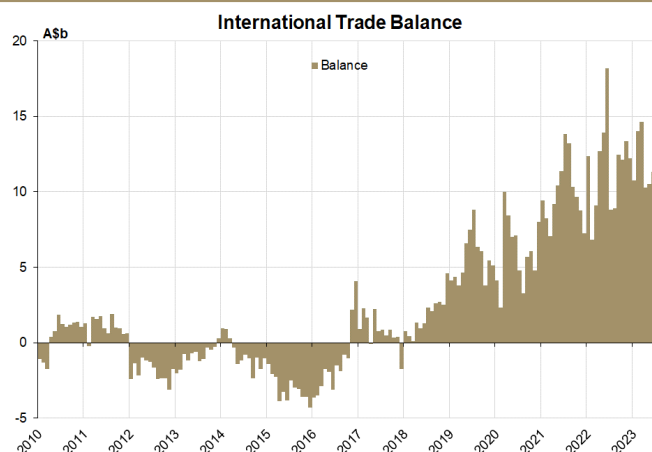
Capital goods imports slipped 1.1%, from a nine-month high in May, while intermediate and other merchandise goods deliveries fell 3.4%, with parts for transport equipment and industrial supplies being the biggest contributors.

Services imports were up 2.4% to a record high, driven by outbound tourism.

Imports (A\$ Millions)

Seasonally Adjusted	Change	June	May
Consumption Goods	-1,537	10,857	12,394
Capital Goods	-98	8,641	8,739
Intermediate and Other Merchandise Goods	-506	14,541	15,047
Non-Monetary Gold	116	967	851
Services	216	9,300	9,084

Trade Balance June 2023



Western Australia continued to contribute a little under half of total Australian merchandise goods exports.

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

	June	May
Western Australia	48	46
New South Wales	15	15
Victoria	6	6
Queensland	20	22
South Australia	3	3
Tasmania	1	1

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

Comment

The Australian trade surplus remains extremely healthy, with the demand for commodities strong. Export volumes of iron ore, coal and LNG (unadjusted) saw solid increases in the month.

On the flipside, import values also remain well above pre-COVID levels.

Nevertheless, the international trade price indices for Q2, released last week, showed that international trade prices are falling, with the export price index declining 8.5% in the quarter and the index for import prices down by 0.8%.

3 August 2023

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