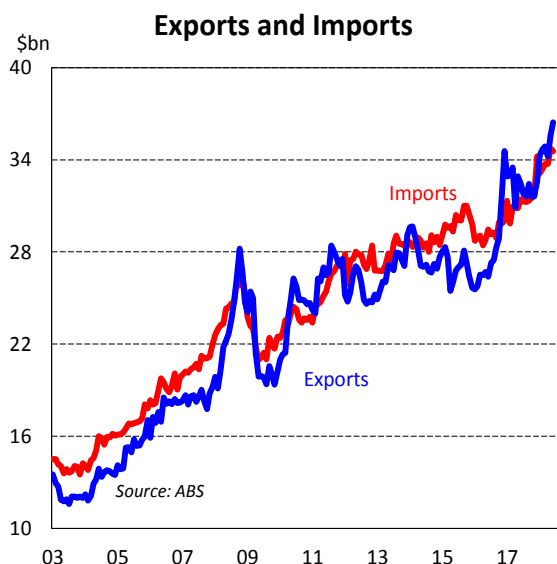
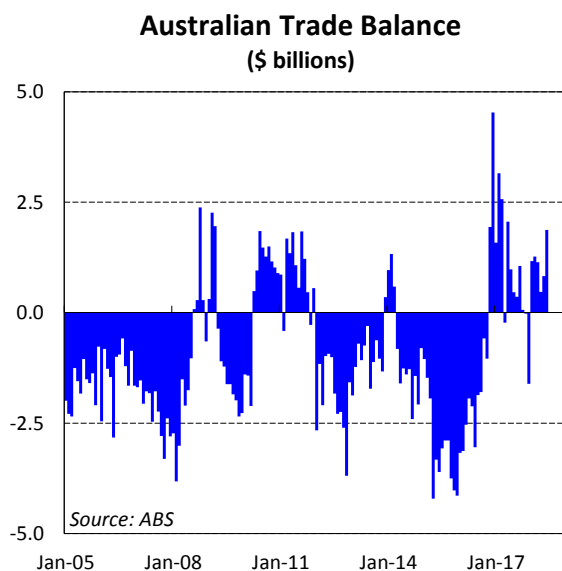


Trade Balance

Best Trade Surplus in 13 Months

- Australia's trade surplus rocketed to \$1,873 million in June, up from \$725 million in May. It is the best surplus since May 2017 and the sixth consecutive surplus.
- The wider surplus in June reflects a lift in exports of 2.5% and a drop in imports of 0.5%.
- Annual exports growth accelerated to 12.4% in June, which is the firmest annual pace in nearly one year. The weaker Australian dollar has boosted the competitiveness of Australia's exports at a time when global growth is firm.
- Imports across the categories were mixed in June. Of note, capital-goods imports jumped 7.8% in June, which is the fastest monthly pace in six months and provides a good leading indicator for business investment.
- Net exports should make a modest positive contribution to economic growth in the June quarter, based on the size of recent trade surpluses.



Australia's trade surplus expanded more than \$1 billion in June to \$1,873 million in June, from \$725 million in May. It is the best surplus since May 2017. Consensus had expected a surplus of only \$900 million.

It is the sixth consecutive surplus recorded and is the fourth time in the past six months the surplus has rocketed past the \$1 billion mark.

The wider surplus in June reflects a lift in exports and a drop in imports. Exports across rural goods, non-rural goods and services rose in June.

Exports

Exports rose by 2.5% in June, helping to deliver a bigger trade surplus in June. On a year ago, exports are 12.4% higher, which is the firmest annual pace in nearly one year (since August 2017). The weaker Australian dollar is helping boost the competitiveness of Australia's exports on the global stage at a time when global growth is firm.

Rural-goods exports rose by the most in June, up 4.1%. Cereal grains & cereal preparations were the strongest category in rural goods, rising by 12.0% in the month.

Non-rural-goods exports lifted 2.2% in June and in the year to June are up a blistering 19.4%. It is the fastest annual pace in ten months. Within this category, exports of transport equipment rose by the most, up 19.4% in the month.

Finally, services exports showed a rise of 1.7% in June and 3.1% growth in the year to June.

Imports

The import bill fell 0.5% in June, but remains 10.0% higher on a year ago. Imports were mixed in June. Intermediate-goods imports fell by 2.9% in June and consumption-goods imports rose by only 0.1% in the same period. However, capital-goods imports jumped 7.8% in June, which is the fastest monthly pace in six months and provides a good leading indicator for business investment.

Within the consumption-goods category, textiles, clothing & footwear rose the most in June, by 3.1%. It suggests a possible lift in retailing in coming months for this category.

Within capital-goods imports, the strongest growth in June was for capital goods nes, up 42.7% in the month.

For intermediate-goods imports, all categories declined in the month.

Outlook and Implications

Net exports should make a modest positive contribution to economic growth in the June quarter, based on the size of recent trade surpluses.

The momentum in the export sector is encouraging for the economic outlook and reflects both the global economic upswing and the lift in competitiveness the weaker Australian dollar is providing. Uncertainty on global trade policies has deepened and developments on this front remain on the watch list.

Besa Deda, Chief Economist
Ph: 02-8254-3251

Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Senior Economist

Josephine Horton
hortonj@bankofmelbourne.com.au
(02) 8253 6696

Senior Economist

Janu Chan
chanj@bankofmelbourne.com.au
(02) 8253 0898

The Detail

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.