IDC

Industrial Development Corporation

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Economic trends:

Key trends in the South African economy

April 2024

Department of Research and Information

Contents

World economy

The economic performance of the global economy was more resilient in 2023 (+3.1%) than earlier expectations, with stronger growth in several parts of the world. This was despite multi-year high interest rates, cost of living pressures, heightened economic uncertainty and escalating geopolitical tensions (e.g. Russia-Ukraine; Middle East).

Economic activity continued to recover, albeit not in a synchronised manner, with growth in several advanced economies, as well as in some emerging markets and developing economies surprising on the upside. Although the US (+2.5%) and Chinese (+5.2%) economies increased at a fairly strong pace, the Eurozone (+0.5%) and UK (+0.1%) reported rather sluggish rates of growth in 2023. The German economy was in recession in 2023 as real GDP contracted by 0.3%, while the UK economy was in a technical recession in the 2nd half of the year (two consecutive quarters of negative growth).

Weaker domestic demand in many countries across the globe affected import requirements, resulting in a contraction in world imports (-3.1%) during 2023, including in some of South Africa's key external markets. Global trade prospects are, however, expected to improve, with the IMF forecasting stronger growth over the next couple of years.

Manufacturing output was under pressure in many parts of the globe, with the Eurozone, Japan and the US recording lower output in 2023, while China saw output increasing at a fairly robust pace.

Globally, the disinflation trend continued, with consumer prices (CPI) rising at a slower pace in the final months of 2023. In the US, CPI stood at 3.4% in December 2023 and 3.2% in February 2024, compared to the recent peak of 9.1% in June 2022. In the Eurozone, inflation edged higher to 2.9% in December 2023, but receded to 2.6% in February 2024, much lower than the 10.6% recorded in October 2022, with energy prices a key contributor in this decelerating trend.

With inflation falling faster than anticipated, this is paving the way for monetary policy easing in 2024, although central banks are expected to keep interest rates higher for longer. Rate cuts are likely to be more gradual than earlier expectations.

World GDP growth of 3.1% is forecast for 2024 (IMF projections of January 2024), with the lagged effects of tighter monetary policy, subdued investment, challenging financial conditions and ongoing geopolitical tensions likely to affect the growth performance. Furthermore, medium-term growth forecasts for the world at large are at their lowest in many years.

South African economy

Economic growth came under renewed pressure in 2023 as several factors contributed to the decline in output, with real GDP expanding by a very modest 0.6%, following a 1.9% increase in 2022.

Key sectors are finding it difficult to raise output on a sustained basis as global and domestic factors remain at play, which are affecting the growth momentum. Infrastructure constraints, such as loadshedding, challenges on the rail network as well as gridlocks and inefficiencies at ports and harbours, remain key macro risks that are limiting the economy's growth potential and its performance.

Sub-optimal fixed investment, especially public sector infrastructure spending, has consequences for the construction industry, while a difficult consumer environment is being reflected in lower sales volumes by the retail trade and accommodation sector.

Manufacturing production increased by just 0.5% in 2023, with several sub-sectors recording lower output, while overall manufacturing output remains well below pre-pandemic levels. A difficult operating environment along with weak demand and rising input costs, low business sentiment, as well as ongoing infrastructure related constraints will continue affecting the performance of this sector over the foreseeable future.

The mining sector was affected by weaker global demand, lower commodity prices, rising production costs and logistical challenges, which all contributed to difficult operating conditions during 2023. Mining output fell by 0.4% in 2023 and is close to historical lows, but a modest recovery is expected as operating conditions improve.

Although fixed investment expenditure has been on a steady recovery over the past three years, it remains insufficient to lift economic growth to a much faster and sustained pace of expansion. However, gradually higher capital spending is forecast over the medium-term as structural reforms are being implemented.

A challenging consumer environment, characterised by high interest rates and living costs, which are eroding disposable incomes; rising levels of indebtedness, as well as very high unemployment, are affecting the ability and willingness of households to raise spending. Household consumption expenditure is projected to grow at a slightly faster pace as inflation is expected to decline, while a lowering in interest rates is also being forecast.

Worsening public finances along with weak economic growth prospects and ongoing infrastructure constraints are expected to remain firmly on the radar screen of principal credit rating agencies. Even though no further downgrades are anticipated, South Africa's sovereign credit ratings will remain in sub-investment territory for some time.

Merchandise exports were under pressure in 2023 on the back of weaker global demand, softer commodity prices and logistical challenges, showing a modest increase of just 1.5% on a year-on-year basis, in nominal value terms. Mining exports declined by 10.3% due to lower commodity prices and inefficiencies at ports, while manufactured goods rose by 10.8%, supported by a strong rise in vehicle exports.

Despite weak domestic demand, merchandise imports increased by 8.7% in 2023. South Africa is increasingly relying on imports to meet domestic demand, partly reflecting a continuous loss in competitiveness in various domestic industries, as well as local businesses and consumers opting for cheaper alternatives.

The South African economy is struggling to provide sufficient jobs for new entrants into the labour market. Even though 789 000 jobs were created in Q4 2023, on an annual basis, the unemployment rate edged slightly higher to 32.1%, with close to 8.0 million people without work.

The Rand is expected to remain very weak and extremely volatile, especially in the build-up to the national elections. Even though the local currency is forecast to strengthen somewhat over the next couple of years, the Rand will remain highly undervalued.

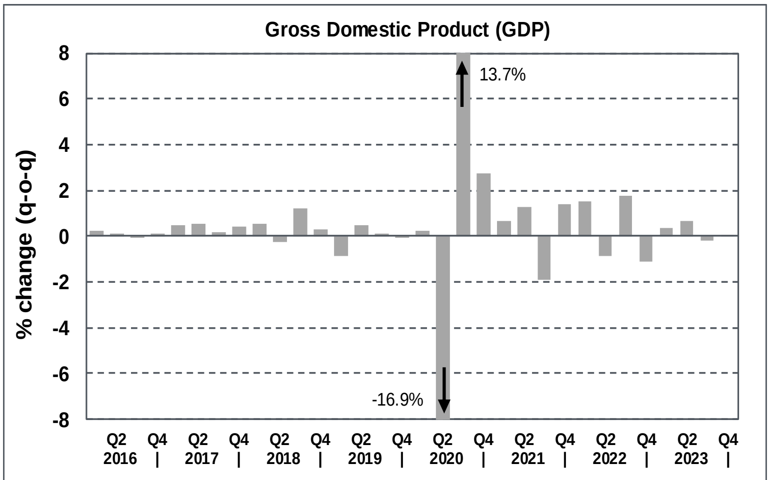
Consumer price inflation is projected to decelerate to 5.1% in 2024 (5.9% in 2023) and to move closer to the mid-point of the target band over the latter part of the forecast period. In the short-term, however, higher oil prices and severe drought conditions (that may affect summer crops), could exert renewed inflationary pressures.

Cognisant of the impact of high interest rates on business activity and for consumers, the South African Reserve Bank (SARB) will respond by lowering interest rates only once inflationary pressures are deemed to be under control.

The SARB may start lowering the repo rate (currently at 8.25%) in Q3 2024 by 50 basis points (bps), followed by another 25 bps in Q4. A reduction of 175 bps is projected over the outlook period to 2028, with the repo rate forecast to remain at 6.50% as from Q2 2026 onwards.

Real GDP is expected to expand by a modest 0.8% in 2024 and by 1.3% in 2025 and to average 1.7% per annum, on average, over the five years to 2028. Risks to this growth outlook are tilted to the downside, especially in the absence of any meaningful or swift and effective implementation of structural reforms.

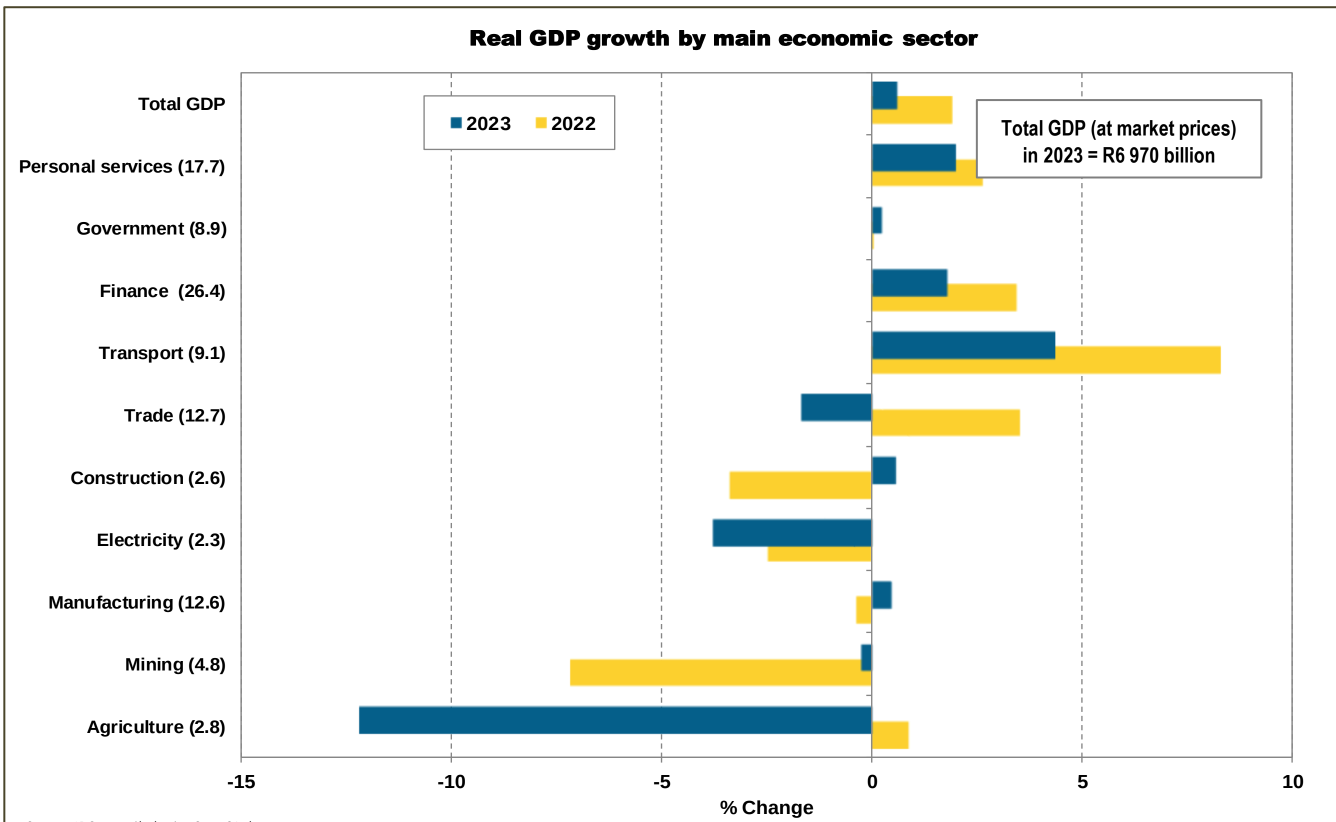
Gross domestic product



Source: IDC, compiled using Stats SA data

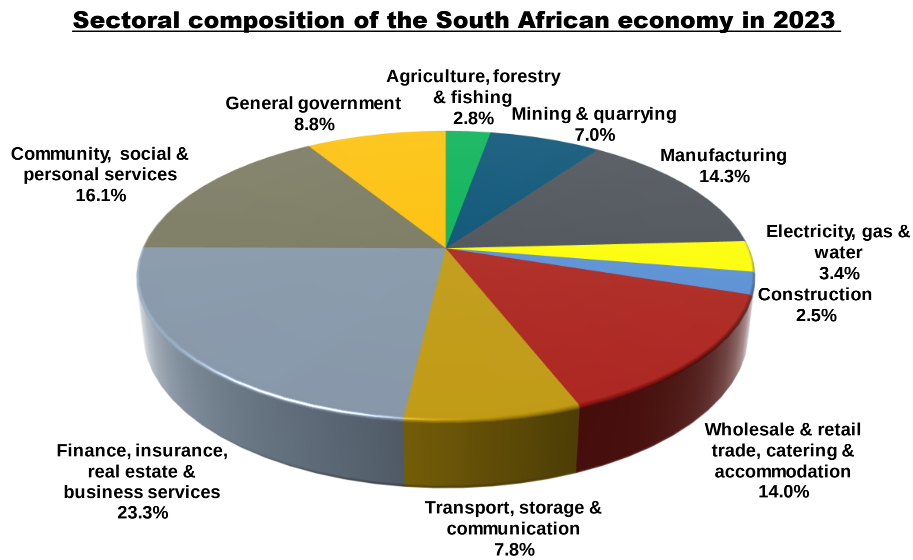
- Growth in the South African economy continued to slow down, with 2023 recording a modest expansion of just 0.6%, substantially lower than the 1.9% recorded in 2022.
- Economic growth was constrained by a significant rise in loadshedding, increased inefficiencies on the rail network and at ports, while higher interest rates impacted domestic and global demand conditions.
- The strongest growth was recorded in the transport and communication sector as companies shifted their transport from rail to road. Moreover, the services segment of the economy sustained its growth momentum to a large degree.
- Several adverse factors as highlighted above had the largest impact on the mining sector, which reported a 0.3% contraction in its real GDP in 2023, following a 7.1% decline in 2022.
- The agricultural sector's output contracted in 2023, adversely affected by the outbreaks of diseases including the avian (bird) influenza, electricity loadshedding and logistical constraints.

GDP growth at the sector level



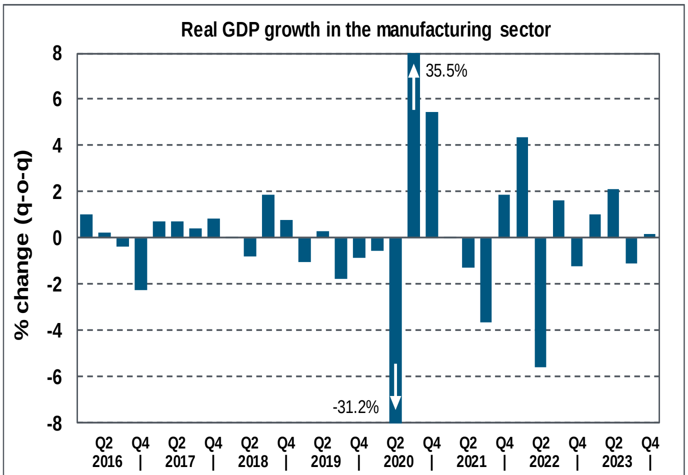
Source: IDC, compiled using Stats SA data

Notes:
(i) Figures in brackets in the above graph refer to the sector's percentage share of total GDP at basic prices (constant 2015 prices) in 2023

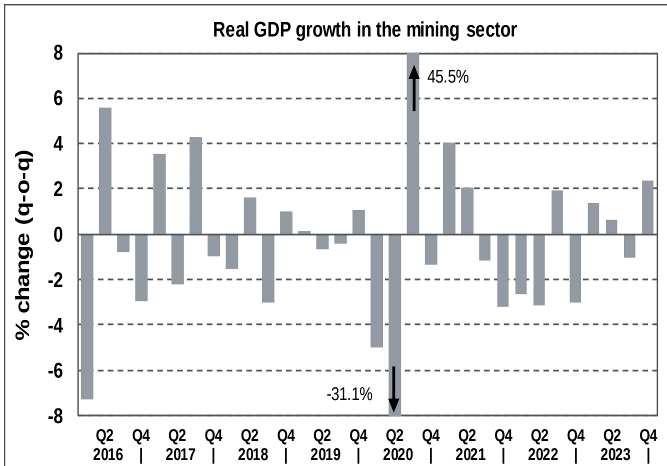


Source: IDC, compiled from Stats SA data

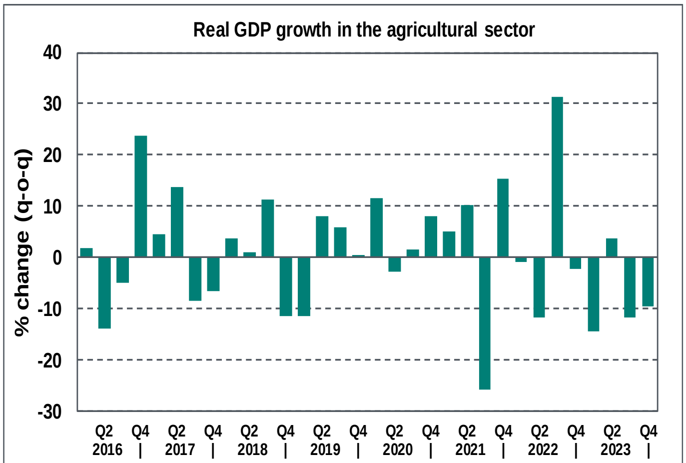
Note: Sector share according to GDP at basic prices (current prices)



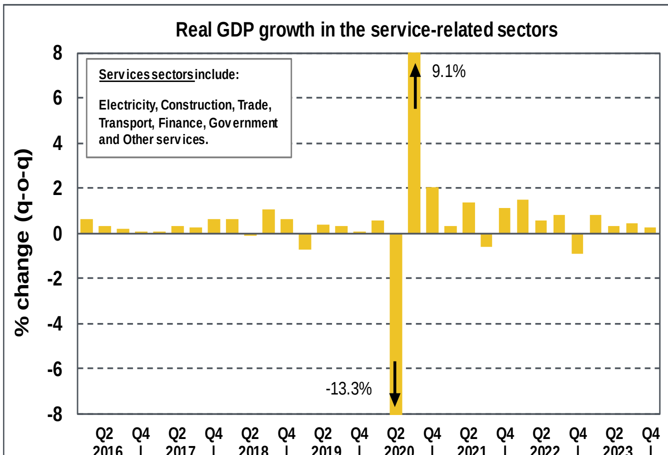
Source: IDC, compiled using Stats SA data



Source: IDC, compiled using Stats SA data



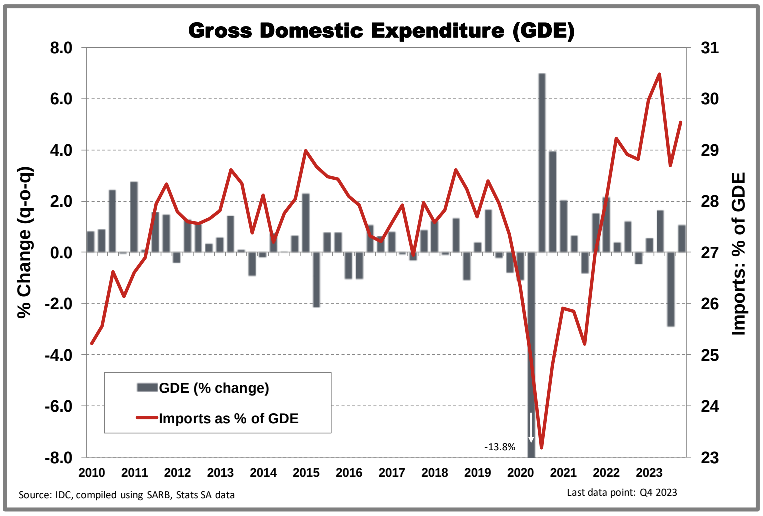
Source: IDC, compiled using Stats SA data



Source: IDC, compiled using Stats SA data

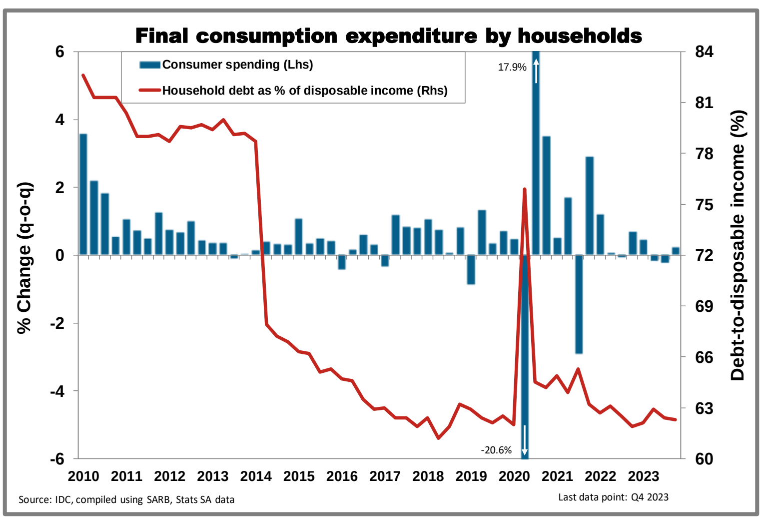
Domestic expenditure

Gross domestic expenditure



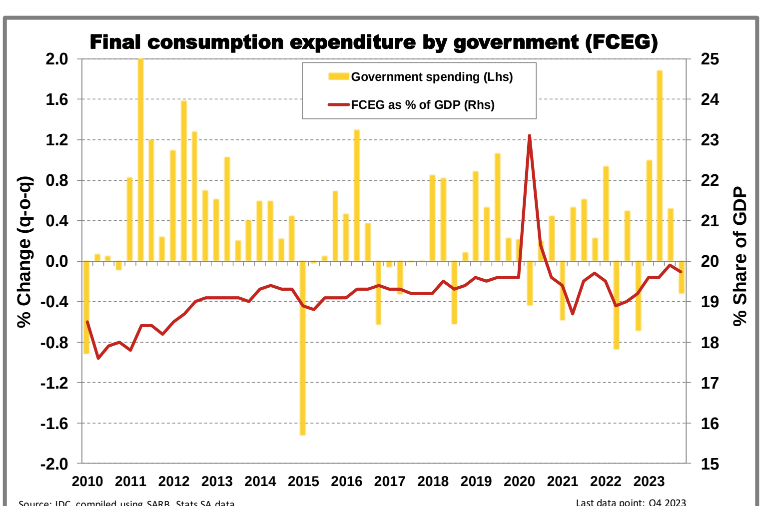
- Domestic economic activity remained under pressure, with gross domestic expenditure recording subdued growth of only 0.9% in 2023, a substantial moderation from the previous two years.
- The slowdown in domestic expenditure was more pronounced in the household sector, which reported growth of 0.7% in 2023, compared to 2.5% in 2022.
- Fixed investment activity sustained its solid growth momentum at 4.2% in 2023, compared to the 4.8% recorded in 2022.
- Inventory levels increased by R17.1 billion in 2023, albeit at a slower pace than in 2022 (R44.3 billion), reflecting the still difficult trading conditions as companies struggled to clear stock. Higher inventories is also a function of the deteriorating rail and port efficiencies resulting in exporters unable to ship their goods.
- The import intensity of the economy remains at high levels, reflecting the continued dependence on imports to satisfy domestic demand.

Final consumption expenditure by households



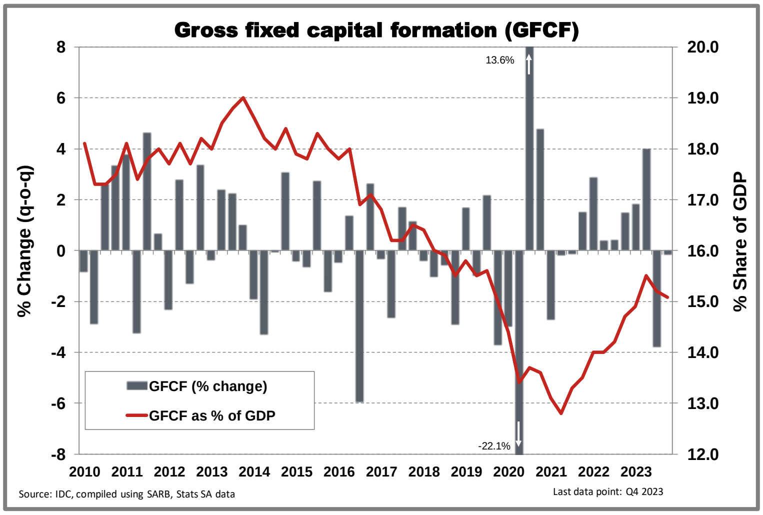
- Higher interest rates eroded the spending capacity of households, as debt servicing costs increased significantly.
- The cost of living challenges are reflected in the reduction of household spending on non-durable goods, especially food energy and fuel, which have recorded significant price increases during 2023.
- Spending on semi-durable goods increased by 3.0% in 2023, with marked increases in clothing and household textiles, and furnishings. However, the pressure on household finances is reflected in the second consecutive year of real spending contraction on recreational and entertainment goods.
- Consumption expenditure on services slowed to 1.8% in 2023 (2022: 3.1%), with spending on domestic workers contracting as households attempted to rationalise their spending.

Final consumption expenditure by government



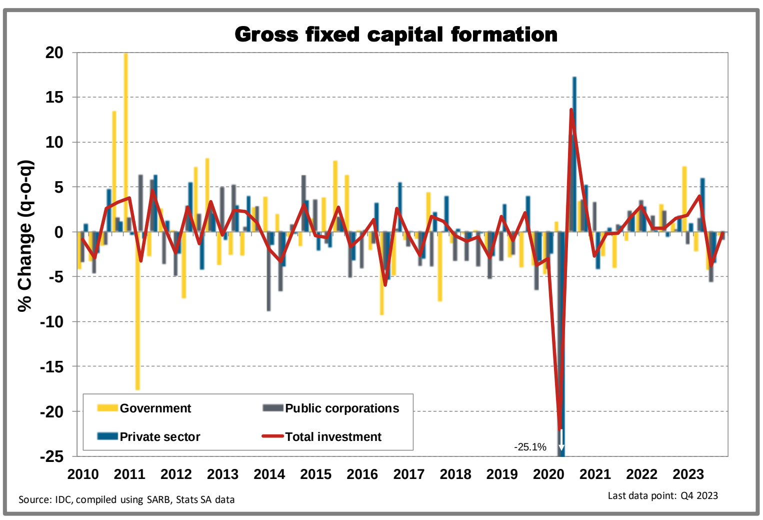
- Although government recognises the need for fiscal constraints, it was unable to contain its consumption expenditure in 2023, reporting a solid increase of 2.1%, in real terms.
- As a share of GDP, government consumption expenditure increased to 19.7% in 2023, continuing the upward trend of recent years.
- The main contributor to the acceleration of government consumption expenditure was the unbudgeted salary increases for civil servants implemented during the year.
- The credibility of government expenditure plans as set out in the 2024 National Budget is undermined by persistent failures to rein in expenditure, especially those of a consumption nature.

Gross fixed capital formation



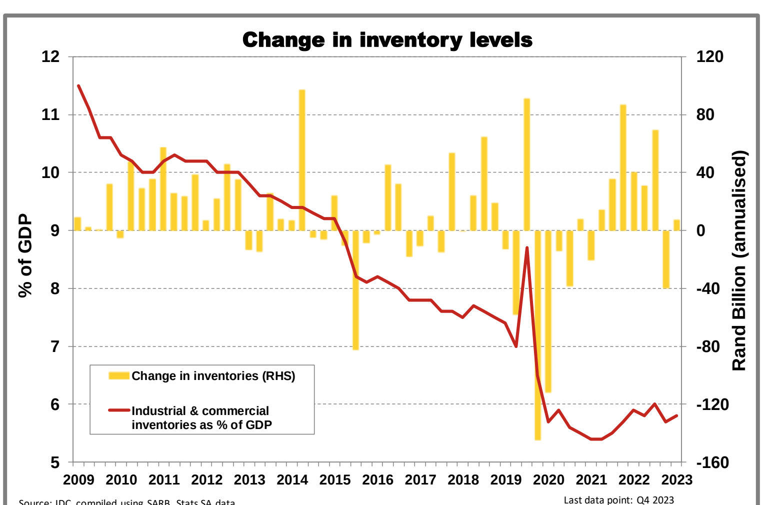
- Growth in fixed investment activity remained robust during 2023, increasing by 4.2% compared to 4.8% in 2022.
- This growth was achieved despite the current constrained economic environment and expectations that growth will remain pedestrian for the foreseeable future.
- Fixed investment was supported by the need to invest in road transport equipment as the ability of the rail network to transport goods declined.
- The concerning factor emerging from the fixed investment data is that investment being made is not intended to increase capacity or to improve competitiveness, but rather to address the failures of state-owned entities.
- The share of fixed investment in overall nominal GDP has improved from its 2021 (13.2%) lows to 15.2% in 2023. Nonetheless, this ratio remains well below the 30% required to significantly improve the capabilities of the South African economy to compete globally.

Fixed investment by type of organisation



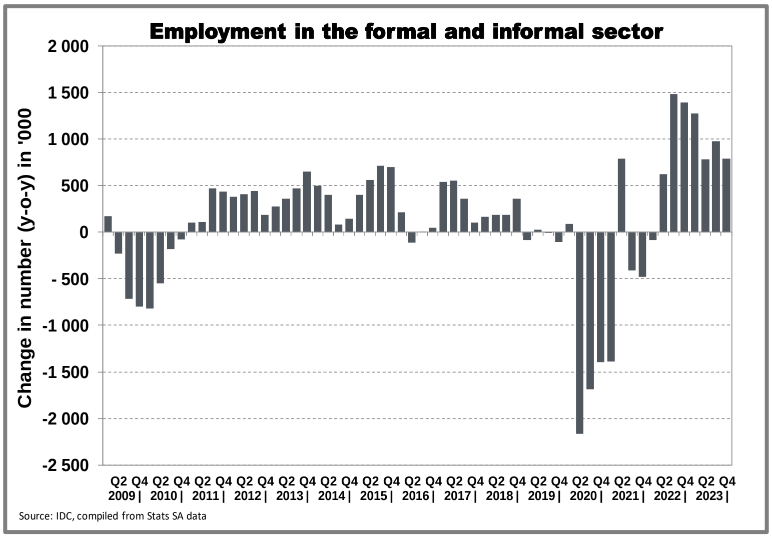
- The increase in fixed investment activity was led by the private sector (+4.9% growth in 2023), while public corporations recorded a contraction of 1.8%. Fixed investment by general government increased by 5.7% to reach the level of investment undertaken pre-Covid.
- All sectors of the economy, with the exception of finance, real estate and business services, recorded significant increases in fixed investment activity. The largest contributions to the overall 4.2% growth came from the trade, catering and accommodation (15.0% growth y-o-y), manufacturing (7.2%), community, social and personal services (4.6%) transport, storage and communication (6.5%), and the mining (4.8%) sectors.
- The strong increase in fixed investment activity is likely linked to the growing trend of installing rooftop solar solutions to cope with frequent loadshedding experienced in 2023.

Inventories



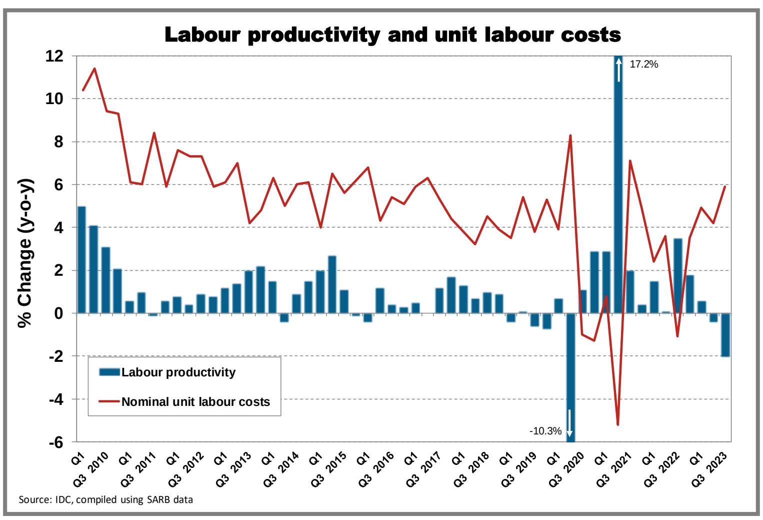
- The inventory accumulation of R17.1 billion in 2023 was concentrated in the first half of the year as businesses adjusted to the weaker economic environment.
- The ratio of industrial and commercial inventories to GDP, at 5.8% in Q4 2023, is at very low levels and in line with greater efficiencies and expectations of muted growth going forward.
- The increases in inventories were mainly concentrated in the following sectors, namely retail trade, catering and accommodation (+R8.7 billion), mining (+R5.1 billion), manufacturing (+R4.2 billion), and electricity (+R2.2 billion).
- The rise in mining inventories is related to the inability of mining companies to transport their products to and through the South African ports.

Formal and informal sector employment



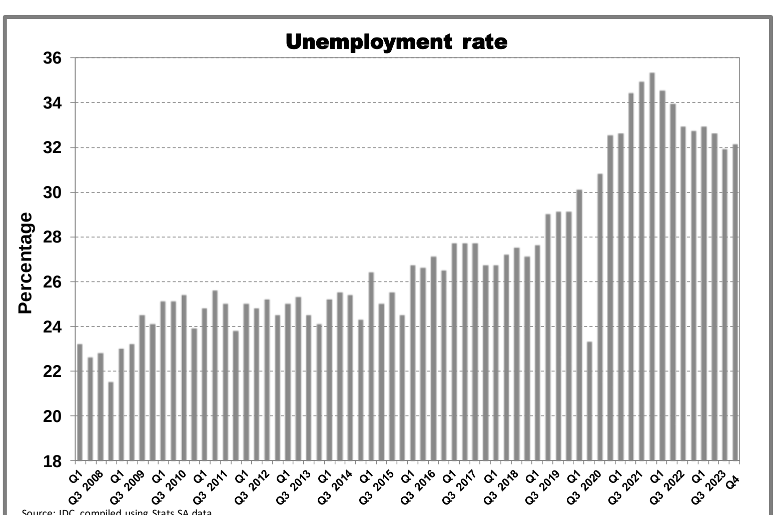
- Despite the sluggish growth recorded in the economy, total employment in the formal and informal sectors increased by 788 701, year-on year, to reach 16.7 million people employed in Q4 2023.
- On a year-on-year basis, gains in employment were recorded in finance, real estate and business services (+480 100 jobs), construction (+110 000), trade (+65 100) and in the agriculture sector (+60 100).
- However, the final quarter of 2023 recorded a decline in employment levels relative to the preceding quarter, reflecting the worsening economic outlook and weak business sentiment. Job losses were mainly in community and social services (-170 800), construction (-35 600), agriculture (-35 200) and the trade (-28 100) sectors,
- Sectors which recorded gains in the last quarter of 2023 were finance, real estate and business services (+127 600), transport, storage and communication (+56 900), mining (+36 700) and private households (+18 500).

Productivity and unit labour costs



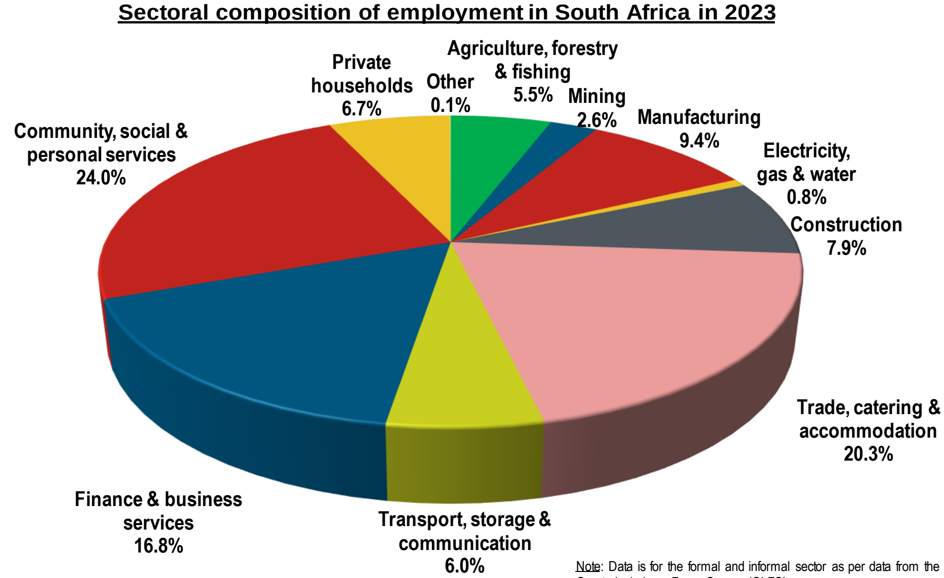
- Constrained output growth combined with an increase in employment resulted in labour productivity recording a decline of 2.0% in Q3 2023 (y-o-y).
- Nominal labour remuneration increased by 3.7% in the year to Q3 2023, a substantial moderation if compared to the 5.5% recorded in the first quarter of the year.
- The lack of labour productivity growth and rising nominal wages resulted in the nominal unit labour cost to increase by 5.9% in the third quarter of 2023.
- Sustained cost of living pressures which are leading to wage increase demands will have to be balanced with a still struggling economy and could result in employment losses if labour productivity does not increase on a sustained basis.

Unemployment



- South Africa's unemployment rate remained at a very high level in Q4 2023 (32.1%), despite the increase in employment recorded over the past two years.
- The employment creation capability of the economy is still not sufficient to meaningfully reduce the overall unemployment rate. The number of unemployed increased by 142 000 to a total of 7.9 million people in Q4 2023.
- Of concern is the inability of the economy to absorb youth into employment, with the unemployment rate for those aged between 15 and 24 standing at 59.4% in Q4 2023 and for the age group 25 -34 at 39.0%.
- The youth (15 to 34 years) accounts for 59.0% of the total number of unemployed, while those who have been without a job for more than 1 year (for all ages) represented 77.1% of all the unemployed. These factors make it difficult to make a meaningful impact on unemployment as skills might be lacking or out of date.

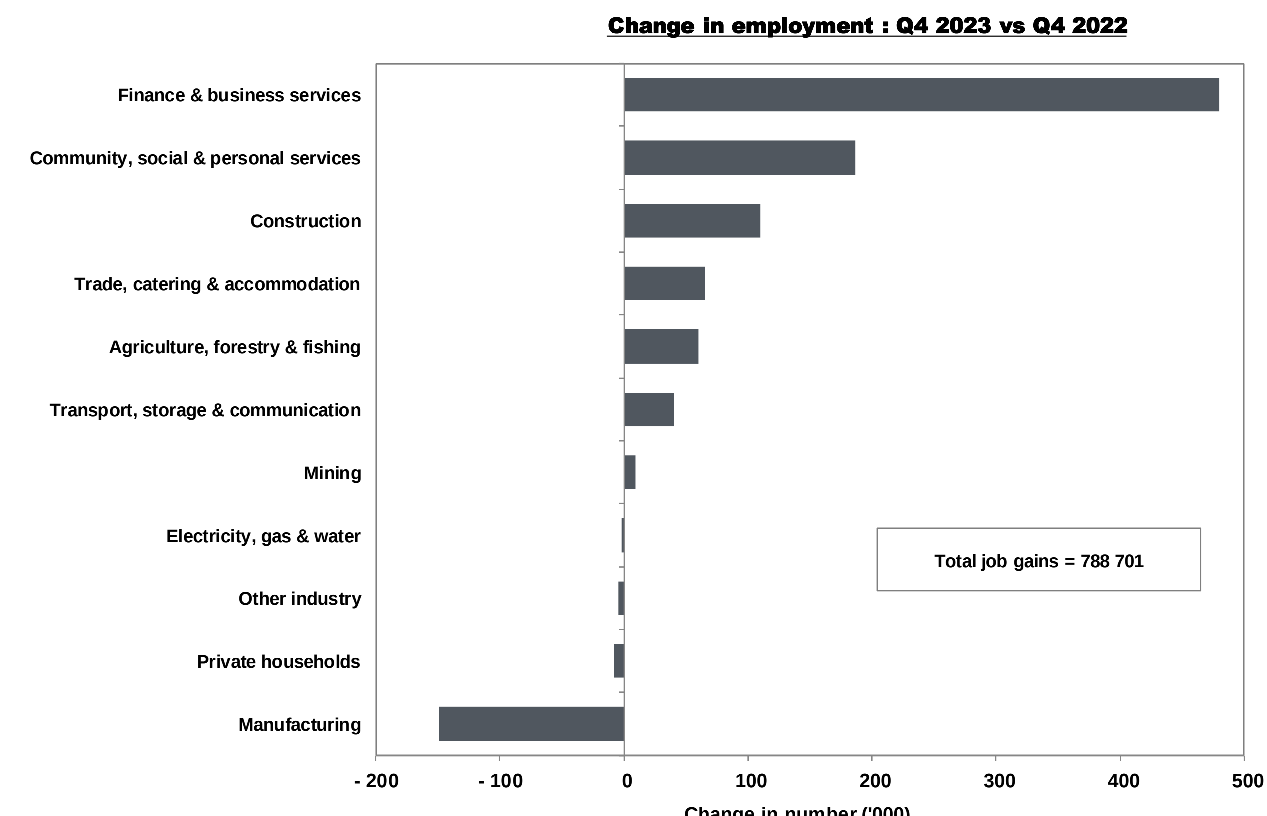
Employment (continued)



Source: IDC, compiled using Stats SA data

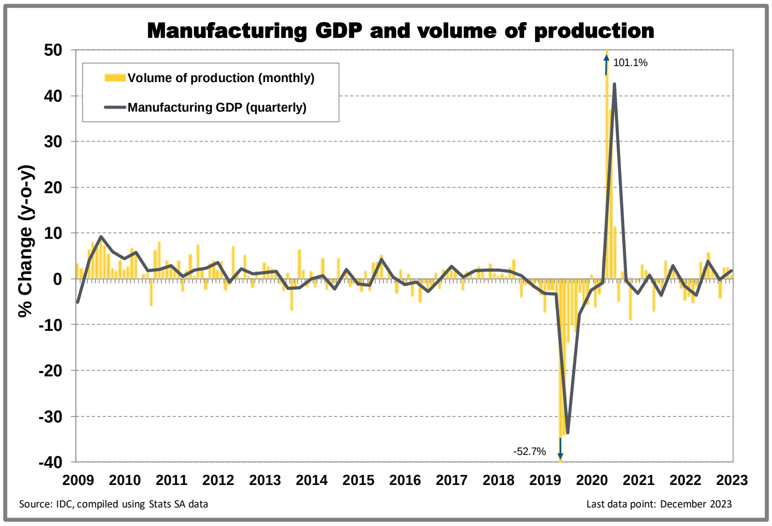
Note: Data is for the formal and informal sector as per data from the Quarterly Labour Force Survey (QLFS).

Employment according to main economic sector



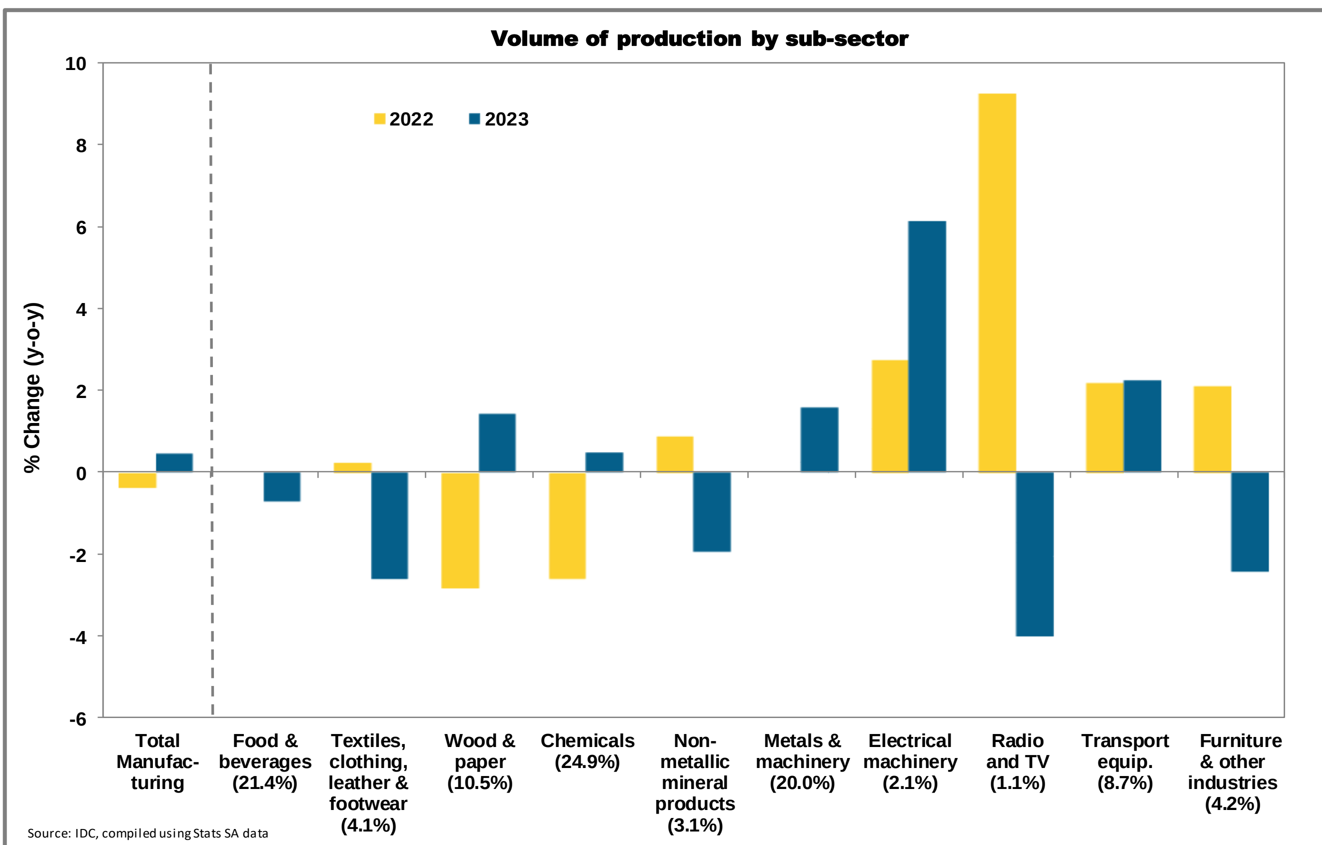
Source: IDC, compiled from Stats SA data

Manufacturing GDP and volume of production



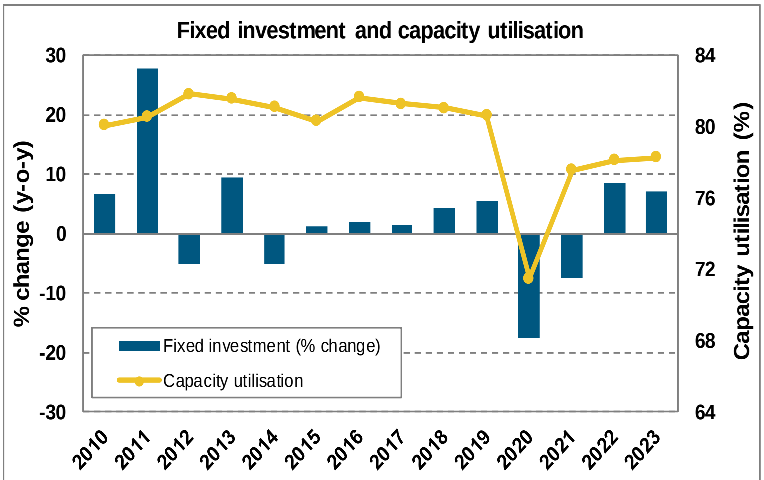
- Domestic challenges and weakening global demand resulted in the South African manufacturing GDP to record a modest 0.5% growth in 2023. The main challenges faced by the manufacturing sector were inefficiencies at the ports, which impacted both the ability to source inputs from and deliver outputs to global markets, persistent loadshedding, as well as rising input costs, including labour costs.
- Growth in manufacturing production was due to strong rates of increases in electrical equipment, especially insulated wires, motors, generators and transformers; motor vehicles and parts; metals and machinery; as well as wood and paper products.
- In contrast, the television, radio and communication equipment; textiles, clothing, leather and footwear, and the food and beverages sectors recorded notable contractions in 2023.
- The manufacturing sector recorded an increase in its share of nominal GDP, which rose to 12.9%, the highest share since 2011, although still well below its share at the turn of the century.

Physical volume of production per sub-sector of manufacturing



Note: Figures in brackets refer to the sub-sector's percentage share of total manufacturing production.

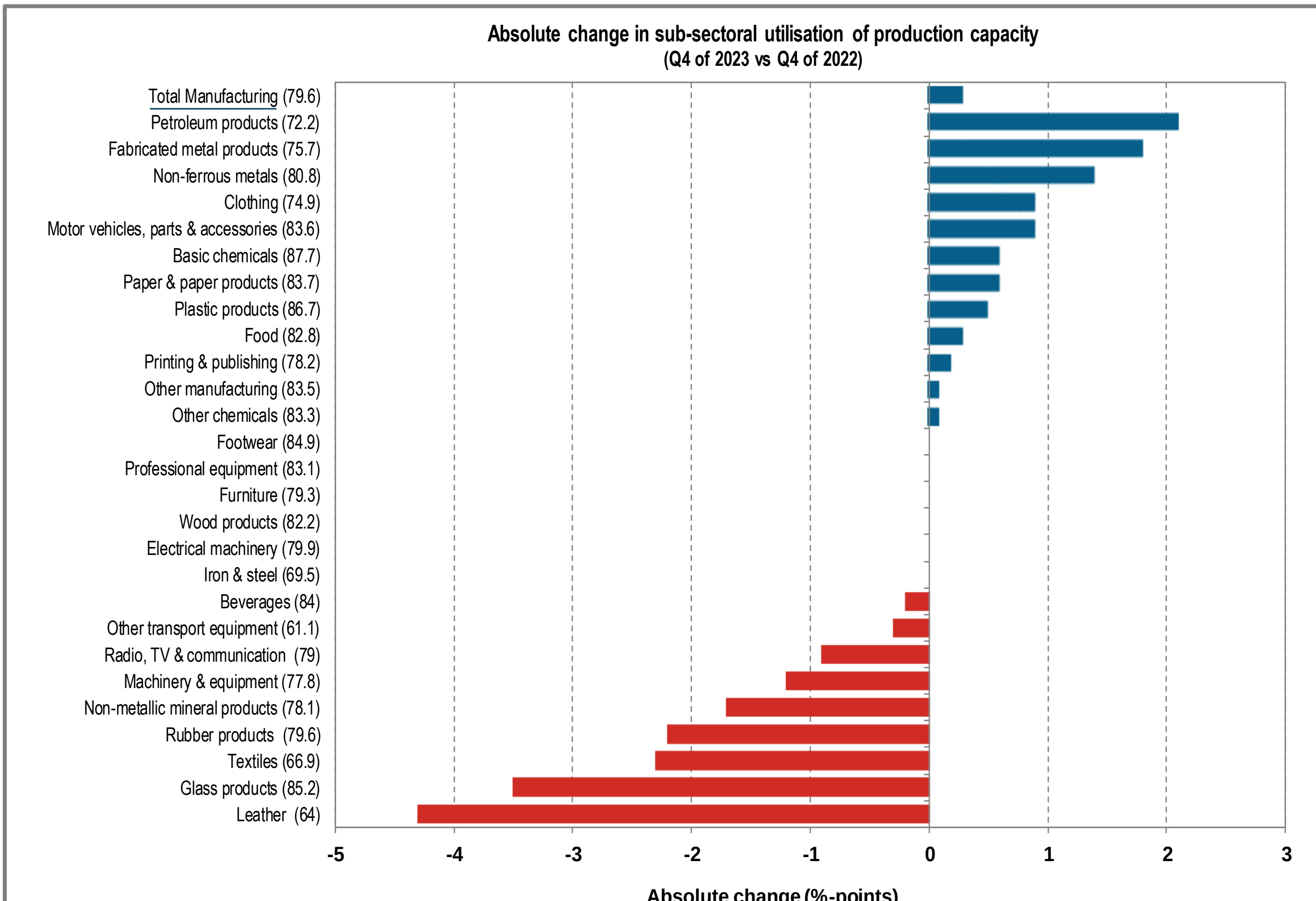
Fixed investment and capacity utilisation



Source: IDC, compiled using Stats SA data

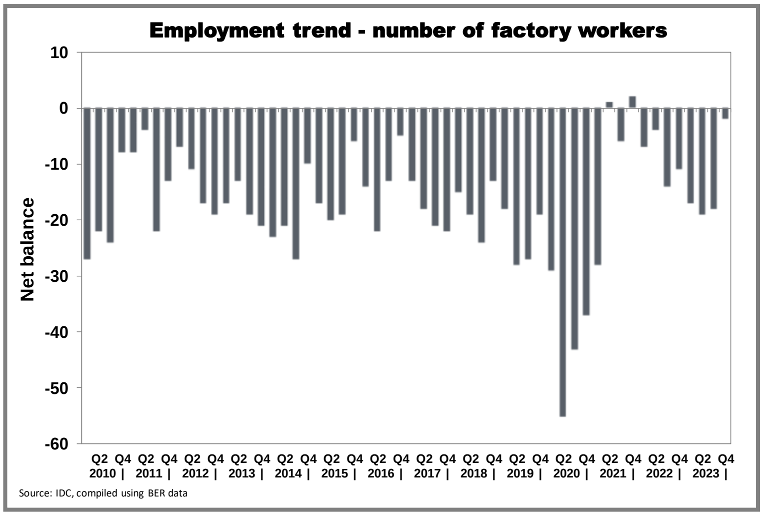
- Manufacturing fixed investment activity expanded by 7.2% in 2023 after increasing by 8.5% in 2022. It should be noted that despite the increased fixed investment activity, the manufacturing production and capacity utilisation did not change significantly, pointing to investment activity directed towards increasing resilience and not productive capacity expansion.
- The overall utilisation of capacity improved slightly in 2023 to 78.2% from 78.1% in 2022, still well below the 80% level sustained prior to Covid.
- The leather industry is facing a difficult environment, with a utilisation of capacity rate of only 64% in Q4 2023, which is 4.3 percentage points lower than in Q4 2022. The glass products sub-sector also recorded a substantial decline in capacity utilisation, although its utilisation rate is relatively high at 85.2% in Q4 2023.

Utilisation of production capacity per sub-sector of manufacturing



Source: IDC, compiled using Stats SA data

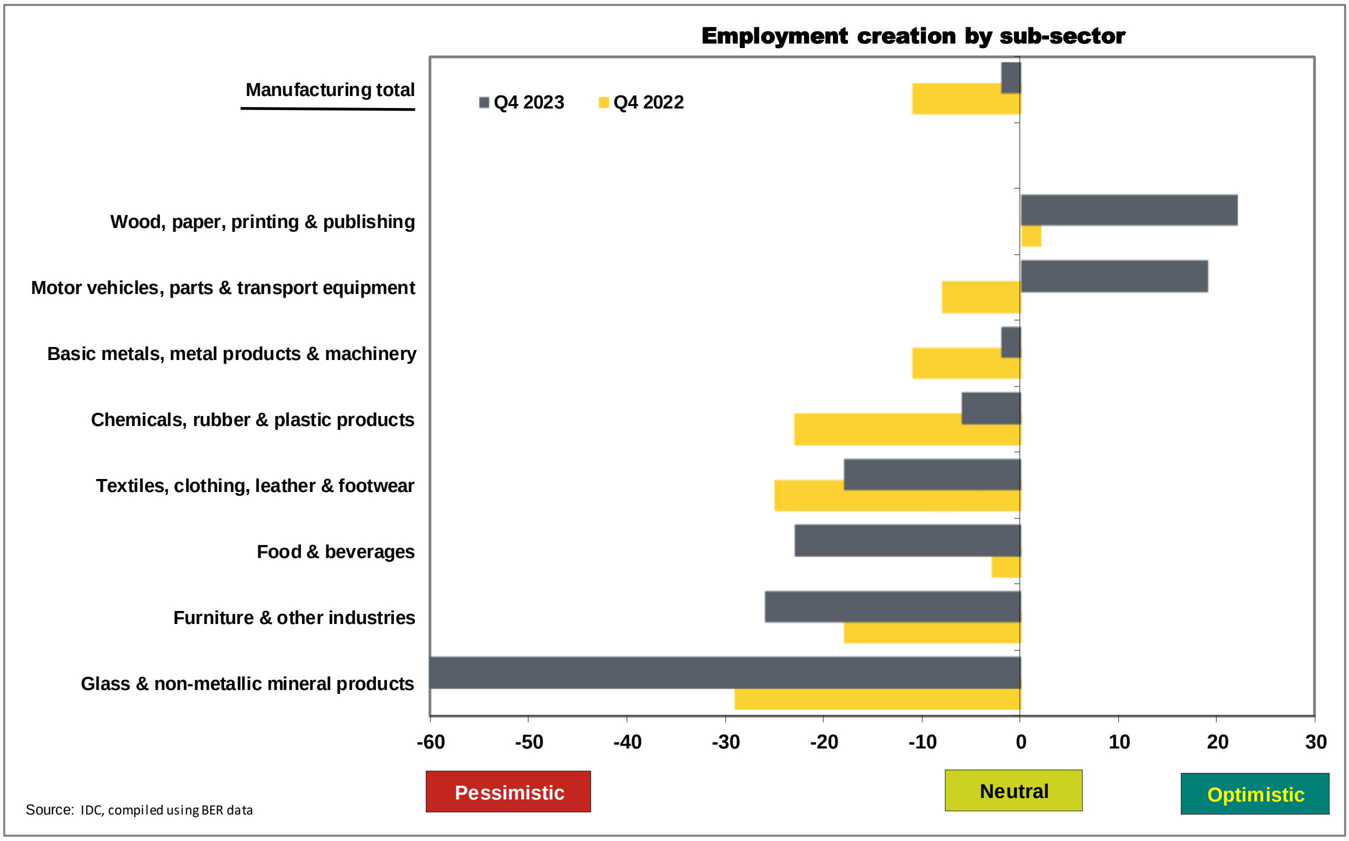
Note: Figures in brackets refer to the sub-sector's percentage utilisation of production capacity in the fourth quarter of 2023.



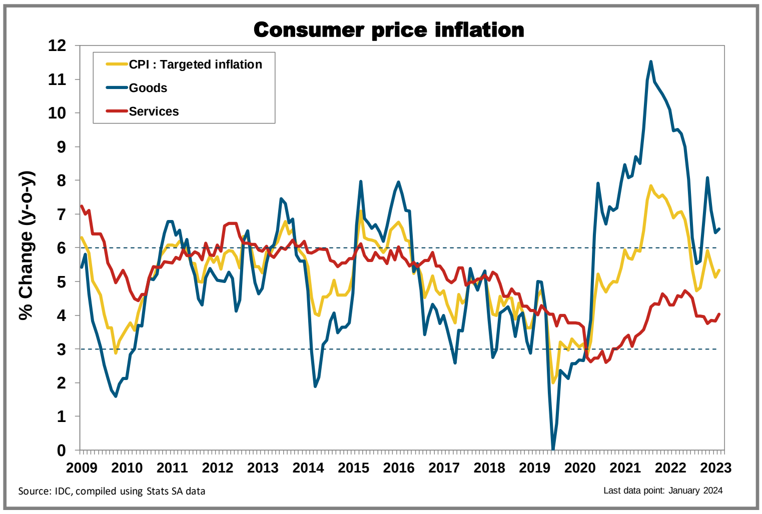
Expectations regarding employment creation

- Expectations regarding employment in the manufacturing sector remain negative, albeit less so in the final quarter of 2023. Surveys by the Bureau for Economic Research (BER) reflect persistent negative employment sentiment in the manufacturing sector, dating back to Q1 2008.
- In the final quarter of 2023 only the wood, paper, printing and publishing, as well as motor vehicles, parts, and transport equipment sectors reported positive sentiment towards future employment creation.
- The manufacturing sector's employment prospect will only improve once companies are more confident in future demand and improvements in the energy and logistics sectors.

Expectations regarding employment creation per sub-sector of manufacturing

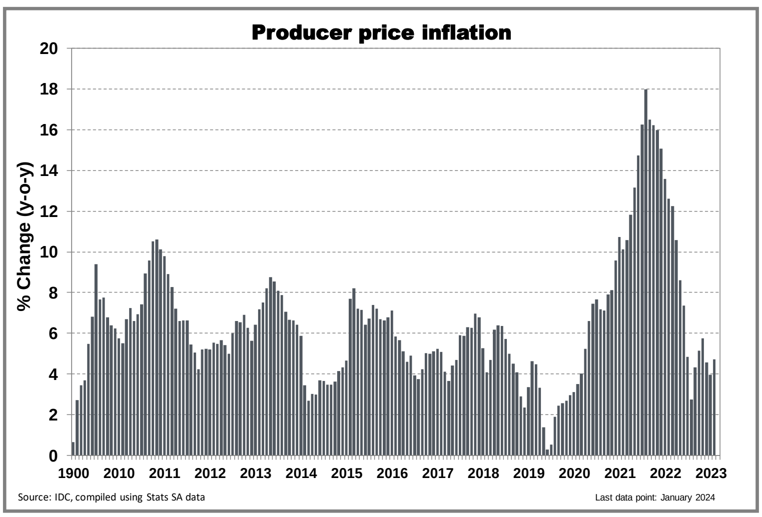


Consumer price inflation



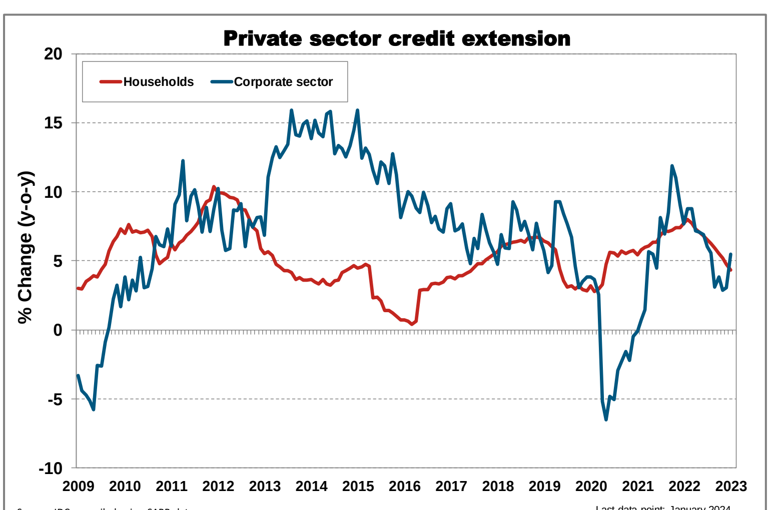
- Consumer price inflation receded to 5.1% in December 2023, following a three-month period of acceleration to 5.9% in October. However, inflation edged slightly higher in January 2024 to 5.3%.
- CPI averaged 5.9% in 2023 (6.9% in 2022), with substantially slower rate of petrol price increases a key contributing factor. In 2022, fuel inflation stood at 34.3%, while it averaged a much lower 1.3% in 2023.
- Nonetheless, key components of the consumer basket, such as food (+7.0%) and electricity prices (+15.2%), are still rising at a fast pace and well above headline inflation.
- The near-term inflation outlook remains favourable, although higher crude oil prices and a weaker Rand may exert upward pressures.

Producer price inflation



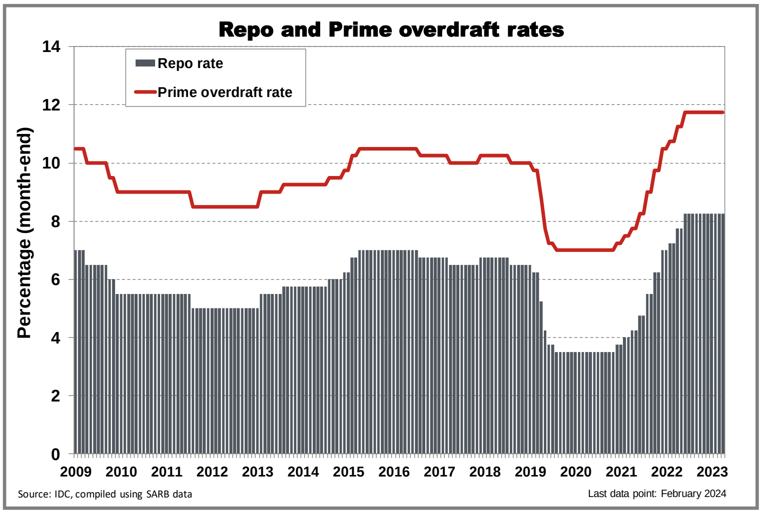
- Producer prices (PPI) increased at a substantially slower pace of 6.8% in 2023, compared to 14.4% in 2022.
- Having started the year at 12.7% in January 2023, PPI slowed to 4.0% by December 2023, the lowest in almost 3 years. Food prices increased at a substantially slower pace, and were a major contributor to disinflation at the factory gate.
- However, in January 2024, PPI increased to 4.7% on the back of higher electricity prices, while intermediate goods also saw a reversal from a decline of 2.2% in December 2023 to an increase of 0.2% in January 2024.
- In addition, components of the food basket such as sugar (+20.2%); fruit and vegetables (+11.8%), as well as fish and fish products (+7.6%), along with items such as textiles (+15.2%) and motor vehicles (+10.0%) also reported steep price increases in January 2024.

Credit extension to the private sector



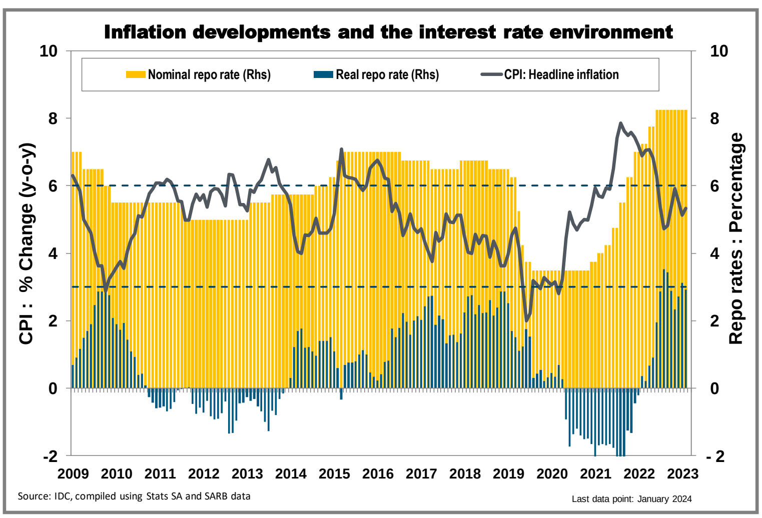
- Demand for credit by the corporate sector was affected by difficult operating conditions and very modest economic growth in 2023.
- Business enterprises refrained from incurring more debt under trying conditions and subdued growth prospects. Credit demand by the corporate sector slowed from 8.8% in January to 5.5% in December 2023.
- Credit demand by households also came under increased pressure in 2023 as higher interest rates impacted the willingness of households to incur more debt under a worsening consumer environment, stretched balance sheets and rising debt-service payments.
- In real terms, household demand for credit remained very modest throughout 2023, having increased by an average rate of 6.3%, with contractions (y/y) having been recorded from October to December 2023.

Repo and prime overdraft rates



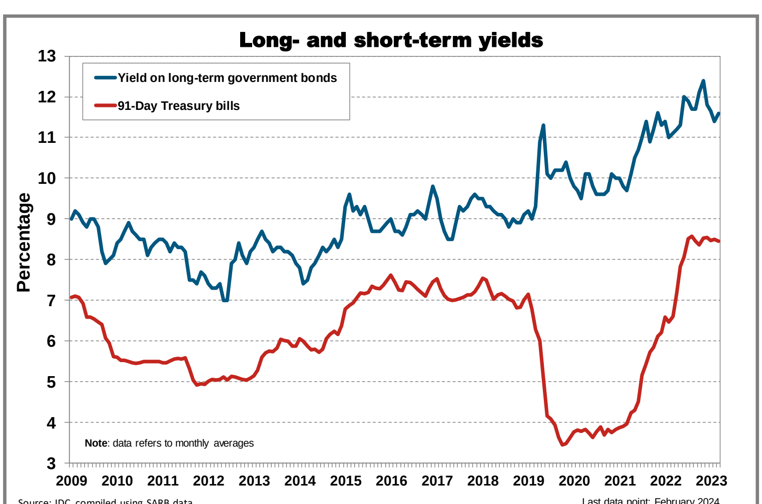
- Aggressive monetary policy tightening was applied to curb inflationary pressures. The Monetary Policy Committee (MPC) raised the repo rate to 8.25% in May 2023 - the highest in more than 14 years.
- Even though inflation remains below the upper level of the target band, the MPC kept the repo rate unchanged at 8.25% at its January 2024 meeting, citing potential upside risks to the inflation outlook.
- It is assumed that interest rates will remain higher for longer, with a similar trend also expected globally, to anchor inflation expectations.
- Should underlying inflationary pressures (i.e. excluding volatile fuel and food prices) continue to moderate, this could pave the way for a gradual reduction in interest rates later in 2024. This should provide welcome relief for businesses and consumers.

Inflation and interest rates



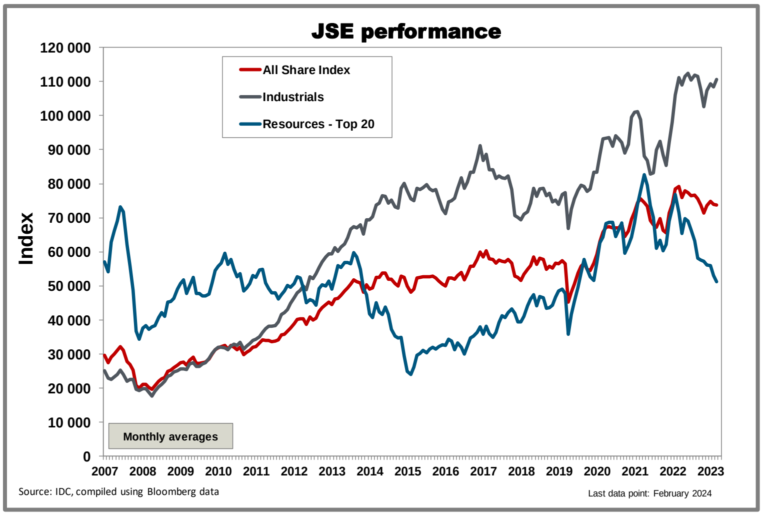
- In real terms (i.e. excluding inflation), the repo rate stood at 2.9% in January 2024, higher than the MPC's neutral real interest rate of 2.7%, which is projected for 2024.
- Despite higher interest rates over time, monetary policy has been broadly supportive of economic activity as inflation was higher than the repo rate, indicating negative real interest rates (i.e. excluding inflation).
- However, as the disinflation trend continued, this situation was reversed, and monetary policy became more restrictive as the real repo rate edged higher into positive territory since the middle of 2023.

Long- and short-term yields



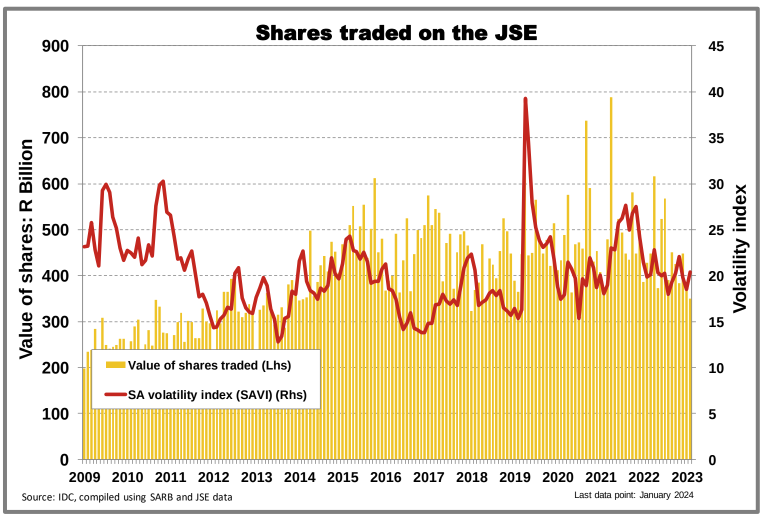
- The trend in Treasury bills is closely aligned to that of the repo rate. After a steep rise since late 2021, in tandem with increases in the repo rate, interest rates remained fairly stable throughout the second half of 2023 and in early 2024.
- Long-term government bond yields increased steeply during 2023, from a low of 10.2% on 2 February to a peak of 12.6% by 28 September on the back of worsening economic conditions, a deterioration in the fiscal metrics and South Africa's greylisting by the Financial Action Task Force (FATF) in February 2023.
- However, bond yields edged gradually lower as inflationary pressures and the need for higher interest rates subsided somewhat, while bond yields elsewhere in the world also moved lower. By 29 December 2023, bond yields measured 11.37%, but increased to 11.96% by 15 March 2024, well above the 8.4% in early February 2021.

Johannesburg Stock Exchange performance



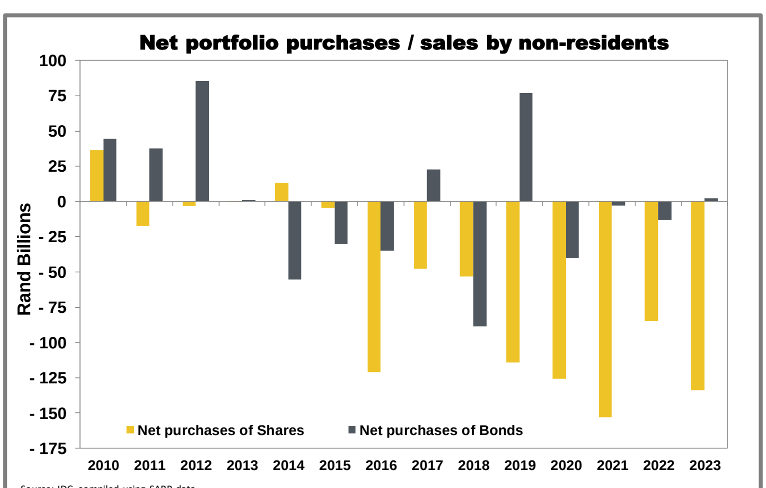
- Having been under pressure for most of 2023, the JSE Alsi edged slightly higher towards the latter part of the year. Considering South Africa's subdued economic growth in 2023, the JSE performance surprised on the upside as investors still saw some value in the local market.
- On 29 December 2023, the market closed at 76 486, well above the low point of 69 452 on 27 October as concerns about the unfolding Middle East conflict abated. On 15 March 2024, the JSE closed on 72 991 points.
- Resources stocks declined sharply by almost 23% in 2023, reflecting the weakness in global commodity markets and operational challenges for the local mining industry.
- The JSE performed disappointingly compared to select global markets. In 2023, the JSE increased by only 5.3%, compared to 24.2% for the S&P 500, the Nikkei (+28.2%) and the German DAX (+20.3%), while China's Hang Seng declined by 3.8%.

Shares traded on the JSE



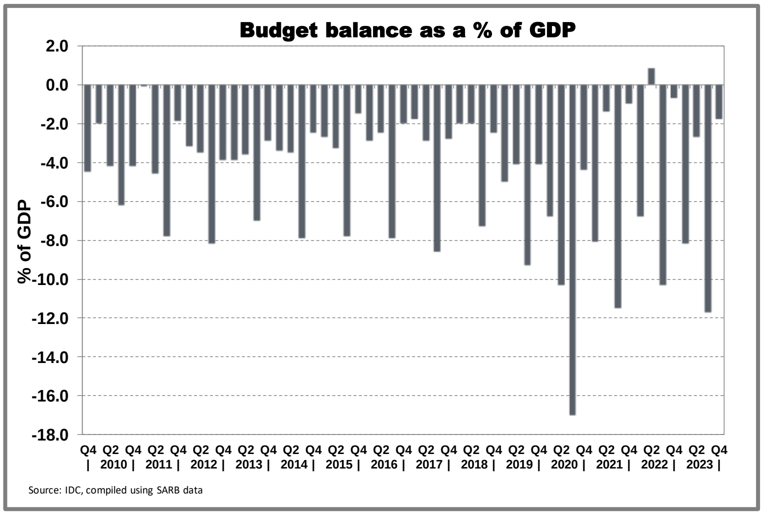
- The number of shares traded on the Johannesburg Securities Exchange (JSE) declined sharply by 5.4% in 2023 on the back of increased risk aversion amidst heightened uncertainty and a challenging economic environment. Moreover, the overall value of shares traded fell even more markedly, down by 8.2% to roughly R5.4 trillion.
- Prevailing uncertainty is being reflected in relatively high volatility from time to time, with investors also on the lookout for better returns elsewhere, as well as for other asset classes.
- The value of capital raised on the JSE increased significantly in 2023 to R41.4 billion, comparted to R13.3 billion in 2022. However, this comes off a low base, while also being distorted by a sizeable transaction.
- The JSE's market capitalisation decreased to R19.0 trillion in 2023 on the back of lower share prices, well below the R23.0 trillion recorded in January 2023 and the R21.4 trillion in December 2022.

Net portfolio purchases/sales by non-residents



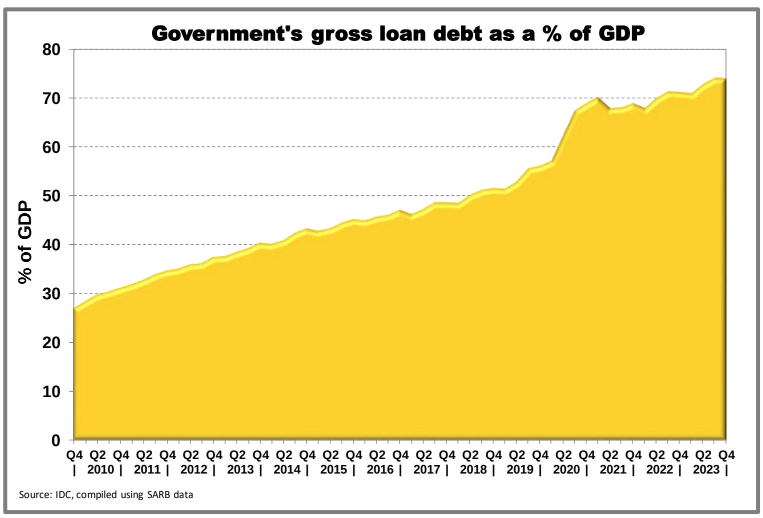
- Foreigners were net sellers of local equities to the value of R133.8 billion in 2023, an indication of increased risk aversion. Moreover, weak growth prospects and negative sentiment on the back of ongoing structural impediments may continue to weigh on South Africa's equity market performance in 2024.
- In terms of bonds, non-residents' net purchases in 2023 amounted to just R2.3 billion, although an improvement if compared to net sales of R13.3 billion in the preceding year.
- Higher bond yields in South Africa are still attracting foreign interest, although the share of non-resident holdings of South African government bonds has fallen sharply over time from 42.8% in March 2018 to 25.4% by October 2023.

Budget balance



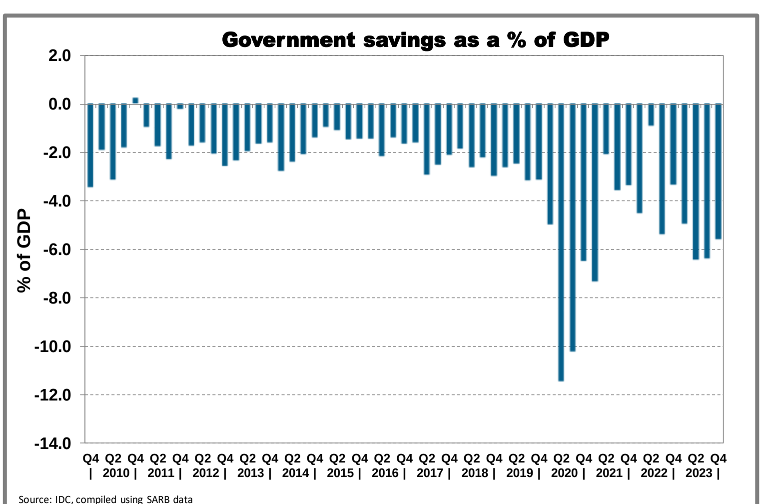
- Several factors have contributed to a substantial deterioration in public finances in recent times. Subdued rates of economic growth, softer commodity prices and ongoing pressure on government expenditure resulted in a widening budget deficit during the 2023/24 financial year, compared to earlier projections.
- In the 2024 National Budget, a revenue shortfall of R46.4 billion was estimated relative to the 2023 Budget forecasts. Moreover, the budget deficit was estimated at -4.7% of GDP (main budget framework) in 2023/24, compared to a deficit of -4.6% in the 2022/23 fiscal year.
- Although government remains committed to its fiscal consolidation stance, efforts in this regard may be frustrated by weak growth prospects. Nonetheless, the budget deficit as a ratio of GDP is forecast to narrow gradually over the next couple of years.

Government debt



- Gross loan debt of government has been on a steep rising trend over a prolonged period and as a ratio of GDP increased from 28.3% in Q1 2010 to 73.9% by Q4 2023.
- National Treasury is projecting that this debt-to-GDP ratio will peak at 75.3% in the 2025/26 fiscal year.
- Overall government debt stood at R5 153 billion in Q4 2023, while debt-servicing costs are estimated at R356.1 billion in the 2023/24 fiscal year. The latter represents 17.4% of the main budget expenditure and 20.8% of the main budget revenue.
- Credit rating agencies will be paying close attention to the performance of public finances, structural reforms and growth prospects for the South African economy.

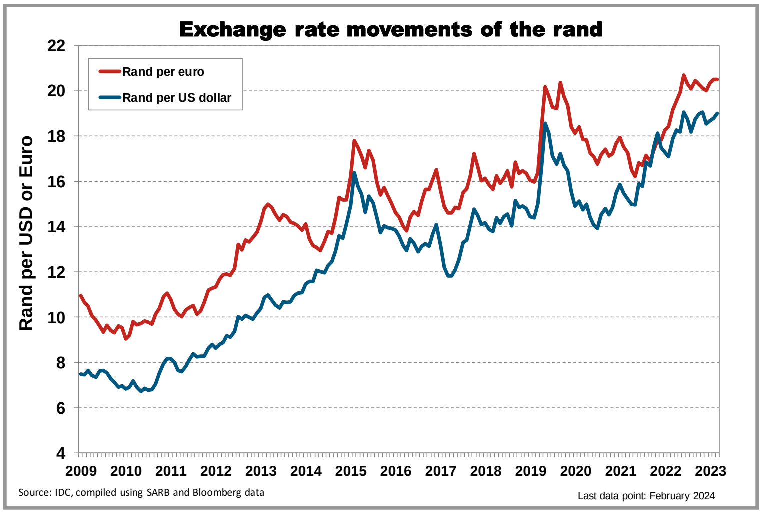
Government savings



- Net dissaving by government measured R406.4 billion (on a seasonally adjusted and annualised basis) in 2023, equivalent to -5.8% of GDP, compared to a much smaller dissaving of R234.3 billion for 2022.
- Efforts by government to improve public finances and thereby reducing its borrowing requirements should assist in gradually reversing this adverse trend over time.
- Continued negative savings by government, along with lower savings by households, are resulting in an increasing reliance on the domestic corporate sector, as well as on foreign capital inflows to fund this shortfall.

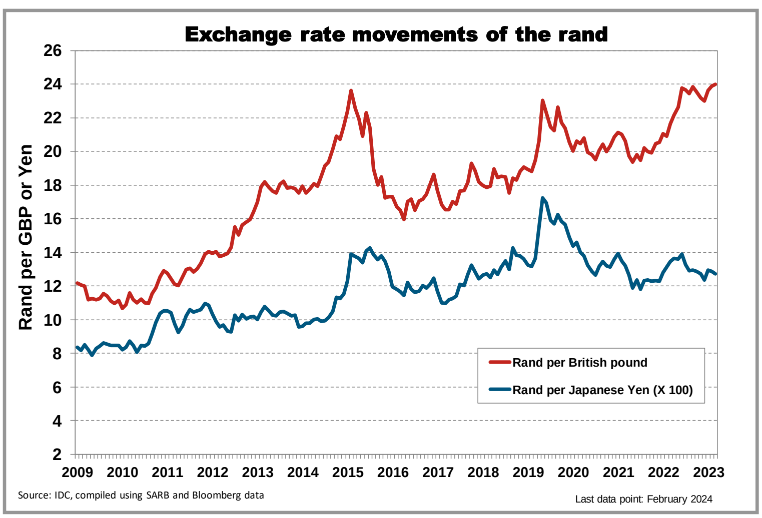
Exchange rates

The ZAR vis-à-vis the USD and EUR



- The Rand is highly undervalued, with a weakening bias in the short-term as several factors weigh on the currency, including a strong US dollar, weakness in the domestic economy and uncertainty in the run-up to the national elections.
- Having depreciated quite sharply to R19.51 per USD in early October 2023, the Rand strengthened gradually, albeit with a fair amount of volatility. By 15 March 2024, the currency stood at R18.77 per USD.
- The Rand is likely to remain under pressure as several domestic factors (e.g. fiscal trajectory, balance of payments, structural constraints, weak growth prospects) are likely to exert downward pressure on the local currency.
- In addition, concerns about the outlook for world economic growth along with yet high interest rates globally, may also take a toll on the Rand exchange rate in the short-term.

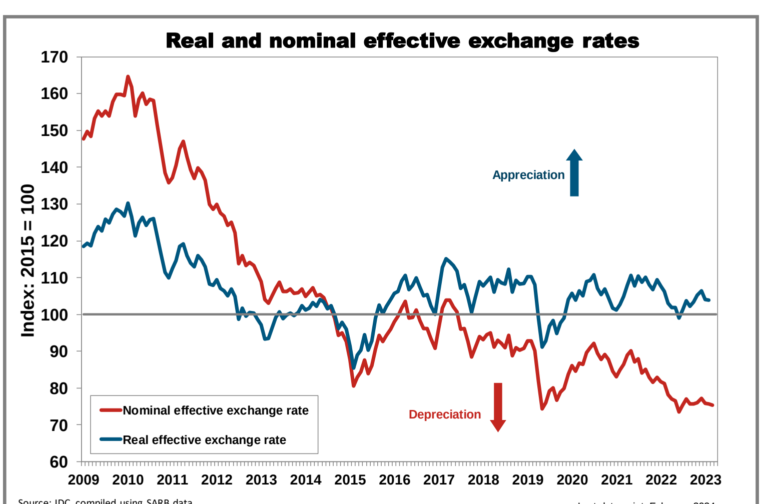
The ZAR vis-à-vis other foreign currencies



- The following table illustrates the extent of appreciation (+) or depreciation (-) of the rand against select currencies over the period February 2023 to February 2024*:
  - Australian dollar : -0.5%
  - Brazilian real : -9.7%
  - British pound : -9.9%
  - Chinese renminbi : -1%
  - Eurozone euro : -6.5%
  - Indian rupee : -5.4%
  - Japanese yen : 6%
  - US dollar : -5.8%

* The above % changes are all based on monthly average exchange rates.

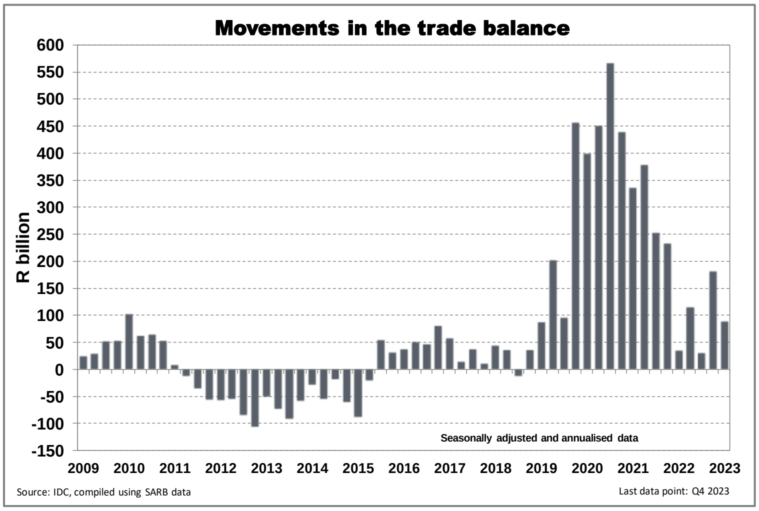
Effective* exchange rates of the ZAR



- On a trade weighted basis, the nominal effective exchange rate (NEER) ended 2023 about 7.0% weaker, while the real effective exchange rate or REER (i.e. after accounting for inflation differentials) depreciated by 3.5% over the twelve months to December 2023.
- A narrowing in the inflation differential between South Africa and its key trading partners may assist in the Rand depreciating at a slower pace in the months ahead. However, other factors may be at play, which could be exerting more downward pressure.

* Basket of currencies: EUR (30.68% weight); USD (10.56%); CNY (24.53%); JPY (4.95%); and INR (4.85%), among others.

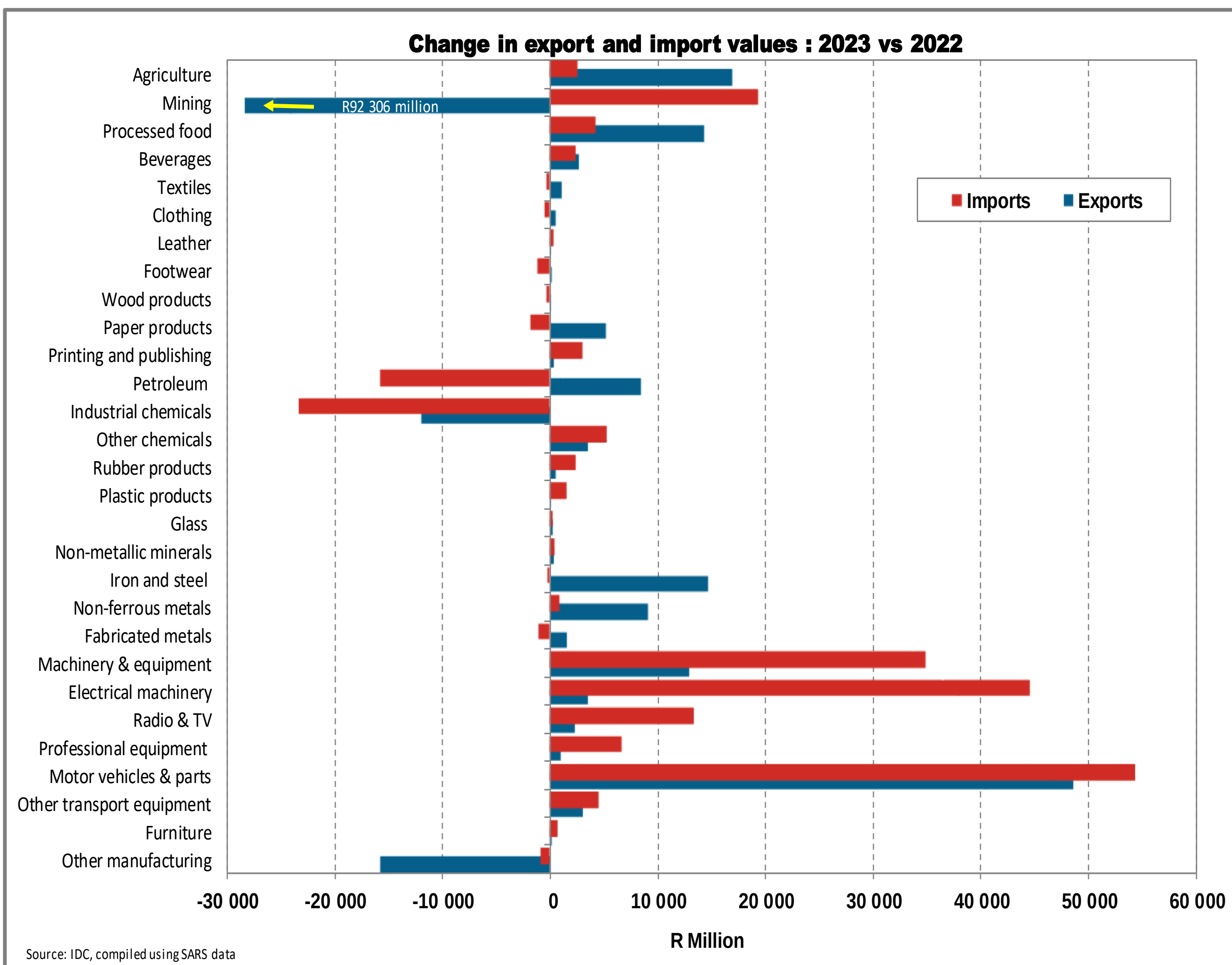
Balance of trade*



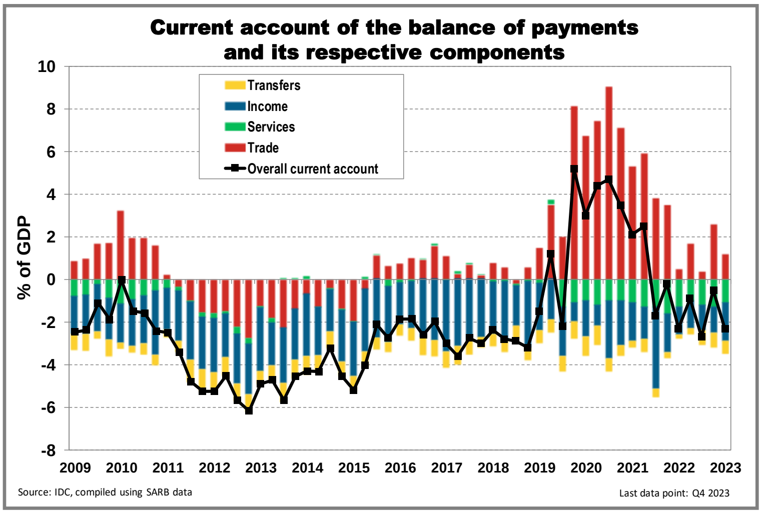
Note: * Trade data as reported by SARB differs from that reported by SARS due to the use of different methodologies.

- On the back of a challenging global trading environment and softer commodity prices, South Africa's trade balance recorded a substantially smaller surplus of R103.5 billion, compared to R224.2 billion in 2022, in nominal value terms (according to SARB data).
- The 10.3% drop in mining exports to R802.4 billion was the main contributor on the export side, with the steep fall in coal and PGM exports, due to significantly lower commodity prices, key in this regard. In turn, manufacturing and agriculture exports recorded higher export values, although exports were concentrated around a few products.
- Despite subdued growth in the South African economy during 2023, demand for merchandise imports increased by 8.7% in nominal value terms. The import basket was dominated by a substantial rise in electrical machinery and equipment (+59.8%); crude oil (+22.3%) and motor vehicles, parts and accessories (+21.5%).

Trade performance per sector



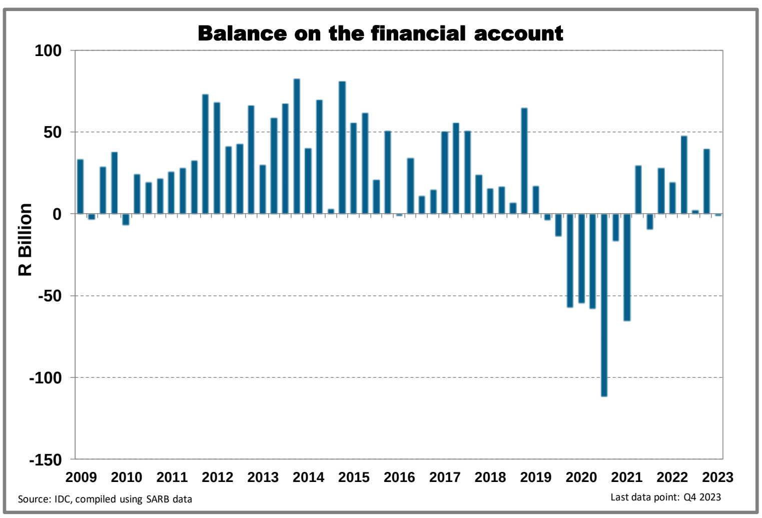
Current account of the balance of payments



- The deficit on the current account of the balance of payments widened to -1.6% of GDP in 2023, from -0.5% in 2022. This worsening trend was largely the result of a smaller surplus on the balance of trade at +1.5% of GDP in 2023 (+3.4% in 2022).
- Income receipts (i.,e. dividends and interests) were substantially higher at R217.1 billion (+16.8%), while income payments stood at R312.3 billion (-3.7%), resulting in a smaller deficit of R95.1 billion, compared to R138.4 billion in 2022.
- The deficit on the services account narrowed to R80.9 billion, as services receipts increased by 26.5% to R261.8 billion, while services payments were 15.2% higher at R342.7 billion.
- Transfer payments (including transfers to SACU countries) increased sharply to R114.1 billion in 2023, and were 22.1% more than in the preceding year.

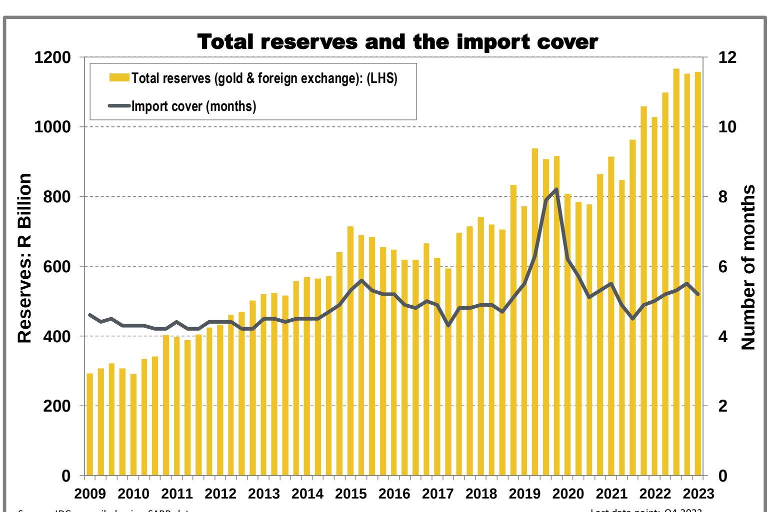
Note: Seasonally adjusted and annualised data; trade data as reported by SARB differs from that reported by SARS due to the use of different methodologies.

Balance on the financial account



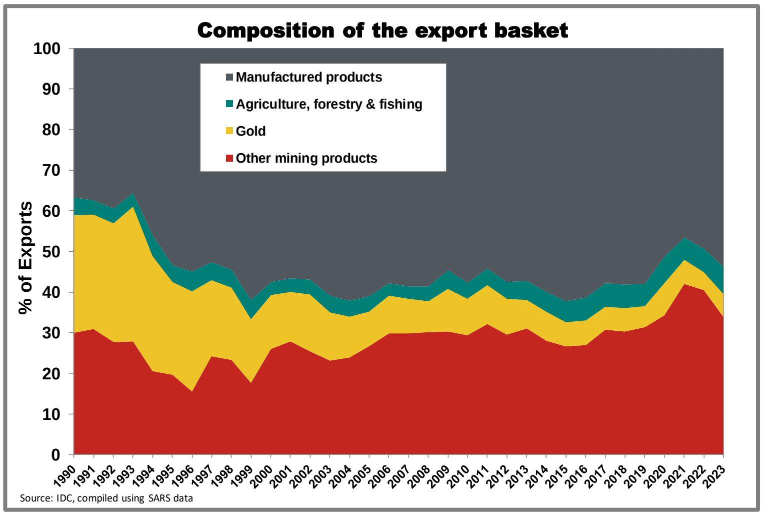
- Despite still difficult economic conditions globally and ongoing challenges domestically, South Africa managed to attract an increase in foreign capital inflows during 2023.
- During 2023, a net inflow of R88.6 billion was recorded on the financial account.
- Direct investment inflows measured R96.5 billion, noticeably lower than inflows of R151.0 billion for 2022.
- Portfolio outflows amounted to R87.5 billion in 2023 as foreigners turned to other asset classes elsewhere in the world for better returns. In turn, South Africa's portfolio investments abroad recorded an outflow of R22.8 billion, compared to a much larger outflow of R115.1 billion in 2022.

Total reserves and import cover



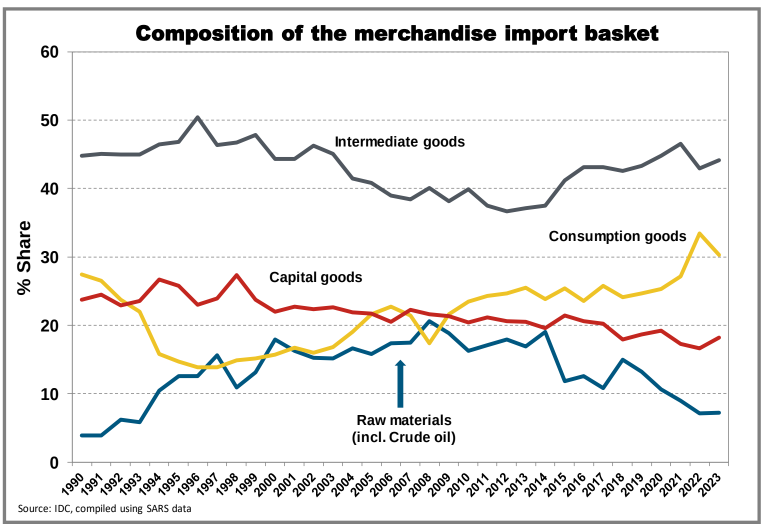
- South Africa's gross gold and other foreign reserves increased sharply during 2023. In rand terms, overall gold and foreign reserves amounted to R1 157.6 billion in December 2023, being 12.5% higher than the R1 029 billion reported in December 2022. However, in dollar terms their value was only 3.2% higher at USD62.5 billion in December 2023.
- Foreign exchange reserves increased by R87.0 billion to R871.3 billion by December 2023, whereas gold reserves increased by R30.1 billion (+24.2%) to R154.4 billion.
- The import cover (i.e. the total value of international reserves relative to the average monthly value of imports of goods and services) has declined sharply over the past couple of years, although this trend has been distorted by the covid period. By Q4 2023, the import cover stood at 5.2 months, higher than the pre-covid trend.

Composition of the export basket



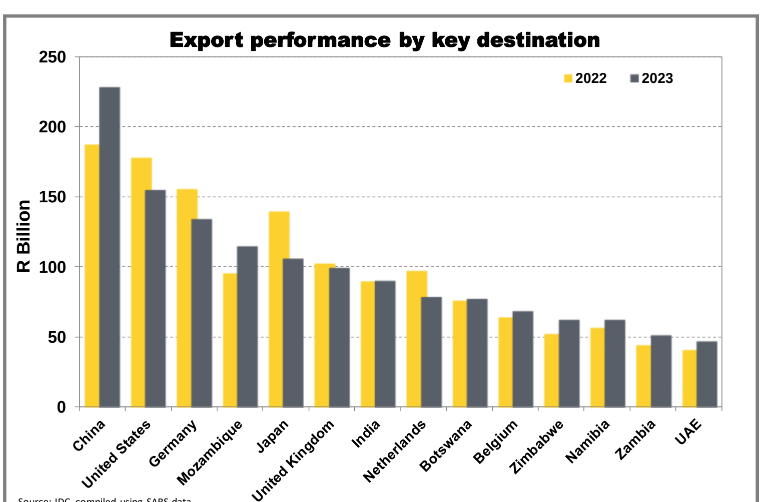
- Challenging global trading conditions affected South Africa's merchandise exports in 2023, which only managed to increase by a very modest 1.5% in nominal value terms.
- Lower mining exports (-10.3%) saw the relative share claimed by mining and mineral products in the export basket falling to 39.3% in 2023, from 44.4% in 2022.
- Higher exports of motor vehicles and parts; basic iron and steel; processed food; petroleum products and machinery and equipment saw the share claimed by manufacturing increasing to 53.3% in 2023 (48.9% in 2022).
- Substantially higher exports of citrus and deciduous fruits underpinned the solid export performance by the agricultural sector in 2023 (+14.4%). Consequently, the share of agriculture in the export basket increased to 6.6% in 2023, from 5.9% in 2022.

Imports according to broad category



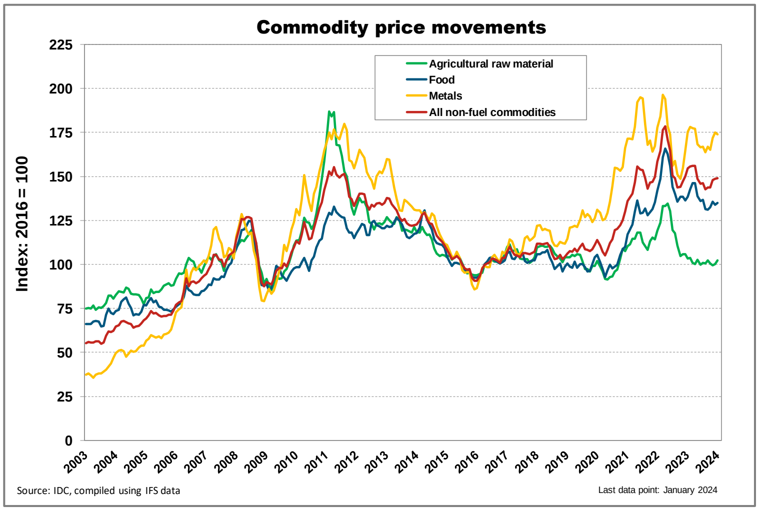
- South Africa has seen an increasing reliance on imports over time to meet domestic demand. By 2023 (Q1 to Q3), the import penetration ratio (i.e. real merchandise imports as a ratio of gross domestic expenditure) averaged 26.0%.
- The import basket is dominated by intermediate goods that are required as inputs into further processing in the South African economy.
- The up-tick in fixed investment spending during 2023 coincided with increased demand for capital goods (machinery and equipment) as the country is highly reliant on imported capital equipment.
- Subdued growth in household consumption expenditure is reflected in a slight drop in the relative share of consumption goods in the import basket.
- The closure of several refineries in South Africa in recent years is illustrated by the decline in the share claimed by raw materials in the import basket, which stood at 7.3% in 2023.

Key export destinations



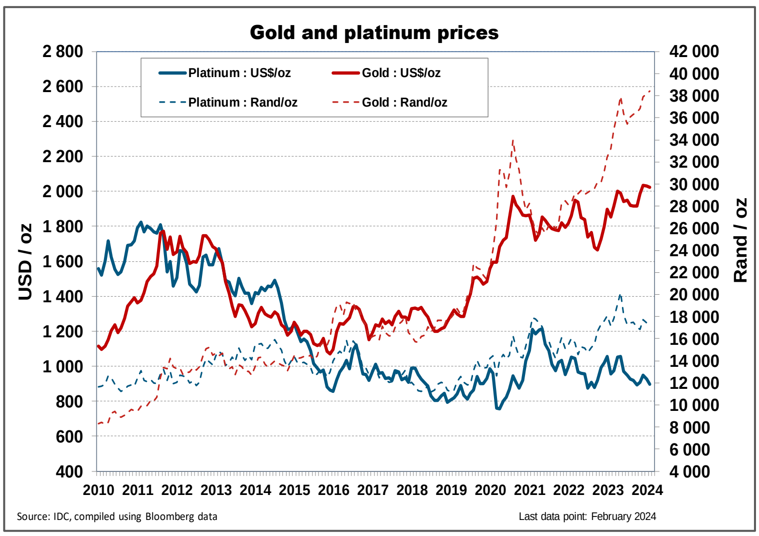
- At the individual country level, China remained the largest trading partner for South Africa's merchandise exports in 2023, having accounted for 11.2% of all exports.
- Moreover, exports to China have surged by 21.8%, or by R40.8 billion to R228 billion, with a steep rise in exports of iron ore, manganese and chrome, as well as for basic iron and steel.
- The lower shares claimed by the US and Japan are mainly due to a sharp drop in exports of PGMs (at -34.8% and -36.4%, respectively) on the back of weaker demand and lower commodity prices.
- Although Mozambique is ranked as South Africa's 4th largest export destination in 2023, these export numbers may be distorted by the fact that bulk commodities are increasingly being shipped via the port of Maputo to destinations elsewhere in the globe.

Commodity prices



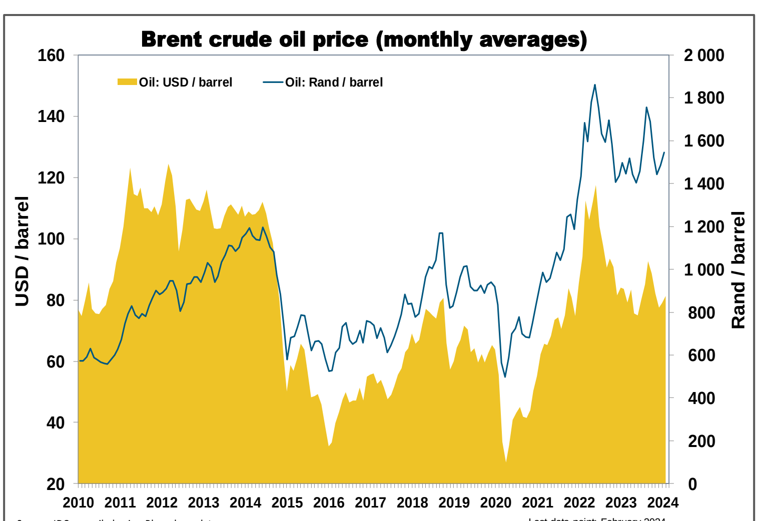
- Commodity prices, in general, have been on a declining trend, following the sharp up-tick that has been triggered by the covid pandemic and the Russia-Ukraine conflict.
- Easing of supply chain pressures and exports of key agricultural products out of the Ukraine has assisted in the downtrend in several commodity prices from their multi-year highs recorded in 2021 and 2022.
- Energy prices (i.e. including crude petroleum, natural gas and coal) have receded strongly since the final quarter of 2022, providing welcomed relief on the inflation front. Coal and natural gas prices fell sharply following a spike in the aftermath of Russia's invasion of Ukraine in early 2022.
- A stronger than expected global growth performance in 2023, especially in key economies such as the US and China, may have contributed to an up-tick in commodity prices towards the latter part of 2023 and early 2024.

Gold and platinum



- The gold price ticked higher as 2023 progressed, having closed the year at an average price of USD2 033.6 per oz in December, an increase of 13.1% on a year-on-year basis.
- In Rand terms, the gold prices stood at R37 891 per oz, some 21.9% higher (y/y) as the Rand depreciated by 7.3% in 2023.
- The gold price may tick higher due to ongoing tensions in the Middle East, considering its preference as a safe-haven asset in times of crisis and uncertainty, although it may be on a downward trend over the medium-term.
- Even though the platinum prices fell by only 6.6% in 2023 to an average price of USD949.8 per oz in December, the palladium prices dropped sharply by 37.6% to an average of USD1 087.9 per oz in December, while having fallen further to USD957 per oz by the end of February 2024.

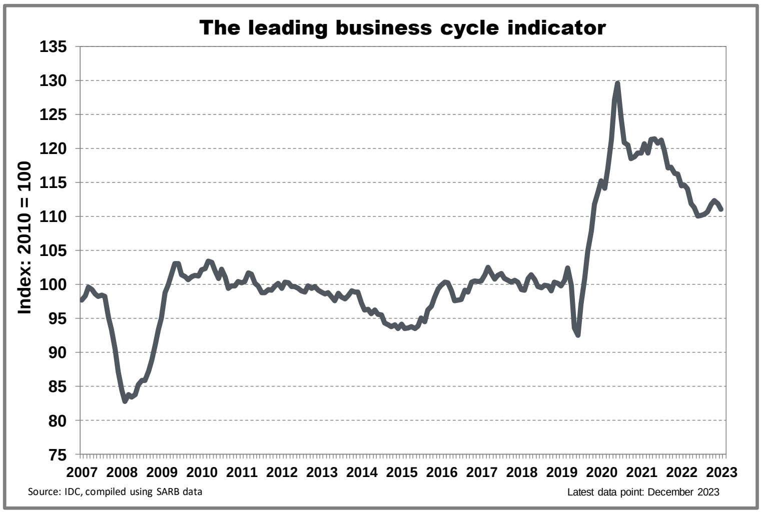
Brent crude oil



- The crude oil price has fallen sharply from its recent peak of around USD118 per barrel in June 2022, to an average price of USD77.4 per barrel in December 2023. The oil price has subsequently edged higher to USD81.4 per barrel in February 2024 and stood at USD86.2 per barrel on 18 March 2024.
- In the near term, crude oil prices are likely to remain at higher levels due to the knock-on effect and implications of the conflict in the Middle East, especially if the crisis broadens and more countries get involved.
- In Rand terms, the oil price has receded from its all-time highs of R1 860.0 per barrel in June 2022 to an average monthly price of R1 545.7 per barrel in February 2024.
- An undervalued Rand along with elevated oil prices could potentially exert some pressure on inflation in South Africa in the months ahead, thereby frustrating monetary policy actions in the near term.

Business cycle indicators

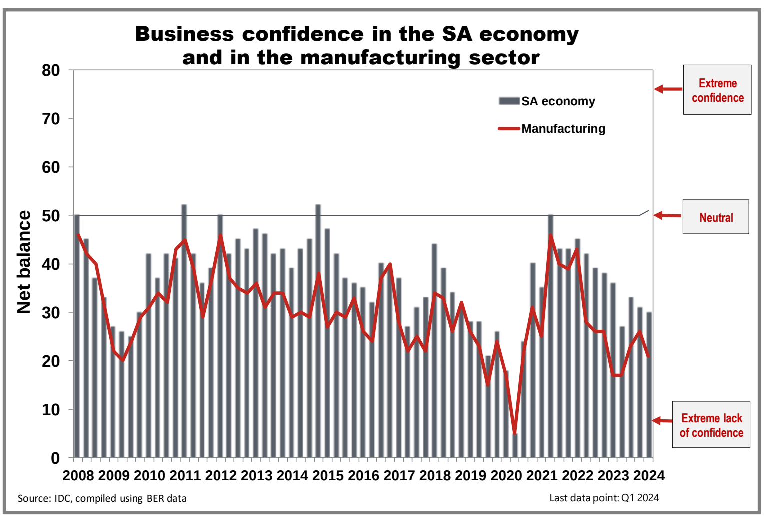
SARB leading business cycle indicator



Source: IDC, compiled using SARB data
Latest data point: December 2023

- After a continued decline since the record highs in May 2021 as the economy rebounded from the severe covid-related restrictions, the leading business cycle indicator moved sideways more recently.
- The latest reading, for December 2023, stood at 111 index points, a drop of 3.1% on a year-on-year basis. The decrease in 4 out of the 9 available indicators outweighed the increases in the other 5 variables.
- A drop in the number of residential building plans approved was the largest negative contributor, while higher passenger vehicle sales were the main positive contributor during December.
- The recent trend points to subdued growth prospects in the months ahead as structural impediments to growth will continue to be a drag on the performance of the South African economy.

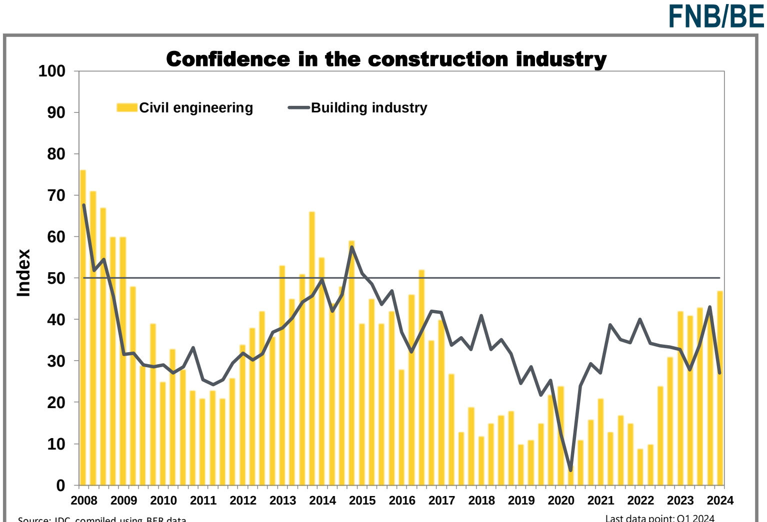
RMB/BER business confidence index



Source: IDC, compiled using BER data
Last data point: Q1 2024

- Business confidence fell slightly in Q1 2024 to a reading of 30 points, indicative of difficult business and trading conditions. Lower business confidence was mainly due to a sharp drop of 13 points in confidence in the retail sector, outweighing a rise of 10 points among new vehicle dealers.
- For the manufacturing sector, confidence dropped by 5 points to a reading of 21 points, with roughly 80% of al respondents unsatisfied with current economic and business conditions. Weaker demand, both domestically and globally, is affecting sentiment among manufacturers.
- Low business sentiment at present does not bode well for meaningfully higher manufacturing investment spending and production activity.
- Infrastructure constraints along with weaker demand are affecting sentiment among the business community, with no signs of a sustained rebound in confidence in the short-term.

FNB/BER construction industry confidence indicators

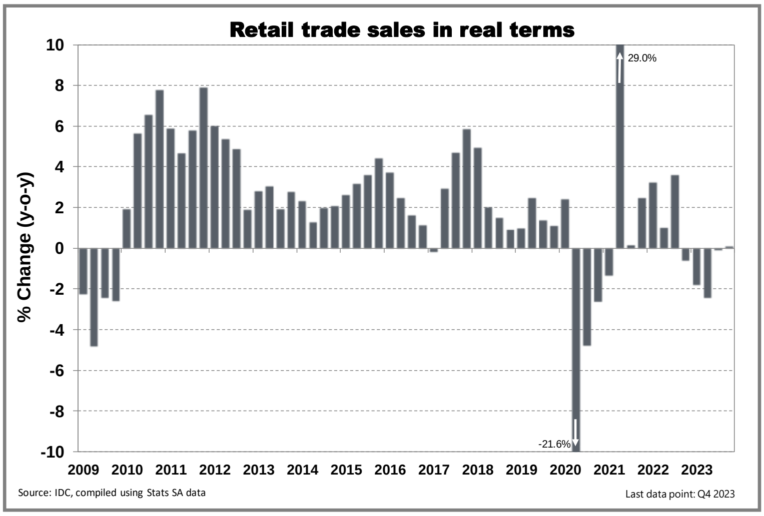


Source: IDC, compiled using BER data
Last data point: Q1 2024

- Higher levels of fixed investment in 2022 (+4.8%) and 2023 (+4.2%) were reflected in a rising trend in confidence among the civil engineering and building industries over the past two years.
- More importantly, a strong rebound in fixed capital outlays by the construction sector over the period 2020 to 2023, following a steep decline over a prolonged period, is reflecting this higher sentiment.
- However, the residential and non-residential property markets are still taking some strain and may only show a sustained recovery once interest rates are lowered.
- The sharp 16-point drop to a reading of 27 in Q1 2024 for the building industry is a clear reminder of ongoing challenges and difficult times ahead.

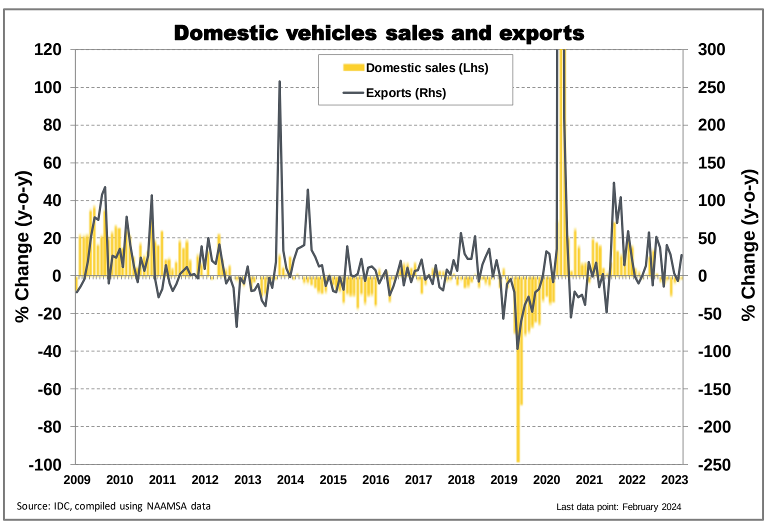
Miscellaneous indicators

Retail trade sales



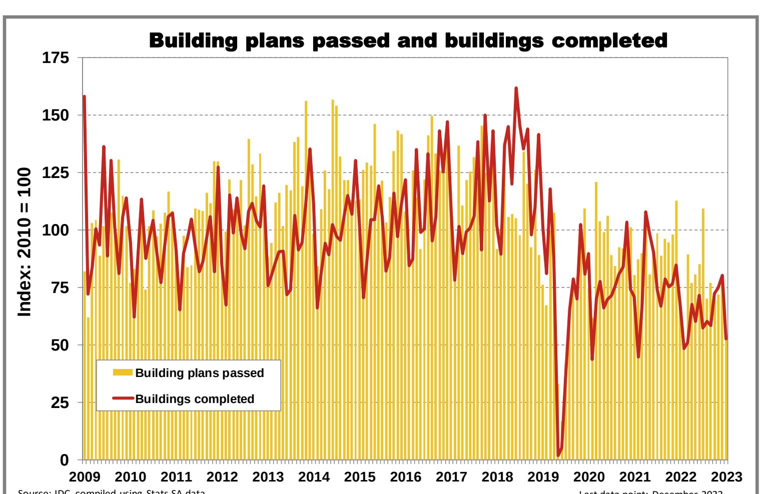
- Rising living costs and high interest rates have taken a firm grip on consumer spending, with overall retail trade sales (in real terms) having decreased by 1.0% in 2023.
- Spending on hardware, paint and glass fell sharply (-5.0%), whereas spending on clothing, textiles and footwear increased at a robust pace of 5.7% during 2023.
- Somewhat surprising is the 2.2% decline in spending on food and beverages in 2023, a clear indication of the hardship facing many households under trying economic conditions.
- Moreover, retail trade sales remain well below the long-term pre-covid trend, while consumption expenditure is likely to be impacted by constrained household balance sheets.
- An up-tick in spending activity may only occur once interest rates are lowered as inflation is brought under control, filtering through to rising disposable incomes and a revival in consumer sentiment.

New vehicles sales and exports



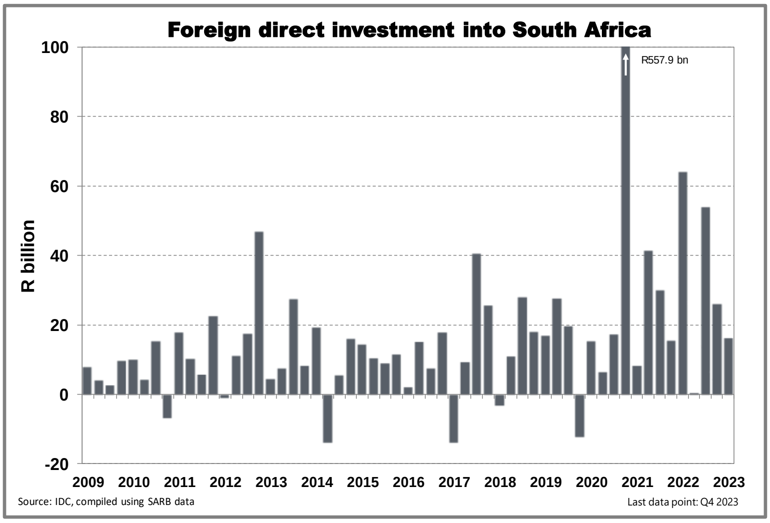
- Total new vehicles sales increased marginally by 0.5% in 2023 to 532 041 units, well below the 649 216 units in 2013.
- The number of passenger cars sold declined by 4.4% as consumers are cutting back on non-essentials such as motor vehicles under very difficult financial and economic conditions. However, sales of light commercial vehicles surprised on the upside and increased at a robust pace of 11.6%. High interest rates are still likely to impact the ability and willingness of consumers to raise spending on passenger cars during 2024.
- For the entire year, overall vehicle exports rose by 13.6% to 399 594 units, with 2023 having been the 3rd consecutive year of higher exports. The solid export performance should be put in context as South Africa's motor industry is well integrated into global supply chains.
- Forecasts by NAAMSA (Q4 2023) indicate that overall exports of motor vehicles may increase by 5.3% in 2024 and by a further 3.6% in 2025.

Building plans passed and buildings completed



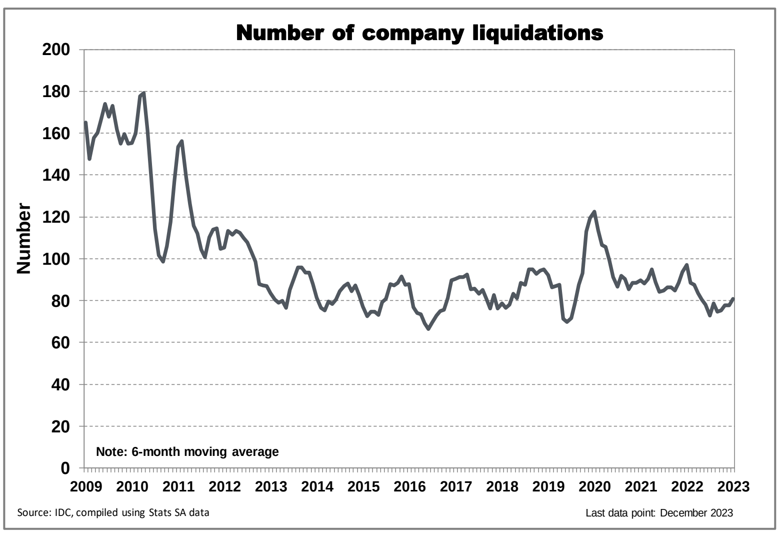
- Activity in the building sector has been affected by subdued rates of fixed investment activity in recent years.
- Although investment spending on non-residential buildings increased by 5.5% in 2023, it comes off a very low base as capital outlays are roughly 17% below pre-covid levels. Having rebounded in 2021 (+7.3%) and 2022 (+3.3%) from the crisis-induced downturn, investment outlays on residential buildings declined (-2.2%) again in 2023.
- The real value of building plans passed fell sharply by 18.0% in 2023, following a 1.2% drop in 2022. Residential buildings were most affected, with a 23.1% decline in 2023, whereas the non-residential property market saw building plans passed being 9.0% lower.
- The significant drop in building plans passed is likely to impact the number of buildings completed during 2024.

Foreign direct investment



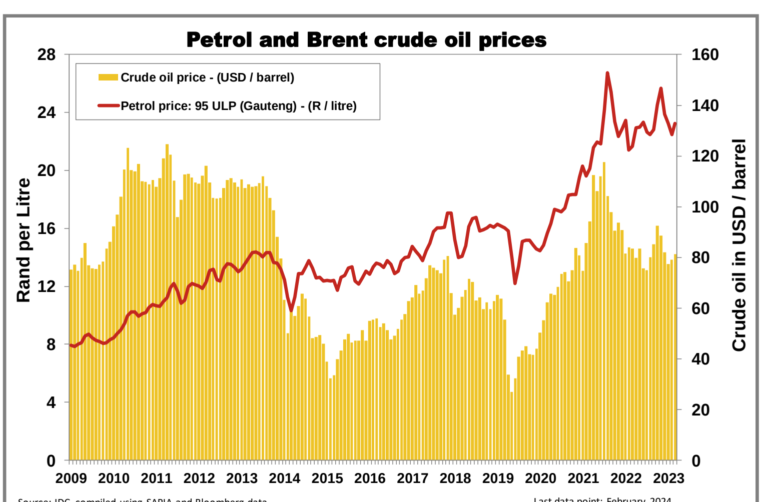
- Foreign direct investment (FDI) inflows were substantially lower in the 2nd half of 2023, having declined from a sizeable inflow of R53.8 billion in Q2 2023, to R16.2 billion by the final quarter of the year.
- Overall FDI inflows declined sharply to R96.5 billion in 2023, compared to the R151.0 billion recorded in 2022.
- Challenging local business conditions are affecting investment decisions, with foreign investors hesitant to commit substantial capital in an environment characterised by uncertainty and weak growth prospects.
- Should the key impediments constraining the economy's growth performance be addressed in a decisive manner and thereby raising the country's growth potential, this could unlock numerous investment opportunities, including for foreign participation.

Liquidations of companies



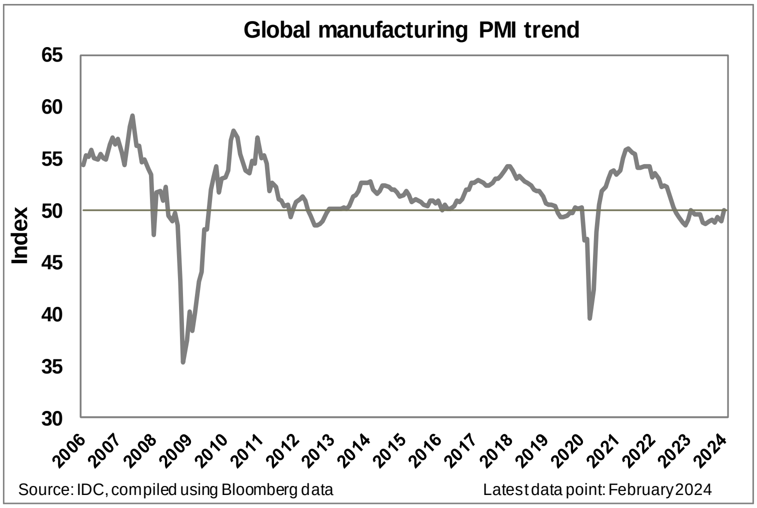
- In 2023, the overall number of company liquidations declined sharply by 15.6% to 921, following an up-tick during 2022.
- Considering the challenging operating and trading conditions in 2023, the drop in company liquidations comes as a surprise.
- Nonetheless, it may also indicate the resilience of local companies to adapt to difficult economic and business conditions to remain operational and putting measures in place to mitigate against an adverse economic environment.

Petrol price and crude oil prices



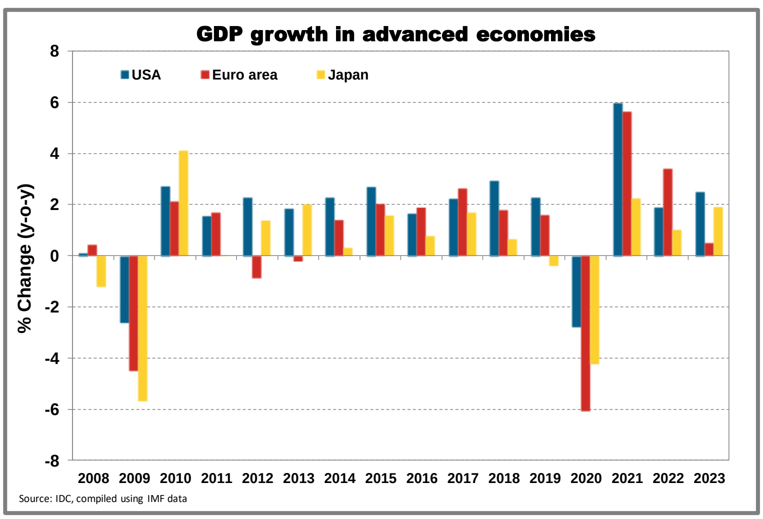
- Crude oil prices averaged USD82.3 per barrel in 2023, much lower than the USD99.0 per barrel recorded in 2022.
- Having increased to USD92.5 per barrel in September 2023, the oil price fell against all odds despite the ongoing Middle East tensions that erupted in early October 2023. However, a fair amount of volatility did occur from time to time.
- Although the oil price edged higher in recent weeks, the price remained below the Q3 2023 average of USD86.0 per barrel.
- The local petrol price fell sharply at the end of 2023, despite some Rand weakness, with high base effects of crude prices at play. However, the local petrol price has increased in the past two months on the back of a weaker Rand and higher crude oil prices. In March 2024, the price of 95 octane petrol in Gauteng increased to R24.45 per litre, 6.5% higher than a year earlier.

Global manufacturing PMI



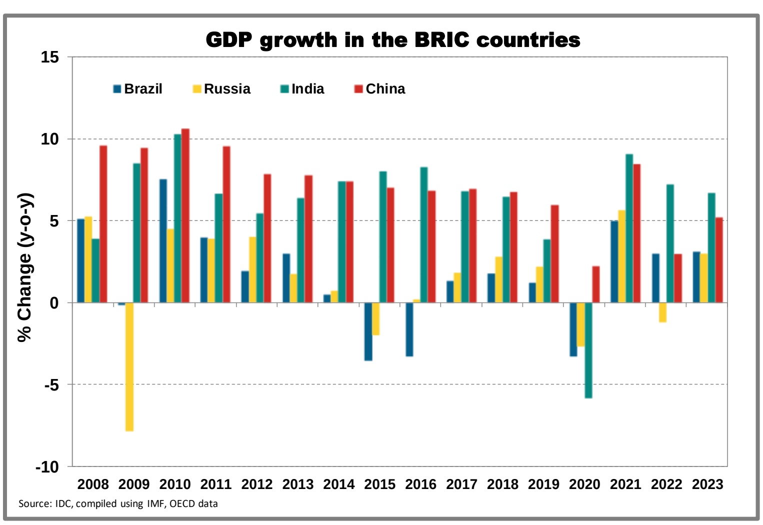
- Manufacturing activity was under severe strain throughout 2023, with the global manufacturing purchasing managers' index (PMI) having been below the 50-point mark for most of the year.
- The US and China have seen their manufacturing sectors under pressure during 2023, with some improvement towards year-end and in the first two months of 2024.
- In the Eurozone, the downturn in manufacturing was more pronounced as the PMI fell from 48.8 in January 2023 to a low of 43.1 in October, before edging slightly higher in subsequent months, but remaining in a contraction.
- A difficult global trading environment impacted the export performance, as new export orders extended their downturn to 23 consecutive months by December 2023.

GDP growth in advanced economies



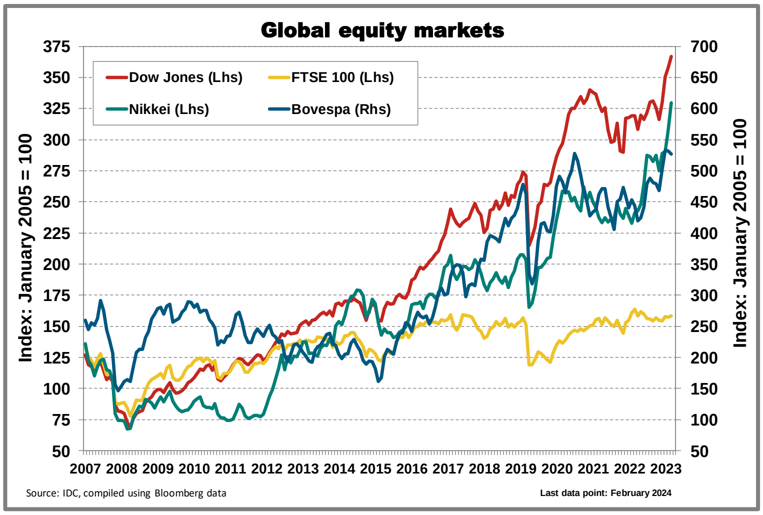
- In 2023, global growth has been quite divergent across regions and countries, with the US economy recording a stronger than anticipated expansion as real GDP increased by 2.5% (+1.9% in 2022). Growth was largely supported by consumer spending, non-residential fixed investment activity, exports and government expenditure.
- The Eurozone economy was under substantial pressure, with a very modest 0.5% expansion (+3.4% in 2022), with its largest economy, Germany, having recorded a contraction of 0.3% in real GDP as its manufacturing and export sectors came under immense pressure. Spain's economy increased by 3.8%, while France saw real GDP some 0.8% higher.
- The Japanese economy recorded faster growth of 1.9% in 2023 (+1.0% in 2022). However, the pace of expansion slowed in the 2nd half of the year, with consumer spending under pressure. Japan's economy has fallen to 4th position in the global rankings, with Germany now taking the 3rd place.

GDP growth in emerging economies



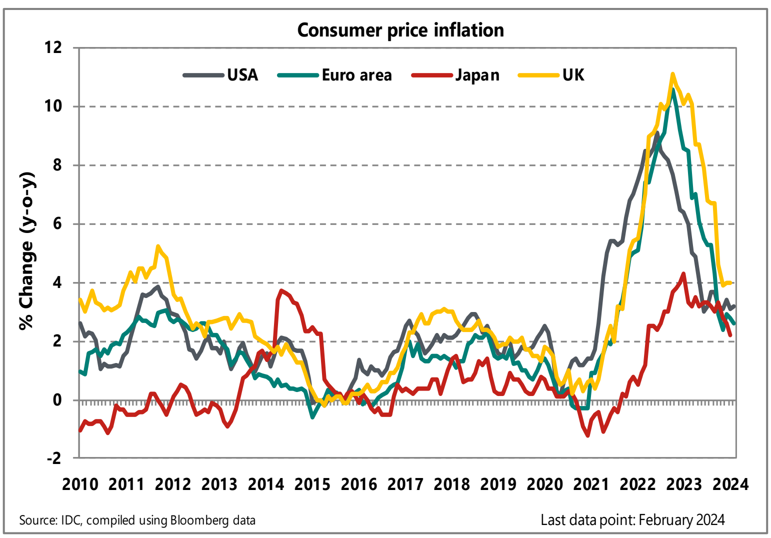
- Although growth in China picked up to 1.3% (q/q) in Q3 2023 (+0.5% in Q2), this was substantially slower when compared to the robust 2.3% expansion in Q1. For 2023, its real GDP expanded by 5.2%, an improvement from the 3.0% in 2022.
- The Indian economy remains one of the fastest growing in the world, with real GDP having expanded by a robust 6.7% in 2023, slightly lower than the 7.2% recorded in 2022. Growth was broad-based, with several sectors having recorded substantially higher output in 2023.
- Growth in the Russian economy rebounded in 2023 (+3.0%), following a 1.2% contraction in 2022. Stronger growth was on the back of higher commodity prices and some easing of supply chain pressures. Manufacturing output recovered in 2023, following a deep downturn in 2022.
- In Brazil, real GDP expanded by 3.1% in 2023 (+3.0% in 2022), although growth came to a near stand still in H2 2023.

Equity market performance



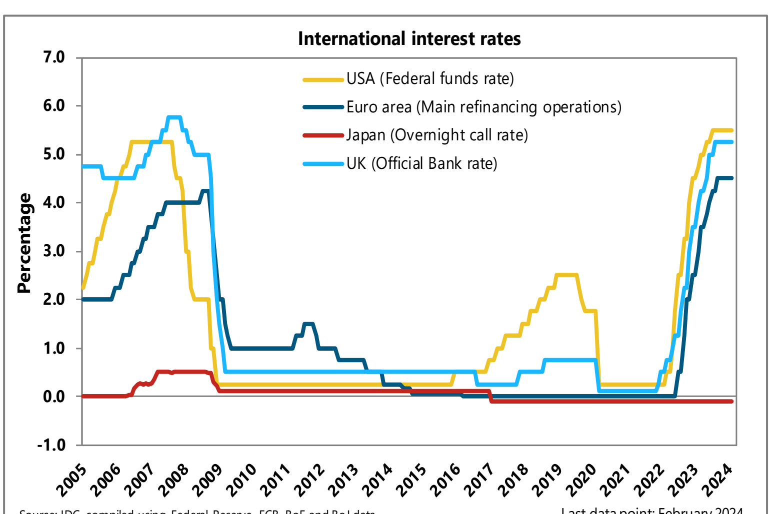
- Despite a challenging global economic environment in 2023, equity markets surprised on the upside, albeit not across all regions or countries.
- In the United States, equity markets rebounded quite strongly in 2023, moving sharply higher during the last two months of the year. For 2023, the S&P 500 increased by 24.2%, while the Dow Jones index was 13.7% higher, although mainly due to sharp increases in a very small number of stocks.
- More favourable inflation outcomes and their impact on monetary policy, as well as expectations of better economic growth prospects have been supportive of equity market performances in 2023.
- In the UK, its equity market performance has been reflecting the difficult business conditions, whereas in China the Shanghai Composite index was on a steep decline, especially in the 2nd half of 2023, with some recovery early in 2024.

Consumer price inflation



- The disinflation trend continued, with consumer prices (CPI) rising at a slower pace in the final months of 2023.
- In the US, CPI fell back to 3.2% in February 2024 (3.4% in December 2023), compared to the recent peak of 9.1% in June 2022.
- In the Eurozone, inflation edged higher to 2.9% in December 2023, but declined to 2.6% in February 2024, remaining much lower than the 10.6% recorded in October 2022, with falling energy prices a key contributor in this regard.
- Expectations of monetary policy easing are supported by inflation moving closer to the desired levels of roughly 2% for central banks in several advanced economies, such as the US, UK and the Eurozone.
- According to IMF projections (January 2024), world inflation is expected to decelerate to 5.8% in 2024 and 4.4% in 2025.

Interest rates



- Gradually lower inflation during 2023 resulted in a pause in monetary policy tightening by central banks, with interest rates being slightly lower than initially anticipated.
- In the United States, the Federal Reserve (Fed) had raised its policy rate to 5.50% by July 2023, and thereafter kept rates unchanged. The Fed is expected to reduce interest rates by 75 bps during 2024.
- The Bank of England raised its policy rate to 5.25% by August 2023, while the European Central Bank (ECB) raised its policy rate to 4.50% in September. In both cases, interest rates were left unchanged in subsequent months.
- The interest rate tightening cycle is now believed to have ended, although rates may be kept at higher levels for some time, as the fight against inflation may not be over yet.

Balance of payments: Consists of three main accounts : (1) the **current account**, which is made up of visible trade (i.e. merchandise exports and imports) and invisible trade (i.e. payments and receipts for services such as transportation, travel, etc; income, including compensation of employees, investment income and current transfers); (2) the **transfer account**, which reflects net capital transfer receipts; and (3) the **financial account**, which consists of direct investment, portfolio investment (i.e. the selling and purchasing of assets such as shares and stocks) and other investment flows.

Bond: A fixed interest-bearing security issued by the central government. Its **yield** to redemption is an arbitrary rate which reflects market conditions, including participants' expectations.

BER: Bureau for Economic Research at the University of Stellenbosch

Effective exchange rate: Obtained by weighting the exchange rate between the rand and the currencies of major trading partners. The weights of the five major currencies are the following: Euro (30.68%), US dollar (10.56%), Chinese renminbi (24.53%), Japanese yen (4.95%) and the Indian rupee (4.85%).

FCEG: Final consumption expenditure by general government includes spending on individual goods and services (e.g. education, health and social services), as well as expenditure on collective goods and services to the benefit of the community as a whole (e.g. maintenance of law and order, public administration and defence).

FCEH: Final consumption expenditure by households measures the sum of outlays on new goods and services by resident households, including private non-profit organisation.

FDI: Foreign direct investment.

GDE: Gross domestic expenditure is the total value of the expenditure by households, the corporate sector and general government on final goods and services. It differs from expenditure on GDP in that it includes imports but excludes exports.

GDP: Gross domestic product is the total value of all final goods and services produced within the economy.

GFCF: Gross fixed capital formation represents total spending by both the private and public sectors on tangible and intangible assets which have been produced and are themselves used continuously in product processes for more than a year (i.e. investment goods or articles which yield future benefits).

General government: Central, regional and local authorities and extra-budgetary funds.

Growth rates: Unless otherwise specified, these are obtained by calculating the percentage change between the figure for the current period and that of the corresponding period in the previous year.

IFS: International Financial Statistics

IMF: International Monetary Fund

Import cover: Refers to the number of months' worth of imports which current reserves can cover.

Interest rates: The **prime rate** is the lowest rate at which a clearing bank will lend money on an overdraft facility; the **repo rate** replaced the Bank rate as the benchmark interest rate in the economy on 9 March 1998 – this is the rate at which the central bank makes cash available to banks on a tender basis through repurchase agreements; banks that experience difficulties in obtaining cash can borrow from the central bank at the penalty rate, which is known as the **marginal lending facility rate.**

JSE: Johannesburg Securities Exchange

LHS: Left hand scale

Money supply: **M1** = the sum of coins and banknotes in circulation, cheque and transmission deposits plus other demand deposits; **M2** = M1 plus other short-term deposits and medium-term deposits held by the domestic private sector; and **M3** = M2 plus long-term deposits held by the domestic private sector.

MPC: Monetary Policy Committee of the South African Reserve Bank

Price indices: The consumer price index **(CPI)** represents the prices of a basket of consumer goods and services, whereas the production price index **(PPI)** represents the prices of a basket of producer goods, including capital and intermediate goods.

Public corporations: Government-owned businesses which are formally established and regulated by an enabling Act of Parliament, or companies wholly or mainly owned by public authorities.

QE: Quantitative Easing, is a programme by central banks in which they purchase debt instruments, mainly government debt, to increase liquidity in the economy and thereby stimulate economic activity and support inflation.

Real terms: A variable is "in real terms" when its value has been adjusted for changes in the purchasing power of money. This is carried out by deflating by an appropriate price index, with the resulting value being in "constant prices".

RHS: Right hand scale

SARB: South African Reserve Bank

Seasonal adjustment: Refers to the elimination of the seasonal variation in a time series.

Stats SA: Statistics South Africa

Trade balance: The difference between the exports and the imports of goods (excluding services).

ULP: Unleaded petrol

UNCTAD: United Nations Conference on Trade and Development.

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