

8 September 2022

Australia's trade account: Record run is over, as exports pull-back from highs. July surplus, \$8.7bn. Prev. \$17.1bn. Exports -9.9% Imports +5.2%.

The record run on Australia's international trade account is over as exports pull-back from their highs. In July, the surplus narrowed sharply, albeit to be at a still sizeable \$8.7bn.

That was significantly below expectations, Westpac f/c \$13.5bn and market median \$14.7bn.

The July outcome is well down from the back-to-back record highs in May and June of \$14.6bn and \$17.1bn.

Export earnings retreated sharply – after a stellar run, having jumped by an astonishing 21% in the three months to June. That surge was achieved on a combination of higher prices (in part due to the war in Ukraine) and on higher volumes.

Exports declined in July, down by -9.9%, -\$6.1bn, exceeding our forecast fall of -7.5% and -\$4.7bn.

Global commodity prices have pulled back from elevated levels on recession concerns. Moreover, flooding impacted Australian coal shipments. For July, metal ore exports fell by \$2.5bn on lower prices, coal declined by \$2.3bn on lower prices and lower volumes, and gold fell by \$1.2bn, off a high base – for a combined decline of \$6.0bn.

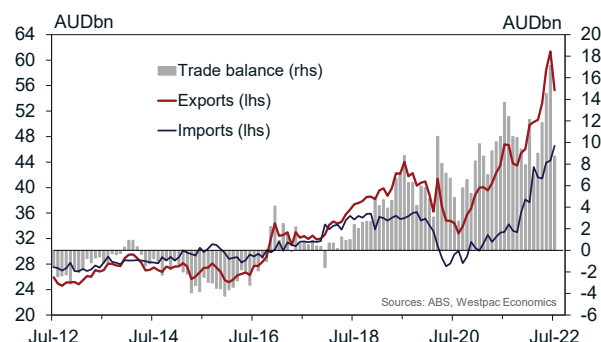
Service exports were a positive, up 4% in the month. Tourism related service exports (education and holiday travel) have rebounded sharply, to \$3.1bn in July, up from a low of \$1.6bn last October but still down from \$5.9bn in December 2019.

Imports were stronger than we expected, up by 5.2%, a rise of \$2.3bn. Strength was broadly based, to meet rising domestic demand.

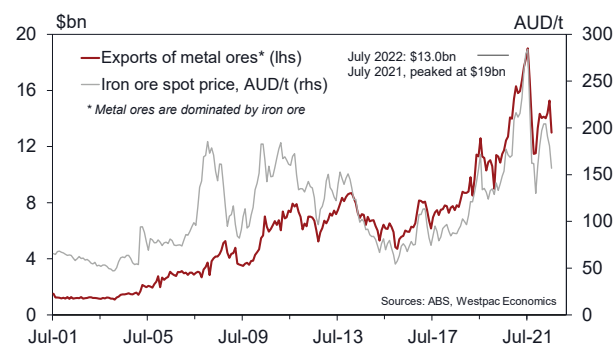
Tourism imports (Aussies travel abroad) have jumped from \$0.2bn last October to be at \$3.0bn in July, quickly recovering towards the \$4.8bn level in December 2019, pre-covid.

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Trade surplus: record run is over, July at \$8.7bn



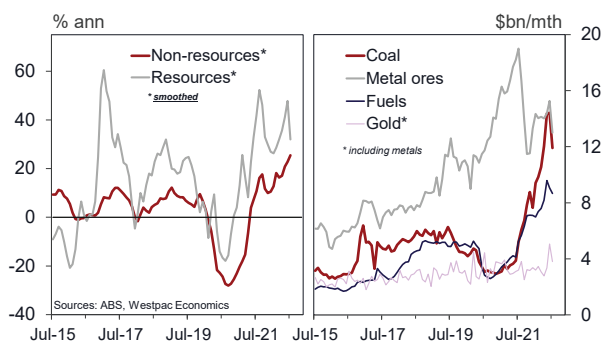
Metal ore export earnings



International tourism sharp rebound on reopening



Export earnings



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