Current Account

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Current account deficit narrows on robust net gold exports and a smaller shortfall on the income account

- The current account deficit narrowed significantly in Q2, easing to a seasonally adjusted and annualised R64.6 billion from an upwardly revised R106.2 billion in Q1. As a ratio of GDP, this translates to a deficit of 0.9%, a noticeable recovery from the 1.5% in the previous quarter. The improvement in the deficit was driven by a larger trade surplus and a smaller shortfall in the income account, which helped offset the wider deficits in the secondary income and services accounts.
- The wider trade surplus was led by exports, which, with the help of net gold exports, accelerated at a much faster pace than imports. Merchandise exports accelerated by 1.7% qoq (up from a 0.1% contraction in the previous quarter), mainly bolstered by a 2.6% increase in the basket price of exports, reflecting the stronger rand. Export volumes have recovered slightly, contracting by 1.1% in Q1, at a much softer pace than the 2.6% in the previous quarter. Nonetheless, the decline in volumes continues to point to still subdued demand in key trade partner economies.
- Notably, net gold exports surged by 34% qoq after falling by 7.6% in the previous quarter. The surge was mainly driven by the gold price, which climbed by 4.5% during the quarter as demand for the safe-haven asset increased on uncertainties surrounding geopolitical tensions and the timing of US interest rate cuts. Total exports (including net gold exports) increased by 3.5% in Q2 (versus -0.6% in Q1).
- Merchandise imports rebounded during the quarter, up by 2.6%, following a 4.5% contraction in the previous quarter. The recovery was driven by both volumes and prices, which increased by 1.7% (versus 5% in Q1) and 1.3% (versus 0.5% in Q1), respectively.
- The terms of trade, including gold (i.e. the ratio of export to import prices), continued to recover, rising for a second consecutive quarter to 2.1% from 1.7% in Q1.
- The non-trade deficit narrowed to 3.4% of GDP (from 3.8%) during the quarter. The improvement emanated from a softer deficit on the primary income account, while the shortfalls on the secondary income and services accounts widened. The primary income deficit (which covers income from interest, profit, and dividends) narrowed to 1.6% of GDP from 2.2% following a 11% contraction in income payments. The deficit on the secondary income account (including transfers without quid pro quo) widened to 0.7% (from 0.6%) of GDP, while that of services widened to 1.1% of GDP (from 0.9%).

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

	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24
Merchandise exports	1829.0	1930.0	1950.0	1952.0	1887.0	1898.0	1922.0	1895.0	1927.0
Merchandise imports	1907.0	1792.0	1959.0	2020.0	1832.0	1929.0	1934.0	1842.0	1890.0
Net gold exports	90.0	86.0	120.0	94.0	127.0	122.0	116.0	113.0	151.0
Trade balance	12.0	224.0	114.0	30.0	181.0	88.0	103.0	166.0	187.0
Services & income balance	-190.0	-254.0	-177.0	-218.0	-214.0	-254.0	-215.0	-273.0	-252.0
Current account	-155.0	-30.0	-65.0	-191.0	-29.0	-163.0	-112.0	-107.0	-65.0
Current account/GDP (%)	-2.3	-0.5	-0.9	-2.7	-0.4	-2.3	-1.6	-1.5	-0.9

- The significant recovery in the current account is welcomed but does not suggest a turn-around in global and domestic economic conditions. Inflation has continued to ease across the world, but interest rates largely remain elevated, with only a few key economies having cut and by a small margin. Demand conditions should begin to recover more convincingly and sustainably towards the end of 2024 as declining inflation and interest rate cuts bolster overall trade. However, exports will likely continue to outweigh imports as muted growth and fixed investment activity weigh on domestic demand. We expect the trade account to remain in a surplus, albeit softer, for the remainder of the year. The non-trade deficit should improve slightly during the year as income payments remain contained by muted domestic growth and declining investment, while income receipts will also ease, but at a softer pace. Furthermore, services receipts should increase modestly on the ongoing recovery in global travel. For the year, we expect a slightly smaller current account deficit of 1.2% of GDP from 1.6% in 2023.

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