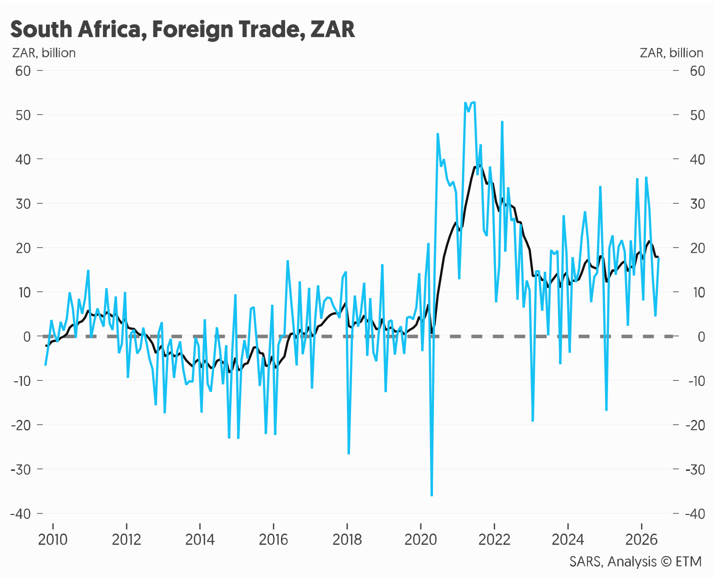
Key points

- The June trade account rebounded to a R17.75bn surplus, while May's deficit was revised to R4.44bn, reinforcing the view that cross-border flows remain supportive of the ZAR. The one-year smoothed surplus remains above R15bn per month, contributing constructively to the current account. Measured against GDP, the three-month smoothed trade balance also remains firmly positive, confirming that the external sector continues to provide an important structural tailwind for the currency despite broader market volatility overall in today's uncertain global trading environment.
- Gold and platinum exports remain central to the surplus, as elevated prices and a weaker ZAR encourage producers to repatriate revenues, while tighter monetary policy restrains credit growth, consumption and import demand. However, higher oil prices continue to erode the ZAR's potential for appreciation, given South Africa's dependence on imported crude and refined fuels. A widening trade deficit with China is an additional headwind, although cheaper Chinese goods and vehicles help contain inflation and preserve household disposable income.

BASELINE VIEW: South Africa's trade position will remain supportive of the ZAR, underpinned by precious-metal exports, a still-positive trade balance relative to GDP and a restrained domestic credit cycle. However, this support is unlikely to translate into sustained appreciation while oil prices remain elevated and the trade deficit with China continues to widen. Interest-rate differentials should therefore remain the near-term driver, with the trade account acting more as a buffer against weakness than a catalyst for gains.

Trade account remains supportive of the ZAR

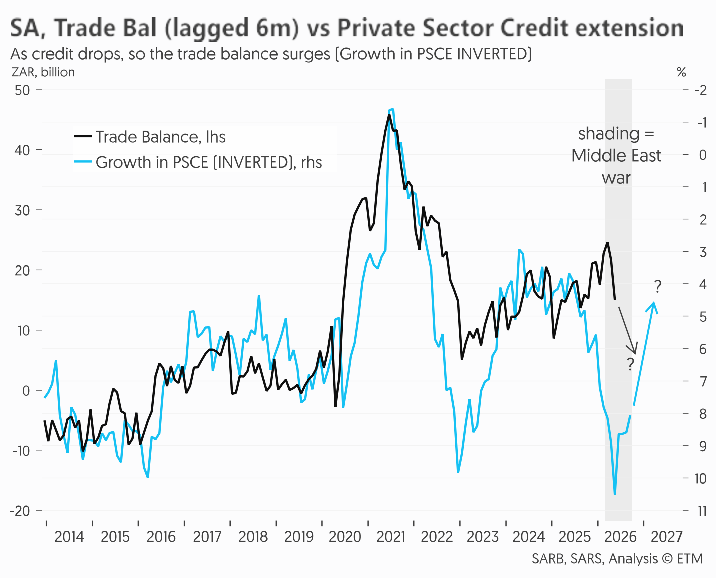


The latest trade data released today offers an update on broader cross-border dynamics that will impact the ZAR. The trade data roared back into surplus, while the historical data was revised upwards, confirming that there is still a very supportive trade balance element that helps drive the ZAR's tailwind. The latest data confirms that the surplus for June bounced back to R17.75bn, while the deficit seen in May was revised upwards to R4.44bn from a deficit of R1.79bn.

One would typically associate greater ZAR resilience with a stronger trade surplus. The one-year smoothed data remains comfortably above the R15bn monthly surplus, and this will contribute constructively to SA's current account of the Balance of Payments.

Beyond just analysing the trade data on a nominal basis, it is instructive to do so on a relative basis, calculating the trade account as a percentage of GDP. That analysis reveals that on a 3m smoothed moving average, the ratio of the trade surplus as a percentage of GDP is still firmly in surplus territory. It therefore remains a tailwind for the ZAR.

Understanding that the credit cycle could detract from the surplus



There is a reasonable correlation between the growth in Private Sector Credit Extension (PSCE) and the trade balance. The stronger the growth in credit extension, the greater the demand for imports, the worse the trade balance. The strength of the credit cycle, therefore, matters greatly and directly affects the performance of the ZAR.

What is important to note is that the SARB has started tightening monetary policy and will likely hike rates at least once more this year, possibly twice, ensuring the credit cycle remains under some pressure.

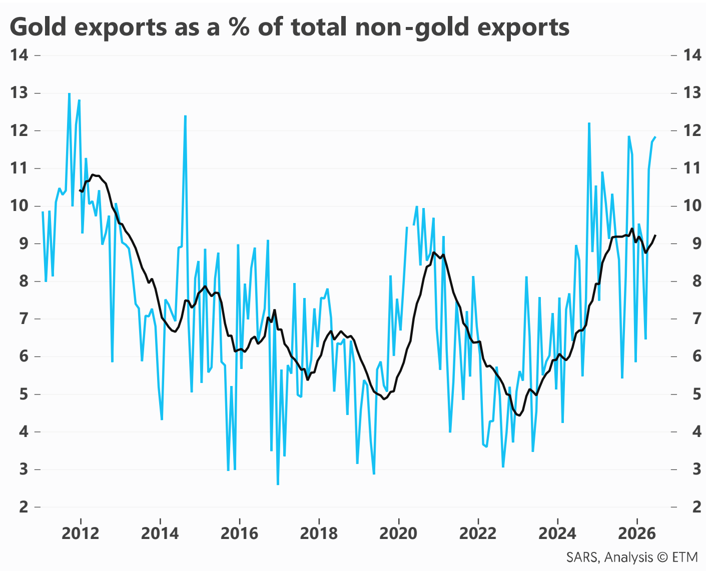
This is a less well-understood driver of the currency and reflects the indirect linkage between monetary policy and the ZAR's performance. In most cases, investors tend to think of the link as being the carry attractiveness associated with higher interest rates. However, the causal relationships among monetary policy, consumption, investment, and the strength of SA imports are equally important.

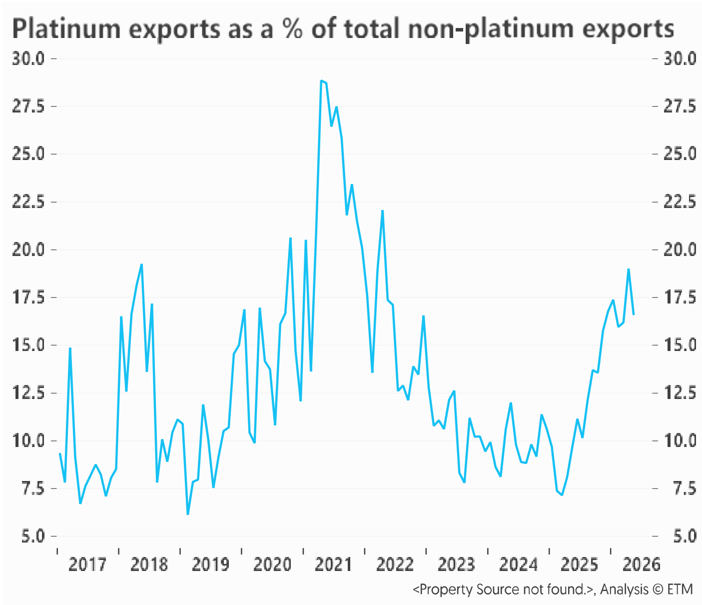
Gold and platinum key factors in supporting the ZAR

Once again, a key driver of the surplus was the buoyancy of the gold price and the strength of SA's gold exports. As a percentage of total non-gold exports, gold has risen to nearly 12%, near the highs of the past 15 years.

Although there are natural physical constraints on gold mining, as well as the gold ores that remain accessible, a combination of a buoyant gold price and a substantially weaker ZAR prompted some gold miners to take advantage and sell, to repatriate those revenues. That would partially help explain the restatement of the May data that was revised sharply upwards.

Even more important is to do the same calculation for the platinum miners, and once again, one can clearly see that platinum also contributed positively to the overall trade surplus, for very similar reasons to gold. This reflects the market's natural tendency to take advantage of strong market conditions as they arise and offers further insight into the source of some of the ZAR's resilience.



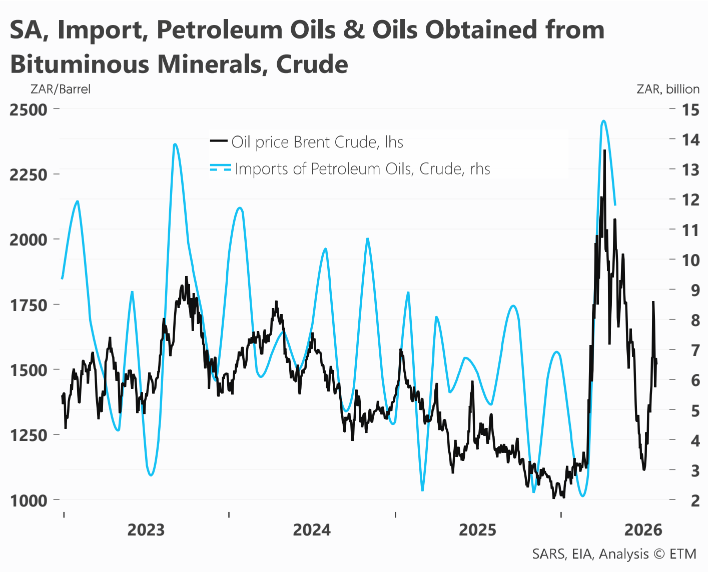


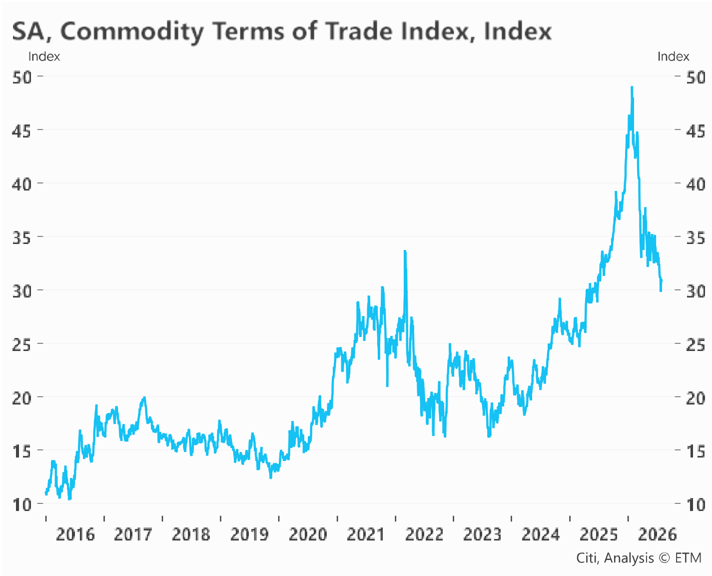
Oil's constraint on the ZAR's performance

However, these are unprecedented times, and there is no room for complacency. While gold and platinum prices are doing well and supporting SA's surplus, and while mildly restrictive monetary policy ensures that the demand-related imported component of the trade account remains constrained, it is the oil price that is eroding the ZAR's potential to appreciate. The chart on the left gives a sense of the impact of oil prices on

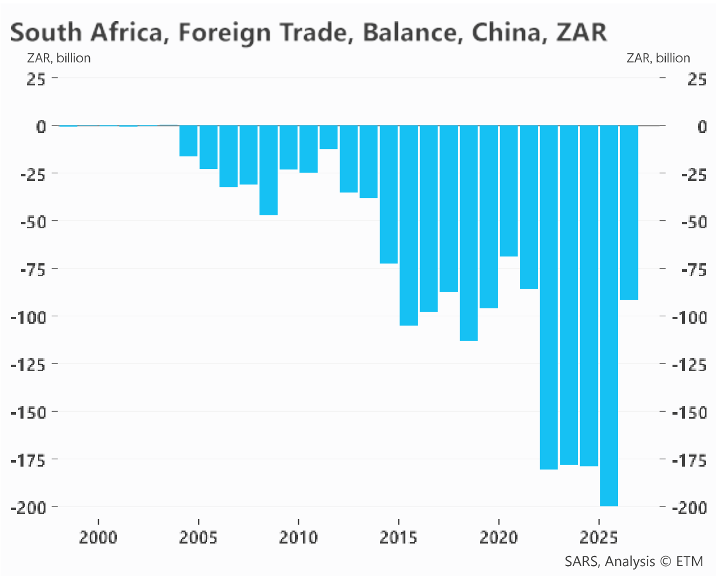
SA's imports, while the chart on the right shows how significantly the terms of trade have deteriorated over time.

Oil prices remain SA's biggest import by quite some margin, and given SA's heavy reliance on the importation of crude and refined fuels, it follows that there will be a negative impact. This is he principle reason why the ZAR has not been able to extend its recovery.





Interest rate differentials remain the key driver



The last dynamic worth commenting on is the trade balance with China. The accompanying chart shows a steady widening of the trade deficit, and aside from the obvious consumption of cheap goods available online through Temu, Shein, and others, this also reflects South Africa's fresh love affair with the value-for-money and substantially cheaper Chinese vehicles.

Although the trade deficit for 2026 is cumulative and still building, it is plainly obvious that on current trends, that the trade deficit is likely to be of similar magnitude to the deficits seen in recent years. The obvious conclusion is that this is a variable worth noting as it will be a headwind that the SA economy will need to navigate carefully through its trade relations with China.

On the one hand, it is disappointing that the deficit is widening as it is, but on the other, importing such value for money and better priced goods helps keep inflation in check and will offer households more disposable income than might've been the case had consumers been forced to buy locally assembled and produced alternatives.

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