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Economic Prospects

Forecast for South Africa: 2024-2026

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Forecast in a nutshell

Real annual % change*	2024	2025	2026
Final household consumption expenditure	0.6	2.0	2.1
Durable goods	1.2	2.9	3.2
Semi-durable goods	0.1	2.6	2.8
Non-durable goods	0.6	1.9	1.6
Services	0.5	1.8	2.0
Gross fixed capital formation	-1.6	4.1	4.0
Private	-2.0	5.4	4.9
Government	-3.9	-1.5	0.7
Public Corporations	4.8	4.3	3.3
Gross domestic expenditure	0.2	2.0	2.0
Exports of goods and services	0.1	4.8	4.1
Imports of goods and services	-2.3	3.9	3.8
Gross domestic product	1.0	2.2	2.0
Current account as % of GDP	-2.1	-1.9	-2.3
Interest rates (% , last quarter average)			
3-month NCD rate	7.97	7.44	7.49
10-year government bond yield	11.02	9.90	9.80
Prime overdraft rate	11.40	10.75	10.65
Inflation rates (%)			
Producer prices	3.9	4.2	4.9
Consumer prices	4.8	4.6	4.5
Labour and employment (private and public)			
Nominal wage rate	3.0	5.6	4.9
Employment growth	3.0	1.6	2.1
Exchange rates (Q4 average)			
R/US dollar	17.90	17.84	18.15
R/Euro	19.69	20.69	21.42
R/Pound sterling	22.91	23.01	23.78
R/100 Japanese Yen	11.90	12.71	14.09
Fiscal indicators as % of GDP	2024/25	2025/26	2026/27
Main budget balance	-5.6	-4.3	-3.9
Gross government debt	74.9	76.6	77.1

* Unless specified otherwise

Executive summary

There have been some significant developments since our last forecast update. Politically, the peaceful local elections have resulted in a government of national unity (GNU). On the economic front, the potential positive effects of a sustained period of no load-shedding in Q2 have been offset by a much weaker-than-expected Q1 GDP outcome.

Indeed, the downward surprise to Q1 GDP, especially the weakness in consumer spending and private investment, has contributed to a downward revision to our full-year **GDP forecast**. We now expect growth of 'just' 1% in 2024, down from 1.3% forecast before¹. However, we have upwardly revised our forecast for 2025 to 2.2% (from 1.6% before). For 2024, it is still relatively 'easy' to get to our previous forecast from the production side as the absence of load-shedding should result in a pick-up in activity. However, from the expenditure side, it seems like the drag of sustained higher borrowing costs will weigh more heavily on the consumer while official investment data continues to disappoint. In all, we forecast **consumer spending** to expand by 0.6% in 2024, down from 1% earlier, before picking up to 2% in 2025. The 2024 **gross fixed capital formation** forecast is even more downbeat, with a contraction of 1.6% now pencilled in from a 2.1% expansion earlier. The weakness is mainly coming from private investment in Q1, which pulled the full-year forecast lower. As with consumer spending, a recovery is forecast in 2025.

The **GNU** has taken some of the more worrisome downside scenarios for the SA off the table (at least for now) and can be seen as an upside development relative to our baseline heading into the forecast. As such, the GNU itself, more political certainty, and hopefully some positive steps on the policy front, should help with consumer and business sentiment in the second half of the year. However, the poor Q1 data means the recovery will be off a lower-than-expected base in 2024, which weighs on full-year growth. The lower base does help in 2025, with improved sentiment, lower inflation and an expected decline in borrowing costs providing a further boost. Sustained improvement in energy availability and a further alleviation of the local rail and port disruptions will benefit trade and growth. This is why we are more optimistic about 2025 than 2024.

There have been some positive developments since the last forecast. The **rand exchange rate** averaged somewhat stronger to the dollar than we anticipated. A steady decline in SA's credit default swaps (CDS) spread² since early June reflects more positive investor sentiment towards the country. The rand has scope to strengthen further once the US Federal Reserve (Fed) starts easing. A stronger rand and favourable fuel price dynamics have contributed to us lowering our **headline consumer inflation (CPI)** forecast for 2024. We now see annual CPI inflation average

¹ A summary of our forecast in Excel format can be found [here](#).

² Sovereign credit default swap (CDS) spreads measure the cost of hedging against sovereign defaults or debt restructuring.

4.8% in 2024 and tick down further to average 4.6% in 2025 and 4.5% in 2026. Core inflation is expected to tick down from 4.6% to an average of 4.4% in the next two years.

The lower inflation profile means that our view of the **SA Reserve Bank (SARB)** cutting its policy interest rate by 25 basis points (bps) in September remains unchanged. Indeed, there were some votes for rate cuts in the July meeting. With **inflation expectations** slowly drifting lower and the inflation outlook improving, we argue that the SARB could have the scope to start a shallow cutting cycle later in Q3. We still see about 100bps worth of cuts in the next few meetings, with another 25bps cut in late 2026, before the repo rate is expected to remain on hold. Over the long term, the SARB's desire to pursue a lower inflation target is expected to come into play, which is why we do not expect further cuts (for now). Successfully anchoring inflation at a lower level would facilitate a lower policy rate over time, but a firm commitment and timeline from the SARB and National Treasury would be required for this to happen.

Global monetary policy dynamics have changed since the previous forecast (although in line with expectations). The European Central Bank (ECB) and several other European central banks have cut their policy interest rate, while the US Fed has decided to keep its Fed funds target on hold for now as inflation remains too high. Markets are pricing in a high probability of a rate cut of 25bps in September, which is in line with our view. Meanwhile, the global geopolitical backdrop remains tense, causing volatility in financial and commodity markets. A possible surge in the **Brent crude price** remains a relevant risk to our forecast. In terms of global growth, the Q2 data for China disappointed, but Europe seems to have (tentatively) turned a corner. The American economy continues to outperform, but there are more signs of cooling in the labour market, and with inflation slowing, this explains growing expectations of a US Fed cut in Q3.

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Introduction³

There have been some significant developments since our last forecast update. Politically, the peaceful local elections have resulted in a government of national unity (GNU). On the domestic economic front, the potential positive effects of a sustained period of no load-shedding in Q2 have been offset by a much weaker-than-expected Q1 GDP outcome.

The GNU has taken some of the more worrisome downside scenarios for the SA economy off the table (at least for now) and can be seen as an upside development relative to our baseline heading into the forecast. However, partly due to the downward surprise to Q1 GDP, especially the weakness in consumer spending and private investment, we have pulled down our full-year GDP forecast for 2024. We now expect growth of ‘just’ 1% in 2024, down from 1.3% forecast before. However, we have upwardly revised our forecast for 2025 to 2.2% (from 1.6% before). More political certainty, and hopefully some positive steps on the policy front, should help with consumer and business sentiment in the second half of the year and into 2025. Improved sentiment, lower inflation and an expected decline in borrowing costs provide a further boost, while an anticipated sustained improvement in energy availability and a further alleviation of the local rail and port disruptions benefit trade and growth in 2025.

The report provides a brief overview of the latest developments and outlook for the global economy before moving on to the SA economic outlook. The detailed forecast figures are included in tables at the end of the report.

Global outlook

The global economy has performed better than expected so far this year. Many economies, including the United States (US), Germany, Italy, the United Kingdom (UK), and China have grown faster than anticipated in the first quarter of 2024. However, the pace of global disinflation is slowing, with services inflation remaining sticky.

In Europe, the UK and Germany have seemingly turned a corner and are experiencing some cyclical upturn, albeit very slow, after abysmal growth rates last year. At the same time, the economies of the US and China are still riding the wave of post-pandemic recovery, mostly because of initial and ongoing fiscal support. That said, the Chinese economy struggled in Q2, and growth came in somewhat lower than expected. The continued (out)performance of the US is remarkable as the policy interest rate remains very restrictive. The US Federal Reserve (Fed)

³ This report was completed on 29 July 2024.

has, in line with our expectation, not yet adjusted its interest rate but several central banks in Europe – including the European Central Bank (ECB) – have embarked on cutting cycles.

In its July update, the International Monetary Fund (IMF) kept its global growth forecast unchanged at 3.2% for 2024. However, growth in non-US advanced economies is expected to pick up in 2025, causing a slight acceleration (see Table 1). The remainder of this section unpacks the recent developments and the outlook of the key major economies.

Table 1: Latest IMF World Economic Outlook

	Projection		
	2023	2024	2025
World (PPP*)	3.3	3.2	3.3
Advanced economies	1.7	1.7	1.8
United States	2.5	2.6	1.5
Eurozone**	0.5	0.9	1.5
United Kingdom	0.1	0.7	1.5
Germany	-0.2	0.2	1.3
Japan	1.9	0.7	1.0
Emerging countries	4.4	4.3	4.3
China	5.2	5.0	4.5
India	8.2	7.0	6.5
Brazil	2.9	2.1	2.4
Russia	3.6	3.2	1.5
Sub-Saharan Africa	3.4	3.7	4.1
South Africa	0.7	0.9	1.2

Source: IMF World Economic Outlook, July 2024.
 *Purchasing Power Parity. **20 Countries that use the euro currency

The first half of the year brought some unexpected election results. In India, the incumbent party lost significantly more support than anyone had expected, although it still managed to remain in control of the government with the help of allied parties. In Europe, the surge of far-right parties was expected, but while the centre held, the outcome was still a shock to the system when it happened. Indeed, the subsequent snap election in France was not on the card at the time of our previous Economic Prospects release. The makeup of the government is postponed until after the Summer Olympics in France, but it could become messy. The election in the UK saw the Conservative Party lose significant support, with Prime Minister Keir Starmer now in charge of a Labour government.

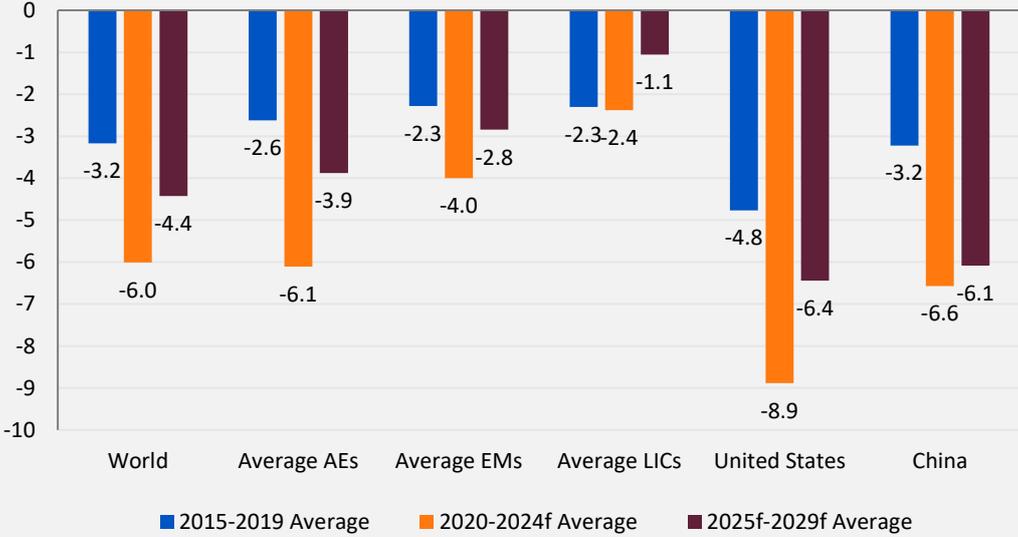
All eyes are now on the US Presidential election in November 2024. Current President Joe Biden announced on social media platform X that he will not seek re-election in the upcoming US elections, although he intends to finish his current term. Biden, and several other big names in the Democratic Party have since endorsed his Vice President Kamala Harris, who is likely (although not guaranteed) to become the Democratic Party nominee in the upcoming election. Polls show a surge in support for Harris, although the race between Donald Trump and Harris is set to remain tight and could be determined in a handful of so-called swing states. **The** outcome could be important in shaping a move towards more trade protectionism and potential tension between global economic powerhouses. The geopolitical backdrop is already tense. The war between Russia and Ukraine is ongoing, while the war between Israel and Hamas risks spreading

through the Middle East. The Brent crude price remains sensitive to news coming from the region, and remains a potential upside risk to inflation.

Box: Global fiscal woes

A growing concern for global financial stability is the increasing fiscal risks that many countries are facing. This is especially a worry for the two largest economies, the US and China. Many governments increased social benefit spending, subsidies, and transfers during the pandemic and around the start of the Russia-Ukraine war. Prevailing high interest rates (although not so much in China) further pushed up fiscal expenses. According to the IMF, the world fiscal deficit has widened from 3.2% of GDP over the 2015-19 period, to an estimated 6% of GDP over the 2020-24 period – see Figure 1. This is projected to remain higher, at 4.4% of GDP, over the next five years. The world’s public debt as a percentage of GDP is forecast to remain high at 97.1%, 14.5 percentage points (%pts) higher than before the pandemic. Other factors, such as ageing populations demanding more pensions and healthcare and dwindling working-age (taxpayer) populations, will add further pressure on the fiscus of (many) nations. While it does not have an immediate negative effect on growth, this will limit governments’ ability to shield against future economic crises and could bring financial instability risks.

Figure 1: Fiscal deficits: realised and projected
% of GDP



Source: IMF Fiscal Monitor April 2024

Note: The three country groups represented in the graph are Advanced Economies (AEs), Emerging Markets (EMs), and Low-income countries (LICs).

CHINA EXPORTS SUPPORT GROWTH

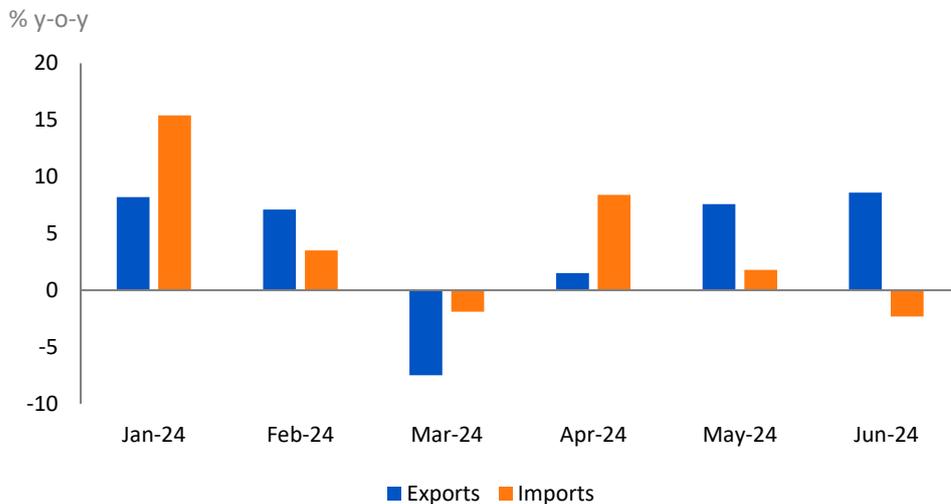
The main driving forces behind the robust performance of the Chinese economy at the start of the year were strong exports and manufacturing. However, the property sector continues to drag growth and is unlikely to pose a turnaround. The government has stepped in with some measures to bolster the property sector, but reports indicate that this is more to create a floor for the sector, rather than lifting it to its prior glory. For example, in July, following a weaker-than-expected Q2 GDP print, China stepped up monetary easing. The People’s Bank of China

(PBoC) cut a short-term interest rate and unexpectedly lowered its medium-term facility in late July. This after leaving its rate unchanged during its scheduled meeting early in July. The easing is unlikely to do much to prop up its ailing property sector, which requires more targeted support. The easing comes after members of the Communist Party met for its 'third plenum' to set economic goals for the next decade or so. No major interventions were announced at the gathering.

Specific manufacturing sectors are doing well, while those that focus more on the export market, such as car manufacturers, are flourishing. Still, the latest PMI results from China have mixed results: the NBS's official PMI – which focuses more on big state-driven manufacturers – remains in contractionary terrain, while the Caixin PMI – focusing more on smaller private manufacturers – displays expansionary momentum. The services PMI remains in expansionary terrain, even though the latest reading surprised on the downside. This is partly reflective of the weak consumer demand dynamics that persist in the country as sentiment has been downbeat since the pandemic.

Indeed, beyond the property sector crisis, consumer confidence is very poor, and the risk of trade restrictions from the US and Europe could hurt export-led growth. The weaker-than-expected Q2 GDP print underscored the underlying fragility of domestic demand. The Chinese economy underperformed in 2024Q2, growing by 'just' 4.7% y-o-y (vs market forecasts of 5.1%, but in line with our 4.8% forecast), following a 5.3% expansion in Q1. This marks the slowest annual growth since 2023Q1, reflecting sluggish domestic demand and a protracted property market downturn. For the first half of 2024, the economy grew by 5%, aligning with the government's annual GDP growth target of around 5%.

Figure 2: Chinese export and import growth



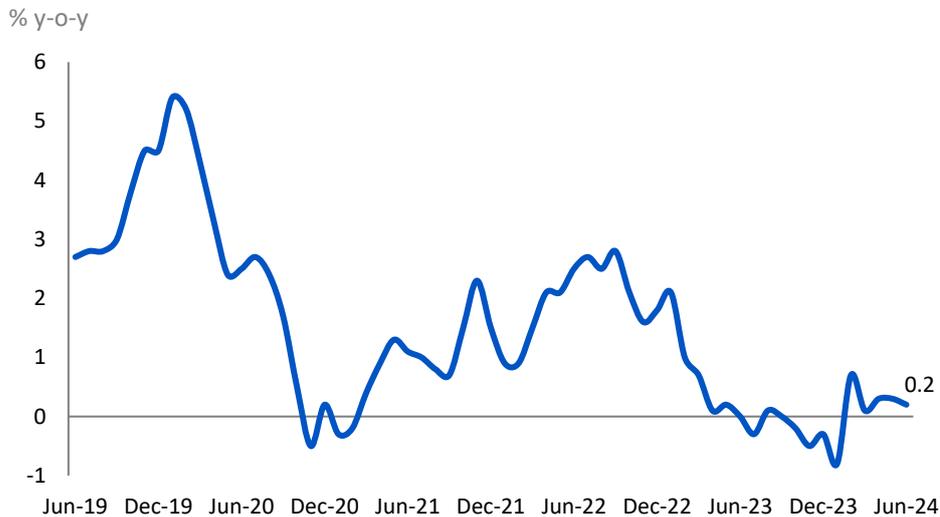
Source: General Administration of Customs of the PBOC

We expect the Chinese economy to grow by 5% this year, up from the 4.8% expected in 2024Q2. This is in step with the latest IMF forecast for China, which lifted here their projection for 2024 growth was lifted from 4.6% to 5%, and for 2025 from 4.1% to 4.5%.

The weak consumer dynamics have translated into very low inflation – see Figure 3. The food deflation (because of the very low pork prices last year) has eased, and as a result, inflation numbers have moved from negative to low positive numbers (0.2%). Food and energy prices have, therefore, rebounded somewhat. However, dragging on inflation now are lower housing

costs and car price cuts owing to intense competition among vehicle manufacturers. This has translated to us lowering our CPI inflation forecast to 0.7% in 2024 (down from 1.1%) and 1.6% in 2025 (down from 1.7%). Unless housing and car prices stabilise in positive terrain, it will be very difficult to move towards 2% inflation, never mind Beijing's 3% target.

Figure 3: Chinese CPI Inflation



Source: National Bureau of Statistics of China

EUROZONE TURNAROUND DRIVEN BY SOUTHERN ECONOMIES

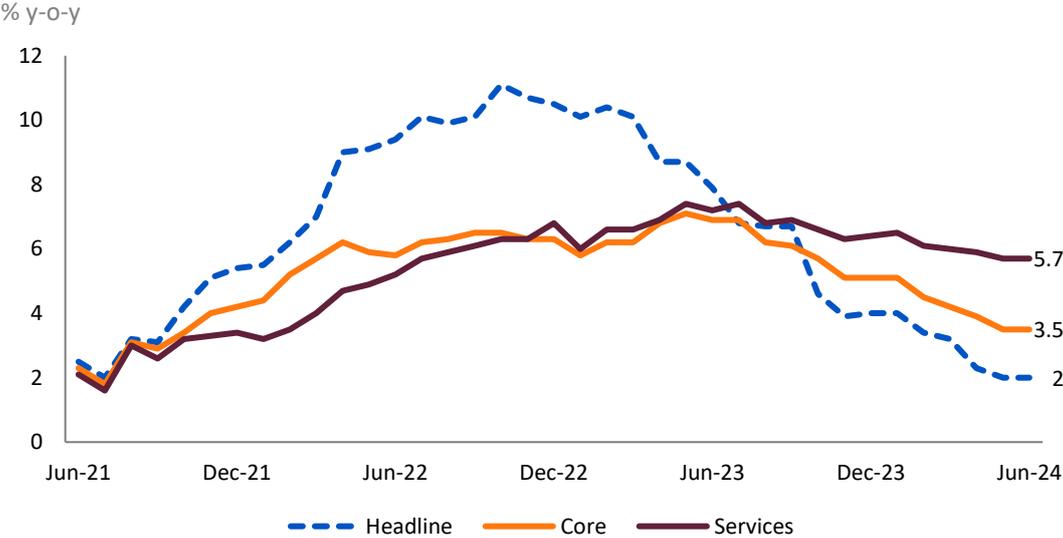
As mentioned, Germany and Italy's economies did better than expected in the first quarter of 2024, and this filtered through to an improved outlook for the full year of 2024. Where we expected the Eurozone to expand by about 0.6% before, we now see it grow by an average of 0.8% this year and 1.5% next year. This is largely in line with the latest from the IMF. Despite the fact that Germany, France, and Italy usually play a much larger role in driving the overall growth of the bloc due to the relative size of their economies, we have seen significant positive momentum from the southern European countries. Portugal, Greece, and Spain, for example, are expected to grow faster than the bloc in 2024. Booming exports, green energy, and tourism are driving strong growth recorded in these countries. Meanwhile, France's political uncertainty creates potential downside risks to its growth path, while Germany's industrial orders and manufacturing PMIs are struggling to show real signs of a turnaround. That said, Germany is expected to eke out some growth following a full-year contraction in 2024. Italy's growth is, to some extent, curtailed by government efforts to reduce its high debt-to-GDP ratio.

On the inflation front, not much has changed since our previous forecast. The June inflation print for the Eurozone indicated continued downward momentum in the headline number, recording 2.5% y-o-y compared to 2.6% y-o-y the month before. Yet, the services inflation component was very sticky at 4.1% y-o-y. This is concerning. There is concern that some of the main factors that have had a disinflationary effect on the headline number, most notably the downturn in energy prices, are expected to dissipate in the second half of the year, which begs the question of where further disinflationary momentum will come from. However, the assumption that wage growth has peaked (in May 2024) and inflation expectations will continue easing should contribute to a further slowdown of inflation. We see an annual consumer inflation average of 2.5% this year and 2.1% in 2025.

THE UK ECONOMIC PICTURE LOOKS SIMILAR TO THE EUROZONE

The UK economy is showing signs that it has turned a corner, although the forecast remains for growth of below 1% for this year. The latest PMI prints are on the rise, and like many other economies, growth surprised on the upside at the start of the year, especially after it contracted in the fourth quarter of 2023. Factors that are promising to the economy are improved sentiment indicators and an expectation that consumer’s real disposable incomes will start rising on the back of lower inflation. The UK economy also grew twice as fast as expected in May 2024. We have subsequently lifted our forecast to 0.7% for 2024 and 1.3% for 2025. The hope is that with the general election behind them, it will afford the country more certainty, especially on fiscal policy. The IMF is slightly more upbeat on 2025, with 1.5% growth pencilled in.

Figure 4: UK CPI Inflation



Source: Office for National Statistics

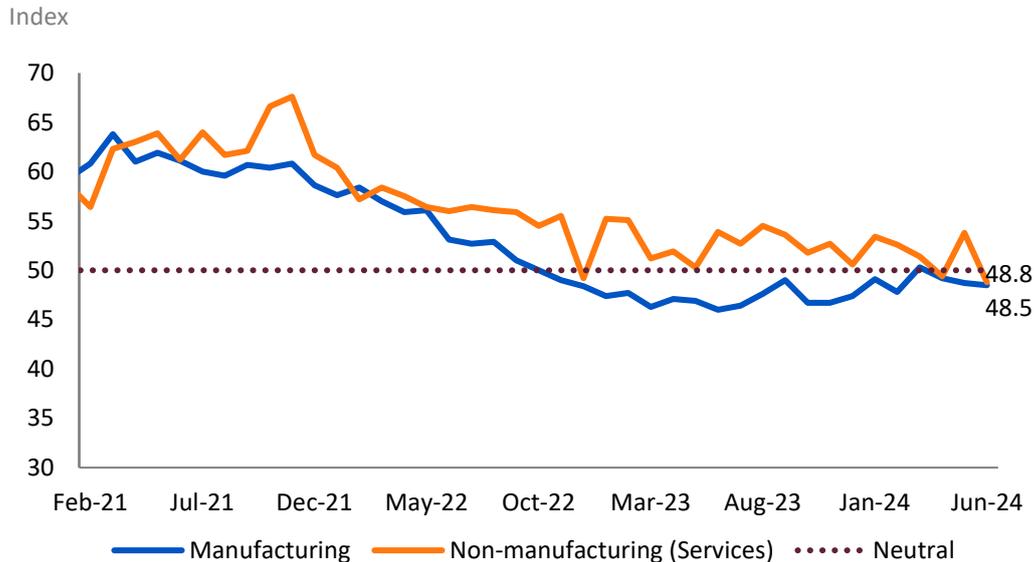
On the inflation front, the situation has also been very similar to that experienced in the Eurozone. In the UK, the latest annual inflation print was at the target level of 2%, though services inflation was still at 5.7%, and wage growth is at 6%, well above what is associated with target inflation – see Figure 4. The disinflation in the headline number was aided by the UK’s independent energy regulator, Ofgem, implementing a 12% reduction in the energy price cap between April and June 2024. The energy price cap was further reduced by 7% from July to September 2024, which should continue to aid disinflation in the energy component of inflation. The IMF sees inflation reaching 2.5% this year and 2% next year. Even with continued downward momentum in inflation, we forecast it to average 2.7% this year before moving to an average inflation rate of 2.2% in 2025.

US STILL GOING STRONG, BUT LABOUR MARKET IS COOLING

Growth in the US economy surprised on the upside in the first half of 2024. Official data from the Bureau of Economic Analysis showed that the US economy grew by 2.8% (annualised) in 2024Q2, exceeding market expectations for 2% growth. This follows 1.4% growth in Q1. Consumer spending growth accelerated from 1.5% to 2.3%. However, spending on healthcare services, inventories and government spending also made sizeable contributions to GDP growth

in Q2. It is perhaps useful to note that this is a first estimate of GDP, revisions are likely and can be fairly significant. Nonetheless, the start to Q3 was strong, with the S&P Global Flash US PMI Composite Output Index reaching 55 points in July, a 27-month high and up from 54.8 points in June. However, growth disparities widened; the manufacturing sector declined as output fell to a six-month low, while the services sector expanded to a 28-month high. The latest ISM PMI data is less upbeat – see Figure 5 below.

Figure 5: US ISM Purchasing Managers Index (PMI)



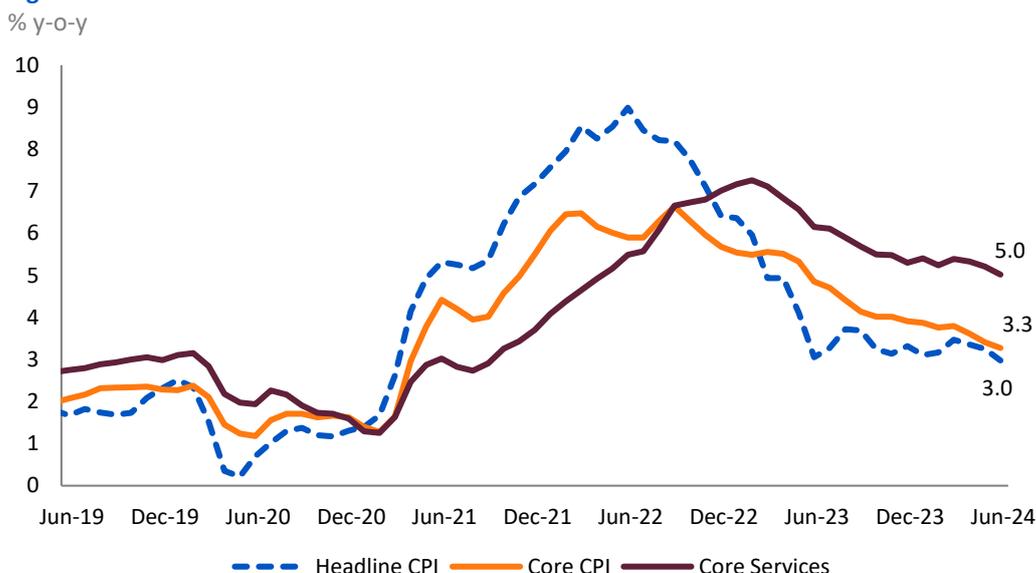
Source: Institute for Supply Management (ISM)

Nonfarm payrolls in June increased by 206 000, which is strong, but there were large downward revisions to the number of new jobs created in March, April, and May. This points to a sharper-than-expected slowdown in job growth with the unemployment rate at 4.1%. Other data shows that job openings rebounded slightly after narrowing to a three-year low in April, but the ratio of job openings per unemployed worker remained at pre-pandemic levels, indicating a sort of normalisation in the labour market. Initial and continuing jobless claims have been on the rise, and both hire and quit rates are currently stable below pre-pandemic levels.

We project US real GDP to grow by 2.4% in 2024, slightly higher than the 2.2% forecast at the beginning of the year. Indeed, the positive surprise in Q2 GDP means that there may be scope for a further upward adjustment later in the year (if Q2 is not revised). The IMF forecasts 2.6% growth in 2025, which would be an acceleration from 2.5% in 2024. In all, despite the high interest rate environment, the US economy remains solid. For 2025, our forecast is in line with the IMF’s forecast, which expects the US economy to expand by 1.9%.

The latest data moved in the right direction on the CPI inflation front. For the third consecutive month, the headline number eased in June. The latest print saw inflation slow from 3.3% to 3% y-o-y – see Figure 6. Encouragingly, the core and shelter disinflation continued, which means the stubborn services inflation is finally starting to ease. A positive outcome for the disinflation trajectory is that wage inflation dipped to 3.9% y-o-y in June. We forecast headline inflation to come down to 2% at the end of 2026.

Figure 6: US CPI Inflation



Source: US Bureau Of Labor Statistics

US DOLLAR BENEFITTED FROM DIVERGING MONETARY POLICY BETWEEN THE US AND EZ

In the second quarter of 2024, we saw a divergence between the monetary policies of the US and the Eurozone. The US Fed kept its interest rates unchanged as anticipated. Although we never expected a rate cut in 2024Q2, fluctuating data led to shifts in market expectations and the value of the US dollar. Initially, markets anticipated the first of three rate cuts in June. However, in April, a solid non-farm payrolls report and higher-than-expected inflation pushed expectations for the first cut to September, reducing the total expected cuts to two. This caused the dollar to appreciate from \$1.09/€ to \$1.06/€. The Fed's June meeting reinforced this hawkish stance, indicating only one rate cut for the year, down from three indicated in March. Subsequent lower-than-expected inflation reports and downward revisions to historical nonfarm payroll estimates, coupled with Fed Chair Jerome Powell's emphasis on the economic aspect of the Fed's dual mandate, led markets to price in three 25bps cuts for 2024 starting in September. Our forecast is less dovish, predicting two cuts beginning in September.

The ECB lowered its deposit rate by 25bps in June, the first cut in nearly five years, driven by a slowdown in inflation. However, the ECB warned that this cut would not automatically lead to further reductions, citing high wage growth as a concern. In July, the ECB kept rates unchanged, anticipating inflation to remain above its 2% target into next year. With the ECB's less dovish stance and an expected Fed cut in September, the US dollar weakened further in July.

In contrast to the ECB, the Bank of England (BoE) has yet to cut rates. Inflation peaked at a much higher level in the UK, and as such, base effects resulted in inflation dipping to the BoE's 2% target in May and staying there in June. However, this was mainly due to the slowdown in goods inflation. In contrast, wage-dependent services inflation is still over twice the BoE target. The BoE emphasised that high wage growth needs to decrease before considering rate cuts. Nevertheless, rapidly falling headline inflation led to markets pricing in a 25bps cut at the August meeting for much of the second quarter. However, the June inflation print once again showed stubborn services inflation at 5.7%. As a result, markets shifted expectations to a September rate cut.

While the main banks showed limited movement, there was significant activity elsewhere.

Canada and Mexico have already started their rate-cutting cycles. In Europe, the Riksbank, the National Bank of Romania, the Swiss National Bank, the Central Bank of Hungary, and the Czech National Bank have all lowered their key policy rates, indicating that many are not waiting for the US Fed. Conversely, the Bank of Japan (BoJ) disappointed markets by not raising its policy rate further, maintaining a cautious approach to unwinding its accommodative monetary policy, which led the yen to breach ¥160/\$ in July. There has been serious intervention in the currency market after the yen slumped to a 38-year low against the US dollar.

BRENT CRUDE GAINS FROM GAZA CONFLICT

Since the end of last year, oil prices have primarily been influenced by the ongoing conflict in Gaza, which has exacerbated the Middle East risk premium already built into the market. This

premium rises when the conflict threatens to spill over into neighbouring areas and declines when there are prospects of a ceasefire. This fluctuation occurred through the second quarter, with the oil price reaching a peak of over \$91/barrel in April and a low of just above \$77/barrel in June.

Aside from regional tensions, the market's demand and supply balance has remained stable.

When supply has shrunk, demand has also waned, leading to little change in the overall market balance. Key developments include the OPEC+ announcement in June to extend production cuts of 3.7 million barrels/day (initially set to end in 2024) until the end of 2025 and the extension of voluntary reductions of 2.2 million barrels/day (initially set to end in June) until the end of September. The latter will then be gradually unwound until September 2025. This announcement caused a decline in oil prices as markets had already anticipated the extension of the production cuts but not the phasing out of the voluntary curbs. In response to the price decrease, OPEC officials quickly emphasised their flexibility in adjusting cuts as needed. Demand in the first quarter was weaker than anticipated, prompting the International Energy Agency (IEA) and other forecasters to revise their 2024 demand growth forecasts downward, limiting the impact of the extended supply cuts. Nonetheless, a market shortfall is still anticipated due to ongoing supply constraints.

In other supply developments, the US reimposed sanctions on multiple countries. After granting Venezuela a special licence last October to ease sanctions, the US announced that it would not be renewed due to the lack of democratic elections by President Nicolás Maduro. Oil companies had until May to wind down transactions, impacting Venezuela's state-owned PDVSA, which had recently seen its highest export levels in four years. Additionally, the US imposed new sanctions on Iran's oil sector to limit its trade with China. Iran produces about 3 million barrels/day. Most of Iran's exports, about 1.3-1.6 million barrels/day, go to China. While the US's sanctions threaten to hinder supply, they have also cleared the path to increase demand. The US Energy Department announced it would pay up to \$79.99 per barrel to refill its petroleum reserves, up from \$79. Since 2022, the US has repurchased approximately 39 million of the 180 million barrels sold from its Strategic Petroleum Reserves (SPR) after Russia invaded Ukraine.

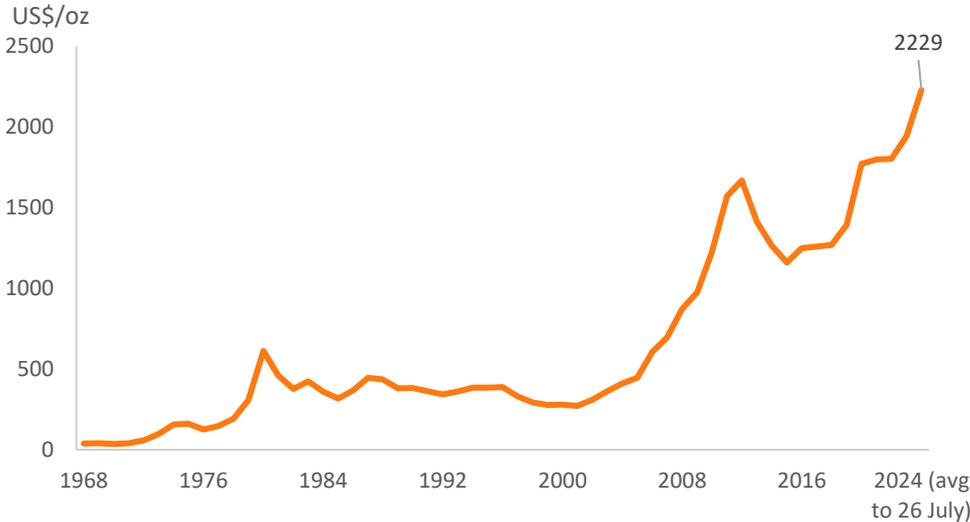
Looking ahead, oil prices will continue to be influenced by developments in Gaza. Although the conflict remains localised, the market is slightly tighter due to OPEC+ cuts. However, a weaker demand outlook limits the expected shortfall, leading to only a modest upward adjustment in the oil price forecast for the second half of the year. In addition, Russia implemented further output curbs. On the demand front, the US resumed purchases to restock its SPR. As a result, the IEA shifted its market outlook from a modest surplus to a slight deficit.

OUTLOOK FOR GOLD REMAINS BULLISH, BUT A MORE SUBDUED OUTLOOK FOR PLATINUM AND PALLADIUM

Building on the strong momentum from 2024Q1, the gold price continued to climb in Q2 and averaged \$2 338 per ounce. This was higher than expected. Expectations around the timing of the first Fed cut remained important, but strong physical demand in Asia and geopolitical uncertainties also drove the market. In addition to speculative activities, there were ongoing acquisitions by central banks, notably the People’s Bank of China (PBoC) and Turkey’s central bank to increase reserves to hedge against economic and geopolitical risks. Looking forward, the geopolitical landscape remains volatile, with tensions in the Middle East and other regions contributing to market uncertainty. This typically enhances gold’s appeal as a safe-haven asset. With the US presidential elections on the horizon, political instability will likely further drive investors towards gold. Furthermore, historically, gold prices have benefitted from lower US interest rates and decreased Treasury yields, as this reduces the opportunity cost of holding gold.

From the supply side, global mine production increased by 4% y-o-y to 893 metric tonnes in 2024Q1, marking a record high for this data series from the World Gold Council. Meanwhile, recycling responded to higher prices, climbing by 12% y-o-y to 351 metric tonnes. While increased supply could exert downward pressure on prices, the strong demand dynamics will likely keep prices buoyant. Indeed, amid strong physical demand, central bank purchases, speculative activities, expected monetary policy shifts and geopolitical uncertainties, we expect the gold price to approach \$2 500 per ounce by the end of 2024.

Figure 7: Long-term gold price trend



Source: Refinitiv

Trading above the usually more expensive palladium, platinum averaged \$980 per ounce in 2024Q2 (up from \$910 in Q1) versus a \$973 average palladium price. Several factors have influenced these movements. In the heavy-duty vehicles (HDV) sector, sales and registrations of new heavy trucks have been on a downtrend in major markets like the US and EU. Consequently, platinum demand in autocatalysts for the HDV sector is expected to decrease by 3% this year. In the light-duty vehicle (LDV) sector, internal combustion engine (ICE) vehicle production is anticipated to decline, with hybrid vehicle production increasing. On the supply side, the World Platinum Investment Council (WPIC) reported that the total supply in 2024Q1 was the second

lowest on record, contributing to a projected market deficit of 418 000 ounces for 2024. Given the steep price drop since 2023, the prospect of production cuts by major PGM producers remains at the forefront.

While the immediate outlook for platinum in Q3 remains somewhat mixed. The metal’s role in the emerging green hydrogen economy, its link to gold, and ongoing supply challenges suggest that prices could stabilise or increase moderately. According to the WPIC, platinum will face an average annual deficit of 500 000 ounces until 2028. This, combined with the anticipated production cuts the PGM sector faces, should help prevent prices from falling too low. However, the absence of load-shedding could help output in SA, potentially exerting downward pressure on prices.

The Q2 decline in the palladium price is due to waning demand from the automotive sector. This is amid the growing market share of battery electric vehicles (BEVs) and reduced production of internal combustion engine (ICE) vehicles, and the substitution of palladium with cheaper platinum. The palladium market is expected to remain under pressure from the increasing adoption of BEVs and ongoing cost-reduction efforts in the automotive industry. On the supply side, potential production cuts in SA (although this is countered by a continued absence of load-shedding) and North America and subdued secondary supply could support prices.

Rhodium surprised on the upside in Q2, with the metal averaging \$4 697 per ounce, notably higher than the forecasted \$4 350. In recent months, rhodium prices have mirrored the fluctuations of palladium, driven by demand from the automotive sector and the growing substitution trend towards platinum. However, the price swings in rhodium are typically larger due to its lower liquidity than palladium, heightening its vulnerability to broader price volatility. The outlook for rhodium remains somewhat bearish with ongoing pressure from the increasing adoption of BEVs and reduced demand from ICE vehicle production. However, the expected decline so far this year has been significantly slower than anticipated and constrained supply may support its price.

Table 2: Latest commodity price forecasts

Year	Gold	Platinum	Palladium	Rhodium	Coal	Iron ore
green (red) = upward (downward) revision from Apr '24						
2024	2 338	975	969	4 565	100	111
2025	2 583	1 070	949	4 066	90	94
2026	2 529	1 138	938	3 746	84	88

Source: BER

Demand for thermal coal was surprisingly robust in Q2. Richard’s Bay spot price averaged \$108 per tonne in Q2, somewhat higher than the \$94 forecast. The rise was driven by strong demand from Asia, particularly China and India, amid weather-related disruptions. Looking ahead, late June 2024, Europe’s gas storage was relatively healthy, with stocks at about 55% capacity. New regulations require EU member states to maintain at least 80% gas storage capacity by November 1 to enhance energy security and promote solidarity among member states, this could help with near-term demand. Indeed, for now, coal remains a critical energy commodity for many countries, especially during periods of high energy demand or lower renewable output. Over the longer term, as the shift towards cleaner energy sources gains traction, coal prices will likely decline significantly.

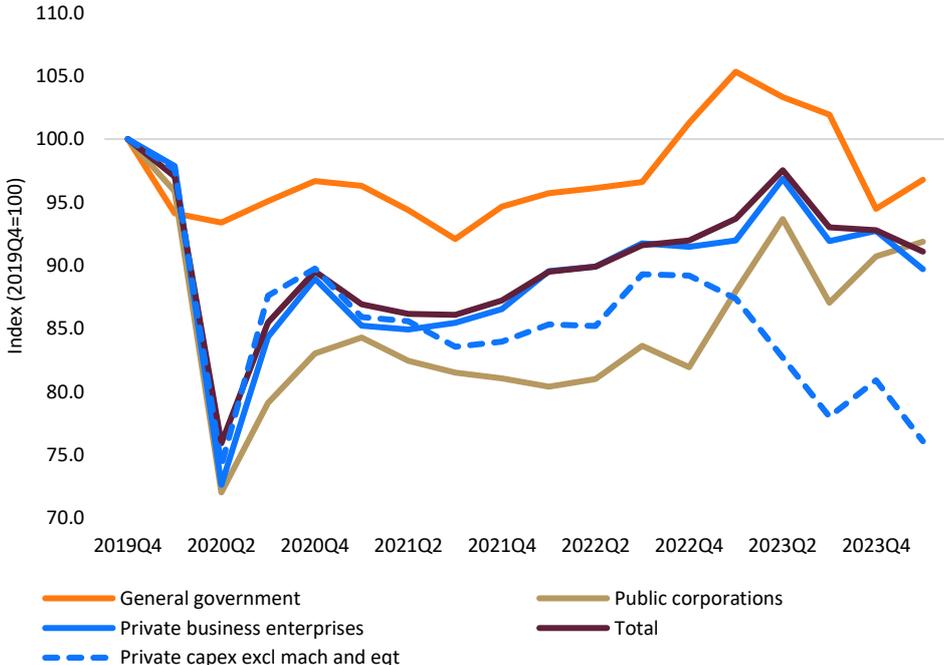
The iron ore price fell sharply early into Q2 due to disappointing end-use demand and abundant supplies in China. These declines were influenced by China’s stringent environmental regulations to reduce pollution from steel mills, which resulted in decreased steel output and, consequently, lower iron ore consumption. Temporary measures to stimulate economic activity led to occasional price rebounds, which were insufficient to sustain a prolonged upward trend. Iron ore prices averaged \$113 per tonne in Q2, \$2 higher than our forecast. Looking ahead, the protracted weakness in China’s real estate sector is expected to continue affecting demand for metals used in construction, especially iron ore, which is important for property development. This, combined with falling steel production and emissions controls on highly polluting blast furnaces, should shrink Chinese iron ore demand by 1% in 2024 and 2% in subsequent years. At the same time, plans by the big miners to raise production will swell supply, putting downward pressure on prices.

Domestic outlook

The SA economy contracted by 0.1% quarter-on-quarter (q-o-q) in the first quarter of 2024, which was worse than expected. While we cautioned that a stagnation or contraction was possible, our (and the consensus) view was for a slight expansion.

The underlying data painted a bleak picture, with contractions in most industries and a slump in domestic demand relative to 2023Q4. The further collapse in private sector investment is worrying. Excluding machinery and equipment (which has been supported by the surge in renewable energy—solar—investment), the level of private capex has now returned back to pandemic lows (see Figure 8 below) and is almost 25% below the pre-pandemic level. To be sure, investments by all organisations are currently below their pre-pandemic level.

Figure 8: Private investment excluding renewable energy close to pandemic level



Source: Stats SA, own calculations

Since then, there have been more encouraging developments, most notably the absence of load-shedding for a sustained period of time due to lower demand for Eskom electricity and a better performance of its generation plants. This is expected to have a positive impact on production, trade, and, if sustained, sentiment and investment spending in the coming months (see box below).

Politically, the peaceful local elections have resulted in a national Government of National Unity (GNU). The GNU sees eleven political parties working together, including the two parties that received the largest number of votes: the African National Congress (ANC) and the Democratic Alliance (DA). While there are likely to be issues of contention, including around land reform and the National Health Insurance bill, there seems to be a real commitment to work together. Indeed, the GNU has taken some of the more worrisome downside scenarios for South Africa off the table. With more political certainty and the expectation of some positive steps on the policy front, the GNU should help with consumer and business sentiment in the second half of the year. Improved sentiment, lower inflation, and a likely decline in borrowing costs are expected to boost growth in coming quarters. A sustained improvement in energy availability and a further alleviation of the local rail and port disruptions should benefit trade and spillover to faster growth going into next year.

Positive impact of no load-shedding

Estimating the positive impact of no load-shedding through 2024Q2 and Q3 (so far) on the economy remains difficult. We would need to see more official data, but even with Q2 data, it will be difficult to disentangle the (positive) impact of no load-shedding and the (negative) impact of businesses' apparent wait-and-see approach ahead of the elections in late May. However, we can unpack some of the channels how we anticipate the absence of load-shedding to filter through to the economy:

- **Industrial activity** should benefit from fewer electricity supply disruptions, and high-frequency data showed a surge in output in April (the first full month of no load-shedding). Electricity generation was up by 1.2% m-o-m in April (5.7% y-o-y), but down by 0.5% m-o-m in May (although still up 5.6% y-o-y). Manufacturing production also jumped in April (+5.2% m-o-m; +4.9% y-o-y) but fell back in May (-3.2% m-o-m; -0.6% y-o-y) despite no load-shedding. It would make sense that we would not see another sharp monthly uptick, but the extent of the downtick in May was nevertheless disappointing (albeit foreshadowed by a weak Absa PMI print). The jump and subsequent drop in mining output was less pronounced (0.8% m-o-m in April vs -0.6% in May). The lingering Transnet rail and port issues likely played a role in keeping mining production more depressed while prevailing low PGM prices were not conducive to ramping up production. A sustained improvement in Eskom's coal-fired generation plants could be positive for coal production.
- The impact on **consumer spending** is more challenging to unpack. Like industrial activity, retail sales data for April and May combined is better than earlier in the year, but restaurants and hotels fared worse. A previous study by Discovery Bank and Visa showed that spending on takeaways and at restaurants ticks up during load-shedding, so the absence of it could have an opposite result. Of course, it could also reflect a consumer under pressure and opting to make food at home. The FNB/BER Consumer Confidence Index in 2024Q2 remained fairly depressed despite no load-shedding before and during the survey.

- No load-shedding should benefit **sentiment**. However, no one expected so few electricity disruptions in winter (so far). After years of sudden announcements of load-shedding starting or escalating to significantly higher levels without notice, it will likely take some time for trust to be rebuilt and confidence to pick up. The RMB/BER Business Confidence Index (BCI) for Q2 occurred over the no load-shedding period in April. However, comments suggest localised electricity disruptions still played a role and businesses likely remain ‘on guard’ with alternative power supply available.
- Except for coping with localised disruptions, businesses that rely on diesel generators for power during load-shedding should have seen a decline in costs. The question is whether this filters through to higher **profitability** or translates to slower price increases (and thus lower **inflation**) for consumers. Less food spoilage and sudden production stoppages would have the same positive impact on the bottom line. Businesses and households that have switched to solar energy may find additional benefits from lower electricity bills (depending on the financing of the initial solar installation).
- Lower diesel imports, reduced private sector diesel generator usage, and relatively less (although not no) use of big open-cycle gas turbines (OCGTs) should benefit **net trade** dynamics. Over time, a sustained period of no load-shedding and a higher electricity availability factor (EAF) also benefits exports.

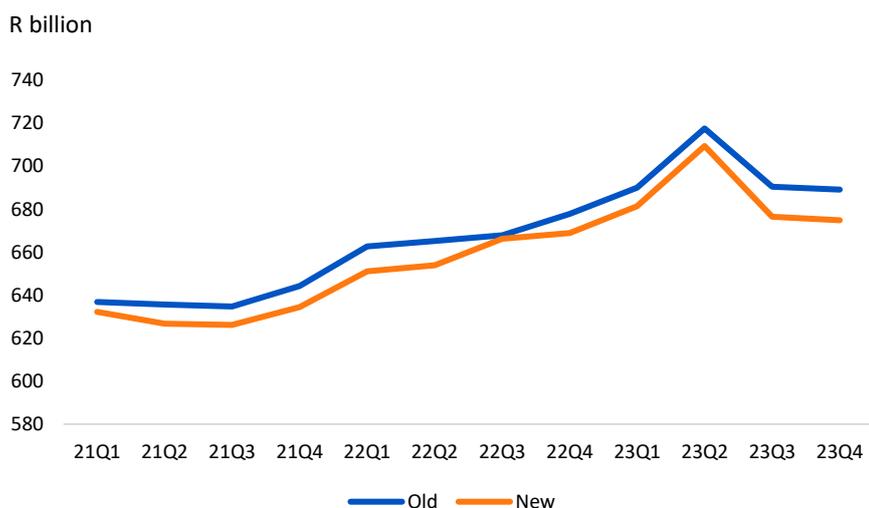
The SARB expected load-shedding to shave off 0.5%pts of growth in 2024 (from 1.5%pts in 2023), but adjusted this to just 0.2%pts in its July monetary policy meeting. For 2025, its estimate is adjusted from -0.2%pts to -0.1%pts with no impact in 2026.

DATA REVISION INDICATES LESS REAL FIXED INVESTMENT THAN PREVIOUSLY RECORDED

The latest GDP release by Stats SA saw significant revisions to historic capex data.

Indeed, the value of fixed investment from 2021Q1 to 2023Q4 is now less than previously recorded, with the gap widening in the second half of 2023 – see Figure 9 below for the extent of the revision to the level of investment. As a result, overall full-year 2023 growth in fixed investment was revised to 3.9% instead of the 4.2% previously reported. There were also adjustments to investment per organisation in 2023. Fixed investment by the general government grew by 3.9% (vs 5.7%, previously), public corporations by 9.9% (-1.8%), and private sector investment by only 3% (4.9%).

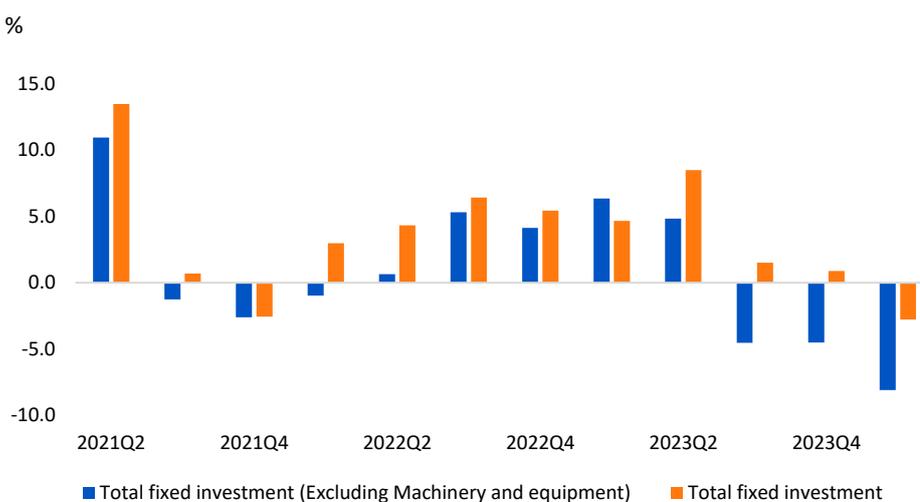
Figure 9: Total real fixed investment – previous vs revised data



Source: Stats SA, own calculations

In addition to the poorer historical performance, spending on fixed investment underperformed relative to expectations in 2024Q1. On an annual basis, capital outlays contracted by 2.5% in 2024Q1. The situation becomes more dire if investment in machinery and equipment is excluded, with the decline in fixed investment coming to 8.1% for 2024Q1. Looking further back, fixed investment already started declining in 2023Q3 if the machinery and equipment component is excluded (see Figure 10). Noticeably, there has been a general decline in investment in the civil and building construction sectors, reflecting, in part, the higher interest rate environment. The worst-performing sector was the residential sector, where spending contracted throughout 2023. Of interest is that growth in the investment of machinery and equipment has been moderating. This may be due to the slowdown in renewable energy projects, which previously bolstered this component’s performance.

Figure 10: Total private fixed investment vs private investment (excluding machinery and equipment)



Source: Stats SA, own calculations

The Department of Electricity and Energy⁴ has extended applications for bid submissions to 15 August 2024 to procure an additional 5 000MW under the Renewable Energy Independent Power Producer Programme (REIPPPP Bid Window 7).

The latest data from Nersa indicated that the project registration was 1 637 MW year-to-date at the end of July 2024, compared to 3 205 in the same period last year. Still, more than 6000MW of generation capacity has already been granted to bidders from the solar and wind sectors, and the department has committed to approving more projects as SA moves away from fossil fuels. With SA in the world's top 15 greenhouse gas emitters and 80% of the emissions linked to coal, SA has secured \$676m (approximately R12.3bn) in grants to move to clean energy sources. SA is positioned to exploit its advantages of a long coastline for wind power and the semi-desert regions of the Northern Cape for solar energy.

Private fixed investment is projected to decline by 2% in 2024 before recovering to 5.4% growth in 2025. This near-term weakness is likely to be most pronounced in the residential sector. The expected two rate cuts by the end of 2024 could bring some relief and likely boost property demand.

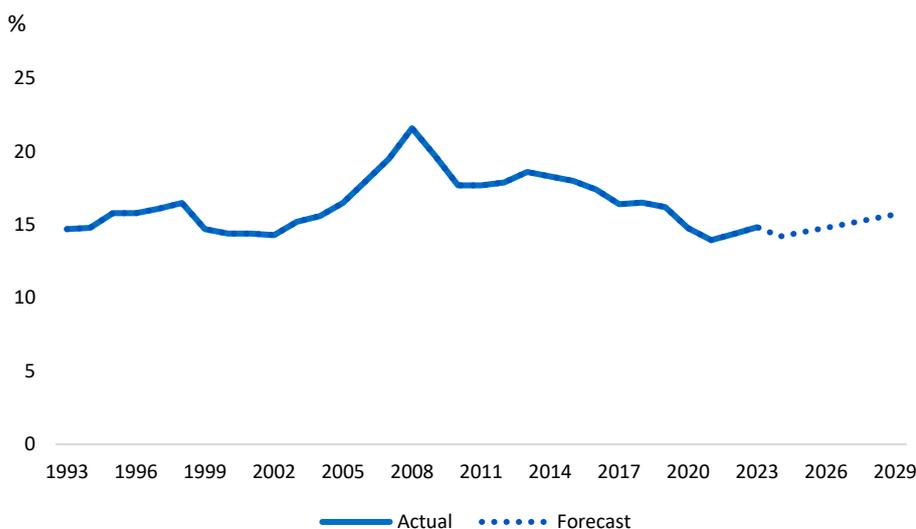
No changes have been made to the R943.8bn capex announced in February by the National Treasury for the general government and public corporations. Capital outlays by general government fell by 8.1% y-o-y in Q1. However, there have been significant changes in government since. The budget tabled in February was an ANC-government budget, while we now have the GNU. The test will be in the Medium Term Budget Policy Statement (MTBPS) in Q3. However, over the near term, we expect that the short-term delays and the time spent clarifying the roles within government and between the levels of government (provincial vs. local) and budget constraints will negatively impact the general government capex. General government investment is predicted to decline by 3.9% in 2024 and 1.5% in 2025.

Public corporations generally underspend on their budgets, but fared well in Q1, registering growth in fixed investment of 4.5% y-o-y. This is likely to continue as some reforms gain traction. As such, we have pencilled in increases in capex by public corporations of 4.8% and 4.3% in 2024 and 2025, respectively.

Overall growth in total capex is predicted to decline by 1.6% in 2024, which is a departure from our view last quarter but is informed by the revisions to the historical figures and a very weak private fixed investment print for 2024Q1. Over the medium term, fixed investment is forecast to accelerate by around 4% on average. This is largely a function of an expected recovery in private capex and stable activity by public corporations. Fixed investment accounted for an average of 16.4% of GDP in 2018 and 2019 before the COVID-19 pandemic. The new data shows that average fixed investment accounted for just 14.4% of GDP between 2021 and 2023 - this is a long way from the 30% of GDP target as per the NDP. The share of fixed investment is projected to stay below 15% until the end of 2026 (see Figure 11).

⁴ The announcement came from the then Department of Minerals and Energy, which was separate from the Department of Electricity. The Department of Mineral Resources is now separate from the merged Department of Electricity and Energy.

Figure 11: Fixed investment as a percentage of GDP (nominal)



Source: Stats SA, BER

UNEMPLOYMENT RATE TICKS UP ONCE MORE

According to the Quarterly Labour Force Survey (QLFS), the official unemployment rate increased to 32.9% in 2024Q1 from 32.1% in 2023Q4. Even though 22 000 jobs were created between 2023Q4 and 2024Q1, this was not enough to absorb the 215 000 new job seekers who entered the markets. In 2023, most of these new job seekers were previously students and homemakers. The number of employed people reached 16.7 million in 2024Q1, while the number of unemployed reached 8.2 million, an increase of 330 000 from the previous quarter. About three out of four unemployed people have been without work for at least a year, which makes it more difficult to re-enter the labour market. In addition, there were about three million discouraged workers, increasing the unemployment rate to 41.9% if one considers the expanded definition.

The unemployment burden is unevenly shared, disproportionately affecting the youth. The participation rate for people aged 15-24 is 26.8%, which is understandably low, with a significant proportion still in educational institutions and not looking for work. However, for those looking for full-time employment, the absorption rate is just 10.8%, and their unemployment rate is 59.7%. The next group between the ages of 25-34 has an unemployment rate of 40.7%, also significantly above the national average of 32.9%. Youth with more education generally have better odds of finding a job, as the unemployment rate for those with university degrees is below 11%.

According to the QLFS, of the 16.7 million employed, the formal non-agricultural sector employs the most significant proportion at 68.9%, followed by the informal non-agricultural sector (18.4%), private households (7.1%), and agricultural sector (5.6%). Looking at employment trends between industries, the community and social services sector employs 22.6% of the total, followed by the trade sector with 20.7% of the jobs, and the finance/business services sector with 17.4%. Notably, a third of the jobs in the trade sector are informal, highlighting that the informal sector should also not be neglected.

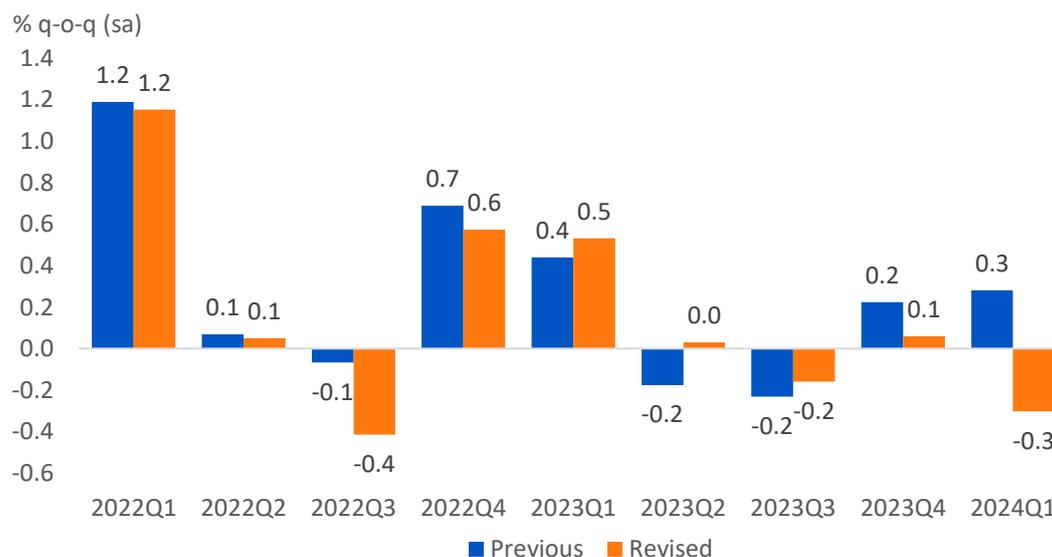
Total employment grew by 3.4% y-o-y, amounting to 552 471 net jobs created between 2023Q1 and 2024Q1. Of these, the finance sector created almost half of the jobs (246 640), followed by the trade sector (202 010). Meanwhile, the community and social services sector lost 111 082 jobs in the same period, followed by the manufacturing sector which lost 48 213 jobs.

Overall employment growth came in at a robust 6.2% in 2023, but is set to slow in 2024. However, private sector employment was much stronger than expected in 2024Q1, which means that, despite government employment declining by 2.3%, the slowdown will not be as pronounced as we expected before. Total employment growth of 3% is expected in 2024 before slowing to about 2% in the following years. In addition to a strong start to the year, the improved outlook for the second half of 2024 should be supportive of private-sector employment growth. The public sector will remain constrained to add jobs amid its fiscal consolidation drive.

CONSUMER SPENDING OUTLOOK REVISED LOWER

The first quarter's consumer spending data was disappointing relative to our expectations, with services and semi-durable goods performing weaker than we expected. There were also some revisions to the historical data – see Figure 12 below. For example, in 2023Q4, the data initially showed a decent 0.2% q-o-q increase, which was revised down to virtually no growth. In Q1, consumer spending contracted by 0.3% q-o-q, which translated to a decline of 0.4% y-o-y. Barring the COVID period, this was the first annual contraction in real consumer spending since 2009 (when SA experienced a recession triggered by the Global Financial Crisis). This reflects a consumer under significant pressure. Nominal (i.e. taking account of price changes) consumer spending was also low, with just 4.9% y-o-y growth – this should hurt retailers that tend to focus on turnover growth rather than volumes. On a positive note, retail sales data for April came out relatively strong. Real retail sales were up by 0.5% m-o-m (0.7% y-o-y). Unfortunately, following three consecutive monthly increases, sales declined in May (-0.7% m-o-m; still up 0.8% y-o-y). This still points to a quarterly expansion in retail sales in Q2, which also bodes well for a recovery in consumer spending. The BER Retail Survey echoes the improvement in retail sales in Q2.

Figure 12: Real consumer spending



Source: Stats SA, BER

However, with retail sales doing somewhat better, the services side of consumer spending is coming under more pressure. Growth in restaurant spending slowed significantly in the first four months, with an annual decline in March/April this year, while spending on accommodation is also moderating. This could be due to less load-shedding (see the text box above), but may also be indicative of a consumer under pressure amid high borrowing costs and pressure on the cost of living. The high interest rate is also filtering through to higher debt service costs. Debt service costs have steadily increased, and as a percentage of disposable income, they rose to 9.2% in 2024Q1 from 7.4% just 18 months ago. Thus, a larger portion of income goes to repaying debt, with less available for consumer spending.

SA will move to a two-pot pension system in September. This system aims to boost long-run retirement savings by compulsory preserving two-thirds of pension contributions (and investment gains) into a 'retirement pot' while allowing workers access to the remaining one-third in their 'savings pot'. We expect the initial boost to consumer spending to be relatively modest as part of the withdrawal will be taxed (which will at least be positive for the fiscus) and some withdrawals are likely to go to debt repayment rather than current (discretionary) spending. Furthermore, some people who may have been forced to resign to access their savings (as per the current guidelines) may now 'only' dip into their saving pots.

The lower actual Q1 outcome means that our full-year forecast for 2024 is somewhat lower than before, despite us being slightly more positive about the quarterly momentum in the remainder of the year. Even with strong quarterly growth (after the very poor Q1), we forecast final consumer spending to increase by 0.6%, with a notable uptick to 2% next year and another slight nudge up to 2.1% in 2026. The better outlook is based on the expectation that consumer confidence should improve somewhat during the second half of the year, which should be good for the willingness to spend. In terms of the ability to spend, lower inflation and an expected shallow policy rate-cutting cycle should be beneficial. The fuel price declines we have seen, the R20 increase in the Social Relief of Distress (SRD) grant and a stronger rand exchange rate also help. Indeed, the durable goods category is expected to see the fastest growth rate of the different spending categories next year (2.9%).

BETTER RAND AND INFLATION OUTLOOK

Shifting expectations around global monetary policy has contributed to financial market volatility, which has not spared SA assets. Still, the rand exchange rate was roughly unchanged to the dollar in July relative to its starting level at the beginning of the year after reversing some earlier weakness. A steady decline in SA's credit default swaps (CDS) spread since early June reflects more positive investor sentiment towards the country. The rand has scope to strengthen further once the US Fed starts easing. Over the longer run, the rand is driven by the interest rate and inflation rate differentials between SA and the US, leading to the rand depreciating by between 1.2% and 1.7% y-o-y between 2026 and 2029.

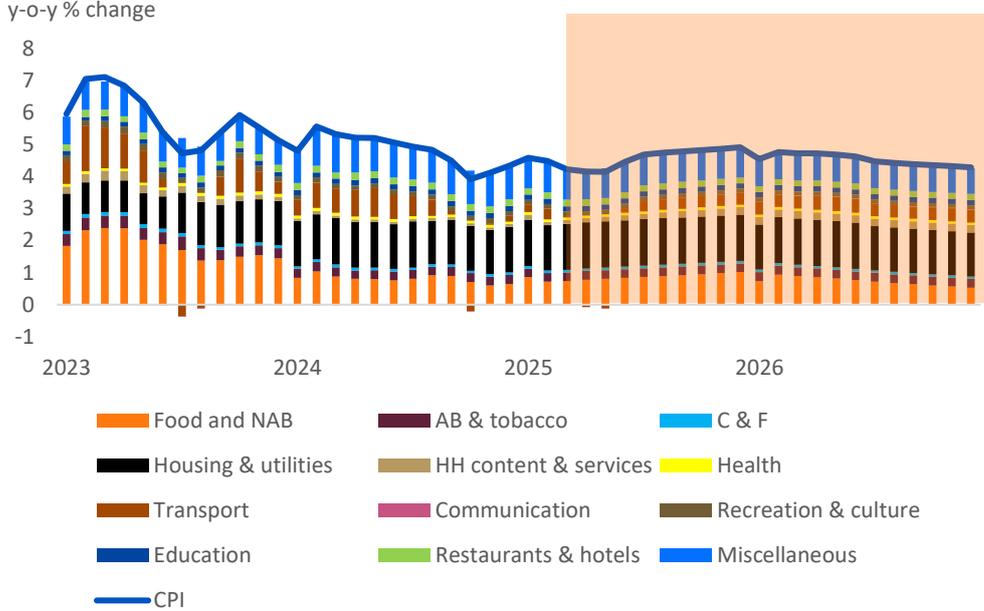
A stronger rand and favourable fuel price dynamics have contributed to an improved picture of consumer inflation. Furthermore, price increases in food and non-alcoholic beverages (FNAB) have moderated, with the slowdown in FNAB aiding a downtick in headline consumer price inflation (CPI). Annual headline CPI moderated from 5.2% in May to 5.1% in June, according to Stats SA, marking the lowest reading this year. The deceleration was primarily due to softer price increases in housing & utilities (up 5.5% in June vs 5.8% y-o-y in May), food & non-alcoholic beverages (4.6% vs 4.7%), and transport (5.5% vs 6.3%). On a monthly basis, the increase in headline CPI eased to 0.1% following a 0.2% rise in the previous month, mainly driven by

declining fuel prices. Meanwhile, core inflation, which excludes volatile food and energy costs, ticked down to 4.5% y-o-y in June from 4.6% in May. Coming back to FNAB, We see this average around 4.9% in 2024 before slowing ever so slightly in 2025. While there are still lingering upside risks stemming from weather shocks and broader logistics constraints, food inflation appears to be more stable compared to previous years.

Another important driver of headline inflation in SA is fuel prices. In recent months, fuel prices have turned out more favourable than expected. Looking ahead, we have slightly lowered our Brent crude oil forecast for 2025 and 2026. Also important for price dynamics (including fuel) is our view on the rand. The rand exchange rate averaged somewhat stronger to the dollar than we anticipated in 2024Q2. The rand has scope to strengthen further once the US Federal Reserve (Fed) starts easing. This is expected to happen later this year, and continue into 2025.

All this has contributed to us lowering our CPI forecast for 2024. We now see annual CPI inflation average 4.8% in 2024 and tick down further to average 4.6% in 2025 and 4.5% in 2026. Core inflation is expected to decelerate from 4.6% to an average of 4.4% in the next two years.

Figure 13: CPI forecast



Source: Stats SA, BER

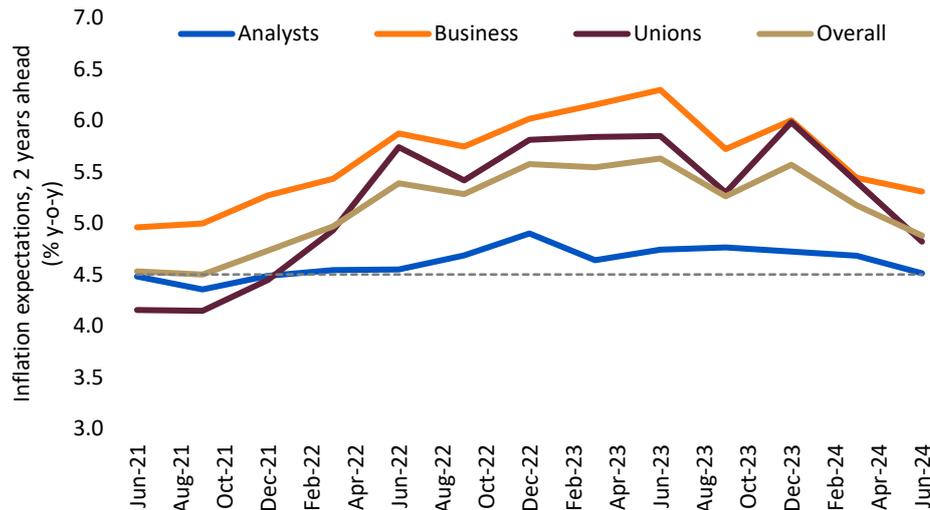
SOME RELIEF ON INTEREST RATES EXPECTED

In line with expectations, the Monetary Policy Committee (MPC) of the SA Reserve Bank (SARB) kept the repurchase (repo) rate unchanged at 8.25% in July. This was the seventh meeting of no change. The SARB presented an improved headline inflation forecast. It sees CPI inflation average 4.9% this year, down from the 5.1% forecast in May, and dip below the 4.5% midpoint in coming quarters amid more favourable food and fuel price dynamics. A stronger rand also supports a better inflation outlook, although still high global interest rates present a risk to the currency. While talking about the global picture, Governor Lesetja Kganyago emphasised that the battle against inflation is not yet won, although acknowledging that there has been some policy divergence on a global level with rate cuts by some European central banks now following earlier cuts in Latin America. The SARB, however, also warned that some

lower inflation outcomes have not been sustained – this likely explains why four MPC members are not (yet) comfortable with cutting.

Another reason for the hesitancy is the SARB’s assessment that risks to the inflation outlook remain on the upside. The SARB remains concerned about administrated prices, particularly electricity inflation, and also worries about sticky services inflation. While the downtick in inflation expectations in the BER’s survey is welcome, expectations remain uncomfortably close to the higher end of the target range.

Figure 14: Inflation expectations “still uncomfortably above the SARB’s 4.5% objective”



Source: BER

With an improved inflation profile and inflation expectations drifting lower, we think that the SARB could have the scope to start a shallow-cutting cycle later in September. It is perhaps useful to note that another Inflation Expectations Survey will be released just before the September meeting. By then, we will also have three more CPI inflation releases, hopefully, confirming the continued moderation in price pressure and insights on price developments from the Q3 BER Business Surveys and two more PMI (purchasing price) prints. This will also give the rand exchange rate some time to settle after the election, with a sustained strong(er) rand firming up the likelihood of a rate cut. A blowout in the Brent crude price would do the opposite, although the SARB would have to argue that the second-round effects of this are enough to derail the current inflation outlook.

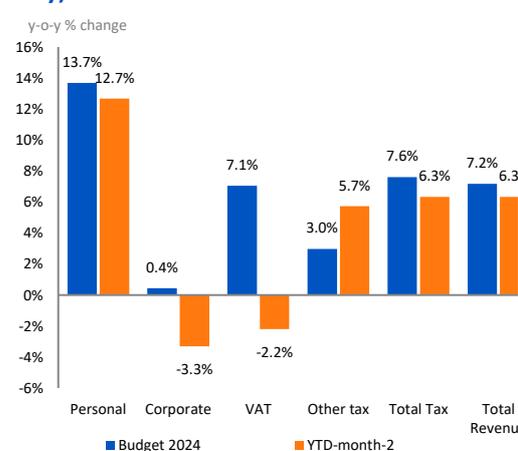
We still see about 100bps worth of cuts in the next few meetings (largely in line with the SARB’s Quarterly Projection Model), with another 25bps cut in late 2026, before the repo rate is expected to remain on hold. Over the long term, the SARB’s desire to pursue a lower inflation target is expected to come into play, which is why we do not expect further cuts (for now). Successfully anchoring inflation at a lower level would facilitate a lower policy rate over time, but a firm commitment and timeline from the SARB and National Treasury is required for this to happen.

SLIGHTLY MORE PESSIMISTIC ON THE FISCAL FRONT

Government finances improved slightly during Q1, however, these gains were reversed in Q2.

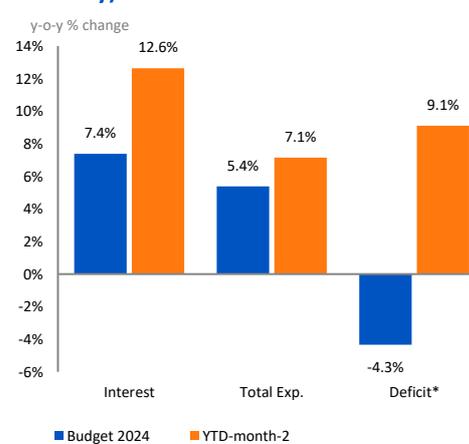
The general government deficit shrank to only 0.3% of GDP in 2024Q1, from 5.9% in 2023Q4. This was the smallest deficit since 2008, before the GFC, and was due to both an increase in revenue and a decrease in expenditure. Government revenue rose to 25.7% of GDP (from 23.4% before), while expenditure fell to 26.1% (29.4% before). The improvement in revenue was broad-based as taxes from individuals, companies, and VAT increased. Regarding expenditure, annual growth in government consumption slowed to 3.8% (from 6.6% before), as the number of employees contracted by 2.3%.

Figure 15: Revenue growth (April and May)



Source: National Treasury

Figure 16: Expenditure growth (April and May)



In contrast, in the first two months of the second quarter (April and May), tax revenue from companies and VAT fell by 3% and 2%, respectively, compared to the same period a year before. An exception was revenue from personal income tax that expanded by a brisk 13%, most likely due to the effective increase in personal income tax rates (through bracket creep) announced in the February Budget. Consequently, total tax revenue increased by 6%, which was slightly less than the 7% increase in expenditure over the same period.

Looking ahead, the new GNU has the daunting task to stabilise the growth in government debt, which reached 74.2% to GDP in Q1. With the composition of various political parties, this might bring about more fiscal responsibility. It sidesteps the usual temptation of single-party governments to overspend for immediate political gains. For this reason, the BER anticipates that the Minister of Finance (still Enoch Godongwana) and the new Minister of Public Service Administration, Mzamo Buthelezi, from the IFP, will allow for only inflation-related increases in government wages. One significant risk to the fiscus is the National Health Insurance bill, which was signed into law in mid-May (shortly before the national election). However, given the tests it faces in the constitutional court, and various other practical challenges, we are not pricing in any provision for it in our current forecast horizon. This means that we expect government expenditure to grow at an average rate of 5.2% from 2024 to 2029.

Our revenue outlook is slightly more pessimistic for this fiscal year, mostly due to the current economic weakness and underperformance of corporate tax and VAT in 2024Q2. Based on these revenue and expenditure assumptions, the general budget deficit is forecast to gradually

decline from 6% of GDP in 2023 to 2.7% in 2029, with gross debt reaching a peak of 77% of GDP in 2027.

Conclusion

Following a weaker-than-expected Q1, we have downwardly adjusted our forecast for 2024. However, we have made an upward revision to 2025. Our just above 2% real GDP forecast is now somewhat better than the consensus view (of just below 2%), although that, of course, may be adjusted upwards with time...

The upward revision is driven by a few factors. While the poor 2024Q1 sets a low base for 2024, it does help to provide some boost to annual growth in 2025. The logistics disruptions that dragged growth lower towards the end of 2023 and early 2024 should ease going forward, while the electricity supply constraint is expected to remain less onerous than before. The plans to help alleviate these constraints have already been set in motion and continued private sector involvement could fast-track positive outcomes. We also foresee some pent-up “wait and see” demand ahead of the May National Elections coming through in the second half of this year and into next year. This includes investment by businesses and households, as well as the usual day-to-day demand that was put on hold earlier this year. An expected improvement in consumer and business confidence now that we have more certainty on the political front aids this further. An expected slowdown in inflation, a somewhat stronger rand exchange rate and the start of a shallow interest-rate-cutting cycle are further positives over the short term.

Importantly, at this stage, we do see growth slow to below 2% over the medium term. The GNU’s commitment to further structural reform and pursuit of Operation Vulindlela would be positive for inclusive economic growth over time. Visa reform could be a ‘quick win’ with benefits throughout the economy, while the focus on local government will be crucial to improve service delivery. However, we would need to see implementation and progress on these fronts before we can confidently lift a longer-term growth forecast beyond the initial 2025 ‘hump’.

Appendix

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Table A 1: International economic indicators

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Real GDP growth rates															
US % growth	2.9	2.6	2.1	2.0	1.9	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.4	1.9	2.0
UK % growth	0.3	0.5	0.9	1.2	1.0	1.1	1.3	1.6	1.5	1.5	1.6	1.6	0.7	1.3	1.5
Germany % growth	-0.2	0.1	0.1	1.0	1.2	1.1	1.1	1.1	1.2	1.3	1.4	1.5	0.3	1.1	1.4
Japan % growth	-0.2	0.1	1.0	1.3	1.7	0.8	0.9	0.5	1.1	1.1	1.0	0.5	0.5	1.0	0.9
Eurozone % growth	0.5	0.7	0.9	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.4	1.5	0.8	1.5	1.5
G7 % growth	1.8	1.8	1.6	1.6	1.6	1.5	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.7
CPI inflation rates															
US % CPI	3.2	3.3	2.9	2.8	2.6	2.1	2.1	2.3	2.3	2.0	2.0	2.1	3.0	2.3	2.1
UK % CPI	3.9	2.8	2.3	2.0	2.2	2.2	2.2	2.1	2.0	2.0	2.0	2.0	2.7	2.2	2.0
Germany % CPI	2.7	2.7	2.5	2.5	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.6	2.1	2.0
Japan % CPI	2.5	2.7	2.7	2.5	2.4	2.1	1.8	1.6	1.8	1.7	1.6	1.4	2.6	2.0	1.6
G7 % CPI	3.0	2.5	2.3	2.3	2.0	2.1	2.0	2.1	2.1	2.0	1.9	2.0	2.5	2.1	2.0
China % CPI	0.0	0.3	1.0	1.5	1.5	1.8	1.6	1.7	1.7	2.0	1.7	1.8	0.7	1.6	1.8
India % CPI	4.5	4.4	4.7	5.7	5.3	4.5	3.8	4.0	4.6	4.3	4.1	4.1	4.8	4.4	4.2
Interest rates															
US prime rate	8.50	8.50	8.46	8.08	7.97	7.71	7.46	7.21	6.97	6.71	6.46	6.30	8.39	7.59	6.61
Commodity prices															
Spot oil price: US\$/barrel	81.9	85.0	84.5	83.0	81.0	79.3	79.0	79.0	77.0	77.0	75.0	75.0	83.6	79.6	76.0
London gold price: US\$/oz	2072	2338	2447	2498	2577	2573	2585	2598	2549	2535	2522	2511	2339	2583	2529
Platinum price: US\$/oz	907	980	999	1009	1048	1060	1074	1098	1117	1132	1145	1155	974	1070	1138
Palladium price: US\$/oz	980	973	984	980	975	969	966	965	961	959	959	954	979	968	958
SA coal price : US\$/mt	96.6	107.7	99.7	96.0	93.0	90.5	88.6	86.9	85.6	84.6	83.7	83.0	100.0	89.8	84.2
China iron ore price : US\$/mt	124.6	113.4	104.4	100.2	97.2	94.7	92.7	91.1	89.7	88.7	87.8	87.1	110.7	93.9	88.3
Exchange rates															
US\$/Sterling exchange rate	1.27	1.26	1.28	1.28	1.28	1.28	1.29	1.29	1.29	1.29	1.30	1.31	1.27	1.29	1.30
Y\$/ exchange rate	148.4	155.9	156.6	150.5	147.3	146.5	143.4	140.3	137.3	134.4	131.6	128.8	152.8	144.3	133.0
US\$/Euro exchange rate	1.09	1.08	1.09	1.10	1.12	1.14	1.15	1.16	1.16	1.16	1.17	1.18	1.09	1.14	1.17

Table A 2: Expenditure on gross domestic product (R billion at current prices, seasonally adjusted annual rates)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Nominal GDP expenditure components															
Household consumption (year % ch.)	4643.8 4.9	4715.8 5.2	4809.8 5.6	4928.6 6.4	4959.9 6.8	5034.4 6.8	5126.9 6.6	5234.6 6.2	5282.9 6.5	5365.3 6.6	5469.8 6.7	5582.5 6.6	4774.5 5.6	5088.9 6.6	5425.1 6.6
Government consumption (year % ch.)	1399.7 3.8	1411.0 5.4	1438.9 4.9	1458.7 5.9	1466.8 4.8	1482.3 5.1	1511.4 5.0	1531.5 5.0	1539.2 4.9	1555.5 4.9	1585.9 4.9	1607.0 4.9	1427.1 5.0	1498.0 5.0	1571.9 4.9
Fixed investment (year % ch.)	1065.2 5.9	1088.1 1.8	1123.1 6.0	1130.2 6.4	1161.9 9.1	1177.6 8.2	1215.8 8.3	1218.1 7.8	1260.0 8.4	1279.2 8.6	1321.0 8.7	1324.0 8.7	1101.7 5.0	1193.3 8.3	1296.0 8.6
Inventory investment	-68.6	45.3	57.9	53.7	56.9	45.0	47.9	38.5	51.5	48.5	53.3	39.1	22.1	47.1	48.1
Residual item	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3	30.3
Gross domestic expenditure (year % ch.)	7070.4 2.7	7290.6 3.4	7460.1 7.5	7601.6 6.5	7675.8 8.6	7769.7 6.6	7932.3 6.3	8053.1 5.9	8163.9 6.4	8278.8 6.6	8460.3 6.7	8582.9 6.6	7355.7 5.1	7857.7 6.8	8371.5 6.5
Exports: goods and services (year % ch.)	2307.9 -0.4	2300.5 -0.2	2280.5 0.2	2326.6 1.0	2443.9 5.9	2450.3 6.5	2461.2 7.9	2506.3 7.7	2620.7 7.2	2621.9 7.0	2631.6 6.9	2674.5 6.7	2303.9 0.1	2465.4 7.0	2637.2 7.0
Imports: goods and services (year % ch.)	2186.0 -4.0	2242.0 -5.2	2248.8 3.2	2352.6 2.6	2337.8 6.9	2374.6 5.9	2410.5 7.2	2496.8 6.1	2500.6 7.0	2564.2 8.0	2610.0 8.3	2699.0 8.1	2257.4 -0.9	2404.9 6.5	2593.5 7.8
Expenditure on GDP (year % ch.)	7192.4 3.9	7349.0 5.1	7491.8 6.5	7575.6 6.0	7781.9 8.2	7845.3 6.8	7983.1 6.6	8062.7 6.4	8283.9 6.5	8336.5 6.3	8481.9 6.2	8558.4 6.1	7402.2 5.4	7918.2 7.0	8415.2 6.3

Table A 3: Expenditure on gross domestic product (R billion at constant 2015 prices, seasonally adjusted annual rates)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Real GDP expenditure components															
Household consumption (year % ch.)	3087.6 -0.4	3102.6 0.1	3122.4 0.9	3151.7 1.8	3157.9 2.3	3170.6 2.2	3185.1 2.0	3204.8 1.7	3218.7 1.9	3235.8 2.1	3253.7 2.2	3272.8 2.1	3116.1 0.6	3179.6 2.0	3245.2 2.1
Government consumption (year % ch.)	915.8 1.5	936.6 2.2	938.9 1.9	944.0 2.8	922.6 0.7	937.3 0.1	936.1 -0.3	939.4 -0.5	922.2 0.0	938.2 0.1	938.0 0.2	941.9 0.3	933.8 2.1	933.9 0.0	935.1 0.1
Fixed investment (year % ch.)	662.6 -2.8	670.7 -5.5	678.5 0.3	686.8 1.8	692.0 4.4	698.7 4.2	706.0 4.1	712.6 3.7	718.8 3.9	726.9 4.0	735.1 4.1	742.0 4.1	674.6 -1.6	702.3 4.1	730.7 4.0
Inventory investment	-5.5	11.4	17.3	20.2	17.4	12.2	11.4	11.5	13.1	13.6	14.0	11.3	10.9	13.1	13.0
Residual item	13.5	6.2	6.2	6.2	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1
Gross domestic expenditure (year % ch.)	4673.9 -1.5	4727.7 -1.8	4763.3 2.4	4809.1 2.0	4798.0 2.7	4826.9 2.1	4846.8 1.8	4876.3 1.4	4880.9 1.7	4922.6 2.0	4948.7 2.1	4976.0 2.0	4743.5 0.2	4837.0 2.0	4932.1 2.0
Exports: goods and services (year % ch.)	1284.3 -0.5	1294.3 -0.2	1310.4 0.1	1326.7 0.9	1342.1 4.5	1357.7 4.9	1373.8 4.8	1390.0 4.8	1401.8 4.5	1414.1 4.2	1428.4 4.0	1441.2 3.7	1303.9 0.1	1365.9 4.8	1421.4 4.1
Imports: goods and services (year % ch.)	1318.0 -7.2	1348.7 -8.0	1384.7 3.6	1429.3 2.9	1387.2 5.3	1404.6 4.1	1432.1 3.4	1468.2 2.7	1434.5 3.4	1458.3 3.8	1490.0 4.0	1526.2 3.9	1370.2 -2.3	1423.0 3.9	1477.2 3.8
Expenditure on GDP (year % ch.)	4640.2 0.6	4673.3 0.6	4689.0 1.3	4706.5 1.4	4752.9 2.4	4780.0 2.3	4788.4 2.1	4798.1 1.9	4848.2 2.0	4878.4 2.1	4887.1 2.1	4891.0 1.9	4677.2 1.0	4779.9 2.2	4876.2 2.0

Table A 4: Final household consumption expenditure (R billion at constant 2015 prices, seasonally adjusted annual rates)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Household consumption categories															
Durable goods (year % ch.)	315.6 -0.6	317.7 1.2	320.4 2.4	326.9 1.9	326.9 3.6	327.9 3.2	329.7 2.9	333.9 2.2	336.3 2.9	339.0 3.4	341.3 3.5	344.1 3.0	320.2 1.2	329.6 2.9	340.2 3.2
Semi-durable goods (year % ch.)	286.8 -3.0	289.9 1.6	292.5 1.2	301.0 0.6	297.5 3.7	298.0 2.8	299.3 2.3	305.5 1.5	305.0 2.5	306.2 2.8	308.1 2.9	314.2 2.8	292.5 0.1	300.1 2.6	308.4 2.8
Non-durable goods (year % ch.)	892.8 -1.0	897.8 -0.5	904.1 0.9	909.0 3.1	913.5 2.3	916.8 2.1	920.0 1.8	921.9 1.4	927.4 1.5	931.5 1.6	935.2 1.7	937.1 1.6	900.9 0.6	918.1 1.9	932.8 1.6
Services (year % ch.)	1592.4 0.5	1597.2 -0.1	1605.4 0.5	1614.8 1.2	1620.1 1.7	1627.9 1.9	1636.1 1.9	1643.4 1.8	1650.0 1.8	1659.1 1.9	1669.0 2.0	1677.4 2.1	1602.4 0.5	1631.9 1.8	1663.9 2.0
Total household consumption (year % ch.)	3087.6 -0.4	3102.6 0.1	3122.4 0.9	3151.7 1.8	3157.9 2.3	3170.6 2.2	3185.1 2.0	3204.8 1.7	3218.7 1.9	3235.8 2.1	3253.7 2.2	3272.8 2.1	3116.1 0.6	3179.6 2.0	3245.2 2.1
Disposable income of households															
Real disposable income (year % ch.)	3061.4 -0.8	3075.9 -0.2	3097.7 1.0	3130.0 2.1	3140.2 2.6	3154.8 2.6	3171.2 2.4	3191.7 2.0	3207.0 2.1	3224.6 2.2	3243.2 2.3	3262.6 2.2	3091.2 0.5	3164.5 2.4	3234.4 2.2
Adjusted for debt-service cost (real) (year % ch.)	3015.3 -0.8	3030.3 -0.1	3052.7 1.0	3085.6 2.2	3096.0 2.7	3111.1 2.7	3128.2 2.5	3149.3 2.1	3164.8 2.2	3182.8 2.3	3202.0 2.4	3222.0 2.3	3046.0 0.6	3121.1 2.5	3192.9 2.3

Table A 5: Gross fixed capital formation (R billion at constant 2015 prices, seasonally adjusted annual rates)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Private sector															
Total private sector	472.4	478.0	484.5	493.3	499.3	505.1	511.2	516.9	523.1	529.6	536.4	543.0	482.0	508.1	533.0
(year % ch.)	-2.5	-6.3	0.1	1.0	5.7	5.7	5.5	4.8	4.8	4.9	4.9	5.0	-2.0	5.4	4.9
Public sector															
Government	114.1	114.9	115.2	114.6	113.2	112.8	113.0	113.0	113.0	113.6	114.4	114.1	114.7	113.0	113.8
(year % ch.)	-8.1	-5.7	-4.2	2.9	-0.8	-1.9	-1.9	-1.4	-0.2	0.7	1.2	1.0	-3.9	-1.5	0.7
Public corporations	76.0	77.8	78.7	79.0	79.4	80.9	81.9	82.7	82.7	83.8	84.3	84.8	77.9	81.2	83.9
(year % ch.)	4.5	0.5	9.4	5.3	4.5	3.9	3.9	4.7	4.2	3.5	3.0	2.6	4.8	4.3	3.3
Total public sector	190.1	192.8	193.9	193.6	192.6	193.7	194.9	195.7	195.7	197.3	198.7	199.0	192.6	194.2	197.7
(year % ch.)	-3.5	-3.3	0.9	3.8	1.3	0.5	0.5	1.1	1.6	1.9	2.0	1.7	-0.6	0.8	1.8
Total															
Total fixed capital formation	662.6	670.7	678.5	686.8	692.0	698.7	706.0	712.6	718.8	726.9	735.1	742.0	674.6	702.3	730.7
(year % ch.)	-2.8	-5.5	0.3	1.8	4.4	4.2	4.1	3.7	3.9	4.0	4.1	4.1	-1.6	4.1	4.0

Table A 6: Labour sector (million)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Employment															
Total labour force	24.97	24.63	24.91	24.94	25.00	24.93	25.21	25.24	25.30	25.23	25.52	25.54	24.86	25.09	25.39
(year % ch.)	3.5	1.5	1.3	1.3	0.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.9	0.9	1.2
Private sector employment	14.56	14.61	14.75	14.89	14.79	14.85	15.02	15.19	15.09	15.19	15.39	15.57	14.70	14.96	15.31
(year % ch.)	4.3	4.5	2.9	2.6	1.6	1.7	1.8	2.0	2.0	2.3	2.5	2.5	3.6	1.8	2.3
Government employment	2.19	2.34	2.33	2.32	2.31	2.31	2.30	2.29	2.32	2.32	2.31	2.30	2.29	2.30	2.31
(year % ch.)	-2.3	-1.4	-3.2	5.0	5.5	-1.3	-1.3	-1.3	0.4	0.4	0.4	0.4	-0.5	0.3	0.4
Total employment (incl. informal)	16.74	16.95	17.08	17.21	17.09	17.16	17.32	17.48	17.40	17.51	17.70	17.86	17.00	17.26	17.62
(year % ch.)	3.4	3.7	2.0	2.9	2.1	1.3	1.4	1.6	1.8	2.0	2.2	2.2	3.0	1.6	2.1
Unemployment rate	32.9	31.2	31.4	31.0	31.6	31.1	31.3	30.7	31.2	30.6	30.6	30.1	31.6	31.2	30.6
Wage rates (year % change)															
Unit labour cost	3.1	5.0	5.6	6.6	5.6	5.1	4.9	4.4	4.9	4.9	5.0	5.0	5.1	5.0	4.9
Wage bill (R billion at current prices)															
Total wage bill	3272.5	3330.3	3412.1	3469.5	3540.9	3578.5	3655.2	3692.8	3788.7	3829.7	3916.0	3952.7	3371.1	3616.9	3871.8
(year % ch.)	3.7	5.6	7.0	8.1	8.2	7.5	7.1	6.4	7.0	7.0	7.1	7.0	6.1	7.3	7.0

Table A 7: Personal income and expenditure (R billion at current prices, seasonally adjusted annual rates)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Income and expenditure															
Remuneration of employees (year % ch.)	3272.5 3.7	3330.3 5.6	3412.1 7.0	3469.5 8.1	3540.9 8.2	3578.5 7.5	3655.2 7.1	3692.8 6.4	3788.7 7.0	3829.7 7.0	3916.0 7.1	3952.7 7.0	3371.1 6.1	3616.9 7.3	3871.8 7.0
Disposable income (year % ch.)	4604.5 4.4	4675.1 4.9	4771.8 5.7	4894.6 6.8	4932.0 7.1	5009.3 7.1	5104.5 7.0	5213.3 6.5	5263.7 6.7	5346.8 6.7	5452.2 6.8	5565.2 6.7	4736.5 5.5	5064.8 6.9	5407.0 6.8
Less household consumption (year % ch.)	4643.8 4.9	4715.8 5.2	4809.8 5.6	4928.6 6.4	4959.9 6.8	5034.4 6.8	5126.9 6.6	5234.6 6.2	5282.9 6.5	5365.3 6.6	5469.8 6.7	5582.5 6.6	4774.5 5.6	5088.9 6.6	5425.1 6.6
Saving	-39.3	-40.7	-38.1	-34.0	-27.9	-25.1	-22.4	-21.4	-19.2	-18.5	-17.6	-17.3	-38.0	-24.2	-18.2
Households: ratio to disposable income															
Saving	-0.9	-0.9	-0.8	-0.7	-0.6	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.8	-0.5	-0.3
Debt	63.3	61.3	60.5	60.1	61.4	59.8	59.4	59.5	60.8	59.5	59.1	59.2	61.3	60.0	59.6
Debt-service cost	9.2	8.9	8.7	8.4	8.4	8.1	7.9	8.0	8.2	8.0	8.0	8.0	8.8	8.1	8.1
Net wealth	389.8	390.3	393.0	391.4	396.6	397.8	402.3	398.0	402.1	402.0	405.4	403.4	391.1	398.7	403.2

Table A 8: Current income and expenditure of general government (R billion at current prices, seasonally adjusted annual rates)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Income															
Direct taxes (year % ch.)	1072.4 8.5	1028.8 6.1	1062.7 5.8	1080.1 7.1	1106.0 3.1	1106.7 7.6	1141.0 7.4	1157.3 7.2	1180.3 6.7	1179.3 6.6	1215.7 6.6	1232.1 6.5	1061.0 6.9	1127.7 6.3	1201.8 6.6
Value added tax (VAT) (year % ch.)	517.9 5.6	377.8 0.1	453.1 2.3	483.6 7.0	523.6 1.1	409.5 8.4	489.0 7.9	519.8 7.5	554.2 5.8	433.7 5.9	518.3 6.0	550.8 6.0	458.1 4.0	485.5 6.0	514.3 5.9
Other indirect taxes (year % ch.)	371.2 -0.9	529.5 4.6	475.8 7.5	482.1 12.2	431.0 16.1	548.0 3.5	492.3 3.5	495.8 2.9	455.0 5.6	580.7 6.0	522.5 6.1	525.8 6.0	464.6 6.0	491.8 5.8	521.0 5.9
Expenditure															
Consumption (year % ch.)	1399.7 3.8	1411.0 5.4	1438.9 4.9	1458.7 5.9	1466.8 4.8	1482.3 5.1	1511.4 5.0	1531.5 5.0	1539.2 4.9	1555.5 4.9	1585.9 4.9	1607.0 4.9	1427.1 5.0	1498.0 5.0	1571.9 4.9
Interest Payments (year % ch.)	354.8 11.4	331.9 -5.8	359.6 6.0	371.9 5.6	374.6 5.6	350.3 5.5	379.5 5.5	392.0 5.4	404.7 8.0	378.7 8.1	410.6 8.2	424.4 8.3	354.6 4.1	374.1 5.5	404.6 8.2
Saving	-367.2	-288.6	-315.3	-290.0	-296.9	-291.5	-316.9	-294.3	-281.4	-273.8	-298.4	-274.9	-315.3	-299.9	-282.1
Ratios to GDP															
Total tax revenue	27.3	26.3	26.6	27.0	26.5	26.3	26.6	27.0	26.4	26.3	26.6	27.0	26.8	26.6	26.6
Main budget balance	-0.6	-7.7	-5.7	-5.4	-3.4	-6.0	-4.1	-3.9	-3.1	-5.5	-3.7	-3.5	-4.9	-4.4	-4.0
Gross debt (National government)	74.0	73.2	73.7	74.1	74.9	75.3	75.6	75.8	76.6	77.1	77.0	76.8	74.1	75.8	76.8

Table A 9: Balance of payments (R billion at current prices, seasonally adjusted annual rates)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Current account															
Exports: goods and services (year % ch.)	2307.9 -0.4	2300.5 -0.2	2280.5 0.2	2326.6 1.0	2443.9 5.9	2450.3 6.5	2461.2 7.9	2506.3 7.7	2620.7 7.2	2621.9 7.0	2631.6 6.9	2674.5 6.7	2303.9 0.1	2465.4 7.0	2637.2 7.0
Net receipts (year % ch.)	-45.4 141.4	-40.0 -22.5	-40.6 -12.5	-43.3 1.4	-48.8 7.4	-50.3 25.6	-50.9 25.3	-53.8 24.1	-52.9 8.5	-54.5 8.4	-55.2 8.4	-58.2 8.2	-42.3 6.1	-50.9 20.3	-55.2 8.3
Less imports: goods and services (year % ch.)	2186.0 -4.0	2242.0 -5.2	2248.8 3.2	2352.6 2.6	2337.8 6.9	2374.6 5.9	2410.5 7.2	2496.8 6.1	2500.6 7.0	2564.2 8.0	2610.0 8.3	2699.0 8.1	2257.4 -0.9	2404.9 6.5	2593.5 7.8
Less net factor payments (year % ch.)	161.1 83.8	157.7 96.0	158.1 93.9	157.3 19.5	155.7 -3.4	161.4 2.4	164.2 3.9	169.2 7.6	172.7 10.9	176.4 9.3	180.0 9.6	183.6 8.5	158.5 66.3	162.6 2.6	178.2 9.6
Current account balance	-84.6	-139.2	-167.0	-226.6	-98.4	-136.0	-164.4	-213.4	-105.6	-173.2	-213.6	-266.4	-154.4	-153.1	-189.7
Current account in US\$	-4.5	-7.5	-9.3	-12.7	-5.6	-7.6	-9.2	-12.0	-5.9	-9.6	-11.8	-14.7	-8.5	-8.6	-10.5
Current account as % of GDP	-1.2	-1.9	-2.2	-3.0	-1.3	-1.7	-2.1	-2.6	-1.3	-2.1	-2.5	-3.1	-2.1	-1.9	-2.3
Financing of the current account															
Total net capital flows	37.7	0.4	63.6	26.4	55.2	9.2	62.9	23.1	56.9	18.5	75.2	36.4	128.2	150.4	187.0
SDR + Valuation adjustment	42.0	-42.4	-23.4	-1.3	-8.9	7.3	3.5	-2.8	6.2	4.9	4.4	5.1	-25.0	-0.9	20.4
Change in gross reserves	28.0	-51.9	-23.4	-1.3	-8.9	7.3	3.5	-2.8	6.2	4.9	4.4	5.1	-48.5	-0.9	20.4
Gross reserves: quarter end	1185.6	1133.7	1110.3	1109.0	1100.2	1107.4	1110.9	1108.1	1114.3	1119.1	1123.5	1128.5	1109.0	1108.1	1128.5
Gross reserves: quarter end (US\$)	62.3	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1	62.1
Terms of trade															
Index (2015 = 100)	108.3	106.9	107.2	106.5	108.0	106.8	106.4	106.0	107.2	105.4	105.2	104.9	107.2	106.8	105.7
(year % ch.)	-3.3	-3.0	0.4	0.4	-0.3	-0.2	-0.7	-0.5	-0.7	-1.2	-1.2	-1.0	-1.4	-0.4	-1.0

Table A 10: Credit, interest rates and exchange rates

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Money supply and credit extension															
M3 money supply (year % ch.)	5198.6 6.8	5233.8 5.8	5338.5 6.3	5371.4 5.6	5503.5 5.9	5519.1 5.5	5629.0 5.4	5678.4 5.7	5819.6 5.7	5842.9 5.9	5968.2 6.0	6025.0 6.1	5371.4 5.6	5678.4 5.7	6025.0 6.1
Private sector credit to households (year % ch.)	2145.0 3.7	2137.7 2.5	2164.3 2.9	2188.5 3.2	2226.8 3.8	2236.6 4.6	2276.1 5.2	2309.5 5.5	2353.5 5.7	2372.6 6.1	2417.8 6.2	2452.1 6.2	2188.5 3.2	2309.5 5.5	2452.1 6.2
Private sector credit to firms (year % ch.)	2597.4 6.4	2581.0 4.9	2659.0 5.9	2667.7 6.1	2761.5 6.3	2767.3 7.2	2837.6 6.7	2853.7 7.0	2950.9 6.9	2955.1 6.8	3035.2 7.0	3057.7 7.1	2667.7 6.1	2853.7 7.0	3057.7 7.1
Total private sector credit extension (year % ch.)	4742.4 5.1	4718.6 3.8	4823.3 4.5	4856.2 4.7	4988.2 5.2	5003.9 6.0	5113.7 6.0	5163.1 6.3	5304.4 6.3	5327.6 6.5	5453.0 6.6	5509.7 6.7	4856.2 4.7	5163.1 6.3	5509.7 6.7
Interest rates															
3-month NCD rate	8.37	8.35	8.40	7.97	7.99	7.57	7.38	7.44	7.49	7.54	7.57	7.49	8.27	7.60	7.52
10-year government bond yield	11.03	11.68	11.02	11.02	10.91	10.50	10.02	9.90	9.95	9.89	9.88	9.80	11.19	10.33	9.88
Prime overdraft rate	11.75	11.75	11.68	11.40	11.25	10.98	10.75	10.75	10.75	10.75	10.75	10.65	11.64	10.93	10.72
Effective household lending rate	14.53	14.47	14.39	13.90	13.76	13.52	13.32	13.40	13.47	13.52	13.57	13.52	14.32	13.50	13.52
Effective firm lending rate	9.55	9.69	9.79	9.69	9.63	9.43	9.22	9.16	9.16	9.14	9.10	8.96	9.68	9.36	9.09
Exchange rates															
R/US DOLLAR (year % ch.)	18.88 6.4	18.58 -0.4	17.94 -3.7	17.90 -4.5	17.73 -6.1	17.81 -4.1	17.89 -0.3	17.84 -0.3	17.92 1.1	18.00 1.0	18.07 1.0	18.15 1.7	18.33 -0.7	17.82 -2.8	18.03 1.2
R/100 Japanese YEN (year % ch.)	12.73 -5.1	11.92 -12.3	11.46 -11.2	11.90 -6.2	12.04 -5.4	12.16 2.1	12.48 8.9	12.71 6.9	13.05 8.4	13.39 10.1	13.74 10.1	14.09 10.8	12.00 -8.7	12.35 2.9	13.57 9.9
R/STERLING (year % ch.)	23.95 11.1	23.41 0.2	22.96 -2.7	22.91 -1.5	22.70 -5.2	22.80 -2.6	23.07 0.5	23.01 0.4	23.12 1.8	23.22 1.8	23.49 1.8	23.78 3.3	23.31 1.6	22.90 -1.8	23.40 2.2
R/EURO (year % ch.)	20.50 7.6	20.06 -1.2	19.56 -3.6	19.69 -2.4	19.86 -3.1	20.31 1.2	20.57 5.2	20.69 5.1	20.79 4.7	20.88 2.8	21.14 2.8	21.42 3.5	19.95 0.0	20.36 2.0	21.06 3.4
R/\$ PP parity rate (base PPI 2003) (year % ch.)	10.58 5.4	10.59 3.2	10.49 2.1	10.57 -0.3	10.68 1.0	10.73 1.4	10.83 3.1	10.86 2.7	10.97 2.6	11.01 2.6	11.08 2.3	11.11 2.3	10.56 2.5	10.78 2.1	11.04 2.5

Table A 11: Prices

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Price deflators (index base year: 2015)															
Exports (incl. services)	179.7	177.7	174.0	175.4	182.1	180.5	179.2	180.3	186.9	185.4	184.2	185.6	176.7	180.5	185.5
(year % ch.)	0.1	0.0	0.1	0.1	1.3	1.5	2.9	2.8	2.7	2.7	2.8	2.9	0.1	2.1	2.8
Export commodities (in rand)	3571.6	3652.2	3426.8	3340.6	3266.3	3222.9	3194.8	3158.1	3134.0	3122.9	3115.6	3110.8	3497.8	3210.5	3120.8
(year % ch.)	-28.2	-12.8	-3.8	-11.0	-8.5	-11.8	-6.8	-5.5	-4.1	-3.1	-2.5	-1.5	-15.1	-8.2	-2.8
Imports (incl. services)	165.9	166.2	162.4	164.6	168.5	169.1	168.3	170.1	174.3	175.8	175.2	176.9	164.8	169.0	175.5
(year % ch.)	3.5	3.0	-0.4	-0.2	1.6	1.7	3.6	3.3	3.4	4.0	4.1	4.0	1.5	2.6	3.9
GDE	151.1	153.8	156.2	157.6	159.6	160.6	163.3	164.8	166.9	167.8	170.6	172.2	154.7	162.1	169.4
(year % ch.)	4.7	5.1	4.3	4.9	5.7	4.4	4.6	4.5	4.6	4.5	4.5	4.5	4.8	4.8	4.5
Investment	160.8	162.2	165.5	164.6	167.9	168.5	172.2	170.9	175.3	176.0	179.7	178.4	163.3	169.9	177.4
(year % ch.)	8.9	7.7	5.7	4.6	4.4	3.9	4.0	3.9	4.4	4.4	4.4	4.4	6.7	4.1	4.4
GDP	155.0	157.3	159.8	161.0	163.7	164.1	166.7	168.0	170.9	170.9	173.6	175.0	158.2	165.7	172.6
(year % ch.)	3.3	4.5	5.0	4.6	5.6	4.4	4.3	4.4	4.4	4.1	4.1	4.1	4.4	4.7	4.2
Consumer (index base: Dec 2021) & producer prices (index base: Dec 2020)															
Headline inflation (CPI)	113.8	115.3	116.5	117.4	118.9	120.1	122.0	123.1	124.6	125.8	127.4	128.4	115.7	121.0	126.5
(year % ch.)	5.4	5.2	4.7	4.1	4.4	4.3	4.7	4.9	4.8	4.7	4.4	4.3	4.8	4.6	4.5
Core inflation*	111.0	112.4	113.5	114.4	115.9	117.4	118.5	119.4	121.0	122.5	123.7	124.7	112.8	117.8	123.0
(year % ch.)	4.8	4.6	4.5	4.5	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.6	4.4	4.4
CPI food and non-alcoholic beverages	122.6	123.2	124.8	126.3	127.7	129.0	131.3	133.5	134.7	135.1	136.5	137.9	124.2	130.4	136.0
(year % ch.)	6.1	4.6	5.1	3.8	4.1	4.7	5.2	5.7	5.5	4.7	4.0	3.3	4.9	4.9	4.3
CPI petrol	117.8	123.9	115.0	113.8	114.5	113.6	113.6	113.5	115.0	115.2	114.1	114.3	117.6	113.8	114.6
(year % ch.)	5.0	8.4	-0.6	-8.4	-2.8	-8.3	-1.2	-0.3	0.4	1.4	0.4	0.7	0.9	-3.3	0.8
<i>Petrol price (R/l coastal unleaded)</i>	<i>22.67</i>	<i>24.16</i>	<i>22.35</i>	<i>22.14</i>	<i>22.30</i>	<i>22.12</i>	<i>22.13</i>	<i>22.10</i>	<i>22.43</i>	<i>22.47</i>	<i>22.25</i>	<i>22.29</i>	<i>22.83</i>	<i>22.16</i>	<i>22.36</i>
(year % ch.)	6.1	8.6	-0.9	-6.0	-1.7	-8.4	-1.0	-0.2	0.6	1.6	0.6	0.9	1.8	-2.9	0.9
CPI electricity	124.8	124.9	141.3	141.5	141.5	141.5	159.0	159.3	159.3	159.3	175.8	176.1	133.1	150.3	167.6
(year % ch.)	15.3	15.3	13.6	13.4	13.4	13.3	12.6	12.6	12.6	12.6	10.5	10.5	14.3	12.9	11.5
Producer price index	100.8	102.1	102.5	103.3	104.7	105.7	107.2	108.2	109.9	111.1	112.4	113.5	102.2	106.5	111.7
(year % ch.)	4.6	4.7	3.7	2.7	3.9	3.6	4.6	4.8	4.9	5.0	4.9	4.9	3.9	4.2	4.9

* CPI excluding food, non-alcoholic beverages, petrol and energy

