

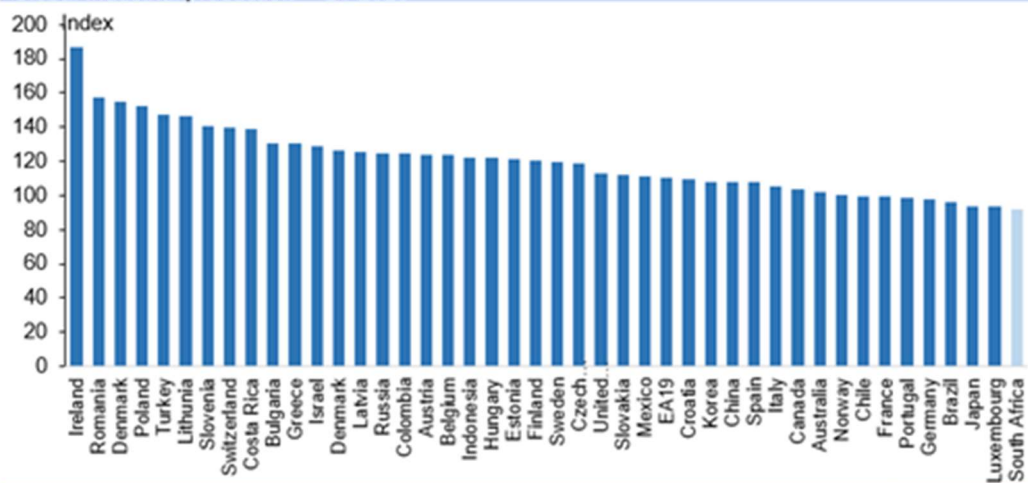
# SA Economics



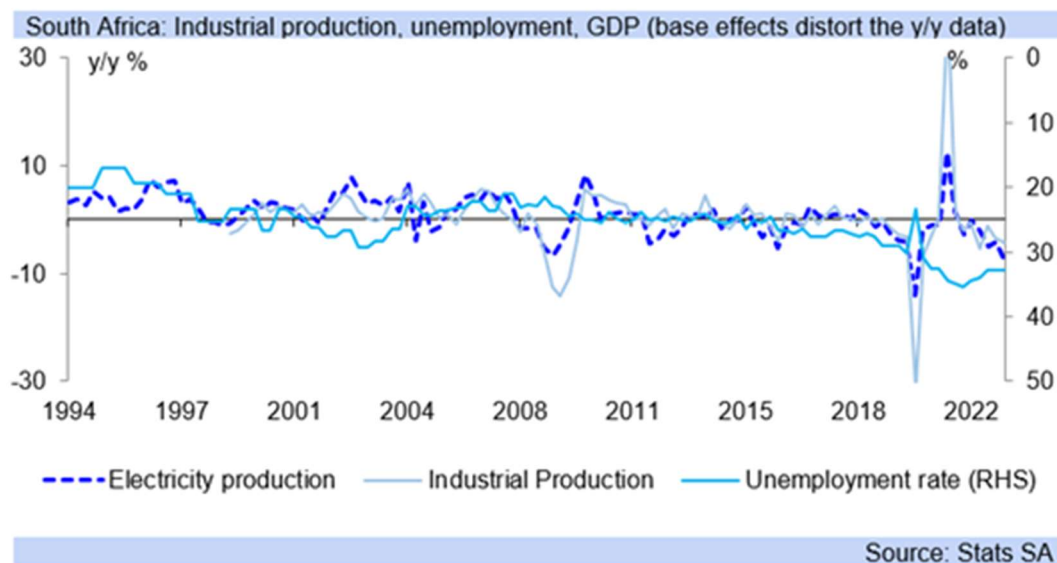
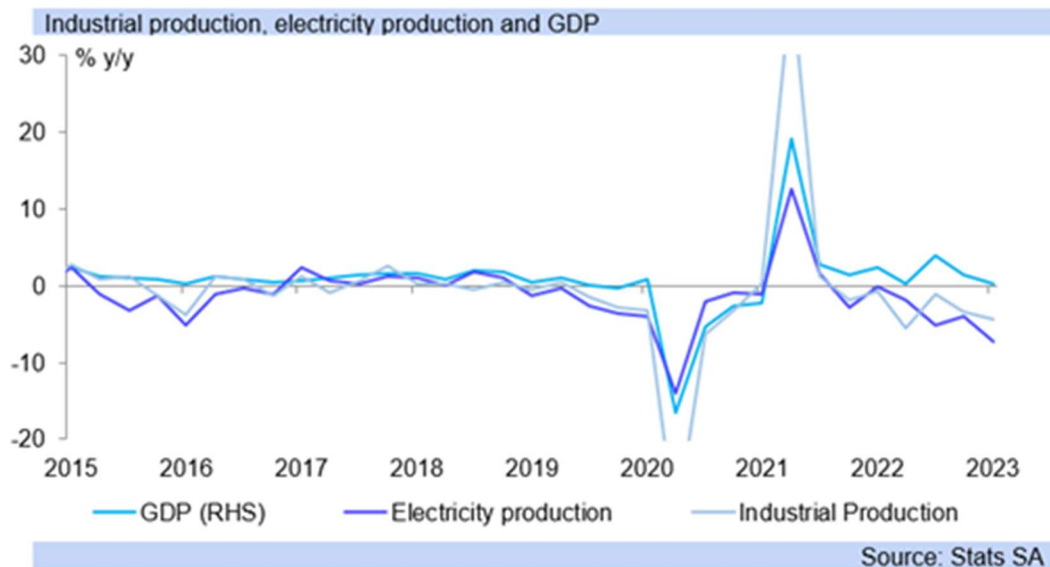
Industrial production: US formally says SA in danger of losing AGOA benefits due to Russian ties

Tuesday 13 June 2023

Global Industrial production – Q1 2023



Source: OECD



- South Africa's industrial (manufacturing, mining and electricity) production grew by a small 0.4% m/m (seasonally adjusted), in April 2.1% y/y with industrial production accounting for around 19.7% of GDP, while demand for trade weakened in April.
- South Africa's export trade ability has deteriorated substantially on the fall in rail and port capacity, which has negatively affected industrial production in SA and in part prompted the urgent partnership between government and organised business.
- The partnership initiative, outlined yesterday in the rand note as well as in Friday's note (contact details below) aims to dramatically improve the performance of SA's logistical sector, as the country cannot consistently meet demand for its exports.

- However, the bigger threat to South Africa's industrial production, and so growth and existing jobs, is the loss of benefits from AGOA and secondary sanctions from Western countries, with the relationships not quickly and or easily repaired.
- Russia accounts for a paltry 0.2% of SA's global export trade, and the US, UK and EU combined 35%, with China only around 9%. South Africa has been playing with fire for its economy in participating in naval exercises with Russia and other activities.
- The US formally said yesterday that "serious concerns with current plans to host this year's AGOA Forum in South Africa" and that "actions by South Africa call into question its eligibility for trade benefits under AGOA".
- This is the strongest public communication the US has given on SA's allegiances to Russia, with AGOA's "statutory requirement that beneficiary countries not engage in activities that undermine United States national security or foreign policy interests".
- Adding "(w)hile we understand that the AGOA eligibility review process for 2024 is underway and that decisions have not yet been made, we question whether a country in danger of losing AGOA benefits should have the privilege of hosting the 2023 AGOA Forum."
- SA imports and exports virtually nothing from Russia, at 0.2% and 0.1%, while risks losing up to 40% of its trade if sanctions are imposed against it by the West, which would drive the economy into a deep, severe recession, extreme rand weakness and collapse in government finances, most likely bankrupting the state. SA will likely face its worst economic crisis if it undergoes full sanctions from the West.

Please scroll down to the second section below

Selected Regional Exports and Imports				
	Exports (Rbn)	%	Imports (Rbn)	%
US	R178.00	8.8%	R133.99	7.4%
China	R188.42	9.4%	R367.43	20.2%
Russia	R4.62	0.2%	R9.15	0.5%
EU	R434.70	21.6%	R399.81	22.0%
Africa incl BLNS	R493.75	24.5%	R166.07	9.1%
UK	R102.45	5.1%	R29.72	1.6%
Australia	R14.02	0.7%	R20.58	1.1%
Canada	R7.46	0.4%	R5.75	0.3%
New Zealand	R1.32	0.1%	R2.13	0.1%
<b>Total</b>	<b>R1,424.73</b>	<b>70.8%</b>	<b>R1,134.64</b>	<b>62.3%</b>

Source: SARS

Regional Exports and imports				
World Region	Exports (Rbn)	%	Imports (Rbn)	%
Africa	R 493.7	25%	R 166.1	9%
Europe	R 554.7	28%	R 452.9	25%
America	R 209.4	10%	R 191.8	11%
Asia	R 640.2	32%	R 976.6	54%
Oceania	R 15.9	1%	R 23.8	1%
Other unclassified	R 87.9	4%	R 9.2	1%
Ship/Aircraft	R 11.3	1%		0%
<b>Total</b>	<b>R2,013.2</b>	<b>100%</b>	<b>R1,820.4</b>	<b>100%</b>

Source: SARS

Selected Exports and Imports for South Africa				
Country	Exports (Rbn)	%	Imports (Rbn)	%
US	R178.00	8.8%	R133.99	7.4%
Canada	R7.46	0.4%	R5.75	0.3%
France	R13.44	0.7%	R34.26	1.9%
Germany	R163.26	8.1%	R134.37	7.4%
Spain	R22.77	1.1%	R27.66	1.5%
Austria	R1.56	0.1%	R10.68	0.6%
Belgium	R64.02	3.2%	R23.44	1.3%
Finland	R1.89	0.1%	R8.88	0.5%
Netherlands	R97.44	4.8%	R24.76	1.4%
Denmark	R6.02	0.3%	R5.06	0.3%
Portugal	R8.09	0.4%	R6.19	0.3%
Australia	R14.02	0.7%	R20.58	1.1%
Sweden	R2.34	0.1%	R16.65	0.9%
New Zealand	R1.32	0.1%	R2.13	0.1%
Iceland	R0.04	0.0%	R0.09	0.0%
Switzerland	R8.95	0.4%	R10.64	0.6%
Luxembourg	R0.33	0.0%	R16.65	0.9%
United Kingdom	R102.45	5.1%	R29.72	1.6%
Norway	R3.20	0.2%	R1.78	0.1%
Slovenia	R2.18	0.1%	R1.66	0.1%
Liechtenstein	R0.04	0.0%	R0.02	0.0%
<b>Total</b>	<b>R698.82</b>	<b>34.7%</b>	<b>R514.96</b>	<b>28.3%</b>

Source: SARS

- The US adds “(h)osting the forum in another country in Sub-Saharan Africa would send a clear and important message that the United States continues to stand with Ukraine and will not accept our trading partners provision of aid to Russia's ongoing and brutal invasion.”
- “We are seriously concerned that hosting the 2023 AGOA Forum in South Africa would serve as an implicit endorsement of South Africa's damaging support for Russia's invasion of Ukraine and possible violation of U.S. sanctions law.”
- South Africa's government has “deepened its military relationship with Russia over the past year. Late last year, a Russian cargo vessel subject to U.S. sanctions docked in South Africa's largest naval port, and Intelligence suggests that the South African government used this opportunity to covertly supply Russia with arms and ammunition that could be used in its illegal war in Ukraine.”

- “In February, South Africa held joint military exercises with Russia and China, and in April, authorized a Russian military cargo plane also subject to U.S. sanctions- to land at a South African air force base.”
- “On top of this, in August, South Africa will host the BRICS Summit where the government aims to strengthen its ties with China and Russia and is working to facilitate the Participation of Russian President Vladimir Putin, despite the outstanding arrest warrant issued by the International criminal Court (ICC).”
- South Africa needs to cease absolutely all and any military ties, relationships and activities with Russia if it does not want to lose the AGOA trade benefits and face sanctions from Western countries that will decimate its economy, socioeconomics and major sources of government funding.
- South Africa is, worst case, risking becoming a bankrupt state for its relationship with Russia, which adds virtually nothing to the economy, state revenues, economic growth job creation or socioeconomic stability and investor sentiment.
- The rand has depreciated this morning on the news, halting its rapid gains recently which means SA will lose out on what could have been a fuel cut for the population if the states allegiances with Russia had not negatively caught up with it as per the US brief. However, US disinflation figures aided some small rand strength this afternoon.
- There remains poor understanding in South Africa of the absolutely dire consequences pursuing a relationship with Russia will have on the country in the current geopolitical climate, particularly looking to physically host President Putin in SA and seeking ways to avoid the ICC edict for his arrest.

## Weekly Status report

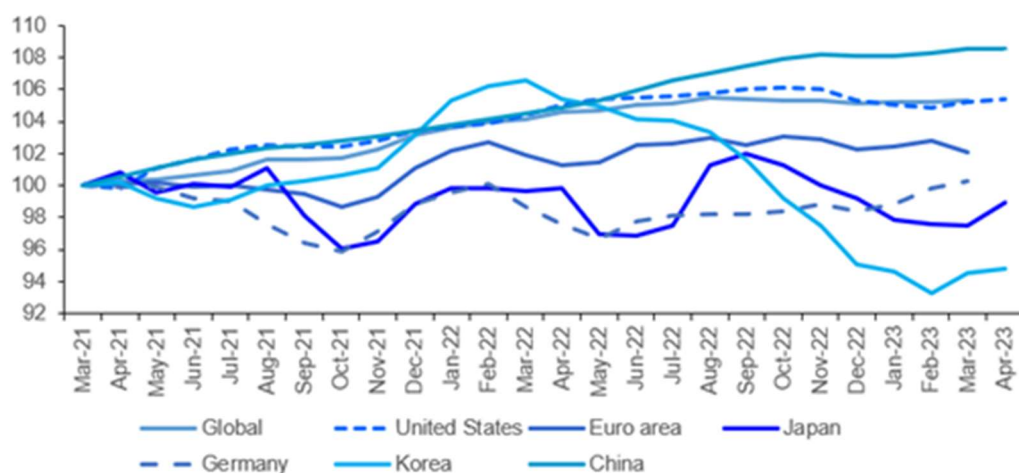
	Weeks								Annual (Jan-Dec)	
	1	2	3	4	5	6	7	8	2023	2022
EAFF	49.17	50.78	52.50	52.33	53.27	54.46	52.37	50.74	52.06	58.01
Planned	13.97	12.75	13.07	13.61	10.75	10.89	9.08	9.57	11.55	10.62
Outage Factor										
Unplanned	34.64	34.03	31.94	32.25	34.82	33.25	35.66	34.94	34.19	29.85
Other Outage										
Factor	2.22	2.44	2.49	1.81	1.16	1.40	2.89	4.75	2.20	1.52
	9	10	11	12	13	14	15	16	17	18
EAFF	52.87	52.84	58.33	55.18	52.33	51.18	49.94	52.92	52.87	52.31
Planned	10.28	9.52	9.48	12.36	14.63	15.83	14.49	13.18	10.46	8.47
Outage Factor										
Unplanned	35.84	35.86	30.84	31.35	32.26	32.25	34.75	33.24	35.90	38.07
Other Outage										
Factor	1.01	1.78	1.35	1.11	0.79	0.74	0.84	0.66	0.77	1.15
	19	20	21	23	Annual (Jan-Dec)					
EAFF	52.09	55.99	55.06	58.22	2023	2022				
Planned	8.50	7.79	7.11	5.10	10.91	10.62				
Outage Factor										
Unplanned	38.55	35.39	36.79	35.48	34.40	29.86				
Other Outage										
Factor	52.09	55.99	55.06	58.22	1.52	1.52				

Source: Eskom

\*EAF = Energy Availability Factor (Eskom EAF) – Ratio of the available generation over a given time period to the maximum amount of energy which could be produced over the same time period.  
 Outage Factors: Ratio of energy losses over a given time period to the maximum amount of energy which could be produced over the same time period.  
 YTD: Year-to-Date (01 January of current year to current week)

## Industrial production

Index 2021 Q1 = 100, 3mma



Source: OECD Economic Outlook June 2023

### Global PMI output by sector

Global PMI Index, 50 = no change on prior month



Source: S&P Global Market Intelligence