

5 February 2024

Australia, international trade in goods, December Partial rebound in imports trims surplus. Balance: +\$11.0bn, previous +\$11.8bn. Imports 4.8% Exports 1.8%

For December, Australia's international trade in goods surplus printed at a still sizeable \$11.0bn, narrowing from \$11.8bn the month prior.

The December outcome of \$11.0bn was a little above expectations, with Westpac forecasting \$10.5bn, so too the market consensus (with a range from \$9bn to \$12bn).

Note that the November surplus was revised higher, up by \$0.3bn, providing a positive base effect.

The key swing factor for December was, as anticipated, a partial rebound in imports.

As we highlighted, imports have exhibited an uneven profile recently. A sharp jump in September, +8%, followed by a sharp fall in November, -8.4%, and then the third step, a correction in December, up 4.8% (a rise of \$1.65bn). We had anticipated an increase of 4% on an originally reported -8% for November.

This volatility is more a statistical illusion than reality. End of year sales have been brought forward, so too import supplies for those sales - a shift yet to be captured by the seasonal factors.

Export earnings rose 1.8% (+\$0.85bn) in the month, eclipsing our expected 1% increase. Resources ex gold rose by a lacklustre 0.4% (\$0.1bn) in December, associated with a 1.2% lift in commodity prices for total resources. The volatile gold segment was the source of strength, up 20%, +\$0.5bn.

For the December quarter, the trade surplus for goods rebounded to \$30.6bn, having narrowed to \$23.5bn the quarter prior. That improvement largely reflects a lift in the terms of trade.

The larger December quarter trade surplus in part reflects a small positive contribution to growth from net exports for goods, on our preliminary figuring. We calculate that a sizeable decline in import goods volumes in the December quarter, reflecting the economic downturn as well as some volatility in supply, outpaced a fall in export goods volumes for the period.

Export earnings rose in the December quarter, up 2.8% the survey reports. That was on higher prices (the export goods price index rose 5.6%), with an implied decline in volumes.

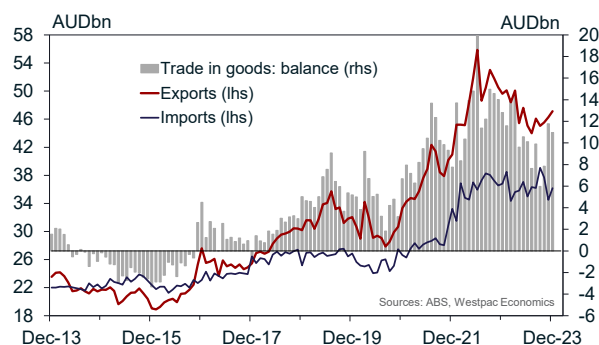
Imports fell in the December quarter, down -2.9%. That was despite higher prices (the import goods price index rose 1.1%) and implies a sizeable decline in volumes.

Note, from September 2023, the ABS monthly trade release is confined to goods. Data on services on a quarterly basis is in the Balance of Payments (which will next be released on Tuesday March 5 ahead of the National Accounts on March 6). Trends in services can and do differ materially from that for goods.

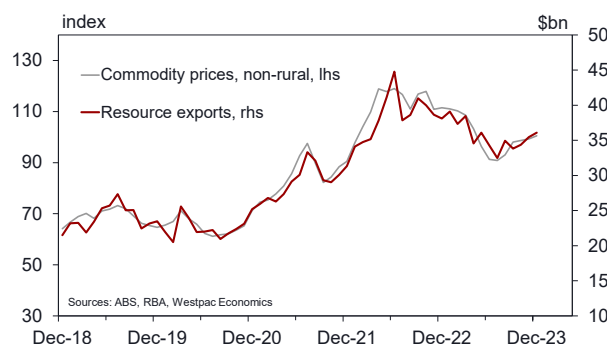
Andrew Hanlan, Senior Economist

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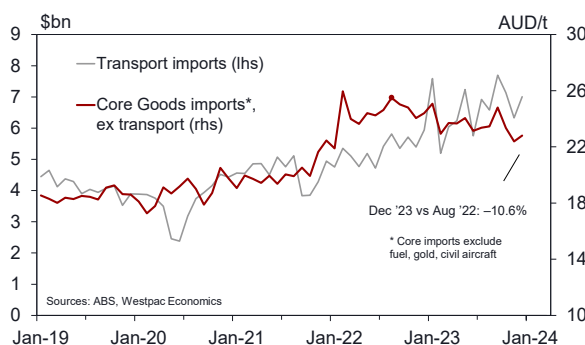
Trade in goods: surplus narrows to \$11.0bn



Resource exports and commodity prices



Core goods imports: soft underlying trend



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