

Medium-term economic outlook and risks

Forecast for South Africa: 2021 - 2026

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Editor: Hugo Pienaar

Email: hugop@sun.ac.za

Tel: +27 21 808 9782

Forecasting team:

Linette Ellis

Christelle Grobler

Lisette IJssel de Schepper

George Kershoff

Prof Johann Kirsten

Craig Lemboe

Tshepo Molo

Mulalo Sehlako

Mia Slabber

Tracey-Lee Solomon

Mokgabiso Tshenkeng

Nicolaas van der Wath

Cobus Venter

Technical assistance:

Nicolaas van der Wath

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Forecast in a nutshell

Real annual % change*	Average 2015-19	2020	2021	Average 2022-26
Final household consumption expenditure	1.5	-5.4	3.8	1.9
Durable goods	0.9	-8.4	6.2	3.8
Semi-durable goods	2.6	-18.3	11.8	4.3
Non-durable goods	1.2	-3.9	3.0	1.1
Services	1.6	-3.2	2.5	1.6
Gross fixed capital formation	-0.5	-17.5	-0.6	4.9
Private residential	-0.7	-20.9	2.6	2.6
Private excluding residential	1.1	-19.1	-4.1	6.4
Government	-0.8	-1.3	-0.1	2.0
Public Corporations	-4.9	-25.0	13.0	3.9
Gross domestic expenditure	0.9	-8.9	3.8	2.4
Exports of goods and services	0.5	-10.3	8.8	2.8
Imports of goods and services	1.1	-16.6	8.2	4.3
Gross domestic product	0.8	-7.0	3.9	2.0
Current account as % of GDP	-3.3	1.5	-1.5	-3.1
Interest rates (%)				
3-month NCD rate	6.93	4.47	3.61	4.77
10-year government bond yield	8.74	9.41	9.32	9.24
Prime overdraft rate	10.08	7.86	7.00	7.87
Inflation rates (%)				
Producer prices	5.1	2.6	5.4	4.4
Consumer prices	5.0	3.3	4.2	4.4
Labour and employment				
Nominal wage rate	4.8	0.0	4.0	4.6
Employment growth	1.6	-7.9	-0.3	1.9
Exchange rates (annual average)				
R/US dollar	13.69	16.46	14.96	16.47
R/Euro	15.45	18.77	17.98	20.12
R/Pound sterling	18.54	21.09	20.46	22.80
R/100 Japanese Yen	12.23	15.42	14.08	15.69
Fiscal indicators as % of GDP				
Main budget balance	-4.6	-10.8	-8.2	-5.3
Gross government debt	53.0	71.3	81.1	86.7

*unless specified otherwise

Executive summary

Incoming data for 2021Q1 indicates that the beleaguered SA economy showed some resilience through the more infectious local COVID-19 second wave in December 2020 and January 2021. In February, for the first time in a year, real mining output and retail sales moved back into positive annual growth terrain. At the same time, driven by the US and China, the outlook for global consumer spending and GDP growth continues to improve. In isolation, these factors suggest that a further upgrade to the SA real GDP forecast for 2021 is in order. However, at this stage, we remain cautious to not go too far with this. Given SA's pedestrian COVID-19 vaccine rollout, we remain concerned that the country will face another spike in coronavirus infections, culminating in a third wave. In addition, the likelihood of continued periodic Eskom load-shedding and the lapsing of temporary government income-support measures also need to be considered. Finally, on a more technical level, Stats SA and the SA Reserve Bank (SARB) are conducting a benchmarking and rebasing exercise on SA's national accounts. This could result in larger-than-normal revisions to the historic (particularly 2020) GDP data. A possible upward revision to the GDP level for 2020 would provide less scope for an outsized GDP growth bounce in 2021.

In its latest (April) outlook for the world economy, the IMF upwardly revised the real **global GDP forecast** for 2021 to 6%, up from a projection of 5.5% made in January. If achieved, this would be the strongest global growth for a calendar year since at least 1980. It does, of course, follow from a record decline of 3.3% in 2020. The only positive to take from the 2020 global GDP crash is that the latest estimate of its magnitude is significantly less severe than the decline of 4.4% forecasted by the IMF in October 2020. Based on estimates from the global lender, had it not been for extraordinary fiscal and monetary support measures, the 2020 global GDP decline could have been three times larger.

In line with our March **Forecast Update**, the upward revision to the IMF's global growth forecast was driven by a much-improved projection for US GDP growth (from 5.1% expected before to 6.4%) in 2021. This reflects the expected potent combination of a brisk rollout of COVID-19 vaccines, as well as the passing of another massive fiscal support package totalling \$1.9 trillion. Boomy US growth, at least in

2021, should have positive spillovers for the rest of the world. Even so, in its April *World Economic Outlook*, the IMF cautioned that the global economic recovery would likely be uneven, both within and between countries.

To a large extent, this reflects unequal global access to vaccines, with developed countries way ahead of emerging and developing nations, both in securing vaccines and starting inoculation programmes. SA is firmly in the latter group of countries that were slow out of the blocks to secure vaccines. Based on recent official announcements, we now seem to have secured sufficient doses to reach government's target of inoculating 40-45 million South Africans. Timing remains the main concern. At this stage, the vast majority of the vaccine doses will only be in SA by the second half of the year.

Excluding the adverse inflationary and trade balance impact of a much higher oil price, one key channel through which the improved global outlook benefits SA is higher export commodity prices.

Especially in the case of **platinum group metals**, we have been forced into making further upward revisions to these prices. This ensures that SA's **terms of trade** should remain elevated in the foreseeable future, which supports the current account position. As the domestic economic recovery gains momentum and imports rise, the current account is projected to swing back into a deficit from 2022 onwards.

While it remains tricky to disentangle the different currency drivers, sustained large trade surpluses in January and February 2021 most likely help to explain the resilience of the **rand exchange rate** at the start of 2021Q2. Other supportive factors may include the better-than-expected fiscal revenue outcomes for 2020/21, as well as the major global central banks continuing to push back against financial market pricing for earlier monetary policy tightening. After recent idiosyncratic shocks in Turkey (central bank independence again under pressure), as well as India and Brazil (another severe COVID wave), SA may also, somewhat unexpectedly, currently be viewed as one of the 'safer' emerging markets.

These positives have to be balanced against the fact that the rand is arguably currently trading well into overvalued territory, limiting the scope for further gains. Against this backdrop, we still expect the currency to weaken on a 12-18-month view, and beyond. *However, at a projected average of about R15.20/\$ in 2021Q4 and R16/\$ in 2022Q4, the forecast is for the currency to, on average, be 50-60c stronger than projected at the start of the year.*

In terms of the **headline CPI inflation** outlook, the impact of the stronger currency is diluted by another increase in the forecast for the Brent crude oil price. The outlook for the other key CPI components, including food, has remained largely unchanged relative to the March update (when the CPI forecast for 2021 was raised somewhat). *As a result, the*

March forecast that headline CPI would average 4.2% and 4.3% in 2021 and 2022 has mostly been confirmed. The headline CPI forecast for 2022 was tweaked higher to 4.4%.

Given the muted inflation outlook and risks to the GDP outlook, the **Monetary Policy Committee** (MPC) of the SARB has pushed back against market expectations prior to the March interest rate meeting that it could start to raise the policy interest rate earlier than projected at the start of the year.

This supports our view that the MPC will keep the repo rate on hold through January 2022. A mild interest rate tightening cycle is pencilled in from March 2022, with three 25bps rate hikes projected through next year.

The improved outlook for SA's **public finances** in recent months is another factor that argues against an imminent policy interest rate increase. While there are key risks, including additional SOE bailouts, that could see the fiscal outlook deteriorate meaningfully once again, the better-than-expected tax revenue performance for 2020/21, as well as confirmation from the Treasury that it is committed to largely sticking to an effective public sector wage freeze, are positive. In response to these developments, our short- and medium-term forecasts for the (main) budget deficit and the public debt trajectory have improved notably.

While remaining mindful of downside risks to the SA **GDP recovery**, we made a further minor upward revision to the forecast for both 2021 and 2022. For 2021, this is based on a less negative view on overall real fixed investment and government consumption, as well as being more optimistic about the rate of recovery for consumer spending. Combined, this is reflected in a meaningful upward revision in the outlook for overall domestic demand (**gross domestic expenditure**, or GDE) in 2021. We already raised the forecast for export growth notably in March - this has been lifted further.

The even faster export growth in 2021 (from an ultra-low base in 2020) is now accompanied by notably improved import growth. This means, relative to March, net exports are actually less of a positive GDP driver in 2021, with GDE making a larger contribution. *In all, the **real GDP** growth forecast was lifted modestly to 3.9% (from 3.7% in March and 3.1% in January). Real GDP growth of 2.5% is projected for 2022.*

Beyond the initial 2021, and to a lesser extent the projected 2022 bounceback in GDP, *average real GDP growth of 2% is forecast between 2023-26.* If achieved, this would be more than double the paltry real GDP growth rate of only 0.8% during the five years (2015-19) preceding the COVID pandemic. Driven by a large rollout of green energy investments, the medium-term forecast relies a lot on increased private sector fixed investment.

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Introduction¹

The short-term outlook for the SA economy is a balance between previously outlined upside risks from the global economy now materialising and possible severe downside domestic risks that could still emerge later in the year. Over the medium term, the SA real GDP growth prospects to a large extent hinge on whether there is an accelerated rollout of government's much-vaunted infrastructure expenditure drive, as well as regulatory/bureaucratic 'reform' to enable greater fixed investment in the renewable energy space.

Opposing forces
cloud the view
on the
robustness of the
post-2020
bounce in SA
GDP

In the short term, sharp upgrades to the global growth outlook, particularly in the second half of the year, elevated export commodity prices, and strong base effects from last year's GDP crash all bode well for a notable SA growth bounce in 2021. However, unlike in the US and China, in level terms, SA's GDP recovery is projected to remain incomplete for some time. The country continues to face at least two key risks that could meaningfully derail the recovery. These are Eskom load shedding and the looming threat of a third wave of COVID-19 infections as we move into the colder winter months. Already, there are indications of infections rising in some of the smaller provinces.

The rest of the report sets out how we have tried to balance these opposing forces in the forecast. The detailed forecast numbers can be found in the summary tables at the end of the report.

¹ This report was completed on 5 May 2021.

Selected domestic and global risks² (in no particular order)

Risk	Narrative	Possible impact on the SA economy
COVID-19 third wave hits SA	SA is significantly lagging with the rollout of a COVID-19 vaccine (see Figure 6 in the main text). At the time of writing, only about 340 000 healthcare workers (0.5% of the population) had been vaccinated. Combined with the onset of colder weather as winter approaches, this holds the risk of another local spike in virus infections. With greater numbers of people gathering indoors to shield from lower temperatures, the risk of virus transmission increases. The risk of further variants of the virus emerging should also not be dismissed.	The key risk here is if government reacts to a resurgence through the re-imposition of certain lockdown restrictions. Given the fragile state of the economy and the lack of fiscal firepower to support incomes through another lockdown, we would not expect another hard lockdown. However, as with the response to the second wave in December 2020/January 2021, any form of restriction on say the liquor and hospitality sectors would be a further setback to the SA economic recovery. Even in the absence of tighter lockdown restrictions, the likely confidence hit and associated more cautious consumer and firm spending behaviour amid a third wave would also be a setback to the economic recovery.
Faster short-term SA GDP recovery	The updated baseline forecast is for real GDP growth of 3.9% in 2021. However, as a hedge against downside domestic risks, the baseline takes a conservative view on some of the key GDP components. This includes a notable further decline in inventories, another year of falling real fixed investment, as well as pedestrian real export (measured quarterly) momentum. If we relax some of these assumptions to show more lift in exports and fixed investment, and flat inventories, <u>real GDP growth could reach 5.5% in 2021</u> . This more positive	A faster-than-expected GDP recovery could have several positive impacts. These would include that government tax revenue is likely to continue to outperform, which limits a further rise in SA's government debt. Along with the faster growth, this has the potential to improve investor sentiment towards SA. Under this scenario, there would be more certainty that SA was likely to avoid any further near-term credit rating downgrades. The rand exchange rate is likely to be

² These are risks that do not already explicitly form part of the current baseline scenario forecast, or were not specifically modelled as a scenario in the current forecast round. Some may only materialise over the medium term, i.e. not necessarily in 2021-22.

	scenario would also include a stronger household consumption recovery. This could, for example, be accompanied by SA only suffering a mild further COVID wave in 2021.	stronger in this case, helping to keep a lid on inflation and providing further room for the SARB to keep the policy interest rate at a very accommodative (low) level.
Risk	Narrative	Possible impact on the SA economy
Eskom	In the foreseeable future, there remains a high risk of unreliable power supply resulting in load-shedding. At an average of less than 60% so far this year, Eskom's energy availability factor (EAF) has been precariously low. The current EAF implies that about 40% of SA's installed power generation capacity is unavailable to feed power into the grid. This is due to a combination of planned and unplanned outages. Eskom has outlined that at least until late 2021, the implementation of its programme of so-called 'reliability' (planned) maintenance means that the country could run into periodic power outages, or load-shedding. In addition, the utility remains in a debt trap where revenue is insufficient to meet the interest payments on Eskom's massive debt that is fast approaching R500bn.	We can ill afford power disruptions in a year that should be one of GDP recovery after the crash in 2020. Eskom also continues to hold major risk for public finances, including that a sizeable part of its almost R500bn worth of debt will eventually need to be transferred onto the sovereign balance sheet. Because of the weak state of the public finances, Eskom's management is cognisant to not further burden the state with additional bailout requests. However, in the absence of extra government support, the utility is likely to continue with sharp increases in power tariffs. Whether through load-shedding or higher tariffs, Eskom is likely to continue to squeeze both firm and household incomes. In essence, the power constraint is holding back SA's growth potential.
A domestic fiscal crisis	Notable revenue overruns in recent months have improved the short-term outlook for SA's public finances, with positive feedthrough over the medium term as well. In the baseline, gross government debt is no longer expected to exceed 90% over the six-year forecast period through 2026. However, major medium-term fiscal risks remain. Failure to implement aggressive spending reductions and/or GDP growth/tax revenue disappointing current expectations will result in a	Most directly, a fiscal crisis 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 could further delay private sector fixed investment and weigh on consumer spending on durable goods. If capital market debt financing becomes unavailable in a crisis scenario, government will be desperate for alternative sources of funding ³ . Less optimal financing options would be to force

³ It is important to note that there will be significant pushback against these options, including possible legal action. While on the one hand this may delay their implementation, on the other hand it is likely to bring the endgame closer to knocking on the IMF's door for a bailout.

	<p>failure to stabilise debt over the forecast period. Higher borrowing costs are an inevitable outcome of such a scenario, further pushing up the debt burden.</p> <p>In a worst-case scenario, the precarious fiscal situation raises the risk that SA could in future struggle to honour debt repayment obligations without an approach to the multilateral lenders (such as the IMF) for assistance. As outlined in our January 2021 research note (see here), even in a negative scenario, an outright debt default seems unlikely. However, failure to get a handle on the debt situation will still have several negative implications for the economy.</p>	<p>public (the PIC) and private pension funds to buy a statutory minimum amount of government bonds (i.e. prescribed assets). Linked to this could be a tightening of foreign exchange controls which reduces the amount (currently 30 to 40% depending on the type of fund, plus an additional allowance for Africa) of pension fund investments that may be shifted overseas. The independence of the SA Reserve Bank (SARB) may also be threatened, i.e. legislation could potentially be changed to allow direct SARB financing of government debt. In this scenario, money supply increases sharply and the rand could collapse, resulting in much higher inflation.</p>
Risk	Narrative	Possible impact on the SA economy
An SA Arab spring	<p>Even before COVID-19, which has exacerbated the triple challenge of poverty, inequality and unemployment in SA, well-known political commentator Moeletsi Mbeki warned that the country was close to a breaking point in terms of social unrest. Years of maladministration, corruption and declining per capita GDP have resulted in increasing numbers of people giving up hope for a better tomorrow. It is a dangerous situation when large parts of society believe that they have nothing to lose by embarking on mass social unrest, looting of private property, etc. This is especially the case with populist demagogues like Julius Malema, and a fringe grouping in the ANC, trying to exploit the situation for political gains. In addition, public sector workers and those receiving social grants (both key ANC constituencies) have been/will be adversely impacted by fiscal consolidation, potentially fuelling disgruntlement.</p> <p>With a local government (scheduled for 27 October 2021) and national (2024) election in the next five years, increased deprivation (perceived or actual) could be fertile ground for the populism of the EFF or other radical parties. A sharp</p>	<p>Widespread and violent social unrest is likely to be a death-knell to President Ramaphosa's ambition to incentivise the domestic private sector and foreign investors to invest more in SA. It will be yet another blow to business confidence, private sector fixed investment, and the country's overall GDP growth performance. A violence-induced weaker macro environment will worsen the outlook for those left behind even further. An additional risk will be if the government, fearing a loss of voter support, responds with unaffordable populist measures that result in even greater fiscal imbalances.</p> <p>The adage that financial markets shun uncertainty applies. Extreme policy suggestions will lead to increasingly volatile financial markets. For a small, open economy like SA with liquid financial markets, this will make business planning exceedingly difficult.</p>

	<p>further rise in support for the EFF will put SA on a dangerous path. Another version of this risk would be any escalation of racial tensions in the country.</p> <p>The decline of centrist politics is also a global risk. Political instability tended to rise post previous pandemics. Whether on the left or right, politicians with extreme views could either entrench their current support or get elected to higher office. The fact that Donald Trump failed to win a second term in the US is a positive in this regard.</p>	
Global inflation makes a comeback	<p>Leading global central banks continue to argue that whereas low base effects in 2020, the economic reopening, and the sharp rise in commodity prices will result in higher inflation during 2021, this should be transitory. Over the medium term, inflation is expected to stabilise around advanced country inflation targets of 2%. Fuelled by unprecedented support measures, many economies have recovered faster than expected from the 2020 GDP crash. If the brisk recovery momentum is sustained and central banks fail to timeously 'taper' accommodative policies. they could be caught out by a quick rise in inflation expectations, leading to broader and more persistent inflation over the medium term.</p>	<p>An unexpected and quick rise in global inflation is likely to result in financial market dislocation as long-term interest rates move sharply higher. Central banks may be forced into increasing policy interest rates. The 2013 taper tantrum and the experience earlier in the year when long-term bond yields shot higher amid inflation concerns are reminders that emerging market asset prices tend to come under severe selling pressure on any indication of more onerous global financing conditions. Countries with large macro imbalances, i.e. those with large current account or fiscal deficits, tend to be worst affected.</p>
Globalisation retreats	<p>Before coronavirus, the rising trend in global populism, the trade war between the US and China, as well as Brexit, already threatened to reverse some of the globalisation gains since the early 1990s. COVID-19 may accelerate this trend. Companies, in some cases nudged by authorities, may rely less on global supply chains and move to onshore production facilities. This is in order to be less reliant on other countries for key supplies. In a sense, vaccine nationalism is another anti-globalisation trend.</p>	<p>In many countries, parts of society lost out because of globalisation. However, the efficiencies and cost reductions brought about by rising global connectivity over the last 30 years was an important driver of global GDP growth. A reversal is likely to reduce world productivity growth. The cost of production is also likely to increase as countries move to produce goods in which they do not necessarily hold a comparative advantage.</p>

Risk	Narrative	Possible impact on the SA economy
(Permanent) increased role for the state	While increased state intervention can be justified to aid in the fight against the coronavirus, the key question is how the state 'shrinks' again once we move past the health crisis.	History is awash with examples where state planning of the economy failed dismally. Even in China, the last 30 years has seen increased opening up of the economy to the private sector. As with a reversal of globalisation, a permanent increased role for the state is likely to result in suboptimal outcomes. This is especially the case in a country like SA which is not known for having the most capable state.
Cyber security issues	IT security breaches have already led to notable disruptions in both the private and public sectors.	Disruption of IT systems could have significant real economy impacts, especially if the provision of basic services is disrupted. Regulatory backlash and concern about security could delay the adoption of productivity-enhancing systems/technologies.
Climate change	Devastating fires and floods across the world in recent years have highlighted the adverse impacts of changing weather patterns.	Wide-ranging impacts, including crop failure and subsequent job losses, damage to infrastructure, and in the worst cases death.
Escalation in geopolitical tension	Recent concerns about Russia's actions on the border with Ukraine and fears that China could invade Taiwan have again raised the geopolitical temperature.	Military conflict raises global risk aversion, with riskier assets likely to come under pressure. Global confidence and growth may be dented with adverse spillovers to SA growth. The gold price is likely to be higher in this scenario.

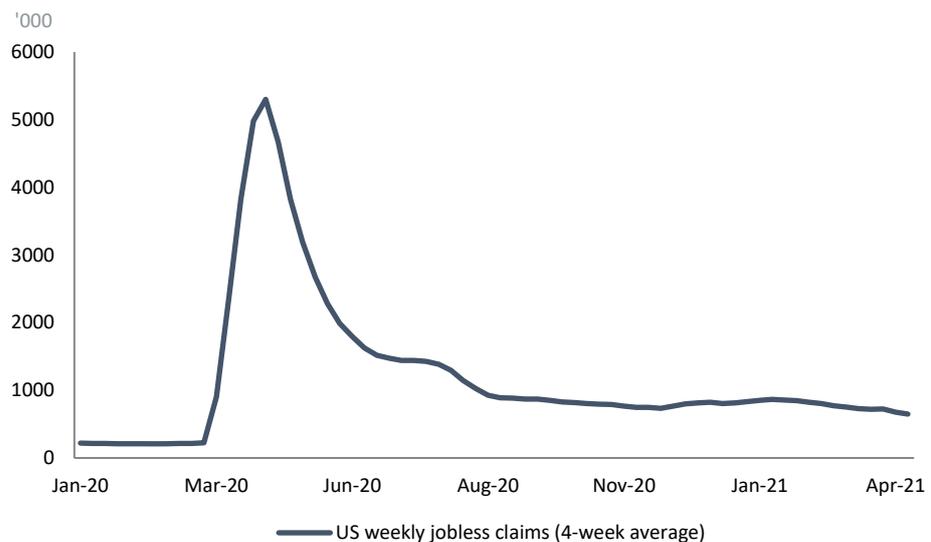
Global outlook

Vaccine- and stimulus-induced boom, at least in US

A pick-up in the pace of vaccinations in developed countries and further large fiscal stimulus in the US continues to drive upgrades to the global real GDP growth outlook. At a projected 6%, the IMF now expects the fastest world growth (in real terms) for a calendar year since at least 1980. Importantly, not all countries will participate to the same extent in the GDP bounce. In broad terms, countries who managed to secure vaccines first and are ahead in the race to inoculate their populations, as well as those with more fiscal resources to support households and firms, will lead the recovery. At the other end of the scale, countries who are lagging with vaccines, have constrained public finances and are more reliant on contact-intensive sectors such as tourism to drive growth, are likely to experience a more protracted - and incomplete - recovery through 2022, at least.

Key global institutions continue to upgrade their GDP views, but...

Figure 1: US labour market not back to pre-COVID status, but continues to heal



Source: US Department of Labour

...pace of GDP recovery set to diverge between advanced and poorer countries

Table 1 highlights the expected divergent recoveries, with advanced countries like the **US** and the **UK** set for a robust bounce in 2021, while many countries in Sub-Saharan Africa are projected to fall behind. At this stage, the US is expected to reach its pre-COVID level of GDP before the end of this year. After a stuttering start, the combination of a swift vaccine rollout, massive additional fiscal stimulus, and a large build-up of household savings, has the potential to unleash a large consumer boom once the US economy reopens more fully. We

already got a flavour of this when monthly US retail sales surged by almost 10% in March 2021.

China is expected to be another key global growth driver in 2021, with real GDP growth of more than 8% forecasted. Albeit from a lockdown-induced low base in 2020Q1, and despite an easing in quarterly momentum, Chinese real GDP growth printed at a record annual rate of 18.3% in 2021Q1.

Table 1: A two-speed, or K-shaped, global economic recovery

y-o-y % change (real)	Forecast				
	2014-19	2020	2021	2022	2023-26
World (PPP*)	3.5	-3.3	6.0	4.4	3.4
Advanced countries (G7)	1.9	-4.7	5.1	3.1	1.4
US	2.5	-3.5	6.4	3.5	1.5
Euro area**	1.8	-6.6	4.4	3.8	1.6
United Kingdom	1.9	-9.9	5.3	5.1	1.7
Germany	1.7	-4.9	3.6	3.4	1.3
Japan	1.0	-4.8	3.3	2.5	0.7
Emerging countries	4.5	-2.2	6.7	5.0	4.6
China	6.7	2.3	8.4	5.6	5.2
India	7.3	-8.0	12.5***	6.9	6.7
Brazil	-0.3	-4.1	3.7	2.6	2.0
Russia	0.9	-3.1	3.8	3.8	1.9
Sub-Saharan Africa	3.2	-1.9	3.4	4.0	4.1
Botswana	2.9	-8.3	7.5	5.4	4.0
Mozambique	4.6	-0.5	2.1	4.7	9.1
Namibia	1.5	-7.2	2.6	3.3	2.6
Zambia	3.4	-3.5	0.6	1.1	1.5
Zimbabwe	1.0	-8.0	3.1	4.0	2.5
Nigeria	2.1	-1.8	2.5	2.3	2.3
Angola	0.1	-4.0	0.4	2.4	3.7

*Purchasing Power Parity

**19 Eurozone Countries

***Forecast finalised before the emergence of a severe second COVID wave

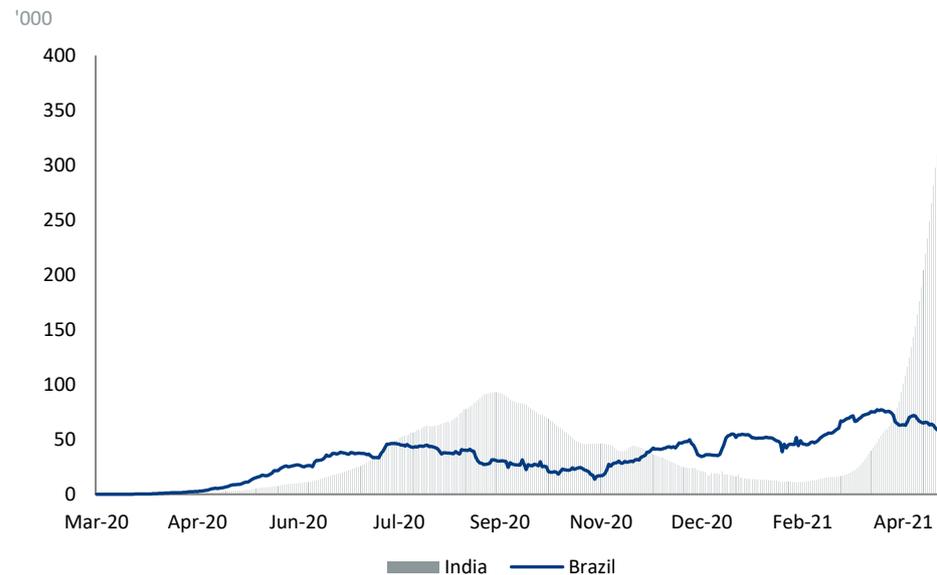
Source: IMF World Economic Outlook (April 2021), BER calculations

New virus waves
inhibiting the
recoveries in
some key EMs

For some time, the fortunes of individual countries will be determined by the evolution of the coronavirus. **India** and **Brazil** are two leading emerging markets (EMs) where the short-term GDP outlook has deteriorated sharply in a short space of time amid aggressive new waves of COVID-19 (see Figure 2). The longer it takes for large parts of the global population to be inoculated, the greater the risk of further COVID waves, which may continue to be driven by

the emergence of new variants. The world remains in a race between vaccines and virus mutations.

Figure 2: Brutal second COVID-19 wave in India (7-day rolling average of new cases)



Source: Our World in Data

Unprecedented policy support and virus containment should limit long-term pandemic scarring

Over the medium term (2023-26), the IMF argues that deep recessions tend to leave long-lasting scars, especially on the rate of productivity growth.

Therefore, after such a large GDP decline in 2020, the expected medium-term output losses from the pandemic are substantial. According to IMF estimates, global output in 2024 is set to be about 3% lower than what pre-pandemic forecasts suggested. On a positive note, assuming that the pandemic is brought under control globally by end-2022, the unprecedented policy support enacted over the last 12 months should ensure that the deep COVID-19 recession leaves smaller scars than after the global financial crisis in 2008/9. Amongst other impacts, the policy support prevented a global banking crisis. Previous IMF research showed that, historically, recessions associated with financial crises tend to leave greater scarring.

Global real GDP growth of around 3.5% pencilled in over the medium term

Furthermore, although the COVID-induced lockdowns were a significant shock to the broader economy, the initial concentration of the pandemic impact on contact-intensive service sectors generated lower sectoral spillovers than in most previous global recessions. This is because these sectors are less central to production networks. Even so, damage has been done to the productive capacity of most countries. Combined with pre-pandemic growth constraints, including age-related slower labour force growth, this implies that, after the initial post-2020 GDP bounce, global growth is expected to moderate towards

3.5%. This would be in line with the average rate of growth achieved in the five years before COVID (see Table 1).

As with the divergent initial part of the recovery between countries, the longer-term scarring effects will also differ between countries. Again, amongst other factors, the extent of the longer-term damage will depend on the severity of the pandemic in each country, the structure of individual economies, as well as the size of the policy response.

In terms of the IMF's projections, a notable exception to slower medium-term growth is **Sub Saharan Africa**. Average real GDP growth is expected to shift up a gear when compared to the period before the 2020 shock. This is driven by continental heavyweight SA's expected outperformance relative to pre-pandemic growth rates. Notwithstanding the recent jihadist attacks in the north of the country, **Mozambique** is also projected to post much faster growth rates in future as the development of large gas reserves boosts GDP. The attacks will, however, postpone the development of the gas fields after French energy giant Total suspended work on its massive \$20bn gas project in Mozambique.

Sub-Saharan Africa set for faster medium-term growth

Inflation trends also set to diverge

Driven by the plunge in the oil price, the rate of increase for advanced country consumer inflation moderated further in 2020, from already subdued levels. The picture was more mixed in emerging and developing countries. While a country like SA also saw a sharp easing in price pressures, in others, including China and India, the inflation rate accelerated.

CPI moderated further in advanced countries during 2020

In many countries, the low base of last year should see a (temporary) bounce in the y-o-y CPI inflation rate in the next couple of months. There are also some other developments with the potential to keep inflation at more elevated levels. These include the sharp recovery in the oil price, as well as intensifying supply-side shortages and associated higher input costs. Increased demand once economies reopen and consumers are more able to spend their stimulus checks also has the potential to raise retail selling prices. However, at this stage, these price impacts are expected to be transitory. In fact, the major central banks are aiming to lift inflation expectations and actual inflation closer to their inflation targets, which are mostly around 2%. The IMF's latest medium-term CPI outlook reflects this, with consumer inflation in advanced countries projected to average 2% between 2023-26. At only 1.3%, advanced country CPI averaged notably lower in the five years before COVID struck.

Currently, there are a number of (temporary) upward pressures on inflation

In aggregate, the expected inflation trend is different for emerging and developing countries. For this group, consumer inflation is expected to average

around 5% in 2021, easing towards 4% over the medium term. If achieved, this would continue the longer-term trend of easing inflation in EMs. While there are notable exceptions, this trend most likely reflects increased EM central bank independence. In many parts of the world, this has assisted in the lowering/anchoring of inflation expectations.

SA continues to benefit from surging PGM prices

Except for gold, the prices of SA's major export commodities continued to rise in 2021Q1 (Table 2). Relative to 2020Q1, all our major export commodity prices were notably higher. As also highlighted in previous editions, **rhodium** remained the star performer, but there were strong annual gains across the board. In some cases, the price gains continued in the early part of 2021Q2, with **palladium** reaching an all-time (nominal) high above \$2 900/oz in the week ending 23 April. The platinum group metals (platinum, palladium and rhodium) continue to be supported by stricter vehicle emission standards in places like Europe and China. This increases the demand for these metals, which are used in catalytic converters. At the same time, supply concerns have contributed to the price rally. Palladium, for example, has been supported by sharp downward production estimates from Russia's Norilsk Nickel, the world's largest producer. For rhodium, it is not clear if SA mines, the world's biggest producer, can keep up with the current (and expected) strong demand. There has been a lack of new investment by SA companies in PGM projects over the last decade.

SA riding a higher commodity price wave

Table 2: Excluding gold, SA-relevant commodity prices rose further in 2021Q1

	Quarterly average			% change	
	2020Q1	2020Q4	2021Q1	Q-o-Q	Y-o-Y
Brent crude oil (\$/bbl)	51.2	45.4	61.3	35.0	19.7
Iron ore (\$/tonne)	90.6	132.4	165.4	24.9	82.6
Coal (\$/tonne)	78.8	71.5	89.7	25.5	13.8
Palladium (\$/oz)	2278.5	2347	2404	2.4	5.5
Rhodium (\$/oz)	10293	15176	23339	53.8	126.7
Platinum (\$/oz)	903.4	940	1159	23.3	28.3
Gold (\$/oz)	1588.4	1875	1797	-4.2	13.1

Source: DataStream

Gold and coal prices forecast to move lower over the medium term

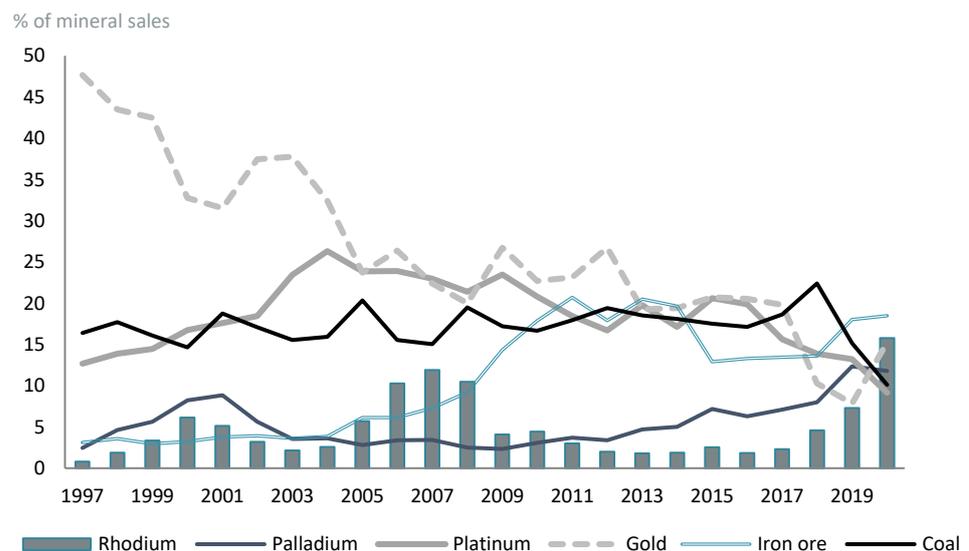
The price movements have had a major impact on the contribution of the individual commodities to SA's total mineral export sales (Figure 3). In a nutshell, while the contribution of gold (long-term trend, 2020 being an exception), platinum (since 2015) and coal has declined, the opposite is true for iron ore, palladium and rhodium. Based on our price forecasts (see detailed tables at the end of the report), some of these trends are likely to be sustained.

With the world economy likely to recover from the COVID pandemic over the medium term, and as global interest rates start to normalise from current ultra-low levels, the **gold** price is expected to trend lower through 2026. The intensified global conversation about a move away from fossil fuels suggests that the **coal** price should also be on a downward path.

The PGM price outlook is less clear cut, but at this stage there are promising signs that these metals may benefit from the development of the hydrogen economy. This could create new demand that may compensate for the loss of demand from the envisaged greater use of electrical vehicles in future. While uncertain, a meaningful uptake of electrical vehicles may also be beyond our medium-term forecast horizon (to 2026). For now, **platinum** and **palladium** are likely to be well supported through 2026, partly driven by possible substitution away from the much more expensive **rhodium**. If we are right, the price of rhodium should decline from lofty current levels. The **iron ore** price, which recently reached a fresh record high, is also forecast to decline. This is as low-cost global production recovers from temporary setbacks (including weather-related disruptions in Australia) and China’s growth model shifts from an overreliance on infrastructure investment to the services economy. Over time, this should make Chinese growth less commodity intensive. However, in the near term, global stimulus measures to support the economic recovery should keep the iron ore price at elevated levels.

Platinum and palladium price expected to remain well supported

Figure 3: Rhodium’s contribution to SA export revenue surged in recent years



Source: Department of Minerals and Energy

While the prices of some of SA’s key export commodity prices are forecast to decline from current highs, we do expect all the commodities mentioned here to, on average, trade at higher levels over the forecast period than was the case

in the five years (2014-19) before COVID-19 struck in 2020. Across the globe, governments are looking to increase infrastructure investment to support a post-COVID economic recovery. While not all commodities will benefit equally from this, it should provide an important underpin to the demand for commodities over the forecast period.

Demand and supply dynamics drive up the oil price

Regarding SA's import bill, the **Brent crude oil** price has increased at a faster tempo than anticipated. The sharp price gains in 2021Q1 were again driven by an improved outlook for global GDP growth and oil demand. Developments on the supply side also supported the price. In early March, the OPEC+ grouping of major oil producers agreed to extend oil output curbs. In addition, one-off events impacted the oil price through the quarter. These included disruptive weather in Texas, which shut-in oil production totalling more than 10% of US oil supply, drone attacks on Saudi Arabia oil facilities, and delays caused by the blockage in the Suez Canal. This increased shipping costs, as well as the oil price.

Looking forward, we could see a further leg up for the oil price as oil demand, including as a result of increased air travel, should continue to recover through 2022. Along with OPEC+ curtailing production, increased demand should alleviate the current oversupply situation in the oil market, supporting the price. Over the medium term, our view on the oil price is in line with coal, i.e. that the increased global focus on environmental issues should cap demand and ultimately also the price of oil.

SA terms of trade set to decline from record peak

Combined, the outlook for commodity prices results in a deterioration of SA's **terms of trade** (difference between the movement in import costs and the price of SA's export commodities) over time. In the end, this is an important factor that suggests SA is unlikely to sustainably run a surplus on the **current account**.

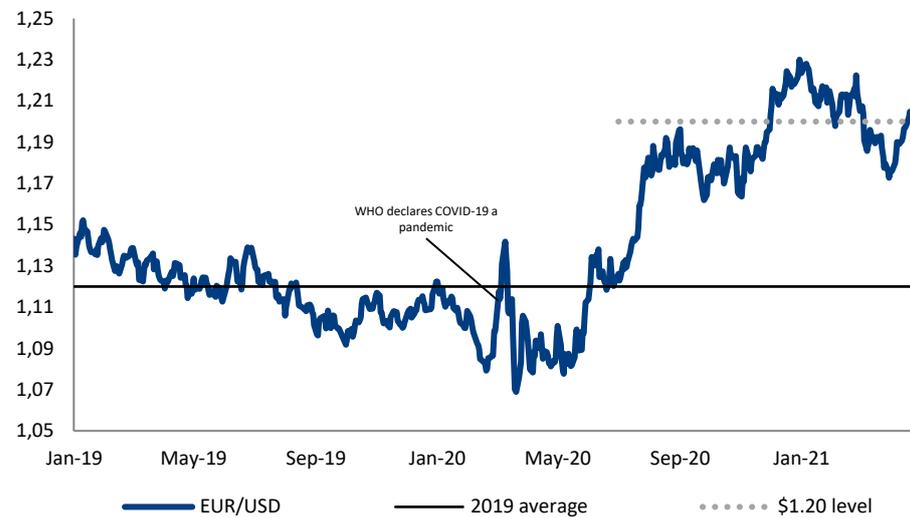
Interest rate expectations to drive currency moves

On average, the **US dollar** lost further ground against the euro in 2021Q1. As highlighted in Figure 4, the average masks a lot of volatility through the quarter. The greenback broadly traded in a range of \$1.17 to \$1.23 in 2021Q1 as currency markets priced in the growing expectation that the US economic recovery would handsomely outperform other major regions of the world. Markets went further to discount that this implies that the US Federal Reserve (Fed) would aggressively bring forward the date of a first interest rate increase from current ultra-supportive levels. However, Fed officials have been consistent in trying to soften these expectations. They have held the line that the current very accommodative interest rate and bond-buying (QE) policy will

Despite likely US growth outperformance, Fed pushes back against earlier rate hike narrative

remain in place until the unemployment rate is much lower and inflation is sustainably higher.

Figure 4: US dollar has seen big swings since COVID hit



Source: DataStream

It seems that towards the end of 2021Q1 and the early stages of the second quarter, financial markets have started to accept this, which may help to explain why the dollar has of late moved weaker than the key \$1.20/€ level again. Interest rate expectations are bound to change, impacting currency movements. The other part of the story is that, whereas the US was quicker off the starting blocks than the EZ with vaccinations, expectations are that the EZ will catch up swiftly in coming months. This view may also currently be supporting the euro.

Going forward, we remain unconvinced as to why the dollar should weaken significantly, especially against the euro. Yes, the US is running large fiscal deficits, but its nominal interest rates are more attractive than the EZ and, if anything, the European Central Bank (ECB) is signalling that even more time will pass before it considers the start of a monetary policy normalisation process. Therefore, for now, we expect the dollar to, on average, remain in a range of \$1.19/€ to \$1.23/€. Although the medium-term forecast is even more uncertain, the high end of this range is currently where we see the dollar in the outer years of the forecast.

Any US dollar
weakening
expected to be
contained

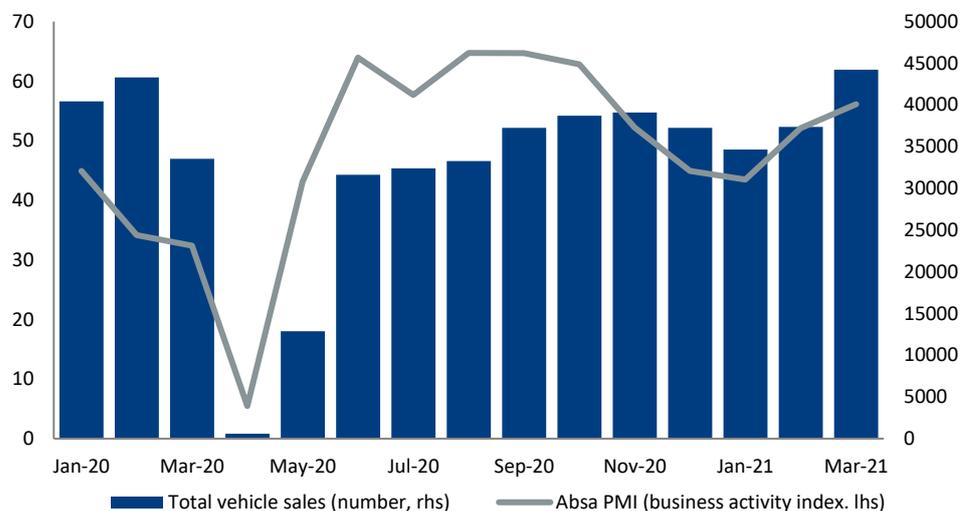
Domestic outlook

After March growth upgrade, scope for further (mild) improvement

Notwithstanding lingering, and notable, downside risks to the domestic GDP recovery, we judge that the short-term outlook for the SA economy has improved notably since the January 2021 forecast update. This was already reflected in the March forecast update when the 2021 SA real GDP forecast was raised to 3.7%, from the 3.1% projected in January. The improved outlook in March was driven by the better-than-expected GDP recovery in the second half of 2020, as well as a notable upgrade to the global growth assumption, especially for 2021. Following the upward revision in March, a few subsequent developments suggest that a further upward growth revision is in order. These include:

- Further upgrades to the **global growth** outlook for 2021 and 2022, as outlined earlier. This provided some scope to further lift the view on domestic export growth. Even after the latest revision, the forecast for quarterly export momentum in 2021 remains conservative. This implies that there could be even more upside to the growth in export volumes.

Figure 5: Activity indicators picked up in February and March



Source: naamsa, Absa

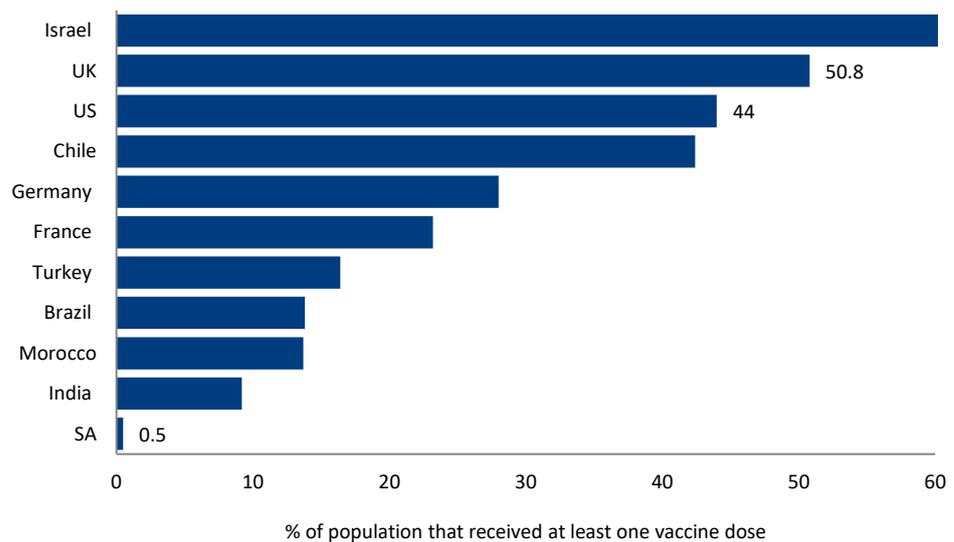
Some positives for faster SA real GDP growth in 2021

- Resilience through the second COVID-19 wave in December 2020/January 2021. This is reflected in the incoming **domestic data releases** for 2021Q1. As highlighted in Figure 5, there seems to have been a re-acceleration in economic activity since February. Besides the data shown in the figure, tentative signs that **energy demand** continues to recover in the early stages of 2021Q2 suggest that some of

this momentum may have been carried over into the second quarter. At the time of the January forecast, and to a lesser extent in March, we were concerned that amid the strains of the COVID-19 second wave, real GDP could contract in 2021Q1. This now looks quite unlikely.

- A faster-than-expected recovery in household income, which has led to an upward revision to the **real consumer spending** forecast. A more detailed outlook for consumer spending is provided later in the report.
- Official forecasts in the February budget that provided room to upgrade our projection for **public sector fixed investment**. As with consumer spending, the details are provided later.
- The lack of any indication of a **COVID-19 third wave** in SA. Given SA's slow vaccine rollout (see Figure 6), this could change suddenly, but for now it remains a big plus for the short-term GDP prospects.

Figure 6: SA badly lagging in the global vaccination race



Source: Our World in Data

Energy availability and possible COVID-19 third wave remain key downside GDP risks

While these developments are welcome and do, along with possibly faster inventory restocking than assumed, provide upside growth risks, some key downside risks have not gone away. For one, Eskom's **energy availability factor** (EAF) remains precarious at less than 60%. Combined with recovering energy demand, this means that the cloud of load-shedding, at any time, continues to hang over the economy. In our view, until there is greater certainty on a reliably supply of energy, this is likely to keep the private sector hesitant to meaningfully increases capital investment. As outlined in the risk table at the start of the report, a possible **third wave** of COVID-19 is another major downside risk. While we seem to have avoided a post-Easter jump in infections,

health experts continue to flag the risk of another wave as colder winter temperatures set in.

Cautious approach sees '21 real GDP growth forecast lifted modestly to 3.9%

Another factor to consider is that the temporary extension of some of the earlier income support measures means that we are yet to see the impact of the removal of these supports. This should start to be felt from 2021Q2 onwards. If not for these downside risks, and all else being equal, we would now have made a more significant upward revision to the growth forecast. However, being cognisant of the risks, we have instead opted to remain on the conservative side, for now. If by the time of the early July forecast update these risks have not materialised, a further GDP growth upgrade for 2021 could be on the cards. *At this stage, the real GDP growth forecast was lifted slightly further to 3.9%, up from 3.7% in March and a subdued 3.1% forecast in January. Real GDP growth of 2.5% is pencilled in for next year.*

Rand erases COVID crash; modest losses expected

The rand exchange rate averaged roughly R14.40/\$ in April, strengthening from an average of about R15/\$ in 2021Q1. For some perspective, the local currency traded at an average of R14.70/\$ in 2019Q4, i.e. the immediate period before the COVID pandemic hit the world and SA. Therefore, the rand has now erased all the COVID-19-induced losses, which saw it plunge to an all-time low of around R19/\$ towards the end of April 2020.

At current levels, the currency has gained 3% versus the greenback so far in 2021, a better-than-expected outcome. Also, the rand has outperformed many of its peer EM currencies (Figure 7). To briefly recap, some of the factors behind the robust performance since the second half of 2020 include:

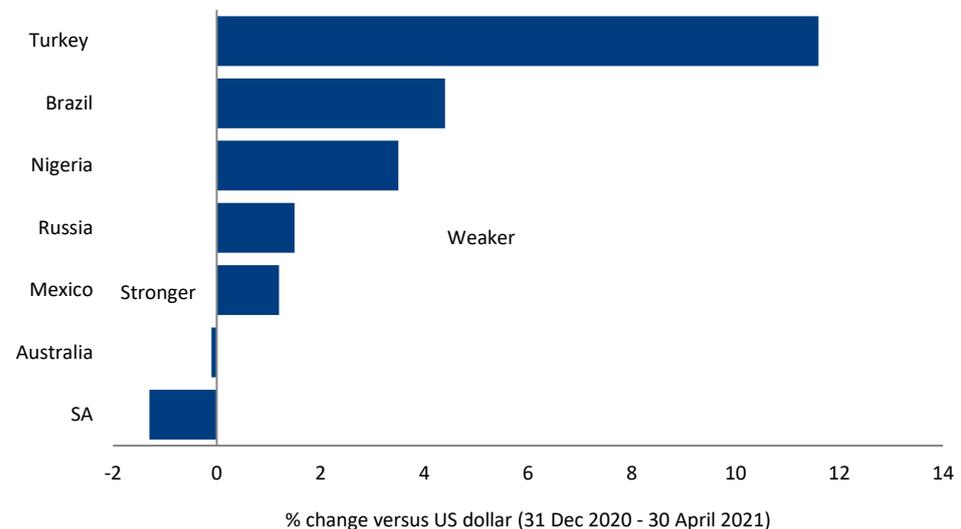
- A sustained surplus on the **trade balance**. The cumulative surplus on the trade account amounted to R41.4bn in 2021Q1, a fourfold increase on the corresponding quarter in 2020. Amongst other factors, the trade balance has been supported by sustained terms of trade gains, as outlined earlier. This helped to cushion the rand against foreign selling of SA equities and bonds to the tune of R42bn in the first four months of 2021. While foreign selling continued in 2021, it has been much less than the cumulative outflow of almost R90bn for the same period last year. This is important as the sharp rise in long-term global bond yields earlier in the year had the potential to derail foreign portfolio inflows to SA more meaningfully. There is no doubt it had an impact, but probably less than feared. This could be because the higher international interest rates were in the context of an improving global growth outlook. Under normal circumstances, better global growth supports the value of the

Large trade account surpluses and improved fiscal outcomes contributed to a robust rand performance

rand. However, an adverse change in foreign risk perceptions of SA could result in a sudden, and large, outflow of foreign investor capital.

- A faster-than-envisaged **tax revenue improvement** results in less bad fiscal outcomes. In the end, gross tax revenue in the 2020/21 fiscal year exceeded the downbeat expectation in the October Medium Term Budget Policy Statement by R138bn (almost 3% of GDP). This led to a lower, although still double-digit, budget deficit and a better (lower) starting point in 2021/22 for overall government debt. While SA's fiscal situation remains precarious, the better outcomes on the fiscal ratios most likely eased some concerns about a looming fiscal crisis. To add to the better revenue picture, government also seems to be sticking to their guns on an effective public sector wage freeze. Based on these developments, our current baseline forecast does not foresee further near-term sovereign credit rating downgrades.
- Riskier **EM peers**. With a fiercely independent central bank, low inflation and attractive real returns, SA may currently be viewed favourably relative to troubling developments in some other emerging markets. This includes Turkey where central bank independence has again been undermined, as well as Brazil and India where new COVID-19 waves are undermining growth prospects.

Figure 7: Rand outperformed peer currencies so far in 2021



Source: DataStream

As always, even if there is some consensus on the most recent currency drivers, this does not imply that we necessarily have more confidence in forecasting the future currency trend. Based on the key historic currency drivers, one starting point for the currency forecast is to try and gauge what the current fair value is for the rand. This includes looking at the so-called purchasing power parity

Latest fair value estimate suggests the rand is currently overvalued

(PPP) rand calculation, which suggests where the currency should be trading given the inflation differential between SA and our major trading partners. With a base year of 2003, our latest PPP calculation puts the rand at around R13.20/\$ in 2021Q1. This would suggest that the currency still has plenty of scope to strengthen. However, in recent years, we have placed more weight on an alternative fair value calculation, which, amongst other factors, rather considers the difference in unit labour costs between countries. Based on work by consultancy firm Business Cycle Analytics, such a calculation suggests that the rand should actually be trading closer to R15.50/\$. This implies that the rand is currently trading well into overvalued territory.

Rand set to weaken, but outlook revised stronger

On its own, this suggests that the rand's recent gains are probably overdone, limiting much further upside for the currency. Having said that, the factors that have supported the rand so far in 2021 could persist in the foreseeable future. This is especially the case for the surplus on the current account. In the absence of unexpected events, this argues against an imminent sharp reversal of the recent strengthening trend. Still, given the potential that some of the downside risks from Eskom, COVID-19 and the fiscal situation may still materialise, we continue to expect the currency to weaken on a 12-18-month view, and beyond. *However, at a projected average of about R15.20/\$ in 2021Q4 and R16/\$ in 2022Q4, the forecast is for the currency to, on average, be 50-60c stronger than projected at the start of the year.*

Over the medium term, the view remains for the rand to be on a moderate weakening trend against major currencies, including the US dollar. Some of the key considerations here include that:

Return to a current account deficit and higher global policy interest rates should see the rand weaken somewhat over the medium term

- SA **consumer inflation** is projected to continue running above that of our main trading partners. However, it is expected to be stable around the 4.5% midpoint of the SARB's inflation target range. At the same time, G7 CPI is expected to average higher than in recent years. A reduction in the inflation differential between SA and developed countries would exert less pressure for a weaker currency to maintain SA's global competitiveness.
- The SA **current account** moves back to a structural deficit. The projected improvement in SA fixed investment over time should increase the import bill. Combined with an expected less conducive terms of trade position, this suggests that the current account deficit should steadily widen between 2022-26. This would remove an important underpin of current rand resilience.
- **Global monetary policy** is less accommodative over the medium term. Especially in the latter stages of the forecast period, global developed

country policy interest rates are likely to start normalising from the current ultra-low levels. If this is driven by more normal macroeconomic conditions, it will not necessarily have an untoward impact on EMs, including the rand. However, it is hard to see how this will be a positive for the rand. In combination with SA likely running current account deficits again, a change (higher) in the global interest rate cycle could put some pressure on the domestic currency.

Benign inflation allows for sustained accommodative interest rate policy

After the rate of increase in consumer (CPI) inflation moderated to an average of only 3.3% in 2020, price pressures at the retail level remained at similar benign levels during the first quarter of 2021. Over the very short term, the annual rise in the CPI is expected to accelerate towards 5% y-o-y. The anticipated upward trend is mainly a function of the very low base in 2020Q2 when the COVID-19-induced crash in the oil price and low services prices pushed the CPI down to only 2.1% y-o-y in May 2020.

Beyond the next couple of months, the CPI outlook is complicated by a mixed set of trends. If our outlook for the oil price and the rand exchange rate materialises, the **petrol price** should increase at well above the general inflation rate in 2021 and 2022. Therefore, the transport component is likely to put upward pressure on the CPI through 2022. Over the medium term, the petrol price is projected to rise at a more moderate rate which should not put any undue upward pressure on measured consumer inflation.

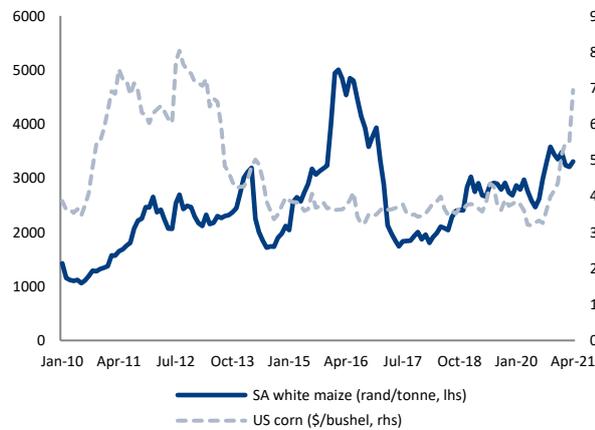
Food prices are another area that could exert further short-term upward pressure on the CPI. After increasing sharply in the second half of 2020, global food prices posted further gains so far in 2021 (see Figure 8). The strengthening trend for the rand and expectations for large domestic summer crops⁴ have shielded local grain prices from these increases. Another positive is that, at the start of the supply chain, SA agricultural food prices have moderated notably from the high of 14% y-o-y reached in January 2021 (Figure 9). Still, the full pass-through of the earlier sharp increases in agricultural commodities may still be felt in manufactured and retail food prices in coming months. At this stage, for 2021, the **CPI food index** is expected to average somewhat higher than the increase of 4.7% in 2020.

Near-term CPI acceleration set to be temporary

Food prices could surprise on the upside

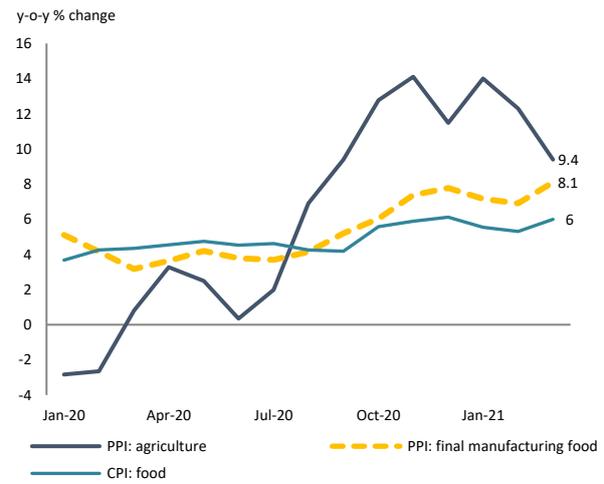
⁴ In late April, the Crop Estimates Committee at the Department of Agriculture released its third production estimate for the 2020/21 summer crops. The outlook for the commercial maize crop was lifted yet again and is now projected to exceed 16 million tonnes. This would be the second largest crop ever after 16.8 million tonnes was recorded in 2016/17.

Figure 8: Global agricultural prices rising; SA benefits from upbeat crop expectations



Source: DataStream

Figure 9: CPI food prices could accelerate further



Source: Stats SA

Muted services prices argue against a broad-based and sharp inflation rise

The prices of a range of other domestic intermediate manufactured products, including plastic, rubber and steel are also increasing fast. Although already incorporated in our CPI view in earlier forecast runs, electricity tariffs will also rise by double-digits from the middle of the year. If these input cost pressures result in, for example, restaurants, hairdressers and hotels sharply increasing their prices, consumer inflation is likely to surprise on the upside in 2021. However, there are also strong countervailing forces that argue against an untoward CPI rise. Of most importance is that **services prices** are set to remain subdued. Indeed, Stats SA’s quarterly rental survey revealed deflationary pressures in the March 2021 CPI release. Against the backdrop of elevated vacancies that are likely to persist for some time, we expect rental costs to remain under pressure, at least on a 12- to 18-month view. With the vaccine rollout lagging in SA, operators in contact-intensive sectors of the economy may also feel obliged to continue to absorb a fair share of the input costs to prevent the demand for their services being undermined further.

In a nutshell, one could tell a story of a sharp acceleration in the inflation rate over the next 12 months. However, given the, in our view, subdued outlook for services prices, this is not our baseline forecast. *Having said that, relative to the January forecast, we have lifted the outlook for CPI inflation somewhat to an expected average of 4.2% in 2021, up from the average of 3.9% projected in January. After this year, CPI is forecast to be stable around the 4.5% midpoint of the SARB’s inflation target range.*

Between 2022-26, actual real GDP growth is expected to somewhat exceed our estimate of potential growth in most years – closing/shrinking the current output gap/slack capacity over time. The projected recovery in domestic demand should exert some upward price pressure. As with the short-term

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

forecast, there are again likely to be countervailing forces. For one, the medium-term outlook for global inflation, the oil price and the moderate weakening of the rand exchange rate suggests that **import prices** will only rise modestly (by 2 to 3%) over time. In addition, the outlook for the rise in **unit labour costs** (roughly between 4.5 to 5% per annum) also argues against any sustained inflation concern. Finally, we assume that the SARB will remain independent from political influence and continue to be mainly focused on anchoring inflation expectations around 4.5%. Consumer inflation averaged 5% in the five years before COVID. If we are correct and CPI can settle at 4.5% over the medium term, it would be another important milestone in the trend of structurally lower inflation in SA.

Only modest policy interest rate hikes pencilled in over the medium term

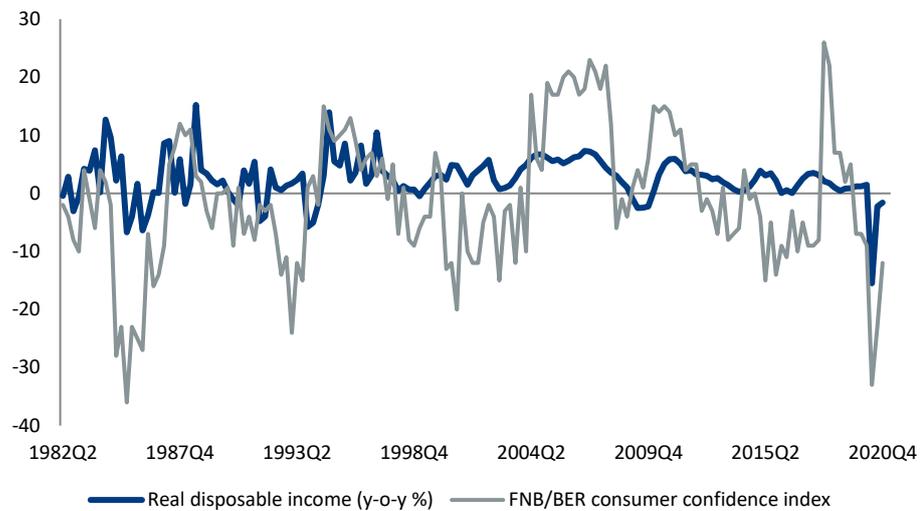
SARB Governor Lesetja Kganyago is fond of saying that 'lower inflation begets lower interest rates.' In this spirit, the benign inflation outlook sketched above suggests that the SARB could sustain a fairly accommodative interest rate stance through both the short- and medium-term forecast period. At this stage, we do not see any need to raise the policy rate in 2021. The economy is (hopefully) likely to be on a better footing next year and the current account is projected to move back into deficit. This would require increased foreign financing in an environment where global, at least long-term, interest rates are rising. *With this in mind, the SARB is expected to start a modest hiking cycle in 2022.* We project 75bps worth of policy rate increases in 2022, with a further slight move higher in 2023. In sum, in the baseline, we are saying that the SARB will not come close to removing all the stimulus enacted in 2020, even over the next six years. This may sound overly optimistic. To reiterate, at this stage, we do not see any major drivers that would warrant a more aggressive tightening of monetary policy.

Reopening, low rates support consumer rebound

Less-than-feared crash in consumer spending during 2020

Real consumer spending plunged by 5.4% in 2020, more than double the decline of about 2.5% experienced in 2009 during the aftermath of the global financial crisis. Although dramatic, the 2020 decline turned out to be only half as bad as outlined in our first 'COVID' forecast in April 2020. This was as the crash in real consumer spending of 16.7% in 2020Q2 turned out to be less than feared, while the strength of the initial recovery in 2020Q3 also exceeded the expectation in April.

Figure 10: Plunge in consumer confidence exceeded the decline in income



Source: Stats SA, FNB, BER

Amongst other factors, the less dramatic spending decline for 2020 can be explained by the following:

Number of support measures (partly) shielded household income in 2020

- The lifting of the hard lockdown that lasted from late March to late April 2020 came earlier than assumed and, in some cases, also allowed for more activity than expected.
- Official income-support measures were arguably more than envisaged. These included 275bps in SARB policy interest rate reductions between March and July 2020, a sizeable government fiscal support package (announced in the latter part of April), which included social grant top-ups and temporary tax holidays, as well as debt-repayment holidays from the commercial banks. Along with consumers dipping into accumulated savings, as well as savings due to increased working-from-home (mainly lower transport costs) and the curtailment of spending on services in particular, these measures softened the hit to household income.

However, **real disposable income** still suffered a large decline of 4.5% in 2020. This was driven by total employment falling by 1.29 million jobs, while many workers had to take a pay cut to ensure continued employment. The fact that real consumer spending declined by more than income suggests some precautionary saving as consumer confidence (or the willingness to spend) remained at very low levels through 2020Q4 (Figure 10). Even so, the initial release of pent-up demand once lockdown restrictions were lifted exceeded expectations.

Outlays on semi-durable goods were the hardest hit in '20, forestalling the biggest bounce in '21

In terms of the main spending categories, the more discretionary parts of household outlays suffered most last year. This was driven by a more than 18% y-o-y crash in spending on **semi-durable** goods (mainly clothing and footwear). During 2020Q2, the annual decline for this category was more than 41% as the sale of many clothing items was prohibited during the hard lockdown. Having fallen the most in 2020, sales of semi-durable goods are set for the biggest bounce in 2021 (+11.8% projected), followed by a projected rise of around 7% in 2022. Pending revisions to the historic data, this still implies that, by 2022Q4, the level of consumer spending on semi-durable goods will be below the outlays in 2019Q4.

Protracted job market recovery on the cards

In the case of all the major spending categories, the level of outlays is only expected to reach the pre-COVID level between 2022-2023. This is a function of a projected sluggish recovery in **total employment**. At this stage, the forecast implies that a full recovery from the severe COVID-19 job losses will only be attained in the second half of 2025. Along with SA's delayed vaccine rollout, the slow job market recovery should ensure that it takes time before consumer confidence returns to more normal levels. As a result, despite historically low interest rates, the demand for credit is only expected to really pick up from 2022 onwards.

Short-term consumer spending forecast lifted, but COVID poses a key downside risk

Despite these constraints, the short-term forecast for real consumer spending was revised marginally higher to growth of 3.8% in 2021, followed by a projected 2.3% during 2022. The upward revision is largely in response to both the household income and consumer spending data continuing to surprise on the upside, including through the second COVID-19 wave in December 2020/January 2021. The emergence of a third wave of infections presents the most significant downside risk to the short-term outlook for consumer spending. In fact, the lingering risk that COVID-19 continues to pose is an important reason why, at this stage, the forecast was not lifted more materially.

Over the medium term (2023-26), real consumer outlays are forecast to increase by an average of 1.9%. This is somewhat higher than the average consumer spending growth rate in the five years preceding COVID-19 (1.5%). Especially for the more durable types of expenditure, the outlook for the policy interest rate to only rise moderately from multi-decade lows over the forecast period is part of the reasoning here. However, considering that the very long-term (1961-19) pre-COVID average for real consumer spending is 3.5% per annum (3.2% during 1994-19), the medium-term forecast is still pedestrian.

Short-term private capex spark likely to be elusive

As expected, real fixed investment was particularly hard hit by the COVID pandemic in 2020, plunging by 17.5% y-o-y. Fixed investment outlays by state-owned enterprises (-25%) and the private sector (-19.3%) suffered the most. After tanking by a cumulative 13% in 2018 and 2019, real government fixed investment declined by a surprisingly 'mild' 1.3% during 2020.

SOE fixed investment forecast lifted, but history of underspending raises downside risks

Looking forward, driven by an improved outlook for capital outlays by state-owned enterprises (SOEs), we are somewhat more optimistic about overall fixed investment in 2021. This is to say that less of a real decline (-0.6%) is now expected than projected in the January forecast run (-1.5%). In the February budget, an optimistic recovery in **SOE fixed investment** was presented, particularly during 2021 (see Table 3). Given the vast underspending⁵ of capex budgets by SOEs, and the broader public sector, over many years, we are sceptical about whether this scale of investment will materialise.

Table 3: Budget outlines a notable SOE capex recovery

R billion	MTEF outlook			MTEF Total	
	2020/21 (revised estimate)	2021/22	2022/23		2023/24
General government	138.7	134.7	139.3	143.8	417.8
<i>% change (nominal)</i>		-2.9	3.4	3.2	1.3
SOEs	62.6	89.5	100	104.2	293.7
<i>% change (nominal)</i>		43	11.7	4.2	19.6

Source: Budget Review, 2021

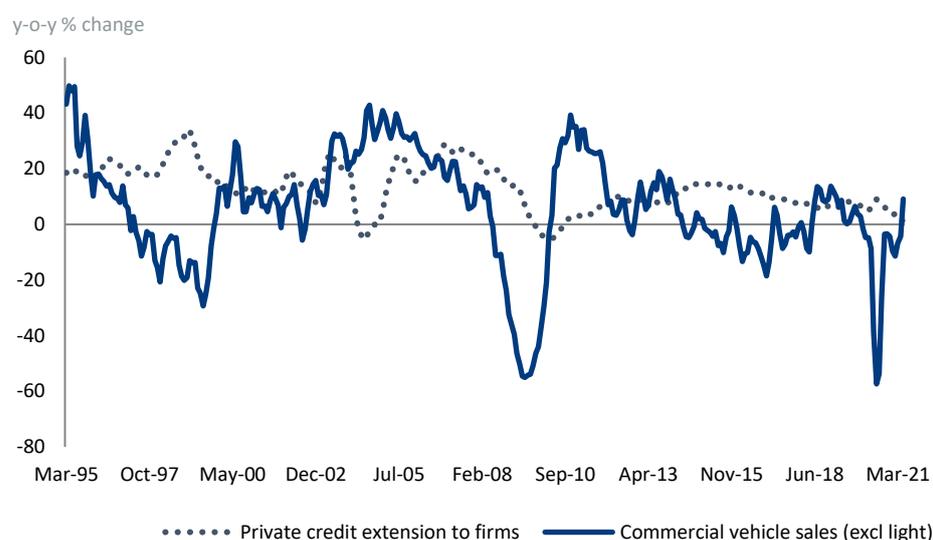
Many SOEs face longstanding and severe budgetary constraints. These financial difficulties have been made worse by the COVID-19-induced lockdowns. Therefore, it remains unclear whether SOE balance sheets will improve sufficiently to accommodate much higher capex. As always, there is also some difficulty in reconciling fiscal year estimates (as provided in the budget) into calendar year forecasts. However, even assuming more than 40% underspending on the budget numbers, this still gets us to projected real SOE capex growth of 13% for 2021. This is substantially better than assumed before.

Reasonable growth is also pencilled in for next year, whereafter the rate of growth is expected to taper off to between 2-3% over the medium term. There is little doubt that the country has a great need for much faster and more

⁵ As an example, the February 2020 budget put public sector capex at R257bn for 2019/20. Twelve months later in the February 2021 budget, the revised estimate for 2019/20 was almost a third lower at R187bn.

effective SOE investment. Numerous mining companies have, for example, recently reiterated their frustration with deficient rail and harbour infrastructure that is holding back export growth. Agricultural exports have also been adversely impacted by infrastructure bottlenecks. This highlights the urgent need for new investment to unlock SA's true export potential. Transnet needs to up its game in this area. While much more investment is also required in the energy sector, here there is rather a need for the private sector to increasingly take over the mantle from state utility Eskom and drive investment in alternative, renewable, sources of energy.

Figure 11: Credit extension to firms taking strain



Source: SARB

The fundamental view on **private sector fixed investment** has not changed. Recent high-frequency indicators (Figure 11) that could provide some clues on the strength of private capex in early 2021 have been mixed. A broad category (medium, heavy and extra heavy) of commercial vehicle sales picked up some momentum in 2021Q1. On the other hand, the growth in credit extension to firms continues to soften. In opposite directions, strong 2020 base effects for vehicle sales and firm lending complicate any strong conclusions from this data.

In our assessment, several factors are likely to continue to hold back private capex. These include:

- A struggling **non-residential** property market. The 2021Q1 FNB/BER building confidence survey showed that non-residential builder confidence and activity levels remained very depressed in the early months of the year. Vacancy rates, particularly in the office and retail

Persistent
binding
constraints to
private capex
over the short
term

space, are set to remain elevated for some time, keeping rental income under pressure. After plunging by 25% in 2020, these factors argue against a quick recovery in non-residential fixed investment.

- The continued risk of **load-shedding**. Despite the bull run in commodity prices, we have as yet not seen large greenfield investments from the energy-intensive mining sector. In part, this may be related to concerns about power reliability. These concerns are not going away anytime soon. The power concerns are holding back capacity expansion in numerous sectors, including manufacturing.
- Low **business confidence** amid the stuttering pace of growth-enhancing **structural reforms**. While not all of government's making, further delays to the auction of broadband spectrum, as well as the snail's pace at which the Department of Energy is lifting the embedded power generation threshold for individual companies, may hold back new investment.
- High levels of uncertainty about the evolution of **COVID-19** in SA. Until the country reaches some form of herd immunity, new variants and waves of COVID-19 may continue to emerge. In such an uncertain environment, many corporates are likely to focus on cash preservation instead of capex.
- The **lagging characteristics** of private capex. Historically, fixed investment does not propel SA into a business cycle upswing. Instead, corporate investment only reacts after an initial, and sustained, rise in domestic household and/or foreign demand.

Accelerated
rollout of
renewable
energy
investments a
key assumption
for the medium-
term private
capex forecast

While the exact timing is hard to call, the constrained private capex environment is likely to remain a feature of the SA macro environment for the next 12 months or so. *Therefore, real private fixed investment is forecast to show another, albeit much less severe, decline in 2021. The start of an (initial) modest recovery is pencilled in from 2022.* Since October 2020, we have been more constructive on private capex beyond 2022. From 2023 onwards, SA and the world should be in a much better position to manage COVID-19. At the same time, Eskom should have completed their much-needed maintenance programme, while some of the new renewable energy investments are also likely to start adding power to the grid. These factors should alleviate some of the current binding constraints on private sector fixed investment outlined above. Importantly, construction tied to the green energy investment push will in itself be an important factor in boosting the medium-term private capex numbers. Based on incoming information and new timelines, the improved medium-term outlook for private capex will be re-assessed every six months when we update the forecast beyond the next two years.

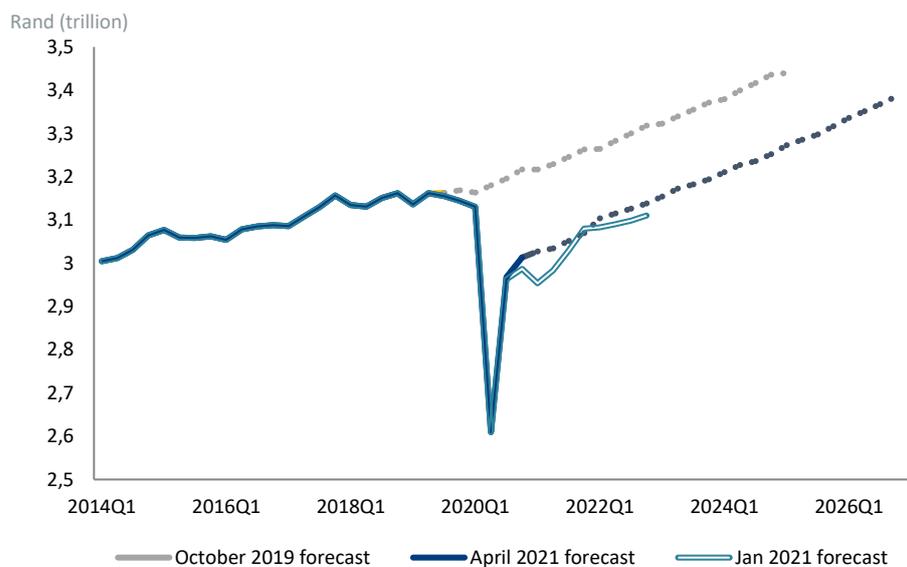
Public finance
straitjacket to
constrain
government
capex

As with the SOEs, there is a lot of talk of the need for higher **general government** fixed investment. At the same time, while able to more effectively spend budgeted capex than SOEs, there is a recognition that the constrained public finances mean government is unable to meet the growing infrastructure needs on its own. Therefore, the biggest contribution government can make to raise total fixed investment is to create a more enabling environment for the private sector to invest. This includes to provide space for the private sector to assist in the provision of infrastructure typically provided by the state. While recent tax revenue overruns and the commitment to stick to an effective public sector wage freeze have brightened the outlook for public finances, funds for government capex are likely to remain sparse in the foreseeable future. *Against this backdrop, we expect largely flat growth in government capex over the next two years. Some acceleration in government capex to an average growth rate of 2.5% is projected over the medium term.*

Conclusion: Improved outlook, with sustained permanent damage

Notwithstanding a few key downside risks, on balance, the short-term real GDP growth outlook for SA has improved. This is reflected in Figure 12, which plots the forecasted level of real GDP in three BER forecast rounds. Regarding the short term, relative to the January 2021 forecast, we now expect a faster near-term growth recovery. This sees the level of real GDP return to the 2019Q4 pre-COVID-19 level by 2023Q1, earlier than projected before. That is the positive news from our latest forecast. However, a comparison with our final pre-COVID medium-term forecast (October 2019) provides some indication of the permanent damage caused by COVID-19. Indeed, the comparison indicates that even by 2025Q1, the level of real GDP is still almost 5% lower than the pre-COVID forecast suggested. So far, the recovery from the historic 2020Q2 GDP crash has outpaced the expectations of many. Still, even in a baseline scenario that does not incorporate significant new headwinds, it will still take another two years to regain the ground lost in 2020.

Figure 12: Level of real GDP under different forecast vintages



Source: Stats SA, BER forecast

Sustained break from the poor 2015-19 GDP growth performance contingent on faster private capex

Beyond the initial 2021, and to a lesser extent the projected 2022 bounceback in GDP, average real GDP growth of 2% is forecast between 2023-26. If achieved, this would be more than double the paltry real GDP growth rate of only 0.8% during the five years (2015-19) preceding the COVID pandemic. Driven by a large rollout of green energy investments, the medium-term forecast relies a lot on increased private sector fixed investment. Should these investments not materialise in an environment where global GDP growth slows down after the initial stimulus- and vaccine-induced boom, it is unclear what will sustain SA's post-COVID GDP recovery. This emphasises the need for faster regulatory

approval processes and less red tape to prevent further delaying much-needed private capex.

Appendix A

Statistics of the quarterly forecast, 2021 - 2022

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Table A 1: International economic indicators

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Real GDP growth rates															
US % growth	0.3	-9.0	-2.8	-2.4	0.0	12.5	6.9	6.6	5.8	3.9	2.3	2.0	-3.5	6.4	3.5
UK % growth	-2.2	-21.0	-8.7	-7.8	-7.2	19.2	6.0	6.7	9.9	6.1	3.1	1.8	-9.9	5.5	5.1
Germany % growth	-2.2	-11.2	-4.0	-3.6	-2.7	9.4	3.8	5.4	7.3	5.9	3.1	1.1	-5.3	3.8	4.3
Japan % growth	-2.1	-10.3	-5.8	-1.3	-1.3	9.0	4.6	2.0	3.5	2.6	2.0	1.9	-4.9	3.4	2.5
Eurozone % growth	-3.3	-14.6	-4.2	-4.9	-1.6	13.3	2.9	4.8	5.6	4.3	3.1	2.4	-6.7	4.6	3.8
G7 % growth	-1.3	-11.8	-4.1	-3.3	-1.0	12.9	5.6	5.8	6.1	4.4	2.7	2.0	-5.1	5.6	3.8
CPI inflation rates															
US % CPI	2.1	0.4	1.2	1.2	1.5	3.1	2.5	2.5	2.4	2.2	2.2	2.2	1.2	2.4	2.3
UK % CPI	1.7	0.8	0.8	0.8	0.9	1.8	1.8	2.1	2.5	2.0	2.0	2.0	1.0	1.6	2.1
Germany % CPI	1.6	0.8	-0.1	-0.3	1.1	1.7	2.5	2.8	1.5	1.6	1.7	1.8	0.5	2.0	1.6
Japan % CPI	0.5	0.1	0.2	-0.8	-0.4	0.1	0.2	0.7	0.8	0.6	0.5	0.4	0.0	0.1	0.5
G7 % CPI	1.7	0.4	0.8	0.7	0.9	1.8	1.5	2.1	1.9	1.8	1.7	1.7	0.9	1.6	1.8
China % CPI	5.0	2.7	2.0	0.1	-0.2	1.4	1.5	2.7	2.7	2.2	2.0	1.6	2.4	1.3	2.1
India % CPI	6.6	5.2	5.5	5.0	6.0	5.9	4.2	3.5	3.5	3.9	4.4	4.5	5.6	4.9	4.1
Interest rates															
US prime rate	4.53	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.57	3.25	3.25
Commodity prices															
Spot oil price: US\$/barrel	51.2	33.4	43.4	45.4	61.3	64.3	65.0	65.7	66.0	66.5	65.0	65.0	43.4	64.1	65.6
London gold price: US\$/oz	1588	1711	1911	1875	1797	1750	1735	1721	1723	1725	1726	1726	1771	1751	1725
Platinum price: US\$/oz	903	792	904	940	1159	1250	1280	1310	1305	1300	1298	1297	885	1250	1300
Palladium price: US\$/oz	2279	1968	2168	2347	2404	2650	2733	2816	2758	2700	2681	2661	2190	2651	2700
SA coal price : US\$/mt	78.8	56.6	55.9	71.5	89.7	90.0	90.0	90.0	85.0	80.0	78.3	76.7	65.7	89.9	80.0
China iron ore price : US\$/mt	90.7	92.8	116.8	132.4	165.4	165.0	165.3	165.7	162.8	160.0	159.1	158.1	108.2	165.3	160.0
Exchange rates															
US\$/Sterling exchange rate	1.28	1.24	1.29	1.32	1.38	1.37	1.36	1.36	1.36	1.36	1.36	1.36	1.28	1.37	1.36
Y\$/ exchange rate	108.8	107.5	106.1	104.5	106.0	107.0	106.0	106.0	105.0	105.0	105.0	105.0	106.7	106.3	105.0
US\$/Euro exchange rate	1.10	1.10	1.17	1.19	1.20	1.19	1.20	1.21	1.21	1.22	1.22	1.22	1.14	1.20	1.22

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Nominal GDP expenditure components															
Household consumption (year % ch.)	3129.9 4.6	2616.4 -14.1	3038.1 -1.3	3129.0 0.4	3147.1 0.5	3191.5 22.0	3237.0 6.5	3282.6 4.9	3336.4 6.0	3389.8 6.2	3450.3 6.6	3501.5 6.7	2978.4 -2.6	3214.5 7.9	3419.5 6.4
Government consumption (year % ch.)	1109.6 4.9	1105.3 2.4	1127.1 3.6	1147.6 4.3	1158.1 4.4	1150.2 4.1	1160.7 3.0	1181.9 3.0	1187.3 2.5	1170.9 1.8	1181.5 1.8	1203.2 1.8	1122.4 3.8	1162.7 3.6	1185.7 2.0
Fixed investment (year % ch.)	867.5 -2.7	697.8 -23.7	766.7 -17.1	802.4 -11.4	811.3 -6.5	827.8 18.6	842.4 9.9	867.3 8.1	888.4 9.5	908.3 9.7	918.5 9.0	939.4 8.3	783.6 -13.8	837.2 6.8	913.7 9.1
Inventory investment	-120.7	-69.2	-241.4	-230.9	-126.5	-94.5	-61.3	-44.3	-7.4	18.0	42.3	38.7	-165.5	-81.7	22.9
Residual item	41.6	-62.7	-81.0	140.5	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Gross domestic expenditure (year % ch.)	5028.0 2.7	4287.6 -16.4	4609.5 -9.3	4988.7 -2.2	4999.6 -0.6	5084.6 18.6	5188.3 12.6	5297.0 6.2	5414.3 8.3	5496.5 8.1	5602.2 8.0	5692.4 7.5	4728.4 -6.4	5142.4 8.8	5551.3 8.0
Exports: goods and services (year % ch.)	1597.2 9.6	1150.4 -23.1	1591.2 3.1	1722.8 9.9	1756.6 10.0	1784.7 55.1	1816.3 14.1	1843.3 7.0	1851.8 5.4	1859.9 4.2	1876.4 3.3	1905.2 3.4	1515.4 0.0	1800.2 18.8	1873.3 4.1
Imports: goods and services (year % ch.)	1390.8 -2.6	1142.9 -26.0	1195.0 -20.9	1350.8 -8.7	1438.9 3.5	1506.2 31.8	1571.0 31.5	1637.4 21.2	1701.7 18.3	1758.3 16.7	1801.5 14.7	1851.2 13.1	1269.9 -14.8	1538.4 21.1	1778.2 15.6
Expenditure on GDP (year % ch.)	5234.3 6.3	4295.2 -15.5	5005.7 -2.2	5360.7 3.3	5317.3 1.6	5363.1 24.9	5433.6 8.5	5502.9 2.7	5564.4 4.6	5598.0 4.4	5677.1 4.5	5746.4 4.4	4974.0 -2.0	5404.2 8.7	5646.5 4.5

Table A 3: Expenditure on gross domestic product (R billion at constant 2010 prices, seasonally adjusted annual rates)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Real GDP expenditure components															
Household consumption (year % ch.)	1966.4 1.0	1637.1 -16.4	1883.7 -3.9	1918.0 -2.5	1910.1 -2.9	1916.1 17.0	1924.6 2.2	1937.3 1.0	1950.1 2.1	1961.6 2.4	1971.6 2.4	1980.4 2.2	1851.3 -5.4	1922.0 3.8	1965.9 2.3
Government consumption (year % ch.)	656.1 1.4	652.5 0.2	653.8 0.1	655.6 0.4	658.4 0.4	654.2 0.2	650.5 -0.5	652.3 -0.5	661.1 0.4	650.3 -0.6	642.9 -1.2	644.1 -1.3	654.5 0.5	653.8 -0.1	649.6 -0.6
Fixed investment (year % ch.)	567.0 -5.2	452.6 -25.4	480.3 -21.7	494.2 -17.2	490.8 -13.4	491.7 8.6	495.6 3.2	504.8 2.1	507.9 3.5	510.5 3.8	512.6 3.4	519.7 2.9	498.5 -17.5	495.7 -0.6	512.7 3.4
Inventory investment	-70.7	-29.3	-144.2	-115.1	-73.0	-55.0	-35.0	-25.0	-5.0	8.0	22.0	20.0	-89.8	-47.0	11.3
Residual item	0.4	10.0	7.9	6.4	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Gross domestic expenditure (year % ch.)	3119.2 -2.0	2723.0 -16.3	2881.5 -10.4	2959.1 -6.9	2992.5 -4.1	3013.1 10.7	3041.9 5.6	3075.6 3.9	3120.3 4.3	3136.6 4.1	3155.2 3.7	3170.3 3.1	2920.7 -8.9	3030.7 3.8	3145.6 3.8
Exports: goods and services (year % ch.)	911.2 0.8	633.1 -29.7	829.2 -8.7	879.5 -3.7	880.8 -3.3	882.3 39.4	886.7 6.9	889.5 1.1	897.5 1.9	907.6 2.9	912.5 2.9	921.7 3.6	813.3 -10.3	884.8 8.8	909.8 2.8
Imports: goods and services (year % ch.)	900.4 -5.2	746.5 -24.7	742.9 -23.3	825.4 -12.8	846.1 -6.0	861.1 15.4	877.1 18.1	895.6 8.5	914.2 8.0	929.3 7.9	941.7 7.4	953.9 6.5	803.8 -16.6	870.0 8.2	934.7 7.4
Expenditure on GDP (year % ch.)	3130.0 -0.2	2609.6 -17.5	2967.9 -5.9	3013.2 -4.2	3027.2 -3.3	3034.2 16.3	3051.5 2.8	3069.5 1.9	3103.6 2.5	3114.9 2.7	3126.1 2.4	3138.1 2.2	2930.2 -7.0	3045.6 3.9	3120.7 2.5

Table A 4: Final household consumption expenditure (R billion at constant 2010 prices, seasonally adjusted annual rates)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Household consumption categories															
Durable goods	190.7	137.1	189.7	190.3	189.0	187.4	187.1	187.8	190.3	193.2	195.8	197.8	176.9	187.8	194.3
(year % ch.)	0.5	-29.3	-2.7	-2.2	-0.9	36.7	-1.3	-1.3	0.7	3.1	4.6	5.3	-8.4	6.2	3.4
Semi-durable goods	188.0	110.5	156.4	162.3	167.7	170.5	173.7	178.0	181.2	183.9	186.1	188.1	154.3	172.5	184.8
(year % ch.)	0.4	-41.5	-16.9	-15.0	-10.8	54.3	11.0	9.7	8.0	7.9	7.2	5.7	-18.3	11.8	7.2
Non-durable goods	729.5	612.2	704.3	721.5	712.6	711.4	712.0	713.9	716.2	718.7	720.2	721.6	691.9	712.5	719.2
(year % ch.)	1.8	-15.0	-2.2	0.0	-2.3	16.2	1.1	-1.0	0.5	1.0	1.2	1.1	-3.9	3.0	0.9
Services	858.1	777.3	833.3	843.9	840.8	846.9	851.8	857.6	862.4	865.8	869.5	872.8	828.2	849.3	867.6
(year % ch.)	0.7	-9.1	-2.7	-1.8	-2.0	9.0	2.2	1.6	2.6	2.2	2.1	1.8	-3.2	2.5	2.2
Total household consumption	1966.4	1637.1	1883.7	1918.0	1910.1	1916.1	1924.6	1937.3	1950.1	1961.6	1971.6	1980.4	1851.3	1922.0	1965.9
(year % ch.)	1.0	-16.4	-3.9	-2.5	-2.9	17.0	2.2	1.0	2.1	2.4	2.4	2.2	-5.4	3.8	2.3
Disposable income of households															
Real disposable income	1968.2	1647.4	1910.8	1928.2	1889.5	1883.6	1909.8	1928.4	1923.5	1922.7	1953.6	1970.0	1863.7	1902.8	1942.4
(year % ch.)	1.5	-15.5	-2.2	-1.6	-4.0	14.3	-0.1	0.0	1.8	2.1	2.3	2.2	-4.5	2.1	2.1
Adjusted for debt-service cost (real)	1938.2	1617.4	1881.1	1898.9	1860.5	1854.9	1881.3	1900.2	1895.5	1895.0	1926.3	1942.9	1833.9	1874.2	1914.9
(year % ch.)	1.5	-15.8	-2.3	-1.7	-4.0	14.7	0.0	0.1	1.9	2.2	2.4	2.2	-4.6	2.2	2.2

Table A 5: Gross fixed capital formation (R billion at constant 2010 prices, seasonally adjusted annual rates)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Private sector															
Total private sector	392.1	306.6	335.9	340.7	333.3	330.5	330.9	335.5	337.6	340.8	342.9	348.4	343.8	332.5	342.4
(year % ch.)	-4.9	-28.4	-23.3	-20.0	-15.0	7.8	-1.5	-1.5	1.3	3.1	3.6	3.9	-19.3	-3.3	3.0
Public sector															
Government	85.2	87.9	89.5	92.1	90.3	88.6	87.7	87.8	87.8	88.1	89.2	90.3	88.7	88.6	88.8
(year % ch.)	-11.2	-4.2	1.8	9.9	6.0	0.8	-2.1	-4.7	-2.8	-0.5	1.7	2.8	-1.3	-0.1	0.3
Public corporations	89.8	58.1	54.8	61.4	67.3	72.6	77.0	81.6	82.6	81.6	80.5	81.0	66.0	74.6	81.4
(year % ch.)	-0.3	-33.4	-37.3	-29.7	-25.1	25.1	40.4	32.9	22.8	12.4	4.6	-0.7	-25.0	13.0	9.1
Total public sector	175.0	146.0	144.4	153.5	157.5	161.2	164.7	169.4	170.4	169.7	169.7	171.3	154.7	163.2	170.3
(year % ch.)	-6.0	-18.5	-17.7	-10.3	-10.0	10.4	14.1	10.3	8.1	5.3	3.1	1.1	-13.0	5.5	4.3
Total															
Total fixed capital formation	567.0	452.6	480.3	494.2	490.8	491.7	495.6	504.8	507.9	510.5	512.6	519.7	498.5	495.7	512.7
(year % ch.)	-5.2	-25.4	-21.7	-17.2	-13.4	8.6	3.2	2.1	3.5	3.8	3.4	2.9	-17.5	-0.6	3.4

Table A 6: Labour sector (million)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Employment															
Total labour force	23.45	18.44	21.22	22.26	21.93	22.13	22.28	22.81	22.48	22.57	22.62	23.16	21.34	22.29	22.71
(year % ch.)	4.3	-19.7	-8.2	-3.8	-6.5	20.0	5.0	2.5	2.5	2.0	1.5	1.5	-6.9	4.4	1.9
Private sector employment	14.26	12.07	12.59	12.87	12.80	12.79	12.84	12.93	13.05	13.06	13.19	13.40	12.95	12.84	13.18
(year % ch.)	0.3	-15.0	-11.7	-10.0	-10.2	6.0	2.0	0.5	2.0	2.1	2.7	3.6	-9.1	-0.8	2.6
Government employment	2.12	2.08	2.10	2.15	2.20	2.17	2.17	2.17	2.15	2.15	2.15	2.15	2.11	2.18	2.15
(year % ch.)	2.6	-1.5	-0.4	2.0	3.6	4.7	3.5	1.0	-2.2	-1.0	-1.0	-1.0	0.6	3.2	-1.3
Total employment (incl. informal)	16.38	14.15	14.69	15.02	15.00	14.97	15.01	15.10	15.20	15.22	15.34	15.55	15.06	15.02	15.33
(year % ch.)	0.6	-13.3	-10.3	-8.5	-8.4	5.8	2.2	0.5	1.3	1.7	2.2	3.0	-7.9	-0.3	2.0
Unemployment rate	30.1	23.3	30.8	32.5	31.6	32.4	32.6	33.8	32.4	32.6	32.2	32.8	29.2	32.6	32.5
Wage rates (year % change)															
Unit labour cost	4.8	12.6	4.6	3.9	3.3	-3.6	1.7	1.0	2.4	2.7	4.3	5.0	6.4	0.5	3.6
Wage bill (R billion at current prices)															
Total wage bill	2464.5	2234.1	2396.3	2457.9	2461.0	2504.5	2506.6	2529.0	2584.2	2641.8	2679.0	2715.2	2388.2	2500.3	2655.0
(year % ch.)	4.6	-7.1	-1.6	-0.4	-0.1	12.1	4.6	2.9	5.0	5.5	6.9	7.4	-1.2	4.7	6.2

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Income and expenditure															
Remuneration of employees (year % ch.)	2464.5 4.6	2234.1 -7.1	2396.3 -1.6	2457.9 -0.4	2461.0 -0.1	2504.5 12.1	2506.6 4.6	2529.0 2.9	2584.2 5.0	2641.8 5.5	2679.0 6.9	2715.2 7.4	2388.2 -1.2	2500.3 4.7	2655.0 6.2
Disposable income (year % ch.)	3132.8 5.0	2632.8 -13.2	3081.8 0.3	3145.7 1.3	3113.2 -0.6	3137.5 19.2	3212.0 4.2	3267.5 3.9	3290.8 5.7	3322.6 5.9	3418.9 6.4	3483.1 6.6	2998.3 -1.6	3182.6 6.1	3378.9 6.2
Less household consumption (year % ch.)	3129.9 4.6	2616.4 -14.1	3038.1 -1.3	3129.0 0.4	3147.1 0.5	3191.5 22.0	3237.0 6.5	3282.6 4.9	3336.4 6.0	3389.8 6.2	3450.3 6.6	3501.5 6.7	2978.4 -2.6	3214.5 7.9	3419.5 6.4
Saving	2.9	16.4	43.7	16.7	-33.9	-54.0	-24.9	-15.1	-45.6	-67.1	-31.4	-18.4	19.9	-32.0	-40.6
Households: ratio to disposable income															
Saving	0.1	0.6	1.4	0.5	-1.1	-1.7	-0.8	-0.5	-1.4	-2.0	-0.9	-0.5	0.7	-1.0	-1.2
Debt	73.4	86.1	74.9	75.3	76.0	75.5	75.2	75.9	75.7	75.8	75.5	76.2	77.4	75.7	75.8
Debt-service cost	9.3	9.5	7.8	7.7	7.8	7.8	7.8	7.9	7.9	8.1	8.2	8.4	8.6	7.9	8.2
Net wealth	326.4	424.1	364.4	371.2	384.4	379.1	378.2	377.7	383.7	382.2	378.1	377.9	371.5	379.8	380.5

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Income															
Direct taxes	783.1	741.0	633.5	765.8	744.4	852.6	688.6	810.4	786.5	905.1	732.3	856.6	730.9	774.0	820.1
(year % ch.)	2.0	-15.3	-14.2	2.0	-4.9	15.1	8.7	5.8	5.7	6.2	6.4	5.7	-6.7	5.9	6.0
Value added tax (VAT)	400.2	210.0	335.7	387.6	391.7	287.7	359.8	369.3	430.4	306.8	384.8	395.2	333.4	352.1	379.3
(year % ch.)	21.0	-28.1	-4.0	12.3	-2.1	37.0	7.2	-4.7	9.9	6.6	6.9	7.0	1.2	5.6	7.7
Other indirect taxes	297.0	305.1	307.0	406.1	295.3	400.3	338.2	401.4	337.6	443.1	373.1	441.1	328.8	358.8	398.7
(year % ch.)	4.5	-22.8	-4.2	12.0	-0.6	31.2	10.2	-1.2	14.4	10.7	10.3	9.9	-3.4	9.1	11.1
Expenditure															
Consumption	1109.6	1105.3	1127.1	1147.6	1158.1	1150.2	1160.7	1181.9	1187.3	1170.9	1181.5	1203.2	1122.4	1162.7	1185.7
(year % ch.)	4.9	2.4	3.6	4.3	4.4	4.1	3.0	3.0	2.5	1.8	1.8	1.8	3.8	3.6	2.0
Interest Payments	225.3	208.0	246.9	209.8	279.0	256.2	272.8	285.9	296.1	297.9	317.7	331.7	222.5	273.5	310.9
(year % ch.)	18.3	7.9	23.9	8.5	23.9	23.2	10.5	36.3	6.1	16.3	16.5	16.0	14.7	22.9	13.7
Saving	-201.6	-500.8	-526.7	-246.2	-425.7	-178.1	-339.2	-195.9	-247.4	-75.6	-285.1	-140.7	-368.8	-284.7	-187.2
Ratios to GDP															
Total tax revenue	28.3	29.2	25.5	29.1	26.9	28.7	25.5	28.7	27.9	29.6	26.3	29.5	28.0	27.5	28.3
Budget deficit	-8.3	-13.0	-14.7	-7.2	-9.3	-8.8	-8.2	-6.3	-5.8	-6.8	-7.1	-5.3	-10.8	-8.2	-6.2
Gross debt	63.3	69.4	75.2	77.1	79.9	81.2	81.5	81.9	82.2	83.5	84.4	85.0	77.1	81.9	85.0

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

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Current account															
Exports: goods and services	1597.2	1150.4	1591.2	1722.8	1756.6	1784.7	1816.3	1843.3	1851.8	1859.9	1876.4	1905.2	1515.4	1800.2	1873.3
(year % ch.)	9.6	-23.1	3.1	9.9	10.0	55.1	14.1	7.0	5.4	4.2	3.3	3.4	0.0	18.8	4.1
Net receipts	-34.7	-35.1	-48.3	-54.5	-41.4	-24.0	-24.0	-23.9	-18.9	-6.9	-11.9	-11.8	-43.1	-28.3	-12.4
(year % ch.)	-2.9	-0.9	36.2	52.9	19.5	-31.7	-50.4	-56.1	-54.4	-71.3	-50.5	-50.5	21.3	-34.3	-56.3
Less imports: goods and services	1390.8	1142.9	1195.0	1350.8	1438.9	1506.2	1571.0	1637.4	1701.7	1758.3	1801.5	1851.2	1269.9	1538.4	1778.2
(year % ch.)	-2.6	-26.0	-20.9	-8.7	3.5	31.8	31.5	21.2	18.3	16.7	14.7	13.1	-14.8	21.1	15.6
Less net factor payments	99.4	104.2	53.5	119.7	145.1	147.5	154.9	164.1	164.6	165.5	166.5	168.3	94.2	152.9	166.2
(year % ch.)	-30.5	-16.0	-71.2	-0.2	46.0	41.5	189.6	37.1	13.5	12.2	7.5	2.6	-34.2	62.3	8.7
Current account balance	72.3	-131.7	294.4	197.8	131.2	107.0	66.5	17.8	-33.4	-70.8	-103.5	-126.2	108.2	80.6	-83.5
Current account in US\$	4.7	-7.3	17.4	12.6	8.8	7.3	4.4	1.2	-2.2	-4.5	-6.6	-7.9	6.9	5.4	-5.3
Current account as % of GDP	1.4	-3.1	5.9	3.7	2.5	2.0	1.2	0.3	-0.6	-1.3	-1.8	-2.2	2.2	1.5	-1.5
Financing of the current account															
Total net capital flows	-33.4	-8.4	-49.3	-71.1	-35.4	-16.0	5.0	10.0	10.0	5.0	10.0	10.0	-162.3	-36.4	35.0
SDR + Valuation adjustment	207.7	-8.8	-5.6	-103.7	4.3	9.7	8.3	8.4	14.5	11.2	14.2	5.5	89.6	30.6	45.4
Change in gross reserves	165.5	-30.8	9.6	-108.8	-25.2	39.8	20.8	39.4	-10.7	17.9	-10.8	0.6	35.5	74.9	-3.1
Gross reserves: quarter end	937.6	906.8	916.4	807.6	782.5	822.3	843.0	882.5	871.8	889.6	878.8	879.4	807.6	882.5	879.4
Gross reserves: quarter end (US\$)	52.4	52.3	54.4	55.0	53.0	55.0	55.8	57.9	56.2	56.7	55.1	54.8	55.0	57.9	54.8
Terms of trade															
Index (2010 = 100)	113.5	118.7	119.3	119.7	117.3	115.7	114.4	113.3	110.8	108.3	107.5	106.5	117.8	115.2	108.3
(year % ch.)	5.8	11.3	9.5	9.0	3.3	-2.6	-4.1	-5.3	-5.5	-6.4	-6.0	-6.0	8.9	-2.2	-6.0

Table A 10: Credit, interest rates and exchange rates

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Money supply and credit extension															
M3 money supply (year % ch.)	3976.6 9.5	4101.6 11.0	4123.6 9.5	4120.4 9.5	4127.9 3.8	4171.3 1.7	4245.9 3.0	4314.6 4.7	4399.6 6.6	4468.9 7.1	4564.5 7.5	4644.5 7.6	4120.4 9.5	4314.6 4.7	4644.5 7.6
Private sector credit to households (year % ch.)	1759.0 5.8	1734.8 3.1	1760.6 3.2	1786.6 3.0	1810.8 2.9	1813.1 4.5	1842.2 4.6	1870.4 4.7	1905.2 5.2	1927.8 6.3	1970.1 6.9	2002.3 7.0	1786.6 3.0	1870.4 4.7	2002.3 7.0
Private sector credit to firms (year % ch.)	2274.5 9.3	2260.3 7.7	2196.0 3.1	2221.8 4.1	2217.1 -2.5	2258.2 -0.1	2303.7 4.9	2344.2 5.5	2394.4 8.0	2441.1 8.1	2494.4 8.3	2542.2 8.4	2221.8 4.1	2344.2 5.5	2542.2 8.4
Total private sector credit extension (year % ch.)	4033.5 7.7	3995.1 5.6	3956.6 3.1	4008.4 3.6	4027.9 -0.1	4071.3 1.9	4145.9 4.8	4214.6 5.1	4299.6 6.7	4368.9 7.3	4464.5 7.7	4544.5 7.8	4008.4 3.6	4214.6 5.1	4544.5 7.8
Interest rates															
3-month NCD rate	6.46	4.43	3.57	3.44	3.52	3.59	3.64	3.69	3.78	4.18	4.39	4.63	4.47	3.61	4.24
10-year government bond yield	9.48	9.78	9.32	9.04	8.93	9.42	9.46	9.49	9.47	9.43	9.40	9.40	9.41	9.32	9.43
Prime overdraft rate	9.67	7.69	7.06	7.00	7.00	7.00	7.00	7.00	7.04	7.38	7.54	7.75	7.86	7.00	7.43
Effective household lending rate	12.67	11.03	10.41	10.23	10.32	10.36	10.43	10.46	10.47	10.73	10.88	11.08	11.09	10.39	10.79
Effective firm lending rate	7.87	6.07	5.24	5.16	5.10	5.18	5.15	5.15	5.22	5.32	5.44	5.62	6.09	5.14	5.40
Exchange rates															
R/US DOLLAR (year % ch.)	15.34 9.5	17.95 24.8	16.91 15.2	15.64 6.3	14.96 -2.5	14.69 -18.2	14.99 -11.3	15.22 -2.7	15.44 3.2	15.61 6.2	15.78 5.3	16.06 5.5	16.46 13.9	14.96 -9.1	15.72 5.0
R/100 Japanese YEN (year % ch.)	14.09 10.8	16.69 27.4	15.93 16.4	14.97 10.6	14.11 0.1	13.73 -17.7	14.14 -11.2	14.36 -4.1	14.70 4.2	14.86 8.2	15.03 6.3	15.29 6.5	15.42 16.3	14.08 -8.7	14.97 6.3
R/STERLING (year % ch.)	19.63 7.5	22.26 20.4	21.85 20.9	20.64 9.0	20.62 5.1	20.13 -9.6	20.38 -6.7	20.70 0.3	20.99 1.8	21.22 5.4	21.46 5.3	21.84 5.5	21.09 14.4	20.46 -3.0	21.38 4.5
R/EURO (year % ch.)	16.93 6.3	19.74 22.1	19.77 21.2	18.64 14.4	18.02 6.5	17.48 -11.4	17.99 -9.0	18.41 -1.2	18.68 3.6	18.99 8.6	19.25 7.0	19.59 6.4	18.77 16.0	17.98 -4.2	19.13 6.4
R/\$ PP parity rate (base PPI 2003) (year % ch.)	12.81 4.7	13.20 6.4	13.12 4.3	13.09 3.6	13.22 3.2	13.42 1.6	13.36 1.8	13.41 2.5	13.58 2.8	13.75 2.5	13.71 2.6	13.77 2.7	13.05 4.8	13.35 2.3	13.70 2.6

Table A 11: Prices (index base year: 2010)

	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4	2020	2021	2022
Price deflators															
Exports (incl. services) (year % ch.)	175.3 8.7	181.7 9.4	191.9 12.9	195.9 14.2	199.4 13.8	202.3 11.3	204.8 6.7	207.2 5.8	206.3 3.5	204.9 1.3	205.6 0.4	206.7 -0.3	186.2 11.3	203.4 9.3	205.9 1.2
Export commodities (in rand) (year % ch.)	2173.2 53.5	2204.4 56.8	2389.9 55.7	2545.9 48.6	2946.8 35.6	3194.7 44.9	3359.5 40.6	3513.4 38.0	3339.7 13.3	3150.4 -1.4	3108.5 -7.5	3086.2 -12.2	2328.3 53.4	3253.6 39.7	3171.2 -2.5
Imports (incl. services) (year % ch.)	154.5 2.8	153.1 -1.7	160.9 3.1	163.7 4.7	170.1 10.1	174.9 14.2	179.1 11.3	182.8 11.7	186.1 9.5	189.2 8.2	191.3 6.8	194.1 6.2	158.0 2.2	176.7 11.8	190.2 7.6
GDE (year % ch.)	159.9 3.3	160.4 2.3	163.2 3.2	164.2 3.5	167.1 4.5	168.8 5.3	170.6 4.5	172.3 4.9	173.5 3.9	175.3 3.9	177.6 4.1	179.6 4.3	161.9 3.1	169.7 4.8	176.5 4.0
Investment (year % ch.)	153.0 2.7	154.2 2.4	159.6 5.8	162.4 7.1	165.3 8.0	168.4 9.2	170.0 6.5	171.8 5.8	174.9 5.8	177.9 5.7	179.2 5.4	180.8 5.2	157.3 4.5	168.9 7.4	178.2 5.5
GDP (year % ch.)	167.2 6.5	164.6 2.4	168.7 4.0	177.9 7.8	175.7 5.0	176.8 7.4	178.1 5.6	179.3 0.8	179.3 2.1	179.7 1.7	181.6 2.0	183.1 2.1	169.6 5.2	177.4 4.6	180.9 2.0
Consumer & producer prices															
Headline inflation (CPI) (year % ch.)	115.0 4.4	114.7 2.4	116.6 3.1	117.2 3.2	118.6 3.2	120.1 4.7	121.8 4.4	122.4 4.4	124.0 4.5	125.4 4.4	127.0 4.3	127.6 4.3	115.9 3.3	120.7 4.2	126.0 4.4
Core inflation* (year % ch.)	114.2 3.7	114.9 3.1	116.0 3.3	116.5 3.3	117.4 2.8	118.6 3.2	119.7 3.2	120.1 3.1	121.8 3.7	123.2 3.9	124.1 3.7	124.6 3.7	115.4 3.3	118.9 3.1	123.4 3.8
CPI food and non-alcoholic beverages (year % ch.)	113.9 4.0	115.0 4.3	115.6 4.0	118.1 5.7	120.0 5.3	120.9 5.1	121.5 5.1	122.7 3.9	123.9 3.3	124.6 3.1	125.4 3.3	127.3 3.7	115.7 4.5	121.3 4.8	125.3 3.3
CPI petrol (year % ch.)	125.5 10.6	103.6 -20.0	117.8 -5.9	113.4 -10.4	121.5 -3.2	131.2 26.6	133.7 13.5	136.2 20.1	138.5 14.0	143.8 9.6	143.9 7.6	143.5 5.4	115.1 -7.0	130.7 13.5	142.4 9.0
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	<i>15.37</i> <i>12.1</i>	<i>12.49</i> <i>-21.3</i>	<i>14.46</i> <i>-5.4</i>	<i>13.94</i> <i>-10.4</i>	<i>14.92</i> <i>-2.9</i>	<i>16.21</i> <i>29.8</i>	<i>16.52</i> <i>14.3</i>	<i>16.83</i> <i>20.8</i>	<i>17.12</i> <i>14.8</i>	<i>17.76</i> <i>9.5</i>	<i>17.77</i> <i>7.6</i>	<i>17.73</i> <i>5.3</i>	<i>14.06</i> <i>-6.9</i>	<i>16.12</i> <i>14.6</i>	<i>17.59</i> <i>9.1</i>
CPI electricity (year % ch.)	123.1 11.9	122.8 11.6	130.5 6.5	130.5 6.0	130.5 6.0	130.5 6.2	147.5 13.0	147.5 13.0	147.5 13.0	147.5 13.0	166.8 13.1	167.6 13.7	126.7 8.8	139.0 9.7	157.3 13.2
Producer price index (year % ch.)	115.0 4.1	114.7 1.1	116.7 2.3	117.8 2.9	119.9 4.2	122.5 6.7	122.7 5.2	124.1 5.4	126.2 5.2	128.2 4.7	128.3 4.5	129.5 4.3	116.1 2.6	122.3 5.4	128.0 4.7

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

Appendix B

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Table B 1: International economic indicators

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Real GDP growth rates									
US % growth	2.5	-3.5	6.4	3.5	2.1	1.8	1.9	1.9	2.2
UK % growth	1.7	-9.9	5.5	5.1	1.8	1.5	1.4	1.4	2.2
Germany % growth	1.6	-5.3	3.9	4.3	1.5	1.0	0.7	0.9	1.7
Japan % growth	1.0	-4.9	3.4	2.5	1.2	1.1	0.9	0.7	1.3
Eurozone % growth	1.9	-6.8	4.6	3.8	2.4	1.9	1.5	1.5	2.2
G7 % growth	1.9	-5.1	5.6	3.8	1.9	1.5	1.6	1.5	2.1
CPI inflation rates									
US % CPI	1.6	1.2	2.4	2.3	2.2	2.1	2.0	2.0	2.1
UK % CPI	1.6	1.0	1.6	2.1	1.9	1.8	2.0	2.0	2.0
Germany % CPI	1.1	0.4	2.0	1.6	1.6	1.7	1.7	1.7	1.7
Japan % CPI	0.5	0.0	0.1	0.5	0.5	1.0	1.0	1.0	0.8
G7 % CPI	1.3	0.9	1.6	1.8	1.8	1.8	1.8	1.9	1.8
China % CPI	2.0	2.4	1.3	2.1	2.3	2.3	2.0	2.0	2.1
India % CPI	5.2	5.6	4.9	4.1	3.9	4.0	4.0	4.0	4.0
Interest rates									
US prime rate	4.21	3.57	3.25	3.25	3.25	3.82	4.00	4.00	3.66
Commodity prices									
Spot oil price: US\$/barrel	57.8	43.4	64.1	65.6	63.0	63.0	61.0	60.0	62.5
London gold price: US\$/oz	1266	1771	1751	1725	1700	1675	1675	1650	1685
Platinum price: US\$/oz	945	885	1250	1300	1317	1333	1350	1400	1340
Palladium price: US\$/oz	949	2190	2651	2700	2750	2850	2950	3050	2860
SA coal price: US\$/mt	75.4	65.7	89.9	80.0	75.0	75.0	75.0	75.0	76.0
China iron ore price: US\$/mt	69.8	108.2	165.3	160.0	150.0	110.0	100.0	100.0	124.0
Exchange rates									
US\$/Sterling exchange rate	1.36	1.28	1.37	1.36	1.37	1.39	1.40	1.40	1.38
Y\$/ exchange rate	112.3	106.7	106.3	105.0	105.0	105.0	105.0	105.0	105.0
US\$/Euro exchange rate	1.13	1.14	1.20	1.22	1.22	1.22	1.22	1.23	1.22

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Nominal GDP expenditure components									
Household consumption (year % ch.)	2748.1 6.0	2978.4 -2.6	3214.5 7.9	3419.5 6.4	3624.0 6.0	3837.2 5.9	4071.9 6.1	4320.7 6.1	3854.7 6.1
Government consumption (year % ch.)	964.2 6.5	1122.4 3.8	1162.7 3.6	1185.7 2.0	1210.4 2.1	1258.7 4.0	1314.6 4.4	1372.7 4.4	1268.4 3.4
Fixed investment (year % ch.)	867.5 3.2	783.6 -13.8	837.2 6.8	913.7 9.1	996.0 9.0	1093.0 9.7	1199.8 9.8	1311.5 9.3	1102.8 9.4
Inventory investment	-2.5	-165.5	-81.7	22.9	41.4	50.5	45.8	51.4	42.4
Residual item	11.1	9.6	9.6	9.6	9.6	9.6	9.6	9.6	9.6
Gross domestic expenditure (year % ch.)	4588.5 5.5	4728.4 -6.4	5142.4 8.8	5551.3 8.0	5881.4 5.9	6249.1 6.3	6641.8 6.3	7065.9 6.4	6277.9 6.6
Exports: goods and services (year % ch.)	1381.3 4.9	1515.4 0.0	1800.2 18.8	1873.3 4.1	1948.0 4.0	2005.8 3.0	2093.7 4.4	2201.7 5.2	2024.5 4.1
Imports: goods and services (year % ch.)	1367.0 3.5	1269.9 -14.8	1538.4 21.1	1778.2 15.6	1887.4 6.1	2004.2 6.2	2116.1 5.6	2240.9 5.9	2005.4 7.9
Expenditure on GDP (year % ch.)	4602.8 5.9	4974.0 -2.0	5404.2 8.7	5646.5 4.5	5942.0 5.2	6250.7 5.2	6619.4 5.9	7026.7 6.2	6297.1 5.4

Table B 3: Expenditure on gross domestic product (R billion at constant 2010 prices)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Real GDP expenditure components									
Household consumption (year % ch.)	1903.2 1.5	1851.3 -5.4	1922.0 3.8	1965.9 2.3	2001.4 1.8	2036.1 1.7	2074.9 1.9	2113.2 1.8	2038.3 1.9
Government consumption (year % ch.)	633.1 1.0	654.5 0.5	653.8 -0.1	649.6 -0.6	642.0 -1.2	642.7 0.1	643.6 0.1	643.7 0.0	644.3 -0.3
Fixed investment (year % ch.)	615.7 -0.5	498.5 -17.5	495.7 -0.6	512.7 3.4	535.3 4.4	563.7 5.3	596.2 5.8	631.0 5.8	567.8 4.9
Inventory investment	0.0	-89.8	-47.0	11.3	20.0	23.8	20.5	22.5	19.6
Residual item	-0.9	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Gross domestic expenditure (year % ch.)	3151.1 0.9	2920.7 -8.9	3030.7 3.8	3145.6 3.8	3204.9 1.9	3272.5 2.1	3341.4 2.1	3416.5 2.2	3276.2 2.4
Exports: goods and services (year % ch.)	912.8 0.5	813.3 -10.3	884.8 8.8	909.8 2.8	934.5 2.7	956.5 2.4	985.3 3.0	1016.1 3.1	960.5 2.8
Imports: goods and services (year % ch.)	953.0 1.1	803.8 -16.6	870.0 8.2	934.7 7.4	963.9 3.1	997.8 3.5	1033.7 3.6	1072.9 3.8	1000.6 4.3
Expenditure on GDP (year % ch.)	3110.9 0.8	2930.2 -7.0	3045.6 3.9	3120.7 2.5	3175.5 1.8	3231.2 1.8	3293.0 1.9	3359.8 2.0	3236.0 2.0

Table B 4: Final household consumption expenditure (R billion at constant 2010 prices)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Household consumption categories									
Durable goods (year % ch.)	185.6 0.9	176.9 -8.4	187.8 6.2	194.3 3.4	201.6 3.8	208.9 3.6	217.4 4.0	226.2 4.1	209.7 3.8
Semi-durable goods (year % ch.)	181.7 2.6	154.3 -18.3	172.5 11.8	184.8 7.2	192.3 4.0	198.8 3.4	205.6 3.4	212.7 3.5	198.8 4.3
Non-durable goods (year % ch.)	706.5 1.2	691.9 -3.9	712.5 3.0	719.2 0.9	727.0 1.1	735.8 1.2	745.0 1.3	753.9 1.2	736.2 1.1
Services (year % ch.)	829.4 1.6	828.2 -3.2	849.3 2.5	867.6 2.2	880.5 1.5	892.7 1.4	907.0 1.6	920.3 1.5	893.6 1.6
Total household consumption (year % ch.)	1903.2 1.5	1851.3 -5.4	1922.0 3.8	1965.9 2.3	2001.4 1.8	2036.1 1.7	2074.9 1.9	2113.2 1.8	2038.3 1.9
Disposable income of households									
Real disposable income (year % ch.)	1894.6 1.8	1863.7 -4.5	1902.8 2.1	1942.4 2.1	1980.3 1.9	2024.8 2.2	2066.5 2.1	2108.6 2.0	2024.5 2.1
Adjusted for debt-service cost (real) (year % ch.)	1865.5 1.9	1833.9 -4.6	1874.2 2.2	1914.9 2.2	1953.8 2.0	1999.4 2.3	2042.2 2.1	2085.2 2.1	1999.1 2.2

Table B 4(A): Final household consumption expenditure – continued (R billion at constant 2010 prices)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Durable goods									
Furniture + household appliances (year % ch.)	38.2 6.8	40.1 -8.3	42.8 6.9	44.4 3.7	46.4 4.4	48.5 4.6	50.9 4.8	53.4 4.9	48.7 4.5
Personal transport equipment (year % ch.)	94.1 -4.5	79.7 -10.2	83.9 5.3	86.4 3.0	88.6 2.4	90.8 2.5	93.3 2.8	95.9 2.8	91.0 2.7
Computers and related equipment (year % ch.)	8.2 8.9	7.7 -18.8	8.9 15.7	9.5 6.5	10.0 5.2	10.4 4.5	10.9 4.8	11.5 4.8	10.5 5.2
Recreation + entertainment goods (year % ch.)	33.4 9.0	39.7 3.3	40.7 2.5	41.6 2.3	43.3 4.1	45.3 4.5	47.6 5.2	50.1 5.2	45.6 4.3
Other durable goods (year % ch.)	11.6 5.6	9.8 -24.2	11.5 17.4	12.3 7.3	13.4 8.3	14.0 4.4	14.6 4.9	15.4 4.9	13.9 6.0
Semi-durable goods									
Clothing and footwear (year % ch.)	105.2 2.1	85.5 -21.0	97.2 13.6	105.4 8.5	109.8 4.1	113.0 2.9	116.4 2.9	119.8 3.0	112.9 4.3
Household textiles etc. (year % ch.)	31.7 4.3	29.0 -14.9	31.8 9.8	33.8 6.0	35.2 4.2	36.7 4.4	38.5 4.6	40.3 4.8	36.9 4.8
Motor accessories (year % ch.)	16.6 0.9	14.5 -12.0	15.5 6.8	16.0 3.5	16.4 2.3	16.7 1.5	16.9 1.6	17.2 1.7	16.6 2.1
Recreation + entertainment goods (year % ch.)	13.8 3.5	11.8 -19.8	13.4 13.0	14.4 7.5	15.0 4.1	15.6 4.2	16.3 4.2	17.0 4.3	15.6 4.9
Miscellaneous (year % ch.)	14.4 3.9	13.4 -11.6	14.6 8.5	15.2 4.5	15.9 4.7	16.7 5.0	17.6 5.0	18.5 5.1	16.8 4.8

Table B 4(B): Final household consumption expenditure – continued (R billion at constant 2010 prices)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Non-durable goods									
Food, beverage & tobacco (year % ch.)	450.9 1.3	444.9 -3.7	458.4 3.0	463.1 1.0	467.5 1.0	472.1 1.0	476.5 0.9	480.5 0.8	471.9 0.9
Household fuel & power (year % ch.)	68.3 0.0	70.3 4.1	68.9 -2.0	67.9 -1.4	67.7 -0.2	68.1 0.5	68.5 0.6	68.9 0.6	68.2 0.0
Household consumer goods (year % ch.)	78.4 2.9	79.7 -3.0	81.7 2.6	83.4 2.0	85.5 2.5	87.8 2.8	90.5 3.0	93.2 3.0	88.1 2.7
Medical & pharm products (year % ch.)	31.8 3.2	33.6 0.8	33.7 0.4	34.0 0.7	34.7 2.0	35.5 2.5	36.5 2.8	37.7 3.0	35.7 2.2
Petroleum products (year % ch.)	59.5 -1.0	49.7 -13.1	53.9 8.4	54.2 0.5	54.6 0.7	54.9 0.6	55.3 0.8	55.8 0.8	55.0 0.7
Recreation & entertainment goods (year % ch.)	17.6 0.4	13.7 -21.2	15.8 15.4	16.6 5.3	17.1 2.9	17.4 1.4	17.6 1.4	17.8 1.4	17.3 2.5
Services									
Rent (year % ch.)	202.9 1.2	208.7 0.5	210.3 0.8	212.2 0.9	214.3 1.0	216.4 1.0	218.9 1.1	221.3 1.1	216.6 1.0
Household services (year % ch.)	48.4 3.7	50.8 -0.4	51.2 0.7	51.9 1.5	53.1 2.2	54.4 2.5	56.1 3.1	57.8 3.1	54.7 2.5
Medical services (year % ch.)	112.4 2.4	109.0 -7.3	113.0 3.7	118.0 4.4	120.5 2.2	123.3 2.3	126.3 2.4	129.1 2.2	123.4 2.7
Transport & communication (year % ch.)	184.0 0.2	178.1 -4.1	183.9 3.3	187.8 2.1	189.4 0.8	190.6 0.7	192.0 0.7	193.1 0.6	190.6 1.0
Recreation & entertainment (year % ch.)	99.6 1.8	96.3 -5.9	100.1 4.0	103.1 3.0	105.0 1.8	106.6 1.6	108.6 1.8	110.4 1.7	106.7 2.0
Miscellaneous Services (year % ch.)	182.0 2.5	185.4 -3.4	190.7 2.9	194.6 2.0	198.2 1.8	201.3 1.6	205.2 1.9	208.6 1.7	201.6 1.8

Table B 5(A): Gross fixed capital formation (R billion at constant 2010 prices)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Private sector									
Residential (year % ch.)	55.9 -0.7	42.0 -20.9	43.1 2.6	43.8 1.6	44.9 2.5	46.2 2.8	47.5 2.8	49.1 3.5	46.3 2.6
Other non-residential (year % ch.)	355.9 1.1	301.8 -19.1	289.4 -4.1	298.6 3.2	316.5 6.0	339.0 7.1	365.4 7.8	393.8 7.8	342.6 6.4
Total private sector (year % ch.)	411.8 0.9	343.8 -19.3	332.5 -3.3	342.4 3.0	361.4 5.5	385.1 6.6	412.8 7.2	442.9 7.3	388.9 5.9
Public sector									
Government (year % ch.)	100.8 -0.8	88.7 -1.3	88.6 -0.1	88.8 0.3	91.1 2.5	93.4 2.5	95.7 2.4	97.7 2.2	93.3 2.0
Public corporations (year % ch.)	103.1 -4.9	66.0 -25.0	74.6 13.0	81.4 9.1	82.9 1.8	85.2 2.8	87.7 2.9	90.4 3.0	85.5 3.9
Total public sector (year % ch.)	203.9 -3.0	154.7 -13.0	163.2 5.5	170.3 4.3	174.0 2.2	178.6 2.7	183.4 2.7	188.1 2.6	178.9 2.9
Total									
Total fixed capital formation (year % ch.)	615.7 -0.5	498.5 -17.5	495.7 -0.6	512.7 3.4	535.3 4.4	563.7 5.3	596.2 5.8	631.0 5.8	567.8 4.9

Table B 5(B): Gross fixed capital formation – continued (R billion at constant 2010 prices)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Residential (year % ch.)	56.5 -0.7	42.5 -20.9	44.0 3.4	44.7 1.6	45.8 2.5	47.1 2.8	48.4 2.9	50.2 3.6	47.2 2.7
Non-residential (year % ch.)	55.2 -4.6	35.6 -25.3	33.4 -6.2	33.9 1.4	34.7 2.5	35.9 3.5	37.4 4.2	39.3 4.9	36.2 3.3
Construction works (year % ch.)	172.4 -0.7	138.0 -18.7	141.0 2.2	146.7 4.0	152.9 4.2	161.9 5.9	172.1 6.3	182.3 6.0	163.2 5.3
Transport equipment (year % ch.)	74.6 -1.8	50.3 -26.5	55.5 10.3	59.2 6.6	60.8 2.7	62.5 2.8	64.2 2.7	65.9 2.7	62.5 3.5
Computer equipment (year % ch.)	44.7 10.1	43.8 -16.9	42.9 -2.2	44.6 4.0	47.0 5.4	49.9 6.2	53.2 6.7	56.8 6.8	50.3 5.8
Machinery and other equipment (year % ch.)	162.7 -1.2	140.2 -12.0	130.8 -6.7	133.9 2.4	142.5 6.4	152.1 6.7	163.6 7.6	176.1 7.6	153.6 6.2
Research and development (year % ch.)	17.8 3.8	19.2 0.3	19.5 1.4	20.0 2.9	20.6 3.1	21.5 4.3	22.6 4.7	23.7 5.0	21.7 4.0
Computer software (year % ch.)	16.9 3.1	16.4 -9.9	16.7 1.7	17.2 2.9	17.9 4.4	18.9 5.3	19.9 5.4	21.0 5.5	19.0 4.7
Mineral exploration and evaluation (year % ch.)	0.4 22.5	0.4 -0.8	0.4 -1.2	0.4 2.9	0.4 4.6	0.4 5.6	0.4 6.2	0.5 6.5	0.4 5.2
Cultivated biological resources (year % ch.)	4.8 -2.5	4.6 -2.7	4.5 -2.9	4.6 3.6	4.8 4.6	5.1 5.6	5.5 6.6	5.8 6.6	5.2 5.4
Transfer costs (year % ch.)	9.8 -0.1	7.4 -22.7	7.2 -3.0	7.5 4.0	7.9 5.5	8.4 6.5	8.9 6.4	9.5 6.4	8.4 5.8

Table B 6: Labour sector (million)

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Employment									
Total labour force	22.1	21.3	22.3	22.7	23.0	23.4	23.7	23.9	23.3
(year % ch.)	2.6	-6.9	4.4	1.9	1.5	1.4	1.3	1.2	1.4
Private sector employment	14.0	12.9	12.8	13.2	13.5	13.8	14.1	14.4	13.8
(year % ch.)	1.8	-9.1	-0.8	2.6	2.6	2.0	2.1	2.2	2.3
Government employment	2.1	2.1	2.2	2.2	2.1	2.1	2.1	2.1	2.1
(year % ch.)	0.0	0.6	3.2	-1.3	-1.0	-0.3	-0.3	-0.1	-0.6
Total employment (incl. informal)	16.1	15.1	15.0	15.3	15.7	15.9	16.2	16.5	15.9
(year % ch.)	1.6	-7.9	-0.3	2.0	2.1	1.7	1.8	1.9	1.9
Unemployment rate	27.1	29.2	32.6	32.5	32.1	31.8	31.5	31.0	31.8
Wage rates (year % change)									
Unit labour cost	5.6	6.4	0.5	3.6	4.5	4.8	4.8	4.8	4.5
Wage bill (R billion at current prices)									
Total wage bill	2187.7	2388.2	2500.3	2655.0	2824.0	3011.1	3216.3	3439.2	3029.1
(year % ch.)	6.5	-1.2	4.7	6.2	6.4	6.6	6.8	6.9	6.6

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Income and expenditure									
Remuneration of employees (year % ch.)	2187.7 6.5	2388.2 -1.2	2500.3 4.7	2655.0 6.2	2824.0 6.4	3011.1 6.6	3216.3 6.8	3439.2 6.9	3029.1 6.6
Social benefits to households (year % ch.)	235.8 7.9	403.6 48.5	324.8 -19.5	326.5 0.5	347.7 6.5	370.3 6.5	394.4 6.5	420.0 6.5	371.8 5.3
Less direct personal taxes (year % ch.)	465.8 8.7	510.0 -5.0	525.2 3.0	560.7 6.7	595.3 6.2	639.4 7.4	687.7 7.6	740.0 7.6	644.6 7.1
Disposable income (year % ch.)	2736.1 6.4	2998.3 -1.6	3182.6 6.1	3378.9 6.2	3585.8 6.1	3815.9 6.4	4055.5 6.3	4311.5 6.3	3829.5 6.3
Less household consumption (year % ch.)	2748.1 6.0	2978.4 -2.6	3214.5 7.9	3419.5 6.4	3624.0 6.0	3837.2 5.9	4071.9 6.1	4320.7 6.1	3854.7 6.1
Saving	-12.0	19.9	-32.0	-40.6	-38.2	-21.3	-16.4	-9.2	-25.2
Households: ratio to disposable income									
Saving	-0.5	0.7	-1.0	-1.2	-1.1	-0.6	-0.4	-0.2	-0.7
Debt	73.6	77.4	75.7	75.8	75.5	75.3	75.4	75.5	75.5
Debt-service cost	9.4	8.6	7.9	8.2	8.6	8.7	8.7	8.8	8.6
Net wealth	373.1	371.5	379.8	380.5	381.6	382.2	383.0	383.0	382.1

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Income									
Personal income tax (year % ch.)	465.8 8.7	510.0 -5.0	525.2 3.0	560.7 6.7	595.3 6.2	639.4 7.4	687.7 7.6	740.0 7.6	644.6 7.1
Corporate income tax (year % ch.)	237.1 3.9	220.8 -10.4	248.8 12.7	259.5 4.3	272.5 5.0	287.4 5.4	309.0 7.5	335.1 8.4	292.7 6.1
Value added tax (VAT) (year % ch.)	302.5 5.2	333.4 1.2	352.1 5.6	379.3 7.7	403.9 6.5	430.9 6.7	460.8 7.0	492.9 7.0	433.5 7.0
Other indirect taxes (year % ch.)	296.7 9.2	328.8 -3.4	358.8 9.1	398.7 11.1	426.9 7.1	457.0 7.1	490.9 7.4	528.3 7.6	460.4 8.1
Other income	59.1	77.1	50.0	50.2	51.3	52.7	54.9	58.1	53.4
Current income (year % ch.)	1361.4 7.0	1470.1 -3.2	1534.9 4.4	1648.4 7.4	1749.9 6.2	1867.3 6.7	2003.3 7.3	2154.3 7.5	1884.6 7.0
Expenditure									
Consumption (year % ch.)	964.2 6.5	1122.4 3.8	1162.7 3.6	1185.7 2.0	1210.4 2.1	1258.7 4.0	1314.6 4.4	1372.7 4.4	1268.4 3.4
Interest Payments (year % ch.)	157.0 12.0	222.5 14.7	273.5 22.9	310.9 13.7	348.8 12.2	379.9 8.9	406.3 7.0	423.5 4.2	373.9 9.2
Social benefits to households (year % ch.)	235.8 7.9	403.6 48.5	324.8 -19.5	326.5 0.5	347.7 6.5	370.3 6.5	394.4 6.5	420.0 6.5	371.8 5.3
Other expenditure	205.5	348.8	276.4	230.2	239.3	228.1	225.8	229.6	230.6
Current expenditure (year % ch.)	1562.6 8.6	2097.2 13.3	2037.4 -2.9	2053.3 0.8	2146.3 4.5	2237.0 4.2	2341.2 4.7	2445.8 4.5	2244.7 3.7
Saving	-70.1	-368.8	-284.7	-187.2	-178.7	-152.0	-120.2	-73.8	-142.3
Ratios to GDP									
Total tax revenue	28.3	28.0	27.5	28.3	28.6	29.0	29.4	29.8	29.0
Current expenditure	33.9	42.2	37.7	36.4	36.1	35.8	35.4	34.8	35.7
Budget deficit (National government)	-4.6	-10.8	-8.2	-6.2	-6.0	-5.4	-4.8	-4.0	-5.3
Gross debt (National government)	53.0	71.3	81.1	83.8	85.8	87.2	88.1	88.4	86.7

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

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Current account									
Exports: goods and services (year % ch.)	1381.3 4.9	1515.4 0.0	1800.2 18.8	1873.3 4.1	1948.0 4.0	2005.8 3.0	2093.7 4.4	2201.7 5.2	2024.5 4.1
Net receipts (year % ch.)	-34.1 2.3	-43.1 21.3	-28.3 -34.3	-12.4 -56.3	-28.8 133.0	-28.6 -0.9	-28.6 0.0	-32.3 13.1	-26.1 17.8
Less imports: goods and services (year % ch.)	1367.0 3.5	1269.9 -14.8	1538.4 21.1	1778.2 15.6	1887.4 6.1	2004.2 6.2	2116.1 5.6	2240.9 5.9	2005.4 7.9
Less net factor payments (year % ch.)	131.5 7.6	94.2 -34.2	152.9 62.3	166.2 8.7	174.5 5.0	186.2 6.7	205.5 10.4	224.1 9.1	191.3 8.0
Current account balance	-151.3	108.2	80.6	-83.5	-142.7	-213.2	-256.4	-295.7	-198.3
Current account in US\$	-11.2	6.9	5.4	-5.3	-8.9	-13.0	-15.2	-17.1	-11.9
Current account as % of GDP	-3.3	2.2	1.5	-1.5	-2.4	-3.4	-3.9	-4.2	-3.1
Financing of the current account									
Total net capital flows	169.0	-162.3	-36.4	35.0	120.0	210.0	250.0	285.0	180.0
SDR + Valuation adjustment	23.2	89.6	30.6	45.4	5.3	23.9	21.2	28.7	24.9
Change in gross reserves	40.7	35.5	74.9	-3.1	-17.4	20.7	14.7	18.0	6.6
Gross reserves: quarter end	700.2	807.6	882.5	879.4	862.0	882.7	897.5	915.4	887.4
Gross reserves: quarter end (US\$)	50.1	55.0	57.9	54.8	53.4	53.2	52.8	52.2	53.3
Terms of trade									
Index (2010 = 100) (year % ch.)	105.4 1.8	117.8 8.9	115.2 -2.2	108.3 -6.0	106.5 -1.7	104.4 -1.9	103.8 -0.6	103.7 -0.1	105.3 -2.0

Table B 10: Credit, interest rates and exchange rates

	<i>Average 2015-19</i>	2020	2021	2022	2023	2024	2025	2026	<i>Average 2022-26</i>
Money supply and credit extension									
M3 money supply (year % ch.)	3360.2 6.9	4120.4 9.5	4314.6 4.7	4644.5 7.6	4937.6 6.3	5279.0 6.9	5649.8 7.0	6051.2 7.1	5312.4 7.0
Private sector credit to households (year % ch.)	1573.7 4.2	1786.6 3.0	1870.4 4.7	2002.3 7.0	2107.0 5.2	2239.8 6.3	2383.8 6.4	2537.9 6.5	2254.2 6.3
Private sector credit to firms (year % ch.)	1893.6 8.9	2221.8 4.1	2344.2 5.5	2542.2 8.4	2730.6 7.4	2939.2 7.6	3166.0 7.7	3413.4 7.8	2958.3 7.8
Total private sector credit extension (year % ch.)	3467.3 6.6	4008.4 3.6	4214.6 5.1	4544.5 7.8	4837.6 6.5	5179.0 7.1	5549.8 7.2	5951.2 7.2	5212.4 7.1
Interest rates									
3-month NCD rate	6.93	4.47	3.61	4.24	4.83	4.93	4.93	4.93	4.77
10-year government bond yield	8.74	9.41	9.32	9.43	9.32	9.16	9.16	9.13	9.24
Prime overdraft rate	10.08	7.86	7.00	7.43	7.92	8.00	8.00	8.00	7.87
Effective household lending rate	12.76	11.09	10.39	10.79	11.34	11.53	11.58	11.60	11.37
Effective firm lending rate	8.72	6.09	5.14	5.40	5.95	6.27	6.41	6.49	6.10
Exchange rates									
R/US DOLLAR (year % ch.)	13.69 6.4	16.46 13.9	14.96 -9.1	15.72 5.0	16.06 2.2	16.39 2.0	16.85 2.8	17.34 2.9	16.47 3.0
R/ 100 Japanese YEN (year % ch.)	12.23 6.1	15.42 16.3	14.08 -8.7	14.97 6.3	15.29 2.2	15.61 2.0	16.05 2.8	16.51 2.9	15.69 3.2
R/STERLING (year % ch.)	18.54 1.0	21.09 14.4	20.46 -3.0	21.38 4.5	22.00 2.9	22.78 3.5	23.59 3.6	24.27 2.9	22.80 3.5
R/EURO (year % ch.)	15.45 2.6	18.77 16.0	17.98 -4.2	19.13 6.4	19.59 2.4	19.99 2.0	20.56 2.8	21.32 3.7	20.12 3.5
R/\$ PP parity rate (base PPI 2003) (year % ch.)	11.70 5.0	13.05 4.8	13.35 2.3	13.70 2.6	14.09 2.8	14.40 2.2	14.68 2.0	14.97 1.9	14.37 2.3

Table B 11: Prices (index base year: 2010)

	Average 2015-19	2020	2021	2022	2023	2024	2025	2026	Average 2022-26
Price deflators									
Exports (incl. services) (year % ch.)	151.3 4.3	186.2 11.3	203.4 9.3	205.9 1.2	208.4 1.2	209.7 0.6	212.5 1.3	216.7 2.0	210.6 1.3
Export commodities (in rand) (year % ch.)	1169.6 11.3	2328.3 53.4	3253.6 39.7	3171.2 -2.5	3000.8 -5.4	2795.5 -6.8	2672.3 -4.4	2564.5 -4.0	2840.9 -4.6
Imports (incl. services) (year % ch.)	143.4 2.5	158.0 2.2	176.7 11.8	190.2 7.6	195.8 3.0	200.9 2.6	204.7 1.9	208.9 2.0	200.1 3.4
GDE (year % ch.)	145.1 4.6	161.9 3.1	169.7 4.8	176.5 4.0	183.6 4.0	191.0 4.1	198.8 4.1	206.9 4.1	191.4 4.0
Investment (year % ch.)	141.0 3.7	157.3 4.5	168.9 7.4	178.2 5.5	186.0 4.4	193.9 4.2	201.2 3.8	207.8 3.3	193.4 4.2
GDP (year % ch.)	147.8 5.1	169.6 5.2	177.4 4.6	180.9 2.0	187.1 3.4	193.4 3.4	201.0 3.9	209.1 4.0	194.3 3.3
Consumer & producer prices									
Headline inflation (CPI) (year % ch.)	102.6 5.0	115.9 3.3	120.7 4.2	126.0 4.4	131.5 4.4	137.3 4.4	143.2 4.3	149.4 4.3	137.5 4.4
Core inflation* (year % ch.)	102.6 4.8	115.4 3.3	118.9 3.1	123.4 3.8	129.0 4.5	134.7 4.5	140.6 4.4	146.6 4.3	134.9 4.3
CPI food and non-alcoholic beverages (year % ch.)	101.0 5.9	115.7 4.5	121.3 4.8	125.3 3.3	129.6 3.4	134.4 3.7	139.7 3.9	145.9 4.4	135.0 3.8
CPI petrol (year % ch.)	109.1 3.0	115.1 -7.0	130.7 13.5	142.4 9.0	144.8 1.7	150.2 3.7	155.4 3.4	160.8 3.5	150.7 4.3
<i>Petrol price (R/l coastal unleaded)</i> (year % ch.)	13.5 2.7	14.1 -6.9	16.1 14.6	17.6 9.1	17.9 1.7	18.6 3.7	19.2 3.4	19.9 3.5	18.6 4.3
CPI electricity (year % ch.)	101.8 7.6	126.7 8.8	139.0 9.7	157.3 13.2	171.9 9.3	182.3 6.0	193.2 6.0	204.8 6.0	181.9 8.1
Producer price index (year % ch.)	102.6 5.1	116.1 2.6	122.3 5.4	128.0 4.7	134.3 4.9	140.0 4.2	145.6 4.0	151.4 4.0	139.8 4.4

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