

7 December 2023

Australia, international trade in goods, October Exports underwhelm, little changed despite lift in commodity prices. Balance: +\$7.1bn, previous +\$6.2bn. Exports +0.4%. Imports -1.9%

For the month of October, Australia's international trade in goods recorded a surplus to the tune of \$7.1bn.

That represented a \$0.9bn improvement on September, with the surplus for that month marked lower from \$6.8bn to \$6.2bn.

That October outcome was broadly in line with the market expectation, a median forecast of \$7.5bn (range from \$6.0bn to \$11.5bn). However, it represented a disappointment relative to the Westpac forecast for an improvement of \$2.7bn to \$9.5bn.

We anticipated two key developments: one, a lift in export earnings of 3.5%, +\$1.6bn, centred on a 3.6% rise in global commodity prices; and two a downward correction in the import bill, -2.9%, -\$1.1bn, following that flood of imports in September, an 8% jump, up \$2.9bn, ahead of year end.

In the event, exports underwhelmed and while core imports did correct lower, the volatile items (fuel, gold, and civil aircraft) posted a sizeable rise in the month.

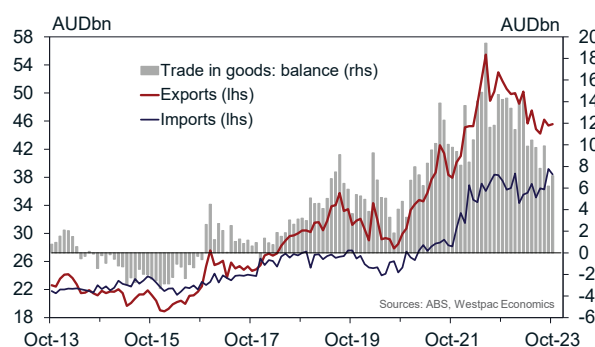
Export earnings edged 0.4% higher in the month, up \$0.2bn. Strikingly, resource exports were little changed, up 0.4%, +\$0.1bn, despite that 3.6% rise in commodity prices. This underwhelming result on the resource front extends a trend evident over the past three months. Commodity prices are up 11% from the low of July, but the value of resource exports is only 4% higher over that period. This weakness in volumes was evident in the September quarter Balance of Payments, with resource shipments down by 3.7% in the period, thereby reversing a 3.9% rise the quarter prior.

The import bill was 1.9% lower in the month, a decline of \$0.8bn. Core imports ex transport fell back 4.7% in the month, -\$1.1bn, largely reversing a 5.5% rise the month prior. That extends a soft underlying trend evidence since the second half of 2022, associated with patchy domestic demand. Transport imports, the supply of which has improved in 2023 on fewer bottlenecks, eased \$0.5bn, off a high base. However, volatile items provided a partial offset to this softer read, they jumped 14%, up \$0.9bn.

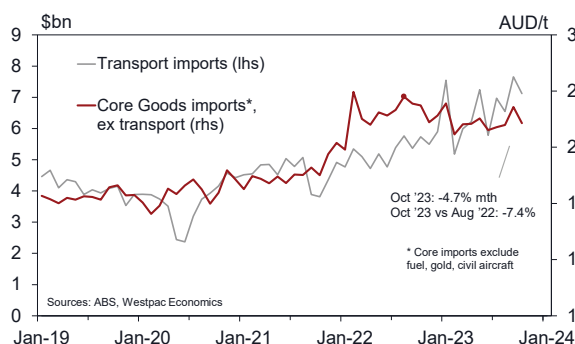
Note, from September 2023, the ABS monthly trade release is confined to goods. Data on services is available on a quarterly basis in the Balance of Payments. Trends in services can and do differ materially from that for goods.

Andrew Hanlan, Senior Economist

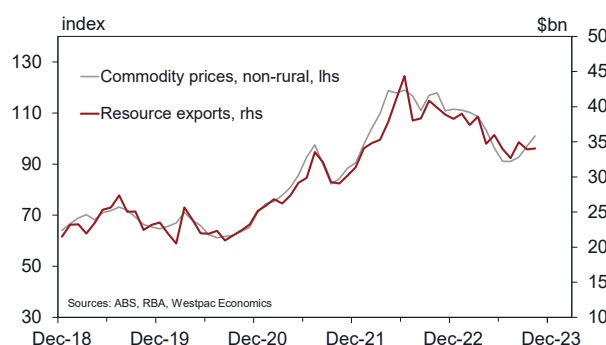
Trade in goods: surplus a disappointing \$7.1bn



Core goods imports: soft underlying trend



Resource exports and commodity prices



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