

# Note on the impact of the benchmark revisions and rebasing of national accounts statistics on the current account of the balance of payments and the terms of trade

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## Introduction

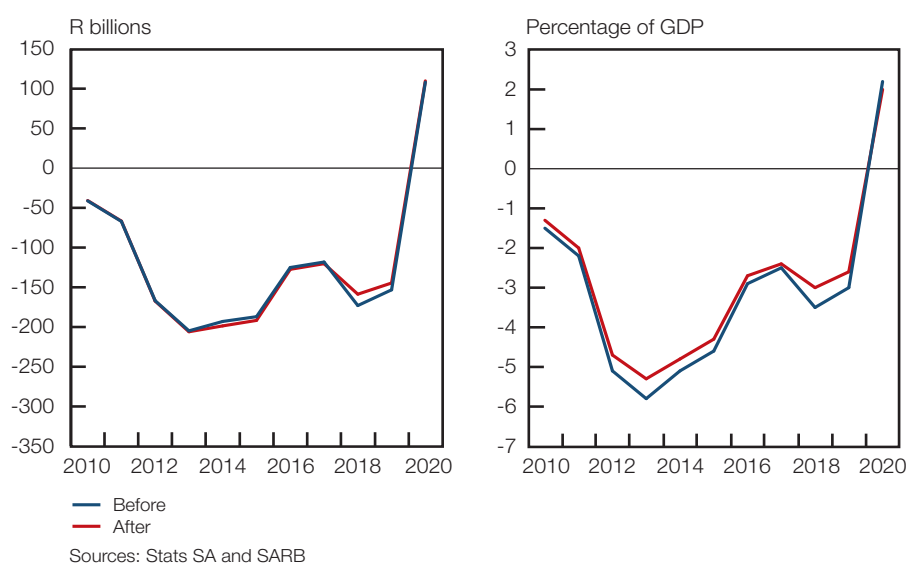
The benchmark revisions of the components of *nominal* gross domestic product (GDP)<sup>2</sup> by Statistics South Africa (Stats SA), in collaboration with the South African Reserve Bank (SARB),<sup>3</sup> are conducted at regular five-year intervals. These revisions, along with the rebasing of the *real* (or *constant price*) estimates to the 2015 base year have impacted South Africa's current account of the balance of payments and the terms of trade statistics.<sup>4,5</sup> The revised value of the current account balance remained broadly unchanged, despite a general upward revision of its components. This is consistent with the higher revised value of nominal GDP, which indicates a higher level of economic activity.

The balance on the current account of the balance of payments, expressed in *nominal terms*, is affected by both the revised *nominal* exports and the imports of goods and services, with those of goods impacting the trade account and those of services the services, income and current transfer account. In addition, although not part of the GDP components, cross-border income and current transfers also impact the current account. Furthermore, the terms of trade is also impacted by the revised nominal and real estimates of the imports and exports of goods and services.

## Current account

The benchmark revision, which incorporated both reassessed conventional and new data sources, impacted the current account of the balance of payments from 2006, but with more observable changes from around 2013. The differences between the before- and after-revision statistics, both in nominal values and as a ratio of GDP, are indicated in the accompanying graphs and table. When assessing ratios to GDP, it should be noted that the revised nominal value of the GDP is R371 billion (about 9%) more in the 2015 base year and R548 billion (11%) more in 2020 than before the revision. However, the deficit on the current account of the balance of payments in 2015 was only R4.8 billion larger, while the surplus in 2020 was R1.6 billion more.

Figure 1 Current account



<sup>1</sup> The authors would like to thank the following staff members of the Balance of Payments Unit in the Economic Statistics Department who were involved in the statistical preparation of the various macroeconomic estimates described in this note, namely Ms L Chiloane, Mr L de Wet, Ms V Manzi, Mr Z Meyer, Ms T M Mugwabana and Mr S Sithole.

<sup>2</sup> The components of nominal GDP are reflected by the basic identity where GDP equals household consumption (C) plus investment (I) plus government spending (G) plus net exports [exports (X) minus imports (M)].

<sup>3</sup> Stats SA published the benchmarked and rebased national accounts statistics on 25 August 2021. See 'Benchmarked and rebased estimates of gross domestic product, 2021', which includes the methods and sources, available at [http://www.statssa.gov.za/?page\\_id=1854&PPN=Report%2004-04-04&SCH=72991](http://www.statssa.gov.za/?page_id=1854&PPN=Report%2004-04-04&SCH=72991).

<sup>4</sup> For the affected balance of payments statistics, see pages S-82 to S-91 and S-154 to S-155 in this edition of the *Quarterly Bulletin*.

<sup>5</sup> For detail on the methodology underlying the terms of trade, see 'Box 3: Unpacking South Africa's terms of trade' in the December 2020 edition of the *Quarterly Bulletin*.

Generally, for the reasons mentioned, the post-revision ratios of the components of the current account of the balance of payments to GDP were somewhat smaller. Although the nominal value of the current account balance and the ratio relative to GDP have not changed materially, the levels of the contributing components were revised to varying degrees.

Table 1 Current account of the balance of payments before and after revision

	R billions										Percentage of gross domestic product									
	2013	2014	2015	2016	2017	2018	2019	2020	Average 2013–20		2013	2014	2015	2016	2017	2018	2019	2020	Average 2013–20	
<b>Merchandise and net gold exports</b>																				
<i>Before</i> .....	934	1 015	1 030	1 122	1 169	1 247	1 303	1 394	1 152		26.4	26.7	25.4	25.7	25.1	25.6	25.7	28.0	26.1	
<i>After</i> .....	933	1 012	1 027	1 120	1 168	1 248	1 303	1 394	1 151		24.1	24.5	23.2	23.5	23.0	23.3	23.2	25.2	23.8	
<b>Merchandise imports</b>																				
<i>Before</i> .....	1 004	1 070	1 077	1 091	1 104	1 223	1 264	1 109	1 118		28.4	28.1	26.6	25.0	23.7	25.1	24.9	22.3	25.5	
<i>After</i> .....	1 006	1 075	1 082	1 095	1 109	1 223	1 264	1 105	1 120		26.0	26.0	24.5	23.0	21.8	22.8	22.6	20.0	23.3	
<b>Trade balance</b>																				
<i>Before</i> .....	-69	-55	-47	31	65	24	39	285	34		-2.0	-1.4	-1.2	0.7	1.4	0.5	0.8	5.7	0.6	
<i>After</i> .....	-74	-63	-55	26	59	25	39	289	31		-1.9	-1.5	-1.2	0.5	1.2	0.5	0.7	5.2	0.4	
<b>Services balance</b>																				
<i>Before</i> .....	-12	-2	-6	-8	-5	-8	-14	-39	-12		-0.3	-0.1	-0.1	-0.2	-0.1	-0.2	-0.3	-0.8	-0.3	
<i>After</i> .....	-8	1	-2	-4	-1	1	-9	-45	-9		-0.2	0.0	-0.1	-0.1	0.0	0.0	-0.2	-0.8	-0.2	
<b>Income balance</b>																				
<i>Before</i> .....	-93	-102	-100	-120	-140	-154	-143	-94	-118		-2.6	-2.7	-2.5	-2.8	-3.0	-3.2	-2.8	-1.9	-2.7	
<i>After</i> .....	-94	-103	-101	-122	-141	-149	-140	-93	-118		-2.4	-2.5	-2.3	-2.6	-2.8	-2.8	-2.5	-1.7	-2.4	
<b>Current transfer balance</b>																				
<i>Before</i> .....	-31	-34	-34	-27	-38	-36	-36	-43	-35		-0.9	-0.9	-0.8	-0.6	-0.8	-0.7	-0.7	-0.9	-0.8	
<i>After</i> .....	-31	-34	-33	-27	-38	-35	-35	-42	-34		-0.8	-0.8	-0.7	-0.6	-0.7	-0.6	-0.6	-0.8	-0.7	
<b>Services, income and current transfer balance</b>																				
<i>Before</i> .....	-135	-138	-140	-156	-183	-197	-192	-177	-165		-3.8	-3.6	-3.5	-3.6	-3.9	-4.0	-3.8	-3.6	-3.7	
<i>After</i> .....	-133	-136	-137	-153	-179	-183	-183	-180	-161		-3.4	-3.3	-3.1	-3.2	-3.5	-3.4	-3.3	-3.3	-3.3	
<b>Balance on current account</b>																				
<i>Before</i> .....	-205	-193	-187	-125	-118	-173	-153	108	-131		-5.8	-5.1	-4.6	-2.9	-2.5	-3.5	-3.0	2.2	-3.2	
<i>After</i> .....	-206	-199	-192	-127	-120	-159	-145	110	-130		-5.3	-4.8	-4.3	-2.7	-2.4	-3.0	-2.6	2.0	-2.9	

Deficit (-)/surplus (+)

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

Sources: Stats SA and SARB



## Trade account

6 A voucher of correction is a customs document used by traders or agents to correct or effect changes to a previously declared bill of entry.

Revisions to trade account statistics have been minimal since these statistics are subject to continual revisions through 'vouchers of correction'.<sup>6</sup> Trade statistics are sourced from the South African Revenue Service (SARS) as the customs authority for the exports and imports of goods. On balance, the value of merchandise goods and net gold exports was adjusted slightly lower, while that of imports was revised slightly higher, particularly for the period 2014 to 2017. After revision, the annual average trade surplus for the period 2013 to 2020 was R3.4 billion less. The revised exports and imports of goods statistics also reflect further SARB balance of payments adjustments.

Figure 2 Exports and imports of goods

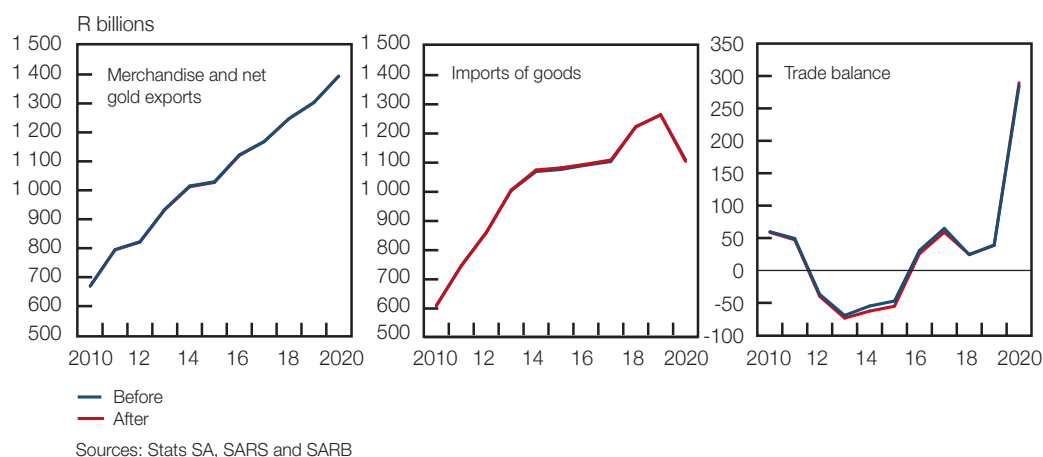
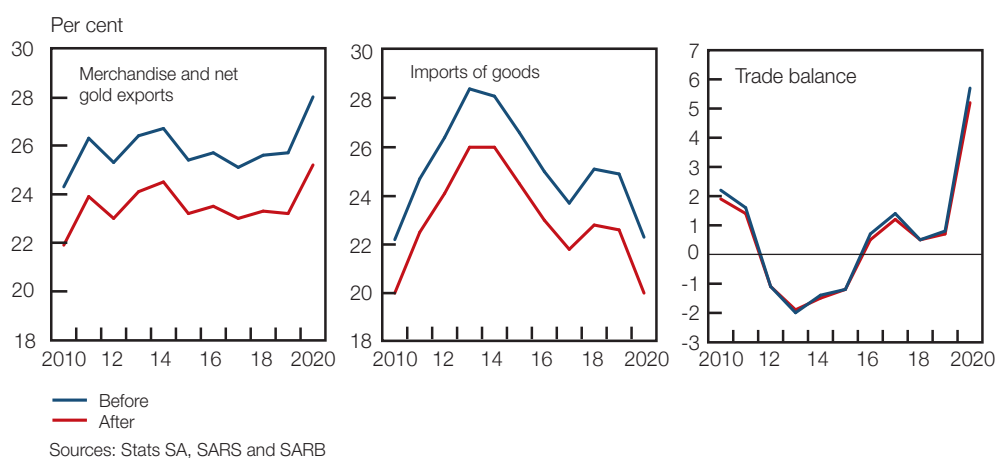


Figure 3 Exports and imports of goods as a percentage of gross domestic product



## Services, income and current transfer account

7 For a discussion of travel receipts and payments, see 'Box 4: The importance of travel receipts and payments in the current account of South Africa's balance of payments' in the September 2020 edition of the *Quarterly Bulletin*.

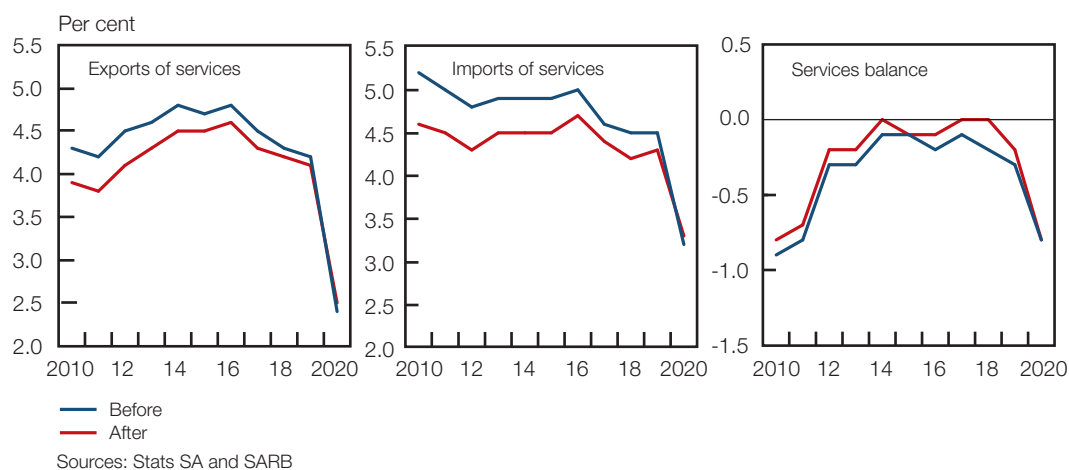
Trade in services, in the services, income and current transfer account, is based on data from the international transactions reporting system, which captures foreign exchange transactions of authorised dealers as well as an array of other dispersed data sources. Services estimates are more susceptible to revision due to their intangible and invisible nature. The value of both the exports and imports of services was revised higher. On balance, the services balance narrowed from an average annual deficit of R11.8 billion to R8.5 billion from 2013 to 2020, as the value of services exports, on average, increased more than that of services imports. The steep and abrupt widening of the services deficit in 2020 reflected the effect of the coronavirus disease 2019 (COVID-19) pandemic on travel and transport-related services to both the exports and imports of services.<sup>7</sup>



Figure 4 Exports and imports of services



Figure 5 Exports and imports of services as a percentage of gross domestic product



The value of services exports increased, mainly due to receipts for research and development services, whereas the higher value of imports largely reflected payments for computer-related services. Receipts for research and development services as a ratio of total exports of services increased notably, from an annual average of 0.8% before to 3.1% after the revisions for the 11-year period under review. Similarly, payments for computer-related services increased from 5.5% of total imports of services to slightly more than 9%, driven by domestic demand and the steady weakening in the exchange value of the rand since 2012. In addition, although relatively small, indirect financial services exported and imported are now measured through the introduction of the concept of financial intermediation services indirectly measured (FISIM).<sup>8</sup> FISIM accounted for an annual average of only 1.9% and 1.3% of total exports and imports of services respectively from 2010 to 2020.

<sup>8</sup> FISIM is the indirect or imputed measurement of financial service charges levied by financial institutions on loans and deposits.

The estimated value of both income receipts and payments increased due to the upward revision of both dividend receipts from non-residents and dividend payments to non-residents from 2018 onwards, as informed by new and improved data sources. The marginally narrower income deficit reflected an increase in dividend receipts which slightly exceeded that in dividend payments.



Figure 6 Income receipts and payments

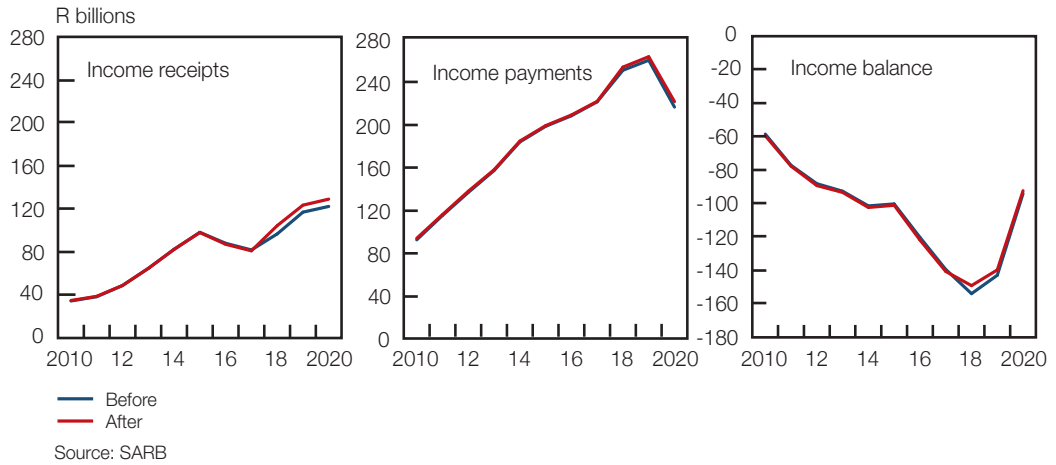
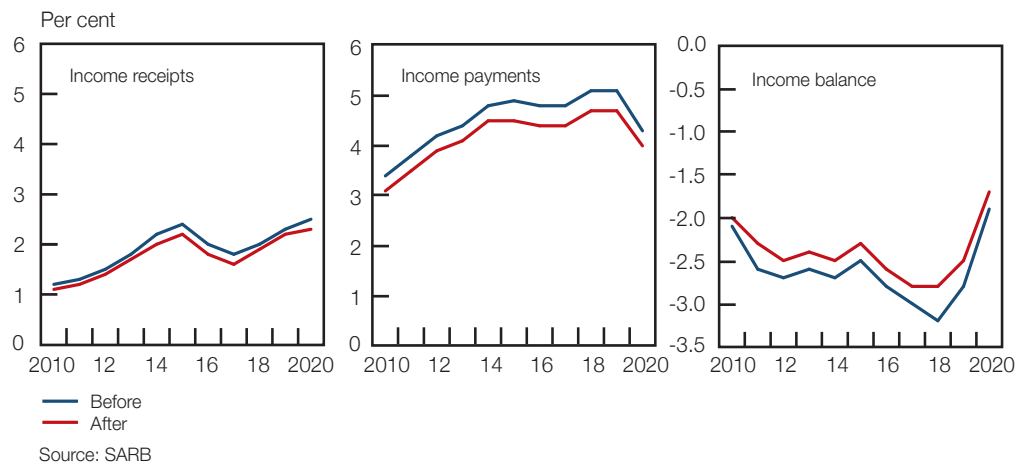


Figure 7 Income receipts and payments as a percentage of gross domestic product



The value of both current transfer receipts and payments was revised higher. The higher value of receipts reflected an upward revision of donations received by charities from abroad, whereas higher payments reflected gifts remitted abroad. In addition, both receipts and payments now reflect the newly introduced measurement of insurance premiums and claims. Collectively, these revisions narrowed the current transfer deficit slightly in recent years.

Figure 8 Current transfer receipts and payments

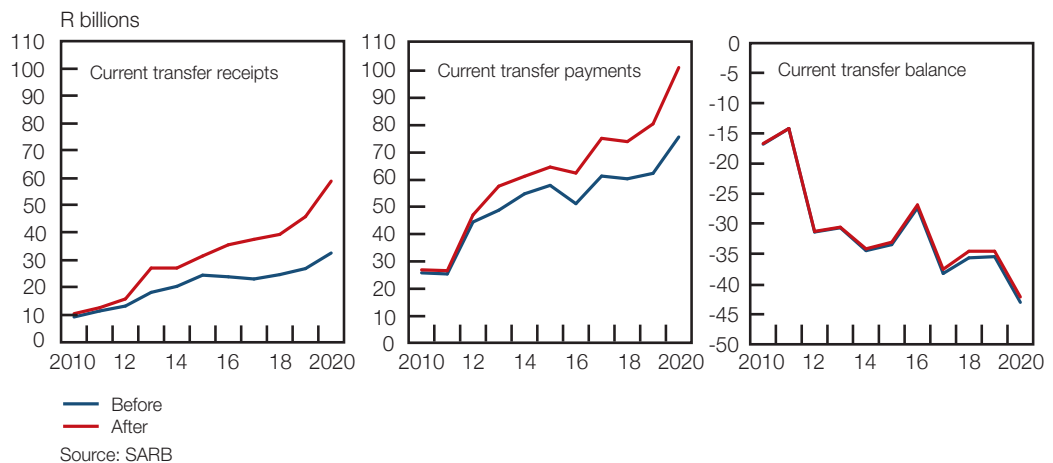
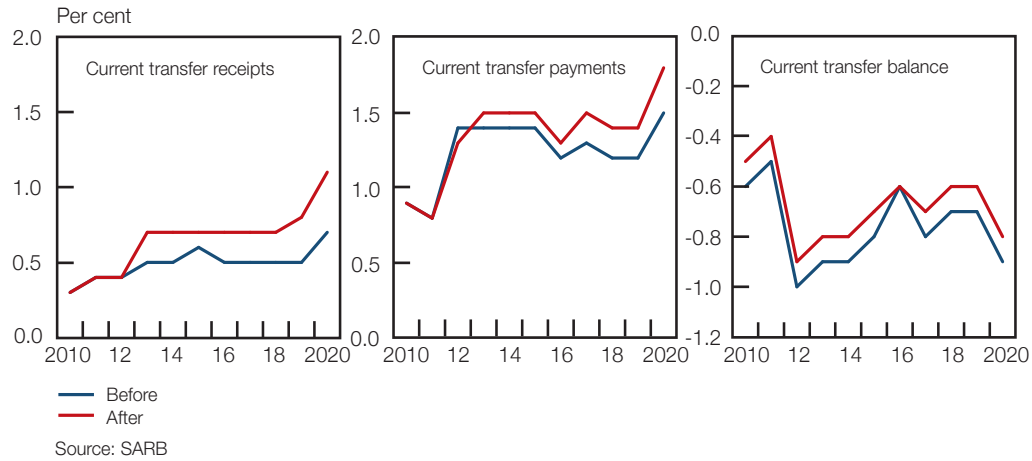


Figure 9 Current transfer receipts and payments as a percentage of gross domestic product



## Terms of trade

The terms of trade measures a country's purchasing power of exports relative to the imports of goods and services, as reflected by the relationship between the relative prices of the exports and imports of goods and services at an aggregate level.

Table 2 Terms of trade

Index: 2015 = 100

	2013	2014	2015	2016	2017	2018	2019	2020	Average 2013–20
<b>Export prices</b>									
<i>Before</i> * .....	95.7	100.9	100.0	108.8	113.3	116.6	124.5	138.6	112.3
<i>After</i> .....	95.7	100.8	100.0	109.0	113.2	116.7	125.8	143.0	113.0
<b>Import prices</b>									
<i>Before</i> * .....	96.9	103.8	100.0	107.0	106.6	112.8	117.2	119.8	108.0
<i>After</i> .....	96.0	103.3	100.0	107.2	106.5	112.3	116.0	120.6	107.7
<b>Terms of trade</b>									
<i>Before</i> * .....	98.7	97.2	100.0	101.7	106.2	103.5	106.2	115.7	103.7
<i>After</i> .....	99.8	97.7	100.0	101.6	106.2	104.0	108.4	118.5	104.5

\* For comparability, index values of 2010 were converted to 2015.

Source: SARB



The terms of trade was impacted by the revised nominal and real estimates of the exports and imports of goods and services, which changed the derived export and import prices. Among other things, the prices of some mining commodities that are applied to deflate the relevant components of GDP changed, while some price indices used to deflate imported goods were revised. On balance, the revision increased export prices and decreased import prices in more recent years, which further steepened the upward trend in the terms of trade from 2018 onwards.

Figure 10 Terms of trade

