

Box 2 Unpacking South Africa's external trade in goods and services¹

This box analyses the drivers of South Africa's trade in goods and services since the significant impact of the coronavirus disease 2019 (COVID-19) pandemic in 2020, by unpacking it into export and import values as well as volumes and prices, and showing how changes in these prices affected the terms of trade.

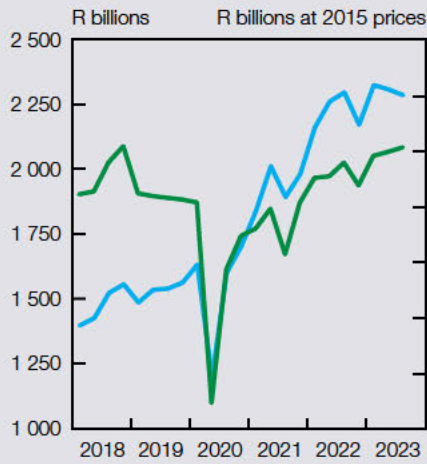
The value of exports and imports of goods and services declined sharply in the second quarter of 2020, along with a similar decrease in volumes. Subsequently, the value of the exports and imports of goods and services recovered and exceeded pre-COVID-19 levels from the fourth quarter of 2020 and the first quarter of 2021 respectively. On balance, this partly reflected both higher export and import prices despite occasional declines, particularly in export prices. The recovery in volumes lagged somewhat and only exceeded pre-COVID-19 levels from the fourth quarter of 2021 for imports and from the first quarter of 2022 for exports. The value of exported goods consistently exceeded that of imports, which rendered a trade surplus throughout the period. By contrast, the large gap between services payments and receipts from the second quarter of 2020, partly due to COVID-19 restrictions on foreign tourists to South Africa, led to a sustained and larger shortfall on the services account than before the COVID-19 pandemic.

¹ This box relates to South Africa's external trade in goods and services balance of payments statistics on pages S-86, S-87, S-92 and S-93 in this edition of the *Quarterly Bulletin (QB)* and the South African Reserve Bank's quarterly statistical press release '*Balance of payments: current account of the balance of payments*', available at <https://www.resbank.co.za/en/home/publications/publication-detail-pages/quarterly-bulletins/current-account/2023/balance-of-payments--current-account-of-the-balance-of-payments0>



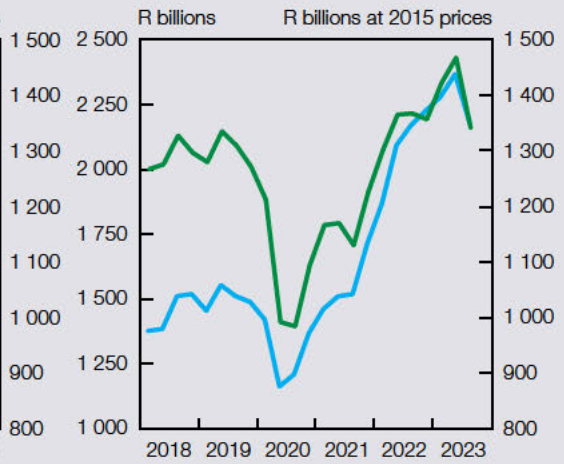


Exports of goods and services



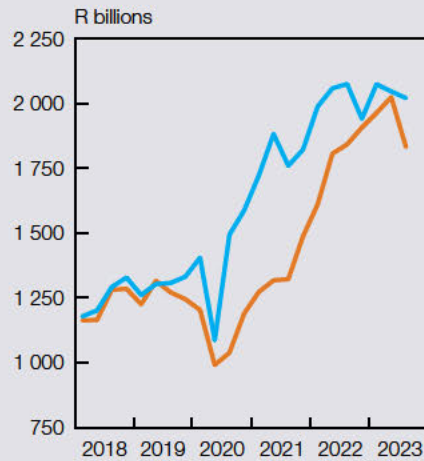
— Value
— Volume (right-hand scale)
Seasonally adjusted and annualised
Sources: Stats SA and SARB

Imports of goods and services



— Value
— Volume (right-hand scale)

Value of trade in goods



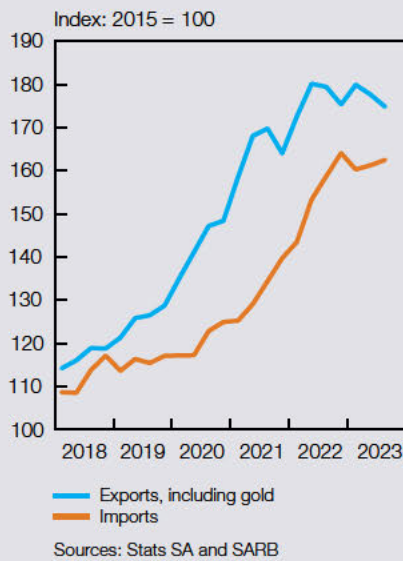
— Exports
— Imports
Seasonally adjusted and annualised
Sources: Stats SA and SARB

Value of trade in services

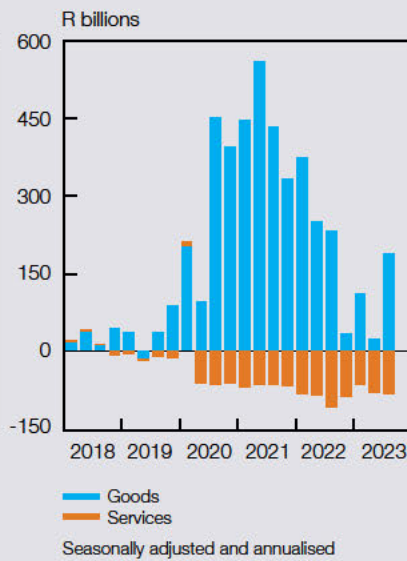


— Payments
— Receipts

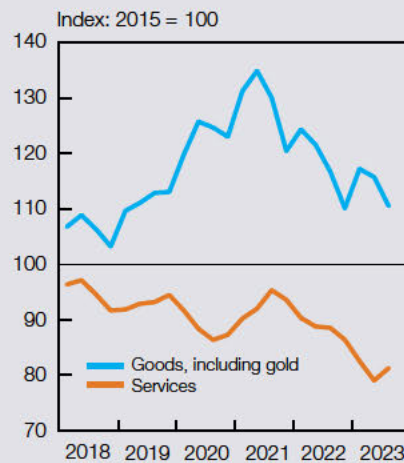
Export and import prices of goods and services



Goods and services balances



Terms of trade of goods and services, including gold



The value of trade in goods and services reflects changes in both volumes and prices, with that in prices determining the terms of trade.^{2,3} Changes in the terms of trade associate an increase with an improvement⁴ and a decrease with a deterioration.

Changes in South Africa's terms of trade are largely explained by goods rather than services prices, since the share of goods is larger than that of services for both exports and imports in volume terms.⁵

2 The terms of trade is calculated as the ratio of a country's export prices to import prices.

3 For a methodological discussion of the terms of trade, see 'Box 3: Unpacking South Africa's terms of trade' in the December 2020 edition of the *QB*, available at <https://www.resbank.co.za/en/home/publications/publication-detail-pages/boxes/2020/december-2020---unpacking-south-africa-s-terms-of-trade>

4 An improvement in the terms of trade could, among other things, reflect an increase in export prices concomitant with either unchanged or lower import prices; a smaller decline in export prices than in import prices; unchanged export prices with a related decrease in import prices; or export prices increasing at a faster pace than import prices.

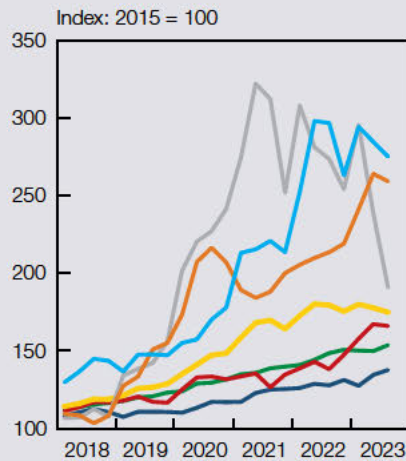
5 As from the first quarter of 2020, on average, the volume of goods accounted for 89.3% of total exports and 87.6% of total imports.





The increase in the terms of trade for the trade in goods from the first quarter of 2019 to the second quarter of 2021, and the subsequent decrease from the third quarter of 2020, reflects the impact of an increase and an ensuing decrease in international United States (US) dollar-denominated commodity prices as well as the fluctuations in the exchange value of the rand, given South Africa's status as a net commodities exporter. On the import side, the international US dollar price of Brent crude oil and the exchange value of the rand also had a significant impact on the terms of trade for the trade in goods.

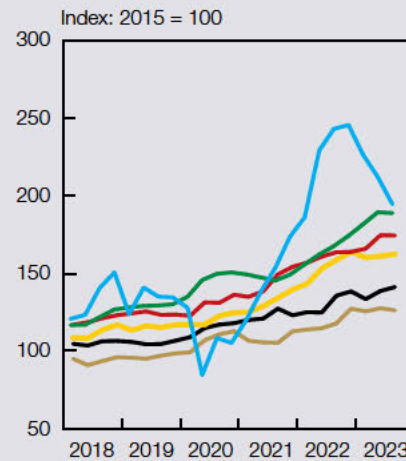
Export prices of goods and services



- Mineral products
- Net gold exports
- Precious and semi-precious metals and stones, excluding gold
- Total, including gold
- Vehicles and transport equipment
- Services
- Base metals

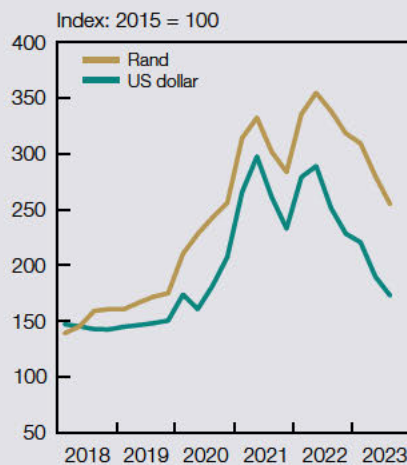
Sources: Stats SA and SARB

Import prices of goods and services



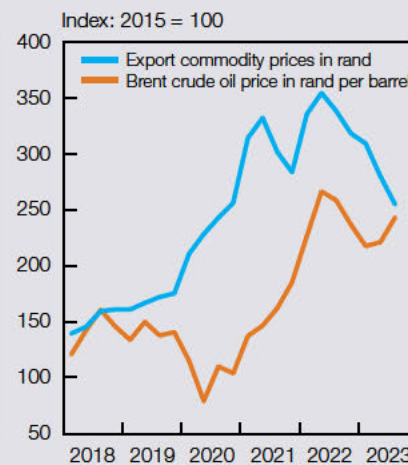
- Mineral products
- Services
- Vehicles and transport equipment
- Total
- Chemical products
- Machinery and electrical equipment

Export commodity prices



Sources: Afrifoersight, World Bank and SARB

Export commodity prices and import price of crude oil



Sources: Refinitiv and SARB

Changes in the global demand for commodities such as platinum group metals – which were affected by, among other factors, supplies of semiconductors – and crude oil were the key drivers of the exports and imports of goods prices during the period. The terms of trade for services deteriorated from the first quarter of 2020 to the third quarter of 2020 as the prices of services imports increased at a faster pace than services exports. The second quarter of 2020 recorded the fastest pace of increase in the prices of both import and export services as the prices of transportation and other business services increased sharply. The terms of trade for services subsequently improved from the fourth quarter of 2020 until the third quarter of 2021 as import prices declined while export prices increased further. However, import prices recovered and continued to rise until the second quarter of 2023, contributing to a deterioration in the terms of trade for services over this period.

