

Economic Analysis

Australia's seasonally adjusted external trade surplus widened to A\$12,444m in September, from an upwardly revised A\$8,664m in August (previously A\$8,324m). The market consensus was for an increase to A\$9,050m.

The widening of the trade surplus was driven by a 7.0% increase in exports, which was marginally offset by a 0.4% uptick in imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	September	August
Trade Balance	3,780	12,444	8,664
Goods and Services Exports	3,987	60,613	56,626
Goods and Services Imports	207	48,169	47,962

The rise in exports was broad-based, with declines reported only for coal, coke and briquettes, as well as the often volatile non-monetary gold.

The largest contribution to the increase in exports in September came from significant gains in metal ores and minerals (mainly iron ore) and other mineral fuels (mainly LNG). Supplementary information from the ABS suggests the rise in iron ore imports was driven by increased volumes, while the lift in LNG exports was due to higher volumes and prices.

The slight decline in coal, coke and briquettes came after strong increases earlier this year.

The recovery in services exports continues, with a 6.3% gain in September. However, they remain 22.2% below the pre-pandemic levels.

Exports (A\$ Millions)

Seasonally Adjusted	Change	September	August
Rural Goods	191	7,080	6,889
Metal Ores and Minerals (Incl. Iron Ore)	1,166	14,505	13,339
Coal, Coke and Briquettes	-116	12,028	12,144
Other Mineral Fuels (Oil and Gas)	1,782	10,923	9,141
Non-Monetary Gold	-92	2,452	2,544
Manufactures	360	3,873	3,513
Services	405	6,806	6,401

The slight increase in imports in September resulted from a 7.2% drop in consumption goods credits almost fully offsetting gains in other import categories.

Intermediate and other merchandise goods made the strongest contribution to higher imports in September, mainly due to a A\$798m (12.2%) increase in fuels.

The sharp drop in consumption goods imports was the result of falls in the 'consumption goods not elsewhere specified' category and a pullback in passenger vehicle imports from the August record high.

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

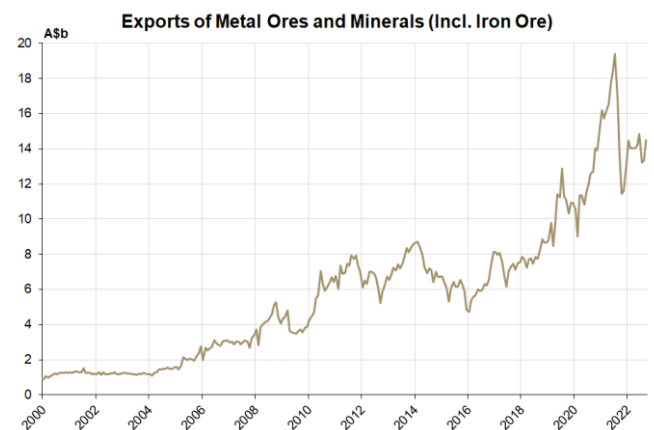
Imports (A\$ Millions)

Seasonally Adjusted	Change	September	August
Consumption Goods	-888	11,420	12,308
Capital Goods	428	8,812	8,384
Intermediate and Other Merchandise Goods	518	18,245	17,727
Non-Monetary Gold	94	622	528
Services	55	9,070	9,015

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Trade Balance September 2022



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

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

	September	August
Western Australia	47	43
New South Wales	18	21
Victoria	6	6
Queensland	20	21
South Australia	2	2
Tasmania	1	1

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

Comment

Australia's external position remains strong, driven by the ongoing demand for Aussie commodities. The trade surplus had narrowed over the previous two months, due to a rebound in imports amid solid domestic demand and a fall in exports from June's record high.

The September report bucked this trend, as imports were on the weak side and consumption goods imports fell from a record high. However, weaker global demand for commodities is likely to see the trade surplus resume narrowing in the coming months.

The significant source of risk to this scenario is the reaction of the domestic economic agents, particularly households, to the current monetary policy tightening.

3 November 2022