

**Balance of payments of South Africa: 2008**

	<b>2008 (R million)</b>
<b>Current Account</b>	
Merchandise exports	655 759
Net gold exports	48 534
Service receipts	103 411
Income receipts	48 254
Less: Merchandise imports	739 852
Less: Payments for services	138 630
Less: Income payments	122 098
Current transfers (net receipts +)	-24 528
<b>Balance on current account</b>	-169 150
<b>Capital transfer account (net receipts +)</b>	208
<b>Financial account</b>	
Net direct investment	103 497
Subheading A	-131 512
Subheading B	131 712
<b>Balance on financial account</b>	103 697
Unrecorded transactions	91 311
<b>Change in net gold and other foreign reserves owing to balance-of-payments transactions</b>	26 066

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- 4.1 Which three (3) items from the Current account section are used to calculate the trade balance? (3)
- 4.2 List two (2) sources of "current transfers". (2)
- 4.3 What effect would a depreciation of the rand have on the current account balance? (2)
- 4.4 What are the correct titles for "Subheading A", and "Subheading B", under the Financial Account section? (2)

#### **Question 4**

**[20]**

##### **4.1 Discuss the current account of the South African balance of payments. (12)**

*Award a maximum of 12 marks for any of the following points:*

- Merchandise exports (1) and merchandise imports (1) reflect the rand value of the goods exported and imported during the period.
- Together with net gold exports they constitute what is referred to as the trade balance (1)
- A particular feature of South Africa's balance of payments is the appearance of net gold exports as a separate item (1) – this is because gold is our most important export (1).
- Service receipts (1) and payments for services (1): Trade in services includes (*award a maximum of 2 marks for any of the following*) the transportation of goods and passengers between countries, travel, construction services, financial and insurance services, various business, professional and technical services, as well as personal, cultural and recreational services and government services. Money spent by tourists on food and accommodation while traveling in foreign countries falls in this category as well. In South Africa's case, the payments for services are larger than the service receipts (1) .
- Income receipts (1) refer to income earned by South African residents in the rest of the world (1), while income payments (1) refer to income earned by non-residents in South Africa (1). Income receipts in the balance of payments are equal to the "primary income from the rest of the world" identified in the national accounts (1), and income payments in the balance of payments are equal to the "primary income to the rest of the world" identified in the national accounts (1).
- Current transfers (1): This entry includes (*award a maximum of 2 marks for any of the following*) social security contributions and benefits, taxes imposed by government, and private transfers of income such as gifts, remittances and donations. By transfers we mean money, gifts or services transferred without anything tangible being received in return (1).
- If there is a surplus on the current account, it indicates that the value of the country's exports exceeded the value of its imports during the period under review (1). If there is a deficit, then imports were greater than exports (1).