

SA Economics



Economic growth note: 2023 could see inflation and interest rates surprise lower than currently expected, but risks remain for growth

Tuesday 6 December 2022

Consumer prices: Major economies and Sub-Saharan Africa – Dec 22

	Consumer Prices, annual variation in %				
	2020	2021	2022	2023	2024
World	2.5	4.2	8.3	5.7	3.6
United States	1.2	4.7	8.1	4.0	2.5
Euro Area	0.3	2.6	8.3	5.6	2.3
China	2.5	0.9	2.2	2.4	2.2
Japan	0.0	-0.2	2.2	1.6	0.7
Sub-Saharan Africa	15.9	12.5	17.1	11.6	8.6
Angola	22.3	25.8	21.9	13.2	11.6
Botswana	1.9	6.7	11.8	6.7	4.0
Cameroon	2.4	2.3	5.2	3.0	2.3
Cote d'Ivoire	2.4	4.2	5.3	3.3	1.9
DR Congo	11.4	9.0	8.4	9.3	6.9
Ethiopia	20.3	26.8	33.8	24.1	15.1
Ghana	9.9	10.0	29.3	23.9	12.0
Kenya	5.4	6.1	7.5	7.2	5.9
Mozambique	3.1	5.7	10.0	8.1	5.7
Nigeria	13.2	17.0	18.7	17.1	12.8
South Africa	3.3	4.6	6.8	5.4	4.5
Tanzania	3.3	3.7	4.4	4.5	4.4
Uganda	2.8	2.2	6.9	6.3	5.1
Zambia	15.7	22.0	11.1	9.2	7.7

Source: Focus Economics

Consumer prices: Major economies and Sub-Saharan Africa – Jan 22

	Consumer Prices, annual variation in %				
	2019	2020	2021	2022	2023
World	2.8	2.5	3.9	3.6	2.9
United States	1.8	1.2	4.5	3.6	2.5
Euro Area	1.2	0.3	2.4	2.0	1.5
China	2.9	2.5	1.0	2.2	2.2
Japan	0.5	0.0	-0.2	0.7	0.6
Sub-Saharan Africa	10.5	15.6	13.0	10.0	8.1
Angola	17.3	21.8	27.7	19.4	13.5
Botswana	2.8	1.9	6.5	5.2	4.3
Cameroon	2.5	2.4	2.3	2.3	2.2
Cote d'Ivoire	0.8	2.4	3.8	2.2	2.1
DR Congo	4.5	15.0	10.8	7.5	6.1
Ethiopia	15.8	20.3	27.3	24.5	15.7
Ghana	8.7	9.9	9.5	9.4	8.4
Kenya	5.1	5.4	6.1	5.9	5.5
Mozambique	2.8	3.1	5.7	6.3	6.3
Nigeria	11.4	13.3	16.7	13.6	11.8
South Africa	4.1	3.3	4.5	4.6	4.3
Tanzania	3.4	3.3	3.6	4.2	4.2
Uganda	2.2	2.8	2.2	3.8	4.4
Zambia	9.2	15.7	22.3	13.4	9.8

Source: Focus Economics

Real GDP forecasts: Major economies and Sub-Saharan Africa – Dec 22

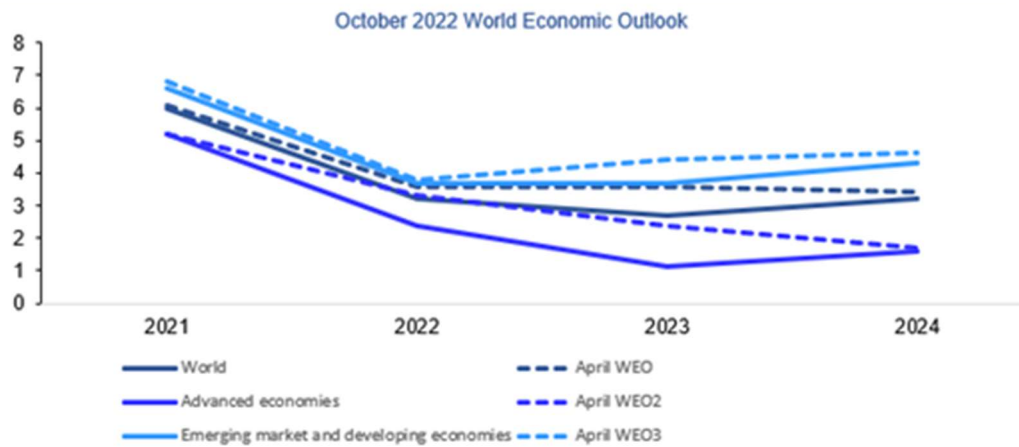
	Real GDP, annual variation in %				
	2020	2021	2022	2023	2024
World	-3.0	5.9	2.8	2.0	2.7
United States	-2.8	5.9	1.7	0.4	1.5
Euro Area	-6.3	5.3	2.9	0.0	1.7
China	2.3	8.1	3.2	4.7	4.7
Japan	-4.6	1.6	1.6	1.4	1.3
Sub-Saharan Africa	-1.7	4.7	3.6	3.6	3.9
Angola	-5.6	1.1	3.3	2.7	3.3
Botswana	-8.7	11.4	5.4	3.9	4.1
Cameroon	0.3	3.6	3.8	4.3	4.6
Cote d'Ivoire	2.0	7.4	5.9	6.3	6.5
DR Congo	1.7	5.7	5.8	5.7	5.8
Ethiopia	6.3	4.2	5.1	5.7	5.8
Ghana	0.5	5.4	3.9	3.8	4.5
Kenya	-0.3	7.5	5.3	4.9	5.1
Mozambique	-1.2	2.3	4.4	5.5	6.1
Nigeria	-1.9	3.4	3.2	3.1	3.2
South Africa	-6.3	4.9	1.8	1.4	1.8
Tanzania	4.8	4.9	5.2	5.6	5.7
Uganda	-1.3	6.0	4.9	5.8	6.2
Zambia	-2.8	3.6	2.6	3.2	3.4

Source: Focus Economics

Real GDP forecasts: Major economies and Sub-Saharan Africa – Jan 22

	Real GDP, annual variation in %				
	2019	2020	2021	2022	2023
World	2.6	-3.3	5.7	4.3	3.3
United States	2.3	-3.4	5.7	3.9	2.5
Euro Area	1.6	-6.5	5.0	4.3	2.2
China	6.0	2.3	8.0	5.1	5.2
Japan	-0.2	-4.5	2.3	2.6	1.3
Sub-Saharan Africa	2.7	-2.1	4.1	3.6	3.8
Angola	-0.5	-5.4	-0.2	2.6	3.0
Botswana	3.0	-8.5	9.1	6.0	4.7
Cameroon	3.5	0.5	3.2	4.2	4.4
Cote d'Ivoire	6.2	2.0	6.1	6.6	6.4
DR Congo	4.4	0.8	4.1	4.5	4.8
Ethiopia	6.1	2.5	5.6	6.0	6.1
Ghana	6.5	0.4	3.9	5.3	5.1
Kenya	5.0	-0.3	5.6	5.4	5.4
Mozambique	2.3	-1.2	2.5	4.3	4.9
Nigeria	2.3	-1.9	2.5	2.6	2.8
South Africa	0.1	-6.4	5.1	2.1	2.0
Tanzania	7.0	4.8	4.8	5.5	5.9
Uganda	7.8	-1.6	4.6	5.3	6.0
Zambia	1.4	-3.0	2.5	2.3	2.7

Source: Focus Economics



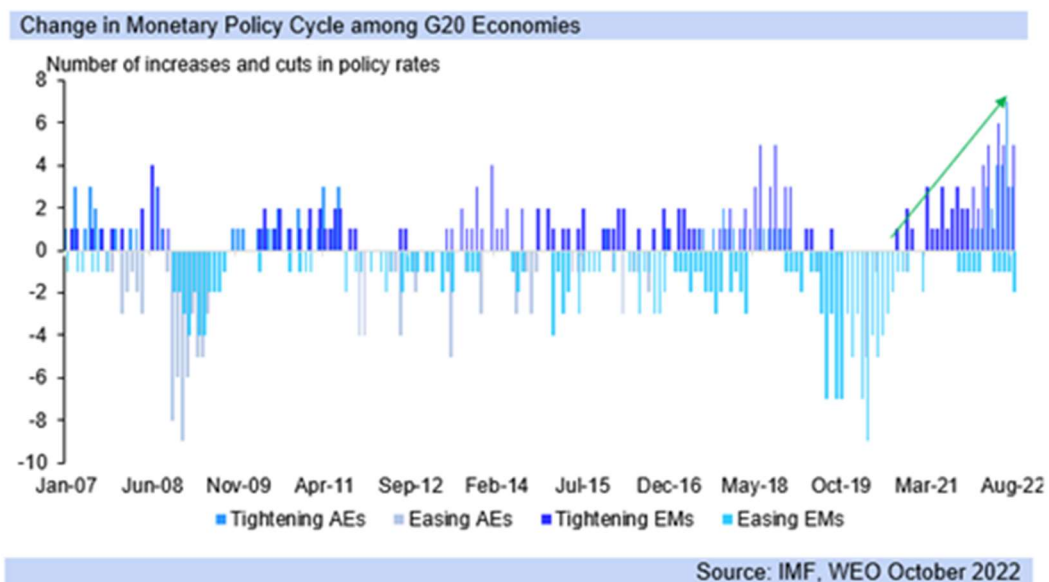
Source: IMF, WEO October 2022

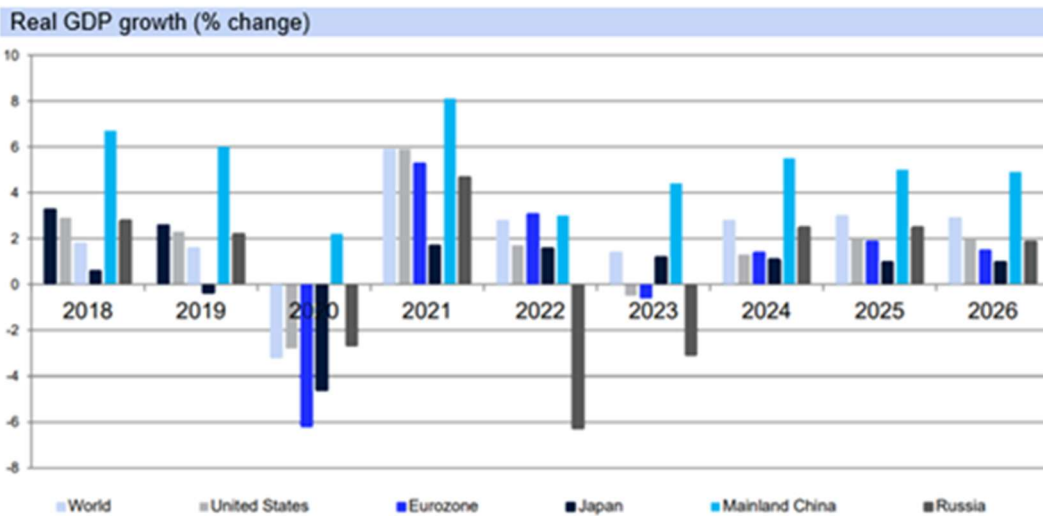
Note: Solid lines = October 2022 WEO outlook; dashed lines = April 2022 WEO outlook

- The sharp rise globally in the cost of living this year surprised on the upside, with CPI inflation for 2022 proving much higher for the year (currently forecast at 8.3% y/y for 2022) than was expected at the start of 2022 (when 3.9% y/y was forecast in January for this year).
- Currently, consensus expectations are for a 2023 outcome of 5.7% y/y for world CPI inflation, driven by the Euro area and developing economies, with global GDP growth forecast at 2.0% y/y for the year ahead, Europe seeing growth stall, and the US at a weak 0.4% y/y.
- For South Africa, we forecast GDP growth at just above 1.0% y/y for 2023 (likely 1.1% y/y), Today's outcome was higher than consensus of 0.4% qoq (quarter on quarter, seasonally adjusted), at 1.6% y/y for Q3.22 will push GDP growth to above 2.0% y/y for 2022, but provide a high, suppressing base for 2023 growth to be calculated off.
- A key driver of inflation globally, and domestically, in 2023 will be the suppressing base effects from the y/y calculation, with prices rising sharply this year, but not likely to rise at the same pace next year, causing inflation to come out lower, and potentially lower than expected too.
- However, meaningful risks will remain, although some risk factors are unwinding, particularly the severe (zero tolerance) COVID-19 restriction in China which has chocked off its economic growth this year, and slowed global growth with China the world's second largest economy.
- The Russian/Ukraine war, which started on 24th February this year, has receded in terms of key market focus, largely replaced by market concerns on the downwards revisions to global growth expectations in April on realisations that interest rates will rise quite sharply this year.

- The US has seen recent communication from its Federal Reserve Bank Governor, Jerome Powell, moving away from his severely hawkish stance, highlighting smaller hikes in US interest rates going forward (a less sharp rate hike cycle), with greater sensitivity to the effects on the economy.
- The high risk to President Ramaphosa is seen to be unwinding, as he has started stabilising his position, pushing back on his opponents, with the impeachment vote scheduled for today in Parliament delayed for a week, and the President opposing the panel report and taking it to the courts.
- Expectations are Ramaphosa will avoid impeachment, particularly in an open voting system in Parliament, while Ramaphosa is still leading as the preferred candidate to remain President of both the ANC and the country, although Ramaphosa is not in the clear yet.

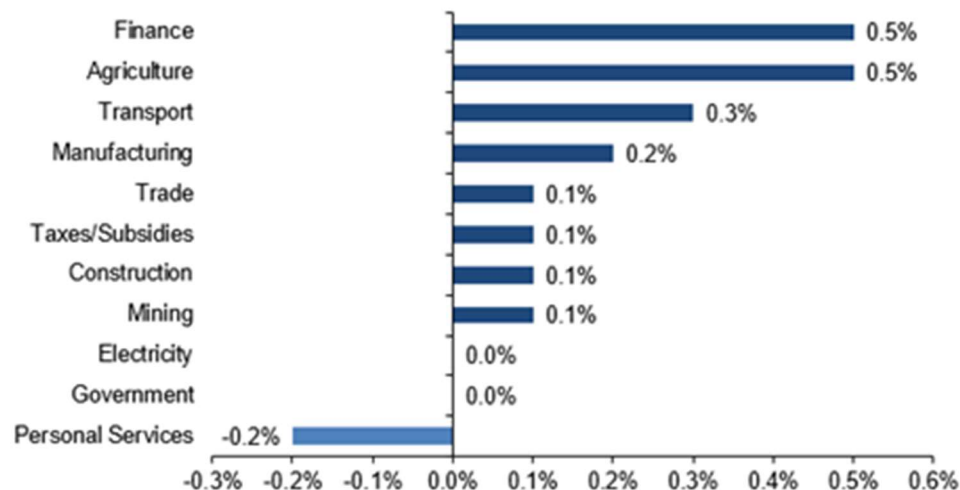
Please scroll down to the second section below





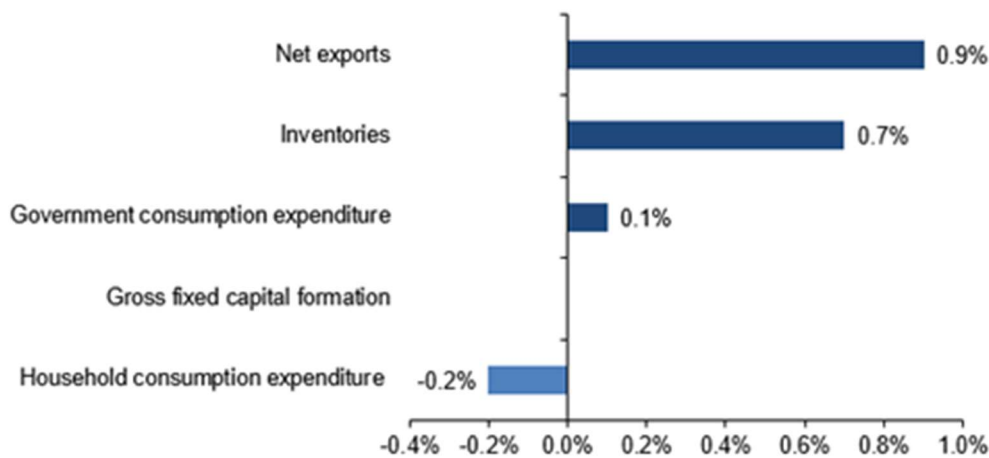
Sources: IHS Markit

South Africa: Contributions to Q3.22 GDP (Production approach)



Source: Stats SA

South Africa: Contributions to Q3.22 GDP (Expenditure approach)



Sources: Stats SA

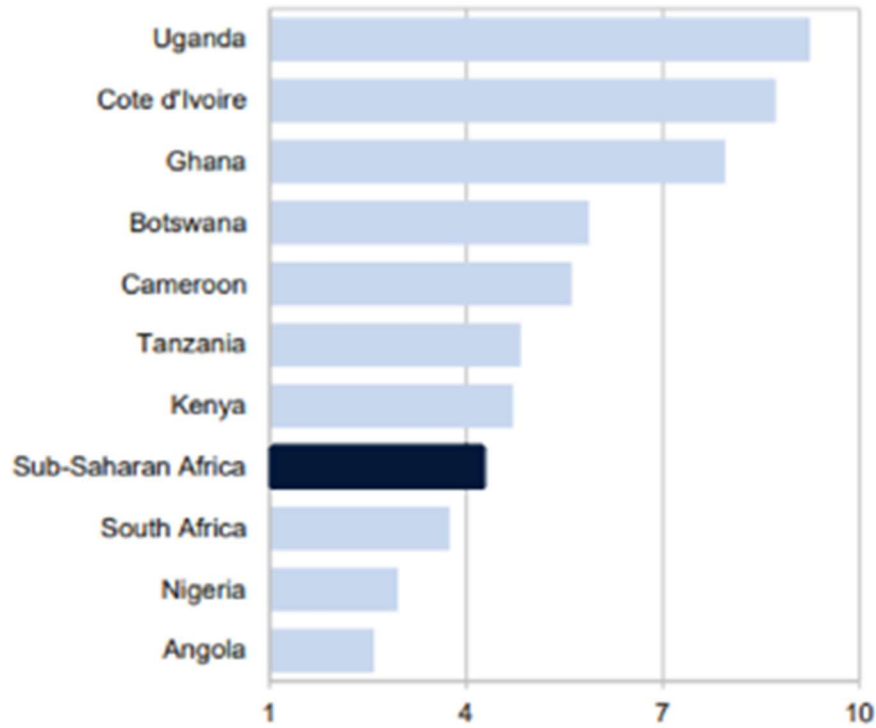
Investment, annual variation in %							
	2021	2022	2023	2024	2025	2026	2027
Sub-Saharan Africa	5.9	5.3	4.3	4.4	4.4	4.8	-
Angola	18.4	2.1	2.6	3.4	3.0	3.4	-
Botswana	-0.3	4.6	5.9	5.0	5.1	3.9	4.3
Cameroon	7.2	5.8	5.6	5.2	4.5	4.7	4.3
Cote d'Ivoire	27.8	7.3	8.7	7.2	6.7	6.8	-
Ghana	5.8	8.2	8.0	7.8	4.1	6.1	6.0
Kenya	10.9	6.3	4.7	5.0	4.9	5.1	4.7
Nigeria	4.7	6.1	3.0	3.2	4.2	4.5	3.5
South Africa	0.2	4.2	3.7	3.9	3.7	4.2	4.4
Tanzania	5.1	4.3	4.8	5.2	5.4	5.9	6.0
Uganda	4.7	5.4	9.2	8.9	7.5	5.9	4.9

Source: Focus Economics

- The ANC NEC (National Executive Committee) meeting yesterday unanimously voted to support Ramaphosa, and decided that the ANC MPs in Parliament will not support the adoption of the Phala Phala report (Section 89 panel report), a report relying on hearsay.
- A two thirds majority is needed to impeach the President in Parliament, which will not be achieved without the ANC voting to impeach President Ramaphosa, while the actual Phala Phala report itself is deeply flawed, lacking hard evidence in its many accusations.
- Ramaphosa has applied to review the Phala Phala report in the Constitutional Court, and by winning would remove his opponents ammunition, additionally strengthening his position, and that of his supporters, and his position as President next year.
- However, an open vote in Parliament in two weeks' time instead would clearly single out any ANC MPs who vote to impeach Ramaphosa, and by declaring their hand as opponents to Ramaphosa, will severely weaken themselves politically in the ANC, providing a disincentive to do so.
- The review of the Section 89 panel (Phala Phala) report has not begun in the courts, and this means the political noise will drag on as the finding cannot be done quickly, or rushed, given the extreme nature of national importance of the matter.
- The ANC elective conference will occur in two weeks' time, with the President still highly popular in the ANC, and supported by the key ANC body, the NEC, which voted to support him last night by rejecting the flawed Phala Phala report on its lack of evidence.
- We continue to believe a cabinet reshuffle will occur next year, and Ramaphosa, expected to remain the President, using this to remove opponents to his economic policies and reforms, which would allow a speedier implementation of the repair of the structural reforms in SA.

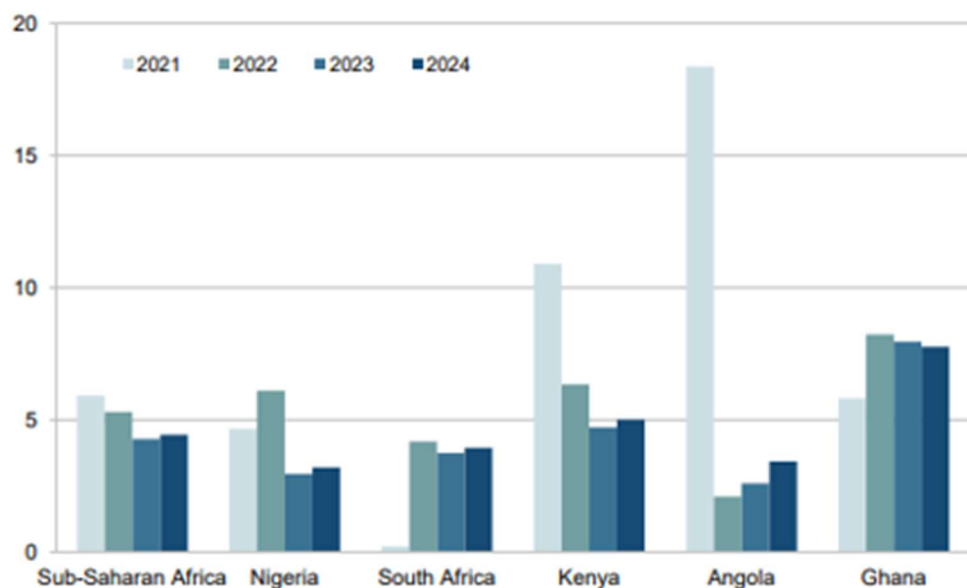
- South Africa remains a small, open economy and will be negatively affected by weakening global growth. However, a finding against the Phala Phala report by the Constitutional Court will solidify Ramaphosa's base, allowing for a strengthened hand in 2023.
- Such an outcome would allow SA to see rapid implementation of reform to the electricity, rail and ports, as well as water infrastructure, bolstering economic growth state revenues and economic stability. An impeachment however, would destabilise the country and risk mirroring the economy in another lost decade as occurred under RET leadership over the 2010s.

Investment Growth, 2023



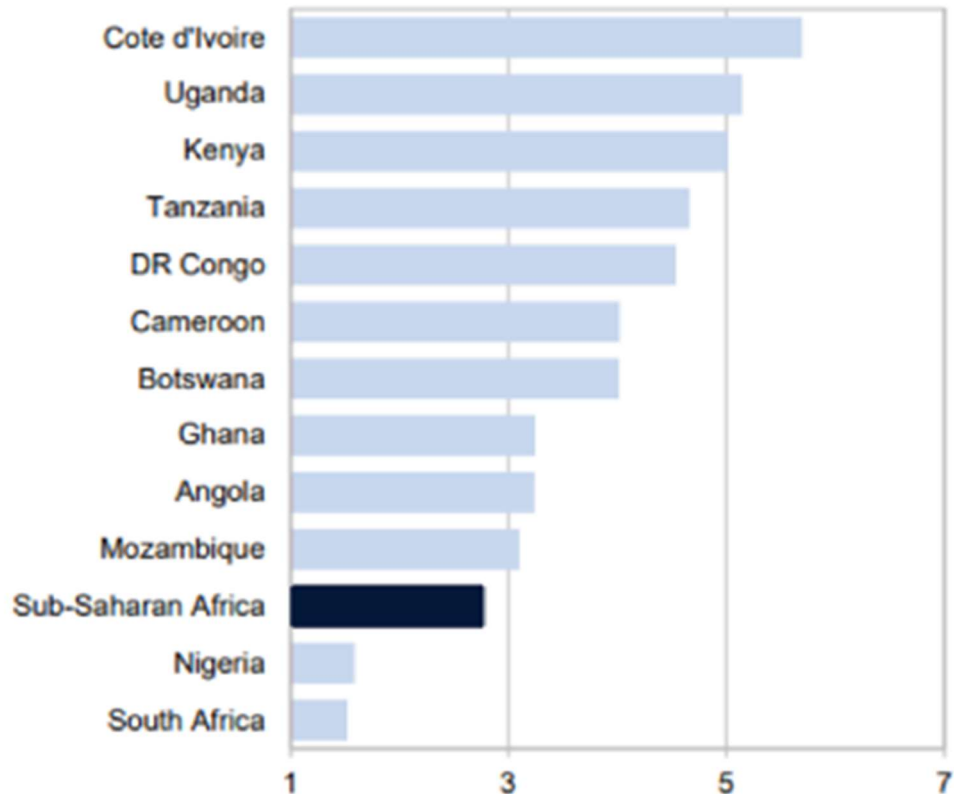
Source: Focus Economics

Investment Growth, 2023



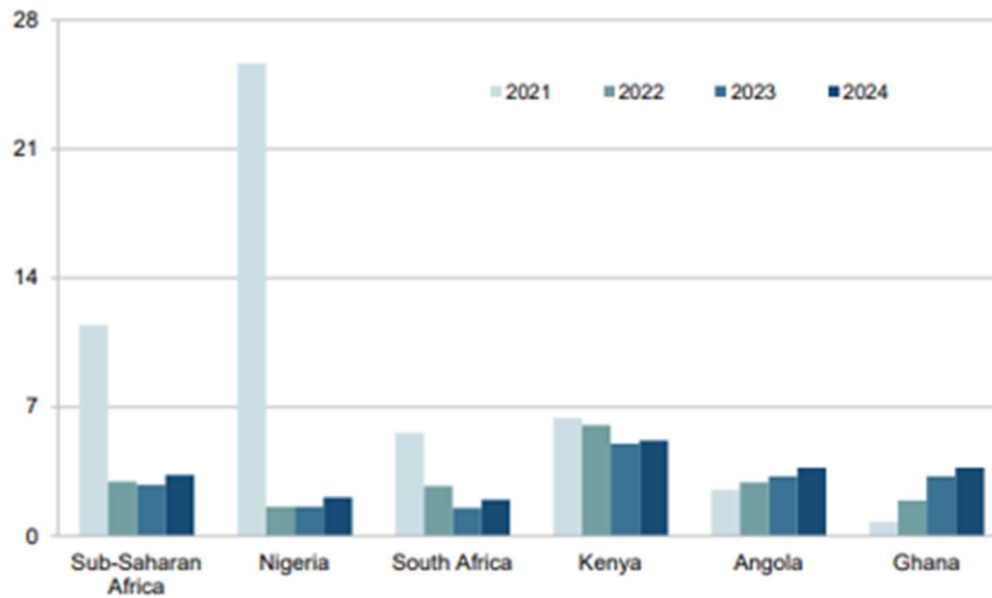
Source: Focus Economics

Consumption Growth, 2023



Source: Focus Economics

Consumption Growth, 2023



Source: Focus Economics

Consumption, annual variation in %

	2021	2022	2023	2024	2025	2026	2027
Sub-Saharan Africa	11.4	3.0	2.8	3.3	3.5	3.8	-
Angola	2.5	2.9	3.2	3.7	4.4	4.5	4.6
Botswana	3.3	3.8	4.0	4.4	4.5	3.8	4.1
Cameroon	4.3	3.2	4.0	4.5	4.2	4.1	4.1
Cote d'Ivoire	7.1	5.0	5.7	5.7	6.1	6.1	5.8
DR Congo	4.4	3.7	4.5	5.4	5.1	5.4	5.5
Ghana	0.8	1.9	3.2	3.7	4.8	4.9	5.4
Kenya	6.4	6.0	5.0	5.2	5.4	5.6	5.4
Mozambique	18.1	6.0	3.1	7.4	6.0	5.8	4.5
Nigeria	25.6	1.6	1.6	2.1	2.1	2.6	2.0
South Africa	5.6	2.7	1.5	2.0	2.2	2.5	2.6
Tanzania	8.0	4.7	4.7	5.7	5.7	5.5	5.6
Uganda	5.3	4.8	5.1	5.9	6.3	6.1	6.2

Source: Focus Economics

