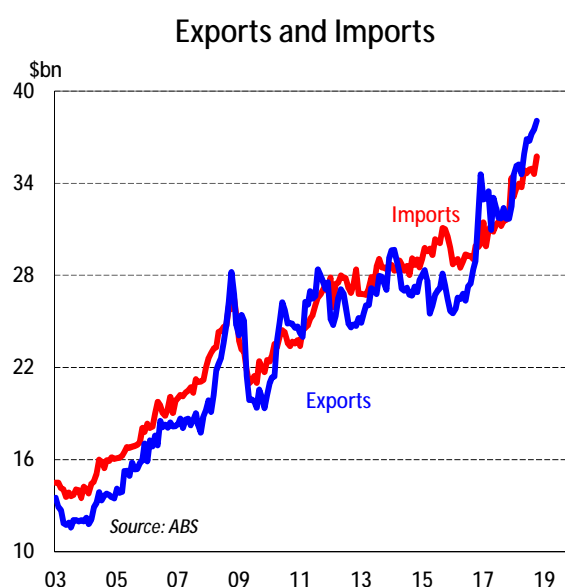
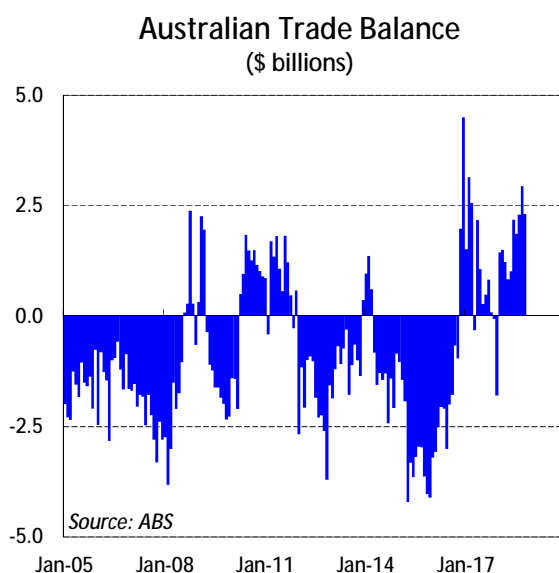


Trade Balance

Exports Push Higher

- Australia's trade surplus narrowed from \$2.9 billion in September to \$2.3 billion in October, as imports jumped 3.2% and exports rose a smaller 1.5%.
- Despite narrowing in the month, the surplus remains sizeable, and has exceeded \$2 billion in four out of the last five months.
- Export values are continuing to be supported by higher commodity prices. On a year ago, exports were up a solid 20.0%, the strongest in 16 months. However, the impact of the drought is beginning to hit exports of rural goods.
- Imports have rebounded after weakness in earlier months. It provides some reassurance that some of the weakness in domestic demand in the September quarter was transitory. Capital good imports and consumption good imports gained in the month.
- Higher commodity prices and the continued global expansion have been supportive of export growth over the past year. There however, remains uncertainty around trade developments and continues to be a downside risk for the global economy.



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beginning to hit exports of rural goods. Meanwhile, imports have recovered after a particularly weak June quarter.

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Exports

Exports in most resource commodities strengthened in October, led by coal, coke & briquettes (12.5%). There were also gains in other mineral fuels (4.1%) which benefited from a brief spike in oil prices in the month and metals (excluding non-monetary gold) (2.9%). Metal ores & mineral exports weakened (-0.6%).

Rural good exports (-6.7%) had their biggest monthly drop in nine months, weighed down by the impact of the drought. Cereal grain & cereal preparations (-15.4%) were the most affected, and were down 33.4% in the year. However, wool & sheepskins (-13.7%) and other rural good exports (-4.8%) were also weaker. Exports of meat & meat preparations (-3.0%) also weakened, which were supported earlier in the year by higher slaughter rates.

Service exports lifted 1.1% in October, continuing to be helped by the weaker Australian dollar since the beginning of this year. On an annual basis, service exports were up 16.4%, which was the strongest in 18 months.

Imports

The surge in imports provides some reassurance that some of the weakness in domestic demand in the September quarter was transitory. A 7.8% jump in capital good imports drove the gain. It adds to signs of improving activity in the business sector, although data has been volatile month-to-month. Consumption good imports also recovered gaining 1.2% in the month.

Higher oil prices were also part of the story with fuel & lubricants gaining 11.0% in October.

Outlook and Implications

Higher commodity prices and the continued global expansion have been supportive of export growth over the past year. There however, remains uncertainty around trade developments and continues to be a downside risk for the global economy.

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The Detail

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