

The Australian trade balance surged to an all-time high of A\$10.6B in March 2020, exceeding market expectations (A\$6.0B). The increase in the trade surplus was double the previous record rise.

Key Numbers A\$ Millions (Seasonally Adjusted)

Seasonally Adjusted	Change	March	February
Trade Balance	\$6,737	\$10,602	\$3,865
Goods and Services Exports	\$5,558	\$42,417	\$36,859
Goods and Services Imports	-\$1,178	\$31,815	\$32,993

The March upswing in the trade balance was primarily due to a 32% bounce in exports of metal ores and minerals (mainly iron ore), which followed a 14% fall in February amid the Chinese lockdown. Through the year, exports of iron ore were up 47%.

The value of non-monetary gold exports more than tripled in March amid a surge in gold demand and prices during the escalation of the COVID-19 crisis. A less impressive rise in exports was recorded for all other categories of goods, bringing the growth of total exports to 22%, the second fastest on record.

Exports A\$ Millions (Seasonally Adjusted)

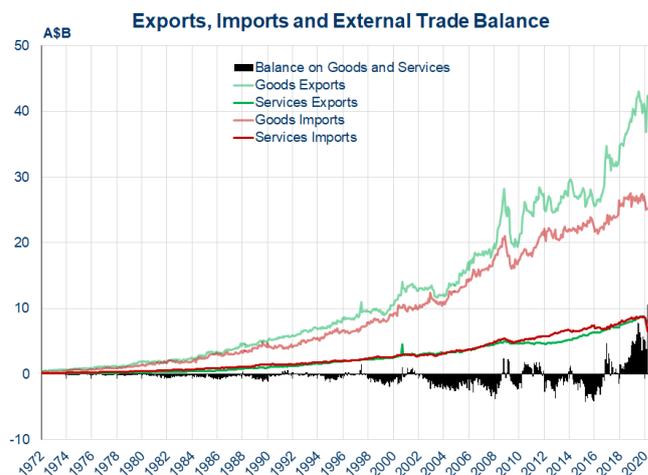
	Change	March	February
Rural Goods	\$271	\$4,133	\$3,862
Metal Ores and Minerals (Iron Ore)	\$2,809	\$11,562	\$8,753
Coal, Coke & Briquettes	\$274	\$4,860	\$4,586
Other Mineral Fuels (Oil and Gas)	\$485	\$5,541	\$5,056
Non-Monetary Gold	\$2,474	\$3,574	\$1,100
Manufactures	\$36	\$3,660	\$3,624
Services	-\$727	\$6,990	\$7,717

Exports of services extended their slump caused by pandemic-related travel restrictions. Services exports fell at the fastest pace on record in monthly terms, while the monthly and annual falls in tourism-related service credits were the largest on record.

Imports A\$ Millions (Seasonally Adjusted)

	Change	January	December
Consumption Goods	\$10	\$8,315	\$8,305
Capital Goods	-\$194	\$5,623	\$5,817
Intermediate and Other Merchandise Goods	\$31	\$10,333	\$10,302
Non-Monetary Gold	\$466	\$1,017	\$551
Services	-\$1,492	\$6,527	\$8,019

The record widening in the trade surplus was helped by a 4% decline in imports, concentrated in the services sector. The annual slump in tourism-related service debits was more than double the drop that followed the September 11, 2001 attacks. With the notable exception of non-monetary gold, imports of goods were relatively little changed from February, reflecting subdued domestic demand.



As a result of the surge in iron ore and gold exports, Western Australia strengthened its position as the dominant exporter among the states, with its share of merchandise goods exports returning to 49% in March.

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

	March	February
Western Australia	49%	44%
New South Wales	13%	14%
Victoria	8%	8%
Queensland	19%	22%
South Australia	3%	3%
Tasmania	1%	1%

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

Comment

As expected [a month ago](#), the Chinese recovery provided support to Australian exports in March 2020. Following today's external trade report, it is highly likely that net exports will add to Q1 GDP, which is good news after a disappointment [in the real retail sales figures](#) yesterday. The weakness in imports in the March trade report confirmed subdued domestic demand in Australia.

Today saw a set of Chinese data for April, with imports falling more than expected and the services sector remaining in contraction. However, iron ore import volumes rose 11.4% in the month (unadjusted) to be 18.5% higher YoY, suggesting Chinese demand for steel remains solid thanks to the improvement in construction sector activity.

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