Current Account

ECONOMICS | SOUTH AFRICA

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The current account deficit narrowed as gold exports rebounded

- The current account deficit narrowed to a seasonally adjusted and annualised R31.6 billion or 0.4% of GDP in Q4, significantly less than the R55.6 billion deficit or 0.8% of GDP recorded in Q3. The trade surplus widened due to a resurgence in exports, notably net gold exports, which accelerated at their fastest pace since Q3 2020. This improvement offset a slightly wider deficit in the services and secondary income accounts. The country's external position improved notably in 2024, with the deficit easing to 0.6% of GDP from 1.6% in 2023.
- The trade surplus widened, led by net gold exports. Total exports including gold rebounded by 2.6% qoq in Q4, after shrinking by a sharp 6.2% in Q3. Merchandise imports increased by 1%, also recovering from a 5.6% contraction in Q3. Import volumes climbed by 2% from a 4.1% dip, while import prices fell by 0.8% over the quarter.
- Net gold exports accelerated by 41.2% in Q4, rising at its fastest pace since Q3 2020, when it jumped by 62.5%. Export volumes and prices contributed to the rebound. Safe-haven and central bank demand for gold increased significantly on the back of heightened global uncertainty. As a result, the rally in the gold price continued, trading close to $2900 per ounce in recent days.
- Merchandise exports remained weak, contracting by a further 0.4% qoq, albeit less severe than the 6.1% plunge recorded in Q3. Encouragingly export volumes increased by 1% following 3 consecutive quarters of contraction. However, the basket price of exports declined by 0.8%, after falling by 0.6% in Q3. Soft commodity prices were to blame.
- The terms of trade, including gold (i.e. the ratio of export to import prices) improved notably, boosted mainly by the surging gold price. The ratio increased by 1.5% from a revised 0.2% gain.
- The non-trade deficit widened slightly to 3.6% of GDP (from 3.5%). The deficit on the services and secondary income account widened slightly. The deficit on the secondary income account (including transfers without quid pro quo) increased to 0.6% of GDP (from 0.5%), while that of services rose to 1% of GDP (from 0.8%). In contrast, the primary income deficit (which covers income from interest, profit, and dividends) narrowed to 2% of GDP from 2.2% as income payments increased far more than receipts.

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

	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24
Merchandise exports	1950.0	1952.0	1887.0	1898.0	1922.0	1938.0	1963.0	1843.0	1836.0
Merchandise imports	1959.0	2020.0	1832.0	1929.0	1934.0	1844.0	1888.0	1782.0	1800.0
Net gold exports	120.0	94.0	127.0	122.0	116.0	113.0	151.0	139.0	197.0
Trade balance	114.0	30.0	181.0	88.0	103.0	206.0	226.0	200.0	233.0
Services & income balance	-177.0	-218.0	-214.0	-254.0	-215.0	-268.0	-256.0	-256.0	-265.0
Current account	-65.0	-191.0	-29.0	-163.0	-112.0	-61.0	-30.0	-56.0	-32.0
Current account/GDP (%)	-0.9	-2.7	-0.4	-2.3	-1.6	-0.8	-0.4	-0.8	-0.4

Source: SARB

- The current account deficit narrowed significantly in 2024, driven by a sizeable trade surplus, bolstered by the rebound in gold exports. We expect the trade surplus to narrow in 2025. Export volumes should improve, aided by more reliable electricity supply, slightly smoother logistics and steady albeit uninspiring global demand. Gold export volumes and prices should remain robust given the increasingly uncertain geopolitical landscape and the evolving global trade war. However, imports will likely outpace exports. Imports will be propped up by stronger consumer spending and a modest recovery in fixed investment, supported by rising real incomes, subdued inflation, moderately lower interest rates and increased outlays of infrastructure by general government. The non-trade deficit will persist as income payments increase on firmer domestic growth, higher corporate profits and therefore increased dividend payments. Service income will be supported by robust tourist arrivals, while transfers will likely remain relatively steady. Overall, the current account deficit is forecast to widen slightly in 2025.

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