

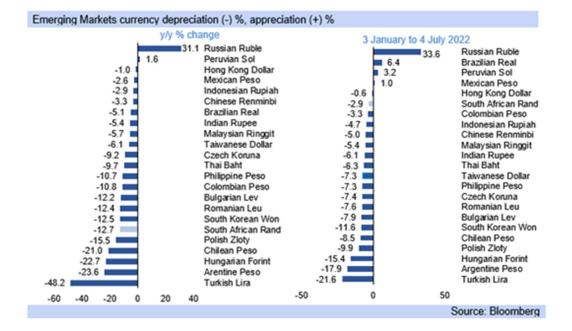


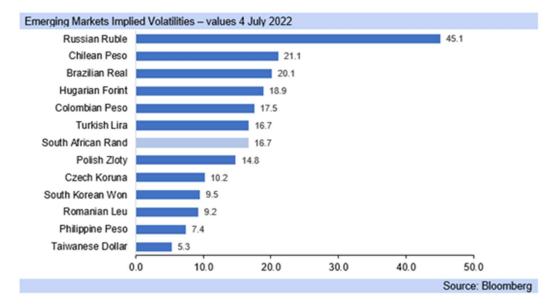
SA Economics

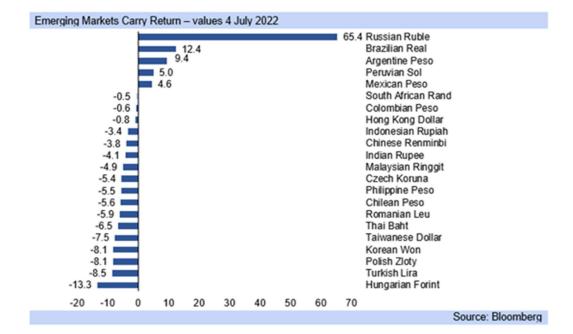
Monday 4 July 2022

Rand note: SA is not yet expected to see a recession in the middle two quarters of the year, but severe loadshedding increases the risk, weakening the rand, as does risk-off

	Scenarios: note updated for	precasts, sc	enarios									
		Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23			
xtreme	USD/Rand (average)	15.21	15.59	14.00	13.80	13.70	13.60	13.40	13.30			
p case	Repo rate (end rate)	4.25	4.75	4.00	3.75	3.75	3.75	3.50	3.50			
Ya	SA economic growth rises											
	constraints eradicated), str High business confidence a low ratios of 2000s. Very s conditions. Strong global	ubdued dor growth, risk	mestic inflation, com	ation on e modity bo	bstantial F xtreme rar om. Rapid	DI, fiscal on d strengt	consolida h, very fa	tion drive	s debt to weather			
	transition away from fossil	fuel usage,	a quick tra	insition to	renewable	e energy.						
case		Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23			
10	USD/Rand (average)	15.21	15.59	15.00	14.90	14.90	14.70	14.60	14.50			
	Repo rate (end rate)	4.25	4.75	4.50	4.25	4.00	4.00	4.25	4.25			
	Economic growth of 3%, r											
	growth strong, global finan											
	Low domestic inflation on favourable weather and global conditions, rand strength, lower state-controlled price inflation on increased private privatisation. Positive outlooks on credit ratings turn into upgrades fiscal											
	consolidation, debt project											
	fossil fuel usage, comprehe								ay nom			
	rossii luei usage, comprene	maive meas	ones to all	eviate cili	nate crian	ge impact	on econe	July.				
		Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23			
ase	USD/Rand (average)	15.21	15.59	16.00	15.60	15.21	15.59	16.00	15.60			
ase	Repo rate (end rate)	4.25	4.75	5.50	5.75	6.00	6.00	6.25	6.25			
0%	Economic growth modest but lifts towards 3.0% y/y over five years on sufficient domestic policy support											
	measures, global financial	market risk	sentiment	is neutral	to positive	e. South A	frica in th	e BB cre	dit ratino			
	category bracket as fiscal											
	outlooks. The rand sees mild weakness and inflation is impacted by the course of weather patterns via food price inflation. Little everyoptation without compensation occurs and has no negative effect on											
	food price inflation. Little expropriation without compensation occurs and has no negative effect or economy, no nationalisation. A modest transition to renewable energy and slow move away from fossil fue											
	usage occurs and measur						ne econo	omy are	modestly			
	implemented. The Russian	/Ukraine co	nflict ease	s and doe	s not exac	cerbate.						
		04.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23			
		Q1.22		16.90	17.00	17.50	17.60	17.50				
ite	USD/Rand (average)	15.21	15.59				17.00	17.50	17.00			
	USD/Rand (average) Repo rate (end rate)		15.59 4.75	5.75	6.25	6.75	7.25	7.75	17.00 8.25			
lomestic)	Repo rate (end rate)	15.21 4.25	4.75	5.75	6.25	6.75	7.25	7.75	8.25			
domestic) Down	Repo rate (end rate) The international environm	15.21 4.25 tent (incl. ris	4.75 k sentime	5.75 nt) is that	6.25 of the bas	6.75 e case. S	7.25 outh Afric	7.75 a fails to	8.25 see debt			
domestic) Down case	Repo rate (end rate) The international environm projections stabilise, falls in	15.21 4.25 ent (incl. ris nto single B	4.75 k sentime (local and	5.75 nt) is that d foreign o	6.25 of the bas currency) of	6.75 e case. S credit ratio	7.25 outh Afric gs from a	7.75 a fails to all three a	8.25 see debt gencies.			
domestic) Down case	Repo rate (end rate) The international environm projections stabilise, falls i Recession occurs. Busine	15.21 4.25 nent (incl. ris nto single B ss confiden	4.75 k sentime (local and ce depres	5.75 nt) is that d foreign o sed, signi	6.25 of the bas currency) of ficant load	6.75 e case. S redit ratin shedding	7.25 outh Afric gs from a), weak in	7.75 a fails to all three a westment	8.25 see debt gencies. t growth,			
fomestic) Jown case	Repo rate (end rate) The international environm projections stabilise, falls i Recession occurs. Busine civil and political unrest. H	15.21 4.25 nent (incl. ris nto single E ss confiden igh inflation	4.75 k sentime (local and ce depress on unfavo	5.75 nt) is that d foreign o sed, signi orable we	6.25 of the bas currency) of ficant load ather cond	6.75 e case. S redit ration shedding litions, ma	7.25 outh Afric gs from a , weak in inked rand	7.75 a fails to all three a vestment d weakne	8.25 see debt gencies. t growth, ss. Little			
ite domestic) Down case 19%	Repo rate (end rate) The international environm projections stabilise, falls i Recession occurs. Busine civil and political unrest. H transition to renewable et	15.21 4.25 nent (incl. ris nto single E ss confiden igh inflation nergy or m	4.75 k sentime (local and ce depress on unfavo easures to	5.75 nt) is that d foreign of sed, signi orable we o alleviate	6.25 of the bas currency) of ficant load ather conde the imp	6.75 e case. So redit ratio shedding litions, ma act of clir	7.25 outh Afric gs from a , weak in inked rand nate cha	7.75 a fails to all three a westment d weakne nge. Ver	8.25 see debt gencies. t growth, ss. Little y limited			
fomestic) Jown case	Reportate (end rate) The international environm projections stabilise, falls in Recession occurs. Busine civil and political unrest. H transition to renewable en expropriation of private st	15.21 4.25 nent (incl. ris nto single B ss confiden igh inflation nergy or m sector prop	4.75 k sentime (local and ce depress on unfavo easures to erty witho	5.75 nt) is that d foreign of sed, signi orable we o alleviate ut compe	6.25 of the bas currency) of ficant load ather cond the implementation, w	6.75 e case. So redit ratio shedding litions, ma act of clir with some	7.25 outh Afric gs from a , weak in irked rand nate cha e negativ	7.75 a fails to all three a vestment d weakne nge. Ver ve impact	8.25 see debt gencies. t growth, ss. Little y limited t on the			
lomestic) lown case	Repo rate (end rate) The international environm projections stabilise, falls i Recession occurs. Busine civil and political unrest. H transition to renewable et	15.21 4.25 nent (incl. ris nto single B ss confiden igh inflation nergy or m sector prop	4.75 k sentime (local and ce depress on unfavo easures to erty witho	5.75 nt) is that d foreign of sed, signi orable we o alleviate ut compe	6.25 of the bas currency) of ficant load ather cond the implementation, w	6.75 e case. So redit ratio shedding litions, ma act of clir with some	7.25 outh Afric gs from a , weak in irked rand nate cha e negativ	7.75 a fails to all three a vestment d weakne nge. Ver ve impact	8.25 see debt gencies. t growth, ss. Little y limited t on the			
lomestic) lown ase	Reportate (end rate) The international environm projections stabilise, falls in Recession occurs. Busine civil and political unrest. H transition to renewable en expropriation of private st	15.21 4.25 tent (incl. ris nto single B ss confiden igh inflation nergy or m tector prop al consolidat	4.75 k sentime (local and ce depress on unfavo easures to erty witho tion ultimation	5.75 nt) is that d foreign of sed, signi orable we o alleviate ut compe	6.25 of the bas currency) of ficant load ather cond e the impo- ensation, v s, preventi	6.75 e case. So redit ratin shedding litions, ma act of clir with some ing ratings	7.25 outh Africe gs from a , weak in irked rand nate cha e negativ falling in	7.75 a fails to all three a vestment d weakne nge. Ver ve impact	8.25 see debt gencies. t growth, ss. Little y limited t on the			
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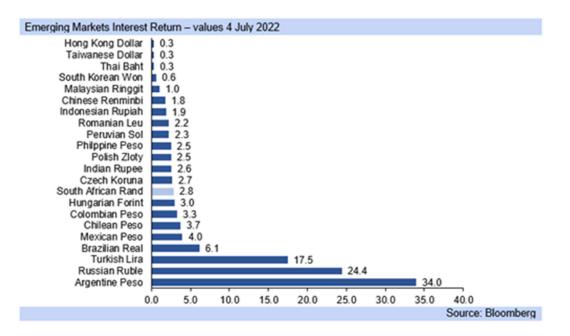




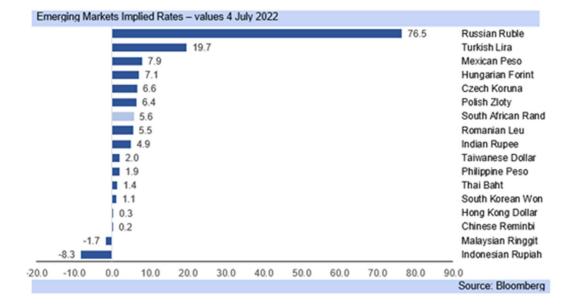
		20	22			20	23	2024				
	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.2
JSD/ZAR	15.21	15.59	16.00	15.60	15.40	15.80	16.20	15.70	15.50	16.00	16.50	16.0
SBP/ZAR	20.40	19.59	19.52	18.88	18.79	19.75	20.57	20.10	20.15	21.28	22.28	22.0
UR/ZAR	17.07	16.60	17.12	17.00	17.09	17.85	18.47	18.06	18.29	19.20	20.30	20.0
AR/JPY	7.65	8.33	8.44	8.59	8.51	8.16	7.84	8.03	7.94	7.38	6.97	6.8
CHFZAR	16.47	16.15	16.84	16.60	16.56	17.17	17.80	17.25	17.03	17.58	18.13	17.5
AUDZAR	11.02	11.14	11.36	11.23	11.40	11.85	12.31	12.25	12.09	12.48	12.87	12.4
GBP/USD	1.34	1.26	1.22	1.21	1.22	1.25	1.27	1.28	1.30	1.33	1.35	1.3
EUR/USD	1.12	1.06	1.07	1.09	1.11	1.13	1.14	1.15	1.18	1.20	1.23	1.2
JSD/JPY	116	130	135	134	131	129	127	126	123	118	115	110

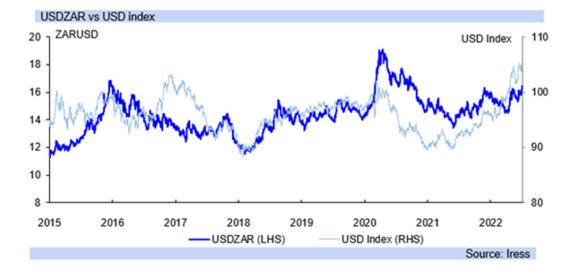
- After weakening to R16.50/USD by the end of last week, as severe load shedding persisted on the back of the Eskom workers' strike, the rand has pulled back to R16.25/USD today, although also afflicted by global financial market risk sentiment.
- Stubbornly high inflation saw key Central Banks turn very hawkish in their communications, and a sharp downwards revision in global, and US, growth forests from mid-April caused a sharp drop in risk asset prices (including equities, and EM assets and currencies).
- Q3.22 is still at risk of marked weakness, both for the rand and for all risk assets, with lower liquidity levels in global financial markets as there is seasonally less trading activity in financial markets in the Northern Hemisphere summer months.
- That is, with the bulk of global wealth held in the Northern Hemisphere, and senior traders typically winding down risky positions in Q2.22, taking vacation in Q3.22, the very thin markets typically exacerbate risky events, increasing risk-off investor behaviour.
- The rand, and risk assets, typically see greater weakness in the middle two quarters of the year, and greater strength in the first and last quarters of the year, with the rand driven mostly by factors affecting global financial markets, with April's weakness not unusual.
- While seasonal effects have an influence on the rand, so do fundamental factors. With obdurately high inflation in the US and EU (with Euro-area CPI inflation now at 8.6% as well, jumping higher from 8.1% y/y in May), interest rate expectations are rising.

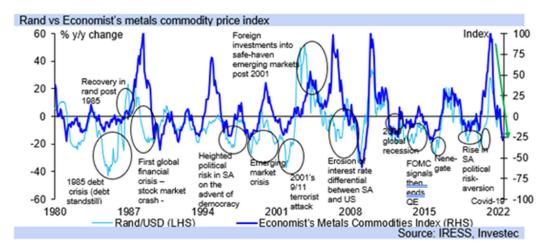
- Increased sanctions on Russia are expected to further push up oil prices towards the US\$200/bbl barrel, and if very severe, possibly towards US300/bbl, which is worrying markets, and adding to risk off sentiment, as uncertainty negatively affects risk sentiment.
- With the Russian/Ukraine war showing no signs of coming to an end, and continuing to negatively affect energy and food commodity prices, high inflation is expected over H2.22, and into H1.23, with high inflation also damaging consumer confidence and real spend.
- The US has been adamant in the need to suppress high inflation, and is currently likely to increase the fed funds rate to 3.00-3.25% by year end (if not 3.25/3.50), from its current 1.50-1.75% range, which is worrying markets, and adding to risk-off sentiment.

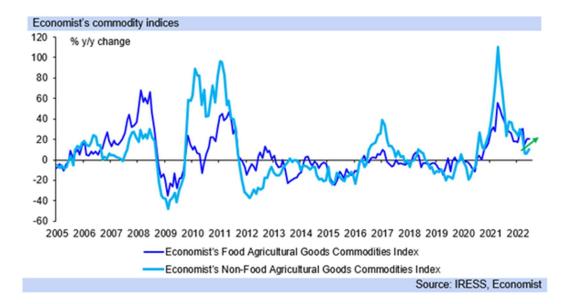


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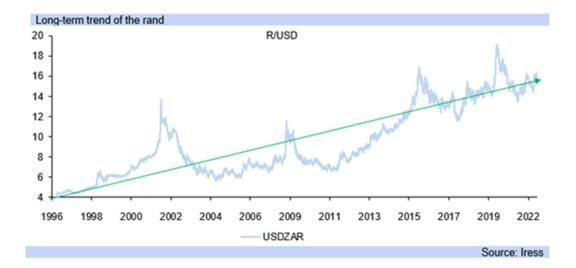




• The strike as Eskom workers seek to achieve well above inflation wage increases (of 10-12% with CPI inflation at 6.5% y/y) is damaging the functioning of the electricity system, with load shedding expected to continue this week and next, and a wage settlement not yet reached.

- The current severe degree of load shedding is not expected to continue over Q3.22, but if it did it would collapse the South African economy into recession, after the contraction that is expected to have occurred in GDP in Q2.22.
- The Eskom strike is unprotected, and as its workers are deemed essential service workers, Eskom is reported to be investigating the situation, in conjunction with the police, given intimidation, violence and disruptions, with a view to dismissals via disciplinary procedures.
- The violence has been reported to include petrol bombing management's personal homes and vehicles, while intimidating phone calls kept employees at home and reduced the ability for the power stations to function reducing the amount of available electricity.
- Ramaphosa's spokesperson, Vincent Magwenya, is reported to have said "(i)t is tragic that union leaders are engaging in an approach that ultimately will have a devastating impact on workers. Short-term gains are not worth losing an entire job a few months later".
- "Action on intimidation is extremely important. Eskom needs the support of lawenforcement agencies. If it is allowed to continue, it will become a norm." "As a result of the unlawful strike, routine maintenance work has had to be postponed. This backlog will ... weeks to clear."
- The President's spokesperson further said that if there are no arrests and criminal charges, Eskom would not be able to make verified excuses that load shedding is due to sabotage, purposeful negligence and intimidation of workers who would otherwise be working at Eskom.
- Electricity power stations cannot run on their own, and require a full quotient of workers to produce electricity optimally, as well as a high level of maintenance and repair, quality fuel and well run modern systems, with Eskom losing much needed revenue on the strike.
- Eskom has been identified as highly overstaffed (World Bank) and striking workers a direct cause of the current stage 6 load shedding (Eskom). Fractured labour unions are seeking to strengthen their hands in the industrial action at Eskom which risks causing a recession.

Severe Dov	wn Case:	Exchang	je Rate fo	orecasts									
	2022						23		2024				
	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	
USD/ZAR	15.21	15.59	17.50	18.00	18.50	19.00	19.75	20.50	20.30	20.40	20.30	20.20	
GBP/ZAR	20.40	19.59	21.35	21.78	22.57	23.75	25.08	26.24	26.39	27.13	27.41	27.88	
EUR/ZAR	17.07	16.60	18.73	19.62	20.54	21.47	22.52	23.58	23.95	24.48	24.97	25.25	
ZAR/JPY	7.65	8.33	7.71	7.44	7.08	6.79	6.43	6.15	6.06	5.78	5.67	5.45	
CHFZAR	16.47	16.15	18.42	19.15	19.89	20.65	21.70	22.53	22.31	22.42	22.31	22.20	
AUDZAR	11.02	11.14	12.43	12.96	13.69	14.25	15.01	15.99	15.83	15.91	15.83	15.76	
GBP/USD	1.34	1.26	1.22	1.21	1.22	1.25	1.27	1.28	1.30	1.33	1.35	1.38	
EUR/USD	1.12	1.06	1.07	1.09	1.11	1.13	1.14	1.15	1.18	1.20	1.23	1.25	
USD/JPY	116	130	135	134	131	129	127	126	123	118	115	110	
								Note	: average	es, Sourc	e: Investe	ec, Iress	



Lite Down	Case: Ex	change R	ate fored	asts									
	2022						23		2024				
	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	
USD/ZAR	15.21	15.59	16.90	17.00	17.50	17.60	17.50	17.00	17.30	17.20	17.00	16.80	
GBP/ZAR	20.40	19.59	20.62	20.57	21.35	22.00	22.23	21.76	22.49	22.88	22.95	23.18	
EUR/ZAR	17.07	16.60	18.08	18.53	19.43	19.89	19.95	19.55	20.41	20.64	20.91	21.00	
ZAR/JPY	7.65	8.33	7.99	7.88	7.49	7.33	7.26	7.41	7.11	6.86	6.76	6.55	
CHFZAR	16.47	16.15	17.79	18.09	18.82	19.13	19.23	18.68	19.01	18.90	18.68	18.46	
AUDZAR	11.02	11.14	12.00	12.24	12.95	13.20	13.30	13.26	13.49	13.42	13.26	13.10	
GBP/USD	1.34	1.26	1.22	1.21	1.22	1.25	1.27	1.28	1.30	1.33	1.35	1.38	
EUR/USD	1.12	1.06	1.07	1.09	1.11	1.13	1.14	1.15	1.18	1.20	1.23	1.25	
USD/JPY	116	130	135	134	131	129	127	126	123	118	115	110	
								Note: av	erages.	Source:	Investe	c. Iress	

Up Case: E	xchange	Rate for	ecasts										
		20	22			20	23		2024				
	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24	
USD/ZAR	15.21	15.59	15.00	14.90	14.90	14.70	14.60	14.50	14.60	14.50	14.40	14.40	
GBP/ZAR	20.40	19.59	18.30	18.03	18.18	18.38	18.54	18.56	18.98	19.29	19.44	19.87	
EUR/ZAR	17.07	16.60	16.05	16.24	16.54	16.61	16.64	16.68	17.23	17.40	17.71	18.00	
ZAR/JPY	7.65	8.33	9.00	8.99	8.79	8.78	8.70	8.69	8.42	8.14	7.99	7.64	
CHFZAR	16.47	16.15	15.79	15.85	16.02	15.98	16.04	15.93	16.04	15.93	15.82	15.82	
AUDZAR	11.02	11.14	10.65	10.73	11.03	11.03	11.10	11.31	11.39	11.31	11.23	11.23	
GBP/USD	1.34	1.26	1.22	1.21	1.22	1.25	1.27	1.28	1.30	1.33	1.35	1.38	
EUR/USD	1.12	1.06	1.07	1.09	1.11	1.13	1.14	1.15	1.18	1.20	1.23	1.25	
USD/JPY	116	130	135	134	131	129	127	126	123	118	115	110	
								Note	e average	s, Sourc	e: Investe	ec, Iress	

Extreme Up	Extreme Up Case: Exchange Rate forecasts													
	2022						23		2024					
	Q1.22	Q2.22	Q3.22	Q4.22	Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24		
USD/ZAR	15.21	15.59	14.00	13.80	13.70	13.60	13.40	13.30	13.10	12.90	12.80	12.60		
GBP/ZAR	20.40	19.59	17.08	16.70	16.71	17.00	17.02	17.02	17.03	17.16	17.28	17.39		
EUR/ZAR	17.07	16.60	14.98	15.04	15.21	15.37	15.28	15.30	15.46	15.48	15.74	15.75		
ZAR/JPY	7.65	8.33	9.64	9.71	9.56	9.49	9.48	9.47	9.39	9.15	8.98	8.73		
CHFZAR	16.47	16.15	14.74	14.68	14.73	14.78	14.73	14.62	14.40	14.18	14.07	13.85		
AUDZAR	11.02	11.14	9.94	9.94	10.14	10.20	10.18	10.37	10.22	10.06	9.98	9.83		
GBP/USD	1.34	1.26	1.22	1.21	1.22	1.25	1.27	1.28	1.30	1.33	1.35	1.38		
EUR/USD	1.12	1.06	1.07	1.09	1.11	1.13	1.14	1.15	1.18	1.20	1.23	1.25		
USD/JPY	116	130	135	134	131	129	127	126	123	118	115	110		
								Note	average	s. Sourc	e: Investe	ec. Iress		