

## Trade data don't ruffle AUD

May trade figures from Australia beat the consensus but had little impact on the AUD as the trade surplus remained roughly unchanged



# -4% MoM

Better than expected

## May Exports

-11% in April

### Export decline slows, as do imports

If the May export figures continued to decline, they were matched by a similar fall in imports, leaving the overall trade balance roughly unchanged, and at a very healthy AUD8025m. While this was a little lower than the consensus AUD9bn forecast, this can't be portrayed as a bad result, with the ongoing decline in exports and imports less severe than the market view. Moreover, it is worth reminding ourselves that Australia has not always run trade surpluses, and it is only really since the end of 2016 that this has been the case (one of the arguments for a structurally stronger AUD). So to continue to do so during this period of extreme global and domestic stress is not a bad achievement.

Overall, exports were still weaker than in April, coming in at just AUD35,742m (down from AUD47,346m). But the big drop seems to have been in April, and June figures may see some increases in absolute terms, helping the year-on-year growth rate to crawl back up towards zero.

By country, there were only two destination standouts showing increased month-on-month exports, reflecting those economies that have been quick to get on top of their Covid-19 outbreaks, China, and New Zealand.

By commodity, iron ore bucked the trend with gains, helping to offset month-on-month declines in all the other major commodity export groups. China's slow but continuing recovery could help to lift some of the other commodity groups in June.

## AUD shrugs off data

Following this release, the AUD staged a brief rally towards 0.6930, before giving up its gains, dropping, and then recovering back to be almost unchanged at just under 0.6920. With the RBA coming close to maxing out on stimulus, the principal driver for the AUD in the coming days and weeks will likely be big swings in global sentiment, rather than marginally changing domestic data like this.

Currently, the bleak newsflow out of the US on Covid-19 surges and re-closures is being netted out by some better domestic economic data, and hopes for vaccine progress. Until this changes, big moves in the AUD are difficult to foresee.

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