

Nedbank

Economic commentary

30 April 2010

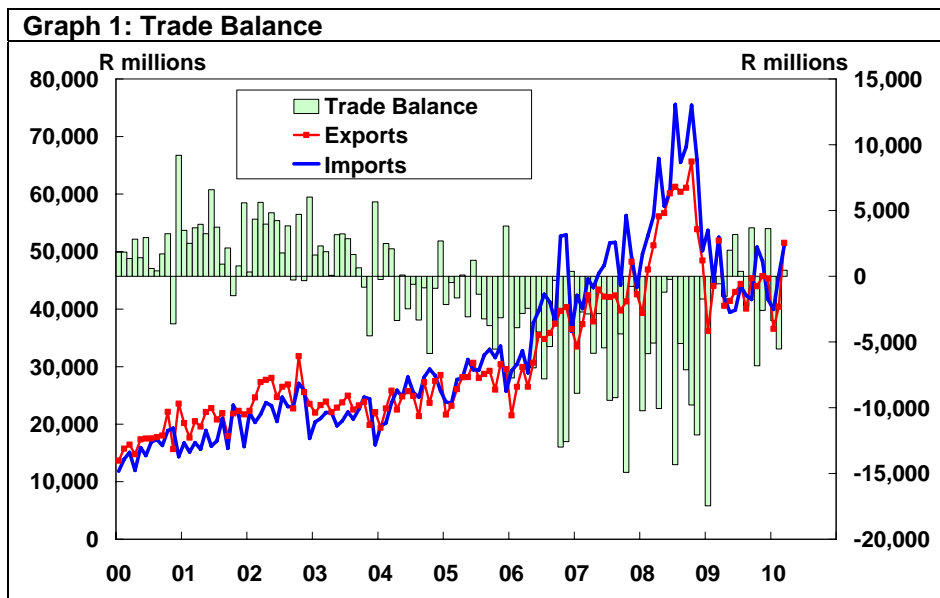
TRADE

Exports and imports rose strongly in March, but were both down during the first quarter

- Exports and imports rose further following January's seasonal declines
- Global trade volumes have continued to improve but remain well below the 2008 peak
- Domestic trade volumes will improve during 2010 in line with global trends
- The current account deficit will widen marginally after narrowing significantly in 2009
- The data is unlikely to have much impact on markets

Latest (March 2010)

Trade balance: R457,8 million (-R5 529, 5 million in February 2010)
Exports: -0,7% y-o-y, 27,5% m-o-m (-8,2% y-o-y in February 2010)
-4,8% q-o-q (4,0% q-o-q in fourth quarter 2009)
Imports: -2,7% y-o-y, 11,2% m-o-m (2,9% y-o-y in February 2010)
-2,7% q-o-q (10,0% q-o-q in fourth quarter 2009)



Comment

The first monthly trade surplus this year resulted from a surge in exports during March, pushed up by strong increases in mineral products (up by 41,8% m-o-m), precious or semi-precious stones (24% m-o-m), base metals (21,8% m-o-m) as well as vehicles and equipment (68% m-o-m). For the quarter, exports contracted marginally as the rise in exports of mineral products (8,2% q-o-q) and base metals (7,4% q-o-q) was more than offset by a decline in precious and semi-precious stones, which were down by 10,6% q-o-q.

Imports also rose in March on the back of higher imports of electrical equipment

Research

Group Economic Unit

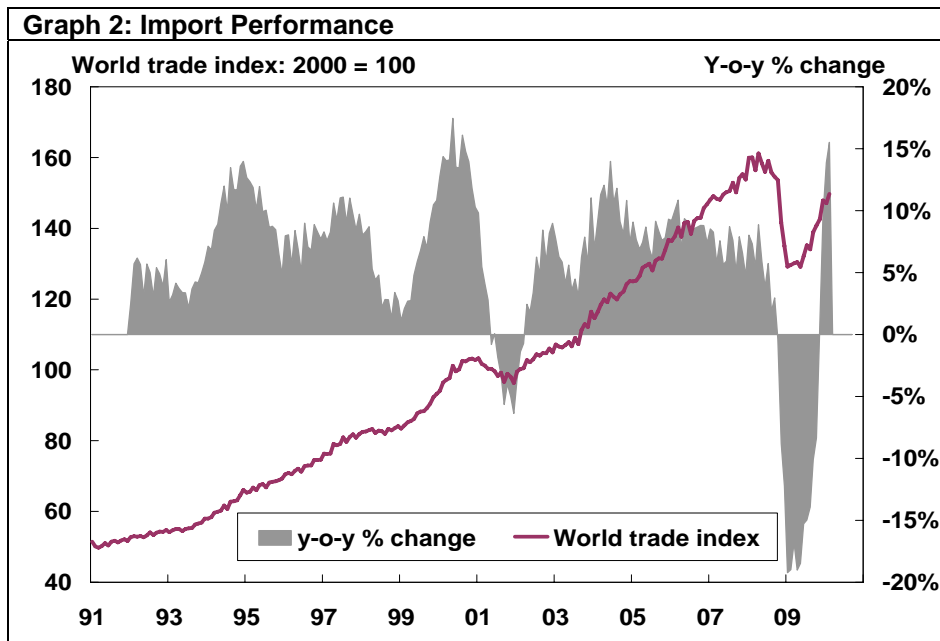
Isaac Matshego
011 295 6451
Isaacmat@nedbank.co.za

Dennis Dykes
011 295 6435
Dennisd@nedbank.co.za

(up by 27,9% m-o-m), chemical products (15,5% m-o-m), vehicles and equipment (3,6% m-o-m) and mineral products (0,7% m-o-m). During the quarter, imports were dragged down by a decline in mineral products (down by 15,6% q-o-q) and electrical equipment (-0,1% q-o-q).

Outlook

World trade volumes have continued to rise after dropping sharply during 2009. Data from the Netherlands Bureau for Economic Policy Analysis's *World Trade Monitor* indicates that world trade volumes increased by 1,8% m-o-m in February and have risen by 16% since bottoming in May 2009. However, global trade is still 7% below the pre-recession peak recorded in April 2008. Imports by developing economies, which have jumped by 23,4% since May 2009, continue to be the main driver of the recovery in global trade. Imports by industrialised economies have risen by 10,6%.



The World Trade Organisation projects world trade to expand by 9,5% in 2010 after contracting by a record 12,2% in 2009. Exports by the developed world are expected to rise by 7,5%, while exports by the rest of the world should increase by around 11%.

World trade continues to be dominated by a few countries, with the world's top 10 merchandise exporters and importers accounting for 51,5% and 53% of total global exports and imports, respectively. The world's top 30 exporters contributed 82% of total world exports in 2009. China is now the world's largest merchandise exporter, while it has become the world's second largest importer. South Africa's contribution to world trade remains limited, with the country contributing only around 0,5% of global merchandise exports and imports.

MERCHANDISE EXPORTS					MERCHANDISE IMPORTS				
Rank in 2008	Rank in 2009	Country	Value of exports in 2009, US\$ billion	Share of world exports in 2009, %	Rank in 2008	Rank in 2009	Country	Value of imports in 2009, US\$ billion	Share of world imports in 2009, %
2	1	China	1,202	9,6	1	1	United States	1,604	12,7
1	2	Germany	1,121	9,0	3	2	China	1,006	8,0
3	3	United States	1,057	8,5	2	3	Germany	931	7,4
4	4	Japan	581	4,7	4	4	France	551	4,4
5	5	Netherlands	499	4,0	5	5	Japan	551	4,4
6	6	France	475	3,8	6	6	United Kingdom	480	3,8
7	7	Italy	405	3,2	7	7	Netherlands	446	3,5
8	8	Belgium	370	3,0	8	8	Italy	41	3,2
12	9	Korea, Republic of	364	2,9	13	9	Hong Kong, China	353	2,8
10	10	United Kingdom	351	2,8	9	10	Belgium	351	2,8
TOTAL			6,425	51,5	TOTAL			6,314	53,0

Source: World Trade Organisation

Local trade volumes are likely to rise during the remainder of this year. Imports will rise, although at a

moderate pace, boosted mainly by stronger demand for consumer goods on the back of improving disposable incomes, low interest rates as well as the effect of the 2010 FIFA World Cup. Exports, particularly of mineral products and vehicles, will be boosted by the global recovery.

The current account deficit fell to 2,8% of gdp in the fourth quarter of 2009 - its lowest level since the second quarter of 2005 - from 3,1% in the third quarter, with the deficit for 2009 as a whole falling to 4,0%, significantly down from 7,1% in 2008. We expect the deficit to rise to around 4,5% of gdp in 2010.

Implications

The latest trade figures suggest that the domestic economic recovery remains fragile. However, Governor Marcus' comments made last week largely rule out a cut at the 12 & 13 May meeting. More data pointing towards the fragility of the recovery, combined with a further drop in inflation and inflation expectations would strengthen the case for another rate cut, probably in the third quarter.

Nedbank Head office

NEDBANK GROUP ECONOMIC UNIT
135 Rivonia Road Sandown 2196
PO Box 1144 Johannesburg 2000
Tel +27 (0)11 295 6363
Fax +27 (0)11 294 6363
Email EstelleO@nedbank.co.za

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