

10% hike in SA trade exports, stats show

By  Bobby Madhav

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South Africa recorded a trade surplus of R16.1bn in February 2023 compared to a deficit of R22.7bn in January 2023, and higher than the market forecast of a R14.3 bn shortfall.



Source: Supplied. Bobby Madhav, FNB's head of trade and structured trade and commodity finance.

This was the largest trade surplus over the last six months and came on the back of a 10.7% month-on-month increase in exports and a substantial decrease of 14.8% in imports.

In line with expectations, the cumulative trade balance for the first two months of 2023 narrowed to a deficit of R6.6bn compared to a R17.1bn surplus over the same period in 2022.

South Africa once again recorded trade deficits with most of its regional trade partners, except Africa. With a substantial decline in imports from Africa for the period, the trade surplus with the continent rose to R30.5bn. This surplus is greatly beneficial to South Africa in that it increases the rand flow to the country, but also, the composition of the trade with the continent supports economic development in the country.

Other than oil and coal, most of the exports to Africa consist of higher value products, such as machinery, vehicles, and iron and steel. On the import side, products sourced from the continent are mostly lower value-added mining and mineral products such as oil, gold, and diamonds.

South Africa's month-on-month increase in exports was mainly driven by the huge increase in vehicle exports of R8.6bn, a doubling of the export value compared to the previous month. Increases of R2bn in machinery and electronics and R1bn in vegetable products aided the good increase in exports experienced.

On the import side, various products contributed to the widespread decrease in total South African imports: mineral products declined by a massive R10bn, machinery and electronics by R5.2bn, chemical products by R2.5bn, and plastics and rubber by R1.1bn.

Poor prospects of trade growth

The recent announcements of economic data have not been kind to the prospects of trade growth going forward: inflation has led the Sarb to increase the repo rate by an unexpected 50bps, high unemployment, and the PMI decreased to 48.1 points in March, indicating a slowing of manufacturing activity. All this negative news remains anchored in the widespread application of load shedding in the country and makes the possibility of a recession more probable.

One of the few bright lights on the horizon for importers and exporters is the relief that they are currently experiencing from international sea freight rates. The outbreak of the global pandemic pushed container rates to an unprecedented high of \$11,109 in September 2021 or eight and a half times that of the period before the full onslaught of Covid-19. After remaining at elevated levels of around \$10,000 per container until March 2022, the rates started to decrease dramatically. Currently, the rates average about \$1,481 and are well in line with the average prices experienced before the outbreak of the pandemic.

ABOUT BOBBY MADHAV

Bobby Madhav is head of trade and structured trade and commodity finance at FNB. He has been in the FirstRand group since 1983.
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