

Economic Analysis

Trade Balance March 2021

The seasonally adjusted external trade surplus narrowed to A\$5.6b in March from A\$7.6b in February.

Key Numbers (A\$ Millions)

| Seasonally Adjusted | Change | March | February |
|----------------------------|--------|--------|----------|
| Trade Balance | -2,021 | 5,574 | 7,595 |
| Goods and Services Exports | -681 | 38,274 | 38,955 |
| Goods and Services Imports | 1,340 | 32,700 | 31,360 |

The fall in surplus was larger than expected by market participants and reflected a 4.3% rise in imports and, to a lesser extent, a 1.7% decline in exports.

The decline in exports was caused mainly by a 25% drop in exports of volatile non-monetary gold, which is always volatile, and an 11% fall in coal shipments.

These declines were partly offset by a 2.1% increase in exports of metal ores and minerals (mainly iron ore). Iron ore exports reached a fresh record high in original terms.

Exports A\$ Millions

| Seasonally Adjusted | Change | March | February |
|---|--------|--------|----------|
| Rural Goods | -28 | 4,150 | 4,178 |
| Metal Ores and Minerals (Mainly Iron Ore) | 322 | 15,381 | 15,059 |
| Coal, Coke & Briquettes | -381 | 3,007 | 3,388 |
| Other Mineral Fuels (Oil and Gas) | 35 | 3,509 | 3,474 |
| Non-Monetary Gold | -708 | 2,120 | 2,828 |
| Manufactures | 199 | 2,985 | 2,786 |
| Services | -101 | 4,897 | 4,998 |

The rise in imports was broad-based, led by imports of the volatile non-monetary gold which more than doubled from the previous month. Capital goods increased by 4.7%, while consumption goods picked up by 1.5% driven by imports of textiles and electronics.

Imports (A\$ Millions)

| Seasonally Adjusted | Change | March | February |
|--|--------|--------|----------|
| Consumption Goods | 147 | 10,061 | 9,914 |
| Capital Goods | 309 | 6,896 | 6,587 |
| Intermediate and Other Merchandise Goods | 334 | 10,640 | 10,306 |
| Non-Monetary Gold | 529 | 981 | 452 |
| Services | 22 | 4,123 | 4,101 |

Trade in services remained around half pre-COVID levels, reflecting the ongoing travel restrictions.

Western Australia continues to account for over half the value of Australian exports.

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

| | March | February |
|-------------------|-------|----------|
| Western Australia | 56.6 | 56.2 |
| New South Wales | 11.0 | 12.1 |
| Victoria | 7.0 | 6.5 |
| Queensland | 14.3 | 14.2 |
| South Australia | 3.1 | 3.6 |
| Tasmania | 1.0 | 0.9 |

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



Comment

The decline in the trade surplus in March largely reflected the recovery in domestic demand and, as the ABS specifically pointed out in the release, easing delays in containment shipping. Despite the increase, imports remained depressed compared to pre-COVID levels, partly due to the non-existent trade in services.

Australia has recorded uninterrupted trade surpluses since January 2018, helped by sustained demand for iron ore. Incoming information suggests that the China's demand for iron ore remains solid, despite the restrictions imposed on emissions and steel production in parts of that country. However, the current elevated levels of iron ore export values appear unsustainable over the longer run.

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