

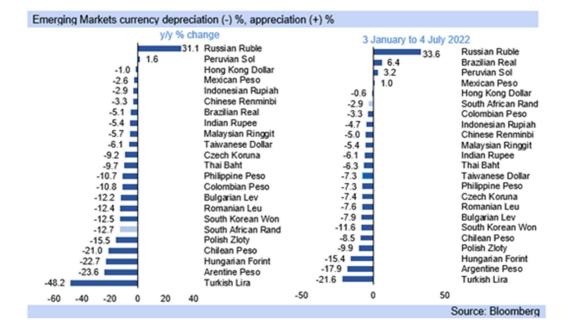


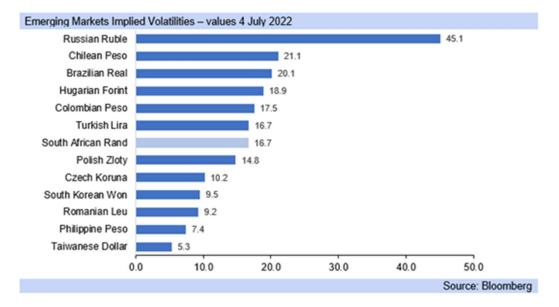
## SA Economics

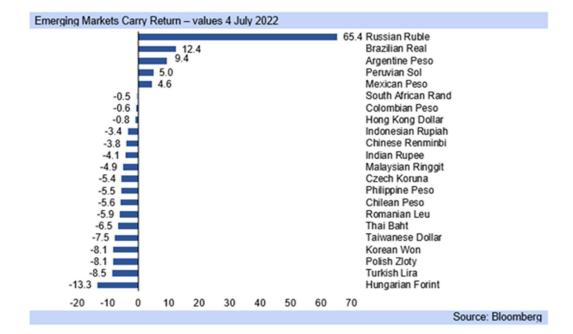
Monday 4 July 2022

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<br>High business confidence a<br>low ratios of 2000s. Very s<br>conditions. Strong global   | ubdued dor<br>growth, risk   | mestic inflation, com   | ation on e<br>modity bo  | bstantial F<br>xtreme rar<br>om. Rapid  | DI, fiscal on<br>d strengt  | consolida<br>h, very fa  | tion drive   | s debt to<br>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<br>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<br>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<br>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)<br>Repo rate (end rate)   |  | 15.59<br>4.75   | 5.75   | 6.25  | 6.75  | 7.25   | 7.75   | 17.00<br>8.25  |  |  |  |
| lomestic)  | Repo rate (end rate)   | 15.21<br>4.25  | 4.75  | 5.75   | 6.25  | 6.75  | 7.25   | 7.75   | 8.25   |  |  |  |
| domestic)<br>Down                                      | Repo rate (end rate)<br>The international environm   | 15.21<br>4.25<br>tent (incl. ris   | 4.75<br>k sentime   | 5.75<br>nt) is that  | 6.25<br>of the bas  | 6.75<br>e case. S   | 7.25<br>outh Afric   | 7.75<br>a fails to   | 8.25<br>see debt   |  |  |  |
| domestic)<br>Down<br>case                              | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls in  | 15.21<br>4.25<br>ent (incl. ris<br>nto single B  | 4.75<br>k sentime<br>(local and   | 5.75<br>nt) is that<br>d foreign o   | 6.25<br>of the bas<br>currency) of  | 6.75<br>e case. S<br>credit ratio   | 7.25<br>outh Afric<br>gs from a  | 7.75<br>a fails to<br>all three a  | 8.25<br>see debt<br>gencies.   |  |  |  |
| domestic)<br>Down<br>case                              | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine   | 15.21<br>4.25<br>nent (incl. ris<br>nto single B<br>ss confiden  | 4.75<br>k sentime<br>(local and<br>ce depres  | 5.75<br>nt) is that<br>d foreign o<br>sed, signi   | 6.25<br>of the bas<br>currency) of<br>ficant load   | 6.75<br>e case. S<br>redit ratin<br>shedding  | 7.25<br>outh Afric<br>gs from a<br>), weak in  | 7.75<br>a fails to<br>all three a<br>westment  | 8.25<br>see debt<br>gencies.<br>t growth,  |  |  |  |
| fomestic)<br>Jown<br>case                              | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H  | 15.21<br>4.25<br>nent (incl. ris<br>nto single E<br>ss confiden<br>igh inflation   | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfavo  | 5.75<br>nt) is that<br>d foreign o<br>sed, signi<br>orable we  | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond   | 6.75<br>e case. S<br>redit ration<br>shedding<br>litions, ma  | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>inked rand   | 7.75<br>a fails to<br>all three a<br>vestment<br>d weakne  | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little  |  |  |  |
| ite<br>domestic)<br>Down<br>case<br>19%                | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable et  | 15.21<br>4.25<br>nent (incl. ris<br>nto single E<br>ss confiden<br>igh inflation<br>nergy or m   | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfavo<br>easures to  | 5.75<br>nt) is that<br>d foreign of<br>sed, signi<br>orable we<br>o alleviate  | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather conde<br>the imp   | 6.75<br>e case. So<br>redit ratio<br>shedding<br>litions, ma<br>act of clir   | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>inked rand<br>nate cha   | 7.75<br>a fails to<br>all three a<br>westment<br>d weakne<br>nge. Ver  | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited   |  |  |  |
| fomestic)<br>Jown<br>case                              | Reportate (end rate)<br>The international environm<br>projections stabilise, falls in<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable en<br>expropriation of private st  | 15.21<br>4.25<br>nent (incl. ris<br>nto single B<br>ss confiden<br>igh inflation<br>nergy or m<br>sector prop  | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfavo<br>easures to<br>erty witho  | 5.75<br>nt) is that<br>d foreign of<br>sed, signi<br>orable we<br>o alleviate<br>ut compe  | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond<br>the implementation, w  | 6.75<br>e case. So<br>redit ratio<br>shedding<br>litions, ma<br>act of clir<br>with some  | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>irked rand<br>nate cha<br>e negativ  | 7.75<br>a fails to<br>all three a<br>vestment<br>d weakne<br>nge. Ver<br>ve impact   | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the   |  |  |  |
| lomestic)<br>lown<br>case                              | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable et  | 15.21<br>4.25<br>nent (incl. ris<br>nto single B<br>ss confiden<br>igh inflation<br>nergy or m<br>sector prop  | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfavo<br>easures to<br>erty witho  | 5.75<br>nt) is that<br>d foreign of<br>sed, signi<br>orable we<br>o alleviate<br>ut compe  | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond<br>the implementation, w  | 6.75<br>e case. So<br>redit ratio<br>shedding<br>litions, ma<br>act of clir<br>with some  | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>irked rand<br>nate cha<br>e negativ  | 7.75<br>a fails to<br>all three a<br>vestment<br>d weakne<br>nge. Ver<br>ve impact   | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the   |  |  |  |
| lomestic)<br>lown<br>ase                               | Reportate (end rate)<br>The international environm<br>projections stabilise, falls in<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable en<br>expropriation of private st  | 15.21<br>4.25<br>tent (incl. ris<br>nto single B<br>ss confiden<br>igh inflation<br>nergy or m<br>tector prop<br>al consolidat   | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfavo<br>easures to<br>erty witho<br>tion ultimation   | 5.75<br>nt) is that<br>d foreign of<br>sed, signi<br>orable we<br>o alleviate<br>ut compe  | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond<br>e the impo-<br>ensation, v<br>s, preventi  | 6.75<br>e case. So<br>redit ratin<br>shedding<br>litions, ma<br>act of clir<br>with some<br>ing ratings   | 7.25<br>outh Africe<br>gs from a<br>, weak in<br>irked rand<br>nate cha<br>e negativ<br>falling in   | 7.75<br>a fails to<br>all three a<br>vestment<br>d weakne<br>nge. Ver<br>ve impact   | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the   |  |  |  |
| omestic)<br>own<br>ase<br>9%                           | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable en<br>expropriation of private s<br>economy. Substantial fisca  | 15.21<br>4.25<br>sent (incl. ris<br>nto single B<br>ss confiden<br>igh inflation<br>nergy or m<br>sector prop<br>al consolidal<br>Q1.22  | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfavo<br>easures to<br>erty witho<br>tion ultimation<br>Q2.22  | 5.75<br>nt) is that<br>d foreign of<br>sed, signi<br>orable we<br>o alleviate<br>ut competent<br>tety occur<br>Q3.22   | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond<br>the impa-<br>tensation, v<br>s, prevention<br>Q4.22  | 6.75<br>e case. So<br>redit ration<br>shedding<br>litions, ma<br>act of clirr<br>with some<br>ing ratings<br>Q1.23  | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>inked rand<br>nate cha<br>e negativ<br>s falling in<br>Q2.23   | 7.75<br>a fails to<br>all three a<br>vestment<br>d weakne<br>nge. Ven<br>to the C g<br>Q3.23   | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the<br>grades.<br>Q4.23   |  |  |  |
| ormestic)<br>own<br>case<br>9%                         | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable el<br>expropriation of private s<br>economy. Substantial fisca<br>USD/Rand (average)  | 15.21<br>4.25<br>sent (incl. ris<br>nto single B<br>ss confiden<br>igh inflation<br>hergy or m<br>sector prop<br>il consolidal<br>Q1.22<br>15.21   | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfavo<br>easures to<br>erty witho<br>tion ultimat<br>Q2.22<br>15.59  | 5.75<br>nt) is that<br>d foreign of<br>sed, signif<br>orable we<br>o alleviate<br>ut competent<br>tety occur<br>Q3.22<br>17.50   | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond<br>the impa-<br>tensation, w<br>s, preventi<br>Q4.22<br>18.00   | 6.75<br>e case. So<br>redit ratio<br>shedding<br>litions, ma<br>act of clir<br>with some<br>ing ratings<br>Q1.23<br>18.50   | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>irked rand<br>nate cha<br>e negativ<br>falling in<br>Q2.23<br>19.00  | 7.75<br>a fails to<br>all three a<br>westmeni<br>d weakne<br>nge. Ver<br>e impact<br>to the C o<br>Q3.23<br>19.75  | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the<br>grades.<br>Q4.23<br>20.50  |  |  |  |
| overe<br>overe<br>overe<br>overe                       | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable ei<br>expropriation of private s<br>economy. Substantial fisca<br>USD/Rand (average)<br>Repo rate (end rate)  | 15.21<br>4.25<br>sent (incl. ris<br>nto single B<br>ss confiden<br>igh inflation<br>nergy or m<br>sector prop<br>al consolidal<br>Q1.22<br>15.21<br>4.25   | 4.75<br>k sentime<br>(local and<br>ce depression unfave<br>easures to<br>erty witho<br>tion ultimation<br>Q2.22<br>15.59<br>4.75  | 5.75<br>nt) is that<br>d foreign of<br>sed, signi<br>orable we<br>o alleviate<br>ut compet<br>tely occur<br>Q3.22<br>17.50<br>6.00   | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond<br>the implementation, w<br>s, preventi<br>Q4.22<br>18.00<br>6.75   | 6.75<br>e case. So<br>redit ratio<br>shedding<br>litions, ma<br>act of clir<br>with some<br>ng ratings<br>Q1.23<br>18.50<br>7.50  | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>irked rand<br>nate cha<br>e negativ<br>falling in<br>Q2.23<br>19.00<br>8.00  | 7.75<br>a fails to<br>all three a<br>westmeni<br>d weakne<br>nge. Ver<br>e impact<br>to the C o<br>Q3.23<br>19.75<br>8.50  | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the<br>grades.<br>Q4.23<br>20.50<br>9.00  |  |  |  |
| iomestic)<br>own<br>case<br>9%<br>ievere<br>own<br>ase | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable el<br>expropriation of private s<br>economy. Substantial fisca<br>USD/Rand (average)<br>Repo rate (end rate)<br>Lengthy global recession,   | 15.21<br>4.25<br>sent (incl. ris<br>into single B<br>ss confiden<br>igh inflation<br>hergy or m<br>jector prop<br>il consolidal<br>Q1.22<br>15.21<br>4.25<br>global final  | 4.75<br>k sentime<br>(local and<br>ce depression unfave<br>easures to<br>erty witho<br>tion ultimat<br>Q2.22<br>15.59<br>4.75<br>notal crisis   | 5.75<br>nt) is that<br>d foreign of<br>sed, signi<br>orable we<br>o alleviate<br>ut competent<br>tety occur<br>Q3.22<br>17.50<br>6.00<br>a - insuffic  | 6.25<br>of the bas<br>currency) of<br>ficant load<br>ather cond<br>ther cond<br>the implement<br>Q4.22<br>18.00<br>6.75<br>tient more   | 6.75<br>e case. So<br>credit ratio<br>shedding<br>itions, ma<br>act of clir<br>with some<br>ing ratings<br>Q1.23<br>18.50<br>7.50<br>etary and  | 7.25<br>outh Afric<br>gs from a<br>, weak in<br>rrked rand<br>nate cha<br>e negativ<br>s falling in<br>Q2.23<br>19.00<br>8.00<br>other sup   | 7.75<br>a fails to<br>all three a<br>westmend<br>d weakne<br>nge. Ver<br>e impact<br>to the C g<br>Q3.23<br>19.75<br>8.50<br>oport dom   | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the<br>grades.<br>Q4.23<br>20.50<br>9.00<br>mestically  |  |  |  |
| formestic)<br>Jown<br>case<br>19%                      | Repo rate (end rate)<br>The international environm<br>projections stabilise, falls i<br>Recession occurs. Busine<br>civil and political unrest. H<br>transition to renewable en<br>expropriation of private s<br>economy. Substantial fisca<br>USD/Rand (average)<br>Repo rate (end rate)<br>Lengthy global recession,<br>and internationally. Limited   | 15.21<br>4.25<br>enert (incl. ris<br>sis confiden<br>igh inflation<br>nergy or m<br>sector prop<br>il consolidat<br>Q1.22<br>15.21<br>4.25<br>global final<br>expropriati  | 4.75<br>k sentime<br>(local and<br>ce depress<br>on unfave<br>easures to<br>erty witho<br>tion uttimat<br>Q2.22<br>15.59<br>4.75<br>noial crisis<br>on of priva   | 5.75<br>nt) is that<br>d foreign c<br>sed, signi<br>orable wei-<br>to alleviati<br>ut competent<br>tety occur<br>Q3.22<br>17.50<br>6.00<br>i – insuffic<br>te propert                                    | 6.25<br>of the bas<br>surrency) of<br>ficant load<br>ather cond<br>ather cond<br>ather cond<br>the important<br>s, preventi<br>Q4.22<br>18.00<br>6.75<br>cient mone<br>y without c  | 6.75<br>e case. S<br>redit ratin<br>shedding<br>litions, ma<br>act of clir<br>with some<br>ing ratings<br>Q1.23<br>18.50<br>7.50<br>etary and<br>compensa   | 7.25<br>outh Afric<br>gs from a<br>1, weak in<br>riked rank<br>nate cha<br>e negativ<br>falling in<br>Q2.23<br>19.00<br>8.00<br>other sup<br>tion with a   | 7.75<br>a fails to<br>all three a<br>westmenid<br>d weakne<br>nge. Ver<br>e impact<br>to the C of<br>Q3.23<br>19.75<br>8.50<br>oport dom<br>a marked   | 8.25<br>see debt<br>gencies.<br>t growth,<br>ss. Little<br>y limited<br>t on the<br>grades.<br>Q4.23<br>20.50<br>9.00<br>mestically<br>negative  |  |  |  |
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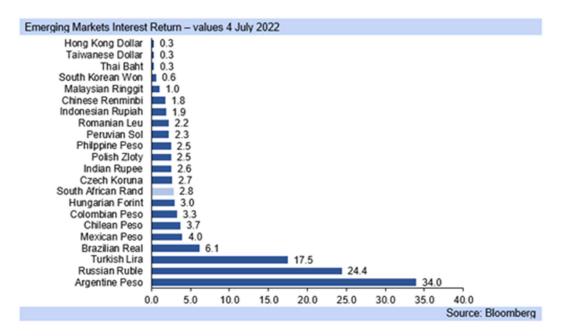




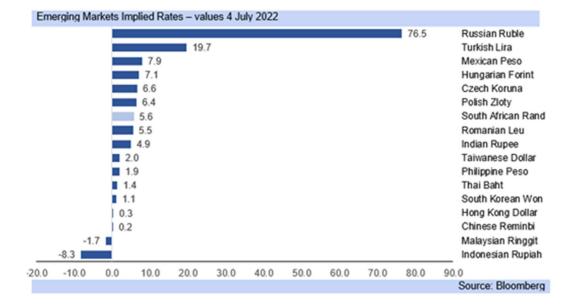
|         |       | 20    | 22    |       |       | 20    | 23    | 2024  |       |       |       |      |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
|         | Q1.22 | Q2.22 | Q3.22 | Q4.22 | Q1.23 | Q2.23 | Q3.23 | Q4.23 | Q1.24 | Q2.24 | 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  |

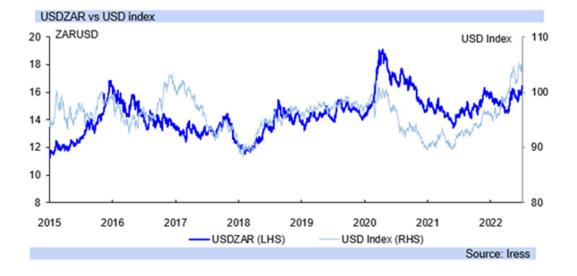
- After weakening to R16.50/USD by the end of last week, as severe load shedding persisted on the back of the Eskom workers' strike, the rand has pulled back to R16.25/USD today, although also afflicted by global financial market risk sentiment.
- Stubbornly high inflation saw key Central Banks turn 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.

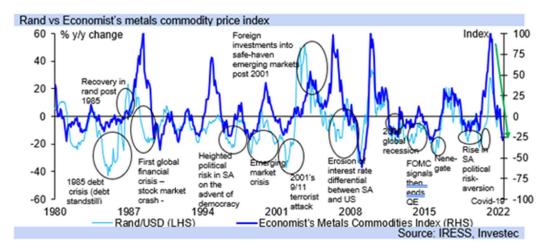
- Increased sanctions on Russia are expected to further push up oil prices towards the US\$200/bbl barrel, and if very severe, possibly towards US300/bbl, which is worrying markets, and adding to risk off sentiment, as uncertainty negatively affects risk sentiment.
- With the Russian/Ukraine war showing 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.

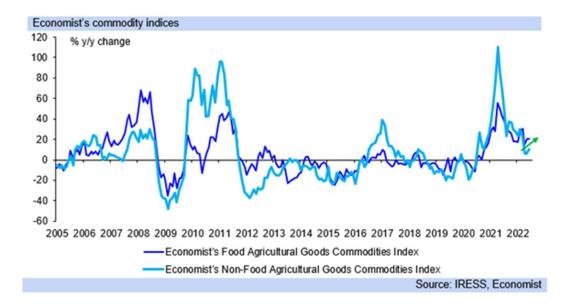


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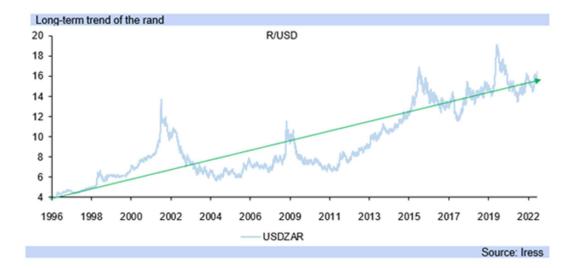




• The strike as Eskom workers seek to achieve well above inflation wage increases (of 10-12% with CPI inflation at 6.5% y/y) is damaging the functioning of the electricity system, with load shedding expected to continue this week and next, and a wage settlement not yet reached.

- 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 |  |  |