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# Economic Prospects

Economic activity expected during 2024 and 2025

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## Forecast in a nutshell

| Real annual % change*                             | 2023           | 2024           | 2025           |
|---|----------------|----------------|----------------|
| <b>Final household consumption expenditure</b>    | <b>0.6</b>     | <b>1.2</b>     | <b>2.1</b>     |
| Durable goods                                     | 0.5            | 1.2            | 3.1            |
| Semi-durable goods                                | 3.3            | 1.4            | 2.6            |
| Non-durable goods                                 | -1.3           | 0.9            | 2.0            |
| Services  | 1.3            | 1.3            | 1.9            |
| <b>Gross fixed capital formation</b>              | <b>4.4</b>     | <b>3.4</b>     | <b>6.2</b>     |
| Private   | 4.5            | 5.3            | 7.8            |
| Government  | 4.8            | -3.1           | 1.1            |
| Public Corporations                               | 3.6            | 1.4            | 3.2            |
| <b>Gross domestic expenditure</b>                 | <b>0.6</b>     | <b>1.8</b>     | <b>2.6</b>     |
| Exports of goods and services                     | 3.6            | 2.4            | 2.8            |
| Imports of goods and services                     | 3.4            | 3.1            | 4.1            |
| <b>Gross domestic product</b>                     | <b>0.6</b>     | <b>1.5</b>     | <b>2.2</b>     |
| <b>Current account as % of GDP</b>                | <b>-0.9</b>    | <b>-2.0</b>    | <b>-3.2</b>    |
| <b>Interest rates (% , last quarter average)</b>  |                |                |                |
| 3-month NCD rate                                  | 8.37           | 7.84           | 7.37           |
| 10-year government bond yield                     | 10.35          | 9.95           | 9.86           |
| Prime overdraft rate                              | 11.75          | 11.04          | 10.50          |
| <b>Inflation rates (%)</b>                        |                |                |                |
| Producer prices                                   | 6.8            | 4.5            | 4.0            |
| Consumer prices                                   | 6.0            | 5.0            | 4.6            |
| <b>Labour and employment (private and public)</b> |                |                |                |
| Nominal wage rate                                 | -0.8           | 4.1            | 5.2            |
| Employment growth                                 | 6.1            | 2.5            | 1.7            |
| <b>Exchange rates (Q4 average)</b>                |                |                |                |
| R/US dollar                                       | 18.74          | 18.45          | 17.75          |
| R/Euro  | 20.17          | 20.85          | 20.95          |
| R/Pound sterling                                  | 23.27          | 23.80          | 23.26          |
| R/100 Japanese Yen                                | 12.67          | 13.69          | 13.98          |
| <b>Fiscal indicators as % of GDP</b>              | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> |
| Main budget balance                               | -6.0           | -5.7           | -5.0           |
| Gross government debt                             | 75.9           | 79.6           | 82.4           |

\* unless specified otherwise

# Executive summary

Although we were anticipating a number of shocks<sup>1</sup> to weigh on SA growth in 2023Q3, the outcome was even lower than what we had projected. Real GDP declined by 0.2% q-o-q after an upwardly revised increase of 0.5% (from 0.6%) in 2023Q2. The decline was on the back of a large drawdown in inventories and significant weakness in underlying domestic demand as both household consumption and fixed investment contracted, while government consumption growth slowed. As such, in our December interim forecast update, we lowered our full-year growth forecast for 2023 to 0.6% from 0.8% in October. The latest high-frequency data suggests that, although we are likely to escape a technical recession (i.e. two consecutive quarters of negative q-o-q growth), growth momentum remains weak. We have left our GDP growth forecast for 2023 unchanged at 0.6%, but have revised our 2024 forecast slightly lower (to 1.5% from 1.6% previously) as persistent bottlenecks in the logistics sector, unreliable electricity supply and diminished sentiment will likely continue to weigh on growth prospects.

On the global front, the **US economy** continued to show remarkable resilience through the final months of 2023. However, it is expected that GDP growth will slow in 2024. The labour market is starting to cool, while consumers are eating away at their excess savings and starting to tap into credit markets to fund spending. The **Eurozone (EZ)** economy slogged through 2023 and narrowly avoided a recession by recording no growth in Q4 following a slight contraction in Q3. In contrast, government stimulus and a base-effect boost from zero-COVID in 2022 meant that the **Chinese economy** reached its “around 5%” growth target. However, deflationary pressure and continued problems in the property sector indicate that – unless stimulus is ramped up even more – growth is set to slow in 2024. More stimulus could have positive spillovers for SA export commodity prices. For now, we see lower prices for coal and iron ore in 2024 from 2023. Gold and platinum should be somewhat higher. In all, the International Monetary Fund (IMF), expects global growth to remain unchanged from 2023 at 3.1% in 2024 – slightly above their October forecast for 2024.

Consumer inflation in advanced economies has moderated to such an extent that the major **global central banks** are starting to talk in earnest about cutting interest rates later this year. However, we remain of the view that financial markets are too optimistic about the timing of the first cut as economic strength in the US and wage pressure in the EZ and UK will likely see central banks hold off on policy easing until mid-year. Additionally, central

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<sup>1</sup> This includes more intense load-shedding, disruptions on the N3 transport corridor, strikes in the Western Cape taxi industry and Tshwane municipal workers, Western Cape floods and the Avian flu.

bankers have expressed a preference for a cautious approach, opting to move slowly and risk potential lateness rather than acting prematurely and having to backtrack. Although the US Federal Reserve (Fed) is anticipated to initiate a rate cut before its European counterparts, the difference in timing is expected to be marginal. As developed economy central banks keep interest rates higher for longer, we expect the dollar to strengthen in the near term compared to December 2023 levels. However, our baseline international currency view is that the US dollar could lose some ground towards the middle of the year as central banks look to ease monetary policy.

The **rand exchange rate** traded in a wide range in the last quarter of 2023, oscillating between R18.20/\$ and R19.55/\$, and averaging R18.78/\$ for the quarter as a whole (Q3: R18.64/\$). The rand tends to experience larger and more volatile movements in relation to other emerging market currencies and has been particularly sensitive to any news regarding global monetary policy. The currency will likely continue to trade in a volatile range on the back of global monetary policy expectations, risk appetite, and domestic idiosyncratic risks, including the upcoming Budget on 21 February and the national elections. We expect the rand to strengthen somewhat compared to last year and average R18.38 in 2024 (2023: R18.44/\$), before appreciating to R17.92/\$ in 2025 on a widely expected weaker dollar.

**Headline consumer inflation** ticked up to an average of 5.5% y-o-y in 2023Q4 (Q3: 5%), with annual inflation averaging 6% in 2023 (from 6.9% in 2022), largely in line with expectations. Although food and non-alcoholic beverages (FNAB) inflation moderated through the year-end, it remains high and is faced with a number of risks in 2024. Beyond the next few months, soft commodity prices, like grains, will largely depend on El Niño, which is currently expected to fade by winter. Inflation in other components is also expected to ease as base effects from the previous year normalise. We anticipate headline inflation to remain sticky at around 5.3% in the first half of this year, mainly due to fuel price base effects, before moderating to reach the midpoint of the 3-6% target band by year-end. CPI is forecast to average 5.0% in 2024 and 4.6% in 2025 (compared to our previous forecast of 5.2% and 4.5%, respectively). An upside risk to the local and (global) inflation outlook could be a sustained surge in the **Brent crude oil price**. For now, we expect the increase in non-OPEC+ production to leave the oil market well supplied and our baseline does not see oil rise beyond \$100/barrel.

Regarding the local **monetary policy outlook**, the Monetary Policy Committee (MPC) continues to be data-dependent and sensitive to a matrix of risks. This suggests that even as forecasted inflation moves towards the midpoint of the target band through the year, the SA Reserve Bank (SARB) will weigh this up against risks to the inflation outlook. The (currently) heightened risks and sticky inflation expectations could give the SARB more reason to wait before embarking on a shallow cutting cycle. For now, we continue to expect a modest cutting cycle to commence in 2024Q3 at the July MPC meeting and after (most) global central banks have started cutting their policy rates. The Quarterly Projection Model (QPM) suggests a cumulative 100 basis points (bps) worth of cuts in the next two years - 75bps in 2024, and 25bps in 2025 – with a terminal rate of 7.25%. In line with the Taylor rule, we expect an additional 25bps cut (i.e., a cumulative 125bps) to bring the terminal rate back to the steady-state level of 7% by the end of 2025. It is important to note that this brings the policy stance closer to neutral from the current restrictive level. In other words, this is a normalisation in the policy stance, not necessarily a stimulus as we saw in the COVID-19 pandemic, for example.

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# Introduction<sup>2</sup>

Although we were anticipating a number of shocks<sup>3</sup> to weigh on SA growth in 2023Q3, the outcome was even lower than we had projected. Largely due to the weaker-than-expected Q3 outcome, we downwardly revised our full-year growth forecast for 2023 to 0.6% from 0.8% in October 2023 and we have kept this unchanged in the latest forecast update. Some improvement in the, of late, very debilitating logistical challenges and less intense electricity supply disruptions compared to last year should see SA's real GDP growth accelerate in 2024.

**A further underpin to better growth in 2024 is the expectation that the green energy drive should support private sector investment and some on-the-ground activity in SA.** On the consumer side, better employment outcomes, a moderation of inflation and the start of a shallow interest rate cutting cycle in the middle of the year should help with a recovery in real income and spending.

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

## Global outlook

**According to the International Monetary Fund (IMF), the global economy is estimated to have expanded by 3.1% in 2023** (see Table 1). While down from 3.5% growth in 2022, this is somewhat faster than initially expected. The global figure masks a marked divergence between countries. The US economy continued to confound in 2023, while the Eurozone (EZ) and UK economies struggled to get going. Still, while the timing and impulses differ slightly, the advanced world has generally seen steady moderation in inflation from its peak in 2022. Indeed, the IMF argues that the world might be able to pull off a so-called “soft landing” with central banks having tamed inflation by significantly hiking interest rates without pushing the economy into recession and leaving labour markets solid. This is largely due to the resilience in the US. While the EZ as a whole might avoid a recession, the region’s biggest economy contracted in 2023 and the EZ barely grew through the year. Moving back to prices, the slowdown in advanced-economy inflation is, however, not fully due to the central bank action as slower and even declining energy price inflation is also playing a significant role. Still, the question is not *if* the major advanced economy central banks will cut interest rates to move to a less restrictive stance, the question is rather *when*. The exception is likely to be Japan, which could take its first steps away from its

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<sup>2</sup> This report was completed on 15 February 2024.

<sup>3</sup> This includes more intense load-shedding, disruptions on the N3 transport corridor, strikes in the Western Cape taxi industry and Tshwane municipal workers, Western Cape floods and the Avian flu.

current ultra-loose monetary policy this year by hiking its policy interest rate (although disappointing inflation data means this could be later in the year than initially thought).

**Looking ahead, there remains a lot more uncertainty than usual on the geopolitical front.** Wars and conflicts risk escalating further, pulling in global superpowers. Furthermore, there is also tension and conflict in several of the world's oceans and shipping routes. Just as global supply chains were running smoothly again, attacks in the Red Sea are causing renewed strain. While far from pandemic-level logjams, there is already an uptick in supply-side pressures in the European Purchasing Managers' Index (PMI) releases for this year. In addition to less trade through the Suez Canal, freight heading through the Panama Canal on the other side of the globe is affected by a severe drought in the region. Renewed supply-chain pressure provides upside risk to inflation as shipping costs increase and food supplies could be in jeopardy.

**Furthermore, it is the biggest election year in history, with more than four billion people being able to vote in 2024<sup>4</sup>.** These include elections for the European Parliament as well as elections in the UK, Russia, India and several African countries (including of course SA and neighbouring Namibia). In the US, it seems likely that we will see another showdown between President Joe Biden and former President Donald Trump in November. Should Trump win the election, this could risk igniting even more geopolitical tension with an intensification of the unease between China and US arguably the biggest risk, but there could be implications for trade (tariffs) worldwide.

## US REMAINS RESILIENT, WHILE EUROPE STRUGGLES

**The US economy and labour market has continued to surprise with its resilience.** Real GDP growth came in at a solid 2.5% y-o-y in 2023, with particularly the second half of the year turning out much better than expected. There are tentative signs that the economy is set to slow in 2024. The nonfarm payroll employment data remains very strong with the January print of a 353 000 gain coming in at almost double the consensus forecast. However, other labour data is reflecting a slowdown in the tempo of new hires, fewer job openings and lower wage growth. Household balance sheets entered this tightening cycle with relatively low debt levels and significant excess savings, in part thanks to generous fiscal stimulus to stem the economic fallout of COVID-19. However, consumers have eaten away at their excess savings and started to tap into credit markets to fund spending. The data up until 2023Q3 already shows how delinquencies on credit cards and auto loans have increased to about 8%, while the average personal savings rate is at 4.2%, a level last seen before the Global Financial Crisis (GFC). The full extent of the impact of the aggressive rate hikes is still working its way through the system. Personal consumption expenditure growth remains solid, but started to decelerate in 2023Q4 (rising by 2.8% q-o-q saar compared to 3.1% q-o-q saar in Q3). There is the expectation that consumer spending will continue to soften throughout this year, which should, alongside more restrictive fiscal policy, dampen growth.

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<sup>4</sup> This is the total population, including children.

**Important for monetary policy dynamics (and financial market movements), consumer inflation has come down from its high in 2022 – although it remains above target.**

Following a slight reacceleration in CPI inflation in December (to 3.4% y-o-y), inflation did not slow as much as expected in January (to 3.1% y-o-y). Annual core inflation remained sticky at 3.9% instead of slowing to 3.7% as per the consensus forecast. Although more outdated, the US Federal Reserve’s (Fed) preferred measure of price pressure – core inflation as per the personal consumption expenditure price index – had slowed to 2.9% y-o-y in December.

**The EZ economy stagnated in the final quarter of 2024, following a 0.1% q-o-q contraction in Q3.**

German GDP outright contracted in Q4, while France stalled, but this was countered by a better performance in Spain and Italy. This meant that the common currency region once again managed to skirt a technical recession, although it continues to underperform relative to the US, with the German economy the weakest of all advanced economies in 2023. The economy is set to remain sluggish through 2024, with the IMF forecasting just 0.9% growth in 2024, and an acceleration to 1.7% in 2025. Positively, the EZ labour market remains strong, with the unemployment rate at a record-low of 6.4% in November 2023. This should provide some support to the economy heading into 2024. Lower inflation, with wage growth remaining more elevated, should also help household finances and overall GDP growth momentum this year. On the flip side, stimulus in the form of food and energy subsidies introduced in the wake of Russia’s invasion of Ukraine is generally being pulled back this year. Turning to prices, inflation has come down from its highs in 2022, yet it is still some way from the targeted 2%. January’s consumer inflation rate slowed to 2.8% y-o-y following a temporary reacceleration in December. While wage growth may provide some upward pressure on overall prices through 2024, inflation is generally set to slow during the year.

**Table 1: Global growth**

y-o-y % change (real)

|                           | Actual     | Estimate   | Projection |            |
|---------------------------|------------|------------|------------|------------|
|                           | 2022       | 2023       | 2024       | 2025       |
| <b>World (PPP*)</b>       | <b>3.5</b> | <b>3.1</b> | <b>3.1</b> | <b>3.2</b> |
| <b>Advanced economies</b> | <b>2.6</b> | <b>1.6</b> | <b>1.5</b> | <b>1.8</b> |
| United States             | 1.9        | 2.5        | 2.1        | 1.7        |
| Eurozone**                | 3.4        | 0.5        | 0.9        | 1.7        |
| United Kingdom            | 4.3        | 0.5        | 0.6        | 1.6        |
| Germany                   | 1.8        | -0.3       | 0.5        | 1.6        |
| Japan                     | 1.0        | 1.9        | 0.9        | 0.8        |
| <b>Emerging countries</b> | <b>4.1</b> | <b>4.1</b> | <b>4.1</b> | <b>4.2</b> |
| China                     | 3.0        | 5.2        | 4.6        | 4.1        |
| India                     | 7.2        | 6.7        | 6.5        | 6.5        |
| Brazil                    | 3.0        | 3.1        | 1.7        | 1.9        |
| Russia                    | -1.2       | 3.0        | 2.6        | 1.1        |
| Sub-Saharan Africa        | 4.0        | 3.3        | 3.8        | 4.1        |
| Nigeria                   | 3.3        | 2.8        | 3.0        | 3.1        |

Source: IMF World Economic Outlook, January 2024

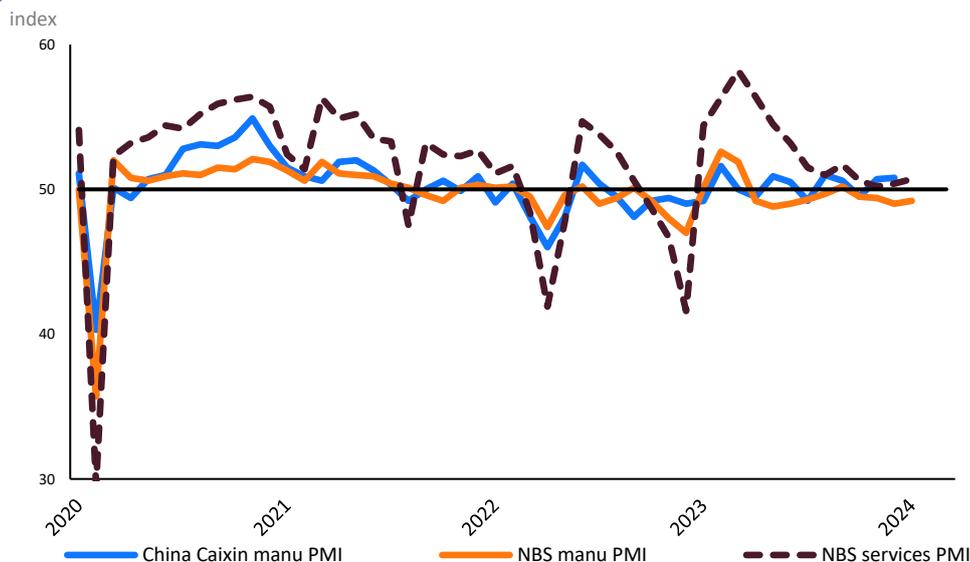
\*Purchasing Power Parity

\*\*20 Countries that use the euro currency

## CHINA ACHIEVES ITS 2023 GROWTH TARGET, BUT WHERE TO FROM HERE?

**The Chinese economy managed to achieve its growth target of ‘around 5%’ growth in 2023 and expanded by 5.2%.** This was on the back of several stimulus programmes and a big base-effect boost from the zero-COVID policies in 2022. Still, at the beginning of the year, some had expected China to register faster growth in 2023 and there are clear signs of underlying weakness in the economy heading into 2024. The property sector (which normally accounts for about a quarter of economic activity) is still in severe distress, while broad-based soft demand means that the economy could remain stuck in deflation. The latest data shows that activity in China’s manufacturing sector contracted for the fourth month in a row (see Figure 1). The official NBS Manufacturing PMI ticked up 49.2 points in January but crucially stayed below the neutral 50-point mark. Despite increasing, the new orders, foreign sales and employment indices all remained in contractionary terrain. The Caixin General Manufacturing PMI told a more upbeat story, beating market forecasts and remaining unchanged at 50.8 points in January.

**Figure 1: China PMIs reflect lacklustre start to 2024**



Source: National Bureau Statistics of China & Caixin

**Looking towards 2024, Beijing has yet to publish a growth target for the year.** While it could once again set its sights on ‘around 5%’ growth and use stimulus measures to jack up growth to achieve this, it is more likely that the target will be set between 4.5 and 5% for 2024. This would be the lowest target on record, although it was always expected that the economy would slow over the medium term. The IMF has pencilled in a fairly optimistic 4.6% for 2024 in January, which is 0.4% points (pts) higher than it had forecast in October last year. We agree with the IMF’s view that the government will continue to provide broader fiscal and monetary stimulus to reflate the economy. On the monetary policy side, there has already been a decision to cut the reserve requirement ratio (RRR) and more cuts are expected, both for the RRR and other policy rates. The hope is that the stimulus will boost investment and provide an impetus for consumers to spend more on goods and services, which should aid the country out of deflationary territory and buoy economic growth.

**Finally, the IMF expects growth in the Sub-Saharan Africa region to tick up to 3.8%, with another slight acceleration to 4.1% in 2025.** SA's subdued growth outlook (with the IMF pencilling in 1% for 2024 for the country) remains a big drag on the region's performance. Many countries in the region are grappling with high government debt levels, sometimes amplified by unfavourable exchange rate pressures. Ghana, Zambia and Ethiopia have already defaulted on their foreign debt, but more countries are at risk.

## GLOBAL INTEREST RATE CUTS SHOULD SEE THE US DOLLAR WEAKEN TOWARDS THE MIDDLE OF THE YEAR

**The US dollar weakened against the euro in December 2023 after the US central bank (Fed) maintained its policy rate at the last Federal Open Market Committee (FOMC) meeting of the year.** The decision was accompanied by a downward revision to the Fed's inflation forecast for 2023 and 2024 and a lower projected interest rate path, as reflected in a survey of FOMC members (known as the Fed dot plot). Subsequently, money markets priced in the likelihood of interest rate cuts as early as the first quarter of 2024. However, in its latest meeting, the Fed pushed back against these expectations for an early cut. The US Fed held its monetary policy interest rate steady at 5.25% - 5.5% in January. The official statement accompanying the decision was slightly more dovish compared to previous statements. The Fed noted that although economic growth was more robust than expected, the risks to "achieving its employment and inflation goals are moving into better balance". This does not imply that interest rate cuts are imminent. In the press conference following the meeting, Fed Chairman Jerome Powell noted that although cuts were likely to begin this year, they are unlikely to happen as early as the March MPC meeting<sup>5</sup>. The recently released 2023Q4 GDP data as well as bumper January jobs report added another layer of complexity to the timing of the Fed's interest easing cycle. The better-than-expected activity growth reduces pressure on the Fed to lower interest rates<sup>6</sup>, while at the same time, inflation continues to moderate to target (despite surprising on the upsid in January) and could warrant cuts.

**Across the Atlantic Ocean, the EZ and the UK also reported slowing inflation, sparking market optimism regarding earlier rate cuts in those regions as well.** However, like the Fed, European central bank officials have also resisted the notion of early rate cuts. At the World Economic Forum (WEF) in Davos in January, European Central Bank (ECB) officials emphasised that much work needed to be done to lower inflation. Additionally, the IMF deputy head stated that talks of rate cuts were premature and would likely only take place in the latter half of the year. Following the ECB's decision to maintain interest rates in January, ECB president Christine Lagarde's comments during the press conference supported the idea of later rate cuts. Despite acknowledging the downward trend in inflation, Lagarde emphasised that the timing of interest rate adjustments would also hinge on wage trends. Given the stickiness in wage growth in the EZ and the release of wage data with a notable lag, it appears more plausible that the ECB will defer rate cuts until the middle of the year when additional wage data becomes available. A spanner in the works

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<sup>5</sup> The March meeting is nevertheless important. The Fed will release its Summary of Economic Projections (SEP) following this meeting, which includes the MPC members' own policy rate projections. The December SEP suggested 75bps worth of cuts in 2024.

<sup>6</sup> The US Fed has a dual mandate to achieve maximum employment (by considering the strength of the economy) and price stability.

could come from weaker EZ data, which could lure the ECB into providing stimulus quicker and cutting rates before the Fed would be comfortable to cut given its more resilient economy.

**The Bank of England (BoE) finds itself in a similar predicament to Europe.** Although inflation is moderating nicely and the economy slipped into a recession in 2023 (GDP fell by 0.3% q-o-q in Q4 after a 0.1% decline in Q3), wage settlements are uncomfortably high. Wage growth was above 5% in 2023, and if the BoE does not see a clear moderation, it will be reluctant to cut interest rates soon. Furthermore, the attacks on ships in the Red Sea by the Houthi rebel group also represent upside risks to EZ and UK inflation, which must be monitored.

**To summarise, considering the slowing of inflation across the board, it is our view that, apart from Japan<sup>7</sup>, major central banks have concluded their policy interest rate hiking cycles and are expected to move monetary policy to a less restrictive stance in 2024.** In January, the US Fed, ECB and the BoE kept their policy rates steady. Economic strength in the US and wage pressure in the EZ and UK will likely see central banks hold off on policy easing until mid-year. Additionally, central bankers have expressed a preference for a cautious approach, opting to move slowly and risk potential lateness rather than acting prematurely and having to backtrack. Although the Fed is anticipated to initiate a rate cut before its European counterparts, the difference in timing is expected to be marginal.

**As developed economy central banks keep interest rates higher for longer, we expect the dollar to strengthen compared to December 2023 levels in the near term.** However, our baseline international currency view is that the US dollar could lose some ground towards the middle of the year as central banks look to ease monetary policy.

## DEMAND CONCERNS WEIGH ON THE OIL PRICE, BUT ATTACKS IN THE RED SEA POSE UPSIDE RISKS

**Towards the end of 2023, concerns about sluggish (non-US) economic growth significantly impacted the global oil demand outlook, leading to downward pressure on oil prices.**

Demand concerns outweighed production cuts by OPEC+ and pushed the oil price to below \$74/bbl in December. In addition, the persistence of robust non-OPEC+ supply, notably driven by record production levels in the US, outstripped the supply cuts implemented by OPEC+, according to the International Energy Agency (IEA).

**Surprisingly, the oil market seemed resilient to the ongoing attacks by Houthi rebel groups in the Red Sea that commenced in December.** This was attributed to the belief that the majority of oil tankers traversing the Red Sea to the South were of Russian origin and thus deemed less likely targets by the Iran-backed rebel group. Indeed, previous Houthi attacks had primarily targeted container ships associated with Western nations. However, a shift occurred at the end of January when the Houthis attacked a tanker transporting Russian oil. Following this incident, the oil price rose to its highest since October 2023.

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<sup>7</sup> The Bank of Japan (BoJ) is expected to raise its policy interest rate for the first time since 2016 in response to persistent above-target inflation.

While these recent attacks have certainly raised alarm, we still believe that major oil producers such as Saudi Arabia and the UAE will likely steer clear of the current conflict in the Middle East, ensuring the continuity of their oil supply. Furthermore, non-OPEC+ production is expected to continue growing and should leave the oil market well-supplied. Consequently, our baseline forecast does not see the oil price rising above \$100/bbl this year, as feared by some. Over the medium term, a move towards more energy-efficient vehicles and production processes should moderate global oil demand growth.

## GLOBAL MONETARY POLICY EASING, CHINA STIMULUS IMPORTANT FOR EXPORT COMMODITY PRICE TRENDS

**Moving to SA export commodities, amid growing speculation of monetary policy easing in advanced economies, gold prices are poised to increase in 2024 and 2025.** Like gold, platinum is also on track to end 2024 and 2025 higher, with the market expected to go into another deficit in 2024 – we have made some upward revisions to the forecasts (see Table 2). Meanwhile, growth in automotive demand, mainly through green hydrogen and sustained industrial demand, should remain solid, supporting its price. In contrast, palladium and rhodium are expected to go into a surplus in 2024 due to improved supplies from Russia and SA, while the metals are also substitutes for the more cost-effective platinum. The automotive industry’s pivot towards electric vehicles and alternative materials for catalytic converters also contributes to a bearish outlook for these metals. Regarding iron ore, a slight price increase has been projected for 2024. This is due to more stimulus coming from China over the short term to prop up its ailing property sector. However, over the longer term, China’s shift towards more environmentally friendly steelmaking methods could reduce iron ore demand, weighing on prices. Finally, coal prices continue to be influenced by the global energy market’s adjustment following the outbreak of the Russia-Ukraine war. The escalating shift towards renewable energy and natural gas is a key factor, especially in Europe, and will likely result in a notable decline in coal prices in 2024 and 2025. A slight boon for SA is that prices are predicted to stay above average levels between 2015 and 2019.

**Table 2: Latest commodity price forecasts**

| Quarter/Year   | Gold         | Platinum     | Palladium    | Rhodium      | Coal       | Iron ore   |
|--|--------------|--------------|--------------|--------------|------------|------------|
| <b>green (red) = upward (downward) revision from Oct '23</b> |              |              |              |              |            |            |
| 2024Q1   | 2 005        | 975          | 1 000        | 4 126        | 90         | 127        |
| 2024Q2   | 2 025        | 1 008        | 1 115        | 3 092        | 92         | 120        |
| 2024Q3   | 2 034        | 1 070        | 1 120        | 2 349        | 100        | 113        |
| 2024Q4   | 2 038        | 1 120        | 1 100        | 2 196        | 100        | 105        |
| 2025Q1   | 2 025        | 1 150        | 1 050        | 2 387        | 95         | 95         |
| 2025Q2   | 2 026        | 1 155        | 970          | 2 380        | 91         | 93         |
| 2025Q3   | 2 013        | 1 200        | 950          | 2 190        | 84         | 90         |
| 2025Q4   | 2 007        | 1 210        | 930          | 2 083        | 88         | 87         |
| <b>2023</b>  | <b>1 943</b> | <b>967</b>   | <b>1 339</b> | <b>6 630</b> | <b>122</b> | <b>120</b> |
| <b>2024</b>  | <b>2 026</b> | <b>1 043</b> | <b>1 084</b> | <b>2 941</b> | <b>96</b>  | <b>116</b> |
| <b>2025</b>  | <b>2 031</b> | <b>1 087</b> | <b>1 096</b> | <b>2 506</b> | <b>97</b>  | <b>108</b> |

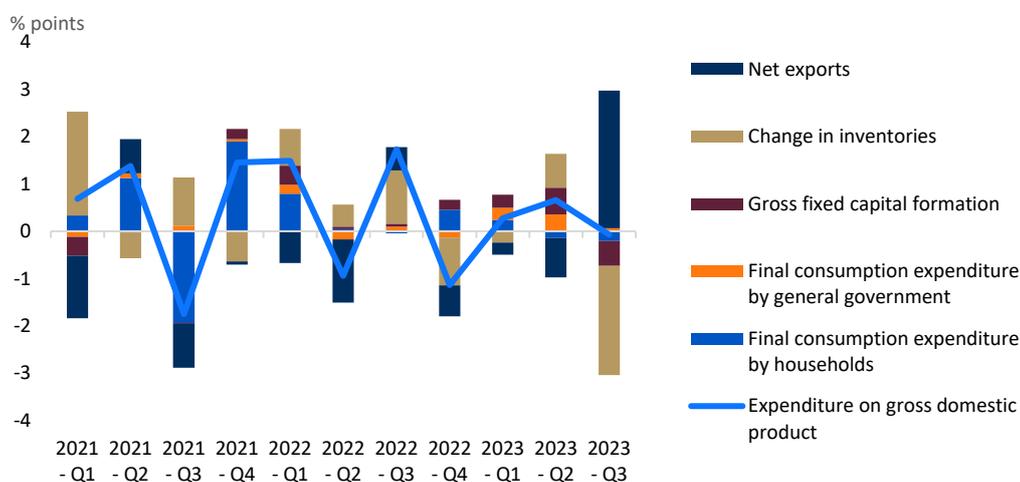
Source: BER forecast, January 2024

# Domestic outlook

## SA LIKELY TO SKIRT RECESSION FOLLOWING UNEXPECTED CONTRACTION IN Q3

**Real GDP declined by 0.2% q-o-q after an upwardly revised increase of 0.5% (from 0.6%) in 2023Q2.** The decline was on the back of a large drawdown in inventories and significant weakness in underlying domestic demand as both household consumption and fixed investment contracted, while government consumption growth slowed. *The latest high-frequency data suggests that we are likely to escape a technical recession with electricity, mining and manufacturing output all positive q-o-q.* For the full-year 2023, we have kept our forecast unchanged at 0.6%. This would be a marked slowdown from 1.9% recorded in 2022. From the expenditure side, there is a risk that we could see another surprise in inventories and net exports in Q4 due to the disruptions at the local ports and rails. Changes in inventories have swung the GDP outcome in the past few prints, and with the logistical issues, this might be a recurring theme (see Figure 2). The impact of this on GDP could go either way as lower imports on its own would be positive for GDP, but could have resulted in another drawdown on inventories if production was curtailed with insufficient input goods coming through. Inventories could have also increased if production continued, but final goods were not able to leave the ports and piled up. Then again, a drop in exports would be a drag on GDP.

**Figure 2: Contributions to the quarterly growth rate (expenditure side)**



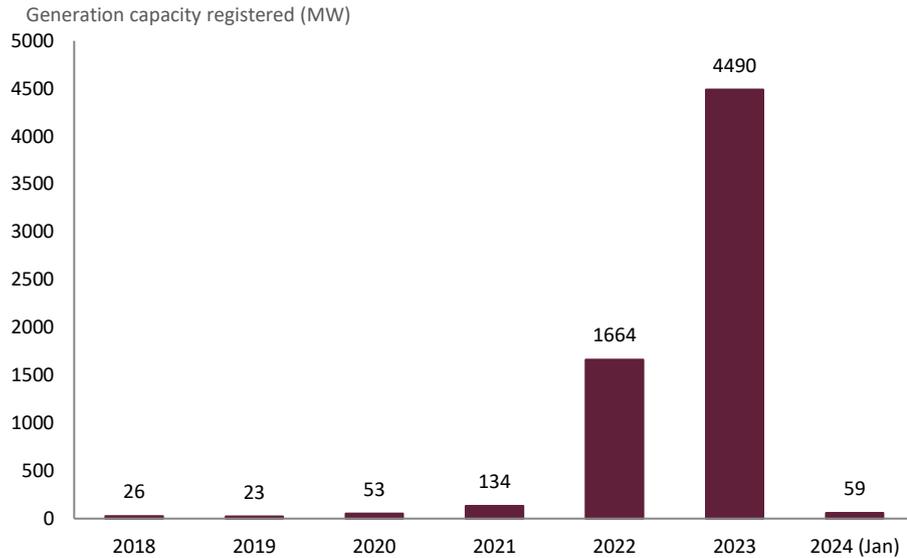
Source: Stats SA

**The local port and rail issues continued in the first quarter of 2024 and complicate our ability to assess near-term GDP dynamics.** Although there is very little official data available for 2024 at this stage, the Absa PMI (tracking conditions in the manufacturing sector) as well as the S&P global whole-economy PMI for January both flag the negative impact of the gridlock at the ports and rail. According to naamsa, new vehicle sales also experienced a tough January. Domestic new vehicle sales declined by 3.8% y-o-y as passenger vehicles dropped by 6.7%. This was despite robust buying from the rental market

(15% of sales), underscoring the weakness of consumer demand weighing on sales. However, it was not just local sales underperforming as exports declined by 2.1% y-o-y on the back of a significant 15.1% m-o-m decline (seasonally adjusted). Beyond the direct negative impact on the ability to export and import with knock-on implications for inventories, the disruptions also filter through production via several other channels. For example, one of SA's biggest iron ore miners announced it had to moderate its production rates in Q4 to mitigate against bulging mine inventories caused by Transnet's rail failures. Lower output by miners means lower demand for goods and services used in the mining process, which means that even businesses that are not directly impacted by the rail- and port issues could still see their demand being negatively impacted. Indeed, this was already flagged by respondents to the Absa PMI in December. The PMI also revealed that some businesses are not able to produce because the required intermediate goods and raw materials do not reach them in time to meet orders. Beyond industrial production, some retailers complained that goods intended to be sold during the festive season did not reach their warehouses in time to be stocked in shops. The only upside for the consumer (and inflation) might be that these goods could be sold at a discount in the coming months.

**In all, the first few months of 2024 are likely to remain tough. However, there seems to be a growing realisation from the government that tighter cooperation with the private sector is needed to resolve these structural issues resulting in the underperformance of rails and ports.** Regulations and plans are being put forward that could go a long way in alleviating this constraint. We are, of course, aware that this will take time. While some positive steps were taken to facilitate further reform in the energy space, the recent sudden escalation to stage 6 load-shedding was a reminder that the power situation remains fragile. However, many large industrial producers have now put alternative power sources in place (or are still in the planning and building phase, meaning there is also some continued momentum in capex spending) - see Figure 3. Coupled with the surge in rooftop capacity through solar panels for households and smaller businesses, demand for Eskom electricity should be becoming less onerous for the utility. Coupled with the return of some big Eskom generation units, it is likely that load-shedding will be relatively less onerous in 2024 compared to 2023. This should provide some lift to activity, and possibly help with sentiment down the line. A moderation in inflation and the start of a shallow domestic interest rate cutting cycle in the middle of the year should take some pressure off the embattled consumer. Coming back to the little data we have for 2024, both PMI surveys showed sustained optimism from respondents about business conditions going forward, despite current tough conditions. *To bring it all together, our forecast is for real GDP growth to pick up to 1.5% in 2024.*

**Figure 3: Private electricity projects registered**



Source: NERSA

## CONSUMER REMAINS UNDER PRESSURE, BUT COULD LOOK BETTER BY MID-2024

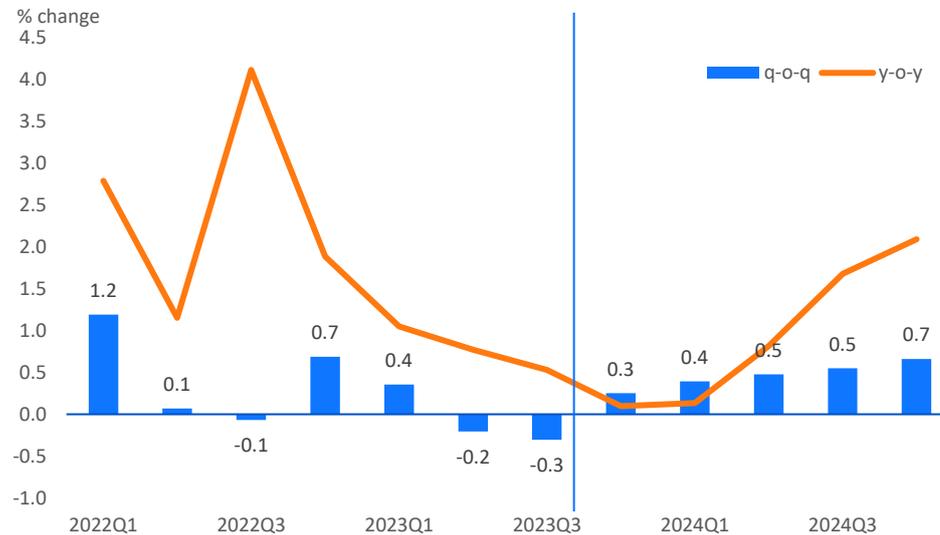
**Consumer spending performed considerably weaker than expected in Q3 and declined for a second consecutive quarter** (see Figure 4). Real household expenditure declined by 0.3% q-o-q following a 0.2% drop in Q2, this means the consumer is essentially in recession. Non-durable expenditure (i.e. food, beverages, groceries, cosmetics and pharmaceuticals) fell by 1% q-o-q, driven by lower fuel sales and electricity usage, following a 1.2% drop in Q2. Durable goods spending (e.g., furniture and hardware) contracted every quarter so far in 2023, but available retail and vehicle sales data suggests that this category has likely bottomed out and could pick up slightly on a q-o-q basis in Q4. In contrast, semi-durable goods spending (e.g., textiles, clothing & footwear) performed well in Q3 with robust sales of Rugby World Cup merchandise no doubt boosting this category during the third quarter. However, the **BER's Retail Survey** results suggest that the growth in semi-durable goods sales volumes slowed in Q4 and we have pencilled in a quarterly contraction. In Q3, services spending was weaker across the board.

Worryingly, the **FNB/BER Consumer Confidence Index (CCI)** suggests that consumers kept their purse strings tight in Q4 with the lowest Q4-reading in more than two decades. Consumers seem particularly worried about the economic outlook of the country and do not find the current time suitable to buy durable goods.

**Looking ahead, the recovery in employment could provide some support to spending.** The moderation in inflation and a decline in borrowing costs should also help with real income and thus spending. The extension of the SRD grant to 2025 also provides some support to low-income households, although the fact that the grant has not been increased with inflation means that its purchasing power has eroded over time. Furthermore, the possibility of tax hikes to compensate for the deteriorating fiscal outlook remains a risk.

In all, we see real consumer spending growth accelerate to 1.2% in 2024, up from an estimated 0.6% in 2023 with a further increase to 2.1% in 2025. With inflation slowing, nominal spending is expected to moderate from 7.3% in 2023 (and 9.7% in 2022) to just above 6% in 2024.

**Figure 4: Some recovery in real consumer spending expected through 2024**

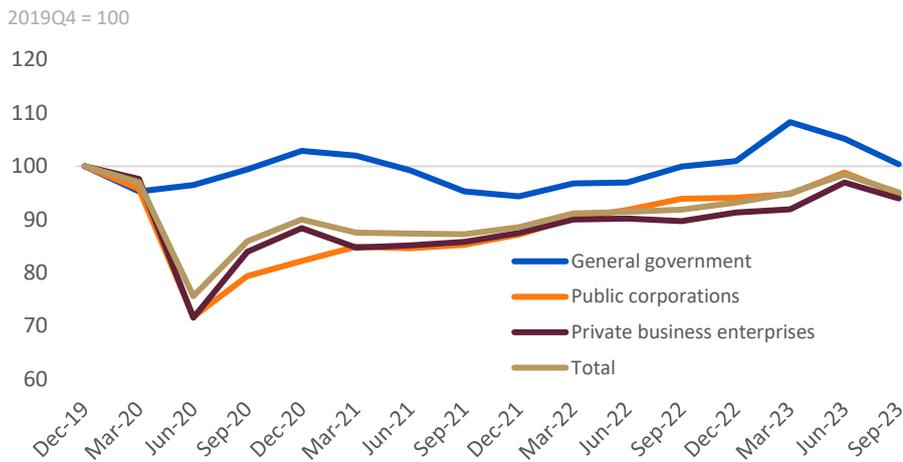


Source: Stats SA, BER forecast

## FIXED INVESTMENT UNDERPERFORMS IN 2023Q3, BUT CAPEX FOR PRIVATE ENERGY STILL ROBUST

**Our view that (private sector) capex will remain a key underpin of growth over the medium term has not changed.** Fixed investment is, however, still coming from a very low base as expenditure on fixed investment is yet to recover to its pre-COVID-19 level (2019Q4), almost four years later (Figure 5 **Error! Reference source not found.**). Indeed, spending on fixed capital disappointed, again, in 2023Q3. Growth in capex by general government and public corporations eased to a meagre 0.4% y-o-y and 0.9% y-o-y respectively. Meanwhile, the slowdown in fixed investment by private businesses was less pronounced at 4.8% y-o-y, following growth of 7.6% in 2023Q2. This meant that total investment was up by 3.6% y-o-y in 2023Q3, sharply down from 7.7% in 2023Q2. Underpinning the weaker annual growth outcomes were reasonably sharp contractions on a quarterly basis – total investment was down 3.4% q-o-q. For the forecast dynamics, it is important to note that declines of this magnitude are unlikely to be repeated.

**Figure 5: Total fixed investment yet to recover to pre-COVID-19 level**



Source: Stats SA

**The performance in terms of asset classes was also disappointing. The notable exception was machinery and equipment, spending on which accelerated to 11.8% y-o-y in 2023Q3, from 9.8% y-o-y in 2023Q2.** Indeed, excluding outlays on machinery and equipment, capex declined by almost 2% y-o-y in 2023Q3, compared to around 6% y-o-y during the first half of 2023. As mentioned in previous reports, the uptick in investment in machinery and equipment is directly linked to the rise in private renewable energy generation and specifically the need for energy independence in light of persistent Eskom load-shedding. This demand was facilitated by the lifting of the threshold for private energy generation to 100MW, from 1MW, in June 2021 and the scrapping of the threshold altogether in 2022. While this is broadly positive there are two caveats, firstly, most of the equipment is imported (primarily from China) and this import bill to some extent counters the positive impact on overall GDP. Secondly, the rise in energy investment could be at the expense of other investment (i.e. money set aside for other projects is being redirected to ensuring an adequate – and reliable – energy supply), which could hurt SA’s productivity and competitiveness over time.

**Our baseline forecast is for investment in renewable energy to remain robust over the next few years.** According to the National Energy Regulator of South Africa (NERSA), projects totalling 4 490MW worth of electricity generation were registered in 2023, up from 1 664MW in 2022 (Figure 4 above). In addition, while the number of projects were largely unchanged between 2023 and 2022, the average MW per project was significantly higher at just more than 11 MW (from around 4 MW in 2022). This should continue to support private sector fixed investment in the medium term. Over the near term, however, this is likely to be partially offset by weaker spending on building construction which is struggling due to a combination of relatively high interest rates (particularly hurting the residential side) and vacancy rates in the non-residential (offices, shopping/retail and industrial and warehouse space) segment. There is some upside risk to the latter due to the low base following a protracted decline, but this will depend on broader economic strength. *The growth momentum should quicken over the medium term once the interest rate starts to recede later this year and borrowing costs become less onerous.*

**Investment growth by public corporations is expected to cool to 2.4% in 2024, from an estimated 3.6% last year.** The recent announcement by SANRAL of their intention to issue R28bn worth of tenders in the first half of the year should provide welcome support. This is in step with the results of the **BER's 2023Q4 civil confidence survey** results which showed that demand for construction works is reasonably upbeat. There is an upside risk to capex by public corporations in the form of the planned spending on upgrading our electricity transmission grid once the National Transmission Company of South Africa (NTCSA) is fully up and running. There is little detail so far but according to the Minister of Electricity, Kgosientsho Ramokgopa, the needed investment amounts to almost R400bn with suggestions that this will be funded by the private sector. Depending on the funding mechanism, it will be classified either as private or public sector investment.

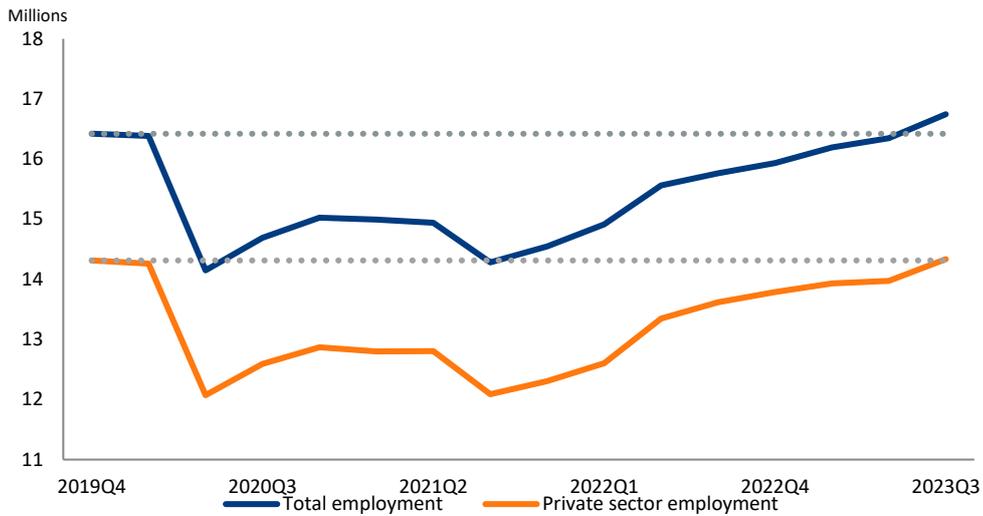
**The outlook for fixed investment by general government is by far the most downbeat.** Most government capex is directed through local and provincial government, which have the mandates of ensuring service delivery (and therefore its infrastructure), basic education, healthcare and social services. However, collectively these entities have time and again shown that they are unable to spend the capital funds allocated to them. Moreover, looming budget cuts will likely curtail government spending on capex more broadly. The Western Cape provincial government has already noted that the cuts imposed by National Treasury last year meant that they were unable to build all the schools they planned to have ready for 2024.

**In all, a slight moderation in capital spending growth to 3.6% is pencilled in for 2024, accelerating more meaningfully in 2025 and the outer years of the forecast period.** Throughout the forecast horizon, spending by the private sector is expected to dominate.

## TOTAL EMPLOYMENT BACK AT PRE-PANDEMIC LEVEL

**According to the latest Quarterly Labour Force Survey (QLFS), the economy created 399 000 jobs (+2.4% q-o-q) in the third quarter of 2023.** Most of these jobs were added in the formal (non-agriculture) sector, although all sectors saw job growth in Q3. More importantly, following this bigger-than-expected increase in Q3, the level of total employment edged above the pre-pandemic level for the first time (see Figure 6). In 2023Q3, formal employment was about 2.5% above its pre-pandemic level, while informal employment was 4.8% higher and agriculture was up by 8%. In contrast, employment by private households (-13.2%) was still below the 2019Q4 level. This could be a reflection of strained consumer incomes and households deciding not to (re)employ workers in the home following retrenchments during the COVID-19 period. While the recovery in job numbers is encouraging, it must be noted that the number of unemployed people is also still well above the pre-pandemic level. Currently, almost 1.4 million more people are unemployed compared to 2019Q4 and, as a result, the unemployment rate remains higher (31.9% in 2023Q3 vs below 30% before the pandemic).

**Figure 6: Total employment edges back above pre-pandemic level in 2023Q3<sup>8</sup>**



Source: Stats SA

**For the full year, private-sector employment is set to have increased by more than 6% for a second consecutive year.** This comes from a low base and growth is set to slow in the years ahead. However, there is still some room for sustained job growth in the recovering tourism and construction industries. In all, on the back of solid momentum heading into the year, we see job growth slow to 2.8% this year and edge closer to 2% - in line with the longer-term GDP view.

## INFLATION IS SET TO SLOWLY MOVE TOWARDS THE MIDPOINT OF THE SARB'S TARGET IN 2024

**Headline consumer inflation ticked up to an average of 5.5% y-o-y in 2023Q4 (from an average of 5% in Q3), with annual inflation averaging 6% in 2023 (from 6.9% in 2022), largely in line with expectations.** Food and non-alcoholic beverages (FNAB) inflation moderated through the year-end and with international food price inflation also slowing, the moderation is set to continue through this year. There are still significant upside risks. These include another animal disease such as the Avian influenza outbreak in 2023 pushing up meat prices, the possibility of shipping delays and re-routing amid conflict filtering through to higher prices as well as international trade policy decisions (of late mainly export bans on several commodities from India). Beyond the next few months, soft commodity prices, like grains, will largely depend on El Niño, which is currently expected to fade by winter and rainfall has been supportive of farming conditions in recent months. Inflation in other components is also expected to ease as base effects from the previous year normalise.

<sup>8</sup> Private sector employment is calculated by subtracting formal government employment derived from the Quarterly Employment Statistics from the QLFS's total employment.

**A general downward trajectory in headline inflation is expected, although it may be a bumpy ride due to higher fuel prices and medical health costs in the beginning of 2024.** Key to the inflation outlook is fuel prices, subject to the unpredictability of Brent crude oil and Rand/\$ movements, and electricity costs, set to increase. Food price inflation is expected to moderate, though uncertainties persist due to recent shocks. Notably, medical health insurance inflation has reversed its trend, with expectations of further increases. Housing inflation remains modest.

**We anticipate headline inflation to remain sticky at around 5.3% in the first half of this year, mainly due to fuel price base effects, before moderating to reach the midpoint of the 3-6% target band by year-end.** CPI is forecast to average 5.0% in 2024 and 4.6% in 2025 (compared to our previous forecast of 5.2% and 4.5%, respectively). An upside risk to the local and (global) inflation outlook could be a sustained surge in the Brent crude oil price. As explained above, we expect the increase in non-OPEC+ production to leave the oil market well supplied and our baseline does not see oil rise beyond \$100/barrel. Further upside risks come from administrative prices and global logistical supply chain issues amplified by local constraints.

## START OF SHALLOW RATE CUTTING CYCLE EXPECTED IN MID-2024 TO NORMALISE POLICY STANCE

**The easing of inflation, and global interest rates moving lower, should provide some scope for the SA Reserve Bank (SARB) to loosen policy from its current restrictive stance. However, the Monetary Policy Committee (MPC) continues to be data dependent and sensitive to a matrix of risks.** This suggests that even as forecasted inflation moves towards the midpoint of the target band through the year, the SARB will weigh this up against risks to the inflation outlook. In January, the MPC kept the repurchase rate unchanged at 8.25% (prime at 11.75%) in a unanimous decision. This was the fourth consecutive meeting in which the MPC kept the policy rate unchanged.

**Table 3: Inflation expectations ticked up once more in Q4**

| Survey conducted during                | 2023Q3   |                 |                       |            | 2023Q4   |                 |                       |            |
|--|----------|-----------------|-----------------------|------------|----------|-----------------|-----------------------|------------|
|  | Analysts | Business people | Trade union officials | Average    | Analysts | Business people | Trade union officials | Average    |
| Headline CPI inflation during the year |          |                 |                       |            |          |                 |                       |            |
| 2023                                   | 5.9      | 6.3             | 6.0                   | <b>6.1</b> | 5.8      | 6.4             | 6.0                   | <b>6.1</b> |
| 2024                                   | 5.0      | 6.0             | 5.6                   | <b>5.5</b> | 5.1      | 6.2             | 5.9                   | <b>5.7</b> |
| 2025                                   | 4.8      | 5.7             | 5.3                   | <b>5.3</b> | 4.7      | 6.0             | 6.0                   | <b>5.6</b> |

Source: BER

**The heightened risks and sticky inflation expectations (see Table 3) give the SARB more reason to wait before embarking on a shallow cutting cycle.** The MPC continues to stress that it would like to see inflation expectations move back towards the middle of the 3-6% target band, in line with its primary mandate of price stability. Worryingly, after declining significantly in the third quarter, the average headline CPI inflation expectations for 2024 and 2025 of analysts, businesspeople and trade unions increased again in Q4. Bringing down expectations will have positive ripple effects on the economic outlook. *For now, we continue to expect a modest cutting cycle to commence in 2024Q3 at the July MPC meeting and after (most) global central banks have started cutting their policy rates.* The Quarterly Projection Model (QPM) suggests a cumulative 100 basis points (bps) worth of cuts in the

next two years - 75bps in 2024, and 25bps in 2025 – with a terminal rate of 7.25%. In line with the Taylor rule, we expect an additional 25bps cut (i.e., a cumulative 125bps) to bring the terminal rate back to the steady-state level of 7% by the end of 2025. It is important to note that this brings the policy stance closer to neutral from the current restrictive level. In other words, this is a normalisation in the policy stance, not necessarily a stimulus as we saw in the COVID-19 pandemic, for example.

## RAND SENSITIVE TO GLOBAL MARKET WHIMS, BUT LOCAL RISK FACTORS REMAIN AT PLAY

**Repeating something that has been said many times before, the performance of the rand exchange rate is a key risk to the relatively benign inflation outlook.** The rand traded in a wide range in the last quarter of 2023, oscillating between R18.20/\$ and R19.55/\$, and averaging R18.78/\$ for the quarter as a whole (Q3: R18.64/\$). This was slightly stronger than the average R18.85/\$ we had forecast. The rand tends to experience larger and more volatile movements in relation to other emerging market (EM) currencies and has been particularly sensitive to any news regarding global monetary policy. The rand tends to come under pressure every time expectations for the first US Fed rate cut are pushed backwards. For example, after starting the year at R18.36/\$, the higher-than-expected January US inflation print released in mid-February pushed the rand above R19/\$ without there being any real local driver of this renewed rand weakness. The currency will likely continue to trade in a volatile range on the back of global monetary policy expectations, risk appetite, and domestic idiosyncratic risks, including the upcoming Budget on 21 February and the national elections.

**The start of the interest rate cutting cycle in advanced economies later this year could provide some scope for the rand to strengthen.** While we also expect the SARB to cut the repo rate by Q3, some of the global banks might be moving earlier and they are generally expected to move by much more than we have pencilled in for the SARB. The global shift towards less restrictive monetary policy will boost risk appetite, even with ongoing geopolitical tensions. Additional policy support measures in China may also help with the rand over the short term if these lift SA export commodity prices. *In all, we see the rand averaging R18.38/\$ in 2024, relatively close to 2023's level (of R18.45/\$), but with scope to strengthen to average below R18/\$ in 2025 on a widely expected weaker dollar.*

### The BER's approach to the rand/\$ exchange rate forecast

Forecasting the rand/US dollar exchange rate is challenging due to its unpredictable and volatile nature. While certain influences, like global monetary policy expectations, EM currency rates and commodity prices can partially explain daily movements, it implies you need to forecast these accurately to get some insight on the rand going forward. Furthermore, unexpected global and local economic events and political shocks also contribute to the rand's unpredictability.

When forecasting, we attempt to understand the drivers of the currency in the near- and long term. There is general agreement that over the long run, inflation differentials are balanced by exchange rate changes, in line with the purchasing power parity (PPP) model. In other words, the rand's weakening bias against the dollar stems from our generally higher inflation rate (relative to the US) and more significant sovereign risk compared to other stable currencies.

Over the medium term, we rely on a trend analysis of the rand/\$ exchange rate, which involves examining historical data to identify and understand the prevailing directional movements or patterns in the rand/\$ over a specific period.

Although this helps frame our longer-term thinking around the currency, predicting its short-term movements is more challenging. To understand these fluctuations, we explored James Tobin's portfolio balance theory. This theory suggests that changes in a country's economic conditions affect the demand and supply for domestic and foreign bonds. Tobin believed that increased fiscal and monetary risks would lead to higher bond yields and a more competitive exchange rate. We tested this theory by comparing the rand's performance against the dollar with SA's fiscal budget balance and 10-year bond yield differences in a linear regression model. The results aligned with Tobin's theory: the negative relationship between the rand/\$ and SA's budget balance differentials over the US implies that when SA's budget balance deteriorates relative to the US, the rand tends to weaken against the dollar. Our regression also shows that when the spread between SA and US bond yields narrows, the rand tends to appreciate against the dollar. This positive relationship implies that foreign investors typically sell bonds if fiscal and/or monetary risks intensify, which in turn causes the exchange rate to weaken. This relationship provides a good guide for the near-term rand/\$ exchange rate based on our expectations for the budget balance and bond yields for SA and the US.

The performance of these theories will continue to be monitored, while some of our next steps include developing equations for the rand against other currencies, such as the euro and pound, to help guide our exchange rate expectations.

## MARKETS KEEP A KEEN EYE ON UPCOMING ELECTIONS

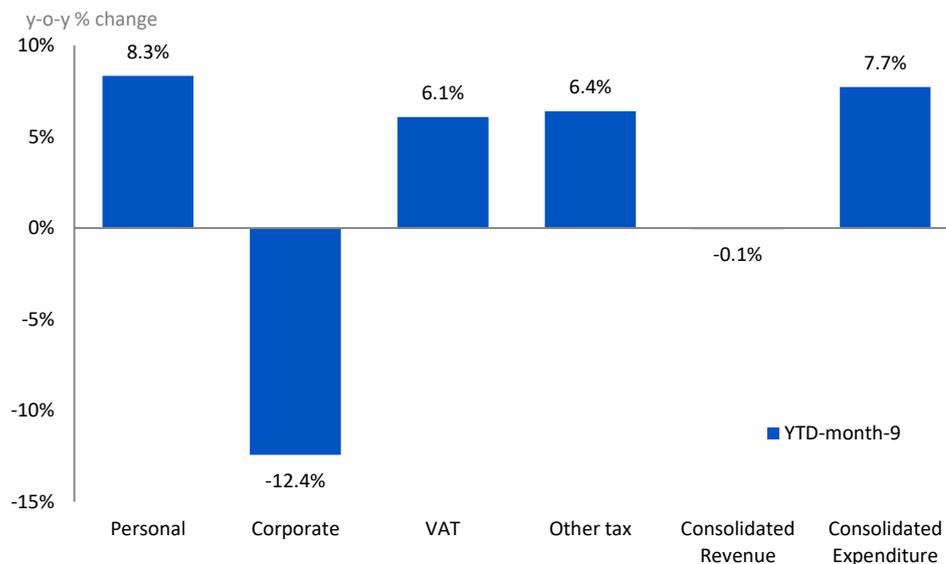
**The upcoming National Election also comes with uncertainty – at the time of writing the date of the election had not even been announced.** Broadly speaking, our view still is that the status quo of government being un conducive to faster economic growth remains the reality after the election. We expect the African National Congress (ANC) to lose support, but see it remain the biggest party and likely in control of government on a national level, possibly with some support of smaller parties with similar ideas to the ANC. However, at least Gauteng, KwaZulu-Natal and the Northern Cape could see multiple parties having to form tight coalitions on a provincial level. The Democratic Alliance (DA) may also come under some pressure in the Western Cape, although as is the case with the ANC nationally, it is likely to remain in control of government. Unpacking the potential economic implications of every possible outcome falls outside the scope of this publication – and with politics, only time will tell which of the promised policies will be implemented. However, it is safe to say that a messy election outcome could spook markets and be severely negative for the rand. A more significant loss of support for the ANC and/or a coalition with non-aligned parties could result in the government turning more populist in the hopes of

restoring its support in 2029 – recklessly pushing through the National Health Insurance (NHI) and Basic Income Grant (BIG) comes to mind. On the positive side, an ANC in control of the national government could give it the opportunity to continue with the tentative progress made with some policy reforms.

## FISCAL RISKS REMAIN ON THE UPSIDE

**A significant worsening of SA’s fiscal picture is another key risk for the rand exchange rate outlook.** Through 2023, the outlook continued to deteriorate. Indeed, in the Medium Term Budget Policy Statement (MTBPS) tabled at the beginning of November 2023, National Treasury revised its gross debt-to-GDP projection upwards to peak at 77.7% in 2025/26. Less than nine months before, they still projected a rate of 73.6% to GDP and a further deterioration is expected in the Budget presented in February. A key reason for this sharp revision is the significant underperformance of revenue collected compared to initial estimations (see Figure 7). It was especially corporate income tax from the mining sector that underperformed due to a sharp fall in some of SA’s export commodity prices.

**Figure 7: Main Budget performance in 2023/24 (first 9 months)**



Source: National Treasury

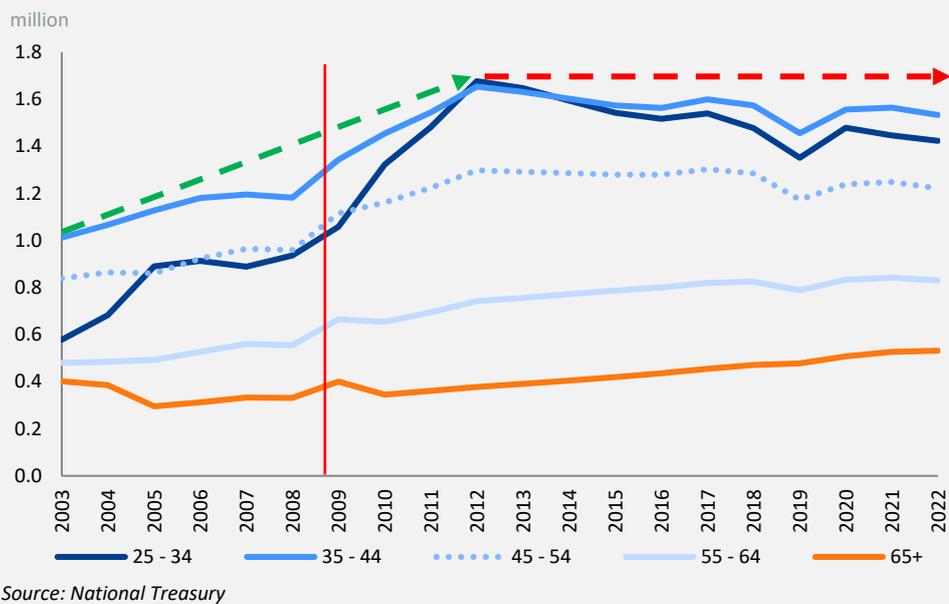
**At the same time, expenditure jumped by 7.7%, above the 5.4% that the MTBPS pencilled in.** Even before the revenue underperformance and faster-than-expected increase in expenditure, the MTBPS expressed intense concern about the ballooning debt and announced some long-term measures to arrest the increase therein. On the expenditure side, Treasury states that annual growth in wages and purchases of goods and services will be limited to 3% (MTBPS 2023, p21). Given the historical inability of government to keep to tight disciplined spending targets, this seems unlikely. We have pencilled in an annual escalation of 1%pt below nominal GDP growth. This will allow for wages to keep up with inflation, but leaves little room for increase in job numbers without an increase in real GDP growth.

**On the revenue side, Treasury signalled that tax receipts will be increased – likely through bracket creep and better collection.** Other indirect taxes might also see increases above the normal provision for inflation, such as the fuel taxes and excise duties on tobacco and alcohol. For now, we do not foresee an increase in the Value Added Tax (VAT) rate, but this remains a possibility down the line should Treasury require a new revenue stream. However, VAT is relatively regressive so a hike in the rate could be paired with more items being zero-rated to shield lower-income households which limits the revenue. We also do not foresee any changes to the corporate tax rate over the forecast period.

### Tax base stagnation in SA

The scope of additional revenue from personal income tax might be limited in the long run, given that this tax base has stagnated since 2012. The number of young tax payers has slowly declined since 2012, which implies that the older cohorts will also start to decline down the line. (The stagnation in this tax base correlates strongly with the similar plateau in the number of formal sector employees.) As such, the BER anticipates that personal tax revenue will grow by no more than 2%pts above nominal GDP growth over time.

**Figure 8: The number of personal income tax payers by age cohort**



**On balance, the main budget deficit is forecasted to gradually decline in the next four years from 5.6% to GDP in 2024/25 to 2.5% in 2028/29.** This decline is mostly due to the assumption of higher personal and indirect tax revenue, while non-interest expenditure grows at a slower pace than the economy. The share of interest spending in the total is set to increase steadily in the following three years as the debt level keeps on rising to 82.4% of GDP in 2026/27. Only once debt relative to GDP stabilises, will interest spending start to decline.

# Conclusion

All things considered, we see real GDP growth accelerate from an estimated 0.6% in 2023 to 1.5% in 2024. Even if the actual prints turn out slightly better or worse, this essentially implies a more than doubling of the growth rate between the two years. On its own, this seems like an optimistic story and, perhaps to some extent, it is a positive story – although to be clear, a 1.5% expansion is not nearly enough to make a dent in SA’s unemployment problem or to improve living conditions more broadly. We are aware of the significant downside risks attached to this forecast and have flagged these above. An election year, not just for SA but for many of SA’s trading partners, brings an extra level of uncertainty to the outlook. But, we also know how investment spending can spill over and should be able to pull growth higher. The SA consumer has proven time and again to be resilient and with some much-needed support from lower inflation and less onerous borrowing costs, spending should also recover. Load-shedding should be less intense in 2024, and the local logistical constraints should ease through the year - but *should* is, of course, the important word in all these sentences.

# Appendix

## STATISTICS OF THE QUARTERLY FORECAST, 2024 - 2025

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**Table A 1: International economic indicators**

|                                | 2023Q1 | 2023Q2 | 2023Q3 | 2023Q4 | 2024Q1 | 2024Q2 | 2024Q3 | 2024Q4 | 2025Q1 | 2025Q2 | 2025Q3 | 2025Q4 | 2023         | 2024         | 2025         |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|--------------|--------------|
| <b>Real GDP growth rates</b>   |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| US % growth                    | 1.7    | 2.4    | 2.9    | 3.1    | 2.7    | 2.1    | 1.0    | 0.4    | 0.7    | 1.6    | 2.2    | 2.4    | <b>2.5</b>   | <b>1.5</b>   | <b>1.7</b>   |
| UK % growth                    | 0.4    | 0.3    | 0.3    | 0.2    | 0.1    | 0.4    | 0.5    | 0.7    | 0.9    | 1.0    | 1.1    | 1.2    | <b>0.3</b>   | <b>0.4</b>   | <b>1.1</b>   |
| Germany % growth               | -0.2   | 0.1    | -0.3   | 0.1    | 0.2    | 0.2    | 0.5    | 0.8    | 1.0    | 1.2    | 1.3    | 1.5    | <b>-0.1</b>  | <b>0.4</b>   | <b>1.2</b>   |
| Japan % growth                 | 2.5    | 2.3    | 1.6    | 1.9    | 1.0    | 0.4    | 1.4    | 1.1    | 1.0    | 0.9    | 0.9    | 0.5    | <b>2.1</b>   | <b>1.0</b>   | <b>0.8</b>   |
| Eurozone % growth              | 1.3    | 0.6    | 0.0    | 0.1    | 0.3    | 0.4    | 1.0    | 1.3    | 1.6    | 1.7    | 1.5    | 1.6    | <b>0.5</b>   | <b>0.8</b>   | <b>1.6</b>   |
| G7 % growth                    | 1.5    | 1.7    | 1.9    | 2.2    | 1.8    | 1.4    | 0.9    | 0.6    | 0.9    | 1.4    | 1.8    | 1.9    | <b>1.8</b>   | <b>1.2</b>   | <b>1.5</b>   |
| <b>CPI inflation rates</b>     |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| US % CPI                       | 5.8    | 4.0    | 3.5    | 3.4    | 3.0    | 2.5    | 2.3    | 2.3    | 2.3    | 2.2    | 2.1    | 2.0    | <b>4.2</b>   | <b>2.5</b>   | <b>2.2</b>   |
| UK % CPI                       | 9.0    | 7.7    | 6.3    | 4.4    | 3.7    | 2.5    | 2.8    | 2.9    | 3.0    | 2.1    | 1.6    | 1.4    | <b>6.8</b>   | <b>3.0</b>   | <b>2.0</b>   |
| Germany % CPI                  | 8.2    | 6.5    | 5.6    | 3.6    | 2.8    | 2.8    | 2.5    | 3.0    | 2.8    | 2.5    | 2.5    | 2.1    | <b>6.0</b>   | <b>2.8</b>   | <b>2.5</b>   |
| Japan % CPI                    | 3.6    | 3.4    | 3.1    | 2.7    | 3.0    | 2.9    | 2.7    | 2.5    | 2.1    | 2.0    | 1.7    | 1.3    | <b>3.2</b>   | <b>2.8</b>   | <b>1.8</b>   |
| G7 % CPI                       | 6.2    | 4.6    | 4.1    | 2.9    | 2.6    | 2.2    | 2.0    | 2.4    | 2.4    | 2.2    | 2.0    | 1.9    | <b>4.4</b>   | <b>2.3</b>   | <b>2.1</b>   |
| China % CPI                    | 1.2    | 0.1    | -0.1   | -0.3   | 0.1    | 1.3    | 1.8    | 2.4    | 2.2    | 2.0    | 1.7    | 1.6    | <b>0.3</b>   | <b>1.4</b>   | <b>1.9</b>   |
| India % CPI                    | 6.0    | 5.0    | 6.4    | 5.5    | 5.8    | 5.2    | 3.4    | 4.1    | 4.6    | 4.5    | 4.5    | 4.4    | <b>5.7</b>   | <b>4.6</b>   | <b>4.5</b>   |
| <b>Interest rates</b>          |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| US prime rate                  | 7.69   | 8.50   | 8.43   | 8.50   | 8.50   | 8.50   | 8.00   | 7.60   | 7.30   | 6.80   | 6.30   | 6.10   | <b>8.28</b>  | <b>8.15</b>  | <b>6.63</b>  |
| <b>Commodity prices</b>        |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| Spot oil price: US\$/barrel    | 82.2   | 77.9   | 85.9   | 83.0   | 80.0   | 82.0   | 83.0   | 81.0   | 79.0   | 79.0   | 79.0   | 79.0   | <b>82.2</b>  | <b>81.5</b>  | <b>79.0</b>  |
| London gold price: US\$/oz     | 1888   | 1978   | 1929   | 1977   | 2005   | 2025   | 2034   | 2038   | 2025   | 2026   | 2013   | 2007   | <b>1943</b>  | <b>2026</b>  | <b>2017</b>  |
| Platinum price: US\$/oz        | 990    | 1025   | 929    | 914    | 975    | 1008   | 1070   | 1120   | 1150   | 1155   | 1200   | 1210   | <b>965</b>   | <b>1043</b>  | <b>1179</b>  |
| Palladium price: US\$/oz       | 1567   | 1445   | 1250   | 1093   | 1000   | 1115   | 1120   | 1100   | 1050   | 970    | 950    | 930    | <b>1339</b>  | <b>1084</b>  | <b>975</b>   |
| SA coal price : US\$/mt        | 148.9  | 115.3  | 109.1  | 116.0  | 90.2   | 92.1   | 100.0  | 99.7   | 94.7   | 90.8   | 84.0   | 88.0   | <b>122.3</b> | <b>95.5</b>  | <b>89.4</b>  |
| China iron ore price : US\$/mt | 125.8  | 111.3  | 114.5  | 129.1  | 126.5  | 119.5  | 112.5  | 104.5  | 95.0   | 93.0   | 90.0   | 87.0   | <b>120.2</b> | <b>115.8</b> | <b>91.3</b>  |
| <b>Exchange rates</b>          |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| US\$/Sterling exchange rate    | 1.21   | 1.25   | 1.27   | 1.24   | 1.25   | 1.26   | 1.28   | 1.29   | 1.30   | 1.30   | 1.31   | 1.31   | <b>1.24</b>  | <b>1.27</b>  | <b>1.31</b>  |
| YN/\$ exchange rate            | 132.4  | 137.3  | 144.5  | 147.9  | 145.0  | 143.0  | 136.2  | 134.8  | 130.0  | 130.0  | 128.0  | 127.0  | <b>140.5</b> | <b>139.8</b> | <b>128.8</b> |
| US\$/Euro exchange rate        | 1.07   | 1.09   | 1.09   | 1.08   | 1.08   | 1.09   | 1.12   | 1.13   | 1.15   | 1.16   | 1.17   | 1.18   | <b>1.08</b>  | <b>1.11</b>  | <b>1.17</b>  |

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

|   | 2023Q1         | 2023Q2         | 2023Q3         | 2023Q4         | 2024Q1        | 2024Q2         | 2024Q3        | 2024Q4         | 2025Q1        | 2025Q2        | 2025Q3        | 2025Q4        | 2023                         | 2024                        | 2025                        |
|---|----------------|----------------|----------------|----------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|------------------------------|-----------------------------|-----------------------------|
| <b>Nominal GDP expenditure components</b>   |                |                |                |                |               |                |               |                |               |               |               |               |                              |                             |                             |
| Household consumption<br>(year % ch.)       | 4419.8<br>8.5  | 4481.9<br>8.2  | 4533.9<br>6.2  | 4631.0<br>6.3  | 4677.1<br>5.8 | 4757.7<br>6.2  | 4841.5<br>6.8 | 4916.1<br>6.2  | 4995.0<br>6.8 | 5075.1<br>6.7 | 5162.4<br>6.6 | 5234.3<br>6.5 | <b>4516.7</b><br><b>7.3</b>  | <b>4798.1</b><br><b>6.2</b> | <b>5116.7</b><br><b>6.6</b> |
| Government consumption<br>(year % ch.)      | 1339.2<br>6.8  | 1358.2<br>8.4  | 1393.2<br>8.7  | 1356.5<br>5.3  | 1395.8<br>4.2 | 1414.6<br>4.2  | 1441.0<br>3.4 | 1461.8<br>7.8  | 1463.1<br>4.8 | 1482.8<br>4.8 | 1510.5<br>4.8 | 1532.3<br>4.8 | <b>1361.8</b><br><b>7.3</b>  | <b>1428.3</b><br><b>4.9</b> | <b>1497.2</b><br><b>4.8</b> |
| Fixed investment<br>(year % ch.)            | 1016.2<br>13.0 | 1073.9<br>15.5 | 1065.5<br>11.5 | 1079.8<br>9.9  | 1100.5<br>8.3 | 1127.4<br>5.0  | 1154.3<br>8.3 | 1179.2<br>9.2  | 1207.0<br>9.7 | 1236.4<br>9.7 | 1264.5<br>9.5 | 1287.4<br>9.2 | <b>1058.8</b><br><b>12.4</b> | <b>1140.3</b><br><b>7.7</b> | <b>1248.8</b><br><b>9.5</b> |
| Inventory investment                        | 25.1           | 114.2          | -31.3          | 0.2            | 30.2          | 34.1           | 42.0          | 49.3           | 49.6          | 48.9          | 43.2          | 44.3          | <b>27.1</b>                  | <b>38.9</b>                 | <b>46.5</b>                 |
| Residual item                               | -11.1          | -48.3          | -51.1          | -51.1          | -51.1         | -51.1          | -51.1         | -51.1          | -51.1         | -51.1         | -51.1         | -51.1         | <b>-40.4</b>                 | <b>-51.1</b>                | <b>-51.1</b>                |
| Gross domestic expenditure<br>(year % ch.)  | 6789.2<br>10.5 | 6979.8<br>8.2  | 6910.2<br>4.4  | 7016.5<br>3.8  | 7152.6<br>5.4 | 7282.7<br>4.3  | 7427.8<br>7.5 | 7555.3<br>7.7  | 7663.6<br>7.1 | 7792.1<br>7.0 | 7929.5<br>6.8 | 8047.2<br>6.5 | <b>6924.0</b><br><b>6.6</b>  | <b>7354.6</b><br><b>6.2</b> | <b>7858.1</b><br><b>6.8</b> |
| Exports: goods and services<br>(year % ch.) | 2324.7<br>7.5  | 2308.3<br>2.1  | 2285.7<br>-0.5 | 2332.0<br>7.3  | 2326.4<br>0.1 | 2314.3<br>0.3  | 2307.4<br>0.9 | 2320.6<br>-0.5 | 2342.9<br>0.7 | 2351.4<br>1.6 | 2366.5<br>2.6 | 2396.8<br>3.3 | <b>2312.7</b><br><b>4.0</b>  | <b>2317.1</b><br><b>0.2</b> | <b>2364.4</b><br><b>2.0</b> |
| Imports: goods and services<br>(year % ch.) | 2279.4<br>22.1 | 2366.6<br>13.1 | 2180.0<br>0.4  | 2192.5<br>-1.5 | 2288.4<br>0.4 | 2349.8<br>-0.7 | 2351.8<br>7.9 | 2349.2<br>7.1  | 2447.3<br>6.9 | 2509.1<br>6.8 | 2476.1<br>5.3 | 2459.5<br>4.7 | <b>2254.6</b><br><b>7.9</b>  | <b>2334.8</b><br><b>3.6</b> | <b>2473.0</b><br><b>5.9</b> |
| Expenditure on GDP<br>(year % ch.)          | 6834.6<br>6.1  | 6921.5<br>4.6  | 7016.0<br>4.0  | 7156.0<br>6.7  | 7190.6<br>5.2 | 7247.2<br>4.7  | 7383.3<br>5.2 | 7526.7<br>5.2  | 7559.3<br>5.1 | 7634.5<br>5.3 | 7819.9<br>5.9 | 7984.5<br>6.1 | <b>6982.0</b><br><b>5.3</b>  | <b>7336.9</b><br><b>5.1</b> | <b>7749.5</b><br><b>5.6</b> |

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

|   | 2023Q1        | 2023Q2        | 2023Q3         | 2023Q4         | 2024Q1        | 2024Q2         | 2024Q3        | 2024Q4        | 2025Q1        | 2025Q2        | 2025Q3        | 2025Q4        | 2023                        | 2024                        | 2025                        |
|---|---------------|---------------|----------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Real GDP expenditure components</b>      |               |               |                |                |               |                |               |               |               |               |               |               |                             |                             |                             |
| Household consumption<br>(year % ch.)       | 3092.8<br>1.0 | 3086.5<br>0.8 | 3077.1<br>0.5  | 3084.9<br>0.1  | 3097.0<br>0.1 | 3111.7<br>0.8  | 3128.8<br>1.7 | 3149.4<br>2.1 | 3165.4<br>2.2 | 3180.5<br>2.2 | 3195.2<br>2.1 | 3210.5<br>1.9 | <b>3085.3</b><br><b>0.6</b> | <b>3121.7</b><br><b>1.2</b> | <b>3187.9</b><br><b>2.1</b> |
| Government consumption<br>(year % ch.)      | 907.5<br>0.2  | 923.9<br>2.9  | 926.8<br>2.8   | 899.5<br>0.4   | 932.7<br>2.8  | 939.1<br>1.7   | 947.9<br>2.3  | 920.4<br>2.3  | 938.9<br>0.7  | 943.0<br>0.4  | 949.9<br>0.2  | 925.4<br>0.5  | <b>914.4</b><br><b>1.6</b>  | <b>935.0</b><br><b>2.3</b>  | <b>939.3</b><br><b>0.5</b>  |
| Fixed investment<br>(year % ch.)            | 690.3<br>4.2  | 716.3<br>7.7  | 691.7<br>3.6   | 693.7<br>2.3   | 705.2<br>2.2  | 716.0<br>0.0   | 727.6<br>5.2  | 737.5<br>6.3  | 749.1<br>6.2  | 761.0<br>6.3  | 773.4<br>6.3  | 781.9<br>6.0  | <b>698.0</b><br><b>4.4</b>  | <b>721.6</b><br><b>3.4</b>  | <b>766.3</b><br><b>6.2</b>  |
| Inventory investment                        | 29.3          | 62.0          | -44.5          | -8.9           | 12.0          | 15.4           | 21.4          | 25.2          | 27.1          | 27.2          | 24.8          | 24.1          | <b>9.5</b>                  | <b>18.5</b>                 | <b>25.8</b>                 |
| Residual item                               | 20.6          | 11.5          | 3.2            | 3.2            | 3.2           | 3.2            | 3.2           | 3.2           | 3.2           | 3.2           | 3.2           | 3.2           | <b>9.6</b>                  | <b>3.2</b>                  | <b>3.2</b>                  |
| Gross domestic expenditure<br>(year % ch.)  | 4740.5<br>2.0 | 4800.1<br>2.7 | 4654.3<br>-1.6 | 4672.3<br>-0.8 | 4750.2<br>0.2 | 4785.5<br>-0.3 | 4828.9<br>3.8 | 4835.7<br>3.5 | 4883.7<br>2.8 | 4914.9<br>2.7 | 4946.4<br>2.4 | 4945.0<br>2.3 | <b>4716.8</b><br><b>0.6</b> | <b>4800.1</b><br><b>1.8</b> | <b>4922.5</b><br><b>2.6</b> |
| Exports: goods and services<br>(year % ch.) | 1292.4<br>3.2 | 1299.6<br>3.5 | 1307.8<br>2.2  | 1308.8<br>5.6  | 1326.1<br>2.6 | 1332.8<br>2.6  | 1333.9<br>2.0 | 1338.9<br>2.3 | 1353.3<br>2.1 | 1360.3<br>2.1 | 1377.6<br>3.3 | 1389.7<br>3.8 | <b>1302.1</b><br><b>3.6</b> | <b>1332.9</b><br><b>2.4</b> | <b>1370.2</b><br><b>2.8</b> |
| Imports: goods and services<br>(year % ch.) | 1422.3<br>9.3 | 1468.0<br>7.5 | 1341.8<br>-1.9 | 1343.9<br>-1.0 | 1426.6<br>0.3 | 1460.2<br>-0.5 | 1437.1<br>7.1 | 1423.1<br>5.9 | 1484.8<br>4.1 | 1519.0<br>4.0 | 1497.4<br>4.2 | 1479.5<br>4.0 | <b>1394.0</b><br><b>3.4</b> | <b>1436.8</b><br><b>3.1</b> | <b>1495.2</b><br><b>4.1</b> |
| Expenditure on GDP<br>(year % ch.)          | 4610.7<br>0.2 | 4631.8<br>1.5 | 4620.3<br>-0.5 | 4637.2<br>1.0  | 4649.6<br>0.8 | 4658.1<br>0.6  | 4725.7<br>2.3 | 4751.5<br>2.5 | 4752.3<br>2.2 | 4756.2<br>2.1 | 4826.6<br>2.1 | 4855.2<br>2.2 | <b>4625.0</b><br><b>0.6</b> | <b>4696.2</b><br><b>1.5</b> | <b>4797.6</b><br><b>2.2</b> |

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

|   | 2023Q1         | 2023Q2         | 2023Q3         | 2023Q4         | 2024Q1        | 2024Q2        | 2024Q3        | 2024Q4        | 2025Q1        | 2025Q2        | 2025Q3        | 2025Q4        | 2023                         | 2024                        | 2025                        |
|---|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|------------------------------|-----------------------------|-----------------------------|
| <b>Household consumption categories</b>               |                |                |                |                |               |               |               |               |               |               |               |               |                              |                             |                             |
| Durable goods<br>(year % ch.)                         | 318.6<br>2.8   | 314.8<br>1.9   | 312.7<br>-1.0  | 313.8<br>-1.6  | 315.2<br>-1.1 | 317.2<br>0.7  | 319.6<br>2.2  | 322.9<br>2.9  | 325.4<br>3.2  | 327.7<br>3.3  | 329.7<br>3.2  | 331.7<br>2.7  | <b>315.0</b><br><b>0.5</b>   | <b>318.7</b><br><b>1.2</b>  | <b>328.6</b><br><b>3.1</b>  |
| Semi-durable goods<br>(year % ch.)                    | 269.1<br>3.8   | 266.3<br>2.7   | 271.5<br>4.1   | 269.4<br>2.5   | 270.4<br>0.5  | 271.7<br>2.1  | 273.8<br>0.8  | 275.8<br>2.4  | 277.5<br>2.6  | 279.1<br>2.7  | 280.7<br>2.5  | 282.5<br>2.4  | <b>269.1</b><br><b>3.3</b>   | <b>272.9</b><br><b>1.4</b>  | <b>279.9</b><br><b>2.6</b>  |
| Non-durable goods<br>(year % ch.)                     | 920.3<br>-1.2  | 909.3<br>-1.9  | 900.6<br>-1.4  | 904.1<br>-0.8  | 909.0<br>-1.2 | 913.9<br>0.5  | 918.5<br>2.0  | 924.8<br>2.3  | 929.5<br>2.2  | 933.2<br>2.1  | 936.4<br>1.9  | 940.0<br>1.7  | <b>908.6</b><br><b>-1.3</b>  | <b>916.6</b><br><b>0.9</b>  | <b>934.8</b><br><b>2.0</b>  |
| Services<br>(year % ch.)                              | 1584.9<br>1.6  | 1596.2<br>1.8  | 1592.3<br>1.4  | 1597.6<br>0.5  | 1602.3<br>1.1 | 1608.9<br>0.8 | 1616.9<br>1.5 | 1625.9<br>1.8 | 1633.1<br>1.9 | 1640.5<br>2.0 | 1648.3<br>1.9 | 1656.3<br>1.9 | <b>1592.7</b><br><b>1.3</b>  | <b>1613.5</b><br><b>1.3</b> | <b>1644.6</b><br><b>1.9</b> |
| Total household consumption<br>(year % ch.)           | 3092.8<br>1.0  | 3086.5<br>0.8  | 3077.1<br>0.5  | 3084.9<br>0.1  | 3097.0<br>0.1 | 3111.7<br>0.8 | 3128.8<br>1.7 | 3149.4<br>2.1 | 3165.4<br>2.2 | 3180.5<br>2.2 | 3195.2<br>2.1 | 3210.5<br>1.9 | <b>3085.3</b><br><b>0.6</b>  | <b>3121.7</b><br><b>1.2</b> | <b>3187.9</b><br><b>2.1</b> |
| <b>Disposable income of households</b>                |                |                |                |                |               |               |               |               |               |               |               |               |                              |                             |                             |
| Real disposable income<br>(year % ch.)                | 3073.3<br>-0.1 | 3063.5<br>-0.2 | 3054.3<br>-0.3 | 3062.5<br>-0.7 | 3077.9<br>0.2 | 3091.9<br>0.9 | 3077.1<br>0.7 | 3160.1<br>3.2 | 3137.6<br>1.9 | 3154.4<br>2.0 | 3161.7<br>2.8 | 3207.3<br>1.5 | <b>3063.4</b><br><b>-0.3</b> | <b>3101.7</b><br><b>1.3</b> | <b>3165.3</b><br><b>2.0</b> |
| Adjusted for debt-service cost (real)<br>(year % ch.) | 3024.8<br>0.0  | 3015.7<br>-0.1 | 3007.3<br>-0.3 | 3016.3<br>-0.6 | 3032.0<br>0.2 | 3046.6<br>1.0 | 3032.3<br>0.8 | 3115.7<br>3.3 | 3093.7<br>2.0 | 3111.0<br>2.1 | 3118.8<br>2.9 | 3164.8<br>1.6 | <b>3016.0</b><br><b>-0.2</b> | <b>3056.6</b><br><b>1.3</b> | <b>3122.1</b><br><b>2.1</b> |

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

|                               | 2023Q1 | 2023Q2 | 2023Q3 | 2023Q4 | 2024Q1 | 2024Q2 | 2024Q3 | 2024Q4 | 2025Q1 | 2025Q2 | 2025Q3 | 2025Q4 | 2023         | 2024         | 2025         |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------------|--------------|--------------|
| <b>Private sector</b>         |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| Total private sector          | 484.2  | 510.6  | 494.9  | 497.5  | 508.2  | 517.8  | 528.0  | 538.3  | 549.0  | 559.6  | 569.9  | 577.5  | <b>496.8</b> | <b>523.1</b> | <b>564.0</b> |
| (year % ch.)                  | 2.2    | 7.5    | 4.8    | 3.4    | 5.0    | 1.4    | 6.7    | 8.2    | 8.0    | 8.1    | 7.9    | 7.3    | <b>4.5</b>   | <b>5.3</b>   | <b>7.8</b>   |
| <b>Public sector</b>          |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| Government                    | 127.7  | 124.0  | 118.4  | 117.8  | 118.1  | 118.2  | 118.5  | 118.2  | 118.6  | 119.2  | 120.1  | 120.1  | <b>122.0</b> | <b>118.2</b> | <b>119.5</b> |
| (year % ch.)                  | 11.9   | 8.5    | 0.4    | -1.1   | -7.6   | -4.7   | 0.1    | 0.3    | 0.5    | 0.9    | 1.3    | 1.6    | <b>4.8</b>   | <b>-3.1</b>  | <b>1.1</b>   |
| Public corporations           | 78.4   | 81.7   | 78.4   | 78.4   | 78.9   | 80.1   | 81.1   | 81.1   | 81.5   | 82.1   | 83.4   | 84.3   | <b>79.2</b>  | <b>80.3</b>  | <b>82.8</b>  |
| (year % ch.)                  | 5.1    | 7.6    | 0.9    | 0.8    | 0.7    | -1.9   | 3.4    | 3.4    | 3.2    | 2.5    | 2.9    | 4.0    | <b>3.6</b>   | <b>1.4</b>   | <b>3.2</b>   |
| Total public sector           | 206.1  | 205.7  | 196.8  | 196.2  | 197.0  | 198.3  | 199.6  | 199.2  | 200.1  | 201.4  | 203.5  | 204.3  | <b>201.2</b> | <b>198.5</b> | <b>202.3</b> |
| (year % ch.)                  | 9.2    | 8.2    | 0.6    | -0.3   | -4.4   | -3.6   | 1.4    | 1.6    | 1.6    | 1.6    | 2.0    | 2.6    | <b>4.3</b>   | <b>-1.3</b>  | <b>1.9</b>   |
| <b>Total</b>                  |        |        |        |        |        |        |        |        |        |        |        |        |              |              |              |
| Total fixed capital formation | 690.3  | 716.3  | 691.7  | 693.7  | 705.2  | 716.0  | 727.6  | 737.5  | 749.1  | 761.0  | 773.4  | 781.9  | <b>698.0</b> | <b>721.6</b> | <b>766.3</b> |
| (year % ch.)                  | 4.2    | 7.7    | 3.6    | 2.3    | 2.2    | 0.0    | 5.2    | 6.3    | 6.2    | 6.3    | 6.3    | 6.0    | <b>4.4</b>   | <b>3.4</b>   | <b>6.2</b>   |

Table A 6: Labour sector (million)

|  | 2023Q1 | 2023Q2 | 2023Q3 | 2023Q4 | 2024Q1 | 2024Q2 | 2024Q3 | 2024Q4 | 2025Q1 | 2025Q2 | 2025Q3 | 2025Q4 | 2023          | 2024          | 2025          |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|---------------|
| <b>Employment</b>                              |        |        |        |        |        |        |        |        |        |        |        |        |               |               |               |
| Total labour force                             | 24.13  | 24.27  | 24.59  | 24.40  | 24.61  | 24.63  | 24.91  | 24.72  | 24.90  | 24.93  | 25.21  | 25.01  | <b>24.35</b>  | <b>24.72</b>  | <b>25.01</b>  |
| (year % ch.)                                   | 5.9    | 3.0    | 4.7    | 3.0    | 2.0    | 1.5    | 1.3    | 1.3    | 1.2    | 1.2    | 1.2    | 1.2    | <b>4.1</b>    | <b>1.5</b>    | <b>1.2</b>    |
| Private sector employment                      | 13.93  | 13.97  | 14.33  | 14.47  | 14.40  | 14.48  | 14.64  | 14.79  | 14.68  | 14.74  | 14.91  | 15.08  | <b>14.18</b>  | <b>14.58</b>  | <b>14.85</b>  |
| (year % ch.)                                   | 10.5   | 4.7    | 5.3    | 5.0    | 3.4    | 3.6    | 2.1    | 2.2    | 1.9    | 1.8    | 1.8    | 2.0    | <b>6.3</b>    | <b>2.8</b>    | <b>1.9</b>    |
| Government employment                          | 2.26   | 2.37   | 2.41   | 2.22   | 2.33   | 2.32   | 2.31   | 2.32   | 2.34   | 2.33   | 2.32   | 2.33   | <b>2.32</b>   | <b>2.32</b>   | <b>2.33</b>   |
| (year % ch.)                                   | -2.2   | 7.1    | 12.3   | 3.3    | 3.3    | -2.2   | -4.0   | 4.6    | 0.3    | 0.3    | 0.3    | 0.3    | <b>5.0</b>    | <b>0.3</b>    | <b>0.3</b>    |
| Total employment (incl. informal)              | 16.19  | 16.35  | 16.74  | 16.69  | 16.74  | 16.80  | 16.95  | 17.12  | 17.02  | 17.07  | 17.23  | 17.41  | <b>16.49</b>  | <b>16.90</b>  | <b>17.18</b>  |
| (year % ch.)                                   | 8.6    | 5.0    | 6.2    | 4.7    | 3.4    | 2.8    | 1.2    | 2.6    | 1.7    | 1.6    | 1.6    | 1.7    | <b>6.1</b>    | <b>2.5</b>    | <b>1.7</b>    |
| Unemployment rate                              | 32.9   | 32.6   | 31.9   | 31.6   | 32.0   | 31.8   | 32.0   | 30.7   | 31.7   | 31.5   | 31.7   | 30.4   | <b>32.3</b>   | <b>31.6</b>   | <b>31.3</b>   |
| <b>Wage rates (year % change)</b>              |        |        |        |        |        |        |        |        |        |        |        |        |               |               |               |
| Unit labour cost                               | 4.0    | 3.5    | 5.6    | 5.7    | 5.3    | 7.1    | 3.9    | 4.1    | 4.3    | 4.7    | 6.0    | 3.8    | <b>4.7</b>    | <b>5.1</b>    | <b>4.7</b>    |
| <b>Wage bill (R billion at current prices)</b> |        |        |        |        |        |        |        |        |        |        |        |        |               |               |               |
| Total wage bill                                | 3111.7 | 3129.2 | 3171.5 | 3201.7 | 3302.8 | 3371.6 | 3370.9 | 3416.1 | 3521.7 | 3605.1 | 3648.8 | 3622.3 | <b>3153.5</b> | <b>3365.3</b> | <b>3599.5</b> |
| (year % ch.)                                   | 4.3    | 5.1    | 5.1    | 6.7    | 6.1    | 7.7    | 6.3    | 6.7    | 6.6    | 6.9    | 8.2    | 6.0    | <b>5.3</b>    | <b>6.7</b>    | <b>7.0</b>    |

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

|   | 2023Q1        | 2023Q2        | 2023Q3        | 2023Q4        | 2024Q1        | 2024Q2        | 2024Q3        | 2024Q4        | 2025Q1        | 2025Q2        | 2025Q3        | 2025Q4        | 2023                        | 2024                        | 2025                        |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Income and expenditure</b>                 |               |               |               |               |               |               |               |               |               |               |               |               |                             |                             |                             |
| Remuneration of employees<br>(year % ch.)     | 3111.7<br>4.3 | 3129.2<br>5.1 | 3171.5<br>5.1 | 3201.7<br>6.7 | 3302.8<br>6.1 | 3371.6<br>7.7 | 3370.9<br>6.3 | 3416.1<br>6.7 | 3521.7<br>6.6 | 3605.1<br>6.9 | 3648.8<br>8.2 | 3622.3<br>6.0 | <b>3153.5</b><br><b>5.3</b> | <b>3365.3</b><br><b>6.7</b> | <b>3599.5</b><br><b>7.0</b> |
| Disposable income<br>(year % ch.)             | 4391.9<br>7.3 | 4448.5<br>7.2 | 4500.4<br>5.3 | 4597.4<br>5.5 | 4648.3<br>5.8 | 4727.4<br>6.3 | 4761.4<br>5.8 | 4932.8<br>7.3 | 4951.2<br>6.5 | 5033.5<br>6.5 | 5108.3<br>7.3 | 5229.2<br>6.0 | <b>4484.6</b><br><b>6.3</b> | <b>4767.5</b><br><b>6.3</b> | <b>5080.5</b><br><b>6.6</b> |
| Less household consumption<br>(year % ch.)    | 4419.8<br>8.5 | 4481.9<br>8.2 | 4533.9<br>6.2 | 4631.0<br>6.3 | 4677.1<br>5.8 | 4757.7<br>6.2 | 4841.5<br>6.8 | 4916.1<br>6.2 | 4995.0<br>6.8 | 5075.1<br>6.7 | 5162.4<br>6.6 | 5234.3<br>6.5 | <b>4516.7</b><br><b>7.3</b> | <b>4798.1</b><br><b>6.2</b> | <b>5116.7</b><br><b>6.6</b> |
| Saving  | -27.9         | -33.4         | -33.6         | -33.6         | -28.7         | -30.3         | -80.0         | 16.6          | -43.8         | -41.7         | -54.1         | -5.2          | <b>-32.1</b>                | <b>-30.6</b>                | <b>-36.2</b>                |
| <b>Households: ratio to disposable income</b> |               |               |               |               |               |               |               |               |               |               |               |               |                             |                             |                             |
| Saving  | -0.6          | -0.8          | -0.7          | -0.7          | -0.6          | -0.6          | -1.7          | 0.3           | -0.9          | -0.8          | -1.1          | -0.1          | <b>-0.7</b>                 | <b>-0.6</b>                 | <b>-0.7</b>                 |
| Debt  | 62.3          | 62.5          | 61.9          | 61.3          | 61.1          | 61.0          | 60.5          | 59.5          | 60.0          | 60.2          | 59.9          | 59.6          | <b>62.0</b>                 | <b>60.5</b>                 | <b>59.9</b>                 |
| Debt-service cost                             | 8.4           | 8.8           | 8.9           | 8.7           | 9.2           | 9.2           | 8.9           | 8.6           | 8.4           | 8.3           | 8.3           | 8.3           | <b>8.7</b>                  | <b>9.0</b>                  | <b>8.3</b>                  |
| Net wealth                                    | 393.5         | 391.5         | 381.9         | 382.4         | 380.1         | 380.3         | 384.0         | 379.3         | 386.1         | 384.2         | 383.8         | 378.4         | <b>387.3</b>                | <b>380.9</b>                | <b>383.1</b>                |

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

|                                       | 2023Q1        | 2023Q2        | 2023Q3        | 2023Q4        | 2024Q1        | 2024Q2        | 2024Q3        | 2024Q4        | 2025Q1        | 2025Q2        | 2025Q3        | 2025Q4        | 2023                        | 2024                        | 2025                        |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Income</b>                         |               |               |               |               |               |               |               |               |               |               |               |               |                             |                             |                             |
| Direct taxes<br>(year % ch.)          | 984.6<br>8.1  | 996.1<br>-4.2 | 989.5<br>5.3  | 1035.4<br>3.2 | 1035.5<br>5.2 | 1055.7<br>6.0 | 1073.3<br>8.5 | 1130.6<br>9.2 | 1112.8<br>7.5 | 1135.7<br>7.6 | 1160.6<br>8.1 | 1224.4<br>8.3 | <b>1001.4</b><br><b>2.9</b> | <b>1073.8</b><br><b>7.2</b> | <b>1158.4</b><br><b>7.9</b> |
| Value added tax (VAT)<br>(year % ch.) | 490.2<br>7.5  | 377.5<br>0.3  | 443.0<br>8.9  | 525.2<br>26.1 | 529.6<br>8.0  | 414.6<br>9.8  | 499.4<br>12.7 | 524.2<br>-0.2 | 572.6<br>8.1  | 447.8<br>8.0  | 539.4<br>8.0  | 565.2<br>7.8  | <b>458.9</b><br><b>10.9</b> | <b>491.9</b><br><b>7.2</b>  | <b>531.2</b><br><b>8.0</b>  |
| Other indirect taxes<br>(year % ch.)  | 362.9<br>3.0  | 478.1<br>9.7  | 421.9<br>-2.4 | 430.6<br>-1.2 | 395.9<br>9.1  | 508.5<br>6.4  | 450.5<br>6.8  | 452.4<br>5.1  | 431.4<br>9.0  | 553.4<br>8.8  | 487.9<br>8.3  | 488.6<br>8.0  | <b>423.4</b><br><b>2.2</b>  | <b>451.9</b><br><b>6.7</b>  | <b>490.3</b><br><b>8.5</b>  |
| <b>Expenditure</b>                    |               |               |               |               |               |               |               |               |               |               |               |               |                             |                             |                             |
| Consumption<br>(year % ch.)           | 1339.2<br>6.8 | 1358.2<br>8.4 | 1393.2<br>8.7 | 1356.5<br>5.3 | 1395.8<br>4.2 | 1414.6<br>4.2 | 1441.0<br>3.4 | 1461.8<br>7.8 | 1463.1<br>4.8 | 1482.8<br>4.8 | 1510.5<br>4.8 | 1532.3<br>4.8 | <b>1361.8</b><br><b>7.3</b> | <b>1428.3</b><br><b>4.9</b> | <b>1497.2</b><br><b>4.8</b> |
| Interest Payments<br>(year % ch.)     | 347.8<br>27.0 | 370.1<br>38.8 | 374.5<br>27.5 | 378.7<br>13.8 | 379.3<br>9.1  | 385.2<br>4.1  | 389.7<br>4.0  | 402.7<br>6.3  | 405.2<br>6.8  | 414.2<br>7.5  | 422.2<br>8.4  | 429.8<br>6.7  | <b>367.8</b><br><b>26.1</b> | <b>389.2</b><br><b>5.8</b>  | <b>417.9</b><br><b>7.4</b>  |
| Saving                                | -329.1        | -453.7        | -482.3        | -350.6        | -390.6        | -417.3        | -440.5        | -371.5        | -358.9        | -381.8        | -404.7        | -324.3        | <b>-403.9</b>               | <b>-405.0</b>               | <b>-367.4</b>               |
| <b>Ratios to GDP</b>                  |               |               |               |               |               |               |               |               |               |               |               |               |                             |                             |                             |
| Total tax revenue                     | 26.9          | 26.8          | 26.4          | 27.8          | 27.3          | 27.3          | 27.4          | 28.0          | 28.0          | 28.0          | 28.0          | 28.5          | <b>27.0</b>                 | <b>27.5</b>                 | <b>28.1</b>                 |
| Main budget balance                   | -5.8          | -6.3          | -6.0          | -6.1          | -5.4          | -5.8          | -6.1          | -6.0          | -4.8          | -5.2          | -5.4          | -5.2          | <b>-6.1</b>                 | <b>-5.8</b>                 | <b>-5.2</b>                 |
| Gross debt (National government)      | 70.9          | 72.8          | 74.0          | 74.5          | 75.9          | 77.2          | 77.8          | 78.5          | 79.6          | 80.6          | 80.8          | 81.2          | <b>74.5</b>                 | <b>78.5</b>                 | <b>81.2</b>                 |

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

|  | 2023Q1         | 2023Q2         | 2023Q3         | 2023Q4         | 2024Q1         | 2024Q2         | 2024Q3        | 2024Q4         | 2025Q1        | 2025Q2        | 2025Q3        | 2025Q4        | 2023                        | 2024                        | 2025                        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Current account</b>                           |                |                |                |                |                |                |               |                |               |               |               |               |                             |                             |                             |
| Exports: goods and services<br>(year % ch.)      | 2324.7<br>7.5  | 2308.3<br>2.1  | 2285.7<br>-0.5 | 2332.0<br>7.3  | 2326.4<br>0.1  | 2314.3<br>0.3  | 2307.4<br>0.9 | 2320.6<br>-0.5 | 2342.9<br>0.7 | 2351.4<br>1.6 | 2366.5<br>2.6 | 2396.8<br>3.3 | <b>2312.7</b><br><b>4.0</b> | <b>2317.1</b><br><b>0.2</b> | <b>2364.4</b><br><b>2.0</b> |
| Net receipts<br>(year % ch.)                     | -21.3<br>-42.9 | -51.6<br>85.1  | -46.4<br>132.4 | -27.0<br>70.6  | -48.4<br>127.0 | -46.0<br>-10.8 | -47.0<br>1.3  | -49.5<br>83.1  | -51.8<br>6.8  | -49.2<br>6.9  | -50.2<br>6.9  | -52.8<br>6.8  | <b>-36.6</b><br><b>44.9</b> | <b>-47.7</b><br><b>30.5</b> | <b>-51.0</b><br><b>6.9</b>  |
| Less imports: goods and services<br>(year % ch.) | 2279.4<br>22.1 | 2366.6<br>13.1 | 2180.0<br>0.4  | 2192.5<br>-1.5 | 2288.4<br>0.4  | 2349.8<br>-0.7 | 2351.8<br>7.9 | 2349.2<br>7.1  | 2447.3<br>6.9 | 2509.1<br>6.8 | 2476.1<br>5.3 | 2459.5<br>4.7 | <b>2254.6</b><br><b>7.9</b> | <b>2334.8</b><br><b>3.6</b> | <b>2473.0</b><br><b>5.9</b> |
| Less net factor payments<br>(year % ch.)         | 87.7<br>-7.7   | 75.3<br>-70.4  | 78.6<br>-33.6  | 81.8<br>-4.4   | 80.9<br>-7.7   | 81.2<br>8.0    | 79.9<br>1.7   | 81.3<br>-0.6   | 84.5<br>4.4   | 87.2<br>7.3   | 87.5<br>9.5   | 90.7<br>11.6  | <b>80.8</b><br><b>-41.6</b> | <b>80.8</b><br><b>0.0</b>   | <b>87.5</b><br><b>8.2</b>   |
| Current account balance                          | -63.7          | -185.2         | -19.3          | 30.6           | -91.4          | -162.8         | -171.3        | -159.4         | -240.6        | -294.1        | -247.4        | -206.3        | <b>-59.4</b>                | <b>-146.2</b>               | <b>-247.1</b>               |
| Current account in US\$                          | -3.6           | -9.9           | -1.0           | 1.6            | -5.0           | -8.9           | -9.3          | -8.6           | -13.3         | -16.4         | -13.8         | -11.6         | <b>-3.2</b>                 | <b>-8.0</b>                 | <b>-13.8</b>                |
| Current account as % of GDP                      | -0.9           | -2.7           | -0.3           | 0.4            | -1.3           | -2.2           | -2.3          | -2.1           | -3.2          | -3.9          | -3.2          | -2.6          | <b>-0.9</b>                 | <b>-2.0</b>                 | <b>-3.2</b>                 |
| <b>Financing of the current account</b>          |                |                |                |                |                |                |               |                |               |               |               |               |                             |                             |                             |
| Total net capital flows                          | 46.5           | 23.2           | 21.3           | -26.7          | 55.0           | 15.1           | 65.6          | 10.8           | 92.3          | 47.9          | 84.6          | 22.5          | <b>64.2</b>                 | <b>146.5</b>                | <b>247.4</b>                |
| SDR + Valuation adjustment                       | 71.8           | 64.8           | -7.7           | -33.7          | 3.1            | -3.3           | 6.3           | 0.6            | -23.6         | -5.1          | -6.7          | -4.6          | <b>95.2</b>                 | <b>6.7</b>                  | <b>-40.0</b>                |
| Change in gross reserves                         | 70.2           | 67.3           | -14.0          | -23.8          | 3.1            | -3.3           | 6.3           | 0.6            | -23.6         | -5.1          | -6.7          | -4.6          | <b>99.7</b>                 | <b>6.7</b>                  | <b>-40.0</b>                |
| Gross reserves: quarter end                      | 1099.2         | 1166.5         | 1152.5         | 1128.7         | 1131.9         | 1128.6         | 1134.9        | 1135.5         | 1111.9        | 1106.8        | 1100.1        | 1095.5        | <b>1128.7</b>               | <b>1135.5</b>               | <b>1095.5</b>               |
| Gross reserves: quarter end (US\$)               | 61.9           | 61.5           | 61.1           | 61.7           | 61.7           | 61.7           | 61.7          | 61.7           | 61.7          | 61.7          | 61.7          | 61.7          | <b>61.7</b>                 | <b>61.7</b>                 | <b>61.7</b>                 |
| <b>Terms of trade</b>                            |                |                |                |                |                |                |               |                |               |               |               |               |                             |                             |                             |
| Index (2015 = 100)                               | 112.2          | 110.2          | 107.6          | 109.2          | 109.4          | 107.9          | 105.7         | 105.0          | 105.0         | 104.6         | 103.9         | 103.8         | <b>109.8</b>                | <b>107.0</b>                | <b>104.3</b>                |
| (year % ch.)                                     | -6.7           | -6.2           | -4.8           | 2.2            | -2.6           | -2.1           | -1.7          | -3.9           | -4.0          | -3.0          | -1.7          | -1.2          | <b>-4.0</b>                 | <b>-2.6</b>                 | <b>-2.5</b>                 |

Table A 10: Credit, interest rates and exchange rates

|  | 2023Q1 | 2023Q2 | 2023Q3 | 2023Q4 | 2024Q1 | 2024Q2 | 2024Q3 | 2024Q4 | 2025Q1 | 2025Q2 | 2025Q3 | 2025Q4 | 2023          | 2024          | 2025          |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|---------------|
| <b>Money supply and credit extension</b> |        |        |        |        |        |        |        |        |        |        |        |        |               |               |               |
| M3 money supply                          | 4864.8 | 4945.0 | 5023.1 | 5108.6 | 5150.4 | 5204.9 | 5266.1 | 5349.4 | 5427.0 | 5504.1 | 5601.1 | 5695.8 | <b>5108.6</b> | <b>5349.4</b> | <b>5695.8</b> |
| (year % ch.)                             | 8.9    | 11.2   | 7.7    | 8.1    | 5.9    | 5.3    | 4.8    | 4.7    | 5.4    | 5.7    | 6.4    | 6.5    | <b>8.1</b>    | <b>4.7</b>    | <b>6.5</b>    |
| Private sector credit to households      | 2068.5 | 2085.2 | 2102.7 | 2124.4 | 2147.7 | 2162.4 | 2173.9 | 2214.7 | 2245.1 | 2274.1 | 2309.3 | 2350.4 | <b>2124.4</b> | <b>2214.7</b> | <b>2350.4</b> |
| (year % ch.)                             | 7.3    | 6.5    | 5.5    | 4.5    | 3.8    | 3.7    | 3.4    | 4.3    | 4.5    | 5.2    | 6.2    | 6.1    | <b>4.5</b>    | <b>4.3</b>    | <b>6.1</b>    |
| Private sector credit to firms           | 2441.6 | 2460.3 | 2511.0 | 2557.0 | 2575.5 | 2615.4 | 2665.0 | 2707.6 | 2754.7 | 2802.8 | 2864.6 | 2918.3 | <b>2557.0</b> | <b>2707.6</b> | <b>2918.3</b> |
| (year % ch.)                             | 7.2    | 6.0    | 3.8    | 7.2    | 5.5    | 6.3    | 6.1    | 5.9    | 7.0    | 7.2    | 7.5    | 7.8    | <b>7.2</b>    | <b>5.9</b>    | <b>7.8</b>    |
| Total private sector credit extension    | 4510.1 | 4545.5 | 4613.7 | 4681.4 | 4723.3 | 4777.8 | 4838.9 | 4922.3 | 4999.8 | 5076.9 | 5173.9 | 5268.7 | <b>4681.4</b> | <b>4922.3</b> | <b>5268.7</b> |
| (year % ch.)                             | 7.2    | 6.3    | 4.6    | 6.0    | 4.7    | 5.1    | 4.9    | 5.1    | 5.9    | 6.3    | 6.9    | 7.0    | <b>6.0</b>    | <b>5.1</b>    | <b>7.0</b>    |
| <b>Interest rates</b>                    |        |        |        |        |        |        |        |        |        |        |        |        |               |               |               |
| 3-month NCD rate                         | 7.44   | 8.20   | 8.41   | 8.37   | 8.51   | 8.55   | 8.24   | 7.84   | 7.35   | 7.31   | 7.34   | 7.37   | <b>8.10</b>   | <b>8.28</b>   | <b>7.34</b>   |
| 10-year government bond yield            | 9.96   | 10.60  | 10.47  | 10.35  | 9.86   | 10.03  | 9.90   | 9.95   | 9.89   | 9.88   | 9.84   | 9.86   | <b>10.35</b>  | <b>9.93</b>   | <b>9.87</b>   |
| Prime overdraft rate                     | 10.68  | 11.45  | 11.75  | 11.75  | 11.75  | 11.75  | 11.44  | 11.04  | 10.57  | 10.50  | 10.50  | 10.50  | <b>11.41</b>  | <b>11.50</b>  | <b>10.52</b>  |
| Effective household lending rate         | 13.48  | 14.08  | 14.38  | 14.26  | 15.12  | 15.07  | 14.78  | 14.42  | 13.99  | 13.86  | 13.79  | 13.85  | <b>14.05</b>  | <b>14.85</b>  | <b>13.87</b>  |
| Effective firm lending rate              | 8.33   | 9.31   | 9.95   | 9.61   | 10.63  | 10.41  | 10.00  | 9.54   | 9.11   | 8.98   | 8.91   | 8.83   | <b>9.30</b>   | <b>10.14</b>  | <b>8.96</b>   |
| <b>Exchange rates</b>                    |        |        |        |        |        |        |        |        |        |        |        |        |               |               |               |
| R/US DOLLAR                              | 17.75  | 18.66  | 18.64  | 18.74  | 18.41  | 18.29  | 18.36  | 18.45  | 18.09  | 17.97  | 17.86  | 17.75  | <b>18.45</b>  | <b>18.38</b>  | <b>17.92</b>  |
| (year % ch.)                             | 16.5   | 20.1   | 9.5    | 6.3    | 3.7    | -2.0   | -1.5   | -1.6   | -1.7   | -1.7   | -2.7   | -3.8   | <b>12.8</b>   | <b>-0.4</b>   | <b>-2.5</b>   |
| R/100 Japanese YEN                       | 13.41  | 13.59  | 12.90  | 12.67  | 12.70  | 12.79  | 13.48  | 13.69  | 13.91  | 13.83  | 13.96  | 13.98  | <b>13.14</b>  | <b>13.16</b>  | <b>13.92</b>  |
| (year % ch.)                             | 2.3    | 13.3   | 4.8    | 1.6    | -5.3   | -5.9   | 4.5    | 8.0    | 9.6    | 8.1    | 3.5    | 2.1    | <b>5.4</b>    | <b>0.2</b>    | <b>5.7</b>    |
| R/STERLING                               | 21.56  | 23.35  | 23.60  | 23.27  | 23.01  | 23.05  | 23.50  | 23.80  | 23.51  | 23.37  | 23.40  | 23.26  | <b>22.94</b>  | <b>23.34</b>  | <b>23.38</b>  |
| (year % ch.)                             | 5.5    | 19.5   | 17.8   | 12.5   | 6.7    | -1.3   | -0.4   | 2.3    | 2.2    | 1.4    | -0.4   | -2.3   | <b>13.7</b>   | <b>1.7</b>    | <b>0.2</b>    |
| R/EURO                                   | 19.05  | 20.31  | 20.28  | 20.17  | 19.88  | 19.94  | 20.57  | 20.85  | 20.80  | 20.91  | 20.90  | 20.95  | <b>19.95</b>  | <b>20.31</b>  | <b>20.89</b>  |
| (year % ch.)                             | 11.4   | 22.6   | 18.3   | 12.2   | 4.4    | -1.8   | 1.4    | 3.4    | 4.6    | 4.9    | 1.6    | 0.5    | <b>16.0</b>   | <b>1.8</b>    | <b>2.9</b>    |
| R/\$ PP parity rate (base PPI 2003)      | 13.14  | 13.41  | 13.45  | 13.81  | 13.74  | 13.90  | 13.88  | 13.95  | 14.01  | 14.12  | 14.13  | 14.15  | <b>13.45</b>  | <b>13.87</b>  | <b>14.10</b>  |
| (year % ch.)                             | 6.8    | 10.9   | 5.6    | 6.1    | 4.6    | 3.6    | 3.2    | 1.0    | 2.0    | 1.6    | 1.8    | 1.4    | <b>7.3</b>    | <b>3.1</b>    | <b>1.7</b>    |

Table A 11: Prices

|   | 2023Q1       | 2023Q2       | 2023Q3       | 2023Q4       | 2024Q1       | 2024Q2       | 2024Q3       | 2024Q4       | 2025Q1       | 2025Q2       | 2025Q3       | 2025Q4       | 2023                | 2024                | 2025                |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|---------------------|---------------------|
| <b>Price deflators (index base year: 2015)</b>                                      |              |              |              |              |              |              |              |              |              |              |              |              |                     |                     |                     |
| Exports (incl. services)  | 179.9        | 177.6        | 174.8        | 178.2        | 175.4        | 173.6        | 173.0        | 173.3        | 173.1        | 172.9        | 171.8        | 172.5        | <b>177.6</b>        | <b>173.8</b>        | <b>172.6</b>        |
| (year % ch.)  | 4.2          | -1.4         | -2.6         | 1.6          | -2.5         | -2.2         | -1.0         | -2.7         | -1.3         | -0.5         | -0.7         | -0.5         | <b>0.4</b>          | <b>-2.1</b>         | <b>-0.7</b>         |
| Export commodities (in rand)  | 4974.4       | 4187.9       | 3560.9       | 3753.9       | 3393.8       | 3225.5       | 3159.1       | 3103.3       | 2958.2       | 2870.2       | 2750.7       | 2725.9       | <b>4119.3</b>       | <b>3220.4</b>       | <b>2826.3</b>       |
| (year % ch.)  | -18.9        | -35.2        | -46.2        | -35.8        | -31.8        | -23.0        | -11.3        | -17.3        | -12.8        | -11.0        | -12.9        | -12.2        | <b>-34.3</b>        | <b>-21.8</b>        | <b>-12.2</b>        |
| Imports (incl. services)  | 160.3        | 161.2        | 162.5        | 163.1        | 160.4        | 160.9        | 163.6        | 165.1        | 164.8        | 165.2        | 165.4        | 166.2        | <b>161.8</b>        | <b>162.5</b>        | <b>165.4</b>        |
| (year % ch.)  | 11.7         | 5.2          | 2.4          | -0.6         | 0.1          | -0.2         | 0.7          | 1.2          | 2.8          | 2.6          | 1.0          | 0.7          | <b>4.4</b>          | <b>0.5</b>          | <b>1.8</b>          |
| GDE   | 144.1        | 146.8        | 149.7        | 151.4        | 151.8        | 153.4        | 155.0        | 157.4        | 158.1        | 159.7        | 161.4        | 163.9        | <b>148.0</b>        | <b>154.4</b>        | <b>160.8</b>        |
| (year % ch.)  | 7.2          | 7.0          | 6.1          | 6.1          | 5.3          | 4.5          | 3.5          | 4.0          | 4.2          | 4.1          | 4.2          | 4.1          | <b>6.6</b>          | <b>4.3</b>          | <b>4.1</b>          |
| Investment  | 147.2        | 149.9        | 154.0        | 155.7        | 156.1        | 157.4        | 158.6        | 159.9        | 161.1        | 162.5        | 163.5        | 164.7        | <b>151.7</b>        | <b>158.0</b>        | <b>162.9</b>        |
| (year % ch.)  | 8.5          | 7.3          | 7.6          | 7.3          | 6.0          | 5.0          | 3.0          | 2.7          | 3.2          | 3.2          | 3.1          | 3.0          | <b>7.7</b>          | <b>4.2</b>          | <b>3.1</b>          |
| GDP   | 148.2        | 149.4        | 151.9        | 154.3        | 154.6        | 155.6        | 156.2        | 158.4        | 159.1        | 160.5        | 162.0        | 164.5        | <b>151.0</b>        | <b>156.2</b>        | <b>161.5</b>        |
| (year % ch.)  | 5.9          | 3.0          | 4.5          | 5.7          | 4.3          | 4.1          | 2.9          | 2.7          | 2.9          | 3.2          | 3.7          | 3.8          | <b>4.7</b>          | <b>3.5</b>          | <b>3.4</b>          |
| <b>Consumer (index base: Dec 2021) &amp; producer prices (index base: Dec 2020)</b> |              |              |              |              |              |              |              |              |              |              |              |              |                     |                     |                     |
| Headline inflation (CPI)  | 108.0        | 109.6        | 111.2        | 112.7        | 113.7        | 115.4        | 116.9        | 117.6        | 119.1        | 120.6        | 122.1        | 122.8        | <b>110.4</b>        | <b>115.9</b>        | <b>121.2</b>        |
| (year % ch.)  | 7.0          | 6.2          | 5.0          | 5.5          | 5.3          | 5.3          | 5.1          | 4.3          | 4.8          | 4.5          | 4.5          | 4.5          | <b>6.0</b>          | <b>5.0</b>          | <b>4.6</b>          |
| Core inflation*   | 105.9        | 107.5        | 108.6        | 109.4        | 110.8        | 112.8        | 113.8        | 114.4        | 116.1        | 117.7        | 118.7        | 119.3        | <b>107.9</b>        | <b>113.0</b>        | <b>117.9</b>        |
| (year % ch.)  | 5.1          | 5.2          | 4.7          | 4.5          | 4.6          | 4.9          | 4.8          | 4.6          | 4.7          | 4.3          | 4.3          | 4.3          | <b>4.8</b>          | <b>4.7</b>          | <b>4.4</b>          |
| CPI food and non-alcoholic beverages  | 115.6        | 117.8        | 118.7        | 121.6        | 123.1        | 123.8        | 124.2        | 125.4        | 127.6        | 129.3        | 130.0        | 131.5        | <b>118.4</b>        | <b>124.1</b>        | <b>129.6</b>        |
| (year % ch.)  | 13.6         | 12.2         | 8.7          | 8.7          | 6.5          | 5.1          | 4.6          | 3.1          | 3.6          | 4.4          | 4.7          | 4.8          | <b>10.7</b>         | <b>4.8</b>          | <b>4.4</b>          |
| CPI petrol  | 112.2        | 114.2        | 115.7        | 124.3        | 116.0        | 119.8        | 119.8        | 119.7        | 117.5        | 117.9        | 117.6        | 117.2        | <b>116.6</b>        | <b>118.8</b>        | <b>117.6</b>        |
| (year % ch.)  | 10.6         | -0.2         | -9.3         | 3.4          | 3.4          | 4.8          | 3.6          | -3.7         | 1.3          | -1.5         | -1.8         | -2.1         | <b>0.6</b>          | <b>1.9</b>          | <b>-1.1</b>         |
| <i>Petrol price (R/l coastal unleaded)</i>  | <i>21.36</i> | <i>22.26</i> | <i>22.56</i> | <i>23.56</i> | <i>21.83</i> | <i>22.54</i> | <i>22.55</i> | <i>22.54</i> | <i>22.13</i> | <i>22.20</i> | <i>22.14</i> | <i>22.06</i> | <b><i>22.43</i></b> | <b><i>22.37</i></b> | <b><i>22.13</i></b> |
| (year % ch.)  | 8.3          | 1.4          | -8.0         | 5.9          | 2.2          | 1.3          | 0.0          | -4.3         | 1.3          | -1.5         | -1.8         | -2.1         | <b>1.4</b>          | <b>-0.3</b>         | <b>-1.1</b>         |
| CPI electricity   | 108.3        | 108.3        | 124.4        | 124.8        | 124.8        | 124.8        | 141.2        | 141.4        | 141.4        | 141.4        | 158.9        | 159.2        | <b>116.4</b>        | <b>133.0</b>        | <b>150.2</b>        |
| (year % ch.)  | 8.2          | 8.0          | 15.0         | 15.2         | 15.2         | 15.2         | 13.5         | 13.3         | 13.3         | 13.3         | 12.6         | 12.6         | <b>11.8</b>         | <b>14.3</b>         | <b>12.9</b>         |
| Producer price index  | 126.1        | 127.5        | 129.3        | 131.6        | 131.8        | 134.2        | 135.1        | 136.4        | 137.7        | 139.4        | 140.3        | 141.6        | <b>128.6</b>        | <b>134.4</b>        | <b>139.8</b>        |
| (year % ch.)  | 11.8         | 6.9          | 4.0          | 4.8          | 4.6          | 5.3          | 4.4          | 3.7          | 4.5          | 3.8          | 3.9          | 3.8          | <b>6.8</b>          | <b>4.5</b>          | <b>4.0</b>          |

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