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Economic Prospects

Economic activity expected
between 2017 and 2019

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Forecast in a nutshell

Real annual % change*	2017	2018	2019
Final household consumption expenditure	**0.9**	**1.3**	**2.0**
Durable goods	-0.9	2.7	4.2
Semi-durable goods	0.9	2.1	3.0
Non-durable goods	0.4	1.1	1.6
Services	1.7	1.1	1.6
Gross fixed capital formation	**-1.3**	**-0.8**	**1.7**
Government	3.3	-3.7	2.0
Public Corporations	-2.5	0.8	1.1
Gross domestic expenditure	**1.0**	**0.7**	**1.7**
Exports of goods and services	2.2	2.4	2.2
Imports of goods and services	3.4	1.6	2.6
Gross domestic product	**0.6**	**0.9**	**1.6**
Current account as % of GDP	**-2.3**	**-2.3**	**-2.9**
Interest rates (%)			
3 month NCD rate	7.22	7.15	7.14
10-year government bond yield	8.78	9.36	9.53
Prime overdraft rate	10.39	10.25	10.25
Inflation rates (%)			
Producer prices	4.8	5.1	4.8
Consumer prices	5.3	5.1	5.5
Labour and employment			
Nominal wage rate	4.6	6.2	6.2
Employment growth	1.8	-0.4	0.9
Exchange rates (annual average)			
R/US dollar	13.41	14.16	14.29
R/Euro	15.12	16.32	16.43
R/Pound sterling	17.33	18.58	18.57
R/100 Japanese Yen	11.97	12.67	12.96

** unless specified otherwise*

Executive summary

The acceleration in global activity that started in 2016 appears to be picking up steam in 2017. However, worsening domestic constraints continue to prevent the SA economy from benefitting from the improved global conditions. As a result, GDP growth is projected to remain well below 2% over the forecast horizon.

Global economic activity is projected to accelerate in 2017 and 2018. Growth in investment, trade, and industrial production, coupled with strengthening business and consumer confidence, continue to support the recovery. However, some caution is warranted. While global growth has indeed picked up, the recovery is not complete and growth remains subdued in many countries. That being said, over the forecast period, global growth is expected to rise to levels last seen before the onset of the financial crisis in 2007/08.

On the **domestic front**, despite a better-than-expected Q2 growth figure, economic activity continues to be undermined by political and policy uncertainty. Business confidence remains weak across all key sectors, while the underlying drivers of consumer spending remain downbeat.

Looking ahead, growth is expected to pick up marginally over the forecast period. The BER now expects real GDP growth to measure 0.6% in 2017 (previous 0.3%) before accelerating to around 0.9% (previous 1.1%) in 2018. Growth of 1.6% is pencilled in for 2019.

The **rand** has been one of the most volatile currencies in 2017 as intermittent domestic missteps counter greater foreign investor demand in a search for yield. Continued political uncertainty and the possibility of further credit rating downgrades on the back of a deteriorating fiscal outlook have necessitated a downward revision to our rand forecast. That being said, given the high level of event risk towards the end of the year and into 2018, the currency risks remain mostly on the downside.

Given the possibility of large capital outflows in the event of further downgrades, while also taking into account the weak growth environment and subdued inflation profile, we expect the SARB to stay the course and keep the **policy rate** unchanged over the forecast horizon. However, the outlook for monetary policy depends crucially on the outcome of the ANC's elective conference. A well-received outcome that leads to a significant strengthening in the rand exchange rate could open the door for additional rate cuts.

On the demand side, **consumer spending** is expected to remain under pressure over the forecast period as tight fiscal policy, low consumer confidence, subdued credit extension and weak employment growth weigh on spending.

Finally, low business confidence and policy uncertainty should keep a lid on **private sector fixed investment**. Combined with less support from the public sector in an environment of deteriorating fiscal accounts, this suggests that overall fixed investment will remain under pressure over the forecast period.

In all, per capita income will likely continue to stagnate in coming years, suggesting that SA could be heading for a low-growth trap characterised by sustained weak growth, mounting government debt and rising unemployment.

This report was completed on 8 November 2017.
Please refer to the glossary on the BER's website for explanations of technical terms.

Contents

List of tables

List of figures

Introduction

As has been the case over the past 12 to 18 months, local concerns continue to counter global factors in driving domestic economic performance. At a time when global growth is looking up and investor sentiment towards emerging markets remains robust, SA appears to be in no position to take advantage of the favourable conditions. Political infighting, policy uncertainty and structural constraints continue to hamper domestic growth prospects.

Global growth on firmer footing

The pick-up in global growth that started in 2016 gathered steam in 2017H1 and appears to have been sustained into the second half of 2017. Firmer domestic demand in advanced economies and an improved performance in other large emerging market economies has resulted in a marginal upward revision to the global growth outlook for 2017/18. While uncertainty abounds, particularly in the political arena, indications are that global growth is on solid ground. In fact, more countries are recording positive GDP growth than in any year since 2007. According to International Monetary Fund (IMF) forecasts, 94% of the world's economies will register positive annual growth this year, just below the 96% achieved in 2007.

Under normal circumstances, the SA economy should be expected to reap the rewards of better global growth. However, domestic factors continue to prevent the local economy from fully benefitting from improving global conditions. Low business and consumer confidence amid heightened political and policy uncertainty continues to weigh on private sector activity, while worsening fiscal accounts have placed a limit on the ability of government to stimulate a flagging economy. Add to that the spectre of looming (self-inflicted) credit rating downgrades and seemingly never-ending reports of state capture and mismanagement at state owned enterprises (SOEs), and it appears as if SA is determined not to take advantage of the improvement in global activity.

Domestic constraints weighing on growth outlook

Under these circumstances, we expect real GDP growth to measure 0.6% in 2017, before picking up marginally to 0.9% in 2018. Growth of 1.6% is pencilled in for 2019. Risks to this outlook remain on the downside, as an undesirable outcome to the ANC elective conference in December could see a further deterioration in growth prospects. However, positive developments on the political front could see a quick turnaround in business and consumer confidence which could result in a faster-than-expected GDP growth recovery.

The rest of this report gives a more in-depth overview of recent economic developments and sets out the reasoning behind the BER's latest forecast.

Global outlook

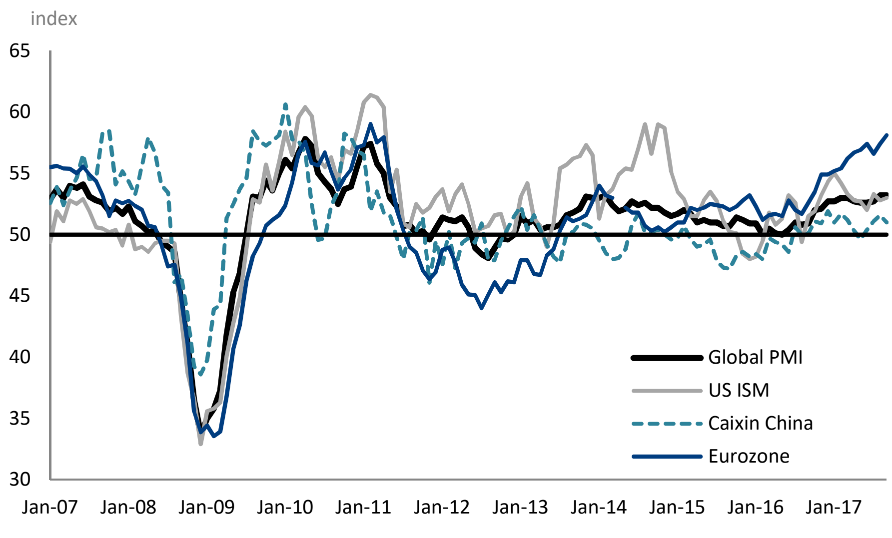
This section provides an overview of the international assumptions underlying the BER's latest forecast.

Global growth maintaining momentum

Stronger-than-expected growth in 2017H1

The acceleration in global activity that started in 2016 gathered steam in 2017H1, reflecting firmer domestic demand in advanced economies and China, and an improved performance in other large emerging market economies. In its latest *World Economic Outlook (WEO)* publication, the IMF notes that a pick-up in investment, trade, and industrial production, coupled with strengthening business and consumer confidence, continues to support the recovery. Encouragingly, high-frequency survey data suggests that growth remained well supported in 2017Q3, with global purchasing managers' indices (PMI) remaining above the neutral 50-index point mark (see Figure 1 below). The J.P. Morgan Global Manufacturing PMI averaged just above 53 index points in 2017Q3, higher than the 52.8 recorded in the first half of the year. In all, stronger-than-expected growth outcomes in 2017H1, combined with positive production and sentiment indicators for Q3, resulted in a modest upward revision to the global growth outlook for 2017/18.

Figure 1: PMI data points to continued growth momentum



Source: HIS Markit, ISM

While global growth has indeed picked up, the recovery is not complete and growth remains subdued in many countries. The outlook for advanced economies has improved, notably for the Eurozone (EZ), but in many countries inflation remains weak. This suggests persistent slack, while prospects for growth in GDP per capita are held back by low productivity growth and unfavourable demographic developments. Prospects for many emerging market (EM) and developing economies in sub-Saharan Africa, the Middle East, and Latin America are lacklustre, with several countries experiencing stagnant, or even declining, per capita incomes. In all, while global growth is expected to tick up over the short- to medium term, some caution is warranted.

US growth remains well-supported

Among advanced economies, domestic demand and output grew faster in the first half of 2017 than in the second half of 2016. In the **US**, growth picked up from 1.2% (annualised) in 2017Q1 to 3.1% in Q2, the strongest growth rate since the first quarter of 2015. Weakness in consumption in Q1 turned out to be temporary, while fixed investment continued to strengthen, partly reflecting a recovery in the energy sector. This momentum appears to have been sustained into 2017Q3, with the ISM Manufacturing PMI measuring 53 in the third quarter versus 52.5 in 2017Q2 (see Figure 1 above). In fact, GDP growth measured 3% (annualised) during the third quarter. Activity continues to be underpinned by solid employment growth, rising wages, solid consumer spending and increased business investment on the back of higher oil prices. While the fallout from hurricanes Harvey and Irma could, by some estimates, shave off up to 0.8 percentage points (%pts) from 2017Q3 growth, this decline should be more than offset by increased activity in the final quarter of 2017 as rebuilding and reconstruction commence. In all, expectations are for US growth to measure north of 2% in both 2017 and 2018.

Strong external demand and accommodative policy supporting EZ activity

GDP growth in the **EZ** came in at just over 2% year-on-year (y-o-y) in 2017H1, bolstered by strong private consumption, investment, and solid external demand. Growth momentum seems to have been maintained into the second half of the year, as reflected in the IHS Markit Eurozone Manufacturing PMI which hit a 79-month high of 58.1 in September. If the services industry is included, the all-industry EZ PMI measured 56 index points in 2017Q3 and has now signalled expansion for the past 51 months. In fact, GDP growth measured 2.5% y-o-y in 2017Q3. Growth is expected to average around 2% in 2017/18, reflecting an acceleration in exports in the context of the broader pick-up in global activity, and continued strength in domestic demand on the back of accommodative financial conditions.

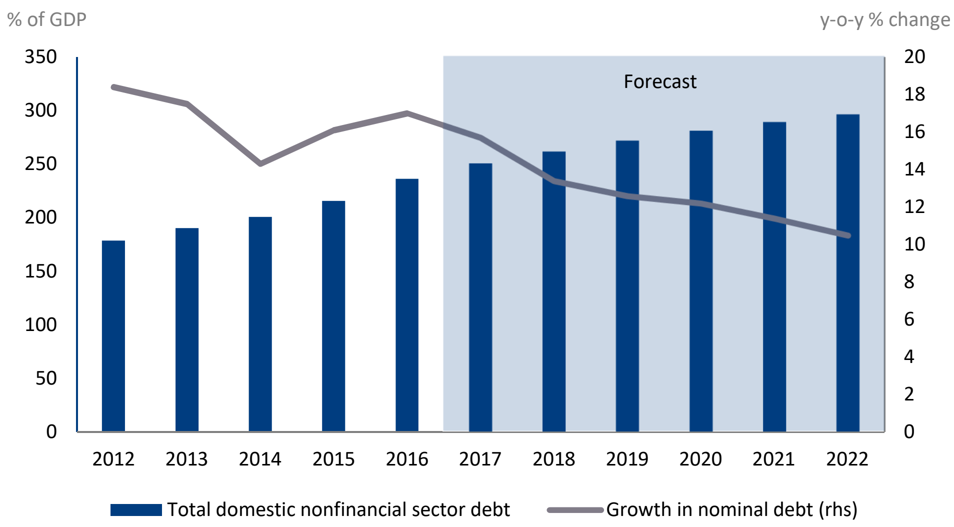
Growth in the **UK** is expected to subside to 1.7% in 2017 and 1.5% in 2018. GDP growth came in below expectations in 2017H1 on the back of softer growth in private consumption as the depreciation in the pound weighed on household real income. Medium-term prospects are highly uncertain and will depend, in part, on the new economic relationship with the European Union and the extent of the increase in barriers to trade once Brexit is finalised. In **Japan**, momentum is driven by stronger global demand and supportive fiscal policy. Growth of 1.5%

is projected for 2017. However, the pace of expansion is expected to moderate going forward as fiscal support fades and private consumption growth moderates. Over the medium term, growth will remain constrained by a shrinking workforce, a rising old-age dependency ratio and tight immigration controls.

China surprises on the upside in '17H1; financial sector risks remain

Turning to Emerging Markets, activity in **China** was stronger than projected in 2017H1, driven mainly by previous policy easing and supply-side reforms. As a result, the Chinese economy is on track to grow by 6.8% in 2017, which would be the first acceleration in growth since 2010. Growth is expected to remain well-supported over the medium term as authorities maintain a sufficiently expansionary policy mix to meet their target of doubling real GDP between 2010 and 2020. However, Chinese growth continues to be partly generated by a significant increase in indebtedness, combined with rapidly rising property prices in some cities. In fact, total nonfinancial sector debt stood at 230% of GDP in 2016 and is projected to increase to just under 300% in 2022 (see Figure 2 below), with debt growing at almost twice the rate of nominal GDP. Additionally, debt is being used inefficiently, with the IMF estimating that in 2015/16 it took 20 trillion renminbi of new credit to raise nominal GDP by just 5 trillion renminbi. High and increasing Chinese corporate debt levels, and elevated levels of bad debt, present a significant threat to global financial stability and continue to pose a downside risk to the global growth outlook. That being said, Chinese growth is expected to remain well-anchored at around 6.5%.

Figure 2: High and rising Chinese coporate debt levels



Source: IMF

Looking further afield, solid growth is expected in the rest of **Emerging Asia**, with India leading the pack. While Indian growth is expected to moderate in 2017 on lingering disruptions associated with the currency exchange initiative introduced in late-2016 and transition costs related to the launch of the national Goods and Services Tax in mid-2017, growth should remain well-supported over the medium term. Brazil's emergence from a two-year recession will help to lift aggregate growth in **Latin America**, but growth will remain subdued on a year-on-year basis as the protracted Brazilian corruption scandal continues to weigh on confidence in the region. In **sub-Saharan Africa**, growth is expected to pick up as Nigeria emerges from the 2016 recession caused by low oil prices and the disruption of oil production. A sharp slowdown in Iran and lower oil production in the wake of the OPEC cuts could weigh on activity in the **Middle East**.

Political uncertainty clouds global outlook

In all, global growth is expected to accelerate to 3.6% in 2017, with economic activity projected to pick up speed in all country groups except for the Middle East, before ticking up further in 2018 (see Table 1 below). Given the strong momentum going into 2017Q4, global growth may continue to positively surprise over the short term. However, against this backdrop of firmer global growth lies the highest level of political risk in several years. At the centre of this is Donald Trump's administration in the US. Mr Trump is an unpredictable, thin-skinned and impulsive leader, and the transformation of the US into an unpredictable international actor poses enormous downside risk to global growth and international political stability. Additionally, while Europe's ongoing recovery will be consolidated over the forecast period, political risk remains elevated as evidenced by recent gains by nationalist parties in the German and Austrian elections. Finally, underlying vulnerabilities remain in some large EMs, with high levels of corporate debt, weak balance sheets and reduced policy buffers leaving these countries exposed to tightening global financial conditions.

Table 1: Global growth outlook

y-o-y % change	2016	2017	2018
World	**3.2**	**3.6**	**3.7**
Advanced countries	**1.7**	**2.2**	**2.0**
USA	1.5	2.2	2.3
Euro area[1]	1.8	2.1	1.9
United Kingdom	1.8	1.7	1.5
Japan	1.0	1.5	0.7
Developing countries	**4.3**	**4.6**	**4.9**
China	6.7	6.8	6.5
India	7.1	6.7	7.4
Emerging Europe	3.1	4.5	3.5
Latin America and Caribbean	-0.9	1.2	1.9
Sub-Saharan Africa	1.4	2.6	3.4

[1]19 Eurozone Countries

Source: IMF World Economic Outlook, October 2017

Balance of forces keeping commodities in check

After taking a breather in mid-2017, most commodity prices posted modest gains in 2017Q3. **Brent crude oil** is currently trading at around $62 barrel, up almost 30% from a low of just over $45 per barrel in late June. The increase has been fuelled by rising optimism regarding global growth prospects, production outages in the US as multiple hurricanes battered the east coast during early-September, a falling US oil rig count, increased compliance by OPEC members with their production-cut agreement, and renewed geopolitical tensions in the Middle East. However, Brent has struggled to maintain any sustained upward momentum, with analysts citing the so-called "shale band" – the price range US shale drillers can operate in without flooding the market or going bust – as a limiting factor on any major swings. Looking ahead, we expect that a combination of higher demand and ample supplies will result in Brent trading in a narrow band over the forecast horizon.

Oil expected to average below $60 over forecast period

Other industrial commodity prices also fell sharply mid-year before rebounding over recent months amid the improvement in macroeconomic sentiment, especially in China. The exception is **iron ore** which remains 25% below its January 2017 level on lower demand from China and an increase in low-cost supply from Australia and Brazil. In all, we expect industrial commodity prices to remain contained over the forecast horizon as higher demand due to a faster growing global economy is offset by increased supplies and elevated inventory levels (see Table 2 below).

Table 2: Commodity price outlook

		Forecast		
quarterly average	2016Q4	2017Q4	2018Q4	2019Q4
Iron ore ($/tonne)	70.8	59.8	68.1	62.6
Coal ($/tonne)	85.6	92.4	78.5	77.8
Brent crude oil ($/barrel)	51.1	55.0	55.0	59.5
Gold ($/oz)	1219.0	1290.0	1276.0	1293.5
Platinum ($/oz)	943.0	921.7	950.0	1033.3
Palladium ($/oz)	683.2	935.0	965.0	974.0

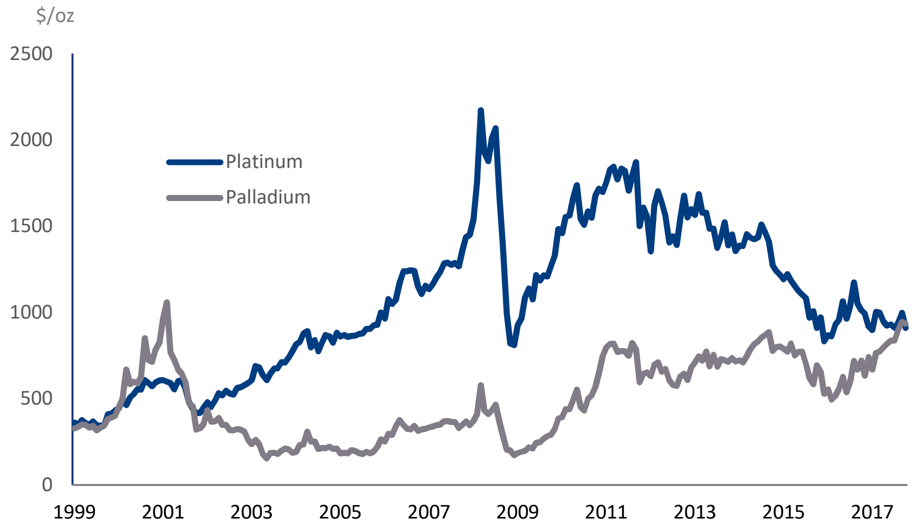
Source: Reuters, BER forecast

The price of **platinum** has trended broadly sideways for most of 2017, trading in a range of between $900 and $1000 per ounce. As mentioned in previous editions of *Economic Prospects*, output in SA, the world's largest producer, continues to be undermined by legislative uncertainty and rising costs. Expectations for a sharp drop-off in SA platinum supply by the end of the decade make us cautiously optimistic about the medium-term outlook for platinum. However, reports of major vehicle producers scaling down the production of

Palladium gaining ground

diesel-powered vehicles pose a significant longer-term demand risk to platinum as the metal is used heavily in pollution-control devices in diesel vehicles in particular. In contrast, the price of **palladium**, which is used in gasoline-powered vehicles, has surged by more than 40% year-to-date on the expected shift away from diesel cars. In fact, in mid-October, palladium traded above platinum for the first time since the early-2000s (see Figure 3 below) and the expectation is that the price will remain well-supported over the forecast horizon.

Figure 3: Palladium surges as platinum retreats



Source: Reuters

The **gold** price has found some support from a weaker US dollar, as well as safe-haven demand during intermittent geo-political scares. Tension between the US and North Korea, as well as persistent unrest in the Middle East, should continue to put a floor under gold.

Dollar weakness overcooked

Dollar to average $1.15/€ over forecast horizon

The US dollar has trended broadly weaker against the euro through most of 2017 as it became clear that President Trump's much anticipated expansionary policies will take longer to implement, or may not happen at all, and EZ activity began to pick up pace. As a result, expectations regarding the pace of US monetary policy tightening were scaled back while expectations for ECB tightening measures were brought forward, weighing on the dollar. However, the US Federal Reserve has given little indication that it plans to deviate from the communicated policy path, while the ECB has stressed that the persistent low-inflation environment might require that policy remains accommodative for longer. As such, we do not expect the dollar to weaken further from current levels. However, the greenback is expected to remain range bound, averaging around $1.15/€ over the entire forecast horizon, as policy uncertainty in the US weighs against tighter monetary conditions on both sides of the Atlantic.

Domestic outlook

This section discusses the BER's outlook for the domestic economy.

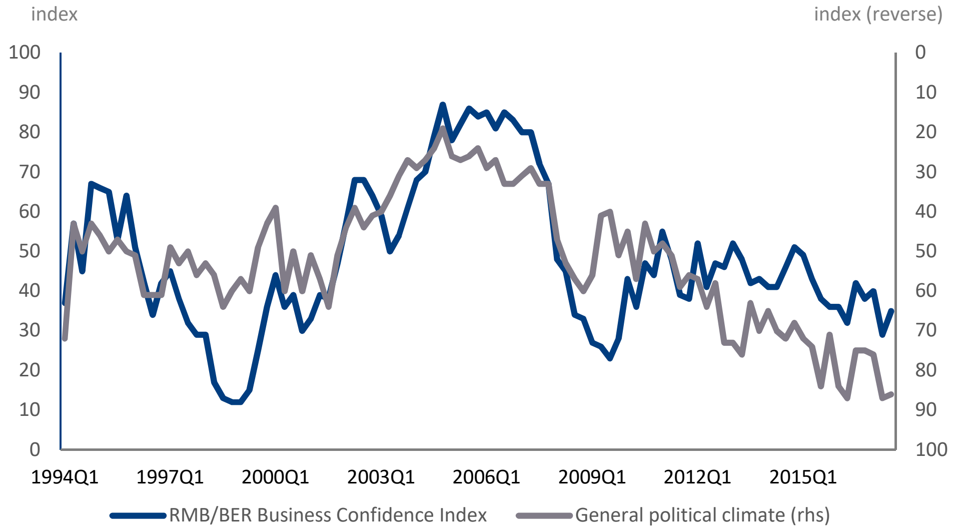
SA exits recession in '17Q2

The SA economy emerged from its second recession in just under a decade as GDP growth rebounded to 2.5% quarter-on-quarter (q-o-q), seasonally adjusted and annualised, in 2017Q2. While a rebound in growth was widely expected following the particularly disappointing outcome in Q1, the broad-based nature of the recovery provided welcome relief and suggests that the weakness recorded in the services sector in the first quarter might have been a temporary blip. Encouragingly, eight of the ten production-side GDP sectors expanded in Q2 after just as many contracted in the first quarter.

Low confidence weighing on growth

Despite the rebound in 2017Q2, the growth outlook remains subdued. Business confidence remains weak across all key sectors amid lingering political and policy uncertainty and while the consumer has shown more resilience than expected, the underlying drivers of spending remain downbeat. As has been the case for much of 2016 and 2017, political uncertainty appears to be one of the main drags on economic activity.

Figure 4: Political climate weighing on business confidence



Source: BER

The percentage of manufacturing firms listing the general political climate as a constraint on business surged to a joint record level in 2017Q2 following the cabinet reshuffle in March and remained elevated in Q3 (see Figure 4 above).

Along with weak domestic demand conditions, the uptick in political uncertainty over the last 12 to 18 months resulted in a substantial deterioration in business confidence, which, in turn, has weighed on economic activity, with private fixed investment taking the brunt of the hit. In the absence of a confidence-boosting political resolution, a meaningful improvement in growth prospects does not appear to be on the cards. Of particular importance is the outcome of the ANC's elective conference in December, with many market participants holding off on major decisions until a clear winner emerges.

Politics continues to cloud economic outlook

Against this backdrop of extreme political uncertainty, it becomes difficult to formulate a macroeconomic forecast with any degree of confidence. While the better-than-expected performance in 2017Q2 necessitated a slight upward adjustment to our forecast for 2017 GDP growth, the outlook for 2018 has been scaled down relative to our July forecast. In our view, the extreme levels of factionalism within the ruling party suggest that the current policy paralysis may in fact persist into 2018 and beyond, irrespective of who claims victory at the ANC elective conference. Under these circumstance, a kind of "muddling through" scenario becomes the most likely. <u>In all, our current baseline forecast projects real GDP growth of 0.6% in 2017 (0.3% previously) and 0.9% in 2018 (1.1% previously).</u> Growth of 1.6% is pencilled in for 2019.

The forecast is particularly disappointing in light of the continued improvement in the external environment. Stronger global growth, stable commodity prices and positive investor sentiment towards EMs in general should, under normal circumstances, provide more of a boost to domestic economic activity. However, persistent political and policy uncertainty continue to erode any benefit that might accrue from an improving global backdrop.

Rand under pressure on increased probability of further downgrades

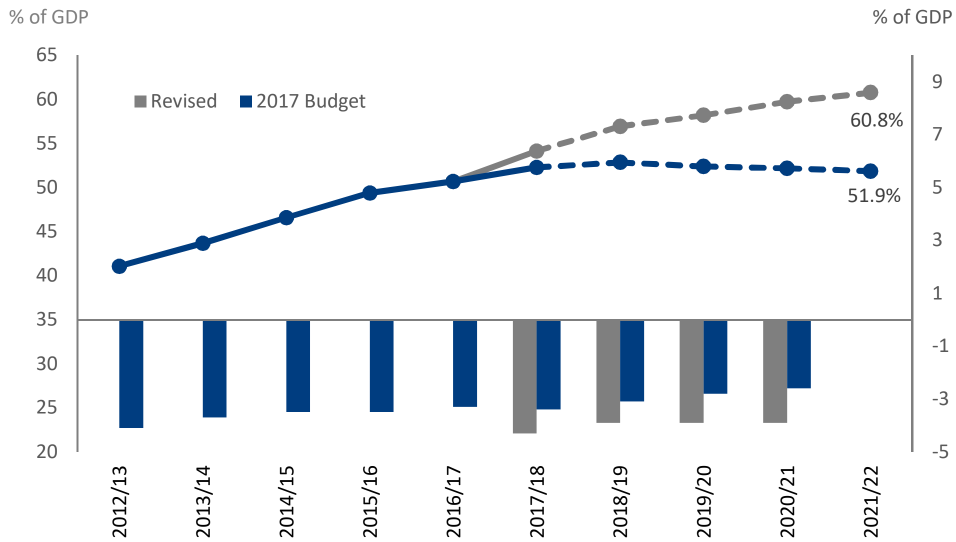
Search for yield continues to shield rand

The rand has traded in a wide band of between R12.30 and R14.30 to the US dollar over the course of 2017 as intermittent domestic missteps countered the more supportive international environment. Despite these often wild swings, the rand has remained remarkably resilient given SA's persistently weak GDP environment and stubbornly low productivity levels, not to mention the spectre of possible credit ratings downgrades in early-2018. In the context of very accommodative global monetary policy and the concomitant search for yield, international investors continue to look favourably on EM assets. In fact, year-to-date, foreigners have been net *purchasers* of just over R57 billion in domestic bonds. Along with sustained trade surpluses so far in 2017, this has shielded the rand to some extent. However, should general investor sentiment turn or further domestic turmoil erode what goodwill remains towards SA, capital flows, and the currency, could react sharply.

MTBPS highlights fiscal frailty in low-growth environment

This risk came to the fore in the wake of the recent Medium-Term Budget Policy Statement (MTBPS). In his first budget policy speech, Minister Gigaba presented an "honest" assessment of SA's poor macroeconomic outlook and - in the absence of corrective measures - the dire consequences this will have for the fiscal balances. This was not a business as usual MTBPS as the Treasury effectively postponed any major fiscal decisions to the February 2018 Budget at the earliest. By then, there should hopefully be greater clarity on the country's future political leadership. Against expectations, no major revenue-raising or expenditure-control measures were announced to alleviate the worsening fiscal situation. Instead, government plans to borrow more to finance a gross government debt burden that is expected to now reach a worrying 61% of GDP by 2021/22 as deficits remain sticky around the 4% of GDP mark over the budget period (see Figure 5 below).

Figure 5: Gross debt-to-GDP (lhs) and deficit-to-GDP (rhs) outlook



Source: MTBPS 2017, National Treasury

MTBPS fails to impress ratings agencies

While National Treasury stressed that the fiscal metrics presented in the MTBPS reflect the likely outcome should the status quo persist and no additional fiscal measures be implemented, financial markets were not impressed. The rand weakened sharply in the wake of the statement, while domestic bond markets registered a net *outflow* of R6.3bn for the week ended 27 October. Additionally, credit ratings agencies appeared to take the MTBPS at face value, with Fitch stating that the "change in direction of policy making away from a focus on fiscal consolidation that we anticipated as a consequence of March's cabinet reshuffle is under way and occurring faster than we had expected". Moody's, which has traditionally been more lenient towards SA, also stated that the MTBPS signalled "a marked credit-negative departure from earlier fiscal consolidation efforts". Both agencies expect the divisions in the ANC to persist beyond the December electoral conference, noting that it is not clear that the political environment will become more conducive to fiscal consolidation.

Fiscal deterioration risks further downgrades

The MTBPS has materially raised the probability of local currency downgrades to sub-investment grade by S&P Global and Moody's. This would force SA out of the coveted World Government Bond Index (WGBI) with the potential for notable (albeit that the magnitude remains uncertain) foreign capital outflows from SA and a substantial weakening in the rand exchange rate. The difficulty is that the timing of further downgrades remain uncertain as, despite the MTBPS deterioration, the agencies may still feel obliged to wait for the outcome of the upcoming ANC electoral conference in December before making a final decision. Furthermore, depending on the outcome in December, the fiscal outlook may be notably different in twelve months. In fact, we believe that additional fiscal measures will be announced in the February 2018 budget irrespective of the outcome of the December conference. Having said that, the deterioration in growth prospects has necessitated an adjustment in our outlook for government finances. In all, we expect the government deficit-to-GDP ratio to measure 4.2% in 2017, before improving marginally to 3.9% and 3.7% in 2018 and 2019 respectively. As a result, net debt could accumulate at a faster pace than in our July forecast, with the debt-to-GDP ratio continuing to increase over the medium term, but not to the levels presented in the MTBPS.

Currency risks tilted to downside

For some time, we expected that the rand would come under selling pressure in 2017Q4 as risk events materialise. However, heightened political uncertainty, the recent depreciation in the rand exchange rate, and the possibility of further credit rating downgrades on the back of a deteriorating fiscal outlook, have necessitated a downward revision to our rand forecast. In all, we now expect the rand to average R14.00/$ (previous R13.60) in 2017Q4, before weakening further over the medium term to around R14.30/$ by end-2019. Crucially, this forecast does not incorporate the possibility of falling out of the WGBI or a sharp market reaction to an undesirable outcome at the ANC elective conference. As such, given the high level of event risk towards the end of the year and into 2018, the currency risks are mostly on the downside.

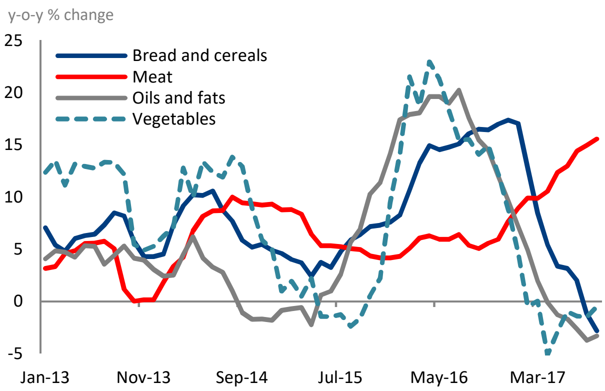
CPI inflation set to remain within target as food inflation weighs

Headline CPI inflation has fallen in line with expectations in recent months, mainly thanks to a sharp slowdown in food price inflation as strong summer crop

Moderating food prices keep inflation in check

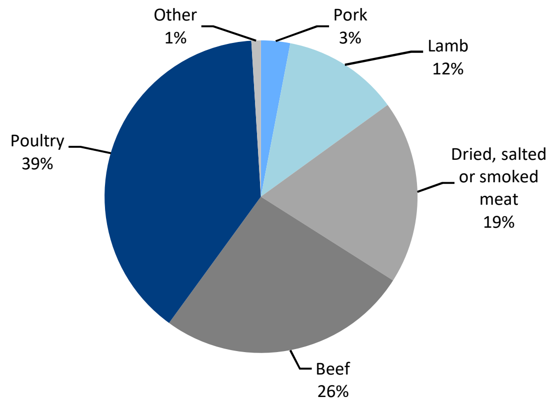
prospects pushed down grain and vegetable prices. **Food price inflation** reached a near two-year low of 5.4% y-o-y in September after averaging 8.4% y-o-y in the first half of the year. However, the details within the food basket have been mixed (see Figure 6 below). Price inflation in CPI categories such as 'bread and cereals', 'oils and fats' and 'vegetables' have come down sharply in recent months, falling into outright deflation during August / September. By contrast, meat price inflation has risen rapidly, reaching 15.6% y-o-y in September after averaging 5.8% and 10.8% in 2016 and 2017H1 respectively. The acceleration in meat price inflation has largely been driven by herd rebuilding by farmers due to more favourable grazing conditions and cheaper grain feeds, which has resulted in a fall in the supply of red meat. The latest data from the Red Meat Levy Admin show that the number of cattle slaughtered in September remained about 12% fewer compared to the same time last year, suggesting that some upward pressure on red meat prices could remain in the short term. A larger concern for meat prices remains bird flu, with poultry making up 39% of the meat basket as opposed to 26% for beef (see Figure 7). That being said, the largest percentage of affected birds have been egg layers, suggesting that the risk falls mainly on egg prices. In all, we expect food prices to continue along its downward trend, reaching a low of just over 2% y-o-y in early-2018.

Figure 6: Rising meat prices offset falling cereals



Source: Statistics South Africa

Figure 7: Poultry largest share of meat basket



Source: Statistics South Africa

Fuel price inflation picks up on weaker rand, higher oil price

Apart from food prices, Brent crude oil prices and electricity tariffs are the two other key assumptions that can have an important bearing on CPI inflation. The price of **Brent crude** has rallied in recent months, increasing by over 20% since early-July. This, combined with a slightly weaker rand exchange rate, has resulted in a cumulative increase in the price of petrol of over R1 per litre, pushing petrol price inflation to over 12% in September. Given our view of a steadily weakening rand exchange rate and relatively contained (albeit higher than previously expected over the short term) oil prices, we project further moderate increases in the price of petrol over the forecast horizon. The possible introduction of VAT on fuel sales mooted in the February budget poses an upside risk to this forecast.

Electricity poses upside risk to inflation outlook

A short-term risk to inflation is the possibility of an above-normal rise in **electricity tariffs**. The current baseline assumes an 8% increase in 2018. However, Eskom is in negotiations with NERSA and has applied for an average increase of 20% in electricity prices for 2018, translating into a 27% hike at the municipal level. All things being equal, such an outcome would result in headline CPI being 0.5 %pts higher than our current forecast in both 2018 and 2019, even before second-round effects are taken into account. However, we expect that NERSA will try to resist such a steep increase under current domestic economic and political conditions when it announces its decision on 7 December.

Underlying price inflation remains subdued

Underlying price pressures, as measured by **core CPI** (i.e. CPI excluding food and non-alcoholic beverages, petrol and energy) have also moderated sharply, measuring just 4.6% y-o-y in September. Persistent slack in the economy and moderating growth in compensation of employees have served to keep underlying price pressures contained. We expect core CPI inflation to remain subdued over the forecast horizon, only rising above the 5% level in 2019 as economic activity improves marginally and the output gap narrows.

In all, headline CPI is expected to average 5.3% in 2017 before easing further to 5.1% in 2018. Increasing economic activity, slightly higher oil prices and normalising food price inflation should see CPI inflation average around 5.5% in 2019. However, risks to this outlook are judged to be marginally on the upside. Any negative surprises on the currency, electricity and / or oil price front could push headline CPI back above target, potentially for an extended period.

Unchanged repo rate over forecast horizon

MPC leaves policy rate unchanged in September

After cutting the repo rate by 25 bps in July, the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) decided, against expectations, to keep the main policy rate unchanged at 6.75% at its September meeting. Purely based on the current SA macroeconomic picture, a strong case could have been made for a further reduction in the policy interest rate – economic growth remains lacklustre and inflation is expected to remain contained within the target band over the forecast horizon. However, the MPC cited concerns about heightened economic uncertainty, an upside risk to its inflation forecast (on the back of a potential 20% electricity tariff hike by Eskom in 2019) and looming US interest rate hikes (and its impact on the rand exchange rate) as reasons for the decision to keep the policy rate on hold.

In our view, the SARB has missed the window for further cuts in light of the high event risks towards year-end and into 2018. These include, but are not limited to, the ANC elective conference in December and upcoming credit rating reviews. These events have the possibility of negatively affecting the inflation outlook through exchange rate movements. The market reaction following the MTBPS suggests that the MPC's caution may have been warranted.

Competing pressures argue for unchanged policy rate

Our baseline view is that the repo rate will remain unchanged through 2019 as competing demands override one another. On the one hand, the weak growth outlook and subdued inflation profile argue for additional rate cuts. However, given that the cost of credit is far down the list in terms of current growth constraints listed by respondents to the BER's manufacturing survey, it is debatable to what extent marginal interest rate reductions will support any growth recovery. The SARB will also be hesitant to cut rates in an environment of tighter global monetary policy and heightened domestic political risk for fear of triggering large and sustained capital outflows. On the other hand, given the weak state of the domestic economy, interest rate hikes are just as unlikely in the absence of significant financial market volatility. Based on our baseline assumptions of weak growth, low inflation and limited financial market fallout following the December conference, we feel it will be prudent for the SARB to leave rates unchanged over the forecast horizon.

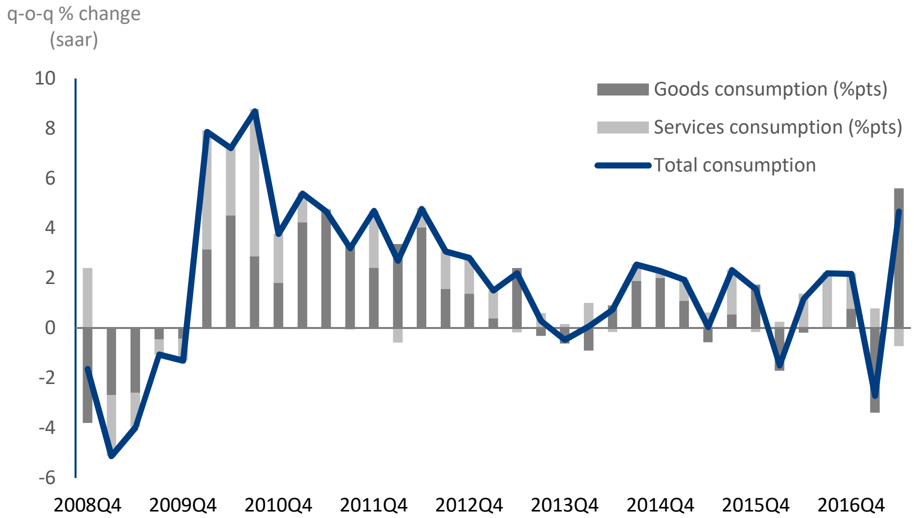
That being said, the outlook for monetary policy depends crucially on the outcome of the ANC's elective conference, the reforms pursued in early 2018 (or not pursued) and the markets' reaction to both. A well-received outcome that leads to a significant strengthening in the rand exchange rate could open the door for additional rate cuts. On the other hand, a negative outcome that leads to further credit rating downgrades and rand weakness could result in a reversal of the recent cut, with the likelihood of further hikes as we head deeper into 2018.

Consumer remains under pressure as headwinds bite

Rebound in real spending in '17Q2

An important factor behind the GDP rebound in 2017Q2 was stronger-than-expected consumer spending. Real household consumption expenditure increased sharply by 4.7% q-o-q (saar) in 2017Q2, recovering from its steepest contraction since the global financial crisis in Q1 (see Figure 8 on the next page). Even after attributing some of the recent volatility in the data to a statistical artefact following exceptional Black Friday spending in 2016Q4, the second quarter print was still a lot stronger than expected.

Figure 8: Goods consumption rebounded strongly in 2017Q2



Source: Statistics South Africa

Demand conditions remain fragile

However, there appears to be little to drive this growth momentum in the medium term. On the labour market front, conditions remain unsupportive of a meaningful acceleration in consumer spending. While some job gains were recorded in 2017Q3, the official unemployment rate remains stubbornly high at 27.7%. Additionally, it is clear that both mines, retailers and government will be looking to shrink their workforces going forward. Finally, income growth remains under pressure, with gross earnings growth averaging just 6.0% y-o-y in 2017H1, down from an average of 9.6% in 2016. Nominal disposable income growth is showing a similar trend, although the blow is softened somewhat by moderating consumer price inflation.

Household credit extension remains lacklustre

On the credit side, indicators have been mixed. South African Reserve Bank data shows that households continued to deleverage in 2017Q2, while debt service costs stabilised at around 9.4% of disposable income. However, credit extension remains lacklustre, with very little new credit being extended since the 25 bps cut in the policy rate in July. Total credit extended to households increased by just over 3% y-o-y in 2017Q3, some distance below the long-run average of 11% and lower than the post-crisis average of just over 5% per annum.

Subdued growth in consumer spending over forecast horizon

Add to this the impact of rising transport costs associated with higher oil prices and a weaker rand exchange rate, the tax increases announced in February and expectations for further tax increases in the 2018/19 Budget due in February, and consumer spending power will remain under pressure for the foreseeable future. As such, a meaningful acceleration in overall consumer spending is not on the cards. <u>We expected total real consumer spending to measure 0.9% in 2017, before picking up to 1.3% and 2% in 2018 and 2019 respectively</u>.

Looking at a breakdown per spending category, spending on **semi-durable goods** (mainly clothing, footwear and textiles) rebounded strongly in 2017Q2 after a particularly weak Q1. Real spending growth measured 21.2% q-o-q (saar) in 2017Q2 versus the 13% contraction recorded during the first quarter. Spending was likely boosted by the early onset of colder winter temperatures and the fact that the Easter holidays fell in the second quarter as opposed to Q1 as was the case in 2016. That being said, subdued real disposable income growth amid higher personal income taxes, soft employment growth, as well as weak household credit extension, is likely to weigh on spending on semi-durable goods through the forecast period (see Table 3 below).

Table 3: Outlook for consumer spending

y-o-y % change	2016	2017	2018	2019
Durable goods	-7.3	-0.9	2.7	4.2
Semi-durable goods	3.3	0.9	2.1	3.0
Non-durable goods	0.9	0.4	1.1	1.6
Services	2.1	1.7	1.1	1.6
Total	**0.8**	**0.9**	**1.3**	**2.0**

Source: Statistics South Africa, BER

Spending on durable goods remains under pressure

Spending on **durable goods** is expected to post marginally better numbers in 2017 before picking up further in 2018 and 2019. This follows several years of contracting volumes, driven mainly by weak income growth, lacklustre credit extension and sharply contracting vehicle sales. While vehicle sales in particular have posted better numbers over recent months, underlying drivers of consumer demand suggest that overall sales of durable goods will remain under pressure over the forecast horizon. In fact, at an average of 2% over the 2017-2019 period, real spending growth is expected to remain well below the long-run average of over 4%.

Non-durables benefitting from lower food prices

Declining food prices appear to have provided a boost to real spending on **non-durable goods** in 2017Q2, with the category expanding by a robust 7.9% q-o-q (saar), resulting in a y-o-y increase of 1.3%. While spending in the category should continue to receive support from moderating food price inflation, weak growth in disposable income, lacklustre job growth and a strained fiscal situation that limits the growth in social grants expenditure could limit any upside. Finally, real **services** spending growth is expected to slow from 2.1% in 2016 to 1.1% in 2018, before ticking up in 2019.

A key risk to the consumer spending outlook is the possibility of a major confidence shock should the ANC's elective conference in December deliver an undesirable outcome. This, combined with the real impact of further downgrades, could severely dent consumers' willingness to spend and result in weaker outcomes than projected here.

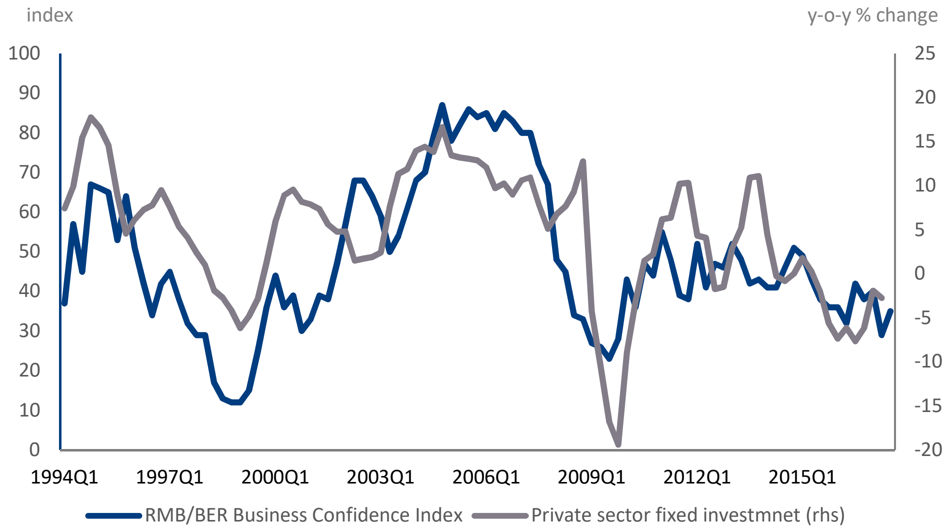
Low business confidence weighs on private sector fixed investment

The most concerning part of the weak domestic demand picture remains fixed investment. The Q2 GDP data showed that gross fixed capital formation contracted by 2.6% q-o-q in the second quarter following a modest increase of 1.3% in Q1. In y-o-y terms, gross fixed capital formation has not shown positive growth since 2015Q4.

Political uncertainty weighing on PSFI

The weakness in gross fixed capital formation is mainly a function of especially lacklustre **private sector fixed investment** (PSFI). After a modest 2.9% q-o-q increase in Q1, private investment contracted sharply by 6.9% in the second quarter, the eighth contraction in the past 10 quarters. Low business confidence amid policy uncertainty and political turmoil has weighed on PSFI over recent years (see Figure 9 above). Our latest forecast calls for a further decline in the level of PSFI through 2018Q2. This is informed by the weak GDP growth outlook and, crucially, the expectation that business confidence could remain depressed given the level of event-risk towards the end of the year and into 2018. Any major capacity expansion projects will remain on hold until there is greater clarity on the domestic policy environment post the ANC's December elective conference. Be that as it may, the general political environment is likely to remain a constraint on fixed investment through 2019. Against this backdrop, we expect real PSFI to contract by 2.2% in 2017, followed by another mild decline in 2018 and a return to marginal growth in 2019.

Figure 9: Low business confidence weighing on PSFI



Source: Statistics South Africa, BER

GFI constrained by weak fiscal accounts

Growth in real **government fixed investment** (GFI) accelerated significantly from a contraction of 1.1% in 2017Q1 to post positive growth of 12.4% in Q2. According to the SARB, the increase was supported by a number of ongoing capital projects, including increased spending on the upgrade, rehabilitation and expansion of roads in Gauteng and the Western Cape. Looking ahead, given the substantial revenue shortfall reported in the MTBPS and the increased need to consolidate the fiscal position over the medium term, we see little scope for any major infrastructure push from general government, despite numerous statements to the contrary. After projected real growth of 3.3% in 2017, government fixed investment is forecast to decline by 3.7% during 2018 before returning to marginal growth in 2019.

Real gross fixed capital expenditure by **public corporations** contracted by 3.1% q-o-q in 2017Q2 – the fourth consecutive quarterly contraction. Lower spending on construction works and transport equipment resulted largely from the postponement of large capital projects on the back of constrained balance sheets and weak demand. The spectre of further downgrades and the strained nature of state-owned enterprises' finances suggest that the real growth in state-owned enterprise fixed investment will also be limited over the forecast period. However, we do see scope for improved fixed investment numbers from public corporations over the medium term, particularly for Eskom, should the nuclear project go ahead.

Subdued fixed investment outlook

The subdued domestic demand environment, combined with continued political and policy uncertainty, argues against a meaningful acceleration in fixed investment over the forecast horizon. As such, we expect overall real fixed investment to contract by around 1.3% in 2017 and by a further 0.8% in 2018 before returning to growth in 2019.

Summary: Low growth amid policy uncertainty and political turmoil

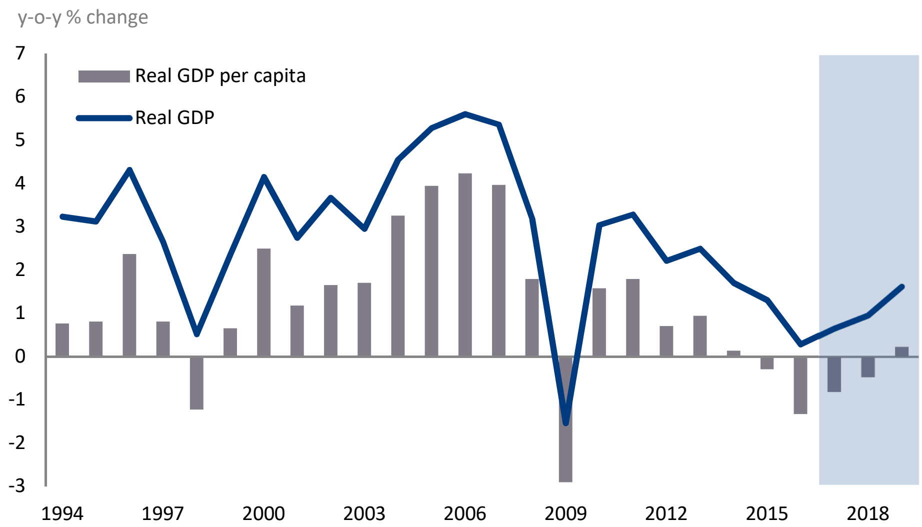
The outlook for real GDP growth has remained largely unchanged relative to our July forecast, with a slight upward revision for 2017 countered by a downward revision to the outlook for 2018. In all, real growth is expected to measure 0.6% in 2017 (0.3% previously) before ticking up marginally to 0.9% in 2018 (1.1% previously). A partial alleviation of domestic constraints and a continued improvement in global activity should see growth accelerate to around 1.6% in 2019.

This baseline projection implies that per capita income will likely continue to stagnate in coming years (see Figure 10 on the next page) and that, without decisive action, SA could be heading for a low-growth trap characterised by deteriorating growth, mounting government debt and rising unemployment.

Risks to baseline skewed to the downside

Risks to the baseline outlook are skewed to the downside. Without a firm commitment to growth-enhancing reforms, and a favourable resolution to the current political impasse, growth could turn out considerably weaker than projected under the current baseline. Disconcertingly, the political will to implement the reforms required to avert this scenario is expected to remain lacking, at least until the outcome of the December ANC leadership conference. Even then, there is no guarantee that the new ANC president will be in any position, or of the inclination, to implement said reforms.

Figure 10: Outlook for real GDP growth



Source: Stats SA, BER

Appendix

Statistics of the quarterly forecast, 2017-2019

Table A 1: International economic indicators

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Real GDP growth rates															
US % growth	2.0	2.4	2.1	2.3	2.6	2.3	2.1	1.9	1.9	2.0	2.1	2.4	***2.2***	***2.2***	***2.1***
UK % growth	2.0	1.7	1.5	1.2	1.5	1.6	1.4	1.5	1.6	1.5	1.8	1.8	***1.6***	***1.5***	***1.7***
Germany % growth	1.9	2.1	2.4	2.5	2.1	2.0	1.7	1.7	1.7	1.7	1.6	1.6	***2.2***	***1.9***	***1.6***
Japan % growth	1.4	1.7	1.9	1.9	1.8	1.5	1.4	1.0	1.0	1.0	0.9	1.2	***1.7***	***1.4***	***1.0***
Eurozone % growth	1.8	2.2	2.3	2.4	2.2	1.9	1.6	1.5	1.7	1.6	1.8	1.7	***2.2***	***1.8***	***1.7***
G7 % growth	1.8	2.1	2.3	2.4	2.5	2.2	1.8	1.7	1.7	1.7	1.8	1.9	***2.2***	***2.1***	***1.8***
CPI inflation rates															
US % CPI	2.5	1.9	1.8	1.7	1.5	2.2	2.4	2.3	2.3	2.2	2.3	2.1	***2.0***	***2.1***	***2.2***
UK % CPI	2.2	2.8	2.8	2.7	2.8	2.3	2.7	3.0	2.4	2.4	2.4	2.4	***2.6***	***2.7***	***2.4***
Germany % CPI	1.9	1.7	1.8	1.4	1.4	1.5	1.3	1.5	1.8	1.7	2.1	2.2	***1.7***	***1.4***	***1.9***
Japan % CPI	0.3	0.4	0.6	0.5	0.6	0.7	0.8	0.6	0.9	1.1	1.1	1.0	***0.4***	***0.7***	***1.0***
G7 % CPI	2.0	1.7	1.3	1.6	1.4	1.4	1.9	1.8	1.9	1.9	2.0	1.9	***1.6***	***1.6***	***1.9***
China % CPI	1.5	1.5	1.7	2.0	1.7	2.7	2.9	2.7	2.2	2.2	2.2	2.2	***1.7***	***2.5***	***2.2***
India % CPI	2.4	1.5	2.1	4.3	6.4	6.2	5.3	4.3	5.5	5.5	5.5	5.5	***2.5***	***5.5***	***5.5***
Interest rates															
US prime rate	3.80	4.05	4.25	4.29	4.50	4.71	4.79	5.04	5.25	5.46	5.54	5.75	***4.10***	***4.76***	***5.50***
Commodity prices															
Spot oil price: US$/barrel	54.7	50.9	52.2	55.0	54.0	53.0	55.0	55.0	56.0	57.0	58.0	59.5	***53.2***	***54.3***	***57.6***
London gold price: US$/oz	1219	1258	1279	1290	1285	1280	1278	1276	1283	1289	1291	1293	***1261***	***1280***	***1289***
Platinum price: US$/oz	980	940	953	922	923	925	926	950	975	1028	1030	1033	***949***	***931***	***1017***
Palladium price: US$/oz	765	820	902	935	955	960	965	965	965	968	971	974	***855***	***961***	***970***
SA coal price : US$/mt	83.3	77.0	87.0	92.4	87.2	82.0	80.3	78.5	78.3	78.0	77.9	77.8	***84.9***	***82.0***	***78.0***
China iron ore price : US$/mt	86.0	63.5	71.7	59.8	62.9	66.0	67.0	68.1	66.0	64.0	63.3	62.6	***70.2***	***66.0***	***64.0***
Exchange rates															
US$/Sterling exchange rate	1.24	1.28	1.31	1.34	1.33	1.32	1.30	1.30	1.30	1.30	1.30	1.30	***1.29***	***1.31***	***1.30***
YN/$ exchange rate	113.7	111.1	111.1	112.0	112.0	112.0	112.0	111.0	111.0	110.0	110.0	110.0	***112.0***	***111.8***	***110.3***
US$/Euro exchange rate	1.07	1.10	1.17	1.17	1.16	1.15	1.15	1.15	1.15	1.15	1.15	1.15	***1.13***	***1.15***	***1.15***

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Nominal GDP expenditure components															
Household consumption	2674.2	2717.1	2736.0	2778.0	2829.1	2866.6	2920.5	2968.9	3031.1	3073.7	3134.3	3187.4	***2726.3***	***2896.3***	***3106.6***
(year % ch.)	6.6	6.0	5.3	5.2	5.8	5.5	6.7	6.9	7.1	7.2	7.3	7.4	***5.8***	***6.2***	***7.3***
Government consumption	918.0	948.4	986.4	1011.3	988.4	1018.0	1050.0	1072.4	1055.3	1086.5	1121.8	1147.7	***966.0***	***1032.2***	***1102.9***
(year % ch.)	5.6	6.0	9.6	10.5	7.7	7.3	6.5	6.0	6.8	6.7	6.8	7.0	***8.0***	***6.9***	***6.8***
Fixed investment	859.7	853.6	858.1	870.2	882.5	891.4	906.1	926.9	948.8	960.8	982.9	1006.1	***860.4***	***901.7***	***974.7***
(year % ch.)	2.0	-0.2	1.2	2.2	2.7	4.4	5.6	6.5	7.5	7.8	8.5	8.5	***1.3***	***4.8***	***8.1***
Inventory investment	2.9	3.2	11.1	-1.0	3.8	4.8	-1.1	2.1	4.5	4.9	5.4	6.1	***4.1***	***2.4***	***5.2***
Residual item	-35.8	6.6	63.9	63.9	24.6	24.6	24.6	24.6	24.6	24.6	24.6	24.6	***24.6***	***24.6***	***24.6***
Gross domestic expenditure	4419.0	4529.0	4655.4	4722.3	4728.5	4805.5	4900.2	4994.9	5064.4	5150.6	5269.1	5371.9	***4581.4***	***4857.3***	***5214.0***
(year % ch.)	3.7	5.6	5.9	7.1	7.0	6.1	5.3	5.8	7.1	7.2	7.5	7.5	***5.6***	***6.0***	***7.3***
Exports: goods and services	1329.3	1381.3	1428.1	1488.0	1515.5	1546.6	1551.8	1563.7	1585.5	1645.9	1648.4	1657.1	***1406.7***	***1544.4***	***1634.2***
(year % ch.)	4.5	1.0	10.9	11.6	14.0	12.0	8.7	5.1	4.6	6.4	6.2	6.0	***7.0***	***9.8***	***5.8***
Imports: goods and services	1275.9	1323.8	1375.1	1442.9	1448.1	1485.7	1502.1	1524.9	1546.1	1613.6	1625.1	1644.3	***1354.4***	***1490.2***	***1607.3***
(year % ch.)	-2.8	0.0	5.1	11.8	13.5	12.2	9.2	5.7	6.8	8.6	8.2	7.8	***3.5***	***10.0***	***7.9***
Expenditure on GDP	4472.4	4586.5	4708.4	4767.4	4795.9	4866.3	4949.9	5033.7	5103.8	5182.9	5292.4	5384.7	***4633.7***	***4911.5***	***5240.9***
(year % ch.)	5.9	5.9	7.6	7.1	7.2	6.1	5.1	5.6	6.4	6.5	6.9	7.0	***6.6***	***6.0***	***6.7***

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Real GDP expenditure components															
Household consumption	1863.2	1884.6	1880.5	1887.6	1891.0	1899.4	1907.9	1916.7	1926.6	1936.5	1946.1	1955.6	***1878.9***	***1903.8***	***1941.2***
(year % ch.)	0.7	1.6	0.8	0.6	1.5	0.8	1.5	1.5	1.9	2.0	2.0	2.0	***0.9***	***1.3***	***2.0***
Government consumption	632.1	633.3	640.6	644.3	638.4	639.6	643.8	647.5	641.6	645.0	650.8	656.2	***637.5***	***642.3***	***648.4***
(year % ch.)	0.8	0.3	1.0	1.5	1.0	1.0	0.5	0.5	0.5	0.8	1.1	1.3	***0.9***	***0.7***	***0.9***
Fixed investment	614.3	610.2	603.0	598.5	599.2	601.3	602.6	604.2	606.4	610.7	613.9	617.5	***606.5***	***601.8***	***612.1***
(year % ch.)	-0.9	-0.8	-1.1	-2.2	-2.5	-1.5	-0.1	0.9	1.2	1.6	1.9	2.2	***-1.3***	***-0.8***	***1.7***
Inventory investment	6.8	5.3	9.0	0.9	3.4	4.3	0.6	2.6	3.3	3.7	4.1	4.4	***5.5***	***2.7***	***3.9***
Residual item	-6.7	-5.6	-3.2	-6.7	-5.6	-5.6	-5.6	-5.6	-5.6	-5.6	-5.6	-5.6	***-5.6***	***-5.6***	***-5.6***
Gross domestic expenditure	3109.6	3127.7	3129.8	3124.5	3126.4	3139.0	3149.3	3165.4	3172.3	3190.3	3209.4	3228.2	***3122.9***	***3145.1***	***3200.0***
(year % ch.)	0.6	2.2	0.5	0.8	0.5	0.4	0.6	1.3	1.5	1.6	1.9	2.0	***1.0***	***0.7***	***1.7***
Exports: goods and services	905.3	936.3	939.3	941.8	945.9	957.3	955.1	954.7	955.9	982.3	979.6	979.1	***930.7***	***953.3***	***974.2***
(year % ch.)	0.1	-0.5	6.0	3.2	4.5	2.2	1.7	1.4	1.1	2.6	2.6	2.6	***2.2***	***2.4***	***2.2***
Imports: goods and services	941.8	971.7	969.7	964.8	965.8	982.7	979.0	982.1	981.6	1012.0	1009.6	1008.6	***962.0***	***977.4***	***1002.9***
(year % ch.)	-0.2	5.3	5.3	3.2	2.5	1.1	1.0	1.8	1.6	3.0	3.1	2.7	***3.4***	***1.6***	***2.6***
Expenditure on GDP	3073.0	3092.4	3099.4	3101.5	3106.6	3113.6	3125.5	3138.0	3146.7	3160.6	3179.3	3198.7	***3091.6***	***3120.9***	***3171.3***
(year % ch.)	0.7	0.5	0.6	0.8	1.1	0.7	0.8	1.2	1.3	1.5	1.7	1.9	***0.6***	***0.9***	***1.6***

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Household consumption categories															
Durable goods	162.9	165.9	167.9	168.7	168.7	169.7	171.4	173.3	175.4	177.1	178.9	180.7	166.3	170.8	178.0
(year % ch.)	-4.3	-1.2	0.8	1.2	3.5	2.3	2.1	2.7	4.0	4.4	4.4	4.3	-0.9	2.7	4.2
Semi-durable goods	174.4	183.0	180.2	181.9	181.4	183.0	184.2	185.7	187.0	188.5	189.8	191.2	179.9	183.6	189.1
(year % ch.)	-1.6	2.8	1.5	0.7	4.0	0.0	2.2	2.1	3.1	3.0	3.0	3.0	0.9	2.1	3.0
Non-durable goods	694.3	707.6	702.6	704.7	706.2	709.0	711.5	713.6	716.7	720.1	723.0	725.9	702.3	710.0	721.4
(year % ch.)	-0.5	1.3	0.3	0.6	1.7	0.2	1.3	1.3	1.5	1.6	1.6	1.7	0.4	1.1	1.6
Services	831.6	828.1	829.8	832.2	834.7	837.7	840.8	844.1	847.5	850.7	854.4	857.8	830.4	839.3	852.6
(year % ch.)	3.3	2.0	1.0	0.5	0.4	1.2	1.3	1.4	1.5	1.6	1.6	1.6	1.7	1.1	1.6
Total household consumption	1863.2	1884.6	1880.5	1887.6	1891.0	1899.4	1907.9	1916.7	1926.6	1936.5	1946.1	1955.6	1878.9	1903.8	1941.2
(year % ch.)	0.7	1.6	0.8	0.6	1.5	0.8	1.5	1.5	1.9	2.0	2.0	2.0	0.9	1.3	2.0
Disposable income of households															
Real disposable income	1868.2	1888.7	1886.0	1889.7	1893.0	1901.3	1909.7	1918.8	1928.1	1936.6	1946.3	1955.9	1883.2	1905.7	1941.7
(year % ch.)	1.4	2.0	1.3	0.6	1.3	0.7	1.3	1.5	1.9	1.9	1.9	1.9	1.3	1.2	1.9
Adjusted for debt-service cost (real)	1692.6	1711.2	1711.4	1716.9	1719.3	1726.9	1736.3	1744.7	1752.8	1760.5	1771.8	1780.9	1708.0	1731.8	1766.5
(year % ch.)	1.7	2.3	1.7	0.8	1.6	0.9	1.5	1.6	1.9	1.9	2.0	2.1	1.6	1.4	2.0

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Private sector															
Total private sector	370.9	364.3	361.9	360.8	362.0	362.9	363.3	364.2	366.2	369.0	371.0	373.1	***364.5***	***363.1***	***369.8***
(year % ch.)	-1.9	-2.7	-2.1	-2.0	-2.4	-0.4	0.4	0.9	1.2	1.7	2.1	2.4	***-2.2***	***-0.4***	***1.9***
Public sector															
Government	116.6	120.1	116.3	113.4	112.0	112.2	112.3	112.6	113.2	113.9	114.8	116.0	***116.6***	***112.3***	***114.5***
(year % ch.)	3.5	9.1	4.0	-3.1	-4.0	-6.6	-3.4	-0.7	1.1	1.5	2.2	3.0	***3.3***	***-3.7***	***2.0***
Public corporations	126.7	125.7	124.9	124.4	125.2	126.2	127.0	127.4	127.0	127.7	128.1	128.4	***125.4***	***126.5***	***127.8***
(year % ch.)	-1.6	-3.8	-2.6	-2.1	-1.2	0.4	1.7	2.4	1.4	1.2	0.9	0.8	***-2.5***	***0.8***	***1.1***
Total public sector	243.4	245.8	241.1	237.7	237.2	238.5	239.3	239.9	240.2	241.7	243.0	244.4	***242.0***	***238.7***	***242.3***
(year % ch.)	0.8	2.1	0.5	-2.6	-2.5	-3.0	-0.7	0.9	1.3	1.3	1.5	1.8	***0.2***	***-1.4***	***1.5***
Total															
Total fixed capital formation	614.3	610.2	603.0	598.5	599.2	601.3	602.6	604.2	606.4	610.7	613.9	617.5	***606.5***	***601.8***	***612.1***
(year % ch.)	-0.9	-0.8	-1.1	-2.2	-2.5	-1.5	-0.1	0.9	1.2	1.6	1.9	2.2	***-1.3***	***-0.8***	***1.7***

Table A 6: Labour sector (million)

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Employment															
Total labour force	22.43	22.28	22.36	22.40	22.87	22.72	22.80	22.84	23.33	23.18	23.26	23.30	***22.36***	***22.81***	***23.27***
(year % ch.)	4.8	5.2	3.0	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	***3.9***	***2.0***	***2.0***
Private sector employment	14.16	14.06	13.93	13.97	13.92	13.95	13.98	14.03	13.98	14.06	14.15	14.24	***14.03***	***13.97***	***14.11***
(year % ch.)	4.5	4.4	1.8	-0.3	-1.7	-0.8	0.4	0.4	0.5	0.8	1.2	1.5	***2.6***	***-0.4***	***1.0***
Government employment	2.05	2.04	2.03	2.03	2.03	2.03	2.03	2.02	2.02	2.02	2.03	2.02	***2.04***	***2.03***	***2.03***
(year % ch.)	-3.3	-1.8	-5.5	-1.4	-1.1	-0.7	-0.3	-0.3	-0.3	-0.2	0.1	0.0	***-3.1***	***-0.6***	***-0.1***
Total employment (incl. informal)	16.21	16.10	15.96	16.00	15.95	15.98	16.01	16.05	16.01	16.09	16.18	16.26	***16.07***	***16.00***	***16.14***
(year % ch.)	3.4	3.6	0.8	-0.4	-1.6	-0.8	0.3	0.3	0.4	0.7	1.1	1.3	***1.8***	***-0.4***	***0.9***
Unemployment rate	27.7	27.7	28.6	28.5	30.3	29.7	29.8	29.7	31.4	30.6	30.4	30.2	***28.1***	***29.9***	***30.7***
Wage rates (year % change)															
Unit labour cost	6.2	6.4	5.7	5.6	4.3	4.7	5.2	5.6	5.5	5.3	5.5	5.4	***6.0***	***4.9***	***5.4***
Wage bill (R billion at current prices)															
Total wage bill	2131.5	2180.9	2216.7	2245.0	2246.6	2299.5	2350.7	2398.9	2399.8	2457.6	2522.2	2578.2	***2193.5***	***2323.9***	***2489.5***
(year % ch.)	6.9	7.0	6.4	6.4	5.4	5.4	6.0	6.9	6.8	6.9	7.3	7.5	***6.7***	***5.9***	***7.1***

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Income and expenditure															
Remuneration of employees	2131.5	2180.9	2216.7	2245.0	2246.6	2299.5	2350.7	2398.9	2399.8	2457.6	2522.2	2578.2	***2193.5***	***2323.9***	***2489.5***
(year % ch.)	6.9	7.0	6.4	6.4	5.4	5.4	6.0	6.9	6.8	6.9	7.3	7.5	***6.7***	***5.9***	***7.1***
Social benefits to households	194.0	200.8	207.1	211.0	211.1	215.1	220.6	225.2	226.5	230.6	236.5	241.4	***203.3***	***218.0***	***233.7***
(year % ch.)	4.1	5.9	7.0	10.0	8.8	7.1	6.5	6.7	7.3	7.2	7.2	7.2	***6.8***	***7.2***	***7.2***
Disposable income	2681.5	2723.2	2744.0	2781.2	2832.1	2869.5	2923.3	2972.1	3033.4	3073.9	3134.6	3187.8	***2732.4***	***2899.3***	***3107.4***
(year % ch.)	7.3	6.5	5.8	5.2	5.6	5.4	6.5	6.9	7.1	7.1	7.2	7.3	***6.2***	***6.1***	***7.2***
Less household consumption	2674.2	2717.1	2736.0	2778.0	2829.1	2866.6	2920.5	2968.9	3031.1	3073.7	3134.3	3187.4	***2726.3***	***2896.3***	***3106.6***
(year % ch.)	6.6	6.0	5.3	5.2	5.8	5.5	6.7	6.9	7.1	7.2	7.3	7.4	***5.8***	***6.2***	***7.3***
Saving	7.2	6.0	8.0	3.2	3.0	2.9	2.8	3.2	2.3	0.2	0.3	0.4	***6.1***	***3.0***	***0.8***
Households: ratio to disposable income															
Saving	0.3	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	***0.2***	***0.1***	***0.0***
Debt	73.0	72.6	71.8	71.3	71.3	70.8	69.7	69.4	69.3	69.2	68.1	67.9	***72.2***	***70.3***	***68.6***
Debt-service cost	9.4	9.4	9.3	9.1	9.2	9.2	9.1	9.1	9.1	9.1	9.0	8.9	***9.3***	***9.1***	***9.0***
Net wealth	377.1	373.2	376.3	377.0	377.9	375.9	375.1	374.3	372.7	372.6	371.1	370.0	***375.9***	***375.8***	***371.6***

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	*2017*	*2018*	*2019*
Income															
Direct taxes	723.4	751.6	653.1	669.5	751.4	810.1	702.5	713.2	804.5	867.1	756.2	767.3	***699.4***	***744.3***	***798.7***
(year % ch.)	12.3	4.8	5.6	3.4	3.9	7.8	7.6	6.5	7.1	7.0	7.6	7.6	***6.5***	***6.4***	***7.3***
Value added tax (VAT)	314.0	252.9	308.7	327.6	342.7	262.3	329.5	360.7	368.1	286.8	354.6	388.5	***300.8***	***323.8***	***349.5***
(year % ch.)	-6.6	10.5	5.8	1.7	9.1	3.7	6.7	10.1	7.4	9.3	7.6	7.7	***2.1***	***7.6***	***7.9***
Other indirect taxes	241.2	330.0	291.9	282.8	266.4	380.3	329.7	313.1	285.1	409.5	354.8	336.7	***286.5***	***322.4***	***346.5***
(year % ch.)	5.4	0.2	2.5	9.4	10.4	15.2	13.0	10.7	7.0	7.7	7.6	7.5	***4.0***	***12.5***	***7.5***
Other income	54.4	100.6	144.3	88.9	83.0	70.4	123.9	78.5	78.4	78.4	78.3	78.3	***97.0***	***88.9***	***78.4***
Current income	1333.0	1435.0	1398.1	1368.7	1443.5	1523.1	1485.6	1465.5	1536.1	1641.7	1543.9	1570.7	***1383.7***	***1479.4***	***1573.1***
(year % ch.)	1.2	4.1	3.7	3.3	8.3	6.1	6.3	7.1	6.4	7.8	3.9	7.2	***3.1***	***6.9***	***6.3***
Expenditure															
Consumption	918.0	948.4	986.4	1011.3	988.4	1018.0	1050.0	1072.4	1055.3	1086.5	1121.8	1147.7	***966.0***	***1032.2***	***1102.9***
(year % ch.)	5.6	6.0	9.6	10.5	7.7	7.3	6.5	6.0	6.8	6.7	6.8	7.0	***8.0***	***6.9***	***6.8***
Interest Payments	162.4	155.1	198.9	178.2	175.5	186.0	196.2	207.9	192.4	204.0	212.6	218.9	***173.6***	***191.4***	***207.0***
(year % ch.)	12.4	8.7	20.8	20.1	8.1	20.0	-1.3	16.7	9.6	9.7	8.3	5.2	***15.8***	***10.2***	***8.1***
Social benefits to households	194.0	200.8	207.1	211.0	211.1	215.1	220.6	225.2	226.5	230.6	236.5	241.4	***203.3***	***218.0***	***233.7***
(year % ch.)	4.1	5.9	7.0	10.0	8.8	7.1	6.5	6.7	7.3	7.2	7.2	7.2	***6.8***	***7.2***	***7.2***
Saving	-88.8	-49.9	-149.8	-188.4	-85.6	-37.8	-134.3	-196.2	-90.9	-17.8	-175.6	-187.5	***-119.2***	***-113.5***	***-118.0***
Ratios to GDP															
Total tax revenue	28.6	29.1	26.6	26.8	28.4	29.9	27.5	27.6	28.6	30.2	27.7	27.7	***27.8***	***28.3***	***28.5***
Budget deficit (National government)	-2.7	-3.5	-5.7	-5.1	-2.4	-3.1	-5.1	-5.0	-2.4	-2.5	-5.5	-4.5	***-4.2***	***-3.9***	***-3.7***
Gross debt (National government)	-49.9	-50.3	-55.0	-56.1	-55.3	-55.1	-57.5	-58.1	-56.8	-56.5	-58.8	-59.2	***-52.9***	***-56.5***	***-57.8***

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Current account															
Exports: goods and services	1329.3	1381.3	1428.1	1488.0	1515.5	1546.6	1551.8	1563.7	1585.5	1645.9	1648.4	1657.1	1406.7	1544.4	1634.2
(year % ch.)	4.5	1.0	10.9	11.6	14.0	12.0	8.7	5.1	4.6	6.4	6.2	6.0	7.0	9.8	5.8
Net receipts	-28.7	-43.8	-40.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0	-36.9	-35.0	-35.0
(year % ch.)	-20.0	67.3	77.3	38.9	21.9	-20.1	-12.5	0.0	0.0	0.0	0.0	0.0	34.3	-5.1	0.0
Less imports: goods and services	1275.9	1323.8	1375.1	1442.9	1448.1	1485.7	1502.1	1524.9	1546.1	1613.6	1625.1	1644.3	1354.4	1490.2	1607.3
(year % ch.)	-2.8	0.0	5.1	11.8	13.5	12.2	9.2	5.7	6.8	8.6	8.2	7.8	3.5	10.0	7.9
Less net factor payments	116.2	124.1	116.2	123.3	127.4	132.1	134.7	136.6	138.3	141.4	144.1	146.2	120.0	132.7	142.5
(year % ch.)	-14.5	-4.1	-5.5	31.8	9.7	6.4	16.0	10.8	8.5	7.1	7.0	7.0	-0.4	10.6	7.4
Current account balance	-91.5	-110.5	-103.1	-113.2	-95.0	-106.2	-120.0	-132.8	-133.9	-144.1	-155.8	-168.4	-104.6	-113.5	-150.6
Current account in US$	-6.9	-8.4	-7.8	-8.1	-6.7	-7.5	-8.5	-9.3	-9.4	-10.1	-10.9	-11.8	-7.8	-8.0	-10.5
Current account as % of GDP	-2.0	-2.4	-2.2	-2.4	-2.0	-2.2	-2.4	-2.6	-2.6	-2.8	-2.9	-3.1	-2.3	-2.3	-2.9
Financing of the current account															
Total net capital flows	18.6	20.0	35.0	20.0	30.0	15.0	40.0	25.0	45.0	30.0	50.0	35.0	93.6	110.0	160.0
SDR + Valuation adjustment	-16.9	-1.8	19.0	30.5	0.0	0.0	0.0	7.0	0.0	0.0	-2.4	0.0	30.8	7.0	-2.4
Change in gross reserves	-29.6	0.1	18.7	30.6	-2.1	-2.0	0.5	7.2	3.1	3.5	-0.8	1.3	19.8	3.5	7.1
Gross reserves: quarter end	618.3	618.4	637.0	667.6	665.5	663.5	664.0	671.2	674.3	677.8	677.0	678.2	667.6	671.2	678.2
Gross reserves: quarter end (US$)	46.6	47.4	47.2	47.2	47.0	46.9	46.9	46.9	47.2	47.4	47.5	47.6	47.2	46.9	47.6
Terms of trade															
Index (2010 = 100)	108.4	108.3	107.2	105.6	106.9	106.9	105.9	105.5	105.3	105.1	104.5	103.8	107.4	106.3	104.7
(year % ch.)	7.1	6.8	4.8	-0.1	-1.4	-1.3	-1.2	-0.1	-1.5	-1.7	-1.3	-1.6	4.6	-1.0	-1.5

Table A 10: Credit, interest rates and exchange rates

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Money supply and credit extension															
M3 money supply	3193.5	3201.5	3228.0	3274.0	3291.3	3297.1	3354.0	3427.4	3454.7	3475.6	3542.3	3627.1	***3274.0***	***3427.4***	***3627.1***
(year % ch.)	5.6	6.0	4.3	3.7	3.1	3.0	3.9	4.7	5.0	5.4	5.6	5.8	***3.7***	***4.7***	***5.8***
Private sector credit to households	1505.4	1511.8	1515.3	1523.8	1552.7	1553.4	1566.8	1585.4	1617.3	1625.6	1640.5	1662.8	***1523.8***	***1585.4***	***1662.8***
(year % ch.)	0.7	2.9	2.8	2.6	3.1	2.7	3.4	4.0	4.2	4.7	4.7	4.9	***2.6***	***4.0***	***4.9***
Private sector credit to firms	1825.6	1836.6	1842.7	1850.2	1876.1	1890.7	1917.2	1942.0	1974.9	1996.8	2031.8	2064.3	***1850.2***	***1942.0***	***2064.3***
(year % ch.)	8.8	9.0	5.3	4.7	2.8	2.9	4.0	5.0	5.3	5.6	6.0	6.3	***4.7***	***5.0***	***6.3***
Total private sector credit extension	3331.0	3348.4	3358.0	3374.0	3428.8	3444.0	3484.0	3527.4	3592.2	3622.5	3672.3	3727.1	***3374.0***	***3527.4***	***3727.1***
(year % ch.)	5.0	6.2	4.2	3.7	2.9	2.9	3.8	4.5	4.8	5.2	5.4	5.7	***3.7***	***4.5***	***5.7***
Interest rates															
3-month NCD rate	7.33	7.33	7.10	7.10	7.16	7.15	7.15	7.15	7.14	7.14	7.14	7.14	***7.22***	***7.15***	***7.14***
10-year government bond yield	8.71	8.66	8.57	9.17	9.28	9.34	9.33	9.47	9.61	9.54	9.41	9.54	***8.78***	***9.36***	***9.53***
Prime overdraft rate	10.50	10.50	10.31	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	***10.39***	***10.25***	***10.25***
Effective household lending rate	12.88	12.95	12.89	12.83	12.87	12.96	13.02	13.08	13.11	13.14	13.17	13.19	***12.89***	***12.98***	***13.15***
Effective firm lending rate	9.21	9.39	9.83	10.65	10.48	10.33	10.20	10.08	9.97	9.88	9.79	9.72	***9.77***	***10.27***	***9.84***
Exchange rates															
R/US DOLLAR	13.23	13.21	13.19	14.00	14.10	14.15	14.15	14.23	14.30	14.30	14.25	14.30	***13.41***	***14.16***	***14.29***
(year % ch.)	-16.6	-12.0	-6.3	0.7	6.6	7.1	7.3	1.6	1.4	1.1	0.7	0.5	***-8.9***	***5.6***	***0.9***
R/ 100 Japanese YEN	11.64	11.89	11.86	12.50	12.59	12.63	12.63	12.82	12.88	13.00	12.95	13.00	***11.97***	***12.67***	***12.96***
(year % ch.)	-15.3	-14.5	-13.6	-2.0	8.1	6.3	6.5	2.5	2.3	2.9	2.5	1.4	***-11.5***	***5.8***	***2.3***
R/STERLING	16.39	16.89	17.26	18.76	18.75	18.68	18.40	18.49	18.59	18.59	18.53	18.59	***17.32***	***18.58***	***18.57***
(year % ch.)	-27.8	-21.6	-6.6	8.6	14.4	10.6	6.6	-1.4	-0.9	-0.5	0.7	0.5	***-13.4***	***7.2***	***0.0***
R/EURO	14.10	14.53	15.49	16.38	16.36	16.27	16.27	16.36	16.45	16.45	16.39	16.45	***15.12***	***16.32***	***16.43***
(year % ch.)	-19.3	-14.3	-1.3	9.1	16.0	12.0	5.1	-0.1	0.5	1.1	0.7	0.5	***-7.1***	***7.9***	***0.7***
R/$ PP parity rate (base PPI 2003)	11.75	11.77	11.91	12.07	12.18	12.21	12.25	12.37	12.47	12.46	12.51	12.67	***11.87***	***12.25***	***12.53***
(year % ch.)	1.7	1.4	2.0	2.7	3.6	3.7	2.9	2.5	2.4	2.1	2.1	2.5	***1.9***	***3.2***	***2.3***

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

	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2017	2018	2019
Price deflators															
Exports (incl. services)	146.8	147.5	152.0	158.0	160.2	161.5	162.5	163.8	165.9	167.6	168.3	169.2	***151.1***	***162.0***	***167.7***
(year % ch.)	4.3	1.5	4.6	8.2	9.1	9.5	6.9	3.7	3.5	3.7	3.6	3.3	***4.7***	***7.2***	***3.5***
Export commodities (in rand)	1107.3	1054.6	1128.9	1198.8	1198.3	1189.7	1186.3	1193.1	1201.1	1209.6	1205.5	1209.9	***1122.4***	***1191.9***	***1206.5***
(year % ch.)	8.6	0.9	4.2	7.6	8.2	12.8	5.1	-0.5	0.2	1.7	1.6	1.4	***5.3***	***6.2***	***1.2***
Imports (incl. services)	135.5	136.2	141.8	149.6	149.9	151.2	153.4	155.3	157.5	159.4	161.0	163.0	***140.8***	***152.5***	***160.2***
(year % ch.)	-2.6	-5.0	-0.2	8.3	10.7	11.0	8.2	3.8	5.1	5.5	4.9	5.0	***0.1***	***8.3***	***5.1***
GDE	143.0	144.3	146.6	148.8	150.2	152.0	154.5	156.7	158.6	160.4	163.1	165.4	***145.7***	***153.4***	***161.9***
(year % ch.)	4.8	3.4	4.5	5.4	5.1	5.3	5.5	5.4	5.6	5.5	5.6	5.5	***4.5***	***5.3***	***5.5***
Investment	140.0	139.9	142.3	145.4	147.3	148.2	150.4	153.4	156.5	157.3	160.1	162.9	***141.9***	***149.8***	***159.2***
(year % ch.)	2.9	0.7	2.3	4.6	5.2	6.0	5.7	5.5	6.2	6.1	6.5	6.2	***2.6***	***5.6***	***6.3***
GDP	145.5	148.3	151.9	153.7	154.4	156.3	158.4	160.4	162.2	164.0	166.5	168.3	***149.9***	***157.4***	***165.2***
(year % ch.)	5.2	5.4	6.9	6.2	6.1	5.4	4.3	4.4	5.1	4.9	5.1	4.9	***5.9***	***5.0***	***5.0***
Consumer & producer prices															
Headline inflation (CPI)	101.5	102.7	103.4	104.3	106.1	107.9	109.1	109.8	111.7	113.7	115.2	115.9	***103.0***	***108.2***	***114.1***
(year % ch.)	6.3	5.3	4.8	4.7	4.5	5.1	5.4	5.3	5.3	5.4	5.6	5.6	***5.3***	***5.1***	***5.5***
Core inflation*	101.3	102.5	103.5	104.1	105.9	107.4	108.5	109.2	111.1	112.8	114.0	114.8	***102.8***	***107.8***	***113.2***
(year % ch.)	5.2	4.8	4.6	4.5	4.6	4.8	4.8	4.9	4.9	5.0	5.1	5.1	***4.8***	***4.8***	***5.0***
CPI food and non-alcoholic beverages	102.2	103.1	103.3	103.3	106.1	107.8	108.7	109.9	112.3	113.7	115.1	116.2	***103.0***	***108.1***	***114.3***
(year % ch.)	10.0	6.9	5.9	4.0	3.8	4.5	5.2	6.4	5.8	5.5	5.9	5.7	***6.6***	***5.0***	***5.7***
CPI petrol	104.5	105.2	102.8	110.8	110.7	118.9	117.5	117.3	117.0	130.7	126.7	128.6	***105.8***	***116.1***	***125.8***
(year % ch.)	10.3	5.2	4.8	10.9	5.9	13.0	14.3	5.9	5.7	9.9	7.9	9.6	***7.8***	***9.7***	***8.3***
Petrol price (R/l coastal unleaded)	*13.02*	*13.05*	*12.72*	*13.70*	*13.79*	*14.75*	*14.54*	*14.51*	*14.58*	*16.21*	*15.68*	*15.90*	***13.12***	***14.40***	***15.59***
(year % ch.)	*10.8*	*5.3*	*4.8*	*10.9*	*5.9*	*13.0*	*14.3*	*5.9*	*5.7*	*9.9*	*7.9*	*9.6*	***7.9***	***9.7***	***8.3***
CPI electricity	100.0	100.0	102.1	102.1	102.1	102.1	110.8	110.8	110.8	110.8	120.7	120.7	***101.1***	***106.4***	***115.8***
(year % ch.)	7.4	7.4	2.1	2.1	2.1	2.1	8.5	8.5	8.5	8.5	9.0	9.0	***4.7***	***5.3***	***8.8***
Producer price index	100.9	101.8	102.8	104.3	105.9	106.8	108.0	109.8	111.3	111.8	113.0	115.1	***102.5***	***107.7***	***112.8***
(year % ch.)	5.6	4.5	4.3	4.8	5.0	4.9	5.1	5.3	5.1	4.7	4.6	4.8	***4.8***	***5.1***	***4.8***

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