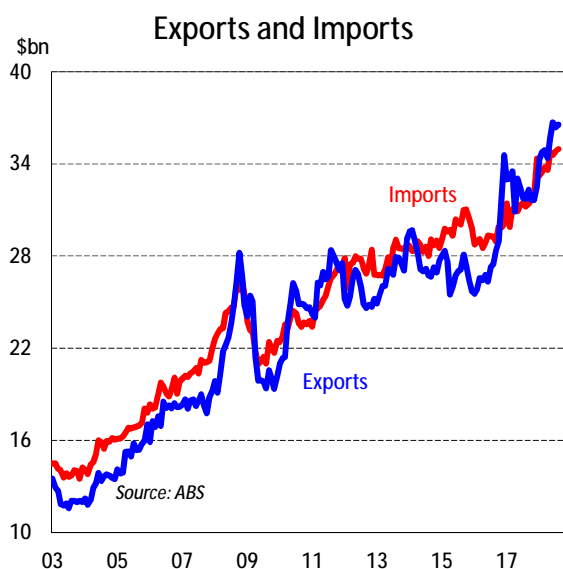
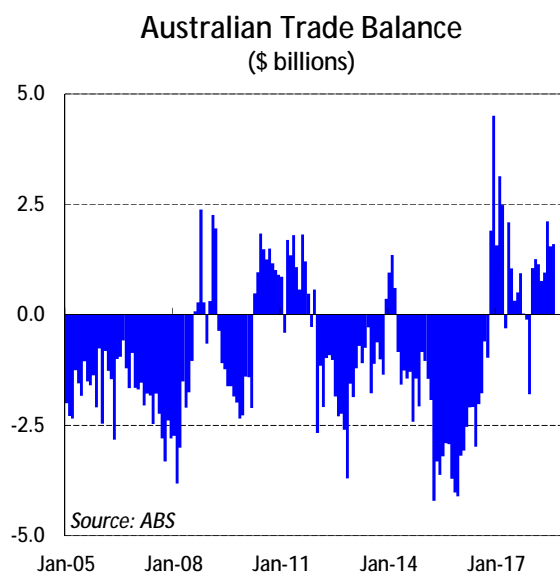


Trade Balance

Eight-in-a-Row

- Australia's trade surplus lifted marginally to \$1,604 million in August after posting a \$1,548 million surplus in July. It was the eighth consecutive month of surpluses.
- The ongoing momentum in the global economy is supporting export growth. In August, exports grew 0.5% for a solid annual pace of 15.3%. It was the strongest annual rate in a year.
- Imports rose 0.4%, for annual growth of 12.0% and are being boosted by solid domestic demand.
- Drought conditions have hit cereal, grain & cereal preparations exports, but other categories of rural exports were supported by higher slaughter rates.
- Exports should continue to be supported by the ramp up of LNG production. However, the ongoing uncertainty over global trade policies is becoming an increasing downside risk for the world economy. While Australia is less directly affected by the impact of tariffs, the impact on key global trading partners and the potential dent to confidence remains a key issue.



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Exports

Export growth in the month was supported by rural goods. Total rural goods exports rose 3.3% in August. Drought conditions have hit cereal, grain & cereal preparations (-12.9%) exports, and had its biggest drop in over two years. However, meat & meat preparations (6.1%), wool & sheepskins (5.1%) and other rural (6.6%) exports lifted on higher slaughter rates.

Among commodity exports, other mineral fuel exports (which includes LNG) rose 3.8% in August, and has increased for 11 straight months. It reflects higher oil prices over recent months and the ongoing ramp up in LNG production. Australia's largest exports, metal ores & minerals (-3.1%) and coal, coke & briquettes (-1.6%) weakened in the month.

Services exports rose 0.6% in August, and on a year ago, they lifted 6.7%.

Imports

Imports were mixed across sectors. Imports of consumer goods rose 0.4% in August, although this followed declines in the previous two months. It continues to suggest weakness in consumer spending.

Imports of capital goods was strong, rising 9.2% in August, but was boosted by the lumpy aircraft category. Machinery & industrial equipment (3.3%), which links closely with capital expenditure rose strongly, and provides a positive signal for business spending.

Imports of intermediate goods declined in August, dropping 2.3%, led by a 10.6% fall in imports of fuels and lubricants.

Outlook and Implications

Exports should continue to be supported by the ramp up of LNG production. However, the ongoing uncertainty over global trade policies is becoming an increasing downside risk for the world economy. While Australia is less directly affected by the impact of tariffs, the impact on key global trading partners and the potential dent to confidence remains a key issue.

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The Detail

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