



South Africa Morning Sheet

- **The SARB is due to publish its June leading indicator today at 09:00, though we believe the nature of the unfolding crisis renders its forward-looking properties weaker than usual**
- **Liquidations and insolvencies data still do not reflect the effects of COVID-19, likely due to case backlogs as a result of lower capacity at courts and simply the time it takes to liquidate a firm, even in normal conditions**
- **Economists' latest consensus forecast is that the repo rate will remain at 3.50% until the end of 2021, as growth and inflation expectations both softened**

The SARB is scheduled to release its latest composite business cycle indicators today at 09:00.

While the leading indicator is typically a useful forward-looking read of near-term economic activity, we believe that the nature of the unfolding crisis has weakened the forward-looking properties of this index and there may be as much noise as there is signal at this stage.

Stats SA yesterday released its statistics on liquidations and insolvencies for July. The number of liquidations rose by 5.5% y/y to 193 in July compared with 134 in June. 176 of the liquidations were voluntary while 17 of them were compulsory. Meanwhile, the number of insolvencies of individuals and partnerships increased from 42 in May to 113 in June, which is a year on year fall of 51.3% y/y. Both the liquidations and insolvencies numbers are more or less in line with historical patterns and do not yet reflect the adverse impact of COVID-19 on firms. This is probably partly a result of case backlogs in the courts, as COVID-19 has curbed their capacity. Also, even on a normal basis, it can take a considerable amount of time to liquidate a firm. Therefore, we will continue to monitor these data in the coming months as the effect of COVID-19 on firms will likely show with a lag.

Thomson Reuters yesterday released its South Africa Econometer poll for August which showed a lower interest rate path than the July poll. Economists now forecast that the repo rate will remain at the current level of 3.50% until the end of 2021, compared with previous consensus expectations that it would rise to 3.75% by the end of Q1 2021. Even so, the range of expectations remains quite wide with the range of repo rate forecasts for end-2021 running from 3.50% to 3.00%. (We forecast that the MPC will cut the repo rate further by 25bp in the September meeting to 3.25% and will start to increase the repo rate from Q3 of 2021.) The consensus range for the repo rate forecast is 3.25% to 3.75% by the end of Q3 2020. 6 forecasters including ourselves expect a cut in September, 17 say no change, while 1 is calling for a hike to 3.75%. Meanwhile, the FRA market is pricing in 40% probability of a 25bp cut in repo rate at the September MPC meeting.

Absa Research is produced by Absa Bank Limited acting through its Corporate and Investment Bank divisions, which is a part of Absa Group Limited (referred to as "Absa").

Absa and/or one of its affiliates does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This research report has been prepared in whole or in part by FICC research analysts based outside the US who are not registered/qualified as research analysts with FINRA.

PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 13

Economics

Peter Worthington
+27 21 927 6525
peter.worthington@absa.co.za
Absa, South Africa

Miyelani Maluleke
+27 11 895 5655
miyelani.maluleke@absa.co.za
Absa, South Africa

Sello Sekele
+27 11 895 5685
sello.sekele@absa.co.za
Absa, South Africa

FI and FX Strategy

Mike Keenan
+27 11 895 5513
mike.keenan@absa.co.za
Absa, South Africa

Nikolaus Geromont
+27 11 895 6120
nikolausphilip.geromont@absa.co.za
Absa, South Africa

www.absa.co.za

The more dovish repo rate outlook is consistent with somewhat weaker consensus expectations for GDP growth in 2021 and inflation in 2020-21. The median forecast is now that GDP will fall by 44.5% q/q saar in Q2 20 compared with a 38.7% decline in the previous poll. This is in line with our forecast of -44.0% q/q saar in Q2. The consensus conceals a wide range of forecasts which run from -53.0% q/q saar to -20.0%. For 2020 as a whole, economists still forecast that GDP will contract by 8.0% but recover by 3.1% in 2021 (previously 3.5%). Regarding inflation, the median forecast is that headline CPI inflation will now average 3.1% in 2020 compared with 3.4% in the previous poll and rise to 4.0% in 2021 and 4.3% in 2022. Economists lowered their inflation forecast for 2020 due to a downwardly revised forecast of 3.0% y/y for the rest of 2020 compared with 3.3% in the previous poll.

FIGURE 1

New data releases and key events

Date	Time	Event	Period	Survey	Absa	Prior	Prior-1	Comments
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	3.1	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	3.0	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	1.7	0.5	0.4	PPI inflation likely rose in July as a result of 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 forecast 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
Statistics of Liquidations and insolvencies	24-Aug	Jul	--	193.0	134.0	Liquidations and insolvencies data still do not reflect the effects of COVID-19, likely due to case backlogs as a result of lower capacity at courts and simply the time it takes to liquidate a firm, even in normal conditions.
Tourist accommodation income, %y/y	17-Aug	Jun	--	-95.3	-97.6	The extension of restrictions for leisure accommodation and the ongoing international travel restrictions delivered another poor month with income down 95.3% y/y in June after April and May were also sharply weak.
Land transport survey	17-Aug	Jun	--	--	--	Nominal income in freight and passenger transportation rose further in June as lockdown restrictions were eased but also remained sharply negative on a y/y basis.
Food and beverages	17-Aug	Jun	--	--	--	Income in the food and beverages sector more than tripled in real terms in June on a month-on-month basis but was still quite weak on a year-on-year basis at -50.3% in June.
Mining output, % y/y	13-Aug	Jun	--	-28.2	-27.6	Overall, on a quarter-on-quarter sa basis, mining output fell by 76.3% saar in Q2, which is worse than our official forecast of a 70.4% decline.
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 as more activity under Level 3 of lockdown; on a year-on-year basis, retail sales are 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 is 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	The 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	Quarterly, 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 in 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.
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	16.94	-1.2%	-3.4%	1.5%	-4.0%	11.1%	19.09	13.99
EUR/ZAR	20.00	-1.2%	-3.8%	3.1%	4.0%	17.6%	20.78	15.67
GBP/ZAR	22.16	-1.3%	-3.3%	4.3%	3.1%	18.6%	23.54	18.00
AUD/ZAR	12.13	-1.2%	-3.9%	2.8%	5.2%	18.0%	12.64	9.71
ZAR/JPY	6.25	1.4%	3.5%	-1.8%	2.6%	-9.3%	7.79	5.64
EUR/USD	1.18	-0.1%	-0.5%	1.3%	8.4%	6.0%	1.19	1.07
3m JIBAR	3.44	0.0bp	0.0bp	-31.6bp	-60.0bp	-337.5bp	6.84	3.44
R208	3.55	-0.5bp	-0.5bp	5.0bp	0.5bp	-306.0bp	6.85	3.46
R186 (2026)	7.40	3.0bp	5.0bp	-4.0bp	-23.5bp	-84.0bp	11.22	7.23
US 2-year	0.15	0.6bp	0.8bp	3.0bp	-1.7bp	-134.5bp	1.80	0.11
US 10-year	0.65	0.6bp	-1.9bp	8.3bp	-4.1bp	-80.4bp	1.94	0.50
All Share	55,950	0.6%	-0.8%	1.4%	8.6%	2.8%	59001.87	37963.01
S&P 500	3,397	0.3%	1.7%	6.0%	15.5%	17.6%	3431.28	2237.40
Gold	1,932	-0.4%	-2.5%	1.9%	12.0%	26.9%	2063.19	1454.25
Platinum	916	-0.3%	-2.4%	1.4%	10.6%	8.7%	1020.20	586.51
Brent	44.1	-2.1%	-1.4%	1.4%	29.9%	-21.7%	71.55	5.62
CDS Spreads	293.92	7.3bp	3.0bp	2.1bp	-44.5bp	105.3bp	492.47	157.78

Note: Bond yield changes are denoted in basis points.

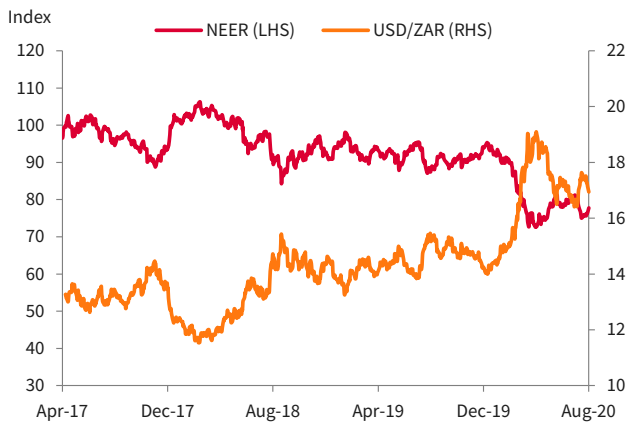
Source: Thomson Reuters, Absa Research

FIGURE 4
ZAR price of oil



Source: Thomson Reuters, Absa Research

FIGURE 6
ZAR performance



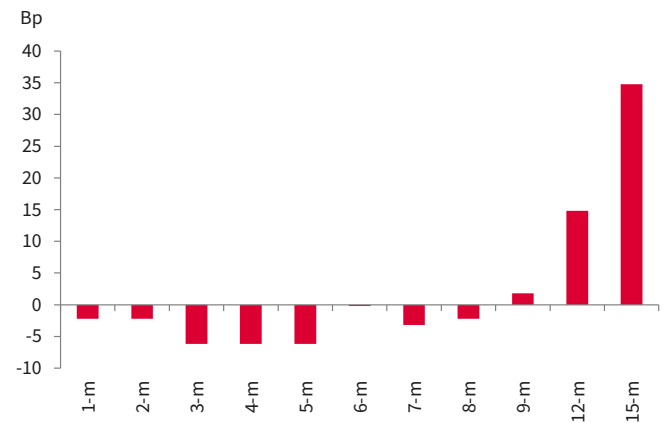
Note: Rise/fall in Nominal effective exchange rate implies ZAR ap/depreciation.
Source: Thomson Reuters

FIGURE 5
SA petrol price movements, as of 21 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)	571	562	555	558
Daily over/under recovery (c/l)	564	555	575	579
Avg. over/under recovery (c/l)	4	-5	14	14
o/w due to int'l price	23	13	33	33
o/w due to FX rate	-18	-18	-19	-19

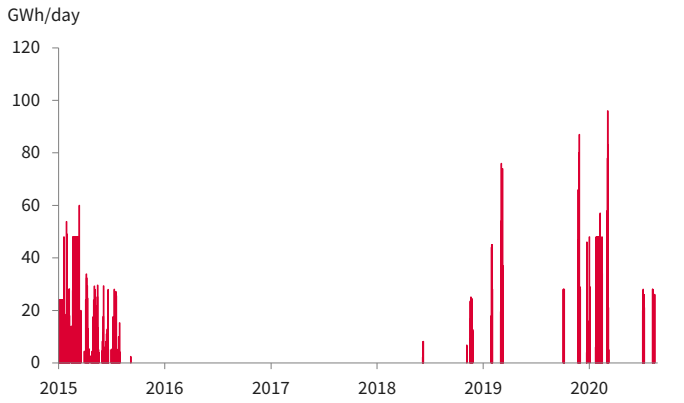
Source: CEF, Absa Research

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



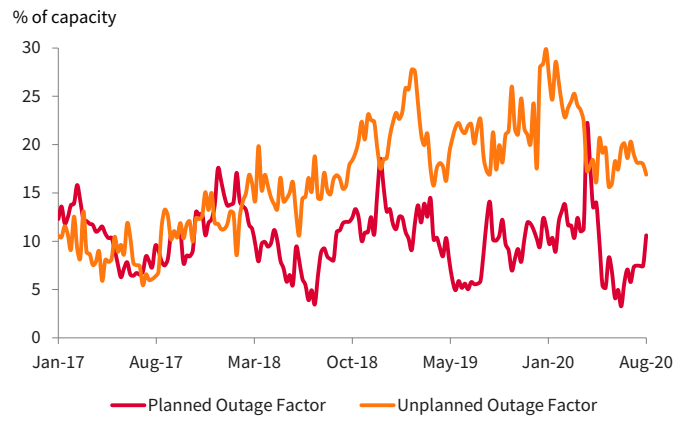
Note: Calculated by subtracting 3-month Jibar from the corresponding FRA rate.
Source: Thomson Reuters, Absa Research

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 17 August (%)	ppΔ from previous week	ppΔ from previous year	Long-run average
Eastern Cape	50.9	-0.3	-5.3	58.3
Free State	78.9	-0.8	-3.5	79.8
Gauteng	98.0	-0.8	7.5	95.1
Kwazulu-Natal	58.0	-0.5	-1.8	58.4
Lesotho	20.9	-1.1	-2.9	34.0
Limpopo	62.1	-0.5	5.8	65.6
Mpumalanga	69.8	-0.4	2.9	72.7
Northern Cape	91.7	-1.2	7.1	82.7
North West	67.7	-0.5	4.0	67.4
Eswatini	70.3	-1.5	-15.4	79.9
Western Cape	66.7	4.4	0.8	43.3
Grand total	67.4	-0.4	-1.9	68.4

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
Eastern Cape	28.7	20.6	70.6	5.9
Free State	0.0	-100.0	77.9	17.0
Gauteng	0.0	-100.0	101.0	31.9
Kwazulu-Natal	4.8	-82.6	101.9	11.1
Limpopo	0.7	-93.6	74.4	1.0
Mpumalanga	0.2	-98.6	73.2	-13.6
Northern Cape	1.5	-88.8	30.9	-1.8
North West	0.0	-100.0	72.7	14.4
Western Cape	40.6	-27.5	19.7	-44.2
Weighted average	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
Monthly						
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
Quarterly						
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
Annual						
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
Monthly						
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
Quarterly						
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
Annual						
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
Quarterly averages								
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
Annual averages								
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					
Output (% q/q saar)															
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
Prices (% y/y)															
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
External and government accounts (% of GDP)															
Current account	-3.7	-1.3	1.3	-0.8	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-3.0	-0.7	-1.6	-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
Interest rates and exchange rate (eop)															
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

Note: *For fiscal year commencing 1 April.

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

Absa Research Team

FICC Research

Jeff Gable

Head of FICC Research
+27 11 895 5368
jeff.gable@absa.co.za
Absa, South Africa

Sello Sekele

Macroeconomics South Africa
+27 11 895 5685
sello.sekele@absa.co.za
Absa, South Africa

Nikolaus Geromont

FI/FX Strategy South Africa
+27 11 895 6120
nikolausphilip.geromont@absa.co.za
Absa, South Africa

Ridle Markus

Macroeconomics Sub-Saharan Africa
+27 11 895 6690
ridle.markus@absa.co.za
Absa, South Africa

Peter Worthington

Macroeconomics South Africa
+27 21 927 6525
peter.worthington@absa.co.za
Absa, South Africa

Sivenathi Marwarwa

Credit Strategy South Africa
+27 11 895 5722
sivenathi.marwarwa@absa.co.za
Absa, South Africa

Kgotso Radira

Macroeconomics South Africa
+27 11 895 5347
kgotso.radira@absa.co.za
Absa, South Africa

Samantha Singh

FI & Credit Strategy Sub-Saharan Africa
+27 11 895 5773
sam.singh@absa.co.za
Absa, South Africa

Miyelani Maluleke

Macroeconomics South Africa
+27 11 895 5655
miyelani.maluleke@absa.co.za
Absa, South Africa

Mike Keenan

FI/FX Strategy South Africa
+27 11 895 5513
mike.keenan@absa.co.za
Absa, South Africa

Andiswa Mdingi

Macroeconomics South Africa
+27 11 895 7036
andiswa.mdingi@absa.co.za
Absa, South Africa

Equity Research

Niel Venter

Head of Equity Research
Analyst: Telecommunication
+27 11 895 6444
niel.venter@absa.co.za
Absa, South Africa

Khaya Mthembu

Banking
+27 11 895 7323
khayelihle.mthembu@absa.co.za
Absa, South Africa

Linnet Muriungi

Energy & Tobacco
+25 420 425 4679
linet.muriungi@absa.africa
Absa, South Africa

Mahir Hamdulay

Property
+27 21 816 4589
mahir.hamdulay@absa.africa
Absa, South Africa

Darren Cohn, CFA

Analyst: Retail
+27 11 895 7639
darren.cohn@absa.co.za
Absa, South Africa

Grant Davids

Banking & Insurance
+27 11 350 6118
grant.davids@absa.co.za
Absa, South Africa

Christina Steyn

Diversified Industrials & Chemicals
+27 11 895 6023
christina.steyn@absa.co.za
Absa, South Africa

Fayyaad Amien

Property
+27 21 816 4644
fayyaad.amien@absa.africa
Absa, South Africa

Samantha Naicker

Retail
+27 11 895 6004
samantha.naicker2@absa.co.za
Absa, South Africa

Timothy Wambu, CFA

Kenyan and Nigerian Banks
+254 20 42 54 630
timothy.wambu@absa.africa
Absa, South Africa

Dr Anuja Joshi

Healthcare
+27 11 895 6032
anuja.joshi@absa.africa
Absa, South Africa

ANALYST (S) CERTIFICATIONS (S):

I / We, Mike Keenan, Miyelani Maluleke, Nikolaus Geromont, Peter Worthington, Sello Sekele hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

IMPORTANT DISCLOSURES

Absa Research is produced by Absa Bank Limited acting through its Corporate and Investment Bank division, which is a part of Absa Group Limited and (referred to as “Absa”).

All authors contributing to this research report are Research Analysts unless otherwise indicated. The publication date at the top of the report reflects GMT time and may differ from local time where the report was produced.

Availability of Disclosures:

For current important disclosures regarding any issuers which are the subject of this research report or for enquiries regarding Research Dissemination Policies and Procedures and Absa’s Conflict Management Policy, or to view previous investment recommendations published by Absa FICC Research in the preceding 12 months please send a written request to Absa Research Compliance 15 Alice Lane, Sandton, 2196.

Absa does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Absa may have a conflict of interest that could affect the objectivity of this report. Absa regularly trades, generally deals as principal and generally provides liquidity (as market maker or otherwise) in the debt securities that are the subject of this research report (and related derivatives thereof). Absa trading desks may have either a long and / or short position in such securities, other financial instruments and / or derivatives, which may pose a conflict with the interests of investing customers. Where permitted and subject to appropriate information barrier restrictions, Absa fixed income research analysts regularly interact with its trading desk personnel regarding current market conditions and prices. Absa fixed income research analysts receive compensation based on various factors including, but not limited to, the quality of their work, the overall performance of the firm (including the profitability of the Corporate and Investment Banking division), the profitability and revenues of the Markets business and the potential interest of the firm's investing clients in research with respect to the asset class covered by the analyst. To the extent that any historical pricing information was obtained from Absa trading desks, the firm makes no representation that it is accurate or complete. All levels, prices and spreads are historical and do not represent current market levels, prices or spreads, some or all of which may have changed since the publication of this document. The Absa Research Department within Absa Bank Limited operates independently Eligible clients may receive research reports from Absa, its affiliates or third party service providers approved by Absa.

Explanation of other types of investment recommendations produced by Absa FICC Research:

Trade ideas contained herein that have been produced by the Credit analyst within Absa FICC Research are valid at current market conditions and may not be otherwise relied upon.

Disclosure of previous investment recommendations produced by Absa FICC Research:

Absa FICC Research may have published other investment recommendations in respect of the same securities/instruments recommended in this research report during the preceding 12 months.

Legal entities involved in producing Absa Research:

Absa Bank Limited (Absa, South Africa)

Absa Securities Limited (Kenya).

Disclaimer:

This publication has been produced and distributed by Absa Bank Limited (Registration No.: 1986/004794/06.) acting through its Corporate and Investment Bank division, a member of Absa Group Limited (“Absa”). Absa is an authorised financial services provider, a registered credit provider Reg No NCRCP7. Absa is regulated by the South African Reserve Bank. Absa distributes this material in South Africa. This publication is not, nor is it intended to be, advice as defined and/or contemplated in the (South African) Financial Advisory and Intermediary Services Act, 37 of 2002, or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever.

Where this publication states on the front page that it is intended for institutional investors, distribution to retail investors is strictly prohibited. Any other persons who receive this communication should not rely on or act upon it. Absa accepts no liability for use of the contents of this report by unauthorized recipients.

This document has been prepared for (i) professional clients or (ii) per se professional clients (together, “Professional Clients”) as defined under Annex II of the MiFID II Directive. As such it is directed at Professional Clients and other persons to whom it may lawfully be promoted. Should you not be a Professional Client you should be aware that the products and services referenced herein are neither suitable nor appropriate for you.

This publication is being distributed by Absa Securities United Kingdom Limited which is authorised and regulated by the Financial Conduct Authority.

The information contained in this publication has been obtained from sources that Absa believes to be reliable, however, Absa does not represent or warrant that it is accurate or complete. Prices shown are indicative and Absa is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. Absa is not responsible for, and makes no warranties as to the information or opinions contained in any written, electronic, audio or video presentations of third parties that are accessible via a direct hyperlink in this publication or via a hyperlink to a third-party web site (‘Third-Party Content’). Any such Third-Party Content has not been adopted or endorsed by Absa, does not represent the views or opinions of Absa, and is not incorporated by reference into this publication. Third-Party Content is provided for information purposes only and Absa has not independently verified its accuracy or completeness.

The views in this publication are those of the author(s) and are subject to change, and Absa has no obligation to update its opinions or the information in this publication. If this publication contains recommendations, those recommendations reflect solely and exclusively those of the authoring analyst(s), and such opinions were prepared independently of any other interests, including those of Absa and/or its affiliates. This publication does not constitute personal investment advice nor does take into account the individual financial circumstances or objectives of the clients who receive it. The securities discussed herein may not be suitable for all investors. Investors must independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they deem necessary. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Absa Bank Limited acting through its Corporate and Investment Bank division in South Africa, 15 Alice Lane, Sandton, 2196. Person or entities which are domiciled outside of South Africa wishing to effect a transaction in any security discussed herein must ensure that such transaction complies with the local regulations of its home jurisdiction. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

Absa or its employees may, from time to time, maintain a long or short position in securities referred to in this publication or in related futures or options; purchase or sell, make a market in, or engage in any other transactions involving such securities or issuers, earn brokerage or other compensation in respect of the foregoing; and provide investment banking, credit or other services to any party referred to in this publication. Absa may have acted as manager or co-manager of a public offering of securities discussed in this publication in the past three years.

We disclaim any liability for any direct, indirect or consequential damage or losses that you may suffer from using or relying on the information on contained in this publication even if notified of the possibility of such damage or loss and irrespective of whether or not you have obtained independent advice.

Absa Research reports are distributed in the U.S. by Enclave Capital LLC, a U.S. registered broker dealer, on behalf of Absa, only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”)) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital LLC (375 Park Avenue, Suite 2607, New York, NY 10152, 646-454-8600). All orders emanating from persons in the U.S should be effected through, Enclave, Absa’s U.S. registered broker-dealer.

© Copyright Absa Bank Limited (2020). All rights reserved. No part of this publication may be reproduced or redistributed in any manner without the prior written permission of Absa. Additional information regarding this publication will be furnished upon request.