

12 June 1998

In view of the perceived misconception about South Africa's current account of the balance of payments, the Reserve Bank has decided to disclose the balance of payments figures before the release of the Quarterly Bulletin of June on 24 June 1998.

As shown in Table 1, the deficit on the current account of the balance of payments at a seasonally adjusted and annualised rate shrank from R14,1 billion in the fourth quarter of 1997 to R8,6 billion in the first quarter of 1998. As a ratio of gross domestic product, the current account deficit amounted to 1,4 per cent in the first quarter of 1998, compared with 2,3 per cent in the fourth quarter of 1997. Although the trade figures for April turned negative, the current account deficit for the first four months of 1998 was also significantly lower than in the fourth quarter of the preceding year.

Table 1 Balance of payments on current account

Seasonally adjusted and annualised

R billions

	1997				1998
	1st qr	2nd qr	3rd qr	4th qr	1st qr
Merchandise exports	107,7	115,9	115,3	117,6	124,3
Net gold exports	26,8	24,7	26,0	25,7	24,9
Merchandise imports	-123,6	-128,6	-132,1	-139,0	-139,1
Net service and transfer payments	-17,7	-17,3	-18,2	-18,4	-18,7
Balance on current account	-6,8	-5,3	-9,0	-14,1	-8,6

The reduction in the deficit on current account of the balance of payments arose primarily from a sharp increase in the volume and value of merchandise exports and a levelling-off in the growth of merchandise imports. The value of net gold exports declined somewhat and net service and transfer payments to non-residents increased further from the fourth quarter of 1997 to the first quarter of 1998.

The capital account of the balance of payments showed a substantial net inflow of capital in the first quarter of 1998. As a result of the speculation against the rand, this probably changed during April and May. The net inward movement of capital increased from R1,9 billion in the fourth quarter of 1997 to R11,2 billion in the first quarter of 1998. As shown in Table 2, this net inflow consisted mainly of long-term capital, including portfolio investments.

Table 2 Net capital movements not related to reserves

R billions

	1997				1998
	1st qr	2nd qr	3rd qr	4th qr	1st qr
Long-term capital					
Public authorities	1,0	12,2	2,1	-2,5	6,2
Public corporations	1,4	4,8	0,8	-0,2	1,0
Monetary sector	-0,2	-0,1	-0,3	-0,2	-0,6
Private sector	2,0	-2,0	5,7	5,5	11,6
Total long-term capital	4,2	14,9	8,3	2,6	18,2
Short-term capital					
Monetary sector	2,3	3,3	-4,5	0,0	-0,1
Other, including unrecorded transactions	-2,7	-5,2	-2,3	-0,7	-6,9
Total short-term capital	-0,4	-1,9	-6,8	-0,7	-7,0
Total capital	3,8	13,0	1,5	1,9	11,2

Since the inflow of capital outweighed the shortfall on current account, the net gold and other foreign exchange reserves of the country rose by R8,7 billion in the first three months of 1998.