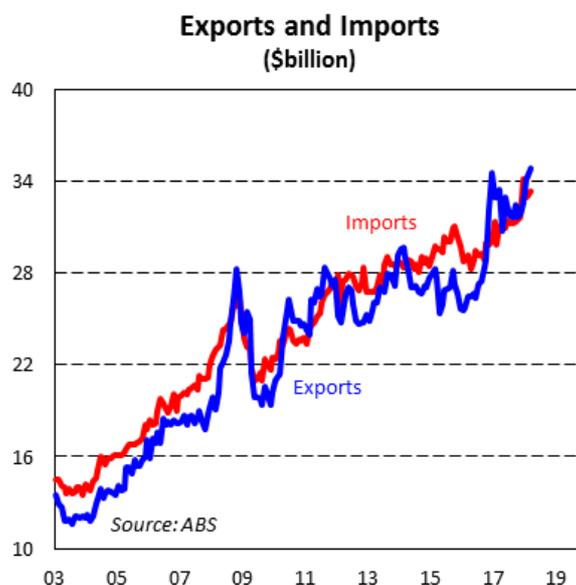
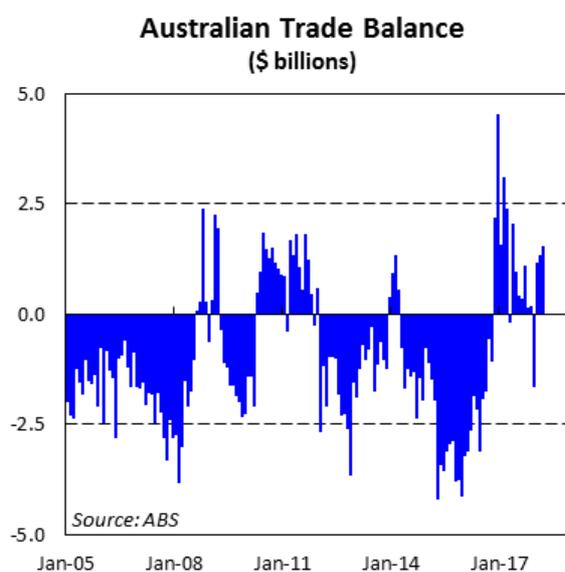


## Trade Balance

### Exports Marching On

- The trade surplus widened from \$1.3bn in February to \$1.5bn in March, the largest surplus in ten months. Additionally, back revisions now paint a rosier picture of Australia's trade position over January and February. In the first three months of the year, there have been surpluses of over \$1bn each month, a result not witnessed for a year.
- Positive momentum in the global economy is supporting export growth. Exports lifted 1.4% in March, which was the fifth consecutive monthly increase.
- Imports continued to head higher in March, lifting 0.9%. It still corresponds with moderate growth in domestic demand, although imports were probably mostly boosted by the higher oil price.
- A pick up in exports combined with a slowing in import growth over the first three months of the year, suggesting that net exports are likely to contribute to growth in the March quarter. It follows a detraction of 0.5 percentage points from net exports in the December quarter.
- The positive momentum in the global economy should continue to support export growth, although uncertainty about trade policies could potentially dent the global recovery. Working in the other direction however, is import growth which is being supported by a recovery in business spending and ongoing moderate growth in consumer spending.



The trade surplus widened from \$1.3bn in February to \$1.5bn in March. It was larger-than-expected by markets and the largest surplus in ten months. Additionally, back revisions now paint a rosier picture of Australia's trade position over January and February. In the first three months of the year, there have been surpluses of over \$1bn each month, a result not witnessed for a year.

### **Exports**

Positive momentum in the global economy is supporting export growth. Exports lifted 1.4% in March, which was the fifth consecutive monthly increase.

There were modest increases in some resource commodities including exports of metal ores & minerals (0.2%), other mineral fuels (1.6%) and non-monetary gold (7.7%). However, coal, coke & briquette exports eased 0.5% and metal (excluding non-monetary gold) exports also fell (-5.2%).

Other non-mining exports were mostly stronger. Machinery (8.4%), transport & equipment (4.0%) and other manufactures (6.0%) exports lifted. Rural good exports (3.3%) recovered for a second consecutive month after unseasonable conditions weighed on exports over late 2017.

Service exports (0.6%) also lifted for a second consecutive month in March.

### **Imports**

Imports continued to head higher in March, lifting 0.9%. Annual import growth eased from an a rate of 10.5% in February to 7.5% in March, but still corresponds with moderate growth in domestic demand.

Higher oil prices helped to lift imports of fuels & lubricants which rose 16.3% in March.

Imports linked to consumer and business spending however, eased in the month.

Consumption good imports fell 2.2% in March, coming off the back of a 6.7% decline in February. There continues to be some headwinds for consumer spending given the ongoing slow pace of wage growth and slowdown in the housing market.

Capital good imports also weakened, falling 1.0%, although the annual rate of growth remained a firm 7.2%. It still suggests that business spending will continue to expand. Within capital goods, machinery & industrial equipment imports, which is closely tied with capital expenditure, fell 3.8% in March, but this followed a 13.1% gain in February.

### **Outlook and Implications**

A pick up in exports combined with a slowing in import growth over the first three months of the year, suggesting that net exports are likely to contribute to growth in the March quarter. It follows a detraction of 0.5 percentage points from net exports in the December quarter.

The positive momentum in the global economy should continue to support export growth, although uncertainty about trade policies could potentially dent the global recovery. Working in the other direction however, is import growth which is being supported by a recovery in business spending and ongoing moderate growth in consumer spending.

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