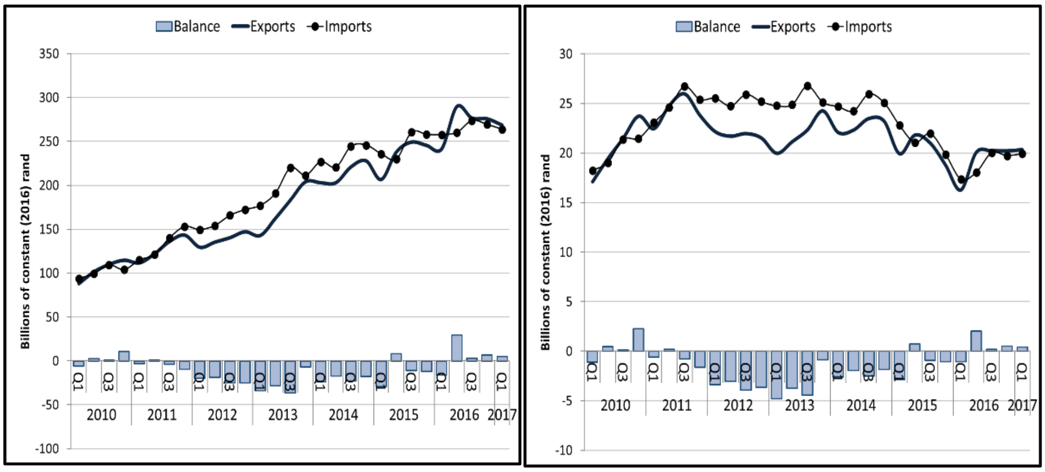
Trade

South Africa confirmed its positive trade performance in the first quarter of 2017, running its fourth trade surplus in a row. The further strengthening of the rand over the first three months of the year led to both imports and exports decreasing in rand terms but increasing in dollar terms. Notably, mining exports picked up sharply over the last year. Exports from manufacturing, supported by chemical and metal products, also performed well over the last year.

As illustrated in Graph 11, South Africa's balance of trade in the first quarter of 2017 was modestly positive in both rand and dollar terms. This is the fourth positive quarter in a row, after five years of ongoing deficits. It is also the first time in the 2010s that South Africa experienced a positive first quarter. Both imports and exports declined in rand terms compared to the previous quarter but increased on a year-on-year basis. In dollar terms, supported by the further appreciation of the rand, imports and exports saw a notable increase on a year-on-year basis (and a marginal expansion compared to the last quarter of 2016).

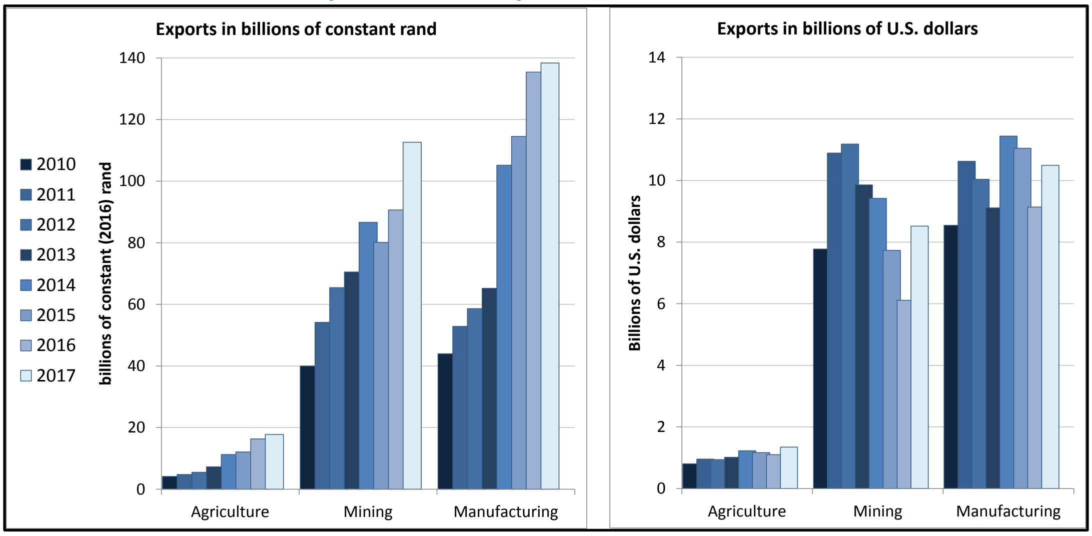
Graph 11. Exports, imports and the balance of trade in constant (2016) rand and current US dollars, 2010 to 2017



Note: Rand amounts are deflated with CPI, rebased to January 2017. Source: Calculated from SARS. "Trade Balance Graph for 2010-2016 (including and excluding BLNS)". Excel spreadsheet. Downloaded from www.sars.gov.za in April 2017.

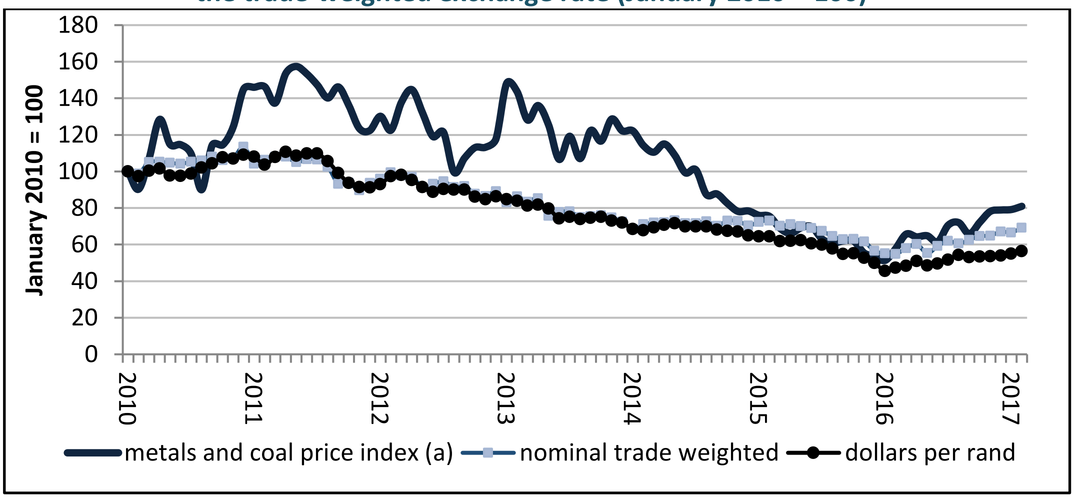
Exports increased across the board in the past year to March 2017 (Graph 12). Despite the strengthening of the rand (Graph 13), they gained in both constant rand and dollar terms. Although manufacturing exports declined compared to the previous quarter, they picked up on a year-on-year basis, particularly in dollar terms (+15%). Agricultural exports in dollar terms progressed by 22% on a year-on-year, driven by the end of the drought and bullish food prices. Supported by rising commodity prices over the beginning of the year, mining exports confirmed their recovery, with a second quarter of growth in dollar terms (and a third one in constant rand terms). They progressed sharply compared to the same period last year, increasing by close to 40% in dollar terms (24% in rand terms).

Graph 12. South African exports in constant (2017) rand and current US dollars, first quarter of each year, 2010 to 2017



Source: Calculated from SARS monthly trade data.

Graph 13. Indices of the dollar price of metals and coal, U.S. dollars to the rand and the trade-weighted exchange rate (January 2010 = 100)

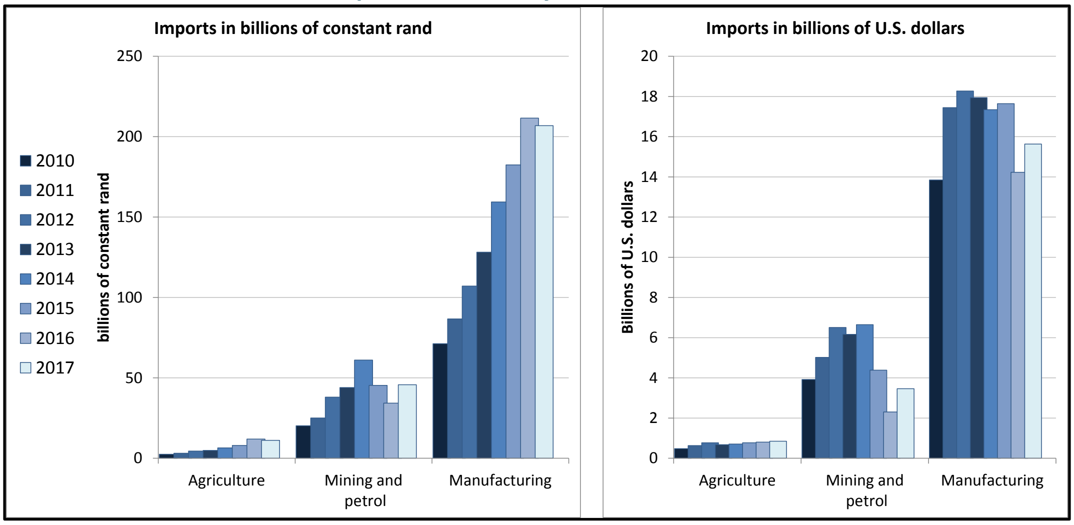


Source: Exchange rates: SARB. Interactive data. Downloaded in June 2017. Metals and coal prices: Kitco and IMF data, weighted by export shares.

Manufacturing imports have declined sharply in constant rand terms on a quarter-to-quarter basis, while the decrease has been much smaller in dollar terms (Graph 14). Compared to the first quarter in 2016, manufacturing imports have risen materially in dollar terms (+10%), while imports decreased in constant rand terms (-2%).

Mining imports, which are mostly petroleum, increased by 8% in dollar terms and 5% in constant rand terms, in progression for the fourth quarter in a row (in both currencies). On a year-on-year basis, this corresponds to an increase of 50% in dollar terms and 34% in rand terms. Agricultural imports slightly increased from the previous quarter. In constant rand terms, they remain lower than agricultural imports in the same quarter of 2016, but have increased in dollar terms.

Graph 14. South African imports in constant (2017) rand and current US dollars, first quarter of each year, 2010 to 2017



Source: Calculated from SARS monthly trade data

Chemical and metal products accounted for the bulk of the growth in manufacturing exports (Table 1).

In terms of manufacturing imports, the decline in imports of machinery and transport equipment, as well as clothing explain the decrease in imports in rand terms. In dollar terms, manufacturing imports have risen materially, driven by chemical products, transport equipment and foodstuffs.

Table 1. Value of and change in trade in manufactures to first quarter 2017, nominal US dollars and constant rand

Industry	Value (billions)		% change from Q1 2016		Change in millions	
	USD	Rand	USD	Rand	USD	Rand
Exports						
Food and beverages	0,82	10,8	8%	-4%	63,2	-407
Clothing and footwear	0,43	5,6	20%	7%	70,2	347
Wood products	0,13	1,7	26%	12%	26,2	178
Paper and publishing	0,43	5,6	10%	-2%	38,7	-124
Chemicals, rubber, plastic	1,70	22,5	27%	13%	367,0	2 666
Glass and non-metallic mineral products	0,09	1,2	-25%	-33%	-30,4	-596
Metals and metal products	2,50	33,0	18%	5%	383,4	1 627
Machinery and appliances	1,78	23,5	5%	-7%	79,0	-1 776
Transport equipment	2,22	29,2	11%	-1%	225,2	-253
Imports						
Food and beverages	0,63	12,0	43%	27%	271,0	2 573
Clothing and footwear	1,08	14,2	0%	-11%	-4,8	-1 829
Wood products	0,10	1,3	4%	-7%	3,9	-106
Paper and publishing	0,28	3,8	2%	-9%	6,3	-373
Chemicals, rubber, plastic	2,47	39,7	22%	8%	533,4	3 050
Glass and non-metallic mineral products	0,22	3,0	0%	-11%	-0,2	-370
Metals and metal products	1,01	14,8	11%	-2%	106,6	-242
Machinery and appliances	4,89	66,5	3%	-9%	139,4	-6 190
Transport equipment	3,20	46,6	10%	-2%	330,7	-917

Notes: Constant change in rand deflated with CPI.
Source: SARS data on trade.