

Nedbank

Economic commentary

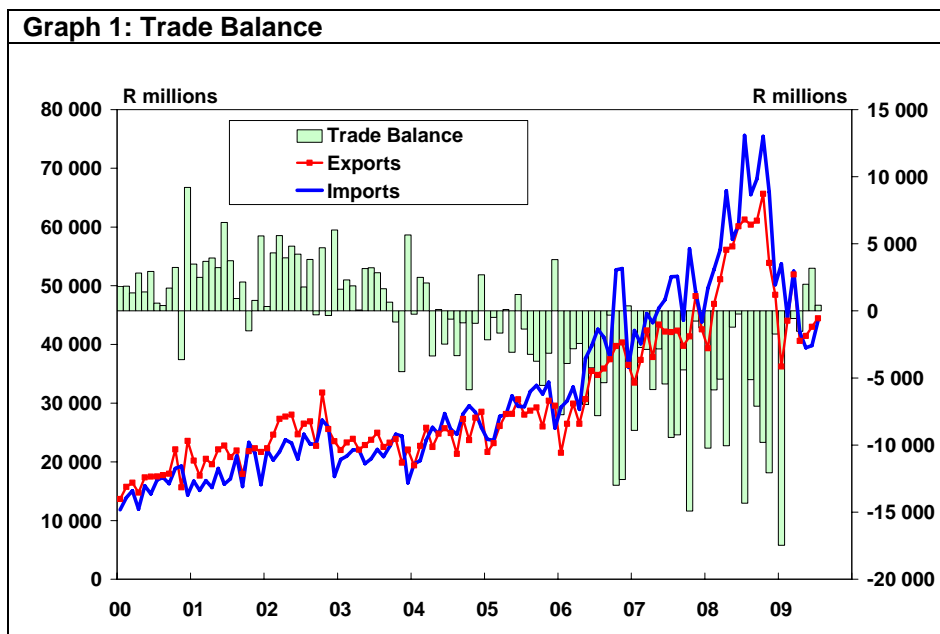
31 August 2009

TRADE

A third consecutive monthly surplus as exports continue to improve

Latest (July 2009)

Trade balance: R428,8 million (R3,2 billion in June 2009)
Exports: -27,4% y-o-y, 3,4% m-o-m (-28,4% y-o-y in June 2009)
Imports: -41,8% y-o-y, 10,6% m-o-m (-34% y-o-y in June 2009)



Comment

South Africa recorded a third successive trade surplus in July, the first such run since September 2003. The smaller surplus was attributable to a faster expansion in imports relative to exports during the month, but a third monthly increase in exports ensured that the trade balance remained in positive territory.

Exports of mineral products rose by 17,6% m-o-m (but down 13,5% y-o-y), while base metals rose by 11,5% m-o-m (down 39,3% y-o-y). Exports of vehicles and equipment increased by 19,2% m-o-m (down 42,5% y-o-y), while those of precious or semi precious stones fell by 12,6% m-o-m (down 25,7% y-o-y).

Imports were boosted by mineral products, which rose by 17,6% m-o-m (down 57,9% y-o-y), while chemical products increased by 6,3% m-o-m (down 32,7% y-o-y). Imports of electrical equipment fell by 0,7% m-o-m (down 33,3% y-o-y).

Research

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Outlook

There are indications that global conditions are beginning to stabilise and this points to some support for domestic exports in the coming months. Exports, however, are not likely to rebound strongly as long as global demand remains weak.

Demand for imports from the two import-intensive areas - consumer spending on durable goods and fixed investment spending - is expected to stay subdued in the months ahead. While public sector capital formation will remain strong, the private sector has pared back plans, particularly in the resources sector. Consumer spending is also probably not going to revive soon, as consumers face heightened uncertainty about job prospects, falling wealth and the need to reduce debt.

The overall effect on the trade balance should be positive. We anticipate that should current trends persist, with exports performing comparatively better than imports, the current account deficit for 2009 could improve to somewhere between 4,5% and 5% of gdp.

Implications

The trade data continue to reflect depressed global as well as domestic demand conditions. We expect the Reserve Bank to continue focusing on the vulnerability of the recovery in the short term. With the risk of growth data continuing to surprise on the downside, and against the backdrop of easing inflationary pressures, the chances of another 50 basis points cut in interest rates have improved.

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