

Medium-term economic outlook and risks

Forecast for South Africa: 2021 - 2026

November 2021

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Forecast in a nutshell

Real annual % change*	Average 2015-19	2020	2021	Average 2022-26
Final household consumption expenditure	1.6	-6.5	5.9	2.0
Durable goods	0.9	-8.6	14.3	2.8
Semi-durable goods	2.2	-17.7	11.3	3.8
Non-durable goods	1.3	-4.6	5.3	1.4
Services	1.8	-5.2	3.9	2.0
Gross fixed capital formation	-1.4	-14.9	0.4	4.9
Private residential	-1.0	-22.5	-1.1	3.3
Private excluding residential	1.1	-14.7	1.6	6.5
Government	-1.8	-10.1	-6.9	1.5
Public Corporations	-10.0	-14.0	8.2	3.0
Gross domestic expenditure	1.1	-8.0	4.5	2.1
Exports of goods and services	0.5	-12.0	11.8	2.8
Imports of goods and services	1.2	-17.4	9.1	3.4
Gross domestic product	0.9	-6.4	5.2	1.9
Current account as % of GDP	-2.9	2.0	4.4	-1.0
Interest rates (%)				
3-month NCD rate	6.93	4.47	3.72	5.39
10-year government bond yield	8.74	9.41	9.11	9.41
Prime overdraft rate	10.08	7.86	7.03	8.39
Inflation rates (%)				
Producer prices	5.1	2.5	6.8	4.9
Consumer prices	5.0	3.3	4.5	4.4
Labour and employment				
Nominal wage rate	4.8	5.4	8.5	4.4
Employment growth	1.6	-7.9	-0.5	2.1
Exchange rates (annual average)				
R/US dollar	13.69	16.46	14.69	16.11
R/Euro	15.45	18.77	17.44	19.48
R/Pound sterling	18.54	21.09	20.23	22.25
R/100 Japanese Yen	12.23	15.42	13.49	14.89
Fiscal indicators as % of GDP				
Main budget balance	-4.2	-9.7	-5.6	-5.5
Gross government debt	49.8	69.4	69.4	79.3

*unless specified otherwise

Executive summary

The SA economy is expected to grow by more than 5% in real terms during 2021. This follows a much better-than-expected 2021Q2 GDP print and the impact of Stats SA's GDP benchmarking and rebasing exercise. These factors are set to outweigh the notable shocks to the economy in the third quarter. Incoming high-frequency activity data confirms our July forecast that quarterly real GDP is likely to contract in 2021Q3. This is mainly in response to the damaging COVID-19 third wave in SA, the subsequent stricter lockdown restrictions, and the devastating looting shock in KwaZulu-Natal and parts of Gauteng and Mpumalanga in July. Unlike in the July forecast, we now expect a robust Q4 GDP bounce from the Q3 woes. Beyond 2021, several crosscurrents complicate the outlook. The net impact is that real GDP growth is projected to slow notably next year. Even so, the upward revisions to the 2020 GDP data and the upgrade to the 2021 growth forecast see a return of real GDP to the pre-COVID level in 2022Q2. This is earlier than envisaged before. Private sector employment is projected to take much longer to complete the recovery back to the pre-COVID level. A further real GDP growth moderation to just below 2% is pencilled in for 2023. Growth is expected to settle around 2% between 2024-26. Combined with evolving expenditure pressures, the projected GDP moderation in 2022-23 is reflected in a (still) precarious medium-term public debt trajectory. This is despite a stark short-term improvement in the fiscal metrics relative to earlier projections. In response to evolving upside inflation risks and to a lesser extent also the stronger GDP recovery, we have brought forward the expected first SA policy interest rate hike to November 2021.

While aggregate global demand remains firm, the local growth impulse from the rest of the world is less positive than earlier in the year. The Delta-driven COVID wave in some of SA's major export markets dragged down global growth momentum in the third quarter. Chinese quarterly GDP growth stalled in Q3. This was as previous policy tightening, debt problems in the crucial property market, export delays amid port closures due to COVID-19 outbreaks, and a recent power crunch weighed on activity.

While growth momentum is easing, major central banks have become more circumspect on previous commentary that the current elevated inflation in many parts of the world will soon subside. Bottleneck pressures, which have contributed to driving input costs higher, remain acute and have worsened in some cases. This has seen inflation expectations rise, driving long-term interest rates higher. In response, several, mainly emerging market, central banks have started to normalise extraordinary accommodative

monetary policy settings. These events have had a diverging impact on commodity prices. Two extremes are iron ore and coal, both key SA export earners. Albeit from record nominal highs, the concerns surrounding the Chinese economy have led to a sharp decline in the iron ore price. Conversely, until early November, the local coal price shot through the roof as continental Europe, the UK and parts of Asia suffer through major energy constraints. This has raised the demand for coal. High export commodity prices have had numerous positive impacts on the SA economy. These include a handsome terms of trade contribution to the huge 5.6% of GDP current account surplus in 2021Q2, underpinning the rand exchange rate and fuelling a large corporate tax windfall. However, the corresponding sharp and sustained rise in the Brent crude oil price has been a major factor in higher-than-expected SA headline consumer inflation (CPI) outcomes in 2021. Going forward, we expect major commodity prices to ease. While this implies that the

current account surplus and the tax windfall will fade, a projected lower oil price will ease some of the upward pressure on inflation. Given the local shocks and global uncertainties in the third quarter, it is perhaps not surprising that the **rand exchange rate** was particularly volatile. *The short-term rand outlook has been revised weaker to an average of around R15/\$ in 2021Q4.* Despite the latest forecast that the current account could remain in surplus for longer, the rand view for 2022 has remained intact. *This sees the currency soften to a projected average of around R15.65/\$ in 2022Q4.* The trend is justified by an earlier start of monetary policy normalisation in the developed world and sustained domestic fiscal risks. Moderate rand weakening is also pencilled in over the medium term.

While the medium-term public debt dynamics remain precarious, the notable improvement in the short-term fiscal situation is worth noting. Our revised forecast sees the **main budget deficit** narrowing to 5.2% of GDP in 2021/22, a substantial improvement on the Treasury forecast in February for a deficit equalling 9% of GDP. The budget shortfall is projected to widen again in the 2022/23 fiscal year.

Higher than previously assumed fuel and food prices have resulted in an upward revision to the short-term headline **CPI forecast**. Underlying (core) price pressures have remained subdued, in line with our expectation in early 2021. *The revised forecast is for headline CPI to average 4.5% in 2021, up from 4.2% projected in July. At an expected 4.4% and 4.3%, the headline CPI outlook for 2022 and 2023 has remained broadly in line with the previous view.* This is supported by surveyed inflation expectations of firms, households and trade unions. On average, these have remained anchored around the 4.5% midpoint of the SA Reserve Bank's (SARB) inflation target range.

Key from a **policy interest rate** perspective is that upside inflation risks have increased. To keep expectations anchored and to get ahead of the inflation cycle, recent SARB commentary suggests that the monetary policy committee is debating the

trade-offs between an earlier, more moderate rate hiking cycle versus waiting, but then running the risk of falling behind the inflation trajectory and being forced into more aggressive action. In our view, the SARB is likely to favour the option of moving earlier. *Therefore, we have brought forward the timing of the first 25bps repo rate increase to November. The policy rate is expected to be increased gradually to 5% (150bps in total) through the end of 2023.*

Although a strike in the steel and engineering sector and the return of Eskom load-shedding have soured the start of the fourth quarter, we expect a swift rebound from the likely GDP contraction in 2021Q3. This is supported by a rise in mobility, spending and production amid the end of the third wave, the accompanied unshackling of the hospitality and liquor industries, a slow but steady increase in local vaccination rates, and the household income boost from the reinstatement of the social relief of distress grant. A generous public sector wage settlement should also support household income and spending. *If we are correct about the fourth quarter, this should see real GDP growth surpass 5% to reach 5.2% in 2021.*

Several crosscurrents will impact GDP growth next year. Negatives include a projected slowdown in global growth as the low base of the 2020 crash and the reopening effects of 2021 are no longer as pronounced. Monetary and fiscal policy support is also set to fade, with fiscal policy turning to a drag on growth in some countries. On the other hand, a sustained move higher in global rates of vaccination should limit the damage of new waves of COVID-19. While likely to slow, at a projected 4.9%, the IMF's latest (October) forecast for global real GDP growth in 2022 should still provide reasonable support for local exports. Growth in Germany, for example, is expected to accelerate in 2022 after being bogged down by renewed lockdowns in early 2021 and severe supply-side constraints of late. However, growth in China is set for a material slowdown (from a projected 8% in 2021 towards 5.5% in 2022).

Domestically, we have had to make some big calls on 2022. The first is the assumption that the social relief of distress grant will become permanent. Another public sector wage deal that favours employees is also assumed. Although real **consumer spending** is forecast to slow next year to less than 2.5%, along with some employment recovery, these supports should underpin disposable income. This is juxtaposed against the adverse impact of a projected higher policy interest rate. Crucial for next year's growth fortunes will also be the extent to which foreign tourists return to SA. Tourist arrivals should see a notable improvement compared to 2021.

Another potential key growth driver, also over the medium term, is improved **private sector fixed investment**. This is mainly linked to green energy investments. Unfortunately, as has often been the case, government's flagship IPP programmes continue to be dogged by numerous delays. Another uncertainty is how quickly investment related to the significant embedded generation reform will kick off. Given the delays, we assume that green energy fixed investment will only start to lift the private capex numbers from the second half of 2022 and more meaningfully into 2023.

Importantly, we do already see some (mild) green energy boost in 2022. *With this in mind, real GDP growth of 2.2% is pencilled in for 2022.* This is somewhat lower than the previous view of 2.5%, but we are now coming from a much higher growth rate in 2021 than assumed before. *Real GDP growth is expected to slow further to just below 2% in 2023. Over the medium term (2024-26), real growth of 1.9% is projected.* Given that robust expected growth in private capex is key to our medium-term GDP outlook, any disappointment on the rollout of green energy investments will be reflected in lower-than-anticipated real GDP growth outcomes.

Major risks to the growth outlook, especially for the rest of 2021 and 2022, include further domestic COVID waves and periodic Eskom load-shedding. The latter remains a particular risk considering the continued delays in bringing more privately generated power on stream. A recurrence of damaging episodes of social unrest is another key downside risk. On the global front, persistent higher inflation that forces major central banks to normalise monetary policy at a faster-than-expected pace, as well as Chinese real GDP growth undershooting expectations, present notable downside risks.

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Introduction¹

Through 2021Q2, the domestic real GDP recovery from the hard-lockdown crash in 2020Q2 has exceeded expectations. Notwithstanding notable shocks in July, real GDP growth of above 5% is now expected in 2021.

Lots to
contemplate in
terms of the
medium-term SA
growth outlook

As before, the growth outlook beyond 2021 is highly uncertain. This is as several crosscurrents and uncertainties are likely to impact household and business sentiment, as well as real economic activity. Fundamental to how the SA recovery progresses is the evolution of the COVID-19 pandemic and the private sector's response to recent energy market reforms. The mix between global growth/inflation trends and how global monetary and fiscal policy authorities respond to these signals will be key drivers of local export commodity prices, total export volumes, and capital flows to SA. So will Chinese economic developments.

The rest of the report sets out how we have tried to balance these 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.

¹ This report was completed on 4 November 2021.

Selected domestic and global risks² (in no particular order)

Risk	Narrative	Possible impact on the SA economy
<p>More domestic COVID-19 waves of infection</p>	<p>In the April edition of this report, we cautioned about the risk of a third wave of COVID-19 infections in SA. As it turned out, the country felt the full brunt of this in July and August. After some delay, daily new cases and the test positivity rate have now declined to low levels as the country exited the third wave. However, the current spike in new cases in other parts of the world (the UK and Eastern Europe) caution against complacency. This is especially the case considering the still low, albeit steadily rising, proportion of the local population that have been fully vaccinated. Significant numbers of people that fall in high-risk categories (the elderly and those with comorbidities) still need to be jabbed. Because the third wave was so severe, some argue that large parts of the SA population may already have been infected, creating a form of natural herd immunity to future infections. However, with yet another infection surge in the UK, which has a much higher proportion of vaccinated people than SA, there must be a high probability of further domestic waves. Indeed, SA health experts expect a domestic fourth wave to start in November-January. With a higher vaccination rate and higher natural immunity than before previous waves, the baseline forecast assumes a less severe fourth wave with limited lockdown restrictions. However, there are no guarantees, especially not if a new variant emerges.</p>	<p>The key economic risk is if government reacts to a resurgence in 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 fourth (and beyond) wave would also delay the recovery. Each wave also has fiscal implications as the setback to growth adversely impacts tax revenue. It has also resulted in extra government expenditure, amongst others to support incomes.</p>

² These are risks that do not already explicitly form part of the current baseline scenario forecast, or were not specifically modelled as a scenario in the current forecast round. Some may only materialise over the medium term, i.e. not necessarily in 2021-23.

Risk	Narrative	Possible impact on the SA economy
Eskom	<p>In the foreseeable future, there remains a high risk of unreliable power supply resulting in power rationing. This risk was highlighted again in October, with the imposition of stage 2 and 4 load-shedding. In a State of the System briefing on 25 October, Eskom COO Jan Oberholzer said that the improvement in Eskom’s generation performance was taking longer than Eskom management had hoped for. While there has been some progress, at an average of about 63% so far this year, Eskom’s energy availability factor (EAF) remains well below acceptable levels. The current EAF implies that almost 40% of Eskom’s installed power generation capacity is unavailable. This is due to a combination of planned and unplanned outages. Eskom has outlined that at least for the rest of 2021, the implementation of its programme of ‘reliability’ (planned) maintenance means that the country could suffer periodic power outages.</p> <p>In addition, the utility remains in a debt trap where revenue is insufficient to meet the interest payments on massive debt of R400bn.</p> <p>At the same time, the pressure on SA is growing to chart a credible just energy transition roadmap to transition 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>Periodic load-shedding will continue to hold back private capex, GDP growth and employment. Eskom also poses a major risk to public finances, including that a sizeable part of its large debt will 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 with additional bailout requests. However, in the absence of extra government support, the utility is likely to continue with sharp increases in power tariffs. This is unlikely to solve Eskom’s revenue problem. Whether through load-shedding or higher tariffs, firm and household incomes will continue to be squeezed. 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 a 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 means that the main budget deficit for 2021/22 should be significantly lower than the 9% projected by the Treasury at the time of the February 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 is unchanged. Furthermore, the mining tax bonanza is cyclical. 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 local government election could make the governing party more susceptible to provide greater social assistance to shore up voter support. Our current baseline assumes that the R350 per month social relief of distress (SRD) grant will become permanent. Assuming 10 million people receive this grant, it will add R42 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</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 and further delaying 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 funding³. Less optimal 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 amount (currently 30 to 40% depending on the type of fund, plus an additional allowance for Africa) of pension fund investments that may be shifted overseas. The independence of the SA Reserve Bank (SARB) may also be threatened, i.e. legislation could potentially be changed to allow direct SARB financing of government debt. In this scenario, money supply increases sharply and the rand could collapse, resulting in much higher inflation. Higher inflation would hurt the poor the most, i.e. precisely those groups that the extra government spending is meant to support.</p>
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³ 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, as some claim, the extra spending will generate sufficient additional tax revenue 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 implementing National Health Insurance. As outlined above, a possible Eskom debt transfer to the sovereign balance sheet also looms large. Other risks include further bailouts to non-Eskom SOEs, further COVID wave(s) mitigation and higher-than-budgeted-for public sector wage settlements.</p>	
Risk	Narrative	Possible impact on the SA economy
<p>Chinese debt bubble bursts; military intervention in Taiwan</p>	<p>Given its size and the commodity intensity of its growth, China’s fortunes hold particular importance for a mineral exporting nation like SA. Following breakneck real GDP growth that averaged more than 10% between 2000-09, Chinese growth slowed to a still robust 7.7% during 2010-19. The Chinese government has expressed a preference for slower, more sustainable and less debt-fuelled growth over time. Therefore, for some time, the expectation has been that the pace of Chinese real GDP growth will moderate further towards 5% over the medium term (see Figure 3 in main text). This has formed part of our medium-term baseline in recent years. However, recent intensified problems in the Chinese property sector (see Box 1 in main text), along with a broad-based regulatory crackdown on fast-growing sectors, has raised concerns that the deceleration to 5% (and potentially lower) Chinese growth could materialise earlier than projected up to now.</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 President Xi Jinping has stressed his preference that this process should</p>	<p>Notably weaker short-term Chinese 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. While the oil price would presumably also be lower in such a scenario, it would still imply that SA’s terms of trade could suddenly worsen, driving a quick reversal in the current sizeable current account surplus. Especially if these events coincide with the likely monetary policy normalisation process in developed countries, the rand could come under significant selling pressure.</p> <p>Although the trigger would be different, military conflict between China and Taiwan/US is likely to have similar adverse implications. In this case, a likely higher gold price amid safe-haven demand may somewhat shield SA from the fallout.</p>

	<p>be peaceful, but China has been flexing its military muscle in Taiwanese airspace of late. Taiwan is most unlikely to 'surrender' voluntarily to China, raising the threat of military conflict. The stakes are 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>	
Repeat of July looting shock	<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, 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 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, 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. A related risk would be government agencies that are unable to get a handle on general acts of criminality, including economic sabotage. Large scale copper wire theft on key freight export rail lines is an important, and damaging, ongoing example of this.</p>	<p>Because the July 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 a repeat of the events in July would be a major setback to putting SA on a sustained path to higher private sector fixed investment, real GDP and employment growth.</p>
	<p>After remaining committed to the higher-inflation-is-transitory narrative for some time, leading global central banks are sounding less confident. In a recent panel</p>	<p>Persistent higher global inflation is likely to result in a dislodging of inflation expectations and higher long-term interest rates. An</p>

<p>Global inflation proves to be more persistent than transitory</p>	<p>discussion, Fed Chair Jerome Powell changed his tone from higher inflation should be transitory to 'transitory but persistent'. In particular, Powell said a wide range of supply-side bottlenecks that are fuelling sharp input cost rises could last long into 2022. Leading global shipping groups have echoed the concerns that bottleneck pressures could last for longer.</p>	<p>unexpected fast rise in funding costs could be particularly challenging given the further build-up of worldwide public sector debt in the wake of COVID-19. Emerging market asset prices tend to come under severe selling pressure on any indication of more onerous global financing conditions. Countries with large macro imbalances, i.e. those with large current account or fiscal deficits, tend to be worst affected. If our baseline assumption holds that SA's current account will remain in surplus through early 2023, we should at least be better prepared for this risk scenario than in the past.</p>
<p>Globalisation retreats</p>	<p>Before coronavirus, 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 seems 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.</p>	<p>In many countries, 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 global GDP growth. 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.</p>
<p>(Permanent) increased role for the state</p>	<p>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.</p>	<p>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</p>

		result in suboptimal outcomes. This is especially the case in a country like SA which is not known for having the most capable state.
Cyber security issues	IT security breaches have already led to notable disruptions in both the private and public sectors.	As highlighted by the IT-security breach at Transnet in July, 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.
Climate change	Devastating fires and floods across the world in recent years have highlighted the adverse impacts of changing weather patterns.	Wide-ranging impacts, including crop failure and subsequent job losses, damage to infrastructure, and in the worst cases death.

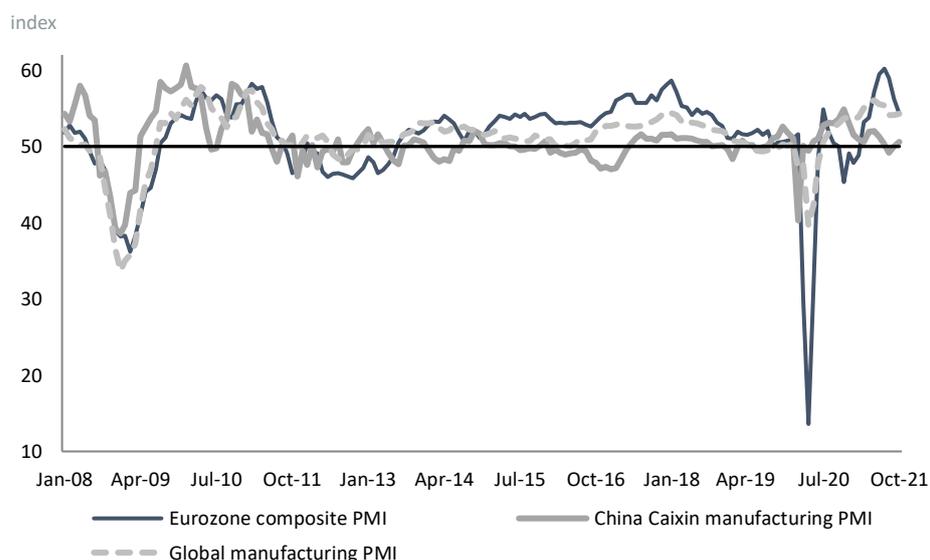
Global outlook

Momentum slowed, but activity levels still strong

In aggregate terms, global economic activity continues to be robust. As outlined in Figure 1, the levels of high-frequency data such as the purchasing managers' indices (PMIs) remain at historically elevated levels. Indeed, at 54.5 in 2021Q3, the global manufacturing PMI was above the average reading of 52 between 2010 and 2019. However, driven by the US and China, global growth momentum slowed in 2021Q3. To a large extent, this reflects the constraining impact of renewed COVID-19 outbreaks in the world's two leading economies. In addition, COVID-19 surges in other Asian countries have worsened a myriad of supply-side bottlenecks. Whereas these supply-side constraints have for some time pushed input costs higher, they are now also having an adverse impact on global output. One of the starkest examples of this is in the auto sector where the global chip shortage severely curtailed vehicle production in recent months.

Global supply
constraints
worsening

Figure 1: From elevated levels, global growth momentum slowed in 2021Q3



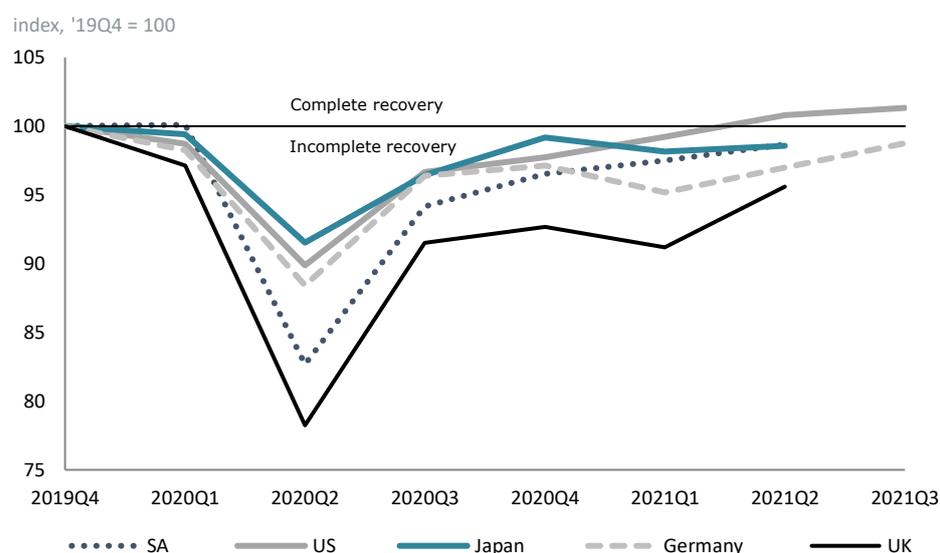
Source: IHS Markit, US Institute for Supply Management

US and China
lead the GDP
recovery

While **US** real GDP growth moderated in 2021Q3, Figure 2 indicates that this was after real GDP already returned to the pre-COVID level in 2021Q2. This is ahead of other major economies and much of the emerging world, including SA. Following the expected strong growth bounce in 2021, the IMF expects another robust year of global growth in 2022. Broadly, this is supported by sustained accommodative global monetary policy, but more importantly further progress on the global COVID-19 vaccination front. This should allow a return to more

normal economic conditions. Furthermore, global growth in 2022 should benefit from countries like Germany and Japan whose GDP recoveries still have some legs after they suffered setbacks in 2021. Indeed, whereas US real GDP growth is forecast to slow next year, Germany and Japan are projected to accelerate from this year's fairly modest performance.

Figure 2: US real GDP recovery complete, others still have some way to go



Source: OECD, Stats SA

From much weaker pre-COVID starting conditions, several countries in **Sub-Saharan Africa (SSA)** have also experienced a more protracted recovery. Whether due to conflict (Mozambique), debt woes (Zambia), or more broadly significant delays with vaccine rollouts and much less policy space to support the recovery, many SSA countries remain far from pre-COVID levels of GDP. Even within SSA, the recoveries have diverged. Resource-intensive countries have benefitted from the sharp rise in commodity prices, while improved weather conditions in parts of the continent boosted agricultural production. Assuming a ramp-up of vaccination rates, real GDP growth in SSA is set to sustain the recovery momentum in 2022.

Slow vaccine rollout and lack of policy space delay the SSA GDP recovery

After already slowing pre-COVID, Chinese growth set to moderate further

Given the importance of the mining sector and commodity prices for many SSA countries, including SA, the medium-term real GDP growth outlook for **China** is crucial. For starters, it is worth emphasising that relative to the decade before the global financial crisis (GFC), average Chinese growth already slowed notably in the years leading up to COVID-19 (Figure 3). Following a solid rebound in 2021 from the COVID-19 induced low growth of 2020, medium-term Chinese growth is expected to shift down further from the pre-COVID years. This view is shared by both the IMF and private sector forecasters. We continue to also incorporate this outlook in the global baseline scenario assumptions. Chinese

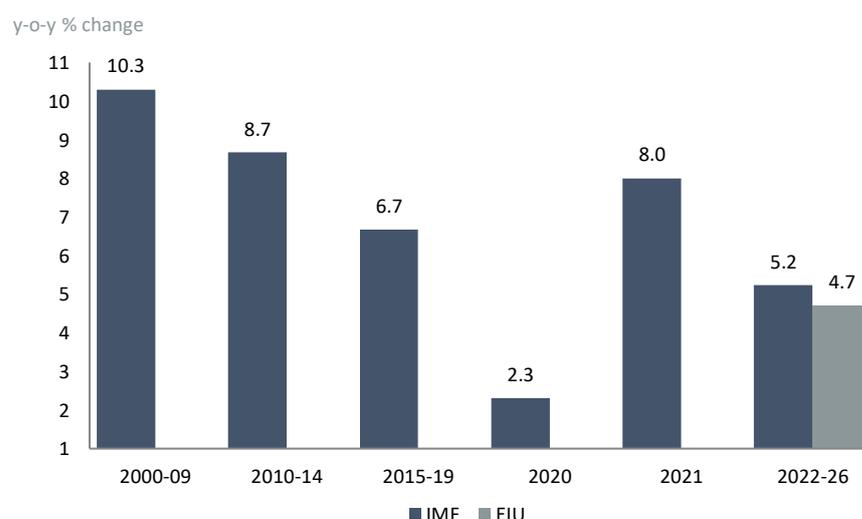
authorities have often communicated a desire for less debt-fuelled and more sustainable growth. A rebalancing of the Chinese economy away from fixed investment and export growth towards consumer spending remains a long-term policy goal in this regard. So, not only is Chinese growth set to be slower in future, but also less commodity intensive. This highlights that SA policymakers should not assume that the current commodity price windfall is sustainable.

Box 1: Evergrande and the Chinese property construction binge

After its founding in 1996, Chinese real-estate developer Evergrande expanded rapidly, mostly through borrowing. The company's growth propelled it to the leading property developer in China, contributing to a multi-year and huge property construction boom in China. For some time, it has been clear that the rate of growth was not sustainable as residential construction outpaced demand, leading to a large oversupply of residential property in parts of the country. Evergrande's problems worsened in 2020 when the COVID-19-induced lockdowns hurt property sales in China. At the same time, Chinese authorities started to implement restrictions on borrowing in the real estate sector. These developments led to a liquidity crisis at Evergrande, with fears that the company could default on debt interest repayments. In September, this led to concerns about financial contagion through the Chinese banking and financial sector.

With some estimates putting the contribution of the property sector to Chinese GDP at about 30%, less vibrant activity in this sector will also have consequences for broader real GDP growth. The authorities have downplayed the risk of financial contagion, with liquidity injections from the People's Bank of China supporting the banking sector. Therefore, the medium-term implications for real GDP growth are probably of more concern. This is against the backdrop of increased Communist Party concerns about China's bulging corporate debt since the GFC in 2007/8 and a more recent focus on redistribution as opposed to growth at all costs. Land sales to property groups like Evergrande have been a key source of local government revenue. The income derived from this was used to finance a range of non-property-related infrastructure projects. With the income from land sales set to slow as the property sector deleverages, it should support a rebalancing of China's traditional fixed investment-led growth model.

Figure 3: A further downshift in Chinese real GDP growth pencilled in



Source: IMF World Economic Outlook (October 2021), Economist Intelligence Unit (EIU)

In contrast to the expected growth slowdown in China, and to a lesser extent also in India, better medium-term growth is expected for Brazil and Russia. In the case of the latter two countries, this should be seen relative to particularly poor GDP outcomes in the pre-COVID period. Table 1 outlines the IMF's latest short and medium-term global real GDP forecasts.

Table 1: Baseline forecast for global growth to remain firm in 2022

y-o-y % change (real)	Forecast				
	2014-19	2020	2021	2022	2023-26
World (PPP*)	3.4	-3.1	5.9	4.9	3.4
Advanced countries (G7)	2.1	-4.5	5.2	4.5	1.8
US	2.4	-3.4	6.0	5.2	1.8
Euro area**	2.2	-5.9	5.1	4.4	1.9
United Kingdom	1.9	-9.8	6.8	5.0	1.6
Germany	1.8	-4.6	3.1	4.6	1.3
Japan	0.8	-4.6	2.4	3.2	0.8
Emerging countries	4.4	-2.1	6.4	5.1	4.5
China	6.8	2.3	8.0	5.6	5.1
India	6.8	-7.3	9.5	8.5	6.3
Brazil	-0.3	-4.1	5.2	1.5	2.1
Russia	0.9	-3.0	4.7	2.9	1.8
Sub-Saharan Africa	3.2	-1.7	3.7	3.8	4.1
Botswana	2.7	-8.5	9.2	4.7	4.1
Mozambique	4.6	-1.2	2.5	5.3	8.4
Namibia	1.6	-8.0	1.3	3.6	2.7
Zambia	3.4	-3.0	1.0	1.1	1.4
Zimbabwe	1.4	-4.1	5.1	3.1	3.0
Nigeria	2.0	-1.8	2.6	2.7	2.6
Angola	0.1	-5.4	-0.7	2.4	3.6

*Purchasing Power Parity

**19 Eurozone Countries

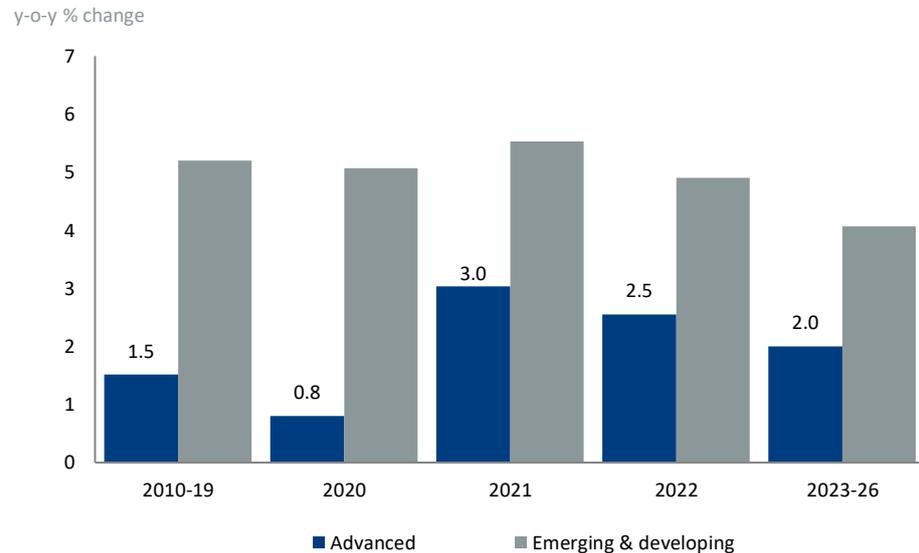
Source: IMF World Economic Outlook (October 2021), BER calculations

High inflation more persistent through 2022

Strong consumer demand, especially in the US, and supply-side constraints have resulted in global consumer inflation (CPI) remaining more elevated than expected earlier in the year. Indeed, the IMF now expects global headline CPI to average 4.3% in 2021, the highest annual rate of increase since 2011 and notably above the 3.5% projected in April. The global CPI outlook for 2022 was also lifted to an expected rise of 3.8%, up from 3.2% expected in the April forecast. At a projected annual average increase of 3.2%, the medium-term (2023-26) view is largely unchanged compared to April. If realised, this would be a lower outcome than the average rise of 3.5% for global CPI in the decade

before COVID. Therefore, while the near-term outlook has deteriorated, the IMF's medium-term inflation view supports the narrative from major central banks that the current elevated global price pressures will fade over time.

Figure 4: Consumer inflation projected to ease in the medium term



Source: IMF October 2021 forecast

Advanced country CPI to settle around targeted levels over medium term

Figure 4 splits the IMF's inflation forecast into the outlook for the G7 most developed countries and emerging/developing nations. In advanced countries, medium-term inflation is projected to settle around the inflation targets of the major central banks. This would be higher than the inflation readings in G7 countries post the GFC. However, this should not be of concern as G7 inflation was particularly benign in the decade before COVID struck. The trend is expected to be different in the less developed country group, with a lower average CPI increase relative to the pre-COVID/post GFC years pencilled in over the medium term.

Contrasting trends for key commodity prices

SA's terms of trade likely peaked in 2021Q2

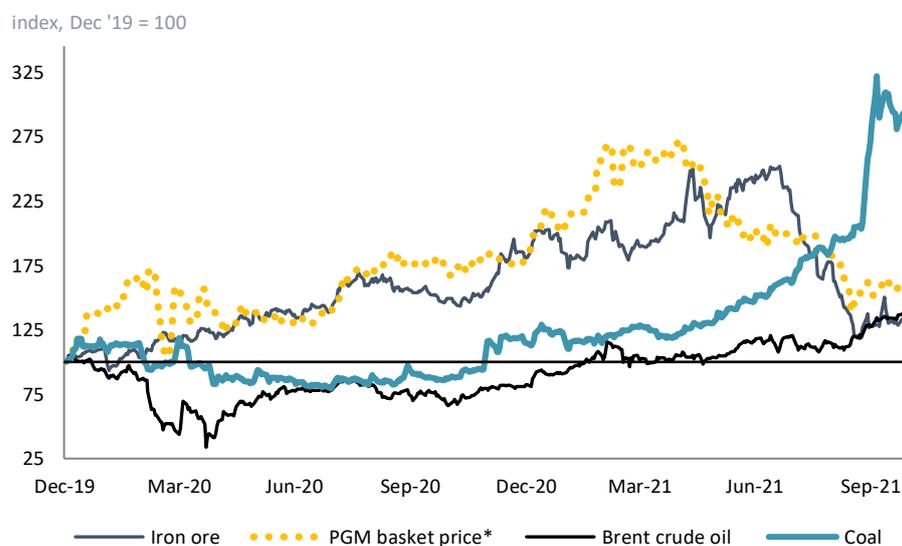
SA continued to benefit handsomely from high local export commodity prices in 2021Q2 as the terms of trade scaled another all-time high. However, this was likely the peak in the commodity price windfall. Indeed, from very elevated levels in some cases, the prices of most of SA's key export commodities declined sharply in the third quarter (Figure 5). Coal was the exception, with the price surging through 2021Q3. This was as an energy crunch in parts of Asia and in continental Europe/UK unexpectedly raised demand at a time when output had been cut back for some time amid environmental concerns.

Near-term PGM demand set to be subdued

While prices of our major export commodities mostly declined, the oil price averaged about \$4/barrel higher in 2021Q3 than in the previous three months. This combination would have pushed the terms of trade lower during the third quarter, albeit that it is likely to have remained elevated.

The prices of **platinum group metals** (PGM) suffered a broad-based decline in the third quarter. The rhodium price, which saw stratospheric increases through 2021Q2, plunged by a third in 2021Q3 relative to the previous quarter. On average, platinum and palladium also traded lower, with quarterly declines of 13% and 12% respectively. These falls were driven by a sharp decline in PGM demand from the global auto sector as COVID-19-related disruptions weighed on vehicle production. With key inputs, including semiconductor chips, set to be in short supply for some time, the near-term demand for PGM for use in catalytic converters to curtail greenhouse emissions should remain subdued. However, once these bottlenecks are resolved, global pent-up demand for new vehicles is likely to result in a large bounce in vehicle output, lifting the demand for, and the price of PGM. Current indications are that auto demand could start to normalise from late 2022/2023.

Figure 5: A mixed bag on commodity prices that are important to SA



*60% platinum: 30% palladium: 10% rhodium

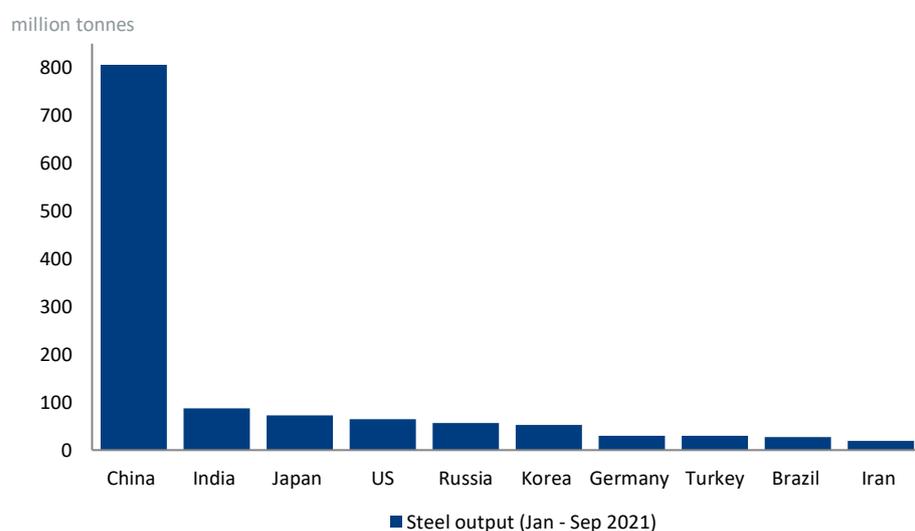
Source: DataStream, own calculations

After rallying earlier in the year, the **iron ore** price also took a hit in 2021Q3, averaging 17% lower than during the preceding quarter. The lower price reflected concerns about the growth outlook for China, by far the world’s largest steel producer. Iron ore is a key ingredient in the steel-making process. According to the World Steel Association, Chinese steel output rose by a modest 2% y-o-y in the first nine months of 2021. The more recent data was of greater

China continues to have outsized influence on the global steel market

concern. In September, Chinese steel production declined by more than 20% y-o-y. As outlined above, Chinese GDP growth is expected to be less investment-driven in future. Given China's size and all else being equal, this should result in lower incremental iron ore demand growth. Given that infrastructure investment is part of the post-COVID recovery strategy in many other countries, there may be some compensation for slower Chinese fixed investment outlays. However, Figure 6 puts the scale of China's influence on the global steel market in context – it really is the only game in town. Based on the outlook for the Chinese economy, iron ore is expected to drift lower over the medium term, but to remain elevated in a historical context.

Figure 6: Chinese steel output dwarfs that of other leading producers



Source: World Steel Association

In terms of the trend in 2021Q3, **coal** and **oil** were the outliers amongst the commodities that are crucial for SA. Although there are idiosyncratic dynamics at play in the coal and oil markets, both benefitted from energy constraints in several major economies. These include the UK, China, parts of Europe and to a lesser extent also the US. A lack of wind to propel wind turbines and a gas shortage in Europe resulted in increased demand for oil as consumers switched from gas to oil. These new sources of oil demand have not been met by a rise in supply. On the contrary, there has been scant response from the US shale industry to ramp up production amid the higher oil price. Meanwhile, the OPEC+ oil grouping has stuck to a previously agreed schedule to gradually raise production. Several of the countries in the grouping have even struggled to meet their current, in some cases modest, production quotas.

Increased oil demand not met by a supply response

The combination of demand and supply factors meant that the oil price rose by almost 6% in 2021Q3. The momentum has carried through so far in 2021Q4,

with Brent crude rising above \$85/bbl in late October. In the short run, there is scope for the oil price to rise even higher. Even so, at this stage, we still expect oil to be trading materially lower than the current price in 12 months' time. By then, we should be well past the current energy crunch, Chinese growth should have moderated and global oil production should be higher. The medium-term narrative that a move away from fossil fuels will reduce the demand for oil and push prices lower remains intact. However, the current energy crunch emphasised that a hasty move away from fossil fuels can also have adverse consequences. Therefore, we now hold the view that the medium-term demand for oil could be somewhat more resilient than assumed before.

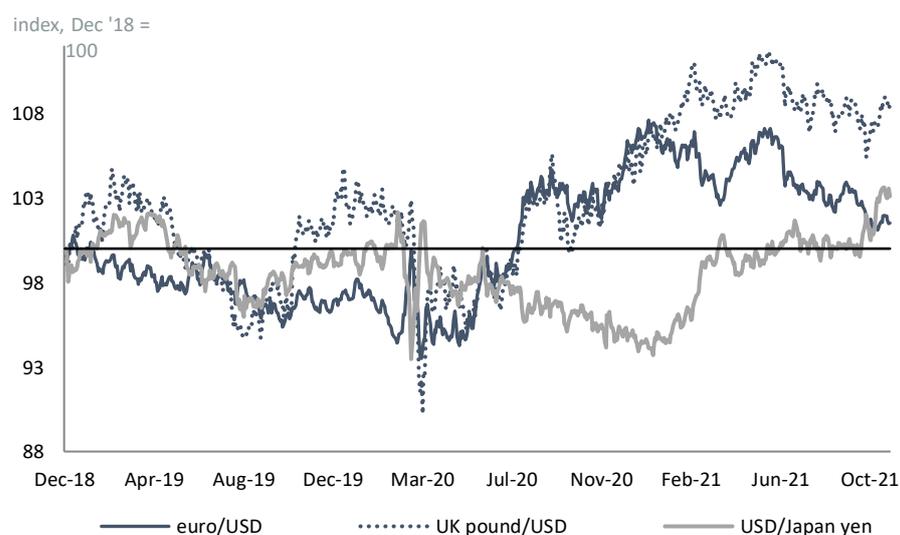
Coal price could remain elevated in near term

The outlook for coal is similar. In the near term, there should be strong demand amid the power-generation difficulties in parts of Europe and China. This should help sustain the current very high prices. However, increasingly, governments are pledging to move away from coal for electricity. This should be an ongoing process, culminating in a coal price that moves lower over the medium term. As with iron ore, Chinese authorities have recently expressed their discomfort with the high coal price, resulting in a massive price decline in early November.

US dollar on the front foot as Fed starts to taper

The dollar strengthened to an average of \$1.1790/€ in 2021Q3 versus \$1.2050/€ in 2021Q2. The greenback moved stronger through the quarter, ending Q3 around \$1.16/€ and remained roughly around this level in October. The dollar also gained ground against the UK pound in 2021Q3, while it was largely stable against the Japanese yen (Figure 7).

Figure 7: US dollar generally firmer in 2021Q3, gave up some ground in October



Source: DataStream

Investor risk
aversion and
more hawkish
Fed supported
the dollar

Two broad themes most likely help to explain the greenback's firmer tilt. The one is the slowdown in global growth momentum in 2021Q3 as the Delta variant took hold in several countries. This made investors more risk averse, with the dollar benefitting from traditional safe-haven flows. Additional dollar support came from the US central bank (Fed) policy meeting in September. This saw the Fed take a firmer stance in signalling that it is likely to start curbing (tapering) its large bond purchases before the end of the year⁴. In addition, half of the Fed's monetary policy committee members expected a first US policy interest rate hike by late 2022. This was earlier than the financial markets were discounting. At the same time, key policymakers at the European Central Bank (ECB) remained less hawkish on the outlook for monetary policy in the Eurozone. The situation is different for the UK pound, which has recently found support in feverish financial market pricing of an imminent Bank of England (BoE) policy interest rate hike.

Ahead-of-the-
pack Fed should
keep the US
dollar well
supported

The timing and pace of monetary policy normalisation in major economies should remain a key driver of international currencies in the next number of years. With the US economy already in an expansion phase after making a complete recovery from the 2020Q2 crash, and with the US also experiencing higher inflation than in other advanced economies, the Fed is broadly expected to be ahead of the pack on policy normalisation. There are exceptions, with the Bank of Canada and the BoE set to move on the policy rate before the Fed. Even so, while there will undoubtedly be ebbs and flows, the US dollar should remain well supported on a 12 to 18-month view. This applies especially to the greenback's performance against the euro. The support should fade once the ECB starts with their policy rate normalisation process. Current thinking is that at the earliest, this will most likely only be in 2023.

⁴ The Fed followed through on this, announcing at its early November policy meeting that, from November, it would reduce the monthly pace of its net asset purchases by \$10bn for US Treasuries and \$5bn for mortgage-backed securities. If the Fed sticks to this monthly pace, tapering should be completed by mid-2022.

Domestic outlook

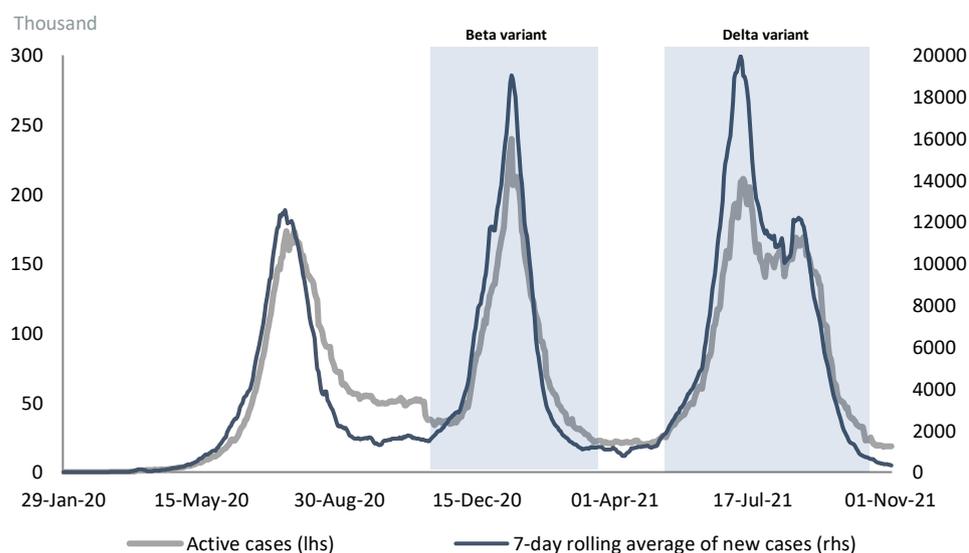
Following reasonably solid and better-than-expected real GDP growth in the first half of 2021, the SA economy was hit by significant shocks in the third quarter. These included:

A tumultuous third quarter

- A severe COVID-19 third wave and the associated stricter lockdown restrictions.
- The unprecedented looting spree in July. While mainly centred in KwaZulu-Natal, parts of Gauteng and Mpumalanga were also impacted.
- An IT-security breach at Transnet that significantly curtailed port operations.
- A slowdown in global growth momentum, as outlined above.

The activity data already released for July and August, which showed a sharp decline in retail trade sales and manufacturing production in July followed by an incomplete recovery in August, justified the cautious view we took on 2021Q3 GDP in July. The July forecast round was at the time of the looting shock. In the latest forecast, we stuck with the view that real GDP will contract in the third quarter.

Figure 8: After a severe third wave, new COVID cases in SA sharply lower



Source Department of Health

Unlike in July, we now expect fourth quarter GDP to more than recoup the expected losses from Q3. The sharp decline in new domestic COVID-19 cases in recent weeks to below the trough reached before the second and the third waves (Figure 8), the accompanied increased mobility and possibly also

Notable positive
and negative
developments in
October

spending, and anecdotal evidence of a surge in foreign tourist bookings to SA after the country was removed from the red lists of key source markets (Germany and the UK) support the expectation for a 2021Q4 GDP bounce. However, a prolonged strike in the steel and engineering sector in October, as well as the return of load-shedding at a high frequency in recent weeks will counter the boost from increased mobility in early Q4. Indeed, the 4-point decline (to 46.1) in the business activity index of the Absa manufacturing PMI in October suggests that, at least in terms of the manufacturing sector, the negatives outweighed the positives at the start of the fourth quarter. Vehicle sales were also poor in October, declining by almost 5% m-o-m.

Even so, with the labour dispute in the steel sector resolved, we are sticking with the forecast for a Q4 GDP rebound. However, the downside risks are acknowledged. After incorporating the expected growth pattern for the second half of 2021, along with the impact of Stats SA's benchmarking and rebasing exercise on the GDP outcomes in the first half of 2021, *the baseline real GDP growth forecast for 2021 was revised sharply higher to 5.2%, from 3.9% in July.*

The baseline real GDP growth forecast for 2022 also needs to take several likely crosscurrents into account, along with various assumptions. These include:

- Slower, albeit still robust, global real GDP growth.
- A fading commodity price windfall.
- Higher rates of domestic vaccination against COVID-19. This should allow for a broader return towards normality, especially in the contact-sensitive services sector. However, there remains a high probability of further COVID waves.
- The return of foreign tourists. This assumes we can escape further severe waves of COVID and draconian lockdown measures, both in SA and tourist source countries.
- A turn in the domestic inventory cycle towards a rebuild of stock levels.
- Some slippage on fiscal consolidation. This includes an inflation-related public sector wage hike and entrenching some form of sustained additional pro-poor income support measures.
- Moderate domestic policy interest rate hikes (50bps in total, following a projected 25bps increase in November 2021).
- A slowly improving Eskom energy availability factor (EAF). However, the EAF is assumed to remain some way below adequate levels, with only modest progress on greater private sector involvement in energy

Still some
recovery
momentum
expected in 2022

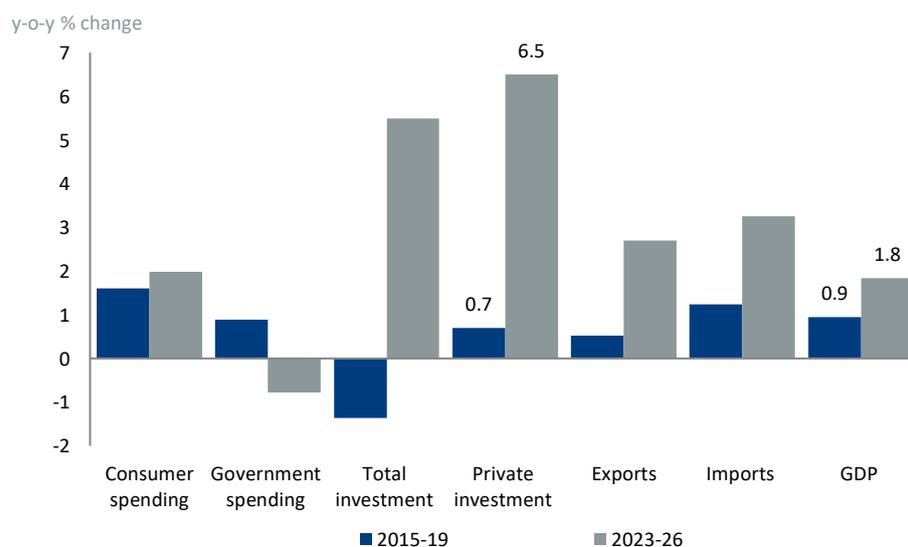
generation. Recent load-shedding highlights that, at least in 2022, the risks to this already conservative assumption are on the downside.

Against this backdrop, real GDP growth is projected to slow sharply to 2.2% in 2022. With this outlook, the level of real GDP returns to the pre-pandemic level of 2019Q4 during 2022Q2. In the July forecast, the return to the pre-pandemic GDP level was only expected to be in 2022Q4. Importantly, the employment recovery is expected to be much more protracted. By 2022Q2, the level of total employment is expected to still be 1.1 million below 2019Q4. With the GDP recovery from the 2020 crash set to be mostly completed by mid-2022, the question is what the key driver(s) of medium-term growth will be.

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

Figure 9 plots the outlook for the major demand-side GDP components over the medium term (2023-2026). 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 (2015-19) of substantial sub-par real GDP growth. A material acceleration in private capex has been a feature of our medium-term forecast for some time, driven by the expectation of a significant ramp-up of green energy investments. After the gazetting of a major energy reform, i.e. the lifting of the licensing requirement for **own power generation** from 1MW to 100MW, the medium-term scope for increased private sector capex has increased.

Figure 9: Faster private capex growth set to sustain some GDP momentum



Source: Stats SA, BER forecast

However, yet further delays with the 'emergency' risk-mitigation IPP programme, and indications that construction linked to Bid Window 5 of the IPP

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

programme could only start in mid-2022, have forced us to postpone the assumption of more meaningful green energy 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, average medium-term (2023-26) real GDP growth of just below 2% is expected.* This would be a meaningful improvement on the dreadful five-year period before COVID-19. However, it will still be inadequate to make a meaningful dent in the current record unemployment rate. This emphasises the importance of also implementing the non-energy reforms⁵ necessary to lift SA's growth potential.

Global monetary policy moves key to rand fortunes

The shocks to the domestic economy outlined above weighed on the rand exchange rate in 2021Q3. The currency averaged R14.63/\$ in Q3, 3.5% weaker than the R14.13/\$ during the second quarter. The rand lost further ground to an average of about R14.85/\$ in October. While there are usually multiple factors at play that help to explain currency movements, the most recent (October and early November) bout of rand weakness can mainly be explained by the following:

Rand on the back foot for most of 2021Q3 and October

- Indications that the rise in global inflation will be less transitory than hoped for. This has important implications for the timing and pace of monetary policy normalisation in advanced countries.
- The concerns about the Chinese economic outlook (outlined earlier). This weighed on risk perceptions towards EMs and the iron ore price (a key SA export earner).
- Unorthodox/populist monetary (Turkey) and fiscal (Brazil) policy actions/proposals in key EM countries. A weaker Turkish lira and Brazilian real may have dragged the rand down.

As outlined in the global section, the more hawkish interest rate expectations in the US have supported the US dollar of late as yield-chasing investors probably shifted capital back to the US. At the same time, data from the SA Revenue Service indicated that SA's large Q2 external trade surplus of roughly R160bn narrowed sharply to R101.5bn in the third quarter. Although still sizeable, the peak in the surplus is most likely behind us. Indeed, the trade surplus narrowed

⁵ Here one thinks of, for example, greater private sector participation in the railways and harbours, as well as finally proceeding with the auction of additional radio spectrum.

sharply to R22bn in October, from R42bn in September. A further narrowing is expected in 2022, with an eventual move back into deficit from 2023 onwards.

Higher global interest rates and unwinding of SA's current account surplus set to push the rand weaker

This combination of a rising interest rate (both for short-term policy rates and longer-term government bond yields) trend in developed countries and a swing back to deficit for the SA external trade and broader current account balance largely accounts for the baseline forecast that sees the rand on a moderate weakening trend versus major currencies. This is the expectation on both a two-year and a five-year horizon. Although the starting point is better than anticipated before, SA's precarious public debt position and the risks to fiscal sustainability should also contribute to keeping the rand in undervalued territory. Finally, after a brief reversal of the historical trend in 2020⁶, domestic inflation is likely to exceed that of our major trading partners over the forecast period.

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 2-3% per annum versus the US dollar.

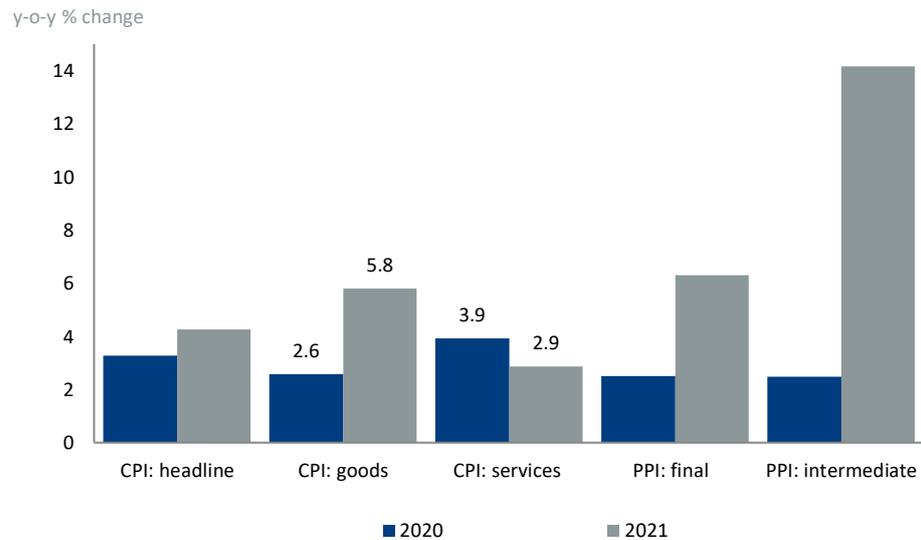
Inflation buffeted by bottlenecks and energy crunch

Headline consumer inflation (CPI) increased by an average of 4.3% in the first nine months of 2021. While this is up from an average of 3.3% recorded in 2020, the rise in headline CPI remained contained at around the 4.5% midpoint of the SARB's inflation target range. Importantly, as illustrated in Figure 10, the trend for goods and services CPI diverged notably so far in 2021. In line with the producer price (PPI) measures for intermediate and final manufactured goods, the rate of increase for CPI goods (48.7% of the basket) experienced a sharp acceleration so far in 2021. In contrast, the CPI services (51.3% of the basket) component has remained much more muted. In fact, the annual rate of increase for these prices moderated year to date.

Overall consumer inflation remains well contained; major components trend in opposite directions

⁶ This was mainly the case with a coming together of the inflation rates between the US and SA.

Figure 10: Goods prices reflect input cost surge



Source: Stats SA

Over the short term, at least some goods prices will increase further amid the hefty petrol and diesel price hikes in November. In addition, the September final manufacturing PPI release revealed sharp monthly increases for a range of goods, including machinery, household appliances, and rubber and plastics. According to Stats SA, these increases were driven by a combination of elevated commodity prices, higher bottleneck-induced shipping costs and a weaker rand exchange rate. Within a month or two, at least some of these cost increases should be reflected in a further move higher for the CPI goods component. Indeed, this explains why we now expect the rise in headline CPI to accelerate towards 5.5% y-o-y in 2021Q4. Importantly, this forecast makes only minor provision for the possibility that re-opening price effects could also start to push selected CPI services components higher. These effects refer to the likelihood of price hikes in hospitality and tourist-related activities amid a likely short-term surge in foreign tourist arrivals. Anecdotal evidence suggests that the current low level of new COVID-19 infections has also spurred a domestic tourism upturn. Therefore, we may be underestimating a possible move higher in services prices over the short term. The airline industry is a prime example where capacity was reduced dramatically in 2020 amid the plunge in the demand for air travel. Therefore, the industry will be stretched to meet a sudden surge in demand, resulting in higher prices for air tickets and auxiliary services such as car rental.

While cognisant of the risks on the services front, the headline CPI forecast for 2021 was revised only marginally higher to 4.5%, from 4.3% projected in July. At 4.4%, the outlook for 2022 has also remained largely unchanged. To a large extent, the benign outlook for next year is driven by the assumption that the oil

High commodity prices, shipping cost surge and weaker currency fuelling goods price rise

Headline CPI set to be contained in 2022, with clear upside risks

price will decline from current elevated levels. In addition, early indications are for another large domestic grain crop in 2022. This supports a view that the rate of increase for food prices could moderate in 2022. In terms of services, several firms have already indicated that, as was the case in 2021, medical insurance premiums will rise by less than the historic norm next year. This all bodes well for CPI in 2022. However, as in the near term, we acknowledge that the risks are on the upside. This is especially the case as, increasingly, global bottleneck pressures are expected to last for longer than hoped for.

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

Over the medium term, headline CPI is expected to remain around the 4.5% midpoint of the SARB's target. 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 2023-26, 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 global inflation, the oil price and the moderate weakening of the rand exchange rate suggests that **import prices** will rise by an average of 4.5%. In addition, **unit labour costs** are projected 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 would 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 partners⁷.

First repo rate hike brought forward to Nov '21

Key from a **policy interest rate** perspective is that upside inflation risks have increased. To keep inflation expectations anchored and to get ahead of the inflation cycle, recent SARB commentary suggests that the monetary policy committee is debating the trade-offs between an earlier, more moderate rate hiking cycle versus waiting, but then running the risk of falling behind the inflation trajectory and being forced into more aggressive action. In our view, the SARB is likely to favour the option of moving earlier. This may especially be the case in light of the recent more hawkish monetary policy tilt from major central banks, excluding the ECB. *Therefore, we have brought forward the timing of the first 25bps repo rate increase to November. The policy rate is expected to be increased gradually to 5% (150bps in total) through the end of*

⁷ It should be noted that similar scepticism, including to a degree from us, greeted the SARB communication in 2017 that it would like to see inflation expectations anchored closer to 4.5% than the 6% upper range of the inflation target. It took a while, but two-year ahead expectations have been stable around 4.5% since late 2020. Still, it will arguably require even greater effort to sustainably anchor expectations even lower.

2023. Based on our Taylor rule⁸ calculation, a further marginal increase of 25bps is likely in 2024.

Importantly, assuming targeted inflation of roughly 4.5%, this would imply a medium-term real policy interest rate of 'only' 0.75%. This is notably lower than the SARB's current view that the long-term neutral⁹ rate should be closer to 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.

More moderate consumer spending from here

After plunging by a downwardly revised 6.5% (initial estimate -5.4%) in 2020, real consumer spending rebounded to post growth of 10.6% y-o-y in the first half of 2021. This was driven by a 23.6% y-o-y surge in 2021Q2 as the extremely low base in the second quarter of 2020 propelled annual growth. While the growth recovery in 2021 seems impressive, Figure 11 points out that by 2021Q2, the level of total real consumer spending was still 1.4% below the pre-COVID level in 2019Q4. However, the total number hides a lot of underlying dynamics, with real outlays on durable goods now well above pre-COVID levels. In stark contrast, sales of semi-durable goods in 2021Q2 remained more than 9% below the level in 2019Q4.

Several factors supported the recovery in sales of **durable goods** in the second half of 2020 and the expansion in the first six months of 2021. These include a decades-low borrowing rate and much less severe job losses amongst higher skilled individuals than those in lower paying jobs. Two other key supports to the durable goods sector were the work-from-home-induced demand for furniture and appliances, and perhaps a substitution effect as consumers were/remain constrained in their spending on services due to COVID restrictions and individual caution against the risk of infection. This likely freed up income to spend on durable goods.

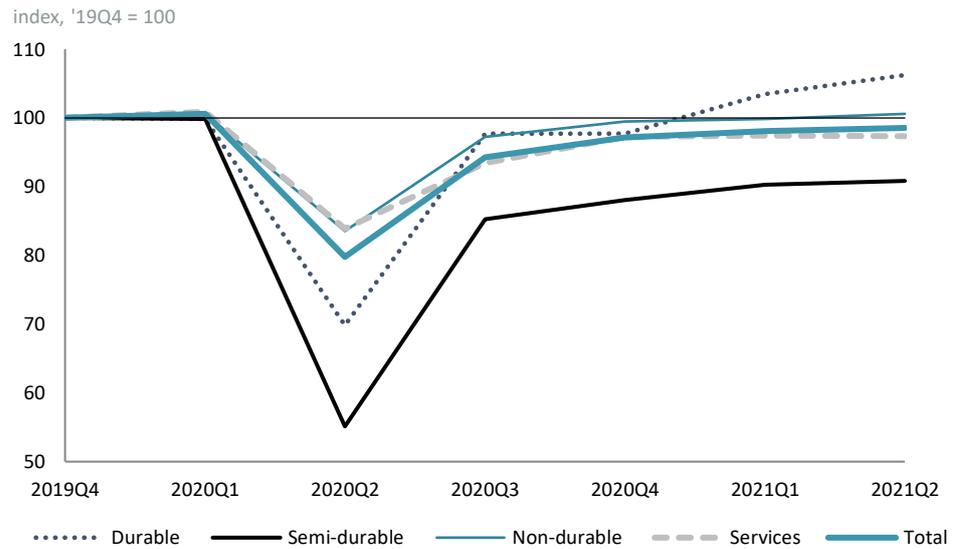
Despite brisk annual growth in 2021H1, the consumer spending recovery remains incomplete

Work-from-home boosted outlays on durable goods, but...

⁸ Based on the deviation between actual and targeted inflation (and/or inflation expectations) and the deviation between actual real GDP growth and a country's potential growth rate, the Taylor rule provides some guidance on the appropriate level for the policy interest rate.

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.

Figure 11: Sales of durable goods lead the consumer spending recovery



Source: Stats SA

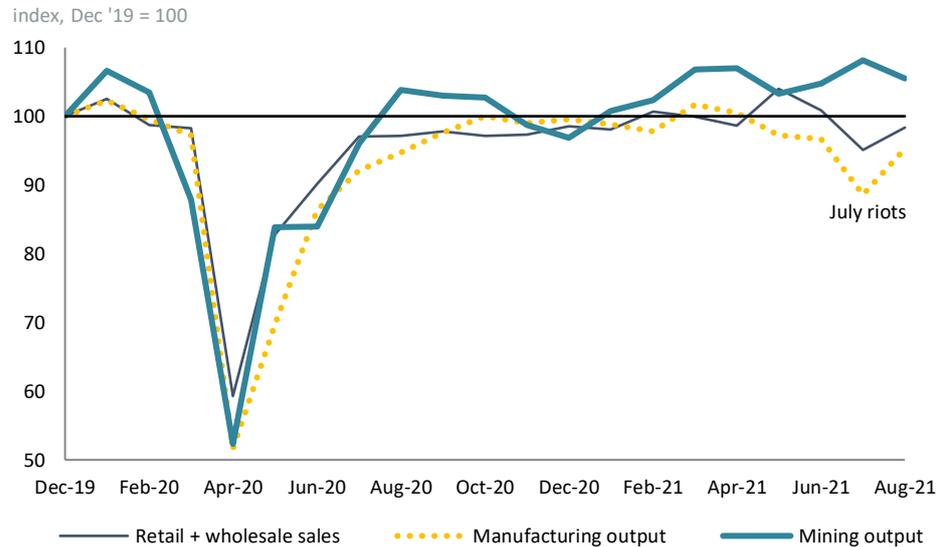
...may have contributed to the lacklustre recovery of semi-durable goods sales

The lacklustre recovery in spending on **semi-durable** goods may also be explained by the work-from-home phenomenon and the associated move to online meetings. This simply does not require the same spending on business attire as before. The same can be said for the long periods of school closures and the untenable situation where many children in especially poorer areas are still not going to school every day of the week. Unsurprisingly given the COVID-related concerns regarding close contact, the recovery in consumer spending on **services** has also lagged that of overall household expenditure. The recovery in outlays on **non-durable** goods progressed at a faster pace as the level returned to pre-COVID in 2021Q2.

The official consumer spending data for 2021Q3 will only be available in early December, but we do have some actual data for July and August on a smaller subset of consumer spending, i.e. retail and wholesale trade sales. Figure 12 contrasts this with monthly manufacturing and mining output. Combined, real sales in the retail and wholesale sector declined by a large 5.7% m-o-m in July. Sales only recovered by 3.4% in August. Depending on the strength of the September data, this suggests that retail and wholesale trade sales posted a quarterly contraction in 2021Q3. We also expect that overall real consumer spending declined in Q3, but it is forecast to more than recoup the projected Q3 loss in the fourth quarter. This is set to be aided by SA exiting the third wave of COVID-19 infections and the associated move to Level 1 lockdown restrictions. The month-long Black Friday specials run by some of the large retailers/wholesalers should also support consumer spending in the final months of the year. In contrast, the very large fuel price hikes in November should eat

into household budgets. *In all, total real consumer spending is forecast to increase by 5.9% y-o-y in 2021.*

Figure 12: Retail, wholesale and manufacturing sectors hit hard by July shocks



Source: Stats SA, own calculations

Following the growth bounce in 2021, real consumer spending growth is projected to moderate sharply to 2.3% in 2022. The tables at the back of the report provide the detailed forecasts for the individual spending categories. At this stage, we expect the level of overall consumer spending to return to the pre-COVID level in 2022Q2. Besides low base effects no longer boosting annual spending growth in 2022, the expected (moderate) rise in the policy and prime interest rates should dampen consumer outlays as it raises monthly interest repayments. This will leave less disposable income to spend on other goods and services. Increased mobility amid less onerous lockdown restrictions and low COVID infections mean that consumer pockets will also be more exposed to the sharp recent rise in fuel prices.

Crucially, we have made some important assumptions that should support household income and spending in 2022 and help to counter the adverse impact of a higher interest rate and relative prices. These include:

- Favourable tax announcements in the February 2022 budget. We do not expect any material increases in the marginal personal income tax rates. Individual tax brackets are likely to be adjusted by the rate of inflation.
- Permanent additional pro-poor income support measures. We have assumed that the social relief of distress grant (SRD) will become permanent. Recent media reports suggest that National Treasury is pushing back against this and proposing that the SRD grant morphs into a grant to the head of poor families. This would mean substantially fewer recipients than with the SRD

Higher borrowing and fuel costs to eat into disposable income, but...

...Several assumptions favourable for real disposable income

grant at a reduced cost. The final decision on this has the potential to materially impact the forecast for disposable income.

- Another **public sector wage deal** for 2022/23 that favours employees.
- Some recovery in total **employment**.

Over the medium term (2023-26), 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%). Especially for the more durable types of expenditure, the outlook for the policy interest rate to only rise moderately from multi-decade lows over the forecast period 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. However, considering that the very long-term (1961-19) pre-COVID average for real consumer spending is 3.5% per annum (3.2% during 1994-19), the medium-term forecast is still pedestrian. A weak projected recovery in total employment is part of the story. At this stage, total employment is only forecast to return to the pre-COVID level in the latter stages of the forecast period. As part of the fiscal consolidation strategy, government employment is expected to stagnate.

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

Public sector capex set to lag the private sector

The revised data after the benchmarking/rebasing exercise from Stats SA showed that real fixed investment declined by a less than previously estimated, albeit still dramatic, 14.9% in 2020. While public sector capex was not spared with an 11.5% y-o-y contraction, private sector capex was the hardest hit, plunging by 16.2%. Total capex moved back into positive territory with a marginal real increase of 1.5% y-o-y in the first half of 2021. This was driven by a 2.8% rise for the private sector. At -1.7% y-o-y, public sector capex remained in the doldrums. For the public sector, the weakness so far in 2021 was in general government capex outlays, with state owned enterprises (SOEs) faring better from the low base in 2020.

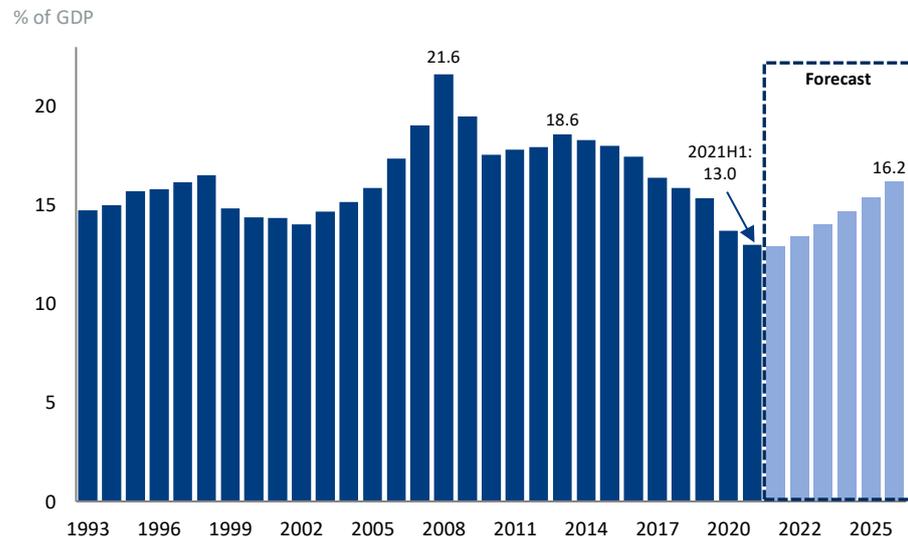
The shock to business confidence and the cash crush in both the private and public sectors associated with the COVID-19-induced lockdown(s) were the key factors behind the sharp capex decline in 2020 and the weak performance in the first half of 2021. Persistent load-shedding despite soft underlying economic activity/electricity demand also remained a key constraint on private capex. Figure 13, which plots total fixed investment as a % of GDP, highlights that overall capex has been on a sustained declining trend since 2013. This is a crucial part of the explanation for SA's poor pre-COVID real GDP growth performance. As mentioned earlier in the report and outlined in the chart, after

Fixed investment remained subdued in 2021H1

Capex ratio has been declining since 2013

a likely setback in 2021Q3 because of the looting shock and the severe third COVID wave, we expect a notable turnaround in this weak performance over the medium term.

Figure 13: Concerning downtrend for capex ratio may have bottomed



Source: Stats SA, BER forecast

The projected improvement in the investment ratio is driven by a much better capex performance from the private sector, and to a lesser extent also the public sector. Albeit from an elevated level, **SOE fixed investment** performed particularly poorly in the five years before COVID-19, plunging by an annual average of 10% in real terms between 2015-19. Given the need for improved network infrastructure to lower the cost of doing business in SA, improve our export performance by removing rail and harbour inefficiencies, and enabling the grid connection of envisaged new private sector power generation projects, there is a significant requirement for increased fixed investment from all the major SOEs. However, many of these firms sit with badly depleted balance sheets, precarious credit ratings and therefore are finding it hard to access private sector capital on favourable terms.

Great need for improved SOE capex, but balance sheet difficulties impede progress

Even with incomplete recovery, SOE capex growth set to slow

For this reason, an SOE such as Transnet is increasingly looking to partner with the private sector in infrastructure investment. In the case of energy, the various Independent Power Producer programmes should also be partly seen as removing the burden from Eskom to expand energy capacity. It is of course also part of SA's plan to reduce the reliance on fossil fuels for electricity and in so

doing to unlock cheaper green finance options¹⁰. It is likely to take some time before agreements can be reached with the private sector in the case of Transnet, while Eskom's capex budgets do not show much growth over the next number of years. Even so, based on the first half of 2021, SOE capex should see reasonable growth (around 8% expected) in 2021. However, the projected growth in 2021 will not make up for the sharp decline of 14% y-o-y in 2020. SOE capex growth is set to slow from 2022 onwards, with average growth of 3% pencilled in over the medium term.

Budget constraints and high current expenditure curtail the outlook for government capex

High profile corporate retreats from malfunctioning municipalities, service delivery protests and the disillusionment reflected in record-low voter turnout in the November municipal elections all point to the imperative of improved infrastructure spending at local government level¹¹. However, stretched public finances and another above-budget public sector wage settlement for 2021/22 argue against a quick turnaround in **general government capex**. In fact, the lack of concrete signs that government spending is shifting from current spending to capex leaves us expecting a further contraction in government capex in 2021 and 2022. Some capex ramp-up is projected towards the end of the medium-term forecast period. On average, government capex is expected to increase by a moderate 1.5% in real terms between 2022-26. While modest, this would be a much better outcome than the average decline of 1.8% during 2015-19. Should government decide to embark on significant additional social protection spending (grants, national health insurance, etc.), capex budgets are likely to be under even more pressure than assumed in our baseline forecast.

As outlined earlier, the **private sector** is forecast to drive a revival in total real capex, especially from 2023 onwards. Before construction linked to green energy projects kicks off, the private capex recovery is expected to remain subdued.

¹⁰ The announcement at the COP26 climate summit that SA has secured R130bn in highly concessional climate financing from developed countries to support our energy transition is an example of the opportunities available.

¹¹ A recent BER research note (see [here](#)) unpacks the myriad of challenges at local government level, as well as some of the steps required to improve the situation.

Conclusion: Lots of work to do

With SA's real GDP still not back to the pre-COVID level, there remains some scope for the recovery 'dividend' to be sustained for a while longer. Assuming a severe fourth wave of COVID-19 is avoided, the return of foreign tourists should support the recovery through 2022. However, two key recent supports to the local economy, i.e. a record terms of trade and extraordinary accommodative global monetary and fiscal policy, have started to fade. This is likely to continue. At the same time, there are several local headwinds. These include precarious public debt dynamics and dysfunctional municipalities in many parts of the country.

Absent other reforms, a sustained break from the poor pre-COVID GDP growth performance relies on faster private capex

A less favourable export commodity price and global financing outlook imply that improved domestic conditions are required to sustain reasonable real GDP growth over the medium term. With more local government coalitions a reality after the municipal elections, it is doubtful whether municipal service delivery will improve by much. Driven by a large rollout of green energy investments, the medium-term forecast relies a lot on increased private sector fixed investment. Should these investments not materialise, it is unclear what will sustain SA's post-COVID GDP recovery. This emphasises the need for faster regulatory approval processes and less red tape to prevent a further delay in much-needed private capex.

In terms of non-energy fixed investment, an obvious imperative is to finally get the radio spectrum auction done. With criminal activity increasingly impacting business operations, the execution of basic government functions such as ensuring law and order also needs to be improved dramatically.

Appendix A

Statistics of the quarterly forecast, 2021 - 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	5.5	5.7	5.0	4.1	3.5	2.7	2.2	2.2	2.5	2.9	5.8	3.8	2.5
UK % growth	-6.1	22.2	6.6	6.7	9.7	5.2	3.9	3.0	2.6	2.4	2.1	2.0	7.3	5.3	2.2
Germany % growth	-3.1	9.4	3.8	5.4	6.9	6.3	4.3	3.7	3.3	2.7	2.0	1.5	3.9	5.3	2.3
Japan % growth	-1.3	7.7	2.5	0.9	3.4	3.7	3.9	3.0	1.8	1.4	1.1	1.1	2.5	3.5	1.4
Eurozone % growth	-1.2	14.3	3.8	5.2	6.6	5.1	3.7	3.5	3.0	2.7	2.1	1.4	5.5	4.7	2.3
G7 % growth	-0.6	12.8	4.9	5.3	5.5	4.6	3.7	2.9	2.4	2.2	2.2	2.3	5.4	4.2	2.3
CPI inflation rates															
US % CPI	1.9	4.8	5.0	5.7	5.6	3.7	2.8	2.0	1.6	2.1	2.5	2.8	4.4	3.5	2.2
UK % CPI	0.9	2.0	2.4	4.2	4.3	4.1	3.4	1.8	1.8	1.6	1.5	1.4	2.4	3.4	1.6
Germany % CPI	1.3	2.3	3.7	4.7	3.2	2.7	2.4	1.8	1.8	1.7	1.5	1.3	3.0	2.5	1.6
Japan % CPI	-0.5	-0.7	-0.2	0.7	0.1	0.3	0.6	1.0	1.0	0.9	0.8	0.3	-0.2	0.5	0.7
G7 % CPI	1.4	3.3	3.1	4.4	4.1	3.1	2.4	1.8	1.5	1.7	1.9	2.0	3.1	2.8	1.8
China % CPI	-0.1	1.3	1.4	2.4	2.2	2.9	2.6	2.0	2.4	2.4	2.4	2.4	1.2	2.4	2.4
India % CPI	4.4	5.3	5.4	5.5	6.2	5.3	4.0	3.2	4.1	4.6	4.4	4.5	5.2	4.6	4.4
Interest rates															
US prime rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.29	3.50	3.72	3.79	4.00	3.25	3.26	3.75
Commodity prices															
Spot oil price: US\$/barrel	61.3	69.2	73.2	79.0	75.0	71.0	70.0	69.0	67.0	67.0	67.0	67.0	70.7	71.3	67.0
London gold price: US\$/oz	1800	1815	1790	1699	1712	1725	1729	1734	1717	1700	1694	1689	1776	1725	1700
Platinum price: US\$/oz	1159	1179	1023	997	1073	1150	1176	1201	1201	1200	1200	1200	1090	1150	1200
Palladium price: US\$/oz	2404	2787	2462	1947	2124	2300	2359	2418	2509	2600	2630	2661	2400	2300	2600
SA coal price : US\$/mt	89.7	103.6	139.6	199.2	159.6	120.0	106.8	93.6	96.8	100.0	101.1	102.1	133.0	120.0	100.0
China iron ore price : US\$/mt	165.4	198.6	165.8	113.1	121.5	130.0	132.8	135.6	127.8	120.0	117.4	114.8	160.7	130.0	120.0
Exchange rates															
US\$/Sterling exchange rate	1.38	1.40	1.38	1.36	1.36	1.37	1.37	1.38	1.38	1.38	1.38	1.38	1.38	1.37	1.38
Yn/\$ exchange rate	105.9	109.4	110.2	110.5	110.0	109.2	109.0	108.0	108.0	108.0	108.0	108.0	109.0	109.0	108.0
US\$/Euro exchange rate	1.21	1.21	1.18	1.16	1.17	1.17	1.18	1.19	1.19	1.20	1.20	1.21	1.19	1.18	1.20

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.)	3668.7 -0.6	3750.7 27.0	3794.7 8.6	3869.1 7.2	3931.9 7.2	3994.6 6.5	4074.1 7.4	4138.3 7.0	4195.9 6.7	4254.8 6.5	4332.6 6.3	4391.2 6.1	3770.8 9.7	4034.7 7.0	4293.6 6.4
Government consumption (year % ch.)	1186.1 4.4	1175.4 5.3	1201.5 5.0	1207.1 3.7	1214.3 2.4	1215.3 3.4	1231.7 2.5	1237.4 2.5	1242.8 2.3	1250.6 2.9	1267.5 2.9	1269.3 2.6	1192.5 4.6	1224.7 2.7	1257.6 2.7
Fixed investment (year % ch.)	776.7 -6.1	798.0 23.0	794.5 4.7	825.3 3.9	836.4 7.7	852.4 6.8	875.3 10.2	892.1 8.1	914.9 9.4	939.1 10.2	963.8 10.1	987.2 10.7	798.6 5.5	864.1 8.2	951.3 10.1
Inventory investment	-38.5	-41.9	-39.3	-6.4	8.0	22.0	34.0	43.6	48.4	48.7	49.0	51.1	-31.5	26.9	49.3
Residual item	41.2	-118.2	-58.6	118.2	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3
Gross domestic expenditure (year % ch.)	5634.1 1.1	5564.0 16.7	5692.9 9.4	6013.3 8.1	5986.3 6.3	6080.1 9.3	6210.8 9.1	6307.1 4.9	6397.7 6.9	6488.8 6.7	6608.6 6.4	6694.5 6.1	5726.1 8.5	6146.1 7.3	6547.4 6.5
Exports: goods and services (year % ch.)	1839.7 12.6	2053.6 71.4	2039.9 28.0	2058.8 20.4	2036.2 10.7	2037.7 -0.8	2048.2 0.4	2072.4 0.7	2110.0 3.6	2135.2 4.8	2155.9 5.3	2195.7 5.9	1998.0 30.3	2048.6 2.5	2149.2 4.9
Imports: goods and services (year % ch.)	1460.5 2.8	1506.3 29.7	1547.6 28.2	1648.9 20.7	1696.7 16.2	1725.3 14.5	1771.7 14.5	1820.6 10.4	1852.2 9.2	1882.8 9.1	1914.2 8.0	1950.5 7.1	1540.8 19.5	1753.6 13.8	1899.9 8.3
Expenditure on GDP (year % ch.)	6013.3 4.0	6111.3 27.2	6185.2 10.6	6423.2 8.8	6325.9 5.2	6392.5 4.6	6487.3 4.9	6558.9 2.1	6655.5 5.2	6741.3 5.5	6850.4 5.6	6939.7 5.8	6183.3 12.0	6441.1 4.2	6796.7 5.5

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.)	2944.8 -2.5	2959.9 23.6	2944.8 4.1	2969.2 1.8	2990.4 1.6	3013.2 1.8	3034.6 3.1	3053.7 2.8	3068.9 2.6	3081.8 2.3	3094.5 2.0	3107.7 1.8	2954.7 5.9	3023.0 2.3	3088.2 2.2
Government consumption (year % ch.)	896.9 0.0	895.8 0.1	897.5 0.2	891.5 -1.0	877.1 -2.2	886.1 -1.1	882.6 -1.7	877.1 -1.6	860.8 -1.9	872.3 -1.6	869.8 -1.5	861.8 -1.7	895.4 -0.2	880.7 -1.6	866.2 -1.7
Fixed investment (year % ch.)	625.4 -10.0	631.1 16.1	617.3 0.7	632.2 -2.0	635.1 1.6	637.4 1.0	645.9 4.6	653.7 3.4	660.4 4.0	668.3 4.8	677.8 4.9	686.1 4.9	626.5 0.4	643.0 2.6	673.1 4.7
Inventory investment	-13.5	-21.7	-29.7	-5.6	4.4	13.4	21.4	28.4	28.4	28.4	28.4	28.4	-17.6	16.9	28.4
Residual item	20.0	18.5	2.0	3.4	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Gross domestic expenditure (year % ch.)	4473.5 -2.6	4483.7 14.1	4431.8 5.2	4490.7 2.8	4518.0 1.0	4561.2 1.7	4595.5 3.7	4623.9 3.0	4629.6 2.5	4661.8 2.2	4681.5 1.9	4695.0 1.5	4470.0 4.5	4574.6 2.3	4667.0 2.0
Exports: goods and services (year % ch.)	1161.2 -4.0	1207.7 42.4	1197.8 10.5	1230.1 7.0	1232.2 6.1	1238.2 2.5	1239.4 3.5	1246.6 1.3	1262.2 2.4	1264.9 2.2	1269.1 2.4	1282.2 2.9	1199.2 11.8	1239.1 3.3	1269.6 2.5
Imports: goods and services (year % ch.)	1163.5 -4.1	1168.1 18.0	1158.9 18.0	1176.2 7.7	1196.3 2.8	1206.1 3.3	1217.2 5.0	1228.9 4.5	1237.9 3.5	1248.8 3.5	1256.9 3.3	1266.1 3.0	1166.7 9.1	1212.1 3.9	1252.4 3.3
Expenditure on GDP (year % ch.)	4471.3 -2.5	4523.3 19.4	4470.8 3.6	4544.6 2.7	4553.9 1.8	4593.3 1.5	4617.7 3.3	4641.6 2.1	4654.0 2.2	4677.8 1.8	4693.6 1.6	4711.1 1.5	4502.5 5.2	4601.6 2.2	4684.1 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	298.3	306.2	298.3	299.9	302.3	304.6	306.8	309.0	311.0	312.9	315.4	318.6	300.7	305.7	314.5
(year % ch.)	3.6	52.1	5.9	6.5	1.4	-0.5	2.8	3.0	2.9	2.7	2.8	3.1	14.3	1.7	2.9
Semi-durable goods	250.1	251.4	252.5	257.5	261.9	266.2	269.9	273.2	275.7	277.9	279.8	281.9	252.9	267.8	278.8
(year % ch.)	-9.5	64.7	7.0	5.6	4.8	5.9	6.9	6.1	5.2	4.4	3.6	3.2	11.3	5.9	4.1
Non-durable goods	899.4	906.5	902.7	906.3	909.4	912.8	916.0	918.8	921.8	925.0	928.7	932.7	903.7	914.3	927.1
(year % ch.)	-0.8	20.4	3.0	1.1	1.1	0.7	1.5	1.4	1.4	1.3	1.4	1.5	5.3	1.2	1.4
Services	1497.1	1495.9	1491.2	1505.5	1516.7	1529.5	1541.9	1552.7	1560.5	1566.0	1570.7	1574.6	1497.4	1535.2	1567.9
(year % ch.)	-3.4	16.1	3.9	0.8	1.3	2.3	3.4	3.1	2.9	2.4	1.9	1.4	3.9	2.5	2.1
Total household consumption	2944.8	2959.9	2944.8	2969.2	2990.4	3013.2	3034.6	3053.7	3068.9	3081.8	3094.5	3107.7	2954.7	3023.0	3088.2
(year % ch.)	-2.5	23.6	4.1	1.8	1.6	1.8	3.1	2.8	2.6	2.3	2.0	1.8	5.9	2.3	2.2
Disposable income of households															
Real disposable income	2965.9	2969.7	2952.5	2978.0	2997.3	3020.6	3041.3	3059.6	3074.5	3087.6	3100.6	3114.6	2966.6	3029.7	3094.3
(year % ch.)	-1.9	23.0	2.4	1.4	1.1	1.7	3.0	2.7	2.6	2.2	1.9	1.8	5.4	2.1	2.1
Adjusted for debt-service cost (real)	2917.6	2922.2	2905.8	2931.8	2951.5	2975.2	2996.4	3015.2	3030.4	3043.9	3057.5	3072.0	2919.3	2984.6	3051.0
(year % ch.)	-1.9	23.5	2.5	1.5	1.2	1.8	3.1	2.8	2.7	2.3	2.0	1.9	5.6	2.2	2.2

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	442.6	457.0	441.5	455.9	457.9	461.3	469.0	475.9	481.2	488.2	496.3	503.3	449.2	466.0	492.2
(year % ch.)	-12.3	23.3	1.3	-2.1	3.5	1.0	6.2	4.4	5.1	5.8	5.8	5.7	1.1	3.7	5.6
Public sector															
Government	110.0	106.2	105.2	104.3	103.8	103.3	103.1	103.1	103.6	104.5	105.1	105.9	106.4	103.3	104.8
(year % ch.)	-6.2	-7.8	-6.7	-7.0	-5.6	-2.7	-2.0	-1.2	-0.2	1.2	1.9	2.7	-6.9	-2.9	1.4
Public corporations	72.8	68.0	70.6	72.0	73.4	72.8	73.8	74.7	75.6	75.6	76.4	76.9	70.8	73.7	76.1
(year % ch.)	0.1	17.6	10.0	7.2	0.8	7.1	4.5	3.8	3.0	3.8	3.5	2.9	8.2	4.0	3.3
Total public sector	182.8	174.2	175.8	176.3	177.2	176.1	176.9	177.8	179.2	180.1	181.5	182.8	177.3	177.0	180.9
(year % ch.)	-3.8	0.7	-0.6	-1.7	-3.1	1.1	0.6	0.9	1.1	2.3	2.6	2.8	-1.4	-0.2	2.2
Total															
Total fixed capital formation	625.4	631.1	617.3	632.2	635.1	637.4	645.9	653.7	660.4	668.3	677.8	686.1	626.5	643.0	673.1
(year % ch.)	-10.0	16.1	0.7	-2.0	1.6	1.0	4.6	3.4	4.0	4.8	4.9	4.9	0.4	2.6	4.7

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	22.92	23.02	23.11	23.34	23.48	23.59	23.74	23.81	23.81	23.90	22.74	23.38	23.81
(year % ch.)	-5.2	23.4	8.0	3.4	3.9	2.5	2.4	2.5	2.7	2.0	1.4	1.3	6.5	2.8	1.8
Private sector employment	12.80	12.81	12.79	12.95	13.11	13.17	13.30	13.51	13.46	13.57	13.78	13.93	12.83	13.27	13.68
(year % ch.)	-10.3	6.1	1.5	0.6	2.5	2.9	4.0	4.3	2.7	3.0	3.6	3.1	-0.9	3.4	3.1
Government employment	2.20	2.14	2.14	2.16	2.15	2.13	2.13	2.15	2.14	2.14	2.14	2.15	2.16	2.14	2.14
(year % ch.)	3.6	2.8	1.8	0.1	-2.4	-0.5	-0.5	-0.5	-0.5	0.5	0.5	0.0	2.0	-1.0	0.1
Total employment (incl. informal)	15.00	14.94	14.92	15.10	15.26	15.30	15.42	15.66	15.60	15.71	15.91	16.07	14.99	15.41	15.82
(year % ch.)	-8.5	5.6	1.6	0.5	1.7	2.4	3.4	3.7	2.2	2.7	3.2	2.7	-0.5	2.8	2.7
Unemployment rate	32.6	34.4	34.9	34.4	34.0	34.5	34.3	33.6	34.3	34.0	33.2	32.8	34.1	34.1	33.6
Wage rates (year % change)															
Unit labour cost	3.0	-3.8	4.5	6.6	4.2	3.5	4.4	5.6	4.9	4.5	4.4	4.1	2.5	4.5	4.5
Wage bill (R billion at current prices)															
Total wage bill	2793.5	2820.8	2870.4	2978.3	2965.4	2963.3	3096.3	3213.6	3179.3	3154.7	3284.5	3397.1	2865.8	3059.7	3253.9
(year % ch.)	0.4	14.8	8.2	9.5	6.2	5.1	7.9	7.9	7.2	6.5	6.1	5.7	8.0	6.8	6.3

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.)	2793.5 0.4	2820.8 14.8	2870.4 8.2	2978.3 9.5	2965.4 6.2	2963.3 5.1	3096.3 7.9	3213.6 7.9	3179.3 7.2	3154.7 6.5	3284.5 6.1	3397.1 5.7	2865.8 8.0	3059.7 6.8	3253.9 6.3
Disposable income (year % ch.)	3695.0 0.0	3763.2 26.3	3804.6 6.9	3880.6 6.8	3940.9 6.7	4004.5 6.4	4083.1 7.3	4146.3 6.8	4203.5 6.7	4262.8 6.5	4341.0 6.3	4401.0 6.1	3785.9 9.2	4043.7 6.8	4302.1 6.4
Less household consumption (year % ch.)	3668.7 -0.6	3750.7 27.0	3794.7 8.6	3869.1 7.2	3931.9 7.2	3994.6 6.5	4074.1 7.4	4138.3 7.0	4195.9 6.7	4254.8 6.5	4332.6 6.3	4391.2 6.1	3770.8 9.7	4034.7 7.0	4293.6 6.4
Saving	26.4	12.5	10.0	11.5	9.0	9.8	8.9	8.0	7.5	8.0	8.4	9.8	15.1	9.0	8.4
Households: ratio to disposable income															
Saving	0.7	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.2	0.2
Debt	67.1	66.7	65.3	65.5	66.0	66.1	64.5	64.9	65.4	65.7	64.2	64.7	66.1	65.4	65.0
Debt-service cost	7.6	7.5	7.4	7.5	7.6	7.7	7.6	7.6	7.8	7.9	7.8	7.9	7.5	7.6	7.9
Net wealth	379.9	377.4	377.2	384.2	391.2	391.9	390.9	392.4	393.7	394.7	395.5	398.1	379.7	391.6	395.5

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	791.7	900.4	886.8	955.8	893.3	738.2	821.0	924.3	931.2	789.1	878.0	989.0	883.7	844.2	896.8
(year % ch.)	1.6	41.8	32.3	19.4	12.8	-18.0	-7.4	-3.3	4.2	6.9	6.9	7.0	22.5	-4.5	6.2
Value added tax (VAT)	391.4	335.6	366.6	413.8	421.4	359.8	395.2	444.6	451.9	385.5	422.8	474.7	376.8	405.3	433.7
(year % ch.)	-2.2	59.8	9.2	6.8	7.7	7.2	7.8	7.4	7.2	7.1	7.0	6.8	13.0	7.5	7.0
Other indirect taxes	351.0	399.3	347.3	401.4	358.2	438.8	383.9	437.8	388.7	475.6	414.3	470.6	374.8	404.7	437.3
(year % ch.)	9.0	29.6	14.7	10.9	2.1	9.9	10.5	9.1	8.5	8.4	7.9	7.5	15.8	8.0	8.1
Expenditure															
Consumption	1186.1	1175.4	1201.5	1207.1	1214.3	1215.3	1231.7	1237.4	1242.8	1250.6	1267.5	1269.3	1192.5	1224.7	1257.6
(year % ch.)	4.4	5.3	5.0	3.7	2.4	3.4	2.5	2.5	2.3	2.9	2.9	2.6	4.6	2.7	2.7
Interest Payments	245.4	240.6	237.3	275.7	296.2	272.9	294.8	304.4	312.2	320.9	334.0	339.1	249.7	292.1	326.6
(year % ch.)	12.9	12.7	-5.6	32.6	20.7	13.4	24.2	10.4	5.4	17.6	13.3	11.4	12.2	16.9	11.8
Saving	-346.4	-178.6	-267.2	-189.0	-151.5	-295.4	-350.4	-195.9	-88.6	-301.5	-346.4	-170.8	-245.3	-248.3	-226.8
Ratios to GDP															
Total tax revenue	25.5	26.8	25.9	27.6	26.4	24.0	24.7	27.5	26.6	24.5	25.0	27.9	26.4	25.7	26.0
Main budget balance	-8.7	-2.6	-7.0	-4.0	-7.2	-7.4	-7.8	-4.0	-5.9	-6.9	-7.2	-3.9	-5.6	-6.6	-6.0
Gross debt	70.7	68.8	70.2	69.4	71.9	73.2	74.4	74.8	75.5	76.5	77.4	77.7	69.4	74.8	77.7

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	1839.7	2053.6	2039.9	2058.8	2036.2	2037.7	2048.2	2072.4	2110.0	2135.2	2155.9	2195.7	1998.0	2048.6	2149.2
(year % ch.)	12.6	71.4	28.0	20.4	10.7	-0.8	0.4	0.7	3.6	4.8	5.3	5.9	30.3	2.5	4.9
Net receipts	-55.0	-35.7	-24.3	-34.2	-34.2	-34.2	-34.1	-34.1	-34.1	-60.1	-60.1	-60.1	-37.3	-34.1	-53.6
(year % ch.)	65.6	11.6	-48.6	-39.3	-37.8	-4.3	40.5	-0.3	-0.2	76.0	76.1	76.2	-11.6	-8.4	57.0
Less imports: goods and services	1460.5	1506.3	1547.6	1648.9	1696.7	1725.3	1771.7	1820.6	1852.2	1882.8	1914.2	1950.5	1540.8	1753.6	1899.9
(year % ch.)	2.8	29.7	28.2	20.7	16.2	14.5	14.5	10.4	9.2	9.1	8.0	7.1	19.5	13.8	8.3
Less net factor payments	63.1	168.9	176.0	183.9	190.6	195.8	205.5	208.5	205.3	209.0	212.8	215.4	148.0	200.1	210.6
(year % ch.)	-41.8	52.7	247.8	82.8	201.9	16.0	16.7	13.4	7.7	6.8	3.6	3.3	59.9	35.2	5.3
Current account balance	261.2	342.8	292.1	191.8	114.8	82.4	36.9	9.3	18.4	-16.7	-31.1	-30.3	271.9	60.8	-14.9
Current account in US\$	17.5	24.3	20.0	12.7	7.7	5.4	2.4	0.6	1.2	-1.1	-2.0	-1.9	18.6	4.0	-1.0
Current account as % of GDP	4.3	5.6	4.7	3.0	1.8	1.3	0.6	0.1	0.3	-0.2	-0.5	-0.4	4.4	0.9	-0.2
Financing of the current account															
Total net capital flows	-44.1	-83.4	-72.0	-80.0	2.0	-42.0	11.0	-34.0	27.0	-18.0	29.0	-24.0	-279.5	-63.0	14.0
SDR + Valuation adjustment	-13.3	-29.5	101.7	-2.6	5.7	14.3	11.4	8.5	0.0	-5.7	0.0	5.7	56.4	39.9	0.0
Change in gross reserves	-23.6	-5.6	81.1	-3.1	4.9	14.5	10.0	8.4	0.1	-6.3	-0.4	5.6	48.8	37.8	-0.9
Gross reserves: quarter end	784.0	778.4	859.5	856.4	861.3	875.8	885.8	894.2	894.3	888.0	887.6	893.2	856.4	894.2	893.2
Gross reserves: quarter end (US\$)	53.0	54.5	57.1	57.1	57.0	57.1	57.0	57.0	57.0	56.9	56.9	56.9	57.1	57.0	56.9
Terms of trade															
Index (2015 = 100)	126.2	131.9	127.5	119.4	116.5	115.0	113.5	112.2	111.7	112.0	111.6	111.2	126.3	114.3	111.6
(year % ch.)	9.4	9.5	6.7	0.4	-7.7	-12.8	-11.0	-6.0	-4.1	-2.7	-1.7	-0.9	6.5	-9.4	-2.4

Table A 10: Credit, interest rates and exchange rates

	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	4148.7 0.6	4224.6 2.6	4287.5 4.1	4327.1 5.4	4385.9 5.7	4432.3 4.9	4489.4 4.7	4552.5 5.2	4630.5 5.6	4692.7 5.9	4224.6 2.6	4432.3 4.9	4692.7 5.9
Private sector credit to households (year % ch.)	1817.0 3.3	1831.5 5.6	1849.8 5.1	1876.4 4.8	1904.8 4.8	1930.0 5.4	1962.8 6.1	1988.7 6.0	2015.5 5.8	2044.5 5.9	2077.0 5.8	2104.2 5.8	1876.4 4.8	1988.7 6.0	2104.2 5.8
Private sector credit to firms (year % ch.)	2156.4 -5.2	2146.2 -5.0	2183.8 -0.6	2248.1 1.4	2282.7 5.9	2297.0 7.0	2323.2 6.4	2343.6 4.2	2373.8 4.0	2408.0 4.8	2453.4 5.6	2488.4 6.2	2248.1 1.4	2343.6 4.2	2488.4 6.2
Total private sector credit extension (year % ch.)	3973.5 -1.5	3977.7 -0.4	4033.7 1.9	4124.6 2.9	4187.5 5.4	4227.1 6.3	4285.9 6.3	4332.3 5.0	4389.4 4.8	4452.5 5.3	4530.5 5.7	4592.7 6.0	4124.6 2.9	4332.3 5.0	4592.7 6.0
Interest rates															
3-month NCD rate	3.65	3.68	3.68	3.87	4.10	4.36	4.62	4.68	4.93	5.12	5.26	5.38	3.72	4.44	5.17
10-year government bond yield	8.93	9.04	8.91	9.55	9.57	9.61	9.61	9.49	9.44	9.43	9.40	9.36	9.11	9.57	9.41
Prime overdraft rate	7.00	7.00	7.00	7.13	7.29	7.50	7.71	7.75	7.96	8.13	8.25	8.36	7.03	7.56	8.17
Effective household lending rate	11.33	11.24	11.40	11.51	11.45	11.59	11.74	11.76	11.93	12.06	12.17	12.26	11.37	11.64	12.11
Effective firm lending rate	3.99	4.12	4.27	4.43	4.51	4.60	4.70	4.70	4.86	5.00	5.10	5.19	4.20	4.63	5.04
Exchange rates															
R/US DOLLAR (year % ch.)	14.95 -2.5	14.13 -21.3	14.63 -13.5	15.05 -3.8	14.98 0.2	15.26 8.0	15.45 5.6	15.67 4.1	15.72 4.9	15.65 2.6	15.57 0.8	15.65 -0.1	14.69 -10.7	15.34 4.4	15.65 2.0
R/100 Japanese YEN (year % ch.)	14.13 0.2	12.92 -22.6	13.28 -16.6	13.62 -9.0	13.62 -3.6	13.98 8.2	14.17 6.7	14.51 6.5	14.56 6.9	14.49 3.7	14.42 1.7	14.49 -0.1	13.49 -12.6	14.07 4.3	14.49 3.0
R/STERLING (year % ch.)	20.62 5.0	19.75 -11.3	20.16 -7.7	20.40 -1.1	20.37 -1.2	20.83 5.4	21.17 5.0	21.55 5.6	21.69 6.5	21.60 3.7	21.49 1.5	21.60 0.2	20.23 -4.1	20.98 3.7	21.59 2.9
R/EURO (year % ch.)	18.03 6.5	17.03 -13.7	17.24 -12.8	17.43 -6.5	17.50 -3.0	17.88 5.0	18.23 5.7	18.62 6.8	18.71 6.9	18.74 4.8	18.68 2.5	18.86 1.3	17.44 -7.1	18.06 3.6	18.75 3.8
R/\$ PP parity rate (base PPI 2003) (year % ch.)	12.97 -0.3	12.63 -5.5	12.80 -4.0	12.98 -2.4	13.02 0.4	13.01 3.0	12.98 1.4	13.06 0.6	13.15 1.0	13.26 2.0	13.29 2.4	13.34 2.2	12.85 -3.1	13.02 1.3	13.26 1.9

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) (year % ch.)	158.4 17.2	170.0 20.4	170.3 15.9	167.4 12.5	165.3 4.3	164.6 -3.2	165.3 -3.0	166.2 -0.7	167.2 1.2	168.8 2.6	169.9 2.8	171.2 3.0	166.5 16.4	165.3 -0.7	169.3 2.4
Export commodities (in rand) (year % ch.)	2946.7 35.6	3472.7 57.5	3109.0 30.1	2952.1 16.0	2925.8 -0.7	2967.7 -14.5	3000.3 -3.5	3038.6 2.9	3080.2 5.3	3098.3 4.4	3093.0 3.1	3119.5 2.7	3120.1 34.0	2983.1 -4.4	3097.8 3.8
Imports (incl. services) (year % ch.)	125.5 7.2	129.0 9.9	133.5 8.6	140.2 12.1	141.8 13.0	143.0 10.9	145.5 9.0	148.1 5.7	149.6 5.5	150.8 5.4	152.3 4.6	154.1 4.0	132.1 9.5	144.6 9.5	151.7 4.9
GDE (year % ch.)	125.6 2.4	127.3 3.4	129.8 4.1	131.4 5.3	132.9 5.8	133.7 5.1	135.6 4.4	136.8 4.1	138.6 4.3	139.6 4.4	141.6 4.4	143.0 4.5	128.5 3.8	134.8 4.9	140.7 4.4
Investment (year % ch.)	124.2 4.3	126.4 6.0	128.7 4.0	130.5 6.0	131.7 6.0	133.7 5.8	135.5 5.3	136.5 4.5	138.5 5.2	140.5 5.1	142.2 4.9	143.9 5.4	127.5 5.0	134.4 5.4	141.3 5.2
GDP (year % ch.)	134.5 6.7	135.1 6.6	138.3 6.8	141.3 5.9	138.9 3.3	139.2 3.0	140.5 1.5	141.3 0.0	143.0 2.9	144.1 3.5	146.0 3.9	147.3 4.2	137.3 6.5	140.0 1.9	145.1 3.7
Consumer (index base: Dec 2016) & producer prices (index base: Dec 2020)															
Headline inflation (CPI) (year % ch.)	118.5 3.1	120.3 4.8	122.3 4.9	123.4 5.4	124.6 5.2	125.8 4.6	127.3 4.2	128.1 3.8	129.7 4.1	131.2 4.3	132.9 4.4	133.7 4.3	121.1 4.5	126.5 4.4	131.9 4.3
Core inflation*	117.4 2.8	118.4 3.1	119.5 3.1	120.0 3.0	121.4 3.4	123.0 3.8	124.0 3.7	124.6 3.9	126.6 4.3	128.2 4.3	129.2 4.2	129.7 4.0	118.8 3.0	123.3 3.7	128.4 4.2
CPI food and non-alcoholic beverages (year % ch.)	120.1 5.4	122.5 6.6	123.6 6.9	125.2 6.0	126.6 5.4	127.5 4.1	128.4 3.9	130.4 4.2	131.8 4.1	132.5 3.9	133.4 3.9	135.5 3.9	122.8 6.2	128.2 4.4	133.3 4.0
CPI petrol (year % ch.)	121.5 -3.2	133.1 28.4	139.2 18.2	150.7 32.9	148.6 22.3	145.1 9.0	142.9 2.6	142.8 -5.3	141.2 -5.0	142.1 -2.1	143.8 0.6	144.9 1.5	136.1 18.3	144.9 6.4	143.0 -1.3
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	14.92 -2.9	16.51 32.1	17.29 19.6	18.78 34.8	18.42 23.5	18.01 9.1	17.74 2.6	17.76 -5.4	17.52 -4.9	17.51 -2.8	17.62 -0.7	17.74 -0.1	16.87 20.0	17.98 6.6	17.60 -2.1
CPI electricity (year % ch.)	130.5 6.0	130.5 6.2	148.6 13.8	148.7 13.9	148.7 14.0	148.7 13.9	167.1 12.5	167.4 12.6	167.4 12.6	167.4 12.6	188.1 12.6	188.4 12.6	139.6 10.1	158.0 13.2	177.8 12.6
Producer price index (year % ch.)	101.7 4.2	104.0 7.3	106.1 7.2	108.4 8.6	109.6 7.7	110.4 6.1	110.8 4.4	112.0 3.3	113.5 3.6	115.2 4.4	116.3 5.0	117.6 5.0	105.1 6.8	110.7 5.4	115.7 4.5

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

Appendix B

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Table B 1: International economic indicators

	Average 2015-19	2020	2021	2022	2023	2024	2025	2026	Average 2022-26
Real GDP growth rates									
US % growth	2.4	-3.4	5.8	3.8	2.5	2.0	1.8	1.8	2.4
UK % growth	1.7	-9.8	6.6	5.4	2.2	1.4	1.6	1.6	2.4
Germany % growth	1.7	-4.9	3.1	5.3	2.3	1.9	1.7	1.6	2.6
Japan % growth	0.9	-4.7	2.4	3.5	1.4	1.2	1.1	0.9	1.6
Eurozone % growth	2.0	-6.5	5.2	4.7	2.3	2.1	1.9	1.8	2.6
G7 % growth	1.9	-5.0	5.4	4.2	2.3	1.9	1.7	1.6	2.3
CPI inflation rates									
US % CPI	1.6	1.2	4.4	3.5	2.2	2.1	2.0	2.0	2.4
UK % CPI	1.6	1.0	2.4	3.4	1.6	1.8	1.7	2.0	2.1
Germany % CPI	1.0	0.5	3.0	2.5	1.6	1.7	1.7	2.0	1.9
Japan % CPI	0.5	0.0	-0.2	0.5	0.7	0.9	1.0	0.9	0.8
G7 % CPI	1.3	0.9	3.1	2.8	1.8	1.7	1.8	1.9	2.0
China % CPI	2.0	2.4	1.2	2.4	2.4	2.3	2.3	2.3	2.3
India % CPI	5.2	5.6	5.2	4.6	4.4	4.2	4.2	4.2	4.3
Interest rates									
US prime rate	4.21	3.57	3.25	3.26	3.75	4.54	5.00	5.00	4.31
Commodity prices									
Spot oil price: US\$/barrel	57.8	43.4	70.7	71.3	67.0	66.0	65.0	64.0	66.7
London gold price: US\$/oz	1266	1771	1776	1725	1700	1675	1675	1650	1685
Platinum price: US\$/oz	945	885	1090	1150	1200	1250	1300	1350	1250
Palladium price: US\$/oz	949	2190	2400	2300	2600	2700	2850	3000	2690
SA coal price: US\$/mt	75.4	65.7	133.0	120.0	100.0	95.0	90.0	90.0	99.0
China iron ore price: US\$/mt	69.8	108.2	160.7	130.0	120.0	110.0	105.0	100.0	113.0
Exchange rates									
US\$/Sterling exchange rate	1.36	1.28	1.38	1.37	1.38	1.38	1.38	1.40	1.38
YN/\$ exchange rate	112.3	106.7	109.0	109.0	108.0	108.0	108.0	108.0	108.2
US\$/Euro exchange rate	1.13	1.14	1.19	1.18	1.20	1.22	1.22	1.23	1.21

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Nominal GDP expenditure components									
Household consumption (year % ch.)	3202.4 6.3	3437.1 -3.9	3770.8 9.7	4034.7 7.0	4293.6 6.4	4555.9 6.1	4843.9 6.3	5151.1 6.3	4575.8 6.4
Government consumption (year % ch.)	974.4 6.6	1140.1 3.7	1192.5 4.6	1224.7 2.7	1257.6 2.7	1305.1 3.8	1366.2 4.7	1423.9 4.2	1315.5 3.6
Fixed investment (year % ch.)	833.7 2.6	757.3 -12.0	798.6 5.5	864.1 8.2	951.3 10.1	1052.2 10.6	1164.9 10.7	1294.7 11.1	1065.4 10.1
Inventory investment	18.1	-53.6	-31.5	26.9	49.3	52.0	51.4	50.1	46.0
Residual item	0.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3
Gross domestic expenditure (year % ch.)	5028.8 5.9	5276.5 -5.4	5726.1 8.5	6146.1 7.3	6547.4 6.5	6960.9 6.3	7422.1 6.6	7915.5 6.6	6998.4 6.7
Exports: goods and services (year % ch.)	1391.8 5.1	1533.6 0.1	1998.0 30.3	2048.6 2.5	2149.2 4.9	2261.8 5.2	2361.1 4.4	2464.4 4.4	2257.0 4.3
Imports: goods and services (year % ch.)	1376.3 3.6	1289.1 -14.2	1540.8 19.5	1753.6 13.8	1899.9 8.3	2048.6 7.8	2207.3 7.7	2376.4 7.7	2057.1 9.1
Expenditure on GDP (year % ch.)	5044.2 6.3	5521.1 -1.5	6183.3 12.0	6441.1 4.2	6796.7 5.5	7174.1 5.6	7575.9 5.6	8003.5 5.6	7198.3 5.3

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Real GDP expenditure components									
Household consumption (year % ch.)	2893.7 1.6	2790.0 -6.5	2954.7 5.9	3023.0 2.3	3088.2 2.2	3145.2 1.8	3206.6 2.0	3269.7 2.0	3146.6 2.0
Government consumption (year % ch.)	859.4 0.9	896.9 1.3	895.4 -0.2	880.7 -1.6	866.2 -1.7	858.9 -0.8	857.0 -0.2	853.8 -0.4	863.3 -0.9
Fixed investment (year % ch.)	765.3 -1.4	624.1 -14.9	626.5 0.4	643.0 2.6	673.1 4.7	709.4 5.4	750.2 5.7	796.4 6.2	714.4 4.9
Inventory investment	13.9	-45.6	-17.6	16.9	28.4	25.9	21.9	17.9	22.2
Residual item	7.4	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Gross domestic expenditure (year % ch.)	4539.6 1.1	4276.4 -8.0	4470.0 4.5	4574.6 2.3	4667.0 2.0	4750.4 1.8	4846.7 2.0	4948.9 2.1	4757.5 2.1
Exports: goods and services (year % ch.)	1232.3 0.5	1072.7 -12.0	1199.2 11.8	1239.1 3.3	1269.6 2.5	1307.7 3.0	1342.3 2.6	1378.6 2.7	1307.5 2.8
Imports: goods and services (year % ch.)	1268.9 1.2	1069.4 -17.4	1166.7 9.1	1212.1 3.9	1252.4 3.3	1290.2 3.0	1332.5 3.3	1378.1 3.4	1293.1 3.4
Expenditure on GDP (year % ch.)	4503.0 0.9	4279.6 -6.4	4502.5 5.2	4601.6 2.2	4684.1 1.8	4767.9 1.8	4856.4 1.9	4949.4 1.9	4771.9 1.9

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Household consumption categories									
Durable goods (year % ch.)	277.5 0.9	263.0 -8.6	300.7 14.3	305.7 1.7	314.5 2.9	323.9 3.0	333.9 3.1	344.4 3.2	324.5 2.8
Semi-durable goods (year % ch.)	266.7 2.2	227.2 -17.7	252.9 11.3	267.8 5.9	278.8 4.1	287.1 3.0	295.5 2.9	304.3 3.0	286.7 3.8
Non-durable goods (year % ch.)	878.5 1.3	858.0 -4.6	903.7 5.3	914.3 1.2	927.1 1.4	941.1 1.5	955.3 1.5	969.0 1.4	941.4 1.4
Services (year % ch.)	1470.9 1.8	1441.7 -5.2	1497.4 3.9	1535.2 2.5	1567.9 2.1	1593.1 1.6	1621.8 1.8	1652.0 1.9	1594.0 2.0
Total household consumption (year % ch.)	2893.7 1.6	2790.0 -6.5	2954.7 5.9	3023.0 2.3	3088.2 2.2	3145.2 1.8	3206.6 2.0	3269.7 2.0	3146.6 2.0
Disposable income of households									
Real disposable income (year % ch.)	2882.2 1.9	2814.3 -5.3	2966.6 5.4	3029.7 2.1	3094.3 2.1	3150.9 1.8	3209.6 1.9	3270.8 1.9	3151.1 2.0
Adjusted for debt-service cost (real) (year % ch.)	2827.7 1.9	2765.4 -5.2	2919.3 5.6	2984.6 2.2	3051.0 2.2	3109.3 1.9	3169.8 1.9	3232.5 2.0	3109.4 2.1

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Durable goods									
Furniture + household appliances (year % ch.)	57.4 1.2	54.6 -9.1	64.0 17.2	64.4 0.6	65.2 1.2	66.6 2.2	68.3 2.5	70.0 2.6	66.9 1.8
Personal transport equipment (year % ch.)	118.5 -3.9	101.3 -10.6	112.9 11.4	115.0 1.9	117.7 2.3	119.6 1.6	121.6 1.7	123.7 1.7	119.5 1.8
Computers and related equipment (year % ch.)	12.6 8.8	11.8 -18.3	15.5 31.0	15.8 1.7	16.4 4.2	17.2 4.8	18.0 4.5	18.8 4.6	17.3 4.0
Recreation + entertainment goods (year % ch.)	64.2 8.7	74.0 2.3	79.2 7.0	80.9 2.1	84.1 4.0	87.9 4.5	92.0 4.7	96.4 4.8	88.3 4.0
Other durable goods (year % ch.)	24.8 4.5	21.3 -23.1	29.1 36.8	29.7 1.9	31.1 4.9	32.6 4.7	34.0 4.4	35.5 4.3	32.6 4.1
Semi-durable goods									
Clothing and footwear (year % ch.)	150.3 1.7	122.0 -21.0	138.9 13.8	148.1 6.6	155.1 4.7	159.3 2.7	163.3 2.5	167.4 2.5	158.6 3.8
Household textiles etc. (year % ch.)	38.8 3.9	36.2 -12.9	39.3 8.5	41.1 4.5	42.6 3.8	44.3 4.0	46.3 4.5	48.4 4.6	44.6 4.3
Motor accessories (year % ch.)	45.9 1.1	40.3 -12.0	43.0 6.8	44.8 4.0	45.8 2.4	46.7 1.8	47.5 1.8	48.4 1.9	46.6 2.4
Recreation + entertainment goods (year % ch.)	17.8 4.1	15.7 -18.9	17.7 12.5	19.0 7.5	19.8 4.2	20.7 4.2	21.5 4.3	22.5 4.4	20.7 4.9
Miscellaneous (year % ch.)	13.9 4.3	12.9 -12.4	14.0 8.0	14.9 6.5	15.5 3.9	16.1 4.1	16.8 4.4	17.6 4.5	16.2 4.7

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Non-durable goods									
Food, beverage & tobacco (year % ch.)	538.3 1.8	529.9 -4.8	559.3 5.5	566.2 1.2	575.5 1.6	585.9 1.8	596.0 1.7	605.8 1.6	585.9 1.6
Household fuel & power (year % ch.)	116.6 -0.5	119.6 4.4	120.0 0.3	118.8 -1.0	118.4 -0.3	118.9 0.4	119.5 0.5	119.9 0.4	119.1 0.0
Household consumer goods (year % ch.)	60.0 2.8	59.8 -5.8	63.7 6.5	64.7 1.6	66.0 1.9	67.4 2.1	69.0 2.4	70.5 2.2	67.5 2.1
Medical & pharm products (year % ch.)	56.4 3.1	59.2 0.8	60.0 1.3	60.7 1.1	61.8 1.9	63.1 2.2	64.6 2.4	66.1 2.3	63.3 1.9
Petroleum products (year % ch.)	81.2 -0.7	69.7 -13.1	75.3 8.1	78.0 3.5	79.3 1.7	79.7 0.5	80.0 0.4	80.4 0.4	79.5 1.3
Recreation & entertainment goods (year % ch.)	26.0 0.1	19.9 -21.9	25.4 27.8	25.8 1.8	26.0 0.6	26.1 0.5	26.2 0.4	26.3 0.3	26.1 0.7
Services									
Rent (year % ch.)	315.6 1.2	324.9 0.7	327.6 0.8	330.7 1.0	334.5 1.1	338.3 1.2	342.4 1.2	346.5 1.2	338.5 1.1
Household services (year % ch.)	68.5 4.0	71.9 -0.7	72.5 0.8	73.6 1.5	75.3 2.3	77.3 2.7	79.8 3.2	82.5 3.4	77.7 2.6
Medical services (year % ch.)	153.4 1.9	145.5 -7.3	152.7 5.0	159.1 4.2	162.6 2.2	165.7 1.9	169.2 2.1	172.9 2.2	165.9 2.5
Transport & communication (year % ch.)	319.4 1.3	311.0 -4.3	335.6 7.9	341.1 1.7	345.2 1.2	348.2 0.9	352.3 1.2	356.6 1.2	348.7 1.2
Recreation & entertainment (year % ch.)	220.6 1.9	204.4 -9.6	215.5 5.4	223.1 3.6	229.6 2.9	234.2 2.0	239.0 2.1	244.1 2.1	234.0 2.5
Miscellaneous Services (year % ch.)	393.5 2.3	384.0 -8.0	393.5 2.5	407.5 3.6	420.7 3.2	429.4 2.1	439.1 2.3	449.5 2.4	429.3 2.7

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Private sector									
Residential (year % ch.)	103.0 -1.0	77.2 -22.5	76.3 -1.1	78.9 3.4	81.1 2.8	83.8 3.2	86.6 3.4	90.0 3.9	84.1 3.3
Other non-residential (year % ch.)	410.1 1.1	367.1 -14.7	372.9 1.6	387.1 3.8	411.1 6.2	440.0 7.0	472.9 7.5	510.0 7.8	444.2 6.5
Total private sector (year % ch.)	513.2 0.7	444.3 -16.2	449.2 1.1	466.0 3.7	492.2 5.6	523.7 6.4	559.5 6.8	599.9 7.2	528.3 6.0
Public sector									
Government (year % ch.)	142.0 -1.8	114.3 -10.1	106.4 -6.9	103.3 -2.9	104.8 1.4	107.8 2.9	110.8 2.8	114.5 3.3	108.2 1.5
Public corporations (year % ch.)	110.1 -10.0	65.5 -14.0	70.8 8.2	73.7 4.0	76.1 3.3	77.9 2.3	79.9 2.6	82.1 2.7	77.9 3.0
Total public sector (year % ch.)	252.1 -5.5	179.8 -11.5	177.3 -1.4	177.0 -0.2	180.9 2.2	185.7 2.7	190.7 2.7	196.5 3.0	186.2 2.1
Total									
Total fixed capital formation (year % ch.)	765.3 -1.4	624.1 -14.9	626.5 0.4	643.0 2.6	673.1 4.7	709.4 5.4	750.2 5.7	796.4 6.2	714.4 4.9

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Residential (year % ch.)	104.2 -1.0	78.1 -22.5	77.2 -1.1	79.8 3.3	82.1 2.8	84.7 3.2	87.6 3.4	91.1 3.9	85.0 3.4
Non-residential (year % ch.)	62.9 -1.2	46.2 -20.1	44.5 -3.7	45.0 1.1	46.0 2.2	47.6 3.3	49.5 4.0	51.8 4.7	48.0 3.1
Construction works (year % ch.)	175.5 -5.8	124.0 -15.5	121.8 -1.8	124.3 2.1	128.9 3.7	136.2 5.6	144.7 6.3	154.0 6.4	137.6 4.8
Transport equipment (year % ch.)	94.3 -2.1	64.7 -22.4	71.0 9.7	73.3 3.3	77.1 5.2	80.7 4.6	84.6 4.9	89.2 5.4	81.0 4.7
Computer equipment (year % ch.)	25.1 12.3	21.8 -15.0	22.5 3.2	23.9 6.2	25.3 6.0	26.8 6.1	28.5 6.3	30.3 6.4	27.0 6.2
Machinery and other equipment (year % ch.)	227.8 0.4	211.0 -11.6	208.0 -1.4	212.9 2.4	226.4 6.3	241.6 6.7	258.4 6.9	277.7 7.5	243.4 6.0
Research and development (year % ch.)	32.6 0.7	31.8 1.4	32.3 1.6	32.9 1.9	33.9 2.9	35.2 3.8	36.6 4.1	38.3 4.5	35.4 3.4
Computer software (year % ch.)	20.8 8.6	25.0 -7.2	25.6 2.7	26.4 2.8	27.7 5.1	29.4 6.3	31.2 6.0	33.2 6.5	29.6 5.3
Mineral exploration and evaluation (year % ch.)	1.7 -11.2	1.2 -18.3	1.3 3.9	1.3 2.8	1.3 4.4	1.4 5.4	1.5 5.9	1.6 6.2	1.4 5.0
Cultivated biological resources (year % ch.)	6.4 -1.6	7.9 19.7	8.0 1.2	8.3 3.6	8.7 4.6	9.2 5.6	9.8 6.6	10.4 6.6	9.3 5.4
Transfer costs (year % ch.)	13.9 0.3	12.3 -10.7	14.3 16.0	14.9 4.0	15.7 5.5	16.7 6.5	17.8 6.4	18.9 6.4	16.8 5.8

Table B 6: Labour sector (million)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Employment									
Total labour force	22.1	21.3	22.7	23.4	23.8	24.1	24.4	24.7	24.1
(year % ch.)	2.6	-6.9	6.5	2.8	1.8	1.3	1.2	1.2	1.7
Private sector employment	14.0	12.9	12.8	13.3	13.7	13.9	14.2	14.4	13.9
(year % ch.)	1.8	-9.1	-0.9	3.4	3.1	1.9	1.8	1.8	2.4
Government employment	2.1	2.1	2.2	2.1	2.1	2.2	2.2	2.2	2.2
(year % ch.)	0.0	0.7	2.0	-1.0	0.1	1.5	-0.1	-0.2	0.1
Total employment (incl. informal)	16.1	15.1	15.0	15.4	15.8	16.1	16.4	16.6	16.1
(year % ch.)	1.6	-7.9	-0.5	2.8	2.7	1.8	1.6	1.5	2.1
Unemployment rate	27.1	29.2	34.1	34.1	33.6	33.2	33.0	32.8	33.3
Wage rates (year % change)									
Unit labour cost	5.4	4.0	2.5	4.5	4.5	4.5	4.7	4.7	4.6
Wage bill (R billion at current prices)									
Total wage bill	2470.5	2653.2	2865.8	3059.7	3253.9	3462.4	3693.9	3943.1	3482.6
(year % ch.)	6.4	-2.9	8.0	6.8	6.3	6.4	6.7	6.7	6.6

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Income and expenditure									
Remuneration of employees (year % ch.)	2470.5 6.4	2653.2 -2.9	2865.8 8.0	3059.7 6.8	3253.9 6.3	3462.4 6.4	3693.9 6.7	3943.1 6.7	3482.6 6.6
Social benefits to households (year % ch.)	256.8 11.8	486.2 51.2	404.4 -16.8	416.6 3.0	431.3 3.5	455.0 5.5	480.0 5.5	506.4 5.5	457.8 4.6
Less direct personal taxes (year % ch.)	465.8 8.7	510.0 -5.0	535.1 4.9	574.2 7.3	613.0 6.7	656.4 7.1	706.0 7.6	759.8 7.6	661.9 7.3
Disposable income (year % ch.)	3190.1 6.6	3467.1 -2.7	3785.9 9.2	4043.7 6.8	4302.1 6.4	4564.1 6.1	4848.5 6.2	5152.7 6.3	4582.2 6.4
Less household consumption (year % ch.)	3202.4 6.3	3437.1 -3.9	3770.8 9.7	4034.7 7.0	4293.6 6.4	4555.9 6.1	4843.9 6.3	5151.1 6.3	4575.8 6.4
Saving	-12.3	30.0	15.1	9.0	8.4	8.2	4.6	1.6	6.4
Households: ratio to disposable income									
Saving	-0.4	0.9	0.4	0.2	0.2	0.2	0.1	0.0	0.1
Debt	65.3	68.8	66.1	65.4	65.0	64.8	64.6	64.4	64.8
Debt-service cost	9.1	8.5	7.5	7.6	7.9	8.2	8.1	8.1	8.0
Net wealth	350.9	357.2	379.7	391.6	395.5	395.7	397.2	398.1	395.6

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

	Average 2015-19	2020	2021	2022	2023	2024	2025	2026	Average 2022-26
Income									
Personal income tax (year % ch.)	465.8 8.7	510.0 -5.0	535.1 4.9	574.2 7.3	613.0 6.7	656.4 7.1	706.0 7.6	759.8 7.6	661.9 7.3
Corporate income tax (year % ch.)	227.6 4.2	211.1 -11.0	348.6 65.2	270.0 -22.6	283.8 5.1	303.9 7.1	324.4 6.7	345.8 6.6	305.6 0.6
Value added tax (VAT) (year % ch.)	302.5 5.2	333.4 1.2	376.8 13.0	405.3 7.5	433.7 7.0	463.8 6.9	497.3 7.2	533.1 7.2	466.6 7.2
Other indirect taxes (year % ch.)	312.2 9.9	323.8 -12.2	374.8 15.8	404.7 8.0	437.3 8.1	471.0 7.7	507.9 7.8	547.6 7.8	473.7 7.9
Other income	59.1	77.1	48.4	46.9	47.9	49.5	51.9	55.3	50.3
Current income (year % ch.)	1367.3 7.3	1455.3 -5.3	1683.7 15.7	1701.1 1.0	1815.8 6.7	1944.6 7.1	2087.6 7.4	2241.6 7.4	1958.1 5.9
Expenditure									
Consumption (year % ch.)	974.4 6.6	1140.1 3.7	1192.5 4.6	1224.7 2.7	1257.6 2.7	1305.1 3.8	1366.2 4.7	1423.9 4.2	1315.5 3.6
Interest Payments (year % ch.)	157.0 12.0	222.5 14.7	249.7 12.2	292.1 16.9	326.6 11.8	375.6 15.0	417.7 11.2	447.2 7.1	371.8 12.4
Social benefits to households (year % ch.)	256.8 11.8	486.2 51.2	404.4 -16.8	416.6 3.0	431.3 3.5	455.0 5.5	480.0 5.5	506.4 5.5	457.8 4.6
Other expenditure	199.6	335.4	305.5	239.1	250.4	246.4	241.4	244.1	244.3
Current expenditure (year % ch.)	1587.8 9.3	2184.2 14.1	2152.1 -1.5	2172.5 0.9	2265.7 4.3	2382.1 5.1	2505.3 5.2	2621.7 4.6	2389.4 4.0
Saving	-109.3	-515.4	-245.3	-248.3	-226.8	-214.3	-194.5	-157.0	-208.2
Ratios to GDP									
Total tax revenue	25.9	24.9	26.4	25.7	26.0	26.4	26.9	27.3	26.5
Current expenditure	31.4	39.6	34.8	33.7	33.3	33.2	33.1	32.8	33.2
Main budget balance	-4.2	-9.7	-5.6	-6.6	-6.0	-5.5	-5.0	-4.2	-5.5
Gross debt (National government)	49.8	69.4	69.4	74.8	77.7	80.0	81.7	82.5	79.3

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

	Average 2015-19	2020	2021	2022	2023	2024	2025	2026	Average 2022-26
Current account									
Exports: goods and services (year % ch.)	1391.8 5.1	1533.6 0.1	1998.0 30.3	2048.6 2.5	2149.2 4.9	2261.8 5.2	2361.1 4.4	2464.4 4.4	2257.0 4.3
Net receipts (year % ch.)	-33.3 1.9	-42.2 22.1	-37.3 -11.6	-34.1 -8.4	-53.6 57.0	-57.1 6.5	-53.1 -7.0	-55.8 5.1	-50.7 10.6
Less imports: goods and services (year % ch.)	1376.3 3.6	1289.1 -14.2	1540.8 19.5	1753.6 13.8	1899.9 8.3	2048.6 7.8	2207.3 7.7	2376.4 7.7	2057.1 9.1
Less net factor payments (year % ch.)	130.7 6.9	92.6 -33.8	148.0 59.9	200.1 35.2	210.6 5.3	220.7 4.8	233.3 5.7	246.1 5.5	222.1 11.3
Current account balance	-148.6	109.8	271.9	60.8	-14.9	-64.5	-132.5	-213.8	-73.0
Current account in US\$	-10.9	6.9	18.6	4.0	-1.0	-4.0	-8.0	-12.6	-4.3
Current account as % of GDP	-2.9	2.0	4.4	0.9	-0.2	-0.9	-1.7	-2.7	-1.0
Financing of the current account									
Total net capital flows	166.2	-163.9	-279.5	-63.0	14.0	63.5	132.0	213.0	71.9
SDR + Valuation adjustment	23.2	89.6	56.4	39.9	0.0	28.4	34.1	19.9	24.5
Change in gross reserves	40.7	35.5	48.8	37.8	-0.9	27.4	33.6	19.0	23.4
Gross reserves: quarter end	700.2	807.6	856.4	894.2	893.2	920.6	954.2	973.2	927.1
Gross reserves: quarter end (US\$)	50.1	55.0	57.1	57.0	56.9	56.8	56.8	56.7	56.8
Terms of trade									
Index (2010 = 100) (year % ch.)	104.1 2.1	118.5 9.3	126.3 6.5	114.3 -9.4	111.6 -2.4	109.0 -2.4	106.2 -2.5	103.7 -2.4	109.0 -3.8

Table B 10: Credit, interest rates and exchange rates

	Average 2015-19	2020	2021	2022	2023	2024	2025	2026	Average 2022-26
Money supply and credit extension									
M3 money supply (year % ch.)	3360.2 6.9	4118.6 9.4	4224.6 2.6	4432.3 4.9	4692.7 5.9	4984.5 6.2	5309.4 6.5	5669.9 6.8	5017.7 6.1
Private sector credit to households (year % ch.)	1573.7 4.2	1790.5 3.2	1876.4 4.8	1988.7 6.0	2104.2 5.8	2228.4 5.9	2360.8 5.9	2501.9 6.0	2236.8 5.9
Private sector credit to firms (year % ch.)	1893.6 8.9	2217.2 3.8	2248.1 1.4	2343.6 4.2	2488.4 6.2	2656.1 6.7	2848.6 7.2	3068.0 7.7	2681.0 6.4
Total private sector credit extension (year % ch.)	3467.3 6.6	4007.7 3.6	4124.6 2.9	4332.3 5.0	4592.7 6.0	4884.5 6.4	5209.4 6.7	5569.9 6.9	4917.7 6.2
Interest rates									
3-month NCD rate	6.93	4.47	3.72	4.44	5.17	5.79	5.79	5.78	5.39
10-year government bond yield	8.74	9.41	9.11	9.57	9.41	9.41	9.42	9.26	9.41
Prime overdraft rate	10.08	7.86	7.03	7.56	8.17	8.74	8.75	8.75	8.39
Effective household lending rate	13.93	12.38	11.37	11.64	12.11	12.59	12.61	12.55	12.30
Effective firm lending rate	7.73	5.07	4.20	4.63	5.04	5.51	5.54	5.44	5.23
Exchange rates									
R/US DOLLAR (year % ch.)	13.69 6.4	16.46 13.9	14.69 -10.7	15.34 4.4	15.65 2.0	16.03 2.4	16.55 3.3	16.96 2.5	16.11 2.9
R/ 100 Japanese YEN (year % ch.)	12.23 6.1	15.42 16.3	13.49 -12.6	14.07 4.3	14.49 3.0	14.84 2.4	15.32 3.3	15.71 2.5	14.89 3.1
R/STERLING (year % ch.)	18.54 1.0	21.09 14.4	20.23 -4.1	20.98 3.7	21.59 2.9	22.11 2.4	22.84 3.3	23.71 3.8	22.25 3.2
R/EURO (year % ch.)	15.45 2.6	18.77 16.0	17.44 -7.1	18.06 3.6	18.75 3.8	19.54 4.2	20.19 3.3	20.86 3.3	19.48 3.7
R/\$ PP parity rate (base PPI 2003) (year % ch.)	11.89 5.0	13.25 4.7	12.85 -3.1	13.02 1.3	13.26 1.9	13.62 2.7	13.96 2.5	14.29 2.4	13.63 2.2

Table B 11: Prices

	Average 2015-19	2020	2021	2022	2023	2024	2025	2026	Average 2022-26
Price deflators (index base year: 2015)									
Exports (incl. services) (year % ch.)	112.9 4.6	143.0 13.7	166.5 16.4	165.3 -0.7	169.3 2.4	173.0 2.2	175.9 1.7	178.8 1.6	172.4 1.4
Export commodities (in rand) (year % ch.)	1169.6 11.3	2328.3 53.4	3120.1 34.0	2983.1 -4.4	3097.8 3.8	3002.1 -3.1	2846.2 -5.2	2676.6 -6.0	2921.2 -3.0
Imports (incl. services) (year % ch.)	108.4 2.4	120.6 4.0	132.1 9.5	144.6 9.5	151.7 4.9	158.8 4.7	165.6 4.3	172.4 4.1	158.6 5.5
GDE (year % ch.)	110.9 4.7	123.8 3.0	128.5 3.8	134.8 4.9	140.7 4.4	147.0 4.4	153.6 4.5	160.4 4.4	147.3 4.5
Investment (year % ch.)	109.1 4.0	121.3 3.4	127.5 5.0	134.4 5.4	141.3 5.2	148.3 4.9	155.3 4.7	162.5 4.7	148.3 5.0
GDP (year % ch.)	111.9 5.3	129.0 5.2	137.3 6.5	140.0 1.9	145.1 3.7	150.5 3.7	156.0 3.7	161.7 3.7	150.6 3.3
Consumer (index base: Dec 2016) & producer prices (index base: Dec 2020)									
Headline inflation (CPI) (year % ch.)	102.6 5.0	115.9 3.3	121.1 4.5	126.5 4.4	131.9 4.3	137.6 4.4	143.8 4.5	150.4 4.5	138.0 4.4
Core inflation* (year % ch.)	102.6 4.8	115.4 3.3	118.8 3.0	123.3 3.7	128.4 4.2	134.0 4.3	139.9 4.4	146.1 4.4	134.3 4.2
CPI food and non-alcoholic beverages (year % ch.)	101.0 5.9	115.7 4.5	122.8 6.2	128.2 4.4	133.3 4.0	138.6 4.0	144.5 4.2	150.7 4.3	139.1 4.2
CPI petrol (year % ch.)	109.1 3.0	115.1 -7.0	136.1 18.3	144.9 6.4	143.0 -1.3	149.8 4.7	158.1 5.6	166.2 5.1	152.4 4.1
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	13.5 2.7	14.1 -6.9	16.9 20.0	18.0 6.6	17.6 -2.1	18.4 4.7	19.5 5.6	20.4 5.1	18.8 4.0
CPI electricity (year % ch.)	101.8 7.6	126.7 8.8	139.6 10.1	158.0 13.2	177.8 12.6	188.5 6.0	199.8 6.0	211.8 6.0	187.2 8.8
Producer price index (year % ch.)	87.0 5.1	98.3 2.5	105.1 6.8	110.7 5.4	115.7 4.5	121.6 5.1	127.4 4.8	133.5 4.8	121.8 4.9

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