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

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## Highlights

### Russia invades Ukraine

As feared, Russia invaded Ukraine on 24 February. In reaction, the west announced a package of sanctions designed to significantly damage the Russian economy. The sanctions include banishing some banks' (non-energy) financial flows from Swift, the main international payment system, and freezing some assets of the Russian central bank. Strategically, the energy sector has so far been shielded from serious sanctions. Russia is responsible for 12% of global oil output and almost 17% of gas. Concerns about Russian supply have contributed to a sharp rise in the Brent crude oil price. Besides energy, other global commodity markets have also been affected (see [graphs](#)). Combined, Russia and Ukraine account for a quarter of global wheat exports, and about 15% of global maize exports. As a result, international prices of both commodities have risen sharply.

### Budget metrics improve on back of revenue windfall

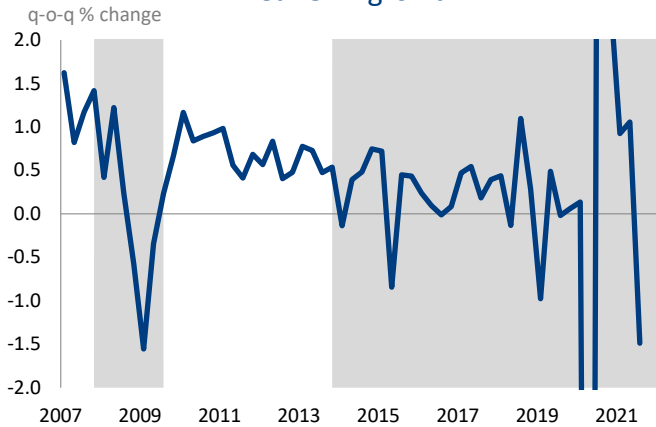
On 23 February, the Minister of Finance, Enoch Godongwana, tabled his first main budget in Parliament. Compared to both the February 2021 budget and November's mini-budget, the fiscal projections were significantly more optimistic. This improvement is mainly driven by elevated SA export commodity prices that are fuelling mining sector profits, as well as a faster-than-expected recovery in non-mining company earnings. Main budget revenue for 2021/22 is now estimated to be 14.6% more than projected a year before. At the same time, total expenditure is expected to be only 3.6% higher. Gross loan debt is forecast to rise from 70% of GDP in 2021/22 to 75% of GDP in 2024/25, which is better than the 78% projected in November and 5%pts below last February's estimate (see [graphs](#)).

### Mediocre recovery for manufacturing; mining output contracts significantly in Q4

Stats SA reported that the volume of **manufacturing** output increased by 2.5% q-o-q (seasonally adjusted, sa) in Q4, following a contraction of 4.2% in Q3. While a recovery from the damage caused by the social unrest in July 2021 and the third COVID wave, the sector did not fully bounce back. Meanwhile, real **mining** output volumes contracted by 3.5% q-o-q (sa) in 2021Q4, following a contraction of 1% in Q3. Iron ore (-15.5%), gold (-7.7%) and coal mines (-4.2%) recorded the steepest contractions, with higher output from platinum group metal mines (+8%) not enough to offset this (see [graphs](#)).

# Core indicators

## Real GDP growth



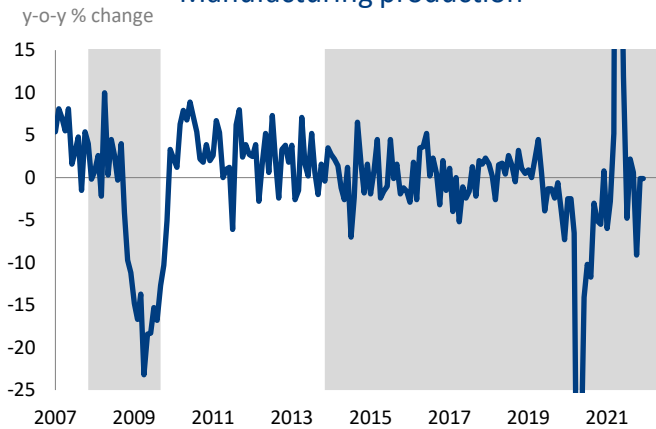
Source: Stats SA

## CPI inflation



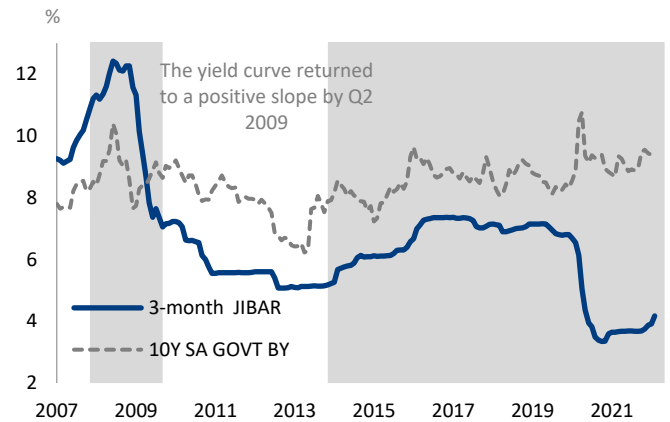
Source: Stats SA

## Manufacturing production



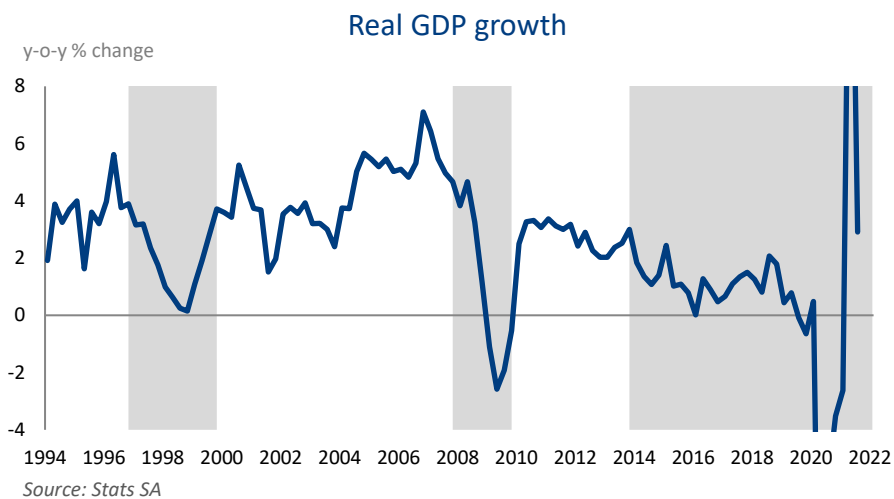
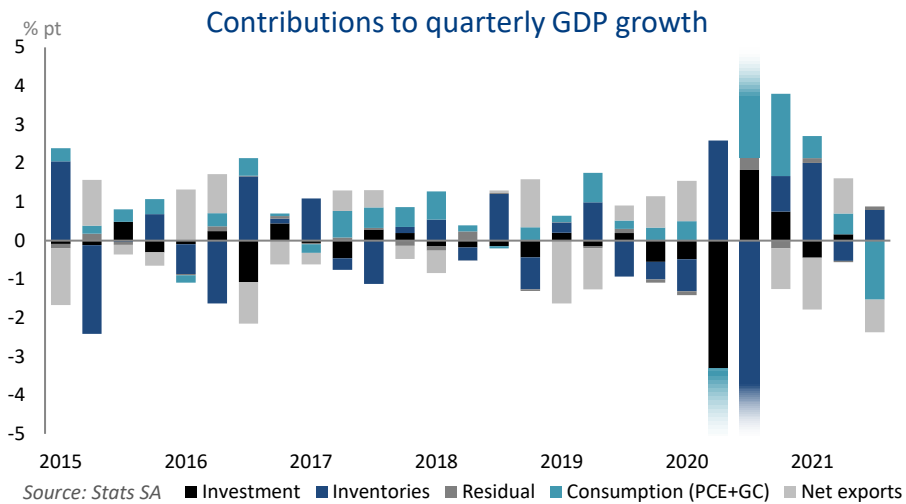
Source: Stats SA

## Interest rates



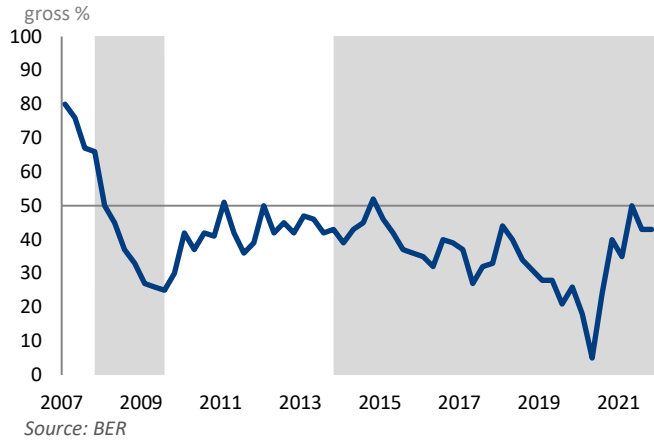
Source: DataStream

# GDP growth

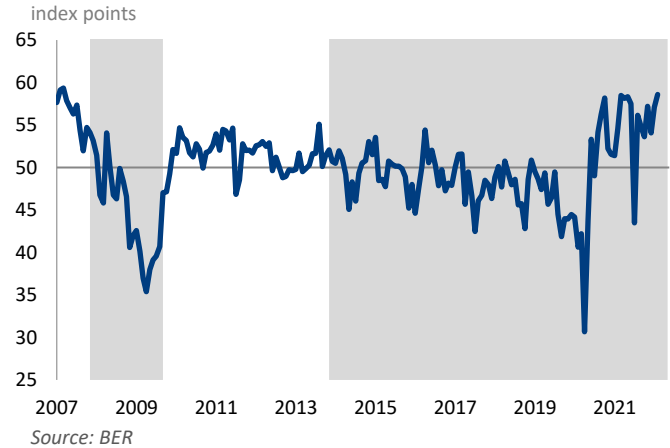


# Business environment

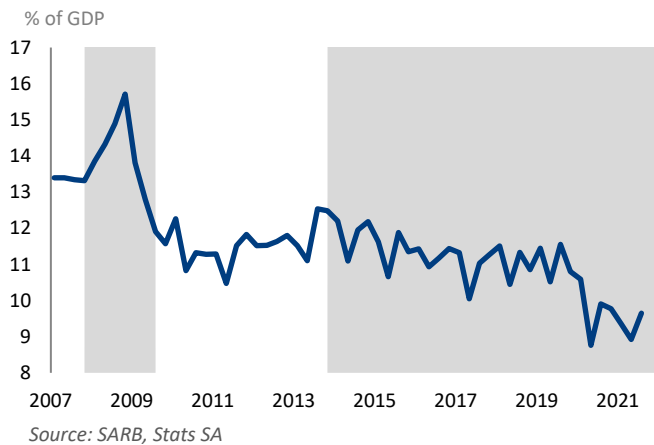
## RMB/BER Business Confidence Index



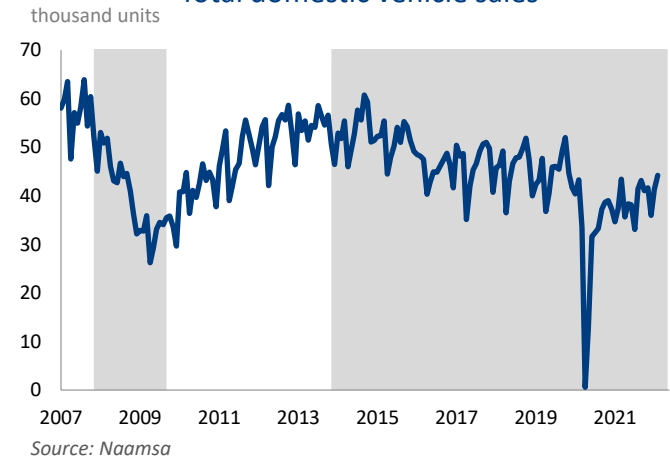
## Absa Purchasing Managers' Index



## Private fixed investment

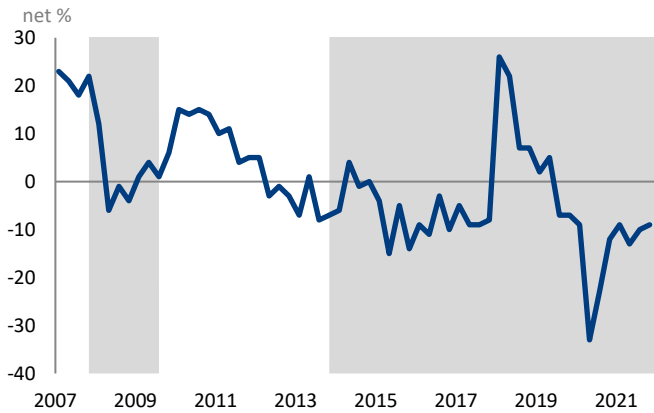


## Total domestic vehicle sales



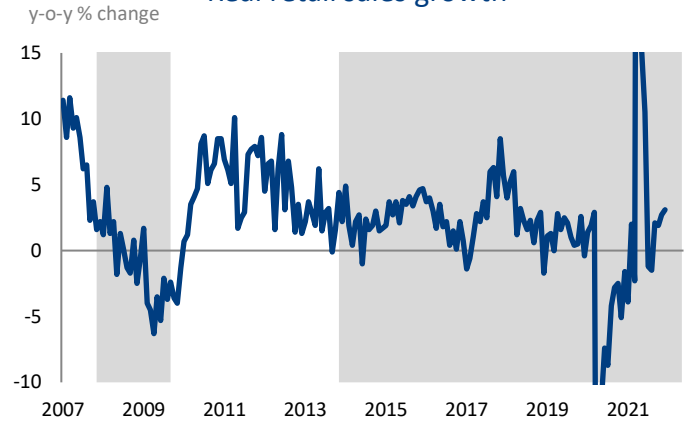
# Household consumption

## FNB/BER Consumer Confidence Index



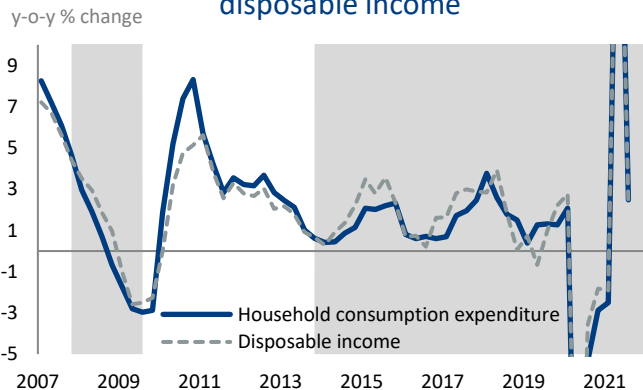
Source: BER

## Real retail sales growth



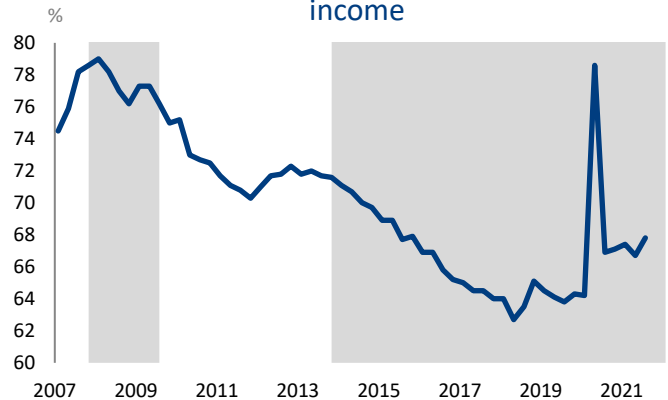
Source: Stats SA

## Household consumption and real disposable income



Source: SARB, Stats SA

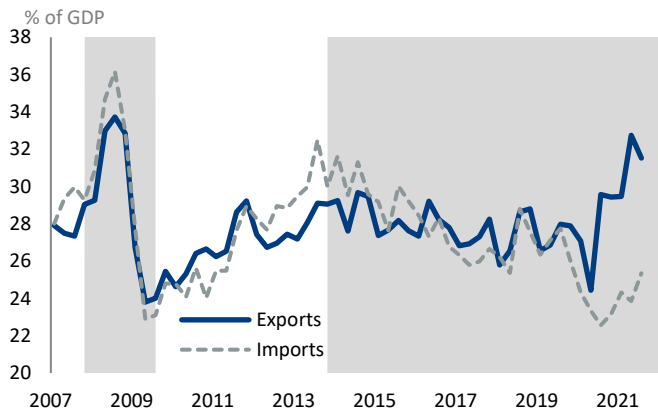
## Ratio of household debt to disposable income



Source: SARB

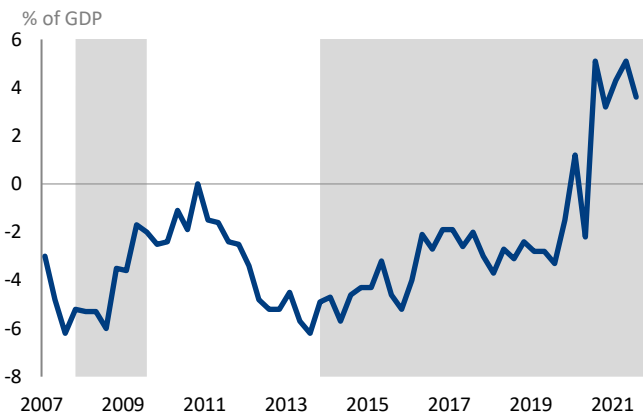
# International trade

## Imports and exports



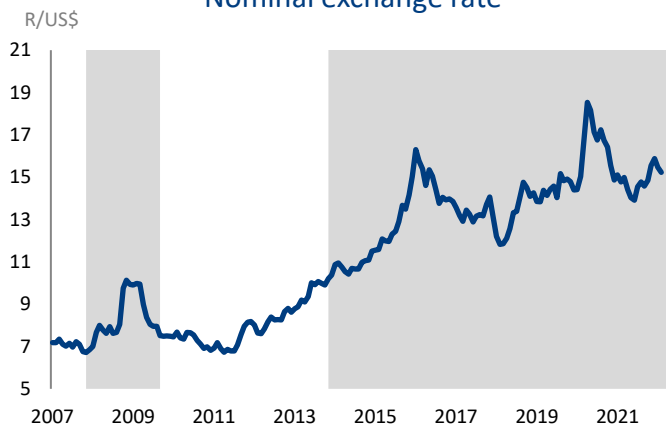
Source: SARB, Stats SA

## Current account balance



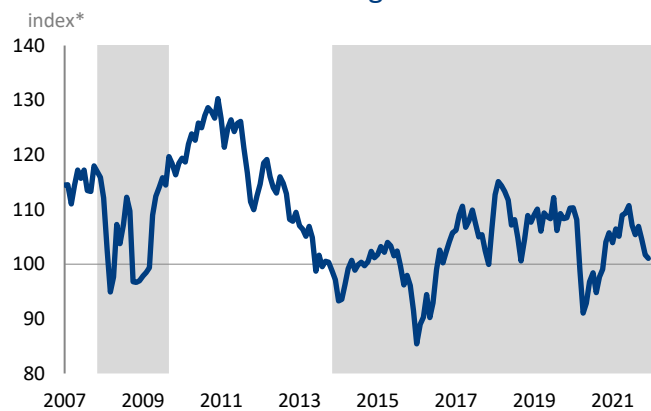
Source: SARB

## Nominal exchange rate



Source: DataStream

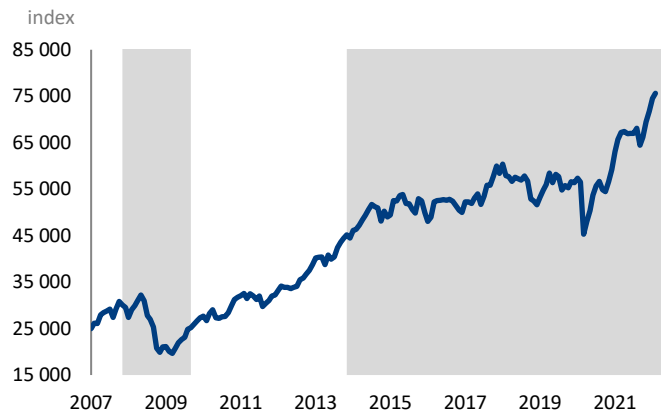
## Real effective exchange rate of the Rand



Source: SARB \*higher values denote a stronger rand

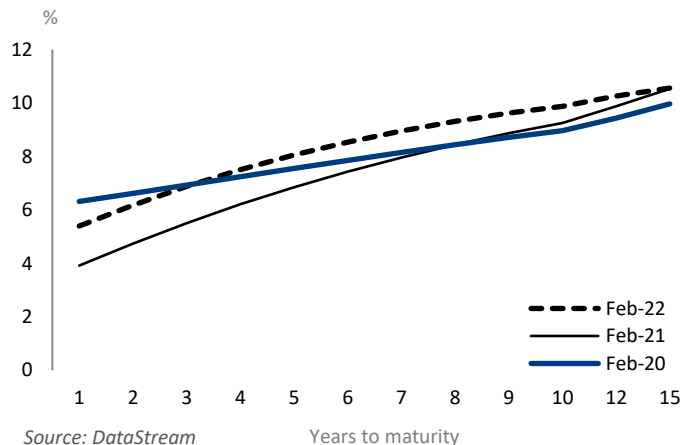
# Financial markets

### JSE all share index



Source: DataStream

### Yield curve comparisons



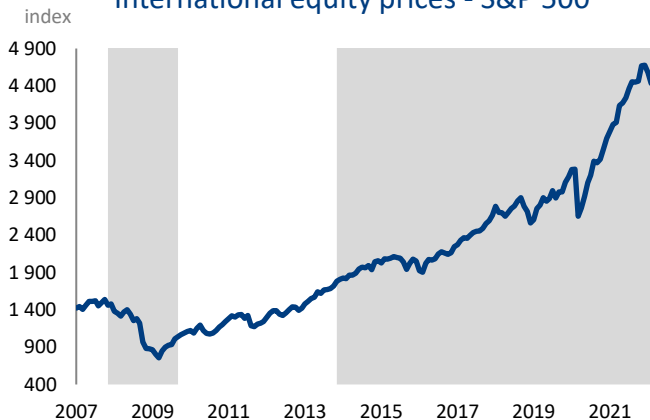
Source: DataStream

### Economist all commodities index



Source: Economist

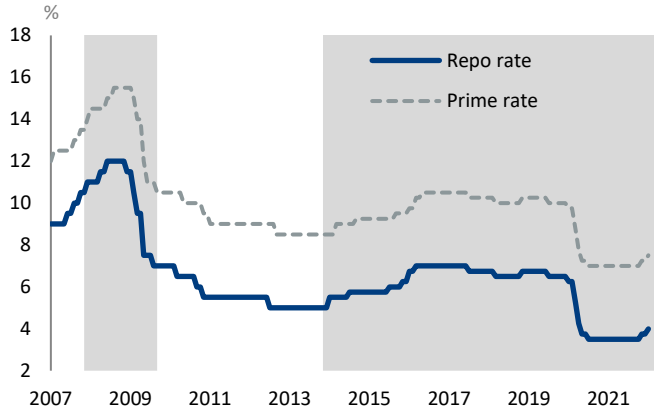
### International equity prices - S&P 500



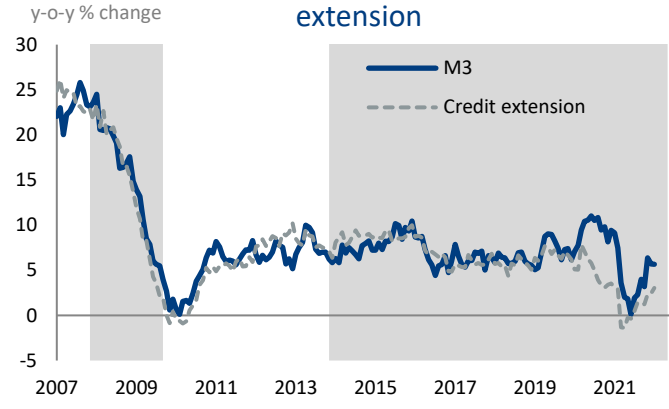
Source: DataStream

# Money and prices

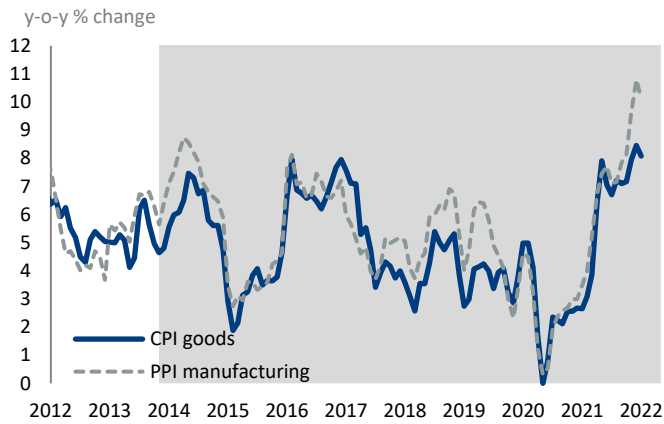
## Repo and prime interest rate



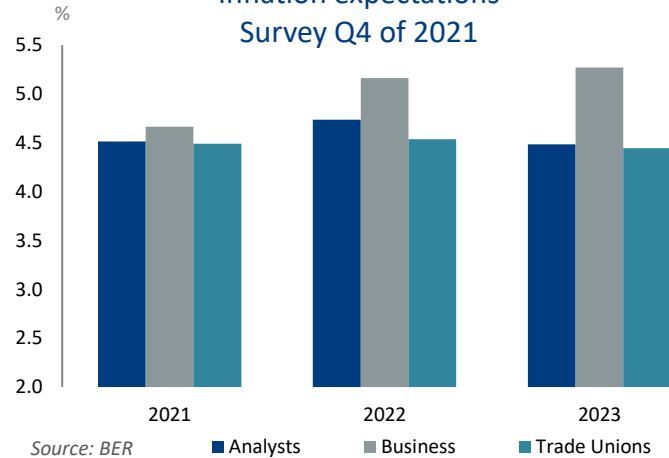
## M3 monetary aggregates and credit extension



## Consumer and producer prices



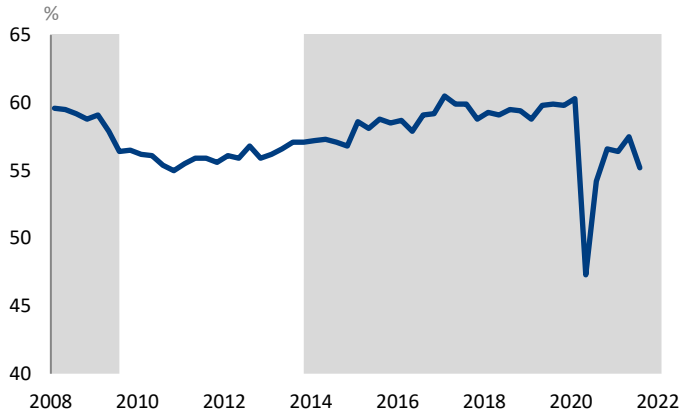
## Inflation expectations Survey Q4 of 2021





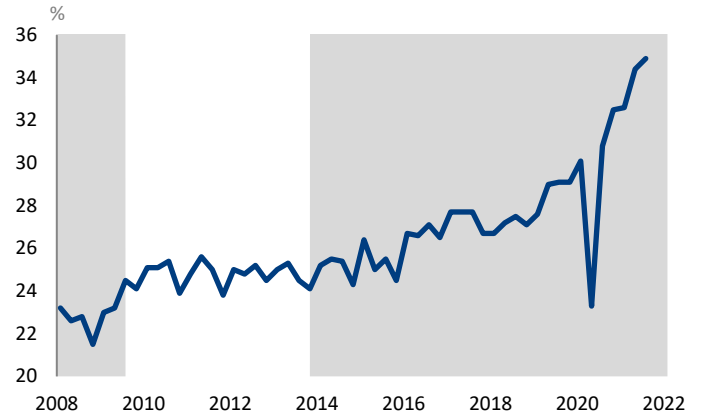
# Labour

### Labour force participation



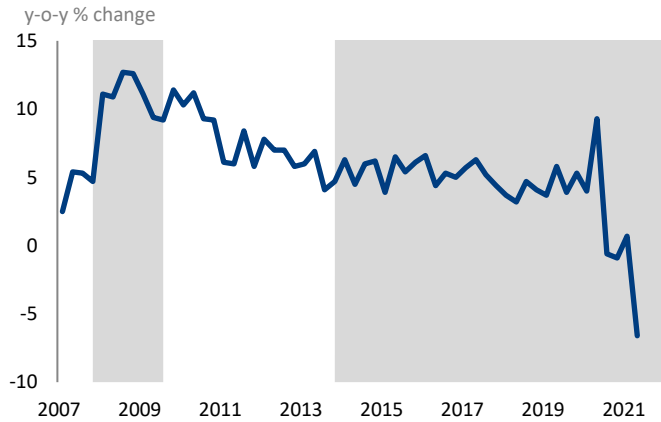
Source: Stats SA

### Unemployment rate



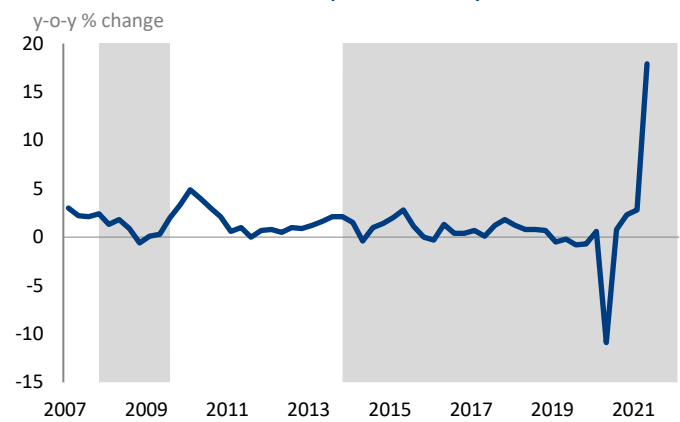
Source: Stats SA

### Unit labour cost



Source: SARB

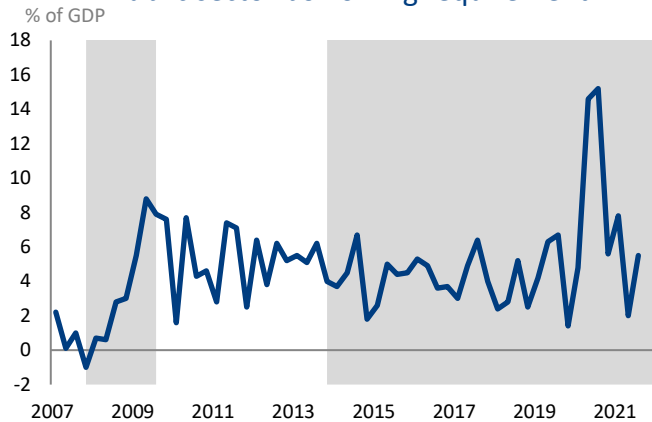
### Labour productivity



Source: SARB

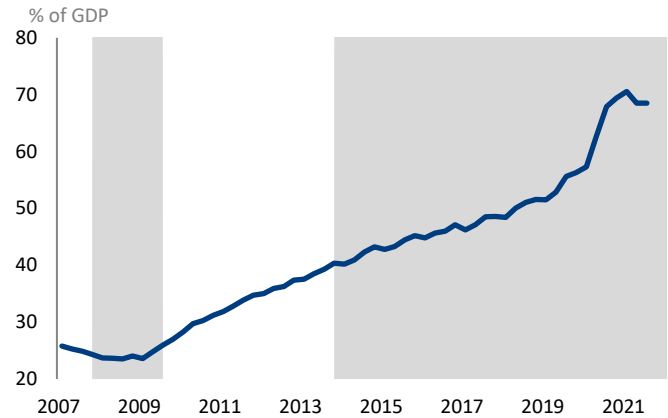
# Government

## Public sector borrowing requirement



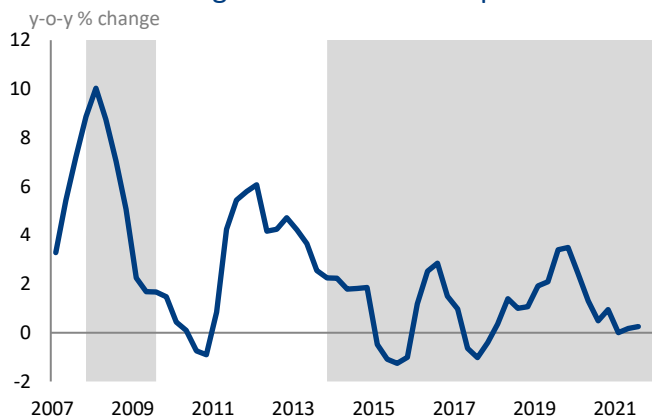
Source: SARB

## Gross government debt



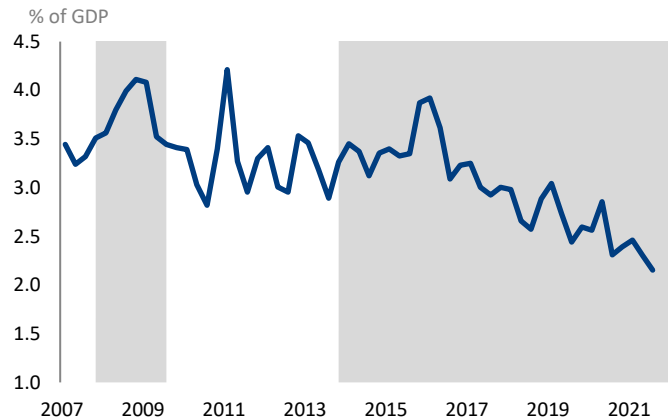
Source: SARB

## Real government consumption



Source: SARB, Stats SA

## Government fixed investment



Source: SARB, Stats SA

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