

Economic Analysis

Australia's seasonally adjusted external trade surplus narrowed to A\$8,324m in August, from an upwardly revised A\$8,967m in July (previously A\$8,733m). The market consensus was for an increase to A\$10,550m.

The slight decline in the trade surplus was driven by a 4.5% increase in imports, which was partly offset by a 2.6% rise in exports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	August	July
Trade Balance	-643	8,324	8,967
Goods and Services Exports	1,434	56,774	55,340
Goods and Services Imports	2,077	48,450	46,373

The rise in exports was broad-based, with metal ores and minerals being the only category to see a slight decline.

The rise was led by an A\$443m gain in exports of rural goods, followed by a A\$359m increase in coal, coke and briquettes (driven by higher thermal coal export volumes). Exports of other mineral fuels (oil and gas) have also picked up (+A\$274k) due to higher LNG export prices and volumes.

The metal ores and mineral exports (mainly iron ore) edged down A\$26m but remained high by historical standards. Iron ore unit values declined by 3.0%.

Services exports rose by just A\$25m (0.4%) and remained 28.1% below their pre-pandemic levels.

Exports (A\$ Millions)

Seasonally Adjusted	Change	August	July
Rural Goods	443	6,989	6,546
Metal Ores and Minerals (Incl. Iron Ore)	-26	13,137	13,163
Coal, Coke and Briquettes	359	12,541	12,182
Other Mineral Fuels (Oil and Gas)	274	8,988	8,714
Non-Monetary Gold	128	2,545	2,417
Manufactures	323	3,542	3,219
Services	25	6,339	6,314

Imports also saw a broad-based increase in August. Of the major categories, only the volatile non-monetary gold recorded a slight A\$159m decline.

The largest increase was an A\$1,115m rise in intermediate and other merchandise goods, driven by an A\$690m gain in fuels and lubricants.

Consumption goods also saw a solid A\$815m gain in imports, with slight declines only in textiles, clothing and footwear (-A\$5m) as well as toys, books and leisure goods (-A\$63m).

Services imports rose by another A\$259m (2.9%), to reach a new record high.

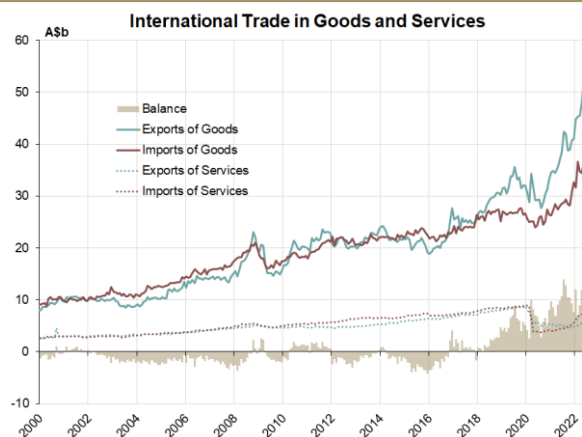
Imports (A\$ Millions)

Seasonally Adjusted	Change	August	July
Consumption Goods	815	12,310	11,495
Capital Goods	46	8,462	8,416
Intermediate and Other Merchandise Goods	1,115	18,106	16,991
Non-Monetary Gold	-159	528	687
Services	259	9,043	8,784

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Trade Balance August 2022



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

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

	August	July
Western Australia	44	45
New South Wales	21	16
Victoria	7	7
Queensland	20	24
South Australia	2	3
Tasmania	1	1

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

Comment

The narrower trade surplus was driven by a further lift in imports, particularly of services which exceeded its pre-COVID peak. The sustained rise in imports is consistent with strong domestic demand, particularly among households, despite the cost-of-living pressures.

The trade surplus is likely to narrow further, as slower global growth weighs on the demand for commodities. That said, so far, exports have shown resilience to the declines in commodity prices, thanks to ongoing strong demand, including from Europe, as it continues to be hit by the fossil fuel supply crunch amid the geopolitical turmoil.

The expected decline in export values will likely be at least partly offset by a decline in import demand as the Aussie economy also slows.

6 October 2022