

The Australian trade balance remained in surplus in May. In seasonally-adjusted terms, the surplus on goods and services was A\$8.0B, little changed from a downwardly revised A\$7.8B in April. Market participants expected the surplus to widen to A\$9.0B.

**Key Numbers A\$ Millions (Seasonally Adjusted)**

Seasonally Adjusted	Change	May	April
Trade Balance	\$195	\$8,025	\$7,830
Goods and Services Exports	-\$1,604	\$35,742	\$37,346
Goods and Services Imports	-\$1,799	\$27,717	\$29,516

The 5.4% fall in exports was led by coal and rural goods exports, with the main contribution coming from a 30.5% drop in cereal grains and preparations. Non-rural goods credits also declined, though iron ore exports remained high, helped by ongoing demand from China.

**Exports A\$ Millions (Seasonally Adjusted)**

	Change	May	April
Rural Goods	-\$404	\$3,614	\$4,018
Metal Ores and Minerals (Iron Ore)	-\$199	\$10,714	\$10,913
Coal, Coke & Briquettes	-\$635	\$4,148	\$4,783
Other Mineral Fuels (Oil and Gas)	-\$19	\$4,765	\$4,784
Non-Monetary Gold	-\$219	\$1,677	\$1,896
Manufactures	-\$246	\$2,769	\$3,015
Services	\$99	\$6,127	\$6,028

Goods imports fell by 6.9%, dragged down by subdued domestic demand amid the COVID-19 recession. Consumption goods imports fell by 13.9%, with passenger vehicle imports nearly halving. A drop in transport equipment debits was also one of the largest contributors to a 6.9% fall in capital goods imports.

**Imports A\$ Millions (Seasonally Adjusted)**

	Change	May	April
Consumption Goods	-\$1,233	\$7,619	\$8,852
Capital Goods	-\$412	\$5,563	\$5,975
Intermediate and other merchandise goods	-\$821	\$9,356	\$10,177
Non-Monetary Gold	\$710	\$1,340	\$630
Services	-\$43	\$3,839	\$3,882

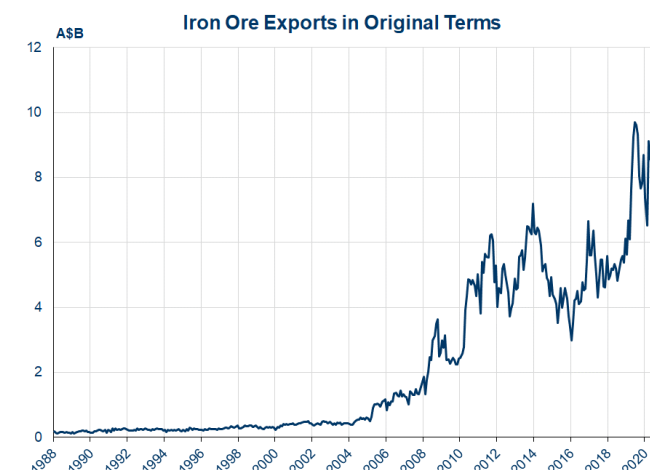
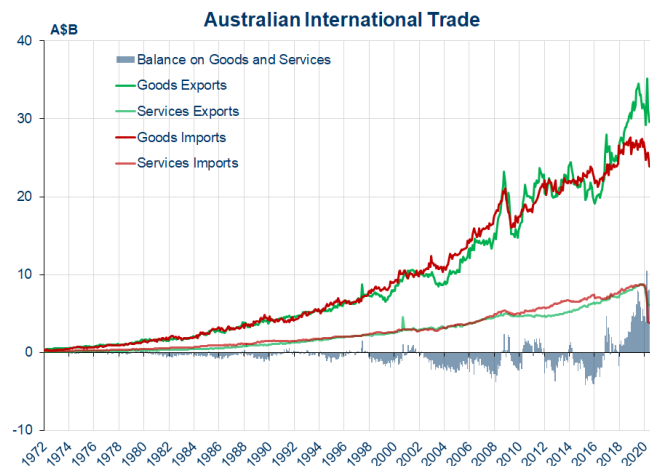
Western Australia maintained its position as the dominant exporter among the states.

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

	May	April
Western Australia	49%	49%
New South Wales	12%	12%
Victoria	7%	8%
Queensland	21%	21%
South Australia	4%	3%
Tasmania	1%	1%

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

Exports and imports of services stabilised at a very low level, after the meltdown in previous months caused by the closure of Australia's borders after the escalation of the pandemic.



**Comment**

The May trade report reflected a fall in global and domestic demand during the pandemic, with a little consolation from the still high level of exports, particularly iron ore. Imports, already stagnant ahead of the crisis, shrank even further. With travel restrictions in place, turnover in services sits at mid-2000s levels. While there are early signs of global and domestic recovery, it will take a long time for external trade to fully recover, particularly with respect to services.

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