

# Nedbank

## Economic commentary

30 June 2010

### TRADE

#### **Both exports and imports rose during May despite the Transnet strike**

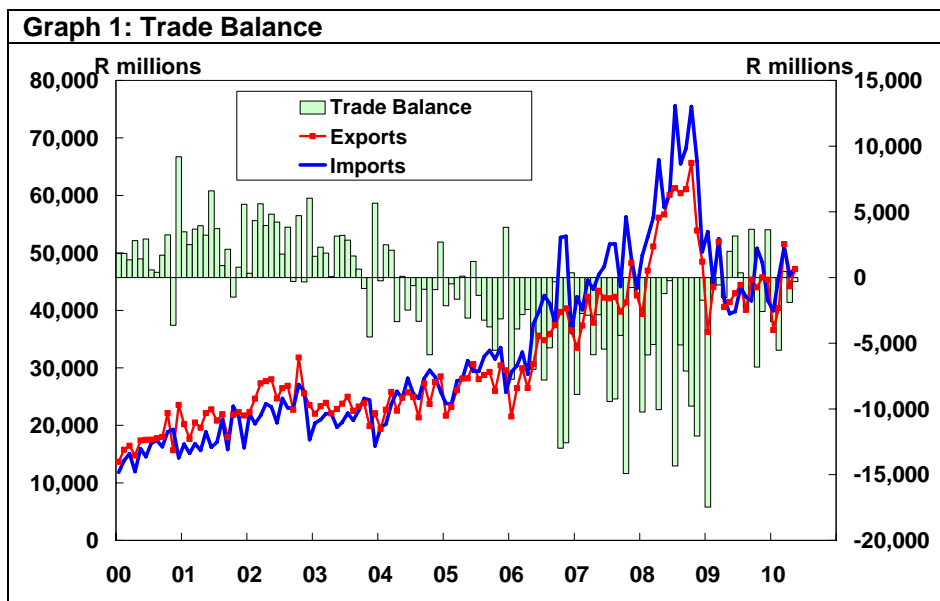
- Both exports and imports rose during May, but indications are that once-off items pushed trade values higher.
- Exports were boosted by precious or semi-precious stones and transport equipment, while imports were pushed by a 40% rise in transport equipment.
- The current account deficit widened in the first quarter of this year and we expect it to widen marginally for the year as a whole after narrowing significantly in 2009.
- The data is unlikely to have much impact on markets and does not alter our interest rate view.

#### **Latest (May 2010)**

Trade balance: -R302,1 million (-R1 889,2 million in April 2010)

Exports: 13,9% y-o-y, 6,8% m-o-m (8,8% y-o-y in April 2010)

Imports: 20,4% y-o-y, 3,1% m-o-m (9,4% y-o-y in April 2010)



#### **Comment**

Both exports and imports rose during May, with the larger increase in exports narrowing the deficit significantly. The increase in trade volumes suggests that labour action at the national ports during that month had a minimal impact on trade. The strong increase in trade on a year-on-year basis partly reflected the rise from a low base during 2009 when the global financial crisis had an adverse impact on global trade.

Exports benefitted from precious or semi-precious stones (up by 37,1% m-o-m), vehicles, aircraft and vessels (25,0% m-o-m), while exports of base metals were

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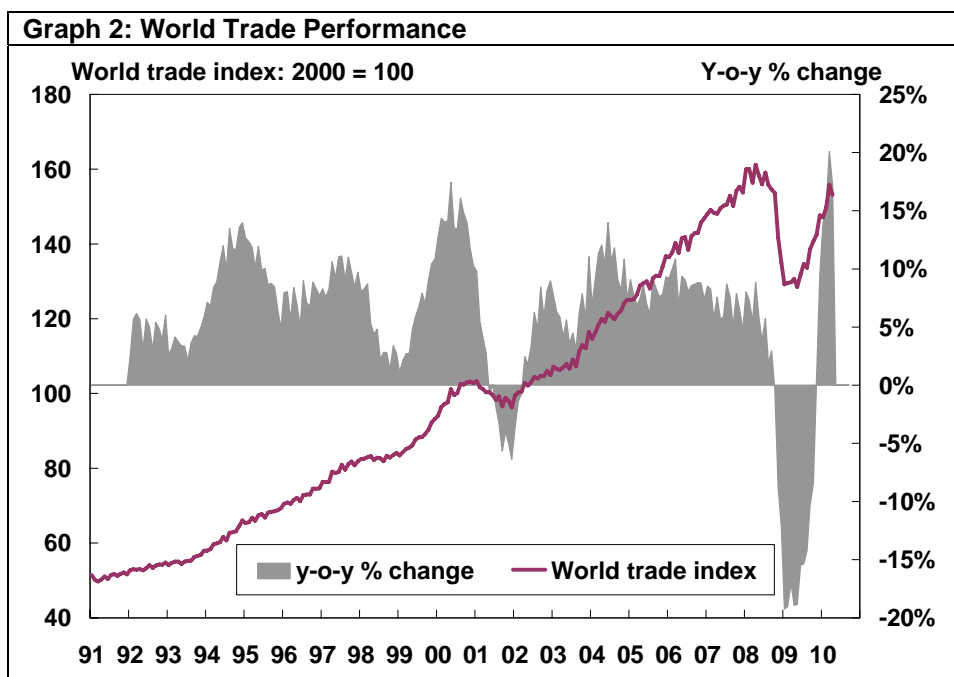
down by 14,6% during the month.

Imports of vehicles, aircraft and vessels increased by 40,3% m-o-m, mineral products were up by 6,7%, while imports of electrical equipment fell by 1,1% m-o-m.

## **Outlook**

The improvement in both exports and imports during a period when there were major logistical disruptions is encouraging. However, the sharp rise in imports of transport goods suggests that a big-ticket item like an aircraft or vessel was imported during the month and does not necessarily suggest a sustainable trend in this category.

Overall, trade volumes are likely to continue improving in the second half of this year in line with global trends. The Netherlands Bureau for Economic Policy Analysis's *World Trade Monitor* indicates that global trade has expanded by 19,1% since bottoming in May 2009, with world trade boosted mainly by imports by emerging markets.



## **Implications**

The latest trade figures together with the credit figures released earlier today does not change our view that the local recovery remains fragile and may still suffer a setback as a result of Europe's economic troubles. Although we anticipate that the SARB will keep rates unchanged until the third quarter of 2011, a negative growth surprise or an improvement to the inflation outlook may still prompt the Bank to cut rates one last time.

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