

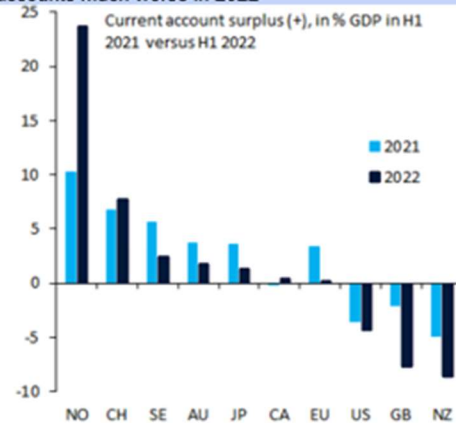
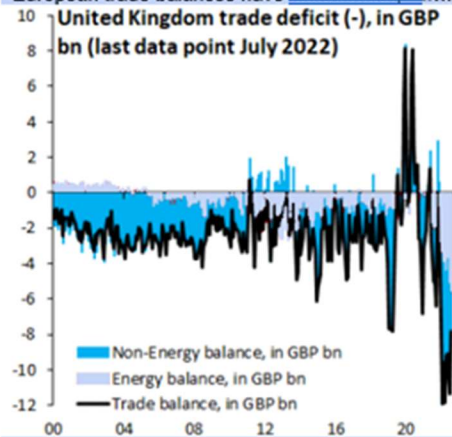


SA Economics

Tuesday 11 October 2022

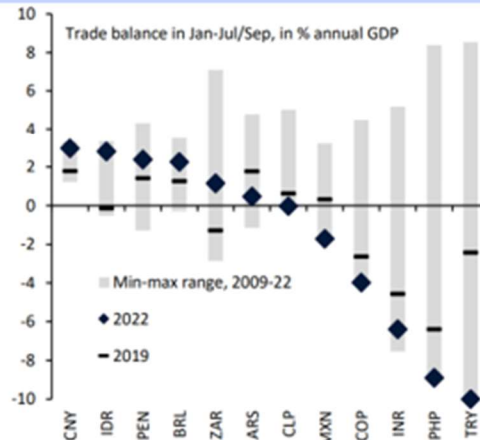
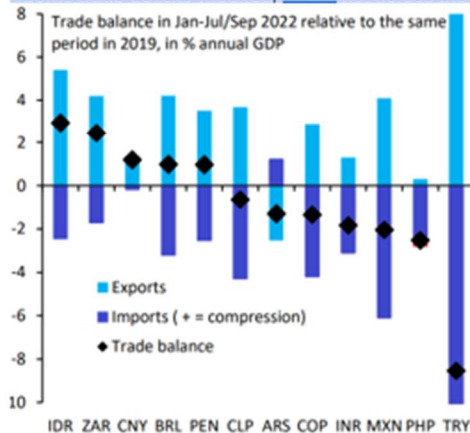
Trade note: falling Transnet capacity weakens economy, while persistent strike action risks a contraction for Q3.22

European trade balances have deteriorated, with current accounts much worse in 2022



Source: IIF

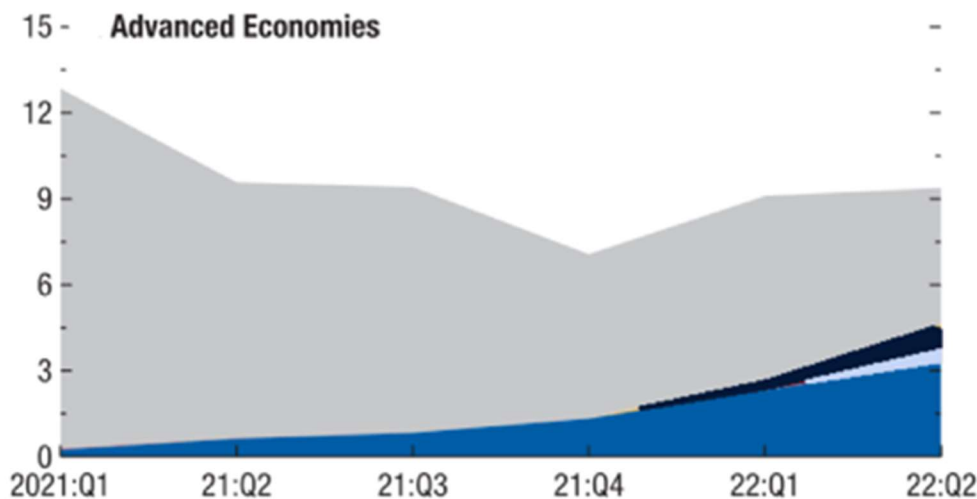
Some trade deficits widened, but not across the board.



Source: IIF

Corporate Talk of Key Macroeconomic Risks (Cumulative percent)

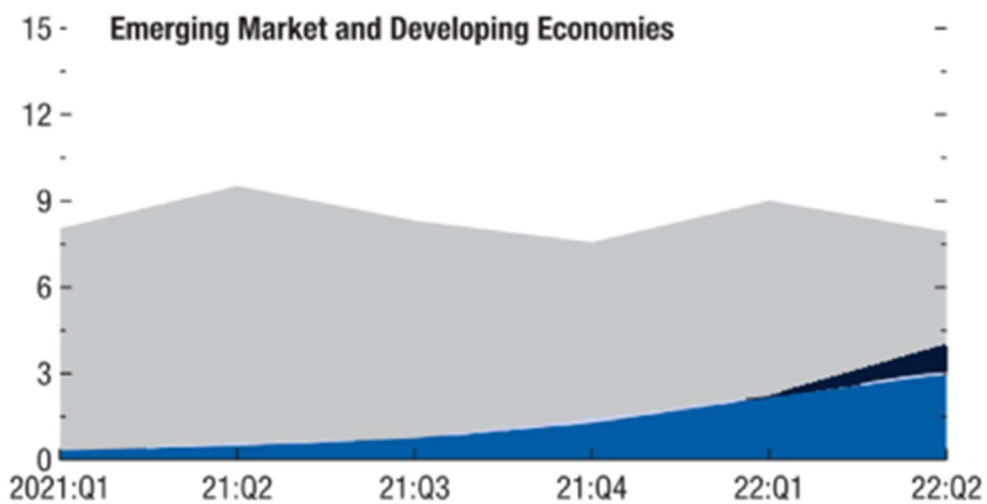
Inflation Recession Ukraine war COVID-19



Source: IMF, WEO October 2022

Emerging Market and Developing Economies

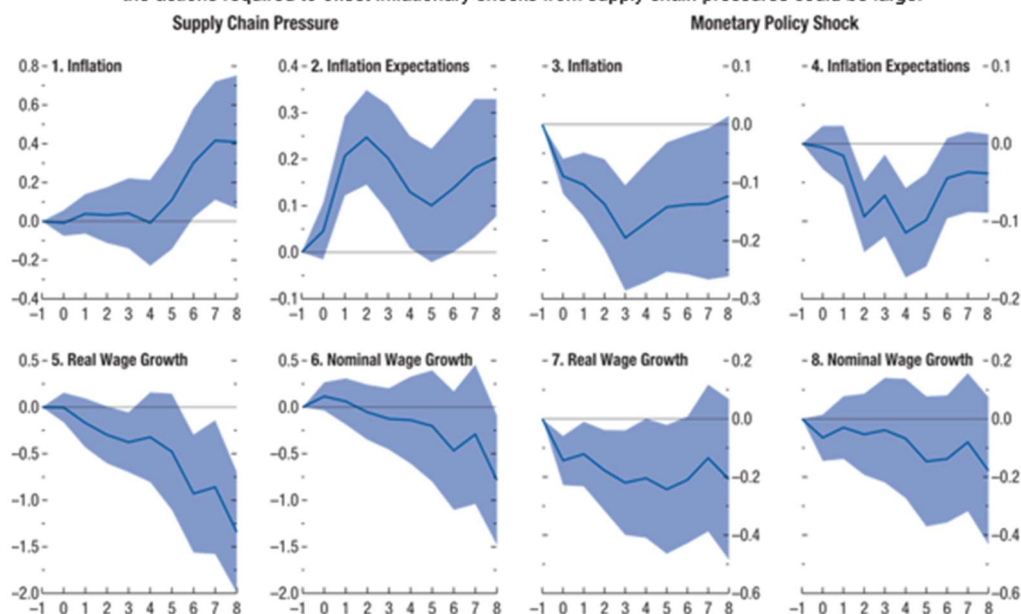
Inflation Recession Ukraine war COVID-19



Source: IMF, WEO October 2022

Cumulative effects of supply chain pressures and monetary tightening on wages and prices (%)

Increases in supply chain pressures tend to raise inflation and depress wage growth, with more persistent effects on inflation expectations. Monetary tightening is effective at bringing both inflation and inflation expectations down, but the actions required to offset inflationary shocks from supply chain pressures could be large.



Source: IMF, WEO October 2022

Note: Lines show the estimated impulse responses of the indicated variable to the indicated shock, with the shaded area representing the 90 percent confidence interval. The horizontal axes show time in quarters, where $t = 0$ is the initial impact quarter of the shock. The estimation sample includes euro area economies during 1999:Q4-2019:Q4. Panels 1, 2, 5 and 6 are the responses to a supply chain pressure shock, defined as a one-standard deviation increase in the Federal Reserve Bank of New York's Global Supply Chain Pressure Index. To account for economies' different degrees of exposure, the index is weighted by an economy's trade openness. Panels 3, 4, 7 and 8 are the responses to a one-standard-deviation monetary policy shock, as identified in Jarocinski and Karadi (2020). "Inflation expectations" are a 12-month-ahead expected inflation.

Overview of the World Economic Outlook Projections							
	Projections			Difference from July 2022 WEO Update ^{1/}		Difference from April 2022 WEO ^{1/}	
	2021	2022	2023	2022	2023	2022	2023
World Output	6.0	3.2	2.7	0.0	-0.2	-0.4	-0.9
Advanced Economies	5.2	2.4	1.1	-0.1	-0.3	-0.9	-1.3
United States	5.7	1.6	1.0	-0.7	0.0	-2.1	-1.3
Euro Area	5.2	3.1	0.5	0.5	-0.7	0.3	-1.8
Germany	2.6	1.5	-0.3	0.3	-1.1	-0.6	-3.0
France	6.8	2.5	0.7	0.2	-0.3	-0.4	-0.7
Italy	6.6	3.2	-0.2	0.2	-0.9	0.9	-1.9
Spain	5.1	4.3	1.2	0.3	-0.8	-0.5	-2.1
Japan	1.7	1.7	1.6	0.0	-0.1	-0.7	-0.7
United Kingdom ^{2/}	7.4	3.6	0.3	0.4	-0.2	-0.1	-0.9
Canada	4.5	3.3	1.5	-0.1	-0.3	-0.6	-1.3
Other Advanced Economies ^{3/}	5.3	2.8	2.3	-0.1	-0.4	-0.3	-0.7
Emerging Market and Developing Economies	6.6	3.7	3.7	0.1	-0.2	-0.1	-0.7
Emerging and Developing Asia	7.2	4.4	4.9	-0.2	-0.1	-1.0	-0.7
China	8.1	3.2	4.4	-0.1	-0.2	-1.2	-0.7
India ^{4/}	8.7	6.8	6.1	-0.6	0.0	-1.4	-0.8
ASEAN-5 ^{5/}	3.4	5.3	4.9	0.0	-0.2	0.0	-1.0
Emerging and Developing Europe	6.8	0.0	0.6	1.4	-0.3	2.9	-0.7
Russia	4.7	-3.4	-2.3	2.6	1.2	5.1	0.0
Latin America and the Caribbean	6.9	3.5	1.7	0.5	-0.3	2.9	-0.7
Brazil	4.6	2.8	1.0	1.1	-0.1	2.0	-0.4
Mexico	4.8	2.1	1.2	-0.3	0.0	0.1	-1.3
Middle East and Central Asia	4.5	5.0	3.6	0.2	0.1	0.4	-0.1
Saudi Arabia	3.2	7.6	3.7	0.0	0.0	0.0	0.1
Sub-Saharan Africa	4.7	3.6	3.7	-0.2	-0.3	-0.2	-0.3
Nigeria	3.6	3.2	3.0	-0.2	-0.2	-0.2	-0.1
South Africa	4.9	2.1	1.1	-0.2	-0.3	0.2	-0.3
Memorandum							
European Union ^{5/}	5.4	3.2	0.7	0.4	-0.9	0.3	-1.8
Low-Income developing Countries	4.1	4.8	4.9	-0.2	-0.3	0.2	-0.5
Middle East and North Africa	4.1	5.0	3.6	0.1	0.2	0.0	0.05.8
World Growth Based on Market Exchange Rates	5.8	2.9	2.1	0.0	-0.3	-0.6	-1.0
Commodity Prices (USD)							
Oil ^{6/}	65.9	41.4	-12.9	-9.0	-0.6	-13.3	0.4
Nonfuel (avg based on world commodity import weights)	26.3	7.3	-6.2	-2.8	-2.7	-4.1	-3.7

Source: IMF WEO October 2022

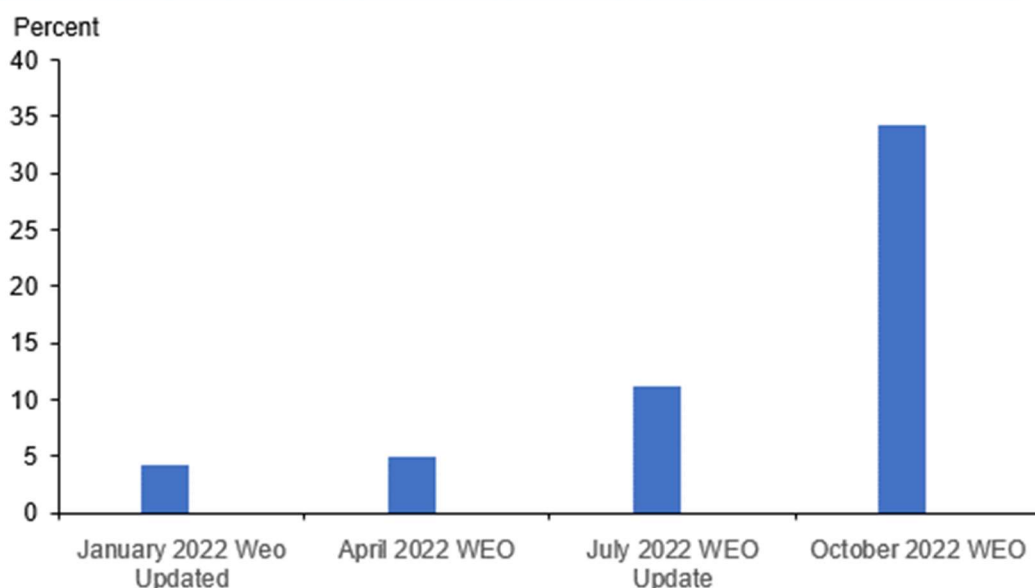
1. Difference based on rounded figures for the current, July 2022 WEO Update, and April 2022 WEO forecasts.
2. See the country-specific note for the United Kingdom in the "Country Notes" section of the Statistical Appendix.
3. Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
4. For India, data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.
5. Indonesia, Malaysia, Philippines, Thailand Vietnam.
6. Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US dollars a barrel was \$69.42 in 2021; the assumed price, based on futures markets, is \$68.19 in 2022 and \$65.52 in 2023.

- South Africa's terms of trade have collapsed, after peaking in the middle of last year, with the current reading back at 2019 lows (excluding April 2020), as growth in imports accelerated this year, while the pace of export growth has slowed substantially.
- High energy prices have been a key driver of the jump in the value of imports this year, while the growth in mineral exports slowed substantially, with miners also reporting the deteriorating performance of Transnet to transport bulk commodities a key constraint.

- The Minerals Council highlights “crime and cable theft (1,500km copper cable stolen in 5 years), onerous government procurement rules, vandalism, idled locomotives bought in a corrupt transaction, poor maintenance, falling productivity at rail and at ports”.
- The Council further emphasises that the “(c)ost of deteriorating logistics performance remains high” and the “2022 performance year-to-date actual versus target opportunity cost of ~R50 billion” and Treasury forfeiting ~R3 billion in taxes or R6 billion considering optimized target.”
- “At current export rates on dedicated TFR ... (Transnet Freight Rail) iron ore channel, exports will be 51Mt in 2022, 8Mt lower than target and 9Mt below nameplate ... (full production and export) capacity”. The current Transnet strike, on its own, risks pushing SA into recession.
- Falling rail and TPT (Transnet Port Terminal) export performance also weakens Transnet's finances, increasing the burden on the state for providing financial assistance and bailouts, with the State's finances not recovered from the damage of years of state capture.
- Reliable private sector service and infrastructure provision on rail and port services is needed, with regulatory and other hurdles smoothed. Load shedding has also been a key constraint in SA's export ability this year, as has some weakening in global demand in some areas.
- “Economic activity is slowing down in all three major economies - Europe, which has been hit hard by high natural gas prices, China, where housing volatility and COVID-19 disruptions are dragging down growth, and the U.S., where interest rate hikes are starting to bite.” IMF
- The World Bank and IMF warned this week “of a growing risk of global recession” Uncertainty over energy supplies has already dampened consumer and business sentiment, and slowed economic activity in Europe, with the region SA's second largest trade partner.

Please scroll down to the second section below

Countries in Contraction as a Share of Global GDP, 2022-23



Source: IMF, WEO October 2022

Output losses relative to pre-pandemic trend, 2024



Source: IMF, WEO October 2022

Note: The figure shows medium-term losses, which are the differences between forecasts of the indicated variable (for 2024) relative to the January 2020 WEO Update. The sample of countries in panel 2 comprises those that have comparable employment projections for both times depicted. The emerging market and developing economy (EMDE) employment aggregate excludes China and India owing to changes in employment definitions across vintages. AEs ex. US = advanced economies excluding the United States; EMDEs Asia ex. CHN = EMDEs in Asia excluding China; LAC = Latin American and Caribbean economies; ME&CA = Middle Eastern and Central Asian economies; SSA = sub-Saharan African economies.

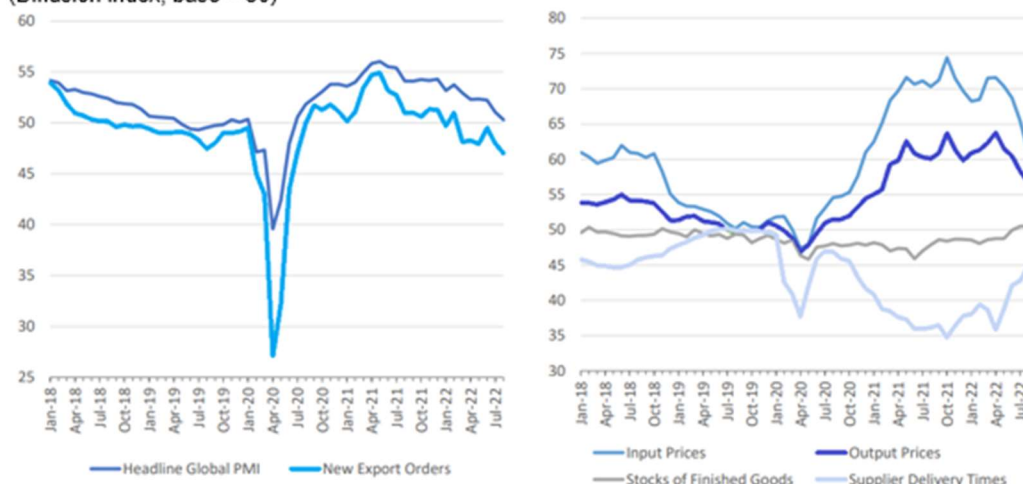
Global supply chain pressure index (GSCPI), January 2005-June 2022
(standard deviations from average value)



Source: Trade and Development Report 2022

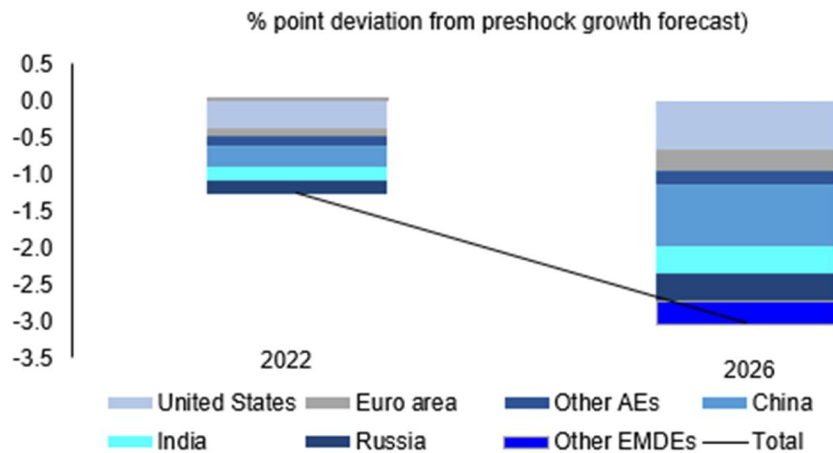
Note: The index is normalized such that a zero indicates the index is at its average value, with positive values representing how many standard deviations the index is above this average value (and negative values representing the opposite).

Global purchasing managers indices, January 2018 – August 2022
(Diffusion index, base = 50)



Source: World Trade Organization and UNCTAD

The Shocks of 2022: Persistent output losses



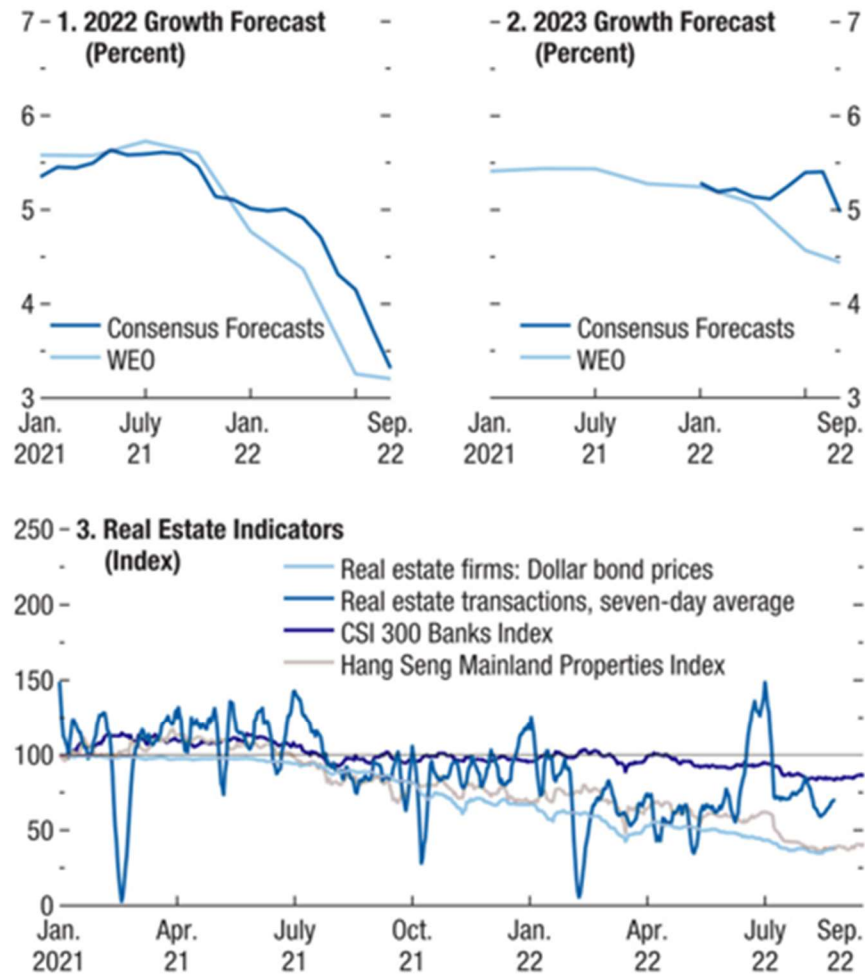
Source: IMF, WEO October 2022

Note: Figure reports deviations of cumulative growths since 2021 from forecasts in the January 2022 World Economic Outlook Update. AEs = advanced economies, EMDEs = emerging market and developing economies

- SA's trade performance has weakened this year to date, and this is expected to continue into next year as economic growth slows further in advanced economies, with commodities prices easing, a negative for key commodity exporting economies such as SA.
- The IMF's latest WEO (World Economic Outlook) has been published today, and now forecasts "(a) slowdown in global growth is forecast, from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023." SA's growth forecast is cut to 1.0% (from 1.7%) y/y for 2023.
- The IMF highlights that its forecast "for the global economy is far below average: global economic growth averaged 3.6 percent during 2000–21 (and the same during 1970–2021). For most economies, the outlook is significantly weaker than projected six months ago."
- "Forecasts are weaker ... for 143 economies (accounting for 92 percent of world GDP) for 2023. The forecast for 2023 is the weakest since the 2.5 percent growth rate ... of 2001—with the exception of those during the global financial and COVID-19 crises."
- "The negative revisions reflect ... tightening global financial conditions in most regions, associated with expectations of steeper interest rate hikes by major central banks ... a sharper slowdown in China due to extended lockdowns and the worsening property market crisis".
- Furthermore, "spillover effects from the war in Ukraine with gas supplies from Russia to Europe tightening" are also seen as key drivers. In particular, "(t)he world's three largest economies—China, the euro area, and the US—will slow significantly in 2022 and 2023."
- "(A) contraction in real GDP lasting for at least two consecutive quarters ... is seen at some point during 2022–23 in about 43 percent of economies with quarterly data forecasts (31 out of 72 economies), amounting to more than one-third of world GDP".

- “Negative revisions are more pronounced for advanced economies than those for emerging market and developing economies, for which differing exposures to the underlying developments imply a more mixed outlook”.
- With China (Asia) SA’s main trade partner, the drop in the IMF growth forecast “to 3.2 percent in 2022 (the lowest growth in more than four decades, excluding the initial COVID-19 crisis in 2020)”, is reflective of SA’s weakening trade performance this year already.

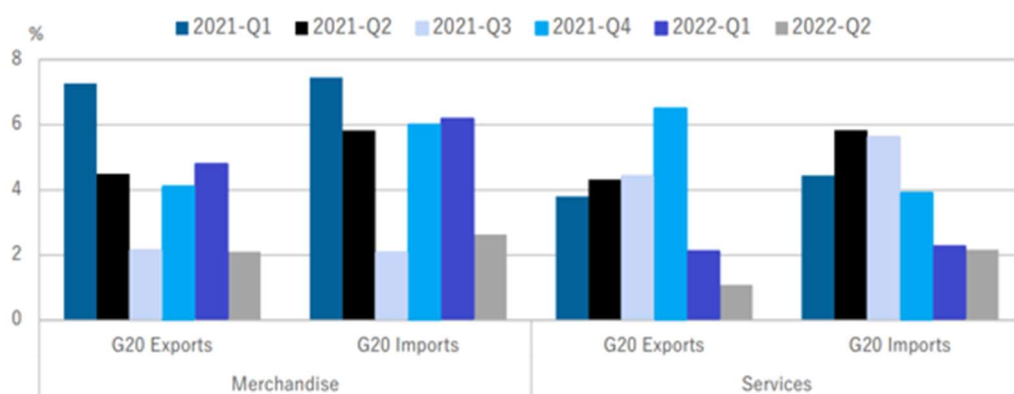
Slowdown in China



Source: IMF, WEO October 2022

Note: For panels 1 and 2, Consensus Forecasts are monthly survey basis. For panel 3, all series are indexed to 100 on January 1, 2021, except real estate transactions, which are indexed to average 100 in 2021. [WEO](#)
 ≡ World Economic Outlook

G20 international trade, quarterly growth rates (q/q % changes, current US dollars, seasonally adjusted)



Source: OECD

Note: The Q2 2022 trade in services values are preliminary estimates based on available data, covering about 60% of imports and imports for the G20

South Africa Imports – minerals and chemicals (combined) vs other imports

	Minerals and chemicals (Rm)	% of total	Other (Rm)	% of total
2010	178,158	29.5%	426,764	70.5%
2011	229,845	30.9%	514,642	69.1%
2012	272,801	32.0%	579,619	68.0%
2013	314,717	31.6%	681,347	68.4%
2014	359,296	33.2%	724,393	66.8%
2015	287,615	26.4%	800,300	73.6%
2016	267,729	24.3%	833,082	75.7%
2017	288,198	26.0%	819,107	74.0%
2018	367,192	29.7%	868,341	70.3%
2019	355,814	27.9%	918,365	72.1%
2020	306,226	27.2%	817,761	72.8%
2021	406,612	29.5%	973,694	70.5%
2022 (ytd)	397,213	34.1%	768,501	65.9%

Source: SARS Trade Statistics

Merchandise exports and imports by region, 2019Q1-2023Q4
Volume index, 2019=100



Source: World Trade Organization and UNCTAD

a). refers to South and Central America and the Caribbean

b). refers to the Commonwealth of Independent States, including certain associate and former member States.