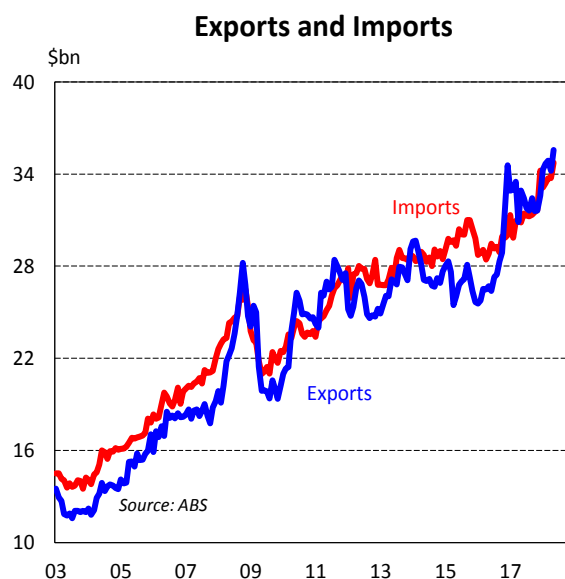
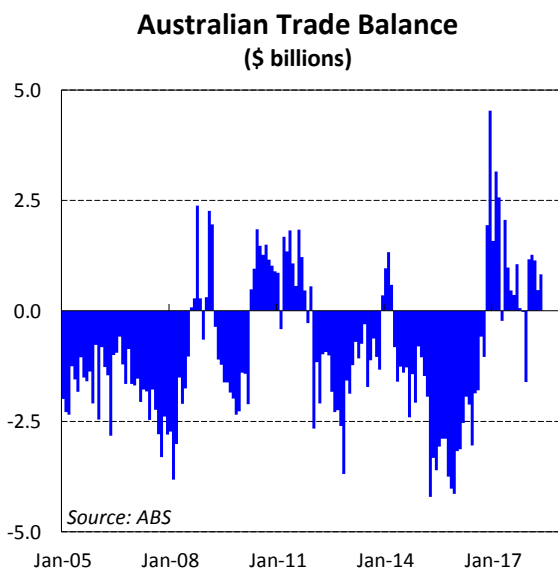


Trade Balance

Trade Rivers Still Flowing

- Australia posted an \$827 million surplus in May, the fifth consecutive month of surplus. It however, followed a sizeable downward revision of \$505 million, taking April's trade surplus to \$472 million.
- Exports rose a solid 4.0% in May. It was the strongest increase in four months, and followed a 1.8% decline in April. The strength in exports reflected firm global demand was boosted by a large lift in commodity exports. In particular, high oil and LNG prices boosted mineral fuel exports. The weakness in the Australian dollar over recent months is also providing support.
- Imports were also strong, rising 3.0% in May. On a year ago, imports rose 12.6% which was strongest annual pace in five months. In the month, a 5.6% increase in consumption good imports drove the increase, providing a positive signal for the consumer spending outlook
- The recent strength in imports is also an encouraging sign for domestic demand and economic growth. Additionally, the positive momentum in the global economy is providing support to growth in exports. Forecasts for global growth remain solid for this year. However, an increasing downside risk is the ongoing uncertainty with regard to trade policies, which could potentially dent the global recovery.



Australia posted an \$827 million surplus in May, the fifth consecutive month of surplus. It however, followed a sizeable downward revision of \$505 million in April taking the trade surplus down to \$472 million.

Surpluses have pared back after exceeding \$1 billion in each of the three months over the March quarter. It likely reflects a pullback in bulk commodity prices over recent months.

Exports

Exports rose a solid 4.0% in May. It was the strongest increase in four months, and followed a 1.8% decline in April. On a year ago, exports were 8.1% higher, reflecting firm global demand.

The strength in exports was boosted by a large lift in commodity exports. Exports of other mineral fuels (which include LNG) jumped 8.8% in May, and were helped by rising oil prices and rising production volumes. Exports of metal ores & minerals (4.2%), coal, coke & briquettes (5.7%) and non-monetary gold (22.4%) were also strong. Meanwhile, exports of metals (excluding non-monetary gold) weakened 5.0%.

Among other exports, rural goods edged 0.1% lower, while services exports rose 1.0% in May. Weakness in the Australian dollar over recent months is providing support to exports.

Imports

Imports were also strong, rising 3.0% in May. On a year ago, imports rose 12.6% which was strongest annual pace in five months.

Driving the bounce was a 5.6% increase in consumption good imports, providing a positive signal for the consumer spending outlook. Meanwhile, imports of capital goods weakened, falling 1.6% in May. On a year ago, capital goods imports remain firm, lifting 10.5%, reflecting buoyant conditions within the business sector. Higher oil prices boosted imports of fuels & lubricants, which rose 4.4% in May, and lifted for the third consecutive month.

Outlook and Implications

The recent strength in imports is also an encouraging sign for domestic demand and economic growth. Additionally, the positive momentum in the global economy is providing support to growth in exports. Forecasts for global growth remain solid for this year. However, an increasing downside risk is the ongoing uncertainty with regards to trade policies, which could potentially dent the global recovery.

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The Detail

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