

Economic Analysis

The seasonally adjusted external trade surplus widened to a new record high of A\$15,965m in May, from the upwardly revised A\$13,248m in the previous month. The market consensus was for a smaller A\$10,700m surplus.

The widening of the trade surplus was driven by a 9.5% surge in goods and services exports, partly offset by a 5.8% increase in imports.

Seasonally Adjusted	Change	May	April
Trade Balance	2,717	15,965	13,248
Goods and Services Exports	5,054	58,402	53,348
Goods and Services Imports	2,337	42,437	40,100

The surge in exports was broad-based, with the greatest contribution coming from coal, coke and briquettes, which rose by 20.4% to a new record high. For the month at least, coal regained the title of largest Australian export commodity by value. The increase was driven by higher prices and volumes.

Another important contribution came from other mineral fuels (mainly coal and gas), which surged 11.8% to a new record high, also likely to be largely on the back of a rise in prices. Exports of metal ores and minerals (mainly iron ore) rose by 2.8% in May.

Exports (A\$ Millions)

Seasonally Adjusted	Change	May	April
Rural Goods	193	5,608	5,415
Metal Ores and Minerals (Incl. Iron Ore)	392	14,474	14,082
Coal, Coke and Briquettes	2,482	14,659	12,177
Other Mineral Fuels (Oil and Gas)	970	9,178	8,208
Non-Monetary Gold	920	2,216	1,296
Manufactures	138	3,592	3,454
Services	259	5,700	5,441

The rise in imports was recorded for all categories but the volatile non-monetary gold. The largest input came from intermediate and other merchandise goods (+9.0%), supported mainly by a 22.9% increase in the value of fuel imports.

The value of exports other than fuel is boosted by depreciation of the Australian dollar and strong demand at home. Imports of consumption goods rose by 5.4%, supported by a surge in non-industrial transport equipment after a drop in April. Capital goods imports saw a broad-based increase of 3.2%.

Imports (A\$ Millions)

Seasonally Adjusted	Change	May	April
Consumption Goods	567	11,063	10,496
Capital Goods	243	7,883	7,640
Intermediate and Other Merchandise Goods	1,373	16,621	15,248
Non-Monetary Gold	-89	583	672
Services	245	6,288	6,043

Trade turnover in services continued to revive, as travel slowly returns following the easing of COVID restrictions. That said, it remained well below the pre-pandemic levels.

Trade Balance May 2022



Western Australia was again the largest contributor to Aussie exports, remaining by far the state with the largest share of Aussie exports.

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

	May	April
Western Australia	45	43
New South Wales	18	16
Victoria	6	6
Queensland	21	25
South Australia	3	3
Tasmania	1	1

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

Comment

Australia's external position continues to benefit from the recent surge in commodity prices worldwide. The largest contribution has come from fossil fuels, which received a boost from recent disruptions in the global markets.

At the same time, goods imports remain strong, pointing to ongoing solid domestic demand in May.

Recent days have seen a correction in global fossil fuel prices amid recession fears. This, coupled with slower global economic growth, poses some downside risk to Aussie exports. This risk, however, is partly mitigated by stimulus spending in China, which should be positive for iron ore demand.

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