momentum investments

in the moment

Sanisha Packirisamy
Chief Economist

Tshiamo Masike
Economist

Third quarter current account deficit narrowed but medium-term pressures remain

	SA	Argentina	Brazil	China	Hungary	India	Indonesia	Mexico	Russia	Turkey
External trade										
CA balance (% of GDP)*	-0.7	-0.9	-2.2	3.4	1.9	-0.4	0.0	0.1	1.7	-1.3
Trade openness	41.3	21.7	28.9	32.7	137.0	29.5	36.4	67.9	31.6	42.9
Reserves										
International reserves (% of GDP)	24.7	5.5	16.6	17.3	24.2	17.5	10.4	13.1	17.1	15.2
Political risk										
Functioning of government	8	8	7	1	6	9	6	5	1	4
Rule of law	10	11	8	2	10	8	5	5	1	3
Credit worthiness										
Sovereign credit rating (S&P)	BB	CCC	BB	A+	BBB-	BBB	BBB	BBB	NR**	BB-
Outlook	Positive	Stable	Stable	Stable	Negative	Stable	Stable	Stable	N/A	Stable

Source: Bloomberg, freedomhouse.org, S&P Global Ratings, Momentum Investments
The table has the latest available quarterly data as of 4 December 2025 except for components under political risk where the score is changed annually (2025)
**CA = current account and GDP = gross domestic product*
*** NR = not rated as of 2022. Last rating was selective default (no outlook available)*

So what?

The current account deficit narrowed to 0.7% of GDP in the third quarter of 2025 from 1% (revised) in the second quarter, supporting a more positive near-term outlook. The South African Reserve Bank's (SARB) November 2025 forecast places the 2025 current account deficit at 0.9% of GDP, slightly wider than the 0.7% figure in 2024 but narrower than the earlier 1% projection. Looking ahead, the current account deficit is expected to widen in 2026 and 2027, likely reflecting soft global export demand amid trade tariff uncertainty, higher import volumes linked to stronger fixed investment and potential normalisation in commodity prices that could weigh on export values. S&P Global Ratings recently upgraded SA's sovereign credit rating to two notches below investment grade and maintained a positive outlook, which supports external financing conditions. Moody's, currently at the same rating as S&P but with a stable outlook, will review SA's credit rating on 5 December 2025, with a positive outlook revision possible.

Trade surplus declined as import value growth outpaced export values

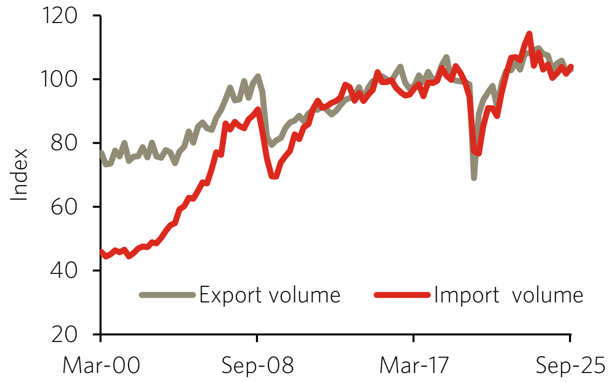
According to the SARB, the current account deficit narrowed from a revised 1% of GDP (previously 1.1%) in the second quarter of 2025 to 0.7% of GDP in the third quarter. In rand terms, the deficit decreased from R72.2 billion in the second quarter to R57 billion in the third quarter.

The narrowing of the current account deficit resulted from a R35.7 billion reduction in the deficit on the primary income account which more than offset the R8.9 billion decline in the merchandise trade balance surplus as well as the R11.7 billion increase in the deficit in the services and secondary income accounts.

The merchandise trade surplus has now declined for three consecutive quarters. This is because the value of imports has been rising faster than the value of exports. Import prices increased by 3.3% between the fourth quarter of 2024 and the third quarter of 2025 and import volumes by 2.1% over the same period, lifting the overall rand value of goods coming into the country. By contrast, export prices rose by a stronger 4.8% (mainly due to higher commodity prices) but export volumes fell by 1.8% between the fourth quarter of 2024 and the third quarter of 2025. The drop in export volumes partly offset the price gain, thus resulting in the total value of exports growing more slowly than imports.

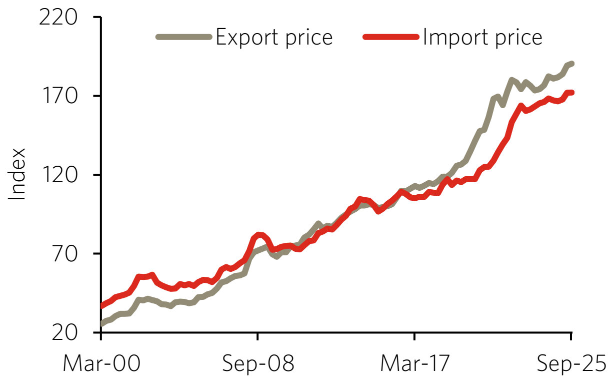
In the third quarter, the value of imports increased by R50.7 billion while that of exports increased by R30.8 billion due to both higher volumes and prices.

Chart 1: Export and import volumes are weak



Source: SARB, Momentum Investments

Chart 2: Export prices remained robust



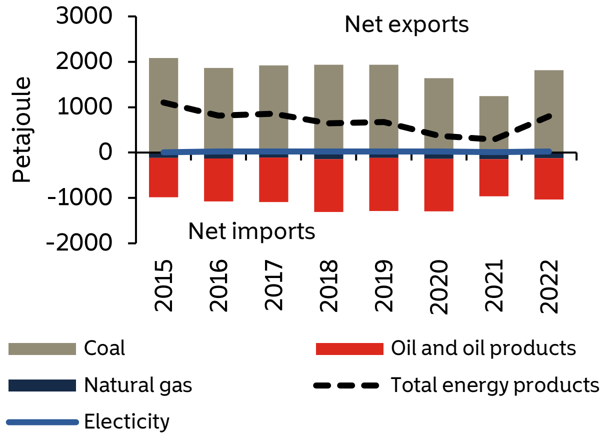
Source: SARB, Momentum Investments

SA is largely energy dependent, reducing the impact of external shocks

SA was a net exporter of energy products between 2015 and 2022 (refer to chart 3), thanks to substantial coal exports. Additionally, SA also exported more electricity than it imported, yet it continued to rely heavily on imports for oil and oil products as well as natural gas.

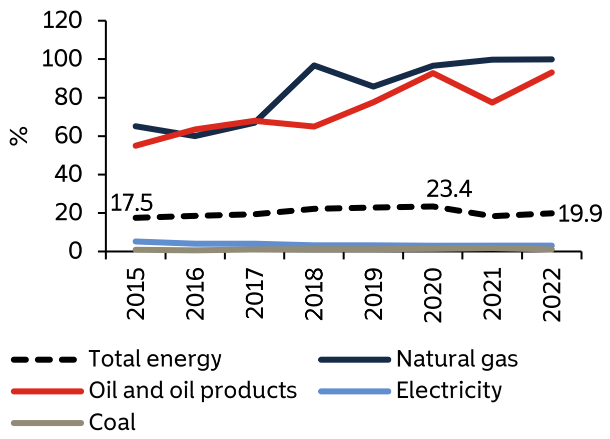
SA's energy dependency ratio (which measures the extent of reliance on external sources for domestic energy needs) rose from 17.5% in 2015 to 23.4% in 2020, then moderated to 19.9% by 2022 (see chart 4). Despite this increase, SA's dependency remains significantly lower than in regions such as the European Union (EU), which saw its energy dependency ratio jump from 57.6% in 2015 to 64.4% in 2022, driven in part by the Russia-Ukraine conflict according to *Planète Énergies*. The EU's efforts to address the gas crisis resulted in a reduction of its dependency ratio to 58.4% in 2023, though it remains high.

Chart 3: SA is a net energy exporter



Source: Stats SA, Momentum Investments

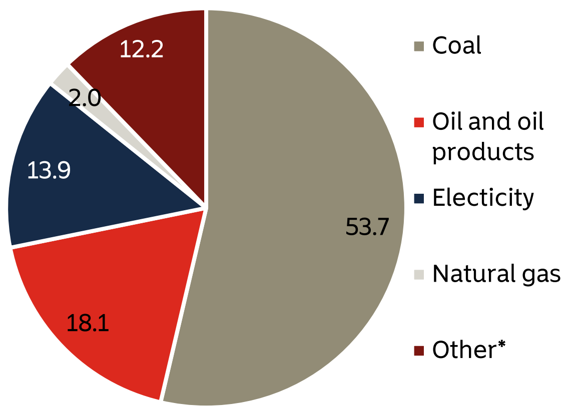
Chart 4: SA's energy dependency ratio* by product



Source: Stats SA, Momentum Investments
** A higher ratio = higher reliance on energy imports to meet local demand*

While SA's total energy dependency ratio is relatively low, it has a high import dependency on natural gas (99.9% in 2022) as well as oil and oil products (93.1% in 2022) as seen in chart 4. Of these, oil and oil products present a particular concern as they accounted for 18.1% of total energy consumption in 2022 (see chart 5). This effect is reflected in the petrol prices, inflation rate and terms of trade balances.

Chart 5: Split of domestic energy consumption in 2022, %



Source: Stats SA, Momentum Investments
** Includes biofuels and nuclear fuels and other fuels*

Moving towards greater energy sovereignty (a lower dependency ratio) across all energy products is crucial for SA. High energy import dependency exposes the country to economic risks from global price fluctuations, geopolitical risks and challenges in meeting climate change mitigation objectives.

Bilateral deals from the G20 could benefit SA over time

SA successfully hosted the first G20[1] Summit in Africa on 22 and 23 November and invited 16 guest countries. The G20 represents 85% of global GDP, 75% of international trade and two thirds of the world's population, making it a significant grouping.

Outcomes of the Summit included an adoption of the leaders' declaration, despite absence from the United States (US), as well as bilateral deals and agreements between SA and some member countries and invited countries.

[1] Includes Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, SA, Türkiye, United Kingdom, United States, European Union and the African Union

The declaration outlines commitments and intentions rather than enforceable obligations. It reflected a range of global commitments, including resolving the debt crisis in developing countries, increasing funding for climate action, ensuring that critical minerals benefit countries and communities where those minerals are mined (beneficiation), technology advances (AI) should benefit all countries and addressing inequality.

Actionable commitments included the deals/agreements on table 1. The agreements secured are expected to boost investment, job creation and local industry development over time. Government's investment in infrastructure ahead of the G20 Summit and increased tourism may boost economic activity in the second half of 2025.

The US holds the 2026 G20 presidency. President Donald Trump announced that SA will not be invited to the Summit in Florida in 2026, reflecting ongoing US-SA tensions. President Cyril Ramaphosa responded and indicated that SA will keep engaging with the US and will participate in the Summit as a G20 founding member.

Table 1: Deals and agreements around the G20 Summit

Deal/Agreement	Key details and impact
Clean Trade and Investment Partnership (EU)	First ever trade agreement linking competitiveness with climate action. Boosts EU-SA trade in renewables and supports critical materials processing and local industries.
MoU* on a partnership on sustainable minerals and metals value chains (EU)	Strengthens SA's role in global electric vehicle and renewable supply chains. Promotes local beneficiation for job creation.
Partnership on SMEs*, Technology, Trade & Defence (UK)	Covers SME, technology transfer, trade and defence cooperation. Builds on £22 billion existing ties.

Source: Business explainer, Momentum Investments

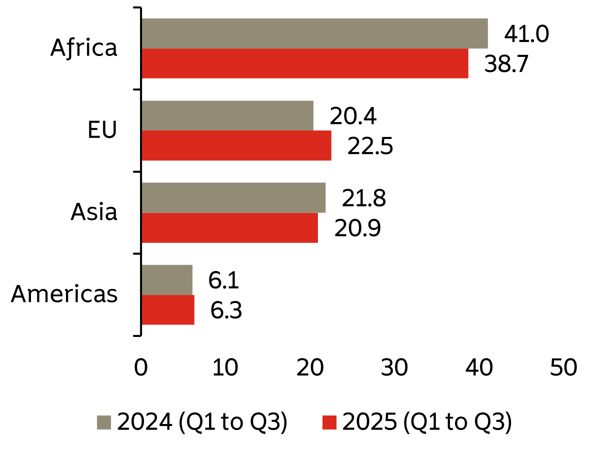
** MOU = Memorandum of Understanding and SME = small and medium enterprise*

Agricultural exports remained robust

SA continues to face 30% tariffs from the US. On 14 November, the White House announced modifications to the scope of reciprocal tariffs. Specifically, certain agricultural products[2] are no longer subject to reciprocal tariffs. This adds to the list of other exempt goods including certain critical minerals, energy and energy products.

The Agricultural Business Chamber of SA indicated that SA's agricultural exports remained robust in the third quarter of 2025, up 13% year-on-year (y/y). The total value of agricultural exports in the first three quarters of the year also rose 10% y/y.

Chart 6: SA's agricultural exports by region, %



Source: Trade Map, Momentum Investments

[2] Including coffee and tea; fruit juices; cocoa and spices, avocados, bananas, coconuts, guavas, limes, oranges, mangoes, plantains, pineapples, various peppers and tomatoes, beef and additional fertilisers (some fertilisers have never been subject to reciprocal tariffs)

The value of agricultural exports rose across all major regions (Africa, EU, Asia and the Americas) in the first three quarters of 2025 compared to a year ago. However, as a share of total exports, more was exported to the EU and the Americas (see chart 6).

Near term current account outlook improves but medium-term pressures remain

The SARB's November 2025 interest-rate meeting forecast places the 2025 current account deficit at 0.9% of GDP, slightly wider than the 0.7% of GDP recorded in 2024, but an improvement from their earlier projection of 1%. The narrowing of the current account deficit in the third quarter supports this revised view.

Looking ahead, the SARB expects the current account deficit to widen to 1.2% of GDP in 2026 and 1.5% in 2027. This likely reflects expectations of soft global demand for exports given ongoing trade tariff uncertainty, a pickup in import volumes on the back of an expectation of higher fixed investment and the possibility that commodity prices will likely normalise from recent highs, which would reduce the value of exports.

S&P Global Ratings upgraded SA's sovereign rating to two notches below investment grade while maintaining a positive outlook. This signal reduced external financing risk and improved investor confidence. Moody's, which currently rates SA at the same level as S&P (two notches below investment grade) but with a stable outlook is set to review the country's credit rating on Friday 5 December 2025. A shift to a positive outlook is plausible in our view, given macro improvements.