

Economic Analysis

Australia's seasonally adjusted goods trade surplus increased to a three-month high of A\$6,009m, from the downwardly revised A\$5,425m (originally A\$5,589m). The market expectation was for a A\$5,000m surplus.

The increase in the goods trade surplus was driven by both a 0.7% rise in exports and a 0.8% fall in imports.

Key Numbers (A\$ Millions)

Seasonally Adjusted	Change	July	June
Goods Trade Balance	584	6,009	5,425
Goods Exports	288	43,803	43,515
Goods Imports	-296	37,794	38,090

The rise in goods credits was driven by all major categories except for fossil fuels. The strongest increases were for rural goods (A\$337m or 6.0%), manufactures (A\$172m or 4.4%) and metals excluding non-monetary gold (A\$161m or 12.1%).

Exports of metal ores and minerals (mainly iron ore) picked up A\$47m (0.3%) in seasonally adjusted terms, and iron ore exports declined in original terms, with lower volumes and values.

Goods Exports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Rural Goods	337	5,958	5,621
Metal Ores and Minerals (Incl. Iron Ore)	47	13,900	13,853
Coal, Coke and Briquettes	-122	6,943	7,065
Other Mineral Fuels (Oil and Gas)	-324	6,873	7,197
Metals (Ex Non-monetary Gold)	161	1,488	1,327
Non-monetary Gold	84	3,207	3,123
Manufactures	172	4,121	3,949

The fall in goods debits was caused by a A\$599m (3.7%) drop in intermediate and other merchandise goods, with the strongest declines in fuels and lubricants and 'processed industrial supplies not elsewhere specified'.

The A\$151m (1.6%) increase in capital goods exports was driven by machinery and industrial equipment as well as 'capital goods not elsewhere specified'.

Imports of consumption goods rose A\$122m (1.0%), with a rise in 'consumption goods not elsewhere specified' more than offsetting a fall in passenger vehicle imports.

Goods Imports (A\$ Millions)

Seasonally Adjusted	Change	July	June
Consumption Goods	122	12,131	12,009
Capital Goods	151	9,332	9,181
Intermediate and Other Merchandise Goods	-599	15,502	16,101
Non-monetary Gold	30	829	799

Western Australia remains the dominant state in terms of exports.

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

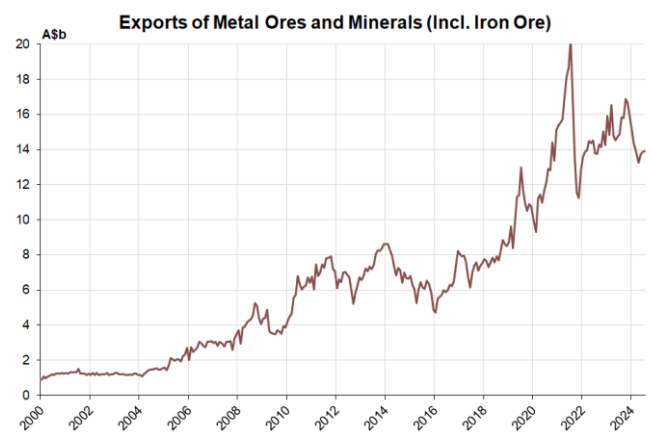
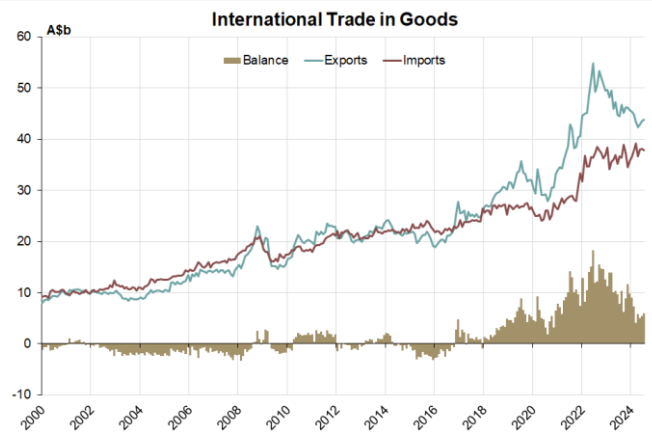
	July	June
Western Australia	43	46
New South Wales	16	15
Victoria	8	7
Queensland	22	21
South Australia	4	3
Tasmania	1	1

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

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Goods Trade Balance July 2024



Comment

The July external trade report brought no groundbreaking news. The trade surplus picked up thanks to slightly higher exports and lower imports, but the broader picture remains unchanged.

Despite a slight rise in July, export values are clearly normalising as commodity prices ease after rising sharply in the aftermath of the pandemic and the Russian invasion of Ukraine. More recently, concerns over the state of the Chinese economy saw iron ore prices drop below US\$100 a tonne, which will likely translate into lower export values in August.

At the same time, subdued domestic demand amid monetary tightening and cost-of-living pressures have been keeping imports of goods broadly flat for the last two years. The July changes in imports are hard to interpret, due to the large role of goods 'not elsewhere specified'.

According to Bloomberg consensus forecasts, both exports and imports are expected to pick up towards the end of 2024 despite moderate global economic growth. A similar, or even more positive picture, is painted by the most recent RBA forecasts.

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