

International Trade in Goods and Services – September 2010

ECONOMIC ALERT

4 November 2010

Exports reeling in from the stronger Australian dollar

In September, Australia’s trade surplus narrowed by \$686 million to \$1.8 billion, representing a 30% drop from the surplus recorded in August.

The value of goods and services exports fell 1.5% in September, due to the stronger Australian dollar. Merchandise exports contracted 1.9%, marking the third consecutive month of decline. Although services exports remained unchanged from the previous month, it represented a considerable slowdown from the 0.8% growth achieved in August. It is noteworthy that tourism related services exports fell by \$6 million to \$3 billion, as the strong Australian dollar may be causing international tourists to hold off visiting Australia.

The value of goods and services imports rose 1.4% in September, led by the 2.4% rise in the intermediate and other merchandise goods. This suggests that some businesses may be relying more on imported raw materials following the appreciation of the Australian dollar. The main component contributing to the rise in imported intermediate goods was fuel and lubricants.

Despite the rise in purchasing power that came from the stronger Australian dollar, the softening of domestic demand conditions resulted in a 4.1% fall in imported capital goods. The main components that contributed to the decline in imported capital goods were industrial transport equipment and telecommunications equipment.

Looking further ahead, Australia’s trade surplus may narrow even though commodity prices are expected to remain high and strong growth in East Asian economies is expected to continue. This could happen as the strengthening Australian dollar reduces export revenues and raises the demand for imported raw materials.

Chart: Trends in imports

