

Economic Analysis

Australia's external trade surplus rose to a seasonally adjusted A\$11,791m in May, from a downwardly revised A\$10,454m in April (originally A\$11,158m). The consensus market expectation was for a A\$10,600m surplus.

The rise in the surplus was caused by an increase in exports, partly offset by higher imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	May	April
Trade Balance	1,337	11,791	10,454
Goods and Services Exports	2,437	57,770	55,333
Goods and Services Imports	1,100	45,979	44,879

Exports rose A\$2,437m (4.4%), with all major categories rising but metal ores and minerals, which ebbed by A\$277m or 1.9% amid lower iron ore prices. Iron ore export volumes climbed in May.

The strongest increase was reported for the volatile non-monetary gold (A\$1,256m or 77.1%).

There was also a strong A\$488m (13.4%) increase in manufactures, driven by the 'other manufactures' category, particularly jewellery.

Rural goods and fossil fuels also added to the rise in exports. In case of the latter, the increase was driven by higher volumes, partly offset by a decline in prices.

Exports of services rose A\$126m (1.4%), reaching a new record high, amid a A\$121m (2.2%) rise in tourism-related services.

Exports (A\$ Millions)

Seasonally Adjusted	Change	May	April
Rural Goods	296	6,189	5,893
Metal Ores and Minerals (Incl. Iron Ore)	-277	14,613	14,890
Coal, Coke and Briquettes	149	9,632	9,483
Other Mineral Fuels (Oil and Gas)	285	8,734	8,449
Non-Monetary Gold	1,256	2,885	1,629
Manufactures	488	4,218	3,730
Services	126	8,864	8,738

The A\$1,100m (+2.5%) rise in imports was driven by consumption goods, intermediate and other merchandise goods and the volatile non-monetary gold.

Consumption goods saw the strongest increase, of A\$889m (+7.7%), thanks to a A\$933m (29.7%) surge in imports of non-industrial transport equipment to a fresh record high. Most other subcategories of consumption goods registered a decline in imports in May.

The A\$264m or 2.9% fall in capital goods was mainly due to a 61.1% plunge in civil aircraft and confidentialised items. Services imports were broadly unchanged in May, but tourism-related services declined A\$137m (3.8%).

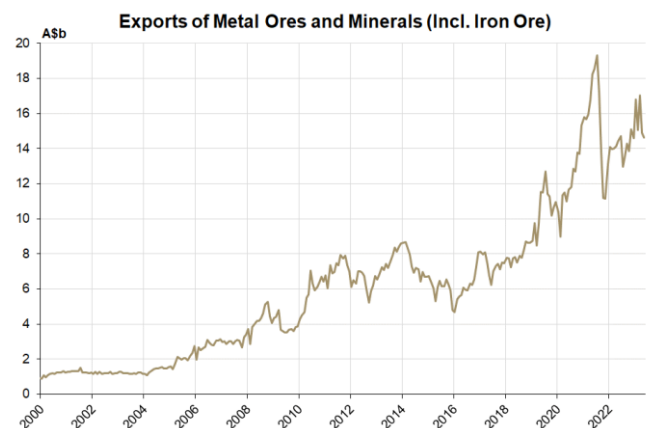
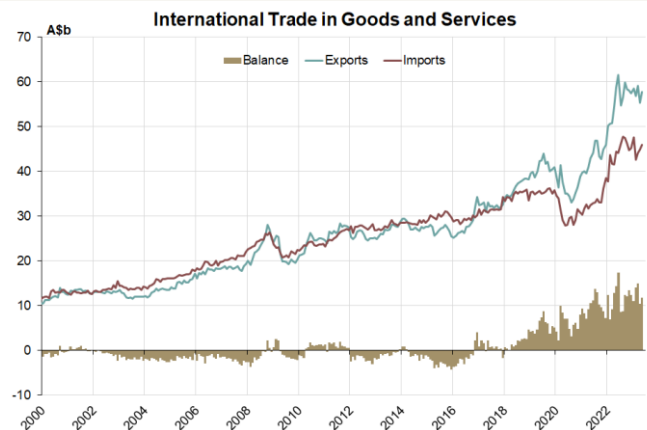
Imports (A\$ Millions)

Seasonally Adjusted	Change	May	April
Consumption Goods	889	12,470	11,581
Capital Goods	-264	8,712	8,976
Intermediate and Other Merchandise Goods	73	15,131	15,058
Non-Monetary Gold	403	851	448
Services	-1	8,815	8,816

Disclaimer

Any opinions, judgments, conclusions, forecasts, predictions or estimations contained in this advice are made in reliance on information provided to Western Australian Treasury Corporation which Western Australian Treasury Corporation believes to be reliable. Western Australian Treasury Corporation, however, cannot guarantee the accuracy of that information. Thus, any recommendations are made in good faith but are provided only to assist you with any decisions which you make. These recommendations are not intended to be a substitute for professional advice on a particular matter. Before accepting or rejecting those recommendations you must discuss your particular needs and circumstances with Western Australian Treasury Corporation.

Trade Balance May 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, %)

	May	April
Western Australia	47	47
New South Wales	15	15
Victoria	6	6
Queensland	20	21
South Australia	3	4
Tasmania	1	1

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

Comment

Australia continues to register supersized trade surpluses, thanks to ongoing strong commodity demand.

The resilient headline import figures mask the increasing underlying weakness, particularly in consumer import demand, with declines in all consumption goods but non-industrial transport equipment.

Exports remain resilient despite the apparent loss of momentum in the Chinese economy in recent months. While the expected slowdown in the global economy represents some downside risk going forward, there is always the possibility that Chinese authorities will throw further support at their ailing economy and provide another lift to commodity demand.

6 July 2023