

SA Economics



Macro-economic outlook: SA's economy benefits from expansionary credit growth despite higher interest rates

Friday 30 June 2023

GDP summary, % real growth rates	2022	2023	2024	2025	2026	2027
GDP (real, y/y %)	1.9	0.2	1.0	1.4	1.7	2.0
HCE (real, y/y %)	2.5	1.4	1.6	1.8	1.8	2.1
GCE (real, y/y %)	1.0	-0.4	-1.0	0.0	0.7	1.1
GFCF (real, y/y %)	4.8	4.2	4.4	4.6	5.0	5.1
GDE (real, y/y %)	3.9	1.3	1.3	1.7	2.0	2.4
Export (goods & non-factor services) – (real, y/y %)	7.4	3.0	3.2	3.1	3.0	3.4
Imports (goods & non-factor services) - (real, y/y %)	14.9	6.1	3.7	3.8	3.8	4.5
Current Account – (% GDP)	-0.4	-2.2	-2.9	-2.5	-2.8	-3.1
Imports as % of GDP	29.3	31.0	31.9	32.6	33.3	34.1
Exports as % of GDP	27.3	28.1	28.7	29.2	29.5	30.0

Consumption Expenditure	2022	2023	2024	2025	2026	2027
HCE, total (real, %)	2.5	1.4	1.6	1.8	1.8	2.1
HCE as % of GDP	66.7	67.5	67.8	68.1	68.2	68.2
Unemployment rate (%)	33.5	32.8	32.7	32.9	32.9	32.8
Population (million)	60.0	60.4	61.0	61.7	62.3	62.9
Employment growth rate (%)	1.1	0.9	0.8	1.3	1.4	1.6
Compensation of employees (%)	4.6	5.1	6.0	6.0	6.1	6.3
GCE as % of GDP	19.6	19.5	19.1	18.8	18.6	18.4

Gross Fixed Capital Formation	2022	2023	2024	2025	2026	2027
GFCF, total (real, %)	4.8	4.2	4.4	4.6	5.0	5.1
GFCF as % of GDP	14.5	15.1	15.6	16.1	16.6	17.2
Private sector (real, %)	5.2	4.4	4.5	4.7	5.1	5.2
Government (real, %)	3.7	3.9	4.1	4.5	5.0	5.0
Non-residential GFCF (real, %)	5.7	4.5	4.7	4.6	5.1	5.1
Residential buildings (real, %)	3.3	3.9	4.0	4.7	4.7	5.2

Please note: all data may be subjected to historical revisions

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, qqsa %)	1.5	-0.8	1.8	-1.1	0.4	-0.2	0.1	0.3	0.2	0.3	0.3	0.4
HCE (real, qqsa %)	1.2	0.1	-0.1	0.7	0.4	0.4	0.3	0.4	0.4	0.4	0.4	0.4
GCE (real, qqsa %)	0.9	-0.9	0.5	-0.7	1.2	-1.0	-0.6	-0.3	-0.1	-0.1	-0.1	-0.1
GFCF (real, qqsa %)	2.9	0.4	0.4	1.5	1.4	1.0	0.8	0.9	1.3	1.2	1.1	1.1
GDE (real, qqsa %)	2.2	0.4	1.2	-0.5	0.6	0.5	0.1	0.0	0.4	0.5	0.5	0.5
Export (goods & non-factor services) - (real, qqsa %)	3.7	0.2	2.0	-3.2	4.1	-0.2	0.5	0.9	1.0	1.0	0.9	0.8
Imports (goods & non-factor services) - (real, qqsa %)	6.2	4.9	0.2	-0.8	4.4	1.2	0.3	-0.3	1.5	1.3	1.4	1.0

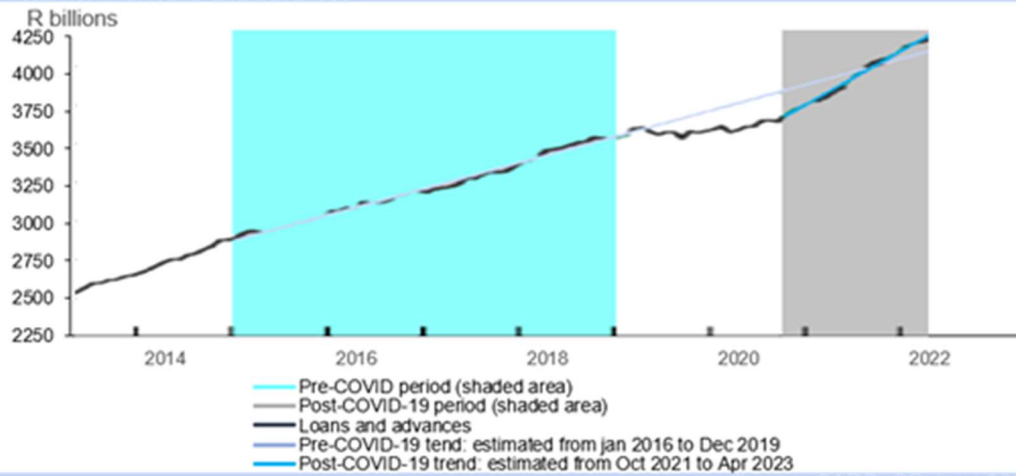
Note: The GDP figures are from the expenditure side and so include the residual. Source: SARB, Investec

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, qqsa %)	0.2	0.4	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.6
HCE (real, qqsa %)	0.4	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5
GCE (real, qqsa %)	0.0	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
GFCF (real, qqsa %)	1.1	1.2	1.2	1.2	1.3	1.3	1.2	1.2	1.2	1.3	1.3	1.2
GDE (real, qqsa %)	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Export (goods & non-factor services) - (real, qqsa %)	0.7	0.8	0.8	0.7	0.7	0.7	0.8	0.8	0.9	0.8	0.9	1.0
Imports (goods & non-factor services) - (real, qqsa %)	0.9	0.8	0.7	0.7	1.0	1.1	1.1	1.2	1.1	1.0	1.0	1.0

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

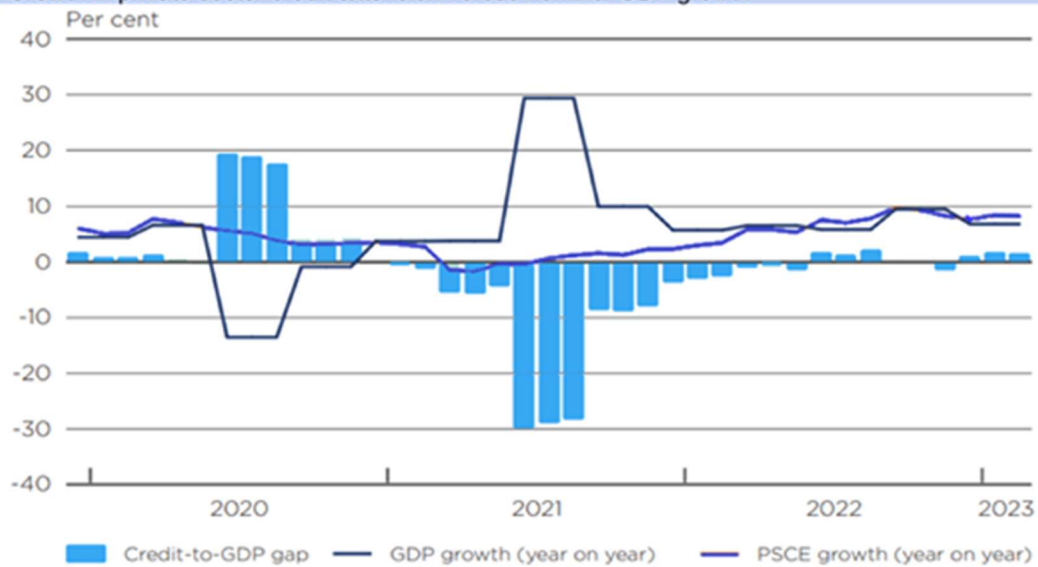
Global Environment: averages	2022	2023	2024	2025	2026	2027
Oil price, Brent USD/barrel	98.9	77.8	74.3	75.2	76.3	72.7
World GDP (real, %)	3.0	2.4	2.6	2.8	2.8	2.7
US CPI (Av, %)	8.1	4.2	2.5	2.1	2.1	2.3
US GDP (Av, %)	2.1	1.1	0.2	2.0	1.8	2.0
US Fed rate (year-end %)	4.50	5.00	3.75	3.00	3.00	3.00

Total nominal loans and advances

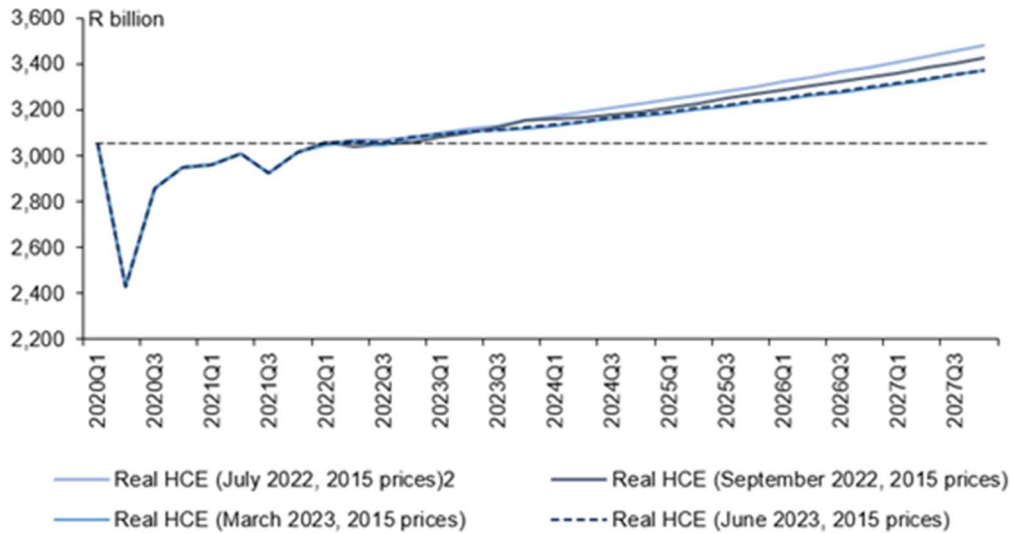


*Seasonally adjusted

Growth in private sector credit extension versus nominal GDP growth

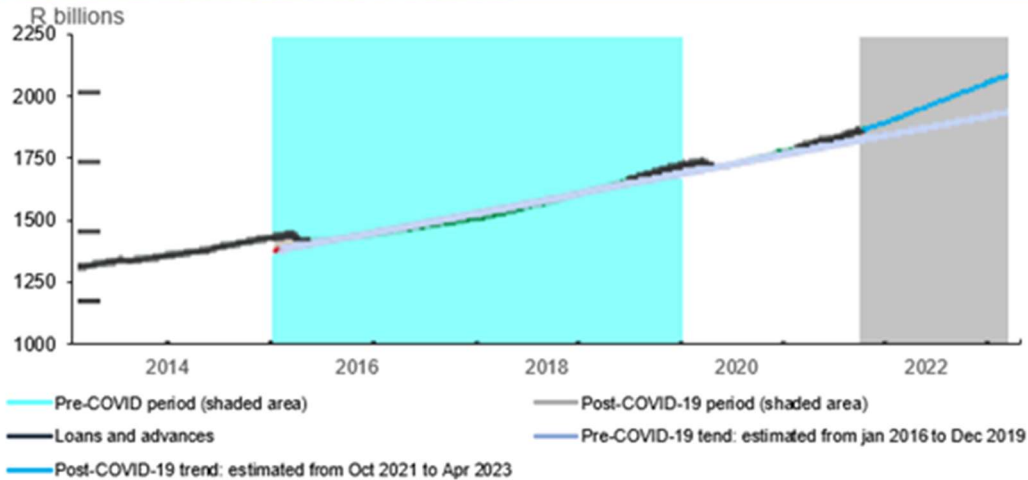


Household consumption expenditure (R billion, constant prices) quarterly



Source: Investec

Total nominal loans and advances - Households



Source: SARB, QB June 2023

*Seasonally adjusted

- South Africa's economic growth outlook remains weak, and we have not changed our forecast of the economy essentially stalling, at 0.2% y/y in 2023, with headwinds still coming from key productive factors and tighter monetary conditions.
- Appetite for credit from households is substantial, and banks continue to lend at a more rapid pace than economic growth this year, which aided the modest growth outturn of 0.2% y/y, 0.4% qqsa (quarter on quarter, seasonally adjusted) in Q1.23.
- The (revised) Q4.22 GDP qqsa contraction also gave a boost to the Q1.23 economic growth outcome. Household Consumption Expenditure (HCE which makes up two thirds of GDP) also recorded 0.4% qqsa in the first quarter of this year.

- Indeed, household borrowings accelerated materially in the post-COVID-19 period (October 2021 to available data, i.e. April 2023), exceeding both the pre-COVID-19 trend (January 2016 to December 2019) and the COVID-19 period in between.
- This has mitigated some of the tightening effect of monetary policy (the 4.75% increase in interest rates since end 2021) on GDP, with commercial banks “extending more credit in an environment of weakening economic growth” (SARB).
- The expansion of loans and advances to households underpinned the expansion in HCE, which the SARB notes “thus far in 2023 reflected strong growth in loans to companies which outpaced the more moderate growth in loans to households”.
- The growth rate in fixed investment (gross fixed capital formation) was a hefty 5.9% q/qsa in H1.23 (although GFCF only accounts for 15% now of GDP, down from 21% in 2008), while government also increased its borrowings in Q1.23.
- Growth in PSCE (Private Sector Credit Extension) at 7.0% q/q, markedly outpaced economic growth, in Q1.23, providing a stimulatory effect to the economy and somewhat lessening the stricture on financial conditions due to higher interest rates.
- While there has been some mild slowdown in credit extension in Q2.23 to date, it is still well above the expected GDP q/qsa outcome. For 2024 we continue to expect GDP growth of close to 1.0% y/y, as global growth and energy supply improves.

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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 %)	2.8	1.2	4.1	1.9	1.1	1.4	1.7	1.5	1.4	1.5	1.7	1.7
HCE as % of GDP	66.5	67.1	65.9	67.1	67.1	67.5	67.6	67.7	67.8	67.8	67.9	67.9
Unemployment rate (%)	34.5	33.9	32.9	32.7	32.9	32.5	32.9	33.0	32.9	32.7	32.7	32.7
Population (million)	59.8	60.0	60.0	60.1	60.2	60.3	60.5	60.6	60.8	60.9	61.1	61.3
Employment growth rate (y/y %)	2.5	4.3	1.3	1.1	1.6	2.2	0.2	-0.3	-1.2	1.2	1.3	1.9
Compensation employees (y/y %)	5.9	4.8	4.3	5.8	3.8	4.3	5.3	7.0	5.5	5.8	6.1	6.6
GCE as % of GDP	19.7	19.7	19.4	19.5	19.7	19.5	19.4	19.3	19.2	19.1	19.0	18.9

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 %)	1.7	1.8	1.8	1.8	1.9	1.8	1.8	1.8	1.9	2.1	2.2	2.2
HCE as % of GDP	68.1	68.1	68.1	68.1	68.1	68.2	68.2	68.2	68.2	68.3	68.2	68.2
Unemployment rate (%)	32.8	32.9	32.8	32.9	32.9	32.9	32.9	32.9	32.8	32.8	32.9	32.7
Population (million)	61.4	61.6	61.8	61.9	62.1	62.2	62.4	62.5	62.7	62.8	63.0	63.1
Employment growth rate (y/y %)	1.6	1.2	1.3	1.1	1.3	1.3	1.3	1.5	1.5	1.6	1.5	1.7
Compensation employees (y/y %)	6.3	6.1	5.9	5.7	5.9	6.1	6.2	6.3	6.3	6.4	6.4	6.3
GCE as % of GDP	18.9	18.8	18.8	18.7	18.7	18.6	18.6	18.6	18.5	18.5	18.4	18.4

Source: SARB, 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	7.7	7.4	7.0	6.2	4.8	5.0	5.1	4.8	4.7	4.3
Producer Inflation (Av: y/y %)	10.8	14.7	17.0	14.8	11.8	7.0	4.5	4.2	5.1	5.0	4.8	4.9
Salary & wage increases (y/y %)	4.0	3.6	2.4	5.8	3.9	4.2	3.4	4.4	3.8	3.7	4.2	4.0

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 %)	4.5	4.1	4.4	4.3	4.3	4.7	4.6	4.7	4.8	4.7	4.6	4.6
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	5.0	4.9
Salary & wage increases (y/y %)	3.7	4.1	4.4	4.0	4.6	4.6	4.6	4.7	4.8	4.9	4.9	5.0

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	6.25	7.00	7.75	8.25	8.25	8.25	8.25	8.25	7.75	7.50
Prime Overdraft Rate (year-end: %)	7.75	8.25	9.75	10.50	11.25	11.75	11.75	11.75	11.75	11.75	11.25	11.00
SA rand bond (Av: %)	10.36	10.95	11.52	11.75	11.39	11.90	11.85	11.50	11.30	11.20	11.10	11.00

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: %)	7.25	7.00	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: %)	10.75	10.50	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25	10.25
SA rand bond (Av: %)	10.80	10.70	10.60	10.50	10.50	10.40	10.40	10.30	10.30	10.20	10.00	10.00

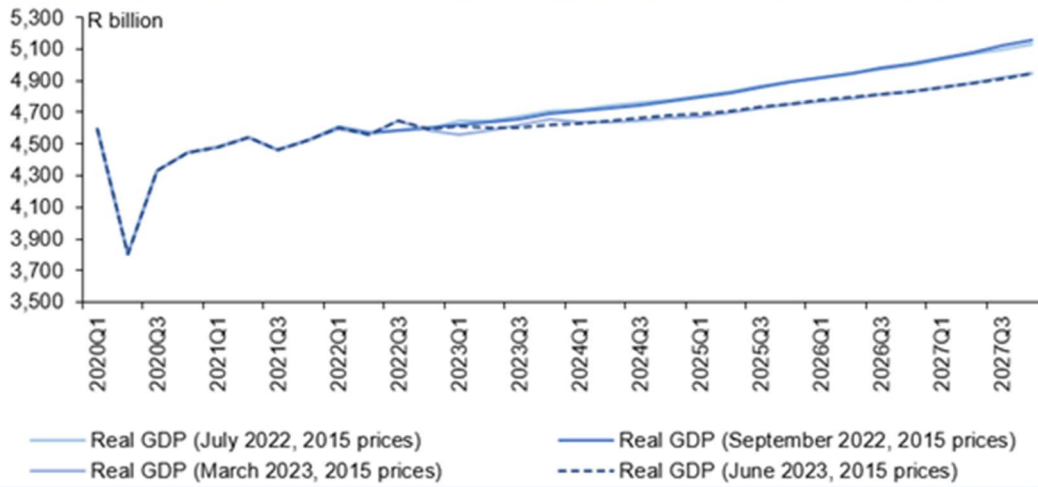
Note: % quarter-end. Source: SARB, Investec

Monetary Sector	2022	2023	2024	2025	2026	2027
Repo Rate (year-end: %)	7.00	8.25	7.50	6.75	6.75	6.75
Prime Overdraft Rate (year-end: %)	10.50	11.75	11.00	10.25	10.25	10.25
SA rand bond (year-end: %)	11.75	11.50	11.00	10.50	10.30	10.00

Inflation	2022	2023	2024	2025	2026	2027
Consumer Inflation (Av: %)	6.9	5.7	4.7	4.3	4.6	4.7
(year-end: %)	7.2	4.9	4.2	4.4	4.7	4.5
Producer Inflation (Av: %)	14.4	6.8	4.9	5.1	5.1	5.0
(year-end: %)	13.5	4.3	4.9	4.8	5.3	4.9
Salary & wage increases (%)	4.0	3.2	4.0	4.0	4.1	4.7

Exchange Rates: averages	2022	2023	2024	2025	2026	2027
USD/ZAR	16.36	18.20	17.65	17.25	16.98	17.00
GBP/ZAR	20.18	22.63	22.90	22.43	22.07	22.10
EUR/ZAR	17.21	20.08	20.61	20.18	19.86	19.89
ZAR/JPY	8.03	7.42	7.38	7.52	7.66	7.65
GBP/USD	1.24	1.24	1.30	1.30	1.30	1.30
EUR/USD	1.05	1.10	1.17	1.17	1.17	1.17
USD/JPY	131	135	130	130	130	130

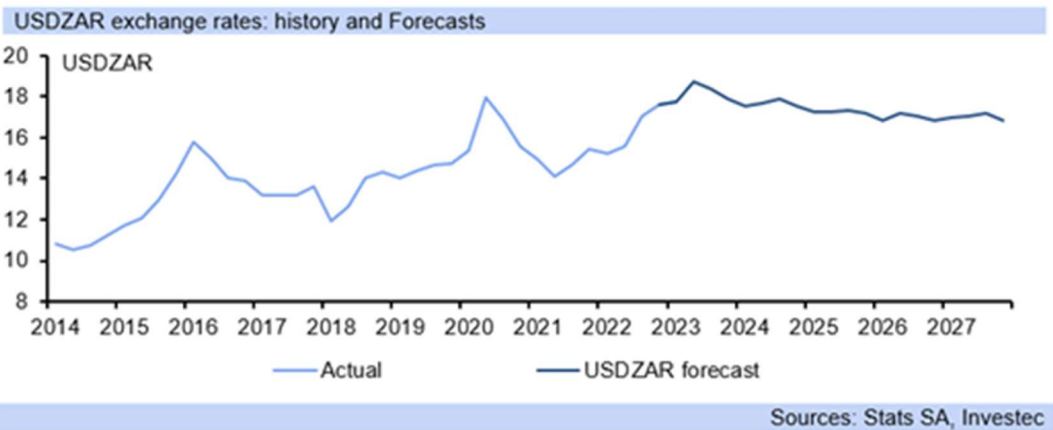
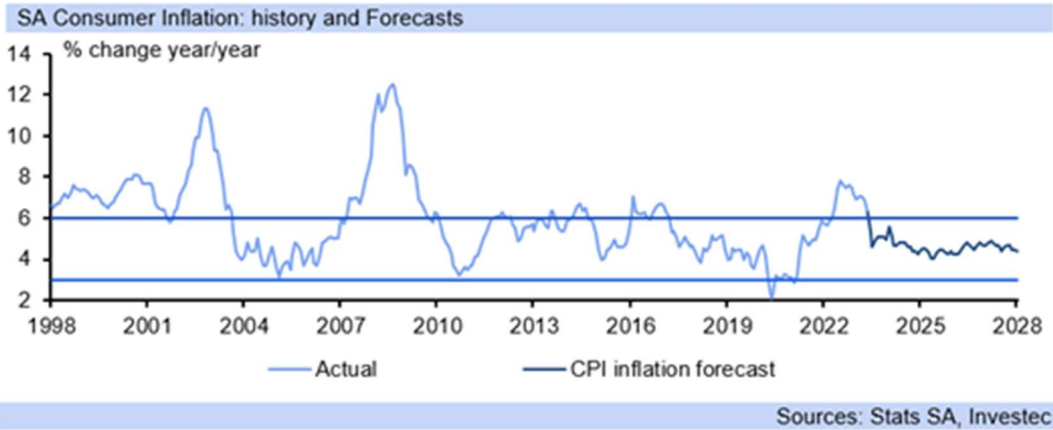
South Africa GDP (R billion, constant prices) quarterly – SA GDP affected by weak factors of production



Source: Investec

- The SARB adds “(b)oth the bank credit-to-GDP and assets-to-GDP ratios show that banks are extending more credit ... to corporates (particularly in the specialised lending portfolios), households (mostly residential mortgages) and to the sovereign.”
- Households are borrowing to fund living costs, such as higher electricity prices (Debt Rescue). Furthermore, the SARB reports that the rise in credit usage as a “sign of distressed borrowing” and that households increasingly accessed savings.
- Specifically, SA’s Reserve Bank (SARB) calculates on the available data that “debt-servicing costs as a percentage of household income increased to 8.1% in the last quarter of 2022, up from 6.8% a year earlier but below its long-term average”.
- With expansionary credit conditions supporting households and corporates’ expenditure, and so economic growth, this indicates added risks from any further interest rate hikes in the current cycle as borrowers are stretched.
- Already CPI inflation is likely to fall below 6.0% y/y this month of June (with the figure published in July as usual), and near 4.5% y/y in July (published in August) on base effects, with the MPC expected to leave the repo rate on hold at the July MPC meeting.
- The full effects of SA’s interest rate hikes have not filtered through into the economy yet, while the debt fuelled effects of economic growth are not sustainable, although load shedding has reduced its stages noticeably.
- CPI inflation will rise over Q4.23 and Q1.24 on statistical base effects but the SARB should look through these. However, the rand is at risk of weakness if SA’s MPC keeps interest rates flat for the rest of the year, and the US hikes further.
- The rand has reached R19.04/USD today on these concerns as the US dollar strengthens on the possibility of further US rate hikes, and as the US economy slows. This has been sparking safe haven flows into the US dollar recently.

- For SA, loadshedding is still contributing negatively to economic growth, even though the stages have improved markedly, and SA remains far from an end to the negative effects limiting economic growth over the medium-term from weak productive factors.



Exchange Rates, averages	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
USD/ZAR	15.21	15.59	17.05	17.60	17.76	18.75	18.40	17.90	17.55	17.65	17.85	17.55
GBP/ZAR	20.40	19.59	20.05	20.69	21.59	23.38	23.00	22.55	22.46	22.86	23.29	22.99
EUR/ZAR	17.07	16.60	17.16	17.99	19.06	20.62	20.42	20.23	20.18	20.56	20.97	20.71
ZAR/JPY	7.65	8.33	8.11	8.03	7.45	7.22	7.45	7.54	7.55	7.39	7.25	7.32
GBP/USD	1.34	1.26	1.18	1.18	1.22	1.25	1.25	1.26	1.28	1.30	1.31	1.31
EUR/USD	1.12	1.06	1.01	1.02	1.07	1.10	1.11	1.13	1.15	1.17	1.18	1.18
USD/JPY	116	130	138	141	132	135	137	135	133	131	130	129

Note: averages, Source: IRESS, Investec

Exchange Rates, averages	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1	2027 Q2	2027 Q3	2027 Q4
USD/ZAR	17.25	17.25	17.35	17.15	16.85	17.15	17.05	16.85	16.95	17.05	17.15	16.85
GBP/ZAR	22.43	22.43	22.56	22.30	21.91	22.30	22.17	21.91	22.04	22.17	22.30	21.91
EUR/ZAR	20.18	20.18	20.30	20.07	19.71	20.07	19.95	19.71	19.83	19.95	20.07	19.71
ZAR/JPY	7.48	7.54	7.49	7.58	7.72	7.58	7.62	7.72	7.67	7.62	7.58	7.72
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	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17
USD/JPY	129	130	130	130	130	130	130	130	130	130	130	130

Note: averages, Source: IRESS, 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, qqsa %)	2.9	0.4	0.4	1.5	1.4	1.0	0.8	0.9	1.3	1.2	1.1	1.1
Private sector (real, qqsa %)	2.8	0.2	-0.5	1.8	0.2	2.1	2.0	1.7	0.7	0.7	0.6	0.6
Government (real, qqsa %)	2.9	0.8	2.8	0.7	4.6	-1.8	-2.3	-1.0	2.9	2.5	2.3	2.3
Non-residential GFCF (real, qqsa %)	3.7	0.7	-2.2	2.5	-0.2	2.6	2.4	2.0	0.5	0.6	0.4	0.4
Residential buildings (real, qqsa %)	-0.8	-1.7	6.7	-1.2	1.5	0.2	0.4	0.5	1.4	1.3	1.4	1.4

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, qqsa %)	1.1	1.2	1.2	1.2	1.3	1.3	1.2	1.2	1.2	1.3	1.3	1.2
Private sector (real, qqsa %)	1.4	1.5	1.5	1.5	1.1	1.1	1.1	1.1	1.3	1.4	1.4	1.4
Government (real, qqsa %)	0.3	0.4	0.4	0.4	1.8	1.7	1.6	1.6	1.0	1.1	1.1	1.0
Non-residential GFCF (real, qqsa %)	1.5	1.6	1.6	1.6	1.1	1.1	1.1	1.0	1.3	1.4	1.4	1.4
Residential buildings (real, qqsa %)	1.0	1.0	1.0	1.0	1.3	1.2	1.2	1.3	1.3	1.3	1.3	1.4

Source: SARB, Investec

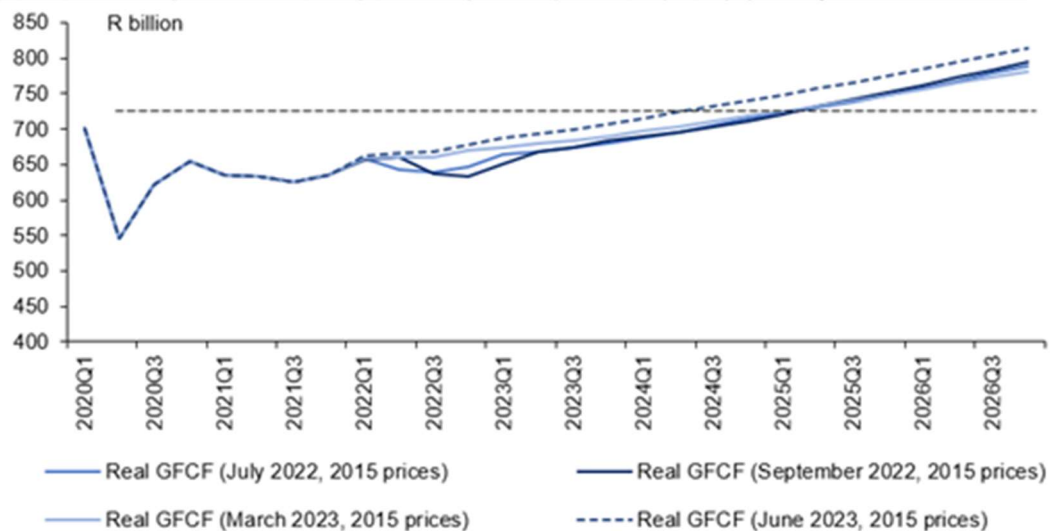
Gross Fixed Capital Formation, % real growth rates	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
GFCF, total (real, y/y %)	4.1	4.7	5.2	5.2	3.7	4.4	4.7	4.2	4.0	4.3	4.6	4.8
GFCF as % of GDP	14.4	14.6	14.4	14.8	14.9	15.1	15.2	15.3	15.4	15.6	15.7	15.8
Private sector (real, y/y %)	6.2	5.9	4.6	4.4	1.6	3.6	6.2	6.1	6.7	5.2	3.8	2.6
Government (real, y/y %)	-0.9	1.7	6.9	7.4	9.1	6.3	1.0	-0.7	-2.3	2.0	6.8	10.4
Non-residential GFCF (real, y/y %)	6.4	7.2	4.5	4.7	0.8	2.7	7.6	7.0	7.7	5.6	3.6	2.0
Residential buildings (real, y/y %)	5.3	0.5	4.8	2.8	5.2	7.3	0.9	2.6	2.4	3.5	4.6	5.5

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 %)	4.6	4.5	4.6	4.7	4.9	5.0	5.1	5.1	5.1	5.1	5.2	5.2
GFCF as % of GDP	15.9	16.1	16.2	16.3	16.4	16.6	16.7	16.8	17.0	17.1	17.2	17.3
Private sector (real, y/y %)	3.4	4.2	5.0	6.0	5.7	5.3	4.9	4.5	4.7	5.0	5.3	5.6
Government (real, y/y %)	7.6	5.5	3.5	1.6	3.1	4.4	5.6	6.8	6.0	5.3	4.8	4.2
Non-residential GFCF (real, y/y %)	3.0	4.0	5.2	6.4	6.0	5.4	4.9	4.4	4.6	5.0	5.3	5.7
Residential buildings (real, y/y %)	5.2	5.0	4.5	4.1	4.4	4.6	4.8	5.0	5.1	5.2	5.3	5.4

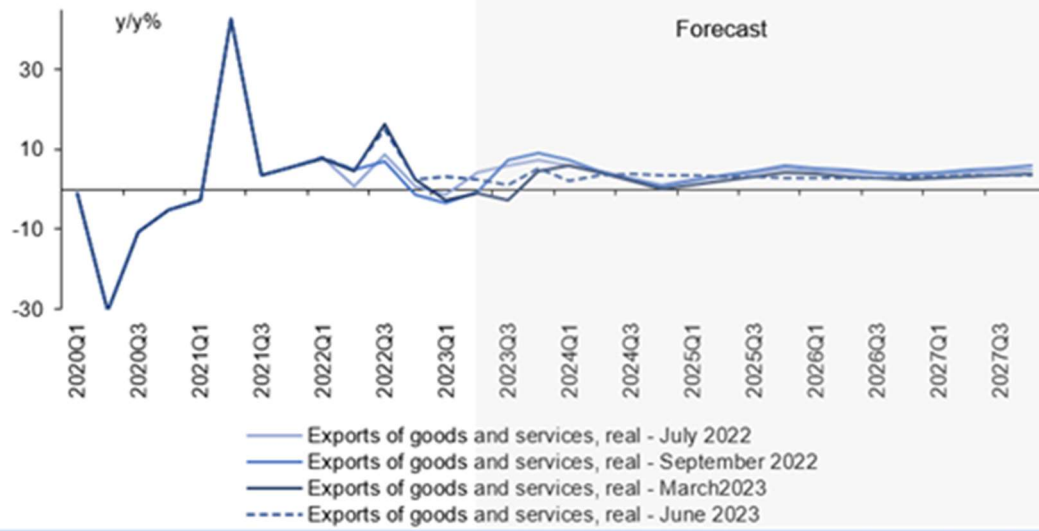
Source: SARB, Investec

Gross Fixed Capital Formation expenditure (R billion, constant prices) quarterly



Source: Investec

Real growth in exports goods and services - quarterly



Source: Investec