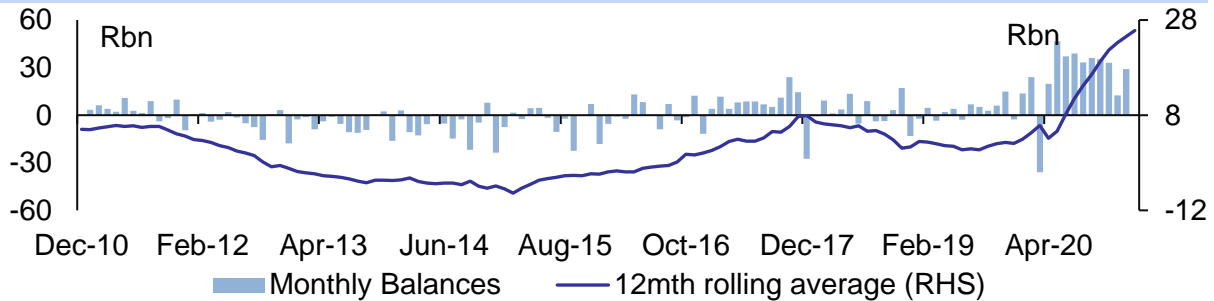




Trade update: The surplus on the trade account widened to R28.96bn in February, on increased export activity

Wednesday 31 March 2021

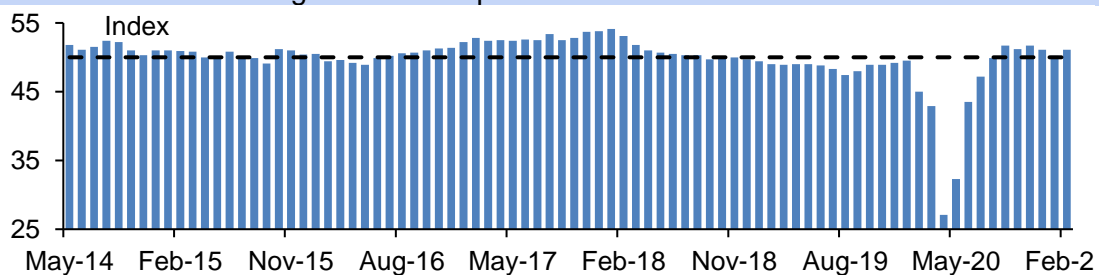
Figure 1: Trade balance trend



Source: SARS, Investec

- The surplus on the merchandise trade account increased to R28.96bn in February, from R12.42bn (revised) in January, supported by a 16.5% m/m increase in exports to R128.25bn. Exports typically increase in the month of February following the seasonal decline in January. Additionally, the global manufacturing PMI for February showed that “although the trend in international trade remained relatively subdued” global export demand picked up during the month. The local PMI also reflected improved export sales in February.
- Imports however, lifted by a marginal 1.6% m/m to R1.6bn in February. Import growth is likely to remain subdued in the near-term as domestic activity remains weak and the economy battles to recover from the devastating effects of the pandemic. Indeed, until the vaccine is widely dispersed, further waves of infections and thus tighter restrictions are likely, further hindering economic growth. While GDP is expected to lift by around 3.0% this year, off 2020’s low base of -7.0%, it is projected to moderate thereafter to just 1.5% in 2022.
- Measured on an annual basis, February’s R28.96bn surplus is a notable improvement from the R13.27bn trade balance surplus logged last year.
- A review of the trade highlights released by SARS, suggests that the lift in exports was broad based, with all key categories increasing on a month-on-month basis. Specifically, vehicle and transport equipment exports rose by a marked 73.0%. Conversely most major import categories experienced declines, besides mineral products and original equipment components.
- Going forward, global growth is forecast to rise by 5.5% this year, according to the IMF, although rates of recovery will be uneven between nations, owing to the speed of vaccine rollouts and levels of fiscal support.
- Supply side constraints remain, which could have been exacerbated in March by the container ship lodged in the Suez Canal, preventing the flow of goods.

Figure 2: Global manufacturing PMI: new export orders



Source: Markit

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