

# International Trade in Goods and Services – June 2011

**ECONOMIC ALERT**

3 August 2011

## Trade surplus narrows

In June, Australia's trade surplus narrowed to \$2.1 billion from \$2.7 billion in the preceding month, reflecting a fall in the exports of goods and stronger growth in imported goods as the Australian dollar strengthened.

The value of goods and services exports fell 0.1% in June from the 3.6% increase in May, as Australian merchandise exporters continued to struggle with the strong Australian dollar. Merchandise exports contracted 0.2%, sharply lower than the 4.1% growth recorded in May. Services exports growth, on the other hand, rose 0.1%.

Manufacturing exports fell 15.5% in June, indicating that manufacturers continue to struggle with the strong Australian dollar. The decrease in manufacturing exports was especially pronounced in the petroleum and coal product; primary metal and metal product; and transport equipment sub-sectors.

The value of goods and services imports increased by a strong 2.6% in June, up from the 0.5% decline recorded in May. This reflected the strong 3.2% growth of imported merchandise goods. Imports of consumption goods declined 0.6%, consistent with continued consumer cautiousness. Meanwhile, imports of capital goods and intermediate goods increased by 7.3% and 3.6%, respectively. Services imports rose 0.2%.

The imports of capital and intermediate goods have been rising strongly over the recent months, suggesting that businesses could be switching to more on imported materials as the Australian dollar strengthened. Meanwhile, imported consumption goods have been trending sideways, consistent with soft domestic demand thus far. That said the imports of consumption goods could pick up over the rest of the year as domestic demand gains momentum.

## Chart: Trends in imports

