Domestic economic developments

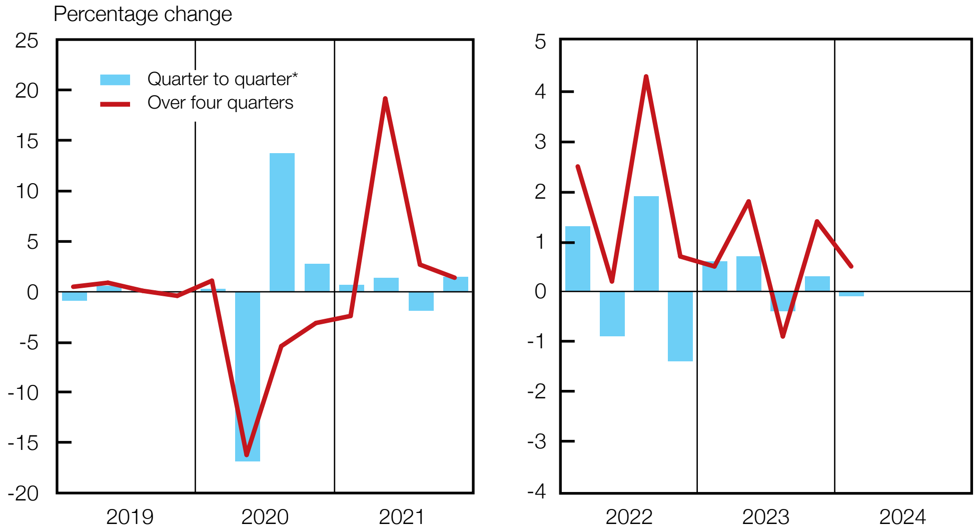
Domestic output[1, 2]

Economic activity in South Africa decreased slightly in the first quarter of 2024 as real *gross domestic product* (GDP) contracted by 0.1% following a revised expansion of 0.3% in the fourth quarter of 2023. The marginal decrease in real gross value added (GVA) reflected a contraction in the secondary sector and stagnant output in the tertiary sector. By contrast, the real output of the primary sector expanded further. The level of real GDP was 0.5% higher in the first quarter of 2024 than a year earlier.

1 The quarter-to-quarter growth rates referred to in this section are based on seasonally adjusted data but were not annualised, to conform to the official publication by Statistics South Africa (Stats SA).

2 The analysis in this section is based on a revised set of national accounts estimates from 2020 to 2023, after more detailed data became available.

Real gross domestic product



* Seasonally adjusted
Source: Stats SA

Real gross domestic product

Quarter-to-quarter percentage change at seasonally adjusted but not annualised rates

Sector	2023					2024
	Q1	Q2	Q3	Q4	Year*	Q1
Primary sector	-1.1	1.7	-8.4	0.8	-2.2	3.2
Agriculture	-4.6	3.4	-19.4	-2.4	-4.8	13.5
Mining	1.5	0.5	-0.7	2.6	-0.5	-2.3
Secondary sector	0.7	1.6	-1.4	0.3	-0.4	-1.5
Manufacturing	1.0	2.3	-1.3	0.3	0.3	-1.4
Construction	0.9	-0.2	-3.3	-1.5	-0.1	-3.1
Tertiary sector	0.8	0.3	0.6	0.3	1.2	0.0
Wholesale and retail trade, catering and accommodation	1.0	-0.5	-0.3	-2.8	-1.8	0.1
Finance, real estate and business services	0.8	0.4	1.1	0.8	1.6	0.1
*Non-primary sector***	*0.8*	*0.6*	*0.2*	*0.3*	*0.9*	*-0.3*
*Non-agricultural sector****	*0.8*	*0.6*	*0.2*	*0.4*	*0.8*	*-0.4*
Total	0.6	0.7	-0.4	0.3	0.7	-0.1

* Percentage change over one year
** The non-primary sector represents total GVA excluding agriculture and mining.
*** The non-agricultural sector represents total GVA excluding agriculture.

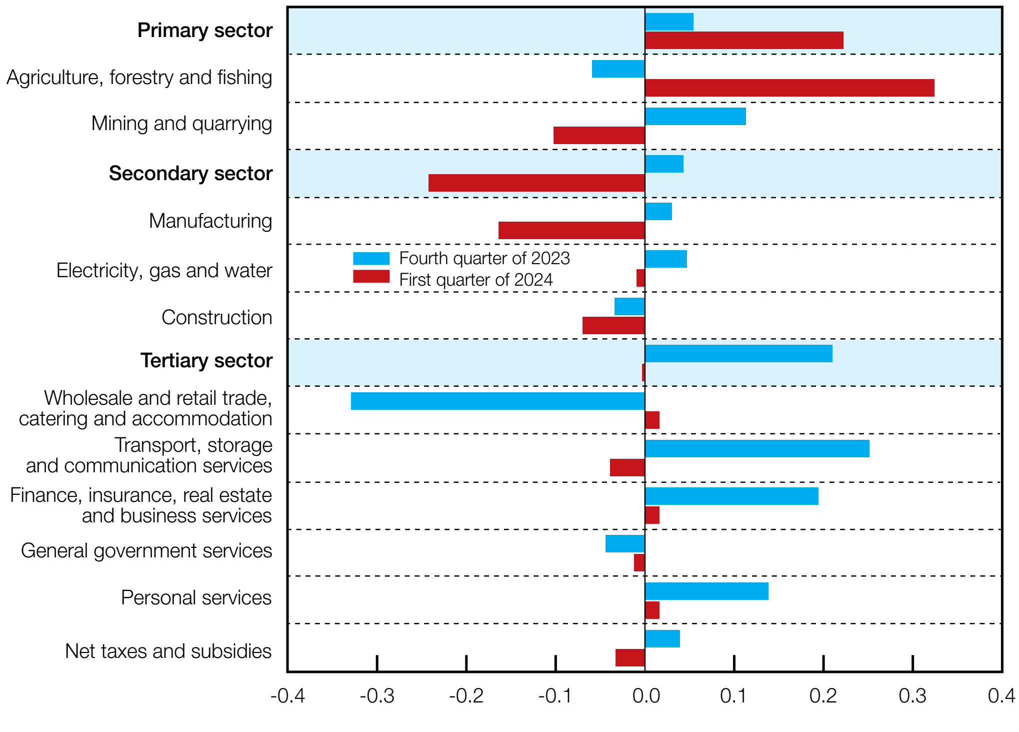
Source: Stats SA

The real output of the *non-agricultural sector* decreased by 0.4% in the first quarter of 2024 following an increase of 0.4% in the fourth quarter of 2023.

The real GVA by the *primary sector* expanded further by 3.2% in the first quarter of 2024 following a revised expansion of 0.8% in the fourth quarter of 2023. The increase resulted from the higher real output of the agricultural sector, while that of the mining sector decreased.

The real output of the *agricultural sector* expanded by 13.5% in the first quarter of 2024 following two successive quarterly contractions. The expansion in output was supported by the higher production of horticultural products. However, the level of real agricultural sector output in the first quarter of 2024 was 3.8% lower than in the corresponding period of 2023, weighed down by the persistent inefficient logistical networks, the lingering effects of animal diseases, rising input costs and global supply-chain disruptions related to geopolitical tensions.

Contributions to growth in real gross domestic product



Source: Stats SA

Despite a 1.9% increase in the estimated area planted, the expected commercial maize harvest of 13.3 million tons for the 2023/24 season is 19.0% lower than the final harvest of the 2022/23 season, largely due to adverse weather conditions attributed to the El Niño weather phenomenon.

Commercial maize crop and area planted

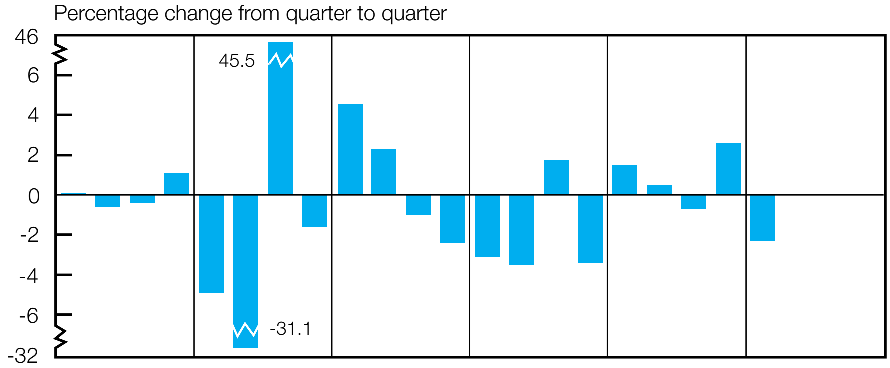
	Crop (million tons)	Area planted (million hectares)
2022/23: final..	16.4	2.59
2023/24: estimate..	13.3	2.64

Source: Crop Estimates Committee of the Department of Agriculture, Land Reform and Rural Development

Following an increase of 2.6% in the fourth quarter of 2023, the real output of the *mining sector* decreased by 2.3% in the first quarter of 2024 and deducted 0.1 percentage points from overall real GDP growth. Production decreased in 10 of the 12 mineral groups, particularly in platinum group metals (PGMs), coal, gold and manganese ore. The lower PGM production resulted largely from the closure of a shaft following a safety incident, along with lower PGM prices, while coal production continued to be impeded by electricity-supply disruptions and insufficient rail capacity. Gold production was weighed down by operational challenges, including a shaft closure and slower production ramp-up following the December 2023 shutdown at a large gold producer. By contrast, the production of iron ore increased in the first quarter of 2024 due to higher demand for steel in China.

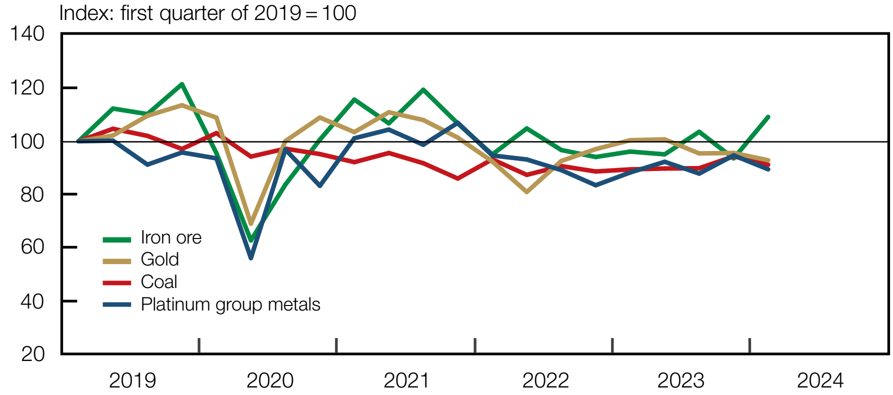
Real gross value added by the mining sector

Percentage change from quarter to quarter



Physical volume of mining production: selected subsectors

Index: first quarter of 2019 = 100



Seasonally adjusted

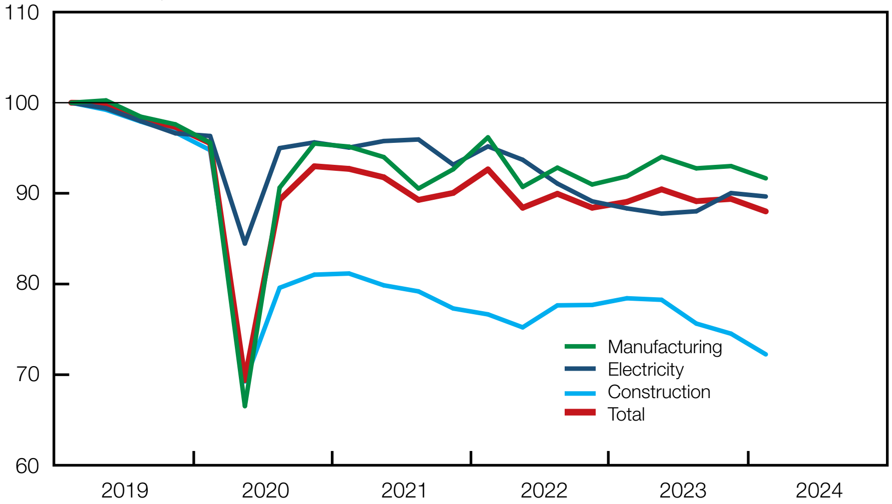
Source: Stats SA

Activity in the mining sector continued to be suppressed by factors such as high operating costs, the prevailing policy environment, inefficient rail and port infrastructure, generally lower commodity prices as well as electricity-supply disruptions. Following the decrease in the first quarter of 2024, the level of real mining output was 0.2% lower than in the corresponding period of 2023.

The real GVA by the *secondary sector* decreased by 1.5% in the first quarter of 2024 following an increase of 0.3% in the fourth quarter of 2023. The real output of the manufacturing as well as the electricity, gas and water sectors contracted anew, while that of the construction sector decreased further.

Real gross value added by the secondary sector

Index: first quarter of 2019 = 100



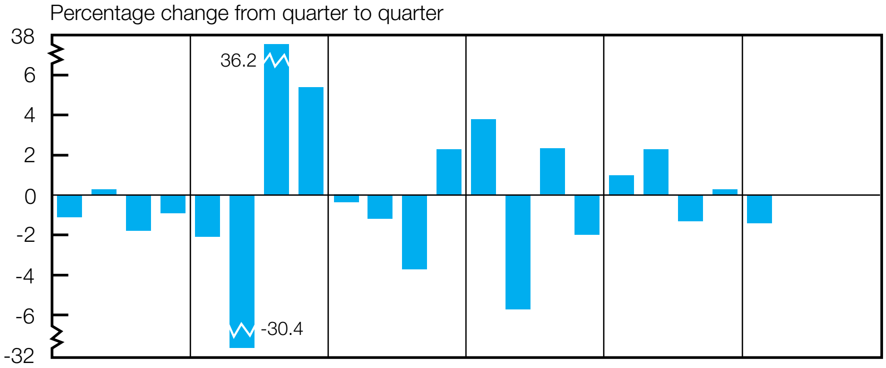
Seasonally adjusted

Source: Stats SA

The real output of the *manufacturing sector* contracted by 1.4% in the first quarter of 2024 and subtracted 0.2 percentage points from overall growth in real GDP. Production volumes decreased in 5 of the 10 manufacturing subsectors, particularly in those producing motor vehicles, parts and accessories as well as other transport equipment; basic iron and steel, non-ferrous metal products, metal products and machinery; furniture and other manufacturing; and textiles, clothing, leather and footwear. Conversely, the production of food and beverages as well as petroleum, chemical products, rubber and plastic products increased in the first quarter of 2024.

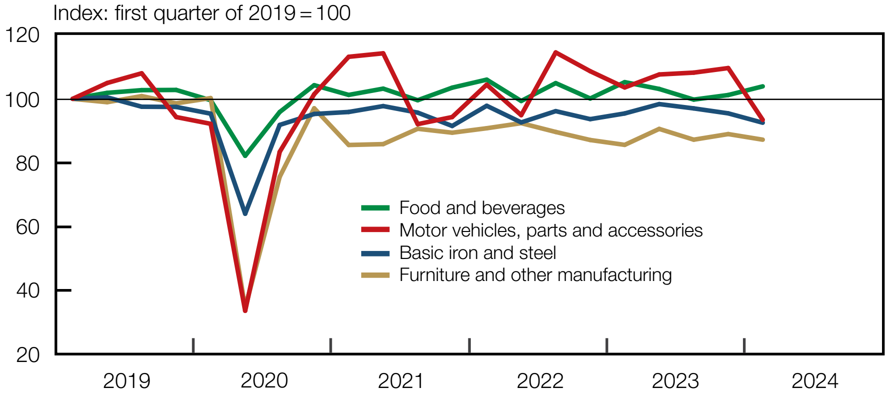
Real gross value added by the manufacturing sector

Percentage change from quarter to quarter



Physical volume of manufacturing production: selected subsectors

Index: first quarter of 2019 = 100



Seasonally adjusted

Source: Stats SA

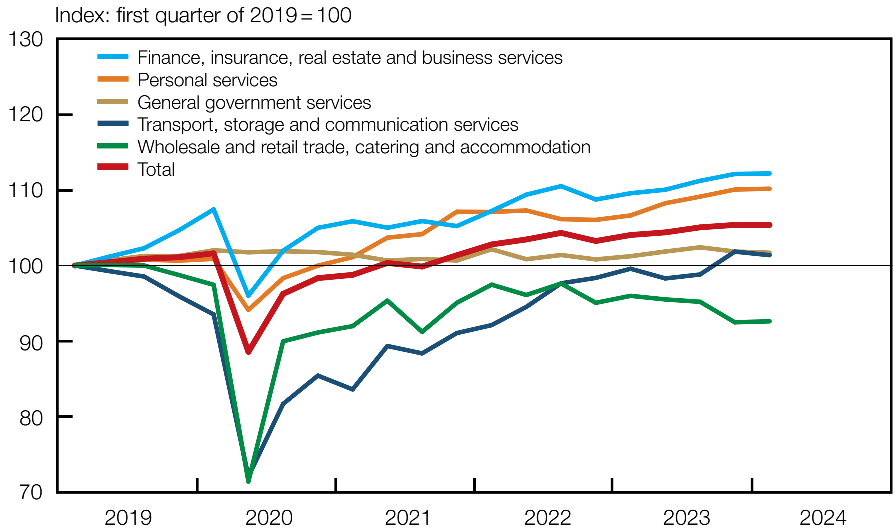
Consistent with the weak business confidence among manufacturers, the decline in manufacturing activity in the first quarter of 2024 reflected insufficient demand for manufactured goods as well as high operating costs associated with electricity-supply constraints and supply-chain disruptions. Nevertheless, the seasonally adjusted utilisation of production capacity increased slightly from 76.6% in November 2023 to 77.0% in February 2024.

Following two consecutive quarters of expansion, the real economic activity in the sector supplying *electricity, gas and water* contracted by 0.4% in the first quarter of 2024. The volume of both electricity produced and consumed as well as water consumption decreased over this period. The decline in electricity generated reflected weak demand from the electricity-intensive sectors and continued electricity load-shedding. The level of real output of this sector in the first quarter of 2024 was still 1.6% higher than in the corresponding period of 2023.

The real output of the *construction sector* decreased further by 3.1% in the first quarter of 2024, marking the fourth successive quarterly contraction, as residential building and civil construction activity decreased. Consequently, the sector's level of real output in the first quarter of 2024 was 8.7% lower than in the corresponding period of 2023.

The real GVA by the *tertiary sector* remained unchanged in the first quarter of 2024 following an expansion of 0.3% in the fourth quarter of 2023. Growth in real economic activity slowed in the personal services as well as the finance, insurance, real estate and business services sectors, while the real GVA by the commerce sector increased marginally. By contrast, the real output of the transport, storage and communication services as well as the general government services sectors contracted during the quarter.

Real gross value added by the tertiary sector



Seasonally adjusted
Source: Stats SA

The real output of the *commerce sector* increased slightly by 0.1% in the first quarter of 2024 following three successive quarterly contractions. Activity in the retail and motor trade subsectors contracted, while wholesale trade as well as catering and accommodation activity expanded. Retail trade was constrained by lower sales of textiles, clothing, footwear and leather goods; hardware, paint and glass; as well as the 'all other retailers' category. Motor trade activity was suppressed by lower sales of new and used vehicles, reflecting the effects of the higher interest rate environment, despite the moderation in vehicle price inflation. By contrast, the slight increase in the wholesale trade subsector resulted largely from higher sales of textiles, clothing and footwear.

The output of the commerce sector was adversely impacted by weak consumer demand due to lower real disposable income and elevated inflation. As a result, the level of real output in the commerce sector was 2.9% lower in the first quarter of 2024 than in the corresponding period of 2023.

The real GVA by the *transport, storage and communication services sector* contracted by 0.5% in the first quarter of 2024 following an expansion of 3.1% in the fourth quarter of 2023. The contraction resulted from reduced activity in road freight transportation and transport support services. By contrast, the number of passenger journeys undertaken by rail increased along with the reopening of major rail lines. In the first quarter of 2024, the real output of the transport, storage and communication services sector was 1.4% higher than in the corresponding period of 2023.

The real output of the *finance, insurance, real estate and business services sector* increased by 0.1% in the first quarter of 2024, as activity in the monetary intermediation, insurance and real estate subsectors increased slightly. Monetary intermediation activity reflected sluggish growth in income generated by banks through fees and other income in the first quarter of 2024. The level of real output in the first quarter of 2024 was 2.4% higher than in the corresponding period of 2023.

The real GVA by the *general government services sector* contracted further by 0.1% in the first quarter of 2024, alongside a decrease in the number of provincial government employees.

The real output of the *personal services sector* rose by 0.1% due to increased activity in health and education services. The level of real output in the first quarter of 2024 was 2.4% higher than in the corresponding period of 2023.

Real gross domestic expenditure[3, 4]

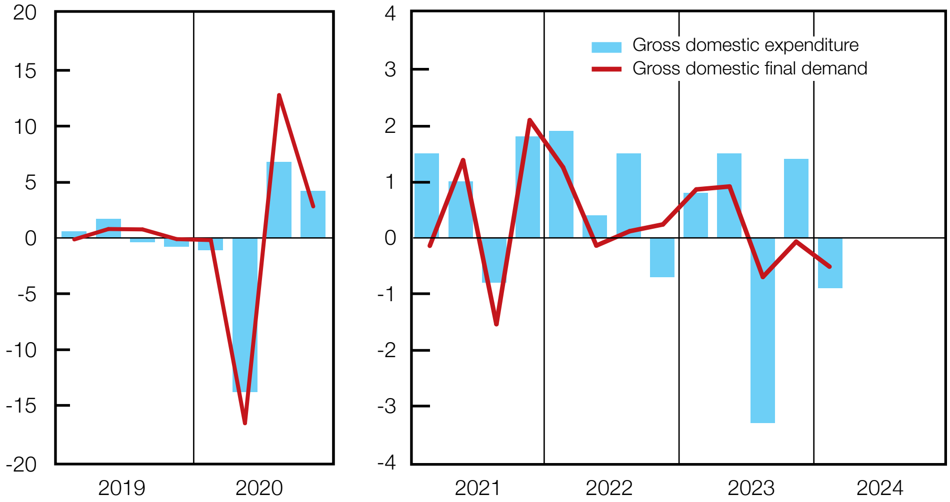
Real *gross domestic expenditure* (GDE) decreased by 0.9% in the first quarter of 2024 following an increase of 1.4% in the fourth quarter of 2023. All the components of real gross domestic final demand contracted in the first quarter of 2024, together with a de-accumulation in real inventory holdings. The level of real GDE in the first quarter of 2024 was 1.4% lower compared with the same period in 2023.

3 The quarter-to-quarter growth rates referred to in this section are based on seasonally adjusted data but were not annualised, to conform to the official publication by Stats SA.

4 The analysis in this section is based on a revised set of national accounts estimates from 2020 to 2023, after more detailed data became available.

Real gross domestic expenditure and final demand

Percentage change from quarter to quarter



Seasonally adjusted

Sources: Stats SA and SARB

Real gross domestic expenditure

Quarter-to-quarter percentage change at seasonally adjusted but not annualised rates

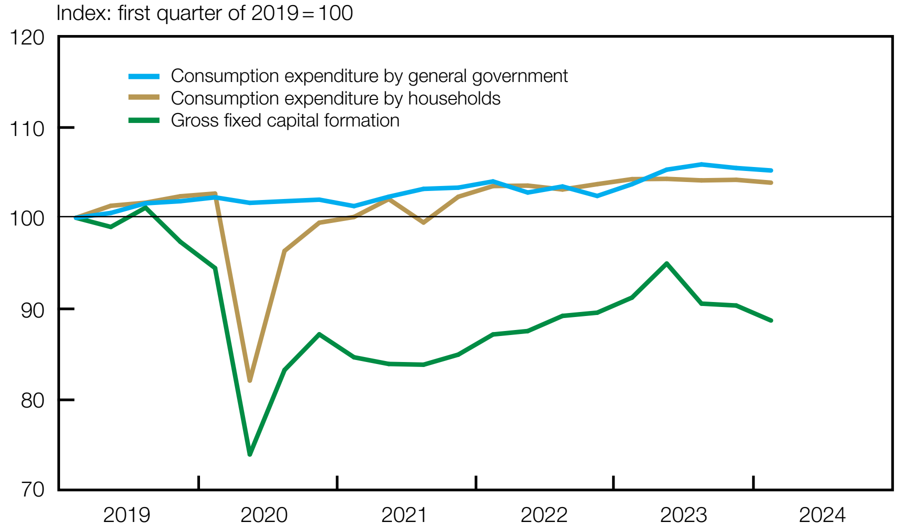
Component	2023					2024
	Q1	Q2	Q3	Q4	Year[1]	Q1
Final consumption expenditure						
Households	0.5	0.0	-0.2	0.1	0.7	-0.3
General government	1.3	1.5	0.5	-0.4	1.9	-0.3
Gross fixed capital formation	1.9	4.1	-4.7	-0.2	3.9	-1.8
Domestic final demand[2]	**0.9**	**0.9**	**-0.7**	**-0.1**	**1.4**	**-0.5**
Change in inventories (R billions)[3]	*52.9*	*77.5*	*-45.7*	*19.4*	*26.0*	*-5.5*
Residual[4]	*0.2*	*0.2*	*0.1*	*0.2*	*0.2*	*0.3*
Gross domestic expenditure[5]	**0.8**	**1.5**	**-3.3**	**1.4**	**0.8**	**-0.9**

1 Percentage change over one year
2 Comprises final consumption expenditure by households and general government as well as gross fixed capital formation
3 At constant 2015 prices; seasonally adjusted and annualised
4 The residual as a percentage of GDP
5 Including the residual

Sources: Stats SA and SARB

Components of real gross domestic final demand

Index: first quarter of 2019 = 100



Seasonally adjusted

Sources: Stats SA and SARB

The change in real inventory holdings subtracted the most from real GDP growth in the first quarter of 2024 at 0.5 percentage points, while real gross fixed capital formation and final consumption expenditure by households deducted a further 0.3 and 0.2 percentage points respectively. By contrast, real net exports contributed 0.9 percentage points to overall real economic growth in the first quarter of 2024.

The real *exports* of goods and services decreased by 2.3% in the first quarter of 2024 following an increase of 0.5% in the fourth quarter of 2023. The weaker foreign demand for mining products was broad-based, especially for precious metals (including gold, PGMs and stones). The real exports of manufactured goods decreased due to lower exports of vehicles and transport equipment, machinery and electrical equipment as well as chemical products. Conversely, higher exports of vegetable products boosted overall agricultural export volumes further in the first quarter of 2024.

Contributions of expenditure components to growth in seasonally adjusted but not annualised real gross domestic product

Percentage points

Component	2023					2024
	Q1	Q2	Q3	Q4	Year	Q1
Final consumption expenditure						
Households	0.4	0.0	-0.1	0.0	0.5	-0.2
General government	0.2	0.3	0.1	-0.1	0.4	-0.1
Gross fixed capital formation	0.3	0.6	-0.7	0.0	0.6	-0.3
Change in inventories	-0.1	0.5	-2.7	1.4	-0.6	-0.5
Residual	0.1	0.1	-0.1	0.0	0.0	0.1
Gross domestic expenditure	**0.8**	**1.5**	**-3.4**	**1.4**	**0.8**	**-0.9**
Net exports	-0.2	-0.8	3.0	-1.0	-0.1	0.9
Gross domestic product	**0.6**	**0.7**	**-0.4**	**0.3**	**0.7**	**-0.1**

Components may not add up to totals due to rounding off.

Sources: Stats SA and SARB

Real exports and imports of goods and services

Quarter-to-quarter percentage change*

Component	Exports			Imports		
	Percentage of total**	2023 Q4***	2024 Q1***	Percentage of total**	2023 Q4***	2024 Q1***
Total	100.0	0.5	-2.3	100.0	4.0	-5.1
Mining	39.7	-2.8	-4.5	19.5	24.4	-19.5
Of which:						
Mineral products	14.4	-3.0	-1.2	14.5	35.2	-27.2
Precious metals, including gold, platinum group metals and stones	12.3	-7.1	-10.1	1.1	5.0	4.0
Base metals and articles thereof	13.0	2.4	-2.5	4.0	-9.7	15.0
Manufacturing	36.5	0.4	-3.7	63.3	-3.2	2.0
Of which:						
Vehicles and transport equipment	11.4	-6.3	-6.3	13.6	-2.6	-12.9
Machinery and electrical equipment	7.4	-2.5	-2.2	25.9	-7.0	5.1
Chemical products	5.9	6.5	-5.5	10.1	6.4	7.3
Prepared foodstuffs, beverages and tobacco	4.8	11.8	1.1	2.1	-11.8	15.4
Agriculture	10.3	2.5	9.9	4.0	14.9	-13.6
Of which:						
Vegetable products	8.9	5.0	9.6	2.3	23.0	-21.9
Services	13.3	7.6	-0.8	13.0	3.8	-8.2

* Based on seasonally adjusted and annualised data
** Expressed as a percentage of the total in 2023
*** Not annualised
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

Sources: SARS, Stats SA and SARB

The real *imports* of goods and services decreased by 5.1% in the first quarter of 2024 following an increase of 4.0% in the fourth quarter of 2023. Mining import volumes contracted significantly as the sharp decrease in mineral products outweighed the increase in precious metals (including gold, PGMs and stones) as well as base metals and articles thereof. The real import volumes of agricultural products and services also decreased in the first quarter of 2024. By contrast, the increase in manufacturing imports was broad-based, as the import volumes of machinery and electrical equipment, chemical products as well as prepared foodstuffs, beverages and tobacco increased, while the real imports of vehicles and transport equipment decreased.

Contributions of real exports and imports, and of net exports of goods and services, to growth in seasonally adjusted but not annualised real gross domestic product

Percentage points

Component	Exports		Imports*		Net exports	
	2023 Q4	2024 Q1	2023 Q4	2024 Q1	2023 Q4	2024 Q1
Total	**0.1**	**-0.7**	**1.1**	**-1.5**	**-1.0**	**0.9**
Mining	**-0.3**	**-0.5**	**1.4**	**-1.4**	**-1.7**	**0.9**
Of which:						
Mineral products	-0.1	0.0	1.5	-1.5	-1.6	1.5
Precious metals, including gold, platinum group metals and stones	-0.3	-0.4	0.0	0.0	-0.3	-0.4
Base metals and articles thereof	0.1	-0.1	-0.1	0.2	0.2	-0.2
Manufacturing	**0.0**	**-0.4**	**-0.6**	**0.4**	**0.6**	**-0.7**
Of which:						
Vehicles and transport equipment	-0.2	-0.2	-0.1	-0.5	-0.1	0.3
Machinery and electrical equipment	0.0	0.0	-0.5	0.3	0.5	-0.4
Chemical products	0.1	-0.1	0.2	0.2	-0.1	-0.3
Prepared foodstuffs, beverages and tobacco	0.2	0.0	-0.1	0.1	0.2	-0.1
Agriculture	**0.1**	**0.3**	**0.2**	**-0.2**	**-0.1**	**0.5**
Of which:						
Vegetable products	0.1	0.2	0.1	-0.2	0.0	0.4
Services	**0.3**	**0.0**	**0.2**	**-0.3**	**0.1**	**0.3**

* A positive contribution by imports *subtracts from* growth and a negative contribution *adds to* growth.
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

Sources: SARS, Stats SA and SARB

Real *net exports* contributed 0.9 percentage points to real GDP growth in the first quarter of 2024, with mining and agricultural products contributing 0.9 and 0.5 percentage points respectively. The real net exports of mineral products contributed the most to real net mining exports. The lower real net exports of machinery and electrical equipment, chemical products as well as prepared foodstuffs, beverages and tobacco subtracted the most from overall real net manufacturing exports in the first quarter of 2024.

Real *final consumption expenditure by households* declined by 0.3% in the first quarter of 2024 following an increase of 0.1% in the fourth quarter of 2023. Real spending on durable goods, semi-durable goods and services contracted, while real outlays on non-durable goods increased. Consumption expenditure was suppressed by a decrease in the real disposable income of households in the first quarter of 2024, along with weak consumer confidence. The level of real final consumption expenditure by households was 0.4% lower in the first quarter of 2024 compared with the first quarter of 2023.

Real final consumption expenditure by households

Quarter-to-quarter percentage change at seasonally adjusted but not annualised rates

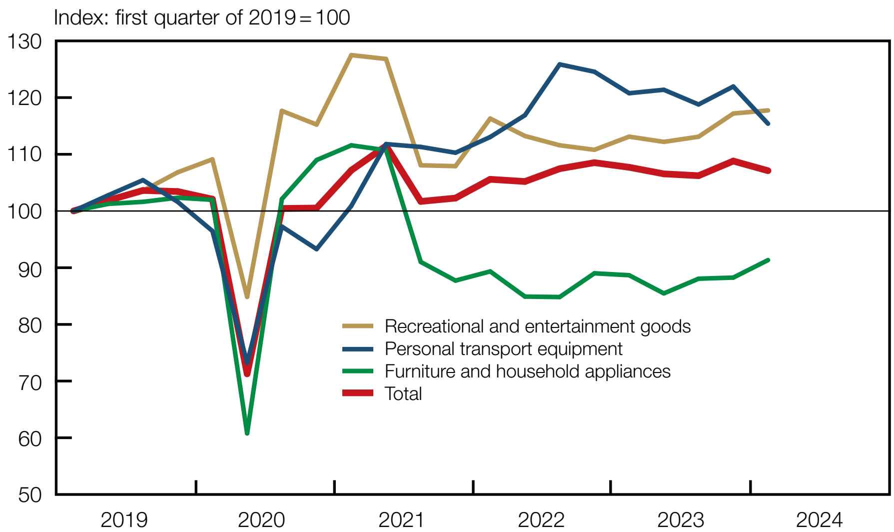
Category	2023					2024
	Q1	Q2	Q3	Q4	Year*	Q1
Durable goods	-0.8	-1.1	-0.3	2.4	0.6	-1.6
Semi-durable goods	2.7	-3.6	1.3	3.5	3.5	-4.1
Non-durable goods	0.3	0.1	-0.7	-1.6	-2.4	1.3
Services	0.5	0.9	-0.1	-0.1	2.1	-0.2
Total	**0.5**	**0.0**	**-0.2**	**0.1**	**0.7**	**-0.3**

* Percentage change over one year

Source: Stats SA

Real consumer outlays on *durable goods* decreased by 1.6% in the first quarter of 2024 following an increase of 2.4% in the fourth quarter of 2023. Real purchases of personal transport equipment decreased, while those of furniture and household appliances increased. Expenditure on computers and related equipment, on recreational and entertainment goods, and on other durable goods increased at a slower pace in the first quarter. Purchases of passenger vehicles were affected by high interest rates, weak consumer demand and lower disposable income, which also manifested in low business confidence among new vehicle dealers. Consequently, real final consumption expenditure on durable goods was 0.9% lower in the first quarter of 2024 compared with the same period in 2023.

Real final consumption expenditure by households on durable goods



Seasonally adjusted

Sources: Stats SA and SARB

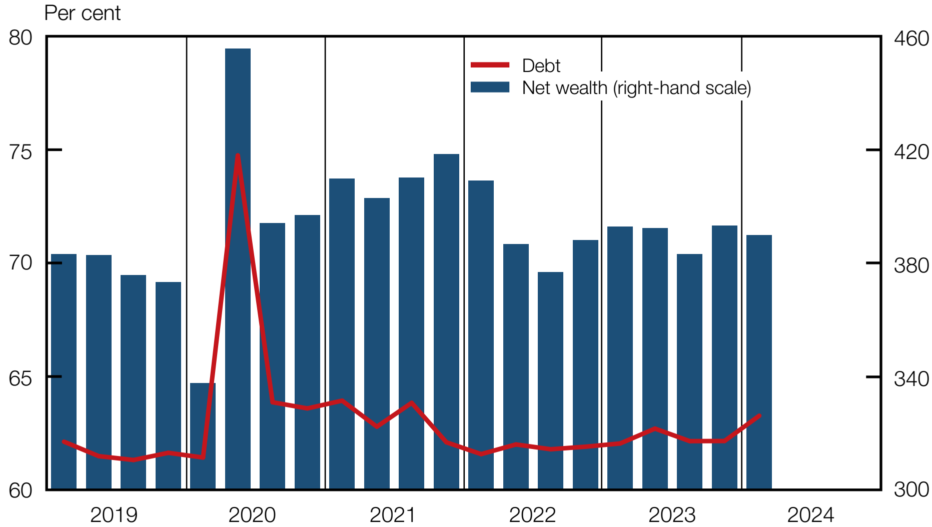
Real final consumption expenditure on *semi-durable goods* contracted by 4.1% in the first quarter of 2024 following an increase of 3.5% in the final quarter of 2023. Spending on clothing and footwear, on motorcar tyres, parts and accessories, and on miscellaneous goods decreased in the first quarter of 2024. By contrast, real spending on household textiles, furnishings, glassware as well as semi-durable recreational and entertainment goods increased over the same period.

Household spending on *non-durable goods* increased by 1.3% in the first quarter of 2024 following two successive quarterly contractions. The increase was mainly led by real consumer outlays on food, beverages and tobacco; household fuel, power and water; petroleum products; medical and pharmaceutical goods; and household consumer goods which reverted to increases in the first quarter of 2024.

Real household expenditure on *services* declined further by 0.2% in the first quarter of 2024 after contracting by 0.1% in the previous quarter. Real outlays on miscellaneous, medical as well as transport and communication services decreased in the first quarter of 2024, while spending on household services increased at a slower pace. By contrast, consumption expenditure on rent as well as recreational, entertainment and educational services increased in the first quarter of 2024. Real final consumption expenditure on services was 0.5% higher in the first quarter of 2024 compared with the corresponding quarter in the previous year.

Seasonally adjusted nominal *household debt* increased further in the first quarter of 2024 as most categories of credit extended to households increased. Household debt as a percentage of nominal disposable income increased to 63.3% in the first quarter of 2024 from 62.2% in the fourth quarter of 2023 as the increase in household debt exceeded that in nominal disposable income. Households' cost of servicing debt relative to disposable income edged higher to 9.2% in the first quarter of 2024 from 9.0% in the fourth quarter of 2023.

Household debt and net wealth as a ratio of disposable income



Seasonally adjusted
Source: SARB

Households' net wealth decreased in the first quarter of 2024 as the value of total assets decreased while that of total liabilities increased. The decline in total assets was due to the lower market value of equities, while the value of housing stock increased slightly. Consequently, the ratio of net wealth to nominal disposable income decreased from 393% in the fourth quarter of 2023 to 390% in the first quarter of 2024.

Real *final consumption expenditure by general government* contracted by 0.3% in the first quarter of 2024 following a contraction of 0.4% in the fourth quarter of 2023. Real spending on both non-wage goods and services as well as the compensation of employees decreased over the period. The level of real final consumption expenditure by general government in the first quarter of 2024 was 1.4% higher compared with the corresponding period in 2023.

Real *gross fixed capital formation* decreased further by 1.8% in the first quarter of 2024. This was the third consecutive quarterly contraction, which reflected reduced capital outlays by private business enterprises, while those by general government and public corporations increased. The level of real gross fixed capital formation in the first quarter of 2024 was 2.8% lower than in the corresponding period of 2023, reflecting continued weak business confidence amid a challenging operating environment.

Real gross fixed capital formation

Quarter-to-quarter percentage change at seasonally adjusted but not annualised rates

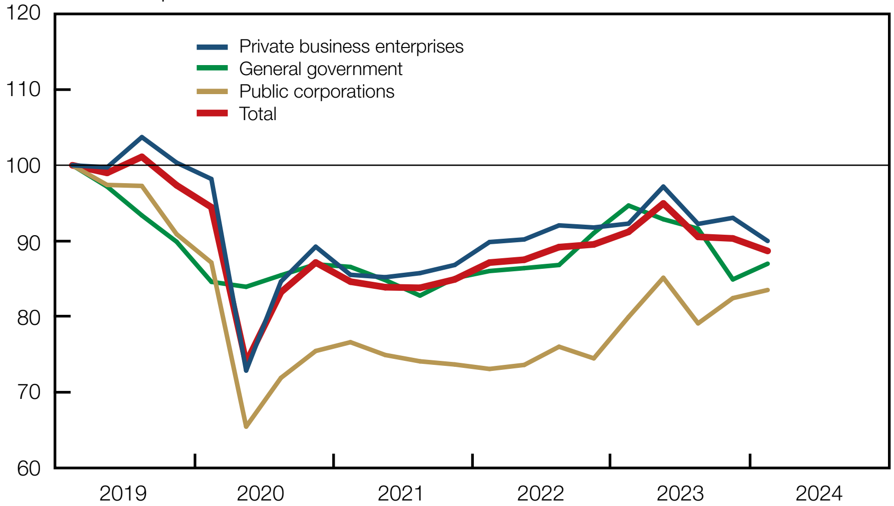
Sector	2023					2024
	Q1	Q2	Q3	Q4	Year*	Q1
Private business enterprises	0.6	5.3	-5.1	0.9	3.0	-3.3
Public corporations	7.3	6.5	-7.1	4.2	9.9	1.3
General government	4.0	-1.9	-1.3	-7.3	3.9	2.4
Total	**1.9**	**4.1**	**-4.7**	**-0.2**	**3.9**	**-1.8**

* Percentage change over one year

Source: Stats SA

Real gross fixed capital formation by type of organisation

Index: first quarter of 2019 = 100



Seasonally adjusted

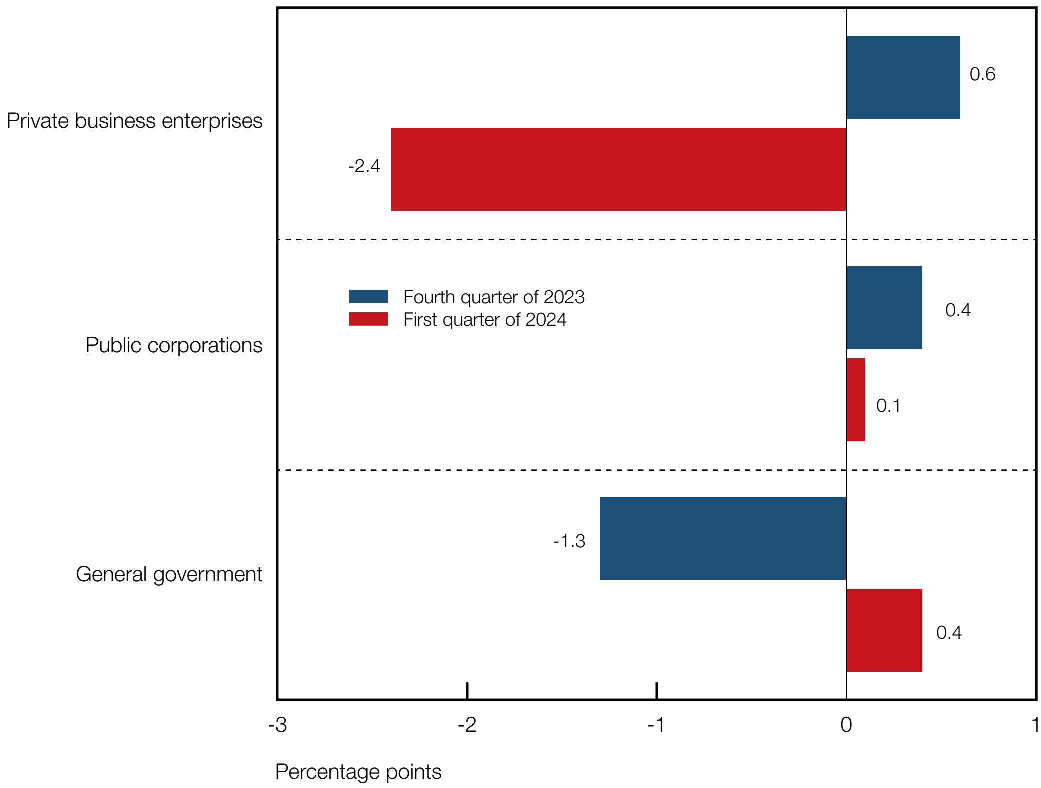
Source: Stats SA

Real gross fixed capital expenditure by *private business enterprises* decreased anew by 3.3% in the first quarter of 2024, subtracting 2.4 percentage points from growth in total real gross fixed capital formation. Reduced investment spending by the private sector was recorded in all the asset categories in the first quarter of 2024, except for transfer costs. As a result, the private sector's share of total nominal gross fixed capital formation decreased to 71.9% in the first quarter of 2024 from 73.0% in the fourth quarter of 2023. The level of real gross fixed capital investment by private business enterprises was 2.0% lower in the first quarter of 2024 compared with the corresponding period in 2023.

Real fixed investment by the *public sector* increased by 2.0% in the first quarter of 2024 after decreasing by 3.0% in the fourth quarter of 2023. The increase reflected higher capital spending by both general government and public corporations over the period.

Real capital spending by *public corporations* increased by 1.3% in the first quarter of 2024 following an increase of 4.2% in the fourth quarter of 2023, and added 0.1 percentage points to growth in total gross fixed capital formation. The increased capital outlays by public corporations reflected higher investment in non-residential buildings by state-owned companies (SOCs). As a result, public corporations' share of total nominal gross fixed capital formation increased marginally from 10.7% in the fourth quarter of 2023 to 11.0% in the first quarter of 2024.

Contributions to growth in real gross fixed capital formation



Source: Stats SA

Real gross fixed capital formation by *general government* increased by 2.4% in the first quarter of 2024 following a decrease of 7.3% in the fourth quarter of 2023. Increased investment was reported for machinery and other equipment, computer software as well as non-residential buildings in the first quarter of 2024. As a result, general government's share of total nominal gross fixed capital formation increased from 16.3% in the fourth quarter of 2023 to 17.2% in the first quarter of 2024.

Measured by asset type, real capital investment on all the asset categories decreased in the first quarter of 2024, except for non-residential buildings and transfer costs. Capital spending on machinery and other equipment as well as residential buildings subtracted 0.6 and 0.5 percentage points respectively from growth in total real gross fixed capital formation in the first quarter of 2024.

Real *inventory holdings* (at seasonally adjusted and annualised 2015 prices) decreased by R5.5 billion in the first quarter of 2024 following a revised increase of R19.4 billion in the previous quarter. The inventory de-accumulation recorded in the first quarter of the year contrasted with the build-up of R52.9 billion in the corresponding period of 2023 and subtracted 0.5 percentage points from overall real GDP growth. The de-accumulation of inventories in the first quarter of 2024 occurred mainly in the manufacturing and mining sectors. By contrast, the trade, transport, electricity, construction and finance sectors accumulated inventories over the same period.

Gross nominal saving

The *national saving rate* (gross saving as a percentage of nominal GDP) of South Africa remained unchanged at 12.7% in the first quarter of 2024. General government recorded a lower dissaving rate and households' saving rate increased marginally over this period, while corporate business enterprises' saving rate decreased. The share of total gross capital formation financed through foreign capital (the foreign financing ratio) also decreased, from 15.3% in the fourth quarter of 2023 to 8.5% in the first quarter of 2024.

Gross saving as a percentage of gross domestic product

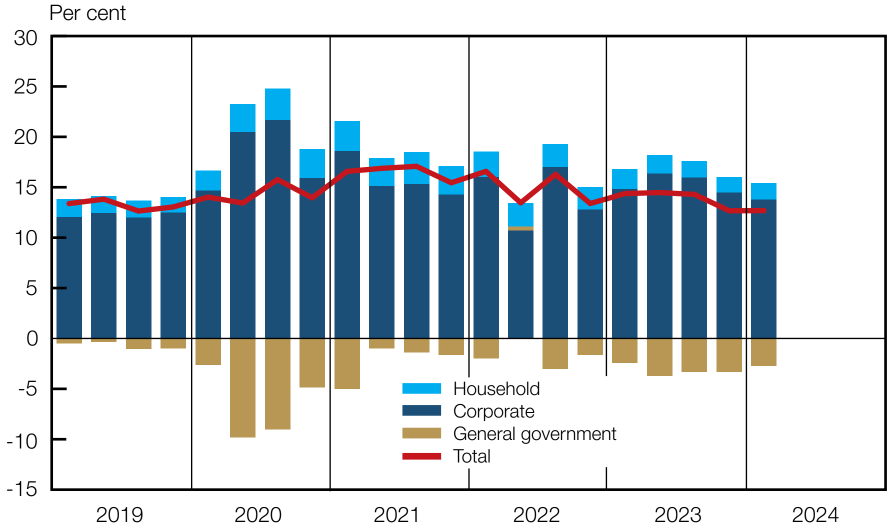
Ratio in per cent based on seasonally adjusted and annualised data

Sector	2023					2024
	Q1	Q2	Q3	Q4	Year	Q1
Corporate	14.8	16.4	16.0	14.5	15.4	13.8
General government	-2.4	-3.7	-3.3	-3.3	-3.2	-2.7
Household	2.0	1.8	1.6	1.5	1.7	1.6
Total	**14.4**	**14.5**	**14.3**	**12.7**	**13.9**	**12.7**

Source: SARB

Gross saving by the *corporate sector* as a percentage of nominal GDP decreased from 14.5% in the fourth quarter of 2023 to 13.8% in the first quarter of 2024 due to higher seasonally adjusted dividend payments. Dissaving by *general government* as a percentage of nominal GDP decreased to 2.7% in the first quarter of 2024 from a rate of 3.3% in the fourth quarter of 2023, as seasonally adjusted government revenue increased more than government expenditure. Gross saving by the *household sector* as a percentage of GDP increased slightly to 1.6% in the first quarter of 2024 from 1.5% in the final quarter of 2023, as the increase in seasonally adjusted nominal household disposable income marginally outweighed that in the nominal household consumption expenditure.

Gross saving as a percentage of gross domestic product

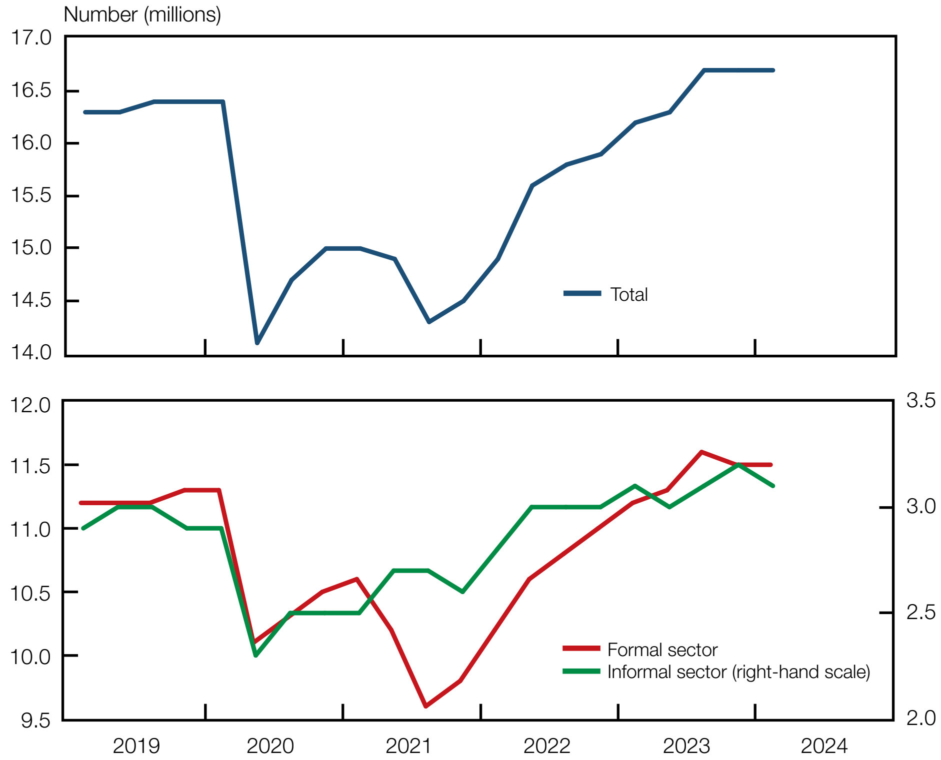


Sources: Stats SA and SARB

Employment

Total household-surveyed employment increased by 22 000 (0.1%) in the first quarter of 2024, essentially recovering the jobs lost in the fourth quarter of 2023, according to Statistics South Africa's (Stats SA) *Quarterly Labour Force Survey (QLFS).* Formal sector employment increased by 56 000 (0.5%) in the first quarter of 2024, driven by significant job gains in the wholesale and retail trade (109 000); manufacturing (100 000); and transport, storage and communication services (39 000) sectors. In addition, 21 000 (2.3%) more persons were employed in the agricultural sector and 44 000 (3.9%) more were employed by private households. By contrast, the informal sector employed 100 000 (3.1%) fewer persons over this period. The year-on-year pace of increase in total household-surveyed employment slowed further to 552 000 (3.4%) in the first quarter of 2024 from 789 000 (4.9%) in the fourth quarter of 2023, significantly below the recent peak of 1.5 million (10.4%) in the third quarter of 2022, as the strong post-coronavirus disease 2019 (COVID-19) recovery in employment appears to be losing some momentum.

Household-surveyed employment



Source: Stats SA

After decreasing by 3.7% in the first quarter of 2024, the seasonally adjusted number of new and renewed job postings on the Pnet web platform increased by 2.6% in April and May, on average, from the first quarter, which could support growth in employment opportunities in the near term. Nevertheless, the Pnet Job Market Trends Report[5] published in April 2024 noted a decrease in overall recruitment activity between February and March, possibly related to uncertainty ahead of the general elections in May. Encouragingly, however, hiring activity in the building and construction sector increased by 8.0% in the year to the first quarter of 2024 and by 7.0% in the architecture and engineering sector over the same period.

5 https://www.pnet.co.za/wp-content/uploads/2024/05/Pnet-Job-Market-Trends-Report_April24.pdf

Household-surveyed labour market statistics

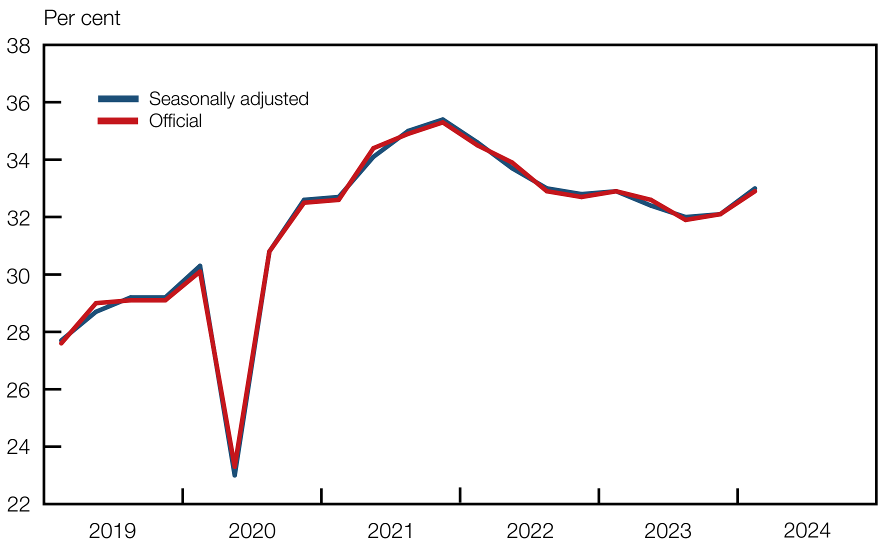
	Number (thousands)				Quarter-to-quarter change		Percentage change over four quarters
	2023			2024	2024 Q1		
	Q1	Q3	Q4	Q1	Number	Per cent	Per cent
a. Total employed	16 192	16 745	16 723	16 745	22	0.1	3.4
b. Total unemployed (official definition)	7 933	7 849	7 895	8 226	331	4.2	3.7
c. Total labour force (a+b)	24 125	24 594	24 619	24 971	352	1.4	3.5
d. Total not economically active	16 479	16 292	16 403	16 188	-215	-1.3	-1.8
e. Population 15–64 years (c+d)	40 604	40 886	41 022	41 158	137	0.3	1.4
f. Official unemployment rate* (b/c)*100	32.9%	31.9%	32.1%	32.9%	–	–	–
g. Discouraged	3 276	3 156	3 049	3 048	-1	0.0	-7.0
h. Other reasons for not searching for work	1 387	1 206	1 275	1 451	176	13.8	4.6
i. Expanded unemployment rate**	42.4%	41.2%	41.1%	41.9%	–	–	–

* Stats SA follows the ILO definition of calculating the official unemployment rate, which is internationally comparable.
** The expanded unemployment rate is calculated by Stats SA's in-house formula and is not internationally comparable.

Source: Stats SA

The total number of unemployed South Africans increased further by 331 000 (4.2%) in the first quarter of 2024 while the number of employed persons increased only by 22 000 (0.1%). As a result, the official unemployment rate increased from 32.1% in the fourth quarter of 2023 to 32.9% in the first quarter of 2024. Similarly, the seasonally adjusted unemployment rate increased from 32.1% to 33.0% over the same period.

Unemployment rate



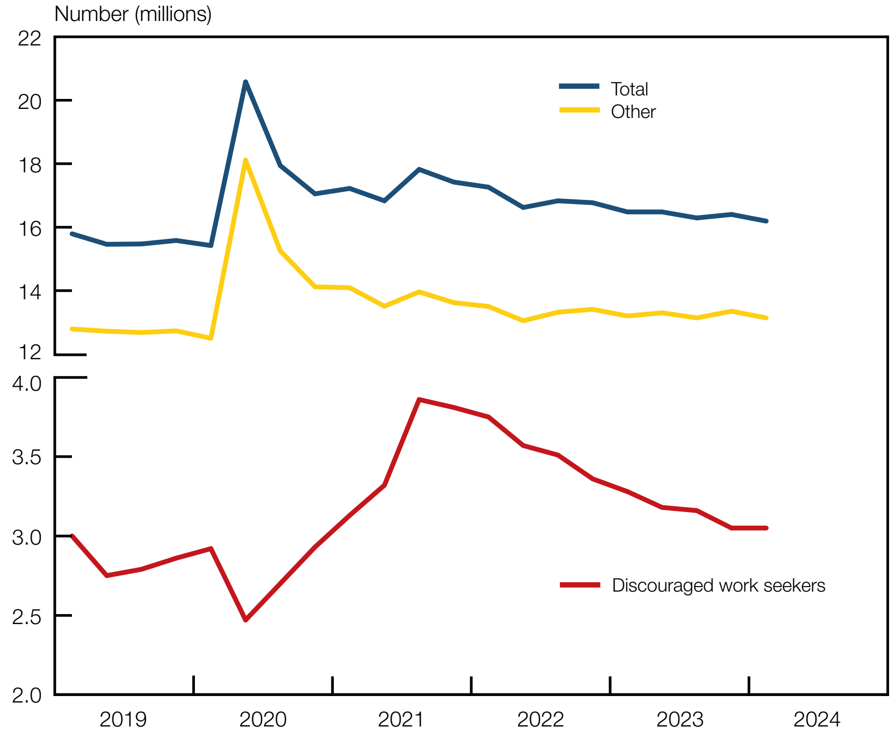
Sources: Stats SA and SARB

The total number of officially unemployed persons in the first quarter of 2024 comprised 42.9% of new entrants to the labour market followed by 28.2% of job losers and 21.8% of those who last worked five years ago, while re-entrants and job leavers accounted for only 4.2% and 2.9% respectively. The proportion of long-term unemployment (being unemployed for one year or longer) to total unemployment remained elevated at 75.2% in the first quarter of 2024 but has gradually been declining from a recent peak of 80.0% in the fourth quarter of 2021.

The youth unemployment rate (of those aged 15–24 years and actively searching for work) remained very high and increased slightly from 59.4% in the fourth quarter of 2023 to 59.7% in the first quarter of 2024. Similarly, the unemployment rate of those aged between 25 and 34 years increased from 39.0% in the fourth quarter of 2023 to 40.7% in the first quarter of 2024, while the share of young persons who were neither in employment, education or training (NEET) increased from 33.0% to 35.5% over the same period (equivalent to 3.6 million out of 10.3 million young persons). According to the International Labour Organization (ILO), the share of youth NEET globally is expected to increase marginally to 21.8% in 2024 and to remain at this rate in 2025.[6]

6 International Labour Organization, *World Employment and Social Outlook: Trends 2024,* Geneva: International Labour Office, 2024.

Not economically active population



Source: Stats SA

The not economically active population decreased by 215 000 (1.3%) persons in the first quarter of 2024, largely due to the decrease of 214 000 (1.6%) in the other[7] not economically active category, with the number of discouraged work seekers remaining broadly unchanged. Consequently, the expanded unemployment rate, which includes discouraged work seekers, increased from 41.1% in the fourth quarter of 2023 to 41.9% in the first quarter of 2024, following nine consecutive quarterly decreases. The ILO revised its estimate of the global jobs gap indicator[8] lower from 11.7% to 11.1% (453 million people) in 2023, suggesting an improvement in labour market conditions globally, although it remains high in historical terms.

7 The 'other' not economically active category includes students, homemakers, those too old or too young to work as well as those who are ill or disabled. Stats SA has also included those people who could not search for work due to the pandemic and lockdown restrictions since the second quarter of 2020 and those who did not search for work due to the civil unrest in the third quarter of 2021.

8 The jobs gap indicator is a novel indicator developed by the ILO, capturing all persons who would like to work but do not have a job. It incorporates all jobseekers and others who would work if they could. It is a useful complement to the unemployment rate as it provides a more comprehensive view of labour underutilisation. See https://webapps.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_627878.pdf

The labour force participation rate increased from 60.0% in the fourth quarter of 2023 to 60.7% in the first quarter of 2024, surpassing its most recent pre-COVID-19 peak of 60.3% in the first quarter of 2020. The ILO has noted that the labour force participation rates in most advanced economies for those in the prime working age group of 25–54 years and those aged 55–64 years had reached, or even surpassed, their pre-pandemic rates by the third quarter of 2023.[9] South Africa's labour absorption rate (the percentage of the working-age population (15–64 years) who are employed) decreased slightly from 40.8% in the fourth quarter of 2023 to 40.7% in the first quarter of 2024. The labour absorption rate recorded a historical low of 35.9% in the third quarter of 2021, as the effects of the COVID-19 lockdown restrictions were exacerbated by the civil unrests in July 2021, and it is still below its pre-COVID-19 level.

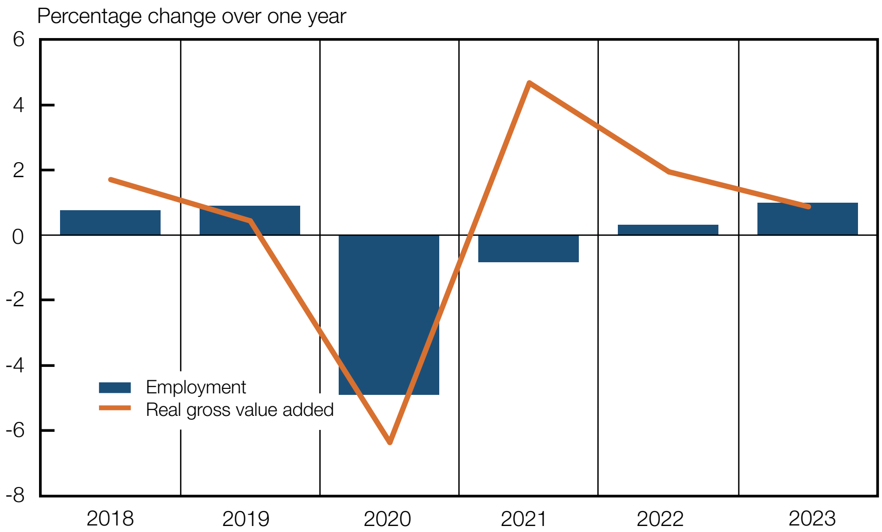
Enterprise-surveyed formal non-agricultural employment[10] decreased by a substantial 248 000 (an annualised decrease of 8.8%) in the fourth quarter of 2023 following four successive quarters of employment gains.[11] The decrease reflected a marked reduction in temporary public sector employment alongside a further decrease in private sector employment. Annual average formal non-agricultural employment increased at a slightly faster pace, from 0.3% in 2022 to 1.0% in 2023, in line with the muted growth in real non-agricultural gross value added.

9 L Feist, 'Imbalances between supply and demand: Recent causes of labour shortages in advanced economies', *International Labour Organization Working Paper 115,* Geneva: International Labour Office, 2024.

10 As measured by Stats SA's *Quarterly Employment Statistics* (*QES*) survey. The statistics in this section were seasonally adjusted by the South African Reserve Bank (SARB), and all quarterly growth rates are annualised.

11 The formal non-agricultural employment statistics analysed in this section were independently and statistically linked by the SARB following the recent sample change by Stats SA to preserve longer time series and avoid structural breaks. The accompanying Box 1 describes the SARB's linking methodology and the rationale underlying it.

Formal non-agricultural employment and output



Sources: Stats SA and SARB

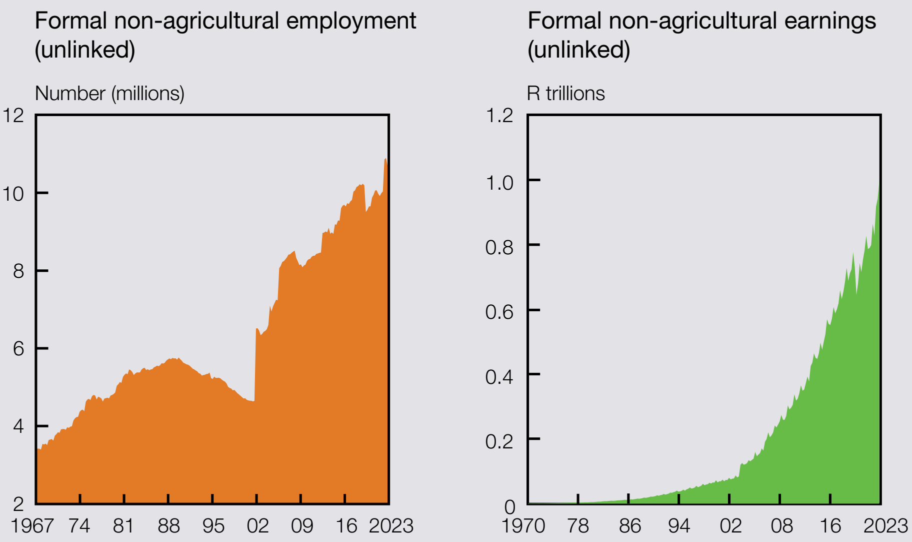
Box 1 Comparing the linking of enterprise-surveyed labour market statistics by Statistics South Africa and the South African Reserve Bank

Statistics South Africa (Stats SA), in line with international best practice, periodically updates its business register to reflect recent economic developments, incorporating improved coverage, such as the addition of new enterprises, the removal of dormant enterprises as well as reclassifications.

Stats SA's business register is the primary sampling frame from which all their economic sample surveys, including the enterprise-based *Quarterly Employment Statistics (QES)* survey, are drawn. The business register is a database containing information on all the businesses registered for income tax and value-added tax (VAT) with the South African Revenue Service (SARS).

These sample refreshes have caused several level shifts[1] in the *QES* survey statistics, resulting in structural breaks in the time series measuring formal non-agricultural employment and gross earnings.

1 Level shifts occurred in the third quarter of 2002, the fourth quarter of 2004, the second quarter of 2006 and the second quarter of 2013. From 2015 onwards, Stats SA began to draw annual samples, which resulted in structural breaks occurring in the second quarter of each successive year, except in 2020 and 2022, with the most recent one in the second quarter of 2023.



Not seasonally adjusted

Source: Stats SA

The analysis of economic indicators such as labour market statistics requires long time series, and structural breaks should be prevented where possible. The standard approach to preserving time-series continuity and consistency following a major change to a survey is to create linkages where the series breaks.[2] It is typically recommended that statistical agencies conduct parallel surveys for a few overlapping periods to enable data users to assess the impact of a survey change and to facilitate appropriate adjustments to the historical time series. However, there are no coordinated international guidelines or best practice on how to address structural breaks and the linking of time series. This increases the risk of varying linking methodologies, thus leading to different versions of the same time series being produced by different users and secondary data providers.[3]

Both Stats SA and the South African Reserve Bank (SARB)[4] statistically link the *QES* survey statistics to remove the structural breaks caused by the sample adjustments to ensure long and continuous time series of formal non-agricultural employment and gross earnings for the purposes of macroeconomic analysis and policy formulation. Both institutions' linking methodologies are based on a linking factor, calculated at the overlapping quarter where the series break occurs, which is used to adjust the data based on the old sample frame to the level based on the new sample frame.

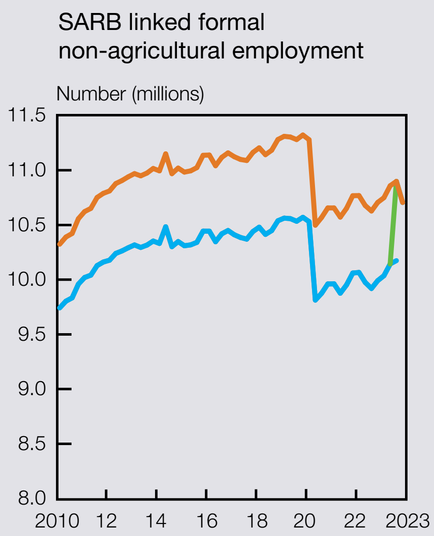
The main difference between the linking methodologies of Stats SA and the SARB relates to the period over which the linking factor is applied. The SARB applies the linking factor over the entire history of the time series, at each structural break, while Stats SA applies the linking factor only over the period since the previous structural break – which is similar to the method applied by the Bureau of Labor Statistics (BLS) in the United States (US).[5] However, the BLS method seems to be more appropriate when the level shifts have historically been fairly small, which is not the case for the *QES* survey, as the continuous process of improving the coverage of the survey due to an evolving business register has resulted in fairly large structural breaks. According to the BLS, their average annual benchmark revisions (level shifts) have historically been very small for total non-farming employment, ranging from -0.7% to 0.3%. By contrast, the structural breaks in the *QES* survey's formal non-agricultural employment have ranged from 5.9% in 2013 to 0.5% in 2019, with the most recent one amounting to 7.0% in 2023.

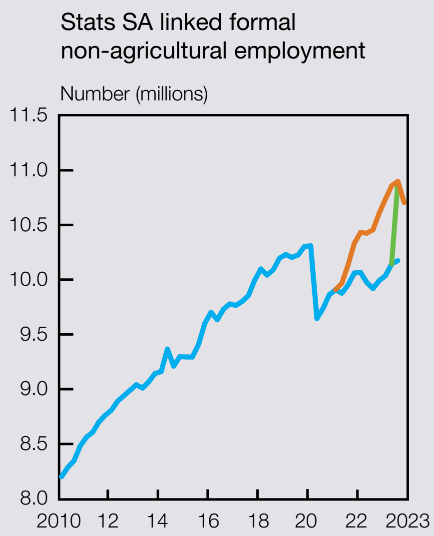
2 United States Census Bureau, 'The Impact of Classification Revisions on Time Series', *Economic Classification Policy Committee: Issues Paper No. 5,* Washington, D.C.: United States Census Bureau, 1993. https://www.census.gov/eos/www/naics/history/docs/issue_paper_5.pdf

3 R McKenzie, 'Country comments on OECD paper: Review of linking practices for the index of industrial production in OECD countries', paper presented at the Organisation for Economic Co-operation and Development (OECD) Short-term Economic Statistics Working Party (STESWP), Paris, 26–28 June 2006. https://www.oecd.org/sdd/fin-stats/36987634.pdf

4 See the box titled 'Statistical linking of formal non-agricultural employment and earnings time series' published in the March 2017 edition of the *Quarterly Bulletin* (*QB*), available at https://www.resbank.co.za/en/home/publications/publication-detail-pages/quarterly-bulletins/boxes/2017/7743.

5 C D Manning and J R Stewart, 'Benchmarking the Current Employment Statistics national estimates', *Monthly Labor Review,* October 2017, pp 1–8. https://www.jstor.org/stable/90015087





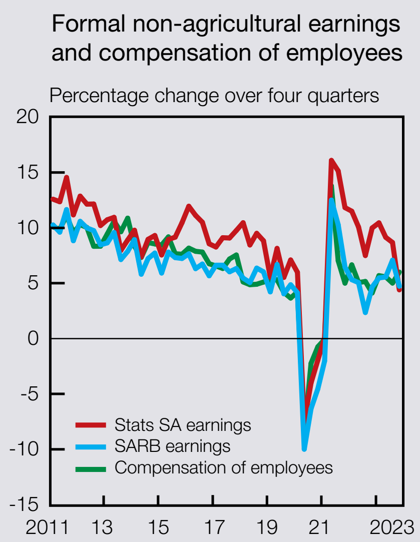
2023 sample
2021 sample
Level shift

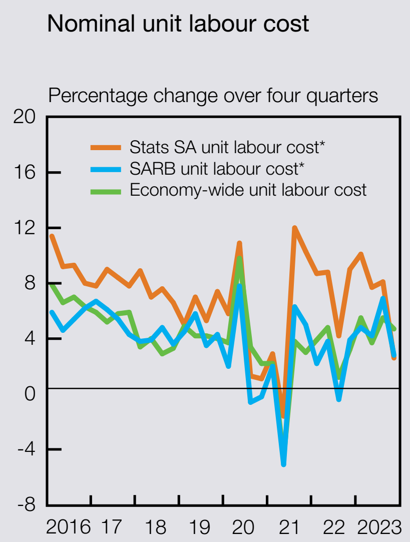
Not seasonally adjusted

Sources: Stats SA and SARB

The accompanying graphs show the linked total formal non-agricultural employment time series by both Stats SA and the SARB following the most recent sample change in the second quarter of 2023. This sample change resulted in an upward adjustment of 714 900 jobs in the level of employment and R84 million in gross nominal earnings.

Ideally, the most suitable linking method would ensure that the cyclical movement, seasonal pattern and long-term trend of the original time series are retained in the linked series, while also ensuring minimal revisions to historical growth rates. This is, however, not possible in practice, and the choice of a linking method usually involves a trade-off between these objectives.





Sources: Stats SA and SARB

* Formal non-agricultural sector

By applying the linking factor over the full history of the time series, the SARB implicitly assumes that only a small portion of the level shift resulted from growth in employment and earnings, with the bulk resulting from the improved quality of the business register and not new economic activity. While the SARB's linking methodology achieves most of the ideal linking objectives, it still results in a marginally steeper long-term trend in the linked time series. Despite this, a comparison between the year-on-year growth rates in formal non-agricultural earnings derived from the SARB's linked series and those calculated from the broader national accounts measure of 'compensation of employees' shows that these two indicators have tracked each other closely over time. The growth rates in both measures are, however, well below those in Stats SA's linked earnings time series.

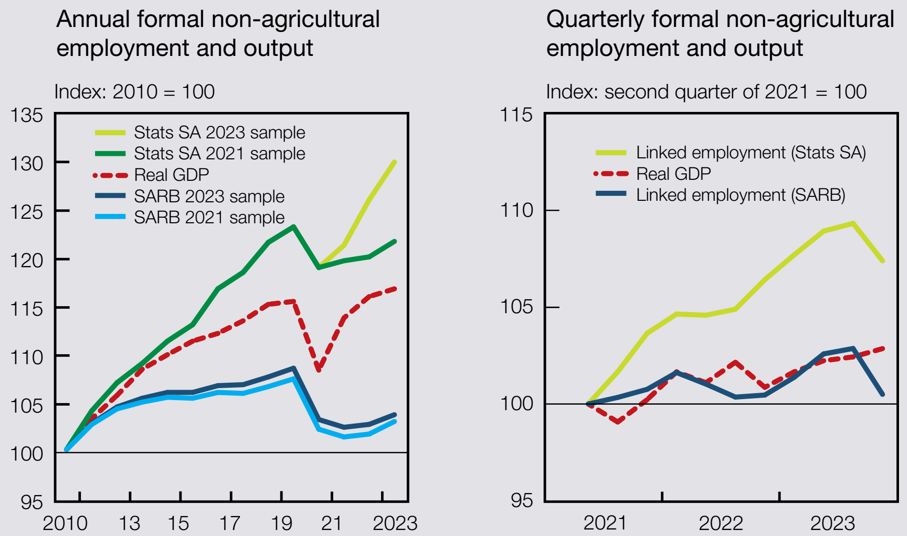
The SARB's linked statistics are also used to derive two important labour market indicators, namely labour productivity and unit labour cost (ULC) in the formal non-agricultural sector. Growth in the SARB's linked formal non-agricultural nominal ULC and growth in the economy-wide ULC, calculated with the compensation of employees, have historically correlated fairly well, with growth in both measures well below growth in formal non-agricultural nominal ULC calculated with Stats SA's linked earnings time series.

Formal non-agricultural earnings and compensation of employees

	Percentage change over four quarters		
	Stats SA's linked earnings	SARB's linked earnings	Compensation of employees
March 2020	6.0	4.1	4.2
June 2020	-7.5	-10.0	-8.7
September 2020	-4.0	-6.3	-2.2
December 2020	-1.9	-4.5	-0.7
March 2021	0.1	-2.0	-0.1
June 2021	16.1	12.5	13.8
September 2021	15.1	10.3	7.0
December 2021	11.8	6.5	5.0
March 2022	11.5	5.3	6.7
June 2022	10.1	5.1	5.1
September 2022	7.5	2.4	5.2
December 2022	10.0	4.7	4.1
March 2023	10.5	5.5	5.7
June 2023	9.1	5.6	5.6
September 2023	8.7	7.1	5.0
December 2023	4.4	4.7	6.0

Source: Stats SA

By applying the linking factor starting only from the previous sample change, Stats SA's linking methodology results in a much steeper long-term trend since the previous sample change, as it attributes the whole level shift to growth in employment and earnings without considering any qualitative improvements in the business register. This essentially builds an upward bias into the linked series, especially given the significant level shifts, which tends to overstate the growth rates in the time series since the previous sample change and distorts the cyclical movements.



Sources: Stats SA and SARB

The accompanying graphs depict the annual average level of real gross domestic product (GDP) together with the linked formal non-agricultural employment time series by both Stats SA and the SARB, based on the 2021 and 2023 sample frames. According to Stats SA's linked time series, formal non-agricultural employment generally increased at a much faster pace than real GDP. By contrast, the SARB's linked employment time series increased at a similar pace as real GDP over the past two years, from when the previous sample change occurred. The SARB's linked employment time series shows that 171 000 formal non-agricultural jobs were created between the second quarter of 2021 and the first quarter of 2023, compared to a significant increase of 786 600 jobs over the same period according to Stats SA's linked time series. This seems highly unlikely given the weak economic growth over this period, as the average quarterly growth rate in real GDP amounted to only 0.3% over this period.

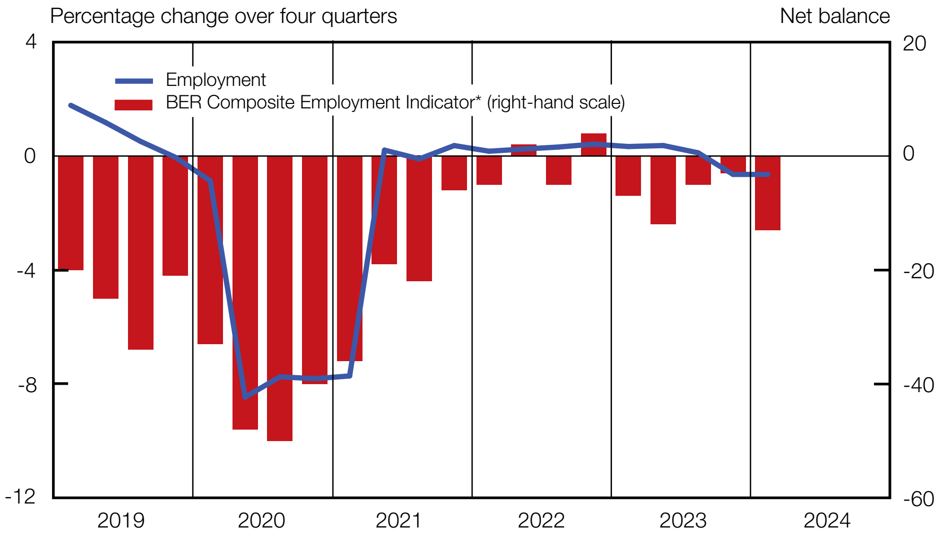
In addition, following the pandemic-related distortions in 2020 and 2021, year-on-year growth in formal non-agricultural nominal earnings recorded double-digit rates, ranging between 11.5% in the first quarter of 2022 and 10.5% in the first quarter of 2023, according to Stats SA's linked earnings time series. By contrast, growth in nominal earnings was between 5.3% and 5.5% over the same period according to the SARB's linked series, which is in line with the 4.7–5.9% range in the compensation of employees measure.

Changes in the business register are typically reflected in the differences between the frames as there is much variation in the sampled units, which contributes to the size of the level shifts caused by the sample adjustments. Objectively, random samples are drawn for smaller and medium enterprises, while large enterprises are completely enumerated. The level shifts are therefore most likely a reflection of qualitative differences resulting from the updated business register rather than actual growth in employment and gross earnings, as Stats SA's linked time series does not seem to align well with other macroeconomic indicators.

Public sector employment decreased significantly by 206 400 (28.5% annualised) in the fourth quarter of 2023, eroding much of the 272 000 jobs gained in the first three quarters of the year. This decrease mostly reflected the end of employment contracts related to Phase IV of the Presidential Youth Employment Initiative (PYEI), particularly in the basic education sector. Employment decreased in all public sector tiers in the fourth quarter, except at local governments. Annual average growth in public sector employment increased notably from 0.4% in 2022 to 4.5% in 2023, as significantly more temporary work and training opportunities were awarded as part of the PYEI.

Private sector employment decreased further by 41 600 (2.0% annualised) in the fourth quarter of 2023, with job losses recorded in five of the eight private subsectors. The goods-producing sectors collectively shed 21 200 jobs in the fourth quarter, with job losses predominantly registered in the manufacturing (14 700) and construction (10 000) sectors. Similarly, employment in the private services sectors decreased by 20 400, mostly in the finance, insurance, real estate and business services sector (24 700), while the trade, catering and accommodation services sector recorded an increase of 10 600 jobs. On an annual average basis, private sector employment remained unchanged at 8.3 million in 2023 following a slight increase of 0.3% in 2022, reflecting the impact of subdued domestic economic activity as firms struggled to generate meaningful employment opportunities amid increased operational and logistical challenges as well as weak consumer demand.

Private formal non-agricultural employment and sentiment



* This is a composite net balance statistic of the intentions of firms in the manufacturing, building, retail, wholesale, new vehicle trade and other services sectors to employ more or less people, as surveyed by the Bureau for Economic Research (BER).

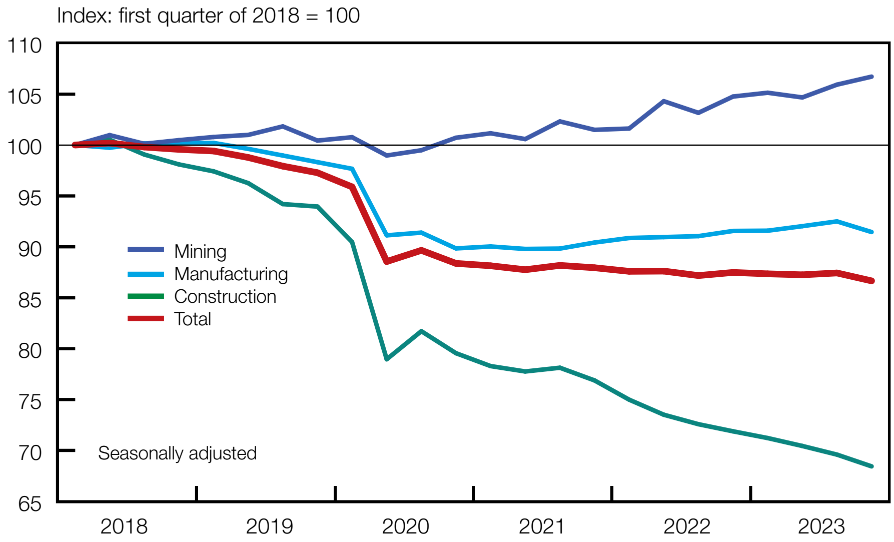
Sources: BER, Stats SA and SARB

Mining sector employment increased further in the fourth quarter of 2023, albeit at a slower pace, as employment gains in the non-gold mining industry outweighed employment losses in gold mining. However, according to the Minerals Council South Africa, the outlook for mining sector employment looks bleak due to planned retrenchments by several mining companies. Growth in mining sector employment will also be impacted by the availability of energy and the efficiency of logistical systems, together with movements in international commodity prices.

The *manufacturing sector* shed 14 700 jobs in the fourth quarter of 2023 following nine quarters of uninterrupted employment gains. Meanwhile, manufacturing business confidence[12] deteriorated by 5 index points to 21 in the first quarter of 2024, indicative of weakness in underlying activity and demand in the sector. This was in line with the seasonally adjusted Absa Purchasing Managers' Index (PMI), which remained below the neutral 50-point level in the first quarter of 2024 amid sustained weakness in demand (new sales orders) and business activity. Manufacturers were also exceptionally downbeat about fixed investment plans amid increased uncertainty, which does not bode well for employment creation in the sector.

12 As measured by the Bureau for Economic Research's (BER) *Absa Manufacturing Survey.*

Employment in the private formal goods-producing sectors

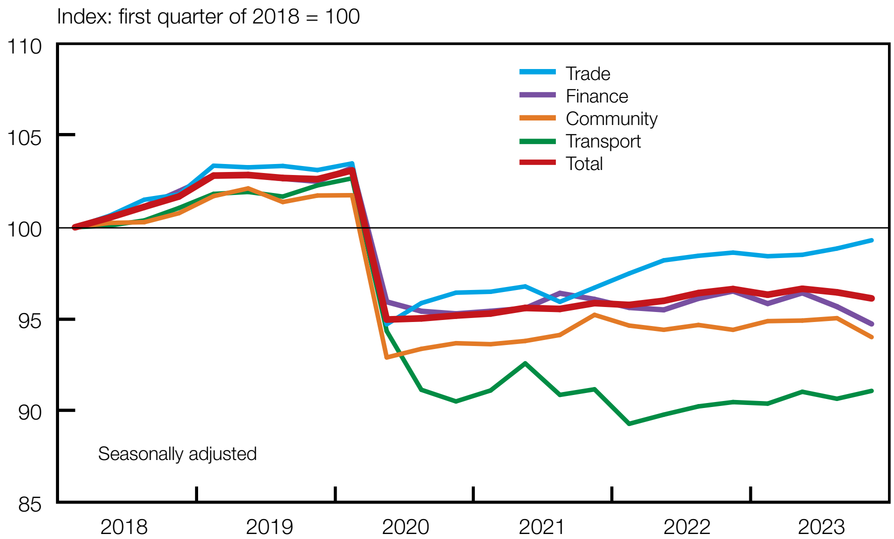


Sources: Stats SA and SARB

Construction sector employment decreased at a faster pace in the fourth quarter of 2023, resulting in the annual average level of employment in this sector contracting by 4.5% – the seventh successive annual decrease. Sentiment indicators in the building and construction sector displayed mixed signals in the first quarter of 2024. The First National Bank (FNB)/ Bureau for Economic Research (BER) Building Confidence Index fell from 43 to 27 index points, weighed down by reduced activity among subcontractors and architects as well as weaker sales growth of hardware retailers and building material manufacturers. In addition, the building sector is likely to remain under pressure in the near term following a sharp weakening in building activity at the start of the building value chain. By contrast, civil contractor confidence rose to an almost eight-year high of 47 over the same period, underpinned by improved civil construction[13] activity and profitability. However, the rating of the lack of skilled labour as a constraint increased to its highest level since 2008 and that of access to credit to an all-time high, both of which could limit further growth in activity and therefore weigh on sentiment.

13 As measured by the FNB/BER Civil Confidence Index.

Employment in the private formal services sectors



Sources: Stats SA and SARB

14 As measured by the BER's *Retail Survey.*

Employment in the *trade, catering and accommodation services sector* increased for a third successive quarter in the fourth quarter of 2023, resulting in a cumulative gain of 20 600 jobs in the last three quarters of the year. However, business conditions in the trade sector remained challenging at the start of 2024 amid weak consumer demand. As such, business confidence among retailers[14] fell notably by 13 index points to 34 in the first quarter of 2024, mostly weighed down by lower profitability and weak sales volumes.

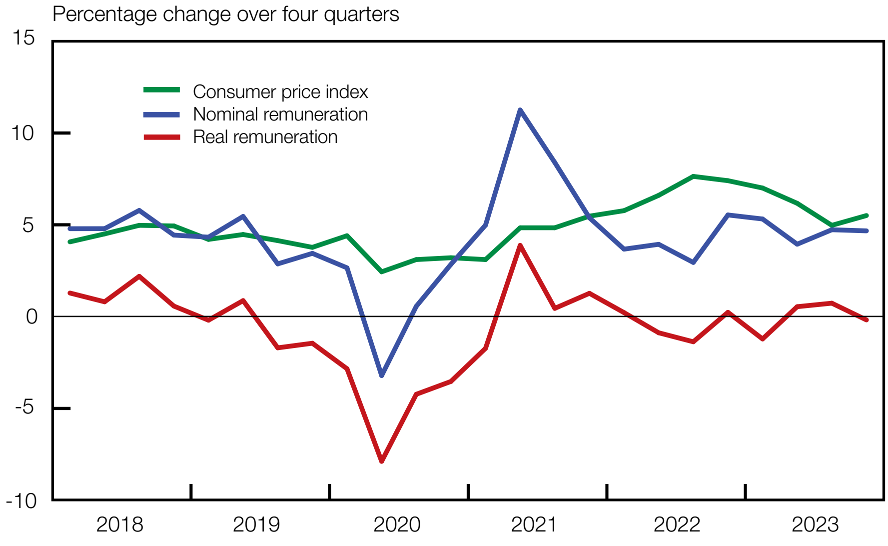
The *finance, insurance, real estate and business services sector* recorded the largest employment losses of all sectors in the fourth quarter of 2023, resulting in a cumulative loss of 44 200 jobs in the second half of the year. At the end of 2023, employment in this sector was still 1.3% below the pandemic-induced low in the second quarter of 2020.

Labour cost and productivity

15 The formal non-agricultural nominal remuneration statistics analysed in this section were independently and statistically linked by the SARB following the recent sample change by Stats SA to preserve longer time series and avoid structural breaks. Box 1 on page 23 in this edition of the *Quarterly Bulletin* (*QB*) describes the SARB's linking methodology and the rationale underlying it.

The year-on-year pace of increase in *formal non-agricultural nominal remuneration per worker*[15] remained unchanged at 4.7% in the fourth quarter of 2023, as the marginal acceleration in private sector remuneration growth per worker was offset by a contraction in public sector remuneration per worker. Growth in annual average nominal remuneration per worker accelerated from 4.0% in 2022 to 4.7% in 2023. However, with nominal wage growth keeping pace with the cost of living, annual average real wages per worker were unchanged in 2023, following a contraction of 0.5% in 2022.

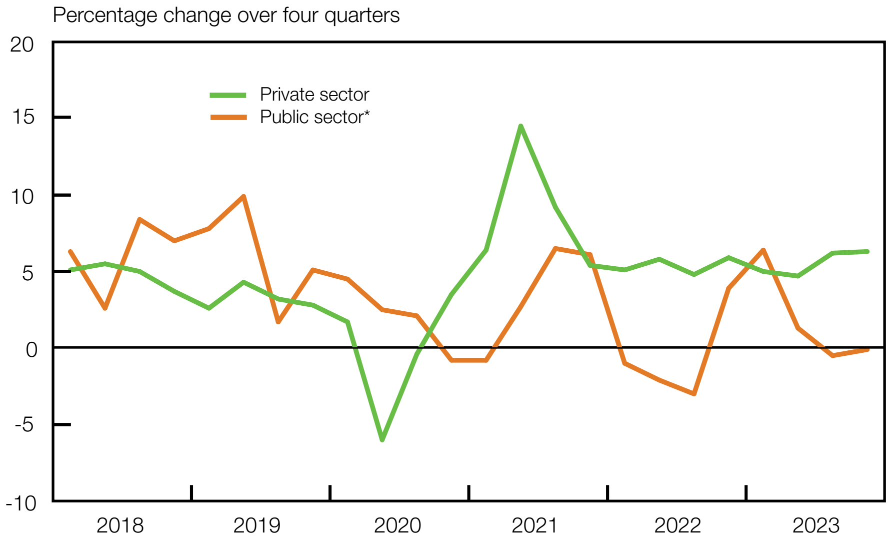
Formal non-agricultural remuneration per worker and consumer price inflation



Sources: Stats SA and SARB

Nominal wage growth per private sector worker accelerated marginally from 6.2% in the third quarter of 2023 to 6.3% in the fourth quarter. Accelerations in the construction sector and in the community, social and personal services sector slightly outweighed decelerations in the remaining five subsectors.

Formal non-agricultural nominal remuneration per worker



* Excluding election-related outliers

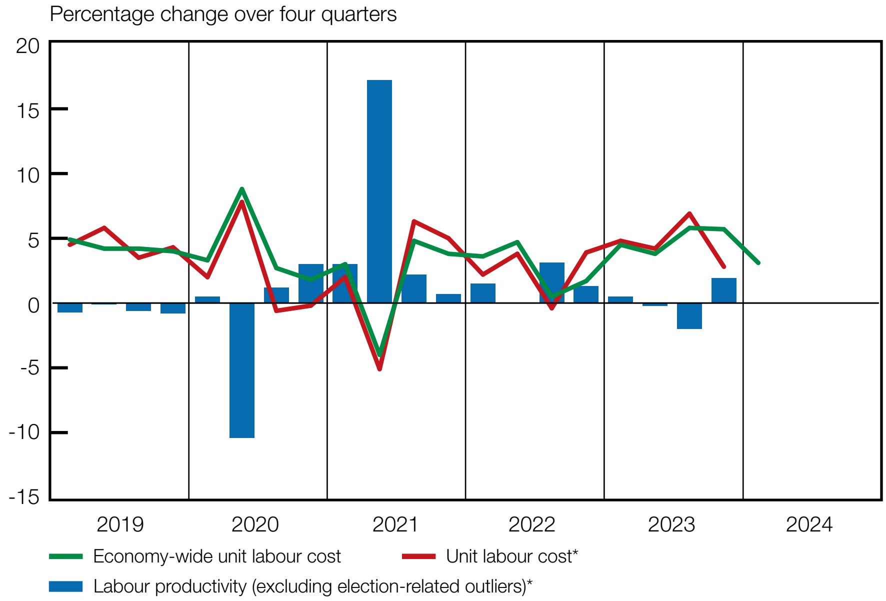
Sources: Stats SA and SARB

Nominal remuneration per public sector worker contracted further by 0.4% year on year in the fourth quarter of 2023 from a contraction of 0.7% in the third quarter. Remuneration growth per worker slowed in most public sector tiers and contracted further at provincial level, still impacted by the base effects related to the implementation of the 3.0% across-the-board pensionable wage increase in October 2022.

The *average wage settlement rate* in collective bargaining agreements was 6.2% in the first three months of 2024 compared with 6.0% in the corresponding period of 2023 and an overall annual average of 6.3% in 2023, according to Andrew Levy Employment Publications. The number of working days lost due to industrial action fell notably from 4.6 million in the first three months of 2023 to 37 000 over the same period in 2024, with fewer wage negotiations taking place in the first quarter of the year. However, the South African Local Government Association (SALGA) is due to renew its multi-year wage agreement this year, which could impact on the number of working days lost in the coming quarters.

Labour productivity in the formal non-agricultural sector increased by 1.9% in the year to the fourth quarter of 2023 as year-on-year growth in employment moderated while that in output accelerated following a decrease of 2.2% in the third quarter. Labour productivity decreased by 0.2% in 2023 following a slowdown in growth from 5.5% in 2021 to 1.6% in 2022 as the pandemic-induced base effects dissipated.

Labour productivity and nominal unit labour cost



* Formal non-agricultural sector

Sources: Stats SA and SARB

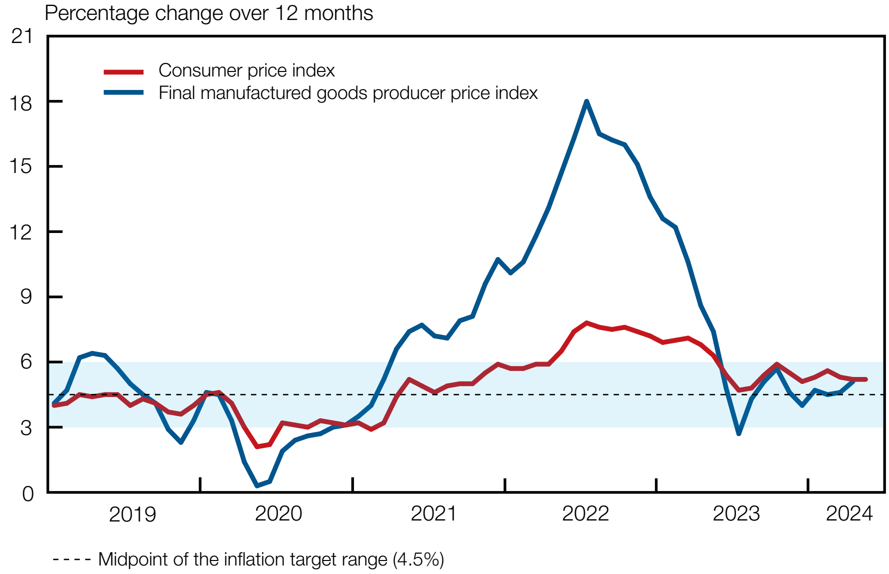
Growth in nominal unit labour cost (*ULC*) in the formal non-agricultural sector slowed sharply from 7.1% in the third quarter of 2023 to 2.7% in the fourth quarter as year-on-year growth in total remuneration moderated while that in output accelerated. However, annual average growth in nominal ULC almost doubled from 2.5% in 2022 to 4.8% in 2023, largely reflecting the base effects related to the annual public sector wage increase. Growth in economy-wide nominal ULC moderated further from a recent high of 5.5% in the third quarter of 2023 to 3.1% in the first quarter of 2024, as year-on-year growth in the compensation of employees slowed at a faster pace than that in output.

Prices[16]

16 Unless stated to the contrary, all rates mentioned in this section reflect year-on-year changes.

Both domestic headline consumer and producer price inflation trended broadly sideways in the opening months of 2024 after slowing in 2023. Producer price inflation for final manufactured goods, in particular, slowed considerably for most of 2023, resulting from the statistical base effects after significant price increases in 2022 following the start of the Russia/Ukraine conflict. Consumer price inflation remained above the midpoint of the 3–6% inflation target range, fluctuating between 5.2% and 5.6% in the first five months of 2024, as consumer goods price inflation slowed notably while services price inflation accelerated to a five-year high in March 2024.

Headline producer and consumer prices



Source: Stats SA

Headline producer price inflation for final manufactured goods eased considerably from the war-induced high of 18.0% in July 2022 to a low of 2.7% in July 2023. Headline producer price inflation has since maintained a broadly sideways movement and averaged 4.7% in the four months of 2024 as the acceleration in coal and petroleum product inflation from -3.0% in December 2023 to 8.9% in April 2024 was offset by decelerations in several other product categories.

Producer price inflation for intermediate manufactured goods has been accelerating gradually since the start of 2024 to reach a still subdued 1.8% in April as price inflation accelerated in the following categories: chemical, rubber and plastic products; basic and fabricated metals; glass and glass products; as well as textiles and leather goods.

Producer price inflation

Annual average percentage change

	2024			
	Jan	Feb	Mar	Apr
Final manufactured goods	4.7	4.5	4.6	5.1
Intermediate manufactured goods	0.2	1.0	1.7	1.8
Electricity and water	16.8	16.0	15.6	14.4
Mining	-5.9	-9.0	-12.7	-5.5
Agriculture, forestry and fishing	6.6	2.8	7.7	9.7

Source: Stats SA

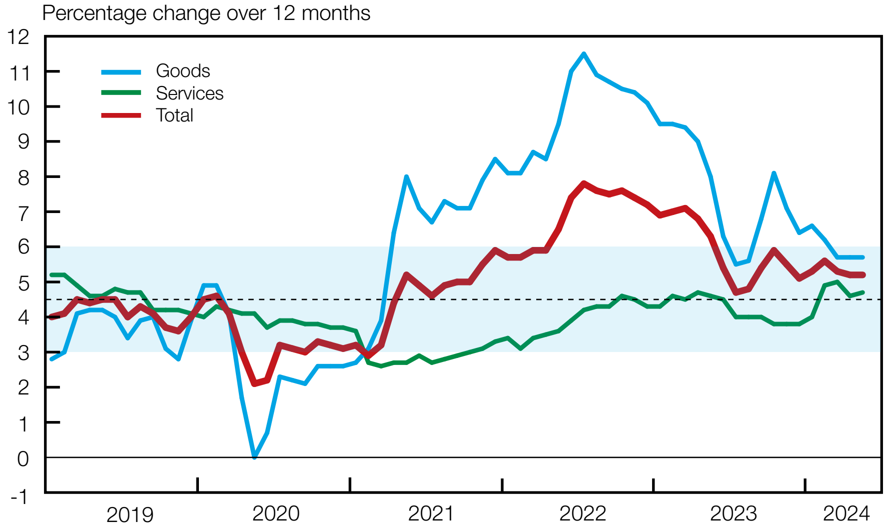
Electricity and water producer price inflation eased from 16.8% in January 2024 to a still-elevated 14.4% in April, mainly due to the deceleration in electricity price inflation from 18.3% to 15.3% over this period. The National Energy Regulator of South Africa (NERSA) approved a 12.74% increase in electricity tariffs for Eskom's direct customers and a 12.72% increase for municipal customers, effective from 1 April 2024 and 1 July 2024 respectively. These increases are lower than the increases of 18.65% and 18.49% respectively that were implemented in 2023, and should result in an easing of electricity price inflation in the coming months.

The producer price index for mining products declined for an eighth consecutive month by 5.5% in April 2024 due to a 17.4% year-on-year decrease in non-ferrous metal ores; a decrease of 13.0% in stone quarrying, clay and diamonds; and a decrease of 0.4% in coal and gas. These decreases were partially offset by the year-on-year increase of 9.3% in the gold and other metal ores category in April 2024.

Producer price inflation for agriculture, forestry and fishing products accelerated to 9.7% in April 2024, with price pressures emanating from agricultural products, largely due to an acceleration in the producer price inflation of cereals and other crops amid growing concerns of potentially lower crop yields due to adverse weather conditions.

Headline consumer prices

Percentage change over 12 months



---- Midpoint of the inflation target range (4.5%)

Source: Stats SA

Headline consumer price inflation decelerated substantially from the war-induced high of 7.8% in July 2022 to 4.7% in July 2023, in line with slowing headline producer price inflation. Consumer price inflation then accelerated somewhat and averaged 5.3% in the first five months of 2024, fluctuating above the midpoint of the inflation target range, largely driven by the acceleration in services price inflation, while goods price inflation moderated.

Consumer price inflation

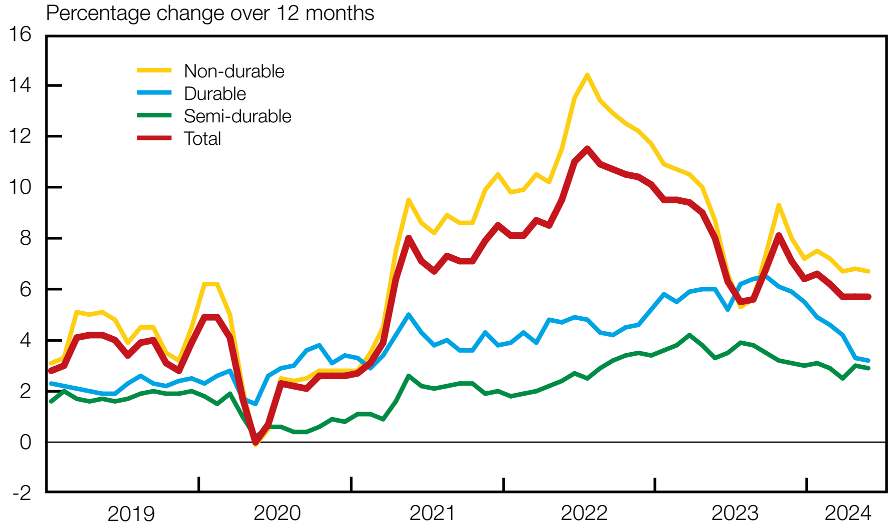
Percentage change over 12 months

	Weight	2024*				
		Jan	Feb	Mar	Apr	May
Headline CPI	100.00	5.3	5.6	5.3	5.2	5.2
Headline CPI, excluding food and non-alcoholic beverages, fuel and electricity	74.40	4.6	5.0	4.9	4.6	4.6
Goods	48.68	6.6	6.2	5.7	5.7	5.7
Non-durable	35.71	7.5	7.2	6.7	6.8	6.7
Semi-durable	5.38	3.1	2.9	2.5	3.0	2.9
Durable	7.59	4.9	4.6	4.2	3.3	3.2
Services	51.32	4.0	4.9	5.0	4.6	4.7

Source: Stats SA

Consumer goods price inflation slowed from a recent high of 8.1% in October 2023 to 5.7% in March, April and May 2024, largely driven by the deceleration in durable and non-durable goods price inflation, with semi-durable goods price inflation also moderating. Non-durable goods price inflation slowed from 9.3% in October 2023 to 6.7% in May 2024 as the moderation in food price inflation outweighed the acceleration in fuel price inflation. Durable goods price inflation slowed considerably from 6.5% in September 2023 to 3.2% in May 2024 as vehicle and household content prices increased at a slower pace. Likewise, semi-durable goods price inflation moderated from 3.9% in July 2023 to 2.9% in May 2024.

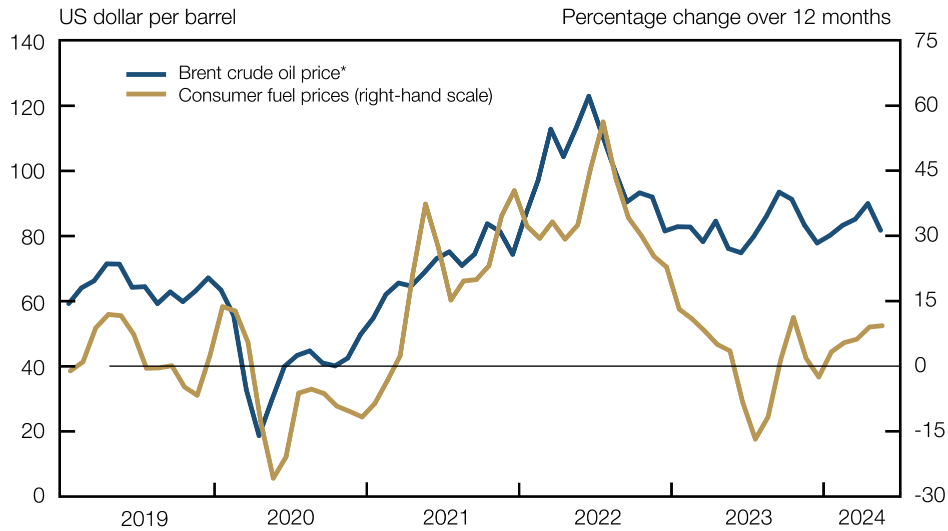
Consumer goods prices



Source: Stats SA

Consumer fuel price inflation accelerated from a low of -2.5% in December 2023 to 9.3% in May 2024 as petrol price inflation accelerated from -1.3% to 9.2% and diesel price inflation quickened from -5.3% to 9.5% over this period. The acceleration in domestic consumer fuel price inflation largely reflected higher international crude oil prices, with the monthly average price of Brent crude oil rising steadily from US$77.80 per barrel in December 2023 to US$89.85 per barrel in April 2024 as heightened geopolitical risks coincided with expectations of tighter supply in the coming months.

Brent crude oil and consumer fuel prices

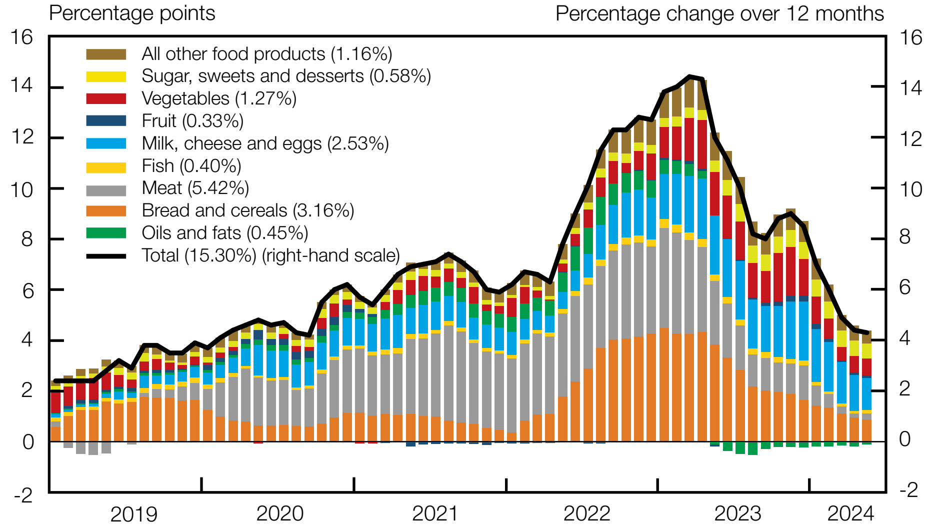


* Monthly average

Sources: Refinitiv, Stats SA and SARB

Consumer food price inflation decelerated from 9.0% in October 2023 to 4.3% in May 2024, supported by broad-based disinflation across the consumer food categories. Price inflation slowed for bread and cereals (to 3.9% in May 2024), vegetables (to 7.6%), meat (to 0.7%) and milk, cheese and eggs (to 7.5%). In addition, price inflation for sugar, sweets and desserts also slowed somewhat but remained elevated at 15.5% in May 2024.

Contributions to consumer food price inflation

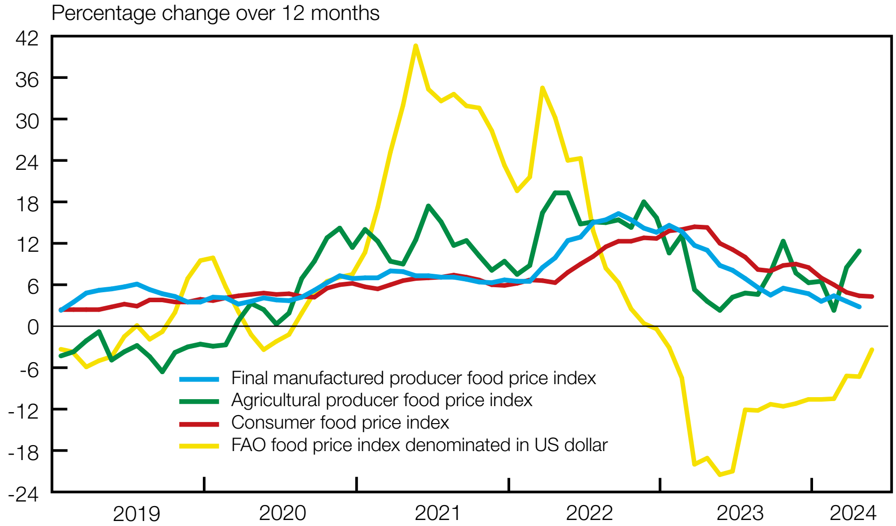


The numbers in brackets indicate weights in the overall consumer price index.

Source: Stats SA

Final manufactured producer food price inflation also slowed from 4.7% in December 2023 to 2.8% in April 2024 as producer price inflation for dairy products slowed from 7.0% to 3.7% while the producer prices for grain mill products, starch products and animal feeds registered a sixth consecutive year-on-year decrease of 4.1%. Meanwhile, agricultural producer price inflation slowed to 2.3% in February 2024 before accelerating notably to 10.9% in April as price inflation for cereals and other crops accelerated sharply from -9.2% in December 2023 to 16.0% in April 2024. The acceleration largely reflected expectations of a smaller 2024 maize harvest following adverse weather conditions at the beginning of the year. Live animals price inflation also accelerated from 3.5% in December 2023 to 12.6% in March 2024, before moderating to 8.0% in April.

Producer and consumer food prices

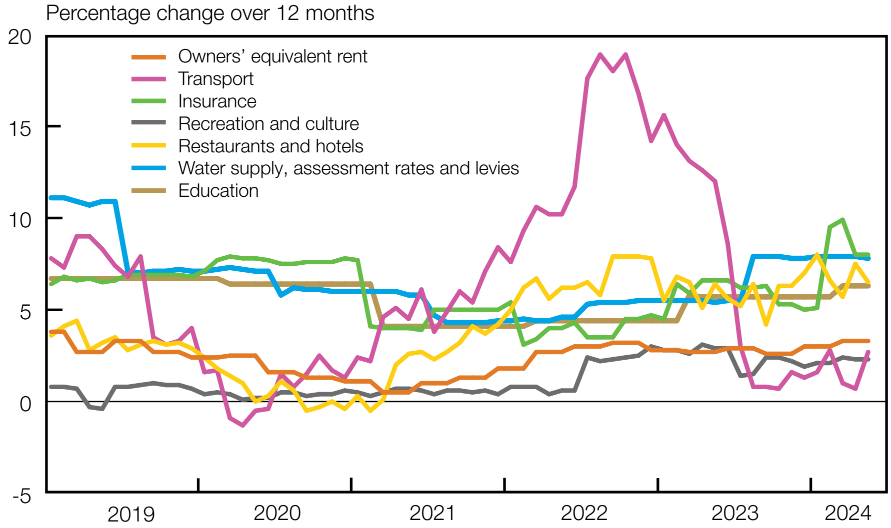


Source: Stats SA

The United States (US) dollar-denominated food price index of the United Nations' Food and Agriculture Organization (FAO) increased for a third consecutive month in May 2024 as increases in the prices of cereals and dairy products outweighed decreases in those of sugar and vegetable oils, while meat prices remained broadly unchanged. However, the index decreased by 3.4% year on year in May 2024, marking its 16th consecutive year-on-year decline. Ongoing global supply-chain disruptions amid geopolitical tensions and frequent extreme weather conditions pose upside risks to international food price inflation in the coming months.

Consumer services price inflation accelerated from 3.8% in December 2023 to 5.0% in March 2024 before slowing to 4.7% in May. The acceleration resulted mainly from health insurance inflation, which almost doubled from 6.9% in January 2024 to 12.9% in February and March, reflecting a significant increase in medical aid contributions. In addition, education, recreation and culture as well as housing and utilities services price inflation also accelerated in the opening months of 2024. By contrast, restaurant and hotel, health as well as transport services price inflation slowed somewhat over this period.

Consumer services prices

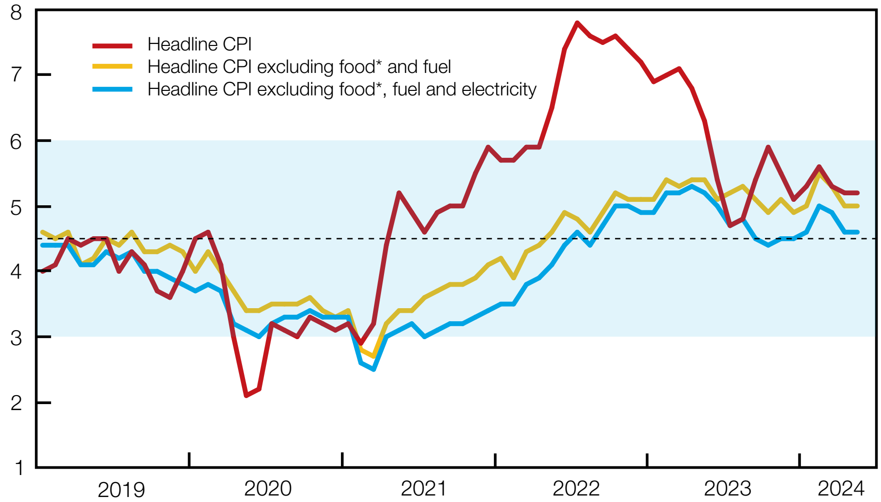


Source: Stats SA

The measures of underlying inflation initially accelerated in the first two months of 2024, largely due to the acceleration in services price inflation, before slowing in the subsequent three months. When excluding the impact of food, non-alcoholic beverages and fuel prices from headline consumer price inflation, underlying inflation quickened steadily from 4.9% in October 2023 to 5.5% in February 2024, but then slowed to 5.0% in April and May. The South African Reserve Bank's (SARB) preferred measure of core inflation, which also excludes electricity prices, accelerated from 4.4% in October 2023 to 5.0% in February 2024 before moderating to 4.6% in April and May.

Headline and underlying measures of consumer prices

Percentage change over 12 months



---- Midpoint of the inflation target range (4.5%)

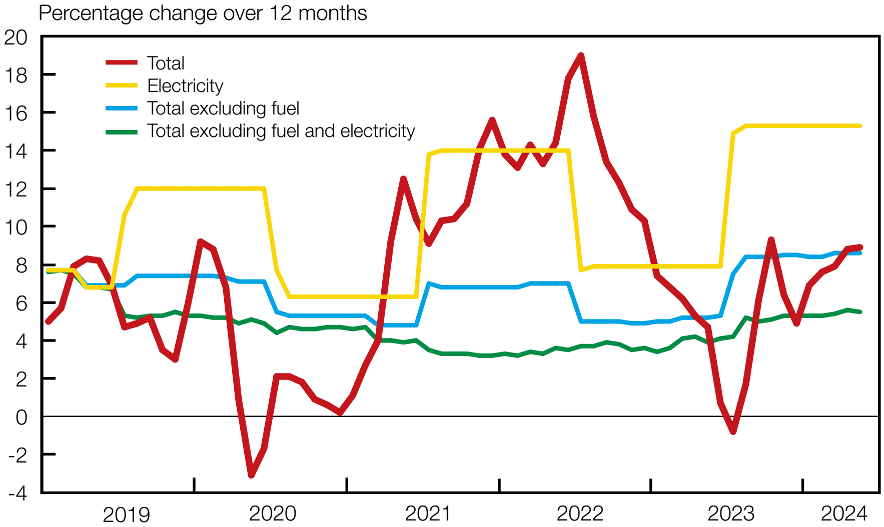
* Food includes non-alcoholic beverages.

Source: Stats SA

Administered price inflation has accelerated markedly since mid-2023, to 8.9% in May 2024, primarily due to higher fuel price inflation. Nevertheless, when excluding fuel prices, administered price inflation still accelerated from 7.5% in July 2023 to 8.6% in March, April and May 2024, largely due to the year-on-year increases of 8.4% in municipal assessment rates and 6.3% in education services. When also excluding electricity prices, administered price inflation accelerated to a lesser extent, from 4.2% in July 2023 to 5.5% in May 2024.

Administered prices

Percentage change over 12 months



Source: Stats SA

All three survey groups in the BER's Inflation Expectations Survey for the first quarter of 2024 lowered their expectations for headline consumer price inflation for 2024 and 2025. Financial analysts expected inflation to average 5.0% in 2024 and 4.7% in 2025 – a more favourable outlook compared with the respective 5.1% and 4.7% expected in the previous quarter. Similarly, business representatives revised their inflation expectations downwards from 6.2% to 5.8% in 2024 and from 6.0% to 5.6% in 2025. Trade union representatives also lowered their inflation expectations to 5.5% in 2024 and 5.6% in 2025, compared with the respective 5.9% and 6.0% in the preceding survey.

The generally lower inflation expectations could partially be attributed to participants' revised economic growth outlook for 2024, which was reduced from 1.3% in the fourth quarter of 2023 to 0.8% in the first quarter of 2024. The average five-years-ahead inflation expectations also declined marginally, from 5.2% to 5.1% over the same period.

Headline consumer price inflation expectations

Per cent, as surveyed in the first quarter of 2024

Average expected inflation	Financial analysts	Business representatives	Trade union representatives	All surveyed participants
2024	5.0	5.8	5.5	5.4
2025	4.7	5.6	5.6	5.3
2026	4.7	5.4	5.4	5.2
Five years ahead	4.7	5.4	5.3	5.1

Source: BER

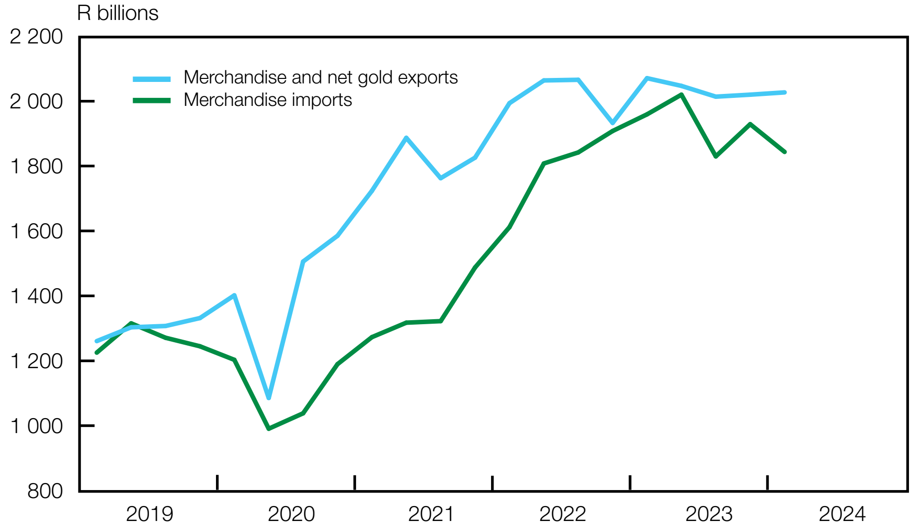
External economic accounts

Current account[17]

17 Unless stated to the contrary, the current account transaction flows referred to in this section are all seasonally adjusted and annualised.

South Africa's trade surplus widened to R183 billion in the first quarter of 2024 from R90.9 billion in the fourth quarter of 2023 as the value of merchandise imports decreased while that of merchandise and net gold exports increased marginally. The decrease in the value of merchandise imports reflected lower volumes while the increase in the value of exports reflected higher prices.

Value of South Africa's exports and imports



Seasonally adjusted and annualised
Sources: Stats SA and SARB

Current account of the balance of payments

R billions, seasonally adjusted and annualised

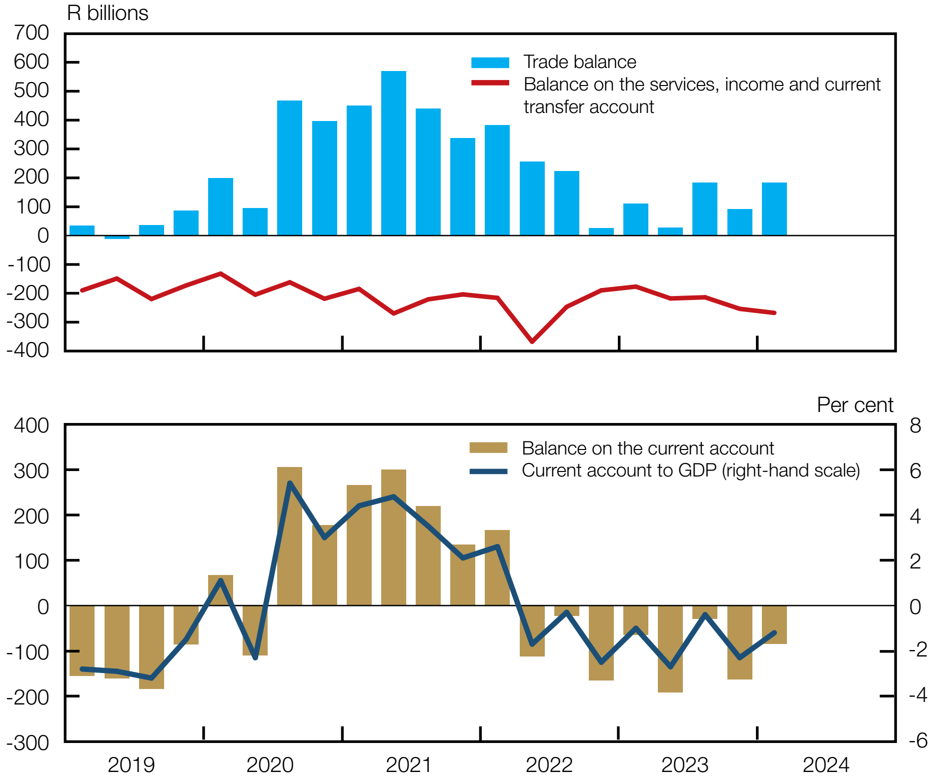
	2023					2024
	Q1	Q2	Q3	Q4	Year	Q1
Merchandise exports	1 950	1 952	1 887	1 898	1 922	1 914
Net gold exports	120	94	127	122	116	113
Merchandise imports	-1 959	-2 020	-1 830	-1 929	-1 934	-1 843
Trade balance	**111**	**27**	**184**	**91**	**103**	**183**
Net services, income and current transfer payments	-177	-218	-214	-254	-215	-268
Balance on current account	**-65**	**-191**	**-29**	**-163**	**-112**	**-85**
As a percentage of gross domestic product						
Trade balance	1.6	0.4	2.6	1.3	1.5	2.6
Services balance	-1.0	-1.2	-1.2	-1.1	-1.1	-0.9
Income balance	-1.3	-1.2	-1.2	-1.8	-1.4	-2.2
Current transfer balance	-0.3	-0.7	-0.7	-0.6	-0.6	-0.6
Balance on current account	**-0.9**	**-2.7**	**-0.4**	**-2.3**	**-1.6**	**-1.2**

Components may not add up to totals due to rounding off.

Sources: Stats SA and SARB

The wider trade surplus outweighed the larger deficit on the services, income and current transfer account, which resulted in a narrowing of the deficit on the current account of the balance of payments from R163 billion (2.3% of GDP) in the fourth quarter of 2023 to R84.6 billion (1.2% of GDP) in the first quarter of 2024.

Current account of the balance of payments



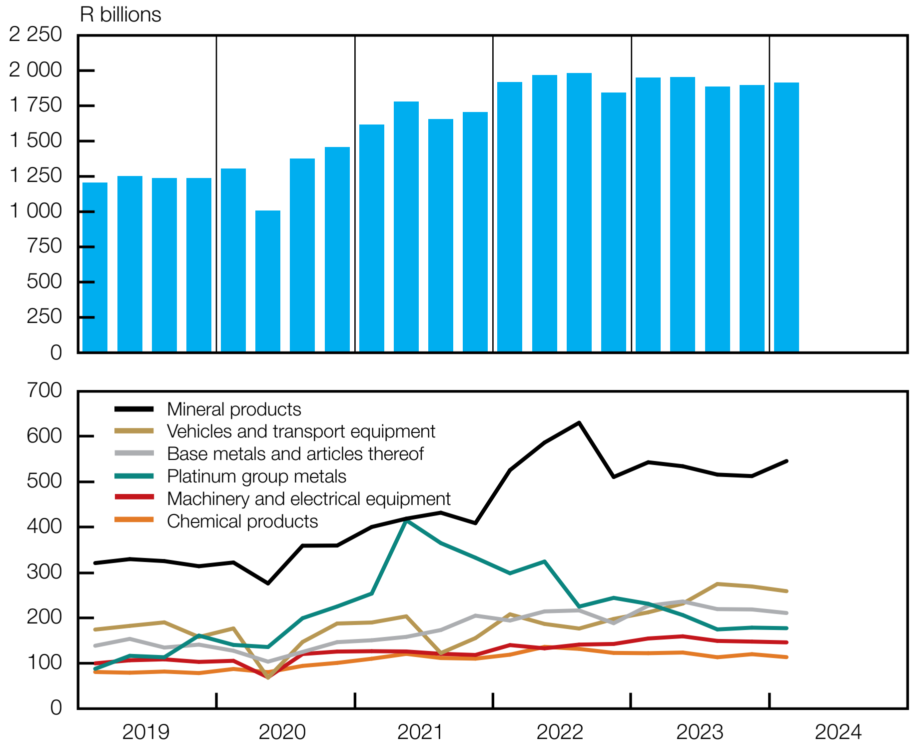
Seasonally adjusted and annualised
Sources: Stats SA and SARB

The value of merchandise exports increased slightly by 0.9% in the first quarter of 2024 as the increase in the value of mining and agricultural exports marginally outweighed the decrease in the value of manufacturing exports. The increase in the value of mining products reflected higher exports of mineral products as well as pearls, precious and semi-precious stones, which more than offset the lower exports of base metals and articles thereof as well as PGMs in the first quarter of 2024. Mineral exports were boosted by increased exports of manganese ore, refined petroleum products and iron ore. The higher value of refined petroleum products in the first quarter of 2024 reflected increased exports of aviation kerosene[18] and residual fuel[19]. The lower export value of base metals and articles of base metals partly reflected reduced exports of copper and nickel. The value of agricultural exports increased further in the first quarter of 2024 due to increased exports of live animals and products thereof as well as animal and vegetable fats and oils.

18 Aviation kerosene are products intended for use, advertised for use, put up for use or otherwise marketed or disposed of for use as fuel in aircraft fitted with turbojets, turbo-propellers and other gas turbines.

19 Residual fuel oils are products intended for use, advertised for use, put up for use or otherwise marketed or disposed of for use in furnaces, boilers, ships and boats.

Value of merchandise exports*

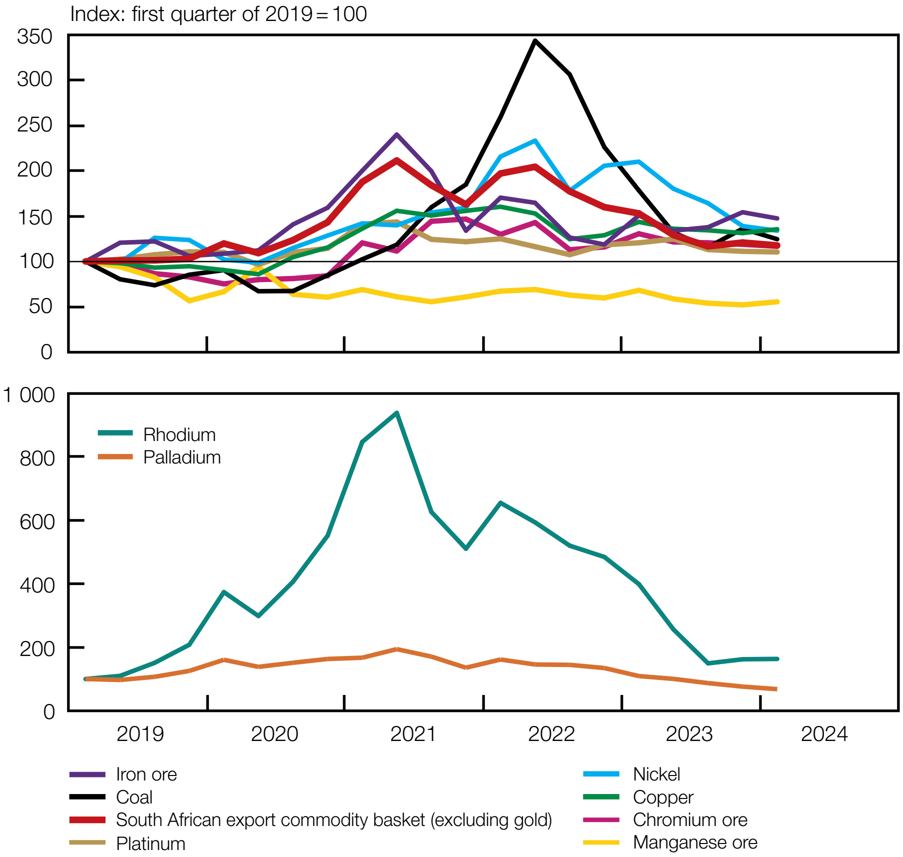


* Excluding net gold exports
Seasonally adjusted and annualised
Sources: Stats SA and SARB

The value of manufacturing exports decreased in the first quarter of 2024 following six consecutive quarterly increases, largely weighed down by lower exports of vehicles and transport equipment, chemical products as well as machinery and electrical equipment. The value of exported vehicles and transport equipment decreased due to lower exports of both commercial and passenger vehicles. According to naamsa | The Automotive Business Council, the number of vehicles exported decreased by 26.9% (not seasonally adjusted or annualised) in the first quarter of 2024, exacerbated by ongoing logistical constraints. The lower export value of machinery and electrical equipment resulted in part from a decrease in the exports of pumps for liquids and liquid elevators.

The US dollar price of a basket of domestically produced non-gold export commodities declined by 2.6% in the first quarter of 2024 on account of lower palladium, coal, iron ore and nickel prices. The price of palladium was impacted by lower demand for auto catalysts used in internal combustion engines given the growing global market share for fully electric vehicles, while the coal price decreased due to, among other factors, excess supply and weak demand following lower natural gas prices.

Selected South African export commodity prices in US dollar*



* Quarterly averages

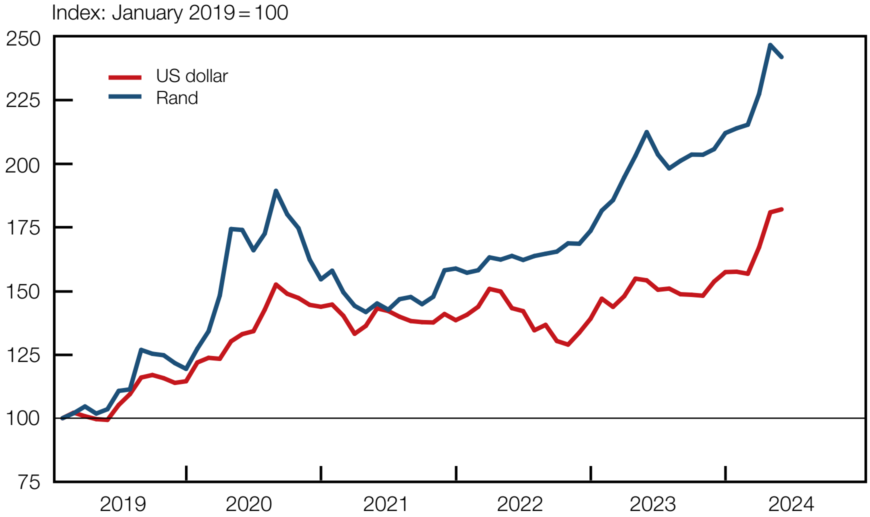
Sources: Afriforesight, World Bank and SARB

The rand price of merchandise exports increased by 3.1% in the first quarter of 2024, while the volume of merchandise exports decreased by 2.2%, weighed down by the lower exports of manufactured and mining goods.

The average US dollar price of gold on the London market increased by 4.8% from US$1 977 per fine ounce in the fourth quarter of 2023 to US$2 072 per fine ounce in the first quarter of 2024 due to, among other factors, lingering geopolitical tensions, continued gold purchases by central banks, a weaker US dollar and expectations of lower interest rates in the US. The monthly average price of gold then increased further to a new record high of US$2 351 per fine ounce in May 2024.

In rand terms, the average realised price of net gold exports increased by 5.5% in the first quarter of 2024 as the exchange value of the rand depreciated somewhat against the US dollar over this period. However, the value of net gold exports decreased by 7.7% in the first quarter of 2024 as the decrease in the physical quantity of gold exported outweighed the higher realised price of net gold exports.

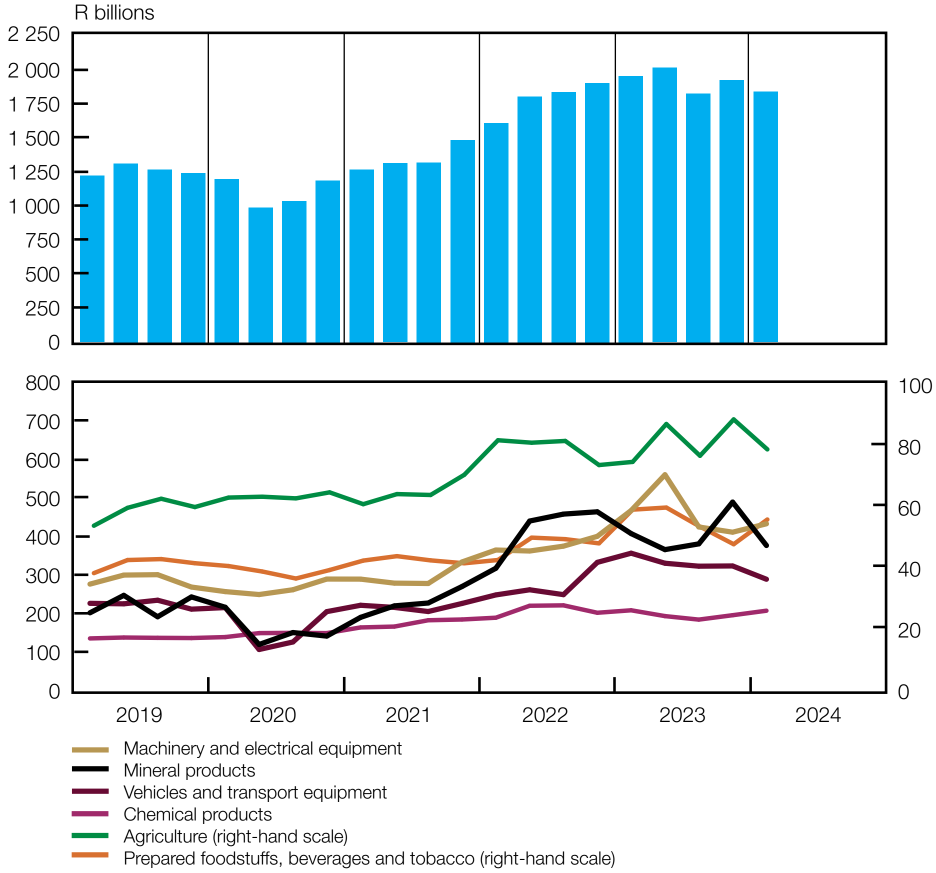
International price of gold



Source: Refinitiv

The value of merchandise imports decreased by 4.4% in the first quarter of 2024 as the declines in the value of mining and agricultural imports outweighed the increase in the value of manufacturing imports. Agricultural imports decreased in the first quarter of 2024 as especially rice imports declined. Mining imports decreased the most, weighed down by a sharp decrease in mineral products, which reflected base effects following considerable increases in imported crude oil and refined petroleum products in the fourth quarter of 2023. This was partly countered by the increased imports of base metals and articles thereof, largely reflecting higher imports of flat-rolled products of iron and non-alloy steel.

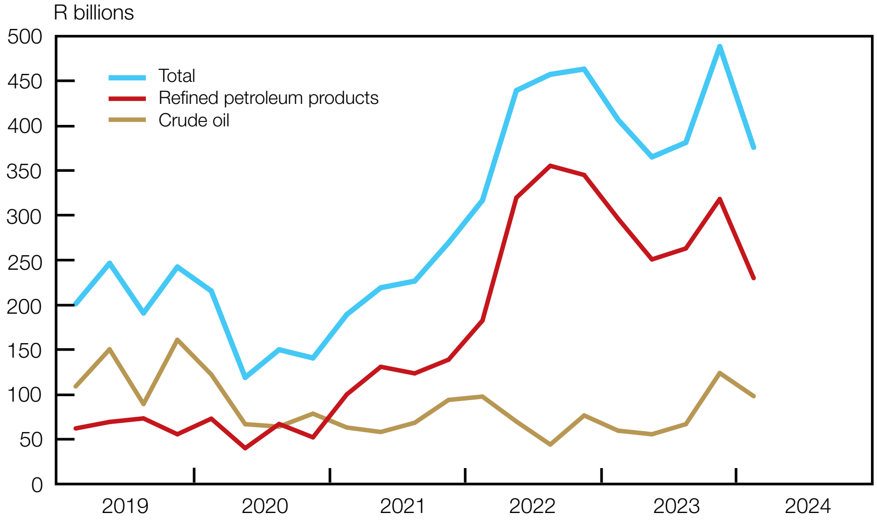
Value of merchandise imports



Seasonally adjusted and annualised
Sources: Stats SA and SARB

The value of crude oil imports decreased by 20.8% in the first quarter of 2024 due to a decrease in both the physical quantity and the price thereof. The average realised rand price of crude oil imports declined by 10.1% from R1 798 per barrel in the fourth quarter of 2023 to R1 616 per barrel in the first quarter of 2024.

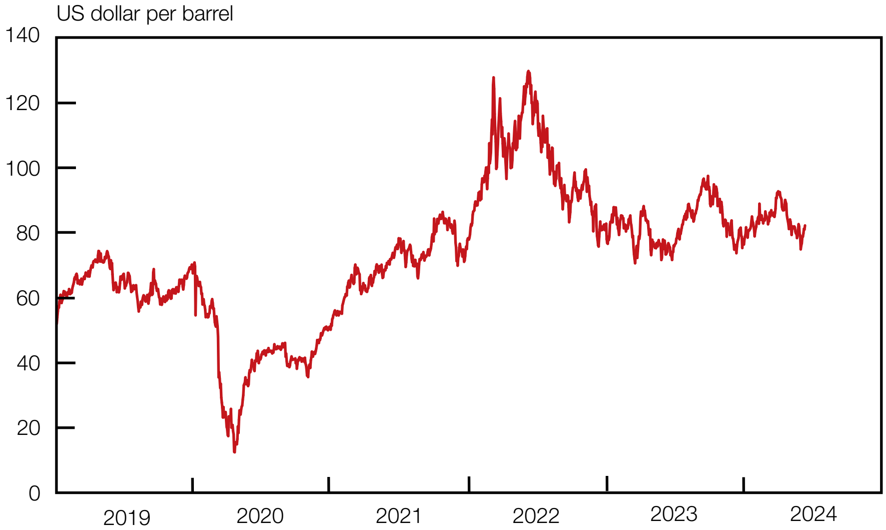
Value of mineral imports



Seasonally adjusted and annualised
Sources: Stats SA and SARB

Although the monthly average US dollar spot price of Brent crude oil increased in the first three months of 2024, the price decreased, on balance, by 1.5% from US$84.10 per barrel in the fourth quarter of 2023 to US$82.81 per barrel in the first quarter of 2024. The price then increased further from US$85.11 per barrel in March 2024 to US$89.85 per barrel in April as the ongoing geopolitical tensions threatened global oil supply, coupled with the announcement of further production cuts by the Organization of the Petroleum Exporting Countries and its allies (OPEC+). However, the price decreased again to US$81.67 per barrel in May 2024 due to, among other factors, concerns about a weakening global economy.

Brent crude oil price

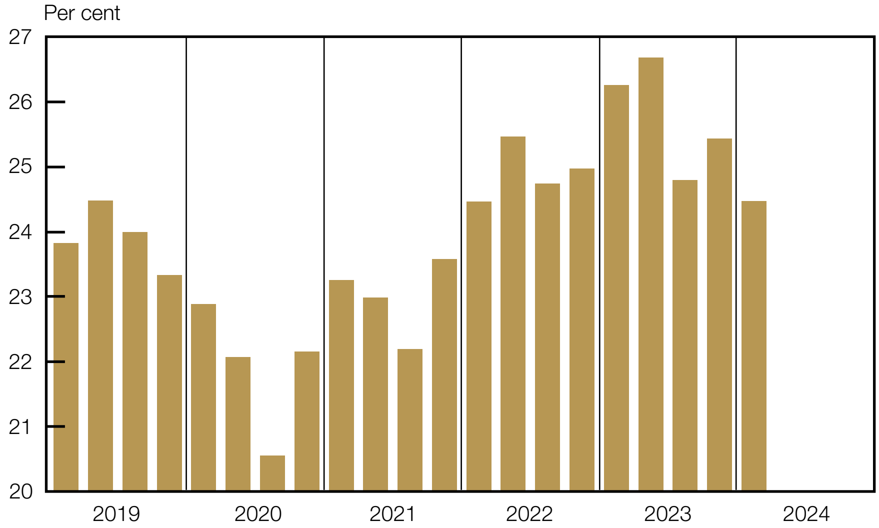


Source: Refinitiv

The value of manufacturing imports increased in the first quarter of 2024 as the lower imports of vehicles and transport equipment were more than offset by increases in other imported manufactured products. Large increases were noted in the imports of especially machinery and electrical equipment, chemical products as well as prepared foodstuffs, beverages and tobacco.

The volume of merchandise imports decreased by 4.7% in the first quarter of 2024 following an increase in the fourth quarter of 2023. Consequently, the import penetration ratio (i.e. real merchandise imports as a ratio of GDE) declined from 25.4% in the fourth quarter of 2023 to 24.5% in the first quarter of 2024.

Import penetration ratio

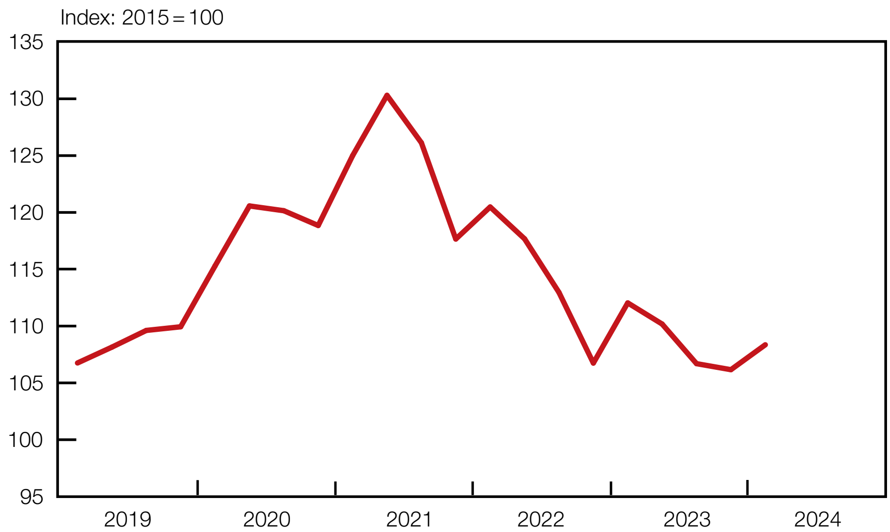


Sources: Stats SA and SARB

The rand price of merchandise imports increased marginally in the first quarter of 2024 due to the higher prices of goods in some of South Africa's trading-partner countries coupled with the depreciation in the exchange value of the rand, on balance, during the quarter.

South Africa's terms of trade improved in the first quarter of 2024 as the rand price of exported goods and services increased more than that of imports.

Terms of trade*

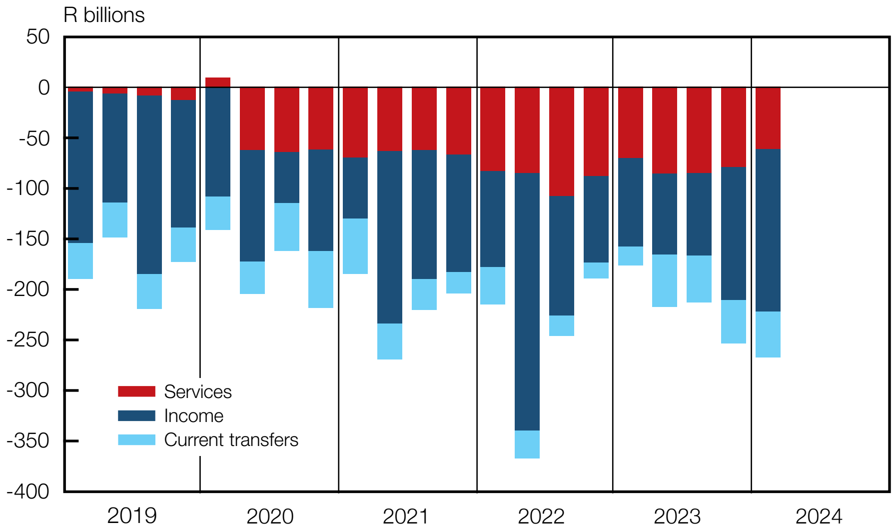


* Including gold

Sources: Stats SA and SARB

The shortfall on the services, income and current transfer account widened from R254 billion (3.6% of GDP) in the fourth quarter of 2023 to R268 billion (3.7% of GDP) in the first quarter of 2024. The larger deficit stemmed from wider deficits on the income account and, to a lesser extent, the current transfer account, while the shortfall on the services account narrowed.

Net services, income and current transfer payments



Seasonally adjusted and annualised

Sources: Stats SA and SARB

The deficit on the services account narrowed from 1.1% of GDP in the fourth quarter of 2023 to 0.9% of GDP in the first quarter of 2024, as the decrease in gross services payments outweighed that of gross services receipts. Gross transportation services payments declined as both passenger and freight-related transportation costs decreased in line with the lower number of South Africans travelling abroad and the lower volume of merchandise imports. The services balance continued to benefit from net travel receipts as gross travel receipts increased further while gross travel payments decreased marginally.

The deficit on the income account widened noticeably in the first quarter of 2024 following a sharp decrease in gross income receipts, while gross income payments increased slightly. The increase in gross income payments reflected an increase of 6.4% in gross dividend payments, which, together with a pronounced decrease in gross dividend receipts, resulted in much larger net dividend payments in the first quarter of 2024. Gross interest payments decreased by 5.1% from the fourth quarter of 2023 to the first quarter of 2024 but increased by 10.4% when compared with the first quarter of 2023. As a percentage of GDP, the deficit on the income account widened from 1.8% in the fourth quarter of 2023 to 2.2% in the first quarter of 2024.

Net current transfer payments increased slightly in the first quarter of 2024 as gross current transfer receipts decreased at a faster pace than gross current transfer payments. As a percentage of GDP, net current transfer payments remained unchanged at 0.6% in the first quarter of 2024.

Financial account

The net flow of capital on South Africa's financial account of the balance of payments (excluding unrecorded transactions) switched from a revised outflow of R10.0 billion in the fourth quarter of 2023 to a significant inflow of R51.4 billion in the first quarter of 2024. On a net basis, all financial account categories, except portfolio investment, recorded inflows. As a ratio of GDP, net financial flows switched from an outflow of 0.6% in the fourth quarter of 2023 to an inflow of 2.9% in the first quarter of 2024.

Net financial transactions

R billions

	2023					2024
	Q1	Q2	Q3	Q4	Year	Q1
Change in liabilities						
Direct investment	2.4	53.0	6.3	2.5	64.1	24.4
Portfolio investment	-28.5	-19.9	-41.9	-9.0	-99.3	-52.0
Financial derivatives	-67.0	-53.2	-90.4	-56.4	-267.1	-34.9
Other investment	14.2	-49.8	52.1	-22.0	-5.5	105.0
Change in assets						
Direct investment	12.6	17.9	7.5	13.8	51.9	-4.7
Portfolio investment	39.9	-22.9	18.1	-58.2	-23.1	16.3
Financial derivatives	70.8	82.6	99.7	57.6	310.7	48.3
Other investment	11.3	-12.7	-44.4	53.8	8.0	-65.1
Reserve assets	1.6	-2.4	6.3	7.8	13.3	14.0
Total identified financial transactions*	**57.4**	**-7.5**	**13.2**	**-10.0**	**53.0**	**51.4**
As a percentage of gross domestic product	*3.4*	*-0.4*	*0.7*	*-0.6*	*0.8*	*2.9*

* Excluding unrecorded transactions
Components may not add up to totals due to rounding off.
Inflow (+)/outflow (-)

Source: SARB

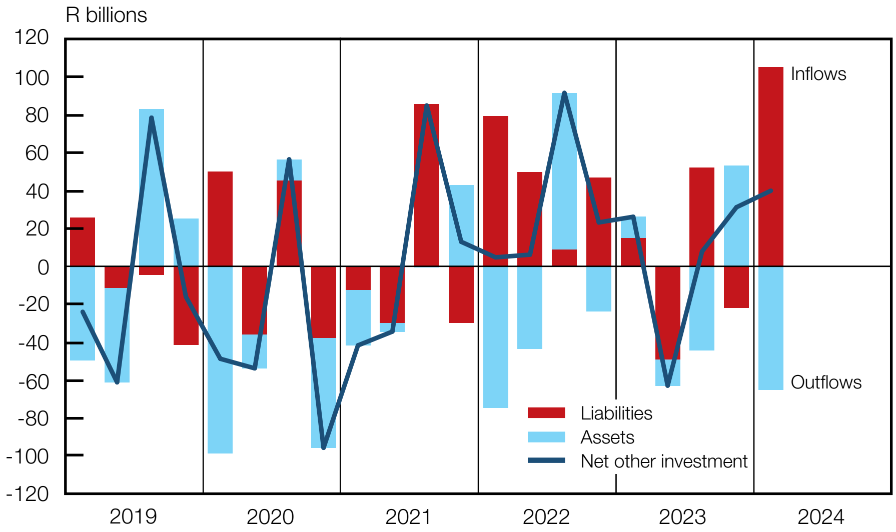
Foreign-owned assets in South Africa

South Africa's direct investment liabilities recorded an inflow of R24.4 billion in the first quarter of 2024 following a revised inflow of R2.5 billion in the fourth quarter of 2023, as non-resident parent entities acquired and increased equity investments in domestic companies. The inflow in the first quarter of 2024 largely reflected the acquisition of a domestic publicly listed vehicle tracking company by a foreign company.

Portfolio investment liabilities recorded a substantial outflow of R52.0 billion in the first quarter of 2024 following an outflow of R9.0 billion in the fourth quarter of 2023, marking a seventh consecutive quarter of outflows. Non-residents' disposal of domestic equity securities increased slightly from R21.6 billion in the fourth quarter of 2023 to R24.2 billion in the first quarter of 2024, while they also disposed of debt securities to the value of R27.8 billion in the first quarter of 2024 compared with a net acquisition of R12.6 billion in the fourth quarter of 2023. The outflow recorded for debt securities in the first quarter of 2024 could mainly be attributed to the maturity of a US$1.5 billion international bond of national government.

Other investment liabilities switched to a significant inflow of R105.0 billion in the first quarter of 2024 following an outflow of R22.0 billion in the fourth quarter of 2023 as non-residents granted loans to the domestic private banking and non-banking sectors and as their deposits with the domestic banking sector increased. In addition, national government increased its borrowing from international agencies, consisting of a €500 million KfW Development Bank Policy Reform Loan to support the Just Energy Transition, a USD1 billion World Bank low-carbon energy policy loan and a CAD120 million Canada Just Energy Transition loan. These loan drawings were partially countered by the second of eight quarterly repayments of XDR381 million on an International Monetary Fund (IMF) loan.

Other investment flows



Source: SARB

South African-owned assets abroad

South Africa's direct investment assets switched to an outflow of R4.7 billion in the first quarter of 2024 from an inflow of R13.8 billion in the fourth quarter of 2023 as the loans granted by South African parent entities to non-resident subsidiaries exceeded the further reduction of the shareholding of a domestic parent company in a non-resident subsidiary.

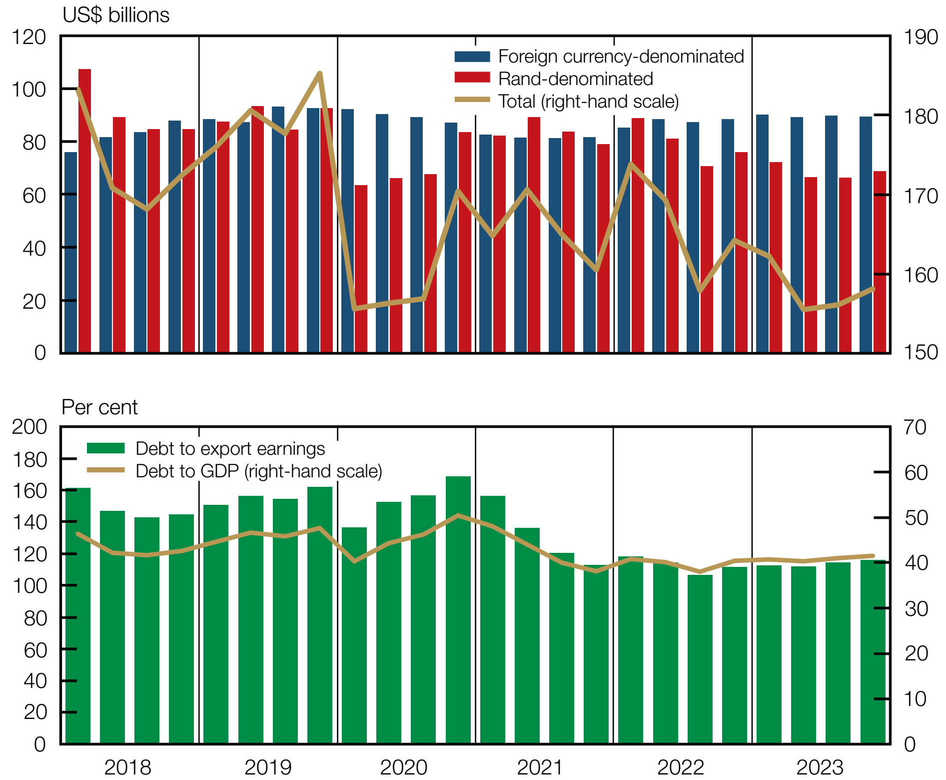
South Africa's foreign portfolio investment assets switched to an inflow of R16.3 billion in the first quarter of 2024 following an outflow of R58.2 billion during the preceding quarter as the domestic private non-banking sector disposed of foreign equity securities while the domestic private banking sector disposed of foreign short-term debt securities. These inflows were partly countered by both sectors' acquisition of foreign long-term debt securities.

Other investment assets reverted to an outflow of R65.1 billion in the first quarter of 2024 from an inflow of R53.8 billion in the fourth quarter of 2023 as the domestic private banking and non-banking sectors granted short-term loans to foreign companies.

Foreign debt

South Africa's total external debt increased from US$156.1 billion at the end of September 2023 to US$158.1 billion at the end of December. Expressed in rand terms, South Africa's total external debt increased only slightly from R2 932 billion to R2 938 billion over the same period.

Foreign debt



Source: SARB

Foreign currency-denominated external debt decreased slightly from US$89.8 billion at the end of September 2023 to US$89.4 billion at the end of December due to repayments of long-term loans by the public and domestic banking sectors. These repayments included the first of eight quarterly repayments of XDR381 million on an IMF loan, which was partly offset by the drawdown of US$300 million on a loan from the African Development Bank (AfDB) by national government.

Foreign debt of South Africa

US$ billions at end of period

	2022		2023			
	Q3	Q4	Q1	Q2	Q3	Q4
Foreign currency-denominated debt	**87.2**	**88.3**	**90.1**	**89.1**	**89.8**	**89.4**
Debt securities	30.0	29.3	30.1	29.3	27.8	27.9
Other	57.2	59.0	60.0	59.8	62.0	61.5
Public sector	17.7	17.2	18.3	18.5	18.4	18.0
Monetary sector	14.9	16.8	16.2	16.4	17.8	18.3
Non-monetary private sector	24.6	25.2	25.5	24.9	25.8	25.2
Rand-denominated debt	**70.7**	**75.9**	**72.1**	**66.4**	**66.3**	**68.7**
Debt securities	43.3	46.5	43.4	41.7	40.3	43.8
Other	27.4	29.5	28.7	24.7	26.0	24.9
Total foreign debt	**157.9**	**164.2**	**162.2**	**155.5**	**156.1**	**158.1**
As a percentage of gross domestic product	*38.0*	*40.4*	*40.7*	*40.3*	*41.0*	*41.5*
As a percentage of total export earnings	*106.6*	*111.6*	*112.6*	*111.8*	*114.3*	*115.9*

Source: SARB

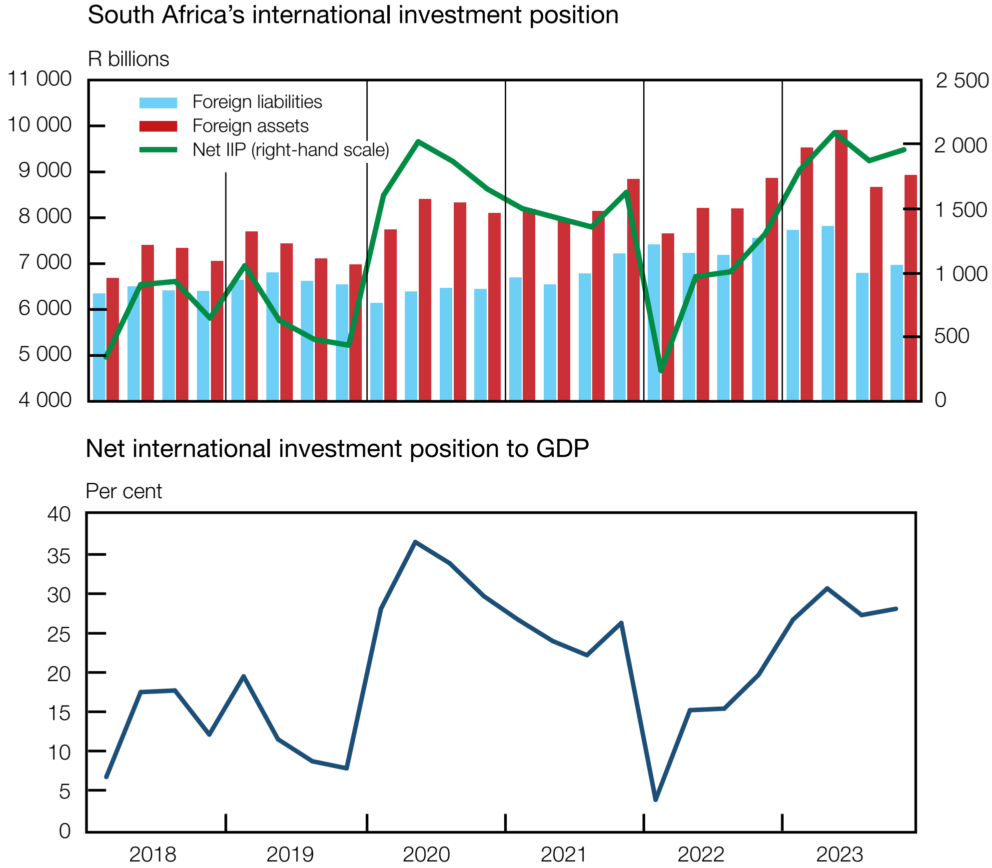
Rand-denominated external debt, expressed in US dollars, increased from US$66.3 billion at the end of September 2023 to US$68.7 billion at the end of December. The increase could be attributed to non-residents' net purchases of bonds in the domestic capital market and an increase in the market value of such bonds. In addition, the appreciation in the exchange value of the rand against the US dollar over this period also resulted in an increase in rand-denominated external debt expressed in US dollars. The increase was slightly offset by a decrease in the short-term external debt of the private non-banking sector.

South Africa's total external debt as a ratio of annual GDP[20] increased from 41.0% at the end of September 2023 to 41.5% at the end of December. Similarly, the ratio of external debt to export earnings increased from 114.3% to 115.9% over the same period.

20 Annual GDP is calculated as the sum of the most recent four quarters' nominal GDP.

International investment position

South Africa's positive net international investment position (IIP) increased from a revised R1 872 billion at the end of September 2023 to R1 957 billion at the end of December as foreign assets increased more than foreign liabilities. The increase in both foreign assets and foreign liabilities was mainly driven by price valuation effects as both domestic and foreign share market indices increased in the fourth quarter of 2023.



Source: SARB

The market value of South Africa's foreign assets (outward investment) increased by 3.0% from a revised R8 673 billion at the end of September 2023 to R8 930 billion at the end of December. All the functional categories of foreign assets increased in the fourth quarter of 2023, except for financial derivatives and other investment assets. Direct and portfolio investment assets increased notably, mainly due to price valuation effects as the US Standard & Poor's (S&P) 500 Index increased by 11.2% in the fourth quarter of 2023. Other investment assets decreased as non-residents repaid loans to the domestic private banking and non-banking sectors. The domestic banking sector also reduced its deposits at non-resident banks. Reserve assets increased due to the increase in the gold price.

The market value of South Africa's foreign liabilities (inward investment) increased by 2.5% from a revised R6 801 billion at the end of September 2023 to R6 973 billion at the end of December as direct and portfolio investment liabilities increased while financial derivatives and other investment liabilities decreased. While direct investment liabilities increased only marginally, valuation effects following the 6.2% increase in the FTSE/JSE All-Share Index (Alsi) in the fourth quarter of 2023 contributed to the increase in portfolio investment liabilities. Non-residents' net purchases of bonds in the domestic capital market contributed to the increase in portfolio investment liabilities in the fourth quarter of 2023, in addition to an increase in the market value of such bonds. Other investment liabilities decreased mainly due to the repayment of loans to non-residents, including the first of eight quarterly repayments of XDR381 million on an IMF loan, which was only partly countered by the drawdown of US$300 million on a loan from the AfDB by national government.

21 Annual GDP is calculated as the sum of the most recent four quarters' nominal GDP.

As a ratio of South Africa's annual GDP,[21] foreign assets increased from 125.4% at the end of September 2023 to 127.1% at the end of December while foreign liabilities increased from 98.4% to 99.3% over the same period. This resulted in an increase in the positive net IIP from 27.1% of GDP at the end of September 2023 to 27.9% of GDP at the end of December.

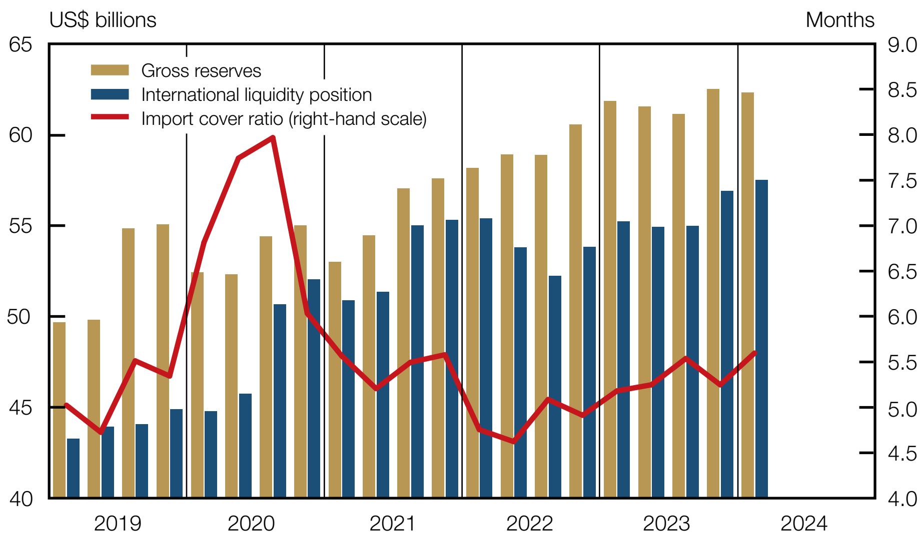
International reserves and liquidity

South Africa's international reserves decreased further by R14.0 billion in the first quarter of 2024, marking the third consecutive quarterly decrease.

22 South Africa's international liquidity position is calculated as the SARB's gross gold and foreign reserves *minus* foreign currency-denominated liabilities against both domestic and foreign counterparties *plus/minus* the forward position in foreign currency.

The value of South Africa's gross gold and other foreign reserves (i.e. the international reserves of the SARB before accounting for reserves-related liabilities), measured in US dollar terms, decreased slightly from US$62.5 billion at the end of December 2023 to US$62.3 billion at the end of March 2024 as foreign exchange (FX) payments marginally outweighed the proceeds from foreign borrowings. The country's gross gold and other foreign reserves then decreased further to US$62.1 at the end of May. South Africa's international liquidity position[22] increased from US$56.9 billion at the end of December 2023 to US$57.5 billion at the end of March 2024 and further to US$58.3 billion at the end of May.

International reserves



Source: SARB

The level of import cover (i.e. the value of gross international reserves relative to the value of merchandise imports as well as services and income payments) increased from 5.2 months at the end of December 2023 to 5.6 months at the end of March 2024.

Exchange rates[23]

The nominal effective exchange rate (NEER) of the rand increased by 0.8% in the first quarter of 2024 following a decrease of 1.7% in the fourth quarter of 2023. The NEER displayed some volatility during the first quarter of 2024 as investor uncertainty increased globally following expectations that interest rates in the US would remain higher for longer, coupled with uncertainty surrounding the outcome of South Africa's general elections in May. Concerns over global economic growth, particularly in South Africa's major trading-partner countries, as well as intensified geopolitical tensions and weak domestic economic growth continued to impact on the exchange value of the rand in the first quarter of 2024.

23 Unless stated to the contrary, all percentage changes in this section are based on the end of the period.

Exchange rates of the rand

Percentage change

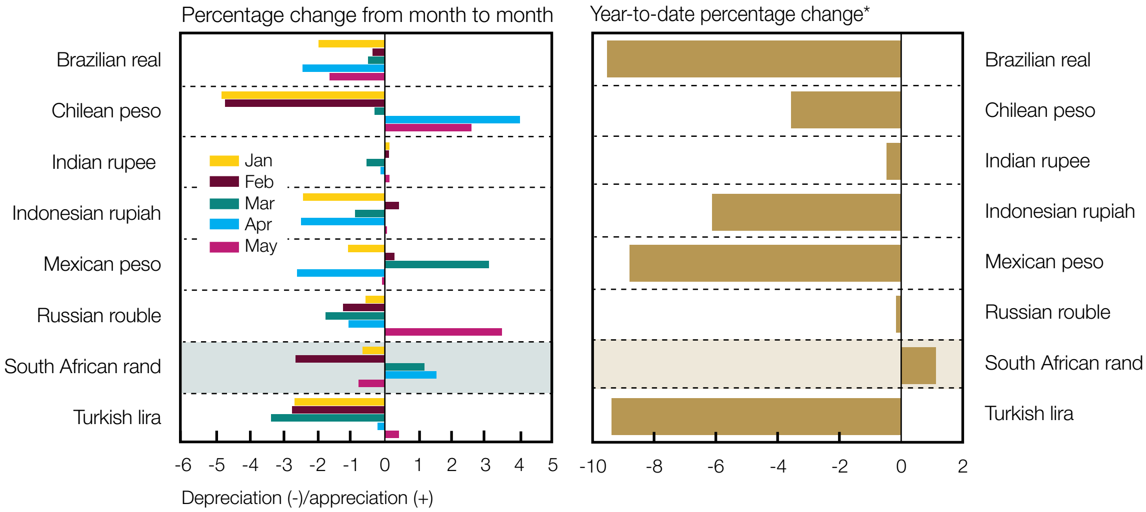
	30 Jun 2023 to 30 Sep 2023	30 Sep 2023 to 31 Dec 2023	31 Dec 2023 to 31 Mar 2024	31 Mar 2024 to 14 Jun 2024
Weighted average*	2.5	-1.7	0.8	4.1
Euro	3.0	-3.2	0.4	4.2
US dollar	0.7	1.1	-2.2	3.4
Chinese yuan	1.3	-1.8	-0.3	3.8
British pound	3.8	-2.9	-1.0	2.4
Japanese yen	3.7	-4.1	4.7	7.6

* Trade-weighted exchange rate against a basket of 20 currencies (nominal effective exchange rate)
Depreciation (-)/appreciation (+)

Source: SARB

Several emerging market currencies, including the rand, depreciated against the US dollar in January 2024 as the US policy interest rate was expected to remain elevated for longer than anticipated following the US Federal Reserve's (Fed) December 2023 meeting. Consequently, the NEER increased by 1.0% over the period. The broad US dollar strength in January 2024 was aided by continued global economic growth concerns as well as risk-off sentiment in US financial markets amid escalating geopolitical tensions in the Middle East. Nonetheless, the rand strengthened against other major trading-partner currencies, including the euro and the Japanese yen, as benchmark interest rates remained broadly unchanged amid expectations of persistent inflation globally as well as the Bank of Japan maintaining negative benchmark interest rates, resulting in carry trade appeal.

Emerging market currencies against the US dollar in 2024



* From 31 December 2023 to 14 June 2024

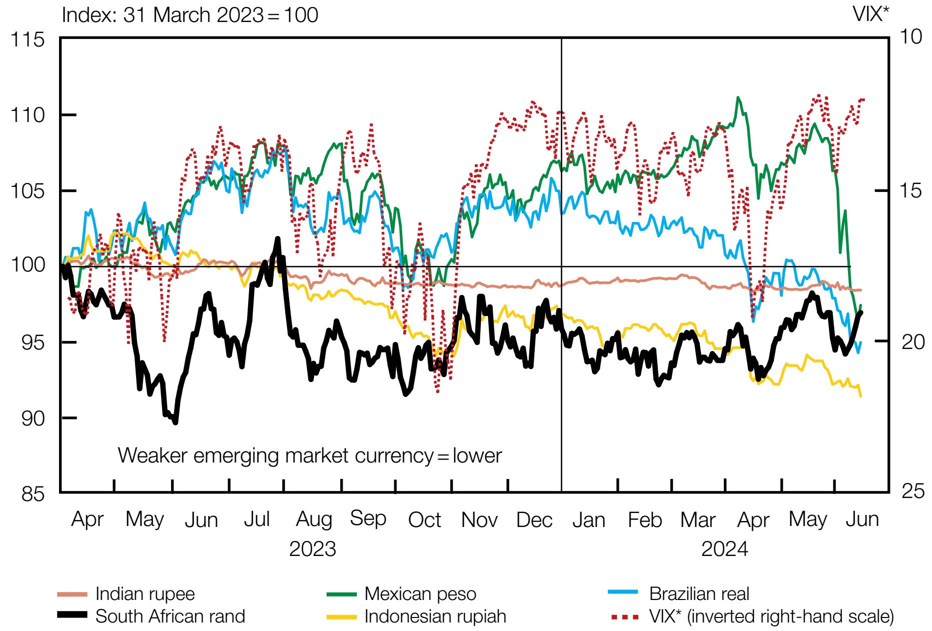
Sources: Refinitiv and SARB

The rand continued to depreciate against the US dollar in February 2024 as, in addition to the global factors that impacted on the local currency in January, the rand was weighed down by increased investor uncertainty related to global interest rates and continued geopolitical tensions. Consequently, the NEER decreased by 2.7% in that month.

The rand appreciated against several advanced economy currencies, including the US dollar, in March 2024, following an increase in commodity prices during the month. The NEER increased by 2.5% in March 2024, almost reversing the decrease in the previous month.

The exchange value of the rand displayed volatility from the end of March 2024 to mid-June. The rand continued to appreciate against advanced economy currencies at the beginning of April as commodity prices increased further, especially for gold. The appreciation was briefly interrupted during April amid escalating geopolitical tensions in the Middle East. The exchange value of the rand then appreciated further at the end of April and in May as several central banks, including the SARB and the US Fed, kept policy interest rates unchanged. The rand was also buoyed by the outcome of US consumer price inflation, which increased expectations of monetary policy easing by the Fed later this year. Domestically, investor sentiment towards the rand also improved as electricity load-shedding was suspended from the end of March 2024, which improved economic growth prospects, and after an agreement was reached on the formation of a government of national unity following the general elections. As a result, the NEER increased by 4.1% from the end of March 2024 to 14 June.

Emerging market currencies against the US dollar

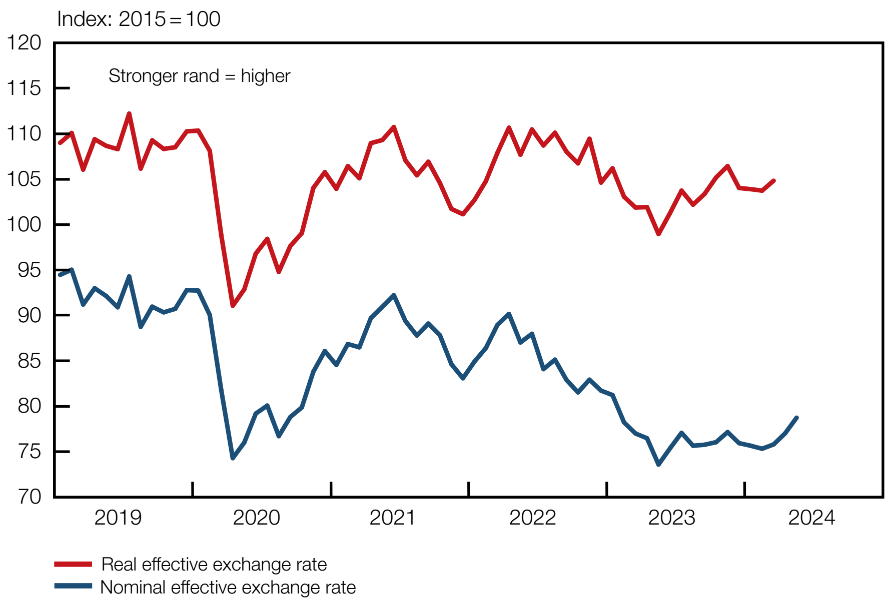


* The Volatility Index (VIX), developed by the Chicago Board Options Exchange (CBOE), is a real-time index that represents the market's expectation of 30-day forward-looking volatility derived from the S&P 500 Index options. The VIX provides a measure of market risk and investor sentiment.

Sources: Refinitiv and SARB

The real effective exchange rate (REER) of the rand increased by 2.9% from March 2023 to March 2024, reducing the competitiveness of domestic producers in foreign markets.

Effective exchange rates of the rand



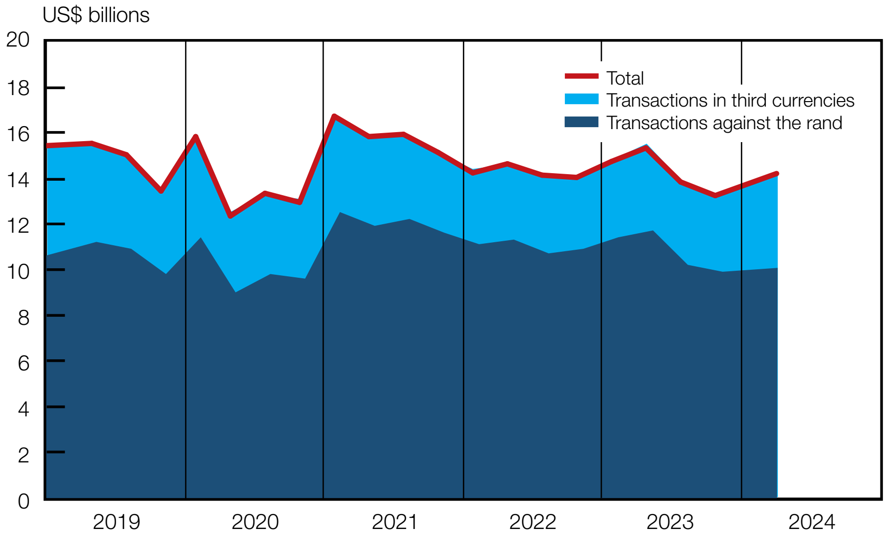
Source: SARB

Turnover in the South African foreign exchange market

24 The net average daily turnover is calculated as the daily average of all new foreign exchange transactions concluded during a specified period, adjusted for domestic interbank double-counting.

The net average daily turnover[24] in the South African FX market increased from US$13.2 billion in the fourth quarter of 2023 to US$13.7 billion in the first quarter of 2024 amid persistent inflationary pressures and changing interest rate expectations globally. FX transactions against the rand increased marginally from US$9.9 billion in the fourth quarter of 2023 to US$10.0 billion in the first quarter of 2024. Transactions in third currencies also increased from US$3.3 billion to US$3.6 billion over the same period.

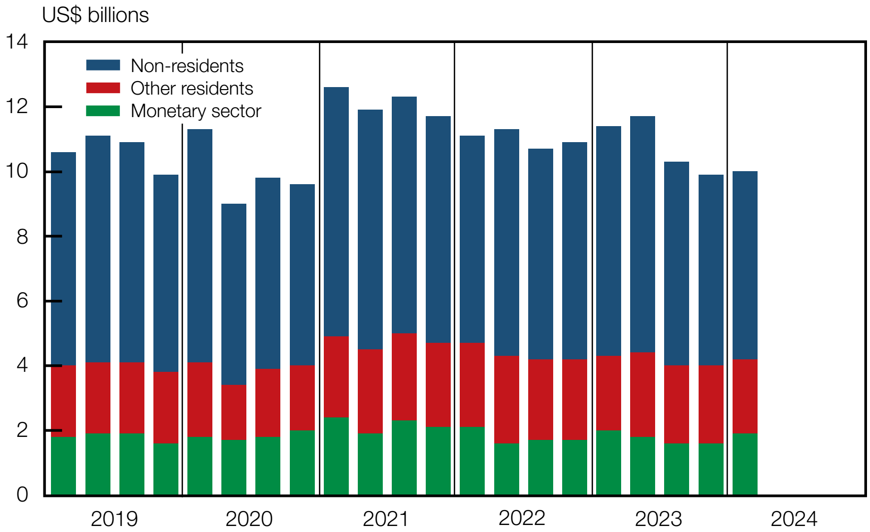
Net average daily turnover in the South African foreign exchange market



Source: SARB

The increase in FX transactions against the rand resulted from an increase in the net average daily counterparty participation by the monetary sector from US$1.6 billion in the fourth quarter of 2023 to US$1.9 billion in the first quarter of 2024. Average daily participation by non-residents and residents in the rand market declined marginally from US$5.9 billion to US$5.8 billion and from US$2.4 billion to US$2.3 billion respectively over the same period.

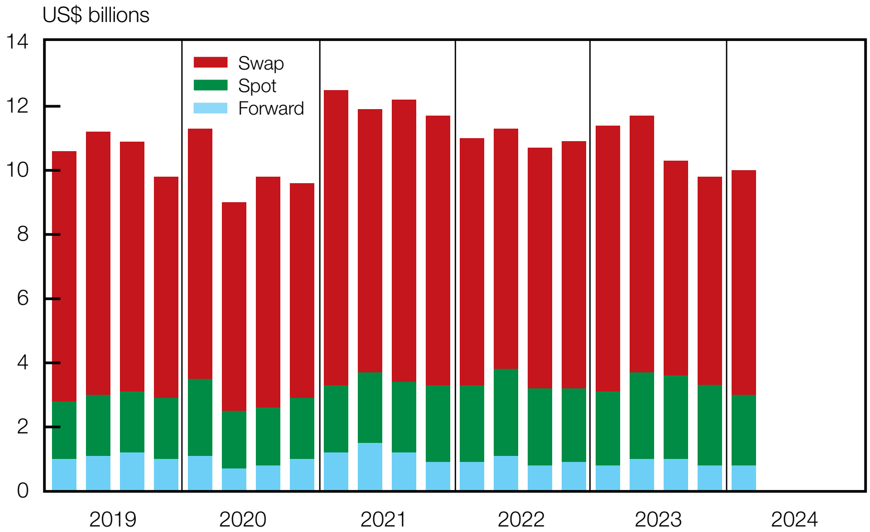
Composition of net average daily turnover in the South African foreign exchange market against the rand, by counterparty



Source: SARB

Net average daily swap transactions in the rand market increased from US$6.5 billion in the fourth quarter of 2023 to US$7.0 billion in the first quarter of 2024. Forward transactions in the rand market remained unchanged at US$0.8 billion over the same period, while spot transactions declined slightly from US$2.5 billion to US$2.2 billion.

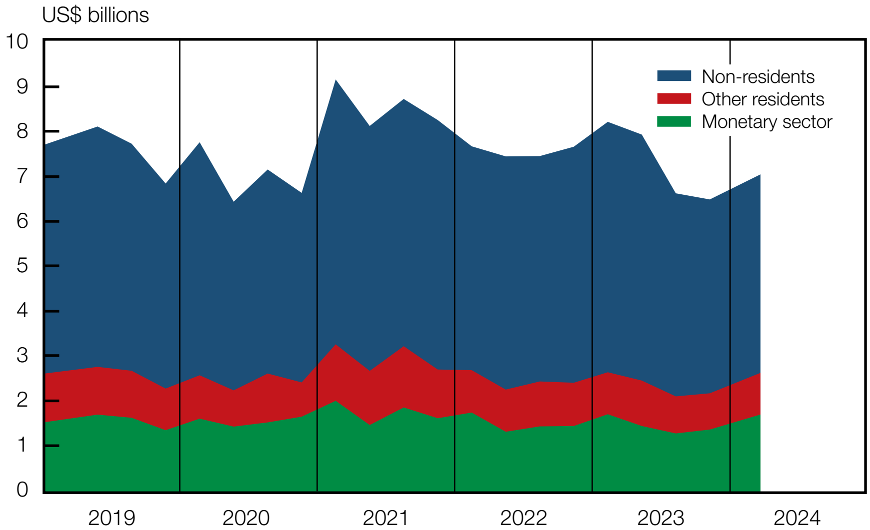
Composition of net average daily turnover in the South African foreign exchange market against the rand, by instrument



Source: SARB

Turnover in the inter-dealer rand swap market increased in the first quarter of 2024 as market participants responded to changing interest rate expectations and persistent inflation globally. More specifically, monetary sector participation in the rand swap market increased notably from US$1.4 billion in the fourth quarter of 2023 to US$1.7 billion in the first quarter of 2024. Participation by non-residents in the swap market also increased from US$4.3 billion to US$4.4 billion, while that of residents increased from US$0.8 billion to US$0.9 billion over the same period.

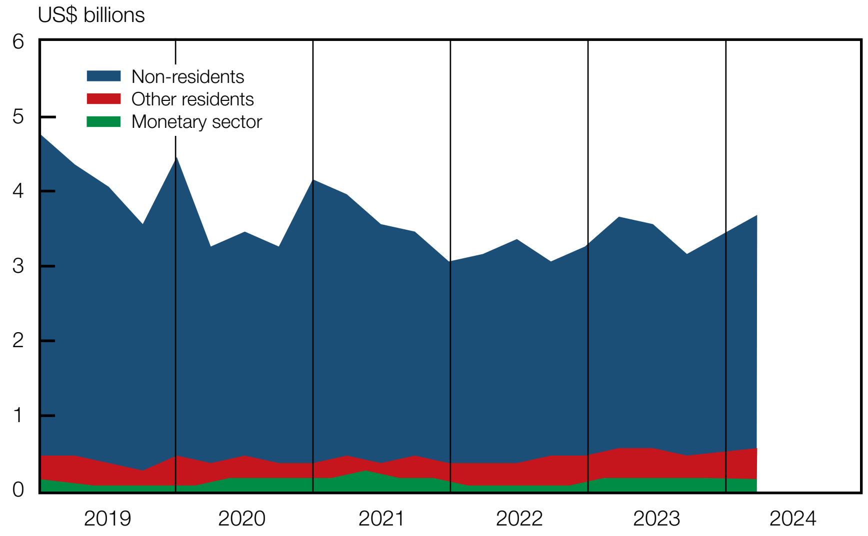
Composition of net average daily swap turnover in the South African foreign exchange market against the rand, by counterparty



Source: SARB

The increase of FX transactions in the market for third currencies in the first quarter of 2024 was mainly driven by increased non-resident participation, from US$2.7 billion in the fourth quarter of 2023 to US$3.1 billion in the first quarter of 2024. Monetary sector transactions remained unchanged at US$0.2 billion, while participation by residents increased slightly from US$0.3 billion to US$0.4 billion over the same period.

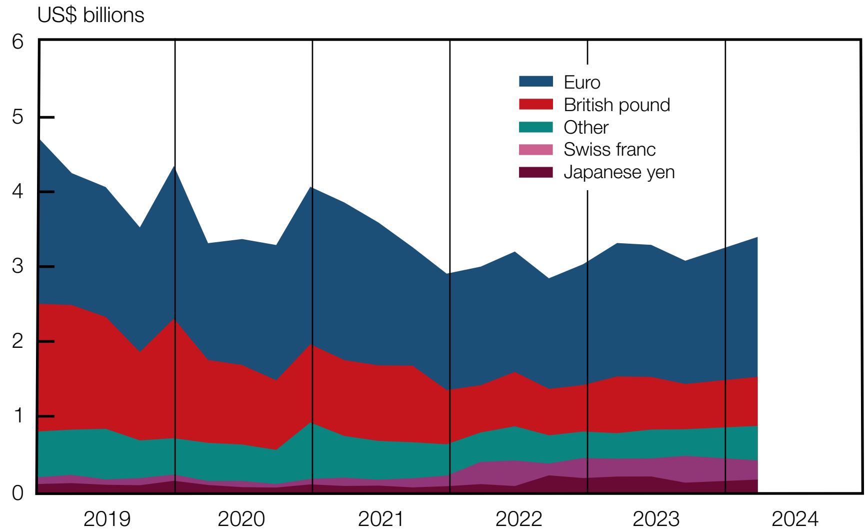
Composition of net average daily turnover in the South African foreign exchange market in third currencies, by counterparty



Source: SARB

In the market for third currencies, US dollar transactions against the euro increased from US$1.6 billion in the fourth quarter of 2023 to US$1.9 billion in the first quarter of 2024. Transactions of the US dollar against the yen also increased from US$0.1 billion to US$0.2 billion over the same period. By contrast, transactions of the US dollar against the Swiss franc decreased from US$0.4 billion in the fourth quarter of 2023 to US$0.2 billion in the first quarter of 2024, while transactions of the US dollar against the British pound remained unchanged at US$0.6 billion. Similarly, US dollar transactions against other currencies also remained unchanged at US$0.4 billion over this period.

Composition of net average daily turnover in the South African foreign exchange market in third currencies, by US dollar against foreign currencies



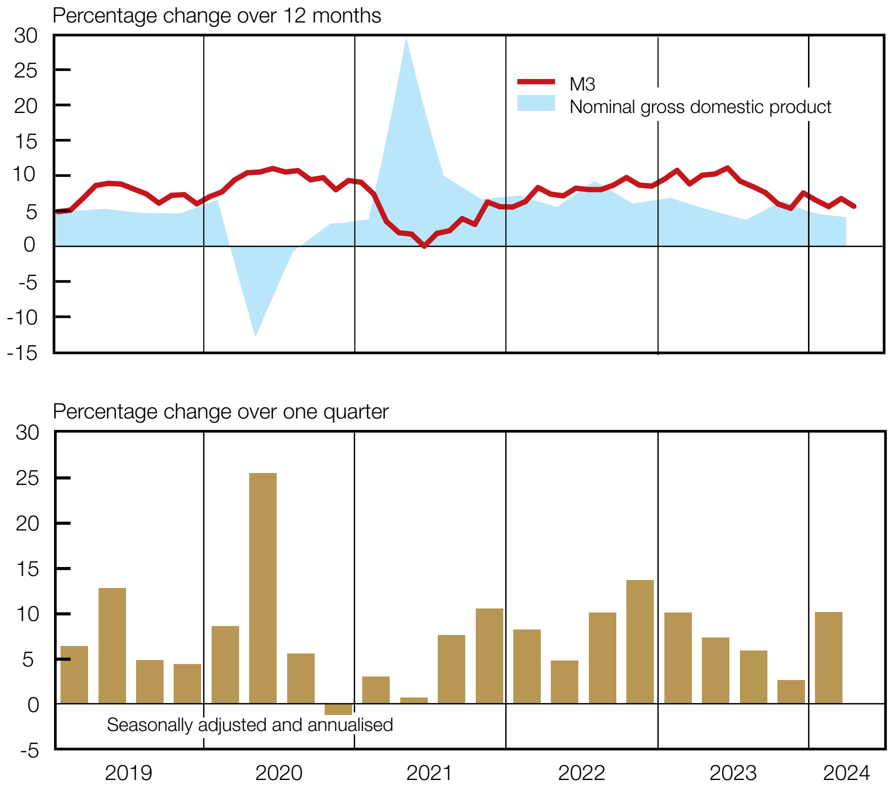
Source: SARB

Monetary developments, interest rates and financial markets

Money supply

Year-on-year growth in the broadly defined money supply (M3) accelerated somewhat from a recent low of 5.5% in November 2023 to 6.8% in March 2024 – still significantly lower than the post-COVID-19 high of 11.2% recorded in June 2023. The acceleration reflected a rebound in the deposit growth of the corporate sector, most notably of non-financial companies, while growth in household deposits moderated in the early months of 2024. In April 2024, growth in M3 moderated again to 5.7%. The quarter-to-quarter seasonally adjusted and annualised growth in M3 accelerated notably from 2.6% in the fourth quarter of 2023 to 10.1% in the first quarter of 2024, similar to the rate of increase recorded in the first quarter of 2023. The income velocity of M3 declined from 1.43 in the fourth quarter of 2023 to 1.40 in the first quarter of 2024 as the quarterly growth in M3 exceeded that in nominal GDP.

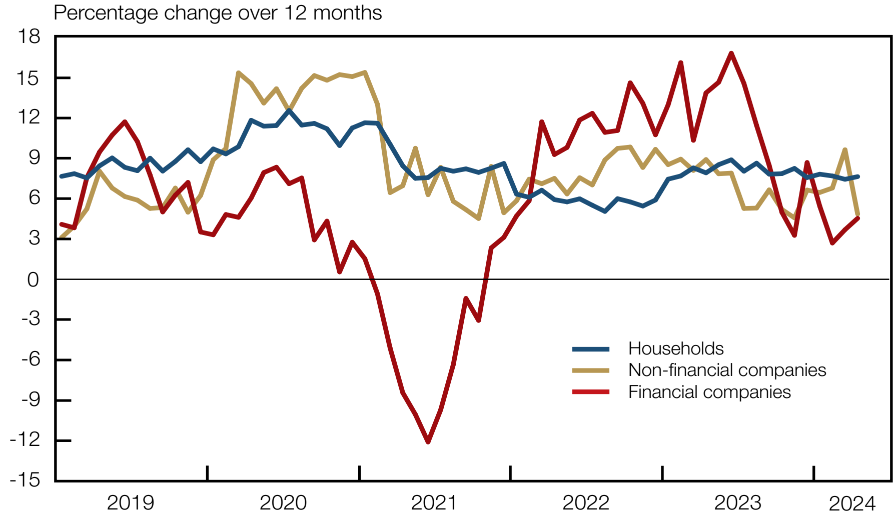
Money supply and gross domestic product



Sources: Stats SA and SARB

Growth in the deposit holdings of non-financial companies accelerated to a recent high of 9.6% in March 2024, in contrast to the moderation in the second half of 2023, largely reflecting deposits earmarked for dividend distribution in the first quarter of 2024. Deposit balances were also temporarily elevated by the Easter holidays coinciding with month-end, while equitable share transfer allocations to metropolitan municipalities further boosted the deposits of non-financial companies in March 2024. The deposits of non-financial companies then decelerated again to 4.9% in April. Growth in the deposit holdings of financial companies moderated from a peak of 16.8% in June 2023 to 4.5% in April 2024, partly driven by a substantial decrease in fund managers' holdings of negotiable certificates of deposit (NCDs) since mid-2023 as banks reduced their issuance of NCDs.

Deposit holdings of households and companies

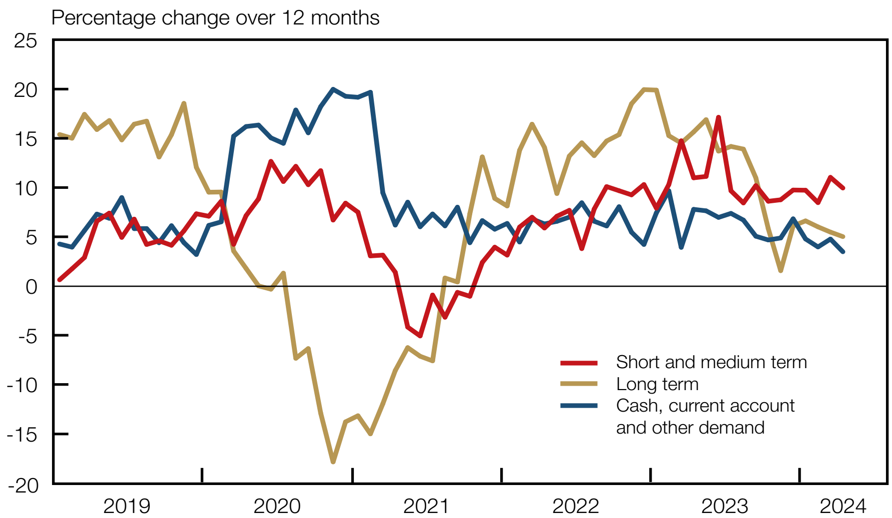


Source: SARB

Growth in the deposit holdings of households has remained stable in recent months as it moderated slightly from 8.9% in June 2023 to 7.4% in March 2024 before accelerating somewhat to 7.6% in April. The elevated interest rate environment continued to allow banks to offer competitive interest rates on selected saving and investment products, especially to high-end clients who preferred to keep portions of their wealth portfolios in low-risk and liquid assets.

Growth in short- and medium-term deposits (comprising 32% of total M3) accelerated anew from 8.6% in October 2023 to 11.1% in March 2024, reflecting an increased preference for liquidity, but then moderated slightly to 10.0% in April. Growth in cash, current account and other demand deposits (comprising 50% of total M3) fluctuated in a range between 3.5% and 4.8% in the first four months of 2024, below the average growth of 6.6% in 2023. Growth in long-term deposits (comprising 18% of total M3) rebounded from a recent low of 1.6% in November 2023 to 6.6% in January 2024 before moderating slightly to 5.0% in April.

Deposits by maturity



Source: SARB

The value of M3 deposits increased by R109.7 billion in the first quarter of 2024 – less than the increases of R137.9 billion and R114.3 billion recorded in the same periods of 2023 and 2022 respectively. The value of corporate deposits increased the most in the first quarter of 2024, especially of non-financial companies. However, despite more than doubling from the fourth quarter of 2023, the increase of R89.4 billion in corporate deposits in the first quarter of 2024 was substantially lower than the increase of R116.9 billion in the same quarter of 2023. The largest contributor was the deposit holdings of non-financial companies, which increased by R63.8 billion. Household deposits increased by R20.2 billion in the first quarter of 2024 – slightly lower than the increase of R24.4 billion in the fourth quarter of 2023 and in line with the increase of R20.9 billion recorded in the first quarter of 2023.

M3 holdings of households and companies

	Quarter-to-quarter change (R billions)					Percentage of total M3 deposit holdings*
	2023				2024	
	Q1	Q2	Q3	Q4	Q1	
Households	20.9	41.8	43.4	24.4	20.2	36.1
Companies: Total.................	116.9	38.3	34.8	40.8	89.4	63.9
Of which: Financial	98.8	59.3	-17.7	-6.9	25.6	32.6
Non-financial.....	18.2	-21.0	52.5	47.6	63.8	31.3
Total M3 deposits................	**137.9**	**80.1**	**78.2**	**65.2**	**109.7**	**100.0**

* Expressed as a percentage of the total outstanding balance as at March 2024

Source: SARB

From a statistical perspective, the counterparts to the increase of R109.7 billion in M3 in the first quarter of 2024 comprised increases in claims on the domestic private sector of R106.2 billion, net foreign assets of R44.2 billion and net claims of monetary institutions on the government sector of R3.0 billion. These increases were partly countered by a decrease of R43.7 billion in net other assets of the monetary sector.

Counterparts of change in M3

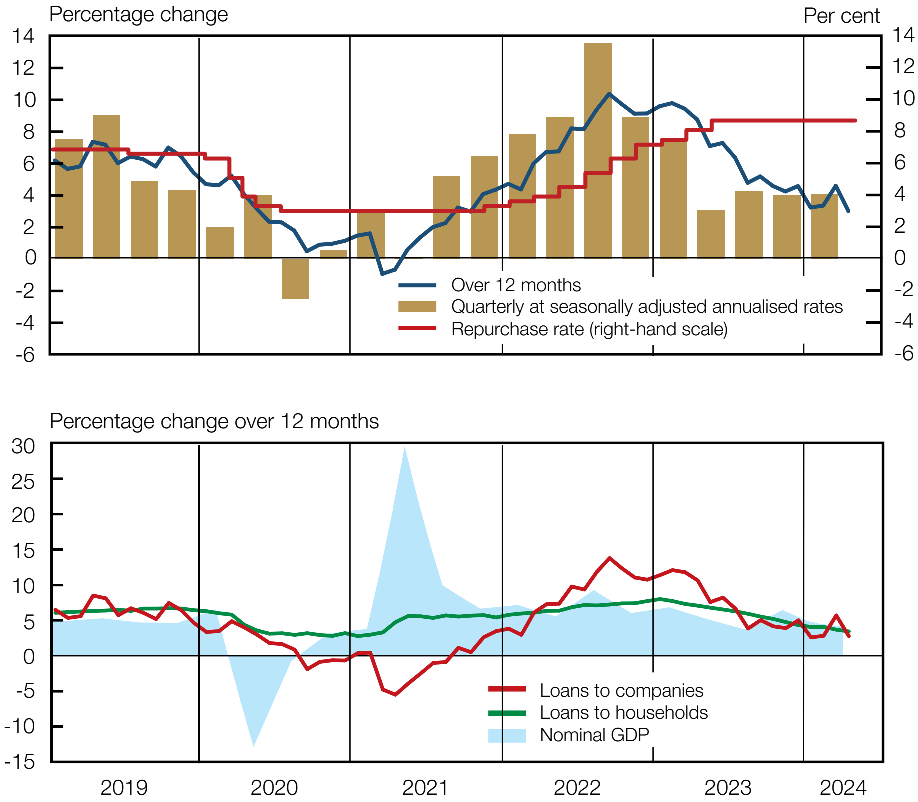
	Quarterly change (R billions)				
	2023				2024
	Q1	Q2	Q3	Q4	Q1
Claims on the private sector..	92.2	35.4	68.2	22.4	106.2
Net claims on the government sector...	87.7	-67.5	127.3	52.5	3.0
Net foreign assets	65.9	188.3	-88.3	-14.3	44.2
Net other assets...	-107.9	-76.1	-29.0	4.6	-43.7
Change in M3..	137.9	80.1	78.2	65.2	109.7

Source: SARB

Credit extension

Year-on-year growth in total loans and advances extended by monetary institutions to the domestic private sector decelerated gradually from 9.9% in February 2023 to 3.1% in April 2024, reflecting a moderation in the pace of growth in loans extended to both households and companies despite the pause in the repurchase (repo) rate increases after May 2023. The quarter-to-quarter seasonally adjusted and annualised growth in total loans and advances also slowed in 2023 and bottomed out at 4.0% in both the fourth quarter of 2023 and the first quarter of 2024. Although growth in credit extension decelerated, it still exceeded the expansion in nominal GDP, resulting in an increase in the ratio of total loans and advances to nominal GDP from 59.4% in the fourth quarter of 2023 to 59.6% in the first quarter of 2024.

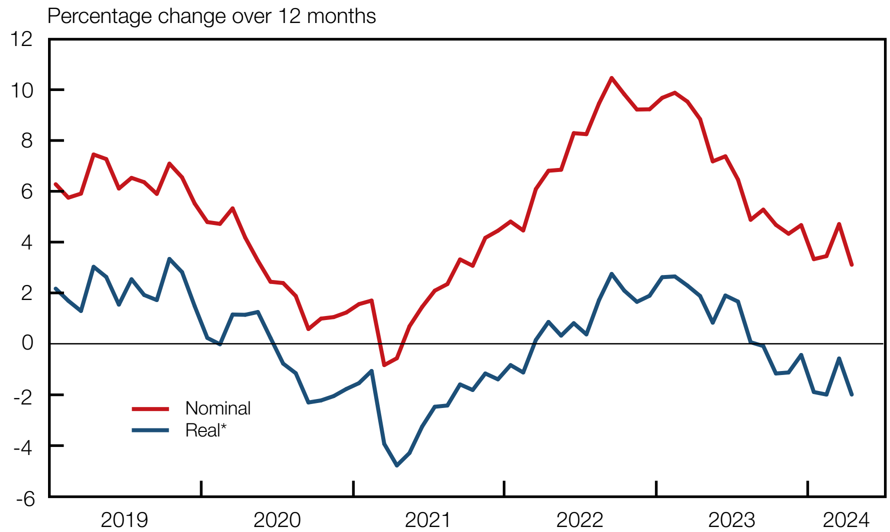
Total loans and advances to the private sector and gross domestic product



Sources: Stats SA and SARB

When adjusted for inflation, growth in loans and advances followed a trend similar to its nominal counterpart, decelerating from 2.7% in February 2023 to a low of -2.0% in April 2024.

Total loans and advances



* Deflated with the headline consumer price index

Source: SARB

In nominal terms, the increase of R190.8 billion in total loans and advances in 2023 was notably lower than the increase of R344.8 billion recorded in 2022. Total loans and advances to the corporate sector increased by a sizeable R67.5 billion in the first quarter of 2024 – much more than the increases recorded in the preceding three quarters and the quarterly increase of R50.9 billion in the first quarter of 2023. The larger increase reflected higher demand for general loans by non-financial companies in February and March 2024, while financial companies also increased their utilisation of such loans in March. The credit extended to the household sector of R23.5 billion in the first quarter of 2024 was lower than the increase of R35.1 billion in the same period of 2023, but still exceeded the increases of R17.6 billion and R18.7 billion in the third and fourth quarter of 2023 respectively.

Credit extended to households and companies

	Quarterly change (R billions)					Percentage of total loans and advances*
	2023				2024	
	Q1	Q2	Q3	Q4	Q1	
Households	35.1	16.7	17.6	18.7	23.5	49.1
Companies: Total	50.9	2.4	39.5	9.9	67.5	50.9
Of which: Financial	46.0	0.4	18.4	1.9	29.8	13.1
Non-financial	4.9	1.9	21.1	8.0	37.7	37.7
Total bank loans and advances	86.1	19.1	57.0	28.6	91.0	100.0

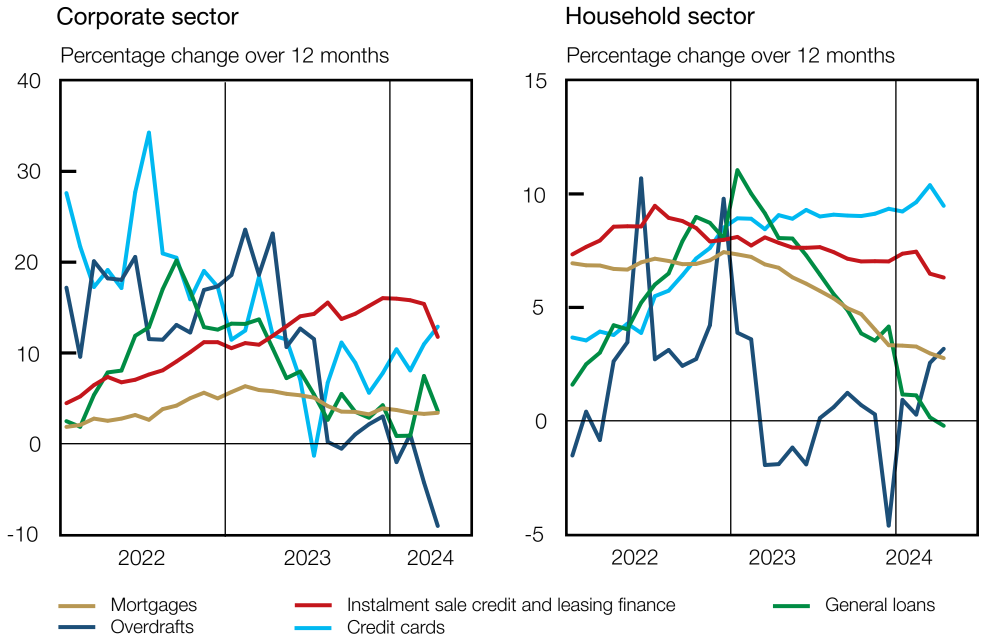
* Expressed as a percentage of the total outstanding balance as at March 2024

Source: SARB

Growth in loans and advances extended to the corporate sector decelerated noticeably from 12.1% in February 2023 to a post-pandemic low of 2.6% in January 2024, and remained low at 2.8% in April. The slowdown reflected weak business confidence amid high and rising operating costs as well as slowing consumer demand. A short-lived rebound in loans to companies in March 2024 is partially reflected in the growth in general loans from a post-pandemic low of 0.8% in January 2024 to 7.4% in March, although it moderated to 3.1% in April following the significant repayment of such loans. The initial increase in the utilisation of general loans by financial companies mainly reflected more intercompany loans, collateralised lending to investment management companies as well as term loans extended to securities trading and treasury services companies. General loans to non-financial companies also increased as they required funding for either working capital or strategic expansion projects.

Growth in mortgage advances to companies moderated from 6.3% in February 2023 to 3.4% in April 2024, reflecting weak demand for commercial property. The utilisation of overdrafts by companies also decreased sharply during 2023 and contracted by 1.8% and 8.9% in March and April 2024 respectively, largely due to repayments by the agricultural sector following a bumper summer crop harvest. By contrast, growth in instalment sale credit to companies accelerated to a recent high of 15.6% in April 2024. The resilience in this category likely reflected the growing demand for light commercial vehicles in line with the growth in e-commerce as well as for heavy commercial vehicles for road freight transportation due to the prolonged logistical challenges experienced in rail freight. The utilisation of credit card advances by companies slowed sharply up to mid-2023 before accelerating again to 12.9% in April 2024.

Selected loans and advances



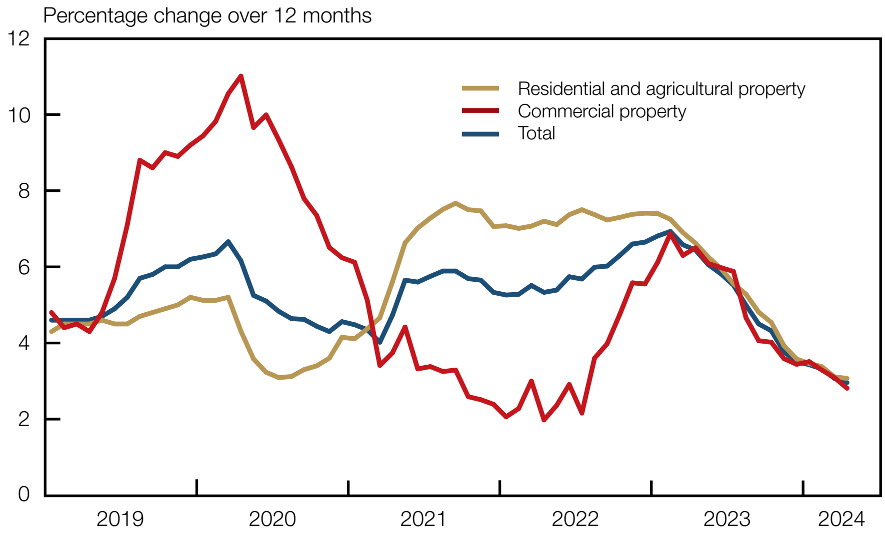
Source: SARB

Growth in credit extension to the household sector gradually slowed from 8.0% in January 2023 to 3.4% in April 2024, with growth slowing in most credit categories. Growth in general loans to households, which drove household demand for credit in 2022, decelerated notably from 11.0% in January 2023 to a contraction of 0.2% in April 2024 as households were affected by the elevated interest rate environment, while banks also tightened their lending standards due to high and rising default rates. Growth in credit card advances to households remained fairly firm at an average rate of 9.0% in 2023 and accelerated to 10.4% in March 2024 and 9.5% in April as households likely relied more on credit card debt to support spending at the start of 2024. Households' utilisation of overdrafts remained volatile, broadly moderating throughout 2023 and contracting by 4.6% in December 2023 before increasing slightly by 3.2% year on year in April 2024.

The moderation in credit extension to households was also noticeable in the asset-backed credit categories, with year-on-year growth in mortgage advances to households decelerating from 7.3% in January 2023 to 2.8% in April 2024. The moderation largely reflected affordability constraints amid elevated debt-service costs in a higher-for-longer interest rate environment, with banks tightening their lending criteria due to an increase in non-performing loans and the number of customers entering debt review. Growth in instalment sale credit to households slowed slightly for most of 2023 before accelerating to 7.4% in January 2024 and then moderating to 6.3% in April. The resilience in this category partly reflected incentives and discounts offered by vehicle dealerships to attract clients amid the high interest rate environment.

Growth in mortgage advances slowed during 2023 and in the first quarter of 2024, with growth in mortgage advances on commercial property decelerating from 6.9% in February 2023 to 2.8% in April 2024 and growth in mortgage advances on residential and farm properties decelerating from 7.4% in January 2023 to 3.1% in April 2024. The tight conditions in the real estate market are also reflected in the performance of real estate investment trusts (REITs), which have been recording dismal returns amid rising costs and the enduring weak economic conditions.

Mortgage advances



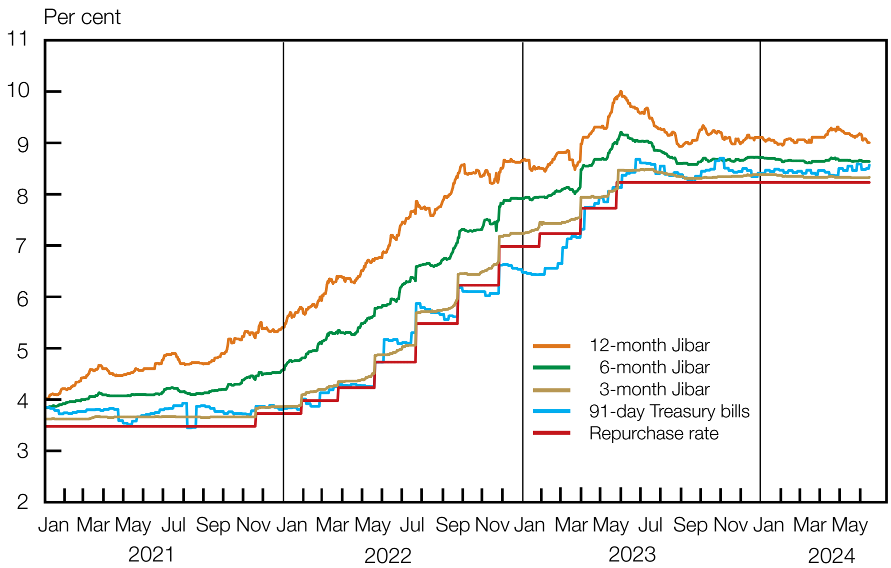
Source: SARB

Interest rates and yields

The Monetary Policy Committee (MPC) of the SARB kept the repo rate unchanged at 8.25% per annum for a sixth consecutive meeting in May 2024. The MPC assessed the overall risks to the domestic inflation outlook to be broadly balanced, but reiterated that high inflation expectations require the inflation target to be met sooner rather than later in order to re-anchor expectations.

Domestic short-term money market rates have been relatively stable in recent months, in line with the unchanged repo rate. The three-month Johannesburg Interbank Average Rate (Jibar) remained range-bound and averaged 8.35% between 1 March 2024 and 14 June. Over the same period, the six-month Jibar also fluctuated within a relatively narrow range of between 8.63% and 8.73%, reaching 8.66% on 14 June. The longer-dated 12-month Jibar initially followed an upward trajectory, increasing from 9.03% on 18 March 2024 to 9.29% on 23 April, amid growing expectations that interest rates would remain higher for longer. Subsequently, the 12-month Jibar declined to 9.03% on 14 June alongside the general appreciation in the exchange value of the rand.

Money market rates

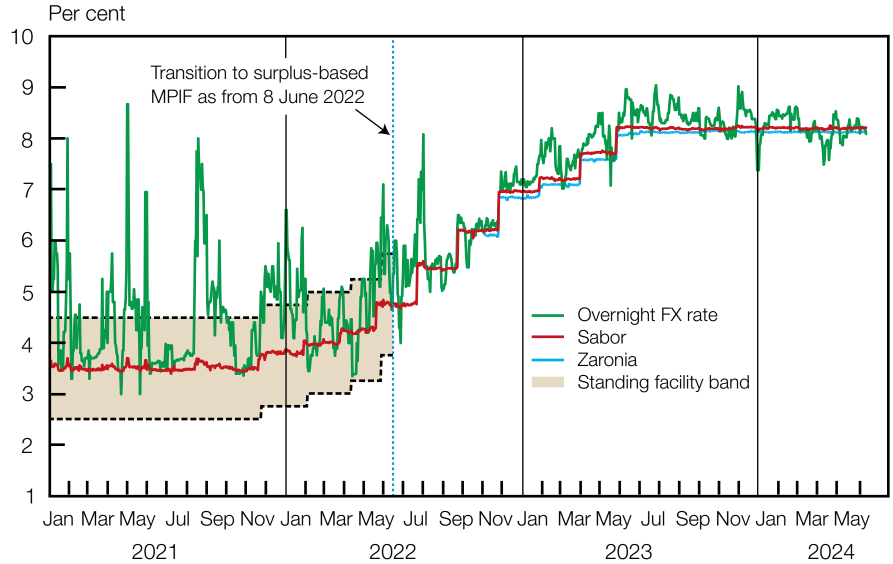


Source: SARB

The tender rate on 91-day Treasury bills (TBs) increased by 12 basis points from 8.40% on 25 March 2024 to 8.52% in early May amid lower demand for these short-term liquid assets by private sector banks. A significant increase in the weekly issuance of TBs of R4.1 billion to R14.6 billion from 1 April 2024 across the full range of maturities contributed to the higher rate. Subsequently, the tender rate on 91-day TBs decreased to a low of 8.48% on 6 May amid increasing demand before fluctuating higher to 8.59% on 14 June.

The South African Benchmark Overnight Rate (Sabor) fluctuated in close alignment with the repo rate, averaging 8.20% between March 2024 and early June as liquidity conditions in the overnight interbank market remained fairly stable. At the same time, the South African Rand Overnight Index Average (ZARONIA) rate, which is a reformed version of the Sabor, also continued to trade slightly below the repo rate and fluctuated in a narrow range of between 8.11% and 8.14% from 1 March 2024 to early June, and amounted to 8.14% on 14 June.

Benchmark overnight rates

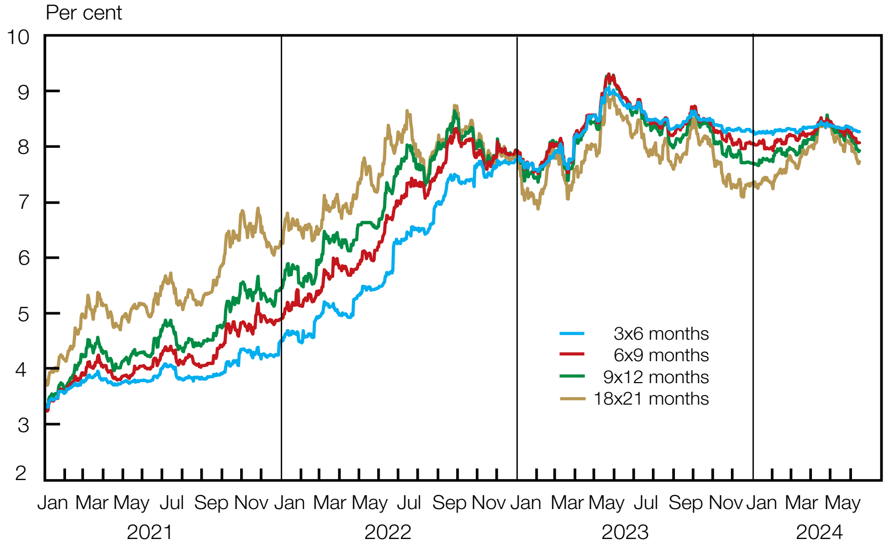


Source: SARB

By contrast, the overnight FX rate maintained its month-end volatility as it initially decreased by 58 basis points from 8.16% on 18 March 2024 to 7.58% on 11 April when foreign banks experienced adequate liquidity in the overnight FX forward market. Subsequently, the rate increased to 8.53% on 29 April due to a tightening of liquidity conditions when foreign banks needed additional liquidity to meet their month-end obligations. The overnight FX rate then once again fluctuated between a low of 7.87% on 9 May and a high of 8.39% by the end of May before declining to 8.09% on 14 June.

Forward rate agreements (FRAs) diverged somewhat towards the end of 2023, with the shorter-dated FRAs remaining fairly stable while the longer-dated FRAs decreased in the closing months of the year. However, the rates converged again in the first five months of 2024 as the longer-dated FRAs increased amid expectations that the repo rate would remain elevated for longer than initially expected. The 3x6-month FRA increased by 14 basis points from 8.31% on 16 March 2024 to 8.45% on 16 April but declined towards the end of April and averaged around 8.35% in May when the exchange value of the rand appreciated. Subsequently, the short-term rate decreased further to 8.27% on 14 June. Similarly, the 6x9-month FRA increased by 31 basis points from 8.21% on 16 March 2024 to 8.52% on 16 April before declining to 8.07% by 14 June. The 9x12-month FRA increased by 53 basis points from 7.99% on 16 March 2024 to 8.52% on 16 April before fluctuating lower to 7.93% on 14 June. The longer-dated 18x21-month FRA increased even more, from 7.06% on 11 March 2024 to 8.48% on 16 April, before also receding to 7.73% on 14 June as consumer price inflation surprised to the downside and the exchange value of the rand appreciated.

Forward rate agreements



Source: SARB

The weighted average monthly flexible deposit and lending rates offered by private sector banks have remained fairly stable in recent months, aligned with the unchanged monetary policy stance. The flexible interest rate charged by banks on mortgage advances remained unchanged at 11.45% between February 2024 and April. Over the same period, the interest rate on instalment sale credit decreased marginally from 11.92% to 11.90%, while the interest rate on overdrafts decreased from 12.01% to 11.96%. The rate on credit card advances increased by 13 basis points from 18.10% in February 2024 to 18.23% in April. Similarly, the weighted average interest rates offered on deposits changed only marginally, with the rate on call deposits decreasing from 8.03% to 7.99% between February 2024 and April. The rate offered on 12-month fixed deposits increased slightly to 8.86% in April 2024 from 8.82% in February.

Box 2 Changes in selected interest rates charged by banks since 2019[1]

In response to the declaration of the coronavirus disease 2019 (COVID-19) pandemic, the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) started easing monetary policy at its March 2020 meeting by, among other factors, lowering the repurchase (repo) rate from 6.25% to a multi-decade low of 3.50% in July. However, headline consumer price inflation accelerated to well above the midpoint of the inflation target range during the post-pandemic period, resulting in the steady increase in the repo rate from November 2021 to 8.25% in May 2023.

This box provides a brief overview of the changes in the interest rates offered and charged by private sector banks before and after the pandemic[2] by analysing the extent to which the weighted average interest rates of banks changed relative to changes in the repo rate as determined by the MPC. The analysis benefits from the extended pause in the repo rate since May 2023, which has made it easier to determine whether the interest rate margins[3] of private sector banks have reverted to levels similar to their pre-COVID-19 levels. Due to the slight lag between changes in the repo rate and the rates charged by private banks, a pause in the repo rate has allowed for the previous rate changes to fully filter through to the various credit products of banks, enabling a comparison of where the margins have settled relative to the pre-COVID-19 period.

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1 This box relates to the weighted average bank deposit and lending rates on pages S–30 and S–31 in this edition of the *Quarterly Bulletin (QB)*. The calculation of weighted average interest rates includes:
- the weighting of interest rates based on the outstanding balance at month-end applicable per interest rate category;
- a mix of different interest rates on existing and new loans/deposits, with rates on existing products dominating the outcome due to their relative size; and
- a mix of different term durations, where fixed-term interest rates take longer to reflect changes than flexible interest rates, with the former affected by the length of the term that applied at the time of fixing the interest rate.

2 The focus is mainly on the various lending rates charged by banks to both households and companies, with only a brief reference made to deposit rates.

3 The margin is calculated as the difference between the relevant interest rate set by private sector banks and the repo rate.

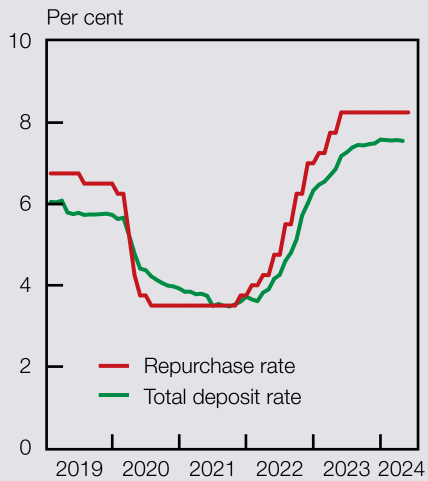
Changes in interest rates by private sector banks in South Africa tend to correlate well with movements in the repo rate. However, the magnitude of changes applied by banks can sometimes differ from those in the repo rate as per the prevailing economic and market conditions, such as the COVID-19-related lockdowns or specific business decisions by banks.

The analysis shows that private sector banks applied a definite deposit rate advantage during the COVID-19 lockdown period, which has since reversed after the monetary policy tightening cycle. Moreover, it seems that stricter lending criteria and risk aversion affect trends in lending rates as changes in monetary policy have not translated into increases of similar magnitude in banks' lending rates for selected categories of credit, predominantly due to banks avoiding high credit-risk borrowers.

There are various factors which play a critical role in shaping banks' loan book pricing strategy, including, but not limited to:
- supply and demand dynamics;
- changes in the client mix; and
- shifts in the maturity profile of the loan book.

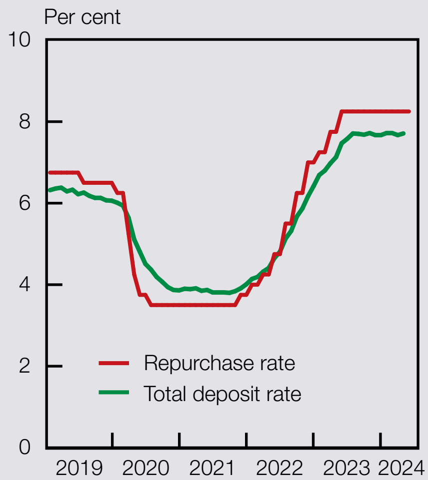
The aggregate weighted average deposit rates of households and companies show that banks provided depositors with an interest rate advantage during the COVID-19 lockdown period when the margin between banks' deposit rates and the repo rate narrowed notably and was positive for more than a year from around April 2020. However, this advantage has since dissipated as deposit rates have once again moved below the repo rate, with the margin currently comparable to its pre-COVID-19 levels. Due to the magnitude of corporate deposits, their interest rate margin is generally more favourable than that of households.

Households: total deposit rate and repurchase rate



Households: interest rate margin to repurchase rate

Companies: total deposit rate and repurchase rate



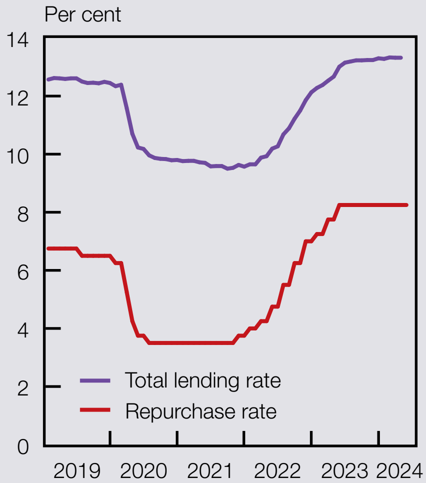
Companies: interest rate margin to repurchase rate

Source: SARB

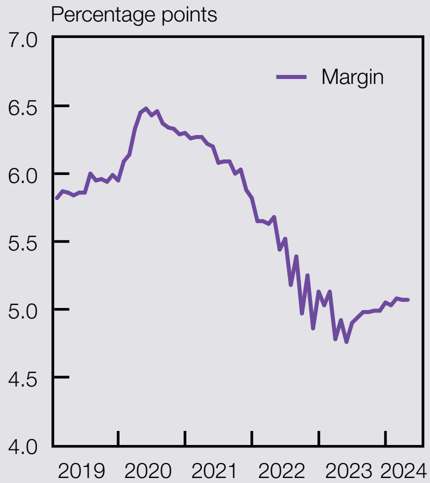
The margin between the aggregate weighted average lending rate charged by banks to both households and companies and the repo rate initially increased at the onset of the COVID-19 pandemic, followed by a progressive narrowing in the margin to below pre-COVID-19 levels during the course of 2022 and 2023. Of note is the fact that the current level of the margin for corporates is close to its pre-pandemic level, while the margin for households has settled at a lower level than before COVID-19, indicating a shift to lower relative interest rates charged by banks to households.

The prevailing subdued economic conditions, elevated consumer price inflation and the cumulative 475 basis points increase in the repo rate since November 2021 have resulted in an escalation of impaired advances and triggered a tightening of lending standards imposed by banks. This resulted in private sector banks progressively limiting their exposure to high credit-risk clients and focusing more on clients with a better track record of repaying debt. The reduction in new loans to high-risk clients, who are usually charged higher interest rates, resulted in a decrease in the aggregate interest rates of selected loan categories relative to the repo rate. Consequently, the quality of banks' loan books improved, with a concomitant narrowing in the margin, as previous high-risk loans matured and were replaced predominantly by new low-risk profile lending.

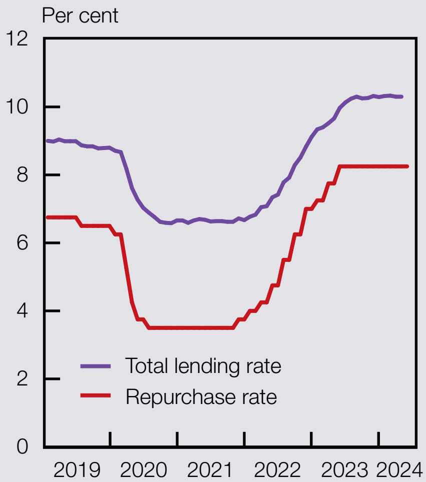
Households: total lending rate and repurchase rate



Households: interest rate margin to repurchase rate



Companies: total lending rate and repurchase rate



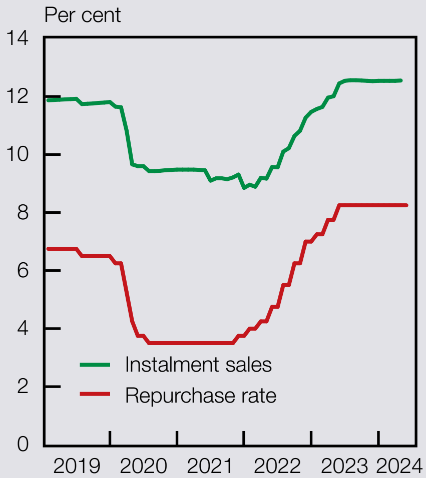
Companies: interest rate margin to repurchase rate

Source: SARB

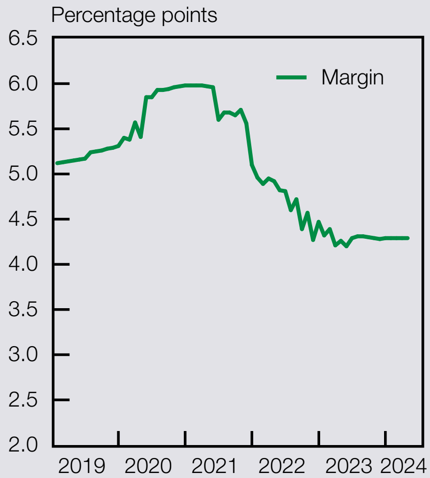
In addition, there has been considerable margin pressure in the industry as competition for market share intensified, with banks focusing more on low- and medium-risk loans, which generally attract lower interest rates. This shift towards lower-risk clients was most visible in instalment sale credit and general loans – sometimes referred to as term loans or unsecured loans – in the case of households. Additionally, some banks have increased their lending volumes through digital channels, with the behavioural data gathered through these channels contributing to better-informed pricing models.

After increasing during the COVID-19 period, the margin between the weighted average flexible rate on instalment sale credit to households and the repo rate has decreased noticeably since the second half of 2021. The margin has stabilised at a much lower level than before COVID-19, resulting from competitive pricing and the focus on lower-risk clients. Similarly to households, the margin between the weighted average flexible interest rate on instalment sale credit to corporates and the repo rate also narrowed sharply in the period after the pandemic to settle well below its pre-COVID-19 level.

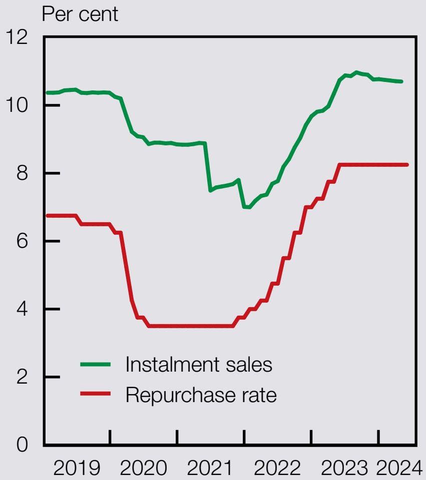
Households: instalment sales flexible rate and repurchase rate



Households: interest rate margin to repurchase rate



Companies: instalment sales flexible rate and repurchase rate

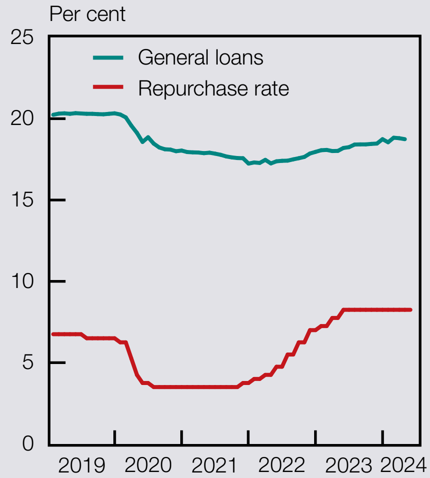


Companies: interest rate margin to repurchase rate

Source: SARB

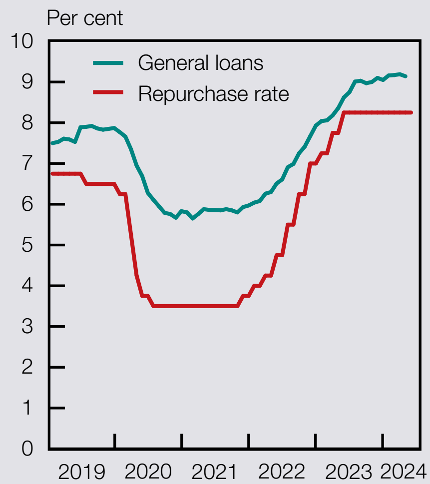
In the case of general loans to households, most banks adjusted their credit policies to specifically reduce exposure to high-risk clients, while writing new business at lower margins compared to the existing advances. Some banks also did not increase lending rates in line with the increases in the repo rate on a portfolio of loans to vulnerable customers. For corporates, the margin between the repo rate and interest rates on general loans briefly increased markedly but then declined, and has since returned to pre-COVID-19 levels from the end of 2022.

Households: general loans and repurchase rate



Households: interest rate margin to repurchase rate

Companies: general loans and repurchase rate

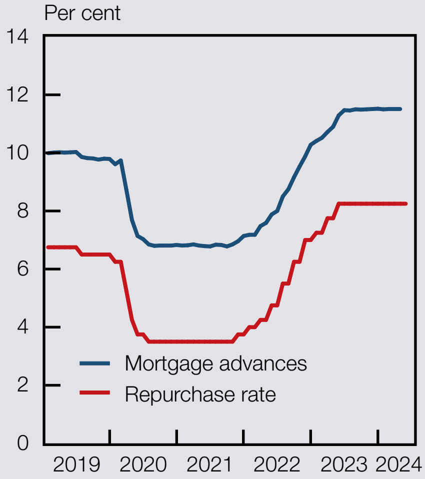


Companies: interest rate margin to repurchase rate

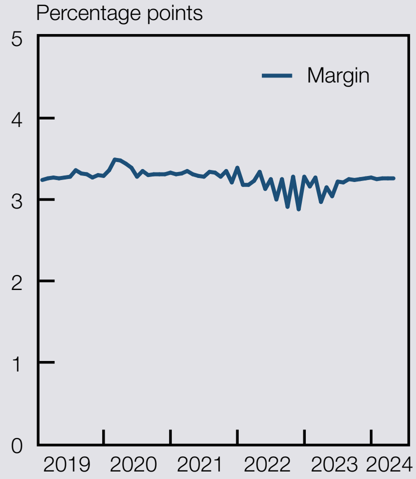
Source: SARB

The margin between flexible interest rates on mortgage advances to households and the repo rate remained fairly stable although it fluctuated slightly lower in 2022, and has recently moved closer to its pre-COVID-19 level. For companies, the margin between flexible interest rates on mortgage advances and the repo rate has trended slightly higher in recent years, stabilising slightly above its pre-COVID-19 level.

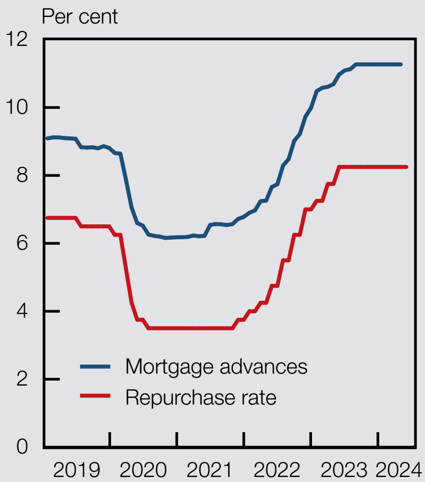
Households: mortgage advances flexible rate and repurchase rate



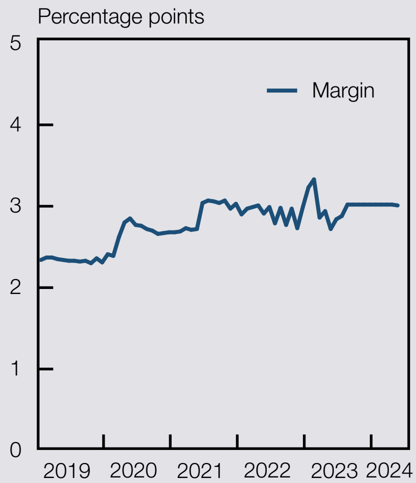
Households: interest rate margin to repurchase rate



Companies: mortgage advances flexible rate and repurchase rate



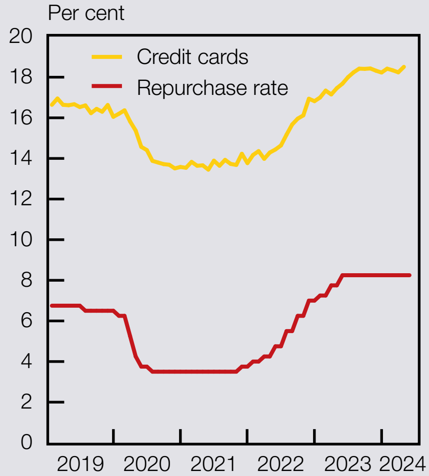
Companies: interest rate margin to repurchase rate



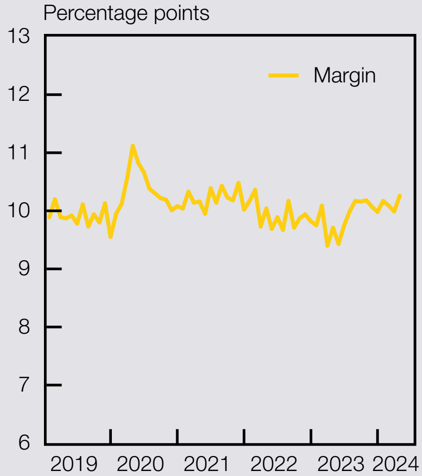
Source: SARB

The margin between interest rates on credit card loans to households and the repo rate has not deviated much over the past four years, remaining relatively high at around 10 percentage points. By contrast, the margin between interest rates on credit card loans to corporates (with a relative size of only 0.4% of total credit extension to companies) and the repo rate initially increased notably during the COVID-19 lockdown, but has since declined significantly and has settled well below the pre-COVID-19 level since the beginning of 2022.

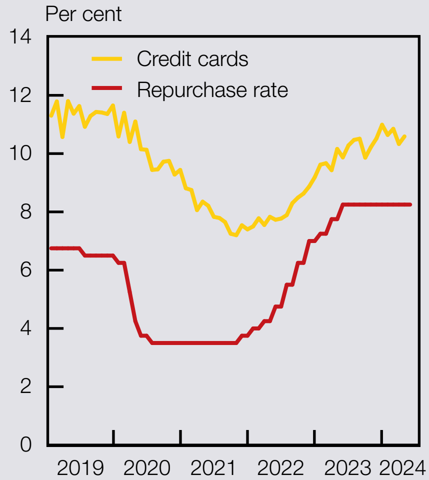
Households: credit card rate and repurchase rate



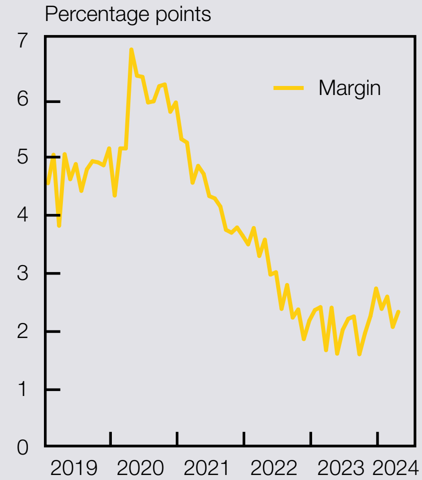
Households: interest rate margin to repurchase rate



Companies: credit card rate and repurchase rate



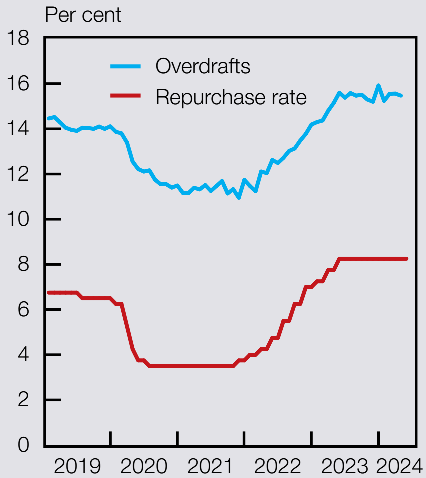
Companies: interest rate margin to repurchase rate



Source: SARB

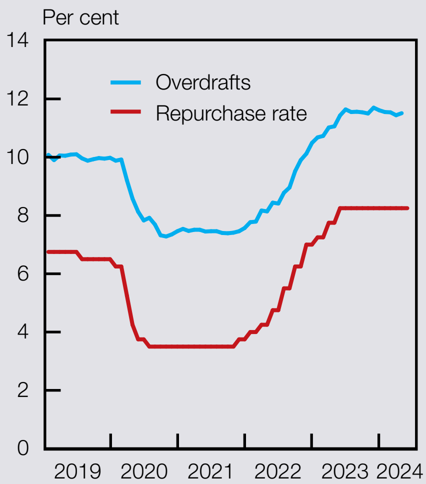
The margin between interest rates on overdrafts to households and the repo rate initially increased slightly during the pandemic but has since fluctuated lower, to be roughly in line with its pre-COVID-19 level. Overdrafts became more expensive for companies as they were the hardest-hit in the aftermath of the COVID-19 pandemic, with their interest rate margin to the repo rate also increasing during the pandemic and only returning to its pre-COVID-19 level from around mid-2022.

Households: overdraft rate and repurchase rate

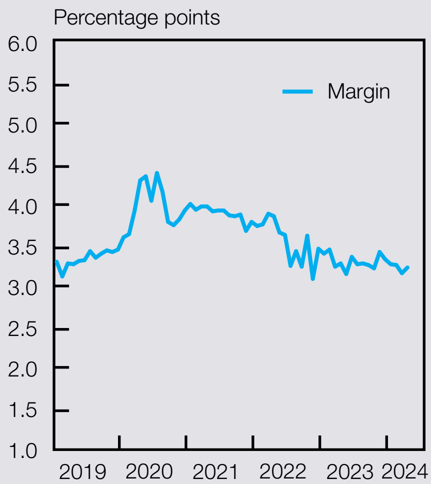


Households: interest rate margin to repurchase rate

Companies: overdraft rate and repurchase rate



Companies: interest rate margin to repurchase rate



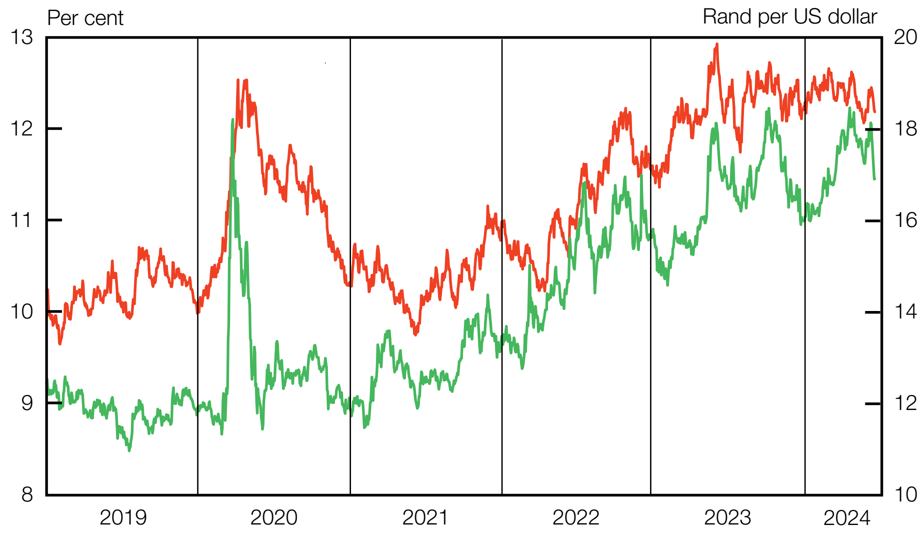
Source: SARB

The prolonged period of higher interest rates after the COVID-19 pandemic has translated into a more competitive trading environment, as affordability pressures on both consumers and businesses contributed to the more competitive pricing of loans by banks, which provided concessions on certain lending products to grow market share in certain categories of credit, notably instalment sale credit and general loans. During the COVID-19 pandemic, the uncertainty and heightened risk initially led to an upward adjustment in the pricing of credit, but when the situation stabilised, interest rate margins largely began to revert to pre-COVID-19 levels. However, for selected credit categories, banks were willing to offer more competitive pricing to lower-risk customers.

The *yield on 10-year South African rand-denominated government bonds issued and traded in the domestic market* increased by 127 basis points from 10.96% on 20 December 2023 to 12.23% on 16 April 2024. This upward trend reflected a depreciation in the exchange value of the rand and higher international bond yields amid heightened uncertainty, with national elections taking place in several countries in 2024. The increase also reflected dampened expectations of an imminent interest rate cut by the US Fed following higher-than-expected

US inflation outcomes up to March 2024. Subsequently, the 10-year government bond yield decreased to 11.46% on 14 June along with an appreciation in the exchange value of the rand, a moderation in domestic consumer price inflation and increased demand for government bonds by non-residents.

Government bond yield and the exchange rate

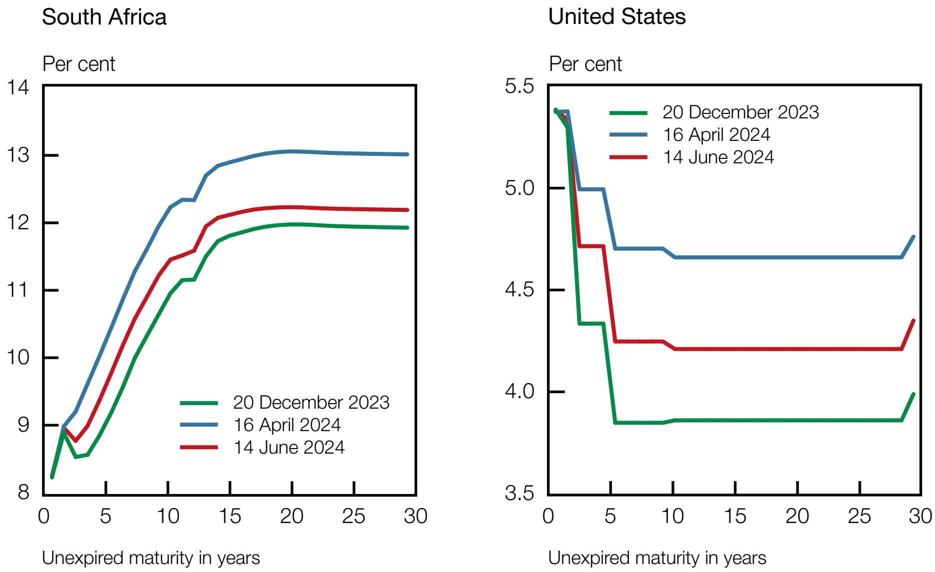


Sources: IRESS, JSE and SARB

The level of the domestic *yield curve* moved upwards across the maturity spectrum from 20 December 2023 to 16 April 2024, most noticeably in the 5-to-10-year maturity spectrum, as inflation outcomes were not in line with expectations, resulting in the continued restrictive global monetary policy stance. Subsequently, the level of the yield curve shifted lower across most of the maturity spectrum up to 14 June, except at the extreme short end, as inflation outcomes surprised slightly to the downside. The inverted US yield curve also shifted higher over the same period before moving lower to 14 June 2024. The yield gap[25] in South Africa widened from 369 basis points on 20 December 2023 to 479 basis points on 16 April 2024 before narrowing to 394 basis points on 14 June.

25 The yield gap is measured as the difference between yields at the extreme long and short ends of the yield curve.

Yield curves



Sources: IRESS and JSE

26 The EMBI+ measures the total returns on US dollar-denominated debt instruments of emerging market economies.

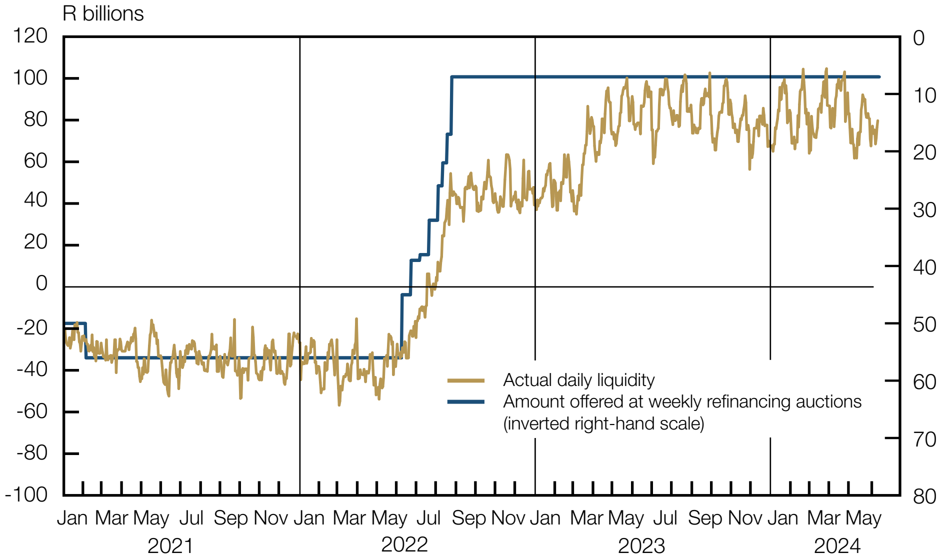
27 This is the differential between the yield on South African government US dollar-denominated bonds and that on US dollar-denominated bonds of the US government.

The yield spread for emerging market US dollar-denominated bonds relative to US government bonds, as measured by the JPMorgan Emerging Markets Bond Index Plus (EMBI+),[26] narrowed from 401 basis points in October 2023 to 294 basis points in March 2024. Subsequently, the EMBI+ yield spread widened to 370 basis points in May as emerging market bond yields in general increased more than US bond yields, with market participants remaining cautious regarding emerging markets. By contrast, South Africa's *sovereign risk premium*[27] on US dollar-denominated government bonds in the six-year maturity range continued to narrow from a monthly average of 357 basis points in October 2023 to 257 basis points in May 2024.

Money market

Private sector banks recorded an average daily surplus liquidity position of R82.6 billion in the first quarter of 2024, which varied between a high of R104.7 billion on 27 March 2024 – temporarily breaching the R100 billion upper limit of the liquidity target range – and a low of R64.1 billion on 29 February. The high occurred alongside the withdrawal of Corporation for Public Deposits (CPD) funds from the SARB and the placement thereof with private sector banks, thereby increasing overall liquidity. The SARB continued to offer R7.0 billion at its weekly main refinancing auctions, although the banks' take-up of these funds remained relatively low within the current surplus-based monetary policy implementation framework (MPIF). Between April and May 2024, the average daily liquidity position of private sector banks averaged around R83.3 billion, while the total accommodation provided to banks remained unchanged at R0.45 billion from March to May 2024.

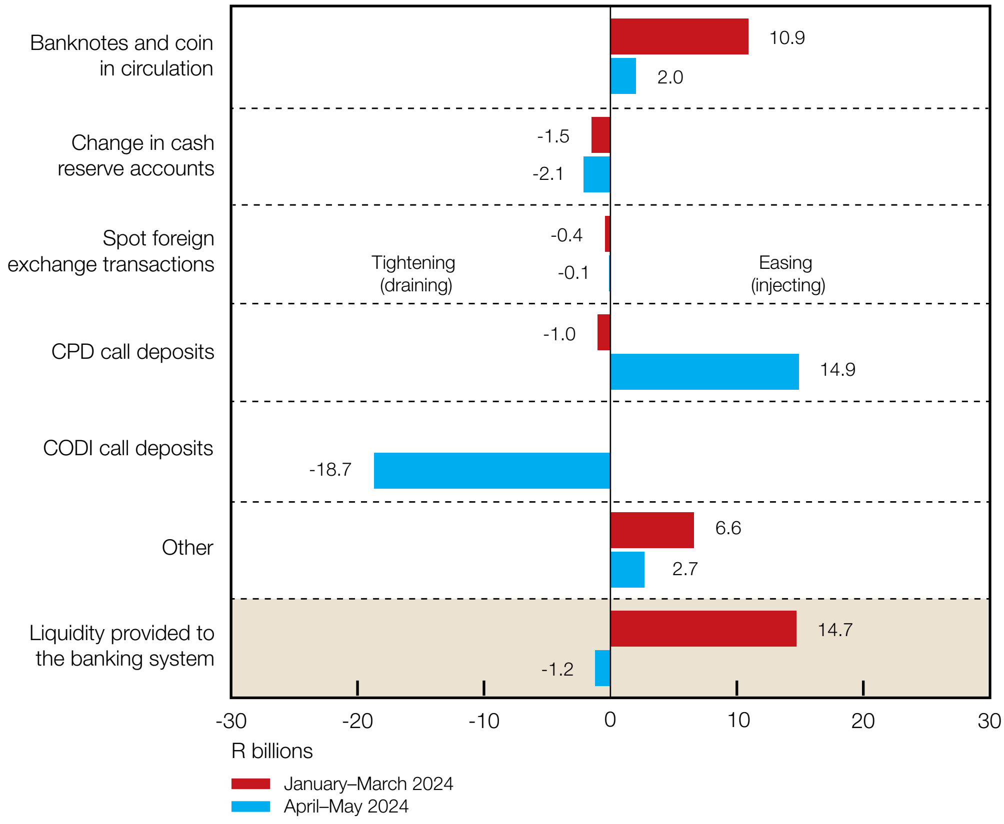
Daily liquidity



Source: SARB

Money market liquidity expanded by a net amount of R14.7 billion in the first quarter of 2024, in contrast to the contraction of R26.2 billion in the fourth quarter of 2023. The expansion in the first quarter reflected an injection of R6.6 billion to banks, as reflected in the 'other factors' category, and R10.9 billion in banknotes and coin in circulation outside of the SARB. The expansion was partly offset by an increase of R1.5 billion in the required cash reserves of private sector banks, the placement of R1.0 billion in CPD deposits at the SARB and the undertaking of R0.4 billion in FX transactions by the SARB in the spot market.

Factors influencing money market liquidity flows



Source: SARB

In April and May 2024, money market liquidity contracted by R1.2 billion, which included R14.9 billion in CPD call deposits placed on deposit at banks that was partly used to neutralise an amount of R18.7 billion in funds placed in call deposits at the SARB at the time of the establishment of the Corporation for Deposit Insurance (CODI).[28] There was also an increase of R2.1 billion in private sector banks' cash reserve deposits at the SARB as well as a R2.0 billion decrease in banknotes and coin in circulation outside of the SARB.

Bond market

The total *nominal value of outstanding listed*[29] *and unlisted*[30] *rand-denominated debt securities* issued by residents and non-residents in the domestic primary debt market increased by 7.8% year on year to R6.4 trillion at the end of April 2024. General government[31] accounted for 73.2% (R4.7 trillion) of the total amount of debt securities in issue at the end of April 2024, representing an increase of 10.5% compared with a year earlier. The increased funding activity reflected government's larger borrowing requirement to finance the larger budget deficit, which resulted from lower-than-expected tax revenue and slightly higher-than-expected spending. Government plans to withdraw R150 billion from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) in the short to medium term to alleviate fiscal pressures and particularly to curb high debt-service costs. The expected GFECRA transfer contributed to a reduction in the weekly fixed-rate bond auction to R3.75 billion in April 2024 from the R3.9 billion that has been offered since May 2021.

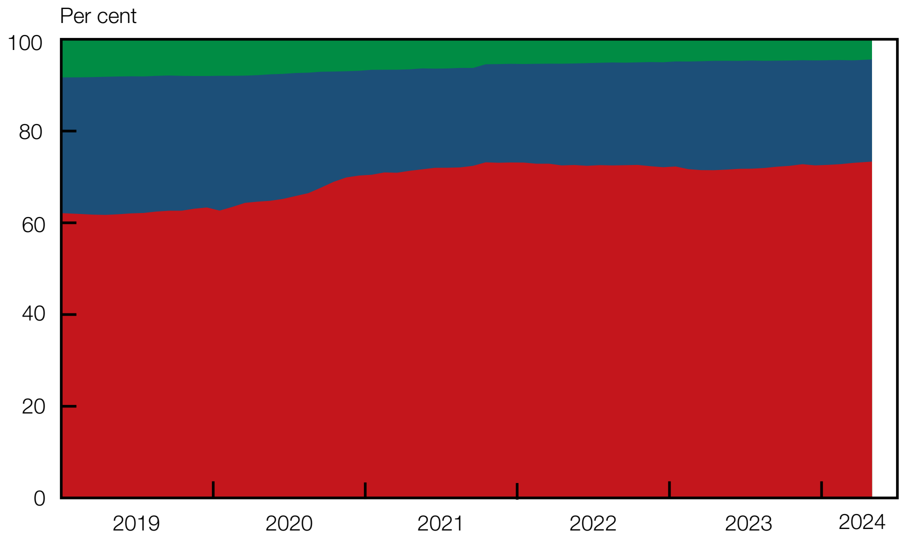
28 The Corporation for Deposit Insurance (CODI), which became operational on 1 April 2024, is a subsidiary of the SARB. It was created as South Africa's first deposit insurance scheme, mandated by law to protect qualifying bank depositors in the unlikely event of their bank failing. The funds that the private sector banks provided to capitalise CODI will temporarily remain on deposit at the SARB until an external fund manager is appointed.

29 These are debt securities listed on the JSE Limited (JSE), the Cape Town Stock Exchange (CTSE) and the Integrated Exchange (I-Ex).

30 These are debt securities not listed on any stock exchange but traded in the over-the-counter (OTC) market.

31 General government includes national government, extra-budgetary institutions and local governments.

Sectoral composition of total outstanding listed and unlisted rand-denominated debt securities in the domestic primary debt market*

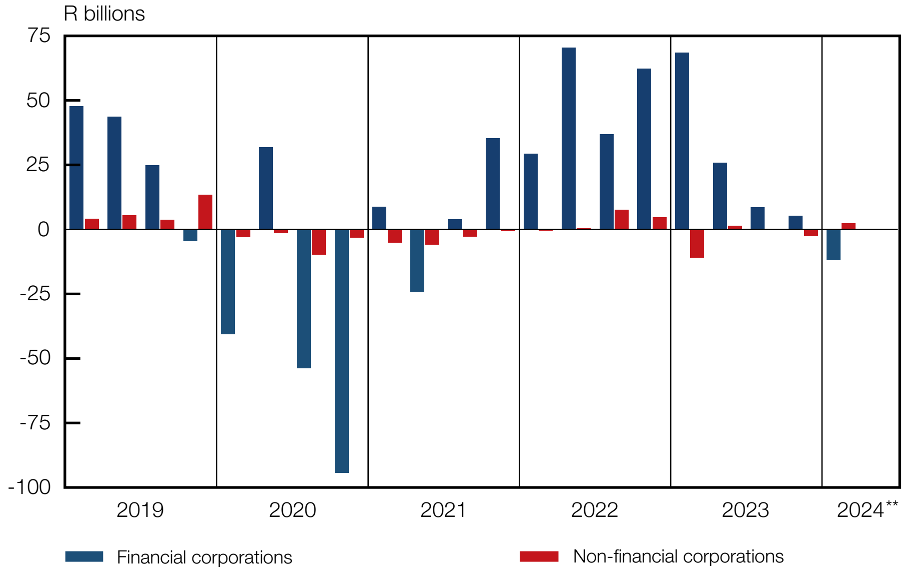


* Nominal value
** Non-residents' contribution is insignificant
Sources: Banks, CTSE, I-Ex, JSE, National Treasury and SARB

32 Corporates include both public and private financial and non-financial corporations.

By contrast, net issues in the domestic primary corporate[32] debt market of R2.8 billion in the fourth quarter of 2023 switched to net redemptions of R9.5 billion in the first four months of 2024, which compares with the significant net issues of R75.5 billion in the corresponding period of 2023. The net redemptions resulted mainly from subdued financial corporate bond activity, especially net redemptions of unlisted debt securities by banks in the first four months of 2024 due to, among other factors, downward revisions of banks' funding strategies, given that they now operate within a surplus-based monetary policy implementation framework, as well as the slower uptake of credit extension.

Net issuance of listed and unlisted rand-denominated debt securities by corporates in the domestic primary debt market*



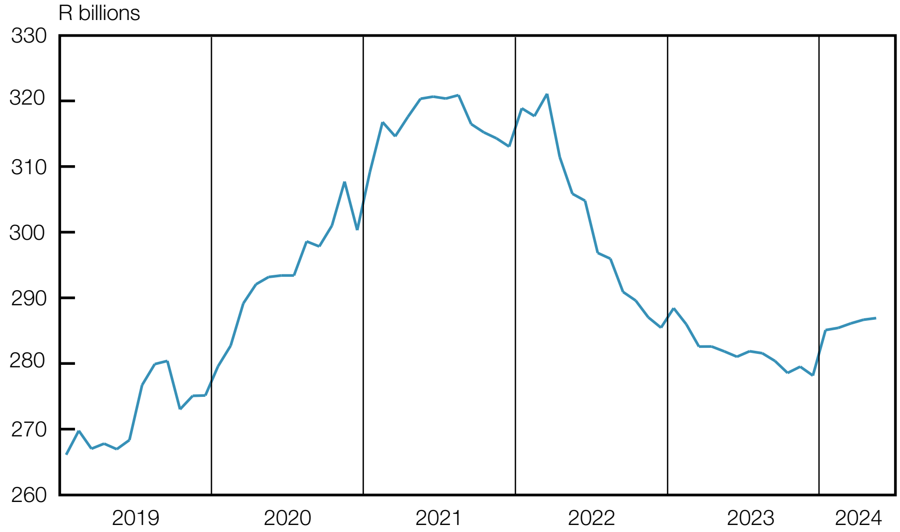
* Nominal value
** First four months
Sources: Banks, CTSE, I-Ex, JSE and SARB

The total *value of turnover* in the domestic secondary bond market of the JSE Limited (JSE), the Cape Town Stock Exchange (CTSE) and the Integrated Exchange (I-Ex) of R16.9 trillion in the first five months of 2024 was 2.2% lower than in the corresponding period of 2023, as the number of trades declined by 11.1% over the same period. Non-residents' participation[33] in the domestic bond market decreased from an average rate of 12.1% of total turnover in the first five months of 2023 to an average rate of 10.6% in the first five months of 2024.

33 The non-residents' participation rate refers to the gross value of bonds traded by non-residents as a percentage of the total value of bonds traded on the JSE.

Net redemptions of rand-denominated debt securities in the *European and Japanese bond markets* of R7.3 billion in 2023 were followed by net issuances of R8.8 billion in the first five months of 2024. This contributed to an increase in the total outstanding amount of rand-denominated debt in issue in both markets from R278 billion at the end of December 2023 to R287 billion at the end of May 2024.

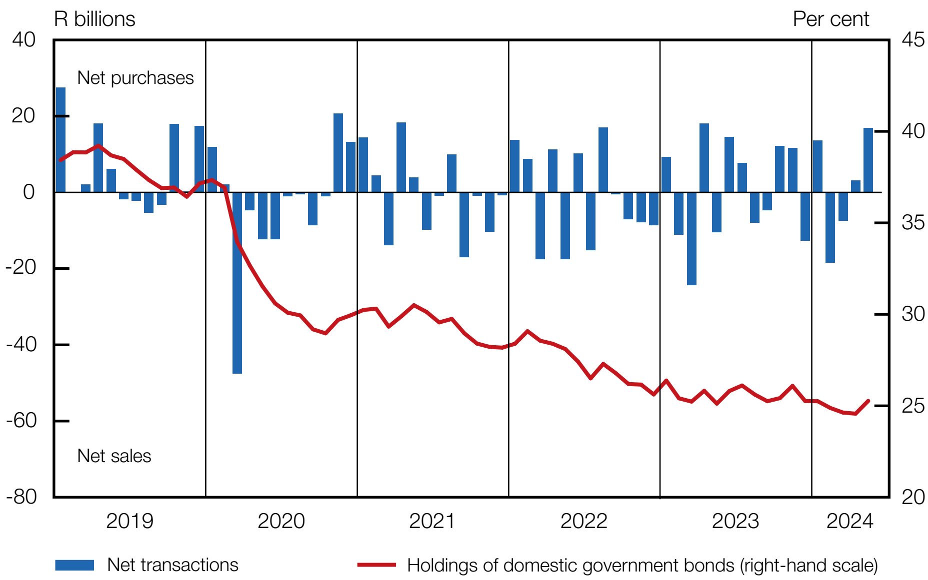
Outstanding amount of rand-denominated bonds in issue in international markets



Source: Bloomberg

Non-residents' net sales of JSE-listed bonds of R12.4 billion in the first quarter of 2024 were followed by net purchases of R20.0 billion in April and May, according to JSE data. The net purchases reflected, among other factors, the easing of domestic inflation pressures. The cumulative net purchases of bonds by non-residents of R7.6 billion in the first five months of 2024 had switched from cumulative net sales of R18.5 billion in the corresponding period of 2023.

Non-resident holdings and net transactions in the domestic bond market



Sources: JSE and National Treasury

Share market

The *value of secondary equity capital raised*[34] in the domestic and international primary share markets by companies listed on the JSE surged to R77.1 billion in the first five months of 2024 following an all-time high of R73.2 billion raised in March. This was significantly more than the R3.3 billion raised in the first five months of 2023. A secondary-listed industrial company contributed the most to the total value of shares issued over this period, as it raised capital in March 2024 through the general issue of shares for cash to the value of R71.6 billion in an accelerated share buy-back programme.

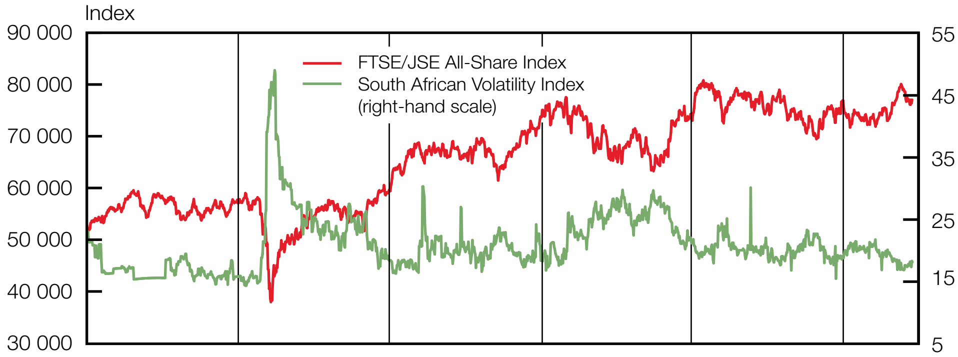
34 This excludes primary equity capital raised through new listings.

The combined *value of turnover* in the secondary share market of the four South African stock exchanges of R2.1 trillion in the first five months of 2024 was 12.2% lower than in the same period of 2023, alongside lower volumes traded. The combined market capitalisation of all the shares listed on these exchanges declined from R19.0 trillion in December 2023 to R18.1 trillion in February 2024 before increasing to R19.1 trillion in May, in line with the movements in share prices.

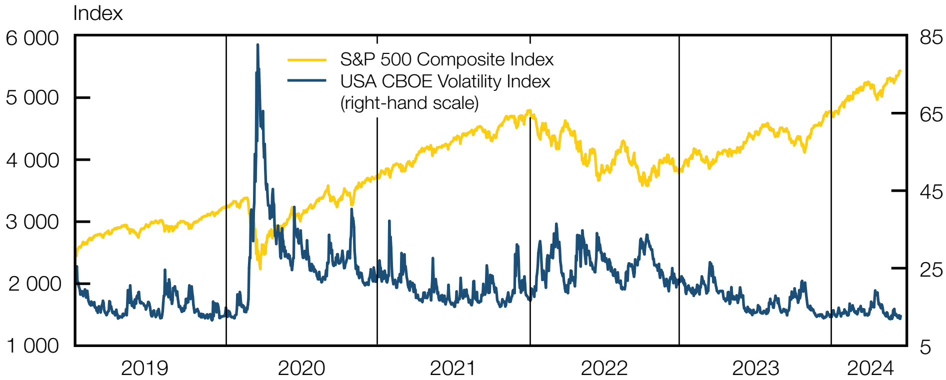
Non-residents' holdings of JSE-listed shares declined for an eighth consecutive quarter in the first quarter of 2024 by R35.9 billion, and by a further R40.6 billion in April and May, according to JSE data. The persistent net sales could mainly be attributed to, among other factors, ongoing domestic economic growth concerns and, more recently, uncertainty leading into the recent general elections in South Africa. The cumulative net sales of shares by non-residents of R76.5 billion in the first five months of 2024 were more than the net sales of R36.5 billion in the corresponding period of 2023. As a result, the share of non-resident holdings of total domestic shares decreased from 40.0% in March 2023 to 27.9% in May 2024.

Despite higher international share prices, *domestic share prices*, as measured by the FTSE/JSE Alsi, fell by 3.1%, on balance, in the first quarter of 2024, following an increase of 6.2% in the fourth quarter of 2023. The lower domestic share prices were mainly driven by the risk-off sentiment associated with global and domestic economic growth concerns as well as escalating geopolitical tensions in the Middle East. The Alsi subsequently rebounded by 7.4% to a recent high of 80 073 index points on 20 May 2024 in tandem with emerging market equity prices, as measured by the MSCI Emerging Markets Index, which rose by 5.6% over the same period. Domestic share prices were supported by gains across all three major sectors on the JSE, led by the resources sector, which rose by 13.6% from the end of March 2024 to 20 May. This reflected, among other factors, a recovery in Chinese economic growth and the extended period without electricity load-shedding, alongside lower risk, as reflected by the South African Volatility Index. Thereafter, the Alsi declined slightly to 77 054 index points on 14 June 2024 alongside political uncertainty following the national elections as well as lower international share prices.

South African share and volatility indices



United States share and volatility indices



Sources: IRESS and JSE

The overall *price-earnings ratio* of ordinary shares listed on the JSE increased from a recent low of 11.8 in January 2024 to 14.8 in May as a result of lower total earnings and slightly higher share prices over this period. The *dividend yield* decreased from 2.9% in January 2024 to 2.5% in May as dividends declared decreased.

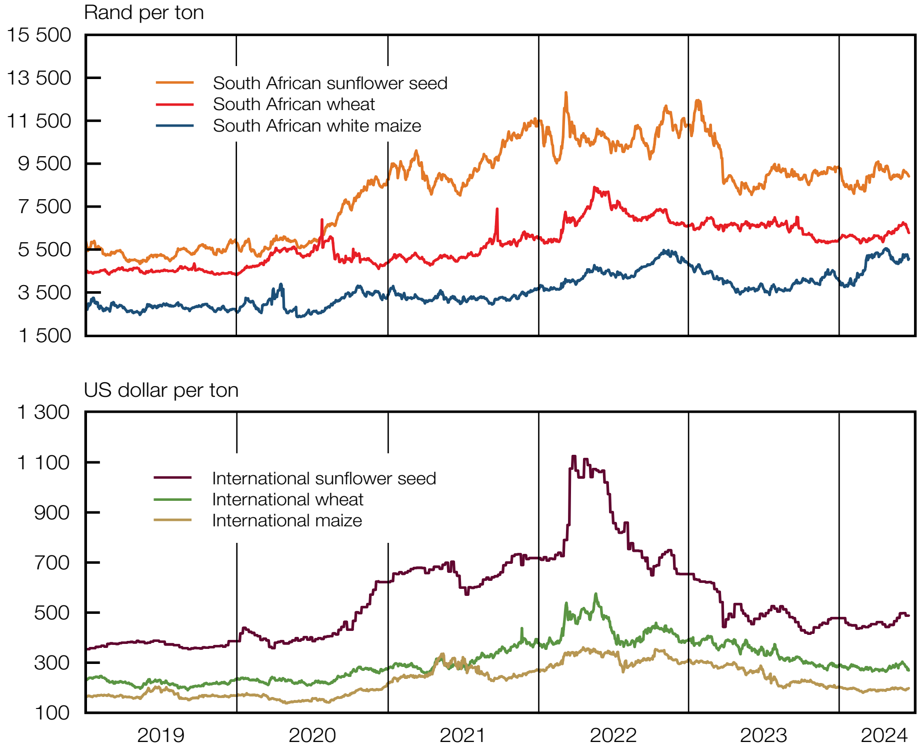
Market for exchange-traded derivatives

The *spot price of maize contracts* traded on the JSE trended higher in the first four months of 2024 in line with the lower revised maize harvest for the 2023/24 season, as estimated by the Crop Estimates Committee (CEC) of the Department of Agriculture, Land Reform and Rural Development. However, the spot price of maize contracts subsequently declined in May 2024 and the first half of June. The spot price of white maize increased by 47.9% from R3 754 per ton on 11 January 2024 to an all-time high of R5 553 per ton on 19 April as adverse weather conditions negatively impacted on the 2023/24 harvest, along with a depreciation in the exchange value of the rand. However, domestic white maize prices subsequently declined by 8.6% to R5 074 per ton on 14 June 2024 alongside a marginally improved crop estimate and an appreciation in the exchange value of the rand.

Similarly, the *spot price of domestic sunflower seed contracts* increased by 18.5% from a recent low of R8 100 per ton on 2 February 2024 to R9 597 per ton on 2 April. Elevated sunflower seed prices continued to reflect the poor harvest projected by the CEC, alongside dry weather conditions in certain regions of South Africa. The subsequent decline in domestic sunflower seed prices to R8 905 per ton on 14 June 2024 was mainly attributable to an appreciation in the exchange value of the rand.

After declining from a recent high of R7 015 per ton on 18 September 2023 to R5 852 per ton on 4 March 2024, the *spot price of domestic wheat contracts* increased by 15.5% to R6 761 per ton on 31 May due to higher international wheat prices and a decline in the intended area planted for the 2024 production season. According to the CEC, certain wheat-producing provinces have raised concerns about crop stress and yield prospects due to adverse weather conditions. Subsequently, the domestic wheat spot price declined slightly to R6 272 per ton on 14 June 2024.

Grain prices



Sources: International Grains Council and JSE

35 This includes warrants as well as the equity, commodity, interest rate and currency derivatives markets.

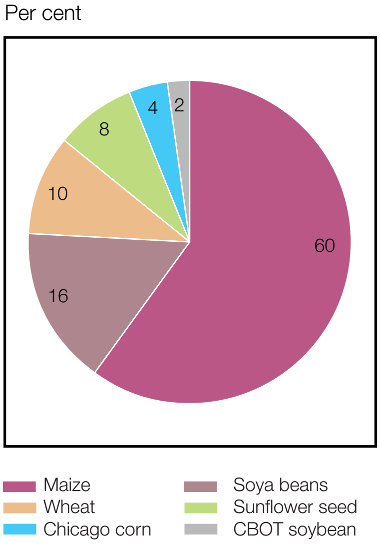
The total *value of turnover in the derivatives markets of the JSE*[35] decreased marginally in the first five months of 2024 compared with the corresponding period of 2023. The value of transactions in commodity derivatives increased the most, by 20.3%, over this period, reflecting a 59.7% contribution by maize futures and options. Similarly, the value of transactions in interest rate derivatives increased by 7.3% in the first five months of 2024 compared with the same period of 2023, with futures and options on longer-dated government bonds contributing the most. By contrast, the value of transactions in currency and equity derivatives, which represents the largest share of total value of turnover in the derivatives markets, declined by 19.6% and 3.7% respectively over the review period.

Derivatives turnover on the JSE, January to May 2024

Type of derivative	Value (R billions)	Change over one year (per cent)
Equity	2 286	-3.7
Warrants	0.3	-1.1
Commodity	648	20.3
Interest rate	680	7.3
Currency	426	-19.6
Total	4 039	-0.9

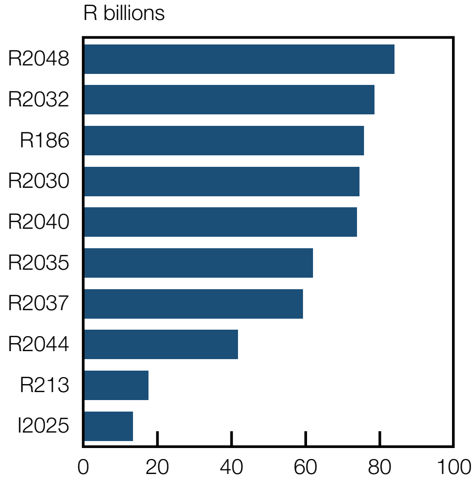
Source: JSE

Contribution to commodity derivatives turnover in the first five months of 2024



Source: JSE

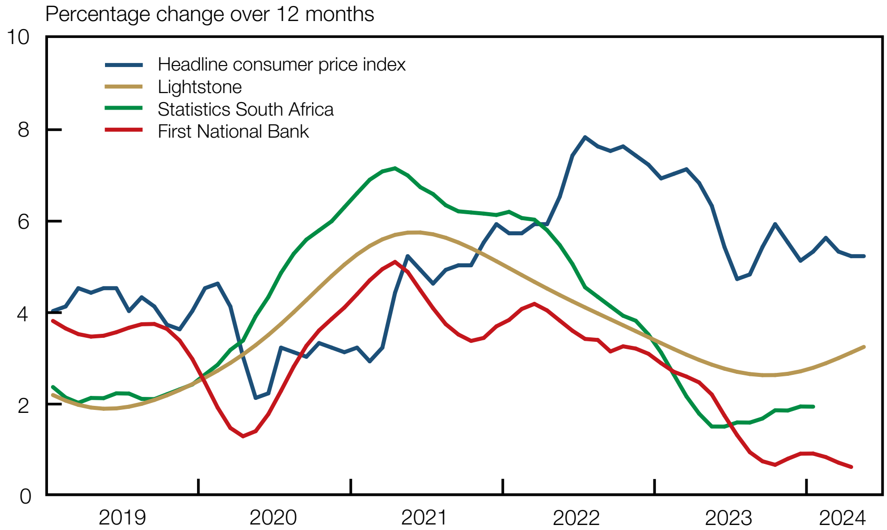
Contribution to government bond interest rate derivatives turnover in the first five months of 2024



Real estate market

Growth in nominal *residential property prices* remained subdued in the first five months of 2024 and still well below headline consumer price inflation, reflecting weak domestic economic activity and a high interest rate environment, which continued to impact on consumer affordability. Nevertheless, the year-on-year rates of increase in the available house price indices seem to have bottomed out in recent months following the significant moderation since the first half of 2021.

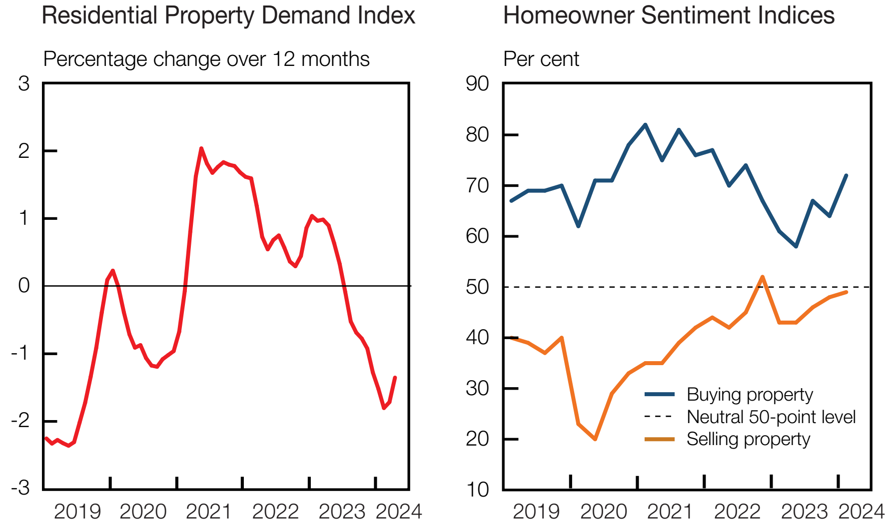
Residential property and consumer prices



Sources: FNB, Lightstone and Stats SA

36 The HSI measures consumer sentiment among South Africans with regard to the buying, selling, investing, renting and renovating of residential property as well as property market conditions in general.

According to the Residential Property Demand Index compiled by FNB, growth in nominal house prices decreased further as demand for residential properties decreased in the first five months of 2024 alongside high borrowing costs and unfavourable selling conditions. This was corroborated by the Absa Homeowner Sentiment Index (HSI),[36] where seller sentiment registered a much lower 49% in the first quarter of 2024 than buyer sentiment, which increased to 72%. Amid the prevailing weak economic conditions and low house prices, homeowners would rather postpone selling to allow their property to appreciate in value.



Source: FNB

Source: Absa

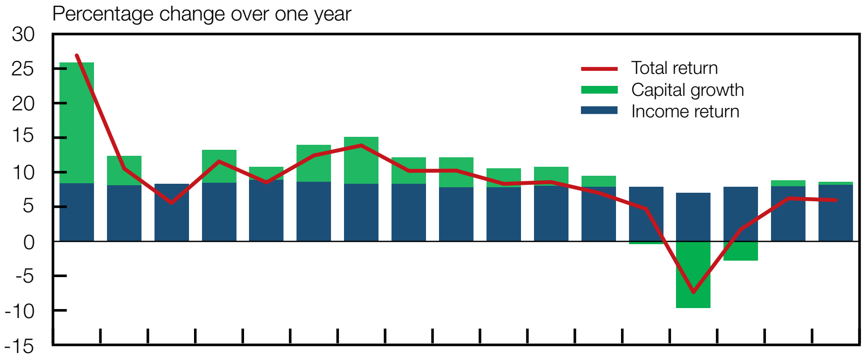
37 Total return is calculated as the change in the market value of assets *less* capital expenditure *plus* the value of sales of assets *plus* net income, *divided by* market value *plus* capital expenditure.

38 Capital growth is calculated as the change in the market value of assets *less* capital expenditure *plus* the value of sales of assets, *divided by* market value *plus* capital expenditure.

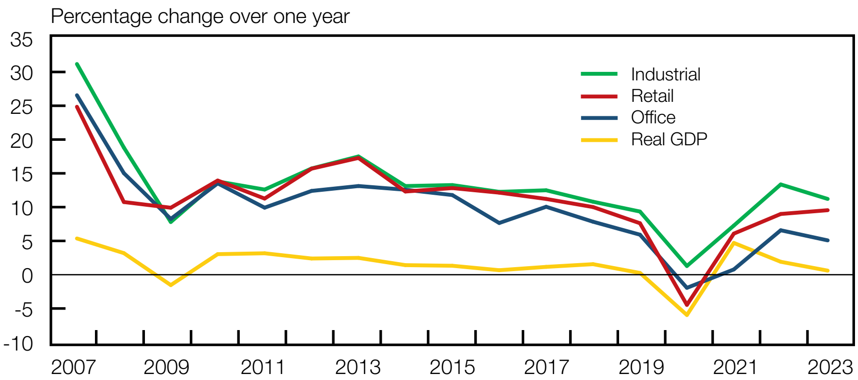
39 Income return is calculated as the net income *divided by* market value *plus* capital expenditure.

Since recording negative returns in 2020 at the height of the COVID-19 pandemic, the total return[37] on *commercial property*, comprising both capital growth[38] and income return,[39] increased markedly to 8.9% in 2022, according to MSCI data. Subsequently, the total return declined slightly to 8.6% in 2023 along with the further slowdown in economic growth as capital growth slowed slightly to 0.4%, driven by a decrease of 3.0% in capital growth in offices in 2023, while income return remained broadly unchanged at 8.1%. The total return on offices remained lower than that of other commercial properties as many companies continued with the remote or hybrid ways of work.

Total return on commercial property



Total return on commercial property by sector and economic growth



Source: MSCI

Non-bank financial institutions

The market value of the total assets[40] of non-bank financial institutions[41] increased by 1.1% from the fourth quarter 2023 to R16.1 trillion in the first quarter of 2024, as the increase in global share prices outweighed the decrease in domestic financial asset prices. On a year-on-year basis, the rate of increase in total assets accelerated from a low of 1.8% in the fourth quarter of 2022 to 7.3% in the first quarter of 2024. The total assets of insurance companies and unit trusts increased by 2.4% and 1.8% respectively, from R4.7 trillion to R4.8 trillion and from R4.1 trillion to R4.2 trillion respectively, over the same period. By contrast, the total assets of other financial intermediaries[42] and those managed by the Public Investment Corporation (PIC) both decreased by 0.6%, from R479 billion in the fourth quarter of 2023 to R477 billion in the first quarter of 2024 and from R2.73 trillion to R2.71 trillion over the same period respectively, reflecting the weak consumer confidence, challenging economic conditions and lower bond prices.

Non-bank financial institutions' equity holdings[43] increased by 0.5 percentage points from the fourth quarter of 2023 to 54.3% of total assets in the first quarter of 2024. Similarly, equity holdings increased by 1.1 percentage points on a year-on-year basis, despite a decline in the Alsi from the first quarter of 2023 to the first quarter of 2024. The holdings of interest-bearing securities declined by 0.3 percentage points from the fourth quarter of 2023 to 22.2% of total assets in the first quarter of 2024, in line with a decline of 1.8% in the All Bond Index.

40 Assets are not consolidated for cross-investment between sectors.

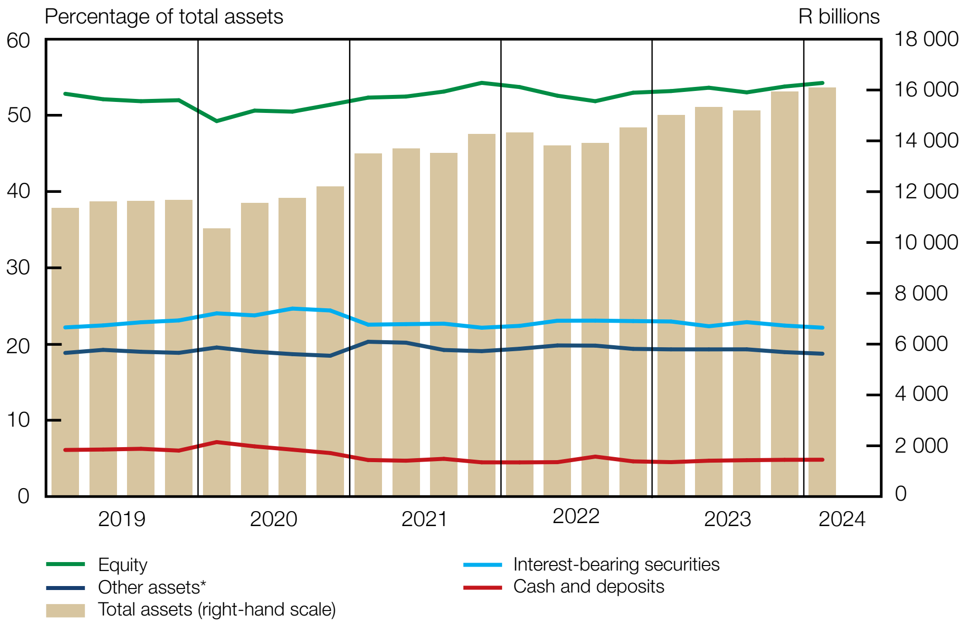
41 These consist of unit trusts, the Public Investment Corporation (PIC), life and non-life insurance companies, public and private retirement funds, participation bond schemes, other financial intermediaries as well as non-monetary public financial corporations.

42 These comprise financial corporations engaged in lending, securitisation vehicles and central clearing counterparties.

43 Equity includes investment fund shares/units.

The amount allocated by non-bank financial institutions to cash and deposits increased marginally by 0.01 percentage points from the fourth quarter of 2023 to 4.8% of total assets in the first quarter of 2024. By contrast, credit extension by non-bank financial institutions declined slightly by 0.03 percentage points from the fourth quarter of 2023 to 4.3% of total assets in the first quarter of 2024. The quarterly growth rate in credit extension by other financial intermediaries moderated from 7.4% in the fourth quarter of 2023 to -1.2% in the first quarter of 2024.

Total assets of non-bank financial institutions



* Other assets include non-financial assets, accounts receivable, financial derivatives, loans, insurance policies and reinsurance assets

Source: SARB

Public finance[44]

Non-financial public sector borrowing requirement[45]

The preliminary *non-financial public sector borrowing requirement* increased significantly by R142.8 billion year on year to R293.3 billion in fiscal 2023/24. This mostly reflected the substantially larger deficit of the consolidated general government, in particular that of the extra-budgetary institutions, national government as well as consolidated provincial government. The extra-budgetary institutions switched from a cash *surplus* of R53.9 billion in fiscal 2022/23 to a cash *deficit* of R7.7 billion in fiscal 2023/24, as cash receipts decreased due to lower grants received while cash payments increased notably due to higher operating expenses. All other levels of general government continued to record cash surpluses during the period under review. National government's higher deficit could largely be attributed to larger cash payments due to higher interest payments on national government debt (debt-service cost) and a smaller increase in tax revenue. In addition, the cash deficit of the non-financial public enterprises and corporations, or state-owned companies (SOCs), almost doubled in fiscal 2023/24.

44 Unless stated to the contrary, the year-on-year rates of increase in this section compare fiscal 2023/24 with fiscal 2022/23. Data for both periods are unaudited and preliminary.

45 The non-financial public sector borrowing requirement is calculated as the cash deficit/surplus of the consolidated general government as well as non-financial public enterprises and corporations.

Non-financial public sector borrowing requirement

R billions

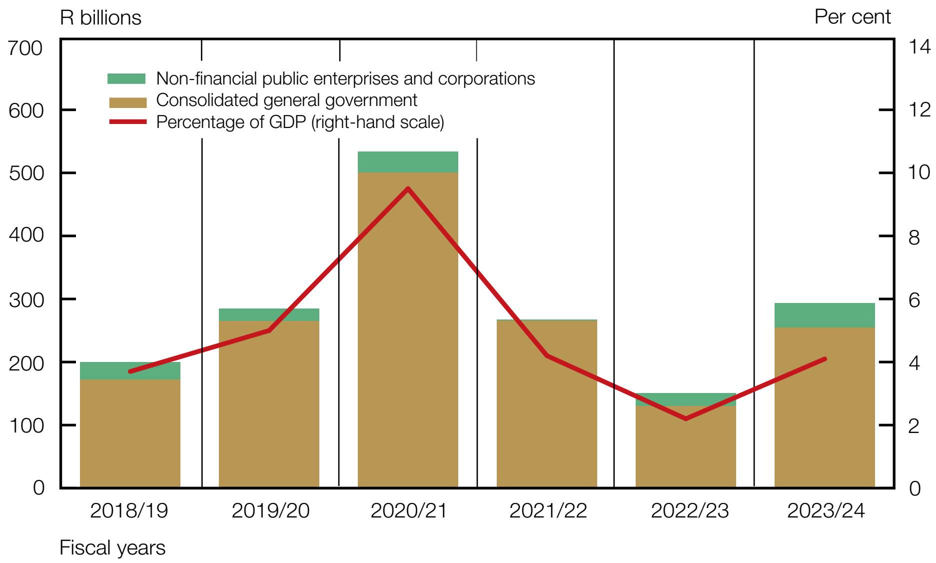
Level of government	Fiscal 2022/23*	Fiscal 2023/24*
Consolidated general government	130.0	254.9
National government	299.6	313.6
Extra-budgetary institutions	-53.9	7.7
Social security funds	-26.0	-14.7
Consolidated provincial government	-11.0	8.3
Local government	-78.6	-60.0
Non-financial public enterprises and corporations	20.5	38.4
Total	**150.5**	**293.3**
As a percentage of gross domestic product	*2.2*	*4.1*

* Deficit (+)/surplus (–)
Components may not add up to totals due to rounding off.

Sources: National Treasury, Stats SA and SARB

As a ratio of GDP, the non-financial public sector borrowing requirement increased to 4.1% in fiscal 2023/24 compared with 2.2% in the previous fiscal year.

Non-financial public sector borrowing requirement

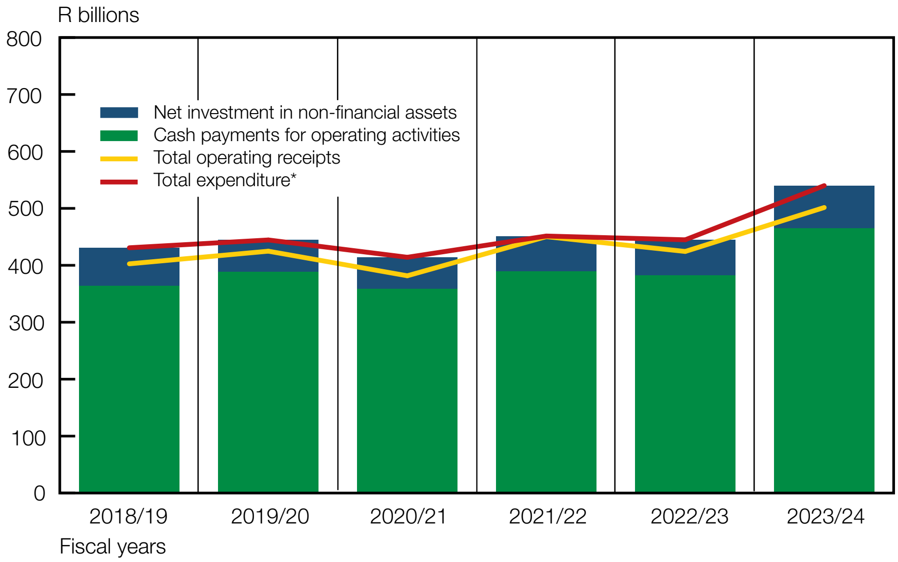


Sources: National Treasury, Stats SA and SARB

The financial activities of the non-financial SOCs resulted in a preliminary cash deficit of R38.4 billion in fiscal 2023/24, which was R17.9 billion more than the cash deficit recorded in the previous fiscal year as total expenditure increased more than cash receipts from operating activities. Total cash receipts from operating activities increased by 18.2% year on year to R501 billion, largely due to increased sales of goods and services. Total expenditure, inclusive of cash payments for operating activities and net investment in non-financial assets, increased by 21.4% to R540 billion in fiscal 2023/24, and was mainly driven by higher cash payments for operating activities owing to increased purchases of goods and services.

Net investment in non-financial assets by non-financial SOCs increased by R12.3 billion to R74.5 billion in fiscal 2023/24 due to higher spending on especially machinery and equipment as well as other structures.

Financial activities of non-financial public enterprises and corporations



* Including both operating cash payments and net investment in non-financial assets
Source: SARB

Budget comparable analysis of national government finances

National government's cash book deficit of R324.4 billion in fiscal 2023/24 was higher than the original estimate of R275.4 billion in the *2023 Budget Review* but lower than the revised projection of R330.1 billion in the *2023 Medium Term Budget Policy Statement (2023 MTBPS)*. The cash book deficit increased by R14.5 billion compared with the preceding fiscal year, reflecting faster growth in total expenditure than in total revenue. The net borrowing requirement was primarily financed in the domestic financial markets through the net issuance of long-term government bonds as well as Treasury bills (TBs) and short-term loans. National government's primary surplus of R31.6 billion was considerably less than the originally budgeted amount of R65.1 billion but slightly higher than the revised estimate of R24.4 billion in the *2023 MTBPS*.

National government's total revenue increased by 1.4% year on year to R1 722 billion in fiscal 2023/24 on account of higher revenue collections in most tax categories, particularly of personal income tax (PIT) as well as taxes on goods and services. Total revenue for fiscal 2023/24 exceeded the revised estimate of R1 715 billion projected in the *2023 MTBPS* but was below the *2023 Budget Review*'s original projection of R1 759 billion. As a ratio of GDP, total revenue decreased to 24.3% in fiscal 2023/24 from 25.1% recorded in the previous fiscal year.

National government finances

	Actual Fiscal 2023/24		Originally budgeted[1] Fiscal 2023/24		Revised estimates[2] Fiscal 2023/24		Originally budgeted[3] Fiscal 2024/25	
	R billions	Percentage change[4]	R billions	Percentage change[5]	R billions	Percentage change[6]	R billions	Percentage change[5]
Revenue	1 722.5	1.4	1 759.2	3.5	1 714.8	0.9	1 815.0	5.4
Percentage of GDP	*24.3*		*25.1*		*24.5*		*24.4*	
Expenditure	2 046.9	1.9	2 034.6	1.3	2 044.9	1.8	2 136.0	4.4
Percentage of GDP	*28.9*		*29.0*		*29.2*		*28.7*	
Cash book balance[7]	-324.4		-275.4		-330.1		-320.9	
Percentage of GDP	*-4.6*		*-3.9*		*-4.7*		*-4.3*	
Primary balance[8]	31.6		65.1		24.4		61.2	
Percentage of GDP	*0.4*		*0.9*		*0.3*		*0.8*	
Gross loan debt[9]	5 258.7	10.3	5 060.2	6.2	5 238.0	9.9	5 522.2	5.0
Percentage of GDP	*74.1*		*72.2*		*74.7*		*74.1*	

1 *2023 Budget Review*
2 *2023 MTBPS*
3 *2024 Budget Review*
4 Year-on-year percentage change: actual outcome on previous year's actual outcome
5 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
6 Year-on-year percentage change: revised estimates on previous year's actual outcome
7 Cash book deficit (-)/surplus (+)
8 Cash book deficit (-)/surplus (+) excluding interest payments
9 As at 31 March 2024 for rand values
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

Sources: National Treasury, SARS and Stats SA

National government revenue in fiscal 2023/24

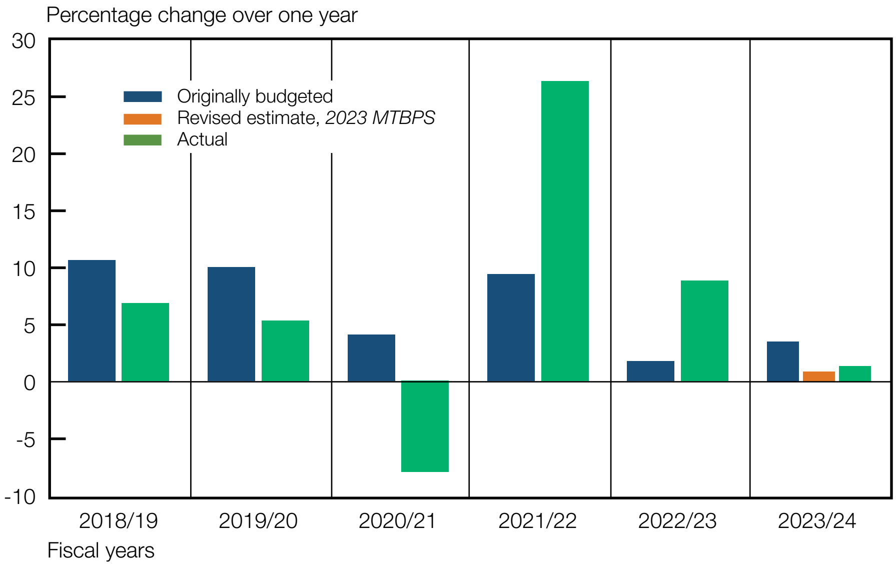
Revenue source	Originally budgeted[1] Fiscal 2023/24		Revised estimates[2] Fiscal 2023/24		Actual Fiscal 2023/24	
	R billions	Percentage change[3]	R billions	Percentage change[4]	R billions	Percentage change[5]
Taxes on income, profits and capital gains	1 021.2	3.3	990.9	0.2	1 008.6	2.0
Of which: Income tax on individuals	640.3	6.4	646.7	7.4	651.4	8.2
Income tax on companies	336.1	-3.3	300.3	-13.6	316.9	-8.9
Payroll taxes	23.0	10.2	22.7	8.7	22.6	8.2
Taxes on property	23.9	12.4	20.5	-3.3	19.4	-8.7
Taxes on goods and services	642.7	10.8	616.8	6.3	616.4	6.3
Of which: Value-added tax (VAT) net	471.5	9.6	445.8	3.6	447.6	4.0
Domestic	522.9	7.5	521.4	7.2	525.5	8.0
Imports	251.2	-1.5	277.3	8.8	265.0	3.9
Refunds	-302.6	-2.8	-352.9	13.4	-342.9	10.2
Fuel levy	90.4	12.3	92.0	14.3	91.5	13.7
Other exise duties	66.1	19.9	64.2	16.4	63.1	14.4
Taxes on international trade and transactions	76.6	0.7	79.7	4.8	73.8	-2.9
Of which: Import duties	74.2	0.2	77.7	5.0	70.7	-4.6
Other revenue[6]	51.7	-8.0	64.1	14.0	61.5	9.4
Less: SACU[7] payments	79.8	82.7	79.8	82.7	79.8	82.7
Total revenue	1 759.2	3.5	1 714.8	0.9	1 722.5	1.4

1 *2023 Budget Review*
2 *2023 MTBPS*
3 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
4 Year-on-year percentage change: revised estimates on previous year's actual outcome
5 Year-on-year percentage change: actual outcome on previous year's actual outcome
6 Including non-tax revenue and extraordinary receipts
7 Southern African Customs Union
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

Sources: National Treasury and SARS

Revenue from taxes on income, profits and capital gains (58.6% of total revenue) increased by 2.0% year on year to R1 009 billion in fiscal 2023/24, which was below the original estimate of R1 021 billion projected in the *2023 Budget Review* but which surpassed the revised estimate of R990.9 billion in the *2023 MTBPS*. The increase resulted from a year-on-year increase of 8.2% in PIT collections, which was bolstered by higher pay-as-you-earn (PAYE) receipts, particularly from the finance, community services and manufacturing sectors. By contrast, corporate income tax (CIT) receipts declined by 8.9% year on year to R316.9 billion in fiscal 2023/24, largely on account of lower provisional tax collections received from the mining, manufacturing and transport sectors.

Revenue of national government



Sources: National Treasury and SARS

Revenue from taxes on goods and services (35.8% of total revenue) increased by 6.3% year on year to R616.4 billion in fiscal 2023/24, which was much lower than the original estimate of R642.7 billion in the *2023 Budget Review* and also slightly below the revised forecast of R616.8 billion in the *2023 MTBPS*. The increase was driven by higher net value-added tax (VAT) receipts, excise duties and the fuel levy, which rose by 4.0%, 14.4% and 13.7% respectively. Net VAT receipts were negatively affected by the year-on-year increase of 10.2% in VAT credit returns submitted in relation to increased input costs and zero-rated sales.

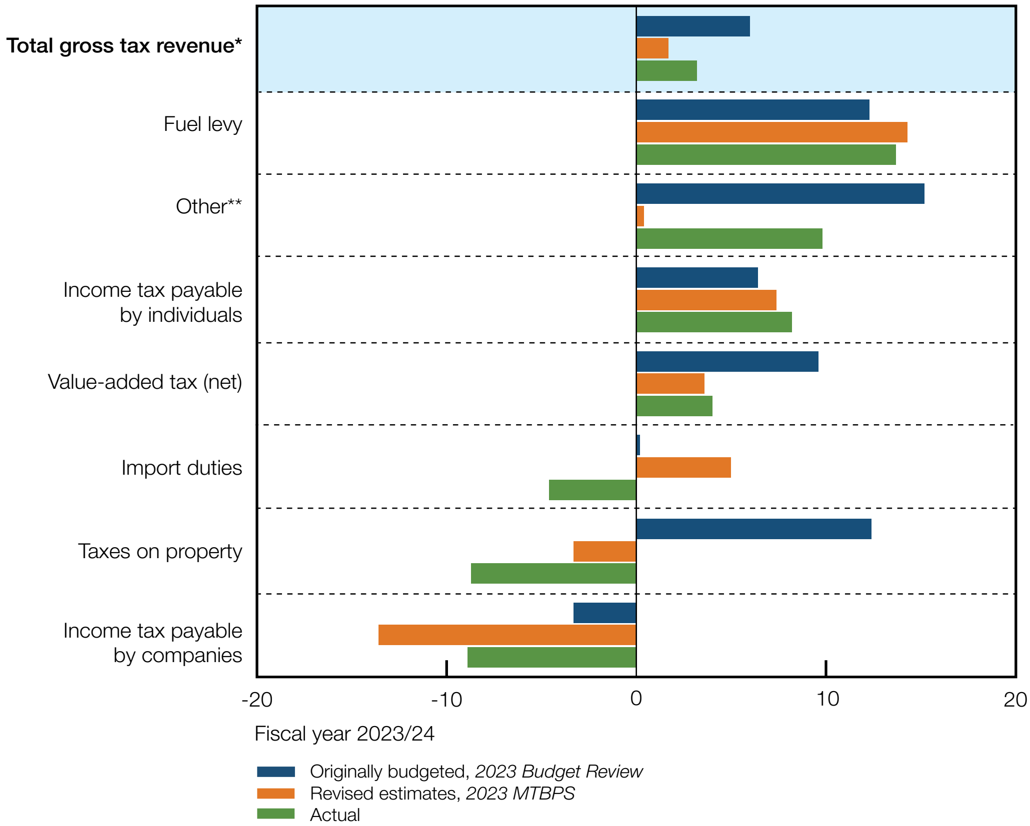
Taxes on international trade and transactions of R73.8 billion in fiscal 2023/24 represented a decrease of 2.9% year on year and largely reflected lower imports of vehicles – the largest contributor to custom duties. Revenue from taxes on international trade and transactions was slightly less than the R76.6 billion and R79.7 billion envisaged in the *2023 Budget Review* and the *2023 MTBPS* respectively.

Other revenue, consisting mainly of non-tax revenue, increased by 9.4% year on year to R61.5 billion in fiscal 2023/24. The increase was driven by higher receipts from the sale of non-core assets by the Central Energy Fund (CEF) and the Independent Communications Authority of South Africa (ICASA). Other revenue exceeded the original estimate of R51.7 billion in the *2023 Budget Review* but fell short of the revised forecast of R64.1 billion in the *2023 MTBPS*. The Southern African Customs Union (SACU) received the full R79.8 billion budgeted for fiscal 2023/24 in four equal tranches in April, July and October 2023, with the final disbursement made in January 2024.

The *2024 Budget Review* projected national government revenue to increase by 5.4% to R1 815 billion in fiscal 2024/25. In the first month of fiscal 2024/25 (April 2024), national government's total revenue increased by 6.1% year on year to R90.6 billion.

Growth in national government's gross tax revenue*

Percentage change over one year



* Before netting out SACU payments
** Including secondary tax on companies, withholding tax on interest and other excise duties
Sources: National Treasury, SARS and SARB

National government expenditure in fiscal 2023/24

Expenditure item	Originally budgeted[1] Fiscal 2023/24		Revised estimates[2] Fiscal 2023/24		Actual Fiscal 2023/24	
	R billions	Percentage change[3]	R billions	Percentage change[4]	R billions	Percentage change[5]
Voted expenditure	1 077.4	-1.1	1 065.0	-2.2	1 062.6	-2.5
Transfers and subsidies	793.9	7.0	779.4	5.0	775.4	4.5
Current payments	263.3	0.03	267.0	1.4	267.8	1.7
Payments for capital assets	18.4	12.0	17.2	4.5	17.4	6.0
Payments for financial assets	1.9	-97.2	1.5	-97.8	2.0	-97.0
Statutory amounts[6]	957.1	4.1	979.9	6.5	984.3	7.0
Of which: Provincial equitable share	567.5	-0.6	585.1	2.5	585.1	2.5
Interest on debt	340.2	10.4	354.3	14.9	356.0	15.5
General fuel levy	15.4	0.6	15.4	0.6	15.4	0.6
Total expenditure	2 034.6	1.3	2 044.9	1.8	2 046.9	1.9

1 *2023 Budget Review*
2 *2023 MTBPS*
3 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
4 Year-on-year percentage change: revised estimates on previous year's actual outcome
5 Year-on-year percentage change: actual outcome on previous year's actual outcome
6 Including extraordinary payments
Components may not add up to totals due to rounding off.

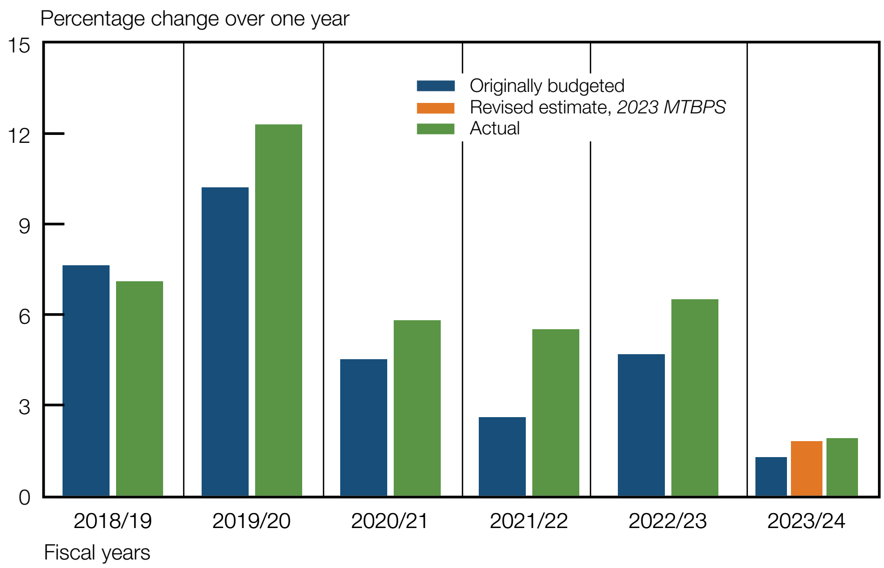
Source: National Treasury

National government expenditure increased by 1.9% year on year to R2 047 billion in fiscal 2023/24, reflecting higher debt-service costs on national government debt and higher equitable share transfers to provinces. Total expenditure exceeded both the R2 035 billion and the R2 045 billion estimated in the *2023 Budget Review* and the *2023 MTBPS* respectively. As a ratio of GDP, total expenditure amounted to 28.9% in fiscal 2023/24 – lower than the 29.7% recorded in the previous fiscal year.

National government departments' total voted expenditure (51.9% of total expenditure) decreased by 2.5% year on year to R1 063 billion in fiscal 2023/24, which was lower than both the original budget estimate and the *2023 MTBPS* projection. The decline in total voted expenditure was largely due to significantly lower payments for financial assets, which decreased by 97.0% year on year to only R2.0 billion in fiscal 2023/24 as government substantially reduced the recapitalisation of SOCs. By contrast, transfers and subsidies increased to R775.4 billion in fiscal 2023/24 while current payments increased to R267.8 billion and payments for capital assets increased to R17.4 billion.

Interest payments on national government debt (debt-service costs), which amounted to 17.4% of total expenditure, increased by 15.5% year on year to R356.0 billion in fiscal 2023/24, owing to the much larger stock of gross loan debt. This outcome was higher than both the R340.2 billion and the R354.3 billion estimated in the *2023 Budget Review* and the *2023 MTBPS* respectively.

Expenditure by national government



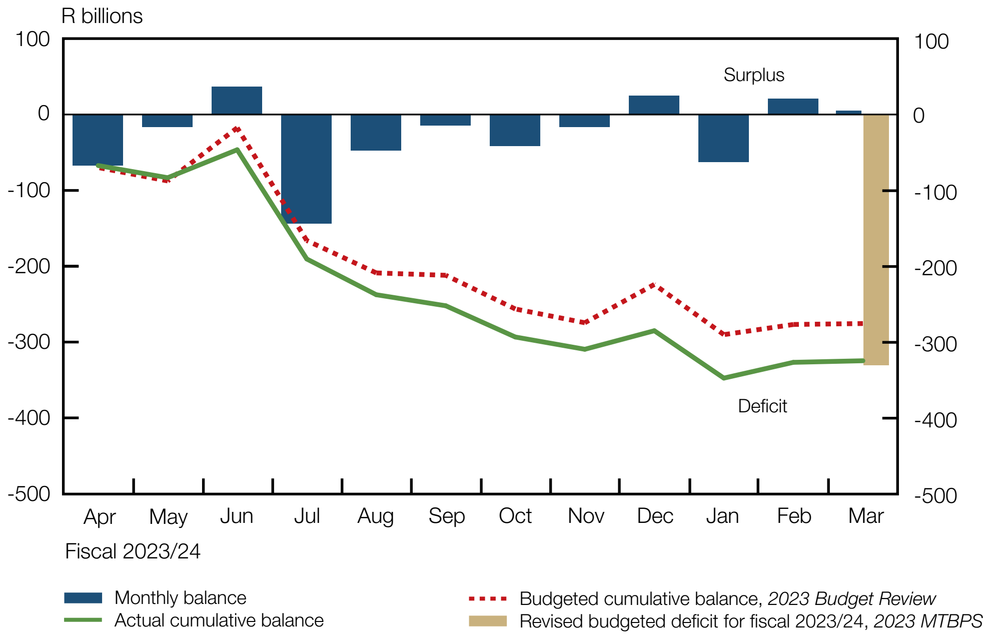
Source: National Treasury

National government's equitable share transfers to provinces – the main source of provincial government revenue – increased by 2.5% year on year to R585.1 billion in fiscal 2023/24. These transfers to provinces were higher than the original estimate in the *2023 Budget Review* but in line with the revised estimate in the *2023 MTBPS*. Metropolitan municipalities received the budgeted R15.4 billion from the general fuel levy in three equal tranches of about R5.1 billion.

The *2024 Budget Review* projected a 4.4% year-on-year increase in national government expenditure to R2 136 billion for fiscal 2024/25. In April 2024, total expenditure increased by 10.5% year on year to R168.6 billion.

Developments in national government revenue and expenditure in fiscal 2023/24 resulted in a cash book deficit of R324.4 billion, which was R14.5 billion more than in fiscal 2022/23. The *2024 Budget Review* projected a slightly lower national government cash book deficit of R320.9 billion for fiscal 2024/25. In April 2024, the net outcome of national government revenue and expenditure yielded a cash book deficit of R78.0 billion, which was R10.8 billion more than in April 2023.

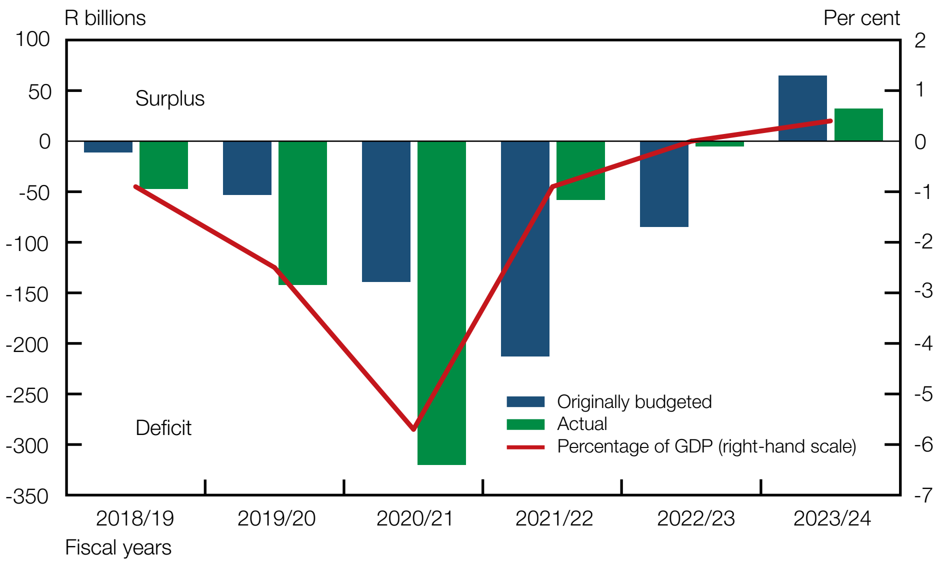
Cash book balance of national government



Sources: National Treasury, SARS and SARB

National government recorded a primary *surplus* of R31.6 billion in fiscal 2023/24 compared with a primary *deficit* of only R1.6 billion in fiscal 2022/23. The larger primary surplus could be attributed to national government revenue far exceeding non-interest expenditure. The decline in non-interest expenditure was driven by lower voted expenditure, largely owing to the sharp decline in payments for financial assets, reflecting government's limited recapitalisation of SOCs. As a ratio of GDP, the primary surplus amounted to 0.4% in fiscal 2023/24, lower than the originally budgeted projection of 0.9%.

Primary balance of national government



Sources: National Treasury and Stats SA

National government's cash flow deficit decreased by R12.0 billion year on year to R323.7 billion in fiscal 2023/24. After accounting for the cost of revaluation of foreign debt and accrual adjustments, the net borrowing requirement of national government amounted to R277.1 billion in fiscal 2023/24, which was R47.4 billion more than in fiscal 2022/23. This included a payment of R76.0 billion for Eskom's debt restructuring programme, which was R2.0 billion less than the original allocation of R78.0 billion presented in the *2023 Budget Review*. The reduced payment was because the disposal of the Eskom Finance Company had not been concluded yet, as initially stipulated in the debt-relief conditions.

National government financing

R billions

Item or instrument	Actual Fiscal 2022/23	Actual Fiscal 2023/24	Originally budgeted[1] Fiscal 2023/24	Revised estimates[2] Fiscal 2023/24
Cash book balance[3]	-309.9	-324.4	-275.4	-330.1
Cash flow balance[4]	-335.6	-323.7	…	…
Plus: Cost/profit on revaluation of foreign debt at redemption[5]	-8.6	0.0	-14.1	-19.3
Accrual adjustments	114.6	122.6	…	…
State-owned companies debt relief	…	-76.0	-78.0	-78.0
Net lending/borrowing requirement[6]	-229.7	-277.1	-367.5	-427.4
Treasury bills and short-term loans[7]	-25.6	88.5	48.0	48.0
Domestic bonds[7]	158.5	146.8	212.0	269.2
Foreign bonds and loans[7]	57.4	-1.5	14.1	16.2
Change in available cash balances[8]	39.4	43.3	93.3	93.9
Total net financing	229.7	277.1	367.5	427.4

1 *2023 Budget Review*
2 *2023 MTBPS*
3 Deficit (-)/surplus (+)
4 The cash flow balance includes extraordinary receipts and payments, and differs from the cash book balance.
5 Cost (+)/profit (-)
6 Net lending (+)/net borrowing (-)
7 Net issuance (+)/net redemption (-)
8 Increase (-)/decrease (+)

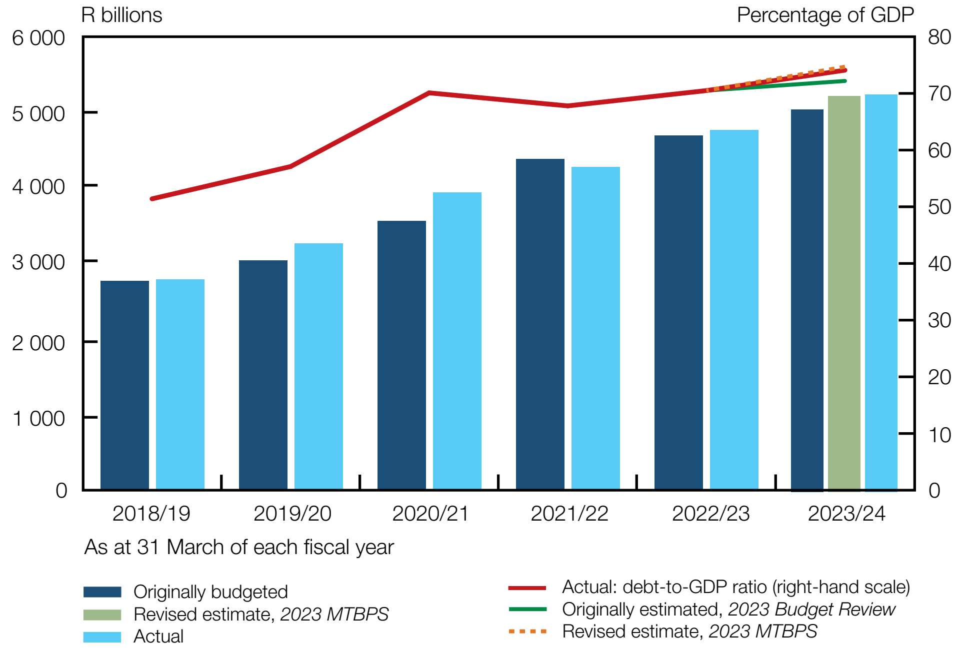
… Not available
Components may not add up to totals due to rounding off.

Sources: National Treasury and SARB

The higher net borrowing requirement of national government in fiscal 2023/24 was financed predominantly in the domestic financial markets through the net issuance of long-term government bonds of R146.8 billion and the combined net issuance of TBs and short-term loans from the CPD of R88.5 billion. By contrast, foreign bonds and loans recorded a net redemption of R1.5 billion in fiscal 2023/24. As a result, national government's available cash balances decreased by R43.3 billion in the period under review.

National government's total gross loan debt (domestic and foreign) increased by 10.3% from R4 766 billion as at 31 March 2023 to R5 259 billion as at 31 March 2024, with domestic debt accounting for 88.7% of the total. The increase was primarily due to the higher net issuance of domestic debt, along with the revaluation effects on inflation-linked bonds. Gross loan debt exceeded the fiscal year estimates of R5 060 billion and R5 238 billion projected in the *2023 Budget Review* and the *2023 MTBPS* respectively. As a ratio of GDP, gross loan debt increased from 70.5% as at 31 March 2023 to 74.1% as at 31 March 2024. The gross loan debt-to-GDP ratio is expected to continue to increase and stabilise at 75.3% at the end of fiscal 2025/26.

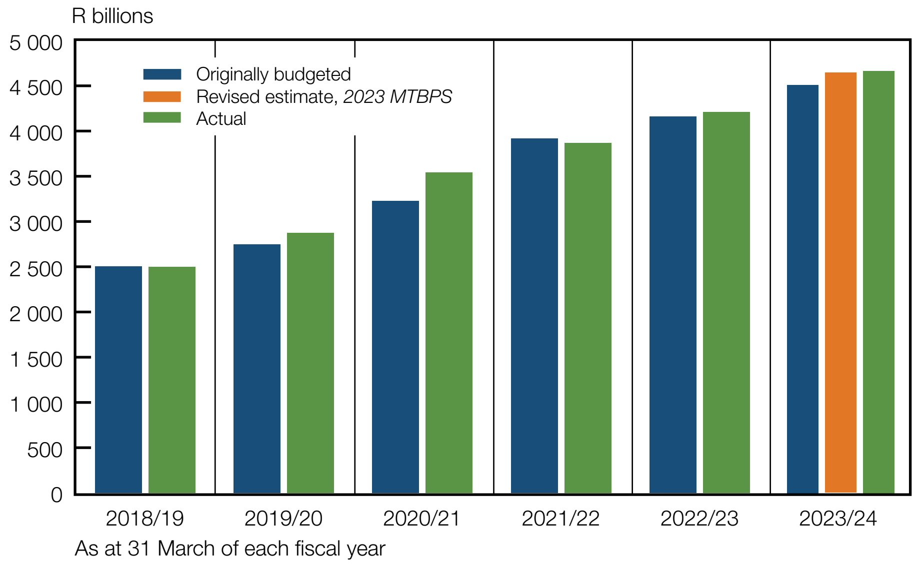
Gross loan debt of national government



Sources: National Treasury and Stats SA

National government's gross domestic debt (marketable and non-marketable) increased from R4 210 billion as at 31 March 2023 to R4 667 billion a year later, surpassing both the original projection of R4 517 billion and the revised estimate of R4 643 billion as envisaged in the *2023 Budget Review* and the *2023 MTBPS* respectively. The increase could largely be attributed to the increased net issuance of domestic marketable debt, comprising bonds (89.0% of total domestic marketable debt) and TBs (11.0% of total domestic marketable debt). Domestic marketable debt accounted for 99.4% of total gross domestic debt as at 31 March 2024. The total stock of non-marketable domestic debt increased by 11.9% year on year to R27.9 billion at the end of March 2024.

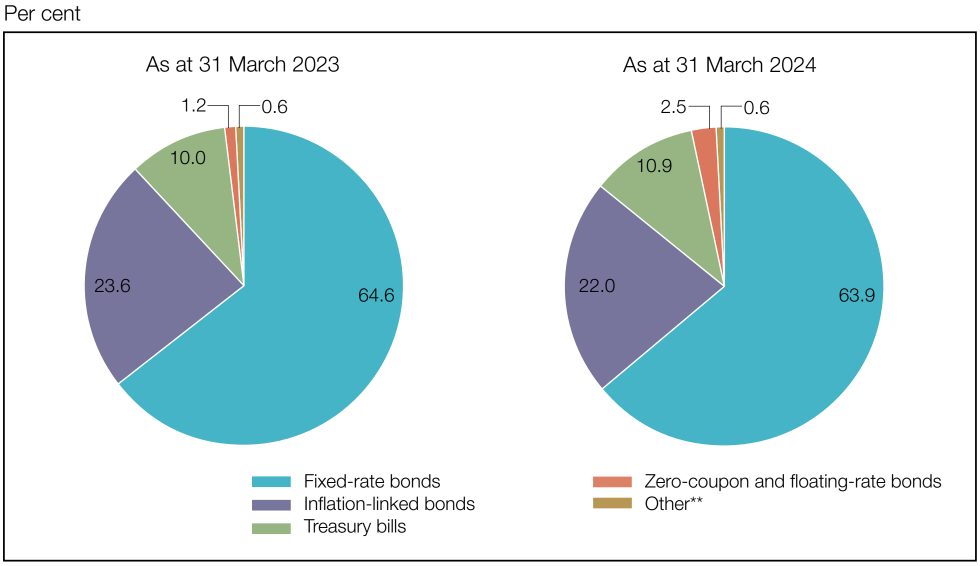
Domestic debt of national government



Source: National Treasury

The outstanding stock of fixed-rate bonds increased by 9.7% year on year to R2 983 billion (63.9% of total domestic debt) as at 31 March 2024. The stock of inflation-linked bonds increased by 3.6% year on year to R1 028 billion as at 31 March 2024, representing 22.0% of the total outstanding stock of domestic debt. National government redeemed the *R197* inflation-linked bond to the value of R99.4 billion in December 2023 and issued two new inflation-linked bonds (*I2043* and *I2058*) in September 2023 with the combined outstanding value of R8.7 billion at the end of March 2024. The total outstanding stock of TBs increased by R88.1 billion year on year to R511 billion (10.9% of total domestic debt) as at 31 March 2024.

Composition of national government's domestic debt*



* Components may not add up to totals due to rounding off.

** Including total outstanding domestic non-marketable bonds, short-term loans from the Corporation for Public Deposits and other debt

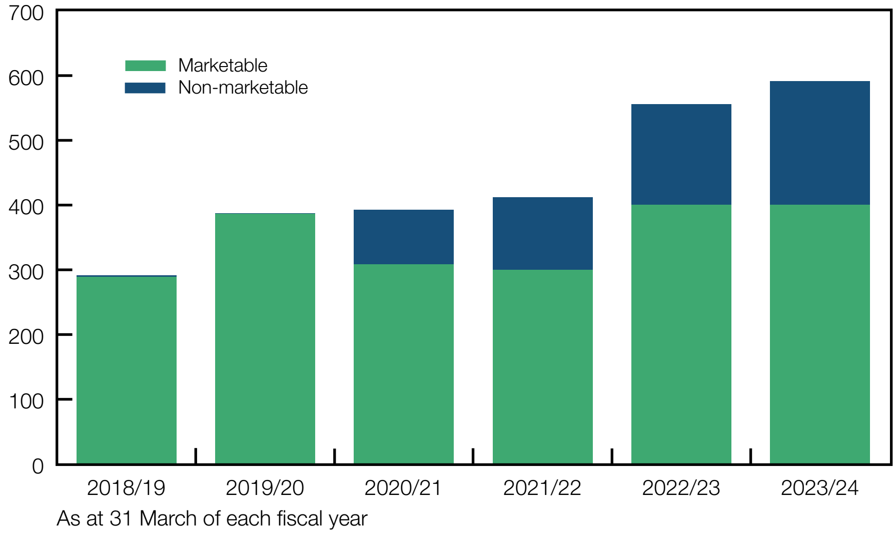
Source: National Treasury

National government's gross foreign debt (marketable and non-marketable) increased by R36.0 billion year on year to R592 billion as at 31 March 2024, well above the original estimate of R543 billion in the *2023 Budget Review* but below the revised estimate of R595 billion in the *2023 MTBPS*. The increase could largely be attributed to borrowing through foreign loans, along with the exchange rate revaluation effects owing to the depreciation in the exchange value of the rand against other major trading currencies.

Foreign marketable bonds declined by R0.2 billion year on year to R401 billion (67.7% of total gross foreign debt) as at the end of fiscal 2023/24 due to the redemption of the *TY2/89* bond to the value of US$1.5 billion. The decline was cushioned by the weaker exchange value of the rand against other major trading currencies. The average outstanding maturity of foreign marketable bonds decreased slightly from 159 months as at 31 March 2023 to 158 months as at 31 March 2024.

Non-marketable foreign debt increased by 23.4% year on year to R191 billion (32.3% of total gross foreign debt) as at 31 March 2024. The increase reflected borrowing from international financial institutions through three US dollar-denominated loans to the value of US$1.8 billion, a euro-denominated loan of €500 million and a Canadian loan to the value of CAD120 million, along with exchange rate revaluation effects.

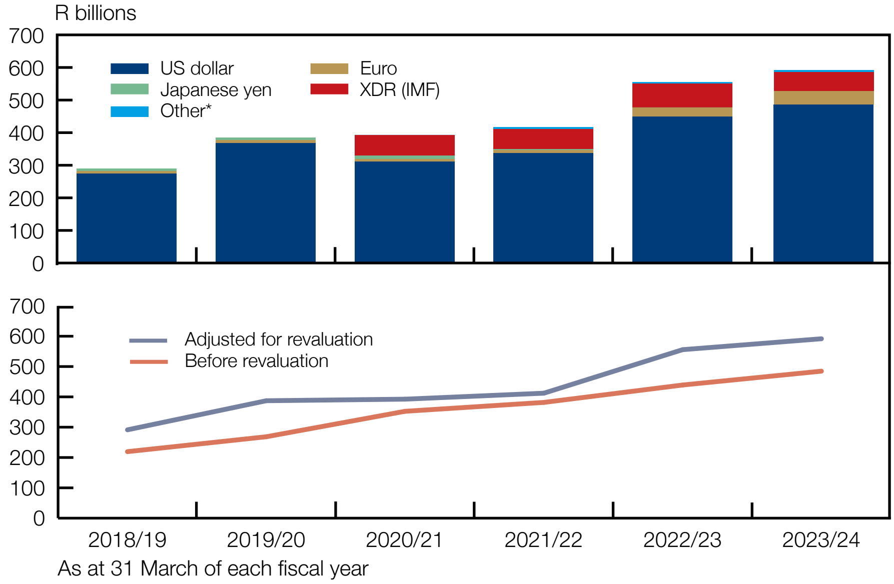
Foreign debt of national government



Source: National Treasury

The total outstanding balance of national government's foreign debt was R485 billion before accounting for exchange rate revaluation effects as at 31 March 2024, which increased by R107 billion to R592 billion after the revaluation adjustment. US dollar-denominated debt and the IMF's special drawing rights (SDRs) accounted for a combined 92.0% of the total outstanding balance of foreign debt as at 31 March 2024.

Currency composition of national government's foreign debt



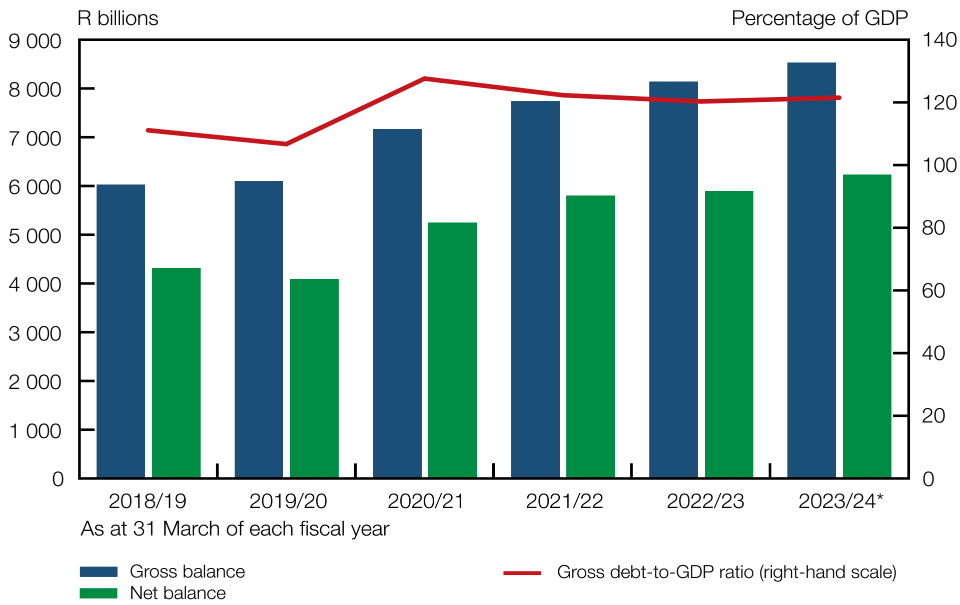
* Including the British pound, Swedish krona, Canadian dollar and South African rand

Source: National Treasury

Total public sector debt[46]

The preliminary total consolidated *gross*[47] public sector debt (both domestic and foreign) of South Africa increased by R586 billion year on year to R8 531 billion (121.5% of GDP) as at 31 December 2023. The consolidated *net*[48] public sector debt of R6 233 billion (88.7% of GDP) as at 31 December 2023 was higher than the R5 691 billion (85.5% of GDP) recorded a year earlier.

Total consolidated public sector debt

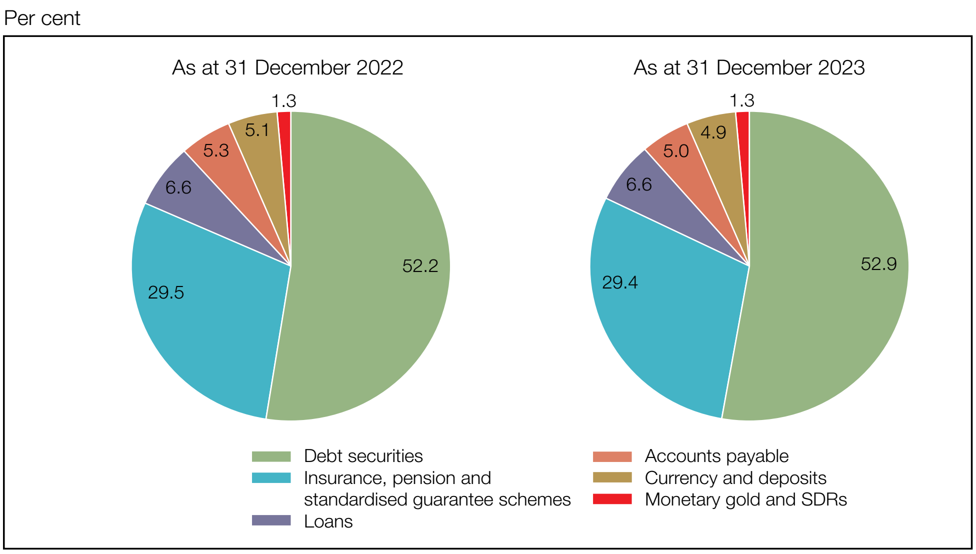


* As at 31 December 2023

Source: SARB

The total outstanding gross consolidated public sector debt securities in both the domestic and the international markets of R4 511 billion as at 31 December 2023 were R367 billion more than in the same period a year earlier. Debt securities were the largest contributor to total consolidated public sector debt at 52.9% as at 31 December 2023, followed by insurance, pension and standardised guarantee schemes at 29.4%.

Consolidated gross public sector debt



Source: SARB

46 The public sector in South Africa comprises general government as well as both financial and non-financial public enterprises and corporations. General government, in turn, comprises central government (national government, extra-budgetary institutions and social security funds), consolidated provincial government and local government.

47 *Gross* public sector debt comprises financial debt instruments such as special drawing rights (SDRs); currency and deposits; debt securities; loans; insurance, pension and standardised guarantee schemes; and other accounts payable – *before* netting the individual debt instrument against its corresponding financial assets.

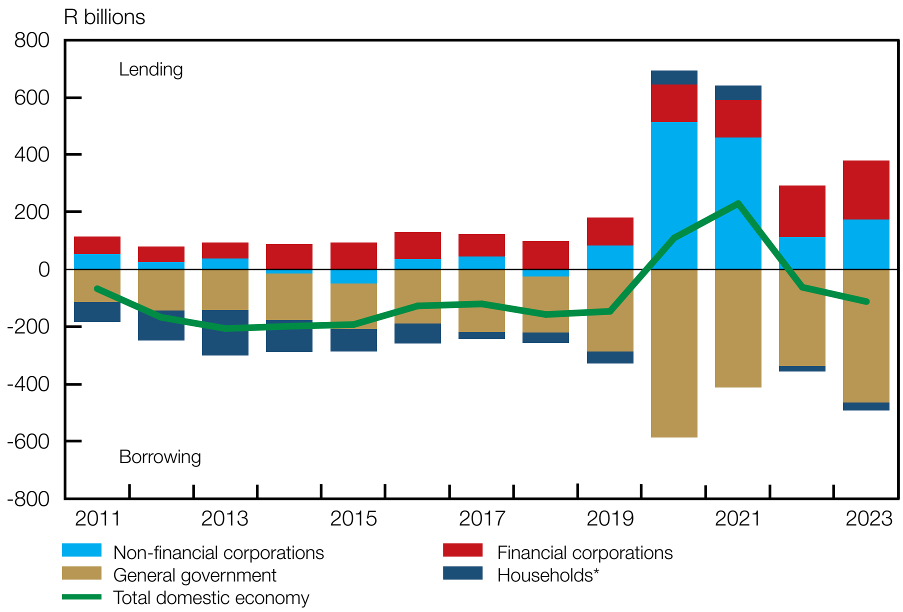
48 *Net* public sector debt comprises SDRs; currency and deposits; debt securities; loans; insurance, pension and standardised guarantee schemes; and other accounts payable – *after* netting the individual debt instrument against its corresponding financial assets.

Integrated economic accounts[49]

Current and capital account

South Africa's net borrowing position[50] decreased from R29.1 billion (1.6% of GDP) in the third quarter of 2023 to R10.4 billion (0.6% of GDP) in the fourth quarter as gross capital formation decreased more than gross saving.

South Africa's net lending/borrowing position



* Including non-profit institutions serving households
Net lending (+)/borrowing (-)
Source: SARB

The country's net borrowing almost doubled from R62.2 billion in 2022 to R111.9 billion in 2023, largely sourced through foreign capital to finance capital outlays. The notable increase in the annual net borrowing requirement resulted from an increase of R65.4 billion in gross capital formation and a decrease of R13.4 billion in gross saving in 2023, reflecting the challenging domestic economic conditions.

Both financial and non-financial corporations' net lending positions decreased in the fourth quarter of 2023 due to lower gross saving recorded in both sectors. Households switched from net lending in the third quarter of 2023 to net borrowing in the fourth quarter, largely because of lower gross saving. General government recorded notably lower net borrowing in the fourth quarter of 2023 due to lower levels of gross dissaving. However, general government's net borrowing increased significantly to R463.4 billion in 2023 from R335.6 billion in 2022. Households' net borrowing also increased from 2022 to 2023, while the net lending positions of both financial and non-financial corporations increased over the same period.

Non-financial balance sheet and accumulation account

The market value of total non-financial assets increased by 1.4% from 30 September 2023 to R19.1 trillion as at 31 December 2023. Non-financial corporations (public and private) held the largest share of total non-financial assets at 42.9%, while households and general government owned 30.8% and 25.1% respectively. Financial corporations held only 1.1% of total non-financial assets, mainly in the form of buildings other than dwellings. As at 31 December 2023, households owned 89.9% of all dwellings. General government and non-financial corporations accounted for the majority holdings of other structures – such as roads, bridges and harbours

49 The analysis in this section is based on the experimental statistics compiled for South Africa's integrated economic accounts (IEA) and is subject to further revision. See pages E–2 to E–12 in the experimental tables section in this edition of the *QB*.

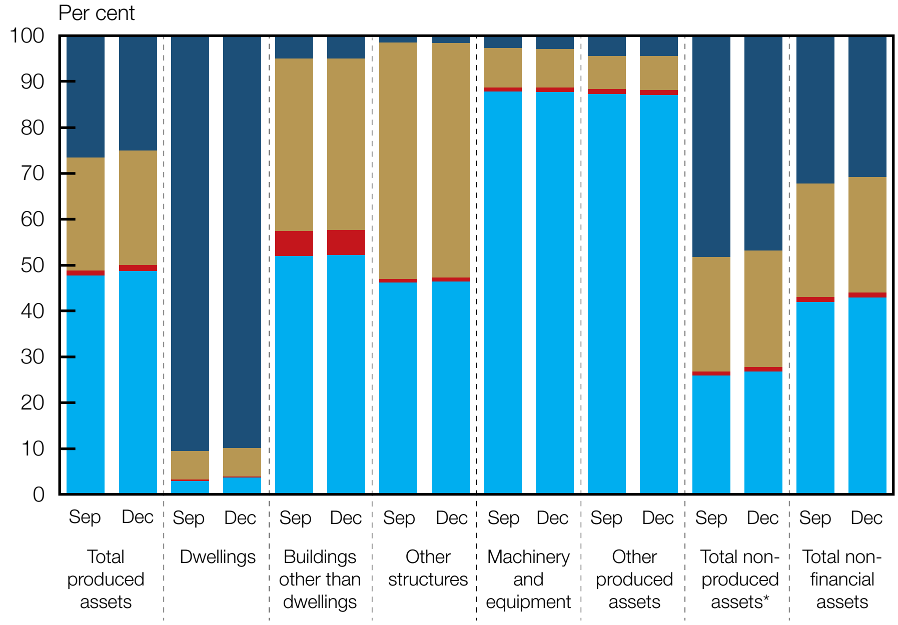
50 Net lending/borrowing is calculated as gross saving *plus/minus* capital transfers receivable/payable *minus* gross capital formation.

– at 51.2% and 46.4% respectively, while 87.7% of total machinery and equipment was held by non-financial corporations.

The market value of total produced fixed assets increased by 1.4% (R179.3 billion) to R13.0 trillion in the three months to 31 December 2023, resulting from an increase of R15.3 billion in net capital formation and revaluations of R164.0 billion in the fourth quarter of 2023. The market value of machinery and equipment as well as other structures increased by R35.3 billion and R93.2 billion respectively in the fourth quarter, contributing 1.2 and 2.0 percentage points respectively to growth in the capital stock of non-financial assets.

Households owned 46.8% of all non-produced assets (land only) as at 31 December 2023, with the remainder held almost equally by non-financial corporations (26.8%) and general government (25.5%).

Institutional sector non-financial asset holdings as at 30 September and 31 December 2023



* Land only
** Including non-profit institutions serving households
Source: SARB

Financial balance sheet and accumulation account

The market value of financial assets and liabilities of the total domestic economy increased by R1.6 trillion to R50.0 trillion and by R1.5 trillion to R47.5 trillion respectively in the three months to 31 December 2023. The increase in the market value of financial assets and liabilities resulted from all instrument categories over this period, except for financial derivatives and employee stock options as well as other accounts receivable/payable.

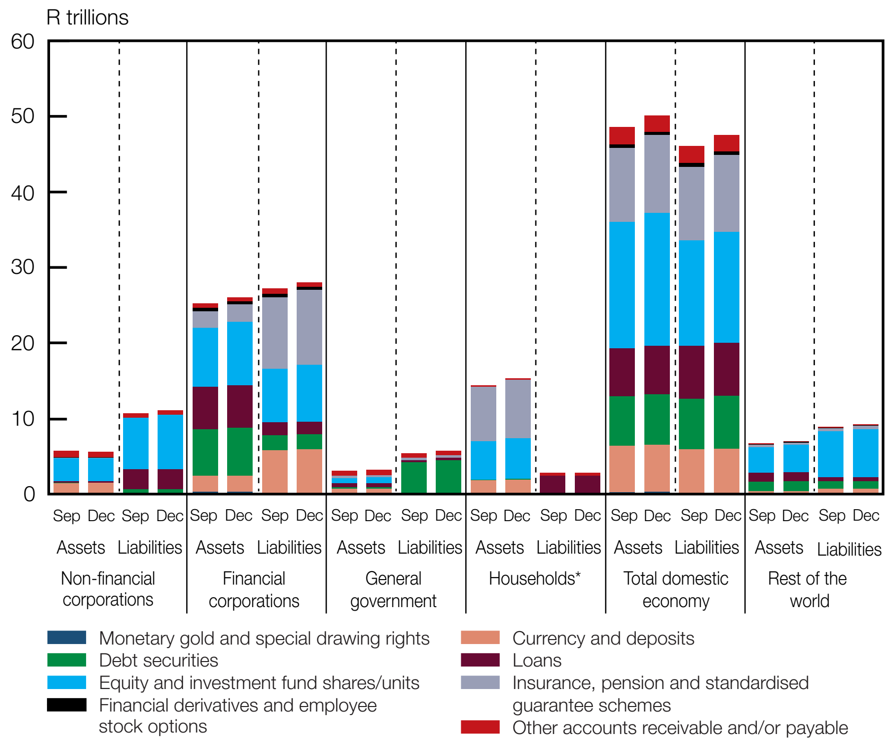
Financial corporations' share of total financial assets declined marginally from 52.1% as at 30 September 2023 to 52.0% as at 31 December, despite an increase in the value of equity and investment fund shares/units due to higher domestic and global share prices. Similarly, financial corporations' share of total liabilities declined from 59.0% to 58.9% over this period.

Households' share of total financial assets increased from 29.9% as at 30 September 2023 to 30.4% as at 31 December, boosted by growth in the value of non-money market investment fund shares/units as well as life insurance and pension entitlements. By contrast, households' share of total liabilities decreased from 6.1% to 6.0% over this period, primarily due to slower growth in the value of bank loans extended to households.

Non-financial corporations' contribution to total financial assets declined from 11.5% as at 30 September 2023 to 11.2% as at 31 December, while their contribution to total financial liabilities declined from 23.4% to 23.3% over the same period. The decline reflected the lower value of banks' exposure to other private sector bonds and preference shares as well as trade credit and advances to the rest of the world (ROW), while the value of equity and investment fund shares/units increased.

The decline in general government's share of total financial assets from 6.5% as at 30 September 2023 to 6.4% as at 31 December was mostly due to a significant reduction in general government's deposit balances with the central bank, despite an increase in the outstanding balance on the GFECRA due to valuation effects. By contrast, general government's contribution to total liabilities increased from 11.5% to 11.8% over this period on account of higher net issuances of national government debt securities along with an increase in the market value thereof.

Market value of total financial assets and liabilities by institutional sector and financial instrument as at 30 September and 31 December 2023



* Including non-profit institutions serving households

Source: SARB

The market value of ROW's holdings of South African financial assets increased from R6.8 trillion as at 30 September 2023 to R7.0 trillion as at 31 December as the valuation effects resulting from higher domestic and global share prices contributed to the higher value of equity and investment fund shares/units. The market value of South Africa's total foreign assets (ROW's total liabilities) increased from R9.0 trillion to R9.3 trillion over the same period due to an increase in the market value of debt securities as well as equity and investment fund shares/units.

The changes in both financial assets and liabilities in the total economy during the fourth quarter of 2023 resulted from revaluation effects, which accounted for R2.0 trillion of the increase in the value of various financial instruments, especially equity and investment fund shares/units. This was partly offset by net transactions of R0.3 trillion during the quarter.

51 See page E–11 in the experimental tables section in this edition of the *QB*.

The from-whom-to-whom market value of financial asset and liability stock positions between the domestic institutional sectors and the ROW as at 31 December 2023[51] showed that the household sector was the only institutional sector that maintained a positive net financial wealth (asset) position of R12.4 trillion, mainly against financial corporations. Non-financial corporations and general government both recorded negative net financial wealth (liability) positions, mainly as a result of the net incurrences of liabilities of R4.3 trillion and R3.1 trillion respectively with financial corporations as well as R3.2 trillion and R1.5 trillion respectively with the ROW. The financial intermediation activities of financial corporations generated a near-balanced net financial wealth position, with asset claims of R26.0 trillion and liability commitments of R28.0 trillion in the total economy. ROW's negative net financial wealth position mainly comprised liabilities of R6.1 trillion and R2.9 trillion incurred against financial and non-financial corporations respectively.