

Economic Analysis

Australia's seasonally adjusted goods trade surplus rose to A\$5,589m in June from the downwardly revised A\$5,052m in the previous month (originally A\$5,773m). The market expectation was for a decline to A\$5,000m.

The increase in surplus was driven by a A\$736m (1.7%) rise in exports, partly offset by a A\$198m (0.5%) uptick in imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	June	May
Goods Trade Balance	537	5,589	5,052
Goods Exports	736	43,765	43,029
Goods Imports	198	38,176	37,978

The rise in exports was broad-based, with manufactures the only category to see a decline (of A\$245m or 5.9%).

The strongest gains were registered for rural goods and fossil fuels. Metal ores and minerals (mainly iron ore) also saw a slight increase, of A\$118m (0.9%), driven by a rise in export volumes, while prices fell further.

Goods Exports (A\$ Millions)

Seasonally Adjusted	Change	June	May
Rural Goods	291	5,510	5,219
Metal Ores and Minerals (Incl. Iron Ore)	118	13,899	13,781
Coal, Coke and Briquettes	157	7,090	6,933
Other Mineral Fuels (Oil and Gas)	214	7,533	7,319
Metals (Ex Non-monetary Gold)	29	1,308	1,279
Non-monetary Gold	166	3,123	2,957
Manufactures	-245	3,919	4,164

The uptick in goods debits was mainly thanks to higher capital goods imports (+A\$268m or 3.0%), partly offset by a decline in consumption goods (-A\$159m or -1.3%).

The rise in capital goods debits came largely from two volatile categories, 'civil aircraft and confidentialised items' and 'capital goods not elsewhere specified'.

The decline in consumption goods was driven by the equally volatile 'non-industrial transport equipment' category. Intermediate and other merchandise goods debits were hardly changed in June.

Goods Imports (A\$ Millions)

Seasonally Adjusted	Change	June	May
Consumption Goods	-159	11,925	12,084
Capital Goods	268	9,221	8,953
Intermediate and Other Merchandise Goods	10	16,232	16,222
Non-monetary Gold	81	799	718

Western Australia remains the dominant state in terms of exports.

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

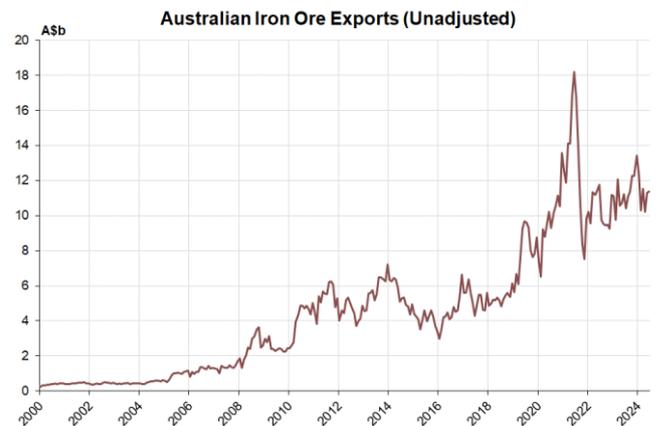
	June	May
Western Australia	46	45
New South Wales	15	15
Victoria	7	7
Queensland	21	21
South Australia	3	3
Tasmania	1	1

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

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Goods Trade Balance June 2024



Comment

Despite the month-to-month volatilities, the big picture of Aussie external trade in goods has been unchanged for around two years.

Trade surpluses continue to normalise, following a boost to exports due to the post-COVID reopening of China and increased demand for Aussie fossil fuels after the full-scale Russian invasion of Ukraine. At the same time, subdued domestic demand amid monetary tightening and cost-of-living pressures keeps imports of goods flat.

According to Bloomberg consensus forecasts, export growth is to accelerate towards the end of 2024 despite moderate global economic growth. At the same time, any recovery in imports is expected to be bumpy, as domestic demand is expected to climb only gradually.

Apart from the monthly goods trade report, today the ABS also released international trade price indices for Q2. It confirmed a further decline in prices for Aussie export commodities, as weakness in the Chinese construction sector affects steel output, dragging iron ore and coal prices lower. At the same time, a rise in petrol and gold prices resulted in a pick-up in the import price index. As a result, Aussie terms of trade slid further in Q2, but remain high by historical standards.

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