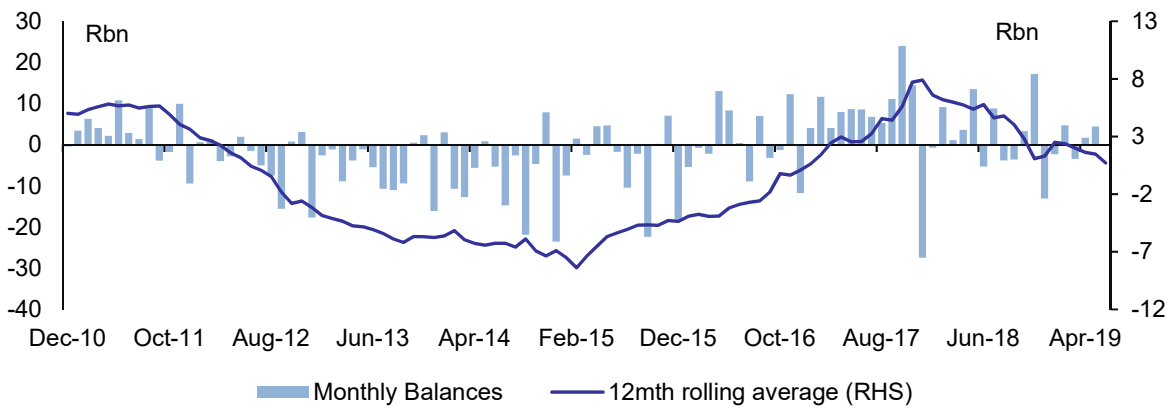




Trade update: Trade balance surplus widens to R4.42bn in June

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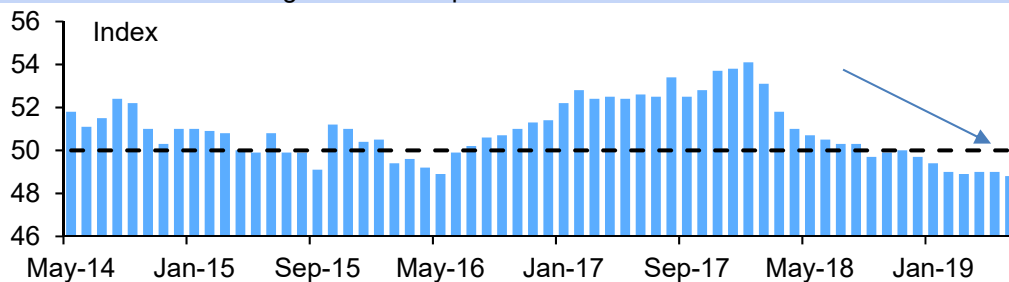
Figure 1: Trade balance trend



Source: SARS, Investec

- The surplus on the trade balance widened in June to R4.42bn, following May's R1.70 bn (revised) reading (see figure 1). The outcome, which was largely in line with consensus, was underpinned by a 5.8% m/m slide in imports, coupled with a R3.61 bn or 3.2% m/m decline in the export category.
- A review of the trade highlights, released by SARS suggests that the fall in exports was largely broad based, with only the wood and vegetable products categories registering growth. Exports of chemical products and textiles recorded the highest month-on-month declines, slipping by 21% and 20% respectively.
- Similarly, on the import side, four of the five major categories reviewed, declined, led by machinery and electronics (-15% m/m) and chemical products (-14% m/m).
- With the inclusion of the June reading, the deficit on the trade account narrowed somewhat for the year-to-date (Jan – June) to R1.94bn, but is still a deterioration on the R0.11bn surplus recorded during the same period in 2018.
- “Investment and demand for consumer durables have been subdued across advanced and emerging market economies”, according to the IMF and as such global trade remains lacklustre. This was further reiterated by Markit in their latest Global PMI release, which stresses that “the trend in international trade flows continued to weaken at the end of the second quarter”, with June new export business subsiding “(f)or the tenth straight month and at the joint-fastest pace for six years”.
- Similarly weak import activity is partly linked to the lower international oil price (and lower rand denominated oil price) in the months of May and June, of an average of USD66/bbl, versus this year's peak price of USD73/bbl.
- Additionally, subdued rates of consumer demand and fixed investment growth, against a backdrop of weak economic activity, should continue to hinder imports in the near term.

Figure 2: Global manufacturing PMI: new export orders



Source: Markit

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