

Nedbank

Economic commentary

31 March 2010

TRADE

A stronger rise in imports pushed the trade deficit higher in February

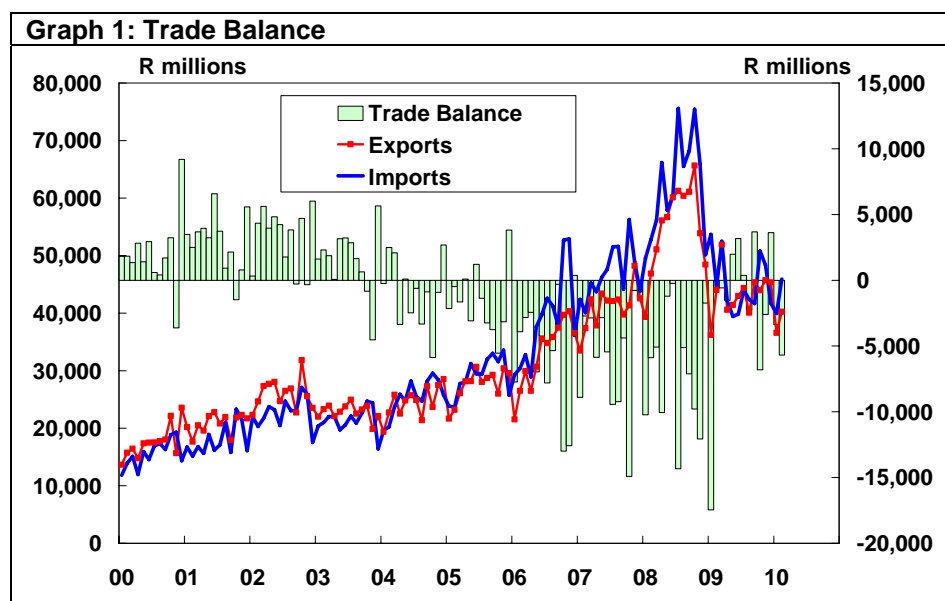
- Both imports and exports rebounded after January's seasonal declines
- Stronger demand for consumer goods to boost imports during this year
- Globally, trade volumes are benefitting from stronger demand in emerging economies
- The current account deficit will widen marginally after narrowing significantly in 2009

Latest (February 2010)

Trade balance: -R5 690,1 million (-R3 371,6 million in January 2010)

Exports: -8,6% y-o-y, 10,1% m-o-m (0,9% y-o-y in January 2010)

Imports: 2,9% y-o-y, 15,0% m-o-m (-25,6% y-o-y in January 2010)



Comment

During the month the trade deficit widened on the back of a sharp rise in imports, which rebounded strongly after falling sharply in the prior three months. Exports also rose significantly, partly offsetting January's sharp 19% drop.

Strong monthly increases were recorded in imports of mineral products (up by 68,7% m-o-m) as well as vehicles and equipment (40,8% m-o-m), while imports of electrical equipment were down by 9,4% m-o-m.

Exports benefitted from a rebound in the key export categories that had recorded significant declines in January. Base metals (up by 17,3% m-o-m), vehicles and equipment (19,1% m-o-m), precious or semi-precious stones (8,4% m-o-m) and electrical equipment (27,9% m-o-m) rose strongly, while exports of mineral products fell by 8,2% m-o-m.

Research

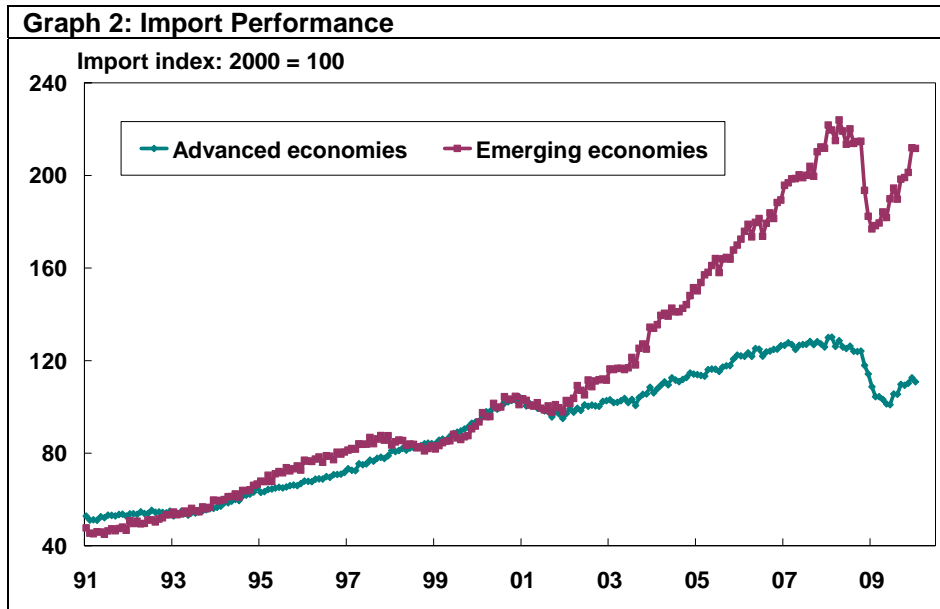
Group Economic Unit

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

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

Outlook

Imports by emerging economies have risen strongly in the past few months. According to the Netherlands Bureau for Economic Policy Analysis's *World Trade Monitor*, world trade volumes have risen by 12,6% since bottoming in May 2009, boosted mainly by a strong rise in imports by emerging economies, which have risen by 16,4% over the period. Local imports are likely to rise, although at a moderate pace, this year, boosted mainly by stronger demand for consumer goods on the back of improving disposable incomes, low interest rates as well the effect of the 2010 FIFA World Cup.



The current account deficit fell to 2,8% of gdp in the fourth quarter - its lowest level since the second quarter of 2005 - from 3,1% in the third quarter, with the deficit for 2009 as a whole falling to 4,0%, significantly down from 7,1% in 2008. We expect the deficit to rise to around 4,5% of gdp in 2010.

Implications

We expect interest rates to remain at current levels well into 2011 following last week's surprise cut. The moderation in inflation, the relatively firm rand and only a modest recovery in household spending are likely to prompt the MPC to leave interest rates steady for longer. However, there still is a possibility that the committee could cut once more at its 13 May meeting, emboldened by the expected fall in inflation to around 5%.

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

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.