



SOUTH AFRICAN RESERVE BANK

Statistical press release

Balance of payments: current account of the balance of payments¹ Second quarter 2022

Release date:	08 September 2022 embargo at 11:00		
Next release:	09 December 2022		
Technical contact:	Nthabiseng Molemoeng	+27 12 313 4459	
Media contact:	media@resbank.co.za	+27 12 313 4754	

The balance on the *current account* of the balance of payments switched to a deficit of R87.0 billion (-1.3% of GDP) in the second quarter of 2022 from a surplus of R157 billion (2.4% of GDP) in the first quarter – the previous deficit was last recorded in the second quarter of 2020.

South Africa's *trade surplus* narrowed from R372 billion in the first quarter of 2022 to R272 billion in the second quarter as the value of both merchandise exports and imports increased further to all-time highs. The narrowing of the trade surplus reflected a larger increase in the value of merchandise imports than in the value of goods exports.

The higher value of exports of goods and services mainly reflected an increase in prices while that of imports of goods and services reflected both higher volumes and prices.

The shortfall on the *services, income and current transfer account* widened noticeably to R358 billion in the second quarter of 2022 from R216 billion in the first quarter. The larger deficit stemmed from a considerably wider deficit on the primary income account, largely due to higher dividend payments by companies with a direct investment relationship, along with a slight increase in the deficit on the services account and a smaller deficit on the secondary income account. Consequently, the deficit as a ratio of GDP increased to 5.5% in the second quarter of 2022 from 3.4% in the first quarter – the largest ratio since the first quarter of 1986.

South Africa's *terms of trade* (including gold) deteriorated slightly in the second quarter of 2022 as the rand price of imported goods and services increased slightly more than that of exports.

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

Current account of the balance of payments

R billions Seasonally adjusted and annualised	2021				2022	
	Q2	Q3	Q4	Year	Q1	Q2
Current account credits (Receipts)						
Goods and services	2 012	1 891	1 981	1 932	2 160	2 282
Exports of goods	1 882	1 758	1 822	1 797	1 985	2 077
Merchandise exports (free on board)	1 782	1 653	1 702	1 689	1 908	1 982
Net gold exports	100	105	120	108	76	95
Services receipts	129	133	159	135	176	205
Primary income receipts	114	244	141	167	171	155
Secondary income (current transfers) receipts	45	66	71	57	56	73
Current account debits (Payments)						
Goods and services	1 509	1 518	1 712	1 550	1 868	2 091
Merchandise imports (free on board)	1 317	1 321	1 486	1 349	1 612	1 805
Services payments	193	197	226	201	256	286
Primary income payments	285	371	257	286	269	405
Secondary income (current transfers) payments	81	98	92	92	93	101
Balances (Net transactions: receipts less payments)						
Trade balance (goods)	565	437	336	448	372	272
Balance on trade in services	- 63	- 64	- 67	- 66	- 80	- 81
Balance on goods and services	502	373	269	382	292	191
Balance on primary income	- 171	- 127	- 116	- 119	- 98	- 250
Balance on secondary income (current transfers)	- 36	- 31	- 21	- 36	- 37	- 28
Balance on services, income and current transfers	- 270	- 222	- 204	- 220	- 216	- 358
Current account balance	296	214	132	228	157	- 87
Balances as a percentage of GDP						
Trade balance (goods)	9.1	7.1	5.3	7.2	5.8	4.1
Balance on trade in services	- 1.0	- 1.0	- 1.1	- 1.1	- 1.2	- 1.2
Balance on goods and services	8.0	6.0	4.3	6.2	4.5	2.9
Balance on primary income	- 2.7	- 2.1	- 1.8	- 1.9	- 1.5	- 3.8
Balance on secondary income (current transfers)	- 0.6	- 0.5	- 0.3	- 0.6	- 0.6	- 0.4
Balance on services, income and current transfers	- 4.3	- 3.6	- 3.2	- 3.6	- 3.4	- 5.5
Current account balance	4.7	3.5	2.1	3.7	2.4	- 1.3

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

Sources: Stats SA and SARB

Indices of volumes and prices¹

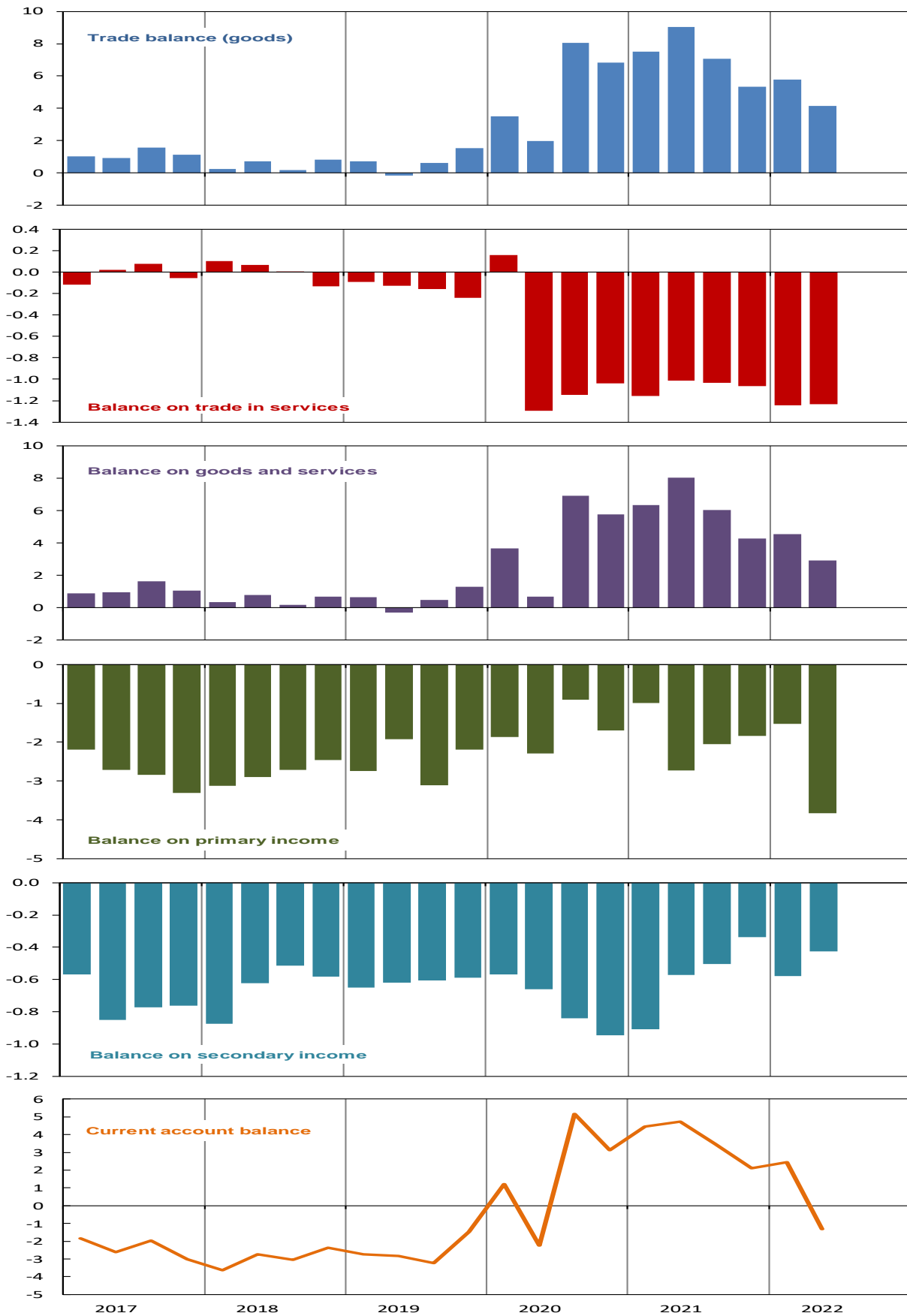
2015 = 100	2021				2022	
	Q2	Q3	Q4	Year	Q1	Q2
Exports, including net gold exports²						
Volume	98.5	91.7	99.3	96.3	103.1	103.3
Price	166.7	168.3	162.8	163.8	171.1	180.2
Exports, excluding net gold exports						
Volume	98.9	91.6	99.2	96.3	105.2	104.7
Price	165.9	167.2	160.9	162.4	170.0	179.1
Imports						
Volume	91.0	88.0	95.4	91.3	100.2	105.8
Price	129.3	134.6	139.9	132.3	145.3	154.0
Terms of trade³						
Including net gold exports	128.9	125.0	116.4	124.0	117.7	117.0
Excluding net gold exports	128.3	124.3	115.0	122.9	117.0	116.3

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

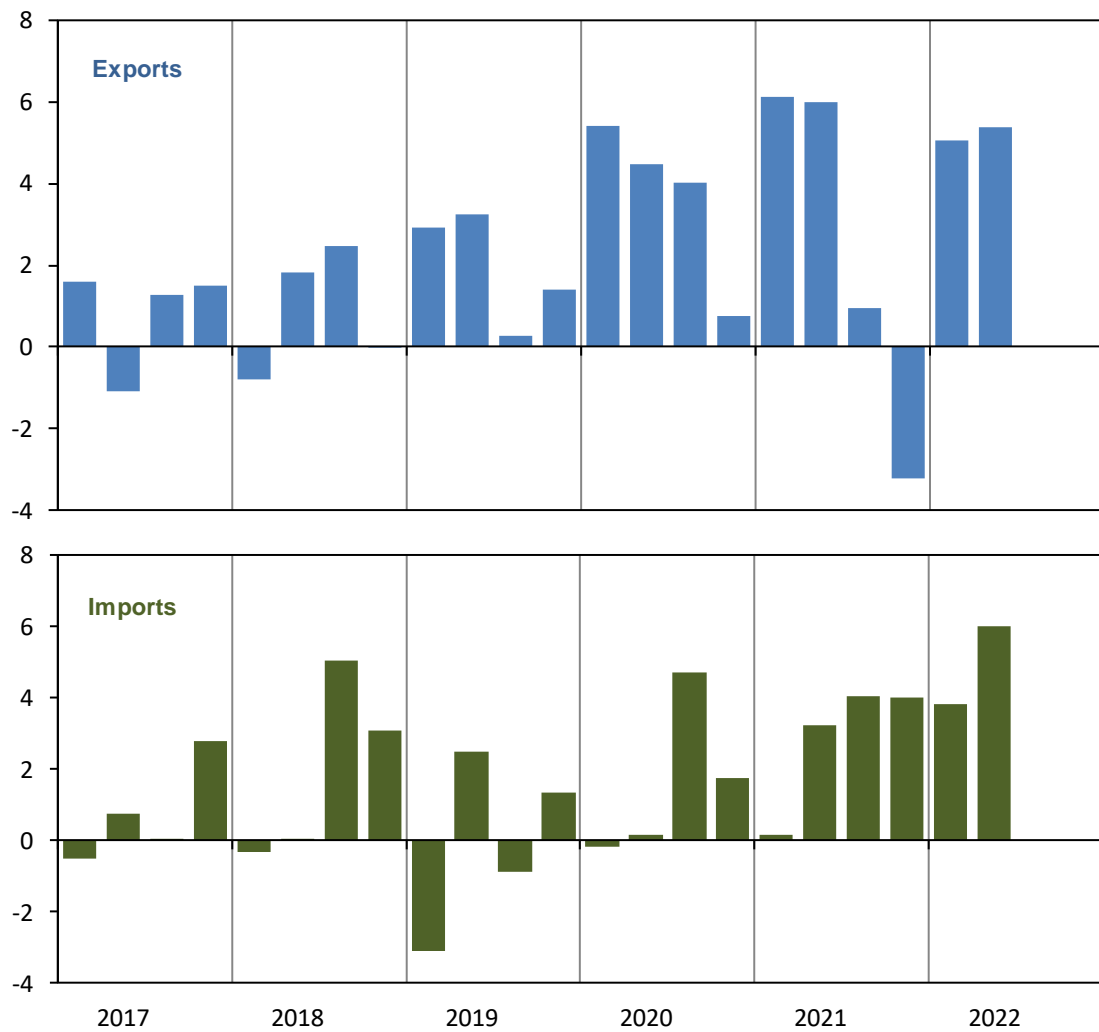
Current account of the balance of payments
As a percentage of GDP



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

Prices of exports and imports*

Percentage change from quarter to quarter

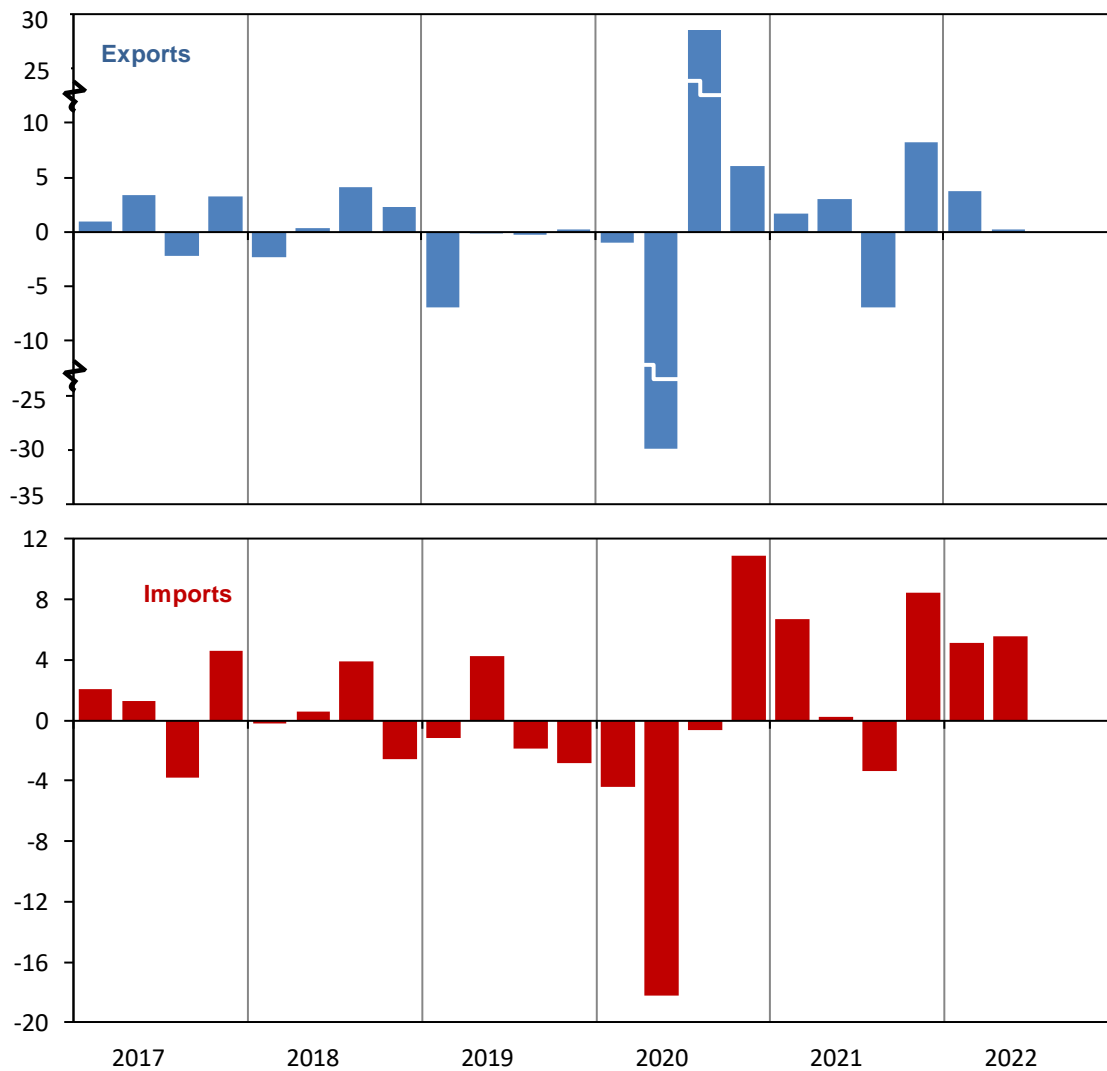


* Including services and gold

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:

<https://www.statssa.gov.za/publications/Report%2004-04-04/Report%2004-04-042021.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:

<https://www.statssa.gov.za/publications/Report%2004-04-04/Report%2004-04-042021.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.