

# Nedbank

## Economic commentary

30 September 2009

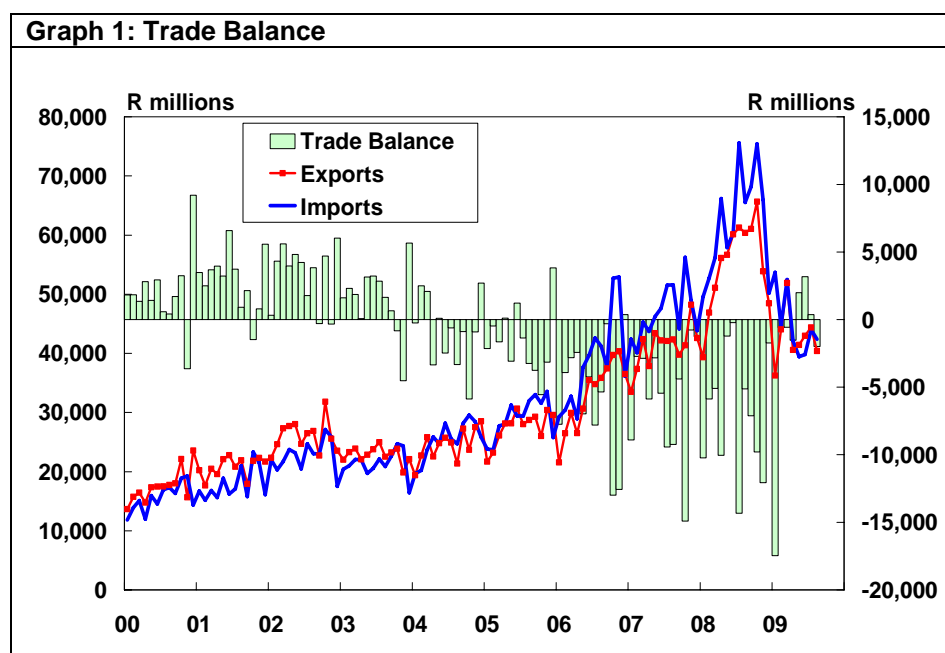
### TRADE

#### *Back to trade deficits as exports fall faster than imports*

- Exports fell after three consecutive months of expansion
- Imports still reflecting weak domestic demand
- Exports to remain jittery as long as the global economy stay weak
- We still expect the current account deficit to fall for 2009 as a whole

#### **Latest (August 2009)**

Trade balance: -R1 981,2 million (R369,7 million in July 2009)  
Exports: -33,1% y-o-y, -9,0% m-o-m (-27,6% y-o-y in July 2009)  
Imports: -35,3% y-o-y, -3,8% m-o-m (-41,8% y-o-y in July 2009)



#### **Comment**

August's trade deficit, the first since May this year, reflected mainly a sharp fall in exports of vehicles and transport equipment, while imports of capital goods also remained weak.

Exports contracted after three consecutive months of expansion, dragged down by sharp falls in exports of mineral products (-17,3% m-o-m and -29,7% y-o-y) as well as vehicles and transport equipment (-20,7% m-o-m and -47,5% y-o-y).

Imports of vehicles and transport equipment dropped by 31,7% m-o-m (down 53,8% y-o-y), while electrical equipment contracted by 3,6% m-o-m (down 26,9% y-o-y). Falling imports in these two categories continued to reflect lower activity in the capital investment area.

### Research

#### Group Economic Unit

Isaac Matshego  
011 295 6451  
Isaacmat@nedbank.co.za

Dennis Dykes  
011 295 6435  
Dennisd@nedbank.co.za

## **Outlook**

Latest data indicate that global conditions have stabilised further over the past few weeks, suggesting improved prospects for local exports. The Netherlands Bureau for Economic Policy Analysis's World Trade Monitor, which analyses trade activity covering over 95% of world trade, indicates that global trade volumes rose by 3,5% m-o-m in July, the fastest monthly increase in more than 5 years. Preliminary indications are that world trade troughed in May 2009. Trade volumes, however, remain 15,9% below their peak reached in April 2008.

Exports are not likely to rebound strongly in the foreseeable future, while the rand's recent strength also poses a risk to export recovery against the backdrop of a largely weak global economy.

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. Most analysts believe that we have now reached the bottom of the interest rate cycle, but we believe that it may be too premature to call an end to the cycle quite yet. Two factors might just tip the balance in favour of one last cut. First, given the unusual nature of the economic downswing any recovery is likely to be patchy, with setbacks over the coming months. Second, inflation may still surprise on the downside. However, the timing of any moves at this stage of the cycle is always uncertain as the MPC will have to deal with conflicting evidence on growth and inflation prospects from meeting to meeting.

### **Nedbank Head office**

NEDBANK GROUP ECONOMIC UNIT  
135 Rivonia Road Sandown 2196  
PO Box 1144 Johannesburg 2000  
Tel +27 (0)11 295 6363  
Fax +27 (0)11 294 6363  
Email [EstelleO@nedbank.co.za](mailto:EstelleO@nedbank.co.za)

Regular economic analysis is available on the Nedbank Group's internet site, <http://www.nedbankgroup.co.za>.

**Copyright Nedbank Limited 1997, updated 2008.** Nedbank Limited, 135 Rivonia Road, Sandown, 2196. The information furnished in this report (the 'report'), which information may include opinions, estimates, indicative rates, terms, price quotations and projections, reflects the existing judgement of the author(s) and current market conditions, which judgement and conditions are subject to change without notice, modification or amendment. This report does not necessarily reflect the opinion of Nedbank Limited ('Nedbank'). The information herein has been obtained from various sources, the accuracy and/or completeness of which Nedbank does not guarantee. Nedbank recommends that independent tax, accounting, legal and financial advice be sought should any party seek to place any reliance on the information contained herein. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available on request. All rights reserved. Any unauthorised use or disclosure of this report is prohibited.