

Medium-term economic outlook and risks

Forecast for South Africa: 2020 - 2025

November 2020

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Forecast in a nutshell

Real annual % change*	2020	2021	2022
Final household consumption expenditure	-7.1	4.7	2.3
Durable goods	-16.5	9.1	5.4
Semi-durable goods	-16.5	13.1	4.0
Non-durable goods	-5.1	3.4	1.5
Services	-4.7	3.3	2.0
Gross fixed capital formation	-18.9	-2.1	3.0
Private	-20.1	-3.5	4.0
Government	-7.7	-3.8	-2.7
Public Corporations	-24.2	7.0	4.7
Gross domestic expenditure	-8.2	3.9	1.8
Exports of goods and services	-12.9	4.3	2.8
Imports of goods and services	-12.3	6.1	2.9
Gross domestic product	-8.3	3.4	1.8
Current account as % of GDP	-0.5	-2.0	-3.2
Interest rates (% , end of period)			
3-month NCD rate	3.56	3.73	4.50
10-year government bond yield	9.81	9.69	9.74
Prime overdraft rate	7.00	7.00	7.61
Inflation rates (%)			
Producer prices	2.6	5.6	5.0
Consumer prices	3.1	3.6	4.6
Labour and employment			
Nominal wage rate	5.1	5.2	4.4
Employment growth	-9.2	-0.7	1.8
Exchange rates (Q4 average)			
R/US dollar	17.58	17.20	17.45
R/Euro	20.40	20.47	20.94
R/Pound sterling	22.51	22.02	22.69
R/100 Japanese Yen	16.59	16.70	16.94
Fiscal indicators as % of GDP	2020/21	2021/22	2022/23
Main budget balance	-14.9	-10.8	-9.3
Gross government debt	81.9	86.0	90.7

*unless specified otherwise

Executive summary

SA GDP suffered a record quarterly contraction of 16.4% (51% annualised) in 2020Q2. The massive decline had a number of dire implications. The lockdown-induced inability of many firms to trade for at least some part of the second quarter resulted in 2.2 million people losing their livelihoods, 543 000 of which were recovered in 2020Q3. In addition, the sudden stop in income-generating activities meant that government tax revenue declined by 18% y-o-y in the first six months of the 2020/21 fiscal year. On a more positive note, the steep Q2 GDP decline masks that a recovery from the strict Level 5 lockdown in April already started in May and June. This helped to set up the third quarter for a strong GDP bounce. Indeed, the high-frequency data through September indicates that the initial growth bounce from the Q2 low was significantly better than expected in our April and July forecast rounds. This can be explained by the quicker-than-assumed move to lower levels of lockdown restrictions, which helped to release pent-up consumer demand. Besides being able to purchase non-essential goods again, demand was most likely supported by additional grant payments to poor households who generally have a high propensity to consume. The aggressive (300 basis points) decline in the lending rate so far in 2020 supported outlays on durable goods.

However, as emphasised before, in the current environment it is advisable to distinguish between rates of growth and the level of activity. While there seems little doubt that growth came back with a vengeance in Q3, underlying activity levels remain below the already subdued pre-COVID situation. In addition, beyond this year, the growth outlook is beset by greater than normal uncertainty. This concerns both the trajectory of the virus in SA and in the rest of the world, as well as the extent of possible permanent damage to the economy's productive capacity, impacting our growth potential. Pre-pandemic domestic constraints to growth have also not gone away. These include the absence of reliable energy supply and weak public finances. SA faces difficult trade-offs with additional expenditure earmarked to support the economic recovery. At the same time, we must ensure debt sustainability.

Some of SA's key export markets, including many Eurozone countries and the UK, have re-imposed measures to curb social interaction amid a resurgence in COVID-19 cases. After likely strong Q3 GDP outcomes, renewed actions to curb the virus spread have already seen downgrades to 2020Q4 and 2021Q1 GDP forecasts in some cases. This serves as a warning to SA of how important it is to remain vigilant and keep COVID-19 health protocols in place, at least for now. Combined with a less-dramatic-than-feared decline in 2020Q2, the positive data signals for Q3 prompted an upward revision to **global real GDP** in the October IMF World Economic Outlook (WEO). The IMF's latest forecast is for global real GDP to contract by 4.4% in 2020. While still a dramatic decline, this is less severe than the 5.2%

contraction projected in June. Global GDP is expected to recover to post real growth of 5.2% (largely unchanged from before) in 2021.

Financial market activity was interesting in 2020Q3. In a sign of increased risk appetite amid unprecedented monetary and fiscal policy stimulus, global stock markets recovered smartly from the Q2 lows. At the same time, a safe-haven asset like gold also performed well. This suggests that, notwithstanding increased risk taking, underlying uncertainty remained elevated. The combination of a fast-recovering Chinese economy, which boosted demand for minerals such as iron ore, and the higher gold price was a boon to SA's **terms of trade**. After scaling another record high in 2020Q2, the terms of

trade likely remained elevated in Q3. This is even with a recovery in the oil price, a major SA import.

The more supportive risk environment saw the **rand exchange rate** strengthen by an average of 5.8% against the US dollar in the third quarter. The local currency has gained further ground so far in 2020Q4, albeit remaining at much weaker levels than at the start of the year. Excluding the brief move towards R19/\$ at the peak of COVID-19 panic in April, the rand has generally performed better than expected during the pandemic. With this in mind, and given the firmer levels in early Q4, the currency forecast was revised stronger in October to a projected average of R17.58/\$ and R17.20/\$ in 2020Q4 and 2021Q4 respectively.

Since then, the rand has made further gains. This implies that our October forecast now looks out of reach – a 2020Q4 average of R16.50/\$ seems more realistic. The most recent leg-up for the currency seems to have been driven by the return of foreign investor buying of SA bonds. With SA macro fundamentals remaining poor, the foreign purchases are most likely part of a global re-assessment of riskier and growth-sensitive assets in the wake of recent positive news on COVID-19 vaccine trials. With the US election also having passed without any major disruption, markets have started to look forward to a time when the coronavirus can be managed. However, the poor domestic fiscal situation remains a major negative for SA assets, including the rand.

The prospects and narrative for **consumer inflation** has not changed much. While the impact of a weaker currency is starting to be felt in a CPI category like vehicles, in general the pass-through from a softer rand into retail prices remains subdued. We expect this to remain the case as services inflation, including medical insurance in 2021, is set to remain well contained. *At a projected average of 3.1%/3.6% in 2020/2021, the headline CPI forecast has remained largely unchanged.*

After aggressive **policy interest rate** reductions so far in 2020, the SA Reserve Bank has seemingly adopted a wait and see approach. At this stage, the policy committee seems comfortable to sit back and gauge the impact of previous policy accommodation. We think this will be the case for some time with the repo rate projected to remain at the current historic low of 3.5% through 2021.

For the time being, the combination of weak GDP and low inflation should leave the door open for a further repo rate cut(s). However, the notable fiscal risks will probably deter the MPC from implementing further interest rate reductions. Beyond next year, we expect the policy rate to gradually move higher, albeit to remain accommodative and well below the pre-COVID level, even on a five-year view.

Regarding the **GDP outlook**, recent high-frequency data is tracking an even more robust bounce than the 11% q-o-q (more than 50% annualised) that the October forecast pencilled in for Q3 GDP. There is some debate on what a strong Q3 recovery implies for 2020Q4, i.e. could we see a retracement as the initial spurt of pent-up demand is satisfied and, for example, formal sector employment remains weak. At this stage, we do expect a material loss in growth momentum in the final three months of the year. However, the further opening up of the economy in October and November could sustain an (incomplete) recovery into 2020Q4. *Against this backdrop, the expected decline in real GDP for 2020 was revised to -8.3%, from -8.7% before.* This will be re-looked at after the release of the Q3 GDP figures on 8 December.

The **real GDP** forecast for 2021 was also lifted. GDP is expected to recover to post real growth of 3.4%, up from 2.6% projected in July. Given previous disappointment on implementation, we have adopted an incremental approach to upgrading the forecast based on announced government policy initiatives. Even so, we now have somewhat more confidence that some of the muted green energy investments

will start to materialise in 2021. This makes us less downbeat on the outlook for **private sector fixed investment**. The medium-term growth outlook has also been lifted marginally. Despite these (modest)

upgrades, the level of real GDP is only expected to return to where it was in 2019Q4 by 2024. A difficult and protracted GDP recovery remains the baseline scenario.

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Introduction¹

Following an unprecedented decline in global and SA GDP in 2020Q2, the incoming reports for Q3 from across the world have, in general, been better than expected. The Q3 GDP print for SA will only be released in early December, but the high frequency data through September suggests that the initial recovery from the lockdown-induced plunge in Q2 will handsomely exceed earlier expectations. The initial batch of local data for October suggests that at least some of the Q3 recovery momentum was sustained at the start of the fourth quarter. The further opening of the economy announced on 11 November should support the recovery in the rest of the year.

Combined, this points to a less severe 2020 GDP contraction than feared earlier in the year. However, the economy remains set for the largest annual decline since the 1930s. In addition, while we are somewhat more upbeat about the medium-term recovery prospects, a difficult and protracted recovery to regain the pre-COVID level of GDP remains on the cards.

The concerning second wave virus developments in continental Europe, the UK and in particular the US (which is arguably experiencing a third wave) highlight that there is no room for complacency on the health situation. This is notwithstanding the encouraging news on notable progress with a coronavirus vaccine. Besides virus developments, uncertainty about the outlook for the economy is driven by a number of risks. The next section outlines some of these risks. The results of a scenario forecast exercise are outlined in **Box 1** towards the end of the report.

Given the numerous uncertainties and risks, the baseline forecast presented here should be seen as one of a number of possible scenarios. The rest of the report explains our latest two-year baseline scenario forecast, with some commentary on the medium-term outlook where deemed appropriate. The **tables** at the end of the report provide detailed forecasts of the key macro variables for both the short and medium term.

In the current uncertain environment, the baseline forecast should be seen as one of many possible scenarios

¹ This report was completed on 26 November 2020.

Selected domestic risks² (in no particular order)

Risk	Narrative	Possible impact on the SA economy
COVID-19 second wave hits SA	<p>In the absence of a vaccine, SA could face a similar situation as in many countries with a second surge of infections. As we move into summer with increased outdoor activities, a second wave may be delayed to autumn-2021 when more activities occur indoors, raising the risk of infection. However, virus fatigue and irresponsible behaviour over the festive season may see a second wave come sooner. Virus caseloads are already picking up in a province like the Eastern Cape, but Health Minister Zweli Mkhize recently argued that this should not yet be seen as a second wave. Indeed, country-wide active cases remain well down from the July peak.</p>	<p>The key risk here is if government were to follow the lead of other countries by reacting to a resurgence through the re-imposition of certain lockdown restrictions. Given the fragile state of the economy and the lack of fiscal firepower to support incomes through another lockdown, we would not expect another hard lockdown. However, any form of restriction on say the hospitality sector would be a major setback to the SA economic recovery which is already expected to be protracted.</p>
Eskom	<p>In the foreseeable future, there is a high risk of unreliable power supply resulting in load shedding. Eskom's energy availability factor (EAF) remains suboptimal at around 68%, implying that about a third of the installed capacity is unavailable to feed power into the grid. This is due to a combination of planned and unplanned outages. Eskom has outlined that at least until late 2021, the implementation of its programme of so-called 'reliability' (planned) maintenance means that the country could run into periodic power outages, or load shedding.</p> <p>In addition, the utility remains in a debt trap where revenue is insufficient to meet the interest payments on Eskom's massive debt that is fast approaching R500bn.</p>	<p>We can ill afford power disruptions once the economy is on a (likely modest) recovery path post COVID-19. Eskom also continues to hold major risk for public finances, although at its recent results presentation the company hinted that because of the weak sovereign balance sheet, it is cognisant to not further burden the state with additional bailout requests. However, in the absence of extra government support, the utility hinted it would need to sharply increase power tariffs to make them more 'cost reflective'. To a degree, higher tariffs are already part of our baseline forecast. The point is Eskom is likely to continue to squeeze both firm and household incomes.</p>

² These are risks that do not already form part of the current baseline scenario forecast, or were not explicitly modelled as a scenario in the current forecast round. Some may only materialise over the medium term, i.e. not necessarily in 2020-22.

Risk	Narrative	Possible impact on the SA economy
Fiscal crisis	<p>SA's public debt outlook continues to deteriorate. In the October budget statement (MTBPS), National Treasury projected that the debt to GDP ratio would rise to 95% of GDP by fiscal year 2025/26. At that point, more than 6% of GDP (about R400bn) would have to be set aside for interest payments. This is of major concern. Relative to the October 2019 MTBPS baseline, these dire projections are despite incorporating main budget non-interest expenditure cuts of almost R290bn in the next two fiscal years, i.e. 2021/22 to 2022/23. Failure to implement these aggressive spending reductions and/or GDP growth/tax revenue disappointing current expectations will result in an even worse debt trajectory.</p> <p>The precarious fiscal situation raises the risk that SA could in future be unable to honour debt repayment obligations as it may become harder to continuously finance this amount of debt in the private capital markets. If this point is reached, the country will be left with basically three choices: A debt repayment default³, an approach to multilateral institutions like the IMF for a conditional bailout, or draconian expenditure cuts/tax increases to bring government consumption in line with revenue. In the event of an IMF-type bailout, the latter option of outright austerity measures will most likely in any event be (externally) forced upon government. Government is likely to first approach institutions like the BRICS bank before going the IMF route.</p>	<p>An even higher cost of funding. This has negative impacts for the real economy as it raises borrowing costs for firms and households. Amongst other factors, this could further delay private sector fixed investment and weigh on consumer spending on durable goods. If/when capital market debt financing dries up, government may become desperate for alternative sources of funding⁴. Less optimal financing options would be to force public (the PIC) and private pension funds to buy a statutory minimum amount of government bonds (i.e. prescribed assets). Linked to this could be a tightening of foreign exchange controls which reduces the amount (currently 30 to 40% depending on the type of fund, plus an additional allowance for Africa) of pension fund investments that may be shifted overseas. The independence of the SA Reserve Bank (SARB) may also be threatened, i.e. legislation could potentially be changed to allow direct SARB financing of government debt. In this scenario, money supply increases sharply and the rand could collapse, resulting in much higher inflation.</p> <p>A debt default will shut SA out of funding markets, implying severe austerity measures as we would need to close the funding gap by bringing government expenditure (through aggressive spending cuts) and revenue (notable tax hikes) back in balance.</p>

³ There are some mitigating factors against an SA debt default. These include a baseline expectation for a relatively contained current account deficit over the medium term, low foreign currency denominated debt (which reduces debt repayment risks stemming from a weaker rand exchange rate), a long debt maturity structure, and an engrained budget process of first subtracting expected interest payments before allocating funds to other expenditure items.

⁴ It is important to note that there will be significant pushback against these options, including possible legal action. While on the one hand this may delay their implementation, on the other hand it is likely to bring the endgame closer to knocking on the IMF's door for a bailout.

Risk	Narrative	Possible impact on the SA economy
<p>An SA Arab spring</p>	<p>Even before COVID-19, which has exacerbated the triple challenge of poverty, inequality and unemployment in SA, well-known political commentator Moeletsi Mbeki warned that the country is close to a breaking point in terms of social unrest. Years of maladministration, corruption and declining per capita GDP have resulted in increasing numbers of people giving up hope for a better tomorrow. It is a dangerous situation when large parts of society believe that they have nothing to lose by embarking on mass social unrest, looting of private property, etc. This is especially the case with populist demagogues like Julius Malema trying to exploit the situation for political gains. With a local government (2021) and national (2024) election in the next five years, increased deprivation could be fertile ground for the populism of the EFF or other radical parties. A sharp further rise in support for the EFF will put SA on a dangerous path.</p> <p>Another version of this risk would be any escalation of racial tensions in the country.</p> <p>The decline of centrist politics is also a global risk. Whether on the left or right, politicians with extreme views could either entrench their current support or get elected to higher office. The fact that Donald Trump failed to win a second term in the US is a positive in this regard.</p>	<p>Widespread and violent social unrest is likely to be a death-knell to President Ramaphosa’s ambition to incentivise the domestic private sector and foreign investors to invest more in SA. It will be yet another blow to business confidence, private sector fixed investment, and the country’s overall GDP growth performance. A violence-induced weaker macro environment will worsen the outlook for those left behind even further. An additional risk will be if the government, fearing a loss of voter support, responds with unaffordable populist measures that result in even greater fiscal imbalances.</p> <p>The adage that financial markets shun uncertainty applies. Extreme policy suggestions will lead to increasingly volatile financial markets. For a small, open economy like SA with liquid financial markets, this will make business planning increasingly difficult.</p>

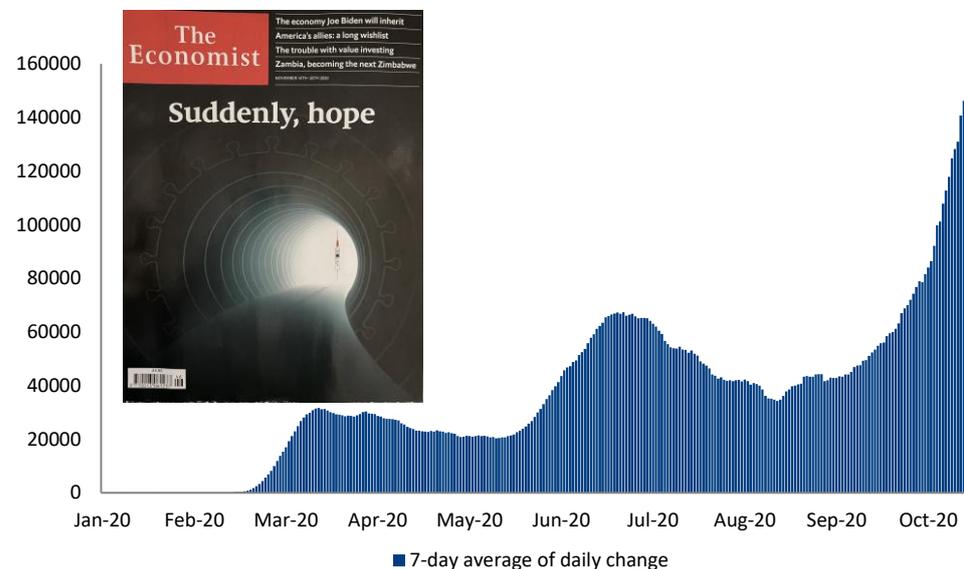
Global outlook

Short-term GDP dynamics clouded by virus resurgence

A stop-start recovery

After the crushing decline in 2020Q2, many countries have reported stronger-than-expected GDP recoveries for the third quarter. In the early stages of Q4, indications were that the Q3 recovery momentum was sustained. Indeed, the JP Morgan Global Composite PMI rose to a more than two-year high of 53.3 in October, up from 52.5 in September. Activity improved in both the manufacturing (32-month high) and services (19-month high) sectors.

Figure 1: US experiencing an aggressive third wave of new COVID-19 infections



Source: Johns Hopkins University

Subsequent short-term developments in many parts of the world will derail the momentum. In the UK, as well as in many continental European countries and potentially also in a growing number of US states, the re-imposition of COVID-19 restrictions amid a resurgence of new coronavirus cases is likely to see a renewed GDP decline in 2020Q4. In sum, the initial part of the global recovery from the Q2 crash has been stop-start. At the same time, looking beyond the current (softer) lockdowns, there have also been some positive developments. Figure 1 highlights the concerning virus evolution in the US, but then juxtaposes this against the recent very good news by pharmaceutical firms Pfizer and Moderna on positive results from recent COVID-19 vaccine trials.

Lockdowns will stall the recovery in Q4, but vaccine news encouraging

While a lot of uncertainty remains on when a vaccine(s) will be publicly available in rich and especially poorer countries, at least some of the timelines seem to have been brought forward. Along with Joe Biden winning the US Presidential

Biden win and vaccine fuel risk-on rally; Q4 global GDP hit should be much less than in Q2

election, the vaccine news fuelled an aggressive rally in growth-sensitive and riskier asset prices in November. In addition, the recently-introduced restrictions in a growing list of countries are mainly focused on the services sector with industry (manufacturing) continuing to operate. This should ensure that, for example, any disruption to global trade is far less than earlier in the year. This also contributes to the expectation that the likely 2020Q4 GDP contractions in the UK and the EZ will not be as severe as the huge declines in the second quarter.

Table 1: Less downbeat for 2020, but unprecedented GDP declines still forecast

y-o-y % change	Forecast				
	2009 (GFC)	2014-19	2020	2021	2022-25
World (PPP*)	-0.1	3.5	-4.4	5.2	3.8
Advanced countries (G7)	-3.7	1.9	-5.8	3.9	2.0
US	-2.5	2.5	-4.3	3.1	2.2
Euro area**	-4.5	1.8	-8.3	5.2	2.1
Germany	-5.7	1.8	-6.0	4.2	1.8
Japan	-5.4	1.0	-5.3	2.3	1.1
Emerging countries	2.8	4.5	-3.3	6.0	4.9
China	9.4	6.7	1.9	8.2	5.7
India	8.5	7.3	-10.3	8.8	7.6
Brazil	-0.1	-0.6	-5.8	2.8	2.2
Russia	-7.8	0.6	-4.1	2.8	2.1
Sub-Saharan Africa	3.8	3.2	-3.0	3.1	4.3
Botswana	-7.7	2.9	-9.6	8.7	4.1
Mozambique	6.4	4.4	-0.5	2.1	8.9
Namibia	0.3	2.1	-5.9	3.4	3.0
Zambia	9.2	3.4	-4.8	0.6	1.2
Zimbabwe	7.4	1.0	-10.4	4.2	2.2
Nigeria	8.4	2.1	-4.3	1.7	2.5
Angola	0.9	0.3	-4.0	3.2	3.4

*Purchasing Power Parity

**19 Eurozone Countries

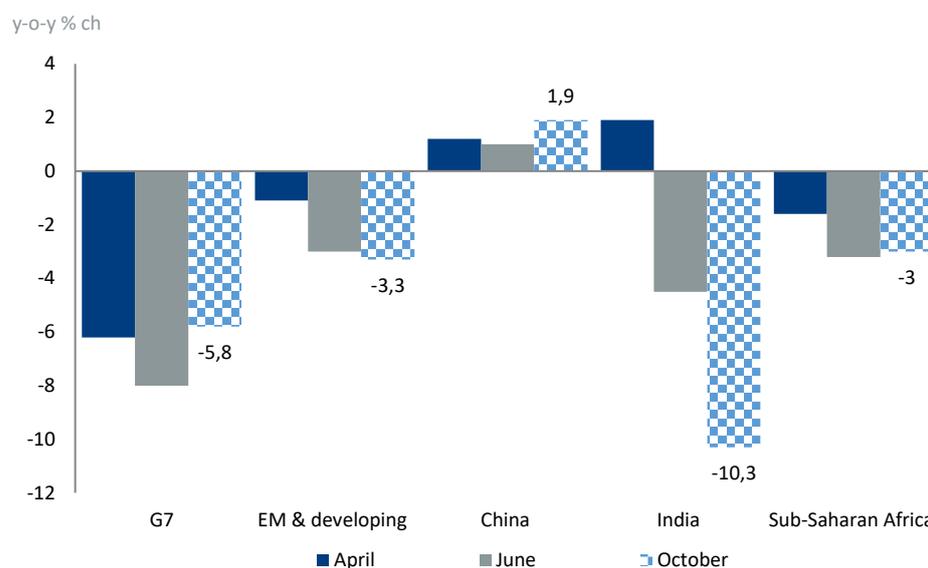
Source: IMF World Economic Outlook (October 2020), BER calculations

Table 1 provides an overview of the IMF's latest (October) outlook for global GDP, while Figure 2 below compares the IMF forecast iterations for key regions/countries since April. Besides being done before the second COVID-19 wave took hold in Europe and other parts of the world, the IMF's latest forecasts were also published about a month before the hotly contested US election. While the 2020 forecast does not incorporate all of the latest news, the medium-term outlook from the IMF remains a useful guide.

Divided US government set to push back against most radical policy suggestions

In the end, Democrat Joe Biden comfortably beat Donald Trump for the race to the White House. However, control of the US Senate will only be decided by runoff votes in the state of Georgia during early January. While it is still possible for the Democrats to control the Senate, the status quo of a divided US government is likely to continue. In all likelihood, this means that a second US **fiscal stimulus package** could be substantially less than the figure of up to \$2 trillion touted by Democrats before the election. At the same time, Democrat 'projects' such as aggressive tax hikes and increased corporate regulation will presumably also be harder to push through. From this perspective, a divided government may not be the worst outcome for financial markets. Indeed, this could prevent the implementation of the most radical policies from either party. However, the stark party divisions raise the risk of policy gridlock in the US.

Figure 2: IMF forecast for India revised down sharply



Source: IMF World Economic Outlook (October 2020)

In general, global GDP outlook less bleak than before

Relative to earlier in the year, the global lender was less downbeat about the extent of the global GDP decline in 2020. This is a function of, in some cases, a less severe than initially expected Q2 decline, as well as more upbeat Q3 trends. Even so, the global GDP contraction is still projected to be significantly deeper than the aftermath of the global financial crisis (GFC) in 2009. There is some divergence between regions and countries. Compared to earlier in the year, the IMF's latest outlook is not uniformly less downbeat/more positive.

With a strict lockdown and limited fiscal power to support livelihoods, the 2020 forecast for **India** was revised down notably. This helps to explain why the prospects for the 2020 GDP decline in the emerging and developing country grouping is now somewhat worse than before. The converse is true for the

major **advanced economies** (G7). Over the medium term, a striking feature is that the projected growth rates in most regions are quite similar to the 2014-19 period. This implies limited catch-up growth after the dramatic declines in 2020. This points to possible lasting damage inflicted on potential growth and the productive capacity of many countries. One of the factors likely to suppress medium-term growth is the legacy of an explosive global debt rise during 2020. As we saw with the European debt crisis post the GFC, periods of debt distress have a major, and in some cases persistent, negative impact on growth.

Sub-Saharan Africa set for faster medium-term growth

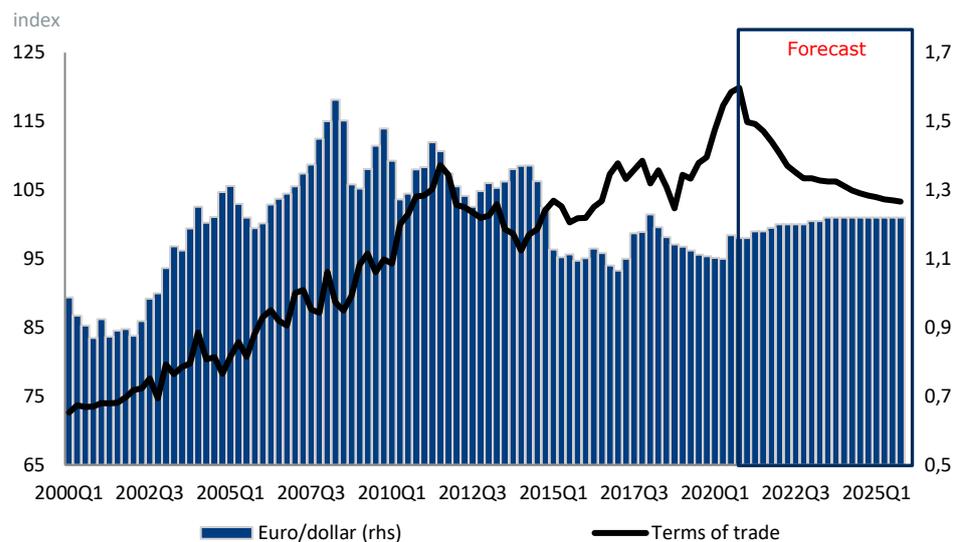
In terms of the IMF's projections, a notable exception over the medium term is **Sub Saharan Africa**. Average real GDP growth is expected to shift up a gear when compared to the period before the 2020 shock. This is driven by heavyweights Nigeria and SA who are set to outperform paltry pre-pandemic growth rates. A country like **Mozambique** is also projected to post much faster growth rates in future as the development of large gas reserves boosts GDP.

Booming SA terms of trade as US dollar weakens

SA export commodity prices on a firm footing

With the exception of coal, SA's export commodity prices have performed well through the COVID-19 crisis. Combined with a much lower oil price, this drove the country's **terms of trade** to a new all-time peak in 2020Q2 (see Figure 3). Based on commodity price trends through mid-November, the terms of trade probably improved further in the second half of 2020.

Figure 3: Terms of trade boost set to fade from 2021



Source: Stats SA, SARB, Reuters

Global
uncertainty and
loose monetary
policy support
gold

On the export price front, a unique set of circumstances have been supportive. For starters, a weaker trend for the US dollar against other major currencies as the year progressed supported the demand for dollar-denominated commodities from Europe, Japan and China. In addition, the **gold price** benefitted from safe-haven demand amid the significant uncertainty brought about by the health pandemic. Aggressive monetary policy easing by global central banks, which amongst other factors pushed down long-term interest rates, was another key support to gold. This reduced the carry cost of the yellow metal. As the global economy recovers from the deep COVID-19 induced downturn, aided by further progress on vaccine development and distribution, the gold price should lose some of its current shine⁵.

Over the medium
term, platinum
may be the
major SA export
mineral to watch

While platinum remains a laggard, the prices of other **platinum group metals** (PGM) such as palladium and rhodium have been sustained at elevated levels. The combination of the hit to SA PGM supply from the hard lockdown in 2020Q2 and rising/continued demand from the petrol-dominated automotive sector in the US and China have been supportive. Over the medium term, the development of the hydrogen economy could potentially provide a solid boost to the global demand for platinum. On the other hand, substitution effects may see rhodium and palladium move in the opposite direction towards lower price levels.

Coal and iron ore
prices set to
move lower over
time

The negative global sentiment towards fossil fuels should put a cap on the **coal** price over the medium term. However, the foreseeable future should still see reasonable coal demand from countries like India and Pakistan. At the same time, a reluctance from financial institutions to fund new greenfield coal projects may limit the expansion of global coal production. Therefore, we may first see the SA coal price move higher from current levels before a more structural decline is likely. **Iron ore** continues to surprise on the upside as supply constraints in major producers like Brazil and fast-recovering demand in China provide a solid price underpin. However, an expected supply recovery should see iron ore move to a more sustainable, lower price from 2021 onwards.

Oil demand likely
to take some
time before
returning to
previous levels

The **oil** price has had a particularly volatile year as a demand crash and oil supply war in 2020Q2 was to some extent countered later by a (belated) aggressive output cut response from the OPEC+ grouping, as well as the US shale industry. The price volatility has continued through November as fears about weak demand and the positive recent vaccine news led to wild price swings. While we do expect the Brent crude oil price to move higher on both a two and five-year view, our price outlook is below the latest consensus

⁵ The tables at the back of the report provide detailed medium-term forecast statistics.

forecasts. This tries to incorporate a view that the demand for oil will take time to recover back to pre-COVID levels. As one example, global air travel is unlikely to reach previous levels before the global distribution of a COVID-19 vaccine kicks into gear. Broadly speaking, at this stage, Brent crude is expected to trade in a range of \$45 to \$60/barrel through 2025.

After weakening to roughly \$1.17/\$ in 2020Q3, the **US dollar** lost further ground in November. The greenback has been weaker than our expectation as indications from the US central bank that the policy rate will remain at current lows for years to come, Joe Biden's victory in the US election and positive vaccine news boosted the demand for growth-sensitive and riskier assets. In the absence of a major relapse in the global economic recovery, the dollar is projected to remain on a mild weakening trend in the next number of years (Figure 3). With interest rates in other major economies also set to be stuck at rock-bottom levels for a long time, we are not as bearish as some of the large global banks on the dollar's outlook.

One factor to consider here is that whereas the US labour market is adjusting to the COVID-19 realities, extensive furlough schemes in Europe have shielded European workers from the job market fallout. Therefore, there may be a delayed employment hit in Europe once these schemes lapse. This may well set back the European recovery at a time when the US starts its healing process.

US dollar set for further losses, but within limits

Domestic outlook

As is often the case in a country with complex problems like SA, there may at times be a confluence of narratives on the economy. The challenge is to try and work out which one is likely to dominate/be sustained. At this stage, one of the difficulties is to distinguish between quite robust short-term data on the initial phase of the economic recovery and what, if anything, this implies for the medium-term outlook. The high-frequency data already available for 2020Q3 leaves little doubt that the initial GDP rebound from the dramatic decline in the second quarter will be better than expected in our April and July forecast rounds. After the 16.4% q-o-q GDP decline in 2020Q2, the October forecast assumed a roughly 11% quarterly (51% annualised) rebound during Q3. This is similar to the SARB's forecast presented at the November MPC meeting. Data releases since our October forecast suggest that the Q3 rebound could be even more significant, i.e. potentially 60%+.

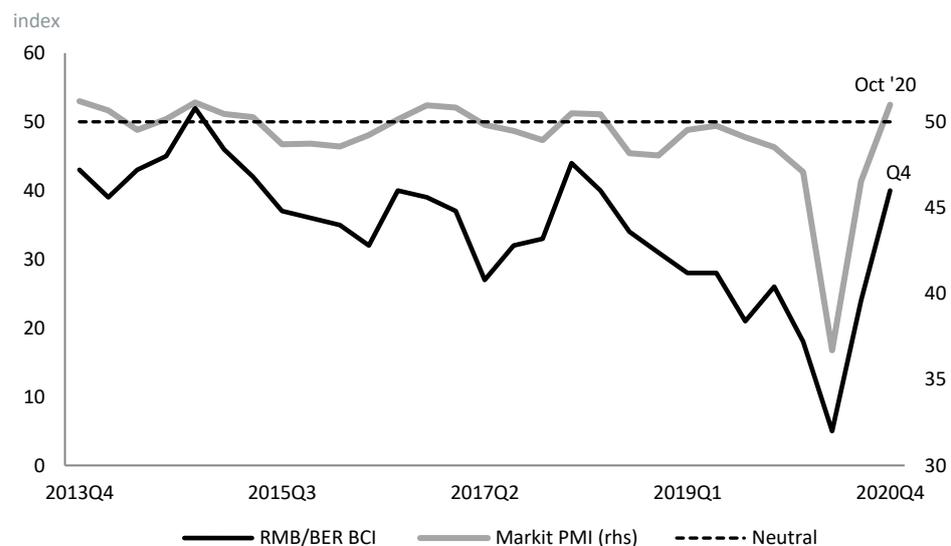
Initial GDP bounce from Q2 crash set to be much more robust than earlier expectations

Encouragingly, the data already available for 2020Q4 suggests that there was some carryover of the Q3 momentum into the final quarter of the year. The evidence for this includes:

Some indication
pent-up demand
was sustained in
early 2020Q4

- A 4% m-o-m rise in **new vehicle sales** during October. Although sales were still down by a stark roughly 25% y-o-y, the sustained monthly momentum at the start of Q4 is welcome.
- A recovery in both the **Absa manufacturing PMI** and the Markit SA PMI, which besides manufacturing also surveys other sectors of the economy, in October. The Markit PMI rose above the neutral-50 mark for the first time since the onset of the COVID-19 crisis.
- A further rise in the October reading of the BankservAfrica index to the highest level since February 2020. This index measures the value of **economic transactions**.
- Strong **tractor** and **combine harvester sales** in October. This may be one of the first indicators of potentially another good agricultural season in the summer rainfall areas of the country.
- A statement by PPC in an operational update that **cement sales** were up to 20% higher in October compared to the corresponding month in 2019. The company reported that it continues to experience pent-up demand.
- Plans by ArcelorMittal SA to restart one of its furnaces shut earlier in the year during December amid stronger-than-expected domestic **steel demand**.

Figure 4: Survey data suggests recovery momentum into 2020Q4



Source: BER, Markit

Better-than-expected demand conditions were likely an important contributor to the surprisingly strong rise (to 40) in the **RMB/BER business confidence index** (BCI) during 2020Q4. While the index level still implies that a majority (60%) of the respondents remained unsatisfied with prevailing business conditions in the economy, this is a welcome improvement from 95% of respondents who were unsatisfied in 2020Q2 (76% were unsatisfied in 2020Q3).

End of temporary income support schemes raise sustainability questions

Some of the factors that are supporting consumer demand include 300bps worth of interest rate cuts in 2020, the income support from additional social grant/UIF payments and perhaps also extended (online) sales promotions linked to Black Friday throughout November. It is not clear for how long this can continue. The expected end of the UIF/Temporary Employee Relief Scheme (Ters) in 2020Q4 and the R350 per month special social relief of distress grant in January 2021 are some of the factors that could see a stall in the momentum of the consumer demand recovery.

To sustain the recovery, fixed investment will need to take over the mantle from the consumer

The phasing out of the income support schemes will lay bare the true extent of the hit to income as a result of lockdown-induced business closures and a large number of retrenchments. A second domestic wave of COVID-19 would be another key dampener on consumer demand, with outlays on services in particular likely to suffer anew. A successful roll-out of government's temporary **public employment** drive could help to mitigate against these impacts. Once the income supports start to fade, it will be important for government's mooted infrastructure drive to kick into gear. If this transpires, it could help to also encourage improved private sector fixed investment. Another factor that could help to offset an easing in domestic demand would be the return of foreign travellers after the borders were opened to tourists from all countries in early November.

Rand resilient amid global risk-on sentiment

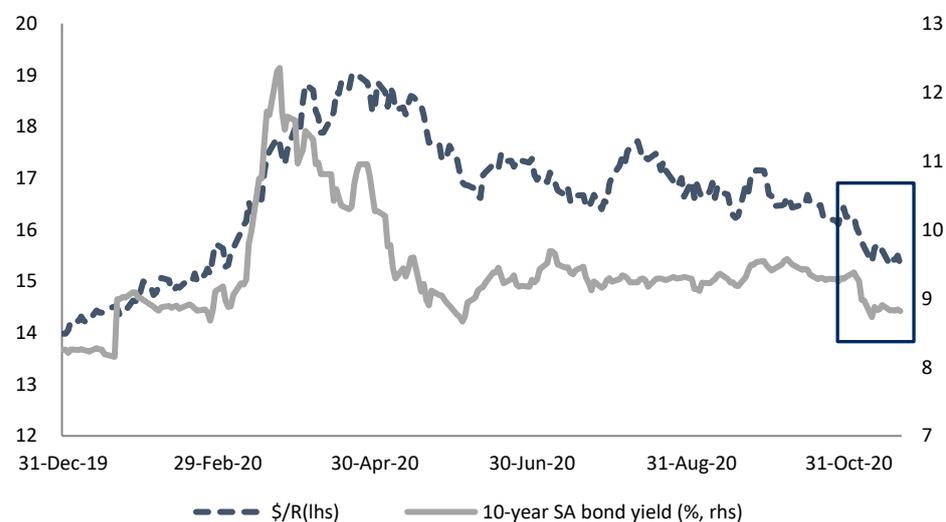
The rand exchange rate averaged R15.63/\$ in the first three weeks of November. While this is still about 10% weaker than where the currency ended 2019, it is much stronger than the average of about R16.40/\$ recorded in October 2020. The notable move stronger over the past month is against our expectations. Indeed, it follows the budget statement (MTBPS, see our comment [here](#)) towards the end of October that signalled an even more precarious outlook for public finances. At least initially, even the decisions by rating agencies Moody's and Fitch to further downgrade SA's credit rating (for an overview of the ratings decisions, see our **Weekly Review** of 23 November) only slightly dented the sentiment towards the rand.

Rand defies weak domestic macro fundamentals

Foreign investors
back to buying
SA bonds in
November

To be clear, while not in a steady line, the rand has trended stronger since reaching a record low of about R19/\$ at the height of the COVID-19-induced financial market panic at the end of April. The most recent leg-up for the currency seems to have been driven by the return of foreign investor buying of SA bonds. After selling more than R80bn worth of domestic bonds in the year to end October, foreigners were net buyers of close to R18bn worth of local bonds in the month through 20 November. As seen in Figure 5, not only has this supported the currency, but foreign purchases also drove the yield on the 10-year government bond lower. With SA macro fundamentals remaining poor, the foreign purchases are most likely part of a global re-assessment of riskier and growth-sensitive assets in the wake of recent positive news on COVID-19 vaccine trials. The very mild adverse reaction by foreigners to the ratings downgrades support this view as polls before the decisions showed that many analysts did not expect the extent of the downgrades, and certainly not the negative outlooks on the lowered ratings. With the US election also having passed without any major disruption, markets have started to look forward to a time when the coronavirus does not need to be controlled through restrictions on mobility and as a consequence economic activity, but instead through a vaccine(s).

Figure 5: Rand and SA 10-year bonds on a firmer footing, for now



Source: Reuters

More vaccine
traction should
support investor
risk appetite

Of interest is that the improved global sentiment has not, as yet, resulted in foreign money returning to the JSE. At this stage, it is just going into the bond market. This may indicate that in an environment of improved risk sentiment, investors are chasing assets that will most likely ensure an above-inflation return, i.e. exceeding the paltry returns in large parts of the world where

interest rates are rock bottom. Looking forward to 2021 and beyond, further positive developments on the virus front, the conclusion of some sort of post-Brexit trade deal between the UK and Europe, as well as a US President that is much more of a globalist than Donald Trump should help to ensure that investor animal spirits remain ignited. However, the outlook remains highly uncertain, with a number of downside risks.

If at the same time SA can show progress on implementing domestic growth-enhancing structural reforms and also hold the line on fiscal consolidation, the rand has the potential to hold onto recent gains. However, for now this would be our positive scenario. At this stage, the baseline forecast is for the rand to move weaker again on both a 12-month and a five-year view. This reflects concern about the political will to bite the bullet and hold the line on the difficult decisions required to change the narrative on SA. The most recent example of another round of government interference in the necessary, albeit painful, restructuring at the SABC is a case in point. What it shows is an unwillingness to do what is required to ensure the sustainability of state owned enterprises (SOEs).

The baseline scenario forecast is for the rand to average notably weaker at R17.20/\$ in 2021Q4. From there, the currency is projected to fluctuate in a range of R17.50 – R18/\$ over the medium term. The risks are balanced as we would acknowledge that improved global sentiment, driven by further positive developments on COVID-19 vaccines, can continue to override domestic concerns through 2021. At the same time, the domestic fiscal situation could turn out materially worse than expected.

Rand expected to revert to a weakening trend

Inflation outlook supports low policy interest rate

Headline consumer inflation increased by an average of only 3.3% in the first ten months of 2020, down from an already subdued 4.1% recorded in 2019. A sharply lower petrol price and the continued moderation in rental costs contributed to targeted (headline) inflation gyrating around the lower bound of the SARB's 3 to 6% inflation target band.

Headline CPI averaged just more than 3% so far in '20

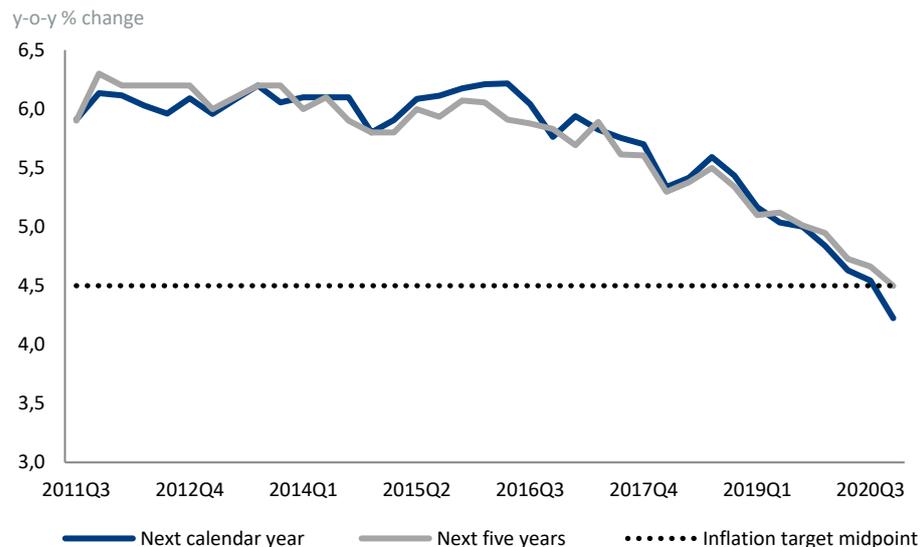
In the last number of years, the SARB MPC has shifted their focus to the midpoint (4.5%) of the target, communicating that this is where they would like actual inflation and inflation expectations to be anchored over time. Figure 6 indicates that expectations have indeed shifted down materially. Perhaps of most significance is that the BER's quarterly inflation expectations survey⁶ for

⁶ The survey is done amongst financial analysts, firms (business people) and trade union officials.

Five-year ahead
inflation
expectations at
the targeted
level

2020Q3 showed that the average five-year ahead expectation declined to 4.5% for the first time since the five-year question was introduced in 2011. In 2016Q2, the five-year ahead expectation was still running above 6%. This is a fairly remarkable decline in expectations that, in the past, were sticky at the upper end (6%) of the inflation band. The challenge is to solidify these expectations at the lower level.

Figure 6: A success story of managing inflation expectations lower



Source: BER

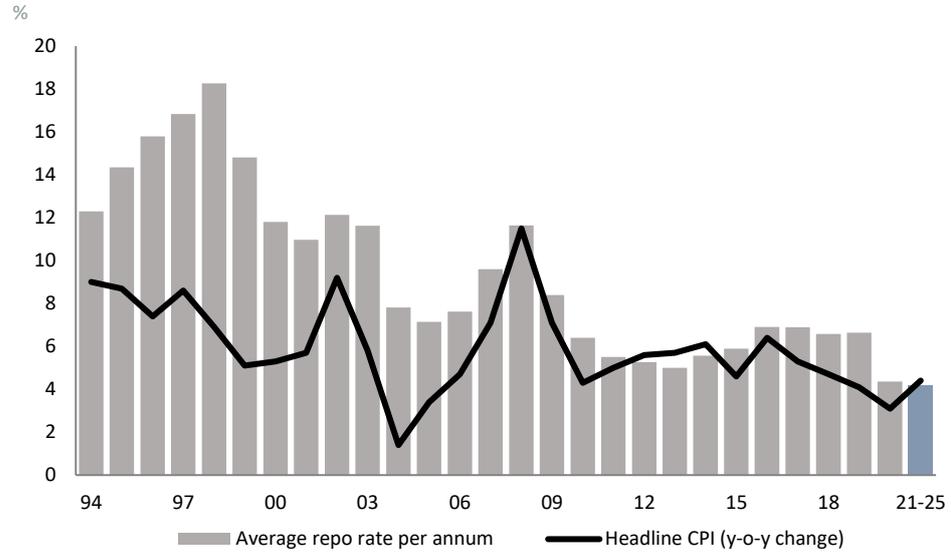
Medium-term
CPI inflation set
to be contained
around 4.5%

For now, we are fairly comfortable that this is achievable. Indeed, after a projected acceleration in headline CPI to an average of 3.6% in 2021, the period 2022 to 2025 is expected to see headline CPI averaging around the 4.5% mark. While there is likely to be some deviation from this path from time to time, assuming that the key inflation-targeting focus of the SARB remains unchanged, this is likely to be temporary.

Repo rate set to
remain
accommodative
through 2025

With this in mind, and with the real GDP growth outlook remaining subdued, we expect the SARB to keep an accommodative monetary policy stance in place through 2025. Indeed, Figure 7 indicates that even with 100bps worth of policy interest rate rises built into the forecast, this would still imply that the repo rate averages lower between 2021-25 than for any calendar year since 1994. In the short term, we remain of the view that despite a benign inflation and soft real GDP growth outlook, the most likely outcome is for the repo rate to be kept on hold for say the next 12 months. Only from 2021 onwards do we expect the start of a moderate rate-hiking cycle. While we acknowledge that the policy rate could be cut further in 2021, elevated fiscal risks should continue to set a high hurdle for additional interest rate relief.

Figure 7: Accommodative policy rate forecast for the next five years



Source: Stats SA, SARB, BER forecast

Consumer recovery at risk of running out of steam

Real consumer spending plunged by 15.8% q-o-q (-15.4% y-o-y) in 2020Q2 as a devastating 2.2 million people lost their jobs as a result of the hard lockdown. Countless others had to endure salary cuts or other forms of income curtailment, including reduced bonuses, lower dividend payments, etc. In the end, the level of real consumer outlays declined by a significant R311bn in annualised terms (almost 10% of 2019 real GDP). This matched a similar unprecedented decline in real disposable income during Q2. While dramatic, the Q2 consumer spending decline was not as bad as our July forecast assumed as especially outlays on medical services and transport was less negative than anticipated.

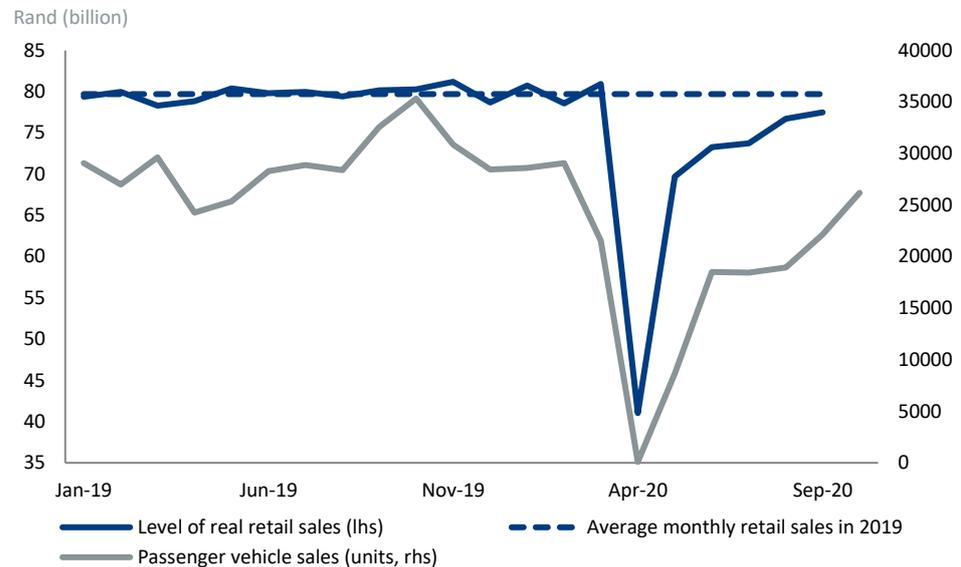
The Quarterly Labour Force Survey for Q3 showed that total employment increased by 543,000 from the Q2 low. This still implied that about 1.7 million fewer people had a job in 2020Q3 than during the same quarter in 2019. It is likely to take years before all the jobs lost in 2020Q2 are recovered. The opening of the economy to tourists from all countries in the second half of November will hopefully support a jobs recovery in the hard-hit tourism sector.

Despite the dramatic employment decline and the hit to household income, real retail sales recovered quite smartly from the April crash through 2020Q3. By September, total sales (in real terms) had recovered to 97% of the average monthly sales volume recorded in 2019. In the case of passenger vehicle sales,

Consumer spending plunged in Q2

October saw a move back to about 90% of the average monthly sales performance in 2019.

Figure 8: Retail and passenger car sales on the recovery path



Source: Stats SA, Naamsa

Given the persistence of the employment shock, this is not a bad initial consumer recovery. The fourth quarter RMB/BER business confidence numbers suggest that the retail and vehicle sales recovery was most likely sustained in 2020Q4. On one level, this implies that the narrative of pent-up demand driving an initial spending recovery probably continued into the fourth quarter. The staggered way in which the economy was opened after the hard lockdown, including finally allowing liquor sales again, most likely helps to explain the spending recovery into Q4. In addition, sustained demand may also be a function of the lagged impact of the aggressive 300bps worth of policy interest rate cuts in 2020, as well as other income support measures such as additional social grant payments and the UIF/Ters scheme.

The less-than-expected decline in 2020Q2 (this could still be revised lower) and the promising initial data on the recovery mean that we are now considerably less downbeat about the scale of the consumer spending decline in 2020. *A real spending decline of about 7% is pencilled in for 2020.* This compares to a projected 10% contraction forecast in July.

There is, however, a question of sustainability. This is especially the case as the major temporary income support schemes (Ters and social grant extensions) are set to come to an end in either 2020Q4 or early 2021. Amid an expected protracted formal sector employment recovery, this could result in a renewed income squeeze in early 2021 and beyond. This will be compounded if SA

Consumer demand recovery seems to have some legs into Q4

Renewed income squeeze on the cards for '21Q1

experiences a second wave of coronavirus infections. In a nutshell, the ability to consume is set to remain a challenge in the foreseeable future. On the other hand, further positive developments on the vaccine front, especially if there are indications that SA will have proper access, could provide a welcome boost to consumer confidence, i.e. the willingness to spend.

With a less dramatic decline in real consumer outlays forecast for 2020, the 2021 bounce back is now also projected to be less at just shy of 5%. Over the medium term (2022-25), real consumer outlays are forecast to increase by an average of 1.8%. This is slightly higher than the average consumer spending growth rate in the five years preceding COVID-19.

Wait and see on infrastructure investment

As expected, real fixed investment had a horrid second quarter, declining by 20.4% q-o-q (-25.6% y-o-y). Fixed capital outlays by the private sector and SOEs were especially hard hit. To be sure, the latter declined by significantly more than expected. In contrast, general government capex was flat on a quarterly basis, a much better-than-anticipated outcome. However, compared to 2019, government fixed investment outlays remained deep in negative territory.

Fixed investment declined drastically in 2020Q2

In terms of the short-term outlook for **private capex**, the second half of 2020 is likely to remain very poor with continued large y-o-y declines pencilled in. This is as many companies across the major sectors are likely to remain in cost-saving and survival mode. At least in terms of the manufacturing sector, BER survey indicators support this narrative with fixed investment intentions remaining poor in 2020Q3-Q4. In the short run, the agricultural and telecommunication sectors may be the outliers (to the upside). As mentioned earlier, agricultural machinery sales for October kicked 2020Q4 off on a solid footing amid elevated commodity prices and a good weather outlook for the summer rainfall areas of the country. The continued roll-out of fibre-based infrastructure to accommodate increased work, learning and entertainment from home should also provide some support to the private capex numbers. Still, we expect a large - albeit less than projected before - real private capex decline of 20% in 2020.

Private capex set to remain very weak in 2020H2

Green energy investments a key factor in private capex forecast

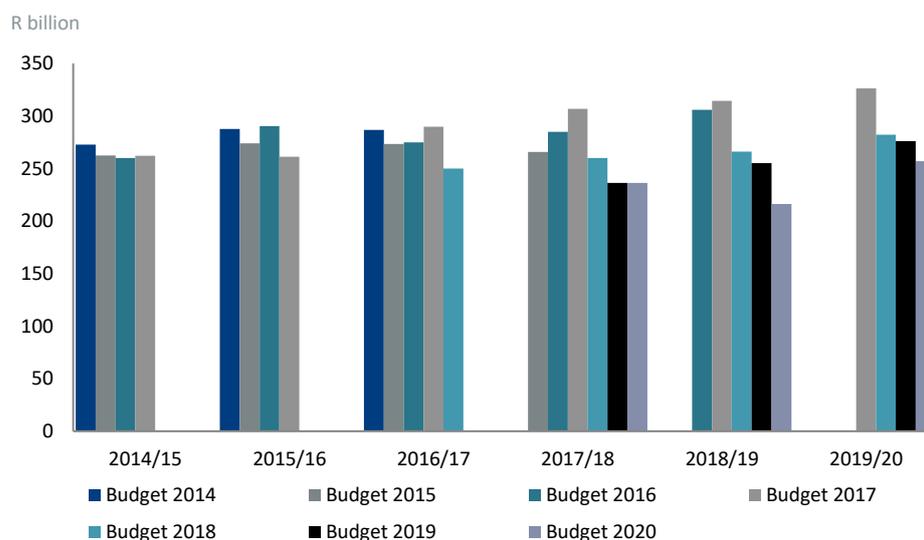
An important change to the forecast is an upgrade to the 2021, and in particular the medium-term, outlook for private capex. To a large extent, this reflects improved news flow on the procurement of 2000MW worth of emergency power supply from independent producers, as well as greater movement on the launch of Bid Window 5 of the Independent Power Producer Programme (IPPP). Although we are cognisant that further delays are possible, the start of

Lifting of energy constraint to boost medium-term private capex

construction of at least some of these projects will add to the private capex numbers from 2021 already. However, non-energy private fixed investment outlays are expected to remain under water in 2021 as subdued demand legacies of COVID-19 and the lack of reliable power supply should result in a cautious approach to capacity expansion.

Assuming Eskom progresses with its maintenance programme and the green energy investments kick off, we now see greater scope for a lifting of the energy constraint from roughly late 2022. This largely explains the upward revision (to a projected 6.6%, from 4.2%) to real private capex growth during 2022-25. So at this stage, the improved outlook is a function of an assumed lifting of a current binding constraint on capex and not so much because of a broad-based participation in President Cyril Ramaphosa’s much talked about investment drive.

Figure 9: A history of under-delivery on public capex



Source: Budget Review (various editions)

Improved public capex requires a better composition of spending

The **public sector** (SOEs and general government) has a big role to play in infrastructure investment. Amid the dramatic revenue squeeze brought about by COVID-19, this will require an improved composition of spending at especially local government level, but also SOEs. The October MTBPS outlined exactly this, with the public sector wage bill projected to increase by an average of only 0.8% in nominal terms over the 2020/21 to 2023/24 period. In stark contrast, payments for capital assets were expected to increase by about 8% over the same period.

The prominence given to investment was emphasised by the creation of an infrastructure office in the Presidency, the launch of the R100bn infrastructure

Planned
infrastructure
outlays have not
materialised in
recent years

fund, as well as the hosting of an annual investment conference since 2018. Despite this, questions remain about whether all of the plans will ultimately culminate in faster growth of public capex. Figure 9 reminds of the large underperformance of public capex relative to initial budgets over the last number of years. Fiscal year 2018/19 serves as a particularly stark example. The first estimate for public capex in 2018/19 was provided in the February 2016 budget. At that point, it was estimated that an amount of R306bn (in nominal terms) would be spent on public capex during that year. However, by the time of the budget in February 2020, this amount had been downscaled by a notable R90bn to R216bn. With this perspective in mind, we think it will take time for bankable infrastructure projects to be identified, finance to be secured and then ultimately to get construction going.

Slowly but surely
lifting the
medium-term
outlook for public
capex

Therefore, while cognisant of the potential to be pleasantly surprised, we have taken an incremental approach to raising the forecast for public capex. Even so, relative to the experience in recent years, the outlook is for an improved medium-term performance. *Following a projected almost 16% decline during 2020, real public capex is forecast to increase by a modest 1.7% between 2021-2025.* While not shooting the lights out, this would already be a solid improvement on the dire situation between 2014 and 2019 when public capex declined by an annual average of 2.7%. Relative to the previous forecast, the big change is that we are not nearly as negative on the 2021 outlook for public capex as before.

Box 1: Three scenarios for SA⁷

Besides the baseline scenario outlined throughout the report, we also came up with a more positive and a negative scenario over the medium-term forecast period (through 2025). Table 2 provides the relevant forecast numbers.

Based on improved implementation of announced government policy initiatives and the crowding in of private sector fixed investment, the **positive scenario** sees improved real GDP growth. It assumes a less state-driven-growth focus and more policy certainty, resulting in a sustained improvement in business confidence. It specifically assumes faster implementation of structural reforms in general, and the Economic Reconstruction and Recovery Plan (ERRP) via Operation Vulindlela in particular. This builds on some positive developments currently underway. These include movement on the planned auctioning of radio spectrum, the launch of Bid Window 5 of the IPPP and the start of closer cooperation with the private sector to identify, manage and finance investment projects facilitated by the Presidential Infrastructure Office.

The more positive outcomes include some recovery in **public infrastructure** investment. Apart from activity relating to the latest IPPP Bid Window, non-energy private sector fixed investment also gains momentum. This crowding in of private sector fixed investment is underscored by reforms that lower the cost of doing business. The improved momentum of the economic recovery also leads to less permanent scarring from the pandemic. Together with faster fixed investment growth and productivity improvements, this results in higher potential economic growth than in the baseline.

Another important part of the reform agenda under this scenario is that **fiscal consolidation** through the freezing of public sector wages is successfully implemented. This notably lowers the fiscal deficit and debt ratios compared to the baseline (which incorporates some slippage on this front).

Global conditions are assumed to be in line with the baseline scenario. However, the SA-specific risk premium is lower in this scenario. Along with a reduced borrowing requirement, this leads to lower long-term government bond yields as well as a stronger rand exchange rate. Inflation remains well contained under these conditions. This provides the opportunity for a further repo rate cut early in 2021 and a slower normalisation of the policy interest rate compared to the baseline. The repo rate is 50bps lower than in the baseline from mid-2022.

A prolonged **fiscal crisis** is the main focus of the **negative scenario**. The triggers for more pronounced negative effects are slippage on the proposed spending cutbacks outlined in the MTBPS, as well as weaker nominal GDP growth outcomes which undermine the recovery in government revenue. Slippage on the spending consolidation is mostly the result of government losing the court battle on the 2020/21 wage freeze and settling on a new three-year wage agreement for CPI inflation-linked increases instead of the effective freeze assumed in the MTBPS.

Given the size of the public sector wage bill and sizeable cuts to spending on goods and services in recent years, cutbacks on government fixed investment and further cuts to goods and services spending is not enough to offset the higher public sector wage bill than assumed in the base. The result is higher budget deficits and an even more precarious government debt trajectory than in the baseline.

Weaker economic outcomes are linked to the unsustainable fiscal situation, but are worsened in the near term by a resurgence of **COVID-19 infections** in 2021Q2. This second wave in SA could lead to renewed/tighter restrictions on mobility and economic activity. A delayed tourism-sector recovery would be part of this scenario. Local

⁷ Christelle Grobler and Thanda Sithole ran the scenarios.

consumers may also be weary of infection and self-isolate, which will dampen the recovery in 2021. This has detrimental impacts on growth, albeit not close to the magnitude registered in 2020Q2 given less stringent restrictions.

Another element of the negative scenario is that the implementation of the ERRP/reforms in general disappoints. More broadly, policy leans to the side of state-led growth, which hampers private sector participation. This provides another negative feedback loop to the real economy, especially via lower private sector fixed investment and employment, which in turn further worsens fiscal outcomes. **Tax increases** (personal income tax in particular, impacting negatively on the disposable income of consumers) are implemented in an effort to curb the rise in debt somewhat. Further **credit ratings downgrades** are inevitable in this scenario.

As with the positive scenario, global conditions are assumed to be in line with the baseline scenario. But, the SA specific risk premium is higher under the negative scenario. Debt-service costs increase as a result and the rand exchange rate trades at weaker levels. While general pass through from the weaker rand to inflation remains weak, there are some direct effects on inflation via a higher petrol price, more elevated food prices, etc. Monetary policy reacts to the higher inflation, with 100bps more interest rate normalisation than in the baseline.

Table 2: Summary statistics of the three scenarios

Average y-o-y % change (unless otherwise stated)	2014-19	Forecast 2020-25		
Main economic indicators	Actual	Baseline scenario	Negative scenario	Positive scenario
Rand/US dollar (level)	13.22	17.51	18.86	15.76
CPI inflation	5.2	4.2	4.5	3.6
Real prime interest rate (%)	4.74	3.55	3.92	3.72
10-year government bond yield (%)	8.66	9.57	10.18	8.92
Total employment	1.6	-0.4	-0.9	0.3
Unemployment rate (%)	26.7	35.0	36.1	32.9
Real disposable income	1.7	0.6	-0.6	1.0
Real household expenditure	1.4	0.9	-0.3	1.4
Real private investment	1.0	0.2	-3.0	3.5
Real gross domestic expenditure	0.9	0.5	-0.7	1.6
Total real exports	1.1	1.0	0.7	1.8
Total real imports	0.8	1.0	-0.8	2.4
Real gross domestic product	1.0	0.5	-0.3	1.4
Current account (% of GDP)	-3.6	-3.0	-1.8	-3.3
Gross government debt (% of GDP)	51.7	87.0	95.0	85.4

Source: BER forecast

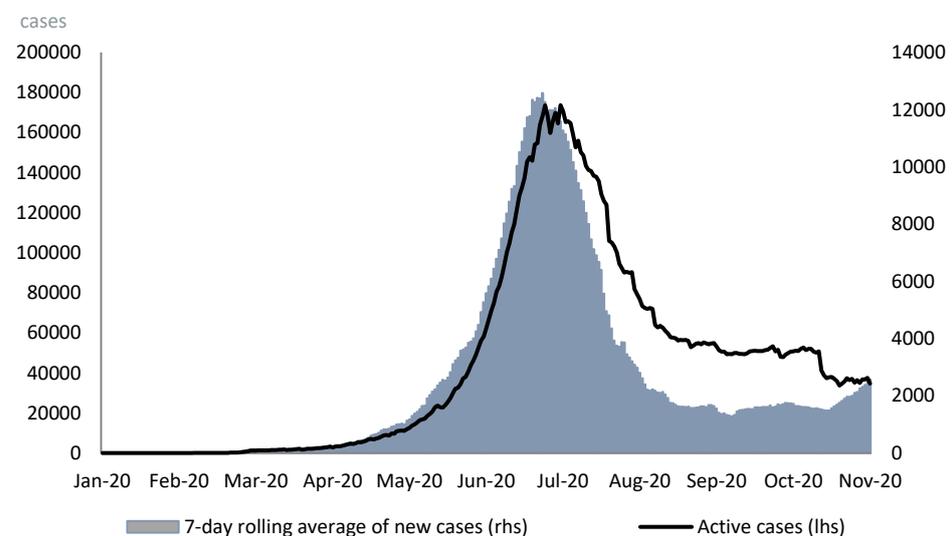
Conclusion: Implementation time

Government's response to COVID-19 has moved from the initial crisis management to focusing on the economic recovery. We think this is appropriate, but now we need to see fast-tracked implementation. This includes cabinet seeing through difficult decisions that may have short-term costs. A clear message from the recent commentary and downgrades by the major credit rating agencies is that they no longer give SA the benefit of the doubt on pledges regarding structural reforms and fiscal consolidation. It is only through building a track record of delivering on promises that we are likely to see a change in the SA narrative.

Virus vigilance required as we focus on the economic recovery

Our updated baseline scenario forecast takes the first (modest) step to incorporate some elements of the reform agenda into the numbers. While this provides some lift to the outlook, on average, the medium-term (2023-25) real GDP growth forecast remains subdued at 1.9%. While focusing on the recovery, we also need to stay vigilant about the spread of the coronavirus. It may be some time before a vaccine is available for local distribution. With data up to 24 November, Figure 10 illustrates that although SA's active COVID-19 cases remain under control⁸, the daily increase in new cases has started to accelerate again. Cross-country movement associated with the upcoming holiday season risks a further acceleration. Keeping to the health protocols will not only save lives, but also livelihoods if it ensures government is not driven to re-impose some of the lockdown restrictions that have, for the most part, been lifted.

Figure 10: Daily new COVID-19 cases in SA picking up again



Source: Department of Health, BER calculations

⁸ The active cases are likely higher as there seems to be some issues with the Gauteng data.

Appendix A

Statistics of the quarterly forecast, 2020 - 2022

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Table A 1: International economic indicators

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Real GDP growth rates															
US % growth	0.3	-9.1	-2.9	-3.3	-1.5	9.0	2.0	2.3	2.5	2.5	2.5	2.5	-3.8	2.8	2.5
UK % growth	-2.1	-21.2	-7.9	-5.6	-2.7	22.2	4.8	3.0	2.0	2.0	2.0	2.0	-9.2	6.1	2.0
Germany % growth	-2.2	-11.2	-2.8	-1.9	0.9	12.5	3.3	3.0	2.0	2.0	2.0	2.0	-4.5	4.8	2.0
Japan % growth	-1.9	-10.1	-7.6	-4.8	-3.2	6.1	4.6	4.6	1.5	1.5	1.5	1.5	-6.1	2.9	1.5
Eurozone % growth	-3.3	-14.7	-7.5	-6.9	-2.7	11.8	3.7	3.8	1.5	1.5	1.5	1.5	-8.1	3.9	1.5
G7 % growth	-1.3	-11.9	-4.4	-3.7	-1.1	11.3	2.9	2.8	2.2	2.2	2.2	2.2	-5.3	3.8	2.2
CPI inflation rates															
US % CPI	2.1	0.4	1.2	1.1	1.4	2.8	1.9	1.8	1.8	1.8	1.8	1.8	1.2	1.9	1.8
UK % CPI	1.7	0.8	0.7	0.3	0.8	1.3	1.6	2.5	1.8	1.8	1.8	1.8	0.9	1.6	1.8
Germany % CPI	1.6	-0.2	-0.6	-0.9	-0.7	0.8	1.5	2.0	1.3	1.3	1.3	1.3	0.0	0.9	1.3
Japan % CPI	0.5	0.1	-0.1	-0.8	-0.6	-0.1	0.2	1.0	0.5	0.5	0.5	0.5	-0.1	0.1	0.5
G7 % CPI	1.7	0.4	0.3	0.3	0.6	1.3	1.5	1.7	1.9	1.9	1.9	1.9	0.7	1.3	1.9
China % CPI	5.0	2.7	2.6	3.2	2.1	4.8	4.4	2.7	3.0	3.0	3.0	3.0	3.4	3.5	3.0
India % CPI	6.6	5.2	6.5	5.4	6.5	6.9	4.7	4.6	5.0	5.0	5.0	5.0	5.9	5.6	5.0
Interest rates															
US prime rate	4.53	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.57	3.25	3.25
Commodity prices															
Spot oil price: US\$/barrel	51.2	33.4	43.4	41.7	43.0	44.7	46.2	48.0	49.0	50.3	51.0	52.0	42.4	45.5	50.6
London gold price: US\$/oz	1584	1711	1911	1914	1907	1900	1898	1895	1873	1850	1842	1835	1780	1900	1850
Platinum price: US\$/oz	902	792	902	907	904	900	899	898	924	950	959	967	876	900	950
Palladium price: US\$/oz	2279	1968	2168	2306	2203	2100	2066	2031	1866	1700	1645	1590	2180	2100	1700
SA coal price : US\$/mt	78.8	56.6	55.9	60.8	62.9	65.0	65.7	66.4	66.2	66.0	65.9	65.9	63.0	65.0	66.0
China iron ore price : US\$/mt	90.7	92.8	116.8	119.7	99.8	80.0	73.4	66.8	73.4	80.0	82.2	84.4	105.0	80.0	80.0
Exchange rates															
US\$/Sterling exchange rate	1.28	1.24	1.29	1.28	1.28	1.27	1.27	1.28	1.28	1.29	1.30	1.30	1.27	1.28	1.29
Y\$/ exchange rate	108.8	107.5	106.3	106.0	105.0	104.0	103.0	103.0	103.0	103.0	103.0	103.0	107.2	103.8	103.0
US\$/Euro exchange rate	1.10	1.10	1.17	1.16	1.16	1.18	1.18	1.19	1.20	1.20	1.20	1.20	1.13	1.18	1.20

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Nominal GDP expenditure components															
Household consumption (year % ch.)	3124.8 4.4	2653.2 -12.9	2912.7 -5.4	2999.8 -3.7	3067.9 -1.8	3134.9 18.2	3207.5 10.1	3267.7 8.9	3306.2 7.8	3356.5 7.1	3415.5 6.5	3471.2 6.2	2922.6 -4.4	3169.5 8.4	3387.3 6.9
Government consumption (year % ch.)	1104.8 4.4	1111.2 3.0	1149.5 5.6	1171.1 6.5	1181.3 6.9	1169.0 5.2	1199.8 4.4	1204.2 2.8	1199.3 1.5	1200.0 2.6	1231.3 2.6	1235.8 2.6	1134.1 4.9	1188.6 4.8	1216.6 2.4
Fixed investment (year % ch.)	871.3 -2.3	694.1 -24.1	727.4 -21.3	741.8 -18.1	755.8 -13.3	773.5 11.4	784.1 7.8	796.4 7.4	819.6 8.4	834.7 7.9	844.7 7.7	860.9 8.1	758.6 -16.5	777.4 2.5	840.0 8.0
Inventory investment	-112.3	-131.6	-6.5	-79.4	-62.5	-15.0	-12.4	2.1	3.7	38.1	-2.1	-2.1	-82.4	-21.9	9.4
Residual item	28.1	-63.9	-63.9	-63.9	-63.9	-63.9	-63.9	-63.9	-63.9	-63.9	-63.9	-63.9	-40.9	-63.9	-63.9
Gross domestic expenditure (year % ch.)	5016.6 2.5	4263.0 -16.9	4719.2 -7.2	4769.4 -6.5	4878.5 -2.8	4998.5 17.3	5115.0 8.4	5206.5 9.2	5264.9 7.9	5365.3 7.3	5425.5 6.1	5501.9 5.7	4692.0 -7.1	5049.6 7.6	5389.4 6.7
Exports: goods and services (year % ch.)	1590.1 9.1	1176.6 -21.4	1450.1 -6.0	1530.2 -2.4	1469.8 -7.6	1480.9 25.9	1487.7 2.6	1498.3 -2.1	1508.5 2.6	1515.8 2.4	1526.5 2.6	1536.0 2.5	1436.8 -5.2	1484.2 3.3	1521.7 2.5
Imports: goods and services (year % ch.)	1395.6 -2.3	1141.9 -26.0	1324.4 -12.3	1376.4 -7.0	1380.0 -1.1	1401.2 22.7	1431.5 8.1	1469.4 6.8	1505.5 9.1	1528.0 9.1	1539.6 7.6	1552.5 5.7	1309.6 -12.1	1420.5 8.5	1531.4 7.8
Expenditure on GDP (year % ch.)	5211.1 5.8	4297.8 -15.4	4844.8 -5.3	4923.3 -5.1	4968.4 -4.7	5078.2 18.2	5171.2 6.7	5235.3 6.3	5267.9 6.0	5353.0 5.4	5412.4 4.7	5485.4 4.8	4819.2 -5.1	5113.3 6.1	5379.7 5.2

Table A 3: Expenditure on gross domestic product (R billion at constant 2010 prices, seasonally adjusted annual rates)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Real GDP expenditure components															
Household consumption (year % ch.)	1967.2 1.1	1656.1 -15.4	1805.1 -7.9	1842.6 -6.3	1872.0 -4.8	1895.0 14.4	1914.6 6.1	1930.8 4.8	1938.2 3.5	1944.5 2.6	1950.6 1.9	1956.5 1.3	1817.7 -7.1	1903.1 4.7	1947.4 2.3
Government consumption (year % ch.)	655.9 1.4	654.5 0.5	670.7 2.7	674.2 3.2	674.6 2.8	654.9 0.1	662.6 -1.2	656.7 -2.6	650.8 -3.5	634.3 -3.2	646.4 -2.4	642.5 -2.2	663.8 2.0	662.2 -0.2	643.5 -2.8
Fixed investment (year % ch.)	567.2 -5.2	451.4 -25.6	468.6 -23.6	472.8 -20.8	474.0 -16.4	478.0 5.9	481.5 2.7	484.6 2.5	490.2 3.4	491.4 2.8	494.1 2.6	499.8 3.1	490.0 -18.9	479.5 -2.1	493.9 3.0
Inventory investment	-66.0	-74.0	5.6	-38.9	-29.5	-2.4	0.3	8.5	7.4	25.6	4.2	4.2	-43.3	-5.8	10.3
Residual item	3.6	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	20.1	15.9	20.1	20.1
Gross domestic expenditure (year % ch.)	3127.9 -1.7	2708.0 -16.7	2970.1 -7.6	2970.8 -6.5	3011.0 -3.7	3045.6 12.5	3079.0 3.7	3100.6 4.4	3106.6 3.2	3115.7 2.3	3115.3 1.2	3123.0 0.7	2944.2 -8.2	3059.1 3.9	3115.2 1.8
Exports: goods and services (year % ch.)	905.7 0.2	653.4 -27.4	786.3 -13.4	814.1 -10.9	816.6 -9.8	820.1 25.5	826.6 5.1	831.4 2.1	836.9 2.5	844.1 2.9	850.7 2.9	856.8 3.1	789.9 -12.9	823.7 4.3	847.1 2.8
Imports: goods and services (year % ch.)	904.1 -4.8	743.7 -25.0	856.3 -11.5	877.9 -7.3	880.7 -2.6	889.2 19.6	903.3 5.5	914.0 4.1	921.8 4.7	923.3 3.8	923.3 2.2	924.3 1.1	845.5 -12.3	896.8 6.1	923.2 2.9
Expenditure on GDP (year % ch.)	3129.5 -0.2	2617.7 -17.2	2900.1 -8.1	2907.1 -7.5	2946.9 -5.8	2976.5 13.7	3002.3 3.5	3018.1 3.8	3021.7 2.5	3036.5 2.0	3042.7 1.3	3055.6 1.2	2888.6 -8.3	2985.9 3.4	3039.1 1.8

Table A 4: Final household consumption expenditure (R billion at constant 2010 prices, seasonally adjusted annual rates)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Household consumption categories															
Durable goods	191.4	139.1	156.1	158.9	167.8	174.5	179.3	183.0	184.4	185.3	186.2	186.8	161.4	176.1	185.7
(year % ch.)	0.9	-28.2	-19.9	-18.4	-12.4	25.4	14.8	15.2	9.9	6.2	3.8	2.1	-16.5	9.1	5.4
Semi-durable goods	187.7	110.9	163.0	169.0	174.9	177.6	179.6	181.0	182.6	184.4	186.3	188.2	157.7	178.3	185.4
(year % ch.)	0.2	-41.3	-13.4	-11.4	-6.8	60.2	10.2	7.1	4.4	3.8	3.7	4.0	-16.5	13.1	4.0
Non-durable goods	729.0	617.4	683.3	701.2	702.5	704.5	706.8	709.6	712.2	714.8	717.5	720.4	682.7	705.8	716.2
(year % ch.)	1.7	-14.3	-5.1	-2.8	-3.6	14.1	3.4	1.2	1.4	1.5	1.5	1.5	-5.1	3.4	1.5
Services	859.1	788.7	802.6	813.5	826.8	838.4	848.9	857.3	859.0	859.9	860.6	861.1	816.0	842.9	860.1
(year % ch.)	0.8	-7.8	-6.3	-5.4	-3.8	6.3	5.8	5.4	3.9	2.6	1.4	0.4	-4.7	3.3	2.0
Total household consumption	1967.2	1656.1	1805.1	1842.6	1872.0	1895.0	1914.6	1930.8	1938.2	1944.5	1950.6	1956.5	1817.7	1903.1	1947.4
(year % ch.)	1.1	-15.4	-7.9	-6.3	-4.8	14.4	6.1	4.8	3.5	2.6	1.9	1.3	-7.1	4.7	2.3
Disposable income of households															
Real disposable income	1968.9	1658.1	1813.8	1851.4	1840.2	1846.5	1864.0	1890.4	1882.1	1891.5	1895.0	1903.7	1823.1	1860.3	1893.1
(year % ch.)	1.5	-14.9	-7.2	-5.5	-6.5	11.4	2.8	2.1	2.3	2.4	1.7	0.7	-6.5	2.0	1.8
Adjusted for debt-service cost (real)	1940.6	1630.1	1786.0	1823.8	1812.8	1819.4	1837.2	1863.8	1855.8	1865.5	1869.3	1878.4	1795.1	1833.3	1867.2
(year % ch.)	1.6	-15.1	-7.3	-5.5	-6.6	11.6	2.9	2.2	2.4	2.5	1.7	0.8	-6.6	2.1	1.9

Table A 5: Gross fixed capital formation (R billion at constant 2010 prices, seasonally adjusted annual rates)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Private sector															
Total private sector	399.5	312.9	323.8	325.0	324.5	327.5	329.8	331.6	337.3	339.1	342.0	347.5	340.3	328.4	341.5
(year % ch.)	-3.1	-26.9	-26.0	-23.7	-18.8	4.7	1.8	2.0	3.9	3.5	3.7	4.8	-20.1	-3.5	4.0
Public sector															
Government	83.4	83.3	83.3	82.0	80.7	79.6	79.4	79.5	78.4	77.4	77.4	77.4	83.0	79.8	77.7
(year % ch.)	-13.1	-9.2	-5.4	-2.2	-3.2	-4.5	-4.6	-3.1	-2.9	-2.7	-2.5	-2.6	-7.7	-3.8	-2.7
Public corporations	84.3	55.1	61.6	65.8	68.8	70.9	72.3	73.5	74.5	74.9	74.6	74.9	66.7	71.4	74.7
(year % ch.)	-6.4	-36.8	-29.6	-24.7	-18.5	28.5	17.5	11.8	8.3	5.6	3.2	1.8	-24.2	7.0	4.7
Total public sector	167.7	138.5	144.8	147.8	149.4	150.4	151.7	153.0	152.9	152.3	152.1	152.3	149.7	151.1	152.4
(year % ch.)	-9.9	-22.7	-17.4	-13.6	-10.9	8.7	4.8	3.5	2.3	1.2	0.2	-0.5	-15.9	1.0	0.8
Total															
Total fixed capital formation	567.2	451.4	468.6	472.8	474.0	478.0	481.5	484.6	490.2	491.4	494.1	499.8	490.0	479.5	493.9
(year % ch.)	-5.2	-25.6	-23.6	-20.8	-16.4	5.9	2.7	2.5	3.4	2.8	2.6	3.1	-18.9	-2.1	3.0

Table A 6: Labour sector (million)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Employment															
Total labour force	23.45	18.44	22.48	23.03	23.10	23.15	23.17	23.26	23.33	23.47	23.52	23.61	21.85	23.17	23.48
(year % ch.)	4.3	-19.7	-2.7	-0.5	-1.5	25.5	3.0	1.0	1.0	1.4	1.5	1.5	-4.7	6.0	1.4
Private sector employment	14.26	12.07	12.22	12.40	12.52	12.57	12.59	12.67	12.75	12.77	12.89	13.11	12.74	12.59	12.88
(year % ch.)	0.3	-15.0	-14.3	-13.4	-12.2	4.1	3.0	2.2	1.8	1.6	2.4	3.5	-10.6	-1.2	2.3
Government employment	2.12	2.08	2.10	2.14	2.16	2.16	2.16	2.16	2.14	2.14	2.14	2.14	2.11	2.16	2.14
(year % ch.)	2.6	-1.5	-0.5	1.6	1.8	4.1	3.1	0.7	-1.1	-1.0	-1.0	-1.0	0.5	2.4	-1.0
Total employment (incl. informal)	16.38	14.15	14.32	14.54	14.68	14.73	14.75	14.82	14.89	14.91	15.03	15.24	14.85	14.75	15.02
(year % ch.)	0.6	-13.3	-12.6	-11.5	-10.4	4.1	3.0	2.0	1.4	1.2	1.9	2.8	-9.2	-0.7	1.8
Unemployment rate	30.1	23.3	36.3	36.9	36.4	36.4	36.3	36.3	36.2	36.5	36.1	35.4	31.6	36.4	36.0
Wage rates (year % change)															
Unit labour cost	4.5	12.2	0.2	0.4	1.7	-4.9	4.4	2.7	3.4	3.5	4.9	5.9	4.3	0.8	4.4
Wage bill (R billion at current prices)															
Total wage bill	2457.0	2234.3	2241.9	2290.8	2353.5	2415.1	2423.3	2442.6	2494.1	2550.7	2575.6	2620.0	2306.0	2408.6	2560.1
(year % ch.)	4.2	-7.1	-7.9	-7.2	-4.2	8.1	8.1	6.6	6.0	5.6	6.3	7.3	-4.6	4.5	6.3

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Income and expenditure															
Remuneration of employees (year % ch.)	2457.0 4.2	2234.3 -7.1	2241.9 -7.9	2290.8 -7.2	2353.5 -4.2	2415.1 8.1	2423.3 8.1	2442.6 6.6	2494.1 6.0	2550.7 5.6	2575.6 6.3	2620.0 7.3	2306.0 -4.6	2408.6 4.5	2560.1 6.3
Disposable income (year % ch.)	3127.4 4.8	2656.4 -12.4	2926.7 -4.7	3014.2 -2.9	3015.8 -3.6	3054.7 15.0	3122.7 6.7	3199.3 6.1	3210.6 6.5	3265.1 6.9	3318.2 6.3	3377.5 5.6	2931.2 -3.8	3098.1 5.7	3292.8 6.3
Less household consumption (year % ch.)	3124.8 4.4	2653.2 -12.9	2912.7 -5.4	2999.8 -3.7	3067.9 -1.8	3134.9 18.2	3207.5 10.1	3267.7 8.9	3306.2 7.8	3356.5 7.1	3415.5 6.5	3471.2 6.2	2922.6 -4.4	3169.5 8.4	3387.3 6.9
Saving	2.7	3.3	14.0	14.4	-52.1	-80.2	-84.7	-68.4	-95.7	-91.4	-97.3	-93.6	8.6	-71.4	-94.5
Households: ratio to disposable income															
Saving	0.1	0.1	0.5	0.5	-1.7	-2.6	-2.7	-2.1	-3.0	-2.8	-2.9	-2.8	0.3	-2.3	-2.9
Debt	73.6	85.3	78.4	78.2	78.6	78.3	78.0	78.3	79.0	78.6	78.3	78.6	78.9	78.3	78.6
Debt-service cost	9.3	9.4	8.0	7.9	7.8	7.9	8.0	8.1	8.5	8.8	8.8	9.0	8.6	7.9	8.8
Net wealth	324.4	413.4	391.8	392.6	394.6	391.7	388.2	387.4	388.0	383.5	383.7	384.9	380.6	390.5	385.0

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Income															
Direct taxes	783.4	755.6	615.0	571.1	682.4	803.7	685.0	647.3	721.1	833.4	730.9	727.9	681.3	704.6	753.3
(year % ch.)	2.0	-13.6	-16.7	-24.0	-12.9	6.4	11.4	13.3	5.7	3.7	6.7	12.4	-13.0	3.4	6.9
Value added tax (VAT)	400.2	210.0	285.2	303.1	377.7	301.9	366.4	363.3	423.8	324.3	391.8	387.8	299.6	352.3	381.9
(year % ch.)	21.0	-28.1	-18.4	-12.2	-5.6	43.7	28.5	19.8	12.2	7.4	6.9	6.8	-9.0	17.6	8.4
Other indirect taxes	292.9	291.4	272.1	328.0	279.5	390.5	323.8	373.7	317.1	428.9	352.7	404.3	296.1	341.9	375.8
(year % ch.)	3.1	-26.2	-15.1	-9.5	-4.6	34.0	19.0	13.9	13.5	9.8	9.0	8.2	-13.1	15.5	9.9
Expenditure															
Consumption	1104.8	1111.2	1149.5	1171.1	1181.3	1169.0	1199.8	1204.2	1199.3	1200.0	1231.3	1235.8	1134.1	1188.6	1216.6
(year % ch.)	4.4	3.0	5.6	6.5	6.9	5.2	4.4	2.8	1.5	2.6	2.6	2.6	4.9	4.8	2.4
Interest Payments	220.4	205.9	224.8	256.5	273.8	254.1	264.5	276.5	287.4	299.1	308.7	319.3	226.9	267.2	303.6
(year % ch.)	15.6	5.3	9.9	38.4	24.2	23.4	17.6	7.8	5.0	17.7	16.7	15.5	17.0	17.8	13.6
Saving	-193.1	-489.6	-571.9	-592.4	-459.5	-213.0	-374.0	-392.9	-332.1	-179.3	-340.0	-322.9	-461.7	-359.8	-293.6
Ratios to GDP															
Total tax revenue	28.3	29.2	24.2	24.4	27.0	29.5	26.6	26.4	27.8	29.6	27.3	27.7	26.5	27.4	28.1
Budget deficit	-8.5	-13.1	-15.4	-16.7	-14.2	-10.5	-10.3	-11.8	-10.6	-9.3	-9.0	-9.9	-13.4	-11.7	-9.7
Gross debt	63.3	69.4	77.6	79.9	81.9	80.1	81.6	83.7	86.0	86.5	87.9	89.4	79.9	83.7	89.4

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Current account															
Exports: goods and services (year % ch.)	1590.1 9.1	1176.6 -21.4	1450.1 -6.0	1530.2 -2.4	1469.8 -7.6	1480.9 25.9	1487.7 2.6	1498.3 -2.1	1508.5 2.6	1515.8 2.4	1526.5 2.6	1536.0 2.5	1436.8 -5.2	1484.2 3.3	1521.7 2.5
Net receipts (year % ch.)	-34.7 -2.9	-35.1 -1.0	-36.7 3.6	-36.7 2.8	-36.6 5.7	-19.9 -43.3	-19.9 -45.9	-19.8 -45.9	-19.8 -46.0	-5.0 -75.1	-4.9 -75.2	-4.9 -75.4	-35.8 0.6	-24.0 -32.8	-8.6 -64.1
Less imports: goods and services (year % ch.)	1395.6 -2.3	1141.9 -26.0	1324.4 -12.3	1376.4 -7.0	1380.0 -1.1	1401.2 22.7	1431.5 8.1	1469.4 6.8	1505.5 9.1	1528.0 9.1	1539.6 7.6	1552.5 5.7	1309.6 -12.1	1420.5 8.5	1531.4 7.8
Less net factor payments (year % ch.)	96.4 -32.6	103.3 -16.8	113.8 -38.7	139.7 16.5	139.4 44.6	146.0 41.4	142.8 25.5	143.9 3.0	146.8 5.3	151.3 3.7	156.2 9.4	158.4 10.1	113.3 -20.9	143.0 26.2	153.2 7.1
Current account balance	63.4	-103.6	-24.8	-22.5	-86.2	-86.2	-106.4	-134.8	-163.6	-168.5	-174.2	-179.8	-21.9	-103.4	-171.5
Current account in US\$	4.1	-5.8	-1.5	-1.3	-5.0	-5.0	-6.2	-7.8	-9.4	-9.6	-10.0	-10.3	-1.1	-6.0	-9.8
Current account as % of GDP	1.2	-2.4	-0.5	-0.5	-1.7	-1.7	-2.1	-2.6	-3.1	-3.1	-3.2	-3.3	-0.5	-2.0	-3.2
Financing of the current account															
Total net capital flows	-34.0	-13.6	60.8	-30.0	25.0	10.0	30.0	25.0	60.0	30.0	60.0	20.0	-16.8	90.0	170.0
SDR + Valuation adjustment	207.7	-8.8	-36.4	39.2	-8.1	-2.6	2.6	5.2	7.9	0.0	-5.3	5.3	201.7	-2.8	7.9
Change in gross reserves	165.5	-30.8	0.8	27.6	-28.6	3.2	-11.4	20.5	3.0	5.3	-6.2	4.4	163.1	-16.2	6.4
Gross reserves: quarter end	937.6	906.8	907.6	935.2	906.6	909.8	898.4	919.0	922.0	927.2	921.0	925.4	935.2	919.0	925.4
Gross reserves: quarter end (US\$)	52.4	52.3	54.4	53.7	52.6	52.9	52.1	53.0	52.7	53.0	52.9	52.9	53.7	53.0	52.9
Terms of trade															
Index (2010 = 100) (year % ch.)	113.7 6.1	117.3 9.9	119.2 9.5	119.9 9.2	114.9 1.0	114.6 -2.3	113.6 -4.8	112.1 -6.5	110.4 -3.9	108.5 -5.3	107.6 -5.3	106.7 -4.8	117.5 8.7	113.8 -3.2	108.3 -4.8

Table A 10: Credit, interest rates and exchange rates

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Money supply and credit extension															
M3 money supply (year % ch.)	3976.1 9.5	4101.3 11.0	4144.2 10.1	4102.8 9.1	4134.8 4.0	4194.0 2.3	4262.2 2.8	4338.8 5.8	4397.8 6.4	4474.1 6.7	4548.9 6.7	4638.4 6.9	4102.8 9.1	4338.8 5.8	4638.4 6.9
Private sector credit to households (year % ch.)	1759.0 5.8	1734.8 3.1	1756.0 2.9	1800.6 3.8	1811.6 3.0	1832.2 5.6	1863.5 6.1	1911.9 6.2	1937.9 7.0	1965.8 7.3	1988.6 6.7	2027.4 6.0	1800.6 3.8	1911.9 6.2	2027.4 6.0
Private sector credit to firms (year % ch.)	2274.5 9.3	2259.8 7.6	2238.2 5.0	2252.2 5.5	2323.2 2.1	2361.8 4.5	2398.7 7.2	2427.0 7.8	2459.9 5.9	2508.3 6.2	2560.3 6.7	2611.0 7.6	2252.2 5.5	2427.0 7.8	2611.0 7.6
Total private sector credit extension (year % ch.)	4033.5 7.7	3994.7 5.6	3994.2 4.1	4052.8 4.7	4134.8 2.5	4194.0 5.0	4262.2 6.7	4338.8 7.1	4397.8 6.4	4474.1 6.7	4548.9 6.7	4638.4 6.9	4052.8 4.7	4338.8 7.1	4638.4 6.9
Interest rates															
3-month NCD rate	6.46	4.43	3.57	3.56	3.61	3.66	3.70	3.73	3.95	4.35	4.36	4.50	4.50	3.67	4.29
10-year government bond yield	9.48	9.78	9.32	9.81	9.91	9.89	9.77	9.69	9.74	9.72	9.68	9.74	9.60	9.82	9.72
Prime overdraft rate	9.67	7.69	7.06	7.00	7.00	7.00	7.00	7.00	7.17	7.50	7.50	7.61	7.86	7.00	7.44
Effective household lending rate	12.64	11.02	10.23	10.06	9.87	10.08	10.24	10.31	10.75	11.16	11.25	11.41	10.99	10.12	11.14
Effective firm lending rate	7.90	6.08	5.20	3.79	3.85	4.19	4.59	4.92	5.17	5.51	5.67	5.90	5.74	4.39	5.56
Exchange rates															
R/US DOLLAR (year % ch.)	15.34 9.5	17.95 24.8	16.90 15.2	17.58 19.5	17.35 13.1	17.15 -4.5	17.05 0.9	17.20 -2.2	17.43 0.5	17.53 2.2	17.48 2.5	17.45 1.5	16.94 17.3	17.19 1.4	17.47 1.7
R/100 Japanese YEN (year % ch.)	14.09 10.8	16.69 27.4	15.90 16.2	16.59 22.5	16.52 17.2	16.49 -1.2	16.55 4.1	16.70 0.7	16.93 2.4	17.02 3.2	16.97 2.5	16.94 1.5	15.82 19.3	16.57 4.7	16.96 2.4
R/STERLING (year % ch.)	19.63 7.5	22.26 20.4	21.84 20.8	22.51 18.9	22.21 13.1	21.78 -2.2	21.65 -0.9	22.02 -2.2	22.31 0.5	22.62 3.8	22.72 4.9	22.69 3.0	21.56 16.9	21.91 1.6	22.58 3.1
R/EURO (year % ch.)	16.93 6.3	19.74 22.1	19.76 21.1	20.40 25.2	20.13 18.9	20.24 2.5	20.12 1.8	20.47 0.3	20.92 3.9	21.04 4.0	20.97 4.2	20.94 2.3	19.21 18.8	20.24 5.4	20.97 3.6
R/\$ PP parity rate (base PPI 2003) (year % ch.)	12.81 4.7	13.12 5.8	13.13 4.4	13.20 4.5	13.39 4.5	13.47 2.7	13.46 2.6	13.53 2.5	13.73 2.5	13.83 2.7	13.78 2.4	13.84 2.3	13.06 4.8	13.46 3.1	13.80 2.5

Table A 11: Prices

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Price deflators															
Exports (incl. services) (year % ch.)	175.6 8.9	180.1 8.4	184.4 8.5	188.0 9.5	180.0 2.5	180.6 0.3	180.0 -2.4	180.2 -4.1	180.2 0.1	179.6 -0.5	179.4 -0.3	179.3 -0.5	182.0 8.8	180.2 -1.0	179.6 -0.3
Export commodities (in rand) (year % ch.)	2172.1 53.4	2204.4 56.8	2394.5 56.0	2707.3 58.1	2473.9 13.9	2250.1 2.1	2172.3 -9.3	2126.1 -21.5	2071.5 -16.3	1999.5 -11.1	1965.2 -9.5	1934.3 -9.0	2369.6 56.2	2255.6 -4.8	1992.6 -11.7
Imports (incl. services) (year % ch.)	154.4 2.7	153.5 -1.4	154.7 -0.9	156.8 0.3	156.7 1.5	157.6 2.6	158.5 2.5	160.8 2.5	163.3 4.2	165.5 5.0	166.8 5.2	168.0 4.5	154.8 0.2	158.4 2.3	165.9 4.7
GDE (year % ch.)	159.7 3.2	161.0 2.7	162.1 2.5	163.8 3.2	165.2 3.5	167.3 3.9	169.3 4.4	171.1 4.4	172.6 4.5	175.4 4.8	177.4 4.8	179.4 4.8	161.6 2.9	168.2 4.1	176.2 4.7
Investment (year % ch.)	153.6 3.1	153.8 2.1	155.2 2.9	156.9 3.5	159.5 3.8	161.8 5.2	162.8 4.9	164.3 4.7	167.2 4.9	169.9 5.0	171.0 5.0	172.2 4.8	154.9 2.9	162.1 4.7	170.1 4.9
GDP (year % ch.)	166.5 6.0	164.2 2.2	167.1 3.0	169.4 2.6	168.6 1.2	170.6 3.9	172.2 3.1	173.5 2.4	174.3 3.4	176.3 3.3	177.9 3.3	179.5 3.5	166.8 3.4	171.2 2.7	177.0 3.4
Consumer & producer prices															
Headline inflation (CPI) (year % ch.)	115.0 4.4	114.7 2.4	116.5 3.0	116.5 2.6	117.9 2.6	119.1 3.8	120.9 3.7	121.5 4.2	123.3 4.6	124.9 4.9	126.4 4.6	127.0 4.6	115.7 3.1	119.8 3.6	125.4 4.6
Core inflation* (year % ch.)	114.2 3.7	114.9 3.1	115.9 3.2	115.9 2.8	117.0 2.5	118.3 3.0	119.3 2.9	119.5 3.1	121.2 3.6	122.7 3.7	123.5 3.6	123.8 3.6	115.2 3.2	118.5 2.9	122.8 3.6
CPI food and non-alcoholic beverages (year % ch.)	113.9 4.0	115.0 4.3	115.6 4.0	116.5 4.3	117.4 3.1	118.1 2.7	118.9 2.8	120.6 3.5	121.8 3.8	122.5 3.8	123.3 3.8	125.1 3.7	115.3 4.2	118.8 3.0	123.2 3.8
CPI petrol (year % ch.)	125.5 10.6	103.6 -20.0	117.7 -6.0	115.9 -8.5	122.1 -2.7	124.3 20.0	128.7 9.3	133.7 15.4	139.4 14.2	146.7 18.0	146.9 14.1	151.9 13.6	115.7 -6.5	127.2 10.0	146.2 15.0
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	<i>15.37</i> <i>12.1</i>	<i>12.49</i> <i>-21.3</i>	<i>14.46</i> <i>-5.4</i>	<i>14.43</i> <i>-7.3</i>	<i>15.20</i> <i>-1.1</i>	<i>15.41</i> <i>23.4</i>	<i>16.01</i> <i>10.7</i>	<i>16.63</i> <i>15.3</i>	<i>17.34</i> <i>14.0</i>	<i>18.18</i> <i>18.0</i>	<i>18.26</i> <i>14.1</i>	<i>18.88</i> <i>13.5</i>	14.19 -6.1	15.81 11.5	18.17 14.9
CPI electricity (year % ch.)	123.1 11.9	122.8 11.6	130.4 6.4	130.5 6.0	130.5 6.0	130.5 6.2	150.0 15.0	150.1 15.0	150.1 15.0	150.1 15.0	169.6 13.1	170.6 13.7	126.7 8.8	140.3 10.7	160.1 14.1
Producer price index (year % ch.)	115.0 4.1	114.3 0.7	116.7 2.3	118.2 3.2	120.7 4.9	122.1 6.8	123.0 5.4	124.5 5.4	126.8 5.1	128.5 5.2	129.0 4.9	130.6 4.9	116.0 2.6	122.6 5.6	128.7 5.0

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

Appendix B

Statistics of the annual forecast, 2020 - 2025

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Table B 1: International economic indicators

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Real GDP growth rates								
US % growth	2.5	-3.8	2.8	2.5	2.5	2.0	2.0	1.3
UK % growth	1.9	-9.1	6.1	2.0	1.7	1.6	1.5	0.6
Germany % growth	1.7	-4.5	4.7	2.0	1.5	1.5	1.5	1.1
Japan % growth	0.9	-6.1	2.9	1.5	1.5	1.5	1.5	0.5
Eurozone % growth	1.8	-8.0	4.5	2.0	1.5	1.5	1.5	0.5
G7 % growth	1.9	-5.3	3.8	2.2	2.1	1.8	1.8	1.1
CPI inflation rates								
US % CPI	1.6	1.2	1.9	1.8	1.8	2.0	2.0	1.8
UK % CPI	1.6	0.9	1.6	1.8	1.5	2.0	2.0	1.6
Germany % CPI	1.1	0.0	0.9	1.3	1.5	1.7	1.7	1.2
Japan % CPI	0.9	-0.1	0.1	0.5	0.5	0.7	0.7	0.4
G7 % CPI	1.3	0.7	1.3	1.9	1.6	1.7	1.8	1.5
China % CPI	2.0	3.4	3.5	3.0	2.8	2.8	3.0	3.1
India % CPI	5.4	5.9	5.6	5.0	4.5	4.5	4.5	5.0
Interest rates								
US prime rate	4.05	3.57	3.25	3.25	3.25	3.25	3.25	3.30
Commodity prices								
Spot oil price: US\$/barrel	64.7	42.4	45.5	50.6	52.8	54.0	55.0	50.0
London gold price: US\$/oz	1266	1780	1900	1850	1800	1750	1700	1797
Platinum price: US\$/oz	1018	876	900	950	1050	1100	1150	1004
Palladium price: US\$/oz	924	2180	2100	1700	1550	1500	1450	1747
SA coal price: US\$/mt	74.9	63.0	65.0	66.0	68.0	69.0	70.0	66.8
China iron ore price: US\$/mt	74.3	105.0	80.0	80.0	80.0	80.0	80.0	84.2
Exchange rates								
US\$/Sterling exchange rate	1.41	1.27	1.28	1.29	1.32	1.32	1.32	1.30
Y\$/ exchange rate	111.2	107.2	103.8	103.0	103.0	103.0	103.0	103.8
US\$/Euro exchange rate	1.16	1.13	1.18	1.20	1.22	1.22	1.22	1.19

Table B 2: Expenditure on gross domestic product (R billion at current prices)

	<i>Average 2014-19</i>	2020	2021	2022	2023	2024	2025	<i>Average 2020-25</i>
Nominal GDP expenditure components								
Household consumption (year % ch.)	2670.5 6.1	2922.6 -4.4	3169.5 8.4	3387.3 6.9	3595.7 6.2	3813.1 6.0	4052.2 6.3	3490.1 4.9
Government consumption (year % ch.)	935.4 6.8	1134.1 4.9	1188.6 4.8	1216.6 2.4	1245.3 2.4	1282.9 3.0	1324.9 3.3	1232.1 3.4
Fixed investment (year % ch.)	852.3 4.0	758.6 -16.5	777.4 2.5	840.0 8.0	914.1 8.8	1010.5 10.5	1116.7 10.5	902.9 4.0
Inventory investment	-1.4	-82.4	-21.9	9.4	29.5	34.9	49.9	3.2
Residual item	10.7	-40.9	-63.9	-63.9	-63.9	-63.9	-63.9	-60.1
Gross domestic expenditure (year % ch.)	4467.5 5.7	4692.0 -7.1	5049.6 7.6	5389.4 6.7	5720.8 6.1	6077.4 6.2	6479.8 6.6	5568.2 4.4
Exports: goods and services (year % ch.)	1350.7 5.6	1436.8 -5.2	1484.2 3.3	1521.7 2.5	1599.5 5.1	1688.0 5.5	1785.2 5.8	1585.9 2.8
Imports: goods and services (year % ch.)	1348.2 4.0	1309.6 -12.1	1420.5 8.5	1531.4 7.8	1622.9 6.0	1730.1 6.6	1854.8 7.2	1578.2 4.0
Expenditure on GDP (year % ch.)	4469.9 6.2	4819.2 -5.1	5113.3 6.1	5379.7 5.2	5697.4 5.9	6035.3 5.9	6410.2 6.2	5575.9 4.0

Table B 3: Expenditure on gross domestic product (R billion at constant 2010 prices)

	<i>Average 2014-19</i>	2020	2021	2022	2023	2024	2025	<i>Average 2020-25</i>
Real GDP expenditure components								
Household consumption (year % ch.)	1889.1 1.4	1817.7 -7.1	1903.1 4.7	1947.4 2.3	1977.4 1.5	2010.4 1.7	2045.1 1.7	1950.2 0.8
Government consumption (year % ch.)	630.9 1.1	663.8 2.0	662.2 -0.2	643.5 -2.8	631.9 -1.8	624.5 -1.2	619.1 -0.9	640.8 -0.8
Fixed investment (year % ch.)	616.2 -0.3	490.0 -18.9	479.5 -2.1	493.9 3.0	515.7 4.4	545.3 5.7	577.4 5.9	517.0 -0.3
Inventory investment	1.0	-43.3	-5.8	10.3	19.3	19.3	24.2	4.0
Residual item	-1.2	15.9	20.1	20.1	20.1	20.1	20.1	19.4
Gross domestic expenditure (year % ch.)	3136.1 0.9	2944.2 -8.2	3059.1 3.9	3115.2 1.8	3164.4 1.6	3219.5 1.7	3285.8 2.1	3131.4 0.5
Exports: goods and services (year % ch.)	907.9 1.0	789.9 -12.9	823.7 4.3	847.1 2.8	875.4 3.3	904.6 3.3	935.1 3.4	862.6 0.7
Imports: goods and services (year % ch.)	946.9 0.8	845.5 -12.3	896.8 6.1	923.2 2.9	944.9 2.4	971.7 2.8	1006.5 3.6	931.4 0.9
Expenditure on GDP (year % ch.)	3097.1 1.0	2888.6 -8.3	2985.9 3.4	3039.1 1.8	3095.0 1.8	3152.4 1.9	3214.3 2.0	3062.6 0.4

Table B 4: Final household consumption expenditure (R billion at constant 2010 prices)

	<i>Average 2014-19</i>	2020	2021	2022	2023	2024	2025	<i>Average 2020-25</i>
Household consumption categories								
Durable goods (year % ch.)	185.5 0.5	161.4 -16.5	176.1 9.1	185.7 5.4	191.1 2.9	198.4 3.8	206.3 4.0	186.5 1.5
Semi-durable goods (year % ch.)	179.1 2.7	157.7 -16.5	178.3 13.1	185.4 4.0	191.0 3.0	196.3 2.8	201.7 2.8	185.1 1.5
Non-durable goods (year % ch.)	701.7 1.1	682.7 -5.1	705.8 3.4	716.2 1.5	723.6 1.0	732.0 1.2	740.9 1.2	716.9 0.5
Services (year % ch.)	822.8 1.6	816.0 -4.7	842.9 3.3	860.1 2.0	871.7 1.3	883.7 1.4	896.2 1.4	861.8 0.8
Total household consumption (year % ch.)	1889.1 1.4	1817.7 -7.1	1903.1 4.7	1947.4 2.3	1977.4 1.5	2010.4 1.7	2045.1 1.7	1950.2 0.8
Disposable income of households								
Real disposable income (year % ch.)	1875.9 1.7	1823.1 -6.5	1860.3 2.0	1893.1 1.8	1931.2 2.0	1967.8 1.9	2004.4 1.9	1913.3 0.5
Adjusted for debt-service cost (real) (year % ch.)	1845.9 1.8	1795.1 -6.6	1833.3 2.1	1867.2 1.9	1906.5 2.1	1944.1 2.0	1981.7 1.9	1888.0 0.6

Table B 4(A): Final household consumption expenditure – continued (R billion at constant 2010 prices)

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Durable goods								
Furniture + household appliances (year % ch.)	37.1 6.8	39.7 -9.0	41.5 4.4	43.6 5.0	45.1 3.6	47.2 4.6	49.5 4.8	44.4 2.2
Personal transport equipment (year % ch.)	97.2 -4.9	65.9 -25.8	76.6 16.3	81.6 6.5	83.2 2.0	85.4 2.6	87.9 2.9	80.1 0.7
Computers and related equipment (year % ch.)	7.9 8.4	9.8 3.0	9.8 0.0	10.1 3.0	10.4 3.1	10.8 4.6	11.3 4.7	10.4 3.1
Recreation + entertainment goods (year % ch.)	32.0 8.7	34.8 -9.3	36.3 4.1	38.0 4.8	39.4 3.8	41.4 5.0	43.5 5.1	38.9 2.2
Other durable goods (year % ch.)	11.3 5.2	11.2 -13.5	12.0 7.6	12.5 4.0	12.9 3.4	13.5 4.6	14.1 4.6	12.7 1.8
Semi-durable goods								
Clothing and footwear (year % ch.)	103.9 2.2	89.0 -17.9	102.5 15.2	106.4 3.8	109.3 2.8	112.0 2.5	114.7 2.4	105.6 1.5
Household textiles etc. (year % ch.)	31.0 4.5	29.0 -14.9	32.4 11.7	33.7 4.2	35.1 3.9	36.4 3.8	37.8 3.9	34.1 2.1
Motor accessories (year % ch.)	16.5 0.8	13.3 -19.0	15.0 12.5	15.7 4.3	16.0 2.1	16.2 1.3	16.4 1.4	15.4 0.4
Recreation + entertainment goods (year % ch.)	13.6 3.3	12.7 -13.6	14.0 9.5	14.6 4.4	15.1 3.7	15.6 3.6	16.2 3.5	14.7 1.8
Miscellaneous (year % ch.)	14.1 3.6	13.6 -10.3	14.5 6.1	15.0 4.0	15.5 3.4	16.1 3.4	16.6 3.3	15.2 1.6

Table B 4(B): Final household consumption expenditure – continued (R billion at constant 2010 prices)

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Non-durable goods								
Food, beverage & tobacco (year % ch.)	448.0 1.2	440.6 -4.7	455.0 3.3	463.6 1.9	467.6 0.9	472.1 1.0	476.7 1.0	462.6 0.5
Household fuel & power (year % ch.)	68.1 -0.1	67.5 0.1	66.8 -1.1	66.0 -1.1	65.9 -0.2	66.2 0.4	66.5 0.5	66.5 -0.2
Household consumer goods (year % ch.)	77.2 3.0	78.7 -4.3	80.8 2.8	82.9 2.5	84.9 2.5	87.1 2.6	89.5 2.7	84.0 1.5
Medical & pharm products (year % ch.)	31.2 3.1	34.0 2.0	33.7 -0.8	34.4 2.0	35.2 2.3	36.1 2.5	37.0 2.6	35.1 1.8
Petroleum products (year % ch.)	59.6 -1.0	46.3 -19.1	53.1 14.7	52.3 -1.5	52.6 0.6	53.0 0.7	53.5 0.9	51.8 -0.6
Recreation & entertainment goods (year % ch.)	17.5 0.2	15.6 -10.2	16.4 5.4	17.0 3.6	17.4 2.2	17.6 1.0	17.8 1.2	17.0 0.5
Services								
Rent (year % ch.)	201.7 1.2	209.1 0.7	210.2 0.5	211.8 0.8	213.7 0.9	215.5 0.9	217.6 1.0	213.0 0.8
Household services (year % ch.)	47.5 3.3	46.5 -8.9	49.0 5.4	50.8 3.8	52.1 2.5	53.5 2.7	55.0 2.8	51.2 1.4
Medical services (year % ch.)	111.1 2.4	111.6 -5.0	117.8 5.6	120.8 2.5	123.2 2.0	126.0 2.2	128.7 2.2	121.4 1.6
Transport & communication (year % ch.)	183.9 0.6	175.2 -5.6	180.2 2.8	183.6 1.9	185.1 0.8	186.3 0.6	187.3 0.6	182.9 0.2
Recreation & entertainment (year % ch.)	98.6 1.8	85.6 -16.3	96.9 13.2	100.5 3.7	102.0 1.6	103.5 1.5	105.1 1.5	98.9 0.9
Miscellaneous Services (year % ch.)	180.0 1.9	187.9 -2.0	188.8 0.5	192.6 2.0	195.5 1.5	198.9 1.7	202.4 1.8	194.4 0.9

Table B 5(A): Gross fixed capital formation (R billion at constant 2010 prices)

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Private sector								
Residential (year % ch.)	55.7 1.0	43.1 -18.9	44.4 3.1	44.8 0.7	45.8 2.2	47.0 2.6	48.3 2.9	45.5 -1.2
Other non-residential (year % ch.)	355.6 1.0	297.2 -20.3	283.9 -4.5	296.7 4.5	315.6 6.4	339.9 7.7	366.1 7.7	316.6 0.3
Total private sector (year % ch.)	411.3 1.0	340.3 -20.1	328.4 -3.5	341.5 4.0	361.4 5.8	386.8 7.0	414.4 7.1	362.1 0.1
Public sector								
Government (year % ch.)	99.9 0.2	83.0 -7.7	79.8 -3.8	77.7 -2.7	78.1 0.6	80.1 2.5	82.3 2.7	80.2 -1.4
Public corporations (year % ch.)	105.0 -5.0	66.7 -24.2	71.4 7.0	74.7 4.7	76.2 2.0	78.3 2.8	80.7 3.0	74.7 -0.8
Total public sector (year % ch.)	204.9 -2.7	149.7 -15.9	151.1 1.0	152.4 0.8	154.3 1.3	158.5 2.7	162.9 2.8	154.8 -1.2
Total								
Total fixed capital formation (year % ch.)	616.2 -0.3	490.0 -18.9	479.5 -2.1	493.9 3.0	515.7 4.4	545.3 5.7	577.4 5.9	517.0 -0.3

Table B 5(B): Gross fixed capital formation – continued (R billion at constant 2010 prices)

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Residential (year % ch.)	56.4 1.0	43.5 -19.1	44.8 3.0	45.1 0.7	46.1 2.2	47.3 2.6	48.7 2.9	45.9 -1.3
Non-residential (year % ch.)	56.1 -2.6	35.4 -25.8	34.0 -3.9	34.5 1.5	35.5 2.9	36.9 3.8	38.4 4.2	35.8 -2.9
Construction works (year % ch.)	173.0 -0.2	134.0 -21.0	132.0 -1.5	136.0 3.0	142.9 5.0	152.8 6.9	163.3 6.9	143.5 -0.1
Transport equipment (year % ch.)	74.8 -2.4	52.5 -23.4	51.1 -2.7	52.2 2.2	54.3 4.1	57.4 5.6	60.6 5.6	54.7 -1.4
Computer equipment (year % ch.)	42.7 9.6	44.7 -15.3	43.6 -2.4	45.2 3.7	47.4 4.7	50.3 6.1	53.4 6.3	47.4 0.5
Machinery and other equipment (year % ch.)	164.0 -1.8	132.3 -17.0	126.1 -4.7	131.4 4.2	138.2 5.1	146.8 6.3	156.2 6.4	138.5 0.0
Research and development (year % ch.)	17.5 5.6	19.4 1.2	19.7 1.4	20.2 2.9	20.8 3.0	21.7 4.1	22.6 4.4	20.7 2.8
Computer software (year % ch.)	16.7 4.4	16.5 -9.5	16.8 1.7	17.3 2.9	18.0 4.4	19.0 5.3	20.0 5.5	17.9 1.7
Mineral exploration and evaluation (year % ch.)	0.3 9.0	0.3 -22.0	0.3 4.4	0.3 4.2	0.3 4.6	0.4 5.6	0.4 6.2	0.3 0.5
Cultivated biological resources (year % ch.)	4.9 -5.6	4.1 -12.6	4.0 -2.9	4.2 3.6	4.4 4.6	4.6 5.6	4.9 6.6	4.4 0.8
Transfer costs (year % ch.)	9.8 0.6	7.3 -23.6	7.1 -3.0	7.4 4.0	7.8 5.5	8.3 6.5	8.8 6.4	7.8 -0.7

Table B 6: Labour sector (million)

	<i>Average 2014-19</i>	2020	2021	2022	2023	2024	2025	<i>Average 2020-25</i>
Employment								
Total labour force	21.8	21.9	23.2	23.5	23.8	24.1	24.4	23.5
(year % ch.)	2.5	-4.7	6.0	1.4	1.4	1.3	1.2	1.1
Private sector employment	13.9	12.7	12.6	12.9	13.2	13.5	13.8	13.1
(year % ch.)	1.7	-10.6	-1.2	2.3	2.7	2.1	2.1	-0.4
Government employment	2.1	2.1	2.2	2.1	2.1	2.1	2.1	2.1
(year % ch.)	1.0	0.5	2.4	-1.0	-1.0	-1.0	-1.0	-0.2
Total employment (incl. informal)	15.9	14.8	14.7	15.0	15.3	15.6	15.9	15.2
(year % ch.)	1.6	-9.2	-0.7	1.8	2.2	1.7	1.7	-0.4
Unemployment rate	26.7	31.6	36.4	36.0	35.6	35.3	35.0	35.0
Wage rates (year % change)								
Unit labour cost	5.8	4.3	0.8	4.4	4.8	4.4	4.5	3.9
Wage bill (R billion at current prices)								
Total wage bill	2117.8	2306.0	2408.6	2560.1	2733.0	2906.9	3097.5	2668.7
(year % ch.)	6.8	-4.6	4.5	6.3	6.8	6.4	6.6	4.3

Table B 7: Personal income and expenditure (R billion at current prices)

	<i>Average 2014-19</i>	2020	2021	2022	2023	2024	2025	<i>Average 2020-25</i>
Income and expenditure								
Remuneration of employees (year % ch.)	2117.8 6.8	2306.0 -4.6	2408.6 4.5	2560.1 6.3	2733.0 6.8	2906.9 6.4	3097.5 6.6	2668.7 4.3
Social benefits to households (year % ch.)	227.5 7.8	376.8 38.7	335.2 -11.0	346.4 3.3	365.5 5.5	385.6 5.5	406.8 5.5	369.4 7.9
Less direct personal taxes (year % ch.)	447.2 9.2	493.1 -8.1	530.6 7.6	567.7 7.0	610.2 7.5	653.3 7.1	700.4 7.2	592.5 4.7
Disposable income (year % ch.)	2652.8 6.4	2931.2 -3.8	3098.1 5.7	3292.8 6.3	3511.8 6.7	3732.4 6.3	3971.6 6.4	3423.0 4.6
Less household consumption (year % ch.)	2670.5 6.1	2922.6 -4.4	3169.5 8.4	3387.3 6.9	3595.7 6.2	3813.1 6.0	4052.2 6.3	3490.1 4.9
Saving	-17.6	8.6	-71.4	-94.5	-83.9	-80.7	-80.6	-67.1
Households: ratio to disposable income								
Saving	-0.7	0.3	-2.3	-2.9	-2.4	-2.2	-2.0	-1.9
Debt	74.4	78.9	78.3	78.6	78.3	77.5	77.0	78.1
Debt-service cost	9.3	8.6	7.9	8.8	9.2	9.3	9.3	8.9
Net wealth	375.2	380.6	390.5	385.0	380.2	375.7	372.1	380.7

Table B 8: Current income and expenditure of general government (R billion at current prices)

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Income								
Personal income tax (year % ch.)	447.2 9.2	493.1 -8.1	530.6 7.6	567.7 7.0	610.2 7.5	653.3 7.1	700.4 7.2	592.5 4.7
Corporate income tax (year % ch.)	231.6 4.3	188.2 -23.7	174.0 -7.5	185.6 6.7	210.5 13.4	239.7 13.8	273.1 13.9	211.9 2.8
Value added tax (VAT) (year % ch.)	294.9 6.1	299.6 -9.0	352.3 17.6	381.9 8.4	407.3 6.6	434.5 6.7	464.6 6.9	390.1 6.2
Other indirect taxes (year % ch.)	283.9 8.9	296.1 -13.1	341.9 15.5	375.8 9.9	406.7 8.2	440.6 8.3	479.0 8.7	390.0 6.3
Other income	63.4	64.9	47.0	47.5	49.5	51.2	53.2	52.2
Current income (year % ch.)	1321.0 7.4	1341.9 -11.8	1445.8 7.7	1558.5 7.8	1684.3 8.1	1819.3 8.0	1970.2 8.3	1636.7 4.7
Expenditure								
Consumption (year % ch.)	935.4 6.8	1134.1 4.9	1188.6 4.8	1216.6 2.4	1245.3 2.4	1282.9 3.0	1324.9 3.3	1232.1 3.4
Interest Payments (year % ch.)	149.2 12.6	226.9 17.0	267.2 17.8	303.6 13.6	341.0 12.3	371.8 9.0	393.9 5.9	317.4 12.6
Social benefits to households (year % ch.)	227.5 7.8	376.8 38.7	335.2 -11.0	346.4 3.3	365.5 5.5	385.6 5.5	406.8 5.5	369.4 7.9
Other expenditure	185.0	287.6	232.5	198.2	194.6	198.9	202.4	219.0
Current expenditure (year % ch.)	1497.1 8.0	2025.4 12.2	2023.5 -0.1	2064.9 2.0	2146.4 3.9	2239.1 4.3	2327.9 4.0	2137.9 4.4
Saving	-71.2	-461.7	-359.8	-293.6	-249.4	-207.1	-144.9	-286.1
Ratios to GDP								
Total tax revenue	28.1	26.5	27.4	28.1	28.7	29.3	29.9	28.3
Current expenditure	33.4	42.0	39.6	38.4	37.7	37.1	36.3	38.5
Budget deficit (National government)	-4.6	-13.4	-11.7	-9.7	-8.3	-7.2	-6.0	-9.4
Gross debt (National government)	51.7	72.5	81.8	87.5	91.3	93.7	95.0	87.0

Table B 9: Balance of payments (R billion at current prices)

	<i>Average 2014-19</i>	2020	2021	2022	2023	2024	2025	<i>Average 2020-25</i>
Current account								
Exports: goods and services (year % ch.)	1350.7 5.6	1436.8 -5.2	1484.2 3.3	1521.7 2.5	1599.5 5.1	1688.0 5.5	1785.2 5.8	1585.9 2.8
Net receipts (year % ch.)	-34.2 4.0	-35.8 0.6	-24.0 -32.8	-8.6 -64.1	-13.2 52.4	-21.2 60.8	-24.4 15.2	-21.2 5.3
Less imports: goods and services (year % ch.)	1348.2 4.0	1309.6 -12.1	1420.5 8.5	1531.4 7.8	1622.9 6.0	1730.1 6.6	1854.8 7.2	1578.2 4.0
Less net factor payments (year % ch.)	126.5 7.9	113.3 -20.9	143.0 26.2	153.2 7.1	164.8 7.6	179.6 9.0	195.2 8.7	158.2 6.3
Current account balance	-158.2	-21.9	-103.4	-171.5	-201.3	-242.9	-289.1	-171.7
Current account in US\$	-12.3	-1.1	-6.0	-9.8	-11.4	-13.6	-16.0	-9.7
Current account as % of GDP	-3.6	-0.5	-2.0	-3.2	-3.5	-4.0	-4.5	-3.0
Financing of the current account								
Total net capital flows	175.5	-16.8	90.0	170.0	195.0	245.0	292.0	162.5
SDR + Valuation adjustment	24.8	201.7	-2.8	7.9	5.3	15.8	10.5	39.7
Change in gross reserves	42.0	163.1	-16.2	6.4	-1.0	17.9	13.4	30.6
Gross reserves: quarter end	678.2	935.2	919.0	925.4	924.4	942.3	955.7	933.7
Gross reserves: quarter end (US\$)	49.9	53.7	53.0	52.9	52.5	52.6	52.8	52.9
Terms of trade								
Index (2010 = 100) (year % ch.)	104.4 1.3	117.5 8.7	113.8 -3.2	108.3 -4.8	106.4 -1.8	104.8 -1.5	103.6 -1.1	109.1 -0.6

Table B 10: Credit, interest rates and exchange rates

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Money supply and credit extension								
M3 money supply (year % ch.)	3248.8 7.0	4102.8 9.1	4338.8 5.8	4638.4 6.9	4944.1 6.6	5256.2 6.3	5613.9 6.8	4815.7 6.9
Private sector credit to households (year % ch.)	1546.8 4.1	1800.6 3.8	1911.9 6.2	2027.4 6.0	2152.3 6.2	2268.2 5.4	2403.6 6.0	2094.0 5.6
Private sector credit to firms (year % ch.)	1810.9 9.8	2252.2 5.5	2427.0 7.8	2611.0 7.6	2791.8 6.9	2988.0 7.0	3210.3 7.4	2713.4 7.0
Total private sector credit extension (year % ch.)	3357.6 6.9	4052.8 4.7	4338.8 7.1	4638.4 6.9	4944.1 6.6	5256.2 6.3	5613.9 6.8	4807.4 6.4
Interest rates								
3-month NCD rate	6.76	4.50	3.67	4.29	4.83	4.91	4.92	4.52
10-year government bond yield	8.66	9.60	9.82	9.72	9.54	9.35	9.42	9.57
Prime overdraft rate	9.91	7.86	7.00	7.44	7.92	8.00	8.00	7.70
Effective household lending rate	12.56	10.99	10.12	11.14	11.81	12.04	12.12	11.37
Effective firm lending rate	8.44	5.74	4.39	5.56	6.46	6.74	6.67	5.93
Exchange rates								
R/US DOLLAR (year % ch.)	13.22 7.4	16.94 17.3	17.19 1.4	17.47 1.7	17.58 0.6	17.85 1.5	18.05 1.1	17.51 3.9
R/ 100 Japanese YEN (year % ch.)	11.91 5.7	15.82 19.3	16.57 4.7	16.96 2.4	17.07 0.6	17.33 1.5	17.52 1.1	16.88 4.9
R/STERLING (year % ch.)	18.43 3.8	21.56 16.9	21.91 1.6	22.58 3.1	23.21 2.8	23.57 1.5	23.82 1.1	22.78 4.5
R/EURO (year % ch.)	15.28 4.2	19.21 18.8	20.24 5.4	20.97 3.6	21.36 1.9	21.78 1.9	22.02 1.1	20.93 5.4
R/\$ PP parity rate (base PPI 2003) (year % ch.)	11.38 5.3	13.06 4.8	13.46 3.1	13.80 2.5	14.03 1.7	14.32 2.1	14.53 1.5	13.87 2.6

Table B 11: Prices (index base year: 2010)

	Average 2014-19	2020	2021	2022	2023	2024	2025	Average 2020-25
Price deflators								
Exports (incl. services) (year % ch.)	148.7 4.5	182.0 8.8	180.2 -1.0	179.6 -0.3	182.7 1.7	186.6 2.1	190.9 2.3	183.7 2.3
Export commodities (in rand) (year % ch.)	1126.2 9.2	2369.6 56.2	2255.6 -4.8	1992.6 -11.7	1925.7 -3.4	1918.7 -0.4	1902.5 -0.8	2060.8 5.9
Imports (incl. services) (year % ch.)	142.3 3.3	154.8 0.2	158.4 2.3	165.9 4.7	171.7 3.5	178.0 3.7	184.2 3.5	168.9 3.0
GDE (year % ch.)	141.9 4.8	161.6 2.9	168.2 4.1	176.2 4.7	184.0 4.4	191.9 4.3	200.4 4.4	180.4 4.1
Investment (year % ch.)	138.4 4.3	154.9 2.9	162.1 4.7	170.1 4.9	177.2 4.2	185.3 4.5	193.4 4.4	173.8 4.3
GDP (year % ch.)	144.1 5.2	166.8 3.4	171.2 2.7	177.0 3.4	184.1 4.0	191.4 4.0	199.4 4.2	181.7 3.6
Consumer & producer prices								
Headline inflation (CPI) (year % ch.)	100.1 5.2	115.7 3.1	119.8 3.6	125.4 4.6	131.2 4.6	136.9 4.4	143.2 4.6	128.7 4.2
Core inflation* (year % ch.)	100.1 5.0	115.2 3.2	118.5 2.9	122.8 3.6	128.0 4.2	133.5 4.3	139.6 4.6	126.3 3.8
CPI food and non-alcoholic beverages (year % ch.)	98.0 6.2	115.3 4.2	118.8 3.0	123.2 3.8	128.1 4.0	132.9 3.7	138.1 3.9	126.1 3.8
CPI petrol (year % ch.)	108.9 3.7	115.7 -6.5	127.2 10.0	146.2 15.0	157.3 7.6	166.4 5.8	175.2 5.3	148.0 6.2
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	13.4 3.4	14.2 -6.1	15.8 11.5	18.2 14.9	19.5 7.6	20.7 5.8	21.8 5.3	18.4 6.5
CPI electricity (year % ch.)	98.3 7.5	126.7 8.8	140.3 10.7	160.1 14.1	175.0 9.3	185.5 6.0	196.6 6.0	164.0 9.2
Producer price index (year % ch.)	100.2 5.5	116.0 2.6	122.6 5.6	128.7 5.0	134.1 4.2	140.4 4.6	146.0 4.0	131.3 4.4

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