Investec

Current Account update: Current account deficit narrows notably in Q3.22

Thursday 8 December 2022

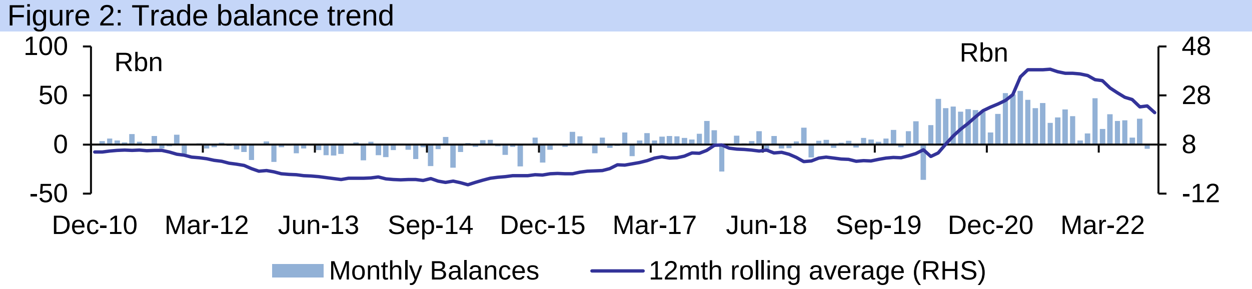
Figure 1: Balance of payments on current account (R'bn seasonally adjusted and annualised)

	Q3.21	Q4.21	Year	Q1.22	Q2.22	Q3.22
Merchandise exports	1 653	1 702	1 689	1 908	1 964	2 014
Net gold exports	105	120	108	76	95	83
Merchandise imports	-1 321	-1 486	-1 349	1 612	1 807	1 864
Trade balance	**437**	**336**	**448**	**372**	**252**	**233**
Net service, income & current transfer payments	-222	-204	-220	-216	-358	-251
Balance on current account	**214**	**132**	**228**	**157**	**-107**	**-18**
As % of GDP	*3.4*	*2.1*	*3.7*	*2.4*	*-1.6*	*-0.3*

Source: SARB

- The current account deficit narrowed notably in the third quarter of 2022 to -R18.1bn, from -R107.0bn (revised) recorded previously. Expressed as a % of GDP the current account balance eased to -0.3% from -1.6% (revised) in Q2.22.
- The outcome which was ahead of consensus expectations (of -0.8% of GDP) was underpinned by a marked narrowing of the deficit on the services, income and current transfer account to -R251bn, this after it reached a historic high in the second quarter (-R358bn). In turn, the deficit declined to -3.7% of GDP from -5.4% of GDP recorded in Q2.22.
- The lower deficit stemmed from a markedly "smaller deficit on the primary income account, and to a lesser extent on the secondary income account, while the deficit on the services account increased", according to the SARB.
- The services account is largely comprised of travel related receipts and payments. The air travel and tourism sectors were heavily disrupted by the pandemic. Although the lifting of travel restrictions has seen a significant increase in international tourist arrivals, numbers are still down when compared to pre-pandemic readings.
- Conversely, the trade surplus deteriorated further to R233bn in Q3.22 from R252bn (revised) in Q2.22, or to 3.5% of GDP from a prior 3.8% of GDP (revised). "The value of both merchandise exports and imports increased further to all-time highs in the third quarter," according to the SARB, however the value of merchandise imports outpaced that of exports.
- Indeed, the global oil price remained elevated during Q3.22 (although below Q2.22 readings) impacting the value of imports. It has subsided (it is currently trading at around $72/bbl), however the final quarter of the year does see a pick-up in the volume of imports as industry prepares for the seasonally significant festive period.
- This combined with constrained export potential, as a result of domestic logistical bottlenecks and subdued global demand, could see a further narrowing in Q4.22's trade balance position. Indeed, October's merchandise trade account logged a deficit of -R4.3bn, according to data released by SARS. Export activity was heavily impacted by the Transnet strike, which commenced on 6th October, compelling Transnet Port Terminals to declare a force majeure.

Figure 2: Trade balance trend



Source: SARS, Investec

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