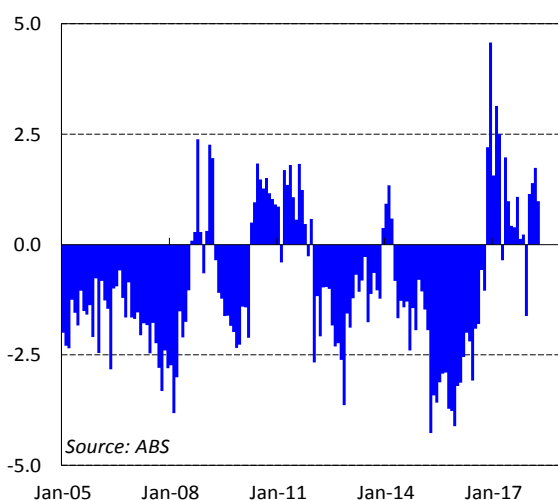


Trade Balance

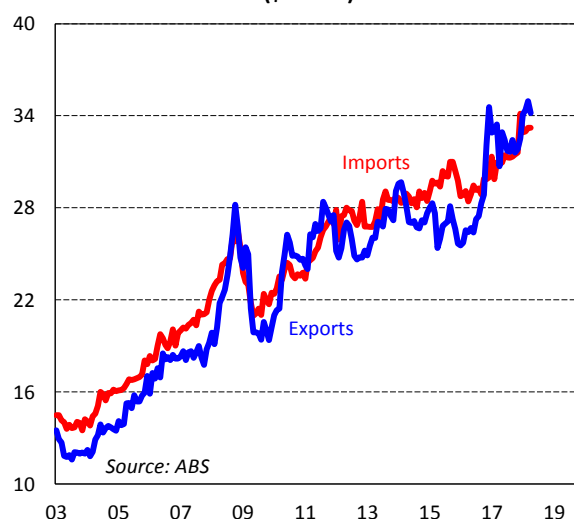
Commodity Price Dip Dents Surplus

- The trade surplus narrowed from \$1.7 billion in March to \$977 million in April, the smallest surplus in four months. The weaker trade position was mostly as a result of a pullback in commodity prices in April.
- Nonetheless, in 16 out of the last 18 months, the trade position has been in surplus, highlighting how the upswing in the global economy since 2017 has supported demand for Australia's exports.
- Export values fell 2.2% in April, the first decline in six months. Weaker commodity prices impacted negatively on metal ores & minerals, coal, coke & briquettes and non-monetary gold.
- Imports were flat in April. The weakness in imports in the month reflected a 2.3% decline in consumption imports. Consumption good imports have fallen in three out of the last four months, adding to signs that consumer spending growth will remain soft.
- Forecasts for global growth remain solid for this year. This would suggest ongoing support for exports, 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 although there are some downside risks to consumer spending.

Australian Trade Balance
(\$ billions)



Exports and Imports
(\$billion)



The trade surplus narrowed from \$1.7 billion in March to \$977 million in April, the smallest surplus in four months. The weaker trade position was mostly as a result of a pullback in commodity prices in April. Export values fell 2.2% in April, the first decline in six months. Meanwhile, imports were

flat in April. It was however, the fourth consecutive month the trade balance has been in surplus. Indeed, in 16 out of the last 18 months, the trade position has been in surplus, highlighting how the upswing in the global economy since 2017 has supported demand for Australia's exports.

Exports

Weaker commodity prices impacted on Australia's largest exports – metal ores & minerals (-3.8%) and coal, coke & briquettes (-7.5%) weakened in April, as did non-monetary gold (-16.1%). Other mineral fuels exports (2.4%) and metals (exc. non-monetary gold) (5.1%), however, increased in the month. Non-commodity exports were also higher, including machinery, transport & equipment and other manufacturers. Service exports were up 1.1% in April, and have increased for three consecutive months. Rural good exports, which have been affected by less favourable growing conditions, edged down 0.2%.

Imports

The weakness in imports in the month reflected a 2.3% decline in consumption imports. Consumption good imports have fallen in three out of the last four months, adding to signs that consumer spending growth will remain soft.

Stronger conditions in the business sector were evident in demand for other imports. Imports of total capital goods rose 1.9% in April, although machinery & industrial equipment imports, which are tied closely to capex spending, declined 2.4% in April, falling for the second consecutive month. Intermediate & other merchandise good imports also lifted, rising 1.1% in the April.

Outlook and Implications

Forecasts for global growth remain solid for this year. This would suggest ongoing support for exports, 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 although there are some downside risks to consumer spending.

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The Detail

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