

Economic Analysis

Australia's external trade surplus widened to a seasonally adjusted A\$8,039m in July, from a downwardly revised A\$10,268m in June (originally A\$11,321m). The consensus market expectation was for a A\$10,000m surplus.

The decline in the surplus was due to a combined effect of a decline in exports and a rise in imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	July	June
Trade Balance	-2,229	8,039	10,268
Goods and Services Exports	-1,096	53,923	55,019
Goods and Services Imports	1,134	45,885	44,751

Exports dropped A\$1,096m (2.0%), with declines across all categories but rural goods and manufactures.

The strongest decline was recorded for the volatile non-monetary gold. Fossil fuel exports also saw quite considerable declines, with coal, coke and briquettes falling A\$268m (3.1%) and other mineral fuels (oil and gas) registering a A\$227m (3.2%) decrease.

Exports of metal ores and minerals ebbed A\$106m (0.7%) in July. Preliminary data suggests the decline was mainly due to lower volumes.

Services exports retreated A\$98m or 1.0% from the record high reached in the previous month.

Exports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Rural Goods	453	6,308	5,855
Metal Ores and Minerals (Incl. Iron Ore)	-106	14,515	14,621
Coal, Coke and Briquettes	-268	8,259	8,527
Other Mineral Fuels (Oil and Gas)	-227	6,805	7,032
Non-Monetary Gold	-949	2,022	2,971
Manufactures	99	3,810	3,711
Services	-98	9,333	9,431

Imports rose A\$1,134m (2.5%) in July, with intermediate and other merchandise goods being the only category to see a decline due to lower imports of fuels and lubricants as well as 'processed industrial supplies not elsewhere specified'.

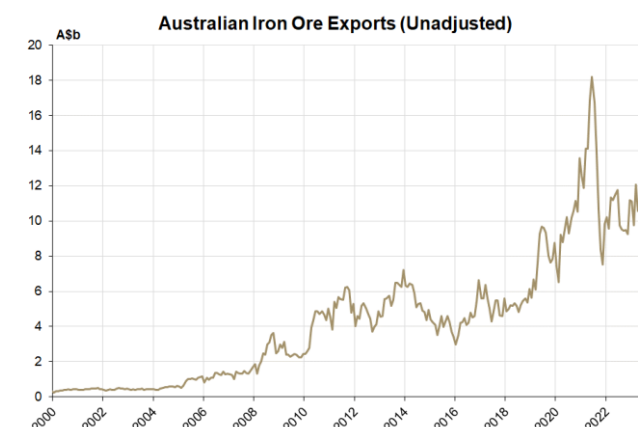
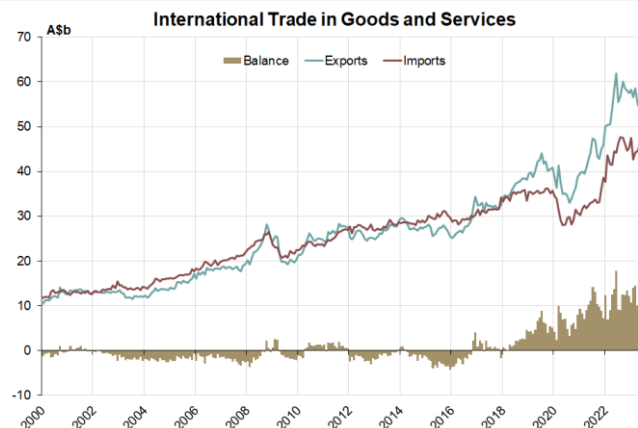
The rise in consumption goods imports was dominated by passenger vehicles and the increase in capital goods imports was led by non-industrial transport equipment and telecommunications equipment.

Services imports rose A\$129m (1.3%) to a new record high, driven by a A\$131m gain in tourism-related services.

Imports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Consumption Goods	749	11,619	10,870
Capital Goods	368	9,214	8,846
Intermediate and Other Merchandise Goods	-214	14,164	14,378
Non-Monetary Gold	102	1,069	967
Services	129	9,819	9,690

Trade Balance July 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, %)

	July	June
Western Australia	45	47
New South Wales	16	15
Victoria	6	6
Queensland	20	22
South Australia	4	3
Tasmania	1	1

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

Comment

Despite the decline, the Australian trade surplus remains healthy, with the demand for commodities strong.

On the flipside, import values also remain well above pre-COVID levels despite mounting signs of a slowdown in domestic demand amid cost-of-living pressures.

The trade surplus is likely to narrow further, with Chinese authorities expected to limit steel production in the second half of the year, while near record European gas inventories are anticipated to put downward pressure on global LNG prices. Although this will be offset by imports being adversely impacted by the unfolding economic slowdown.

7 SEPTEMBER 2023

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