BUREAU FOR ECONOMIC RESEARCH

Economic Prospects

Economic activity expected
between 2018 and 2020

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Forecast in a nutshell

Real annual % change*	2018	2019	2020
Final household consumption expenditure	**1.7**	**1.6**	**2.3**
Durable goods	4.2	3.1	4.7
Semi-durable goods	1.4	2.0	3.3
Non-durable goods	0.4	0.7	1.4
Services	2.3	2.0	2.2
Gross fixed capital formation	**0.2**	**1.7**	**3.1**
Government	-2.5	-1.7	1.5
Public Corporations	-0.9	2.4	2.1
Gross domestic expenditure	**1.1**	**1.7**	**2.3**
Exports of goods and services	0.8	2.3	2.0
Imports of goods and services	2.6	2.9	2.9
Gross domestic product	**0.6**	**1.5**	**2.0**
Current account as % of GDP	**-3.5**	**-3.8**	**-4.3**
Interest rates (%)			
3 month NCD rate	7.02	7.23	7.20
10-year government bond yield	8.67	9.10	9.18
Prime overdraft rate	10.09	10.25	10.25
Inflation rates (%)			
Producer prices	5.3	5.6	5.2
Consumer prices	4.7	5.7	5.4
Labour and employment			
Nominal wage rate	6.0	7.2	6.9
Employment growth	0.8	-0.2	0.6
Exchange rates (annual average)			
R/US dollar	13.21	14.24	14.32
R/Euro	15.66	17.16	17.47
R/Pound sterling	17.65	18.79	18.69
R/100 Japanese Yen	12.03	13.03	13.02

** unless specified otherwise*

Executive summary

The domestic economy entered a technical recession in 2018Q2. The excitement that gripped the country in 2018Q1 is now firmly in the rear-view mirror. The short-run outlook for the domestic economy is clouded by low levels of private sector confidence, a subdued consumer demand environment, weak private sector fixed investment, and constrained fiscal and monetary policy. Add to that creeping concerns regarding global growth, and we are far less optimistic about the short-term outlook than in early-2018.

Global growth remained well supported during 2018Q2, despite a lower print for China and continued subdued growth in the EZ. This was mainly due to robust growth in the US. In all, despite the risks to the outlook, global growth is expected to remain on a relatively firm footing through 2020. A strong performance in the US should support global growth in 2018 despite renewed weakness in the EZ and emerging markets. An expected slowdown in the US and China in 2019/20 will likely be offset by a pick-up in emerging market and developing economy growth.

On the domestic front, the weak 2018H1 data alone would have necessitated a downward revision to our outlook for **real GDP growth**. In addition, several other adverse developments are expected to weigh on real GDP growth over the forecast horizon.

The domestic **policy outlook** is less clear than hoped for earlier in the year. Continued uncertainty surrounding land reform and other big-ticket policy issues suggest that the expected recovery in **private sector fixed investment** may take longer to materialise than previously expected. Combined with the fact that public sector fixed investment remains constrained, this implies that the outlook for total fixed investment is more subdued.

The **rand** depreciated substantially over recent months on the back of a stronger US dollar, EM jitters and renewed domestic policy uncertainty. Looking ahead, tighter global monetary conditions, a weak domestic growth outlook, and continued political/policy uncertainty suggest that the rand is unlikely to strengthen meaningfully going forward.

The weaker rand exchange rate, combined with expectations for rising food prices and higher electricity and oil prices, have necessitated an upward revision to our **inflation** outlook. Additional upside risks to the inflation outlook, tighter global monetary conditions and the MPC's shift to focus on the midpoint, or 4.5%, of the inflation target range have convinced us that the SARB will hike the policy interest rate sooner rather than later. At this stage, we have pencilled in a 25bps hike in November 2018.

With respect to consumption, rising inflation, higher interest rates, weak employment growth and subdued credit extension will likely weigh on **consumer spending** over the forecast horizon.

In all, we now expect real GDP growth to average 0.6% in 2018 and 1.5% in 2019. Growth is expected to pick up to around 2% in 2020. An alleviation in domestic fixed investment constraints could result in growth outcomes surprising on the upside. That being said, the risks to the outlook are tilted toward the downside.

This report was completed on 10 October 2018

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

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Introduction

The domestic economy entered a (technical) recession in 2018Q2 following a second consecutive quarterly decline in real GDP. The excitement that gripped the country in 2018Q1 is now firmly in the rear-view mirror: business confidence is back at early-2017 levels, policy uncertainty remains firmly entrenched, and medium-term growth projections have been scaled back significantly. While recent policy initiatives (the recently announced economic stimulus package, more clarity on mining legislation, and the recently completed Jobs Summit) do provide for some measure of optimism, the lasting impact of these initiatives are yet to become clear. Crucially, the medium-term impact of these policy proposals depend on their timely and efficient implementation. The short-run outlook for the domestic economy is clouded by low levels of private sector confidence, a subdued consumer demand environment, weak private sector fixed investment, and constrained fiscal and monetary policy. Add to that rising concerns regarding the ongoing trade dispute between the US and China and its possible impact on global growth, and we are far less optimistic about the short-term outlook than in early-2018. We now expect real GDP growth to average 0.6% in 2018 (1.4% previously) and 1.5% in 2019 (2% previously). Growth is expected to pick up to around 2% in 2020 on the assumption of (somewhat) increased policy certainty and a more meaningful recovery in fixed investment.

Global outlook

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

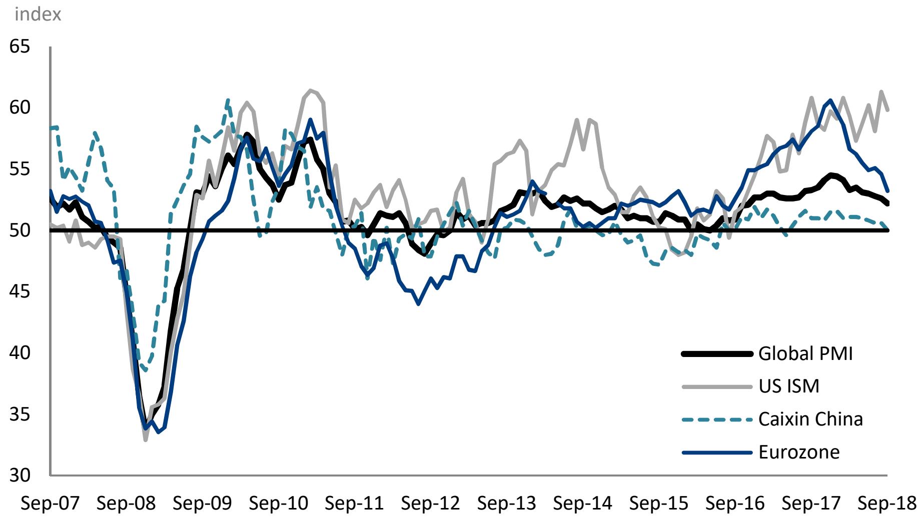
US remains on firm footing; global growth divergence intensifies

Global growth remained well supported during 2018Q2, despite a lower print for **China** and continued subdued growth in the **Eurozone** (EZ). This was mainly due to robust growth in the **US**, with real GDP expanding by 4.2% q-o-q[1] in 2018Q2. The US economy continues to receive support from the Trump administration's fiscal policies as well as the ongoing strength in the labour market. However, as mentioned in previous editions of *Economic Prospects*, global growth has been less synchronised in 2018 than was the case during 2017. This trend has continued into the second half of 2018, with monthly activity indicators highlighting the divergence between regions. This divergence is clear when looking at the various manufacturing Purchasing Managers' Indices (PMI) from around the globe (see Figure 1 below). The US ISM Manufacturing PMI currently sits comfortably above the neutral 50-index point mark and continues to trend up, while IHS Markit reports that manufacturing activity appears to be slowing in the rest of the world on average, and in the EZ and

[1] Unless specified otherwise, the q-o-q figures are expressed at a seasonally adjusted and annualised rate.

China in particular. In fact, many forecasters, including the US Federal Reserve (Fed), have upgraded the 2018 US growth outlook, while the outlook for the EZ has deteriorated.

Figure 1: PMI data points to global growth divergence



Source: IHS Markit, ISM

As a group, **emerging markets** (EM) lost some momentum in 2018Q2, mainly due to the escalation of crises in Turkey and Argentina and a renewed slowdown in Brazil. Large current account and fiscal imbalances in selected countries were exposed when the US dollar strengthened significantly, sparking sharp foreign capital outflows and currency volatility. In reaction, a range of EMs increased policy interest rates, aggressively so in Argentina and Turkey. The stricter monetary policy environment and less supportive global growth backdrop has lowered the growth outlook in these countries.

Sub-Saharan growth set to rebound on Nigeria recovery

Growth appears to be on the mend in **sub-Saharan Africa**, with the region's average growth projected to rise to around 3% in 2018 and to just below 4% in 2019/20. About half of the projected pick-up in growth reflects the expected growth rebound in Nigeria on the back of recovering oil production and prices. Nigeria's growth is projected to increase from 0.8% in 2017 to 1.9% in 2018 and 2.3% in 2019.

US-China trade war biggest risk to global growth

The single biggest risk to the global growth outlook remains the burgeoning **trade war** between the US and China. While the trade dispute between the US and the European Union (EU) has paused, for now, the tension between the world's two largest economies only shows signs of escalation. The US announced additional tariffs on US$200bn worth of imports from China in September, with Chinese authorities announcing retaliatory tariffs on US$60bn worth of products from the US. Given the fact that President Trump has indicated that the US would respond in the event that China imposes retaliatory tariffs, there is a non-trivial risk that the trade war broadens to include all of China's exports to the US, which account for close to 23% of its total exports and 4.2% of China's GDP. Such an escalation could shave off up to 1 percentage point (%pt) from Chinese growth. While this could be mitigated by a combination of fiscal and monetary policy interventions, as well as currency devaluation/depreciation, it is unlikely that these measures would fully offset the GDP impact of a full-scale trade war. As such, the outlook for **China** has been revised downward for 2019 in particular, with growth expected to come in just above 6% as opposed to the 6.4% expected previously.

Trade war will also affect US growth

The trade war will also affect the US economy, which has so far had a stellar 2018. While the economy continues to receive support from accommodative fiscal policy, the escalating trade dispute with China will likely start to weigh on growth later in 2018 and into 2019. The US manufacturing and agricultural sectors, in particular, will be hit by the trade dispute, while rising interest rates could cause private consumption to slow. In all, **US growth** is expected to slow from close to 3% in 2018 to around 2.5% in 2019 on a combination of trade war-induced headwinds and tighter fiscal and monetary policy conditions (relative to 2018).

Other risks to the global growth outlook include:

- The possibility of somewhat more aggressive interest rate hikes by the US central bank (Fed). *For now, the Fed's policy setting committee (FOMC) expects to raise the policy rate by another 25 basis points (bps) in 2018 and a further 75bps in 2019*.

Higher oil price could fuel global inflation

- A sustained higher oil price. The Brent oil price recently hit four-year highs of over $85/barrel on supply concerns emanating from the expected imposition of economic sanctions on Iran and reduced supply from Venezuela. *A sustained higher oil price will push global headline CPI inflation higher and squeeze household finances, especially in oil-importing countries*.

Disorderly Brexit key risk for UK/EU

- A disorderly or no-deal Brexit. It remains uncertain whether the self-imposed timelines for the negotiations between the UK and EU will be adhered to, with the accompanying uncertainty weighing on sentiment in both regions. Additionally, a no-deal Brexit looks to be a real possibility, which could have negative consequences for growth in both the UK and the EU. *As such, the growth outlook for both regions has been revised down marginally over the forecast horizon.*

In all, despite the risks to the outlook, **global growth** is expected to remain on a relatively firm footing through 2020. A strong performance in the US should support growth in 2018 despite renewed weakness in the EZ and emerging markets. A slowdown in the US and China in 2019/20 will likely be offset by a pick-up in emerging market and developing economy growth. That being said, risks to the outlook have increased, pointing to a less supportive global environment than was the case during 2016/17.

Table 1: Global growth outlook

y-o-y % change	2017	2018	2019	2020
World	**3.7**	**3.7**	**3.7**	**3.7**
Advanced countries	**2.3**	**2.4**	**2.1**	**1.7**
USA	2.2	2.9	2.5	1.8
Euro area[1]	2.4	2.0	1.9	1.7
United Kingdom	1.7	1.4	1.5	1.5
Japan	1.7	1.1	0.9	0.3
Developing countries	**4.7**	**4.7**	**4.7**	**4.9**
China	6.9	6.6	6.2	6.2
India	6.7	7.3	7.4	7.7
Emerging and Developing Europe	6.0	3.8	2.0	2.8
Latin America and the Caribbean	1.3	1.2	2.2	2.7
Sub-Saharan Africa	**2.7**	**3.1**	**3.8**	**3.9**
Botswana	2.4	4.6	3.6	4.0
Lesotho	-1.6	0.8	1.2	1.4
Mozambique	3.7	3.5	4.0	4.0
Namibia	-0.8	1.1	3.1	3.7
Zambia	3.4	3.8	4.5	4.5
Zimbabwe	3.7	3.6	4.2	4.7

[1]19 Eurozone Countries

Source: IMF World Economic Outlook, October 2018

Stronger dollar weighs on precious metals, oil prices rise on supply concerns

Growth and interest rate differentials supporting dollar

After strengthening in 2018Q2, the **US dollar** continued to appreciate against the euro during Q3. The greenback gained 2.4% over the quarter after appreciating by 3% in 2018Q2. The divergence in growth trends between the US and EZ, and the accompanying difference in monetary policy stance, became even more apparent during the third quarter. The US Fed has continued to strike a more hawkish tone, while the ECB is firmly sticking to the likely timing of its first policy interest rate increase, only expected in 2019H2. This, combined with increased geopolitical tension (including on the trade front), should see the dollar remain strong over the short term. Over the medium term, the greenback could come under pressure when the ECB finally starts increasing its policy interest rate, while the expected slowdown in US growth could see concerns around fiscal sustainability resurface. In all, we expect the dollar to weaken gradually from current levels to average $1.22 against the euro in 2020Q4.

Stronger dollar weighs on precious metals

As was the case in 2018Q2, the stronger dollar was a key driver for lower **gold** and **platinum** prices during the third quarter. Increased geopolitical tension could provide some support for gold over the short term, but the strong dollar could limit any upside. Apart from currency factors, platinum is being weighed down by soft demand from the European autocatalyst sector. Platinum is mainly used in diesel-driven engines and the continued fallout from emission scandals is depressing demand in Europe. In contrast, increased demand for gasoline vehicles, particularly in the US, is supporting **palladium** demand. Palladium is currently trading above $1000/oz and is expected to trend higher over the forecast horizon.

Table 2: Commodity price outlook

quarterly average	2017Q4	2018Q4	Forecast 2019Q4	Forecast 2020Q4
Iron ore ($/tonne)	65.9	70.5	68.5	67.8
Coal ($/tonne)	93.1	102.9	92.4	89.2
Brent crude oil ($/barrel)	61.4	80.7	71.0	70.0
Gold ($/oz)	1275.7	1191.1	1229.6	1257.5
Platinum ($/oz)	920.2	805.4	898.2	933.9
Palladium ($/oz)	993.2	1054.7	1021.8	1126.1

Source: Reuters, BER forecast

Supply concerns drive oil prices higher

After surging during the second quarter, global **oil** prices remained elevated during 2018Q3 despite a firmer dollar. Supply-side concerns have been the main driver of changes in the oil price year-to-date, as OPEC and its allies continued to revise output quotas/targets and political and security risks threatened to hamper production in countries such as Libya, Nigeria and Angola. The re-imposition of US sanctions against Iran has raised further concerns, with the price of Brent oil hitting fresh four-year highs of over $85/barrel in early-October. However, demand-side concerns (including the possible growth impact of the US-China trade dispute) and record US production levels should limit the upside over the medium term. As such, we expect the Brent crude price to gradually decline from current levels to around $70/barrel by 2020.

Medium-term growth outlook to keep lid on industrial metals

For **industrial commodities** such as iron ore and coal, demand from China in particular and global industrial output in general remain some of the key price drivers. Increased stimulus measures from Chinese authorities aimed at limiting the impact of the trade dispute with the US could provide some short-term support to iron ore in particular. However, the softer and less synchronised global growth should weigh on industrial commodity prices in 2019/20. Combined with an increase in low-cost supplies out of Brazil and Australia, this suggests that the outlook for iron ore and coal prices remains subdued.

Domestic outlook

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

Apart from global developments, several domestic factors have resulted in a substantial downward revision to the short-term outlook for domestic economic growth.

Real GDP growth disappoints in 2018H1

Stats SA reported that the SA economy slipped into a technical recession in 2018Q2, with GDP declining by a much weaker-than-expected 0.7% q-o-q. The disappointing Q2 print followed an even steeper than initially reported GDP decline of 2.6% q-o-q in the first quarter, resulting in the first technical recession since the 2008/9 financial crisis. This means that real GDP expanded by a mere 0.9% y-o-y in the first half of 2018, softer than the already depressed 1.3% recorded during 2017. While another significant decline in the **agricultural sector** made a sizeable contribution to the weak Q2 print, even when excluding agriculture, real GDP expanded by a paltry 0.1% q-o-q after the 1.6% contraction recorded in 2018Q1. The economy probably exited recession in Q3, but incoming high-frequency data does not inspire confidence in a meaningful rebound. Production data from Stats SA paints a mixed picture, while BER survey data, including the Absa PMI and the RMB/BER business confidence index (BCI), also does not bode well for a strong recovery.

In terms of the forecast, the weak 2018H1 data alone would have necessitated a downward revision to our outlook for real GDP growth. In addition, several other adverse developments are expected to weigh on real GDP growth over the next 12 to 18 months:

Increased risks have resulted in a downward revision to the growth outlook

- On balance, the domestic **policy outlook** is less clear than hoped for earlier in the year as the ANC appears to be feeling increased pressure in the lead-up to the 2019 election. While the recently gazetted update to the Mining Charter was more or less positively received by the industry, much work needs to be done to reignite confidence and investment in the sector. Add to that continued uncertainty surrounding land reform and other big-ticket policy issues (such as national health insurance, fee-free higher education, etc.), and it becomes clear that the expected recovery in **private sector fixed investment** (PSFI) may take even longer to materialise than previously expected. Combined with the fact that public sector fixed investment remains constrained, this implies that the outlook for total fixed investment remains subdued.

- **Fiscal risks** have also begun to materialise, with government facing increasing pressure on both the revenue and expenditure side. This suggests that fiscal policy might be even more restrictive than previously assumed, with even more tax increases required to balance the books.
- The **rand exchange rate** has depreciated substantially on the back of a stronger dollar and general risk-off sentiment amid the ongoing US-China trade war, EM jitters and domestic policy concerns. Upcoming risk events, including the tabling of the Medium Term Budget Policy Statement (MTBPS), the 2019 election and tighter global monetary conditions suggest that a meaningful recovery in the rand exchange rate is not on the cards.
- On the **interest rate** front, the combination of weak GDP growth and domestic demand on the one hand, and rising inflation risks on the other complicates upcoming interest rate decisions. In our view, the SARB will likely hike the policy interest rate sooner rather than later as inflationary risks have begun to materialise.

Average real GDP growth of 1.4% pencilled in for 2018-2020

The above factors have resulted in a *substantial* downward revision to our forecast. <u>We now expect real GDP growth to average 0.6% in 2018 (1.4% previously) and 1.5% in 2019 (2% previously)</u>. Growth is expected to pick up to around 2% in 2020 on the assumption of (somewhat) increased policy certainty and a more meaningful recovery in fixed investment.

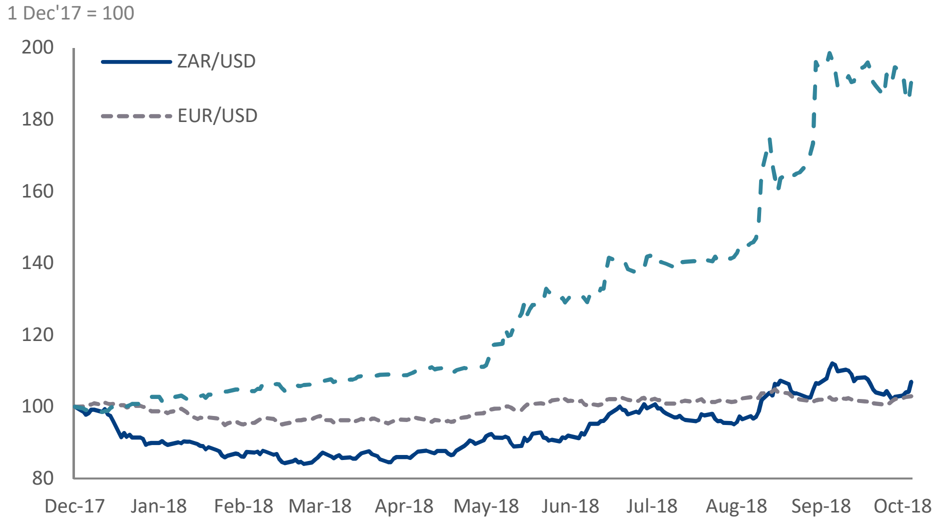
The rest of the report sets out our revised forecast for the key domestic macro variables.

US dollar developments, EM concerns dominate as rand volatility continues

Rand loses ground against major currencies

After strengthening by close to 16% against the US dollar between early-December and mid-February, the rand has lost significant ground against most major currencies. In fact, the domestic unit has depreciated by close to 30% against the US dollar since mid-February and hit a recent low of around R15.50/$ in September. At the time of writing, the rand was trading at around R14.90/$.

Figure 2: Rand rollercoaster continues



Source: Reuters

** Turkish lira, Argentine peso*

While the trend in the dollar has played a part in rand moves in 2018, the volatility in the rand suggests that the local currency was driven by various additional factors. Declining **investor sentiment toward EMs** played a major role in the recent weakening of the rand exchange rate. The political and economic crises unfolding in Turkey and Argentina in particular led to a large sell-off in the lira and the peso, which spilled over to other emerging market assets, including the rand (see Figure 2 above). Year-to-date, the Turkish lira has depreciated by over 60% against the dollar, while the Argentine peso has halved in value, with both currencies reaching record lows in early-September.

EM crises fuel rand weakness

Looking ahead, the escalation of the US-China **trade war** and further US Fed (and eventually ECB) **policy normalisation**, combined with continued **EM idiosyncrasies** (Turkish and Argentinian crises; softer Chinese growth), will likely weigh on sentiment toward EM assets in general, and the rand in particular.

On the local front, disappointing **real economic data** has compounded the sour sentiment towards SA. The technical recession in 2018H1, coupled with subdued incoming data for Q3, has led to a significant downward revision to the outlook and reinforced the fact that the economy has failed to gain traction after the confidence spurt in early-2018.

In addition to the low growth environment, **fiscal risks** and a persistently **large current account deficit** suggest that credit rating downgrade concerns are likely to remain, which is expected to weigh on the rand exchange rate over the foreseeable future.

While the upcoming October **MTBPS** should provide more clarity on the state of government finances, there is sufficient reason to expect a deterioration relative to the February budget. Tax revenue will likely undershoot Treasury's targets in 2018/19 and 2019/20 on the back of weak domestic economic activity and continued inefficiencies in tax collection. Proposals for the zero-rating of additional goods could place extra strain on VAT collection. On the expenditure side, additional spending demands could see total expenditure overshoot targets. These include the unbudgeted expenditure related to the recent public sector wage agreement, risks associated with higher-than-expected spending on fee-free higher education, the likelihood of additional bailouts for strained state owned enterprises (SOE), and unforeseen spending commitments under President Cyril Ramaphosa's economic recovery plan. In all, we expect the government deficit-to-GDP ratio to measure 3.8% in 2018/19 and 3.9% in 2019/20, before improving marginally to 3.7% in 2020/21. This implies mild slippage of around 0.2 to 0.3 %pts relative to Treasury's February projections. As a result, we expect the debt-to-GDP ratio to increase to around 58% by the end of the forecast period. The deterioration of the fiscal accounts, combined with the low growth trajectory, places SA sovereign credit rating at risk. This could result in significant rand weakness over the short term.

Deterioration in fiscal accounts place credit rating at risk

Finally, we have scaled down our expectations regarding the degree of **policy certainty** which could emerge after the 2019 election. It is becoming increasingly unclear whether the ANC will succeed in achieving a sizeable majority at next year's election. Such a result could weaken President Ramaphosa's position and result in even more policy contestation between the different factions within the ruling party. This suggests that the rand could come under renewed strain in mid-2019.

Uncertain post-election environment

Post-2019, tighter global liquidity, combined with a low domestic growth trajectory and a very gradual pace of domestic monetary tightening, could see the rand continue along its weakening trend in 2020. In all, the rand exchange rate is expected to trade in a range of between R14.20 and R14.60 (on average) to the US dollar over the forecast period. This represents a significant downward adjustment relative to our June projection. Despite the revision, risks to the rand outlook remain tilted to the downside.

Increased inflationary risks suggest a rate hike in the offing

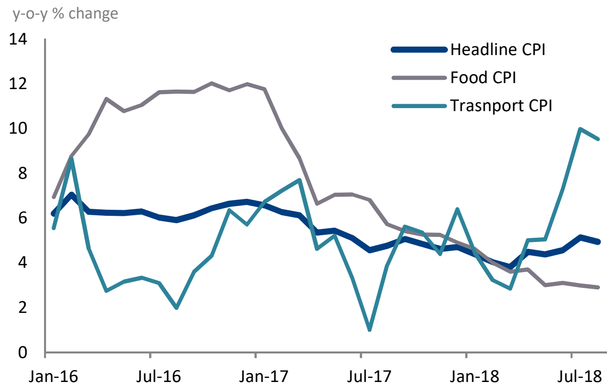
In a close decision, the Monetary Policy Committee (MPC) of the SARB kept the repo policy interest rate unchanged at 6.50% at its September meeting. Nevertheless, the fact that the key inflation risks (weaker rand, higher oil price, Key inflation risks materialising

higher electricity tariffs) flagged by the MPC at previous meetings have materialised, suggests that a rate hike might be imminent, despite the weak domestic growth environment.

Weak rand, high oil price driving transport inflation

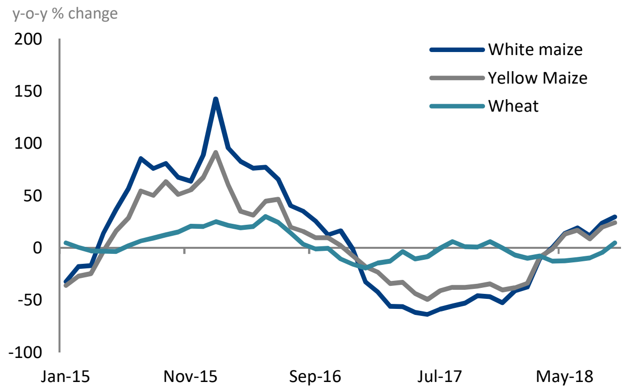
The combination of a weaker rand exchange rate and higher international oil prices has seen the **price of petrol** increase by a cumulative R3.22/litre since April 2018. This has resulted in transport inflation accelerating from 2.8% y-o-y in March to 9.5% y-o-y in August (see Figure 3). While moderating food prices have countered the rising fuel price to some extent, higher petrol price inflation has contributed to overall inflation ticking up from a recent low of 3.8% y-o-y in March to 4.9% in August. Looking ahead, a weaker-than-previously assumed path for the rand exchange rate and an oil price that remains sticky at higher levels could see petrol price inflation continue to exert upward pressure on headline inflation over the short term. Add to that the fact that **food price inflation** will likely be less of a drag on overall inflation going forward due to rising soft commodity prices (see Figure 4), and headline inflation should continue to trend up from current levels over the next 12 to 18 months.

Figure 3: Petrol price countering low food inflation



Source: Stats SA

Figure 4: Rising food commodity prices pose risk



Source: Reuters

Electricity tariffs key upside risk

Electricity tariffs were flagged as a key risk to the inflation outlook at the recent MPC meeting in light of Eskom's application for double-digit increases over the next two to three years. Part of this risk has materialised, with the National Energy Regulator of South Africa (NERSA) granting Eskom permission to hike tariffs by an additional 4.4% in April 2019 (on top of the as yet undisclosed standard increase) in order to recoup R32.69bn in previous losses over the next four years. The potential for further hikes remains a key upside risk to the inflation outlook.

In all, we have made an upward revision to our headline CPI forecast relative to June. We now expect headline inflation to average 5.7% y-o-y in 2019 (5.3% previously) before moderating somewhat to 5.4% in 2020.

Core inflation set to increase on second-round effects

Demand-side pressures on inflation have remained relatively subdued as evidenced by the fact that core inflation has remained at or below 4.5% for all of 2018. This partly reflects the weak consumer demand environment which has reduced the pricing power of retailers. However, retailers have been absorbing cost increases for some time now and it is unlikely that this trend will continue. Add to that the likely second-round effects emanating from rising fuel and electricity prices, and core inflation is expected to trend up from current levels. In all, we expect core inflation to average 5.5% in 2019 (up from 5.4% previously) and 5.4% in 2020.

25bps hike in the policy interest rate pencilled in for November

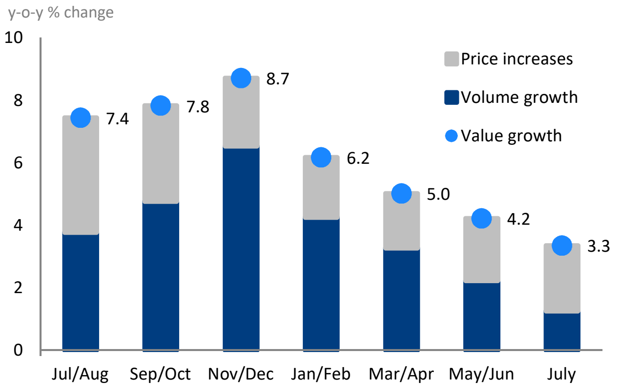
The most important take-away from the recent MPC meeting is that three members voted for a hike despite the SARB's headline inflation forecast remaining below the 6% upper inflation target through the forecast period. This reinforces the argument we have often made that the MPC's shift to focus on the midpoint, or 4.5%, of the inflation target range implies that the trigger for an MPC policy rate hike is no longer a CPI forecast of above 6%. This, combined with upside risks to the inflation outlook, tighter global monetary conditions, and the possibility of a mild recovery in domestic economic growth in 2018Q3, implies that a rate hike at the November MPC meeting has become all the more likely. At this stage, we have pencilled in a 25bps hike in the repo policy rate to 6.75% in November. Given the weak growth environment, the risk to our forecast remains that the MPC will hold off once again, especially if the rand exchange rate appreciates substantially from current levels.

Rising inflation, weak employment growth set to weigh on overall consumer spend

Marked slowdown in consumer spend in 2018H1

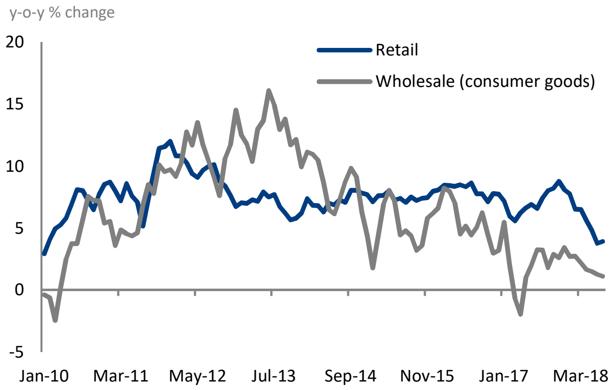
After expanding by 1% q-o-q in 2018Q1, real household consumption expenditure contracted by 1.3% q-o-q in Q2. This was the first quarter-on-quarter decline since 2016Q1. Real household consumption expenditure had held up reasonably well in 2017, boosted by moderating price inflation and slowly improving credit growth. However, 2018 has seen a marked deterioration in the lot of the consumer. In fact, total retail sales volume growth slowed significantly over the first seven months of 2018 (see Figure 5), despite a marked slowdown in retail inflation. Retail inflation has remained contained at around 2% for most of 2018 despite the April VAT hike, weaker rand and soaring fuel prices. This points to low pricing power in the retail sector amid a very weak consumer demand environment. Consumer goods wholesalers have been under even more pressure, with turnover growth measuring just north of 1% y-o-y in July (see Figure 6).

Figure 5: Slowdown in retail volume growth



Source: Stats SA

Figure 6: Wholesale sales under pressure*



Source: Stats SA

** 3-month moving average, current prices (turnover)*

Disconcertingly, there appears to be more pain on the horizon for the SA consumer. Disposable income growth is likely to come under pressure in 2018H2 and into 2019 on rising inflationary pressure and soaring petrol prices. Real disposable income growth already measured just 1.5% y-o-y in 2018Q2 and we expect growth to come in below 1% for the rest of 2018, with real income growth of only 1.3% pencilled in for 2019. While credit growth has picked up from the low levels recorded during 2017, it is unlikely to provide much of a boost to overall spending over coming quarters. Rising consumer price inflation, higher petrol prices, tighter fiscal and monetary policy, and subdued employment growth will likely weigh on consumer income, and overall consumer spending, over much of the forecast horizon.

Disposable income under pressure

On the employment front, the recently completed Jobs Summit placed several initiatives to boost employment on the table. However, some of the proposals will likely put severe strain on the already fragile fiscal accounts (the filling of all critical vacancies in the public sector), while few of the initiatives will have any real impact over the short term. As such, we do not expect meaningful employment growth over the current forecast horizon.

No meaningful employment growth over short term

Against this backdrop, we have made a significant downward adjustment to our consumer spending outlook. Total real consumer spending is projected to expand by 1.7% y-o-y in 2018 (2.2% previously) and by 1.6% in 2019 (2.3% previously). A slight moderation in consumer price inflation, stronger credit growth and an overall uptick in economic activity could see growth pick up to around 2.3% in 2020 (see Table 3).

Table 3: Outlook for consumer spending

y-o-y % change	2017	2018	2019	2020
Durable goods	6.0	4.2	3.1	4.7
Semi-durable goods	3.1	1.4	2.0	3.3
Non-durable goods	1.1	0.4	0.7	1.4
Services	2.3	2.3	2.0	2.2
Total	**2.2**	**1.7**	**1.6**	**2.3**

Source: Stats SA, BER

Apart from services spending, the outlook has been revised down across all spending categories. Real outlays on **non-durable goods** (mainly food and beverages) have received some support from declining food price inflation. However, real spending contracted by 2.4% q-o-q in 2018Q2 as increased transport costs and lacklustre employment growth began to weigh on consumer budgets. With inflation in the category expected to pick up, spending on non-durable goods is expected to moderate sharply in 2018 before ticking up marginally in 2019/20.

Outlook revised down across most spending categories

Real spending on **durable goods** expanded by 6% in 2017 on the back of moderating price inflation, recovering credit growth and pent-up demand for furniture and household appliances in particular. However, spending contracted by 0.9% q-o-q in 2018Q1 and by a further 11.2% q-o-q in Q2. Growth is expected to remain subdued for the rest of 2018 and into 2019 on the back of a weaker rand exchange rate (and the subsequent increase in prices), somewhat tighter monetary policy, and a possible decline in consumer confidence due to weak income growth as well as continued political and policy uncertainty.

Semi-durable goods sales volume growth continues to slow despite low clothing and footwear price inflation. In fact, volumes contracted by 12.1% q-o-q in 2018Q1 before posting a further 5.1% decline in Q2. In all, the squeeze on consumer budgets, combined with unavoidable price increases, will weigh on spending in the category going forward. In contrast to other categories, spending on **services** continued to improve, partly reflecting increased spending by foreign visitors. That being said, total spending in the category is expected to remain below long-run average levels over the entire forecast horizon.

Policy uncertainty, growth concerns weigh on investment outlook

Fixed investment contracts in 2018Q2

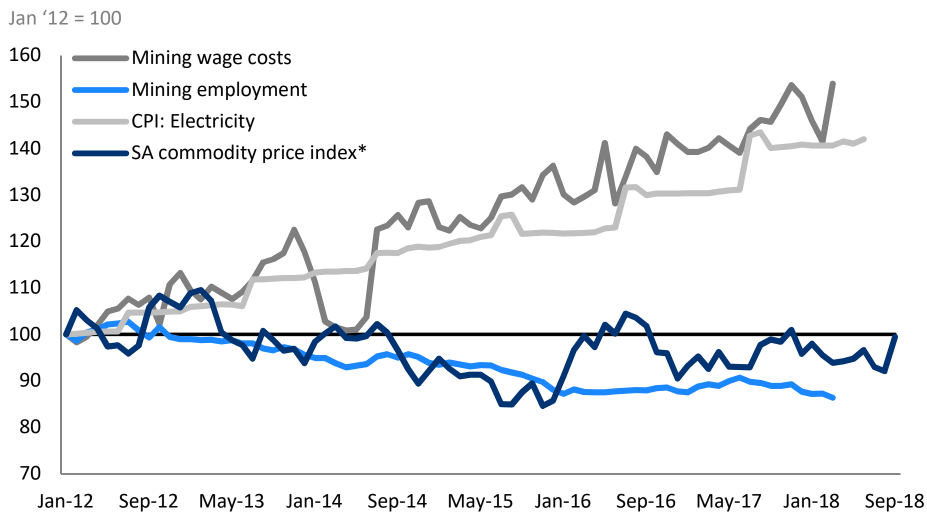
Real gross fixed capital formation contracted by 0.5% q-o-q in 2018Q2, with outlays by general government and public corporations in particular posting weak numbers. In fact, public sector gross fixed investment (general government plus public corporations) contracted by 6.5% q-o-q after the 2.6%

contraction recorded in Q1. Despite persistent low business confidence and subdued economic activity, PSFI outlays expanded by 3.1% q-o-q in 2018Q2, following a decline of 3.9% in the first quarter. A strong increase in capital expenditure on non-residential buildings more than offset a contraction in capital outlays on residential buildings, and machinery and other equipment.

It has been our contention since the start of 2018 that a prerequisite for a meaningful and sustainable expansion in **PSFI** over the medium- to long term requires a sustained increase in business confidence and increased policy certainty. After a Ramaphoria-induced uptick in the RMB/BER Business Confidence Index (BCI) in 2018Q1, business confidence has declined back to early-2017 levels as the weak state of the economy became clear and political and policy uncertainty once again came to the fore. While the recently gazetted update to the **Mining Charter** was more or less positively received by the industry, much work needs to be done to reignite confidence in the sector. Combine this with the fact that commodity prices remain subdued while input costs have increased at an alarming rate, and it is unlikely that we will see a resurgence in mining sector investment any time soon.

Low confidence weighs on PSFI

Figure 7: Rising costs, regulatory uncertainty explain mining decline



Source: Reuters, Stats SA, Department of Mineral Resources, BER calculations

* Rand value; gold, platinum, palladium, coal, iron ore.

We have seen little movement on other contentious **policy proposals**, including the emotive land reform debate. The Joint Constitutional Review Committee tasked with reviewing section 25 of the Constitution (which speaks to the right of property ownership) has asked for numerous extensions which prolong the uncertainty. We remain of the opinion that the ANC-led government will handle the issue with caution and not expropriate productive farmland without compensation. However, the lack of clear communication from the ANC on this is

Policy uncertainty likely to persist post-2019 election adding to the uncertainty. The anxiety in the agricultural sector is likely to remain elevated until greater clarity is forthcoming. In all, the domestic policy outlook is less clear than hoped for earlier in the year as the ANC appears to be feeling increased pressure in the lead-up to the 2019 election. We are also less convinced than before of a more stable policy environment post-election as competing priorities from the different factions within the ANC, and sustained external pressure (notably from the EFF), continue to muddy the waters.

Infrastructure initiatives could lift medium-term growth

On a slightly more positive note, the recently announced **economic stimulus package** could provide some impetus to PSFI over the medium term. The measures detailed are heavily focused on infrastructure spending. The stated goal of creating a South Africa Infrastructure Fund is a welcome development, but questions remain regarding the efficiency and transparency of such a centralised fund. In all, the announced measures will likely have very limited short-term impact on PSFI, while the net medium-term impact is also unclear.

Developments on the **global front** have also contributed to a more subdued outlook for PSFI. A weaker rand exchange rate over the forecast horizon should see the cost of imported investment goods increase, while ongoing trade disputes will likely be negative for global growth, which could have an adverse impact on SA growth and domestic fixed investment.

Sharp downward adjustment in PSFI outlook

These factors help explain the significant downward revision to the outlook for PSFI. <u>In all, the growth in real PSFI is expected to measure 1.3% in 2018 (2.6% previously) and 2.4% in 2019 (5.4% previously)</u>. Growth is expected to pick up to around 3.7% in 2020 on the assumption of (somewhat) increased policy certainty, recovering business confidence and somewhat improved economic growth.

As mentioned in previous editions of *Economic Prospects*, liquidity issues and increasing debt levels are expected to keep capital outlays by SOEs and the general government under pressure. In fact, government fixed investment is expected to contract in both 2018 and 2019 before recovering somewhat in 2020. We do expect modest growth in SOE fixed investment as some large projects (including Eskom's coal-fired power stations) are completed.

Overall fixed investment remains under pressure

<u>In all, we have revised down the forecast for total real fixed investment by an average of 1.3 %pts for 2018/19</u> – total fixed investment is expected to expand by a meagre 0.2% in 2018 (1.4% previously) and 1.7% in 2019 (4% previously). A modest recovery in PSFI and general government fixed investment could see growth pick up to around 3% in 2020.

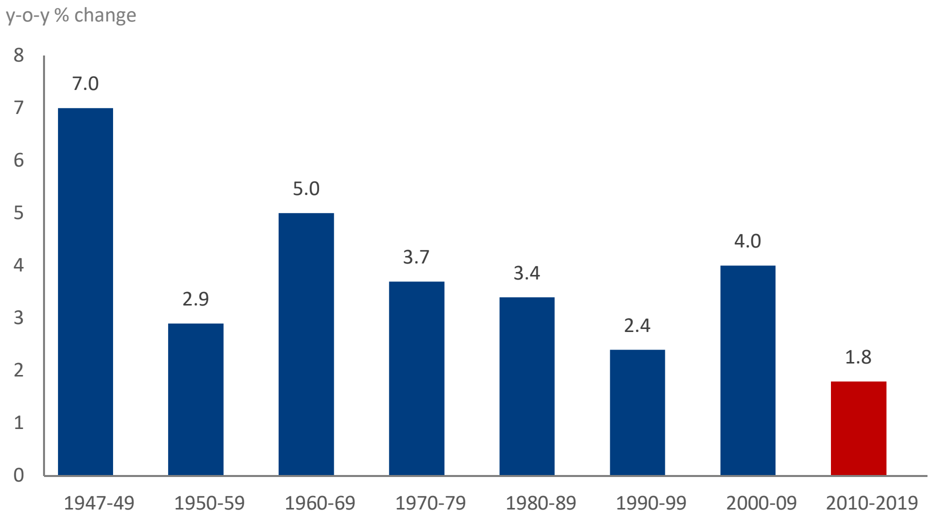
Summary and risks

The weak performance of the SA economy in 2018H1, combined with the materialisation of several other previously flagged risks, has necessitated a significant downward adjustment to our outlook for real GDP growth. We now expect real GDP growth to average 0.6% in 2018 and 1.5% in 2019. Growth is expected to pick up to around 2% in 2020 on the assumption of (somewhat) increased policy certainty and a more meaningful recovery in fixed investment.

2010s worst growth decade in post-war period

Disconcertingly, based on current forecasts, the 2010s look set to be the worst growth decade in SA's post-WWII history (see Figure 8). The lacklustre performance of the SA economy post-crisis is ascribed to both external and internal factors. However, in our opinion, domestic policy missteps, mismanagement of state resources and state-owned enterprises (SOE), and various other structural constraints bear the brunt of the responsibility.

Figure 8: Average real GDP growth by decade



Source: SARB, BER calculations

Domestic constraints compounded by global risks

The projections detailed in this report are based on the assumption that the policy uncertainty and low confidence levels that were a feature of this period remain a constraint over most of the forecast horizon. Additional concern stems from the international arena in the form of the possible impact of the US-China trade dispute on global growth and the consequences of a tighter global monetary policy environment. Importantly, notwithstanding the risks posed by global developments, an alleviation in domestic constraints could result in growth outcomes surprising on the upside. That being said, especially for 2019H2 and 2020, the risks are tilted toward the downside.

Appendix

Statistics of the quarterly forecast, 2018-2020

Table A 1: International economic indicators

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Real GDP growth rates															
US % growth	2.6	2.9	2.9	2.9	2.9	2.3	2.2	1.9	1.8	1.9	2.0	2.0	***2.8***	***2.3***	***1.9***
UK % growth	1.4	1.5	1.5	1.6	1.8	2.0	1.9	1.7	1.7	1.4	1.3	1.3	***1.5***	***1.8***	***1.5***
Germany % growth	1.2	1.4	0.9	0.8	1.5	1.0	1.0	1.3	0.9	0.9	0.9	0.6	***1.1***	***1.2***	***0.8***
Japan % growth	2.4	2.2	1.7	1.5	1.8	1.7	1.9	1.8	1.5	1.5	1.5	1.9	***1.9***	***1.8***	***1.6***
Eurozone % growth	2.4	2.1	1.9	1.8	1.7	1.7	1.6	2.1	1.9	1.8	1.6	1.4	***2.1***	***1.8***	***1.7***
G7 % growth	2.1	2.2	2.5	2.3	2.4	2.0	1.9	1.8	1.6	1.6	1.7	1.7	***2.3***	***2.0***	***1.7***
CPI inflation rates															
US % CPI	2.2	2.7	2.8	2.5	2.4	2.4	2.5	2.6	2.3	2.3	1.9	1.8	***2.6***	***2.5***	***2.1***
UK % CPI	2.4	2.3	2.6	2.3	2.4	2.2	2.1	2.3	2.4	2.2	2.1	1.7	***2.4***	***2.3***	***2.1***
Germany % CPI	2.0	2.0	1.7	1.5	1.2	1.5	1.8	2.0	2.1	2.0	1.9	1.8	***1.8***	***1.6***	***1.9***
Japan % CPI	1.3	0.6	1.5	1.3	1.3	1.1	1.0	0.8	0.8	1.0	1.4	2.1	***1.2***	***1.1***	***1.3***
G7 % CPI	1.9	2.2	2.1	2.1	2.1	2.0	2.0	2.1	2.0	2.0	1.8	1.8	***2.1***	***2.0***	***1.9***
China % CPI	2.1	1.7	2.2	2.4	2.5	2.5	2.5	2.5	2.3	2.3	2.3	2.8	***2.1***	***2.5***	***2.4***
India % CPI	4.7	4.0	4.0	4.8	5.0	5.0	5.0	5.0	4.6	4.6	5.4	5.3	***4.4***	***5.0***	***5.0***
Interest rates															
US prime rate	4.53	4.79	5.01	5.29	5.54	5.79	6.04	6.25	6.25	6.25	6.25	6.25	***4.91***	***5.91***	***6.25***
Commodity prices															
Spot oil price: US$/barrel	67.2	75.0	75.9	80.7	75.0	75.0	73.0	71.0	71.0	70.0	70.0	70.0	***74.7***	***73.5***	***70.3***
London gold price: US$/oz	1330	1306	1213	1191	1206	1220	1225	1230	1240	1251	1254	1257	***1260***	***1220***	***1251***
Platinum price: US$/oz	977	901	814	805	840	875	887	898	912	925	929	934	***874***	***875***	***925***
Palladium price: US$/oz	1035	978	952	1055	1042	1030	1026	1022	1061	1100	1113	1126	***1005***	***1030***	***1100***
SA coal price : US$/mt	94.3	100.3	102.6	102.9	98.9	95.0	93.7	92.4	91.2	90.0	89.6	89.2	***100.0***	***95.0***	***90.0***
China iron ore price : US$/mt	74.8	66.6	68.0	70.5	69.8	69.0	68.7	68.5	68.2	68.0	67.9	67.8	***70.0***	***69.0***	***68.0***
Exchange rates															
US$/Sterling exchange rate	1.39	1.36	1.30	1.30	1.30	1.32	1.33	1.33	1.32	1.30	1.30	1.30	***1.34***	***1.32***	***1.31***
YN/$ exchange rate	108.3	109.1	111.7	110.0	110.0	109.0	109.0	109.0	110.0	110.0	110.0	110.0	***109.8***	***109.3***	***110.0***
US$/Euro exchange rate	1.23	1.19	1.16	1.17	1.18	1.20	1.22	1.22	1.22	1.22	1.22	1.22	***1.19***	***1.21***	***1.22***

** Economist index*

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Nominal GDP expenditure components															
Household consumption	2875.9	2899.4	2967.3	3033.6	3075.1	3110.4	3185.8	3256.7	3307.5	3351.4	3430.2	3502.2	***2944.0***	***3157.0***	***3397.8***
(year % ch.)	7.0	5.9	6.7	6.5	6.9	7.3	7.4	7.4	7.6	7.7	7.7	7.5	***6.5***	***7.2***	***7.6***
Government consumption	1006.5	1047.2	1047.3	1047.4	1080.6	1113.9	1124.9	1136.0	1163.9	1191.8	1201.1	1210.4	***1037.1***	***1113.9***	***1191.8***
(year % ch.)	7.4	8.0	6.5	4.2	7.4	6.4	7.4	8.5	7.7	7.0	6.8	6.6	***6.5***	***7.4***	***7.0***
Fixed investment	887.4	885.7	902.8	928.0	943.5	951.5	972.0	994.7	1016.0	1030.3	1051.4	1072.0	***901.0***	***965.4***	***1042.4***
(year % ch.)	2.6	2.6	4.5	3.8	6.3	7.4	7.7	7.2	7.7	8.3	8.2	7.8	***3.4***	***7.1***	***8.0***
Inventory investment	3.2	-7.5	-7.3	6.3	5.3	4.0	5.2	6.4	8.3	9.9	11.0	11.7	***-1.3***	***5.2***	***10.2***
Residual item	18.7	81.9	-16.0	-16.0	18.7	81.9	-16.0	-16.0	18.7	81.9	-16.0	-16.0	***17.1***	***17.1***	***17.1***
Gross domestic expenditure	4791.8	4906.8	4894.1	4999.3	5123.2	5261.7	5271.8	5377.7	5514.5	5665.3	5677.7	5780.3	***4898.0***	***5258.6***	***5659.4***
(year % ch.)	8.1	7.2	6.1	6.0	6.9	7.2	7.7	7.6	7.6	7.7	7.7	7.5	***6.8***	***7.4***	***7.6***
Exports: goods and services	1333.7	1398.4	1492.6	1551.8	1539.0	1569.2	1572.0	1585.2	1584.1	1608.6	1639.6	1668.7	***1444.1***	***1566.3***	***1625.2***
(year % ch.)	0.0	2.5	8.1	6.2	15.4	12.2	5.3	2.1	2.9	2.5	4.3	5.3	***4.3***	***8.5***	***3.8***
Imports: goods and services	1349.4	1361.4	1451.2	1517.8	1510.4	1552.7	1581.7	1614.3	1617.4	1636.3	1663.8	1698.3	***1420.0***	***1564.8***	***1654.0***
(year % ch.)	5.6	3.0	12.4	10.1	11.9	14.1	9.0	6.4	7.1	5.4	5.2	5.2	***7.8***	***10.2***	***5.7***
Expenditure on GDP	4776.1	4943.8	4935.5	5033.3	5151.8	5278.1	5262.1	5348.6	5481.2	5637.6	5653.4	5750.7	***4922.2***	***5260.2***	***5630.7***
(year % ch.)	6.4	7.0	5.0	4.9	7.9	6.8	6.6	6.3	6.4	6.8	7.4	7.5	***5.8***	***6.9***	***7.0***

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Real GDP expenditure components															
Household consumption	1933.5	1927.0	1940.7	1953.0	1956.0	1962.1	1973.4	1989.1	1998.3	2008.6	2020.0	2033.2	***1938.5***	***1970.1***	***2015.0***
(year % ch.)	2.7	1.4	1.5	1.2	1.2	1.8	1.7	1.8	2.2	2.4	2.4	2.2	***1.7***	***1.6***	***2.3***
Government consumption	638.9	640.0	634.1	628.2	635.9	643.7	646.2	648.8	649.9	651.0	651.3	651.7	***635.3***	***643.7***	***651.0***
(year % ch.)	1.2	1.3	0.0	-1.3	-0.5	0.6	1.9	3.3	2.2	1.1	0.8	0.4	***0.3***	***1.3***	***1.1***
Fixed investment	616.8	616.0	616.7	619.5	623.2	622.9	629.0	635.7	641.9	642.9	648.7	654.0	***617.3***	***627.7***	***646.9***
(year % ch.)	0.2	0.1	0.9	-0.4	1.0	1.1	2.0	2.6	3.0	3.2	3.1	2.9	***0.2***	***1.7***	***3.1***
Inventory investment	8.8	-14.2	-4.1	3.9	3.5	3.1	3.8	4.3	5.0	5.6	6.0	6.2	***-1.4***	***3.7***	***5.7***
Residual item	-4.1	-2.1	0.5	0.5	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	***-1.3***	***-1.3***	***-1.3***
Gross domestic expenditure	3193.9	3166.7	3187.9	3205.1	3217.3	3230.5	3251.2	3276.6	3293.8	3306.8	3324.8	3343.8	***3188.4***	***3243.9***	***3317.3***
(year % ch.)	2.3	0.4	1.4	0.5	0.7	2.0	2.0	2.2	2.4	2.4	2.3	2.1	***1.1***	***1.7***	***2.3***
Exports: goods and services	896.1	925.2	926.7	947.6	930.7	944.0	948.5	958.0	952.8	959.9	968.5	973.9	***923.9***	***945.3***	***963.8***
(year % ch.)	-0.1	1.2	1.5	0.8	3.9	2.0	2.4	1.1	2.4	1.7	2.1	1.7	***0.8***	***2.3***	***2.0***
Imports: goods and services	953.7	961.0	971.6	987.0	980.9	991.3	1000.8	1014.3	1014.2	1021.0	1028.8	1037.6	***968.3***	***996.8***	***1025.4***
(year % ch.)	2.9	0.8	5.1	1.7	2.9	3.2	3.0	2.8	3.4	3.0	2.8	2.3	***2.6***	***2.9***	***2.9***
Expenditure on GDP	3136.4	3130.9	3143.0	3165.8	3167.1	3183.2	3198.9	3220.4	3232.3	3245.8	3264.5	3280.0	***3144.0***	***3192.4***	***3255.6***
(year % ch.)	1.4	0.5	0.3	0.3	1.0	1.7	1.8	1.7	2.1	2.0	2.0	1.9	***0.6***	***1.5***	***2.0***

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Household consumption categories															
Durable goods	191.3	185.7	191.3	194.2	194.2	194.6	196.5	201.2	202.4	204.2	206.7	209.8	***190.6***	***196.6***	***205.8***
(year % ch.)	9.5	3.5	2.9	1.3	1.5	4.8	2.7	3.6	4.3	5.0	5.2	4.3	***4.2***	***3.1***	***4.7***
Semi-durable goods	184.8	182.4	186.0	190.3	188.0	188.0	189.5	192.7	193.5	194.7	196.2	198.8	***185.9***	***189.6***	***195.8***
(year % ch.)	4.5	0.5	1.3	-0.3	1.7	3.1	1.9	1.3	2.9	3.5	3.5	3.1	***1.4***	***2.0***	***3.3***
Non-durable goods	712.7	708.4	709.1	711.2	712.6	714.0	715.8	718.3	721.2	724.1	726.6	728.8	***710.3***	***715.2***	***725.2***
(year % ch.)	1.5	-0.1	0.3	-0.1	0.0	0.8	1.0	1.0	1.2	1.4	1.5	1.5	***0.4***	***0.7***	***1.4***
Services	844.7	850.5	854.3	857.3	861.2	865.5	871.6	876.8	881.2	885.6	890.4	895.8	***851.7***	***868.8***	***888.2***
(year % ch.)	1.9	2.4	2.3	2.7	2.0	1.8	2.0	2.3	2.3	2.3	2.2	2.2	***2.3***	***2.0***	***2.2***
Total household consumption	1933.5	1927.0	1940.7	1953.0	1956.0	1962.1	1973.4	1989.1	1998.3	2008.6	2020.0	2033.2	***1938.5***	***1970.1***	***2015.0***
(year % ch.)	2.7	1.4	1.5	1.2	1.2	1.8	1.7	1.8	2.2	2.4	2.4	2.2	***1.7***	***1.6***	***2.3***
Disposable income of households															
Real disposable income	1939.9	1935.0	1937.2	1950.8	1952.6	1958.3	1968.2	1984.1	1992.9	2003.4	2014.8	2028.0	***1940.7***	***1965.8***	***2009.8***
(year % ch.)	2.9	1.5	0.9	0.8	0.7	1.2	1.6	1.7	2.1	2.3	2.4	2.2	***1.5***	***1.3***	***2.2***
Adjusted for debt-service cost (real)	1904.3	1899.9	1902.6	1916.8	1919.0	1924.9	1935.4	1951.8	1960.9	1971.7	1983.7	1997.3	***1905.9***	***1932.8***	***1978.4***
(year % ch.)	3.0	1.6	1.0	0.9	0.8	1.3	1.7	1.8	2.2	2.4	2.5	2.3	***1.6***	***1.4***	***2.4***

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Private sector															
Total private sector	390.5	393.5	396.6	399.0	400.9	399.9	405.2	410.7	415.4	415.6	420.7	425.6	***394.9***	***404.2***	***419.3***
(year % ch.)	0.1	0.9	3.0	1.2	2.7	1.6	2.2	2.9	3.6	3.9	3.8	3.6	***1.3***	***2.4***	***3.7***
Public sector															
Government	103.7	103.2	101.4	99.3	99.9	100.3	100.4	100.2	101.0	101.4	101.9	102.3	***101.9***	***100.2***	***101.7***
(year % ch.)	-0.4	-1.0	-4.1	-4.6	-3.7	-2.8	-1.0	0.9	1.1	1.1	1.5	2.1	***-2.5***	***-1.7***	***1.5***
Public corporations	122.6	119.3	118.8	121.2	122.3	122.7	123.4	124.8	125.4	125.9	126.1	126.2	***120.5***	***123.3***	***125.9***
(year % ch.)	1.1	-1.4	-1.2	-2.0	-0.2	2.8	3.9	2.9	2.5	2.6	2.1	1.1	***-0.9***	***2.4***	***2.1***
Total public sector	226.3	222.5	220.2	220.5	222.2	223.0	223.8	225.0	226.4	227.3	228.0	228.5	***222.4***	***223.5***	***227.5***
(year % ch.)	0.4	-1.2	-2.6	-3.2	-1.8	0.2	1.7	2.0	1.9	1.9	1.8	1.6	***-1.6***	***0.5***	***1.8***
Total															
Total fixed capital formation	616.8	616.0	616.7	619.5	623.2	622.9	629.0	635.7	641.9	642.9	648.7	654.0	***617.3***	***627.7***	***646.9***
(year % ch.)	0.2	0.1	0.9	-0.4	1.0	1.1	2.0	2.6	3.0	3.2	3.1	2.9	***0.2***	***1.7***	***3.1***

Table A 6: Labour sector (million)

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Employment															
Total labour force	22.36	22.37	22.47	22.27	22.81	22.71	22.85	22.65	23.12	23.09	23.24	23.04	***22.37***	***22.75***	***23.12***
(year % ch.)	-0.3	0.4	0.3	1.0	2.0	1.5	1.7	1.7	1.4	1.7	1.7	1.7	***0.4***	***1.7***	***1.6***
Private sector employment	14.26	14.24	14.19	14.22	14.19	14.19	14.21	14.26	14.22	14.27	14.35	14.43	***14.23***	***14.21***	***14.32***
(year % ch.)	0.7	1.3	0.2	0.7	-0.5	-0.4	0.2	0.3	0.2	0.6	1.0	1.2	***0.7***	***-0.1***	***0.8***
Government employment	2.11	2.05	2.05	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	***2.06***	***2.04***	***2.04***
(year % ch.)	3.2	0.5	0.6	-0.1	-3.4	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	***1.0***	***-1.0***	***-0.1***
Total employment (incl. informal)	16.38	16.29	16.23	16.26	16.23	16.23	16.25	16.30	16.26	16.31	16.39	16.47	***16.29***	***16.25***	***16.36***
(year % ch.)	1.0	1.2	0.2	0.6	-0.9	-0.4	0.1	0.2	0.2	0.5	0.8	1.0	***0.8***	***-0.2***	***0.6***
Unemployment rate	26.7	27.2	27.8	27.0	28.8	28.5	28.9	28.0	29.7	29.4	29.5	28.5	***27.2***	***28.6***	***29.3***
Wage rates (year % change)															
Unit labour cost	5.4	6.0	6.3	6.6	5.9	5.3	5.4	4.9	5.0	5.5	5.7	5.9	***6.1***	***5.4***	***5.5***
Wage bill (R billion at current prices)															
Total wage bill	2292.2	2346.8	2394.0	2437.7	2451.2	2513.4	2567.7	2600.8	2628.0	2703.8	2769.5	2805.5	***2367.7***	***2533.3***	***2726.7***
(year % ch.)	6.9	6.6	6.7	6.9	6.9	7.1	7.3	6.7	7.2	7.6	7.9	7.9	***6.8***	***7.0***	***7.6***

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Income and expenditure															
Remuneration of employees	2292.2	2346.8	2394.0	2437.7	2451.2	2513.4	2567.7	2600.8	2628.0	2703.8	2769.5	2805.5	***2367.7***	***2533.3***	***2726.7***
(year % ch.)	6.9	6.6	6.7	6.9	6.9	7.1	7.3	6.7	7.2	7.6	7.9	7.9	***6.8***	***7.0***	***7.6***
Social benefits to households	218.9	226.7	223.5	225.4	232.1	238.0	240.7	242.8	250.2	257.1	260.5	262.4	***223.6***	***238.4***	***257.5***
(year % ch.)	10.1	15.2	7.5	6.5	6.0	5.0	7.7	7.7	7.8	8.0	8.2	8.1	***9.8***	***6.6***	***8.0***
Disposable income	2885.4	2911.5	2961.9	3030.2	3069.8	3104.4	3177.3	3248.6	3298.4	3342.7	3421.4	3493.3	***2947.3***	***3150.0***	***3389.0***
(year % ch.)	7.2	5.9	6.1	6.0	6.4	6.6	7.3	7.2	7.4	7.7	7.7	7.5	***6.3***	***6.9***	***7.6***
Less household consumption	2875.9	2899.4	2967.3	3033.6	3075.1	3110.4	3185.8	3256.7	3307.5	3351.4	3430.2	3502.2	***2944.0***	***3157.0***	***3397.8***
(year % ch.)	7.0	5.9	6.7	6.5	6.9	7.3	7.4	7.4	7.6	7.7	7.7	7.5	***6.5***	***7.2***	***7.6***
Saving	9.5	12.1	-5.3	-3.4	-5.3	-6.1	-8.4	-8.1	-9.0	-8.7	-8.8	-9.0	***3.2***	***-7.0***	***-8.9***
Households: ratio to disposable income															
Saving	0.3	0.4	-0.2	-0.1	-0.2	-0.2	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	***0.1***	***-0.2***	***-0.3***
Debt	70.9	71.3	71.1	70.1	69.8	69.9	69.6	68.6	68.5	68.6	68.6	67.8	***70.9***	***69.5***	***68.4***
Debt-service cost	9.0	9.0	9.0	8.9	8.9	8.9	8.9	8.8	8.7	8.8	8.8	8.7	***9.0***	***8.9***	***8.7***
Net wealth	370.0	372.1	371.8	370.8	368.5	368.7	368.2	369.4	369.8	371.0	370.6	371.7	***371.2***	***368.7***	***370.8***

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	*2018*	*2019*	*2020*
Income															
Direct taxes	766.5	817.3	726.1	765.3	832.1	904.1	765.3	804.5	890.1	970.9	825.5	867.5	***768.8***	***826.5***	***888.5***
(year % ch.)	5.9	6.7	10.3	7.7	8.6	10.6	5.4	5.1	7.0	7.4	7.9	7.8	***7.6***	***7.5***	***7.5***
Value added tax (VAT)	330.5	302.5	328.9	356.3	381.0	302.4	364.4	394.6	412.1	327.5	394.4	426.4	***329.6***	***360.6***	***390.1***
(year % ch.)	5.3	19.6	12.5	12.7	15.3	0.0	10.8	10.7	8.2	8.3	8.2	8.1	***12.1***	***9.4***	***8.2***
Other indirect taxes	265.7	371.9	316.8	305.9	283.8	402.9	349.9	331.2	306.8	433.4	376.4	355.7	***315.1***	***342.0***	***368.1***
(year % ch.)	10.9	7.7	4.5	4.5	6.8	8.3	10.5	8.3	8.1	7.6	7.6	7.4	***6.7***	***8.5***	***7.6***
Other income	96.7	69.6	108.9	108.1	108.8	105.1	105.8	106.2	106.5	106.8	107.0	107.2	***95.8***	***106.5***	***106.9***
Current income	1459.5	1561.3	1480.7	1535.5	1605.7	1714.5	1585.4	1636.5	1715.4	1838.5	1703.3	1756.9	***1509.2***	***1635.5***	***1753.5***
(year % ch.)	8.6	8.3	3.3	2.3	10.0	9.8	7.1	6.6	6.8	7.2	7.4	7.4	***5.6***	***8.4***	***7.2***
Expenditure															
Consumption	1006.5	1047.2	1047.3	1047.4	1080.6	1113.9	1124.9	1136.0	1163.9	1191.8	1201.1	1210.4	***1037.1***	***1113.9***	***1191.8***
(year % ch.)	7.4	8.0	6.5	4.2	7.4	6.4	7.4	8.5	7.7	7.0	6.8	6.6	***6.5***	***7.4***	***7.0***
Interest Payments	176.3	156.7	216.2	211.5	217.9	224.1	234.6	243.3	250.9	255.6	264.7	273.8	***190.2***	***230.0***	***261.2***
(year % ch.)	8.4	-4.4	26.0	19.7	23.6	43.0	8.5	15.1	15.2	14.1	12.8	12.5	***12.7***	***20.9***	***13.6***
Social benefits to households	218.9	226.7	223.5	225.4	232.1	238.0	240.7	242.8	250.2	257.1	260.5	262.4	***223.6***	***238.4***	***257.5***
(year % ch.)	10.1	15.2	7.5	6.5	6.0	5.0	7.7	7.7	7.8	8.0	8.2	8.1	***9.8***	***6.6***	***8.0***
Saving	-97.8	-11.8	-170.0	-120.3	-80.5	-15.2	-172.1	-151.2	-106.9	-20.8	-180.3	-154.8	***-100.0***	***-104.8***	***-115.7***
Ratios to GDP															
Total tax revenue	28.5	30.2	27.8	28.4	29.1	30.5	28.1	28.6	29.4	30.7	28.2	28.7	***28.7***	***29.1***	***29.2***
Budget deficit (National government)	-3.6	-2.8	-5.7	-3.8	-3.0	-2.7	-5.4	-4.1	-3.3	-2.7	-5.2	-3.9	***-4.0***	***-3.8***	***-3.8***
Gross debt (National government)	-52.1	-52.8	-54.3	-53.8	-53.9	-55.8	-56.4	-55.5	-56.2	-58.1	-57.8	-56.6	***-53.2***	***-55.4***	***-57.2***

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Current account															
Exports: goods and services	1333.7	1398.4	1492.6	1551.8	1539.0	1569.2	1572.0	1585.2	1584.1	1608.6	1639.6	1668.7	1444.1	1566.3	1625.2
(year % ch.)	0.0	2.5	8.1	6.2	15.4	12.2	5.3	2.1	2.9	2.5	4.3	5.3	4.3	8.5	3.8
Net receipts	-45.6	-33.7	-30.0	-30.0	-30.0	-30.0	-30.0	-30.0	-30.0	-30.0	-30.0	-30.0	-34.8	-30.0	-30.0
(year % ch.)	58.9	-23.1	-26.3	-25.0	-34.3	-11.0	0.0	0.0	0.0	0.0	0.0	0.0	-9.1	-13.9	0.0
Less imports: goods and services	1349.4	1361.4	1451.2	1517.8	1510.4	1552.7	1581.7	1614.3	1617.4	1636.3	1663.8	1698.3	1420.0	1564.8	1654.0
(year % ch.)	5.6	3.0	12.4	10.1	11.9	14.1	9.0	6.4	7.1	5.4	5.2	5.2	7.8	10.2	5.7
Less net factor payments	158.1	167.0	157.9	169.2	171.5	171.6	177.2	170.9	174.3	184.6	190.1	189.5	163.0	172.8	184.6
(year % ch.)	34.0	30.0	7.8	2.3	8.5	2.7	12.2	1.0	1.6	7.6	7.3	10.9	16.8	6.0	6.9
Current account balance	-219.4	-163.8	-146.4	-165.1	-173.0	-185.1	-216.8	-230.0	-237.6	-242.3	-244.3	-249.2	-173.7	-201.2	-243.3
Current account in US$	-18.4	-13.0	-10.4	-11.6	-12.2	-13.0	-15.2	-16.1	-16.8	-17.1	-17.0	-17.1	-13.3	-14.1	-17.0
Current account as % of GDP	-4.6	-3.3	-3.0	-3.3	-3.4	-3.5	-4.1	-4.3	-4.3	-4.3	-4.3	-4.3	-3.5	-3.8	-4.3
Financing of the current account															
Total net capital flows	58.0	47.3	40.0	38.0	35.0	20.0	75.0	50.0	75.0	60.0	75.0	50.0	183.3	180.0	260.0
SDR + Valuation adjustment	-17.1	79.8	22.4	0.0	2.5	2.5	0.0	0.0	-2.5	2.5	10.1	2.5	85.1	5.0	12.6
Change in gross reserves	-31.7	103.4	8.7	14.4	-23.4	-6.6	3.6	10.2	-4.6	19.1	6.8	7.9	94.7	-16.2	29.2
Gross reserves: quarter end	593.1	696.4	705.1	719.5	696.1	689.5	693.1	703.3	698.7	717.8	724.6	732.5	719.5	703.3	732.5
Gross reserves: quarter end (US$)	50.0	50.6	49.8	50.8	49.0	48.4	48.6	49.4	49.2	50.4	50.1	50.5	50.8	49.4	50.5
Terms of trade															
Index (2010 = 100)	105.2	106.7	107.8	106.5	107.4	106.1	104.9	104.0	104.3	104.6	104.7	104.7	106.6	105.6	104.5
(year % ch.)	-2.3	-0.9	-0.4	-2.7	2.1	-0.5	-2.8	-2.4	-2.9	-1.5	-0.2	0.7	-1.6	-0.9	-1.0

Table A 10: Credit, interest rates and exchange rates

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Money supply and credit extension															
M3 money supply	3397.4	3390.2	3547.6	3581.9	3600.4	3589.1	3779.5	3814.9	3851.2	3846.1	4053.4	4095.3	***3581.9***	***3814.9***	***4095.3***
(year % ch.)	6.4	5.8	7.0	6.6	6.0	5.9	6.5	6.5	7.0	7.2	7.2	7.4	***6.6***	***6.5***	***7.4***
Private sector credit to households	1564.6	1580.3	1596.7	1619.7	1638.2	1651.8	1676.2	1698.6	1727.7	1745.4	1779.8	1804.7	***1619.7***	***1698.6***	***1804.7***
(year % ch.)	3.9	4.5	4.9	5.0	4.7	4.5	5.0	4.9	5.5	5.7	6.2	6.2	***5.0***	***4.9***	***6.2***
Private sector credit to firms	1965.5	1958.1	2034.1	2073.6	2094.9	2085.5	2186.5	2227.7	2256.2	2248.8	2356.8	2402.0	***2073.6***	***2227.7***	***2402.0***
(year % ch.)	7.7	6.6	8.4	7.6	6.6	6.5	7.5	7.4	7.7	7.8	7.8	7.8	***7.6***	***7.4***	***7.8***
Total private sector credit extension	3530.0	3538.4	3630.8	3693.4	3733.0	3737.3	3862.7	3926.3	3983.9	3994.3	4136.6	4206.8	***3693.4***	***3926.3***	***4206.8***
(year % ch.)	6.0	5.7	6.8	6.4	5.8	5.6	6.4	6.3	6.7	6.9	7.1	7.1	***6.4***	***6.3***	***7.1***
Interest rates															
3-month NCD rate	7.11	6.90	6.98	7.08	7.24	7.23	7.22	7.22	7.21	7.20	7.20	7.20	***7.02***	***7.23***	***7.20***
10-year government bond yield	8.28	8.47	8.89	9.03	9.12	9.09	9.04	9.16	9.21	9.16	9.13	9.20	***8.67***	***9.10***	***9.18***
Prime overdraft rate	10.24	10.00	10.00	10.10	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	***10.09***	***10.25***	***10.25***
Effective household lending rate	12.69	12.62	12.59	12.72	12.71	12.75	12.75	12.77	12.76	12.76	12.77	12.77	***12.66***	***12.75***	***12.77***
Effective firm lending rate	9.23	9.09	9.06	9.17	9.56	9.59	9.60	9.60	9.60	9.60	9.60	9.61	***9.14***	***9.59***	***9.60***
Exchange rates															
R/US DOLLAR	11.95	12.63	14.06	14.20	14.15	14.25	14.25	14.30	14.18	14.20	14.34	14.56	***13.21***	***14.24***	***14.32***
(year % ch.)	-9.7	-4.4	6.8	4.1	18.4	12.8	1.4	0.7	0.2	-0.4	0.7	1.8	***-0.8***	***7.8***	***0.6***
R/ 100 Japanese YEN	11.04	11.58	12.59	12.91	12.86	13.07	13.07	13.12	12.89	12.90	13.04	13.23	***12.03***	***13.03***	***13.02***
(year % ch.)	-5.2	-2.6	6.1	6.8	16.5	12.9	3.8	1.6	0.2	-1.3	-0.3	0.9	***1.3***	***8.3***	***-0.1***
R/STERLING	16.63	17.19	18.32	18.46	18.40	18.81	18.95	19.02	18.72	18.45	18.65	18.92	***17.65***	***18.79***	***18.69***
(year % ch.)	1.5	1.8	6.4	1.9	10.6	9.5	3.5	3.0	1.8	-1.9	-1.6	-0.5	***2.9***	***6.5***	***-0.6***
R/EURO	14.70	15.06	16.35	16.54	16.70	17.10	17.38	17.45	17.30	17.32	17.50	17.76	***15.66***	***17.16***	***17.47***
(year % ch.)	4.3	3.7	5.7	3.0	13.6	13.6	6.3	5.5	3.6	1.3	0.7	1.8	***4.1***	***9.5***	***1.8***
R/$ PP parity rate (base PPI 2003)	11.80	11.74	11.93	12.07	12.24	12.30	12.32	12.37	12.62	12.68	12.66	12.68	***11.89***	***12.31***	***12.66***
(year % ch.)	0.4	-0.3	0.9	1.6	3.7	4.7	3.3	2.5	3.1	3.1	2.8	2.5	***0.7***	***3.5***	***2.9***

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

	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	2020Q3	2020Q4	2018	2019	2020
Price deflators															
Exports (incl. services)	148.8	151.1	161.1	163.8	165.4	166.2	165.7	165.5	166.3	167.6	169.3	171.3	***156.2***	***165.7***	***168.6***
(year % ch.)	0.2	1.3	6.5	5.3	11.1	10.0	2.9	1.0	0.6	0.8	2.1	3.6	***3.4***	***6.1***	***1.8***
Export commodities (in rand)	1134.8	1177.1	1272.4	1309.8	1294.8	1293.6	1290.2	1291.2	1290.7	1302.0	1318.9	1342.0	***1223.5***	***1292.5***	***1313.4***
(year % ch.)	-0.4	7.7	9.1	5.7	14.1	9.9	1.4	-1.4	-0.3	0.6	2.2	3.9	***5.5***	***5.6***	***1.6***
Imports (incl. services)	141.5	141.7	149.4	153.8	154.0	156.6	158.0	159.2	159.5	160.3	161.7	163.7	***146.6***	***157.0***	***161.3***
(year % ch.)	2.5	2.2	6.9	8.3	8.8	10.6	5.8	3.5	3.6	2.3	2.3	2.8	***5.0***	***7.1***	***2.8***
GDE	149.3	152.3	154.0	156.5	158.6	160.3	162.6	164.6	166.8	168.8	171.2	173.3	***153.0***	***161.5***	***170.0***
(year % ch.)	4.3	4.9	4.9	5.3	6.3	5.3	5.5	5.1	5.2	5.3	5.3	5.3	***4.9***	***5.5***	***5.3***
Investment	143.9	143.8	146.4	149.8	151.4	152.7	154.5	156.5	158.3	160.2	162.1	163.9	***146.0***	***153.8***	***161.1***
(year % ch.)	2.4	2.5	3.6	4.2	5.2	6.2	5.6	4.5	4.6	4.9	4.9	4.7	***3.2***	***5.4***	***4.8***
GDP	152.3	157.9	157.0	159.0	162.7	165.8	164.5	166.1	169.6	173.7	173.2	175.3	***156.6***	***164.8***	***172.9***
(year % ch.)	5.0	6.4	4.7	4.6	6.8	5.0	4.8	4.5	4.2	4.8	5.3	5.6	***5.2***	***5.2***	***5.0***
Consumer & producer prices															
Headline inflation (CPI)	105.7	107.3	108.6	109.8	111.8	113.5	115.0	115.8	117.9	119.6	121.1	122.0	***107.8***	***114.0***	***120.2***
(year % ch.)	4.1	4.5	5.0	5.3	5.8	5.8	5.8	5.4	5.5	5.4	5.4	5.3	***4.7***	***5.7***	***5.4***
Core inflation*	105.4	107.0	107.8	108.6	111.0	112.8	114.0	114.8	117.0	118.9	120.2	120.9	***107.2***	***113.1***	***119.3***
(year % ch.)	4.1	4.4	4.2	4.4	5.2	5.5	5.7	5.7	5.5	5.4	5.5	5.4	***4.3***	***5.5***	***5.4***
CPI food and non-alcoholic beverages	106.3	106.8	107.1	108.3	110.5	111.3	112.6	114.6	117.7	119.0	119.7	121.3	***107.1***	***112.2***	***119.4***
(year % ch.)	4.0	3.6	3.6	3.7	3.9	4.3	5.1	5.9	6.6	6.9	6.4	5.8	***3.7***	***4.8***	***6.4***
CPI petrol	110.4	117.4	125.5	134.0	130.8	133.0	131.2	128.8	127.8	128.3	129.0	130.2	***121.8***	***131.0***	***128.8***
(year % ch.)	5.7	11.6	22.3	20.9	18.5	13.4	4.6	-3.9	-2.3	-3.6	-1.6	1.1	***15.2***	***7.5***	***-1.6***
Petrol price (R/l coastal unleaded)	*13.61*	*14.49*	*15.45*	*16.60*	*16.15*	*16.43*	*16.19*	*15.89*	*15.78*	*15.83*	*15.92*	*16.07*	***15.04***	***16.17***	***15.90***
(year % ch.)	*4.6*	*11.0*	*21.5*	*20.4*	*18.7*	*13.4*	*4.8*	*-4.2*	*-2.3*	*-3.6*	*-1.7*	*1.1*	***14.4***	***7.5***	***-1.6***
CPI electricity	102.2	103.1	110.1	110.1	110.1	110.1	123.3	123.3	123.3	123.3	133.8	133.8	***106.4***	***116.7***	***128.5***
(year % ch.)	2.2	3.1	7.8	7.7	7.7	6.8	12.0	12.0	12.0	12.0	8.5	8.5	***5.2***	***9.7***	***10.2***
Producer price index	105.2	106.9	109.1	110.6	112.7	113.6	114.3	115.4	118.5	119.9	120.3	121.1	***108.0***	***114.0***	***120.0***
(year % ch.)	4.3	5.0	6.1	5.7	7.1	6.3	4.8	4.3	5.1	5.5	5.3	5.0	***5.3***	***5.6***	***5.2***

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