Economic Trends:
Key trends in the South African economy

29 March 2019
Department of Research and Information
Conditions in the South African economy remain unsatisfactory. The rate of decline in consumer spending deteriorated to 5.8% in Q2 of 2009, its worst performance in almost 25 years. Factors contributing to poor consumer spending include:

- Increased job losses
- Falling real disposable incomes

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Consumer price inflation
Interest rates

Glossary of terms

Note: An * in a specific graph indicates % change at constant prices, at a seasonally adjusted and annualised rate.
The world economy has been facing strong headwinds. These include increased tension in the global trading arena as a result of US protectionism and retaliatory measures from the affected trade partners; unfavorable developments in key European economies and continued uncertainty surrounding Brexit; decelerating growth in China; the impact of monetary policy normalization in some advanced economies; and, among other factors, geo-political risks. Consequently, its expansion momentum is decelerating.

World GDP growth eased marginally to 3.7% in 2018, from 3.8% in 2017, and the International Monetary Fund is now forecasting growth of 3.5% and 3.6% for 2019 and 2020, respectively.

The United States economy recorded growth of 2.9% in 2018 and is working at close to full employment. Activity levels were raised by higher household consumption and fixed investment expenditure, which were fueled by substantial tax reductions and higher fiscal spending.

In the Eurozone, industrial production in Germany slowed as revised emissions standards took a toll on its automotive industry. Weakening consumer spending and export demand also affected the economy’s performance in 2018. Italy’s large fiscal deficit and very high gross debt ratios have raised sovereign and financial risks, leading to concerns of potential spill-over effects to the remainder of the monetary bloc. Domestic demand also slowed, with the Italian economy falling back into recession in the final quarter of 2018.

The pace of economic expansion in China continued to slow, but remained robust at 6.6% in 2018, compared to 6.5% in 2017. The structural changes under way in the Chinese economy contributed to the growth moderation. In addition, softer global demand, the impact of higher US tariffs on the country’s exports, coupled with deleveraging efforts, weakening domestic demand and lower growth in industrial output also affected economic activity in 2018.

Global equity markets were under pressure during 2018, with many closing the year at lower levels. However, several have since rebounded, stimulated by the US Federal Reserve’s more dovish monetary policy stance and expectations of a negotiated trade settlement between the US and China.

The US Federal Reserve is expected to pause its monetary policy tightening for a while in order to assess the impact of policy rate hikes, which totaled 100 basis points in 2018. Cognisant of fragile economic growth in the Eurozone, the European Central Bank has adopted a very cautious monetary policy normalization process. Although it terminated its net asset purchases in December 2018, it has refrained from starting an interest rate hiking cycle.

Foreign direct investment (FDI) flows across the world fell by 19% in 2018 to an estimated USD1.2 trillion, according to UNCTAD. Flows to developed economies dropped by 40%, mainly due to a sharp 73% decline in Europe. In contrast, FDI flows to developing economies increased by 3.1%, with a 5.8% rise for Africa. According to UNCTAD, Africa could see a rise in FDI inflows in 2019, underpinned by greenfield projects targeting the manufacturing sector, commodity price stabilisation and regional integration efforts.

The South African economy was under considerable strain in 2018, as evidenced by the 0.8% increase in its GDP in real terms. The generalised weakness was clear across all of its broad sectors and among the various drivers of domestic demand.

Of particular concern is the fact that, already five years into the downturn, business confidence levels in the South African economy are not only low, but have declined in certain sectors. In the first quarter of 2019, confidence levels fell in four out of the five broad sectors surveyed.

Overall fixed investment spending contracted by 1.4% in 2018. Difficult operating conditions and surplus production capacity saw the quantum of investment outlays in the manufacturing sector fall over time, with the 2018 levels being 10% lower than in 2017. Consequently, the ratio of fixed investment expenditure to overall GDP fell to 18.2% in 2018, the lowest in 13 years.

Nevertheless, employment levels have been rising gradually in recent years, with the South African economy having added 358 000 new jobs in 2018. However, the unemployment rate remains very high at 27.1%, with more than 6.1 million people unable to find a job.

A downward trending leading business cycle indicator confirms the weak economic conditions, pointing to subdued growth in the months ahead. This, along with low confidence levels, does not bode well for a swift economic recovery.

Consumer spending is expected to remain subdued in 2019, but as confidence levels improve and disposable incomes rise, household consumption expenditure should gain some momentum in subsequent years. A fairly favourable inflation trajectory and relatively low interest rates should also support gradually higher rates of increase in household spending.

The economy’s weak performance and challenges in tax collection are impacting on government revenue and constraining its fiscal space. With limited room for a meaningful reduction in government spending, the budget deficit will remain high as a ratio of GDP. The government debt-to-GDP ratio, in turn, is projected by National Treasury to reach the 60% mark by fiscal year 2023/24.

The credit ratings agencies have expressed concerns regarding the unfavourable fiscal developments, the financial difficulties faced by key state-owned-enterprises and, among other factors, the economy’s weak growth prospects. The latter have recently taken a heavy blow from resumed and widespread load-shedding due to technical and other operational challenges at Eskom.

It is hoped that various presidential initiatives such as the Economic Stimulus and Recovery Plan, the Presidential Jobs Summit, the South Africa Investment Conference 2018 and other confidence-building commitments made by President Ramaphosa in his State of the Nation Address will bolster private sector investment going forward. These commitments include greater policy certainty and coherence, a stern fight against corruption and major reforms in the state-owned-enterprise sector. If the outcomes become increasingly visible, this will lead to a revival in business and investor confidence, in turn translating into increased investment activity and employment creation.

Political developments in the first half of 2019 will be a key determinant of the economy’s trajectory. Based on the assumption of an investment- and growth-supportive outcome of the national elections, GDP growth is forecast to rise to 1.6% in 2019. However, the downside risks to this growth outlook are on the rise, considering the negative impacts of widespread and continued interruptions in electricity supply, fiscal challenges and a slowing world economy.
• South Africa’s economy entered a technical recession in the first half of 2018 and, despite a rebound in the subsequent two quarters, GDP growth came to just 0.8% for 2018 as a whole.

• Economic activity was characterised by general weakness across all broad sectors. Negative growth in agricultural output in 2018 was mainly due to the high base set in 2017, when the maize crop was one of the largest on record.

• Mining output fell by 1.7% in 2018, with policy uncertainty, weaker global demand and lower commodity prices having been a drag on the sectors’ performance. Excluding gold, mining output would have recorded modest growth.

• Although manufacturing output rose marginally (+1%) in 2018, the sector continues to face a difficult operating environment. This is characterised by weak domestic demand, import penetration, trying conditions in the global trading arena, and other operational challenges such as cost pressures.

Total GDP (at market prices) in 2018 = R4 874 billion

Notes:
(i) Figures in brackets in the above graph refer to the sector’s percentage share of total GDP at basic prices (constant 2010 prices) in 2018
Gross domestic product (cont.)

• Conditions in the South African economy remain unsatisfactory.
• The rate of decline in consumer spending deteriorated to 5.8% in Q2 of 2009, its worst performance in almost 25 years.
• Factors contributing to poor consumer spending include:
  – Increased job losses
  – Falling real disposable incomes

Real GDP growth in service-related sectors

Services sectors include: Electricity, Construction, Trade, Transport, Finance, Government and Other services.

Source: IDC, compiled using Stats SA data

Real GDP growth in the mining sector

Source: IDC, compiled using Stats SA data

Real GDP growth in the agricultural sector

Source: IDC, compiled using Stats SA data

Agriculture, forestry and fishing 2.4%
Mining and quarrying 8.1%
Manufacturing 13.2%
Electricity, gas and water 3.8%
Construction 3.9%
Trade, catering and accommodation 15.0%
Transport, storage and communication 9.8%
Finance, real estate and business services 19.7%
General government services 18.1%
Personal services 5.9%

Sectoral composition of the South African economy in 2018

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

Source: IDC, compiled using Stats SA data

% Change (q-o-q)*
Domestic expenditure

Gross domestic expenditure

- Domestic expenditure was under pressure during 2018, with all components having recorded subdued rates of growth. For the year as a whole, gross domestic expenditure (GDE) increased by only 1%, down from 1.9% in 2017.

- Inventory levels fell sharply in Q4 of 2018, thus contributing to the economy’s poor growth performance not only in the last quarter, but also for the entire year.

- Despite deteriorating economic conditions, import demand remained very strong as reflected by the increase in its import intensity (i.e. real imports of goods and services as a % of GDE). By the third quarter of 2018, this ratio stood at 31.4%, the highest in ten years.

- A gradual recovery in domestic expenditure is, however, expected in 2019, potentially underpinned by modestly higher rates of increase in household consumption and a recovery in fixed investment spending.

Final consumption expenditure by households

- Households remained under strain during the course of 2018. Consequently, growth in household consumption spending slowed to 1.8%, from 2.1% in 2017.

- Consumer spending was affected by rising inflation, a steep rise in fuel prices to a new record high of R16.85 per litre by October 2018 (although these declined in subsequent months), a one percentage point increase in the VAT rate, higher excise duties, subdued demand for new credit, as well as lower growth in real disposable incomes.

- Although consumer spending on durable goods in general did increase, expenditure on motor vehicles declined. This was reflected by the 0.8% drop, year-on-year, in the number of new passenger vehicles sold in 2018.

- Factors in support of an expected gradual recovery in household spending include a relatively low interest rate environment and a fairly favourable inflation trajectory.

Final consumption expenditure by government

- Despite the limited fiscal space, real consumption expenditure by general government expanded by 1.9% in 2018, compared to the marginal 0.2% rise recorded in 2017. Consequently, the share claimed by government in national GDP rose to 21.3% in 2018, the highest on record.

- Government’s current expenditure is mostly directed towards basic education, health, social protection and community development.

- The public sector wage bill represented 35.1% of total consolidated expenditure in the 2018/19 fiscal year and is forecast to grow by 6.8% per year, on average, over the next three years, thus outpacing the expected consumer price inflation by quite a margin.

- Government remains committed to fiscal consolidation and debt sustainability, with the principal credit rating agencies keeping a close eye on the fiscal metrics.
Gross fixed capital formation

- Fixed investment declined by 1.4% in real terms in 2018. Weak demand conditions in the domestic market, spare production capacity, infrastructure-related challenges, as well as policy uncertainty in key sectors of the economy, affected business confidence and investment decisions.

- Investment activity in the manufacturing sector has been particularly weak in recent years, registering average annual growth of -1.4% over the period 2012 to 2018. The overall quantum of fixed investment in manufacturing in 2018 was, in real terms, 9.8% lower than in 2011 (the post-global financial crisis high). In contrast, investment spending in the mining sector increased by 13.2% in 2018, following a sharp rebound of 39.1% in 2017.

- Weak rates of expansion in fixed investment expenditure over recent years saw its relative share in overall GDP declining to a ratio of 18.2% in 2018, a 13-year low.

Fixed investment by type of organisation

- Fixed investment spending by the private sector increased by 2.1% in 2018. This was largely due to robust growth in investment activity in the mining sector and, to a much lesser extent, in the finance and business services sector. All other broad sectors recorded lower investment outlays.

- Investment spending by public corporations fell by 12.5% in 2018, largely due to financial difficulties experienced by several state-owned enterprises and reduced demand for utility services such as electricity, transport and logistics. Fiscal constraints are limiting government’s ability to invest in much needed economic and social infrastructure. Investment spending by government decreased by 4.4% in 2018 to R98.7 billion (in real terms), the lowest level in four years.

- A revival of business and investor confidence in the economy’s prospects and visible improvements in the operating environment are prerequisites for a recovery in fixed investment activity.

Inventories

- Inventory levels dropped sharply by R53.9 billion in the final quarter of 2018, one of the largest reductions on record. This was caused by difficult operating conditions, with many businesses having been forced to reduce stock levels.

- For the year as a whole, inventory levels were R5.4 billion lower at constant 2010 prices. Key contributors were the mining sector, with a reduction of R16.9 billion, as well as the transport, storage and communication sector (-R2.9 billion).

- The trade, catering and accommodation sector, in turn, reported an inventory accumulation amounting to R9.5 billion during 2018, whereas the manufacturing sector increased its stock levels by R5.1 billion.

- Industrial and commercial inventories, as a ratio of GDP, declined to 10.2% in 2018, well below the 15.8% recorded in 2017.
**Formal and informal sector employment**

- Despite the challenging economic climate and the modest GDP growth recorded in 2018, some 358 000 additional jobs were collectively created in the formal and informal sectors of the economy.

- The bulk of the additional jobs were in the finance & business services sector (+238 000), followed by the construction (+91 000), trade (+79 000) and mining (+27 000) sectors. On the other hand, substantial job losses were recorded in the community services sector (which includes government-related employment), followed by transport services and the manufacturing sector.

- Of concern is the declining employment intensity (i.e. number of jobs per R1 million of real GDP) of the economy over time. Thus, a much faster pace of economic expansion would be required in order to create more jobs, considering the large number of new entrants into the labour market.

**Productivity and unit labour costs**

- Labour productivity in the formal non-agricultural sectors of the economy increased by only 0.7%, year-on-year, over the period January to September 2018. In contrast, nominal unit labour costs expanded at a much faster pace of 4.1% over this period.

- Having increased at rates well above inflation for quite some time, growth in overall remuneration of employees slowed to 4.2% in 2018, from 7.4% in 2017.

- Compensation of employees within government increased by 7% in 2018, followed by the 4.8% for personal services.

- After increasing at a robust rate of 4.4% in real terms in 2017, average remuneration per employee in the public sector rose by 1.6% in 2018. Similarly, the average growth in real remuneration per employee in the private sector came in at 1.6% for 2018, following declines in real terms both in 2016 and 2017.

**Unemployment**

- South Africa’s unemployment rate measured 27.1% by the final quarter of 2018, with more than 6.1 million people unable to find a job. Including discouraged job-seekers, the unemployment rate stood at 37%, or 9.7 million unemployed people.

- Amongst the youth, the unemployment rate stood at 54.7% for those in the age group 15 to 24 years, and at 33% for those between the ages of 25 and 34 years.

- Government initiatives such as the extension of the Employment Tax Incentive and the Youth Employment Service scheme aim to address the unemployment challenge amongst the youth. Other initiatives, such as the Presidential Jobs Summit, the Economic Stimulus and Recovery package, as well as the confidence-building South Africa Investment Conference should also contribute to job creation going forward.
Employment according to main economic sector

Sectoral composition of employment in South Africa in 2018

Source: IDC, compiled using Stats SA data

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

Employment according to main economic sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment share (% of total employment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry &amp; fishing</td>
<td>5.2%</td>
</tr>
<tr>
<td>Mining</td>
<td>2.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>10.8%</td>
</tr>
<tr>
<td>Electricity, gas &amp; water</td>
<td>0.9%</td>
</tr>
<tr>
<td>Construction</td>
<td>9.0%</td>
</tr>
<tr>
<td>Trade, catering &amp; accommodation</td>
<td>20.0%</td>
</tr>
<tr>
<td>Finance &amp; business services</td>
<td>15.1%</td>
</tr>
<tr>
<td>Community, social &amp; personal services</td>
<td>22.5%</td>
</tr>
<tr>
<td>Transport, storage &amp; communication</td>
<td>6.0%</td>
</tr>
<tr>
<td>Private households</td>
<td>7.9%</td>
</tr>
<tr>
<td>Other industry</td>
<td>0.06%</td>
</tr>
</tbody>
</table>

Change in employment: Q4 2018 vs Q4 2017

Source: IDC, compiled using Stats SA data
Manufacturing sector

Manufacturing GDP and volume of production

- The difficult economic environment domestically, rising operational costs and increasingly challenging conditions in the global trading arena underscored the weak 1% growth in real manufacturing GDP in 2018.
- Production volumes fell in several sub-sectors, including those producing TVs & radios (-9.8%), electrical machinery (-7.3%), as well as textiles, clothing, leather and footwear (-2.6%).
- On the other hand, output levels increased by 4.6% in the transport equipment sub-sector, followed by food and beverages (+4.6%), among others.
- The manufacturing sector’s poor performance resulted in its relative share of overall GDP dropping to 13.2% in 2018.
- Factors such as continued load-shedding, higher electricity tariffs, weak domestic demand and rising global risks are likely to constrain manufacturing activity, especially in the short-term.

Physical volume of production per sub-sector of manufacturing

Note: Figures in brackets refer to the sub-sector’s percentage share of total manufacturing production in 2018.
Fixed investment and capacity utilisation

- Weak demand conditions affected negatively production activity in several manufacturing sub-sectors, leading to spare production capacity and reducing the need for new investment in its expansion.

- Many sub-sectors of manufacturing are operating below design capacity, or recorded declines in the utilisation of their production capacity during the course of 2018.

- According to the RMB/BER’s latest manufacturing survey (Q1 2019), 76% of respondents indicated they were operating below capacity. Although high, this was an improvement from the 82% recorded in the preceding quarter.

- Fixed investment in the manufacturing sector could remain under pressure in 2019, as a net majority of manufacturers have indicated that investment in machinery and equipment in 12 months’ time may be reduced further.

### Utilisation of production capacity per sub-sector of manufacturing

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Capacity utilisation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Manufacturing</td>
<td>83.1</td>
</tr>
<tr>
<td>Other manufacturing</td>
<td>84.9</td>
</tr>
<tr>
<td>Footwear</td>
<td>88.6</td>
</tr>
<tr>
<td>Glass products</td>
<td>88.8</td>
</tr>
<tr>
<td>Motor vehicles, parts &amp; accessories</td>
<td>86.5</td>
</tr>
<tr>
<td>Printing &amp; publishing</td>
<td>78.8</td>
</tr>
<tr>
<td>Rubber products</td>
<td>85.2</td>
</tr>
<tr>
<td>Textiles</td>
<td>68.2</td>
</tr>
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<td>Petroleum products</td>
<td>87.1</td>
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<tr>
<td>Non-ferrous metals</td>
<td>80.9</td>
</tr>
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<td>88.5</td>
</tr>
<tr>
<td>Non-metallic mineral products</td>
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</tr>
<tr>
<td>Other chemicals</td>
<td>87</td>
</tr>
<tr>
<td>Basic chemicals</td>
<td>89.4</td>
</tr>
<tr>
<td>Food</td>
<td>83</td>
</tr>
<tr>
<td>Furniture</td>
<td>87.3</td>
</tr>
<tr>
<td>Paper &amp; paper products</td>
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<td>Fabricated metal products</td>
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Note: Figures in brackets refer to the sub-sector’s percentage utilisation of production capacity in the fourth quarter of 2018.
Manufacturing sector (cont.)

Expectations regarding employment creation

- Manufacturing sector employment has declined over time. This has been attributable to various factors, including insufficient demand, largely as a result of subdued economic conditions, but also due to competition from foreign producers in the local market as well as in export markets; operational challenges; declining employment intensity as players transformed production processes through mechanisation to enhance competitiveness; and, among others, generally low confidence levels among manufacturers.

- By the final quarter of 2018, formal employment in the sector stood at 1.21 million people, or 8.9% lower than the pre-crisis high recorded in 2006. Nonetheless, the sector still accounts for about 10% of all formal sector jobs in the economy.

- Since the sector's growth prospects are anticipated to remain generally unsatisfactory in the near- to short-term, a meaningful recovery in manufacturing employment is unlikely.

Expectations regarding employment creation per sub-sector of manufacturing

- Net balance
- Employment trend - number of factory workers
- Source: IDC, compiled using BER data

- Employment creation by sub-sector
- Q4 2018
- Q4 2017
- Source: IDC, compiled from BER data

- Pessimistic
- Optimistic
- Neutral
Consumer price inflation

- Consumer price inflation rose steadily during 2018, from a low of 3.8% in March to a peak of 5.2% by November. It subsequently slowed to 4.1% in February 2019. Inflation averaged 4.6% in 2018, compared to 5.3% in 2017.

- Local fuel prices increased sharply on the back of a depreciating Rand and rising international crude oil prices during 2018, although oil prices declined again towards the latter part of the year. Excluding petrol, consumer price inflation would have averaged 4.1% in 2018.

- Food inflation decelerated further to 3.3% in 2018, from 7% in 2017, on the back of the bumper maize crop in the 2017/18 season, as well as a return to more normal weather patterns in several parts of the country.

- Looking ahead, the recently announced increases in electricity tariffs, which are well above current inflation expectations, are likely to apply upward pressure on consumer price inflation.

Producer price inflation

- Inflation as measured by the producer price index (PPI for final manufactured goods), increased to a peak of 6.9% in October 2018 and averaged 5.5% for the year as a whole, up from 4.9% in 2017.

- Key contributors to the higher PPI included diesel and petrol, with price hikes of 18.7% and 14.4% in 2018, respectively, while motor vehicle prices rose by 14.3%. The prices of chemical products increased by 8.1%, while those of paper & printed products was 6.6% higher. Collectively, these products represent 28.9% of the entire PPI basket and contributed 3.3 percentage points to inflation at the factory gate during 2018.

- The rates of increase in electricity prices have been on a declining trend in recent years, averaging 4.6% in 2018, compared to 11.8% in 2015. The opposite has occurred with regard to water price increases, which averaged 10.4% in 2018, up from 6.8% in 2015.

Credit extension to the private sector

- Demand for new debt by households gained some momentum during the course of 2018.

- Nominal growth in household demand for credit averaged 4.6% last year, compared to 2.6% in 2017. This means that credit demand remained unchanged in real terms, as CPI inflation also measured 4.6% in 2018.

- In contrast, corporate demand for credit slowed substantially in light of worsening economic conditions and poor growth prospects, especially over the short-term. In 2018, growth in credit extension to corporates measured 6.9%, down from 8.2% in 2017 and 13.1% in 2016.

- The recent decline in business confidence and rising risks to the growth outlook are likely to weigh on demand for credit by the corporate sector, whilst consumers may also decide to refrain from incurring too much debt in an uncertain economic environment.
Repo and prime overdraft rates

- After having lowered the repurchase (repo) rate by 25 basis points (bps) in March 2018, the Monetary Policy Committee (MPC) of the South African Reserve Bank (SARB) saw it prudent to reverse this decision at its November 2018 meeting, when it raised the repo rate by 25 bps to 6.75%, on the back of rising domestic inflation and higher interest rates in the US.

- At its 28 March 2019 meeting, the MPC left the repo rate unchanged, noting the recent easing in inflation, but also a number of risk factors than could underpin upside pressure on the price trajectory going forward.

- In light of the economy’s weak performance at present and a fragile recovery, the MPC is expected to leave the repo rate unchanged throughout the remainder of this year.

Inflation and interest rates

- Although the MPC only hiked the repo rate by 25 basis points (bps) at its November 2018 meeting, the repo rate rose quite sharply in real terms (i.e. after adjusting for inflation), specifically by 128 bps between October 2018 and February 2019. In this regard it should be noted that inflation surprised on the downside, having fallen from 5.09% to 4.06% over the same period, a drop of 103 bps.

- Thus, monetary policy has in fact been tightened in recent months, as the real repo rate averaged 2.57% over the three months to February 2019.

- Even though inflation outcomes may tick higher in coming months on the back of a weaker Rand, higher crude oil prices and the hike in domestic electricity tariffs, there should be no need to raise interest rates as demand-pull factors are basically not at play, and economic growth may come under renewed pressure in light of electricity supply challenges and rising global risks, among other factors.

Long- and short-term yields

- The yield on long-term government bonds trended higher over the period March to October 2018 and was closely aligned to developments in global bond markets (e.g. US 10-year bond yields).

- Moreover, a close correlation also exists with the movement of the Rand-USD exchange rate, whilst inflation expectations are also influencing the direction of the yield curve.

- From November 2018, a modest declining trend was observed in both the long- and short-term yields, on the back of an appreciating Rand and a slowdown in domestic inflation.

- Concerns over the outlook for the South African economy in 2019, upside risks to inflation, the run-up to the May 2019 general elections, as well as the risk of downgrades to South Africa’s sovereign credit ratings could exert upward pressure on bond yields in the months ahead.
Johannesburg Securities Exchange (JSE) performance

- The downward trending FTSE/JSE All Share Index (Alsi) has reflected, in part, the poor performance of the South African economy. Over the 12 months to 31 December 2018, the Alsi dropped by 11.4%, although many key global equity markets also ended the year at lower levels.

- Despite operational challenges and declining commodity prices, resources ended the year 13.1% higher. Industrials, in turn, came under severe pressure, as the index fell by 19.2%. Construction sector weakness contributed to the 14.2% decline in the corresponding index during 2018.

- The equity market rebounded strongly over the first three months of 2019, with the Alsi having risen by 6.3% by 28 March 2019. This was mainly supported by solid performances from resources (Top 20, +14.5%) and industrials (+5.9%), whereas the financial and construction indices fell further.

Shares traded on the JSE

- Although the volume of shares traded on the Johannesburg Securities Exchange (JSE) increased by 6.7%, the value of shares traded only increased by 1.1% in 2018. The relatively subdued activity in the local share market is perhaps reflective of the difficult economic climate, low business confidence and risk aversion towards emerging market assets.

- These developments were illustrated by the sharp rise in the South African Volatility Index (SAVI), with foreigners having been substantial net sellers of local shares and bonds during the course of last year.

- The total value of share capital raised on the JSE fell sharply to R55.6 billion in 2018, from R100.5 billion in 2017 - a 44.7% drop to a 14-year low.

- The overall market capitalisation of shares listed on the JSE dropped significantly (-18%) during 2018 to R12.7 trillion.

Net portfolio purchases/sales by non-residents

- In general terms, the past six years witnessed rather dismal outcomes, on a net basis, of investment activity by non-residents in the domestic equity and bond markets.

- After starting 2018 on a solid footing, based on expectations of an improved economic performance following leadership change in the African National Congress and Mr Cyril Ramaphosa becoming South Africa’s President, international investor perceptions turned negative from May onwards.

- Consequently, foreigners were substantial net sellers of local equities and bonds during 2018 as a whole, amounting to R53 billion and R88.5 billion, respectively.

- Concerns over economic developments resulted in further net sales of local shares by non-residents amounting to R15.2 billion over the first two months of 2019.
**Budget balance**

- The main budget deficit as a ratio of GDP fell to 3.9% in 2018, an improvement from the 4.4% recorded in 2017.
- The economy’s weak performance and challenges in tax collection have been impacting on government revenue. For the 2018/19 fiscal year, the tax revenue shortfall relative to the 2018 Budget is estimated at R42.8 billion. This is mainly the result of the R22.2 billion decline in revenue generated through Value-Added Tax (VAT). The shortfalls with regard to both corporate and personal income tax are estimated at R12.8 billion and R8.4 billion, respectively.
- It should be noted, however, that the shortfall in VAT revenue was largely due to the accelerated VAT refunds in order to clear the backlog.
- Looking ahead, the main budget deficit is forecast to widen to 4.7% of GDP in 2019/20, before tapering off to 4.3% by 2021/22.

**Government debt**

- Government debt is a key fiscal metric closely monitored by international credit ratings agencies. These have continuously expressed concern over the debt trajectory, particularly its sustainability.
- By the end of 2018, the total gross loan debt of government represented 56.7% of GDP - a record high. Total debt amounted to R2.76 trillion, 12% higher than in 2017.
- Furthermore, the gross loan debt of government is projected to rise by 31% from its 2018/19 level to R3.68 trillion in three years' time. Hence, the debt-to-GDP ratio could rise to an estimated 58.9% by 2021/22.
- Debt servicing costs have been the fastest-growing expenditure item in recent years, and are projected to account for 12.6% of overall Main Budget expenditure, on an average annual basis, over the next three years, measuring R247.4 billion by 2021/22.

**Government savings**

- Fiscal challenges are affecting government’s ability to save.
- In 2018, dissavings by government increased to R94.9 billion, from R80.8 billion in 2017.
- The situation is unlikely to improve meaningfully in the medium-term, considering the fiscal challenges ahead. Nonetheless, should the budget deficit-to-GDP ratio narrow, as projected over the next three years, dissavings by government could also be reduced.
- Since government remains committed to fiscal consolidation, taking measures to improve its financial position, this should ultimately bear fruit on its savings propensity and reduce the drag imposed on the country’s overall savings pool.
The rand vs. the US dollar and the Euro

• The rand came under severe pressure in 2018. Having started the year relatively strong vis-à-vis the US dollar, averaging ZAR/USD11.95 in Q1 2018, it subsequently depreciated sharply towards an average of ZAR/USD14.25 in Q4 2018.

• The sharp depreciation occurred mainly in the second half of the year, triggered by the Turkish and Argentinian crises. Although a recovery ensued, the rand has been under renewed pressure in recent weeks.

• Several factors have underpinned the weakening bias. On the external front, these included monetary policy tightening in the US during the course of 2018; dollar strength; and escalating tension in the global trading arena due to US protectionist measures. Domestically, these included uncertainty regarding the land reform process; Eskom’s financial and operational challenges, including the resumption of load-shedding; the issue of nationalising the SA Reserve Bank; the run-up to the national elections; and the economy’s weak growth prospects.

The rand versus other foreign currencies

• The following depict the extent of appreciation (+) or depreciation (-) of the rand against selected currencies over the period March 2018 to March 2019*:
  
  - Australian dollar: -9.9%
  - Brazilian real: -3.7%
  - British pound: -12.8%
  - Chinese renminbi: -12.6%
  - Eurozone euro: -10.2%
  - Indian rupee: -12.1%
  - Japanese yen: -13.7%
  - US dollar: -17.8%

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

Effective* exchange rates of the rand

• On a trade-weighted basis*, the rand weakened by 3.6% in nominal terms (NEER) over the year to December 2018.

• Excluding inflation, however, the real effective exchange rate (REER) was marginally stronger, having appreciated by 0.2% over the twelve months to December 2018, with the final quarter of the year witnessing a slightly stronger appreciation trend.

* Basket of currencies: Euro (29.3% weight), US dollar (13.7%), Chinese renminbi (20.5%), British pound (5.8%) and Japanese yen (6.0%), among others.
The South African Reserve Bank reported that South Africa’s trade balance recorded a surplus of R24 billion in 2018, substantially lower than the R65 billion registered in 2017.

The sharp reduction in the surplus on the trade balance was largely due to the substantially higher value of oil imports, resulting from the rising trend in global oil prices during the first three quarters of 2018, alongside rand weakness. In turn, export demand slowed as key global markets such as China and the Eurozone experienced a slowing growth momentum.

Despite weak economic conditions domestically, imports increased considerably in 2018, even after taking into consideration the rising cost of oil and fuel imports.

The narrowing of the trade deficit in manufactured goods was supported by a 3.9% increase in the number of motor vehicles exported in 2018.
Current account of the balance of payments

- The deficit in the current account of the balance of payments widened by R55 billion, from R118 billion in 2017 to R173 billion in 2018. This was largely due to the smaller surplus recorded on the balance of trade.
- The income account (dividends and interest received from foreigners less those paid by South Africans to external parties) recorded a larger deficit in 2018, at R154 billion, compared to a deficit of R140 billion in 2017.
- The deficit on the services account of the balance of payments increased to R7.5 billion in 2018, from R5.3 billion in 2017. Tourism receipts played a role in this regard, with the number of tourists from Europe having declined.
- Transfer payments (on a net basis), including transfers to SACU countries, fell to R35.7 billion in 2018, from R38.3 billion in 2017.

Balance on financial account

- South Africa attracted R142 billion worth of investments, as recorded in the financial account, during 2018. This compares to R110 billion in 2017. This account captures flows of direct investment (generally of a longer-term nature), portfolio investment (generally of a shorter-term nature), as well as other (smaller) financial transactions.
- Political developments in South Africa early in the year were viewed positively by the international investor community. This was reflected by substantial portfolio inflows during Q1 2018 and increased foreign direct investment (FDI) activity in Q2 and Q3 of 2018. However, as it became increasingly clear that South Africa’s challenges will take time to be resolved, investor sentiment soured, leading to both portfolio and direct investment outflows in Q4 2018.
- Similarly, outward investment by South Africans slowed in Q2 and Q3, but their offshore investment activity increased substantially in Q4 2018.

Total reserves and import cover

- The strengthening of the rand during Q4 2017 and in Q1 2018 resulted in the value of South Africa’s reserves declining over this period.
- During the subsequent three quarters of 2018, however, their value increased in line with the steadily weakening currency, which offset the falling gold price in dollar terms.
- The total value of reserves ended 2018 at R742 billion, exceeding the previous nominal peak recorded in Q4 2015.
- At this level, South Africa’s reserves cover around 5 months’ worth of imports. This import cover ratio remains above its long-term average.
**Composition of the export basket**

- Total exports increased by 5.4% in 2018, assisted by higher commodity prices, on average, relative to 2017, as well as by the rand’s depreciation during the year. The relative shares of the major components of the export basket remained largely unchanged.
- Agricultural exports increased by 7.8%, propelled by the recovery in horticultural exports, as climatic conditions improved in the winter rainfall areas.
- Mining sector exports, in turn, rose by 4.4%. Gold and platinum exports increased in value terms, while challenges on the iron ore rail line resulted in a significant decline in iron ore exports, despite an increase in iron ore prices.
- The total value of manufactured exports increased by 5.7% in 2018, with the largest contributions made by motor vehicles, parts and accessories (+R14.3 billion); non-electrical machinery and equipment (+R5.8 billion); basic non-ferrous metals (+R5.5 billion); and basic chemicals (+R5.4 billion).

**Imports according to broad category**

- Despite the weak economic environment domestically, the total value of imports increased by 11.6% in 2018, largely as a result of the significantly higher value of crude oil imports (which grew by R60 billion) and, to a lesser extent, printing and publishing (+R12.7 billion, most likely attributable to imports of bank notes), as well as motor vehicles, parts and accessories (+R9.7 billion).
- Higher raw material imports, mainly crude oil, were the result of a weakening rand in conjunction with rising oil prices during the first three quarters of 2018.
- The subdued levels of fixed investment activity were reflected in the decline in capital goods’ imports during 2018.
- With household spending relatively resilient, the trend in imports of consumption goods remained somewhat stable.

**Key export destinations**

- China remained South Africa’s largest trading partner, at the individual country level, in 2018. However, the value of exports to the world’s 2nd largest economy decreased, year-on-year, in 2018. This may be attributed to a slowing Chinese economy and to challenges faced by iron ore producers in exporting their product on the Sishen-Saldanha railway line.
- Germany overtook the US as South Africa’s 2nd largest trading partner in 2018. Whereas motor vehicle exports to the US declined, vehicle exports to Germany and the United Kingdom (UK) increased significantly.
- Higher platinum exports further contributed to the improved trade performance with the UK.
- Exports to South Africa’s main African trading partners generally increased as higher commodity prices supported increased economic activity in these markets.
Commodity prices

- Commodity prices generally exhibited an upward trajectory during the opening semester of 2018, supported by relatively upbeat prospects for global growth. However, the landscape altered in the second half of the year, particularly due to increasing concerns over rising tension in the world trading arena, especially between the US and China, and the implications for global growth. These developments had adverse impacts on commodity prices.

- Efforts by the Chinese authorities to sustain economic growth have supported industrial commodity prices, with continued supply-side rationalisation countering to some extent the negative price effects of concerns over future demand.

- Palladium, aluminium and copper recorded substantial price increases in 2018.

- Slowing growth in major global economies should constrain the upside potential for commodity prices in 2019.

Gold and platinum

- The gold price moved largely sideways in 2018, as monetary policy normalisation continued in the US, Japan and the EU.

- More recently, with the US Federal Reserve having become more dovish, while the European Central Bank is providing renewed monetary policy assistance, the gold price found increased support in the opening quarter of 2019.

- Demand for platinum is being negatively affected by the shift away from diesel vehicles in Europe, following the VW emission scandal. Demand for platinum has been further eroded by the slowing Chinese economy, which has impacted on jewelry demand, while its attractiveness as an investment asset has also waned.

- The longer-term outlook for platinum is somewhat positive, especially if catalytic converter manufacturers start substituting platinum for palladium in petrol vehicles.

Brent crude oil

- International crude oil prices rose steadily during the first three quarters of 2018, supported by sustained growth in the US, while the EU was seemingly experiencing an economic recovery. However, oil prices fell sharply in the final quarter of 2018, from around USD80 per barrel in October 2018, to circa USD57 per barrel in December 2018.

- Expanding output in the US, now the world’s largest oil producer, has limited the potential for oil price increases. Conversely, the imposition of sanctions by the US on oil exports from Iran and Venezuela has provided support for oil prices. As such, expectations are that oil prices may move largely sideways in the near-term.

- Higher export earnings for Africa’s oil producers are supporting expectations of faster economic growth in these countries over the short- to medium-term.
SARB business cycle indicators

- The upward trend in the leading business cycle indicator of the South African Reserve Bank stalled in February 2018. A clear downward trend ensued, pointing to a rather subdued growth outlook for the South African economy.

- The leading indicator, which provides an indication of the economy’s performance in about six to twelve month’s time, reflects not only the unsatisfactory outlook for the domestic economy, but also the slowing growth momentum in important global markets for South Africa’s export products.

BER business confidence indicators

- Business confidence rebounded strongly in Q1 2018 on the back of favourable developments in the domestic political landscape, with clear messages regarding state-owned-enterprise reform, efforts to eradicate corruption, growth- and investment stimulation, and increased policy certainty.

- However, the optimism waned as the year proceeded, as reflected by the down-trending business confidence index. The re-introduction of limited load-shedding in December 2018, and widespread as well as sustained electricity supply interruptions in the opening quarter of 2019, further dented business confidence, especially in light the financial and technical problems at Eskom, which will take time to resolve.

- In Q1 2019, 75% of survey respondents in the manufacturing sector indicated that they were not satisfied with business conditions at present.

BER/FNB confidence indicators

- The construction industry has been facing serious difficulties in the domestic market as constrained public sector finances and weak confidence levels amongst economic agents in general have limited the demand for construction services.

- Although the civil engineering industry recorded an uptick in confidence levels, from 12 points in Q1 2018 to 18 points by the final quarter of the year, these remain extremely low. The first quarter of 2019 recorded a new record low reading of just 10 points, reflecting the weak prospects for the economy’s performance, especially considering renewed load-shedding.
Retail trade sales

- The surge in consumer confidence early in 2018 did not translate into significantly higher spending activity by households, as retail sales increased by 3.2% in real terms during the first half of 2018.
- The second half of the year recorded slower growth in retail sales, at 1.3% in real terms, reflecting the souring mood of consumers but also their constrained financial position.
- Furniture and appliance retailers recorded the fastest rate of increase in sales (+11.2%) during 2018, contrasting sharply with general retailers (+0.8%); and food and beverage retailers (-1.5%).
- The weak trend in retail sales recorded in the second half of 2018 continued in January 2019, for these increased by only 1.2%, largely on the back of a 6% increase in the sales of pharmaceutical and cosmetics retailers. This weak pace is anticipated to remain in the near-term, especially as higher fuel prices and electricity tariffs affect consumer finances.

New vehicles sales and exports

- Sales of new vehicles in South Africa declined by 0.8% in 2018 to a total of 552 227, from 557 704 vehicles sold in 2017.
- Vehicle production in South Africa is being driven by export markets. Overall vehicle exports increased by 3.9% in 2018 to 351 139 units. The increase was likely reflective of the start of production of the X3 model by BMW.
- Although global growth is anticipated to slow in 2019, vehicle exports are expected to increase as the production of the Ford Ranger was started earlier in 2019.
- On the other hand, vehicle sales in the domestic market are likely to remain under pressure for some time as household balance sheets remain stretched, while the cost of living is set to increase in 2019.

Building plans passed and buildings completed

- A difficult economic environment weighed on the building sector in 2018, as investment spending on residential and non-residential buildings contracted.
- In real terms, the value of building plans passed fell by 5.2% in 2018 compared to 2017, while the value of buildings decreased by 3.6% over this period.
- The value of non-residential building plans passed and buildings completed declined sharply, by 16.8% and 29.5% respectively, as business confidence waned through the year.
- The value of residential building plans passed dropped 0.8%, contrasting with the 10% increase in the value of buildings completed in 2018.
Foreign direct investment

- The declining trend in foreign direct investment (FDI) into the South African economy was reversed in 2018, for FDI inflows totaled R70.7 billion, compared to R26.8 billion in 2017. FDI inflows in 2018 were the highest since 2013, mainly propelled by considerable inflows during the second and third quarters of the year.

- This positive development contrasts with the decline in FDI inflows globally. According to UNCTAD estimates, these fell by 19% in 2018 to USD1.2 trillion, compared to USD1.5 trillion in 2017. This reflected lower FDI flows into developed economies (-40%), while developing economies managed to secure a 3% increase in FDI inflows.

- FDI flows to the African continent totaled USD40 billion in 2018, representing a 6% increase on the USD38 billion recorded in 2017. Egypt and South Africa were the largest recipients of FDI inflows on the continent in 2018.

Liquidations of companies

- The overall number of company liquidations remained basically unchanged at 972 in 2018, compared to 958 in 2017.

- The liquidation of companies in the finance and business services sector increased by 15.9% in 2018, while the retail trade sector reported a decline of 11.5%.

- The challenging economic environment is likely to continue placing pressure on company finances in the near-to-short-term.

Petrol price and crude oil prices

- The steady increase in global oil prices, which started in mid-2017, continued in 2018, reaching a high of USD80 per barrel in October. This represented a 17% increase compared to the average oil price prevailing in January 2018.

- Oil prices dropped sharply in the last two months of 2018, averaging USD57 per barrel in December 2018. This represented a 29% decline from the October peak. A recovery ensued in the opening quarter of 2019, with the oil price averaging just below USD66 per barrel.

- The oil price in rand terms increased by 39% from January to October 2018, but fell by 30% in the subsequent 2 months, resulting in significant fluctuations in the petrol price in South Africa.

- The petrol price peaked at R16.85 per litre in October/November 2018, an all-time high. It subsequently dropped by R3.06 per litre to R13.79 in January 2019, before rising again to R14.60 per litre in March.
Economic conditions globally were generally favourable during the first semester of 2018, although protectionist US trade policies started affecting the world’s trading and investment environments, progressively affecting the growth momentum.

The world climate indicator reached 26 points in the first quarter of 2018, its highest level since Q3 2007. However, a substantial decline ensued, with the indicator measuring -13 by the first quarter of 2019.

Downward revisions in global growth projections by institutions such as the International Monetary Fund (IMF) reflect the deteriorating sentiment, with the IMF now expecting world growth to slow from 3.7% in 2018 to 3.5% in 2019.

GDP growth in advanced economies

The US economy expanded by 2.9% in 2018, its fastest rate of growth since 2015. Contributing factors included the tax breaks introduced by the Trump administration at the end of 2017, very low unemployment and inflation, which supported consumer spending and fixed investment activity.

The Eurozone experienced a sharp slowdown in economic activity as two of its largest members, Germany and Italy, struggled for sustain growth, albeit for different reasons. Germany suffered from disruptions in its sizable automotive manufacturing sector and softer demand in global markets, while Italy suffered from weak demand conditions on the home front.

Japan’s economic growth slowed to 0.8% in 2018, from 1.9% in 2017. Lower rates of increase in household consumption spending, from 1.1% in 2017 to 0.4% in 2018, contributed the most to the slower GDP growth, but weaker global markets also impacted on its export sector’s performance.

GDP growth in emerging economies

Economic growth in China slowed to 6.6% in 2018, as deleveraging efforts, particularly to address excessive non-financial company debt levels, alongside higher tariffs for its export products in the US market, posed a drag.

Growth in the Indian economy accelerated to 7.3% in 2018, from 6.7% in 2017, supported by consumption as well as investment spending activity.

GDP growth in Russia continued to recover, reaching 2.3% in 2018, as construction activity, increased inventory levels and rising exports countered weak consumer spending.

The Brazilian economy expanded by 1.1% in 2018, the same rate achieved in 2017. The truck drivers’ strike and electoral uncertainty impacted on consumer spending and fixed investment activity.
Equity market performance

- Major equity markets across the world came under pressure in 2018, ending the year at lower levels. A notable exception was Brazil’s BOVESPA, which gained 7.7% over the year.

- Continued monetary policy normalisation in developed economies, alongside rising tensions in the global trading arena, especially the US-China trade war, crises in Turkey and Argentina, and continued uncertainty surrounding Brexit, among other factors, weighed on global equity markets.

- The largest declines were recorded in the following equity markets: The Shanghai Composite (-25.5%); Germany’s Dax (-18.6%), the United Kingdom’s FTSE 100 (-11.9%); and Japan’s Nikkei (-11.2%).

- The suspension of monetary policy normalisation in the US, much earlier than previously anticipated, was particularly supportive of equity markets in the opening quarter of 2019.

Consumer price inflation

- Global consumer inflation accelerated during the first half of 2018, largely as a result of higher oil prices. A steady decline followed, providing room for central banks to halt monetary policy normalisation efforts in order not to dampen economic activity.

- In the US, consumer inflation averaged 2.4% during 2018, marginally above the 2% inflation target of the US Federal Reserve. The latest reading came in at 1.5%, well below the target level, with fears that further slowing could be on the cards. This has prompted a dovish monetary policy stance by the Federal Reserve.

- Inflation in Japan is again approaching the zero mark, with a reading of 0.2% in February 2019, despite the continued accommodative monetary stance of the Bank of Japan and its efforts to lift inflationary pressures.

Interest rates

- The US Federal Reserve increased its policy rate by 100 basis points (bps) during 2018 to 2.50% by the end of the year. Considering the Federal Reserve’s statement after its latest meeting, policy rate increases are unlikely this year, while future monetary policy action will be data dependent.

- The European Central Bank (ECB) ended its asset purchase programme in December 2018, and kept interest rates unchanged at 0% throughout the year. Although the asset purchase programme ended, the ECB is set to reintroduce the targeted longer-term refinancing operations in September 2019, in an effort to increase bank lending activity.

- The continued threat of deflationary conditions in Japan prompted the Bank of Japan to continue with its monetary policy stimulus programme, while keeping interest rates below zero, that is at -0.1%.
Balance of payments: Consists of three main accounts: (1) the current account, which is made up of visible trade (i.e. merchandise exports and imports) and invisible trade (i.e. payments and receipts for services such as transportation, travel, etc; income, including compensation of employees, investment income and current transfers); (2) the transfer account, which reflects net capital transfer receipts; and (3) the financial account, which consists of direct investment, portfolio investment (i.e. the selling and purchasing of assets such as shares and stocks) and other investment flows.

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

BER: Bureau for Economic Research at the University of Stellenbosch

Effective exchange rate: Obtained by weighting the exchange rate between the rand and the currencies of major trading partners. The weights of the five major currencies are the following: Euro (29.26%), US dollar (13.72%), Chinese renminbi (20.54%), British pound (5.82%) and the Japanese yen (6.03%).

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

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

FDI: Foreign direct investment.

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

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

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

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

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

IFS: International Financial Statistics

IMF: International Monetary Fund

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

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

JSE: Johannesburg Securities Exchange

LHS: Left hand scale

Money supply: \( M_1 = \) the sum of coins and banknotes in circulation, cheque and transmission deposits plus other demand deposits; \( M_2 = M_1 + \) plus other short-term deposits and medium-term deposits held by the domestic private sector; and \( M_3 = M_2 + \) plus long-term deposits held by the domestic private sector.

MPC: Monetary Policy Committee of the South African Reserve Bank

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

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

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

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

RHS: Right hand scale

SARB: South African Reserve Bank

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

Stats SA: Statistics South Africa

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

ULP: Unleaded petrol


Note: An * in a specific graph indicates % change at constant prices, at a seasonally adjusted and annualised rate.
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