

SA Economics



Wednesday 12 May 2021

Economic growth note: we continue to expect a brightening economic outlook over five years, but 2021 could prove to see faster growth than initially expected, with consumers showing recovery and the mining boom persisting

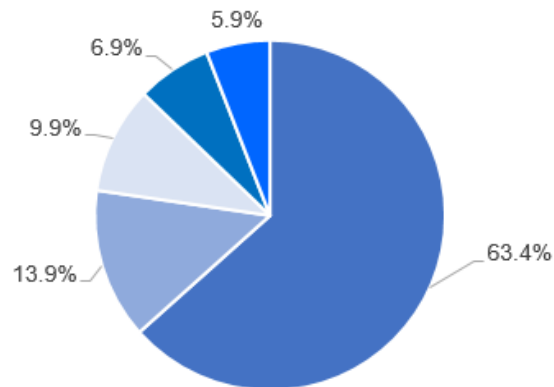
Consumer Financial Vulnerability Index (CFVI) and its sub-components

	Q1.2020	Q4.2020	Q1.2021	Change from Q1.2020	Change from Q4.2020
Income	47.7	47.7	50.2	↑	↑
Expenditure	49.1	49.2	52.3	↑	↑
Savings	48.1	47.3	48.8	↑	↑
Debt servicing	45.0	45.8	47.5	↑	↑
Overall CFVI	47.2	47.5	49.7	↑	↑

Source: Momentum, UNISA

■ Mildly exposed (50-59.9) ■ Very Exposed (40-49.9)

Most financial vulnerable income group according to key informants



■ Below R5 000 pm ■ R5 000 - R10 000pm ■ R10 000-R30 000 pm
 ■ R30 000- R50 000 pm ■ Above R50 000 pm

Source: Momentum, Unisa

SA Economics



Estimates of individual taxpayers and taxable income, 2021/22

Taxable bracket	Registered individuals		Taxable income		Income tax payable before relief		Income tax relief after proposals		Income tax payable after proposals		
	R thousand	Number	%	R billion	%	R billion	%	R billion	%	R billion	%
R0 - R801		7,183,913	-	256.2	-	-	-	-	-	-	-
R80 - R150		1,855,292	26.7	211.1	8.6	15.7	3.0	-1.3	9.4	14.5	2.8
R150 - R250		1,691,889	24.3	329.3	13.4	29.5	5.6	-1.8	13.4	27.7	5.4
R250 - R350		1,283,954	18.4	378.4	15.4	54.5	10.3	-2.3	16.8	52.3	10.1
R350 - R500		981,993	14.1	409.1	16.6	76.6	14.5	-2.6	19.5	74.0	14.3
R500 - R750		612,177	8.8	369.1	15.0	88.4	16.7	-2.4	18.1	86.0	16.7
R750 - R1 000		262,643	3.8	226.2	9.2	65.1	12.3	-1.3	10.0	63.8	12.4
R1 000 - R1 500		159,127	2.3	191.1	7.8	61.9	11.7	-0.8	6.1	61.0	11.8
R1 500 +		113,192	1.6	346.3	14.1	137.7	26.0	-0.9	6.6	136.8	26.5
Total		6 960 267	100.0	2,460.7	100.0	529.4	100.0	-13.4	100.0	516.0	100.0
Grand total		14,144,180		2,716.8		529.4		-13.4		516.0	

Source: National Treasury

1. Registered individuals with taxable income below the income-tax threshold

SA Economics

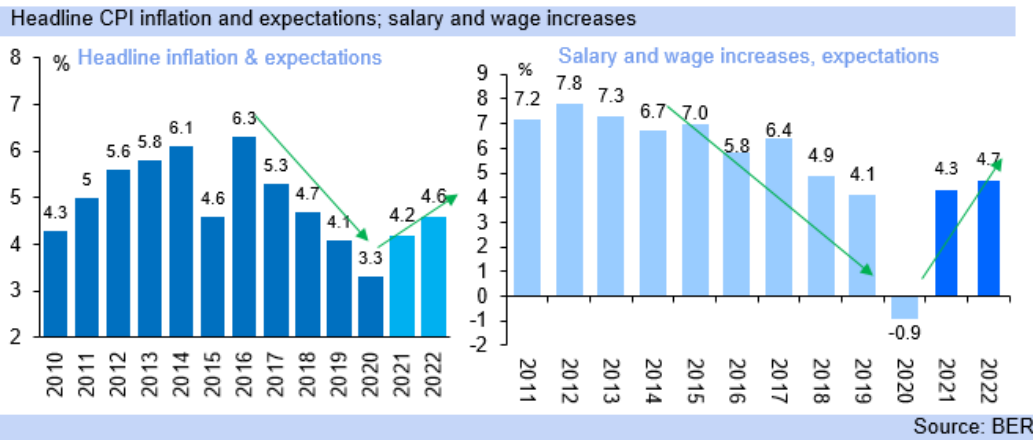


Overall Consumer Financial Vulnerability Index (CFVI)		Income	Expenditure	Savings	Debt Servicing	Overall CFVI
2009	Q2	43.8	44.6	43.0	56.9	46.8
	Q3	39.7	45.6	41.1	52.4	44.7
	Q4	41.9	47.4	46.0	54.9	47.6
2010	Q1	51.2	47.4	54.0	54.9	51.9
	Q2	53.3	45.4	58.1	56.6	53.3
	Q3	47.3	53.1	50.7	56.8	52.0
	Q4	53.8	56.2	49.1	64.7	56.0
2011	Q1	58.5	50.6	52.2	56.3	54.4
	Q2	54.8	54.2	46.7	58.8	53.6
	Q3	52.4	55.6	47.7	61.4	54.3
	Q4	52.8	57.3	51.1	61.9	55.8
2012	Q1	57.6	60.1	58.8	56.6	58.9
	Q2	44.8	53.8	47.5	47.8	48.6
	Q3	46.8	54.4	42.1	48.1	47.9
	Q4	47.2	52.2	48.7	52.2	50.1
2013	Q1	49.6	51.0	49.6	54.0	51.1
	Q2	43.4	52.4	44.4	53.8	46.7
	Q3	42.1	45.2	44.8	51.6	45.9
	Q4	51.3	53.5	50.0	53.7	52.0
2014	Q1	51.0	52.9	50.2	46.6	50.2
	Q2	47.7	54.6	51.7	49.0	50.2
	Q3	51.0	54.3	52.0	48.4	51.4
	Q4	51.4	53.5	50.5	49.6	51.2
2015	Q1	52.1	56.7	52.7	49.9	52.7
	Q2	52.1	52.5	51.5	47.0	50.8
	Q3	47.2	55.0	48.5	47.8	46.0
	Q4	50.2	53.2	51.7	48.7	50.9
2016	Q1	50.5	52.6	52.1	49.9	51.2
	Q2	52.5	53.3	49.8	48.2	50.7
	Q3	51.5	54.7	52.2	49.9	52.1
	Q4	53.6	56.5	50.8	50.4	52.7
2017	Q1	54.4	54.5	54.5	51.2	53.6
	Q2	48.9	49.1	48.8	46.5	48.4
	Q3	48.8	48.5	46.2	44.3	47.0
	Q4	49.0	50.9	49.5	48.3	49.3
2018	Q1	54.9	54.0	51.2	50.5	52.6
	Q2	51.0	48.6	48.8	47.6	49.1
	Q3	51.4	50.6	50.0	46.7	49.7
	Q4	52.0	50.9	48.0	48.5	49.9
2019	Q1	50.9	50.8	52.9	50.4	51.2
	Q2	50.1	52.1	50.1	49.1	50.3
	Q3	50.6	52.1	50.2	48.9	50.5
	Q4	49.1	50.2	49.4	46.4	48.5
2020	Q1	47.7	49.1	48.1	45.0	47.2
	Q2	34.6	39.0	46.0	32.1	45.4
	Q3	44.1	45.9	43.1	40.8	43.5
	Q4	47.7	49.2	47.3	45.8	47.5
2021	Q1	50.2	52.3	48.8	47.5	49.7

Source: Momentum, Unisa

■ Extremely secure ■ Very secure ■ Mildly exposed ■ Very exposed ■ Very Vulnerable ■ Extremely Vulnerable

SA Economics



- We continue to forecast a reform led recovery in SA's economy that will improve exposure to global growth, with domestic GDP rising from 1.5% y/y in 2022 to 3.0% y/y by 2026. This year is likely to see a statistical rebound between 3.0% to 4.0% y/y, after 2020's -7.0% y/y collapse.
- The repair and resolution of key structural challenges and constraints to strong economic growth in South Africa remains key, including limitations on electricity and water supply and SA's transport systems and onerous bureaucracy. Quickening reforms will quicken growth.
- SA can see a faster economic growth trajectory out to 2026, and higher levels of employment and incomes if it implements its current planned reforms quickly, instead of the slow pace of progress which has been the case since 2018 after the deterioration of much of the 2010s.
- Indeed, South Africa would reap surprising rates of economic activity if our up case scenario of rapid implementation of state led reforms occurs, with the knock on benefits of rising business and consumer confidence and investment ensuing, creating a virtuous growth cycle.
- This too would benefit SA's credit ratings, allowing for real inroads to be made into fiscal consolidation as public sector revenue lifts on increased corporate profitability and an improved earnings environment for households on the macro economic level.
- With the global economy in a strong risk-on phase, reflected in the rise of many asset prices, the commodity price boom persists, in turn aiding SA's mining production and state revenues from this source, but also GDP. Mining production accounts for 7.2% of GDP.
- This year, with SA still on level 1 restrictions and the economy mostly fully operational, albeit with social distancing and other health related requirements, data so far is uneven, but is showing key improvements in some areas as well as patches of particular strength.
- South Africa's largest GDP expenditure sector, household consumption, is seeing its recovery gain traction, with the middle and upper income groups incomes improving, and

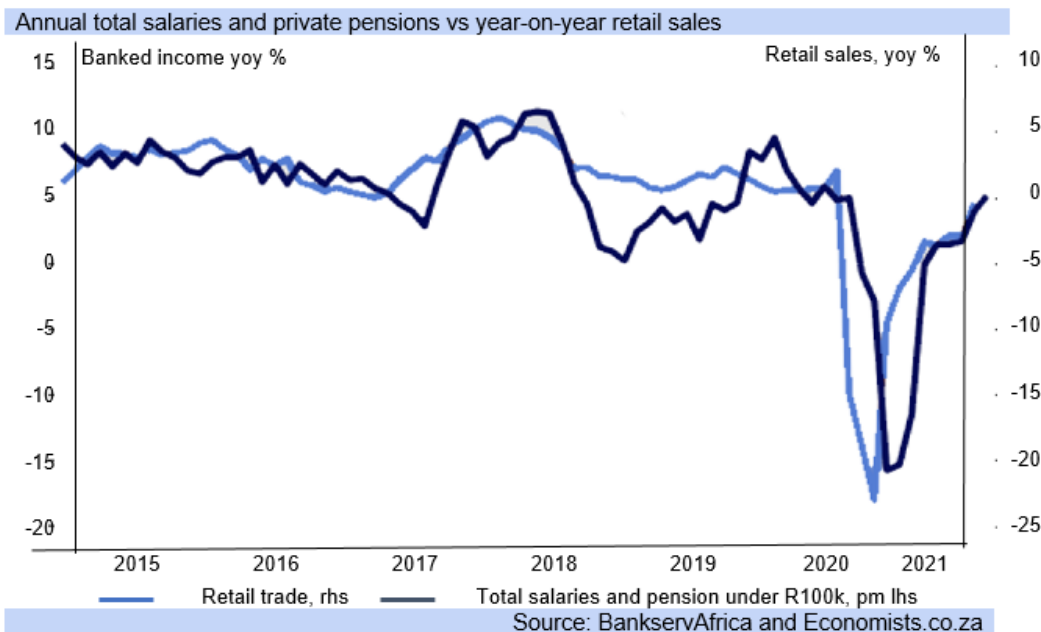
SA Economics



so their expenditure, which is typical for a recovery and will likely lead lower income groups stronger.

- We had forecast 2021 GDP growth at 3.2% y/y at the start of this year, but are in the process of revising it up to likely around 3.6% y/y as previously indicated, although on the assumption that SA does not tighten lockdown restrictions radically and choke off economic growth.

Please scroll down to the second section below

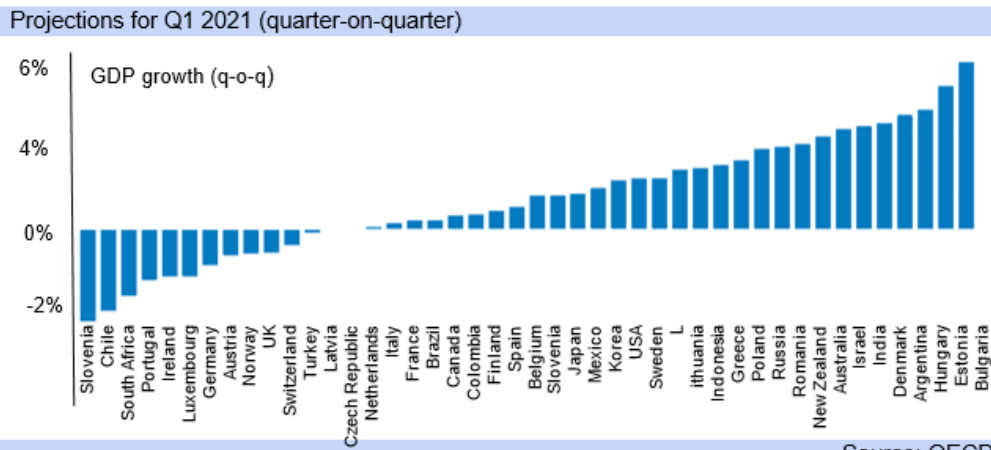


SA Economics



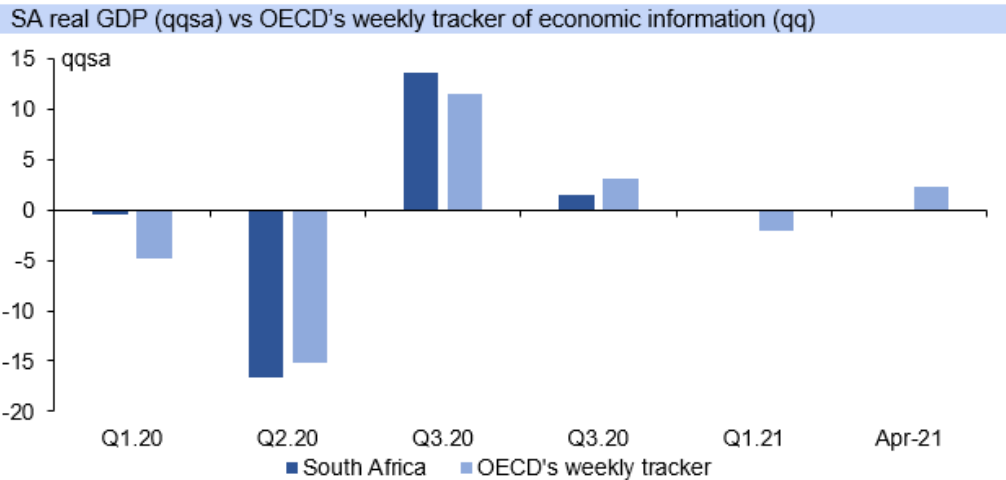
The BankservAfrica Economic Transaction Index				
	The BETI Index	The headline BETI % change	BETI quarterly % change	BETI monthly % change
01-Jan-20	123,0	3,8%	1,1%	0,6%
01-Feb-20	122,4	2,4%	2,0%	-0,5%
01-Mar-20	119,0	-0,1%	0,4%	-2,8%
01-Apr-20	102,5	-15,4%	-6,1%	-13,8%
01-May-20	98,8	-19,2%	-12,9%	-3,6%
01-Jun-20	102,7	-16,3%	-16,6%	3,9%
01-Jul-20	110,0	-10,9%	-9,4%	7,1%
01-Aug-20	116,4	-5,0%	2,7%	5,8%
01-Sep-20	119,8	-0,1%	13,9%	2,9%
01-Oct-20	122,0	1,9%	15,0%	1,9%
01-Nov-20	122,1	0,9%	10,6%	0,0%
01-Dec-20	124,3	1,7%	6,5%	1,8%
01-Jan-21	121,4	-1,3%	2,7%	-2,3%
01-Feb-21	124,3	1,5%	1,7%	2,3%
01-Mar-21	126,1	6,0%	0,9%	1,5%
01-Apr-21	128,4	25,9%	2,7%	2,3%

Source: BankservAfrica and Economists.co.za



Note: The quarter-on-quarter estimates are derived from the Weekly Tracker year-on-two-year estimates and quarter-o-quarter series from the Economic Outlook Database

SA Economics



Source: OECD



Source: OECD

Note: The blue confidence band shows 95% confidence intervals. The Weekly Tracker is the % difference in GDP between a week and the same week a year earlier. The Counterfactual Tracker is the % difference in GDP for the same period in a pandemic-free counterfactual represented by the December 2019 OECD Economic Outlook forecasts. The darkness of the grey background reflects stay-at-home confinement requirement based on the Oxford Blavatnik database (0 - no measures, 1 - recommend not leaving house, 2 - require not leaving house with exceptions, 3 - require not leaving house with minimal exceptions).

- Household consumption expenditure (HCE), accounts for the largest component of GDP from the expenditure side, and is showing positive signs of improvement. In particular, consumers are seeing improving incomes as wages see some recovery.
- Retail sales are up 1.1% for the first two months of 2021 versus the first two months of Q4.20 in real terms seasonally adjusted. The BankservAfrica Take Home Pay Index indicates that Q1.21 could have seen a positive quarter for retail sales growth q/q, but slower than Q4.20's.

SA Economics



- In general, the data available is showing a more modest GDP growth performance in Q1.21 than in Q2.21, but today saw the release of the April BankservAfrica Economic Transaction Index (BETI) which has a notable lift m/m, indicating Q2.21 got off to a good start.
- Indeed, we continue to expect that economic growth will accelerate in Q2.21 versus the growth outcome of Q1.21, which is looking to likely be close to 0.5% qqsa (quarter on quarter seasonally adjusted) although some key data making up the quarter is still missing.
- Domestic economic growth will also continue to depend heavily on the degree of lockdowns on economic activity this year, and worryingly even into 2022, although SA is set to quicken its delivery of vaccinations from next week, embarking on a mass vaccination drive.
- Momentum's Consumer Financial Vulnerability (CFVI) survey indicates "more consumers were able to earn or increase their income. Compared to Q4 2020, ... there has been a greater chance for consumers to retain or obtain employment during Q1 2021."
- Overall Q1.21 data is uneven. The OECD weekly economic activity tracker relies on google trends data (aggregating search behaviour on consumption, labour markets, housing, trade, industrial activity and economic uncertainty), and shows SA's Q1.21 GDP down -2% q/q.
- However, the OECD's weekly tracker of economic information has tended to underestimate seasonally adjusted GDP performance for the first quarter materially, and this outcome may signify a Q1.21 outcome closer to 0% (but we forecast closer to 0.5% qqsa currently).
- The tracker (which uses machine learning) does show a sharp lift in April's economic performance, and as such is cheering, fitting with other recent data that Q2.21 GDP growth should accelerate. The OECD does caution on limitations on the usage of such big data.

SA Economics



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 %)	4.4	2.4	3.1	3.2	3.1	4.5	4.5	4.8	5.0	5.1	4.8	5.0
Producer Inflation (Av: y/y %)	4.1	0.7	2.3	2.9	4.2	6.0	5.1	5.1	4.7	4.4	4.8	4.9
Salary & wage increases (y/y %)	4.4	-2.6	1.0	1.0	2.8	6.2	5.5	4.0	4.7	5.3	4.6	5.3

Source: Statistics SA, SARB, Investec

Inflation forecasts	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
Consumer Inflation (Av: y/y %)	5.0	4.9	5.2	5.1	5.0	5.2	5.0	4.7	5.2	5.0	5.0	4.9
Producer Inflation (Av: y/y %)	4.8	4.7	4.8	4.6	4.3	4.7	4.6	4.7	5.1	4.9	4.8	4.5
Salary & wage increases (y/y %)	5.2	5.4	5.0	5.0	5.1	5.4	5.7	6.1	6.2	6.2	6.2	6.2

Source: Statistics SA, SARB, Investec

Inflation forecasts	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Consumer Inflation (Av: y/y %)	5.0	5.4	5.1	5.3
Producer Inflation (Av: y/y %)	4.7	5.0	4.9	5.2
Salary & wage increases (y/y %)	6.3	6.3	6.5	6.6

Source: Statistics SA, SARB, Investec

Monetary	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Sector % year-end												
Repo Rate (year-end: %)	5.25	3.75	3.50	3.50	3.50	3.50	3.50	3.75	3.75	3.75	4.00	4.00
Prime Overdraft Rate (year-end: %)	8.75	7.25	7.00	7.00	7.00	7.00	7.00	7.25	7.25	7.25	7.50	7.50
SA rand bond (Av: %)	9.73	10.47	10.20	10.07	9.99	10.23	10.15	10.44	10.38	10.07	10.23	10.43

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

Monetary	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
Sector % year-end												
Repo Rate (year-end: %)	4.00	4.25	4.25	4.25	4.50	4.50	4.50	4.50	4.75	4.75	4.75	4.75
Prime Overdraft Rate (year-end: %)	7.50	7.75	7.75	7.75	8.00	8.00	8.00	8.00	8.25	8.25	8.25	8.25
SA rand bond (Av: %)	10.48	10.29	9.99	10.21	10.51	10.61	10.71	10.51	10.81	10.71	10.51	10.71

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

Monetary	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Sector % year-end				
Repo Rate (year-end: %)	5.00	5.00	5.00	5.00
Prime Overdraft Rate (year-end: %)	8.50	8.50	8.50	8.50
SA rand bond (Av: %)	10.91	10.91	10.91	10.91

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

SA Economics



Monetary Sector	2020	2021	2022	2023	2024	2025	2026
Repo Rate (year-end: %)	3.50	3.75	4.00	4.25	4.50	4.75	5.00
Prime Overdraft Rate (year-end: %)	7.00	7.25	7.50	7.75	8.00	8.25	8.50
SA rand bond (year-end: %)	10.07	10.44	10.43	10.21	10.51	10.71	10.91

Inflation	2020	2021	2022	2023	2024	2025	2026
Consumer Inflation (Av: %)	3.3	4.2	5.0	5.0	5.0	5.0	5.2
<i>(year-end: %)</i>	3.1	4.8	5.0	5.0	4.8	5.0	5.4
Producer Inflation (Av: %)	2.5	5.1	4.7	4.7	4.6	4.8	5.0
<i>(year-end: %)</i>	3.0	5.2	5.0	4.4	4.8	4.4	5.3
Salary & wage increases (%)	0.9	4.6	5.0	5.1	5.6	6.2	6.4

Exchange Rates: averages	2020	2021	2022	2023	2024	2025	2026
USD/ZAR	16.46	14.84	15.35	15.48	15.70	15.93	16.03
GBP/ZAR	21.10	20.44	21.99	21.78	21.98	22.30	22.44
EUR/ZAR	18.77	18.02	19.36	19.34	19.63	19.91	20.03
ZAR/JPY	6.52	7.09	6.81	6.85	6.80	6.72	6.68
GBP/USD	1.28	1.38	1.43	1.41	1.40	1.40	1.40
EUR/USD	1.14	1.21	1.26	1.25	1.25	1.25	1.25
USD/JPY	107	105	105	106	107	107	107

SA Economics



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	15.38	17.95	16.91	15.60	14.96	14.50	15.00	14.90	15.00	15.40	15.70	15.30
GBP/ZAR	19.64	22.28	21.84	20.63	20.64	19.86	20.55	20.71	21.30	22.02	22.77	21.88
EUR/ZAR	16.95	19.77	19.76	18.61	18.13	17.40	18.15	18.40	18.83	19.40	19.94	19.28
ZAR/JPY	7.12	5.99	6.28	6.70	7.09	7.24	7.00	7.01	6.93	6.75	6.69	6.86
GBP/USD	1.28	1.24	1.29	1.32	1.38	1.37	1.37	1.39	1.42	1.43	1.45	1.43
EUR/USD	1.10	1.10	1.17	1.19	1.21	1.20	1.21	1.24	1.26	1.26	1.27	1.26
USD/JPY	109	108	106	104	106	105	105	105	104	104	105	105

Note: averages, Source: IRESS, Investec

Exchange Rates, averages	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
USD/ZAR	15.10	15.50	15.90	15.40	15.20	15.70	16.20	15.70	15.60	16.30	16.00	15.80
GBP/ZAR	21.44	21.86	22.26	21.56	21.28	21.98	22.68	21.98	21.84	22.82	22.40	22.12
EUR/ZAR	18.88	19.38	19.88	19.25	19.00	19.63	20.25	19.63	19.50	20.38	20.00	19.75
ZAR/JPY	7.02	6.84	6.67	6.88	6.97	6.82	6.60	6.82	6.86	6.56	6.69	6.77
GBP/USD	1.42	1.41	1.40	1.40	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	1.25	1.25	1.25	1.25
USD/JPY	106	106	106	106	106	107	107	107	107	107	107	107

Note: averages, Source: IRESS, Investec

Exchange Rates, averages	2026 Q1	2026 Q2	2026 Q3	2026 Q4
USD/ZAR	15.70	16.40	16.10	15.90
GBP/ZAR	21.98	22.96	22.54	22.26
EUR/ZAR	19.63	20.50	20.13	19.88
ZAR/JPY	6.82	6.52	6.65	6.73
GBP/USD	1.40	1.40	1.40	1.40
EUR/USD	1.25	1.25	1.25	1.25
USD/JPY	107	107	107	107

Note: averages, Source: IRESS, Investec

SA Economics



Summary, % real growth rates – current forecasts but 2021 GDP and HCE figures likely to be revised stronger	2020	2021	2022	2023	2024	2025	2026
GDP (real, %)	-7.0	3.2	1.5	2.1	2.4	2.7	3.0
HCE (real, %)	-5.4	2.4	2.2	2.1	2.3	2.6	2.7
GCE (real, %)	0.5	-2.4	-1.6	-1.7	-1.5	1.2	1.1
GFCF (real, %)	-17.5	4.3	2.4	3.7	3.3	4.0	4.5
GDE (real, %)	-9.0	2.9	1.6	2.1	2.4	2.6	3.0
Export (goods & non-factor services) - (real, %)	-10.3	5.7	3.6	4.2	4.2	4.3	4.1
Imports (goods & non-factor services) - (real, %)	-16.6	3.7	4.2	4.5	4.1	3.6	4.4
Balance: Current Account - (% of GDP)	1.9	-2.1	-2.1	-2.0	-1.9	-1.8	-1.8
Imports as % of GDP	27.4	27.6	28.3	29.0	29.4	29.7	30.1
Exports as % of GDP	27.6	28.4	29.0	29.6	30.1	30.6	30.9