

7 February 2023

Australia's trade account, December: Year finishes with a sizeable surplus. Surplus \$12.2bn, previous \$13.4bn (r). Exports -1.4%, Imports +1.0%.

Australia's trade balance finished the year in a sizeable surplus. The trade surplus printed \$12.2bn in December, having narrowed from \$13.4bn in November (revised higher from \$13.2bn).

Export earnings fell by 1.4%, -\$0.8bn with the decline broadly based across goods categories. Despite the recovery in shipments from floods and weather-related disruptions, coal was not as strong as we anticipated, instead falling by \$0.2bn. Meanwhile, metal ores declined by \$0.4bn on softer volumes and fuels (dominated by LNG) fell by \$0.5bn.

Service exports were little changed in the month, declining by only a modest 0.4%. This included a slight fall in total tourism-related service exports, down by 0.8%, though this represents a temporary dip, noting that November's figure was upwardly-revised (from +8.7% to +10.0%).

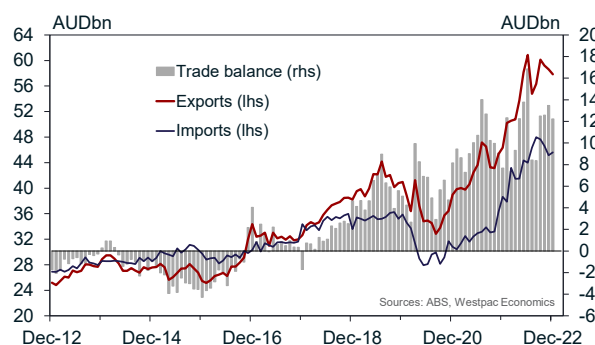
Australia also stands to benefit from the broader easing in China's COVID-zero restrictions and China's mandate for outbound students to undergo in-person learning when receiving education from abroad, both set to add to the rebound in Australia's services exports through this year.

A larger import bill also contributed to the smaller surplus. Imports rose by 1.0%, up \$0.4bn, stronger than we anticipated. While there was a fall in intermediate/merchandise goods (-\$1.0bn) – mainly due to a lower fuel import bill – this was effectively offset by a lift in capital goods imports (+\$1.0bn) and consumption goods (+\$0.2bn). Service imports also made a solid contribution, rising \$0.4bn, including a 19% rise in tourism-related services imports in the month.

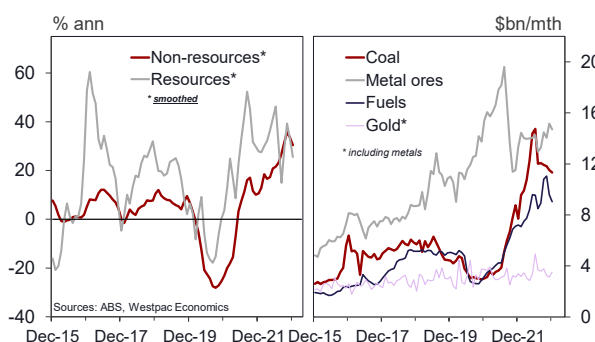
In the December quarter, Australia posted a substantial trade surplus of \$38.3bn, up from a \$29.3bn surplus in the September quarter. The \$9.0bn increase in the surplus was driven by a \$4.4bn rise in exports earnings and a \$4.6bn reduction in the import bill.

Ryan Wells, Economist

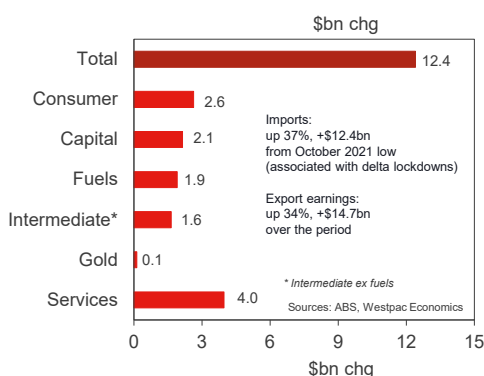
Trade surplus: narrows to \$12.2bn in December



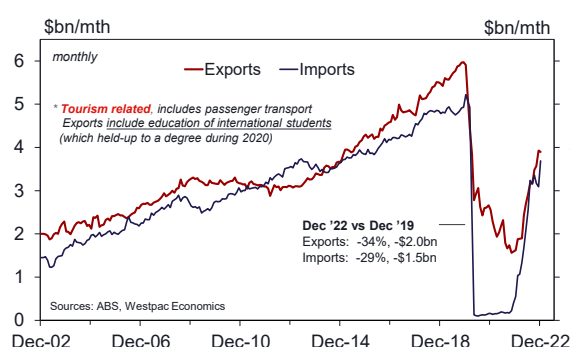
Export earnings



Imports: October 2021 to December 2022



International tourism sharp rebound on reopening



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