

SA Economics



SA Bond note: SA bond market awaits budget debate outcome, particularly for borrowings

Wednesday 2 April 2025



SA 10-year bond



Source: Iress

Extreme up case Forecasts	2024	2025	2026	2027	2028	2029	2030
SA rand bond (year-end: %)	10.20	9.50	9.10	8.70	8.40	8.20	8.00
SA rand bond (average: %)	11.17	10.00	9.20	8.90	8.60	8.30	8.10

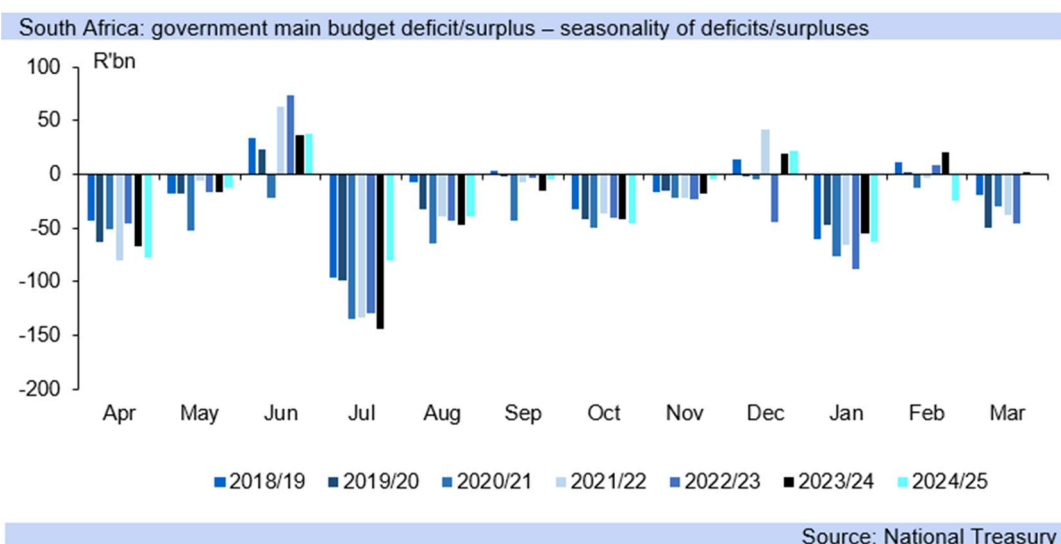
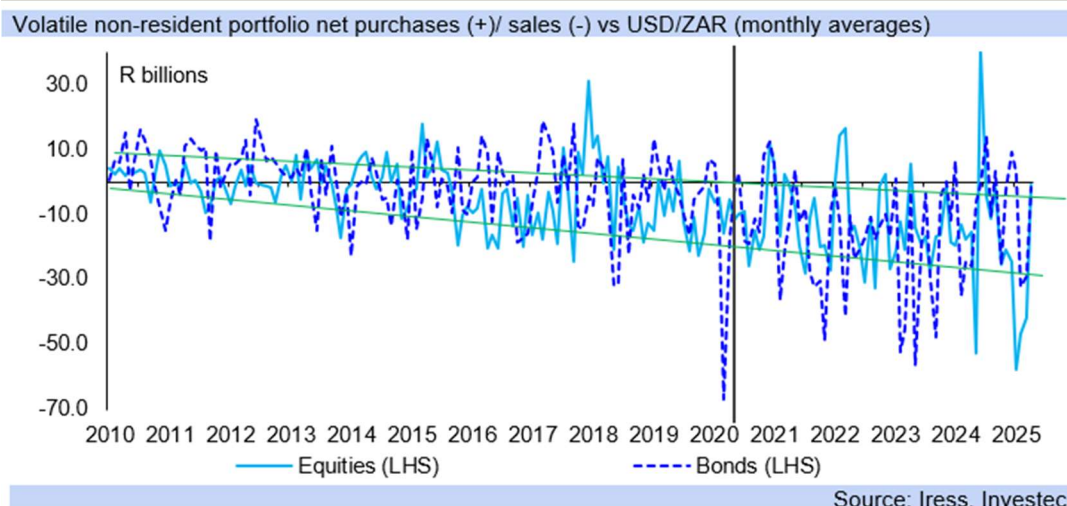
1BUp case Forecasts	2024	2025	2026	2027	2028	2029	2030
SA rand bond (year-end: %)	10.20	10.00	9.60	9.40	9.20	9.00	8.90
SA rand bond (average: %)	11.17	10.20	9.75	9.45	9.30	9.10	8.95

2BExpected case Forecasts	2024	2025	2026	2027	2028	2029	2030
SA rand bond (year-end: %)	10.20	10.30	10.10	10.00	10.00	9.90	9.80
SA rand bond (average: %)	11.17	10.40	10.20	10.10	10.00	9.90	9.80

3BLite down case Forecasts	2024	2025	2026	2027	2028	2029	2030
SA rand bond (year-end: %)	10.20	12.00	11.50	11.40	11.30	11.10	10.90
SA rand bond (average: %)	11.17	11.25	11.60	11.40	11.30	11.20	10.95

4BSevere down case Forecasts	2024	2025	2026	2027	2028	2029	2030
SA rand bond (year-end: %)	10.20	13.00	12.70	12.50	12.40	12.30	12.00
SA rand bond (average: %)	11.17	12.00	12.75	12.50	12.40	12.35	12.10

Source: All forecast yields are of bonds traded on the stock exchange - Gov. bonds - Nominal yields: 10 years and over (Unit: % (Monthly average bond yield); Source: SARB QB (S-31))

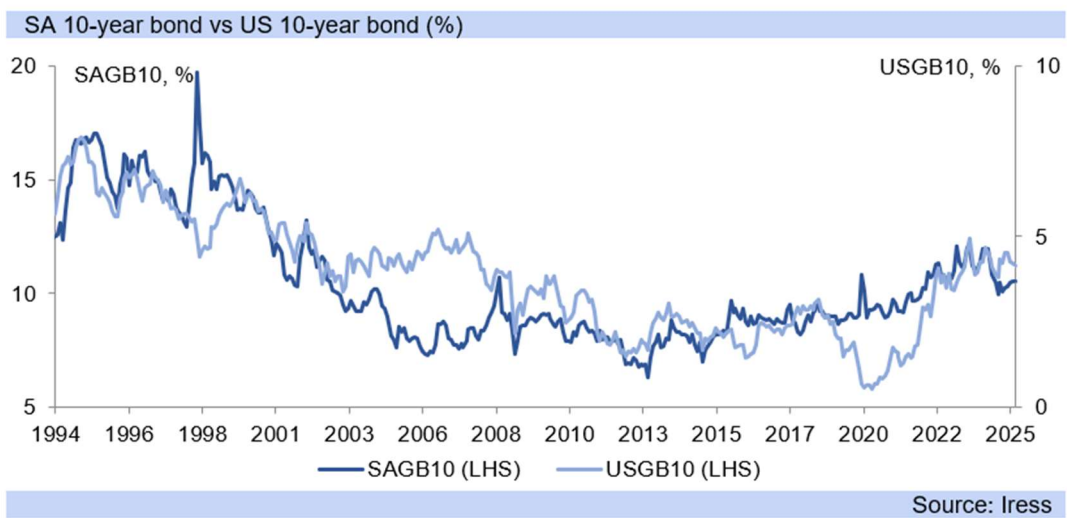
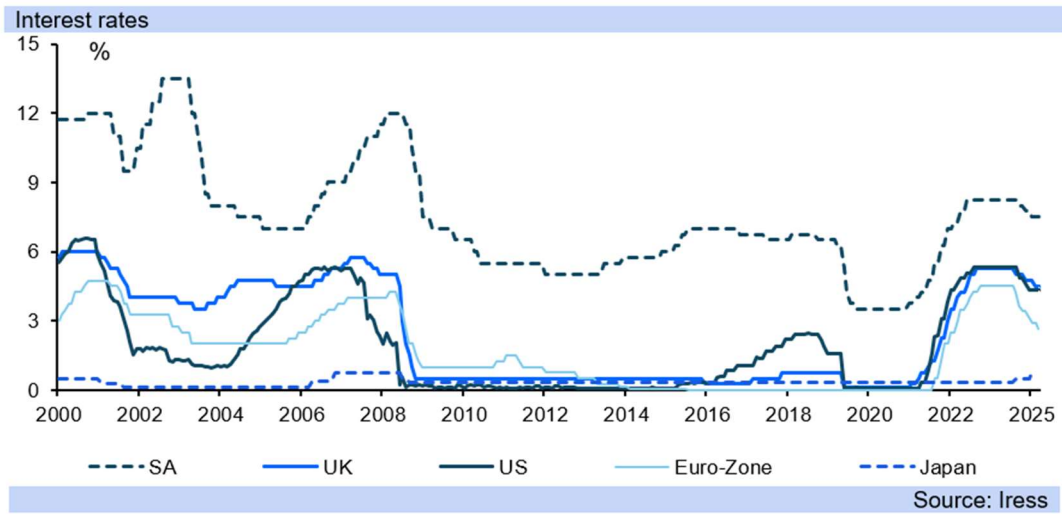


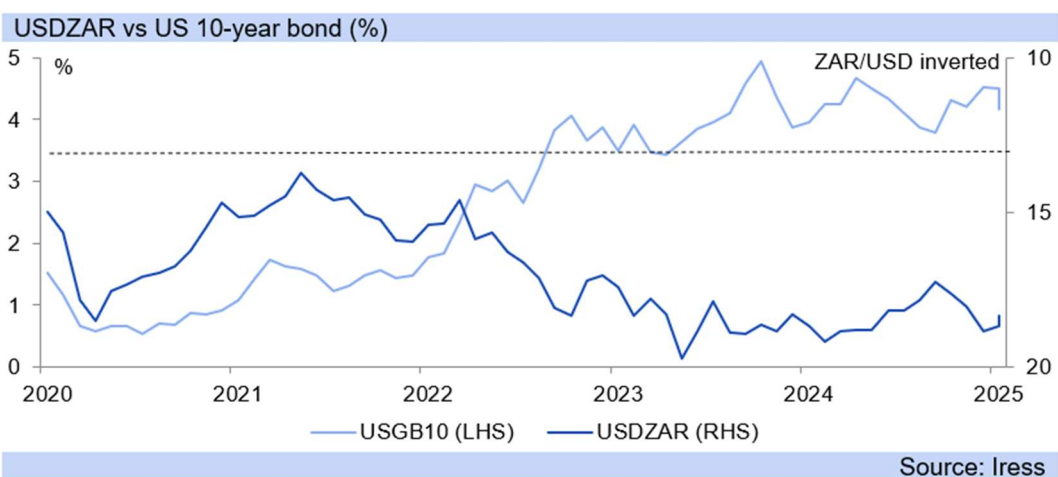
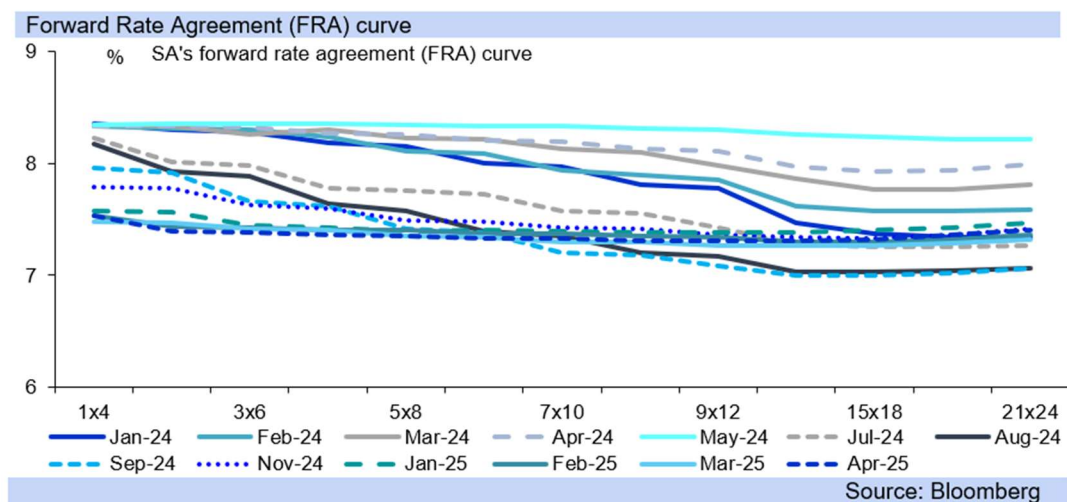
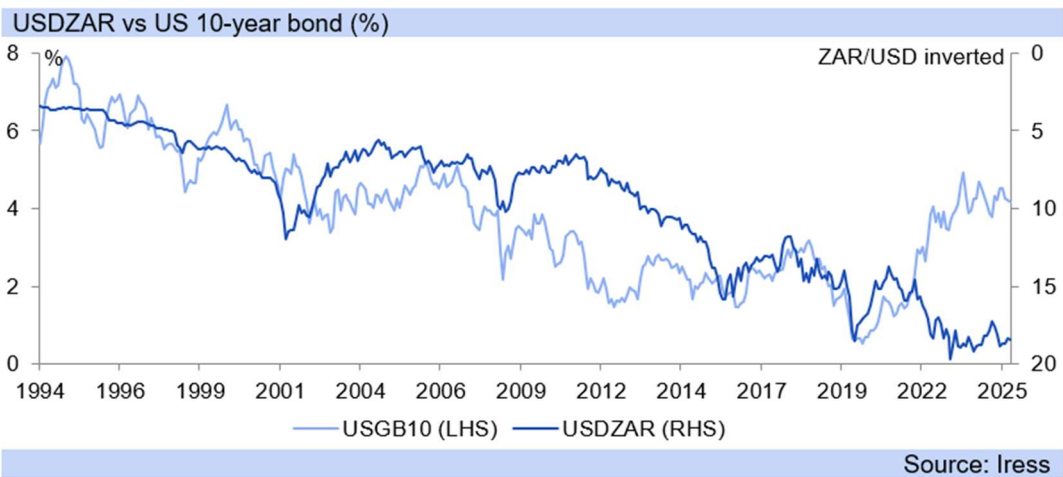
- South African government bonds have seen some recent stability, as yields run just above 10.50% (for the benchmark, ten-year, instrument), but from 10.17% at the start of 2025 they rose as inflation lifted, as did concern over state borrowing.
- In the US treasuries have seen yields drop, with that of the benchmark ten-year instrument now below 4.00%, as plans to dramatically reduce state (federal) expenditure in the US sees worries ease somewhat over US public finances.
- However, cutting expenditure has been a sticking point in the attempt to pass the recent, tabled budget for South Africa's coalition government (of national

unity, or GNU), with proposed tax hikes and reduction in tax relief measures also in focus.

- While the budget has yet to be passed, National Treasury notes there is no cause for concern for the operation of government, and in particular “the public should not be concerned about the delivery of critical government services”.
- “(A)s in previous years, government departments will continue to spend as normal because funds may be withdrawn from the National Revenue Fund for the requirements of departments from 1 April 2025”.
- “(E)ven though the fiscal year starts on 1 April every year, the Appropriation Bill is always passed later. This situation means that every year, departments incur spending before the Appropriation Act takes effect”.
- “(I)t is important to note that the funding may not be withdrawn for new requirements ... not funded in the 2024/25 financial year. Any new spending programmes, projects or policy adjustments may only commence after the Appropriation Act is enacted.”
- Bond yields have settled, into a wait and see holding pattern, and would be supported by a lack of additional borrowing, with state debt already high, well above the sustainable 60% of GDP mark for an emerging market economy.
- In the US, the sharp cuts in expenditure under the DOGE programme are expected to have a disinflationary effect, countering to some extent the inflationary impact of tariff increase (although the latter will depend on the extent of the tariff hikes applied).
- From this afternoon, US announcements under its America first trade policy are expected, with increased protectionism against countries which persistently run trade deficits with the US, but with a high degree of uncertainty around their extent.
- Today, too, is expected to see agreement reached on SA’s 2025 budget plans in, with many political parties giving different input to the process, including a postponement for the budget to be reworked before being retabled in 30 days’ time.

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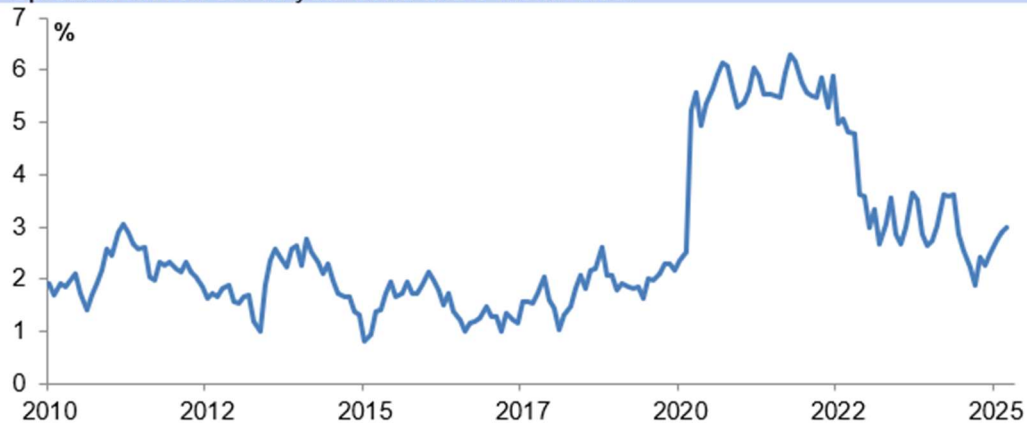




- National Treasury now notes “(d)espite the flexibility allowed by the Public Finance Management Act, the National Treasury is committed to supporting Parliament in its consideration and timely passage of the 2025 Budget”.
- The rand has weakened today on the difficulty of various political parties to find each other over approving South Africa’s budget, although the US dollar index has seen some recent stability ahead of the expected US tariff announcements.
- Already the US has announced a “25 percent tariff with respect to goods entered for consumption or withdrawn from warehouse for consumption ,,,for automobiles, and ... automobile parts” last week.
- But adds the tariffs “shall continue in effect, unless such actions are expressly reduced, modified, or terminated”, continuing the characterisation of protectionism this year in the US which can be altered or withdrawn to meet policy objectives.
- Global financial markets are consequently looking out for the additional tariff announcements today but are bearing in mind they can be paused or halted for individual countries, or goods as the US administration chooses to do so.
- The rand has reacted however to the increased political noise in SA around the budget, at R18.63/USD, weakening from R18.09/USD in the second half of March, as some fears have arisen around the stability of the GNU.
- “National Treasury notes “(t)he postponement of the 2025 Budget tabling, and the ongoing Parliamentary process, have elicited various comments and views about the near-term outlook for government finances and operations.”
- “South Africa’s legal system has built-in flexibility, including for the executive to finalise a budget. This year, the budget was tabled on 12 March 2025 and is currently under consideration by Parliament.”
- “Although the Minister of Finance usually tables the national budget in February each year, the law allows for a budget to be tabled at any time before the end of March or, in exceptional circumstances, as soon as possible after the start of the financial year.”

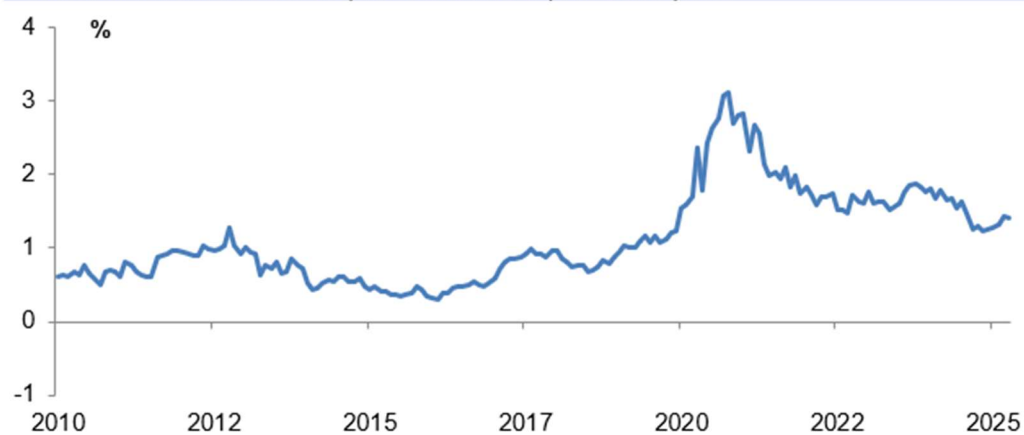
- “The annual Appropriation Bill is to be passed by Parliament within four months after the start of the financial year, specifically by 31 July according to the Money Bills and Related Matters Act.”
- Smaller political parties are seeking to join the ANC in approving the budget, while National Treasury has noted government will continue functioning and there is time to reach an agreement, but markets are worried over the sustainability of the GNU.

Spread between SA 10-year bond and 3-month Jibar



Source: Iress

Differential between SA 10-year bond and 5-year bond yields



Source: Iress

Interest rate forecast end rates: South Africa

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2024	11.75	6.3	8.25	2.8
Feb 2024	11.75	6.2	8.25	2.7
Mar 2024	11.75	6.4	8.25	2.9
Apr 2024	11.75	6.5	8.25	3.0
May 2024	11.75	6.6	8.25	3.1
Jun 2024	11.75	6.7	8.25	3.2
Jul 2024	11.75	7.1	8.25	3.6
Aug 2024	11.75	7.4	8.25	3.9
Sep 2024	11.50	7.7	8.00	4.2
Oct 2024	11.50	8.7	8.00	5.2
Nov 2024	11.25	8.4	7.75	4.9
Dec 2024	11.25	8.3	7.75	4.8
Jan 2025	11.00	7.8	7.50	4.3
Feb 2025	11.00	7.8	7.50	4.3
Mar 2025	11.00	8.2	7.50	4.7
Apr 2025	11.00	8.2	7.50	4.7
May 2025	11.00	8.1	7.50	4.6
Jun 2025	11.00	8.0	7.50	4.5
Jul 2025	10.75	7.0	7.25	3.5
Aug 2025	10.75	6.8	7.25	3.3
Sep 2025	10.75	6.6	7.25	3.1
Oct 2025	10.75	6.4	7.25	2.9
Nov 2025	10.50	5.9	7.00	2.4
Dec 2025	10.50	5.8	7.00	2.3
Jan 2026	10.50	5.6	7.00	2.1
Feb 2026	10.50	6.1	7.00	2.6
Mar 2026	10.25	5.9	6.75	2.4
Apr 2026	10.25	5.7	6.75	2.2
May 2026	10.25	5.7	6.75	2.2
Jun 2026	10.25	5.6	6.75	2.1
Jul 2026	10.25	5.7	6.75	2.2
Aug 2026	10.25	5.8	6.75	2.3
Sep 2026	10.25	5.9	6.75	2.4
Oct 2026	10.25	5.7	6.75	2.2
Nov 2026	10.25	5.6	6.75	2.1
Dec 2026	10.25	5.7	6.75	2.2

Source: IRESS, Investec

Forecasts South Africa interest rates

Period end rate %	Q1.24	Q2.24	Q3.24	Q4.24	Q1.25	Q2.25	Q3.25	Q4.25
Repo Rate	8.25	8.25	8.00	7.75	7.50	7.50	7.25	7.00
Prime Overdraft Rate	11.75	11.75	11.50	11.25	11.00	11.00	10.75	10.50

Source: Iress, Investec

CPI forecast averages

Date	Index Base 2016	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y	
Jan 2024	99.4	5.1	0.1	5.2		
Feb 2024	99.8	4.6	0.4			
Mar 2024	99.9	4.4	0.1			
Apr 2024	100.0	3.8	0.1	4.3		
May 2024	99.9	2.8	-0.1			
Jun 2024	99.9	2.9	0.0			
Jul 2024	100.0	3.0	0.1	2.9		
Aug 2024	100.3	3.2	0.3			
Sep 2024	101.2	3.2	0.9			
Oct 2024	101.7	2.8	0.5	3.1		
Nov 2024	101.9	2.8	0.2			
Dec 2024	102.2	2.9	0.3		2024	4.4
Jan 2025	102.4	3.0	0.2	2.9		
Feb 2025	103.5	3.8	1.1			
Mar 2025	103.9	4.0	0.3			
Apr 2025	104.2	4.2	0.3	4.0		
May 2025	104.3	4.4	0.1			
Jun 2025	104.5	4.6	0.2			
Jul 2025	104.7	4.7	0.2	4.6		
Aug 2025	105.2	4.9	0.5			
Sep 2025	105.6	4.4	0.4			
Oct 2025	106.2	4.4	0.5	4.6		
Nov 2025	106.6	4.6	0.4			
Dec 2025	106.9	4.6	0.3		2025	3.6
Jan 2026	107.2	4.7	0.3	4.6		
Feb 2026	108.3	4.6	1.0			
Mar 2026	108.5	4.5	0.2			
Apr 2026	108.7	4.4	0.2	4.5		
May 2026	109.1	4.6	0.3			
Jun 2026	109.4	4.7	0.3			
Jul 2026	109.5	4.6	0.1	4.6		
Aug 2026	99.4	5.1	0.1	5.2		
Sep 2026	99.8	4.6	0.4			
Oct 2026	99.9	4.4	0.1			
Nov 2026	100.0	3.8	0.1	4.3		
Dec 2026	99.9	2.8	-0.1		2026	4.6

Source: Stats SA, Investor

