Current Account

ECONOMICS | SOUTH AFRICA

Current account deficit remains unchanged, supported by smaller shortfalls in services and transfers

- The current account deficit was broadly unchanged in Q3, narrowing to a seasonally adjusted and annualised R70.8 billion from a downwardly revised R75.3 billion in Q2. As a ratio of GDP, this translates to a deficit of 1%, unchanged from Q2, but smaller than the deficits of 1.5% in Q1 and 2.3% in Q4 2023. The steady reading was driven by a smaller shortfall in services and current transfers, offsetting a deterioration in the income and trade accounts.
- The trade surplus narrowed during the quarter. Merchandise exports contracted by a steep 5.1% qoq from a 1.1% increase in the previous quarter, mainly weighed down by a 3.5% dip in export volumes. The decline in volumes is likely due to muted global demand conditions. The basket price of exports also eased, declining by 0.2%, following an expansion of 2.5% in Q2.
- Net gold exports reversed course in Q3, dipping by 7.8% following a 34% expansion in Q2. The decline is predominantly reflective of a significant moderation in export volumes, given that the price of gold was up 13.3% during the quarter. Total exports (including net gold exports) decreased by 5.3% in Q3 (vs 3% in Q2).
- Merchandise imports contracted by 5.6%, following a 2.5% expansion in the previous quarter. The deterioration was driven by volumes and prices, which contracted by 3.9% (vs. +1.7% in Q2) and 0.8% (vs. +1.4% in Q2), respectively.
- The terms of trade, including gold (i.e. the ratio of export to import prices) deteriorated following three consecutive quarters of recovery, declining to 0.5% from 2% in Q2.
- The non-trade deficit narrowed slightly to 3.4% of GDP (from 3.5%). The improvement emanated from a narrower deficit in the services and secondary income accounts, which offset a wider deficit in the income account. The deficit on the secondary income account (including transfers without quid pro quo) was flat at 0.7% of GDP, while that of services narrowed to 1% of GDP (from 1.2%). In contrast, the primary income deficit (which covers income from interest, profit, and dividends) widened to 1.8% of GDP from 1.6% as income payments climbed by 3.3% while receipts contracted by 0.8%.

Table 1: Current Account (seasonally adjusted and annualised, R billion)

	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24
Merchandise exports	1930.0	1950.0	1952.0	1887.0	1898.0	1922.0	1895.0	1917.0	1820.0
Merchandise imports	1792.0	1959.0	2020.0	1832.0	1929.0	1934.0	1842.0	1888.0	1782.0
Net gold exports	86.0	120.0	94.0	127.0	122.0	116.0	113.0	151.0	139.0
Trade balance	224.0	114.0	30.0	181.0	88.0	103.0	166.0	180.0	177.0
Services & income balance	-254.0	-177.0	-218.0	-214.0	-254.0	-215.0	-273.0	-255.0	-248.0
Current account	-30.0	-65.0	-191.0	-29.0	-163.0	-112.0	-107.0	-75.0	-71.0
Current account/GDP (%)	-0.5	-0.9	-2.7	-0.4	-2.3	-1.6	-1.5	-1.0	-1.0

Source: SARB

- The sizeable trade surplus, which has been the key to containing the current account deficit, will likely narrow further over the final stretch this year and throughout 2025. The anticipated recovery in domestic demand will likely boost import volumes, probably more than exports, which should also benefit from firmer global growth as disinflation continues and interest rates ease. However, the upside for exports will still be contained by generally inefficient electricity and logistics relative to our main trading partners. At the same time, the global outlook remains uncertain, given the threat of higher tariffs and other protectionist measures. The non-trade deficit will likely persist as dividend payments increase, partly in response to a moderate improvement in foreign holdings of SA financial assets over the next few years. In contrast, service receipts should accelerate, bolstered by increased tourist arrivals, while transfers remain steady. Altogether, the current account deficit is forecast to widen in 2025, after narrowing to around 1.2% of GDP this year from 1.6% in 2023.

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