

Economic Prospects

Short Summary

Fourth quarter 2017

Forecast summary¹

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

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

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

The **rand** has been one of the most volatile currencies in 2017. Continued political uncertainty and the possibility of further credit rating downgrades on the back of a deteriorating fiscal

outlook have necessitated a downward revision to our rand forecast.

Given the possibility of large capital outflows in the event of further downgrades, while also taking into account the weak growth environment and subdued inflation profile, we expect the SARB to stay the course and keep the **policy rate** unchanged over the forecast horizon.

On the demand side, **consumer spending** is expected to remain under pressure over the forecast period as tight fiscal policy, low consumer confidence, subdued credit extension and weak employment growth weigh on spending. Low business confidence and policy uncertainty should keep a lid on **private sector fixed investment**.

Real annual % change*	2017	2018	2019
Final household consumption expenditure	0.9	1.3	2.0
Gross fixed capital formation	-1.3	-0.8	1.7
Gross domestic expenditure	1.0	0.7	1.7
Exports of goods and services	2.2	2.4	2.2
Imports of goods and services	3.4	1.6	2.6
Gross domestic product	0.6	0.9	1.6
Other variables			
Prime overdraft rate (%)	10.39	10.25	10.25
Consumer price inflation (%)	5.3	5.1	5.5
R/US dollar (annual average)	13.41	14.16	14.29

* unless specified otherwise

¹ This report provides a brief summary of the BER's latest forecast of the SA economy. For a detailed description of the BER's product offering, [click here](#).

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