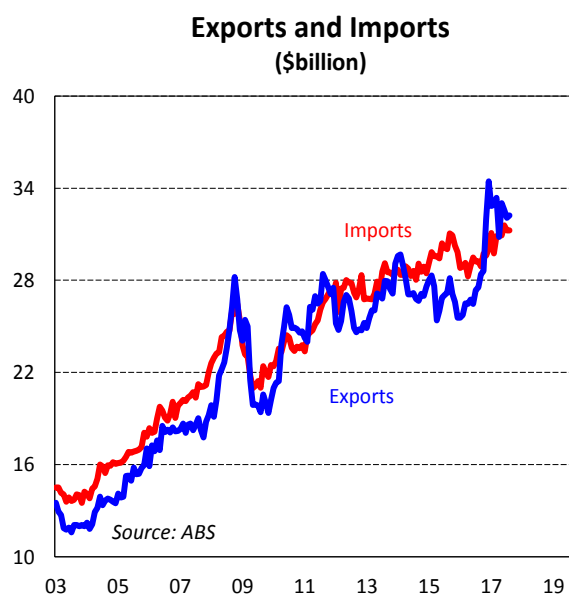
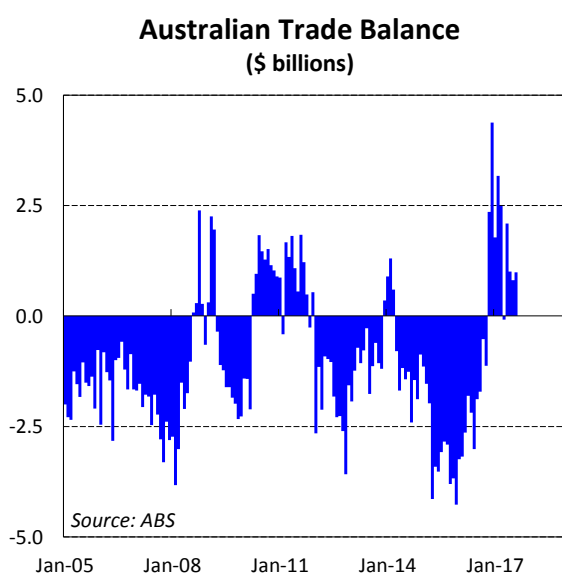


Trade Balance

Surplus Edges Higher

- The trade surplus rose from a revised \$808mn in July to \$989mn in August. August's surplus was the fourth month of surplus in a row.
- Over the month, exports increased 0.5%, while imports were flat.
- Stronger exports over the past year have been supportive of national incomes, but annual import growth has also picked up since the middle of 2016. It corresponds with the pickup in trade globally and stronger momentum in the global economy.
- Both consumption goods and capital goods weakened in August, and do not provide a positive signal for domestic demand over the near-term.
- Trade surpluses have narrowed in recent months after more sizeable surpluses in late 2016 and early 2017. It largely reflects some retreat in commodity prices, which have a strong influence on trade outcomes. Over the past month, iron ore prices have fallen, but oil prices, which LNG prices move closely with, have increased. In combination with the increase in production capacity over recent years, Australia's trade position should be reasonably well-supported over the medium-term.



The trade surplus rose from a revised \$808mn in July to \$989mn in August. It reflected a 0.5% increase in exports, while imports were flat.

August's surplus was the fourth month of surplus in a row. Stronger exports over the past year

have largely been a factor, but import growth has also picked up since the middle of 2016. It corresponds with the pickup in trade globally and stronger momentum in the global economy.

Exports grew at an annual rate of 17.1% in the year to August, a solid pace but down from the 34.7% annual growth witnessed in December. Annual growth in imports was also relatively firm at 6.8%, but has been outpaced by exports.

Exports

Exports were mixed across different categories. Metal ores & minerals exports rose strongly, which includes iron ore, lifting 9.8% in August. Iron ore prices were stronger in August, but have weakened over September. There were offsetting declines in exports of metals (excluding non-monetary gold) (-12.2%) and exports of non-monetary gold (-19.4%). Coal, coke & briquettes (-2.5%), Australia's other major export weakened, and has fallen for three consecutive months.

Among other categories, total rural good exports declined 0.7%, while service exports rose 1.5% in August.

Imports

Flat imports over August followed a 1.0% fall in imports over July. Both consumption goods and capital goods weakened in August, falling 3.7% and 2.7%, respectively. Retail spending data also released today indicated that consumer spending growth lost momentum in the September quarter. The weak outcomes do not paint a positive picture of domestic demand over the near-term.

Fuels & lubricants imports rose 11.0% in August, following a 7.4% increase in July, as oil prices rebounded.

Outlook and Implications

Trade surpluses have narrowed in recent months after more sizeable surpluses in late 2016 and early 2017. It largely reflects some retreat in commodity prices, which have a strong influence on trade outcomes. Over the past month, iron ore prices have fallen, but oil prices, which LNG prices move closely with, have increased. In combination with the increase in production capacity over recent years, Australia's trade position should be reasonably well-supported over the medium term.

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