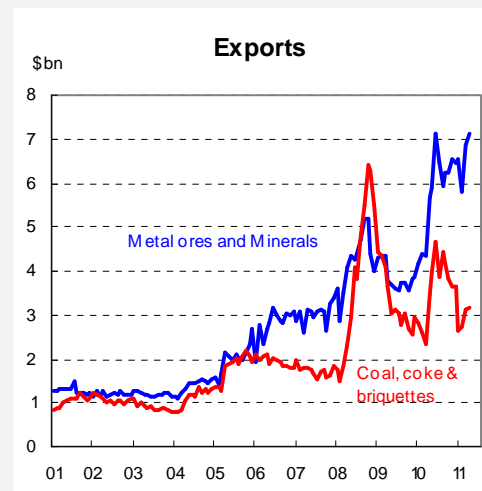
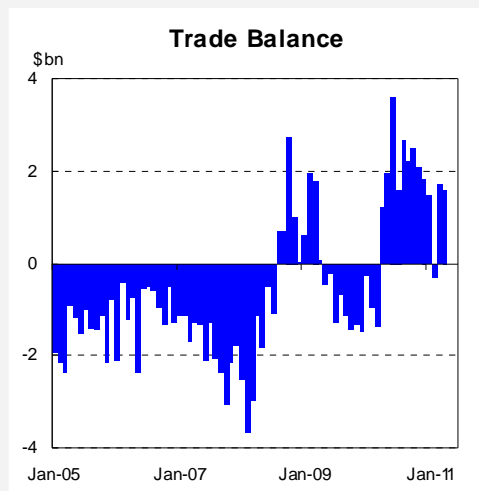


# DATA SNAPSHOT

## Trade Balance: Export Recovery Underway

Thursday, 2 June 2011

- The trade balance posted its second consecutive healthy surplus of \$1 597mn in April. This was a mild \$94mn deterioration from a \$1691mn surplus reported for March.
- Exports rose by 0.5% in April. A recovery in coal exports is underway, with exports in the coal, coke and briquettes category rising by 1.4%. This follows a 14.1% surge in March. However, the \$3.2bn worth of coal exports in April still remains below levels seen before its pre-flood level.
- Driving a 1.0% gain in imports was a 12.2% jump in capital goods. In particular, the machinery & industrial equipment category rose by 4.5%, which suggests solid investment spending is continuing through to 2Q.
- After net exports detracted 2.4ppts from Q1 GDP, export volumes are likely to rebound over the June quarter and we expect a return to positive growth for Q2.



The trade balance posted its second consecutive healthy surplus of \$1597mn in April. This was a mild \$94mn deterioration from a \$1691mn surplus reported for March, as a 0.5% rise in exports was more than offset by a 1.0% increase in imports. Although small, an expected improvement in coal and iron ore exports came through the data as shipments slowly return to normal after the floods and cyclone Yasi in Queensland. Meanwhile, the increase in imports likely reflected strong business investment.

### Exports

A recovery in coal exports is underway, with exports in the coal, coke and briquettes category rising by 1.4% in April. This follows a 14.1% surge in March. The \$3.2bn worth of coal exports in April however, still remains below levels seen before its pre-flood level, which ranged from \$3.6bn to \$4.4bn in the June to December 2010 period. Flooding in coal pits in Queensland since early this year, are expected to disrupt production until well into the June quarter. Queensland provides almost two-thirds of Australia's coal exports.

The metal ore and minerals category also likely benefited from a post-flood rebound rising by 3.8%. However, this could also reflect higher prices received for iron ore and other commodities - the CRB Index rose by 2.6% from March to April.

Note that the ABS has stated contract prices for commodities such as iron ore and coal are yet to

be fully reflected in the numbers. Given spot prices increased over April, export values for metal ores and minerals and coal, coke and briquettes will likely be revised upwards in coming months. While some a few positive adjustments have been made for metal ores and minerals, none have been made as yet to coal, coke and briquettes.

In other categories, rural exports rose a solid 5.5%, driven by a strong gain in cereal grains and cereal preparations.

#### Imports

Driving the gain in imports was a 12.2% jump in capital goods. In particular, the machinery & industrial equipment category rose by 4.5%, which suggests solid investment spending is continuing through to 2Q.

Consumption imports fell by 3.1%, despite the strong gain in retail sales posted in April. The decline was owing to a 30.8% plunge in non-industrial transport equipment as the Japanese tsunami and earthquake on 11 March disrupted imports from Japan. However, all other categories more closely linked with retail spending such as household electrical, clothing and toys, books and leisure goods had solid increases.

Imports in intermediate goods fell 1.4% despite oil prices climbing further throughout April. The drop likely reflects some pull back following double-digit increases in fuel and lubricants over February and March.

	March	April	change
Trade Balance (A\$m)	1691	1597	-94
<b>Exports (M/M%)</b>			
Rural	-2.3	5.5	
Non-rural	12.0	1.1	
Services	1.1	1.3	
<b>Total Exports</b>	<b>10.1</b>	<b>0.5</b>	
<b>Imports (M/M%)</b>			
Consumption goods	-0.8	-3.1	
Capital Goods	-7.9	12.2	
Intermediate	7.6	-1.4	
<b>Total Imports</b>	<b>1.4</b>	<b>1.0</b>	

#### Outlook

Today's data indicates that the post-flood recovery in exports is currently underway. Further, the data provides evidence that the upswing in business investment is continuing through to the June quarter. In addition, once increased business investment comes into use, export volumes will likely be boosted even further. After net exports detracted 2.4ppts from Q1 GDP, export volumes are likely to rebound over the June quarter and we expect a return to positive growth for Q2.

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