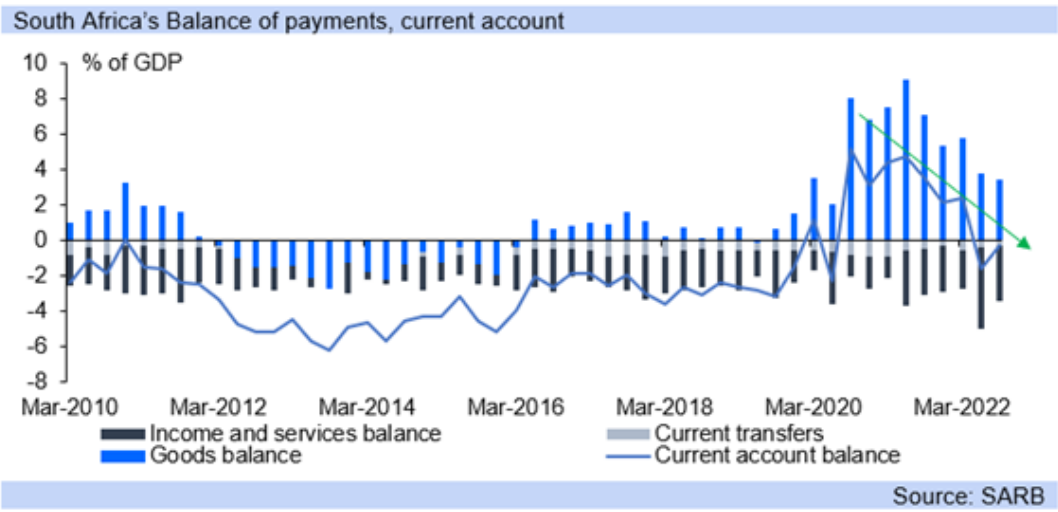


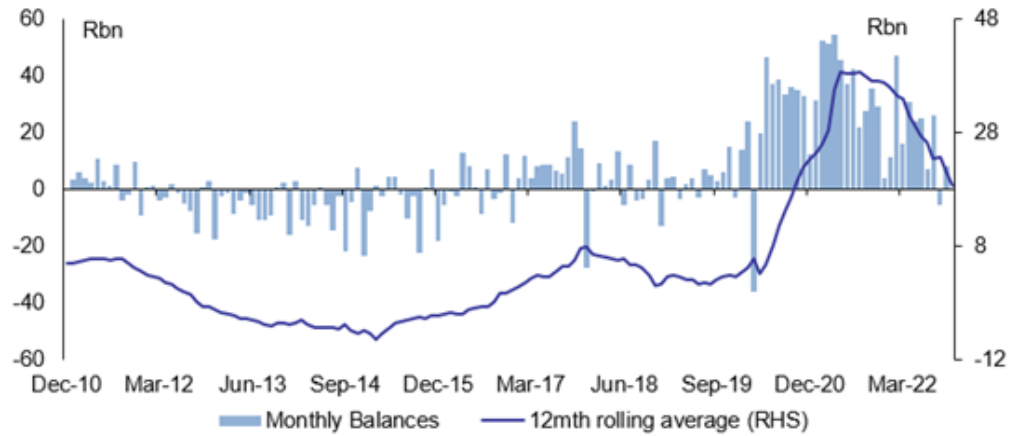


Trade note: while a domestic recession is not currently expected this year, risks abound

Wednesday 25 January 2023



### South Africa's trade balance trend



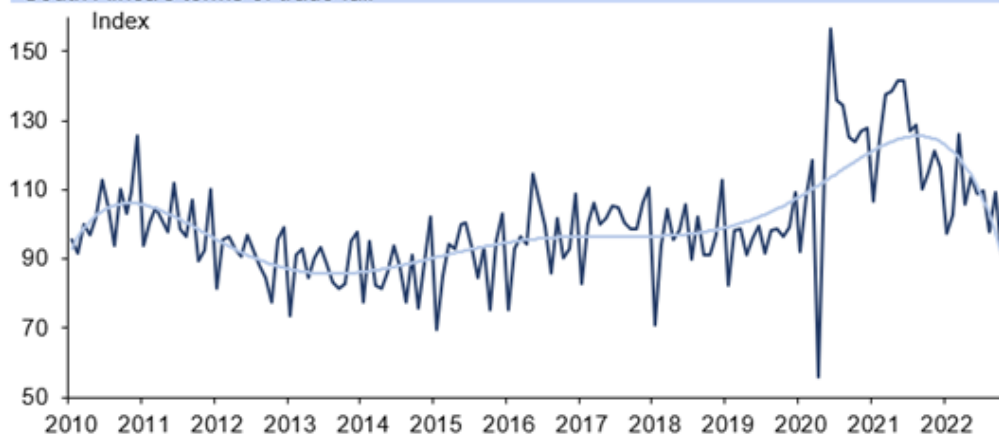
Source: SARS, Investec

### South Africa's Trade balance monthly (Rand billions)

	2015	2016	2017	2018	2019	2020	2021	2022
January	-24.2	-18.0	-11.2	-27.1	-13.1	-2.7	12.4	4.1
February	-8.7	-1.3	4.8	-0.6	3.9	13.7	31.2	11.5
March	0.0	2.0	11.3	9.3	4.7	23.9	52.6	47.2
April	-1.4	-0.1	5.0	1.2	-3.5	-35.9	51.3	16.0
May	4.9	18.4	7.2	3.8	1.7	19.7	54.4	30.9
June	5.5	12.5	10.6	11.9	5.5	45.7	54.5	24.2
July	-1.1	5.0	9.3	-5.3	-3.7	37.2	37.0	24.8
August	-10.1	-8.9	6.0	8.8	4.5	38.7	42.3	6.2
September	-1.3	6.9	4.5	-3.8	4.5	33.4	22.1	26.2
October	-21.6	-3.9	4.3	-4.3	2.8	34.9	27.7	-5.3
November	0.7	-1.7	13.1	3.3	5.6	35.3	35.8	8.0
December	7.6	12.4	15.3	16.7	13.9	33.1	29.0	

Source: SARS

### South Africa's terms of trade fall



Note: base year 2011. Source: SARS

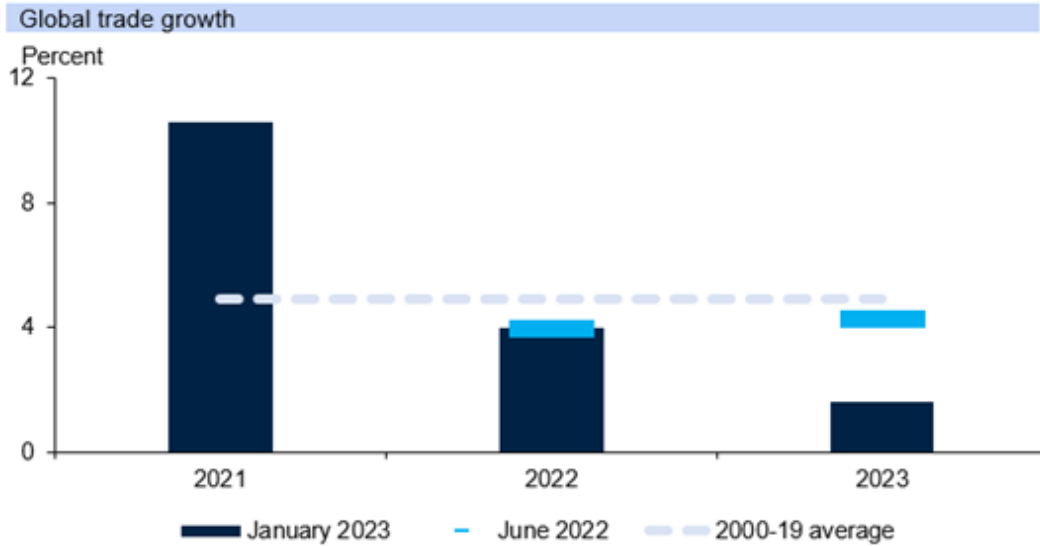
Summary, % real growth rates	2022	2023	2024	2025	2026	2027
GDP (real, %)	2.5	1.1	1.7	2.0	2.5	2.8
HCE (real, %)	2.9	1.3	2.2	2.3	2.4	2.7
GCE (real, %)	0.8	-1.8	-1.0	0.2	0.9	1.3
GFCF (real, %)	4.5	3.1	4.6	5.2	5.5	6.1
GDE (real, %)	3.9	1.1	1.9	2.2	2.6	3.0
Export (goods & non-factor services) - (real, %)	9.4	7.3	3.8	4.1	4.6	5.1
Imports (goods & non-factor services) - (real, %)	14.1	6.8	4.4	4.4	5.0	5.5
Balance: Current Account - (% of GDP)	0.5	-1.9	-2.1	-2.0	-2.2	-2.3
Imports as % of GDP	28.9	30.6	31.4	32.1	32.9	33.7
Exports as % of GDP	28.0	29.7	30.3	30.9	31.5	32.2

Source: Investec

- A week ago Bloomberg released the economic consensus expectation for South Africa's GDP growth this year, at 1.2% y/y, with Reuters showing the same estimate, and FocusEconomics 1.3% y/y.
- Bloomberg's January consensus also does not show a recession in SA this year, but weak economic growth of 0.3% qqsa (quarter on quarter, seasonally adjusted) for the first three quarters of 2023, and 0.4% qqsa for Q4.23.
- The Reuters consensus just differs on Q1.23's growth, of 0.1% qqsa, with the consensus not seeing a recession in SA this year, or indeed any economists in their forecasts in the Reuter's Econometer.
- Investec forecast GDP growth at the start of January, at 1.1% y/y for this year, but material risks to this include the recent worsening of SA's electricity crisis, along with Transnet's rail and port capabilities, which threaten exports.
- Globally however, the outlook may improve with IMF MD Kristalina Georgieva saying at the end of last week "although the IMF projects 2023 to be a difficult year and for growth to fall further, we don't expect a global recession."
- Warning the world has been "too complacent around globalization and not admitting ... there were winners but ... also losers. Not enough was done for ... losers, so public support for a global integrated economy weakened."
- "Covid and the war in Ukraine taught us ... (s)ecurity of supplies matters. Some diversification ..., steps to bring the chain of supplies closer, ... are a necessity. But we should be careful .... Trade makes us all better off."
- The IMF 2023's global growth forecast is 2.7%, although its WEO (World Economic Outlook) is released early next week, which will give an update on the IMF's global growth forecast, with the multi-lateral sounding more positive.

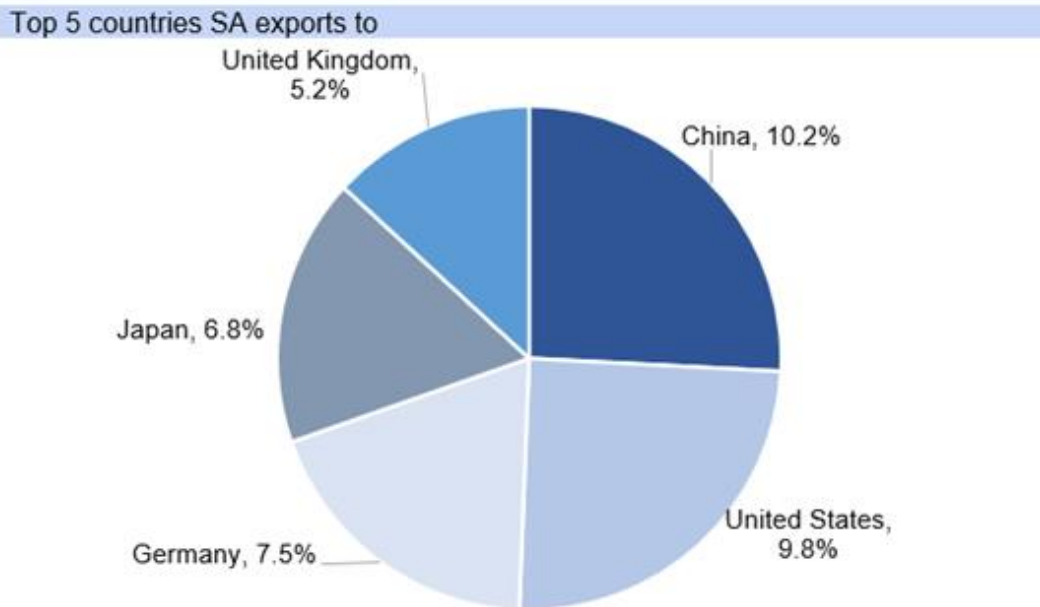
- 2023 is expected to see supply chains strengthen, and associated cost increases slow, while H2.23 sees recovery, from the slowdown in economic growth evident already in H2.22, boosting trade volumes.

Please scroll down to the second section below



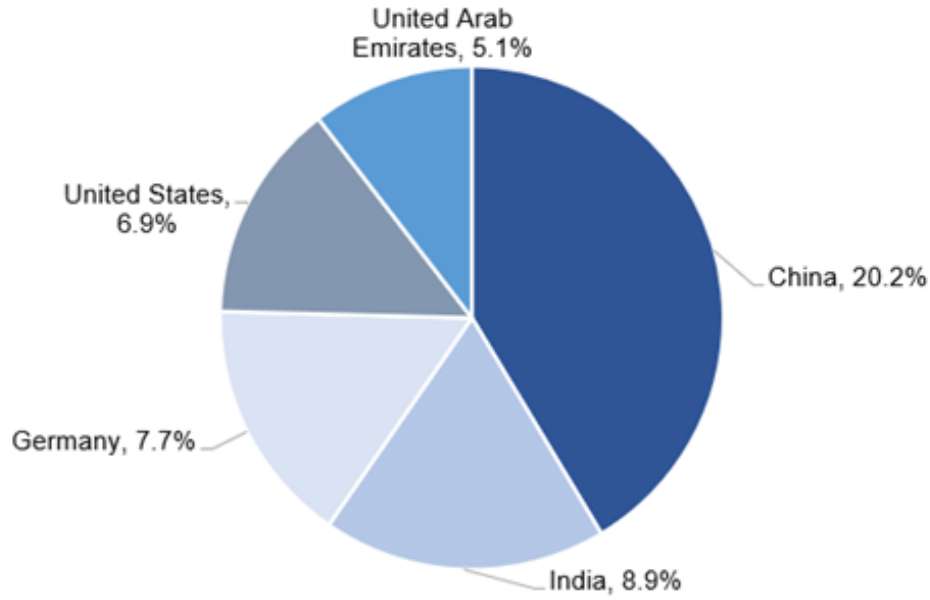
Source: World Bank, Global Economic Prospects January 2023

Note: Trade is measured as the average of export and import volumes. June 2022 refers to forecasts presented in the June 2022 edition of the Global Economic Prospects report.



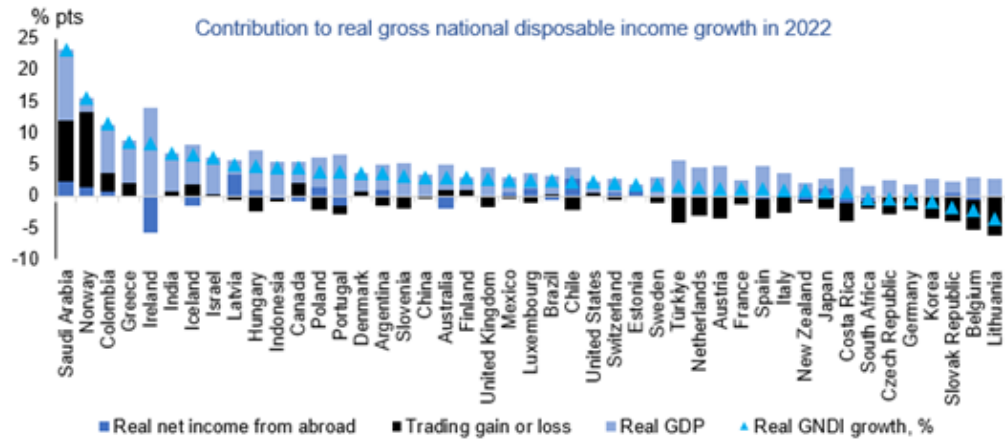
Source: SARS

**Top 5 countries SA imports from**



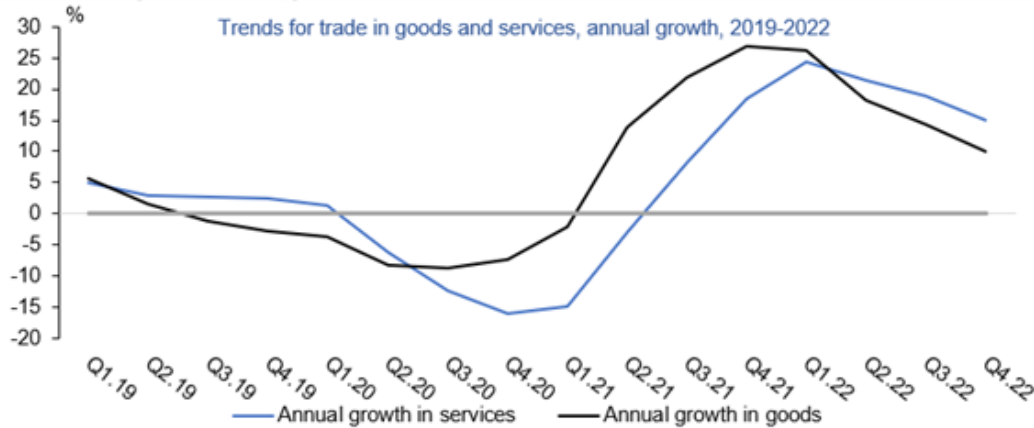
Source: SARS

**Terms-of-trade losses have hit incomes in energy importing economies, especially in Europe**



Source: OECD Economic Outlook November 2022

### Global trade growth is slowing



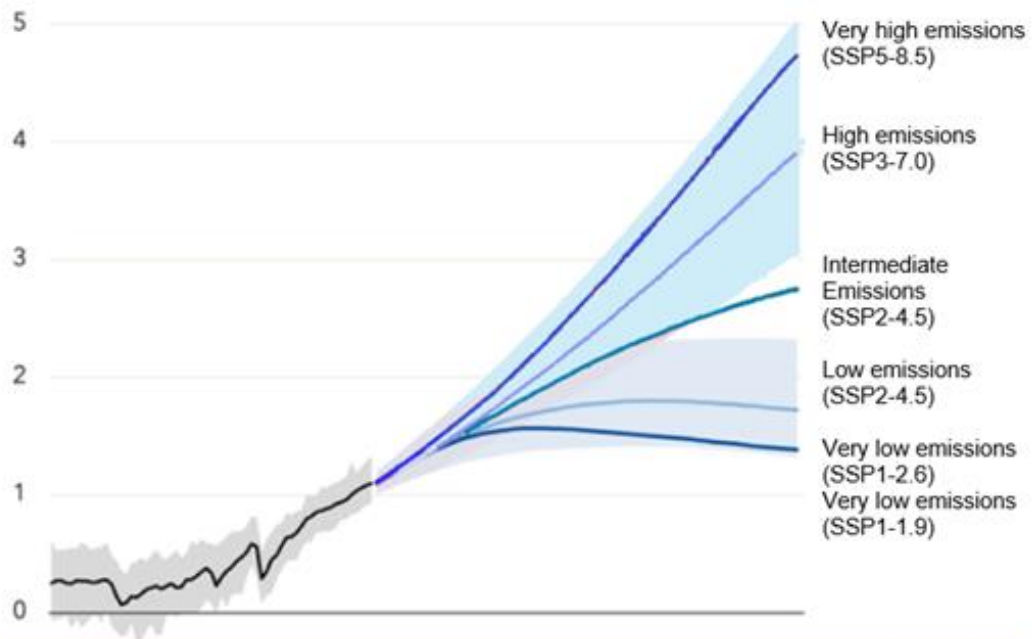
Source: UNCTAD

- South Africa's terms of trade deteriorated in general over last year from the second quarter, as sentiment deteriorated on the economic outlook, negatively affecting economic growth and trade, and weakening the rand.
- The data has been volatile, but shows a downwards trend since April, and has been affected by a general rise in imports, exceeding the pace of that of exports, as global demand weakened.
- The World Trade Organisation (WTO) said this week the "(w)orld needs (a) global carbon price and tax reform for carbon-heavy trade" in "decarbonising global trade and supply chains" "or will miss 2030 climate goals".
- "(C)ountries tend to impose higher tariffs on clean goods but lower tariffs on carbon-intensive goods, which skews trade towards dirtier products. Carbon-heavy trade policies result in an "implicit subsidy" of US\$550 billion-US\$800 billion per year for carbon dioxide production".
- "Removing the carbon trade bias would reduce global carbon emissions by 3.6 per cent while increasing global income by 0.65 per cent".
- "To keep global warming to no more than 1.5°C – as called for in the Paris climate accord – carbon emissions need to be cut by 45 per cent by 2030. Emissions from burning fossil fuels rose by 1 per cent (instead) last year".
- The head of the WTO concluded "I remain convinced that a shared global carbon-pricing framework would best provide certainty for businesses and predictability for developing countries".
- "The climate crisis requires economic transformation at a scale and speed humanity has never attempted in our 5,000 years of written history," adds the Roosevelt Institute, a think tank.

- Coal remains SA's top export, followed by metals (precious and other). Rapidly decarbonising the global economy will negatively effect on SA exports, both those generated by coal fired energy and coal itself, with the state slow to allow the switch to renewable energy.

#### Uncertain future

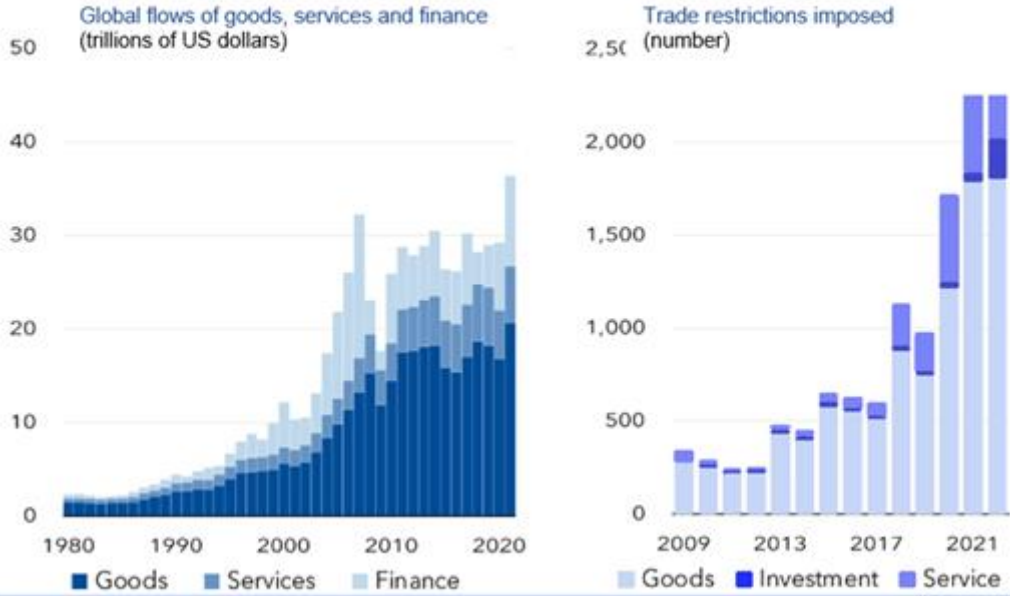
There is significant uncertainty about the trajectory of global emissions and as a result global warming (temperature change in °C, scenarios used by the IPCC)



Source: IMF

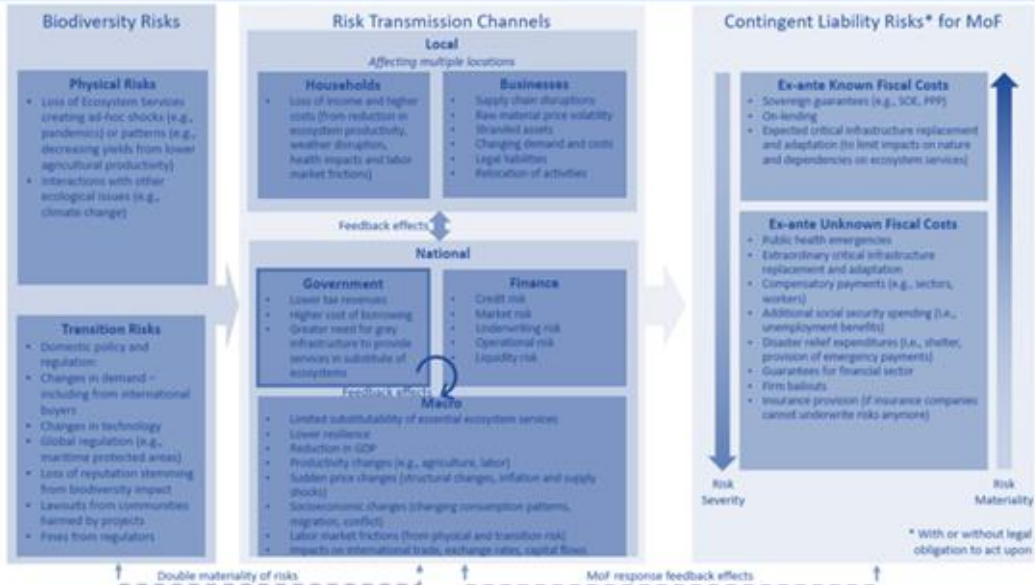
## Rising restrictions

Global economic integration slowed over the past decade, while trade restrictions rose rapidly



Source: IMF

## Nature-related risk framework



Source: IMF



**Top ten exports for November.2022**

Description	Rand (Rbn)
Coal: Briquettes, Ovoids and similar solid fuels manufactured from coal – bituminous coal	R14.9
Gold (including gold plated with Platinum) – unwrought	R6.3
Platinum, unwrought or in semi-manufactured/powder form – Rhodium – unwrought/powder form	R5.7
Ferro-Alloys – Ferro-Chromium – containing by mass more than 4% of carbon	R4.7
Platinum, unwrought or in semi-manufactured/powder form – Palladium – unwrought/powder form	R4.5
Vehicles and accessories – motor vehicles designed for the transport of persons	R4.2
Vehicles and accessories – motor vehicles designed for the transport of goods	R3.6
Ores- Chromium Ores and Concentrates	R3.6
Ores – manganese ores and concentrates, including Ferruginous Manganese ores	R3.2
Iron Ores and Concentrates, including Roasted Iron Pyrites – Agglomerated	R3.0
<b>Total</b>	<b>R53.7</b>

Source: SARS Customs &amp; Excise

**Top ten imports for November 2022**

Description	Rand (Rbn)
Petroleum Oils and oils obtained from bituminous minerals - Distillate Fuel	R16.7
Petroleum Oils and oils obtained from bituminous minerals – Petrol	R5.6
Original Equipment Components – for motor cars	R4.3
Crude, Coal, Petroleum and Electricity	R4.2
Original Equipment Components – for motor vehicles for transport of goods	R3.4
Telephone sets, including smartphones and other telephones for cellular networks and other wireless networks	R3.2
Vehicles and accessories – motor vehicles designed for the transport of persons	R3.1
Pharmaceutical products – Medicaments for retail use	R2.2
Unused Potage, Revenue or Similar Stamps	R2.0
Cellphones, Electrical Equipment and Machinery	R1.7
<b>Total</b>	<b>R46.6</b>

Source: SARS Customs &amp; Excise