

6 April 2023

Australia's trade account, February: Trade surplus jumps as imports retreat Balance: +\$13.9bn, previous +\$11.3bn. Imports -9.1%. Exports -2.9%

Australia continues to rack-up large trade surpluses, a trend that has extended into 2023. The surplus swelled by \$2.6bn in February to be at \$13.9bn - the third largest surplus on record, in dollar terms.

Imports retreated in the month - a development which was expected, but the size of the fall was much larger than anticipated.

Imports fell by -9.1% in the month, more than reversing a sizeable 5.5% jump in January. Lunar New Year, on 22 January, was likely a factor in the volatility over the opening two months of the year. Weakening domestic demand is also a factor.

In January, there was a clustering of transport imports ahead of Lunar New Year, jumping by \$1.6bn. That was more than reversed in February, down by \$2.25bn.

Core goods imports ex transport also exhibited a similar pattern, posting a 4.4% rise in January, with a sizeable 7.7% decline in February. (Core goods imports exclude the volatile items of gold, fuel and civil aircraft.)

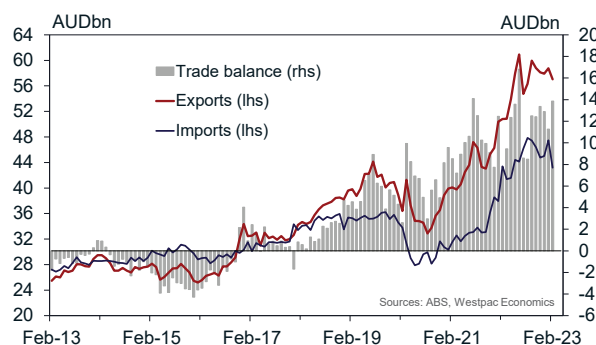
The strong upward trend in core goods imports, evident through to last August on the reopening of the economy, has stalled. That stalling is prior to the sharp fall in February. This is another indicator that domestic demand in the Australian economy has slowed appreciably in the face of intense headwinds from high inflation and sharply higher interest rates.

The February drop in imports more than outweighed a decline in export earnings. Exports were weaker than expected, contracting by -2.9%, -\$1.7bn.

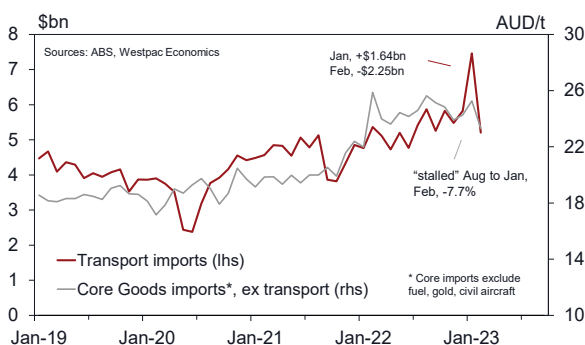
Resource exports led the way lower, down -5.2%, -\$2.1bn, centred on metal ores, -\$1.7bn - a move which largely reversed the strong January rise. Metal ore volumes were softer in February, off a high base, both for iron ore and lithium.

Andrew Hanlan, Senior Economist

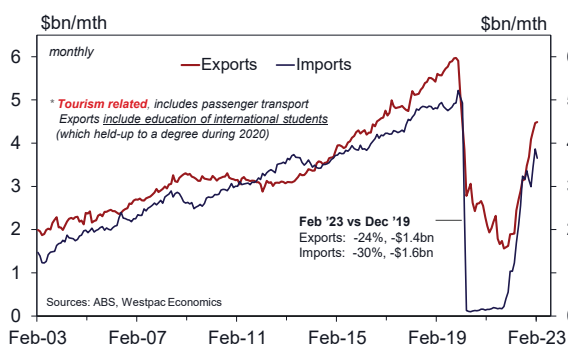
Trade surplus: jumps to \$13.9bn in February



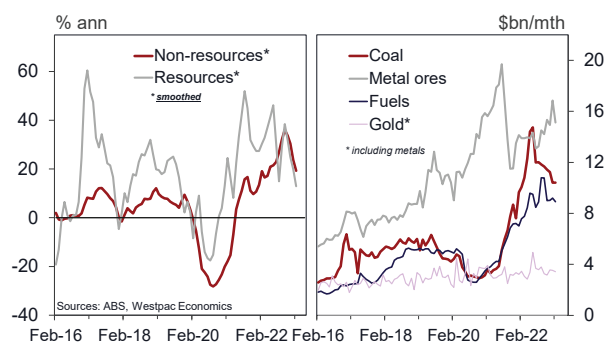
Core goods imports stall



International tourism sharp rebound on reopening



Export earnings



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