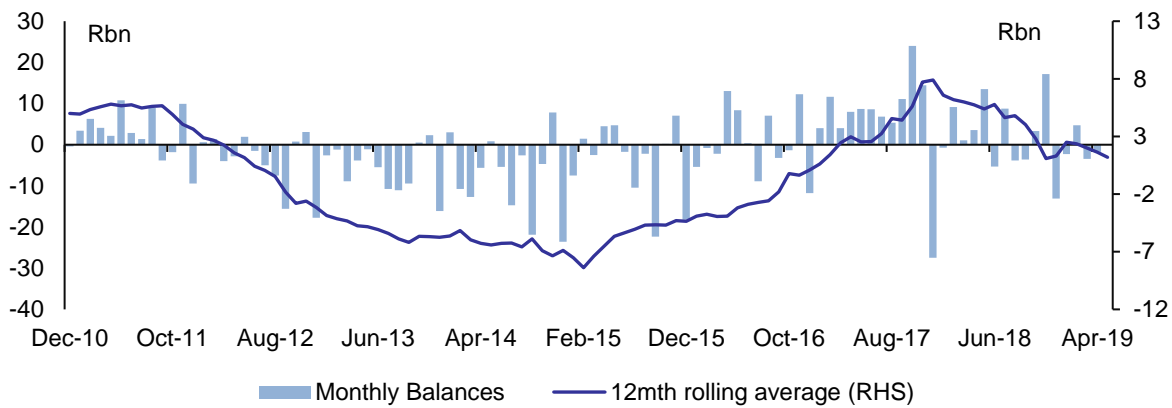




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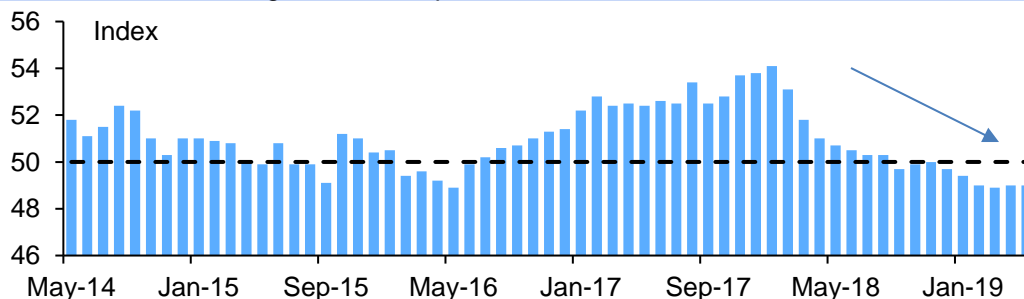
Figure 1: Trade balance trend



Source: SARS, Investec

- The trade balance moved back into surplus territory in May, with a reading of R1.74 bn, following April's -R3.5bn (revised) deficit position (see figure 1). The outcome was underpinned by an 8.1% m/m lift in exports to R112.07 bn, ahead of the 3.0% m/m rise in the import category.
- A review of the main export categories suggests that the growth in exports was broad based, with only a decline in the vehicle and transport equipment segment logged. Exports of vegetable products and precious metals and stones recorded the highest month-on-month increases, lifting by 37% and 29% respectively.
- On the import side, the vehicle and transport equipment category was chiefly responsible for the month-on-month uptick, growing by 22%.
- With the inclusion of the May reading, the deficit on the trade account narrowed somewhat for the year-to-date, but still remains in a deficit position at R6.05bn.
- The World Bank recently downgraded their 2019 world growth forecast to 2.6% from 2.9% previously, adding that "(m)omentum remains fragile", with "(d)ownside risks to growth" prevailing, including potentially rising trade barriers. This would further impede international trade and investment going forward, hindering SA's export potential. Markit's global PMI release for May highlights this precarious position in world markets, with results from the survey revealing that new export business contracted for the ninth consecutive month.
- Additionally, import growth is likely to remain restricted in the near term, hindered by weak domestic consumption, underpinned by a highly constrained consumer and lackluster fixed investment rates stifled by muted business confidence.

Figure 2: Global manufacturing PMI: new export orders



Source: Markit

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