

FORECAST PUBLICATION | FOURTH QUARTER 2024

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	1.2	2.2	2.1
Durable goods	3.0	3.2	2.8
Semi-durable goods	0.8	3.2	3.0
Non-durable goods	0.8	1.8	1.6
Services	1.2	2.0	2.0
Gross fixed capital formation	-3.1	5.1	5.4
Private	-3.6	6.6	6.8
Government	-5.1	-0.4	0.7
Public Corporations	3.7	3.7	3.1
Gross domestic expenditure	0.1	2.3	2.2
Exports of goods and services	-0.3	4.3	3.9
Imports of goods and services	-3.0	4.5	4.3
Gross domestic product	1.0	2.2	2.1
Current account as % of GDP	-1.2	-2.0	-2.5
Interest rates (% , last quarter average)			
3-month NCD rate	8.29	7.65	7.64
10-year government bond yield	10.85	9.59	9.41
Prime overdraft rate	11.25	10.50	10.50
Inflation rates (%)			
Producer prices	3.3	2.9	3.7
Consumer prices	4.7	4.5	4.5
Labour and employment (private and public)			
Nominal wage rate	3.6	5.6	5.1
Employment growth	1.7	1.6	2.1
Exchange rates (Q4 average)			
R/US dollar	17.60	17.38	18.00
R/Euro	19.36	19.81	21.07
R/Pound sterling	23.59	24.15	25.21
R/100 Japanese Yen	11.89	12.41	13.34
Fiscal indicators as % of GDP	24/25	25/26	26/27
Main budget balance	-5.0	-3.9	-3.6
Gross government debt	75.1	76.6	77.3

* unless specified otherwise

Executive summary

In many ways, 2024 is turning out much better than expected. Most notably, the extended absence of load-shedding and positive noises from the newly established Government of National Unity (GNU) about much-needed structural reform are welcome developments.

However, despite shifts in some of the underlying components, our headline real GDP growth forecast for 2024 is unchanged at 'just' 1%. Indeed, while the Q1 GDP data was revised upwards, growth in Q2 disappointed and came out weaker than we had expected during our July forecast.

Following flat growth in Q1, the economy expanded by 0.4% quarter-on-quarter (q-o-q, seasonally adjusted) in Q2. We have pencilled in another 0.4% for Q3 with an acceleration to 0.7% growth in Q4, which results in full-year growth of 1%. Our more upbeat forecast for 2025, at 2.2%, is unchanged. The low base, a relatively stronger consumer, an uptick in fixed investment and improved trade dynamics explain the better 2025 outcome.

One significant change to our 2024 forecast stems from the consumer. Following a surprisingly downbeat print in Q1, we were forced to bring down our full-year consumer spending forecast to just 0.6% growth in 2024 during our Q3 forecast update. Recently released official data has shown that consumer spending bounced back by more than we anticipated in Q2. In addition, we are more optimistic about consumer spending during the second half of the year, with a steady uptick in the FNB/BER Consumer Confidence Index (CCI), lower inflation (more on this below), the start of an interest rate easing cycle and a boost from the two-pot retirement savings system kicking in. As such, we now see final household consumption growth at 1.2% in 2024 (from 0.7% in 2023), before accelerating more meaningfully to 2.2% in 2025. All categories are expected to see improved growth in 2025 from 2024, with durables and semi-durable volume growth leading the pack at 3.2% growth.

In terms of the impact on GDP growth, the upward revision to consumer spending was, to some extent, countered by a downward revision to fixed investment. Gross fixed capital formation declined for a fourth consecutive quarter (on a q-o-q basis) in Q2. We see quarterly growth turnaround in the second half of the year, but this is unlikely to be enough to prevent a full-year contraction in fixed investment in 2024. That said, an expectation of faster capex growth next year (coming from a low base) is one of the reasons why we are more optimistic about GDP growth in 2025. Most of the lift is expected to come from the private sector, with a still constrained fiscus holding back government investment.

Following the formation of the GNU (and it is so far seemingly working well with some market-friendly initiatives), sentiment within SA, but also towards SA, has improved. The credit default swap (CDS) rate and 10-year government bond yield are trading at better (lower) levels compared to prior to the election. Combined with other factors, lower yields benefit the fiscal picture over time, although we still see government debt to GDP track higher before peaking around 2027 (at a slightly lower level than before). Further aided by global dynamics (a bigger-than-expected interest rate cut to start the US easing cycle and significant stimulus announced in China), the rand exchange rate strengthened to well below R17.50/\$ during the latter weeks of September. Again, on the back of global dynamics (with markets now expecting a slower pace of US Federal Reserve rate cuts and the exuberance around China dying down a little), the rand is trading just above R17.50/\$ in mid-October. We see the rand average around R17.60/\$

for the full quarter, which would be more than one rand stronger than the average recorded during the first half of the year. There is some scope for further strengthening through 2025 before the long-term weakening trend against the dollar (driven by inflation and interest rate differentials) kicks in once more towards the end of next year.

The stronger rand exchange rate and a string of fuel price declines have contributed to an improved consumer inflation (CPI) outlook. Our forecast for annual headline CPI in 2024 is a touch lower, at 4.7 vs 4.8% before, with 2025 also 0.1 percentage point lower at 4.5%. Beyond the usual risks (rand, food, fuel, and wage settlements), the electricity price increase is a particular concern next year, with Eskom requesting a 36% tariff hike. The SA Reserve Bank's (SARB) latest inflation outlook, in line with our forecast, sees inflation average around (and below) the midpoint of the target over the medium term. This has provided the SARB with the scope to start its easing cycle, with more cuts expected. Following a cautious 25 basis points (bps) cut in September (with the rate-setting committee members mindful of upside risks to inflation and in no rush to get to a neutral interest rate level), we project another 100bps in the next few meetings. This brings the repo rate down to 7% (prime at 10.5%).

The global geopolitical backdrop remains tense. The Russia-Ukraine war is dragging on, with the situation in the Middle East extremely volatile, which contributes to sharp swings in commodity prices (particularly oil and, to some extent, gold). The war between Hamas and Israel has spread to neighbouring countries, despite international calls for a ceasefire. Furthermore, we are mere weeks away from the US Presidential election, with the race between Kamala Harris and Donald Trump remaining uncomfortably close. On the economic front, the US Federal Reserve has joined its European counterparts and started its easing cycle with a bigger-than-expected 50bps cut as it worries about a cooling labour market. It is unlikely to continue easing at this pace. The US economy remains relatively strong, with the Eurozone struggling to find momentum as Germany – the region's biggest economy – is set to contract once more in 2024. The UK, however, seems to have turned a corner, although risks remain. The biggest risk to the global growth outlook comes from China. Following weaker-than-expected data in the first half of 2024, a 'bazooka' stimulus package is aimed at propping up its growth rate back to the targeted 5% - whether this is enough, remains to be seen.

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Introduction¹

The narrative for the South African (SA) economy for 2024 is turning into a tale of two halves. The first few months of the year were characterised by uncertainty leading to the national election in late May and a sluggish growth performance. In the second half of the year, there are tentative signs of activity picking up following a market-friendly election outcome. Still, full-year growth is unlikely to be stronger than about 1% in 2024.

However, forward-looking indicators from the BER's business and consumer surveys are turning more positive, with foreign sentiment towards SA also on the mend. Coupled with a low base from 2024, this should boost economic growth as we head into 2025. An expected boost to consumer spending amid easing interest rates and lower inflation is also helping to push growth beyond 2% next year. However, more progress in implementing structural reform is needed for the economy to continue expanding at this pace over the medium term. While the noises from the newly established Government of National Unity (GNU) have been encouraging, we need to see actual implementation before we can confidently revise a longer-term forecast upwardly.

On the global front, the picture is mixed. The US economy remains strong relative to its advanced economy peers with the Eurozone in particular struggling to pick up growth momentum. Still, worries about the strength of the US labour market and slower inflation have prompted the US Federal Reserve (Fed) to join the European Central Bank (ECB) in starting a monetary policy easing cycle. Locally, the SA Reserve Bank (SARB) has also started (what is expected to be) a shallow rate-cutting cycle. Global financial markets and commodity prices remain sensitive to changing expectations around the US interest rate trajectory as well as (de)escalating geopolitical tension. Indeed, the global geopolitical backdrop remains tense, with wars raging on in Ukraine and the Middle East, where the conflict has now spread beyond Israel and Gaza.

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

¹ This report was completed on 30 October 2024.

Global outlook

Continuing the post-pandemic trend in 2024, the global economy is still characterised by sharp divergence in performance among major regions.

In Europe, the Eurozone struggles to generate growth momentum, and the post-COVID recovery remains sluggish. Conversely, the UK has shown surprising resilience in 2024, buoyed by stronger-than-expected growth earlier in the year. Across the Atlantic, the US economy continues to outperform and widen the gap between itself and other advanced economies. Among emerging economies, growth powerhouse China is experiencing a volatile year. The country has seen alternating periods of promising growth and disappointing outcomes, with lingering uncertainty about whether it will reach its 'about 5% growth' target this year. In contrast, India is growing at a rapid pace, with the country becoming increasingly important in determining global growth dynamics.

According to the International Monetary Fund's (IMF) October 2024 World Economic Outlook (WEO), the world growth outlook remains broadly unchanged from earlier assumptions as differences between regions outweigh each other. The short- and medium-term global growth outlook has remained just above the 3% mark, specifically 3.2% for 2024 and 2025. The IMF has lifted its outlook for the US and UK while lowering it for the Eurozone, Japan, and China. India's economic output projections for 2024 and 2025 remained steady. Sub-Saharan Africa's growth also saw a slight downward revision for 2024 but an upward revision for 2025. See Table 1.

Table 1: IMF global growth forecast

y-o-y % CHANGE (REAL)

	Actuals		Forecasts	
	2023	2024	2025	2026
World (PPP*)	3.3	3.2	3.2	3.3
G7 countries	1.9	1.7	1.7	1.7
US	2.9	2.8	2.2	2.0
Eurozone**	0.4	0.8	1.2	1.5
United Kingdom	0.3	1.1	1.5	1.5
Germany	-0.3	0.0	0.8	1.4
Japan	1.7	0.3	1.1	0.8
Emerging countries	4.4	4.2	4.2	4.2
China	5.2	4.8	4.5	4.1
India	8.2	7.0	6.5	6.5
Brazil	2.9	3.0	2.2	2.3
Russia	3.6	3.6	1.3	1.2
Sub-Saharan Africa	3.6	3.6	4.2	4.4
Nigeria	2.9	2.9	3.2	3.0

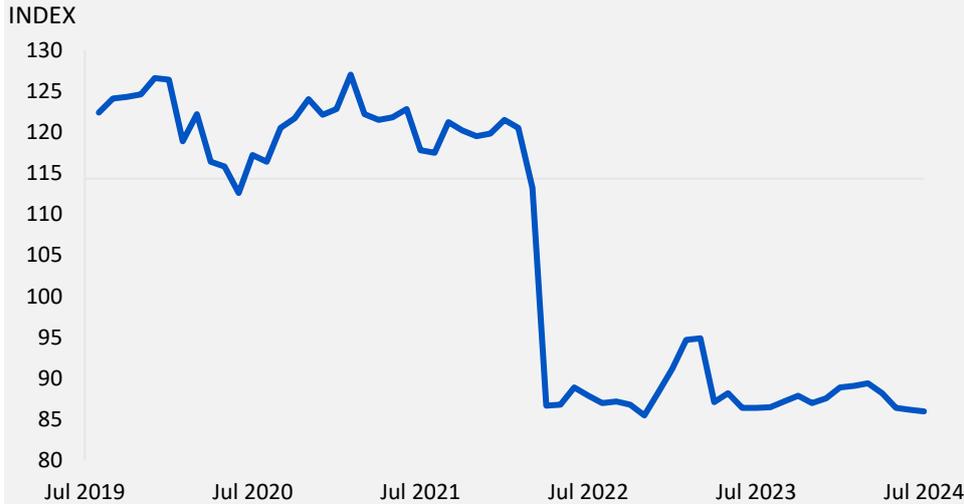
Source: IMF World Economic Outlook (October 2024)

*Purchasing Power Parity; **20 Countries that use the euro currency

Box: A global perspective on consumer sentiment and savings rates

While growth performances differ, it is interesting to note that consumer sentiment in many countries remains relatively subdued. Pessimism about future economic prospects remains widespread, a trend driven by different factors in each region. Following a period of high inflation and elevated interest rates, consumer confidence in the Eurozone, the UK, and the US has been slow to recover. In China, sentiment is dampened by high youth unemployment, a weak equity market (at least until recently) and the ongoing property market slump, which has deeply affected household wealth—see Figure 1.

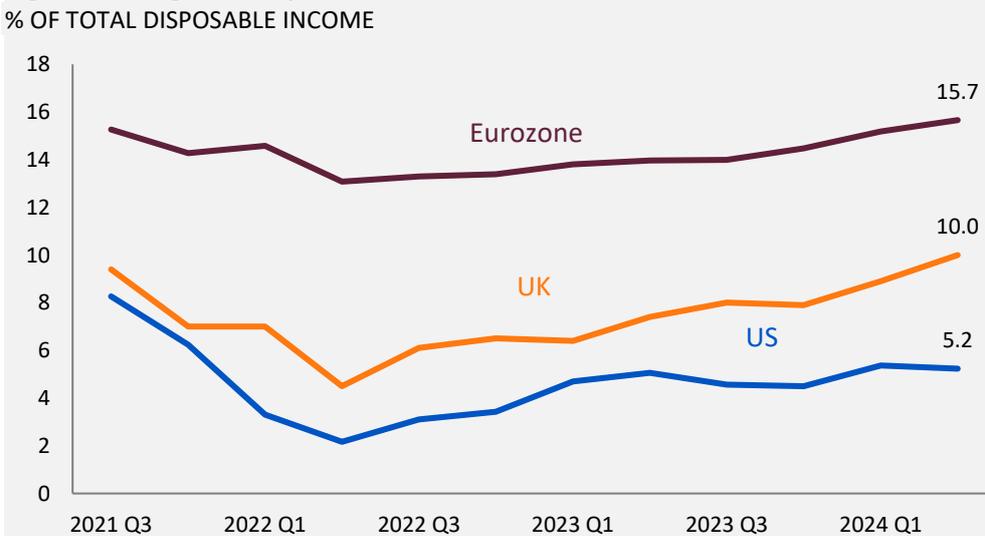
Figure 1: Chinese consumer sentiment



Source: National Bureau of Statistics of China

Weak consumer sentiment has translated into cautious spending behaviour in some regions. Household consumption in the Eurozone, the UK, and China has been sluggish, with saving rates rising in recent quarters. In contrast, despite sharing similar concerns, US consumers have maintained spending levels at a more robust level than initially thought. Recent revisions to data show that US savings are also slightly higher than previous estimates, now around 5%, though still well below those seen in Europe and China—see Figure 2.

Figure 2: Saving rate comparison



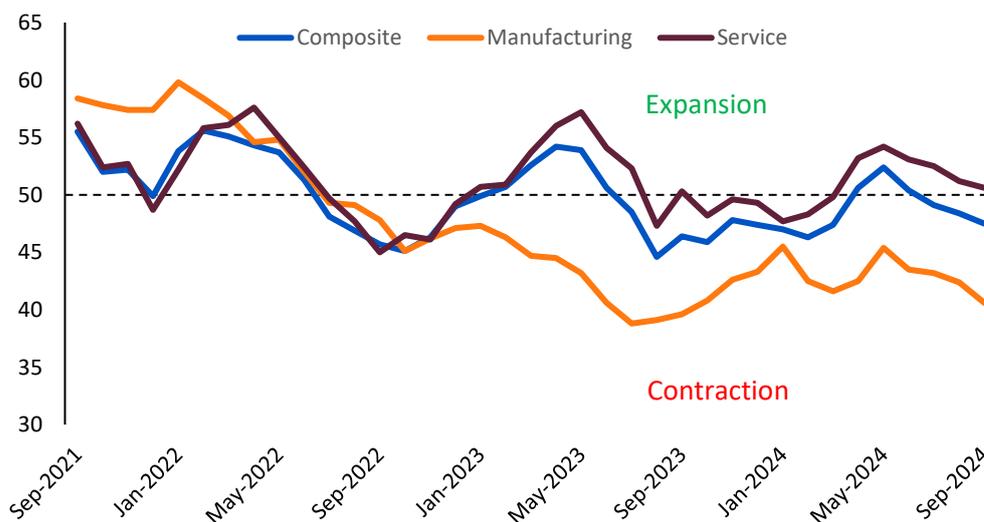
Source: U.S. Bureau of Economic Analysis; ONS; Eurostat

EUROZONE STRUGGLING TO REGAIN MOMENTUM

The Eurozone economy remains under pressure in 2024, with consumer and real activity data painting a bleak picture. The region's manufacturing sector remains a major source of concern. Weak PMI data throughout the year underscores the sector's challenges, with the factory sector in Germany—the Eurozone's largest economy—being especially hard hit (see Figure 3). Manufacturing was severely impacted by the 2022 energy price surge, which drove up production costs for energy-intensive industries in Germany. Manufacturing accounts for nearly 20% of Germany's GDP, so its underperformance signals trouble for the wider Eurozone. Weak demand from China, particularly for German-made vehicles, has further weighed on the country's manufacturing output. While rising US demand for German goods has provided some relief, it is unclear whether this shift is sustainable. In the region's second-biggest economy, France, there are concerns about the fiscus. In late October, Moody's Ratings placed France's credit rating on a negative outlook, which "reflects the increasing risk that France's government will be unlikely to implement measures that would prevent sustained wider-than-expected budget deficits and a deterioration in debt affordability".

Figure 3: German PMIs

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Source: S&P Global

For now, we expect the Eurozone to achieve modest real GDP growth of 0.7% in 2024, increasing slightly to 1.1% in 2025, as domestic demand should recover somewhat next year. Our forecasts are a touch below the IMF's latest October 2024 WEO projections (see Table 1).

On a brighter note, disinflation has recently gained significant traction across the Eurozone, boding well for more rate cuts later this year. Headline inflation has fallen below 2%, a sharp deceleration from the 10.6% peak seen two years ago. More encouragingly, core inflation—which had remained stubbornly high—has also eased. The latest print came in at 2.7% y-o-y in September after peaking at 5.7%. As headline inflation continues to decline, wage growth is also expected to slow, further reducing inflationary pressures in the coming months. We forecast CPI inflation to average 2.3% in 2024, easing to 2% in 2025. Over the medium term, inflation is likely to stabilise around the 2% target.

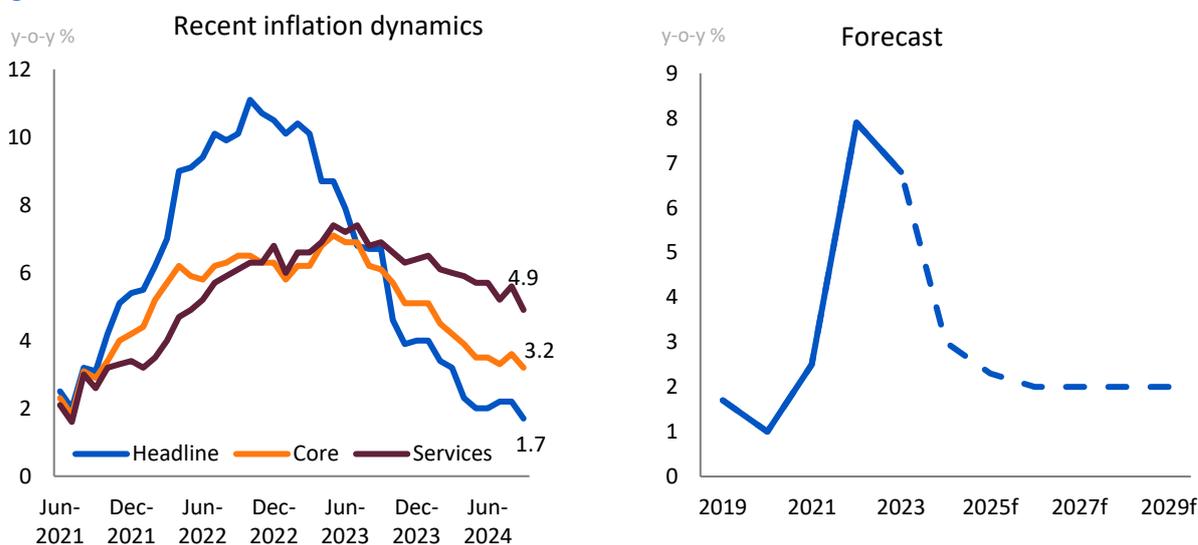
SIGNS OF RECOVERY IN THE UK

Despite some recent disappointing data, the UK economy has performed surprisingly well so far in 2024. GDP grew by 0.7% in the first quarter and 0.5% in the second quarter, making it one of the stronger performers among its peers during this period. The services sector and broad-based expansion across expenditure components primarily drove economic growth. However, growth is expected to slow in the second half of 2024. Monthly real GDP growth for the third quarter has averaged just 0.15% y-o-y in July and August. In the 30 October Budget, to some extent going against the Labour Party’s promises while campaigning, Chancellor Rachel Reeves announced significant tax increases (of about £40bn) directed towards extra spending for the NHS and education. Accompanying forecasts from the Office for Budget Responsibility said GDP growth would now be 1.1% in 2024, climbing to a fairly strong 2% in 2025.

On the back of a stronger-than-expected performance in the first half of the year, we have revised our 2024 GDP growth forecast upward to 1.1% from 0.7%. Our projection for 2025 remains unchanged at 1.3%.

On the inflation front, the UK is on a steady path to keep inflation around its 2% target. Since the start of the year, consumer inflation has moderated to reach the 2% target in May and stayed there through June (see Figure 4). After a slight uptick, inflation returned to a three-year low of 1.7% y-o-y in September. Services inflation also eased more than expected, coming in at 4.9% y-o-y, suggesting that underlying price pressures are beginning to recede. Further evidence of softening services inflation comes from recent PMI data, which indicates that increased competition has limited pricing power for service providers despite high input costs. We expect that moderation in both services and food inflation will help prevent inflation from becoming entrenched or spiking again despite some potential upward pressure from goods prices.

Figure 4: UK inflation trends and outlook



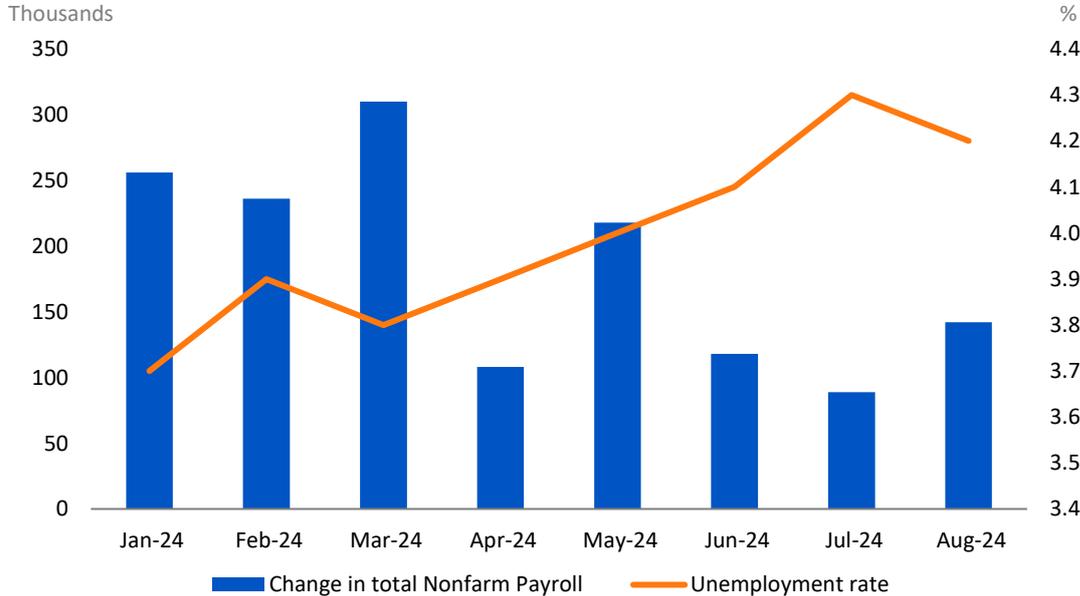
Source: ONS and BER own calculations/forecasts

Overall, we expect consumer inflation to average 3% in 2024, fall to 2.3% in 2025.

US OUTPERFORMING AND STILL DEFYING EXPECTATIONS

The US economy is performing well, and consumer spending remains robust. This strength is reflected in real consumption expenditure data and the services component of the PMI, which is largely driven by consumer-facing sectors. However, the US labour market has sent mixed signals throughout 2024. While the unemployment rate has ticked up, the latest non-farm payrolls report showed that job growth exceeded expectations, with 254 000 jobs added in September. Moreover, the data for July and August was revised upwards. The unemployment rate fell back to 4.1% in September, down from 4.2% the previous month. On average, 186 000 more jobs were created in Q3 2024 compared to Q2. While this suggests resilience, labour data can be volatile and subject to revisions. A broader look at the employment landscape reveals signs of cooling: fewer job openings per unemployed person and a decline in the employment diffusion index, which tracks the breadth of job gains, indicating a potential shift towards recessionary levels rather than expansion.

Figure 5: Monthly change in US nonfarm payroll and unemployment rate, 2024 YTD



Source: US Bureau of Labor Statistics

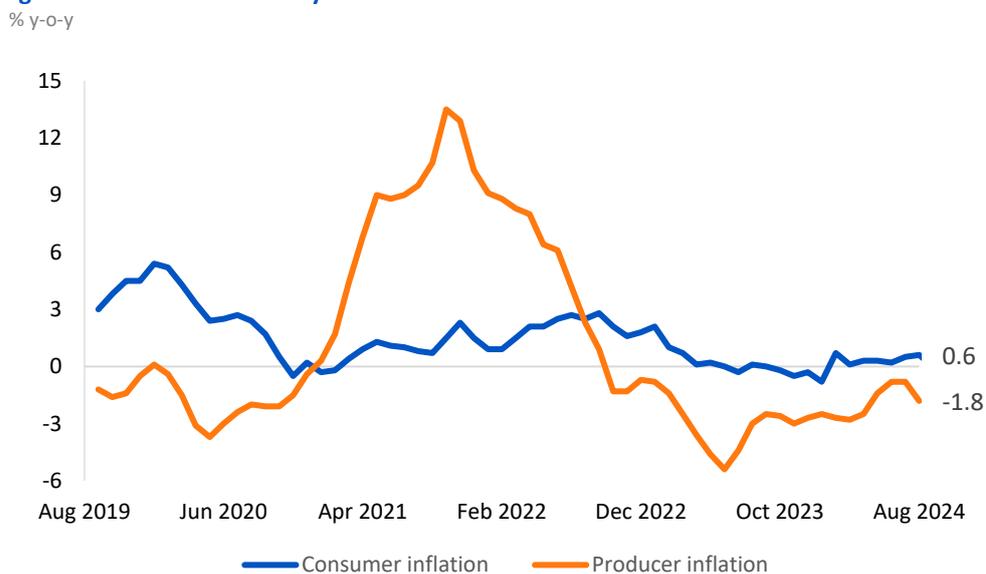
The US economy is poised for a "soft landing" – a scenario where inflation is tamed without tipping into recession. Economic momentum remains intact, with consumers in relatively strong financial positions and the labour market continuing to generate jobs (albeit slower than before). Indeed, a first estimate of GDP data (released after we finalised our forecast), showed that the economy expanded by an annualised rate of 2.8% in Q3, driven by strong consumer spending and business investment. We expect real GDP to grow by 2.5% this year and 1.8% in 2025, which is somewhat lower than the IMF's forecast.

US inflation has eased considerably this year, with the latest CPI print for September coming in at 2.4%. That said, upward pressure from services inflation remains, particularly in housing and rent prices. While these prices are expected to cool further, they will likely persist at elevated levels for some time. Lower energy prices have been a key factor in driving disinflation in recent months, but this effect is now tapering off. Considering these dynamics, we forecast CPI inflation to average 2.8% for 2024 and 2.3% for 2025.

A BALANCING ACT OF GROWTH AND CHALLENGES IN CHINA

Despite a projected expansion of 4.8% this year (in line with the IMF) and 4.3% next year, the Chinese economy faces significant risks. Key challenges include weak domestic demand, slowing manufacturing, fixed investment losing steam (with real estate investment being the biggest drag) and still investment, and relatively high youth unemployment. Consumer confidence remains near lows, with many hesitant to spend—a trend reflected in China's subdued inflation figures and depressed consumer spending. Inflation has averaged just 0.2% year-to-date, while producer prices have been in negative territory throughout, as seen in Figure 6. Deflation in China signals more than just falling prices; it points to deeper structural problems which are seemingly taking root. Inflation is expected to rise modestly, reaching 0.4% this year and 1.4% next year.

Figure 6: Chinese inflation dynamics



Source: National Bureau of Statistics China

The manufacturing sector continues to struggle with tepid demand. In September, the Caixin PMI, which tracks smaller private firms, and the NBS PMI, which covers larger state-owned enterprises, fell below expectations. The NBS manufacturing PMI has remained in contractionary terrain for five consecutive months. While fixed investment in manufacturing remains relatively high, infrastructure investment has slowed. The real estate sector, hit by a sharp market correction, also faces headwinds. The government's mid-May \$42 billion rescue package, aimed at reducing unsold housing inventory, has had no material impact in putting a floor under the property sector downturn. Additionally, unemployment remains a concern, with the youth unemployment rate spiking to 18.8% in August (from 17.1% in July), compared to the official rate of 5.3% (up from 5.2% the month prior). On the export front, while trade has helped cushion the economy this year, the outlook is dim. New tariffs from key trading partners are set to take effect soon, especially aimed at electric vehicle exports, likely further pressuring China's growth prospects.

On a more positive note, the PBoC recently announced a series of stimulus measures. These include policy rate cuts, reductions in the reserve requirement ratio, lower mortgage rates for existing homeowners, and reduced down payments for second-home buyers, as well as a swap programme (for share buybacks). These measures could provide a 40 basis point lift to growth in Q4, though their effect is expected to taper off by mid-2025. This, to some extent, removes the downside risks to the 2024 growth

outlook. However, hopes for more aggressive fiscal stimulus have largely been unmet, with recent announcements failing to impact domestic demand significantly. Even if more extensive fiscal plans were rolled out, they would be constrained by China's growing debt levels and slowing growth.

US FED JOINS EASING CLUB

We saw more monetary policy easing from the major central banks in the third quarter. All three big central banks cut interest rates, with the US Fed making the largest move—a surprise 50 basis point (bps) reduction. This bold cut led markets to anticipate more aggressive easing in the US, weakening the dollar against the euro, averaging \$1.10/€, down from \$1.08/€ in the previous quarter. Following the Fed's decision, the dollar fell to \$1.12/€. Recently, markets have once again scaled back expectations for the pace of rate cuts, and some of the market movements in the wake of the 50bps cut have since reversed.

The BoE also began easing, though more cautiously, with a 25bps cut in August and no change in September. This led the dollar to depreciate to \$1.27/£, reaching \$1.34/£ by the end of September. More recently, the ECB cut rates by another 25bps in October and markets expect a similar cut in December. The Fed and BoE are anticipated to lower rates by 25bps at their November and December meetings.

Elsewhere, the People's Bank of China (PBoC) is adjusting its monetary policy settings to be more accommodative. The Bank of Japan (BoJ) is going against the grain, raising rates in July.

Apart from monetary policy developments, the dollar strengthened amid rising tensions in the Middle East, benefitting from its safe-haven status and oil being priced in dollars. Early in the third quarter, the dollar rose to \$1.08/€.

Looking ahead, the Fed is expected to cut rates more aggressively than its peers due to its earlier sharper hiking cycle. This should lead to a gradual weakening of the dollar against the euro and pound. However, Fed officials have signalled a higher terminal rate and, ultimately, a higher neutral rate due to a resilient labour market. If other central banks do not follow suit, this would keep the dollar stronger than pre-COVID levels, with all else remaining constant.

OIL PRICE REMAINS SENSITIVE TO GEOPOLITICAL RISK DESPITE DEMAND WORRIES

Oil prices were volatile in the third quarter. After climbing above \$88/bbl early on, prices dropped as low as \$66/bbl due to demand concerns. Weak industrial production in Europe raised fears about growth, while China's economic struggles significantly worsened demand forecasts. Chinese crude imports for the first nine months of the year were down 2.8% y-o-y, contradicting earlier predictions that China would drive demand growth in 2024.

Recent Chinese stimulus measures have done little to boost confidence in a demand rebound. OPEC+ postponed planned production increases from October to December, but this failed to lift prices. A brief price rally followed Iran's attack on Israel, but prices fell when Israel clarified its focus on military targets, not oil facilities.

Looking ahead, oil prices are expected to remain volatile. Geopolitical risks may push prices above \$80/bbl, but concerns over global growth will likely limit significant increases. We anticipate prices reaching \$77/bbl in Q4 before declining in 2025Q1.

Over the rest of our forecast horizon, prices are forecast to average \$74.80/bbl in 2025 and \$71.76/bbl in 2026, with supply keeping pace with demand. However, risks of supply adjustments from OPEC+ remain. Middle East tensions and the US election may also impact the market.

STRONG GOLD PRICE OUTSHINES ALL OTHER EXPORT COMMODITIES

Adding to a string of fresh highs, gold continued its record-breaking streak, completing a stronger-than-expected third quarter to average \$2 472/troy ounce (oz). Since the start of the year, the gold price has surged by about 30% (see Figure 7), propelled by expectations of interest rate reductions, robust physical demand and geopolitical uncertainties. During the third quarter, the yellow metal's strong performance was largely driven by speculative activities, as concerns of a US recession heightened (owing to soft labour market data) and the US Fed delivered a larger-than-expected 50bps rate cut. We expect the gold price to continue its upswing and remain elevated in the near future.

Figure 7: A snapshot of gold's record-breaking rally



Source: Refinitiv

Platinum averaged lower than expected (\$983/oz), while palladium and rhodium prices were slightly better than expected (\$969/oz and \$4 682/oz). Platinum group metals (PGMs) face numerous headwinds that have curbed demand, including underwhelming global manufacturing growth and the long-term shift towards battery electric vehicles (BEVs). We expect to continue seeing a low PGM basket price in the near term. However, PGM demand has some bright spots, as internal combustion engine (ICE) vehicle demand persists and hybrid vehicle sales rise. Furthermore, the World Platinum Investment Council (WPIC) anticipates an average annual platinum deficit of 769 000 ounces until 2028.

China's slower-than-expected growth is a drag on industrial commodity prices. By the end of the third quarter, the iron ore price had slumped by about 21% since the start of the year to average just above \$100 per tonne (\$102/MT) in Q3. A decline in demand for iron ore has persisted as Chinese steel producers have pulled back on production due to the protracted weakness in China's real estate sector and the introduction of strict emissions controls on highly polluting steel mills. A flurry of stimulus measures announced to prop up the Chinese economy towards the end of the quarter led to a brief surge in the iron ore price. However, uncertainty around their effectiveness in supporting the property sector and a subdued growth outlook pushed the iron ore price down closer to its quarterly average.

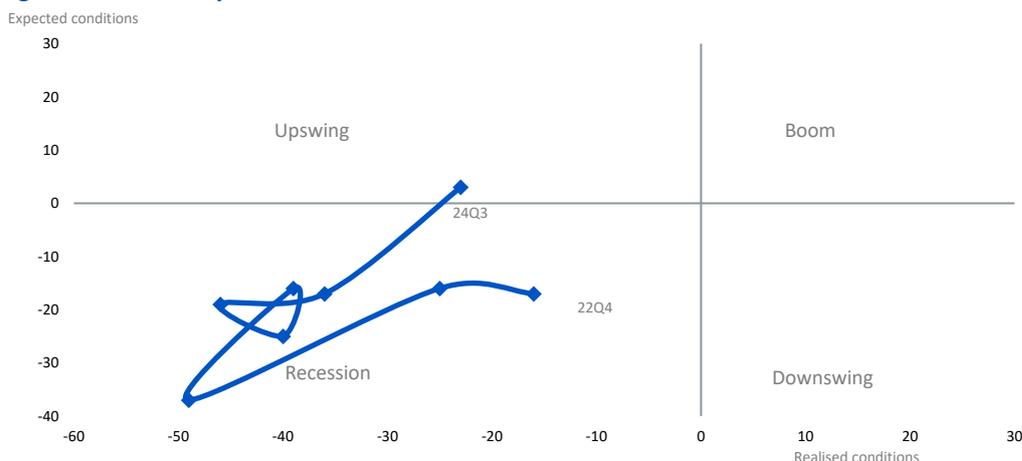
Conversely, the Richard's Bay spot coal price ended the quarter slightly higher than expected, averaging \$102 per tonne in Q3. Coal prices increased during the third quarter, supported by more robust demand (mainly from China and India), supply constraints related to domestic logistic challenges, and higher gas prices. In the medium term, we expect coal prices to remain stable at around \$100 per tonne, as coal remains crucial to energy systems in many countries. Thus, seasonal periods of high energy demand should continue to buoy coal prices. However, the transition to renewable energy sources is expected to place downward pressure on coal prices in the longer term.

Domestic outlook

The domestic economy's narrative in 2024 has been a tale of two halves, split roughly in the middle by the formation of the Government of National Unity (GNU). Sentiment, both towards and within SA, improved during the second half of the year. Financial market metrics are generally performing better, and some windfalls to the consumer in the form of lower inflation and a boost from the introduction of the two-pot retirement system should lift spending as we head into 2025.

However, despite more optimism in the second half of the year, a poor performance during the first half means that the economy is unlikely to register much more than 1% growth in 2024. In fact, while limited data for the third quarter are available as yet, activity remained rather sluggish. Where we do see some more promising change is on the sentiment front. Many of the BER's sentiment indicators, both on the business and consumer side, show cautious improvements in the third quarter. More importantly, is that some of the forward-looking indicators are decidedly more positive. One measure from our Business Surveys, the so-called business cycle clock, suggests that the improvement in expected business conditions has now pushed us into a possible upswing phase. Should these improved expectations translate into a better realised conditions, we could move into a boom phase – but we are not there (yet); see the Figure below.

Figure 8: Business cycle clock



Source: BER Business Surveys

Respondents to the business surveys point to the GNU as one reason why they are more optimistic about expected business conditions.² Of course, the GNU removed some worrisome scenarios that would have likely been less friendly to markets and businesses. There is a risk that the GNU breaks up and that such a scenario comes back into play. However, this seems unlikely at this stage. At the moment, the two biggest parties both benefit from the relationship. Despite losing significant support at the polls, the ANC is able to govern and still manages the bulk of ministerial positions. The DA, in turn, has an opportunity to show that it can take its successes on a regional level to national government. The general agreement among parties and the firm commitment of the GNU to continue with Operation Vulindlela and pursue the structural reforms required to alleviate the growth constraints on the SA economy is welcome. Of course, there are issues of discontent – land, some elements of foreign policy, education (the BELA bill) and how to deal with the National Health Insurance (NHI) are top of mind. (Public) disagreements around these issues are to be expected, but our take is that the GNU is aiming for some quick wins over the near term and will try to find a compromise around the more contentious matters over time. This will not always be easy, and the DA will likely continue to be vocal about issues they do not agree with so as not to alienate their voter base. There is a risk that they could push for an ultimatum when they feel that their voice is not represented sufficiently – in other words, if the ANC acts as if it is still the only party in government rather than it being part of a multi-party structure. While possible, we do not see this as likely over the near term.

Looking ahead, both the DA and ANC have ambitions to become majority party rulers of the national government in the 2029 election, and while working together is in their best interest now, they will find ways to distinguish themselves. This may intensify as we head closer to the 2029 election and, in fact, culminate in the GNU breaking apart leading up to the election. The question is whether it would matter if that happens at that stage, and the answer is that it probably would not be such a concern. A near-term break-up would certainly be a blow to confidence, but we do not see this as likely (for now). At present, we work with the assumption that the GNU holds and that we see a period of relative stability on the national political front. So far, the GNU is off to a good start with the rhetoric around required policy

² The BER relied on conversations with independent political analyst Dr Ralph Mathekga in preparing these notes.

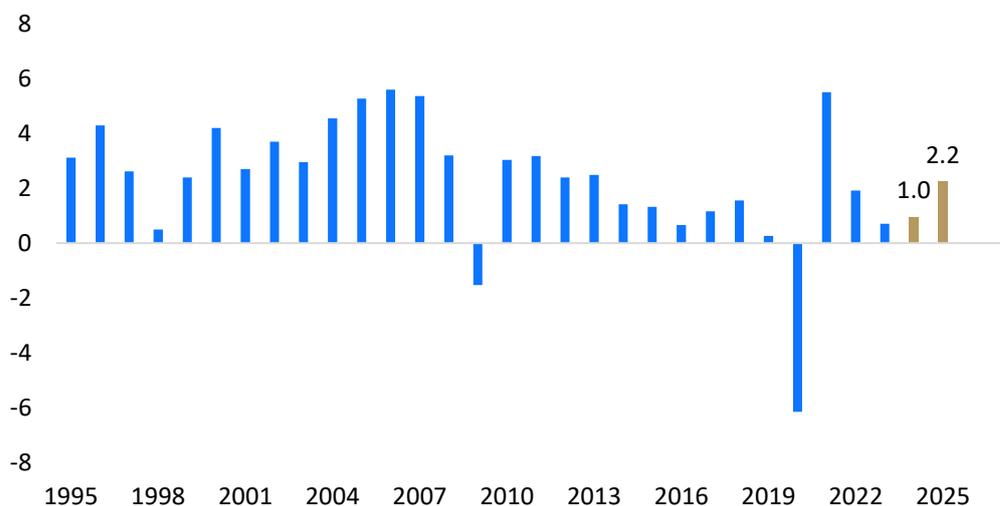
reform; if this is followed through by implementation and successful execution, our long-standing assumption that politics does not detract nor lift growth may have to be adjusted more positively.

There are, of course, more risks to the political outlook than the break-up of the GNU. The ANC itself might see further splintering, which could result in it having less chance of regaining its majority in 2029 (without commenting on whether this would be a good or a bad thing). It also remains to be seen whether President Cyril Ramaphosa will be able to complete his term and, more importantly, who is set to replace him as ANC president during the National Conference in 2027. The local elections in 2026 and the performance of the different parties on a regional level (and relative to the 2024 national election) will be important to watch. Indeed, we also still have to see how the opposition shapes up – the DA often held the government accountable, but it is now part of the governing structure – and we have to see whether the MK party and the EFF are able to pick up the baton. Dynamics on a regional level are also set to be even more messy. While the KwaZulu-Natal provincial government seems to be working relatively well (against expectations, perhaps), the situation is much more fluid in Gauteng. The provincial ANC and national ANC do not seem to be on the same page, which could become a bigger challenge over time. This is a huge concern as the province is facing a pending water crisis that needs swift and decisive governing to manage the problem. Even beyond Gauteng, it is important to mention that the crux of the service delivery lies with local governments, often beyond the control of even the best intentions of national government. If service delivery disappoints, the improvement in sentiment will also erode.

Taking it back to growth, the observed lift in confidence is one of the reasons why we are more optimistic about 2025 relative to 2024. The low base of 2024 also helps, with investment and consumer spending expected to recover. This results in a GDP growth forecast of 2.2% in 2025, which would be the fastest growth rate in more than a decade (barring the bounceback in 2021 from the COVID slump in the year before) – see the Figure below.

Figure 9: Long-term perspective on SA growth

Constant prices, y-o-y % change



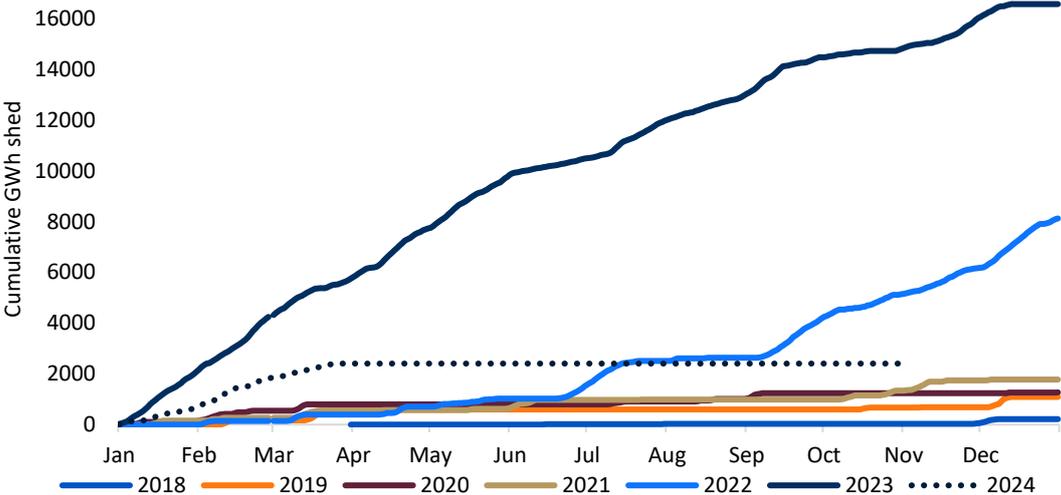
Source: Stats SA, BER

MORE THAN 200 DAYS OF NO LOAD-SHEDDING

Beyond political developments, another reason for more optimism (and arguably the biggest surprise of 2024 so far) has been the absence of load-shedding. Better performing power plants – hopefully due to improved maintenance, but also a bit of luck – and lower demand for Eskom power, as businesses and households switched off the grid, underpin the absence of load-shedding. While usage of the open cycle gas turbines was ramped up during the period that both units of the Koeberg nuclear plant were offline during winter, they have also been utilised significantly less than in earlier years. Eskom remains hesitant to call for the end of load-shedding but is confident that if the extent of unplanned outages is limited to below 13GW, it should be able to avoid load-shedding through the summer. However, Eskom has warned that possible delays to the pending return of large generation units (at Kusile, Medupi and Koeberg) could throw a spanner in the works.

It is perhaps a fair question to ask why the economy is not expected to perform significantly better in 2024 relative to 2023, which was by far the worst year of load-shedding on record (see the Figure below). We believe there are several reasons for this. One is that demand before and just after the election seemed to have been really subdued, holding back production growth even as there was electricity available to ramp up output. Businesses waited for the outcome and the implications for the business environment. Some respondents to the BER Business Surveys also flagged that they did not want to have large inventories in case of social unrest following the election. The port and logistics constraint probably was also more severe in 2024 than we appreciated at the beginning of the year. Limited export capabilities held back an output expansion, which trickled through to lower demand for input products even for those not affected directly by rail and port issues. On a more cynical note, it probably also took some time before South Africans believed that load-shedding would not come back and started adjusting their behaviour accordingly. An announcement of a return to load-shedding, even at a low stage, would likely be a real blow to sentiment.

Figure 10: More than 200 consecutive days of no load-shedding through 2024



Source: Eskom, BER calculations

On electricity reforms, the National Transmission Company of SA (NTCSA) was finally created in October. However, the market remains sceptical that the NTCSA will be allowed to operate truly independently. This is a critical part of the reform process – the intention of a separate NTCSA is to operate as an independent system market operator so that it manages the liberalisation of the electricity market. Even the branding remains clearly “Eskom – NTCSA” with NTCSA in a substantially smaller font. Optics aside, the corporate structure of Eskom remains unbundled – the NTCSA is a wholly-owned subsidiary and does not (yet) issue debt in its own name. The focus will be on how quickly substantive independence comes about.

Much-needed ports reform was dealt a blow with the Durban High Court granting an application by APM Terminals, a subsidiary of Danish logistics major AP Moller-Maersk, to halt the awarding of ICTSI, a ports operator from the Philippines, as the preferred bidder to concession Pier 2 of the Durban Container Terminal (DCT2). Pier 2 and its sibling, Pier 1, handle 65% of South Africa’s container volumes. Pier 2 is the larger of the two, with a capacity of 2.9 m Twenty-foot equivalent units (TEUs). The court’s decision was not a surprise: against the advice of its own lawyers, Transnet used ICTSI’s market capitalisation as a measure of solvency when assessing ICTSI’s bid.

Encouragingly, visa reforms significantly moved ahead with the announcement of an overhauled visa system. This system has been in the works for a number of years, with draft regulations published on 20 May. Reforms include the introduction of a remote work visa. This would allow foreign nationals who work for a foreign employer, or who derive their income from a foreign source, to work remotely from within South Africa. One of the requirements for the remote working visa is that the foreign national must earn a gross income of no less than R1 million a year. Another change was the new Points-Based System for Work Visas, which is aimed to combat corruption and inefficiency by cutting red tape and introducing a transparent points scale to objectively determine who qualifies for a Critical Skills or General Work Visa. The system uses an assessment of a foreign national's age, qualifications, language skills, work experience, offer of employment and salary. Both reforms will make it substantially easier for companies to hire foreign skills, which has been a significant constraint, particularly for domestic technology companies.

BETTER INFLATION OUTLOOK IS SUPPORTIVE OF FURTHER INTEREST RATE CUTS

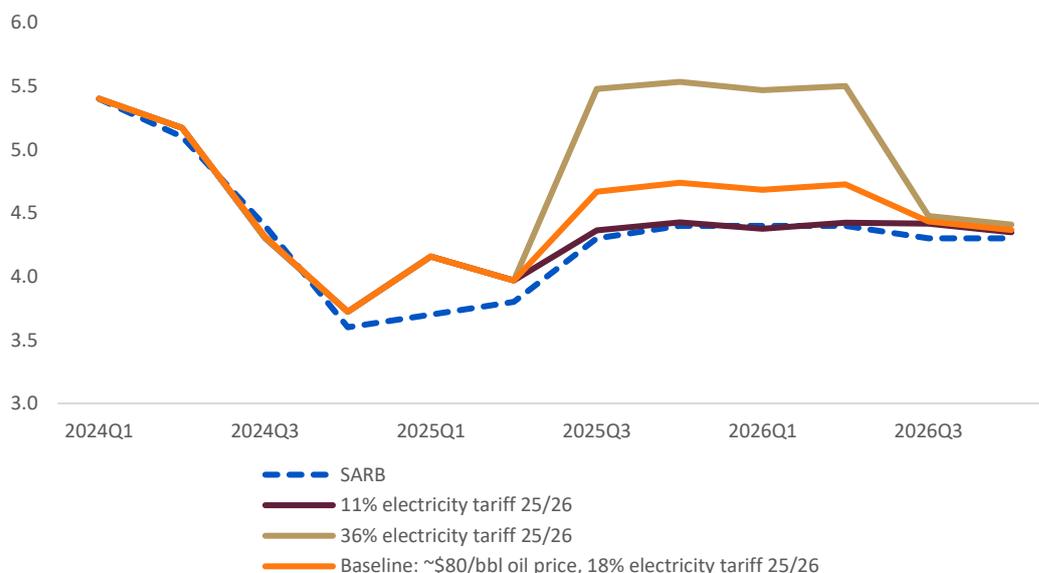
The rand exchange rate and inflation dynamics certainly fall into the two tales of 2024 narrative. The rand started the year above R18.29/\$ and weakened past R19/\$ ahead of the election. The average level of around R18.80/\$ for the first half of the year is about a rand weaker than what we have seen the rand trade at (on average) since the start of July. We see scope for further rand strength in the coming months, with an average of R17.60/\$ pencilled in for Q4 this year and R17.38/\$ in Q4 next year.

A relatively well-behaved Brent crude oil price (considering the tense geopolitical backdrop) and a stronger rand exchange rate have contributed to an improved inflation profile through lower petrol prices. Indeed, consumer price inflation (as measured by the CPI), dipped below 4% in September. Annual headline inflation eased to 3.8% in September and reached the lowest level since March 2021. The fourth consecutive slowdown was primarily due to falling fuel prices. Transport inflation fell into deflationary territory for the first time in over a year, with an annual rate of -1.1%, down from 2.8% in August. Food inflation remained stable at 4.7%, though some categories, like fruit and vegetables, saw increases. Core inflation, which excludes the volatile energy and food components, has been more stable but has also shown a steady downward trend. We see it remain around September’s 4.1% through the remainder of

2024 and 2025. A risk to the core inflation outlook, in particular, would be a stronger uptick in services inflation, with medical insurance price increases a key upside risk.

The rate of increased consumer inflation is set to remain below 4% through the remainder of 2024 and even the first half of 2025, before reaccelerating towards the midpoint of the target. A key risk to this outlook comes from electricity tariffs, as we still await NERSA’s decision on Eskom’s application for a 36% electricity tariff increase next year. We doubt NERSA will grant the full 36%, but the increase is likely to be bigger than this year. For now, we are working with an assumption of an 18% increase in tariffs next year, which, because it only starts a few months into the year, will result in an effective increase of 14.9% in the electricity component of CPI next year. This is just below the SARB’s (September) assumption. Of course there is a risk that the electricity tariff increase granted is lower, or higher, than our assumption and this could have a significant impact on the near-term inflation outlook. The figure below compares the current BER baseline forecast (orange line), with the SARB’s September forecast (blue dotted line) and two alternative electricity tariff increase scenarios for 2025/26: one with an 11% increase (which would be in line with this year) and one that mimics a 36% increase. Both scenarios assume the baseline increase for 2026/27, which means that inflation does return to the midpoint but could be a full percentage point higher if the 36% is granted.

Figure 11: CPI forecast with alternative electricity tariff increase assumptions for 2025/26



Source: BER, SARB, Stats SA

Looking ahead, we expect a further 100bps of easing over the next four MPC meetings (i.e. including November). This would bring the repo rate down to 7%. Taking account of our inflation and interest rate outlook together, this means that the real interest rate is set to be somewhat higher over the medium term relative to the pre-pandemic level, but it is lower than what we saw prior to the global financial crisis. It does help explain why our consumer spending growth forecast over the medium term does not return to higher long-term average levels.

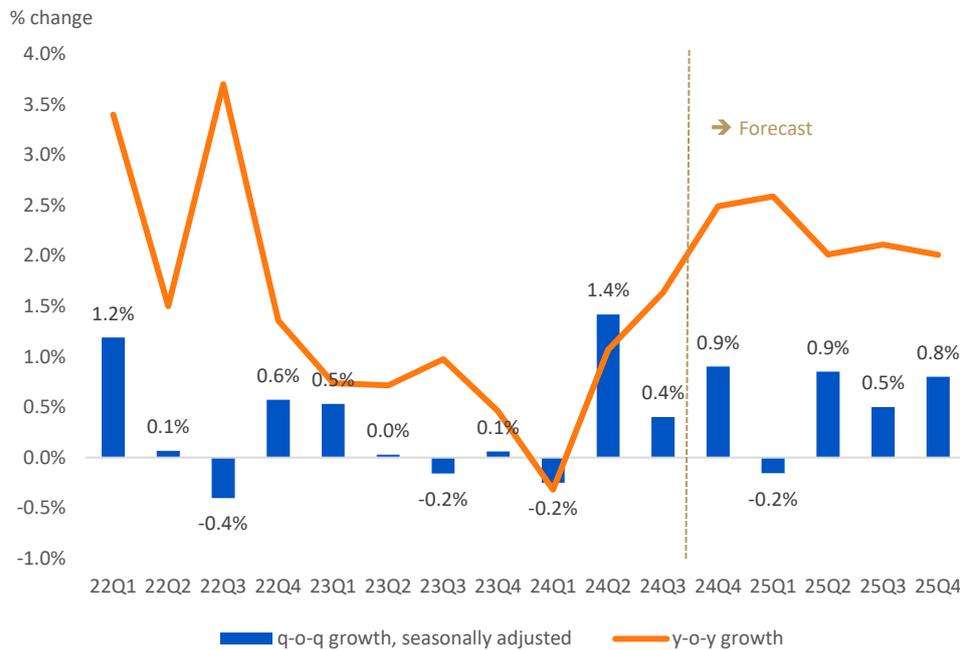
IMPROVED OUTLOOK FOR CONSUMER SPENDING AMID A SLEW OF POSITIVE DEVELOPMENTS

We have made a significant upward revision to its 2024 real consumer spending forecast, from 0.6% to 1.2%, while the growth projection for 2025 was revised marginally higher, from 2.1% to 2.2%. This essentially brings the forecast back to our February 2024 projection, after surprisingly weak data for 2024Q1, shifting (later) expectations of interest rate cuts and uncertainty about the outcome of the election warranted a more cautious stance during the previous two quarters. Even though the BER projected a strong rebound (0.5% q-o-q) in real consumer spending during 2024Q2 (following the surprise 0.2% contraction in 2024Q1), the latest data shows that real consumer spending surged by an exceptionally hot 1.4% q-o-q during 2024Q2. In annual growth terms, real household consumption jumped from -0.3% y-o-y in 2024Q1 to 1.1% y-o-y in 2024Q2.

“Unfortunately” for South African retailers, the main contributor to the second quarter increase in consumer spending was the other goods and services category. This accounted for 0.6%pts of the 1.4% q-o-q increase – this category includes spending by South Africans abroad, which rose impressively during 2024Q2. Other noteworthy contributors to growth in 2024Q2 were the clothing and footwear category (0.2%pts) rebounding from a significant contraction in 2024Q1 - and food and non-alcoholic beverages (also 0.2%pts) - on the back of receding food inflation.

Although there is a risk that the highly volatile “other goods and services” category will drop back significantly during 2024Q3 (pulling total consumer spending down), a slew of positive developments should underpin household consumption during the second half of 2024 (and beyond). These include a R3.20 per litre decline in the petrol price since June; receding inflation; a 10-point increase in the FNB/BER Consumer Confidence Index since 2024Q1 (to a 5-year high of -5 in 2024Q3); a 25bps cut in the prime interest rate in September, with at least another 25bps cut pencilled in for November; as well as the implementation of the two-pot retirement system, which could boost consumer spending by around R30 billion (after tax and on top of projected debt-repayments) between September and December 2024. The growth in real consumer spending is therefore forecast to accelerate further from 1.1% y-o-y in 2024Q2 to 2.5% y-o-y by 2024Q4, for an annual average growth rate of 1.2% in 2024 (up from 0.7% in 2023). With inflation expected to ease further in 2025, another 75bps of interest rate cuts and some two-pot withdrawals spilling into consumption next year, the growth in real consumer spending is forecast to accelerate to a sturdy 2.2% in 2025.

Figure 12: Growth in real consumer spending is expected to accelerate meaningfully from the second half of 2024



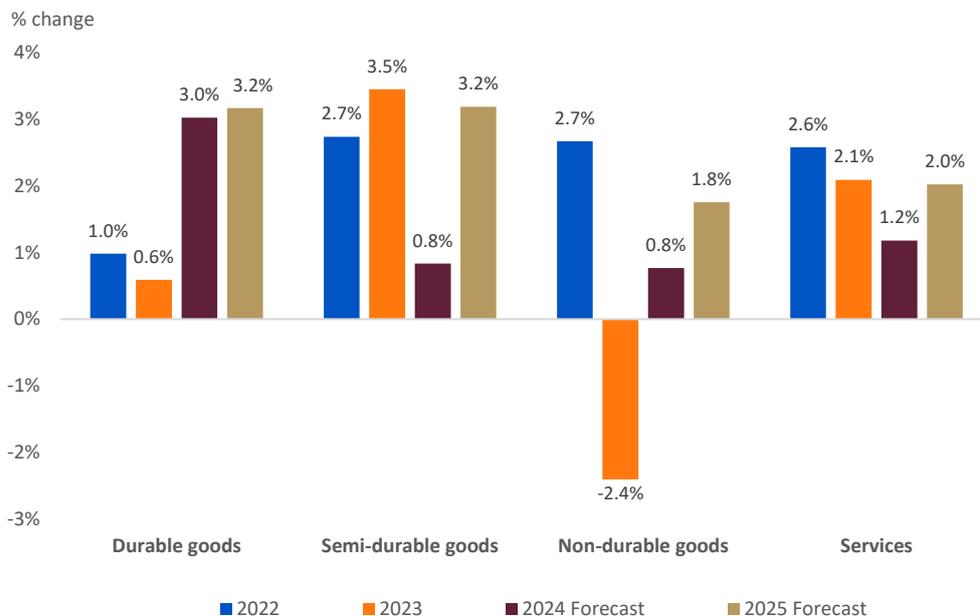
Source: Statistics South Africa and BER forecasts

Durable goods stand to be the biggest beneficiary of the recent appreciation in the rand exchange rate (i.e., lower import prices), interest rate cuts, the rise in consumer confidence and two-pot withdrawals. A Discovery survey found that 24% of two-pot claimants would use their withdrawals for home and car expenses, followed by 21% to settle short-term debt and 20% on education.³ Home renovations and improvements also featured strongly as a motivator for withdrawals. The outlook for durable goods spending is particularly good for 2024Q4, when interest rate cuts and two-pot withdrawals are really projected to boost spending on transport equipment, household furniture & appliances and electronic goods. However, spending on durable goods such as furniture and appliances and new cars already ticked up notably in 2024Q2, no doubt boosted by an increase in consumer sentiment following the formation of the GNU. The growth in real durable goods consumption is forecast to jump from 0.6% in 2023 to 3.0% in 2024 and 3.2% in 2025.

³ In an Old Mutual survey, roughly 60% of respondents indicated that they would use their two-pot withdrawals to pay off debt. The BER anticipate after-tax two-pot withdrawals of around R32 billion in 2024 and R16 billion in 2025 and assumed a 50/50 split between debt repayment and increased consumer spending. This translates into a 0.3% boost to consumer spending in 2024, with a limited impact in 2025 (especially with the 2024 two-pot withdrawals already in the 2024 consumer spending base).

Even though the growth in **semi-durable goods** is also projected to accelerate meaningfully towards the end of the year, the sharp contraction in semi-durable goods sales during 2024Q1 is forecast to pull the 2024 calendar year growth rate down to 0.8%, from 3.5% in 2023. Lower interest rates, a gradual increase in credit extension, and a recovery in real wages could see the growth in semi-durable goods rebound to 3.2% in 2025.

Figure 13: Annual growth in real consumer spending by main category



Source: Stats SA and BER forecasts

While consumer spending on **non-durable goods** rebounded smartly in q-o-q growth terms during 2024Q1 and Q2, annual growth remained in negative territory. However, a further deceleration in food inflation and welcome petrol and paraffin price cuts should propel volume growth higher during the second half of the year. The growth in real non-durable goods spending is projected to rebound from -2.4% in 2023 to 0.8% in 2024 and 1.8% in 2025.

On the services side, a moderation in growth (post the COVID-recovery period of 2021-23) in health care, restaurants & hotels and transport services (e.g., air travel) is projected to see real services spending decelerate from 2.1% in 2023 to 1.2% in 2024.

In all, lower inflation, higher consumer confidence and extra income growth from two-pot withdrawals should bolster real consumer spending growth from 0.7% in 2023 to 1.2% in 2024, with interest rate cuts providing a bigger boost to growth in 2025 (2.2%). Given that we do not anticipate further interest rate cuts beyond 2025 and expect fiscal policy to remain tight (i.e., subdued growth in the government wage bill, coupled with higher personal income taxes), the growth in consumer spending could lose some steam between 2026 and 2029.

UNEMPLOYMENT RATE SET TO REMAIN HIGH

According to the latest Quarterly Labour Force Survey (QLFS), the official unemployment rate increased to 33.5%, up from 32.9% in 2024Q1. Including discouraged workers means that the unemployment rate increases to 42.6%. Worryingly, the number of unemployed workers in long-term unemployment increased to 6.4 million, reaching 76.2% of the total unemployment. Research has shown that the longer

someone is out of employment, the more difficult it is to find a job. Indeed, the QLFS shows that the labour force participation rate stood at 60.6% in Q2, with the absorption rate at 40.3%, which means there is a 20.3% pts gap between those who want to work and those who are currently working. This is significantly higher than the 14.6% pts gap ten years ago. This indicates that, over time, it has become challenging to find employment.

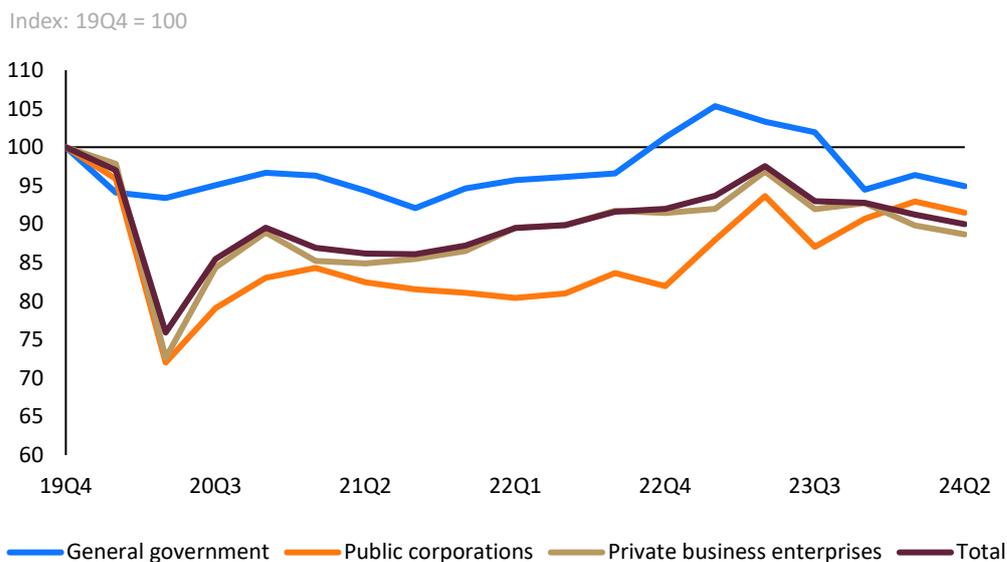
Total employment declined on a quarterly basis in Q2, which resulted in a slowdown in y-o-y growth from 3.4% to 1.9%. A further downtick is expected in Q3. For the full year, job growth is expected to slow 1.7% from the sharp 6.2% increase recorded in 2023. Private sector employment growth is set to lag the economic recovery while, due to fiscal consolidation, we continue to expect a decline in government employment growth in the short term. Private employment growth is set to be roughly in line with GDP, at around 2% over the next few years. Because of an expanding labour force, these growth rates are not enough to make a dent in the unemployment rate, which is expected to remain above 30% during the full forecast period.

FIXED INVESTMENT CONTRACTED ONCE MORE IN Q2

Fixed investment continued to disappoint and declined by a significant 7.7% y-o-y in 2024Q2. Capex from all types of organisations declined across the board. Private business investment declined by 8.4% y-o-y, followed by a decline of 8.1% from the general government and a 2.3% decline from public corporations. On a quarterly basis, fixed investments declined 1.4% in 2024Q2 from an upwardly revised contraction of 1.7% in 2024Q1 – this was the fourth consecutive quarterly decline. As was the case with the annual data, capex declined across the board; private business investments declined by 1.3%, and the general government and public corporations' capex both saw declines of 1.5% in 2024Q2 compared to 2024Q1.

Taking a longer-term perspective, the level of fixed investment for each organisation is currently below its pre-pandemic level (i.e. below 100 in the Figure below). Only the general government investments recovered slightly above the pre-pandemic levels in early 2023 before dipping below by 2023Q3. Private capex still makes up the bulk of total investment. The proportional size of capex from private businesses, general government, and public corporations was 71%, 18%, and 11%, respectively, over the last three years.

Figure 14: Level of fixed investment per organisation



Source: Stats SA (own calculations)

Considering the same data, but looking at the performance per asset class rather than per organisation, there were annual declines across the board. Investment in machinery and equipment declined for the first time in years, registering a steep 7.8% y-o-y fall. This follows a steady slowdown in growth since the start of 2023, which is worrying. This class accounts for roughly 40% of total fixed investments, and the earlier strong performance lessened the severity of the decline in total investment. On an annual basis, fixed investment in both residential and non-residential buildings and construction works have declined for four consecutive quarters. However, more encouraging, residential buildings’ fixed investment increased for the first time in two years on a quarterly basis. It rose by 5.1% in 2024Q2, following a 4.3% contraction in 2024Q1. Fixed investment in non-residential buildings increased by 3.2% q-o-q in Q2, building on an increase of 2.8% in Q1.

Looking ahead, more than 2GW of renewable energy projects were registered with Nersa in Q3. The surge (from about 1.3GW of projects registered in the first half of the year) was driven by a few large projects. High and rising Eskom tariffs imply that there often still is a case to be made for investing in one’s own generation capacity even though there is no load-shedding. This should still spur further investment in the electricity-intensive mining sector too. The NTCSA, a subsidiary of Eskom, projected that \$42 billion is needed in the next 5 years to develop all the planned renewable energy capacity building. Solar PVs are more concentrated in the Northern Cape, with new registered wind capacity in KwaZulu-Natal and the Eastern Cape.

On the back of a poor performance in the first half of the year, private fixed investment is projected to decline by 3.6% in 2024. From this low base, private capex is set to increase by 6.6% in 2025. Private residential investment is expected to decrease by 6.1% in 2024, but to recover and grow by 3% in 2025. For the full period, an average growth rate of 1.4% is pencilled in. The property sector remains under pressure with a steady decline in mortgage advances reflecting this. Looking at total private investments excluding the residential sector, the sector is expected to grow at an average of 5.1% for the forecast period as the near-term weakness remains more pronounced in the private residential sector.

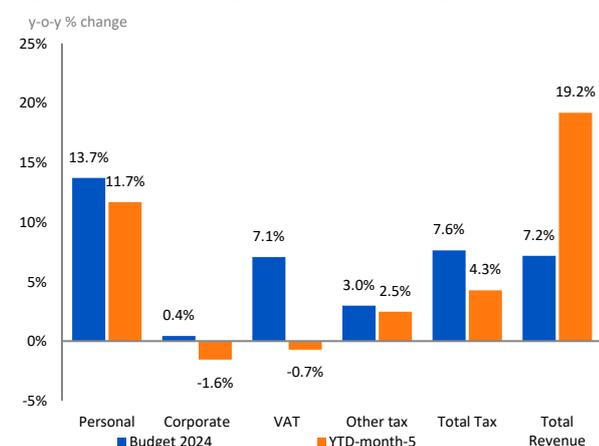
The government remains committed to fiscal consolidation, and as such, we expect general government fixed investments to decline by 5.1% in 2024 and 0.4% in 2025. We see some recovery in 2026, resulting in an average growth rate of 0.2% between 2024 and 2029. In contrast, fixed investment from public corporations is expected to grow by 3.7% in 2024 and to maintain an average growth of 3% in the forecast period. Overall, GFCF growth is predicted to decline by 3.1% in 2024, which is informed by the continued weakness in private and general government investments.

FISCAL OUTLOOK BROADLY UNCHANGED

Our forecast was completed before the Medium Term Budget Policy Statement (MTBPS) on 30 October, but has proven to be largely in line with the picture presented by the Finance Minister (click here for our comment on the MTBPS). It was based on the direction given by the National Budget earlier in the year, namely one that is fiscally restrictive, aiming to arrest the surge in government debt as a ratio of GDP. The forecast considered the latest data releases on government cash-flow statements, gauged tax collection performance and expenditure frugality.

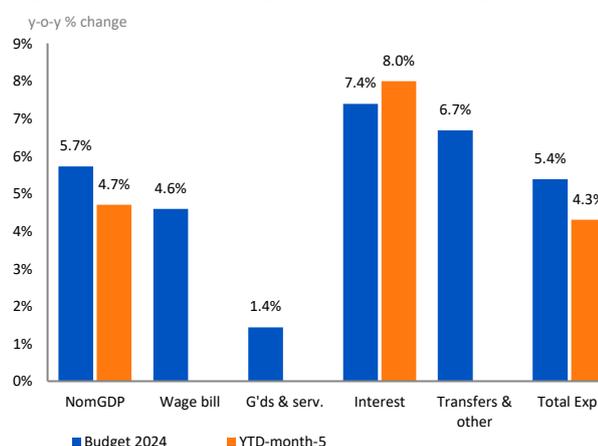
Available data showed that the budget deficit widened considerably, from 0.3% of GDP in the first quarter to 7.1% in the second quarter. This increase was on account of both an increase in government expenditure and a contraction in tax revenue during the second quarter. Expenditure jumped from 26.1% of GDP to 29.8%, while revenue dropped from 25.7% of GDP to 22.7%. However, it must also be noted that the positive metric recorded during the first quarter was unusual, while the second quarter reflected a more normal situation. Nominal government consumption grew by 5% y-o-y in Q2, which is virtually on par with growth in nominal GDP over the same period. This consumption rate is roughly in line with what the National Treasury budgeted for in 2024/25, though economic growth is slower than expected.

Figure 15: Revenue growth (April to Aug)



Source: National Treasury, BER

Figure 16: Expenditure growth (April to Aug)



During the first five months of the fiscal year (April to August), tax revenue from companies and VAT fell by 1.6% and 0.7%, respectively, compared to the same period a year before. These declines reflect weakness in corporate revenues, mostly from mining companies but also from many other sectors. An exception was revenue from personal income tax, which expanded by a brisk 12%, most likely due to the effective increase in personal income tax rates announced in the February Budget (by not adjusting the brackets for inflation). Consequently, total tax revenue increased by 4.3%, similar to the expenditure increase over the same period. The extraordinary growth of 19% in total revenue reflects the first transfer from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA).

Looking ahead, the GNU has the daunting task of stabilising the growth in government debt, which reached 74.7% of GDP in the first quarter. Being composed of various political parties 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 GNU will allow for roughly inflation-related increases in government wages. One significant risk to the fiscus is the National Health Insurance (NHI) bill, signed into law on 15 May (shortly before the national election). However, given the tests it faces in the constitutional court, and various other practical challenges, we are not building in any provision for the NHI in our current forecast horizon.

On the revenue front, our outlook is that the current economic weakness and underperformance of corporate tax and VAT will be temporary and normalise beyond 2024. The higher effective personal tax rate will support total revenue. Over the short term, higher-than-expected withdrawals resulting from the introduction of the two-pot retirement system (which are taxed at marginal tax rates) should provide a boost to income heading into 2025.

Figure 17: Projected deficit to GDP

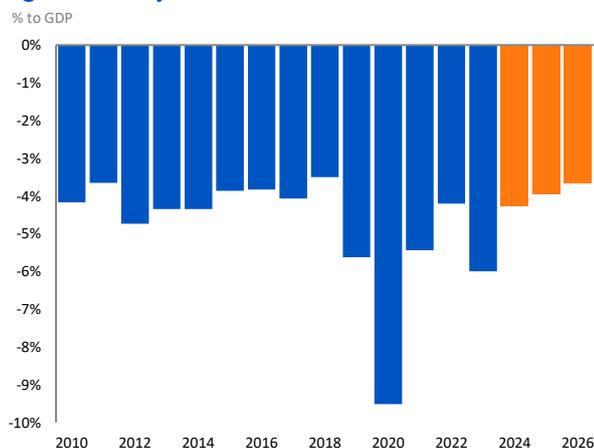
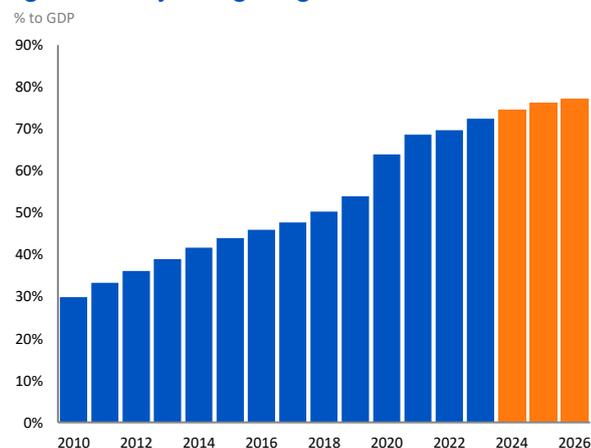


Figure 18: Projected gross government debt to GDP



Based on these revenue and expenditure assumptions, the general budget deficit is forecasted to drop from 6% of GDP in 2023 to 4.2% in 2024.

Conclusion

We have not made major revisions to the headline forecast figures relative to our July forecast update. There are, however, some changes to the underlying components. Most importantly, we expect the consumer to do a little better in the near term, but investment remains (frustratingly) sluggish before picking up (hopefully).

Appendix A

STATISTICS OF THE QUARTERLY FORECAST, 2024 - 2026

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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	3.1	2.3	1.7	1.6	1.6	1.9	2.2	2.3	2.0	2.0	2.2	2.5	1.8	2.1
UK % growth	0.3	0.5	1.4	1.9	1.5	1.3	1.3	1.4	1.5	1.6	1.6	1.6	1.0	1.3	1.6
Germany % growth	-0.2	0.1	0.1	0.7	0.8	1.1	1.1	1.1	1.2	1.3	1.4	1.5	0.2	1.0	1.4
Japan % growth	-0.2	0.1	0.2	0.6	1.2	0.9	1.0	0.5	1.4	1.1	0.9	0.5	0.2	0.9	1.0
Eurozone % growth	0.5	0.7	0.8	0.9	0.9	1.0	1.1	1.3	1.3	1.3	1.4	1.3	0.7	1.1	1.3
G7 % growth	1.6	1.7	1.8	1.6	1.6	1.6	1.6	1.8	1.9	1.7	1.7	1.8	1.7	1.7	1.8
CPI inflation rates															
US % CPI	3.2	3.2	2.6	2.3	2.2	2.1	2.3	2.8	2.5	2.0	2.0	2.1	2.8	2.4	2.1
UK % CPI	3.9	2.9	3.0	2.4	2.3	2.0	2.2	2.8	2.6	2.2	1.7	1.6	3.1	2.3	2.0
Germany % CPI	2.7	2.7	2.2	2.0	1.9	1.9	2.3	2.6	2.1	2.4	1.9	1.9	2.4	2.2	2.1
Japan % CPI	2.5	2.7	2.7	2.5	2.5	2.2	2.0	1.9	2.0	1.8	1.6	1.3	2.6	2.1	1.7
G7 % CPI	3.0	2.8	2.0	1.9	1.8	1.6	2.2	2.6	2.4	2.0	1.9	1.9	2.4	2.1	2.0
China % CPI	0.0	0.2	0.3	1.1	1.0	1.7	1.6	1.1	1.4	1.6	1.9	2.0	0.4	1.3	1.7
India % CPI	4.6	3.8	3.8	5.9	5.4	5.1	3.8	3.3	3.6	4.2	4.7	4.5	4.5	4.4	4.3
Interest rates															
US prime rate	8.50	8.50	8.45	7.80	7.47	7.21	6.96	6.71	6.47	6.21	6.00	6.00	8.31	7.09	6.17
Commodity prices															
Spot oil price: US\$/barrel	81.9	85.0	78.9	77.1	76.1	75.0	74.3	73.8	74.0	71.0	71.0	71.0	80.7	74.8	71.8
London gold price: US\$/oz	2072	2338	2474	2570	2604	2595	2579	2569	2570	2567	2558	2543	2364	2587	2560
Platinum price: US\$/oz	907	981	964	999	1016	1050	1078	1096	1125	1135	1145	1157	963	1060	1141
Palladium price: US\$/oz	980	973	970	968	961	958	957	952	950	947	941	941	973	957	945
SA coal price : US\$/mt	96.6	107.7	110.0	115.0	105.0	104.0	103.0	103.0	101.0	101.0	100.0	99.0	107.3	103.8	100.3
China iron ore price : US\$/mt	124.6	113.4	101.7	101.0	99.0	97.0	96.0	96.0	94.0	93.0	92.0	91.0	110.2	97.0	92.5
Exchange rates															
US\$/Sterling exchange rate	1.27	1.26	1.30	1.34	1.36	1.37	1.38	1.39	1.40	1.40	1.40	1.40	1.29	1.38	1.40
Yn/\$ exchange rate	148.4	155.8	149.4	148.0	145.0	144.0	143.0	140.0	135.0	135.0	135.0	135.0	150.4	143.0	135.0
US\$/Euro exchange rate	1.09	1.08	1.10	1.10	1.12	1.13	1.13	1.14	1.15	1.15	1.16	1.17	1.09	1.13	1.16

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.)	4645.8 5.0	4743.8 5.8	4821.9 5.9	4926.3 6.4	4967.2 6.9	5040.2 6.2	5154.2 6.9	5258.3 6.7	5307.1 6.8	5382.4 6.8	5491.1 6.5	5599.3 6.5	4784.4 5.8	5105.0 6.7	5445.0 6.7
Government consumption (year % ch.)	1400.8 3.9	1405.5 4.9	1376.6 0.4	1456.2 5.7	1488.9 6.3	1445.2 2.8	1448.2 5.2	1532.3 5.2	1561.5 4.9	1515.8 4.9	1518.9 4.9	1607.0 4.9	1409.8 3.7	1478.7 4.9	1550.8 4.9
Fixed investment (year % ch.)	1066.0 6.0	1075.8 0.6	1103.3 4.2	1111.8 4.7	1150.1 7.9	1185.0 10.2	1213.1 9.9	1220.0 9.7	1276.4 11.0	1312.8 10.8	1342.8 10.7	1348.8 10.6	1089.2 3.8	1192.0 9.4	1320.2 10.7
Inventory investment	-42.2	23.7	55.5	49.3	60.5	56.5	54.7	48.9	60.1	62.8	64.4	52.5	21.6	55.2	59.9
Residual item	52.0	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8	6.4	-8.8	-8.8
Gross domestic expenditure (year % ch.)	7122.3 3.5	7240.0 2.7	7348.5 5.9	7534.9 5.6	7658.0 7.5	7718.2 6.6	7861.4 7.0	8050.6 6.8	8196.3 7.0	8264.9 7.1	8408.4 7.0	8598.8 6.8	7311.4 4.4	7822.0 7.0	8367.1 7.0
Exports: goods and services (year % ch.)	2289.0 -1.2	2359.9 2.4	2414.6 6.1	2435.1 5.7	2438.8 6.5	2467.9 4.6	2511.4 4.0	2538.5 4.2	2572.8 5.5	2636.6 6.8	2685.4 6.9	2711.8 6.8	2374.6 3.2	2489.2 4.8	2651.6 6.5
Imports: goods and services (year % ch.)	2189.4 -3.8	2255.4 -4.6	2285.1 4.9	2402.7 4.8	2358.3 7.7	2357.6 4.5	2430.3 6.4	2590.9 7.8	2543.7 7.9	2558.6 8.5	2640.3 8.6	2807.8 8.4	2283.2 0.2	2434.3 6.6	2637.6 8.4
Expenditure on GDP (year % ch.)	7221.9 4.3	7344.4 5.1	7478.1 6.3	7567.3 5.9	7738.4 7.2	7828.6 6.6	7942.6 6.2	7998.3 5.7	8225.4 6.3	8342.9 6.6	8453.5 6.4	8502.7 6.3	7402.9 5.4	7877.0 6.4	8381.2 6.4

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.)	3089.3 -0.3	3133.1 1.1	3145.7 1.6	3174.1 2.5	3169.2 2.6	3196.1 2.0	3212.1 2.1	3237.9 2.0	3235.9 2.1	3262.5 2.1	3277.9 2.0	3303.4 2.0	3135.5 1.2	3203.8 2.2	3269.9 2.1
Government consumption (year % ch.)	916.7 1.6	925.9 1.0	889.3 -3.5	933.3 1.6	932.5 1.7	911.1 -1.6	895.3 0.7	939.7 0.7	935.8 0.4	914.4 0.4	898.5 0.4	943.1 0.4	916.3 0.2	919.7 0.4	923.0 0.4
Fixed investment (year % ch.)	663.8 -2.6	654.8 -7.7	664.9 -1.7	674.9 0.0	684.3 3.1	693.9 6.0	703.2 5.8	711.7 5.5	721.3 5.4	730.8 5.3	741.0 5.4	749.8 5.4	664.6 -3.1	698.3 5.1	735.8 5.4
Inventory investment	3.8	9.6	12.7	14.2	18.1	13.2	13.9	15.0	15.3	15.2	17.5	15.2	10.1	15.0	15.8
Residual item	12.9	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	10.8	11.3	10.8	10.8
Gross domestic expenditure (year % ch.)	4686.5 -1.2	4734.2 -1.7	4723.4 1.5	4807.2 1.9	4814.8 2.7	4825.1 1.9	4835.2 2.4	4915.1 2.2	4919.1 2.2	4933.8 2.3	4945.7 2.3	5022.3 2.2	4737.8 0.1	4847.6 2.3	4955.2 2.2
Exports: goods and services (year % ch.)	1277.3 -1.0	1272.0 -1.9	1314.4 0.4	1333.5 1.4	1335.2 4.5	1325.9 4.2	1365.5 3.9	1393.9 4.5	1387.8 3.9	1378.8 4.0	1419.7 4.0	1446.7 3.8	1299.3 -0.3	1355.1 4.3	1408.3 3.9
Imports: goods and services (year % ch.)	1319.6 -7.1	1341.4 -8.4	1354.9 1.4	1426.8 2.7	1391.1 5.4	1388.4 3.5	1417.5 4.6	1489.1 4.4	1450.7 4.3	1448.6 4.3	1479.7 4.4	1551.8 4.2	1360.7 -3.0	1421.5 4.5	1482.7 4.3
Expenditure on GDP (year % ch.)	4644.2 0.7	4664.8 0.4	4683.0 1.2	4714.0 1.5	4759.0 2.5	4762.6 2.1	4783.2 2.1	4819.8 2.2	4856.3 2.0	4863.9 2.1	4885.7 2.1	4917.2 2.0	4676.5 1.0	4781.2 2.2	4880.8 2.1

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.)	322.0 1.4	325.0 3.5	325.3 3.9	331.2 3.3	332.3 3.2	334.8 3.0	336.6 3.5	341.0 3.0	342.0 2.9	344.2 2.8	346.0 2.8	349.9 2.6	325.8 3.0	336.2 3.2	345.5 2.8
Semi-durable goods (year % ch.)	286.8 -3.0	291.6 2.2	293.6 1.6	306.9 2.6	299.0 4.3	300.4 3.0	302.0 2.9	315.1 2.7	307.7 2.9	309.4 3.0	311.2 3.0	324.2 2.9	294.7 0.8	304.1 3.2	313.1 3.0
Non-durable goods (year % ch.)	893.9 -0.9	900.5 -0.2	906.6 1.2	908.3 3.0	913.0 2.1	916.1 1.7	920.7 1.6	923.0 1.6	928.9 1.7	931.2 1.6	935.4 1.6	937.3 1.6	902.3 0.8	918.2 1.8	933.2 1.6
Services (year % ch.)	1586.6 0.2	1616.0 1.1	1620.3 1.4	1627.7 2.0	1624.8 2.4	1644.9 1.8	1652.8 2.0	1658.8 1.9	1657.3 2.0	1677.8 2.0	1685.2 2.0	1692.0 2.0	1612.6 1.2	1645.3 2.0	1678.1 2.0
Total household consumption (year % ch.)	3089.3 -0.3	3133.1 1.1	3145.7 1.6	3174.1 2.5	3169.2 2.6	3196.1 2.0	3212.1 2.1	3237.9 2.0	3235.9 2.1	3262.5 2.1	3277.9 2.0	3303.4 2.0	3135.5 1.2	3203.8 2.2	3269.9 2.1
Disposable income of households															
Real disposable income (year % ch.)	3063.4 -0.8	3092.3 0.3	3085.9 0.6	3134.2 2.2	3129.7 2.2	3157.8 2.1	3176.8 2.9	3202.3 2.2	3205.1 2.4	3231.6 2.3	3250.0 2.3	3275.3 2.3	3093.9 0.6	3166.7 2.4	3240.5 2.3
Adjusted for debt-service cost (real) (year % ch.)	3017.3 -0.7	3046.5 0.4	3040.7 0.7	3089.6 2.3	3085.5 2.3	3113.8 2.2	3133.6 3.1	3159.6 2.3	3162.9 2.5	3189.5 2.4	3208.6 2.4	3234.4 2.4	3048.5 0.7	3123.1 2.4	3198.9 2.4

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	473.2	467.1	473.7	482.4	492.6	501.9	510.2	517.2	526.9	535.6	544.4	552.0	474.1	505.5	539.7
(year % ch.)	-2.3	-8.4	-2.2	-1.2	4.1	7.4	7.7	7.2	7.0	6.7	6.7	6.7	-3.6	6.6	6.8
Public sector															
Government	113.7	112.0	113.6	114.3	113.1	112.7	112.9	112.9	112.9	113.5	114.3	114.1	113.4	112.9	113.7
(year % ch.)	-8.5	-8.1	-5.5	2.6	-0.5	0.6	-0.6	-1.2	-0.2	0.7	1.2	1.1	-5.1	-0.4	0.7
Public corporations	76.9	75.7	77.6	78.2	78.7	79.3	80.1	81.6	81.6	81.8	82.3	83.8	77.1	79.9	82.4
(year % ch.)	5.7	-2.3	7.8	4.3	2.3	4.8	3.2	4.3	3.7	3.2	2.7	2.7	3.7	3.7	3.1
Total public sector	190.6	187.6	191.2	192.5	191.7	191.9	193.0	194.5	194.4	195.2	196.6	197.9	190.5	192.8	196.0
(year % ch.)	-3.3	-5.9	-0.5	3.3	0.6	2.3	0.9	1.0	1.4	1.7	1.9	1.7	-1.7	1.2	1.7
Total															
Total fixed capital formation	663.8	654.8	664.9	674.9	684.3	693.9	703.2	711.7	721.3	730.8	741.0	749.8	664.6	698.3	735.8
(year % ch.)	-2.6	-7.7	-1.7	0.0	3.1	6.0	5.8	5.5	5.4	5.3	5.4	5.4	-3.1	5.1	5.4

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	25.04	25.33	25.31	25.57	25.54	25.74	25.64	25.90	25.87	26.07	25.97	25.16	25.62	25.95
(year % ch.)	3.5	3.2	3.0	2.8	2.4	2.0	1.6	1.3	1.3	1.3	1.3	1.3	3.1	1.8	1.3
Private sector employment	14.56	14.36	14.60	14.74	14.70	14.71	14.87	15.04	15.00	15.05	15.24	15.41	14.56	14.83	15.18
(year % ch.)	4.3	2.8	1.9	1.6	1.0	2.5	1.9	2.0	2.0	2.3	2.5	2.5	2.6	1.8	2.3
Government employment	2.19	2.29	2.21	2.19	2.23	2.24	2.23	2.21	2.24	2.24	2.24	2.22	2.22	2.23	2.24
(year % ch.)	-2.2	-3.4	-8.4	-0.6	2.0	-2.5	1.0	1.0	0.3	0.3	0.3	0.3	-3.8	0.3	0.3
Total employment (incl. informal)	16.74	16.65	16.81	16.94	16.93	16.95	17.10	17.25	17.24	17.29	17.48	17.63	16.78	17.06	17.41
(year % ch.)	3.4	1.9	0.4	1.3	1.1	1.8	1.8	1.9	1.8	2.0	2.2	2.2	1.7	1.6	2.1
Unemployment rate	32.9	33.5	33.7	33.1	33.8	33.6	33.5	32.7	33.4	33.1	33.0	32.1	33.3	33.4	32.9
Wage rates (year % change)															
Unit labour cost	3.1	4.3	4.0	6.2	4.9	4.7	6.5	4.0	5.3	5.1	4.8	4.9	4.4	5.0	5.0
Wage bill (R billion at current prices)															
Total wage bill	3275.8	3302.0	3357.2	3459.3	3522.8	3530.7	3651.8	3677.5	3786.5	3790.4	3909.0	3935.0	3348.6	3595.7	3855.2
(year % ch.)	3.8	4.7	5.3	7.8	7.5	6.9	8.8	6.3	7.5	7.4	7.0	7.0	5.4	7.4	7.2

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.)	3275.8 3.8	3302.0 4.7	3357.2 5.3	3459.3 7.8	3522.8 7.5	3530.7 6.9	3651.8 8.8	3677.5 6.3	3786.5 7.5	3790.4 7.4	3909.0 7.0	3935.0 7.0	3348.6 5.4	3595.7 7.4	3855.2 7.2
Disposable income (year % ch.)	4606.8 4.5	4682.0 5.0	4730.1 4.8	4864.5 6.1	4905.4 6.5	4979.7 6.4	5097.5 7.8	5200.5 6.9	5256.6 7.2	5331.3 7.1	5444.4 6.8	5551.7 6.8	4720.9 5.1	5045.8 6.9	5396.0 6.9
Less household consumption (year % ch.)	4645.8 5.0	4743.8 5.8	4821.9 5.9	4926.3 6.4	4967.2 6.9	5040.2 6.2	5154.2 6.9	5258.3 6.7	5307.1 6.8	5382.4 6.8	5491.1 6.5	5599.3 6.5	4784.4 5.8	5105.0 6.7	5445.0 6.7
Saving	-38.9	-61.8	-91.7	-61.8	-61.8	-60.5	-56.7	-57.8	-50.4	-51.1	-46.7	-47.6	-63.6	-59.2	-49.0
Households: ratio to disposable income															
Saving	-0.8	-1.3	-1.9	-1.3	-1.3	-1.2	-1.1	-1.1	-1.0	-1.0	-0.9	-0.9	-1.3	-1.2	-0.9
Debt	63.0	62.2	61.0	60.8	61.4	60.8	59.7	60.0	60.9	60.5	59.4	59.8	61.7	60.5	60.1
Debt-service cost	9.2	9.1	8.8	8.7	8.5	8.3	8.1	8.1	8.3	8.2	8.1	8.1	8.9	8.2	8.2
Net wealth	388.8	393.5	393.6	396.2	399.3	404.5	401.6	404.6	401.5	404.6	401.3	403.9	393.0	402.5	402.8

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	1031.1 6.3	1074.2 7.0	1121.0 11.1	1123.0 4.7	1131.0 9.7	1161.7 8.1	1176.3 4.9	1197.6 6.6	1208.2 6.8	1239.0 6.6	1253.1 6.5	1074.7 8.2	1148.0 6.8	1224.5 6.7
Value added tax (VAT) (year % ch.)	517.9 5.6	378.9 0.4	435.2 -1.8	466.1 3.1	525.7 1.5	409.1 8.0	489.0 12.4	522.2 12.0	557.8 6.1	433.9 6.1	517.8 5.9	552.7 5.8	449.5 2.0	486.5 8.2	515.6 6.0
Other indirect taxes (year % ch.)	373.5 -0.3	509.9 0.8	489.3 10.6	495.9 15.4	432.5 15.8	547.0 7.3	495.2 1.2	503.2 1.5	458.7 6.1	581.2 6.2	525.5 6.1	533.5 6.0	467.2 6.6	494.5 5.8	524.7 6.1
Expenditure															
Consumption (year % ch.)	1400.8 3.9	1405.5 4.9	1376.6 0.4	1456.2 5.7	1488.9 6.3	1445.2 2.8	1448.2 5.2	1532.3 5.2	1561.5 4.9	1515.8 4.9	1518.9 4.9	1607.0 4.9	1409.8 3.7	1478.7 4.9	1550.8 4.9
Interest Payments (year % ch.)	353.1 11.3	328.1 -2.8	359.6 3.9	377.7 4.5	372.5 5.5	346.5 5.6	380.6 5.8	399.8 5.8	404.0 8.5	375.6 8.4	412.0 8.3	432.5 8.2	354.6 4.1	374.8 5.7	406.0 8.3
Saving	-385.2	-344.8	-275.7	-246.7	-317.9	-311.3	-298.9	-299.2	-306.1	-303.0	-291.2	-288.5	-313.1	-306.8	-297.2
Ratios to GDP															
Total tax revenue	27.2	26.1	26.7	27.5	26.9	26.7	27.0	27.5	26.9	26.6	27.0	27.5	26.9	27.0	27.0
Main budget balance	-0.4	-6.5	-5.2	-4.8	-3.5	-4.0	-4.1	-4.2	-3.2	-3.7	-3.8	-3.9	-4.3	-3.9	-3.7
Gross debt (National government)	74.1	74.6	74.9	75.0	76.0	76.0	76.3	76.7	77.4	77.3	77.2	77.2	75.0	76.7	77.2

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.)	2289.0 -1.2	2359.9 2.4	2414.6 6.1	2435.1 5.7	2438.8 6.5	2467.9 4.6	2511.4 4.0	2538.5 4.2	2572.8 5.5	2636.6 6.8	2685.4 6.9	2711.8 6.8	2374.6 3.2	2489.2 4.8	2651.6 6.5
Net receipts (year % ch.)	-45.4 141.5	-52.7 2.1	-24.3 -47.7	-27.2 -36.4	-46.3 1.9	-47.3 -10.1	-48.3 99.0	-51.4 88.9	-50.4 8.8	-51.4 8.7	-52.5 8.6	-55.7 8.5	-37.4 -6.3	-48.3 29.2	-52.5 8.6
Less imports: goods and services (year % ch.)	2189.4 -3.8	2255.4 -4.6	2285.1 4.9	2402.7 4.8	2358.3 7.7	2357.6 4.5	2430.3 6.4	2590.9 7.8	2543.7 7.9	2558.6 8.5	2640.3 8.6	2807.8 8.4	2283.2 0.2	2434.3 6.6	2637.6 8.4
Less net factor payments (year % ch.)	161.1 83.8	116.4 44.7	143.8 76.4	158.1 20.1	161.4 0.2	159.9 37.3	161.8 12.5	162.9 3.0	166.6 3.2	169.8 6.2	172.5 6.6	174.8 7.3	144.9 52.0	161.5 11.5	170.9 5.9
Current account balance	-106.9	-64.6	-38.6	-152.9	-127.3	-96.8	-129.0	-266.6	-187.9	-143.3	-179.9	-326.5	-90.8	-154.9	-209.4
Current account in US\$	-5.7	-3.5	-2.1	-8.7	-7.3	-5.6	-7.5	-15.3	-10.7	-8.1	-10.1	-18.1	-5.0	-8.9	-11.8
Current account as % of GDP	-1.5	-0.9	-0.5	-2.0	-1.6	-1.2	-1.6	-3.3	-2.3	-1.7	-2.1	-3.8	-1.2	-2.0	-2.5
Financing of the current account															
Total net capital flows	43.0	-29.7	61.8	8.0	62.0	-1.2	54.1	36.4	77.2	10.5	66.8	51.4	83.1	151.4	205.9
SDR + Valuation adjustment	42.0	-35.2	-64.0	23.0	-15.2	-15.6	6.7	14.3	7.5	5.9	13.9	12.7	-34.2	-9.8	40.1
Change in gross reserves	28.0	-55.6	-33.6	23.0	-15.2	-15.6	6.7	14.3	7.5	5.9	13.9	12.7	-38.2	-9.8	40.1
Gross reserves: quarter end	1185.6	1130.0	1096.4	1119.4	1104.1	1088.5	1095.2	1109.6	1117.1	1123.1	1136.9	1149.6	1119.4	1109.6	1149.6
Gross reserves: quarter end (US\$)	62.3	62.1	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6	63.6
Terms of trade															
Index (2015 = 100) (year % ch.)	108.0 -3.6	110.3 0.2	108.9 2.1	108.4 2.1	107.7 -0.3	109.6 -0.7	107.3 -1.5	104.7 -3.5	105.7 -1.9	108.3 -1.2	106.0 -1.2	103.6 -1.0	108.9 0.2	107.3 -1.5	105.9 -1.3

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	5152.8 4.2	5233.1 4.2	5253.5 3.2	5399.8 3.9	5402.1 4.8	5519.1 5.5	5562.5 5.9	5729.8 6.1	5737.5 6.2	5860.2 6.2	5911.5 6.3	5253.5 3.2	5562.5 5.9	5911.5 6.3
Private sector credit to households (year % ch.)	2145.4 3.7	2153.9 3.3	2162.1 2.8	2188.9 3.2	2227.7 3.8	2241.0 4.0	2278.4 5.4	2310.5 5.6	2366.1 6.2	2385.6 6.5	2423.9 6.4	2457.2 6.4	2188.9 3.2	2310.5 5.6	2457.2 6.4
Private sector credit to firms (year % ch.)	2585.2 5.9	2585.7 5.1	2657.8 5.7	2651.4 5.3	2758.9 6.7	2747.9 6.3	2827.5 6.4	2838.8 7.1	2950.5 6.9	2938.7 6.9	3023.2 6.9	3041.1 7.1	2651.4 5.3	2838.8 7.1	3041.1 7.1
Total private sector credit extension (year % ch.)	4730.5 4.9	4739.6 4.3	4819.9 4.4	4840.3 4.3	4986.7 5.4	4989.0 5.3	5105.9 5.9	5149.3 6.4	5316.6 6.6	5324.4 6.7	5447.1 6.7	5498.3 6.8	4840.3 4.3	5149.3 6.4	5498.3 6.8
Interest rates															
3-month NCD rate	8.37	8.35	8.24	8.19	7.81	7.56	7.60	7.62	7.65	7.67	7.68	7.58	8.29	7.65	7.64
10-year government bond yield	11.03	11.68	10.55	10.14	9.66	9.55	9.59	9.54	9.52	9.45	9.37	9.30	10.85	9.59	9.41
Prime overdraft rate	11.75	11.75	11.72	11.40	11.07	10.73	10.50	10.50	10.50	10.50	10.50	10.50	11.66	10.70	10.50
Effective household lending rate	14.60	14.63	14.46	14.29	13.77	13.59	13.50	13.55	13.59	13.62	13.66	13.61	14.50	13.60	13.62
Effective firm lending rate	9.52	9.85	9.86	9.71	9.39	9.36	9.36	9.32	9.33	9.36	9.35	9.23	9.73	9.36	9.32
Exchange rates															
R/US DOLLAR (year % ch.)	18.88 6.4	18.57 -0.5	17.97 -3.6	17.60 -6.1	17.47 -7.5	17.15 -7.7	17.17 -4.5	17.38 -1.3	17.52 0.3	17.60 2.6	17.80 3.7	18.00 3.6	18.26 -1.0	17.29 -5.3	17.73 2.5
R/100 Japanese YEN (year % ch.)	12.73 -5.1	11.92 -12.3	12.03 -6.7	11.89 -6.2	12.05 -5.3	11.91 -0.1	12.01 -0.2	12.41 4.3	12.98 7.7	13.04 9.5	13.19 9.8	13.34 7.5	12.14 -7.6	12.09 -0.4	13.13 8.6
R/STERLING (year % ch.)	23.95 11.1	23.44 0.4	23.36 -1.0	23.59 1.4	23.76 -0.8	23.49 0.2	23.69 1.4	24.15 2.4	24.53 3.2	24.64 4.9	24.92 5.2	25.21 4.4	23.59 2.8	23.78 0.8	24.82 4.4
R/EURO (year % ch.)	20.50 7.6	19.99 -1.6	19.74 -2.7	19.36 -4.0	19.57 -4.6	19.38 -3.1	19.40 -1.7	19.81 2.3	20.15 3.0	20.24 4.4	20.65 6.4	21.07 6.3	19.90 -0.3	19.54 -1.8	20.53 5.1
R/\$ PP parity rate (base PPI 2003) (year % ch.)	10.58 5.4	10.64 3.7	10.56 2.7	10.69 0.8	10.74 1.5	10.72 0.8	10.69 1.3	10.86 1.6	10.99 2.3	10.94 2.1	10.85 1.5	10.90 0.4	10.62 3.1	10.75 1.3	10.92 1.6

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) (year % ch.)	179.2 -0.2	185.5 4.4	183.7 5.6	182.6 4.3	182.6 1.9	186.1 0.3	183.9 0.1	182.1 -0.3	185.4 1.5	191.2 2.7	189.1 2.8	187.4 2.9	182.8 3.5	183.7 0.5	188.3 2.5
Export commodities (in rand) (year % ch.)	3571.6 -28.2	3650.9 -12.8	3498.4 -1.8	3459.9 -7.9	3324.5 -6.9	3227.5 -11.6	3204.1 -8.4	3229.5 -6.7	3224.4 -3.0	3223.7 -0.1	3237.3 1.0	3252.9 0.7	3545.2 -13.9	3246.4 -8.4	3234.6 -0.4
Imports (incl. services) (year % ch.)	165.9 3.5	168.1 4.2	168.7 3.5	168.4 2.1	169.5 2.2	169.8 1.0	171.4 1.7	174.0 3.3	175.3 3.4	176.6 4.0	178.4 4.1	180.9 4.0	167.8 3.3	171.2 2.0	177.8 3.9
GDE (year % ch.)	151.3 4.8	153.5 4.9	156.1 4.3	157.3 4.7	159.6 5.5	160.5 4.6	163.1 4.5	164.3 4.5	167.2 4.7	168.1 4.7	170.6 4.6	171.8 4.5	154.5 4.7	161.9 4.8	169.4 4.6
Investment (year % ch.)	160.6 8.8	164.3 9.0	166.0 6.0	164.7 4.7	168.1 4.7	170.8 4.0	172.5 4.0	171.4 4.1	176.9 5.3	179.6 5.2	181.2 5.0	179.9 4.9	163.9 7.1	170.7 4.2	179.4 5.1
GDP (year % ch.)	155.5 3.7	157.4 4.7	159.7 5.0	160.5 4.3	162.6 4.6	164.4 4.4	166.1 4.0	165.9 3.4	169.4 4.2	171.5 4.4	173.0 4.2	172.9 4.2	158.3 4.4	164.7 4.1	171.7 4.2
Consumer (index base: Dec 2021) & producer prices (index base: Dec 2020)															
Headline inflation (CPI) (year % ch.)	113.8 5.4	115.3 5.2	116.0 4.3	117.0 3.8	118.7 4.3	120.0 4.1	121.6 4.8	122.5 4.7	124.2 4.7	125.5 4.6	126.8 4.3	127.8 4.3	115.5 4.7	120.7 4.5	126.1 4.5
Core inflation* (year % ch.)	111.0 4.8	112.4 4.6	113.1 4.2	113.9 4.1	115.5 4.0	116.9 4.0	117.8 4.1	118.6 4.1	120.2 4.1	121.7 4.1	122.6 4.1	123.5 4.1	112.6 4.4	117.2 4.1	122.0 4.1
CPI food and non-alcoholic beverages (year % ch.)	122.6 6.1	123.3 4.7	124.3 4.7	126.6 4.1	128.7 4.9	130.5 5.9	130.9 5.3	132.6 4.8	134.3 4.4	136.1 4.3	136.4 4.2	138.0 4.1	124.2 4.9	130.7 5.2	136.2 4.2
CPI petrol (year % ch.)	117.8 5.0	124.1 8.6	114.2 -1.2	113.6 -8.6	115.2 -2.2	113.6 -8.4	113.2 -0.9	113.4 -0.1	116.9 1.4	115.1 1.3	115.6 2.1	116.2 2.4	117.4 0.7	113.9 -3.0	115.9 1.8
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	22.67 6.1	24.16 8.6	22.06 -2.2	21.91 -7.0	22.25 -1.9	21.95 -9.2	21.87 -0.9	21.92 0.0	22.59 1.5	22.25 1.4	22.36 2.2	22.46 2.5	22.70 1.2	22.00 -3.1	22.41 1.9
CPI electricity (year % ch.)	124.8 15.3	124.9 15.3	138.9 11.7	139.0 11.4	139.0 11.3	139.0 11.3	164.1 18.2	164.1 18.1	164.1 18.1	164.1 18.1	180.5 10.0	180.5 10.0	131.9 13.3	151.6 14.9	172.3 13.7
Producer price index (year % ch.)	100.8 4.6	102.2 4.8	101.5 2.7	102.0 1.4	103.6 2.7	104.4 2.2	104.7 3.2	105.5 3.4	107.3 3.6	108.2 3.6	108.6 3.7	109.4 3.7	101.6 3.3	104.5 2.9	108.4 3.7

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