Record exports to the US and China

The UK: Our surprising new export destination

International trade

- Foreign trade: The trade surplus rose from $4.075 billion in October (previously $4.502 billion) to $5.800 billion in November. Australia has recorded 23 successive monthly trade surpluses. The rolling annual surplus was a record $67.4 billion in the year to November.

- Record China & US exports: Australia’s rolling annual trade surplus with China stood at a record $68.7 billion in November. Annual exports to China were at new record highs of $147.2 billion. Australia exported a record $14.8 billion of goods to the US in the year to November. Both the share of exports to China and share of imports from China stood at record highs.

- Broad contribution: In the twelve months to November, exports were up $49.4 billion compared with a year earlier. Of 252 trading nations, exports were higher in 171 countries with exports to China up $31 billion. Our surprising new trading partner is the UK, lifting demand for Aussie goods by $10 billion.

- Firmer growth expected: The World Bank expects global economic growth to lift from an estimated 2.4 per cent pace in 2019 to 2.5 per cent in 2020.

The trade data is instructive on income flows in the economy and consumer and business activity.

What does it all mean?

- Another month, another trade surplus. In fact our trade accounts have been in the black for almost two years. The rolling annual trade surplus now stands at a new record high of just over $67 billion. Exports are providing Aussie businesses with valuable income and providing the economy with valuable momentum.

- Consider the latest trade statistics with our key trading partners. Over the year to November, exports to China were at record highs. Exports to the US were also at record highs, so were imports from the US. And imports from China were only a smidgen off record highs. Australia’s trade surplus with China was at record highs. Australia’s trade deficit with the US was at record highs. There may have been a US-China trade stoush over 2019, but here in Australia you could be excused for not noticing it.

- Our surprising new export destination is the UK. In the year to November 2018, exports to the UK totalled $5 billion. Fast forward twelve months and exports to the UK stand at $15 billion. The pickup in exports has occurred largely in the past six months, so full details of purchases aren’t available. But gold exports have soared. Data shows exports of gold hit $5.3 billion in the September quarter, up from $500 million a year earlier.

- It is early days in 2020, but the first of the international groups – the World Bank – has outlined forecasts for 2020. The World Bank expects a modest uptick in economic growth, from 2.4 per cent to 2.5 per cent “as investment and trade gradually recover from last year’s significant weakness”. As always there are risks, especially US-China trade, instability in the Middle East, Brexit and the US Election. But there is also cautious optimism, namely the

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upcoming signing of a ‘Phase 1’ trade deal between the US and China next Wednesday.

What do the figures show?

International trade – November

- The trade surplus rose from $4.075 billion in October (previously $4.502 billion) to $5.800 billion in November. Australia has recorded 23 successive monthly trade surpluses. The rolling annual surplus was a record $67.4 billion in the year to November.

- Exports of goods and services rose by 1.8 per cent (exports of goods rose by 1.9 per cent).

- Imports of goods and services fell by 2.8 per cent (goods imports fell by 3.5 per cent).

- Exports were up by 5.5 per cent on a year ago, while imports were down by 3.1 per cent.

- Rural exports rose by 0.2 per cent. Exports of non-rural goods rose by 2.8 per cent. Gold exports fell by 5.9 per cent.

- Within imports, consumer imports fell by 6.6 per cent, capital goods imports fell by 3.9 per cent and intermediate goods imports fell by 0.9 per cent.

- Consumption goods imports were down by 2.9 per cent on a year ago, capital goods imports fell by 9.1 per cent, while intermediate goods imports were down by 3.8 per cent.

- The net services surplus improved from $33 million to $190 million (16-year high).

- Australia’s annual exports to China rose from $145.87 billion in October to a new record high of $147.22 billion in November. Exports to China are up 27.1 per cent on a year ago. Exports to China account for 37.84 per cent of Australia’s total exports – a new record high.

- Australia’s annual imports from China fell from $78.57 billion to $78.55 billion in November. Annual imports were up by 5.3 per cent on a year ago – the slowest annual growth rate in 25 months. Imports from China still accounted for a record 25.74 per cent of Australia’s total imports.

- Australia’s rolling annual trade surplus with China rose from $67.30 billion to a record $68.67 billion in November.

- Australia exported a record $14.77 billion of goods to the US in the year to November. Imports from the US totalled a record $34.53 billion in the year to November. Australia’s rolling annual trade deficit with the US rose from $19.57 billion to a record $19.76 billion in November.

Export composition by country – November

- In the twelve months to November, Australian exports of goods rose by $49.4 billion or 14.6 per cent to $389.1 billion. Australia trades with 252 countries. And in 171 of those countries, exports were higher than a year earlier. But five countries broadly accounted for all the dollar increase. Exports to China lifted by $31.3 billion, followed by the UK (up $10bn); Japan ($3.1 bn); Singapore ($2.5bn); and Taiwan (up $2.4bn).

- The biggest falls in exports over the past year were to Hong Kong (down $3.5bn); India (down $2.6bn); Thailand (down $2.3bn); Indonesia (down $0.4bn); and Spain (down $0.4bn).

What is the importance of the economic data?

- The monthly International Trade in Goods and Services release from the Bureau of Statistics provides estimates on exports and imports of physical goods (such as coal, beef and computers) and services (such as travel receipts). The balance of goods and services (BOGS) is a narrower description of Australia’s external
position than the current account estimates. The import data is a useful gauge of consumer and business spending while exports reflect global demand as well as domestic influences such as drought.

**What are the implications for interest rates and investors?**

- The strong trade accounts support the Aussie dollar near US68-69 cents. Given the potential for lower interest rates, the Aussie dollar would be far softer had it not been for the strength of trade accounts. The Aussie is expected to stay in a US66-70 cent range over the next few months.
- The lift in Australian gold exports to the UK may only prove temporary. The safe-haven demand for gold may not continue if Brexit proceeds as expected. But when the UK leaves the EU, it will be important to form a close trading relationship with the ‘mother country’ again.
- Natural disasters pose short-term headwinds for the Australian economy but our exports of goods and services provide key support for many regions and businesses.

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