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Economic Prospects

Forecast for South Africa: 2024-2026

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Forecast in a nutshell

Real annual % change*	2024	2025	2026
Final household consumption expenditure	1.0	2.1	2.0
Durable goods	1.3	3.2	3.0
Semi-durable goods	1.3	2.5	2.7
Non-durable goods	0.5	1.9	1.6
Services	1.2	1.9	1.9
Gross fixed capital formation	2.1	4.2	4.2
Private	3.3	5.4	5.0
Government	-2.5	-1.0	0.7
Public Corporations	1.5	4.2	3.4
Gross domestic expenditure	1.1	2.1	2.0
Exports of goods and services	2.6	2.1	3.2
Imports of goods and services	1.9	3.8	3.6
Gross domestic product	1.3	1.6	1.9
Current account as % of GDP	-2.6	-3.2	-3.7
Interest rates (% , last quarter average)			
3-month NCD rate	8.19	7.62	7.58
10-year government bond yield	9.90	9.85	9.88
Prime overdraft rate	11.29	10.75	10.65
Inflation rates (%)			
Producer prices	4.8	4.7	5.0
Consumer prices	5.2	4.6	4.5
Labour and employment (private and public)			
Nominal wage rate	4.7	5.5	5.3
Employment growth	1.9	1.7	1.6
Exchange rates (Q4 average)			
R/US dollar	18.62	17.79	18.21
R/Euro	20.67	20.63	21.49
R/Pound sterling	23.64	22.94	23.86
R/100 Japanese Yen	13.11	14.01	14.57
Fiscal indicators as % of GDP	2024/25	2025/26	2026/27
Main budget balance	-5.2	-4.8	-4.2
Gross government debt	76.9	79.4	80.1

* unless specified otherwise

Executive summary

The South African (SA) economy managed to avoid a technical recession and registered a slight quarterly expansion in 2023Q4¹. For the full year, real gross domestic product (GDP) increased by 0.6% from 2022.

This was in line with our expectations and a presented marked slowdown from the 1.9% recorded in 2022. In 2023Q4, the economy was barely 1% bigger than it was pre-COVID. We expect growth to reaccelerate, to an average of 1.3% in 2024 and 1.6% in 2025. While better than 2023, this is a downward revision from our earlier forecast for 1.5% (2024) and 2.2% (2025).

The lower real GDP outcome for both 2024 and 2025 is largely a function of a more downbeat expectation for domestic demand. In 2024, growth in gross domestic expenditure (or GDE) has been downwardly revised to 1.1% from 1.8% before. While we expect lower imports (a function of lower demand), we still expect net trade to weigh on GDP. Importantly, we are less optimistic about **gross fixed capital formation**, with a slowdown from 4.2% in 2023 to 2.1% in 2024 pencilled in. This is largely due to lower private sector investment, as the green energy drive — while still the main driver of investment — is losing some steam, and non-energy investment remains lacklustre. Despite more of a slowdown in the annual figure than we expected before, the quarterly growth in investment remains relatively strong relative to the 2011-2019 period. With the electricity and logistics constraints expected to be less onerous next year, investment should pick up, although by less than before (4.2% in 2025 vs 6.2% before).

Our forecast for **consumption expenditure** in 2024 was lowered slightly, from 1.2% before to 1% in April. To some extent, this is due to **inflation** coming in a smidge higher than initially expected (5.2% for 2024 vs 5% before) and the **South African Reserve Bank (SARB)** now expected to commence on a shallow rate-cutting cycle in September only (from July previously). We see an extended pause once the repo rate reaches 7.25% - implying 100 basis points (bps) of cuts in total, vs 125bps before. Lower interest rates and a further moderation in inflation (average of 4.3% in 2025) support a recovery in consumer spending in 2025, with durable goods spending set to increase by 3.2%, and total household consumption up by 2.1%. With slowing inflation, there is scope for another 25bps cut towards the end of 2026.

While the SARB does not follow the major global central banks slavishly, the increased likelihood that the **US Federal Reserve (Fed)** will delay its first interest rate cut amid sticky (services) inflation does mean that the SARB may also postpone its first cut. The US economy remains resilient and the labour market, despite some signs of cooling, is still very strong. For now, we still expect the Fed to cut in the third quarter of this year, but unlike before, the European Central Bank (ECB) is expected to cut its policy rate before the Fed. A weaker economy and slower inflation in the Eurozone give the ECB the scope to cut first. This results in a stronger dollar to the euro and, in turn, a somewhat weaker **rand/dollar exchange rate**. We now see the

¹ The quarterly 0.1% q-o-q expansion was somewhat weaker than expected, with growth dragged lower by another surprisingly big decline in value added by the agricultural sector. However, estimates by BFAP suggest that the contraction in agriculture in Q4 should have been closer to 2-5% instead of the 12.2% q-o-q drop recorded. Should Stats SA revise the agricultural estimate, this could result in a higher Q4 print and even lift full-year GDP growth. Click [here](#) for BFAP's analysis.

rand average around R18.62/\$ in the fourth quarter of this year, weaker than the R18.45/\$ before. Global monetary policy dynamics provide scope for the rand to strengthen through 2025, with the rand averaging below R18/\$ in Q4 next year.

The **Brent crude oil** price poses a (near-term) upside risk to the global and local inflation outlook. While we have lifted our near-term forecast somewhat and remain of the belief that the current supply and demand fundamentals do not support a high(er) price, geopolitical tensions risk keeping the price elevated. The **gold price** has benefitted from the rising geopolitical tension and monetary policy dynamics, with its price hitting fresh record highs in 2024. While expected to come down over time, a higher gold price has some benefits for SA exports and even investment.

Domestically, **political** risks also remain at the forefront with the date for the national election now set at 29 May 2024. Our baseline assumption is that the government formed post-election will not be significantly worse or better than the current one in terms of supporting economic growth. This means some continued traction on structural reform, but not the real progress needed to properly lift (potential) GDP growth. This essentially implies the ANC will remain in power – although recent polls suggest that it will lose support to such an extent that a coalition with smaller parties on a national level is now very likely.

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Introduction²

The South African (SA) economy managed to avoid a technical recession and registered a slight quarterly expansion in 2023Q4³. For the full year, real GDP increased by 0.6% from 2022 and we expect growth to reaccelerate to 1.3% in 2024.

There are tentative signs that the logistical challenges in SA are improving, and the second quarter has so far seen a remarkable absence of load-shedding with less load-shedding expected this winter compared to 2023. The global economy continues to be supported by a surprisingly resilient US economy, while China also saw a strong start to the year. The big story in 2024, however, is not necessarily about growth but rather about inflation and monetary policy – more precisely about the timing of the expected monetary policy easing the major advanced economies. Global interest rate decisions, in turn, will have important implications for SA's monetary policy. Also in focus are the numerous elections taking place this year – including SA and the US – against arguably the most tense geopolitical global backdrop we have experienced in years.

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

Global outlook

The global economy was resilient in 2023 and performed much better than initially expected. In April 2023, the International Monetary Fund (IMF) expected growth of 2.8% for the year; the Fund now estimates global output to have expanded by a solid 3.2%. Despite the economy remaining robust, inflation in advanced economies is slowing – although not as fast as some had hoped for.

The IMF's April 2024 World Economic Outlook projects that world economic output will expand by 3.2% in 2024, 2025 and 2026 (see Table 1). The global growth figure masks a clear divergence across countries. The United States (US) economy continues to outperform, while growth in Europe is more sluggish. China performed well in 2023 and experienced a strong start to 2024, but there are valid concerns that the ailing property market and deflationary demand

² This report was completed on 3 May 2024.

³ The quarterly 0.1% q-o-q expansion was somewhat weaker than expected, with growth dragged lower by another surprisingly big decline in value added by the agricultural sector. However, estimates by BFAP suggest that the contraction in agriculture in Q4 should have been closer to 2-5% instead of the 12.2% q-o-q drop recorded. Should Stats SA revise the agricultural estimate, this could result in a higher Q4 print and even lift full-year GDP growth. Click [here](#) for BFAP's analysis.

mean that the government will struggle to again achieve its ‘around 5%’ growth target this year. Growth in China is set to slow going forward, and important for SA, it is likely to become less commodity intensive. India’s economy, in contrast, is forecast to accelerate over the medium term and is increasingly becoming a global economic power to reckon with. Sub-Saharan Africa’s economic growth is forecast to come in above the world average over the medium term, displaying the catch-up growth that this region still needs. Indeed, without SA pulling down the region’s growth rate, growth in sub-Saharan Africa averages closer to 4.5%.

Table 1: Global growth y-o-y % change (real)

	Actual	Forecast		
	2023	2024	2025	2026
World (PPP*)	3.2	3.2	3.2	3.2
G7 countries	1.7	1.7	1.6	1.6
US	2.5	2.7	1.9	2.0
Eurozone**	0.4	0.8	1.5	1.4
United Kingdom	0.1	0.5	1.5	1.7
Germany	-0.3	0.2	1.3	1.5
Japan	1.9	0.9	1.0	0.8
Emerging countries	4.3	4.2	4.2	4.1
China	5.2	4.6	4.1	3.8
India	7.8	6.8	6.5	6.5
Brazil	2.9	2.2	2.1	2.1
Russia	3.6	3.2	1.8	1.3
Sub-Saharan Africa	3.4	3.8	4.0	4.0
Nigeria	2.9	3.3	3.0	3.0

Source: IMF World Economic Outlook (April 2024)

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

Although well under way, the path to get inflation back to central bank targets has not been straightforward in most advanced economies. Significant progress has been made to reduce consumer inflation from the high levels experienced in 2022 and 2023; nevertheless, it is proving a lot harder to reduce the pace of price increases to target levels. Recent data has shown a worrying uptick in inflation in the US in particular, while services inflation generally remains very sticky in many advanced economies. This has important implications for monetary policy, which filters through to exchange rates and even commodity prices. Indeed, while some market participants expected the US Federal Reserve (Fed) to implement its first interest rate cut in March already, there is now talk about the Fed needing to *hike* interest rates further to get inflation down to target. To be sure, this is not our baseline view (but we were also not expecting a March cut to begin with).

The economic backdrop is one of heightened geopolitical uncertainty, with several wars raging across the globe. To briefly mention a few examples of geopolitical tension, Russia’s invasion of Ukraine is continuing. The latest reports suggest that the momentum of the war now lies with Russia. The unsurprising re-election of Vladimir Putin as president means that Russia is unlikely to back down soon. Plans to ‘Trump-proof’ support to Ukraine by NATO to put a five-year military aid package plan in place have not yet materialised. While the US Senate has approved a

massive stimulus package for Ukraine (Israel and Taiwan), it remains to be seen whether this is enough. The Israel-Hamas war also continues, with tit-for-tat attacks between Israel and Iran a meaningful escalation of the unrest and tension in the Middle East. In late March, the UN Security Council passed a resolution demanding an immediate ceasefire between Israel and Hamas, as well as the immediate and unconditional release of all hostages. This has not happened. The crisis in the Red Sea has also not been resolved, with many reputable shipping companies still avoiding the Suez Canal and instead taking the long route around the Cape of Good Hope.

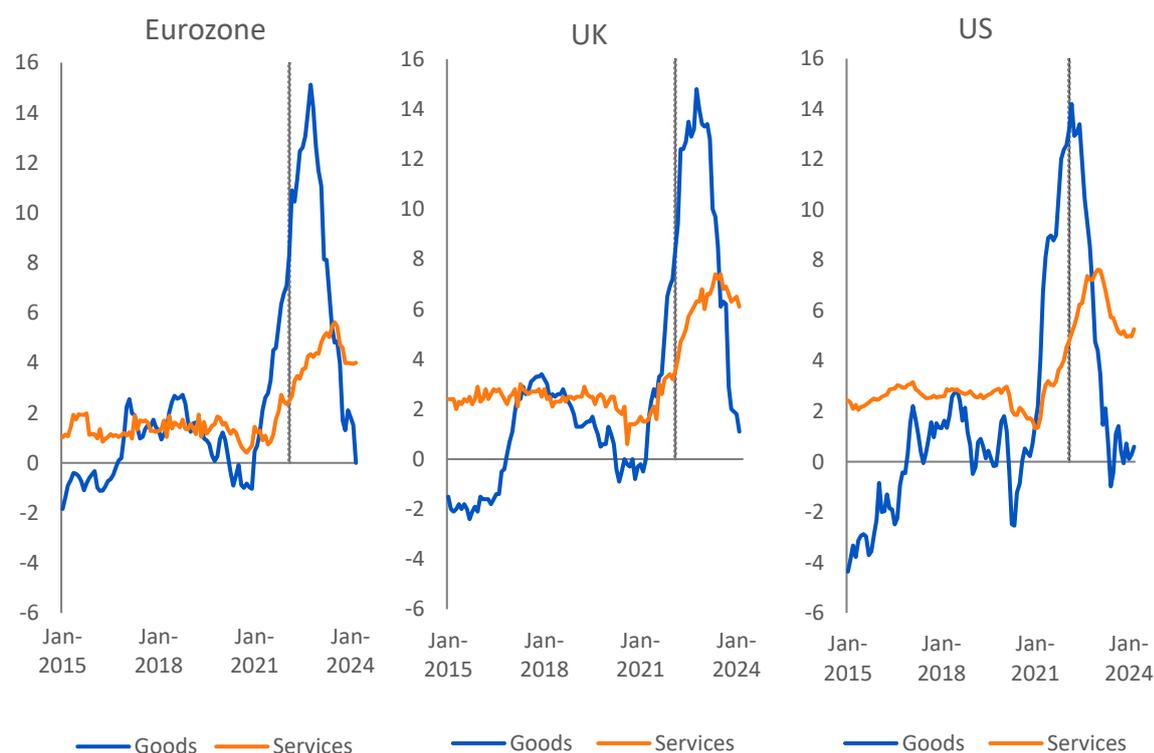
In Africa, the war in Sudan continues to rage on, while Niger is the latest country to expel US troops from its territory as the bifurcation between West- and Russian-alignment in West Africa continues. Tensions are heating up between China and the world's two biggest importers: the US and the European Union. The Western countries seem increasingly aligned against Beijing on trade matters. The proposed 'TikTok ban' in the US a recent example. Perhaps ironic, the TikTok ban could hurt support for the democrats in the November US election. It is now clear that there will be another showdown between current President Joe Biden and former President Donald Trump, barring an unexpected (health) event that will make either one of the candidates incapable of standing for office.

The remainder of the global section will unpack the growth dynamics in the Eurozone, UK, US and China, with a particular focus on inflation trends. The implications for monetary policy and exchange rates will follow, with a brief section on commodity prices at the end.

EUROZONE ON COURSE TO REACH INFLATION TARGET

In the Eurozone, the pace of disinflation has been faster than in the US and UK. Annual headline inflation averaged 'just' 2.6% in 2024Q1 as energy prices came down from the highs seen following the Russian invasion of Ukraine in 2022 (2.4% y-o-y in April). However, services inflation still averaged 4% over the same period. As illustrated in Figure 1, services inflation rose after the increase in goods inflation, in part because it reflects a pass-through from goods to services inflation. As goods inflation decreases, there should be a slowdown in the pass-through effect on services inflation over time. Additionally, nominal wage growth and labour market tightness in the Eurozone are easing, which should also reduce services inflation. Thus, the disinflation trend is expected to continue, albeit with some bumps along the way. The IMF forecasts annual Eurozone inflation to average 2.4% in 2024 and 2.1% in 2025. This should provide scope for interest rate cuts (more on this later).

Figure 1: Eurozone, UK and US goods and service inflation rates (%)



Source: Eurostat, Office for National Statistics, Refinitiv. Note: The vertical dark red line indicates the date when Russia invaded Ukraine.

On the economic growth front, the Eurozone's outlook is gloomier compared to the US. The German economy, in particular, is struggling to gain momentum, dragging down overall economic growth in the bloc. Compared to the October 2023 IMF outlook, growth projections for the German economy have been revised downward by 0.7 percentage points (%pts) for both 2024 and 2025 to 0.2% this year and 1.3% next year. This weaker economic growth outlook, of course, explains part of the region's disinflationary trajectory. The Eurozone's economic trajectory will heavily lean on Southern European nations like Italy, Spain, Portugal, and Greece to fuel its growth. The IMF expects real GDP growth in the Eurozone to be 0.8% in 2024 and 1.5% next year. That said, the most recent data was somewhat better than expected, providing some upside risk. The Eurozone economy expanded by 0.3% q-o-q in Q1 as growth in Germany bounced back from a 0.5% q-o-q contraction to 0.2% growth.

TENTATIVE SIGNS THAT THE UK ECONOMY HAS TURNED A CORNER

In the UK, the disinflationary trend is also under way, but as illustrated in Figure 1 above, the most recent data still indicates stickiness in services inflation. This is more pronounced than in the Eurozone, with an average of 6.3% in 2024Q1. However, there are signs that UK services inflation, largely influenced by the labour market, is easing. The UK labour market is normalising as the number of job vacancies has continued to decline, while the ratio of unemployed persons to vacancies is gradually increasing, suggesting a softening in labour demand. The latest indications of wage growth also show moderation, which is encouraging for the UK's disinflationary trajectory. The IMF forecasts consumer inflation to average 2.5% this year and 2% next year.

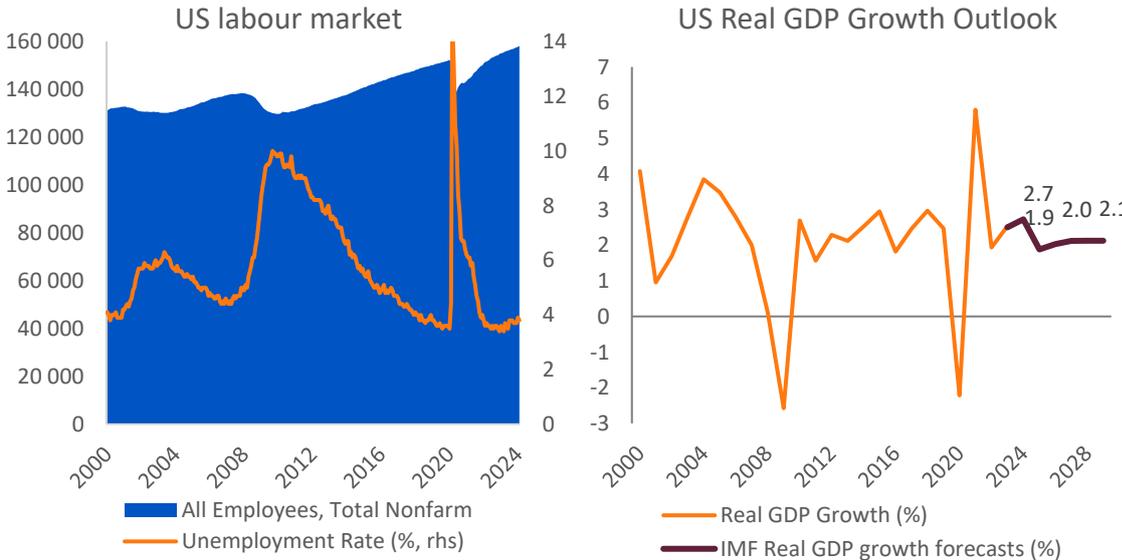
There are tentative signs that the UK economy has turned a corner after it experienced stagnation. Annual real GDP growth registered 0.1% in 2023. However, this year, economic growth is poised to rebound from this low base, buoyed further by promising fundamentals. Services PMIs saw an uptick in the first quarter of 2024, while manufacturing PMIs breached the neutral threshold of 50 for the first time in March, signalling expansionary conditions across sectors. Other positive indicators include fiscal stimulus measures and gradual monetary policy easing. The IMF anticipates economic growth to inch up this year, albeit modestly, with a projected growth rate of 0.5% in 2024, followed by 1.5% in 2025.

US ECONOMY POWERED ON AS INFLATION REMAINS STICKY

Across the Atlantic Ocean, the narrative diverges from the European experience. While slowing, the US grapples with inflation staying more persistent above target. One of the reasons for the stubborn inflation is the robust economy and still tight labour market. Data from the Bureau of Labor Statistics (BLS) underscores the strength of the US economy and the resilience of its consumer market (see Figure 2). The US labour market is still relatively tight, exerting upward pressure on price inflation. It is expected to rebalance this year, however slowly.

The latest economic data triggered a stagflation scare as growth was much weaker than expected in Q1, while price pressure remained red hot. The US GDP growth rate essentially halved from 3.4% q-o-q in Q4 to 1.6% in Q1. This was well below expectations for a mid-2% figure, and on its own, a collapse in US growth would call for cuts to be brought forward, but the GDP deflator complicates the story. In short, a deflator is a measure of price changes (i.e. akin to inflation) and is used to transform data from nominal (i.e. current prices) to real (constant prices). While growth was lower than expected, the deflator was higher than anticipated and accelerated from 1.6% in Q4 to 3.1%. Worryingly, the core measure for Q1 rose from 2% to 3.7% - also higher than expected.

Figure 2: US labour market remains strong, as does economic growth



Source: FRED; BLS; International Monetary Fund, WEO Database, April 2024

In the US housing market, an intriguing paradox emerges. Conventionally, one would expect house prices to decline as contractionary monetary policy (i.e. high interest rates) curbs demand for home purchases. However, the crux of the issue lies in supply constraints driving up housing costs. The shortage of housing supply amplifies housing expenses, perpetuating high rental rates and owner-equivalent price growth. Consequently, core and services inflation in 2024Q1 averaged 3.8% and 5.1%, respectively. Although there has been some moderation in recent months, April's Michigan one-year-ahead inflation expectations climbed to 3.1% from March's 2.9%. Throughout the year, unexpectedly elevated CPI inflation and a resilient economy have gradually altered the Fed's interest rate policy outlook.

With this in mind, the IMF projects US CPI inflation to average 2.9% in 2024 and 2.0% in 2025. We expect CPI inflation to only come down to 2% in 2026 as the US economy continues to surge ahead with minimal signs of slowing down. Recent job figures surpassed expectations, with March's unemployment rate dropping to 3.8% from an expected 3.9% (see left panel of Figure 2).

On the growth front, the IMF has upwardly revised its US real GDP growth outlook since January's interim WEO update, increasing it by 0.6%pts to 2.7% in 2024 and by 0.2%pts to 1.9% in 2025, as can be seen in the right panel of Figure 2. The IMF's forecast for US GDP growth in 2024 is remarkable. Not only is growth expected to accelerate from 2023 (2.3%), but it is also expected to be double the rate of any other G7 country. The IMF was critical of the ballooning fiscal deficits in the US (and China) and argued that it would not only complicate its path to lower inflation but also pose significant risks to the global economy. The IMF estimates that the US will record a fiscal deficit of 7.1% to GDP next year – this is more than triple the average of other advanced economies. Loose fiscal policy can make the last mile to the inflation target even more difficult. All fears of a recession this year or next have been allayed in the baseline case for the US economy.

US DOLLAR BENEFITTING FROM MORE HAWKISH FED

After starting the year on the back foot, the US dollar strengthened significantly throughout the first quarter and in April. By late April, the US dollar had gained more than 3% against the euro. The reason for the strengthening has been a switch around in interest rate expectations. At the start of the year, markets were optimistic that the US Fed would begin cutting interest rates as early as March and crucially be the first major central bank among the “big three” (US Fed, European Central Bank (ECB) and Bank of England (BoE)) to cut. This sentiment weakened the dollar. However, as the strength of the US economy persisted and robust inflation reports emerged, market expectations for rate cuts shifted to later in the year. Fed Chair Jerome Powell's recent remarks exacerbated concerns, indicating that incoming inflation and employment data have tempered confidence in a stable decline in inflation, necessitating more supportive news before considering easing policy. Consequently, markets have adopted an ultra-hawkish stance. While the probabilities fluctuate on a daily basis, markets currently expect just one 25bps cut this year. The Fed's March dot plot⁴ (the latest one available) indicated 75bps worth of interest rate cuts, and markets started the year with six 25bps cuts priced in. As previously mentioned, Chair Powell has sounded more hawkish of late, and all eyes will be on whether this will be reflected in the dot plot provided at the June FOMC. At least, in the May Fed

⁴ The Fed dot plot displays projections of each FOMC participant for the Federal Funds rate.

interest rate decision, Powell did state that another hike is unlikely given the current still restrictive stance.

While the Fed leans toward a more hawkish stance, the ECB appears poised to implement rate cuts in June. At their April meeting, the ECB hinted at potential rate cuts if inflation progresses as expected, marking the clearest indication yet of imminent rate reductions. ECB President Christine Lagarde affirmed this trajectory in subsequent interviews, albeit acknowledging the bank's vigilance regarding recent spikes in oil prices. With expectations leaning toward an ECB rate cut preceding the Fed's move, the US dollar has strengthened further.

Relative to previous statements about the persistence of robust wage increases, BoE officials have also begun to sound slightly more dovish. Although the BoE maintained interest rates at their March meeting, the shift of two previously hawkish policymakers to a neutral stance indicates a shift in sentiment. As previously mentioned, although services inflation remains sticky in the UK, there are signs that the labour market is moving towards normalisation. On the other hand, recent data showed that the UK economy appears to have bottomed and that an improvement is on the horizon, which limits the need for immediate rate cuts. The inflationary risk of higher oil prices will also keep BoE officials on high alert.

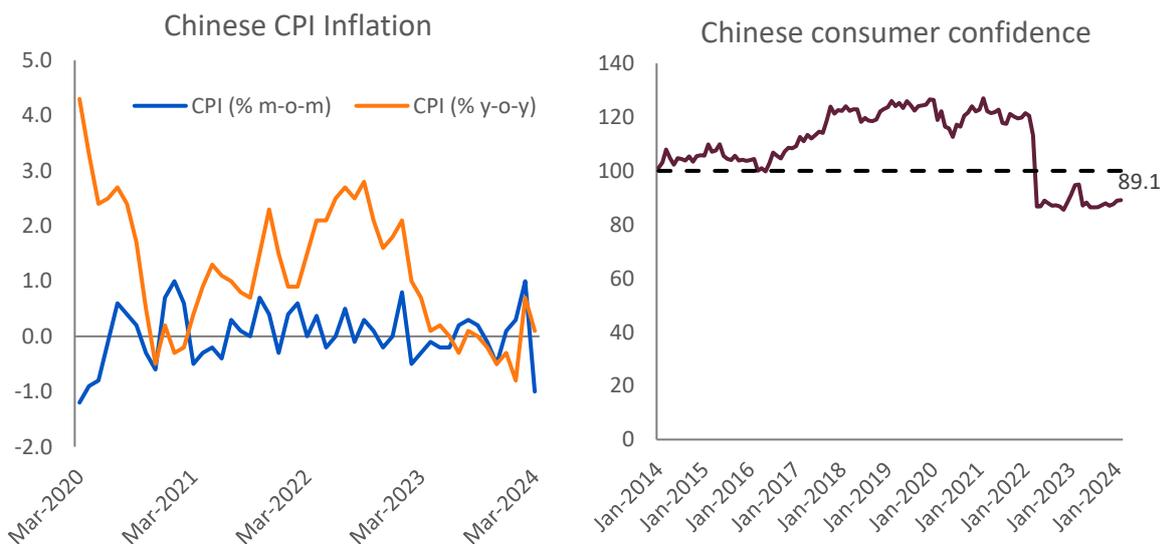
While much of the current monetary policy discourse has centred on the timing of rate cuts among the major central banks, the Bank of Japan (BoJ) went against the curve and raised its interest rates for the first time in 17 years. The BoJ exited its negative interest rate stance to contain high inflation rates. Although this was a historic move, the BoJ is not expected to raise interest rates to the same extent like other central banks did. Indeed, at the April meeting, the BoJ left its policy rate unchanged. The BoJ's lack of appetite for higher rates has resulted in a slump in the yen to decades low levels.

Looking ahead, despite intermittent inflationary challenges, major central banks are anticipated to ease interest rates this year. Given the resilience of the US economy and persistent inflation pressures, we now expect the Fed to cut after the ECB. The BoE will likely ease rates close after these two banks. Our baseline view is that the change in sequence will be positive for the US dollar in the near term. As we get closer to a Fed cut in the second half of the year, the dollar is expected to lose some ground.

LOW CHINESE INFLATION CONTINUES, STILL BATTLING WEAK CONSUMER SENTIMENT

In contrast to many other nations, China is grappling with the challenge of very low inflation, even experiencing periods of deflation. In the first quarter of 2024, prices remained stagnant, with an annual change of 0%, following a period of 0.3% deflation in the fourth quarter of 2023, as shown in Figure 3. One primary factor contributing to China's deflationary trend is the decline in pork prices. This decline was prompted by a substantial increase in the country's pig population, driven by government initiatives to boost pork production. In response, the government has taken measures to address the imbalance in the pork market by increasing its national pork reserves to bolster demand and stabilise prices. Another factor weighing on the overall CPI basket is transport costs, which saw prices decline for ten consecutive months until December. Given its approximately 13% weight in the CPI basket, this trend exerts pressure on the overall index.

Figure 3: Selected National Bureau for Statistics (NBS) data



Source: Chinese National Bureau for Statistics

A more fundamental issue affecting consumer prices appears to be subdued consumer demand. Consumer sentiment remains lacklustre overall, dampening expectations for price inflation, although a gradual increase is anticipated in the second half of 2024, particularly after the exceptionally low levels observed in 2023Q3 and 2023Q4. Looking ahead, there are doubts about China's ability to achieve its 3% inflation target over the next five years. The IMF projects CPI inflation at 1% in 2024 and 2% next year.

Last year, the Chinese economy expanded by 5.2%, meeting the government's "around 5%" growth target. We attribute the achievement of 5.2% real GDP growth to the low base of 2022 and significant government stimulus implemented in the second half of 2023. So far in 2024, many of the stimulus measures are still in effect, with more anticipated to be rolled out, but there are concerns that measures are not targeted enough to solve the underlying problems in the property sector. The acceleration in investment in high-tech manufacturing to fast-track the "new quality productive forces" path is highlighted in the government work report. This is an attempt to pivot away from the property sector as a driver for growth. While there were expectations it may aim for a lower target, the Chinese government has set itself another "around 5%" target this year. The lack of a base-effect boost will make this more challenging to achieve than in 2023.

Looking ahead to the medium to long term, Chinese GDP growth is expected to moderate compared to historic experience. The IMF forecasts real GDP growth to average 4.6% in 2024 and 4.1% in 2025. Since the IMF projections were made prior to the release of robust Chinese growth figures for 2024Q1, we anticipate higher real GDP growth at 4.8% in 2024. However, we also acknowledge that the dull consumer demand and the dragging property sector pose major downside risks to the country's output growth this year.

CONCERNS ABOUT A MARKET DEFICIT BUOY THE OIL PRICE

During the first quarter of 2024, the confluence of multiple supply outages and unexpectedly robust demand stirred concerns about a tighter supply-demand balance for the remainder of the year. Extreme weather in North America necessitated shutdowns of oil facilities, while OPEC+ opted to extend its production cuts into the second quarter, originally slated to conclude

in Q1. In addition, Russia implemented further output curbs. On the demand front, the US resumed purchases to restock its Strategic Petroleum Reserves (SPR). As a result, the International Energy Agency (IEA) shifted its market outlook from a modest surplus to a slight deficit.

The tightening of the oil market coincided with escalating geopolitical tensions, leading to a substantial surge in oil prices. In early April, Israel's assault on the Iranian consulate in Syria raised concerns of retaliation from Iran and an escalation of conflict. The oil price subsequently averaged \$89/bbl in April, up from \$85/bbl in March. Iran eventually responded, but the strike was well-telegraphed and caused little damage. Due to the nature of the attack and limited harm, the US has called for calm and a conclusion to the hostilities between the two countries. However, Israel has vowed to retaliate, and the persisting risk of an escalation remains embedded in oil prices.

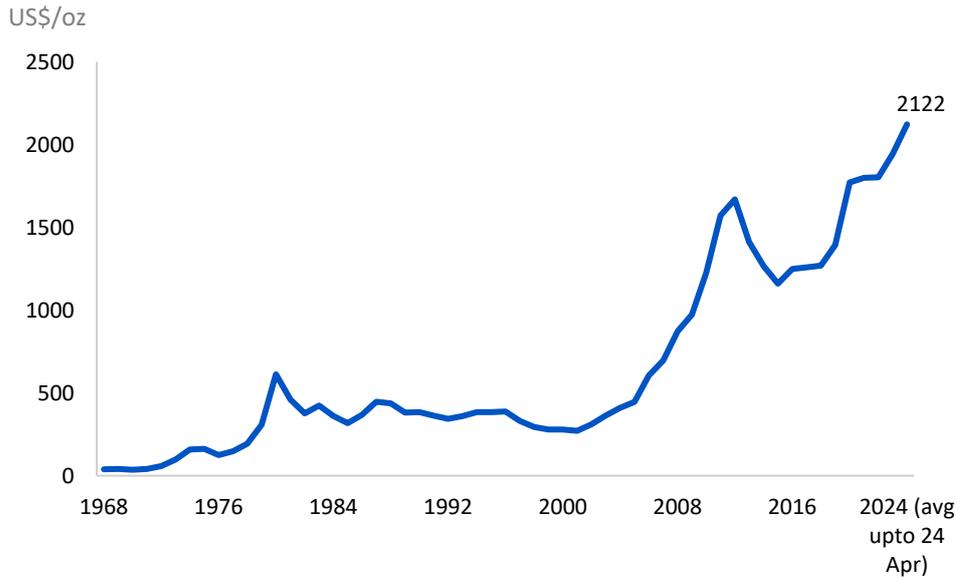
Refined oil product prices have also surged, stemming from assaults on Russian refineries. These attacks have resulted in the producer implementing a gasoline export ban from March. Higher oil product prices coupled with a stronger US dollar meant that SA petrol prices have climbed for four consecutive months.

Regarding the oil price outlook, our assessment indicates that the demand and supply dynamics do not justify an oil price nearing \$90/bbl. While refilling the US SPR presents an upside risk to demand, the prospect of higher interest rates is detrimental to demand. Regarding supply, although increased curbs from Russia were unexpected, the extension of OPEC+ production cuts was anticipated. Elsewhere, non-OPEC+ production growth appears poised for another robust year. Similar to other commodities like gold, a substantial risk premium is attributed to the ongoing geopolitical developments. Should the conflict in Gaza remain contained, as anticipated, the risk premium (and the Brent crude oil price) is expected to decline. Nonetheless, while prices have come down slightly from recent peaks, our forecast is higher on average this year and the next. Looking ahead, a shift toward more energy-efficient vehicles and production processes is anticipated to temper global oil demand growth.

GOLD PRICE ON A TEAR, BUT LESS OPTIMISTIC ABOUT COAL AND IRON ORE

Since the start of 2024, the gold price has surged by about 16%, reaching unprecedented highs (see Figure 4). Anticipations of early interest rate reductions initially propelled this surge. However, the escalating conflict in the Middle East has been a major catalyst as have been central bank acquisitions. Indeed, the physical demand for gold remains strong, largely driven by substantial purchases by China. We expect the gold price to remain elevated over the short term. This is primarily due to increased geopolitical uncertainty spurring safe-haven demand. However, this is countered to some extent by the 'higher for longer' US interest rate narrative, which reduces the attractiveness of non-yielding assets like gold. Over the long term, we expect the price of gold to moderate from current levels as calm returns to the market. Table 2 below summarises our export commodity price forecast.

Figure 4: Nominal gold price at a record high so far in 2024



Source: Refinitiv

In recent months, platinum prices have closely tracked gold prices, largely due to expectations of easing monetary policy. Furthermore, platinum is becoming increasingly important in the energy transition, particularly in the green hydrogen economy and fuel-cell electric vehicles. However, demand for platinum in autocatalysts is expected to stabilise, affected by a slowdown in production and stringent emission regulations. In contrast, palladium and rhodium have not followed the same trend and continue to decline in price (albeit at a slower rate than before). The shift towards more cost-effective platinum and the automotive industry's pivot to electric vehicles has negatively impacted the outlook for these metals. While the industry expects demand and prices to show some recovery by next year, the long-term demand for platinum group metals (PGMs) will depend on the pace at which vehicle manufacturing moves from internal combustion engine (ICE) vehicles to fully battery electric vehicles (BEVs). However, hybrid vehicles are gaining traction. In March, the US Department of Transportation revealed new rules that will boost sales of gas and hybrid vehicles into the early part of the next decade and delay the rollout of electric vehicles (EVs). Recent policy changes in China have also aimed to boost vehicle demand. The People's Bank of China eliminated the minimum down payment requirement for new passenger cars, including gasoline-powered and electric ones. These moves could mitigate the decline in demand for palladium and rhodium by supporting hybrid vehicle sales. Hybrid vehicles have both an ICE and an electric motor for propulsion.

The price drop for PGMs during 2023 has significantly affected the economic viability of a considerable portion of the PGM mining industry. Indeed, many South African PGM miners are delaying projects, shutting mineshafts, cutting capital expenditure and reducing employee numbers. Thousands of mineworkers in the PGM sector have already lost their jobs. Some mining companies have also begun trimming output, with significant production cuts anticipated in the near future as a strategic response to market conditions.

Overall, we expect platinum to continue benefiting from its link to gold, the green hydrogen economy and the growing substitution trend away from palladium and rhodium. The platinum market also faces supply shortages, with projected deficits continuing through at least 2027. Although demand for palladium and rhodium may decline, hybrid vehicles are expected to

moderate this trend. Importantly, and across the PGM market, the anticipated significant production cuts in the PGM sector should help prevent prices from falling too low.

Demand for thermal coal weakened considerably in 2024Q1 as the seasonal peak for the northern winter passed while elevated stocks continued to suppress imports. However, a significant disruption occurred in the US coal export sector when the Francis Scott Key Bridge in Baltimore, Maryland, collapsed⁵. In the current market conditions, the loss of this tonnage for several weeks is expected to have a slightly bullish impact on prices. However, high stock levels in import markets such as Europe will mitigate the impact on prices, as will the fact that coal consumption rates are currently very low during the northern hemisphere spring.

Iron ore prices recently fell to a 16-month low of \$100 per tonne due to higher inventories in China. However, they have since rebounded on the expectation of higher demand from Chinese steel producers. Industry groups have noted that Beijing’s large stimulus packages have supported the margins for blast furnaces and mills, improving the outlook for steel output. This, in turn, has increased expectations of buying iron ore input. Iron ore is likely to revisit \$100 a tonne by the end of the year before falling further to \$89 at the end of 2025 as China’s housing market collapse worsens. China’s new debt issuance plan should support prices, potentially increasing lending to the struggling property sector. However, falling steel production and emissions controls on highly polluting blast furnaces should shrink Chinese iron ore demand by 1% in 2024 and 2% in subsequent years. At the same time, plans by the big miners to raise production will swell supply, putting prices under pressure.

Table 2: Latest commodity price forecasts

Year/Quarter	Gold	Platinum	Palladium	Rhodium	Coal	Iron ore
green (red) = upward (downward) revision from Jan '24						
2029 = extended forecast						
2024	2188	1042	1101	4233	95	110
2025	2229	1112	1150	4009	94	103
2026	2235	1155	1165	3695	93	98

Source: BER forecast

Domestic outlook

Our forecast is for real GDP growth to accelerate from 0.6% in 2023 to 1.3% in 2024, and 1.6% in 2025. This is lower than we expected before.

The reason for the downward revision to GDP growth is generally our expectation of lower domestic demand relative to our earlier forecast. We see monetary policy remaining somewhat tighter than before (with a higher real policy interest rate through the forecast period), which

⁵ The impact of this disruption extends globally, as these terminals are significant suppliers to international markets, notably shipping 52% of their coal to India and significant proportions to China, Japan, the EU-27, and other regions. Most of the coal exported is high-calorific value (high-CV) thermal coal. The total annualised volume of thermal coal impacted by this incident is estimated at around 18.9 million tonnes, constituting about 4% of the global supply of seaborne high-CV thermal coal.

curtails spending. There is also no scope for fiscal stimulus. More important, however, is that we are less optimistic about energy and non-energy fixed investment than before. To be sure, we still see robust growth, with quarterly growth outpacing the growth rates experienced from 2011 to 2019, but lower than before. Looking ahead, lower inflation and lower borrowing costs later in 2024 should help with consumer demand, and although we have lowered our forecast somewhat, consumer spending should still pick up in coming years.

On the supply side, there are also reasons to expect growth to improve relative to 2023. For one, load-shedding should be less of a drag on growth – although the system remains fragile and a return to sustained, high stages of load-shedding cannot be ruled out. Eskom itself expects around stage 2 load-shedding this winter, with a worst-case scenario of stage 5 at times. This is due to an improved performance by the coal-fired power station fleet (less unplanned losses) and reduced demand as private consumers switched to renewable energy sources. The SARB estimates that electricity disruptions will still shave about 0.6%pts off growth this year, 0.2%pts next year and less than 0.1%pt in 2026. A reduction in load-shedding should be positive for production and confidence and allow for non-energy investment to return. To be sure, this will be a slow process, but it seems the worst is behind us. Similarly, the logistical constraint is also expected to become less of a drag on growth. There are signs of improved workings at the local ports, while the problems with rail are also being addressed. While Transnet’s recovery plan goals were just missed as challenges remain, there is an improvement from 2023. The continued intention to get more private operators on board is welcome.

POLICY CONTINUITY EXPECTED POST-ELECTION, BUT THERE ARE RISKS

Before delving into the details of our forecast for the domestic economy, it is perhaps more important than usual to clarify how we treat the upcoming SA election. As economists we are in no better position to predict the outcome of the election than others, but we do have to take some position on what we think is most likely to happen. For now, we remain of the view that we will, broadly speaking, see policy continuity after the election. Recent electoral polls suggest that no single political party will win an outright majority in the upcoming election. While the ruling ANC party is likely to lose support, our baseline assumption is that it will be able to remain in charge of the national government. While not our baseline view before, it is now very likely that this will only happen if the ANC enters into a coalition with one or several smaller parties. While there are differences, many of the main opposition parties’ policies are broadly aligned with that of the ANC. Parties that differ materially with the ANC on policy will likely fail to mobilise enough support in parliament to push through their agendas. This means that a coalition is unlikely to be better, or worse, than the current ANC government when it comes to managing the state and will also not be viewed differently by the market. There will still be some progress on structural reform, but not enough to lift economic growth to levels required to generate significant employment opportunities or reignite a (non-energy) fixed-investment drive. There might be some strengthening of the rand after the election as a political uncertainty premium dissipates, but long-term dynamics are set to hold. The assumption for now is that President Cyril Ramaphosa is able to serve a second term and that a credible finance minister is chosen to continue the current fiscal consolidation path.

There are risks to this view. Optimistically, we could see a more positive outcome unfold in coming years, with a government that feels it needs to prove something and successfully *implements* the structural reform necessary to propel growth higher. Of course, it is also easy to

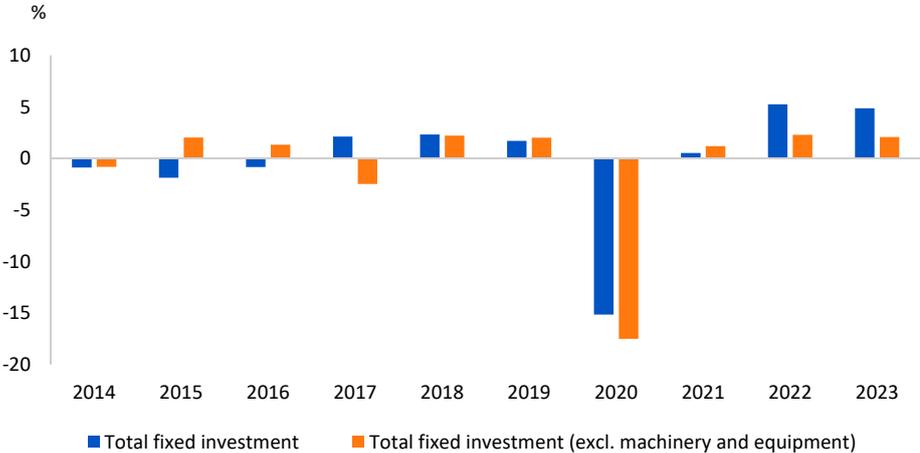
tell a story of a more negative political outcome. We have explored one such scenario in our model. No matter the outcome on 29 May, we could see sharp swings in the rand exchange rate in particular following the results. It is, however, important to be mindful of the fact that the rand tends to overreact to global and local impulses. We will reassess our view post-election, although even then, only time will tell what was electioneering and what will actually be implemented when it comes to policy initiatives.

GREEN ENERGY INVESTMENT TO BE LESS PRONOUNCED THAN PREVIOUSLY PROJECTED

Annual growth in real gross fixed capital formation slowed to 2.2% in 2023Q4. This is the slowest growth rate since 2021Q4 and, with the easing in 2023Q3 (3.2%), shows that the momentum registered in the first half of 2023 was not maintained in 2023H2. Overall, full-year growth in fixed investment was registered at 4.2% in 2023, from 4.8% in 2022. Only public corporations recorded a contraction (-1.8%) in 2023. However, this follows on stellar growth of 8.2% in 2022. Investment by general government and private businesses registered growth of 5.7% and 4.9% respectively.

Once again most of the impetus came from the machinery and equipment asset class, reflecting renewable energy investments. Indeed, this has been a key part of the broader macroeconomic growth narrative over the past two years. Figure 5 shows that without machinery and equipment capex, total *private fixed investment* would have risen by only 2.1% in 2023 (and by only 2.3% in 2022). This means that this category made up close to half of all capital spending by the private sector over the last two years⁶.

Figure 5: Total private fixed investment vs private investment excluding machinery and equipment



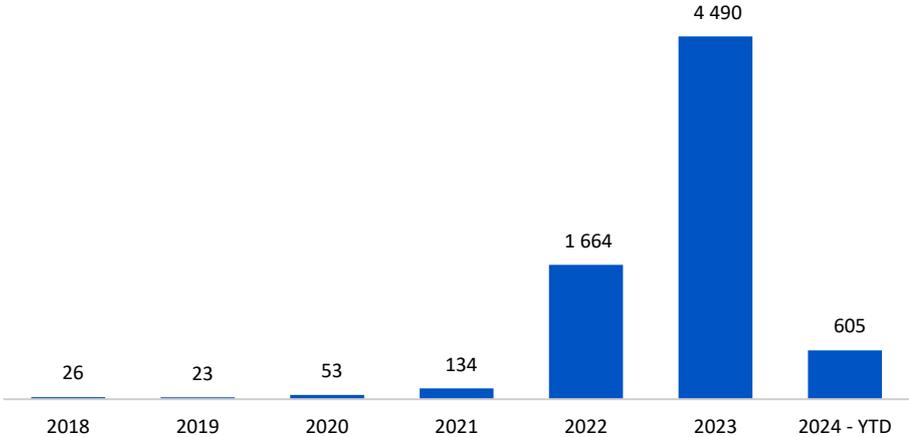
Source: Stats SA, own calculations

It is important for the forecast that we take a view on how pronounced further private energy investment will be. Here the narrative has shifted somewhat. The latest Stats SA data reveals that the machinery and equipment category lost some momentum in 2023Q4. Crucially, looking

⁶ Interestingly, the increase in investment in machinery and equipment was also high for general government (+27.2%) and public corporations (9.3%), although not likely related to green energy. Of course, the private sector is by far the biggest contributor in value terms.

further, the latest data from Nersa regarding the number and generation capacity of private energy projects registered (Figure 6) supports the view that the period (short-lived) of robust growth is unlikely to be repeated. In the year to March, project registrations (in megawatts) totaled 605. Over the same period last year, the total was 2 427. In other words, while the data still supports further investment in green energy, it looks to be less than previously expected. The lower incidence of load-shedding currently – in part due to past investment in energy by the private sector – may be contributing to the lower desire to invest in energy. On the upside, if electricity is less of a constraint, then more can be invested in other assets to hopefully enhance productive capacity, instead of energy, which was seen as necessary to ensure existing production.

Figure 6: Nersa registrations per year
MEGAWATT (MW)



Source: Nersa

In February, the National Treasury proposed an ambitious budget for public capex⁷, especially by public corporations. Most of this is targeted towards transport and logistics, energy, and water and sanitation. These are the core focus areas of structural reforms and are the correct signalling for an economy under threat of load-shedding, where the water supply in some major municipalities is erratic, and concerns around the port and rail infrastructure persist. It must be noted, however, that public corporations have typically underspent compared to these projections. We account for an underspend again over this forecasting horizon.

⁷ They announced R943.8 billion worth of capex of the medium-term expenditure framework. This is the biggest amount since 2017.

Table 3: Public sector capex

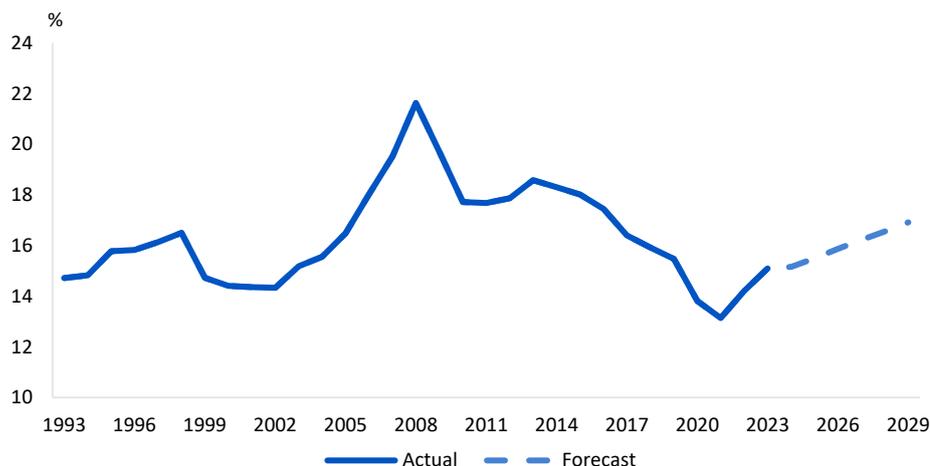
	Total budget	% of total	Average growth (2024 /25 – 2026/27)
Energy	203.8	21.6	11.1
Water and sanitation	160.9	17.1	5.6
Transport and logistics	340.0	36.0	6.8
Other economic services	63.4	6.7	-2.2
Health	40.8	4.3	-1.3
Education	56.4	6.0	-3.7
Human settlements	43.7	4.6	2.6
Other social services	7.0	0.7	-10.2
Administration services	27.8	2.9	2.0
Total	943.8		5.0
National departments	41.1	4.4	-5.3
Provincial departments	183.7	19.5	-1.9
Local government	213.8	22.7	2.9
Public entities	111.4	11.8	11.5
Public-private partnerships	19.1	2.0	0.5
State-owned companies	374.7	39.7	10.6
Total	943.8		5.0

Source: National Treasury

Capital outlays by general government fared well last year, rising by close to 6%. Besides machinery and equipment, investment in construction works (by far the biggest category), computers and related equipment and transport equipment accelerated. In sum, most assets benefited. The outlook, however, is much more downbeat, in line with the projections from the National Treasury. Indeed, we expect capex by general government to contract over the next two years. Of course, this will have implications for the delivery of vital services and in the social-economic spheres (education, healthcare). This downbeat view is consistent with a constrained fiscal environment.

In all, growth in gross fixed capital formation (GFCF) is predicted to decelerate once more in 2024. Over the medium term, however, growth averaging around 4% is expected. This outcome still means it is unlikely that the target for fixed investment (30% of GDP) set in the NDP will be reached. In fact, fixed investment as a proportion of GDP (in nominal terms) was lower in 2023 at 15.1% of GDP than was the case when the NDP was launched in 2012 (close to 18% of GDP).

Figure 7: Fixed investment as a percentage of GDP (nominal)

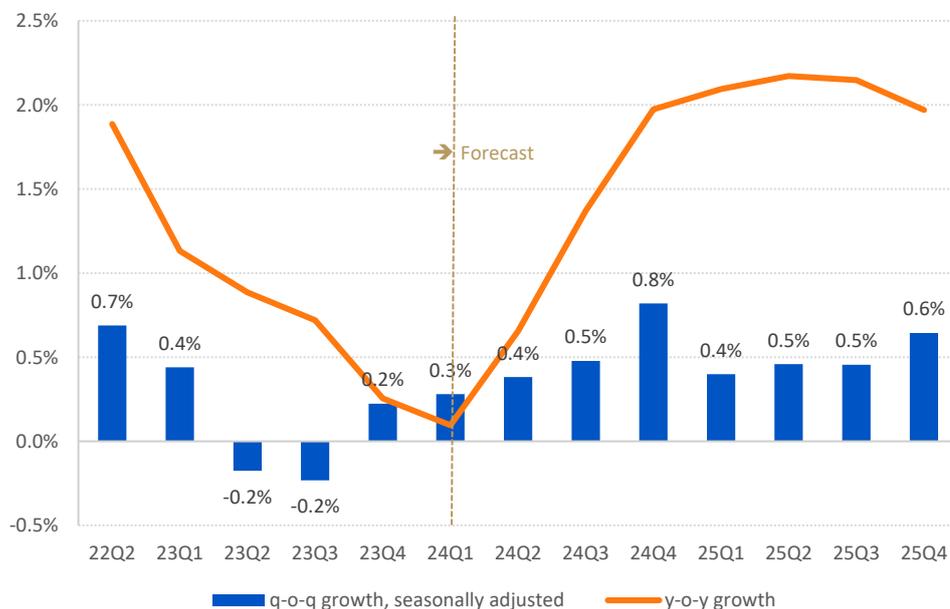


Source: Stats SA, BER

SA CONSUMER EXITED A TECHNICAL RECESSION IN 2023Q4

In line with the BER’s January forecast, real consumer spending recovered somewhat (+0.2% q-o-q) during 2023Q4. This followed two consecutive quarters of 0.2% q-o-q contractions in the middle of the year (see Figure 8). However, in annual growth terms, real household consumption slowed further, from 0.7% y-o-y in 2023Q3 to a mere 0.3% y-o-y in 2023Q4.

Figure 8: Growth in real consumer spending only forecast to accelerate meaningfully from the second half of 2024



Source: Stats SA, BER forecasts

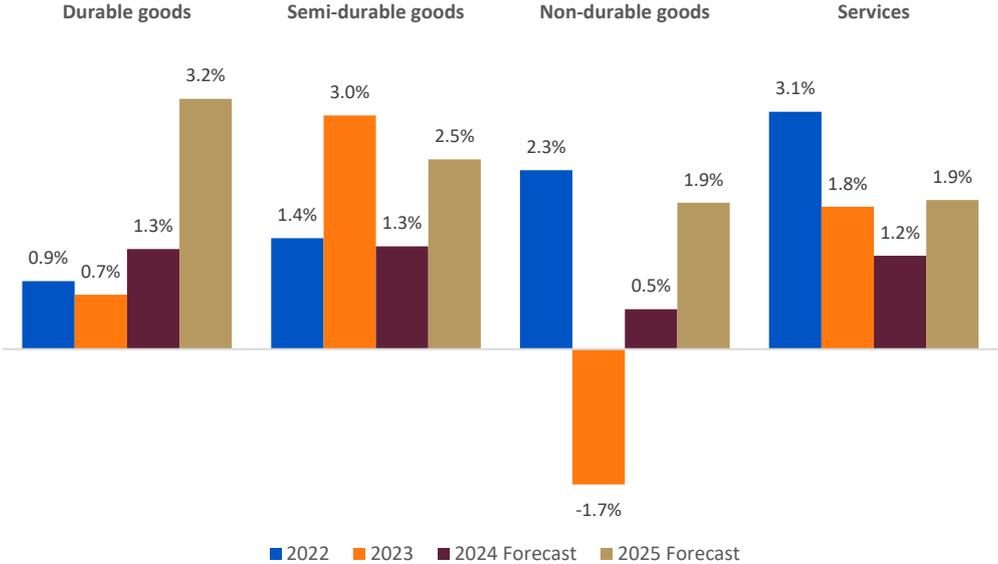
Semi-durable goods remained the best-performing category in annual growth terms (2.4%), followed by services (1.3%) – see Figure 9. However, semi-durable goods actually contracted by 0.5% q-o-q during the fourth quarter, as motorcar tyres & parts decreased on the back of downward pressure on real disposable income, and clothing & footwear sales deteriorated

notably post the 2023 Rugby World Cup. After three consecutive quarters of contraction, real consumer spending on durable goods improved on a quarterly basis in Q4. Durable goods sales have been under pressure from high interest rates, waning credit growth and low consumer confidence levels, not to mention the 0.3% decline in real disposable income in 2023. Although new car sales remained very weak during the first quarter of 2024, used vehicle sales and furniture & appliances sales appear to have turned the corner.

Non-durable goods remained the worst performer at the end of 2023, with another 0.9% q-o-q contraction in the fourth quarter, pushing annual growth down to -2.2%. High food, fuel and electricity price increases dragged non-durable goods inflation back up to 8.3% y-o-y in 2023Q4 (well above the CPI inflation rate of 5.5%), and consumers responded by cutting their real spending on food, beverages & tobacco, household fuel, power & water, petroleum products and pharmaceuticals & cosmetics in 2023Q4.

However, looking ahead, a moderation in food inflation and the R20 (5.7%) increase in the Social Relief of Distress grant⁸ should pave the way for food & beverage sales to improve during 2024. This lifts growth in real non-durable goods spending to 0.5%, from -1.7% in 2023. Lower levels of load-shedding (i.e., increased electricity usage), a slight decline in fuel prices and a further easing in food inflation could see non-durable goods volume growth improve further.

Figure 9: Annual growth in real consumer spending by main category



Source: Stats SA, BER forecasts

In contrast, growth in real consumer spending on semi-durable goods is forecast to decelerate from 3% in 2023 to 1.3% in 2024 due to a substantial deterioration in clothing & footwear sales growth at the start of the year (from a very high 2023 base). However, lower interest rates and recoveries in credit extension and real wages could see the growth in semi-durable goods rebound to 2.5% by 2025.

⁸ This is the first increase in the Social Relief of Distress (SRD) grant since it was introduced in 2020 at R350 per month. The increase to R370 per month will put an extra R2.2 bn in the pockets of the 9.2 million SRD grant beneficiaries over a 12-month period, the bulk of which will likely be spent on non-durable goods.

The growth in durable goods, in turn, could accelerate slightly from 0.7% in 2023 to 1.3% in 2024, with furniture, appliances and electronic goods sales having turned the corner. Growth in the durable goods category is projected to quicken to 3.2% in 2025, when transport equipment and recreational durable goods are expected to join the party (boosted by interest rate relief and a slight appreciation in the rand exchange rate, i.e., lower import costs). On the services side, weaker growth (on a high 2023 base) in the health care, restaurants, hotels and communication categories is projected to see real services spending decelerate from 1.8% in 2023 to 1.2% in 2024.

In all, lower inflation should bolster real consumer spending growth to 1.0% in 2024 (slightly slower than our January forecast of 1.2%, but still up from 0.7% in 2023), while interest rate cuts should provide a bigger boost to growth in 2025 (2.1%). However, given our forecast of relatively tight fiscal policy (i.e. subdued growth in the government wage bill, coupled with higher personal income taxes) and limited interest rate cuts (only 25 basis points between 2026 and 2029), the growth in real consumer spending is projected to ease slightly post 2025.

Votes and vibes: Analysing consumer confidence and election results

We explore the link between consumer confidence and electoral outcomes. We were particularly interested in whether the level of consumer confidence and its subcomponents can predict if the current political party will get re-elected and how strong their support will be, measured by the share of votes they receive. Our analysis is loosely based on the methodology used in a 2008 CEPR discussion paper⁹ done for EU countries.

Table 4: Variables used in the analysis

Variable	Description
S	The relative share of votes between the ruling party and the official opposition party. This is calculated as the difference in the percentage of votes between the incumbent and the winner (when the incumbent loses the election) or the incumbent and the runner-up (when the incumbent wins the election) – i.e. the size of the gap between the share of votes for the winning party and the official opposition party.
CCI	Level of consumer confidence index (CCI) one month before the elections
CCI_E	Level of CCI: Expected economic performance one month before the elections
CCI_D	Level of CCI: Time to buy durables one month before the elections
CCI_F	Level of CCI: Expected household finances one month before the elections
C1C7	Change in the level of CCI in the 6-month period preceding the month of elections calculated as $C_{i,m-1} - C_{i,m-7}$, where CCI at month s and where the election occurs at month m
CE1CE7	Change in the level of CCI: Expected economic performance in the 6-month period preceding the month of elections
CD1CD7	Change in the level of CCI: Time to buy durables in the 6-month period preceding the month of elections
CF1CF7	Change in the level of CCI: Expected household finances in the 6-month period preceding the month of elections
VT	Voter turnout, the share of voters in each election relative to all registered voters

Source: IEC, BER

⁹ Available here: <https://cepr.org/publications/dp6701>

Upon visual inspection of the variables described above, we can infer that the gap between the ruling party's votes (i.e., its popularity) and the opposition party's votes has shrunk as voter turnout has declined in all democratic elections since 1994. Furthermore, there appears to be a relationship between this gap and CCI, which we move on to quantify using simple regression analysis.

The regression results suggest that consumer confidence, the trend in consumer confidence, and voter turnout are statistically significant predictors of the relative share of votes in elections. Specifically, the results suggest that a 10-point increase in the CCI leads to a 0.9%pt increase in the gap between the current ruling party and the official majority's share – in other words, indicating a stronger "lead". The trend (C1C7) implies that raising CCI shortly before the election is ineffective, what matters is what happened long before the election. This would imply that voters are looking at how a political party has performed since being elected, and that electioneering has less of an impact on some voters' decisions. Additionally, the economic conditions sub-component also exhibits significant predictive power in explaining voting outcomes. Notably, variables related to the timing to buy durable goods and the consumer's assessment of their own financial position did not show statistical significance in influencing the share of votes.

Table 5: Regression results

Dependent: S	CCI	CCI: Expected economic performance	CCI: Time to buy durables	CCI: Expected household finances
Constant	-69.17***	-76.19**	-22.31	-65.13
VT	1.47***	1.55**	0.96**	1.33**
CCI	0.89***			
C1C7	-0.83***			
CCI_E		0.51**		
CE1CE7		-0.71**		
CCI_D			0.5	
CD1CD7			-0.31	
CCI_F				0.93
CF1CF7				-1.44**

Note: Asterisks denote significance levels at: 1%***, 5% ** and 10% *
Source: BER

The regression results suggest that consumer confidence, the trend in consumer confidence, and voter turnout are statistically significant predictors of the relative share of votes in elections. That said, given the current low level of consumer confidence, the ability of the current political party to enjoy the majority vote hinges on voter turnout and the direction of these votes, particularly considering the influence of younger demographics. As these findings stem from historical data, their direct applicability to upcoming general elections requires careful consideration of evolving economic and political landscapes, campaign dynamics, and unforeseen events that may shape voters' decisions.

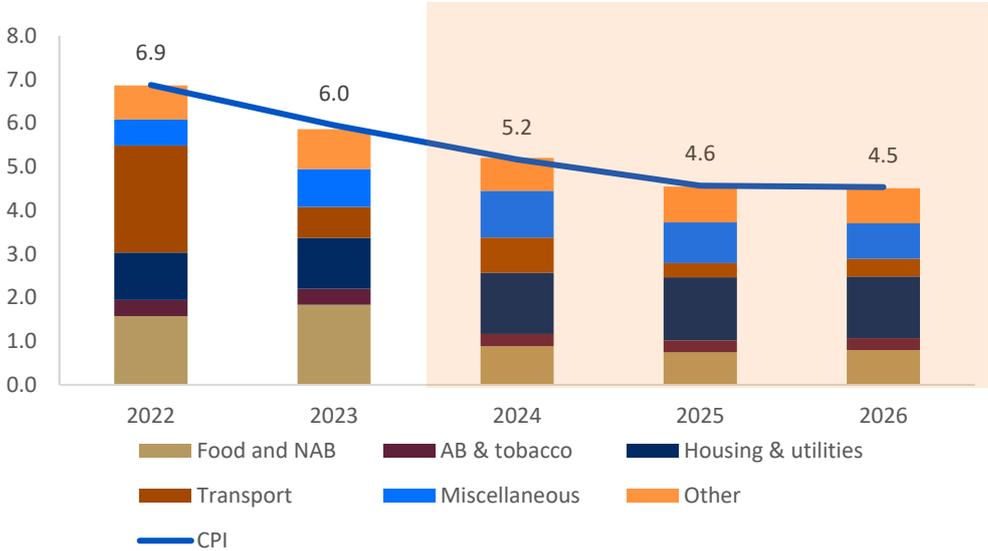
CONSUMER INFLATION HAS LIKELY PEAKED, BUT SARB MAY STILL BE HESITANT TO CUT THE REPO RATE

The rate of increase in SA consumer price inflation (CPI) likely peaked in February 2024, at 5.6% y-o-y. The rate of price increases is expected to moderate through the rest of the year – although not necessarily in a linear fashion. A major contributor to the slowdown is a moderation in food prices, with food and non-alcoholic beverages inflation expected to slow from an average of 10.7% in 2023 to 5.1% in 2024. However, there are potential upside risks to the food inflation outlook, particularly in categories like bread and cereals due to maize crop failure in SA. The latest summer crop production estimate for SA has been lifted slightly from earlier estimates, but the harvest is still set to be down by 20% from 2022/23. Nevertheless, supply should still be sufficient to meet demand from the local market. According to global weather forecasters, El Niño has now ended (although the damage to SA’s crop has been done) and we may enter a more favourable La Niña streak soon. Beyond food, transport inflation remains high in 2024, with petrol inflation at 5.2%, but this moves lower next year as the rand is expected to strengthen somewhat and Brent crude oil declines providing some relief on the fuel price front. This results in a smaller contribution by transport inflation to headline over time (see Figure 10).

In all, headline CPI is set to slow to (a slightly higher than before) 5.2% in 2024 from 6% in 2023, with a further deceleration to 4.6% in 2025. Core CPI (i.e. excluding food and energy) is forecast to marginally edge down from 4.8% in 2023 to 4.7% this year and 4.4% next year.

Figure 10: Headline CPI and the main contributors to inflation

% POINTS



Source: Stats SA, BER forecast

The slight increase in headline inflation relative to our January forecast (5%) is one of the reasons why we now expect the SARB to only cut the repo rate in September, from July before. Furthermore, while the SARB, in principle, does not have to wait for the global banks, the domestic inflation outlook needs to improve markedly relative to current expectations for it to embark on its own cutting cycle before the Fed. In fact, the governor aptly remarked in the Q&A session of the March MPC meeting that “we don’t follow the Fed, we watch the Fed”. The rand

is, of course, under pressure amid the 'higher for longer' Fed narrative and the SARB might worry about the second-round implications of a weaker rand on the inflation outlook. A later cut would give the bank some time to see the impact. Another more practical reason for our changed view that the first cut is only expected in September compared to July is that this will give the central bank an additional inflation expectations survey to scrutinise. Following a 25bps cut in September, we see an extended pause once the repo rate reaches 7.25% in 2025. This implies 100 bps of cuts in total, vs 125 bps before. The Taylor rule embedded in our econometric model suggests there is scope for another 25bps cut in 2026, but generally speaking, the real interest rate remains fairly high through our forecast period.

RAND EXCHANGE RATE UNDER PRESSURE AMID 'HIGHER FOR LONGER' FED RATES NARRATIVE

Despite inflation still above target now, there is an expectation that the major global central banks will be able to cut their policy interest rates sometime this year as the inflation outlook improves. However, as highlighted earlier, while the US Fed was generally expected to be the first to cut, the first policy easing is now expected in Europe. This results in a stronger dollar and, in turn, a weaker rand/dollar exchange rate. The SARB is also expected to cut its interest rate, but by significantly less in total than the US Fed. This means that global monetary policy dynamics provide scope for the rand to strengthen through 2025, with the rand averaging below R18/\$ in Q4 next year.

SOMEWHAT BETTER FISCAL PICTURE THAN BEFORE

Slow economic growth, the COVID-19 pandemic and excessive spending have contributed to a substantial increase in gross government debt over the last ten years. This means that interest expenditure is demanding an ever-larger piece of the cake, forcing the government to make very hard choices in terms of its budget priorities. The BER anticipates that the National Treasury will eventually be able to turn the ship around, though perhaps at a slower pace than it plans to. As such, we foresee gross public debt to keep rising for another four years, after which it will stabilise and then slowly start to moderate. This means that any fiscal stimulus is off the cards for a very long time.

On 21 February, the Minister of Finance, Enoch Godongwana, tabled the 2024 Budget Review in Parliament. Preliminary estimates by the National Treasury indicate that the financial position of the government deteriorated during the fiscal year 2023/24. Key to this underperformance was a revenue shortfall on account of corporate tax collections. It was especially tax paid by mining companies that contracted severely due to the coinciding headwinds of lower commodity prices (especially for PGMs), electricity shortages and rail and harbour failures. National Treasury estimates that corporate tax collection dropped by 12.6% during 2023/04; as a result, total revenue increased by only 0.4% during the fiscal year (see Figure 11). In contrast, total expenditure expanded by 5.2%, of which interest payments ballooned by 15.3% due to the multiplicative effect of higher gross debt and rising interest rates (see Figure 12). Consequently, the consolidated budget deficit increased from 3.6% to GDP in 2022/23 to 4.9% in 2023/24 while gross debt rose from 70.9% to 73.9% over the same year.

Figure 11: Budgeted revenue:2023/24

Y-O-Y % CHANGE

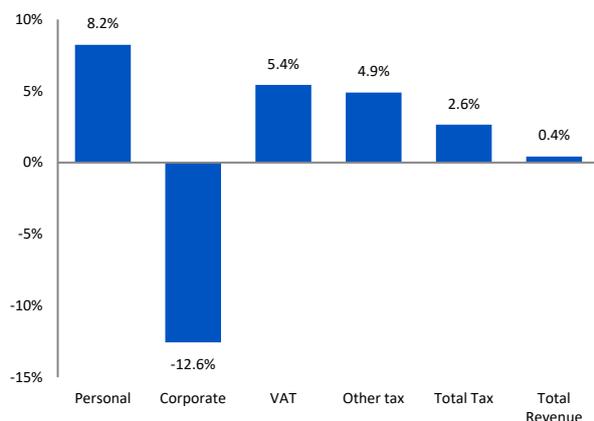
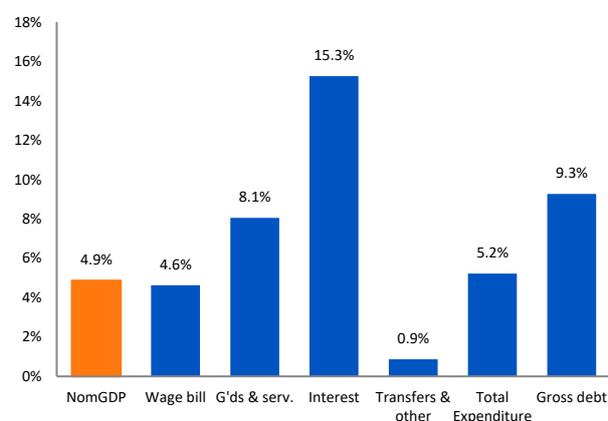


Figure 12: Budgeted expenses: 2023/24

Y-O-Y % CHANGE



Source: National Treasury

The Budget outlines a somewhat ambitious approach to managing finances and navigating economic challenges.

National Treasury plans to increase personal tax revenue by 9.4% over the medium-term expenditure framework (MTEF) period, though this merely represents a shift in policy since the overall tax burden will remain stable at around 27.5% of GDP until 2026/27. Key to stabilising the debt is the reduction in government expenditure pencilled in, from 32.2% to GDP in 2023/24 to 30.8% in 2026/27. Another factor of the improved budget metrics presented is a distribution totalling R150 billion from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) over the medium term, which will soften government borrowing. Overall, the Budget aims to reduce the consolidated deficit to 3.3% by 2026/27, with debt stabilising at 75% of GDP.

The BER anticipates that government expenditure will moderate at a slower pace than pencilled in the Budget.

The key reason is that we suspect that it will be very tough to keep public sector wages pegged at CPI for an extended period of time. As such, we anticipate a wage increase of CPI plus 1% in the later years of the forecast horizon – the risk is that this could be even higher. Various other expenditure risks, such as the bailout of SOEs and higher borrowing costs, all have a compounded effect on spending demands. As such, we foresee expenditure to GDP declining from 32.6% in 2023, while tax revenue is set to increase from 26.5% of GDP in 2023. As signalled by the 2024 Budget, personal income tax might be the preferred policy choice, given the narrative of redistribution in a country with an extremely unequal income distribution. An increase in the VAT rate remains a possibility, although, for now, not our baseline view.

Conclusion

We have downwardly revised our near-term GDP forecasts relative to earlier in the year. However, we still see growth momentum pick up from 2023. Fewer constraints on the supply side help, while domestic demand should also pick up (although less so than before).

One important shift in our narrative for the SA economy has been that we see less ongoing private sector investment in energy than before—still growth, just less robust. A smidge higher inflation (with lingering upside risks) means that the SA's first repo rate cut is also delayed to later in the year, which keeps pressure on the consumer for longer.

The three biggest risks over the near term and implications on our forecast have been discussed throughout. The first is the upcoming SA election, with our baseline view of policy continuity having the potential to turn out better or worse than we expect. The second risk centres around monetary policy and the timing of the first interest rate cut by the Fed. We expect the Fed to start cutting later this year. Should this be postponed and rates stay higher for (even) longer, the possibility is that the SARB will also cut later than September due to a weaker rand hurting the inflation outlook. The final near-term (and long-term) risk with direct implications for SA, commodity markets and financial markets would be a significant escalation of current geopolitical unrest. This could be in the Middle East or a flare-up of simmering tension between China and Taiwan (and the rest of the world). Geopolitical shocks resulting in higher food, fuel and transport prices could risk the broader disinflation story and delay monetary policy easing.

Appendix

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Table A 1: International economic indicators

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Real GDP growth rates															
US % growth	3.0	2.9	1.9	1.3	1.3	1.7	2.0	2.3	2.3	2.0	2.0	1.8	2.2	1.8	2.0
UK % growth	0.3	0.4	0.7	1.0	1.3	1.4	1.4	1.5	1.6	1.6	1.6	1.6	0.6	1.4	1.6
Germany % growth	0.0	0.1	0.2	1.1	1.1	1.2	1.3	1.4	1.5	1.5	1.5	1.6	0.3	1.2	1.5
Japan % growth	0.5	0.2	1.3	1.4	1.2	0.8	0.8	0.5	1.1	1.0	0.8	0.5	0.9	0.8	0.8
Eurozone % growth	0.3	0.4	0.7	1.0	1.3	1.4	1.4	1.5	1.6	1.6	1.6	1.6	0.6	1.4	1.6
G7 % growth	1.9	1.7	1.4	1.2	1.3	1.4	1.6	1.8	1.9	1.7	1.7	1.6	1.6	1.5	1.7
CPI inflation rates															
US % CPI	3.1	2.5	2.1	2.2	2.3	2.3	2.1	2.1	2.1	2.1	2.0	2.0	2.5	2.2	2.1
UK % CPI	3.7	2.0	2.2	2.3	2.5	2.2	1.9	1.7	2.0	2.1	2.2	2.2	2.5	2.1	2.1
Germany % CPI	2.8	2.8	2.5	3.0	2.7	2.5	2.4	2.0	2.1	2.0	2.3	2.7	2.8	2.4	2.2
Japan % CPI	2.7	2.6	2.4	2.3	2.3	2.1	1.7	1.3	1.4	1.3	1.5	1.6	2.5	1.8	1.5
G7 % CPI	2.5	2.0	1.8	2.3	2.4	2.2	2.0	1.9	2.0	1.9	2.0	2.1	2.2	2.1	2.0
China % CPI	0.1	1.2	1.4	1.8	1.7	1.7	1.7	1.8	1.8	1.9	1.8	1.8	1.1	1.7	1.8
India % CPI	5.8	5.2	3.4	4.1	4.4	4.4	4.4	4.3	4.3	4.2	4.3	4.2	4.6	4.4	4.3
Interest rates															
US prime rate	8.50	8.50	8.29	7.83	7.56	7.04	6.53	6.08	5.81	5.50	5.50	5.50	8.28	6.80	5.58
Commodity prices															
Spot oil price: US\$/barrel	82.0	85.8	84.0	83.0	81.0	79.0	79.0	79.0	77.0	77.0	75.0	75.0	83.7	79.5	76.0
London gold price: US\$/oz	2072	2196	2236	2250	2233	2223	2220	2213	2211	2208	2197	2190	2189	2222	2202
Platinum price: US\$/oz	911	1029	1087	1141	1191	1199	1221	1231	1251	1245	1247	1247	1042	1210	1247
Palladium price: US\$/oz	980	1125	1142	1159	1176	1183	1181	1168	1151	1143	1141	1133	1101	1177	1142
SA coal price : US\$/mt	96.6	95.0	94.0	93.0	92.0	91.1	89.0	87.7	86.7	85.8	85.0	85.0	94.6	89.9	85.6
China iron ore price : US\$/mt	124.6	111.1	104.4	100.0	95.7	92.4	90.8	89.3	87.7	86.2	85.6	84.8	110.0	92.0	86.1
Exchange rates															
US\$/Sterling exchange rate	1.27	1.26	1.27	1.27	1.27	1.27	1.29	1.29	1.29	1.29	1.30	1.31	1.27	1.28	1.30
YN/\$ exchange rate	148.5	150.0	146.0	142.0	138.0	134.0	130.0	127.0	127.0	125.0	125.0	125.0	146.6	132.3	125.5
US\$/Euro exchange rate	1.09	1.08	1.09	1.11	1.13	1.14	1.15	1.16	1.16	1.16	1.17	1.18	1.09	1.15	1.17

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

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Nominal GDP expenditure components															
Household consumption (year % ch.)	4673.3 5.6	4746.1 6.1	4843.7 6.8	4922.8 6.8	4987.5 6.7	5066.3 6.7	5167.5 6.7	5246.3 6.6	5305.3 6.4	5396.9 6.5	5506.4 6.6	5590.9 6.6	4796.5 6.3	5116.9 6.7	5449.8 6.5
Government consumption (year % ch.)	1413.1 5.2	1430.8 5.3	1459.1 4.5	1478.0 5.8	1485.4 5.1	1504.0 5.1	1533.8 5.1	1553.6 5.1	1561.4 5.1	1581.0 5.1	1612.2 5.1	1633.1 5.1	1445.2 5.2	1519.2 5.1	1596.9 5.1
Fixed investment (year % ch.)	1095.3 7.6	1117.2 3.9	1137.7 6.9	1153.1 8.0	1184.7 8.2	1208.3 8.2	1232.6 8.3	1251.0 8.5	1286.6 8.6	1312.7 8.6	1339.6 8.7	1359.1 8.6	1125.8 6.6	1219.1 8.3	1324.5 8.6
Inventory investment	30.7	36.0	41.6	47.7	45.9	40.6	35.3	33.2	42.4	38.0	40.8	32.9	39.0	38.8	38.5
Residual item	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Gross domestic expenditure (year % ch.)	7234.5 6.4	7352.2 5.2	7504.2 8.6	7623.7 7.4	7725.7 6.8	7841.2 6.7	7991.3 6.5	8106.3 6.3	8217.8 6.4	8350.7 6.5	8521.1 6.6	8638.1 6.6	7428.7 6.9	7916.1 6.6	8431.9 6.5
Exports: goods and services (year % ch.)	2393.5 3.2	2375.0 2.9	2352.8 3.4	2373.9 3.1	2481.2 3.7	2470.6 4.0	2452.8 4.3	2487.3 4.8	2597.2 4.7	2596.7 5.1	2605.2 6.2	2641.3 6.2	2373.8 3.1	2473.0 4.2	2610.1 5.5
Imports: goods and services (year % ch.)	2349.4 3.2	2362.5 -0.1	2363.6 8.3	2429.4 5.9	2505.7 6.7	2508.7 6.2	2500.3 5.8	2561.0 5.4	2660.4 6.2	2682.5 6.9	2693.2 7.7	2747.3 7.3	2376.2 4.3	2518.9 6.0	2695.9 7.0
Expenditure on GDP (year % ch.)	7278.7 6.4	7364.7 6.2	7493.5 7.0	7568.2 6.5	7701.3 5.8	7803.2 6.0	7943.7 6.0	8032.5 6.1	8154.6 5.9	8264.8 5.9	8433.1 6.2	8532.0 6.2	7426.3 6.5	7870.2 6.0	8346.1 6.0

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

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Real GDP expenditure components															
Household consumption (year % ch.)	3098.4 0.1	3110.2 0.7	3125.1 1.4	3150.7 2.0	3163.3 2.1	3177.8 2.2	3192.2 2.1	3212.8 2.0	3227.3 2.0	3242.1 2.0	3256.8 2.0	3277.8 2.0	3121.1 1.0	3186.5 2.1	3251.0 2.0
Government consumption (year % ch.)	915.3 1.2	933.0 1.2	930.8 0.5	938.4 1.6	921.1 0.6	938.8 0.6	936.6 0.6	944.1 0.6	926.5 0.6	944.2 0.6	941.8 0.6	949.5 0.6	929.4 1.1	935.2 0.6	940.5 0.6
Fixed investment (year % ch.)	699.0 1.3	707.4 -1.4	715.6 3.6	722.6 4.8	729.1 4.3	737.1 4.2	745.4 4.2	752.7 4.2	759.1 4.1	767.8 4.2	776.7 4.2	784.0 4.2	711.1 2.1	741.1 4.2	771.9 4.2
Inventory investment	10.1	14.9	20.3	25.1	20.8	18.6	16.3	15.9	17.3	16.4	18.9	15.2	17.6	17.9	16.9
Residual item	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Gross domestic expenditure (year % ch.)	4724.3 -0.2	4766.9 -0.8	4793.1 2.8	4838.2 2.7	4835.6 2.4	4873.6 2.2	4891.9 2.1	4926.9 1.8	4931.5 2.0	4971.8 2.0	4995.7 2.1	5027.9 2.1	4780.6 1.1	4882.0 2.1	4981.7 2.0
Exports: goods and services (year % ch.)	1331.5 3.2	1334.3 2.9	1335.4 2.3	1340.1 2.1	1353.3 1.6	1360.8 2.0	1364.8 2.2	1376.6 2.7	1388.7 2.6	1401.7 3.0	1414.2 3.6	1426.6 3.6	1335.3 2.6	1363.9 2.1	1407.8 3.2
Imports: goods and services (year % ch.)	1408.4 -0.8	1420.7 -3.0	1434.4 7.2	1458.9 4.9	1466.9 4.2	1477.6 4.0	1487.7 3.7	1507.8 3.3	1518.1 3.5	1531.0 3.6	1543.8 3.8	1562.8 3.6	1430.6 1.9	1485.0 3.8	1538.9 3.6
Expenditure on GDP (year % ch.)	4647.4 0.9	4680.5 0.9	4694.1 1.4	4719.4 1.9	4722.0 1.6	4756.8 1.6	4769.0 1.6	4795.7 1.6	4802.2 1.7	4842.5 1.8	4866.1 2.0	4891.7 2.0	4685.3 1.3	4760.9 1.6	4850.6 1.9

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

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Household consumption categories															
Durable goods (year % ch.)	316.8 -0.3	317.3 1.2	319.8 2.4	325.0 1.9	327.3 3.3	329.1 3.7	330.7 3.4	333.2 2.5	337.0 3.0	338.8 3.0	340.5 3.0	343.1 3.0	319.7 1.3	330.1 3.2	339.8 3.0
Semi-durable goods (year % ch.)	269.9 0.6	270.4 1.7	272.6 0.9	274.8 2.2	276.3 2.4	277.5 2.7	279.3 2.5	281.3 2.4	283.8 2.7	285.1 2.7	286.9 2.7	289.0 2.7	271.9 1.3	278.6 2.5	286.2 2.7
Non-durable goods (year % ch.)	900.7 -2.1	907.6 0.0	913.0 1.5	916.0 2.8	920.1 2.2	924.1 1.8	928.5 1.7	933.2 1.9	935.2 1.6	939.3 1.6	943.7 1.6	948.5 1.6	909.3 0.5	926.5 1.9	941.7 1.6
Services (year % ch.)	1611.0 1.4	1615.0 0.8	1619.7 1.2	1634.9 1.5	1639.6 1.8	1647.0 2.0	1653.7 2.1	1665.0 1.8	1671.3 1.9	1678.8 1.9	1685.7 1.9	1697.2 1.9	1620.2 1.2	1651.4 1.9	1683.2 1.9
Total household consumption (year % ch.)	3098.4 0.1	3110.2 0.7	3125.1 1.4	3150.7 2.0	3163.3 2.1	3177.8 2.2	3192.2 2.1	3212.8 2.0	3227.3 2.0	3242.1 2.0	3256.8 2.0	3277.8 2.0	3121.1 1.0	3186.5 2.1	3251.0 2.0
Disposable income of households															
Real disposable income (year % ch.)	3066.0 -0.4	3078.2 0.3	3092.5 1.3	3116.6 2.0	3133.6 2.2	3148.9 2.3	3162.7 2.3	3181.8 2.1	3200.0 2.1	3214.7 2.1	3228.2 2.1	3247.5 2.1	3088.3 0.8	3156.7 2.2	3222.6 2.1
Adjusted for debt-service cost (real) (year % ch.)	3020.0 -0.3	3032.7 0.4	3047.8 1.4	3072.2 2.1	3089.7 2.3	3105.4 2.4	3119.8 2.4	3139.3 2.2	3157.8 2.2	3173.1 2.2	3187.2 2.2	3206.9 2.2	3043.2 0.9	3113.6 2.3	3181.3 2.2

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

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Private sector															
Total private sector	504.5	510.9	518.3	526.0	532.4	539.4	546.5	553.1	559.5	566.5	573.9	580.9	514.9	542.8	570.2
(year % ch.)	3.9	-0.8	4.2	5.8	5.5	5.6	5.4	5.2	5.1	5.0	5.0	5.0	3.3	5.4	5.0
Public sector															
Government	120.1	120.3	120.1	119.4	119.0	118.5	118.8	118.8	118.8	119.4	120.2	120.1	120.0	118.8	119.6
(year % ch.)	-6.0	-3.8	0.2	0.0	-0.9	-1.5	-1.1	-0.5	-0.2	0.7	1.2	1.1	-2.5	-1.0	0.7
Public corporations	74.4	76.2	77.1	77.3	77.7	79.1	80.1	80.9	80.9	81.9	82.6	83.1	76.3	79.4	82.1
(year % ch.)	-2.9	-2.0	5.1	6.3	4.4	3.8	3.8	4.7	4.2	3.5	3.1	2.7	1.5	4.2	3.4
Total public sector	194.5	196.5	197.2	196.6	196.7	197.7	198.9	199.7	199.7	201.3	202.8	203.2	196.2	198.2	201.7
(year % ch.)	-4.9	-3.1	2.1	2.4	1.1	0.6	0.8	1.5	1.5	1.8	2.0	1.8	-1.0	1.0	1.8
Total															
Total fixed capital formation	699.0	707.4	715.6	722.6	729.1	737.1	745.4	752.7	759.1	767.8	776.7	784.0	711.1	741.1	771.9
(year % ch.)	1.3	-1.4	3.6	4.8	4.3	4.2	4.2	4.2	4.1	4.2	4.2	4.2	2.1	4.2	4.2

Table A 6: Labour sector (million)

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Employment															
Total labour force	24.54	24.63	24.91	24.72	24.90	24.93	25.21	25.01	25.20	25.23	25.52	25.31	24.70	25.01	25.31
(year % ch.)	1.7	1.5	1.3	0.4	1.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.2
Private sector employment	14.37	14.42	14.56	14.70	14.60	14.66	14.83	15.00	14.85	14.92	15.10	15.28	14.51	14.77	15.03
(year % ch.)	2.9	3.2	1.5	1.2	1.6	1.7	1.9	2.0	1.7	1.7	1.8	1.8	2.2	1.8	1.8
Government employment	2.30	2.31	2.30	2.28	2.32	2.32	2.32	2.30	2.33	2.33	2.33	2.31	2.30	2.32	2.33
(year % ch.)	2.9	-2.8	-4.6	3.6	0.7	0.7	0.7	0.7	0.5	0.5	0.5	0.5	-0.4	0.7	0.5
Total employment (incl. informal)	16.67	16.72	16.86	16.98	16.91	16.98	17.14	17.30	17.18	17.25	17.42	17.59	16.81	17.09	17.36
(year % ch.)	2.9	2.3	0.7	1.6	1.5	1.6	1.7	1.9	1.5	1.6	1.6	1.7	1.9	1.7	1.6
Unemployment rate	32.1	32.1	32.3	31.3	32.1	31.9	32.0	30.8	31.8	31.6	31.7	30.5	32.0	31.7	31.4
Wage rates (year % change)															
Unit labour cost	4.5	6.0	6.5	4.3	5.4	5.7	5.6	5.4	5.0	5.1	4.9	5.0	5.3	5.5	5.0
Wage bill (R billion at current prices)															
Total wage bill	3293.4	3360.8	3437.2	3398.2	3526.8	3609.4	3686.2	3638.2	3767.7	3863.5	3945.9	3894.9	3372.4	3615.2	3868.0
(year % ch.)	5.4	6.9	8.0	6.2	7.1	7.4	7.2	7.1	6.8	7.0	7.0	7.1	6.6	7.2	7.0

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

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Income and expenditure															
Remuneration of employees (year % ch.)	3293.4 5.4	3360.8 6.9	3437.2 8.0	3398.2 6.2	3526.8 7.1	3609.4 7.4	3686.2 7.2	3638.2 7.1	3767.7 6.8	3863.5 7.0	3945.9 7.0	3894.9 7.1	3372.4 6.6	3615.2 7.2	3868.0 7.0
Disposable income (year % ch.)	4624.4 5.0	4697.1 5.7	4793.1 6.7	4869.5 6.8	4940.8 6.8	5020.2 6.9	5119.6 6.8	5195.7 6.7	5260.5 6.5	5351.4 6.6	5458.0 6.6	5539.3 6.6	4746.0 6.1	5069.1 6.8	5402.3 6.6
Less household consumption (year % ch.)	4673.3 5.6	4746.1 6.1	4843.7 6.8	4922.8 6.8	4987.5 6.7	5066.3 6.7	5167.5 6.7	5246.3 6.6	5305.3 6.4	5396.9 6.5	5506.4 6.6	5590.9 6.6	4796.5 6.3	5116.9 6.7	5449.8 6.5
Saving	-48.9	-48.9	-50.6	-53.3	-46.7	-46.1	-47.9	-50.6	-44.8	-45.5	-48.4	-51.6	-50.4	-47.8	-47.6
Households: ratio to disposable income															
Saving	-1.1	-1.0	-1.1	-1.1	-0.9	-0.9	-0.9	-1.0	-0.9	-0.9	-0.9	-0.9	-1.1	-0.9	-0.9
Debt	61.2	61.2	60.5	60.3	59.6	60.0	59.6	59.7	59.2	59.6	59.2	59.3	60.8	59.7	59.3
Debt-service cost	8.9	8.9	8.6	8.4	8.0	8.0	8.0	8.0	8.0	8.1	8.1	8.1	8.7	8.0	8.1
Net wealth	395.0	391.8	391.2	392.5	396.3	394.5	392.8	390.3	391.5	389.8	388.2	388.3	392.6	393.5	389.5

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

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Income															
Direct taxes (year % ch.)	1043.8 6.3	1061.6 6.9	1078.3 9.3	1117.1 10.7	1115.4 6.9	1135.5 7.0	1152.8 6.9	1194.7 6.9	1203.5 7.9	1225.6 7.9	1246.7 8.1	1292.8 8.2	1075.2 8.3	1149.6 6.9	1242.1 8.0
Value added tax (VAT) (year % ch.)	504.5 2.9	395.1 4.7	472.7 6.7	500.5 10.8	535.9 6.2	419.9 6.3	502.0 6.2	530.9 6.1	568.8 6.1	446.2 6.3	533.5 6.3	564.3 6.3	468.2 6.3	497.2 6.2	528.2 6.2
Other indirect taxes (year % ch.)	387.9 8.3	492.6 3.1	440.8 5.4	440.0 7.5	412.4 6.3	522.9 6.2	467.2 6.0	465.5 5.8	436.6 5.9	555.5 6.2	497.5 6.5	495.1 6.4	440.3 5.9	467.0 6.1	496.2 6.3
Expenditure															
Consumption (year % ch.)	1413.1 5.2	1430.8 5.3	1459.1 4.5	1478.0 5.8	1485.4 5.1	1504.0 5.1	1533.8 5.1	1553.6 5.1	1561.4 5.1	1581.0 5.1	1612.2 5.1	1633.1 5.1	1445.2 5.2	1519.2 5.1	1596.9 5.1
Interest Payments (year % ch.)	353.4 7.4	366.4 7.0	354.0 6.7	381.4 6.3	376.0 6.4	397.7 8.5	381.3 7.7	412.3 8.1	406.2 8.0	423.4 6.5	406.2 6.5	438.4 6.3	363.8 6.8	391.8 7.7	418.5 6.8
Saving	-301.5	-341.3	-340.7	-304.1	-290.9	-333.2	-330.1	-292.6	-266.0	-301.2	-292.3	-249.6	-321.9	-311.7	-277.3
Ratios to GDP															
Total tax revenue	26.6	26.5	26.6	27.2	26.8	26.6	26.7	27.3	27.1	26.9	27.0	27.6	26.7	26.9	27.2
Main budget balance	-5.1	-6.0	-5.3	-4.8	-4.7	-5.5	-4.9	-4.5	-4.2	-4.9	-4.2	-3.8	-5.3	-4.9	-4.3
Gross debt (National government)	75.2	75.0	75.6	76.5	76.9	77.5	78.0	78.9	79.4	79.9	79.7	80.0	76.5	78.9	80.0

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

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Current account															
Exports: goods and services (year % ch.)	2393.5 3.2	2375.0 2.9	2352.8 3.4	2373.9 3.1	2481.2 3.7	2470.6 4.0	2452.8 4.3	2487.3 4.8	2597.2 4.7	2596.7 5.1	2605.2 6.2	2641.3 6.2	2373.8 3.1	2473.0 4.2	2610.1 5.5
Net receipts (year % ch.)	-42.1 123.6	-42.4 -17.7	-42.7 -8.1	-45.1 5.5	-45.3 7.6	-45.7 7.6	-46.0 7.7	-48.5 7.5	-48.7 7.5	-49.1 7.5	-49.4 7.5	-52.1 7.4	-43.1 8.0	-46.4 7.6	-49.8 7.5
Less imports: goods and services (year % ch.)	2349.4 3.2	2362.5 -0.1	2363.6 8.3	2429.4 5.9	2505.7 6.7	2508.7 6.2	2500.3 5.8	2561.0 5.4	2660.4 6.2	2682.5 6.9	2693.2 7.7	2747.3 7.3	2376.2 4.3	2518.9 6.0	2695.9 7.0
Less net factor payments (year % ch.)	140.3 60.5	148.1 84.3	153.3 88.3	156.0 18.8	159.0 13.3	161.7 9.2	161.2 5.2	166.2 6.5	169.0 6.3	172.9 6.9	177.2 9.9	180.6 8.6	149.4 57.1	162.0 8.4	174.9 8.0
Current account balance	-138.2	-178.0	-206.8	-256.7	-228.6	-245.5	-254.7	-288.5	-280.9	-307.8	-314.6	-338.7	-194.9	-254.3	-310.5
Current account in US\$	-7.3	-9.5	-11.0	-13.8	-12.7	-13.6	-14.3	-16.2	-15.7	-17.3	-17.5	-18.6	-10.4	-14.2	-17.3
Current account as % of GDP	-1.9	-2.4	-2.8	-3.4	-3.0	-3.1	-3.2	-3.6	-3.4	-3.7	-3.7	-4.0	-2.6	-3.2	-3.7
Financing of the current account															
Total net capital flows	49.8	19.7	73.5	33.9	90.4	36.5	85.5	41.9	103.5	52.1	100.5	54.4	176.9	254.3	310.5
SDR + Valuation adjustment	40.6	-13.2	-1.7	-12.2	-33.3	0.1	-10.8	0.1	4.0	-1.3	14.8	11.1	13.5	-43.9	28.5
Change in gross reserves	22.6	-13.2	-1.7	-12.2	-33.3	0.1	-10.8	0.1	4.0	-1.3	14.8	11.1	-4.5	-43.9	28.5
Gross reserves: quarter end	1180.2	1166.9	1165.3	1153.1	1119.8	1119.9	1109.1	1109.2	1113.2	1111.8	1126.6	1137.7	1153.1	1109.2	1137.7
Gross reserves: quarter end (US\$)	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3	62.3
Terms of trade															
Index (2015 = 100)	107.8	107.0	106.9	106.4	107.3	106.9	106.9	106.4	106.7	105.7	105.6	105.3	107.0	106.9	105.8
(year % ch.)	-3.8	-3.0	0.0	0.0	-0.4	-0.1	0.0	0.0	-0.6	-1.1	-1.2	-1.0	-1.7	-0.1	-1.0

Table A 10: Credit, interest rates and exchange rates

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Money supply and credit extension															
M3 money supply	5153.3	5176.1	5263.6	5289.7	5402.6	5453.5	5562.0	5607.7	5722.5	5781.9	5905.0	5960.5	5289.7	5607.7	5960.5
(year % ch.)	5.9	4.7	4.8	3.9	4.8	5.4	5.7	6.0	5.9	6.0	6.2	6.3	3.9	6.0	6.3
Private sector credit to households	2140.7	2146.0	2172.9	2192.3	2228.9	2246.9	2286.8	2315.9	2354.4	2378.9	2422.2	2452.7	2192.3	2315.9	2452.7
(year % ch.)	3.5	2.9	3.3	3.3	4.1	4.7	5.2	5.6	5.6	5.9	5.9	5.9	3.3	5.6	5.9
Private sector credit to firms	2585.4	2602.9	2663.6	2670.2	2746.6	2779.4	2848.0	2864.6	2940.9	2975.8	3055.7	3080.7	2670.2	2864.6	3080.7
(year % ch.)	5.9	5.8	6.1	6.2	6.2	6.8	6.9	7.3	7.1	7.1	7.3	7.5	6.2	7.3	7.5
Total private sector credit extension	4726.1	4748.9	4836.5	4862.5	4975.5	5026.3	5134.8	5180.6	5295.3	5354.8	5477.8	5533.4	4862.5	5180.6	5533.4
(year % ch.)	4.8	4.5	4.8	4.9	5.3	5.8	6.2	6.5	6.4	6.5	6.7	6.8	4.9	6.5	6.8
Interest rates															
3-month NCD rate	8.37	8.82	8.80	8.19	7.81	7.56	7.60	7.62	7.65	7.67	7.68	7.58	8.55	7.65	7.64
10-year government bond yield	10.07	10.07	10.03	9.90	9.95	9.89	9.88	9.84	9.86	9.87	9.83	9.88	10.02	9.89	9.86
Prime overdraft rate	11.75	11.75	11.68	11.29	10.82	10.75	10.75	10.75	10.75	10.75	10.75	10.65	11.62	10.77	10.72
Effective household lending rate	14.54	14.52	14.24	13.90	13.49	13.39	13.36	13.45	13.54	13.60	13.65	13.62	14.30	13.42	13.60
Effective firm lending rate	9.94	10.00	10.13	9.86	9.50	9.42	9.41	9.38	9.38	9.37	9.36	9.26	9.98	9.43	9.34
Exchange rates															
R/US DOLLAR	18.88	18.75	18.72	18.62	18.06	18.01	17.83	17.79	17.86	17.81	18.01	18.21	18.74	17.92	17.97
(year % ch.)	6.4	0.5	0.4	-0.7	-4.4	-4.0	-4.7	-4.5	-1.1	-1.1	1.0	2.4	1.6	-4.4	0.3
R/100 Japanese YEN	12.72	12.50	12.82	13.11	13.09	13.44	13.72	14.01	14.06	14.25	14.41	14.57	12.79	13.56	14.32
(year % ch.)	-5.2	-8.0	-0.6	3.4	2.9	7.5	7.0	6.8	7.5	6.0	5.0	4.0	-2.7	6.1	5.6
R/STERLING	23.98	23.63	23.77	23.64	22.93	22.87	23.01	22.94	23.04	22.97	23.42	23.86	23.76	22.94	23.32
(year % ch.)	11.2	1.2	0.7	1.6	-4.4	-3.2	-3.2	-3.0	0.5	0.5	1.8	4.0	3.5	-3.4	1.7
R/EURO	20.58	20.25	20.40	20.67	20.41	20.53	20.51	20.63	20.72	20.66	21.07	21.49	20.48	20.52	20.99
(year % ch.)	8.0	-0.3	0.6	2.5	-0.9	1.4	0.5	-0.2	1.5	0.6	2.7	4.2	2.6	0.2	2.3
R/\$ PP parity rate (base PPI 2003)	10.46	10.63	10.63	10.71	10.80	10.87	10.92	10.94	11.05	11.14	11.18	11.21	10.61	10.88	11.15
(year % ch.)	4.2	3.7	3.3	0.9	3.3	2.3	2.7	2.2	2.3	2.4	2.4	2.5	3.0	2.6	2.4

Table A 11: Prices

	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024	2025	2026
Price deflators (index base year: 2015)															
Exports (incl. services) (year % ch.)	179.8 0.0	178.0 0.0	176.2 1.0	177.1 1.0	183.4 2.0	181.6 2.0	179.7 2.0	180.7 2.0	187.0 2.0	185.3 2.0	184.2 2.5	185.1 2.5	177.8 0.5	181.3 2.0	185.4 2.3
Export commodities (in rand) (year % ch.)	3572.3 -28.2	3534.5 -15.6	3482.5 -2.2	3401.8 -9.4	3229.3 -9.6	3114.4 -11.9	3007.6 -13.6	2952.0 -13.2	2912.9 -9.8	2859.8 -8.2	2870.4 -4.6	2884.4 -2.3	3497.8 -15.1	3075.8 -12.1	2881.9 -6.3
Imports (incl. services) (year % ch.)	166.8 4.0	166.3 3.0	164.8 1.0	166.5 1.0	170.8 2.4	169.8 2.1	168.1 2.0	169.8 2.0	175.3 2.6	175.2 3.2	174.5 3.8	175.8 3.5	166.1 2.2	169.6 2.1	175.2 3.3
GDE (year % ch.)	152.7 5.8	153.8 5.0	156.1 4.2	157.2 4.6	159.4 4.3	160.5 4.3	163.0 4.4	164.1 4.4	166.2 4.3	167.6 4.4	170.2 4.4	171.4 4.4	155.0 4.9	161.7 4.4	168.8 4.4
Investment (year % ch.)	156.7 6.3	157.9 5.4	159.0 3.2	159.6 3.0	162.5 3.7	163.9 3.8	165.4 4.0	166.2 4.2	169.5 4.3	171.0 4.3	172.5 4.3	173.3 4.3	158.3 4.4	164.5 3.9	171.6 4.3
GDP (year % ch.)	156.6 5.5	157.4 5.3	159.6 5.6	160.4 4.6	163.1 4.1	164.0 4.3	166.6 4.3	167.5 4.4	169.8 4.1	170.7 4.0	173.3 4.0	174.4 4.1	158.5 5.2	165.3 4.3	172.1 4.1
Consumer (index base: Dec 2021) & producer prices (index base: Dec 2020)															
Headline inflation (CPI) (year % ch.)	113.8 5.4	115.5 5.4	117.2 5.3	118.0 4.7	119.3 4.8	120.6 4.4	122.5 4.5	123.4 4.5	124.7 4.6	126.1 4.6	128.0 4.5	129.0 4.5	116.1 5.2	121.4 4.6	126.9 4.5
Core inflation* (year % ch.)	111.0 4.8	112.5 4.7	113.7 4.7	114.6 4.8	115.9 4.4	117.5 4.4	118.7 4.4	119.6 4.4	121.0 4.4	122.6 4.3	123.9 4.3	124.8 4.3	113.0 4.7	118.0 4.4	123.1 4.3
CPI food and non-alcoholic beverages (year % ch.)	122.6 6.1	123.7 5.0	125.1 5.3	126.4 3.9	127.6 4.0	129.0 4.3	130.8 4.6	132.3 4.6	133.6 4.8	135.0 4.6	136.8 4.6	138.3 4.5	124.5 5.1	129.9 4.4	135.9 4.6
CPI petrol (year % ch.)	117.8 5.0	125.5 9.9	124.1 7.3	123.1 -1.0	122.8 4.2	121.2 -3.4	120.7 -2.8	120.6 -2.0	122.4 -0.3	122.3 0.8	121.5 0.6	122.0 1.2	122.6 5.2	121.3 -1.1	122.0 0.6
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	22.67 6.1	24.37 9.5	24.11 6.9	23.92 1.5	23.90 5.4	23.61 -3.1	23.50 -2.5	23.48 -1.8	23.87 -0.1	23.84 1.0	23.69 0.8	23.80 1.3	23.77 5.9	23.62 -0.6	23.80 0.7
CPI electricity (year % ch.)	124.8 15.3	124.9 15.3	141.3 13.6	141.5 13.4	141.5 13.4	141.5 13.3	159.0 12.6	159.3 12.6	159.3 12.6	159.3 12.6	175.8 10.5	176.1 10.5	133.1 14.3	150.3 12.9	167.6 11.5
Producer price index (year % ch.)	100.8 4.6	103.0 5.6	103.7 4.9	104.6 3.9	106.0 5.2	107.4 4.3	108.5 4.7	109.6 4.8	111.3 4.9	112.8 5.0	113.9 5.0	115.1 5.1	103.0 4.8	107.9 4.7	113.3 5.0

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