

Medium-term economic outlook and risks

Forecast for South Africa: 2023 - 2028

May 2023

Editor: Hugo Pienaar

Email: hugop@sun.ac.za

Tel: +27 21 808 9782

Forecasting team:

Shannon Bold

Linette Ellis

Helanya Fourie

Lisette Jssel de Schepper

Romano Harold

Prof Johann Kirsten

Craig Lemboe

Nicolaas van der Wath

Cobus Venter

Technical assistance:

Nicolaas van der Wath

© Stellenbosch University

This publication is confidential and only for the use of the intended recipient. Copyright for this publication is held by Stellenbosch University. Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.

ISSN 0259-4862

For more information on the BER's services please visit: www.ber.ac.za

Forecast in a nutshell

Real annual % change*	Average 2017-22	Average 2023-28
Final household consumption expenditure	1.3	1.8
Durable goods	2.6	2.6
Semi-durable goods	0.0	2.5
Non-durable goods	0.8	1.3
Services	1.7	1.9
Gross fixed capital formation	-2.5	6.0
Private residential	-2.7	2.7
Private excluding residential	0.2	8.1
Government	-4.9	1.9
Public Corporations	-9.4	3.3
Gross domestic expenditure	0.9	2.1
Exports of goods and services	0.8	2.6
Imports of goods and services	1.9	3.8
Gross domestic product	0.6	1.8
Current account as % of GDP	-0.3	-4.3
Interest rates (%)		
3-month NCD rate	5.78	7.66
10-year government bond yield	9.19	9.83
Prime overdraft rate	9.02	10.68
Inflation rates (%)		
Producer prices	6.5	4.6
Consumer prices	4.8	4.7
Labour and employment (private and public)		
Nominal wage rate	4.6	4.7
Employment growth	-0.2	1.9
Exchange rates (annual average)		
R/US dollar	14.76	17.64
R/Euro	16.71	20.42
R/Pound sterling	19.14	22.02
R/100 Japanese Yen	13.08	14.26
Fiscal indicators as % of GDP		
Main budget balance	-5.5	-4.2
Gross government debt	60.9	77.5

*unless specified otherwise

Executive summary

It has been a while since a three-month period passed without some adverse global or domestic shock impacting the SA economy. The first quarter of 2023 was no different. On the local front, after high-frequency indicators showed decent economic activity in January, a week of high-intensity (stage 6) load-shedding contributed to poor industrial output in February. Other local growth constraints in early-2023 include stubbornly high inflation, driven by double-digit annual food price increases, as well as continued transport and logistical bottlenecks and additional policy interest rate hikes from the SA Reserve Bank (SARB). Internationally, stress in regional US banks since March has weighed on global investor sentiment as it ignited fears of a possible credit crunch that could bring forward a widely expected US recession. Given a challenging global economic outlook, and with the severity of load-shedding ramped up again of late, our downbeat assessment of the prospects for SA real GDP growth in 2023 remains intact.

Notwithstanding investor angst about the banking sector stresses since March, global real GDP growth in 2023Q1 seems to have performed better than projected at the start of the year. In the **US**, although slowing, real GDP growth remained decent amid sustained labour market strength, which supported buoyant activity in the large services sector. However, while current US economic activity remains solid, **leading indicators** continue to signal more challenging times ahead. These include a sustained, heavily inverted interest rate yield curve. Furthermore, persistent (core) inflationary pressures suggest that despite concerns about reduced access to credit, the US central bank (Fed) will not rush to reduce the policy interest rate. Along with the cumulative (lagged) impact of the aggressive (500bps) rate hikes already implemented, the further tightening of US commercial bank lending standards forestalls a notable downturn in US growth momentum.

In the **Eurozone** (EZ), the rapid fading of last year's energy price shock supported (modest) growth in 2023Q1. However, as in the US, this is very much a services-led story, with continued strain in the manufacturing industry. EZ core CPI inflation, which rose to a record high in March, is a major concern, implying that the European Central

Bank has more work to do in lifting the policy interest rate. Even so, although the outlook is still subdued, EZ real GDP growth forecasts for 2023 have been lifted.

Regarding **China**, the economy benefitted handsomely from economic reopening in 2023Q1. More forecasters are now of the opinion that 6% real GDP growth is possible for calendar 2023, up from a paltry 3% in 2022. In sum, while global real GDP growth showed some resilience in 2023Q1, for advanced (G7) countries in particular, sustained elevated price pressures, further credit and interest rate tightening, and the lagged impact of earlier aggressive rate hikes should constrain future output growth. Indeed, despite a modest upgrade, the IMF still expects G7 real GDP growth to slow materially to 1.3% in 2023, down from 2.3% during 2022.

Against the backdrop of solid, albeit uneven, near-term global growth but at the same time concerns about the outlook, major **commodity prices** of relevance to SA had a mixed start to the year. By early-May, in dollar terms, the gold price was almost 11% higher than at the end of 2022. At the other end of the scale, the Richards Bay coal price was almost 40% lower, with rhodium down by 35%. Even with the Brent crude oil price lower

year-to-date, the sharp decline in some key SA export commodity prices means that SA's **terms of trade**, which measures the ratio between our export and import prices, is estimated to have been notably lower in 2023Q1 than during the corresponding period last year. This should contribute to sustaining a current account deficit of 2-3% of GDP in early-2023.

The combination of a shortfall on the current account and foreign investors offloading SA equities and bonds so far in 2023 explains why the **rand exchange rate** has been on the back foot. Given unfavourable domestic fundamentals and global uncertainties, in the near term, the currency may struggle to decisively break stronger than R18/\$. However, driven by an assumption that the US dollar will lose ground against other major rivals on a 12-month view as the Fed first ends its hiking cycle and then moves towards cutting the policy rate, we maintain that the rand will trade stronger through 2024. The baseline view sees the rand ending 2024 closer to R17/\$ than R18/\$. As always, there are several risks to this outlook, including the outcome of crucial national/provincial elections in mid-2024.

Relative to 2022Q4, the rate of increase for SA **consumer inflation** continued to (slowly) moderate in the first quarter of 2023. However, at 7.1% y-o-y in March, headline CPI continued to rise at an uncomfortably steep clip. This was largely a function of double-digit food price increases, which surprised on the upside in the early parts of the year. Looking forward, amongst other factors, the passthrough of load-shedding-related costs should keep food prices elevated over the short term. However, if sustained, lower international and domestic agricultural commodity prices, along with elevated base effects from the second half of 2022, should see the annual rate of increase for food prices ease later in the year.

Even more so, high base effects will support a y-o-y moderation in petrol costs. As a result, overall headline CPI is expected to slow from an elevated 7% y-o-y in 2023Q1 to 5% in the final quarter of the year, and further to a projected average of 4.5% in 2024. Over the medium term (2025-28), on average, headline CPI should remain around the 4.5% midpoint of the SARB's inflation target.

Upside inflation risks, including sticky (surveyed) expectations and concerns about the funding of an earlier return to current account deficits in the 2-3% of GDP range saw the SARB surprise with a hawkish 50bps **policy interest rate** hike in March. Assuming we are correct on the inflation outlook, on a 12-month forward-looking basis, the real policy rate has now moved into mildly restrictive terrain. This suggests that we are nearing the end of the domestic hiking cycle. However, with the rand set to remain materially undervalued over the short term, and against a global backdrop where the US Fed hiked again in early-May, we have pencilled in a final 25bps SARB policy rate increase at the end of May. As assumed for the US, the SA policy rate is then forecast to remain on hold for the rest of 2023, before a modest (100bps in total) cutting cycle is expected to start in 2024Q1.

Over the past six months, the sustained stark deterioration in the outlook for Eskom load-shedding has driven a consistent downgrade to our **real GDP growth forecast** for 2023. In October 2022, we pencilled in real growth of 1.1% for 2023. This was downgraded to 0.9% in December last year, 0.5% in January and then 0.3% in March 2023. We have now lowered the 2023 growth outlook slightly further to 0.2%, implying almost no real growth for 2023. With the intensity of power cuts set to improve from late this year and into 2024 as Eskom returns several

generation units from long-term outages, and also driven by an assumed ramp-up of private sector **green-energy investments**, we have pencilled in that real GDP growth improves towards 1.5% during 2024. While there could be an upside on alternative power investments that fuels faster GDP growth next year, these capex outlays are likely to have a fair amount of import leakage, diluting the boost to GDP growth. In addition, we expect a US growth downturn later this year that spills over into 2024, dampening global growth

prospects beyond 2023. Along with likely sustained domestic logistical bottlenecks, this will cap the projected recovery in domestic **export growth** during 2024. Looking forward, we continue to peg medium-term SA real GDP growth at around 2% on average. Crucially, this view relies on the realisation of a green-energy fixed investment boom and, over time, the associated easing of the debilitating power constraint.

Contents

Introduction.....	1
Selected domestic and global risks (in no particular order).....	2
Global outlook.....	9
Banking sector stress adds to US recession fears	9
Cocktail of sticky core inflation and lending curtailment complicates central bank rate decisions.....	12
Commodity prices turning against the SA fiscus	14
Broad rand weakness reflects SA sentiment hit	16
Domestic outlook.....	18
Intense load-shedding stumps growth prospects	18
Food price gains slow tempo of CPI disinflation	20
SARB MPC still hawkish as policy turns restrictive.....	23
Consumers pinched by high food prices, rising borrowing costs and a confidence shock	24
Private fixed investment continues to mend.....	25
Summary and conclusion.....	27
Appendix A	28
Statistics of the quarterly forecast, 2023 - 2024	28
Appendix B	40
Statistics of the annual forecast, 2023 - 2028.....	40

List of tables

Table 1: Global growth set to slow sharply in 2023	11
--	----

List of figures

Figure 1: Chinese bounce aided Q1 global growth.....	9
Figure 2: Leading indicators flashing red on US recession risk	10
Figure 3: High core inflation readings keeping central bankers up at night	13
Figure 4: Excluding gold, SA export commodity prices (in rand) take strain	15
Figure 5: Broadbased rand weakness so far in 2023	17
Figure 6: Private capex key for accelerated medium-term GDP growth	19
Figure 7: Excluding food, CPI has moderated at a faster pace	21
Figure 8: Grain futures prices down sharply	22
Figure 9: PPI agriculture has peaked.....	22
Figure 10: Growth slowed in all major spending categories during 2022	24
Figure 11: Real private capex struggling to reach pre-COVID level.....	26

Introduction¹

In the near term, real GDP growth in SA is constrained by energy and logistical constraints, as well as unacceptably high levels of crime and corruption. Despite an assumed accelerated rollout of green energy investments, these severe domestic constraints, along with a projected slowdown in global growth, forestall stagnant SA real GDP growth in 2023.

Stagnant near-term growth should make way for improvement over the medium term

The anticipated return of several Eskom generation units from late-2023/2024 should provide some growth lift in 2024. Globally, one of the big uncertainties over the next 12 months remains how severe a likely downturn in US growth will be. Beyond 2024, an improved medium-term outlook for the domestic economy remains closely tied to the strength of alternative energy investments.

The rest of this report details how the latest forecast balances the opposing forces that are set to impact the SA economy. Before outlining the narrative for the baseline forecast, we first provide an overview of some notable risks to the baseline scenario forecast. The detailed (baseline) forecast numbers can be found in the summary tables at the end of the report.

¹ This report was completed on 8 May 2023.

Selected domestic and global risks² (in no particular order)

Risk	Narrative	Possible impact on the SA economy
<p>Global growth disappoints amid further (short-term) policy rate hikes and possible (medium-term) fragmentation.</p>	<p>Scarring from the COVID-19 pandemic, stubbornly high inflation and a rapid rise in policy interest rates over the past 12 months continue to weigh on economic activity in SA's key trading partners. Even so, real GDP growth outcomes for 2023Q1 were better than expected at the turn of the year. While current (coincident) indicators have, for the most part, held-up, leading indicators in a country like the US are more ominous. With this in mind, our baseline forecast already incorporates an end-2023/early-2024 technical recession in the US. However, the risk is that the growth downturn could be more severe. There could be several drivers for such an outcome, including sustained high inflation that sees the US central bank (Fed) continue with policy rate hikes beyond current expectations and further stresses in the banking sector, resulting in a severe tightening of lending criteria. Another downside risk for the US would be if lawmakers fail to agree terms on timeously raising the debt limit.</p> <p>In the Eurozone (EZ), quarterly real GDP growth stagnated over the past six months. Considering the energy price shock that followed the Russian invasion of Ukraine, this outcome was better than expected in the wake of the invasion. The fading of the energy price shock should support modest EZ growth in the rest of the year. However, the downside risk of potential EZ gas shortages in the 2023/24 winter months, and the</p>	<p>As a small, open economy, SA is highly exposed to adverse international developments. A severe global downturn will have negative implications for investor risk perceptions and key commodity prices, both of which have the potential to weigh on foreign capital inflows to emerging markets. SA export earnings will be adversely impacted by reduced demand for, and prices of, our key export commodities. Non-mining (agriculture and manufacturing) export volumes will also be under pressure. Depending on supply-side developments, the oil price would presumably also be lower in such a scenario. Even so, SA's terms of trade could suddenly worsen, leading to larger-than-anticipated current account deficits, and weigh on SA government tax revenue. Higher twin fiscal and current account deficits could fuel significant rand weakness and drive up long-term domestic interest rates as risk premia rises, further weakening the public finances.</p>

² These are risks that do not explicitly form part of the current baseline scenario forecast. Some may only materialise over the medium term, i.e., not necessarily in 2023-24.

	<p>accompanied adverse impact on economic activity, remains. The UK, another key SA trading partner, faces a similar risk.</p> <p>In China, as expected, the reopening from its damaging zero-COVID policy boosted growth in 2023Q1. However, ongoing difficulties in the property sector and damaged consumer confidence after prolonged draconian lockdown measures suggest possible growth setbacks. Over the medium term, increased competition between the US/West and China/Russia for global influence could result in increased global economic fragmentation. If the world is divided into diverging camps/trading blocs, global trade volumes are likely to suffer, especially if, for example, tit-for-tat tariffs/sanctions are imposed. According to IMF estimates, of all the regions in the world, Sub-Saharan Africa is likely to be the hardest hit by global fragmentation. The status of the US dollar as the key international reserve currency could also be altered. The potential global divisions and fragmentation will be starker if, for example, China invades Taiwan. The global economic impact of this would be made worse if, at the same time, Chinese real GDP growth downshifts due to, for example, worsening demographic outcomes.</p>	<p>In terms of global fragmentation, by refusing to condemn Russia's unprovoked invasion of Ukraine, the SA government is potentially putting at risk long-running trade agreements with the US and Europe. These include the favourable access SA exporters has to the US through the African Growth and Opportunities Act (Agoa).</p> <p>This is against a backdrop where a potential failure to meet certain global targets on carbon emission reduction is already putting some of SA's export access at risk, especially to Europe. The increased likelihood of losing out on future export/other business opportunities, or being hit by a range of non-tariff barriers if we don't commit to a green transition, highlights the importance of implementing a phased-in plan to reduce SA's carbon footprint and avoid double-speak on the matter.</p>
--	--	--

Risk	Narrative	Possible impact on the SA economy
<p>Unstable national/provincial coalitions follow the 2024 election.</p>	<p>After attaining 57.5% of the vote in the 2019 national election (45.6% in the 2021 municipal poll), the ANC’s vote percentage is widely expected to decline further in the 2024 national election. At this stage, our baseline assumption is that although the party’s national share of the vote retreats further and it possibly loses a long-held outright majority, the ANC will remain the most-supported political party by a wide margin. Therefore, it will be in a position to dominate any national coalition with say one smaller party (perhaps the IFP or the Patriotic Alliance). Although voters would have given the ANC a strong signal of discontent, at least in theory, the political and economic policy status quo will largely remain intact. The desirability of such an outcome is debatable, but from a stability perspective, it would be preferable relative to a scenario where the ANC’s national support declines to say 40% and it is forced into a multiparty coalition with several smaller parties (possibly including the EFF), or a coalition with only the EFF. This assumes that the ANC and the DA remain unwilling to work together in a national/provincial coalition arrangement³. Even if the ANC manages to eke out just more than a 50% vote share across the country, the general expectation is that key provinces like Gauteng and potentially also KZN could be run by coalition governments post the 2024 election.</p>	<p>On one level, it would be desirable for the ANC’s vote share to drop significantly below 50%. This would send a strong message of discontent from the electorate regarding the mismanagement and corruption that has flourished under ANC rule, especially during the last decade and more. In a positive scenario, this could lead to some ANC introspection and renewal, more so than has already happened in the post-Zuma era. However, the instability in Johannesburg and Tshwane, which has been governed by multiparty coalitions since after the 2021 municipal election, provides a cautionary tale. The downside risk is that the, at times chaotic, coalition arrangements in some of the major metros, including the chopping-and-changing of mayors, could be imposed on national, or more likely, some provincial governments. The potential political instability and policy uncertainty, for example if coalition partners demand (adverse) changes to economic policy, is likely to weigh on business, investor and consumer confidence. In turn, the hit to confidence could discourage fixed and portfolio flow investment in SA, as well as weigh on consumer purchases of durable goods. In sum, in a downside scenario, volatile national/provincial coalition arrangements will detract from medium-term real GDP growth in SA.</p>

³ Although there have been conflicting statements from senior ANC officials, recent media reports (see [here](#)) suggest that the ANC has not ruled out working with the DA.

Risk	Narrative	Possible impact on the SA economy
<p>More frequent and intense load-shedding. Worst case would be a country-wide blackout.</p>	<p>As we have consistently cautioned, the frequency and intensity of load-shedding has continued to increase. Unheard of before, prolonged periods of stage 6 load-shedding have become more common. At an average of 52.5% so far this year, Eskom’s energy availability factor (EAF) continues to worsen. The current EAF implies that almost half of Eskom’s installed power generation capacity is unavailable. This is due to a combination of planned and (significant) unplanned outages. Eskom management has continuously emphasised that periodic power outages will occur until significant (4 000 to 5000MW) new private sector power generation capacity comes on stream. In our baseline forecast, the EAF is assumed to start improving from the second half of 2023 onwards as Eskom starts to return key units from prolonged outages. Over time, the addition of significant private sector renewable power should also improve the country’s energy generation capacity. The downside risk is that it takes longer for these projects to come on stream and/or Eskom faces delays in returning its major units. A related risk is that ageing and badly maintained substations and other infrastructure in cities like Johannesburg are increasingly damaged by constant power surges, worsening the availability of power. While Eskom’s management remains confident that the country is not at risk of a <u>total energy system collapse</u>, which could plunge the country into darkness for weeks, this risk cannot be ruled out completely.</p>	<p>Periodic load-shedding, especially if it is sustained beyond stage 4, will continue to hold back private sector fixed investment, as well as GDP and employment growth. In essence, until much more private sector power generation comes on stream, the electricity constraint will hold back SA’s growth potential. While exceedingly hard to model, a country-wide blackout will have severe implications. One way to think about it is to go back to the dark days of the level 5 COVID lockdown in April 2020 when large parts of the economy were effectively shut down. The impact of a country-wide blackout could be similar but even more severe. What could make a total power system collapse even worse is, amongst other factors, a breakdown of communication systems after a while and the potential for widespread looting and social unrest. If ever there was a low probability but high impact event, this would be it.</p>

Risk	Narrative	Possible impact on the SA economy
<p>Even in the absence of a total blackout, social tensions boil over in SA.</p>	<p>We have long cautioned about the possibility of an Arab-spring-like event in SA. Years of maladministration, corruption and declining per capita GDP have resulted in increasing numbers of people disengaging from the political process and giving up hope for a better tomorrow. It is a dangerous situation when large parts of society believe that they have nothing to lose by participating in mass social unrest, looting of private property, xenophobic violence, etc. Egged on by former president Jacob Zuma’s supporters after his arrest and ‘imprisonment’, and seemingly also fuelled by crime syndicates, this all boiled over in July 2021 in an unprecedented looting spree in parts of the country.</p> <p>With the high levels of poverty and deprivation set to remain in the foreseeable future, and if we do not see a dramatic improvement in service delivery at local government level, there is a risk that the dramatic events in 2021 could be repeated. The risk would be amplified if, as Pick n Pay chair Gareth Ackerman recently cautioned, worsening load-shedding leads to shortages of certain food stuffs.</p>	<p>Because the July 2021 looting spree coincided with stricter lockdown restrictions and the third wave of COVID-19, teasing out the economic impacts solely related to the looting is tricky. However, based on the weak economic outcomes for July, and 2021Q3 in general, there is no doubt that it had a severe negative impact on confidence, household spending and production. The longer-term impact on risk perceptions and foreign as well as domestic fixed investment in SA remains unclear. What should not be in doubt is that another outbreak of widespread social unrest would be a major setback to putting SA on a sustained path to faster growth in private sector fixed investment, real GDP and employment.</p>
<p>SA fiscal crisis.</p>	<p>Stats SA’s GDP benchmarking and rebasing exercise, which revealed that nominal GDP was 11% larger in 2020 than estimated before, as well as large government revenue overruns in recent years, has resulted in a stark improvement in the outlook for SA’s debt-to-GDP ratio. However, this positive trend was halted in the February 2023 Budget when a cumulative R254bn Eskom bailout over the next three fiscal years pushed up the debt trajectory relative to what was outlined in October 2022. While stellar revenue outcomes mean that the debt outlook remains more favourable than 12 and 24 months ago, other fiscal risks have started to materialise. One such risk is the two-year wage deal (for 2023/24 and 2024/25) recently agreed with public sector workers. Our calculations suggest that relative to the assumptions in the February Budget, the feedthrough costs of this deal could lift the public sector wage bill by more than R90bn over the next three fiscal years. Expenditure could of course be cut in other parts of the budget to ensure that</p>	<p>Most directly, a perception that government is embarking on unsustainable government spending will drive up the cost of funding. This has negative impacts for the real economy as it raises borrowing costs for firms and households. Amongst other factors, this will dampen animal spirits, crowding out private sector fixed investment. Consumer spending on durable goods could also be depressed. If capital market debt financing becomes unavailable in a crisis scenario, government will be desperate for alternative sources of</p>

	<p>the higher wage deal is fiscally neutral. However, the non-wage bill cuts, especially if it impacts public infrastructure outlays, could detract from GDP growth. At the same time, some key SA export commodity prices have started to soften, putting at risk Treasury’s near-term government tax revenue outlook. <u>As a result, our baseline outlook for the gross debt-to-GDP ratio is notably (roughly 5% of GDP) worse than what Treasury outlined in February⁴.</u> In addition to these adverse developments, the possibility of severe ANC electoral losses in 2024 (see above) raises the risk of populist spending announcements in the February 2024 Budget. To be clear, our baseline view assumes that the Treasury will firmly push back against this, or advocate for higher taxes to finance the additional expenditure. In a downside scenario, they are overruled by politicians fearing for their positions.</p> <p>The poster child for populist spending would be the introduction of a basic income grant, or BIG. A BIG, especially if it is universal and implemented at the food poverty line of close to R600 per month, could cost up to R200bn per annum. On humanitarian grounds, there is a strong argument for this. It will assist with poverty alleviation and the associated rise in disposable income will support consumer spending. However, and crucially, it is not obvious that, as some claim, the extra spending will generate sufficient additional tax revenue over time to finance the BIG. Put differently, it is doubtful that a BIG will pay for itself, implying a further rise in public debt. In addition to a BIG, there are several other large risks to government expenditure/debt, including further bailouts to non-Eskom state owned enterprises (SOEs), higher-than-assumed debt-service costs, and sustained higher-than-budgeted-for public sector wage settlements.</p>	<p>funding⁵. Less optimal financing options could include large and growth-inhibiting tax hikes, or to force public (the PIC) and private pension funds to buy a statutory minimum amount of government bonds (i.e., prescribed assets). Linked to this could be a tightening of foreign exchange controls which reduces the percentage of pension fund holdings that may be invested overseas. The independence of the SA Reserve Bank (SARB) may also be threatened, i.e., legislation could potentially be changed to allow direct SARB financing of government debt. In this scenario, money supply increases sharply and the rand could collapse, resulting in much higher inflation. Higher inflation would hurt the poor the most, i.e., precisely those groups that the extra government spending is meant to support.</p>
--	---	---

⁴ Importantly, we do not assume any major revenue-raising (tax) measures to arrest the accelerated debt rise. Treasury may well feel obliged to hike taxes, albeit that this may come at a cost to real GDP growth, diluting the boost to government revenue from the tax increases.

⁵ It is important to note that there will be significant pushback against these options, including possible legal action. While on the one hand this may delay their implementation, on the other hand it is likely to bring the endgame closer to knocking on the IMF’s door for a bailout.

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

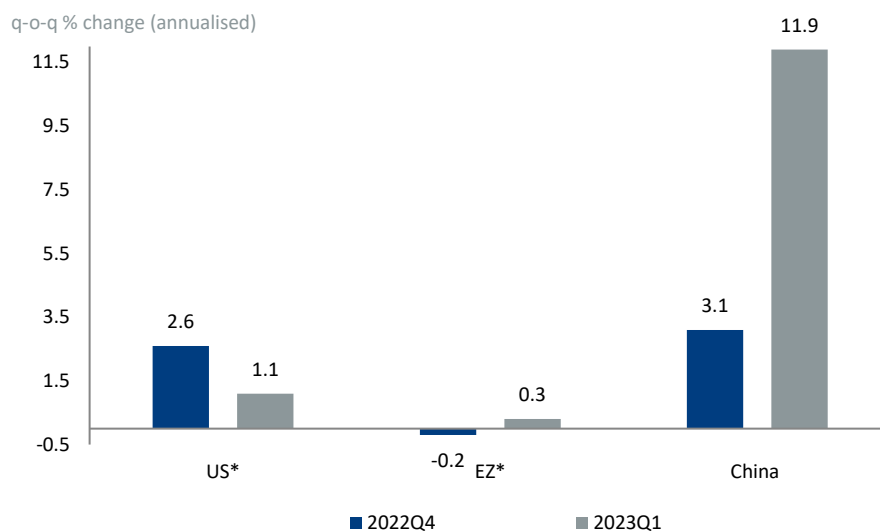
Global outlook

Better-than-expected growth in 2023Q1, but tighter lending standards a concern

Banking sector stress adds to US recession fears

A fading energy price shock and ongoing labour market strength in advanced economies that boosted activity in the services sector, as well as a COVID reopening bounce in China, supported activity in SA's major trading partners during recent months. As a result, quarterly global GDP growth momentum is estimated to have accelerated notably at the start of the year. This is despite stubbornly high inflation in major economies, which resulted in several central banks sustaining aggressive policy interest rate hiking cycles.

Figure 1: Chinese bounce aided Q1 global growth



Source: Eurostat, JP Morgan
*Preliminary estimates

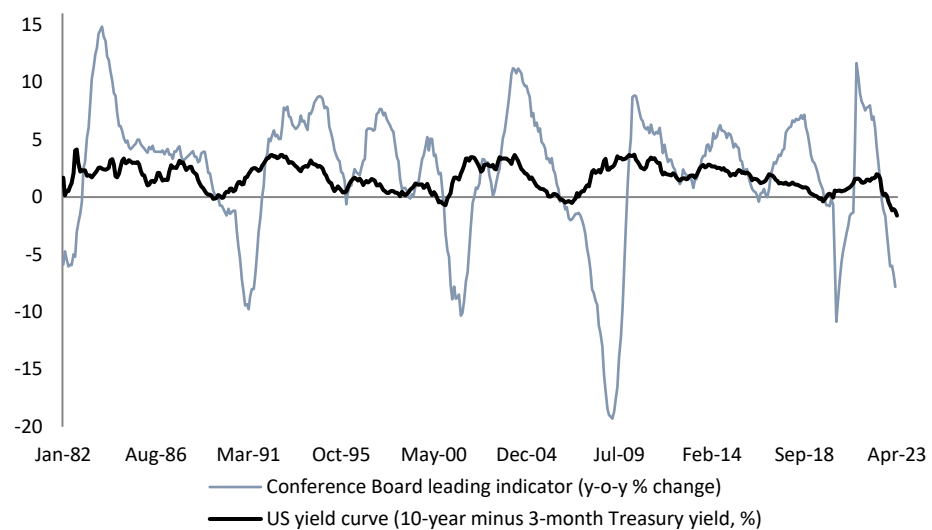
However, the fallout from higher policy rates increased during 2023Q1 as the accompanied sharp rise in long-term interest rates over the past 12 months and the associated decline in the value of US Treasury bonds led to concerns about balance sheet difficulties at some regional US banks. Before the US central bank (Fed) started its hiking cycle, many banks invested heavily in Treasuries on the expectation that US interest rates would remain low. The balance sheet concerns sparked significant bank deposit withdrawals. At the time of writing, four US mid-sized banks have failed since depositor anxiety led to unprecedented (digital) bank runs from early-March 2023. The ongoing stress in regional US banks and the demise of the second largest lender in Switzerland has further increased the uncertainty surrounding the global economic outlook.

Major stress in the US regional banking sector

This is as bank lending standards tighten on both sides of the Atlantic, posing downside risk to the growth outlook and exacerbating recession concerns in the US.

The first set of global data releases for 2023Q2 were mixed, with both the official manufacturing and services Purchasing Managers' Indices (PMIs) for China losing ground in April. The manufacturing PMIs also remained subdued in the US and the EZ at the start of the second quarter, with the services PMIs continuing to pick up the slack in these regions.

Figure 2: Leading indicators flashing red on US recession risk



Source: DataStream, St Louis Federal Reserve Bank

In general, while economic activity has so far outpaced expectations at the turn of the year, relative to 2022, global real GDP growth is still projected to slow notably in calendar 2023. This is reflected in Table 1, which outlines the IMF's latest global growth outlook. Noteworthy is the sharp growth deceleration pencilled in for the G7 advanced countries. In the case of the **US**, many private sector forecasters see growth easing at an even faster pace. Based on the widely held view that the US will enter recession later this year, the annual growth rate of the world's leading economy is set to slow through 2024. Indeed, the sustained decline in the Conference Board's leading economic indicator and a sharply inverted yield curve highlight the high probability of a US recession within the next 12 months (Figure 2). Depending on the exact timing of the growth downturn, the recession could spill over into 2024. This explains the

Global growth momentum set to ease notably in 2023

IMF's expectation for a further easing in US growth momentum during 2024, a view shared by many private sector forecasters⁶.

Table 1: Global growth set to slow sharply in 2023

y-o-y % change (real)	Actual			Forecast		
	2017-22	2021	2022	2023	2024	2025-28
World (PPP*)	2.8	6.3	3.4	2.8	3.0	3.1
G7 countries	1.5	5.3	2.3	1.1	1.1	1.7
US	2.1	5.9	2.1	1.6	1.1	2.0
Euro area**	1.5	5.4	3.5	0.8	1.4	1.6
United Kingdom	1.1	7.6	4.0	-0.3	1.0	1.9
Germany	0.9	2.6	1.8	-0.1	1.1	1.6
Japan	0.1	2.1	1.1	1.3	1.0	0.5
Emerging countries	3.7	6.9	4.0	3.9	4.2	3.9
China	5.6	8.5	3.0	5.2	4.5	3.8
India	4.5	9.1	6.8	5.9	6.3	6.1
Brazil	1.5	5.0	2.9	0.9	1.5	2.0
Russia	1.3	5.6	-2.1	0.7	1.3	0.8
Sub-Saharan Africa	2.7	4.8	3.9	3.6	4.2	4.3
Botswana	3.5	11.8	6.4	3.7	4.3	4.0
Mozambique	2.5	2.3	4.1	5.0	8.2	10.0
Namibia	-0.4	2.7	3.8	2.8	2.6	2.6
Zambia	2.4	4.6	3.4	4.0	4.1	4.9
Zimbabwe	1.2	8.5	3.0	2.5	2.6	2.8
Nigeria	1.7	3.6	3.3	3.2	3.0	3.0
Angola	-0.6	1.1	2.8	3.5	3.7	4.1

*Purchasing Power Parity

**19 Eurozone Countries

Source: IMF World Economic Outlook (April 2023), BER calculations

The initial real GDP estimate for 2023Q1 showed that the **Eurozone** (EZ) dodged a technical recession. Still, EZ real GDP stagnated over the past six months, emphasising the strain that the fallout from the war in Ukraine is putting on the region. However, the preliminary estimates reveal notable divergence amongst the major EZ countries. Indeed, were it not for stagnation in Germany and a large contraction in Ireland, EZ real GDP would have posted decent quarterly growth in 2023Q1. Even so, more pain is likely for the region as the European Central Bank (ECB) continues to raise the policy interest rate in an effort to push record high underlying price pressures back towards target (around 2%) levels. On a 12-month view, much will depend on the region's ability to secure adequate gas supplies for the Northern Hemisphere winter

EZ dodged a technical recession in the first quarter

⁶ This is also our baseline assumption for the US.

months. Beyond the next two years, the IMF's medium-term (2025-28) expectation for growth in the US and EZ is similar to the six-year period from 2017 to 2022. Given that this timeline includes the COVID-induced GDP crash in 2020 and the fallout from the war in Ukraine during 2022, the outlook is uninspiring.

Over the medium term, Chinese real GDP growth of less than 4% expected

There seems to be general consensus that the medium-term prospects for real GDP growth in China is also downbeat, with the IMF pencilling in average growth of less than 4% per annum. There is a greater divergence in opinion on the short-term outlook for China. That said, after being conservative at the start of the year, several forecasters now expect Chinese growth of around 6% for 2023. Near-term uncertainties in China include the sustainability of the COVID reopening bounce, the extent of policy stimulus, and the magnitude of property sector healing.

Closer to home, it is a mixed growth picture for countries in **Sub-Saharan Africa** (SSA). After growth recovered in 2021 from the COVID crash the previous year, the region was hit hard by surging imported inflation and higher funding costs in 2022. The rapid rise in global interest rates and a stronger US dollar have driven up dollar-denominated debt-service payments. According to the IMF, a major implication of this is that frontier SSA countries have been cut off from private funding (capital) markets since shortly after the Russian invasion of Ukraine. Particularly in 2023, the aggregate SSA growth forecast is pulled down by a weak outlook for SA, where almost no real GDP growth is expected. Notwithstanding the near-term challenges, as outlined in Table 1, the medium-term growth forecast is for notably better growth in several SSA countries than during the last six years.

Funding squeeze and SA woes explain subdued near-term growth outlook for SSA

In terms of the overall picture, the IMF's outlook for medium-term global real GDP growth of only around 3% is stark when considering that global growth averaged 3.9% and 3.7% respectively in the two pre-pandemic decades (2000-09 and 2010-19). From a local perspective, the major takeaway is that SA cannot rely on the global economy to drive a medium-term growth acceleration. Therefore, domestic reforms will need to be the catalyst for faster SA growth over the forecast period.

Cocktail of sticky core inflation and lending curtailment complicates central bank rate decisions

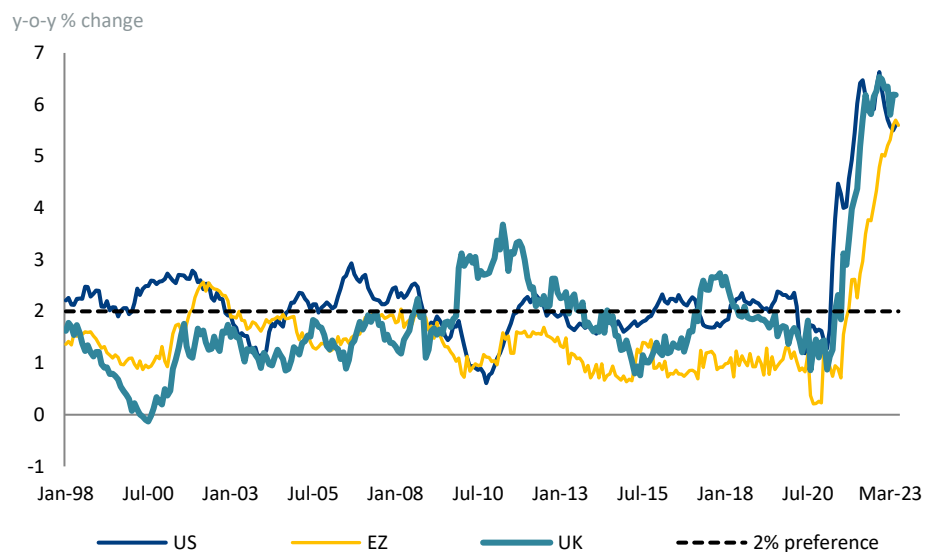
After aggressively hiking policy interest rates over the past 12 months, major central banks are now contemplating when to stop the increases. This is in order to observe how the real economy and price dynamics respond to the

earlier sharp rise in the cost of borrowing. The timing of a pause/end of the hiking cycle is complicated by:

Central bankers
bombarded with
conflicting
signals on the
state of the
economy

- Near-term rates of **inflation** that, although slowing, remain significantly above central bank targets (Figure 3). Having lost confidence in their models' ability to forecast future price trends, central bankers are paying more attention to backward-looking actual inflation prints.
- Mixed data on the **real economy** with coincident (spending on services) and lagging (employment) indicators remaining resilient (albeit softening in the case of the latter), while forward-looking measures are signalling a material loss in future growth momentum.
- The concern that stricter commercial bank **lending standards** will slow down the economy, in effect tightening monetary conditions in excess of the deliberate central bank policy actions.

Figure 3: High core inflation readings keeping central bankers up at night



Source: DataStream

(Uncertain)
inflation outlook
suggests major
central banks
close to ending
rate hikes

While acknowledging significant uncertainty surrounding the outlook, softer real GDP growth in the next 6 to 12 months that subdues demand-side price pressure, along with elevated base effects from last year's price surge, should contribute to a more meaningful easing in the rate of developed country consumer inflation as we move through 2023. This suggests that although the timing is likely to differ somewhat, central banks in the US, EZ and the UK may be close to pausing, if not ending, policy rate hikes. Still, the IMF's updated forecast sees inflation rates in the G7 countries remain above the 2% target

through most of 2024, only reaching the desired level on a sustained basis from 2025 onwards.

Rate cuts only
expected from
early-2024

Depending on how severe the growth downturn is in leading economies, the expectation for a prolonged inflation target breach implies that after ending rate hikes, outside of Japan, leading central banks could keep policy rates at current elevated levels for some time. At this stage, we continue to assume that the US Fed will only start a rate-cutting cycle in early-2024, with other central banks likely to follow. Assuming US consumer inflation settles around the 2% mark over the medium term, the US policy rate is projected to stabilise at about 2.5% over time. This is in line with the Fed's own expectation for the equilibrium long-term US policy interest rate.

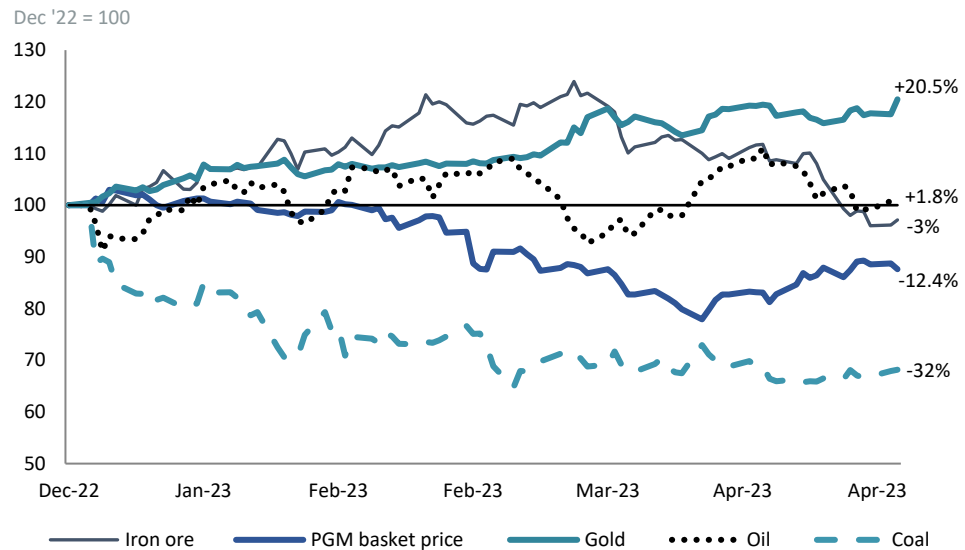
In terms of global currency market implications, we think there may still be some scope for the **US dollar** to move stronger versus the euro and Japanese yen if the Fed goes on a prolonged pause instead of already starting a cutting cycle in 2023. That said, because the Fed is expected to be at the forefront of developed country rate cuts in 2024, the greenback should come under some selling pressure in the latter parts of this year and into 2024 as investors start to discount these moves. The medium-term view of a moderate weakening trend for the dollar against its major rivals remains intact.

Commodity prices turning against the SA fiscus

Gold stars amid
an otherwise
lacklustre
performance for
key SA export
commodity
prices so far in
2023

Unexpected high prices for major SA export commodities were a crucial support for SA's current account and for local tax revenue in 2021 and 2022. Tax revenue in the 2021/22 fiscal year was a massive R150bn more than the projection from the National Treasury in the February 2021 budget. The large revenue windfall improved the key fiscal ratios. For 2022/23, preliminary figures suggest that tax revenue outpaced the expectation at the time of the 2022 budget by around R90bn. Given an uncertain global outlook beset by downside risks, our January 2023 forecast update pencilled in significantly lower (on average) commodity prices for 2023. Figure 4, which plots the price movement of those commodities of most importance to SA through early-May, highlights that, with the notable exception of gold, prices have retreated.

Figure 4: Excluding gold, SA export commodity prices (in rand) take strain



Source: DataStream, BER calculations

Recently, a softer US dollar, the move down in longer-term US interest rates since the emergence of banking sector stress in early-March, and a strong appetite from central banks to increase their gold reserves have boosted the dollar price of the yellow metal. Amid a looming recession in the US, the projected associated lower interest rates and the likelihood of a softer US dollar, the gold price is projected to remain well supported for the time being.

The outlook is not as rosy for SA's other major export commodities. The fading energy price shock from the Russian invasion and concerns about global growth have pushed the Richards Bay **coal price** down significantly from the lofty levels of 2022. Coal demand from Europe may pick up again if there is a severe winter going into 2024. However, at this stage, we do not expect the SA coal price to re-test the highs of last year. The medium-term prospects for coal depend on the pace at which the world embraces a move away from fossil fuels towards renewable energy for electricity generation. Demand from Asia (India and Pakistan) for SA coal should still remain robust for several years.

Staying with energy, the **Brent crude oil** price has been volatile of late as the OPEC+ oil grouping aims to stabilise prices through announced output cuts. Given the concern about the global growth outlook, including the sustainability of China's post-lockdown bounce, besides temporary knee-jerk price spikes, the OPEC+ announcements have not had a material impact on the oil price. With this in mind, we have reduced the average oil price forecast for 2023 and 2024. Over the medium term, Brent crude oil is still expected to stabilise around the \$70/bbl mark. In terms of risks, the lack of global investment in new production capacity in recent years means that if global growth recovers, say from 2025

Fading energy price shock has weighed on coal prices

Tepid oil price reflects global growth concerns; low investment provides upside price risk over the medium term

onwards, oil markets could face a medium-term supply deficit. In such a scenario, the oil price would be higher than anticipated in our baseline forecast.

The detailed tables at the end of the report provide our assumptions for other SA-specific commodity prices.

Broad rand weakness reflects SA sentiment hit

After a notable decline against major currencies in 2022Q4, the rand exchange rate has remained under pressure so far in 2023. Measured against a basket of currencies, the nominal trade weighted rand (TWR) was 8% weaker in 2023Q1 compared to the corresponding quarter in 2022. There was not much respite for the TWR in April (Figure 5). The fact that the rand also lost ground against non-dollar currencies implies that the weakness cannot simply be explained away by, for example, a stronger US dollar. To be clear, the ongoing stresses in parts of the US banking sector, the general concern about global growth, and, as outlined above, the decline in some of SA's key export commodity prices in the first four months of the year most likely provide some clues as to why the local currency has underperformed of late.

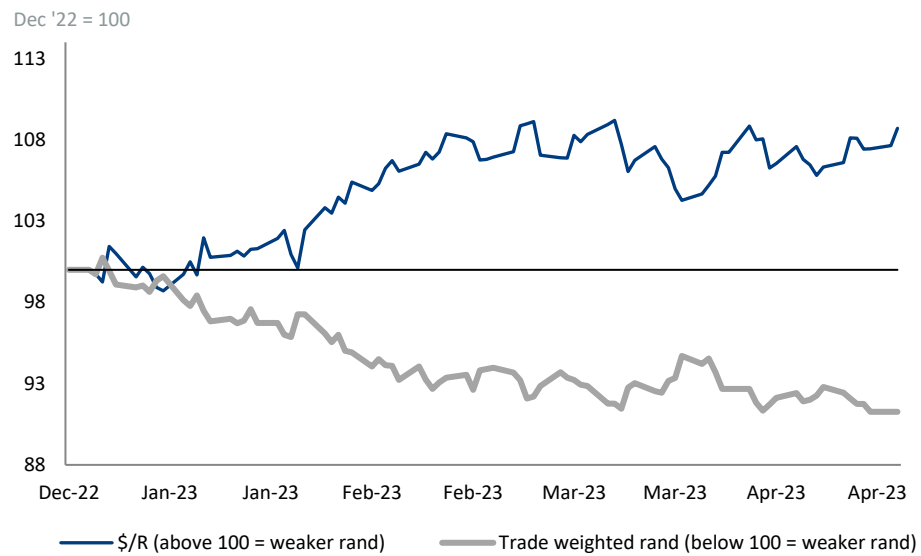
However, the weakness probably also reflects a (further) erosion of domestic fundamentals. These include:

- A downscaling of near-term SA **real GDP growth forecasts** to close to zero in 2023 amid intense, and worsening, load-shedding.
- **Inconsistent government messaging** on how to tackle both the power supply crisis and to meet SA's climate change commitments may also have dented foreign investor sentiment. Coupled with this are concerns that because of government's proclaimed neutrality on the war in Ukraine, **beneficial trade access** to the US and Europe could be under threat.
- A faster-than-expected return to **external** (current account) **deficits** in the range of 2-3% of GDP.
- SA's **greylisting** at the end of February 2023.
- **Political instability** at local government, especially in Johannesburg and Tshwane
- A higher-than-anticipated **public sector wage agreement** for 2023/24, with feedthrough costs to the outer years of the fiscal framework. In the absence of significant savings on non-wage expenditure, the higher wage bill implies that the fiscal ratios will be worse than outlined in the February budget.

Rand's losses not only against the US dollar

Domestic woes weigh on foreign investor sentiment towards SA

Figure 5: Broadbased rand weakness so far in 2023



Source: DataStream

The confidence-sapping effect of these adverse developments helps to explain foreign investor selling of SA equities and government bonds so far in 2023. Perhaps one of the most glaring examples of the reduced attractiveness of SA assets to foreign investors is the declining share of local government bonds held by foreigners, which has dropped from around 43% in early-2018 to the current level of roughly 25%.

Looking forward, besides an advanced country tilt towards pausing policy interest rate increases, there is little to suggest that the rand could gain much ground over the near term. However, on a 12-month view, we continue to pencil in a stronger currency, albeit that the levels have shifted higher (weaker) than envisaged before. Beyond the near term, the reasoning behind a fairly constructive rand outlook includes an assumption of less intense load-shedding from late-2023, as well as some weakening of the US dollar as the Fed is expected to lead the policy rate cutting cycle in the developed world. *The baseline view sees the rand ending 2024 closer to R17/\$ than R18/\$.* As always, there are several (downside) risks to this outlook, including the outcome of crucial national/provincial elections in mid-2024. On this, an 'election' budget in 2024 is another notable downside risk for the rand. This would entail that, in a last-ditch attempt to shore up support before the polls, the ANC government announces large unfunded expenditure such as the introduction of a **basic income grant**.

Other downside currency risks include a faster deterioration in the current account shortfall than is generally expected and a lack of progress on improving the power supply crunch. Over the medium term, the combination of an

Rand seen stronger in 12 months, with downside risk

assumed moderate weakening trend for the US dollar and attractive domestic short- and long-term real interest rates should contain the pace of rand softening. However, the currency is projected to remain undervalued over the forecast period, i.e., through 2028.

Domestic outlook

Intense load-shedding stumps growth prospects

The SA growth outlook for 2023 continues to worsen, reflected in the consistent decline of consensus expectations. In April last year, the Reuters consensus forecast for real GDP growth in 2023 was still at almost 2% (1.8%). A year later, the consensus has come down to a mere 0.4%, with the IMF's latest forecast even lower at 0.1%. Similarly, the sustained stark deterioration in the outlook for Eskom load-shedding has driven a consistent downgrade to our **real GDP growth forecast** for 2023. In October 2022, we pencilled in real growth of 1.1% for the year. This was downscaled to 0.9% in December last year, 0.5% in January and then 0.3% in March 2023. We have now lowered the 2023 growth outlook slightly further to 0.2%, implying almost no real growth.

Besides intense domestic power and logistical constraints, the growth impulse from the rest of the world is also now set to be notably less than assumed a year ago. Indeed, in April 2022 the IMF forecast global real GDP growth of 3.6% for 2023. This was subsequently cut, with the latest (April 2023) global growth projection from the IMF down to 2.8%.

Although very little, if any, domestic growth is forecast for 2023, we continue to expect modest quarterly growth in 2023Q1. This is despite even more severe power cuts through the quarter than in 2022Q4 when the economy contracted by a larger-than-expected 1.3% q-o-q. The Q1 GDP view is based on the non-Eskom drags on Q4 growth normalising in the first quarter. As expected, monthly external trade data confirmed that merchandise exports bounced back in Q1 after being weighed down by strike activity and a train derailment on the coal export line in Q4. Even with imports also up strongly in Q1, net exports should be less of a drag on Q1 GDP than in 2022Q4. Furthermore, incoming vehicle and retail sales data indicate some growth in consumer spending at the start of the year. Against this backdrop, we expect that SA dodged a technical recession in 2023Q1. However, even if the expectation for Q1 is confirmed when the GDP data is released in early-June, it is unlikely to warrant any meaningful upward revision to the view on growth for the entire year.

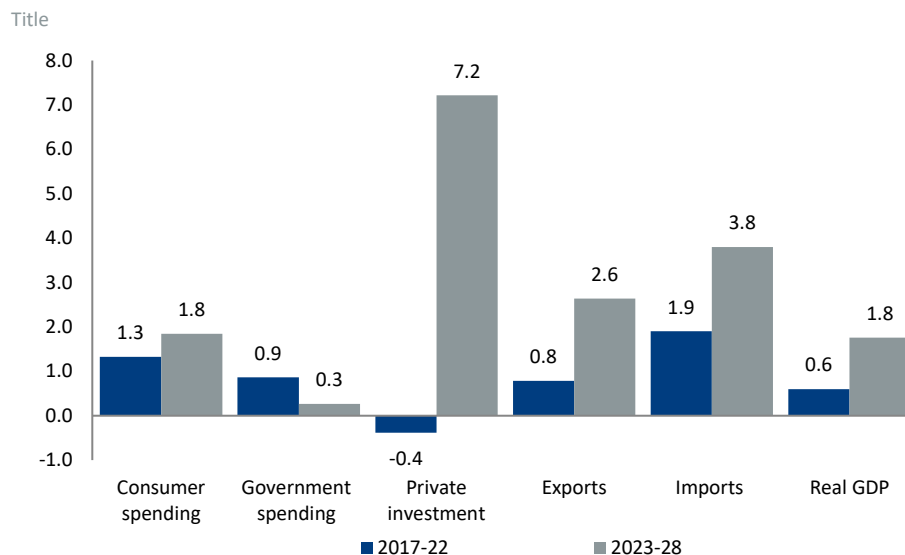
Meagre, if any,
SA real GDP
growth expected
for 2023

Incoming data
supports a view
of modest
quarterly growth
in 2023Q1

Some load-shedding relief supports faster growth in 2024

With the intensity of power cuts set to decline from late this year and into 2024 as Eskom returns several generation units from long-term outages, and also driven by an assumed ramp-up of private sector **green-energy investments**, we have pencilled in a real GDP growth improvement towards 1.5% during 2024. While there could be an upside on alternative power investments that fuels faster GDP growth next year, these capital expenditure (capex) outlays are likely to have a fair amount of import leakage, diluting the boost to GDP growth. In addition, as outlined earlier, we expect a US growth downturn later this year that spills over into 2024, dampening global growth prospects beyond 2023. Along with likely sustained domestic logistical bottlenecks, this will cap the projected recovery in domestic **export growth** during 2024.

Figure 6: Private capex key for accelerated medium-term GDP growth



Source: Stats SA, BER forecast

Over the medium term (2025-28), we are sticking with the outlook of a further recovery in the growth momentum to around 2% on average. Crucially, this view relies on the realisation of a green-energy fixed investment boom and, over time, the associated easing of the debilitating power constraint. This will require that a bunch of private sector-led green projects are completed and connected to the grid. Given the dependence of the longer-term growth outlook on much faster private capex growth (see Figure 6) and on an improvement in the power constraint, any delays here arguably pose the biggest downside risk to medium-term real GDP and employment growth. The potential further erosion of business, consumer and investor confidence in the event of a messy coalition arrangement, either nationally or in some of the key provinces, after the 2024 election is another major downside risk to the medium-term domestic growth outlook.

Growth of around 2% still pencilled in for 2025-28

Food price gains slow tempo of CPI disinflation

The rate of increase for headline CPI inflation moderated further to 7% y-o-y in 2023Q1, down from 7.4% in 2022Q4 and a likely peak of 7.7% during the third quarter of 2022. While the continued easing is good news, the annual inflation rate during Q1 was higher than our January forecast of 6.7%. The upside surprise was largely because of an (unexpected) sustained acceleration in the rate of food price increases. The CPI for food and non-alcoholic beverages (FNAB) went from 10.9% y-o-y in 2022Q3 to 13.6% y-o-y during 2023Q1. As shown in Figure 7, excluding the FNAB category, the moderation in headline CPI has been more substantial. After peaking at 7.3% y-o-y in July 2022, the annual rate of increase for the CPI without FNAB eased to 5.5% in March 2023. Although this is still a full percentage point above where the SARB would like inflation to settle, it does emphasise the outsized role of food in keeping headline CPI elevated at this stage.

The movement in local food prices has gone against the international trend where food costs are down sharply from the peaks reached in 2022. The divergence can be explained by a weaker rand exchange rate that has diluted the impact of lower international prices, as well as other local idiosyncratic factors. These include:

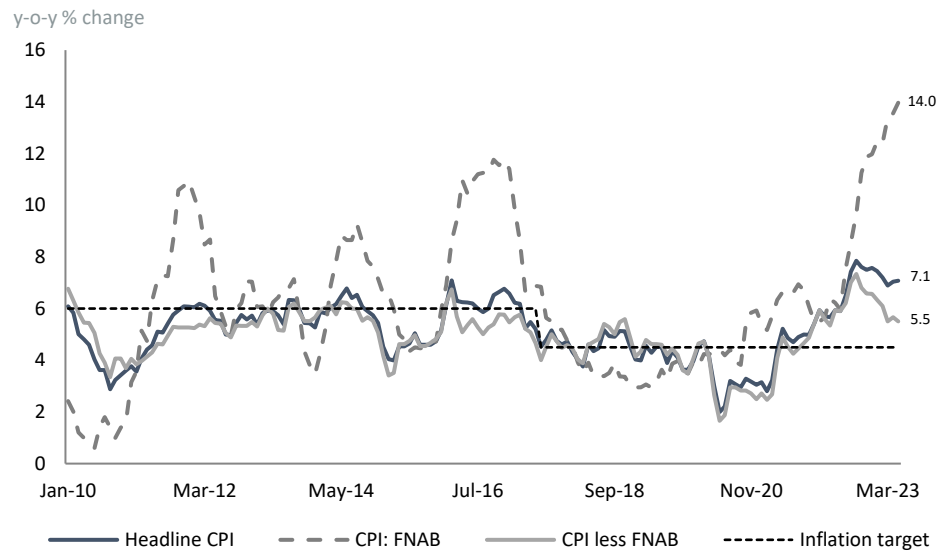
- The outbreak of **foot and mouth disease** in late 2022 that affected the supply of beef. The impact of this should fade soon.
- **Flooding** in early-2023 that curtailed the availability of certain vegetables.
- The likely passthrough of **load-shedding-related costs**. This is hard to quantify⁷, but major food producers and retail groups have lamented the exorbitant additional costs of ensuring business continuity through load-shedding. The latest example was Pick n Pay reporting that it spent R522 million on diesel costs in the financial year to end February 2023. Although the extra costs have seen firms take a hit in the form of lower margins, some of these expenses have been passed on through higher retail food prices.

Headline CPI surprised on the upside in 2023Q1

Adverse local factors prevent SA from fully benefitting from lower global food costs, but...

⁷ The SARB has estimated that load-shedding will add 0.5 percentage points to the headline CPI inflation rate in 2023. For more on this, see Box 1 in the SARB's latest **Monetary Policy Review**.

Figure 7: Excluding food, CPI has moderated at a faster pace



Source: Stats SA

With load-shedding set to remain intense for some time still, the related costs are likely to adversely impact food prices for the next several months at least. This suggests that food CPI will remain elevated in the very near term.

However, if sustained, the recent sharp decline in SA agricultural commodity prices (Figure 8) and the stark moderation (from elevated levels) in the agricultural component of the producer price index (PPI, Figure 9) bode well for an easing in the rate of increase for consumer food prices later in the year. High food price base effects from the second half of 2022 should also support an easing in the latter stages of 2023. *Even so, we now expect food prices to increase by more than 10% for the entire 2023, outpacing the increase of 9.5% recorded in 2022.*

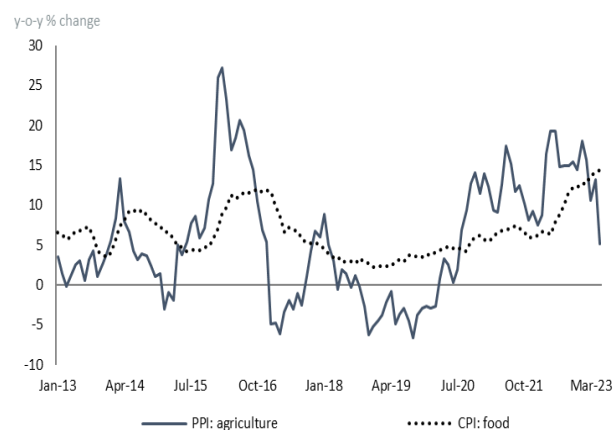
...there is some scope for moderation later in the year

Figure 8: Grain futures prices down sharply



Source: DataStream

Figure 9: PPI agriculture has peaked



Source: DataStream

Headline CPI still expected to moderate smartly in 2023H2, but average forecast for the year lifted to 5.9%

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

In terms of the other major drivers of measured inflation, the **petrol component** should start to meaningfully detract from the annual rise in headline CPI during upcoming months. This is due to the combination of a possible large fuel price decline in June amid a lower oil price and very high base effects after petrol prices surged this time last year in the wake of the Russian invasion of Ukraine. In terms of underlying (core) CPI, even though **rental costs** should increase as the year progresses, our numbers suggest that the annual rise in core CPI could peak in the next month or so. In all, the rise in overall headline CPI is expected to slow from the elevated 7% y-o-y in 2023Q1 to 5% in the final quarter of the year. Still, for calendar 2023, we have lifted the headline CPI forecast to 5.9%, from 5.4% in January. CPI is still projected to ease to an average of 4.5% in 2024.

Over the medium term (2025-28), headline CPI is expected to stabilise around the 4.5% midpoint of the SARB's 3 to 6% target. A crucial assumption here is that the oil price tracks lower over time. Along with the moderate weakening projected for the rand exchange rate over the medium term, this keeps imported inflation at bay. Well behaved unit labour costs also support the benign medium-term outlook for inflation. However, at this stage, we are not convinced that a further structural move lower in SA inflation towards the lower end (3%) of the target, a preference recently reiterated by SARB Governor Lesetja Kganyago, is achievable over the next five years.

For starters, while unit labour costs are expected to be in line with the 4.5% midpoint of the current target range through the forecast period, it will take time for inflation expectations and the associated wage demands to moderate back towards 4.5%. In this respect, 3% seems a long way off. In addition, it seems unlikely that **utility** (electricity, water, etc) **costs** will increase by less than 4% per annum over the medium-term forecast horizon. This emphasises

that whereas it is a worthy goal to manage inflation down to 3% over time, achieving it will require buy-in from all social partners. Because there is no such buy-in apparent, borrowing costs would need to rise significantly to push inflation to 3%, with potentially high costs in terms of lost output. Therefore, at this stage, we view 3% as an aspirational goal.

SARB MPC still hawkish as policy turns restrictive

MPC hiked by a larger-than-expected 50bps in March; forward-looking policy rate now mildly restrictive

After cumulative policy rate hikes of 425 basis points, including a larger-than-expected move of 50bps in March, on a 12-month forward-looking basis, the SA real policy interest rate is now mildly restrictive. This means that based on our and the SARB's 12-month inflation forecast, the real rate is above the central bank's estimate of the neutral⁸ rate. In isolation, this suggests that the domestic interest rate hiking cycle is done. However, given upside risks to the inflation outlook, including sustained currency weakness and sticky surveyed inflation expectations, further modest tightening may be in store.

A final 25bps rate hike expected in May, with upside risk

With the rand set to remain materially undervalued over the short term, and against a global backdrop where the US Fed hiked again in early-May (albeit signalling that a pause in its hiking cycle is imminent), we have pencilled in a final 25bps SARB policy rate increase at the end of May. As assumed for the US, the SA policy rate is then forecast to remain on hold for the rest of 2023, before a modest (100bps in total, reaching 7%) cutting cycle is expected to start in 2024Q1. In the short term, the risk is that the MPC feels it has to push the rate higher still in order to re-anchor inflation expectations at its preferred 4.5% mark. In terms of the projected cutting cycle, if the MPC is increasingly convinced about the need for a lower (3%) inflation target, the rate reductions will presumably be less than we have pencilled in.

Positive real policy rate required to attract sufficient foreign capital inflows

Given the forecast that the rise in headline CPI will settle at roughly the SARB's (current) preference of 4.5% over the medium term, at this stage, our baseline view is for a nominal policy rate (on average) of 7% over the forecast period through 2028. This would imply a medium-term real policy interest rate of 2.5%. This is in line with the SARB's current view that over the medium term, the neutral real policy rate should revert back to around 2.5%. Besides having a 3% inflation target in the back of their minds, in a context where the **current account shortfall** is expected to widen (requiring greater quantities of foreign

⁸ The neutral rate can be thought of as an equilibrium policy interest rate where the stance of monetary policy is neither contractionary nor expansionary.

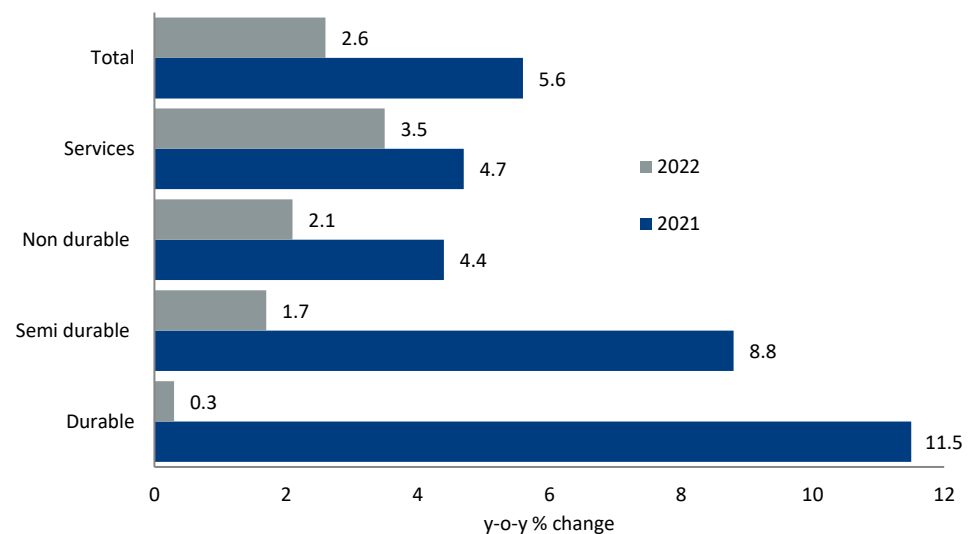
capital inflows), we see little scope for additional rate cuts over the medium term.

Consumers pinched by high food prices, rising borrowing costs and a confidence shock

In line with our expectation at the start of last year, the growth in real consumer spending slowed to 2.6% in 2022 from the bounce-back growth of 5.6% recorded during 2021. Growth in all of the major consumer spending components eased, with outlays on big-ticket **durable goods** seeing the most significant cooling (Figure 10). High-frequency data suggests that sales of durable goods remained under pressure in the early stages of 2023. According to Stats SA, real sales of household furniture, equipment and appliances declined by 1.5% y-o-y in the first two months of 2023. In terms of vehicle sales, the data through April 2023 showed that seasonally adjusted passenger car sales were down by 2.5% y-o-y in the first four months of the year.

Driven by lower outlays on durable goods, real consumer spending growth slowed notably in 2022

Figure 10: Growth slowed in all major spending categories during 2022



Source: Stats SA

Cumulative interest rate increases and low confidence set to depress spending in 2023

The high base effects of 2021 and the shock impact of the April 2022 floods help to explain the significant softening in the growth of durable goods sales in 2022. In terms of the more recent data, the cumulative impact of the aggressive SARB interest rate increases over the past 18 months is now most likely the major drag on interest-rate-sensitive spending. Amid severe load-shedding, general consumer unease about the state of the economy, as reflected in the plunge of the FNB/BER Consumer Confidence Index in 2023Q1 to the third lowest reading on record (since 1994), also suggest a marked decline in consumers' willingness

to spend on discretionary items. Although we do not foresee outlays on durable goods contracting on a full year basis, they are set to remain subdued through 2023, with a modest recovery pencilled in for 2024. *The tables at the back of the report provide the detailed forecast numbers.*

Elevated food prices expected to drag down outlays on non-durable goods

While sales of durable goods are being pinched by higher interest rates and confidence effects, the elevated food prices discussed earlier are set to hurt real outlays on **non-durable** (mainly food and beverage) goods in 2023. We were already downbeat about this subcomponent of consumer spending in January, but the near-term outlook has been revised even lower. *Real consumer spending on non-durable goods is now expected to contract by around 0.5% in 2023.* The outlook for an easing in both general price pressures and food prices in particular during 2024 should be accompanied by some recovery in outlays on non-durable goods. *In all, at projected real growth rates of 1.2% and 1.8% for 2023 and 2024,* we have made marginal downward adjustments to the short-term outlook for total real consumer spending.

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

Over the medium term (2025-28), overall real consumer outlays are forecast to increase by an average of 2%. This is somewhat higher than the average consumer spending growth rate in the five years preceding COVID-19 (1.7%). However, it is notably lower than the long-term pre-COVID (1994-2019) average for real consumer spending of 3.2% per annum.

Private fixed investment continues to mend

Despite strong growth in 2022, private capex recovery continues to lag the overall GDP revival

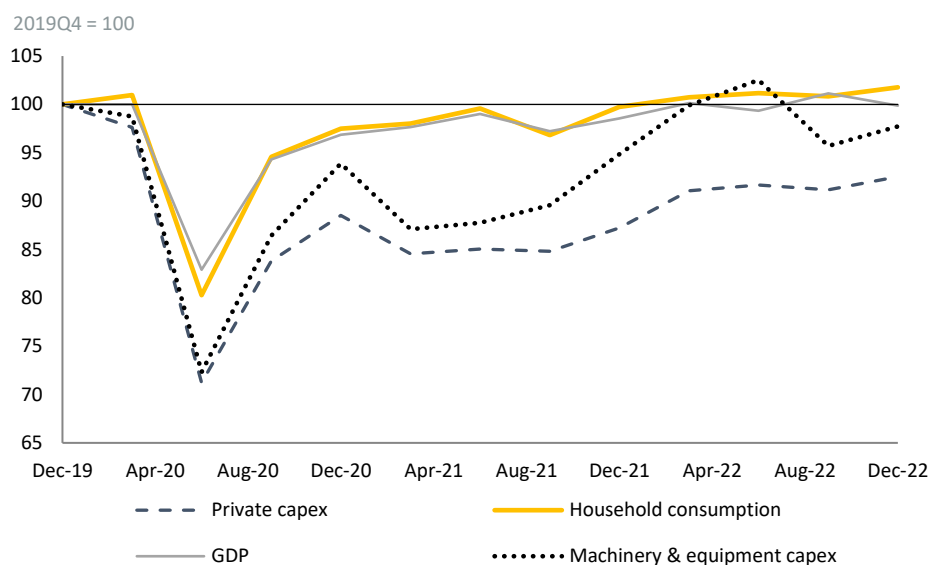
One of the more surprising aspects of the SA economy in 2022 was the much better-than-expected growth in real private sector fixed investment (private capex). In the end, this increased by 7.3%, more than double our expectation at the start of 2022. While this should be cheered, there are a few caveats. The first is that despite the robust performance, the level of private capex was still 7.5% lower in 2022Q4 than the pre-COVID level in 2019Q4. As outlined in Figure 11, the recovery in private capex continues to significantly lag the overall GDP recovery and even more so, the improvement in total real household consumption. The second caveat is that the private capex recovery is not widely dispersed amongst the major subcategories.

Given the sustained low levels of business confidence in SA, this is not surprising. Delving into the detail, the private capex recovery has been totally dominated by private sector outlays on machinery and equipment. This subcategory surged by 12.4% y-o-y in 2022 and was within 2.5% of the pre-

Increased investment in machinery and equipment has driven the gain in private capex

COVID level in 2022Q4⁹. In stark contrast, non-residential fixed investment by the private sector was still down by more than 60% on its 2019 level in 2022, with residential fixed investment by the private sector about 15% lower. We think the sharp increase in machinery and equipment capex during 2022 can at least partly be explained by rising green-energy investments. As mentioned in previous reports, given the weak underlying growth momentum in the economy, the non-green energy outlays on machinery and equipment are most likely (largely) replacement capex as opposed to a requirement for capacity expansion.

Figure 11: Real private capex struggling to reach pre-COVID level



Source: Stats SA

In terms of **public sector** capex, it was another lacklustre performance in 2022, particularly in the case of fixed investment by public corporations (SOEs) such as Eskom and Transnet. This declined by more than 3.5%, while general government capex was flat.

Looking forward, our core views on fixed investment remain intact. To recap, these are:

Still banking on a green energy investment boom

- Sustained strong growth in **private capex**, driven by an accelerated rollout of green-energy investments. There is growing evidence that the needle is moving on this front, including a surge in renewable energy projects registered with the energy regulator (Nersa) in recent months.

⁹ Because Stats SA only provides the private and public sector breakdown of the major capex subcategories on an annual basis, the figures for machinery and equipment in the chart are the total for the private and the public sector. Because the private sector totally dominates this category, the trend for the total (public and private sector) is unlikely to diverge much, if at all, from private sector investment in machinery and equipment.

Assuming these investments start to alleviate the domestic power constraint from 2024 onwards, private capex should broaden beyond green energy as previously unviable non-energy projects become feasible.

- A much-improved **public capex** performance, albeit from very depressed levels and with downside risk given the large underspend on capex budgets seen in recent years.

Summary and conclusion

Global and domestic shocks continue to cloud the outlook for SA real GDP growth. Even so, based on the incoming data, we judge that SA skirted a technical recession in 2023Q1. However, the high likelihood of sustained intense load-shedding means that growth will be hard to come by in the rest of the year. Notwithstanding the challenges, on several fronts, relief is expected in the latter stages of 2023 and into 2024. For one, current elevated food prices should moderate as we move through the year. Along with a lower petrol price compared to last year, this should see a more pronounced disinflation process kick in, supporting household income and providing scope for the SARB to refrain from further policy interest rate hikes beyond May. The power crisis should also become less severe as Eskom returns generation units from long-term outages later in 2023 and more specifically from 2024 onwards as private sector green-energy investments come on stream. Against a challenging economic backdrop, the 2024 national election looms large. The outcome could have a material impact on SA's medium-term prospects. In the meantime, the SA government should tread carefully to navigate increased geo-political tensions in a way that does not alienate our long-standing, major trading partners.

Appendix A

Statistics of the quarterly forecast, 2023 - 2024

Table A 1: International economic indicators	29
Table A 2: Expenditure on gross domestic product (R billion at current prices)	30
Table A 3: Expenditure on gross domestic product (R billion at constant 2015 prices)	31
Table A 4: Final household consumption expenditure (R billion at constant 2015 prices)	32
Table A 5: Gross fixed capital formation (R billion at constant 2015 prices)	33
Table A 6: Labour sector (million)	34
Table A 7: Personal income and expenditure (R billion at current prices)	35
Table A 8: Current income and expenditure of general government (R billion at current prices)	36
Table A 9: Balance of payments (R billion at current prices)	37
Table A 10: Credit, interest rates and exchange rates	38
Table A 11: Prices	39

Table A 1: International economic indicators

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Real GDP growth rates															
US % growth	3.7	1.8	1.9	0.9	1.9	2.1	1.3	-0.1	-0.9	-0.1	0.6	2.1	2.1	1.3	0.4
UK % growth	10.5	3.9	1.9	0.4	0.0	0.0	0.3	0.5	0.6	0.6	0.9	1.1	4.2	0.2	0.8
Germany % growth	3.6	1.6	1.3	0.9	0.4	0.4	-0.1	0.4	0.5	0.8	1.1	1.5	1.9	0.3	1.0
Japan % growth	0.6	1.4	1.5	0.5	1.2	0.3	1.0	1.3	1.3	1.3	1.1	1.0	1.0	0.9	1.2
Eurozone % growth	5.5	4.3	2.3	1.9	1.2	0.6	0.4	0.5	0.9	1.1	1.3	1.6	3.5	0.7	1.2
G7 % growth	4.0	2.4	1.9	0.9	1.6	1.5	1.0	0.4	-0.1	0.3	0.8	1.7	2.3	1.1	0.7
CPI inflation rates															
US % CPI	8.0	8.6	8.3	7.1	5.8	3.8	3.3	3.6	2.9	2.5	2.3	2.2	8.0	4.1	2.5
UK % CPI	5.5	7.9	8.7	9.4	10.1	6.8	5.5	3.5	2.2	1.7	2.6	2.6	7.9	6.4	2.3
Germany % CPI	4.8	6.7	7.4	8.7	8.3	7.2	6.3	5.6	4.7	3.6	3.2	2.0	6.9	6.8	3.4
Japan % CPI	0.9	2.4	2.9	3.9	3.7	2.8	2.0	1.0	0.8	1.1	1.6	2.2	2.5	2.4	1.5
G7 % CPI	6.3	7.5	7.5	7.2	5.8	3.6	2.9	2.8	2.8	2.4	2.4	2.3	7.1	3.8	2.5
China % CPI	1.2	2.3	2.7	1.8	1.3	1.9	2.5	3.2	3.3	2.7	2.2	1.9	2.0	2.2	2.5
India % CPI	5.4	6.5	6.0	5.7	6.5	5.1	4.4	4.2	4.4	4.4	5.0	4.3	5.9	5.0	4.5
Interest rates															
US prime rate	3.29	3.94	5.36	6.82	7.62	7.70	8.17	8.25	8.25	8.05	7.50	6.83	4.85	7.93	7.66
Commodity prices															
Spot oil price: US\$/barrel	98.0	112.1	97.7	88.6	82.4	83.0	85.0	84.0	80.0	79.5	79.0	79.0	99.1	83.6	79.4
London gold price: US\$/oz	1874	1873	1729	1729	1889	2000	1968	1936	1893	1850	1836	1821	1801	1948	1850
Platinum price: US\$/oz	1027	955	882	972	995	1050	1071	1091	1096	1100	1101	1103	959	1052	1100
Palladium price: US\$/oz	2329	2098	2077	1931	1567	1500	1752	2003	1877	1750	1708	1666	2109	1705	1750
SA coal price : US\$/mt	239.2	313.2	324.9	226.1	148.9	150.0	151.0	152.0	166.0	180.0	184.7	189.3	275.8	150.5	180.0
China iron ore price : US\$/mt	138.5	136.1	106.3	100.3	125.8	110.0	104.3	98.7	101.3	104.0	104.9	105.8	120.3	109.7	104.0
Exchange rates															
US\$/Sterling exchange rate	1.34	1.26	1.18	1.17	1.21	1.19	1.15	1.17	1.17	1.19	1.20	1.20	1.24	1.18	1.19
YN/\$ exchange rate	116.2	129.5	138.3	141.4	132.4	134.0	135.0	132.7	133.0	131.0	128.0	125.0	131.3	133.5	129.3
US\$/Euro exchange rate	1.12	1.07	1.01	1.02	1.07	1.06	1.06	1.09	1.10	1.13	1.13	1.14	1.05	1.07	1.12

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

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Nominal GDP expenditure components															
Household consumption (year % ch.)	4056.7 9.1	4124.0 7.6	4239.4 12.3	4333.5 9.7	4379.9 8.0	4427.1 7.3	4549.8 7.3	4617.2 6.5	4667.4 6.6	4706.4 6.3	4836.1 6.3	4908.8 6.3	4188.4 9.7	4493.5 7.3	4779.7 6.4
Government consumption (year % ch.)	1273.7 5.9	1282.3 8.3	1315.1 7.8	1329.8 5.6	1360.6 6.8	1360.8 6.1	1381.7 5.1	1397.1 5.1	1438.4 5.7	1441.4 5.9	1458.3 5.5	1466.2 4.9	1300.2 6.9	1375.1 5.8	1451.1 5.5
Fixed investment (year % ch.)	892.7 13.3	922.3 14.5	945.5 16.6	972.3 15.9	1001.8 12.2	1033.1 12.0	1066.4 12.8	1096.0 12.7	1126.7 12.5	1158.3 12.1	1190.9 11.7	1219.1 11.2	933.2 15.1	1049.3 12.4	1173.8 11.9
Inventory investment	5.4	71.2	130.1	72.0	39.5	45.4	50.3	54.1	30.7	46.3	42.8	46.2	69.7	47.3	41.5
Residual item	-76.1	48.4	5.7	83.7	83.7	83.7	83.7	83.7	83.7	83.7	83.7	83.7	15.4	83.7	83.7
Gross domestic expenditure (year % ch.)	6152.5 8.7	6448.3 12.2	6635.8 14.1	6791.3 12.8	6865.5 11.6	6950.0 7.8	7131.9 7.5	7248.1 6.7	7346.9 7.0	7436.1 7.0	7611.9 6.7	7724.0 6.6	6507.0 12.0	7048.9 8.3	7529.7 6.8
Exports: goods and services (year % ch.)	2158.9 17.1	2260.6 12.4	2310.7 22.2	2150.2 8.5	2189.7 1.4	2179.4 -3.6	2180.9 -5.6	2208.3 2.7	2267.4 3.6	2305.8 5.8	2338.0 7.2	2363.4 7.0	2220.1 14.9	2189.6 -1.4	2318.7 5.9
Imports: goods and services (year % ch.)	1868.2 28.1	2093.7 38.7	2169.6 42.9	2223.5 29.9	2214.7 18.5	2297.0 9.7	2311.2 6.5	2352.2 5.8	2388.1 7.8	2441.2 6.3	2463.6 6.6	2496.6 6.1	2088.8 34.8	2293.8 9.8	2447.4 6.7
Expenditure on GDP (year % ch.)	6443.2 6.6	6615.2 5.9	6776.9 9.5	6718.0 6.9	6840.5 6.2	6832.4 3.3	7001.6 3.3	7104.2 5.7	7226.2 5.6	7300.7 6.9	7486.3 6.9	7590.8 6.9	6638.3 7.2	6944.7 4.6	7401.0 6.6

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

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Real GDP expenditure components															
Household consumption (year % ch.)	3044.5 2.8	3057.9 1.6	3048.3 4.1	3076.0 2.0	3079.8 1.2	3087.1 1.0	3097.5 1.6	3111.7 1.2	3125.6 1.5	3141.7 1.8	3158.0 2.0	3173.1 2.0	3056.7 2.6	3094.0 1.2	3149.6 1.8
Government consumption (year % ch.)	907.4 2.1	898.1 0.8	903.1 0.8	896.8 -0.1	905.9 -0.2	896.8 -0.1	889.5 -1.5	891.6 -0.6	907.4 0.2	900.7 0.4	890.3 0.1	888.5 -0.4	901.4 0.9	896.0 -0.6	896.7 0.1
Fixed investment (year % ch.)	657.5 3.6	659.5 4.2	661.2 5.7	669.8 5.4	677.8 3.1	683.8 3.7	694.9 5.1	704.2 5.1	715.5 5.6	726.1 6.2	739.2 6.4	750.1 6.5	662.0 4.7	690.2 4.3	732.7 6.2
Inventory investment	9.0	35.9	69.5	29.5	16.0	15.8	20.3	21.6	5.1	12.2	11.6	13.9	36.0	18.4	10.7
Residual item	4.1	5.3	11.1	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	14.4	8.7	14.4	14.4
Gross domestic expenditure (year % ch.)	4622.5 3.3	4656.8 3.3	4693.2 5.0	4686.5 3.4	4693.9 1.5	4698.0 0.9	4716.7 0.5	4743.5 1.2	4768.1 1.6	4795.2 2.1	4813.6 2.1	4839.9 2.0	4664.7 3.8	4713.0 1.0	4804.2 1.9
Exports: goods and services (year % ch.)	1261.4 7.7	1260.1 4.4	1308.3 16.4	1245.4 2.4	1268.1 0.5	1264.2 0.3	1265.0 -3.3	1269.3 1.9	1281.3 1.0	1287.3 1.8	1295.1 2.4	1303.3 2.7	1268.8 7.5	1266.7 -0.2	1291.7 2.0
Imports: goods and services (year % ch.)	1287.1 10.5	1356.6 16.2	1358.3 20.4	1346.9 10.1	1357.3 5.5	1372.9 1.2	1373.9 1.1	1384.8 2.8	1403.5 3.4	1421.4 3.5	1425.9 3.8	1436.7 3.7	1337.2 14.2	1372.2 2.6	1421.9 3.6
Expenditure on GDP (year % ch.)	4596.8 2.5	4560.2 0.3	4643.2 4.0	4585.0 1.3	4604.7 0.2	4589.3 0.6	4607.8 -0.8	4628.0 0.9	4645.8 0.9	4661.1 1.6	4682.8 1.6	4706.6 1.7	4596.3 2.0	4607.5 0.2	4674.1 1.4

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

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Household consumption categories															
Durable goods (year % ch.)	301.0 -3.0	297.8 -6.3	302.1 5.9	308.0 5.6	308.7 2.6	305.8 2.7	304.9 0.9	306.2 -0.6	309.3 0.2	312.0 2.0	314.7 3.2	317.1 3.5	302.2 0.3	306.4 1.4	313.3 2.2
Semi-durable goods (year % ch.)	257.9 1.3	255.6 0.1	255.7 5.4	256.0 0.2	257.1 -0.3	258.2 1.0	259.4 1.4	260.5 1.8	261.4 1.7	262.9 1.8	265.0 2.1	266.9 2.5	256.3 1.7	258.8 1.0	264.1 2.0
Non-durable goods (year % ch.)	924.9 3.8	914.2 1.5	903.9 4.2	902.5 -1.0	900.3 -2.7	902.4 -1.3	906.6 0.3	912.7 1.1	916.5 1.8	920.4 2.0	924.1 1.9	927.3 1.6	911.4 2.1	905.5 -0.6	922.1 1.8
Services (year % ch.)	1560.8 3.6	1590.3 3.5	1586.6 3.6	1609.5 3.5	1613.7 3.4	1620.7 1.9	1626.5 2.5	1632.3 1.4	1638.5 1.5	1646.4 1.6	1654.2 1.7	1661.8 1.8	1586.8 3.5	1623.3 2.3	1650.2 1.7
Total household consumption (year % ch.)	3044.5 2.8	3057.9 1.6	3048.3 4.1	3076.0 2.0	3079.8 1.2	3087.1 1.0	3097.5 1.6	3111.7 1.2	3125.6 1.5	3141.7 1.8	3158.0 2.0	3173.1 2.0	3056.7 2.6	3094.0 1.2	3149.6 1.8
Disposable income of households															
Real disposable income (year % ch.)	3056.0 2.1	3063.2 1.0	3054.4 3.1	3077.3 1.3	3080.1 0.8	3084.6 0.7	3094.8 1.3	3108.8 1.0	3122.7 1.4	3138.7 1.8	3154.9 1.9	3170.3 2.0	3062.7 1.9	3092.1 1.0	3146.7 1.8
Adjusted for debt-service cost (real) (year % ch.)	3019.2 2.2	3026.9 1.1	3019.2 3.3	3042.6 1.4	3032.7 0.4	3037.6 0.4	3048.9 1.0	3063.3 0.7	3077.5 1.5	3093.6 1.8	3110.9 2.0	3126.7 2.1	3026.9 2.0	3045.6 0.6	3102.2 1.9

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

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Private sector															
Total private sector	476.6	479.7	477.0	484.3	492.0	497.9	508.4	517.8	526.7	535.6	546.4	557.3	479.4	504.1	541.5
(year % ch.)	7.7	7.8	7.5	6.1	3.2	3.8	6.6	6.9	7.1	7.6	7.5	7.6	7.3	5.1	7.4
Public sector															
Government	113.2	113.1	117.1	120.1	118.3	117.0	116.5	116.5	117.9	118.9	120.0	119.6	115.9	117.1	119.1
(year % ch.)	-8.3	-4.3	4.2	9.7	4.5	3.5	-0.5	-3.0	-0.3	1.6	3.0	2.7	0.0	1.0	1.7
Public corporations	67.7	66.6	67.0	65.5	67.5	68.8	70.0	69.9	70.9	71.6	72.9	73.2	66.7	69.1	72.1
(year % ch.)	-1.2	-4.0	-3.4	-5.8	-0.2	3.3	4.4	6.8	5.0	4.0	4.1	4.7	-3.6	3.5	4.4
Total public sector	180.9	179.7	184.1	185.5	185.8	185.9	186.5	186.4	188.8	190.5	192.9	192.8	182.6	186.1	191.3
(year % ch.)	-5.8	-4.2	1.3	3.7	2.7	3.4	1.3	0.5	1.6	2.5	3.4	3.5	-1.3	2.0	2.7
Total															
Total fixed capital formation	657.5	659.5	661.2	669.8	677.8	683.8	694.9	704.2	715.5	726.1	739.2	750.1	662.0	690.2	732.7
(year % ch.)	3.6	4.2	5.7	5.4	3.1	3.7	5.1	5.1	5.6	6.2	6.4	6.5	4.7	4.3	6.2

Table A 6: Labour sector (million)

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Employment															
Total labour force	22.78	23.56	23.49	23.69	23.46	24.03	23.80	24.00	23.76	24.34	24.08	24.28	23.38	23.82	24.12
(year % ch.)	2.4	3.5	7.1	5.4	3.0	2.0	1.3	1.3	1.3	1.3	1.2	1.2	4.6	1.9	1.2
Private sector employment	12.60	13.34	13.62	13.79	13.64	13.71	13.80	13.94	13.85	13.93	14.08	14.29	13.34	13.77	14.04
(year % ch.)	-1.5	4.2	6.8	12.1	8.2	2.7	1.3	1.1	1.6	1.6	2.1	2.5	5.3	3.2	1.9
Government employment	2.31	2.22	2.15	2.15	2.15	2.15	2.15	2.17	2.18	2.21	2.21	2.18	2.21	2.15	2.19
(year % ch.)	5.0	3.9	-2.1	-4.1	-6.9	-3.0	0.2	0.8	1.2	2.6	2.5	0.6	0.6	-2.3	1.7
Total employment (incl. informal)	14.91	15.56	15.77	15.93	15.79	15.86	15.95	16.10	16.03	16.13	16.29	16.47	15.54	15.92	16.23
(year % ch.)	-0.5	4.2	5.5	9.6	5.8	1.9	1.2	1.1	1.5	1.7	2.1	2.3	4.6	2.4	1.9
Unemployment rate	34.5	33.9	32.9	32.7	32.7	34.0	33.0	32.9	32.6	33.7	32.4	32.2	33.5	33.1	32.7
Wage rates (year % change)															
Unit labour cost	3.5	5.0	1.2	2.7	4.4	5.3	8.2	7.1	5.5	4.5	5.5	5.7	3.1	6.2	5.3
Wage bill (R billion at current prices)															
Total wage bill	2985.7	2986.2	3033.4	3023.8	3121.5	3164.6	3257.2	3267.8	3321.3	3359.5	3492.0	3513.7	3007.3	3202.8	3421.6
(year % ch.)	6.1	5.3	5.2	4.1	4.5	6.0	7.4	8.1	6.4	6.2	7.2	7.5	5.2	6.5	6.8

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

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Income and expenditure															
Remuneration of employees (year % ch.)	2985.7 6.1	2986.2 5.3	3033.4 5.2	3023.8 4.1	3121.5 4.5	3164.6 6.0	3257.2 7.4	3267.8 8.1	3321.3 6.4	3359.5 6.2	3492.0 7.2	3513.7 7.5	3007.3 5.2	3202.8 6.5	3421.6 6.8
Disposable income (year % ch.)	4072.0 8.4	4131.2 6.9	4247.8 11.2	4335.4 8.9	4380.4 7.6	4423.6 7.1	4545.9 7.0	4612.8 6.4	4663.1 6.5	4701.8 6.3	4831.4 6.3	4904.6 6.3	4196.6 8.9	4490.7 7.0	4775.2 6.3
Less household consumption (year % ch.)	4056.7 9.1	4124.0 7.6	4239.4 12.3	4333.5 9.7	4379.9 8.0	4427.1 7.3	4549.8 7.3	4617.2 6.5	4667.4 6.6	4706.4 6.3	4836.1 6.3	4908.8 6.3	4188.4 9.7	4493.5 7.3	4779.7 6.4
Saving	15.3	7.2	8.5	1.9	0.5	-3.5	-3.9	-4.4	-4.4	-4.6	-4.7	-4.2	8.2	-2.8	-4.5
Households: ratio to disposable income															
Saving	0.4	0.2	0.2	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.2	-0.1	-0.1
Debt	62.7	63.1	62.5	62.3	63.1	63.8	62.8	62.4	62.4	63.0	62.2	61.9	62.6	63.0	62.4
Debt-service cost	6.9	7.1	7.5	8.1	8.7	9.4	9.3	9.3	9.3	9.2	8.9	8.8	7.4	9.2	9.1
Net wealth	373.1	353.9	343.6	355.7	363.2	358.8	354.7	354.6	355.8	360.7	359.6	360.7	356.6	357.8	359.2

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

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Income															
Direct taxes	858.7	1035.5	973.5	985.1	935.9	979.7	1003.5	998.2	1023.7	1044.1	1071.0	1065.7	963.2	979.3	1051.1
(year % ch.)	12.2	4.8	9.9	7.1	9.0	-5.4	3.1	1.3	9.4	6.6	6.7	6.8	8.3	1.7	7.3
Value added tax (VAT)	456.1	376.2	406.7	416.5	496.2	409.6	442.7	452.9	532.0	439.1	476.0	487.0	413.9	450.4	483.6
(year % ch.)	16.5	12.1	10.7	3.0	8.8	8.9	8.8	8.7	7.2	7.2	7.5	7.5	10.5	8.8	7.4
Other indirect taxes	363.2	439.6	465.9	440.7	410.8	479.1	507.8	480.3	447.7	512.8	543.5	514.1	427.3	469.5	504.5
(year % ch.)	3.1	3.9	17.5	12.7	13.1	9.0	9.0	9.0	9.0	7.0	7.0	7.0	9.4	9.9	7.5
Expenditure															
Consumption	1273.7	1282.3	1315.1	1329.8	1360.6	1360.8	1381.7	1397.1	1438.4	1441.4	1458.3	1466.2	1300.2	1375.1	1451.1
(year % ch.)	5.9	8.3	7.8	5.6	6.8	6.1	5.1	5.1	5.7	5.9	5.5	4.9	6.9	5.8	5.5
Interest Payments	297.0	284.5	302.4	283.1	394.3	330.3	326.2	300.0	423.1	354.4	364.8	343.7	291.7	337.7	371.5
(year % ch.)	20.1	12.7	14.4	17.7	32.8	16.1	7.9	5.9	7.3	7.3	11.8	14.6	16.2	15.8	10.0
Saving	-342.3	-103.4	-334.1	-302.8	-358.6	-312.4	-210.5	-230.9	-255.7	-262.7	-176.5	-216.9	-270.6	-278.1	-228.0
Ratios to GDP															
Total tax revenue	26.0	28.0	27.2	27.4	26.9	27.3	27.9	27.2	27.7	27.3	27.9	27.2	27.2	27.3	27.6
Main budget balance	-6.0	-2.1	-4.5	-4.8	-6.7	-5.3	-4.7	-3.8	-5.7	-4.3	-4.0	-3.4	-4.4	-5.1	-4.3
Gross debt (National government)	68.0	69.9	71.2	71.0	72.2	74.7	74.6	74.7	75.2	76.6	76.2	76.3	71.0	74.7	76.3

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

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Current account															
Exports: goods and services	2158.9	2260.6	2310.7	2150.2	2189.7	2179.4	2180.9	2208.3	2267.4	2305.8	2338.0	2363.4	2220.1	2189.6	2318.7
(year % ch.)	17.1	12.4	22.2	8.5	1.4	-3.6	-5.6	2.7	3.6	5.8	7.2	7.0	14.9	-1.4	5.9
Net receipts	-37.4	-27.9	-20.0	-15.8	-10.5	-36.4	-29.4	-26.4	-29.4	-27.4	-27.4	-17.4	-25.3	-25.7	-25.4
(year % ch.)	-32.1	-21.9	-35.8	-25.3	-72.0	30.7	47.3	66.6	180.6	-24.9	-6.9	-34.2	-29.4	1.7	-1.2
Less imports: goods and services	1868.2	2093.7	2169.6	2223.5	2214.7	2297.0	2311.2	2352.2	2388.1	2441.2	2463.6	2496.6	2088.8	2293.8	2447.4
(year % ch.)	28.1	38.7	42.9	29.9	18.5	9.7	6.5	5.8	7.8	6.3	6.6	6.1	34.8	9.8	6.7
Less net factor payments	94.5	254.1	118.1	84.8	100.1	106.7	108.2	111.8	112.2	115.6	118.7	123.1	137.9	106.7	117.4
(year % ch.)	56.6	48.8	-7.2	-26.8	5.9	-58.0	-8.4	31.8	12.0	8.3	9.8	10.0	16.3	-22.6	10.0
Current account balance	158.9	-115.1	3.1	-174.0	-135.6	-260.8	-267.9	-282.1	-262.2	-278.4	-271.8	-273.6	-31.8	-236.6	-271.5
Current account in US\$	10.4	-7.4	0.2	-9.9	-7.6	-14.5	-15.2	-16.1	-15.0	-16.0	-15.7	-15.9	-1.7	-13.4	-15.6
Current account as % of GDP	2.5	-1.7	0.0	-2.6	-2.0	-3.8	-3.8	-4.0	-3.6	-3.8	-3.6	-3.6	-0.5	-3.4	-3.7
Financing of the current account															
Total net capital flows	-0.5	36.2	48.1	16.2	90.7	37.0	89.0	43.0	98.0	42.0	90.0	42.0	100.0	259.7	272.0
SDR + Valuation adjustment	-74.4	80.9	68.3	-29.5	44.1	-2.6	-6.2	-6.2	-3.1	-3.1	-9.3	0.0	45.3	29.1	-15.4
Change in gross reserves	-67.6	116.2	94.9	-29.8	68.4	-3.0	-6.5	-6.8	-3.1	-2.9	-9.5	0.5	113.6	52.1	-14.9
Gross reserves: quarter end	847.8	963.9	1058.8	1029.0	1097.4	1094.4	1087.9	1081.2	1078.1	1075.2	1065.7	1066.2	1029.0	1081.2	1066.2
Gross reserves: quarter end (US\$)	58.2	58.9	58.9	60.6	61.9	61.8	61.8	61.8	61.8	61.8	61.8	61.8	60.6	61.8	61.8
Terms of trade															
Index (2015 = 100)	117.9	116.2	110.6	104.6	105.8	103.0	102.5	102.4	104.0	104.3	104.5	104.3	112.3	103.4	104.3
(year % ch.)	-6.1	-9.8	-11.6	-10.1	-10.3	-11.4	-7.3	-2.1	-1.7	1.2	2.0	1.9	-9.4	-7.9	0.8

Table A 10: Credit, interest rates and exchange rates

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Money supply and credit extension															
M3 money supply (year % ch.)	4467.3 8.4	4448.5 8.3	4665.4 8.8	4727.0 8.6	4724.0 5.7	4774.8 7.3	4855.1 4.1	4904.1 3.7	4958.2 5.0	5000.7 4.7	5098.5 5.0	5166.6 5.4	4727.0 8.6	4904.1 3.7	5166.6 5.4
Private sector credit to households (year % ch.)	1927.5 6.1	1957.1 6.9	1992.5 7.2	2029.7 7.5	2087.4 8.3	2119.9 8.3	2141.0 7.5	2162.1 6.5	2195.9 5.2	2225.6 5.0	2255.1 5.3	2281.5 5.5	2029.7 7.5	2162.1 6.5	2281.5 5.5
Private sector credit to firms (year % ch.)	2278.5 5.7	2320.8 8.1	2418.9 11.9	2387.6 7.8	2412.6 5.9	2430.9 4.7	2490.2 2.9	2518.1 5.5	2538.4 5.2	2551.2 4.9	2619.5 5.2	2661.1 5.7	2387.6 7.8	2518.1 5.5	2661.1 5.7
Total private sector credit extension (year % ch.)	4206.0 5.9	4278.0 7.5	4411.4 9.7	4417.3 7.7	4500.0 7.0	4550.8 6.4	4631.1 5.0	4680.2 6.0	4734.3 5.2	4776.8 5.0	4874.6 5.3	4942.6 5.6	4417.3 7.7	4680.2 6.0	4942.6 5.6
Interest rates															
3-month NCD rate	4.13	4.65	5.68	6.81	7.56	8.31	8.49	8.50	8.45	7.81	7.45	7.42	5.32	8.21	7.79
10-year government bond yield	9.47	9.98	10.53	10.57	9.96	10.02	10.01	9.95	9.94	9.96	10.01	10.02	10.14	9.98	9.98
Prime overdraft rate	7.45	7.98	8.90	10.05	10.68	11.34	11.50	11.50	11.46	10.88	10.54	10.50	8.59	11.26	10.84
Effective household lending rate	11.00	11.25	12.00	13.00	13.85	14.69	14.87	14.95	14.98	14.55	14.38	14.28	11.81	14.59	14.55
Effective firm lending rate	4.84	5.80	6.83	8.20	8.99	9.63	9.84	9.90	9.79	9.24	8.84	8.65	6.42	9.59	9.13
Exchange rates															
R/US DOLLAR (year % ch.)	15.23 1.8	15.54 10.0	17.03 16.5	17.63 14.4	17.76 16.6	18.00 15.8	17.62 3.5	17.55 -0.4	17.50 -1.5	17.45 -3.1	17.33 -1.6	17.18 -2.1	16.36 10.7	17.73 8.4	17.37 -2.1
R/100 Japanese YEN (year % ch.)	13.11 -7.2	12.00 -7.1	12.31 -7.3	12.47 -8.0	13.42 2.3	13.43 11.9	13.05 6.0	13.23 6.0	13.16 -1.9	13.32 -0.8	13.54 3.8	13.75 3.9	12.47 -7.4	13.28 6.5	13.44 1.2
R/STERLING (year % ch.)	20.45 -0.8	19.55 -1.1	20.03 -0.6	20.67 -0.5	21.58 5.5	21.42 9.6	20.32 1.4	20.48 -0.9	20.48 -5.1	20.77 -3.1	20.80 2.4	20.62 0.7	20.18 -0.7	20.95 3.8	20.67 -1.4
R/EURO (year % ch.)	17.10 -5.2	16.57 -2.7	17.15 -0.5	17.98 2.0	19.01 11.1	19.08 15.1	18.67 8.9	19.13 6.4	19.19 1.0	19.66 3.0	19.59 4.9	19.59 2.4	17.20 -1.6	18.97 10.3	19.51 2.8
R/\$ PP parity rate (base PPI 2003) (year % ch.)	12.30 -5.2	12.10 -4.0	12.74 1.8	13.02 3.8	12.75 3.7	12.94 6.9	13.50 5.9	13.53 3.9	13.03 2.1	13.30 2.8	13.82 2.4	13.75 1.6	12.54 -0.9	13.18 5.1	13.47 2.2

Table A 11: Prices

	2022Q1	2022Q2	2022Q3	2022Q4	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2	2024Q3	2024Q4	2022	2023	2024
Price deflators (index base year: 2015)															
Exports (incl. services) (year % ch.)	171.1 8.8	179.4 7.6	176.6 5.0	172.7 6.0	172.7 0.9	172.4 -3.9	172.4 -2.4	174.0 0.8	177.0 2.5	179.1 3.9	180.5 4.7	181.3 4.2	175.0 6.8	172.9 -1.2	179.5 3.8
Export commodities (in rand) (year % ch.)	3622.2 22.9	3838.1 10.5	4020.1 29.4	3546.5 22.5	2985.6 -17.6	2817.6 -26.6	2791.5 -30.6	2814.7 -20.6	2759.9 -7.6	2705.4 -4.0	2671.9 -4.3	2633.5 -6.4	3756.7 21.0	2852.3 -24.1	2692.7 -5.6
Imports (incl. services) (year % ch.)	145.1 15.9	154.3 19.3	159.7 18.7	165.1 18.0	163.2 12.4	167.3 8.4	168.2 5.3	169.9 2.9	170.1 4.3	171.7 2.7	172.8 2.7	173.8 2.3	156.1 18.0	167.1 7.1	172.1 3.0
GDE (year % ch.)	134.9 6.4	137.6 7.0	141.6 8.0	143.6 7.5	144.9 7.5	146.6 6.6	149.9 5.9	151.5 5.5	152.8 5.4	153.8 4.9	156.9 4.7	158.3 4.5	139.4 7.2	148.2 6.3	155.4 4.9
Investment (year % ch.)	135.8 9.3	139.9 9.9	143.0 10.4	145.2 9.9	147.8 8.8	151.1 8.0	153.5 7.3	155.6 7.2	157.5 6.5	159.5 5.6	161.1 5.0	162.5 4.4	141.0 9.9	152.0 7.8	160.2 5.4
GDP (year % ch.)	140.2 3.9	145.1 5.5	146.0 5.3	146.5 5.4	148.6 6.0	148.9 2.6	152.0 4.1	153.5 4.8	155.5 4.7	156.6 5.2	159.9 5.2	161.3 5.1	144.4 5.1	150.7 4.4	158.3 5.0
Consumer (index base: Dec 2021) & producer prices (index base: Dec 2020)															
Headline inflation (CPI) (year % ch.)	100.9 5.8	103.2 6.6	106.0 7.7	106.8 7.4	108.0 7.0	109.8 6.4	111.4 5.2	112.1 5.0	113.2 4.9	114.8 4.5	116.3 4.4	117.1 4.4	104.2 6.9	110.3 5.9	115.4 4.5
Core inflation* (year % ch.)	100.8 3.6	102.2 4.1	103.7 4.6	104.7 5.0	106.0 5.1	107.7 5.4	108.7 4.8	109.4 4.4	110.7 4.4	112.6 4.5	113.6 4.6	114.3 4.5	102.9 4.3	107.9 4.9	112.8 4.5
CPI food and non-alcoholic beverages (year % ch.)	101.7 6.1	105.0 7.4	109.3 10.9	111.9 12.3	115.6 13.6	117.6 12.0	118.6 8.5	119.7 7.0	121.1 4.8	122.0 3.7	123.0 3.7	125.0 4.4	107.0 9.2	117.9 10.2	122.8 4.2
CPI petrol (year % ch.)	101.5 31.6	114.5 35.7	127.6 44.3	120.2 25.9	112.2 10.6	115.7 1.1	116.6 -8.6	116.0 -3.5	114.0 1.5	113.3 -2.1	113.4 -2.8	112.7 -2.8	115.9 34.3	115.2 -0.7	113.4 -1.6
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	19.73 32.3	21.95 33.0	24.53 41.9	22.25 19.2	21.36 8.3	22.65 3.2	22.71 -7.4	22.55 1.4	22.15 3.7	22.02 -2.8	22.03 -3.0	21.91 -2.9	22.11 31.3	22.32 0.9	22.03 -1.3
CPI electricity (year % ch.)	100.1 14.1	100.3 14.3	108.1 8.3	108.3 8.3	108.3 8.2	108.3 8.0	126.6 17.1	126.8 17.1	126.8 17.1	126.8 17.1	142.5 12.6	142.7 12.6	104.2 11.1	117.5 12.8	134.7 14.6
Producer price index (year % ch.)	112.7 10.8	119.3 14.7	124.3 17.0	125.6 14.8	126.0 11.7	127.7 7.1	128.7 3.6	129.9 3.4	131.1 4.1	133.1 4.2	134.1 4.2	135.1 4.0	120.5 14.4	128.1 6.3	133.3 4.1

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

Appendix B

Statistics of the annual forecast, 2023 - 2028

Table B 1: International economic indicators	41
Table B 2: Expenditure on gross domestic product (R billion at current prices)	42
Table B 3: Expenditure on gross domestic product (R billion at constant 2015 prices)	43
Table B 4: Final household consumption expenditure (R billion at constant 2015 prices).....	44
Table B 4(A): Final household consumption expenditure – continued	45
Table B 4(B): Final household consumption expenditure – continued	46
Table B 5(A): Gross fixed capital formation (R billion at constant 2015 prices)	47
Table B 5(B): Gross fixed capital formation – continued	48
Table B 6: Labour sector (million).....	49
Table B 7: Personal income and expenditure (R billion at current prices)	50
Table B 8: Current income and expenditure of general government (R billion at current prices).....	51
Table B 9: Balance of payments (R billion at current prices).....	52
Table B 10: Credit, interest rates and exchange rates	53
Table B 11: Prices.....	54

Table B 1: International economic indicators

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Real GDP growth rates									
US % growth	2.1	2.1	1.3	0.4	1.7	1.8	2.0	2.0	1.5
UK % growth	1.2	4.0	0.2	0.8	1.8	1.9	1.9	1.9	1.4
Germany % growth	0.9	1.9	0.3	1.0	1.9	1.7	1.7	1.8	1.4
Japan % growth	0.1	1.0	0.9	1.2	1.3	1.0	1.0	1.0	1.1
Eurozone % growth	1.4	3.5	0.7	1.2	1.5	1.4	1.4	1.4	1.3
G7 % growth	1.5	2.3	1.1	0.7	1.9	1.6	1.6	1.8	1.4
CPI inflation rates									
US % CPI	3.4	8.0	4.1	2.5	2.1	2.0	2.0	2.0	2.4
UK % CPI	3.0	7.9	6.4	2.3	1.9	1.8	2.0	2.0	2.7
Germany % CPI	2.5	6.9	6.8	3.4	2.5	2.0	2.0	2.0	3.1
Japan % CPI	0.7	2.5	2.4	1.5	1.0	1.0	1.0	1.0	1.3
G7 % CPI	2.8	7.1	3.8	2.5	1.9	1.8	1.9	1.9	2.3
China % CPI	2.0	2.0	2.2	2.5	2.4	2.3	2.0	2.0	2.2
India % CPI	5.2	5.9	5.0	4.5	4.2	4.2	4.2	4.3	4.4
Interest rates									
US prime rate	4.33	4.85	7.93	7.66	6.23	5.50	5.50	5.50	6.39
Commodity prices									
Spot oil price: US\$/barrel	67.4	99.1	83.6	79.4	77.0	75.0	73.0	70.0	76.3
London gold price: US\$/oz	1549	1801	1948	1850	1800	1775	1750	1725	1808
Platinum price: US\$/oz	937	959	1052	1100	1150	1175	1200	1225	1150
Palladium price: US\$/oz	1689	2109	1705	1750	1800	1850	1900	1950	1826
SA coal price: US\$/mt	120.2	275.8	150.5	180.0	180.0	170.0	160.0	150.0	165.1
China iron ore price: US\$/mt	103.8	120.3	109.7	104.0	98.0	92.0	85.0	85.0	95.6
Exchange rates									
US\$/Sterling exchange rate	1.30	1.24	1.18	1.19	1.25	1.27	1.29	1.31	1.25
YN/\$ exchange rate	113.2	131.3	133.5	129.3	120.8	120.0	120.0	120.0	123.9
US\$/Euro exchange rate	1.13	1.05	1.07	1.12	1.17	1.19	1.20	1.20	1.16

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Nominal GDP expenditure components									
Household consumption (year % ch.)	3614.8 5.7	4188.4 9.7	4493.5 7.3	4779.7 6.4	5088.2 6.5	5416.0 6.4	5767.1 6.5	6139.6 6.5	5280.7 6.6
Government consumption (year % ch.)	1132.0 6.0	1300.2 6.9	1375.1 5.8	1451.1 5.5	1518.8 4.7	1594.5 5.0	1677.8 5.2	1767.6 5.3	1564.1 5.3
Fixed investment (year % ch.)	843.3 2.3	933.2 15.1	1049.3 12.4	1173.8 11.9	1306.1 11.3	1447.9 10.8	1585.4 9.5	1734.3 9.4	1382.8 10.9
Inventory investment	4.0	69.7	47.3	41.5	42.5	43.3	42.0	42.9	43.2
Residual item	-1.5	15.4	83.7	83.7	83.7	83.7	83.7	83.7	83.7
Gross domestic expenditure (year % ch.)	5592.5 5.6	6507.0 12.0	7048.9 8.3	7529.7 6.8	8039.3 6.8	8585.4 6.8	9156.0 6.6	9768.0 6.7	8354.5 7.0
Exports: goods and services (year % ch.)	1680.1 9.1	2220.1 14.9	2189.6 -1.4	2318.7 5.9	2459.0 6.1	2576.4 4.8	2702.2 4.9	2882.4 6.7	2521.4 4.5
Imports: goods and services (year % ch.)	1534.6 9.0	2088.8 34.8	2293.8 9.8	2447.4 6.7	2619.6 7.0	2776.2 6.0	2949.8 6.3	3148.7 6.7	2705.9 7.1
Expenditure on GDP (year % ch.)	5738.0 5.8	6638.3 7.2	6944.7 4.6	7401.0 6.6	7878.7 6.5	8385.6 6.4	8908.3 6.2	9501.7 6.7	8170.0 6.2

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Real GDP expenditure components									
Household consumption (year % ch.)	2949.7 1.3	3056.7 2.6	3094.0 1.2	3149.6 1.8	3211.3 2.0	3275.4 2.0	3341.7 2.0	3411.6 2.1	3247.3 1.8
Government consumption (year % ch.)	880.5 0.9	901.4 0.9	896.0 -0.6	896.7 0.1	896.2 -0.1	900.1 0.4	907.3 0.8	915.8 0.9	902.0 0.3
Fixed investment (year % ch.)	697.2 -2.5	662.0 4.7	690.2 4.3	732.7 6.2	782.1 6.7	835.5 6.8	885.8 6.0	939.7 6.1	811.0 6.0
Inventory investment	1.3	36.0	18.4	10.7	10.2	10.6	10.2	10.6	11.8
Residual item	10.3	8.7	14.4	14.4	14.4	14.4	14.4	14.4	14.4
Gross domestic expenditure (year % ch.)	4539.0 0.9	4664.7 3.8	4713.0 1.0	4804.2 1.9	4914.2 2.3	5036.0 2.5	5159.4 2.5	5292.1 2.6	4986.5 2.1
Exports: goods and services (year % ch.)	1204.2 0.8	1268.8 7.5	1266.7 -0.2	1291.7 2.0	1335.3 3.4	1380.7 3.4	1430.4 3.6	1482.6 3.7	1364.6 2.6
Imports: goods and services (year % ch.)	1234.9 1.9	1337.2 14.2	1372.2 2.6	1421.9 3.6	1479.3 4.0	1540.3 4.1	1604.0 4.1	1672.0 4.2	1514.9 3.8
Expenditure on GDP (year % ch.)	4508.3 0.6	4596.3 2.0	4607.5 0.2	4674.1 1.4	4770.2 2.1	4876.4 2.2	4985.8 2.2	5102.8 2.3	4836.1 1.8

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Household consumption categories									
Durable goods (year % ch.)	287.7 2.6	302.2 0.3	306.4 1.4	313.3 2.2	321.7 2.7	331.7 3.1	342.1 3.1	352.4 3.0	327.9 2.6
Semi-durable goods (year % ch.)	259.3 0.0	256.3 1.7	258.8 1.0	264.1 2.0	271.7 2.9	279.8 3.0	288.5 3.1	297.9 3.2	276.8 2.5
Non-durable goods (year % ch.)	886.2 0.8	911.4 2.1	905.5 -0.6	922.1 1.8	937.2 1.6	952.5 1.6	968.1 1.6	985.2 1.8	945.1 1.3
Services (year % ch.)	1516.5 1.7	1586.8 3.5	1623.3 2.3	1650.2 1.7	1680.7 1.8	1711.4 1.8	1743.0 1.8	1776.1 1.9	1697.4 1.9
Total household consumption (year % ch.)	2949.7 1.3	3056.7 2.6	3094.0 1.2	3149.6 1.8	3211.3 2.0	3275.4 2.0	3341.7 2.0	3411.6 2.1	3247.3 1.8
Disposable income of households									
Real disposable income (year % ch.)	2955.1 1.5	3062.7 1.9	3092.1 1.0	3146.7 1.8	3208.2 2.0	3272.1 2.0	3337.6 2.0	3408.0 2.1	3244.1 1.8
Adjusted for debt-service cost (real) (year % ch.)	2914.6 1.6	3026.9 2.0	3045.6 0.6	3102.2 1.9	3165.6 2.0	3231.3 2.1	3298.5 2.1	3370.5 2.2	3202.3 1.8

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Durable goods									
Furniture + household appliances (year % ch.)	57.3 -0.8	51.6 -13.7	51.4 -0.4	52.4 1.9	53.7 2.5	55.5 3.2	57.3 3.3	59.1 3.2	54.9 2.3
Personal transport equipment (year % ch.)	116.4 2.8	132.5 9.8	135.1 2.0	138.2 2.3	141.1 2.1	144.0 2.0	146.7 1.8	149.2 1.7	142.4 2.0
Computers and related equipment (year % ch.)	13.6 4.4	13.2 -0.2	13.3 1.1	13.6 1.9	14.0 3.3	14.6 4.1	15.2 4.2	15.8 4.0	14.4 3.1
Recreation + entertainment goods (year % ch.)	76.4 6.1	82.7 -3.9	83.4 0.9	84.9 1.8	87.5 3.0	90.8 3.8	94.4 4.0	98.1 3.9	89.9 2.9
Other durable goods (year % ch.)	24.0 0.2	22.3 3.3	23.1 3.7	24.1 4.5	25.4 5.2	26.9 5.8	28.5 6.1	30.2 6.0	26.4 5.2
Semi-durable goods									
Clothing and footwear (year % ch.)	142.6 -0.1	142.7 4.5	146.1 2.4	149.0 2.0	153.3 2.8	157.7 2.9	162.5 3.0	167.5 3.1	156.0 2.7
Household textiles etc. (year % ch.)	39.9 1.2	39.6 0.0	39.0 -1.6	39.7 1.8	41.0 3.3	42.5 3.7	44.2 4.0	46.0 4.1	42.1 2.6
Motor accessories (year % ch.)	44.6 -0.9	44.2 2.1	44.4 0.5	45.1 1.6	46.0 1.9	46.8 1.8	47.6 1.8	48.5 1.8	46.4 1.6
Recreation + entertainment goods (year % ch.)	18.2 1.6	17.5 -4.3	17.2 -1.8	17.6 2.5	18.3 3.9	19.0 3.9	19.8 4.1	20.6 4.3	18.7 2.8
Miscellaneous (year % ch.)	14.0 -1.0	12.3 -14.3	12.2 -1.0	12.7 3.9	13.3 4.4	13.9 4.6	14.5 4.7	15.2 4.8	13.6 3.6

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Non-durable goods									
Food, beverage & tobacco (year % ch.)	543.3 1.1	568.5 4.2	564.7 -0.7	575.5 1.9	585.9 1.8	596.6 1.8	607.4 1.8	619.2 1.9	591.5 1.4
Household fuel & power (year % ch.)	119.3 0.6	122.3 -2.5	117.3 -4.1	118.2 0.8	119.1 0.7	119.7 0.5	120.3 0.5	121.1 0.7	119.3 -0.2
Household consumer goods (year % ch.)	63.9 3.3	70.6 6.9	71.7 1.5	73.4 2.4	75.0 2.2	76.8 2.3	78.6 2.4	80.7 2.6	76.0 2.2
Medical & pharm products (year % ch.)	60.2 2.5	63.9 0.8	63.8 -0.2	64.9 1.7	66.0 1.7	67.2 1.9	68.6 2.0	70.0 2.0	66.7 1.5
Petroleum products (year % ch.)	76.7 -2.5	68.0 -4.9	69.4 2.0	70.6 1.8	71.3 0.9	71.8 0.7	72.2 0.6	72.7 0.7	71.3 1.1
Recreation & entertainment goods (year % ch.)	22.9 -5.8	18.1 -12.0	18.7 3.3	19.4 3.8	20.0 3.1	20.5 2.9	21.1 2.6	21.6 2.5	20.2 3.0
Services									
Rent (year % ch.)	325.0 1.0	332.5 0.7	336.0 1.0	340.2 1.2	345.0 1.4	349.8 1.4	354.7 1.4	359.7 1.4	347.5 1.3
Household services (year % ch.)	72.8 2.0	73.5 -0.7	74.2 1.0	75.4 1.6	77.7 3.0	80.2 3.3	83.0 3.4	85.8 3.4	79.4 2.6
Medical services (year % ch.)	158.1 2.1	169.7 8.5	174.2 2.7	177.0 1.6	180.8 2.1	184.9 2.2	189.2 2.3	193.5 2.3	183.3 2.2
Transport & communication (year % ch.)	333.7 2.2	359.8 4.5	367.3 2.1	373.6 1.7	379.3 1.5	384.4 1.4	389.8 1.4	395.7 1.5	381.7 1.6
Recreation & entertainment (year % ch.)	221.6 0.1	219.2 -0.6	221.4 1.0	225.8 2.0	231.4 2.5	237.1 2.4	242.5 2.3	248.1 2.3	234.4 2.1
Miscellaneous Services (year % ch.)	405.4 2.6	432.2 6.1	450.1 4.2	458.2 1.8	466.5 1.8	475.0 1.8	483.8 1.9	493.4 2.0	471.2 2.2

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Private sector									
Residential (year % ch.)	91.3 -2.7	84.0 1.1	86.1 2.5	88.5 2.7	90.5 2.2	92.9 2.7	95.8 3.1	98.8 3.1	92.1 2.7
Other non-residential (year % ch.)	397.3 0.2	395.4 8.7	417.9 5.7	453.0 8.4	495.1 9.3	541.3 9.3	584.2 7.9	630.0 7.8	520.2 8.1
Total private sector (year % ch.)	488.6 -0.4	479.4 7.3	504.1 5.1	541.5 7.4	585.6 8.1	634.2 8.3	680.0 7.2	728.7 7.2	612.3 7.2
Public sector									
Government (year % ch.)	125.0 -4.9	115.9 0.0	117.1 1.0	119.1 1.7	121.7 2.2	124.3 2.1	126.9 2.1	129.9 2.4	123.2 1.9
Public corporations (year % ch.)	83.6 -9.4	66.7 -3.6	69.1 3.5	72.1 4.4	74.8 3.7	77.0 3.0	79.0 2.5	81.0 2.6	75.5 3.3
Total public sector (year % ch.)	208.5 -6.9	182.6 -1.3	186.1 2.0	191.3 2.7	196.5 2.8	201.3 2.4	205.8 2.3	210.9 2.5	198.7 2.4
Total									
Total fixed capital formation (year % ch.)	697.2 -2.5	662.0 4.7	690.2 4.3	732.7 6.2	782.1 6.7	835.5 6.8	885.8 6.0	939.7 6.1	811.0 6.0

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

	Average 2017-22	2022	2023	2024	2025	2026	2027	2028	Average 2023-28
Residential (year % ch.)	93.2 -2.7	85.8 1.1	88.0 2.6	90.4 2.8	92.5 2.3	95.1 2.8	98.2 3.2	101.2 3.1	94.2 2.8
Non-residential (year % ch.)	50.5 -10.9	32.4 -10.5	33.5 3.3	34.8 3.9	36.4 4.6	38.3 5.3	40.4 5.4	42.7 5.6	37.7 4.7
Construction works (year % ch.)	139.5 -8.4	114.9 -5.6	119.7 4.2	127.6 6.6	136.4 6.9	145.9 7.0	154.7 6.0	163.3 5.6	141.3 6.0
Transport equipment (year % ch.)	77.7 -5.3	68.9 9.2	72.9 5.9	77.3 6.1	82.5 6.7	88.4 7.2	93.6 5.8	98.9 5.7	85.6 6.2
Computer equipment (year % ch.)	28.5 5.3	31.6 -1.9	33.4 6.0	35.7 6.6	37.9 6.3	40.3 6.2	42.6 5.8	45.1 5.9	39.2 6.1
Machinery and other equipment (year % ch.)	231.0 2.4	241.9 12.0	251.4 4.0	270.7 7.7	293.9 8.6	317.8 8.1	340.3 7.1	365.6 7.4	306.6 7.1
Research and development (year % ch.)	28.0 -5.5	24.5 -4.4	24.9 1.4	25.4 2.2	26.4 3.7	27.6 4.6	28.7 4.1	29.8 3.9	27.1 3.3
Computer software (year % ch.)	28.1 15.6	42.6 30.1	46.0 7.9	49.4 7.5	53.4 8.1	57.9 8.4	61.6 6.4	65.7 6.5	55.7 7.5
Mineral exploration and evaluation (year % ch.)	1.4 -8.0	1.1 -9.7	1.2 4.5	1.2 5.4	1.3 6.0	1.4 6.3	1.5 6.3	1.6 6.6	1.4 5.9
Cultivated biological resources (year % ch.)	6.3 -0.1	5.8 -11.0	6.0 4.6	6.4 5.6	6.8 6.6	7.2 6.6	7.7 5.9	8.1 6.4	7.0 5.9
Transfer costs (year % ch.)	13.0 -1.8	12.6 5.2	13.1 4.5	13.8 5.0	14.6 6.1	15.6 6.5	16.6 6.5	17.7 6.5	15.2 5.8

Table B 5: Labour sector (million)

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Employment									
Total labour force	22.5	23.4	23.8	24.1	24.4	24.7	25.0	25.3	24.6
(year % ch.)	1.5	4.6	1.9	1.2	1.2	1.2	1.2	1.2	1.3
Private sector employment	13.6	13.3	13.8	14.0	14.3	14.6	14.9	15.2	14.5
(year % ch.)	-0.3	5.3	3.2	1.9	2.1	2.0	2.1	2.0	2.2
Government employment	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
(year % ch.)	0.8	0.6	-2.3	1.7	-0.3	0.1	0.1	0.3	-0.1
Total employment (incl. informal)	15.7	15.5	15.9	16.2	16.5	16.8	17.1	17.4	16.7
(year % ch.)	-0.2	4.6	2.4	1.9	1.8	1.8	1.8	1.8	1.9
Unemployment rate	30.0	33.5	33.1	32.7	32.3	31.9	31.5	31.1	32.1
Wage rates (year % change)									
Unit labour cost	3.7	3.1	6.2	5.3	4.5	4.6	4.4	4.2	4.9
Wage bill (R billion at current prices)									
Total wage bill	2730.5	3007.3	3202.8	3421.6	3649.2	3900.7	4165.7	4442.1	3797.0
(year % ch.)	4.3	5.2	6.5	6.8	6.7	6.9	6.8	6.6	6.7

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Income and expenditure									
Remuneration of employees (year % ch.)	2730.5 4.3	3007.3 5.2	3202.8 6.5	3421.6 6.8	3649.2 6.7	3900.7 6.9	4165.7 6.8	4442.1 6.6	3797.0 6.7
Social benefits to households (year % ch.)	360.6 12.5	413.4 1.9	449.2 8.6	475.8 5.9	504.3 6.0	534.6 6.0	566.7 6.0	600.7 6.0	521.9 6.4
Less direct personal taxes (year % ch.)	529.6 6.1	606.8 9.2	647.6 6.7	696.8 7.6	754.3 8.2	813.4 7.8	873.0 7.3	932.8 6.9	786.3 7.4
Disposable income (year % ch.)	3622.0 5.9	4196.6 8.9	4490.7 7.0	4775.2 6.3	5083.3 6.5	5410.6 6.4	5760.1 6.5	6133.1 6.5	5275.5 6.5
Less household consumption (year % ch.)	3614.8 5.7	4188.4 9.7	4493.5 7.3	4779.7 6.4	5088.2 6.5	5416.0 6.4	5767.1 6.5	6139.6 6.5	5280.7 6.6
Saving	7.3	8.2	-2.8	-4.5	-4.9	-5.4	-7.0	-6.6	-5.2
Households: ratio to disposable income									
Saving	0.2	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Debt	63.6	62.7	63.0	62.4	62.2	62.3	62.3	62.2	62.4
Debt-service cost	8.0	7.4	9.2	9.1	8.9	8.9	8.9	8.9	9.0
Net wealth	365.1	356.6	357.8	359.2	358.1	353.0	345.7	336.7	351.8

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

	Average 2017-22	2022	2023	2024	2025	2026	2027	2028	Average 2023-28
Income									
Personal income tax (year % ch.)	529.6 6.1	606.8 9.2	647.6 6.7	696.8 7.6	754.3 8.2	813.4 7.8	873.0 7.3	932.8 6.9	786.3 7.4
Corporate income tax (year % ch.)	269.8 10.4	356.4 6.8	331.7 -6.9	354.3 6.8	375.3 5.9	401.4 7.0	429.3 7.0	459.2 7.0	391.9 4.4
Value added tax (VAT) (year % ch.)	345.0 6.0	413.9 10.5	450.4 8.8	483.6 7.4	518.1 7.2	556.2 7.3	597.4 7.4	637.4 6.7	540.5 7.5
Other indirect taxes (year % ch.)	357.8 7.7	427.3 9.4	469.5 9.9	504.5 7.5	537.7 6.6	572.3 6.4	609.1 6.4	648.4 6.4	556.9 7.2
Other income	63.2	76.9	86.9	93.2	99.0	106.8	116.3	126.7	104.8
Current income (year % ch.)	1565.3 6.8	1881.3 8.9	1986.1 5.6	2132.4 7.4	2284.4 7.1	2450.0 7.3	2625.1 7.1	2804.5 6.8	2380.4 6.9
Expenditure									
Consumption (year % ch.)	1132.0 6.0	1300.2 6.9	1375.1 5.8	1451.1 5.5	1518.8 4.7	1594.5 5.0	1677.8 5.2	1767.6 5.3	1564.1 5.3
Interest Payments (year % ch.)	214.9 13.0	291.7 16.2	337.7 15.8	371.5 10.0	427.9 15.2	500.3 16.9	576.1 15.2	660.9 14.7	479.1 14.6
Social benefits to households (year % ch.)	360.6 12.5	413.4 1.9	449.2 8.6	475.8 5.9	504.3 6.0	534.6 6.0	566.7 6.0	600.7 6.0	521.9 6.4
Other expenditure	271.0	310.6	266.3	226.1	226.7	226.3	228.1	229.9	233.9
Current expenditure (year % ch.)	1978.4 8.2	2316.0 4.7	2428.2 4.8	2524.5 4.0	2677.7 6.1	2855.8 6.6	3048.7 6.8	3259.1 6.9	2799.0 5.9
Saving	-243.7	-270.6	-278.1	-228.0	-229.3	-241.6	-259.5	-290.4	-254.5
Ratios to GDP									
Total tax revenue	26.1	27.2	27.3	27.6	27.7	27.9	28.2	28.2	27.8
Current expenditure	34.4	34.9	35.0	34.1	34.0	34.1	34.2	34.3	34.3
Main budget balance	-5.5	-4.4	-5.1	-4.3	-4.1	-3.9	-3.7	-3.7	-4.2
Gross debt (National government)	60.9	71.0	74.7	76.3	78.3	78.5	78.7	78.6	77.5

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

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Current account									
Exports: goods and services (year % ch.)	1680.1 9.1	2220.1 14.9	2189.6 -1.4	2318.7 5.9	2459.0 6.1	2576.4 4.8	2702.2 4.9	2882.4 6.7	2521.4 4.5
Net receipts (year % ch.)	-35.0 1.6	-25.3 -29.4	-25.7 1.7	-25.4 -1.2	-21.4 -15.9	-21.3 -0.1	-21.3 -0.1	-21.3 -0.1	-22.7 -2.6
Less imports: goods and services (year % ch.)	1534.6 9.0	2088.8 34.8	2293.8 9.8	2447.4 6.7	2619.6 7.0	2776.2 6.0	2949.8 6.3	3148.7 6.7	2705.9 7.1
Less net factor payments (year % ch.)	129.9 4.3	137.9 16.3	106.7 -22.6	117.4 10.0	132.6 13.0	149.0 12.4	165.4 11.0	184.4 11.5	142.6 5.9
Current account balance	-19.4	-31.8	-236.6	-271.5	-314.6	-370.2	-434.4	-472.0	-349.9
Current account in US\$	-1.7	-1.7	-13.4	-15.6	-18.0	-21.2	-24.5	-26.1	-19.8
Current account as % of GDP	-0.3	-0.5	-3.4	-3.7	-4.0	-4.4	-4.9	-5.0	-4.3
Financing of the current account									
Total net capital flows	43.3	100.0	259.7	272.0	316.0	371.0	432.0	472.0	353.8
SDR + Valuation adjustment	39.6	45.3	29.1	-15.4	19.7	1.1	24.4	19.5	13.0
Change in gross reserves	63.5	113.6	52.1	-14.9	21.1	1.9	22.0	19.5	17.0
Gross reserves: quarter end	815.2	1029.0	1081.2	1066.2	1087.3	1089.2	1111.3	1130.8	1094.3
Gross reserves: quarter end (US\$)	55.1	60.6	61.8	61.8	61.9	61.9	61.8	61.8	61.8
Terms of trade									
Index (2010 = 100) (year % ch.)	112.3 1.9	112.3 -9.4	103.4 -7.9	104.3 0.8	104.0 -0.3	103.5 -0.4	102.7 -0.8	103.2 0.5	103.5 -1.4

Table B 9: Credit, interest rates and exchange rates

	<i>Average 2017-22</i>	2022	2023	2024	2025	2026	2027	2028	<i>Average 2023-28</i>
Money supply and credit extension									
M3 money supply (year % ch.)	3977.9 7.0	4727.0 8.6	4904.1 3.7	5166.6 5.4	5511.5 6.7	5904.4 7.1	6345.3 7.5	6830.9 7.7	5777.1 6.3
Private sector credit to households (year % ch.)	1769.2 5.3	2029.7 7.5	2162.1 6.5	2281.5 5.5	2430.4 6.5	2588.9 6.5	2757.2 6.5	2933.8 6.4	2525.7 6.3
Private sector credit to firms (year % ch.)	2150.3 5.2	2387.6 7.8	2518.1 5.5	2661.1 5.7	2857.2 7.4	3091.6 8.2	3364.2 8.8	3673.2 9.2	3027.5 7.5
Total private sector credit extension (year % ch.)	3919.5 5.3	4417.3 7.7	4680.2 6.0	4942.6 5.6	5287.6 7.0	5680.5 7.4	6121.4 7.8	6606.9 7.9	5553.2 6.9
Interest rates									
3-month NCD rate	5.78	5.32	8.21	7.79	7.46	7.49	7.50	7.51	7.66
10-year government bond yield	9.19	10.14	9.98	9.98	9.97	9.85	9.65	9.54	9.83
Prime overdraft rate	9.02	8.59	11.26	10.84	10.50	10.50	10.50	10.50	10.68
Effective household lending rate	12.66	11.81	14.59	14.55	14.32	14.33	14.31	14.26	14.39
Effective firm lending rate	6.85	6.42	9.59	9.13	8.48	8.24	8.08	7.94	8.58
Exchange rates									
R/US DOLLAR (year % ch.)	14.76 2.2	16.36 10.7	17.73 8.4	17.37 -2.1	17.44 0.4	17.49 0.3	17.71 1.3	18.11 2.3	17.64 1.8
R/ 100 Japanese YEN (year % ch.)	13.08 -0.7	12.47 -7.4	13.28 6.5	13.44 1.2	14.44 7.4	14.57 0.9	14.76 1.3	15.09 2.3	14.26 3.3
R/STERLING (year % ch.)	19.14 0.5	20.18 -0.7	20.95 3.8	20.67 -1.4	21.71 5.1	22.21 2.3	22.85 2.9	23.73 3.8	22.02 2.8
R/EURO (year % ch.)	16.71 1.2	17.20 -1.6	18.97 10.3	19.51 2.8	20.33 4.2	20.72 1.9	21.25 2.6	21.73 2.3	20.42 4.0
R/\$ PP parity rate (base PPI 2003) (year % ch.)	12.53 1.0	12.54 -0.9	13.18 5.1	13.47 2.2	13.71 1.8	13.95 1.7	14.18 1.7	14.41 1.6	13.82 2.4

Table B 10: Prices

	Average 2017-22	2022	2023	2024	2025	2026	2027	2028	Average 2023-28
Price deflators (index base year: 2015)									
Exports (incl. services) (year % ch.)	139.6 8.3	175.0 6.8	172.9 -1.2	179.5 3.8	184.2 2.6	186.6 1.3	188.9 1.2	194.4 2.9	184.4 1.8
Export commodities (in rand) (year % ch.)	2185.4 24.3	3756.7 21.0	2852.3 -24.1	2692.7 -5.6	2648.1 -1.7	2550.6 -3.7	2535.0 -0.6	2560.6 1.0	2639.9 -5.8
Imports (incl. services) (year % ch.)	124.0 6.6	156.1 18.0	167.1 7.1	172.1 3.0	177.1 2.9	180.2 1.8	183.9 2.0	188.3 2.4	178.1 3.2
GDE (year % ch.)	123.5 4.6	139.4 7.2	148.2 6.3	155.4 4.9	162.4 4.4	169.3 4.3	176.3 4.2	183.5 4.1	165.9 4.7
Investment (year % ch.)	121.6 4.8	141.0 9.9	152.0 7.8	160.2 5.4	167.0 4.3	173.3 3.8	178.9 3.3	184.5 3.1	169.3 4.6
GDP (year % ch.)	127.3 5.1	144.4 5.1	150.7 4.4	158.3 5.0	165.2 4.3	171.9 4.1	178.7 3.9	186.2 4.2	168.5 4.3
Consumer (index base: Dec 2021) & producer prices (index base: Dec 2020)									
Headline inflation (CPI) (year % ch.)	92.5 4.8	104.2 6.9	110.3 5.9	115.4 4.5	120.5 4.5	125.9 4.5	131.5 4.5	137.3 4.4	123.5 4.7
Core inflation* (year % ch.)	94.0 4.0	102.9 4.3	107.9 4.9	112.8 4.5	117.8 4.5	123.1 4.5	128.6 4.5	134.3 4.5	120.8 4.5
CPI food and non-alcoholic beverages (year % ch.)	92.2 5.6	107.0 9.2	117.9 10.2	122.8 4.2	128.2 4.4	133.9 4.4	139.8 4.4	146.0 4.4	131.4 5.4
CPI petrol (year % ch.)	83.0 11.6	115.9 34.3	115.2 -0.7	113.4 -1.6	113.4 0.0	114.2 0.7	115.3 1.0	116.4 1.0	114.6 0.1
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	16.0 11.2	22.1 31.3	22.3 0.9	22.0 -1.3	22.0 0.0	22.2 0.7	22.4 1.0	22.6 1.0	22.3 0.4
CPI electricity (year % ch.)	83.5 8.2	104.2 11.1	117.5 12.8	134.7 14.6	148.4 10.1	160.2 8.0	173.1 8.0	185.1 7.0	153.2 10.1
Producer price index (year % ch.)	99.8 6.5	120.5 14.4	128.1 6.3	133.3 4.1	139.1 4.3	145.0 4.2	151.1 4.2	157.4 4.1	142.3 4.6

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