

Medium-term economic outlook and risks

Forecast for South Africa: 2022 - 2027

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Editor: Hugo Pienaar

Email: hugop@sun.ac.za

Tel: +27 21 808 9782

Forecasting team:

Shannon Bold

Lesego Chanza

Linette Ellis

Lisette IJssel de Schepper

George Kershoff

Prof Johann Kirsten

Craig Lemboe

Lebo Siboyi

Sumaiya Sidat

Nicolaas van der Wath

Cobus Venter

Technical assistance:

Nicolaas van der Wath

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Forecast in a nutshell

Real annual % change*	Average 2016-21	Average 2022-27
Final household consumption expenditure	0.9	2.0
Durable goods	1.3	2.8
Semi-durable goods	-0.1	3.5
Non-durable goods	0.6	1.5
Services	1.1	2.0
Gross fixed capital formation	-3.5	5.4
Private residential	-5.2	2.9
Private excluding residential	-0.4	7.2
Government	-5.2	1.5
Public Corporations	-11.0	3.2
Gross domestic expenditure	0.1	2.2
Exports of goods and services	-0.4	2.9
Imports of goods and services	-1.2	3.6
Gross domestic product	0.3	2.0
Current account as % of GDP	-0.7	-1.4
Interest rates (%)		
3-month NCD rate	6.10	6.38
10-year government bond yield	9.00	9.84
Prime overdraft rate ¹	9.32	9.39
Inflation rates (%)		
Producer prices	5.3	5.1
Consumer prices	4.7	4.8
Labour and employment (private and public)		
Nominal wage rate	5.8	4.4
Employment growth	-1.1	2.3
Exchange rates (annual average)		
R/US dollar	14.49	16.21
R/Euro	16.56	19.33
R/Pound sterling	19.11	22.24
R/100 Japanese Yen	13.25	13.97
Fiscal indicators as % of GDP		
Main budget balance	-5.4	-5.1
Gross government debt	57.0	79.0

*unless specified otherwise

¹ Since the forecast was completed, we changed the repo rate forecast from a 25bps hike in May 2022 to 50bps. This frontloaded view did not change the medium-term outlook for short-term interest rates in SA.

Executive summary

Since our last major forecast update in January, the outlook for the global and SA economy has been buffeted by several profound developments. The global stagflation ramifications of Russia's unprovoked and brutal invasion of Ukraine are chief among these. At the same time, draconian lockdowns in China have worsened the country's real GDP growth outlook materially and exacerbated global supply chain disruptions. This has adverse implications for a small, open economy like SA. All of this is against a backdrop where global inflation pressures are boiling over, resulting in a sustained rise in long-term interest rates across the globe. Global financial markets are unsettled, with equity markets under pressure. Recently, the rand exchange rate, which has been remarkably resilient in 2022, also succumbed to the adverse global forces. Domestically, the tragic floods in KwaZulu-Natal (KZN) and, although not unexpected, the return of stage 4 load-shedding add additional downward pressure to growth on top of the global setbacks. From a local perspective, the difficulty is that while the recent news flow has been grim, the dataflow for the early months of the year mostly showed stronger momentum in economic activity than assumed before. In addition, some sectors of the SA economy, most notably mining, are benefitting from higher commodity prices as a result of the fallout from the Russia-Ukraine war. Taken together, a somewhat surprising outcome is that the SA economy is now expected to grow by more than 2% in 2022, better than our January forecast. As has been the case in recent years, there are several, mainly downside, risks attached to the revised growth outlook. An area of more certainty is inflation. Near-term price pressures, globally and in SA, will be much higher than expected before.

While there is no doubt that the global economy is being hit by severe shocks, the impact would have been worse if not for the strong countervailing force of reopening in many countries as mobility restrictions related to the Omicron COVID wave were eased. Strong household balance sheets in developed countries after years of deleveraging post the global financial crisis (GFC), low real interest rates, and very strong labour markets are further key supports.

Even so, in its latest (April) forecast update, the IMF sharply lowered the **outlook for global real GDP** growth in 2022. At 3.6%, the global lender's revised forecast is 0.8 percentage points (% pts) lower than expected in January, and 1.3% pts down on its outlook in October 2021. If realised, this would be a sharp moderation after the strong global growth bounceback of 6.1% in 2021 following the COVID crash in 2020. Importantly, the latest outlook does not foresee any growth re-acceleration in 2023, with real global GDP growth again pencilled in at 3.6%. While China is set to post better growth next year as it moves out of the current zero-COVID policy constraint, the US and the Eurozone (EZ) is forecast

to slow down further as higher policy and long-term interest rates start to weigh on activity. To take this a bit further, there is a growing concern that in a (belated) effort to quell multi-decade high inflation, the US central bank now needs to aggressively hike their policy interest rate. This risks a sharp growth moderation, or even recession, in the US over the forecast period. In Europe, policy rate hike expectations are rapidly being brought forward.

While growth projections are being downgraded, the IMF lifted the forecast for the increase in **global consumer prices** (CPI) during 2022 considerably. Indeed, CPI inflation in advanced countries is now set to increase by an average of 5.7% this year, an upward revision of 1.8% pts relative to January and an extraordinary adjustment of +3.4% pts since October 2021. Central banks and private sector forecasters have made similar forecast adjustments, i.e., GDP growth outlooks have been cut, while inflation projections have increased sharply.

Ordinarily, such notable downward growth revisions would be accompanied by a softer outlook for major

commodity prices. However, at this stage, much higher commodity (mainly energy and grain) prices as a result of the war in Eastern Europe are adding to already elevated inflation to squeeze household incomes and drive interest rates higher. Ultimately, this drags down growth. SA is in the fortunate position that although our oil import bill has/will surge, the price of some of our key export commodities has also increased because of the war.

Although off their highs in the early weeks of the conflict, several commodity prices remain substantially above levels before the war. This has shielded SA's terms of trade, the current account and the rand exchange rate. After incorporating revised (higher) commodity prices into the forecasting model, we now expect a much higher **current account surplus** in 2022 than before. The surplus is still set to moderate from the 3.7% of GDP recorded in 2021, but at a projected almost 2% of GDP, it should still provide an important underpin for the rand exchange rate. As seen in recent days, this shield will be important to fend off the impact of volatile foreign capital flows as global interest rates rise. Having said that, the risk is that the rand will be weaker than our revised year-end target of R15.55/\$.

As in the rest of the world, the higher commodity prices have worsened the **domestic inflation outlook**. A key difference in SA relative to many other countries is that local consumer inflationary pressures were not already alarming before the Russia invasion. While the rise in SA headline inflation already picked up notably to 5.2% y-o-y in the second half of 2021, from 3.9% in the first six months of the year, underlying (core) inflation remained subdued at only 3.2% in 2021H2. Core prices have picked up more meaningfully so far in 2022, rising by 3.8% y-o-y in March. However, this remains well below the SA Reserve Bank's (SARB) preferred 4.5%. Amid a particularly poor job market recovery, local retailers have to date been unwilling to pass on much higher input costs to consumers.

This is starting to change, and with further input cost hikes now in the offing, near-term consumer inflation is set to temporarily breach the SARB's 6% upper inflation target band in 2022Q2.

There are three offsetting factors that limited the extent to which we upwardly revised the inflation forecast for 2022. One is a much lower-than-anticipated electricity tariff increase of 9.6% granted to Eskom for 2022/23. Although a substantial increase, Eskom requested more than 20%. Furthermore, Discovery's decision to postpone its annual medical insurance premium rise from May to October also helped to soften the blow from higher fuel prices. Speaking of which, government's decision to temporarily reduce the fuel levy by R1.50/litre for April and May will smooth the pass-through from a higher oil price into the local petrol price and broader inflation. *Despite these offsets, the forecast for the rise in headline CPI during 2022 was revised up sharply to 5.7%, from 5% in January.* The increase in headline CPI is projected to moderate to 4.6% during 2023. Especially for 2022, upside inflation risks dominate.

On the **domestic growth front**, the stark downgrade to global growth (especially the revisions to the EZ and China) does not bode well for local export volumes. However, with the war curtailing Russian supplies of some commodities, mainly palladium and coal, that we produce, SA stands to gain. Unfortunately, domestic production and logistical constraints mean that we are unlikely to fully meet the higher global demand. SA miners will, however, benefit from higher prices, supporting another year of likely strong local mining sector profits (if not export volumes). Although this should also continue to benefit corporate tax revenue, the severe problems with the bulk export rail lines and port facilities suggest that real GDP growth may not gain that much from the higher commodity prices. Indeed, Kumba Iron Ore already flagged weak 2022Q1 iron ore export sales, partly driven by rail/port inefficiencies. The prolonged strike at

Sibanye Stillwater's SA gold mining operations is another negative for commodity export volumes.

Other domestic growth constraints include the hit to disposable income from higher inflation and likely more domestic policy interest rate hikes, persistent load-shedding, the latest resurgence in domestic COVID-19 infections, as well as the adverse external trade and agricultural/manufacturing production impacts of the devastating recent floods in KZN. The second quarter GDP data, in particular, is set to be poor.

Juxtaposed against these negatives are robust activity indicators for 2022Q1, albeit that some of the data for February came in softer than expected. Both the Absa and S&P Global SA PMIs averaged higher in the first quarter than during 2021Q4. On the consumer front, new passenger car sales were almost 16% higher in 2022Q1 than during 2021Q4.

Besides indications of a better 2022Q1 GDP performance, two other factors support our real GDP forecast for 2022 relative to before. In January, real government spending was expected to decline notably (by 2%) in 2022. Subsequent to this, the February Budget showed a small increase in spending. We have revised our figure to show unchanged government outlays in 2022, boosting overall real GDP growth this year.

Furthermore, private sector fixed investment vastly outpaced expectations in 2021Q4. Even with fairly conservative quarterly growth momentum pencilled in for 2022, the impact of this is to lift the private capex growth rate materially in 2022 relative to what we had before. *In all, these strong opposing forces result in an upgrade to the 2022 real GDP growth forecast to 2.4%, from 1.9% in the January forecast run.* Given the shocks now hitting the economy, growth risks are on the downside. Real GDP growth is forecast to ease to 1.8% in 2023, and to hover around 2% over the medium term (2024-27).

The 50bps policy rate hike by the US central bank in early May, as well as elevated domestic inflation risks, suggest that the SARB will also accelerate the domestic policy **interest rate hiking cycle** by moving by 50bps at its next scheduled meeting in May. This is especially the case given the rand's current weakness. The call for a 50bps SARB hike in May is a change from our long-held view that the central bank will move gradually by 25bps at a time. For now, we have also added another 25bps hike in November. This means a further 125bps worth of rate hikes are forecast for 2022, taking the repo rate to 5.50% by year-end. A further three hikes of 25bps each are pencilled in for 2023.

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Introduction²

Just as large parts of the world were starting to emerge from the Omicron COVID-19 wave, the outlook for the global and SA economy has again been undermined by significant shocks. These include the Russia-Ukraine war, the Chinese government's dogged pursuit of a zero-COVID policy, and the tightening of global financial conditions as major central banks battle to get ahead of multi-decade high inflation.

A silver lining amongst the adverse shocks hitting the economy

Domestically, persistent load-shedding and disruptions to production and external trade caused by the floods in KwaZulu-Natal are negatives in addition to the global headwinds. On a positive note, higher-than-expected prices for major SA export commodities have somewhat countered these adverse events, at least in terms of the impact on SA's terms of trade and the external trade balance. While acknowledging that the medium-term implications of recent events are highly uncertain, the rest of the report sets out how we have tried to balance the opposing forces in the forecast. But first we provide an overview of some notable risks to the baseline scenario forecast. The detailed forecast numbers can be found in the summary tables at the end of the report.

² This report was completed on 12 May 2022.

Selected domestic and global risks³ (in no particular order)

Risk	Narrative	Possible impact on the SA economy
Recession in major economies	<p>For the US, there is growing unease about whether the US central bank (Fed) can tame persistent and decades-high inflation (and rising inflation expectations) by aggressively raising the policy interest rate and at the same time shrink its bloated balance sheet without this leading to a sharp downturn in US real GDP growth. US recession calls have become louder. In the Eurozone (EZ), consensus is building on the imposition of an embargo on Russian oil imports as a retaliatory step against the country's unprovoked invasion of Ukraine. Although an embargo is likely to be phased in, it would still hit the leading economies in Europe, including Germany, hard. Although it may be temporary, if an embargo results in a renewed surge in international energy prices, it will also have global ramifications. A further escalation of the war in Ukraine to, for example, other countries in the region is another downside risk for global growth. In China, the authority's stubborn persistence with a zero-COVID policy means that any flare-up of infections, even if very mild by Western standards, is likely to result in draconian lockdowns. This will not only continue to weigh on near-term Chinese growth but is also a major risk for the resolution of global supply chain bottlenecks. Besides the lockdowns, China's property market is deleveraging, dampening a key recent driver of GDP growth.</p>	<p>As a small, open economy, SA is greatly exposed to adverse global developments. Notably weaker short-term global growth will have adverse implications for global risk perceptions and key commodity prices, both of which have the potential to weigh on foreign capital inflows to emerging markets. SA export earnings will be adversely impacted by reduced demand for, and prices of, our key export commodities. Non-mining (agriculture and manufacturing) export volumes are also likely to be under pressure. Depending on supply-side developments, including impacts stemming from the war in Ukraine, the oil price would presumably also be lower in such a scenario. Even so, the risk is that SA's terms of trade could suddenly worsen, driving a quick reversal in the current sizeable current account surplus. In turn, this could fuel significant rand weakness.</p>

³ These are risks that do not already explicitly form part of the current baseline scenario forecast. Some may only materialise over the medium term, i.e. not necessarily in 2022-23.

	<u>Although our updated baseline forecast has notably downgraded the outlook for global growth, it does not foresee a technical recession in any of the major economies. The risks to the baseline are judged to be on the downside.</u>	
Risk	Narrative	Possible impact on the SA economy
Severe COVID-19 variant emerges	Thankfully, our October 2021 assumption proved to be correct that a higher vaccination rate and increased natural immunity meant that the, at the time imminent, fourth wave of COVID-19 would be less severe in terms of hospitalisations and deaths. As a result, limited lockdown restrictions were required, and economic activity was not really curtailed. Our current baseline is that while further waves of infection are most likely inevitable, they will either be similar to, or less severe than the Omicron wave. This should require only limited mobility restrictions, if at all. However, there are no guarantees. <u>Although this likely has a low probability, the risk remains that a new, more severe, variant could emerge that overwhelms the health sector, resulting in renewed mobility restrictions.</u>	The key economic risk is if government reacts to a resurgence in severe infections through the re-imposition of certain lockdown restrictions. Given the still incomplete GDP recovery and the lack of fiscal firepower to support incomes, we would not expect overly draconian measures. However, as with the response to the second and third waves, any form of restriction on say the liquor and hospitality sectors would be a further setback to the SA economic recovery. Even in the absence of tighter lockdown restrictions, the likely confidence hit and associated more cautious consumer and firm spending behaviour amid a severe wave would delay the recovery. A severe wave(s) will also have fiscal implications as the setback to growth adversely impacts tax revenue. It could also lead to extra government expenditure. Furthermore, it could also result in renewed international travel bans on SA.
Eskom	As again seen in recent weeks, there is a continued high risk of unreliable power supply resulting in power rationing . At an average of less than 59% so far this year, Eskom’s energy availability factor (EAF) remains well below acceptable levels. The current EAF implies that more than 40% of Eskom’s installed power generation capacity is unavailable. This is due to a combination of planned and (significant) unplanned outages. Eskom management has continuously emphasised that periodic power outages will occur until significant (4 000 to 5000MW) new private sector power	Periodic load-shedding, especially if it moves beyond stage 2, will continue to hold back private capex, as well as GDP and employment growth. Eskom also poses a major risk to public finances, including that a sizeable part of its large debt will probably eventually need to be transferred onto the sovereign balance sheet. Because of the weak state of public finances, Eskom’s management is cognisant to not further burden the state

	<p>generation capacity comes on stream. Recently, Public Enterprises Minister Pravin Gordhan cautioned that stage 8 load-shedding may at some point be required to safeguard the power system from a total collapse. This intensity of power rationing is not part of our baseline.</p> <p>In addition, the utility remains in a debt trap where revenue is insufficient to meet the interest payments on massive debt of R350bn to R400bn.</p> <p>At the same time, the pressure on SA is growing to chart a credible just energy transition roadmap to move away from an overreliance on fossil fuels for power generation. This brings both opportunities and threats. If Eskom shows commitment to this cause, it could potentially unlock a large pool of concessional green finance. But this will increase the utility’s already excessive debt. On the other hand, the risk of losing out on future export/other business opportunities, or being hit by a range of non-tariff barriers if we don’t commit to a green transition highlights the importance of implementing a phased-in plan to reduce SA’s carbon footprint.</p>	<p>with additional bailout requests. However, this may be inevitable amid a much lower-than-requested electricity tariff increase for 2022/23 and surging input costs (diesel and coal). In essence, until much more private sector power generation comes on stream, the electricity constraint will hold back SA’s growth potential.</p>
<p>Structurally higher spending on social security contributes to an SA fiscal crisis</p>	<p>Stats SA’s GDP benchmarking and rebasing exercise, which revealed that nominal GDP was 11% larger in 2020 than estimated before, has resulted in a stark improvement in SA’s debt-to-GDP ratio. The debt ratio in 2020/21 is now just over 70% versus 80% before. Furthermore, a large mining sector tax windfall meant that the main budget deficit for 2021/22 will be significantly lower (perhaps less than 5% of GDP) than the 9% projected by the Treasury at the time of the February 2021 budget. Despite these positive developments, it is worth bearing in mind that whereas the debt ratio is a lot lower, the quantum of public sector debt that needs to be financed remains very large. Furthermore, the mining tax bonanza is cyclical, albeit</p>	<p>Most directly, a perception that government is embarking on unsustainable government spending will drive up the cost of funding. This has negative impacts for the real economy as it raises borrowing costs for firms and households. Amongst other factors, this will dampen animal spirits, crowding out private sector fixed investment. Consumer spending on durable goods could also be depressed. If capital market debt financing becomes unavailable in a crisis scenario, government will be desperate for alternative sources of funding⁴. Less optimal</p>

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.

	<p>that it has continued so far in 2022. While the revenue boost is temporary, the demands to raise structural government spending has increased. Most notably, this includes an intensified call for the introduction of a basic income grant (BIG) in SA. Debated for years, those agitating for a BIG are more vocal in the wake of the July looting shock that 1) laid bare the vast inequalities in SA and 2) worsened the plight of the most vulnerable in the affected areas. In addition, the further significant electoral losses (to well below 50% of the overall vote) suffered by the ANC in the November 2021 local government election (and in several subsequent by-elections) could make the governing party more susceptible to provide greater social assistance to shore up voter support before the 2024 national election. Our current baseline assumes that the R350 per month social relief of distress (SRD) grant, which was extended by another year to March 2023, will become permanent. This will add about R45 billion (0.7% of GDP) to government expenditure per annum. A BIG, especially if it is universal and implemented at the food poverty line of close to R600 per month, could cost up to R200bn per annum. On humanitarian grounds, there is a strong argument for this. It will assist with poverty alleviation and the associated rise in disposable income will support consumer spending. However, and crucially, it is not obvious that, as some claim, the extra spending will generate sufficient additional tax revenue over time to finance the BIG. Put differently, it is doubtful that a BIG will pay for itself, implying a further rise in public debt. In addition to a BIG, there are several other large risks to government expenditure/debt, including a possible Eskom debt transfer to the sovereign balance sheet. Other risks include further bailouts to non-Eskom SOEs, further COVID wave(s) mitigation, higher-than-assumed debt service costs, and higher-than-budgeted-for public sector wage settlements.</p>	<p>financing options could include large and growth-inhibiting tax hikes, or 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 percentage of pension fund holdings that may be invested 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. Higher inflation would hurt the poor the most, i.e. precisely those groups that the extra government spending is meant to support.</p>
<p>China invades Taiwan</p>	<p>China's geo-political aspirations pose another key downside risk to global risk perceptions and potentially also global growth. This follows a ratcheting up of Chinese rhetoric on the complete reunification of Taiwan with mainland China. Chinese</p>	<p>Military conflict involving global superpowers will have adverse implications for global risk perceptions, with the potential to weigh heavily on foreign capital inflows to emerging markets. The</p>

	<p>President Xi Jinping has stressed his preference that this process should be peaceful, but China has been flexing its military muscle in Taiwanese airspace for some time. Taiwan is most unlikely to 'surrender' voluntarily to China, raising the threat of military conflict. This is more of a medium-term risk than something that is likely to happen soon as the Chinese leadership is currently battling COVID outbreaks at home and wants to give a sense of stability before the Communist party Congress at the end of 2022. The stakes of an invasion would be high as the US has traditionally supported an independent Taiwan. If the US were to get involved in any military conflict with China, the situation would escalate dramatically.</p>	<p>hit to sentiment is likely to weigh on global growth. A likely higher gold price amid safe-haven demand may somewhat shield SA from the fallout.</p>
<p>Social tensions boil over in SA</p>	<p>We have long cautioned about the possibility of an Arab-spring-like event in SA. 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, xenophobic violence, etc. Egged on by former President Jacob Zuma's supporters after his arrest and 'imprisonment', and seemingly also fuelled by crime syndicates, this all boiled over in July 2021 in an unprecedented looting spree in parts of the country.</p> <p>With the high levels of poverty and deprivation set to remain in the foreseeable future, in part driven by sustained elevated food prices, and if we do not see a dramatic improvement in service delivery at local government, there is a risk that the dramatic events in July could be repeated. Since July last year, periodic targeting of foreign nationals has occurred. In part, this may have been driven by irresponsible comments from local politicians who blame immigrants for SA's social ills. Another source of violence could be plans by the EFF to start a new trade union to compete with Cosatu. In the past, most recently with the formation of Amcu in the platinum</p>	<p>Because the July 2021 looting spree coincided with stricter lockdown restrictions and the third wave of COVID-19, teasing out the economic impacts solely related to the looting is tricky. However, based on the data releases for July, there is no doubt that it had a stark negative impact on spending and production. The longer-term impact on risk perceptions and foreign as well as domestic fixed investment remains unclear. What should not be in doubt is that another outbreak of widespread social unrest would be a major setback to putting SA on a sustained path to faster growth in private sector fixed investment, real GDP and employment.</p>

	belt around a decade ago, this has led to violent clashes as the existing and emerging unions compete for members.	
Risk	Narrative	Possible impact on the SA economy
Globalisation retreats	Before coronavirus and the Russia-Ukraine war, the rising trend in global populism, the trade war between the US and China, as well as Brexit, already threatened to reverse some of the globalisation gains since the early 1990s. The supply-side bottlenecks associated with COVID-19 and the war in Eastern Europe, as well as the retaliatory (severe) sanctions imposed on Russia, seem to have accelerated this trend. Companies, in some cases nudged by authorities, may rely less on global supply chains and move to onshore production facilities. This is to be less reliant on other countries for key supplies. SA's localisation policy, driven by the Department of Trade, Industry and Competition, fits in here.	In some countries, selected parts of society lost out because of globalisation. However, the efficiencies and cost reductions brought about by rising global connectivity over the last 30 years were important drivers of sustained global GDP growth and low inflation. A reversal is likely to reduce world productivity growth. The cost of production is also likely to increase as countries move to produce goods in which they do not necessarily hold a comparative advantage. At a minimum, protectionist policies should be sector specific as opposed to being applied across the board. Domestic sectors that have ample production capacity and can expand would, for example, be better suited to benefit with less potential disruption to the broader economy. Even then, the question of whether goods can be supplied at the same competitive prices as imports is important if one thinks about society-wide benefits.
(Permanent) increased role for the state	While increased state intervention can be justified to aid in the fight against the coronavirus, the key question is how the state 'shrinks' again once we move past the health crisis.	History is awash with examples where state planning of the economy failed dismally. Even in China, the last 30 years has seen increased opening up of the economy to the private sector. As with a reversal of globalisation, a permanent increased role for the state is likely to result in suboptimal outcomes. This is especially the case in a country like SA which is not known for having the most capable state.

<p>Cyber security issues</p>	<p>IT security breaches have already led to notable disruptions in both the private and public sectors.</p>	<p>As highlighted by the IT-security breach at Transnet in July 2021, disruption of IT systems can have adverse real economy impacts. Ordinary citizens would also be affected if basic services are disrupted. Regulatory backlash and concern about security could delay the adoption of productivity-enhancing systems/technologies.</p>
<p>Climate change</p>	<p>Devastating fires and floods across the world and in SA in recent years have highlighted the adverse impacts of changing weather patterns.</p>	<p>This could result in wide-ranging impacts, including crop failure and subsequent job losses, damage to infrastructure, and in the worst cases death. Either through flood damage, the reduction in fossil fuel production, or the increased demand for metals used in the green energy revolution, climate change (and the transition policies to mitigate against it) is likely to add to global inflationary pressures in the foreseeable future.</p>

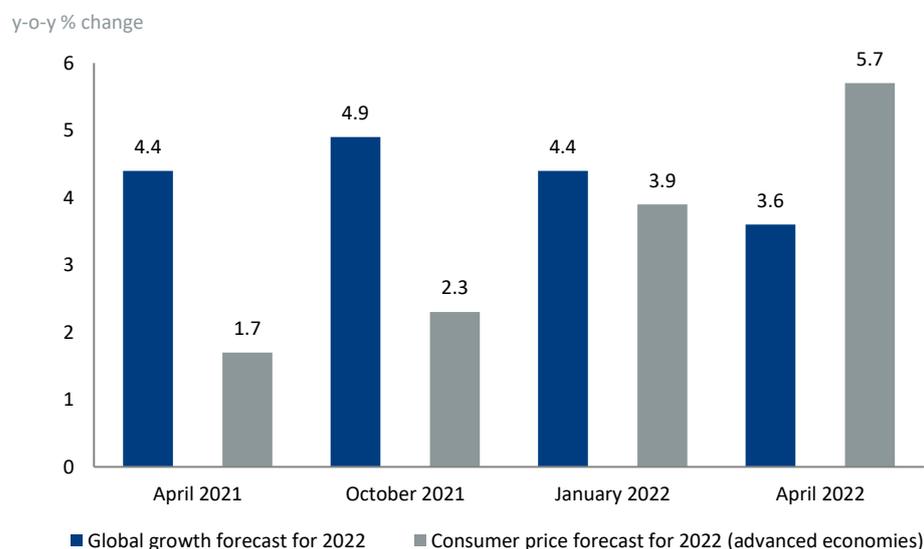
Global outlook

Global economy pounded by several notable shocks

Shocks wreak
havoc with
growth and
inflation
forecasts

Since our last forecast update in January, the world economy has been hit by significant shocks. Russia's invasion of Ukraine in late February and the associated surge in global energy and grain prices have further fuelled global inflation. Even before the invasion, the build-up of global price pressures was less transitory than expected. The GDP growth hit from the war came just as key economies were re-opening following the lifting of mobility restrictions tied to the Omicron COVID wave. Especially in Europe, the reopening boost continues to be reflected in robust services sector activity, but this will fade in coming months. To date, households in advanced countries seem to have sustained spending despite a significant purchasing power squeeze amid the highest inflation in decades. Amongst other factors, this was possible as consumers dipped into still elevated savings build-up during the pandemic and as labour markets remained strong. Even so, forecasts for global growth in 2022 have been downgraded significantly since late last year. At the same time, forecasters have consistently underestimated inflation, necessitating large upward adjustments to inflation views (Figure 1)

Figure 1: Growth down as inflation outlook revised (much) higher



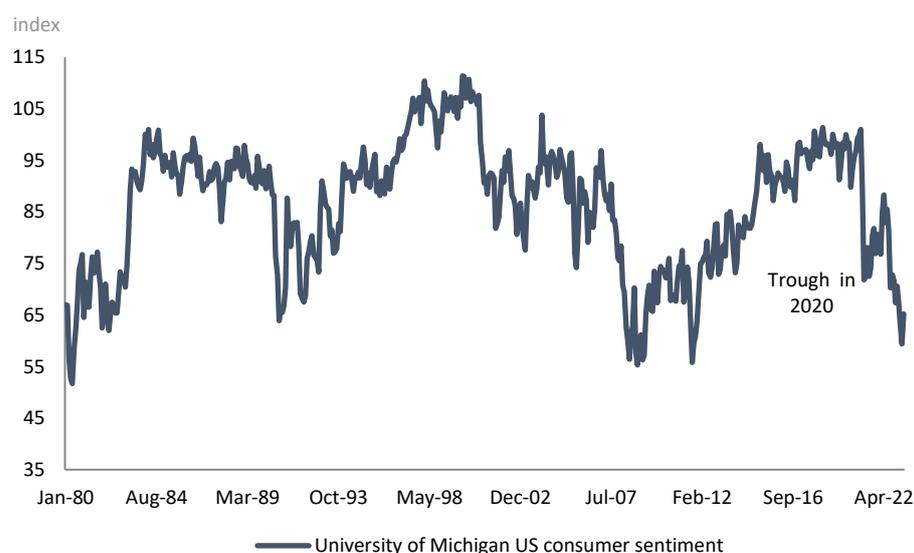
Source: IMF forecasts (April 2021 to April 2022)

Following the release of the IMF April update, the first estimate for **US real GDP** in 2022Q1 showed an unexpected decline of 1.4% q-o-q (annualised). The contraction was driven by weak net exports, as well as a decline in inventory investment and government spending. Importantly, consumer spending, the

US consumer
resilience being
tested

key driver of US GDP growth, and business investment remained firm. Looking ahead, it is unclear whether the US consumer can keep up the current pace of spending in the face of notable headwinds. Top of mind is the sustained rise in the rate of inflation. In March, US consumer prices rose by 8.5% y-o-y, the fastest annual rate of increase since December 1981. Even when food and energy prices are excluded from the inflation measurement, core US CPI rose by 6.5% y-o-y in March, signalling broad-based price pressures. On a more positive note, there are indications that the rise in core CPI may have peaked. Still, the US Fed delivered on an aggressive, albeit expected 50bps interest rate hike at its early-May monetary policy meeting. The elevated inflation and aggressive financial market pricing for future Fed rate hikes have driven long-term US interest rates significantly higher so far in 2022. As a result, mortgage rates have surged, with the interest rate on an average 30-year loan reaching the highest level since late 2009. This will put further pressure on (healthy) US consumer finances, which have in part been supported by a very strong labour market recovery. Indeed, the US unemployment rate declined to 3.6% in March 2022, the lowest level since before the onset of the COVID-19 pandemic.

Figure 2: Purchasing power squeeze weighing on US consumer sentiment



Source: DataStream

With inflation
soaring, hard for
Fed to strike
balance between
price stability
and full
employment

In recent months, high inflation has had a detrimental impact on US consumer sentiment, which despite recovering somewhat in April, is down notably over the past year. Increasingly, it is debatable whether the Fed can subdue inflation through aggressive policy interest rate hikes and quantitative tightening without pushing the US economy into recession. Even if a recession is avoided, the general expectation is for US real GDP growth to slow through 2023, as well as over the medium term (see Table 1). US consumer inflation is also projected to

moderate notably through 2023, and to then stabilise around the Fed's 2% target over the medium term.

EZ dependence on Russian energy supplies a major drag on the growth outlook

Given strong trade linkages between major European countries and Russia/Ukraine, the **Eurozone** (EZ) is the most exposed of the major regions to the war. In particular, the fallout from the conflict has seen the German auto industry struggle to source key inputs from Ukraine. More important is the dependence of major European economies on Russian energy (gas, coal and oil) exports. Initial reluctance from Germany to impose a ban on Russian energy exports has softened as the war continues to drag on, with no end in sight. It now seems more likely that a European ban on oil imports from Russia could be phased in through the rest of the year. Amongst other factors, this about turn⁵ has resulted in the Brent crude oil price rising back above \$110/bbl. It has also kept European gas prices at very elevated levels, which has been a major driver of record-high EZ inflation. Indeed, the EZ CPI increased by an all-time high of 7.5% y-o-y in April.

At this stage, inflation anxiety trumps growth risks in the EZ. Going forward, this could change

With this backdrop, private sector forecasts for EZ real GDP growth in 2022 have been downgraded from roughly 3.5 to 4.5% at the start of the year to a range of broadly 2 to 3%. Even after the downgrades, risks are probably on the downside. To be sure, some of the more recent data releases do not bode well. To give one example, German industrial production declined by a much larger-than-expected 3.9% m-o-m in March. Factory orders were also down sharply in the month as supply chain disruptions from COVID restrictions and the war weighed on activity. As mentioned earlier, the services sector is in better shape as it continues to benefit from reopening effects. Despite the soft growth outlook, the unprecedented rise in EZ inflation has seen even the more dovish policymakers at the European Central Bank (ECB) hint that earlier (potentially as soon as July) policy rate hikes are now required. Over the medium term, EZ growth is projected to settle between 1.5 to 2%, with consumer inflation projected at just below the ECB's 2% target over the same period (2024-27).

Since January, we have taken a below-consensus view that **Chinese real GDP** could be just above 4% in 2022. This was informed by the problems in the Chinese property market⁶, the crackdown on IT companies and, more importantly, the risk posed by China's zero-COVID policy. The latter was a particular risk in the event of a countrywide infection surge. Unfortunately, the COVID risk has materialised since mid-2022Q1, with several Chinese cities seeing a (marginal by Western standards) uptick in COVID-19 cases. This was

⁵ A ban is still not guaranteed as a country like Hungary continues to oppose it.

⁶ This was elaborated on in the **November 2021 edition** of Outlook.

Zero-COVID
policy worsened
supply chain
bottlenecks

followed by swift and strict lockdowns since early March. The Chinese 2022Q1 GDP figures did not show much of an impact from this, with real GDP growth accelerating to 4.8% y-o-y, from 4% during 2021Q4. However, the lockdowns intensified in April as Shanghai, a key financial and manufacturing hub in China, went into a prolonged and draconian lockdown. There are concerns that Beijing may follow a similar path.

Table 1: Global growth now set to slow at an even sharper pace in 2022

y-o-y % change (real)	Forecast					
	2014-19	2020	2021	2022	2023	2024-27
World (PPP*)	3.4	-3.1	6.1	3.6	3.6	3.3
G7 countries	1.9	-4.9	5.1	3.2	2.2	1.4
US	2.4	-3.4	5.7	3.7	2.3	1.6
Euro area**	1.9	-6.4	5.3	2.8	2.3	1.6
United Kingdom	2.2	-9.3	7.4	3.7	1.2	1.8
Germany	1.8	-4.6	2.8	2.1	2.7	1.3
Japan	0.8	-4.5	1.6	2.4	2.3	0.6
Emerging countries	4.4	-2.0	6.8	3.8	4.4	4.5
China	6.8	2.2	8.1	4.4	5.1	4.9
India	6.8	-6.6	8.9	8.2	6.9	6.7
Brazil	-0.3	-3.9	4.6	0.8	1.4	2.1
Russia***	1.0	-2.7	4.7	-8.5	-2.3	1.0
Sub-Saharan Africa	3.2	-1.7	4.5	3.8	4.0	4.2
Botswana	3.2	-8.7	12.5	4.3	4.2	4.0
Mozambique	4.6	-1.2	2.2	3.8	5.0	10.1
Namibia	1.6	-8.5	0.9	2.8	3.7	2.5
Zambia	3.4	-2.8	4.3	3.1	3.6	4.4
Zimbabwe	1.4	-5.3	6.3	3.5	3.0	3.1
Nigeria	2.0	-1.8	3.6	3.4	3.1	2.9
Angola	0.1	-5.6	0.7	3.0	3.3	3.9

*Purchasing Power Parity

**19 Eurozone Countries

***Some private sector forecasters expect a significantly sharper decline in Russian GDP than the IMF.

Source: IMF World Economic Outlook (April 2022), BER calculations

With no indication that Chinese authorities will abandon the zero-COVID policy, and despite the government signalling increased infrastructure spending to soften the blow to growth⁷, China is unlikely to meet its target of around 5.5% real GDP growth in 2022. Besides weighing severely on near-term Chinese growth, the lockdowns have worsened global supply chain bottlenecks. It has resulted in a huge number of ships being stuck due to Chinese port congestion.

⁷ Given contained inflation in China, unlike many other countries, the central bank also has scope to lower interest rates to support growth. However, in China the issue seems rather to be access to credit as opposed to the cost of credit.

This is not only weighing on output in China, but also in other parts of the world. As an example, seasonally adjusted South Korean exports to China plummeted by 12.4% m-o-m in April. This was the weakest number since February 2020 when the initial Chinese lockdown depressed Korean exports.

Beyond this year, the expectation is that Chinese real GDP growth will average around 5% over the medium term. This would be a substantial slowdown from average growth of almost 7% in the five years before COVID struck in 2020.

Some of the drivers of medium-term growth in China include:

- Low levels of per capita income relative to advanced countries. This means there remains room for catch-up.
- A likely slowdown in the rate of urbanisation, with adverse implications for the property market.
- The push for carbon neutrality and the emerging electric vehicle industry has some potential to drive future fixed investment.

Unlike in many other parts of the world, the IMF kept its real GDP growth outlook for **Sub-Saharan Africa** in 2022 and 2023 largely unchanged in April. However, the unchanged outlook at the aggregate level masks vast differences in how countries on the continent have already been, and will continue to be, impacted by the Russian invasion. The region's eight oil exporters, which include Nigeria and Angola, are getting a windfall from the war-induced higher oil price. However, most of the other 37 countries, especially those who are not major non-oil commodity exporters, will see a worsening in external trade and fiscal imbalances. In addition, some countries face rising food insecurity and overall increased living costs. In the horn of Africa region, this is compounded by a severe drought. Non-oil commodity exporters and those countries who are relatively self-sufficient in meeting domestic food requirements will be less affected. SA falls into this category.

Dollar remains in the ascendency

So far in 2022, the **US dollar** has continued the same trend as the second half of 2021, posting significant gains against the euro, the Japanese yen and the UK pound. While safe-haven flows since the Russian invasion of Ukraine could help to explain this, as is often the case, expectations about future policy interest rate moves have been the key factor behind the dollar's ascent. In addition to hiking the US policy interest rate by 50bps in May, the Fed signalled that 50bps increases were also likely at its monetary policy meetings in June and July. Furthermore, Fed chair Jerome Powell said that the Fed would not hesitate to push monetary policy into restrictive territory if warranted. Because

Medium-term
Chinese growth
of roughly 5%
pencilled in

War impacts
diverge across
Sub-Saharan
Africa

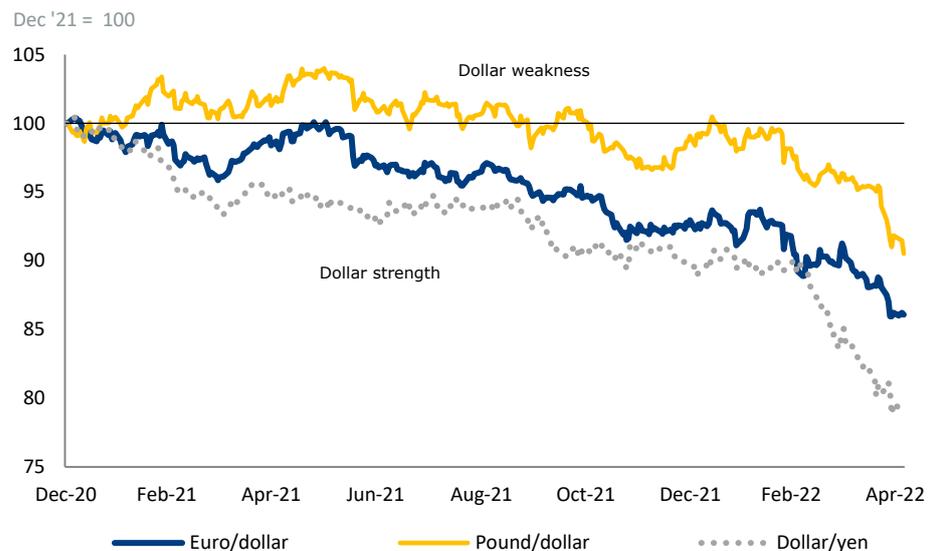
Expectations for
aggressive Fed
rate hikes
support the
dollar

of a very strong labour market, the Fed can 'afford' to, for now, be solely focused on its price stability mandate.

No other major central bank is set to lift the policy rate at such a rapid pace. In the case of the Bank of England (**BoE**), this may in part be because the BoE started the policy normalisation process earlier. Although three out of the nine BoE monetary policy committee members voted for a 50bps rate hike at its May policy meeting, the majority preferred a 25bps increase. The bank is set to continue with 25bps rate hike increments. This is especially the case after the BoE's latest forecast had an outright contraction in UK GDP pencilled in for 2023. In Europe, the **ECB** is yet to start with an interest rate normalisation process. Once they do, the ECB is widely expected to move by 25bps at a time. The dollar's gains have been particularly stark against the Japanese yen (see Figure 3). Unlike other major central banks, there are no indications that the **Bank of Japan** will change course on its ultra-accommodative monetary policy stance anytime soon. All of this suggests that, in the foreseeable future, the dollar will remain on a firm footing against its major rivals.

Other major central banks have adopted a more gradual approach to policy tightening

Figure 3: Japanese yen under significant pressure versus the US dollar



Source: DataStream

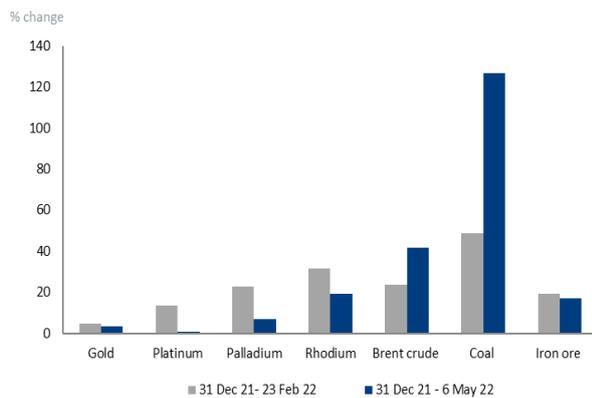
Dollar set for contained weakening over the medium term

Over the medium term, the general expectation is that as other central banks start to catch up to the Fed with higher policy interest rates, a key support for the dollar will start to fade. In addition, questions remain about the dollar's future dominance of foreign exchange markets. China and Russia, for example, have expressed a desire to diversify away from using the greenback. Following robust gains in 2022, from 2023 onwards, the dollar is projected to revert to a modest weakening trend.

War and sanctions boost major commodity prices

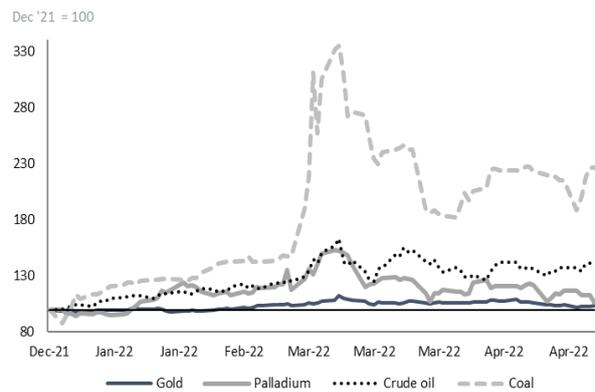
Resource prices have seen dramatic moves so far in 2022 (see Figure 4 and Figure 5). For the most part, the price of commodities that are important for SA has increased. Prices were already moving higher prior to the Russian invasion of Ukraine. In some cases, this was in anticipation of supply disruptions in the event of a war and also because of expectations of improving global demand. Energy and agricultural commodity prices have gained most from the invasion. In the case of the latter, global grain prices are up sharply as Russia and Ukraine are major producers of wheat and maize. On the energy commodity front, while SA loses out by having to pay significantly more for imported oil, local coal producers are getting a major windfall as the coal price has surged by more than 100% so far this year.

Figure 4: Commodity price gains preceded the Russian invasion



Source: DataStream

Figure 5: The price of commodities key for SA has mostly increased in 2022



Source: DataStream

Russian oil export situation set to remain a key near-term oil price driver

As seen in Figure 4, the prices of some commodities have come down from the highs reached earlier in the year. Especially in the case of platinum group metals, the recent downgrades to the near-term global growth outlook, as well as renewed supply chain disruptions that are (again) curtailing world auto output, are working against the bullish (supply) impulse from the war. The outlook for major commodity prices is highly uncertain. For oil, a lot depends on how the war in Ukraine impacts Russian energy output and exports. Of crucial importance is whether there is a European Union ban on Russian oil shipments. In the event of a ban, it is not clear whether Russia will be able to divert the oil to other parts of the world as securing and ensuring tankers amid Western sanctions could be a challenge. However, since the outbreak of the war, India has been buying significant amounts of discounted Russian oil. A scenario where global growth moderates sharply in the next 12 to 18 months would mitigate against the price impact of a disruption to Russian supplies.

Following near-term strength, oil and coal set to track lower

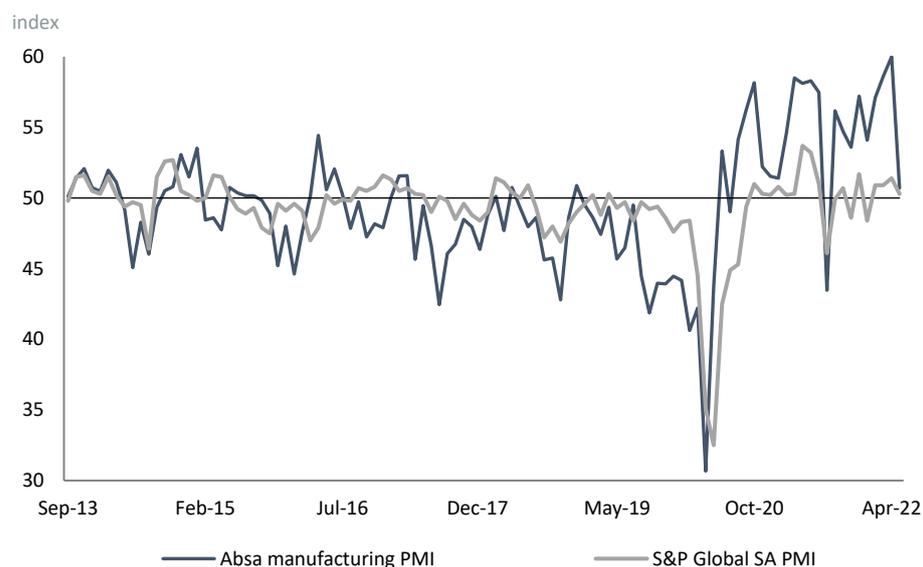
Our baseline forecast sees the oil price declining from around \$110/bbl currently towards \$90/bbl by the end of the year, and then to just above \$80 in 2023Q4. Brent crude is projected to stabilise at roughly \$70/bbl over the medium term. Regarding key SA export earners, the price of coal is expected to follow a similar trajectory. The coal price is projected to remain very high in 2022, but to then start to move lower from 2023 onwards. The price outlook for the other major commodities can be found in the tables at the back of the report.

Domestic outlook

Some positives in early 2022, but...

There was an incomplete recovery in 2021Q4 when real GDP expanded by 1.2% q-o-q after a 1.7% contraction in the third quarter. Although somewhat of a mixed picture, the available activity data for 2022Q1 suggests decent momentum in economic activity at the start of the year. Except for some remaining restrictions on gatherings and an indoor mask mandate, the fact that lockdown restrictions (and international travel bans) were removed supported this. Although not nearly back to pre-COVID levels, the return of foreign tourists in recent months has been a welcome boost. This is especially true for the beleaguered tourism and hospitality sectors.

Figure 6: PMIs weighed down by domestic shocks in April



Source: BER, S&P Global

On the data front, the Absa and S&P global SA purchasing managers' indices (PMIs) both averaged higher in 2022Q1 than during 2021Q4. Furthermore, domestic vehicle sales had a solid first quarter, while the RMB/BER business confidence index ticked somewhat higher (to 46) during 2022Q1. On a negative

...it is somewhat
of a mixed
picture

note, the FNB/BER consumer confidence index declined in Q1, most likely weighed down by the shocking images and adverse implications of Russia's invasion of Ukraine⁸. In addition, the latter stages of Q1 saw the return of load-shedding, and a (prolonged) strike started in the gold mining sector. In all, we have lifted the forecast for 2022Q1 GDP growth from below 1% q-o-q to around 1.5%. However, plenty of data is still outstanding, meaning this is a moving target.

A shock-laden
April does not
bode well for
2022Q2 GDP

In April, the economy was hit by several shocks. These included the implementation of stage 4 load-shedding, as well as the devastating floods in KwaZulu-Natal (KZN) that curtailed agricultural and manufacturing production, and disrupted export and import operations at the Durban port. On top of this, severe lockdowns in China are likely to have adverse demand spillovers for SA exports. The limited data available for April shows the negative impact of these events, with the local PMIs moving lower (Figure 6). The PMIs suggest that manufacturing output was particularly hard hit, with the business activity index of the Absa manufacturing PMI plunging by more than 20 points. Industrial action risks limiting the extent of the rebound in May. The strike in the gold mining sector has entered its third month (and risks being extended to the platinum mining sector), while Numsa has now embarked on a strike at steel producer ArcelorMittal. At the same time, domestic consumer inflation is expected to rise above 6% y-o-y in 2022Q2, squeezing household income. *Against this backdrop, we expect quarterly real GDP growth to stall in the second quarter.* This is a much weaker outlook than before. However, in terms of the full year picture for 2022, the better first quarter (if achieved) and weaker Q2 cancel each other out, at least to some degree.

Private capex
turned out much
better than
expected in
2021Q4

Besides indications of a decent 2022Q1 GDP performance, two other factors support our better real GDP forecast for 2022 relative to before. In January, real **government spending** was expected to decline notably (by 2%) in 2022. Subsequent to this, the February Budget showed a small increase in spending. We have revised our figure to show unchanged government outlays in 2022, boosting overall real GDP growth this year. Another (positive) change is on **private sector fixed investment** that vastly outpaced expectations in 2021Q4. Even with fairly conservative quarterly growth momentum pencilled in for 2022, the impact of the better starting point is to lift the private capex growth rate materially in 2022 relative to the January forecast.

⁸ The BCI survey was conducted from 9 to 21 February, with most responses coming in before the Russian invasion of Ukraine on 24 February. The CCI, however, was conducted later (from 21 February to 8 March).

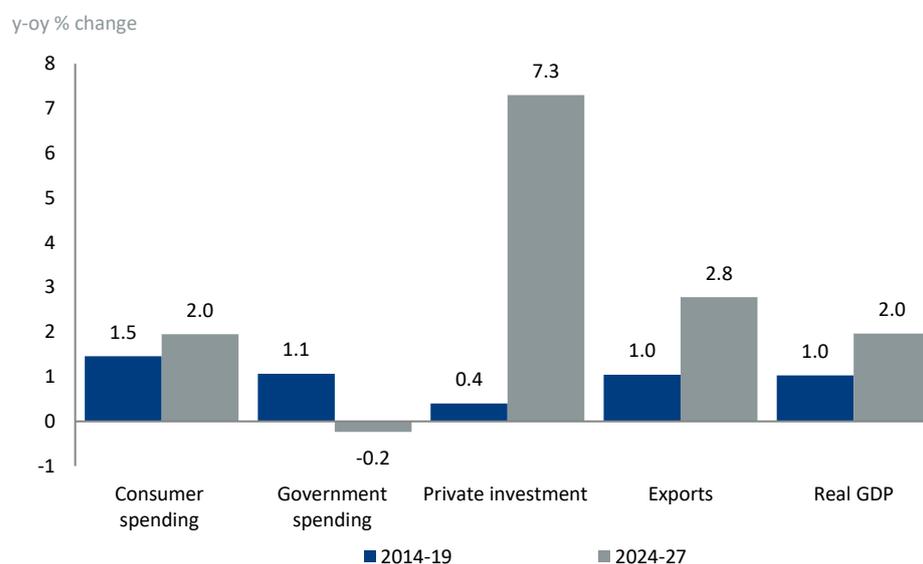
Major external impulses in opposite directions

Regarding external developments, the diverging impulses of a weaker global growth outlook, but at the same time notably higher SA export commodity prices than expected before meant that the real export growth forecast for 2022 was tricky. In the end, relative to the January forecast, we went for a largely unchanged export forecast as logistical challenges are likely to again curtail export volumes. *In all, and somewhat surprising, these strong opposing forces result in an upgrade to the 2022 real GDP growth forecast to 2.4%, from 1.9% in the January forecast run.* Given the shocks now hitting the economy, growth risks are on the downside. Real GDP growth is forecast to ease to 1.8% in 2023.

Green energy investments crucial to SA's medium-term fortunes

Figure 7 plots the outlook for the major demand-side GDP components over the medium term (2024-2027). The forecast for **private sector fixed investment** stands out. Not only is private capex projected to post the fastest growth of the major GDP subcomponents, but it is also the category that is expected to show the most meaningful turnaround from the pre-COVID period (2014-19) of substantial sub-par real GDP growth. A material acceleration in private capex has been a feature of our medium-term forecasts for some time, driven by the expectation of a significant ramp-up of green energy investments. This is both through the independent power producer (IPP) programme, but also as private sector companies embark on their own green energy projects. Further details on the fixed investment outlook are provided later in the report.

Figure 7: Faster private capex key for accelerated medium-term GDP growth



Source: Stats SA, BER forecast

However, as also outlined in previous reports, multiple delays with the 'emergency' risk-mitigation IPP programme, and yet another delay in projects linked to Bid Window 5 of the IPP programme reaching financial closure, have forced us to postpone the assumption of more meaningful green energy

A wave of energy investment still expected, albeit only somewhat later

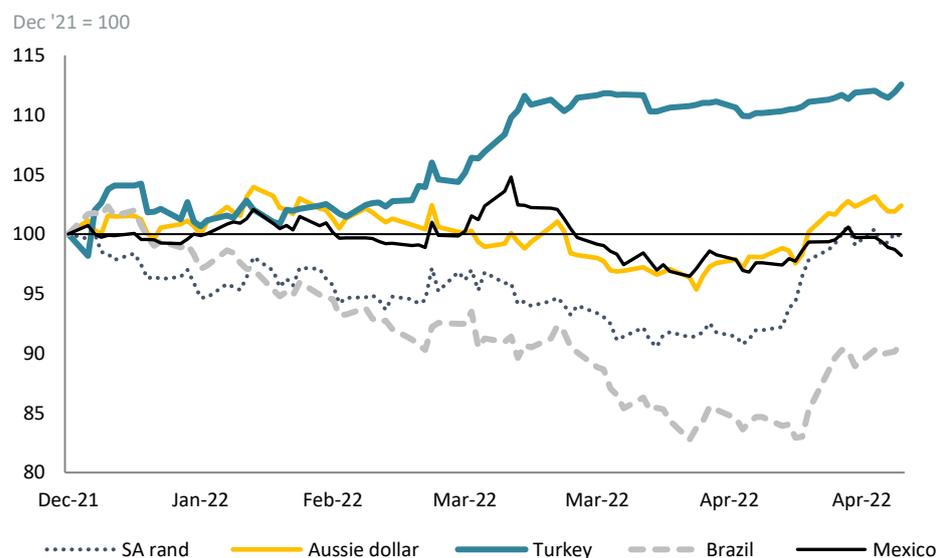
construction activity into 2023 and beyond. The recent bout of load-shedding again emphasised how crucial it is to increase the private sector's contribution to power generation. This is not new - Eskom has been pleading with government to enable additional capacity since at least December 2019 when the country went through stage 6 load-shedding. *Assuming that some progress is made here and that real export growth also accelerates as domestic logistical bottlenecks improve, average medium-term (2024-27) real GDP growth of 2% is expected.* This would be a doubling of the growth rate relative to the dreadful six-year period before COVID-19. However, it will still be inadequate to make a meaningful dent in the record high unemployment rate. This emphasises the importance of also implementing the non-energy reforms necessary to lift SA's growth potential. Here one thinks of, for example, greater private sector participation in the railways and ports.

Rand succumbs to global interest rate pressure

Supported by sustained terms of trade gains and decent foreign portfolio inflows, until recently, the rand exchange rate performed better than expected against major currencies in 2022. After strengthening to an average of R15.22/\$ in 2022Q1 (from around R15.44/\$ in 2021Q4), the rand moved even firmer towards R14.50/\$ in mid-April. Since then, the sentiment towards the SA currency, and its emerging market peers (Figure 8), has soured fairly rapidly.

Rand's earlier resilience being tested

Figure 8: Commodity and EM currencies have surrendered earlier gains



Source: DataStream, own calculations

The key factor behind this was the notable and broad-based strengthening of the US dollar amid more aggressive expectations for the pace of US policy interest rate hikes. In the case of SA, some additional developments may also

Confluence of factors may help to explain recent rand weakness

help to explain the sudden and sharp weakening of the rand exchange rate in recent weeks. These include:

- A pullback from earlier highs in the prices of some of SA's key commodity prices, especially precious metals.
- Stage 4 load-shedding in April, which clouded the domestic growth outlook.
- The devastating floods in KZN, which as seen with the sharp decline in the April Absa manufacturing PMI, should dampen near-term domestic economic activity, at least in 2022Q2.

The rand is expected to end 2022 at R15.55/\$ and 2023 at around R16/\$

Our latest forecast (early April) is for the rand to trend weaker in the second half of 2022 and into 2023, mainly because of a projected fading of the elevated current account balance. As is often the case with the volatile rand, the weakening has happened earlier, and more rapidly, than expected. *Even so, for now, we are not changing the view for the rand to end the year at around R15.55/\$.* After incorporating revised (higher) SA export commodity prices into the forecasting model, we now expect a much higher current account surplus in 2022 than before. The surplus is still set to moderate from the 3.7% of GDP recorded in 2021, but at a projected almost 2% of GDP, it should provide an important underpin for the rand exchange rate. Even so, we do acknowledge downside risks to the rand forecast. This is also true for 2023 when the rand is projected to end the year at close to R16/\$.

Modest medium-term weakening trend pencilled in for the rand

To ensure SA's exports remain competitive on global markets, i.e., to prevent a real currency appreciation, the nominal value of the rand would need to depreciate over time. Broadly, over the medium term, the rand is projected to weaken by a nominal 2-2.5% per annum versus the US dollar. The anticipated return to the historical norm, where developed country inflation is lower than in SA, should contribute to the weakening trend for the rand. In addition, the domestic current account is expected to move back into deficit from 2024 onwards, contributing to a softer rand over time.

Consumer inflation could average 6% in 2022

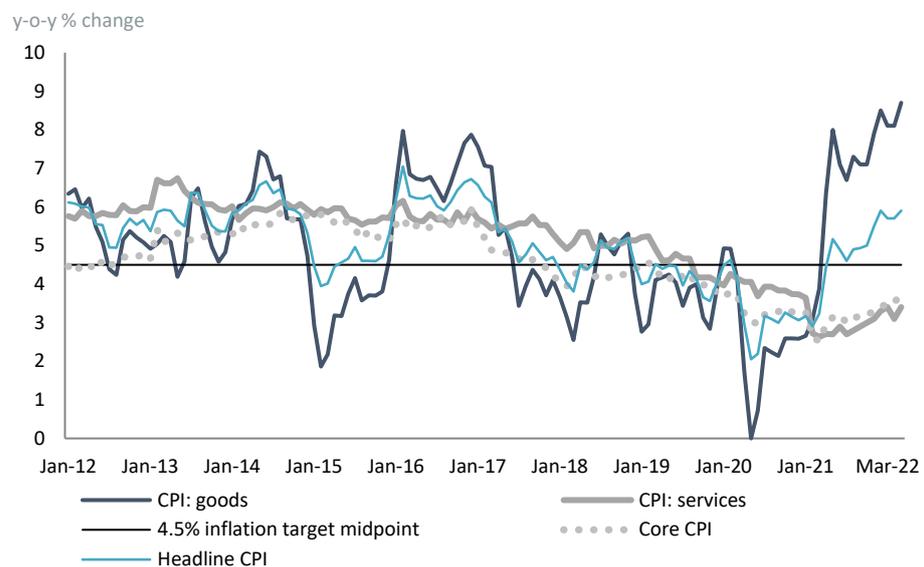
High prices for goods continue to drive CPI up

The rate of increase in SA consumer inflation (CPI) continues to accelerate, reaching an average of 5.8% y-o-y in 2022Q1 versus 5.4% during 2021Q4. As outlined in Figure 9, although services inflation has started to pick up from a low level, overall headline CPI inflation continues to be driven higher by large price increases for the CPI goods component. The SA inflation situation remains different to the US and the UK, for example, where both goods and services inflation are at very elevated levels. Locally, a firmer currency in 2021 (on average), disinflation in wages, a low escalation in rental costs amid weak

demand/supply fundamentals in the property market, and lower-than-normal increases in school and medical insurance fees all contributed to keep services inflation at bay. More broadly, the absence of excessive consumer demand meant that, instead of passing it through to consumers, firms absorbed fast-rising input costs in their margins.

On the CPI goods front, higher commodity prices and supply-chain disruptions have propelled a fast acceleration. Even here, the increase could have been more intense if not for a weak domestic fixed investment environment. This meant SA import costs did not feel the full impact of higher global producer prices.

Figure 9: Moderate rise in services prices keeping overall CPI at bay



Source: Stats SA

Since the January forecast update, there were several key developments that altered the inflation outlook. Most notable is the inflationary impact of the war in Ukraine, which pushed up global grain and energy prices. Other important post-January events/trends include:

Earlier rand strength and lower-than-expected Eskom tariff capped the upward adjustment to the 2022 CPI forecast

- The results of the CPI **rebas**ing and **reweighting exercise**. The weight changes were very small compared to the previous reweighting in January 2017. Therefore, it did not have a material impact on the inflation outlook.
- A stronger-than-expected **rand exchange rate**, until fairly recently.
- Some indication that **poultry producers** are starting to pass on higher input costs. The assumption for the CPI grain's component was also lifted. This led us to raise the forecast for the increase in the **CPI food**

component sharply to around 6.5% in 2022, from 4.9% expected in January.

- A much lower-than-assumed **electricity tariff** increase. Nersa awarded Eskom a 9.6% rise for 2022/23, less than half of Eskom's request for 20.5%. Our January CPI forecast incorporated a 17% hike.
- A postponement (from May to October 2022) in Discovery's 7.9% rise in **medical insurance premiums**.
- A notable increase in the **public/hired transport** component of CPI amid taxi fare hikes and a sharp rise in rental car and air ticket prices.
- Early signs of price effects related to the further reopening of the economy. This includes a rise in hotel accommodation and restaurant prices.

In addition, in an effort to shield consumers from the impact of the higher oil price, the **fuel levy** was reduced by R1.50/litre in April and kept at the lower level in May. At the time of writing, the levy was set to revert back to the pre-April level in June. Although this measure, along with the electricity and medical insurance developments, mitigate against the overall inflationary impact of a much higher oil price, the near-term forecast for headline CPI inflation was still revised materially higher. *The April update sees headline CPI averaging 5.7% in 2022 (from 5% expected in January), before the rate of increase slows to 4.6% (4.2%) during 2023*. The recent notable weakening in the rand exchange rate was post the early-April forecast update. Along with a jittery oil market as Europe contemplates a ban on Russian oil imports, and early indications of second-round price impacts as local companies start to pass on persistent input cost increases to the end consumer, the weaker currency places upside risks to our revised inflation outlook. *CPI could end up averaging at the top end (6%) of the SARB's inflation target band in 2022*.

Over the medium term, headline CPI is expected to remain around the 4.5% midpoint of the SARB's target. A crucial assumption here is that, from current elevated levels, the oil price moves notably lower over time. As mentioned before, at this stage, we are not convinced that a further structural move lower in SA inflation towards the lower end (3%) of the target, in line with SARB Governor Lesetja Kganyago's preference, is feasible. Between 2024-27, actual real GDP growth is expected to somewhat exceed our estimate of potential growth in most years. This implies a closing/shrinking of the current output gap/slack capacity over time. The projected recovery in domestic demand should exert some upward price pressure. Furthermore, the medium-term outlook for more subdued global inflation, the lower oil price and only a moderate weakening of the rand exchange rate results in **import prices** rising by an average of just below 4.5%. In addition, **unit labour costs** are projected

Headline CPI revised notably higher. Even so, upside price risks dominate

Over the medium term, CPI is expected to converge around the 4.5% mark

to increase by roughly 4.5 to 5% per annum. While this is nothing to be alarmed about, it does highlight the constraints to sustainably bring inflation down another notch. Finally, it seems unlikely that utility (electricity, water, etc) costs will increase by less than 4% per annum. This emphasises that whereas it is a worthy goal to aim for lower inflation, achieving it will require buy-in from all social partners.

SARB MPC
expected to pivot
to a more
aggressive 50bps
repo rate hike in
May

For some time, we have been of the opinion that the Monetary Policy Committee (MPC) of the SARB will stick to a gradual policy rate hiking cycle, moving by 25bps at a time. In fact, this was the assumption in early April when the macro forecast was updated. However, the subsequent stark sell-off in the rand amid the more aggressive interest rate stance from the US Fed, as well as recent news of above-inflation wage demands in both the public and the private sector, has forced a rethink of this view. The SARB previously flagged a weaker currency in the event of accelerated global monetary policy tightening as a key risk to the inflation outlook – this has now materialised. *Therefore, the MPC is now projected to hike by 50bps at the May monetary policy meeting, followed by a series of 25bps rate hikes.* At this stage, we do not expect a sequence of 50bps moves. Amongst other factors, this is informed by the lack of any significant near-term demand-side inflationary pressure in SA. The peak in the policy interest rate is still expected to be 6.25%, with the difference that this point could now be reached somewhat earlier (in the second half of 2023) than envisaged in April.

Given our forecast that the rise in headline CPI will settle at roughly the SARB's (current) preference of 4.5%, this would imply a medium-term real policy interest rate of 'only' 1.25%. This is notably lower than the SARB's current view that over the medium term, the neutral⁹ real rate should revert back towards 2%. Simplified, this does raise upside risk to our medium-term policy interest rate outlook. However, it is unclear whether 2% is still the appropriate level for the neutral real policy rate. To some extent, just how far developed country central banks go in lifting their policy interest rates will determine where the SA real rate settles.

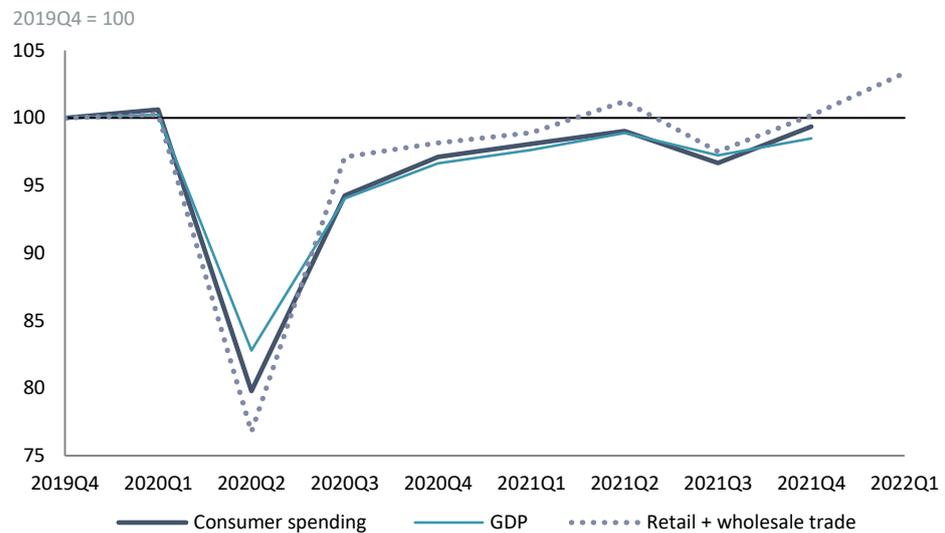
⁹ The neutral rate can be thought of as an equilibrium policy interest rate where the stance of monetary policy is neither contractionary nor expansionary.

Consumer outlays to slow as bounceback fades

After plunging by -6.5% in 2020, real consumer spending increased by 5.7% during 2021. Although a solid recovery, it was incomplete, with the level of real spending in 2021Q4 still 0.6% below the pre-COVID level of 2019Q4. Still, consumer spending growth was significantly faster than expected earlier in 2021 and exceeded the recovery in overall real GDP (Figure 10). This was despite a contraction in household outlays during 2021Q3 when the COVID third wave, as well as the riots in KZN and other parts of the country, exacted a heavy toll. Courtesy of a 2.8% q-o-q increase, consumer spending recouped the Q3 losses in 2021Q4.

The setback in Q3 resulted in an incomplete consumer spending recovery in 2021

Figure 10: Solid spending momentum (levels in real terms, seasonally adjusted)



Source: Stats SA, own calculations

The data available for 2022Q1 suggests a decent amount of carry-over momentum in consumer spending from the fourth quarter. For starters, so far in 2022, the Google mobility trackers for SA have sustained the steady upward trend in the second half of 2021 (after the July riots). The Google data shows increased visits to retail and recreation areas, as well as grocery stores. Consistent with this was robust retail and wholesale trade data for January and February. A lot was made of the monthly decline for both sets of data in February. However, combined, retail and wholesale trade sales averaged about 3% higher in the January-February period than during 2021Q4. Furthermore, according to naamsa, sales of passenger cars also performed well in the early part of 2022. To be sure, sales rose by almost 23% y-o-y in the first four months of 2022. Importantly, sales in January to April 2022 were 6% higher

Retail and wholesale trade numbers remained firm in 2022Q1

than the corresponding period in 2019, i.e., well above the pre-COVID level. These trends bode well for real consumer spending in the early part of 2022.

However, consumers face several crosscurrents in the rest of the year. Top of mind is the income squeeze from higher inflation and borrowing costs. Indeed, our forecast calls for the growth in **real disposable income** to slow from a healthy increase of 5.9% in 2021 to 2% during 2022, and to then stabilise at around 2% growth over the forecast period. Higher food and fuel costs in particular are likely to weigh on disposable income, most likely forcing cutbacks in other expenditure categories. Other spending shifts are also happening, with reduced outlays at DIY and hardware stores as the COVID-home-improvement boom fades. To an extent, spending may be shifting towards clothing and footwear as workers return to the office. Besides the higher cost of fuel, the back-to-the-office trend will also mean that consumers spend more on transport costs.

Against these negatives, there are also some supports for the consumer. These include:

Grant extension
and still
accommodative
borrowing costs
provide some
support to the
consumer

- The, as expected, 12-month extension of the social relief of distress grant to March 2023.
- A recovery in employment, albeit modest. The tourism and hospitality sector in particular should increase hiring as foreign tourists return and the further relaxation in lockdown restrictions enables larger gatherings in SA. The return of the annual Mining Indaba in Cape Town to an in-person format is an illustration of the benefit that this will have.
- Sustained low(ish) borrowing costs. Even if the repo rate increases by another projected 125bps in 2022, it will still be a percentage point lower than at the end of 2019 (pre-COVID) when it was at 6.5%.
- Tapping into savings. SARB data shows there was a R54bn increase in household savings since 2019, equal to 1.4% of consumer spending in 2021. This support will gradually fade with interest rate hikes and increased international travel by South Africans.

With these factors in mind, overall real consumer spending is forecast to slow to 2.5% in 2022. This is basically unchanged from the forecast in January. With the bounceback from the 2020 crash complete and as the impact of higher borrowing costs starts to bite, household spending growth is projected to ease further to 2% during 2023.

Over the medium term (2024-27), real consumer outlays are forecast to increase by an average of 2%. This is somewhat higher than the average consumer spending growth rate in the five years preceding COVID-19 (1.6%).

Real consumer spending growth of 2% pencilled in over the medium term

Especially for the more durable types of expenditure, the outlook for the policy interest rate to not rise above the pre-COVID level is part of the reasoning here. This is against the expectation that consumer inflation will, on average, remain moderate at around the 4.5% mark. In addition, our assumption that the SRD grant will become permanent, with the likelihood that the monetary values are increased over time, should provide lasting support to outlays on non-durable goods.

A subdued medium-term spending outlook

Despite these supports, if one considers that the very long-term pre-COVID (1961-2019) average for real consumer spending is 3.5% per annum (3.2% during 1994-2019), the medium-term forecast is still pedestrian. A weak projected recovery in total employment is part of the reasoning for this. As part of the fiscal consolidation strategy, and with the exception of a temporary public sector employment boost around the 2024 national election, government employment is expected to stagnate.

Green energy holds key to sustainable private capex lift

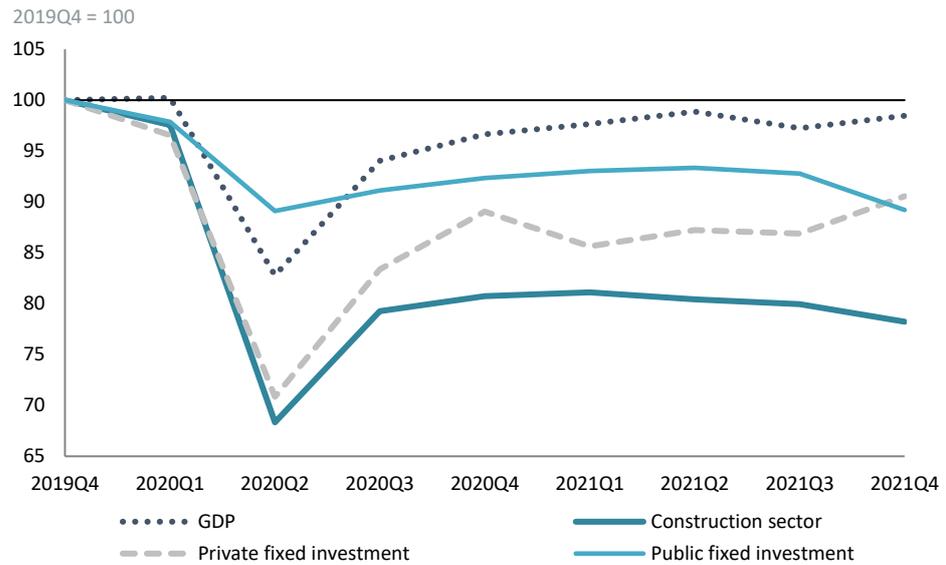
The construction sector continues to falter

After contracting in 2021Q3, overall real fixed investment bounced back strongly in the fourth quarter. This was driven by a much better-than-expected capex performance by the **private sector**. At the other end of the scale, real **government capex** posted a sizeable decline of more than 6% q-o-q in 2021Q4. As outlined in Figure 11, the overarching trend for fixed investment is a materially weaker recovery from the COVID-lockdown-induced crash in 2020 than in the other major GDP components. The weakness is mirrored in the production-side GDP data. From the trough in 2020Q2, there has been an overly pedestrian, and fading, recovery in the construction sector. To put some numbers to this: after plunging by almost 20% in real terms during 2020, real value added in the construction sector declined by a further 1.9% in 2021.

Agriculture was a notable bright spot in overall depressed capex numbers

In terms of the demand-side GDP figures, total real fixed investment tanked by 15% during 2020, followed by a paltry increase of only 2% in 2021. Looking at the major sectors, the notable exception to the general weakness in capex was the agricultural sector. Remarkably, especially given its tiny share of only about 2% in real GDP, the sector contributed almost 75% to the overall increase in the inflation-adjusted (real) level of total capex during 2021. Against the backdrop of favourable weather conditions and large crops, agricultural machinery sales did particularly well last year. This strong performance is unlikely to be repeated in 2022, implying that other sectors will need to take up the slack.

Figure 11: Fixed investment/construction badly lagging overall GDP recovery



Source: Stats SA, own calculations

Having said that, because of the outperformance in 2021Q4 relative to our previous forecast, the higher starting point for the level of total private capex supports faster growth in 2022. Even if we plug in conservative forecasts for the quarterly momentum, the growth in private sector capex should be notably higher (5% projected) in 2022 than expected before (just over 3%). The public sector is a different story. Based on the numbers provided in the February budget, there should be some growth in capex by state-owned enterprises during 2022. However, general government capex is set to contract again.

Beyond this year, the outlook for fixed investment has not really changed. We expect the struggles in the **public sector** to continue. It should again be emphasised that there is plenty of need for faster rates of public capex. However, whether due to underspending because of capacity constraints/poor implementation of plans, or budget limitations, public capex is set to remain below par. However, relative to the dreadful recent performance, we do expect some improvement. It should be remembered that even in the pre-COVID years, public capex performed poorly. Indeed, on average, public sector capex declined by 5.5% during the 2015-19 period. *Between 2022-27, we expect a notable improvement, with average real growth of 2.1% pencilled in.*

In the case of the **private sector**, despite some progress on structural reform implementation, the general business environment remains unconducive to faster growth in fixed investment. Given another year of likely elevated commodity prices, we may see more mining sector investment. This is likely to be dominated by maintenance and replacement investments rather than the

Much better, albeit pedestrian, public capex expected over the medium term

Private capex outlook remains mostly a green energy story; project delays becoming endemic

sinking of new shafts. Over the medium term, the sector has the potential to boost private capex growth more meaningfully. Estimates from the Minerals Council of SA show that R30bn worth of mining sector capital projects are awaiting regulatory approval. According to the Council, these potential investments are being severely delayed by a backlog of 4 500 outstanding mining and prospecting licences at the Department of Mineral Resources and Energy (DMRE). In addition, updated Council numbers show that the mining sector has committed to 4 000MW of renewable energy projects, with an estimated value of R65bn. Most of these projects await environmental and other regulatory approvals, a process which can take up to 18 months.

After some delay, private capex growth set to pick up sharply from 2024 onwards

The delays are of course not unique to the mining sector. Both the DMRE's 2 000MW risk mitigation independent power producer programme (IPPP) and the projects tied to bid window 5 of the IPPP have been dogged by repeated postponements in reaching financial close. This is the point where all the relevant contracts are signed, and project construction can begin. Our central theme for private capex over the medium term, i.e., that it will be driven by significant green energy investment, has not changed. However, the persistent delays continue to raise uncertainty about when this will finally kick off. With the dates of financial close being pushed out again to later this year, the point at which SA's power constraint starts to be lifted is also delayed. Increased reliability in power supply is crucial to unlock non-energy private capex. Therefore, we first need more green energy investment before a broadbased, sustainable uptick in non-energy private capex is possible. Although we expect decent private capex growth of around 5% in real terms during 2023, the IPPP delays imply that the real thrust is only likely from 2024 onwards. *To be sure, the level of real private capex is only expected to return to the pre-COVID level in 2024Q1. As highlighted in Figure 7, strong average private capex growth of above 7% is pencilled in between 2024-27.*

Binary risks to private capex outlook

There are two-way risks to the outlook for private capex. On the one hand, the recent experience of continuous delays in getting the IPPP off the ground suggests downside risks. However, given the amount of interest in the green energy space and the imperative for more private sector power generation, we may also be underestimating the eventual investment spurt if government can sort out the regulatory bottlenecks.

Conclusion: It's now up to us

Although elevated export commodity prices have cushioned the blow of the higher oil price to SA's trade balance so far in 2022, the broader global economic environment has become much less supportive to a small, open economy like SA. Draconian lockdowns and the fallout from the Russia-Ukraine war mean that two out of our three major export markets, i.e., China and Europe, are under significant strain. At the same time, global interest rates continue to move higher, putting pressure on the rand exchange rate. A softer currency risks lengthening the period where domestic inflation stays above the targeted level, forcing the hand of the SARB to tighten domestic monetary policy more aggressively. On top of this, load-shedding, one of the major domestic growth inhibitors, has returned with a vengeance. Combined, these factors risk undoing solid momentum in local economic activity at the start of the year. As a result, risks to the near-term SA GDP growth outlook are on the downside. All of this emphasises how important it is to push through initiatives to 1) improve state capacity to better deliver quality goods and services and 2) encourage the private sector to take over those functions where the state has failed.

Appendix A

Statistics of the quarterly forecast, 2022 - 2023

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Table A 1: International economic indicators

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Real GDP growth rates															
US % growth	0.5	12.2	4.9	5.6	4.1	3.2	3.2	1.5	1.9	1.6	1.6	2.1	5.7	2.9	1.8
UK % growth	-5.0	24.5	6.9	6.5	8.4	3.6	2.9	2.0	1.8	1.3	1.5	1.9	8.2	4.1	1.6
Germany % growth	-2.7	10.3	2.9	1.8	3.4	1.4	1.3	2.6	3.4	4.0	3.1	2.8	3.1	2.2	3.3
Japan % growth	-1.8	7.3	1.2	0.5	0.8	1.4	3.0	2.8	3.3	2.3	1.8	1.3	1.8	2.0	2.1
Eurozone % growth	-0.9	14.6	4.0	4.5	4.7	2.6	1.0	1.4	2.2	2.7	2.8	2.9	5.6	2.4	2.6
G7 % growth	-0.5	13.0	4.2	4.5	4.2	3.1	2.9	1.8	2.2	2.1	1.9	2.2	5.1	3.0	2.1
CPI inflation rates															
US % CPI	1.9	4.8	5.3	6.7	8.0	7.2	6.6	5.5	3.8	3.2	2.7	2.4	4.7	6.8	3.0
UK % CPI	0.9	2.0	2.7	4.4	6.2	7.7	7.1	5.6	4.0	1.8	1.7	1.7	2.5	6.7	2.3
Germany % CPI	1.4	2.3	3.9	5.4	5.8	7.8	7.0	5.5	3.6	1.2	1.3	1.3	3.2	6.5	1.8
Japan % CPI	-0.5	-0.7	-0.2	0.5	0.5	1.7	1.9	1.8	1.6	1.6	1.2	1.0	-0.2	1.5	1.3
G7 % CPI	1.4	3.4	4.0	5.2	6.0	5.8	5.3	5.0	3.5	2.5	2.2	2.0	3.5	5.5	2.5
China % CPI	-0.1	1.3	1.0	1.8	1.1	2.6	3.2	3.2	2.5	2.3	2.2	1.9	1.0	2.5	2.3
India % CPI	4.4	5.3	4.8	5.0	6.1	7.4	7.0	5.7	6.5	4.9	4.1	4.1	4.9	6.6	4.9
Interest rates															
US prime rate	3.25	3.25	3.25	3.25	3.29	3.88	4.38	4.71	5.04	5.42	5.75	5.75	3.25	4.06	5.49
Commodity prices															
Spot oil price: US\$/barrel	61.3	69.2	73.2	79.7	97.5	110.0	101.0	93.0	90.0	86.0	84.0	82.0	70.8	100.4	85.5
London gold price: US\$/oz	1800	1815	1790	1795	1878	1890	1881	1871	1811	1750	1730	1710	1800	1880	1750
Platinum price: US\$/oz	1159	1179	1022	1000	1028	1000	1057	1115	1132	1150	1156	1162	1090	1050	1150
Palladium price: US\$/oz	2404	2787	2462	1939	2346	2300	2285	2270	2435	2600	2655	2710	2398	2300	2600
SA coal price : US\$/mt	89.7	103.6	139.6	164.1	242.7	220.0	200.0	180.0	150.0	140.0	130.0	118.0	124.2	210.7	134.5
China iron ore price : US\$/mt	165.4	198.6	165.8	105.3	141.1	140.0	139.6	139.3	129.6	120.0	116.8	113.6	158.7	140.0	120.0
Exchange rates															
US\$/Sterling exchange rate	1.38	1.40	1.38	1.35	1.34	1.31	1.31	1.33	1.34	1.35	1.35	1.35	1.38	1.32	1.35
Yn/\$ exchange rate	105.9	109.4	110.1	113.7	116.2	119.0	120.0	120.0	119.0	118.0	117.0	116.0	109.8	118.8	117.5
US\$/Euro exchange rate	1.21	1.21	1.18	1.14	1.12	1.11	1.12	1.14	1.15	1.15	1.16	1.17	1.18	1.12	1.16

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

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Nominal GDP expenditure components															
Household consumption (year % ch.)	3670.3 -0.6	3770.8 27.6	3725.3 6.7	3880.2 7.5	3952.1 7.7	4037.7 7.1	4113.4 10.4	4151.7 7.0	4217.3 6.7	4295.1 6.4	4384.3 6.6	4437.7 6.9	3761.7 9.4	4063.7 8.0	4333.6 6.6
Government consumption (year % ch.)	1185.2 4.3	1171.7 4.9	1204.1 5.2	1237.3 6.3	1273.6 7.5	1262.7 7.8	1269.6 5.4	1278.8 3.4	1322.3 3.8	1309.8 3.7	1318.3 3.8	1320.7 3.3	1199.6 5.2	1271.2 6.0	1317.8 3.7
Fixed investment (year % ch.)	776.4 -6.2	809.5 24.8	812.5 7.1	841.2 5.9	867.1 11.7	892.6 10.3	921.1 13.4	935.0 11.2	962.0 10.9	991.3 11.1	1020.3 10.8	1044.3 11.7	809.9 6.9	904.0 11.6	1004.4 11.1
Inventory investment	-43.5	-38.3	43.5	2.5	24.4	0.1	16.5	47.1	31.2	36.2	39.3	49.3	-9.0	22.0	39.0
Residual item	72.5	15.5	36.0	126.8	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	62.7	-4.3	-4.3
Gross domestic expenditure (year % ch.)	5661.0 1.6	5729.3 20.2	5821.4 11.8	6088.0 9.4	6113.0 8.0	6188.7 8.0	6316.1 8.5	6408.4 5.3	6528.6 6.8	6628.0 7.1	6757.9 7.0	6847.6 6.9	5824.9 10.4	6256.6 7.4	6690.5 6.9
Exports: goods and services (year % ch.)	1846.9 13.1	2015.8 68.3	1889.3 18.6	1970.5 15.3	2134.7 15.6	2112.8 4.8	2124.1 12.4	2170.6 10.2	2195.4 2.8	2213.4 4.8	2234.1 5.2	2242.8 3.3	1930.6 25.9	2135.6 10.6	2221.4 4.0
Imports: goods and services (year % ch.)	1459.0 2.7	1509.7 30.0	1514.8 25.4	1713.7 25.4	1817.5 24.6	1812.6 20.1	1846.9 21.9	1918.8 12.0	1951.3 7.4	1979.6 9.2	2007.8 8.7	2041.0 6.4	1549.3 20.2	1849.0 19.3	1994.9 7.9
Expenditure on GDP (year % ch.)	6049.0 4.6	6235.4 29.8	6195.8 10.8	6344.9 7.4	6430.1 6.3	6488.9 4.1	6593.4 6.4	6660.2 5.0	6772.6 5.3	6861.8 5.7	6984.2 5.9	7049.4 5.8	6206.3 12.4	6543.1 5.4	6917.0 5.7

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

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Real GDP expenditure components															
Household consumption (year % ch.)	2944.5 -2.5	2972.4 24.1	2902.0 2.6	2982.5 2.3	3005.6 2.1	3020.0 1.6	3029.9 4.4	3043.5 2.0	3060.5 1.8	3076.8 1.9	3092.7 2.1	3106.5 2.1	2950.4 5.7	3024.7 2.5	3084.1 2.0
Government consumption (year % ch.)	897.3 0.1	896.0 0.1	897.5 0.2	898.3 -0.3	916.4 2.1	905.2 1.0	890.3 -0.8	882.8 -1.7	900.6 -1.7	884.5 -2.3	878.3 -1.3	872.8 -1.1	897.3 0.0	898.7 0.2	884.0 -1.6
Fixed investment (year % ch.)	628.4 -9.6	637.3 17.3	634.6 3.6	646.8 0.3	652.4 3.8	657.8 3.2	664.0 4.6	667.7 3.2	675.1 3.5	685.0 4.1	696.9 5.0	705.5 5.7	636.8 2.0	660.5 3.7	690.6 4.6
Inventory investment	-17.5	-33.4	15.3	-17.0	15.6	-4.2	5.2	25.2	12.1	14.0	16.5	21.9	-13.2	10.5	16.1
Residual item	10.9	13.2	10.2	5.2	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	9.9	11.0	11.0
Gross domestic expenditure (year % ch.)	4463.5 -2.8	4485.5 14.1	4459.6 5.8	4515.8 3.4	4601.0 3.1	4589.8 2.3	4600.5 3.2	4630.1 2.5	4659.3 1.3	4671.2 1.8	4695.5 2.1	4717.6 1.9	4481.1 4.8	4605.3 2.8	4685.9 1.7
Exports: goods and services (year % ch.)	1174.2 -2.9	1210.0 42.7	1117.9 3.1	1213.1 5.6	1217.4 3.7	1201.1 -0.7	1202.4 7.6	1227.4 1.2	1242.1 2.0	1249.7 4.0	1259.6 4.8	1262.6 2.9	1178.8 9.9	1212.1 2.8	1253.5 3.4
Imports: goods and services (year % ch.)	1165.8 -3.9	1164.6 17.7	1124.9 14.5	1224.5 12.1	1233.8 5.8	1205.3 3.5	1198.6 6.6	1234.9 0.9	1243.2 0.8	1251.7 3.8	1263.5 5.4	1275.0 3.2	1170.0 9.4	1218.2 4.1	1258.4 3.3
Expenditure on GDP (year % ch.)	4472.0 -2.5	4530.9 19.6	4452.6 3.2	4504.4 1.8	4584.6 2.5	4585.6 1.2	4604.2 3.4	4622.6 2.6	4658.2 1.6	4669.3 1.8	4691.5 1.9	4705.2 1.8	4490.0 4.9	4599.2 2.4	4681.1 1.8

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

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Household consumption categories															
Durable goods	301.5	309.6	277.7	296.8	303.7	306.4	307.9	309.7	311.7	313.7	315.4	317.0	296.4	306.9	314.4
(year % ch.)	4.8	53.8	-1.4	5.4	0.7	-1.0	10.9	4.3	2.7	2.4	2.4	2.4	12.7	3.5	2.5
Semi-durable goods	249.6	250.8	239.4	250.3	256.6	259.0	260.9	263.7	266.4	269.2	271.9	274.5	247.5	260.1	270.5
(year % ch.)	-9.7	64.3	1.4	2.6	2.8	3.3	9.0	5.4	3.8	3.9	4.2	4.1	8.9	5.1	4.0
Non-durable goods	896.8	905.7	872.1	907.8	908.8	908.4	907.6	909.8	914.0	918.8	923.5	928.0	895.6	908.6	921.1
(year % ch.)	-1.1	20.3	-0.5	1.2	1.3	0.3	4.1	0.2	0.6	1.1	1.8	2.0	4.4	1.5	1.4
Services	1496.7	1506.3	1512.8	1527.7	1536.5	1546.1	1553.5	1560.2	1568.4	1575.1	1581.9	1587.0	1510.9	1549.1	1578.1
(year % ch.)	-3.4	16.9	5.4	2.3	2.7	2.6	2.7	2.1	2.1	1.9	1.8	1.7	4.8	2.5	1.9
Total household consumption	2944.5	2972.4	2902.0	2982.5	3005.6	3020.0	3029.9	3043.5	3060.5	3076.8	3092.7	3106.5	2950.4	3024.7	3084.1
(year % ch.)	-2.5	24.1	2.6	2.3	2.1	1.6	4.4	2.0	1.8	1.9	2.1	2.1	5.7	2.5	2.0
Disposable income of households															
Real disposable income	2965.0	2991.3	2938.3	3003.8	3016.9	3030.1	3038.5	3051.5	3067.4	3083.4	3099.2	3112.7	2974.6	3034.2	3090.6
(year % ch.)	-1.9	24.1	2.4	2.5	1.7	1.3	3.4	1.6	1.7	1.8	2.0	2.0	5.9	2.0	1.9
Adjusted for debt-service cost (real)	2914.5	2941.7	2889.2	2955.5	2969.0	2983.1	2992.1	3005.4	3021.7	3038.3	3054.8	3068.6	2925.2	2987.4	3045.9
(year % ch.)	-1.9	24.7	2.5	2.6	1.9	1.4	3.6	1.7	1.8	1.9	2.1	2.1	6.1	2.1	2.0

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

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Private sector															
Total private sector	447.8	456.1	454.4	473.6	476.0	478.8	482.5	486.5	492.3	500.8	510.4	519.0	458.0	481.0	505.6
(year % ch.)	-11.3	23.1	4.2	1.7	6.3	5.0	6.2	2.7	3.4	4.6	5.8	6.7	3.1	5.0	5.1
Public sector															
Government	112.0	113.4	113.3	105.4	107.3	109.2	111.0	109.3	109.8	111.1	112.6	112.1	111.0	109.2	111.4
(year % ch.)	-4.5	-1.5	0.5	-6.0	-4.2	-3.7	-2.0	3.7	2.3	1.7	1.4	2.6	-2.9	-1.6	2.0
Public corporations	68.6	67.8	66.9	67.8	69.1	69.8	70.5	71.9	73.0	73.1	73.9	74.4	67.8	70.3	73.6
(year % ch.)	-5.7	17.3	4.2	0.9	0.7	3.0	5.4	6.0	5.6	4.7	4.8	3.5	3.5	3.8	4.7
Total public sector	180.6	181.2	180.1	173.2	176.4	179.0	181.5	181.2	182.8	184.2	186.5	186.5	178.8	179.5	185.0
(year % ch.)	-5.0	4.8	1.8	-3.4	-2.3	-1.2	0.7	4.6	3.6	2.9	2.8	2.9	-0.6	0.4	3.0
Total															
Total fixed capital formation	628.4	637.3	634.6	646.8	652.4	657.8	664.0	667.7	675.1	685.0	696.9	705.5	636.8	660.5	690.6
(year % ch.)	-9.6	17.3	3.6	0.3	3.8	3.2	4.6	3.2	3.5	4.1	5.0	5.7	2.0	3.7	4.6

Table A 6: Labour sector (million)

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Employment															
Total labour force	22.24	22.77	21.93	22.47	22.95	23.05	23.10	23.18	23.24	23.35	23.40	23.48	22.35	23.07	23.37
(year % ch.)	-5.2	23.4	3.3	0.9	3.2	1.2	5.4	3.2	1.3	1.3	1.3	1.3	4.7	3.2	1.3
Private sector employment	12.80	12.81	12.09	12.31	12.66	12.91	13.08	13.29	13.21	13.32	13.45	13.67	12.50	12.98	13.41
(year % ch.)	-10.3	6.1	-4.0	-4.4	-1.1	0.8	8.2	8.0	4.4	3.2	2.8	2.9	-3.5	3.9	3.3
Government employment	2.20	2.13	2.19	2.24	2.22	2.21	2.21	2.21	2.21	2.21	2.21	2.22	2.19	2.21	2.21
(year % ch.)	3.5	2.8	4.5	3.9	1.2	3.5	0.6	-1.4	-0.7	0.1	0.2	0.3	3.7	0.9	0.0
Total employment (incl. informal)	15.00	14.94	14.28	14.54	14.88	15.11	15.29	15.49	15.42	15.53	15.66	15.89	14.69	15.19	15.62
(year % ch.)	-8.5	5.6	-2.8	-3.2	-0.8	1.2	7.0	6.5	3.6	2.8	2.5	2.5	-2.5	3.4	2.8
Unemployment rate	32.6	34.4	34.9	35.3	35.2	34.4	33.8	33.2	33.7	33.5	33.1	32.4	34.3	34.1	33.1
Wage rates (year % change)															
Unit labour cost	3.1	-4.2	4.6	3.4	5.2	3.1	3.6	7.4	4.9	4.2	4.6	4.9	1.6	4.8	4.7
Wage bill (R billion at current prices)															
Total wage bill	2796.9	2814.2	2862.9	2862.7	3016.4	2936.7	3065.9	3154.6	3213.9	3116.3	3269.1	3368.1	2834.2	3043.4	3241.9
(year % ch.)	0.5	14.6	7.9	5.2	7.8	4.4	7.1	10.2	6.5	6.1	6.6	6.8	6.8	7.4	6.5

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

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Income and expenditure															
Remuneration of employees (year % ch.)	2796.9 0.5	2814.2 14.6	2862.9 7.9	2862.7 5.2	3016.4 7.8	2936.7 4.4	3065.9 7.1	3154.6 10.2	3213.9 6.5	3116.3 6.1	3269.1 6.6	3368.1 6.8	2834.2 6.8	3043.4 7.4	3241.9 6.5
Disposable income (year % ch.)	3695.9 0.0	3794.8 27.6	3771.8 6.4	3907.9 7.7	3967.0 7.3	4051.2 6.8	4125.0 9.4	4162.6 6.5	4226.8 6.6	4304.2 6.2	4393.4 6.5	4446.5 6.8	3792.6 9.6	4076.5 7.5	4342.8 6.5
Less household consumption (year % ch.)	3670.3 -0.6	3770.8 27.6	3725.3 6.7	3880.2 7.5	3952.1 7.7	4037.7 7.1	4113.4 10.4	4151.7 7.0	4217.3 6.7	4295.1 6.4	4384.3 6.6	4437.7 6.9	3761.7 9.4	4063.7 8.0	4333.6 6.6
Saving	25.5	24.0	46.5	27.7	14.9	13.6	11.6	10.9	9.5	9.2	9.1	8.8	30.9	12.7	9.2
Households: ratio to disposable income															
Saving	0.7	0.6	1.2	0.7	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.8	0.3	0.2
Debt	67.4	66.6	68.0	66.2	66.0	66.5	66.6	66.2	65.8	65.9	65.7	65.0	67.0	66.3	65.6
Debt-service cost	7.6	7.5	7.5	7.3	7.6	7.8	8.0	8.2	8.3	8.5	8.6	8.7	7.5	7.9	8.5
Net wealth	376.5	371.7	377.6	382.1	394.3	394.1	402.0	406.3	406.6	408.7	407.3	410.4	377.0	399.2	408.3

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

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Income															
Direct taxes	796.7	905.7	884.5	971.7	912.7	796.4	865.6	978.9	998.8	819.5	903.1	1024.2	889.7	888.4	936.4
(year % ch.)	2.0	42.5	31.5	22.2	14.6	-12.1	-2.1	0.7	9.4	2.9	4.3	4.6	23.4	-0.1	5.4
Value added tax (VAT)	391.4	335.6	367.4	404.4	417.3	359.7	403.2	435.4	448.3	385.4	432.8	468.1	374.7	403.9	433.7
(year % ch.)	-2.2	59.8	9.4	4.3	6.6	7.2	9.8	7.7	7.4	7.1	7.3	7.5	12.4	7.8	7.4
Other indirect taxes	355.3	413.3	411.2	483.6	432.3	455.4	457.7	533.2	472.5	496.6	494.8	571.9	415.8	469.6	508.9
(year % ch.)	10.3	34.2	35.8	33.6	21.7	10.2	11.3	10.2	9.3	9.1	8.1	7.3	28.4	12.9	8.4
Expenditure															
Consumption	1185.2	1171.7	1204.1	1237.3	1273.6	1262.7	1269.6	1278.8	1322.3	1309.8	1318.3	1320.7	1199.6	1271.2	1317.8
(year % ch.)	4.3	4.9	5.2	6.3	7.5	7.8	5.4	3.4	3.8	3.7	3.8	3.3	5.2	6.0	3.7
Interest Payments	254.0	249.4	263.3	237.8	254.8	323.5	352.2	364.4	382.9	393.9	405.1	407.8	251.1	323.7	397.4
(year % ch.)	14.1	12.6	9.7	15.7	0.3	29.7	33.8	53.2	50.2	21.8	15.0	11.9	12.9	28.9	22.8
Saving	-351.8	-187.4	-277.3	-192.9	-87.8	-369.7	-323.1	-147.2	-111.6	-426.4	-353.8	-149.5	-252.3	-231.9	-260.3
Ratios to GDP															
Total tax revenue	25.5	26.5	26.8	29.3	27.4	24.8	26.2	29.2	28.3	24.8	26.2	29.3	27.1	26.9	27.2
Main budget balance	-8.3	-2.9	-6.8	-3.9	-6.1	-8.1	-7.5	-3.5	-6.1	-7.4	-7.6	-3.5	-5.4	-6.3	-6.2
Gross debt (National government)	70.6	68.2	68.2	68.8	70.7	72.3	73.3	73.7	74.3	75.4	76.4	76.8	68.8	73.7	76.8

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

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Current account															
Exports: goods and services	1846.9	2015.8	1889.3	1970.5	2134.7	2112.8	2124.1	2170.6	2195.4	2213.4	2234.1	2242.8	1930.6	2135.6	2221.4
(year % ch.)	13.1	68.3	18.6	15.3	15.6	4.8	12.4	10.2	2.8	4.8	5.2	3.3	25.9	10.6	4.0
Net receipts	-55.0	-35.7	-31.1	-21.2	-10.2	-34.0	-25.9	-30.8	-30.8	-56.8	-56.8	-53.7	-35.8	-25.2	-49.5
(year % ch.)	65.9	11.7	-34.2	-62.4	-81.5	-4.9	-16.9	45.4	202.6	67.2	119.4	74.4	-15.2	-29.5	96.4
Less imports: goods and services	1459.0	1509.7	1514.8	1713.7	1817.5	1812.6	1846.9	1918.8	1951.3	1979.6	2007.8	2041.0	1549.3	1849.0	1994.9
(year % ch.)	2.7	30.0	25.4	25.4	24.6	20.1	21.9	12.0	7.4	9.2	8.7	6.4	20.2	19.3	7.9
Less net factor payments	60.3	170.7	127.0	115.7	131.7	143.0	143.1	142.1	150.5	154.4	155.9	158.8	118.4	140.0	154.9
(year % ch.)	-44.4	54.4	151.0	15.1	118.4	-16.2	12.7	22.8	14.3	8.0	8.9	11.7	28.0	18.2	10.7
Current account balance	272.6	299.7	216.3	119.9	175.2	123.2	108.2	78.9	62.8	22.6	13.7	-10.7	227.1	121.4	22.1
Current account in US\$	18.2	21.2	14.8	7.8	11.5	8.4	7.1	5.1	4.0	1.4	0.9	-0.7	15.5	8.0	1.4
Current account as % of GDP	4.5	4.8	3.5	1.9	2.7	1.9	1.6	1.2	0.9	0.3	0.2	-0.2	3.7	1.9	0.3
Financing of the current account															
Total net capital flows	-47.0	-76.6	14.3	-50.6	-0.2	-20.0	13.0	-25.0	33.0	-14.0	24.0	-10.0	-159.8	-32.2	33.0
SDR + Valuation adjustment	-13.3	-29.5	36.3	47.1	-77.6	13.8	30.3	12.4	3.2	6.4	9.8	0.0	40.5	-21.1	19.4
Change in gross reserves	-23.6	-5.6	86.7	50.4	-65.6	50.2	52.4	31.0	20.3	23.7	19.3	11.2	107.8	68.1	74.5
Gross reserves: quarter end	784.0	778.4	865.1	915.4	849.9	900.1	952.5	983.5	1003.8	1027.5	1046.8	1058.0	915.4	983.5	1058.0
Gross reserves: quarter end (US\$)	53.0	54.5	57.1	57.6	58.2	60.6	62.0	63.2	64.3	65.4	66.0	66.7	57.6	63.2	66.7
Terms of trade															
Index (2015 = 100)	125.7	128.5	125.5	116.1	119.0	117.0	114.7	113.8	112.6	112.0	111.6	111.0	123.9	116.1	111.8
(year % ch.)	8.9	6.8	5.0	-2.4	-5.3	-9.0	-8.6	-1.9	-5.4	-4.3	-2.6	-2.5	4.6	-6.3	-3.7

Table A 10: Credit, interest rates and exchange rates (Note that since the April forecast was completed, we changed the repo rate forecast from a 25bps hike in May 2022 to 50bps. The implication is that we now expect somewhat higher averages for the prime overdraft rate than outlined in this table)

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Money supply and credit extension															
M3 money supply (year % ch.)	4120.6 3.6	4106.7 0.1	4289.0 4.0	4353.8 5.7	4363.1 5.9	4458.5 8.6	4530.8 5.6	4567.9 4.9	4629.7 6.1	4700.2 5.4	4777.8 5.5	4819.7 5.5	4353.8 5.7	4567.9 4.9	4819.7 5.5
Private sector credit to households (year % ch.)	1817.0 3.3	1831.6 5.6	1856.1 5.4	1881.4 5.1	1910.1 5.1	1951.2 6.5	1988.2 7.1	2003.4 6.5	2028.4 6.2	2056.1 5.4	2087.7 5.0	2101.8 4.9	1881.4 5.1	2003.4 6.5	2101.8 4.9
Private sector credit to firms (year % ch.)	2156.4 -5.2	2146.2 -5.0	2163.8 -1.5	2229.2 0.5	2257.9 4.7	2298.2 7.1	2333.5 7.8	2355.3 5.7	2392.2 5.9	2434.9 5.9	2481.0 6.3	2508.8 6.5	2229.2 0.5	2355.3 5.7	2508.8 6.5
Total private sector credit extension (year % ch.)	3973.5 -1.5	3977.8 -0.4	4019.8 1.6	4110.6 2.6	4167.9 4.9	4249.4 6.8	4321.7 7.5	4358.7 6.0	4420.6 6.1	4491.0 5.7	4568.7 5.7	4610.6 5.8	4110.6 2.6	4358.7 6.0	4610.6 5.8
Interest rates															
3-month NCD rate	3.65	3.68	3.68	3.77	4.12	4.66	5.11	5.55	5.98	6.26	6.50	6.54	3.70	4.86	6.32
10-year government bond yield	8.93	9.04	8.91	9.50	9.47	9.87	9.90	10.10	10.13	10.11	10.14	10.10	9.10	9.83	10.12
Prime overdraft rate	7.00	7.00	7.00	7.12	7.44	7.88	8.25	8.63	9.00	9.25	9.46	9.50	7.03	8.05	9.30
Effective household lending rate	11.28	11.26	11.03	11.03	11.48	11.75	12.02	12.38	12.68	12.95	13.13	13.32	11.15	11.91	13.02
Effective firm lending rate	4.03	4.11	4.40	4.61	4.78	5.24	5.76	6.33	6.76	7.09	7.32	7.40	4.29	5.53	7.14
Exchange rates															
R/US DOLLAR (year % ch.)	14.95 -2.5	14.13 -21.3	14.62 -13.5	15.41 -1.4	15.22 1.8	14.60 3.3	15.20 4.0	15.52 0.7	15.57 2.3	15.66 7.2	15.75 3.6	15.90 2.5	14.78 -10.2	15.13 2.4	15.72 3.9
R/100 Japanese YEN (year % ch.)	14.13 0.2	12.92 -22.6	13.28 -16.6	13.56 -9.4	13.10 -7.3	12.27 -5.0	12.67 -4.6	12.93 -4.6	13.09 -0.1	13.27 8.1	13.46 6.3	13.71 6.0	13.47 -12.7	12.74 -5.4	13.38 5.0
R/STERLING (year % ch.)	20.62 5.0	19.75 -11.3	20.15 -7.8	20.77 0.7	20.43 -0.9	19.13 -3.2	19.91 -1.2	20.64 -0.7	20.87 2.1	21.14 10.5	21.26 6.8	21.47 4.0	20.32 -3.7	20.03 -1.5	21.18 5.8
R/EURO (year % ch.)	18.03 6.5	17.03 -13.7	17.23 -12.8	17.62 -5.4	17.09 -5.2	16.21 -4.9	17.02 -1.2	17.69 0.4	17.91 4.8	18.01 11.1	18.27 7.3	18.60 5.1	17.48 -6.9	17.00 -2.7	18.20 7.0
R/\$ PP parity rate (base PPI 2003) (year % ch.)	12.97 -0.3	12.60 -5.7	12.51 -6.1	12.55 -5.6	12.33 -5.0	12.33 -2.1	12.43 -0.7	12.58 0.2	12.60 2.2	12.65 2.6	12.63 1.6	12.64 0.4	12.66 -4.5	12.42 -1.9	12.63 1.7

Table A 11: Prices

	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2021	2022	2023
Price deflators (index base year: 2015)															
Exports (incl. services)	157.3	166.6	169.0	162.4	175.4	175.9	176.7	176.9	176.8	177.1	177.4	177.6	163.8	176.2	177.2
(year % ch.)	16.4	17.9	15.0	9.2	11.5	5.6	4.5	8.9	0.8	0.7	0.4	0.4	14.6	7.5	0.6
Export commodities (in rand)	2946.7	3472.7	3106.4	2894.8	3659.8	3384.8	3434.8	3415.5	3300.7	3280.5	3257.1	3235.7	3105.1	3473.7	3268.5
(year % ch.)	35.6	57.5	30.0	13.7	24.2	-2.5	10.6	18.0	-9.8	-3.1	-5.2	-5.3	33.4	11.9	-5.9
Imports (incl. services)	125.1	129.6	134.7	140.0	147.3	150.4	154.1	155.4	157.0	158.2	158.9	160.1	132.3	151.8	158.5
(year % ch.)	6.9	10.5	9.5	11.9	17.7	16.0	14.4	11.0	6.5	5.2	3.1	3.0	9.7	14.7	4.4
GDE	125.5	127.8	130.0	132.2	133.3	135.3	137.7	138.8	140.5	142.3	144.4	145.6	128.9	136.3	143.2
(year % ch.)	2.3	3.8	4.2	5.9	6.2	5.9	5.9	5.0	5.5	5.2	4.8	4.9	4.1	5.7	5.1
Investment	123.6	127.0	128.0	130.1	132.9	135.7	138.7	140.0	142.5	144.7	146.4	148.0	127.2	136.8	145.4
(year % ch.)	3.8	6.4	3.4	5.6	7.6	6.8	8.3	7.7	7.2	6.6	5.5	5.7	4.8	7.6	6.3
GDP	135.3	137.6	139.1	140.9	140.3	141.5	143.2	144.1	145.4	147.0	148.9	149.8	138.2	142.3	147.8
(year % ch.)	7.3	8.6	7.4	5.6	3.7	2.8	2.9	2.3	3.7	3.9	4.0	4.0	7.2	2.9	3.9
Consumer (index base: Dec 2021) & producer prices (index base: Dec 2020)															
Headline inflation (CPI)	95.4	96.8	98.4	99.5	100.9	102.7	104.0	104.7	106.1	107.4	108.6	109.4	97.5	103.1	107.9
(year % ch.)	3.1	4.8	4.9	5.4	5.8	6.1	5.6	5.3	5.1	4.6	4.5	4.4	4.6	5.7	4.6
Core inflation*	97.3	98.2	99.2	99.8	100.8	102.0	102.8	103.8	105.6	107.1	108.0	108.5	98.6	102.4	107.3
(year % ch.)	2.8	3.1	3.1	3.3	3.6	3.9	3.7	4.1	4.8	4.9	5.0	4.5	3.1	3.8	4.8
CPI food and non-alcoholic beverages	95.9	97.8	98.5	99.6	101.7	103.7	104.6	105.8	107.1	108.1	109.0	111.0	98.0	103.9	108.8
(year % ch.)	5.4	6.6	6.8	5.7	6.1	6.1	6.1	6.2	5.3	4.2	4.3	4.9	6.1	6.1	4.7
CPI petrol	77.1	84.4	88.4	95.5	101.5	111.8	115.0	111.4	108.2	108.9	106.5	106.2	86.3	109.9	107.5
(year % ch.)	-3.2	28.3	18.2	32.7	31.6	32.5	30.1	16.6	6.6	-2.6	-7.4	-4.6	18.2	27.3	-2.2
<i>Petrol price (R/l coastal unleaded)</i>	<i>14.92</i>	<i>16.51</i>	<i>17.29</i>	<i>18.67</i>	<i>19.73</i>	<i>21.35</i>	<i>22.01</i>	<i>21.35</i>	<i>20.74</i>	<i>20.89</i>	<i>20.43</i>	<i>20.37</i>	<i>16.84</i>	<i>21.11</i>	<i>20.61</i>
(year % ch.)	-2.9	32.1	19.6	33.9	32.3	29.3	27.3	14.4	5.1	-2.2	-7.2	-4.6	19.8	25.3	-2.4
CPI electricity	87.7	87.7	99.9	100.0	100.1	100.1	109.8	109.9	109.9	109.9	123.5	123.7	93.8	105.0	116.8
(year % ch.)	6.0	6.2	13.9	14.0	14.1	14.1	10.0	9.9	9.9	9.8	12.5	12.6	10.1	11.9	11.2
Producer price index	101.7	104.0	106.3	109.4	112.3	115.7	116.3	116.9	118.0	119.4	120.0	121.0	105.3	115.3	119.6
(year % ch.)	4.2	7.3	7.4	9.5	10.4	11.2	9.5	6.9	5.0	3.1	3.2	3.5	7.1	9.5	3.7

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

Appendix B

Statistics of the annual forecast, 2022 - 2027

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Table B 1: International economic indicators

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Real GDP growth rates									
US % growth	1.9	5.7	2.9	1.8	2.0	2.0	2.0	2.2	2.2
UK % growth	1.0	7.4	4.2	1.6	1.7	1.7	1.6	1.5	2.0
Germany % growth	0.9	2.9	2.2	3.3	1.5	1.5	1.5	1.5	1.9
Japan % growth	0.0	1.7	2.0	2.1	1.5	1.2	1.2	1.2	1.5
Eurozone % growth	1.1	5.2	2.4	2.6	1.6	1.6	1.6	1.5	1.9
G7 % growth	1.3	5.1	3.0	2.1	1.8	1.7	1.7	1.8	2.0
CPI inflation rates									
US % CPI	2.3	4.7	6.8	3.0	2.1	2.0	2.0	2.0	3.0
UK % CPI	1.9	2.5	6.7	2.3	1.9	1.8	2.0	2.0	2.8
Germany % CPI	1.5	3.2	6.5	1.8	2.0	2.0	2.0	2.0	2.7
Japan % CPI	0.3	-0.2	1.5	1.3	1.0	1.0	1.0	1.0	1.1
G7 % CPI	1.8	3.5	5.5	2.5	1.9	1.8	1.8	1.9	2.6
China % CPI	2.0	1.0	2.5	2.3	2.3	2.3	2.0	2.0	2.2
India % CPI	5.1	4.9	6.6	4.9	4.2	4.2	4.2	4.5	4.8
Interest rates									
US prime rate	4.10	3.25	4.06	5.49	5.60	5.50	5.50	5.50	5.28
Commodity prices									
Spot oil price: US\$/barrel	58.4	70.8	100.4	85.5	76.0	73.0	71.0	70.0	79.3
London gold price: US\$/oz	1456	1800	1880	1750	1700	1700	1700	1700	1738
Platinum price: US\$/oz	942	1090	1050	1150	1183	1217	1250	1250	1183
Palladium price: US\$/oz	1440	2398	2300	2600	2700	2850	3000	3035	2748
SA coal price: US\$/mt	85.0	124.2	210.7	134.5	102.0	95.0	90.0	90.3	120.4
China iron ore price: US\$/mt	93.5	158.7	140.0	120.0	110.0	105.0	100.0	100.0	112.5
Exchange rates									
US\$/Sterling exchange rate	1.32	1.38	1.32	1.35	1.38	1.38	1.40	1.40	1.37
Y\$/ exchange rate	109.5	109.8	118.8	117.5	115.1	115.0	115.0	115.0	116.1
US\$/Euro exchange rate	1.14	1.18	1.12	1.16	1.19	1.21	1.23	1.24	1.19

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

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Nominal GDP expenditure components									
Household consumption (year % ch.)	3399.3 5.0	3761.7 9.4	4063.7 8.0	4333.6 6.6	4615.5 6.5	4904.6 6.3	5219.0 6.4	5556.5 6.5	4782.2 6.7
Government consumption (year % ch.)	1062.1 6.1	1199.6 5.2	1271.2 6.0	1317.8 3.7	1374.0 4.3	1423.9 3.6	1485.3 4.3	1554.1 4.6	1404.4 4.4
Fixed investment (year % ch.)	823.3 0.5	809.9 6.9	904.0 11.6	1004.4 11.1	1113.8 10.9	1237.3 11.1	1374.5 11.1	1512.8 10.1	1191.1 11.0
Inventory investment	0.0	-9.0	22.0	39.0	51.6	49.1	52.8	53.6	44.7
Residual item	10.0	62.7	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3
Gross domestic expenditure (year % ch.)	5294.5 4.6	5824.9 10.4	6256.6 7.4	6690.5 6.9	7150.6 6.9	7610.6 6.4	8127.3 6.8	8672.6 6.7	7418.0 6.9
Exports: goods and services (year % ch.)	1533.0 8.2	1930.6 25.9	2135.6 10.6	2221.4 4.0	2292.2 3.2	2412.6 5.3	2511.2 4.1	2653.8 5.7	2371.1 5.5
Imports: goods and services (year % ch.)	1406.3 3.7	1549.3 20.2	1849.0 19.3	1994.9 7.9	2143.6 7.5	2339.5 9.1	2511.7 7.4	2717.2 8.2	2259.3 9.9
Expenditure on GDP (year % ch.)	5421.3 5.9	6206.3 12.4	6543.1 5.4	6917.0 5.7	7299.2 5.5	7683.7 5.3	8126.8 5.8	8609.2 5.9	7529.9 5.6

Table B 3: Expenditure on gross domestic product (R billion at constant 2015 prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Real GDP expenditure components									
Household consumption (year % ch.)	2899.0 0.9	2950.4 5.7	3024.7 2.5	3084.1 2.0	3140.9 1.8	3201.4 1.9	3265.2 2.0	3331.8 2.0	3174.7 2.0
Government consumption (year % ch.)	875.3 1.1	897.3 0.0	898.7 0.2	884.0 -1.6	884.9 0.1	878.4 -0.7	875.7 -0.3	875.7 0.0	882.9 -0.4
Fixed investment (year % ch.)	715.2 -3.5	636.8 2.0	660.5 3.7	690.6 4.6	733.3 6.2	777.0 6.0	825.8 6.3	872.5 5.7	760.0 5.4
Inventory investment	-2.8	-13.2	10.5	16.1	23.6	18.7	18.5	17.1	17.4
Residual item	9.6	9.9	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Gross domestic expenditure (year % ch.)	4496.2 0.1	4481.1 4.8	4605.3 2.8	4685.9 1.7	4793.6 2.3	4886.5 1.9	4996.3 2.2	5108.1 2.2	4846.0 2.2
Exports: goods and services (year % ch.)	1198.0 -0.4	1178.8 9.9	1212.1 2.8	1253.5 3.4	1291.4 3.0	1333.1 3.2	1367.4 2.6	1398.6 2.3	1309.3 2.9
Imports: goods and services (year % ch.)	1216.9 -1.2	1170.0 9.4	1218.2 4.1	1258.4 3.3	1312.8 4.3	1349.9 2.8	1397.5 3.5	1446.9 3.5	1330.6 3.6
Expenditure on GDP (year % ch.)	4477.3 0.3	4490.0 4.9	4599.2 2.4	4681.1 1.8	4772.2 1.9	4869.7 2.0	4966.1 2.0	5059.8 1.9	4824.7 2.0

Table B 4: Final household consumption expenditure (R billion at constant 2015 prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Household consumption categories									
Durable goods (year % ch.)	278.2 1.3	296.4 12.7	306.9 3.5	314.4 2.5	321.8 2.3	330.1 2.6	339.5 2.8	349.7 3.0	327.1 2.8
Semi-durable goods (year % ch.)	259.0 -0.1	247.5 8.9	260.1 5.1	270.5 4.0	278.4 2.9	286.3 2.9	294.6 2.9	303.5 3.0	282.2 3.5
Non-durable goods (year % ch.)	880.3 0.6	895.6 4.4	908.6 1.5	921.1 1.4	935.1 1.5	950.1 1.6	965.5 1.6	981.2 1.6	943.6 1.5
Services (year % ch.)	1481.5 1.1	1510.9 4.8	1549.1 2.5	1578.1 1.9	1605.6 1.7	1634.8 1.8	1665.6 1.9	1697.5 1.9	1621.8 2.0
Total household consumption (year % ch.)	2899.0 0.9	2950.4 5.7	3024.7 2.5	3084.1 2.0	3140.9 1.8	3201.4 1.9	3265.2 2.0	3331.8 2.0	3174.7 2.0
Disposable income of households									
Real disposable income (year % ch.)	2896.7 1.2	2974.6 5.9	3034.2 2.0	3090.6 1.9	3146.4 1.8	3206.2 1.9	3269.5 2.0	3335.3 2.0	3180.4 1.9
Adjusted for debt-service cost (real) (year % ch.)	2843.6 1.2	2925.2 6.1	2987.4 2.1	3045.9 2.0	3103.6 1.9	3165.1 2.0	3230.1 2.1	3297.5 2.1	3138.3 2.0

Table B 4(A): Final household consumption expenditure – continued (R billion at constant 2015 prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Durable goods									
Furniture + household appliances (year % ch.)	57.9 1.9	61.4 12.4	62.3 1.5	63.3 1.7	64.4 1.7	65.7 2.0	67.2 2.3	68.8 2.4	65.3 1.9
Personal transport equipment (year % ch.)	113.3 -1.2	120.8 19.2	127.1 5.2	129.1 1.6	130.7 1.2	132.5 1.4	134.4 1.5	136.5 1.6	131.7 2.1
Computers and related equipment (year % ch.)	12.8 3.7	12.3 3.5	12.8 4.8	13.5 5.0	14.2 4.9	14.9 5.2	15.6 4.9	16.4 4.8	14.6 4.9
Recreation + entertainment goods (year % ch.)	70.2 6.8	80.8 9.2	82.5 2.1	84.5 2.5	86.8 2.7	89.8 3.5	93.8 4.5	98.3 4.8	89.3 3.3
Other durable goods (year % ch.)	24.0 -0.7	21.2 -0.4	22.2 4.9	23.9 7.8	25.7 7.5	27.3 6.1	28.5 4.4	29.7 4.1	26.2 5.8
Semi-durable goods									
Clothing and footwear (year % ch.)	144.5 -0.2	137.3 12.5	146.1 6.4	152.1 4.1	156.3 2.7	160.2 2.5	164.2 2.5	168.6 2.6	157.9 3.5
Household textiles etc. (year % ch.)	38.6 0.6	37.4 3.3	38.9 4.0	40.6 4.4	42.2 3.8	43.9 4.1	45.8 4.3	47.9 4.6	43.2 4.2
Motor accessories (year % ch.)	44.4 -1.0	42.0 4.2	43.0 2.4	44.3 2.9	45.1 2.0	46.0 1.8	46.8 1.8	47.6 1.8	45.5 2.1
Recreation + entertainment goods (year % ch.)	17.6 1.5	17.4 10.6	18.2 4.5	19.0 4.4	19.7 3.9	20.5 4.2	21.4 4.4	22.4 4.3	20.2 4.3
Miscellaneous (year % ch.)	13.9 1.3	13.4 3.9	14.0 3.8	14.6 4.4	15.1 3.4	15.7 4.1	16.3 4.2	17.1 4.3	15.4 4.0

Table B 4(B): Final household consumption expenditure – continued (R billion at constant 2015 prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Non-durable goods									
Food, beverage & tobacco (year % ch.)	541.3 0.9	555.5 4.8	564.9 1.7	572.8 1.4	582.5 1.7	593.0 1.8	603.7 1.8	614.6 1.8	588.6 1.7
Household fuel & power (year % ch.)	118.1 0.8	123.7 3.5	122.9 -0.7	122.9 0.0	123.2 0.3	123.7 0.4	124.4 0.5	125.0 0.5	123.7 0.2
Household consumer goods (year % ch.)	61.3 2.3	64.7 8.3	66.0 1.9	67.4 2.2	68.9 2.2	70.5 2.4	72.4 2.6	74.3 2.6	69.9 2.3
Medical & pharm products (year % ch.)	58.5 3.0	62.7 5.8	63.0 0.6	64.0 1.6	65.4 2.1	66.9 2.3	68.5 2.4	70.1 2.4	66.3 1.9
Petroleum products (year % ch.)	77.2 -2.6	69.2 -0.6	71.3 3.0	72.6 1.8	73.3 0.9	73.8 0.7	74.1 0.4	74.4 0.4	73.2 1.2
Recreation & entertainment goods (year % ch.)	23.9 -4.1	19.7 -0.6	20.6 4.3	21.4 3.8	21.9 2.2	22.2 1.5	22.5 1.2	22.7 1.0	21.9 2.3
Services									
Rent (year % ch.)	320.4 1.0	327.9 0.9	331.3 1.1	334.8 1.1	338.4 1.1	342.1 1.1	346.0 1.2	350.0 1.2	340.4 1.1
Household services (year % ch.)	70.9 2.8	72.7 1.2	73.9 1.6	75.4 2.0	77.2 2.4	79.5 3.1	82.2 3.4	85.0 3.4	78.9 2.6
Medical services (year % ch.)	153.0 0.7	153.5 5.5	161.2 5.0	163.4 1.4	166.2 1.7	169.7 2.1	173.5 2.2	177.6 2.3	168.6 2.5
Transport & communication (year % ch.)	322.7 1.5	339.7 9.2	344.8 1.5	351.2 1.9	357.4 1.8	362.7 1.5	367.6 1.4	372.4 1.3	359.4 1.5
Recreation & entertainment (year % ch.)	217.7 0.0	209.8 2.6	215.7 2.8	224.6 4.1	231.9 3.3	238.0 2.6	243.5 2.3	249.1 2.3	233.8 2.9
Miscellaneous Services (year % ch.)	396.7 1.4	407.2 6.0	422.1 3.7	428.7 1.6	434.7 1.4	442.8 1.9	452.7 2.2	463.4 2.4	440.7 2.2

Table B 5(A): Gross fixed capital formation (R billion at constant 2015 prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Private sector									
Residential	93.5	75.1	77.0	78.8	81.3	83.6	86.2	89.1	82.7
(year % ch.)	-5.2	-2.8	2.6	2.3	3.1	2.8	3.1	3.4	2.9
Other non-residential	400.6	382.9	403.9	426.8	461.9	498.9	541.2	580.4	485.5
(year % ch.)	-0.4	4.3	5.5	5.7	8.2	8.0	8.5	7.2	7.2
Total private sector	494.2	458.0	481.0	505.6	543.2	582.5	627.4	669.5	568.2
(year % ch.)	-1.3	3.1	5.0	5.1	7.4	7.2	7.7	6.7	6.5
Public sector									
Government	130.2	111.0	109.2	111.4	114.2	116.9	118.7	121.3	115.3
(year % ch.)	-5.2	-2.9	-1.6	2.0	2.5	2.3	1.6	2.2	1.5
Public corporations	90.8	67.8	70.3	73.6	75.9	77.7	79.7	81.7	76.5
(year % ch.)	-11.0	3.5	3.8	4.7	3.1	2.4	2.6	2.5	3.2
Total public sector	221.0	178.8	179.5	185.0	190.1	194.5	198.4	203.0	191.8
(year % ch.)	-7.8	-0.6	0.4	3.0	2.8	2.3	2.0	2.3	2.1
Total									
Total fixed capital formation	715.2	636.8	660.5	690.6	733.3	777.0	825.8	872.5	760.0
(year % ch.)	-3.5	2.0	3.7	4.6	6.2	6.0	6.3	5.7	5.4

Table B 5(B): Gross fixed capital formation – continued (R billion at constant 2015 prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Residential (year % ch.)	94.6 -5.2	75.9 -2.8	77.9 2.6	79.7 2.3	82.2 3.1	84.5 2.8	87.1 3.1	90.1 3.4	83.6 2.9
Non-residential (year % ch.)	57.0 -5.3	44.7 -3.4	45.3 1.3	46.7 3.2	48.5 3.8	50.3 3.8	52.4 4.0	54.4 3.9	49.6 3.3
Construction works (year % ch.)	153.1 -8.2	122.0 -1.6	124.4 2.0	129.9 4.4	138.4 6.6	147.7 6.7	157.6 6.7	166.4 5.5	144.1 5.3
Transport equipment (year % ch.)	83.0 -7.2	64.2 -0.7	66.4 3.4	69.6 4.8	73.1 5.0	77.2 5.6	81.5 5.6	86.1 5.5	75.7 5.0
Computer equipment (year % ch.)	25.1 2.9	27.6 26.6	29.4 6.7	31.2 5.8	33.2 6.5	35.3 6.5	37.6 6.4	39.8 5.9	34.4 6.3
Machinery and other equipment (year % ch.)	223.9 -0.3	215.2 1.9	227.4 5.7	239.6 5.4	258.5 7.9	276.6 7.0	297.5 7.6	316.9 6.5	269.4 6.7
Research and development (year % ch.)	32.1 -0.9	30.1 -5.3	30.7 1.8	31.8 3.6	33.1 4.2	34.8 5.0	36.7 5.6	38.6 5.1	34.3 4.2
Computer software (year % ch.)	24.5 14.1	34.2 36.8	35.2 2.8	37.1 5.6	39.7 7.0	42.3 6.6	45.1 6.7	48.5 7.3	41.3 6.0
Mineral exploration and evaluation (year % ch.)	1.5 -10.0	1.1 -11.5	1.1 2.9	1.1 4.4	1.2 5.4	1.3 6.0	1.4 6.3	1.4 6.3	1.3 5.2
Cultivated biological resources (year % ch.)	6.7 0.6	7.1 -10.4	7.4 3.6	7.7 4.6	8.1 5.6	8.7 6.6	9.2 6.6	9.8 5.9	8.5 5.5
Transfer costs (year % ch.)	13.8 1.6	14.7 19.7	15.3 4.0	16.2 5.5	17.2 6.5	18.3 6.4	19.5 6.4	20.6 5.8	17.9 5.8

Table B 5: Labour sector (million)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Employment									
Total labour force	22.2	22.3	23.1	23.4	23.7	23.9	24.2	24.5	23.8
(year % ch.)	1.0	4.7	3.2	1.3	1.2	1.2	1.2	1.2	1.6
Private sector employment	13.6	12.5	13.0	13.4	13.8	14.1	14.4	14.6	13.9
(year % ch.)	-1.4	-3.5	3.9	3.3	2.8	2.2	2.0	1.9	2.7
Government employment	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
(year % ch.)	1.0	3.7	0.9	0.0	1.3	-0.3	0.1	0.1	0.4
Total employment (incl. informal)	15.7	14.7	15.2	15.6	16.0	16.3	16.6	16.9	16.1
(year % ch.)	-1.1	-2.5	3.4	2.8	2.6	1.9	1.7	1.6	2.3
Unemployment rate	28.9	34.3	34.1	33.1	32.2	31.8	31.4	31.1	32.3
Wage rates (year % change)									
Unit labour cost	4.3	1.6	4.8	4.7	4.8	4.5	4.8	4.9	4.7
Wage bill (R billion at current prices)									
Total wage bill	2611.6	2834.2	3043.4	3241.9	3463.8	3692.8	3946.4	4219.3	3601.2
(year % ch.)	4.6	6.8	7.4	6.5	6.8	6.6	6.9	6.9	6.9

Table B 6: Personal income and expenditure (R billion at current prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Income and expenditure									
Remuneration of employees (year % ch.)	2611.6 4.6	2834.2 6.8	3043.4 7.4	3241.9 6.5	3463.8 6.8	3692.8 6.6	3946.4 6.9	4219.3 6.9	3601.2 6.9
Social benefits to households (year % ch.)	332.6 14.6	430.0 -11.6	464.5 8.0	483.0 4.0	512.0 6.0	542.7 6.0	575.3 6.0	609.8 6.0	531.2 6.0
Less direct personal taxes (year % ch.)	500.1 6.0	555.9 9.0	614.2 10.5	655.1 6.7	701.2 7.0	754.4 7.6	811.9 7.6	873.3 7.6	735.0 7.8
Disposable income (year % ch.)	3397.7 5.4	3792.6 9.6	4076.5 7.5	4342.8 6.5	4623.7 6.5	4911.9 6.2	5225.8 6.4	5562.2 6.4	4790.5 6.6
Less household consumption (year % ch.)	3399.3 5.0	3761.7 9.4	4063.7 8.0	4333.6 6.6	4615.5 6.5	4904.6 6.3	5219.0 6.4	5556.5 6.5	4782.2 6.7
Saving	-1.6	30.9	12.7	9.2	8.2	7.3	6.8	5.7	8.3
Households: ratio to disposable income									
Saving	-0.1	0.8	0.3	0.2	0.2	0.1	0.1	0.1	0.2
Debt	65.8	67.1	66.3	65.6	64.4	64.2	63.9	63.7	64.7
Debt-service cost	8.7	7.5	7.9	8.5	8.7	8.7	8.7	8.6	8.5
Net wealth	362.6	377.0	399.2	408.3	411.0	414.1	412.9	411.1	409.5

Table B 7: Current income and expenditure of general government (R billion at current prices)

	Average 2016-21	2021	2022	2023	2024	2025	2026	2027	Average 2022-27
Income									
Personal income tax (year % ch.)	500.1 6.0	555.9 9.0	614.2 10.5	655.1 6.7	701.2 7.0	754.4 7.6	811.9 7.6	873.3 7.6	735.0 7.8
Corporate income tax (year % ch.)	246.7 10.6	333.8 58.1	274.2 -17.8	281.3 2.6	296.1 5.3	316.7 6.9	338.1 6.8	361.0 6.8	311.2 1.7
Value added tax (VAT) (year % ch.)	325.1 5.7	374.7 12.4	403.9 7.8	433.7 7.4	465.4 7.3	498.1 7.0	534.2 7.2	573.3 7.3	484.8 7.3
Other indirect taxes (year % ch.)	338.4 8.1	415.8 28.4	469.6 12.9	508.9 8.4	548.4 7.7	591.9 7.9	638.4 7.9	688.3 7.8	574.2 8.8
Other income	60.0	71.7	85.0	89.6	94.5	100.7	108.4	118.1	99.4
Current income (year % ch.)	1470.2 6.6	1751.9 20.8	1846.9 5.4	1968.6 6.6	2105.6 7.0	2261.7 7.4	2430.9 7.5	2614.1 7.5	2204.6 6.9
Expenditure									
Consumption (year % ch.)	1062.1 6.1	1199.6 5.2	1271.2 6.0	1317.8 3.7	1374.0 4.3	1423.9 3.6	1485.3 4.3	1554.1 4.6	1404.4 4.4
Interest Payments (year % ch.)	189.6 12.9	251.1 12.9	323.7 28.9	397.4 22.8	420.7 5.9	456.5 8.5	487.1 6.7	512.3 5.2	433.0 13.0
Social benefits to households (year % ch.)	332.6 14.6	430.0 -11.6	464.5 8.0	483.0 4.0	512.0 6.0	542.7 6.0	575.3 6.0	609.8 6.0	531.2 6.0
Other expenditure	252.4	346.5	242.4	253.6	254.1	251.4	254.6	255.9	252.0
Current expenditure (year % ch.)	1836.7 9.1	2227.2 3.2	2301.8 3.4	2451.9 6.5	2560.8 4.4	2674.5 4.4	2802.3 4.8	2932.1 4.6	2620.6 4.7
Saving	-209.8	-252.3	-231.9	-260.3	-232.3	-189.8	-148.4	-95.0	-193.0
Ratios to GDP									
Total tax revenue	26.0	27.1	26.9	27.2	27.5	28.1	28.6	29.0	27.9
Current expenditure	33.7	35.9	35.2	35.4	35.1	34.8	34.5	34.1	34.8
Main budget balance	-5.4	-5.5	-6.3	-6.2	-5.6	-4.9	-4.1	-3.3	-5.1
Gross debt (National government)	57.0	68.8	73.7	76.8	79.5	80.8	81.6	81.3	79.0

Table B 8: Balance of payments (R billion at current prices)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Current account									
Exports: goods and services (year % ch.)	1533.0 8.2	1930.6 25.9	2135.6 10.6	2221.4 4.0	2292.2 3.2	2412.6 5.3	2511.2 4.1	2653.8 5.7	2371.1 5.5
Net receipts (year % ch.)	-35.3 3.3	-35.8 -15.2	-25.2 -29.5	-49.5 96.4	-54.2 9.5	-51.1 -5.6	-54.4 6.3	-55.6 2.2	-48.3 13.2
Less imports: goods and services (year % ch.)	1406.3 3.7	1549.3 20.2	1849.0 19.3	1994.9 7.9	2143.6 7.5	2339.5 9.1	2511.7 7.4	2717.2 8.2	2259.3 9.9
Less net factor payments (year % ch.)	127.2 5.0	118.4 28.0	140.0 18.2	154.9 10.7	165.3 6.7	176.6 6.9	189.9 7.5	190.5 0.3	169.5 8.4
Current account balance	-35.7	227.1	121.4	22.1	-70.8	-154.6	-244.8	-309.5	-106.0
Current account in US\$	-2.9	15.5	8.0	1.4	-4.4	-9.4	-14.5	-18.0	-6.1
Current account as % of GDP	-0.7	3.7	1.9	0.3	-1.0	-2.0	-3.0	-3.6	-1.4
Financing of the current account									
Total net capital flows	54.9	-159.8	-32.2	33.0	117.5	200.0	285.0	345.0	158.0
SDR + Valuation adjustment	14.4	40.5	-21.1	19.4	24.1	28.3	29.3	30.8	18.5
Change in gross reserves	33.6	107.8	68.1	74.5	70.8	73.7	69.6	66.4	70.5
Gross reserves: quarter end	751.7	915.4	983.5	1058.0	1128.8	1202.4	1272.0	1338.4	1163.8
Gross reserves: quarter end (US\$)	52.9	57.6	63.2	66.7	69.7	72.4	74.8	76.9	70.6
Terms of trade									
Index (2010 = 100) (year % ch.)	110.5 3.7	123.9 4.6	116.1 -6.3	111.8 -3.7	108.8 -2.7	104.4 -4.0	102.2 -2.1	101.0 -1.1	107.4 -3.3

Table B 9: Credit, interest rates and exchange rates (Note that since the April forecast was completed, we changed the repo rate forecast from a 25bps hike in May 2022 to 50bps. The implication is that we now expect somewhat higher averages for the prime overdraft rate in 2022 and 2023 than outlined in this table)

	<i>Average 2016-21</i>	2021	2022	2023	2024	2025	2026	2027	<i>Average 2022-27</i>
Money supply and credit extension									
M3 money supply (year % ch.)	3716.3 6.6	4353.8 5.7	4567.9 4.9	4819.7 5.5	5106.5 5.9	5430.9 6.4	5795.6 6.7	6201.3 7.0	5320.3 6.1
Private sector credit to households (year % ch.)	1677.6 4.2	1881.4 5.1	2003.4 6.5	2101.8 4.9	2213.6 5.3	2345.6 6.0	2486.5 6.0	2636.9 6.0	2298.0 5.8
Private sector credit to firms (year % ch.)	2049.2 5.5	2229.2 0.5	2355.3 5.7	2508.8 6.5	2683.7 7.0	2876.1 7.2	3099.9 7.8	3355.3 8.2	2813.2 7.1
Total private sector credit extension (year % ch.)	3726.7 4.9	4110.6 2.6	4358.7 6.0	4610.6 5.8	4897.3 6.2	5221.8 6.6	5586.4 7.0	5992.2 7.3	5111.2 6.5
Interest rates									
3-month NCD rate	6.10	3.70	4.86	6.32	6.79	6.79	6.78	6.77	6.38
10-year government bond yield	9.00	9.10	9.83	10.12	9.97	9.87	9.72	9.56	9.84
Prime overdraft rate	9.32	7.03	8.05	9.30	9.74	9.75	9.75	9.75	9.39
Effective household lending rate	13.27	11.15	11.91	13.02	13.51	13.53	13.58	13.58	13.19
Effective firm lending rate	6.97	4.29	5.53	7.14	7.40	7.22	7.23	7.37	6.98
Exchange rates									
R/US DOLLAR (year % ch.)	14.49 3.0	14.78 -10.2	15.13 2.4	15.72 3.9	15.95 1.5	16.40 2.8	16.81 2.5	17.23 2.5	16.21 2.6
R/ 100 Japanese YEN (year % ch.)	13.25 5.2	13.47 -12.7	12.74 -5.4	13.38 5.0	13.86 3.6	14.26 2.9	14.62 2.5	14.98 2.5	13.97 1.8
R/STERLING (year % ch.)	19.11 1.1	20.32 -3.7	20.03 -1.5	21.18 5.8	21.96 3.7	22.64 3.1	23.50 3.8	24.12 2.6	22.24 2.9
R/EURO (year % ch.)	16.56 4.0	17.48 -6.9	17.00 -2.7	18.20 7.0	18.90 3.9	19.85 5.0	20.68 4.2	21.37 3.3	19.33 3.4
R/\$ PP parity rate (base PPI 2003) (year % ch.)	12.42 2.7	12.66 -4.5	12.42 -1.9	12.63 1.7	12.81 1.4	13.05 1.9	13.30 1.9	13.55 1.9	12.96 1.1

Table B 10: Prices

	Average 2016-21	2021	2022	2023	2024	2025	2026	2027	Average 2022-27
Price deflators (index base year: 2015)									
Exports (incl. services) (year % ch.)	128.6 8.7	163.8 14.6	176.2 7.5	177.2 0.6	177.5 0.2	181.0 1.9	183.6 1.5	189.7 3.3	180.9 2.5
Export commodities (in rand) (year % ch.)	1736.8 24.8	3105.1 33.4	3473.7 11.9	3268.5 -5.9	3013.4 -7.8	2835.0 -5.9	2644.4 -6.7	2666.7 0.8	2983.6 -2.3
Imports (incl. services) (year % ch.)	115.8 4.8	132.3 9.7	151.8 14.7	158.5 4.4	163.3 3.0	173.3 6.1	179.7 3.7	187.8 4.5	169.1 6.1
GDE (year % ch.)	117.8 4.3	128.9 4.1	136.3 5.7	143.2 5.1	149.6 4.5	156.2 4.4	163.1 4.4	170.2 4.4	153.1 4.7
Investment (year % ch.)	115.7 4.1	127.2 4.8	136.8 7.6	145.4 6.3	151.9 4.4	159.2 4.8	166.4 4.5	173.4 4.2	155.5 5.3
GDP (year % ch.)	121.1 5.5	138.2 7.2	142.3 2.9	147.8 3.9	152.9 3.5	157.8 3.2	163.6 3.7	170.1 4.0	155.8 3.5
Consumer (index base: Dec 2021) & producer prices (index base: Dec 2020)									
Headline inflation (CPI) (year % ch.)	88.3 4.7	97.5 4.6	103.1 5.7	107.9 4.6	112.9 4.6	118.0 4.6	123.4 4.6	129.2 4.6	115.7 4.8
Core inflation* (year % ch.)	90.4 4.2	98.6 3.1	102.4 3.8	107.3 4.8	112.2 4.6	117.3 4.6	122.7 4.6	128.3 4.6	115.0 4.5
CPI food and non-alcoholic beverages (year % ch.)	87.2 5.8	98.0 6.1	103.9 6.1	108.8 4.7	114.1 4.9	119.5 4.7	125.2 4.7	131.1 4.7	117.1 5.0
CPI petrol (year % ch.)	74.0 6.2	86.3 18.2	109.9 27.3	107.5 -2.2	103.7 -3.5	105.8 2.0	109.0 3.0	113.0 3.7	108.1 5.0
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	14.4 6.2	16.8 19.8	21.1 25.3	20.6 -2.4	19.9 -3.5	20.3 2.0	20.9 3.0	21.7 3.7	20.7 4.7
CPI electricity (year % ch.)	76.9 7.9	93.8 10.1	105.0 11.9	116.8 11.2	133.3 14.2	141.3 6.0	149.8 6.0	158.8 6.0	134.2 9.2
Producer price index (year % ch.)	93.5 5.3	105.3 7.1	115.3 9.5	119.6 3.7	124.3 4.0	129.8 4.4	135.6 4.4	141.6 4.4	127.7 5.1

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