Trends in trade

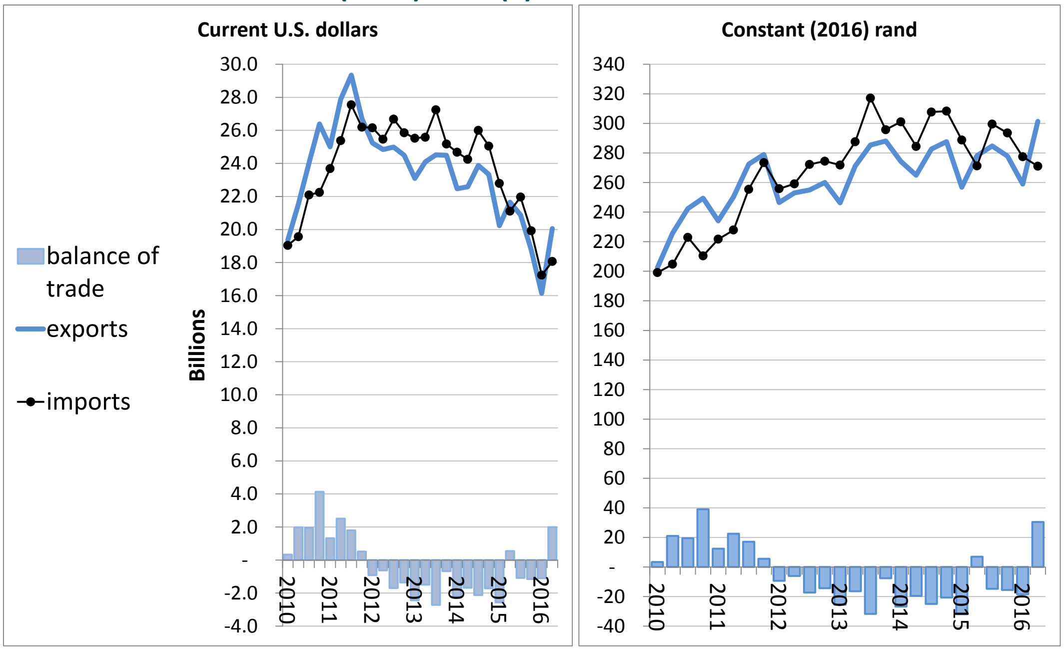
The second quarter of 2016 saw a strong uptick in exports combined with falling imports, mostly due to the falling price of petrol. The resulting improvement in the balance of trade boosted GDP growth. While both manufacturing and mining exports fell in dollar terms, they expanded in constant rand, with manufacturing exports rising by 8.6% and mining by 5.1%. Agricultural exports also performed exceptionally during the quarter, but that partly reflects seasonal factors.

As Graph 9 shows, in constant rand exports rose sharply in the last quarter, while imports declined. The value of exports fell with the end of the commodity boom in 2011, recovered somewhat in 2013, but since then stagnated until the second quarter of 2016. In contrast, imports continued to grow through 2013, but then began to fall.

The trends in trade since 2010 suggest that the economy has begun gradually to adjust to the new realities of lower metals prices. In particular, the emergence of a relatively competitive rand seems to have fostered more diversified exports while making local products more competitive on the domestic market.

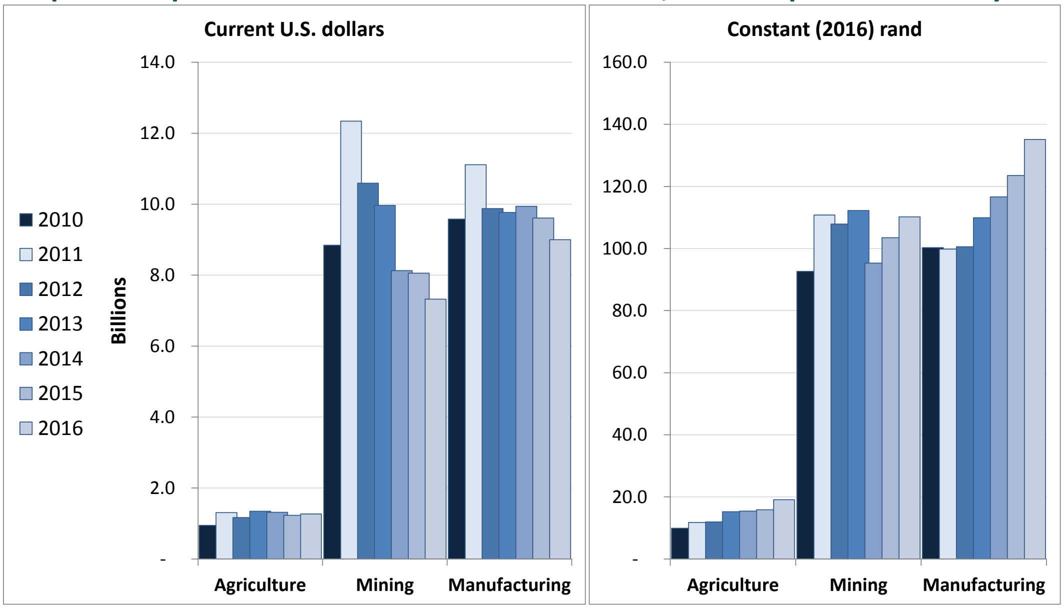
In rand terms, both manufacturing and mining have seen some recovery in exports over the past three years to the second quarter, despite a decline in US dollar revenues (Graph 10).

Graph 9: Exports, imports and the balance of trade in constant (2016) rand (a) and current US dollars



Note: (a) deflated with CPI rebased to June 2016. Source: Calculated from SARS. Trade Balance Graph for 2010-2016 (including and excluding BLNS). Excel spreadsheet. Downloaded from www.sars.gov.za in September 2016.

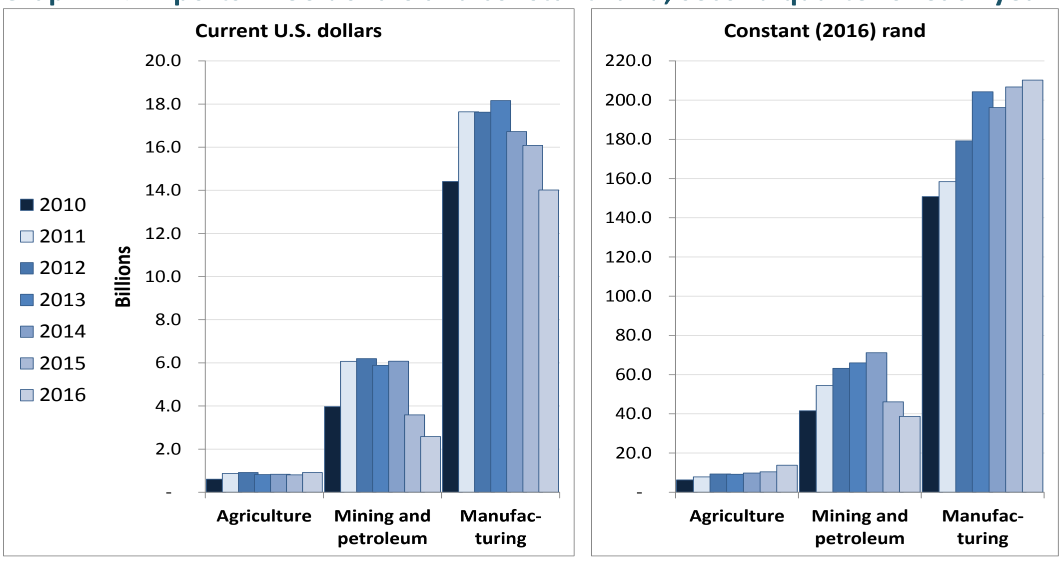
Graph 10: Exports in US dollars and constant rand, second quarter of each year



Note: Excludes trade within SACU. Rand figures deflated with CPI. Source: Calculated form SARS data on monthly exports, downloaded in September 2016.

The fall in imports was driven by the declining price of petrol. Imports of petroleum remained fairly constant in volume from 2014, but the value in dollar terms dropped from US$4,2 billion in the second quarter of 2014 to US$1,6 billion in the second quarter of 2016. In current rand terms, the value of petrol imports dropped from R44 billion to R24 billion in the same period.[1] In contrast, imports of manufactures continued to rise in rand terms (Graph 11).

Graph 11: Imports in US dollars and constant rand, second quarter of each year



Note: Excludes trade within SACU. Rand figures deflated with CPI. Source: Calculated form SARS data on monthly exports, downloaded in September 2016.

[1] Data from TradeMap. Electronic database. Series on petroleum oils in rand, dollar and quantity terms. Downloaded from www.trademap.org in September 2016.

Within manufacturing, exports (excluding the Southern African Customs Union – SACU) were driven by transport equipment (which includes automotives), with healthy growth also in wood and wood products, food and beverages, and machinery and appliances.

In rand terms, exports of transport equipment grew just under 30% in the second quarter, up from 20% in the previous quarter. The acceleration is even sharper in dollar terms. Clothing and footwear saw some growth in rand terms, and stabilised in dollars. Food and beverage exports increased by 19% from quarter one, wood products exports grew by 22% and metal exports grew by 11% while chemicals, rubber and plastic ticked up by 13%. However dollar exports declined in almost every manufacturing industry, except paper and auto, when compared to 2015.

Table 1 provides more detail on exports by sector.

Table 1: Trade in manufactures to second quarter 2016 in current US dollars and constant (2016) rand

	Value (billions)		% change from Q2 2015		Change in millions	
Industry	**USD**	**Rand**	**USD**	**Rand**	**USD**	**Rand**
Exports						
Food and beverages	0.63	8.3	-2.0%	14.5%	-13	1 210
Clothing and footwear	0.26	3.7	-11.7%	3.2%	-34	120
Wood and paper	0.41	5.3	-0.5%	16.5%	-2	880
Chemicals, plastics, rubber	1.22	20.1	-22.1%	-8.9%	-345	-1 780
Glass/non-metallic minerals	0.08	1.1	1.4%	17.9%	1	190
Metals and metal products	2.19	30.8	-8.5%	6.9%	-203	2 140
Machinery and equipment	1.61	22.2	-6.9%	8.8%	-119	1 950
Transport equipment	2.49	30.6	4.9%	22.4%	117	6 850
Other manufactures	0.10	1.5	-10.8%	3.9%	-13	60
Imports						
Food and beverages	0.45	6.1	-4.8%	11.1%	-23	680
Clothing and footwear	0.86	11.6	-4.7%	11.2%	-42	1 310
Wood and paper	0.33	4.8	-10.5%	4.6%	-39	220
Chemicals, plastics, rubber	2.57	36.9	-10.2%	4.8%	-294	1 780
Glass/non-metallic minerals	0.23	3.1	-2.9%	13.5%	-7	420
Metals and metal products	0.96	15.2	-19.2%	-5.7%	-227	-860
Machinery and equipment	4.99	76.8	-16.4%	-2.5%	-982	-1 900
Transport equipment	3.31	47.8	-11.1%	3.8%	-414	1 820
Other manufactures	0.30	4.4	-12.4%	2.3%	-43	100

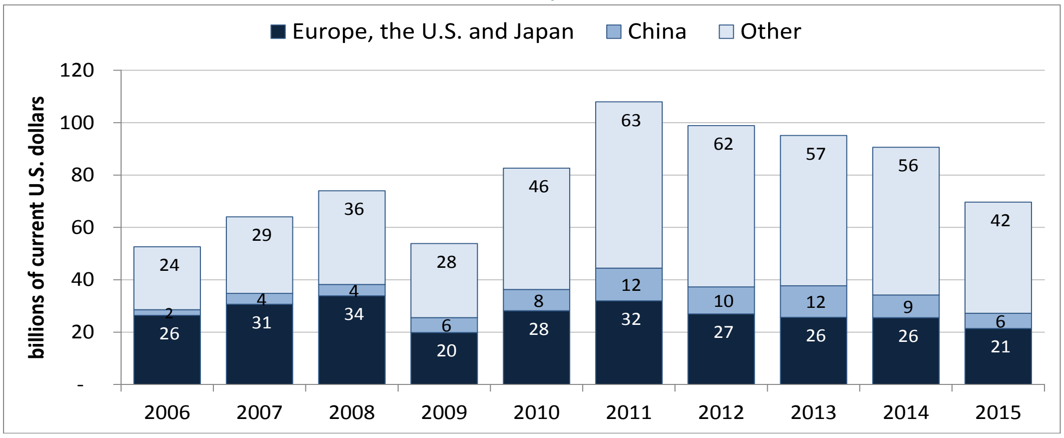
Notes: Excludes BLNS. Deflated with CPI. Source: SARS data on trade.

In terms of manufactured imports, the sharpest fall in dollar terms was in machinery and equipment. This trend resulted in part from depreciation, which generally discouraged imports, but it also reflected the slowdown in investment that is outlined in the section on investment.

Graph 12 shows exports in dollars in the longer term by trading partner. It demonstrates the impact of the global slowdown through 2015, although the trend appears to have reversed in the first half of 2016, as noted in Graph 9 (page 7).

In nominal dollars, South African exports dropped by 16% from 2011 to 2014, then plummeted a further 23% in 2015. The depreciation that accompanied the fall in exports boosted export revenues in rand, but they nonetheless fell 10% in 2015. Exports to the global North did not fully recover from the downturn in 2008/2009, while sales to China dropped sharply from 2013.

Graph 12: Exports to major trading partners in current US dollars, 2006 to 2015



Source: Calculated from TradeMap. Electronic database. Series on export data for South Africa by country. Downloaded from www.trademap.org in August 2016.