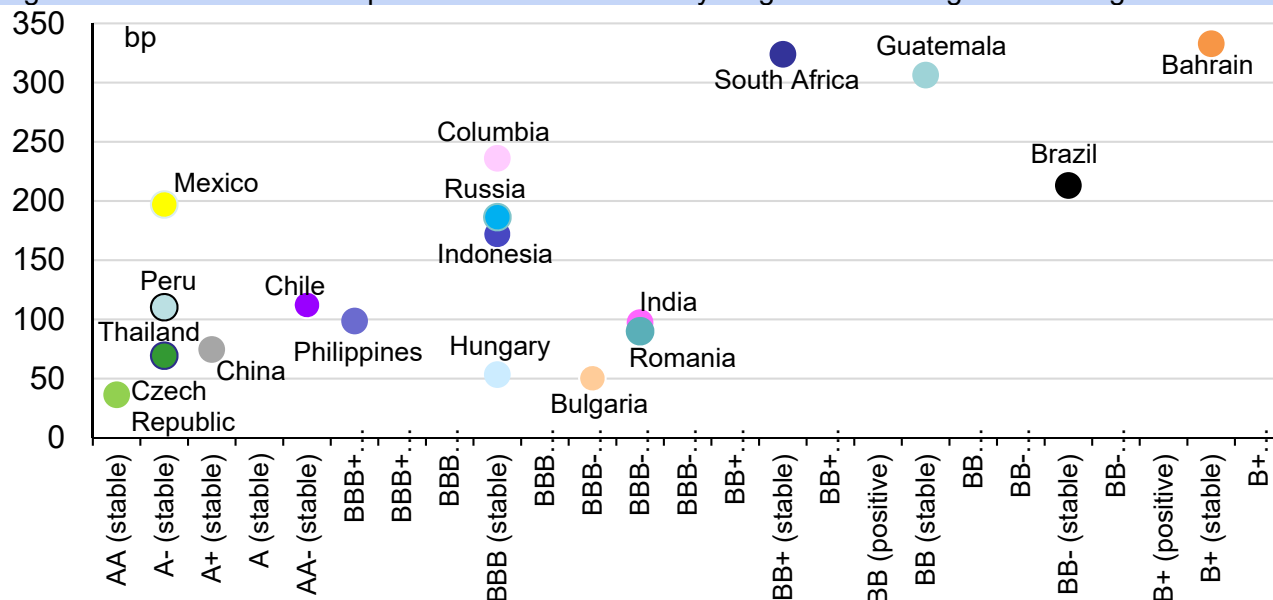




Thursday 12 March 2020

Figure 1: Credit Default Swaps and S&P local currency long-term sovereign debt ratings



Source: Bloomberg

South Africa faces a very close call on interest rates next week, with the global economy in a severe risk-off phase, and the full economic impact of Covid-19 not yet having been felt, with even few early indicators of the likely severity of the spread of the disease on global growth. Globally, the economic consensus now expects global growth to be 0.5% y/y to 1.0% y/y lower this year, than the previously expected figure of closer to 3.0% y/y for 2020. The IMF previously forecast global growth at 3.3% y/y for 2020, and the World Bank had 2.5% y/y – due to different calculation methods as well as different countries used in their compilations. The IMF dropped their forecast for global growth by 0.1% y/y in February, but the World Bank is yet to revise their figure. With global growth forecasts continuously being revised down, the head of the IMF, Kristalina Georgieva, recently “predicted that global growth would dip below last year's rate of 2.9%”. We now forecast global growth 0.9% lower than we expected in January. For South Africa GDP growth is now likely to come out at 0.1% this year, due to the impact of Covid-19 on global growth and hence on demand for SA exports of goods and services, as well as the negative impact of load shedding which is proving to be more severe than Eskom initially indicated. The global risk sentiment environment has deteriorated materially, and the rand is close to R16.50/USD currently. We expect a 25bp cut at the MPC meeting next week. However, the risk of a Moody's downgrade at the end of the month could scupper the chance of this rate cut, given that it could push the domestic currency towards R18.00/USD if the current severe risk-off environment in global financial markets persists.

Figure 2: Forecasts

Period end rate %	Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	Q3.21	Q4.21
Repo Rate	6.00	5.75	5.75	5.75	6.00	6.00	6.00	6.00
Prime Overdraft Rate	9.50	9.25	9.25	9.25	9.50	9.50	9.50	9.50

Source: Iress, Investec



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Figure 3: Credit ratings

	S & P	Moody's	Fitch	R & I
Investment grade	AAA	Aaa	AAA	AAA
	AA+	Aa1	AA+	AA+
	AA	Aa2	AA	AA
	AA-	Aa3	AA-	AA-
	A+	A1	A+	A+
	A	A2	A	A
	A-	A3	A-	A-
	BBB+	Baa1	BBB+	BBB+
	BBB	Baa2	BBB	BBB
BBB-	Baa3	BBB-	BBB-	
Speculative grade	BB+	Ba1	BB+	BB+
	BB	Ba2	BB	BB
	BB-	Ba3	BB-	BB-
	B+	B1	B+	B+
	B	B2	B	B
	B-	B3	B-	B-
	CCC+	Caa1	CCC	CCC+
	CCC	Caa2	CC	CCC
	CCC-	Ca3	C	CCC-
	CC	Ca	RD	CC
	C	C	D	C
	D	WR	WD	
	NR		PIF	

Source: Bloomberg

Figure 4: Local Currency – Long term

	S&P	Moody's	Fitch
Brazil	BB-	Ba2	BB-
Russia	BBB	Baa3	BBB
India	BBB-	Baa2	BBB-
Turkey	BB-	B1	BB-
Mexico	A-	A3	BBB
<b>South Africa</b>	<b>BB</b>	<b>Baa3</b>	<b>BB+</b>
China	A+	A1	A+
Nigeria	B	B2	B+
Kenya	B+	B2	B+
Namibia	NR	Ba2	BB
Ghana	B	B3	B
Botswana	A-	A2	NR
Mozambique	B-	Caa2	CCC
Zambia	CCC	Caa2	CCC
Ethiopia	B	B1	B
Rwanda	B+	B2	B+
Uganda	B	B2	B+
Angola	B-	B3	B-
Dem. Rep of Congo	CCC+	Caa1	NR

Source: Bloomberg



## MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy

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Figure 5: SA's credit ratings

South Africa – S&P Ratings		South Africa – Fitch Rating		South Africa – Moody's	
03/10/1994	BB	22/09/1994	BB	14/10/2004	Baa2
20/11/1995	Upgraded to BB+	19/05/2000	Upgraded to BB+	11/01/2005	Upgraded to Baa1
25/2/2000	Upgraded to BBB-	27/06/2000	Upgraded to BBB-	16/07/2009	Upgraded to A3
07/05/2003	Upgraded to BBB	05/02/2003	Upgraded to BBB	27/09/2012	Downgraded to Baa1
01/08/2005	Upgraded to BBB+	25/08/2005	Upgraded to BBB+	06/11/2014	Downgraded to Baa2
12./10/2012	Downgraded to BBB	10/01/2013	Downgraded to BBB	09/06/2017	Downgraded to Baa3
13/06/2014	Downgraded to BBB-	04/12/2015	Downgraded to BBB-		
03/04/2017	Downgraded to BB+	07/04/2017	Downgraded to BB+		
24/11/2017	Downgraded to BB+				

Source: Bloomberg

However, Moody's itself has highlighted that "monetary policy, which is primarily focused on meeting the central bank's inflation target objective, remains tight" and as such appears to imply that an interest rate cut would benefit SA's economy as "(t)he rate now stands at 6.25%, 75 basis points below the high in the current cycle of 7.0% in mid-2016". Furthermore, "(w)e attribute the persistent economic weakness to lacklustre domestic private-sector demand — both household spending and investment — and the detrimental impact of widespread power outages on the manufacturing and mining activity." While a small 25bp cut in the repo rate would not assist much in turning consumer spending around, or investment, it could assist somewhat from a consumer sentiment point of view. We have also revised down our CPI inflation forecast, to 4.0% y/y, from 4.4% y/y previously, and to 4.5% y/y next year from 4.9% y/y previously, due to the disinflationary impact Covid-19 is likely to have globally and domestically. As the SARB's inflation process is forward looking, a lower expectation for CPI inflation in 2021 would be supportive of an interest rate cut. The SARB previously forecast CPI inflation at 4.5% y/y for 2020 and 4.6% y/y for 2021, but will likely revise these forecasts down somewhat. It will also likely revise down its GDP growth forecast, from 1.2% y/y for this year, and 1.6% y/y next year, to likely closer to 0.5% y/y for this year, if not closer to 0% y/y. It is also likely to lower its 2021 GDP forecast to around 1.0% y/y.

Marked currency weakness however, along with the potential for more if Moody's downgrades SA on 27<sup>th</sup> March – the MPC meeting is on the 19<sup>th</sup> March – could scupper the chance of a 25bp (or even a 50bp cut) at this month's MPC meeting. A downgrade from Moody's would see bond yields and money market rates rise, along with substantial rand weakness. While much of the anticipation of a downgrade has been priced in by markets (see figure 1), risk aversion is so elevated currently that the rand could still see further marked weakness on another risk averse event. And a downgrade from Moody's would be a very risk

Figure 6: Reuters March 2020 Econometer poll: Repo rate end period %

Forecast period	Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	2020	2021	2022
Median	6.00	5.75	5.75	5.75	5.75	5.75	5.75	5.75	6.00
Highest forecast	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.50
Lowest forecast	5.75	5.25	5.25	5.25	5.50	5.50	5.25	5.50	5.25
No. of forecasts	20	18	18	18	17	16	19	19	13

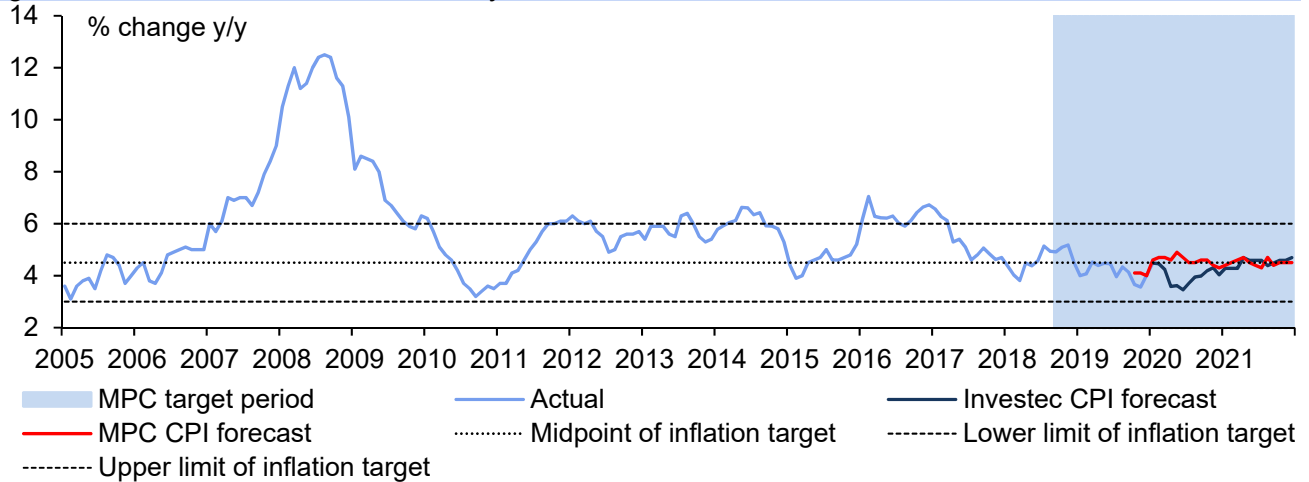
Source: Reuters



**MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy**

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**Figure 7: SA Consumer Inflation: history and forecasts**



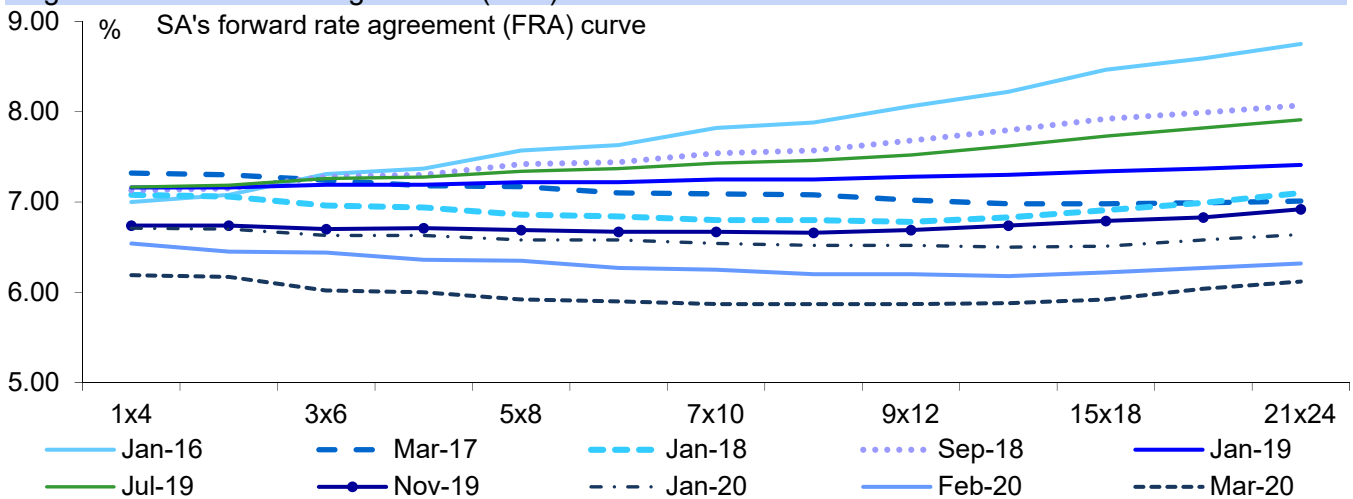
Source: Stats SA, SARB, Investec

**Figure 8: Reuters March 2020 Econometer poll: SARB CPI, unadjusted % ch y/y, avg for period**

Forecast period	Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	2020	2021	2022
Median	4.4	3.9	4.1	4.2	4.4	4.6	4.2	4.6	4.5
Highest forecast	4.7	6.0	6.5	6.3	5.6	5.3	5.9	5.6	5.3
Lowest forecast	3.4	2.9	2.7	3.2	3.6	3.7	3.3	3.6	4.0
No. of forecasts	14	14	14	14	14	14	25	25	12

Source: Reuters

**Figure 9: Forward Rate Agreement (FRA) curve**



Source: Bloomberg



## MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy

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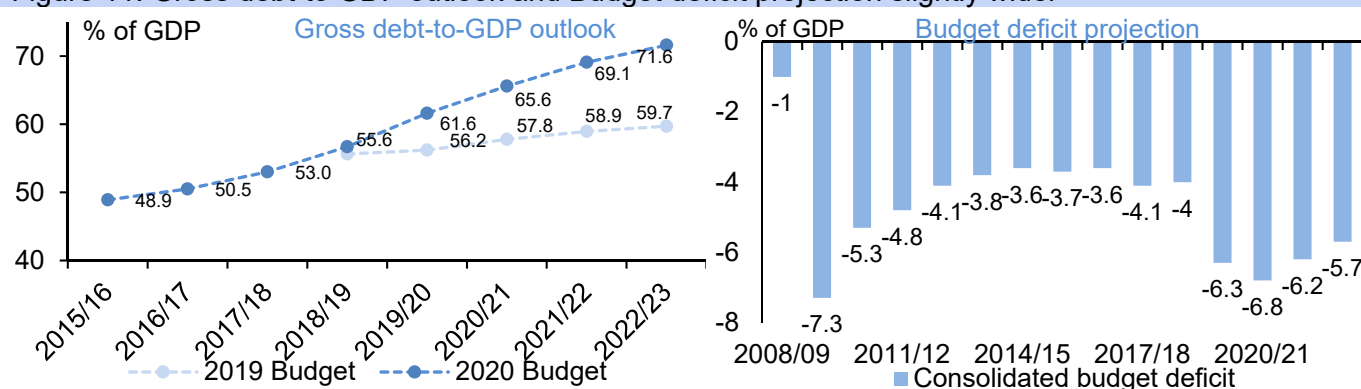
Figure 10: Budget Balances

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
MTBPS 2011	-3.3%							
Budget 2012	-3.0%							
MTBPS 2012	-3.7%	-3.1%						
Budget 2013	-3.9%	-3.1%						
MTBPS 2013	-4.1%	-3.8%	-3.0%					
Budget 2014	-4.0%	-3.6%	-2.8%					
MTBPS 2014	-4.1%	-3.6%	-2.6%	-2.5%				
Budget 2015	-3.9%	-3.9%	-2.6%	-2.5%				
MTBPS 2015	-3.6%	-3.8%	-3.3%	-3.2%	-3.0%			
Budget 2016	-3.6%	-3.9%	-3.2%	-2.8%	-2.4%			
MTBPS 2016	-4.3%	-3.7%	-3.4%	-3.1%	-2.7%	-2.5%		
Budget 2017	-3.5%	-3.5%	-3.4%	-3.1%	-2.8%	-2.6%		
MTBPS 2017	-3.5%	-3.4%	-3.3%	-4.3%	-3.9%	-3.9%	-3.9%	
Budget 2018	-3.6%	-3.7%	-3.5%	-4.3%	-3.6%	-3.6%	-3.5%	
MTBPS 2018		-3.7%	-3.6%	-4.0%	-4.0%	-4.2%	-4.2%	-4.0%
Budget 2019		-3.7%	-3.6%	-4.0%	-4.2%	-4.5%	-4.3%	-4.0%
MTBPS 2019			-3.5%	-4.0%	-4.2%	-5.9%	-6.5%	-6.2%
Budget 2020			-3.6%	-4.1%	-4.0%	-6.3%	-6.8%	-6.2%

Source: National Treasury

averse event for SA. Dropping SA's credit ratings from Moody's to BB+ (sub-investment grade) was expected to have a short-term reaction that would wear out over three to nine months. However, in the current environment of risk-off the financial market reaction is likely to be pronounced, and not merely an immaterial knee jerk reaction. South Africa has seen an elevation in its risk premium since 2012, when it lost its A3 grade credit rating from Moody's and BBB+ rating from Standard and Poor's, and subsequently

Figure 11: Gross debt-to GDP outlook and Budget deficit projection slightly wider



Source: National Treasury



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### Economic Scenarios: note updated probabilities, and forecasts in the expected case

		Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	Q3.21	Q4.21
<b>Extreme</b>	USD/Rand (average)	12.50	11.00	9.50	8.60	7.90	7.60	7.40	7.10
	Repo rate (end rate)	5.75	5.75	5.75	5.75	5.50	5.50	5.25	5.25
<b>Up case</b>									
<b>1%</b>	Fast, sustainable <b>economic growth of 5-7% y/y</b> . Change in political will with growth creating economic reforms that structurally lift private sector investor confidence and fixed investment. <b>Global growth boom</b> (including commodities), Trump protectionism removed, SA export and domestic growth boom lifts employment and incomes, poverty eventually eliminated. Property rights strengthened, individuals obtain title deeds in EWC without disruption to economy. Fiscal consolidation, <b>credit rating upgrades to A grade</b> .								
<b>Up case</b>									
<b>2%</b>	USD/Rand (average)	13.50	11.50	10.00	9.95	9.90	9.70	9.65	9.45
	Repo rate (end rate)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
	<b>Persistent growth of 3-5%</b> , higher probability of extreme up case. <b>Better governance</b> , growth-creating reforms (structural constraints overcome), greater socio-economic stability, strengthening in property rights, individuals obtain title deeds in EWC without disruption to economy and can leverage and obtain credit. High business confidence and fixed investment growth, substantial FDI inflows, fiscal consolidation. Strong global growth and commodity cycle, 'trade war' subsides. <b>Stabilisation of credit ratings</b> , with ultimately credit rating upgrades.								
<b>Base case</b>									
<b>41%</b>	USD/Rand (average)	15.15	16.15	15.60	15.00	14.55	14.30	14.55	14.15
	Repo rate (end rate)	6.00	5.75	5.75	5.75	6.00	6.00	6.00	6.00
	<b>Annual growth approaches 2.0% y/y by 2023</b> . Rising confidence and investment levels over the five-year forecast period. <b>SA retains one investment grade (Moody's) rating on its local currency long-term sovereign debt in 2019 and 2020 on a negative outlook</b> . Current global risk-off environment lessens to neutral during Q2.20. <b>Modestly strengthening global demand to trend growth</b> . Limited impact of EWC (expropriation without compensation) to abandoned, unused, labour tenets and government land (individuals are new owners and receive title deeds) does not have a negative effect on economy.								
<b>Lite</b>									
<b>(domestic)</b>	USD/Rand (average)	15.50	16.50	16.80	16.10	15.80	15.90	15.70	15.30
<b>Down case</b>	Repo rate (end rate)	6.75	7.00	7.25	7.25	7.25	7.25	7.00	7.00
<b>40%</b>	<b>SA is rated sub-investment grade by Moody's but substantial repair avoids further marked downgrades</b> . Business confidence depressed, rand weakness, significant load shedding and weak investment growth until substantial repair effected. <b>V shaped, credit-rating-downgrade related recession</b> . <b>The international risk sentiment environment is that of the base case</b> . Potentially combined with expropriation of some private commercial sector property without compensation, with some negative impact on the economy.								
<b>Severe down case</b>									
<b>16%</b>	USD/Rand (average)	16.00	17.50	18.50	19.80	19.50	18.90	18.50	18.00
	Repo rate (end rate)	7.00	7.75	8.50	9.25	10.00	10.00	9.50	9.00
	<b>Global sharp economic slowdown resulting in a recession</b> – could include a global financial crisis and/or a severe Covid-19 pandemic (a marked escalation of the US-China trade war seem less likely currently) – insufficient global monetary and other supports to growth. A significantly more severe recession occurs in SA than in the lite down case, marked rand weakness. Potentially combined with expropriation of private sector property (title deeds not transferred to individuals) without compensation for SA with severe negative impact on economy. SA rated sub-investment grade from all three key agencies, with further rating downgrades occurring, may eventually include widespread services load shedding and strike action.								

**Note:** Event risk begins Q1.20. Source: Investec, Iress historical data





## MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy

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Figure 13: Reuters March 2020 Foreign exchange rates poll: USDZAR

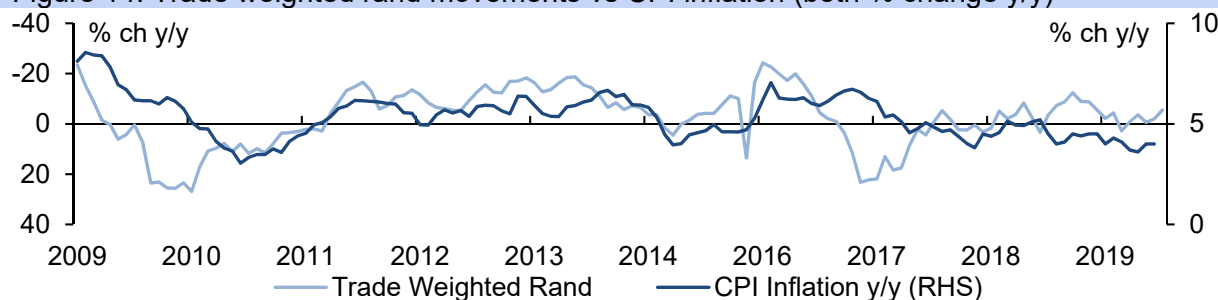
	1M	3M	6M	1Y
Release/Effective Date	31 Jan 2020	31 Mar 2020	30 Jun 2020	31 Dec 2020
Median	14.4750	14.9000	15.0000	15.0000
High	15.0000	16.0000	17.0000	17.5000
Low	13.8000	13.2000	14.0000	14.0300
No. of forecasts	22	27	27	27

Source: Reuters

its BBB+ rating from Fitch the following year. The yield on SA's benchmark ten year government bond rose from 6.70% in 2012, to 8.30% by 2013. In early March Moody's already dropped its 2020 GDP forecast for SA to 0.4%, from the 0.7% y/y made only in February. SA's bond yields could rise towards 10% y/y, and even move to around 11.00% in Q2.20 if SA is downgraded in March and the severe risk off environment persists, or worsens. Market volatility for South Africa's financial indicators would also increase, when markets switch between risk on and risk off sentiment and vice versa. A uniform sub-investment grade credit rating for SA from the three key credit rating agencies would not only elevate volatility, but also weaken GDP growth and the exchange rate. The collapse in the oil price has countered the impact of rand weakness on the expected petrol price adjustments, with around R1/litre cut in the petrol and diesel prices currently anticipated for April, while the SARB has previously estimated that the pass through from rand weakens into inflation is much weaker than historically. This due to the severe weakening in domestic demand over the past few years.

The WHO (World Health Organisation) has revised Covid-19's status to a pandemic (global epidemic) stating that it "has been assessing this outbreak around the clock and we are deeply concerned both by the alarming levels of spread and severity, and by the alarming levels of inaction." "Pandemic is not a word to use lightly or carelessly. It is a word that, if misused, can cause unreasonable fear, or unjustified acceptance that the fight is over, leading to unnecessary suffering and death. We have never before seen a pandemic sparked by a coronavirus. This is the first pandemic caused by a coronavirus. And we have never before seen a pandemic that can be controlled, at the same time." Focus Economics says "(t)he coronavirus has spurred fears of a global recession. The Consensus of our poll of analysts puts the probability of a global recession in the next 12 months at 43%. However, there is a huge divergence in panellists' views, with a minimum forecast of 5% and a maximum forecast of 90%. In China, Iran, Italy and South Korea, the countries currently with the largest outbreaks,

Figure 14: Trade weighted rand movements vs CPI inflation (both % change y/y)



Source: Stats SA, Iress

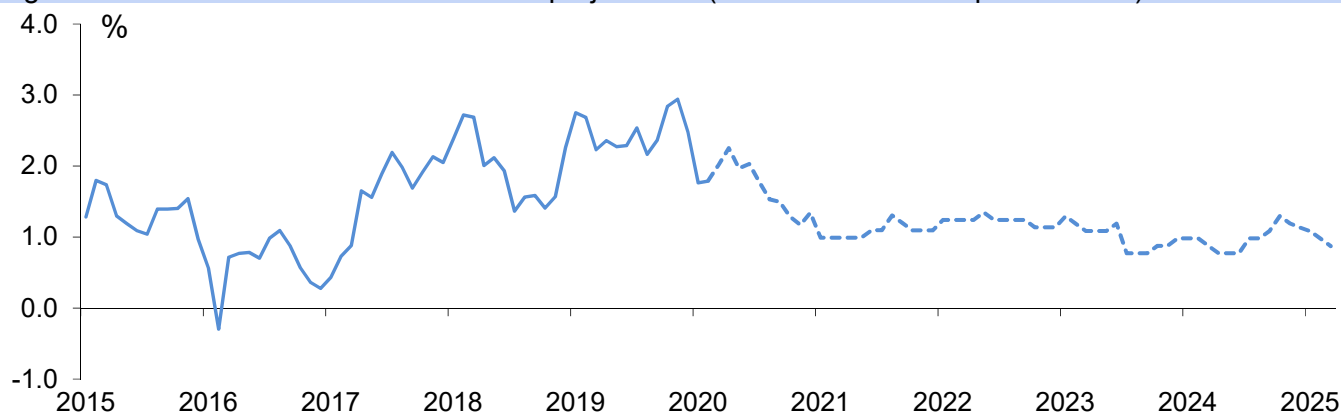
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## MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy

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Figure 15: South Africa's real interest rate projections: (Investec CPI and repo forecasts)



Source: Investec, Iress

Figure 16: Inflation forecasts

	2019	2020	2021	2022	2023	2024	2025
Consumer Inflation (Av: %)	4.1	4.0	4.5	5.1	5.4	5.5	5.3
Producer Inflation (Av: %)	4.6	3.5	4.1	5.0	5.3	5.3	5.1
Salary & wage increases (%)	4.4	4.2	4.8	6.2	6.3	6.5	6.6

Source: Investec

Figure 17: SA Monetary Policy Committee (MPC) meeting dates for 2020

Month	Date	Forecast
March 2020	17 <sup>th</sup> – 19 <sup>th</sup>	6.25
May 2020	19 <sup>th</sup> – 21 <sup>st</sup>	6.00
July 2020	21 <sup>st</sup> – 23 <sup>rd</sup>	6.00
September 2020	15 <sup>th</sup> – 17 <sup>th</sup>	6.00
November 2020	17 <sup>th</sup> – 19 <sup>th</sup>	6.00

Source: SA Reserve Bank, Investec

Figure 18: Reuters March 2020: Econometer poll: SARB GDP end period

Forecast period	Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	2020	2021	2022
Median	-0.4	0.9	0.9	1.4	0.4	1.2	0.3	1.2	1.1
Highest forecast	0.9	2.5	3.7	4.0	1.5	4.0	1.5	2.0	1.8
Lowest forecast	-3.0	-1.7	-1.2	-1.0	-3.4	-1.3	-1.2	0.3	0.6
No. of forecasts	13	13	13	13	13	13	26	26	12

Source: Reuters





## MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy

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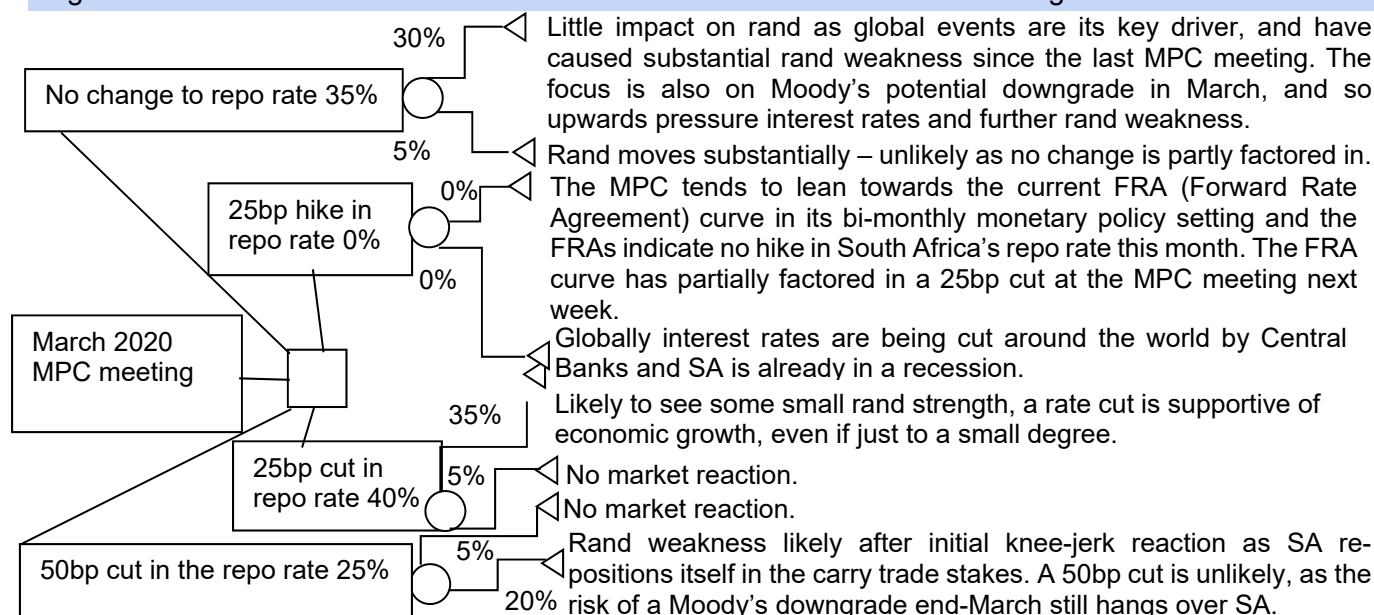
Figure 19: forecasts	2020	2021	2022	2023	2024	2025
Repo Rate	6.00	6.00	6.25	6.25	6.25	6.25
Prime Overdraft Rate	9.50	9.50	9.75	9.75	9.75	9.75
SA rand bond	9.10	9.15	9.10	8.80	8.50	8.20
US Fed funds rate	1.00-1.25*	1.25-1.50*	1.75-2.00*	2.00-2.25*	2.25-2.50*	2.25-2.50*
UK Bank rate	0.25*	0.50*	1.00*	1.25*	1.50*	1.75*

Note: \*are under review, forecasts are % year-end. Source: Investec, SARB, IRESS

panellists also see a large negative effect on the economy. Of the four, Iran is expected to be the hardest hit, due to a weaker health system and belated government response to the virus.”

The US could see further interest rate cuts this year and other monetary operations put in place, particularly to lift the yield on the ten-year treasury, which has been sagging towards that of its treasury bills, negatively impacting the financial industry. The rand has moved into the severe down case of a pandemic, with the ECB President, Christine Lagarde, warning of a global recession on the back of Covid-19 similar to that of the 2008/2009 financial crisis unless government work actively to mitigate the effect via fiscal, monetary and other stimuli. Urging “EU leaders to dig into their pockets in the fight against the coronavirus outbreak or pay a higher price for passivity”, and emphasising “the need for fiscal action to support the economy”, the ECB is expected push through further stimulus measures, including a new funding scheme aimed at smaller companies and a cut to its policy interest rate. South Africa could see further interest rate cuts after March, potentially another 25bp cut either May or July. The chance of a 50bp cut now ahead of Moody’s review on 27<sup>th</sup> March is lower however.

Figure 20: Decision tree for South Africa’s 17<sup>th</sup> - 19<sup>th</sup> March 2020 MPC meeting



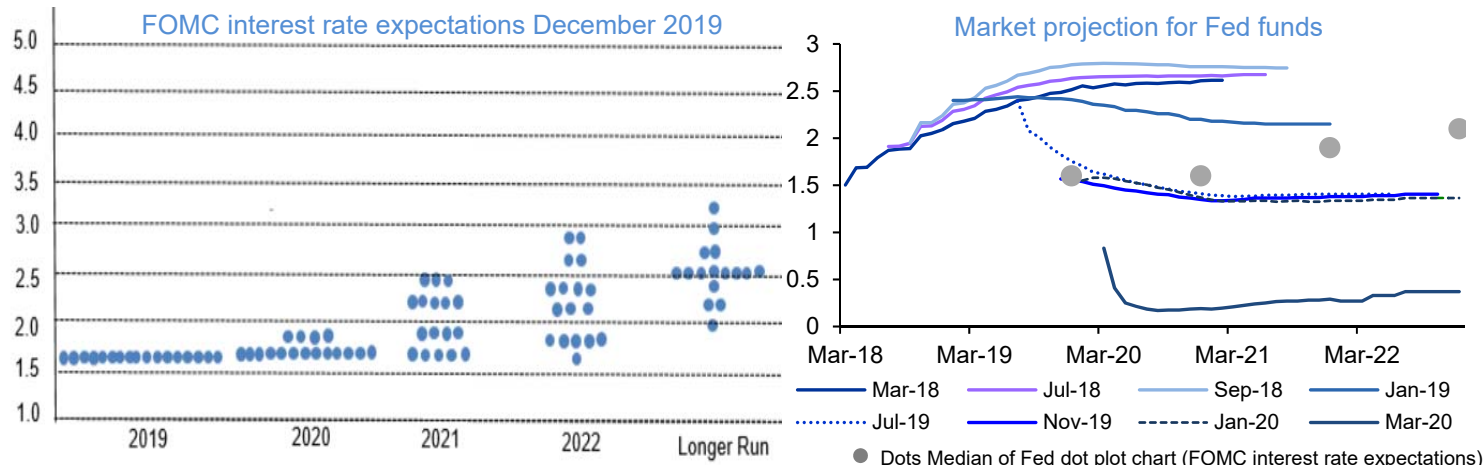
Key: squares are decision nodes, circles chance nodes and triangles end nodes. Source: Investec



**MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy**

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**Figure 21: US interest rate projections**



Source: FOMC, Bloomberg

Note: in left graph each circle/dot is individual's judgement of appropriate fed funds rate per period

**Figure 22: FOMC 2020 Meeting Schedule**

January	28 <sup>th</sup> – 29 <sup>th</sup>
March	17 <sup>th</sup> – 18 <sup>th</sup> *
April	28 <sup>th</sup> – 29 <sup>th</sup>
June	9 <sup>th</sup> – 10 <sup>th</sup> *
July	28 <sup>th</sup> – 29 <sup>th</sup>
September	15 <sup>th</sup> -16 <sup>th</sup> *
November	4 <sup>th</sup> – 5 <sup>th</sup>
December	15 <sup>th</sup> – 16 <sup>th</sup> *

Source: Federal Reserve Bank

\*Meeting associated with a Summary of Economic Projections

**Figure 23: Forecast of international interest rates (% , end quarter)**

	US Fed funds	Euro zone Refi rate	Euro zone deposit rate	UK Bank Rate
Current	1.50-1.75	0.00	-0.50	0.75
Q1.20	1.50-1.75	0.00	-0.60	0.75
Q2.20	1.25-1.50	0.00	-0.60	0.75
Q3.20	1.25-1.50	0.00	-0.60	0.75
Q4.20	1.25-1.50	0.00	-0.60	0.75
Q1.21	1.25-1.50	0.00	-0.60	0.75
Q2.21	1.25-1.50	0.00	-0.60	1.00
Q3.21	1.25-1.50	0.00	-0.60	1.00
Q4.21	1.50-1.75	0.00	-0.60	1.00

Source: Macrobond, Investec



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Figure 24: Interest rate forecast end rates

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2019	10.25	6.3	6.75	2.8
Feb 2019	10.25	6.2	6.75	2.7
Mar 2019	10.25	5.7	6.75	2.2
Apr 2019	10.25	5.9	6.75	2.4
May 2019	10.25	5.8	6.75	2.3
Jun 2019	10.25	5.8	6.75	2.3
Jul 2019	10.00	6.0	6.50	2.5
Aug 2019	10.00	5.7	6.50	2.2
Sep 2019	10.00	5.9	6.50	2.4
Oct 2019	10.00	6.3	6.50	2.8
Nov 2019	10.00	6.4	6.50	2.9
Dec 2019	10.00	6.0	6.50	2.5
Jan 2020	9.75	5.3	6.25	1.8
Feb 2020	9.75	5.3	6.25	1.8
Mar 2020	9.50	5.3	6.00	1.8
Apr 2020	9.50	5.9	6.00	2.4
May 2020	9.25	5.6	5.75	2.1
Jun 2020	9.25	5.8	5.75	2.3
Jul 2020	9.25	5.5	5.75	2.0
Aug 2020	9.25	5.3	5.75	1.8
Sep 2020	9.25	5.3	5.75	1.8
Oct 2020	9.25	5.1	5.75	1.6
Nov 2020	9.25	4.9	5.75	1.4
Dec 2020	9.25	5.2	5.75	1.7
Jan 2021	9.50	5.2	6.00	1.7
Feb 2021	9.50	5.2	6.00	1.7
Mar 2021	9.50	5.2	6.00	1.7
Apr 2021	9.50	4.8	6.00	1.3
May 2021	9.50	4.9	6.00	1.4
Jun 2021	9.50	4.9	6.00	1.4
Jul 2021	9.50	4.9	6.00	1.4
Aug 2021	9.50	5.1	6.00	1.6
Sep 2021	9.50	5.0	6.00	1.5
Oct 2021	9.50	4.9	6.00	1.4
Nov 2021	9.50	4.9	6.00	1.4
Dec 2021	9.50	4.8	6.00	1.3

Source: IRESS, Investec



## MPC preview: MPC to weigh up the risk of further substantial rand weakness on a March Moody's downgrade against the Covid-19 impact on the economy

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Figure 25: CPI forecast averages

Date	Index Base	Annual	Monthly	Quarterly	Calendar year	
	2016	y/y	m/m	y/y		
Jan 2019	109.2	4.0	-0.2			
Feb 2019	110.1	4.1	0.8			
Mar 2019	111.0	4.5	0.8	4.2		
Apr 2019	111.7	4.4	0.6			
May 2019	112.0	4.5	0.3			
Jun 2019	112.4	4.5	0.4	4.4		
Jul 2019	112.8	4.0	0.4			
Aug 2019	113.1	4.3	0.3			
Sep 2019	113.4	4.1	0.3	4.1		
Oct 2019	113.4	3.7	0.0			
Nov 2019	113.5	3.6	0.1			
Dec 2019	113.8	4.0	0.2	3.7	2019	4.1
Jan 2020	114.1	4.5	0.3			
Feb 2020	115.0	4.5	0.8			
Mar 2020	115.7	4.2	0.6	4.4		
Apr 2020	115.7	3.6	0.0			
May 2020	116.0	3.6	0.3			
Jun 2020	116.3	3.5	0.2	3.6		
Jul 2020	117.0	3.7	0.6			
Aug 2020	117.6	3.9	0.5			
Sep 2020	117.9	4.0	0.3	3.9		
Oct 2020	118.2	4.2	0.2			
Nov 2020	118.4	4.3	0.2			
Dec 2020	118.4	4.0	0.0	4.2	2020	4.0
Jan 2021	119.0	4.3	0.5			
Feb 2021	119.9	4.3	0.8			
Mar 2021	120.7	4.3	0.6	4.3		
Apr 2021	121.1	4.7	0.4			
May 2021	121.4	4.6	0.2			
Jun 2021	121.6	4.6	0.2	4.6		
Jul 2021	122.4	4.6	0.6			
Aug 2021	122.7	4.4	0.3			
Sep 2021	123.2	4.5	0.4	4.5		
Oct 2021	123.6	4.6	0.3			
Nov 2021	123.8	4.6	0.2			
Dec 2021	123.9	4.6	0.1	4.9	2021	4.5

Source: Stats SA, Investec

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