



# SA Economics

Friday 1 July 2022

Macro-economic outlook: at increased risk of recession the longer stage 6 load shedding persists, or even consistent stage 4 over H2.22

Summary, % real growth rates	2022	2023	2024	2025	2026	2027
GDP (real, %)	1.9	1.7	1.8	2.1	2.3	2.5
HCE (real, %)	2.5	2.0	1.9	2.0	2.3	2.4
GCE (real, %)	0.5	-1.8	-0.7	0.6	1.0	1.1
GFCF (real, %)	2.3	3.8	4.4	4.9	5.2	5.6
GDE (real, %)	2.5	2.0	2.1	2.2	2.5	2.6
Export (goods & non-factor services) - (real, %)	4.5	3.9	3.5	3.8	4.0	4.5
Imports (goods & non-factor services) - (real, %)	6.0	4.9	4.6	4.2	4.5	5.0
Balance: Current Account - (% of GDP)	1.2	-2.1	-3.1	-3.0	-3.0	-2.8
Imports as % of GDP	27.0	27.9	28.6	29.3	29.9	30.6
Exports as % of GDP	26.8	27.4	27.9	28.4	28.9	29.4

Source: SARB, Investec

Consumption Expenditure	2022	2023	2024	2025	2026	2027
HCE, total (real, %)	2.5	2.0	1.9	2.0	2.3	2.4
HCE as % of GDP	66.5	66.7	66.9	66.8	66.8	66.8
Unemployment rate (%)	34.5	33.9	33.1	32.3	31.8	31.2
Population (million)	60.8	61.5	62.1	62.8	63.5	64.1
Employment growth rate (%)	5.2	0.3	2.9	3.1	2.8	2.7
Compensation of employees (%)	7.0	5.6	6.3	6.7	6.8	7.1
GCE as % of GDP	19.6	18.9	18.4	18.2	17.9	17.7

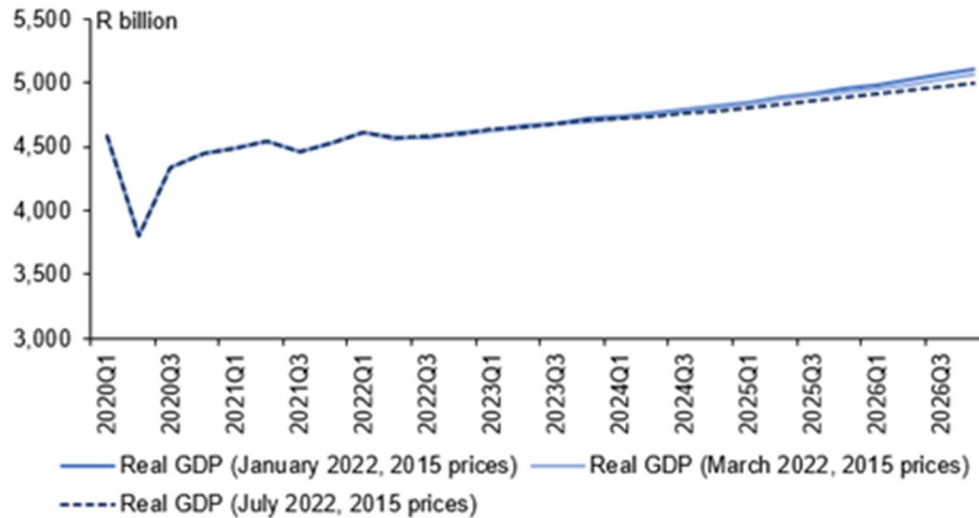
Source: SARB, Investec

Gross Fixed Capital Formation	2022	2023	2024	2025	2026	2027
GFCF, total (real, %)	2.3	3.8	4.4	4.9	5.2	5.6
GFCF as % of GDP	14.1	14.4	14.8	15.2	15.6	16.1
Private sector (real, %)	3.0	3.9	4.6	5.1	5.2	5.6
Government (real, %)	0.5	3.6	3.9	4.5	5.1	5.5
Non-residential GFCF (real, %)	3.0	3.9	4.6	5.0	5.2	5.6
Residential buildings (real, %)	3.1	3.8	4.6	5.1	5.3	5.5

Source: SARB, Investec

Please note: all data may be subjected to historical revisions

South Africa GDP (R billion, constant prices) quarterly



Source: Investec

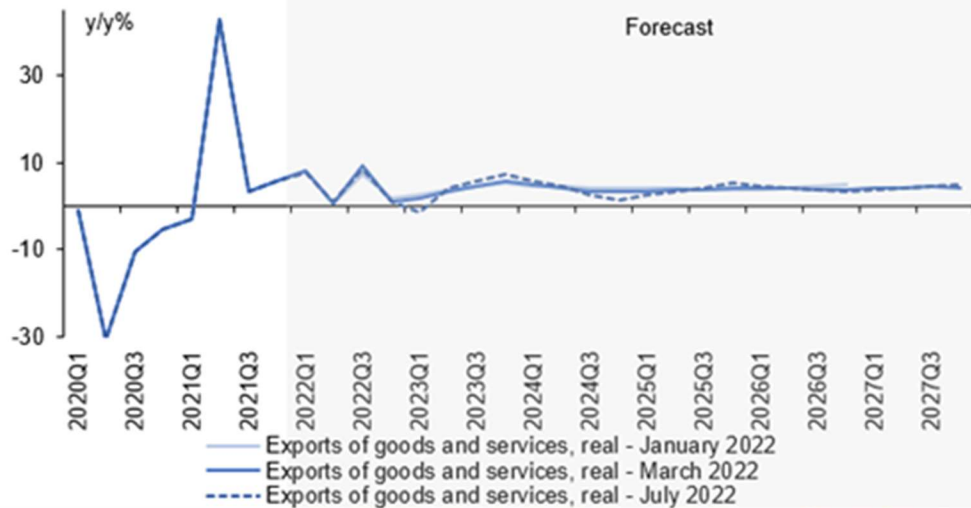
GDP summary, % real growth rates	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
GDP (real, y/y %)	2.9	0.6	2.8	1.5	0.7	1.7	1.9	2.5	1.7	1.9	1.8	1.6
HCE (real, y/y %)	3.2	1.1	4.3	1.5	0.7	2.0	2.5	3.0	2.7	2.1	1.7	1.3
GCE (real, y/y %)	2.1	0.8	-0.6	-0.4	-2.1	-1.7	-1.3	-2.2	-1.6	-1.0	-0.4	0.1
GFCF (real, y/y %)	3.8	1.5	2.1	1.7	0.8	4.1	5.4	5.0	3.5	4.1	4.7	5.4
GDE (real, y/y %)	3.5	2.1	2.8	1.7	0.7	1.9	2.6	2.9	2.2	2.1	2.0	1.9
Export (goods & non-factor services) - (real, y/y %)	7.9	0.9	8.7	0.9	-1.4	4.2	5.8	7.2	5.8	4.4	2.8	1.2
Imports (goods & non-factor services) - (real, y/y %)	10.2	5.5	7.7	0.9	-2.4	4.9	8.4	9.0	7.8	5.1	3.5	2.1
Current Account - (% of GDP)	2.2	0.8	1.1	0.6	-1.2	-1.9	-2.5	-2.9	-3.0	-3.1	-3.2	-3.1
Imports as % of GDP	27.8	26.9	26.5	26.9	27.0	27.8	28.2	28.6	28.6	28.6	28.6	28.7
Exports as % of GDP	27.4	26.6	26.6	26.7	26.9	27.3	27.6	28.0	27.9	27.9	27.9	27.9

Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

GDP summary, % real growth rates	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
GDP (real, y/y %)	1.7	2.0	2.2	2.3	2.4	2.3	2.3	2.2	2.3	2.4	2.5	2.7
HCE (real, y/y %)	1.5	1.9	2.2	2.4	2.4	2.4	2.3	2.2	2.3	2.4	2.4	2.5
GCE (real, y/y %)	0.5	0.6	0.7	0.8	0.8	0.9	1.1	1.2	1.2	1.2	1.1	1.1
GFCF (real, y/y %)	5.2	5.0	4.8	4.5	4.8	5.1	5.4	5.5	5.5	5.5	5.6	5.6
GDE (real, y/y %)	1.9	2.1	2.3	2.3	2.4	2.4	2.5	2.5	2.6	2.6	2.6	2.7
Export (goods & non-factor services) - (real, y/y %)	2.5	3.3	4.3	5.2	4.6	4.2	3.8	3.5	3.8	4.3	4.7	5.1
Imports (goods & non-factor services) - (real, y/y %)	3.0	4.0	4.6	5.1	4.8	4.4	4.5	4.5	4.7	5.0	5.1	5.1
Current Account - (% of GDP)	-3.0	-3.1	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-2.9	-2.8	-2.8	-2.8
Imports as % of GDP	29.0	29.2	29.3	29.5	29.7	29.8	30.0	30.1	30.4	30.5	30.7	30.9
Exports as % of GDP	28.1	28.3	28.5	28.6	28.7	28.8	28.9	29.0	29.2	29.4	29.5	29.7

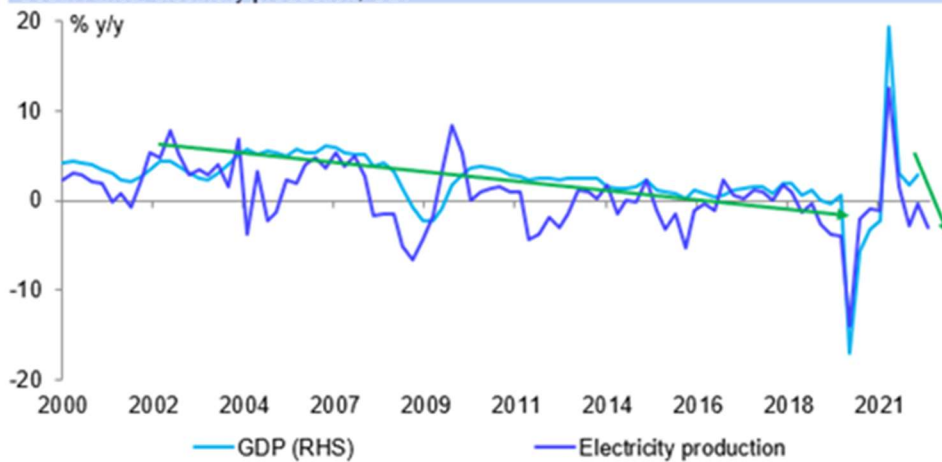
Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

### Real growth in exports goods and services - quarterly



Source: Investec

### South Africa: electricity production, GDP



Source: Stats SA

- South Africa sees economic growth at risk this year from the recent severe load shedding regime implemented at stage 6, even though it fluctuates to stage 4 intermittently, and the outcome for 2022 GDP will depend on how long the country experiences severe outages.
- A couple of days of stage six load shedding in one year will neither derail economic growth, nor credit ratings', outlooks for SA, but persistent severe loadshedding will, while SA enters a worsening global economic environment in H2.22 as well.
- This comes as SA's fiscal metrics have been benefitting from both improved revenue collections (on the back of high commodity prices and increased SARS efficiencies), and the dampening effect of high inflation itself on the debt and deficit ratios to (nominal) GDP.
- After the strong Q1.22 GDP outcome, the second quarter of this year is likely to record a contraction on the back of the flood damage in the KZN province, and the ramp up in electricity loadshedding, along with the weakening in global demand and low confidence levels.

- Additionally, the electricity grid has been under severe strain, with Q3.22 starting off with stage 6 load shedding, afflicting the economic growth potential. Load shedding contributed to the decline in economic growth from above 5.0% y/y in 2008 to 0.1% y/y by 2019.
- An economy cannot function to its full potential with insufficient electricity supply, and the parlous state the recent strike action has also had on electricity production, along with the intentional sabotage of electricity power stations and infrastructure has damaged H1.22 GDP.
- Manufacturing was the key sector contributing to strong GDP growth in Q1.22, with trade and finance also bolstering GDP activity, but rapidly rising interest rates will eat into consumption, with Q2.22 consumer confidence severely depressed indicating reduced spend.
- Both business and consumer confidence fell deeper into depressed territory in Q2.22, led lower by a severe collapse in South Africa's manufacturers confidence, and 71% were dissatisfied with prevailing conditions in Q2.22, as were new vehicle dealers.
- Q2.22 has proved to be very different to Q1.22, and Q3.22 takes many of the suppressing effects from Q2.22, including sharply higher interest rates and weakening global demand, with global recession a concern. SA unlikely to see GDP growth of above 2.0% y/y for 2022.

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Monetary Sector	2022	2023	2024	2025	2026	2027
Repo Rate (year-end: %)	5.75	6.25	6.50	6.50	6.50	6.50
Prime Overdraft Rate (year-end: %)	9.25	9.75	10.00	10.00	10.00	10.00
SA rand bond (year-end: %)	10.70	10.80	10.90	10.90	11.00	11.50

Source: SARB, Investec

Inflation	2022	2023	2024	2025	2026	2027
Consumer Inflation (Av: %)	6.5	5.2	4.7	5.0	5.0	5.0
(year-end: %)	6.3	4.8	4.3	5.0	5.0	5.1
Producer Inflation (Av: %)	14.5	8.9	4.8	5.1	5.1	5.0
(year-end: %)	14.9	5.2	4.9	4.8	5.3	4.9
Salary & wage increases (%)	6.8	5.4	5.6	6.0	6.1	6.2

Source: SARB, Investec

Exchange Rates: averages	2022	2023	2024	2025	2026	2027
USD/ZAR	15.60	15.78	16.00	16.23	16.33	16.13
GBP/ZAR	19.60	19.80	21.45	23.00	23.34	23.06
EUR/ZAR	16.95	17.87	19.45	20.28	20.41	20.16
ZAR/JPY	8.25	8.13	7.29	6.60	6.56	6.64
GBP/USD	1.26	1.26	1.34	1.42	1.43	1.43
EUR/USD	1.09	1.13	1.22	1.25	1.25	1.25
USD/JPY	129	128	117	107	107	107

Source: SARB, Investec

#### Nominal growth in salaries and wages: history and Forecasts



Sources: Stats SA, Investec

Inflation forecasts	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Consumer Inflation (Av: y/y %)	5.8	6.6	6.9	6.7	6.3	5.1	4.6	4.7	4.8	4.9	4.7	4.4
Producer Inflation (Av: y/y %)	10.8	14.3	16.9	15.9	14.5	9.6	6.7	5.5	4.7	4.9	4.8	4.9
Salary & wage increases (y/y %)	5.0	4.8	8.7	8.8	5.1	4.5	5.7	6.1	5.5	5.5	5.5	5.7

Source: Statistics SA, SARB, Investec

Inflation forecasts	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
Consumer Inflation (Av: y/y %)	5.0	5.0	5.0	4.9	4.9	5.2	4.9	5.0	5.0	4.9	5.1	5.1
Producer Inflation (Av: y/y %)	5.3	5.1	5.0	4.9	5.0	5.2	5.0	5.2	5.1	4.9	5.1	4.9
Salary & wage increases (y/y %)	5.8	6.0	6.1	6.1	6.1	6.1	6.2	6.1	6.2	6.2	6.2	6.2

Source: Statistics SA, SARB, Investec

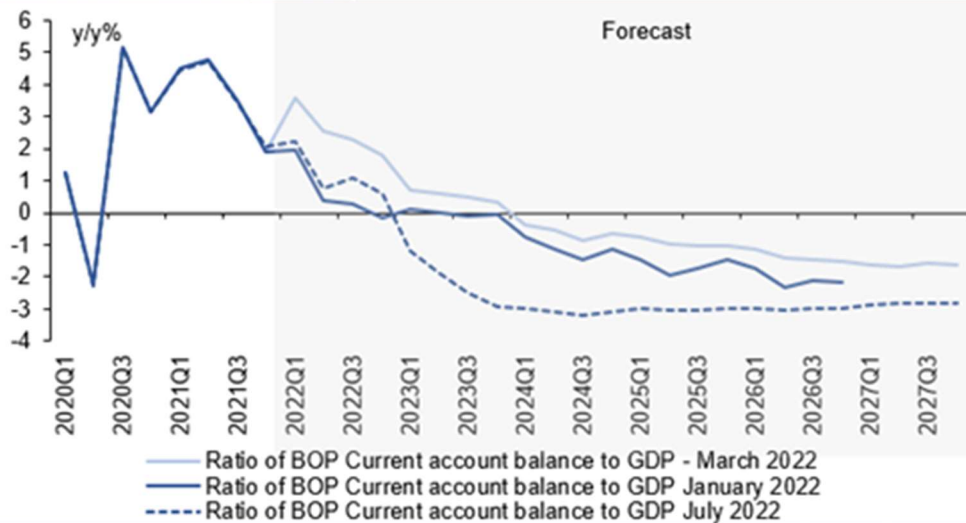
Monetary Sector % year-end	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Repo Rate (year-end: %)	4.25	4.75	5.50	5.75	6.00	6.00	6.25	6.25	6.25	6.25	6.25	6.50
Prime Overdraft Rate (year-end: %)	7.75	8.25	9.00	9.25	9.50	9.50	9.75	9.75	9.75	9.75	9.75	10.00
SA rand bond (Av: %)	9.80	10.50	10.60	10.70	10.60	10.80	10.90	10.80	10.70	10.80	11.00	10.90

Note: % quarter-end. Source: SARB, Investec

Monetary Sector % year-end	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
Repo Rate (year-end: %)	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Prime Overdraft Rate (year-end: %)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
SA rand bond (Av: %)	10.70	10.90	11.00	10.90	10.80	11.20	11.30	11.00	11.10	11.50	11.50	11.50

Note: % quarter-end. Source: SARB, Investec

#### Balance: Current Account - (% of GDP)



Source: Investec

Global Environment: averages	2022	2023	2024	2025	2026	2027
Oil price, Brent USD/barrel	110	100	95	87	84	76
World GDP (real, %)	2.6	2.3	2.8	2.7	2.8	2.8
US CPI (Av, %)	8.2	3.3	2.0	2.1	2.2	2.2
US GDP (Av, %)	2.5	1.0	1.4	1.8	1.8	1.9
US Fed rate (year-end %)	3.25	3.50	3.25	2.50	2.50	2.50

Source: World Bank, IRESS, Investec

- We expect 2022 will record a GDP outcome of 1.9% y/y, but this figure is at risk of coming out severely lower as much will depend on the length of severe load shedding. If stage 6 persists (or worsens) SA will likely see a GDP contraction in Q3.22, after Q2.22's drop.
- While this would be a technical recession caused by structural weaknesses, but slowing global economic growth will help to weaken activity, as will higher interest rates, high inflation, and depressed business and consumer confidence, and weaker investor sentiment.
- Additionally, with SA at increased risk of recession the longer stage 6 load shedding persists over H2.22, or even persistent stage 4 over H2.22, the credit rating agencies would eventually most likely reassess SA's positive outlooks, and could turn them to negative.
- South Africa was not at risk of credit rating downgrades from a few days of stage 6 load shedding early this week, but persistent damaging load shedding over H2.22 would increase SA's risk of credit rating downgrades, as indicated by a switch to negative outlooks.
- Government needs to rapidly remove the red tape, and any regulations, in the electricity sector that impedes private sector renewable energy investment, as failure to do so will doom SA to increasingly frequent recessions as government cannot fix the issues alone.
- While Q1.22's robust GDP outcome might have prompted a marked upwards revision to SA's 2022 GDP growth forecast, the deteriorating global environment over H2.22 will unlikely allow for such optimism, with rapid global interest rate hikes in the face of high global inflation.
- The US is seeking to avoid a wage-price spiral, and further rapid interest rate hikes are anticipated, which has aided risk-off and weakened the rand from Q2.22, although the recent rand weakness has been fed by the destructive impact of stage 6 load shedding.
- The rand will likely see further marked weakness if SA does not follow the Fed's pace of interest rate hikes, although not necessarily replicate their quantum. However, if load shedding persists over H2.22 (not the expected case) this will weaken the rand further.
- The Russian/Ukraine conflict continues to support high food and energy commodity prices, and SA is likely to see higher CPI inflation in Q3.22, of above 7.0% y/y, spurring the SARB to hike by 50bp in July, and by continuing to hike (by 25bp) in September and November.

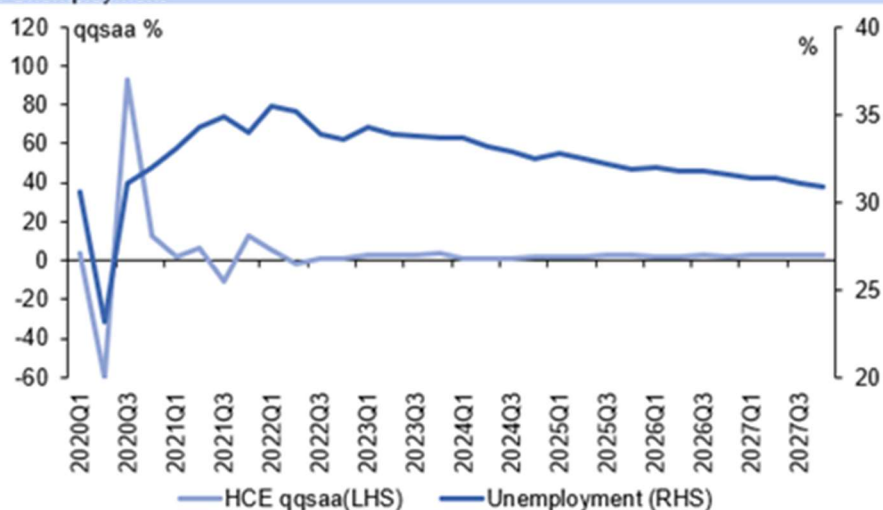
Consumption Expenditure, % real growth rates	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
HCE, total (real, y/y %)	3.2	1.1	4.3	1.5	0.7	2.0	2.5	3.0	2.7	2.1	1.7	1.3
HCE as % of GDP	66.3	66.5	66.5	66.7	66.3	66.7	66.9	67.0	67.0	66.9	66.8	66.8
Unemployment rate (%)	34.6	35.2	33.8	33.6	34.3	33.9	33.8	33.7	33.7	33.1	32.9	32.5
Population (million)	60.5	60.7	60.8	61.0	61.2	61.4	61.5	61.7	61.9	62.1	62.2	62.4
Employment growth rate (y/y %)	-0.5	1.3	8.8	11.2	3.7	0.7	-1.1	-2.1	0.9	3.2	3.5	3.8
Compensation employees (y/y %)	5.4	5.9	7.3	9.4	6.8	5.9	5.2	4.7	5.2	5.8	6.6	7.4
GCE as % of GDP	19.7	19.6	19.4	19.5	19.1	19.0	18.8	18.6	18.5	18.4	18.4	18.3

Source: SARB, Investec

Consumption Expenditure, % real growth rates	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
HCE, total (real, y/y %)	1.5	1.9	2.2	2.4	2.4	2.4	2.3	2.2	2.3	2.4	2.4	2.5
HCE as % of GDP	66.8	66.8	66.8	66.8	66.8	66.8	66.8	66.9	66.8	66.8	66.8	66.8
Unemployment rate (%)	32.8	32.5	32.2	31.9	32.0	31.8	31.7	31.6	31.4	31.3	31.1	30.8
Population (million)	62.6	62.7	62.9	63.1	63.2	63.4	63.5	63.7	63.9	64.0	64.2	64.3
Employment growth rate (y/y %)	3.5	3.0	2.9	3.0	3.2	3.1	2.7	2.0	2.4	2.5	2.8	3.1
Compensation employees (y/y %)	7.3	7.0	6.5	6.1	6.2	6.6	7.0	7.4	7.4	7.2	7.1	6.9
GCE as % of GDP	18.3	18.2	18.1	18.0	18.0	17.9	17.9	17.9	17.8	17.7	17.7	17.6

Source: SARB, Investec

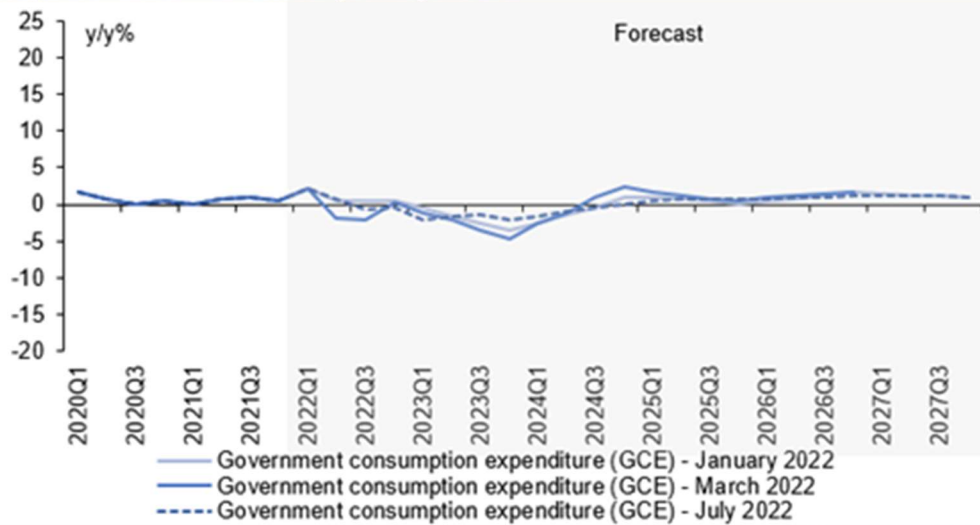
### HCE vs. Unemployment



Source: Investec



### Real growth in Government consumption expenditure



Source: Investec

Gross Fixed Capital Formation, % real growth rates	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
GFCF, total (real, y/y %)	3.8	1.5	2.1	1.7	0.8	4.1	5.4	5.0	3.5	4.1	4.7	5.4
GFCF as % of GDP	14.3	14.0	13.9	14.1	14.3	14.4	14.4	14.4	14.6	14.7	14.8	15.0
Private sector (real, y/y %)	7.9	3.5	1.4	-0.6	-0.9	3.3	6.6	6.8	4.1	4.5	4.8	5.1
Government (real, y/y %)	-5.5	-3.3	3.8	7.8	5.2	6.0	2.5	0.8	2.0	3.1	4.4	6.1
Non-residential GFCF (real, y/y %)	9.0	4.0	1.1	-2.0	-2.6	2.8	7.6	8.4	4.6	4.6	4.6	4.7
Residential buildings (real, y/y %)	2.9	1.4	2.6	5.5	6.9	5.8	2.6	0.2	2.3	4.0	5.6	6.7

Source: SARB, Investec

Gross Fixed Capital Formation, % real growth rates	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
GFCF, total (real, y/y %)	5.2	5.0	4.8	4.5	4.8	5.1	5.4	5.5	5.5	5.5	5.6	5.6
GFCF as % of GDP	15.0	15.1	15.2	15.3	15.4	15.5	15.7	15.8	15.9	16.0	16.1	16.2
Private sector (real, y/y %)	5.1	5.0	5.1	5.0	5.1	5.2	5.3	5.3	5.3	5.5	5.6	5.8
Government (real, y/y %)	5.6	5.0	4.2	3.2	3.9	4.7	5.7	6.1	5.9	5.7	5.4	5.1
Non-residential GFCF (real, y/y %)	4.8	5.0	5.2	5.2	5.2	5.2	5.2	5.2	5.3	5.5	5.7	5.9
Residential buildings (real, y/y %)	6.1	5.5	4.8	4.3	4.8	5.2	5.7	5.7	5.6	5.6	5.3	5.4

Source: SARB, Investec

