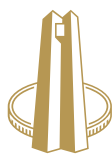


QUARTERLY BULLETIN

JUNE 2021



SOUTH AFRICAN RESERVE BANK



A purposeful journey





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SOUTH AFRICAN RESERVE BANK

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Quarterly economic review

Introduction

The pace of increase in domestic economic activity moderated further in the first quarter of 2021 following the rebound in the third quarter of 2020, when the initial strict lockdown restrictions to curb the spread of the coronavirus disease 2019 (COVID-19) were first eased. Growth in the real gross domestic product (GDP) moderated from an annualised rate of 67.3% in the third quarter of 2020 to a revised 5.8% in the fourth quarter, and further to 4.6% in the first quarter of 2021. The slowdown reflected renewed lockdown restrictions following the second wave of COVID-19 infections as well as existing structural impediments accentuated by the pandemic. Despite the sustained expansion, the level of the real GDP was still 3.2% lower in the first quarter of 2021 than a year earlier.

The real gross value added (GVA) by the primary sector rebounded strongly in the first quarter of 2021 after contracting in the final quarter of 2020. Mining activity has now surpassed pre-lockdown levels, aided by the lifting of lockdown restrictions and the continued recovery in global economic activity, which boosted the demand for, and the prices of, mining commodities amid global shortages. Real mining output increased notably, while the real GVA by the agricultural sector contracted for the first time in five quarters. The decrease in agricultural output emanated from reduced production of animal products, in particular poultry, and field crops. However, the commercial maize crop for the 2020/21 season is expected to be 5.8% larger than the final 2019/20 crop, and the second-largest on record.

Growth in the real output of the secondary sector slowed sharply in the first quarter of 2021, as growth in the real GVA by both the manufacturing and the construction sectors moderated markedly and that in the electricity, gas and water sector contracted. Activity in the manufacturing sector was suppressed by electricity-supply disruptions and the shortage of certain input materials, coupled with the concomitant rising cost thereof. The volume of electricity produced and consumed both decreased in the first quarter of 2021, reflecting the moderation in overall economic activity as well as bouts of load-shedding due to plant breakdowns at Eskom's ageing power stations and the delayed return to service of some power units. The slower growth in real construction activity in the first quarter of 2021 was evident in civil construction as well as in non-residential building activity, while residential building activity declined. Despite three consecutive quarterly increases, the real output of the construction sector remained well below pre-lockdown levels and was still 25.3% below its most recent peak in the fourth quarter of 2016.

The real GVA by the tertiary sector expanded at a faster pace in the first quarter of 2021, as the real output of the finance, insurance, real estate and business services sector reverted to an expansion from a contraction in the previous quarter. Growth in the real GVA by the commerce as well as transport, storage and communication services sectors moderated over the period. Real retail and motor trade activity increased at a slower pace, while real wholesale trade activity switched from a contraction in the fourth quarter of 2020 to an expansion in the first quarter of 2021. The reduced rail freight transportation in part reflected the poor state of South Africa's rail infrastructure. The number of passenger journeys undertaken decreased in the first quarter of 2021, while the volume of goods transported by road increased.

Contrary to real GDP, growth in real gross domestic expenditure (GDE) accelerated slightly from 10.8% in the fourth quarter of 2020 to 12.2% in the first quarter of 2021. Real inventory holdings decreased for a seventh successive quarter, albeit at a much slower pace, and as such contributed the most to growth in real GDP in the first quarter of 2021. The real final consumption expenditure by both households and general government increased further, but at a slower pace. By contrast, real gross fixed capital formation contracted anew following two quarters of expansion. Real net exports subtracted significantly from overall economic growth in the first quarter of 2021, as real imports increased further while real exports contracted marginally.



The slower growth in real household consumption expenditure in the first quarter of 2021 resulted from slowdowns in real spending on services, semi-durable goods and, in particular, non-durable goods. Real outlays on petroleum products declined significantly while spending on most other non-durable goods increased at a slower pace, likely affected by cautiousness during the second wave of COVID-19 infections. By contrast, real outlays on durable goods surged in the first quarter of 2021 after a marginal increase in the previous quarter. Spending on personal transport equipment rebounded sharply amid record-low interest rates, bringing spending on this subsector close to pre-lockdown levels, with real spending on furniture and household appliances also advancing in the first quarter of 2021.

The ratio of household debt to disposable income decreased slightly from 75.4% in the fourth quarter of 2020 to 75.3% in the first quarter of 2021, as the quarter-to-quarter increase in nominal disposable income exceeded that in household debt. Households' cost of servicing debt relative to nominal disposable income remained unchanged at 7.7% over this period, amid the stable interest rates.

Households' net wealth increased further in the first quarter of 2021 as the increase in total assets outweighed that in total liabilities. The value of assets was boosted by an increase in equity holdings in particular, as share prices increased substantially further. The FTSE/JSE All-Share Index (Alsi) reached new highs in the opening months of 2021 and surged by 14.4% in the five months to May 2021, in line with international share prices. In addition, growth in domestic residential property prices accelerated slightly further over the period, supported by increased demand amid the prevailing low interest rates.

The contraction in real gross fixed capital formation in the first quarter of 2021 resulted from the decrease in fixed investment by private business enterprises, as they invested significantly less in transport equipment as well as in machinery and other equipment. Consequently, real gross fixed capital formation by the private sector was still well below pre-lockdown levels. Real capital outlays by the public sector increased at a slower pace in the first quarter of 2021, reflecting the marked slowdown in fixed investment growth by public corporations while that by general government increased at a slightly faster pace.

South Africa's national saving rate increased significantly from 14.2% in the fourth quarter of 2020 to 18.0% in the first quarter of 2021. The higher saving rates of both corporate business enterprises and households more than offset the increased dissaving by general government. The national saving rate remains much higher than before the COVID-19 pandemic, in part reflecting caution among corporates in distributing dividends to shareholders and in the spending behaviour of households.

The recovery in employment has been much weaker than that in economic activity up to the first quarter of 2021, following the sharp contraction in both employment and output in the second quarter of 2020. Total household-surveyed employment decreased slightly in the first quarter of 2021 and was still 1.4 million below that of a year earlier. The number of unemployed persons remained almost unchanged at just over 7.2 million in the first quarter of 2021, while the number of discouraged work seekers increased significantly. In addition, the 'other not economically active' population increased notably as lockdown restrictions still impeded job-searching activity. As a result, the official unemployment rate increased marginally from 32.5% in the fourth quarter of 2020 to a new record high of 32.6% in the first quarter of 2021. The expanded unemployment rate, which includes the discouraged work seekers and those who did not search for work due to other reasons, increased from 42.6% to 43.2% over the same period.

Growth in nominal remuneration per worker in the formal non-agricultural sector accelerated from 0.4% in the third quarter of 2020 to 1.1% in the fourth quarter, as private sector remuneration increased at a slightly faster pace while public sector remuneration contracted notably. The decrease in public sector wages per worker reflected the non-implementation of the annual public sector wage increase in 2020 to curb government expenditure. On an annual



average basis, the pace of increase in nominal remuneration per worker slowed gradually from a peak of 13.8% in 2010 to 4.1% in 2019, and then sharply to an all-time low of only 0.8% in 2020. Real wages per worker contracted at a much faster pace of 5.2% in the fourth quarter of 2020, contributing to an annual average decrease of 3.8%.

Labour productivity in the formal non-agricultural sector of the economy increased slightly in the fourth quarter of 2020 but decreased by a notable 2.6% on an annual average basis, reflecting the significant contraction in output in 2020. Growth in the nominal unit labour cost in the formal non-agricultural sector decelerated further to an all-time low of only 0.2% in the fourth quarter of 2020, suggesting the absence of inflationary pressures emanating from wage increases in the current economic environment.

Headline consumer price inflation moved broadly sideways near the 3% lower bound of the inflation target range between July 2020 and March 2021, as the acceleration in consumer goods price inflation was countered by the slowdown in services price inflation. Subsequently, consumer price inflation accelerated to 4.4% in April following a notable quickening in goods price inflation, largely due to the marked acceleration in fuel price inflation and, to a lesser extent, in certain durable and semi-durable goods. This reflected the low base established in April 2020 following the collapse in international crude oil prices as well as the lockdown-induced price imputations by Statistics South Africa (Stats SA) at the onset of the COVID-19 pandemic. However, final and intermediate manufactured producer price inflation has accelerated notably thus far in 2021, with price inflation for intermediate goods surging to 11.4% in April as global supply-chain disruptions have resulted in shortages of some raw materials. Underlying inflationary pressures remained well-contained, despite core inflation accelerating in April 2021 largely due to base effects.

South Africa's trade surplus with the rest of the world widened slightly in the first quarter of 2021 as the increase in the value of net gold and merchandise exports, which reached a new all-time high, marginally outpaced the increase in the value of imports. The higher value of exported goods reflected an increase in prices, while the value of imports was driven by higher volumes. South Africa's terms of trade improved for the seventh consecutive quarter in the first quarter of 2021, representing the longest period of consecutive quarterly increases on record.

Exports continued to benefit from the improvement in global economic activity and higher commodity prices, as the value of mining, agricultural and manufacturing exports all increased in the first quarter of 2021. The higher value of imports resulted from an increase in imported mining and manufactured products. Imported refined petroleum products rose significantly as operations came to a halt at key domestic refineries, while the value of imported base metals and articles thereof also increased notably further in order to make up for domestic supply shortages amid significant increases in the prices of these products.

The larger trade surplus, together with a significant narrowing of the shortfall on the services, income and current transfer account, led to a widening of the surplus on the current account of the balance of payments from 3.7% of GDP in the fourth quarter of 2020 to 5.0% of GDP in the first quarter of 2021. The deficit on the income account narrowed significantly along with a slightly smaller services deficit. The marked improvement in the income deficit resulted from another dividend surplus in the first quarter of 2021 – only the second surplus in 25 years – as gross dividend receipts increased notably while gross dividend payments decreased.

The net outflow of capital on South Africa's financial account of the balance of payments increased to R64.7 billion in the first quarter of 2021 following an outflow of R58.9 billion in the fourth quarter of 2020. On a net basis, portfolio investment, financial derivatives and other investment recorded outflows, while direct investment and reserve assets registered inflows. Portfolio investment flows largely reflected the further acquisition of foreign portfolio assets by the South African domestic private banking and non-banking sectors, in particular foreign debt securities.



South Africa's total external debt increased substantially from US\$156.9 billion at the end of September 2020 to US\$170.4 billion at the end of December. The rand-denominated external debt increased significantly due to the net purchases of domestic rand-denominated bonds by non-residents, an increase in the market value of non-resident bond holdings, and an increase in the United States (US) dollar value of rand-denominated external debt as the exchange value of the rand appreciated over the period. However, South Africa's total external debt decreased in rand terms over this period, due to the appreciation in the exchange value of the rand against the US dollar.

South Africa's positive net international investment position (IIP) decreased in the three months to the end of December 2020, as the value of foreign assets declined while that of foreign liabilities increased further. Movements in the exchange value of the rand had a significant effect on foreign assets and, to a lesser extent, on foreign liabilities, as the nominal effective exchange rate (NEER) of the rand increased, on balance, by 11.6% in the fourth quarter of 2020.

The NEER increased by a further 1.0% in the first quarter of 2021. The exchange value of the rand initially depreciated in January 2021 as sentiment towards the rand deteriorated amid further lockdown restrictions brought about by the second wave of COVID-19 infections. However, the external value of the rand then appreciated up to mid-June 2021, reflecting improved investor sentiment towards some emerging market currencies amid continued accommodative monetary policy in the US as well as better-than-expected domestic economic outcomes.

South African government bond yields increased notably between early February 2021 and the end of March, reflecting net sales of bonds by non-residents in tandem with the increase in US government bond yields amid concerns over global inflation. Subsequently, domestic bond yields receded up to mid-June along with the continued further appreciation in the exchange value of the rand and demand for higher-yielding emerging market assets as COVID-19 vaccination gained traction globally and as the US Federal Reserve allayed concerns about higher interest rates in the short term despite rising inflation.

Growth in the broadly defined money supply (M3) moderated significantly in the first four months of 2021, partly reflecting base effects a year after the initial implementation of the COVID-19 lockdown restrictions. The deposit holdings of the corporate sector contracted in April 2021, led by a notable contraction in those of financial companies, which reflected the movement of deposits to higher-yielding investments in the low interest rate environment. Household deposits continued to grow at double-digit rates up to March 2021 before decelerating in April. The deposit balances of households reflected cautiousness in the uncertain environment and banks' efforts to attract and maintain relatively stable deposit balances.

Continued muted growth in the total loans and advances extended by monetary institutions to the domestic private sector reflects the effect of the lockdown on economic activity, and hence on the demand for credit. Credit extension to companies contracted on a year-on-year basis in the first four months of 2021 as they avoided undue exposure to debt in the current uncertain economic environment. By contrast, the moderation of credit extension to the household sector throughout 2020 seems to have bottomed out in early 2021 as fewer COVID-19 restrictions and low interest rates probably boosted demand for credit somewhat, in particular for mortgage advances and instalment sale credit.

The preliminary non-financial public sector net borrowing requirement increased sharply to R547 billion in fiscal 2020/21. The increase resulted from a significant widening in the cash deficit of national government and as social security funds reverted from a cash surplus to a deficit. By contrast, the borrowing requirement of the non-financial public enterprises and corporations decreased significantly.



National government's cash book deficit increased significantly in fiscal 2020/21 and far exceeded the February 2020 Budget projection, but was less than expected in the *2020 Medium Term Budget Policy Statement (2020 MTBPS)*. The larger cash book deficit resulted from significantly lower revenue and higher expenditure than in the previous fiscal year. Although national government revenue contracted by an unprecedented 8.0% in fiscal 2020/21, this was much less than the contraction of 18.3% expected in the *2020 MTBPS*. The higher net borrowing requirement of national government was financed primarily in the domestic financial markets through the net issuance of domestic long-term government bonds and Treasury bills. The net issuance of foreign bonds and loans was also much higher than in the previous fiscal year. Accordingly, the gross loan debt increased sharply by 20.7% year on year to R3 936 billion as at 31 March 2021, or 78.8% of GDP.

Forthcoming revision of South Africa's national accounts and balance of payments statistics

Stats SA has postponed the publication of the benchmarked and rebased national accounts statistics, for the period from the first quarter of 1993 to the fourth quarter of 2020, from May 2021 to August.

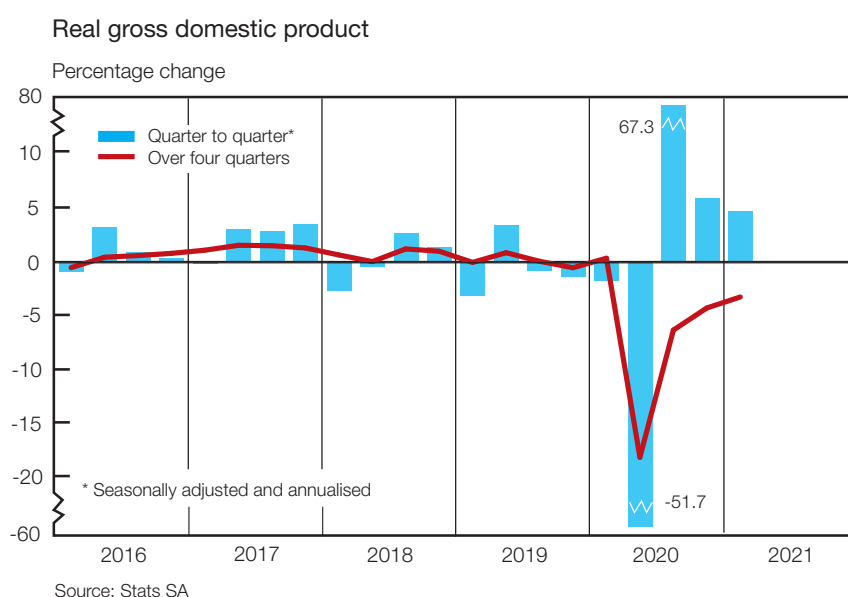
The September 2021 edition of the *Quarterly Bulletin* will reflect the outcome of the above-mentioned benchmarked and rebased national accounts statistics as well as the balance on the current account of the balance of payments. The balanced production, expenditure and income statistics from the first quarter of 1993 to the second quarter of 2021 will then also be available on the South African Reserve Bank website.

Domestic economic developments

Domestic output¹

1 The quarter-to-quarter growth rates referred to in this section are based on seasonally adjusted data and are annualised.

The pace of increase in real economic activity in South Africa moderated further in the first quarter of 2021 after the rebound in the third quarter of 2020, when the coronavirus disease 2019 (COVID-19) national lockdown restrictions were first eased. Growth in the real *gross domestic product* (GDP) moderated from an annualised rate of 67.3% in the third quarter of 2020 to a revised 5.8% in the fourth quarter, and further to 4.6% in the first quarter of 2021. The further slowdown reflected renewed restrictions following the second wave of COVID-19 infections as well as existing structural impediments accentuated by the pandemic. Real economic activity rebounded in the primary sector, in particular in the mining sector, while output growth slowed in the secondary sector and increased at a faster pace in the tertiary sector. Despite the sustained expansion, the level of the real GDP was still 3.2% lower in the first quarter of 2021 than a year earlier. On a seasonally adjusted and unannualised basis, real GDP growth moderated to 1.1% in the first quarter of 2021 from 1.4% in the fourth quarter of 2020.



Real gross domestic product

Quarter-to-quarter percentage change at seasonally adjusted annualised rates

Sector	2020					2021
	Q1	Q2	Q3	Q4	Year*	Q1
Primary sector	-10.5	-55.7	165.0	-2.7	-5.5	11.9
Agriculture	38.8	22.0	20.1	5.9	13.1	-3.2
Mining	-22.1	-70.8	271.2	-5.7	-11.2	18.1
Secondary sector	-7.5	-71.9	158.1	16.9	-12.5	1.0
Manufacturing	-8.2	-74.7	212.9	21.1	-11.6	1.6
Construction	-5.9	-76.8	73.6	11.2	-20.3	0.8
Tertiary sector	1.4	-42.4	37.8	3.3	-5.4	4.6
Non-primary sector**	-0.6	-49.9	55.5	6.0	-6.9	3.9
Non-agricultural sector***	-2.5	-51.8	66.0	5.0	-7.3	5.0
Total	-1.8	-51.7	67.3	5.8	-7.0	4.6

* Percentage change over one year

** The non-primary sector is total GVA excluding agriculture and mining

*** The non-agricultural sector is total GVA excluding agriculture

Source: Stats SA



Box 1 Unpacking alternative measures of change in economic activity¹

The level of economic activity in South Africa is measured quarterly by Statistics South Africa (Stats SA).² The headline measure of change in the real gross domestic product (GDP) published by Stats SA will no longer be the quarter-to-quarter seasonally adjusted and *annualised* change. Instead, from the second-quarter 2021 GDP release,³ it will only be the quarter-to-quarter seasonally adjusted⁴ change. In short, the annualisation of the growth rate in real GDP will no longer be applied, in favour of a simplified format of expression. In clarifying the forthcoming change by Stats SA, this box discusses the different measures to express changes in economic activity.

Measures of growth in the real value of gross domestic product

	R millions	Percentage change	R millions	Percentage change	R millions	Percentage change	Percentage change	R millions	Percentage change
	Real GDP at market prices (constant 2010 prices)	Year-on-year	Real GDP at market prices (constant 2010 prices, seasonally adjusted and annualised)	Current headline growth rate Quarter-to-quarter (seasonally adjusted and annualised)	Real GDP at market prices (constant 2010 prices)	Year-on-year (over four quarters)	Year-to-date, year-on-year (not seasonally adjusted)	Real GDP at market prices (constant 2010 prices, seasonally adjusted and annualised)	New headline growth rate Quarter-to-quarter (seasonally adjusted)
2018.....	3 144 539	0.8							
2019 Q1...			3 136 302	-3.2	761 633	0.0	-	3 136 302	-0.8
2019 Q2...			3 161 917	3.3	788 307	0.9		3 161 917	0.8
2019 Q3...			3 155 290	-0.8	793 431	0.1		3 155 290	-0.2
2019 Q4...			3 143 840	-1.4	805 965	-0.5	-	3 143 840	-0.4
2019.....	3 149 337	0.2							
2020 Q1...			3 129 987	-1.8	764 788	0.4	-	3 129 987	-0.4
2020 Q2...			2 609 584	-51.7	648 135	-17.8	-8.8	2 609 584	-16.6
2020 Q3...			2 967 862	67.3	744 590	-6.2	-7.9	2 967 862	13.7
2020 Q4...			3 010 318	5.8	771 925	-4.2	-	3 010 318	1.4
2020.....	2 929 438	-7.0							
2021 Q1...			3 044 465	4.6	740 624	-3.2	-	3 044 465	1.1

- Not applicable

Sources: Stats SA and SARB

The only difference between the current and the new headline statistic, as already mentioned, is annualisation. Annualised growth rates reflect changes in economic activity well during periods of relative stability, but during periods of instability, such as during the coronavirus disease 2019 (COVID-19) period, they can exaggerate changes and be misleading.

Measuring changes over different time horizons, applying (or not) seasonal adjustment, and expressing them with or without annualisation will lead to different interpretations of changes in economic aggregates. The percentage change in real GDP from one year to the next, such as the -7.0% change from 2019 to 2020, reflects year-on-year growth⁵ and is but one measure of change in this aggregate.

The current headline quarter-to-quarter seasonally adjusted⁶ and annualised rate measures the percentage change in real GDP between two successive quarters, expressed on an annual basis, such as the 67.3% increase from the second quarter of 2020 to the third quarter.⁷ This converts the quarter-to-quarter growth

1 This box relates to the statistics published on pages S-117 and S-156 in this edition of the *Quarterly Bulletin (QB)*.

2 South Africa's gross domestic product (GDP) statistics are compiled by Stats SA.

3 Selected seasonally adjusted and annualised quarterly statistics published in the *QB* in table KB809 on page S-156 will, as from the September 2021 edition, include both the current and the new headline quarter-to-quarter growth rates. The ratios of selected seasonally adjusted and annualised quarterly data in table KB812 on page S-158 will remain unchanged. The current practice of publishing quarterly seasonally adjusted data in 'rand millions' as annual equivalent values will continue.

4 For the announcement of the change to the headline GDP growth rate measure and the formulas to calculate the various growth rates, see statistical release P0441 – *Gross Domestic Product (GDP)*, 4th Quarter 2020, available at http://www.statssa.gov.za/?page_id=1854&PPN=P0441&SCH=72708.

5 This is calculated as the level of real GDP at market prices (constant 2010 prices) in the current year *minus* the level of the previous year, *divided by* the previous year's level, with the result then *multiplied by* 100.

6 Seasonal adjustment eliminates seasonal and calendar effects from the data, which could distort quarterly growth rates.

7 This is calculated as the level of real GDP at market prices (constant 2010 prices, seasonally adjusted and annualised) in the current quarter *divided by* the level in the previous quarter, which is then annualised by raising it to *the power of four* (because there are four quarters in a year). Then 1 is *subtracted from* the result, and *multiplied by* 100.



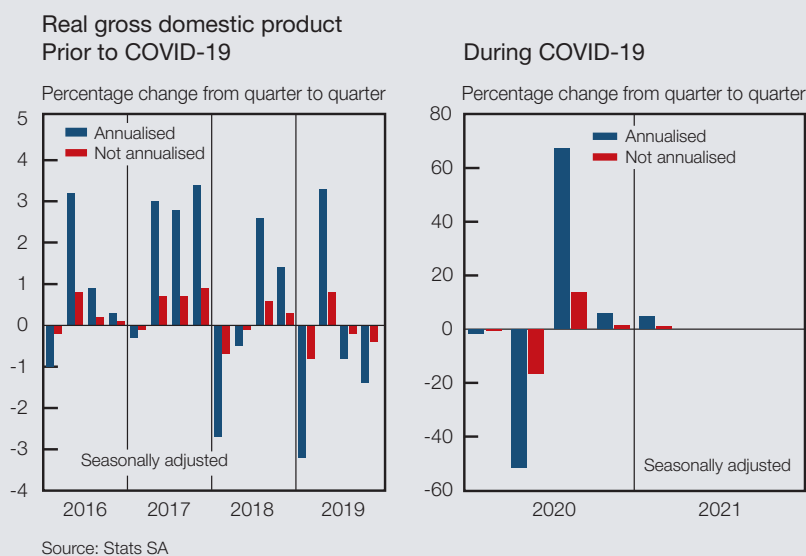
rate in a specific quarter into an annual growth rate, as if the quarter-to-quarter growth persisted over four successive quarters. This conversion of the short-term quarter-to-quarter rate into an annual rate makes it comparable to the previously discussed year-on-year rate while aiding interpretation when this rate of change is compared with other economic aggregates, such as consumer price inflation, which is usually expressed as an annual change in its headline format.

The percentage change over four quarters⁸ calculates the change in an economic aggregate between similar quarters in two successive years, such as the change of -17.8% in real GDP from the second quarter of 2019 to the second quarter of 2020. In this case, seasonal adjustment is not required, as the same quarters of different years are compared. An advantage of the year-on-year growth rates is that they are normally less volatile than the quarter-to-quarter growth rates, because a comparison is made between different levels in an aggregate over a more extended period of time, which is less prone to erratic shorter-term movements.

Another calculation to ascertain changes in an economic aggregate is the year-to-date rate,⁹ which measures the percentage change from either the first six or the first nine months of a year compared to the same period in the following year, such as the -7.9% change in real GDP from the first nine months of 2019 to the first nine months of 2020. Seasonal adjustment is also not required in this case, as the same quarters of different years are compared with each other, where it is assumed that the same seasonal patterns have transpired. The year-to-date growth rate is often an even smoother measure of change in an economic aggregate than the year-on-year change, since the data of more quarters are used in the calculation.

The quarter-to-quarter seasonally adjusted rate¹⁰ will in future be used by Stats SA as the headline measure to indicate the percentage change in real GDP and its main components between two successive quarters. This measure renders an increase of 13.7% between the second and third quarter of 2020. The difference between the previous headline measure of change in real GDP and the new headline measure in the third quarter of 2020 (67.3% and 13.7% respectively) indicates the degree of amplification that results from annualisation. This new headline measure of change in the real GDP in South Africa is also common practice in many other countries, including Australia, Brazil, Canada, France, Germany, Italy, Japan, Mexico, New Zealand, Norway, Sweden and the United Kingdom.

When comparing the current and the new headline measures of change in real GDP before and during the COVID-19 period, it becomes evident that, during times of relatively steady economic growth, annualisation is a useful method to express quarter-to-quarter economic performance in annual terms. However, during periods of economic instability, it can be misleading.



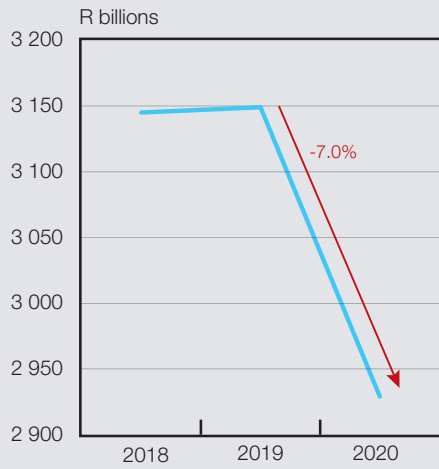
8 This is calculated as the level of real GDP at market prices (constant 2010 prices) in the current quarter *divided by* the level in the same quarter of the previous year, *minus 1*. The rate is then *multiplied by 100*.

9 This is calculated as the level of real GDP at market prices (constant 2010 prices) in the current quarter *divided by* the level in the same quarter of the previous year, *minus 1*. The rate is then *multiplied by 100*.

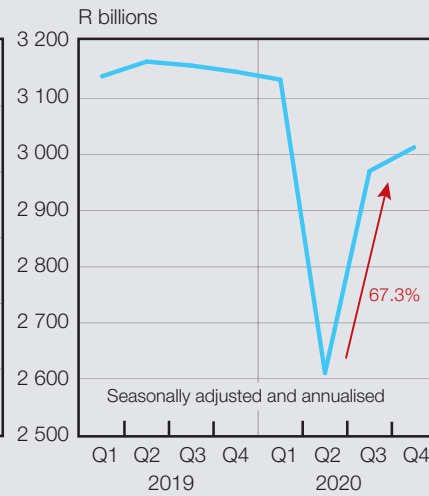
10 This is calculated as the level of real GDP at market prices (constant 2010 prices, seasonally adjusted and annualised) in the current quarter *divided by* the level in the previous quarter, *minus 1* and *multiplied by 100*.

Real gross domestic product: percentage changes

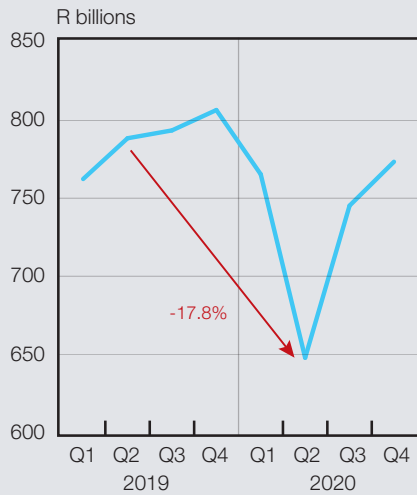
Over one year



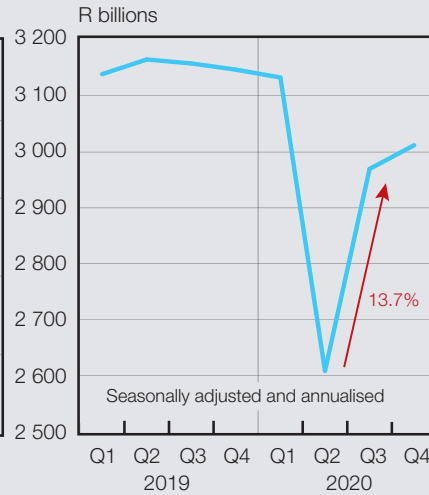
From quarter to quarter (annualised: current headline growth rate)



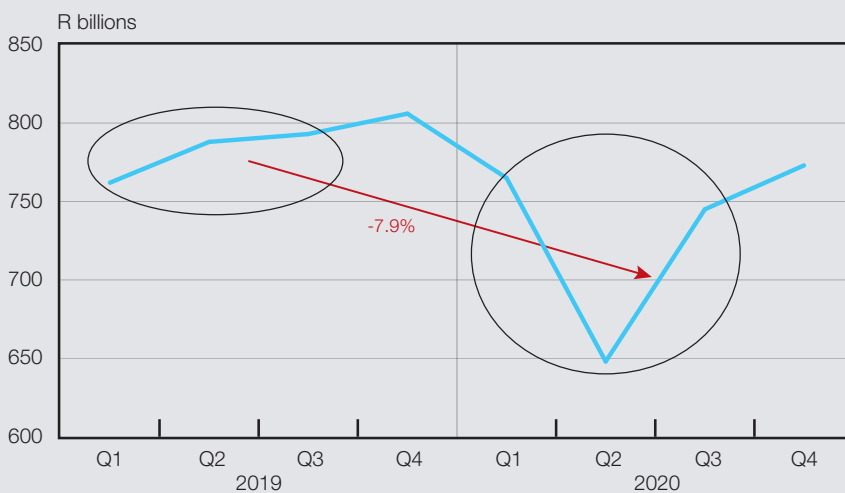
Over four quarters



From quarter to quarter (not annualised: new headline growth rate)

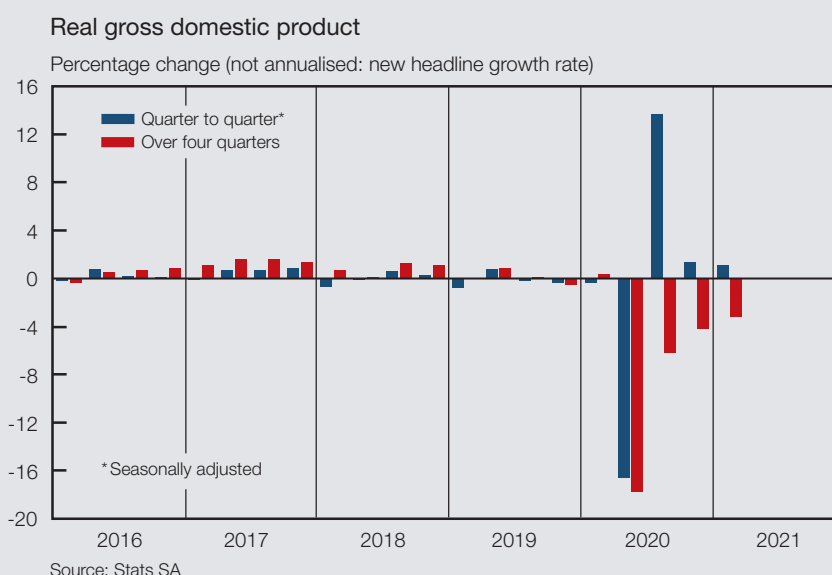


Year-to-date



Source: Stats SA

Quarter-to-quarter rates of change, whether annualised or not, always indicate change in the same direction. When identifying the turning points in the business cycle of a country, an analysis of changes in the real GDP is of paramount importance. Accordingly, the most appropriate measure of change in real GDP should be applied. For instance, when changes in the real GDP are annualised, these rates are comparable with previous annual changes and facilitate comparisons over different periods. However, the year-on-year change for a specific quarter could be positive while the quarter-to-quarter change for the same reference quarter could be negative. Therefore, the appropriate measure of changes in real GDP should be applied for different analysis purposes.



In *nominal* terms, GDP receded by 0.7% on a quarter-to-quarter seasonally adjusted, but not annualised, basis in the first quarter of 2021 following an increase of 7.0% in the previous quarter. When annualised, to show what the outcome would be if this quarterly decline persisted for the remaining three quarters of the year, the contraction in nominal GDP was 2.6%.

When excluding the contribution of the generally more volatile primary sector, growth in the real output of the *non-primary sector* moderated further to 3.9% in the first quarter of 2021, from 6.0% in the fourth quarter of 2020.

After contracting by a revised 2.7% in the final quarter of 2020, the real gross value added (GVA) by the *primary sector* rebounded markedly by 11.9% in the first quarter of 2021 and contributed 1.1 percentage points to real GDP growth. Real mining output expanded notably, while the real GVA by the agricultural sector contracted.

The real output of the *agricultural sector* contracted in the first quarter of 2021 after increasing for four consecutive quarters. The decrease in output emanated from a lower production of field crops and animal products, in particular poultry. The expected commercial maize crop of 16.2 million tons for the 2020/21 season – the second-largest harvest on record – is 5.8% larger than the final 2019/20 crop.

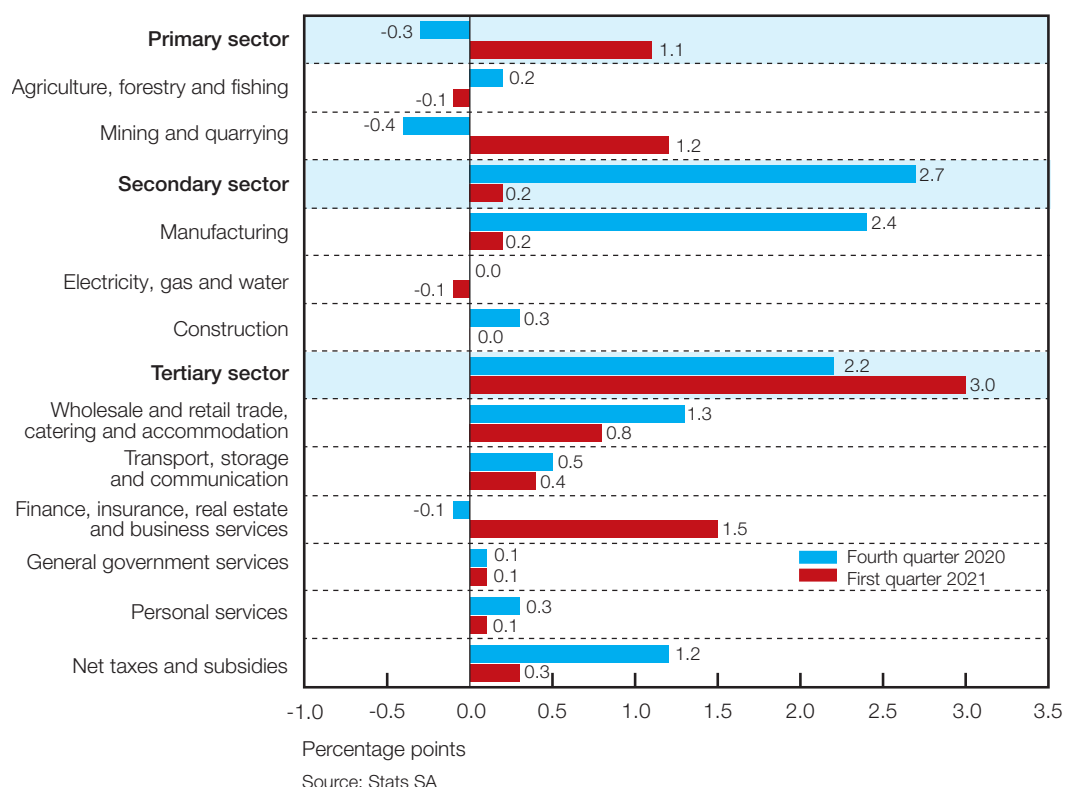
Commercial maize crop estimates

	Crop (million tons)	Area planted (million hectares)
2019/20: final crop	15.3	2.6
2020/21: fourth production forecast	16.2	2.8

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



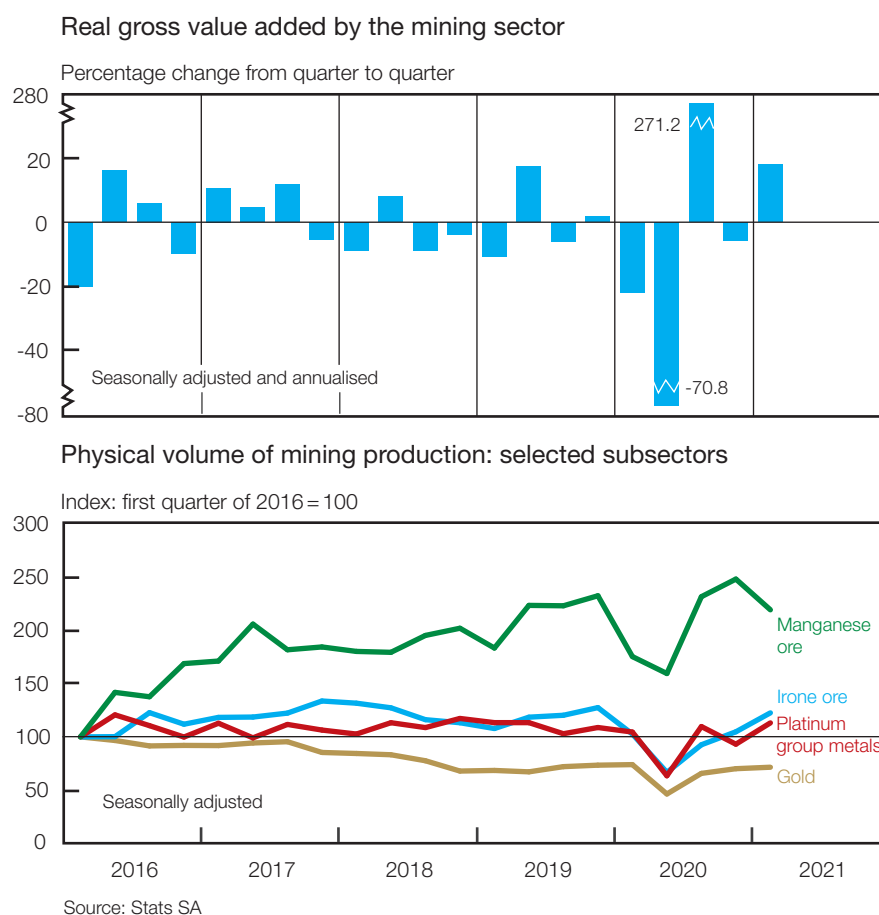
Contributions to growth in real gross domestic product



Following a revised contraction of 5.7% in the fourth quarter of 2020, the real GVA by the *mining sector* rebounded by 18.1% in the first quarter of 2021 and contributed 1.2 percentage points to overall GDP growth. The expansion in mining output was particularly evident in the production of platinum group metals (PGMs), iron ore, gold and chromium ore. These increases were somewhat offset by the lower production of manganese ore, coal, other non-metallic minerals and diamonds. The higher production of PGMs reflected improved demand in the autocatalyst, jewellery and industrial sectors as well as the return to production of an important converter plant in December 2020. Although iron-ore production has been rising gradually since the second quarter of 2020, higher prices and increased demand for steel amid a global shortage brought renewed momentum to production volumes in the first quarter of 2021. By contrast, the production of coal was impacted negatively by weaker demand for domestic electricity generation and lower exports, especially to India.

Mining activity has now surpassed pre-lockdown levels, aided by the lifting of lockdown restrictions and the continued recovery in global economic activity, which boosted the demand for mining commodities. The level of real mining output was 3.5% higher in the first quarter of 2021 compared with the corresponding period in 2020, but due to the volatility of mining activity, the seasonally adjusted level was still 1.5% lower than the most recent peak in the fourth quarter of 2019. Real output in this sector has been almost stagnant in the decade preceding the pandemic-affected 2020, with real mining output expanding, on average, by only 0.3% per annum between 2010 and 2019. Despite the recent surge in commodity prices, domestic mining activity is still hampered by cost pressures, electricity-supply interruptions as well as perceived legislative and regulatory uncertainty, all of which limit new exploration and investment to attain higher production levels.

The real GVA by the *secondary sector* rose further by 1.0% in the first quarter of 2021 following an expansion of 16.9% in the fourth quarter of 2020. Growth moderated in the manufacturing and construction sectors, while real activity contracted in the electricity, gas and water sector.



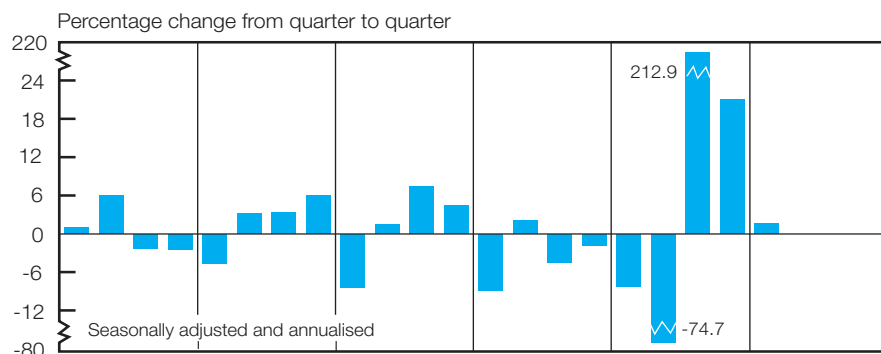
Growth in the real output of the *manufacturing sector* slowed sharply from 21.1% in the fourth quarter of 2020 to 1.6% in the first quarter of 2021, contributing only 0.2 percentage points to overall real GDP growth. The level of real GVA by the manufacturing sector in the first quarter of 2021 was still 1.1% lower than a year earlier and 6.0% lower than the most recent seasonally adjusted peak in the fourth quarter of 2018. Production increased in 5 of the 10 manufacturing subsectors, particularly in the subsectors for motor vehicles, parts and accessories, and other transport equipment; wood and wood products, paper, publishing and printing; textiles, clothing, leather and footwear; and glass and non-metallic mineral products. By contrast, lower production of petroleum, chemical products, rubber and plastic products; radio, television and communication apparatus and professional equipment; as well as furniture and other manufacturing weighed on overall manufacturing output.

Although activity in the manufacturing sector continued to be suppressed by electricity-supply disruptions and the shortage of certain input materials (coupled with the concomitant rising cost thereof), export-orientated manufacturers, in particular, should benefit from the ongoing global economic recovery. Notwithstanding the marginal increase in production, the seasonally adjusted utilisation of production capacity in the manufacturing sector decreased to 74.6% in February 2021 from 78.2% in November 2020.

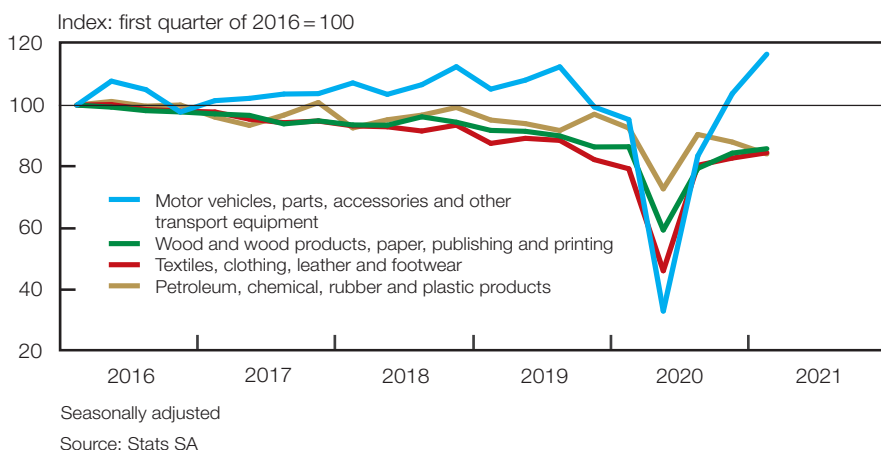
Real economic activity in the sector supplying *electricity, gas and water* contracted anew by 2.6% in the first quarter of 2021 following an expansion of 2.2% in the fourth quarter of 2020. Disappointingly, the real GVA by this sector was still much lower than before the onset of South Africa's electricity-supply challenges in 2008.



Real gross value added by the manufacturing sector

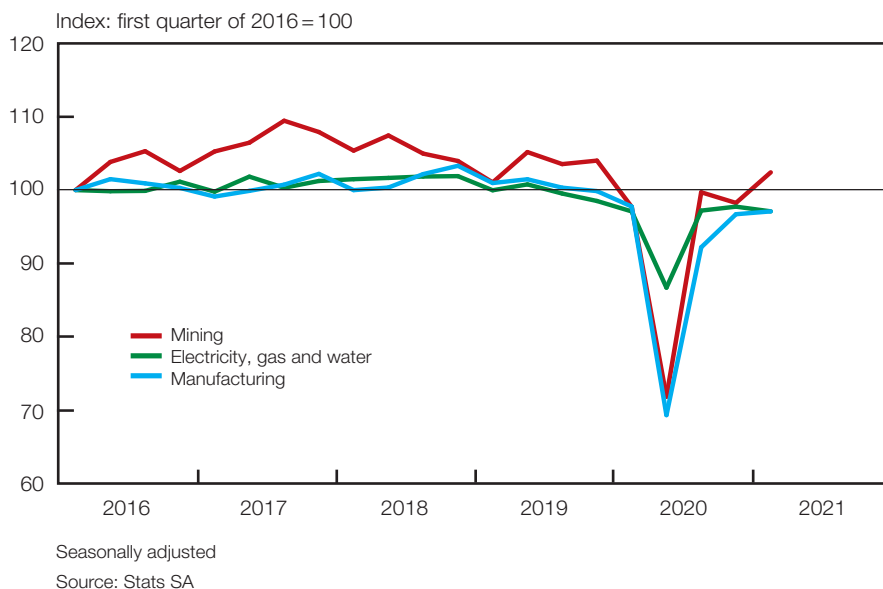


Physical volume of manufacturing production: selected subsectors



Activity levels in this sector have been declining progressively since 2008, with real GVA contracting, on average, by 0.5% per annum between 2008 and 2019 before declining sharply by 5.0% in 2020. The volume of electricity produced and consumed both decreased in the first quarter of 2021, reflecting the moderation in overall economic activity, particularly in the energy-intensive manufacturing sector, as well as bouts of load-shedding up to stage 2 during the month of February. Electricity-generation capacity was further constrained by plant breakdowns at Eskom's ageing power stations and the delayed return to service of some power units.

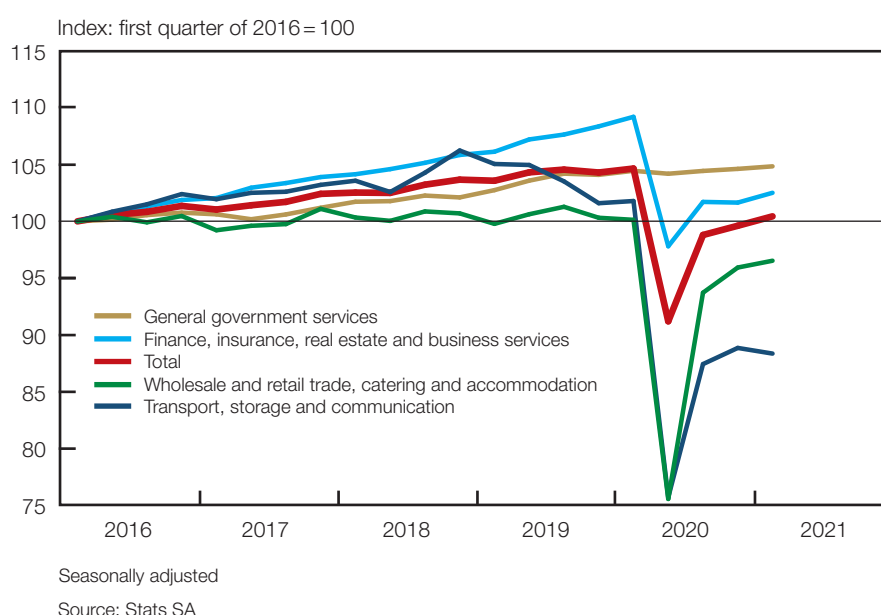
Real gross value added by selected sectors



Growth in the real GVA by the *construction sector* moderated further to 0.8% in the first quarter of 2021. Despite three consecutive quarterly increases, the real output in the construction sector remained well below pre-lockdown levels and was still 25.3% lower than its most recent peak in the fourth quarter of 2016. Slower growth in the construction sector in the first quarter of 2021 was evident in civil construction as well as in non-residential building activity, while residential building activity declined.

The real GVA by the *tertiary sector* rose by 4.6% in the first quarter of 2021 and contributed 3.0 percentage points to overall growth in real GDP following an increase of 3.3% in the fourth quarter of 2020. Growth in the real GVA by the commerce as well as transport, storage and communication services sectors moderated over the period. By contrast, the real output of the finance, insurance, real estate and business services sector reverted from a contraction in the final quarter of 2020 to an increase in the first quarter of 2021, alongside a slightly faster pace of expansion in the general government services sector. Although the real GVA by the tertiary sector increased further in the first quarter of 2021, it was still below the level that had prevailed before the lockdown restrictions were imposed.

Real gross value added by the tertiary sector



Growth in the real GVA by the *commerce sector* moderated to 6.2% in the first quarter of 2021 from 9.8% in the fourth quarter of 2020 along with slower growth in the retail and motor trade subsectors. By contrast, activity in the wholesale trade subsector reverted to an expansion in the first quarter of 2021 from a contraction in the previous quarter. Slightly higher sales of hardware, paint and glass; household furniture, appliances and equipment; as well as textiles, clothing, footwear and leather goods underpinned activity in the retail trade sector, albeit at a slower pace. The slowdown in motor trade activity reflected a slower pace of increase in sales of both new and used vehicles, amid the low interest rate environment. The increase in real wholesale trade resulted from higher sales of solid, liquid and gaseous fuels and related products; construction and building materials; as well as other household goods, except precious stones.

Growth in the real GVA by the *transport, storage and communication sector* slowed to 4.8% in the first quarter of 2021 following an increase of 6.7% in the preceding quarter. The volume of goods transported by road increased in the first quarter of 2021. However, reduced activity in rail freight transportation partially reflected the poor state of South Africa's rail infrastructure following further widespread vandalism, especially during the lockdown period. This negatively impacted both bulk-goods transportation and travellers that make use of land transportation services, as indicated by the reduced number of passenger journeys undertaken.



The real output of the *finance, insurance, real estate and business services* sector expanded by 7.4% in the first quarter of 2021 after contracting slightly by 0.2% in the preceding quarter as economic activity increased in the finance, real estate and business services sectors. The real GVA by the banking sector increased as intermediate costs, including marketing, communication and administrative costs, declined over the period. By contrast, the real GVA by insurance and pension funds dwindled as inadequate employment opportunities stifled new business opportunities in the industry. Despite the increase, the level of real output in the first quarter of 2021 was still 5.3% lower than in the corresponding period in 2020.

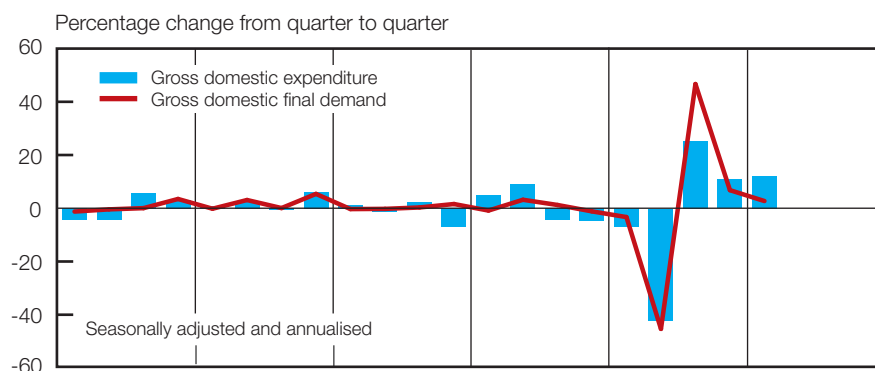
The real GVA by the *government services* sector increased by 0.9% in the first quarter of 2021 and contributed 0.1 percentage points to overall real GDP growth. This reflected a further increase in the number of government employees, mainly associated with health-related services in provincial government and extra-budgetary institutions.

Real gross domestic expenditure²

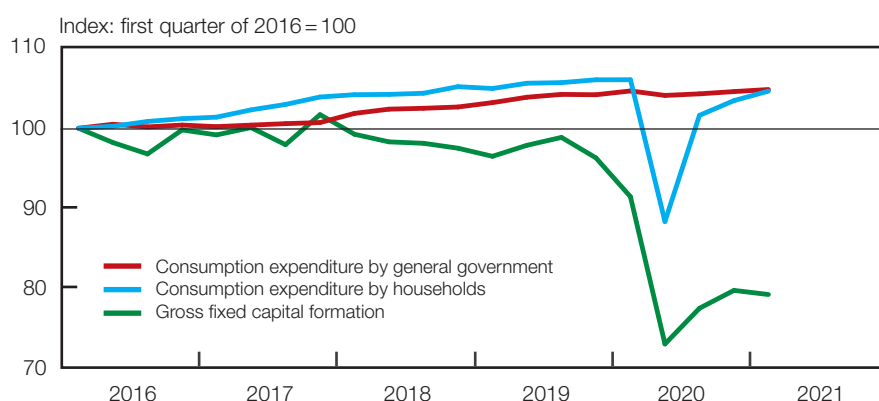
Growth in real *gross domestic expenditure* (GDE) accelerated slightly to 12.2% in the first quarter of 2021 from 10.8% in the final quarter of 2020. The real final consumption expenditure by both households and general government increased further, albeit at a slower pace. By contrast, real gross fixed capital formation contracted slightly. Real inventory holdings decreased at a slower pace in the first quarter. Despite three consecutive quarterly increases, the level of real GDE in the first quarter of 2021 was still well below the pre-lockdown level and 2.9% lower than in the corresponding period of 2020.

² The quarter-to-quarter growth rates referred to in this section are based on seasonally adjusted data and are annualised.

Real gross domestic expenditure and final demand



Components of real gross domestic final demand



Seasonally adjusted

Sources: Stats SA and SARB

Real gross domestic expenditure

Quarter-to-quarter percentage change at seasonally adjusted annualised rates

Component	2020				2021	
	Q1	Q2	Q3	Q4	Year ¹	Q1
Final consumption expenditure						
Households.....	0.0	-52.0	75.3	7.5	-5.4	4.7
General government.....	1.8	-2.1	0.8	1.1	0.5	1.0
Gross fixed capital formation	-18.7	-59.4	26.9	12.1	-17.5	-2.6
Domestic final demand²	-3.3	-45.4	46.7	6.8	-6.5	2.7
<i>Change in inventories (R billions)³</i>	<i>-70.7</i>	<i>-29.3</i>	<i>-144.1</i>	<i>-117.5</i>	<i>-90.4</i>	<i>-53.2</i>
<i>Residual⁴</i>	<i>0.0</i>	<i>0.4</i>	<i>0.3</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>
Gross domestic expenditure⁵	-7.1	-41.9	25.4	10.8	-8.9	12.2

1 Percentage change over one year

2 Final consumption expenditure by households and general government as well as gross fixed capital formation

3 At constant 2010 prices

4 The residual as a percentage of GDP

5 Including the residual

Sources: Stats SA and SARB

The accumulation of real inventory holdings contributed the most to growth in real GDP in the first quarter of 2021, at 8.7 percentage points, with final consumption expenditure by households contributing a further 3.0 percentage points. By contrast, real net exports subtracted 7.0 percentage points from overall economic growth in the first quarter of 2021.

Contributions of expenditure components to growth in real gross domestic product

Percentage points

Component	2020				2021	
	Q1	Q2	Q3	Q4	Year	Q1
Final consumption expenditure						
Households.....	0.0	-32.7	46.3	4.7	-3.4	3.0
General government.....	0.4	-0.3	0.2	0.2	0.1	0.2
Gross fixed capital formation	-3.8	-11.4	5.2	1.9	-3.3	-0.4
Change in inventories	-3.8	4.1	-21.6	3.7	-2.6	8.7
Residual	-0.1	1.0	-0.4	-0.3	0.1	0.2
Gross domestic expenditure	-7.3	-39.3	29.8	10.3	-9.1	11.6
Net exports	5.6	-12.3	37.5	-4.4	2.1	-7.0
Gross domestic product	-1.8	-51.7	67.3	5.8	-7.0	4.6

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

Sources: Stats SA and SARB

Nominal GDP at market prices (not seasonally adjusted or annualised) was estimated at R1.30 trillion in the first quarter of 2021, which was 1.8% higher than in the first quarter of 2020. The increase followed the normalisation in economic activity in most sectors of the economy as the lockdown restrictions were gradually eased. Likewise, the nominal gross disposable income increased to R1.26 trillion – 2.3% higher than in the same quarter of the previous year. The final consumption expenditure by both households and general government increased over this period, while the level of gross fixed capital formation in the first quarter of 2021 was still much lower than in 2019.



Growth in selected nominal production and expenditure aggregates

Percentage change over four quarters

Component	2020				2021	
	Q1*	Q2*	Q3*	Q4*	Year**	Q1*
Gross value added at basic prices	5.2	-13.3	-1.5	1.7	-2.1	2.1
Gross domestic product at market prices.....	6.2	-15.0	-2.2	2.9	-2.1	1.8
Gross operating surplus	5.5	-21.0	-1.8	3.7	-3.6	0.8
Gross national income	7.3	-15.2	0.5	3.2	-1.1	2.7
Gross disposable income	7.4	-15.3	0.2	2.9	-1.3	2.3
Final consumption expenditure						
Households.....	4.7	-14.1	-1.3	0.2	-2.6	1.2
General government.....	4.7	2.1	3.9	4.4	3.8	5.5
Gross fixed capital formation	-2.4	-24.0	-17.2	-10.9	-13.8	-8.2

* Current prices, not seasonally adjusted or annualised

** Annual statistics

Sources: Stats SA and SARB

The real *exports* of goods and services declined marginally at an unannualised rate of 0.2% in the first quarter of 2021 following an increase of 6.1% in the fourth quarter of 2020. The real exports of manufactured products as well as services contracted. Weaker foreign demand for vehicles and transport equipment as well as machinery and electrical equipment weighed on overall manufacturing exports. Growth in the export volumes of mining products, particularly of precious metals (including gold, PGMs and stones) as well as base metals and articles thereof, moderated. By contrast, increased foreign demand for vegetables supported a rebound in overall agricultural exports.

Real exports and imports of goods and services

Quarter-to-quarter percentage change*

Component	Exports			Imports		
	Percentage of total**	2020 Q4***	2021 Q1***	Percentage of total**	2020 Q4***	2021 Q1***
Total	100.0	6.1	-0.2	100.0	11.1	6.1
Mining.....	47.8	5.2	0.9	22.1	6.7	9.1
Of which:						
Mineral products.....	21.0	-3.8	-8.7	16.4	0.6	13.7
Precious metals, including gold, platinum group metals and stones	16.1	12.1	6.6	1.2	5.2	-24.9
Base metals and articles	10.7	12.7	8.8	4.5	32.0	4.2
Manufacturing	35.2	7.9	-0.5	63.4	14.8	6.1
Of which:						
Vehicles and transport equipment	10.1	27.7	-4.0	10.9	58.4	11.4
Machinery and electrical equipment	7.3	4.3	-0.5	25.2	4.0	7.0
Chemical products	7.1	5.5	2.5	11.2	-1.2	7.4
Prepared foodstuffs, beverages and tobacco.....	4.1	-11.3	3.7	2.6	11.8	6.7
Agriculture	8.0	-5.9	3.0	4.2	-6.0	-3.1
Of which:						
Vegetable products	6.5	-4.1	1.8	2.0	-12.9	0.2
Services.....	7.9	14.2	-3.5	9.7	5.5	1.2

* Based on seasonally adjusted and annualised data

** Expressed as a percentage of the total in 2020

*** 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 rate of increase in the real *imports* of goods and services decelerated from 11.1% in the fourth quarter of 2020 to 6.1% in the first quarter of 2021. Slower growth in the volume of manufacturing imports reflected the significant slowdown in domestic demand for imported vehicles and transport equipment as well as prepared foodstuffs, beverages and tobacco, which outweighed the faster growth in imports of machinery and electrical equipment as well as chemical products. Agricultural imports declined at a slightly slower pace in the first quarter of 2021, while a notable increase in mineral products boosted mining imports.

Contributions of real exports and imports as well as net exports of goods and services to growth in real gross domestic product

Percentage points

Component	Exports		Imports*		Net exports	
	2020 Q4	2021 Q1	2020 Q4	2021 Q1	2020 Q4	2021 Q1
Total	6.9	-0.3	11.4	6.8	-4.4	-7.0
Mining	2.9	0.5	1.6	2.2	1.3	-1.7
<i>Of which:</i>						
Mineral products.....	-0.9	-2.0	0.1	2.4	-1.0	-4.4
Precious metals, including gold, platinum group metals and stones.....	2.3	1.4	0.1	-0.4	2.3	1.8
Base metals and articles	1.5	1.1	1.4	0.2	0.1	0.9
Manufacturing	3.3	-0.2	9.6	4.5	-6.3	-4.7
<i>Of which:</i>						
Vehicles and transport equipment	3.1	-0.6	5.3	1.6	-2.2	-2.2
Machinery and electrical equipment	0.4	0.0	1.1	2.0	-0.7	-2.0
Chemical products	0.5	0.2	-0.1	0.9	0.6	-0.7
Prepared foodstuffs, beverages and tobacco.....	-0.6	0.2	0.3	0.2	-0.9	0.0
Agriculture	-0.6	0.3	-0.3	-0.1	-0.3	0.4
<i>Of which:</i>						
Vegetable products	-0.3	0.1	-0.3	0.0	0.0	0.1
Services	0.8	-0.2	0.5	0.1	0.3	-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.

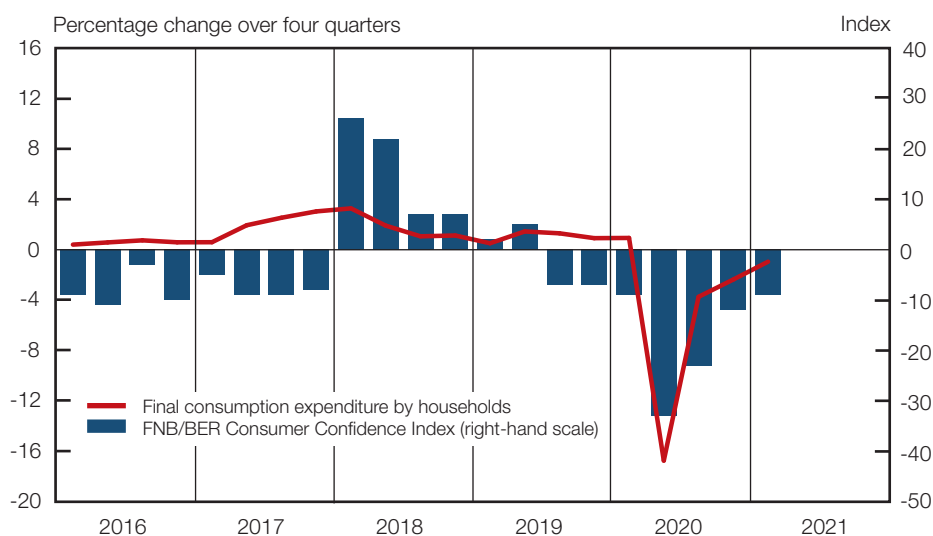
Sources: SARS, Stats SA and SARB

Real *net exports* subtracted a notable 7.0 percentage points from real GDP growth in the first quarter of 2021, as real net mining, manufacturing and services exports detracted 1.7, 4.7 and 0.3 percentage points respectively. The lower net exports of vehicles and transport equipment, machinery and electrical equipment as well as chemical products subtracted the most from overall net manufacturing exports. By contrast, real net agricultural exports contributed to real GDP growth, supported by higher real net exports of vegetable products.

Growth in the real *final consumption expenditure by households* decelerated to 4.7% in the first quarter of 2021 from 7.5% in the fourth quarter of 2020. Real spending on semi-durable and non-durable goods as well as on services advanced at a slower pace, whereas real outlays on durable goods increased at a notable faster pace. The moderation in household expenditure growth reflected the record-high unemployment levels and weak consumer confidence. Real household consumption expenditure was still 0.9% lower in the first quarter of 2021 than in the corresponding quarter of 2020.



Real final consumption expenditure by households and consumer confidence



Real final consumption expenditure by households

Quarter-to-quarter percentage change at seasonally adjusted annualised rates

Category	2020					2021
	Q1	Q2	Q3	Q4	Year*	Q1
Durable goods.....	-7.7	-73.3	266.5	1.3	-8.4	20.7
Semi-durable goods.....	-5.7	-88.1	301.7	15.8	-18.3	10.2
Non-durable goods	4.6	-50.4	75.1	10.1	-3.9	0.4
Services	-0.7	-32.7	32.1	5.2	-3.2	3.9
Total.....	0.0	-52.0	75.3	7.5	-5.4	4.7

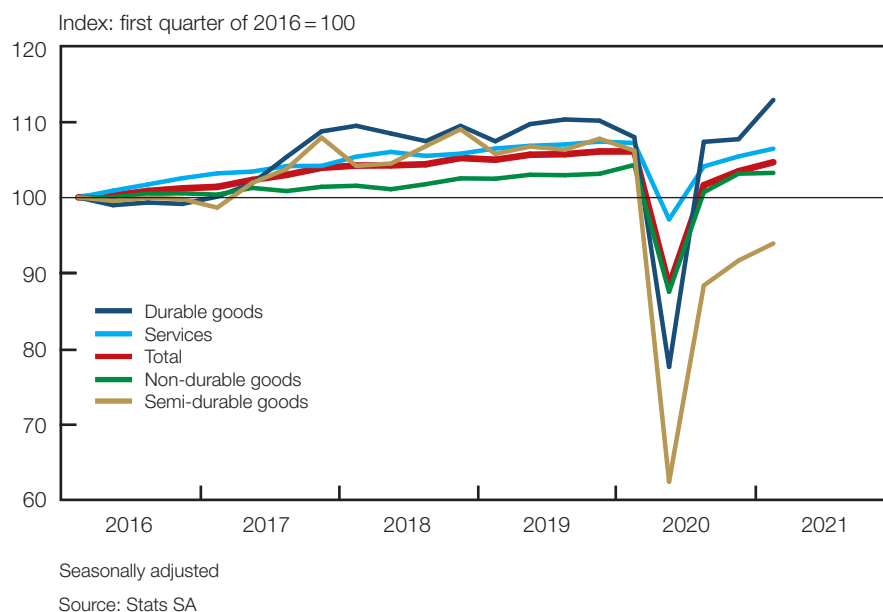
* Percentage change over one year

Source: Stats SA

Real spending on *durable goods* surged by 20.7% in the first quarter of 2021 after a slight increase of 1.3% in the fourth quarter of 2020. Real outlays on personal transport equipment rebounded from a contraction and rose strongly in the first quarter of 2021 amid record-low interest rates, bringing spending on this subsector close to pre-lockdown levels. Real spending on furniture and household appliances also increased in the first quarter of 2021, while that on computers and related equipment shrunk alongside slower growth in real outlays on recreational and entertainment goods as well as on other durable goods.

Real outlays on *semi-durable goods* advanced at a slower pace of 10.2% in the first quarter of 2021 from a notable increase of 15.8% in the fourth quarter of 2020. Consumption expenditure on clothing and footwear (the largest category) increased marginally while that on household textiles, furnishings and glassware; recreational and entertainment goods; as well as miscellaneous goods increased at a slower pace. Real expenditure on motorcar tyres, parts and accessories contracted notably in the first quarter.

Components of real final consumption expenditure by households



Growth in real spending on *non-durable goods* moderated sharply to 0.4% in the first quarter of 2021 from 10.1% in the fourth quarter of 2020. Real outlays on petroleum products declined significantly, while spending on food, beverages and tobacco; medical and pharmaceutical products; household consumer goods; and recreational and entertainment goods increased at a slower pace. Three consecutive fuel price increases in the first quarter of 2021 affected outlays on petroleum products. Real purchases of household fuel, power and water increased further in the quarter.

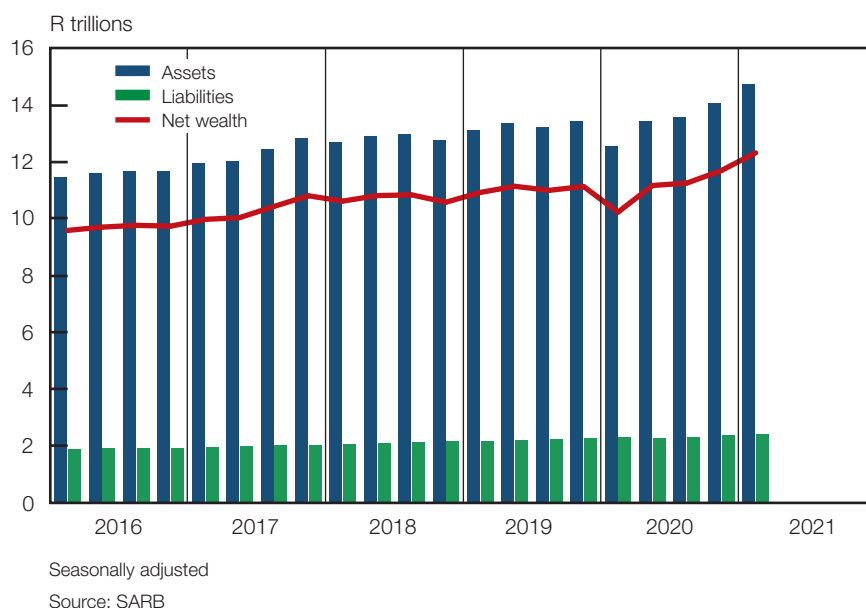
Real spending by households on *services* increased at a slower pace of 3.9% in the first quarter of 2021 compared with 5.2% in the fourth quarter of 2020. Increased outlays on household services as well as on transport and communication services were partly offset by slower growth in expenditure on rent, medical services and miscellaneous services. Real spending on recreational, entertainment and educational services also advanced at a slower, but still solid, pace. The transition from a Level 3 to a Level 1 lockdown at the end of February 2021 supported real spending on entertainment, as some of these activities resumed.

Household debt increased at a slower pace in the first quarter of 2021 than in the previous quarter, consistent with the modest increase in nominal spending. Consequently, the quarter-to-quarter increase in nominal disposable income exceeded that in household debt, with the ratio of debt to disposable income decreasing slightly to 75.3% in the first quarter of 2021 from 75.4% in the fourth quarter of 2020. On balance, households' cost of servicing debt relative to nominal disposable income remained unchanged at 7.7% in the first quarter of 2021, alongside the prevailing lower interest rates.

Households' net wealth increased further in the first quarter of 2021 as the increase in total assets outweighed that in total liabilities. The higher value of assets resulted from an increase in equity holdings in particular, as share prices increased substantially further. Consequently, the ratio of net wealth to nominal disposable income increased to 387% in the first quarter of 2021 from 372% in the fourth quarter of 2020, as the increase in households' net wealth outpaced that in nominal disposable income.

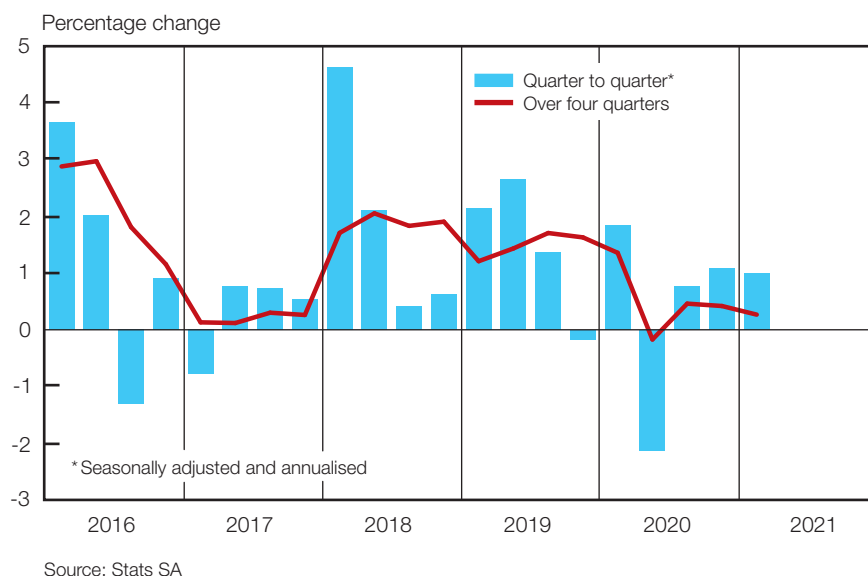


Household balance sheet



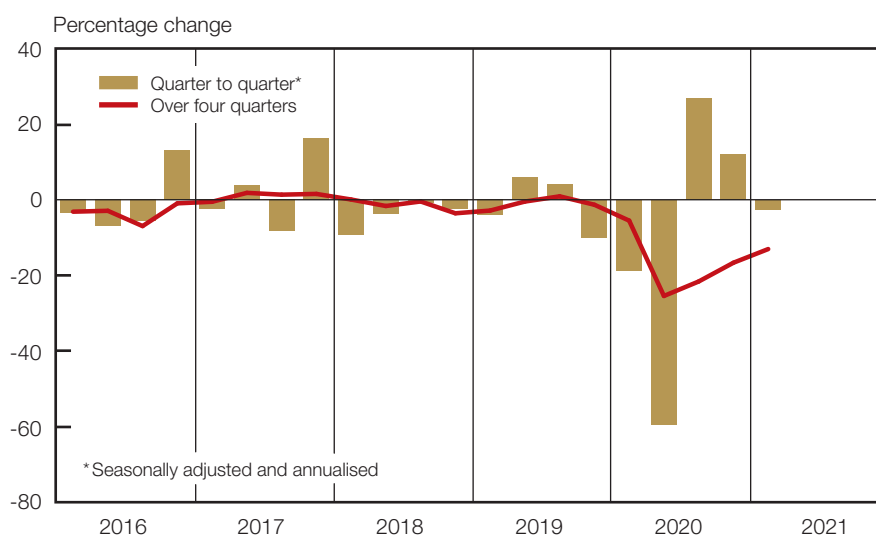
The real *final consumption expenditure by general government* increased at a slightly slower pace of 1.0% in the first quarter of 2021 from 1.1% in the fourth quarter of 2020, and spending was 0.3% higher compared with the corresponding period in 2020. The higher real spending on non-wage goods and services reflected projects aimed at mitigating the effects of the COVID-19 pandemic. The compensation of employees also increased, but at a slower pace.

Real final consumption expenditure by general government



Real *gross fixed capital formation* contracted anew by 2.6% in the first quarter of 2021 from an expansion of 12.1% in the fourth quarter of 2020. A notable expansion in capital spending by general government, together with slower growth by public corporations, was more than fully offset by a decline in capital investment by private business enterprises, which subtracted 6.3 percentage points from overall growth in gross fixed capital formation. Consequently, real fixed capital expenditure remained well below pre-lockdown levels, and the ratio of nominal gross fixed capital formation to nominal GDP was only 15.0% in the first quarter of 2021 compared with an average of 19.3% from 2010 to 2019.

Real gross fixed capital formation



Source: Stats SA

Real gross fixed capital outlays by *private business enterprises* decreased by 8.9% in the first quarter of 2021 following an increase of 5.8% in the preceding quarter. Investment in machinery and other equipment as well as in transport equipment contracted markedly in the first quarter of 2021. As a result, investment levels remained well below pre-pandemic highs. The decline in the first quarter resulted in the private sector's share of total nominal gross fixed capital formation falling from 69.3% in the fourth quarter of 2020 to 68.1% in the first quarter of 2021.

Real gross fixed capital formation

Quarter-to-quarter percentage change at seasonally adjusted annualised rates

Sector	2020					2021
	Q1	Q2	Q3	Q4	Year*	Q1
Private business enterprises	-28.3	-62.6	44.1	5.8	-19.3	-8.9
Public corporations.....	11.6	-82.5	-20.5	57.4	-25.0	10.3
General government.....	6.8	13.3	7.7	12.0	-1.3	14.2
Total	-18.7	-59.4	26.9	12.1	-17.5	-2.6

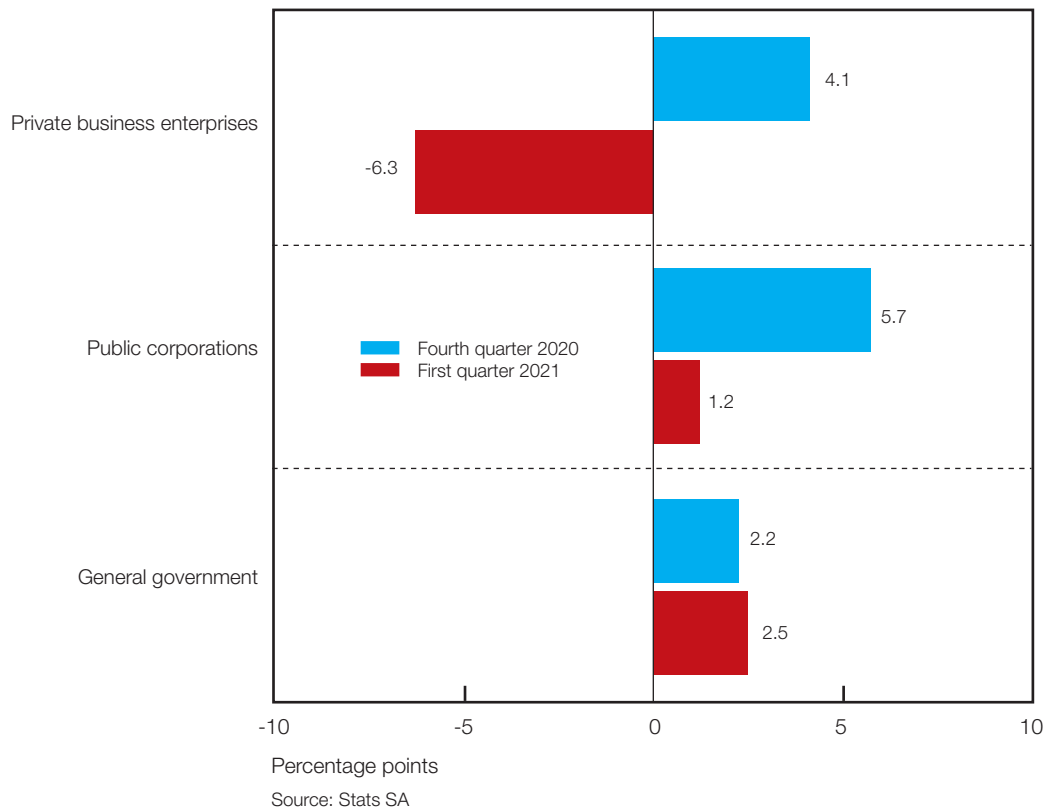
* Percentage change over one year

Source: Stats SA

Real gross fixed capital formation by the *public sector* increased at a slower pace of 12.6% in the first quarter of 2021 following an expansion of 27.9% in the fourth quarter of 2020. Despite the further increase, capital investment by the public sector remained below pre-COVID-19 levels, as the effects of the pandemic lingered. The pace of increase in real gross fixed capital outlays by *public corporations* decelerated to a still brisk 10.3% in the first quarter of 2021 from 57.4% in the preceding quarter. The continued increase reflected capital expenditure by the electricity subsector on non-residential buildings and the acquisition of transport equipment. The share of public corporations in total nominal gross fixed capital formation increased marginally to 12.6% in the first quarter of 2021 from 12.4% in the fourth quarter of 2020.



Contributions to growth in real gross fixed capital formation



Growth in real capital expenditure by *general government* accelerated further to 14.2% in the first quarter of 2021 following an increase of 12.0% in the fourth quarter of 2020, and contributed 2.5 percentage points to growth in total gross fixed capital formation. The increase occurred in the central and provincial government subsectors, most notably on non-residential buildings, transport equipment and computer equipment.

Across the main asset classes, real gross fixed capital expenditure on machinery and other equipment as well as on transport equipment decreased by 29.0% and 4.2% respectively, offsetting increased spending on non-residential buildings and construction works. The 'other assets' category made the largest contribution to growth in total gross fixed capital formation, mainly due to increased spending on computer equipment and software.

Inventory de-accumulation continued in the first quarter of 2021, as real *inventory holdings* decreased by a lesser R53.2 billion (annualised and at 2010 prices) following the drawdown of R117.5 billion in the final quarter of 2020. This was the seventh successive quarterly depletion, with the decrease mainly recorded in the mining, transport and trade sectors, while manufacturing recorded the first accumulation in five quarters. The de-accumulation of inventories occurred despite net exports subtracting 7.0 percentage points from real GDP in the first quarter of 2021.

Gross nominal saving

The *national saving rate* (gross saving as a percentage of nominal GDP) increased significantly from 14.2% in the fourth quarter of 2020 to 18.0% in the first quarter of 2021. Increases in the saving rate of both corporate business enterprises and households more than offset the increased dissaving by general government. The national saving rate remains much higher than before the COVID-19 pandemic, as the spending behaviour of economic agents continues to reflect cautiousness.

Gross saving as a percentage of gross domestic product

Ratio in per cent at seasonally adjusted annualised rates

Sector	2020				2021	
	Q1	Q2	Q3	Q4	Year	Q1
Corporate.....	16.1	18.7	22.4	15.1	18.0	19.8
General government.....	-2.0	-9.3	-8.5	-2.7	-5.4	-3.8
Household.....	1.5	2.2	2.4	1.8	2.0	1.9
Total.....	15.7	11.6	16.4	14.2	14.6	18.0

Source: SARB

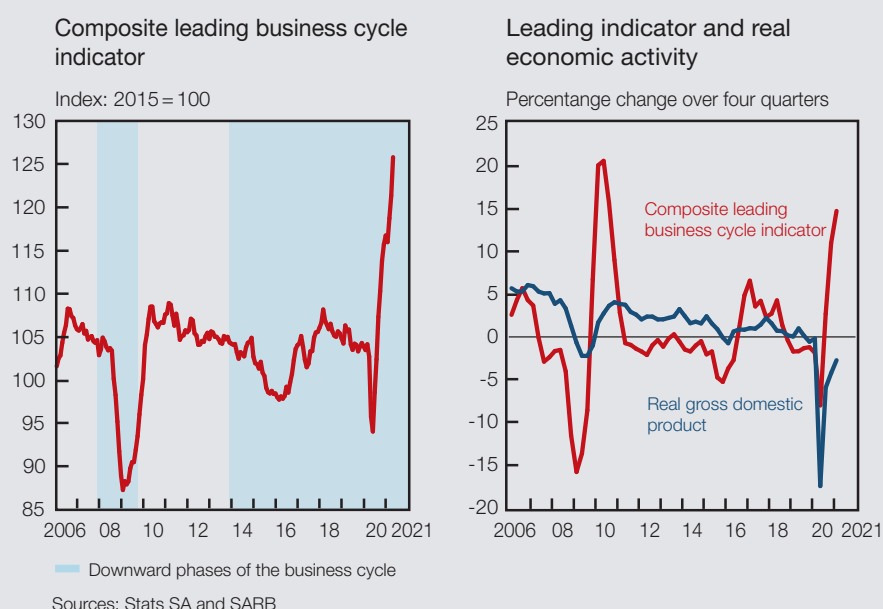
Gross saving by the *corporate sector* as a percentage of nominal GDP increased sharply from 15.1% in the fourth quarter of 2020 to 19.8% in the first quarter of 2021, mainly due to lower seasonally adjusted tax and dividend payments. The corporate saving rate was still significantly higher than pre-lockdown rates, in part due to some caution in distributing dividends to shareholders.

Dissaving by *general government* as a percentage of GDP increased substantially from 2.7% in the fourth quarter of 2020 to 3.8% in the first quarter of 2021. The increase in seasonally adjusted nominal government expenditure outweighed that in seasonally adjusted revenue collection, as revenue in some of the prominent tax categories decreased over the period.

Gross saving by the *household sector* as a percentage of nominal GDP increased to 1.9% in the first quarter of 2021 from 1.8% in the fourth quarter of 2020, as the increase in nominal disposable income outpaced that in nominal consumption expenditure.

Box 2 Unpacking the recent strong increase in the composite leading business cycle indicator^{1,2}

The composite leading business cycle indicator, as compiled by the South African Reserve Bank (SARB),³ has increased markedly in recent months following a trough in May 2020. The drivers of this strong increase and the interpretation thereof are discussed and analysed in this box.



1 This box relates to the statistics published on pages S-149 and S-159 in this edition of the *Quarterly Bulletin (QB)*.

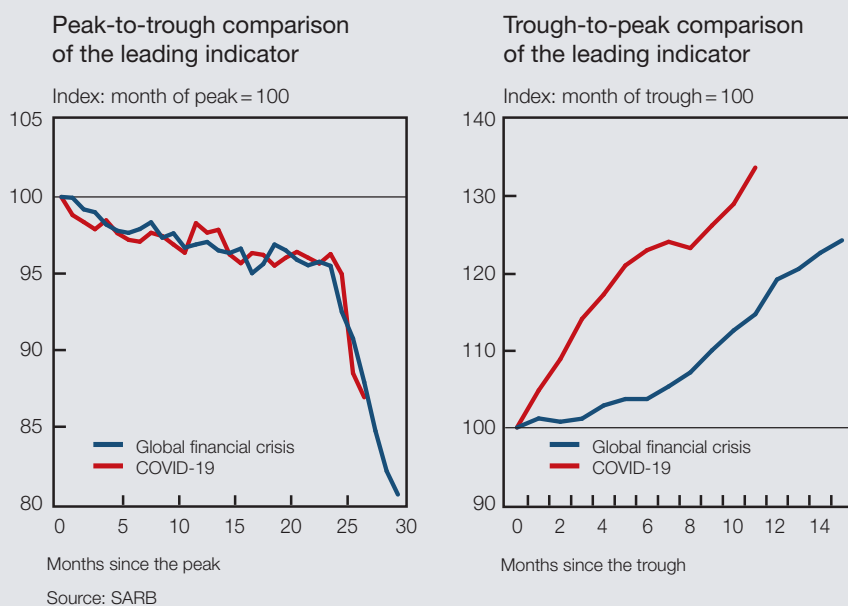
2 For the business cycle phases of South Africa, see page S-161 in this edition of the *QB*.

3 The composite leading, coincident and lagging business cycle indicators are published monthly by the South African Reserve Bank (SARB). See <https://www.resbank.co.za/en/home/publications/composite-business-cycle-indicators>



The trough in the leading indicator in May 2020 was preceded by a gradual decline from March 2018 as an early indication of the economic recession which had commenced in the third quarter of 2019, and then by a sharp fall from March 2020 when the initial strict coronavirus disease 2019 (COVID-19) lockdown restrictions were imposed. This sharp drop in the leading indicator coincided with the marked contraction in the real gross domestic product (GDP), as the leading indicator could not and did not predict the severe contraction in real economic activity due to the exogenous nature of the COVID-19 shock.

The peak-to-trough decrease in the leading indicator of 13.4% from February 2018 to May 2020 was less than the 19.4% decrease from July 2006 to January 2009, before and during the global financial crisis (GFC). The smaller decrease during the period which included the impact of COVID-19 reflected the already fairly low levels of many of the component time series before the advent of COVID-19, unlike during the run-up to the GFC. In addition, the decrease in the leading indicator was also slightly more broad-based during the GFC. Furthermore, some of the component time series of the leading indicator also moved counter-intuitively during the COVID-19 lockdown period.⁴



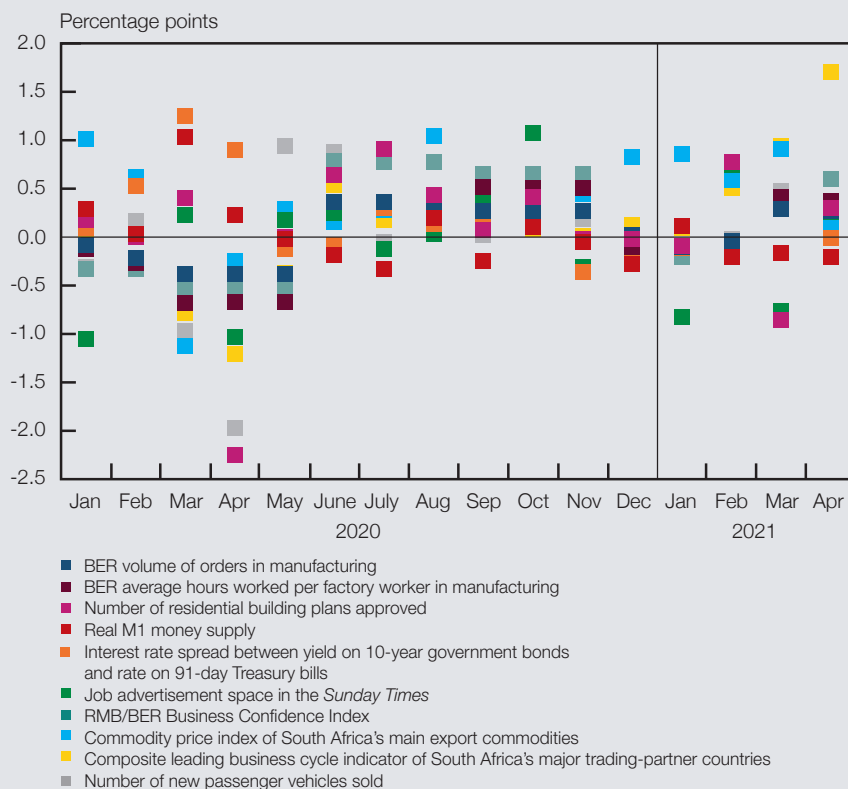
The trough-to-peak increase in the leading indicator of 33.8% from May 2020 to April 2021, as the lockdown restrictions were gradually eased, was much more than the increase of 24.4% from January 2009 to May 2010 in the aftermath of the GFC. The increase in the leading indicator was fairly broad-based during both periods.

The post-COVID-19 lockdown recovery in the leading indicator was driven by very strong base effects from the historically lower level of many component time series due to the impact of the national lockdown restrictions, which prohibited certain economic activities. Component series such as the number of residential building plans approved, the Rand Merchant Bank (RMB)/Bureau for Economic Research (BER) Business Confidence Index, and the number of new passenger vehicles sold were already at much lower levels before the advent of COVID-19 than during the pre-GFC period. This explains the smaller decline in the leading indicator during COVID-19 compared to the GFC, when most of the component series declined from comparatively high levels.

⁴ For a more detailed discussion of the movement in the composite leading business cycle indicator over this period, see 'Box 1: Did the national lockdown distort the composite leading business cycle indicator?' published by the SARB in the December 2020 *QB*, available at <https://www.resbank.co.za/en/home/publications/publication-detail-pages/boxes/2020/December2020Didthenationallockdowndistortthecompositeleadingbusinesscycleindicator>

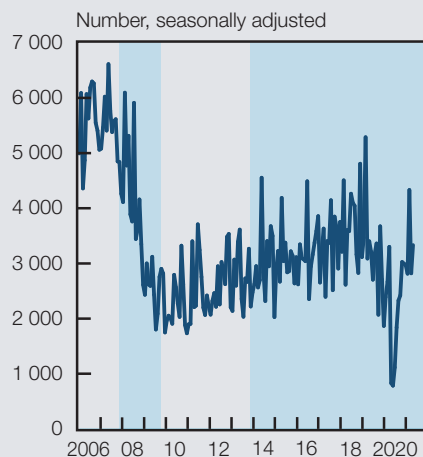


Contributions to monthly change in the leading indicator



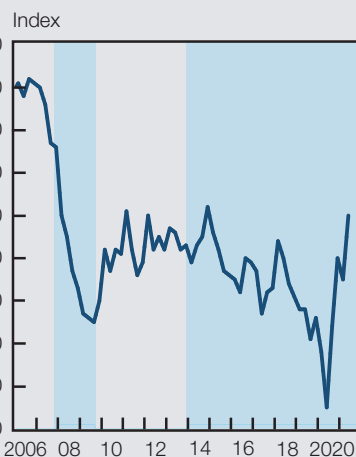
Sources: BER, Bloomberg, **naamsa** | The Automotive Business Council, RMB, Stats SA, *Sunday Times* and SARB

Number of residential building plans approved



Sources: BER and Stats SA

RMB/BER Business Confidence Index

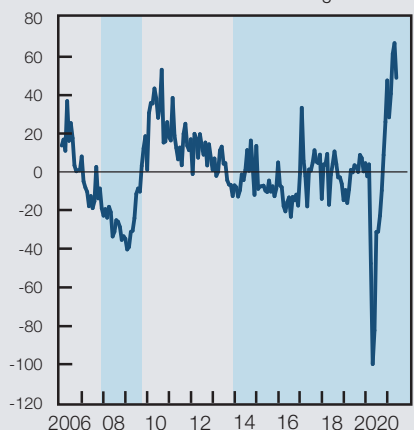


The magnitude of the subsequent recovery in the leading indicator as the lockdown restrictions were eased was boosted by these base effects, despite the smaller decrease in the leading indicator at the time of COVID-19 than at the time of the GFC. This is visible when comparing the movement in selected component time series of the leading indicator from their troughs during COVID-19 and the GFC. In addition, the strong increase in international commodity prices also supported the post-lockdown recovery in the leading indicator.



Number of new passenger vehicles sold

Six-month smoothed annualised growth rate

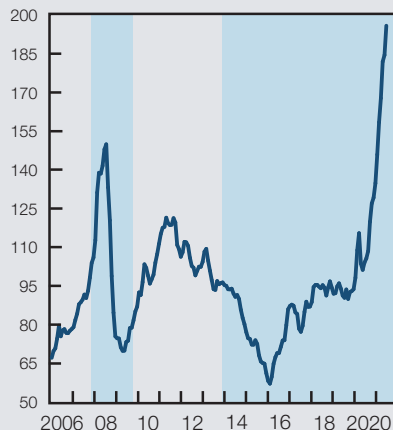


Downward phases of the business cycle

Sources: naamsa | The Automotive Business Council and SARB

South African export commodity price index

Index: 2010 = 100



Number of new passenger vehicles sold

Six-month smoothed annualised growth rate



RMB/BER Business Confidence Index

Index



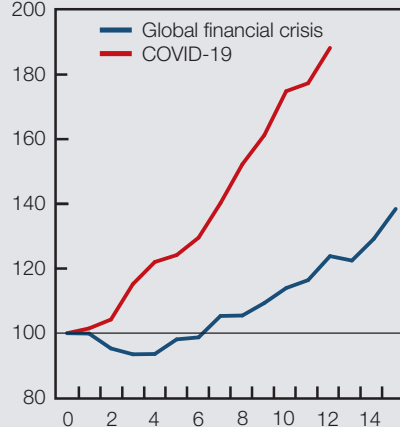
Number of residential building plans approved

Index: month of trough in leading indicator = 100



South African export commodity price index

Index: month of trough in leading indicator = 100

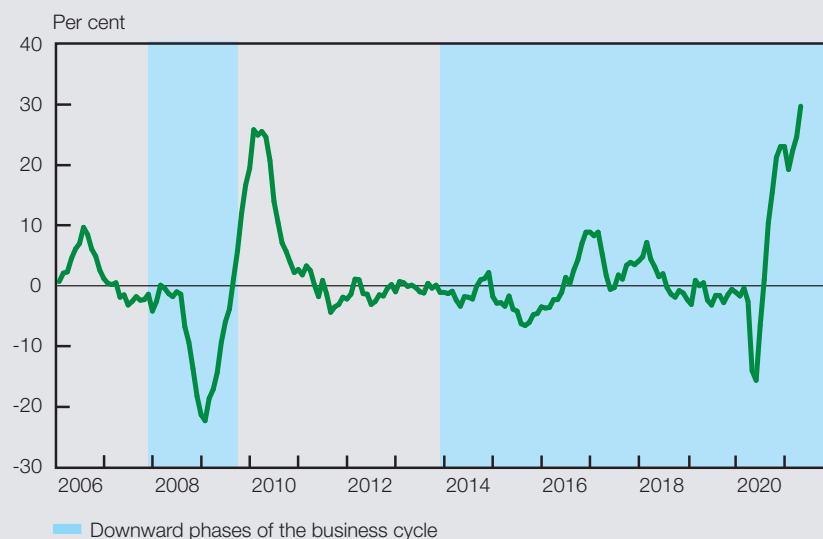


Sources: BER, naamsa | The Automotive Business Council, RMB, Stats SA and SARB

Movements in the composite leading business cycle indicator can be evaluated in terms of how pronounced, pervasive and persistent they are. These three measures gauge the strength of a cyclical turning-point signal.⁵

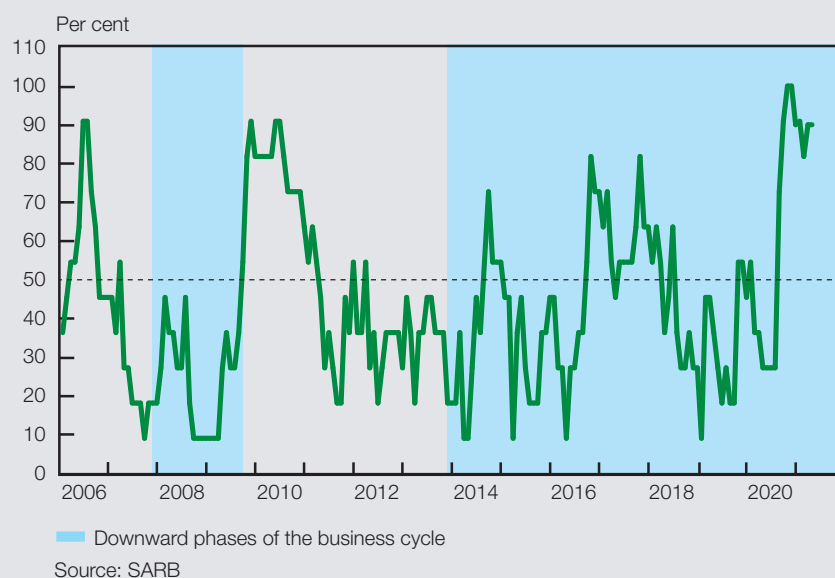
The six-month smoothed annualised growth rate in the leading indicator measures how pronounced the movement is. This measure confirms that the decrease in the leading indicator was less pronounced during COVID-19 than during the GFC, with the subsequent recoveries being more similar in magnitude.

Six-month smoothed annualised growth rate in the leading indicator



The 12-month smoothed diffusion index of the leading indicator's component time series indicates how pervasive a particular movement is. This diffusion index reflects the proportion of the component time series that is at a higher level than 12 months earlier as a percentage of the total number of available component series. The diffusion index confirms that the decrease in the leading indicator during COVID-19 was not as pervasive as during the GFC. By contrast, it shows that the post-lockdown recovery in the leading indicator was very pervasive, as it reached a high of 100% in October and November 2020, with all of the component time series being at a higher level compared to a year earlier, indicative of the strong base effects. This compares to a slightly less pervasive high of 90.9% in November 2009 during the GFC recovery.

Twelve-month smoothed diffusion index of the leading indicator's component series

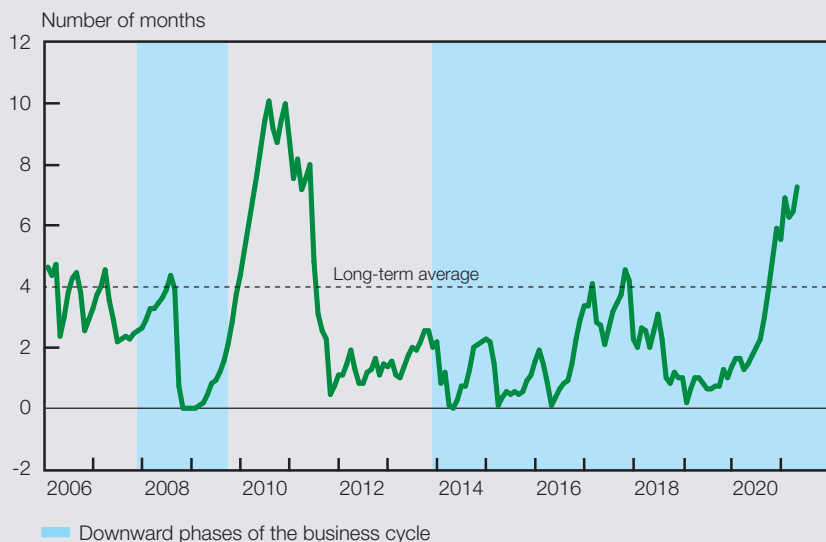


⁵ For a more detailed explanation, see J C Venter, 'Assessing the 2013 and 2017 business cycle turning points signalled by the SARB's composite leading business cycle indicator', *Business Cycles and Structural Change in South Africa: An Integrated View*, edited by W H Boshoff, 2020, pp 265–284.



The smoothed average duration over which the component time series of the leading business cycle indicator has been higher than their respective average levels over the preceding 12 months indicates the degree of persistence. This measure reached a high of 10.1 months in July 2010 after the GFC. Although this measure has remained very low throughout the current downward phase of the business cycle, it surpassed the long-term average of 3.9 months in October 2020 and reached a high of 7.3 months in April 2021.

Smoothed average duration of run of increases in the leading indicator's component series



Source: SARB

Although these measures confirm the strength of the cyclical turning-point signal, as suggested by the recent strong increase in the leading indicator, they do not predict the magnitude of the recovery in real GDP, as was also evident during the post-GFC recovery.

Employment

The recovery in employment has been much weaker than that in economic activity up to the first quarter of 2021, following the sharp contraction in both employment and economic activity in the second quarter of 2020. *Household-surveyed employment* increased slightly further by 0.4% on a seasonally adjusted basis in the first quarter of 2021, following a decimation of employment opportunities in the second quarter of 2020 when the COVID-19 lockdown restrictions were most stringent. Employment gains of 143 000 and 22 000 were recorded in the formal and informal sectors, respectively in the first quarter of 2021, while private households and the agricultural sector shed 86 000 and 21 000 jobs respectively. Despite the continuous job gains since the third quarter of 2020, the *Quarterly Labour Force Survey (QLFS)* by Statistics South Africa (Stats SA) indicates that the level of total employment had declined by around 1.4 million (8.5%) to 14.9 million in the year to the first quarter of 2021.³ Furthermore, workers with unspecified employment contracts experienced the largest year-on-year job losses (878 000), followed by those with contracts of a limited duration (141 000) and those with contracts of a permanent nature (121 000).

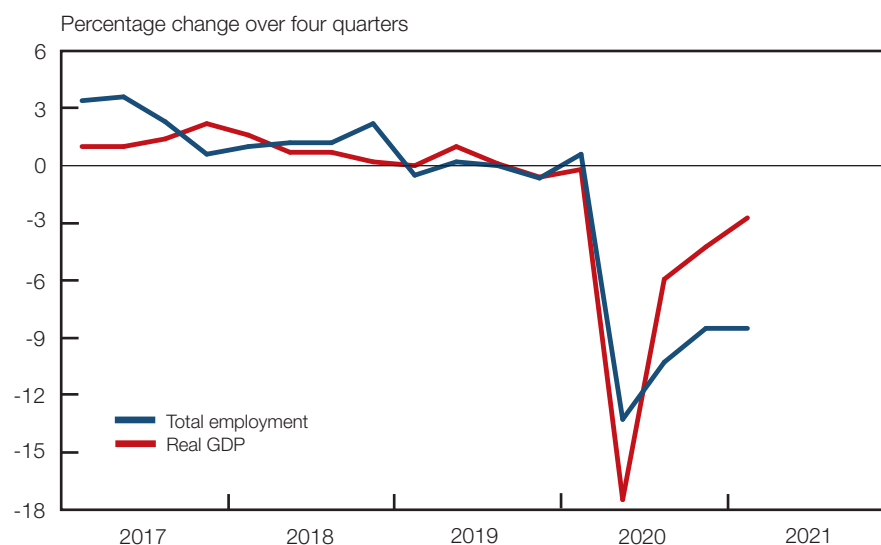
The National Income Dynamics Study (NIDS) Wave 4 of the Coronavirus Rapid Mobile Survey (CRAM) indicates that the second wave of infections and associated lockdown restrictions at the beginning of 2021 had resulted in net job losses with significant labour market churning (job losses and job gains),⁴ as 18% of adults not employed in October 2020 found work by January 2021, while 19% of those employed in October 2020 were without work in January 2021. The January 2021 survey results also indicates a worsening in employment and transition outcomes in response to the second wave of COVID-19 infections along with Level 3 lockdown restrictions compared to the Level 1 restrictions in October 2020. However, fewer

³ Stats SA noted that the response rate of the QLFS was 57.4% in the first quarter of 2021 compared with 60.9% in the fourth quarter of 2020 and 87.7% a year earlier.

⁴ National Income Dynamics Study (NIDS) Wave 4 of the Coronavirus Rapid Mobile Survey (CRAM), *An overview of the results from NIDS-CRAM Wave 4*, May 2021.

employment losses were experienced in January 2021 than during the initial hard lockdown in April 2020. The NIDS-CRAM furthermore shows that the percentage of employed adults (aged 18–64 years) declined from 55% in October 2020 to 52% in January 2021. Job losses were most pronounced among the youth, at 31%, while job losses among middle-aged adults were at 13% and among younger adults at 19%.

Household-surveyed employment and economic activity



Sources: Stats SA and SARB

Household-surveyed labour market statistics

	Number (thousands)				Quarter-to-quarter change		Change over four quarters
	2019 Q1	2020 Q3	2020 Q4	2021 Q1	2021 Q1		
					Thousands	Per cent	Per cent
a. Total employed	16 384	14 691	15 024	14 995	-29	-0.2	-8.5
b. Total unemployed (official definition).....	7 070	6 533	7 233	7 242	9	0.1	2.4
c. Total labour force (a+b).....	23 452	21 224	22 257	22 237	-20	-0.1	-5.2
d. Total not economically active	15 422	17 944	17 054	17 218	164	1.0	11.6
e. Population 15–64 years (c+d)	38 874	39 167	39 311	39 455	144	0.4	1.5
f. Official unemployment rate* (b/c)*100	30.1%	30.8%	32.5%	32.6%	—	—	—
g. Discouraged	2 918	2 696	2 930	3 131	201	6.9	7.3
h. Other reasons for not searching for work.....	929	2 995	1 471	1 719	248	16.9	85.0
i. Expanded unemployment rate**	39.7%	43.1%	42.6%	43.2%	—	—	—

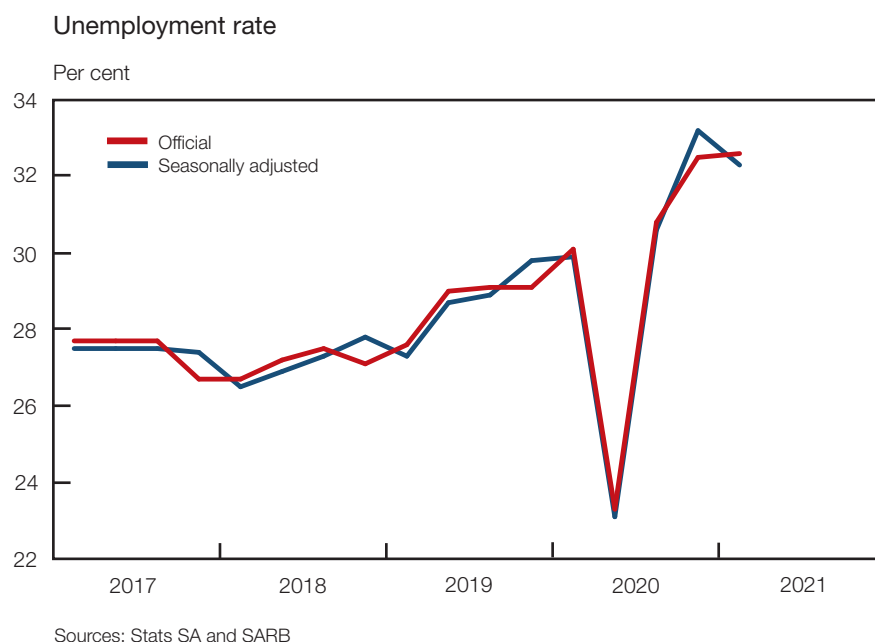
* Stats SA follows the ILO definition of calculating the official unemployment rate, which is internationally comparable.

** The expanded unemployment rate is calculated by Stats SA's own in-house formula and is not internationally comparable.

Source: Stats SA



The number of officially unemployed persons remained almost unchanged at just over 7.2 million in the first quarter of 2021. However, on a seasonally adjusted basis, the number of unemployed South Africans decreased by 273 000 (3.7%) in the first quarter of 2021, while it increased by 172 000 (2.4%) when compared with a year earlier. As a result, the official unemployment rate increased marginally from 32.5% in the fourth quarter of 2020 to a record high of 32.6% in the first quarter of 2021 (and from 30.1% a year ago), as some new entrants and job losers entered the labour force. However, the seasonally adjusted unemployment rate decreased from 33.2% to 32.3% over the same period, as the total labour force decreased in the first quarter of 2021 due to a marked increase in the number of discouraged work seekers. As such, the expanded unemployment rate, which includes the discouraged work seekers and those who did not search for work due to other reasons, increased from 42.6% in the fourth quarter of 2020 to 43.2% in the first quarter of 2021 (and from 39.7% a year earlier).

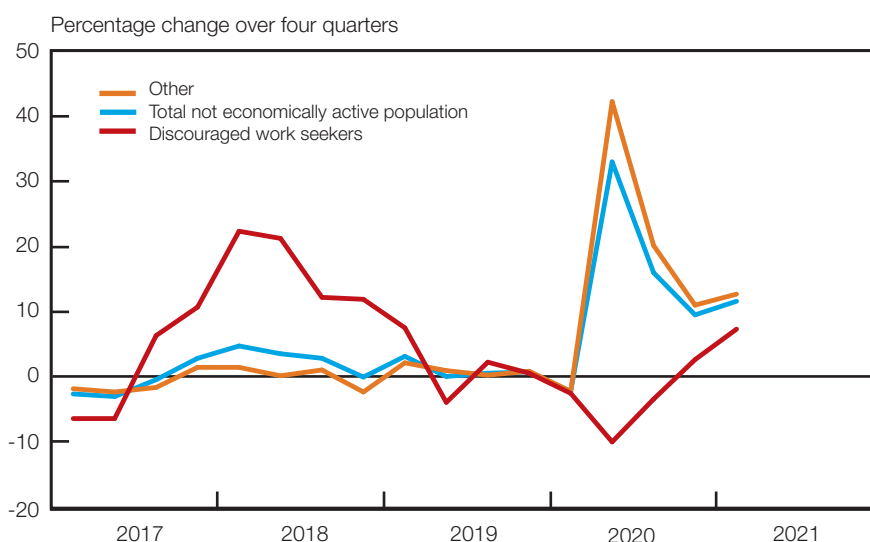


There was a large movement from the employment category to the total 'not economically active' population, rather than to unemployment, in the first quarter of 2021. Apart from the sharp increase in the number of discouraged job seekers, the 'other not economically active' category increased by a seasonally adjusted 170 000 (1.2%) in the first quarter of 2021, resulting in an increase of 370 000 people (2.2%) in the total number of 'not economically active' people. The total 'not economically active' category remained very high compared to pre-COVID-19 levels, with a year-on-year increase of 1.8 million (11.6%) in the first quarter of 2021. Lockdown restrictions still impeded job-searching activity during the first quarter of 2021, as new variants of the virus were discovered and somewhat stricter regulations were implemented.

The labour force participation rate decreased marginally from 56.7% in the fourth quarter of 2020 to 56.2% in the first quarter of 2021, consistent with the movement to the 'not economically active' population. The International Labour Organization (ILO) has noted that the COVID-19 pandemic has accelerated the global long-term trend of decreasing labour force participation, and, as such, the drop in labour force participation in 2020 alone was roughly equal to the aggregate decline observed over the entire decade up to 2019.⁵ The labour absorption rate, which represents the percentage of the working population (aged 15–64 years) that is employed, decreased somewhat from 38.2% in the fourth quarter of 2020 to 38.0% in the first quarter of 2021, consistent with the decline in employment.

5 International Labour Organization (ILO), *World of employment and social outlook: Trends 2021*, Geneva: International Labour Office, June 2021. https://www.ilo.org/global/research/globalreports/weso/2021/WCMS_795453/lang--en/index.htm

Not economically active population



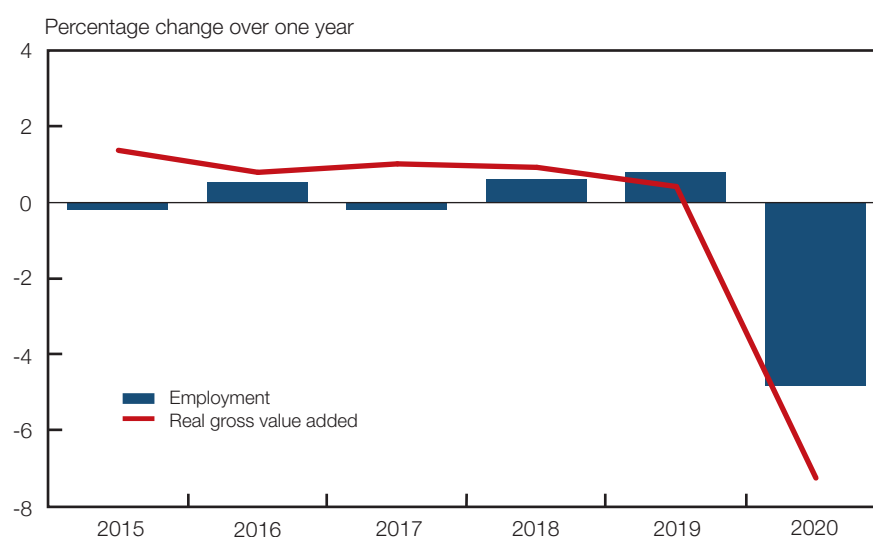
Source: Stats SA

6 This is according to Stats SA's *Quarterly Employment Statistics (QES)* survey.

7 Unless stated to the contrary, the QES data reported in this section are seasonally adjusted.

Very few of the substantial formal non-agricultural job losses that occurred in the second quarter of 2020 were recouped in the second half of 2020, despite the resumption of economic activity in most sectors following the gradual easing of the COVID-19-related lockdown restrictions. *Enterprise-surveyed⁶ formal non-agricultural employment⁷* increased by a mere 41 000 (an annualised 1.7%) in the fourth quarter of 2020 following an increase of 72 000 in the third quarter, compared with the severe loss of around 672 800 jobs in the second quarter of 2020. The level of such employment accordingly increased slightly to 9.63 million in the fourth quarter of 2020. Consistent with the sharp contraction in output, average employment for the year decreased by a historic 4.8% for the year as a whole, following a marginal increase of 0.8% in 2019.

Formal non-agricultural employment and output



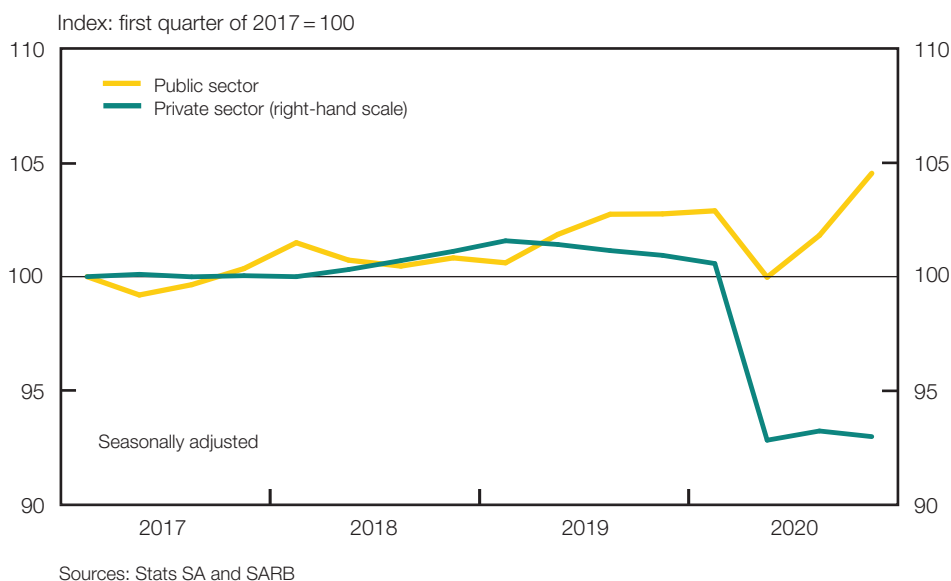
Sources: Stats SA and SARB

While the impact of the second wave of COVID-19 infections on economic activity was less severe, its full impact on employment in the formal non-agricultural sector is still unclear as it follows changes in output with a lag. This is particularly relevant to the services sectors, which bore the brunt of the reintroduction of lockdown restrictions, with some still not operating at



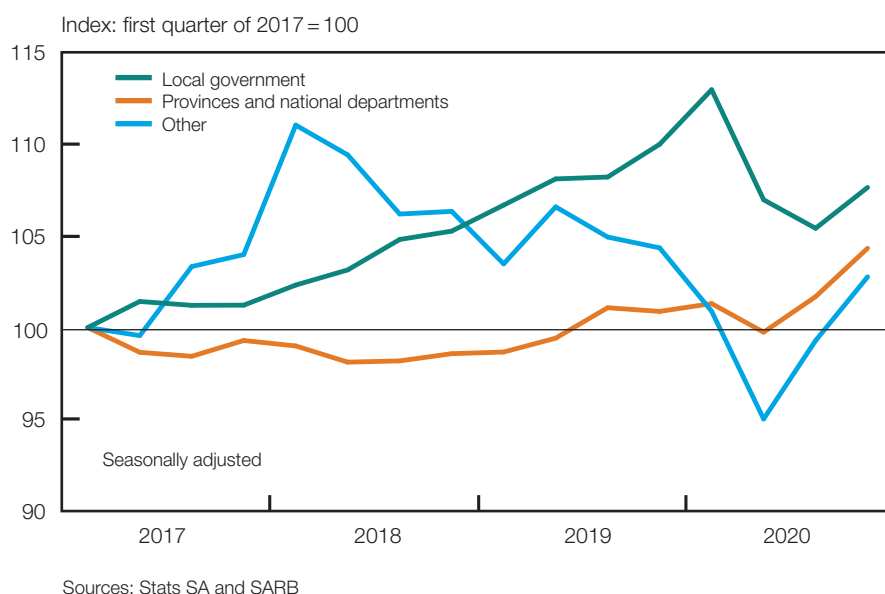
full capacity. In addition, given the slow pace of vaccination, future waves of infections remain a possibility, with consequences for the domestic economic growth momentum and employment.

Public and private sector employment



Public sector employment increased markedly at an annualised rate of 11.1% in the fourth quarter of 2020 and, together with the annualised increase of 7.5% in the third quarter, more than compensated for the losses in the second quarter. At 2.32 million in the fourth quarter of 2020, public sector employment was at its highest level since the fourth quarter of 2016 and just below the record high of 2.40 million in the second quarter of 2014, as headcount increased at all tiers, possibly due to the ongoing renewal of contracts that expired when the national lockdown was implemented. The work and training opportunities created through the Expanded Public Works Programme (EPWP), which form part of the presidential jobs initiative in response to the COVID-19 crisis, further boosted employment growth. However, on an annual average basis, public sector employment increased by only 0.3% to 2.27 million in 2020, less than the 1.1% increase in 2019.

Public sector employment



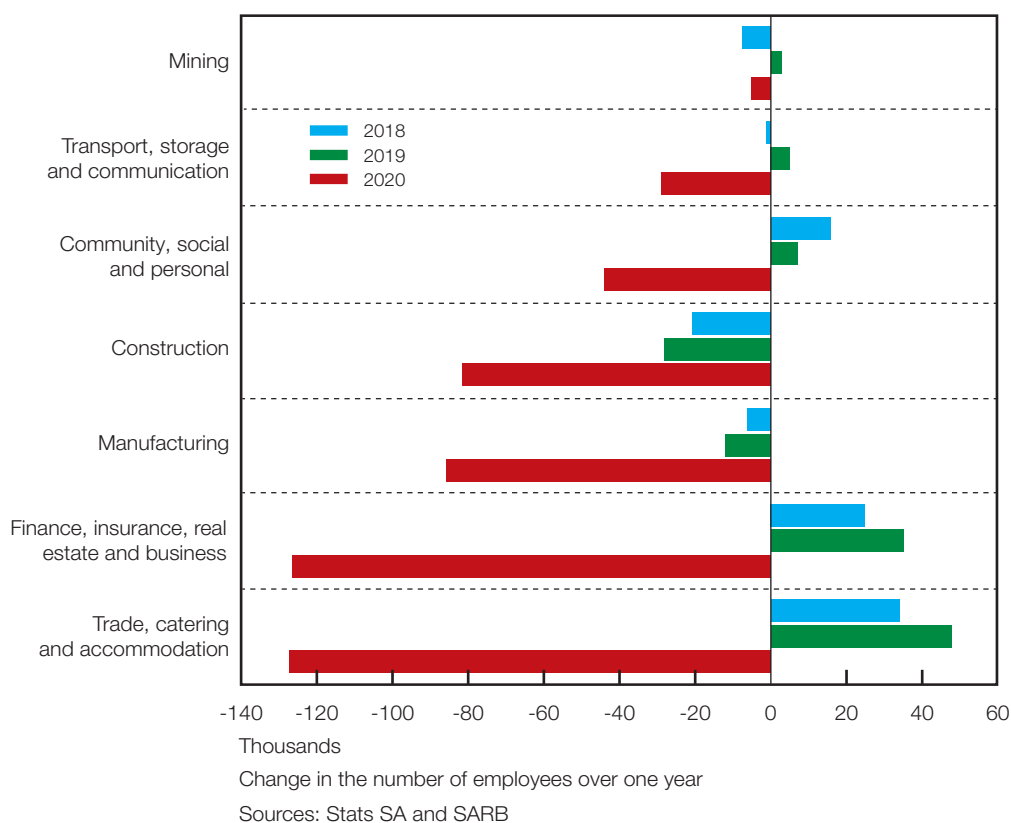
The phased lifting of lockdown restrictions has led to an uneven recovery in economic activity across sectors and, as such, has held back the revival of *private sector employment*. Private sector employment decreased anew by around 19 400 jobs in the fourth quarter of 2020 as some companies closed down or restructured while others adapted to operate with less labour, reversing most of the gains made in the preceding quarter. The bulk of these job losses was recorded in the goods-producing sectors, mostly in manufacturing and construction, which outstripped the recovery in the services sectors. On an annual average basis, private sector employment contracted by as much as 6.3% in 2020 – the largest contraction on record – compared with the marginal increase of 0.7% in 2019.

Mining sector employment increased by 5 700 in the fourth quarter of 2020 following the combined loss of around 7 900 jobs in the second and third quarters. However, this increase was insufficient to avert a contraction of 1.1% in the average level of employment in 2020 when compared with the preceding year. Non-gold-mining employment increased in the fourth quarter, while the gold-mining sector shed around 1 200 jobs after three successive quarters of employment gains. Encouragingly, mining output has recovered strongly to pre-pandemic levels, with sales and profits benefitting from the surge in international commodity prices following the recovery in global demand.

Limited *manufacturing sector employment* gains in the third quarter of 2020 were followed by a decrease of 16 500 jobs in the fourth quarter. For the year as a whole, the annual average loss of employment opportunities amounted to about 85 700. In addition, manufacturing business confidence⁸ declined to 25 index points in the first quarter of 2021 from 31 in the preceding quarter, as the timing of the survey coincided with the return of electricity load-shedding and the second wave of COVID-19 infections along with renewed restrictions. However, many of the survey's underlying demand and activity indicators continued to improve in the first quarter of 2021, albeit from a very low base. Expectations are that the improved global economic growth outlook will benefit domestic exporters, while strong agricultural output and higher mineral commodity prices could have positive spillover effects for manufacturers.

8 As measured by the BER's Absa Manufacturing Survey.

Private sector employment



However, the Bureau for Economic Research (BER) has noted some potential headwinds that could suppress manufacturing activity, including a shortage of raw materials, increasing cost pressures (particularly related to fuel and electricity), the elevated risk of further electricity load-shedding, and continued concerns over more waves of COVID-19 infections.

Construction sector employment resumed its long-term decline in the fourth quarter of 2020 following a modest increase in the third quarter from the pandemic-induced fall in the second quarter. Disconcertingly, annual average employment in the construction sector contracted for a fourth successive year, with the pace of decline accelerating from 1.7% in 2017 to a notable 13.7% in 2020. The *First National Bank (FNB)/BER Building Confidence Index* fell slightly from 29 to 27 index points in the first quarter of 2021, weighed down by a deterioration in building activity. Of concern was the continued worsening in non-residential building activity, particularly the oversupply of office and retail space. Conversely, the *FNB/BER Civil Confidence Index* rose for a third successive quarter, from 16 index points to a still low 21 index points in the first quarter of 2021. Although the improvement in building activity boosted confidence, the outlook remains uncertain, as new construction work remains scarce and respondents were increasingly worried about the availability of building materials.

It has become apparent that some of the services sectors will continue to detract from private sector employment, at least until the vaccination process has resulted in herd immunity. Sectors linked to especially the tourism, travel and hospitality industries remain under pressure, and could experience more job losses over the medium term. The lockdown-induced travel restrictions have continued to severely impact on the *transport, storage and communication services sector*, which shed jobs for a third successive quarter in the fourth quarter of 2020, albeit at a much slower pace. Similarly, the *finance, insurance, real estate and business services sector* has lost a cumulative 185 000 jobs since the second quarter of 2020, particularly in business services not elsewhere classified; legal, accounting, bookkeeping and auditing services; and financial intermediation.

With the exception of the mining subsector, the only other private subsector to record an increase in employment was the *trade, catering and accommodation services sector*, with roughly 43 500 employment opportunities created in the third and fourth quarters of 2020 combined. The retail trade subsector registered the largest increase, followed by hotels and restaurants as well as wholesale trade. However, retailer confidence⁹ fell by 13 index points to 37 in the first quarter of 2021, as most of the momentum gained in the fourth quarter of 2020 petered out. The BER has noted that business conditions also weakened further by a noteworthy 15 index points to -35 in the first quarter, while sales volume growth also reversed. However, selling prices remained elevated. These survey results probably reflect the reintroduction of adjusted Level 3 lockdown restrictions in December 2020 and January 2021, which reduced the trading hours for the sale of alcoholic beverages, among other things.

9 As measured by the BER's Retail Survey.

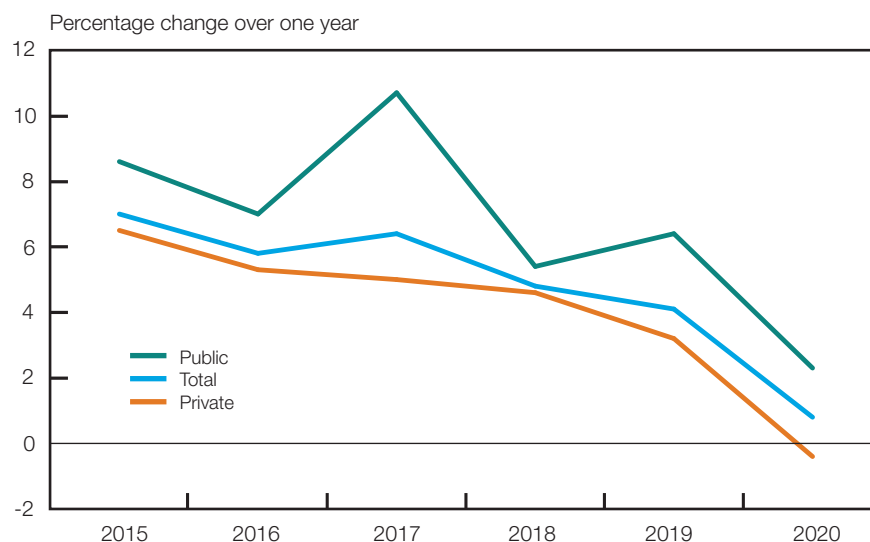
Labour cost and productivity

The year-on-year rate of increase in *formal non-agricultural nominal remuneration per worker* accelerated from 0.4% in the third quarter of 2020 to 1.1% in the fourth quarter, as private sector remuneration increased while public sector remuneration contracted notably. On an annual average basis, the pace of increase in nominal remuneration per worker slowed gradually from a peak of 13.8% in 2010 to 4.1% in 2019, and then sharply to an all-time low of 0.8% in 2020. Furthermore, real wages contracted at a much faster pace of 5.2% in the fourth quarter of 2020, contributing to an annual average decrease of 3.8% in real wages per worker for the year. The COVID-19 pandemic has significantly stunted remuneration growth, with no significant improvement expected in the short run as salary reductions, wage freezes and lower or no bonuses remain a reality in many industries.

The year-on-year rate of change in *private sector remuneration per worker* reverted from a decrease of 0.9% in the third quarter of 2020 to an increase of 1.3% in the fourth quarter, likely supported by the continued return to work of furloughed workers. Remuneration growth per worker accelerated in the gold-mining; finance, insurance, real estate and business

services; manufacturing; as well as trade, catering and accommodation services sectors. Wages per worker still contracted in construction as well as in the private transport, storage and communication services, but at a much slower pace than in the preceding two quarters. The annual average growth in private sector remuneration per worker more than halved from 7.4% in 2013 to 3.2% in 2019, before it decreased by 0.4% in 2020.

Formal non-agricultural nominal remuneration per worker



Sources: Stats SA and SARB

Conversely, remuneration per public sector worker decreased by 1.4% in the fourth quarter of 2020 after increasing by 1.9% in the third quarter. The fourth-quarter outcome was a historical low, directly related to the non-implementation of the annual public sector wage increase in 2020 to curb government expenditure. Remuneration per worker decreased at the provincial level and in the public transport, storage and communication services sector, while the rate of increase slowed at all the other public sector tiers. Moreover, public sector wage growth per worker slowed from an annual average rate of 6.4% in 2019 to only 2.3% in 2020, which was below the annual average consumer price inflation rate of 3.3%. The 2018 multi-year wage agreement expired on 31 March 2021, and renewal negotiations are currently underway against a backdrop of government's prior commitment to an annual cost-of-living adjustment of zero until the 2023/24 financial year.

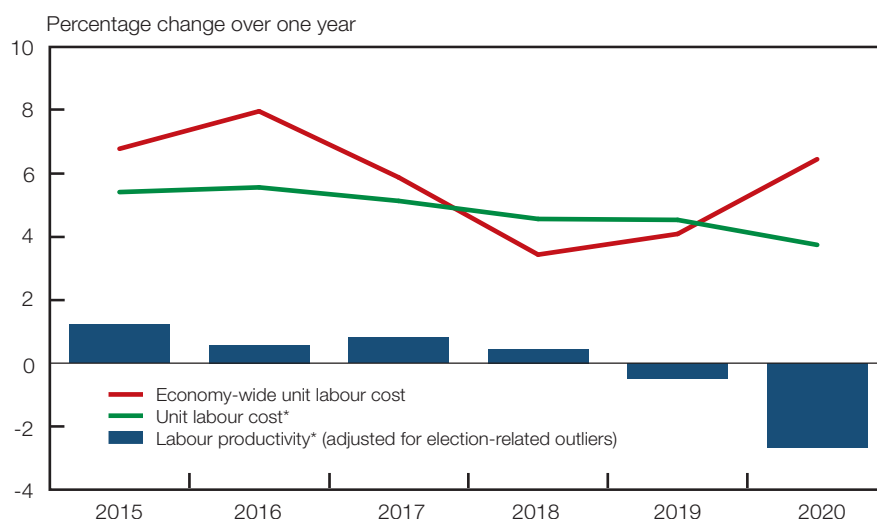
According to Andrew Levy Employment Publications, the average wage settlement rate in collective bargaining agreements decreased further to a historic low of 4.5% in the first quarter of 2021 from 6.5% in the same period of 2020, and to an average of 6.3% for 2020 as a whole. Although the number of workdays lost due to industrial action increased to a still relatively low 30 000 in the first quarter of 2021 from only 10 000 in the same quarter in 2020, when the effects of COVID-19 first surfaced, there are indications that some unions view strikes as a last resort given the situation facing employers. However, there is a possibility of strike action in the public sector where wage talks have reached a deadlock. Moreover, new wage negotiations will soon commence in the metals and engineering sector, where the 2017 wage deal expired on 30 June 2020 and a wage freeze has been agreed on until 30 June 2021 due to the COVID-19 pandemic.

Labour productivity growth¹⁰ in the formal non-agricultural sector of the economy accelerated to 0.9% in the fourth quarter of 2020 after remaining unchanged from a year earlier in the third quarter, as the rebound in output far outweighed the increase in employment on a year-on-year basis. On an annual average basis, the rate of decrease in labour productivity accelerated sharply from 0.4% in 2019 to 2.6% in 2020, reflecting the significant contraction in output.

10 Please note that the COVID-19-induced data distortions affected the informational content of economic indicators such as labour productivity and unit labour cost in 2020; these indicators should therefore be interpreted with circumspection.



Labour productivity and nominal unit labour cost



* Formal non-agricultural sector

Sources: Stats SA and SARB

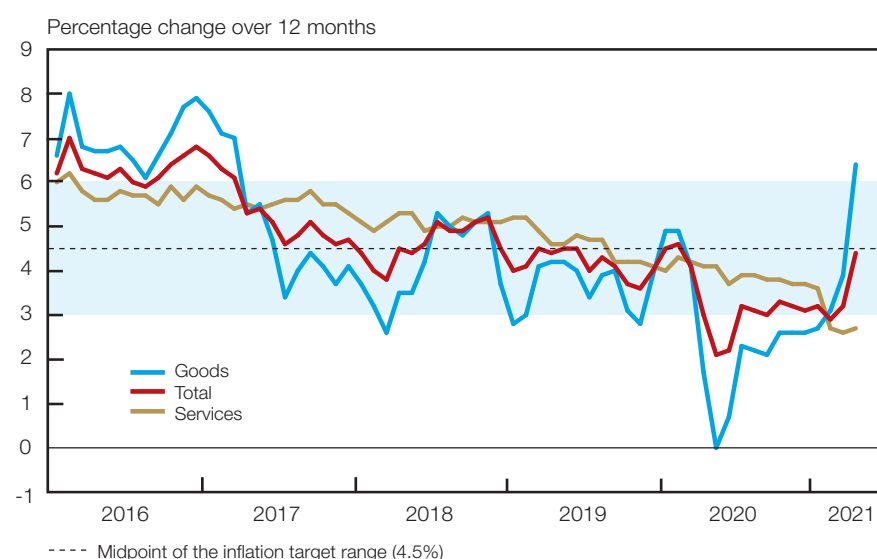
Conversely, growth in the *nominal unit labour cost* in the formal non-agricultural sector decelerated further from 0.4% in the third quarter of 2020 to only 0.2% in the fourth quarter, as total remuneration recovered at a much slower pace than output. This was the lowest year-on-year rate of increase on record, indicating the absence of inflationary pressures emanating from wage increases in the current environment. For the year as a whole, growth in the nominal unit labour cost slowed marginally to an annual average rate of 3.8% from 4.5% in 2019. Growth in the economy-wide nominal unit labour cost quickened from 4.0% in the fourth quarter of 2020 to 6.4% in the first quarter of 2021, as the rebound in the compensation of employees outweighed that in output on a year-on-year basis.

Prices¹¹

Headline consumer price inflation has moved broadly sideways since July 2020 and amounted to 3.2% in March 2021, as the acceleration in consumer goods price inflation was fully countered by the slowdown in services price inflation. Subsequently, the 12-month rate of increase in the consumer price index (CPI) accelerated to 4.4% in April 2021 following a notable quickening in goods price inflation.

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

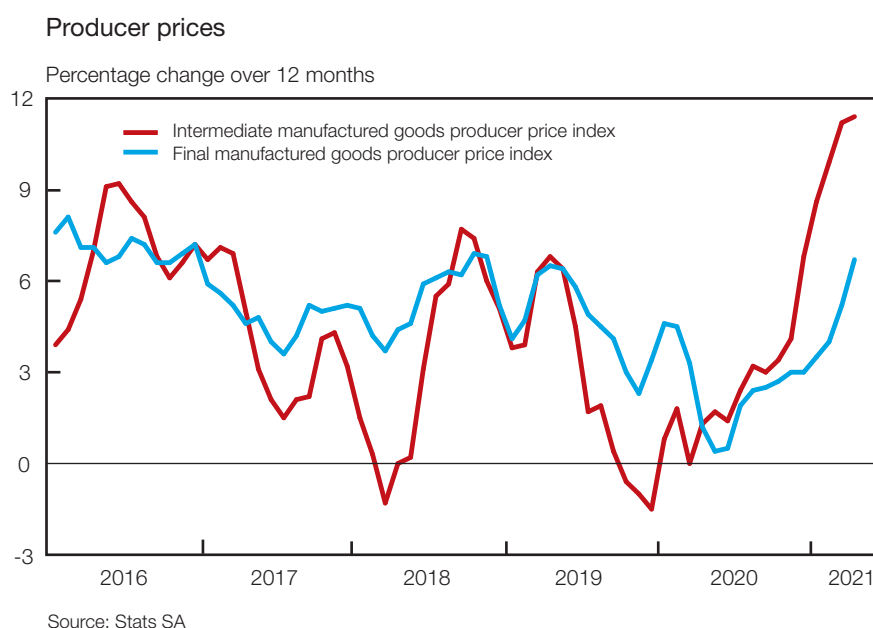
Headline consumer prices



Source: Stats SA

The acceleration in goods price inflation resulted largely from the marked acceleration in fuel price inflation and, to a lesser extent, in certain durable and semi-durable goods. This reflected the low base established in April 2020 following the collapse in international crude oil prices as well as the lockdown-induced price imputations by Stats SA at the onset of the COVID-19 pandemic.

Producer price inflation for both final and intermediate manufactured goods has accelerated notably thus far in 2021 as global supply-chain disruptions have resulted in shortages of some raw materials. Producer price inflation for intermediate manufactured goods accelerated markedly from 1.4% in June 2020 to 11.4% in April 2021, mainly on account of higher basic and fabricated metals prices as well as those of chemicals, rubber and plastic products. Final manufactured goods producer price inflation followed suit and accelerated across a broad range of categories, from 0.5% to 6.7% over the same period.



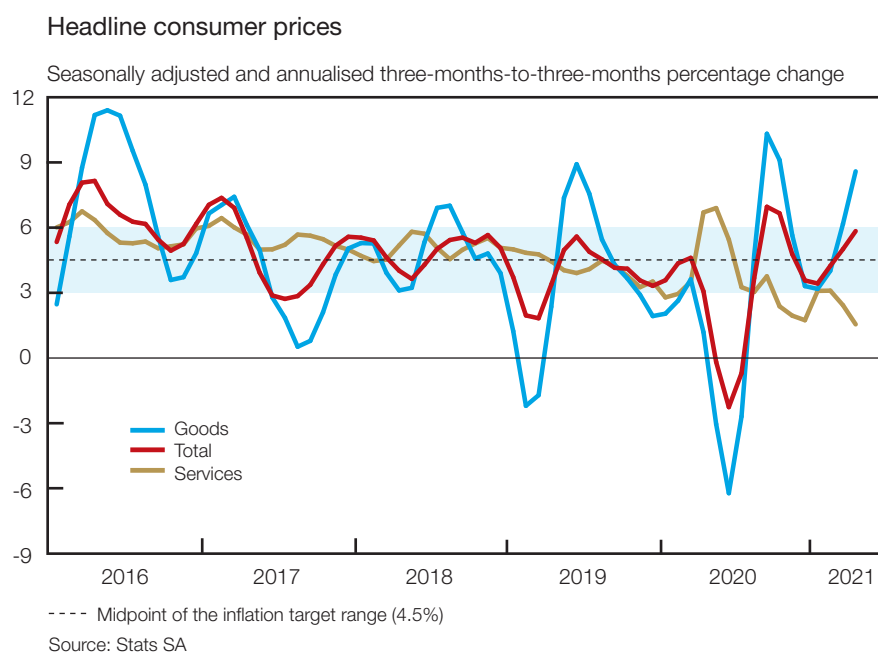
The steep rise in input prices mirrored the sharp increase in international commodity prices over the past year. Producer price inflation for mining products remained elevated throughout 2020 before decelerating, from a recent high of 36.3% in September 2020 to 10.8% in April 2021. The slowdown resulted largely from a moderation in producer price inflation of non-ferrous metals ores, gold and other metals ores. Electricity and water price inflation more than halved from 13.8% in June 2020 to 5.9% in April 2021. However, an electricity tariff increase of 15.6% was implemented from 1 April 2021 for Eskom's direct customers, with a similar increase expected from July 2021 in the rates that municipalities charge.

Producer price inflation for agricultural, forestry and fishery products decelerated from 12.0% in November 2020 to 7.1% in April 2021, largely due to a slowdown in agricultural product price inflation, in particular that of crops and horticulture as well as, to a lesser extent, of live animals and animal products. Fishery product price inflation also moderated over this period, while forestry price changes remained in deflation.



Headline CPI inflation decelerated markedly to a low of 2.1% in May 2020, suppressed mainly by a marked slowdown in fuel price inflation and the impact of certain price imputations by Stats SA during the COVID-19-related lockdown period. Subsequently, headline CPI inflation accelerated to 3.2% in July 2020 and remained broadly unchanged at this rate up to March 2021 before accelerating sharply to 4.4% in April. Price inflation accelerated in 9 of the 12 main classification of individual consumption by purpose (COICOP) categories between March 2021 and April, and remained unchanged in the remaining 3 categories.

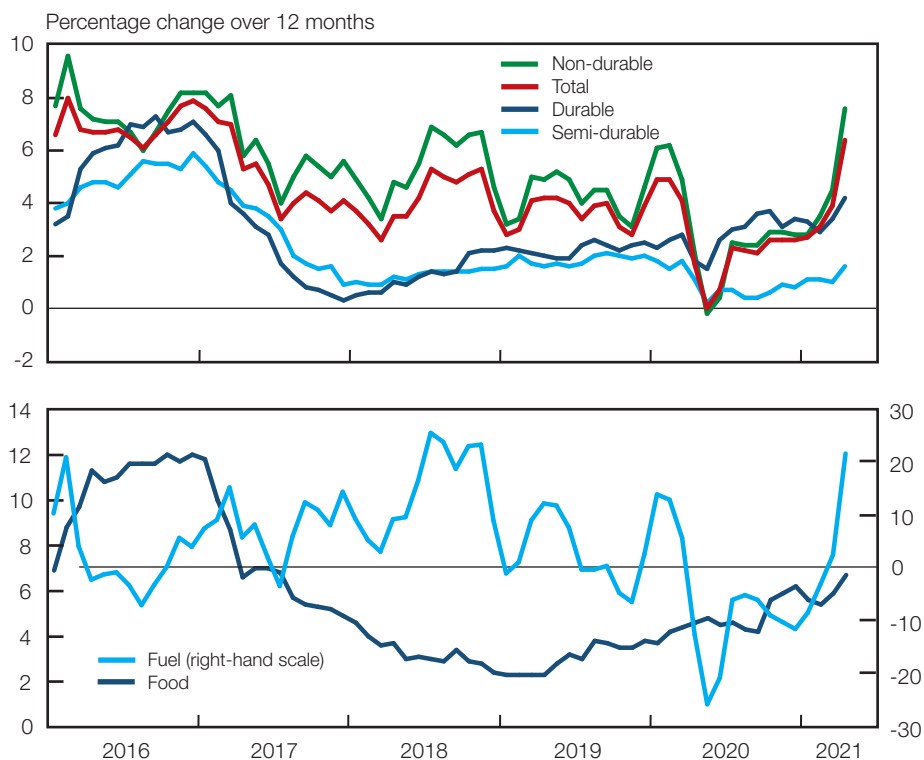
The deceleration in year-on-year headline consumer price inflation to a historical low of 2.1% in May 2020 was consistent with the loss of short-term momentum at the time, as reflected by the seasonally adjusted and annualised three-months-to-three-months percentage change that plummeted to -2.3% in June 2020. Thereafter, the short-term pace of increase picked up significantly to 7.0% in September 2020 as the same measure of consumer goods price inflation accelerated to 10.3%, mainly due to the increase in fuel prices from very low levels and as the downward bias of the price imputations by Stats SA dissipated. The short-term pace of increase in consumer prices then accelerated anew to 5.8% in April 2021 as that in consumer goods prices accelerated to 8.6%, primarily due to the increases in fuel and food prices. On the contrary, the short-term pace of increase in consumer services prices moderated significantly to 1.6% in April 2021, as especially rental price inflation remained unusually low.



Consumer goods price inflation accelerated for a fourth consecutive month to 6.4% in April 2021, mainly driven by non-durable goods price inflation, which accelerated briskly from a low of 2.4% in September 2020 to 7.6% in April 2021 following a substantial quickening in fuel price inflation and, to a lesser extent, in food price inflation. Durable goods price inflation also accelerated for a second successive month to 4.2% in April 2021 as new vehicle price inflation accelerated, mostly due to the low base that had resulted from the imputation of these prices a year earlier. Semi-durable goods price inflation remained muted at 1.6% in April 2021.

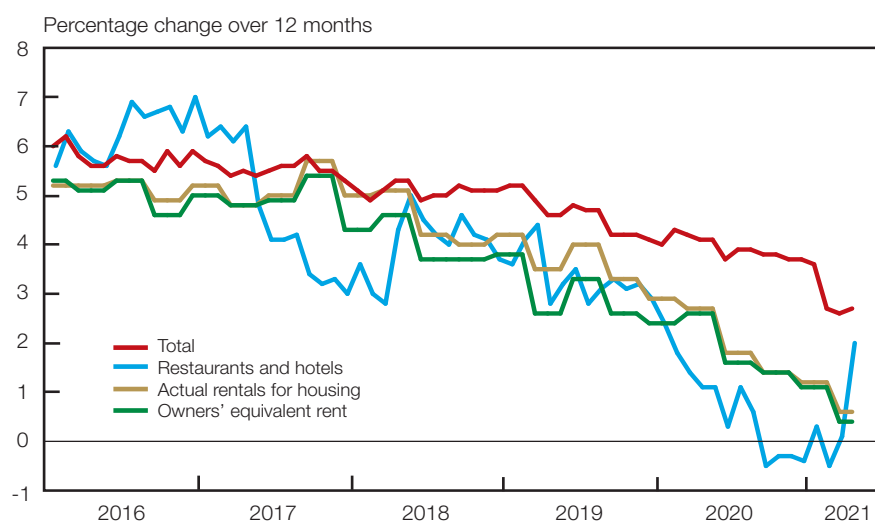


Consumer goods prices



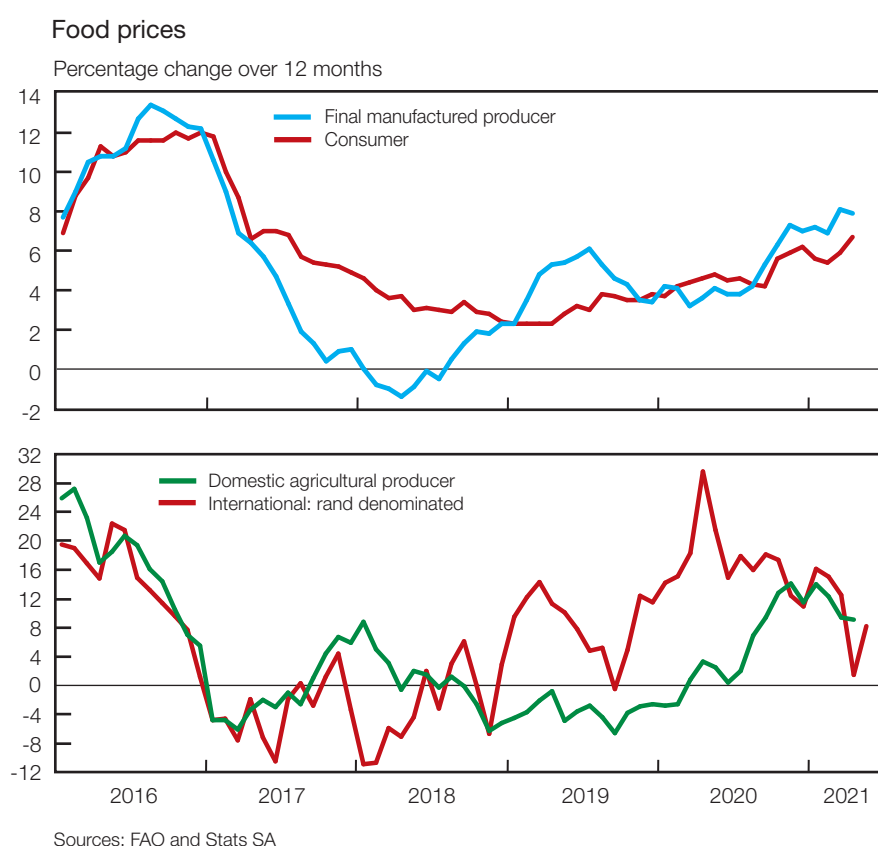
Consumer services price inflation moderated for the eighth successive month to an all-time low of 2.6% in March 2021 before accelerating marginally to 2.7% in April. The moderation in services price inflation primarily resulted from the all-time low in housing rental price inflation caused by higher supply and falling demand for rental property. The historic low interest rates are enticing many first-time buyers to purchase residential property instead of renting. Price inflation for both actual rentals for housing and owners' equivalent rent slowed to only 0.6% and 0.4% respectively in March 2021 and April. The slowdown was observed across all provinces, with rental prices contracting for the first time ever on a year-on-year basis in Gauteng. The Western Cape continued to record the fastest pace of rental inflation, although it was still well below the lower bound of the inflation target range.

Consumer services prices



Restaurant and hotel price inflation, which slowed significantly in 2020, has remained subdued in recent months, and only accelerated from -0.5% in February 2021 to 2.0% in April amid the continued impact of COVID-19. Inflation in domestic worker wages also moderated to its lowest level in 35 years when it slowed to 2.1% in March 2021 and April, likely impacted by the strain on household finances due to the COVID-19 pandemic.

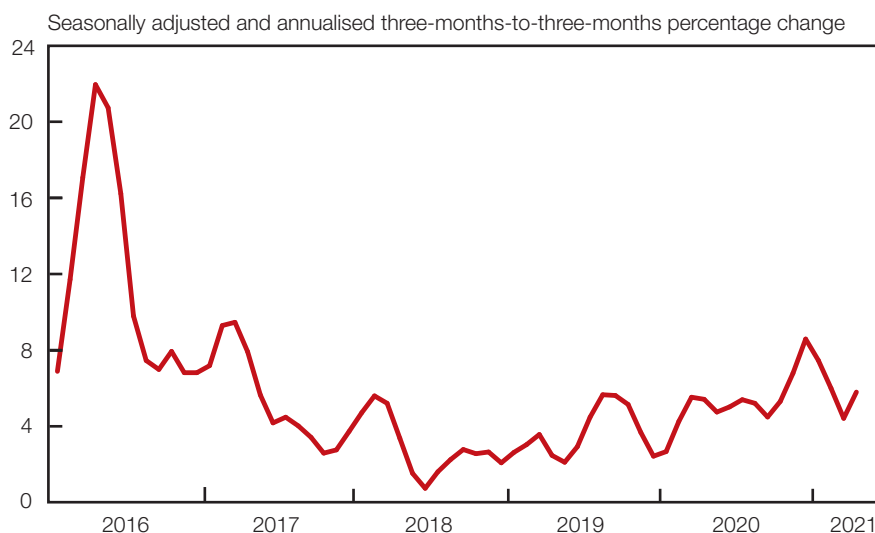
Domestic food price inflation has accelerated at both the producer and the consumer level thus far in 2021, while moderating at the agricultural level. Agricultural producer food price inflation, which usually leads manufactured producer and consumer food price inflation, accelerated notably to a high of 14.0% in January 2021 before moderating to 9.1% in April as price inflation in especially cereals and other crops, fruit and vegetables as well as live animals slowed. By contrast, manufactured producer food price inflation was more subdued at around 7% between November 2020 and February 2021 before accelerating sharply to 8.1% in March 2021 – the highest rate since February 2017. The acceleration resulted largely from higher prices of meat, fruit and vegetables, oils and fats, and, to a lesser extent, dairy products, grain mill products, starch and animal feeds.



Consumer food price inflation followed producer food price inflation higher, accelerating to 6.7% in April 2021 as the prices of most food products increased at a faster pace. The seasonally adjusted and annualised three-months-to-three-months percentage change in consumer food prices accelerated steadily from a low of 0.7% in June 2018 to 8.6% in December 2020. The short-term momentum in consumer food price inflation then moderated to 5.8% in April 2021, as the prices of bread and cereals increased at a slower pace, being the second-highest weighted product grouping in the consumer food price basket.



Headline consumer food prices



Sources: Stats SA and SARB

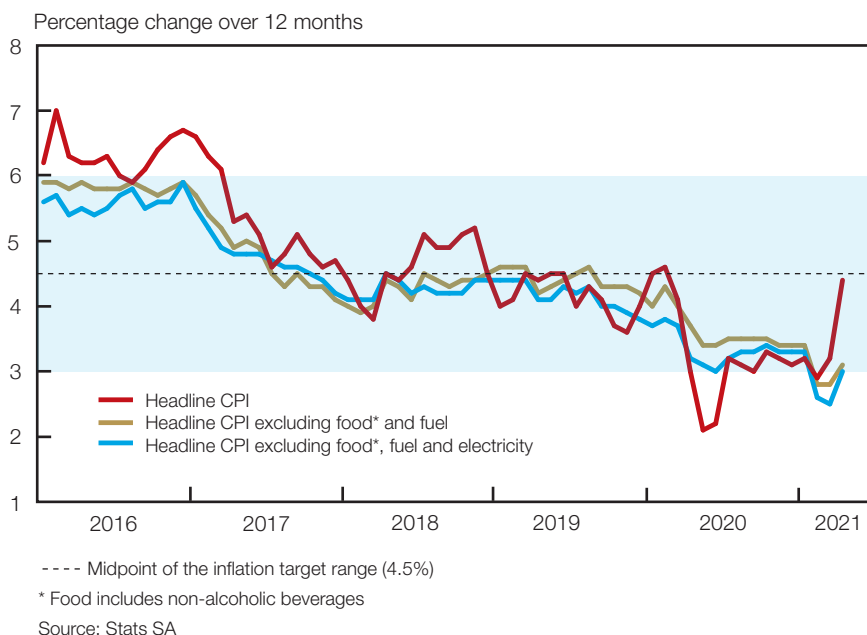
The United States (US) dollar-denominated international Food Price Index of the United Nations' Food and Agricultural Organization (FAO) has increased sharply since mid-2020 and was 39.7% higher in May 2021 than a year earlier, as the prices of all five food groups in the index increased. Vegetable oil prices increased further by 7.8% in May 2021 as international soy, rapeseed and palm oil prices rose further, with the last-mentioned increasing to its highest level since February 2011 due to rising import demand and relatively low stock levels. Dairy prices rose by 1.5% in that month, while meat prices rose by 2.2% and those of sugar by 6.8% due to higher demand following concerns over curbed global supplies in 2020/21, particularly from Brazil. US dollar-denominated cereal price inflation remained elevated at 26.0% in April 2021.

Conversely, the rate of increase in the rand-denominated FAO Food Price Index has decelerated steadily since April 2020, with cereal price changes briefly going into deflation in April 2021. This was largely due to the appreciation in the exchange value of the rand from May 2020, which shielded domestic food prices. Global maize production is expected to increase markedly in 2021, supported by record harvests expected in Brazil and a multi-year high in South Africa, which could contain a further acceleration in international food and cereals price inflation. These positive developments, including the highest domestic wheat harvest in almost a decade in the 2020 season, should help to alleviate the upside price pressures emanating from higher global food price inflation and prevent a spillover into domestic inflation.

Underlying inflationary pressures have remained well-contained within an environment of subdued demand-side pressures and with the impact of the price imputations by Stats SA during the initial strict COVID-19-related national lockdown. When subtracting the impact of food, non-alcoholic beverages and fuel prices from headline consumer price inflation, the resultant measure of underlying inflation moderated notably from 3.5% in October 2020 to 2.8% in March 2021 following lower services price inflation in particular, before accelerating to 3.1% in April.

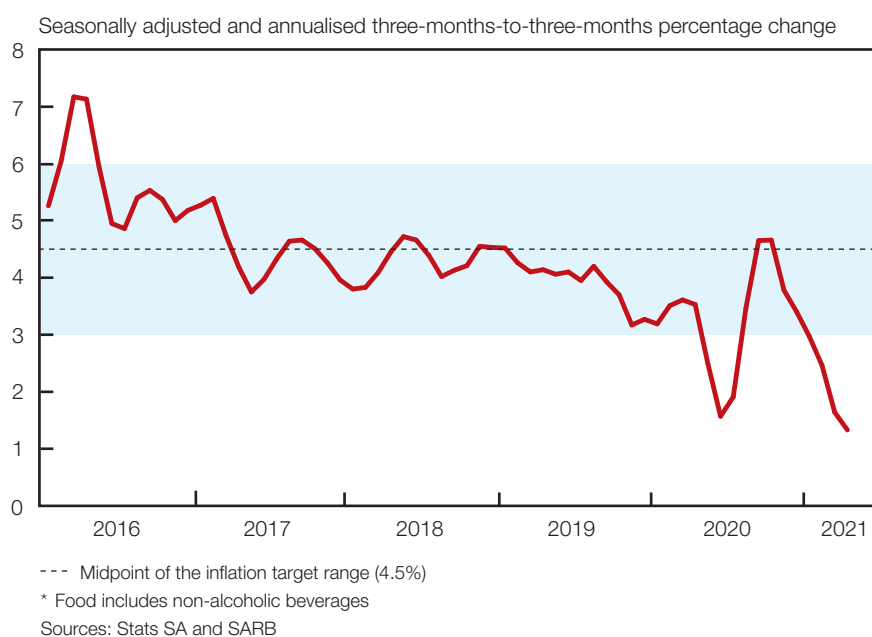


Headline and underlying measures of consumer prices



The South African Reserve Bank's (SARB) preferred measure of core inflation (also excluding electricity prices) has been below the midpoint of the inflation target range for 36 successive months up to and including April 2021. Core inflation accelerated slightly from a low of 3.0% in June 2020 to 3.4% in October, as the disinflationary effect of the price imputations made by Stats SA over the lockdown period gradually dissipated. Subsequently, core inflation moderated anew to a record low of 2.5% in March 2021, largely reflecting lower housing services price inflation and, to a lesser extent, a moderation in education services price inflation. Core inflation then accelerated to 3.0% in April 2021, largely due to the low base of a year earlier when the price imputations were first implemented.

Headline consumer prices excluding food*, fuel and electricity





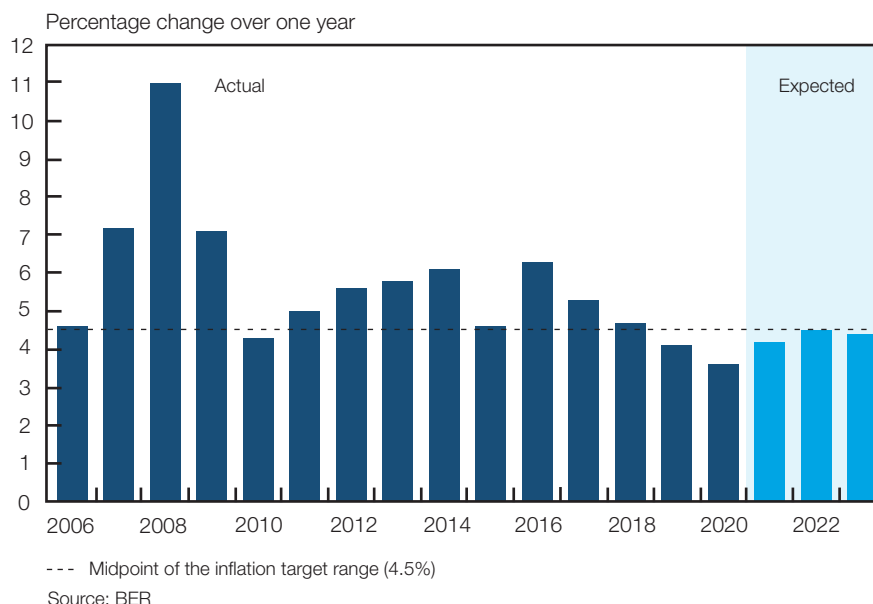
The effect of Stats SA's price imputations is also clearly visible in the seasonally adjusted and annualised three-months-to-three-months percentage change in core CPI, which is not susceptible to year-on-year base effects as it measures price changes over a three-month span instead of over 12 months. The short-term pace of increase in core inflation has gradually trended lower since 2016 and then moderated sharply in May to July 2020 due to the impact of the lockdown-induced price imputations. This measure then accelerated again sharply to October 2020, impacted by the low three-month base created during the imputation period. The short-term momentum in core inflation then receded to only 1.3% in April 2021, suggesting that the year-on-year acceleration in core inflation in that month resulted largely from base effects due to the price imputations a year earlier.

Administered price inflation slowed to 0.2% in December 2020 as fuel prices decreased anew in the final three months of the year. However, administered price inflation subsequently accelerated to 9.2% in April 2021 when fuel prices followed international crude oil prices higher as lockdown restrictions eased globally. Domestic fuel price inflation accelerated briskly from -11.7% in December 2020 to 21.4% in April 2021, exacerbated by the low base of a year earlier. When excluding fuel prices, administered price increases moderated to 5.2% in the second half of 2020 as especially electricity price inflation slowed. In March 2021 and April, this narrower measure of administered price inflation receded to 4.7%, mainly on account of lower education services price inflation. When excluding both fuel and electricity prices, administered price inflation remained stable during the second half of 2020 before moderating from 4.7% in February 2021 to 4.0% in both March and April. Before the recent moderation, these two measures of underlying administered price inflation have essentially moved sideways since July 2019 and, relative to overall administered price inflation, show the volatility introduced by fuel price changes.

*Average headline CPI inflation expectations*¹² for 2021 and 2022 decreased compared to the outcome of the previous survey. Headline CPI inflation is forecast to average 3.9% (4.2% previously) in 2021 and 4.2% (4.5% previously) in 2022, and then to increase to 4.4% in 2023. The moderation in actual inflation from 4.1% in 2019 to 3.3% in 2020 may have contributed to the lower inflation expectations in the first-quarter 2021 survey.

12 These inflation expectations were measured by the *Survey of Inflation Expectations*, conducted by the BER in the first quarter of 2021.

Annual headline consumer prices



Headline consumer price inflation expectations

Per cent, as surveyed in the first quarter of 2021

Average inflation expected for:	Financial analysts	Business representatives	Trade union representatives	All surveyed participants
2021.....	4.1	4.0	3.6	3.9
2022.....	4.4	4.4	3.9	4.2
2023.....	4.4	4.7	4.2	4.4
The next five years	4.4	4.9	4.4	4.6

Source: BER

While both business and trade union representatives lowered their forecasts, financial analysts revised their projections higher in the first-quarter 2021 survey, albeit to levels still below the midpoint of the inflation target range. Business representatives expect inflation to average 4.0% in 2021 and then to pick up to 4.4% in 2022, broadly similar to the financial analysts. In contrast, trade union officials foresee lower inflation than both financial analysts and business representatives, and expect inflation to increase from the actual outcome of 3.3% in 2020 to 3.6% in 2021 and further to 3.9% in 2022. Average five-years-ahead inflation expectations receded marginally from 4.7% in the fourth-quarter 2020 survey to 4.6% in the first-quarter 2021 survey, and appear to be anchored close to the midpoint of the inflation target range.

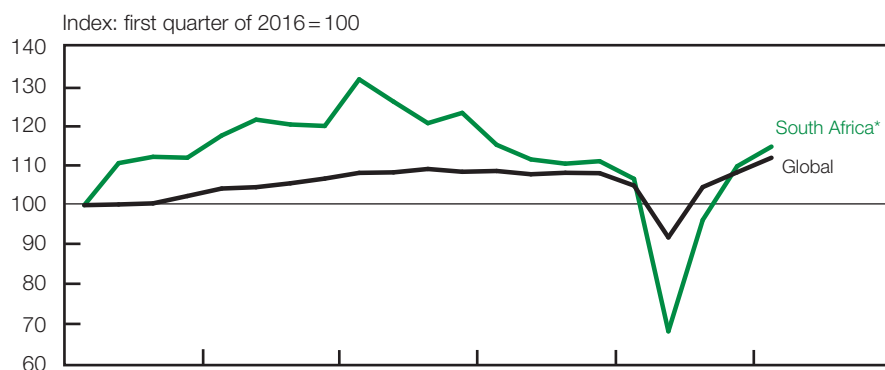
Household inflation expectations receded further from 5.3% in the fourth-quarter 2020 survey to 5.0% in the first quarter of 2021.

External economic accounts

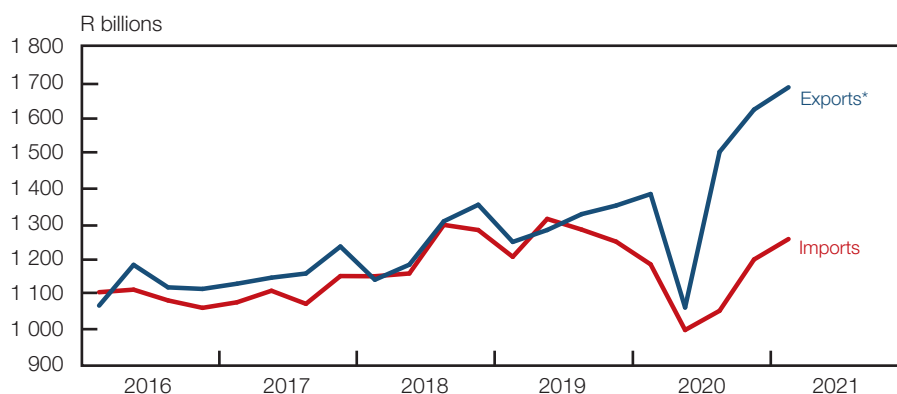
Current account¹³

The value of South Africa's exports increased further in the first quarter of 2021, consistent with the continued recovery in global and domestic economic activity as well as the sustained surge in commodity prices. This culminated in the third consecutive quarterly increase in the value of net gold and merchandise exports to a new all-time high in the first quarter of 2021. At the same time, the value of merchandise imports also increased further. However, the magnitude of the increase in the value of both exports and imports was less than in the previous quarter.

Volume of merchandise exports



Value of South Africa's merchandise exports and imports



* Including gold
Seasonally adjusted and annualised

Sources: CPB Netherlands Bureau for Economic Policy Analysis, Stats SA and SARB

South Africa's trade surplus widened slightly to R430 billion in the first quarter of 2021 from R425 billion in the final quarter of 2020, as the value of merchandise exports increased more than that of imports. The higher value of exported goods reflected an increase in prices, while the value of imports was driven by higher volumes. The larger trade surplus, together with a significant narrowing of the shortfall on the services, income and current transfer account, led to a widening of the surplus on the current account of the balance of payments. The current account surplus widened from R198 billion in the fourth quarter of 2020 to R267 billion in the first quarter of 2021, or from 3.7% to 5.0% of GDP – the second-largest ratio to GDP since the third quarter of 1988, with the largest being in the third quarter of 2020.



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

Current account of the balance of payments

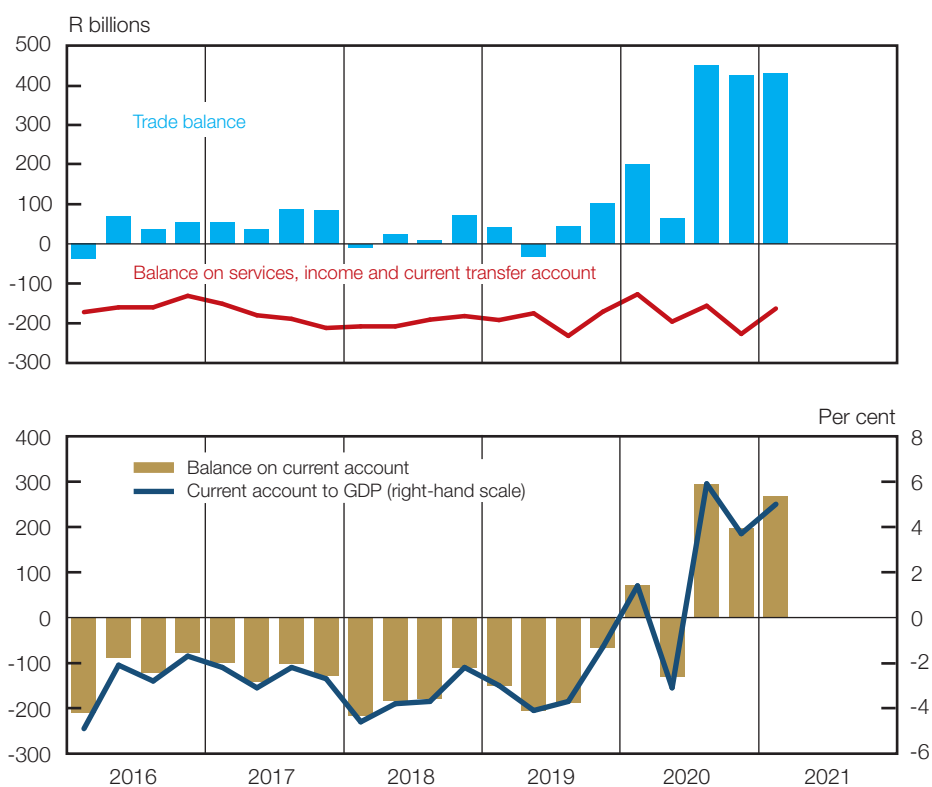
R billions, seasonally adjusted and annualised

	2020				2021	
	Q1	Q2	Q3	Q4	Year	Q1
Merchandise exports.....	1 288	984	1 376	1 497	1 286	1 581
Net gold exports.....	97	79	129	128	108	107
Merchandise imports.....	-1 185	-999	-1 054	-1 199	-1 109	-1 257
Trade balance.....	200	64	451	425	285	430
Net services, income and current transfer payments.....	-127	-196	-156	-227	-177	-163
Balance on current account.....	72	-132	294	198	108	267
<i>As a percentage of gross domestic product</i>						
Trade balance.....	3.8	1.5	9.0	7.9	5.7	8.1
Services balance.....	0.1	-1.3	-1.1	-1.0	-0.8	-1.0
Income balance.....	-1.9	-2.4	-1.1	-2.2	-1.9	-1.1
Current transfer balance.....	-0.7	-0.8	-1.0	-1.0	-0.9	-1.0
Balance on current account.....	1.4	-3.1	5.9	3.7	2.2	5.0

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

Sources: Stats SA and SARB

Current account of the balance of payments

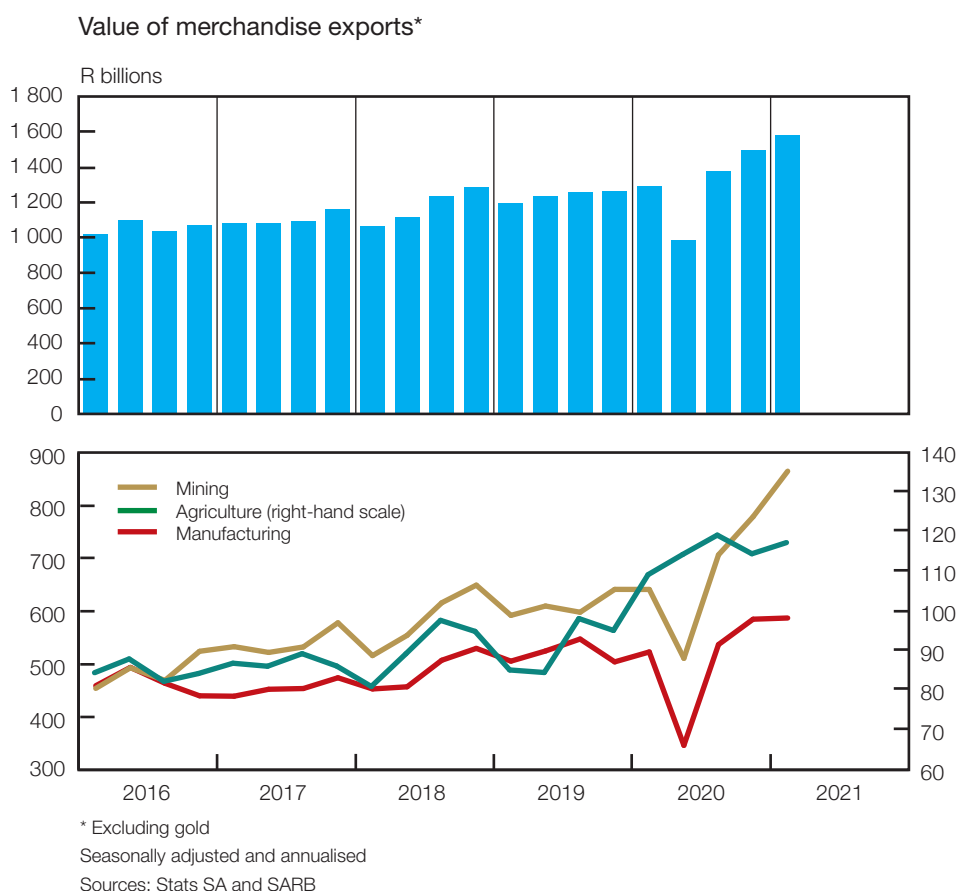


Seasonally adjusted and annualised

Sources: Stats SA and SARB

The value of merchandise exports rose further by 5.6% in the first quarter of 2021 after increasing by 8.8% in the previous quarter. Mining, agricultural and manufacturing exports all increased in the first quarter of 2021.

Mining exports continued to benefit from an improvement in global manufacturing activity and higher commodity prices, among other factors, in the first quarter of 2021. All the subcategories of mining exports recorded increases over the period. Mineral exports were boosted by iron ore, mainly destined for Japan and China, with the latter indicating an early emergence from the COVID-19 pandemic and higher infrastructure spending. Exports of PGMs were boosted by higher prices and received a fillip from increased refined production as Anglo Platinum's converting plant became fully operational following the completion of the rebuild towards the end of 2020. The export value of base metals and articles thereof also increased in the first quarter of 2021.



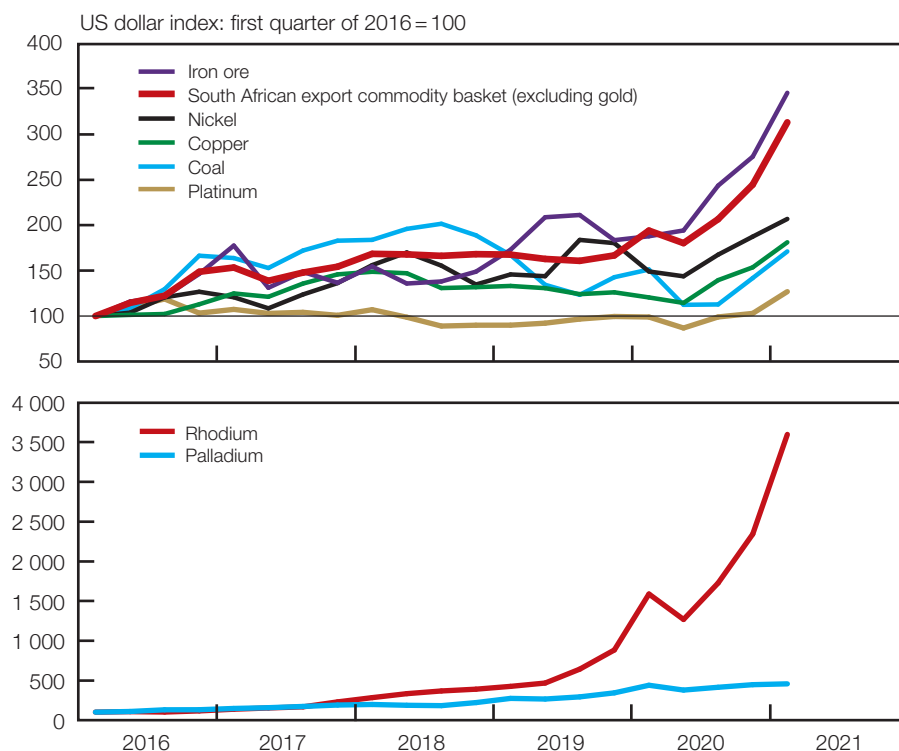
The value of agricultural exports increased over the period, boosted by a substantial rise in the exports of fresh fruits, particularly grapes, which were mainly exported to the Netherlands and the United Kingdom. The value of manufacturing exports increased only slightly in the first quarter of 2021, mainly reflecting increases in the exports of chemical products, textiles and articles of textiles as well as processed food, beverages and tobacco. These increases more than offset the contraction in the exports of vehicles and transport equipment, which decreased from a relatively high base in the fourth quarter of 2020.

The US dollar price of a basket of domestically produced non-gold export commodities continued its strong upward trajectory, increasing substantially by 28.0% in the first quarter of 2021. This followed a marked increase of 18.4% in the fourth quarter of 2020. The surge in commodity prices, particularly those of metals and minerals, was driven by the recovery in global economic activity as well as supply concerns. The surge in coal prices also reflected disruptions in rail infrastructure caused by heavy rainfall, which resulted in a slower pace of the loading



of vessels and a temporary standstill at Newcastle Port in Australia – the world's largest coal export port. The prices of PGMs continued to benefit from strict vehicle emissions standards, especially in Europe, China and the US.

International prices of selected South African export commodities



Sources: Afriforesight, World Bank and SARB

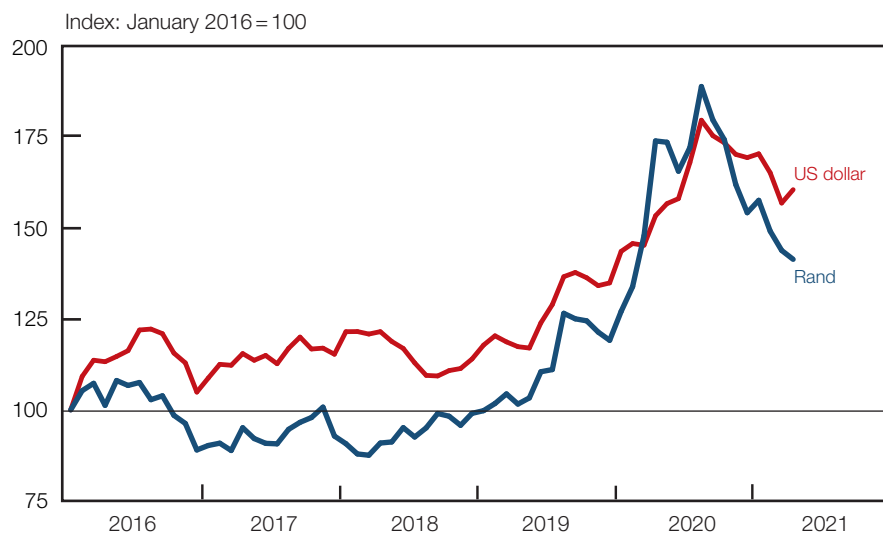
The rand price of merchandise exports continued to trend higher and increased further by 5.2% in the first quarter of 2021 following the sustained rally in international commodity prices. At the same time, the volume of merchandise exports also increased slightly by 0.4%, marking a third consecutive quarterly increase.

The price of gold on the London market decreased further to an average of US\$1 800 per fine ounce in the first quarter of 2021. This represented a decline of 4.0% from the average of US\$1 875 per fine ounce in the fourth quarter of 2020 as rising US Treasury yields reduced investment demand for gold. The weaker demand was reflected by the strong outflow from gold-backed exchange-traded funds of 177.9 tons in the first quarter of 2021, according to the World Gold Council.

The further appreciation in the external value of the rand during the first quarter of 2021 resulted in the average realised rand price of net gold exports declining at a more rapid pace of 8.5% over this period, following a decline of 4.4% in the fourth quarter of 2020. This decline, alongside the lower volume of net gold exports, contributed to a 16.3% decline in the value of net gold exports in the first quarter of 2021.



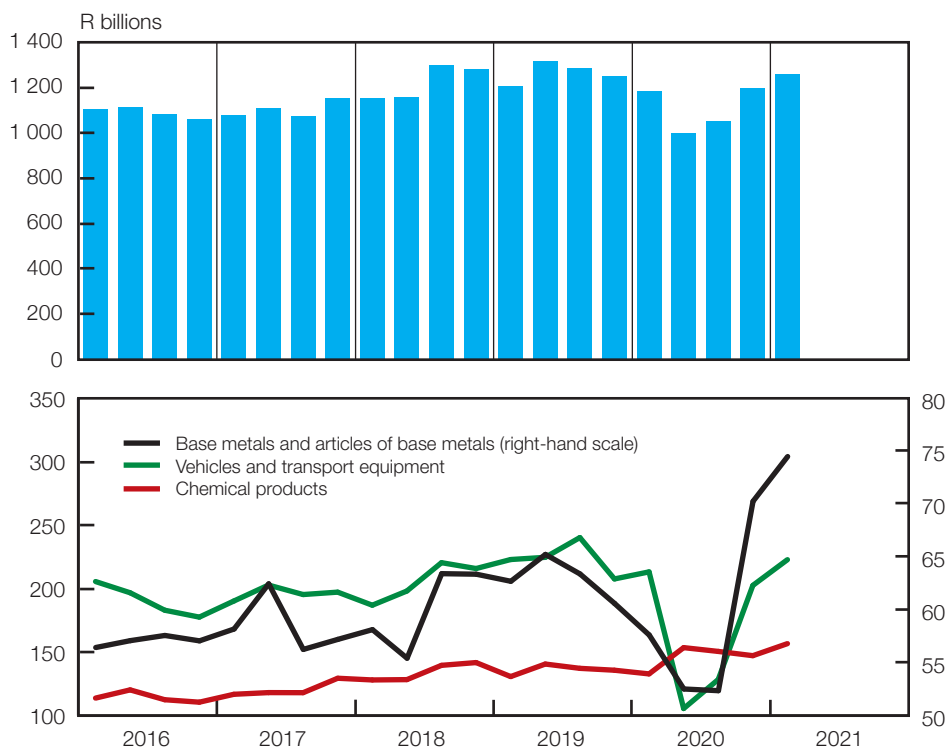
Gold price



Sources: Reuters and SARB

The value of merchandise imports increased further by 4.8% in the first quarter of 2021, marking a third consecutive quarterly increase, as the import values of manufactured and mining goods increased. While the increase in the former was broad-based, it was largely driven by higher values of imported vehicles and transport equipment as well as chemical products. The import value of vehicles and transport equipment was buoyed by increased domestic demand for automotive parts as well as the importation of an aircraft. The imports of chemical products were boosted by pharmaceutical products, especially COVID-19 vaccines.

Value of merchandise imports

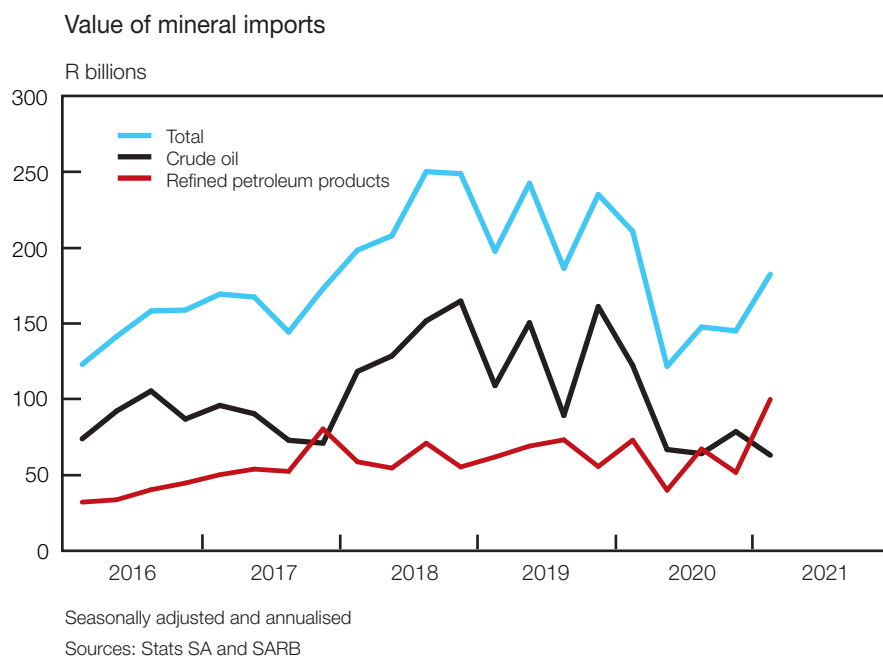


Seasonally adjusted and annualised

Sources: Stats SA and SARB

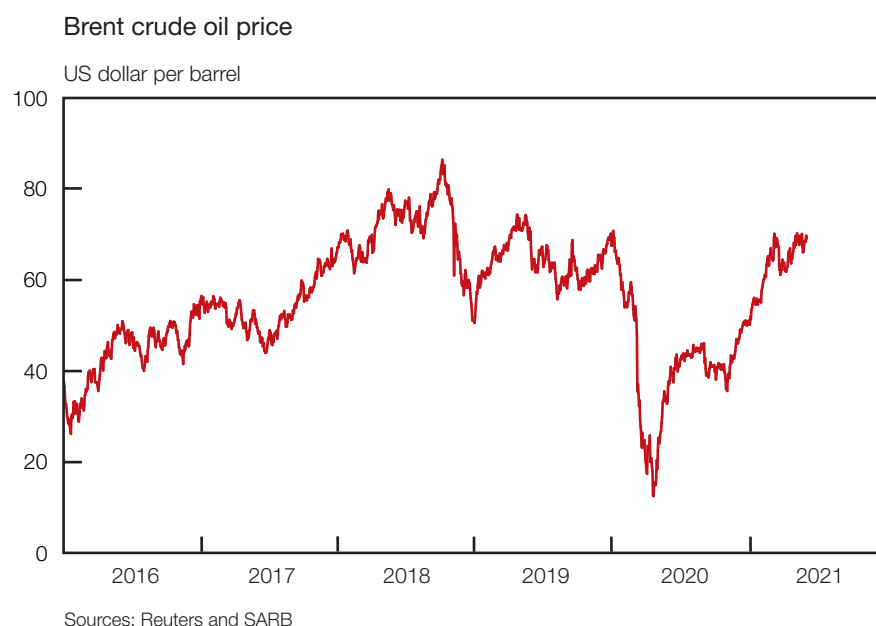


Sharply higher imports of mineral products as well as base metals and articles thereof lifted the overall value of mining imports in the first quarter of 2021. The latter was due to the importation of ferronickel as well as flat-rolled products of iron and non-alloy steel, in order to make up for domestic supply shortages amid significant increases in the prices of these products. The importation of mineral products increased mainly due to a significant rise in refined petroleum product imports, especially distillate fuel and petrol, as operations came to a halt at key South African refineries. These increases more than offset the contraction in the value of imported crude oil, which fell sharply due to a 28.0% decline in the physical quantity of crude oil imports caused by the adverse effect on operational activities following the shutdown of some refineries. The sharp decline in the physical quantity of crude oil imports outweighed the increase in the average realised rand price of imported crude oil, which averaged about R795 per barrel in the first quarter of 2021 compared with around R716 per barrel in the fourth quarter of 2020.



The spot price of Brent crude oil increased at double-digit rates in both January and February 2021, following good progress with the global COVID-19 vaccination roll-out, among other factors, which promises to contribute to the revival of global economic activity and thus the demand for oil. On the supply side, the price was supported by constraints brought about by severe winter storms, with extreme cold weather conditions in some parts of the US disrupting crude oil production. Supply curtailments introduced by the Organization of the Petroleum Exporting Countries and allies (OPEC+) also contributed to the higher Brent crude oil prices. The spot price briefly rose to above US\$70 per barrel on 8 March 2021 for the first time since May 2019 while recording an average monthly increase in March 2021.

On a quarterly basis, the spot price of Brent crude oil surged by 37.7% in the first quarter of 2021 to its highest quarterly average since the fourth quarter of 2019. The upward trend was, however, reversed in April 2021 after OPEC+ decided to gradually increase supply between May and July 2021. The decrease was also driven by rising concerns regarding fuel demand as several European countries reintroduced lockdown measures. Japan's new wave of COVID-19 cases and the death-toll surge in India – the world's third-largest oil importer – contributed further to the decline in crude oil prices. The spot price recorded a monthly decline of 1.4% in April 2021 before increasing again in May, and amounted to US\$73.13 per barrel on 15 June.

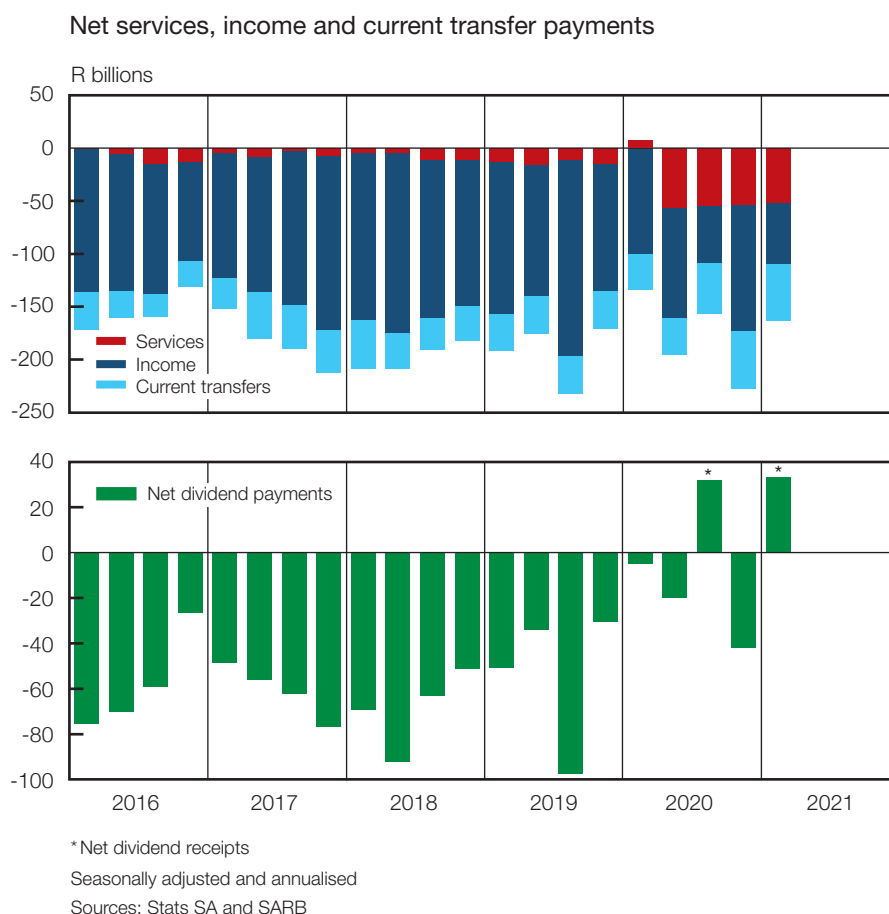


The volume of merchandise imports increased by 6.5% in the first quarter of 2021, reflecting higher manufacturing and mining imports. As such, the import penetration ratio (i.e. real merchandise imports as a ratio of GDE) rose from 25.6% in the fourth quarter of 2020 to 26.5% in the first quarter of 2021. Over the same period, the appreciation in the exchange value of the rand, which contributed to a decline in the prices of other imported goods, more than offset the significant increase in the price of crude oil. This led to a slight decline of 1.6% in the rand price of merchandise imports in the first quarter of 2021.

South Africa's terms of trade improved for the seventh consecutive quarter in the first quarter of 2021, representing the longest period of consecutive quarterly increases on record. The improvement resulted from a further rise in export prices of goods and services alongside the lower rand price of imports.



The shortfall on the services, income and current transfer account narrowed noticeably to R163 billion in the first quarter of 2021 from a large deficit of R227 billion in the final quarter of 2020. Relative to GDP, the deficit decreased to 3.1% from 4.2% over the same period. The narrower deficit could mainly be ascribed to a significantly smaller deficit on the income account along with a slightly smaller services deficit, while net current transfer payments remained almost unchanged.



The services deficit declined slightly further in the first quarter of 2021. However, it has undergone a major level shift compared to the first quarter of 2020 as the global COVID-19 lockdown restrictions severely impacted on international travel-related items from the second quarter of 2020. Consequently, gross travel receipts, which have the largest share in gross services receipts, were severely reduced in the first quarter of 2021 when compared with the first quarter of 2020. This resulted in the services deficit being just more than five times larger in the first quarter of 2021 than the average deficit for the five quarters up to and including the first quarter of 2020. Both gross travel receipts and gross passenger payments declined in the first quarter of 2021. Even though South Africa had opened its borders to foreign tourists at the beginning of the fourth quarter of 2020, the ongoing global COVID-19 pandemic continued to exert strain on the tourism industry. Sentiment in the tourism industry was further negatively affected in the first quarter of 2021 by the discovery of a new COVID-19 variant towards the end of December 2020, leading to a number of countries imposing renewed travel bans on tourists visiting South Africa. These travel restrictions influenced gross travel receipts as well as passenger-related services. Gross payments for other services contracted in the first quarter of 2021, also contributing to the slight improvement in the overall services deficit.

The deficit on the income account narrowed significantly to an exceptionally low 1.1% of GDP in the first quarter of 2021, similar to that in the third quarter of 2020. The vast improvement resulted from yet another dividend surplus (net dividend receipts) following shortly after the first quarterly dividend surplus in almost 25 years in the third quarter of 2020. Gross dividend payments contracted in the first quarter of 2021 from a relatively high base in the fourth quarter

of 2020. As such, gross dividend payments as a percentage of GDP declined to 1.5% in the first quarter of 2021, which was below the annual ratio of 1.7% of GDP for 2020 as a whole – the lowest annual ratio since 2010. This extremely low ratio continues to mirror the sluggish dividend distributions in a constrained economic environment. By contrast, gross dividend receipts increased noticeably in the first quarter of 2021, to a ratio of 2.2% of GDP, and were instrumental in shaping another dividend surplus. Gross interest payments increased in the first quarter of 2021, preventing the income deficit from narrowing further. However, compared with the same quarter of the previous year, gross interest payments contracted by 0.6%, broadly in line with the low domestic interest rates.

Net current transfer payments decreased marginally as the contraction in gross current transfer payments slightly outweighed that of gross current transfer receipts.

Financial account

The net outflow of capital on South Africa's financial account of the balance of payments (excluding unrecorded transactions) increased to R64.7 billion in the first quarter of 2021 following an outflow of R58.9 billion in the fourth quarter of 2020. On a net basis, portfolio investment, financial derivatives and other investment recorded outflows, while direct investment and reserve assets registered inflows. Net financial account outflows as a ratio of GDP increased from 4.4% in the fourth quarter of 2020 to 5.0% in the first quarter of 2021.

Net financial transactions

R billions

	2020					2021
	Q1	Q2	Q3	Q4	Year	Q1
Change in liabilities						
Direct investment.....	27.6	19.7	-12.2	16.0	51.1	6.1
Portfolio investment.....	-90.6	-53.3	-39.5	24.1	-159.3	-6.4
Financial derivatives.....	-73.7	-116.1	-76.1	-69.8	-335.7	-79.9
Other investment.....	50.0	-35.9	45.2	-42.4	16.9	-12.3
Change in assets						
Direct investment.....	-9.0	19.2	-10.9	33.2	32.5	11.3
Portfolio investment.....	79.6	41.7	-38.7	-36.0	46.6	-39.8
Financial derivatives.....	69.0	107.2	78.7	69.8	324.7	75.3
Other investment.....	-98.8	-17.9	12.1	-58.9	-163.5	-29.3
Reserve assets.....	42.2	22.1	-15.2	5.1	54.2	10.3
Total identified financial transactions*	-3.8	-13.5	-56.5	-58.9	-132.7	-64.7
<i>As a percentage of gross domestic product.....</i>	<i>-0.3</i>	<i>-1.3</i>	<i>-4.5</i>	<i>-4.4</i>	<i>-2.7</i>	<i>-5.0</i>

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

Inflow (+)/outflow (-)

Source: SARB

Foreign-owned assets in South Africa

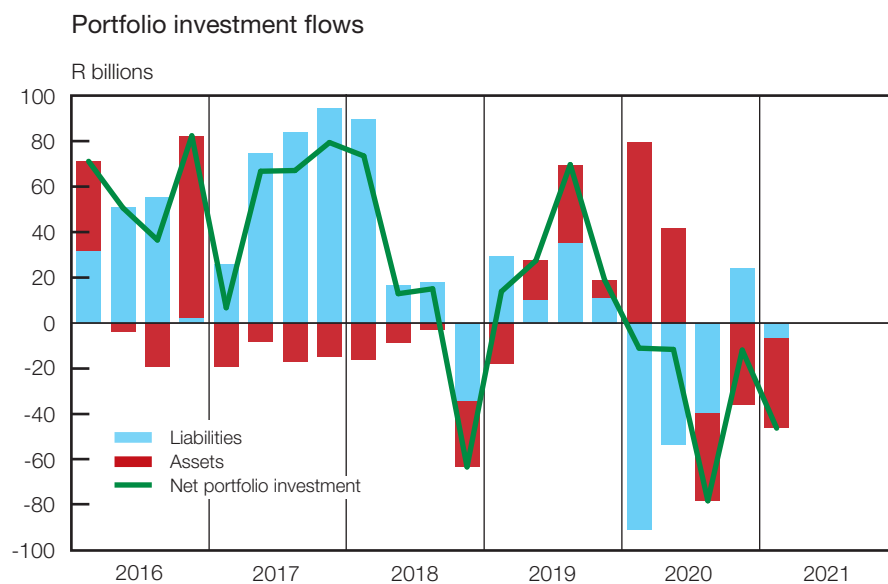
South Africa's direct investment liabilities recorded an inflow of R6.1 billion in the first quarter of 2021 following an inflow of R16.0 billion in the fourth quarter of 2020. The increase in non-resident parent entities equity investment in domestic subsidiaries more than countered domestic subsidiaries' repayment of loans to non-resident parent entities.

Portfolio investment liabilities reverted from an inflow of R24.1 billion in the fourth quarter of 2020 to an outflow of R6.4 billion in the first quarter of 2021, as the redemption of an international bond by a public corporation outweighed non-residents' net purchases of domestic equity and debt securities. Non-residents disposed of debt securities of R15.4 billion in the first



quarter of 2021 following net purchases of R35.7 billion in the previous quarter, while net sales of equities of R11.6 billion in the final quarter of 2020 reverted to net purchases of R8.9 billion in the first quarter of 2021.

Other investment liabilities recorded a smaller outflow of R12.3 billion in the first quarter of 2021 following an outflow of R42.4 billion in the preceding quarter. The domestic private banking and non-banking sectors' repayment of loans to non-residents outweighed non-resident deposits with the domestic banking sector in the first quarter of 2021.



South African-owned assets abroad

South Africa's direct investment assets recorded an inflow of R11.3 billion in the first quarter of 2021 following an inflow of R33.2 billion in the fourth quarter of 2020, as domestic direct investors received debt repayments from non-resident direct investment enterprises.

South African residents acquired foreign portfolio assets to the value of R39.8 billion in the first quarter of 2021 following the acquisition of R36.0 billion in the fourth quarter of 2020, mainly as a result of the domestic private banking and non-banking sectors' purchases of foreign debt securities.

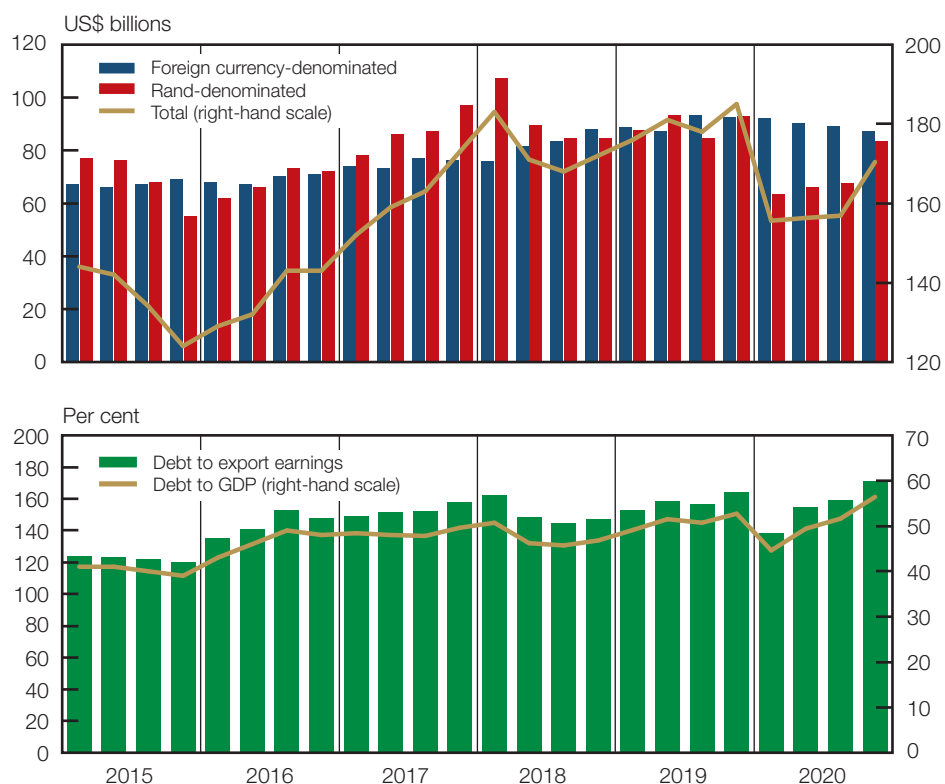
Other investment assets recorded an outflow of R29.3 billion in the first quarter of 2021 following an outflow of R58.9 billion in the preceding quarter, as the domestic private banking and non-banking sectors granted short-term loans to non-residents. This was partly countered by the domestic banking sector's withdrawal of deposits from non-resident banks.

Foreign debt

South Africa's total external debt increased substantially from US\$156.9 billion at the end of September 2020 to US\$170.4 billion at the end of December. However, in rand terms, South Africa's total external debt decreased from R2 655 billion to R2 492 billion over the same period, as the exchange value of the rand appreciated against the US dollar.

Foreign currency-denominated external debt decreased from US\$89.2 billion at the end of September 2020 to US\$87.0 billion at the end of December. This was due to the decrease in long-term loans of the private non-banking sector as well as international bond redemptions by the banking and private non-banking sectors.

Foreign debt



Source: SARB

Rand-denominated external debt, expressed in US dollars, increased significantly from US\$67.7 billion at the end of September 2020 to US\$83.4 billion at the end of December. This resulted mainly from the net purchases of domestic rand-denominated bonds by non-residents, an increase in the market value of non-resident bond holdings, and an increase in the US dollar value of rand-denominated external debt as the exchange value of the rand appreciated over the period.

Foreign debt of South Africa

US\$ billions at end of period

	2019		2020			
	Q3	Q4	Q1	Q2	Q3	Q4
Foreign currency-denominated debt.....	93.2	92.6	92.1	90.3	89.2	87.0
Debt securities	33.5	33.5	32.2	31.4	30.2	29.2
Other	59.7	59.1	59.9	58.9	59.0	57.8
Public sector	10.9	10.3	10.5	10.9	15.8	15.8
Monetary sector	17.8	18.7	19.7	17.5	16.4	16.3
Non-monetary private sector	31.0	30.0	29.7	30.5	26.8	25.7
Rand-denominated debt.....	84.5	92.8	63.5	66.0	67.7	83.4
Debt securities.....	50.0	57.6	36.9	38.9	40.8	54.3
Other	34.5	35.2	26.6	27.1	26.9	29.1
Total foreign debt	177.7	185.4	155.6	156.3	156.9	170.4
As a percentage of gross domestic product....	50.7	52.7	44.6	49.4	51.6	56.4
As a percentage of total export earnings	156.4	164.0	138.2	154.7	159.4	171.3

Source: SARB

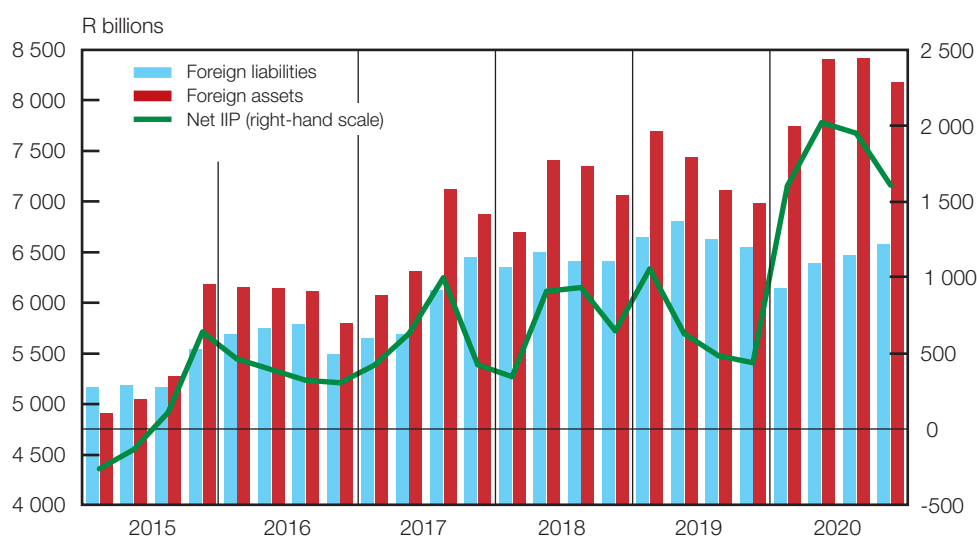


South Africa's total external debt as a ratio of GDP increased from 51.6% at the end of September 2020 to 56.4% at the end of December. Similarly, the ratio of external debt to export earnings increased from 159.4% to 171.3% over the same period.

International investment position

South Africa's positive net international investment position (IIP) decreased from a revised R1 951 billion at the end of September 2020 to R1 607 billion at the end of December. This reflected a decline in foreign assets and an increase in foreign liabilities. Movements in the exchange value of the rand had a significant effect on foreign assets and, to a lesser extent, on foreign liabilities, as the nominal effective exchange rate (NEER) of the rand increased, on balance, by 11.6% in the fourth quarter of 2020.

South Africa's international investment position



Source: SARB

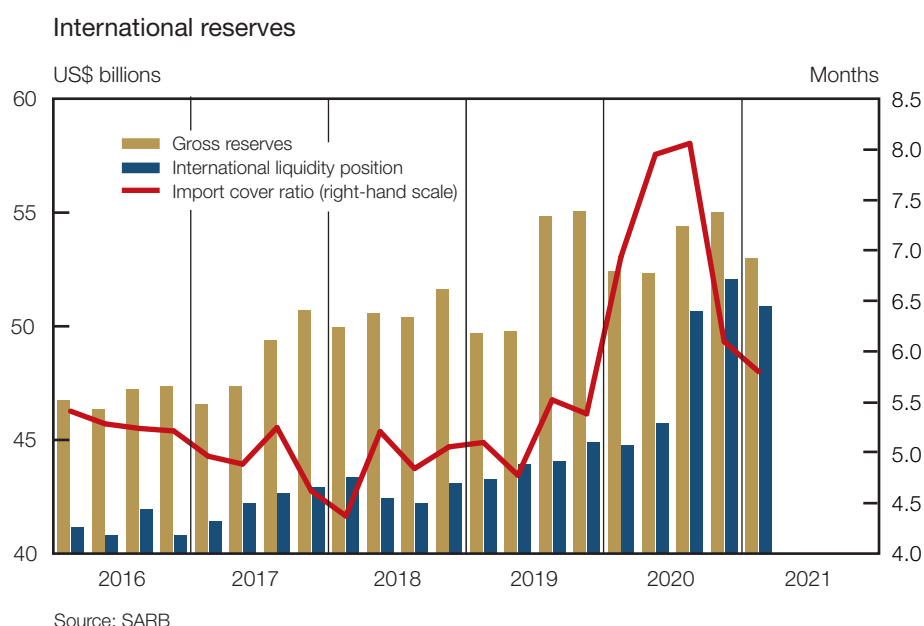
The market value of South Africa's foreign assets (outward investment) declined by 2.8% from a revised R8 416 billion at the end of September 2020 to R8 180 billion at the end of December. All the functional categories of foreign assets decreased in the fourth quarter of 2020, except for portfolio investment and financial derivatives. Direct investment assets decreased mainly as a result of the valuation effects of the appreciation in the exchange value of the rand and as domestic parent companies disposed of equity in, and the repayment of loans by, non-resident subsidiaries. Portfolio investment assets increased mainly due to the valuation effects resulting from the increase in the share prices of dual-listed companies with a primary listing abroad as well as the domestic banking sector's net purchases of foreign debt securities. Other investment assets decreased mainly as a result of non-residents' repayment of short-term loans to the domestic private non-banking sector, while reserve assets decreased as a result of exchange rate valuations.

The market value of South Africa's foreign liabilities (inward investment) increased by 1.7% from a revised R6 465 billion at the end of September 2020 to R6 573 billion at the end of December. This reflected an increase in all the functional categories, except for other investment. The increase in the FTSE/JSE All-Share Index (Alsi) of 9.5% in the fourth quarter of 2020 contributed to the higher values of both direct and portfolio investment liabilities. Other investment liabilities declined mainly as a result of non-residents' withdrawal of deposits from the domestic banking sector and the repayment of loans by the domestic private non-banking sector.

As a ratio of South Africa's annual GDP, foreign assets decreased from 170.5% at the end of September 2020 to 164.5% at the end of December, while foreign liabilities increased from 131.0% to 132.2% over the same period. This resulted in a decline of the positive net IIP to 32.3% of GDP at the end of December.

International reserves and liquidity

South Africa's international reserves decreased further by R10.3 billion in the first quarter of 2021 following a decrease of R5.1 billion in the fourth quarter of 2020.



14 This 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.

When measured in US dollars, 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) decreased from US\$55.0 billion at the end of December 2020 to US\$53.0 billion at the end of March 2021. The decrease was largely due to foreign payments made on behalf of government as well as the decline in the US dollar gold price. The country's gross gold and other foreign reserves subsequently increased to US\$54.1 billion at the end of May. South Africa's international liquidity position¹⁴ decreased from US\$52.1 billion at the end of December 2020 to US\$50.9 billion at the end of March 2021 before increasing to US\$52.2 billion at the end of May.

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) decreased from 6.1 months at the end of December 2020 to 5.8 months at the end of March 2021.

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

Exchange rates¹⁵

The NEER of the rand increased by 1.0% in the first quarter of 2021 following a significant increase of 11.6% in the fourth quarter of 2020. The NEER increased by 15.3% in the 12 months up to the end of March 2021 as it recovered from the significant decline following the initial outbreak of COVID-19.

The NEER declined by 3.2% in January 2021 as sentiment towards the rand deteriorated amid further lockdown restrictions brought about by a second wave of COVID-19 infections. However, the NEER then increased by 2.3% in February 2021, reflecting improved investor sentiment towards some emerging market currencies. In addition, better-than-expected domestic economic outcomes and an uncertain economic outlook in the US further supported the rand against the US dollar during the month. Despite higher US Treasury bond yields, the NEER increased further by 2.0% in March 2021, mainly driven by, among other factors, lower domestic consumer price inflation, a larger trade surplus, and portfolio investment inflows.



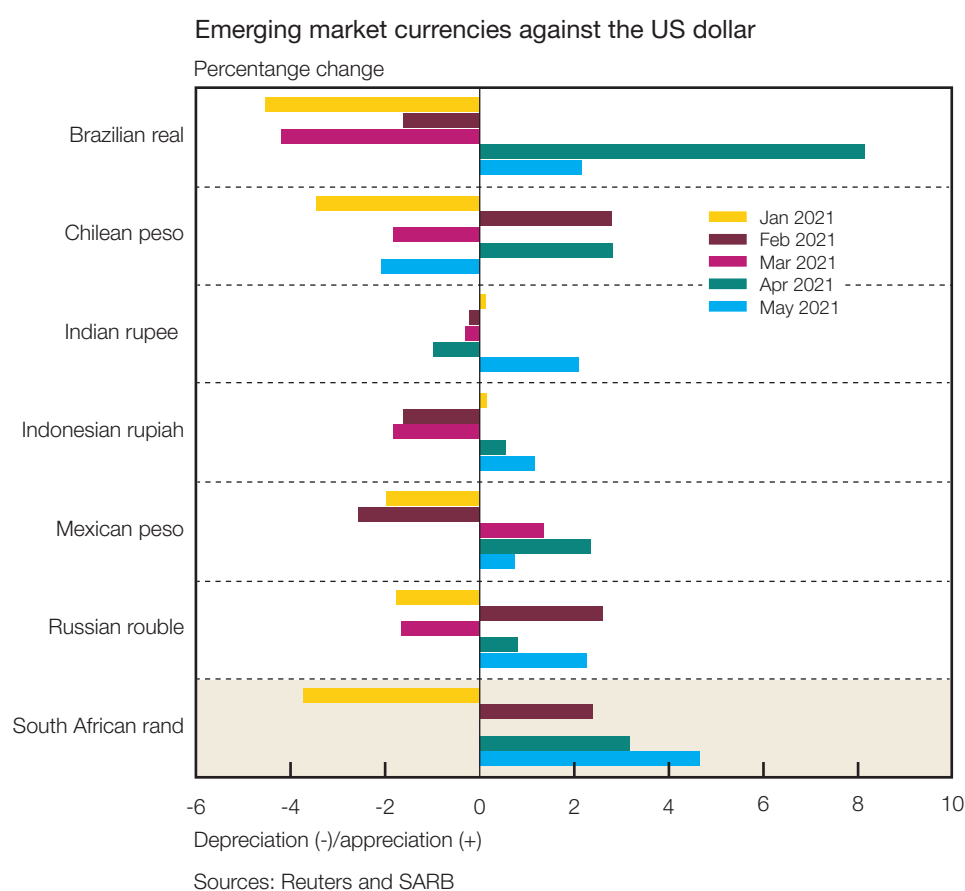
Exchange rates of the rand

Percentage change

	30 Jun 2020 to 30 Sep 2020	30 Sep 2020 to 31 Dec 2020	31 Dec 2020 to 31 Mar 2021	31 Mar 2021 to 15 Jun 2021
Weighted average*	-0.3	11.6	1.0	5.5
Euro	-2.0	10.3	3.3	4.3
US dollar	2.4	15.7	-1.4	7.9
Chinese yuan.....	-1.4	11.0	-1.1	5.4
British pound.....	-1.9	8.7	-2.2	5.3
Japanese yen.....	0.5	13.0	5.8	7.3

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

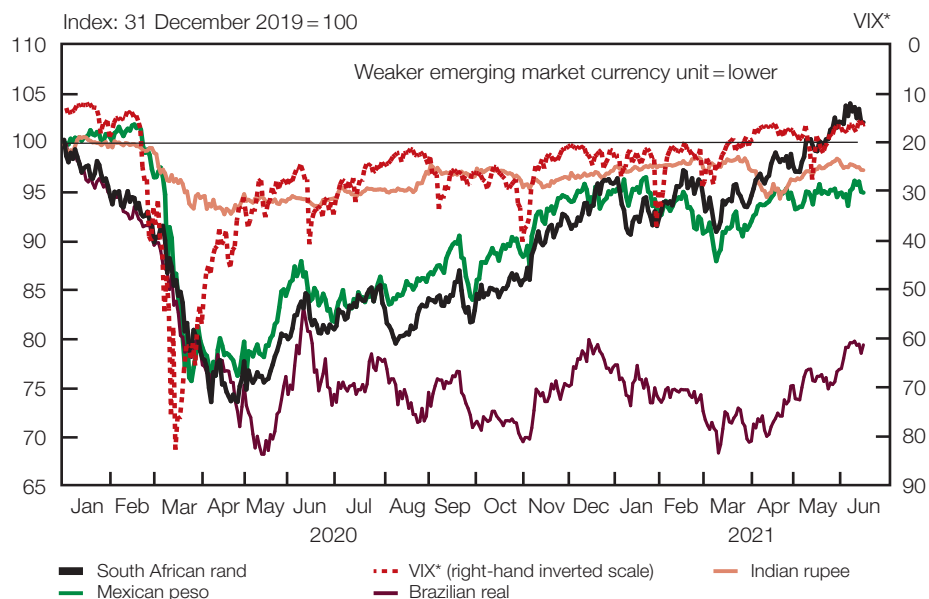
Source: SARB



The NEER increased further by 5.5% from the end of March 2021 up to 15 June, as global sentiment towards emerging market currencies improved amid continued accommodative monetary policy in the US, which resulted in renewed US dollar weakness. The rand has consistently outperformed several other emerging market currencies thus far in 2021, such as the Brazilian real, the Indian rupee, the Mexican peso and the Russian rouble.



Emerging market currencies against the US dollar

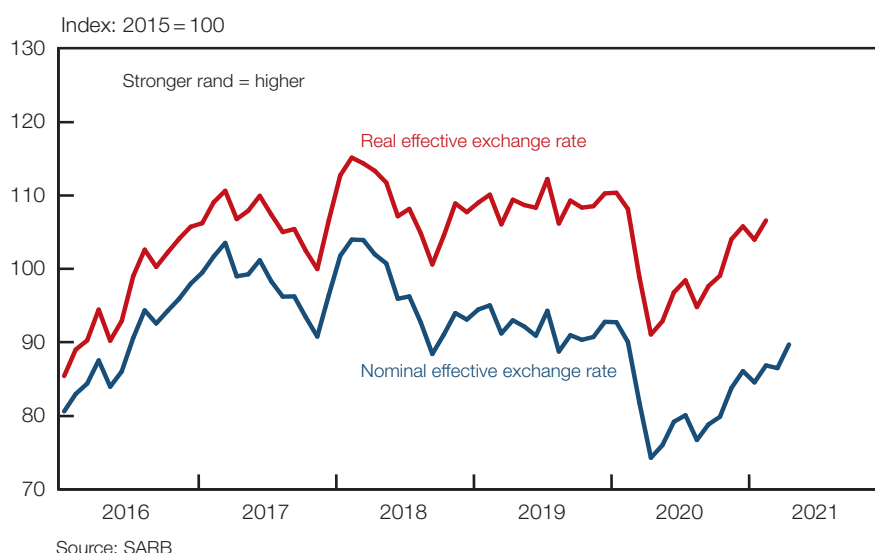


* The Volatility Index (VIX) is a real-time index that represents the market's expectation of 30-day forward-looking volatility derived from the S&P 500 Index options and was developed by the Chicago Board Options Exchange (CBOE). The VIX provides a measure of market risk and investor sentiment.

Sources: Bloomberg, Reuters and SARB

The real effective exchange rate (REER) of the rand decreased by a notable 16.4% from January 2019 to April 2020, reflecting improved competitiveness for domestic producers in foreign markets over this period. The decrease resulted mainly from the sharp depreciation in the exchange value of the rand at the onset of the COVID-19 pandemic in March 2020. Subsequently, the REER increased by 17.0% between April 2020 and February 2021, edging closer to pre-COVID-19 levels following the easing of domestic COVID-19 lockdown restrictions and the recent appreciation in the exchange value of the rand.

Effective exchange rates of the rand



16 This is calculated as the daily average of all new FX transactions concluded during a specified period, adjusted for local interbank double-counting.

Turnover in the South African foreign exchange market

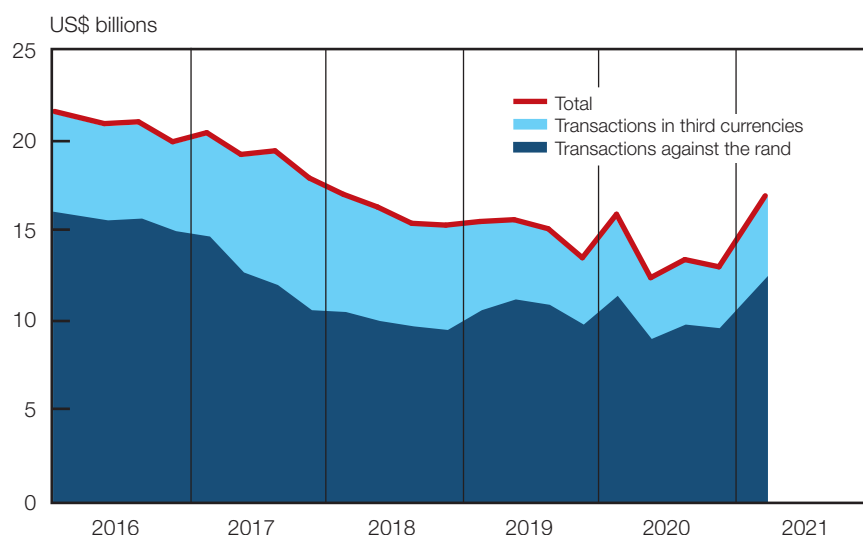
The net average daily turnover¹⁶ in the South African foreign exchange (FX) market increased significantly from US\$12.9 billion in the last quarter of 2020 to US\$16.7 billion in the first quarter of 2021, or by 28.9%, following a decline of 2.5% in the fourth quarter of 2020. The increase



in the first quarter of 2021 resulted from, among other factors, increased economic activity as the COVID-19 restrictions were eased. Optimism around the roll-out of the COVID-19 vaccines, the outcome of the 2021 Budget as well as investors seeking higher yields in emerging market economies also supported turnover.

FX transactions against the rand increased from US\$9.6 billion in the last quarter of 2020 to US\$12.5 billion in the first quarter of 2021, or by a notable 30.9%. Transactions in third currencies also increased by a sizeable 23.4% from US\$3.4 billion in the fourth quarter of 2020 to US\$4.2 billion in the first quarter of 2021.

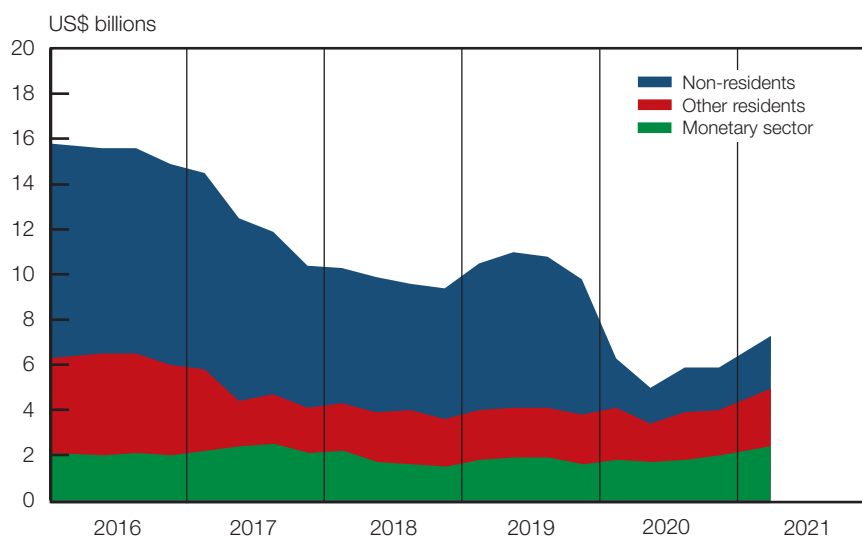
Net average daily turnover in the South African foreign exchange market



Source: SARB

Counterparty participation in the domestic FX market displayed noteworthy increases from the last quarter of 2020 to the first quarter of 2021. Average daily participation by non-residents increased from US\$5.6 billion in the fourth quarter of 2020 to US\$7.7 billion in the first quarter of 2021, while that of residents increased from US\$2.0 billion to US\$2.5 billion and that of the monetary sector increased from US\$2.0 billion to US\$2.4 billion.

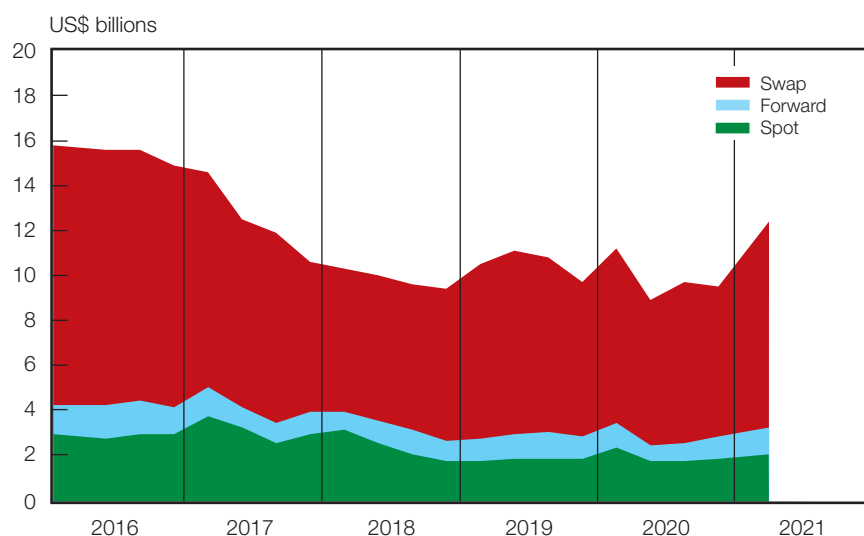
Composition of net average daily turnover in the South African foreign exchange market against the rand, by counterparty



Source: SARB

Turnover in swap transactions increased significantly, from US\$6.7 billion in the fourth quarter of 2020 to US\$9.2 billion in the first quarter of 2021, while forward transactions increased from US\$1.0 billion to US\$1.2 billion and spot transactions from US\$1.9 billion to US\$2.1 billion over the same period.

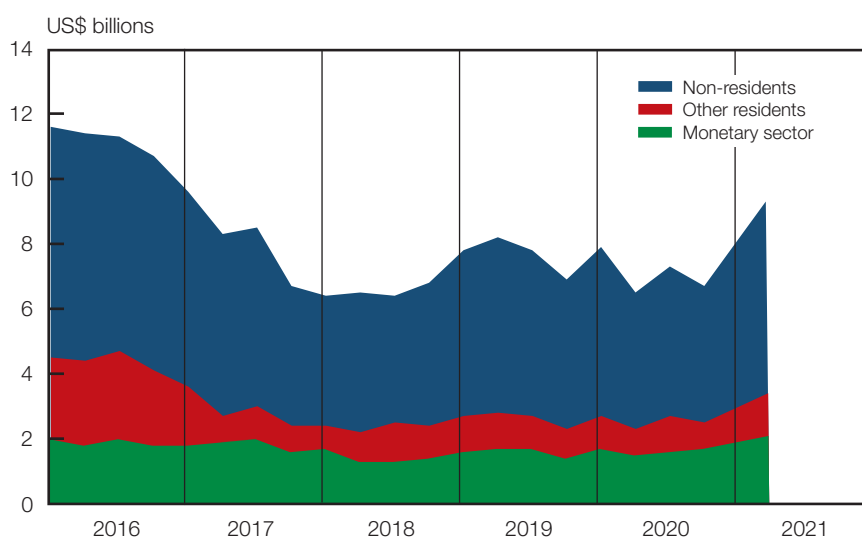
Composition of net average daily turnover in the South African foreign exchange market against the rand, by instrument



Source: SARB

Swap transactions in the domestic FX market are the largest contributor to turnover in transactions against the rand. Following the downward trend up to the end of 2017 and the subsequent sideways movement, swap transactions increased significantly in the first quarter of 2021. This increase was driven by non-residents' participation, which increased from US\$4.2 billion in the fourth quarter of 2020 to US\$5.9 billion in the first quarter of 2021, followed by increases in residents' participation from US\$0.8 billion to US\$1.3 billion and in the monetary sector's participation from US\$1.7 billion to US\$2.1 billion over the same period.

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

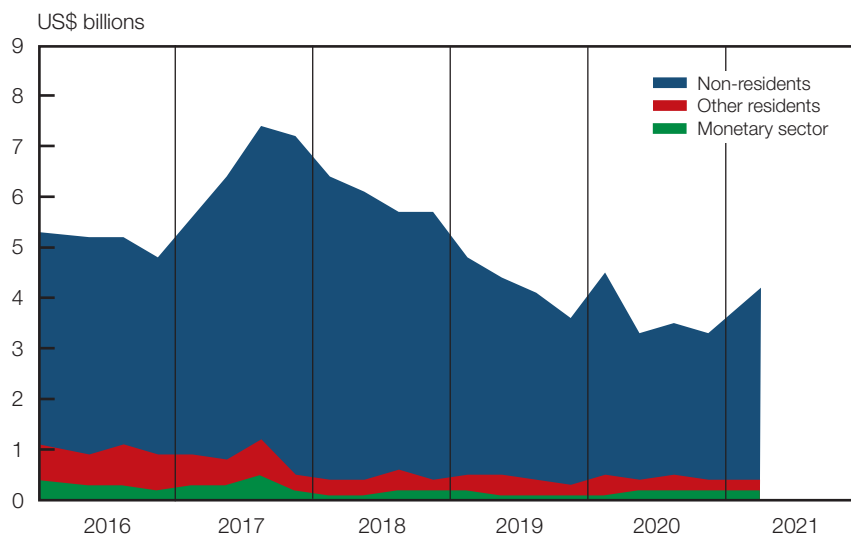


Source: SARB



Transactions by non-residents dominate the third-currency market, and increased markedly from US\$2.9 billion in the fourth quarter of 2020 to US\$3.8 billion in the first quarter of 2021. By contrast, the transaction value of residents and the monetary sector remained unchanged at US\$0.2 billion each.

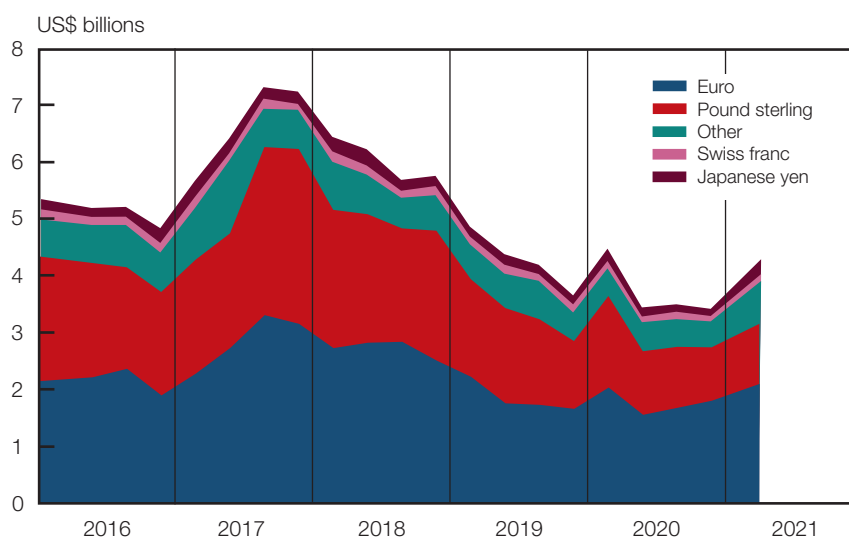
Composition of net average daily turnover in the South African foreign exchange market in third currencies, by counterparty



Source: SARB

In the market for third currencies, the bulk of transactions comprises the US dollar against all other currencies. The largest share, comprising US dollar transactions against the euro, averaged US\$1.8 billion for 2020 as a whole, and increased from US\$1.8 billion in the fourth quarter of 2020 to US\$2.1 billion in the first quarter of 2021. US dollar transactions against the pound sterling averaged US\$1.2 billion in 2020, and increased from US\$0.9 billion in the fourth quarter of 2020 to US\$1.0 billion in the first quarter of 2021. US dollar transactions against the Japanese yen and the Swiss franc remained fairly small, and were below US\$0.1 billion in both the fourth quarter of 2020 and the first quarter of 2021 respectively. Furthermore, US dollar transactions against other currencies averaged US\$0.5 billion in 2020, and increased from US\$0.5 billion in the fourth quarter of 2020 to US\$0.8 billion in the first quarter of 2021.

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



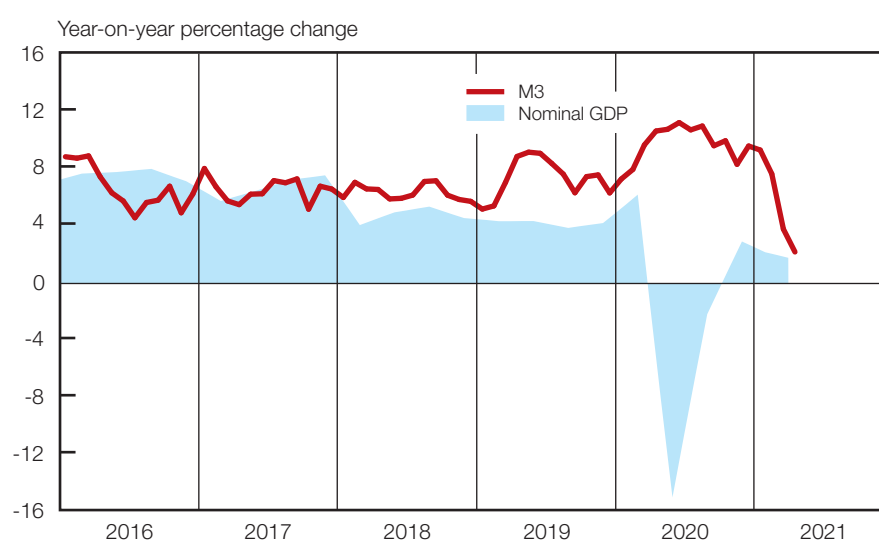
Source: SARB

Monetary developments, interest rates and financial markets

Money supply

The slight acceleration in growth in the broadly defined money supply (M3) in the closing months of 2020 has been followed by a significant moderation thus far in 2021. The moderation partly reflects base effects a year after the initial implementation of the COVID-19 lockdown restrictions. Notwithstanding, the quarter-to-quarter seasonally adjusted and annualised change in M3 switched from a slight contraction of 0.1% in the fourth quarter of 2020 to a still weak increase of 2.9% in the first quarter of 2021. The income velocity of M3 accordingly decreased marginally to 1.28 in the first quarter of 2021 from 1.30 in the fourth quarter of 2020. The deposits of households and non-financial companies supported the overall growth in M3, while withdrawals by financial companies weighed it down.

Money supply and gross domestic product



Sources: Stats SA and SARB

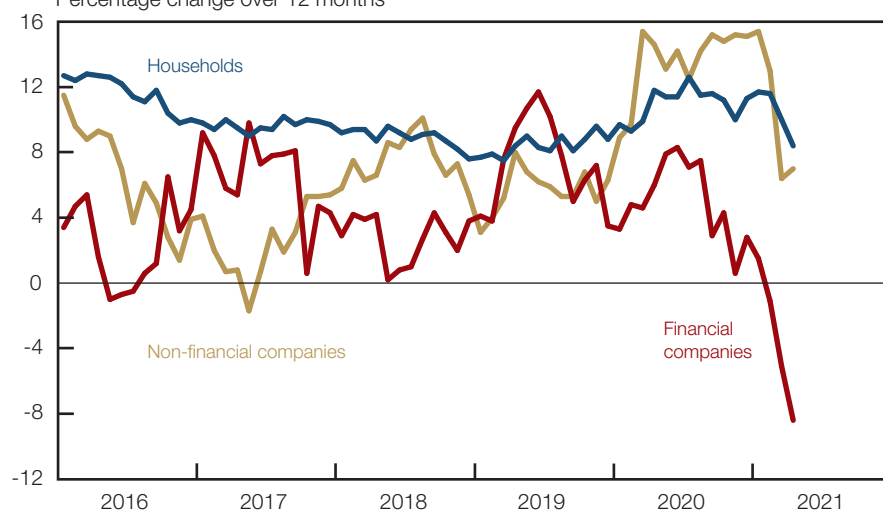
The year-on-year growth in M3 moderated significantly from a robust 11.1% in June 2020 – during the strict COVID-19 national lockdown period – to only 2.0% in April 2021. The sharp deceleration in March and April 2021 partly reflected the base effects relative to the initial lockdown in March 2020 when the deposit holdings of corporates increased markedly, in particular those of non-financial companies, as many closed operations and placed cash inflows and surplus funds on deposit to provide for expenses during the lockdown. At the time, the acquisition of a South African company by a foreign entity also added to corporate deposit balances. Because of the elevated base in the previous year, the deposit holdings of corporates decreased by 1.4% in April 2021 – the lowest year-on-year change on record. Within the corporate sector, growth in the deposit holdings of non-financial companies averaged 14.4% between March 2020 and February 2021 before decelerating to 6.4% in March and to 7.0% in April.

Growth in the deposit holdings of financial companies reverted from a recent high of 8.3% in June 2020 to contractions of 5.1% in March 2021 and 8.4% in April. This reflected the movement of deposits to higher-yielding investments in the low interest rate environment as alternative opportunities became available following the easing of lockdown restrictions.



Deposit holdings of households and companies

Percentage change over 12 months

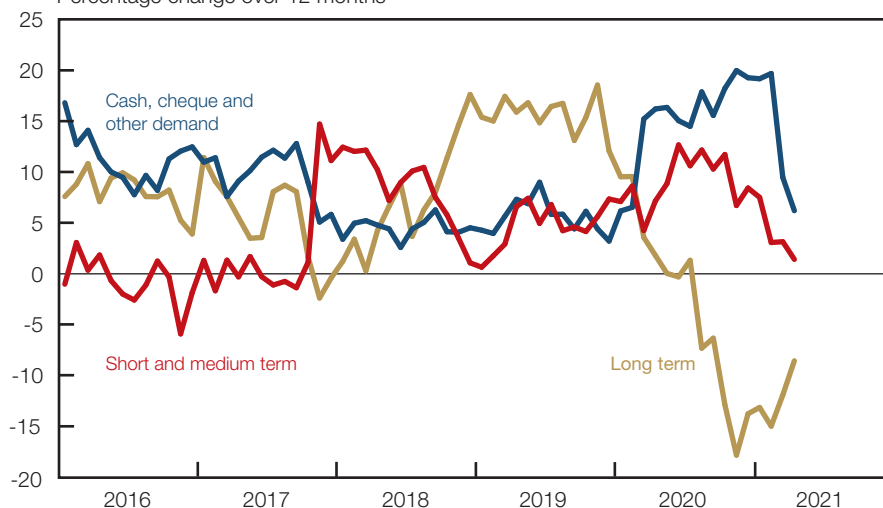


Source: SARB

The deposit holdings of the household sector continued to grow at double-digit rates from April 2020 to March 2021 before decelerating to 8.4% in April. The effect of the initial lockdown restrictions on consumer spending, together with the payment holidays offered by banks, boosted household deposit balances in the initial months of the lockdown. The deposit balances of households, which continued to increase briskly regardless of rising unemployment and weaker job prospects, reflected cautiousness in an uncertain environment and banks' efforts to attract and maintain relatively stable deposit balances.

Deposits by maturity

Percentage change over 12 months



Source: SARB

Although growth in the deposits of different maturities has diverged since the start of the national lockdown in March 2020, base effects contributed to a narrowing between the short and long ends of the spectrum in March 2021. Depositors continued to favour liquid cash, cheque and other demand deposits during this time of uncertainty, with growth accelerating strongly from 6.2% in January 2020 to 20.0% in November. This was followed by a slowdown to 6.2% in April 2021, mainly due to base effects. By contrast, long-term deposits continued to decrease, although the pace of contraction moderated from 17.8% in November 2020 to 8.6% in April 2021.

The deposit holdings of the corporate sector decreased by R10.5 billion in the first quarter of 2021 compared with a sizeable increase of R186 billion during the same period in the previous year. The deposits of financial companies decreased by R18.7 billion in the first quarter of 2021 while those of non-financial companies increased by R8.2 billion. The household sector contributed R12.6 billion to the increase in M3 in the first quarter of 2021, less than the increase of R26.4 billion in the first quarter of 2020. The measured easing of lockdown restrictions resulted in the gradual normalisation of household spending as opposed to during the initial strict lockdown which boosted deposit balances at the time.

M3 holdings of households and companies

	Year-on-year change R billions					Percentage of total M3 deposit holdings*
	2020				2021	
	Q1	Q2	Q3	Q4	Q1	
Households	26.4	65.9	40.5	19.1	12.6	36.7
Companies: Total.....	186.4	59.1	-18.4	-24.2	-10.5	63.3
Of which: Financial	89.0	77.3	-63.5	-66.7	-18.7	32.2
Non-financial.....	97.5	-18.2	45.1	42.5	8.2	31.1
Total M3 deposits.....	212.8	125.0	22.1	-5.0	2.0	100.0

* Expressed as a percentage of the total outstanding balance as at March 2021

Source: SARB

Statistically, the counterparts to the increase of R2.0 billion in M3 in the first quarter of 2021 consisted of increases of R11.1 billion and R8.5 billion in the net foreign assets of the monetary sector and the net credit extended to the government sector respectively, together with an increase of R21.2 billion in the net other assets of the monetary sector (a contra-entry that usually absorbs changes in foreign assets, among other factors) and a decrease of R38.9 billion in claims against the domestic private sector.

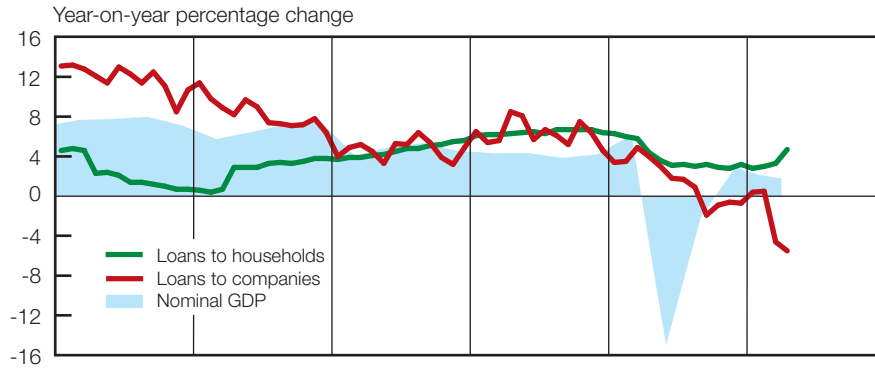
Credit extension

Continued muted growth in the total loans and advances extended by monetary institutions to the domestic private sector reflects the effect of the lockdown on economic activity, and hence the demand for credit. The year-on-year rate of increase in total loans and advances decelerated markedly from 5.3% in March 2020 to 1.2% in December, and then decreased by 0.8% and 0.6% in March 2021 and April respectively – the first contractions since April 2010.

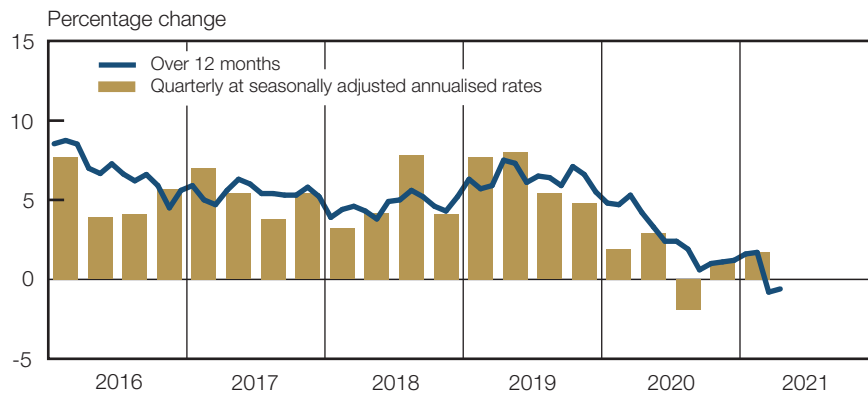
The further deceleration in growth in some categories of credit to companies in the initial months of 2021 reflected the avoidance of undue exposure to debt in the current uncertain economic environment and led to a contraction in the first four months of 2021. By contrast, the relatively broad-based moderation across most categories of credit extension to the household sector throughout 2020 seems to have bottomed out in early 2021 as fewer COVID-19 restrictions and low interest rates probably boosted the demand for credit somewhat.



Bank loans and gross domestic product



Total loans and advances to the private sector



Sources: Stats SA and SARB

The quarter-to-quarter seasonally adjusted and annualised change in total loans and advances to the domestic private sector switched from a contraction of 1.9% in the third quarter of 2020 to an expansion in both the fourth quarter of 2020 and the first quarter of 2021. However, with the 2.6% rate of expansion in the first quarter of 2021 being well below the increase in nominal GDP, the ratio of loans and advances to GDP decreased to 67.6% – significantly less than the 83.3% in the second quarter of 2020. Following the weak nominal credit extension, real credit growth moderated notably throughout 2020. Real credit extension has contracted since the second half of 2020, and by as much as 4.8% in April 2021, largely on account of a large contraction in credit extension to the corporate sector.

Total loans and advances



* Deflated with the headline consumer price index
Source: SARB

Credit extension to the corporate sector contracted by R17.7 billion in the first quarter of 2021, reverting from an increase of R15.9 billion in the final quarter of 2020. Bank credit to financial companies in the first quarter of 2021 was affected by a reduced demand for loans and the repayment of loan facilities, especially those in the securities trading industry, as well as the repayment of intercompany loans. By contrast, non-financial companies, such as energy producers and consumer goods manufacturers, increased their loan funding over this period. Credit extension to households maintained steady quarterly increases of around R25 billion from the third quarter of 2020 to the first quarter of 2021, supporting the overall expansion in loans and advances.

Credit extended to households and companies

	Quarter-on-quarter change (R billions)					Percentage of total loans and advances*
	2020				2021	
	Q1	Q2	Q3	Q4	Q1	
Households	24.0	-24.1	25.8	29.9	26.5	50.6
Companies: Total.....	58.8	-43.8	-42.9	15.9	-17.7	49.4
Of which: Financial	-12.0	12.3	35.2	27.3	-21.5	11.9
Non-financial.....	70.8	-56.2	-78.1	-11.5	3.8	37.5
Total bank loans and advances	82.8	-68.0	-17.2	45.8	8.8	100.0

* Expressed as a percentage of the total outstanding balance as at March 2021

Source: SARB

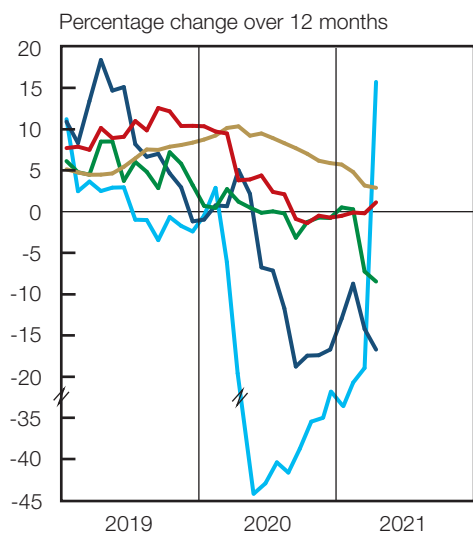
General loans to companies, their preferred form of credit, remained weak throughout 2020 and contracted by 8.5% in April 2021. The weak growth in this credit category reflected continued COVID-19 lockdown-related uncertainty, which made companies cautious, with expansion plans being placed on hold. The utilisation of overdrafts contracted by as much as 18.8% in September 2020, with the rate of contraction temporarily slowing to 8.7% in February 2021 before it accelerated again to 16.7% in April. Similarly, credit card advances, which constitutes only 0.3% of loans to companies, continued to contract, with the pace of decrease moderating considerably from 42.8% in May 2020 to 18.9% in March 2021 before reverting to growth of 15.7% in April. Growth in mortgage advances decelerated further in the opening months of 2021, from a recent high of 10.3% in April 2020 to 2.9% in April 2021 alongside slowing demand from, among others, commercial property developers. Instalment sale credit has remained fairly stable in recent months, with the rate of change fluctuating at or slightly below zero from September 2020 to March 2021 before accelerating to 1.1% in April. On aggregate, loans and advances to companies contracted by 5.5% in April 2021.

Credit extension to the household sector displayed tentative signs of recovery in the early months of 2021 when fewer COVID-19 restrictions and the low interest rates stimulated the demand for credit. Twelve-month growth in mortgage advances, which constitute 59% of all bank loans to households, accelerated from a recent low of 2.9% in July 2020 to 5.6% in April 2021 alongside increased demand for residential property, especially among first-time buyers. Growth in instalment sale credit to households has also been slightly firmer since May 2020, accelerating gradually to 6.4% in April 2021 as vehicle sales increased following the easing of the lockdown restrictions while affordability improved due to sharply lower interest rates. After slowing sharply in 2020, growth in general (mostly unsecured) loans to households accelerated slightly from 0.4% in January 2021 to a still weak 1.6% in April as job losses and income uncertainty negatively affected households' ability to borrow. Growth in credit card advances also bottomed out at around 1% in the early months of 2021 before accelerating to 5.7% in April, while the pace of contraction in the utilisation of overdrafts slowed from 11.5% in November 2020 to 10.3% in April 2021.

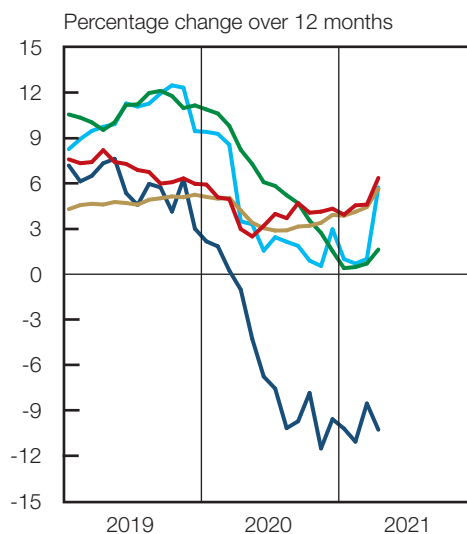


Selected loans and advances

Corporate sector



Household sector

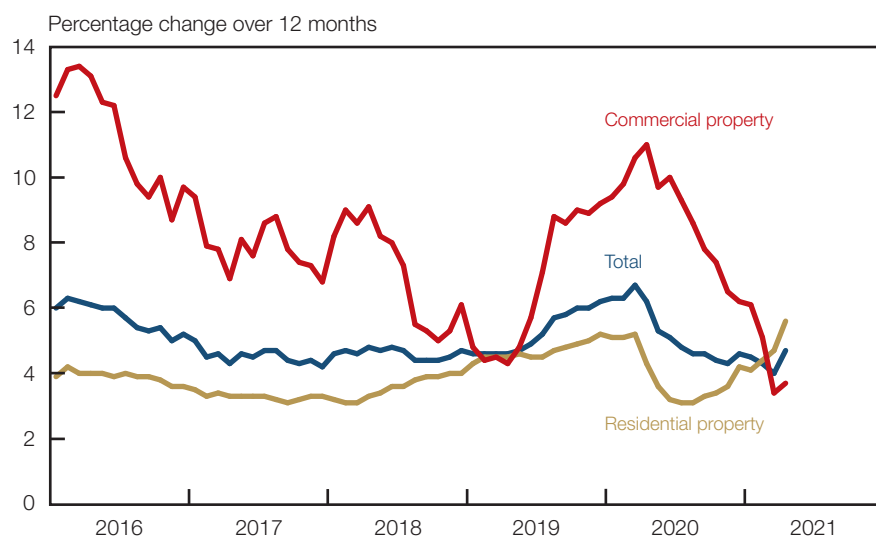


Mortgages
 General loans
 Credit cards
 Instalment sale credit and leasing finance
 Overdrafts

Source: SARB

Growth in mortgage advances on residential property has been recovering steadily along with the easing of the lockdown restrictions, while that on commercial property has continued to decelerate sharply. On aggregate, growth in total mortgage advances slowed to 4.7% in April 2021, down from 6.7% in March 2020, as demand for commercial property waned. By contrast, growth in mortgage advances on residential property accelerated from a recent low of 3.1% in July 2020 to 5.6% in April 2021 as the low interest rate environment boosted the demand for residential property.

Mortgage advances



Source: SARB

Growth in bank credit by economic sector

Percentage change over four quarters

Economic sector	2020				2021	Percentage of total credit extension*
	Q1	Q2	Q3	Q4	Q1	
Households	6.6	3.7	2.5	2.3	-0.5	35.1
Finance and insurance	8.7	2.8	4.3	14.0	-2.4	17.2
Real estate	12.6	9.9	6.1	5.9	4.1	12.0
Wholesale and retail trade	-0.1	4.1	-3.1	-6.0	-8.3	4.7
Manufacturing	10.7	7.6	-2.3	-4.4	-19.7	3.7
Business services	11.1	6.7	10.0	-2.2	-4.9	3.4
Transport, storage and communication	5.7	3.9	3.0	1.9	-1.3	3.1
Electricity, gas and water	3.5	1.2	2.3	6.3	5.3	2.5
Agriculture, forestry and fishing	12.4	8.8	20.8	18.7	1.1	2.5
Mining and quarrying	4.2	33.2	-6.1	-8.5	-29.1	1.3
Construction	6.4	10.5	12.1	8.1	9.1	1.0
Community, social and personal services, and other	-3.0	12.3	15.4	12.5	19.0	13.6
Total	6.4	6.2	4.9	5.3	0.2	100.0

* Expressed as a percentage of the total outstanding balance as at March 2021

Source: SARB

Credit extension contracted across many sectors in the first quarter of 2021 when compared to a year earlier, amid the protracted weak economic environment. Credit extension to the wholesale and retail trade, manufacturing and business services sectors contracted further due to the far-reaching negative impact of the COVID-19 restrictions. Renewed lockdown restrictions following the second wave of COVID-19 infections reduced spending activity and the willingness to travel, which impacted on the retail trade and transport services sectors negatively. Mining companies benefitted from the surge in international commodity prices, likely reducing their need for bank credit. Similarly, bumper maize and wheat harvests probably also reduced the agricultural sector's need for credit. By contrast, credit demand by the real estate and construction sectors remained elevated, likely assisted by the low interest rate environment.

Interest rates and yields

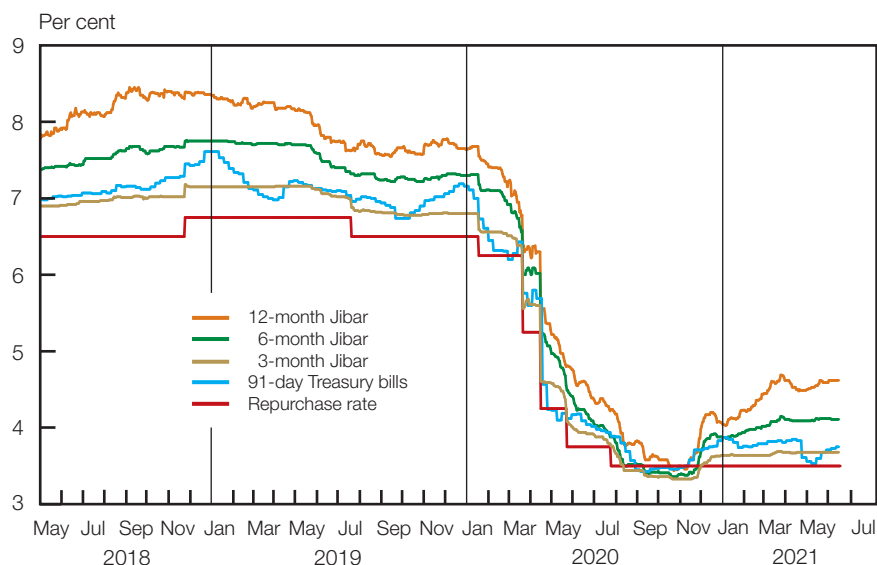
The Monetary Policy Committee (MPC) of the SARB kept the repurchase (repo) rate unchanged at a historic low of 3.50% at its most recent meeting in May 2021, despite assessing the overall risks to domestic inflation to be on the upside. The SARB lifted its near-term economic growth forecast, but trimmed the forecasts for 2022 and 2023.

Domestic short-term money market interest rates trended broadly sideways in the first quarter of 2021, with some exceptions. The movement in short-term interest rates mostly tracked fluctuations in the exchange value of the rand, while also being influenced by changes in global risk sentiment. The three-month Johannesburg Interbank Average Rate (Jibar) stayed within a narrow range of between 3.64% and 3.69% from January 2021 to mid-June alongside the appreciation in the exchange value of the rand. The six-month Jibar increased from 3.87% on 2 January 2021 to 4.09% on 9 April, and remained broadly unchanged up to mid-May before edging slightly higher to 4.11% in early June. The increase in the benchmark 12-month Jibar was slightly more pronounced, from 4.03% on 4 January 2021 to 4.49% in late April, and then further to 4.62% on 15 June.

The tender rate on 91-day Treasury bills (TBs) decreased by 34 basis points from 3.87% on 2 January 2021 to 3.53% by mid-May, as demand increased with the postponement of a decision on South Africa's sovereign investment grade by an international rating agency and as issuance decreased. Thereafter, the tender rate increased gradually to 3.75% on 15 June 2021.



Money market rates

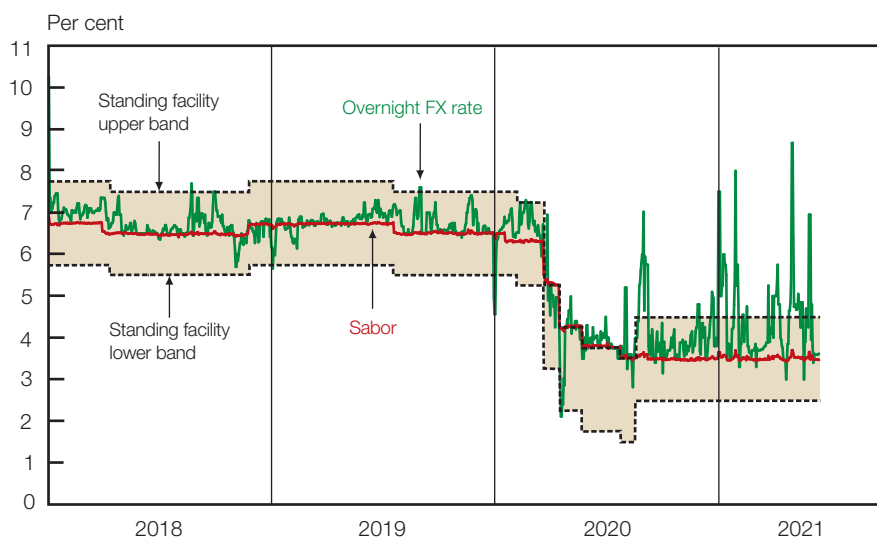


Source: SARB

The interbank market has been reflecting constrained liquidity thus far in 2021, with the overnight FX rate mostly trading above the repo rate along with heightened volatility, occasionally exceeding the upper standing facility limits. The overnight FX rate initially increased fairly rapidly from a low of 3.30% on 3 February 2021 to a notable, but short-lived, high of 8.67% on 30 April alongside strong demand for liquidity in the FX market before decreasing to 3.62% on 15 June as liquidity conditions stabilised.

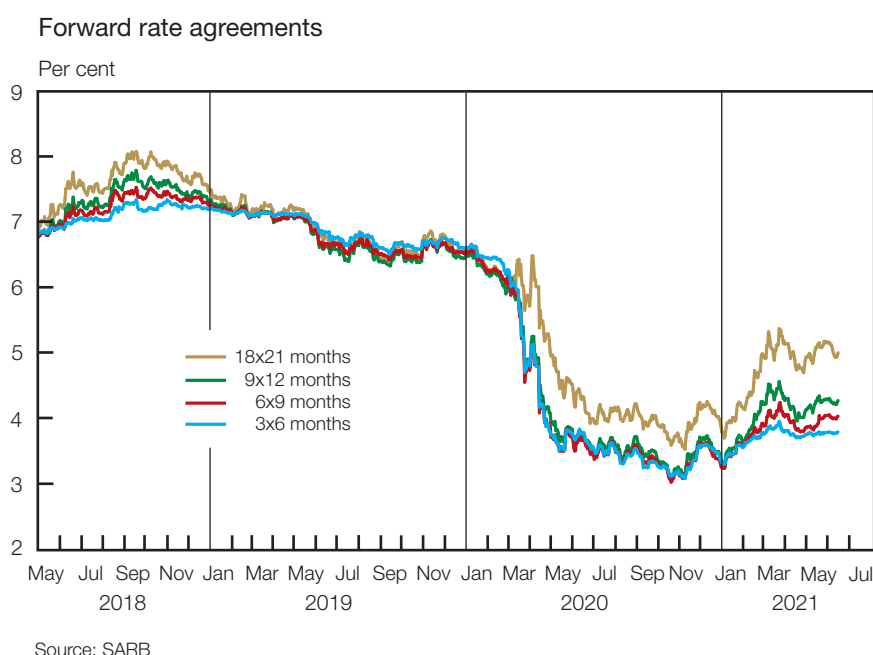
The South African Benchmark Overnight Rate (Sabor) remained well-anchored within the standing facility limits and was closely aligned to the repo rate, averaging 3.51% from January 2021 up to mid-June. Within this period, the Sabor increased from 3.47% on 14 January 2021 to 3.70% on 30 April, before decreasing again to 3.46% on 15 June.

Benchmark overnight rates



Source: SARB

Rates on forward rate agreements (FRAs) initially traded higher in the opening months of 2021 on expectations that the repo rate could increase in the near term, but then moved lower in April following the appreciation in the exchange value of the rand. Both the short- and long-dated FRAs have increased by more than 50 basis points, on balance, thus far in 2021. The 3x6-month FRA increased by 64 basis points from 3.31% on 2 January 2021 to 3.95% on 24 March before trending lower and remaining range-bound at around 3.78% up to mid-June. Similarly the 6x9-month FRA increased by 100 basis points from 3.24% to 4.24% over the same period, before inching lower to 4.03% on 15 June. The 9x12-month FRA increased by 119 basis points from 3.33% on 2 January 2021 to 4.52% on 8 March, but then decreased to 4.27% by mid-June as the appreciation in the exchange value of the rand tempered expectations of an increase in the repo rate.



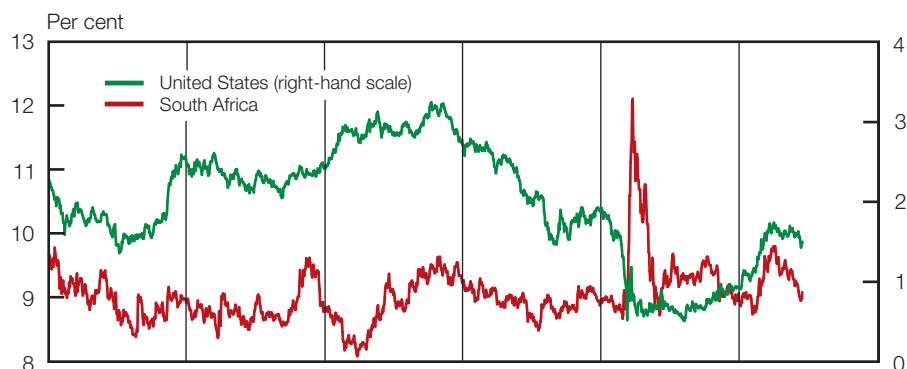
17 For a more comprehensive analysis, see 'Note on the changes in bank deposit and lending rates since the onset of the COVID-19 pandemic' on page 96 in this edition of the *Quarterly Bulletin*.

The deposit and lending rates offered by private sector banks have changed only marginally thus far in 2021 as the repo rate and the prime lending rate remained unchanged. There was not much divergence in lending rates as the weighted-average flexible rate charged by banks on mortgage advances fluctuated around 6.65% from December 2020 to April 2021. The flexible interest rate on instalment sale credit remained virtually unchanged at 9.27% over this period. By contrast, the rate on credit card advances decreased from 13.72% in February 2021 to 13.55% in April. The deposit rates offered by banks also remained fairly static, with the weighted-average interest rate on call deposits fluctuating in a narrow range between 3.51% and 3.55% from December 2020 to April 2021.¹⁷

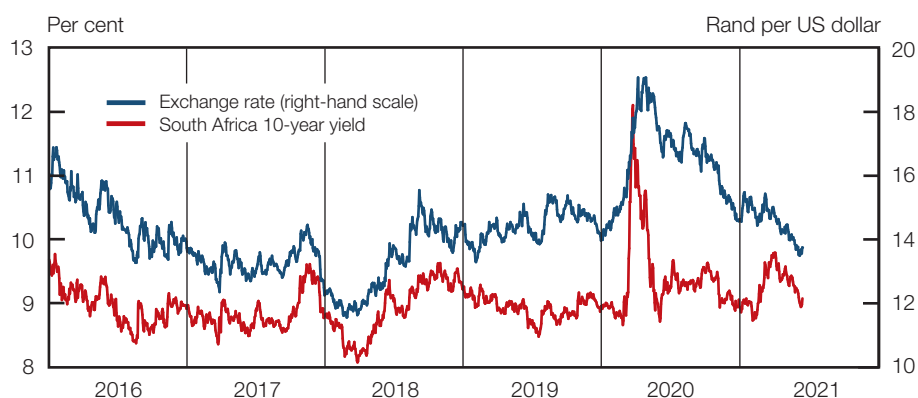
The yield on 10-year South African rand-denominated government bonds issued and traded in the domestic market increased by a sizeable 106 basis points from 8.73% on 3 February 2021 to 9.79% on 1 April, in tandem with the increase of 54 basis points in the yield on 10-year US government bonds over the same period. The increase in domestic bond yields reflected net sales of bonds by non-residents in March 2021 and higher bond yields in the US amid concerns over global inflation. Subsequently, the South African bond yield receded to 9.08% on 15 June, along with the continued appreciation in the exchange value of the rand and demand for higher-yielding emerging market assets as COVID-19 vaccination gained traction globally and as the US Federal Reserve allayed concerns about higher interest rates in the short term despite rising inflation.



Ten-year government bond yields



Government bond yield and the exchange rate



Sources: IRESS, JSE and SARB

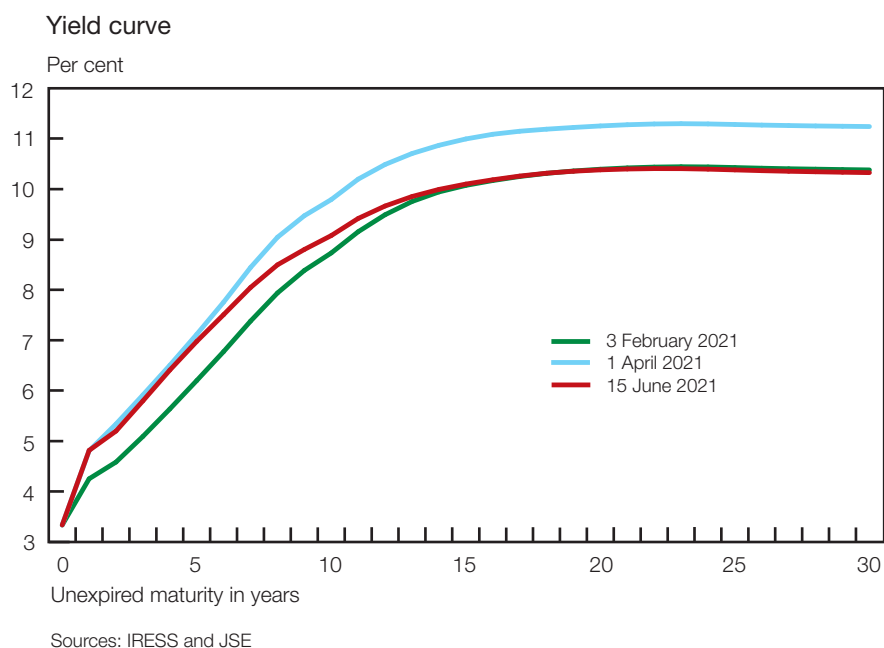
The level of the South African *yield curve* moved higher and the slope steepened from 3 February 2021 to 1 April as bond yields increased across most of the maturity spectrum. The increase in domestic bond yields was driven by expectations of higher global interest rates amid inflation concerns. However, the level of the yield curve then moved lower to mid-June and more so in the medium- to long-term maturity range, as the exchange value of the rand appreciated further along with non-resident demand for bonds. The yield gap¹⁸ widened from 704 basis points on 3 February 2021 to 790 basis points on 1 April before narrowing to 699 basis points on 15 June.

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+)¹⁹, widened from 338 basis points in December 2020 to 370 basis points in March 2021. This reflected heightened volatility in emerging market currencies, which dampened demand for emerging market bonds. Thereafter, the EMBI+ spread narrowed to 351 basis points in May as the global vaccine roll-out and the recovery in economic activity revitalised demand for emerging market assets. Similarly, South Africa's sovereign risk premium²⁰ on US dollar-denominated government bonds in the four-year maturity range widened from December 2020 to an average of 240 basis points in March 2021 before narrowing to 198 basis points in May.

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

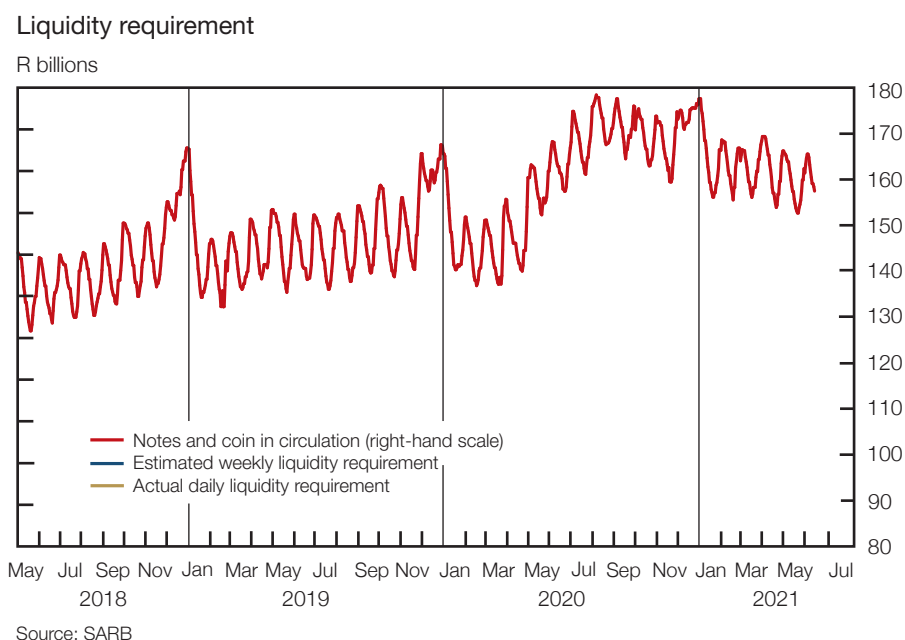
19 The EMBI+ measures the total returns on US dollar-denominated debt instruments of emerging market economies.

20 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.



Money market

The actual daily liquidity requirement of private sector banks fluctuated considerably in the first quarter of 2021 between a low of R17.0 billion and a high of R41.1 billion, averaging R28.3 billion for the quarter, as the liquidity needs of banks varied substantially. During April 2021, the average daily liquidity requirement increased to R30.6 billion as, on occasion, deposits into cash reserve accounts were less than anticipated or other market factors caused unexpected shortages. In May 2021, the actual average daily liquidity requirement was R30.5 billion, still much lower than the available weekly main refinancing amount that was increased by the SARB from R50 billion to R56 billion effective from 3 February 2021.

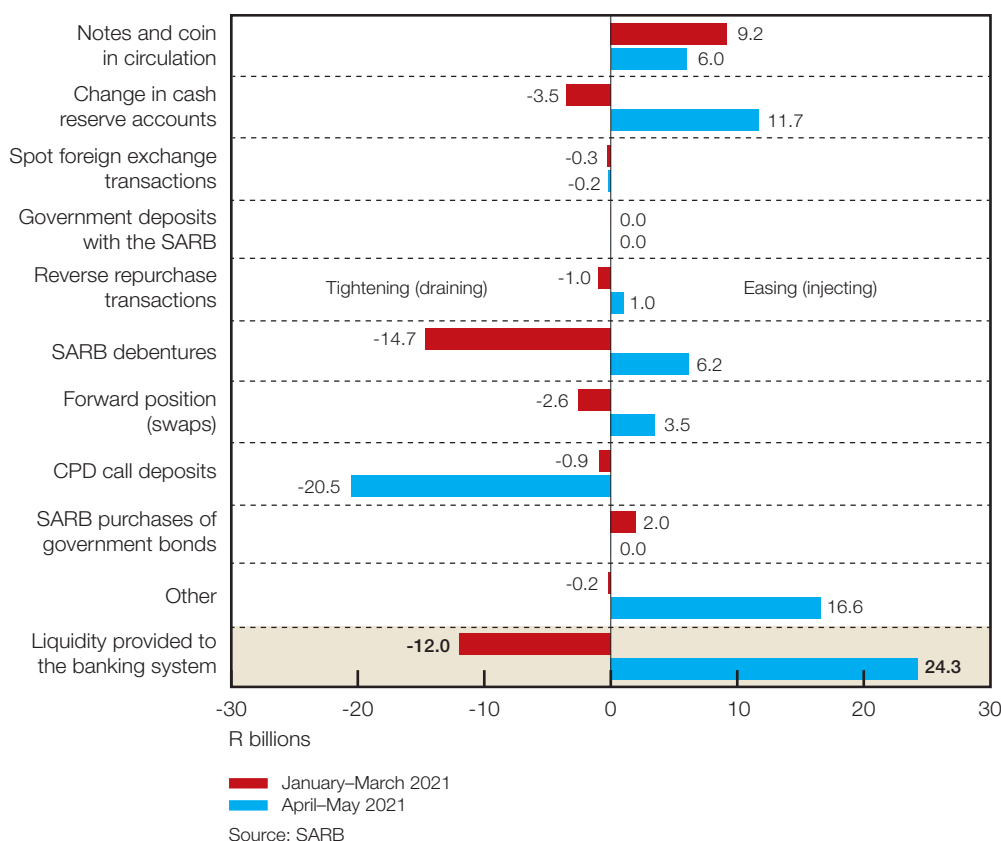


Accommodation provided to banks at the weekly main refinancing auctions increased moderately from R30.1 billion in January 2021 to R31.3 billion in April. In May 2021, the total accommodation to banks decreased to R27.0 billion as the demand for liquidity declined.



Money market liquidity contracted by a net amount of R12.0 billion in the first quarter of 2021 compared with an expansion of R14.7 billion in the fourth quarter of 2020. While notes and coin in circulation outside of the SARB expanded liquidity in the money market by R9.2 billion, most of the other factors that influence market conditions contributed to the overall net contraction in liquidity. The issuance of SARB debentures to the value of R14.7 billion and reverse repurchase transactions of R1.0 billion drained liquidity from the market, while the required cash reserve deposits of private sector banks at the SARB of R3.5 billion and the placement of R0.9 billion in deposits of the Corporation for Public Deposits (CPD) at the SARB also tightened overall money market liquidity. The SARB's FX transactions in the spot market also had a moderately tightening impact of R0.3 billion. Furthermore, FX swap transactions of R2.6 billion were conducted for liquidity management purposes.

Factors influencing money market liquidity conditions



During March 2021, the SARB acquired government bonds to the value of R2.0 billion in the secondary market to increase the monetary policy portfolio (MPP). The SARB had previously purchased bonds in October 2020 to the value of R0.4 billion. In April 2021, the balance of the MPP amounted to R40 billion, which reflected a monthly increase of R0.8 billion due to valuation effects.

In April and May 2021, overall money market liquidity expanded by R24.3 billion. An injection of liquidity occurred in April 2021 through funds allocated to banks through National Treasury's loan guarantee scheme, which is intended to relieve the financial distress of small businesses caused by COVID-19, as reflected in the 'Other' category. During this two-month period, private sector banks were also allowed to withdraw R11.7 billion from their cash reserve balances, which further eased liquidity conditions. However, an increase of R20.5 billion in CPD call deposits with the SARB partly offset the overall liquidity provided to the banking system.

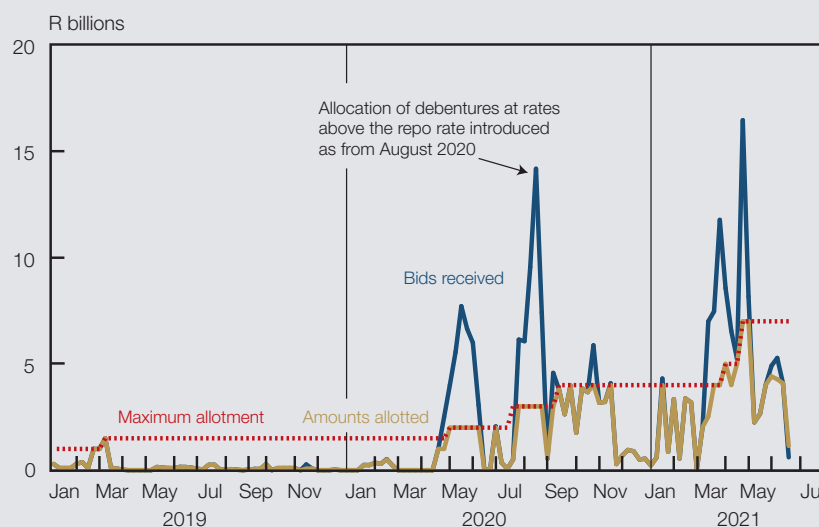
From January to May 2021, capital redemption and coupon interest payments of R131.8 billion were effected from government's tax and loan accounts, with R3.7 billion accruing to the SARB's government bond portfolio.

Box 3 Recent developments in South African Reserve Bank debentures

To drain excess liquidity from the market, the South African Reserve Bank (SARB) issues debentures with maturities of 7, 14, 28 and 56 days every Wednesday.

Market participants did not favour SARB debentures prior to August 2020, with rates capped at the repurchase (repo) rate. Higher-yielding assets were usually preferred, such as 91-day Treasury bills (TBs) which, on average, traded 46 basis points above the repo rate in 2020. Nonetheless, in April and May 2020, the demand for SARB debentures increased regardless of the low return, as market participants were willing to place surplus funds at rates below the repo rate amid the SARB's extraordinary measures to inject additional liquidity into the money market.

Debenture auctions



Source: SARB

On 31 July 2020, the SARB announced the enhancement of the current open market operation instruments, which included the allotment of SARB debentures at rates below and above the prevailing repo rate. Following the announcement, the demand for SARB debentures increased sharply in August 2020 and again in March and April 2021 alongside the generally high demand for shorter-dated money market instruments at attractive rates close to the 91-day TBs. From March to June 2021, 56-day debentures were allocated at 3.85% on average – 35 basis points above the repo rate – while 91-day TBs were allocated at 3.77%, on average. The SARB increased the amount of debentures on offer from R5.0 billion to R7.0 billion in April 2021 in response to the higher demand for debentures, and kept it at that level up to June.

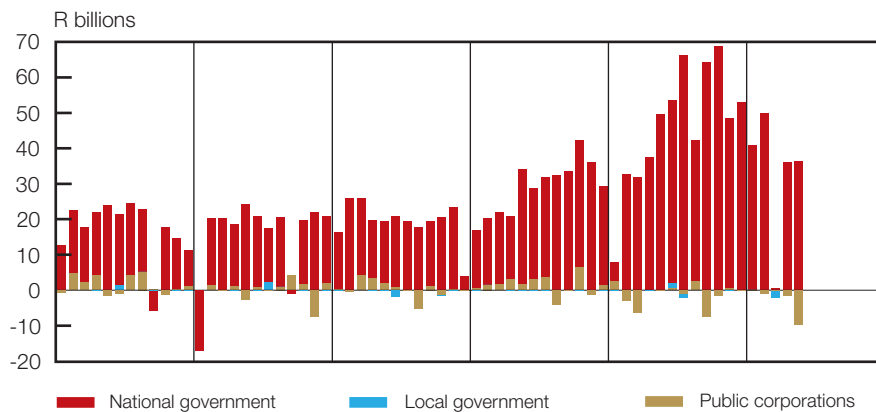
Bond market

National government's net issuance of listed bonds in the *domestic primary bond market* declined during the first five months of 2021 following all-time high net issuances of R548 billion in 2020, mainly to finance additional COVID-19-related spending. Funding activity appeared to be normalising to pre-pandemic levels, with a cumulative net bond issuance of R164 billion in the first five months of 2021, only 4.4% more than in the same period of 2020. The lower levels of net issuances, compared with some months in 2020, reflected the stronger-than-expected fiscal position, which resulted primarily from improved revenue collection since October 2020 but was also impacted by the redemption of the R208 government bond that matured at the end of March 2021. National government's lower borrowing requirement has given rise to reductions in the amounts on offer at the weekly bond auctions thus far in 2021. The weekly fixed-rate bond auction amounts were reduced from R6.6 billion to R4.8 billion in March 2021 and further to R3.9 billion in May, while the amounts on the inflation-linked bond auctions were reduced only once, from R2.0 billion to R1.2 billion in March. Public corporations and local government recorded net redemptions of R14.4 billion during the first five months of 2021, while the private sector, in particular banks, recorded net bond issuance of R16.6 billion in the first five months of 2021 compared with net redemptions of R21.1 billion in the corresponding period of 2020.

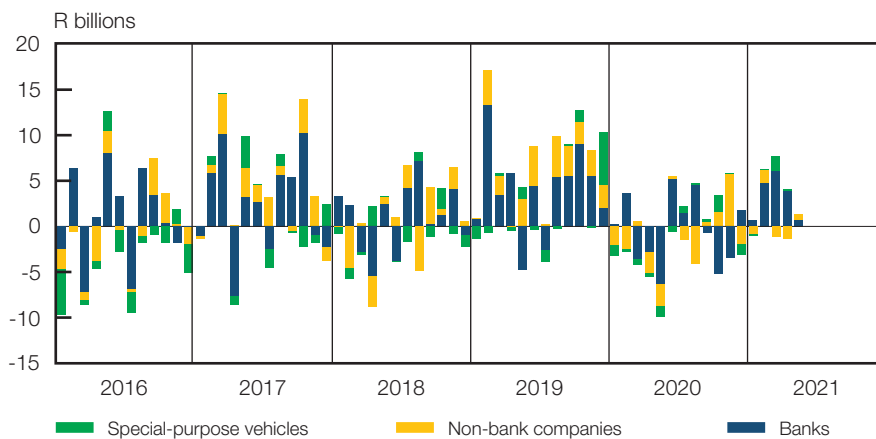


Net issuances of listed bonds in the primary market

Public sector



Private sector



Source: JSE

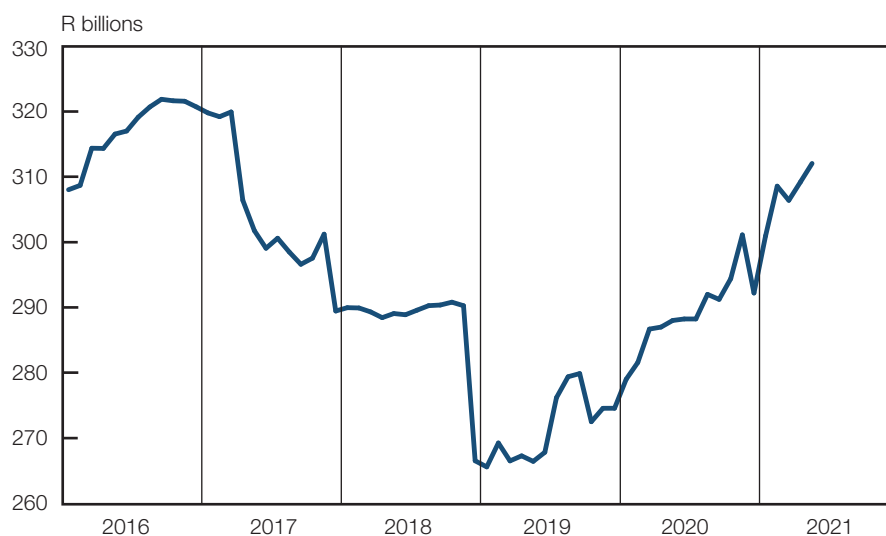
The JSE Limited (JSE) expanded its Green Bond Segment to a fully fledged Sustainability Segment in June 2020. This affords bond issuers the opportunity to list debt instruments to raise capital specifically earmarked for green, social and sustainability projects, including housing, schooling and healthcare. Subsequently, a domestic commercial property company listed the first Social Bond in March 2021, to provide affordable housing and to improve access to funding for small, medium and micro property enterprises and other property investors.

The *value and volume of turnover in the domestic secondary bond market* during the first five months of 2021 mirrored the volatility in bond yields. Alongside the lower volumes traded, the daily average value of bond turnover of R136 billion during the five months to May 2021 was 13.6% lower when compared with the corresponding period of 2020.

The bond issuance of rand-denominated debt by non-residents increased during the first five months of 2021 due to competitive yields, but remained skewed towards the European bond market as demand in the Japanese bond market has waned significantly in recent years. The total outstanding amount of rand-denominated debt in issue in the *European and Japanese bond markets* increased from a recent low of R292 billion in December 2020 to R312 billion in May 2021.



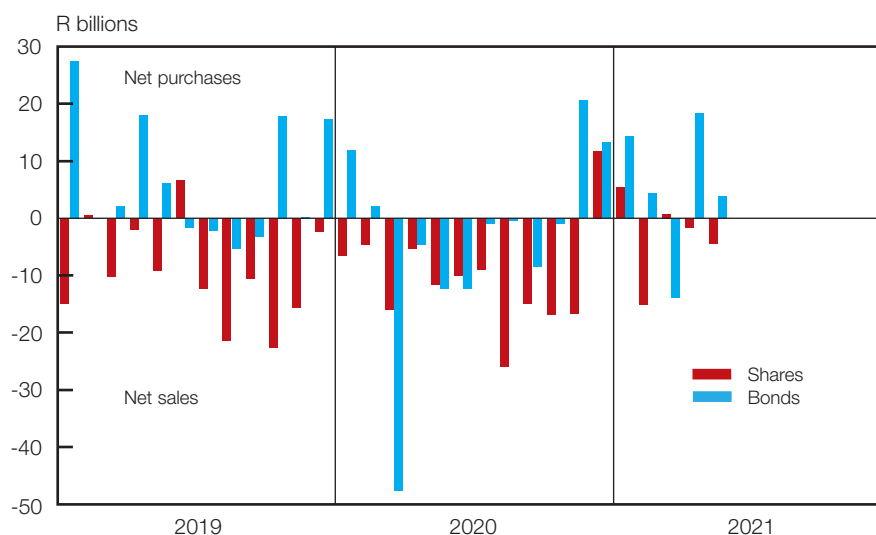
Outstanding amount of rand-denominated bonds in issue in international markets



Source: Bloomberg

Non-residents' net purchases of JSE-listed bonds of R4.8 billion in the first quarter of 2021 were significantly less than the R32.8 billion in the fourth quarter of 2020, according to JSE data. Non-resident holdings of domestic bonds increased further by R22.2 billion in April and May. This brought the cumulative net purchases of domestic bonds by non-residents to R27.0 billion in the first five months of 2021, compared with net sales of R50.4 billion in the same period of 2020. Demand for domestic bonds in 2021 was supported by relatively high domestic yields and expectations of low interest rates in the US.

Non-residents' net transactions in the domestic bond and share markets



Source: JSE

Share market

Equity capital raised by companies listed on the JSE in the domestic and international primary share markets was subdued at the beginning of 2021 as the value of shares issued was 55.6% lower at R6.7 billion in the five months to May 2021 compared with the corresponding period of 2020. The lower level of equity funding coincided with more delistings than new listings, and as JSE-listed companies required less funding to reduce debt amid the gradual recovery from



the COVID-19 pandemic. Amid a surge in commodity prices, primary listed companies in the resources sector contributed the most to funding activity at 59.0% of the total value of capital raised in the first five months of 2021, followed by companies in the financial sector, at 23.4%.

The combined *value of turnover* in the secondary share market of the five South African exchanges of R2.3 trillion in the first five months of 2021 was 6.1% lower than in the corresponding period of 2020, despite higher volumes. Consistent with higher share prices, the combined market capitalisation of all the shares listed on these exchanges increased from R15.8 trillion in October 2020 to an all-time high of R19.3 trillion in April 2021, before declining to R19.0 trillion in May.

The sizable net sales of JSE-listed shares by *non-residents* in the final quarter of 2020 persisted into 2021. The net sales of R21.8 billion by non-residents in the fourth quarter of 2020 were followed by net sales of R9.1 billion in the first quarter of 2021, and by a further R6.2 billion in net sales in April and May, according to JSE data. The cumulative net sales of JSE-listed shares by non-residents of R15.3 billion in the first five months of 2021 were noticeably less than their net sales of R44.0 billion in the corresponding period of 2020. Persistent non-resident net sales of shares listed on the JSE reflected continued fears around the impact of COVID-19 on economic activity and profitability.

On 23 March 2021, the JSE implemented the recent FTSE Russell changes to the Industry Classification Benchmark (ICB) framework²¹ for all JSE-listed instruments, including instruments that are not index constituents. The main changes were:

- a separate real estate industry carved out of financials;
- an expanded telecommunications industry which includes service and equipment providers;
- separate consumer discretionary and consumer staples industries that have replaced consumer services and consumer goods;
- oil and gas, renamed as, energy, which, at a sector level, includes oil, gas, coal and alternative energy; and
- the termination of all individual mining indices, such as gold.

The ICB provides four levels of classification, namely industry (level 1), super-sector (level 2), sector (level 3) and subsector (level 4). Overall, the ICB structure now provides greater detail and an increased number of groupings across the four classification levels. These enhancements provide for changes in the equity markets and the economy.

21 The ICB is the official sector classification system of FTSE Russell indices to facilitate analysis, performance attribution and measurement across industries, sectors and subsectors as the economy evolves.

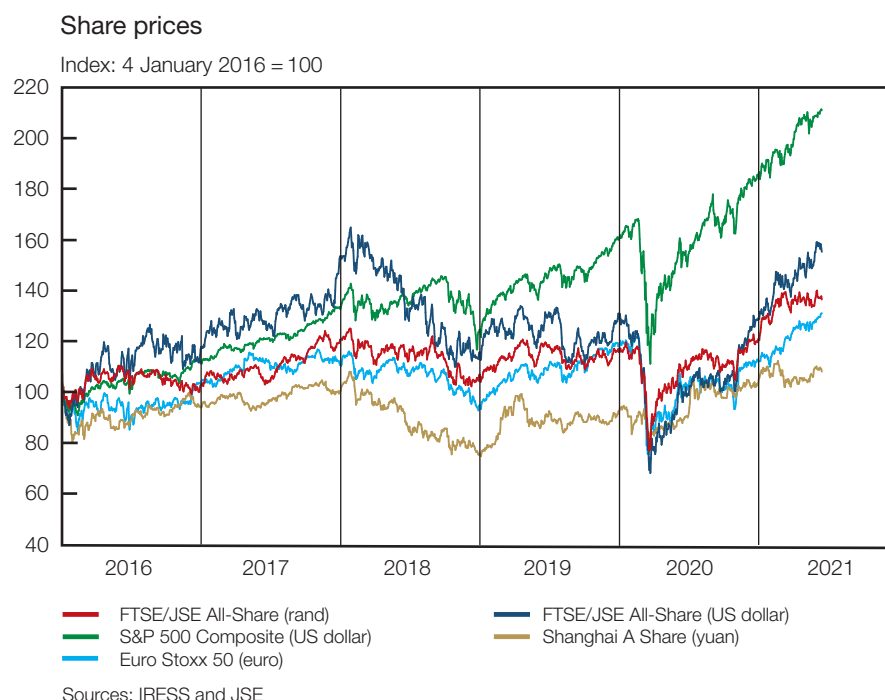
Industry Classification Benchmark structure enhancements

Level groupings	Classification group	Current number	Previous number	Change
1	Industry	11	10	1
2	Super-sector	20	19	1
3	Sector	45	41	4
4	Subsector	173	114	59

Source: JSE

The *share prices* of companies listed on the JSE reached new highs in the opening months of 2021, in step with the share prices of companies listed on international bourses. The FTSE/JSE Alsi increased by 21.8% in US dollar terms, and by 14.4% in rand terms, in the five months to May 2021, while the share prices in Europe and the US increased by 12.7% and 11.9% respectively in US dollar terms. The movements in share prices reflected the recovery in global economic activity and the return to normality expected from global COVID-19 vaccination efforts, as well as continued global fiscal stimulus and expectations that the US Federal Reserve will keep interest rates low for longer. Resources increased by 17.5% in the first five months of 2021 and, supported by higher international commodity prices, led the gains in the Alsi,

followed by industrial shares at 13.0% and financial shares at 12.5%. The Alsi increased by as much as 81.9% from the low of 37 963 index points on 19 March 2020 to an all-time high of 69 049 index points on 2 June 2021. Subsequently, the Alsi moved somewhat lower to 67 311 index points on 15 June.



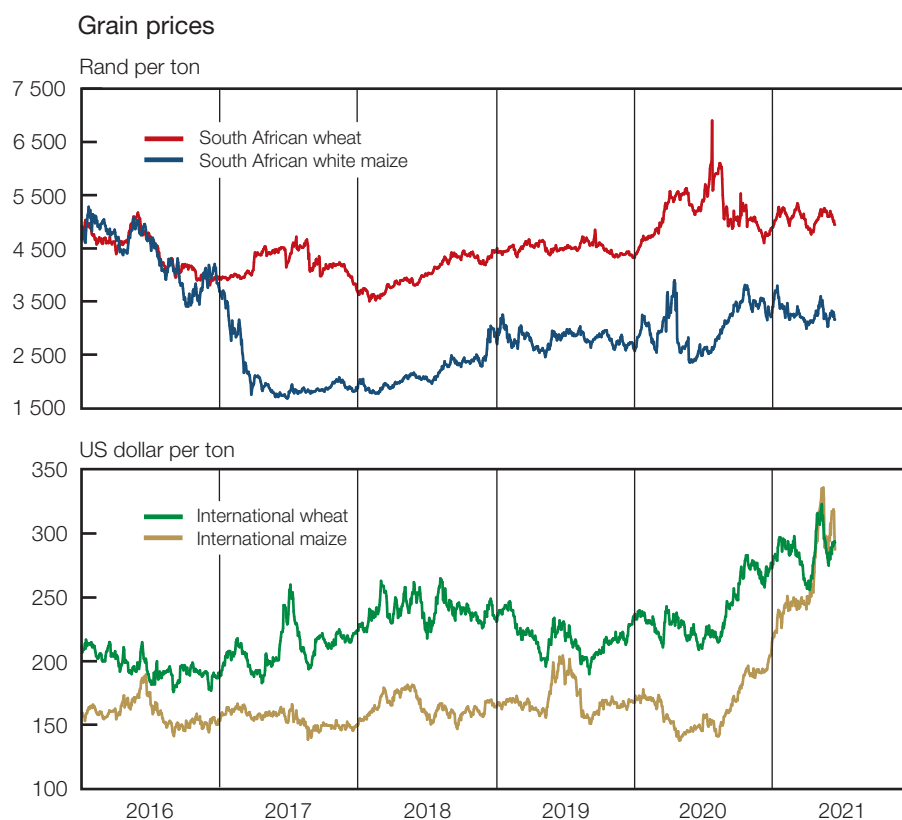
Following the increase in the overall historical *price-earnings ratio* of ordinary shares listed on the JSE to 42.2 in November 2020, the ratio declined significantly to 29.3 in May 2021 as earnings recovered.

Market for exchange-traded derivatives

The *spot price of maize contracts* traded on the JSE varied considerably in the first five months of 2021. The spot price of white maize initially declined by 21.2% from R3 796 per ton on 13 January 2021 to R2 990 per ton on 31 March, alongside higher production estimates for the 2020/21 harvest season and the appreciation in the exchange value of the rand. Prices were also moderated by prospects of substantial maize harvests in some Southern African countries, which reduced the import demand projections of South African maize slightly. Subsequently, the spot price of maize increased to R3 598 per ton on 7 May, largely tracking higher international maize prices which reached eight-year highs following persistently strong demand from China as well as adverse weather conditions in key producing countries. The spot price of maize then declined by 12.2% to R3 160 per ton on 15 June.

Similarly, the *spot price of domestic wheat contracts* declined by 10.9% from a high of R5 346 per ton on 8 March 2021 to R4 762 per ton on 13 April, following lower international wheat prices and the appreciation in the exchange value of the rand. Thereafter, the spot price of wheat increased to R4 945 per ton on 15 June, largely reflecting higher international wheat prices following elevated demand from China and lower global wheat stock estimates by the US Department of Agriculture, partly due to dry weather conditions in the US and parts of Europe. The wheat import tariff was lowered in February 2021 and subsequently removed in March, but was then reinstated again to R191.70 per ton in May.





Sources: International Grains Council and JSE

Turnover in currency derivatives on the JSE was 46.4% lower in the first five months of 2021 compared with the corresponding period of 2020, reflecting reduced hedging activity against adverse exchange rate movements from the high base established by the uncertainty during the outbreak of COVID-19. By contrast, turnover in commodity derivatives was 28.9% higher over the same period, likely reflecting the surge in international commodity prices.

Derivatives turnover on the JSE, January to May 2021

Type of derivative	Value (R billions)	Change over one year (per cent)
Equity	2 258	8
Warrants.....	1	9
Commodity.....	426	29
Interest rate	621	-10
Currency.....	258	-46

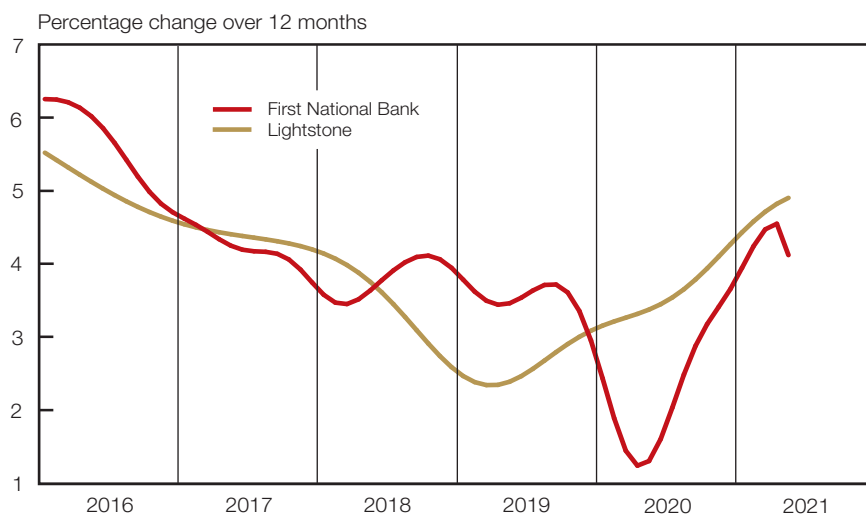
Source: JSE

Real estate market

Despite the past year being characterised by uncertainty about South Africa's economic growth prospects due to the COVID-19 pandemic, domestic residential property prices have continued to increase thus far in 2021. The year-on-year rate of increase in the two available nominal house price indices accelerated to 4.1% and 4.9% respectively in May 2021. A so-called 'buyer's market' has been established, as demand for property was buoyed by the low interest rate environment and working from home, and as more tenants switched from renting to owning

property. Major commercial banks' willingness to approve low- or no-deposit mortgage loans further boosted activity in the property market, as evidenced by the 77.7% increase in the number of mortgage bonds registered in the five months to May 2021 compared with the same period of 2020. The improvement in the real estate market was also visible in the continued sharp decline in the average time that residential properties remained on the market, from 14.1 weeks in the second quarter of 2020 to 8.2 weeks in the first quarter of 2021.

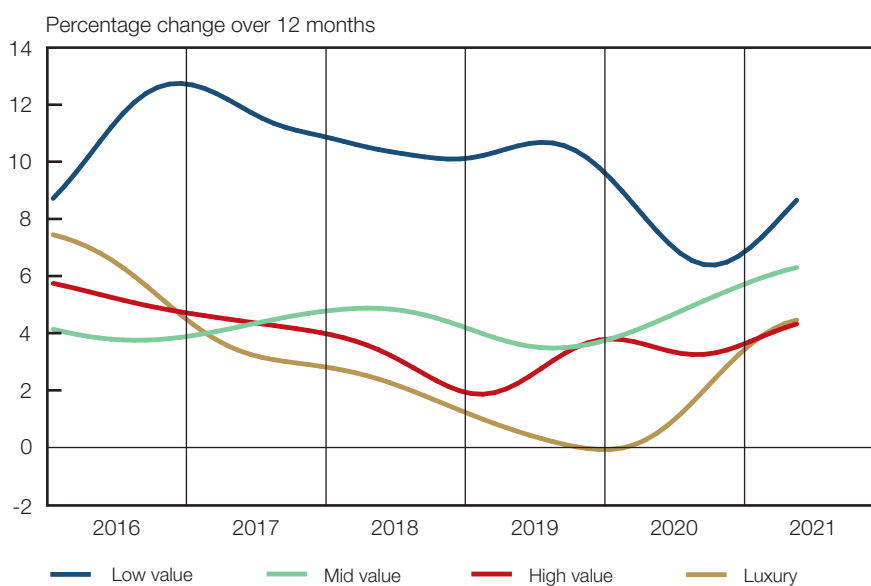
Nominal house prices



Sources: FNB and Lightstone

The increase in nominal house prices was noticeable across all the different value categories, with the low- and mid-value segments recording the highest year-on-year growth at 8.7% and 6.3% respectively in May 2021. According to the Absa Homeowner Sentiment Index (HSI), consumer confidence regarding the residential property market improved from 73% in the first quarter of 2020 to 81% in the first quarter of 2021.

Nominal house prices by value category



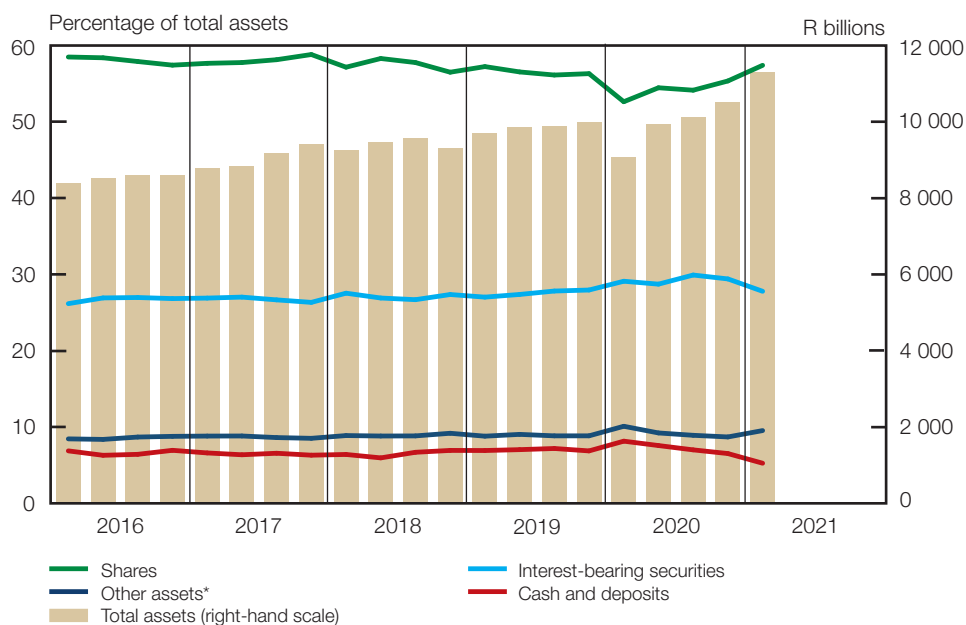
Source: Lightstone

Non-bank financial intermediaries²²

The consolidated assets of non-bank financial institutions increased by 7.4% from the final quarter of 2020 to R11.3 trillion in the first quarter of 2021. The total assets of insurers and the Public Investment Corporation (PIC) increased by 14.6% and 6.3% respectively, followed by unit trusts with an increase of 4.8% over the same period. On a year-on-year basis, the balance sheet of non-bank financial institutions increased by 24.8% in the first quarter of 2021 after declining by 6.6% in the first quarter of 2020.

22 These consist of unit trusts, the PIC, life and non-life insurance companies, public and private pension funds, participation bond schemes, finance companies and non-monetary public financial corporations.

Total assets of non-bank financial institutions



* Other assets include non-financial assets, accounts receivable, financial derivatives, loans and insurance technical reserves

Source: SARB

The asset allocation of non-bank financial institutions reflected the changes in financial market conditions in the first quarter of 2021. Consistent with the increase in share prices, the holding of shares increased by 2.1 percentage points from the final quarter of 2020 to 57.4% of total assets in the first quarter of 2021. The value of shares held by insurers and the PIC increased the most, by 18.3% and 10.9% respectively, over this period. Non-bank financial institutions' holdings of interest-bearing securities declined by 1.6 percentage points from the final quarter of 2020 to 27.8% of total assets in the first quarter of 2021.

The holding of cash and deposits by these institutions declined by 1.3 percentage points from the final quarter of 2020 to 5.3% of total assets in the first quarter of 2021. The rotation of funds away from cash and deposits is consistent with the low interest rate environment and improved investor sentiment amid higher share prices. The contribution of loans extended by non-bank financial institutions declined to 4.8% of total assets over the review period. Similarly, credit extended by finance companies contracted in the first quarter of 2021 despite an improvement in economic activity. The quarter-to-quarter growth in credit extension by finance companies decelerated from 1.0% in the final quarter of 2020 to a negative 0.5% in the first quarter of 2021.

23 Unless stated to the contrary, the year-on-year rates of increase in this section compare fiscal 2020/21 to fiscal 2019/20. Data for both fiscal years are unaudited and preliminary.

24 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.

Public finance²³

Non-financial public sector borrowing requirement²⁴

The preliminary *non-financial public sector borrowing requirement* of R547 billion in fiscal 2020/21 was R251 billion more than the preliminary outcome of fiscal 2019/20. This increase resulted from a significant widening in the cash deficit of the consolidated general government following the much larger deficit of national government and as the social security funds reverted from a cash surplus to a deficit. However, cash surpluses were recorded by all the other spheres of general government. The consolidated general government's borrowing requirement increased by R263 billion year on year to R520 billion in fiscal 2020/21. By contrast, the borrowing requirement of the non-financial public enterprises and corporations, also known as state-owned companies (SOCs), decreased significantly over the review period. As a ratio of GDP, the non-financial public sector borrowing requirement increased notably from 5.8% in fiscal 2019/20 to 11.0% in fiscal 2020/21.

Non-financial public sector borrowing requirement

R billions

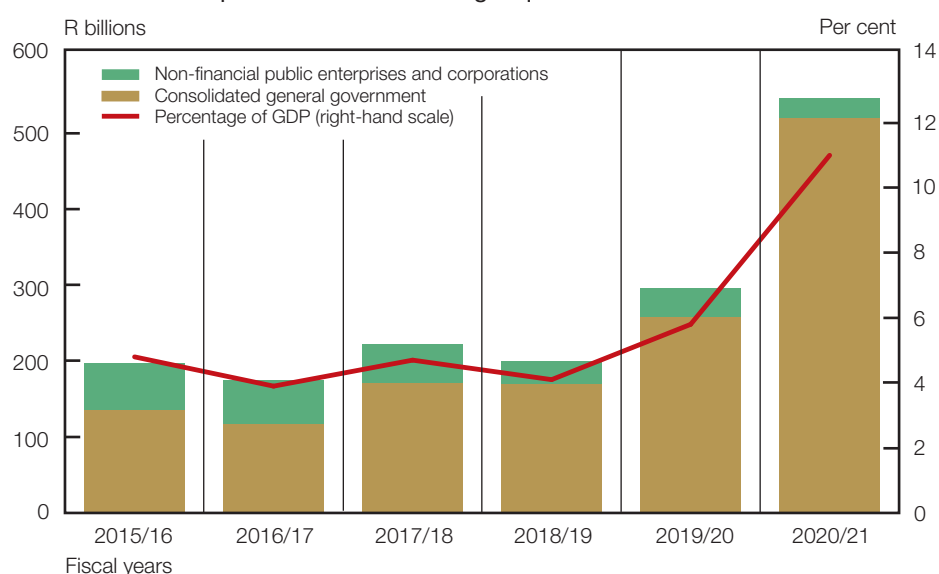
Level of government	Fiscal 2019/20*	Fiscal 2020/21*
Consolidated general government	257.2	520.2
National government.....	363.9	566.9
Extra-budgetary institutions	-34.2	-30.2
Social security funds.....	-26.3	41.6
Provincial governments.....	-5.0	-2.0
Local governments	-41.3	-56.2
Non-financial public enterprises and corporations	39.2	27.0
Total**	296.4	547.1
<i>As a percentage of gross domestic product.....</i>	<i>5.8</i>	<i>11.0</i>

* Deficit (+)/surplus (-)

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

Sources: National Treasury, Stats SA and SARB

Non-financial public sector borrowing requirement

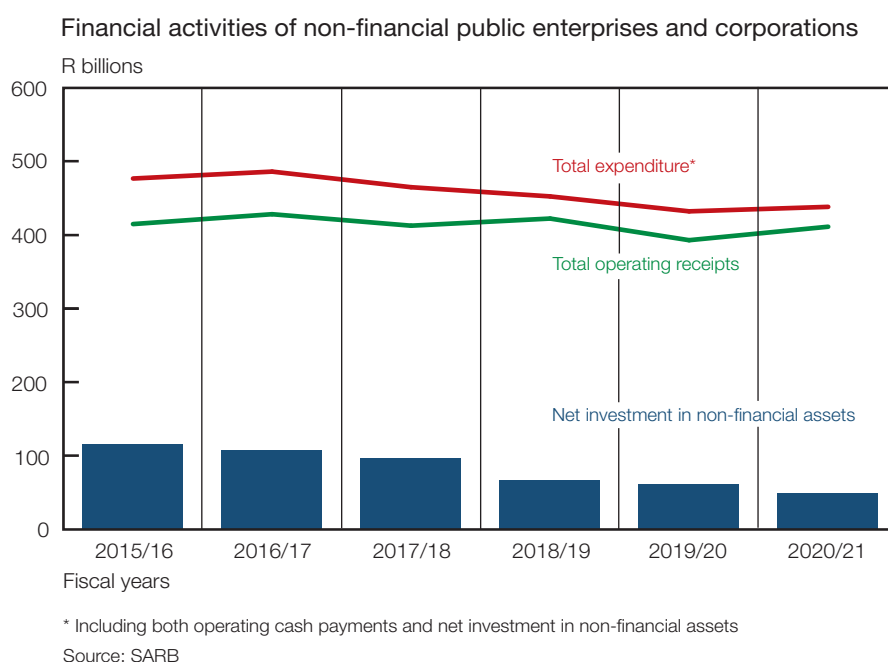


Sources: National Treasury, Stats SA and SARB



The financial activities of the non-financial SOCs resulted in a lower cash deficit of R27.0 billion in fiscal 2020/21, some R12.3 billion less than in the previous fiscal year. This outcome resulted primarily from more financial support received from national government, which was sufficient to boost growth in operating cash receipts while expenditure increased only moderately during fiscal 2020/21.

The total cash receipts from operating activities of the non-financial SOCs increased by 4.7% year on year to R411 billion, whereas expenditure increased by only 1.4% to R438 billion. Net investment in non-financial assets by the non-financial SOCs declined further by R12.5 billion year on year to R49.8 billion in fiscal 2020/21. This reflected the continued contraction in infrastructure spending within a constrained financial environment, characterised by low business confidence which was further exacerbated by the COVID-19 pandemic and related lockdown measures.



Budget comparable analysis of national government finance

National government's much larger cash book deficit of R552 billion in fiscal 2020/21 substantially exceeded the February 2020 Budget projection, but was less than the *2020 Medium Term Budget Policy Statement (2020 MTBPS)*. The larger cash book deficit resulted from markedly lower revenue and higher expenditure than in the previous fiscal year, and was primarily financed through the increased issuance of debt securities in the domestic financial markets. Accordingly, gross loan debt increased by 20.7% year on year to R3 936 billion as at 31 March 2021.

National government revenue of R1 236 billion in fiscal 2020/21 was 8.0% less than in the previous fiscal year and R162 billion less than projected in the February 2020 Budget. The revenue shortfall reflected the adverse consequences of the COVID-19 lockdown restrictions on domestic economic activity, such as widespread job and income losses. However, revenue collection exceeded the *2020 MTBPS* projections as the pace of contraction across most of the tax categories was much slower than expected, as economic activity recovered in the second half of the fiscal year.

National government finances

	Actual Fiscal 2020/21		Originally budgeted ¹ Fiscal 2020/21		Revised estimates ² Fiscal 2020/21		Originally budgeted ³ Fiscal 2021/22	
	R billions	Percentage change ⁴	R billions	Percentage change ⁵	R billions	Percentage change ⁶	R billions	Percentage change ⁵
Revenue	1 236	-8.0	1 398	4.1	1 098	-18.3	1 352	9.3
<i>Percentage of GDP ...</i>	<i>24.7</i>		<i>25.8</i>		<i>22.6</i>		<i>25.3</i>	
Expenditure	1 788	5.8	1 766	4.5	1 806	6.9	1 834	2.6
<i>Percentage of GDP ...</i>	<i>35.8</i>		<i>32.5</i>		<i>37.2</i>		<i>34.3</i>	
Cash book balance ⁷ .	-552		-368		-708		-483	
<i>Percentage of GDP ...</i>	<i>-11.0</i>		<i>-6.8</i>		<i>-14.6</i>		<i>-9.0</i>	
Primary balance ⁸	-320		-139		-475		-213	
<i>Percentage of GDP ...</i>	<i>-6.4</i>		<i>-2.6</i>		<i>-9.8</i>		<i>-4.0</i>	
Gross loan debt ⁹	3 936	20.7	3 562	9.2	3 974	21.9	4 383	11.4
<i>Percentage of GDP ..</i>	<i>78.8</i>		<i>65.6</i>		<i>81.8</i>		<i>81.9</i>	

1 2020 Budget Review

2 2020 MTBPS

3 2021 Budget Review

4 Year-on-year percentage change: actual outcome on previous year's actual outcome

5 Year-on-year percentage change: budgeted 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 for rand values

Sources: National Treasury, Stats SA and SARS

Revenue as a ratio of GDP of 24.7% in fiscal 2020/21 was lower than the 26.1% in fiscal 2019/20. The projected revenue-to-GDP ratio of 25.8% for fiscal 2020/21 in the February 2020 Budget was revised lower to 22.6% in the 2020 MTBPS.

Revenue from taxes on income, profits and capital gains of R718 billion in fiscal 2020/21 was 7.1% less than in the previous fiscal year and also R95.4 billion less than projected in the February 2020 Budget, but was R77.9 billion more than in the 2020 MTBPS. Personal income tax (PIT) contracted by 7.7% year on year, while corporate income tax (CIT) contracted by a lesser 4.9%. The underperformance of PIT primarily reflected lower pay-as-you-earn collections following job losses, as many businesses either closed or downsized during the COVID-19 lockdown period. The COVID-19-related restrictions, together with the unreliable supply of electricity, severely affected company profits, which in turn contributed to the year-on-year contraction in CIT. However, the contraction in CIT was much less than expected in the 2020 MTBPS, as the surge in international commodity prices boosted the earnings of mining companies.

Proceeds from taxes on goods and services contracted by 7.4% year on year to R456 billion in fiscal 2020/21. This represented a shortfall of R58.5 billion relative to the February 2020 Budget projection, but was still R48.8 billion more than in the 2020 MTBPS. The main drivers behind the year-on-year contraction were lower net value-added tax (VAT) receipts, less income from the general fuel levy as well as a sharp contraction in excise duties collected.

Income from taxes on international trade and transactions of R47.7 billion in fiscal 2020/21 was 15.3% less than in the previous fiscal year. This contraction resulted mainly from constrained domestic demand for imported consumer and capital goods within the domestic recessionary environment and COVID-19, the latter of which disrupted global supply chains, particularly in the first half of the fiscal year.



National government revenue in fiscal 2020/21¹

Revenue source	Originally budgeted ² Fiscal 2020/21		Revised estimates ³ Fiscal 2020/21		Actual Fiscal 2020/21	
	R billions	Percentage change ⁴	R billions	Percentage change ⁵	R billions	Percentage change ⁵
Taxes on income, profits and capital gains	813.6	5.3	640.3	-17.1	718.2	-7.1
<i>Of which:</i> Income tax on individuals	546.8	3.3	454.2	-14.2	488.4	-7.7
Income tax on companies	230.2	7.1	159.6	-25.8	204.4	-4.9
Payroll taxes	19.4	5.0	10.2	-45.0	12.3	-33.7
Taxes on property	17.5	9.6	14.5	-9.5	15.9	-0.2
Taxes on goods and services	514.0	4.5	406.8	-17.3	455.6	-7.4
<i>Of which:</i> Value-added tax (VAT) net	360.6	4.0	287.7	-17.0	331.2	-4.5
Domestic	421.7	5.6	365.1	-8.6	393.0	-1.6
Imports	193.0	7.2	138.0	-23.3	166.4	-7.5
Refunds	-254.1	9.3	-215.4	-7.4	-228.2	-1.9
General fuel levy	85.2	6.3	70.1	-12.5	75.2	-6.2
Excise duties	56.0	4.9	39.1	-26.9	38.0	-28.8
Taxes on international trade and transactions ..	60.6	7.7	40.7	-27.7	47.7	-15.3
<i>Of which:</i> Import duties	59.5	7.2	40.3	-27.4	47.4	-14.7
Other revenue ⁷	36.2	-5.5	48.9	27.7	49.9	30.3
Less: SACU ⁸ payments	63.4	26.1	63.4	26.1	63.4	26.1
Total revenue	1 398.0	4.1	1 097.9	-18.3	1 236.1	-8.0

1 Components may not add up to totals due to rounding off and the exclusion of unclassified items.

2 2020 Budget Review

3 2020 MTBPS

4 Year-on-year percentage change: budgeted on previous year's actual outcome

5 Year-on-year percentage change: revised estimates on previous year's actual outcome

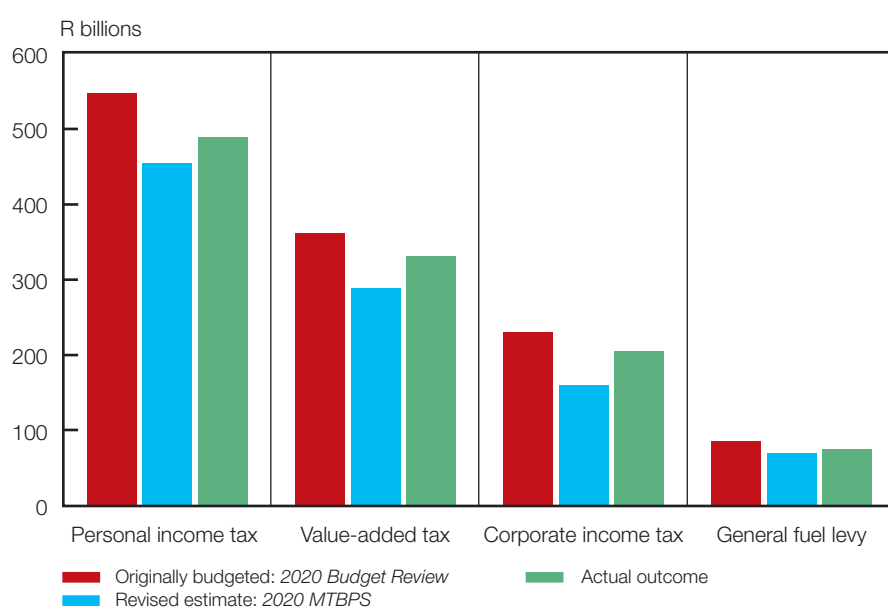
6 Year-on-year percentage change: actual outcome on previous year's actual outcome

7 Including non-tax revenue and extraordinary receipts

8 Southern African Customs Union

Sources: National Treasury and SARS

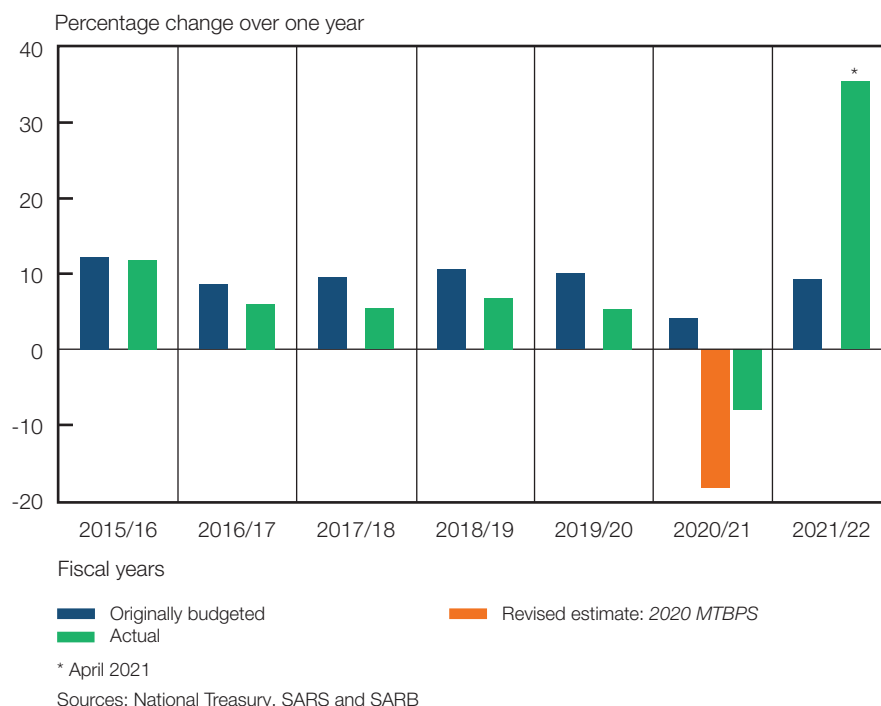
Major sources of national government revenue in fiscal 2020/21



Sources: National Treasury, SARS and SARB

Government revenue generated from non-tax sources increased significantly by 30.3% year on year to R49.9 billion in fiscal 2020/21 and was R13.7 billion more than originally budgeted. This increase resulted mainly from inflows of R25.8 billion to the National Revenue Fund and rent on land of R14.1 billion. The R63.4 billion that had been earmarked as transfers to the Southern African Customs Union (SACU) for fiscal 2020/21 in the February 2020 Budget was fully paid in four equal instalments in April, July and October 2020 as well as January 2021.

Revenue of national government



The *2021 Budget Review* projected a year-on-year increase of 9.3% in national government revenue from the low COVID-19-induced base in fiscal 2020/21, to R1 352 billion for fiscal 2021/22. In April 2021, the first month of fiscal 2021/22, total revenue increased by 35.5% year on year to R85.5 billion.

National government expenditure of R1 788 billion in fiscal 2020/21 was 5.8% more than in the previous fiscal year and only R22.0 billion more than projected in the February 2020 Budget, but R17.8 billion less than in the *2020 MTBPS*. This reflected higher voted expenditure, largely due to additional allocations to some SOCs. Expenditure as a ratio of GDP of 35.8% in fiscal 2020/21 was higher than the 32.8% in the previous fiscal year. The originally projected expenditure-to-GDP ratio of 32.5% for fiscal 2020/21 was revised higher to 37.2% in the *2020 MTBPS*.

Total voted expenditure – comprising transfers and subsidies, current payments, and payments for capital and financial assets – increased by 6.4% year on year to R1 004 billion in fiscal 2020/21. Transfers and subsidies as well as payments for financial assets were the main drivers behind the increase. The increased payments for financial assets resulted from payments to the New Development Bank (R5.1 billion) and payments to some SOCs in financial distress, such as Eskom (R62.8 billion), South African Airways (R11.5 billion), and the Land and Agricultural Development Bank of South Africa (R3.0 billion). Current payments and payments for capital assets, however, decreased slightly in the period under review.

Debt-service costs (interest payments on national government debt) of R232 billion in fiscal 2020/21 were 13.5% more than in the previous fiscal year, reflecting the persistent increase in government debt. As the fastest-growing spending category, debt-service costs exceeded the February 2020 Budget estimate by R3.0 billion.



National government expenditure in fiscal 2020/21¹

Expenditure item	Originally budgeted ² Fiscal 2020/21		Revised estimates ³ Fiscal 2020/21		Actual Fiscal 2020/21	
	R billions	Percentage change ⁴	R billions	Percentage change ⁵	R billions	Percentage change ⁶
Voted expenditure	963.1	2.0	1 025.3	8.6	1 003.9	6.4
Of which: Transfers and subsidies.....	644.0	2.8	668.4	6.7	667.0	6.4
Current payments	261.3	8.3	254.5	5.5	239.3	-0.8
Payments for capital assets.....	15.3	30.8	14.8	26.8	11.4	-2.3
Payments for financial assets...	42.5	...	87.6	36.5	86.1	34.1
Statutory amounts ⁷	802.9	7.6	780.4	4.7	784.1	5.1
Of which: Provincial equitable share	538.5	6.5	520.7	3.0	520.7	3.0
Interest on debt	229.2	12.0	233.0	13.8	232.2	13.5
General fuel levy	14.0	6.5	14.0	6.5	14.0	6.5
Total expenditure.....	1 766.0	4.5	1 805.8	6.9	1 788.0	5.8

1 Components may not add up to totals due to rounding off and the exclusion of unclassified items.

2 2020 Budget Review

3 2020 MTBPS

4 Year-on-year percentage change: budgeted on previous year's actual outcome

5 Year-on-year percentage change: revised estimates on previous year's actual outcome

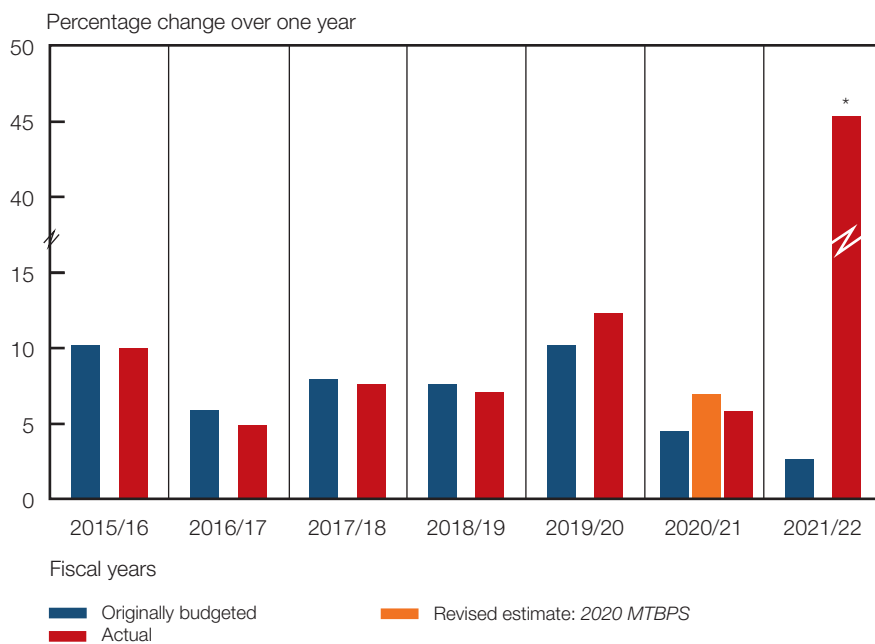
6 Year-on-year percentage change: actual outcome on previous year's actual outcome

7 Including extraordinary payments

... Not available

Source: National Treasury

Expenditure by national government

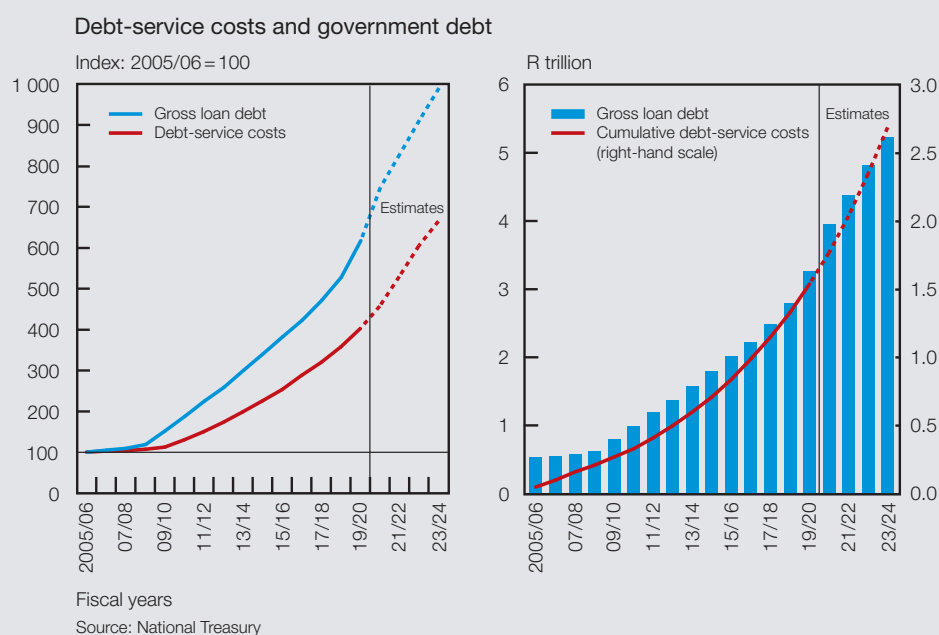


* April 2021

Sources: National Treasury and SARB

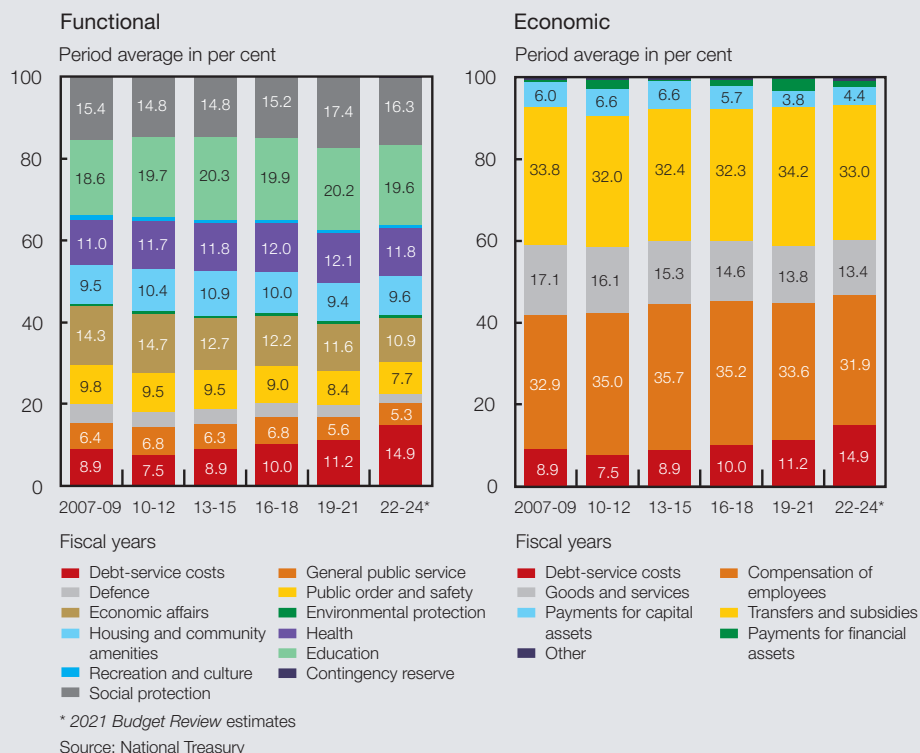
Box 4 Government's debt-service costs dilemma¹

The marked increase in consolidated government's² debt-service costs is a direct consequence of persistent budget deficits over the past decade, which contributed to higher levels of outstanding debt. With debt-service costs currently being the fastest-growing expenditure category, and expected to increase at an annual average rate of 13.3% over the medium term, the dilemma for government is the draining away of resources from other much-needed spending priorities. From fiscal 2005/06 to 2020/21, the cumulative debt-service costs amounted to R1.8 trillion.



With debt-service costs as a share of total government expenditure almost doubling since the 2008/09 global financial crisis (GFC), the contribution of other spending categories has either decreased or remained broadly unchanged from both a functional and an economic perspective.

Contribution to total expenditure



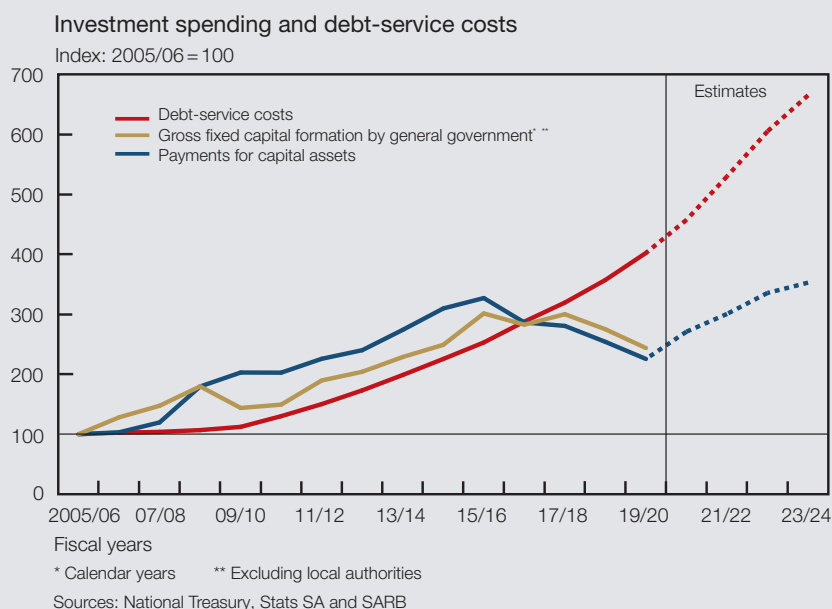
¹ This analysis is based on National Treasury's statistics in the 2021 Budget Review.

² Consolidated government comprises national and provincial government, social security funds and selected extra-budgetary institutions, and excludes local government.



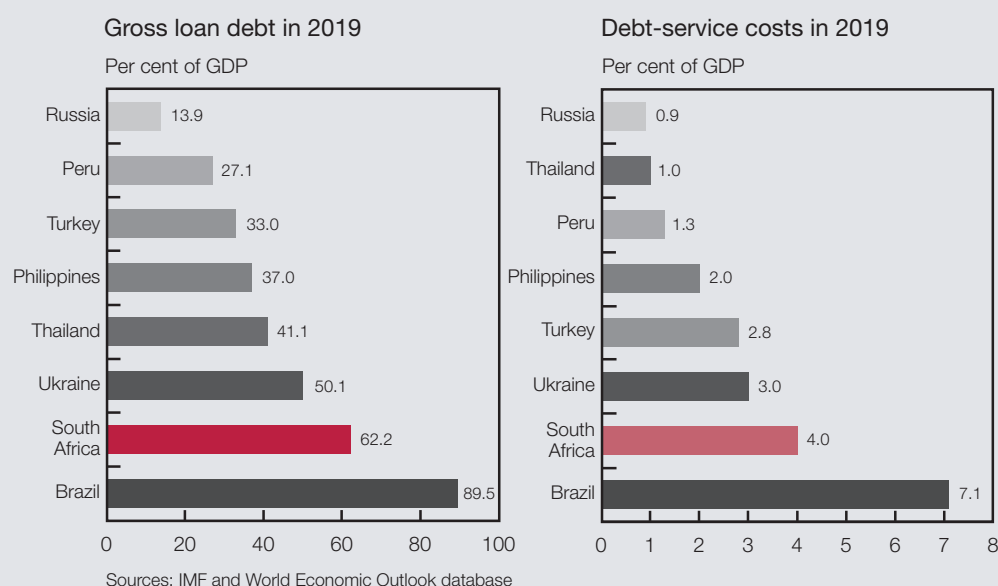
Encouragingly, the share of functional expenditure has been broadly maintained for social protection, education, health, housing and community amenities, whereas the share of spending on economic affairs, public order and safety as well as, in particular, defence has shrunk. From an economic-classification perspective, two expenditure categories, namely the compensation of employees as well as transfers and subsidies, each continued to account for about a third of total expenditure respectively, with spending on goods and services as well as capital assets shrinking.

The negative impact of reduced spending on capital assets is evident in the developments in gross fixed capital formation by general government. The continued underinvestment in capital goods does not sufficiently support the development of the economy's production capacity, which has a negative feedback loop through weak economic growth on revenue collections and the ability to service debt. The notable increase in debt-service costs also crowded out other spending priorities.



In recent years, these dynamics were exacerbated by the implementation of fiscal measures aimed at mitigating the negative consequences of the GFC and then, more recently, of those related to the coronavirus disease 2019 (COVID-19) pandemic, which necessitated spending reprioritisation in an already constrained fiscal environment.

A positive correlation between the stock of debt and debt-service costs is a common phenomenon globally, with South Africa ranking high among emerging market economies in terms of both gross loan debt and debt-service costs as a ratio of gross domestic product (GDP).



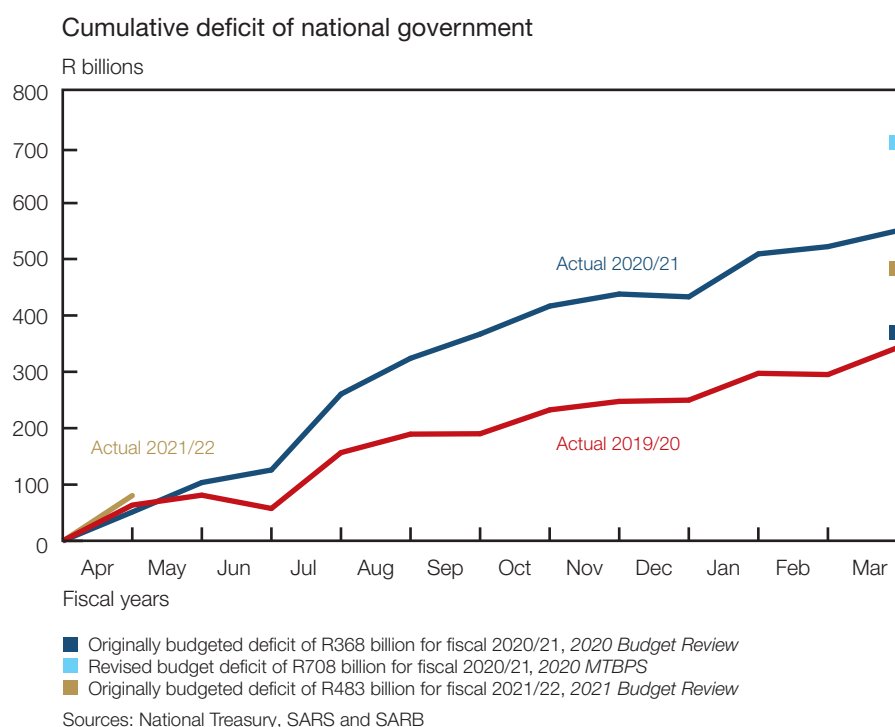
For government to continue providing the necessary social and economic services while achieving fiscal sustainability, the growth in debt-service costs needs to be contained as a top priority, primarily through debt-containing measures.

National government's equitable share transfers to provinces, which is the main source of provincial government revenue, increased marginally by 3.0% year on year to R521 billion in fiscal 2020/21. An amount of R14.0 billion was also allocated in three equal instalments to metropolitan municipalities as their share of the general fuel levy over this period.

The *2021 Budget Review* projected a year-on-year increase of only 2.6% in national government expenditure to R1 834 billion for fiscal 2021/22. In April 2021, the first month of fiscal 2021/22, total expenditure increased by 45.2% year on year to R166 billion.

Revenue and expenditure developments in fiscal 2020/21 resulted in a significant cash book deficit of R552 billion, which was R206 billion more than in the previous fiscal year and also exceeded the February 2020 Budget projection by R184 billion. Nonetheless, the cash book deficit was R156 billion less than in the *2020 MTBPS*. National government's cash book deficit as a ratio of GDP increased significantly to 11.0% in fiscal 2020/21 from 6.7% a year earlier.

The *2021 Budget Review* envisaged a smaller national government cash book deficit of R483 billion for fiscal 2021/22. In April 2021, the first month of fiscal 2021/22, the net outcome of national government revenue and expenditure resulted in a cash book deficit of R80.4 billion, which was R29.2 billion more than a year earlier.



25 The primary deficit is the cash book deficit excluding interest payments.

National government's primary deficit²⁵ of R320 billion in fiscal 2020/21 was more than double the deficit of R142 billion in the previous fiscal year. The primary deficit as a ratio of GDP of 6.4% in fiscal 2020/21 was much higher than the 2.7% in the previous fiscal year, and far exceeded the projection of 2.6% in the February 2020 Budget.



National government financing

R billions

Item or instrument	Actual Fiscal 2019/20	Actual Fiscal 2020/21	Originally budgeted ¹ Fiscal 2020/21	Revised estimates ² Fiscal 2020/21
Cash book deficit	346.3	551.9	368.0	707.8
Cash flow deficit ³	343.8	569.8
Plus: Cost/profit on revaluation of foreign debt at redemption ⁴	24.3	6.5	4.3	6.5
Accrual adjustments	28.7	69.7
Net borrowing requirement	339.4	506.6	372.3	714.3
Treasury bills and short-term loans ⁵	36.1	95.3	48.0	143.0
Domestic bonds ⁵	251.8	429.3	285.2	410.0
Foreign bonds and loans ⁵	49.1	84.0	21.3	113.4
Change in available cash balances ⁶	2.5	-101.9	17.7	47.8
Total net financing⁷	339.4	506.6	372.3	714.3

1 2020 Budget Review

2 2020 MTBPS

3 The cash flow deficit includes extraordinary receipts and payments, and differs from the cash book deficit.

4 Cost (+)/profit (-)

5 Net issuance (+)/net redemption (-)

6 Increase (-)/decrease (+)

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

... Not available

Sources: National Treasury and SARB

National government's cash flow deficit of R570 billion in fiscal 2020/21 was R226 billion more than in fiscal 2019/20. After accounting for the revaluation of foreign debt at redemption and accrual adjustments, the net borrowing requirement²⁶ of R507 billion in fiscal 2020/21 was R167 billion more than in fiscal 2019/20.

Government financed the higher net borrowing requirement in both the domestic and foreign markets mainly through the net issuance of domestic rand-denominated long-term government bonds of R429 billion as well as TBs and short-term loans from the CPD of R95.3 billion. The net issuance of foreign bonds and loans of R84.0 billion in fiscal 2020/21 was much higher than the R49.1 billion in the previous fiscal year. As a result, the available cash balances of national government increased by a notable R102 billion in fiscal 2020/21.

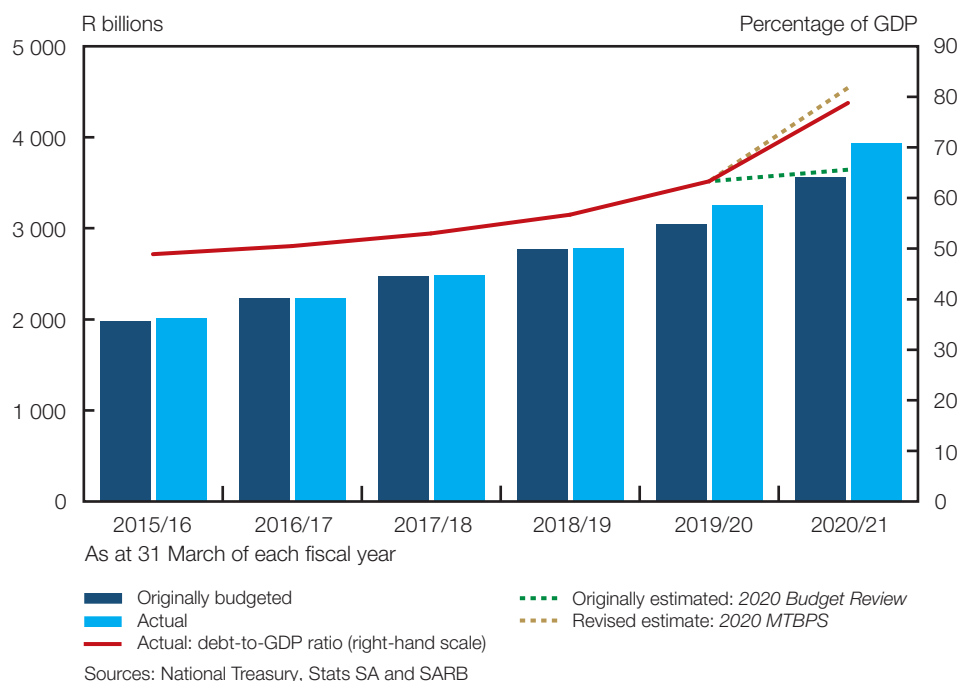
The increase in national government's gross loan debt (domestic and foreign) of R674 billion in the fiscal year to R3 936 billion as at 31 March 2021 reflected the net effect of financing the much larger borrowing requirement and revaluation effects. This exceeded the original estimates in the February 2020 Budget by a significant R374 billion. Similarly, the ratio of gross loan debt to GDP of 78.8% as at 31 March 2021 was notably higher than the 63.3% a year earlier. This was also significantly higher than the original projection of 65.6% in the 2020 Budget Review, but in line with the 81.8% in the 2020 MTBPS. Domestic debt accounted for 90.0% of gross loan debt as at 31 March 2021.

The 2021 Budget Review projected national government gross loan debt to increase by 11.4% to R4 383 billion for fiscal 2021/22. As at 30 April 2021, gross loan debt had already surged to R3 972 billion, reflecting 90.6% of the total originally budgeted amount for fiscal 2021/22.

26 The net borrowing requirement is calculated as the cash flow deficit after accounting for the revaluation of foreign debt at redemption and accrual adjustments.

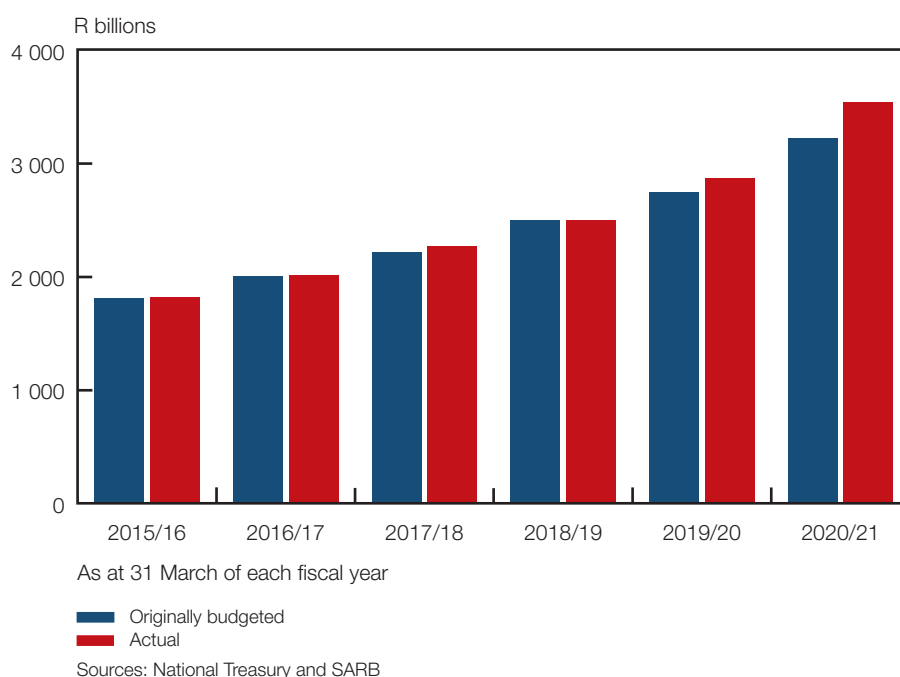


Gross loan debt of national government

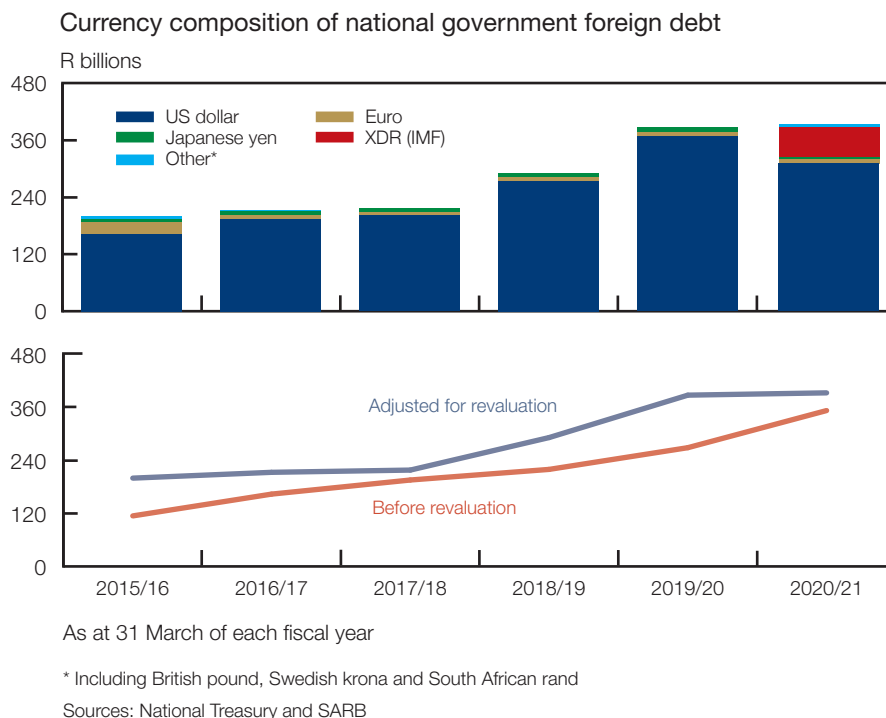


The domestic debt (marketable and non-marketable) of national government of R3 543 billion as at 31 March 2021 was R669 billion more than as at 31 March 2020. This large increase reflected the higher net issuance of domestic marketable debt, consisting of bonds and TBs, which increased by 24.4% year on year to R3 527 billion as at 31 March 2021. Domestic marketable bonds increased from R2 501 billion to R3 071 billion over the same period, notwithstanding the R49.0 billion redemption of the *R208* bond in March 2021. Government's outstanding balance of TBs increased by R123 billion year on year to R456 billion as at 31 March 2021. The average outstanding maturity of domestic marketable bonds decreased from 176 months as at 31 March 2020 to 166 months a year later due to, among other factors, the redemption of the *R208* bond.

Domestic debt of national government



National government's total foreign debt (marketable and non-marketable) increased marginally by 1.3% year on year to R392 billion as at 31 March 2021. This reflected two new foreign loans during July 2020: US\$1.0 billion from the New Development Bank and XDR3.1 billion from the International Monetary Fund (IMF). Government also received a rand-denominated foreign loan to the value of R5.0 billion from the African Development Bank in October 2020. The foreign marketable debt of R309 billion and non-marketable debt of R83.8 billion accounted for 78.6% and 21.4% respectively of total foreign debt as at 31 March 2021.



The exchange value of the rand appreciated somewhat, on balance, against the currencies of South Africa's major trading partners during fiscal 2020/21, even though the fiscal position continued to deteriorate along with the persistent negative effects of the COVID-19 pandemic. Consequently, foreign debt increased by only R5.2 billion between March 2020 and March 2021, notwithstanding the uptake of three new loans to fund the response to COVID-19. National government's foreign debt is predominantly denominated in the US dollar followed by the IMF's Special Drawing Rights (XDR), which together accounted for 95.5% of total foreign debt as at 31 March 2021. The average outstanding maturity of foreign marketable bonds decreased from 168 months as at 31 March 2020 to 162 months a year later.

1 This note relates to the lending and deposit rate statistics published on pages S–11 and S–30 respectively in this edition of the *Quarterly Bulletin (QB)*. The note also follows the box on 'Drivers of households' borrowing and deposit rates' in the March 2019 edition of the QB. See <https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/boxes/2019/9248/04Drivers-of-households--borrowing-and-deposit-rates.pdf>

2 The analysis is based on weighted average interest rates on both new and existing deposits and loans reported by banks in the BA 930 survey.

Note on the changes in bank deposit and lending rates since the onset of the COVID-19 pandemic^{1, 2}

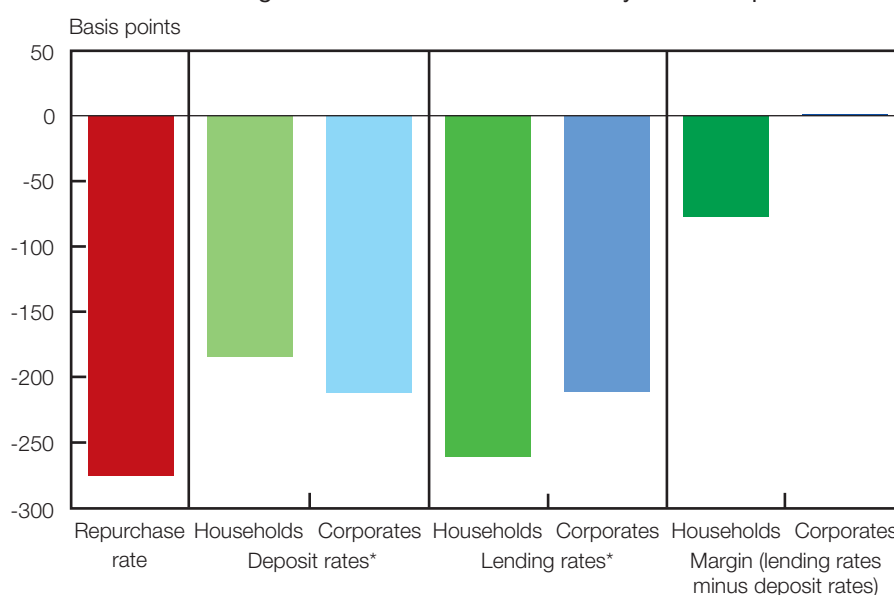
by D H Meyer and L Morope

Introduction

The South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) has lowered the repurchase (repo) rate by a cumulative 275 basis points since announcing a rate of 6.25% on 17 January 2020 through four consecutive reductions, from March to June 2020, to mitigate against the economic impact of the coronavirus disease 2019 (COVID-19). The private sector banks followed these reductions in the repo rate, and adjusted their weighted average deposit and lending interest rates lower in broad alignment with the repo rate while also tightening credit standards.

Households benefitted comparatively more than corporates from the lower weighted average interest rates offered by banks. The deposit rate offered to households declined by much less than both the repo rate and the rate offered to corporates. However, the lending rate for households declined by almost the same magnitude as the repo rate and by more than that for corporates. On balance, the change in the margin between households' lending and deposit rates indicates the comparative advantage that households experienced over the period, compared to that of corporates. Although banks did not pass on the full magnitude of the repo rate decline, the relative changes supported strong growth in household deposits while also assisting credit extension.

Cumulative changes in interest rates from January 2020 to April 2021



* Weighted average deposit and lending rates

Source: SARB

3 The weighted average interest rate on the deposits of households and corporates is calculated as the aggregate of the average interest rates per institutional sector and the deposit categories of each reporting bank as weighted based on outstanding balances. The deposit categories include cheque, transmission and other demand deposits, other short- and medium-term deposits as well as long-term deposits.

Deposit rates

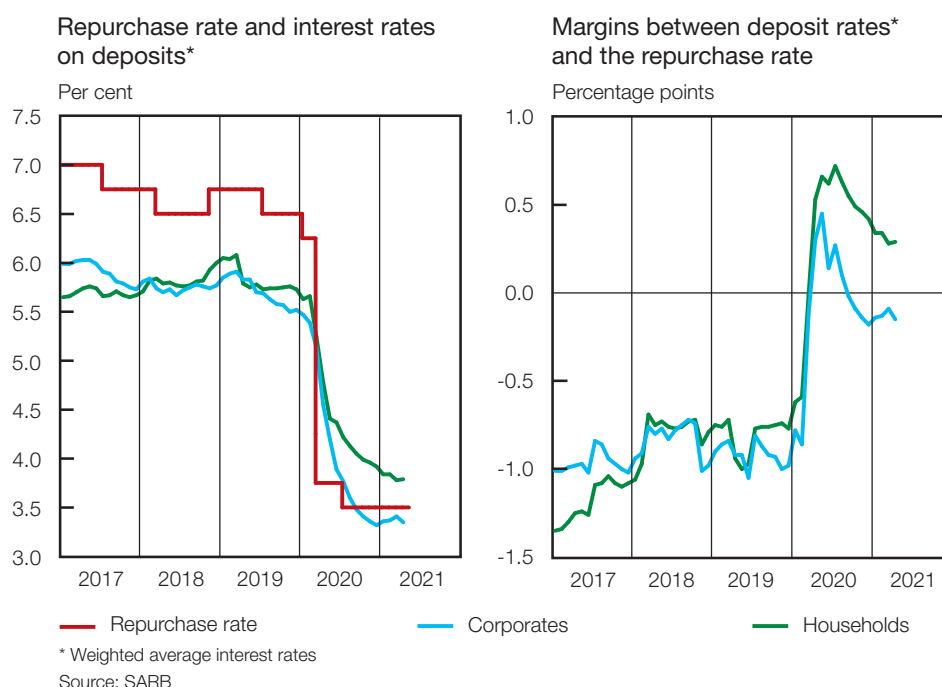
Banks are inclined to offer interest rates on deposits at levels below the repo rate to contain funding costs, while depositors seek the highest possible return on deposits of different maturities.

Banks' weighted average interest rate on deposits³ of both households and companies generally followed the reductions in the repo rate, from 6.25% on 17 January 2020 to a low of 3.50% effective from 24 July 2020, with two changes of 100 basis points each followed by 50 and then 25 basis points.



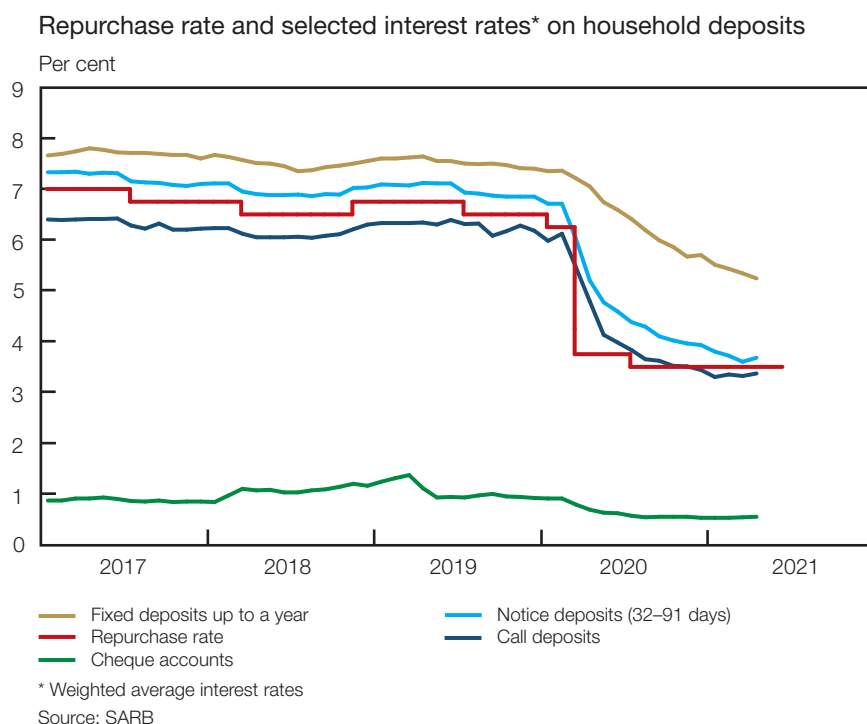
Banks have historically offered households lower rates on deposits than corporates due to the latter's large placements. In recent years, the deposit rates for households and corporates have become more closely aligned, as banks have targeted stable household deposits which qualify for the net stable funding requirement.⁴ To attract and retain household deposits, the interest rate offered by banks has consistently exceeded that on corporate deposits from June 2019 and more markedly so from June 2020.

4 The net stable funding ratio (NSFR) became a minimum standard Basel III requirement from January 2018, and reflects the amount of available stable funding relative to the amount of required stable funding. The NSFR encourages stable sources of funding for long-term assets and therefore household deposits.



Although the weighted average interest rates on deposits by both households and companies followed the repo rate lower, their margins⁵ to the repo rate have recently turned positive, with those of households remaining substantially in excess of those for corporates. On balance, the household sector has benefitted more than corporates from changes in deposit rates, in particular since the COVID-19-related lockdown, with the margin between deposit rates and the repo rate switching from negative to positive.

5 The margin is calculated by subtracting the respective weighted average deposit rates for households and corporates from the repo rate.



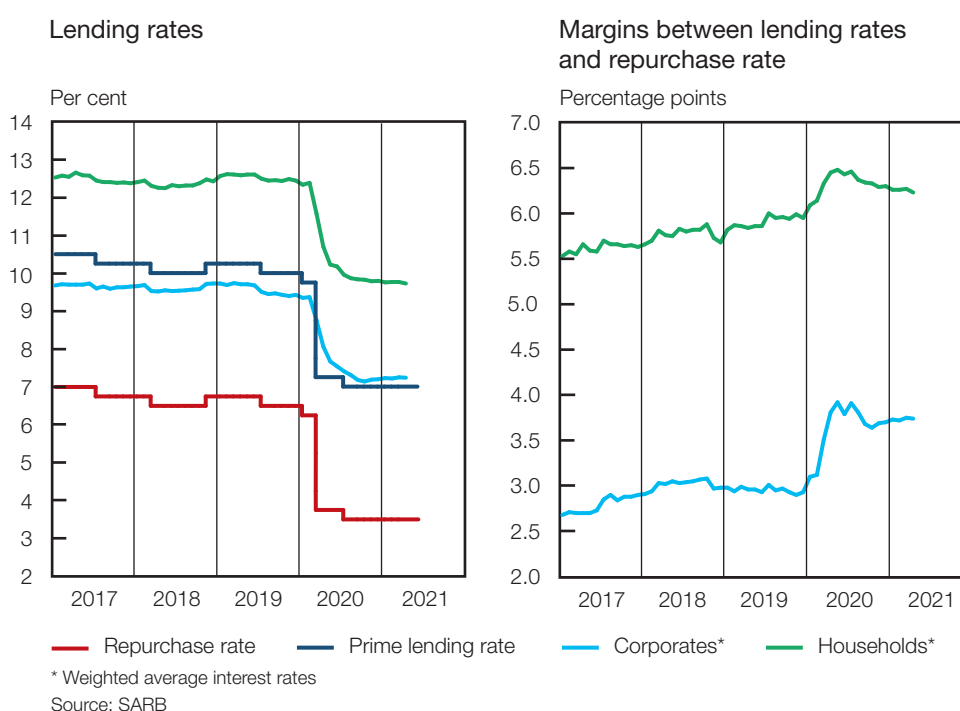


For this reason, the focus now shifts to the changes in the household sector's different types of deposit rates. The weighted average interest rate on fixed deposits up to a year has remained above the repo rate throughout the COVID-19 pandemic thus far, and has declined by only 211 basis points since January 2020 compared with the 275 basis points decline in the repo rate. The weighted average interest rate on notice deposits of 32–91 days has decreased by 303 basis points, while rates on call deposits have decreased by 261 basis points over the same period and for a while exceeded the repo rate. The rate on cheque accounts, which is far below the repo rate, has decreased by only 36 basis points.

Lending rates

6 The prime lending rate is the repo rate *plus* a constant margin of 350 basis points. For more information on the prime lending rate, see 'The role of the prime rate and the prime-repurchase rate spread in the South African banking system', available at <https://www.resbank.co.za/en/home/publications/publication-detail-pages/media-releases/2010/4279>

The weighted average interest rate on bank loans reflects the cost of borrowing in the economy, inclusive of a markup for risk. Lending rates are therefore at a premium to the repo rate and, in the case of households, at a substantial premium to the prime lending rate,⁶ due to them being regarded as higher risk than corporates, to whom lending rates are usually offered at a slight discount to the prime lending rate. However, since the national lockdown, lending rates to corporates have been slightly higher than the prime lending rate.



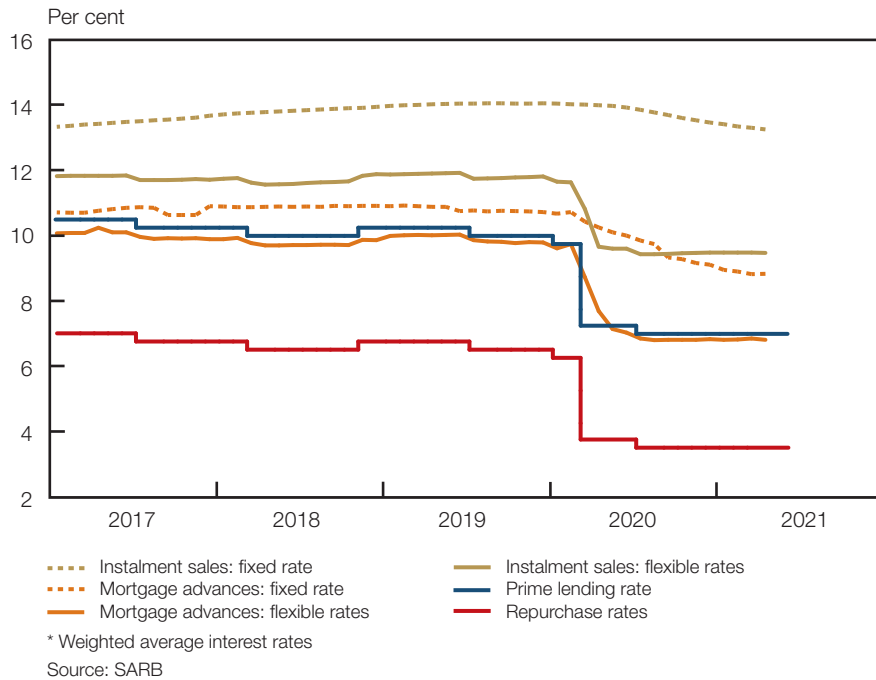
7 The weighted average lending rates of households and corporates are calculated as the aggregate of the average interest rates per institutional sector and the lending categories of each reporting bank as weighted based on outstanding balances.

Lending rates, similarly to deposit rates, follow the movements in the repo rate. During the COVID-19 pandemic, the weighted average lending rate⁷ has been reflecting a noticeable increase in the risk premium following the national lockdown from March 2020, along with a visible difference between the rates for households and companies. The margin between the weighted average lending rate to companies and the repo rate has increased much more than that for households.

Flexible lending rates are more closely aligned with the repo rate than fixed rates due to the extended maturity of some agreements. Borrowing at flexible rates is also cheaper than at fixed rates, as the option of locking into fixed-rate agreements requires a premium. There is also a marked difference between rates that apply to instalment sales that are significantly higher than interest rates on mortgage loans, with the latter, on a flexible weighted average basis, priced in close proximity of the prime lending rate.

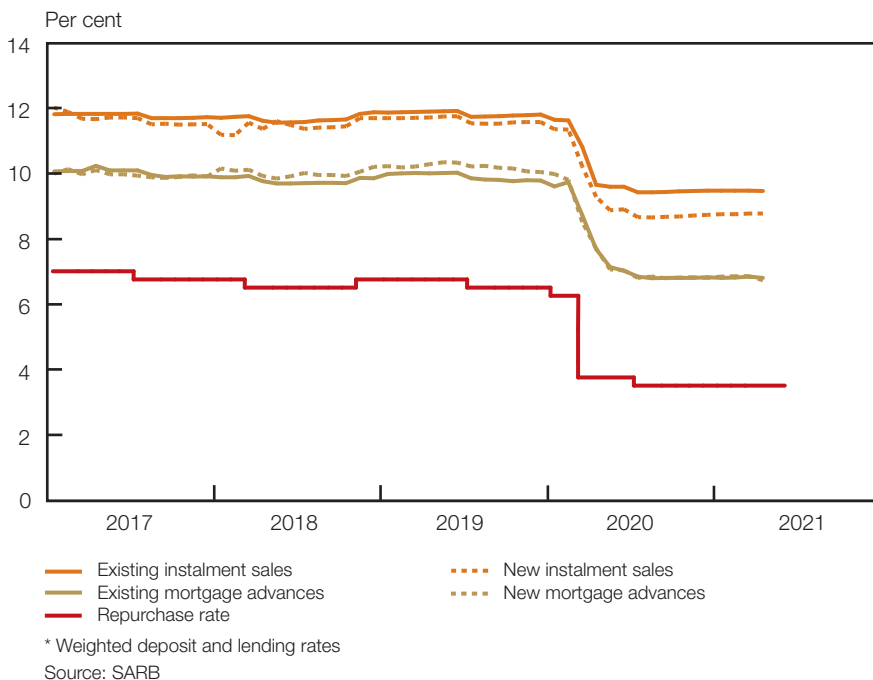


Repurchase and selected lending rates* to households



The weighted average flexible interest rate on new loans is an early indicator of changes in lending conditions to households, in particular for instalment sale credit (mostly vehicle purchases), whereas new and existing flexible interest rates for mortgage advances have followed similar paths as banks passed on interest rate changes in similar magnitudes. However, on balance, more interest rate relief was provided on longer-term mortgage credit than on shorter-term instalment sale credit.

New and existing lending rates* to households and the repurchase rate





Note on the flow of funds in South Africa's national financial account for the year 2020

by S Madonsela and B Khoza¹

Introduction

South Africa's national financial account reflects both real and financial transactions in the economy. The flow of funds illustrates the linkages between institutional sectors in the economy and their underlying economic activity. The purpose of the flow of funds is to describe the financing of various institutional sectors by sourcing funds through borrowing from counterpart sectors with savings, and using those funds for investment in financial and non-financial assets.

This note reflects the impact of the coronavirus disease 2019 (COVID-19) pandemic and lockdown restrictions on the various institutional sectors' real and financial transactions in 2020. The pandemic has severely affected the already weak domestic economic activity as recessionary conditions have been prevailing since the second half of 2019. The quarterly national financial accounts for 2020 are appended to this note, and the annual summary is published on pages S–48 and S–49 in this edition of the *Quarterly Bulletin*.

Sectoral financing balances

The gross saving of all domestic institutional sectors in the South African economy decreased by 2.1% from R740 billion in 2019 to R725 billion in 2020. The unprecedented impact of the pandemic on public finances resulted in a significant dissaving by general government. However, all of the other domestic institutional sectors increased their gross saving in response to the increased uncertainty, with companies also holding back on dividend payments while spending by these institutions contracted.

Table 1 Financing balances,¹ 2019 and 2020

R millions

	2019				2020			
	Gross saving	Net capital transfers	Gross capital formation ²	Net lending (+)/net borrowing (-) ³	Gross saving	Net capital transfers	Gross capital formation	Net lending (+)/net borrowing (-)
Foreign sector ⁴	153 177	-244	-	152 933	-108 203	-234	-	-108 437
Financial intermediaries	130 269	-	41 936	88 333	144 902	-	17 801	127 101
General government...	2 426	-114 491	137 193	-249 258	-267 473	-112 494	138 683	-518 650
Non-financial business enterprises								
Public	53 633	75 728	135 228	-5 867	55 990	78 409	110 461	23 938
Private	491 208	20 784	481 500	30 492	694 038	18 410	273 206	439 242
Households ⁵	62 392	18 223	97 248	-16 633	97 147	15 909	76 250	36 806
Total	893 105	0	893 105	0	616 401	0	616 401	0

Surplus units (+) / deficit units (-)

1 A positive amount reflects a net lending position and, by implication, the net acquisition of financial assets, whereas a negative amount reflects a net borrowing position and, by implication, the net incurrence of financial liabilities.

2 Gross capital formation consists of fixed capital formation and changes in inventories, before providing for consumption (depreciation) of fixed capital.

3 Net lending/borrowing equals gross saving *plus* net capital transfers *less* gross capital formation.

4 A positive amount reflects a surplus for the rest of the world and is therefore a deficit on South Africa's current account of the balance of payments. A negative amount reflects a deficit for the rest of the world and a surplus on South Africa's current account of the balance of payments.

5 This includes unincorporated business enterprises and non-profit institutions serving households.

Source: SARB

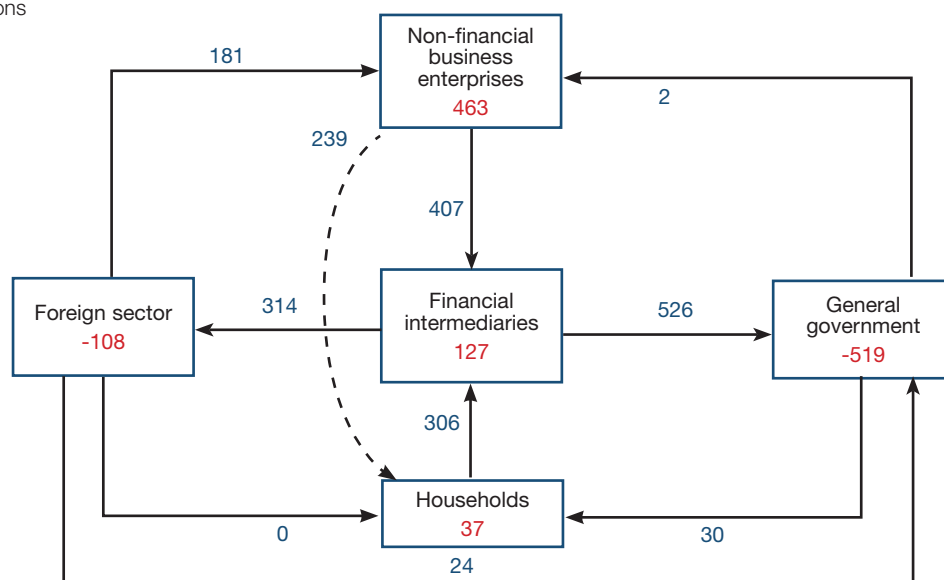
1 The views expressed are those of the authors and do not necessarily reflect the view of the South African Reserve Bank (SARB). The SARB would like to express its sincere appreciation to all the reporting organisations – government departments as well as financial and other public and private sector institutions – for their cooperation in providing the data used for the compilation of South Africa's financial accounts.

The challenging economic conditions and heightened uncertainty also discouraged gross capital formation in South Africa, with overall spending falling by 31.0% from R893 billion in 2019 to R616 billion in 2020. Many private non-financial corporate business enterprises put investment plans on hold, with capital spending declining by a marked 43.3%, whereas the contraction of 18.3% in public non-financial business enterprises' capital spending could largely be attributed to COVID-19-related restrictions in the construction sector and project delays. The net inflow from the foreign sector to South Africa of R153 billion in 2019 switched to a net outflow of R108 billion along with a net disposal of South African assets in 2020.

The inter-sectoral flow of funds among the main sectors of the economy in 2020 is shown in Figure 1. The foreign sector's net borrowing position of R108 billion mirrored a domestic surplus. Financial intermediaries channelled funds to the foreign sector as South Africa's acquisition of foreign assets increased. The general government sector's net borrowing position more than doubled from R249 billion in 2019 to R519 billion in 2020, which necessitated the sourcing of domestic funds from financial intermediaries, supplemented by funding from offshore sources. The foreign sector channelled R181 billion to non-financial business enterprises and, in turn, this sector invested most of these funds in deposits with banks. Households sourced R239 billion from non-financial business enterprises, while financial intermediaries received R306 billion from households.

Figure 1 Net inter-sectoral flow of funds, 2020*

R billions



* The numbers may not balance perfectly due to rounding off. The red numbers inside the boxes represent the net lending (+) or borrowing (-) positions of the sectors, and the blue numbers outside the boxes illustrate inter-sectoral flow of funds and the direction of flows. To calculate the net lending or net borrowing position of each sector, inflows are treated as negatives and outflows as positives.

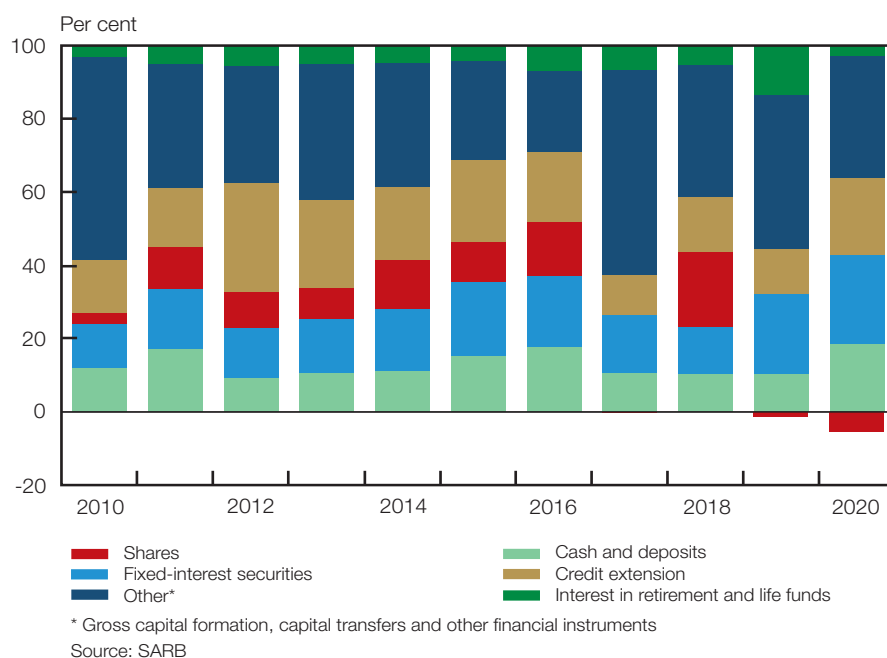
Source: SARB

2 Total flows reflect the net acquisition of financial assets *plus* gross capital formation *plus* capital transfers.

The contribution to total intermediated flows² of the different asset classes for all institutional sectors is shown in Figure 2. Lockdown restrictions and other efforts to respond to the COVID-19 pandemic resulted in cash and deposits as well as credit extension to increase from 10.3% and 12.2% of total flows respectively in 2019 to 18.6% and 20.9% respectively in 2020. Due to the attractive yields offered by fixed-interest securities, their contribution to total flows increased from 21.9% in 2019 to 24.4% in 2020. The share sell-off that started in 2019 continued, and increased from 1.2% of total flows in 2019 to 5.4% in 2020. The contribution of interest in retirement and life funds decreased from 13.4% in 2019 to 5.5% in 2020, mainly as a result of retrenchments, payouts from the Unemployment Insurance Fund (UIF), and the temporary suspension of contributions to pension funds. The main contributor to total flows in 2020 was gross capital formation, at 26.9%.



Figure 2 Contribution of asset classes to total flows



Sectoral analysis

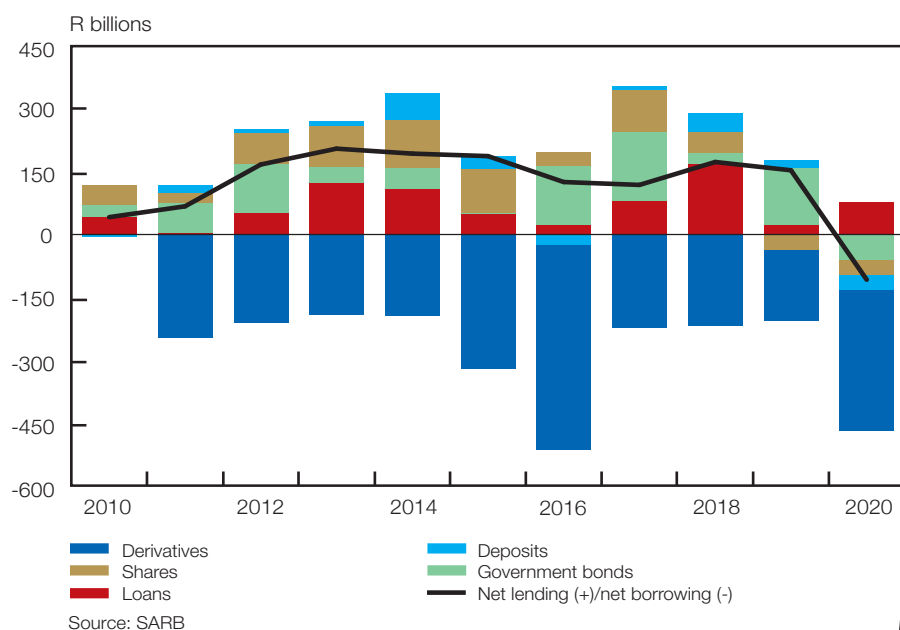
Institutional sectors with surplus funds seek appropriate investments, while those with deficit positions require suitable funding. This section shows the choice of financial instruments used during intermediation in 2020, as guided by, among other factors, market participants' inherent risk-return assessments, funding costs, general economic conditions as well as the available financing and investment choices.

Foreign sector

Non-resident capital flows switched from a net flow of R153 billion into the South African economy in 2019 to a net outflow of R108 billion in 2020. This reflected a sizeable trade surplus as the global economy started recovering from the pandemic together with non-resident net sales of South African financial instruments. Global investors' preference for safe-haven assets during 2020 resulted in the disposal of South African financial assets, mainly financial derivatives.³

3 Financial derivatives data have been published explicitly for the flow of funds since 2011.

Figure 3 Non-residents' net acquisition of selected financial assets



Non-residents disposed of domestic government bonds to the net value of R60.8 billion in 2020 compared with net purchases of R137 billion in 2019. Non-residents continued to be net sellers of shares of R35.7 billion in 2020, which was slightly less than net sales of R36.9 billion in 2019. In addition, an outflow of R36.1 billion in deposits from the domestic banking sector and repayments of R4.9 billion in trade credit and short-term loans were recorded in 2020. However, international institutions extended long-term loans of R83.1 billion, mainly to the general government sector.

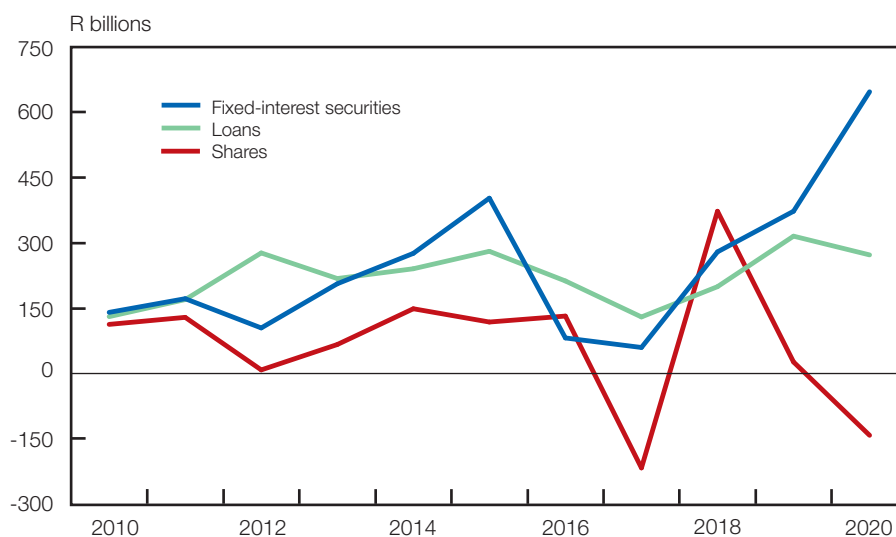
4 Financial intermediaries comprise the monetary authority, banks and non-bank financial institutions (excluding the Public Investment Corporation (PIC)).

Financial intermediaries⁴

The South African economy contracted sharply in 2020, primarily due to the COVID-19 pandemic and lockdown measures. The total funds intermediated between surplus and deficit units through financial intermediaries declined from R979 billion in 2019 to R862 billion in 2020. The net incurrence of financial liabilities showed a preference for liquidity in the form of cash and deposits, which increased by R427 billion in 2020 amid the heightened uncertainty, which was much more than the increase of R295 billion in 2019. The monetary authority introduced policy and operational measures which supported asset prices and liquidity. Funds placed with other financial institutions increased by a significant R157 billion in 2020 and went mainly to unit trusts⁵ (known as 'collective investment schemes'), despite investors' repositioning towards cash. In addition, interest in retirement and life funds amounted to R107 billion in 2020, lower than the R177 billion in 2019. Subdued economic activity and continued retrenchments likely contributed to withdrawals and the suspension of contributions in 2020.

The considerable net acquisition of fixed-interest securities by these intermediaries of R647 billion in 2020 enabled general government to meet its financing requirements. Credit extension was more subdued at R273 billion in 2020 compared with R316 billion in 2019, mainly due to weak consumer and business confidence, despite low interest rates, and rising job losses amid the recessionary conditions. Net purchases of shares by these intermediaries of R26.5 billion in 2019 changed to net sales of R142 billion in 2020.

Figure 4 Intermediation through selected financial assets



Source: SARB

General government

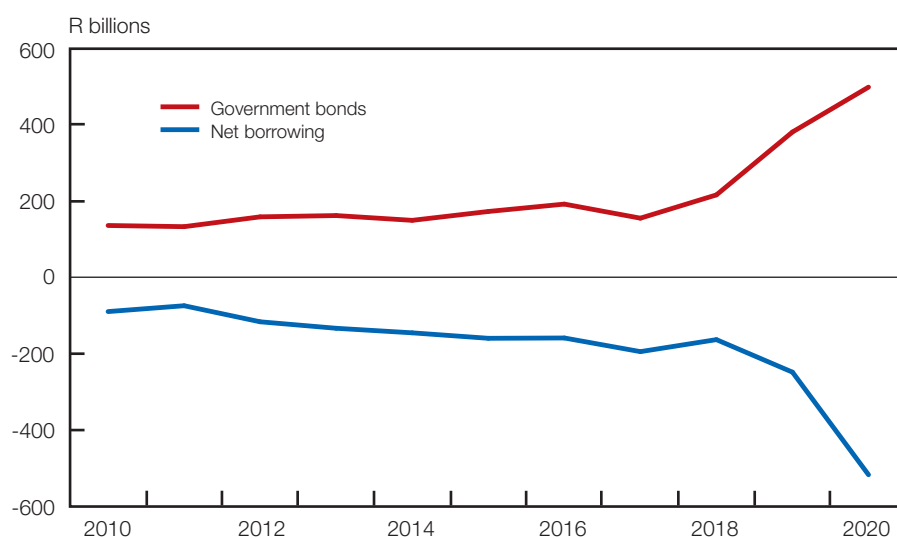
The pandemic-induced economic weakness had a significant impact on public finances, resulting in an extraordinary increase in dissaving by general government in 2020. The pandemic exacerbated the pre-existing weaknesses in general government finances, despite revenue



collection outperforming the expected shortfall that was estimated in the *Medium Term Budget Policy Statement (MTBPS)* in October 2020 as spending requirements continued to increase. General government's borrowing requirement more than doubled to R519 billion in 2020, or 10.4% of gross domestic product (GDP), compared with 4.9% of GDP in 2019.

The deteriorated fiscal metrics, alongside the absence of structural reforms and the economy's weak growth prospects, contributed to further sovereign credit rating downgrades in 2020. The shortfall was financed through the record-high net issuance of government bonds of R499 billion and Treasury bills of R71.9 billion in 2020. General government's loan activities switched from repayments of R48.8 billion in 2019 to new loans acquired of R85.6 billion in 2020, mainly from the foreign sector. In addition, government's deposit holdings with the monetary sector increased by R128 billion in 2020 compared with only R22.6 billion in 2019.

Figure 5 General government's main source of funding and net borrowing position



Source: SARB

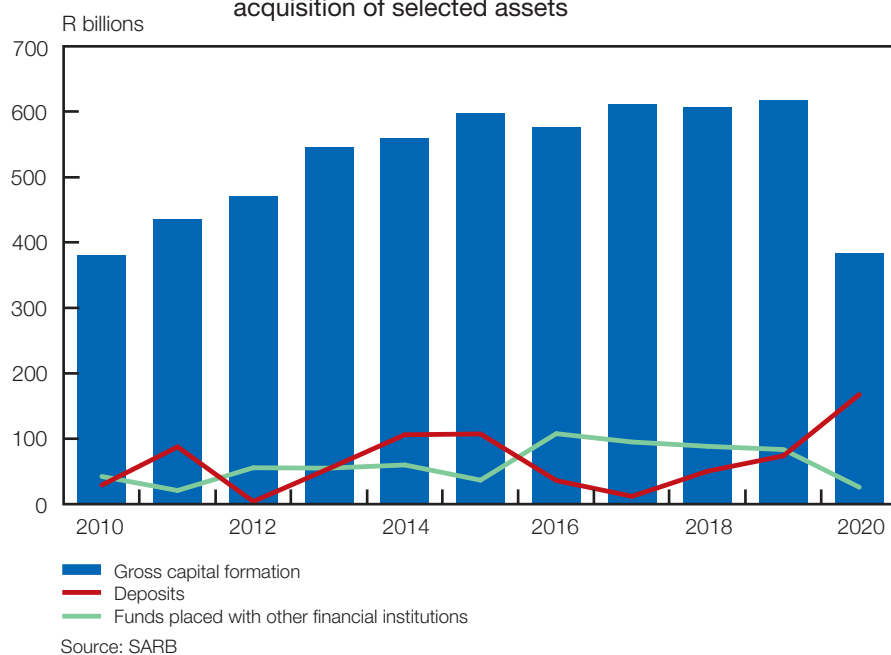
Non-financial public and private corporate business enterprises

The COVID-19-related lockdown restrictions in numerous industrial sectors, persistent electricity-supply interruptions and low business confidence weakened the non-financial corporate business enterprises' earnings in 2020 and caused this institutional sector to either delay or cancel investments. Gross capital formation by both public and private non-financial enterprises decreased by 37.8% from R617 billion in 2019 to R384 billion in 2020, compared with a small increase of 1.5% in 2019.

Public and private non-financial enterprises' gross saving increased by 4.4% and 41.3% respectively, which resulted in an all-time high net lending position of R463 billion in 2020. These funds were channelled to various financial assets, including deposits of R168 billion, funds placed with other financial institutions of R26.0 billion, and an increase in exposure to financial derivatives of R59.5 billion. Non-financial corporate business enterprises' demand for credit increased at the onset of the pandemic as many companies sought funds during the initial hard lockdown period. However, the prolonged nature of the pandemic has weakened the ability to source credit, resulting in loans received of only R14.1 billion for the whole of 2020 compared with R140 billion in 2019. Net redemptions of debt securities by public enterprises amounted to R1.3 billion in 2020, compared with net issuance of R12.4 billion in 2019.



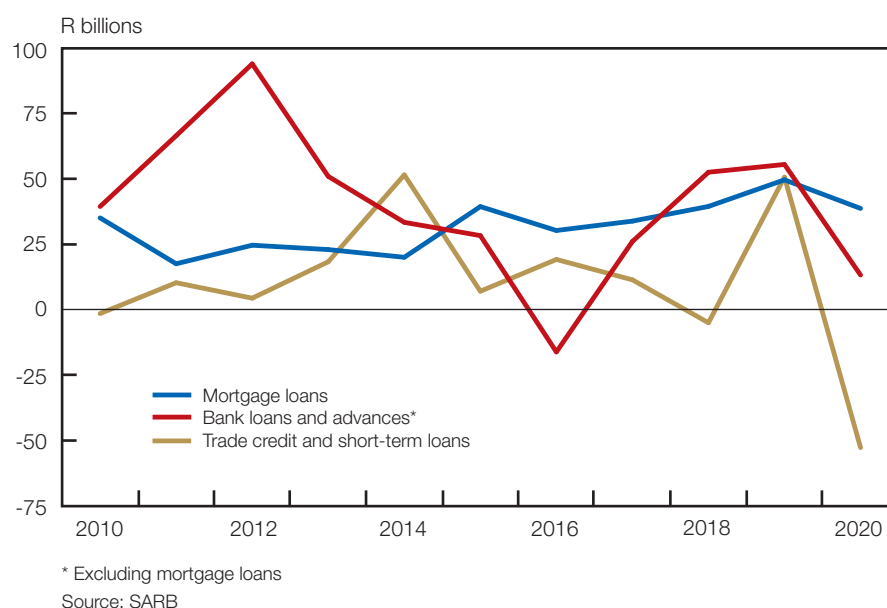
Figure 6 Non-financial corporate business enterprises' net acquisition of selected assets



Households

The household sector's gross saving increased in 2020 while its spending decreased amid COVID-19 lockdown uncertainty and the restriction of travel and other activities. Interest rate reductions, government's fiscal support and debt repayment holidays offered by banks supported households during this period. Households' net lending of R36.8 billion in 2020 formed part of this sector's deposits with banks of R144 billion and investments with other financial institutions of R53.3 billion. Households' contribution to interest in retirement and life funds was lower at R87.8 billion in 2020, following pension and policy withdrawals in response to job losses and reduced income.

Figure 7 The household sector's acquisition of loans



The decline in the household sector's net incurrence of financial liabilities in 2020 reflected loan repayments of R1.0 billion compared with loans received of R163 billion in 2019. This was mainly driven by reduced demand for trade credit and short-term loans, which declined by R52.9 billion, as well as for loans and advances, which decreased from R55.5 billion in 2019 to R13.2 billion in 2020. By contrast, mortgage loans extended to households declined only marginally in 2020 and continued to be the largest component of credit extended to households.

Summary

Similarly to other emerging markets, South Africa experienced capital outflows in 2020 as foreign investors shifted their investments to safe-haven assets. The flow of funds in 2020, as depicted in the national financial account framework, reflected weak economic activity and the impact of the COVID-19 pandemic on financial intermediation. The main highlights were:

- The South African economy recorded a current account surplus, and the foreign sector borrowed on a net annual basis for the first time since 2002.
- Non-residents' capital inflows to South Africa occurred mainly through long-term loans to the general government sector for pandemic-related expenditure.
- Domestic financial intermediaries increasingly invested in fixed-interest securities, which assisted in funding general government.
- The general government sector's net borrowing requirement increased to a historic high amid the COVID-19 pandemic.
- Gross capital formation by both public and private non-financial corporate business enterprises almost halved from 2019 to 2020.
- The non-financial corporate business enterprises recorded an all-time high net lending position as gross saving increased during the lockdown.
- The household sector's low demand for credit mainly reflected economic uncertainty.
- Mortgage loans accounted for most of the household sector's credit demand.

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National financial account

Flow of funds for the first quarter 2020¹

R millions

Sectors Transaction items		Foreign sector		Financial intermediaries									
				Monetary authority		Other monetary institutions ²		Public Investment Corporation ³		Insurers and retirement funds		Other financial institutions	
		S	U	S	U	S	U	S	U	S	U	S	U
1. Net saving ⁴	8 741		3 265		6 054		130		7 837		6 235		
2. Consumption of fixed capital ⁴			152		4 638		9		195		1 198		
3. Capital transfers.....	36	100											
4. Gross capital formation ⁴				55		4 256		2		161		726	
5. Net lending (+)/net borrowing (-) (S).....	8 677		3 362		6 436		137		7 871		6 707		
6. Net financial investment (+) or (-) (U).....		8 677		3 362		6 436		137		7 871		6 707	
7. Net incurrence of financial liabilities (Total S 9 – 32).....	52 176		188 499		419 453		23 289		106 296		101 492		
8. Net acquisition of financial assets (Total U 9 – 32).....		60 853		191 861		425 889		23 426		114 167		108 199	
9. Gold and other foreign reserves.....	-42 160			-42 160									
10. Cash and demand monetary deposits ⁵	-607	8 869	27 695	-9 767	55 061	25 793		323		14 645		31 077	
11. Short/Medium-term monetary deposits ⁵		26 993		-6 500	134 089			-2 984		4 904		49 485	
12. Long-term monetary deposits ⁵		9 336		7 000	18 499			-1 498		1 365		-5 799	
13. Funds placed with other financial institutions.....	4 020	352				3 380		440		-365	29 428	3 576	
14. Funds placed with other institutions.....	71 070					62 939	23 289			28 294		-1 129	
15. Treasury bills.....	-3 193			-88		-20 894		-189		-41		-163	
16. Other debt securities ⁶	132 576			126 967	-4 338	1 073		6 545		350	46	-28 671	
17. Bank loans and advances.....	58 037		363	83 747	84 449	115 436			25		-16 368		
18. Trade credit and short-term loans.....	47 491	27 255	8 622	-3 076	82 644	40 025			2 536	870	5 336	11 069	
19. Short-term government bonds.....				3 352		27 765		2 298		45 103		25 214	
20. Long-term government bonds.....	1 837	-63 006		-3 816		-8 497		15 826		-10 647		25 951	
21. Non-marketable debt of central government ⁷													
22. Securities of local governments.....						29		-5		-3 817		-63	
23. Securities of public enterprises.....	2 087	2 122				1 917		-7 766		-2 481	-2 925	-1 776	
24. Other loan stock and preference shares.....	-6 176	-6 603			-2 566	35 040		-2 202	-1 119	-23 156	3 417	-20 490	
25. Ordinary shares.....	-56 185	4 026			-1 343	-2 563		13 308	654	67 149		89 841	
26. Foreign branch/head office balances.....													
27. Long-term loans.....	10 377	9 908	156 256	1	1 140			-165	32	915	6 843	3 799	
28. Mortgage loans.....	1 321					32 037				-25	663	220	
29. Interest in retirement and life funds ⁸		11 070				-292			47 453				
30. Financial derivatives.....	-68 976	-73 697			133 516	58 449		-2	13 866	8 539	958	749	
31. Amounts receivable/payable.....	-40 054		-572	-3	-4 512	14 232		-503	18 639	-25 877	37 200	-31 609	
32. Other liabilities/assets.....	-59 289	104 228	-3 865	36 204	-76 889	39 765			24 158	8 332	36 671	-42 812	
33. Balancing item.....					-297	255			52	110	223	-270	

S = Sources, i.e. net increase in liabilities at transaction value.

U = Uses, i.e. net increase in assets at transaction value.

KB230

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- Including mutual banks and the Postbank.
- Before April 2005 the Public Investment Commissioners.
- As taken from the national income (and production) accounts.
- Namely deposits with the South African Reserve Bank (including coin liabilities), Corporation for Public Deposits, banks, the Land Bank, mutual banks and the Postbank.
- Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
- Non-marketable bonds and other Treasury bills.
- Members' interest in the reserves of retirement and all insurance funds.



National financial account (continued)

Flow of funds for the first quarter 2020¹

R millions

General government				Corporate business enterprises						Total		Sectors Transaction items	
Central and provincial governments		Local governments		Public sector		Private sector							
S	U	S	U	S	U	S	U	S	U	S	U		
- 26 463 17 960	 73 736 16 744	-4 914 6 841 20 336	 16 039	-12 744 27 743 30 658	 34 110	40 335 104 404 17 297	 13 79 898	-36 493 18 869 5 545	 23 22 001	-8 017 182 009 73 872	 73 872 173 992	1. Net saving ⁴ 2. Consumption of fixed capital ⁴ 3. Capital transfers 4. Gross capital formation ⁴	
-98 983	 -98 983	6 224 <											

S = Sources, i.e. net increase in liabilities at transaction value.

U = Uses, i.e. net increase in assets at transaction value.

KB231

1. A negative amount reflects a decrease in that item. In the case of liabilities (sources) it denotes a reduction in the available sources of funds and in the case of assets (uses) it indicates an additional source of funds.
2. Including mutual banks and the Postbank.
3. Before April 2005 the Public Investment Commissioners.
4. As taken from the national income (and production) accounts.
5. Namely deposits with the South African Reserve Bank (including coin liabilities), Corporation for Public Deposits, banks, the Land Bank, mutual banks and the Postbank.
6. Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
7. Non-marketable bonds and other Treasury bills.
8. Members' interest in the reserves of retirement and all insurance funds.

National financial account

Flow of funds for the second quarter 2020¹

R millions

Sectors Transaction items		Foreign sector		Financial intermediaries									
				Monetary authority		Other monetary institutions ²		Public Investment Corporation ³		Insurers and retirement funds		Other financial institutions	
		S	U	S	U	S	U	S	U	S	U	S	U
1. Net saving ⁴	13 626		840		21 050		43		476		10 244		
2. Consumption of fixed capital ⁴			156		4 742		9		197		1 218		
3. Capital transfers.....	32	90											
4. Gross capital formation ⁴				80		3 028		4		98		438	
5. Net lending (+)/net borrowing (-) (S).....	13 568		916		22 764		48		575		11 024		
6. Net financial investment (+) or (-) (U).....		13 568		916		22 764		48		575		11 024	
7. Net incurrence of financial liabilities (Total S 9 – 32).....	-172 250		-44 467		-60 415		-10 377		647		85 356		
8. Net acquisition of financial assets (Total U 9 – 32).....		-158 682		-43 551		-37 651		-10 329		1 222		96 380	
9. Gold and other foreign reserves	-22 073			-22 073									
10. Cash and demand monetary deposits ⁵	-18	-781	-19 616	-18 433	84 295	-34 474		27 644		-2 485		-21 500	
11. Short/Medium-term monetary deposits ⁵		-25 423			30 961			-18 758		-7 740		44 487	
12. Long-term monetary deposits ⁵		-2 701		-7 000	43 221			11 669		-3 519		41 443	
13. Funds placed with other financial institutions.....	-2 858	552				2 850		-232		2 501	70 094	-2 395	
14. Funds placed with other institutions	-54 698					-52 209	-10 377			21 650		186	
15. Treasury bills	3 845			1 157		37 634		-2 435		813		10 057	
16. Other debt securities ⁶	-15 380			-13 796	-220	-1 247		-3 864		-210	3	10 634	
17. Bank loans and advances	54 401		370	-82 772	-84 299	12 527			-212		19 981		
18. Trade credit and short-term loans.....	44 107	8 450	-975	38 634	-49 875	28 451			14 247	-232	-3 895	-4 920	
19. Short-term government bonds				969		31 187		-1 375		-16 123		-224	
20. Long-term government bonds	1 008	-41 047		27 008		30 632		-19 421		80 829		39 464	
21. Non-marketable debt of central government ⁷		-774											
22. Securities of local governments.....						-8				-1 555		-79	
23. Securities of public enterprises.....	-1 157	1 104	3 317			4 719		-365		1 178	-1 548	1 094	
24. Other loan stock and preference shares.....	4 873	1 001			639	3 318		-769	628	17 501	-468	3 959	
25. Ordinary shares.....	-41 080	-10 642			4 847	3 404		50	17 755	-134 090		-100 768	
26. Foreign branch/head office balances.....													
27. Long-term loans.....	1 412	25 736	-7 948		-216			1 933	-170	-1 298	-11 995	-1 848	
28. Mortgage loans.....	-58					6 737				74	-2 608	-159	
29. Interest in retirement and life funds ⁸		6 534				384			46 525			4	
30. Financial derivatives	-107 160	-116 118			-166 673	5 201			-162	8 452	10 275	58 792	
31. Amounts receivable/payable	-10 834		142	46	44 911	-49 255		-4 406	-40 694	14 246	-211	4 575	
32. Other liabilities/assets.....	-26 580	-4 573	-19 757	32 709	31 746	-67 376			-37 202	21 173	5 546	13 433	
33. Balancing item					248	-126			-68	57	182	145	

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U = Uses, i.e. net increase in assets at transaction value.

KB230

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2. Including mutual banks and the Postbank.
3. Before April 2005 the Public Investment Commissioners.
4. As taken from the national income (and production) accounts.
5. Namely deposits with the South African Reserve Bank (including coin liabilities), Corporation for Public Deposits, banks, the Land Bank, mutual banks and the Postbank.
6. Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
7. Non-marketable bonds and other Treasury bills.
8. Members' interest in the reserves of retirement and all insurance funds.



National financial account (continued)

Flow of funds for the second quarter 2020¹

R millions

General government				Corporate business enterprises								Sectors	
Central and provincial governments		Local governments		Public sector		Private sector							
S	U	S	U	S	U	S	U	S	U	S	U	Transaction items	
-114 353		-10 018		-15 068		39 442		28 519		-25 199		1. Net saving ⁴	
18 078		6 906		27 920		107 698		18 997		185 921		2. Consumption of fixed capital ⁴	
	8 545	19		6 588		287	11	1 742	21	8 668	8 667	3. Capital transfers	
	17 190		16 687		27 596		80 680		14 922		160 723	4. Gross capital formation ⁴	
-122 010		-19 780		-8 156		66 736		34 315				5. Net lending (+)/net borrowing (-) (S)	
	-122 010		-19 780		-8 156		66 736		34 315			6. Net financial investment (+) or (-) (U)	
182 489		591		663		-23 229		9 597		-31 395		7. Net incurrence of financial liabilities (Total S 9 – 32)	
	60 479		-19 189		-7 493		43 507		43 912		-31 395	8. Net acquisition of financial assets (Total U 9 – 32)	
	111 639		-2 895		-7 874		-13 708		27 528	-22 073	-22 073	9. Gold and other foreign reserves	
	-16 128		-18 971		-2 194		35 505		40 183	64 661	64 661	10. Cash and demand monetary deposits ⁵	
	7 165		562		-1 784		5 013		-7 627	30 961	30 961	11. Short/Medium-term monetary deposits ⁵	
			59		-1 231		24 424		40 708	43 221	43 221	12. Long-term monetary deposits ⁵	
	-34 430					272				67 236	67 236	13. Funds placed with other financial institutions	
25 617							-17 764			-64 803	-64 803	14. Funds placed with other institutions	
	-423			-173		6 824	-40			29 462	29 462	15. Treasury bills	
-758		-313		-4 005		-33 566		-21 844		-8 946	-8 946	16. Other debt securities ⁶	
37 719	-777	751	-1	-844	647	43 546	-11 789	-30 076	-3 758	-70 245	-70 245	17. Bank loans and advances	
14 434										54 705	54 705	18. Trade credit and short-term loans	
116 457										14 434	14 434	19. Short-term government bonds	
2 512										117 465	117 465	20. Long-term government bonds	
		1 560					3 202		3 286	2 512	2 512	21. Non-marketable debt of central government	
	-107			2 754			-4 064		-193	1 560	1 560	22. Securities of local governments	
	-20 179			-1 711		-2 624	-3 494			3 366	3 366	23. Securities of public enterprises	
	-127			5 898	-1 592	-120 315	110 870			1 337	1 337	24. Other loan stock and preference shares	
										-132 895	-132 895	25. Ordinary shares	
-775	-7 948	-644		8 539	81	33 008	2 283	-2 310	-38	18 901	18 901	26. Foreign branch/head office balances	
				81		17 834		-8 597		6 652	6 652	27. Long-term loans	
							15 481		24 122	46 525	46 525	28. Mortgage loans	
				2 767	-13 445	97 093	-106 742			-163 860	-163 860	29. Interest in retirement and life funds ⁸	
-12 717	21 794			-14 963	12 413	-19 514	4 952	28 720	-29 525	-25 160	-25 160	30. Financial derivatives	
		-504	2 043	1 990	7 364	-45 999	-1 055	43 704	-50 774	-47 056	-47 056	31. Amounts receivable/payable	
		-259	14	330	122	212	433			645	645	32. Other liabilities/assets	
												33. Balancing item	

S = Sources, i.e. net increase in liabilities at transaction value.

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KB231

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6. Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
7. Non-marketable bonds and other Treasury bills.
8. Members' interest in the reserves of retirement and all insurance funds.

National financial account

Flow of funds for the third quarter 2020¹

R millions

Transaction items	Sectors		Financial intermediaries									
			Monetary authority		Other monetary institutions ²		Public Investment Corporation ³		Insurers and retirement funds		Other financial institutions	
	S	U	S	U	S	U	S	U	S	U	S	U
1. Net saving ⁴	-64 515		913		16 449		26		504		12 130	
2. Consumption of fixed capital ⁴			155		4 780		9		203		1 216	
3. Capital transfers.....	31	88										
4. Gross capital formation ⁴				101		3 152		10		387		486
5. Net lending (+)/net borrowing (-) (S).....	-64 572		967		18 077		25		320		12 860	
6. Net financial investment (+) or (-) (U).....		-64 572		967		18 077		25		320		12 860
7. Net incurrence of financial liabilities (Total S 9 – 32).....	-26 068		10 981		-31 320		19 510		59 288		-31 284	
8. Net acquisition of financial assets (Total U 9 – 32).....		-90 640		11 948		-13 243		19 535		59 608		-18 424
9. Gold and other foreign reserves.....	15 168			15 168								
10. Cash and demand monetary deposits ⁵	534	1 217	11 014	9 253	89 577	21 719		17 088		-137		-4 866
11. Short/Medium-term monetary deposits ⁵	-742	-1 366		6 800	41 327			1 222		2 933		-40 485
12. Long-term monetary deposits ⁵		-7 871			-71 894			-6 800		1 636		-33 678
13. Funds placed with other financial institutions.....	-1 624	10 677				1 822		643		32 256	14 607	-2 317
14. Funds placed with other institutions.....	-27 426					-25 741	19 510			27 477		200
15. Treasury bills.....	35 762			-716		53 925		807		5 428		34 558
16. Other debt securities ⁶	-2 042			10 507	-61 530	1 576		-10 882	385	-91	2 541	-64 973
17. Bank loans and advances.....	21 703		53	2 806	-4 521	-5 058					33 358	
18. Trade credit and short-term loans.....	13 340	-37 384	-555	-25 085	7 938	9 054			-1 539	-393	11 397	21 427
19. Short-term government bonds.....						9 438		-1 081		-8 689		
20. Long-term government bonds.....	945	-1 474		4 333		26 545		22 967		50 763		38 992
21. Non-marketable debt of central government ⁷												
22. Securities of local governments.....						537		-126		-289		1 213
23. Securities of public enterprises.....	1 134	-427	-1 940	-1		-1 525		-2 912		-3 305	1 174	5 199
24. Other loan stock and preference shares.....	55 888	-686			-1 623	31 422		-278	-3 237	-5 072	-5 828	-150
25. Ordinary shares.....	-15 191	-31 160			-4 289	1 191		4 132	-1 108	11 969		11 161
26. Foreign branch/head office balances.....												
27. Long-term loans.....	11 631	67 129	-5 175	-2	-913			3 594	331	-4 471	-23 235	-2 496
28. Mortgage loans.....	-110					20 910				27	-14	-1 229
29. Interest in retirement and life funds ⁸		4 221				85			18 986			
30. Financial derivatives.....	-78 715	-76 104			-141 668	-63 970			280	-2 129	-14 058	-38 540
31. Amounts receivable/payable.....	-20 228	-4 325	4 070	-2 639	50 510	-45 663		-8 839	24 332	-26 868	-24 200	29 390
32. Other liabilities/assets.....	-36 095	-13 087	3 514	-8 476	65 534	-49 382			20 551	-21 121	-27 020	28 128
33. Balancing item.....					232	-128			307	-316	-6	42

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KB230

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6. Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
7. Non-marketable bonds and other Treasury bills.
8. Members' interest in the reserves of retirement and all insurance funds.



National financial account (continued)

Flow of funds for the third quarter 2020¹

R millions

General government				Corporate business enterprises								Sectors	
Central and provincial governments		Local governments		Public sector		Private sector							
S	U	S	U	S	U	S	U	S	U	S	U	Transaction items	
-175 935		-3		-10 852		120 185		53 691		-47 407		1. Net saving ⁴	
18 571		7 079		28 525		110 862		19 485		190 885		2. Consumption of fixed capital ⁴	
	39 901	12 383		23 232		512	11	3 861	20	40 019	40 020	3. Capital transfers	
	17 962		17 239		25 028		60 676		18 436		143 477	4. Gross capital formation ⁴	
-215 227		2 220		15 877		170 872		58 581				5. Net lending (+)/net borrowing (-) (S)	
	-215 227		2 220		15 877		170 872		58 581			6. Net financial investment (+) or (-) (U)	
229 527		190		-29 741		-83 734		-13 216		104 133		7. Net incurrence of financial liabilities (Total S 9 – 32)	
	14 300		2 410		-13 864		87 138		45 365		104 133	8. Net acquisition of financial assets (Total U 9 – 32)	
	8 942		-2 820		4 271		26 364		20 094	15 168	15 168	9. Gold and other foreign reserves	
	12 061		8 434		1 941		21 334		27 711	101 125	101 125	10. Cash and demand monetary deposits ⁵	
	-3 535		-13		-2 328		-12 310		-6 995	40 585	40 585	11. Short/Medium-term monetary deposits ⁵	
			284		13 377		-1 026		-42 733	-71 894	-71 894	12. Long-term monetary deposits ⁵	
	-9 734					118				12 983	12 983	13. Funds placed with other financial institutions	
47 121							-11 119			-7 798	-7 798	14. Funds placed with other institutions	
	-186			-7 705		4 127	-175			82 883	82 883	15. Treasury bills	
-191		40		-1 007		-62 976		11 289		-64 224	-64 224	16. Other debt securities ⁶	
-25 099	-425			-10 266	-151	-23 395	-6 416	-5 705	5 489	-2 252	-2 252	17. Bank loans and advances	
-332										-33 884	-33 884	18. Trade credit and short-term loans	
141 181										-332	-332	19. Short-term government bonds	
301									301	142 126	142 126	20. Long-term government bonds	
		-917					-2 252			301	301	21. Non-marketable debt of central government ⁷	
	-36			-3 374					1	-917	-917	22. Securities of local governments	
	-8 620					-21 817	6 767			-3 006	-3 006	23. Securities of public enterprises	
				-12 259	-21	20 149	-9 970			23 383	23 383	24. Other loan stock and preference shares	
										-12 698	-12 698	25. Ordinary shares	
86 910	-5 175	461		-3 362	-450	6 388	13 564	-1 367	-24			26. Foreign branch/head office balances	
				-1		5 976		13 857		71 669	71 669	27. Long-term loans	
							-54		14 734	19 708	19 708	28. Mortgage loans	
				-425	-8 608	12 325	-32 910			18 986	18 986	29. Interest in retirement and life funds ⁸	
-20 364	21 008			2 852	-7 289	-1 396	40 446	-9 032	11 323	-222 261	-222 261	30. Financial derivatives	
		454	-3 266	6 105	-14 705	-22 721	54 509	-22 258	15 464	6 544	6 544	31. Amounts receivable/payable	
		152	-209	-299	99	-512	386			-11 936	-11 936	32. Other liabilities/assets	
										-126	-126	33. Balancing item	

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KB231

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- Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
- Non-marketable bonds and other Treasury bills.
- Members' interest in the reserves of retirement and all insurance funds.

National financial account

Flow of funds for the fourth quarter 2020¹

R millions

Sectors Transaction items	Foreign sector		Financial intermediaries									
			Monetary authority		Other monetary institutions ²		Public Investment Corporation ³		Insurers and retirement funds		Other financial institutions	
	S	U	S	U	S	U	S	U	S	U	S	U
1. Net saving ⁴	-66 055		-1 006		17 629		60		8 606		8 222	
2. Consumption of fixed capital ⁴			151		4 744		9		208		1 206	
3. Capital transfers.....	30	85										
4. Gross capital formation ⁴				81		3 740				518		478
5. Net lending (+)/net borrowing (-) (S).....	-66 110		-936		18 633		69		8 296		8 950	
6. Net financial investment (+) or (-) (U).....		-66 110		-936		18 633		69		8 296		8 950
7. Net incurrence of financial liabilities (Total S 9 – 32).....	-68 809		-134 882		48 414		5 740		1 523		-2 069	
8. Net acquisition of financial assets (Total U 9 – 32).....		-134 919		-135 818		67 047		5 809		9 819		6 881
9. Gold and other foreign reserves.....	-5 055			-5 055								
10. Cash and demand monetary deposits ⁵	-236	-1 464	-45 746	-4 053	98 776	-6 731		-12 942		2 186		7 276
11. Short/Medium-term monetary deposits ⁵	-842	-30 067		6 800	36 980			8 976		-415		11 915
12. Long-term monetary deposits ⁵		-12 860			-107 673			-12 743		-6 676		-66 962
13. Funds placed with other financial institutions	14 218	-5 008				2 049		1 280		26 779	43 274	12 963
14. Funds placed with other institutions.....	25 880					29 872	5 740			4 749		44
15. Treasury bills.....	-16 444			689		-39 499		588		-983		45 805
16. Other debt securities ⁶	-66 397			-63 300	-56 671	-1 838		-2 773	2 556	-48	-1 099	-48 681
17. Bank loans and advances.....	-17 218		-698	-22 598	-26 272	6 773					19 246	
18. Trade credit and short-term loans.....	2 432	-3 232	-4 700	-23 713	19 412	-15 890			1 604	427	-18 854	2 469
19. Short-term government bonds.....				1 765		32 555		15 605		46 228		506
20. Long-term government bonds.....	1 167	44 721				11 283		872		-4 437		21 771
21. Non-marketable debt of central government ⁷												
22. Securities of local governments.....						-90				887		748
23. Securities of public enterprises.....	19 141	537	-1 300	1		17 603		291		8 568	6 363	3 733
24. Other loan stock and preference shares.....	28 196	-9 538			-4 499	10 928		-148	2 122	-23 685	1 739	73
25. Ordinary shares.....	-13 877	2 100			16 113	111		4 141	3 092	-41 436		-47 954
26. Foreign branch/head office balances.....												
27. Long-term loans.....	4 188	-19 686	-84 967	-1	-9 466			5 944	52	-3 495	2 812	346
28. Mortgage loans.....	-173					31 660			-3	-289	6 197	1 112
29. Interest in retirement and life funds ⁸		-1 131				248			-6 226			
30. Financial derivatives.....	-69 767	-69 806			46 251	44 987		-23	5 395	8 605	-215	-7 678
31. Amounts receivable/payable.....	9 519	-14 998	516	200	20 521	-26 358		-3 259	-749	- 868	-34 362	33 649
32. Other liabilities/assets.....	16 459	-14 487	2 013	-26 553	14 706	-30 462			-5 990	-6 208	-27 127	35 559
33. Balancing item.....					236	-154			-330	-70	-43	187

S = Sources, i.e. net increase in liabilities at transaction value.

U = Uses, i.e. net increase in assets at transaction value.

KB230

1. A negative amount reflects a decrease in that item. In the case of liabilities (sources) it denotes a reduction in the available sources of funds and in the case of assets (uses) it indicates an additional source of funds.
2. Including mutual banks and the Postbank.
3. Before April 2005 the Public Investment Commissioners.
4. As taken from the national income (and production) accounts.
5. Namely deposits with the South African Reserve Bank (including coin liabilities), Corporation for Public Deposits, banks, the Land Bank, mutual banks and the Postbank.
6. Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
7. Non-marketable bonds and other Treasury bills.
8. Members' interest in the reserves of retirement and all insurance funds.



National financial account (continued)

Flow of funds for the fourth quarter 2020¹

R millions

General government				Corporate business enterprises				Households, etc.		Total		Sectors Transaction items	
Central and provincial governments		Local governments		Public sector		Private sector							
S	U	S	U	S	U	S	U	S	U	S	U		
-27 476		-9 671		-18 664		59 433		-25 775		-54 697		1. Net saving ⁴	
18 734		7 191		29 130		111 679		19 854		192 906		2. Consumption of fixed capital ⁴	
	33 641	10 591		17 931		360	11	4 844	19	33 756	33 756	3. Capital transfers	
	18 834		17 988		23 727		51 952		20 891		138 209	4. Gross capital formation ⁴	
-61 217		-9 877		4 670		119 509		-21 987				5. Net lending (+)/net borrowing (-) (S)	
	-61 217		-9 877		4 670		119 509		-21 987			6. Net financial investment (+) or (-) (U)	
35 718		9 895		6 175		-45 425		59 589		-84 131		7. Net incurrence of financial liabilities (Total S 9 – 32)	
	-25 499		18		10 845		74 084		37 602		-84 131	8. Net acquisition of financial assets (Total U 9 – 32)	
	-3 690		3 611		-902		59 040		10 463	-5 055	-5 055	9. Gold and other foreign reserves	
	36 836		2 249		-1 219		-5 508		6 571	52 794	52 794	10. Cash and demand monetary deposits ⁵	
	1 763		-817		-2 397		-1 814		-5 167	36 138	36 138	11. Short/Medium-term monetary deposits ⁵	
			-54		-6 047		-15 504		41 034	-107 673	-107 673	12. Long-term monetary deposits ⁵	
	-5 300					36	2 291			57 492	57 492	13. Funds placed with other financial institutions	
23 421							377			31 656	31 656	14. Funds placed with other institutions	
	-96			-671		5 546				6 977	6 977	15. Treasury bills	
-254		-915		2 650		-2 850		10 486		-116 736	-116 736	16. Other debt securities ⁶	
-23 310	-4 574	-421		-2 921	-2 817	-29 894	-23 346	-9 286	4 738	-15 825	-15 825	17. Bank loans and advances	
96 659										-65 938	-65 938	18. Trade credit and short-term loans	
73 043										96 659	96 659	19. Short-term government bonds	
394									394	74 210	74 210	20. Long-term government bonds	
		-140					-1 685			394	394	21. Non-marketable debt of central government ⁷	
	-315			6 212					-2	-140	-140	22. Securities of local governments	
	-4 214					-35 222	18 920			30 416	30 416	23. Securities of public enterprises	
				9 846		-112 743	-14 531			-7 664	-7 664	24. Other loan stock and preference shares	
										-97 569	-97 569	25. Ordinary shares	
5 000	-79 859	81		1 164	1 153	-11 944	2 168	-471	-121	-93 551	-93 551	26. Foreign branch/head office balances	
				-42		4 916		21 588		32 483	32 483	27. Long-term loans	
							-506		-4 837	-6 226	-6 226	28. Mortgage loans	
				217		64 256	70 052			46 137	46 137	29. Interest in retirement and life funds ⁸	
-34 235	33 950			-7 070		27 327	-27 784	9 818	-3 247	-8 715	-8 715	30. Financial derivatives	
-105 000		11 217	-4 903	-3 157	22 805	44 983	12 031	27 454	-12 224	-24 442	-24 442	31. Amounts receivable/payable	
		73	-68	-53	269	164	-117			47	47	32. Other liabilities/assets	
												33. Balancing item	

S = Sources, i.e. net increase in liabilities at transaction value.

U = Uses, i.e. net increase in assets at transaction value.

KB231

1. A negative amount reflects a decrease in that item. In the case of liabilities (sources) it denotes a reduction in the available sources of funds and in the case of assets (uses) it indicates an additional source of funds.
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3. Before April 2005 the Public Investment Commissioners.
4. As taken from the national income (and production) accounts.
5. Namely deposits with the South African Reserve Bank (including coin liabilities), Corporation for Public Deposits, banks, the Land Bank, mutual banks and the Postbank.
6. Including bonds and money market instruments, such as bills, debentures and commercial paper, not specified in other line items in the table.
7. Non-marketable bonds and other Treasury bills.
8. Members' interest in the reserves of retirement and all insurance funds.

Notes to tables

Life and non-life insurers – tables S–38 to S–41

The statistics of insurers published in the tables on pages S–38 to S–41 in this edition of the *Quarterly Bulletin* have been revised from the fourth quarter of 1992. The extended coverage is visible in the break in statistics between the fourth quarter of 2020 and the first quarter of 2021. The presentation has been aligned to the South African Reserve Bank's (SARB) newly introduced insurance company form, as from the first quarter of 2021, which provides for more detailed financial instruments and institutional sector counterparties, in accordance with the System of National Accounts 2008 (2008 SNA).¹ The naming convention has also been changed, from long- and short-term insurers to life and non-life insurers, to be aligned with the Insurance Act 18 of 2017. These statistics comprise both insurer and reinsurer data of insurers and reinsurers registered in South Africa, but exclude subsidiaries. All items are reported on a gross basis from the first quarter of 2021.

The new presentation of the income statement in tables KB238 and KB241 on pages S–38 and S–40, which replace tables KB214 and KB232, includes the following changes:

- All items now include both domestic and foreign transactions, whereas previously all foreign transactions have been included as part of net capital profits and other income.
- Premiums and claims in respect of reinsurance inward of life insurers are now shown separately.
- Claims and expenses recovered on reinsurance outward of non-life insurers are now shown separately.
- Administrative expenses and taxation are now part of other expenditure.

The new presentation of equity and liabilities in tables KB239 and KB242 on pages S–39 and S–41, which replace tables KB215 and KB217, includes the following changes:

- The equity and liability statistics are now also published quarterly.
- Relevant items were combined into accounts payable and technical provisions, while interest-bearing securities and loans are shown separately.
- All items now include both domestic and foreign positions, whereas previously the value of all foreign liabilities was included as part of other liabilities. This is now also shown separately, as 'Of which: foreign liabilities'.
- The financial derivatives data were amended from the third quarter of 2013.

The new presentation of the assets in tables KB240 and KB243 on pages S–39 and S–41, which replace tables KB216 and KB218, includes the following changes:

- Cash and deposits now exclude money market instruments.
- Money market instruments are now included as part of interest-bearing securities.
- Interest-bearing securities held by insurers and issued by non-residents are now part of interest-bearing securities of the foreign sector.
- Financial derivatives, which were previously included under other assets, are now shown separately.
- Other assets also include reinsurance assets and accounts receivable.
- All items, except interest-bearing securities, now include both domestic and foreign positions, whereas previously the value of all foreign assets was included as part of other assets. This is now also shown separately, as 'Of which: foreign assets'.

1 See <https://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf>



Abbreviations

2008 SNA	System of National Accounts
Alsi	All-Share Index
BER	Bureau for Economic Research (Stellenbosch University)
CBOE	Chicago Board Options Exchange
CIT	corporate income tax
COICOP	classification of individual consumption by purpose
COVID-19	coronavirus disease 2019
CPD	Corporation for Public Deposits
CPI	consumer price index
CRAM	Coronavirus Rapid Mobile Survey
EMBI+	Emerging Markets Bond Index Plus (JPMorgan)
EPWP	Expanded Public Works Programme
FAO	Food and Agriculture Organization (United Nations)
FNB	First National Bank
FRA	forward rate agreement
FX	foreign exchange
GDE	gross domestic expenditure
GDP	gross domestic product
GFC	global financial crisis
GVA	gross value added
HSI	Homeowner Sentiment Index (Absa)
ICB	Industry Classification Benchmark
IIP	international investment position
ILO	International Labour Organization
IMF	International Monetary Fund
Jibar	Johannesburg Interbank Average Rate
JSE	JSE Limited
MPC	Monetary Policy Committee (South African Reserve Bank)
MPP	monetary policy portfolio
<i>MTBPS</i>	<i>Medium Term Budget Policy Statement</i>
NEER	nominal effective exchange rate
NIDS	National Income Dynamics Study
NSFR	net stable funding ratio
OPEC+	Organization of the Petroleum Exporting Countries and allies
PGM	platinum group metal



PIC	Public Investment Corporation
PIT	personal income tax
QB	<i>Quarterly Bulletin</i>
QES	<i>Quarterly Employment Statistics (Statistics South Africa)</i>
QLFS	<i>Quarterly Labour Force Survey (Statistics South Africa)</i>
REER	real effective exchange rate
repo (rate)	repurchase (rate)
RMB	Rand Merchant Bank
S&P	Standard & Poor's
Sabor	South African Benchmark Overnight Rate
SACU	South African Customs Union
SARB	South African Reserve Bank
SARS	South African Revenue Service
SOC	state-owned company
Stats SA	Statistics South Africa
TB	Treasury bill
UIF	Unemployment Insurance Fund
US	United States
VAT	value-added tax
VIX	Volatility Index
XDR	Special Drawing Rights (International Monetary Fund)