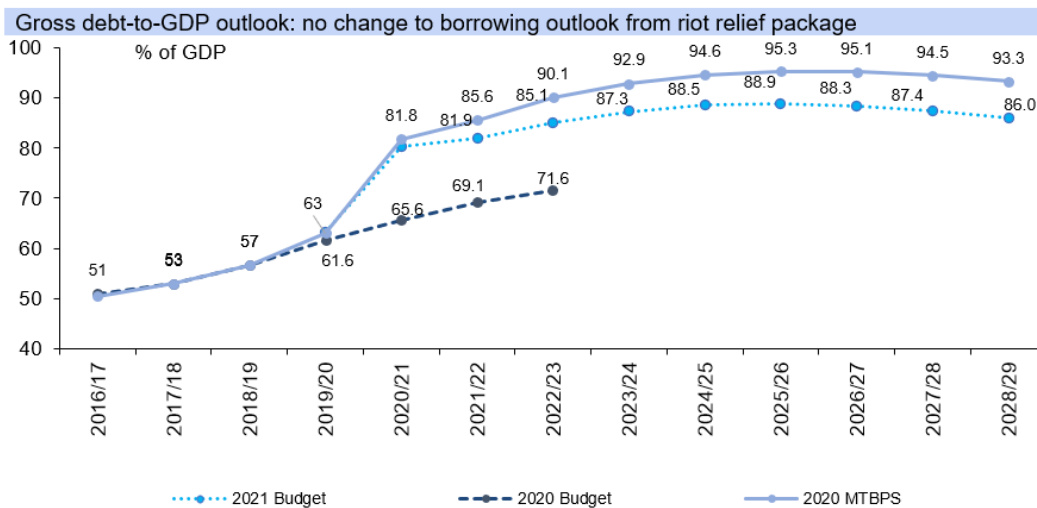


SA Economics

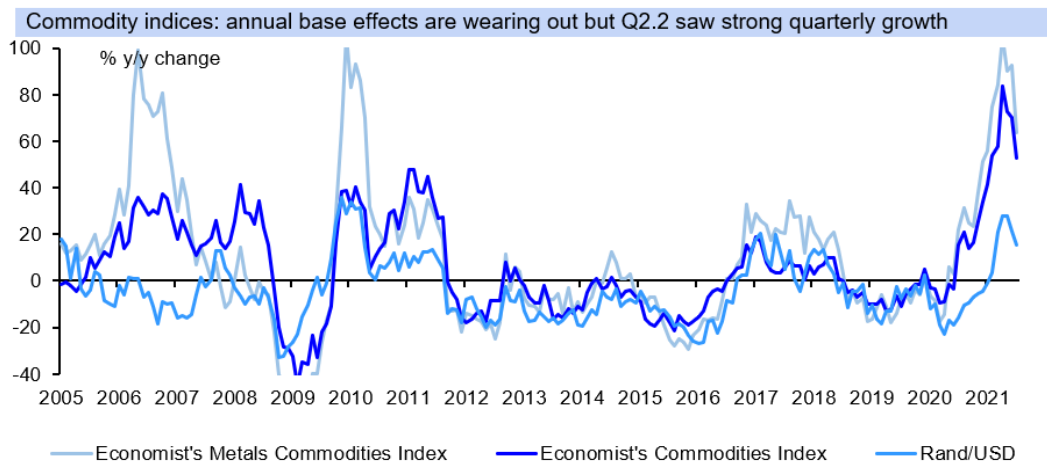


Wednesday 28 July 2021

Fiscal riot relief-package note: today's joint briefing by the Finance department, National Treasury and other departments has lifted sentiment, with revenue overruns on strong commodity prices and other areas aiding the relief with increasing borrowings



Source: National Treasury

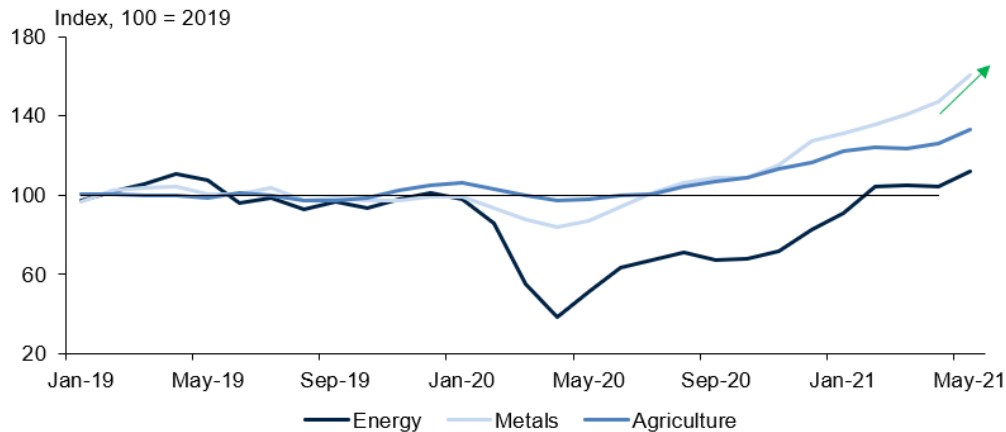


Source: IRESS, Economist

SA Economics

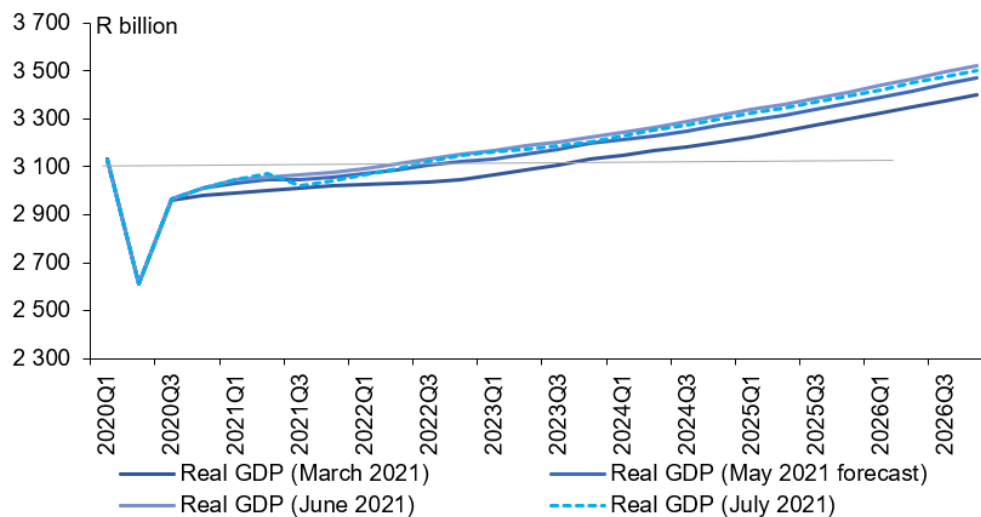


Commodity price indexes



Source: World Bank, Global Economic Prospects June 2021

South Africa GDP (R billion, constant prices) quarterly – negative riots impact



Source: Investec

- While South Africa is likely to have seen a R49bn loss to GDP in real terms as a consequence of the violent strike action earlier this month, the second quarter saw significant growth in commodity prices which will have benefited both exports and tax revenues.
- Q2.21 saw a 14.8% q/q lift in commodity prices overall (as per the Economist Commodities price index), and a substantial 19.2% lift in metals prices specifically, both exceeding the respective increases of 14.7% q/q and 15.4% q/q in Q1.21.

SA Economics



- Revenue collections for Q2.21 to date are up on estimates, with SARS stating today that tax revenue collections were very strong in the first (fiscal) quarter, exceeding those of the prior two fiscal year's first quarters, from a number of sources including VAT and the mining sector.
- Additionally, corporate tax revenue from the financial sector was higher than expected, while SARS has also had a better than anticipated performance in revenue recovery (well above that estimated) from compliance activities, also boosting the overall outcome.
- SARS added that this greater than expected revenue collection compared to that budgeted for in February 2021, is expected to adequately cover the cost of a number of measures announced today to provide R36.2bn in fiscal assistance to lessen the recent riot's impact.
- In particular, the R350 social relief of distress grant is extended until end March 2022, which will cost R27bn, while the cost to Sasria from the riots damage is estimated at R15bn to R20bn (the Sasria balance sheet has R9.7bn, while R6.5bn is to come from reinsurance).
- The police will be allocated an additional R250m, SANDF R750m. National Treasury highlights there will be no additional borrowing to fund this fiscal package (allaying rating concerns), with reprioritisations and revenue collections better than expected in February.
- However, prior to the riots a better than expected economic outcome for 2021 of 4.5% was likely, and government's fiscal position was expected to improve by R50bn to R100bn on the strong tax ensuing from the robust growth environment and strong commodity price effect .
- With the damage to the economy and tax base from the violent riots, and consolidating commodity prices, the revenue collection overrun is now likely to be closer to R50bn, while the fiscal package announced today will not fully cover the losses faced by businesses.

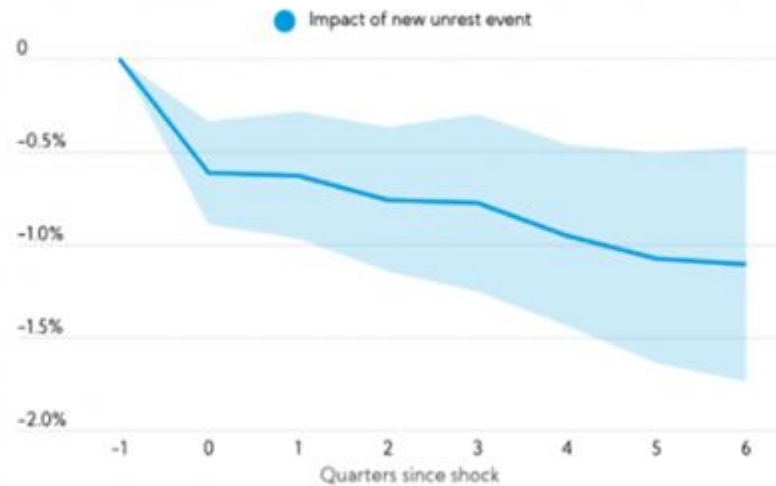
Please scroll down to the second section below

SA Economics



Economic damage from social unrest can be long-lasting

On average, GDP remains about 1 percentage point below its pre-shock level a year and a half after a major protest. (change in GDP relative to baseline in pp)



Source: IMF

Note: A "new" unrest event is defined as an unrest event that follows eight quarters of no unrest events. The shaded area represents the confidence interval (the range of values where the true value likely lies).

SA Economics



Summary, % real growth rates	2020	2021	2022	2023	2024	2025	2026
GDP (real, %)	-7.0	3.9	2.0	2.4	2.6	2.9	3.1
HCE (real, %)	-5.4	3.5	2.1	2.8	2.5	2.8	2.9
GCE (real, %)	0.5	1.5	-0.1	-1.8	-1.1	1.3	1.3
GFCF (real, %)	-17.5	4.0	5.3	4.2	3.6	4.1	4.6
GDE (real, %)	-9.0	4.2	1.8	2.5	2.4	2.8	3.1
Export (goods & non-factor services) - (real, %)	-10.3	6.3	4.3	4.2	4.9	4.6	4.4
Imports (goods & non-factor services) - (real, %)	-16.6	6.5	3.6	4.3	4.6	4.3	4.4
Balance: Current Account - (% of GDP)	2.2	2.0	0.2	-0.3	-0.6	-1.2	-1.4
Imports as % of GDP	27.5	28.1	28.5	29.0	29.6	30.0	30.4
Exports as % of GDP	27.6	28.4	29.0	29.5	30.2	30.7	31.1

Consumption Expenditure	2020	2021	2022	2023	2024	2025	2026
HCE, total (real, %)	-5.4	3.5	2.1	2.8	2.5	2.8	2.9
HCE as % of GDP	63.2	62.9	63.0	63.2	63.2	63.1	63.1
Unemployment rate (%)	29.2	32.8	31.6	30.7	30.5	30.2	29.6
Population (million)	59.3	60.0	60.8	61.5	62.1	62.8	63.5
Employment growth rate (%)	-7.9	3.5	3.9	2.2	1.5	2.2	2.3
Compensation of employees (%)	-1.1	6.7	4.2	4.8	5.5	6.0	6.7
GCE as % of GDP	22.4	21.8	21.4	20.5	19.7	19.4	19.1

Gross Fixed Capital Formation	2020	2021	2022	2023	2024	2025	2026
GFCF, total (real, %)	-17.5	4.0	5.3	4.2	3.6	4.1	4.6
GFCF as % of GDP	17.0	17.0	17.6	17.9	18.1	18.3	18.5
Private sector (real, %)	-19.3	4.7	6.0	4.0	4.3	5.1	5.7
Government (real, %)	-13.0	2.5	3.7	4.7	1.8	1.7	2.0
Non-residential GFCF (real, %)	-19.1	4.7	5.8	3.9	4.3	5.1	5.8
Residential buildings (real, %)	-20.9	4.8	6.8	5.0	4.9	5.0	5.0

Please note: all data may be subjected to historical revisions

SA Economics



Consolidated government fiscal framework in February 2021

	2019/20	2020/21	2021/22	2022/23	2023/24
Revenue	Outcome	Estimate	Medium-term estimates		
Budget 2021	1530.5	1362.7	1520.4	1635.4	1717.2
	29.7%	27.7%	28.4%	28.9%	28.6%
<i>MTBPS 2020</i>	<i>1518.1</i>	<i>1276.7</i>	<i>1457.6</i>	<i>1595.8</i>	<i>1705.7</i>
	<i>29.5%</i>	<i>26.3%</i>	<i>27.4%</i>	<i>28.3%</i>	<i>28.6%</i>
<i>Budget 2020</i>	<i>1,517.0</i>	<i>1,583.9</i>	<i>1,682.8</i>	<i>1,791.3</i>	
	<i>29.4%</i>	<i>29.2%</i>	<i>29.2%</i>	<i>29.2%</i>	
Expenditure					
Budget 2021	1822.3	2052.5	2020.4	2049.5	2095.1
	35.4%	41.7%	37.7%	36.2%	34.9%
<i>MTBPS 2020</i>	<i>1848.7</i>	<i>2037.8</i>	<i>1993.5</i>	<i>2079.6</i>	<i>2139.2</i>
	<i>35.9%</i>	<i>41.9%</i>	<i>37.5%</i>	<i>36.9%</i>	<i>35.9%</i>
Budget 2020	1,843.5	1,954.4	2,040.3	2,141.0	
	35.7%	36.0%	35.4%	34.9%	
Budget Balance					
Budget 2021	-291.8	-689.8	-500.0	-414.1	-377.9
	-5.7%	-14.0%	-9.3%	-7.3%	-6.3%
<i>MTBPS 2020</i>	<i>-330.6</i>	<i>-761.1</i>	<i>-535.9</i>	<i>-483.9</i>	<i>-433.4</i>
	<i>-6.4%</i>	<i>-15.7%</i>	<i>-10.1%</i>	<i>-8.6%</i>	<i>-7.3%</i>
Budget 2020	-326.6	-370.5	-357.5	-349.7	
	-6.3%	-6.8%	-6.2%	-5.7%	

Source: National Treasury

Total national government debt: end of period

R billion	2019/20	2020/21	2021/22	2022/23	2023/24
	Outcome	Revised	Medium-term estimates		
Domestic loans¹	2 874.1	3 529.1	3 916.7	4 322.3	4 707.8
Short-term	360.7	457.9	466.9	518.9	574.9
Long-term	2 513.4	3 071.2	3 449.8	3 803.4	4 132.9
<i>Fixed-rate</i>	<i>1 863.2</i>	<i>2 287.6</i>	<i>2 615.0</i>	<i>2 845.1</i>	<i>3 161.5</i>
<i>Inflation-linked</i>	<i>650.2</i>	<i>783.6</i>	<i>834.8</i>	<i>958.3</i>	<i>971.4</i>
Foreign loans¹	387.2	420.6	466.1	497.6	526.7
Gross loan debt	3 261.3	3 949.7	4 382.8	4 819.9	5 234.5
Less: National Revenue Fund	-263.6	-292.0	-180.3	-162.1	-142.9
bank balances					
Net loan debt²	2 997.7	3 657.7	4 202.5	4 657.8	5 091.6
<i>As percentage of GDP:</i>					
<i>Gross loan debt</i>	<i>63.3</i>	<i>80.3</i>	<i>81.9</i>	<i>85.1</i>	<i>87.3</i>
<i>Net loan debt</i>	<i>58.2</i>	<i>74.3</i>	<i>78.5</i>	<i>82.2</i>	<i>84.9</i>

Source: National Treasury February 2021

1. A longer time series is given in Table 10 of the statistical annexure at the back of the Budget Review
2. Estimates include revaluation based on National Treasury's projections of inflation and exchange rates

SA Economics



- The briefing further detailed that R5.3bn will come from the UIF, while national treasury will provide R3.9bn to Sasria and there will be a R5bn tax incentive support for employment. The broad measures mainly provide temporary socio-economic relief, with less for businesses.
- However, absent the greater than anticipated recovery in the global economy, which has been driving commodity prices, and aiding South Africa's economic recovery, government may have had to resort to increased borrowings to fund the fiscal relief packages.
- A key point is that Sasria is a well-run, liquid SOE which has been returning dividends as the Minister mentioned, and did not fall to state capture, allowing as a result for substantial relief on the state insurance side for damage from civil unrest to insured infrastructure.
- Key is the extension of actual government aid to rebuild businesses which were uninsured, and this should occur without fear or favour, to reach all businesses damaged by the extreme violence of the recent political unrest which had the intention of sabotaging the economy.
- With the US FOMC meeting tonight, SA time, market expectations are for the Fed to provide a more dovish tone, reducing market fears on QE tapering and interest rate hikes given the negative impact of the third wave in Covid-19 infections on the US and global growth outlook.
- This could be supportive of commodity prices, which saw a very strong run in the second quarter of the calendar year, the first quarter of South Africa's current fiscal 2021/22 year, which has added to a domestic revenue overrun in the period.
- The fiscal support measures detailed today for South Africa after its destructive recent riots, which are to be debt neutral, will aid the recovery in business and investor sentiment, and strengthen the outlook for the country as a whole, given the socio-economic focus.
- Furthermore, the Finance Minister highlighted the need for the ability of employees to be able to access a portion of pension funds, which would free up monies for consumer spending and also allow small business repairs and aid in recovering some lost ground from the riot action.
- SA is recovering from the harsh psychological impact of the riots, with the majority of citizens against the destruction of their livelihoods, the economy and their country, while government has learnt a lesson on the need for a quick future response and much better surveillance.

SA Economics



GDP Summary, % real growth rates (incl. residual)	2020	2020	2020	2020	2021	2021	2021	2021	2022	2022	2022	2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (real, qqsa %)	-0.4	-16.6	13.7	1.4	1.1	0.9	-1.6	0.7	0.8	0.8	0.9	0.9
HCE (real, qqsa %)	0.0	-16.7	15.1	1.8	1.1	0.1	-3.0	0.9	1.0	1.4	1.2	1.2
GCE (real, qqsa %)	0.5	-0.5	0.2	0.3	0.2	-0.3	2.8	-0.5	-0.5	-0.3	-0.4	-0.5
GFCF (real, qqsa %)	-5.1	-20.2	6.1	2.9	-0.6	3.5	4.3	2.8	-0.1	-0.3	1.1	-0.2
GDE (real, qqsa %)	-1.8	-13.0	5.9	2.7	2.9	0.1	-0.3	0.6	0.8	0.2	0.8	0.6
Export (goods & non-factor services) - (real, qqsa %)	-0.2	-30.5	31.0	6.1	-0.2	-1.9	-1.0	1.9	1.2	1.7	1.6	1.7
Imports (goods & non-factor services) - (real, qqsa %)	-4.9	-17.1	-0.5	11.1	6.1	-5.5	3.2	1.6	1.7	-0.5	1.3	0.8

Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

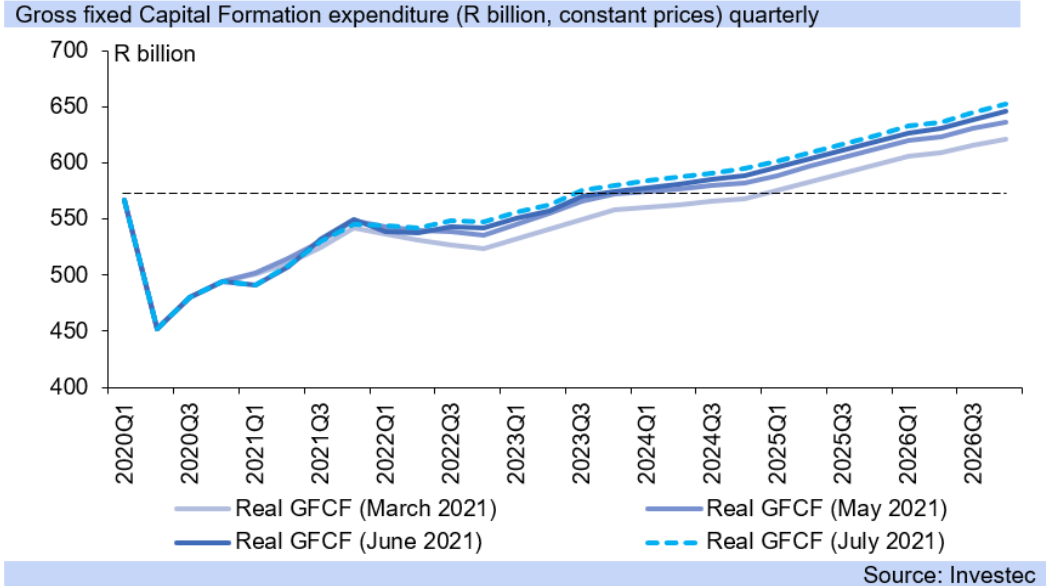
GDP Summary, % real growth rates (incl. residual)	2023	2023	2023	2023	2024	2024	2024	2024	2025	2025	2025	2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (real, qqsa %)	0.4	0.4	0.5	0.5	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
HCE (real, qqsa %)	0.3	0.4	0.4	0.4	0.8	0.8	0.8	0.8	0.6	0.7	0.6	0.7
GCE (real, qqsa %)	-0.2	-0.5	-1.0	-0.5	0.0	-0.1	0.0	-0.2	0.5	0.6	0.7	0.7
GFCF (real, qqsa %)	1.5	1.2	2.3	0.8	0.6	0.6	0.7	0.6	1.2	1.3	1.2	1.3
GDE (real, qqsa %)	0.9	0.4	0.4	0.6	0.6	0.7	0.7	0.6	0.7	0.8	0.7	0.7
Export (goods & non-factor services) - (real, qqsa %)	0.0	1.1	1.2	1.1	1.2	1.3	1.3	1.3	1.0	1.0	1.1	0.9
Imports (goods & non-factor services) - (real, qqsa %)	1.5	1.0	1.0	1.4	0.9	1.2	1.2	1.0	1.0	1.3	1.0	0.8

Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

GDP Summary, % real growth rates (incl. residual)	2026	2026	2026	2026
	Q1	Q2	Q3	Q4
GDP (real, qqsa %)	0.8	0.8	0.8	0.8
HCE (real, qqsa %)	0.7	0.8	0.8	0.8
GCE (real, qqsa %)	-0.1	0.3	0.3	0.2
GFCF (real, qqsa %)	1.2	0.6	1.3	1.1
GDE (real, qqsa %)	0.8	0.8	0.8	0.8
Export (goods & non-factor services) - (real, qqsa %)	1.1	1.1	1.0	1.2
Imports (goods & non-factor services) - (real, qqsa %)	1.2	1.2	1.2	1.2

Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

SA Economics



SA Economics



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, qqsa %)	-5.1	-20.2	6.1	2.9	-0.6	3.5	4.3	2.8	-0.1	-0.3	1.1	-0.2
Private sector (real, qqsa %)	-8.0	-21.8	9.6	1.4	-2.3	5.3	5.6	4.2	-0.9	-0.8	1.4	-1.3
Government (real, qqsa %)	2.2	-16.6	-1.1	6.3	3.0	-0.5	1.5	-0.4	1.8	0.8	0.6	2.4
Non-residential GFCF (real, qqsa %)	-8.7	-20.5	8.9	1.1	-2.6	5.5	5.7	4.7	-1.1	-1.1	1.4	-1.7
Residential buildings (real, qqsa %)	-2.6	-30.4	14.3	3.4	-0.4	4.1	5.3	0.5	0.9	0.9	1.3	1.9

Source: SARB, Investec

Gross Fixed Capital Formation	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
GFCF, total (real, qqsa %)	1.5	1.2	2.3	0.8	0.6	0.6	0.7	0.6	1.2	1.3	1.2	1.3
Private sector (real, qqsa %)	1.7	1.2	3.2	0.9	0.8	0.6	0.7	0.6	1.5	1.7	1.6	1.6
Government (real, qqsa %)	1.1	1.3	0.3	0.4	0.2	0.5	0.6	0.5	0.3	0.3	0.4	0.4
Non-residential GFCF (real, qqsa %)	1.8	1.3	3.6	0.9	0.6	0.6	0.6	0.6	1.6	1.7	1.7	1.6
Residential buildings (real, qqsa %)	1.4	0.8	0.7	0.8	2.1	0.7	1.5	1.0	1.2	1.4	1.3	1.5

Source: SARB, Investec

Gross Fixed Capital Formation	2026 Q1	2026 Q2	2026 Q3	2026 Q4
GFCF, total (real, qqsa %)	1.2	0.6	1.3	1.1
Private sector (real, qqsa %)	1.5	0.7	1.7	1.3
Government (real, qqsa %)	0.6	0.6	0.4	0.7
Non-residential GFCF (real, qqsa %)	1.6	0.6	1.7	1.3
Residential buildings (real, qqsa %)	1.0	1.2	1.2	1.2

Source: SARB, Investec

SA credit ratings - Long term foreign currency

South Africa – S&P Ratings		South Africa – Fitch Rating		South Africa - Moody's Rating	
03/10/1994	BB	22/09/1994	BB	14/10/2004	Baa2
20/11/1995	Upgraded to BB+	19/05/2000	Upgraded to BB+	11/01/2005	Upgraded to Baa1
25/02/2000	Upgraded to BBB-	27/06/2000	Upgraded to BBB-	16/07/2009	Upgraded to A3
07/05/2003	Upgraded to BBB	05/02/2003	Upgraded to BBB	27/09/2009	Downgraded to Baa1
01/08/2005	Upgraded to BBB+	25/08/2005	Upgraded to BBB+	06/11/2014	Downgraded to Baa2
12/10/2012	Downgraded to BBB	10/01/2013	Downgraded to BBB	09/06/2017	Downgraded to Baa3
13/06/2014	Downgraded to BBB-	04/12/2015	Downgraded to BBB-	27/03/2020	Downgraded to Ba1
03/04/2017	Downgraded to BB+	07/04/2017	Downgraded to BB+	20/11/2020	Downgraded to Ba2
24/11/2017	Downgraded to BB	03/04/2020	Downgraded to BB		
29/04/2020	Downgraded to BB-				

Source: Bloomberg