


B E R R Y & D O N A L D S O N

NEWS UPDATE

"WEAKER RAND DOES NOT HELP EXPORTS"

The old adage that a weaker currency will improve exports is losing traction in the current economic climate.

A recent survey by HSBC, using a new Purchasing Managers' Index (PMI) shows that new export orders have actually contracted recently, despite the rand having lost about 17% against a trade weighted basket of currencies.

In an article in the Sunday Times Business Times, Hugo Pienaar, senior economist at the Bureau for Economic Research said that it demonstrated that prolonged industrial action and a slowdown in Asian markets as well as a recession in Europe has hampered exports growths that would normally be expected with a weakening rand.

"You could argue that the weaker currency hasn't been a real benefit, but in the absence of that, the export picture might be worse than it is," he said.

South Africa's trade deficit for the first nine months of 2013 is up to R126.37 billion, mainly because our net imports have grown faster than our exports

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Despite these very obvious trends, trade unions and parts of governments still believe that a weakening rand will benefit local manufacturing and protect jobs; when the raw data shows that this is not necessarily the case. Local political and social conditions, coupled with the climate of our exports markets continue to hamstring our export output and exert pressure on our balance of trade.