

## Economic Analysis

The seasonally adjusted external trade surplus widened again in July, reaching another series record of A\$12.1b. This is significantly larger than envisaged by the market consensus (A\$10.1b).

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

### Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	July	June
Trade Balance	1,003	12,117	11,114
Goods and Services Exports	2,090	45,951	43,861
Goods and Services Imports	1,087	33,834	32,747

Increases were recorded for all categories of export commodities, except from non-monetary gold, which tends to be volatile. In contrast to previous months, 'other mineral fuels' (oil and gas) saw the largest increase, while the second strongest gain was recorded for metal ores and minerals. In original terms, iron ore exports declined by 5% but remained historically elevated.

### Exports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Rural Goods	269	4,977	4,708
Metal Ores and Minerals (Incl. Iron Ore)	653	19,091	18,438
Coal, Coke and Briquettes	614	4,437	3,823
Other Mineral Fuels (Oil and Gas)	914	5,086	4,172
Non-Monetary Gold	-59	2,084	2,143
Manufactures	25	3,154	3,129
Services	-394	4,686	5,080

On the debit side, intermediate and other merchandise goods were the only category to see a rise in imports, mainly thanks to an 81% surge in 'other parts for capital goods' led by parts and accessories for telecommunications equipment.

Consumption goods saw a broad-based decline, but remained historically very high. Capital goods imports were also lower than in June, with mixed results across the subcategories.

### Imports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Consumption Goods	-326	9,367	9,693
Capital Goods	-46	7,166	7,212
Intermediate and Other Merchandise Goods	1674	12,525	10,851
Non-Monetary Gold	-126	437	563
Services	-88	4,339	4,427

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

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

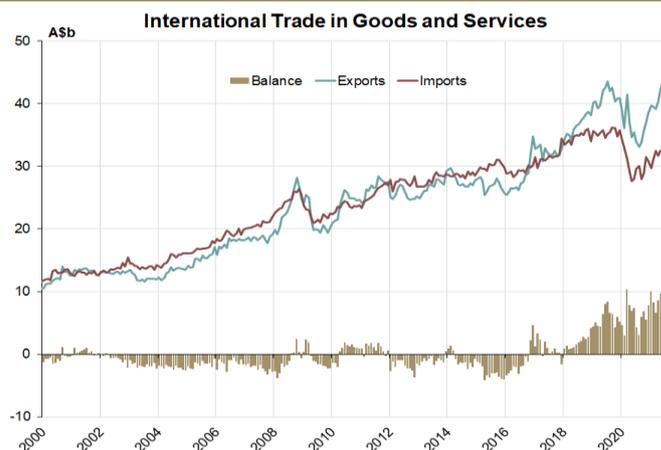
	July	June
Western Australia	55.4	58.8
New South Wales	12.7	11.0
Victoria	6.4	5.8
Queensland	15.0	14.8
South Australia	2.5	3.1
Tasmania	1.0	0.9

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

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## Trade Balance July 2021



### Comment

Exports hit a fresh record high in July. The rise in exports from the August 2020 low has been driven mainly by iron ore, though other export categories have also played a part. In July, however, it was oil and gas that picked up the baton as the key driver of Aussie export growth.

Despite the recent slowdown in Chinese economic growth and trade tensions between China and Australia, Aussie exports to China hit yet another record high.

Iron ore exports are set to remain solid, though the recent decline in prices will translate into a decline in the export value of this commodity. Further deterioration in Chinese economic conditions amid the 'delta' outbreaks also poses some downside risk. However, it cannot be ruled out that the Chinese authorities will once again resort to boosting infrastructure investment to support growth, which will be supportive for iron ore exports.

Imports remain below their pre-COVID peak and the current outbreaks, resulting in lower domestic demand, suggest that this will remain the case.

2 SEPTEMBER 2021