

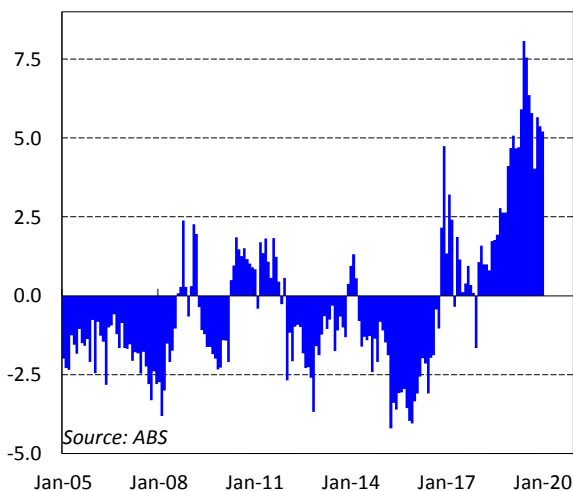
Thursday, 5 March 2020

Trade Balance

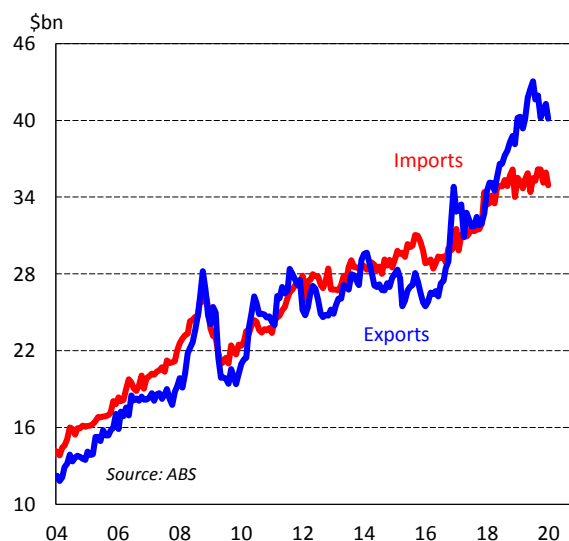
Trade Sluggish Ahead of Covid-19 Impact

- Australia's trade surplus little changed in January at \$5.2 billion. Imports and exports fell by an equal amount.
- Imports and exports both fell by 2.8% in January. It was the first time exports have fallen since October 2019.
- The weakness in exports was driven by a 7.3% fall in metal ores & minerals in January. Coal exports fell for the seventh consecutive month. Other mineral fuels rose 4.8%, their third straight monthly rise and the sixth rise in the past seven months.
- A plunge in capital goods imports and fuels led the fall in imports. These components tend to be more volatile than consumption goods. Consumption goods imports registered a slight fall of 0.2% in January following a 3.8% rise in December.
- The supportive role played by net exports on economic growth appeared to be waning before the coronavirus disruption began. The trade surplus is now being driven by falling imports, which is offsetting the fall in exports.
- The coronavirus is expected to cause significant disruption to trade in the first quarter. Exports of services (through the education and tourism sectors in particular) are expected to be especially hard hit.

Australian Trade Balance
(\$ billions)



Exports and Imports



An equal fall in exports and imports left Australia's trade surplus little changed in January. There was a \$5.2 billion trade surplus in January, down slightly from a revised \$5.4 billion in December. Exports and imports both fell 2.8% over the month.

The prices of Australia's major commodity exports (iron ore and coal) increased mildly in January. However, the volume of exports of most commodities from Australia fell. The impact of the coronavirus on Chinese economic activity was just beginning to be felt, and was clouded by the Lunar New Year celebrations at the end of January. Subsequent months are likely to see a significant impact on trade data.

Exports

The 2.8% fall in exports in January comes after a 1.2% increase registered in December. It was the first contraction in exports since October last year. On an annual basis, exports are down marginally by 0.2%. The annual percentage change in exports has fallen sharply from double-digit growth since 2018. Increased commodity export volumes have continued to support growth in recent quarters.

Exports of metal ores & minerals decreased 7.3% in January following a 2.7% increase in December. Other mineral fuels (which includes LNG) rose for the third consecutive month (4.8%). Increased LNG capacity has helped boost other mineral fuels exports, with exports increasing for 6 of the last 7 months. Coal exports have been heading in the opposite direction, and registered their seventh straight fall in January (-3.6%).

Rural goods exports continued to defy the drought and bushfires. Exports of rural goods rose 5.7% in January. Cereal grains & cereal preparations surged 24.7% while wool & sheepskins saw a 19.1% increase. Meat exports rose 6.7% in January.

Services exports rose 0.6% in January, including a 0.2% increase in tourism related services. Exports of services are expected to be heavily impacted by the bushfires, drought and coronavirus early in 2020.

Imports

A plunge in capital goods imports drove the fall in imports in January. Capital goods imports fell 9.7% over the month. Machinery & equipment registered a mild 1.7% fall while ADP equipment imports fell 3.1%.

Consumption goods imports registered a slight fall of 0.2% in January following a 3.8% rise in December. Imports of discretionary items generally fell. Household electricals plunged 7.9% while textiles, clothing & footwear saw a 3.7% drop. Non-industrial transport equipment (4.5%) and food & beverage imports (1.2%) were the only categories to increase.

Fuels & lubricants imports fell 10.1% in January, ending four straight monthly increases.

Outlook

The supportive role played by net exports on economic growth appears to be waning. The trade surplus is now being driven by falling imports, which is offsetting the fall in exports. The bushfires and in particular the coronavirus are likely to have a significant effect on the service component of exports in particular in the coming months.

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