



SOUTH AFRICAN RESERVE BANK

Statistical press release

Balance of payments: current account of the balance of payments¹ Fourth quarter 2020

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The *balance on the current account* of the balance of payments narrowed to a still sizeable surplus of R197.8 billion in the fourth quarter of 2020 from R294.4 billion in the third quarter – the second largest surplus ever recorded. As a ratio of gross domestic product (GDP), the current account surplus narrowed to 3.7% in the fourth quarter of 2020 from 5.9% in the third quarter. On an annual basis, the ratio switched to a surplus of 2.2% in 2020 from a deficit of 3.0% in 2019.

South Africa's imports and exports of goods increased further in the fourth quarter of 2020 as trade continued to recover from a COVID-19 induced low earlier in the year. South Africa's *trade surplus* narrowed somewhat from R450.9 billion in the third quarter of 2020 to R425.2 billion in the fourth quarter. The smaller trade surplus resulted from the *value* of merchandise imports increasing more than the value of exports which surged further to an all-time high. The higher value of merchandise imports resulted primarily from higher volumes while merchandise exports reflected increases in both volumes and prices.

The shortfall on the *services, income and current transfer account* widened substantially to R227.4 billion in the fourth quarter of 2020 from R156.4 billion in the third quarter. The wider deficit in the fourth quarter of 2020 can mainly be ascribed to a noticeably larger shortfall on the income account, while the services deficit decreased somewhat along with a further increase in net current transfer payments. The deficit on the services, income and current transfer account as a ratio of GDP increased to 4.2% in the fourth quarter of 2020, from 3.1% in the third quarter.

South Africa's *terms of trade* (including gold) improved further in the fourth quarter of 2020 as the rand price of exports of goods and services increased more than that of imports.

¹ The current account transactions are all seasonally adjusted and annualised.

Current account of the balance of payments

R billions Seasonally adjusted and annualised	2019	2020				
	Year	Q1	Q2	Q3	Q4	Year
Current account credits (Receipts)						
Goods and services	1 516	1 597	1 150	1 591	1 723	1 515
Exports of goods	1 303	1 385	1 063	1 505	1 625	1 394
Merchandise exports (free on board)	1 236	1 288	984	1 376	1 497	1 286
Net gold exports	67	97	79	129	128	108
Services receipts	213	212	87	87	98	121
Primary income receipts	117	132	122	116	119	122
Secondary income (current transfers) receipts	27	29	39	32	30	32
Current account debits (Payments)						
Goods and services	1 490	1 391	1 143	1 195	1 351	1 270
Merchandise imports (free on board)	1 264	1 185	999	1 054	1 199	1 109
Services payments	226	205	144	141	151	160
Primary income payments	260	231	226	170	239	216
Secondary income (current transfers) payments	62	64	74	81	84	76
Balances (Net transactions: receipts less payments)						
Trade balance (goods)	39	200	64	451	425	285
Balance on trade in services	- 14	7	- 56	- 55	- 53	- 39
Balance on goods and services	26	206	8	396	372	246
Balance on primary income	- 143	- 99	- 104	- 53	- 120	- 94
Balance on secondary income (current transfers)	- 36	- 35	- 35	- 48	- 54	- 43
Balance on services, income and current transfers	- 192	- 127	- 196	- 156	- 227	- 177
Current account balance	- 153	72	- 132	294	198	108
Balances as a percentage of GDP						
Trade balance (goods)	0.8	3.8	1.5	9.0	7.9	5.7
Balance on trade in services	- 0.3	0.1	- 1.3	- 1.1	- 1.0	- 0.8
Balance on goods and services	0.5	3.9	0.2	7.9	6.9	4.9
Balance on primary income	- 2.8	- 1.9	- 2.4	- 1.1	- 2.2	- 1.9
Balance on secondary income (current transfers)	- 0.7	- 0.7	- 0.8	- 1.0	- 1.0	- 0.9
Balance on services, income and current transfers	- 3.8	- 2.4	- 4.6	- 3.1	- 4.2	- 3.6
Current account balance	- 3.0	1.4	- 3.1	5.9	3.7	2.2

Components may not add up to totals due to rounding off.

Sources: Stats SA and SARB

Indices of volumes and prices¹

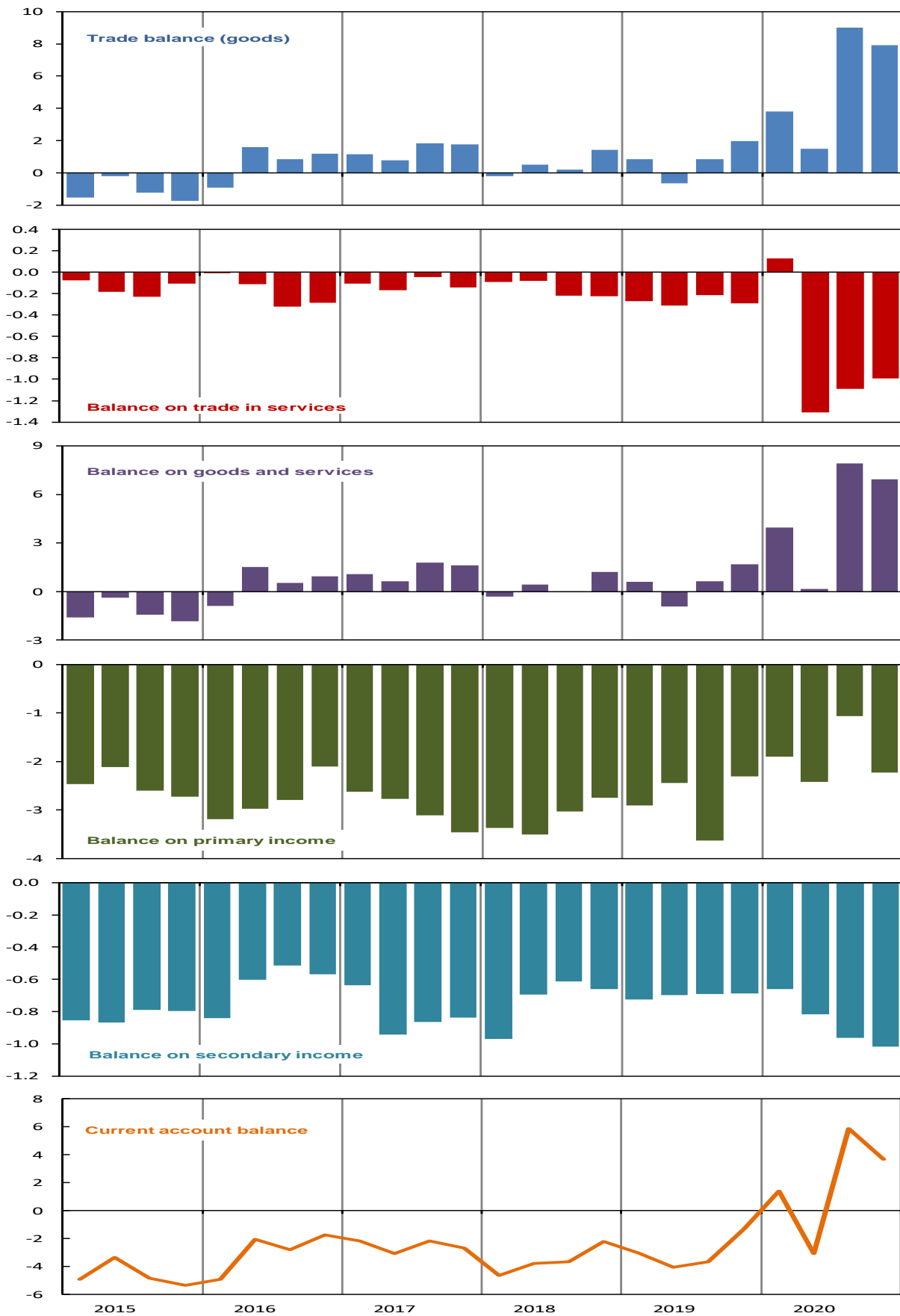
2010 = 100	2019	2020				
	Year	Q1	Q2	Q3	Q4	Year
Exports²						
Volume	115.3	115.9	80.5	105.5	111.8	103.4
Price	167.2	175.3	181.7	191.9	195.9	186.2
Imports						
Volume	128.1	119.7	99.2	98.8	109.7	106.9
Price	154.6	154.5	153.1	160.9	163.7	158.0
Terms of trade³	108.2	113.5	118.7	119.3	119.7	117.8

Sources: Stats SA and SARB

Notes:

1. Derived from goods and services (exports and imports of goods free on board as well as exports and imports of services); indices are based on seasonally adjusted and annualised data
2. Exports include net gold exports or net gold imports, with the latter recorded as negative exports
3. Export price index divided by import price index

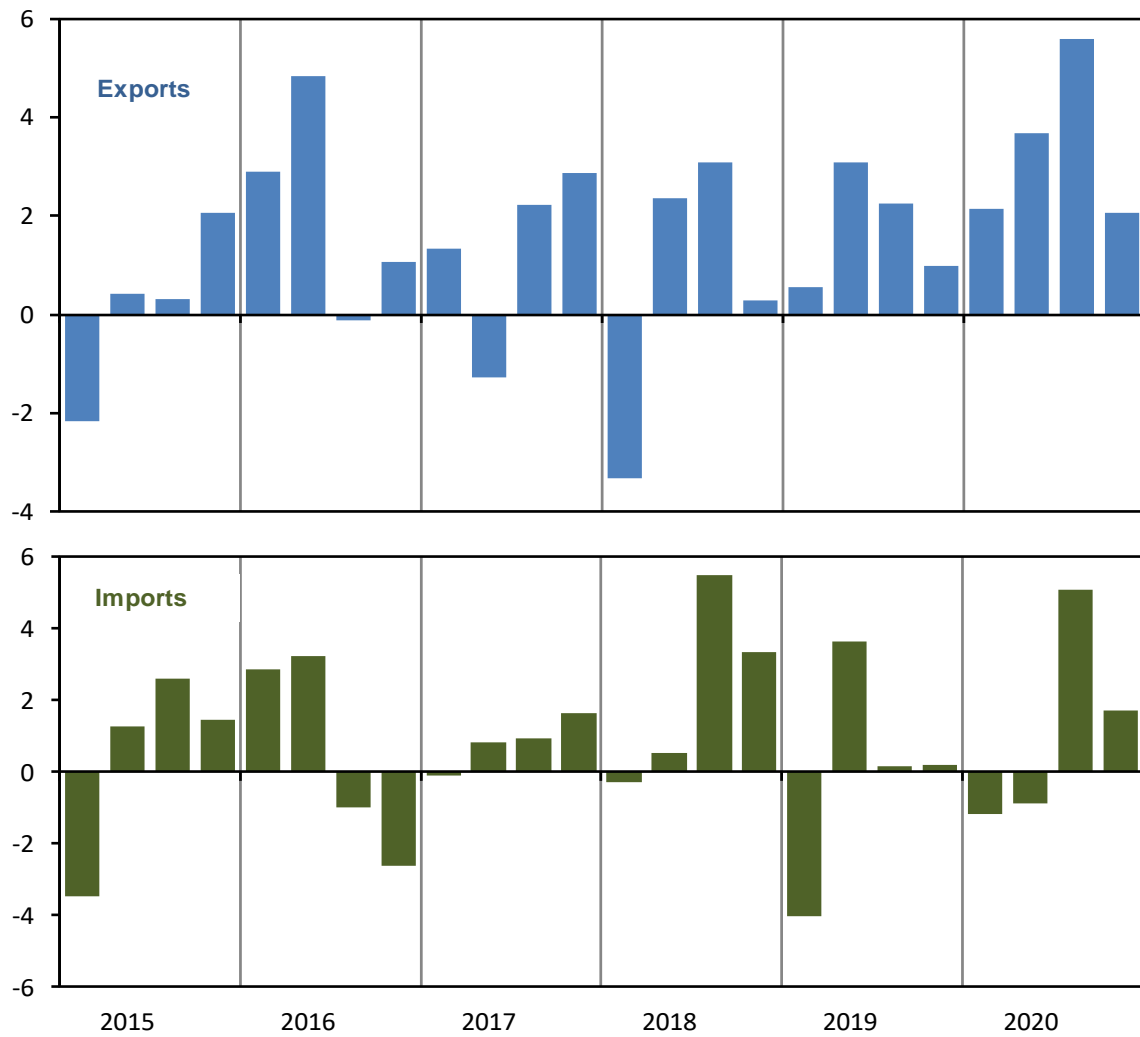
Current account of the balance of payments As a percentage of GDP



Seasonally adjusted and annualised
Data not rounded
Sources: Stats SA and SARB

Prices of exports and imports*

Percentage change from quarter to quarter

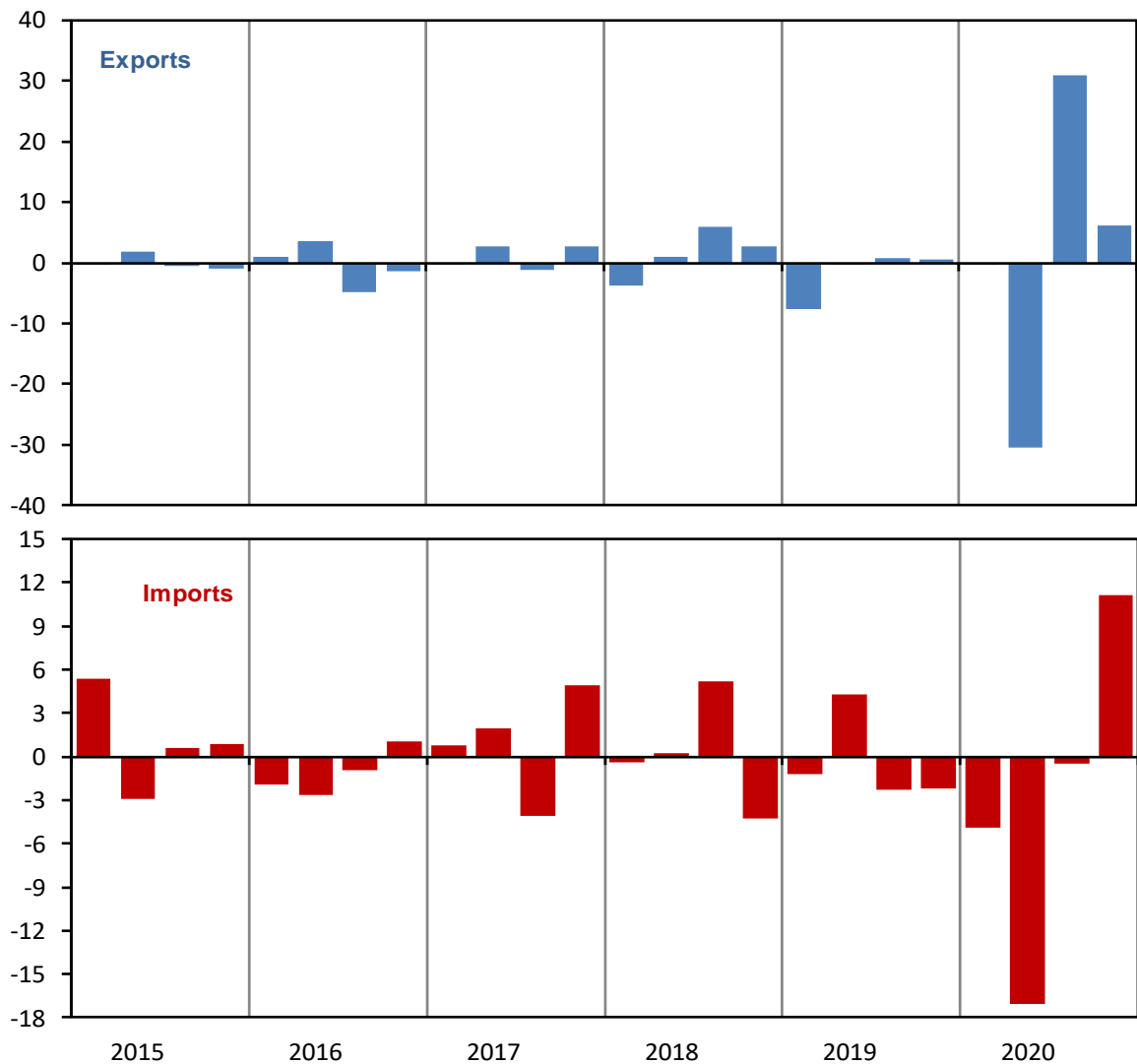


* Including services and gold

Sources: Stats SA and SARB

Volumes of exports and imports*

Percentage change from quarter to quarter



* Including services and gold
Sources: Stats SA and SARB

Additional information

Data sources:

The South African Reserve Bank (SARB) is responsible for the compilation of balance of payments statistics. The South African Revenue Service (SARS) is the primary source of South Africa's merchandise trade statistics, which include net gold exports as compiled by the SARB. The SARB makes balance of payments adjustments to

merchandise trade at current prices and estimates the nominal value of services as well as primary and secondary income. The SARB seasonally adjusts primary and secondary income. Statistics South Africa (Stats SA) seasonally adjusts the nominal values of goods and services and converts them to constant values at 2010 prices.

Agencies that contribute to current account statistics

	Nominal	Seasonal adjustment	Deflators	Constant
Goods	SARB	Stats SA	Stats SA	Stats SA
Services	SARB	Stats SA	Stats SA	Stats SA
Primary income	SARB	SARB	Not applicable	Not applicable
Secondary income	SARB	SARB	Not applicable	Not applicable

SARS trade data is compiled in accordance with the *International Merchandise Trade Statistics: Concepts and Definitions Manual* and is structured according to the Harmonised System (HS) at an 8-digit level with 99 product/commodity groupings called chapters. In turn, these 99 chapters are arranged into 23 sections. The HS is developed by the World Customs Organization (WCO) and is internationally comparable up to a 6-digit level.

When SARS releases monthly merchandise trade data, the SARB and Stats SA receive the detailed data set. These releases include data of the preceding 23 months incorporating vouchers of correction and the data for the newly released month. To convert customs data to balance of payments data requires adjustments for timing, valuation, classification and coverage to correct for the main conceptual difference – international merchandise trade statistics are based on goods entering and exiting a country whereas balance of payments transactions are based on a change in ownership between residents and non-residents. The SARB makes balance of payments adjustments to the trade data for oil, postal trade, goods procured in ports, electricity, and valuations.

The SARB's estimation of services as well as primary and secondary income is based on a variety of sources and internal calculations. These sources include, among other

things, the International Transaction Reporting System (ITRS) which comprises information provided by banks to the SARB, internally driven quarterly sample surveys, credit card information, government departments, commercial banks and the JSE Limited.

Methodology:

Compilation of the balance of payments

The compilation is based on the guidelines of the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6) of the International Monetary Fund.

Calculation as a ratio of GDP

The denominator is quarterly nominal (seasonally adjusted and annualised) GDP.

Seasonal adjustment

Seasonal adjustment identifies and removes recurring seasonal fluctuations and calendar effects to obtain the underlying movements, such as turning points, the trend cycle and the irregular component.

Stats SA seasonally adjusts goods and services. The following Stats SA document explains the methodology:

http://www.statssa.gov.za/publications/P0441/Read_me_Sources_and_Methods.pdf

The SARB seasonally adjusts primary and secondary income. The SARB follows the Eurostat guidelines on seasonal adjustment. The SARB uses the X-13-ARIMA-SEATS procedure in Jdemetra+, a seasonal adjustment program developed and supported by the United States Census Bureau. It contains two parts: the enhanced X-11 procedure, and the ARIMA (Autoregressive Integrated Moving Average) model procedure from the SEATS (Signal Extraction in ARIMA Time Series) seasonal adjustment program. The method is divided into two main parts. The first does a pre-adjustment and the second decomposes the time series to estimate and remove the seasonal component. The M-statistics criteria are used as a benchmark for evaluating the quality of the seasonal adjustment.

Constant prices

Stats SA is responsible for the estimation of goods and services at constant prices. The following Stats SA document explains the methodology:

http://www.statssa.gov.za/publications/P0441/Read_me_Sources_and_Methods.pdf

Definitions:

The *balance of payments* is a statistical summary of transactions between residents and non-residents during a specific period. It consists of the current, capital and financial accounts.

The *current account* shows transactions of goods and services as well as primary and secondary income.

Goods are physically visible produced items over which ownership rights can be established and whose economic ownership can be passed from one institutional unit to another by engaging in transactions.

Free on board means the value of goods, excluding transportation and insurance services.

Services transactions arise from production activities and generally cannot be separated from consumption, and ownership rights cannot be separately established. The broad services categories comprise travel, transportation and other services.

Primary income transactions include investment income such as dividends and interest as the return on financial assets and compensation of employees for the contribution of labour to production activities.

Secondary income transactions consist of *current transfers* between residents and non-residents without a quid pro quo. This comprises current transfers by central government and other sectors.

The balance on *services, income and current transfers* is the net of receipts and payments of services as well as primary and secondary income transactions.

The *trade balance* is the value of merchandise and net gold exports minus merchandise imports.

The *current account balance* is the difference between credits (exports of goods and services and income receipts) and debits (imports of goods and services and income payments).

Terms of trade is the ratio of export prices to import prices.

Additional statistics are available in the accompanying Excel spreadsheet.