

Economic Analysis

The seasonally adjusted external trade surplus widened again in June, reaching another record high of A\$10.5b. The June trade surplus was slightly larger than envisaged by the market consensus (A\$10.2b).

The rise in the trade surplus was driven by a broad-based increase in exports, partly offset by higher imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	June	May
Trade Balance	1,227	10,496	9,269
Goods and Services Exports	1,489	43,337	41,848
Goods and Services Imports	261	32,840	32,579

The rise in exports was again led by metal ores and minerals as iron ore exports climbed to another all-time high (unadjusted).

Solid gains were also recorded for non-monetary gold, which is almost always volatile, as well as rural goods, particularly cereals, reflecting strong harvests and low global supply.

Exports (A\$ Millions)

Seasonally Adjusted	Change	June	May
Rural Goods	300	4,650	4,350
Metal Ores and Minerals (Incl. Iron Ore)	343	18,218	17,875
Coal, Coke and Briquettes	177	3,728	3,551
Other Mineral Fuels (Oil and Gas)	98	4,027	3,929
Non-Monetary Gold	326	2,143	1,817
Manufactures	132	3,128	2,996
Services	154	5,091	4,937

Capital goods was the main contributor to the June rise in imports, mainly thanks to a rise in industrial transport equipment amid improved global supply. Intermediate and other merchandise goods also saw a considerable increase, led by fuels and lubricants, particularly diesel.

Consumption goods recorded a slight decline, with non-industrial transport equipment being the only category to see an increase reflecting still high demand for passenger vehicles.

Imports (A\$ Millions)

Seasonally Adjusted	Change	June	May
Consumption Goods	-67	9,735	9,802
Capital Goods	479	7,217	6,738
Intermediate and Other Merchandise Goods	128	10,848	10,720
Non-Monetary Gold	-322	563	885
Services	45	4,478	4,433

Western Australia continued to contribute more than half of the value of Australia's exports.

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

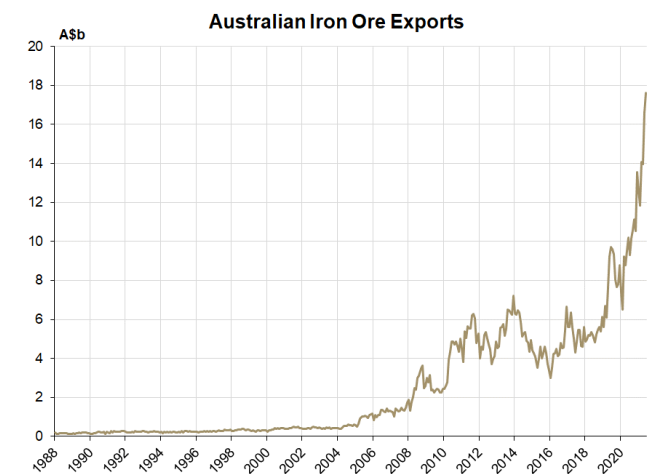
	June	May
Western Australia	57.8	59.0
New South Wales	11.1	10.8
Victoria	6.1	6.3
Queensland	14.9	14.1
South Australia	3.4	2.9
Tasmania	0.9	0.9

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

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Trade Balance June 2021



Comment

Following the June increase, exports are almost back to peak pre-COVID levels, to be just 2.0% shy of the all-time high from July 2019. The primary driver of exports has been iron ore, reflecting the sharp rise in prices over the past year and ongoing demand from China. Exports to China reached another series high and are nearing their record levels for the rest of the world.

Imports remain well below pre-COVID levels, reflecting almost non-existent imports of services amid ongoing COVID-related travel restrictions.

Looking forward, the recent decline in iron ore prices will put downward pressure on the export value of this commodity. Recent COVID-19 outbreaks in China and attempts to contain steel production by the authorities of the Middle Kingdom pose additional downside risk to iron ore export numbers.

That said, we still expect exports of this commodity to remain solid and continue to support the Aussie trade surplus and national income.

5 AUGUST 2021