



## South Africa Morning Sheet

- **Yesterday, SARB Governor Kganyago gave a speech, in which he emphasized the gains that South Africa has made from its implementation of an inflation-targeting regime, and again rejected the idea that large-scale QE is a suitable policy for South Africa at this juncture.**
- **In the mining sector, we expect output to have risen further by 15% m/m sa in June following an increase of 44% in May.**
- **The BankservAfrica Economic Transaction Index rose 9.6% m/m sa in July compared with a 3.9% increase in June; however, it was down 8.9% y/y.**
- **Retail sales volumes were up 6.4% m/m sa in June after a 68.7% increase in May, given more activity under Level 3 of lockdown; on a year-on-year basis, retail sales fell 7.5% in June.**

**Speaking yesterday at the University of Pretoria, Governor Kganyago reviewed South Africa's experience with two decades of inflation targeting as the framework for setting interest rates in the first half of his speech.** He did not advance any new arguments but argued that inflation targeting had served South Africa well, shepherding in an era of lower and less volatile inflation and interest rates, as well as less volatile GDP growth (albeit recently at a much lower pace). However, Kganyago reiterated the oft-made point that monetary policy alone cannot fix South Africa's structural constraints on growth. Kganyago also dismantled the argument that inflation targeting is not suitable for emerging markets in general by pointing out that more emerging economies currently practice inflation targeting than developed economies. He noted that at the end of the day, the independence and credibility of the central bank matters greatly, which he illustrated by discussing the example of Turkey, which has much higher inflation, but growth performance recently has been as dismal as South Africa's. He also noted that some countries still have high inflation, thus countering the argument that South Africa's disinflation over the past two decades has been due purely to global common factors rather than South Africa's policy framework.

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In the second half of his speech, Kganyago again tackled the debate over the suitability of quantitative easing (QE) as a strategy for South Africa. He again argued that QE could be a suitable strategy for South Africa if the country was facing deflation and was at the zero bound for rates, but that currently neither of these conditions apply. He also laid out two arguments against QE, which may be somewhat novel for those just recently entered into the 'conversation' about QE. First, he noted that South Africa's rather unusual ability (for an emerging economy) to borrow long term has enabled the risk of a deteriorating credit profile to be shared between the sovereign and the investors, and that a programme of QE would essentially shift the risk already assumed by bondholders back onto the public sector balance sheet. An even worse outcome, he argued, would be that it would reduce the incentive for investors to fund the government, since the yields they received would be dampened by the SARB purchases and insufficient to compensate for clearly visible fundamental risks. (This argument is open to debate, in our view, as we believe private investors would be encouraged to know there was a SARB backstop on their bond investments.) A second aspect of his rebuttal of the argument for QE was to note that a large-scale programme of bond purchases would require sterilisation of the resultant liquidity by issuance of debentures to avoid having the repo rate fall below the desired level. He also noted that in the end, from the perspective of the public sector as a whole, this would not look very different from what the National Treasury is doing now, which is replacing expensive long-term borrowing with short-term borrowing (much cheaper).

**The June mining output data are scheduled for release today at 11:30 local time.** With all mining activity permitted under Level 3 restrictions, we expect mining production to have risen by a further 15% m/m in June after rising by 44.0% in May. Just as in the manufacturing sector, this would still be sharply negative on a year-on-year basis at -19.6%. Moreover, a print in line with our forecast would imply a quarter-on-quarter contraction of 70.5% on an annualised basis. The unusually high level of data imputations in these releases add uncertainty and implies the risk of substantial revisions to earlier prints.

**BankservAfrica released its Economic Transaction Index (ETI) for July, showing a faster pace of improvement in economic activity.** The ETI, which is based on the value of transactions of interbank payments in South Africa, rose 9.6% m/m sa in July compared with a 3.9% increase in June. However, despite two months of improvement, the ETI was down 8.9% y/y, 8.5% lower than that in February. The ETI is likely to continue to rise further in August as economic activity continues to gradually normalise under Level 3 of lockdown. However, as we argued in *South Africa Q3 Quarterly Perspectives: No easy road to recovery* (3 August 2020) the overall recovery in economic activity in H2 is likely to be slow, given the likely loss of productive capacity in the economy and a large negative demand shock that will come from job losses.

**June retail sales released by Stats SA yesterday showed further improvement under Level 3 of lockdown.** After falling 49.0 m/m sa in April when the hard lockdown was in place, constant price retail sales rose 68.7% in May under Level 4 lockdown restrictions and increased a further 6.4% in June under Level 3. On a year-on-year basis, June retail sales were still down 7.5%, which is weaker than our forecast and the Thomson Reuters consensus of -3.6% y/y. Nonetheless, despite the month-on-month gains in May and June, total retail sales for Q2 still fell an annualised 65.8% q/q, which signals a big drag from the domestic trade sector on overall GDP growth in Q2. Looking ahead, the month-on-month improvement is likely to moderate in July. The Google mobility data show that foot traffic in retail and grocery & pharmacy places in July was down 16.1% and 20.1% compared with June, respectively. For the remainder of the year, we believe consumer spending momentum will remain weak due to a combination of factors, including the effect of job and income losses, weaker confidence and the expiration of some of the government's direct household support measures. Stats SA will today publish the wholesale and motor trade sales for June and these data will give us a clearer sense of how the broader domestic trade sector performed in Q2.

FIGURE 1

**New data releases and key events**

Date	Time	Event	Period	Survey	Absa	Prior	Prior-1	Comments
21-Aug	12:00	NCR Consumer Credit Market	Q1 20	--	--	--	--	The data will be a key indicator of consumer credit health before the pandemic hit South Africa.
24-Aug	14:30	Statistics of Liquidations and insolvencies	Jul	--	--	134.0	195.0	These data may show some of the early effects of lockdown restrictions on firms' balance sheets but there is likely to be a lag.
25-Aug	9:00	Leading indicator, index	Jun	--	--	95.7	96.3	The forward-looking properties of the leading indicator are likely to be weak at this stage given the nature of the unfolding shock.
26-Aug	10:00	Headline inflation, % y/y	Jul	--	3.2	2.2	2.1	Headline CPI inflation likely to have bounced back into the 3-6% target range due to the increase in fuel prices on the back of higher Brent crude oil prices.
26-Aug	10:00	Core inflation, % y/y	Jul	--	3.0	3.0	3.1	Core inflation likely remained at the lower end of the 3- 6% inflation target range due to weak demand-pull inflation.
27-Aug	11:30	Producer Price Index, % y/y	Jul	--	1.7	0.5	0.4	PPI inflation likely rose in July as a result of a lower rate of fuel deflation.
28-Aug	14:00	Main budget balance, ZARbn	Jul	--	-116.8	-22.3	-52.3	In line with the provisional financing data and seasonal factors, we estimate a main budget deficit in July.

R indicates "revised".

Source: Thomson Reuters, Bloomberg, Absa Research.

FIGURE 2

Review of recent key domestic data releases

Main indicators	Release date	Period	Survey	Actual	Prior	Comments
Retail sales, % y/y	12-Aug	Jun	-3.6	-7.5	-11.9	Retail sales volumes rose by 6.4% m/m sa in June after a 68.7% increase in May with more activity under Level 3 of lockdown; on a year-on-year basis, retail sales were down by 7.5% in June
Manufacturing output, % y/y	11-Aug	Jun	-25.3	-16.3	-32.4	Despite improving in May and June as the government relaxed lockdown restrictions, manufacturing output was down by 76.2% q/q saar in Q2 compared to an 8.1% fall in Q1
IHS Markit economy-wide PMI, index	5-Aug	Jul	--	44.9	42.5	According to IHS Markit, output fell by 'the slowest since before the government imposed lockdown measures to stop the spread of coronavirus disease 2019 (COVID-19) in March'.
Provisional financing data	4-Aug	Jul	--	--	--	The National Treasury provisional financing data for July signals a main budget deficit of R116.8bn
Absa manufacturing PMI, index	3-Aug	Jul	--	51.2	53.9	Activity continues to recover from low levels. The business activity sub-index of the Absa PMI remained fairly strong at 62.9 in July compared with 64.6 in June.
NAAMSA vehicle sales, % y/y	3-Aug	Jul	--	-29.6	-30.7	July sales remained subdued as a result of passenger car sales, which fell by 35.9% y/y to 18.9k units compared to a 33.3% rise in the preceding month.
Merchandise trade balance, ZARbn	31-Jul	Jun	--	46.6	19.7	The merchandise trade surplus was a seasonally adjusted annualised R78.4bn in Q2 compared to R203.2bn in Q1.
Producer Price Index, % y/y	30-Jul	Jun	0.6	0.5	0.4	Headline PPI inflation (i.e. PPI inflation for final manufactured goods) rose slightly to 0.5% y/y in June from 0.4% in May, mainly due to the increase in fuel prices during the month
Main budget balance, ZARbn	30-Jul	Jun	--	-22.3	-52.3	June main budget data showed a deficit of R22.3bn as tax revenues cratered under the pressure of the ongoing shock of the pandemic
Crop Estimates Committee	29-Jul	2020	--	--	--	The sixth total maize production forecast rose by 37.9% y/y to 15.5mn for 2020
Headline inflation, % y/y	29-Jul	Jun	2.2	2.2	2.1	Headline inflation rose due to a lower rate of fuel price deflation in June.
Core inflation, % y/y	29-Jul	Jun	3.0	3.0	3.1	Decelerating housing cost growth seems principally responsible for pulling core CPI slightly lower in June
Private sector credit extension, % y/y	29-Jul	Jun	6.5	5.6	6.3	Credit extension growth decelerated for both households and corporates
Quarterly Employment Statistics	28-Jul	Q1 20	--	--	--	Total employment in the formal non-agricultural sector fell by 3k q/q to 10.2mn in Q1. Against the weak labour market, real average monthly earnings (including bonuses and overtime) fell by 1.7% q/q in Q1 compared to a 0.1% decline in Q4 19.
Statistics of Liquidations and insolvencies	27-Jul	Jun	--	134.0	195.0	Liquidations were down 9.7% y/y and 17.8% in May and June, respectively, with the subdued prints likely reflecting the length of time it takes to liquidate a company

R indicates "revised".

Source: Thomson Reuters, Bloomberg, Absa Research.

FIGURE 3

## Key market indicators

	Previous close	Daily change	7 day change	1 month change	3 month change	1 year change	High in last year	Low over last year
USD/ZAR	17.46	-0.1%	0.7%	4.3%	-5.6%	15.4%	19.09	13.99
EUR/ZAR	20.57	0.2%	0.3%	8.1%	3.0%	21.9%	20.78	15.67
GBP/ZAR	22.75	-0.3%	0.4%	8.5%	0.8%	25.1%	23.54	18.00
AUD/ZAR	12.50	0.2%	0.4%	7.2%	4.8%	21.6%	12.64	9.71
ZAR/JPY	6.12	0.5%	0.3%	-4.6%	5.6%	-13.3%	7.79	5.64
EUR/USD	1.18	0.4%	-0.4%	3.6%	9.2%	5.7%	1.19	1.07
3m JIBAR	3.50	-2.5bp	-18.3bp	-40.8bp	-104.1bp	-339.1bp	6.85	3.44
R208	3.59	4.0bp	4.5bp	8.0bp	-19.0bp	-326.0bp	6.85	3.46
R186 (2026)	7.41	-2.0bp	-8.0bp	-16.0bp	-48.5bp	-103.5bp	11.22	7.23
US 2-year	0.16	-0.2bp	4.0bp	1.0bp	0.8bp	-132.1bp	1.89	0.11
US 10-year	0.67	1.2bp	11.8bp	3.3bp	2.1bp	-87.9bp	2.06	0.50
All Share	57,168	0.7%	2.8%	3.6%	12.6%	-0.4%	59001.87	37963.01
S&P 500	3,334	-0.8%	2.2%	7.1%	15.4%	12.2%	3386.15	2237.40
Gold	1,918	0.3%	-5.1%	7.0%	12.8%	28.9%	2063.19	1454.25
Platinum	931	0.1%	-2.8%	13.8%	24.2%	9.4%	1020.20	586.51
Brent	44.0	0.5%	3.0%	4.0%	95.9%	-23.8%	71.55	5.62
CDS Spreads	295.96	0.0bp	-13.2bp	-17.4bp	-97.6bp	109.1bp	492.47	157.78

Note: Bond yield changes are denoted in basis points.

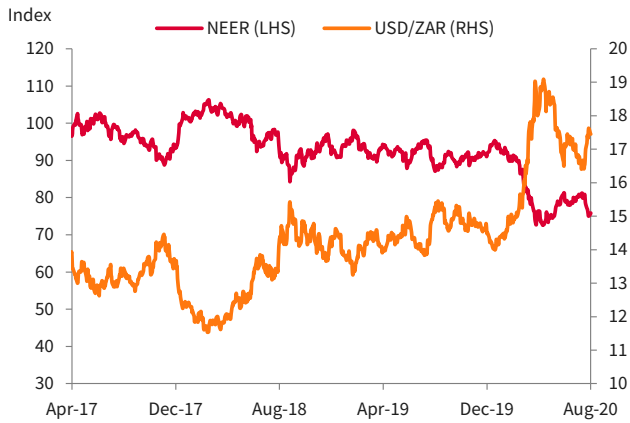
Source: Thomson Reuters, Absa Research

**FIGURE 4**  
**ZAR price of oil**



Source: Thomson Reuters, Absa Research

**FIGURE 6**  
**ZAR performance**



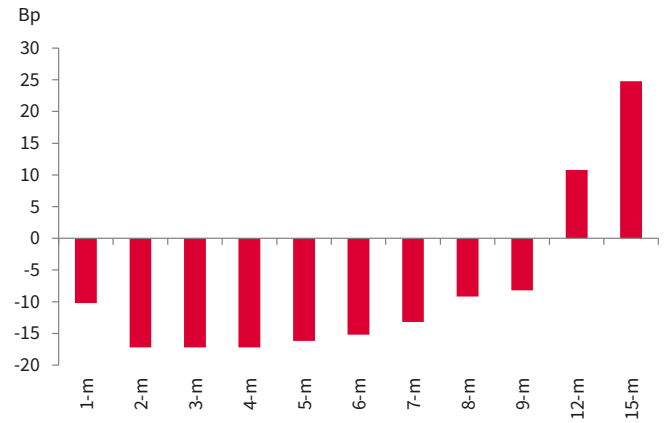
Note: Rise/fall in Nominal effective exchange rate implies ZAR ap/depreciation.  
Source: Thomson Reuters

**FIGURE 5**  
**SA petrol price movements, as of 11 Aug 2020**

	Petrol 95 unleaded	Petrol 93 unleaded	Diesel 0.05%	Diesel 0.005%
Pump price (c/l)	1,517	1,488	1,349	1,353
Basic fuel price (c/l)	576	565	586	591
Daily over/under recovery (c/l)	-6	-15	11	11
Avg. over/under recovery (c/l)	14	5	2	2
o/w due to int'l price	32	22	20	21
o/w due to FX rate	-18	-17	-18	-19

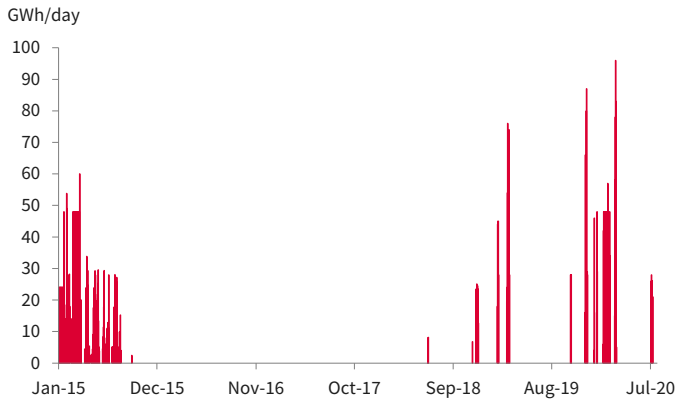
Source: CEF, Absa Research

**FIGURE 7**  
**Implied change in the repo rate based on FRA curve**



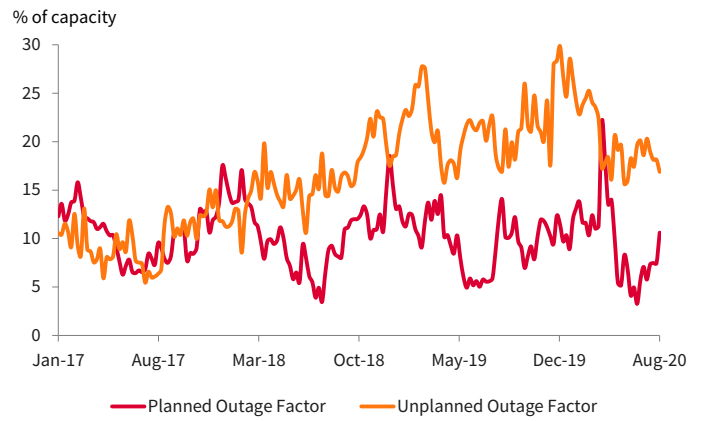
Note: Calculated by subtracting 3-month Jibar from the corresponding FRA rate.  
Source: Thomson Reuters, Absa Research

**FIGURE 8**  
**Load shedding intensity**



Source: Eskom, Absa Research

**FIGURE 9**  
**Maintenance vs breakdowns**



Source: Eskom, Absa Research

**FIGURE 10**  
**Latest changes in water dam levels**

	As at 3 August (%)	ppΔ from previous week	ppΔ from previous year	Long-run average
<b>Eastern Cape</b>	51.5	-0.1	-5.1	58.4
<b>Free State</b>	80.2	-0.5	-3.6	79.8
<b>Gauteng</b>	99.1	-0.2	7.3	95.1
<b>Kwazulu-Natal</b>	58.9	-0.5	-1.9	58.4
<b>Lesotho</b>	22.0	-0.8	-3.2	34.2
<b>Limpopo</b>	63.2	-0.9	5.7	65.7
<b>Mpumalanga</b>	70.7	-0.5	2.5	72.7
<b>Northern Cape</b>	89.9	-4.0	5.5	82.6
<b>North West</b>	68.8	-0.7	4.4	67.4
<b>Eswatini</b>	73.2	-0.8	-15.9	80.0
<b>Western Cape</b>	61.2	0.5	-0.2	43.1
<b>Grand total</b>	68.2	-0.4	-2.1	68.5

Source: Department of Water and Sanitation, Absa Research

**FIGURE 11**  
**Rainfall**

millimeters	May-20	% Δ from LT average	Feb-Apr average	% Δ from LT average
<b>Eastern Cape</b>	28.7	20.6	70.6	5.9
<b>Free State</b>	0.0	-100.0	77.9	17.0
<b>Gauteng</b>	0.0	-100.0	101.0	31.9
<b>Kwazulu-Natal</b>	4.8	-82.6	101.9	11.1
<b>Limpopo</b>	0.7	-93.6	74.4	1.0
<b>Mpumalanga</b>	0.2	-98.6	73.2	-13.6
<b>Northern Cape</b>	1.5	-88.8	30.9	-1.8
<b>North West</b>	0.0	-100.0	72.7	14.4
<b>Western Cape</b>	40.6	-27.5	19.7	-44.2
<b>Weighted average</b>	9.2	-55.1	57.5	2.1

Source: South African Weather Service, Absa Research

FIGURE 12

## Absa exchange rate forecasts (end of period)

Period end	USDZAR	EURZAR	CNYZAR	ZARJPY	GBPZAR	AUDZAR
<b>Monthly</b>						
Jun-20	16.50	17.99	2.32	6.48	20.30	10.40
Jul-20	16.30	17.83	2.30	6.57	20.11	10.33
Aug-20	16.20	17.75	2.29	6.61	20.02	10.30
Sep-20	16.00	17.60	2.27	6.69	19.84	10.24
Oct-20	15.90	17.62	2.26	6.73	19.84	10.30
Nov-20	15.85	17.62	2.26	6.75	19.84	10.33
Dec-20	15.75	17.64	2.25	6.79	19.85	10.40
Jan-21	15.81	17.77	2.26	6.77	20.11	10.50
Feb-21	15.84	17.84	2.26	6.76	20.24	10.55
Mar-21	15.90	17.97	2.27	6.73	20.51	10.65
Apr-21	16.04	18.14	2.29	6.71	20.72	10.76
May-21	16.11	18.22	2.30	6.70	20.82	10.81
<b>Quarterly</b>						
Jun-20	16.50	17.99	2.32	6.48	20.30	10.40
Sep-20	16.00	17.60	2.27	6.69	19.84	10.24
Dec-20	15.75	17.64	2.25	6.79	19.85	10.40
Mar-21	15.90	17.97	2.27	6.73	20.51	10.65
Jun-21	16.25	18.40	2.32	6.68	21.03	10.92
Sep-21	16.40	18.83	2.36	6.62	21.56	11.19
Dec-21	16.60	19.26	2.41	6.57	22.08	11.45
<b>Annual</b>						
Dec-20	15.75	17.64	2.25	6.79	19.85	10.40
Dec-21	16.60	19.26	2.41	6.57	22.08	11.45
Dec-22	17.25	20.53	2.61	6.23	23.81	12.59
Dec-23	18.00	21.60	2.71	5.89	25.02	13.14

Source: Bloomberg, Absa Research.



FIGURE 13

## Absa exchange rate forecasts (period average)

Period avg	USDZAR	EURZAR	CNYZAR	ZARJPY	GBPZAR	AUDZAR
<b>Monthly</b>						
Jun-20	17.01	18.56	2.40	6.31	21.06	10.81
Jul-20	16.40	17.91	2.31	6.53	20.20	10.36
Aug-20	16.25	17.79	2.30	6.59	20.07	10.32
Sep-20	16.10	17.68	2.28	6.65	19.93	10.27
Oct-20	15.95	17.61	2.27	6.71	19.84	10.27
Nov-20	15.88	17.62	2.26	6.74	19.84	10.32
Dec-20	15.80	17.63	2.25	6.77	19.84	10.36
Jan-21	15.78	17.71	2.25	6.78	19.98	10.45
Feb-21	15.83	17.80	2.26	6.76	20.18	10.52
Mar-21	15.87	17.90	2.27	6.74	20.38	10.60
Apr-21	15.97	18.05	2.28	6.72	20.62	10.71
May-21	16.08	18.18	2.30	6.70	20.77	10.79
<b>Quarterly</b>						
Jun-20	17.75	19.45	2.51	6.05	22.15	11.34
Sep-20	16.25	17.79	2.30	6.59	20.07	10.32
Dec-20	15.88	17.62	2.26	6.74	19.84	10.32
Mar-21	15.83	17.80	2.26	6.76	20.18	10.52
Jun-21	16.08	18.18	2.30	6.70	20.77	10.79
Sep-21	16.33	18.61	2.34	6.65	21.29	11.05
Dec-21	16.50	19.04	2.38	6.59	21.82	11.32
<b>Annual</b>						
Dec-20	16.36	18.02	2.32	6.60	20.54	10.55
Dec-21	16.18	18.41	2.32	6.68	21.02	10.92
Dec-22	16.92	19.89	2.51	6.40	22.94	12.02
Dec-23	17.63	21.06	2.66	6.06	24.41	12.87

Source: Bloomberg, Absa Research.

FIGURE 14

Detailed CPI inflation forecasts

Date	CPI index	CPI % y/y	Core CPI index	Core CPI % y/y	Food CPI index	Food CPI % y/y	Brent \$/bbl	Brent R/bbl
Jan-19	109.2	4.0	109.0	4.4	109.4	3.0	59.0	815.9
Feb-19	110.1	4.1	110.2	4.4	109.4	2.9	64.3	888.7
Mar-19	111.0	4.5	111.0	4.4	109.7	3.1	66.0	949.3
Apr-19	111.7	4.4	111.3	4.1	109.9	2.9	71.5	1010.6
May-19	112.0	4.5	111.3	4.1	110.2	3.2	72.1	1038.8
Jun-19	112.4	4.5	111.7	4.3	110.7	3.7	65.7	956.6
Jul-19	112.8	4.0	112.2	4.2	110.7	3.4	64.1	899.9
19-Aug	113.1	4.3	112.3	4.3	111.2	3.9	58.8	891.9
19-Sep	113.4	4.1	112.5	4.0	111.5	3.9	63.4	941.7
19-Oct	113.4	3.7	112.6	4.0	111.4	3.6	60.3	899.9
19-Nov	113.5	3.6	112.7	3.9	111.7	3.5	63.9	945.5
19-Dec	113.8	4.0	112.9	3.8	112.1	3.9	69.0	992.4
20-Jan	114.1	4.5	113.0	3.7	113.5	3.7	64.4	927.7
20-Feb	115.2	4.6	114.4	3.8	114.0	4.2	56.5	848.7
20-Mar	115.6	4.1	115.1	3.7	114.3	4.3	32.1	535.6
20-Apr	115.0	3.0	114.9	3.2	114.7	4.4	14.9	276.2
20-May	114.3	2.1	114.7	3.1	115.0	4.4	29.4	533.9
20-Jun	114.9	2.2	115.0	3.0	115.3	4.2	40.3	689.6
Jul-20F	116.3	3.1	115.5	2.9	115.4	4.3	40.3	660.6
Aug-20F	116.6	3.1	115.6	2.9	115.9	4.2	43.7	710.8
Sep-20F	116.8	3.0	115.9	3.0	116.2	4.2	45.6	733.8
Oct-20F	116.9	3.1	116.0	3.0	116.3	4.4	43.6	695.2
Nov-20F	117.0	3.1	116.2	3.1	116.6	4.4	43.8	695.5
Dec-20F	117.3	3.1	116.5	3.2	116.9	4.3	44.0	695.5
Jan-21F	117.6	3.0	116.5	3.1	118.4	4.3	44.1	695.5
Feb-21F	118.8	3.1	118.1	3.2	118.8	4.2	44.5	703.7
Mar-21F	119.4	3.3	118.8	3.2	119.1	4.2	45.0	713.7
Apr-21F	119.7	4.1	118.9	3.5	119.6	4.3	45.9	733.4
May-21F	119.8	4.8	118.8	3.5	120.2	4.5	46.5	748.1
Jun-21F	120.3	4.7	119.3	3.7	120.6	4.6	47.1	760.6
Jul-21F	121.0	4.0	119.8	3.7	120.7	4.6	47.5	771.9
Aug-21F	121.1	3.9	119.9	3.7	121.2	4.6	47.9	782.5
Sep-21F	121.5	4.1	120.2	3.7	121.5	4.6	48.3	792.2
Oct-21F	121.6	4.0	120.3	3.7	121.8	4.7	48.7	801.0
Nov-21F	121.8	4.1	120.5	3.7	121.9	4.6	49.0	808.8
Dec-21F	122.2	4.2	120.9	3.8	122.0	4.4	49.3	815.7
<b>Quarterly averages</b>								
19.Q1	110.1	4.2	110.1	4.4	109.5	3.0	63.1	884.7
19.Q2	112.0	4.4	111.4	4.2	110.3	3.2	69.7	1002.0
19.Q3	113.1	4.1	112.3	4.1	111.1	3.7	62.1	911.2
19.Q4	113.6	3.7	112.7	3.9	111.7	3.7	64.4	945.9
20.Q1	115.0	4.4	114.2	3.7	113.9	4.1	51.0	770.7
20.Q2	114.7	2.4	114.9	3.1	115.0	4.3	28.2	499.9
20.Q3F	116.5	3.0	115.7	3.0	115.8	4.2	43.2	701.7
20.Q4F	117.1	3.1	116.2	3.1	116.6	4.4	43.8	695.4
21.Q1F	118.6	3.2	117.8	3.2	118.8	4.2	44.5	704.3
21.Q2F	119.9	4.5	119.0	3.6	120.1	4.5	46.5	747.3
21.Q3F	121.2	4.0	120.0	3.7	121.2	4.6	47.9	782.2
21.Q4F	121.9	4.1	120.6	3.7	121.9	4.6	49.0	808.5
<b>Annual averages</b>								
2015	92.0	4.6	93.0	5.5	92.0	4.6	52.7	665.6
2016	97.8	6.3	98.2	5.6	97.8	6.3	44.2	646.2
2017	103.0	5.3	102.8	4.7	103.0	5.3	54.8	731.1
2018	107.8	4.6	107.2	4.3	107.0	3.6	71.1	942.8
2019	112.2	4.1	111.6	4.1	110.7	3.4	64.8	935.9
2020F	115.8	3.2	115.2	3.2	115.3	4.2	41.5	666.9
2021F	120.4	4.0	119.3	3.5	120.5	4.5	47.0	760.6

Note: \*Crude oil price assumptions embedded into our inflation forecasts are based on Bloomberg consensus forecasts for Brent. Source: Bloomberg, Absa Research.

FIGURE 15

Main macroeconomic variables in South Africa

	2019		2020				2021				2019	2020F	2021F	2022F	2023F
	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F					
<b>Output (% q/q saar)</b>															
Real GDP	-0.8	-1.4	-2.0	-44.0	20.5	7.5	4.3	3.7	3.7	3.4	0.2	-8.3	2.4	1.9	1.2
Real GDP (%y/y)	0.1	-0.6	-0.3	-14.4	-10.1	-8.2	-6.7	8.8	4.8	3.8	0.2	-8.3	2.4	1.9	1.2
Private consumption	0.3	1.4	0.7	-17.1	2.4	3.7	2.4	2.5	2.9	3.1	1.0	-2.3	1.4	1.2	1.3
Public consumption	1.4	-0.2	1.1	2.1	1.8	0.6	-2.0	-2.3	-2.3	-2.2	1.5	1.2	-0.9	-2.0	-1.9
Investment	4.1	-10.0	-20.5	-66.7	6.4	4.7	9.7	9.2	9.8	10.3	-0.9	-22.7	-0.1	1.3	1.8
Exports	3.5	2.3	-2.3	-56.4	27.5	5.3	5.4	5.7	5.9	5.9	-2.5	-11.1	2.0	1.7	1.8
Imports	-8.9	-8.5	-16.7	-54.2	43.3	4.8	3.8	2.5	2.6	2.2	-0.5	-14.7	2.1	1.9	0.9
<b>Prices (% y/y)</b>															
CPI inflation	4.1	3.7	4.4	2.4	3.1	3.1	3.1	4.5	4.1	4.1	4.1	3.3	4.0	4.2	4.3
Core CPI inflation	4.1	3.9	3.7	3.1	3.1	3.1	3.2	3.6	3.5	3.4	4.1	3.3	3.4	3.5	3.7
PPI inflation	4.5	2.9	4.1	0.6	2	3.7	4.3	6.5	5.6	4.6	4.6	2.6	5.2	4.7	4.8
<b>External and government accounts (% of GDP)</b>															
Current account	-3.7	-1.3	1.3	-0.8	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-3.0	-0.2	-2.1	-2.8	-2.9
Main budget fiscal balance*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-6.6	-16.6	-12.0	-10.3	-8.4
Main primary balance*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-2.6	-11.6	-6.7	-4.5	-2.4
Government debt*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	63.5	84.6	87.7	94.1	97.4
<b>Interest rates and exchange rate (eop)</b>															
Repurchase rate, %	6.50	6.50	5.25	3.75	3.25	3.25	3.25	3.25	3.50	3.50	6.50	3.25	3.50	4.25	4.75
Prime rate, %	10.00	10.00	8.75	7.25	6.75	6.75	6.75	6.75	7.00	7.00	10.00	6.75	7.00	7.75	8.25
USDZAR	15.17	13.98	17.80	17.38	16.00	15.75	15.90	16.25	16.40	16.60	13.98	15.75	16.60	17.25	18.00

Note: \*For fiscal year commencing 1 April.

Source: SARB, National Treasury, Stats SA, Thomson Reuters, Absa Research.

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