

Nedbank

Economic commentary

31 May 2010

TRADE

Large trade deficit as exports fall significantly during April

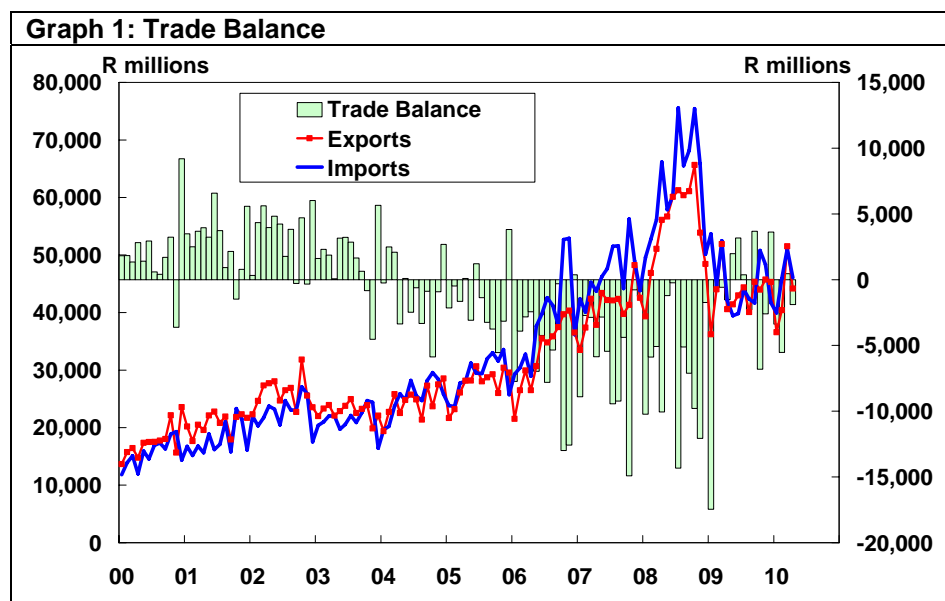
- Exports and imports fell sharply during the month
- This, however, does not suggest a deterioration in global and domestic conditions
- Domestic trade volumes will improve during 2010 in line with global trends
- The current account deficit will widen marginally after narrowing significantly in 2009
- The data is unlikely to have much impact on markets

Latest (April 2010)

Trade balance: -R1 888,9 million (R457,8 million in March 2010)

Exports: 8,8% y-o-y, -14,3% m-o-m (-0,7% y-o-y in March 2010)

Imports: 9,4% y-o-y, -9,8% m-o-m (-2,7% y-o-y in March 2010)



Comment

Both exports and imports fell significantly in April, with the large drop in exports pushing the trade balance into a large trade deficit.

Exports were dragged down mainly by declines in mineral products (down by 13,3% m-o-m), precious or semi-precious stones (-20,5% m-o-m), base metals (-8,5% m-o-m), electrical equipment (-11,3% m-o-m) and vehicles and equipment (-24,6% m-o-m).

Imports were dragged down by mineral products (-15,0% m-o-m), chemical products (-7,7% m-o-m) electrical equipment (-4,1% m-o-m) as well as vehicles and equipment (-14,9% m-o-m).

Research

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Outlook

The drop in domestic trade volumes confirms the fragility of domestic recovery, but does not necessarily suggest a deterioration in both global and domestic economic conditions. However, the sharp decline in exports is worrying as exports probably fell again during May due to the labour strike at Transnet, which crippled operations at national ports.

Overall, trade volumes are likely to continue improving in the second half of this year in line with global trends.

Implications

The latest trade figures together with the credit figures released earlier today show that the recovery remains fragile. However, this will not come as a surprise to the Reserve Bank, which on a number of occasions has highlighted that consumer spending remains weak. As a result, interest rates are still expected to remain unchanged until the third quarter of 2011, but if growth disappoints or inflation undershoots the SARB's inflation forecast over the next few months, a further rate cut could be on the cards.

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