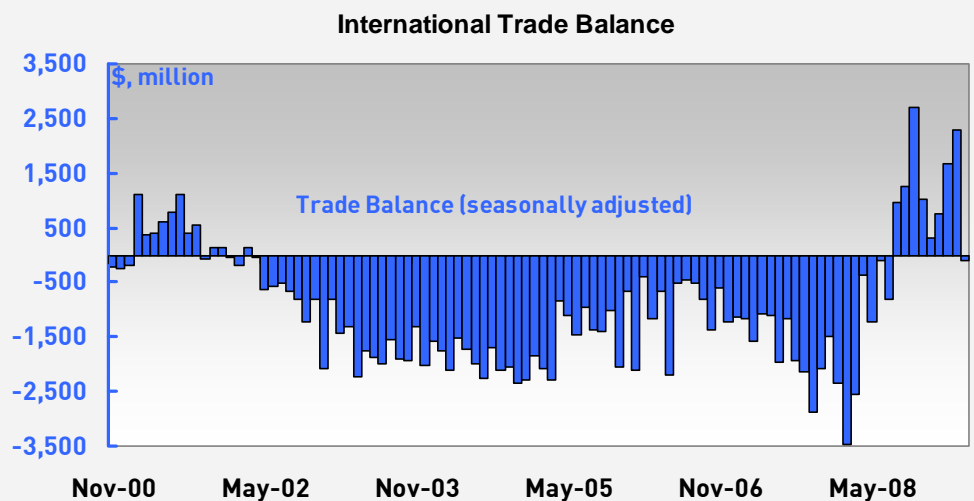


DATA SNAPSHOT

International Trade – May 2009

Thursday, 2 July 2009

- Australia's trade balance posted a larger than expected deficit of \$556m. It was also larger than April's deficit of \$282m (which was revised higher from \$91m).
- It marks the second straight monthly deficit. Prior to this, the trade balance had registered surpluses averaging \$1.1bn per month from August 2008 to March 2009, helped by increases in iron ore and coal contract prices and the weak AUD.
- The expansion in the deficit in May reflected a 5.2% fall in exports, which outpaced a 3.8% drop in imports. Lower prices for key commodity exports, such as iron ore and coal were partly to blame. Meanwhile, the AUD had also appreciated almost 8 US cents over May - a negative for export competitiveness.



The value of exports has declined for six out of seven months, reflecting the pronounced slump in global trade following the escalation of the financial crisis last year. In May, the fall in exports was due to non-rural (-5.3%), rural goods (-3.5%) and other goods (-24.0%). The latter includes non-monetary gold (-26.5%) and this was the main reason behind the fall. Meanwhile the fall in non-rural goods reflected falls in the value of exports for coal, coke and briquettes (-15.2%) and metal ores and minerals (-2.0%).

The value of non-rural goods has declined for three consecutive months. The AUD had posted a sharp appreciation over this period of around 16 US cents - a negative for export volumes. Meanwhile, Australia's largest share of merchandise exports, i.e. iron ore and coal had registered large price falls. The ABS reports that, on a recorded trade basis, prices of iron ore and concentrates fell 29.0% since the start of March and prices for metallurgical coal and non-metallurgical (bituminous) coal were down 40% and 25% respectively from March.

Imports have dropped for six consecutive months as the weaker domestic economy reduced the demand for overseas goods. It also reflects a sharp pullback in business investment, which is anticipated to continue, due to more difficult funding and trading conditions and the fragile economic climate. The fall in imports in May was due to capital goods (-13.8%), intermediate and other merchandise goods (-6.5%) and consumption goods (-1.0%).

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