

Contents:

Highlights

Core indicators

GDP growth

Business environment

Household consumption

International trade

Financial markets

Money and prices

Labour

Government

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

Compiled by Nicolaas vd Wath
Email: wnwath@sun.ac.za
Phone: 021 808 9755

Highlights

Bold steps announced in National Budget

On 21 February, then Minister of Finance, Malusi Gigaba, tabled the 2018 Budget of government in parliament. On the expenditure side, the main highlights include a new allocation of R57 billion over the medium term (2018/19 to 2020/21) to fund free tertiary education. This was balanced by an R85 billion reduction in other expenditure, mostly capital investment. On the revenue side, the Minister announced an increase in the VAT rate from 14% to 15%, along with higher effective personal income tax, in order to narrow the revenue shortfall. This was the first VAT increase since 1993 and shows that government is committed to reducing SA's fiscal deficits. In sum, for this fiscal year and as a ratio to GDP, these measures culminate in projected revenue of 29.7%, expenditure of 33.3% and a deficit of 3.6%. Gross public debt is now expected to reach 56% to GDP in 2020/21, compared to 52.2% as projected in the 2017 Budget.

Consumer inflation moderates in January

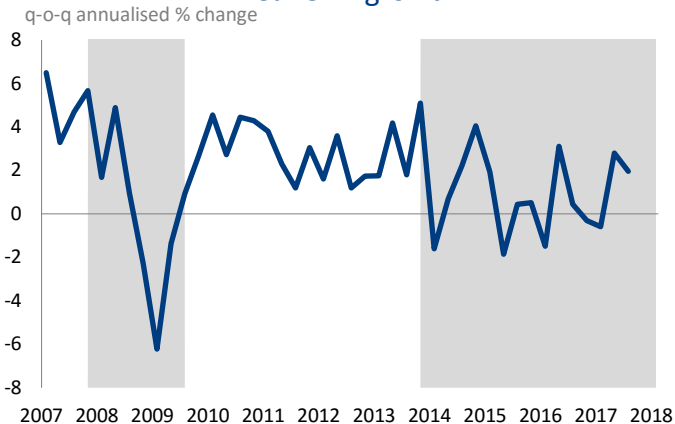
Statistics South Africa (Stats SA) reported that annual consumer inflation moderated from 4.7% in December 2017 to 4.4% in January. This decline was by and large a result of lower transport inflation on the back of slower growth in vehicle prices. The transport component's contribution to annual inflation fell to 0.6 percentage points (% pts) in January, from 0.9% pts in December 2017. Looking forward, the impact of the 1% pt increase in VAT should raise the price growth of the consumer basket of goods and services from April 2018 to March 2019. However, estimates are that consumer inflation will remain well below the 6% upper ceiling of the SA Reserve Bank's target range.

Unemployment rate declines as more people leave the work-force

On the surface, the latest employment data seems positive, particularly with respect to the unemployment rate. According to Stats SA, the unemployment rate fell from 27.7% in 2017Q3 to 26.7% in 2017Q4. The lower unemployment rate was largely the result of a quarterly fall of 351 000 in the labour force to 22.05 million. On a quarterly basis, the number of jobs in the formal sector actually fell by 135 000, while informal employment rose by 119 000. On balance, this equals a net loss of 16 000 jobs (excluding the agricultural sector and private households). Looking forward, high unemployment remains one of the country's major economic concerns.

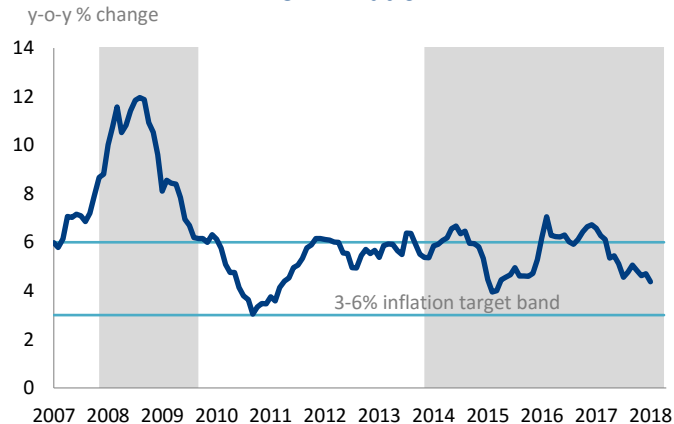
Core indicators

Real GDP growth



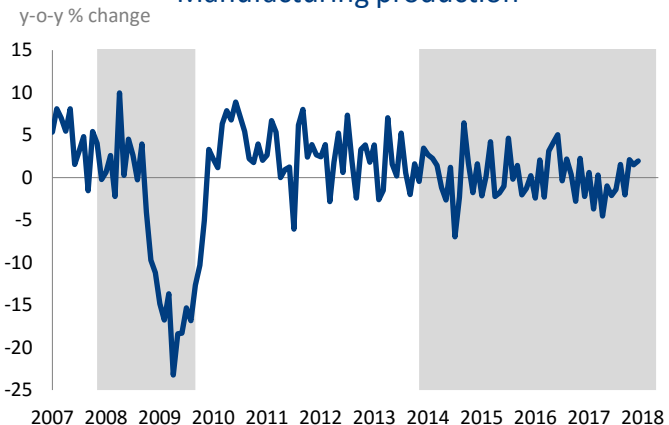
Source: Stats SA

CPI inflation



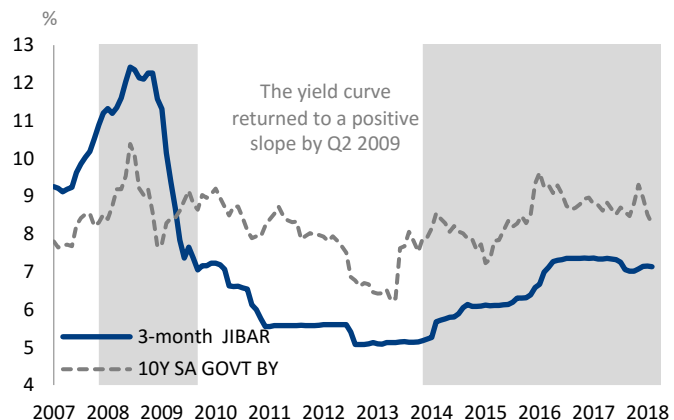
Source: Stats SA

Manufacturing production



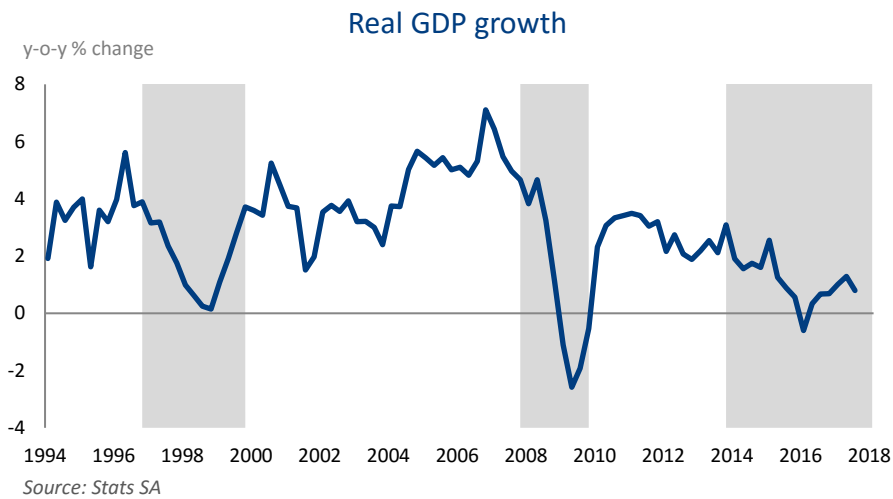
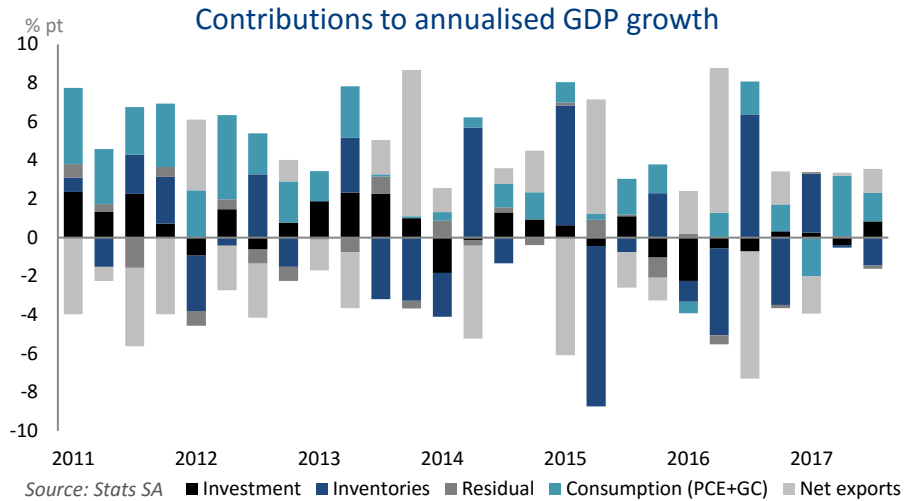
Source: Stats SA

Interest rates



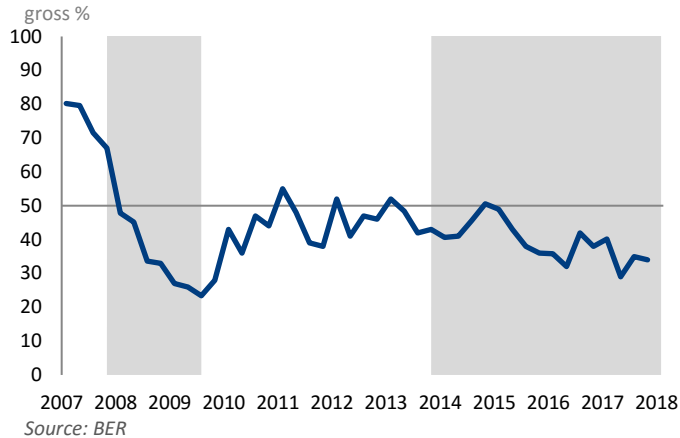
Source: Thomson Reuters

GDP growth

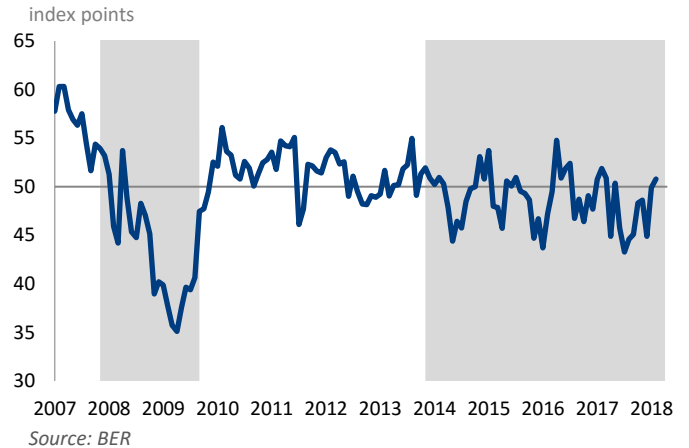


Business environment

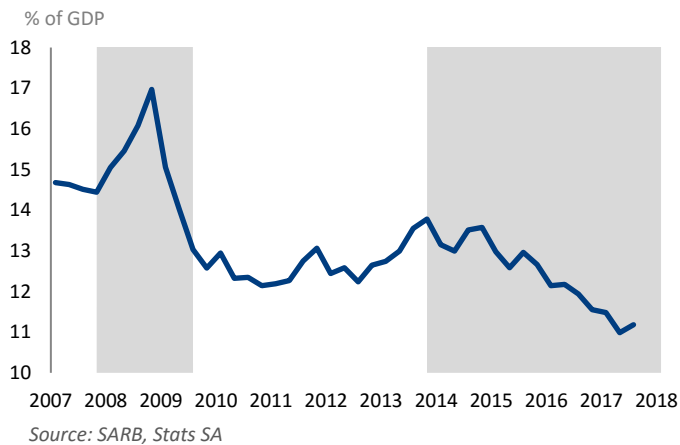
RMB/BER Business Confidence Index



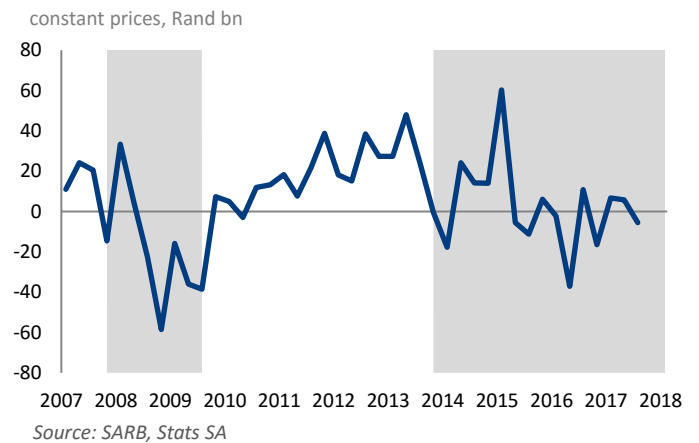
Absa Purchasing Managers Index



Private fixed investment

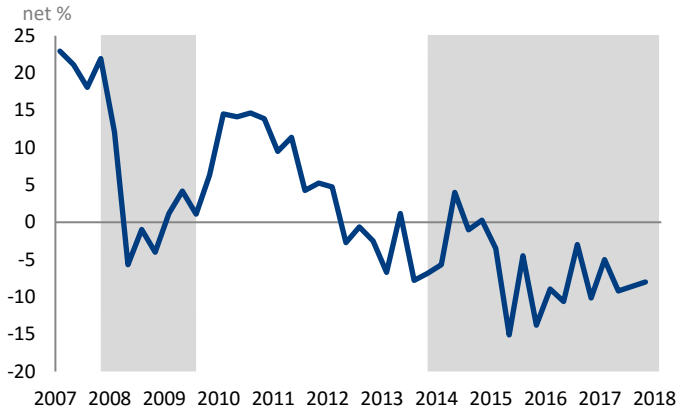


Changes in inventories



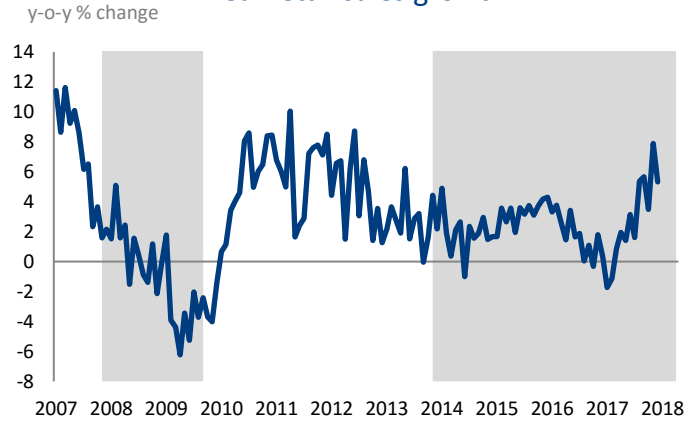
Household consumption

FNB/BER Consumer Confidence Index



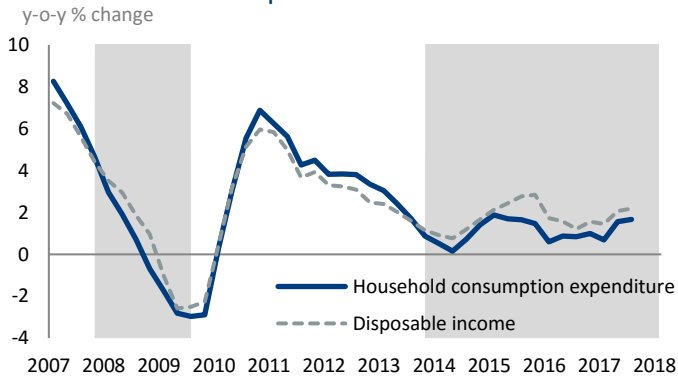
Source: BER

Real retail sales growth



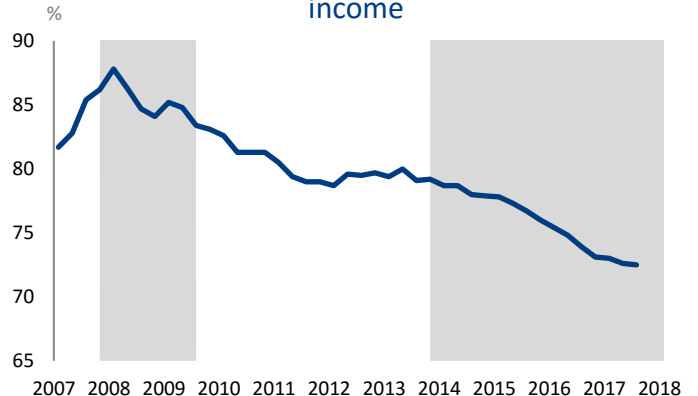
Source: Stats SA

Household consumption and real disposable income



Source: SARB, Stats SA

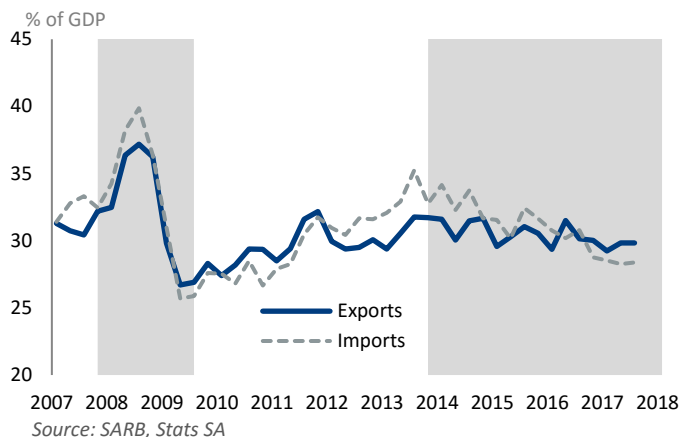
Ratio of household debt to disposable income



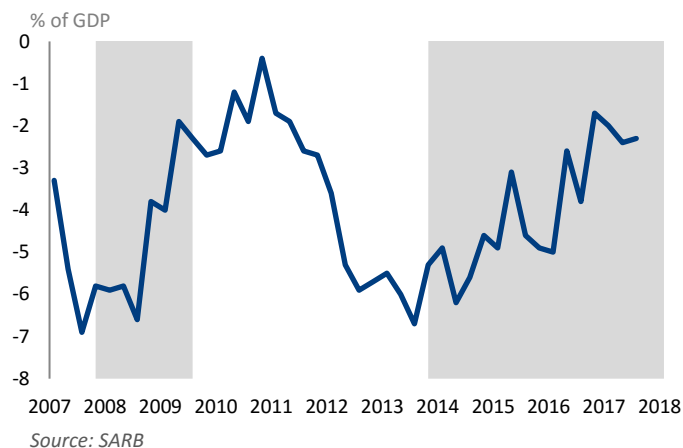
Source: SARB

International trade

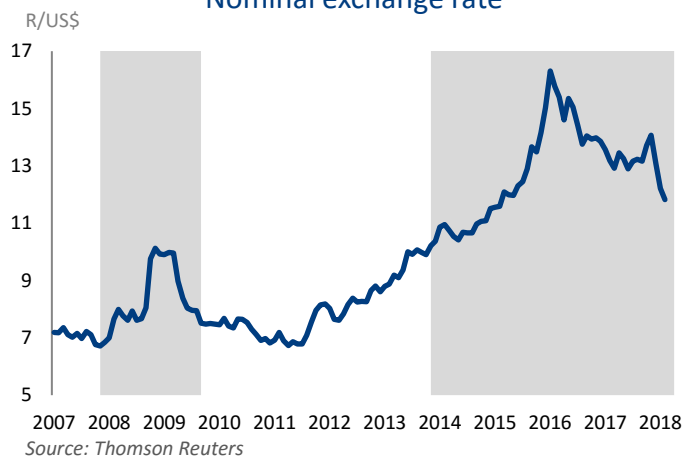
Imports and exports



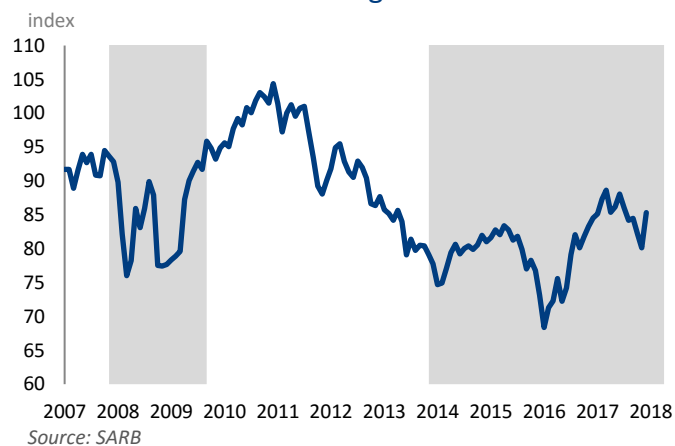
Current account balance



Nominal exchange rate

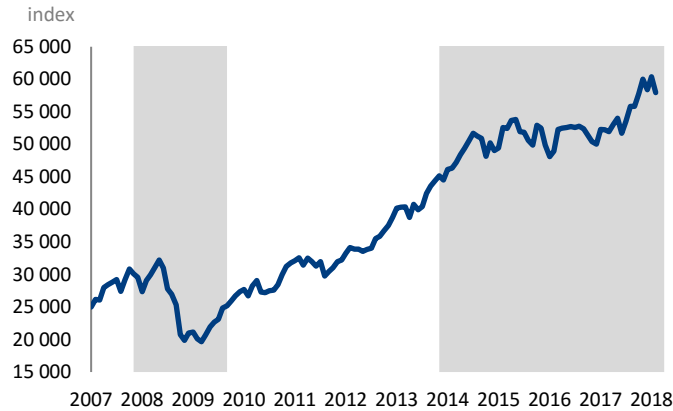


Real effective exchange rate of the Rand



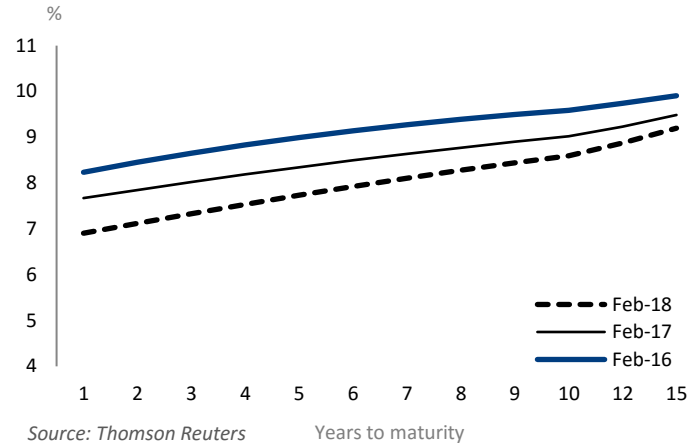
Financial markets

JSE all share index



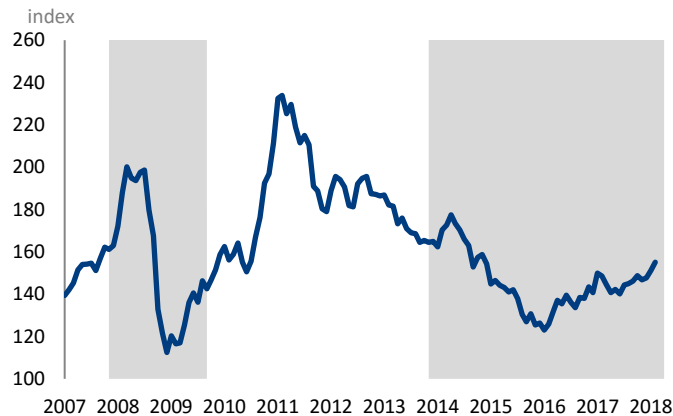
Source: Thomson Reuters

Yield curve comparisons



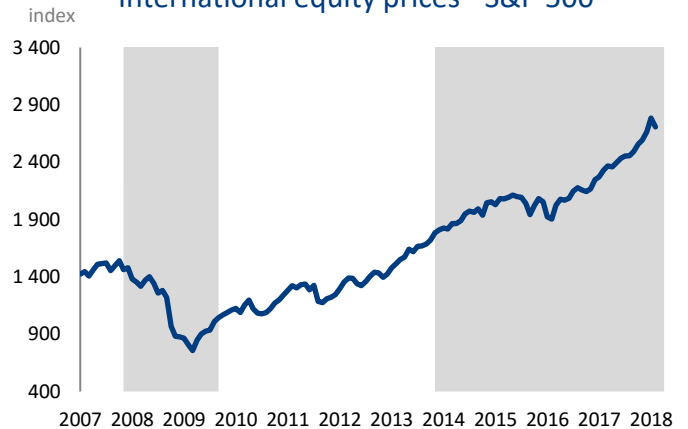
Source: Thomson Reuters

Economist all commodities index



Source: Economist

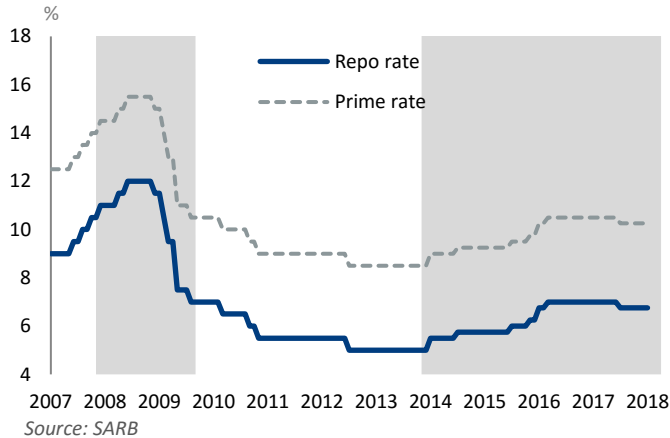
International equity prices - S&P 500



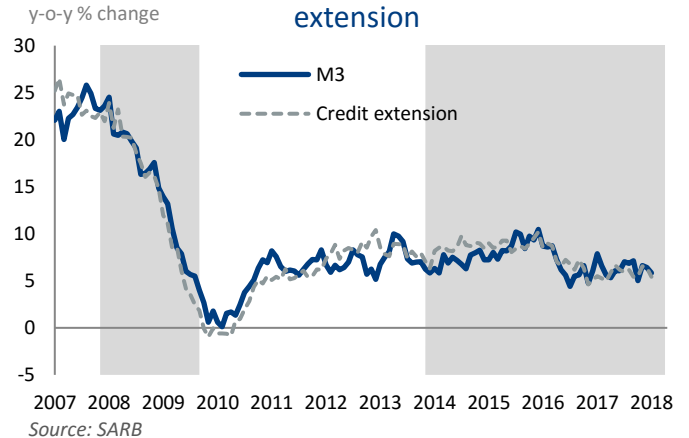
Source: Thomson Reuters

Money and prices

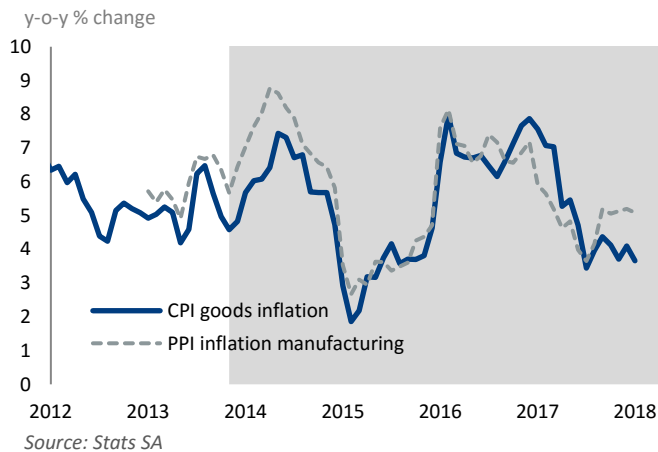
Repo and prime interest rate



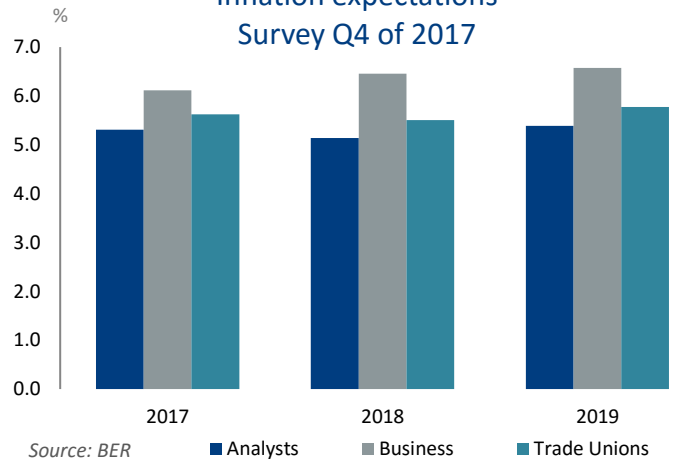
M3 monetary aggregates and credit extension



Consumer and producer prices

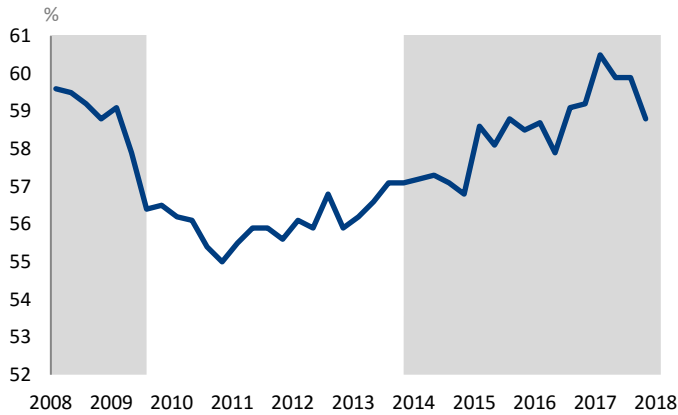


Inflation expectations Survey Q4 of 2017



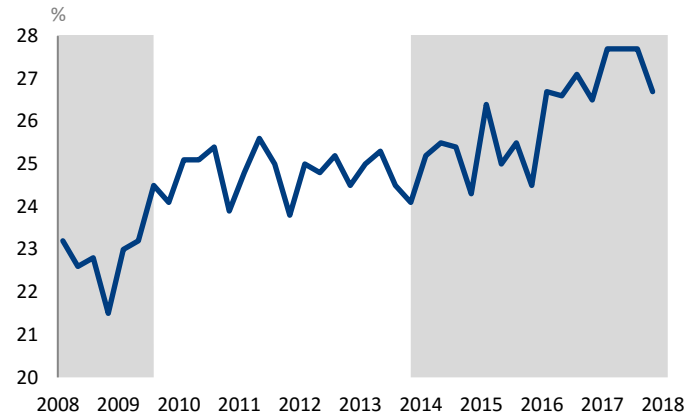
Labour

Labour force participation



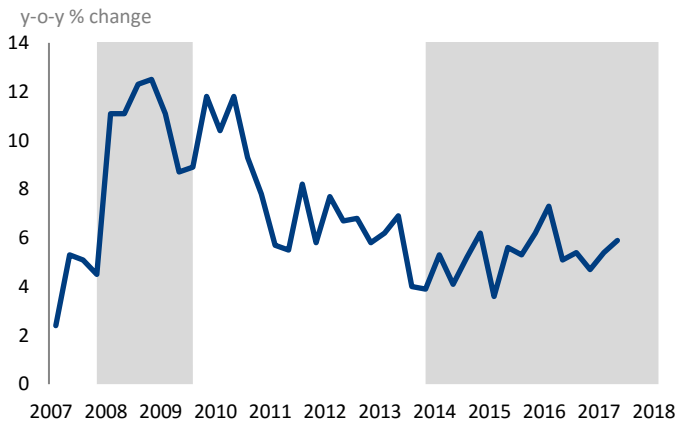
Source: Stats SA

Unemployment rate



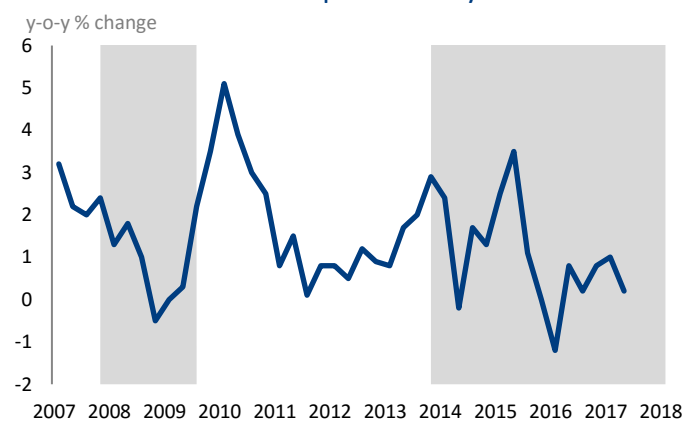
Source: Stats SA

Unit labour cost



Source: SARB

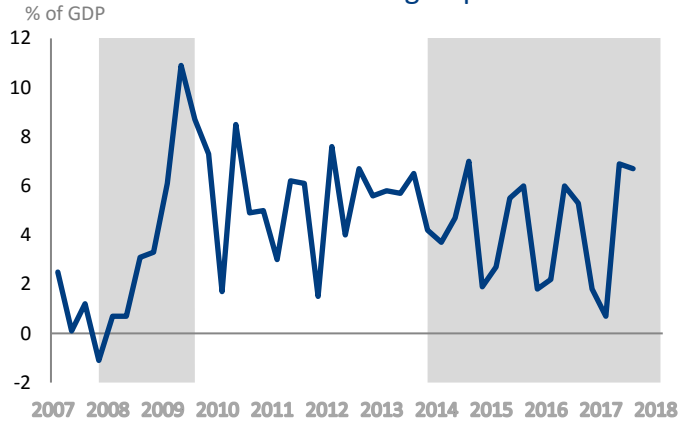
Labour productivity



Source: SARB

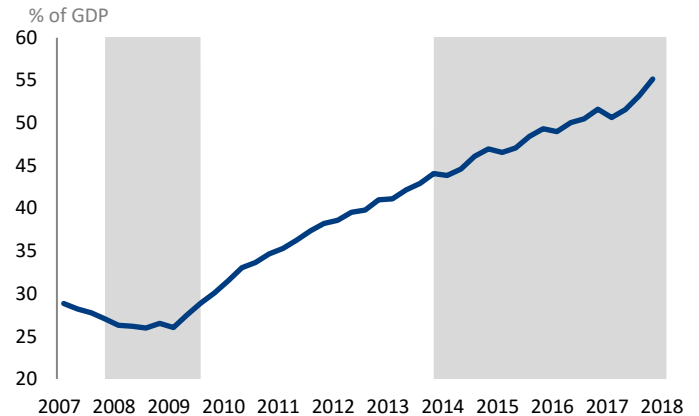
Government

Public sector borrowing requirement



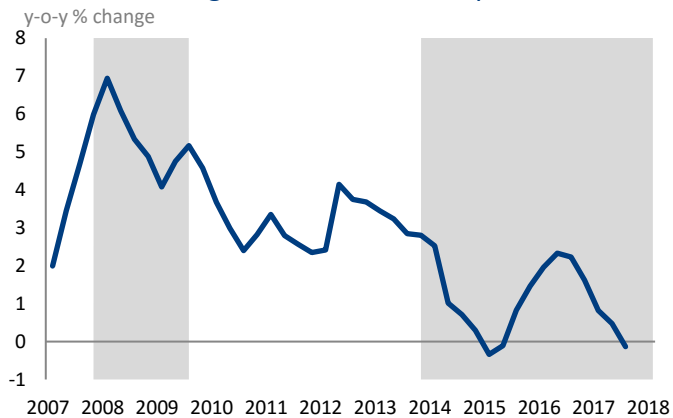
Source: SARB

Gross government debt



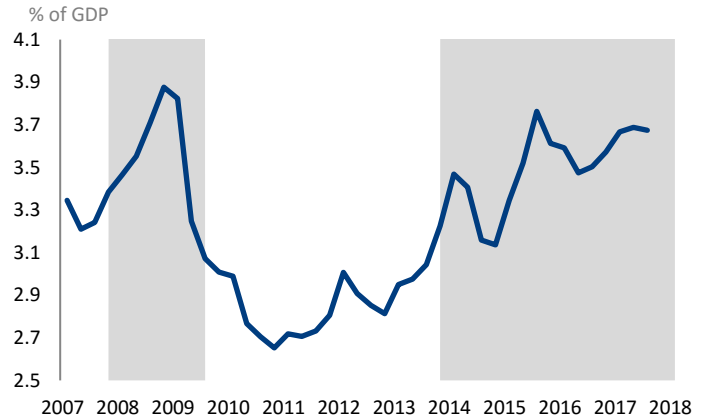
Source: SARB

Real government consumption



Source: SARB, Stats SA

Government fixed investment



Source: SARB, Stats SA

Copyright & Disclaimer

This publication is confidential and only for the use of the intended recipient. Copyright for this publication is held by Stellenbosch University.

Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.