

Note on the revision of South Africa's nominal and real effective exchange rate indices

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Introduction

The South African Reserve Bank (SARB) compiles and periodically revises South Africa's effective exchange rate (EER) indices to ensure that the bilateral weights of the trading-partner countries included in the calculation of the rand's EER indices reflect changes in global trade patterns and evolving structural changes of the domestic economy. These revisions include both the nominal effective exchange rate (NEER) and the real effective exchange rate (REER). The NEER measures the value of the rand against a weighted basket of currencies of South Africa's largest trading-partner countries, while the REER adjusts the NEER for inflation differentials and indicates the relative competitiveness of domestic producers in foreign markets.

The revised EER indices reflect changes since the previous revision in 2020 in both the coverage and relative importance of South Africa's trading partners in manufactured goods.² The current (2026) revision is based on trade data for 2022–2024, while the previous revision (2020) drew on trade data for 2015–2017 (Joubert et al., 2020). In line with previous periodic revisions, the base year also changed, from 2015 during the previous revision to 2022 in the current revision.

This note outlines the methodology used to compile South Africa's EER indices, presents the revised indices and highlights the main observations from the 2026 revision. The revised weights used to calculate the NEER and REER apply from 3 January 2022, while the revised indices will be published from 29 September 2026.

Methodology

The methodology used to compile South Africa's EER indices (Walters and De Beer, 1999) is aligned with the International Monetary Fund's (IMF) Information Notice System (INS), which was established in 1983 to facilitate the surveillance of exchange rate policies of IMF member countries. The INS uses the United Nations (UN) Comtrade Database³ on trade in manufactured goods classified under categories 5–8 of the Standard International Trade Classification (SITC), excluding category 68.⁴

Although compiling the EER indices requires an appropriate base year, exchange rates and a price deflator, updating depends mainly on UN Comtrade data, which typically has a publication lag. As in previous revisions, the weights assigned to trading-partner countries were computed by considering three elements of competition in international trade. The first is import competition, which reflects the extent to which bilateral imports compete with similar goods produced domestically. The second is export competition, which captures competition between South Africa's bilateral exports to trading partners and similar goods produced in each trading partner's domestic market. The third is competition in third markets, which reflects competition between South African exports and exports of bilateral trading partners to other countries. The second and third elements collectively approximate the competitiveness of locally produced goods against similar foreign-produced goods in the international market.

The UN Comtrade data and this methodology were used to identify South Africa's major trading-partner countries (including countries retained, excluded or newly added to the basket), determine new bilateral import and export positions as well as derive the third-market weights presented in Table 1.

¹ The views expressed in this note are those of the authors and do not necessarily reflect those of the South African Reserve Bank (SARB).

² The EER indices for South Africa are only based on trade in manufactured goods and do not include trade in services.

³ See <https://comtrade.un.org/>

⁴ SITC-5: Chemicals and related products, SITC-6: Manufactured goods classified mainly by material, SITC-7: Machinery and transport equipment, SITC-8: Miscellaneous manufactured articles and SITC-68: Non-ferrous metals.



For the current revision, the SARB selected 2022 as the base year because this period exhibited relatively stable macroeconomic and financial market conditions. Daily middle spot exchange rates⁵ were used as the source data for the calculation of the NEER.

5 As measured at 10:30 South African time.

The NEER is calculated using geometric averages of the daily bilateral exchange rates against the South African rand. The percentage changes in daily bilateral exchange rates against the South African rand were weighted according to the relative importance of major trading-partner countries.⁶

6 The compilation methodology and formulas are presented in Annexure A.

To accurately calculate the REER, the price index used to deflate the NEER should be representative of traded goods, preferably manufactured goods. For South Africa, the producer price index (PPI) for manufactured goods has been regarded as the most appropriate price deflator since the introduction of the REER. Although trading-partner PPIs are mostly used, for a few countries where PPIs are not available the SARB uses the consumer price index (CPI)⁷ as a proxy for the price deflator. As noted by Bose (2014), there is 'no single REER price measure that captures all the aspects of international price/cost competitiveness'. Alternative price measures include relative export prices, unit labour costs, gross domestic product and expenditure deflators as well as import and export unit value indices.

7 These countries are Mozambique, Zambia, Botswana and the United Arab Emirates. For India and Saudi Arabia, the wholesale prices are used.

Results

Similar to the previous revision, South Africa recorded a trade deficit in manufactured goods in the current revision. South Africa's trade deficit in manufactured goods accounted for 60.6% of imported manufactured goods and 39.4% of exported manufactured goods in the current revision. As a result, imports (beta M) carried more weight than exports (beta X) in determining the final weights.⁸ The revised 2026 EER indices broadly track the previously published time series. The 2026 NEER is only marginally higher than the 2020 NEER, with a daily average deviation of 0.1 index points.

8 See beta M and beta X in the formulas in Annexure A.



Table 1 South Africa's trading-partner weights for international trade in manufactured goods*

Per cent

Country/area	Bilateral imports		Bilateral exports		Third markets	
	Previous**	New***	Previous**	New***	Previous**	New***
China.....	30.25	35.73	5.89	5.85	15.18	29.39
Euro area.....	30.04	23.71	34.65	34.50	31.72	24.64
United States.....	10.43	11.07	11.60	12.34	10.77	9.47
India	5.27	7.74	2.14	1.22	4.15	5.61
Japan	4.42	3.27	3.89	2.12	5.81	6.40
United Kingdom	3.94	2.30	4.24	4.57	4.18	2.17
Thailand.....	2.01	2.12	1.12	0.65	1.59	1.91
Vietnam.....	2.34	1.73	0.20	0.10	1.09	2.56
Poland.....	1.23	1.39	0.41	0.26	0.61	1.41
Republic of Korea.....	2.11	1.31	2.29	1.07	3.78	6.36
Sweden.....	1.51	1.26	0.47	0.20	0.72	0.84
Saudi Arabia.....	0.85	1.12	0.77	0.62	0.66	0.58
Brazil	1.21	1.08	1.24	0.82	0.83	0.38
Türkiye.....	-	0.96	-	0.75	-	0.97
Mexico	-	0.95	-	0.71	-	1.40
Switzerland.....	1.36	0.91	1.07	0.17	1.28	1.42
Czechia	-	0.84	-	1.27	-	1.00
Indonesia.....	-	0.82	-	0.97	-	1.00
Botswana	0.79	0.70	10.21	8.11	5.17	0.10
Australia	0.49	0.39	2.79	2.66	1.70	0.55
United Arab Emirates.....	0.39	0.34	3.80	5.72	3.13	1.63
Mozambique	0.12	0.15	4.89	8.01	2.63	0.07
Zambia	0.24	0.10	7.33	7.33	3.73	0.16
Malaysia	1.00	-	0.99	-	1.26	-
Total	100	100	100	100	100	100

* Ranked according to the new bilateral import weights

** 'Previous' refers to 2015–2017

*** 'New' refers to 2022–2024

Components may not add up to 100 due to rounding off.

Source: SARB



Figure 1 Nominal effective exchange rate of the rand

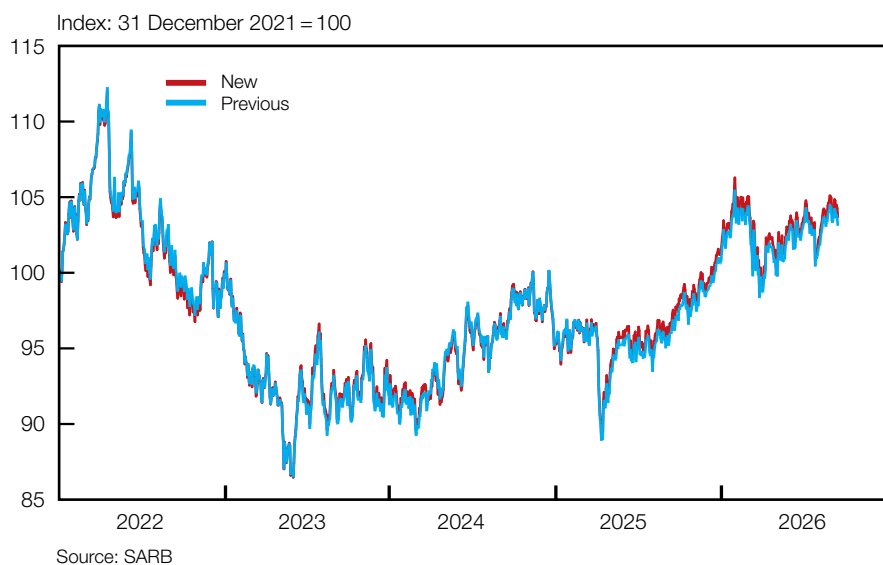
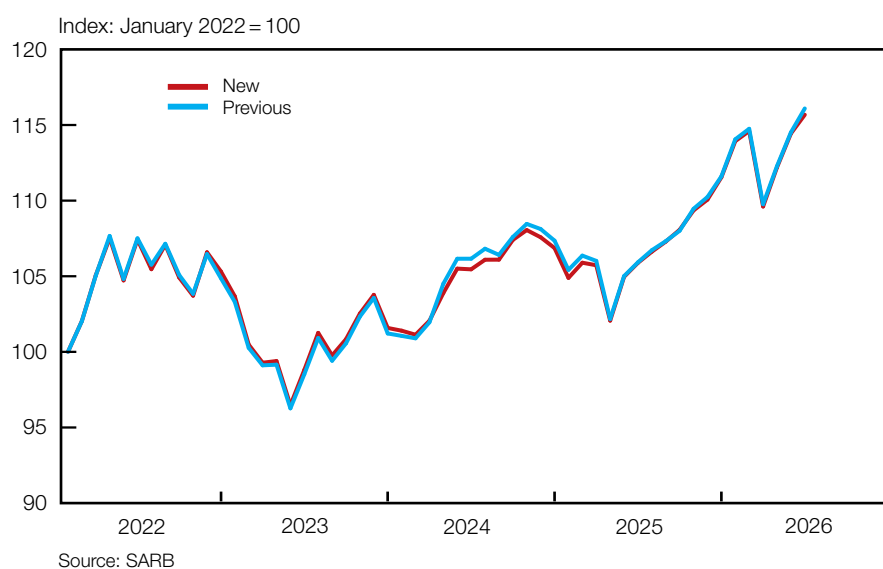


Figure 2 Real effective exchange rate of the rand



The revised REER also differs only marginally from the previous series, mostly between early 2024 and early 2025, indicating that South Africa was slightly more competitive during this period as its inflation differential with the newly weighted basket of trading-partner countries narrowed.



Table 2 Total trade weights of South Africa's trading-partner countries

Country/area	Prior to 1999	1999	2003	2008	2014	2020	2026
China.....	2.91	3.11	3.14	12.49	20.54	24.53	28.60
Euro area.....	38.58	35.70	36.38	34.82	29.26	30.68	26.01
United States.....	14.44	15.15	15.47	14.88	13.72	10.56	11.00
India	-	-	-	2.01	3.98	4.85	6.03
Japan	9.90	10.26	10.43	10.12	6.03	4.95	3.66
United Kingdom	14.09	14.91	15.37	10.71	5.82	4.03	2.72
Republic of Korea.....	2.50	2.57	2.64	1.96	3.10	2.75	2.26
Botswana	-	-	-	-	2.09	2.45	2.04
Thailand.....	-	-	-	-	1.86	1.85	1.79
Mozambique	-	-	-	-	0.97	1.07	1.68
United Arab Emirates.....	-	-	-	-	-	1.43	1.66
Vietnam	-	-	-	-	-	1.87	1.57
Zambia	-	-	-	0.80	1.42	1.56	1.53
Poland.....	-	-	-	-	0.89	0.99	1.17
Mexico	-	-	-	-	-	-	0.99
Sweden.....	1.58	1.79	1.81	1.99	1.81	1.21	0.97
Czechia	-	-	-	-	-	-	0.96
Türkiye.....	-	-	-	-	-	-	0.92
Saudi Arabia.....	-	-	-	-	-	0.78	0.91
Brazil	-	-	-	1.37	1.16	1.06	0.89
Indonesia.....	-	-	-	-	-	-	0.89
Australia	1.59	1.62	1.68	2.04	1.19	0.95	0.87
Switzerland.....	4.99	5.28	5.54	2.83	1.78	1.33	0.86
Malaysia	-	-	-	-	1.27	1.10	-
Hong Kong SAR.....	2.59	2.62	2.70	1.48	-	-	-
Zimbabwe	2.27	2.27	-	-	1.25	-	-
Canada	1.87	1.93	1.96	-	0.98	-	-
Singapore.....	1.55	1.62	1.66	1.40	-	-	-
Israel	1.14	1.17	1.22	1.11	0.88	-	-
Total.....	100	100	100	100	100	100	100

Components may not add up to 100 due to rounding off.

Source: SARB



Main observations from the 2026 revision

The observations from the 2026 revision to South Africa's EER indices are summarised below:

- The number of trading-partner countries in the trade-weighted basket increased from 20 to 23. Malaysia was removed, while Czechia, Indonesia, Türkiye and Mexico were newly included.
- Although the number of currencies in the NEER basket increased, the export and import coverage ratios⁹ of total manufactured goods changed only slightly. Import coverage rose from 89.7% in the 2020 revision to 92.8% in the 2026 revision, while the export coverage ratio fell from 78.1% to 77.7%.
- Two criteria were imposed in the selection of currencies for the revised EER indices: (i) data availability for exchange rates and price deflators; and (ii) the extent of exchange rate instability and lack of consistency in the exchange rate regime. Consequently, Zimbabwe and the Democratic Republic of the Congo (DRC) were excluded, although both were among the leading trading partners.
- The decrease in the export ratio is partially explained by the exclusion of Zimbabwe¹⁰ and the DRC¹¹, which accounted for about 5.9% and 2.9% respectively of South Africa's manufacturing exports during the 2022–2024 period. Despite accounting for about 9% of South Africa's manufacturing exports, Namibia, Lesotho and Eswatini were also excluded as they form part of the Common Monetary Area and their currencies are pegged to the South African rand.
- The remaining African countries – namely Botswana, Zambia and Mozambique – together accounted for a total trade weight of 5.3%.
- China, the euro area, the United States (US), India and Japan remained South Africa's five largest trading partners in manufactured goods. However, their relative ranking changed as China overtook the euro area to become South Africa's largest trading partner.
- China has been South Africa's fastest-growing trading partner since 2003, moving from sixth position in the 2003 EER revision to second position in the 2014 and 2020 revisions, and to first position in the 2026 revision. China's trade weight increased from 24.5% in the 2020 revision to 28.6% in 2026. However, South Africa runs a large trade deficit with China: China accounted for 35.7% of manufacturing imports and for only around 5.9% of manufacturing exports. China's dominance in the third-market weights, which almost doubled in the 2026 revision, also increased its overall weight in the EER indices.
- The decline in the overall weight of the euro area largely reflected the significant decrease in both its bilateral import weight and its third-market weight.
- India surpassed Japan to become South Africa's fourth-largest trading partner. South Africa's trade deficit with India reflects significant imports of machinery and transport equipment as well as chemical and related products, which increased the bilateral import weight to 7.7%, while the bilateral export weight decreased in the current revision.
- The United Kingdom's (UK) overall weight declined steadily across successive revision periods, reaching 2.7% in 2026. During the current revision, its bilateral import and export weights as well as its third-market weight decreased. The latter suggests a reduction in the relative importance of the UK in trade flows among South Africa's major trading partners.

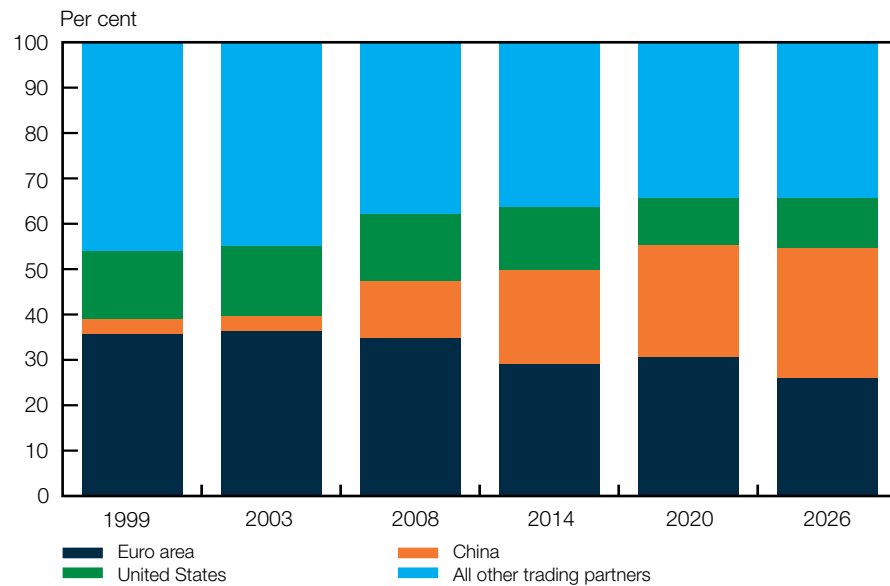
9 The coverage ratios represent the import or export share of the 23 trading partners in South Africa's total imports or exports.

10 South Africa's exports to Zimbabwe increased from an average of US\$1.42 billion in 2015–2017 to an average of US\$2.4 billion in 2022–2024. South Africa's imports from Zimbabwe averaged US\$47 million over the 2022–2024 period. Within manufacturing goods, machinery and transport equipment accounted for the largest share of South African exports to Zimbabwe.

11 During the 2022–2024 period, South Africa's exports to and imports from the DRC averaged US\$1.2 billion and US\$5.0 million respectively.

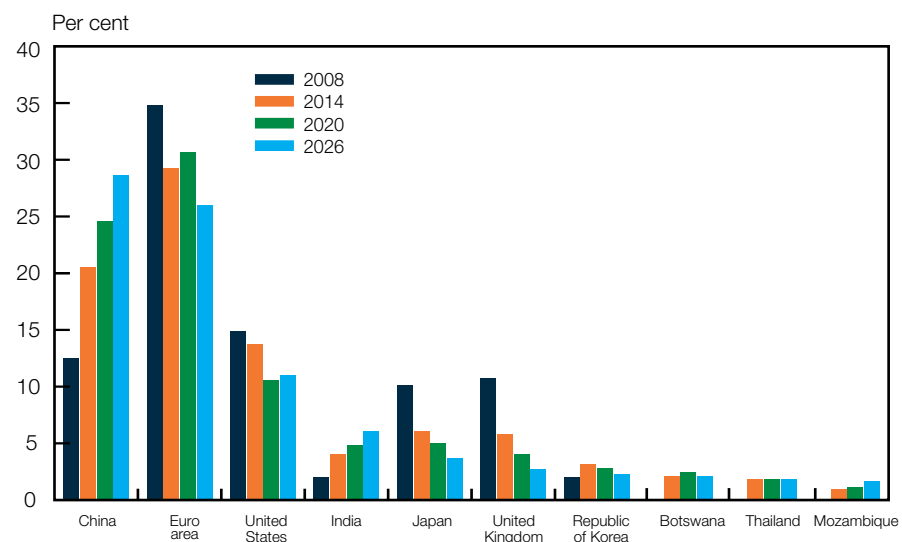


Figure 3 South Africa's trade weight by trading partner



Sources: UN and SARB

Figure 4 Evolution of South Africa's top 10 trading-partner weights



Sources: UN and SARB

Conclusion

The 2026 revision of South Africa's EER indices aligns them with the most recent international trade patterns and confirms China's growing importance in South Africa's external trade. China's trade weight increased markedly from 3.1% in 1999 to 28.6% in 2026, indicating a significant increase in South Africa's economic and financial exposure to Chinese prices and currency movements. Despite the decline in the trade weight of the euro area to second place, it remained an important trading partner.

References

Bose, D. 2014. 'Real exchange rates and international competitiveness concepts, measures and trends in New Zealand'. Paper presented at the New Zealand Association of Economists Conference, 2–4 July. Wellington.

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Annexure A: The formulas used in the compilation of the effective exchange rates

In considering the effective exchange rate (EER) basket of economy i (South Africa) and the weights assigned to economy j , assume there are k foreign markets in which the producers of country i and country j compete. As such, the following equations capture import competition, direct export competition and export competition in third markets.

Let $X_i^k(M)$ represent country i 's exports of manufactured goods to market k . $S_j^k(M)$ represents country j 's share of all manufactured exports to market k and $W_i^k(M)$ is the share of country i 's exports of manufactured goods shipped to market k . Therefore:

$$S_j^k(M) = \frac{X_j^k(M)}{\sum_{i \neq k} X_i^k(M)}$$

$$W_i^k(M) = \frac{X_i^k(M)}{\sum_{n \neq i} X_i^n(M)}$$

$\beta_i^m(M)$ and $\beta_i^x(M)$ represent the share of imports and exports respectively in country i 's international trade in manufactured goods:

$$\beta_i^m(M) = \frac{\sum_{j \neq i} X_j^i(M)}{\sum_{j \neq i} X_j^i(M) + \sum_{n \neq i} X_i^n(M)}$$

$$\beta_i^x(M) = \frac{\sum_{n \neq i} X_i^n(M)}{\sum_{j \neq i} X_j^i(M) + \sum_{n \neq i} X_i^n(M)}$$

$W_{ij}(M)$ represents the sum of two components: the import component $\beta_i^m(M)MW_i^j(M)$, which reflects competition in the home market (country i), and the export component $\beta_i^x(M)XW_i^j(M)$, which reflects competition in all foreign markets:

$$\begin{aligned} W_{ij}(M) &= \beta_i^m(M)MW_{ij}(M) + \beta_i^x(M)XW_{ij}(M), \text{ where} \\ MW_{ij}(M) &= S_j^i(M) \text{ and} \\ XW_{ij}(M) &= \frac{1}{2}BXW_{ij}(M) + \frac{1}{2}TXW_{ij}(M) \\ &= \frac{1}{2}W_i^j(M) + \frac{1}{2} \frac{\sum_{k \neq i} W_i^k(M) S_j^k(M)}{\sum_{k \neq i} W_i^k(M) (1 - S_j^k(M))} \end{aligned}$$

The import weight, $MW_{ij}(M)$, is the share of country i 's imports of manufactured goods from country j . The bilateral export weight, $BXW_{ij}(M)$, is the share of country i 's exports of manufactured goods to country j . The third-market export weight, $TXW_{ij}(M)$, is equal to the weighted average over all third-country markets of country j 's import share *divided by* a weighted average of the combined import share of all country i 's competitors, where the weights are the shares of country i 's exports to the various markets. The bilateral and third-market export weights are arbitrarily given equal importance in the computation of the overall export weight, $XW_{ij}(M)$.

