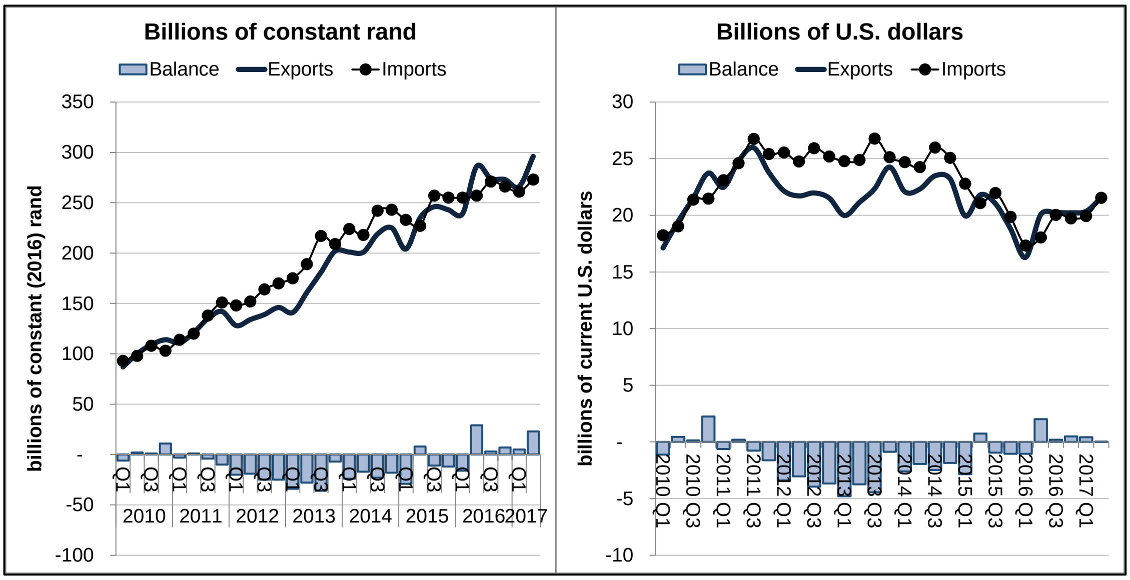
Trade

The second quarter of 2017 saw a strong uptick in exports combined with a moderate increase in imports. The resulting improvement in the balance of trade boosted GDP growth. In the year to the second quarter of 2017, both manufacturing and mining exports increased in dollar terms but manufacturing exports fell slightly in constant rand, mainly due to the 25% appreciation in the rand in real terms from the beginning of 2016. Year-on-year in constant rand, mining exports rose by 9% while manufacturing exports fell by 1%. Agricultural exports also performed well during the quarter, but that partly reflects seasonal factors.

As Graph 13 shows, in constant rand exports rose sharply in the last quarter, mostly due to higher mining prices and the recovery in agriculture, while imports increased more moderately. South Africa has seen a balance of trade surplus for the past five quarters.

The trends in trade since 2010 suggest that the economy has begun gradually to adjust to the new realities of lower metals prices. The strengthening in the rand, linked to higher metals and coal prices plus stronger portfolio inflows over the past year, means that exports have grown faster in dollar terms than in constant rand. (See Briefing Note *The exchange rate and the real economy*)

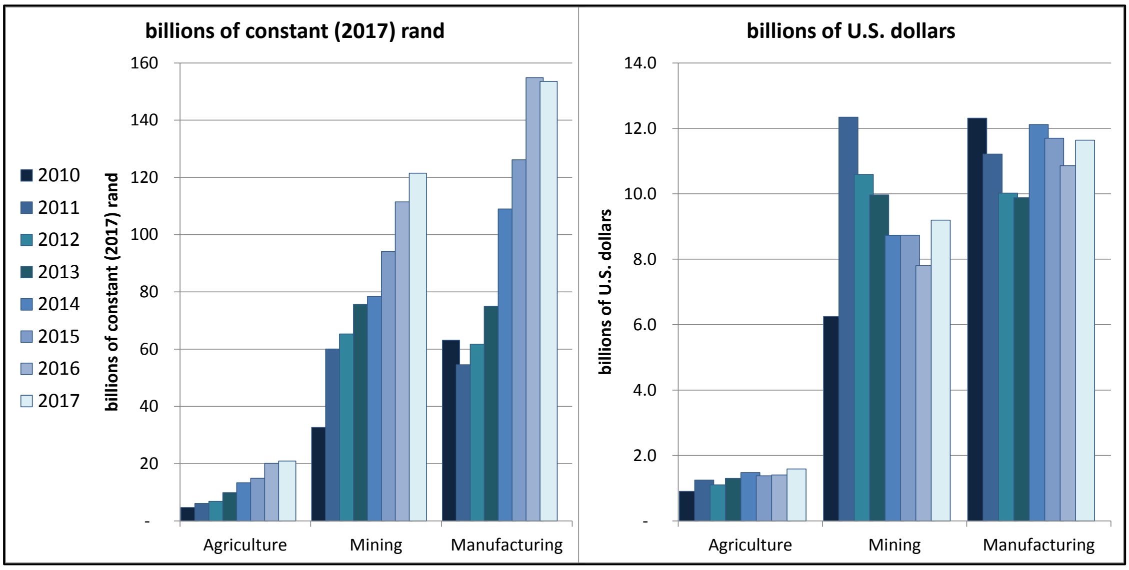
Graph 13: Exports, imports and the balance of trade in constant (2017) rand (a) and current US dollars



Source: Calculated from SARS. Trade Balance Graph for 2010-2017. Excel spreadsheet. Downloaded from www.sars.gov.za in September 2017.

In rand terms, both manufacturing and mining have seen some recovery in exports over the past three years to the second quarter, despite a slight decline in US dollar revenues for manufacturing (Graph 14). Over this quarter, exports gained in both constant rand and dollar terms. Manufacturing exports grew 8% over the last quarter. On a year-on-year basis, however, manufacturing exports declined in constant rand terms (-1%) although they increased in dollar terms (+7%). Agricultural exports in dollar terms progressed by 13% on a year-on-year basis, driven by the end of the drought and bullish food prices. Mining exports increased both compared to the quarter and in year-on-year terms. Mining exports increased by 18% in dollar terms (9% in rand terms) compared to the same period last year.

Graph 14: Exports in billions of constant rand and U.S. dollars, second quarter of each year



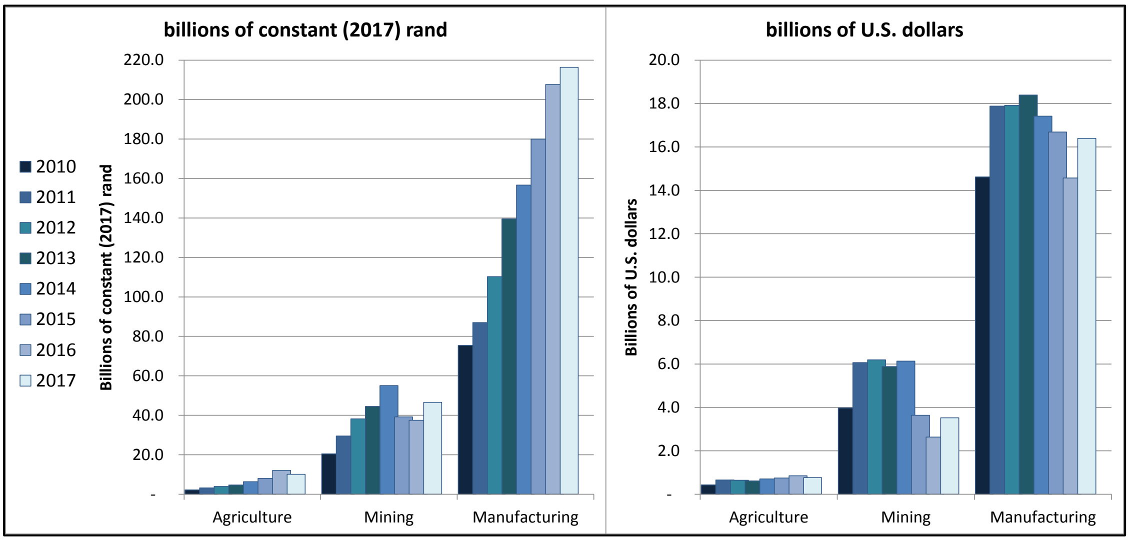
Note: Rand figures deflated with CPI. Source: Calculated form SARS data on monthly exports, downloaded in September 2017.

Manufacturing imports increased by 5% both in constant rand terms and in dollar terms on a quarter-to-quarter basis. Compared to the first quarter in 2016, manufacturing imports rose materially in dollar terms (+13%), while imports decreased in constant rand terms (4%) as shown in Graph 15.

Mining imports, which are mostly petroleum, increased only 2% over the quarter. However, on a year-on-year basis, this corresponds to a sharp increase of 34% in dollar terms and 24% in rand terms, reflecting the recovery in commodity prices over the year.

Agricultural imports decreased about 10% from the previous quarter. In constant rand terms, they fell by 17% compared to agricultural imports in the same quarter of 2016, which translates to a decrease of 10% in dollar terms. Again, this mainly reflects the reduction in maize imports as the drought has ended.

Graph 15: Imports in billions of U.S. dollars and constant rand, second quarter of each year



Note: Rand figures deflated with CPI. Source: Calculated form SARS data on monthly exports, downloaded in September 2017.

Within manufacturing, exports were driven by metals and chemical products, with healthy growth also in wood and wood products, pulp and paper and food and beverages (Table 2). In rand terms, exports of metal and metal products grew just under 10% in the second quarter, up from 5% in the previous quarter in constant rand terms.

The acceleration of exports was even sharper in dollar terms. Metal exports and chemical exports increased by 19%, respectively, from quarter one, clothing and textiles exports grew by 13% and wood and paper product exports grew by 10%. However, dollar imports increased in almost every manufacturing industry, except paper products and publishing, when compared to 2016. Table 2 provides more detail on exports and imports by manufacturing sub sectors.

Table 2. Trade in manufactures to second quarter 2017 in current US dollars and constant (2017) rand

	Value (billions)		% change from Q2 2016		Change in millions	
	USD	Rand	USD	Rand	USD	Rand
Exports						
Food and beverages	1.0	12.7	5.7%	-2.4%	52	-307
Clothing and footwear	0.5	6.0	12.8%	4.5%	52	259
Wood products	0.1	1.8	9.8%	1.5%	12	27
Paper and publishing	0.4	5.3	9.7%	1.5%	36	79
Chemicals, rubber, plastic	1.8	23.7	18.7%	9.7%	282	2 096
Glass and non-metallic mineral products	0.1	1.4	-14.8%	-21.0%	-18	-368
Metals and metal products	2.8	36.8	18.9%	10.0%	443	3 360
Machinery and appliances	1.9	25.4	-3.0%	-10.2%	-60	-2 893
Transport equipment	2.7	36.2	-1.0%	-8.5%	-28	-3 340

	Value (billions)		% change from Q2 2016		Change in millions	
	USD	Rand	USD	Rand	USD	Rand
Imports						
Food and beverages	0.7	9.8	8.7%	0.9%	60	91
Clothing and footwear	1.0	13.7	9.4%	1.4%	90	184
Wood products	0.1	1.2	9.6%	1.5%	8	18
Paper and publishing	0.3	3.5	-5.4%	-12.5%	-15	-495
Chemicals, rubber, plastic	3.0	39.4	11.7%	3.4%	313	1 313
Glass and non-metallic mineral products	0.2	3.1	0.1%	-7.4%	0	-248
Metals and metal products	1.2	15.4	19.6%	10.8%	191	1 502
Machinery and appliances	5.3	70.2	5.2%	-2.5%	265	-1 768
Transport equipment	4.2	55.0	25.9%	16.4%	857	7 768

Notes: Deflated with CPI. Source: SARS data on trade.