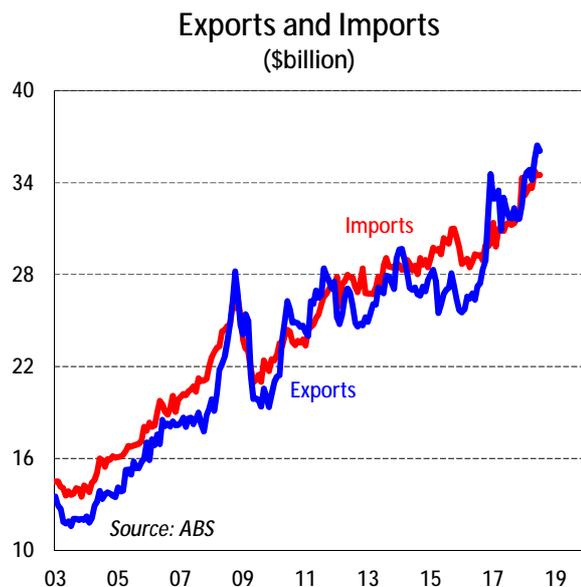
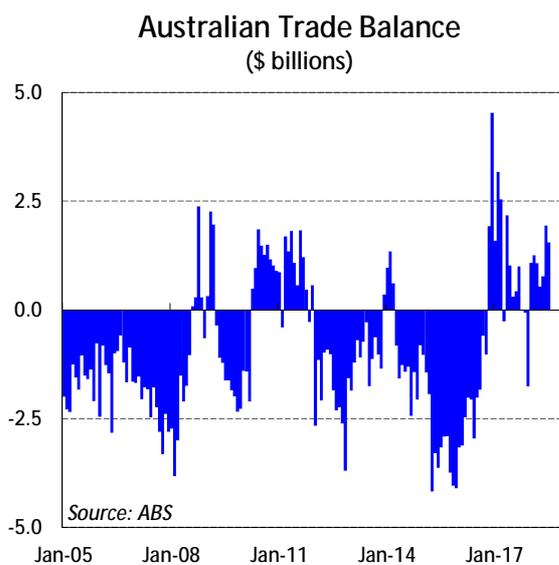


## Trade Balance

### Surplus Still Sizeable

- Australia's trade surplus narrowed from a 13-month high of \$1,937 million in June to \$1,551 million in July. The surplus remains sizeable, and has been in excess of \$1 billion in five out of the last seven months.
- Exports fell 1.0% in July, after strong gains in the previous two months. Exports were 13.7% higher on a year ago, which was the strongest annual growth in 10 months.
- Imports rose just 0.1% in July following a 0.8% decline in June. The weakness in imports adds to a range of signs of softer momentum in the domestic economy in the early second half of the year after a stellar first half. In particular, declines in imports of consumer goods and capital goods suggest downside risk for consumer and business spending.
- Exports should continue to be supported by the ramp up of LNG production. However, the ongoing uncertainty regarding global trade policies is becoming an increasing downside risk for the world economy and global trade. While Australia is less directly affected by the impact of tariffs, the impact on key global trading partners and the potential dent to confidence is a key issue.



Australia's trade surplus narrowed from a 13-month high of \$1,937 million in June to \$1,551 million in July. The surplus remains sizeable, and has been in excess of \$1 billion in five out of the

last seven months.

The result does not come as a big surprise. Exports fell 1.0% in July, after strong gains in the previous two months. Meanwhile, imports were weak, rising just 0.1% in July following a 0.8% decline in June.

### Exports

Despite falling in July, exports were 13.7% higher on a year ago. That was the strongest annual growth in 10 months.

Rural-good exports declined 1.8%, driven by falls in cereal, grains & cereal preparations (-10.5%) and wool & sheepskins (-7.9%). Drought conditions could impact exports in coming months.

Non-rural goods (-0.6%) declined, led by exports of metal ores & minerals (-4.6%), and a 0.9% decline in other mineral fuels. However, coal, coke & briquettes (3.3%) rose as did metals (excluding non-monetary gold) (37.1%).

Services exports rose 0.5% in July, increasing for the fourth consecutive month. On a year ago exports rose 4.4%.

### Imports

The weakness in imports adds to a range of signs of softer momentum in the domestic economy after a stellar first half of the year. Consumer-good imports fell 3.7%. Declines were broad-based, suggesting weakness in consumer spending after the flat result in retail spending in July.

Capital goods imports were also weak, falling 6.5% in July, although this followed a 5.1% jump in June.

A 5.6% increase in imports of intermediate goods provided some offset, driven by a 23.5% increase in imports of fuels & lubricants.

### Outlook and Implications

Exports should continue to be supported by the ramp up of LNG production. However, the ongoing uncertainty regarding global trade policies is becoming an increasing downside risk for the world economy and global trade. While Australia is less directly affected by the impact of tariffs, the impact on key global trading partners and the potential dent to confidence is a key issue.

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### The Detail

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