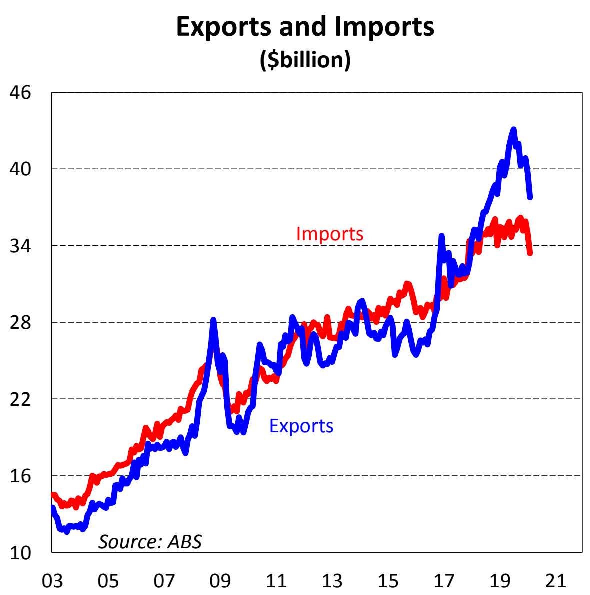
Data Snapshot

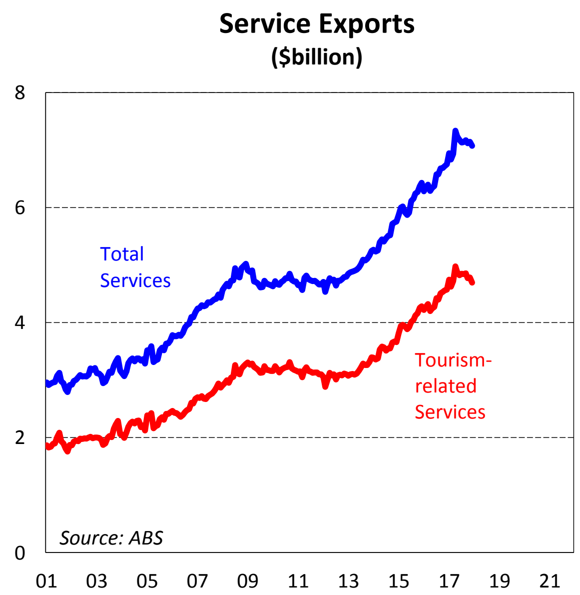
Tuesday, 7 April 2020

Trade Balance

Trade Flows Getting Sick

- **The trade surplus narrowed slightly, down $384 million in the month to post a surplus of $4.4 billion in February. There were sizeable declines in both exports and imports – falling 4.7% and 4.3%, respectively in the month.**
- **Service exports were among the hardest hit, which include education and tourism sectors. They were down 9.7% in February the biggest monthly fall since 2000. Falling tourism and international student arrivals from China weighed heavily on services, as did the aftermath of the impact from the bushfires.**
- **Poor weather had a part to play, as Cyclone Damien in the Pilbara region hampered iron ore shipments. Metal ores & minerals were down 8.1% in February.**
- **Import values in February were the lowest in over two years. Sharp falls, particularly for consumption imports, suggest that supply was disrupted from China, although consumer demand was already lacklustre in Australia prior to the COVID-19 outbreak escalating.**
- **As other parts of the world adopted similar movement restrictions over March amid the growing spread of COVID-19, trade flows and supply chains will be disrupted further. Tourism exports are set to grind to a halt. On top of this, global demand is set to weaken sharply which will have adverse consequences for commodity prices. Further sharp declines in both exports and imports are likely in the months ahead.**





We received some early signs of the impact of COVID-19 on trade flows in February.

The trade surplus narrowed slightly, down $384 million in the month to post a surplus of $4.4 billion in February. But this belied sizeable declines in both exports and imports – falling 4.7% and 4.3%, respectively in the month.

The dent to trade flows mostly reflected the shutdown in society occurring in China, and restricted travel.

Cyclone activity in the Pilbara region also weighed on exports.

Exports

Some categories of exports were impacted negatively by containment measures to slow the spread of COVID-19 in China.

In particular, service exports, which include education and tourism sectors, were down 9.7% in February, the biggest monthly fall since 2000. Falling tourism and international student arrivals from China weighed heavily on services, as did the aftermath of the impact from the bushfires.

Poor weather had a part to play, as Cyclone Damien in the Pilbara region hampered iron ore shipments. Metal ores & minerals were down 8.1% in February.

There were however, some gains in coal, coke & briquette exports (4.3%) and metals (excluding non-monetary gold), which rose 14.9%.

Prices of most commodities have fallen in recent weeks, suggesting export values are likely to be hit. In particular, the plunging oil price, which helps determine prices for LNG, will restrain values for one of Australia's fastest growing commodity exports.

Rural exports were also down sharply, falling 7.4% in the month.

Imports

It was a similar picture for imports – there was weakness across all major categories. Indeed, the value of imports in February was the lowest in over two years.

The decline in consumption imports was especially pronounced, which fell 7.8%. In particular, imports for textiles, clothing & footwear (-20.2%), toys, books & leisure goods (-6.6%), and consumption goods (not elsewhere specified) (-10.8%) were down sharply. These sharp falls would suggest that supply was disrupted from China, although consumer demand was already lacklustre in Australia prior to the COVID-19 outbreak escalating.

Capital goods imports also fell, and were down 7.0% in February after a 10.0% fall in January.

Finally, intermediate and other merchandise good imports dropped 4.3%. This reflected a 4.5% drop in imports of fuels & lubricants, as oil prices began weakening over the month.

Outlook

As other parts of the world adopted similar restrictions over March amid the growing spread of COVID-19, trade flows and supply chains will likely be disrupted further. The tightening of borders and recommendations to stay at home would also point to tourism exports grinding to a halt. On top of this, global demand is set to weaken sharply which will have adverse consequences for commodity prices. Further sharp declines in both exports and imports are likely in the months ahead.

Janu Chan, Senior Economist Ph: 02-8253-0898

Contact Listing

Chief Economist
Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist
Janu Chan
chanj@banksa.com.au
(02) 8253 0898

Economist
Nelson Aston
nelson.aston@banksa.com.au
(02) 8254 1316