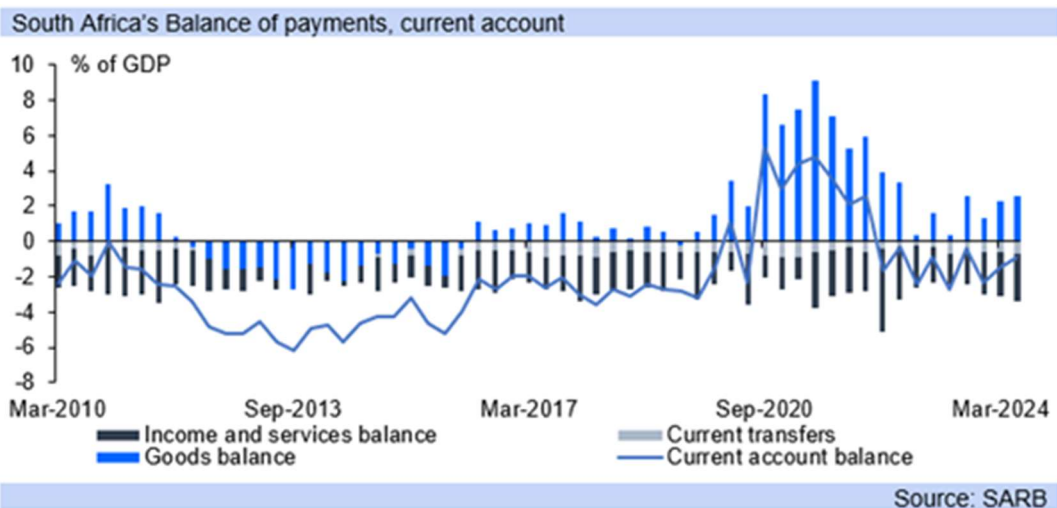


SA Economics

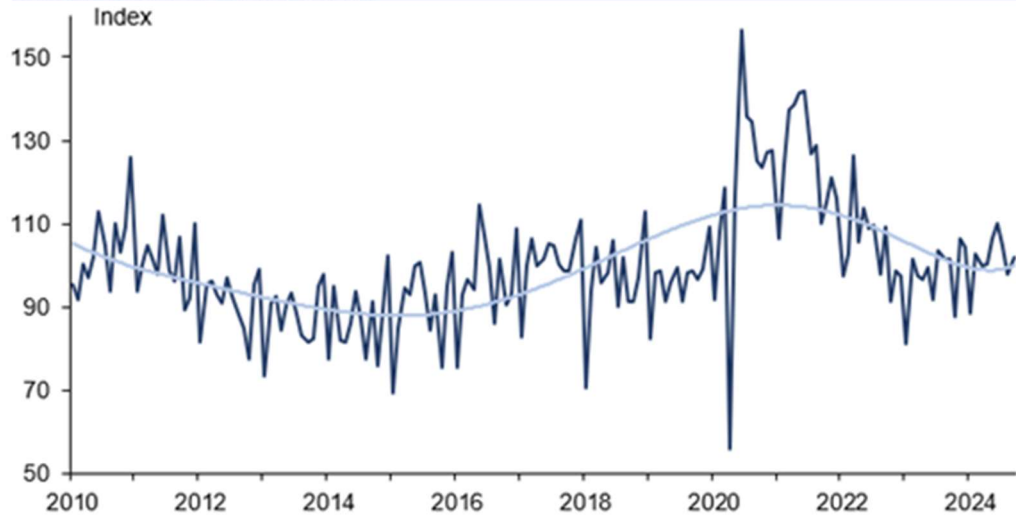


Trade (BOP) outlook: at risk of weakening on incoming Trump presidency

Tuesday 12 November 2024



South Africa's terms of trade fall



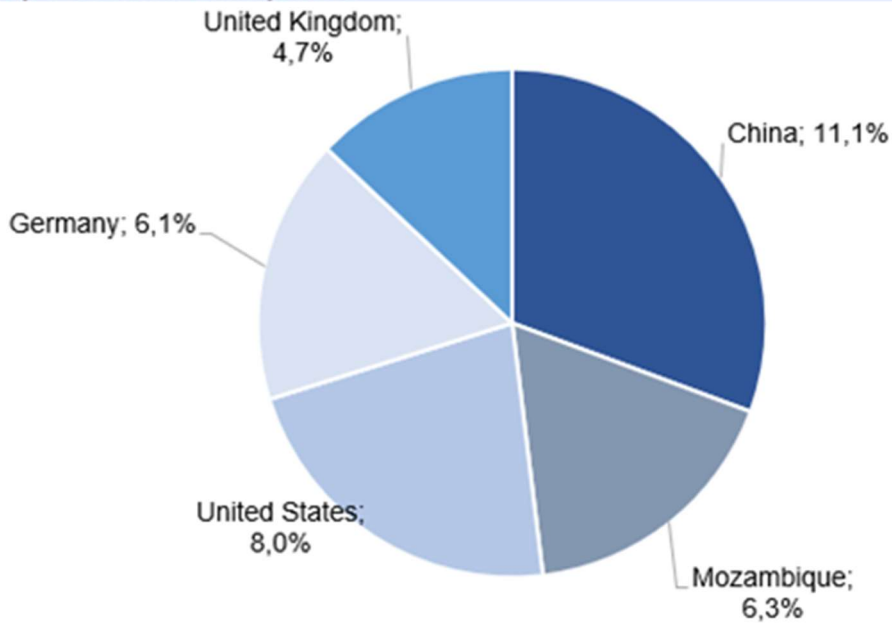
Note: base year 2011. Source: SARS

Trade balance trend



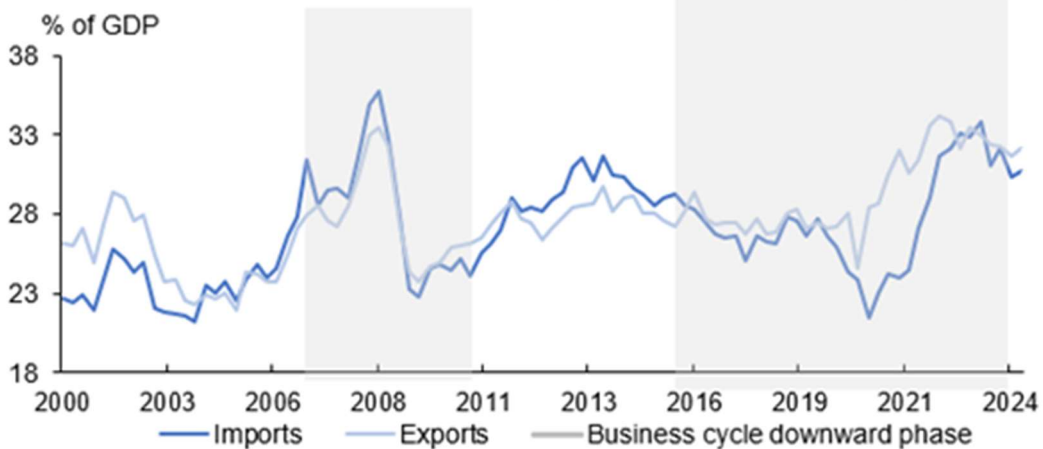
Source: SARS, Investec

Top 5 countries SA exports to



Source: SARS

South Africa's international trade as a percentage of GDP and the business cycle



Source: SARB, Investec

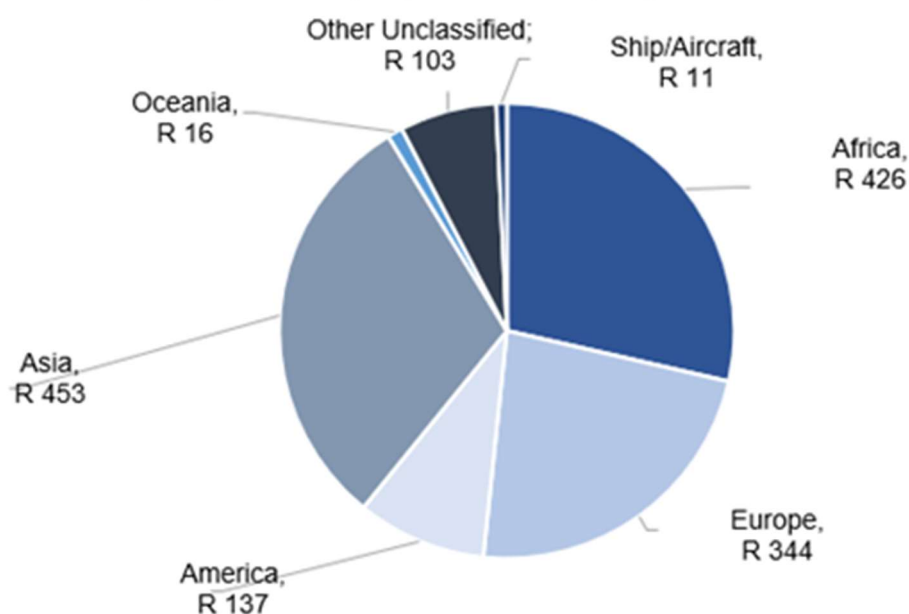
- Weak global trade in the third quarter of this year has fed through into the fourth quarter so far, with South Africa's nominal (not adjusted for inflation) trade balance lower than in the second quarter, and the terms of trade down - 3.9% q/q.
- With oil SA's largest import, the moderation in the cost of importing refined petroleum products and crude oil would have been expected to give a boost to

Q3.24's trade balance, but the weakness of global trade (demand) overshadowed this.

- In particular, the average rand oil price dropped to R1 320/bbl for the third quarter this year, from R1 601/bbl in the third quarter last year, as the global oil price moderated to US\$78.7/bbl from US\$85.8/bbl respectively.
- In addition, the rand strengthened from R18.65/USD in Q3.23 to R17.98/USD in Q3.24, contributing to a lower inflation environment in SA, as did the drop in oil prices, but the trade balance did not benefit.
- The US election has seen expectations rise for a higher inflation environment next year under Donald Trump's presidency, as tariff increases push up import costs, with fewer US interest rate cuts than previously anticipated.
- Despite additional tax revenues from higher tariffs, cuts in taxes are expected to see a net result of higher borrowings, placing upwards pressure on US treasuries' (bond) yields, and adding to US dollar strength, along with the shallower US rate cut cycle.
- Higher US bond yields attract greater investment into the US further strengthening the US dollar, but weakening other currencies against the USD, pushing up the cost of US dollar borrowings for other countries, and tightening financial conditions.
- The outlook for the rand risks weakening, with a shallower US rate cut cycle seeing less strength for the rand against the US dollar, while SA's low inflation outcomes strengthen the case for SA interest rate cuts in turn, undermining the rand.
- A weaker rand would be expected to benefit trade, but retaliation to higher tariffs in the US is also a risk from 2025, on trade wars which characterised the previous Trump presidency, weakening global growth further, and so global trade/demand.

Please scroll down to the second section below

World Zone exports (incl. BLNS) September 2024 (Rbn)



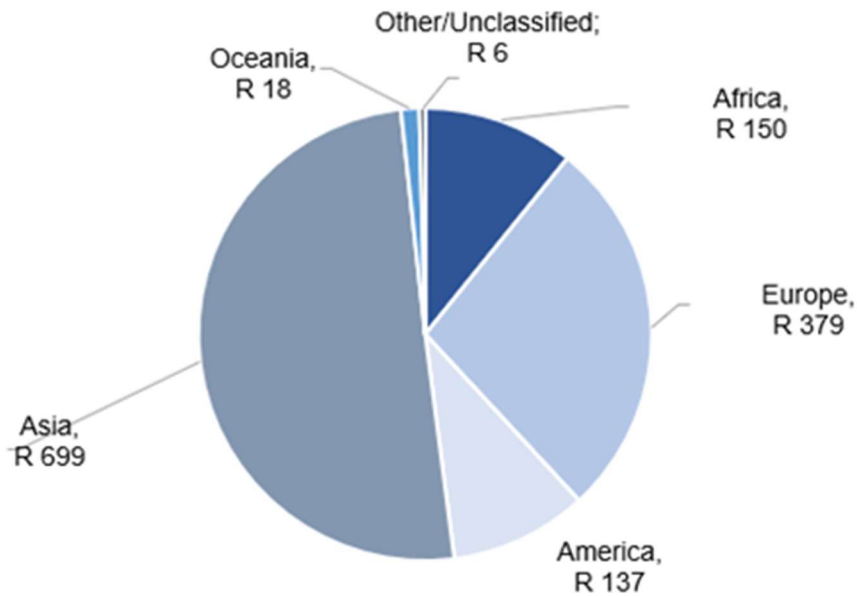
Source: SARS

Top ten exports for 2024 to date

Description	Rand (Rbn)
Gold (including Gold Plated with Platinum)	11.8
Iron Ores and Concentrates – non agglomerated	9.7
Coal, Briquettes, Ovoids and Similar Solid Fuels manufactured from Coal	8.7
Vehicles and accessories – Motor Cars and Other Motor Vehicles for the transport of goods	8.6
Ores – Chromium Ores and Concentrates	7.4
Ferro-Alloys – Ferro-Chromium	5.1
Ores – Manganese Ores and Concentrates incl. Ferruginous Manganese Ores	5.1
Citrus Fruit, Fresh or Dried	4.1
Vehicles and accessories – Motor Cars and Other Motor Vehicles for the transport of persons	3.8
Vehicles and accessories – Motor Cars and Other Motor Vehicles for the transport of persons (including Stations Wagons and Racing Cars – other	3.7
Total	R590.1bn

Source: SARS Customs & Excise

World Zone imports (incl. BLNS) September 2024 (Rbn)



Source: SARS

Top ten imports for 2024 to date

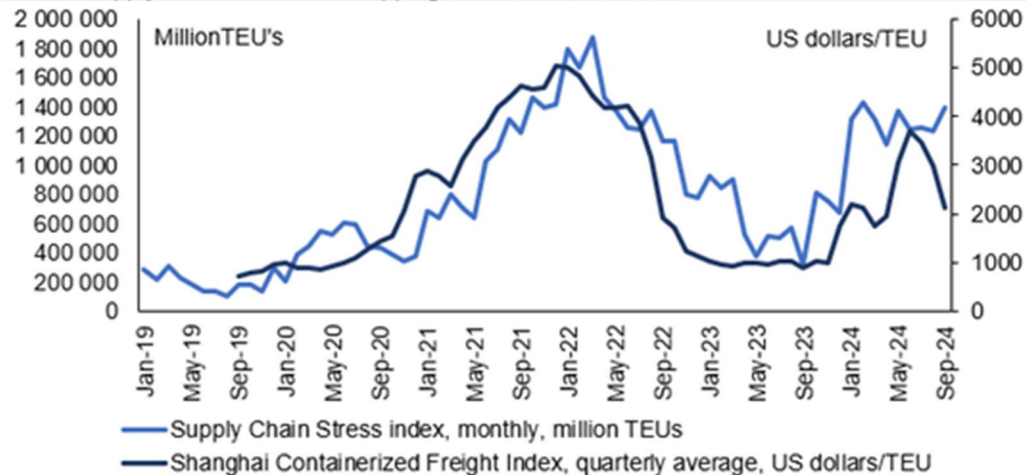
Description	Rand (Rbn)
Petroleum Oils and Oils obtained from Bituminous Minerals (excl. Crude)	10.8
Crude, Coal, Petroleum and Electricity Crude	10.4
Original Equipment Components – for motor vehicles for the transport of goods	5.0
Original Equipment Components – for Motor Cars (incl. station wagons)	4.9
Petroleum Oils and Oils obtained from Bituminous Minerals (excl. Crude	3.9
Vehicles and accessories - Motor Vehicles for The Transport of Persons	2.6
Telephone sets, including Smartphones and other telephones for cellular networks	2.3
Pharmaceutical products – Medicaments	1.8
Gold (including Gold Plated with Platinum) – Unwrought	1.6
Original Equipment Components – for motor vehicles for the transport of goods, of a vehicle mass exceeding 2 000 kg or	1.6

Total

R401.7

Source: SARS Customs & Excise

Global supply chain stress and shipping rates remain elevated

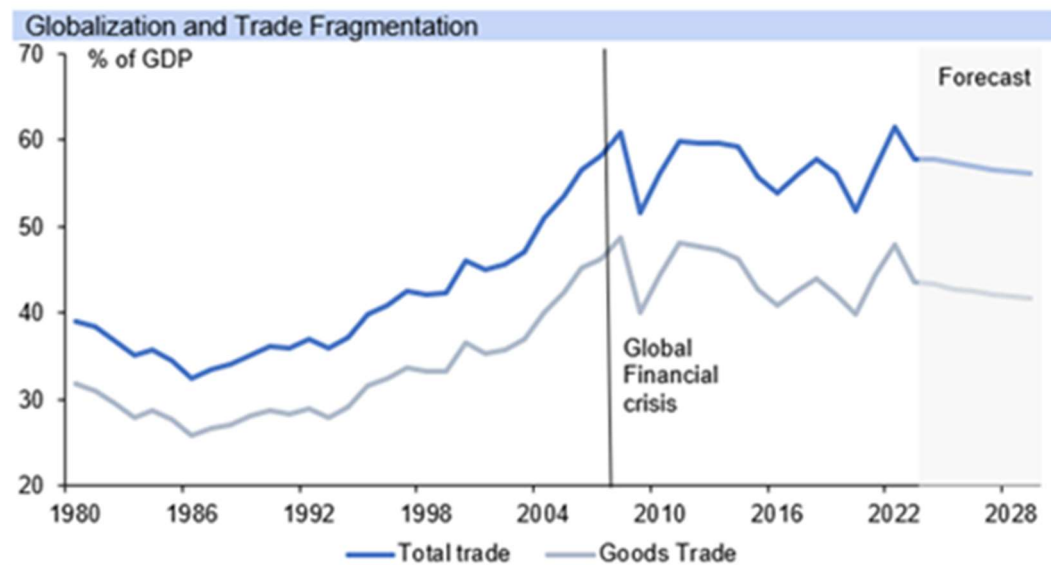


Source: World Bank Trade Watch Q2.24

Note: Quarterly averages of spot freight rate shown are based on the Shanghai export containerised freight index (SCFI) which reflects ocean freight and associated Seabourne surcharges of major container trade routes export from shanghai to Europe, Mediterranean Sea, US West and East coast, Persian Gulf, Australia/ New Zealand, West Africa, South Africa, South America, West and East Japan, South east Asia and Korea. It refers to the average final spot market price (volume weighted average prices) by common shippers in USD/TEU (USD/TEU for US East and West coast services)

- Deregulation is also expected to quicken US growth in the near-term, and equities markets have rallied, while US dollar strength has seen the rand weaken in comparison, from R17.00/USD at the end of September to closer to R18.00/USD.
- The IMF already warned before the US election that “(g)lobal growth is expected to remain ... underwhelming”. “Five years from now, global growth should reach 3.1 percent—a mediocre performance compared with the prepandemic average.”
- Furthermore, for global growth “(a)t 3.2 percent in 2024 and 2025, the growth projection is virtually unchanged from those in both the July 2024 World Economic Outlook Update and the April 2024 World Economic Outlook.”
- The IMF also warns “(f)iscal space is also a cornerstone of financial stability. After years of loose fiscal policy, it is now time to stabilize debt dynamics and rebuild much-needed fiscal buffers.”
- However, Donald Trump has signalled increased US borrowings instead, while the IMF warns on “(i)n many others, while early fiscal plans showed promise after the pandemic and cost-of-living crises, there are increasing signs of slippage.”

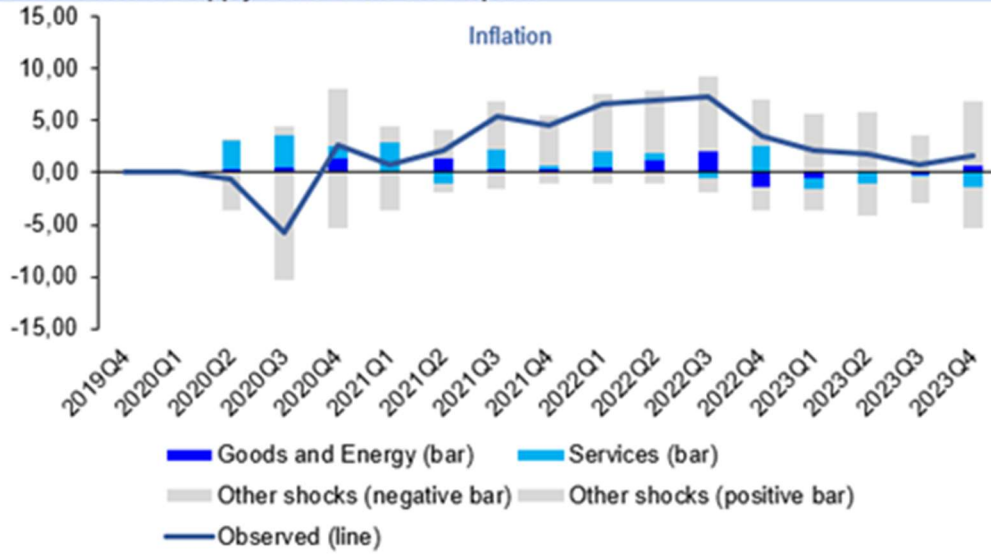
- “The path is narrow: unduly delaying adjustment increases the risk of disorderly market-imposed adjustments, while an excessively sharp turn toward fiscal consolidation would be self-defeating and hurt economic activity.”
- “The more credible and disciplined the fiscal adjustment, the more monetary policy will be able to play a supporting role. But the willingness and ability to deliver disciplined and credible adjustments have been lacking.”
- “Success requires staying the course by implementing gradual and credible multiyear adjustments without delay, where consolidation is necessary.”
- 2025 is likely to be a volatile year, with global growth also at risk, and portfolio flows expected to strengthen the rand and other EM countries instead at risk of being increasingly diverted into the safe haven of US treasuries, weakening economies.



Source: IMF WEO, October 2024

Note: Trade is defined as the sum of exports and imports. Global trade and GDP for percentage calculation are in current US dollars.

Contribution of Supply Constraints and impacts



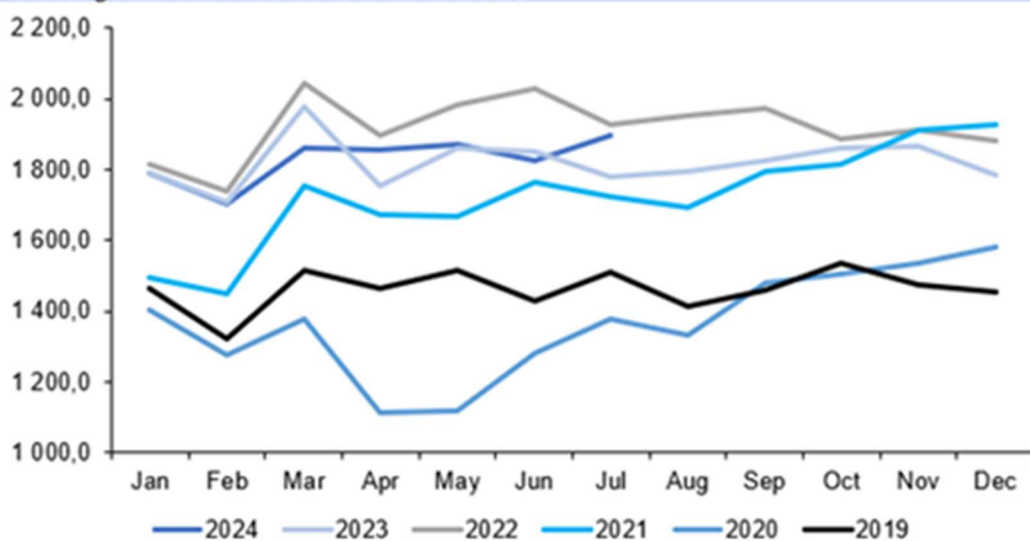
Source: IMF WEO, October 2024

Current Account, % of GDP

	2022	2023	2024	2025	2026
World	0.0	0.0	0.0	0.0	0.0
United States	-3.9	-3.3	-3.4	-3.3	-3.2
Euro Area	-0.1	1.7	2.5	2.4	2.3
China	2.5	1.4	1.4	1.3	1.1
Japan	2.0	3.6	4.0	3.8	3.8
Sub-Saharan Africa	-1.7	-1.8	-2.0	-2.2	-2.3
Angola	10.4	4.7	6.1	4.2	2.3
Botswana	-1.2	-0.6	-4.1	-1.5	-0.6
Cameroon	-3.4	-3.9	-3.2	-3.2	-3.4
Cote d'Ivoire	-6.9	-5.6	-4.2	-3.2	-2.6
Dr Congo	-4.9	-6.4	-4.4	-3.8	-3.5
Ethiopia	-2.9	-3.2	-3.5	-3.5	-3.6
Ghana	-2.6	1.9	0.8	0.0	-1.7
Kenya	-5.0	-4.0	-4.0	-3.9	-3.7
Mozambique	-36.4	-10.9	-22.4	-27.8	-29.9
Nigeria	0.7	1.7	3.1	1.9	1.5
Rwanda	-9.3	-11.7	-11.9	-11.2	-10.4
Senegal	-17.9	-11.9	-10.6	-7.5	-5.6
South Africa	-0.5	-1.6	-1.8	-2.2	-2.4
Tanzania	-7.3	-3.8	-3.8	-3.9	-4.0
Uganda	-8.6	-7.3	-7.8	-7.6	-3.9
Zambia	3.8	-2.1	-0.8	1.3	1.8
Zimbabwe	1.0	1.1	0.2	0.4	0.5

Source: FocusEconomics November 2024

Global goods trade in billions of current US\$



Source: World Bank Trade Watch Q3.24

Fiscal Balance, % of GDP

	2022	2023	2024	2025	2026
World	-3.7	-4.5	-4.6	-4.3	-4.2
United States	-5.4	-6.2	-6.4	-6.3	-6.2
Euro Area	-3.6	-3.6	-3.1	-2.8	-2.5
China	-4.7	-4.6	-4.8	-5.0	-5.2
Japan	-4.4	-4.7	-4.3	-3.2	-2.9
Sub-Saharan Africa	-4.6	-3.9	-3.9	-3.6	-3.2
Angola	0.7	-0.1	0.7	0.3	0.4
Botswana	0.0	-0.6	-4.6	-1.8	-0.9
Cameroon	-1.1	-1.1	-1.0	-0.6	-0.9
Cote d'Ivoire	-6.6	-5.2	-4.3	-3.5	-3.2
DR Congo	-0.5	-1.7	-1.4	-1.1	-1.0
Ethiopia	-2.5	-2.6	-2.6	-2.6	-2.4
Ghana	-11.8	-4.6	-4.7	-4.3	-4.2
Kenya	-6.1	-5.3	-5.3	-4.6	-4.4
Mozambique	-5.2	-3.7	-2.9	-2.3	-1.8
Nigeria	-5.4	-3.8	-4.7	-4.5	-4.4
Rwanda	-5.7	-5.5	-6.0	-5.5	-4.4
Senegal	-6.6	-4.9	-5.0	-4.1	-3.5
South Africa	-4.6	-5.0	-4.8	-4.8	-4.7
Tanzania	-3.9	-3.4	-3.1	-2.9	-2.8
Uganda	-6.3	-6.4	-4.7	-4.4	0.5
Zambia	-7.8	-5.9	-5.3	-3.9	-4.2
Zimbabwe	-6.0	-7.8	-5.8	-5.6	-9.7

Source: Focus Economics November 2024