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Note: Shaded area in graphs denotes the downward phase of the business cycle.

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Highlights

DISAGREEMENT ON NATIONAL BUDGET

After initially being scheduled for 19 February and then postponed at the last moment, the finance minister tabled the National Budget for 2025 on 12 March. While the contentious 2%pt VAT hike was watered down to a 1%pt increase spread over two years (0.5%pt each year), it still comes with a heavy tax burden, shouldered mainly by the consumer. The budget(s) presented in 2025 represent a shift in the fiscal stance. From spending cuts announced in 2024, fiscal consolidation would now happen through higher taxes to pay for more expenditure. The debt ratio is expected to stabilise at just over 76% of GDP in the coming fiscal year and then slowly decline. However, this projection is underpinned by a forecast that nominal GDP will grow by an annual average of 6.7% in the next three fiscal years (it grew by only 6.0% on average in the previous ten fiscal years). At the time of writing, the government had not yet accepted the new Budget.

BUSINESS CONFIDENCE UNCHANGED IN FIRST QUARTER

Following three consecutive increases, the RMB/BER Business Confidence Index (BCI) remained unchanged at 45 index points in the first quarter of 2025. While a touch above the long-term average reading of 43 points, and well above the sentiment level recorded at the start of last year, it is worrying that four of the five sectors saw confidence slip relative to the fourth quarter of last year. New vehicle dealers saw a 29-point surge in confidence, which offset the decline in confidence from all other sectors.

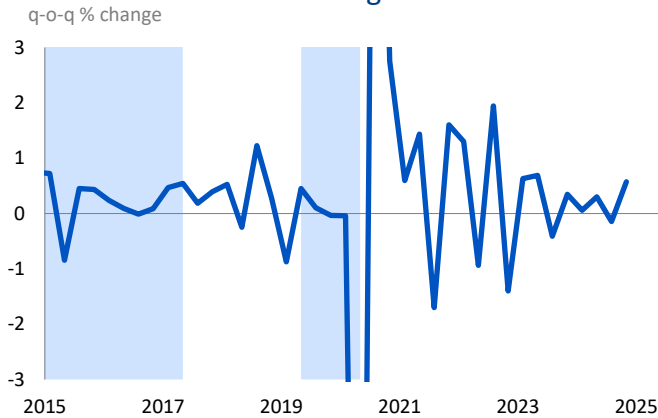
INFLATION SUBDUED IN FEB; MPC PAUSES ON RATE CUTS

Annual headline consumer inflation remained steady at 3.2% in February 2025. This stability was amid a slight acceleration in food and non-alcoholic beverages inflation to 2.8%, up from 2.3% in January, while housing and utilities inflation eased slightly to 4.4% from 4.5%. Core inflation, which excludes volatile food and energy prices, decreased to 3.4% in February, down from 3.5% in January, suggesting a moderation in underlying inflationary pressures.

In its March 2025 meeting, the South African Reserve Bank's Monetary Policy Committee (MPC) opted to keep the repo rate unchanged, with four members favouring the hold and two advocating for a 25-basis point cut. The decision reflected concerns over global economic uncertainties and domestic challenges, including subdued demand and supply-side constraints.

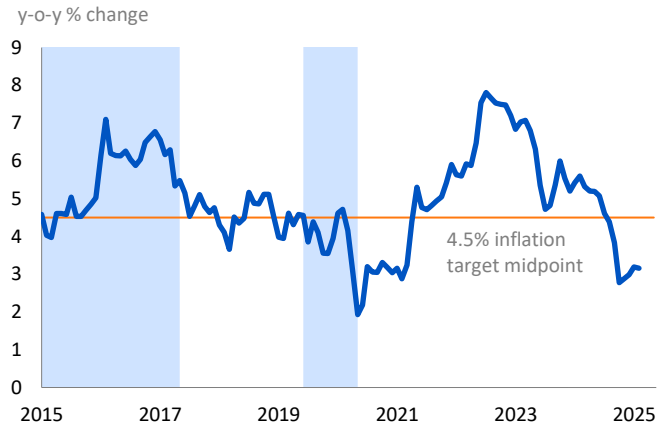
Core indicators

Real GDP growth



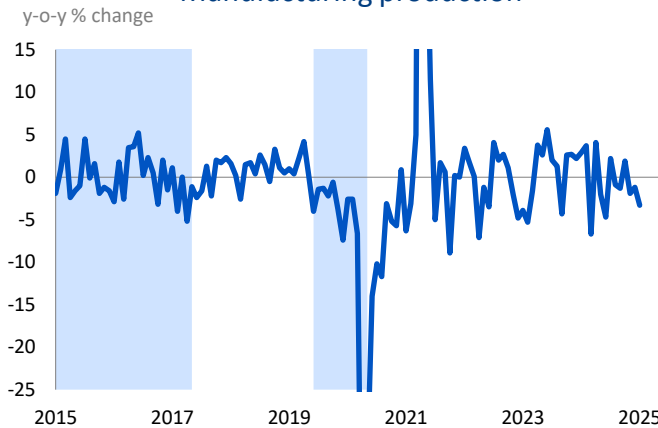
Source: Stats SA

CPI inflation



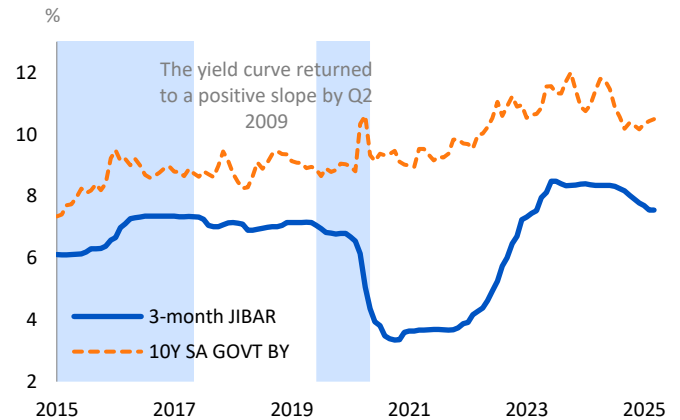
Source: Stats SA

Manufacturing production



Source: Stats SA

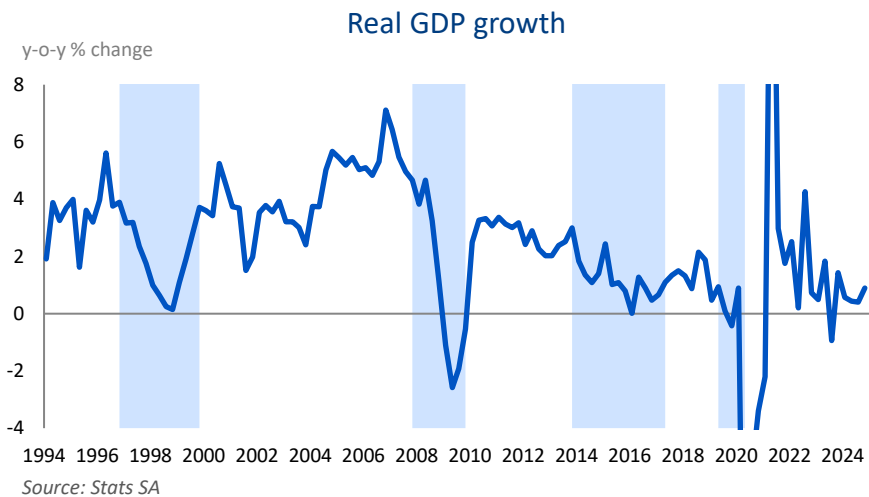
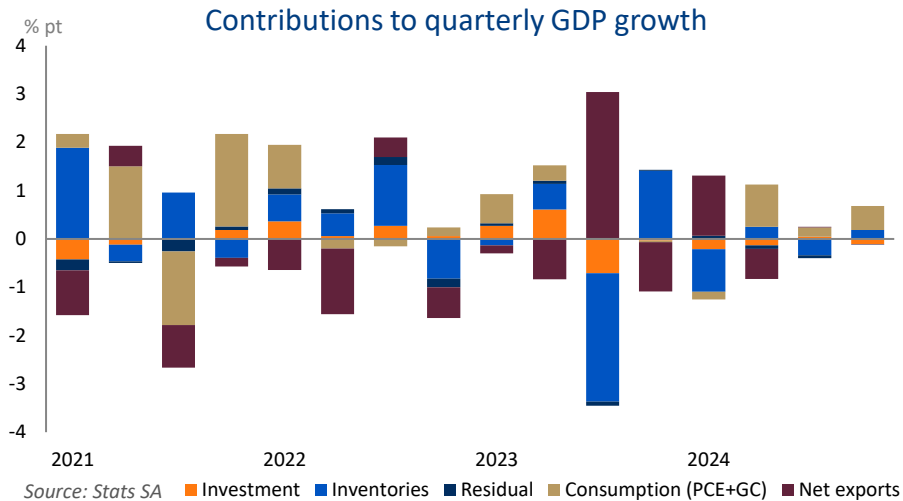
Interest rates



Source: DataStream

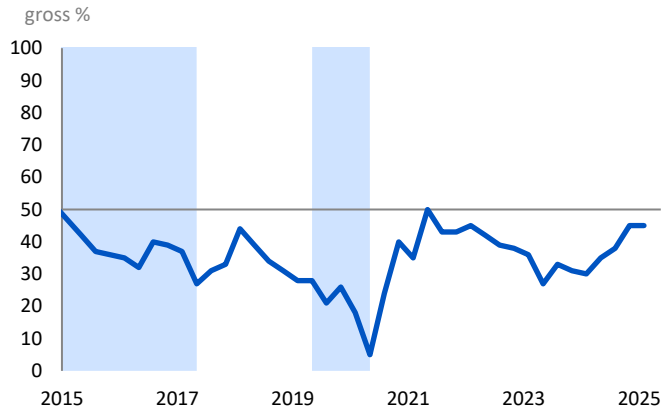
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GDP growth



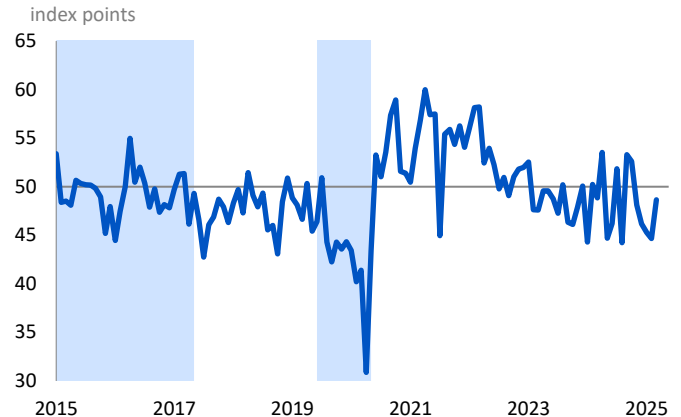
Business environment

RMB/BER Business Confidence Index



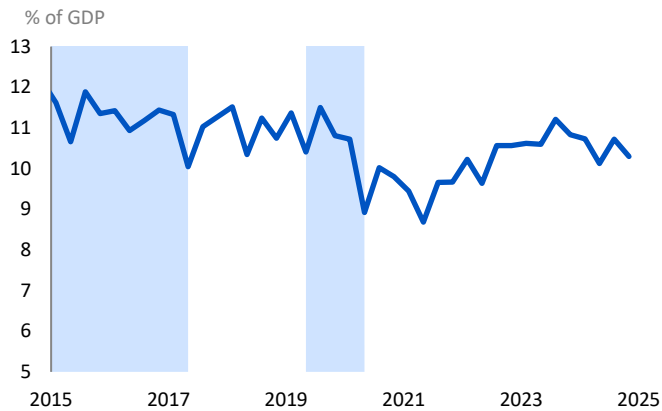
Source: BER

Absa Purchasing Managers' Index



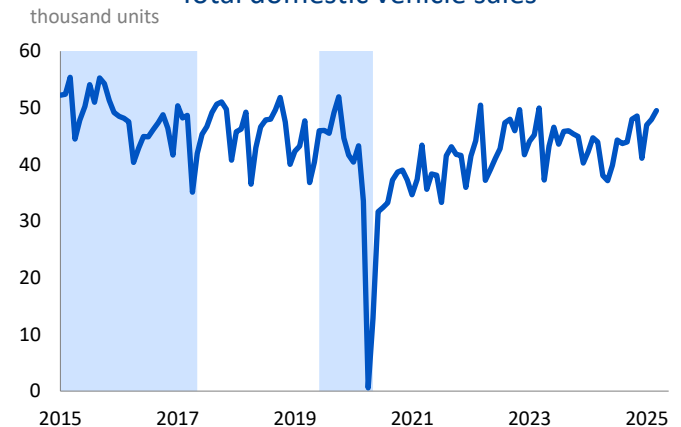
Source: BER

Private fixed investment



Source: SARB, Stats SA

Total domestic vehicle sales

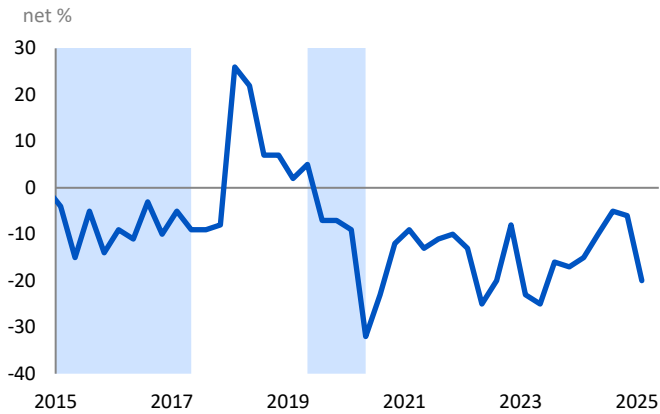


Source: Naamsa

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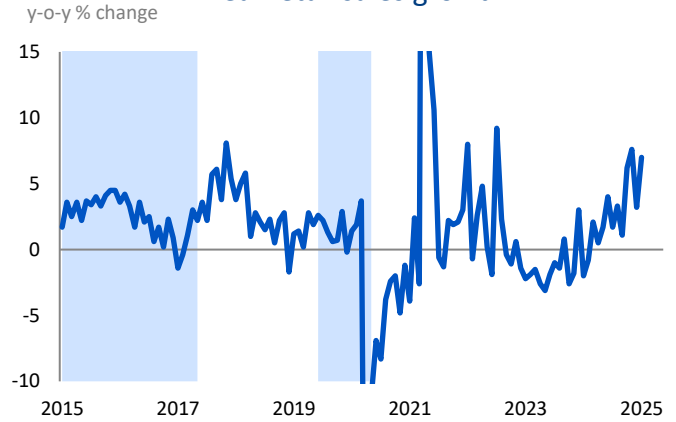
Household consumption

FNB/BER Consumer Confidence Index



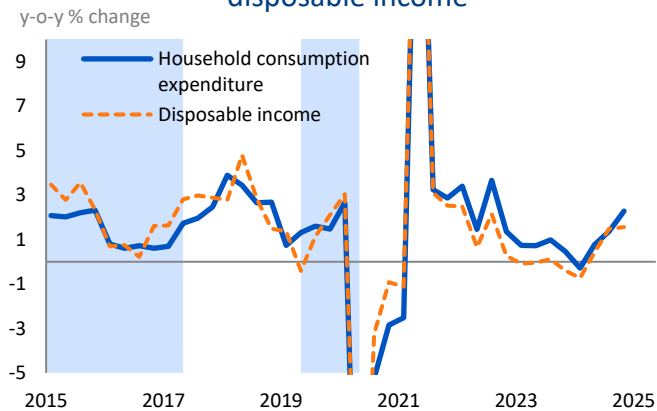
Source: BER

Real retail sales growth



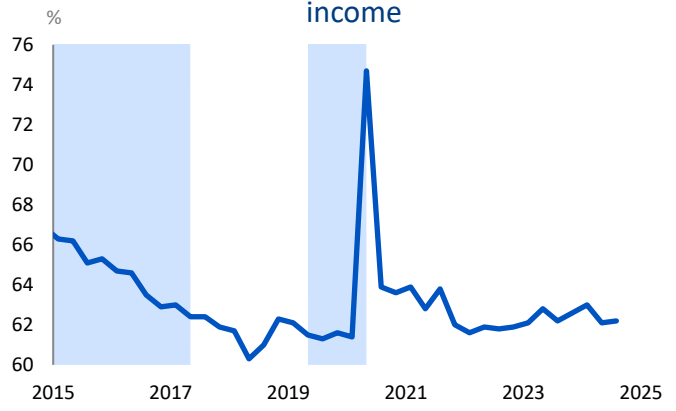
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

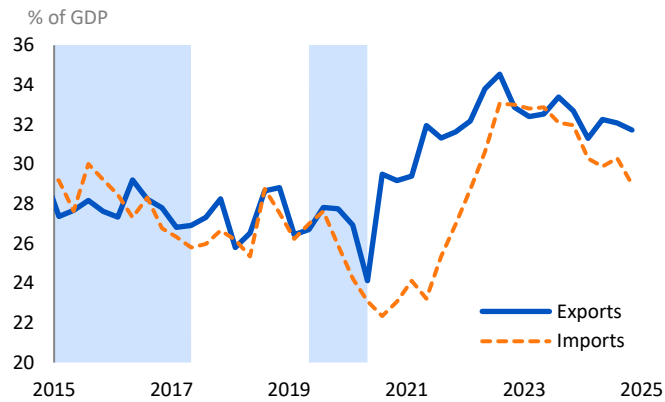
Ratio of household debt to disposable income



Source: SARB

International trade

Imports and exports



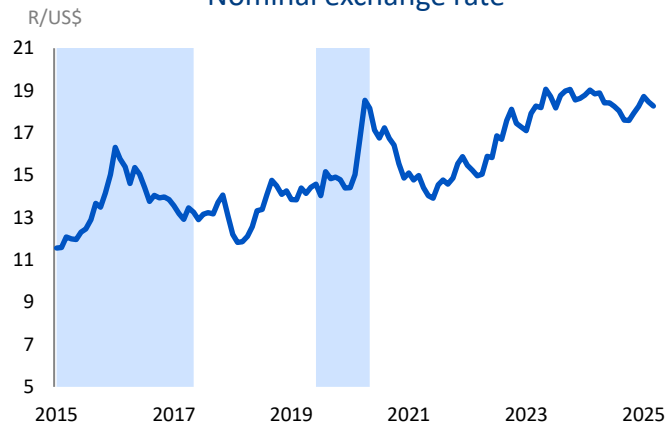
Source: SARB

Current account balance



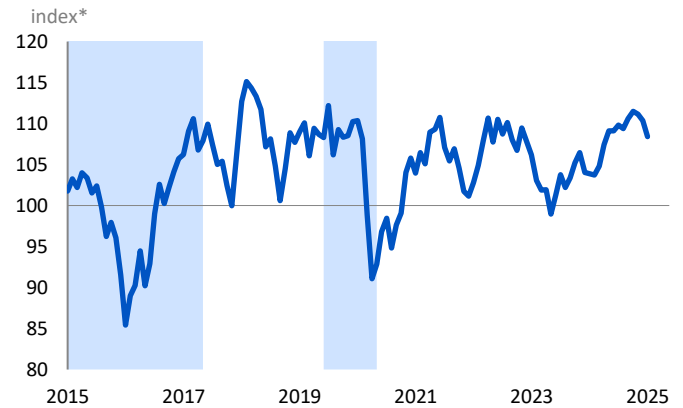
Source: SARB

Nominal exchange rate



Source: DataStream

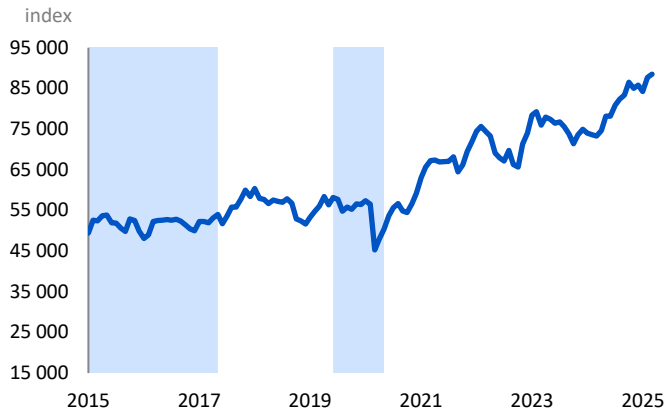
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

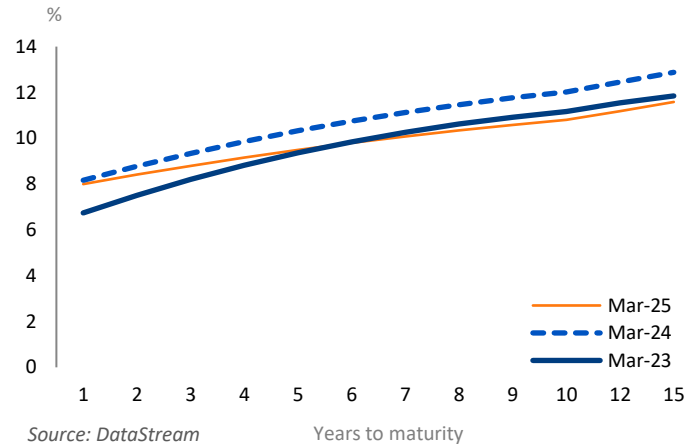
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



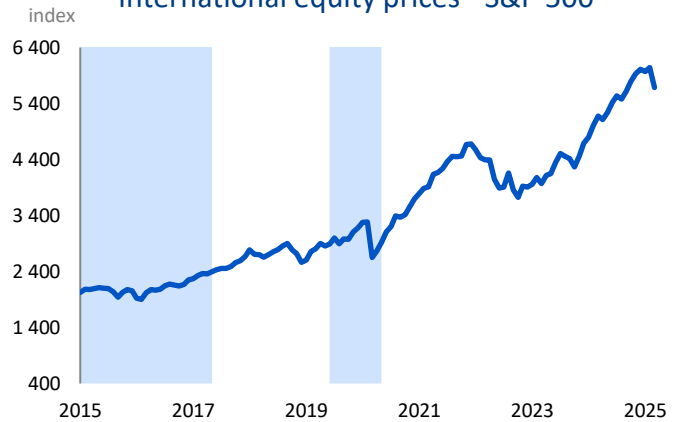
Source: DataStream

Economist all commodities index



Source: Economist

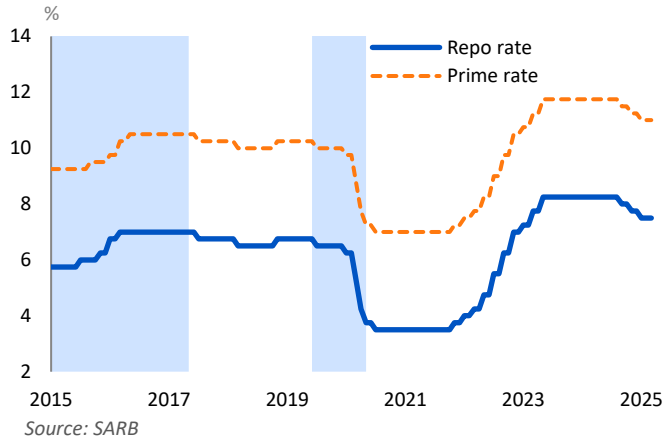
International equity prices - S&P 500



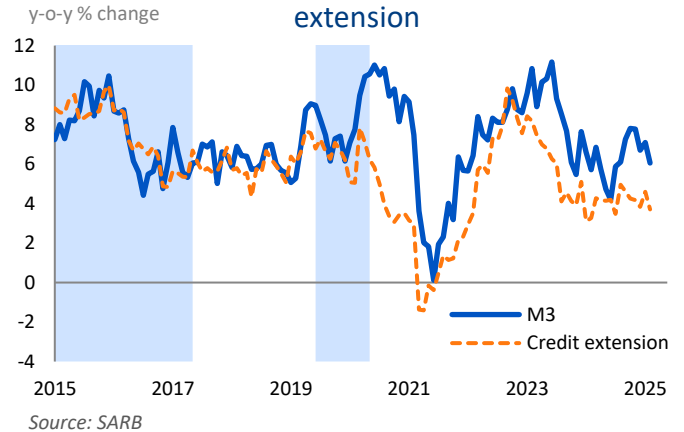
Source: DataStream

Money and prices

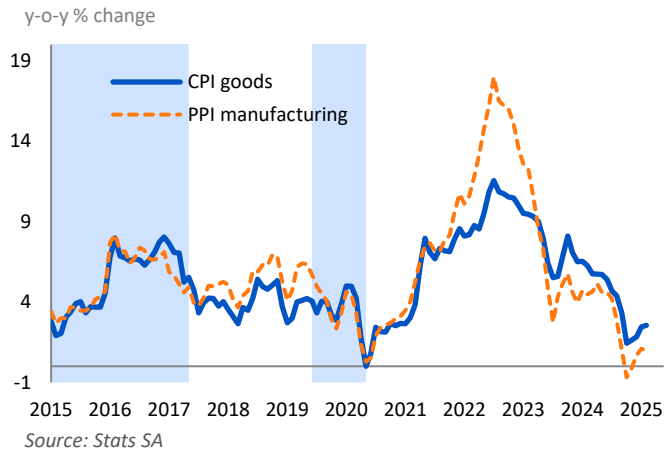
Repo and prime interest rate



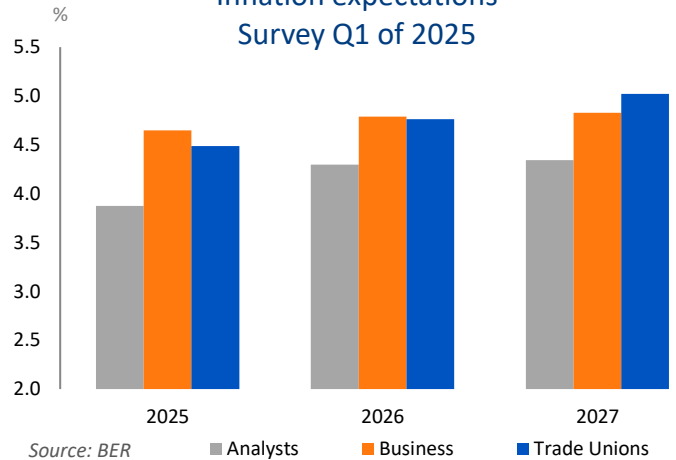
M3 monetary aggregates and credit extension



Consumer and producer prices



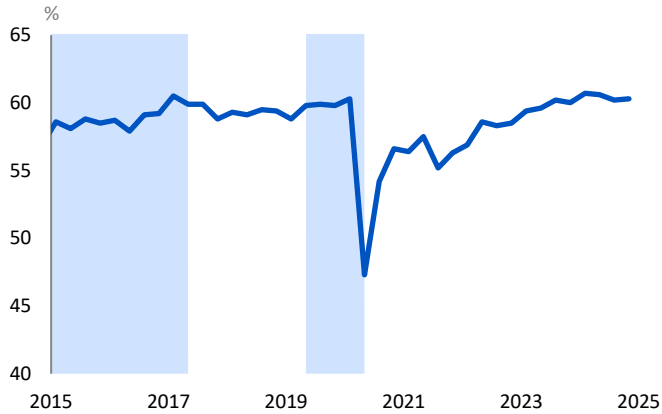
Inflation expectations Survey Q1 of 2025



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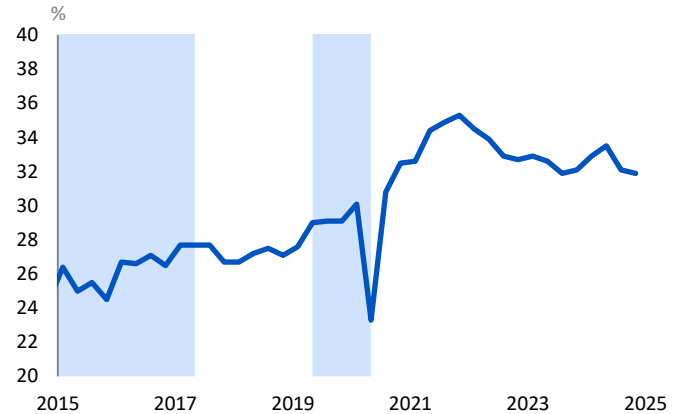
Labour

Labour force participation



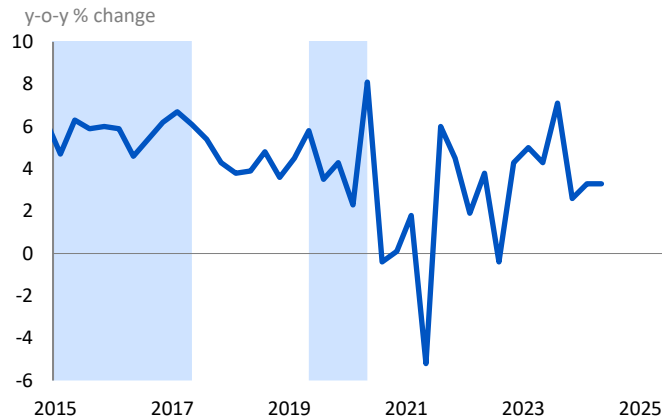
Source: Stats SA

Unemployment rate



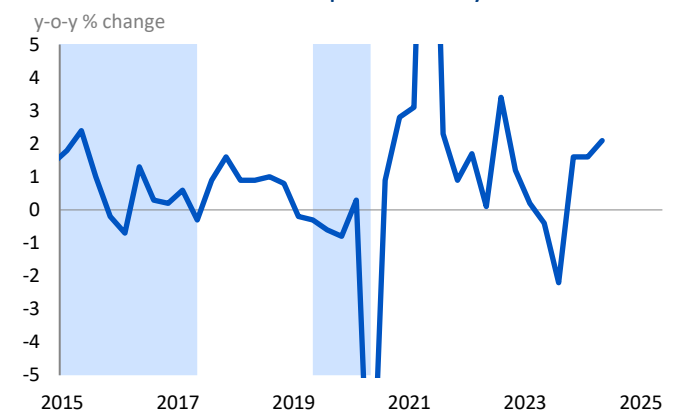
Source: Stats SA

Unit labour cost



Source: SARB

Labour productivity



Source: SARB

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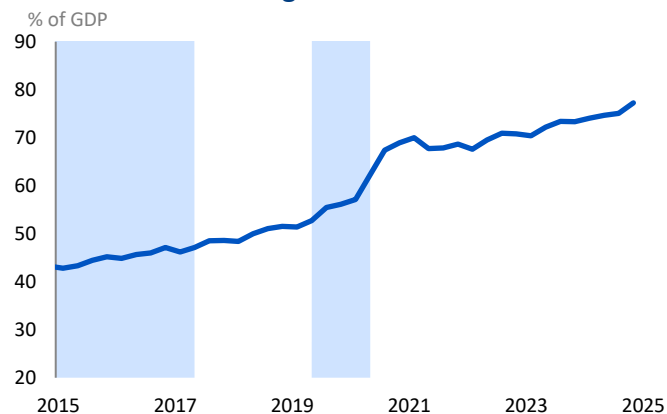
Government

Public sector borrowing requirement



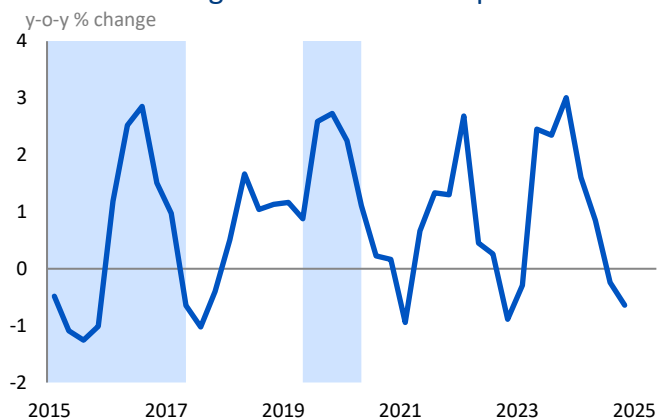
Source: SARB

Gross government debt



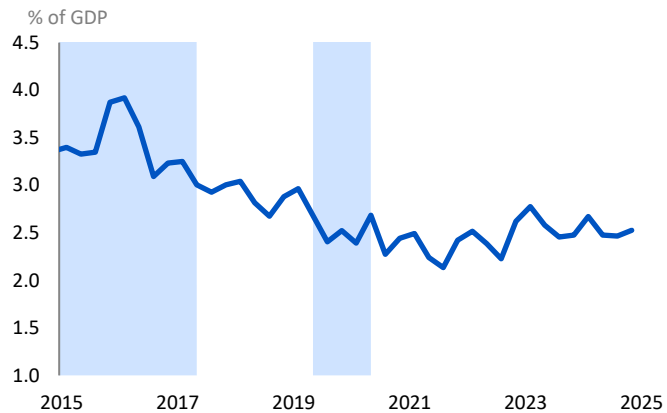
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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