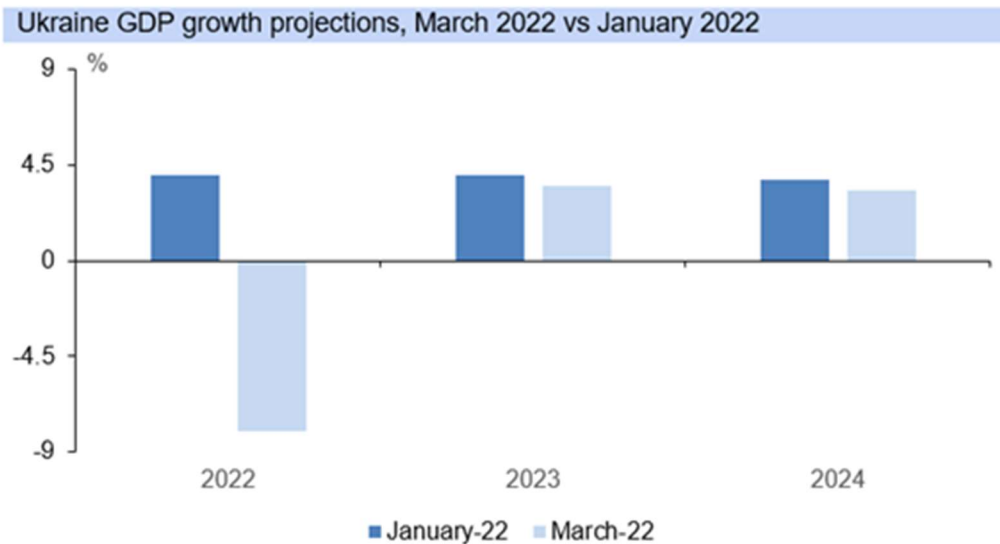


Economic growth note: the Russian/Ukraine war could shave off 0.2% off global growth, we expect the same drop in SA's 2022 forecast but also due to loadshedding and slow reform implementation



Source: Focus Economics

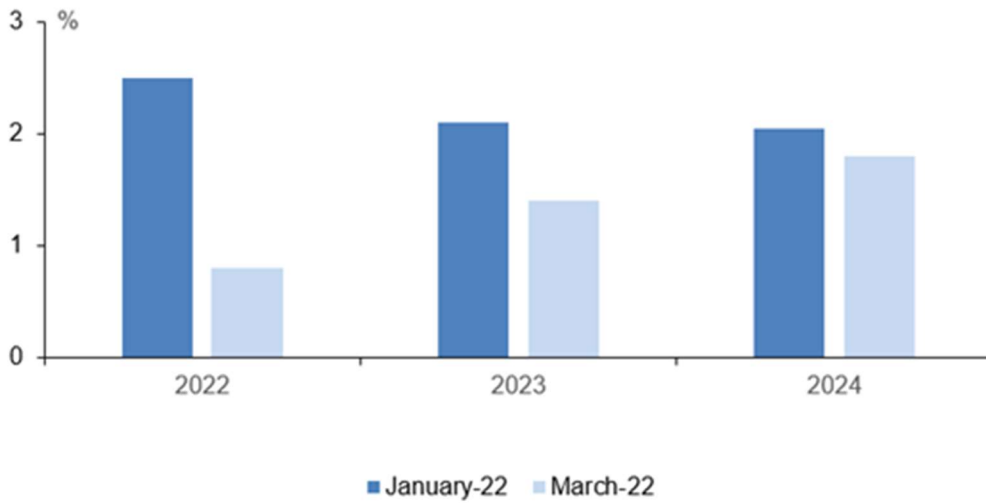
Note: GDP in current USD billions.



Source: Focus Economics

Note Projections for the annual variation in GDP in the January 2022 Eastern Europe report compared to the March 2022 report.

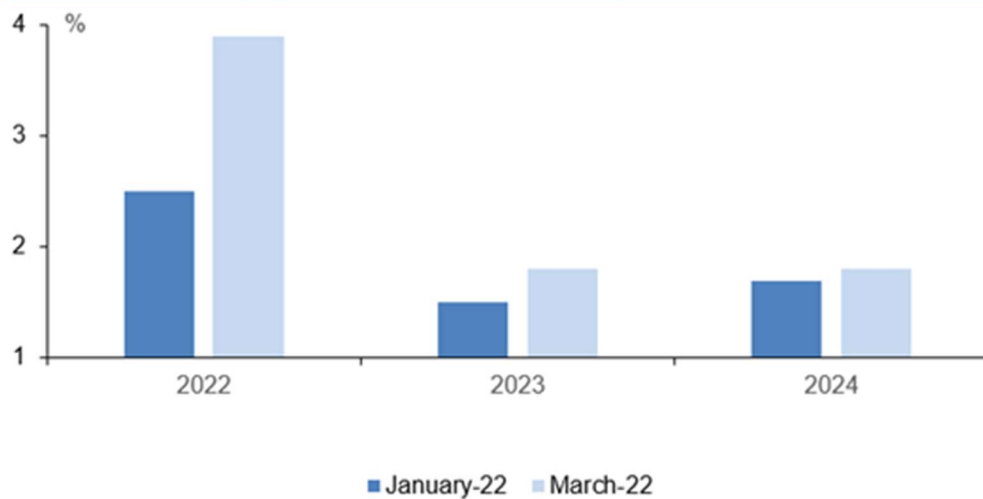
Russia GDP projections, March 2022 vs January 2022



Source: Focus Economics

Note Projections for the annual variation in GDP in the January 2022 Eastern Europe report compared to the March 2022 report.

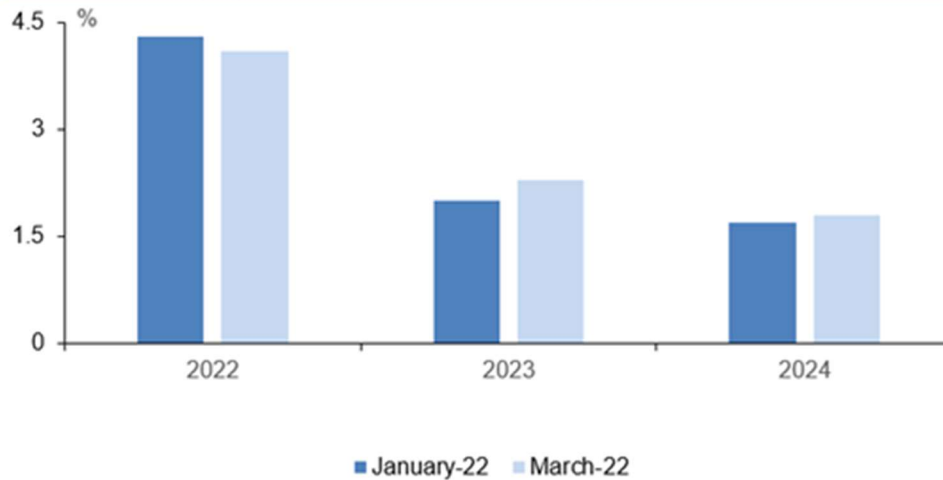
Eurozone Inflation projections, March 22 vs January 2022



Source: Focus Economics

Note Projections for the annual average variation in harmonized consumer prices in the January 2022 Eastern Euro report compared to the March 2022 report.

Eurozone GDP projections, March 2022 vs January 2022



Source: Focus Economics

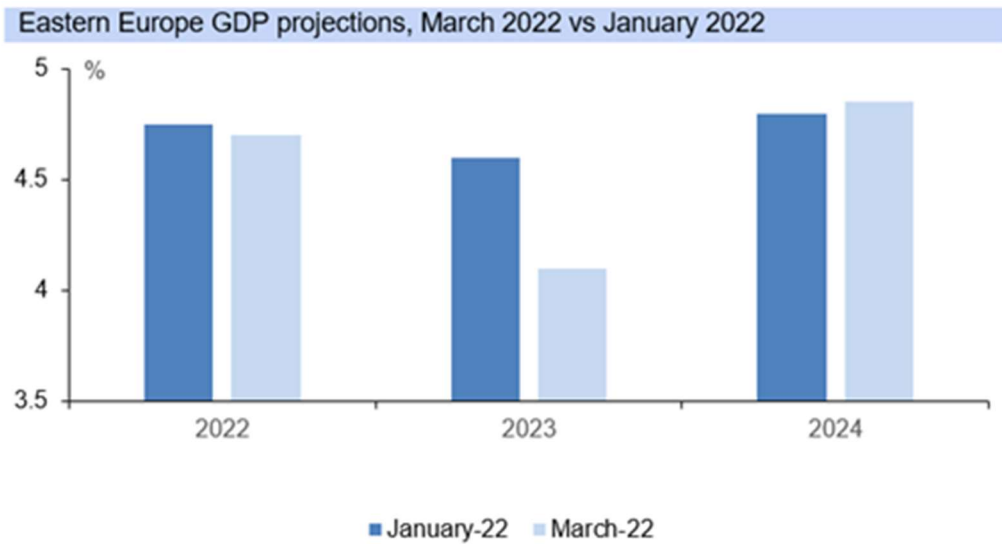
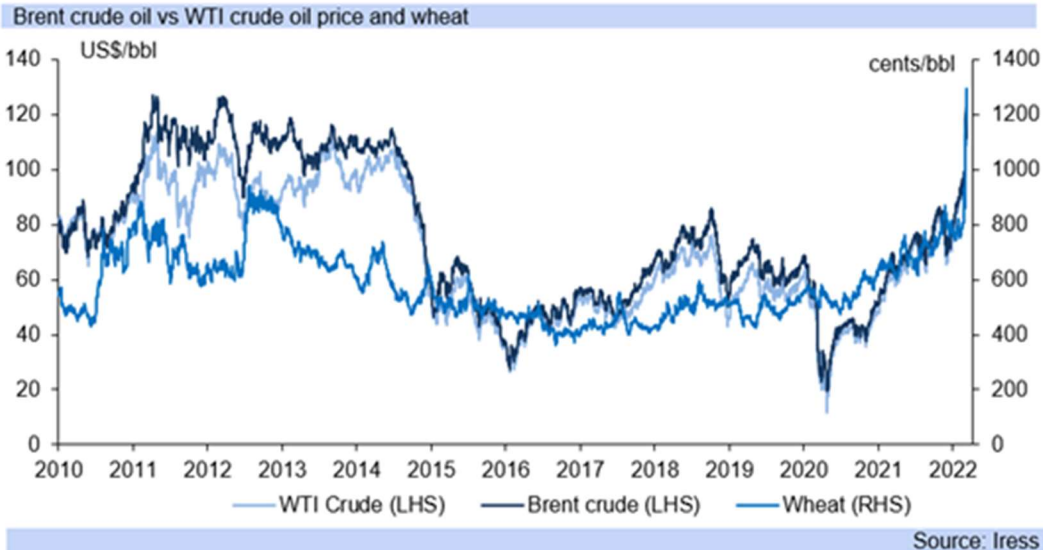
Note Projections for the annual variation in GDP in the January 2022 Eastern Europe report compared to the March 2022 report.

- The Russian/Ukraine war's effect on energy and food prices is already likely to weaken Europe's 2022 GDP growth forecasts from January (and weaken global growth forecast), but substantially worse would occur on a lengthy war and insufficient policy supportive measures.
- An EU summit today is expected to discuss a new investment and growth package, with measures to alleviate the war's effects, which reduced some stress in financial markets, but the measures are unlikely to mitigate all of the downwards pressure on global growth.
- There are three scenarios for the Russian/Ukraine war. The first scenario was of a fairly quick war (with little seeming probability), the second scenario (the expected case) is that the war persists for a longer period – and currently this risks the rest of March and well into Q2.22.
- Our expected case scenario does not include an extremely protracted war between Russia and the Ukraine into 2023, nor a nuclear war or WWIII. The third scenario (with a probability half that of scenario two's) sees NATO countries become actively involved, i.e. WWIII.
- Russia may settle for an agreement where it regains part of the Ukraine and possibly other territories, but talks have not proved productive so far. Estimates view Russia running into severe financial difficulty by June as heavy sanctions and oil bans damage its economy.
- The rand strengthened today on positive sentiment that the EU (and likely other key countries) will see substantial policy support packages, along hopes on talks between Russia and the Ukraine, but then weakened somewhat as Russia rejected the Ukraine's proposals.
- The Eastern European war was likely to wax and wane. Financial markets also likely cheered on hopes that the FOMC may reduce the speed of its withdrawal of supportive monetary policy, particularly on the rate hike front to counter negative growth effects and uncertainty.
- The oil price dropped to US\$115.5 today (R111.1/bbl yesterday), which along with the rand's recent strength would, if maintained or improved, reduce the R2.44/litre petrol price

hike building for April (diesel R3.35/litre), but not eliminate it, with state intervention needed.

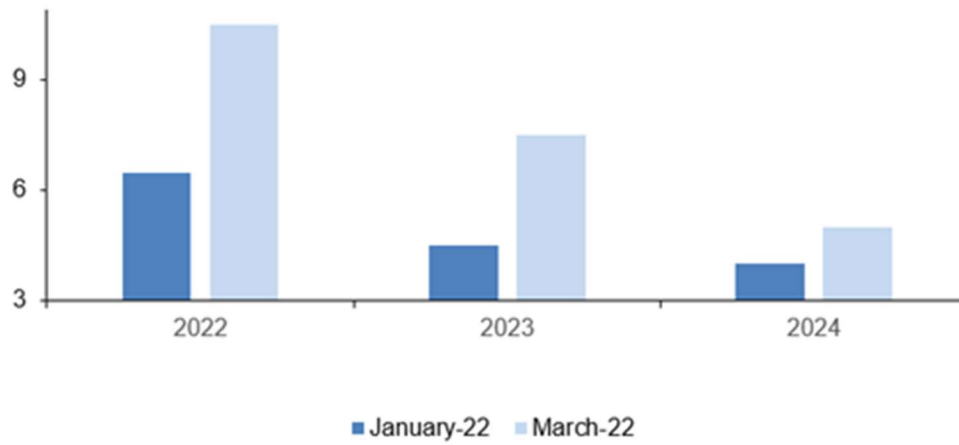
- We expect SA's CPI inflation rate will average 2022 at 5.5% y/y, ending the year close to 5.0% as commodity prices weaken after the Russian/Ukraine conflict. We now anticipate a SA's 2022 GDP growth at 1.6% y/y as global growth weakens, along with SA specific factors.

Please scroll down to the second section below



Note Projections for the annual variation in GDP in the January 2022 Eastern Europe report compared to the March 2022 report.

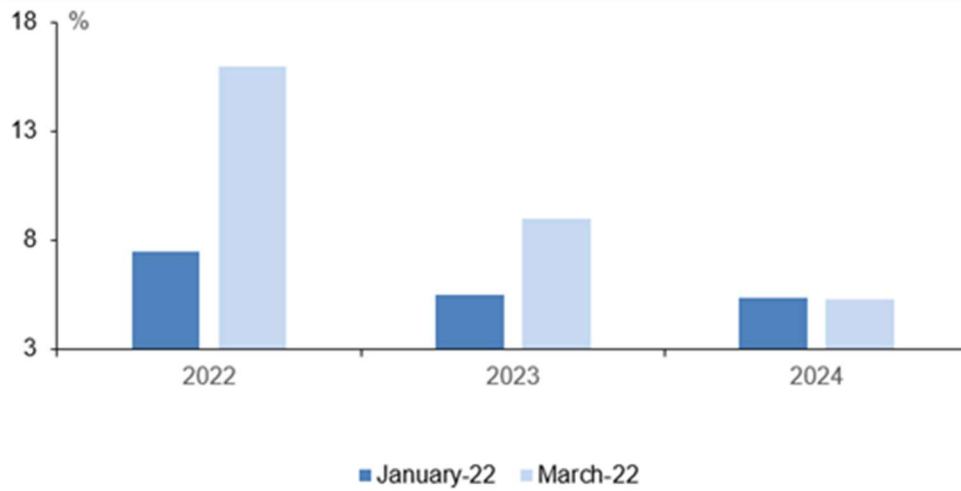
Russia Inflation projections, March 22 vs January 2022



Source: Focus Economics

Note Projections for the annual average variation consumer prices in the January 2022 Eastern Europe report compared to the March 2022 report.

Ukraine Inflation projections, March 22 vs January 2022



Source: Focus Economics

Note Projections for the annual variation consumer prices in the January 2022 Eastern Europe report compared to the March 2022 report.

South Africa's weekly OECD tracker of economic information. Weekly GDP relative to previous year



Source: OECD

Note: The Weekly Tracker provides an estimate of Weekly GDP based on Google Trends search data and machine learning.

- SA's GDP gains from higher commodity prices, while the OECD weekly economic activity tracker (aggregates google search behaviour on markets, housing, trade, industrial activity, consumption, labour and economic uncertainty) implies Q1.22 GDP will see positive growth.
- The OECD google economic activity tracker (which uses machine learning) shows a sharp lift in February and March's (to date) economic activity, fitting in with elevated rand transactions from BankservAfrica, showing that Q1.22's GDP growth could exceed Q4.21's growth rate.
- The OECD's weekly tracker of economic information has also tended to under estimate seasonally adjusted GDP performance for the first quarter materially, so far signifying Q1.22 growth of potentially 2.0% q/q. However, subsequent quarters are likely to see slower growth.
- Loadshedding is a major risk to both Q1.22's economic outcome, and for the 2022 year as a whole, as well as subsequent years, weakening the growth outlook. Elevated commodity prices are not expected to persist once Russian/Ukraine tensions subside.
- The war, beginning on 24th February, risks persisting until to June this year, although commodity prices will likely dip as the war's end appears in sight and also on periods of perceived improvements, but will likely still be relatively high over H1.22, with risks for H2.22.
- The damage is wider for the Baltic region too, with the war negatively impacting Ukraine's ports, rails and roads, while grain planting will be affected in the Ukraine and Russia, keeping grain prices elevated for much of this year as supply was already constrained before the war.
- Second round inflationary effects, from higher oil and food prices on the supply side disruption the war has caused, risk already elevated global price inflation climbing further, aiding wages and salaries significantly higher and so embedding strong upwards price pressures.
- Central banks are likely to keep inflation concerns front of mind, but also economic growth fears on weaker confidence, diminishing consumer affordability on markedly higher inflation and higher financial market risk aversion, with an emerging stagflationary environment.

- Longer-term, we had forecast a reform led recovery in SA with economic growth reaching 3.0% y/y by 2026, but the repair and resolution of key structural constraints to sustained strong economic growth is lagging, which has caused us revise down our view out to 2026.

Summary, % real growth rates	2021	2022	2023	2024	2025	2026
GDP (real, %)	4.9	1.6	1.9	2.0	2.3	2.6
HCE (real, %)	5.7	1.7	2.0	2.0	2.3	2.6
GCE (real, %)	0.0	-1.4	-2.9	-0.1	1.1	1.3
GFCF (real, %)	2.0	2.0	3.8	3.0	3.6	4.0
GDE (real, %)	4.8	1.8	1.9	2.0	2.2	2.7
Export (goods & non-factor services) - (real, %)	9.9	3.3	3.8	4.0	3.8	4.0
Imports (goods & non-factor services) - (real, %)	9.4	3.1	4.0	4.3	4.0	4.5
Balance: Current Account - (% of GDP)	3.7	0.7	-0.2	-1.2	-1.6	-2.1
Imports as % of GDP	26.0	25.9	26.4	26.9	27.3	27.5
Exports as % of GDP	26.3	26.6	26.9	27.3	27.8	28.3

Source: SARB, Investec

Monetary Sector	2021	2022	2023	2024	2025	2026
Repo Rate (year-end: %)	3.75	4.50	5.25	5.25	6.00	6.50
Prime Overdraft Rate (year-end: %)	7.25	8.00	8.75	8.75	9.50	10.00
SA rand bond (year-end: %)	10.00	10.10	9.90	9.80	9.90	9.80

Inflation	2021	2022	2023	2024	2025	2026
Consumer Inflation (Av: %)	4.5	5.5	4.8	4.8	5.0	5.2
(year-end: %)	5.9	4.9	4.8	4.4	5.0	5.4
Producer Inflation (Av: %)	7.1	8.1	4.9	4.8	5.1	5.1
(year-end: %)	10.8	5.0	4.6	4.9	4.8	5.3
Salary & wage increases (%)	5.9	4.6	5.5	6.2	6.7	7.1

Inflation forecasts	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Consumer Inflation (Av. y/y %)	3.1	4.8	4.8	5.4	5.6	5.4	5.7	5.3	5.1	5.0	4.5	4.7
Producer Inflation (Av. y/y %)	4.2	7.3	7.4	9.5	9.8	8.7	7.9	6.0	5.2	4.8	5.0	4.7
Salary & wage increases (y/y %)	3.6	10.1	5.1	4.8	4.3	4.3	5.2	4.6	5.2	5.7	5.5	5.5

Source: Statistics SA, SARB, Investec

Inflation forecasts	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Consumer Inflation (Av. y/y %)	4.8	5.0	4.8	4.5	5.1	5.0	5.0	4.9	5.0	5.4	5.1	5.3
Producer Inflation (Av. y/y %)	4.5	4.9	4.8	4.9	5.3	5.1	5.0	4.9	5.0	5.2	5.0	5.2
Salary & wage increases (y/y %)	5.8	6.1	6.3	6.5	6.6	6.6	6.7	6.9	7.0	7.1	7.1	7.2

Source: Statistics SA, SARB, Investec

Monetary Sector % year-end	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Repo Rate (year-end: %)	3.50	3.50	3.50	3.75	4.25	4.25	4.50	4.50	4.75	4.75	5.00	5.25
Prime Overdraft Rate (year-end: %)	7.00	7.00	7.00	7.25	7.75	7.75	8.00	8.00	8.25	8.25	8.50	8.75
SA rand bond (Av. %)	9.77	9.83	9.63	10.00	10.10	10.20	10.30	10.10	10.0	10.00	10.00	9.90

Note: % quarter-end. Source: SARB, Investec

Monetary Sector % year-end	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Repo Rate (year-end: %)	5.25	5.25	5.25	5.25	5.75	5.75	6.00	6.00	6.25	6.25	6.50	6.50
Prime Overdraft Rate (year-end: %)	8.75	8.75	8.75	8.75	9.25	9.25	9.50	9.50	9.75	9.75	10.00	10.00
SA rand bond (Av. %)	9.90	9.80	9.70	9.60	9.50	9.60	9.50	9.60	9.50	9.70	9.60	9.50

Note: % quarter-end. Source: SARB, Investec

Exchange Rates: averages	2021	2022	2023	2024	2025	2026
USD/ZAR	14.79	15.50	15.68	15.90	16.13	16.23
GBP/ZAR	20.34	21.66	22.81	23.45	23.26	23.20
EUR/ZAR	17.49	17.94	18.89	19.88	20.16	20.28
ZAR/JPY	7.43	7.63	7.66	7.08	6.64	6.60
GBP/USD	1.38	1.40	1.46	1.48	1.44	1.43
EUR/USD	1.19	1.16	1.21	1.25	1.25	1.25
USD/JPY	110	118	120	113	107	107

Exchange Rates, averages	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
USD/ZAR	14.96	14.13	14.64	15.44	15.40	15.50	15.65	15.45	15.30	15.70	16.10	15.60
GBP/ZAR	20.63	19.75	20.18	20.82	21.10	21.55	22.07	21.94	21.88	22.77	23.51	23.09
EUR/ZAR	18.03	17.03	17.26	17.66	17.56	17.83	18.15	18.23	18.21	18.84	19.48	19.03
ZAR/JPY	7.09	7.75	7.52	7.37	7.53	7.61	7.60	7.77	7.09	7.75	7.52	7.37
GBP/USD	1.38	1.40	1.38	1.35	1.37	1.39	1.41	1.42	1.43	1.45	1.46	1.48
EUR/USD	1.21	1.21	1.18	1.14	1.14	1.15	1.16	1.18	1.19	1.20	1.21	1.22
USD/JPY	106	109	110	114	116	118	119	120	120	120	120	120

Note: averages, Source: IRESS, Investec

Exchange Rates, averages	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
USD/ZAR	15.40	15.90	16.40	15.90	15.80	16.50	16.20	16.00	15.90	16.60	16.30	16.10
GBP/ZAR	22.79	23.53	24.27	23.21	23.07	23.93	23.17	22.88	22.74	23.74	23.31	23.02
EUR/ZAR	19.25	19.88	20.50	19.88	19.75	20.63	20.25	20.00	19.88	20.75	20.38	20.13
ZAR/JPY	7.66	7.23	6.71	6.73	6.77	6.48	6.60	6.69	6.73	6.45	6.56	6.65
GBP/USD	1.48	1.48	1.48	1.46	1.46	1.45	1.43	1.43	1.43	1.43	1.43	1.43
EUR/USD	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
USD/JPY	118	115	110	107	107	107	107	107	107	107	107	107

Note: averages, Source: IRESS, Investec