Q2.18 Macro-economic outlook 2018–2024: Global growth strengthens, for SA structural reforms are outstanding now the politics have subsided

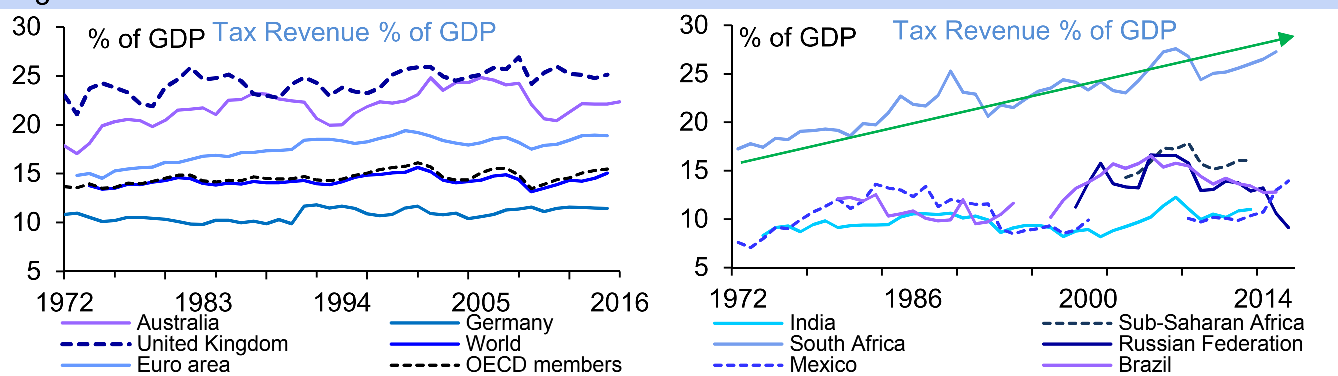
9th April 2018

Figure 1: Summary, % real growth rates	2017	2018	2019	2020	2021	2022	2023	2024
GDP (real, %)	1.3	2.1	2.3	2.6	2.7	2.9	3.2	3.3
HCE	2.2	2.4	2.5	2.7	2.9	3.0	3.0	3.0
GCE	0.6	1.1	1.2	1.4	1.3	1.4	1.3	1.3
GFCF	0.4	1.4	2.4	3.7	4.1	4.4	5.2	5.3
GDE	1.8	2.5	2.4	2.5	2.8	3.0	3.2	3.3
Export (goods & non-factor services)	-0.1	5.0	5.2	6.5	5.8	5.2	5.3	5.2
Imports (goods & non-factor services)	1.9	4.9	5.0	6.4	5.9	4.8	5.4	5.2
Balance: Current Account - (% of GDP)	-2.5	-2.7	-2.9	-2.9	-2.9	-2.9	-2.9	-3.0

Source: SARB, Investec

With strong global growth increasingly seen as a 2018 feature, as actual economic growth outpaces its potential (3.0% qqsaa for Q4.17 versus potential of 2.3% qqsaa – World Bank data), the natural outcome is that unemployment rates in many economies are reaching low levels (see figure 19). With little inflation pressure yet (despite oil prices back at 2014 levels), monetary policy is still accommodatory and is not expected to be tightened, but return to neutral levels instead. South Africa contrasts with these marked improvements, particularly on the unemployment and inclusive growth front. This is a point of concern for the credit rating agencies who see little chance of upgrades without faster, inclusive growth, fiscal consolidation and the repair of SOE finances (the latter without further drain on government's balance sheet). SA continues to see tax hikes in this regard, although a new IMF study on fiscal consolidation finds that cutting fiscal spending is less harmful to economic growth than raising taxes. The institution says "(r)educing the debt-to-GDP ratio depends … on how the budget deficit is corrected" … warning that "by raising taxes, the downturn in growth may be so large that it raises rather than reduces the debt-to-GDP ratio. Deficit reduction policies based on spending cuts, however, typically have almost no effect on output, so they are a sure bet for a reduction in debt to GDP." This falls squarely in line with the Davis Tax commission's recommendation that SA needs to cut expenditure to successfully consolidate government finances. The credit rating agencies have merely given SA a reprieve, and no guarantee that the country

Figure 2: Tax Revenue % of GDP



Source: World Bank

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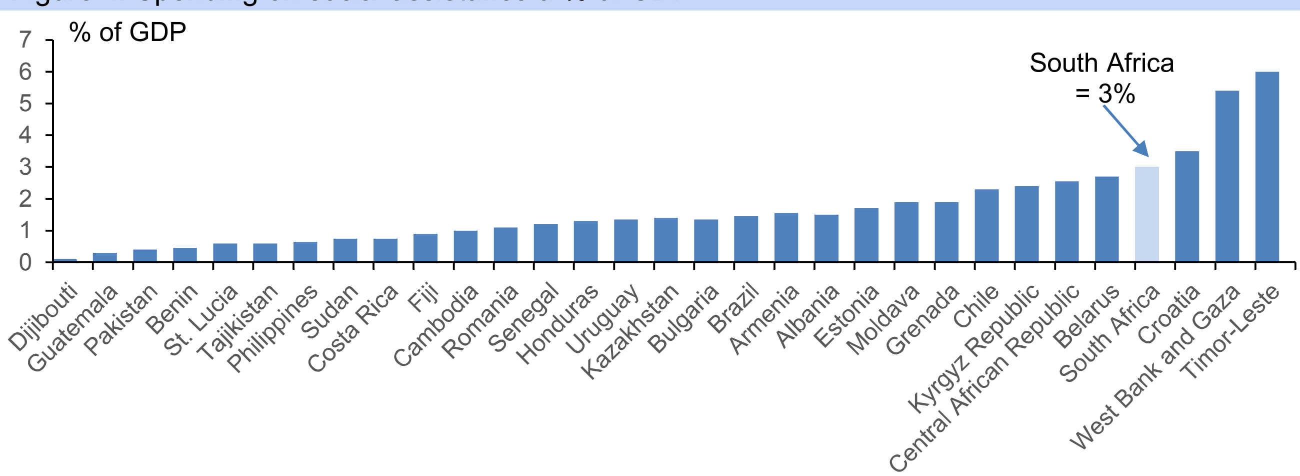
Figure 3: Social protection expenditure

R million	2017/18 Revised estimate	2018/19	2019/20 Medium-term estimates	2020/21	% of total MTEF	Average annual MTEF growth
Social protection expenditure	178 330	193 365	207 825	223 890	100%	7.9%
of which:						
Social grants	150 880	162 96	175 656	189 774	84.5%	7.9%
of which:						
Child support	56 017	60 631	65 467	70 836	41.5%	8.1%
Old age	64 276	70 531	76 751	83 689	37.0%	9.2%
Disability	20 952	22 105	23 078	24 172	11.1%	4.9%
Foster care	5 299	5 132	5 281	5 447	2.5%	0.9%
Care dependency	2 939	3 138	3 430	3 762	1.7%	8.6%
South African Social Security Agency	7 206	7 761	8 196	8 646	3.9%	6.3%
Provincial social development	18 863	20 558	22 044	23 322	10.5%	7.3%
Total	178 330	193 365	207 825	223 890	100%	7.9%
Social grants as % of GDP	3.2%	3.2%	3.3%	3.3%		
Social grant beneficiary numbers by grant type ('000s)						
Child support	12 239	12 402	12 631	12 815	70.7%	1.5%
Old age[1]	3 392	3 513	3 627	3 741	20.3%	3.3%
Disability	1 057	1 050	1 041	1 034	5.8%	-0.7%
Foster care	400	398	394	391	2.2%	-0.8%
Care dependency	149	154	160	165	0.9%	3.5%
Total	17 237	17 517	17 853	18 146	100%	1.7%

Source: National Treasury, Budget 2018

1. Includes war veterans

Figure 4: Spending on social assistance a % of GDP



Source: World Bank

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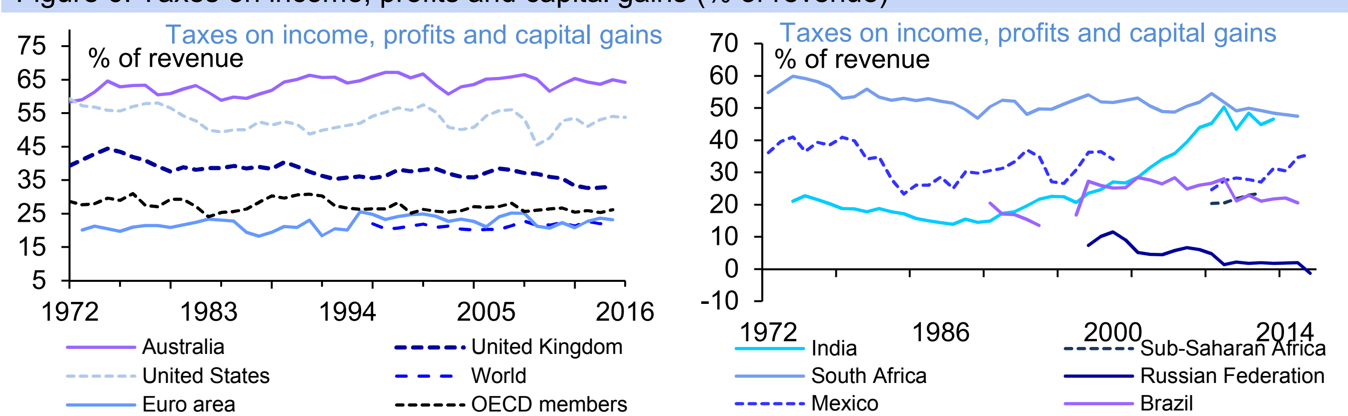
Figure 5: Gross Fixed Capital Formation	2017	2018	2019	2020	2021	2022	2023	2024
GFCF, total (real, %)	0.4	1.4	2.4	3.7	4.1	4.4	5.2	5.3
GFCF as % of GDP	19.7	19.6	19.6	19.8	20.1	20.4	20.8	21.2
Private sector (real, %)	1.2	1.8	4.9	5.1	5.2	5.8	6.7	6.9
Government (real, %)	-1.0	0.9	-1.9	1.0	1.9	1.7	2.0	1.9
Non-residential GFCF (real, %)	1.2	1.8	4.5	5.0	5.6	6.1	7.0	7.2
Residential buildings (real, %)	1.5	1.6	7.1	5.4	3.1	4.2	5.2	5.2

Source: Investec, SARB

will not face downgrades in the future. Indeed, despite the market's initial euphoria on the recent political transition (resulting in Cyril Ramaphosa becoming President of SA), S&P has said South Africa's ratings and outlook was not immediately affected by this political transition. The agency did acknowledge that "(t)he new leadership could bring confidence and faster implementation of key reforms already undertaken". However, it warned that "Mr. Ramaphosa and his administration will require time to design and implement measures to improve economic growth and stabilize public finances, given the structural and institutional challenges that South Africa faces." Particularly, it says "(w)e think the government will attempt to introduce offsetting measures in an effort to improve budgetary outcomes, but these may not be sufficient to stabilize public finances in the near term", which could even put SA's stable outlook at risk.

We have reweighted the probabilities of South Africa's scenarios (see figure 28) to reflect a marked tilt away from the downside of additional credit rating downgrades and fiscal deterioration (see Q1.18 Risk update: will the market optimism on the outcome of the ANC elections be sustained, and meaningfully feed through into the economy?, 12th January 2018, website address below, Q4.17 Economic outlook 2017–2022: Strengthening global growth outlook spurs risk-on; SA growth remains dissociated from the global trend, 9th October 2017 and Risk update: material risk of SA losing its investment grade ratings persists,

Figure 6: Taxes on income, profits and capital gains (% of revenue)



Source: World Bank

Figure 7: Taxes on income, profits and capital gains (% of revenue)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sub-Saharan Africa	20.3	20.5	21.8	23.1	23.5	..	..	..	..
Ghana	..	..	23.8	..	..	..	..	..	..
India	45.2	50.3	43.4	48.4	44.8	46.6	..	..	..
Mozambique	..	..	20.7	23.4	29.5	32.0	..	..	..
Nigeria	40.3	46.2	38.1	29.7	28.3	26.9	..	..	..
Central Europe and the Baltics	15.9	14.9	14.6	14.9	15.1	15.1	15.8		
Sweden	13.3	15.2	14.4	12.7	13.2	14.4	16.0		
Turkey	18.6	18.2	17.4	17.7	17.6	16.3	17.4	15.9	..
Germany	17.0	15.4	14.9	15.4	16.1	16.4	16.5	16.8	..
Upper middle income	18.6	20.2	19.3	18.3	18.2	19.0	19.9	19.2	..
Europe and Central Asia	18.2	17.7	17.2	17.4	16.5	18.4	18.1		
South Asia	19.3	18.2	19.7	18.0	19.4	17.7	18.6		
European Union	22.2	20.0	18.3	17.9	18.3	18.4	19.6	19.2	..
Mauritius	18.2	22.2	19.9	18.2	17.9	18.8	..	19.2	19.2
China	25.4	24.6	23.1	24.9	..	28.3	19.9	..	..
Brazil	26.6	28.0	21.1	22.9	21.0	21.7	22.0	20.5	..
World	22.7	21.6	21.7	22.3	21.3	22.7	22.1	22.6	..
Cote d'Ivoire	24.4	19.7	20.2	22.7	21.4	22.9	22.1	..	..
Switzerland	23.0	21.8	21.6	21.0	20.8	21.3	20.9	22.9	22.8
Euro area	25.1	21.3	20.6	22.4	20.8	22.7	23.7	23.1	..
High income	27.5	25.9	25.4	24.7	24.5	24.0	24.8	24.8	..
OECD members	25.6	26.0	26.5	26.7	25.4	25.9	25.4	26.2	..
Botswana	26.6	26.5	29.4	29.3	24.0	27.9	28.4	..	..
Israel	27.9	27.3	28.2	28.3	29.5	28.8	29.7		
Mexico	24.7	27.5	28.3	27.9	27.1	31.3	30.5	34.7	35.7
United Kingdom	36.9	36.0	35.5	33.4	32.7	32.8	33.1		
Namibia	34.3	33.6	41.7	38.4	37.0	32.2	34.8	35.7	..
Kenya	..	..	..	..	..	..	37.4	37.4	..
Malawi	..	24.8	26.4	30.4	35.2	27.9	35.6	38.7	38.2
Ireland	37.1	36.5	35.9	35.9	37.3	36.7	36.9	39.7	..
East Asia and Pacific	36.5	34.0	35.1	37.4	35.2	34.8	40.0		
South Africa	**54.5**	**51.9**	**49.1**	**49.9**	**49.2**	**48.4**	**48.0**	**47.4**	**..**
Canada	55.2	53.5	52.8	53.8	53.0	53.1	54.1	53.7	53.4
United States	53.3	45.5	47.7	52.7	53.5	51.1	53.1	54.0	53.7
Australia	66.5	65.2	61.6	63.6	65.3	64.3	63.6	65.0	64.2

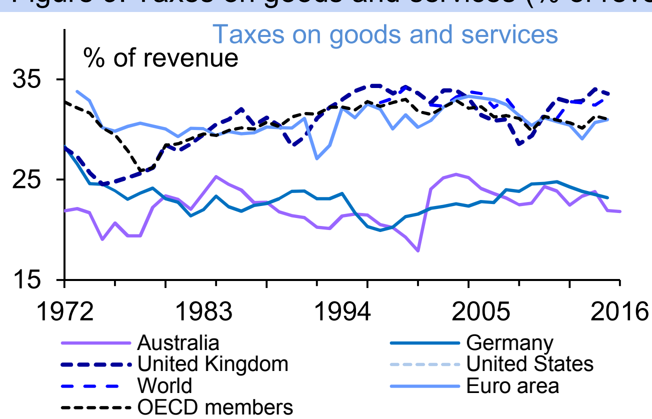
Source: World Bank

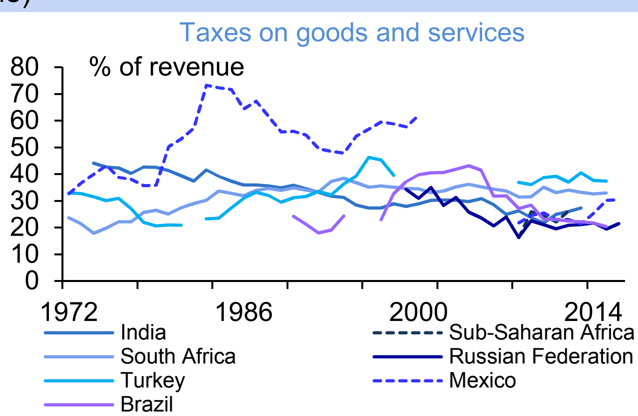
Figure 8: Consumption Expenditure	2017	2018	2019	2020	2021	2022	2023	2024
HCE, total (real, %)	2.2	2.4	2.5	2.7	2.9	3.0	3.0	3.0
HCE as % of GDP	61.0	61.2	61.3	61.4	61.5	61.6	61.5	61.3
Unemployment rate (%)	27.5	27.3	26.7	26.5	26.0	25.8	25.5	25.1
Population (million)	56.7	57.4	58.1	58.7	59.4	60.0	60.6	61.2
Employment growth rate (%)	2.46	2.52	1.84	1.14	1.58	1.30	1.34	1.38
Compensation of employees (%)	7.4	9.2	9.8	9.6	9.7	10.0	9.8	9.8
GCE as % of GDP	20.3	20.1	19.9	19.6	19.4	19.1	18.7	18.4

Source: Investec, SARB

8th September 2017). However, S&P says a ratings downgrade could occur if "(e)conomic performance and fiscal outcomes deteriorate further from our forecasts. Further pressure on South Africa's standards of public governance, for example in our perception of a threat to the independence of the central bank." The agency warns that SA's real GDP per capita growth is still below the average of its peers, which places downwards pressure on its rating (this economic assessment is one of a number of ratings drivers which also include institutional, monetary, external, fiscal and debt burden assessments). Indeed, the longer SA sees weak economic growth of sub 3.0% y/y, the greater its risk of failing to meaningfully reduce unemployment and inequality, and eliminate poverty. SA's real GDP per capita has fallen since 2015, to R56 020 in 2017 from R56 549 in 2014 (2015 R56 518, 2016 R56 054), as economic growth fell towards 0% y/y. The World Bank's report "Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities", March 2018, identifies for South Africa that "the role of skills and labor market factors have grown in importance in explaining poverty and inequality while the role of gender and race, though still important, has declined, presenting an opportunity for policy to influence poverty and inequality outcomes. Social protection remains important in reducing extreme poverty, but the fiscal space for further expansion is limited. Low growth perspectives in the coming years suggest poor prospects of eliminating poverty by 2030 as envisaged in the National Development Plan."

Figure 9: Taxes on goods and services (% of revenue)





Source: World Bank

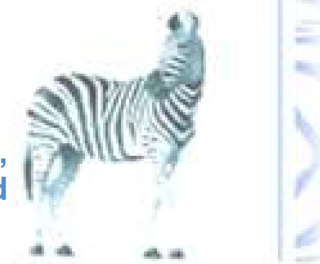
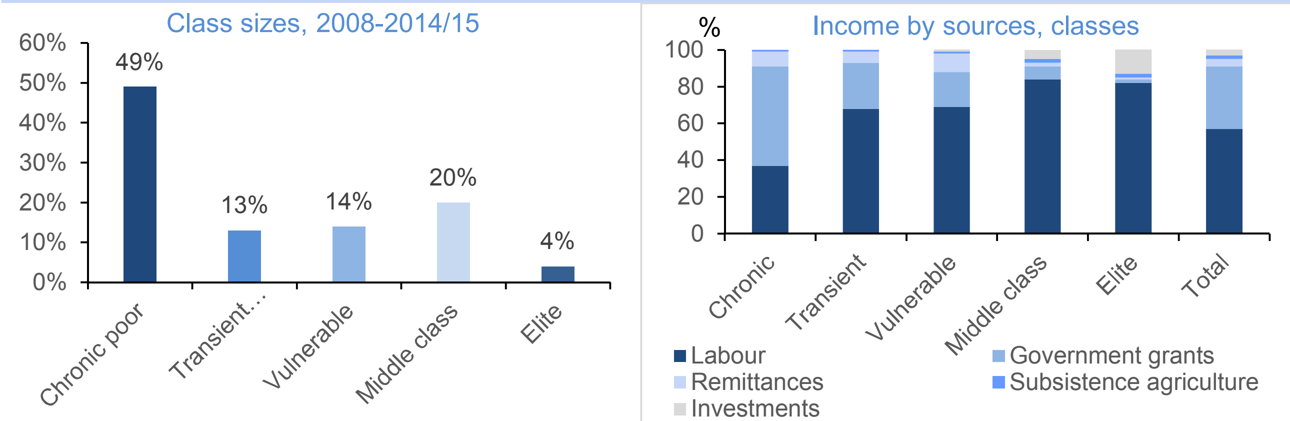
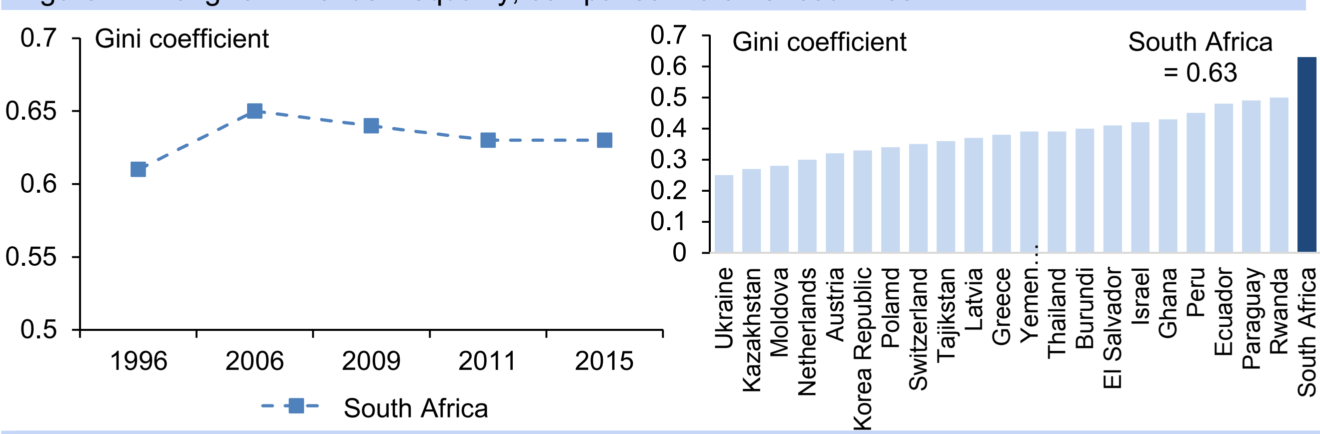


Figure 10: Class sizes, 2008-2014/15 and Income by sources, classes



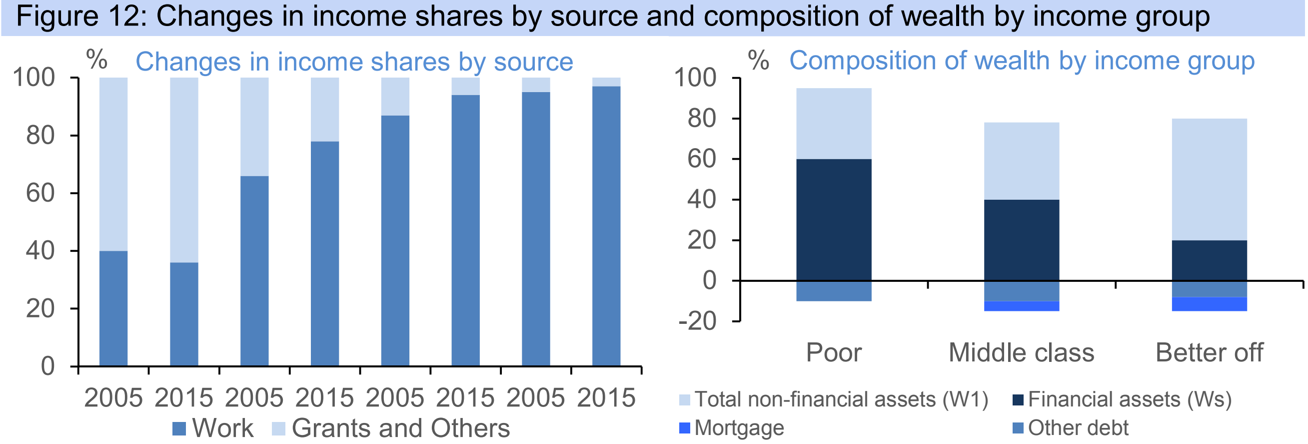
Source: World Bank

Figure 11: Long-term trends inequality, comparison to other countries



Source: World Bank

Figure 12: Changes in income shares by source and composition of wealth by income group



Source: World Bank

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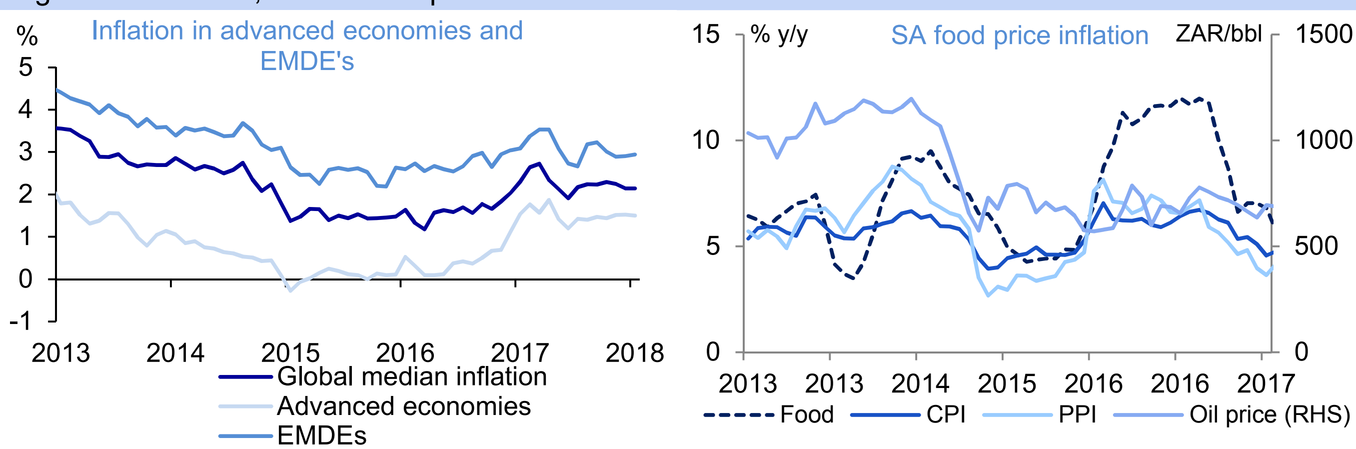
Figure 13: Inflation forecasts	2017	2018	2019	2020	2021	2022	2023	2024
Consumer Inflation (Av: %)	5.3	4.9	5.2	5.0	5.4	5.5	5.4	5.6
(year-end: %)	*4.7*	*5.3*	*5.1*	*5.0*	*5.6*	*5.2*	*5.6*	*5.2*
Producer Inflation (Av: %)	4.9	3.5	4.3	5.6	5.1	5.4	5.3	5.3
(year-end: %)	*5.2*	*2.0*	*5.9*	*5.2*	*5.0*	*5.3*	*5.3*	*5.3*
Salary & wage increases (%)	6.5	6.5	6.9	6.9	6.9	7.2	7.3	7.1
								Source: Investec

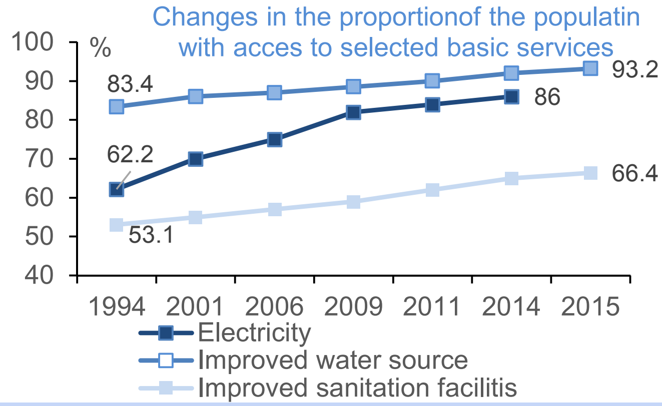
“Looking ahead, accelerating poverty and inequality reduction will require a combination of policies that seek to unlock the full potential of labor markets and promote inclusive growth through skilled job creation. … Projected sluggish growth, coupled with recorded improvements in access of the poor to education (and eventually, skilled jobs) is likely to somewhat reduce inequality and poverty in the coming years … . Poverty rates … are projected to decrease from 40 percent of the population in 2016 to 33 percent in 2030 …, with a Gini coefficient dropping from 62.8 in 2017 to 59.5 in 2030.” This does not spell optimism from an immediate ratings upgrade perspective (despite prospects looking somewhat better longer-term), particularly when coupled with the as yet undisclosed extent of a number of SOE’s debt and the pressures on government finances. Clearly extremely strong, sustained economic growth that results in both a tripling in the size of the private corporate sector and includes the majority of South Africans currently outside of the formal employment net (into formal employment) is the solution for South Africa. As the World Bank study notes “(c)reating good jobs for the poor will have a much larger effect on inequality and poverty. … … . The social impact of reforms currently envisaged by authorities to boost growth would be significantly amplified with reforms to equip the poor to reap growth opportunities through the acquisition of skills.” Indeed, what is absolutely key is that free market orientated structural reforms occur in SA, (as opposed to focusing on seeking ‘low hanging fruit’), as only free market structural reforms will provide sustainable solutions. However, these reforms take time, and the World Bank warns on “recognizing the time needed to increase the economic participation of the poor over future generations, such a package of reforms

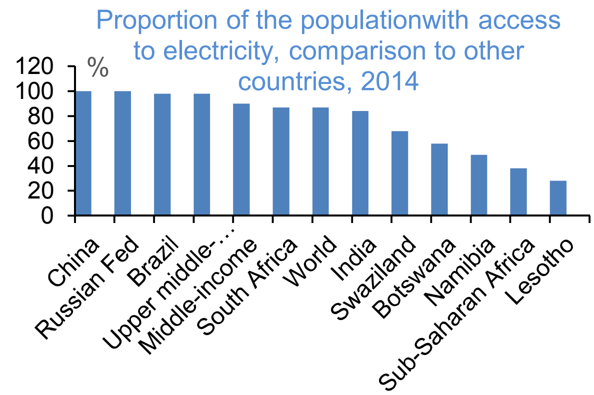
Figure 14: Inflation, oil and food prices



Source: Stats SA, IMF, SARB, World Bank

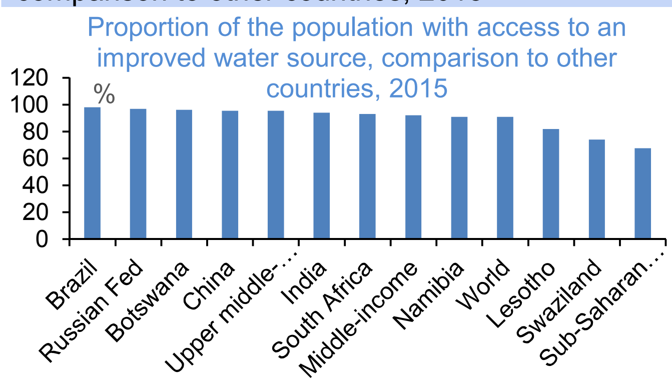
Figure 15: % change in the proportion of the population with access to selected basic services and comparison to countries

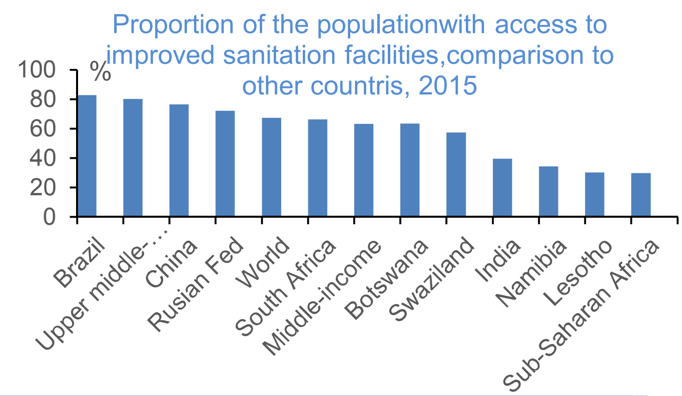




Source: World Bank

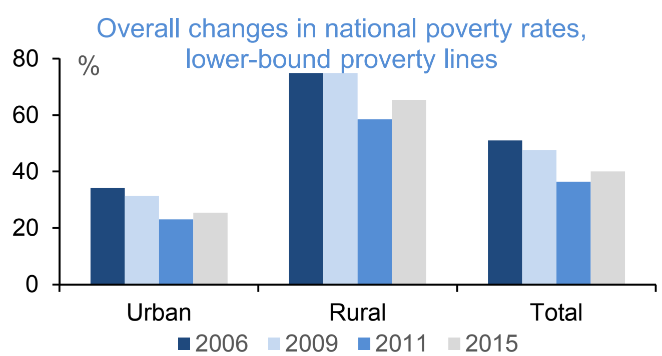
Figure 16: % change in the proportion of the population with access to an improved water source comparison to other countries, 2015

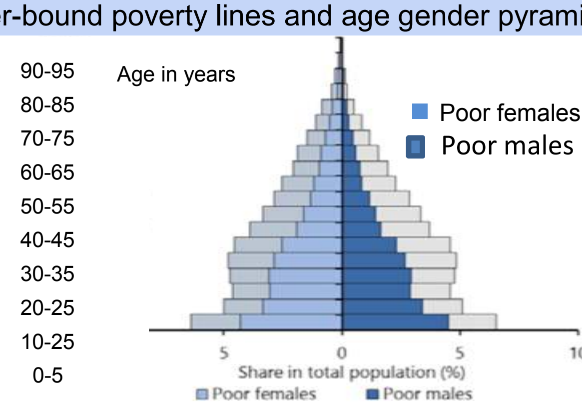




Source: The World Bank

Figure 17: Overall changes in national poverty rates, lower-bound poverty lines and age gender pyramid





Source: The World Bank

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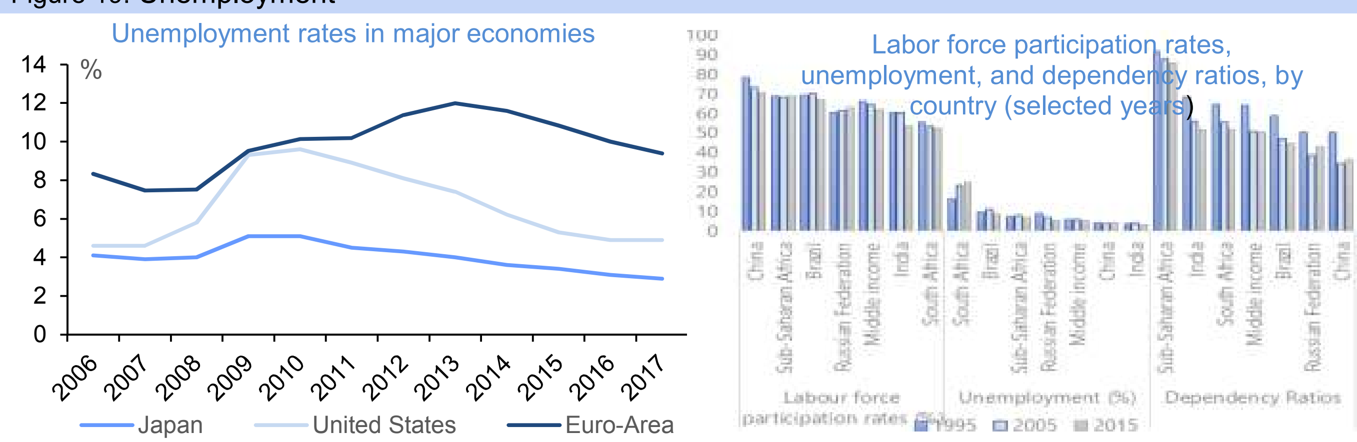
Figure 18: Monetary Sector *% year-end*	2017	2018	2019	2020	2021	2022	2023	2024
Repo Rate	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Prime Overdraft Rate	10.25	10.00	10.00	10.00	10.00	10.00	10.00	10.00
SA rand bond	9.57	8.20	8.20	8.27	8.19	7.94	7.90	7.89
US Fed funds rate	1.25-1.50	2.25-2.50	2.75-3.00	2.75-3.00	2.75-3.00	2.75-3.00	2.75-3.00	2.75-3.00
UK Bank rate	0.50	1.00	1.25	1.50	1.75	2.00	2.25	2.50

Source: Investec, SARB, IRESS

would still need to pay attention to maintain social assistance to the poor and vulnerable. Higher fiscal revenue from accelerated growth would provide the fiscal space to do so."

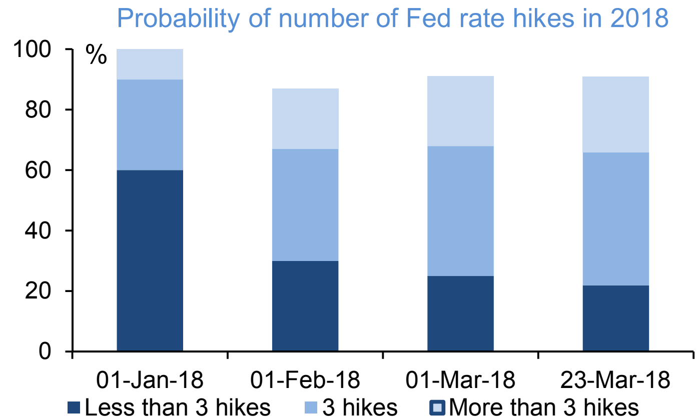
The prospects for South Africa's economic growth outlook rely partly on the global economic outlook, but only so far as SA can eliminate its structural rigidities (see "Q1.18 Economic outlook 2017–2023: Global growth is expected to strengthen somewhat further; for SA's growth free market policies are key, 5th January) to be able to take advantage of increased global demand for its goods and services. Resolution of the impasse between the mining sector and government is currently in process, although more work still needs to be done to boost the investment climate in SA to create the confidence needed for large scale private sector investment (see "Fixed Investment Outlook: expectations of higher economic growth lift expansion plans, engendering actual substantial growth and employment", 2nd February 2018). Key is the strengthening of SA's institutions and state structures to high levels of soundness, tripling the size of the private corporate sector (and substantially raising private sector fixed investment), including reindustrialization, in order to lift private sector employment to the levels that reduce unemployment from close to 30% to close to 10%. The eradication of corruption and state capture remains key, as does marked

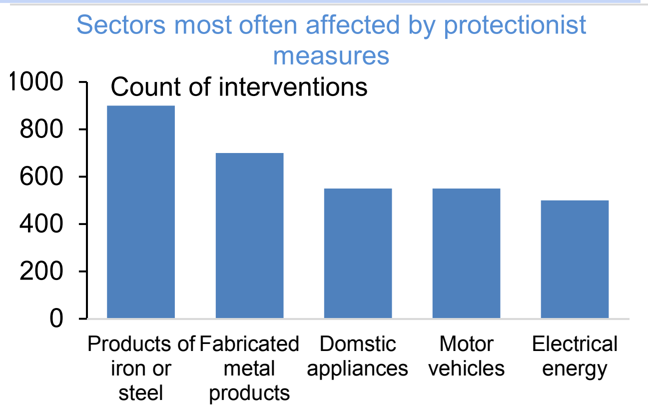
Figure 19: Unemployment



Source: The World Bank

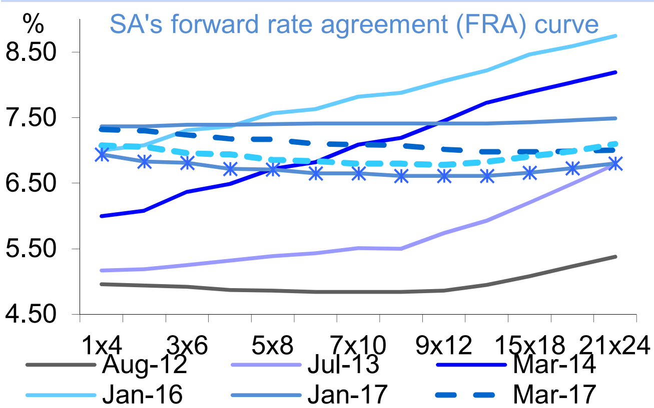
Figure 20: Interest rates

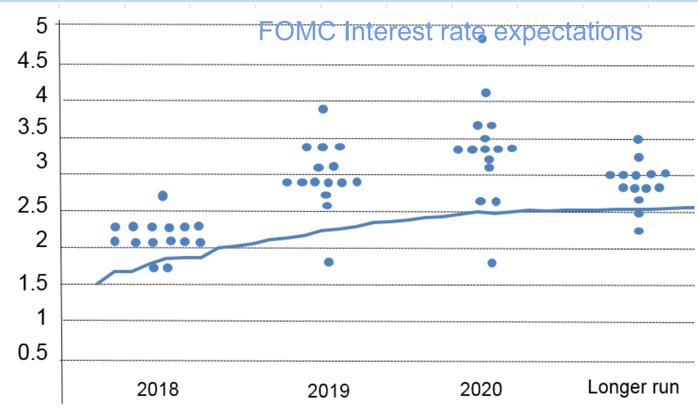




Source: The World Bank

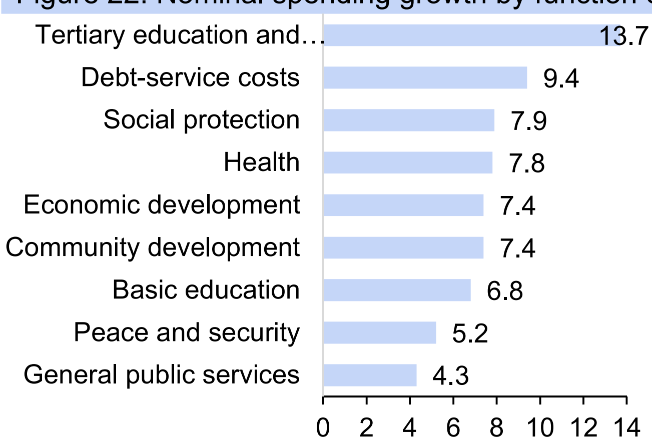
Figure 21: Interest rates and consumer metrics

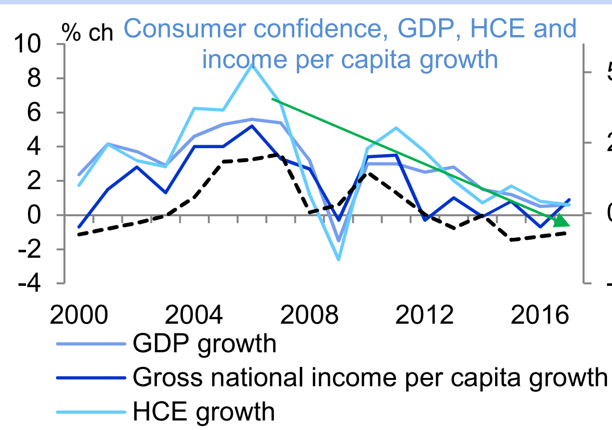




Source: Reuters and Federal Reserve Bank

Figure 22: Nominal spending growth by function over MTEF





Source: World Bank

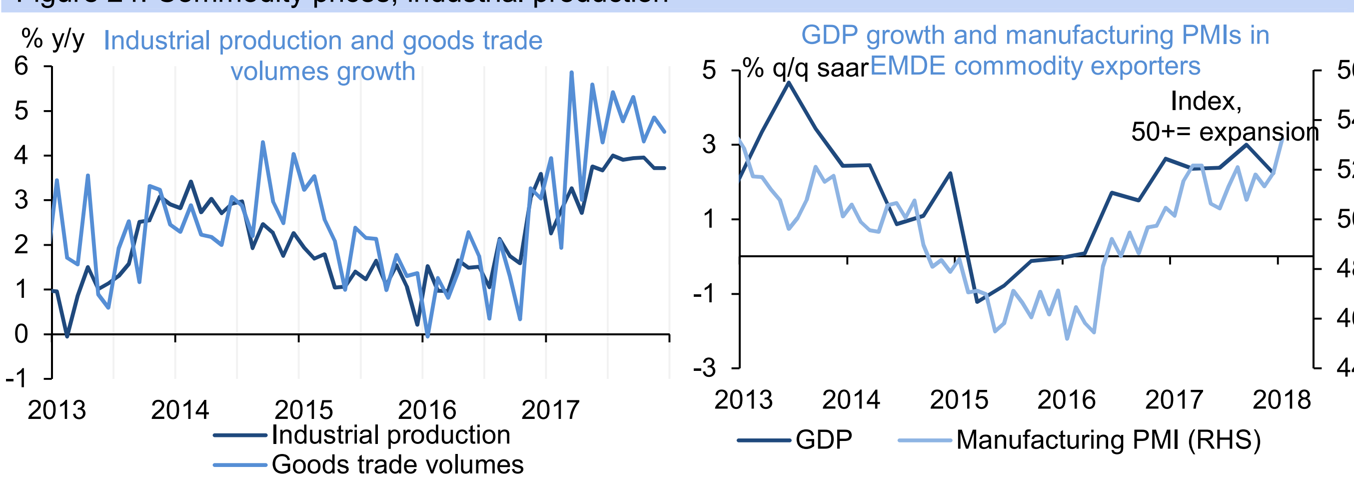
Figure 23: Exchange Rates, averages	2017	2018	2019	2020	2021	2022	2023	2024
USD/ZAR	13.30	11.74	11.46	11.18	10.96	11.30	11.73	12.13
GBP/ZAR	17.13	16.33	16.41	15.76	15.29	15.76	16.42	16.98
EUR/ZAR	15.03	14.28	14.44	14.12	13.70	14.13	14.66	15.16
ZAR/JPY	8.39	9.11	9.08	9.38	9.67	9.45	9.13	8.83
GBP/USD	1.29	1.39	1.43	1.41	1.39	1.39	1.40	1.40
EUR/USD	1.13	1.22	1.26	1.26	1.25	1.25	1.25	1.25
USD/JPY	112	107	104	105	106	107	107	107

Source: SARB, Investec

fiscal consolidation and repair of SOEs finances, repair of the public sector primary and secondary education system (SA ranks very low globally on maths and literacy). Absent the structural reforms listed above (including the need for inclusive growth outlined on pages 5 to 9), will see SA economic growth continue to limp along, and even fall into the down case (see figure 28). Faster reform is the up case.

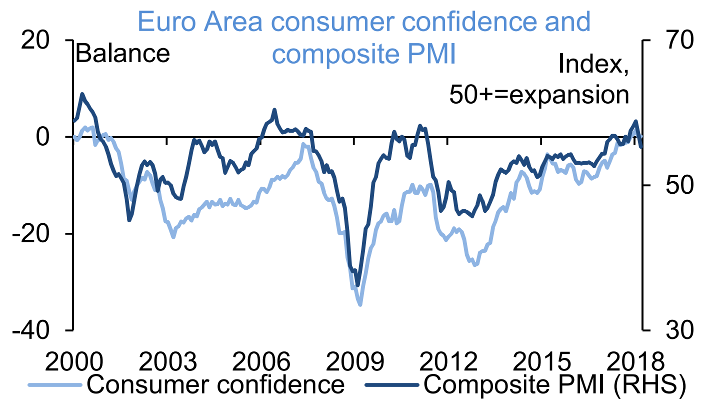
While business confidence (BCI) rose in Q1.18, it remained below 50, as the majority who responded (55%) were dissatisfied with prevailing conditions (activity, profitability etc.), despite the change in leadership of SA. Confidence levels in current conditions were particularly muted in the manufacturing, building and retail sectors. The rise in the BCI from 34 to 45 is likely rather based on optimism about the future, and so could fall back sharply on any perceived negative local political or international developments, should they occur (the down case in figure 28). Internationally, focus on the US interest rate hike trajectory is intense on concerns that the Fed will hike by more than currently anticipated (see figures 20 and 21), resulting in risk-off and EM weakness, while fears over a US led trade war has spurred risk-off recently as concerns around global competitiveness and higher inflation arise.

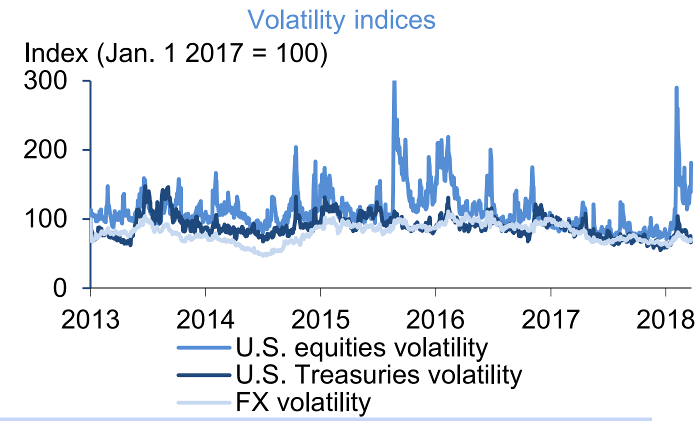
Figure 24: Commodity prices, industrial production



Source: The World Bank

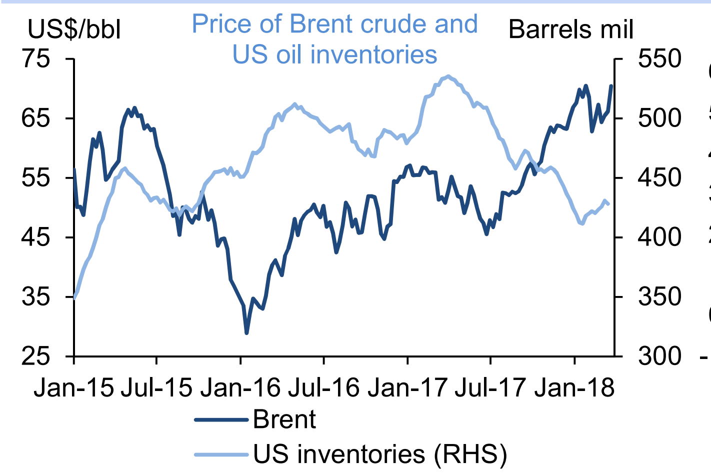
Figure 25: Commodity prices, industrial production

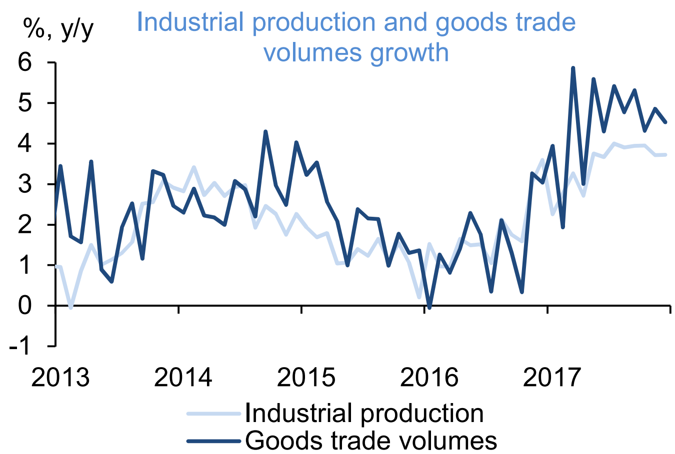




Source: The World Bank

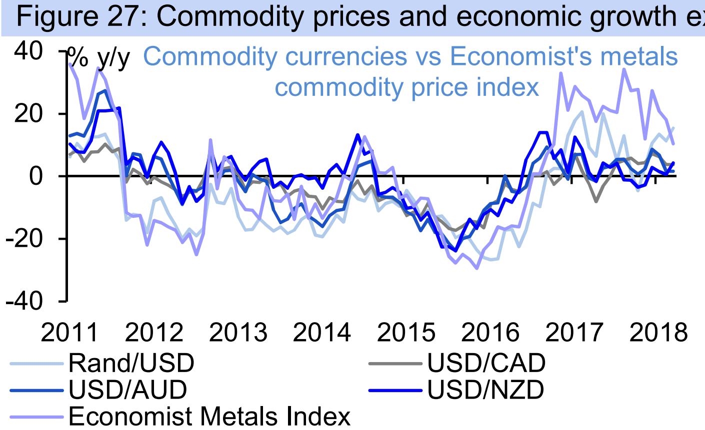
Figure 26: Commodity prices, industrial production

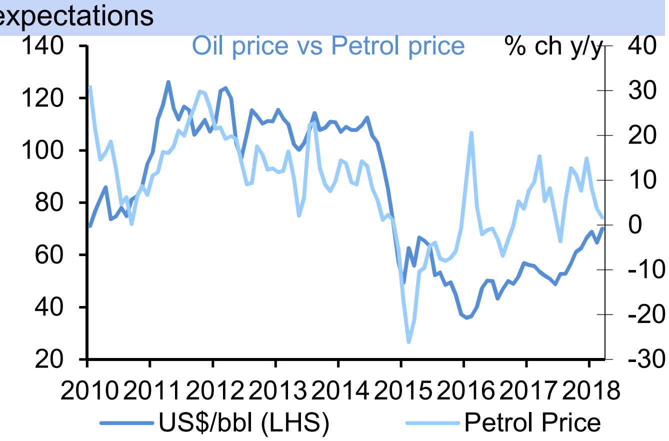




Source: The World Bank

Figure 27: Commodity prices and economic growth expectations





Source: IRESS & World Bank*

Figure 28: Economic Scenarios

Extreme Up case 1%

		Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
Extreme Up case	Rand/USD (average)	11.96	10.75	10.00	9.50	9.00	8.60	7.90	7.60
1%	Repo rate (end rate)	6.50	6.00	5.50	5.25	5.00	5.00	5.00	4.50

Fast, sustainable economic growth of 5.0-7.0% y/y plus. SA sees change in political will with growth creating economic reforms in line with global norms that structurally lift private sector investor confidence and so fixed investment. Global growth boom (including commodities), SA export and domestic growth boom lifts employment and incomes to the degree that poverty is eliminated. Fiscal consolidation, credit rating upgrades to A grade ultimately, interest rate cuts.

		Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
Up case 14%	Rand/USD (average)	11.96	11.15	10.70	10.50	10.50	10.30	10.25	10.20
	Repo rate (end rate)	6.50	6.25	6.00	5.50	5.50	5.25	5.25	5.25

Persistent economic growth of 3.0 – 5.0%, with growing probability of extreme up case thereafter. Better governance, growth creating economic reforms in line with global norms (structural constraints are overcome) and greater socio-economic stability. This lifts business confidence and so private sector fixed investment growth rises to double digits, fixed investment inflows occur, resulting in faster GDP growth and fiscal consolidation. Strong global growth and commodity cycle. Stabilisation of credit ratings, with ultimately credit rating upgrades.

		Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
Base line	Rand/USD (average)	11.96	11.70	11.70	11.60	11.55	11.40	11.45	11.45
case 50%	Repo rate (end rate)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50

Annual growth rate of 2.0% y/y reached by 2018, 3.0% y/y by 2022. Higher confidence and investment levels than past decade. Rand structurally stronger on political change, quicker return to PPP (by 2019). SA retains at least one investment grade (Moody's) rating on its local currency long-term sovereign debt. Sedate global monetary policy normalisation – avoid severe global risk-off environment, neutral to global risk-on. Modestly strengthening global demand.

		Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
Down	Rand/USD (average)	11.96	13.50	14.90	15.80	16.90	17.80	18.50	19.50
case	Repo rate (end rate)	6.50	7.00	7.50	7.50	7.50	8.00	8.50	8.50
21%									

SA's foreign and local currency long-term debt all sub-investment grade, increased chance of further credit downgrades. Marked rand weakness, confidence and investment measures depressed. Government's capacity for expenditure reduced, including social welfare grants. Faster than expected global monetary policy normalisation, global sharp economic slowdown (commodity slump), and substantial period of risk-off (SA V shaped recession).

		Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19	Q3.19	Q4.19
Extreme	Rand/USD (average)	11.96	15.00	17.00	19.00	21.00	22.80	24.00	25.50
down	Repo rate (end rate)	6.50	8.50	10.50	14.00	16.50	18.00	21.00	21.50
case 14%									

State bankruptcy, and so the path to a failed state. Credit ratings drop to junk, sovereign debt default, debt restructure. Lack of funds to pay public sector employees' wages and social grants, persistent government services outages, civil unrest/war. Partial loss of commercial private sector property rights under state custodianship. SA economic depression, global economy falls into recession, global financial crisis.

Note: Event risk begins Q2.18 Source: Investec, IRESS

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Figure 29: Summary, % real growth rates	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
GDP (real, y/y %)	1.1	0.9	1.3	1.9	2.5	2.2	2.2	1.8	2.1	2.2	2.3	2.5
HCE (real, y/y %)	1.6	2.3	2.3	2.7	3.0	2.4	2.3	2.0	2.1	2.4	2.6	2.8
GCE (real, y/y %)	1.3	0.3	0.3	0.6	1.1	1.2	1.2	1.0	1.2	1.2	1.2	1.3
GFCF (real, y/y %)	-0.5	0.9	0.9	0.3	1.3	1.1	2.0	1.3	1.6	2.2	3.2	2.7
GDE (real, y/y %)	0.8	3.0	1.1	2.3	2.8	2.2	3.1	1.8	2.3	2.3	2.5	2.7
Export (goods & non-factor services) - (real, y/y %)	-1.1	-3.6	0.6	3.9	5.8	4.7	5.8	3.9	4.4	4.9	5.4	6.1
Imports (goods & non-factor services) - (real, y/y %)	-1.8	3.4	0.5	5.5	5.4	4.0	6.0	4.3	5.6	5.1	5.6	3.6
Balance: Current Account – (% of GDP)	-2.0	-2.8	-2.2	-2.9	-2.8	-2.8	-2.5	-2.8	-3.1	-3.1	-2.7	-2.8
Imports as % of GDP	29.9	30.6	29.5	31.1	30.8	31.1	30.6	31.8	31.9	32.0	31.6	32.2
Exports as % of GDP	29.4	29.1	29.8	29.8	29.9	30.1	30.2	30.4	30.6	30.8	31.1	31.4

Source: SARB, Stats SA, Investec

Figure 30: Summary, % real growth rates	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
GDP (real, y/y %)	2.5	2.5	2.6	2.6	2.7	2.7	2.7	2.8	2.8	2.9	3.0	3.0
HCE (real, y/y %)	2.7	2.7	2.7	2.6	2.8	2.9	3.0	3.1	3.1	3.0	3.0	2.9
GCE (real, y/y %)	1.3	1.3	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.4	1.4
GFCF (real, y/y %)	3.2	3.6	3.9	4.0	3.9	4.0	4.0	4.4	4.3	4.4	4.5	4.6
GDE (real, y/y %)	2.4	2.5	2.4	2.4	2.5	2.8	2.9	3.0	3.0	3.1	3.1	3.0
Export (goods & non-factor services) - (real, y/y %)	6.1	6.6	6.7	6.5	6.4	5.9	5.6	5.5	5.3	5.2	5.2	5.1
Imports (goods & non-factor services) - (real, y/y %)	4.8	5.8	7.7	7.3	6.5	5.8	6.0	5.3	5.1	4.8	4.6	4.5
Balance: Current Account – (% of GDP)	-2.8	-2.9	-2.8	-3.0	-2.9	-3.0	-2.8	-3.0	-3.0	-3.0	-2.8	-2.7
Imports as % of GDP	32.6	33.0	33.2	33.6	33.8	34.0	34.3	34.4	34.6	34.7	34.8	35.0
Exports as % of GDP	31.7	32.1	32.4	32.6	32.9	33.1	33.3	33.5	33.6	33.8	34.0	34.2

Source: SARB, Stats SA, Investec

Figure 31: Summary, % real growth rates	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
GDP (real, y/y %)	3.0	3.1	3.2	3.3	3.3	3.3	3.3	3.4
HCE (real, y/y %)	3.0	3.0	3.0	3.1	3.1	3.1	3.1	3.0
GCE (real, y/y %)	1.4	1.3	1.3	1.3	1.3	1.3	1.4	1.4
GFCF (real, y/y %)	5.1	5.1	5.2	5.3	5.2	5.3	5.4	5.4
GDE (real, y/y %)	3.1	3.1	3.2	3.3	3.3	3.3	3.3	3.3
Export (goods & non-factor services) - (real, y/y %)	5.2	5.2	5.3	5.4	5.3	5.2	5.1	5.0
Imports (goods & non-factor services) - (real, y/y %)	4.9	5.2	5.5	5.8	5.6	5.4	5.2	4.8
Balance: Current Account - (% of GDP)	-2.7	-2.8	-3.1	-2.9	-3.1	-3.1	-2.9	-3.1
Imports as % of GDP	35.2	35.4	35.6	35.8	36.0	36.1	36.2	36.3
Exports as % of GDP	34.3	34.5	34.7	34.9	35.0	35.2	35.3	35.4

Source: SARB, Stats SA, Investec

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Figure 32: Consumption Expenditure	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
HCE, total (real, y/y %)	1.6	2.3	2.3	2.7	3.0	2.4	2.3	2.0	2.1	2.4	2.6	2.8
HCE as % of GDP	60.9	61.0	61.0	61.1	61.2	61.1	61.1	61.2	61.2	61.3	61.3	61.4
Unemployment rate (%)	27.1	27.6	27.6	27.5	27.5	27.3	27.3	27.1	26.6	26.6	26.6	26.8
Population (million)	56.5	56.6	56.8	57.0	57.1	57.3	57.5	57.7	57.8	58.0	58.1	58.3
Employment growth rate (y/y %)	3.4	3.7	2.2	0.7	1.6	2.1	2.7	3.7	2.1	2.0	1.8	1.5
Compensation of employees (y/y %)	6.9	7.3	7.7	7.7	8.9	8.7	9.1	9.9	9.6	9.8	9.9	9.9
GCE as % of GDP	20.4	20.3	20.2	20.2	20.1	20.1	20.1	20.0	20.0	19.9	19.8	19.8

Source: SARB, Stats SA, Investec

Figure 33: Consumption Expenditure	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
HCE, total (real, y/y %)	2.7	2.7	2.7	2.6	2.8	2.9	3.0	3.1	3.1	3.0	3.0	2.9
HCE as % of GDP	61.4	61.4	61.4	61.4	61.4	61.5	61.5	61.6	61.6	61.6	61.6	61.5
ıployment rate (%)	26.5	26.6	26.5	26.4	26.0	26.1	26.1	26.0	25.7	25.8	25.8	25.7
Population (million)	58.5	58.6	58.8	59.0	59.1	59.3	59.4	59.6	59.8	59.9	60.1	60.2
Employment growth rate (y/y %)	1.1	0.9	1.1	1.4	1.6	1.6	1.6	1.5	1.4	1.3	1.3	1.3
Compensation of employees (y/y %)	9.7	9.6	9.5	9.5	9.6	9.6	9.7	9.9	10.0	10.0	10.0	9.9
GCE as % of GDP	19.7	19.7	19.6	19.5	19.5	19.4	19.3	19.3	19.2	19.1	19.0	19.0

Source: SARB, Stats SA, Investec

Figure 34: Consumption Expenditure	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
HCE, total (real, y/y %)	3.0	3.0	3.0	3.1	3.1	3.1	3.1	3.0
HCE as % of GDP	61.5	61.5	61.5	61.4	61.4	61.4	61.3	61.2
Unemployment rate (%)	25.4	25.5	25.5	25.4	25.1	25.2	25.2	25.1
Population (million)	60.4	60.5	60.7	60.8	61.0	61.1	61.3	61.4
Employment growth rate (y/y %)	1.3	1.4	1.4	1.3	1.3	1.3	1.4	1.4
Compensation of employees (y/y %)	9.8	9.7	9.8	9.8	9.8	9.8	9.8	9.7
GCE as % of GDP	18.9	18.8	18.7	18.6	18.5	18.4	18.3	18.3

Source: SARB, Stats SA, Investec

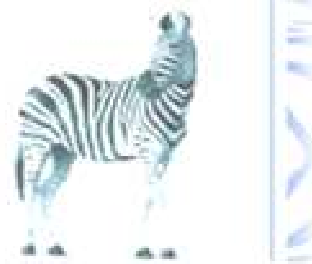

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Figure 35: Gross Fixed Capital Formation	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2018 Q4**	**2019 Q1**	**2019 Q2**	**2019 Q3**	**2019 Q4**
GFCF, total (real, y/y %)	-0.5	0.9	0.9	0.3	1.3	1.1	2.0	1.3	1.6	2.2	3.2	2.7
GFCF as % of GDP	19.9	19.8	19.5	19.7	19.7	19.6	19.5	19.6	19.6	19.5	19.6	19.7
Private sector (real, y/y %)	-0.2	1.8	1.8	1.4	1.5	1.1	2.6	1.9	3.0	4.3	6.3	6.0
Government (real, y/y %)	-1.2	-0.7	-0.6	-1.6	1.0	1.2	1.0	0.3	-0.7	-1.5	-2.3	-3.2
Non-residential GFCF (real, y/y %)	-0.6	2.4	1.4	1.4	1.5	1.0	2.7	1.9	2.8	3.9	6.0	5.4
Residential buildings (real, y/y %)	2.3	-1.7	4.0	1.5	1.2	1.4	1.7	2.3	4.3	6.7	8.0	9.5

Source: SARB, Stats SA, Investec

Figure 36: Gross Fixed Capital Formation	**2020 Q1**	**2020 Q2**	**2020 Q3**	**2020 Q4**	**2021 Q1**	**2021 Q2**	**2021 Q3**	**2021 Q4**	**2022 Q1**	**2022 Q2**	**2022 Q3**	**2022 Q4**
GFCF, total (real, y/y %)	3.2	3.6	3.9	4.0	3.9	4.0	4.0	4.4	4.3	4.4	4.5	4.6
GFCF as % of GDP	19.7	19.8	19.9	19.9	20.0	20.0	20.1	20.2	20.3	20.3	20.4	20.5
Private sector (real, y/y %)	5.8	5.5	4.8	4.3	4.3	4.9	5.4	6.1	5.9	5.8	5.8	5.9
Government (real, y/y %)	-1.4	0.3	2.0	3.3	3.0	2.2	1.4	1.1	1.3	1.5	1.8	2.1
Non-residential GFCF (real, y/y %)	5.5	5.4	4.9	4.4	4.5	5.2	5.8	6.6	6.4	6.2	6.0	5.9
Residential buildings (real, y/y %)	7.3	6.2	4.3	3.8	3.3	3.2	3.0	2.9	3.1	3.7	4.6	5.5

Source: SARB, Stats SA, Investec

Figure 37: Gross Fixed Capital Formation	**2023 Q1**	**2023 Q2**	**2023 Q3**	**2023 Q4**	**2024 Q1**	**2024 Q2**	**2024 Q3**	**2024 Q4**
GFCF, total (real, y/y %)	5.1	5.1	5.2	5.3	5.2	5.3	5.4	5.4
GFCF as % of GDP	20.7	20.7	20.8	20.9	21.0	21.1	21.3	21.4
Private sector (real, y/y %)	6.6	6.6	6.8	6.8	6.8	6.9	6.9	7.0
Government (real, y/y %)	2.0	1.9	1.9	2.1	1.8	1.9	2.0	2.0
Non-residential GFCF (real, y/y %)	6.8	6.8	7.1	7.1	7.1	7.2	7.2	7.2
Residential buildings (real, y/y %)	5.3	5.3	5.0	5.0	5.1	5.1	5.2	5.3

Source: SARB, Stats SA, Investec

Figure 38: Monetary Sector % year-end	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2018 Q4**	**2019 Q1**	**2019 Q2**	**2019 Q3**	**2019 Q4**
Repo Rate (year-end: %)	7.00	7.00	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Prime Overdraft Rate (year-end: %)	10.50	10.50	10.25	10.25	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
SA rand bond (Av: %)	8.70	9.01	9.10	9.57	8.61	8.45	8.31	8.20	8.20	8.19	8.19	8.20

Source: Iress, Investec

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Figure 39: Monetary Sector % year-end	**2020 Q1**	**2020 Q2**	**2020 Q3**	**2020 Q4**	**2021 Q1**	**2021 Q2**	**2021 Q3**	**2021 Q4**	**2022 Q1**	**2022 Q2**	**2022 Q3**	**2022 Q4**
Repo Rate (year-end: %)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Prime Overdraft Rate (year-end: %)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
SA rand bond (Av: %)	8.20	8.22	8.26	8.27	8.25	8.23	8.21	8.19	8.12	8.05	8.00	7.94

Source: Iress, Investec

Figure 40: Monetary Sector % year-end	**2023 Q1**	**2023 Q2**	**2023 Q3**	**2023 Q4**	**2024 Q1**	**2024 Q2**	**2024 Q3**	**2024 Q4**
Repo Rate (year-end: %)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Prime Overdraft Rate (year-end: %)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
SA rand bond (Av: %)	7.93	7.91	7.90	7.89	7.90	7.89	7.89	7.89

Source: Iress, Investec

Figure 41: Inflation forecasts	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2018 Q4**	**2019 Q1**	**2019 Q2**	**2019 Q3**	**2019 Q4**
Consumer Inflation (Av: y/y %)	6.3	5.3	4.8	4.7	4.2	4.9	5.3	5.4	5.6	5.1	5.0	5.1
Producer Inflation (Av: y/y %)	5.6	4.5	4.3	5.1	4.4	3.6	3.6	2.4	2.9	3.8	4.9	5.7
Salary & wage increases (y/y %)	6.5	6.3	6.8	6.6	6.5	6.6	6.5	6.4	6.2	6.3	7.2	8.0

Source: SARB, Stats SA, Investec

Figure 42: Inflation forecasts	**2020 Q1**	**2020 Q2**	**2020 Q3**	**2020 Q4**	**2021 Q1**	**2021 Q2**	**2021 Q3**	**2021 Q4**	**2022 Q1**	**2022 Q2**	**2022 Q3**	**2022 Q4**
Consumer Inflation (Av: y/y %)	5.0	4.9	5.1	4.9	5.1	5.2	5.6	5.7	5.7	5.6	5.3	5.3
Producer Inflation (Av: y/y %)	5.8	5.8	5.7	5.2	5.0	5.2	5.3	5.2	5.5	5.5	5.3	5.3
Salary & wage increases (y/y %)	7.5	7.5	6.6	6.3	6.5	6.7	7.1	7.5	7.3	7.3	7.2	6.9

Source: SARB, Stats SA, Investec

Figure 43: Inflation forecasts	**2023 Q1**	**2023 Q2**	**2023 Q3**	**2023 Q4**	**2024 Q1**	**2024 Q2**	**2024 Q3**	**2024 Q4**
Consumer Inflation (Av: y/y %)	5.1	5.1	5.5	5.7	5.6	6.0	5.7	5.1
Producer Inflation (Av: y/y %)	5.3	5.3	5.4	5.3	5.3	5.2	5.2	5.3
Salary & wage increases (y/y %)	7.1	7.0	7.2	7.6	7.4	7.2	6.9	6.7

Source: SARB, Stats SA, Investec

Please note: all historical data can be subject to revisions, and all the forecasts are for the expected case, unless otherwise indicated

Figure 44: Exchange Rates, averages	**2017 Q1**	**2017 Q2**	**2017 Q3**	**2017 Q4**	**2018 Q1**	**2018 Q2**	**2018 Q3**	**2018 Q4**	**2019 Q1**	**2019 Q2**	**2019 Q3**	**2019 Q4**
USD/ZAR	13.22	13.19	13.18	13.62	11.96	11.70	11.70	11.60	11.55	11.40	11.45	11.45
GBP/ZAR	16.35	16.85	17.22	18.08	16.65	16.27	16.21	16.20	16.24	16.19	16.52	16.69
EUR/ZAR	14.08	14.52	15.49	16.05	14.70	14.23	14.10	14.09	14.21	14.25	14.54	14.77
ZAR/JPY	8.54	8.39	8.36	8.27	9.06	9.15	9.15	9.09	9.05	9.12	9.08	9.08
GBP/USD	1.24	1.28	1.31	1.33	1.39	1.39	1.39	1.40	1.41	1.42	1.44	1.46
EUR/USD	1.07	1.10	1.18	1.18	1.23	1.22	1.21	1.22	1.23	1.25	1.27	1.29
USD/JPY	114	111	111	113	108	107	107	106	105	104	104	104

Source: Iress, Investec

Figure 45: Exchange Rates, averages	**2020 Q1**	**2020 Q2**	**2020 Q3**	**2020 Q4**	**2021 Q1**	**2021 Q2**	**2021 Q3**	**2021 Q4**	**2022 Q1**	**2022 Q2**	**2022 Q3**	**2022 Q4**
USD/ZAR	11.40	11.30	11.10	10.90	10.80	10.90	11.05	11.10	11.10	11.30	11.40	11.40
GBP/ZAR	16.40	15.91	15.54	15.20	15.06	15.20	15.41	15.48	15.48	15.76	15.90	15.90
EUR/ZAR	14.59	14.24	13.99	13.68	13.50	13.63	13.81	13.88	13.88	14.13	14.25	14.25
ZAR/JPY	9.12	9.29	9.46	9.63	9.81	9.72	9.59	9.55	9.55	9.47	9.39	9.39
GBP/USD	1.44	1.41	1.40	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39
EUR/USD	1.28	1.26	1.26	1.26	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
USD/JPY	104	105	105	105	106	106	106	106	106	107	107	107

Source: Iress, Investec

Figure 46: Exchange Rates, averages	**2023 Q1**	**2023 Q2**	**2023 Q3**	**2023 Q4**	**2024 Q1**	**2024 Q2**	**2024 Q3**	**2024 Q4**
USD/ZAR	11.50	11.70	11.90	11.80	11.90	12.10	12.30	12.20
GBP/ZAR	16.10	16.38	16.66	16.52	16.66	16.94	17.22	17.08
EUR/ZAR	14.38	14.63	14.88	14.75	14.88	15.13	15.38	15.25
ZAR/JPY	9.30	9.15	8.99	9.07	8.99	8.84	8.70	8.77
GBP/USD	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
EUR/USD	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
USD/JPY	107	107	107	107	107	107	107	107

Source: Iress, Investec

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