

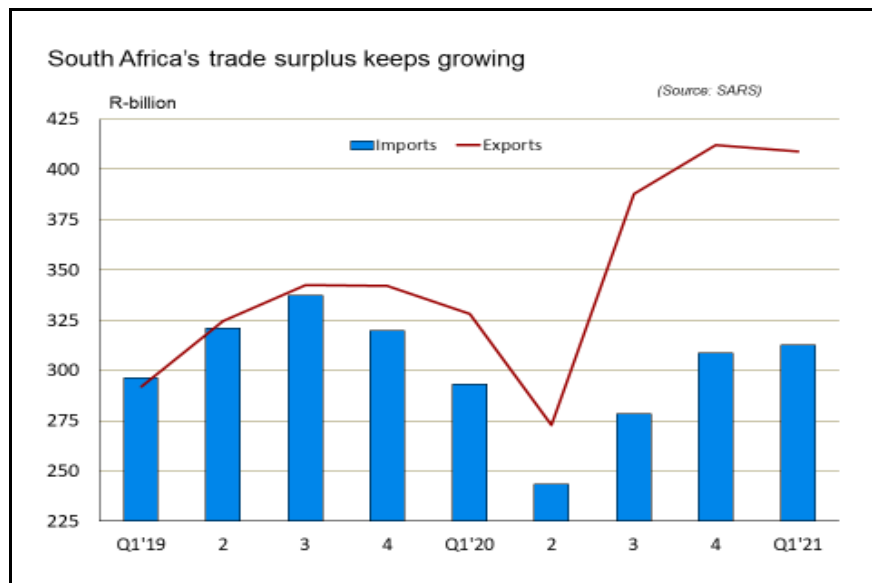
## TRADE SURPLUS BALLOONS

By Dr Roelof Botha, Joint Managing Director, GOPA Group SA

(4 May 2021)

March was a record-breaking month for South Africa's international trade, with both the value of monthly exports and the trade surplus reaching all-time highs.

Exports increased by 43%, year-on-year and 28%, month-on-month, to reach a level of R168-billion, resulting in a trade surplus of more than R52-billion. The cumulative trade surplus for the first three months of 2021 amounted to R96-billion, which is 176% higher than the figure for the first quarter of 2020.



Four countries in the Southern African Development Community (SADC) region are amongst South Africa's top-12 export destinations. China remains South Africa's major export market, but these exports are mainly limited to metals and minerals.

### South Africa's top-12 export destinations Q1 2021

	R-billion		R-billion
China	56.7	Mozambique	12.9
US	40.2	India	12.2
Germany	38.5	Namibia	11.4
Japan	25.8	Belgium	11.3
Netherlands	14.9	Zimbabwe	9.5
Botswana	14.8	Spain	7.4

Source: SARS

### Import replacement potential

Closer scrutiny of the country's export performance during the first quarter confirms the existence of substantial scope for import replacement vis-à-vis a host of imported manufactured products from China.

Although South Africa's trade deficit with China has been reduced from a quarterly average of R24-billion in 2019 to only R6.4-billion in the first quarter of 2021, this can be attributed mainly to the higher values of metal and mineral exports to China.

Between January and March this year, South Africa imported manufactured products valued at more than R61-billion from China (excluding food). This represents approximately 15% of South Africa's tot non-food manufacturing output.

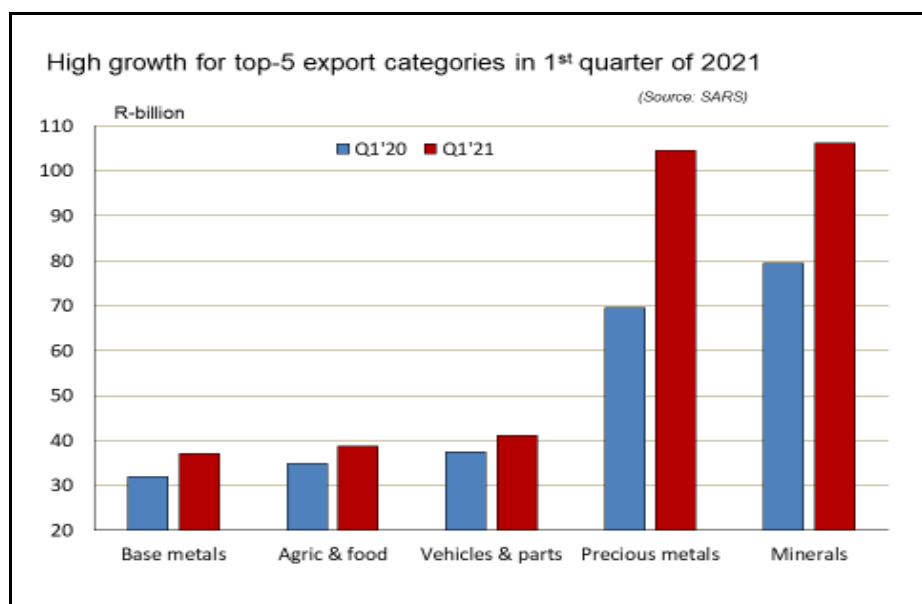
It remains a point of concern that products are imported from China that are manufactured locally, most of which are also exported to a variety of countries. Furthermore, substantial unutilised capacity exists in the domestic manufacturing sector and it is common knowledge that China's military dictatorship subsidises its export industries, in flagrant violation of the rules of the World Trade Organisation.

A modest quota on selected imports from China would certainly boost South Africa's manufacturing industries and also create much needed employment opportunities.

The top-5 countries with which South Africa enjoys a trade surplus are the US, the UK, Japan, Netherlands and Germany and it is imperative to maintain sound trade and diplomatic relations with these countries.

### **Broad-based rise in exports**

The surge in exports was not confined to metals and minerals (on the back of booming commodity prices), but was also achieved via higher international demand for products such as food, chemicals, vehicles and machinery. During the first quarter of the year, precious metals nevertheless outperformed all the other key export categories with year-on-year growth of more than 50%. Minerals came in second with year-on-year growth of almost 34%.



Several South African exporters seem to have benefited from global supply-chain disruptions by entering into new export markets, which could lead to a structural increase in the country's export performance

It is also evident that initial forecasts for GDP growth of around 3% in 2021 have been conservative. Combined with the inevitable recovery of inventory levels in the economy, relatively low interest rates and a switch to market-friendly economic policies, the current export trend promises to lift South Africa's economic growth rate to around 5% in 2021.