

Box 2 Nominal and real exports and imports of goods and services

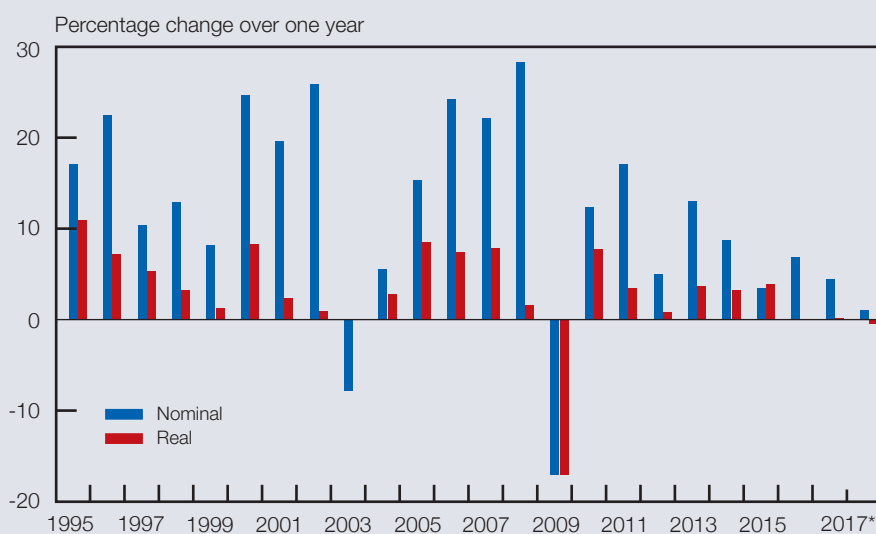
The exports and imports of goods and services in the balance of payments compared to those in the national accounts (in the estimation of the gross domestic product (GDP) from the expenditure side) have often been a source of misunderstanding. This stems from the fact that, in the former, trade is recorded in nominal terms while in the national accounts the focus is mostly on real, or constant, growth. These two can, in principle, move in different directions.

In the compilation of South Africa's balance of payments, the exports and imports of goods and services are recorded at *nominal* value (current prices), reflecting changes in both volumes and prices. Trade in goods and services at nominal value in the current account of the balance of payments, by definition, forms part of the estimation of expenditure on GDP at current prices.

The balance of payments is compiled in nominal values because it is concerned with transactions between residents and non-residents in an economy involving goods, services, income, transfers as well as financial claims on, and liabilities to, the rest of the world. The exports and imports of goods and services contribute to the deficits or surpluses on the current account of the balance of payments, which by implication indicates whether South Africa borrows from or lends to the rest of the world. However, in the estimation of GDP, the exports and imports of goods and services have a different purpose, contributing to real aggregate demand. Here, the focus is on real values – in other words, on changes in quantities – by stripping out changes in prices.

The figure below demonstrates how growth in nominal export values can be quite significant while growth in export volumes is subdued. This is most evident in 2016, when the nominal exports of goods and services grew by 6.9% year on year while real growth was slightly negative. From a balance-of-payments point of view, this implies a very positive increase that is essentially explained by price changes rather than by real growth of exports (i.e. volumes).

Exports of goods and services

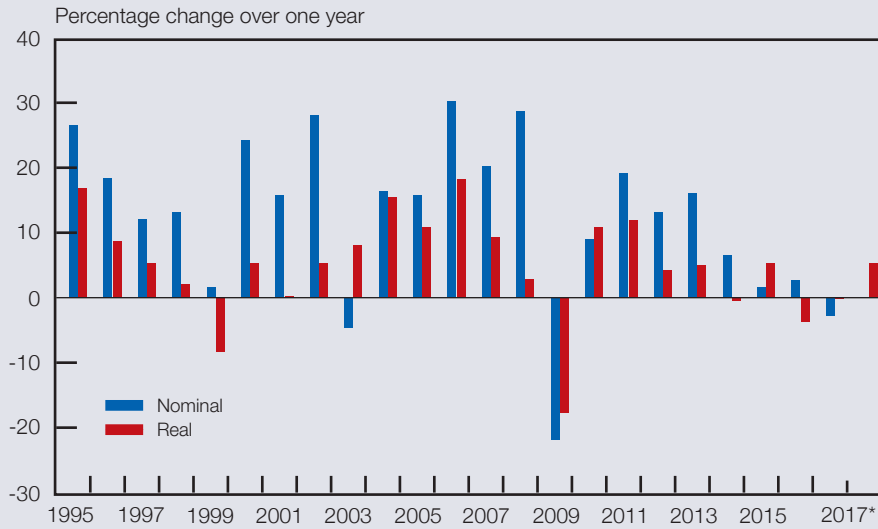


* 2017 Q1 and Q2 seasonally adjusted and annualised

Sources: Stats SA and SARB

Similar trends can be discerned from imports. In general, the nominal value of exports and imports of goods and services tends to be affected more by changes in prices than by changes in volumes. Price changes largely reflect volatility in the exchange value of the rand and movements in international commodity prices.

Imports of goods and services

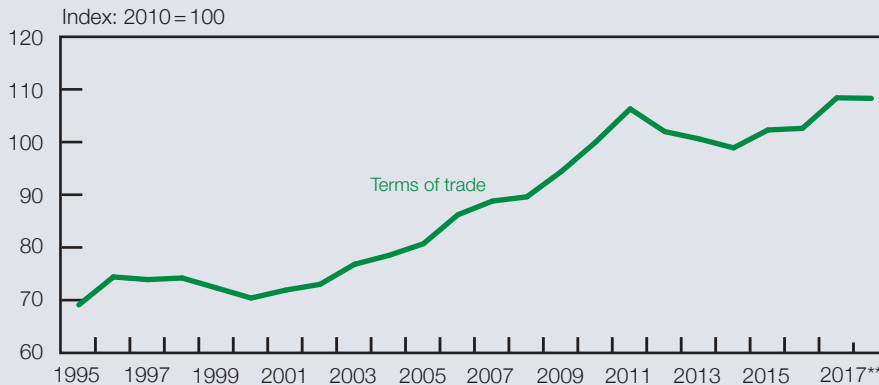


* 2017 Q1 and Q2 seasonally adjusted and annualised

Sources: Stats SA and SARB

In addition to export and import values and quantities, another important complementary indicator is the terms of trade, defined as the ratio of export to import prices. To calculate the terms of trade, these export and import price indices are respectively derived from the ratios between exports and imports at current and constant prices on an aggregate level (i.e. implicit deflators). The terms of trade strengthens (i.e. the index value increases) when the increase in export prices outpaces that in import prices. A strengthening of the terms of trade usually contributes to an improvement in the current account of the balance of payments.

Terms of trade*



* Including gold

** 2017 Q1 and Q2 seasonally adjusted and annualised

Sources: Stats SA and SARB

Changes in the real value of exports and imports of goods and services affect growth in real GDP. An increase in the real value of exports (export volumes) contributes positively to real GDP growth, while an increase in the real value of imports (import volumes) subtracts from real GDP growth.

Contributions of real exports and imports of goods and services to growth in real gross domestic product

Percentage points

	Contribution of real exports	Contribution of real imports*	Contribution of net real exports	Annual and quarterly real GDP growth**
2015.....	1.1	1.6	-0.5	1.3
2016.....	0.0	-1.2	1.1	0.3
2016 Q1.....	-1.4	-3.6	2.3	-1.5
2016 Q2.....	4.8	-2.7	7.5	3.1
2016 Q3.....	-7.1	-0.3	-6.8	0.4
2016 Q4.....	3.4	1.8	1.7	-0.3
2017 Q1.....	-1.0	1.0	-1.9	-0.6
2017 Q2.....	4.1	3.9	0.2	2.5

* The minus sign (-) indicates a positive contribution to overall economic growth.

** Quarterly data are seasonally adjusted and annualised.

Sources: Stats SA and SARB