BER
BUREAU FOR ECONOMIC RESEARCH

# Economic Prospects

Economic activity expected during 2018 and 2019

Second quarter 2018
Vol. 33 No. 2

S100
1918-2018

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# Forecast in a nutshell

| Real annual % change* | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Final household consumption expenditure** | **2.2** | **2.3** | **2.6** |
| Durable goods | 6.0 | 8.4 | 7.9 |
| Semi-durable goods | 3.1 | 5.1 | 4.2 |
| Non-durable goods | 1.1 | 1.5 | 1.8 |
| Services | 2.3 | 1.1 | 1.7 |
| | | | |
| **Gross fixed capital formation** | **0.4** | **2.2** | **4.7** |
| Government | -0.7 | -4.7 | -1.0 |
| Public Corporations | -1.3 | 2.0 | 3.5 |
| | | | |
| **Gross domestic expenditure** | **1.9** | **2.2** | **2.8** |
| | | | |
| Exports of goods and services | -0.1 | 3.2 | 1.5 |
| Imports of goods and services | 1.9 | 4.2 | 4.1 |
| | | | |
| **Gross domestic product** | **1.3** | **1.9** | **2.0** |
| | | | |
| **Current account as % of GDP** | **-2.5** | **-3.5** | **-4.3** |
| | | | |
| **Interest rates (%)** | | | |
| 3 month NCD rate | 7.21 | 6.90 | 6.82 |
| 10-year government bond yield | 8.74 | 8.20 | 8.59 |
| Prime overdraft rate | 10.39 | 10.06 | 10.00 |
| | | | |
| **Inflation rates (%)** | | | |
| Producer prices | 4.9 | 4.6 | 4.8 |
| Consumer prices | 5.3 | 4.8 | 4.9 |
| | | | |
| **Labour and employment** | | | |
| Nominal wage rate | 5.0 | 6.3 | 6.1 |
| Employment growth | 2.5 | 0.3 | 1.2 |
| | | | |
| **Exchange rates (annual average)** | | | |
| R/US dollar | 13.31 | 12.02 | 12.26 |
| R/Euro | 15.04 | 14.90 | 15.21 |
| R/Pound sterling | 17.15 | 16.68 | 16.49 |
| R/100 Japanese Yen | 11.87 | 11.16 | 11.20 |

** unless specified otherwise*

# Executive summary

Global growth moved from strength to strength in 2017, with activity picking up in most country groupings. However, amidst political infighting and policy uncertainty SA was in no position to take advantage of the upturn in global growth. Developments since the ANC elective conference in December 2017 have led to increased optimism that overall economic activity might surprise on the upside going forward.

In all, 2018 is shaping up to be a year of solid and synchronised **global growth**. Despite the recent equity market turmoil, financial conditions remain accommodative, which, combined with a more expansionary fiscal path in the US, suggests that global growth will remain well-supported in 2018/19. However, against this backdrop of firmer global growth lies a high level of political risk, while underlying vulnerabilities remain in some large emerging markets (EM).

On the **domestic** front, economic activity expanded at a faster-than-expected pace in 2017Q4, with all but two production sectors reporting positive quarterly growth. A more upbeat forecast for private sector fixed investment, a lower inflation profile, accommodative monetary policy, and favourable global demand conditions have resulted in an upward adjustment to our forecast for 2018 in particular.

The **rand exchange** rate has strengthened substantially in early-2018 on the back of a weaker US dollar, positive developments on the domestic political front, favourable international financial conditions, and firmer commodity prices. We project a mild weakening in the rand exchange rate over the forecast horizon to an average of around R12.35/$ in 2019Q4.

Headline **CPI inflation** is expected to remain relatively stable, averaging just below 5% over the entire forecast horizon. April 2018 could see a spike on the back of the sharp rise in the fuel levy and the one percentage point increase in the VAT rate. However, these factors will likely be countered by a strong rand exchange rate, contained pass-through of the VAT increase to consumers, and subdued commodity price increases.

In line with expectations, the MPC cut the policy **interest rate** by 25 bps in March. In our view, the scope for further easing is limited despite the marginal improvement in the inflation outlook. This is mainly due to continued uncertainty surrounding the speed and impact of global policy normalisation and the precarious domestic fiscal situation.

Overall **consumer spending** is expected to benefit from low inflation, a strong rand exchange rate and accommodative monetary policy. **Private sector fixed investment** is likely to accelerate on the back of increased business confidence and the improving growth outlook.

In all, real GDP growth is expected to measure 1.9% in 2018 before ticking up marginally to 2% in 2019. Risks to the baseline forecast are more or less balanced and, if anything, tilted to the upside.

This report was completed on 12 April 2018

Please refer to the glossary on the BER's website for explanations of technical terms.

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# Introduction

Global growth moved from strength to strength in 2017, with activity picking up in most country groupings. However, amidst political infighting and policy uncertainty, and in the face of numerous structural constraints, SA was in no position to take advantage of the upturn in global growth. Developments since the ANC elective conference in December 2017 have led to increased optimism that the worst may be behind us. While much still needs to be done, the outlook for the domestic economy has improved materially relative to the lows of 2016/17.

Global growth still going strong

The pick-up in global growth that started in 2016 gathered steam in 2017H1 and was sustained into the second half of 2017. Firm domestic demand in advanced economies and an improved performance in other large emerging market economies resulted in better-than-expected growth outcomes in 2017 and necessitated a marginal upward revision to global growth prospects for 2018/19. While uncertainty abounds, particularly in the political arena, and activity indicators have slowed somewhat in early-2018, indications are that global growth remains on solid ground.

In contrast to the past 18 to 24 months, it seems as if the SA economy is in a much better position to take advantage of the favourable global economic conditions. Political renewal, a surge in business and consumer confidence, and more policy certainty going forward could result in substantially better growth outcomes than expected just three months ago. The question remains whether we have "missed the boat" given that global growth appears to have peaked, with increased political tension and projected tighter monetary conditions over the next 12 to 18 months limiting any upside potential for the world economy.

Better domestic growth outlook on political renewal, increased confidence

That being said, a partial alleviation in domestic constraints, combined with still favourable global conditions, should see real GDP growth accelerate somewhat in 2018/19. In all, we expect real GDP growth to pick up from 1.3% in 2017 to 1.9% in 2018, before accelerating further to 2% in 2018. In contrast to previous forecast rounds, risks to the baseline forecast are more or less balanced and, if anything, tilted to the upside. Higher confidence and accommodative monetary policy should stimulate aggregate demand, while solid global growth and increased policy certainty will provide support to the productive sectors, including the mining and manufacturing sectors.

*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

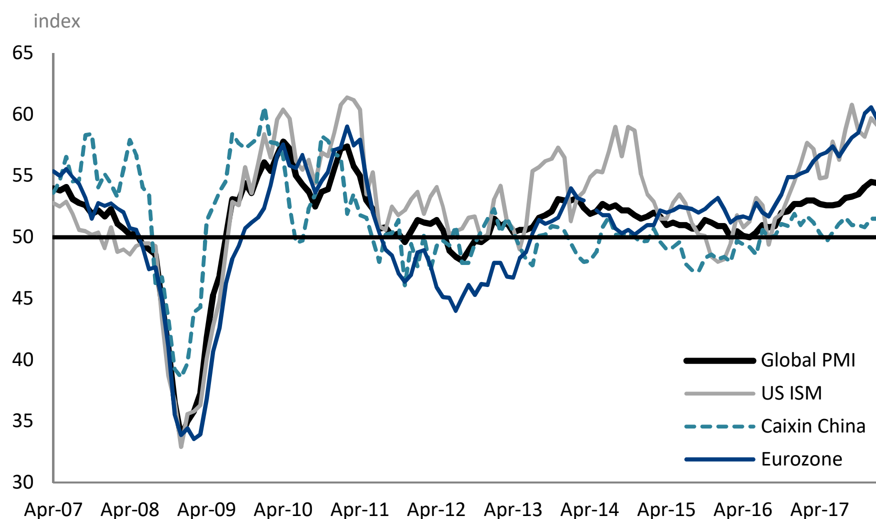
This section provides an overview of the international assumptions underlying the BER's latest forecast.

## Global growth moves up through the gears

Global growth remains on solid footing despite slowdown in early-2018

Global activity picked up in 2017, driven by remarkably strong investment and trade. Growth was broad-based, with activity accelerating in most countries. Stronger-than-expected growth outcomes in the Eurozone (EZ), Japan and the US, continued fast expansion in China, and improving conditions for commodity exporters led to global growth firming from 3.2% y-o-y in 2016 to a multi-year high of 3.7% in 2017. Encouragingly, this momentum appears to have been sustained into early-2018. In fact, the J.P. Morgan Global Manufacturing PMI averaged 54 in 2018Q1, unchanged from the reading for the final quarter of 2017. While the goods sector has cooled down in recent months, as reflected in data on retail sales, industrial production, and PMIs (see Figure 1 below), the dip in activity is likely to be temporary. The noise around recent energy price moves, unusually cold weather in the northern hemisphere, and the Lunar New Year holidays in China have buffeted both demand and production. These factors should dissipate over coming months while underlying growth fundamentals remain strong.

Figure 1: Although slowing, PMI data points to continued growth




*Source: IHS Markit, ISM*

Tighter global monetary policy on the cards

The major difference from 2017 that will characterise 2018 is the expected breadth of monetary tightening. In line with a stronger growth performance, policy rates among advanced economies in particular are beginning to normalise, with a sequence of cautious interest rate hikes in the US taking centre stage.

Long-term market interest rates have also increased notably, driven by concerns about inflation. Additionally, the US Fed is gradually reducing the size of its balance sheet, while the European Central Bank (ECB) has started to taper its large-scale asset purchases. While tightening monetary policy does present a risk to the global growth outlook, broad financial conditions remain supportive by historical standards.

Steady, solid growth projected for 2018/19

In all, 2018 is shaping up to be a year of solid and synchronised global growth and gradually rising core inflation. Despite the recent equity market turmoil, financial conditions remain accommodative, which, combined with a more expansionary expected fiscal path in the US, suggest that global growth will remain well-supported in 2018/19.

Positive feedback loop supporting US growth, but…

Among advanced economies, the **US** appears to be in good shape. Growth picked up from 1.5% in 2016 to 2.3% in 2017 and is expected to accelerate further in 2018. A positive feedback loop seems to be at work, with improved domestic and global demand conditions resulting in strong employment growth, a larger workforce boosting consumer spending, and rising private consumption encouraging firms to invest and hire more workers. This process was particularly evident in 2017. The US ended the year with an unemployment rate of 4.1% - the lowest jobless rate since 2000 – while growth in domestic demand picked up notably. Combined with the positive impulse from the recently enacted fiscal stimulus package, these dynamics suggest that growth could remain well-supported in 2018/19. On the monetary policy front, the Fed has continued along its moderate rate-hiking cycle. The economy has so far proven resilient to moderately higher interest rates, but the Fed will likely remain cautious as to the pace of rate hikes. We expect three interest rate hikes in 2018, with the first increase of 25 bps already enacted in March, while three to four more hikes are pencilled in for 2019.

…political uncertainty clouds the outlook

While the US *economy* is gearing up for a good year, the political outlook is worrisome. Mr Trump is the most polarising president of the modern era and his first 18 months in power have been characterised by unflattering media coverage, legislative disappointments, and virulent clashes between lawmakers on different sides of the aisle. Looking ahead, US policymaking is likely to be combative, slow and largely unproductive, while international diplomatic ties may continue to deteriorate in the face of a fickle and unpredictable commander-in-chief. Finally, the burgeoning trade war between the US and China, based largely on accusations of unfair trade practices levied against China by Mr Trump, presents a definite risk to the global growth outlook.

Boosted by strong domestic and external demand, the economic recovery in the **EZ** has gathered significant momentum over the past year, with GDP growth coming in at 2.5% y-o-y in 2017 versus 1.8% in 2016. Faster rates of expansion have been recorded by virtually all member states, and although country-level differences remain, the region's recovery is looking healthier than at any time in the past decade. Subdued inflationary pressure and evidence of slack in the labour market suggest that the recovery in domestic demand has further to go, implying that monetary policy could remain accommodative for some time yet. Policy interest rates will likely be kept at or below zero over the forecast horizon, while the ECB's quantitative easing (QE) programme will run at the current pace until September 2018 before being scaled back only gradually through 2019. In all, the EZ is projected to enter its fifth consecutive year of expansion in 2018, with annual growth averaging around 2.3% in 2018/19. While the cyclical economic improvement is expected to continue, political risk in the EZ remains high and presents a downside risk to the growth outlook.

Broad-based recovery taking hold in EZ

The **UK** economy has proven resilient in the aftermath of the Brexit vote, but appears to be losing momentum. A heavy depreciation in the value of sterling has pushed up inflation, eroding real incomes and forcing the Bank of England's (BoE) hand in raising the policy interest rate, while economic uncertainty is starting to weigh on spending and investment. Theresa May's government signed a provisional agreement in March that essentially maintains the status quo with the EU up to December 2020, minus voting rights in the European parliament. The agreement has come under fire from various quarters. However, as long as no clear-cut agreement can be reached, UK growth will remain subpar. In **Japan**, Abenomics has contributed to a mild recovery that has, up to 2017, spanned six years. This trend is expected to continue in 2018/19 with growth projected to average 1.1% over the period, supported by a fairly accommodative fiscal stance and steady external demand. However, the first two "arrows" of Abenomics (monetary and fiscal policy) appear to have run their course. As such, authorities will face increasing pressure to make headway with the third arrow, structural reforms, in order to boost longer-term potential growth.

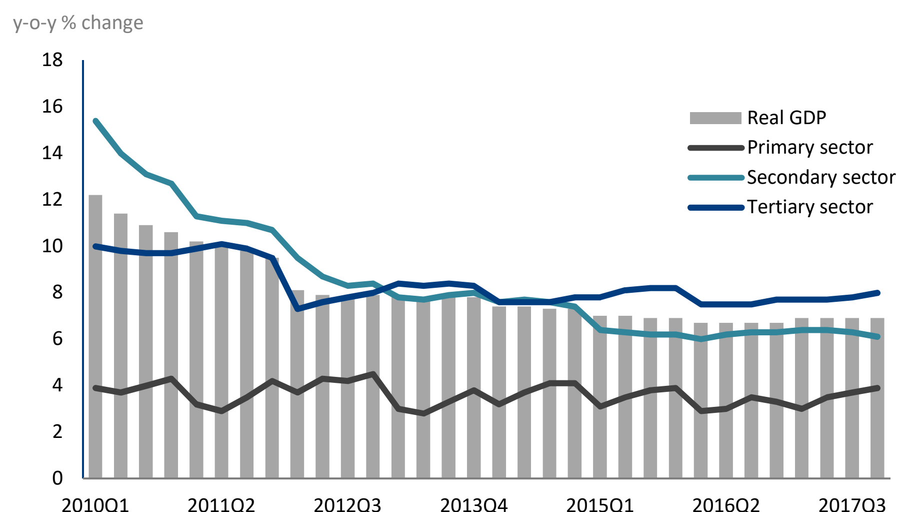
Brexit weighing on UK inflation and growth; Abenomics running its course in Japan

Turning to EMs, activity in **China** was stronger than expected in 2017, with overall GDP growth coming in at 6.9% y-o-y, up from 6.7% in 2016. This was the first acceleration in growth since 2010. The rate of expansion is expected to slow over the forecast horizon as the Chinese economy continues along the path toward a consumption- and services-led growth model. This suggests that the share of consumption in GDP will continue to rise. In fact, growth in the tertiary sector has outstripped that of the secondary sector for the past 13 quarters (see Figure 2). That being said, growth is expected to remain anchored at around 6.5%, suggesting that the government is on course to meet its long-held target

Chinese growth anchored around 6.5% over forecast period

of doubling real GDP between 2010 and 2020. However, high debt levels, along with elevated levels of bad debt, continue to present a significant threat to the outlook. By some measures, private non-financial debt is already above 200% of GDP, which heightens the risk of a disorderly debt default. The Chinese government is likely to be mindful of this, which will be a factor in any future decisions to remove stimulus from the economy.

Figure 2: China continues along path to consumption-led growth model




*Source: Reuters*

Indian economy on solid ground, Brazilian recovery under way

Looking further afield, solid growth is expected in the rest of **Emerging Asia**, with India leading the pack. Indian growth is expected to be underpinned by strong domestic demand, with a high savings rate, rapid expansion in the workforce, continued urbanisation, an expanding middle class and a shift away from low-productivity agriculture towards manufacturing. The improvement that began in 2017 in **Latin America** is forecast to gather momentum in 2018/19. With a recovery under way in Brazil, and other commodity exporters expected to benefit from continued growth in China, growth in the region should remain well-supported. A more favourable external environment should also support activity in **sub-Saharan Africa**, but this could be countered by the gradual tightening of credit conditions in major developed economies and policy mismanagement in several countries in the region. Finally, prospects for rapid economic growth in the **Middle East** remain constrained by heightened geopolitical risk, macroeconomic imbalances, policy uncertainty and corruption.

Global growth set to pick up speed in 2018

In all, global growth is expected to accelerate to around 4% in 2018, with economic activity projected to pick up speed in all country groups, before moderating somewhat in 2019 (see Table 1 below). However, against this backdrop of firmer global growth lies a high level of political risk. At the centre of this is Donald Trump's administration in the US, but geopolitical tension in the

Middle East and Asia remain a concern. Mr Trump is an unpredictable leader, and the transformation of the US into an unpredictable international actor poses a downside risk to global growth and international political stability. 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 | 2017 | 2018 | 2019 |
|---|---|---|---|
| **World** | **3.7** | **4.0** | **3.8** |
| **Advanced countries** | **2.3** | **2.3** | **2.1** |
| USA | 2.3 | 2.5 | 2.2 |
| Euro area[1] | 2.5 | 2.4 | 2.3 |
| United Kingdom | 1.8 | 1.8 | 1.9 |
| Japan | 1.7 | 1.4 | 1.4 |
| **Developing countries** | **5.1** | **5.2** | **4.9** |
| China | 6.9 | 6.8 | 6.4 |
| India | 6.7 | 7.1 | 7.3 |
| Emerging Europe, Middle East & Africa | 3.9 | 3.1 | 3.0 |
| Latin America and Caribbean | 1.7 | 2.8 | 2.8 |

[1]19 Eurozone Countries

*Source: JP Morgan Global Data Watch, 6 April 2018*

## Subdued commodity price outlook despite solid global growth

Oil prices range-bound on supply-demand balance

Global **oil prices** have risen quickly in recent months on the back of tightening supplies, rising demand, and heightened political tensions in the Middle East. The price of Brent crude oil averaged $67.3/barrel in 2018Q1, up 22.7% y-o-y, and briefly hovered above the $70 mark for the first time in over three years. Despite the upward trend in oil prices since September 2017, we expect global oil prices to remain largely range-bound over the forecast horizon as OPEC's efforts to limit global supply are partially offset by rising production from non-OPEC producers, particularly in the US. According to the Energy Information Administration (EIA), annual average US crude oil production came in at 9.3 million barrels per day (b/d) in 2017, an increase of 5% y-o-y. The EIA expects US output to tick up to a record of 10.7 million b/d in 2018, before increasing further in 2019. Rising US supply, combined with possible quota busting among OPEC members if prices continue to rise, should result in the oil price remaining range bound despite improving demand conditions. We expect that the balance of these forces will result in Brent trading in a band of between $60 and $70 per barrel over the entire forecast horizon.

Subdued growth in industrial commodities over forecast period

After surging in early-2017, the price of **iron ore** fell steadily throughout 2017, declining by 13% y-o-y in 2018Q1. The slide was driven mainly by lower demand out of China and an increase in low-cost supply out of Australia and Brazil. In contrast, the price of **coal** has continued to tick up on the back of supply disruptions and increased demand for high quality coal from China. 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 | 2017Q4 | 2018Q4 | 2019Q4 |
| Iron ore ($/tonne) | 65.9 | 66.0 | 64.8 |
| Coal ($/tonne) | 93.1 | 86.7 | 84.4 |
| Brent crude oil ($/barrel) | 61.4 | 63.0 | 63.0 |
| Gold ($/oz) | 1275.7 | 1330.0 | 1310.0 |
| Platinum ($/oz) | 920.2 | 972.3 | 1075.9 |
| Palladium ($/oz) | 993.2 | 973.3 | 1075.6 |

*Source: Reuters, BER forecast*

Gold benefiting from safe-haven demand, weaker US dollar

Turning to precious metals, **gold** continues to find support in a weak US dollar and increased safe-haven demand. Tension between the US and China, not to mention the ever-present North Korean threat and persistent unrest in the Middle East, should put a floor under gold over the short term. The price of **platinum** traded in a range of between $900 and $1000 per ounce in 2017. Output in SA, the world's largest producer, continues to be undermined by legislative uncertainty and rising costs, but reduced demand in the wake of the diesel-powered vehicle scandal in Europe has kept a lid on price increases. Looking ahead, reduced demand, combined with increased supply over the medium- to long term on the back of large-scale investment projects in Zimbabwe and a possible increase in mining investment in SA, could limit the upside for platinum. In contrast, the price of **palladium** surged by more than 40% y-o-y in 2017 and the expectation is that the price will remain well-supported over the forecast horizon.

## Trumpnomics, policy convergence weighs on dollar

Dollar remains under pressure

The US dollar has continued to depreciate in early 2018 in spite of solid economic data, the passage of major tax reform and a clear commitment to monetary tightening by the Fed. On its own, regular interest-rate increases should provide the dollar with some support over the next two years. However, as the global economic expansion continues, a rising number of other central banks will also push up their rates, or at least start along the path to policy

normalisation à la the ECB. Additionally, the greenback will continue to be vulnerable to erratic domestic policymaking and signs of softening GDP growth. The value of the dollar will depend on the balance of these forces. We expect the dollar to remain under pressure over the short- to medium term, averaging $1.24/€ 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.

GDP growth accelerated in '17Q4

Domestic economic activity expanded at a faster-than-expected pace in 2017Q4. Growth in real GDP accelerated from a rate of 2.3% q-o-q (saar) in 2017Q3 to 3.1% in Q4 – the fastest pace since 2016Q2 and the second highest in three years. Encouragingly, the gains were quite broad-based, with all but two production sectors reporting positive quarterly growth, whereas the growth rebound in the previous two quarters was led by the primary sector. From the demand side, a strong contribution from private sector fixed investment and consumer spending supported overall growth.

Significantly, the latest national accounts data release by Statistics South Africa (Stats SA) contained substantial upward revisions to historical data, including a revision which eliminated the technical recession in late 2016 and early 2017. The rebound in overall growth in the last three quarters of 2017, combined with historical revisions, saw annual growth accelerate to 1.3% y-o-y in 2017 from 0.6% in 2016. The revisions meant that 2017 growth outstripped most forecasts – including our own.

Growth indicators mixed in early-2018

Turning to 2018, activity indicators have been mixed. The Absa PMI averaged 49.2 in 2018Q1, higher than the reading for 2017Q4 but still below the neutral 50-index point mark, while manufacturing output and retail sales disappointed. On the other hand, the South African Reserve Bank's (SARB) leading indicator continues to trend up and mining output expanded at a faster-than-expected pace of 3% y-o-y in January/February.

GDP growth outlook revised up for 2018

In terms of the forecast, the revisions to historical data alone would have necessitated an upward revision to our outlook for real GDP growth. The higher base, combined with a more upbeat forecast for private sector fixed investment on the back of rising confidence, a lower inflation profile, the March interest rate cut, and favourable global demand conditions, have resulted in a significant upward adjustment to our forecast for 2018 in particular. We now expect real

GDP growth to average 1.9% in 2018 (1.4% previously) and 2% in 2019 (2.1% previously).

Risks to the outlook more or less balanced

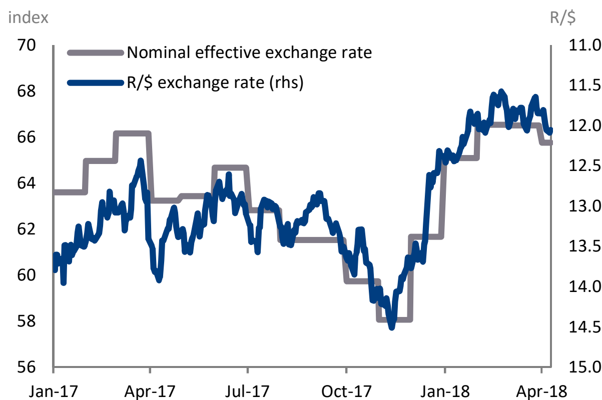
As mentioned in the previous edition of *Economic Prospects*, risks to the SA economy are more or less balanced and, if anything, tilted to the upside. In particular, the resolution of regulatory issues in the mining sector could provide a welcome boost to mining sector fixed investment, while risks to overall growth could be reduced greatly if we see further renewal at major state-owned enterprises. On the other hand, a stronger rand exchange rate and/or less favourable global conditions could hit the productive sectors of the economy.

## Rand strengthens on positive political developments, ratings reprieve

Rand strengthens to below R12/$ in early-2018

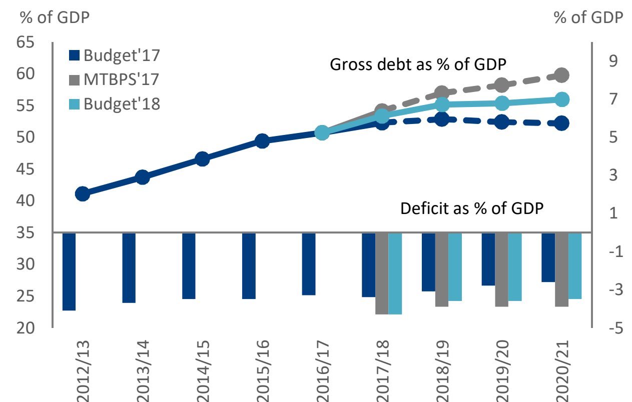
The rand exchange rate strengthened substantially in early-2018 on the back of the positive developments on the domestic political front, favourable international financial conditions, and firmer commodity prices. The domestic unit traded at an average of just below R12 to the US dollar in 2018Q1, a significant improvement from the levels seen just before the ANC elective conference in December 2017.

Figure 3: Rand strenghtens sharply in early-2018




Source: Reuters

Figure 4: Moderate fiscal consolidation expected




Source: National Treasury

Broad-based rand strength on lower risk premium, increased confidence

While some of the strength in the rand can be ascribed to the weakening of the US dollar over the same period, the significant appreciation in the nominal effective exchange rate suggests that rand strength was broad-based (see below). Much of the appreciation in the rand can be ascribed to a decline in the risk premium associated with the economic mismanagement and policy uncertainty that characterised the Zuma-era. Additionally, international investor confidence in SA has improved, with foreign inflows into the stock market totalling R26 billion year-to-date. This inflow reflects increased optimism over

the economic growth outlook and earnings potential under the new administration.

Another major factor that has contributed to the strength of the rand in early-2017 is that SA managed to avoid a credit rating downgrade to sub-investment grade status from Moody's. A downgrade would have ejected SA government bonds from the World Government Bond Index (WGBI) and, in turn, made the rand vulnerable to $8 to $12 billion worth of portfolio outflows. The decision by Moody's can be partly ascribed to the change in leadership of both the ANC and the country, and the apparent commitment by the new administration to institutional reform.

SA avoids credit rating downgrade

Importantly, the fiscal consolidation measures reflected in the February Budget also went some way in convincing Moody's to hold off on a downgrade. Government debt is now expected to stabilise at just over 55% over the medium-term, on the back of significant tax increases in 2018/19 and a marginal reduction in the expenditure ceiling over the Medium Term Expenditure Framework (MTEF) period.[1] This represents a major improvement over the October 2017 Medium Term Budget Policy Statement (MTBPS) – see Figure 4 above. However, SA's fiscal position remains precarious, as reflected in the marked deterioration between the 2017 and 2018 projections (see Figure 4), while several risks to the outlook remain. These include, but are not limited to, the impact of the ongoing public sector wage negotiations on compensation budgets and risks associated with higher-than-expected spending on fee-free higher education. Be that as it may, we expect the government deficit-to-GDP ratio to measure 4.2% in 2017/18, before improving to 3.5% and 3.4% in 2018/19 and 2019/20 respectively. Despite the renewed commitment to fiscal consolidation, we still expect the debt-to-GDP ratio to increase over the medium term, but at slightly lower levels compared to our February forecast.

Current account deficit set to widen

Internationally, we expect the rand to continue to benefit to some extent from the firmer commodity prices, improving emerging market fundamentals, and broad-based dollar weakness. That being said, the favourable terms-of-trade that led to a significant improvement in the current account deficit in 2017 is not expected to last. The current account shortfall is projected to widen through 2019 to 4.3% of GDP by 2019Q4 as firmer domestic demand and a robust currency drive up the demand for imports.

While the rand has strengthened significantly over the past three months, in our opinion the scope for further appreciation is limited. At levels stronger than

[1] Visit the BER's website for our detailed comment on the 2018 Budget.

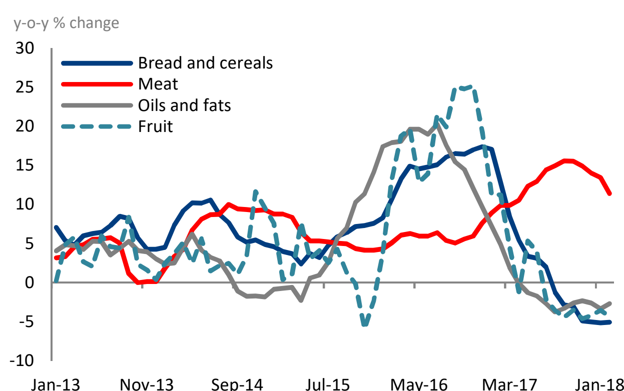
R12/$, the rand is overvalued on a number of fundamental metrics, while rising global interest rates and the projected deterioration in the current account could place additional pressure on the currency going forward. That being said, we project only a mild weakening over the forecast horizon. In all, the rand exchange rate is expected to weaken to an average of around R12.15/$ in 2018Q4 and R12.35/$ in 2019Q4.

## CPI inflation set to remain within target as food inflation, strong currency weighs

Bread and cereals prices contract

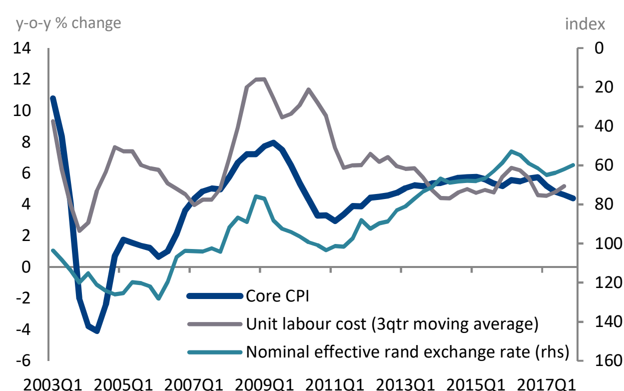
Headline consumer inflation slowed to 4.0% y-o-y in February from 4.4% in January, mainly due to the continued slowdown in food price inflation and a significant strengthening in the rand exchange rate. **Food price inflation** has declined steadily since reaching a peak of 12% in October 2016 and hit a four-year low of 4% y-o-y in February 2018. As has been the case for the past 12 months, the details within the food basket have been mixed (see Figure 5 below). Price inflation in CPI categories such as 'bread and cereals', 'oils and fats' and 'fruit' has come down sharply, falling into outright deflation. In contrast, meat price inflation has remained elevated on the back of 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.

Figure 5: High meat prices counter falling cereals




Source: Statistics South Africa

Figure 6: Core inflation moderating




Source: SARB, BER calculations

Meat price inflation peaks

However, meat price inflation also appears to have reached its high point, with inflation in the category slowing to 11.4% y-o-y in February from a recent peak of 15.6% in September 2017. Looking ahead, upward pressure on food prices is limited. Grains futures have remained contained due to a combination of a decent prospective harvest, high stock levels from last season, a stronger rand exchange rate, and lower international demand. That being said, the favourable base effects that delivered lower food price inflation have now run their course and we expect food price inflation to trend broadly higher over the forecast

horizon. In all, we expect food prices to pick up over the forecast horizon from current levels, averaging around 4.7% in 2018 and 5.2% in 2019.

Rising oil prices countered by strong rand

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. As mentioned above, the price of **Brent crude** has rallied in recent months, trading in a narrow band of between $65 and $70 for most of 2018. However, the surge in the oil price has been countered by a sharp appreciation in the rand exchange rate. This resulted in a cumulative *decrease* in the price of petrol of R1 per litre between January and March 2018, pushing petrol price inflation down to 5% y-o-y in February 2018 from a recent peak of 14% in December 2017. In contrast, the price of petrol increased by over 60c per litre in April on the back of a small increase in the rand oil price and a combined increase of 52c per litre in the fuel levy and Road Accident Fund levy. Looking ahead, we project only moderate increases in the petrol price over the forecast horizon given our assumptions of a moderate weakening trend in the rand exchange rate and a relatively stable oil price.

Electricity poses upside risk to inflation outlook

An ever-present risk to the inflation outlook is the possibility of above-normal increases in **electricity tariffs**. Eskom applied for an average increase of 20% in electricity prices for 2018, but was only granted an average hike of 5.2%. The power utility has objected to the increase and is set to apply for tariff hikes in excess of 30% over coming years in order to recover past losses incurred due to reduced electricity sales and to hedge against the impact of increased activity from the renewable energy sector. The current baseline CPI forecast includes the 5.2% increase granted for 2018 and assumes an 8% increase for 2019. However, the possibility that Eskom could be successful in its application, ever more likely given the dire financial circumstances at the utility and the repercussions should it fail, presents an upside risk to the inflation outlook.

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 4.1% y-o-y in February. Persistent slack in the economy, a strengthening rand exchange rate, and moderating growth in compensation of employees have served to keep underlying price pressures contained (see Figure 6). Looking ahead, core inflation is likely to respond to the dynamics of unit labour costs, which depend on wage settlements and productivity growth, in addition to developments in the rand exchange rate. In this regard, the current public sector wage talks and the extent to which the eventual settlement sets the benchmark for other parts of the economy will be key. In all, 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.

Headline CPI to average 5% over forecast period

In all, headline CPI is expected to remain relatively stable, averaging just below 5% over the entire forecast horizon. While inflation is expected to increase steadily from current levels throughout 2018, we expect headline inflation to remain well within the SARB's target band. April could see a spike on the back of the sharp rise in the fuel levy and the one percentage point increase in the VAT rate. However, these factors will likely be countered by a strong rand exchange rate, limited pass-through of the VAT increase to consumers, and subdued commodity price increases. Looking ahead, negative surprises on the currency, electricity and/or oil price front could push headline CPI back closer to the top end of the target range.

## Flat repo rate over forecast horizon as SARB shifts focus

MPC cuts repo rate by 25bps

As widely expected, the Monetary Policy Committee (MPC) of the SARB reduced the repo policy interest rate by 25bps to 6.5% at its March meeting. However, the decision was not clear-cut as generally expected, with four MPC members in favour of the reduction, while three favoured no change. The decision to cut was informed mainly by the mild improvement in the SARB's headline and core CPI forecasts. The improved outlook was despite the higher VAT rate from April 1 and reflects the positive impact of the sustained strength in the rand exchange rate. In fact, some of the key domestic risks and uncertainties for the currency (and by implication the inflation outlook) have dissipated. In particular, these refer to the 2018 Budget that was positively received and the subsequent decision by Moody's to keep SA's credit rating at investment grade, as well as the stable outlook for the rating. Finally, the MPC judged the risks to the inflation outlook to be more or less evenly balanced, a change from recent statements in which the upside risks were consistently highlighted.

Limited scope for further monetary easing

A further development welcomed by the MPC was the notable improvement in inflation expectations. The BER's 2018Q1 survey revealed that average expectations declined by 0.5 and 0.6 percentage points to 5.2% and 5.3% respectively for 2018 and 2019. Despite the notable improvement, on two occasions the MPC statement emphasised that the committee would prefer inflation expectations to be anchored closer to the midpoint (4.5%) of the inflation target range. This continues the trend in recent MPC statements where the MPC has (albeit subtly at times) signalled a desire to rather focus on the midpoint of the 3 to 6% target range.

In our view, the scope for further interest rate relief is limited. Indeed, our baseline view is that we have now reached the end of the domestic rate cutting cycle. This is informed by:

- Limited scope for further gains in the **rand exchange rate**. At current levels, the SARB's (and the BER's) model suggests that the rand exchange rate is "somewhat overvalued". Combined with less accommodative international financial conditions, this implies the rand is unlikely to strengthen substantially from current levels.
- The MPC's increased focus on the **midpoint** of the inflation target range. While the SARB's (and the BER's) inflation trajectory through 2019 is benign, it remains some way above 4.5%. Indeed, although less so than previously, the SARB's core forecasting model (the QPM) continues to suggest policy interest rate hikes through 2019.
- The implementation risks on the **fiscal policy** front, which could still result in market volatility and credit rating concerns down the line.
- The potential spillovers from **global monetary policy tightening**.
- The likelihood that the SARB will upgrade their **domestic growth outlook** as the year progresses, which may reduce the need for further policy accommodation.

These factors suggest that the scope for further rate cuts are limited. Indeed, given the shift in the SARB's focus toward the mid-point of the inflation target range, the potential for rate hikes has increased, especially in the event that domestic growth surprises on the upside and/or if the fallout from international monetary policy tightening is less benign than anticipated.

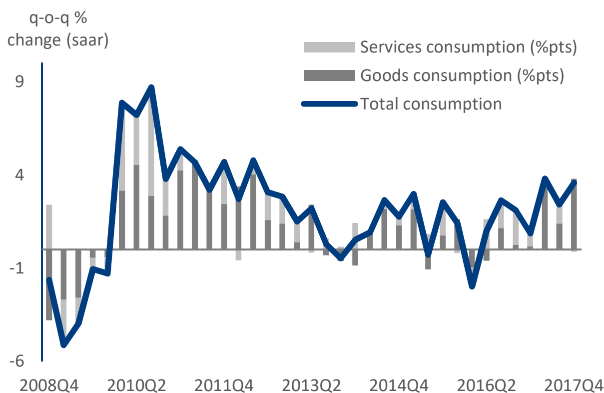
## Real consumer spending accelerates as inflation drops, incomes recover

Consumer spending growth accelerated in '17Q4

An important factor behind the better-than-expected GDP figures in 2017Q4 was the strong consumer spending numbers recorded over the quarter. Growth in real household consumption expenditure accelerated to 3.6% q-o-q (saar) in 2017Q4 after having increased by 2.4% q-o-q in Q3 (see Figure 7). Spending was supported by a slight increase in the FNB/BER Consumer Confidence Index and strong Black Friday sales in November. On an annual basis, growth in real spending by households accelerated to 2.2% y-o-y in 2017 from 0.7% in 2016. Spending was underpinned by growth in households' real disposable income, which was, in turn, supported by lower consumer price inflation and low interest rates.

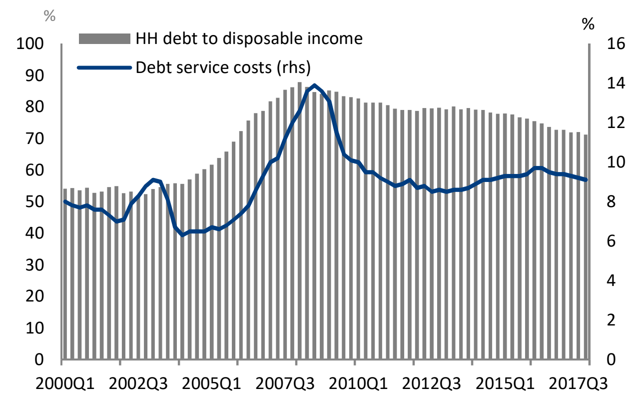
In contrast to earlier forecast rounds, conditions appear to favour a continuation of the recent upward trend in consumer spending. While there is little to cheer on the employment front, moderating inflation and the recent cut in the policy interest rate will provide some support to consumer incomes going forward. Additionally, should the recent confidence boost translate into faster economic growth, private sector employment might follow suit, providing further support to real income growth.

Figure 7: Strong spending growth in '17Q4




*Source: Statistics South Africa*

Figure 8: Households continue to deleverage




*Source: SARB*

Scope for increased credit growth over forecast horizon

On the credit side, indicators have been mixed. Consumer borrowing remains exceptionally muted, coming in below inflation in 2017Q4. Total credit extended to households increased by just over 3.8% y-o-y in the final quarter of 2017, some distance below the long-run average of 11% and lower than the post-crisis average of just over 5% per annum. That being said, there appears to be little evidence of consumer debt distress. SARB data shows that households continued to deleverage in 2017Q4, while debt service costs fell to 9.1% of disposable income (see Figure 8). Low interest rates, falling leverage ratios and increased credit supply (i.e. less tight credit standards) on the back of better overall economic growth prospects should boost credit growth, and hence provide support for consumer spending going forward.

<u>In all, we expect total real consumer spending to measure 2.3% in 2018 before picking up to 2.6% in 2019</u>. The 2018 Budget imposed large and sweeping tax increases, most notably a one percentage point increase in VAT, which will hurt consumers' wallets. However, offsetting this to some degree is the fact that household balance sheets as reflected by their debt burden, wealth and savings continue to improve, while real incomes will be supported by low inflation and accommodative monetary policy.

Looking at a breakdown per spending category, spending on **durable goods** decelerated somewhat from a five-year high of 15.2% q-o-q (saar) in 2017Q3 to

a still high 13.1% in Q4. Growth in spending on personal transport equipment accelerated, while spending in other categories rose at a slower pace. Black Friday campaigns boosted spending on furniture and household appliances over the quarter. Looking ahead, pent-up demand, low durable goods inflation, a stronger rand exchange rate, and a moderate acceleration in credit growth should see a pick-up in durable goods spending over the forecast period (see Table 3 below).

Durable goods spending set to accelerate

Table 3: Outlook for consumer spending

| y-o-y % change | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Durable goods | -4.9 | 6.0 | 8.4 | 7.9 |
| Semi-durable goods | 2.9 | 3.1 | 5.1 | 4.2 |
| Non-durable goods | 0.9 | 1.1 | 1.5 | 1.8 |
| Services | 1.3 | 2.3 | 1.1 | 1.7 |
| **Total** | **0.7** | **2.2** | **2.3** | **2.6** |

*Source: Statistics South Africa, BER*

Spending on **semi-durable goods** (mainly clothing, footwear and textiles) rose by a brisk 16.7% q-o-q in 2017Q4 following an increase of 4.8% in Q3. Black Friday promotions boosted sales of clothing and footwear in particular, while real spending on household textiles and glassware also accelerated. Volume growth was supported by low prices, with inflation in the category (as measured by the implicit deflator) measuring just 1.4% y-o-y in 2017Q4. Stronger growth in real disposable income, low price inflation and accelerating credit growth could support volumes going forward. However, turnover growth will remain under pressure, with nominal spending growth projected to average just 6.2% over the forecast period, well below the long-run average of 11%.

Semi-durable volumes benefiting from low inflation

Following a decline of 1.2% q-o-q in 2017Q3, real spending on **non-durable goods** increased by 2.6% in Q4. Looking ahead, spending in the category should receive support from subdued food price inflation, stronger growth in disposable income, contained electricity price increases, and subdued petrol price inflation. However, a strained fiscal situation (reflected in higher indirect taxes and a slowdown in grant expenditure growth) could limit any upside. Finally, real **services** spending growth is expected to slow from 2.3% in 2017 to 1.1% in 2018, before ticking up again in 2019.

## Higher business confidence, increased policy certainty set to boost private investment

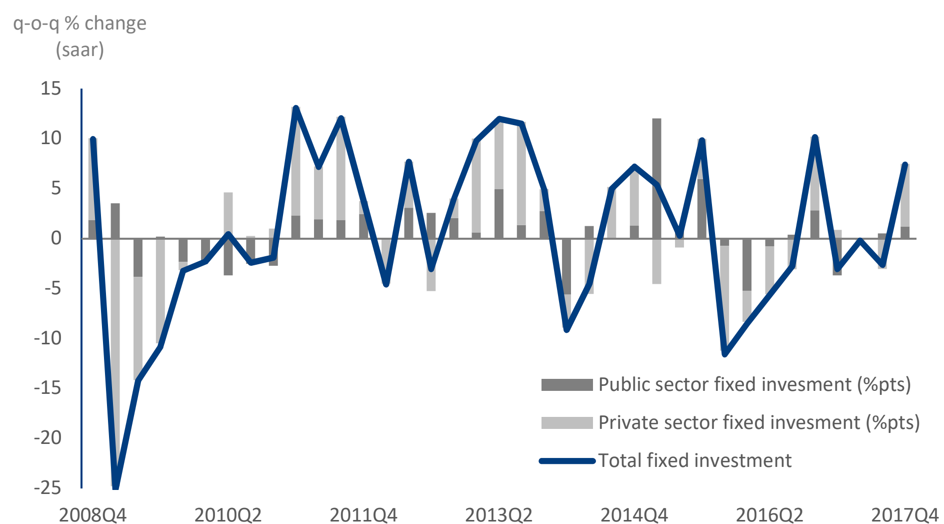
Real gross fixed capital formation grew by 7.4% q-o-q (saar) in 2017Q4, with capital spending by both public corporations and the private sector rebounding strongly. In contrast, capital outlays by general government contracted. Total

fixed investment expanded by a mere 0.4% y-o-y in 2017 following a contraction of 4.1% in 2016. Public corporations and general government reduced capital expenditure in 2017 on the back of constrained balance sheets, and while private sector investment posted marginal growth, low business confidence kept overall capital outlays in check.

PSFI rebounds in 2017Q4; outlook revised up

After posting weak numbers for the first nine months of 2017, **private sector fixed investment** (PSFI) rebounded strongly in 2017Q4 (see Figure 9). Capital outlays by the private sector surged by 9.9% q-o-q (saar) as spending on transport equipment and machinery and equipment accelerated. On an annual basis, PSFI increased by 1.2% y-o-y in 2017 after two successive years of annual contractions. However, this marginal improvement came off a low base as the year was characterised by political uncertainty, low business confidence and relatively weak economic growth. The shift in sentiment following the ANC elective conference in December and subsequent positive developments, including the cabinet reshuffle, have resulted in an upward revision to our outlook for PSFI. Business confidence, as measured by the RMB/BER Business Confidence Index, improved markedly in 2018Q1 and, more importantly, participants appear confident that business conditions will continue to improve going forward. The boost in confidence, if sustained, combined with more policy certainty in the mining and energy sectors, could result in a meaningful acceleration in PSFI over the forecast horizon. As such, we have made an upward revision to our outlook for PSFI and now expect real private sector investment to expand by 4.1% in 2018 (2.7% previously), before picking up even further to 6.5% in 2019 (4.4% previously).

Figure 9: Private fixed investment spending surged in 2017Q4




*Source: Statistics South Africa*

In contrast to PSFI, severe balance sheet constraints continue to weigh on capital outlays in the public sector. Aggregate outlays by **public corporations** contracted by 1.3% y-o-y in 2017 following a decline of 0.7% in 2016, reflecting the challenges faced by state owned companies. The strained nature of the finances of state-owned enterprises suggests that the real growth in state-owned enterprise fixed investment will be limited over the forecast period. We project a marginal improvement in investment outlays from recent lows, with growth in real capital spending expected to average 2.8% over the forecast period.

GFI under pressure as new spending priorities take centre stage

Growth in real **government fixed investment** (GFI) contracted by 6.4% q-o-q (saar) in 2017Q4, reflecting the constrained fiscal environment. On an annual basis, GFI contracted for the second successive year, declining by 0.7% y-o-y in 2017 following a 3.5% drop in 2016. Looking ahead, given the increased need to consolidate the fiscal position over the medium term and the emergence of new spending priorities, we see little scope for any major infrastructure push from general government, despite numerous statements to the contrary. In fact, almost 50% of the R85bn in spending cuts announced in the February Budget comprise cuts to transfers for capital expenditure to local government in particular. This suggests that GFI will remain under pressure going forward. In fact, we expect GFI to *contract* by 4.7% y-o-y in 2018 and a further 1% y-o-y in 2019.

In all, a subdued outlook for public sector fixed investment is expected to be countered by an acceleration in PSFI, with overall real fixed investment projected to expand by 2.2% in 2018 before accelerating to 4.7% in 2019.

# Summary: GDP growth looking up

The outlook for real GDP growth has been revised upward over the near term, reflecting revisions to historical data as well as a more upbeat forecast for private sector investment. In all, real growth is expected to measure 1.9% in 2018 before ticking up marginally to 2% in 2019.

Slight upward revision to GDP growth outlook

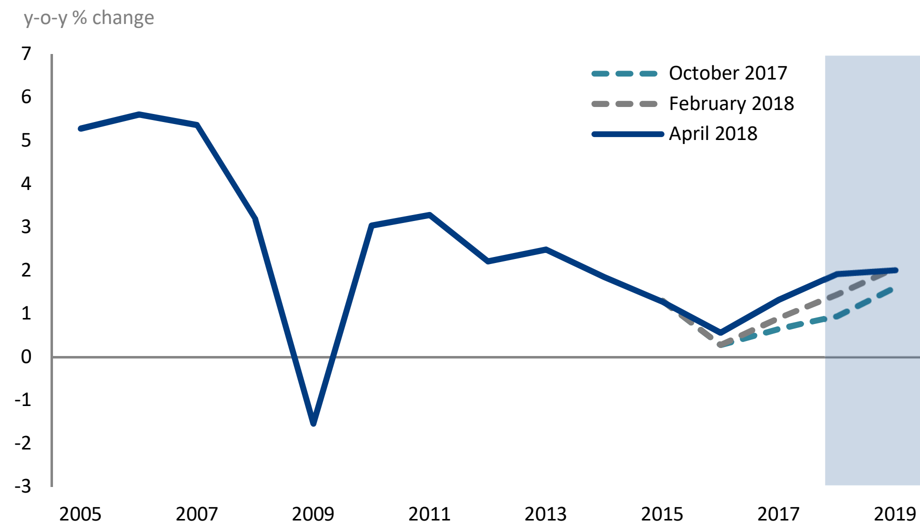
Risks to the baseline forecast are more or less balanced and, if anything, tilted to the upside. Higher confidence, a stronger rand exchange rate, lower inflation and accommodative monetary policy should stimulate aggregate demand, while solid global growth and increased domestic policy certainty will provide support to the productive sectors. However, it remains to be seen whether the increased optimism of early 2018 can be sustained going forward. While President Ramaphosa has made admirable progress in sorting out governance issues at state-owned enterprises, the question remains as to whether he can make the

hard choices and implement much-needed structural reforms in order to lift medium-term growth to the levels required to reduce unemployment and inequality.

Policy intervention required to lift potential growth

Despite the projected pick-up in GDP growth over the forecast horizon, SA's potential growth rate remains relatively low. To sustain growth rates of above 3% over the medium term would require a range of interventions and structural reforms aimed at boosting productivity and alleviating bottlenecks in the economy. These include, but are not limited to, (partial) liberalisation of the labour market, educational reform, product market reform (including competition policy), public-private partnerships, the partial privatisation of underperforming state owned companies, and policy certainty and clarity (particularly w.r.t. the mining sector and the land expropriation debate).

Figure 10: Outlook for real GDP growth




*Source: Stats SA, BER*

# Appendix

## Statistics of the quarterly forecast, 2018-2019

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## 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 | 2.2 | 2.3 | 2.5 | 2.7 | 2.7 | 2.7 | 2.8 | 2.8 | 2.6 | 2.2 | 1.8 | ***2.3*** | ***2.7*** | ***2.4*** |
| UK % growth | 1.7 | 1.5 | 1.5 | 1.4 | 1.6 | 1.7 | 1.6 | 1.7 | 1.7 | 1.7 | 1.9 | 1.8 | ***1.5*** | ***1.7*** | ***1.8*** |
| Germany % growth | 2.1 | 2.3 | 2.8 | 2.9 | 2.6 | 2.8 | 2.7 | 2.8 | 2.8 | 2.5 | 2.4 | 2.0 | ***2.5*** | ***2.7*** | ***2.4*** |
| Japan % growth | 1.3 | 1.5 | 1.7 | 2.1 | 1.8 | 1.6 | 1.3 | 1.3 | 1.5 | 1.4 | 1.5 | 1.4 | ***1.6*** | ***1.5*** | ***1.4*** |
| Eurozone % growth | 2.0 | 2.5 | 2.5 | 2.7 | 2.6 | 2.5 | 2.5 | 2.4 | 2.3 | 2.1 | 2.0 | 2.1 | ***2.4*** | ***2.5*** | ***2.1*** |
| G7 % growth | 1.8 | 2.1 | 2.2 | 2.4 | 2.4 | 2.5 | 2.5 | 2.7 | 2.6 | 2.3 | 2.0 | 1.8 | ***2.1*** | ***2.5*** | ***2.2*** |
| **CPI inflation rates** | | | | | | | | | | | | | | | |
| US % CPI | 2.5 | 1.9 | 2.0 | 2.1 | 2.2 | 2.4 | 2.5 | 2.4 | 2.1 | 2.4 | 2.4 | 2.1 | ***2.1*** | ***2.4*** | ***2.2*** |
| UK % CPI | 2.2 | 2.8 | 2.8 | 3.0 | 2.8 | 2.3 | 2.6 | 2.6 | 2.4 | 2.4 | 2.1 | 2.0 | ***2.7*** | ***2.6*** | ***2.2*** |
| Germany % CPI | 1.9 | 1.7 | 1.7 | 1.7 | 1.5 | 1.5 | 1.4 | 1.4 | 1.5 | 1.5 | 1.8 | 1.7 | ***1.7*** | ***1.5*** | ***1.6*** |
| Japan % CPI | 0.3 | 0.4 | 0.6 | 0.6 | 1.1 | 1.5 | 1.4 | 1.0 | 1.3 | 1.2 | 1.7 | 1.8 | ***0.5*** | ***1.2*** | ***1.5*** |
| G7 % CPI | 2.0 | 1.6 | 1.7 | 1.8 | 2.0 | 2.1 | 2.2 | 2.1 | 1.9 | 2.0 | 2.1 | 1.9 | ***1.8*** | ***2.1*** | ***2.0*** |
| China % CPI | 1.4 | 1.5 | 1.6 | 1.8 | 2.2 | 2.7 | 3.0 | 2.8 | 2.5 | 2.5 | 2.5 | 2.5 | ***1.6*** | ***2.7*** | ***2.5*** |
| India % CPI | 2.4 | 1.5 | 2.4 | 3.7 | 5.0 | 5.5 | 4.3 | 4.8 | 5.0 | 5.0 | 5.0 | 5.0 | ***2.5*** | ***4.9*** | ***5.0*** |
| **Interest rates** | | | | | | | | | | | | | | | |
| US prime rate | 3.80 | 4.05 | 4.25 | 4.30 | 4.53 | 4.75 | 4.79 | 5.04 | 5.26 | 5.50 | 5.54 | 5.77 | ***4.10*** | ***4.78*** | ***5.52*** |
| **Commodity prices** | | | | | | | | | | | | | | | |
| Spot oil price: US$/barrel | 54.8 | 51.0 | 52.2 | 61.4 | 67.2 | 67.0 | 65.0 | 63.0 | 63.0 | 63.0 | 63.0 | 63.0 | ***54.9*** | ***65.5*** | ***63.0*** |
| London gold price: US$/oz | 1219 | 1258 | 1278 | 1276 | 1329 | 1330 | 1330 | 1330 | 1323 | 1315 | 1313 | 1310 | ***1258*** | ***1330*** | ***1315*** |
| Platinum price: US$/oz | 980 | 940 | 950 | 920 | 977 | 975 | 974 | 972 | 1011 | 1050 | 1063 | 1076 | ***948*** | ***974*** | ***1050*** |
| Palladium price: US$/oz | 766 | 820 | 901 | 993 | 1034 | 1000 | 987 | 973 | 1012 | 1050 | 1063 | 1076 | ***870*** | ***998*** | ***1050*** |
| SA coal price : US$/mt | 83.3 | 77.1 | 87.0 | 93.1 | 94.2 | 90.0 | 88.3 | 86.7 | 85.8 | 85.0 | 84.7 | 84.4 | ***85.1*** | ***89.8*** | ***85.0*** |
| China iron ore price : US$/mt | 86.1 | 63.7 | 71.5 | 66.0 | 74.8 | 70.0 | 68.0 | 66.0 | 65.5 | 65.0 | 64.8 | 64.7 | ***71.8*** | ***69.7*** | ***65.0*** |
| **Exchange rates** | | | | | | | | | | | | | | | |
| US$/Sterling exchange rate | 1.24 | 1.28 | 1.31 | 1.33 | 1.39 | 1.41 | 1.39 | 1.36 | 1.35 | 1.35 | 1.35 | 1.33 | ***1.29*** | ***1.39*** | ***1.35*** |
| YN/$ exchange rate | 113.7 | 111.1 | 111.0 | 112.9 | 108.5 | 107.0 | 107.0 | 108.0 | 108.0 | 110.0 | 110.0 | 110.0 | ***112.2*** | ***107.6*** | ***109.5*** |
| US$/Euro exchange rate | 1.07 | 1.10 | 1.17 | 1.18 | 1.23 | 1.24 | 1.24 | 1.25 | 1.24 | 1.24 | 1.24 | 1.24 | ***1.13*** | ***1.24*** | ***1.24*** |

** Economist index*

## 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 | 2687.2 | 2738.9 | 2782.2 | 2849.3 | 2866.4 | 2918.7 | 2970.3 | 3023.9 | 3064.6 | 3116.3 | 3184.4 | 3247.2 | ***2764.4*** | ***2944.8*** | ***3153.1*** |
| (year % ch.) | 7.1 | 6.8 | 6.5 | 7.2 | 6.7 | 6.6 | 6.8 | 6.1 | 6.9 | 6.8 | 7.2 | 7.4 | ***6.9*** | ***6.5*** | ***7.1*** |
| Government consumption | 937.2 | 969.4 | 983.7 | 1005.0 | 1018.6 | 1032.2 | 1036.8 | 1041.3 | 1072.9 | 1104.5 | 1115.0 | 1125.6 | ***973.8*** | ***1032.2*** | ***1104.5*** |
| (year % ch.) | 6.5 | 7.1 | 8.1 | 8.6 | 8.7 | 6.5 | 5.4 | 3.6 | 5.3 | 7.0 | 7.5 | 8.1 | ***7.6*** | ***6.0*** | ***7.0*** |
| Fixed investment | 864.7 | 863.6 | 863.6 | 894.0 | 901.7 | 926.9 | 942.3 | 969.4 | 989.4 | 1011.0 | 1029.1 | 1046.0 | ***871.5*** | ***935.1*** | ***1018.9*** |
| (year % ch.) | 3.0 | 1.7 | 2.4 | 3.5 | 4.3 | 7.3 | 9.1 | 8.4 | 9.7 | 9.1 | 9.2 | 7.9 | ***2.7*** | ***7.3*** | ***9.0*** |
| Inventory investment | -20.7 | 5.5 | -12.2 | 2.7 | 17.5 | 18.2 | 20.9 | 21.0 | 24.8 | 26.8 | 27.8 | 27.2 | ***-6.2*** | ***19.4*** | ***26.7*** |
| Residual item | -35.7 | 1.3 | -5.0 | -21.7 | -21.7 | -21.7 | -21.7 | -21.7 | -21.7 | -21.7 | -21.7 | -21.7 | ***-15.3*** | ***-21.7*** | ***-21.7*** |
| Gross domestic expenditure | 4432.7 | 4578.7 | 4612.2 | 4729.3 | 4782.5 | 4874.3 | 4948.5 | 5033.9 | 5130.0 | 5236.9 | 5334.6 | 5424.3 | ***4588.2*** | ***4909.8*** | ***5281.5*** |
| (year % ch.) | 3.4 | 7.6 | 6.2 | 7.3 | 7.9 | 6.5 | 7.3 | 6.4 | 7.3 | 7.4 | 7.8 | 7.8 | ***6.1*** | ***7.0*** | ***7.6*** |
| Exports: goods and services | 1333.1 | 1364.7 | 1380.6 | 1461.5 | 1411.0 | 1426.3 | 1417.6 | 1419.1 | 1436.7 | 1452.2 | 1474.5 | 1495.5 | ***1385.0*** | ***1418.5*** | ***1464.7*** |
| (year % ch.) | 4.3 | -2.2 | 3.3 | 9.7 | 5.8 | 4.5 | 2.7 | -2.9 | 1.8 | 1.8 | 4.0 | 5.4 | ***3.7*** | ***2.4*** | ***3.3*** |
| Imports: goods and services | 1278.1 | 1321.9 | 1292.1 | 1393.6 | 1360.1 | 1393.9 | 1403.4 | 1430.5 | 1449.7 | 1468.1 | 1491.3 | 1508.9 | ***1321.4*** | ***1397.0*** | ***1479.5*** |
| (year % ch.) | -2.6 | -0.2 | -1.4 | 8.2 | 6.4 | 5.4 | 8.6 | 2.6 | 6.6 | 5.3 | 6.3 | 5.5 | ***1.0*** | ***5.7*** | ***5.9*** |
| Expenditure on GDP | 4487.7 | 4621.6 | 4700.7 | 4797.2 | 4833.3 | 4906.7 | 4962.7 | 5022.6 | 5116.9 | 5221.0 | 5317.9 | 5410.9 | ***4651.8*** | ***4931.3*** | ***5266.7*** |
| (year % ch.) | 5.5 | 6.8 | 7.6 | 7.8 | 7.7 | 6.2 | 5.6 | 4.7 | 5.9 | 6.4 | 7.2 | 7.7 | ***6.9*** | ***6.0*** | ***6.8*** |

## 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 | 1883.0 | 1900.6 | 1912.0 | 1928.9 | 1932.3 | 1943.7 | 1956.9 | 1970.0 | 1982.4 | 1995.3 | 2008.0 | 2020.8 | ***1906.1*** | ***1950.7*** | ***2001.6*** |
| (year % ch.) | 1.6 | 2.3 | 2.3 | 2.7 | 2.6 | 2.3 | 2.3 | 2.1 | 2.6 | 2.7 | 2.6 | 2.6 | ***2.2*** | ***2.3*** | ***2.6*** |
| Government consumption | 631.0 | 632.0 | 634.1 | 636.6 | 634.5 | 632.3 | 631.6 | 630.9 | 635.2 | 639.5 | 640.9 | 642.3 | ***633.4*** | ***632.3*** | ***639.5*** |
| (year % ch.) | 1.3 | 0.3 | 0.3 | 0.6 | 0.5 | 0.0 | -0.4 | -0.9 | 0.1 | 1.1 | 1.5 | 1.8 | ***0.6*** | ***-0.2*** | ***1.1*** |
| Fixed investment | 615.6 | 615.3 | 611.2 | 622.1 | 622.3 | 626.0 | 629.4 | 640.6 | 648.1 | 656.8 | 663.2 | 669.6 | ***616.0*** | ***629.6*** | ***659.4*** |
| (year % ch.) | -0.5 | 0.9 | 0.9 | 0.3 | 1.1 | 1.7 | 3.0 | 3.0 | 4.1 | 4.9 | 5.4 | 4.5 | ***0.4*** | ***2.2*** | ***4.7*** |
| Inventory investment | -6.1 | 6.3 | -12.0 | 10.5 | 11.7 | 11.4 | 12.8 | 12.3 | 14.2 | 14.9 | 15.2 | 14.5 | ***-0.3*** | ***12.1*** | ***14.7*** |
| Residual item | -0.8 | 0.3 | -0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | ***-0.1*** | ***0.2*** | ***0.2*** |
| Gross domestic expenditure | 3122.6 | 3154.5 | 3145.2 | 3198.3 | 3201.0 | 3213.6 | 3230.8 | 3253.9 | 3280.1 | 3306.7 | 3327.6 | 3347.4 | ***3155.2*** | ***3224.8*** | ***3315.4*** |
| (year % ch.) | 0.9 | 3.1 | 1.2 | 2.4 | 2.5 | 1.9 | 2.7 | 1.7 | 2.5 | 2.9 | 3.0 | 2.9 | ***1.9*** | ***2.2*** | ***2.8*** |
| Exports: goods and services | 897.0 | 914.4 | 913.1 | 940.1 | 943.8 | 946.9 | 946.0 | 946.9 | 951.3 | 955.4 | 962.2 | 970.1 | ***916.1*** | ***945.9*** | ***959.7*** |
| (year % ch.) | -1.1 | -3.6 | 0.6 | 3.9 | 5.2 | 3.6 | 3.6 | 0.7 | 0.8 | 0.9 | 1.7 | 2.5 | ***-0.1*** | ***3.2*** | ***1.5*** |
| Imports: goods and services | 926.3 | 953.2 | 925.1 | 981.2 | 978.6 | 983.3 | 985.8 | 995.9 | 1009.1 | 1020.7 | 1032.3 | 1043.0 | ***946.4*** | ***985.9*** | ***1026.3*** |
| (year % ch.) | -1.8 | 3.4 | 0.5 | 5.5 | 5.6 | 3.2 | 6.6 | 1.5 | 3.1 | 3.8 | 4.7 | 4.7 | ***1.9*** | ***4.2*** | ***4.1*** |
| Expenditure on GDP | 3093.4 | 3115.7 | 3133.2 | 3157.2 | 3166.2 | 3177.3 | 3191.1 | 3204.9 | 3222.3 | 3241.4 | 3257.5 | 3274.6 | ***3124.9*** | ***3184.9*** | ***3248.9*** |
| (year % ch.) | 1.1 | 0.9 | 1.3 | 1.9 | 2.4 | 2.0 | 1.8 | 1.5 | 1.8 | 2.0 | 2.1 | 2.2 | ***1.3*** | ***1.9*** | ***2.0*** |

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 | 174.8 | 179.5 | 185.9 | 191.8 | 192.5 | 195.4 | 200.3 | 205.1 | 209.0 | 212.6 | 215.7 | 219.0 | 183.0 | 198.3 | 214.1 |
| (year % ch.) | 0.7 | 4.5 | 7.8 | 10.9 | 10.1 | 8.9 | 7.7 | 7.0 | 8.6 | 8.8 | 7.7 | 6.8 | 6.0 | 8.4 | 7.9 |
| Semi-durable goods | 176.9 | 181.5 | 183.6 | 190.9 | 188.9 | 191.3 | 193.8 | 196.1 | 197.6 | 199.5 | 201.5 | 203.7 | 183.2 | 192.5 | 200.6 |
| (year % ch.) | -0.5 | 2.4 | 3.1 | 7.3 | 6.8 | 5.4 | 5.5 | 2.8 | 4.6 | 4.3 | 4.0 | 3.9 | 3.1 | 5.1 | 4.2 |
| Non-durable goods | 702.4 | 709.3 | 707.2 | 711.7 | 713.9 | 717.0 | 719.9 | 722.0 | 725.1 | 728.8 | 732.7 | 736.6 | 707.6 | 718.2 | 730.8 |
| (year % ch.) | 0.6 | 1.6 | 0.8 | 1.3 | 1.6 | 1.1 | 1.8 | 1.4 | 1.6 | 1.6 | 1.8 | 2.0 | 1.1 | 1.5 | 1.8 |
| Services | 828.9 | 830.3 | 835.2 | 834.5 | 837.0 | 840.0 | 842.9 | 846.7 | 850.7 | 854.5 | 858.1 | 861.5 | 832.2 | 841.7 | 856.2 |
| (year % ch.) | 3.2 | 2.5 | 2.2 | 1.1 | 1.0 | 1.2 | 0.9 | 1.5 | 1.6 | 1.7 | 1.8 | 1.8 | 2.3 | 1.1 | 1.7 |
| Total household consumption | 1883.0 | 1900.6 | 1912.0 | 1928.9 | 1932.3 | 1943.7 | 1956.9 | 1970.0 | 1982.4 | 1995.3 | 2008.0 | 2020.8 | 1906.1 | 1950.7 | 2001.6 |
| (year % ch.) | 1.6 | 2.3 | 2.3 | 2.7 | 2.6 | 2.3 | 2.3 | 2.1 | 2.6 | 2.7 | 2.6 | 2.6 | 2.2 | 2.3 | 2.6 |
| **Disposable income of households** | | | | | | | | | | | | | | | |
| Real disposable income | 1886.2 | 1907.1 | 1919.0 | 1931.8 | 1931.2 | 1941.6 | 1955.5 | 1968.5 | 1981.3 | 1995.3 | 2008.7 | 2021.3 | 1911.0 | 1949.2 | 2001.7 |
| (year % ch.) | 2.4 | 2.8 | 2.9 | 2.7 | 2.4 | 1.8 | 1.9 | 1.9 | 2.6 | 2.8 | 2.7 | 2.7 | 2.7 | 2.0 | 2.7 |
| Adjusted for debt-service cost (real) | 1849.2 | 1870.4 | 1882.6 | 1896.0 | 1895.6 | 1906.4 | 1920.7 | 1934.1 | 1947.1 | 1961.4 | 1975.4 | 1988.4 | 1874.6 | 1914.2 | 1968.1 |
| (year % ch.) | 2.0 | 2.5 | 2.5 | 2.4 | 2.5 | 1.9 | 2.0 | 2.0 | 2.7 | 2.9 | 2.8 | 2.8 | 2.4 | 2.1 | 2.8 |

## 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 | 390.3 | 390.0 | 385.2 | 394.4 | 398.3 | 402.3 | 406.8 | 416.7 | 422.7 | 430.5 | 435.7 | 440.9 | ***390.0*** | ***406.0*** | ***432.4*** |
| (year % ch.) | -0.2 | 1.8 | 1.8 | 1.4 | 2.1 | 3.2 | 5.6 | 5.7 | 6.1 | 7.0 | 7.1 | 5.8 | ***1.2*** | ***4.1*** | ***6.5*** |
| **Public sector** | | | | | | | | | | | | | | | |
| Government | 104.2 | 104.3 | 105.8 | 104.1 | 100.7 | 100.1 | 99.5 | 98.2 | 98.6 | 98.7 | 98.8 | 98.6 | ***104.6*** | ***99.6*** | ***98.7*** |
| (year % ch.) | -4.4 | -0.7 | 3.1 | -0.6 | -3.3 | -4.0 | -5.9 | -5.6 | -2.1 | -1.4 | -0.7 | 0.4 | ***-0.7*** | ***-4.7*** | ***-1.0*** |
| Public corporations | 121.2 | 121.0 | 120.2 | 123.7 | 123.3 | 123.6 | 123.1 | 125.7 | 126.8 | 127.6 | 128.7 | 130.1 | ***121.5*** | ***123.9*** | ***128.3*** |
| (year % ch.) | 1.8 | -0.7 | -3.6 | -2.5 | 1.7 | 2.1 | 2.4 | 1.6 | 2.8 | 3.2 | 4.6 | 3.5 | ***-1.3*** | ***2.0*** | ***3.5*** |
| Total public sector | 225.4 | 225.3 | 226.0 | 227.8 | 224.1 | 223.7 | 222.6 | 223.9 | 225.4 | 226.3 | 227.5 | 228.7 | ***226.1*** | ***223.6*** | ***227.0*** |
| (year % ch.) | -1.2 | -0.7 | -0.6 | -1.6 | -0.6 | -0.7 | -1.5 | -1.7 | 0.6 | 1.2 | 2.2 | 2.2 | ***-1.0*** | ***-1.1*** | ***1.5*** |
| **Total** | | | | | | | | | | | | | | | |
| Total fixed capital formation | 615.6 | 615.3 | 611.2 | 622.1 | 622.3 | 626.0 | 629.4 | 640.6 | 648.1 | 656.8 | 663.2 | 669.6 | ***616.0*** | ***629.6*** | ***659.4*** |
| (year % ch.) | -0.5 | 0.9 | 0.9 | 0.3 | 1.1 | 1.7 | 3.0 | 3.0 | 4.1 | 4.9 | 5.4 | 4.5 | ***0.4*** | ***2.2*** | ***4.7*** |

## 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 | 22.40 | 22.05 | 22.87 | 22.72 | 22.85 | 22.49 | 23.33 | 23.18 | 23.31 | 22.94 | ***22.29*** | ***22.73*** | ***23.19*** |
| (year % ch.) | 4.8 | 5.2 | 3.2 | 0.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | ***3.5*** | ***2.0*** | ***2.0*** |
| Private sector employment | 14.16 | 14.06 | 14.16 | 14.13 | 14.14 | 14.15 | 14.19 | 14.24 | 14.22 | 14.31 | 14.44 | 14.52 | ***14.13*** | ***14.18*** | ***14.37*** |
| (year % ch.) | 4.5 | 4.4 | 3.5 | 0.8 | -0.2 | 0.7 | 0.2 | 0.8 | 0.6 | 1.1 | 1.8 | 1.9 | ***3.3*** | ***0.4*** | ***1.4*** |
| Government employment | 2.05 | 2.04 | 2.03 | 2.05 | 2.05 | 2.04 | 2.04 | 2.04 | 2.04 | 2.04 | 2.04 | 2.04 | ***2.04*** | ***2.04*** | ***2.04*** |
| (year % ch.) | -3.6 | -2.0 | -5.4 | -0.6 | -0.1 | 0.3 | 0.4 | -0.2 | -0.1 | -0.1 | 0.0 | 0.0 | ***-2.9*** | ***0.1*** | ***0.0*** |
| Total employment (incl. informal) | 16.21 | 16.10 | 16.19 | 16.17 | 16.18 | 16.20 | 16.23 | 16.28 | 16.27 | 16.36 | 16.48 | 16.56 | ***16.17*** | ***16.22*** | ***16.42*** |
| (year % ch.) | 3.4 | 3.6 | 2.3 | 0.6 | -0.2 | 0.6 | 0.3 | 0.7 | 0.5 | 1.0 | 1.5 | 1.7 | ***2.5*** | ***0.3*** | ***1.2*** |
| Unemployment rate | 27.7 | 27.7 | 27.7 | 26.7 | 29.3 | 28.7 | 29.0 | 27.6 | 30.3 | 29.4 | 29.3 | 27.8 | ***27.5*** | ***28.6*** | ***29.2*** |
| **Wage rates (year % change)** | | | | | | | | | | | | | | | |
| Unit labour cost | 5.8 | 6.2 | 6.7 | 6.0 | 4.7 | 4.7 | 4.4 | 4.8 | 5.2 | 4.8 | 5.4 | 5.5 | ***6.1*** | ***4.7*** | ***5.2*** |
| **Wage bill (R billion at current prices)** | | | | | | | | | | | | | | | |
| Total wage bill | 2144.4 | 2202.2 | 2244.4 | 2279.9 | 2298.6 | 2352.3 | 2387.5 | 2425.3 | 2460.8 | 2514.8 | 2568.0 | 2614.1 | ***2217.7*** | ***2365.9*** | ***2539.4*** |
| (year % ch.) | 7.0 | 7.2 | 8.0 | 8.1 | 7.2 | 6.8 | 6.4 | 6.4 | 7.1 | 6.9 | 7.6 | 7.8 | ***7.6*** | ***6.7*** | ***7.3*** |

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 | 2144.4 | 2202.2 | 2244.4 | 2279.9 | 2298.6 | 2352.3 | 2387.5 | 2425.3 | 2460.8 | 2514.8 | 2568.0 | 2614.1 | ***2217.7*** | ***2365.9*** | ***2539.4*** |
| (year % ch.) | 7.0 | 7.2 | 8.0 | 8.1 | 7.2 | 6.8 | 6.4 | 6.4 | 7.1 | 6.9 | 7.6 | 7.8 | ***7.6*** | ***6.7*** | ***7.3*** |
| Social benefits to households | 198.5 | 196.8 | 208.2 | 211.8 | 212.7 | 212.5 | 221.7 | 226.6 | 228.1 | 228.5 | 238.3 | 243.9 | ***203.8*** | ***218.4*** | ***234.7*** |
| (year % ch.) | 9.0 | 0.8 | 5.2 | 7.1 | 7.2 | 8.0 | 6.5 | 7.0 | 7.2 | 7.5 | 7.5 | 7.6 | ***5.5*** | ***7.2*** | ***7.5*** |
| Disposable income | 2691.9 | 2748.3 | 2792.3 | 2853.7 | 2864.8 | 2915.6 | 2968.2 | 3021.7 | 3062.9 | 3116.3 | 3185.5 | 3248.0 | ***2771.5*** | ***2942.6*** | ***3153.2*** |
| (year % ch.) | 7.8 | 7.3 | 7.2 | 7.3 | 6.4 | 6.1 | 6.3 | 5.9 | 6.9 | 6.9 | 7.3 | 7.5 | ***7.4*** | ***6.2*** | ***7.2*** |
| Less household consumption | 2687.2 | 2738.9 | 2782.2 | 2849.3 | 2866.4 | 2918.7 | 2970.3 | 3023.9 | 3064.6 | 3116.3 | 3184.4 | 3247.2 | ***2764.4*** | ***2944.8*** | ***3153.1*** |
| (year % ch.) | 7.1 | 6.8 | 6.5 | 7.2 | 6.7 | 6.6 | 6.8 | 6.1 | 6.9 | 6.8 | 7.2 | 7.4 | ***6.9*** | ***6.5*** | ***7.1*** |
| Saving | 4.7 | 9.3 | 10.1 | 4.4 | -1.6 | -3.1 | -2.1 | -2.2 | -1.7 | 0.0 | 1.1 | 0.8 | ***7.1*** | ***-2.2*** | ***0.1*** |
| **Households: ratio to disposable income** | | | | | | | | | | | | | | | |
| Saving | 0.2 | 0.3 | 0.4 | 0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | ***0.3*** | ***-0.1*** | ***0.0*** |
| Debt | 72.7 | 71.9 | 72.0 | 71.2 | 70.4 | 70.8 | 71.5 | 71.6 | 70.7 | 70.8 | 71.4 | 71.3 | ***72.0*** | ***71.1*** | ***71.1*** |
| Debt-service cost | 9.4 | 9.3 | 9.2 | 9.1 | 9.0 | 8.5 | 8.6 | 8.5 | 8.4 | 8.4 | 8.5 | 8.4 | ***9.3*** | ***8.6*** | ***8.4*** |
| Net wealth | 371.8 | 366.1 | 374.0 | 380.0 | 386.4 | 386.5 | 391.8 | 397.1 | 401.3 | 397.3 | 401.5 | 404.4 | ***373.0*** | ***390.4*** | ***401.1*** |

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 | 723.8 | 766.0 | 658.3 | 710.4 | 788.3 | 834.0 | 719.3 | 771.9 | 846.6 | 900.2 | 782.3 | 843.8 | ***714.6*** | ***778.4*** | ***843.3*** |
| (year % ch.) | 11.9 | 6.4 | 6.9 | 9.9 | 8.9 | 8.9 | 9.3 | 8.7 | 7.4 | 7.9 | 8.8 | 9.3 | ***8.7*** | ***8.9*** | ***8.3*** |
| Value added tax (VAT) | 314.0 | 252.9 | 292.3 | 316.3 | 337.8 | 280.9 | 341.7 | 369.8 | 403.9 | 303.7 | 371.0 | 402.3 | ***293.9*** | ***332.5*** | ***370.2*** |
| (year % ch.) | -6.6 | 10.5 | 0.2 | -1.8 | 7.6 | 11.1 | 16.9 | 16.9 | 19.6 | 8.1 | 8.6 | 8.8 | ***-0.3*** | ***13.2*** | ***11.3*** |
| Other indirect taxes | 239.7 | 345.3 | 303.1 | 292.6 | 260.4 | 381.2 | 324.1 | 309.1 | 280.3 | 408.9 | 349.3 | 332.9 | ***295.2*** | ***318.7*** | ***342.9*** |
| (year % ch.) | 4.4 | 5.6 | 6.6 | 13.4 | 8.6 | 10.4 | 6.9 | 5.7 | 7.7 | 7.3 | 7.8 | 7.7 | ***7.5*** | ***8.0*** | ***7.6*** |
| Other income | 63.1 | 82.1 | 180.3 | 180.3 | 110.0 | 109.1 | 108.3 | 107.2 | 106.1 | 104.8 | 104.0 | 103.4 | ***126.4*** | ***108.6*** | ***104.6*** |
| Current income | 1340.6 | 1446.3 | 1434.0 | 1499.5 | 1496.4 | 1605.2 | 1493.3 | 1557.9 | 1636.9 | 1717.7 | 1606.6 | 1682.5 | ***1430.1*** | ***1538.2*** | ***1660.9*** |
| (year % ch.) | 0.1 | 4.0 | 5.2 | 10.8 | 11.6 | 11.0 | 4.1 | 3.9 | 9.4 | 7.0 | 7.6 | 8.0 | ***5.0*** | ***7.6*** | ***8.0*** |
| **Expenditure** | | | | | | | | | | | | | | | |
| Consumption | 937.2 | 969.4 | 983.7 | 1005.0 | 1018.6 | 1032.2 | 1036.8 | 1041.3 | 1072.9 | 1104.5 | 1115.0 | 1125.6 | ***973.8*** | ***1032.2*** | ***1104.5*** |
| (year % ch.) | 6.5 | 7.1 | 8.1 | 8.6 | 8.7 | 6.5 | 5.4 | 3.6 | 5.3 | 7.0 | 7.5 | 8.1 | ***7.6*** | ***6.0*** | ***7.0*** |
| Interest Payments | 165.3 | 162.4 | 170.1 | 177.4 | 188.2 | 190.2 | 197.1 | 204.6 | 212.7 | 224.4 | 232.8 | 242.9 | ***168.8*** | ***195.0*** | ***228.2*** |
| (year % ch.) | 13.4 | 10.6 | 9.0 | 15.5 | 13.9 | 17.1 | 15.9 | 15.3 | 13.0 | 18.0 | 18.1 | 18.7 | ***12.1*** | ***15.5*** | ***17.0*** |
| Social benefits to households | 198.5 | 196.8 | 208.2 | 211.8 | 212.7 | 212.5 | 221.7 | 226.6 | 228.1 | 228.5 | 238.3 | 243.9 | ***203.8*** | ***218.4*** | ***234.7*** |
| (year % ch.) | 9.0 | 0.8 | 5.2 | 7.1 | 7.2 | 8.0 | 6.5 | 7.0 | 7.2 | 7.5 | 7.5 | 7.6 | ***5.5*** | ***7.2*** | ***7.5*** |
| Saving | -99.5 | -51.6 | -94.4 | -98.8 | -105.6 | -10.0 | -140.2 | -95.3 | -52.4 | -12.6 | -155.7 | -110.1 | ***-86.1*** | ***-87.8*** | ***-82.7*** |
| **Ratios to GDP** | | | | | | | | | | | | | | | |
| Total tax revenue | 28.5 | 29.5 | 26.7 | 27.5 | 28.7 | 30.5 | 27.9 | 28.9 | 29.9 | 30.9 | 28.3 | 29.2 | ***28.0*** | ***29.0*** | ***29.6*** |
| Budget deficit (National government) | -1.9 | -3.8 | -4.5 | -3.5 | -4.9 | -2.2 | -4.8 | -3.9 | -3.0 | -2.2 | -4.8 | -3.9 | ***-3.4*** | ***-4.0*** | ***-3.5*** |
| Gross debt (National government) | -49.8 | -50.0 | -51.5 | -51.4 | -51.6 | -51.8 | -53.5 | -53.8 | -53.1 | -53.1 | -54.6 | -54.7 | ***-50.7*** | ***-52.7*** | ***-53.9*** |

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 | 1333.1 | 1364.7 | 1380.6 | 1461.5 | 1411.0 | 1426.3 | 1417.6 | 1419.1 | 1436.7 | 1452.2 | 1474.5 | 1495.5 | ***1385.0*** | ***1418.5*** | ***1464.7*** |
| (year % ch.) | 4.3 | -2.2 | 3.3 | 9.7 | 5.8 | 4.5 | 2.7 | -2.9 | 1.8 | 1.8 | 4.0 | 5.4 | ***3.7*** | ***2.4*** | ***3.3*** |
| Net receipts | -28.7 | -43.8 | -40.7 | -40.0 | -40.0 | -40.0 | -40.0 | -40.0 | -40.0 | -40.0 | -40.0 | -40.0 | ***-38.3*** | ***-40.0*** | ***-40.0*** |
| (year % ch.) | -20.0 | 67.2 | 80.4 | 58.7 | 39.3 | -8.7 | -1.7 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | ***39.5*** | ***4.4*** | ***0.0*** |
| Less imports: goods and services | 1278.1 | 1321.9 | 1292.1 | 1393.6 | 1360.1 | 1393.9 | 1403.4 | 1430.5 | 1449.7 | 1468.1 | 1491.3 | 1508.9 | ***1321.4*** | ***1397.0*** | ***1479.5*** |
| (year % ch.) | -2.6 | -0.2 | -1.4 | 8.2 | 6.4 | 5.4 | 8.6 | 2.6 | 6.6 | 5.3 | 6.3 | 5.5 | ***1.0*** | ***5.7*** | ***5.9*** |
| Less net factor payments | 118.0 | 128.5 | 146.5 | 165.3 | 153.0 | 146.0 | 153.3 | 162.9 | 164.0 | 163.2 | 174.0 | 179.7 | ***139.6*** | ***153.8*** | ***170.2*** |
| (year % ch.) | -13.2 | -0.8 | 19.2 | 76.7 | 29.6 | 13.6 | 4.7 | -1.5 | 7.2 | 11.8 | 13.5 | 10.3 | ***15.8*** | ***10.2*** | ***10.7*** |
| Current account balance | -91.7 | -129.4 | -98.7 | -137.5 | -142.1 | -153.6 | -179.1 | -214.3 | -217.0 | -219.1 | -230.7 | -233.1 | ***-114.3*** | ***-172.3*** | ***-225.0*** |
| Current account in US$ | -6.9 | -9.8 | -7.5 | -10.1 | -11.9 | -12.9 | -14.9 | -17.6 | -17.8 | -18.0 | -18.8 | -18.9 | ***-8.6*** | ***-14.3*** | ***-18.3*** |
| Current account as % of GDP | -2.0 | -2.8 | -2.1 | -2.9 | -2.9 | -3.1 | -3.6 | -4.3 | -4.2 | -4.2 | -4.3 | -4.3 | ***-2.5*** | ***-3.5*** | ***-4.3*** |
| **Financing of the current account** | | | | | | | | | | | | | | | |
| Total net capital flows | 21.4 | 20.7 | 65.6 | 32.2 | 45.0 | 39.0 | 60.0 | 40.0 | 53.0 | 50.0 | 58.0 | 53.0 | ***139.8*** | ***184.0*** | ***214.0*** |
| SDR + Valuation adjustment | -15.3 | -1.0 | 24.5 | -56.8 | -26.9 | 5.1 | 7.7 | 2.6 | 2.6 | 2.5 | 2.5 | 5.0 | ***-48.6*** | ***-11.6*** | ***12.6*** |
| Change in gross reserves | -29.6 | 0.1 | 48.3 | -41.9 | -30.2 | 18.5 | 5.7 | 6.1 | -11.4 | 10.5 | -14.3 | 16.8 | ***-23.0*** | ***0.1*** | ***1.6*** |
| Gross reserves: quarter end | 618.3 | 618.4 | 666.6 | 624.8 | 594.6 | 613.1 | 618.8 | 624.9 | 613.5 | 624.1 | 609.7 | 626.5 | ***624.8*** | ***624.9*** | ***626.5*** |
| Gross reserves: quarter end (US$) | 46.6 | 47.4 | 49.4 | 50.7 | 50.2 | 51.3 | 51.1 | 51.4 | 50.3 | 50.9 | 49.6 | 50.5 | ***50.7*** | ***51.4*** | ***50.5*** |
| **Terms of trade** | | | | | | | | | | | | | | | |
| Index (2010 = 100) | 107.7 | 107.6 | 108.3 | 109.5 | 107.6 | 106.3 | 105.3 | 104.3 | 105.1 | 105.7 | 106.1 | 106.6 | ***108.3*** | ***105.9*** | ***105.9*** |
| (year % ch.) | 6.4 | 5.1 | 4.7 | 2.9 | -0.1 | -1.3 | -2.8 | -4.7 | -2.3 | -0.5 | 0.8 | 2.1 | ***4.7*** | ***-2.2*** | ***0.0*** |

## 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 | 3192.1 | 3205.4 | 3316.6 | 3359.1 | 3333.1 | 3390.6 | 3513.7 | 3605.3 | 3618.9 | 3668.9 | 3806.8 | 3904.3 | ***3359.1*** | ***3605.3*** | ***3904.3*** |
| (year % ch.) | 5.6 | 6.1 | 7.1 | 6.4 | 4.4 | 5.8 | 5.9 | 7.3 | 8.6 | 8.2 | 8.3 | 8.3 | ***6.4*** | ***7.3*** | ***8.3*** |
| Private sector credit to households | 1505.4 | 1512.0 | 1522.6 | 1542.8 | 1551.5 | 1578.5 | 1607.7 | 1641.8 | 1665.1 | 1688.7 | 1723.1 | 1758.7 | ***1542.8*** | ***1641.8*** | ***1758.7*** |
| (year % ch.) | 0.7 | 2.9 | 3.3 | 3.8 | 3.1 | 4.4 | 5.6 | 6.4 | 7.3 | 7.0 | 7.2 | 7.1 | ***3.8*** | ***6.4*** | ***7.1*** |
| Private sector credit to firms | 1825.6 | 1836.4 | 1877.2 | 1928.0 | 1920.5 | 1955.1 | 1989.1 | 2075.2 | 2092.8 | 2123.2 | 2166.8 | 2257.2 | ***1928.0*** | ***2075.2*** | ***2257.2*** |
| (year % ch.) | 8.8 | 9.0 | 7.3 | 9.1 | 5.2 | 6.5 | 6.0 | 7.6 | 9.0 | 8.6 | 8.9 | 8.8 | ***9.1*** | ***7.6*** | ***8.8*** |
| Total private sector credit extension | 3331.0 | 3348.4 | 3399.8 | 3470.8 | 3472.0 | 3533.6 | 3596.9 | 3717.0 | 3757.8 | 3811.9 | 3890.0 | 4015.9 | ***3470.8*** | ***3717.0*** | ***4015.9*** |
| (year % ch.) | 5.0 | 6.2 | 5.5 | 6.7 | 4.2 | 5.5 | 5.8 | 7.1 | 8.2 | 7.9 | 8.1 | 8.0 | ***6.7*** | ***7.1*** | ***8.0*** |
| **Interest rates** | | | | | | | | | | | | | | | |
| 3-month NCD rate | 7.33 | 7.33 | 7.10 | 7.08 | 7.11 | 6.84 | 6.83 | 6.83 | 6.82 | 6.82 | 6.82 | 6.82 | ***7.21*** | ***6.90*** | ***6.82*** |
| 10-year government bond yield | 8.71 | 8.66 | 8.57 | 9.02 | 8.27 | 8.00 | 8.17 | 8.33 | 8.49 | 8.60 | 8.57 | 8.70 | ***8.74*** | ***8.20*** | ***8.59*** |
| Prime overdraft rate | 10.50 | 10.50 | 10.30 | 10.25 | 10.24 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | ***10.39*** | ***10.06*** | ***10.00*** |
| Effective household lending rate | 12.93 | 12.93 | 12.78 | 12.78 | 12.71 | 12.07 | 11.98 | 11.92 | 11.88 | 11.86 | 11.84 | 11.82 | ***12.86*** | ***12.17*** | ***11.85*** |
| Effective firm lending rate | 9.17 | 9.40 | 9.61 | 9.39 | 9.30 | 8.99 | 8.88 | 8.73 | 8.60 | 8.58 | 8.56 | 8.55 | ***9.39*** | ***8.97*** | ***8.57*** |
| **Exchange rates** | | | | | | | | | | | | | | | |
| R/US DOLLAR | 13.23 | 13.21 | 13.17 | 13.64 | 11.96 | 11.95 | 12.00 | 12.15 | 12.20 | 12.20 | 12.30 | 12.35 | ***13.31*** | ***12.02*** | ***12.26*** |
| (year % ch.) | -16.6 | -12.0 | -6.4 | -1.8 | -9.6 | -9.5 | -8.9 | -10.9 | 2.0 | 2.1 | 2.5 | 1.6 | ***-9.5*** | ***-9.7*** | ***2.1*** |
| R/ 100 Japanese YEN | 11.64 | 11.89 | 11.87 | 12.08 | 11.03 | 11.17 | 11.21 | 11.25 | 11.30 | 11.09 | 11.18 | 11.23 | ***11.87*** | ***11.16*** | ***11.20*** |
| (year % ch.) | -15.3 | -14.5 | -13.6 | -5.2 | -5.3 | -6.1 | -5.5 | -6.9 | 2.5 | -0.7 | -0.3 | -0.2 | ***-12.3*** | ***-5.9*** | ***0.3*** |
| R/STERLING | 16.39 | 16.89 | 17.22 | 18.11 | 16.65 | 16.85 | 16.68 | 16.52 | 16.47 | 16.47 | 16.61 | 16.43 | ***17.15*** | ***16.68*** | ***16.49*** |
| (year % ch.) | -27.8 | -21.6 | -6.8 | 4.9 | 1.6 | -0.2 | -3.1 | -8.8 | -1.1 | -2.3 | -0.4 | -0.6 | ***-14.2*** | ***-2.8*** | ***-1.1*** |
| R/EURO | 14.10 | 14.53 | 15.47 | 16.07 | 14.70 | 14.82 | 14.88 | 15.19 | 15.13 | 15.13 | 15.25 | 15.31 | ***15.04*** | ***14.90*** | ***15.21*** |
| (year % ch.) | -19.3 | -14.3 | -1.5 | 7.0 | 4.3 | 2.0 | -3.8 | -5.5 | 2.9 | 2.1 | 2.5 | 0.8 | ***-7.6*** | ***-1.0*** | ***2.1*** |
| R/$ PP parity rate (base PPI 2003) | 11.75 | 11.77 | 11.83 | 11.88 | 11.95 | 12.08 | 12.09 | 12.13 | 12.26 | 12.33 | 12.41 | 12.50 | ***11.81*** | ***12.06*** | ***12.37*** |
| (year % ch.) | 1.6 | 1.4 | 1.3 | 1.1 | 1.7 | 2.6 | 2.3 | 2.1 | 2.6 | 2.1 | 2.6 | 3.1 | ***1.4*** | ***2.2*** | ***2.6*** |

## 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) | 148.6 | 149.2 | 151.2 | 155.5 | 149.5 | 150.6 | 149.8 | 149.9 | 151.0 | 152.0 | 153.2 | 154.2 | ***151.1*** | ***150.0*** | ***152.6*** |
| (year % ch.) | 5.4 | 1.5 | 2.7 | 5.5 | 0.6 | 0.9 | -0.9 | -3.6 | 1.0 | 0.9 | 2.3 | 2.9 | ***3.8*** | ***-0.8*** | ***1.8*** |
| Export commodities (in rand) | 1107.7 | 1055.5 | 1126.2 | 1192.5 | 1094.2 | 1064.5 | 1057.4 | 1058.8 | 1073.0 | 1082.9 | 1095.1 | 1102.8 | ***1120.5*** | ***1068.7*** | ***1088.4*** |
| (year % ch.) | 8.6 | 0.9 | 4.0 | 7.0 | -1.2 | 0.9 | -6.1 | -11.2 | -1.9 | 1.7 | 3.6 | 4.2 | ***5.1*** | ***-4.6*** | ***1.8*** |
| Imports (incl. services) | 138.0 | 138.7 | 139.7 | 142.0 | 139.0 | 141.8 | 142.4 | 143.6 | 143.7 | 143.8 | 144.5 | 144.7 | ***139.6*** | ***141.7*** | ***144.2*** |
| (year % ch.) | -0.9 | -3.5 | -1.9 | 2.6 | 0.7 | 2.2 | 1.9 | 1.1 | 3.4 | 1.5 | 1.5 | 0.7 | ***-0.9*** | ***1.5*** | ***1.7*** |
| GDE | 143.1 | 145.1 | 146.8 | 148.6 | 150.1 | 152.4 | 153.8 | 155.4 | 157.1 | 159.0 | 161.0 | 162.7 | ***145.9*** | ***152.9*** | ***159.9*** |
| (year % ch.) | 4.4 | 3.7 | 4.6 | 4.8 | 4.9 | 5.0 | 4.8 | 4.6 | 4.6 | 4.4 | 4.6 | 4.7 | ***4.4*** | ***4.8*** | ***4.6*** |
| Investment | 140.5 | 140.4 | 141.3 | 143.7 | 144.9 | 148.1 | 149.7 | 151.3 | 152.7 | 153.9 | 155.2 | 156.2 | ***141.5*** | ***148.5*** | ***154.5*** |
| (year % ch.) | 3.5 | 0.9 | 1.5 | 3.2 | 3.2 | 5.5 | 6.0 | 5.3 | 5.4 | 4.0 | 3.6 | 3.2 | ***2.3*** | ***5.0*** | ***4.0*** |
| GDP | 145.1 | 148.3 | 150.0 | 151.9 | 152.7 | 154.4 | 155.5 | 156.7 | 158.8 | 161.1 | 163.3 | 165.2 | ***148.8*** | ***154.8*** | ***162.1*** |
| (year % ch.) | 4.4 | 5.8 | 6.2 | 5.7 | 5.2 | 4.1 | 3.7 | 3.1 | 4.0 | 4.3 | 5.0 | 5.4 | ***5.5*** | ***4.0*** | ***4.7*** |
| **Consumer & producer prices** | | | | | | | | | | | | | | | |
| Headline inflation (CPI) | 101.5 | 102.7 | 103.4 | 104.3 | 105.8 | 107.7 | 108.8 | 109.4 | 111.2 | 112.7 | 114.1 | 114.7 | ***103.0*** | ***107.9*** | ***113.2*** |
| (year % ch.) | 6.3 | 5.3 | 4.8 | 4.7 | 4.2 | 4.9 | 5.2 | 4.8 | 5.1 | 4.6 | 4.8 | 4.9 | ***5.3*** | ***4.8*** | ***4.9*** |
| Core inflation* | 101.3 | 102.5 | 103.5 | 104.0 | 105.4 | 107.5 | 108.6 | 109.1 | 111.0 | 112.6 | 113.7 | 114.3 | ***102.8*** | ***107.6*** | ***112.9*** |
| (year % ch.) | 5.2 | 4.8 | 4.6 | 4.4 | 4.1 | 4.9 | 4.9 | 4.9 | 5.3 | 4.7 | 4.7 | 4.7 | ***4.7*** | ***4.7*** | ***4.9*** |
| CPI food and non-alcoholic beverages | 102.2 | 103.1 | 103.4 | 104.4 | 106.5 | 107.8 | 108.5 | 109.5 | 111.9 | 112.8 | 114.0 | 115.1 | ***103.3*** | ***108.1*** | ***113.4*** |
| (year % ch.) | 10.0 | 6.9 | 6.0 | 5.1 | 4.2 | 4.6 | 4.9 | 4.9 | 5.0 | 4.6 | 5.1 | 5.1 | ***6.9*** | ***4.6*** | ***5.0*** |
| CPI petrol | 104.5 | 105.2 | 102.6 | 110.8 | 110.4 | 112.8 | 112.5 | 111.5 | 111.8 | 115.9 | 116.0 | 116.3 | ***105.8*** | ***111.8*** | ***115.0*** |
| (year % ch.) | 10.3 | 5.2 | 4.5 | 10.9 | 5.6 | 7.3 | 9.7 | 0.7 | 1.3 | 2.7 | 3.1 | 4.3 | ***7.7*** | ***5.7*** | ***2.9*** |
| *Petrol price (R/l coastal unleaded)* | *13.02* | *13.05* | *12.72* | *13.78* | *13.61* | *14.03* | *13.90* | *13.75* | *13.77* | *14.27* | *14.29* | *14.32* | ***13.14*** | ***13.82*** | ***14.16*** |
| *(year % ch.)* | *10.8* | *5.3* | *4.8* | *11.6* | *4.6* | *7.5* | *9.3* | *-0.2* | *1.2* | *1.7* | *2.8* | *4.1* | ***8.1*** | ***5.2*** | ***2.4*** |
| CPI electricity | 100.0 | 100.0 | 102.1 | 102.2 | 102.2 | 102.2 | 108.2 | 108.3 | 108.3 | 108.3 | 116.9 | 117.0 | ***101.1*** | ***105.2*** | ***112.6*** |
| (year % ch.) | 7.4 | 7.4 | 2.1 | 2.2 | 2.2 | 2.2 | 6.0 | 6.0 | 6.0 | 6.0 | 8.0 | 8.0 | ***4.7*** | ***4.1*** | ***7.0*** |
| Producer price index | 100.9 | 101.8 | 102.8 | 104.6 | 105.3 | 107.0 | 107.7 | 108.9 | 110.6 | 111.7 | 112.8 | 114.4 | ***102.5*** | ***107.2*** | ***112.4*** |
| (year % ch.) | 5.6 | 4.5 | 4.3 | 5.1 | 4.4 | 5.1 | 4.7 | 4.0 | 5.0 | 4.4 | 4.8 | 5.1 | ***4.9*** | ***4.6*** | ***4.8*** |

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