

SA Economics



Macro-economic outlook: while 2024 is broadly expected at 1.0% y/y, the IMF sees a weaker medium-term outlook than Investec

Friday 27 September 2024

GDP summary, % real growth rates	2023	2024	2025	2026	2027	2028	2029
GDP (real, y/y %)	0.7	1.0	1.7	2.0	2.5	2.8	3.1
HCE (real, y/y %)	0.7	1.5	2.2	2.3	2.6	2.8	3.0
GCE (real, y/y %)	1.9	-0.7	-0.2	0.0	0.7	1.3	1.4
GFCF (real, y/y %)	3.9	4.1	4.8	5.0	5.3	5.7	6.5
GDE (real, y/y %)	0.8	1.0	2.1	2.2	2.8	3.0	3.3
Export (goods & non-factor services) - (real, y/y %)	3.7	3.1	3.8	4.1	4.5	4.6	4.9
Imports (goods & non-factor services) - (real, y/y %)	3.9	2.9	4.3	4.5	5.1	5.1	5.4
Current Account – (% GDP)	-1.5	-1.7	-2.2	-2.5	-2.5	-2.6	-2.7
Imports as % of GDP	30.3	30.8	31.6	32.4	33.2	33.9	34.7
Exports as % of GDP	28.1	28.7	29.3	29.9	30.5	31.0	31.5

Source: Investec, SARB historical data

Consumption Expenditure	2023	2024	2025	2026	2027	2028	2029
HCE, total (real, %)	0.7	1.5	2.2	2.3	2.6	2.8	3.0
HCE as % of GDP	66.9	67.2	67.6	67.7	67.8	67.8	67.7
Unemployment rate (%)	32.4	33.0	32.8	32.6	32.4	32.0	31.7
Population (million)	60.4	64.0	64.7	65.5	66.1	66.8	67.5
Employment growth rate (%)	6.2	1.6	2.6	1.8	1.8	1.9	1.8
Compensation of employees (%)	5.6	4.8	5.8	6.1	6.6	6.6	7.1
GCE as % of GDP	19.7	19.4	19.0	18.7	18.3	18.1	17.8

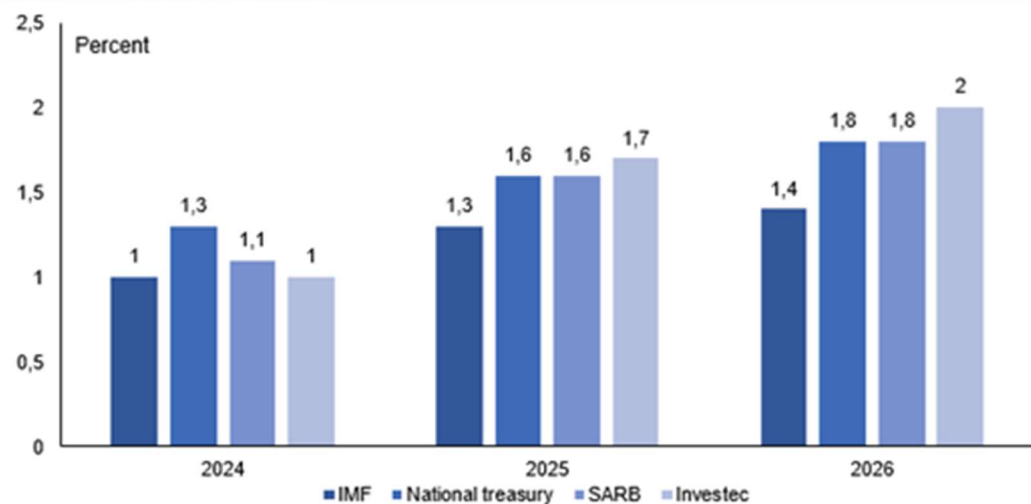
Source: Investec, SARB historical data

Gross Fixed Capital Formation	2023	2024	2025	2026	2027	2028	2029
GFCF, total (real, %)	3.9	4.1	4.8	5.0	5.3	5.7	6.5
GFCF as % of GDP	14.8	15.2	15.7	16.2	16.6	17.1	17.6
Private sector (real, %)	3.0	4.4	4.8	5.1	5.3	5.8	6.5
Government (real, %)	6.1	3.7	4.8	4.6	5.2	5.5	6.4
Non-residential GFCF (real, %)	5.4	4.7	4.8	5.1	5.4	5.9	6.6
Residential buildings (real, %)	-7.1	2.0	4.9	4.9	5.2	5.6	6.0

Source: Investec, SARB historical data

Please note: all data may be subjected to historical revisions

Real GDP growth for South Africa



Source: IMF country report, National Treasury Budget 2024, SARB September MPC meeting, Investec

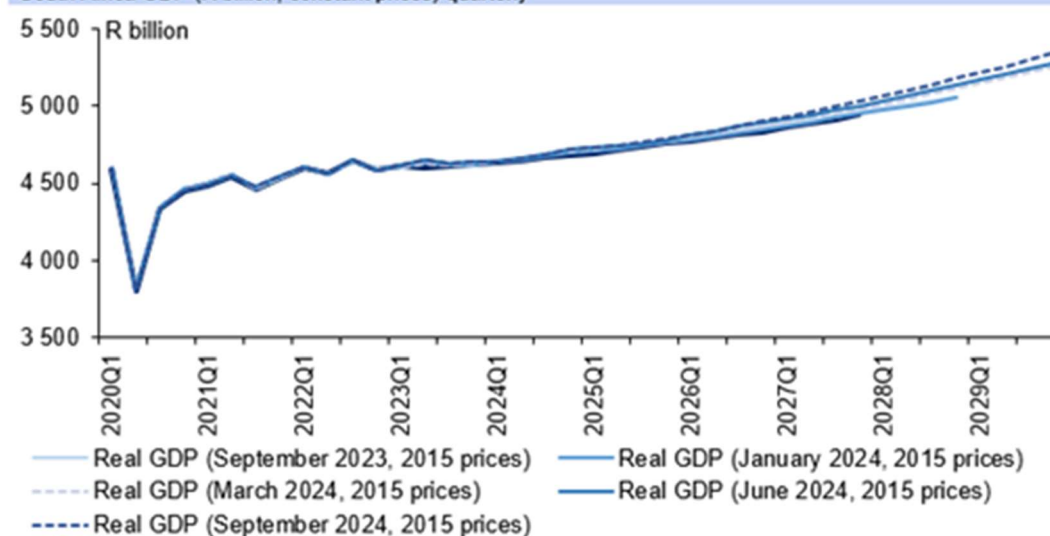
GDP Summary, % real growth rates (incl. residual)	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
GDP (real, qqsa %)	0.0	0.4	0.5	0.7	0.2	0.4	0.4	0.5	0.5	0.6	0.6	0.6
HCE (real, qqsa %)	-0.2	1.4	0.9	1.2	0.1	0.3	0.3	0.4	0.6	0.7	0.7	0.7
GCE (real, qqsa %)	-0.2	1.0	-3.2	-0.2	0.8	0.5	0.3	0.1	-0.1	-0.1	-0.3	0.0
GFCF (real, qqsa %)	-1.7	-1.4	16.6	1.3	-3.6	-0.4	0.8	1.0	1.4	1.5	1.7	1.5
GDE (real, qqsa %)	-0.8	1.1	2.2	0.8	-0.3	0.2	0.4	0.4	0.6	0.7	0.7	0.7
Export (goods & non-factor services) - (real, qqsa %)	-2.9	-0.4	10.5	1.6	-2.4	-0.5	0.9	1.0	1.2	1.1	1.2	1.2
Imports (goods & non-factor services) - (real, qqsa %)	-5.0	1.7	15.1	1.9	-3.9	-1.0	0.6	0.6	1.7	1.4	1.4	1.4

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

GDP Summary, % real growth rates (incl. residual)	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1	2028 Q2	2028 Q3	2028 Q4	2029 Q1	2029 Q2	2029 Q3	2029 Q4
GDP (real, qqsa %)	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8
HCE (real, qqsa %)	0.6	0.6	0.6	0.6	0.6	0.8	0.8	0.8	0.7	0.8	0.8	0.8
GCE (real, qqsa %)	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4
GFCF (real, qqsa %)	1.1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.6	1.6	1.5	1.6
GDE (real, qqsa %)	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.9
Export (goods & non-factor services) - (real, qqsa %)	1.1	1.0	1.1	1.1	1.2	1.1	1.2	1.2	1.2	1.1	1.2	1.2
Imports (goods & non-factor services) - (real, qqsa %)	1.3	1.1	1.0	1.1	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.4

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

South Africa GDP (R billion, constant prices) quarterly



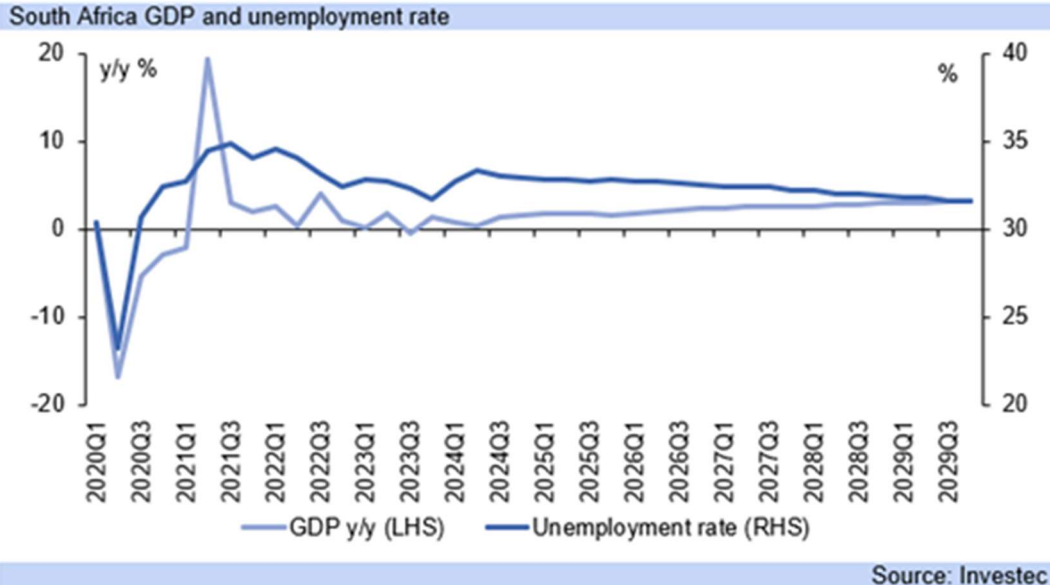
Source: Investec

IMF South Africa economic indicators, 2022-2026

	2022	2023	2024	2025	2026
				Forecasts	
National income and prices (annual percentage change unless otherwise indicated)					
Real GDP	1.9	0.7	1.0	1.3	1.4
Domestic demand	3.9	0.8	1.2	1.5	1.5
Private Consumption	2.5	0.7	0.9	1.2	1.3
Government Consumption	0.6	1.9	1.2	1.2	1.3
Gross Fixed Investment	4.8	3.9	3.1	2.8	2.7
Inventory Investment (contribution to growth)	1.5	-0.6	0.0	0.0	0.0
Net export (contribution to growth)	-2.1	-0.1	-0.3	-0.2	-0.1
Real GDP per capita 1/	1.1	-0.8	-0.6	-0.2	-0.1
GDP deflator	5.0	4.8	4.9	4.5	4.5
4.5CPI (annual average)	6.9	5.9	5.2	4.6	4.5
CPI (end of period)	7.4	5.5	4.8	4.6	4.5
Labor market (annual percentage change unless otherwise indicated)					
Unemployment rate (percent of labor force, annual average)	33.5	33.1	33.8	34.2	34.5
Unit labor costs (formal nonagricultural)	2.1	-0.8	-0.6	-0.2	-0.1
Savings and Investment (percent of GDP)					
Gross national saving	15.0	13.9	13.7	13.7	13.7
Investment (including inventories) 2/	15.4	15.5	15.4	15.7	15.8
Fiscal position (percent of GDP unless otherwise indicated) 4/					
Revenue, including grants 4/	27.6	26.8	27.0	27.0	27.1
Expenditure and net lending 5/	31.9	32.7	33.2	33.4	32.6
Overall balance	-4.3	-5.9	-6.3	-6.4	-5.5
Primary balance	0.3	-0.9	-0.9	-0.8	0.2
Gross government debt 6/	70.8	73.4	75.0	77.6	79.3
Government bond yield (10-year and over, percent) 7/	11.3	11.6	-	-	-
Money and credit (annual percentage change unless otherwise indicated)					
Broad money	8.3	6.5	7.5	7.5	7.5
Credit to the private sector 8/	8.9	4.4	5.9	5.9	5.9
Repo rate (percent, end-period)	7.0	8.25	-	-	-
3-month Treasury bill interest rate (percent)	6.5	7.9	-	-	-
Balance of payments (annual percentage change unless otherwise indicated)					
Current account balance (billions of U.S. dollars)	-1.8	-6.1	-6.9	-7.7	-8.6
Percentage of GDP	-0.5	-1.6	-1.8	-1.9	-2.0
Export growth (volume)	7.4	3.5	3.5	3.6	3.7
Imports growth (volume)	14.9	4.1	4.0	3.9	3.8
Terms of trade	-8.6	-4.8	-1.2	-4	-0.3
Overall balance (percent of GDP)	0.0	0.5	0.0	0.0	0.0
Gross reserves (billions of U.S. dollars)	60.6	62.5	62.5	62.5	62.5
In percentage of ARA	88.9	97.0	95.3	-	-
Total external debt (percent of GDP)	40.4	41.5	42.2	43.6	44.9
Nominal effective exchange rate (period average) 7/	-4.9	-7.7	-	-	-
Real effective exchange rate (period average) 7/	-1.4	-9.0	-	-	-
Exchange rate (Rand/U.S. dollar, end-period)	17.0	18.4	-	-	-

Source: IMF country report

1/ Per-capita GDP figures are computed using STATS SA mid-year population estimates. 2/ Inventories data are volatile and excluded from the investment breakdown to help clarify fixed capital formation developments. 3/ Consolidated government as defined in the budget unless otherwise indicated. 4/ Revenue excludes "transactions in assets and liabilities" classified as part of revenue in budget documents. This item represents proceeds from the sales of assets, realized valuation gains from holding of foreign currency deposits, and other conceptually similar items, which are not classified as revenue by the IMF's Government Finance Statistics Manual 2014. 5/ The Eskom debt relief is treated as capital transfer above-the-line item. 6/ Central government. 7/ Average January 1-April 19, 2023. For nominal and effective exchange rate, year on year change of average January 1-April 19. 8/ Other depository institutions' "loans and securities" in all currencies



Bloomberg GDP consensus forecasts

	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	Avg 2024	Avg 2025	Avg 2026
GDP Q/Q%	0.5	0.7	0.4	0.4	0.4	0.4	0.4	n/a	n/a	n/a
Previous survey	0.5	0.6	0.4	0.4	0.4	0.5	n/a	n/a	n/a	n/a
GDP Y/Y%	1.3	1.7	1.9	2.0	1.7	1.6	1.8	1.0	1.7	2.0
Previous survey	1.2	1.7	2.0	1.8	1.8	1.6	n/a	1.0	1.6	1.9

Source: Bloomberg consensus forecasts – September 2024

- The data releases through Q3.24, and earlier this year continue to support Investec’s forecast of an economic growth rate of 1.0% y/y for this year, after last year’s outcome of 0.7% y/y, with 2025 forecast at a faster pace of 1.7% y/y.
- The latest Bloomberg consensus is unchanged as well, with a growth rate of 1.0% y/y for 2024. The consensus on South Africa’s GDP growth rate has been held since June this year, as weak global growth, and domestic freight constraints, persist.
- The IMF noted this month that it also expects growth of 1.0% y/y for 2024 for SA. The “economy has shown resilience in the face of disruptions” but persistent structural challenges” risk impeding growth and so further reducing living standards”.
- In particular, the IMF also highlighted earlier this month that “South Africa’s economy faces significant macroeconomic challenges, including declining GDP per capita, rising debt, high unemployment, poverty and inequality.

- “Global economic risks to South Africa’s economic outlook include a slowdown in trading partner growth, intensification of geopolitical tensions, and tighter global financial conditions.”
- “Looking ahead, growth is expected to reach 1 percent in 2024, on the back of improved investor sentiment and electricity generation, stabilizing at 1.4 percent in the medium term, as structural bottlenecks ease only gradually.”
- The IMF forecasts next year’s economic growth rate for South Africa at only 1.3% y/y (Investec has 1.7% y/y) and the IMF’s figure for 2026 is 1.4% y/y, while Investec forecasts economic growth at 2.0% y/y with greater fixed investment spend.
- At an average of 1.9% y/y seen over the next two years, Investec envisages faster recovery for SA, as structural constraints are worked down more quickly, particularly with private sector participation accelerating in the port and rail sectors.
- The latter years of the five-year forecast period are likely to come out at 2.5% y/y (2027), 2.8% y/y (2028) and 3.1% (2029), with economic growth able to lift further thereafter, leading to higher income per capita and living standard outcomes.

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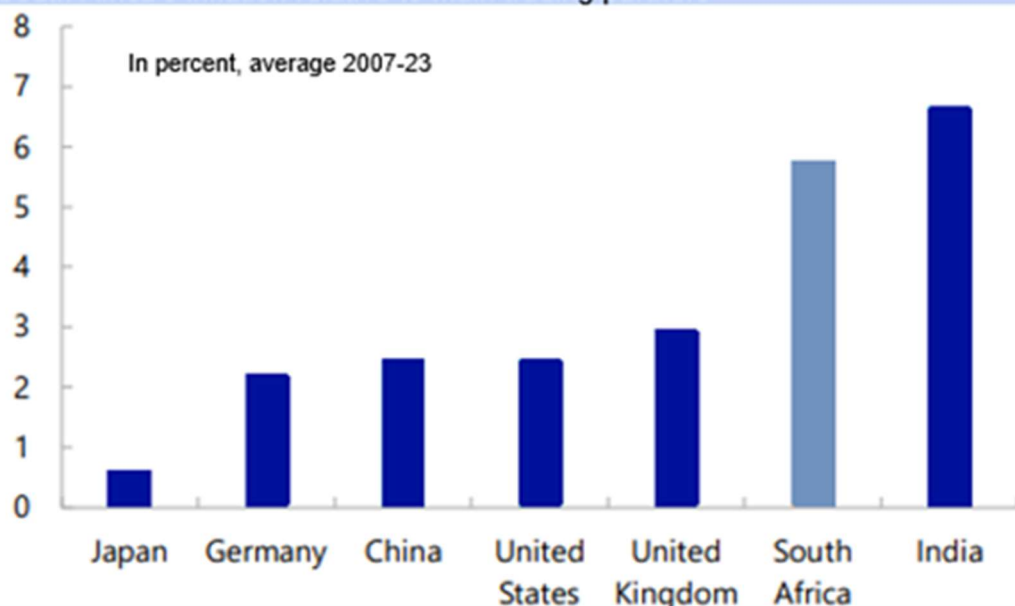
Gross Fixed Capital Formation	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
GFCF, total (real, qqsa %)	-1.7	-1.4	16.6	1.3	-3.6	-0.4	0.8	1.0	1.4	1.5	1.7	1.5
Private sector (real, qqsa %)	-3.1	-1.3	18.3	1.0	-4.4	0.1	0.9	1.0	1.4	1.5	1.8	1.5
Government (real, qqsa %)	2.2	-1.5	12.2	2.0	-1.5	-1.6	0.8	1.3	1.4	1.5	1.5	1.4
Non-residential GFCF (real, qqsa %)	-2.9	-2.5	18.6	0.8	-4.0	-0.1	0.8	0.9	1.5	1.5	1.9	1.6
Residential buildings (real, qqsa %)	-4.3	5.1	17.2	1.8	-6.6	1.1	1.1	1.1	1.3	1.3	1.3	1.3

Source: SARB, Investec

Gross Fixed Capital Formation	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1	2028 Q2	2028 Q3	2028 Q4	2029 Q1	2029 Q2	2029 Q3	2029 Q4
GFCF, total (real, qqsa %)	1.1	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.6	1.6	1.5	1.6
Private sector (real, qqsa %)	1.0	1.1	1.2	1.3	1.5	1.5	1.6	1.7	1.5	1.6	1.6	1.6
Government (real, qqsa %)	1.2	1.2	1.2	1.2	1.3	1.5	1.5	1.6	1.6	1.6	1.5	1.6
Non-residential GFCF (real, qqsa %)	1.0	1.1	1.2	1.3	1.5	1.6	1.6	1.7	1.6	1.6	1.6	1.6
Residential buildings (real, qqsa %)	1.2	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1.5	1.5

Source: SARB, Investec

South Africa's inflation relative to main trading partners



Source: IMF Country Report

Inflation	2023	2024	2025	2026	2027	2028	2029
Consumer Inflation (Av. %)	5.9	4.7	4.3	4.6	4.7	4.6	4.7
(year-end: %)	5.1	4.2	4.4	4.7	4.5	4.6	4.5
Producer Inflation (Av. %)	6.8	3.5	3.9	5.1	5.0	5.1	5.0
(year-end: %)	4.0	2.6	4.8	5.3	4.9	5.1	5.2
Salary & wage increases (%)	4.5	4.6	5.1	5.4	5.5	5.6	5.8

Source: Investec, Stats SA and SARB historical data

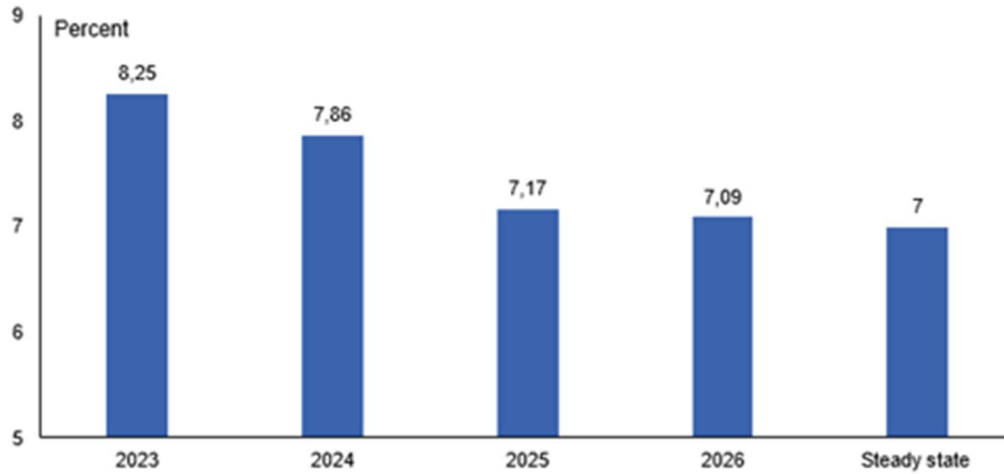
Inflation forecasts	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Consumer Inflation (Av. y/y %)	5.4	5.2	4.3	3.9	4.3	3.8	4.7	4.4	4.3	4.7	4.6	4.7
Producer Inflation (Av. y/y %)	4.6	4.8	2.9	1.8	3.1	2.8	4.7	4.9	5.0	5.2	5.0	5.2
Salary & wage increases (y/y %)	5.1	4.0	4.5	4.7	5.0	4.9	5.3	5.1	5.1	5.2	5.5	5.7

Source: Statistics SA, SARB, Investec

Inflation forecasts	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1	2028 Q2	2028 Q3	2028 Q4	2029 Q1	2029 Q2	2029 Q3	2029 Q4
Consumer Inflation (Av. y/y %)	4.8	4.7	4.6	4.6	4.4	4.6	4.7	4.6	4.8	4.8	4.6	4.6
Producer Inflation (Av. y/y %)	5.1	4.9	5.0	4.9	5.0	5.1	5.0	5.1	5.1	5.1	5.0	4.9
Salary & wage increases (y/y %)	5.5	5.6	5.6	5.5	5.5	5.6	5.5	5.8	5.9	5.8	5.8	5.8

Source: Statistics SA, SARB, Investec

Policy rate projections from the SARB



Source: SARB September 2024 MPC meeting

Monetary Sector % year-end	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
Repo Rate (year-end: %)	8.25	8.25	8.00	7.75	7.50	7.50	7.25	7.00	6.75	6.75	6.75	6.75
Prime Overdraft Rate (year-end: %)	11.75	11.75	11.50	11.25	11.00	11.00	10.75	10.50	10.25	10.25	10.25	10.25
SA rand bond (Av: %)	11.80	12.00	11.10	10.90	10.90	10.80	10.70	10.70	10.70	10.60	10.50	10.50

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

Monetary Sector % year-end	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1	2028 Q2	2028 Q3	2028 Q4	2029 Q1	2029 Q2	2029 Q3	2029 Q4
Repo Rate (year-end: %)	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75	6.75
Prime Overdraft Rate (year-end: %)	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25
SA rand bond (Av: %)	10.50	10.50	10.40	10.30	10.30	10.30	10.20	10.10	10.10	10.10	10.00	10.00

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

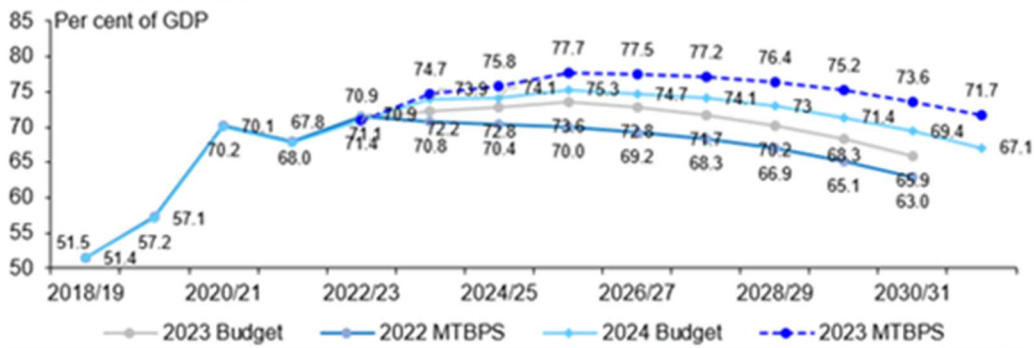
Monetary Sector	2023	2024	2025	2026	2027	2028	2029
Repo Rate (year-end: %)	8.25	7.75	7.00	6.75	6.75	6.75	6.75
Prime Overdraft Rate (year-end: %)	11.75	11.25	10.50	10.25	10.25	10.25	10.25
SA rand bond (year-end: %)	11.69	10.90	10.70	10.50	10.30	10.10	10.00

Source: Investec, less historical data

- With a recent -25bp cut in the repo rate on a sharp drop in SA's CPI inflation, from 5.6% y/y in February to 4.4% y/y by August, and a further decline in inflation likely this year to around 4.0% y/y, household spend is expected to accelerate.

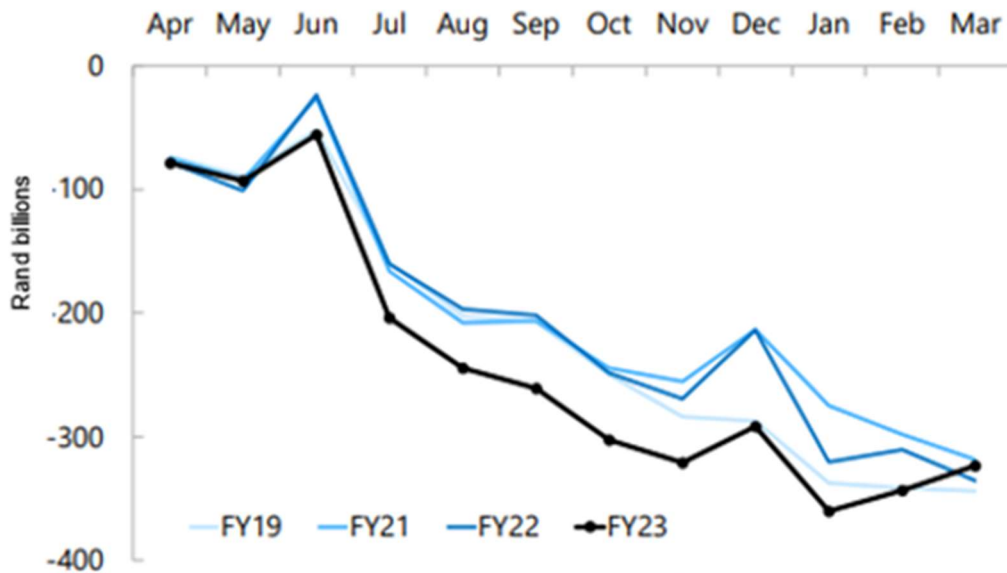
- Further interest rate cuts are anticipated over 2025 and 2026, totalling 1.25% (125bp). In addition, rising real incomes as inflation falls further and then remains moderate, and withdrawals under the two-pot retirement system, will boost spend.
- Household Consumption Expenditure (HCE) or consumer spend, is likely to grow by 1.5% y/y this year consequently, by 2.2% y/y next year and 2.3% y/y in 2026, exceeding the IMF estimates of 0.9% y/y, 1.2% y/y and 1.3% y/y respectively.
- The IMF's forecasts for fixed investment actually sees weakening growth, dropping from 3.1% y/y in 2024, to 2.8% y/y in 2025 and 2.7% y/y in 2026. Investec forecasts 4.1% y/y, 4.8% y/y and 5.0% y/y for the respective years in comparison.
- The acceleration in the growth of this component of GDP, fixed investment, is a key reason for the acceleration in Investec's GDP forecast over the medium-term, along with the cessation of load shedding as capacity increases along with stability.
- The IMF does note " the risks to the outlook are broadly balanced, with faster reform implementation under the new government of national unity representing an upside risk to growth", likely infrastructure reform.
- Adding, "while downside risks largely relate to the uncertain external environment and an inability of the new government to agree on needed fiscal and structural reforms."
- The rand has gained substantially this month (see Rand note, 25th September and Bond note 26th September, contact details below), and while remaining volatile, will likely, on balance, see strength over the US interest rate cutting cycle.
- Foreign investment into SA's bond market has aided in driving yields lower, and in strengthening the rand as well, but substantial fiscal consolidation is needed to lower borrowing costs, along with eliminating corruption, wastage and inefficiencies.

Gross debt-to-GDP outlook



Source: National Treasury, Budget 2024

Fiscal balance National budget (billions of Rands accumulated debt)

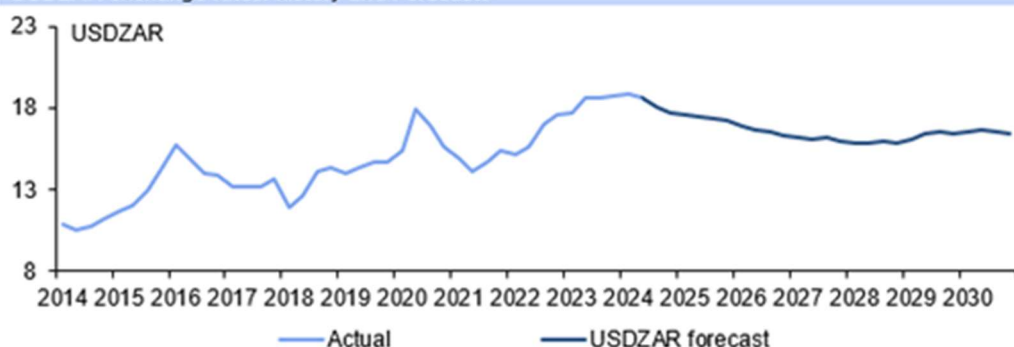


Source: IMF Country Report

Exchange Rates: averages	2023	2024	2025	2026	2027	2028	2029
USD/ZAR	18.46	18.29	17.43	16.60	16.13	15.90	16.38
GBP/ZAR	22.96	23.36	23.43	21.75	20.96	20.67	21.29
EUR/ZAR	19.97	19.94	19.69	19.09	18.71	18.60	19.16
ZAR/JPY	7.61	8.24	8.21	8.16	8.06	8.18	7.94
GBP/USD	1.24	1.28	1.35	1.31	1.30	1.30	1.30
EUR/USD	1.08	1.09	1.13	1.15	1.16	1.17	1.17
USD/JPY	141	151	143	136	130	130	130

Source: Investec, Iress historical data

USDZAR exchange rates: history and Forecasts



Sources: Stats SA, Investec

Exchange Rates,	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4
USD/ZAR	18.87	18.60	18.00	17.70	18.87	17.60	17.50	17.40	17.20	16.90	16.70	16.50
GBP/ZAR	23.96	23.44	23.22	22.83	23.96	23.06	23.45	23.66	23.56	22.48	21.88	21.45
EUR/ZAR	20.57	20.09	19.62	19.47	20.57	19.54	19.60	19.84	19.78	19.10	19.21	19.14
ZAR/JPY	7.84	8.39	8.44	8.31	7.84	8.24	8.23	8.16	8.20	8.28	8.20	8.12
GBP/USD	1.27	1.26	1.29	1.29	1.31	1.34	1.36	1.37	1.33	1.31	1.30	1.30
EUR/USD	1.09	1.08	1.09	1.10	1.11	1.12	1.14	1.15	1.13	1.15	1.16	1.16
USD/JPY	148	156	152	147	145	144	142	141	140	137	134	131

Note: averages, Source: IRESS, Investec

Exchange Rates,	2027 Q1	2027 Q2	2027 Q3	2027 Q4	2028 Q1	2028 Q2	2028 Q3	2028 Q4	2029 Q1	2029 Q2	2029 Q3	2029 Q4
USD/ZAR	16.20	16.10	16.20	16.00	15.80	15.90	16.00	15.90	16.10	16.40	16.60	16.40
GBP/ZAR	21.06	20.93	21.06	20.80	20.54	20.67	20.80	20.67	20.93	21.32	21.58	21.32
EUR/ZAR	18.79	18.68	18.79	18.56	18.49	18.60	18.72	18.60	18.84	19.19	19.42	19.19
ZAR/JPY	8.02	8.07	8.02	8.13	8.23	8.18	8.13	8.18	8.07	7.93	7.83	7.93
GBP/USD	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
EUR/USD	1.16	1.16	1.16	1.16	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17
USD/JPY	130	130	130	130	130	130	130	130	130	130	130	130

Note: averages, Source: IRESS, Investec

SA Producer Inflation: history and Forecasts



Sources: Stats SA, Investec

Nominal growth in salaries and wages: history and Forecasts



Sources: Stats SA, Investec