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

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Highlights

MPC left rates steady in November; credit ratings deteriorated further

After aggressively reducing the policy interest rate by a cumulative 300bps since January 2020, the SARB MPC kept the policy rate steady at 3.50% in two successive MPC meetings (September and November 2020). The decision to keep the policy rate steady in November was in line with our (and consensus) expectations and followed the MTBPS in October 2020 which painted a worsening fiscal outlook with gross debt now expected to peak at 95.3% of GDP in 2025/26. Subsequently, SA's sovereign ratings have also deteriorated further with Moody's and Fitch recently having downgraded their SA rating each by one notch, to Ba2 and BB- respectively. S&P maintained its BB- ratings. Both Moody's and Fitch have a negative ratings outlook, reflecting concerns about SA's current and expected economic and fiscal prognosis.

Unemployment rate rose sharply, reflecting the dire impact of the pandemic

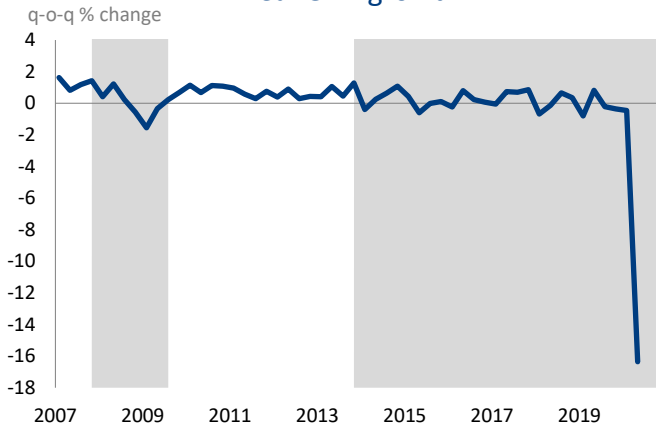
Stats SA's quarterly labour force survey (QLFS) data showed that the official unemployment rate sharply increased to 30.8% in 2020Q3 reaching the highest level on record. This reflects SA's longstanding economic weaknesses which have been exacerbated by the COVID-19 pandemic, in turn adversely hitting SA's labour market. After declining by 2.2 million q-o-q in 2020Q2 due to lockdown measures which severely impacted small and medium-sized businesses, total employment increased by just 543 000 in 2020Q3. The lack of accelerated structural reforms and continued sovereign ratings downgrades depresses confidence and implies a protracted recovery of employment and real GDP to pre-pandemic levels. On that note, the RMB/BER Business Confidence Index picked up smartly to 40 in 2020Q4, up from 24 pts in 2020Q3.

Real indicators solidify our view of a robust growth rebound in Q3

High frequency real economic indicators from various sectors of the economy solidify our view that real GDP growth strongly rebounded in 2020Q3 after a sharp decline in Q2. Though still below pre-pandemic levels, seasonally adjusted manufacturing and mining production volumes grew by an annualised 212% q-o-q and 291% q-o-q in Q3, respectively. The consumer-orientated sectors also performed much better. Seasonally adjusted retail trade sales volumes grew by an annualised 136% q-o-q in Q3. Seasonally adjusted new vehicle sales volumes also grew strongly by 114% q-o-q (not annualised) in Q3 and data for October and November points to a sustained (albeit slower) vehicle sales growth momentum in Q4.

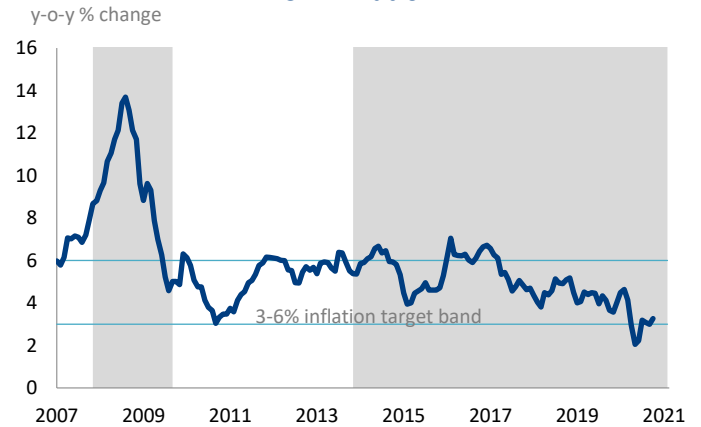
Core indicators

Real GDP growth



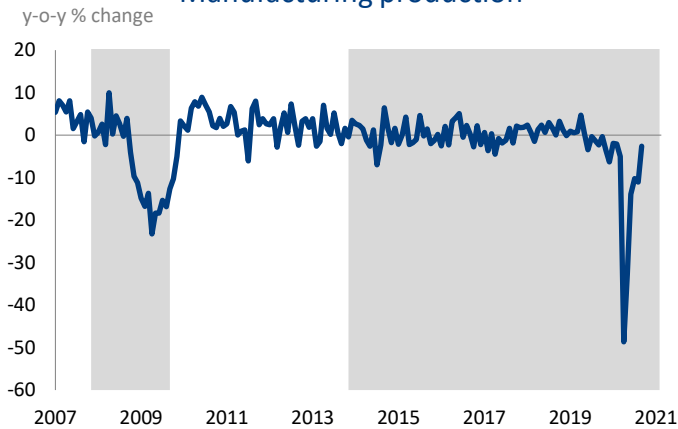
Source: Stats SA

CPI inflation



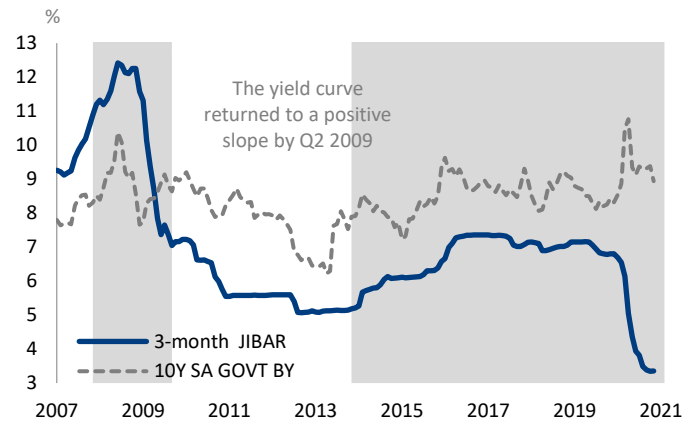
Source: Stats SA

Manufacturing production



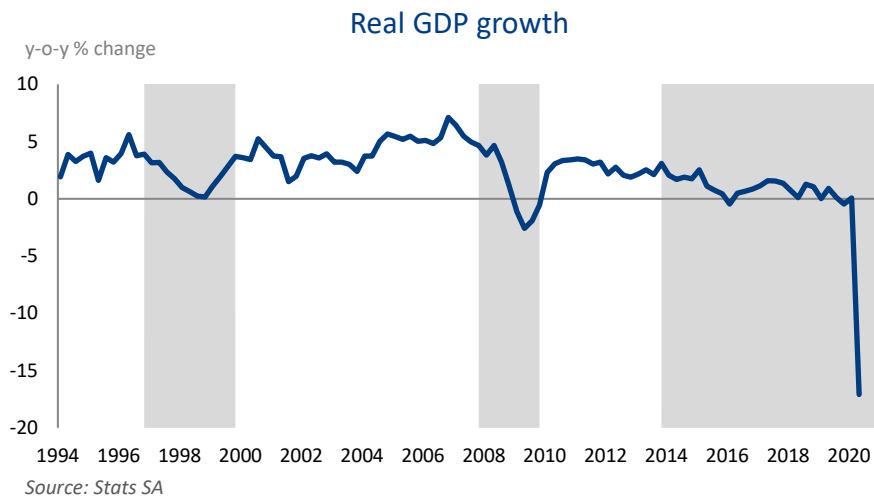
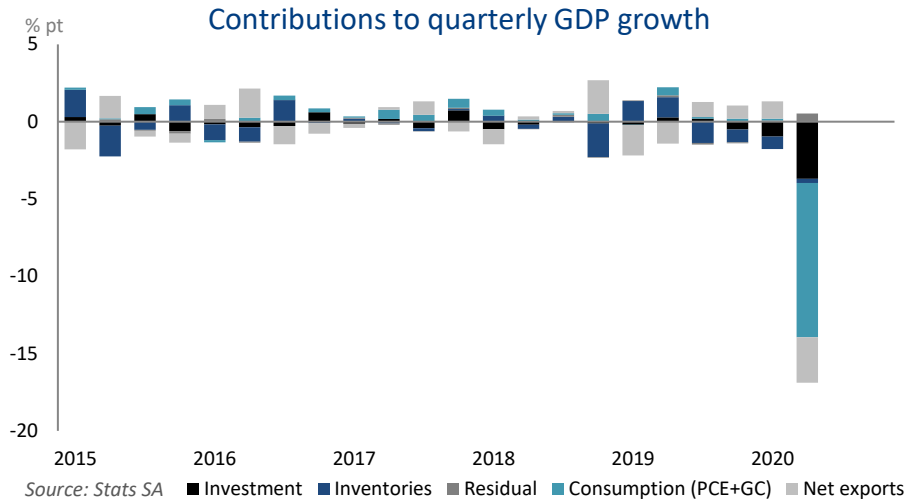
Source: Stats SA

Interest rates



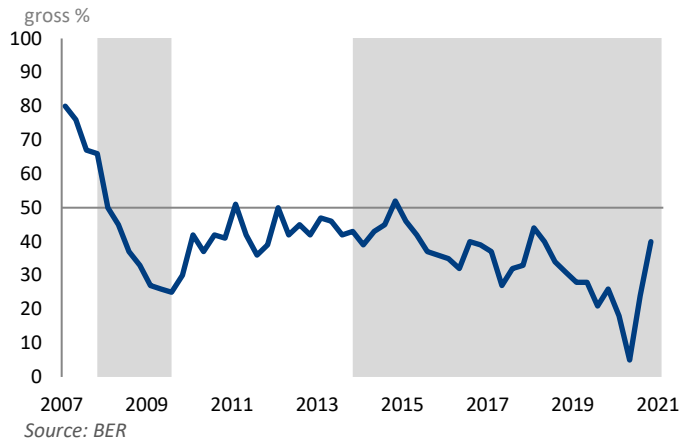
Source: DataStream

GDP growth

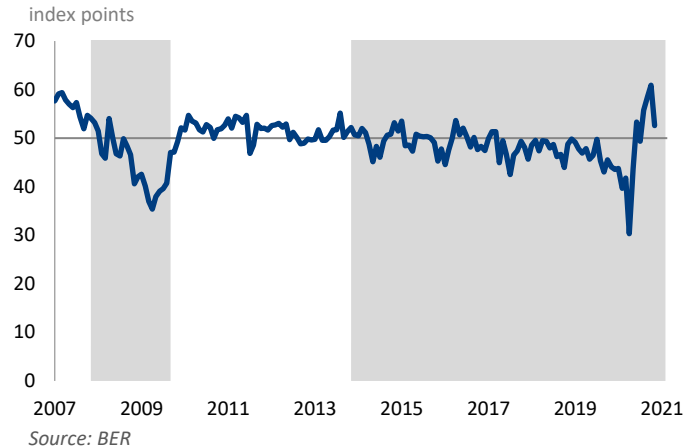


Business environment

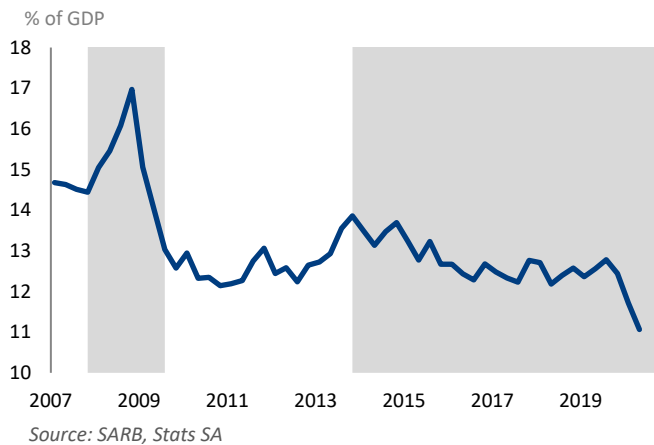
RMB/BER Business Confidence Index



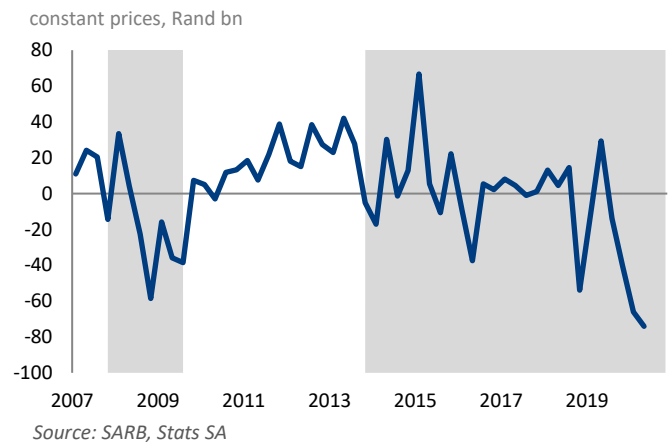
Absa Purchasing Managers' Index



Private fixed investment

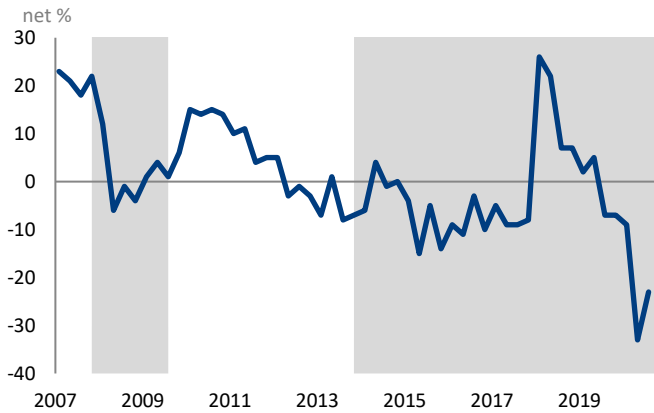


Changes in inventories



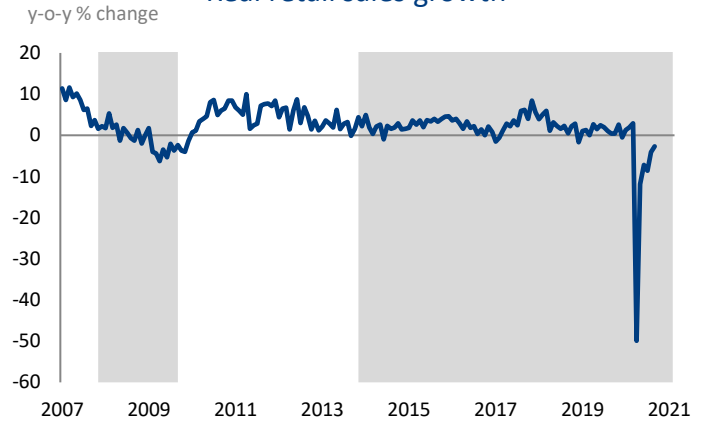
Household consumption

FNB/BER Consumer Confidence Index



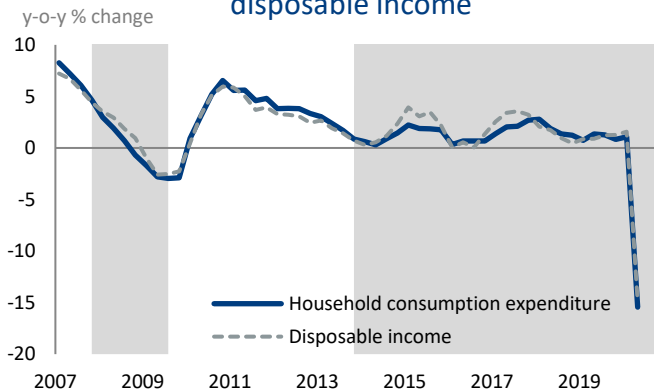
Source: BER

Real retail sales growth



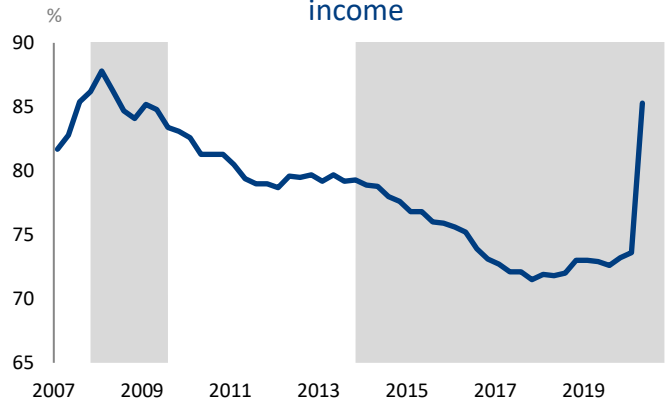
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

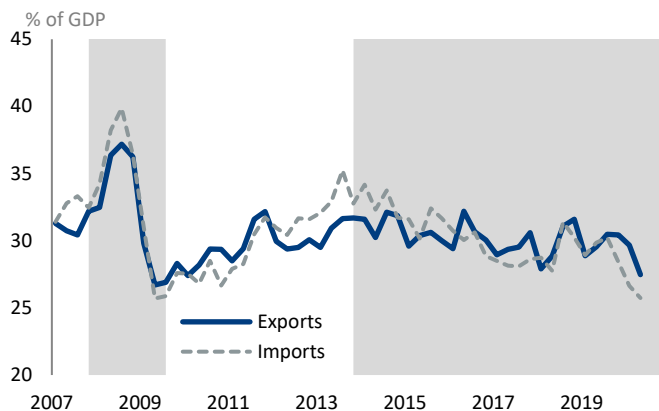
Ratio of household debt to disposable income



Source: SARB

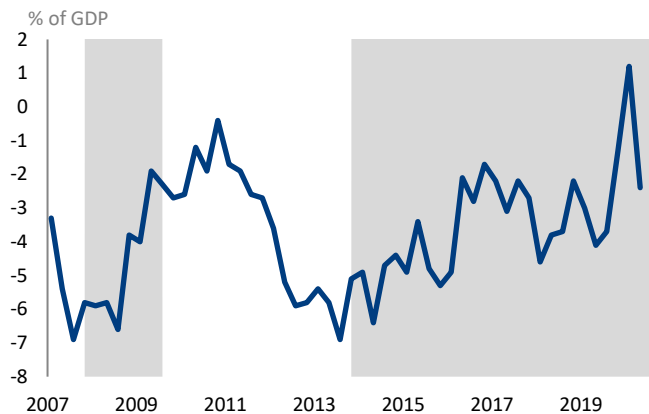
International trade

Imports and exports



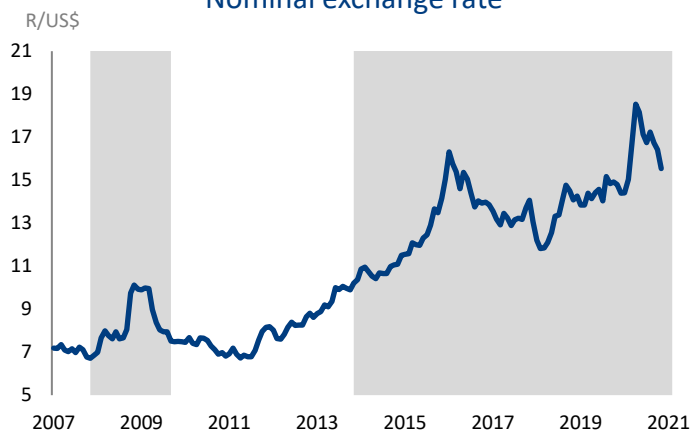
Source: SARB, Stats SA

Current account balance



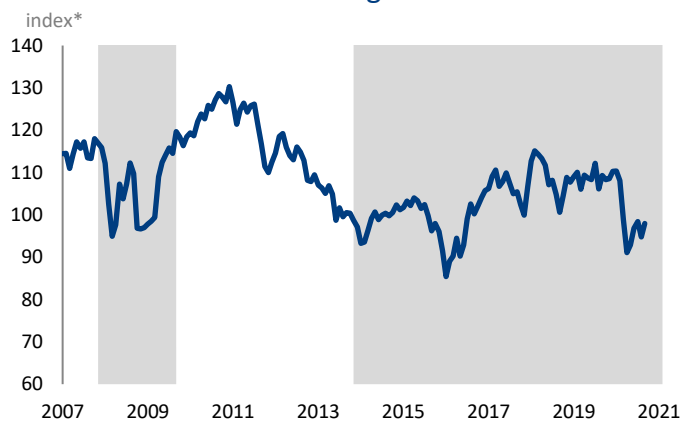
Source: SARB

Nominal exchange rate



Source: DataStream

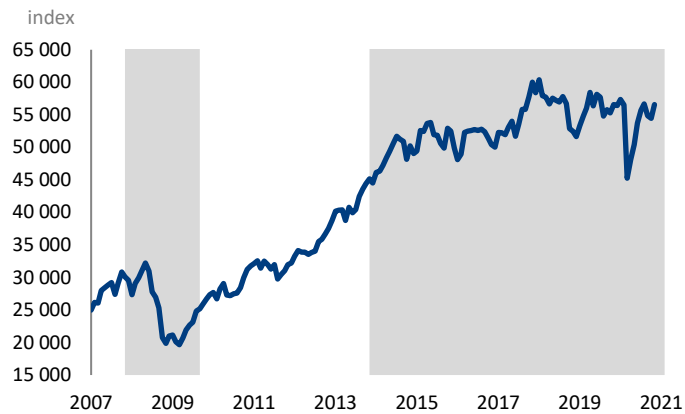
Real effective exchange rate of the Rand



Source: SARB *higher values denote a stronger rand

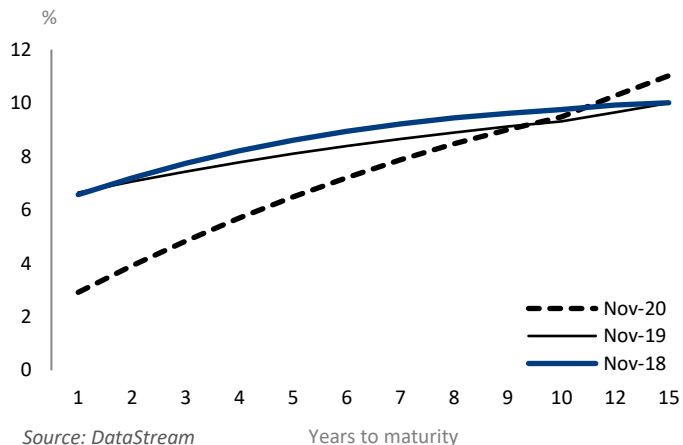
Financial markets

JSE all share index



Source: DataStream

Yield curve comparisons



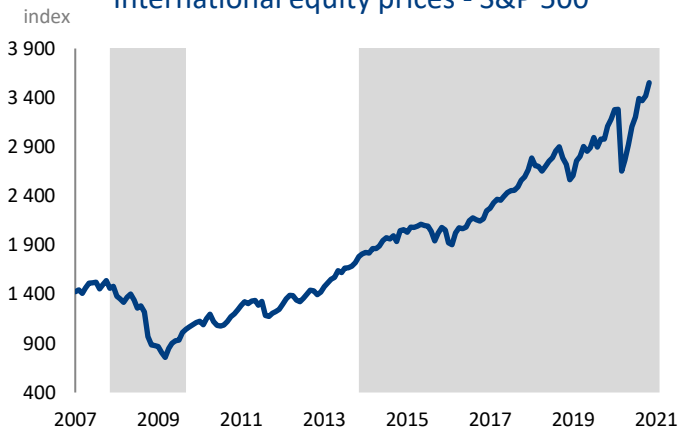
Source: DataStream

Economist all commodities index



Source: Economist

International equity prices - S&P 500

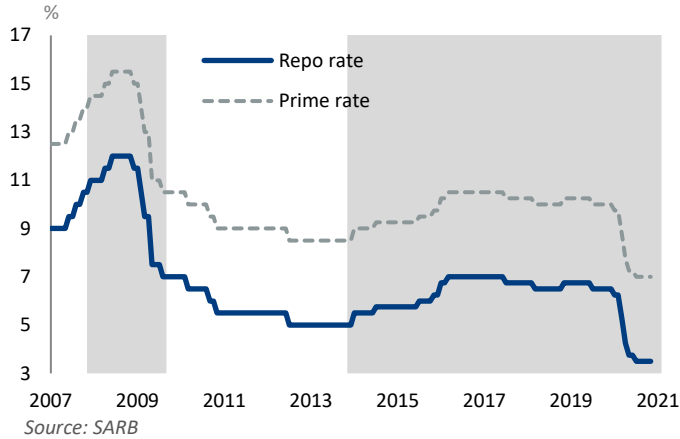


Source: DataStream

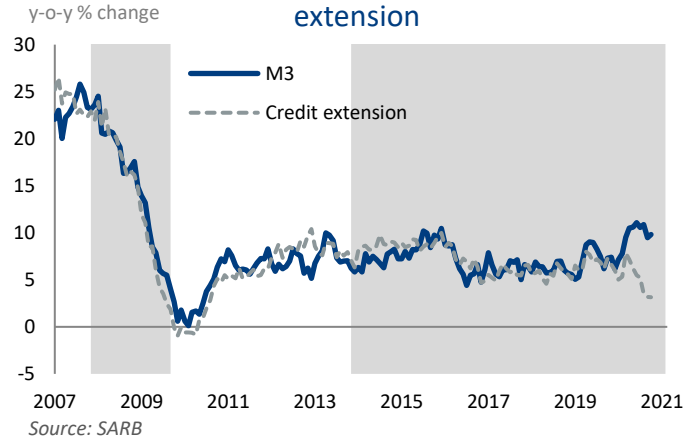
Please refer to the [glossary on the BER's website](#) for explanations of technical terms.
[Click here for more information about the BER's services.](#)

Money and prices

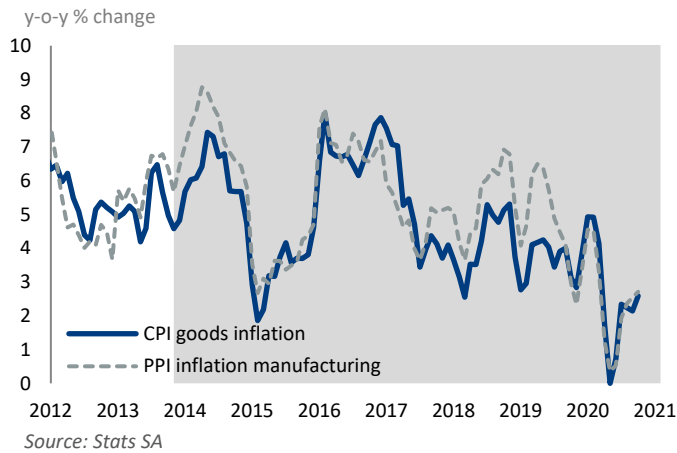
Repo and prime interest rate



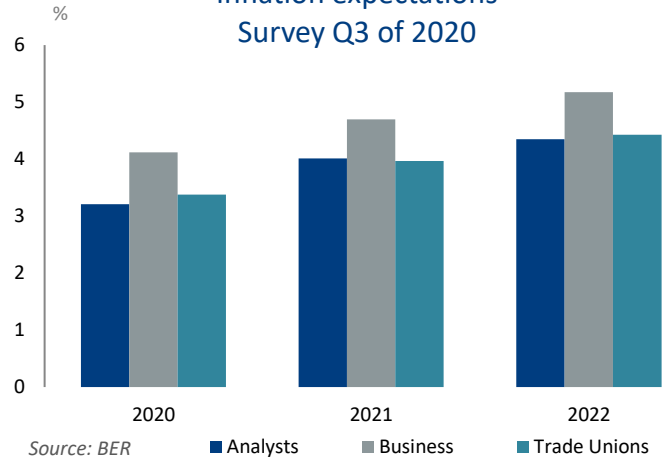
M3 monetary aggregates and credit extension



Consumer and producer prices

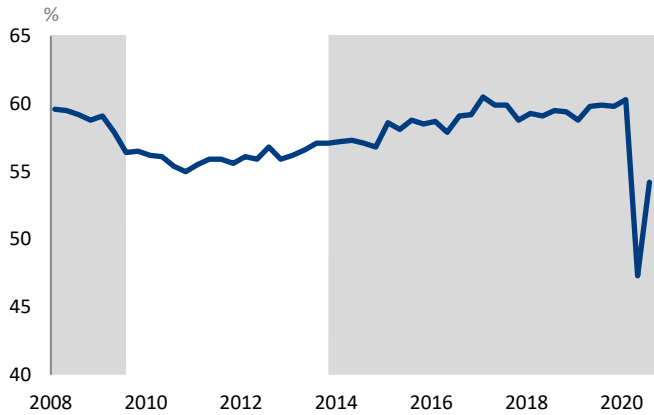


Inflation expectations Survey Q3 of 2020



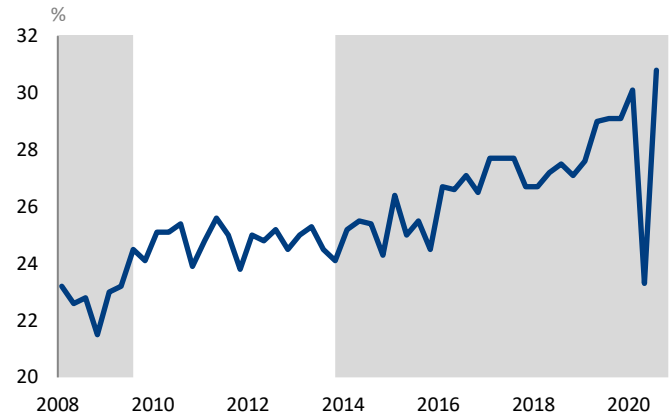
Labour

Labour force participation



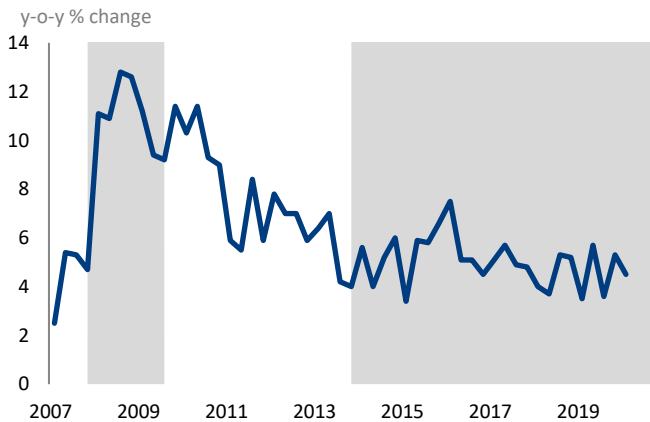
Source: Stats SA

Unemployment rate



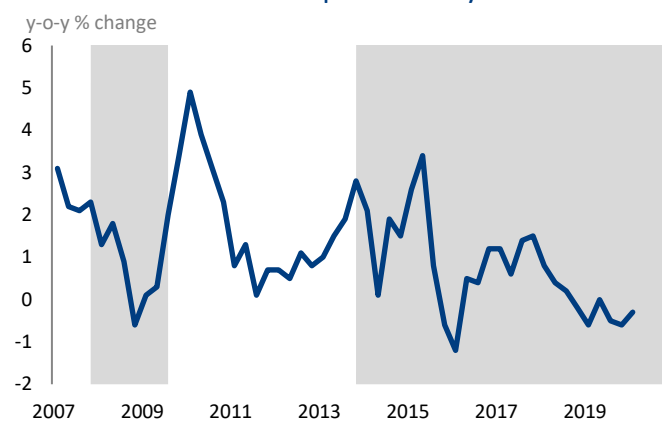
Source: Stats SA

Unit labour cost



Source: SARB

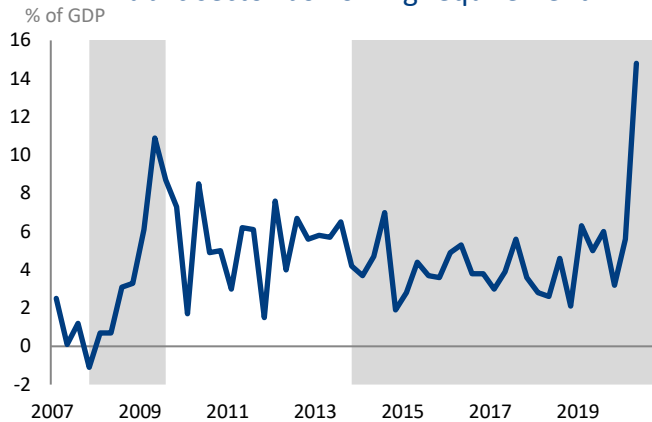
Labour productivity



Source: SARB

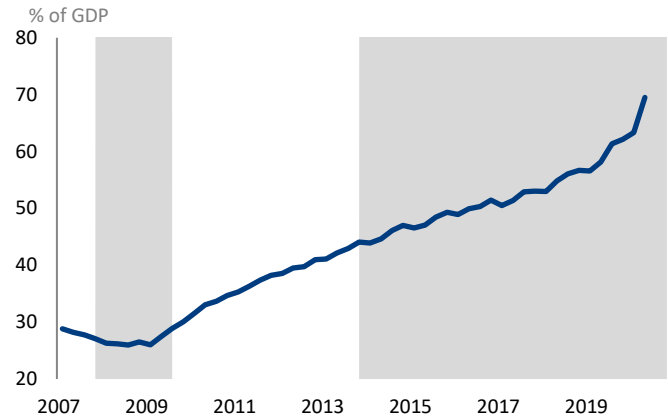
Government

Public sector borrowing requirement



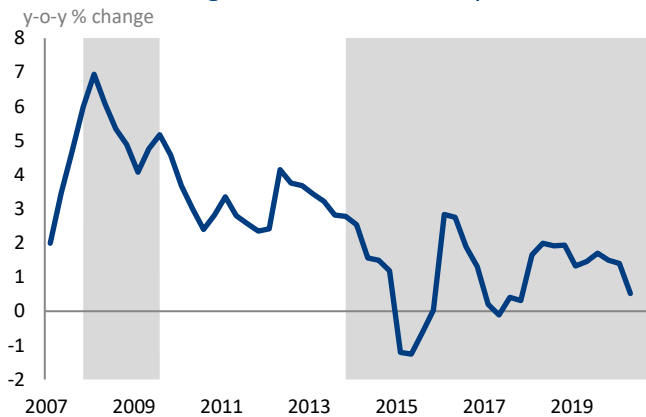
Source: SARB

Gross government debt



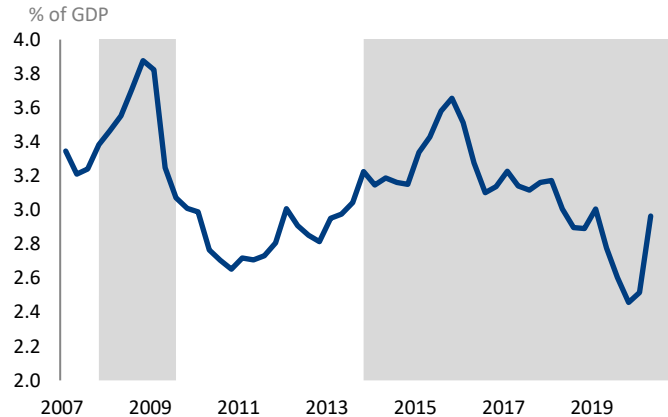
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

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