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Note: Shaded area in graphs denotes the downward phase of the business cycle.

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Highlights

FINANCE MINISTER CANCELS VAT HIKE

On 24 April, National Treasury issued a press statement indicating that the proposed one percentage point increase in VAT over the next two years will not be implemented. Effectively, the Minister has withdrawn Budget 2.0. The court case regarding the constitutionality thereof was not going well. Also, it was unlikely to have sufficient votes to pass in the National Assembly (despite some parties voting in favour of the fiscal framework). In Budget 3.0, Parliament will be requested to adjust expenditure in a manner that ensures that the loss of revenue does not harm South Africa's fiscal sustainability. Most likely, the above inflation increase in social grants will be reduced (potentially to inflation only, and now at the much lower expected inflation rate), while the lack of inflation adjustments on personal income tax will remain.

CPI INFLATION EDGES LOWER IN MARCH

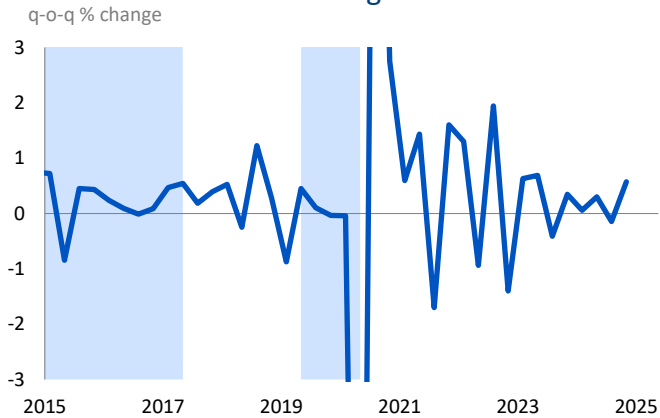
Annual headline consumer inflation (CPI) moderated to 2.7% in March, after holding steady at 3.2% in February. Lower fuel prices (-8.8%) primarily drove the deceleration. However, the downside surprise came from softer growth in education fees, which are surveyed once a year in March (4.5% from 6.4% before). Meanwhile, food prices accelerated to an annual 2.2% in March, from 1.9% in the prior month, driven by an uptick in cereals, meat, fish, fruit, and vegetable prices. Core inflation, which excludes food and energy costs, moderated to 3.1%. On a monthly basis, headline CPI rose by 0.4% in March, down from a 0.9% rise recorded in the prior month.

MANUFACTURING PRODUCTION REMAINS WEAK

On a monthly basis, manufacturing production increased by 0.3% in February, following a revised 0.4% expansion in January. However, despite these monthly gains, production was down by 3.2% relative to February last year, making February the fourth consecutive month of annual contraction. Of the ten major manufacturing groups, only one contributed positively to annual growth: furniture and other manufacturing. The three biggest drags were transport, petrochemicals and wood products. Manufacturing prospects for April are more downbeat, as indicated by the Absa Purchasing Managers' Index (PMI), which decreased by four points to 44.7. The headline PMI remained in contractionary territory for a sixth consecutive month. The respondents' commentary was decidedly more negative in April, suggesting that demand was weak amid the uncertainty created by the global tariffs saga and some local developments. Beyond politics, excessive rains caused problems for some producers.

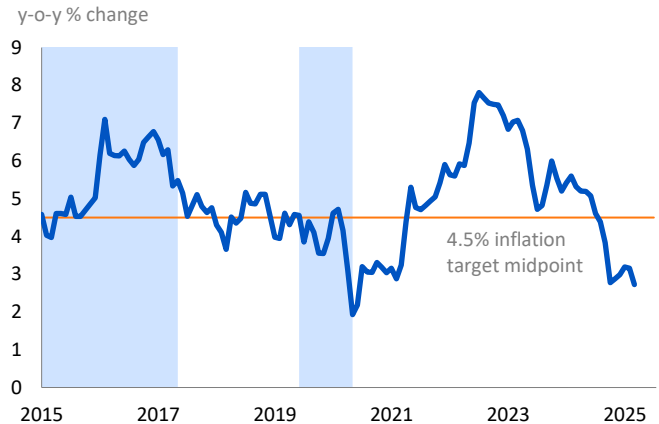
Core indicators

Real GDP growth



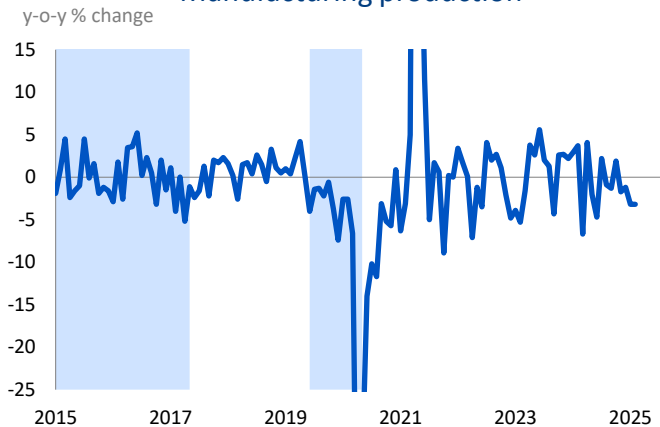
Source: Stats SA

CPI inflation



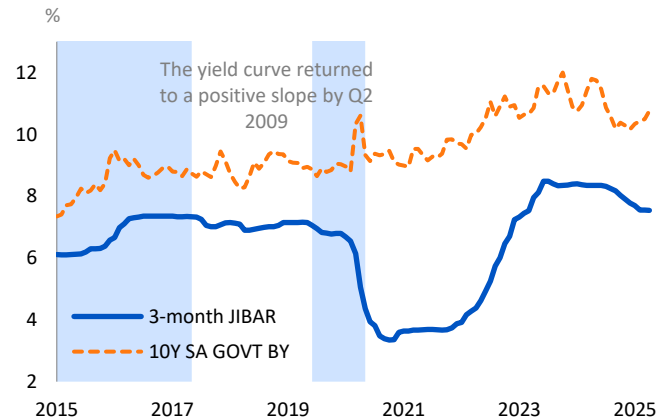
Source: Stats SA

Manufacturing production



Source: Stats SA

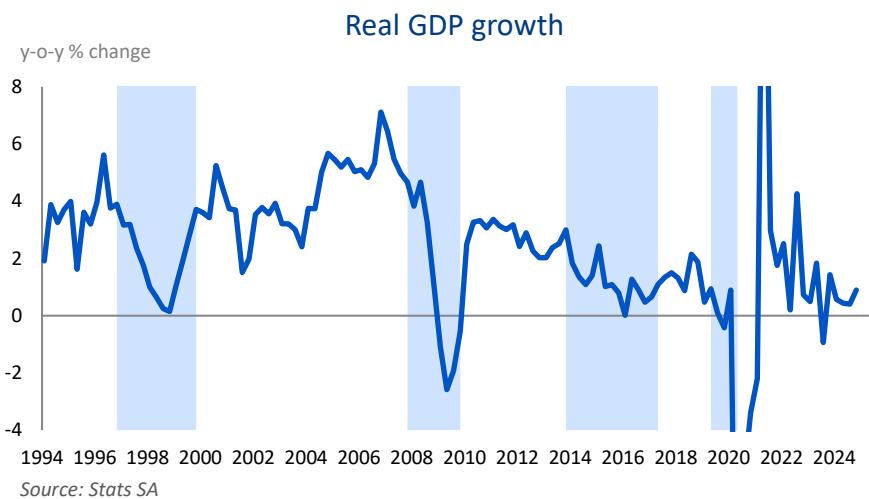
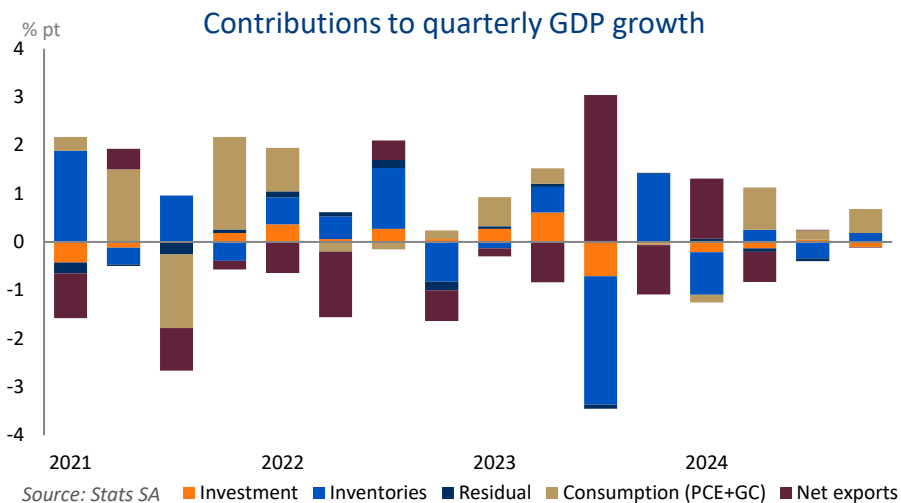
Interest rates



Source: DataStream

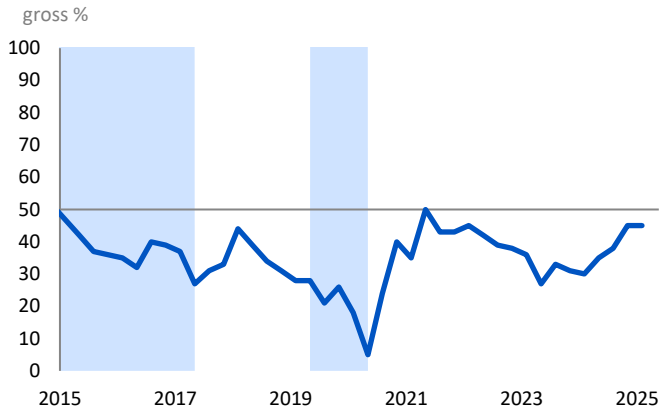
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GDP growth



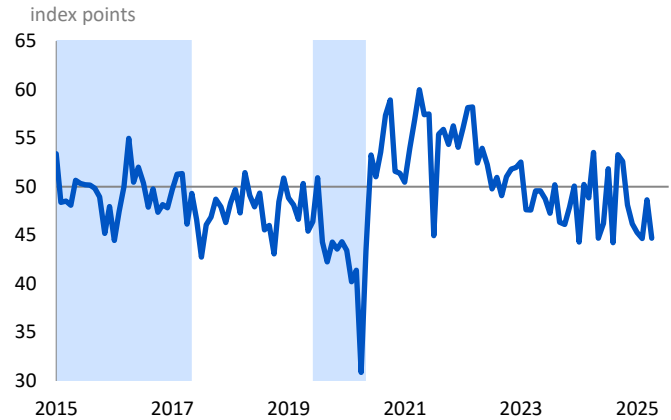
Business environment

RMB/BER Business Confidence Index



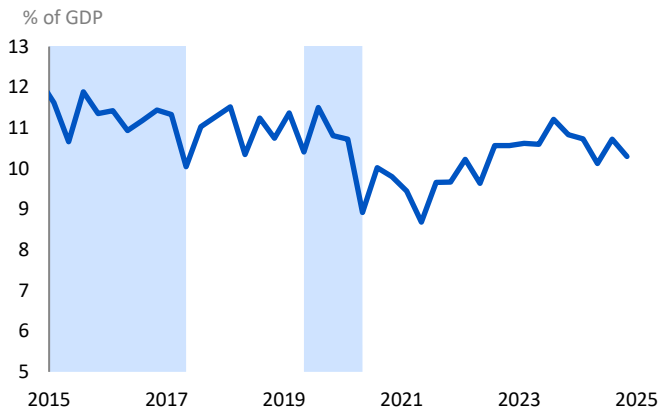
Source: BER

Absa Purchasing Managers' Index



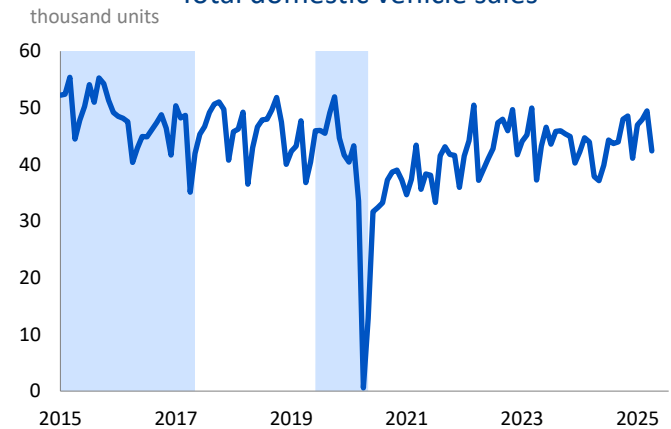
Source: BER

Private fixed investment



Source: SARB, Stats SA

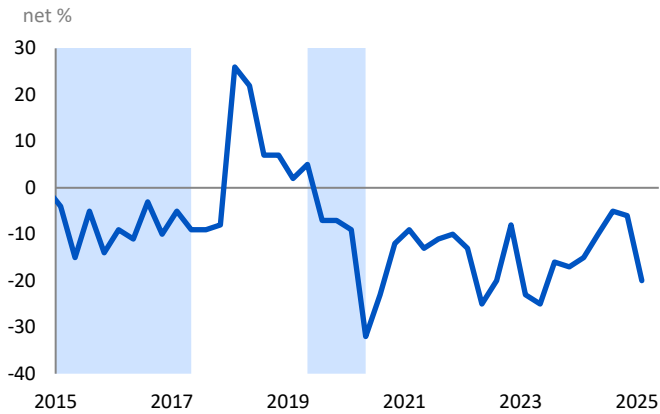
Total domestic vehicle sales



Source: Naamsa

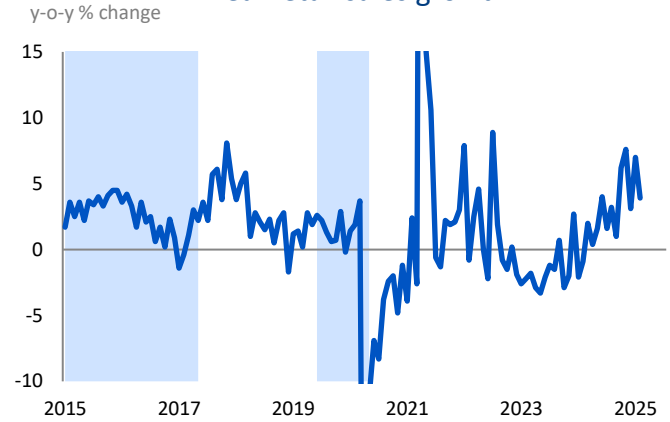
Household consumption

FNB/BER Consumer Confidence Index



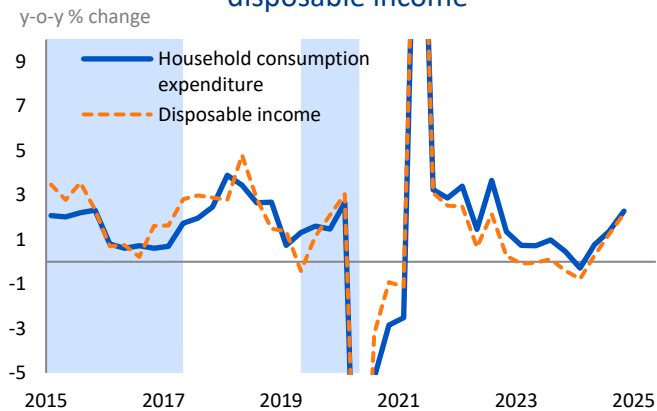
Source: BER

Real retail sales growth



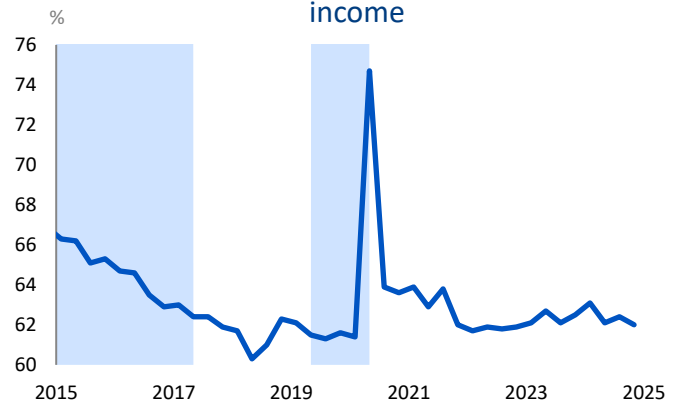
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

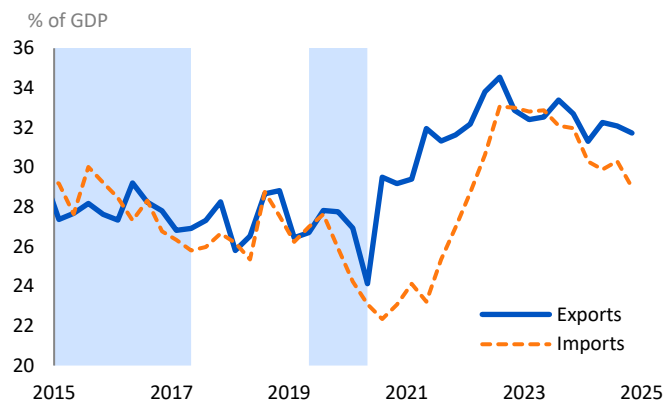
Ratio of household debt to disposable income



Source: SARB

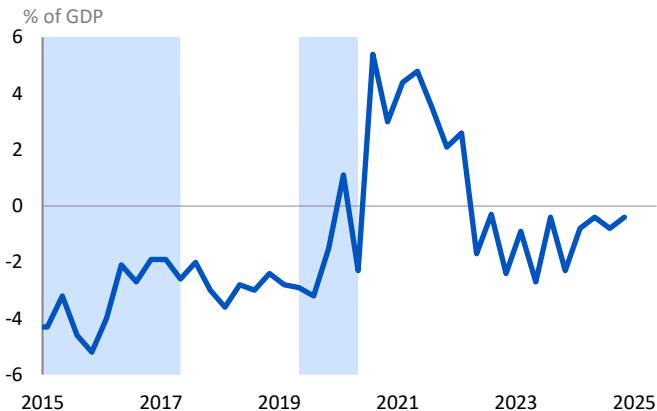
International trade

Imports and exports



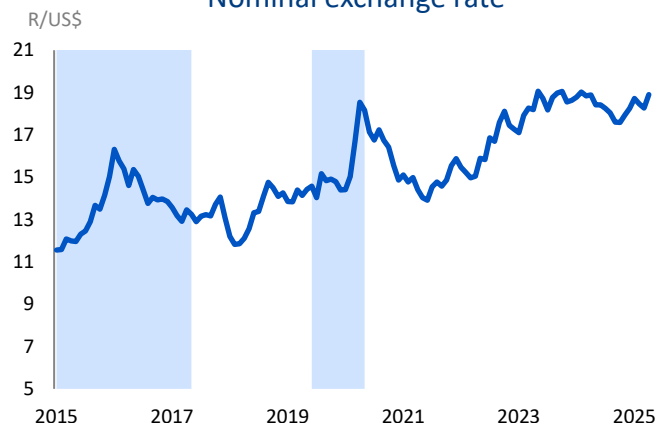
Source: SARB

Current account balance



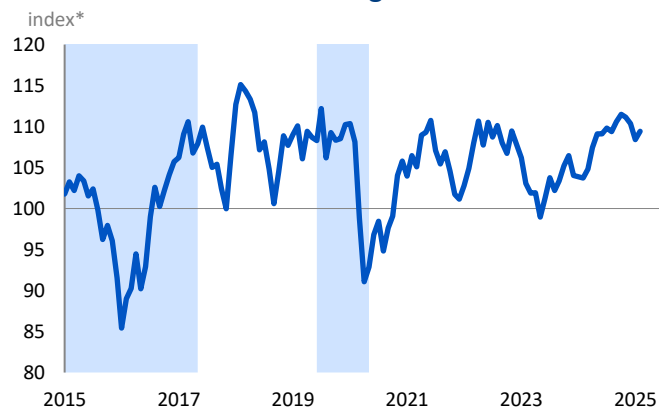
Source: SARB

Nominal exchange rate



Source: DataStream

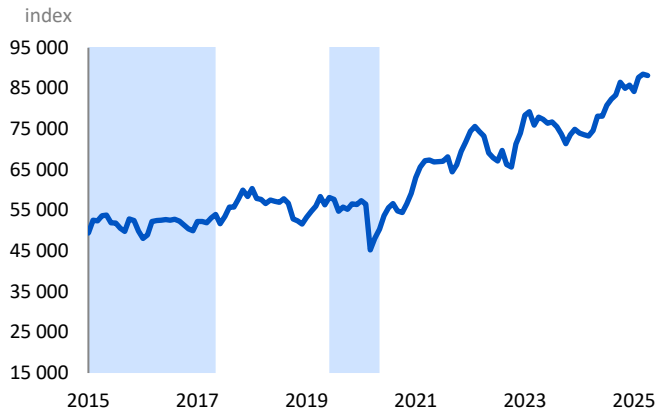
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

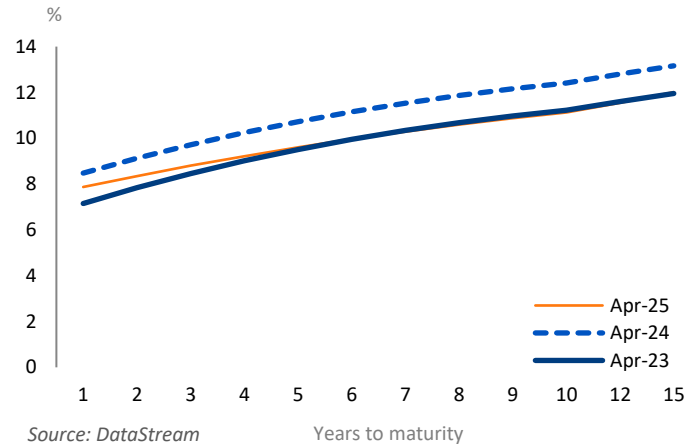
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



Source: DataStream

Economist all commodities index



Source: Economist

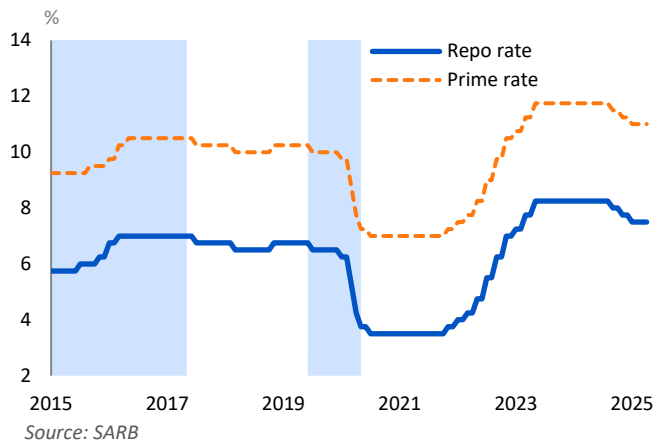
International equity prices - S&P 500



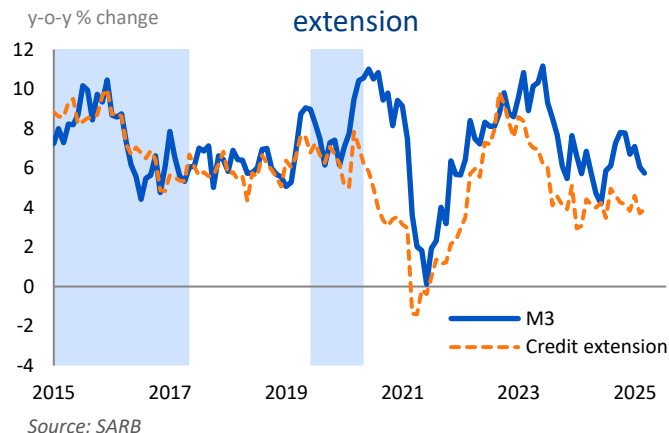
Source: DataStream

Money and prices

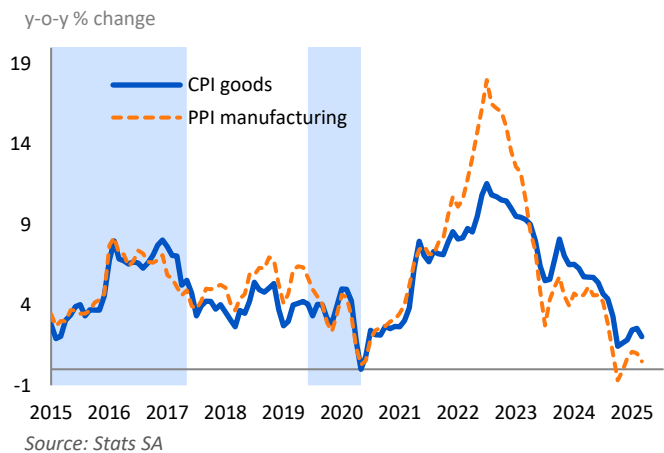
Repo and prime interest rate



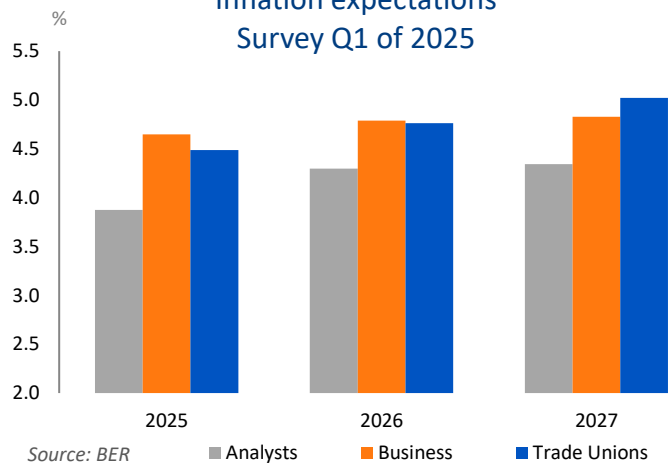
M3 monetary aggregates and credit extension



Consumer and producer prices



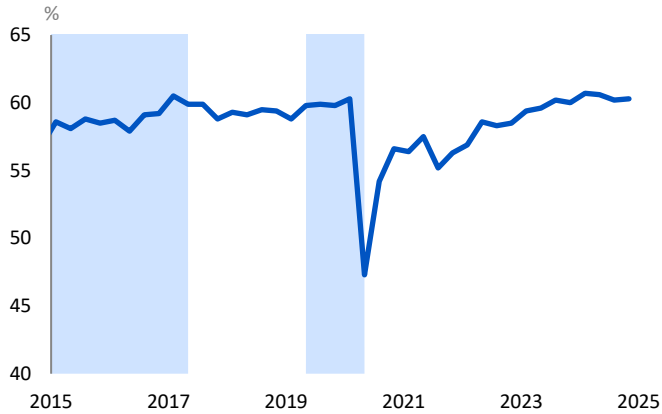
Inflation expectations Survey Q1 of 2025



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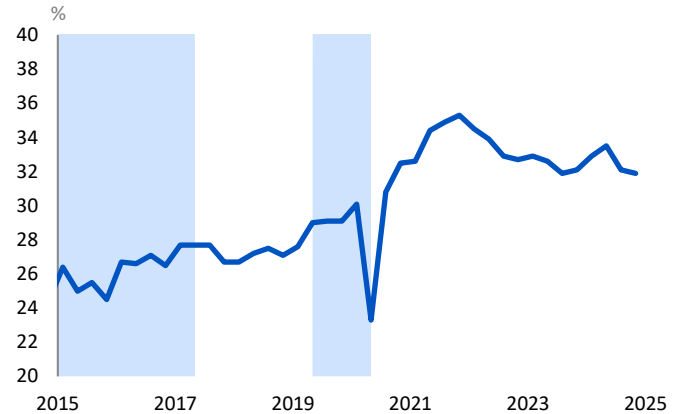
Labour

Labour force participation



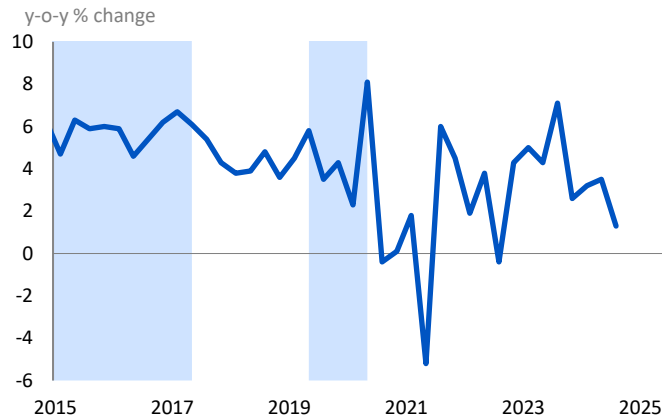
Source: Stats SA

Unemployment rate



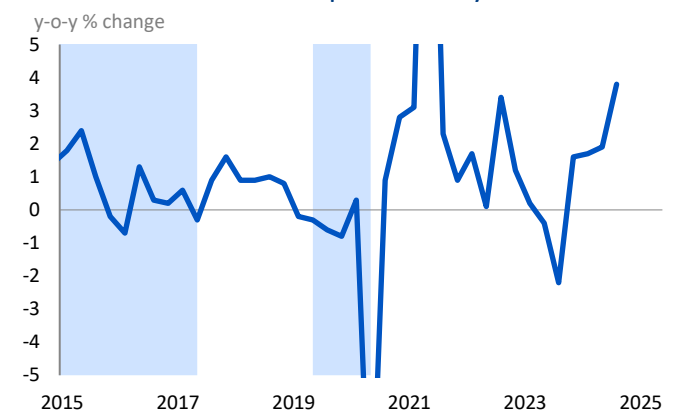
Source: Stats SA

Unit labour cost



Source: SARB

Labour productivity



Source: SARB

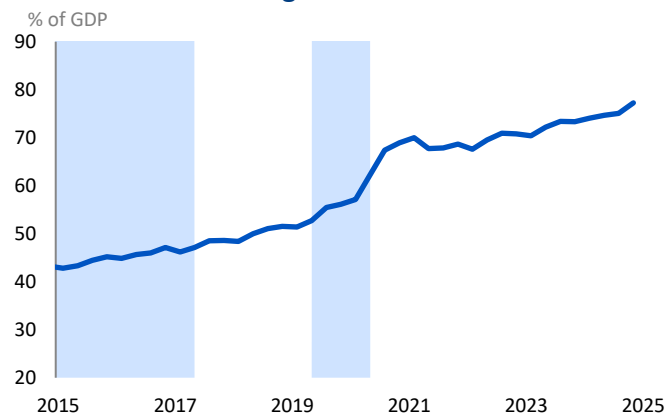
Government

Public sector borrowing requirement



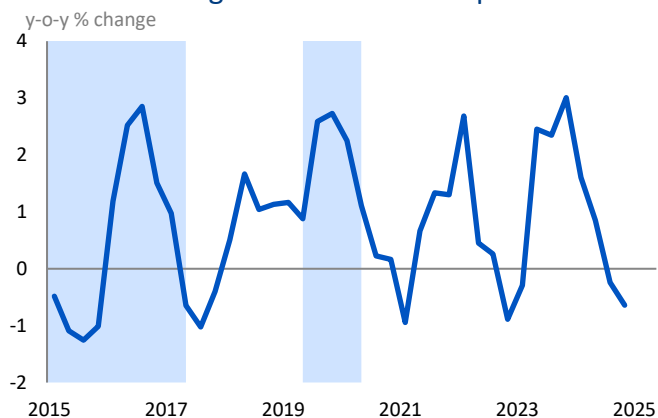
Source: SARB

Gross government debt



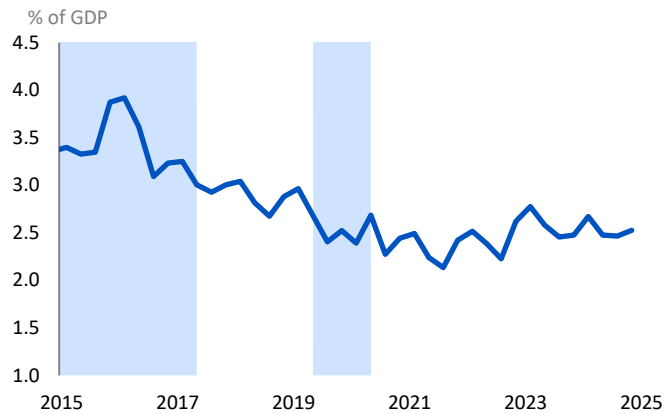
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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