South Africa Research
SA Macroeconomics
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South Africa Q3 23 Quarterly Perspectives

Short-term resilience, long-term constraints

We are upwardly revising our near-term growth forecasts. We now forecast real GDP growth of 0.7% in 2023 (0.4pp higher than in the last *Quarterly Perspectives*) and 1.6% in 2024 (0.3pp higher). Despite the sharp escalation in load shedding, economic activity in H1 23 was healthier than we expected. Electricity supply will continue to be a growth risk, but we believe that ongoing efforts in private generation will make the economy more resilient over time. That said, a broader investment cycle remains unlikely given the weak business confidence and we see this continuing to constrain growth prospects.

The consumer is under greater strain. The post-COVID-19 recovery in formal sector employment appears to have stalled while wage growth has tracked below inflation. A sharp rise in debt-servicing costs has further eroded households' disposable incomes. Meanwhile, there are signs of rising consumer debt distress with arrears rising. Against this backdrop, a subdued consumer spending environment will also dampen growth momentum, in our view. We forecast household consumption growth of 1.0% in 2023 and 1.1% in 2024.

Headline inflation is likely to ease further but uncertainty remains high. Headline CPI inflation eased back into the target range for the first time in 13 months, coming in at 5.4% in June. We expect headline inflation to ease further, reaching 5.0% by December 2023 and averaging 4.8% in 2024, partly driven by further moderation in food and core inflation. However, businesses' attempts to offset the costs of mitigating load shedding and dryer weather conditions remain upside risks.

We believe the SARB's hiking cycle has ended and that the next move will be down. The MPC narrowly voted to keep the repo rate unchanged at 8.25% in July, but remained hawkish in its remarks. With inflation expected to fall further, additional rate hikes seem unlikely unless there is a big adverse inflation shock. We expect the SARB to cut rates from March next year. However, with global interest rates likely to remain higher for longer and South Africa gradually becoming a riskier investment amid weak growth and deteriorating public finances, we now expect a terminal repo rate of 7.50% compared with our previous forecast of 7.00%.

Our ZAR view is now more constructive. We now expect the ZAR to end this quarter at 18.00/USD (last *Quarterly Perspectives*: 18.50) and the year at 17.95/USD (from 18.75) given moderating global market volatility and reduced bouts of load shedding. However, we believe an extended exchange rate recovery will be increasingly difficult to achieve in the absence of improved capital inflows, against the backdrop of a modest widening of the current account deficit.

The outlook for public finances is fragile. Although we see slightly stronger real GDP growth, commodity prices are sharply weaker. We now forecast a revenue shortfall of R39bn (previous: R25bn) in 2023/24 compared with the 2023 Budget target. Counting Eskom's debt relief above the line, we now expect a main budget deficit of 6.6% of GDP in 2023/24, up slightly from our previous forecast of 6.3%.

Risks to our Baseline forecast are skewed to the downside. Despite the recent apparent resilience, electricity supply remains an ongoing risk to economic activity. Moreover, the shift to El Niño climatic conditions as well as geopolitical concerns including questions about South Arica's participation in AGOA are potential downside risks. Given the ongoing uncertainty, we present two alternative scenarios (Up and Down; Figures 32-33) in addition to our Baseline view (Figure 30).

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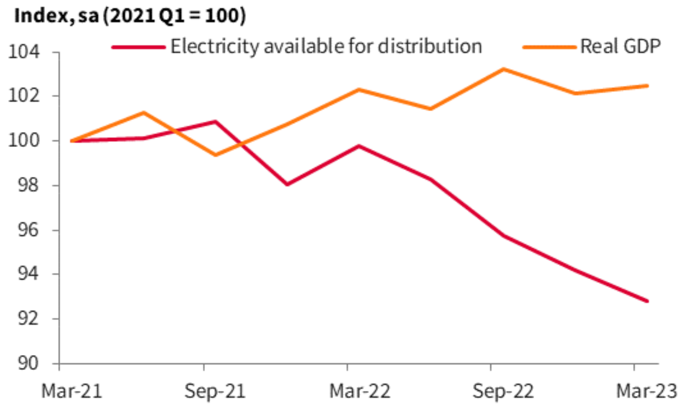
Some resilience in growth, but long-standing challenges cloud outlook

South Africa's economy seemed resilient to the record bouts of load shedding in the first half of this year, with GDP rising 0.4% q/q sa in Q1 23…

South Africa's economy has been hobbled by a series of adverse domestic supply shocks. These include disruptions to rail and port operations, weather events and, of course, the ongoing electricity shortages. These circumstances have resulted in highly volatile economic activity levels with quarterly GDP shrinking in 3 of the last 7 quarters. More recently, the dramatic escalation in the intensity and frequency of load shedding, particularly from the second half of last year, has been the primary risk to economic activity. By our calculations, about 15,300GWh was lost to load shedding in H1 23. This is about 30% worse than in all of 2022 and higher than all the load shedding implemented in the nearly 15-year period between the first incident of load shedding in 2007 and the end of 2021. However, despite the scale of the electricity supply challenge in H1 23, growth has shown remarkable resilience (Figure 1). GDP expanded by 0.4% q/q sa in Q1 23, with quarterly improvement in 8 of the 10 reported sectors (Figure 2). At the start of this year, the consensus expectation was for zero growth in Q1. The only two sectors that shrunk in Q1 were utilities (which directly includes electricity output) and agriculture (which is highly volatile).

Figure 1: GDP is holding up well despite shrinking electricity output



Source: Stats SA, Absa Research

Figure 2: The modest rise in GDP in Q1 was broad-based

% q/q sa	Q3 22	Q4 22	Q1 23
Agriculture	31.4	-2.4	-12.3
Mining	1.9	-3.0	0.9
Manufacturing	1.6	-1.2	1.5
Utilities	-2.6	-2.0	-1.0
Construction	4.1	0.4	1.1
Trade & hospitality	1.2	-2.2	0.7
Transport/Telecoms	3.4	0.9	1.1
Finance & other services	1.1	-1.6	0.6
Personal services	-1.0	-0.1	0.8
Govt. services	0.4	-0.7	0.2
GDP	**1.8**	**-1.1**	**0.4**

Source: Stats SA, Absa Research

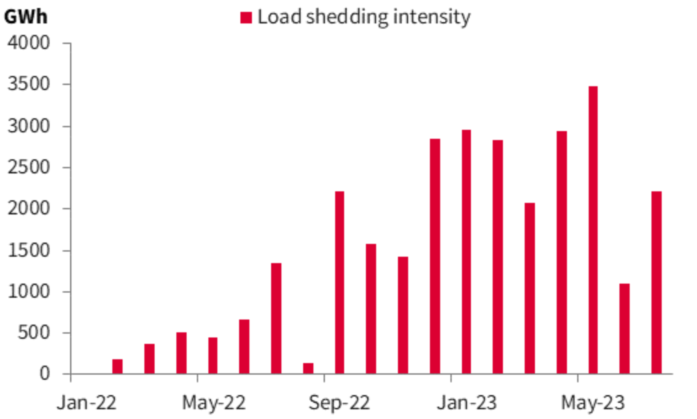
…and on track for further modest growth in Q2 23

The resilience of the first quarter appears to have carried into Q2 23. The available high-frequency data for April to June were a little more mixed than in Q1, but broadly point to yet another quarter of positive GDP growth. The average output for April and May in the relatively more energy-intensive mining sector was up 1.7% above the monthly average for Q1 23; similarly, in the manufacturing sector, the average was 2.0% ahead of that in Q1 23. Absent any major adverse revisions to the historical data and/or an unusually large drop in output in June, these two sectors appear to have added to GDP growth in Q2 23. There is a little more divergence in the domestic trade sector, with retail sales tracking lower than in Q1 but wholesale and vehicle sales coming in higher. In general, many big businesses seem to have insulated themselves from load shedding to some degree by installing their own generating capacity. We forecast GDP growth of 0.3% q/q sa for Q2. Our high-frequency-data-based GDP tracking estimate stood at +0.6% q/q sa at the time of writing, suggesting some upside risk to our published forecast. Stats SA is scheduled to publish Q2 GDP data on 5 September.

Eskom appeared to have made some progress in reducing plant breakdowns in June, but the durability of this improvement remains uncertain

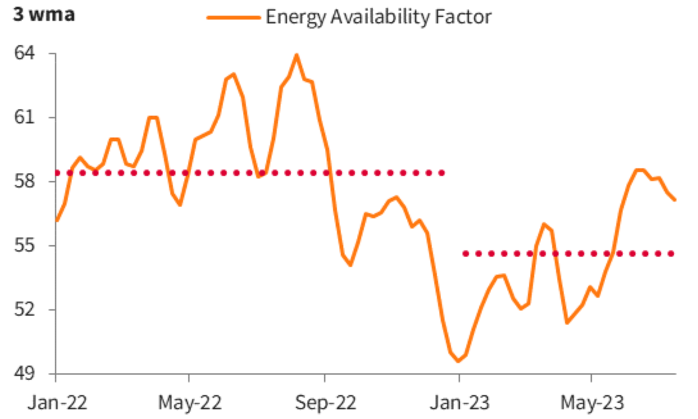
Despite the apparent resilience of economic activity in H1, South Africa's growth outlook remains subdued and clouded with uncertainty. For one, the electricity supply constraint persists with its hard-to-quantify effects on the economy, particularly on smaller businesses, and on sentiment more broadly. On electricity, Eskom appears to have made some progress in terms of plant breakdowns, which combined with the scaling back of planned maintenance and lower-than-usual demand, resulted in June 2023 witnessing the lowest monthly load shedding since August last year (Figure 3). The Energy Availability Factor (EAF) in June was also at its highest level over this period, although it weakened anew in July (Figure 4). Eskom's generation remains highly vulnerable and prone to breakdowns. Until Eskom can return some of its generating units that are on long-term maintenance, bouts of load shedding may continue in the near term.

Figure 3: Load shedding eased markedly in June…



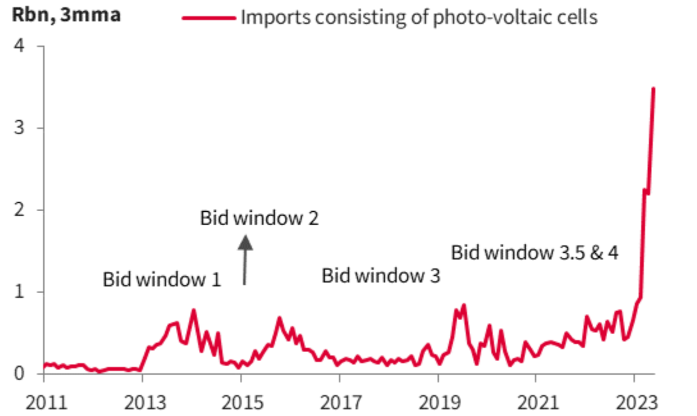
Source: Eskom, Absa Research

Figure 4: …but plant performance has declined slightly since then



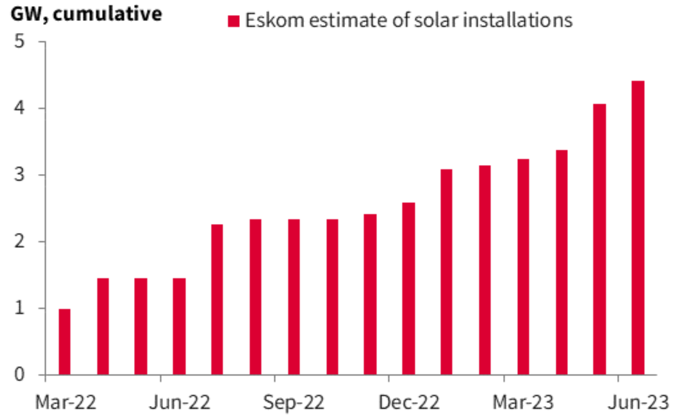
**Dotted lines represent average EAF; Source: Eskom, Absa Research*

Figure 5: PV panel imports have risen sharply…



Source: SARS, Absa Research

Figure 6: …with Eskom estimating fast growing solar installations



Source: Eskom, Absa Research

Private investment in electricity generation is rising and should make the economy more resilient over time

While Eskom struggles to stabilise the performance of its generation system, the private sector seems to be continuing to lift investment in own generation, although these efforts are harder to track in real time. In its late May progress update on the implementation of Operation Vulindlela (OV) reforms to Q1 23, the government reported that it was tracking progress of 108 private (largely renewable) power projects, amounting to just over 10,000MW. According to the update, there were over 13,300MW of private projects in the first step of securing grid connection before registration with NERSA. Some overlaps in these datasets are likely, but they all point to a big private sector push in the energy space. This is supported by the recent surge in PV panel imports (Figure 5). In its weekly system updates, Eskom has been reporting its own estimate of private solar panels installations (including rooftop and ground-based installations that wheel through the grid). It estimates that as much as 4,412MW was installed as of June 2023, a more than four-fold increase from March last year (Figure 6). As such, while Eskom's operational challenges and unpredictability are likely to persist, we believe that ongoing private efforts in generation will continue to make the economy more resilient over time.

Business confidence remains sharply low, suggesting that investment spending growth may remain weak outside energy-related projects

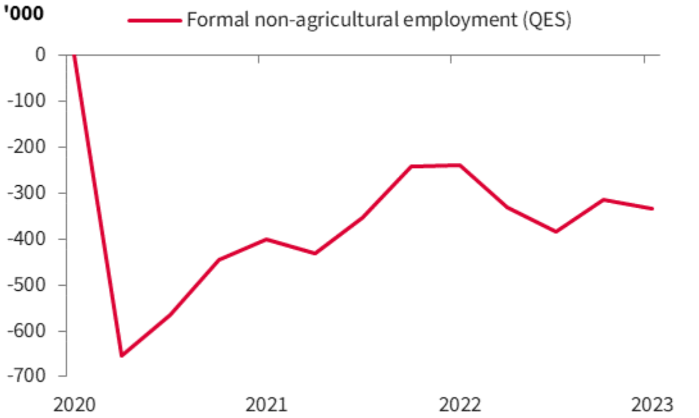
Energy is of course only a part of South Africa's growth-sapping infrastructure deficit. We believe mounting problems with South Africa's rail networks and ports will continue to weigh on the competitiveness and volumes of various exporting sectors, particularly bulk commodity exporters, with knock-on effects on jobs, taxes and FX reserves. Meanwhile, localised water unavailability has also manifested, especially in Gauteng, and municipal service delivery in general continues to deteriorate. All these challenges are likely contributing to the ongoing weakness in private sector business confidence. The BER Business Confidence Index fell for the fifth consecutive quarter to just 27 points in Q2 23. Without a sustained improvement in business confidence, a broader recovery in private sector investment spending outside energy projects will be slow, in our view. Given the low business confidence, we believe private sector investment spending will return to pre-pandemic levels only in Q2 25.

The consumer is under mounting financial pressure

A weak labour market and higher interest rates have weighed on consumers' disposable incomes

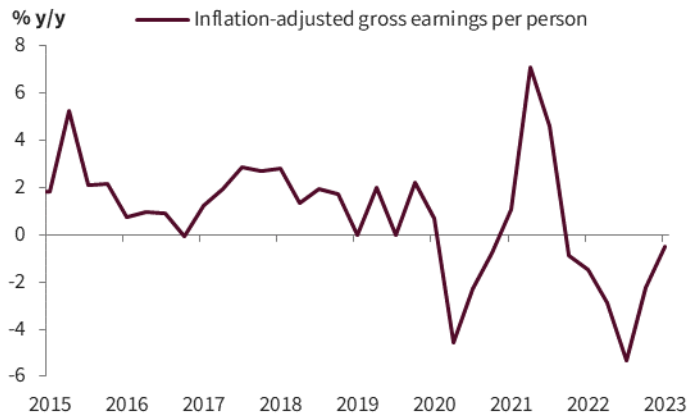
The strength of consumer spending is also key for growth prospects given that this accounts for about 65% of GDP when viewed from the demand side. However, consumers are challenged on several fronts currently. For one thing, the recovery in employment is proving to be slow. The Q1 23 Quarterly Employment Statistics (QES) show that formal employment fell by 21k, leaving the total 97k below the level a year earlier and 324k lower compared with the Q4 19 level before the pandemic (Figure 7). Importantly, wage growth has been tracking below inflation for several quarters, although it now seems to be catching up slightly. Meanwhile, 475bp of interest rate hikes since late 2021 have also weighed on households' disposable incomes. SARB data show that household debt service costs rose further to 8.4% of disposable incomes in Q1 23 from 7.9% in Q4 22 (Figure 9). Household savings turned negative in Q1 23, for the first time in three years, coming in at -0.2% of disposable income.

Figure 7: The recovery in formal sector jobs has stalled…



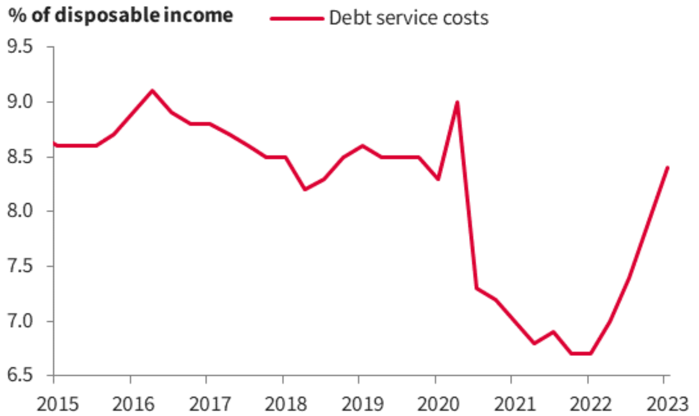
Source: Stats SA, Absa Research

Figure 8: …while wages are not keeping up with inflation



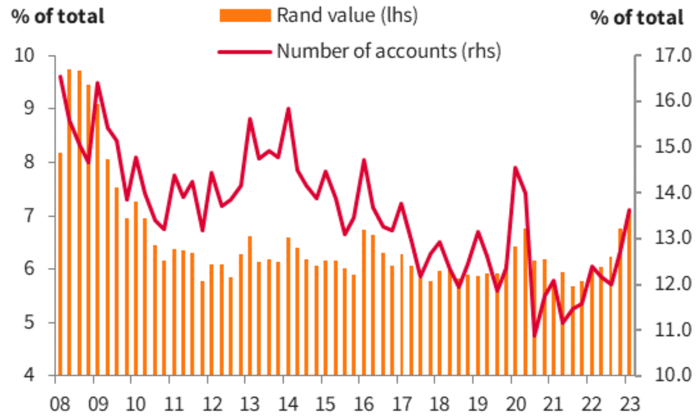
Source: Stats SA, Absa Research

Figure 9: Debt service costs have risen rapidly with rising rates…



Source: SARB, Absa Research

Figure 10: …and NCR data are showing a rise in 'fresh overdues'



Source: National Credit Regulator, Absa Research

National Credit Regulator data are showing signs of worsening consumer debt strain. Fresh overdues (i.e. overdue credit repayment obligations of between 1-3 months but not yet formally classified as arrears) increased to 7.1% of the gross debtors' book in Q1 23 (in rand terms), its highest level since Q1 10 (Figure 10). While new credit applications were down in Q1 23, their rejection rate reached a record high of 70.1%, likely reflecting a combination of worsening borrower financial positions and declining lender risk appetite. Consumers' mounting financial pressures are also reflected in the decline in confidence. The BER Consumer Confidence Index fell to -25 in Q2 23, matching its second lowest reading in three decades, with confidence among high-income households falling the most. These developments suggest constrained consumer spending over the foreseeable future. Our forecast is for household expenditure to grow 1.0% this year and 1.1% in 2024.

We project GDP growth of 0.7% this year and 1.6% in 2024

Overall, the economy's resilience in H1 has been stronger than we expected and big businesses also seem to be adapting to the economy's structural constraints faster. That said, we still see South Africa's growth outlook as fundamentally subdued. We believe weak business confidence, financially constrained consumers and limited space for government spending growth will keep a lid on overall domestic demand. The global backdrop has also become increasingly challenging amid much tighter financial conditions and South Africa's terms of trade have deteriorated sharply in recent quarters. Given the healthier performance in H1 23, we are lifting our 2023 GDP growth forecast to 0.7% from 0.3%. We believe some of this resilience will carry over into future years and now see growth improving to 1.6% next year (from 1.3%) as private energy self-sufficiency improves further. In 2025-27, we forecast average GDP growth of 1.8%. However, uncertainty remains high, even in the near term. South Africa is currently experiencing El Niño, for the first time since 2015/16. Expectations are that the weather pattern's damage will be limited given healthier soil moisture from the past four seasons of La Niña. But El Niño remains a downside growth risk worth monitoring in the months ahead.

Inflation is on a downward trend, but persistent risks create uncertainty

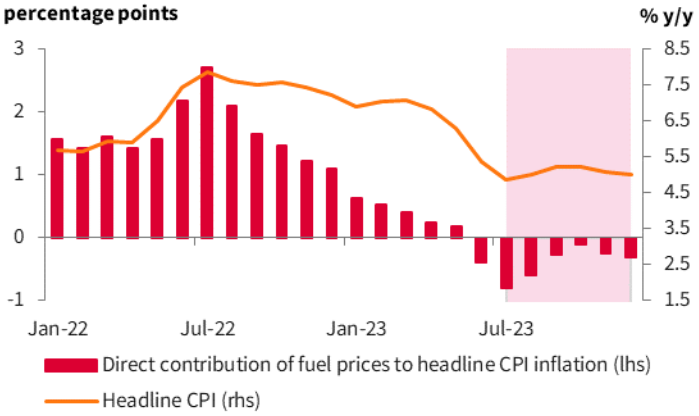
Inflation returned to the target range in June 2023, for the first time since May 2022

The multiple global upside price shocks of the last couple of years have largely abated and headline CPI inflation rates are easing across many economies. However, globally, core CPI is coming down somewhat slower than previously expected. In its July World Economic Outlook Update, the IMF revised its global inflation forecast for 2024 slightly higher to reflect stickier core inflation. Domestically, in June, headline CPI inflation eased back into the SARB's 3-6% target for the first time in 13 months with a print of 5.4%, its lowest level since November 2021. This easing has largely been driven by lower fuel and food inflation. In contrast, core CPI has remained elevated, though it drifted slightly lower to 5.0% in June from its most recent peak of 5.3% in April.

Fuel inflation will likely push headline CPI inflation lower in July

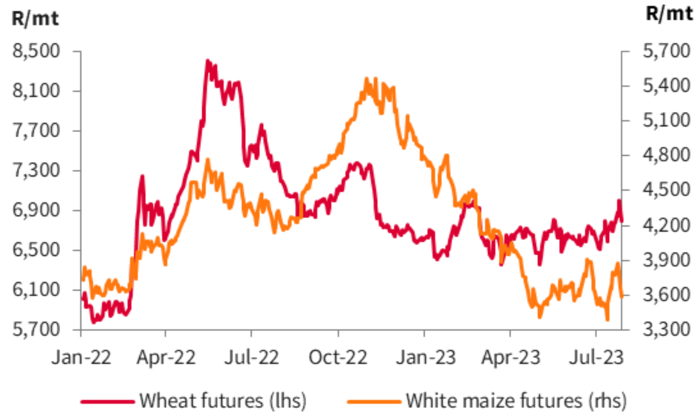
Fuel inflation is important for the path of headline CPI inflation. Although it forms only 4.8% of the CPI basket, sharp volatility in the category can have an outsized effect on headline inflation. Fuel inflation peaked at 56.2% in July last year, with a direct contribution of 2.7pp to headline CPI inflation. Since then, strong base effects have pushed fuel inflation to -8.3% in June. We believe base effects will force fuel inflation even lower in July to about -16.7% y/y, shaving 0.8pp off headline CPI inflation in the month, 0.4pp more than in June (Figure 11). However, these favourable base effects should start to moderate from August. We assume that Brent crude oil prices (based on the latest Bloomberg consensus) will average USD81/bbl in Q4 23, before rising gradually to average USD85/bbl in 2024. Given our view on USDZAR (see the section on FX on page 9), we see fuel inflation rising to average 3.4% y/y in 2024 from -2.2% this year. Another key part of energy prices is electricity prices. Our assumptions here are unchanged and we have factored in an increase of 15.1% effective from July this year, in line with the guidance from the National Energy Regulator of South Africa (NERSA), and a 10.2% tariff increase for July 2024.

Figure 11: Fuel prices should pull headline CPI even lower in July



Source: Stats SA, Bloomberg, Absa Research

Figure 12: Crop prices have remained broadly steady recently



Source: Refinitiv, Absa Research

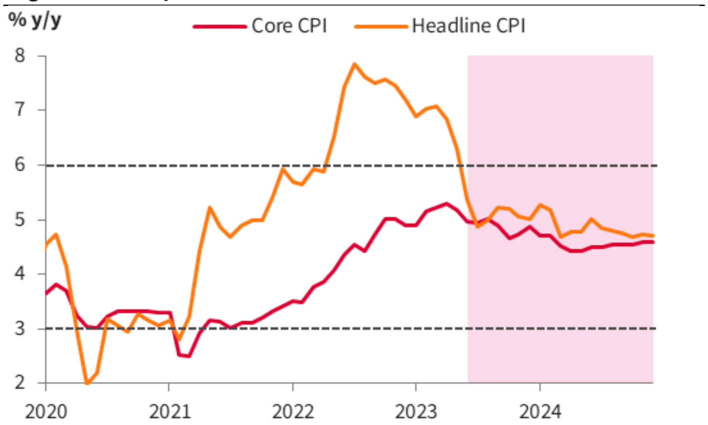
We expect food inflation to ease further but see risks as tilted to the upside

Also key to watch will be the path of food prices as base effects, cost pressures from the electricity crisis and the emerging El Niño start to impact. After peaking at 14.0% y/y in March, food and non-alcoholic beverages inflation moderated to 11.0% y/y in June with broad-based easing in prices across the different food categories. The deceleration in domestic food price inflation follows several months of falling global food prices. The UN's FAO food price index was down 20.9% y/y in June. Despite the recent moderation in food inflation, several upside risks lurk. Internationally, Russia recently exited the Black Sea grain deal with Ukraine, adding to uncertainty about the availability of supplies from this region. Meanwhile, India has announced a ban on the export of some rice varieties. Critically, El Niño weather conditions, which are expected to persist until early next year, are coinciding with the 2023/24 summer crop season. However, robust soil moisture from four straight seasons of La Niña is broadly expected to be a cushion against the El Niño weather event, likely resulting in minimal damage to crops and grazing fields. For instance, the International Grains Council forecasts South Africa's 2023/24 maize crop at 15.6mn tonnes, down only slightly from the 16.4mn expected for 2022/23. However, there is inherent uncertainty about the intensity and duration of El Niño. Encouragingly, domestic crop prices have not pushed sharply higher in recent months (Figure 12). Against this, we expect further moderation in food inflation over the coming months, with an average of 10.4% this year and 4.8% in 2024, but we see risks as skewed to the upside.

Figure 13: Core goods and services inflation has edged slightly lower

Source: Stats SA, Absa Research

Figure 14: We expect headline CPI inflation to ease further



Source: Stats SA, Absa Research

We believe core CPI inflation has peaked and see further moderation in the coming quarters

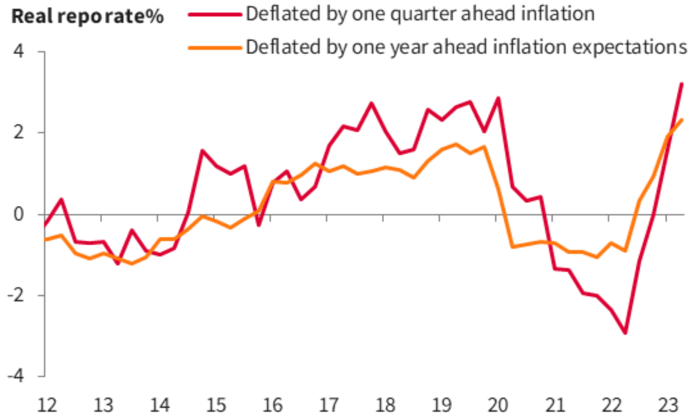
Price pressures within the core CPI basket also appear to be abating in recent months (Figure 13). After a big surge through 2022, core goods inflation has been edging lower since March. Meanwhile, core services inflation has mostly tracked sideways since February. Given limited labour market pressure on inflation amid subdued wage growth and slowing formal sector job growth, we see little upward momentum in core CPI inflation. We also believe that the rand will be able to mostly maintain its current levels going forward after the strong recovery over the past two months, helping to contain imported price pressures. Moreover, the substantially tight monetary policy will likely continue to have a dampening effect on domestic demand. Therefore, we see core CPI inflation trending even lower in the coming quarters, approaching the mid-point of the target range by Q1 24. Our Baseline view is that headline CPI inflation will ease further, briefly slipping below 5% in July, before tracking sideways to end this year at 5.0%. We forecast headline inflation to average 4.8% in 2024, reaching 4.7% by the end of that year. However, the cost of businesses' adoption of own electricity generation and elevated inflation expectations remain key upside risks to the inflation outlook.

We believe the hiking cycle is done, but the bar for cuts is high

The SARB has hiked by 475bp since November 2021…

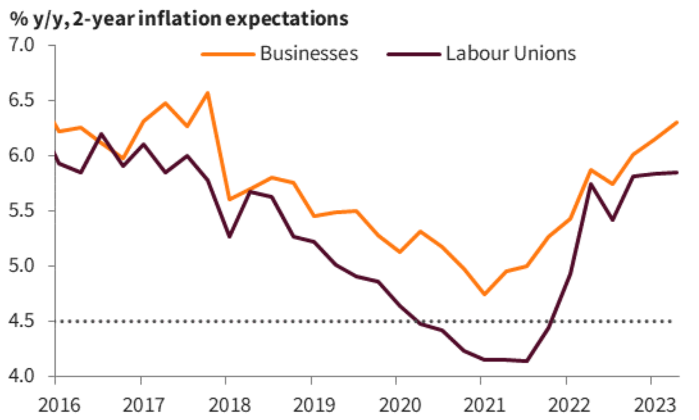
The series of overlapping upside price shocks over the past two years prompted a strong pivot from major central banks to shift their focus firmly to keeping inflation under control. Since the start of its tightening cycle, the SARB has hiked the repo rate at 10 consecutive MPC meetings by a cumulative 475bp, taking the repo rate to 8.25%. Critically, after the May hike, the SARB noted that the monetary policy stance had become 'restrictive'. At its July MPC meeting, the MPC kept the repo rate unchanged, pausing for the first time since November 2021. However, the overall tone of the July MPC statement and MPC member comments were decidedly hawkish, with strong emphasis on lingering upside risks to the inflation outlook and the high inflation expectations. Moreover, the decision to hold was a narrow 3:2 vote, with two MPC members preferring a 25bp hike. As an inflation targeting central bank, the cautious language from the SARB is to be expected, especially given the ongoing uncertainty. Notably, all major central banks continue to talk tough, likely in an effort to avoid a market-driven loosening of financial conditions.

Figure 15: Real interest rates have risen markedly



Source: SARB, BER, Absa Research

Figure 16: Inflation expectations are well above 4.5%

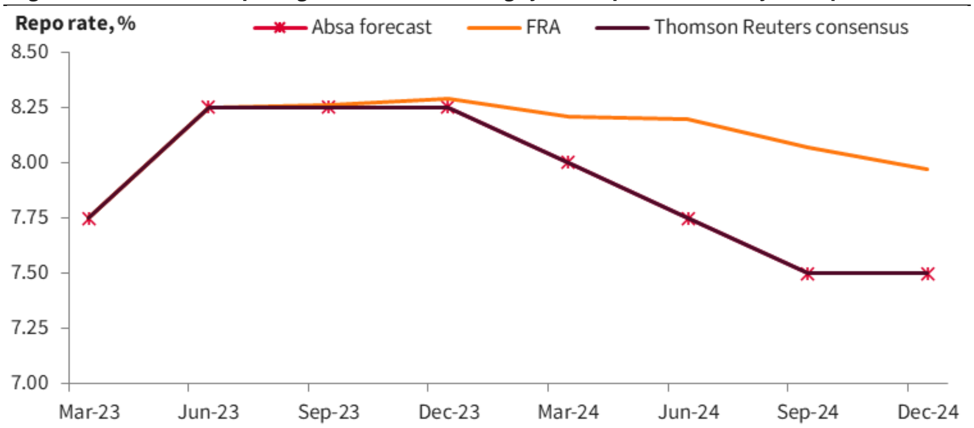


Source: BER, Absa Research

… but we believe the tightening cycle has now ended

Our Baseline view is that the SARB has reached the end of this hiking cycle and that the next move will be down. We expect the SARB to keep the repo rate on hold until the end of Q1 next year (Figure 17). As noted earlier, headline CPI inflation has continued to come down rapidly and the MPC could be looking at headline CPI prints of around 5% by the time of its September meeting. Furthermore, core CPI inflation has moderated slightly, suggesting that price pressures may not be broadening aggressively. At the start of the year, the SARB expected core CPI inflation to peak at 5.4% in Q2 this year. However, core inflation has surprised the central bank to the downside, easing to 5.0% in June and averaging 5.2% in Q2. Moreover, we believe the real repo rate (a more appropriate measure of monetary policy stance, in our view) will rise further in the coming months as inflation falls. According to the SARB's own method of calculating the real rate using CPI inflation one quarter ahead, the real repo rate is already at 2.95% (Figure 15). Absent another big upside inflation shock, the case for further interest rate hikes will get harder to build, in our view.

Figure 17: FRA market is pricing in a shallower cutting cycle compared with analysts' expectations*



**Absa forecast is the same as consensus until end of 2024, but consensus expects the repo to settle at 7.00% by 2025; FRA data as of 3 August 2023; Source: Refinitiv, Reuters Polls (July), Absa Research*

Elevated inflation expectations mean that the SARB will be in no hurry to cut rates

While we believe that the rate hiking cycle has topped out, we also think the SARB will not be in a hurry to cut interest rates. Inflation expectations, as measured by the BER's quarterly survey, have drifted higher and expectations of labour unions and businesses are now sitting around the upper end of the target range (Figure 16). We believe the MPC will want to see a clear turn in inflation expectations towards the mid-point of the target range. The ongoing uncertainty around the global interest rate path, particularly that of the Fed, will also likely be a key consideration. With sticky core inflation rates across advanced economies, further Fed tightening could place some pressure on the exchange rate. Moreover, despite weak economic growth, the SARB sees the output gap around zero, suggesting that the economy may not be in need of immediate policy support.

We have lifted our forecast for the terminal or neutral repo rate by 50bp to 7.50%

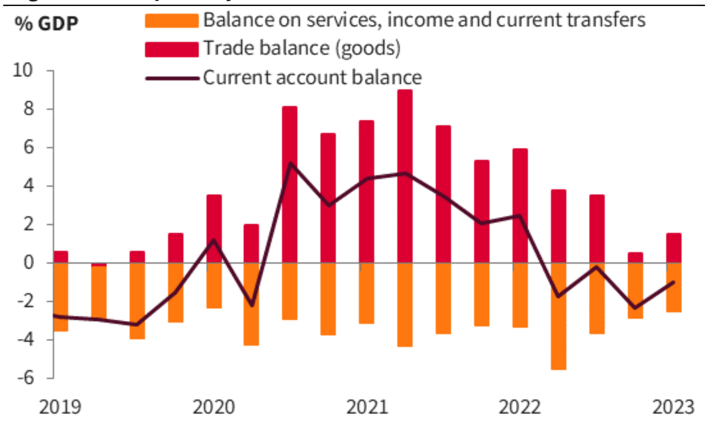
A further key question for monetary policy is where the terminal rate is likely to settle. Previously, we were of the view that the terminal nominal repo rate would be 7.00%. However, in a global environment where rates are expected to be higher for longer and where South Africa has gradually become a riskier investment amid weak economic growth and deteriorating fiscal metrics, we now believe that the terminal repo rate will be higher at 7.50%. The SARB's own calibration of its latest Quarterly Projection Model in July showed a neutral rate by 2025 that is about 20bp higher than in May, with the nominal repo rate by the end of 2025 at 7.17%.

Current account is set to widen further as commodity price tailwind fades

After narrowing in Q1 23, we expect the current account deficit to have widened to 2.9% of GDP in Q2 23

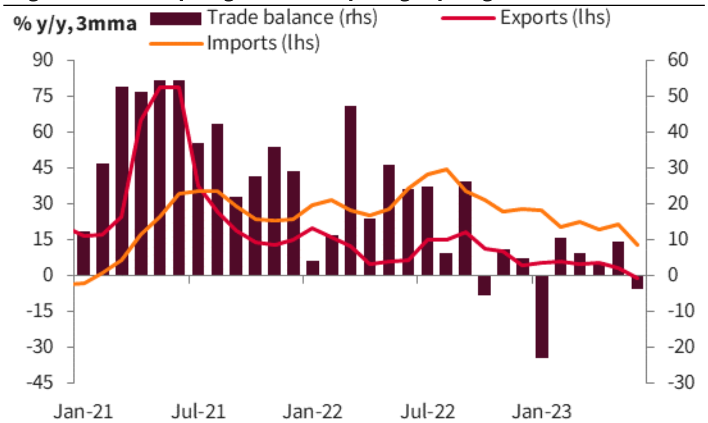
The current account deficit narrowed to 1.0% of GDP in Q1 from 2.3% in Q4 (Figure 18). However, this mostly reflected a 'one-off' normalisation of exports after Transnet declared two separate force majeures in October and November last year (see *South Africa: Current account deficit narrowed more than expected in Q1*, 8 June 2023). However, the deficit in net income payments, net service receipts and current transfers also improved in Q1, mostly driven by continued gradual improvements in net travel and transport receipts. In Q2, the current account deficit appears to have widened anew. Based on the monthly data published by the South African Revenue Service, the merchandise trade balance swung to an annualised deficit of R20.5bn in Q2 23 compared with an annualised surplus of R88bn in Q1 23. The SARB typically makes balance of payment adjustments to the SARS data so the final merchandise trade surplus that is reported in the Q2 balance of payments data may look slightly different from the SARS data. That said, we expect the current account deficit to widen to 2.9% of GDP in Q2 23.

Figure 18: The quarterly merchandise trade balance has deteriorated…



Source: SARB, Absa Research

Figure 19: …as import growth is outpacing export growth

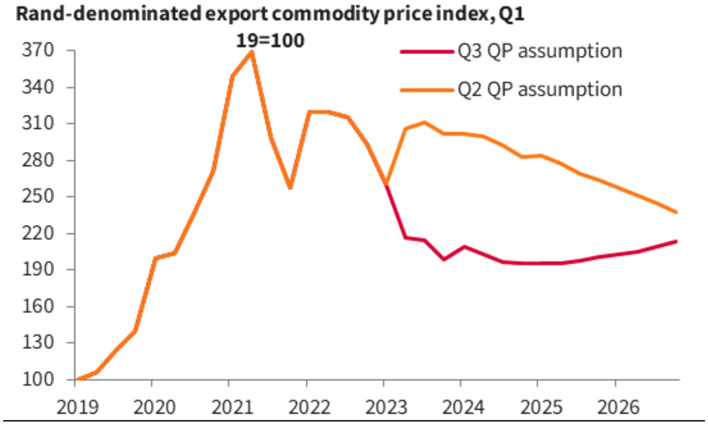


Source: SARS, Absa Research

Lower commodity prices and export bottlenecks in freight rail and port capacity will likely weigh on South Africa's current account balance

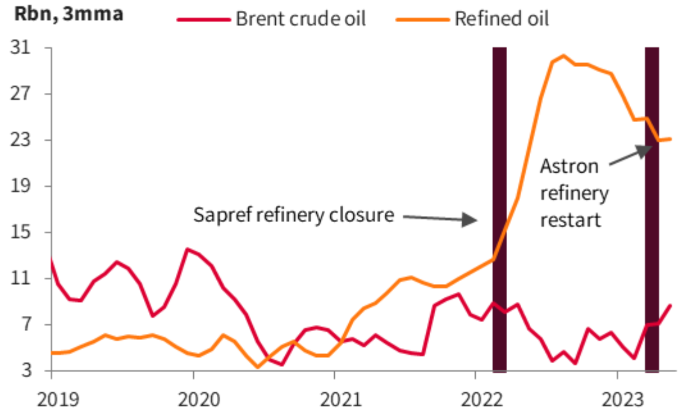
A variety of factors will drive the path of the current account. On the export side, commodity prices have been on a downward trend and are likely to fall further, according to the Bloomberg consensus for commodity prices, before improving somewhat from 2025 (Figure 20). External demand is likely to remain subdued as the IMF projects that global growth will ease from 3.5% in 2022 and stabilise at 3.0% this year and in 2024. Domestic bottlenecks including ongoing power cuts, rail woes and poor port performances bode ill for exports. We believe that South Africa is likely to retain duty free access for many export categories into the US under the African Growth and Opportunity Act (AGOA) but possible expulsion is a potential downside risk to export volumes. On the import side, gradually recovering domestic demand, renewables-related imports and the substitution of Brent crude oil imports with more expensive refined fuel products, given the closure of South African refining capacity (Figure 21), are likely to keep imports high. We expect the current account deficit to widen further over the forecast horizon. On an annual basis, we forecast that the current account deficit will widen from 0.5% of GDP in 2022 to 2.5% this year and 3.2% in 2024. South Africa will need foreign savings (or a repatriation of offshore assets) to finance its widening current account deficits.

Figure 20: Commodity price forecasts are sharply weaker



Source: Bloomberg, Absa Research

Figure 21: More expensive refined oil to keep the import bill elevated



Source: SARS, Absa Research

We expect the ZAR to consolidate most of its recent gains

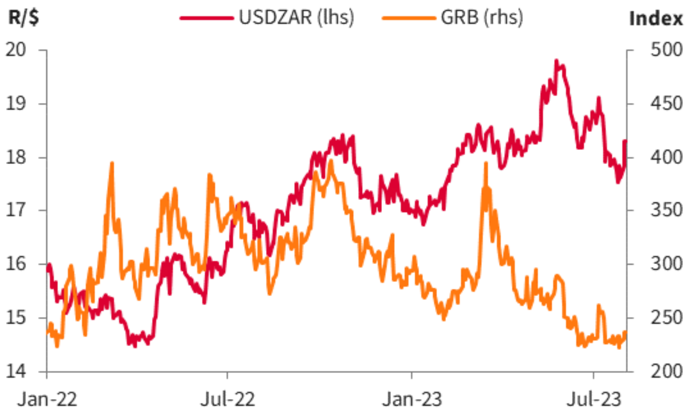
We are more constructive about the ZAR, but an extended exchange rate recovery will become increasingly difficult to achieve in the absence of improved capital flows

Global market volatility continues to moderate as global recessionary fears subside and central banks approach the peaks of their respective hiking cycles (Figure 22). The reduced risk aversion has resulted in a broad-based recovery of emerging market currencies against the USD in general. Meanwhile, on the local front, less intensive bouts of load shedding seem to have been supportive of the ZAR from a growth and inflation differential perspective. We also believe that local investors have been reducing their offshore exposure in recent months to remain within their prudential limits. These developments have more than offset the ongoing foreign selling of South African financial assets and the deterioration of the country's trade balance.

We expect the ZAR to end Q3 at 18.00 against the USD

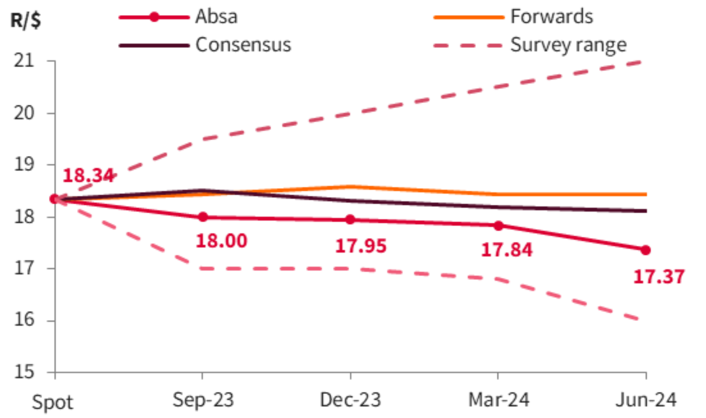
However, now that locals have rebalanced their offshore portfolios and given that we expect South Africa's current account deficit to widen as commodity prices soften, we believe that further ZAR strength will be difficult to achieve. Moreover, the exchange rate is no longer deeply undervalued, according to our valuation models. We also believe that foreign bond investors will remain reluctant to reinvest their sizable coupons in the coming months. Therefore, even though we now expect the ZAR to end the current quarter at R18.00/USD (previous *Quarterly Perspectives*: R18.50), we believe that the solid exchange rate recovery that has taken place in the wake of May's sharp sell-off has largely run its course. Our latest forecasts are more bullish than the prevailing Bloomberg consensus (Figure 23).

Figure 22: Global volatility levels are moderating



Note: A higher (lower) GRB index reading implies greater (less) global risk aversion. Source: Bloomberg, Absa Research

Figure 23: Comparative USDZAR projections



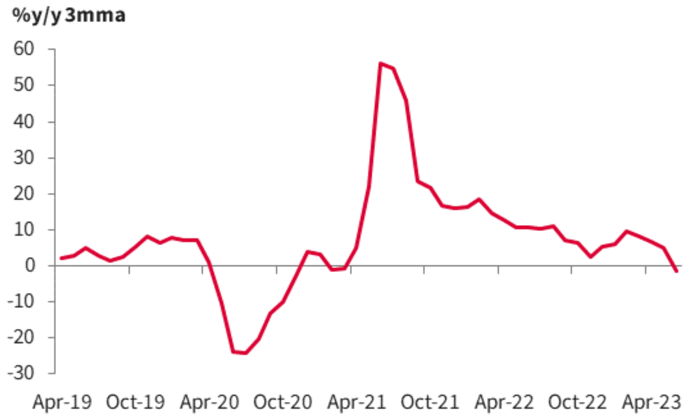
Source: Bloomberg, Absa Research

No real change in South Africa's challenging fiscal outlook

Tax collections are slowing

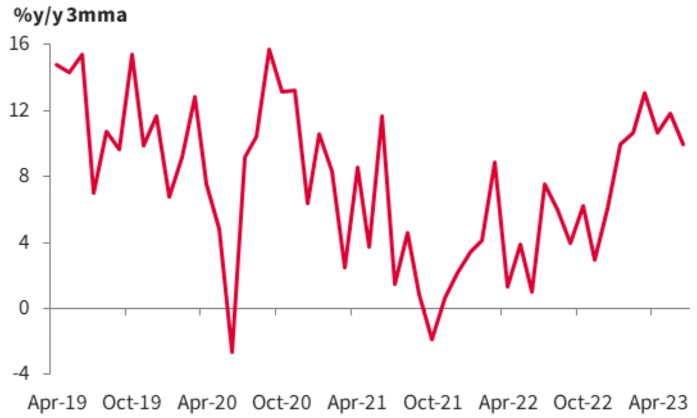
The National Treasury's budget data so far this fiscal year point to a widening budget deficit as a result of muted growth and falling commodity prices. This is broadly in line with our previous *Quarterly Perspectives* forecast. Although tax collections bounced back in May after a soft April, June proved weak again. For the quarter as a whole, corporate income tax (CIT) collections were down 22.5% on the previous year and VAT receipts were flat at 0.3% y/y. Personal income tax (PIT) collections saw 9.5% y/y growth in the April-June period, a respectable performance in the face of seemingly subdued wage growth, a tepid employment recovery and anecdotal reports of significant emigration of high net worth individuals. Nonetheless, overall tax collections now seem to have stalled (Figure 24), and given the muted growth prospects and commodity price outlook, we see little reason for a rapid recovery.

Figure 24: Tax collections have slowed…



Source: National Treasury, Absa Research

Figure 25: …but expenditure growth remains faster than inflation



Source: National Treasury, Absa Research

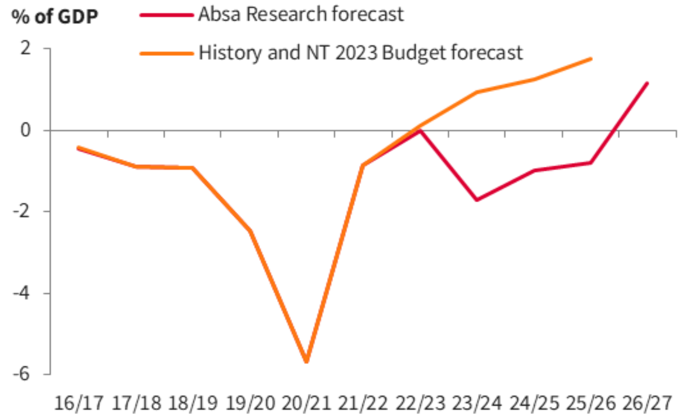
Upward spending pressures abound

Meanwhile, main budget expenditures continue to rise faster than inflation despite a sub-inflation wage settlement and were up almost 10% y/y in April-June (Figure 25). In addition, unbudgeted spending pressures abound. The government is currently being sued to substantially improve both the benefit level and eligibility criteria for the Social Relief of Distress grant to indigent individuals. Also, the government appears determined to save South African Post Office (SAPO), which is currently under business rescue proceedings, with the cabinet reportedly having approved further funding from the fiscus above the latest R2.4bn bailout in the 2023 Budget. SAPO has asked for an additional R3.8bn. As we have argued before, other loss-making state-owned companies may also present bailout demands that the NT and the government may have to accommodate. In particular, Transnet asked for R40bn at the October Medium Term Budget Policy Statement, but got only R5.8bn in the February budget. In June, it told the Parliament that its loan redemptions over the next five years would be R65bn, while its capex programme for the next five years would be about R100bn. This leaves it with a sizeable funding requirement, after operational cash flows are deducted. Overall, the above suggests that further bailout demands are likely unless the government embarks on a major effort to attract private capital into the rail and ports businesses. Finally, in June, the National Assembly passed the National Health Insurance Bill, whose implementation will also entail considerable fiscal spending. Quantifying this fiscal impact is difficult given the lack of detail in the legislation about how NHI is to be implemented.

Counting Eskom's debt relief above-the-line as expenditure suggests primary budget deficit averaging 1.2% of GDP out to FY25/26

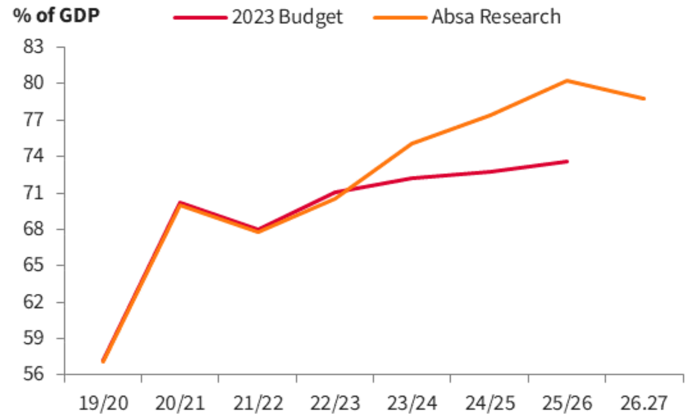
Overall, we maintain the broad view of our last *Quarterly Perspectives* that South Africa's fiscal position remains extremely challenging. We now forecast a revenue shortfall of R39bn compared with the 2023 Budget target. Counting Eskom's R254bn debt relief above-the-line as expenditure (a more meaningful approach in our view than the National Treasury's decision in the 2023 Budget to count the transfers below-the-line) suggests a main budget deficit of 6.6% of GDP in FY23/24 up slightly from our previous 6.3% forecast. Importantly, our approach suggests an average primary budget deficit of 1.1% of GDP in the three-year period of Eskom's envisaged staggered debt relief. Only in FY26/27, the primary budget balance will likely revert to a surplus (Figure 26).

Figure 26: Primary budget balance to remain in deficit until FY26/27



Source: National Treasury, Absa Research

Figure 27: Public indebtedness is likely to continue rising



Source: National Treasury, Absa Research

Public indebtedness will continue to rise and breach 80% of GDP, in our view

With South Africa's chronically weak GDP growth lagging the real interest rate on the government's debt obligations, stabilisation of the debt burden requires the government to run a primary budget surplus, and South Africa is unlikely to achieve this any time soon. Our debt forecast is materially higher than the NT's 2023 Budget estimates because our forecast incorporates some additional spending, lower revenues and tighter financing conditions. Although growth is likely to lift somewhat, so are the debt costs. In the 2023 Budget, the NT estimated that a 1 percentage point increase in short- and long-term interest rates increases the debt servicing burden by almost R6bn, or about 0.1% of GDP. As a consequence, we project debt to GDP to continue rising towards 81% of GDP (Figure 27).

Political uncertainty remains high in the run up to general elections in 2024

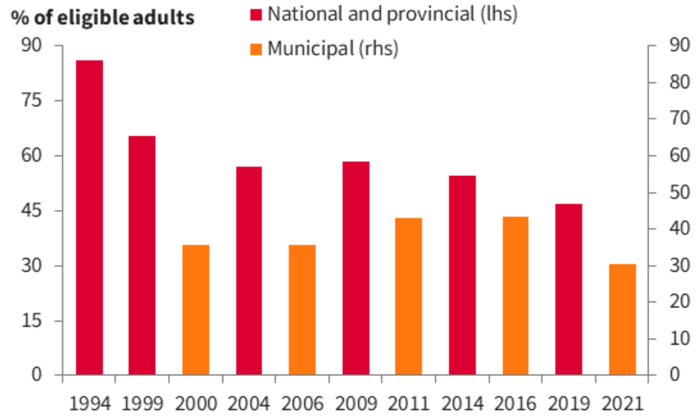
ANC vote shedding for load shedding?

As South Africa approaches national and provincial elections sometime roughly in the middle of next year, uncertainty about the outcome remains exceptionally high. An IPSOS/Inclusive Society Institute poll published in late April put the governing African National Congress (ANC) at 50% support, but the fieldwork was conducted as far back as late 2022. A more recent poll by the Social Research Foundation (SRF) based on fieldwork conducted in March this year put the ANC at 52% (based on 66% turnout) with the main opposition party the Democratic Alliance (DA) at 24% Economic Freedom Fighters (EFF) down at 6%, about the same level as the Inkatha Freedom Party. According to these polls, the ANC is likely to remain the largest party, but it may be in danger of losing its majority at the national level. Notably though, detailed poll data suggest that the ANC could lose its majority in two key provinces, Gauteng and KwaZulu-Natal. Notably, the SRF poll also found that the ANC's share of the vote was particularly vulnerable if load shedding continued.

The ANC is considering legislation to govern how coalition governments will function

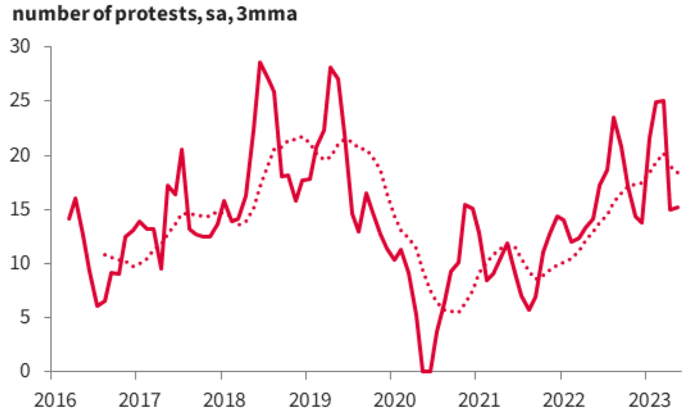
While polls may be a poor guide to the ultimate outcome this far ahead of the actual elections, a weak economy, ongoing corruption scandals, elevated crime and continuing load shedding could end up eroding the ANC's overall vote share from 57.5% in the 2019 general elections (versus the DA's 20.8% and the EFF's 10.6%). Given that a number of coalition governments at the municipal level have been ridden with instability, the government is planning a policy framework to manage coalitions. Meanwhile, the DA has secured the participation of six smaller opposition parties – excluding the EFF – to discuss in August an anti-ANC coalition cooperation ahead of the elections. However, some recent polls suggest that the majority of respondents want an ANC-DA 'grand coalition' rather than an ANC-EFF tie-up. The ANC's Secretary-General, Fikile Mbalula, recently suggested that the ANC's municipal coalitions with the EFF were failing, which some media reports interpreted as openness to the idea of a coalition with the DA if the ANC is unable to stitch together a workable majority with smaller parties. Ultimately, the outcome will depend on the precise electoral arithmetic on the election day itself and the political expediencies at the time.

Figure 28: Voter participation in elections has fallen steadily



Source: Electoral Commission of South Africa, Absa Research

Figure 29: Service delivery protests have trended higher since COVID-19



Source: Municipal IQ, Absa Research

South Africa's long-term political challenges are significant

South Africa's longer-term political prospects seem challenging unless the government is able to raise the quality of governance and service delivery, especially at the municipal level, and lift the pace of growth. Disaffection with the status quo seems to be on the rise as reflected by steadily falling voter engagement (Figure 28) and a post-COVID-19 rebound in service delivery protests (Figure 29). Anecdotal reports of elevated emigration of wealthy South Africans abound, while an alarmingly high youth unemployment rate of 62% is a particular concern for long-term social and political stability. The ANC has mostly steered clear of fully populist economic policies, but the risk of such an approach – for example on the social grants front – could increase as the ANC's popularity wanes.

We see more downside than upside risks around our Baseline forecasts

We continue to see more downside than upside risks around our Baseline forecast

The balance of risks around our Baseline forecast remains tilted to the downside. South Africa has deep socioeconomic challenges with no quick and easy solutions. While electricity remains an ongoing risk, the economy appears to be growing increasingly resilient against the power supply crunch. Some of this is captured in our revised Baseline. However, if the difficult socioeconomic conditions and upcoming elections lead to potential civil unrest, this could further disrupt economic activity and dampen business sentiment. Meanwhile, the supportive La Niña conditions of the last four years have given way to dryer El Niño weather conditions. While the El Niño effect is expected to be mild and brief, weather events are inherently uncertain, and a more severe and protracted period of dryer weather conditions would be damaging to the agricultural sector's output and could generate inflationary pressures.

South Africa's continued participation in AGOA is uncertain

Moreover, new risks have emerged. Allegations made by the US Ambassador in May that south Africa supplied arms to Russia generated an adverse market reaction and fanned concerns about potential sanctions and expulsion from the AGOA trade arrangement. While sanction-related concerns have abated, the country's participation in AGOA is a political decision and there is uncertainty about its future given the country's stance on the Russia-Ukraine war.

We present two alternative scenarios, with the Down scenario that is more deviated from our Baseline than the Up scenario

We present two alternative macroeconomic scenarios, which we term Up and Down in Figures 32 and 33. The Down scenario is significantly more deviated from our Baseline scenario with weaker growth, higher inflation, elevated interest rates and more challenging public finances. The Up scenario is only slightly better than our Baseline scenario. The non-asymmetric distribution of these forecasts reflects our belief that South Africa faces more downside risks than upside risks over the forecast horizon.

Figure 30: Our near-term growth forecasts are slightly stronger, but the overall growth outlook is still subdued

	2022				2023				2024									
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	2022	2023F	2024F	2025F	2026F	2027F
Output (% q/q sa)																		
Real GDP	1.5	-0.8	1.8	-1.1	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.5	1.9	0.7	1.6	1.7	1.8	1.9
Real GDP (%y/y)	2.3	0.2	3.9	1.3	0.2	1.3	-0.1	1.3	1.3	1.5	1.6	1.8	1.9	0.7	1.6	1.7	1.8	1.9
Household consumption	1.2	0.1	-0.1	0.7	0.4	0.0	0.1	0.1	0.3	0.4	0.4	0.5	2.5	1.0	1.1	1.5	1.6	1.8
Public consumption	0.9	-0.9	0.5	-0.7	1.2	-0.6	-0.6	-0.6	-0.1	0.5	0.1	-0.1	1.0	-0.1	-0.5	0.0	0.2	0.4
Investment	2.9	0.4	0.4	1.5	1.4	0.5	0.7	0.8	0.9	0.9	0.9	0.9	4.8	3.8	3.3	3.6	3.6	3.7
Exports	3.7	0.2	2.0	-3.2	4.1	1.2	0.5	0.4	0.4	0.4	0.5	0.5	7.4	4.0	1.9	2.1	2.4	2.5
Imports	6.2	4.9	0.2	-0.8	4.4	-0.1	0.3	0.3	0.4	0.4	0.5	0.5	14.9	5.3	1.4	1.6	1.6	1.9
Employment and wages																		
Employment, Δ '000s	370	648	204	169	258	7	15	20	-8	165	-54	38	1390	300	140	187	208	233
Unemployment rate, %	34.5	33.9	32.9	32.7	32.9	32.9	32.9	32.8	32.9	32.3	32.7	33.0	33.5	32.9	32.8	33.4	33.8	34.1
Average wage, %y/y	6.5	0.7	-5.4	-5.9	-4.2	3.0	4.3	7.3	6.3	6.7	5.5	5.1	-1.2	2.5	5.9	4.8	5.0	5.1
Prices (% y/y)																		
CPI	5.8	6.6	7.7	7.4	7.0	6.2	5.0	5.1	5.0	4.8	4.8	4.7	6.9	5.8	4.8	4.6	4.4	4.4
Core CPI	3.6	4.1	4.6	5.0	5.1	5.2	5.0	4.8	4.7	4.5	4.5	4.6	4.3	5.0	4.6	4.7	4.5	4.4
Food & NAB CPI	6.1	7.4	10.9	12.3	13.6	12.2	8.7	7.4	5.4	4.8	4.6	4.5	9.2	10.4	4.8	4.4	4.2	4.2
PPI	10.8	14.7	17.0	14.8	11.8	6.9	3.5	3.6	4.3	4.8	5.1	4.9	14.4	6.3	4.8	4.6	4.7	4.7
External and government accounts (% of GDP)																		
Current account	2.5	-1.7	-0.2	-2.3	-1.0	-2.9	-3.0	-3.1	-3.1	-3.1	-3.2	-3.2	-0.5	-2.5	-3.2	-3.3	-3.4	-3.5
Fiscal balance*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-4.6	-6.6	-6.1	-6.1	-4.0	-3.3
Primary balance*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	-1.6	-1.0	-0.8	1.2	1.7
Government debt*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70.6	75.2	77.8	80.9	79.6	77.8
Credit variables																		
Bank lending to corporates, % y/y	5.7	8.1	11.9	7.8	7.2	6.1	0.3	2.9	2.1	5.7	6.2	6.7	7.8	2.9	6.7	8.1	8.6	8.6
Bank lending to households, %y/y	6.1	6.9	7.2	7.5	7.2	6.5	5.2	4.3	3.6	4.2	4.6	4.8	7.5	4.3	4.8	5.4	5.5	5.6
Household debt, % of disp. Income	61.7	62.2	61.7	61.6	62.1	61.4	61.3	61.0	60.9	60.3	60.2	59.9	61.8	61.5	60.3	59.7	59.2	58.7
Household debt service, % of disp. Inc.	6.7	7.0	7.4	7.9	8.4	8.9	9.1	9.2	9.1	8.9	8.7	8.7	7.3	8.9	8.9	8.8	8.8	8.7
Interest rates (eop) and exchange rate (average)																		
Repo rate, % eop	4.25	4.75	6.25	7.00	7.75	8.25	8.25	8.25	8.00	7.75	7.50	7.50	7.00	8.25	7.50	7.50	7.50	7.50
Prime rate, % eop	7.75	8.25	9.75	10.50	11.25	11.75	11.75	11.75	11.50	11.25	11.00	11.00	10.50	11.75	11.00	11.00	11.00	11.00
USDZAR, avg	15.21	15.58	17.04	17.60	17.76	18.68	17.93	17.98	17.89	17.60	17.32	17.31	16.35	18.08	17.53	17.58	18.11	18.69

**For fiscal years starting 1 April, i.e., 2022 refers to the period from 1 April 2022 to 31 March 2023*

Source: Stats SA, SARB, SARS, National Treasury, Refinitiv, Absa Research

Figure 31: The biggest change in our assumptions relative to Q2 is on non-oil commodity prices

Variable	Absa Research assumptions	SARB assumptions (July 2023 MPC meeting)	General comments and risks to our assumptions
Key Global Economic Assumptions			
Global growth	We base our global growth assumptions on Bloomberg consensus. For G7, real GDP grows 1.0% in 2023 and 0.8% in 2024, while China's growth is 5.6% in 2023 and 4.6% in 2024. The IMF projects slightly weaker growth for China in 2023.	Growth of SA's major trading partners is projected to be at 2.5% in 2023 and 2.7% in 2024.	The Absa Research and SARB global growth assumptions are not strictly comparable.
Brent crude	We base our assumption for oil prices on the latest Bloomberg forecast. We assume an average of USD80/bbl in 2023 and USD85/bbl in 2024.	Brent to average USD81/bbl in 2023 and USD82/bbl in 2024.	Absa's crude price assumption is broadly in line with the SARB's for both 2023 and 2024.
Non-oil commodity prices	Using consensus-based inputs, our rand-denominated export commodity price index falls by 28.8% in 2023 and a further 9.6% in 2024.	The SARB does not reveal any specific commodity price assumptions. Instead, it assumes non-oil international commodity prices will fall by 27.6% in 2023 and 11.5% in 2024.	The Absa Research and SARB commodity price assumptions are not strictly comparable. South Africa's key export commodity prices may ease further but probably have some fundamental support.
Key Domestic Economic Assumptions			
Load shedding	We assume load shedding averages Stage 2.5 in H2 23 from 3.5 in H1, moderating further into 2024.	The SARB expects load shedding to average 280 days in 2023, before decreasing to 150 days in 2024	The trajectory for energy supply is the biggest uncertainty for the macroeconomic outlook.
Fuel taxes and levies	We assume a 10c/l rise in distribution margins each December and a 35c/l increase in the general fuel levy in April.	Taxes and levies on fuel are expected to rise by 1.9% and 2.4% in 2023 and 2024, respectively.	Given the pressures of elevated inflation, higher interest rates and load shedding, the government may consider a smaller increase in the fuel levy than what we have pencilled in.
Electricity prices	NERSA has guided for municipalities to implement a tariff increase of 15.1% in July 2023 and we estimate a further tariff hike of 10.2% in mid-2024. These translate to average increases of 11.8% in 2023 and 12.5% in 2024.	The SARB expects average electricity tariff increases of 11.6% in 2023 and 13.4% in 2024.	Our electricity tariff increase for 2024 is slightly lower than the SARB's.
Government wage rate	We expect government wage inflation of 5.1% for FY23/24 and 5.5% in the subsequent fiscal year.	The SARB does not publish its government wage rate forecast but it projects aggregate nominal wage inflation of 6.6% in 2023 and 6.1% in 2024.	The medium-term outlook remains highly uncertain given the shift to shorter-term wage agreements.
Government employment	We expect fiscal restraint to prevent any growth in public employment over the forecast period.	The SARB does not reveal any specific assumptions on government employment.	An active programme to downsize the public sector is unlikely, given union resistance.
Government consumption	We forecast real government consumption growth to contract by 0.1% and 0.5% in 2023 and 2024, respectively.	The SARB does not reveal any specific assumptions on government consumption.	The need to lower government indebtedness necessitates tight curbs on government consumption spending.
Potential growth	We base our assumption on the SARB's forecast for potential growth.	Potential growth is estimated at -0.1% for 2023 and 0.8% for 2024.	Assumptions about potential GDP growth and the output gap are tricky as they are not directly observable and can be affected by exogenous supply shocks.
Neutral real interest rate	Absa's model makes no explicit assumption about the neutral real interest rate.	The neutral real interest rate is estimated to be 2.5% in 2023 and 2.6% 2024.	There is big debate about where the neutral real interest sits, even within the SARB MPC.
Exchange rate	In Absa's macro model, our exchange rate is an exogenous input. Our baseline forecast for USDZAR generates an average NEER depreciation of 12.0% in 2023 and an appreciation of 0.2% in 2024.	The SARB's QPM model endogenously determines the exchange rate path, forecasting a NEER depreciation of 12.0% and 1.6% in 2023 and 2024, respectively.	The exchange rate is one of the key variables in any forecast, regardless of whether it is set as an exogenous assumption or is endogenously determined, as with the SARB's QPM. The volatility of the rand and the uncertainty about its path over the forecast horizon generate forecast risk.
Interest rates	We believe that the repo rate of 8.25% represents a peak. We see the SARB cutting rates only in 2024, leaving the repo rate at a terminal level of 7.50%.	The SARB's new QPM projects the repo rate at an average of 8.03% in Q4 23 and 7.41% in Q4 24.	We are more hawkish than the QPM for end-2023, but the QPM projections are only a guide – one of many inputs into the SARB MPC's decision.

Source: SARB, Refinitiv, Bloomberg, Consensus Economics, Absa Research

Figure 32: Our Up scenario sees much faster implementation of reform that lifts confidence and private sector investment

	2022				2023				2024									
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	2022	2023F	2024F	2025F	2026F	2027F
Output (% q/q sa)																		
Real GDP	1.5	-0.8	1.8	-1.1	0.4	0.6	0.5	0.5	0.4	0.5	0.5	0.5	1.9	1.0	2.0	2.2	2.3	2.4
H'hold consumption	1.2	0.1	-0.1	0.7	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.4	2.5	1.4	1.5	1.8	2.0	2.1
Investment	2.9	0.4	0.4	1.5	1.4	0.8	1.0	1.1	1.1	1.2	1.2	1.2	4.8	4.3	4.5	4.8	4.9	4.9
Prices (% y/y)																		
CPI	5.8	6.6	7.7	7.4	7.0	6.2	5.0	4.8	4.7	4.3	3.9	4.0	6.9	5.7	4.2	4.0	3.9	3.7
Core CPI	3.6	4.1	4.6	5.0	5.1	5.2	5.1	4.8	4.6	4.3	4.0	4.1	4.3	5.0	4.2	4.2	4.1	3.8
External and government accounts (% of GDP)																		
Current account	2.5	-1.7	-0.2	-2.3	-1.0	-2.6	-2.5	-2.7	-2.7	-2.7	-2.8	-2.8	-0.5	-2.2	-2.7	-2.9	-3.0	-3.2
Fiscal balance*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-4.6	-6.2	-5.6	-5.4	-3.5	-2.9
Government debt*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70.6	74.7	77.2	79.7	78.1	76.1
Interest rate (eop) and exchange rate (average)																		
Repo rate, % eop	4.25	4.75	6.25	7.00	7.75	8.25	8.25	8.00	7.50	7.25	6.75	6.50	7.00	8.00	6.50	6.50	6.50	6.50
USDZAR, avg	15.23	15.54	17.03	17.62	17.76	18.68	17.33	16.73	16.46	16.02	15.58	15.40	16.35	17.62	15.87	15.21	14.94	14.64

**For fiscal years starting 1 April, i.e., 2022 refers to the period from 1 April 2022 to 31 March 2023*
Source: Stats SA, SARB, SARS, National Treasury, Refinitiv, Absa Research

Figure 33: Our Down scenario assumes that most of the mooted electricity reforms are not implemented and that electricity shortages persist

	2022				2023				2024									
	Q1	Q2	Q3	Q4	Q1	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	2022	2023F	2024F	2025F	2026F	2027F
Output (% q/q sa)																		
Real GDP	1.5	-0.8	1.8	-1.1	0.4	-0.5	-0.3	0.1	0.2	0.2	0.2	0.2	1.9	-0.3	0.2	1.0	1.3	1.3
H'hold consumption	1.2	0.1	-0.1	0.7	0.4	-0.6	-0.4	0.0	0.1	0.2	0.2	0.3	2.5	0.2	0.2	1.2	1.2	1.4
Investment	2.9	0.4	0.4	1.5	1.4	0.1	0.4	0.5	0.5	0.5	0.5	0.5	4.8	3.3	1.9	2.1	2.2	2.2
Prices (% y/y)																		
CPI	5.8	6.6	7.7	7.4	7.0	6.2	5.6	5.9	6.3	6.7	6.7	6.8	6.9	6.1	6.6	5.9	5.4	5.4
Core CPI	3.6	4.1	4.6	5.0	5.1	5.2	5.1	4.9	5.1	5.2	5.4	5.7	4.3	5.1	5.3	5.4	5.1	5.2
External and government accounts (% of GDP)																		
Current account	2.5	-1.7	-0.2	-2.3	-1.0	-3.2	-3.3	-3.6	-3.7	-3.8	-3.8	-3.9	-0.5	-2.8	-3.8	-4.1	-4.2	-4.3
Fiscal balance*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-4.6	-7.3	-7.1	-7.4	-5.7	-5.3
Government debt*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70.6	76.8	80.7	85.0	85.2	85.0
Interest rate (eop) and exchange rate (average)																		
Repo rate, % eop	4.25	4.75	6.25	7.00	7.75	8.25	8.75	9.25	9.50	9.75	9.50	9.25	7.00	9.25	9.25	9.00	9.00	9.00
USDZAR, avg	15.23	15.54	17.03	17.62	17.76	18.68	19.54	19.25	20.04	20.07	19.91	20.08	16.35	18.81	20.03	20.84	22.19	23.60

**For fiscal years starting 1 April, i.e., 2022 refers to the period from 1 April 2022 to 31 March 2023*
Source: Stats SA, SARB, SARS, National Treasury, Refinitiv, Absa Research

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