

# International Trade in Goods and Services – October 2011

## Trade surplus shrinks further

Australia's trade surplus narrowed again in October, shrinking by \$0.7 billion to reach \$1.6 billion. The value of goods and services exports fell 0.2% in the month, reflecting a 0.5% decline in merchandise exports and a 1.9% increase in services exports. Exports have contracted in five out of the first ten months of this year due to the high Australian dollar and sluggish global demand.

The value of goods and services imports increased by 2.4% in October. Merchandise imports rose 3%, while services imports declined 0.2%. Imported consumption goods increased 0.9%. Meanwhile, imports of capital goods expanded by 1.5%, and imports of intermediate and other merchandise goods rose 1.9%.

Australia's export performance has been weak for the most part of this year, reflecting the strength of the Australian dollar and the renewed global economic slowdown. With the Eurozone economy on the brink of another recession, and economic growth in the United States economy having stalled, it is likely that Australia's exports would remain weak going forward, despite continued economic growth in East Asian trading partners.

Heightened global economic uncertainty has dimmed consumer and business confidence in Australia, resulting in a softening of domestic demand. Consistent with this, the average growth in imported consumption goods has softened during the first ten months of this year when compared to the same time last year (Chart 1). In contrast, imported intermediate goods expanded by an average of 1.1% in the first ten months, up from the 0.3% contraction over same period last year, as businesses relied more on imported materials as the Australian dollar strengthened.

**Chart 1: Trends in imports**

