

6 July 2023

Australia's trade account, May: Surplus widens as exports lift defying lower prices Balance: +\$11.8bn, previous +\$10.5bn. Exports +4.4%, imports +2.5%

In May, Australia's trade surplus widened as exports lifted despite a sharp fall in commodity prices.

The surplus printed \$11.8bn for May, broadly in line with the monthly average since the start of 2022, of \$12.0bn. The May result was up \$1.3bn on that for April, revised lower to \$10.5bn from \$11.2bn previously.

Export earnings rose by 4.4% in the month, up by \$2.4bn, outstripping a 2.5% increase in the import bill, +\$1.1bn.

The lift in exports was despite a sharp fall in commodity prices, which (on revised numbers) fell by 5.9% in May (on top of a 6.2% decline in April). Those lower prices, one-for-one, reduce commodity export values by almost \$2.5bn. Instead, commodity exports rose by \$1.9bn, up 4.6%, reflecting a rebound in volumes following weakness in April.

Gold exports spiked, off a low base, up \$1.3bn to \$2.9bn. Rural goods bounced back, up 5%, +\$0.5bn. Coal export earnings, +1.6%, and fuels (dominated by LNG), +3.4%, both moved higher supported by increased volumes.

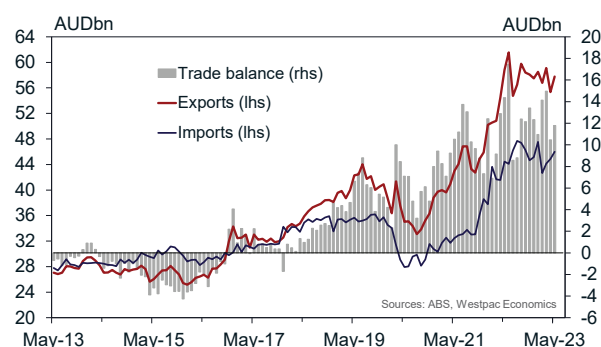
Manufactured goods, which stepped higher over the past nine months, spiked 13% in May, +\$0.5bn, with the lower Australian dollar a plus, as well as fewer domestic supply disruptions.

Service exports rose a further 1.4% - including a 2.2% increase in tourism related exports (which includes education), which are in dollar terms back at levels in line with that pre covid.

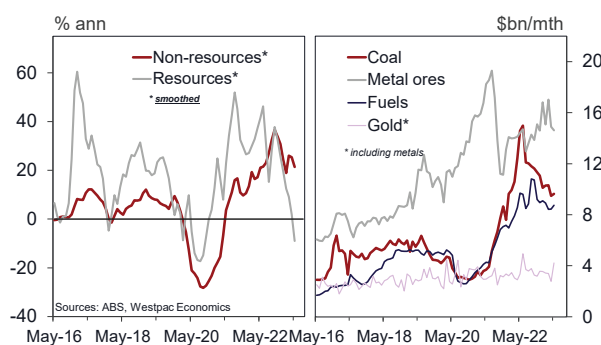
The \$1.1bn lift in imports in May was concentrated in transport equipment and gold. The value of transport equipment imports climbed \$1.0bn in the month, up 16%, on improving supply chains. Gold rose \$0.4bn, fully offsetting a fall in civil aircraft, while fuel was down \$0.2bn on lower prices. The value of core good imports (ex transport) rose by \$0.3bn, 1.2% - albeit the trend since last August remains soft.

Andrew Hanlan, Senior Economist

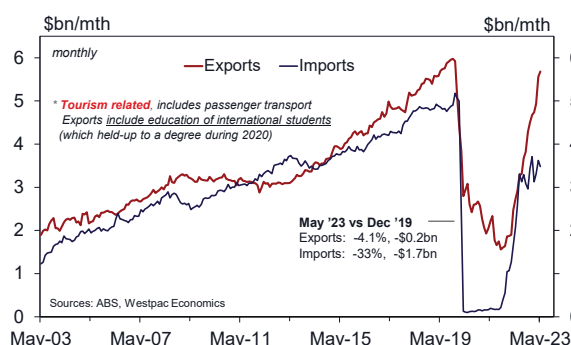
Trade surplus: widens on export rebound



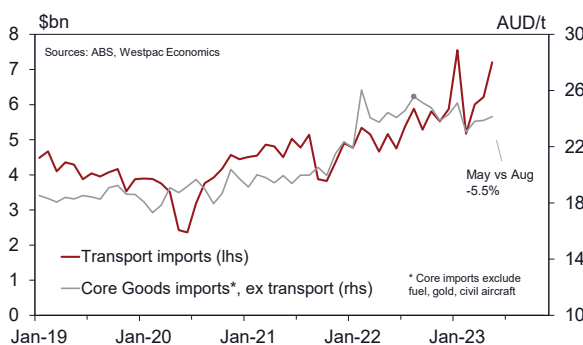
Export earnings



International tourism recovery on border reopening



(Value of) Core goods imports trend softening



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