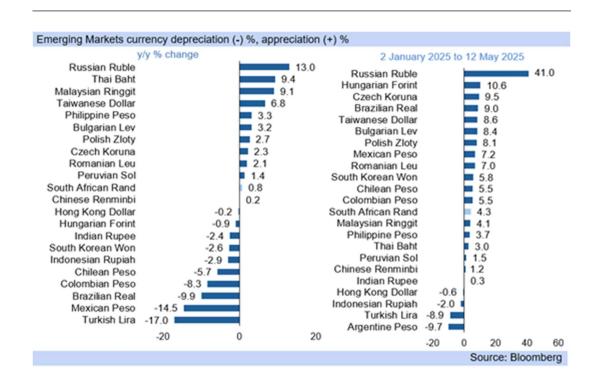
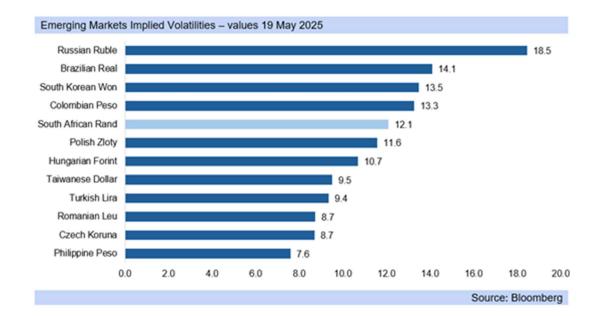
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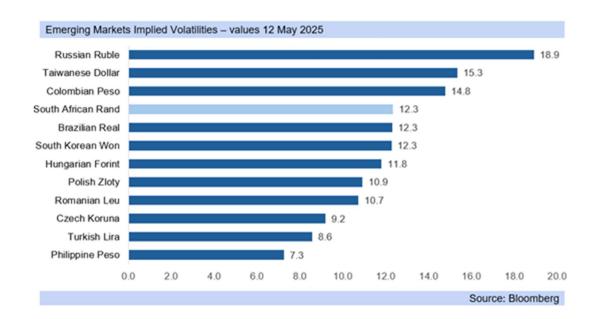


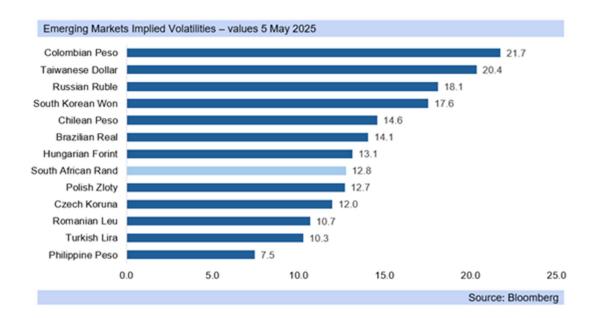
Rand note: the rand is poised for further strength if the inflation target is lowered

Monday 19 May 2025









Expected C	Case: Exc			asts									
		20	25			20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.2	
USD/ZAR	18.50	18.60	18.45	18.00	17.90	18.00	18.10	18.00	17.90	18.00	18.10	17.90	
GBP/ZAR	23.29	24.22	24.54	24.12	24.25	24.66	24.98	24.84	24.34	24.12	23.89	23.27	
EUR/ZAR	19.47	20.72	21.13	20.88	21.03	21.42	21.72	21.60	21.30	21.42	21.36	21.12	
ZAR/JPY	8.24	7.86	7.86	8.06	7.96	7.78	7.60	7.50	7.54	7.44	7.35	7.37	
CHFZAR	20.58	21.95	22.24	21.86	21.91	22.20	22.39	22.15	21.57	21.18	20.57	19.89	
AUDZAR	11.61	11.55	11.90	11.70	11.72	11.88	12.04	12.06	12.35	12.42	12.49	12.35	
GBP/USD	1.26	1.30	1.33	1.34	1.36	1.37	1.38	1.38	1.36	1.34	1.32	1.30	
EUR/USD	1.05	1.11	1.15	1.16	1.18	1.19	1.20	1.20	1.19	1.19	1.18	1.18	
USD/JPY	152	146	145	145	143	140	138	135	135	134	133	132	
								Note	average	s, Sourc	e: Investe	c, Ires	

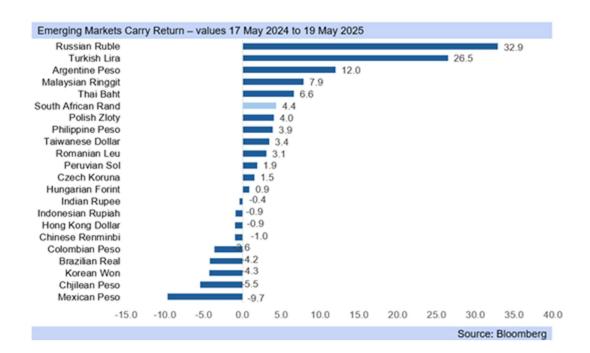
- The rand continues to attempt to break through the R18.00/USD mark, a major resistance level, reaching R17.99/USD temporarily on Friday, then rebounding back above R18.00/USD, and at R18.01/USD today, ahead of the budget.
- Markets are anticipating the announcement of a new inflation target, with the range currently 3-6% y/y and the midpoint of 4.5% y/y. National Treasury is likely to prefer a gradual descent, as opposed to the SARB's preference of close to 3.0% y/y.
- National Treasury sets the inflation target, and the Reserve Bank is mandated to achieve it, with National Treasury in charge of deciding what the range and or target point will be, and having said a change is imminent.
- However, National Treasury has also warned in the past that "you don't get there (a lower inflation target) in a manner which is painless", "What is clear is

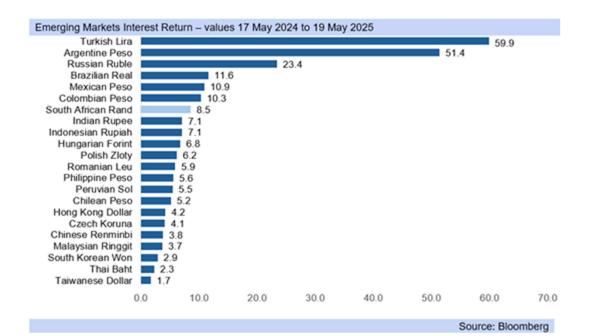
that if we revise the target, the target can only be revised lower." "But ... (t)o get there is tough."

- Finance Minister Godongwana has previously asked National Treasury and the Reserve Bank to determine the full impact on consumers and the economy first before any changes are made to the inflation target.
- The announcement could come as early as this week, on Wednesday, with National Treasury having said "South Africa's inflation target is out of sync". A modest revision to 3-5% y/y with a midpoint would probably be preferable for National Treasury.
- This is in contrast to the Reserve Bank's previously stated choice of closer to South Africa's key trading partner's inflation targets of 2.0% y/y (US, EU, China, UK), but first moving to 3.0% y/y before the drop to 2.0% y/y.
- A compromise of a new target range of 5-2% y/y is possible, with a midpoint then of 3.5% y/y. CPI inflation is already below this, at 2.7% y/y, and likely to be below 3.0% y/y for Q2.25. However, base effects in Q3.25 will push inflation above 3.5% y/y.
- A new target midpoint of 3.5% y/y would likely mean no further interest rate cuts for this year. The rand would likely strengthen further towards R17.50/USD as the US cuts. Currently two -25bp US interest rate cuts are expected in H2.25.

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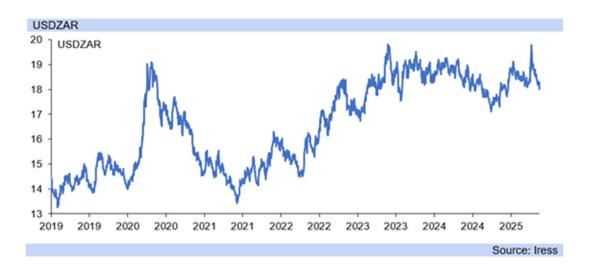








Source: Bloomberg



- Given the negative impact on consumers of missing out on further interest rate cuts in the current cycle, National Treasury could aim for more caution and announce the new target range at 5.5% -2.5% y/y instead, moving the midpoint down to 4.0% y/y.
- Also key for South Africa, S&P's country review on Friday saw the credit rating agency affirm South Africa's BB- foreign currency rating and BB/B local currency rating, maintaining a positive outlook on the potential for reform.
- S&P notes "the potential for stronger growth ... despite trade- and tariff-related headwinds, alongside government debt consolidation if the coalition government can accelerate economic and fiscal reforms while addressing infrastructure pressures".
- Adding, "(w)e could raise the ratings if an improving track record of effective reforms resulted in the strengthening of economic growth, and reduced government debt and contingent liabilities".
- "Despite the re-tabling of the budget and the likely removal of VAT, the government plans to continue with fiscal consolidation, and fiscal financing benefits from access to deep domestic markets and an actively traded currency."
- "Despite the significant disagreements, the coalition government of national unity (GNU) has managed to remain intact, which we believe bodes well for broad policy continuity and enhanced reform momentum."

- "The ratings ... benefit from the country's sizable and sophisticated financial system that provides a deep funding base for the government. The country also has relatively strong institutions, with good checks and balances, particularly" the SARB.
- "The ratings are constrained by relatively low GDP per capita and low GDP growth rates, as well as sizable fiscal deficits and high government debt. The positive outlook reflects the potential for stronger growth than we currently expect".
- This is "despite trade- and tariff-related headwinds, alongside government debt consolidation, if the coalition government can accelerate economic and fiscal reforms while addressing infrastructure pressures", as S&P remains positive on SA.

Economic	c Scenarios:											
		Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26			
Extreme	USD/Rand (average)	18.50	17.00	16.00	15.30	15.00	14.90	14.80	14.65			
Up case	Repo rate (end rate)	7.50	7.00	6.50	6.25	6.00	5.50	5.25	5.00			
2%	SA economic growth rises	to 3-5%, the	en 5-7%. C	Good gove	rnance, gr	owth-creati	ng reform	s, structura	al (including			
	infrastructure) constraints er											
	High business confidence and fixed investment growth, substantial FDI, fiscal consolidation drives debt to low ratios of											
	2000s. Very subdued domestic inflation on extreme rand strength, very favourable weather conditions. Short grey listing. Strong global growth, risk-on, commodity boom. Rapid upgrades of credit ratings. Strong transition away from fossil fuel											
	usage, a quick transition to		nergy, very	comprehe	nsive meas	sures to all	eviate clin	nate chang	e impact on			
Up case	economy. Geopolitical tension	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26			
15%	USD/Rend (marrage)	18.50	17.50	16.60	16.30	16.10	16.00	16.05	16.10			
1376	USD/Rand (average) Repo rate (end rate)	7.50	7.25	7.00	6.75	6.50	6.25	6.00	5.75			
	Economic growth eventual											
	infrastructure) constraints eroded, global growth strong, global financial markets risk-on. No nationalisation or expropriation without compensation. Low domestic inflation on favourable weather and global conditions, rand strength.											
	expropriation without compensation. Low domestic initiation on ravourable weather and global conditions, rand strength, lower state-controlled price inflation on increased privatisation. Positive outlooks on credit ratings turn into upgrades on											
	substantial fiscal consolidat											
	transition to renewable energ											
	on economy. Geopolitical ter	nsions ease.										
		Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26			
Base	USD/Rand (average)	18.50	18.60	18.45	18.00	17.90	18.00	18.10	18.00			
case 50%	Repo rate (end rate)	7.50	7.50	7.25	7.00	6.75	6.75	6.75	6.75			
				6.40	2.00	W. F .	0.10	W. F W.	0.73			
50%	Economic growth modest be	it lifts towards										
50%	Economic growth modest be but is still limited by structure	al (including in	s 3.0% y/y	over five y	rears on su freight tran	fficient don sport) cons	nestic poli traints. Gl	cy support obal financ	measures ial market			
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Life domestic) Down case 32% Severe down case	Economic growth modest be but is still limited by structurerisk sentiment is neutral to a (debt to GDP stabilisation) or inflation is impacted by the coccurs and measures to alle without compensation occur. Africa's grey listing lifted in the USD/Rand (average) Reporate (end rate). The international environme projections stabilise, falls in occurs. Business confidence investment, civil and political transition to renewable energivate sector property with consolidation utrimately occurs. USD/Rand (average). Reporate (end rate). Lengthy global recession, internationally. Very high infall three key agencies, down borrows from increasingly with the length of the latest and latest an	al (including in positive. Sout cours, leading burse of weath viate the impais and has no he period. Ge Q1.25 18.50 7.50 nt (incl. risk so to single B (ic. e remains dep il unrest. High gray or measu nout compenurs, preventing Q1.25 18.50 7.50 global finantation on very organded into (dder sources,	s 3.0% yly infrastructur in Africa is jo some p iner patterns act of climal significant opolitical te Q2.25 19.80 entiment) is ocal and fo oressed, los in inflation o ires to aller sation, witl g ratings fa Q2.25 20.50 9.00 cial crisis adverse w cCC grade stinks deep stinks deep	over five y e such as in the BB sittly out food p e change in negative e nasion gess Q3.25 20.00 at that of the reign curred at sheddin in a slight ling into th Q3.25 - insufficient from a control of the control of t	rears on su freight tran credit rating colss. The re- price inflation on the econ- effect on ec- tiles but do no Q4.25 20.50 8.75 e base cass ency) credit or and freignable weath- or and freignable weath- or colssessing and freignable weath- the colssessing and freignable weath- or colssessing and freignable weath- the colssessing and freignable weath- difference and freignable weath-difference and freignable weath-difference and freignable weath-differenc	fficient don sport) cons a quategory and stability and stability and and stability and and and and and and and and	nestic politraints. Gibracket alles and styles and styl	cy support obal finance s fiscal core engthens s to renewal d. Little exparionalisati Q3.26 20.60 a see gove e agencies restraints with a services i mitted exparry. Substraints with the core observed of the core observe	measures ial market isolidation omewhat, ble energy propriation ion. South Q4.26 20.40 9.25 mment debt is Recession orsen, weak kness. Little copriation of tantial fiscal Q4.26 21.20 10.50 stically and ingle B from Government dishedding,			
Litte domestic) Down case 32% Severe down case	Economic growth modest be but is still limited by structurerisk sentiment is neutral to a (debt to GDP stabilisation) or inflation is impacted by the or occurs and measures to alle without compensation occur. Africa's grey listing lifted in the USD/Rand (average) Reporate (end rate) The international environme projections stabilise, falls in occurs. Business confidence investment, civil and political transition to renewable energivate sector property with consolidation utilimately occurs. USD/Rand (average) Reporate (end rate) Lengthy global recession, internationally. Very high inflatil three livey agencies, down	al (including in positive. Sout cours, leading tourse of weath viate the impass and has no he period. Ge Q1.25 18.50 7.50 nt (incl. risk so to single 8 (ic. risks so single 8 (ic. risks so to single 8 (ic. remains deal unrest. High regret remains deptil remains des in the remains described in the rem	s 3.0% yly infrastructure in Africa is the Africa is per patterns act of climate significant opolitical to Q2.25 19.80 8.00 entiment) is obtained for inflation or instation, will gratings fa Q2.25 20.50 9.00 cial crisis adverse we CCC grade sinks deep transition to	over five ye such as in the BB in the BB is still be a	rears on su freight tran credit ratin, looks. The reminder inflation on the econ effect on eccies but do n Q4.25 20.50 8.75 e base case ency) credit weath mpact of clin negative is ne C grades Q4.25 21.10 11.00 item monet distions, see of risk of delet trap, we energy an energy and ene	grand stabilists of the control of t	nestic politraints. Glibracket a tes and stress and st	cy support obal finance is fiscal cor- engthens is to renewal d. Little exparionalisati Q3.26 20.60 9.50 9.50 9.50 9.50 9.50 9.50 9.50 9.5	measures ial market isolidation comewhat, ble energy propriation ion. South Q4.26 20.40 9.25 mment debt. Recession crsen, weak kness, Little ropriation of lantial fiscal Q4.26 21.20 10.50 stically and ingle B from Government dishedding, at of climate			

Note: Event risk begins Q2 25. Source: Invested

Lite Down Case: Exchange Rate forecasts													
		20	25			20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	18.50	19.80	20.00	20.50	20.80	21.00	20.60	20.40	20.30	20.40	20.50	20.30	
GBP/ZAR	23.29	25.78	26.60	27.47	28.18	28.77	28.43	28.15	27.61	27.34	27.06	26.39	
EUR/ZAR	19.47	22.06	22.90	23.78	24.44	24.99	24.72	24.48	24.16	24.28	24.19	23.95	
ZAR/JPY	8.24	7.39	7.25	7.07	6.85	6.67	6.67	6.62	6.65	6.57	6.49	6.50	
CHFZAR	20.58	23.37	24.10	24.90	25.46	25.90	25.48	25.11	24.46	24.00	23.30	22.56	
AUDZAR	11.61	12.30	12.90	13.33	13.62	13.86	13.70	13.67	14.01	14.08	14.15	14.01	
GBP/USD	1.26	1.30	1.33	1.34	1.36	1.37	1.38	1.38	1.36	1.34	1.32	1.30	
EUR/USD	1.05	1.11	1.15	1.16	1.18	1.19	1.20	1.20	1.19	1.19	1.18	1.18	
USD/JPY	152	146	145	145	143	140	138	135	135	134	133	132	
								Note: av	erages,	Source:	Investe	c, Iress	

Severe Dov	wn Case:	Exchan	ge Rate	forecasts									
		20	25			20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	18.50	20.50	20.90	21.10	21.50	21.90	21.80	21.20	21.10	21.20	21.30	21.10	
GBP/ZAR	23.29	26.69	27.80	28.27	29.13	30.00	30.08	29.26	28.70	28.41	28.12	27.43	
EUR/ZAR	19.47	22.84	23.93	24.48	25.26	26.06	26.16	25.44	25.11	25.23	25.13	24.90	
ZAR/JPY	8.24	7.14	6.94	6.87	6.63	6.39	6.31	6.37	6.40	6.32	6.24	6.26	
CHFZAR	20.58	24.19	25.19	25.63	26.31	27.01	26.97	26.09	25.42	24.94	24.20	23.44	
AUDZAR	11.61	12.73	13.48	13.72	14.08	14.45	14.50	14.20	14.56	14.63	14.70	14.56	
GBP/USD	1.26	1.30	1.33	1.34	1.36	1.37	1.38	1.38	1.36	1.34	1.32	1.30	
EUR/USD	1.05	1.11	1.15	1.16	1.18	1.19	1.20	1.20	1.19	1.19	1.18	1.18	
USD/JPY	152	146	145	145	143	140	138	135	135	134	133	132	
	Note: averages, Source: Investec, Iress												

Up Case: E	Up Case: Exchange Rate forecasts												
		20	25			20	26		2027				
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	18.50	17.50	16.60	16.30	16.10	16.00	16.05	16.10	16.15	16.10	16.20	16.10	
GBP/ZAR	23.29	22.79	22.08	21.84	21.82	21.92	22.15	22.22	21.96	21.57	21.38	20.93	
EUR/ZAR	19.47	19.49	19.01	18.91	18.92	19.04	19.26	19.32	19.22	19.16	19.12	19.00	
ZAR/JPY	8.24	8.36	8.73	8.90	8.85	8.75	8.57	8.39	8.36	8.32	8.21	8.20	
CHFZAR	20.58	20.65	20.01	19.80	19.71	19.73	19.86	19.82	19.46	18.94	18.41	17.89	
AUDZAR	11.61	10.87	10.71	10.60	10.55	10.56	10.67	10.79	11.14	11.11	11.18	11.11	
GBP/USD	1.26	1.30	1.33	1.34	1.36	1.37	1.38	1.38	1.36	1.34	1.32	1.30	
EUR/USD	1.05	1.11	1.15	1.16	1.18	1.19	1.20	1.20	1.19	1.19	1.18	1.18	
USD/JPY	152	146	145	145	143	140	138	135	135	134	133	132	
								Note	average	s, Source	e: Investe	ec, Iress	

Extreme Up Case: Exchange Rate forecasts													
		20	26		2027								
	Q1.25	Q2.25	Q3.25	Q4.25	Q1.26	Q2.26	Q3.26	Q4.26	Q1.27	Q2.27	Q3.27	Q4.27	
USD/ZAR	18.50	17.00	16.00	15.30	15.00	14.90	14.80	14.65	14.60	14.55	14.50	14.30	
GBP/ZAR	23.29	22.14	21.28	20.50	20.33	20.41	20.42	20.22	19.86	19.50	19.14	18.59	
EUR/ZAR	19.47	18.94	18.32	17.75	17.63	17.73	17.76	17.58	17.37	17.31	17.11	16.87	
ZAR/JPY	8.24	8.60	9.06	9.48	9.50	9.40	9.29	9.22	9.25	9.21	9.17	9.23	
CHFZAR	20.58	20.06	19.28	18.58	18.36	18.37	18.31	18.03	17.59	17.12	16.48	15.89	
AUDZAR	11.61	10.56	10.32	9.95	9.83	9.83	9.84	9.82	10.07	10.04	10.01	9.87	
GBP/USD	1.26	1.30	1.33	1.34	1.36	1.37	1.38	1.38	1.36	1.34	1.32	1.30	
EUR/USD	1.05	1.11	1.15	1.16	1.18	1.19	1.20	1.20	1.19	1.19	1.18	1.18	
USD/JPY	152	146	145	145	143	140	138	135	135	134	133	132	
								Note	averages	, Source	Invested	Iress	