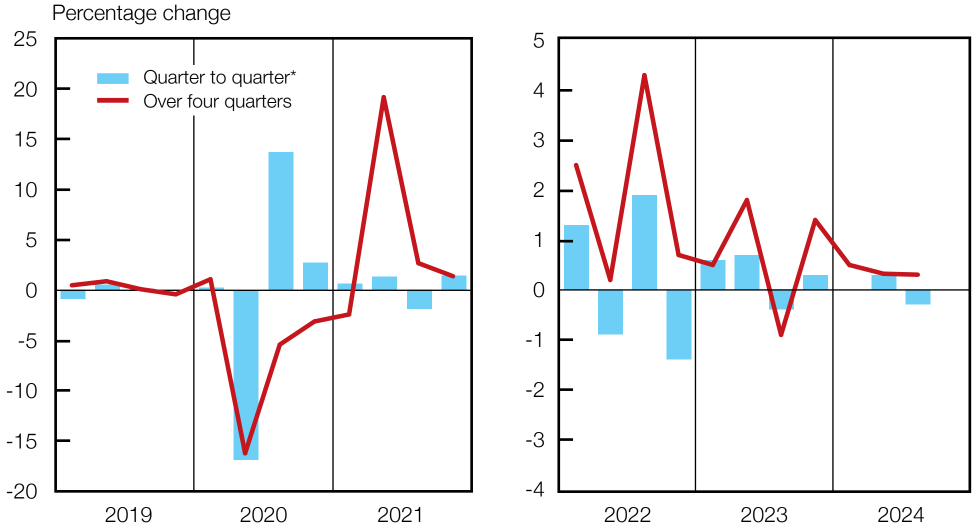
Domestic economic developments

Domestic output[1]

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

Economic activity in South Africa decreased in the third quarter of 2024 as real *gross domestic product* (GDP) contracted by 0.3% following a revised expansion of 0.3% in the second quarter. Real economic activity declined further in the primary sector, while the output of the secondary and tertiary sectors expanded at a slower pace in the third quarter. Despite the decline, the level of real GDP was 0.3% higher in the third quarter of 2024 than a year earlier. On average, the level of real GDP in the first three quarters of 2024 was 0.4% higher than in the same period of 2023.

Real gross domestic product



* Seasonally adjusted
Source: Stats SA

However, the real gross value added (GVA) by the *non-agricultural sector* increased further by 0.5% in the third quarter of 2024 following an expansion in the second quarter.

In the October 2024 edition of its *World Economic Outlook*, the International Monetary Fund (IMF) revised South Africa's real GDP growth forecast for 2024 higher to 1.1%, in line with the expectations of the South African Reserve Bank's (SARB) Monetary Policy Committee (MPC). Similarly, the National Treasury (NT) lowered its outlook from 1.3% to 1.1% in the *2024 Medium Term Budget Policy Statement (MTBPS)*.

The real GVA by the *primary sector* contracted further by 10.0% in the third quarter of 2024 following a revised contraction of 2.0% in the second quarter, resulting in a 0.7 percentage point deduction from overall real GDP growth. The real output of the agricultural sector declined sharply, while that of the mining sector rebounded following two successive quarters of contraction.

Real gross domestic product

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

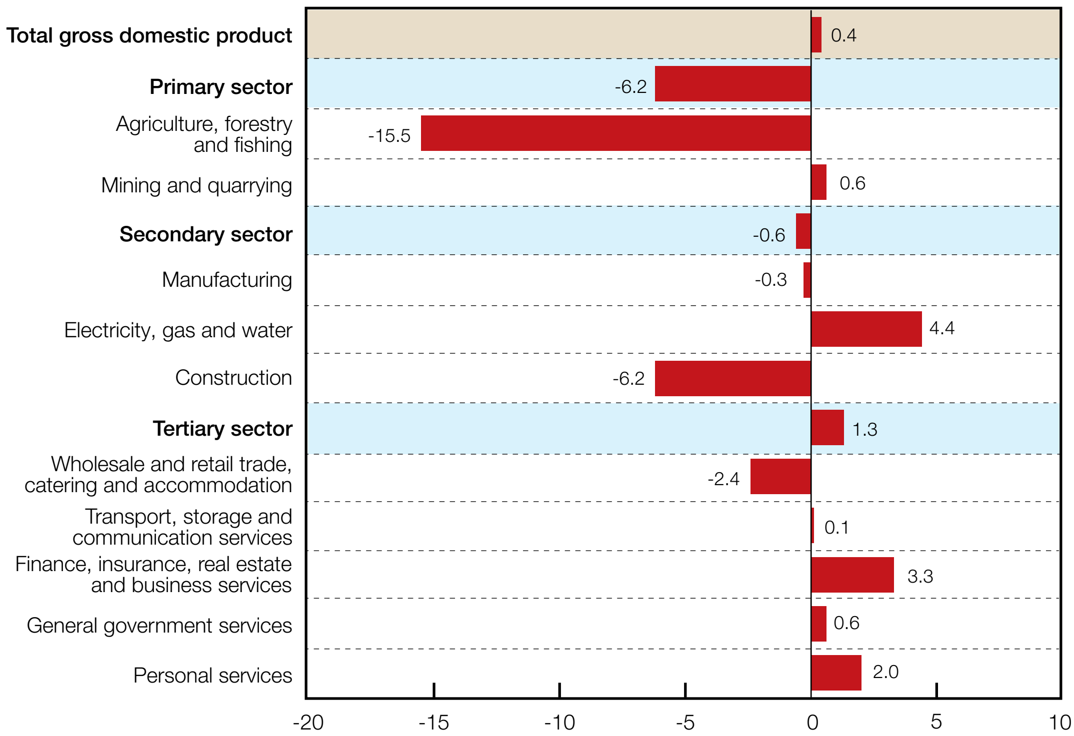
Sector	2023					2024		
	Q1	Q2	Q3	Q4	Year*	Q1	Q2	Q3
Primary sector	-1.1	1.7	-8.4	0.8	-2.2	3.6	-2.0	-10.0
Agriculture	-4.6	3.4	-19.4	-2.4	-4.8	13.5	-4.8	-28.8
Mining	1.5	0.5	-0.7	2.6	-0.5	-1.7	-0.3	1.2
Secondary sector	0.7	1.6	-1.4	0.3	-0.4	-1.5	1.0	0.7
Manufacturing	1.0	2.3	-1.3	0.3	0.3	-1.4	0.7	0.5
Construction	0.9	-0.2	-3.3	-1.5	-0.1	-3.1	0.5	1.1
Tertiary sector	0.8	0.3	0.6	0.3	1.2	0.1	0.5	0.3
Wholesale and retail trade, catering and accommodation	1.0	-0.5	-0.3	-2.8	-1.8	0.3	1.0	-0.4
Finance, real estate and business services	0.8	0.4	1.1	0.8	1.6	0.2	1.5	1.3
*Non-primary sector***	*0.8*	*0.6*	*0.2*	*0.3*	*0.9*	*-0.2*	*0.6*	*0.4*
*Non-agricultural sector****	*0.8*	*0.6*	*0.2*	*0.4*	*0.8*	*-0.3*	*0.5*	*0.5*
Total	**0.6**	**0.7**	**-0.4**	**0.3**	**0.7**	**0.0**	**0.3**	**-0.3**

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

Source: Stats SA

Real gross domestic product

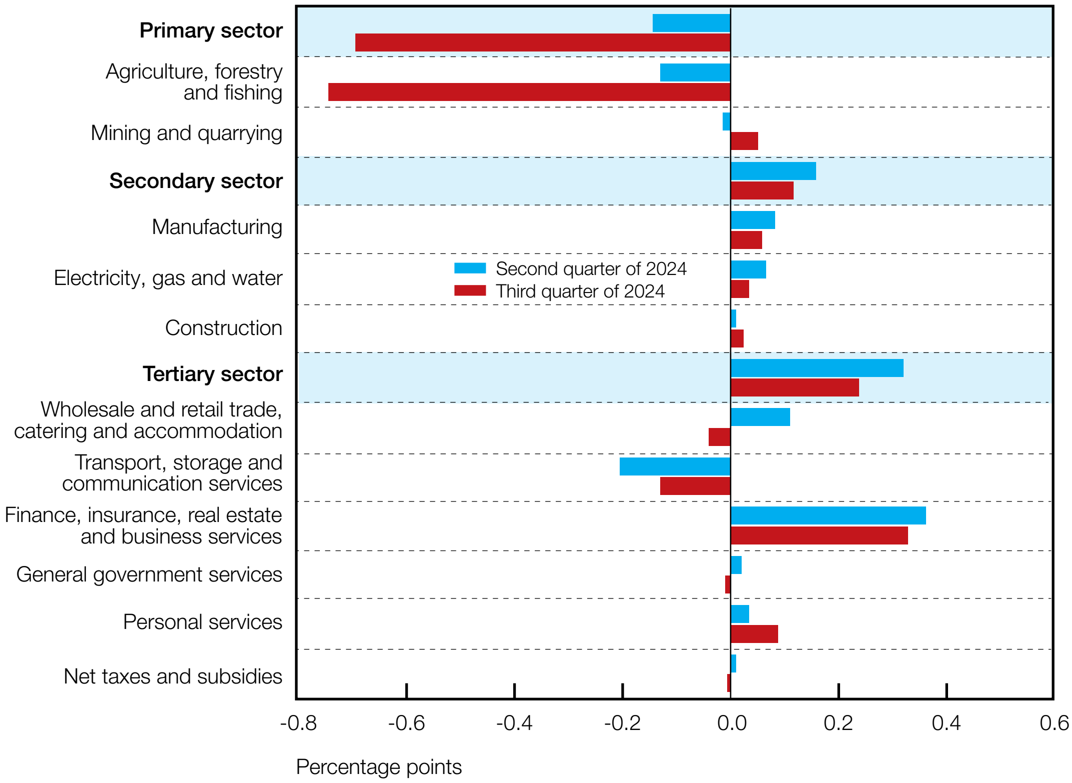
Average level: first three quarters of 2024 compared with the same period of 2023



Percentage change

Source: Stats SA

Contributions to growth in real gross domestic product



Source: Stats SA

The real output of the *agricultural sector* contracted significantly by 28.8% in the third quarter of 2024 and subtracted the most from overall real GDP growth at 0.7 percentage points following a revised decrease of 4.8% in the second quarter. This was the largest quarterly decline in agricultural output since the third quarter of 1970. The significant contraction in the third quarter of 2024 was mainly due to the lower production of field crops as unfavourable weather conditions and rising input costs continued to hamper agricultural output. Subsequently, the average level of real agricultural output in the first three quarters of 2024 was 15.5% lower than in the corresponding period in 2023.

Although the final estimated commercial maize crop of 12.7 million tons for the 2023/24 season is 22.6% lower than the final crop for the 2022/23 season and contributed to the drag in real agricultural output thus far, the projected harvest is sufficient to meet the expected domestic consumption of about 12 million tons per annum. The estimated area to be planted in the 2024/25 season remained relatively unchanged at 2.64 million hectares compared with the 2023/24 season.

Commercial maize crop and area planted

	Crop (million tons)	Area planted (million hectares)
2022/23: final	16.4	2.59
2023/24: final estimate	12.7	2.64

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

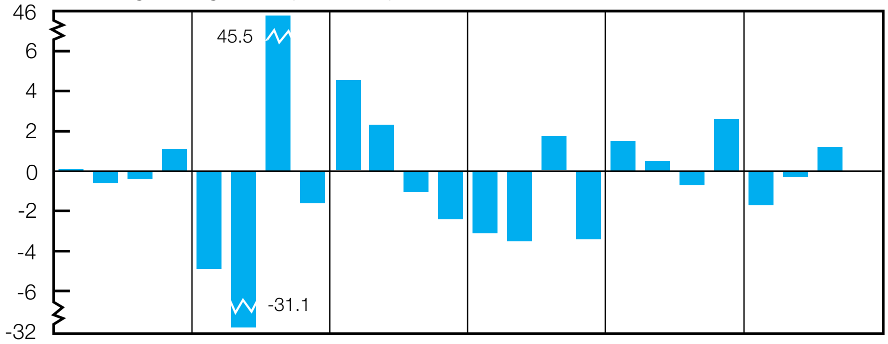
The real GVA by the *mining sector* expanded by 1.2% in the third quarter of 2024 following a contraction of 0.3% in the second quarter and contributed 0.1 percentage points to overall real GDP growth. The turnaround was driven by higher production in 6 of the 12 mineral groups, particularly in manganese ore, chromium ore, coal and copper. By contrast, the production of platinum group metals (PGMs) and gold decreased over this period.

The increased production of manganese and chromium ore benefitted from increased global demand for steel and alloy as well as improved operational efficiency, while coal production was supported by strong demand for coal from countries such as India and Vietnam amid ongoing uncertainty in the global energy sector. Conversely, the lower production of PGMs resulted from, among other factors, the closure of a shaft and smelter due to maintenance activities, along with the low-grade concentration of ores. Despite elevated gold prices, gold production was weighed down by higher operating costs due to aging and ultra-deep mines, declining ore grades as well as shortages of skilled labour.

The average level of real mining output in the first three quarters of 2024 was 0.6% higher than in the corresponding period of 2023. However, mining output continued to be impeded by, among other factors, inefficient rail and port infrastructure, higher cost of operating aging mines, muted investment, weak global demand as well as lower commodity prices.

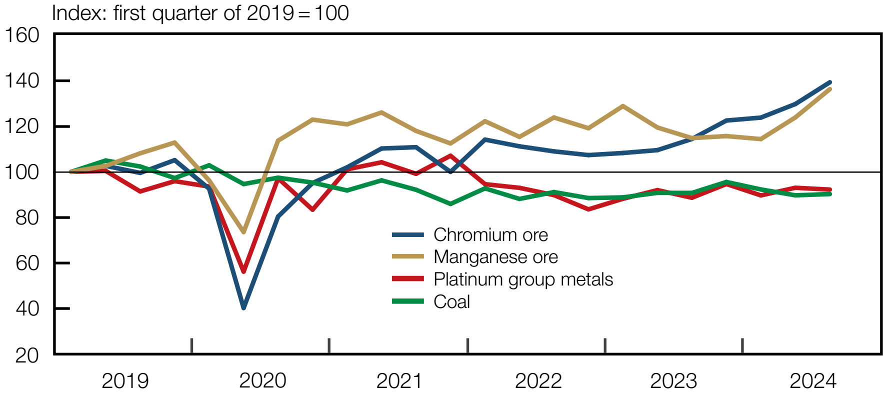
Real gross value added by the mining sector

Percentage change from quarter to quarter



Physical volume of mining production: selected subsectors

Index: first quarter of 2019 = 100



Seasonally adjusted

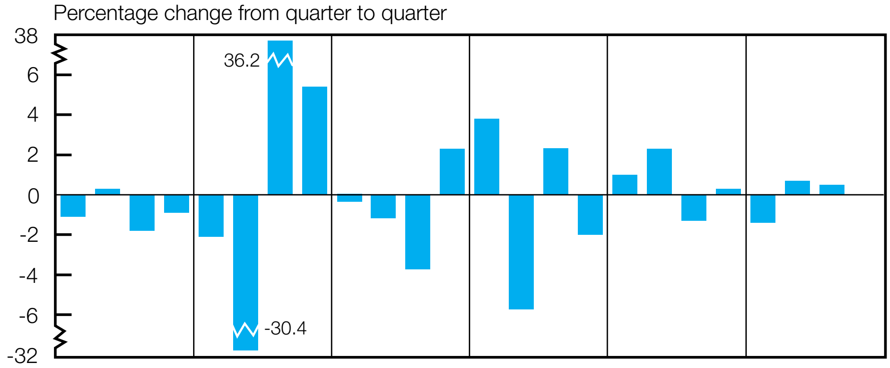
Source: Stats SA

The real GVA by the *secondary sector* increased by 0.7% in the third quarter of 2024 following a 1.0% expansion in the second quarter. Real economic activity moderated in both the manufacturing and electricity, gas and water sectors, while the real output of the construction sector expanded further.

The real output of the *manufacturing sector* increased by 0.5% in the third quarter of 2024 after expanding by 0.7% in the second quarter. Production volumes increased in 3 of the 10 manufacturing subsectors, particularly in those supplying basic iron and steel, non-ferrous metal products, metal products and machinery as well as furniture and other manufacturing. Conversely, the production of motor vehicles, parts and accessories and other transport equipment as well as wood and wood products, paper, publishing and printing declined over this period.

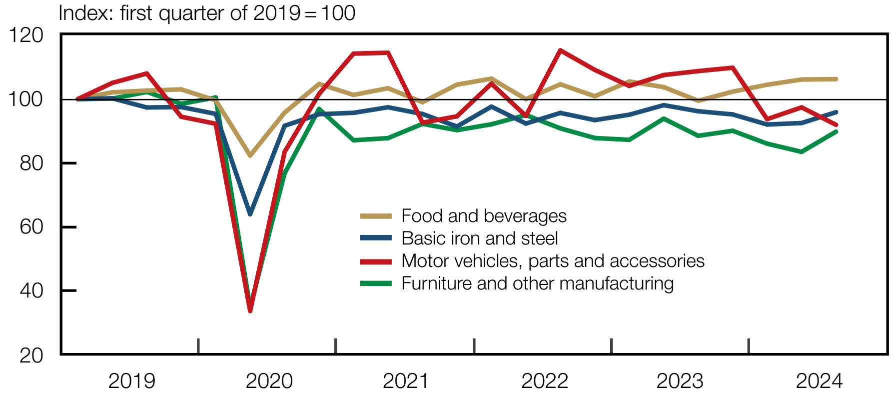
Real gross value added by the manufacturing sector

Percentage change from quarter to quarter



Physical volume of manufacturing production: selected subsectors

Index: first quarter of 2019 = 100



Seasonally adjusted

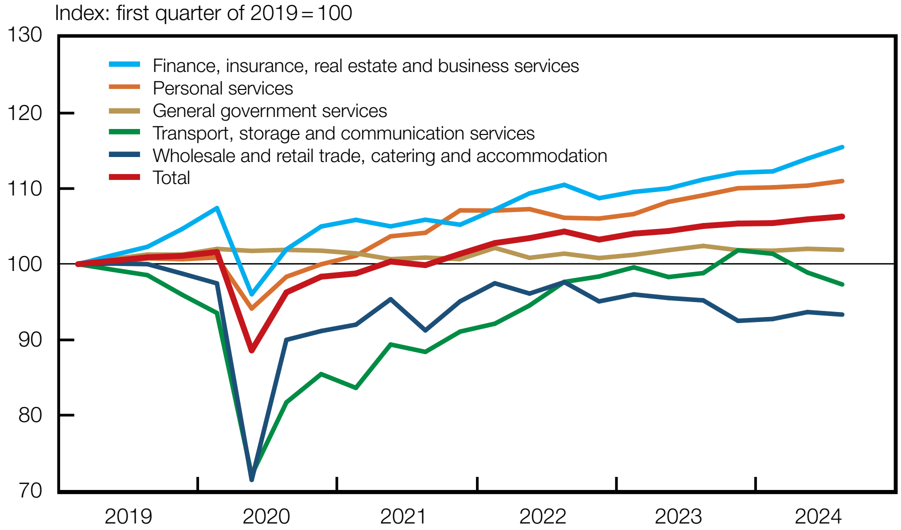
Source: Stats SA

The increase in manufacturing output was in line with the increase in the seasonally adjusted utilisation of production capacity from 77.9% in May 2024 to 78.4% in August. However, the average level of real manufacturing output in the first three quarters of 2024 was 0.3% lower than in the corresponding period of 2023, reflecting the impact of subdued domestic and global demand as well as logistical constraints.

Real economic activity in the sector supplying *electricity, gas and water* increased by 1.6% in the third quarter of 2024, driven by the increase in the volume of both electricity production and consumption over this period. This was evident in the improvement in Eskom's electricity availability factor, which has contributed to the continued suspension of electricity load-shedding and supported domestic economic activity. Consequently, the average level of real GVA in the sector supplying electricity, gas and water in the first three quarters of 2024 was 4.4% higher compared with the corresponding period of 2023.

Real economic activity in the *construction sector* expanded further by 1.1% in the third quarter of 2024 following an increase of 0.5% in the second quarter as civil construction and non-residential building activity increased. However, the average level of real output in the construction sector in the first three quarters of 2024 was 6.2% lower than in the corresponding period in 2023.

Real gross value added by the tertiary sector



Seasonally adjusted

Source: Stats SA

Real economic activity in the *tertiary sector* increased further by 0.3% in the third quarter of 2024 and contributed 0.2 percentage points to overall GDP growth. Real activity in the finance, insurance, real estate and business services as well as personal services sectors expanded further, while that in the commerce; general government services; and transport, storage and communication services sectors contracted over this period.

The real GVA by the *commerce sector* contracted by 0.4% in the third quarter of 2024 following an expansion of 1.0% in the previous quarter. Activity in the wholesale and motor trade subsectors declined, while retail trade activity increased. The decline in the wholesale trade activity resulted from lower sales of solid, liquid and gaseous fuels and related products, precious stones, jewellery and silverware as well as construction and building materials, while lower sales of new and used vehicles suppressed motor trade activity during the quarter.

By contrast, the increase in retail trade activity was driven by higher sales of general dealers, textiles, clothing, footwear and leather goods as well as household furniture, appliances and equipment. The commerce sector's average level of real output in the first three quarters of 2024 was 2.4% lower than in the corresponding period of 2023 as it continued to be impacted by weak domestic demand, logistical constraints and rising input costs.

The real GVA of the *transport, storage and communication services sector* contracted further by 1.6% in the third quarter of 2024, marking the third successive quarterly contraction. The contraction was driven by reduced activity in land transportation and transport support services. By contrast, the number of passenger journeys undertaken by rail increased over this period. The average level of real output of the transport, storage and communication services sector in the first three quarters of 2024 was 0.1% higher than in the corresponding period in 2023.

The real output of the *finance, insurance, real estate and business services sector* increased further by 1.3% in the third quarter of 2024 and contributed 0.3 percentage points to overall real GDP growth. Activity increased in the monetary intermediation, insurance, financial auxiliary services, real estate and other business services subsectors. Monetary intermediation activity was boosted by a rise in income generated by commercial banks, while growth in financial auxiliary services reflected a rise in share market activity amid an improvement in investor sentiment in the third quarter of 2024.

Real GVA by the *general government services sector* reverted to a contraction of 0.1% in the third quarter of 2024 in tandem with a decrease in the number of employees in national and provincial government as well as in extra-budgetary institutions. However, the average level of real general government services output in the first three quarters of 2024 was 0.6% higher than in the corresponding period of 2023.

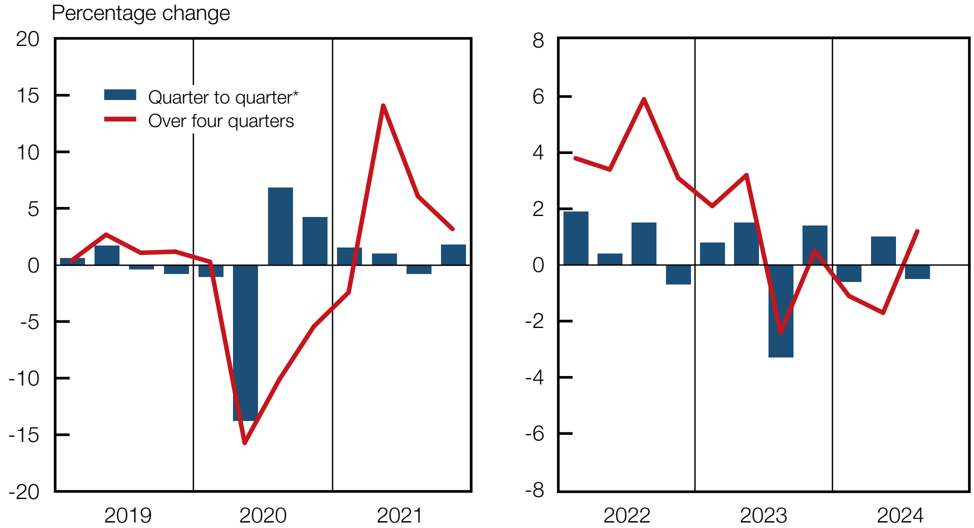
The real GVA by the *personal services sector* increased by 0.5% in the third quarter of 2024, contributing 0.1 percentage points to overall GDP growth. The increase occurred alongside increased activity in health and education services. Consequently, the average level of real output of the personal services sector in the first three quarters of 2024 was 2.0% higher than in the corresponding period of 2023.

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

Real gross domestic expenditure[2]

Real *gross domestic expenditure* (GDE) declined by 0.5% in the third quarter of 2024 following an increase of 1.0% in the second quarter. Real final consumption expenditure by general government decreased alongside the deaccumulation in real inventory holdings. By contrast, real final consumption expenditure by households and gross fixed capital formation increased in the third quarter. The average level of real GDE in the first three quarters of 2024 was 0.5% lower compared with the corresponding period of 2023.

Real gross domestic expenditure



* Seasonally adjusted

Sources: Stats SA and SARB

Real gross domestic expenditure

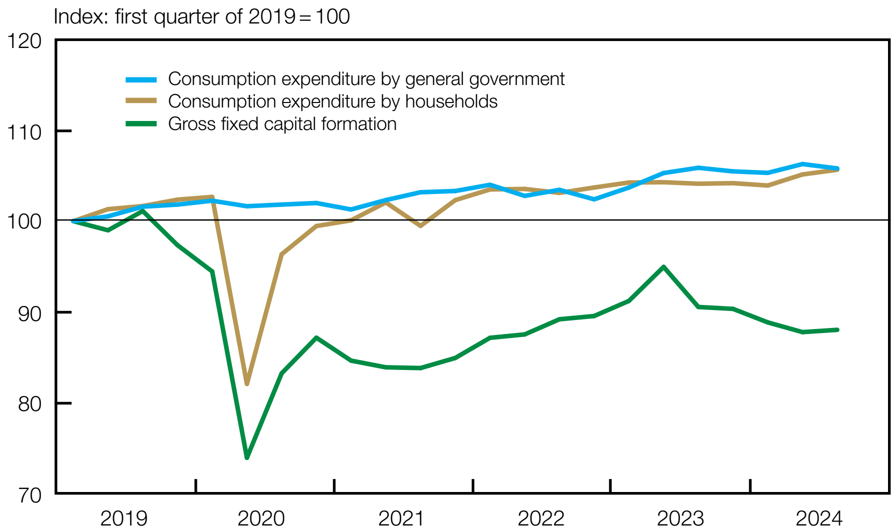
Quarter-to-quarter percentage change at seasonally adjusted but not annualised rates

Component	2023					2024		
	Q1	Q2	Q3	Q4	Year[1]	Q1	Q2	Q3
Final consumption expenditure								
Households	0.5	0.0	-0.2	0.1	0.7	-0.2	1.2	0.5
General government	1.3	1.5	0.5	-0.4	1.9	-0.2	0.9	-0.5
Gross fixed capital formation	1.9	4.1	-4.7	-0.2	3.9	-1.7	-1.2	0.3
Domestic final demand[2]	**0.9**	**0.9**	**-0.7**	**-0.1**	**1.4**	**-0.4**	**0.8**	**0.3**
Change in inventories (R billions)[3]	*52.9*	*77.5*	*-45.7*	*19.4*	*26.0*	*3.8*	*19.0*	*-6.6*
Residual[4]	*0.2*	*0.2*	*0.1*	*0.2*	*0.2*	*0.3*	*0.2*	*0.0*
Gross domestic expenditure[5]	0.8	1.5	-3.3	1.4	0.8	-0.6	1.0	-0.5

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

Sources: Stats SA and SARB

Components of real gross domestic final demand



Seasonally adjusted

Sources: Stats SA and SARB

The change in real inventory holdings subtracted the most from growth in real GDP at 0.5 percentage points, followed by final consumption expenditure by general government at 0.1 percentage points. By contrast, real final consumption expenditure by households and net exports contributed 0.3 and 0.1 percentage points respectively to overall GDP growth over this period.

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

Percentage points

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

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

Sources: Stats SA and SARB

The real *exports* of goods and services contracted further by 3.7% in the third quarter of 2024. The decline was driven by reduced export volumes of mining and manufactured products despite an increase in the exports of agricultural products. Mining export volumes contracted as the decline in precious metals (including gold, PGMs and stones) as well as base metals and articles thereof outweighed the increase in mineral products. The decrease in the exports of manufactured goods was broad-based, but more pronounced in vehicles and transport equipment as well as chemical products. By contrast, the real exports of agricultural products and services increased in the third quarter of 2024 following a decline in the second quarter.

Real exports and imports of goods and services

Quarter-to-quarter percentage change*

Component	2024					
	Exports			Imports		
	Percentage of total**	Q2***	Q3***	Percentage of total**	Q2***	Q3***
Total	100.0	-0.7	-3.7	100.0	1.7	-3.9
Mining	39.7	3.2	-4.2	19.5	3.5	-8.6
Of which:						
Mineral products	14.4	-4.9	5.7	14.5	3.2	-10.0
Precious metals including gold, platinum group metals and stones	12.3	17.7	-12.6	1.1	1.1	-7.1
Base metals and articles thereof	13.0	-1.0	-5.7	4.0	5.0	-4.3
Manufacturing	36.5	1.5	-9.0	63.3	-0.4	-3.4
Of which:						
Vehicles and transport equipment	11.4	-2.4	-11.7	13.6	10.5	-19.6
Machinery and electrical equipment	7.4	2.4	-6.5	25.9	-4.7	1.5
Chemical products	5.9	9.4	-16.1	10.1	-5.2	-0.2
Prepared foodstuffs, beverages and tobacco	4.8	0.4	-6.9	2.1	4.8	1.0
Agriculture	10.3	-21.1	13.1	4.0	15.5	-10.0
Of which:						
Vegetable products	8.9	-24.8	15.7	2.3	32.1	-22.1
Services	13.3	-0.7	0.3	13.0	4.7	2.5

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

Sources: SARS, Stats SA and SARB

The real *imports* of goods and services declined by 3.9% in the third quarter of 2024 following an increase of 1.7% in the second quarter as import volumes contracted across most of the major components. Mining import volumes were adversely affected by contractions in the volumes of mineral products, precious metals including gold, PGMs and stones and base metals and articles thereof. Similarly, the import volumes of agricultural goods decreased as vegetable imports declined markedly. The volume of manufactured imports continued to decline in the third quarter of 2024, primarily due to lower real imports of vehicles and transport equipment.

Real *net exports* contributed 0.1 percentage points to real GDP growth in the third quarter of 2024, with agriculture and mining contributing 0.5 and 0.1 percentage points respectively. Real net agricultural exports were supported by the positive contribution of vegetable products, while real net mining exports increased due to higher net exports of mineral products. By contrast, real net manufacturing exports contracted due to the decrease in real net exports of machinery and electrical equipment, chemical products and prepared foodstuffs, beverages and tobacco, which subtracted 0.3% from the overall total net exports during the quarter under review.

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

Percentage points

Component	2024					
	Exports		Imports*		Net exports	
	Q2	Q3	Q2	Q3	Q2	Q3
Total	**-0.2**	**-1.0**	**0.5**	**-1.1**	**-0.7**	**0.1**
Mining	**0.3**	**-0.4**	**0.2**	**-0.5**	**0.1**	**0.1**
Of which:						
Mineral products	-0.2	0.2	0.1	-0.4	-0.3	0.6
Precious metals, including gold, platinum group metals and stones	0.6	-0.5	0.0	0.0	0.6	-0.4
Base metals and articles thereof	0.0	-0.2	0.1	-0.1	-0.1	-0.1
Manufacturing	**0.2**	**-0.9**	**-0.1**	**-0.6**	**0.2**	**-0.3**
Of which:						
Vehicles and transport equipment	-0.1	-0.4	0.3	-0.7	-0.4	0.4
Machinery and electrical equipment	0.0	-0.1	-0.3	0.1	0.4	-0.2
Chemical products	0.1	-0.3	-0.2	0.0	0.3	-0.3
Prepared foodstuffs, beverages and tobacco	0.0	-0.1	0.0	0.0	0.0	-0.1
Agriculture	**-0.7**	**0.3**	**0.2**	**-0.1**	**-0.9**	**0.5**
Of which:						
Vegetable products	-0.7	0.3	0.2	-0.2	-0.9	0.5
Services	**0.0**	**0.0**	**0.2**	**0.1**	**-0.2**	**-0.1**

* A positive contribution by imports *subtracts from* growth and a negative contribution by imports *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

Growth in real *final consumption expenditure by households* moderated to 0.5% in the third quarter of 2024 from 1.2% in the second quarter, mirroring the slower pace of increase in the real disposable income of households. Real expenditure on durable goods, semi-durable goods and services increased at a slower pace in the third quarter of 2024. By contrast, growth in real spending on non-durable goods remained unchanged at 0.9% over this period. However, measured over a year, real spending by households accelerated to 1.4% in the third quarter, while the average level of real spending by households in the first three quarters of 2024 was 0.6% higher than in the corresponding period of 2023.

Real final consumption expenditure by households

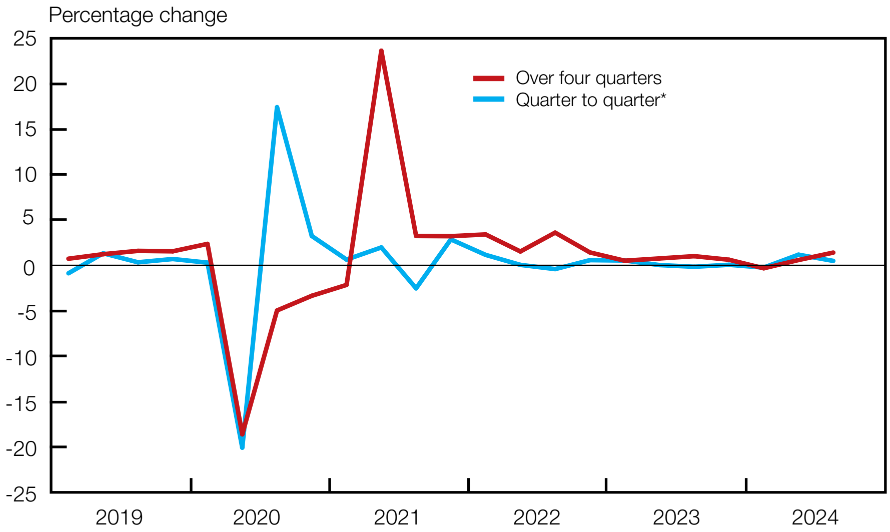
Quarter-to-quarter percentage change at seasonally adjusted but not annualised rates

Category	2023					2024		
	Q1	Q2	Q3	Q4	Year*	Q1	Q2	Q3
Durable goods	-0.8	-1.1	-0.3	2.4	0.6	0.4	1.0	0.2
Semi-durable goods	2.7	-3.6	1.3	3.5	3.5	-4.2	1.8	0.5
Non-durable goods	0.3	0.1	-0.7	-1.6	-2.4	1.4	0.9	0.9
Services	0.5	0.9	-0.1	-0.1	2.1	-0.6	1.3	0.3
Total	**0.5**	**0.0**	**-0.2**	**0.1**	**0.7**	**-0.2**	**1.2**	**0.5**

* Percentage change over one year

Source: Stats SA

Real final consumption expenditure by households



* Seasonally adjusted
Source: Stats SA

Real spending on *durable goods* grew at a slower pace by 0.2% in the third quarter of 2024 following an increase of 1.0% in the second quarter due to strict lending standards by banks and the still elevated borrowing costs. Real outlays on personal transport equipment as well as computers and related equipment declined, while real spending on furniture and household appliances; recreational and entertainment goods; and other durable goods decelerated.

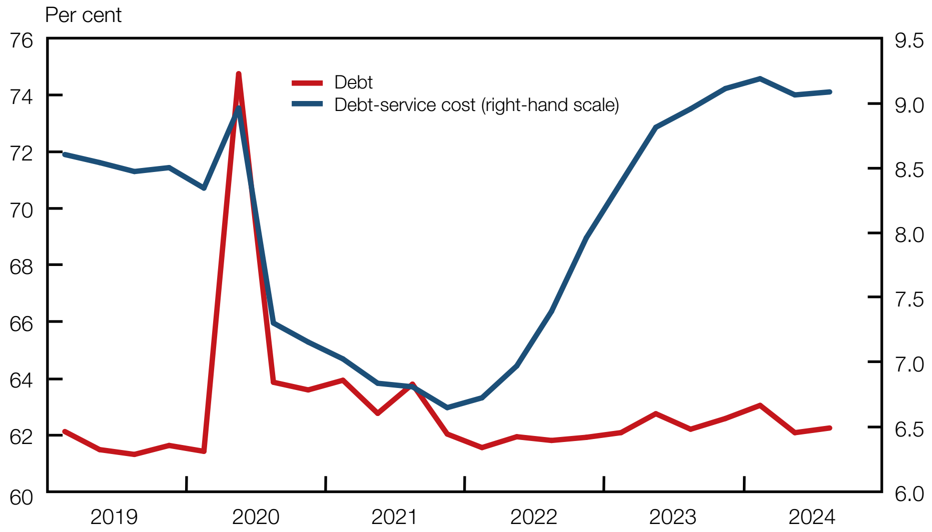
Growth in real spending on *semi-durable goods* decelerated to 0.5% in the third quarter of 2024 after increasing by 1.8% in the second quarter. Real outlays on clothing and footwear; household textiles, furnishings and glassware; and miscellaneous goods increased at a slower pace. Consumer purchases of motorcar tyres, parts and accessories continued to decline in the third quarter of 2024, albeit at a slower pace.

Growth in real consumption expenditure on *non-durable goods* remained steady at 0.9% in the third quarter of 2024. Spending on food, beverages and tobacco; household consumer goods; and medical and pharmaceutical products moderated, while outlays on household fuel, power and water as well as petroleum products reverted to increases during the quarter under review.

Growth in real household expenditure on *services* moderated to 0.3% in the third quarter of 2024 from 1.3% in the second quarter. Real outlays on medical and miscellaneous services increased at a slower pace, while spending on household services and transport and communication services declined. However, growth in consumer spending on rent and recreational services remained broadly unchanged in the third quarter of 2024.

Seasonally adjusted nominal *household debt* increased in the third quarter of 2024 as most credit categories extended to households increased. Household debt as a percentage of nominal disposable income edged higher to 62.2% in the third quarter of 2024 from 62.1% in the second quarter as the increase in household debt exceeded that in nominal disposable income. Households' cost of servicing debt relative to disposable income remained broadly unchanged at 9.1% in the third quarter of 2024.

Household debt and debt-service cost as a ratio of disposable income



Seasonally adjusted

Source: SARB

Households' net wealth increased further in the third quarter of 2024 as the increase in the market value of total assets outweighed the rise in total liabilities. The higher value of assets resulted from increases in share prices and the value of housing stock. Consequently, the ratio of net wealth to nominal disposable income rose to 409% in the third quarter of 2024 from 395% in the second quarter as the increase in households' net wealth outpaced that in nominal disposable income.

Real *final consumption expenditure by general government* contracted by 0.5% in the third quarter of 2024 following an expansion of 0.9% in the second quarter. Real spending on the compensation of employees decreased, while that on non-wage goods and services increased at a slower pace. The average level of real spending by general government in the first three quarters of 2024 was 0.8% more than in the corresponding period of 2023.

Following four successive quarters of contraction, real *gross fixed capital formation* increased by 0.3% in the third quarter of 2024, supported by the increase in capital outlays by general government and public corporations. By contrast, fixed investment by private business enterprises decreased further in the third quarter of 2024. Similarly, the average level of real gross fixed capital formation in the first three quarters of 2024 was 4.4% lower than in the same period of 2023.

Real gross fixed capital formation

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

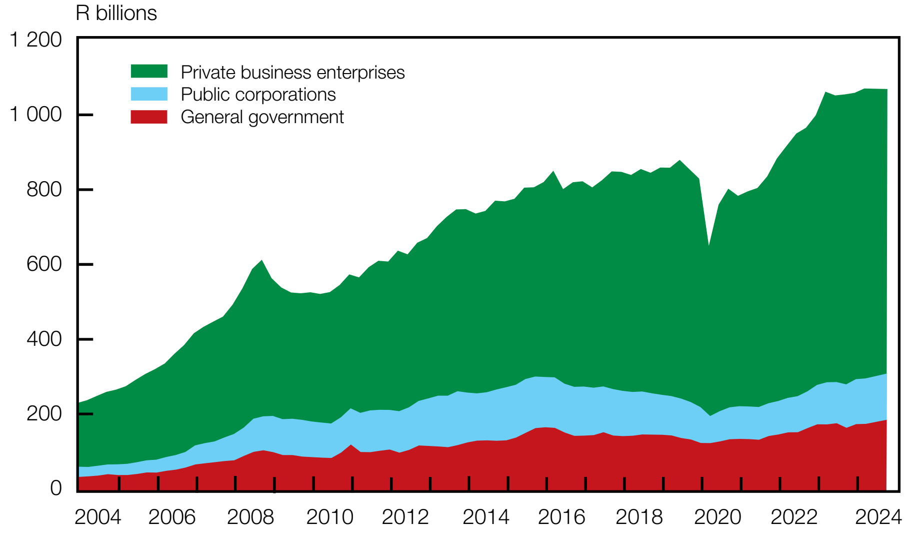
Sector	2023					2024		
	Q1	Q2	Q3	Q4	Year*	Q1	Q2	Q3
Private business enterprises	0.6	5.3	-5.1	0.9	3.0	-3.1	-1.2	-1.7
Public corporations	7.3	6.5	-7.1	4.2	9.9	2.5	-1.9	3.1
General government	4.0	-1.9	-1.3	-7.3	3.9	2.0	-0.7	6.4
Total	**1.9**	**4.1**	**-4.7**	**-0.2**	**3.9**	**-1.7**	**-1.2**	**0.3**

* Percentage change over one year

Source: Stats SA

Real capital investment by *private business enterprises* decreased further by 1.7% in the third quarter of 2024, subtracting 1.2 percentage points from growth in total real gross fixed capital formation. The decline was mainly due to decreased investment in transport equipment and residential buildings. When measured over a year, the level of real gross fixed capital formation by private business enterprises was 5.5% lower in the third quarter of 2024 compared with the corresponding period of 2023. The private sector's share of total nominal gross fixed capital formation decreased to 70.7% in the third quarter of 2024 from 71.9% in the previous quarter.

Nominal gross fixed capital formation by type of organisation



Seasonally adjusted

Source: Stats SA

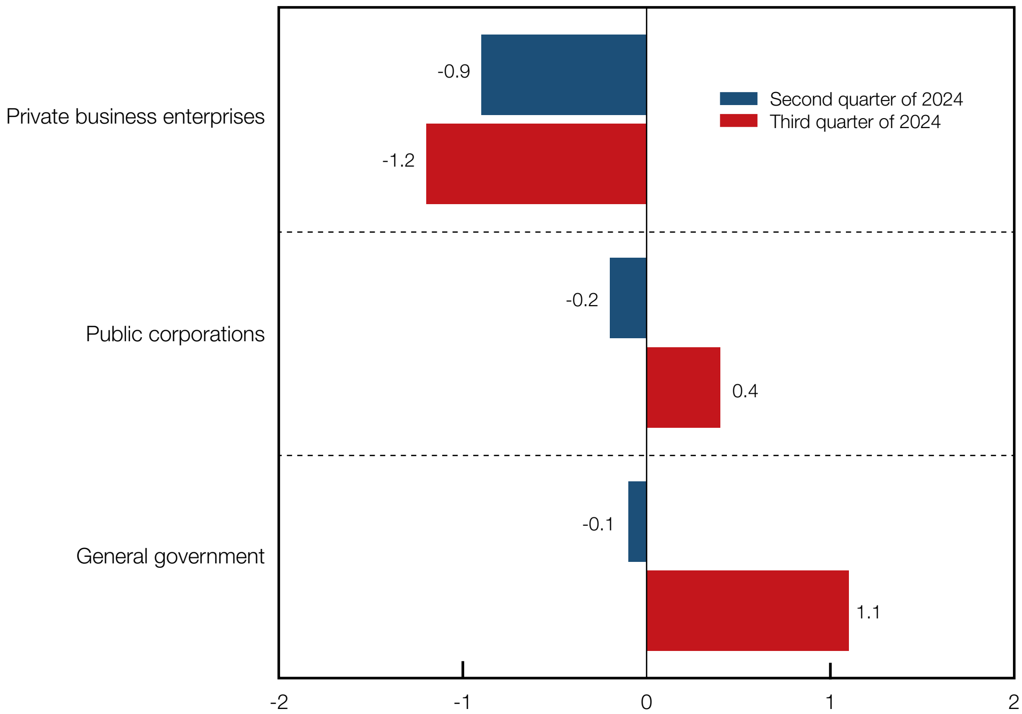
Public sector investment in fixed assets increased by 5.1% in the third quarter of 2024 following a decrease of 1.2% in the previous quarter, mostly reflecting higher capital spending by general government. Capital expenditure by *general government* increased by 6.4% in the third quarter of 2024 and contributed 1.1 percentage points to growth in total real gross fixed capital formation. The increase in capital expenditure by general government resulted from increased investment in construction works and non-residential buildings, reflecting, among other factors, projects undertaken by national departments related to water infrastructure and the refurbishment of government-owned buildings alongside increased activity in road infrastructure by provincial governments. The general government's share of total nominal gross fixed capital formation increased to 17.9% in the third quarter of 2024 from 17.0% in the second quarter.

Real gross fixed capital formation by *public corporations* increased by 3.1% in the third quarter of 2024 following a decrease of 1.9% in the second quarter. The increased capital spending resulted from higher investment in construction works as well as machinery and equipment in the third quarter of 2024 as public entities increased efforts to fulfil their infrastructural commitments, mainly through road network upgrades and information and communications technology (ICT) equipment outlays. The public corporations' share of total nominal gross fixed capital formation increased slightly to 11.3% in the third quarter of 2024 from 11.1% in the second quarter.

Measured by asset type, real gross fixed investment mainly increased in *other assets*[3] and construction works in the third quarter of 2024. By contrast, fixed investment in transport equipment and residential buildings recorded a decline over the same period.

3 Other assets include research and development, computer software, mineral exploration and cultivated biological resources.

Contributions to growth in real gross fixed capital formation



Percentage points
Source: Stats SA

Real *inventory holdings* decreased by R6.6 billion (at seasonally adjusted and annualised 2015 prices) in the third quarter of 2024 following an accumulation of R19.0 billion in the second quarter. The depletion of inventories in the third quarter was mainly concentrated in the manufacturing, electricity and mining sectors, while inventories accumulated within the trade and transport sectors. The deaccumulation of inventories subtracted 0.5 percentage points from the growth in real GDP over this period.

Gross nominal saving

The *national saving rate* (gross saving as a percentage of nominal GDP) declined to 13.7% in the third quarter of 2024 from 14.3% in the second quarter. The slowdown was due to a deterioration in the saving rate of corporate business enterprises, which offset the improvement in general government's dissaving, while saving by households remained unchanged. The share of total gross capital formation financed through foreign capital (the foreign financing ratio) decreased marginally from 6.7% in the second quarter of 2024 to 6.6% in the third quarter.

Gross saving as a percentage of gross domestic product

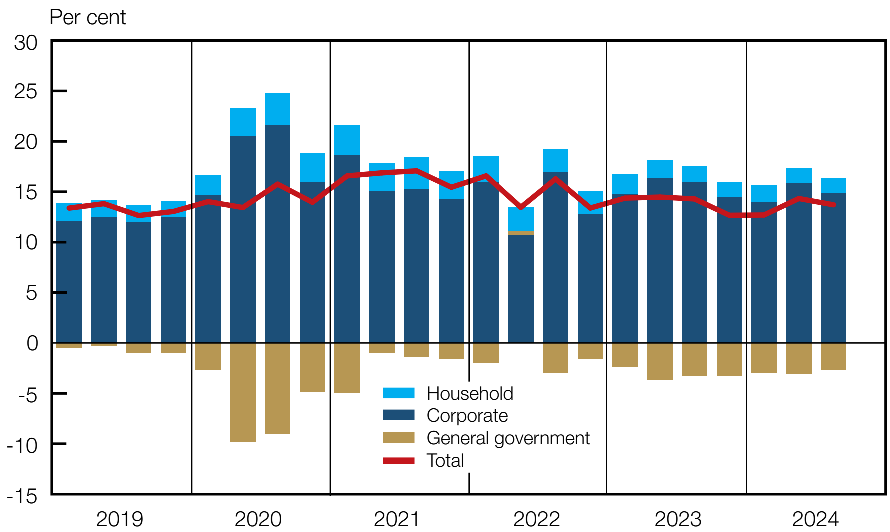
Ratio in per cent based on seasonally adjusted and annualised data

Sector	2023					2024		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Corporate	14.8	16.4	16.0	14.5	15.4	14.0	15.9	14.9
General government	-2.4	-3.7	-3.3	-3.3	-3.2	-3.0	-3.0	-2.7
Household	2.0	1.8	1.6	1.5	1.7	1.6	1.5	1.5
Total	**14.4**	**14.5**	**14.3**	**12.7**	**13.9**	**12.7**	**14.3**	**13.7**

Sources: Stats SA and SARB

Gross saving by the *corporate sector* as a percentage of nominal GDP decreased from 15.9% in the second quarter of 2024 to 14.9% in the third quarter due to increased seasonally adjusted dividend and tax payments. Dissaving by *general government* as a percentage of GDP decreased from 3.0% in the second quarter of 2024 to 2.7% in the third quarter as seasonally adjusted nominal revenue collections increased more than government expenditure. Gross saving by the *household sector* as a ratio of GDP remained steady at 1.5% in the third quarter of 2024 as the increase in seasonally adjusted nominal household disposable income was neutralised by an increase in nominal household consumption expenditure.

Gross saving as a percentage of gross domestic product



Sources: Stats SA and SARB

Box 1 Revisions to the composite business cycle indicators

The South African Reserve Bank (SARB) periodically reviews the performance of the composite business cycle indicators and their constituent time series. Changes to the components of these indicators result from, among other factors, structural changes in the economy, the discontinuation of existing economic indicators, the availability of new economic indicators or an improvement in the coverage of some indicators. The most recent revision to the components of the composite leading and coincident business cycle indicators occurred in 2015,[1] while the composition of the composite lagging business cycle indicator was last revised in 2004.[2] This box describes the most recent revisions to all three composite business cycle indicators.

Composite business cycle indicators are constructed by integrating various individual economic time series into a single indicator time series that mirrors the movement of, and the turning points in, the business cycle. Three groups of indicators are distinguished, namely those that change direction ahead of the business cycle (leading indicators), those that move more or less in tandem with the business cycle (coincident indicators) and those indicators that lag behind the business cycle (lagging indicators).

Each business cycle is unique and as such the behaviour of individual economic time series could vary somewhat during different business cycles, thereby affecting the degree of reliability of these individual time series as business cycle indicators from one business cycle to the next. However, combining the individual economic indicators into composite indicators reduces the risk of false signals, with the resultant composite indicators exhibiting a more consistent and reliable timing relationship with changes in the business cycle than each of the individual economic indicators. In addition, the composite business cycle indicators tend to display less volatility (noise) than most of their individual component time series due to the offsetting of measurement errors and other irregularities or random deviations in the individual time series when grouped together, thereby providing clearer signals of business cycle turning points.

---

1 See 'Box 1 Revisions to the composite leading and coincident business cycle indicators' in the June 2015 edition of the *Quarterly Bulletin (QB)*, available at https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/boxes/2015/7149/2015Revisions-to-the-composite-leading-and-coincident-business-cycle-indicators.pdf

2 See 'Note on the revision and significance of the composite lagging business cycle indicator' in the March 2004 edition of the QB, available at https://www.resbank.co.za/content/dam/sarb/publications/quarterly-bulletins/articles-and-notes/2004/4407/Note-on-the-revision-and-significance-of-the-composite-lagging-business-cycle-indicator.pdf

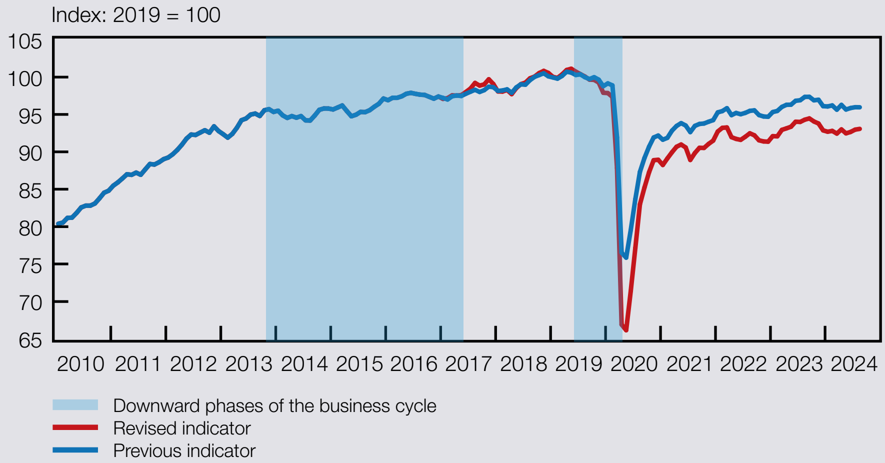
In this update, the coverage of the time series included in the composite coincident indicator was reviewed, with three of the five component time series previously included being retained without changes, while the remaining two have been retained with some improvements.

- The coverage of the time series measuring the real value of retail trade and new vehicle sales was expanded to also include real wholesale trade sales, while the real value of new vehicle sales was replaced with the real value of total motor trade sales. These changes resulted in a much more comprehensive domestic trade indicator now being included in the composite coincident business cycle indicator.

- By contrast, the coverage of the time series measuring the total real gross value added (GVA) at basic prices, excluding agriculture, forestry and fishing, was reviewed to avoid double counting in the composite index and now excludes trade- and production-related indicators. This component now measures only the real GVA by the construction; transport, storage and communication services; finance, insurance, real estate and business services; and community, social and personal services sectors.

The final step in the compilation methodology of the composite coincident business cycle indicator is to adjust its long-term trend to match that in the real GVA at basic prices, excluding agriculture, forestry and fishing. During the 2015 revision, the long-term trend of the composite coincident business cycle indicator was adjusted lower as it outpaced the long-term trend of the non-agricultural real GVA. Following the initial recovery from the global financial crisis of 2008–09, growth in the real non-agricultural GVA gradually slowed from 2014 as the South African economy was increasingly affected by structural constraints such as insufficient electricity supply. Since then, the growth trend in the composite coincident business cycle indicator has outpaced the growth trend in real non-agricultural GVA by a slightly bigger margin than before. During the current revision, the long-term trend of the composite coincident business cycle indicator was thus adjusted downwards by a slightly larger margin than before and the revised composite index was linked to the historical composite index from January 2017.

Composite coincident business cycle indicator



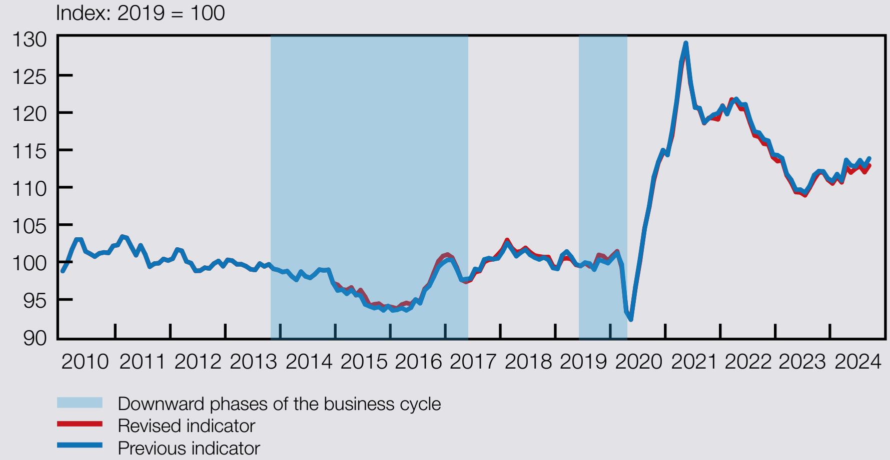
Source: SARB

Changes in the compilation of the composite leading business cycle indicator were minimal as 10 of the 11 component time series were retained unaltered in the revised composite indicator, while the coverage of the remaining indicator was broadened.

- The coverage of the time series measuring job advertisement (ad) space in the *Sunday Times* newspaper was expanded to also include job ads on the Pnet online platform. In the newly combined job ads time series, the *Sunday Times* ads were assigned a weight of 20% and the Pnet job ads received a weight of 80%. Apart from significantly improving the coverage, the new indicator is also considerably less volatile than the previous indicator, enabling the identification of cyclical turning points more clearly.

The inherent trend of the composite leading business cycle indicator has no economic meaning as most of its component time series are stationary, implying that they display no discernible long-term trend. In compiling the composite leading business cycle indicator, the final step is to adjust its long-term trend to match that of the composite coincident business cycle indicator. During this revision, the long-term trend of the composite leading business cycle indicator was adjusted upwards by a slightly smaller margin than before to match the adjustment made to the trend in the composite coincident business cycle indicator. The revised composite leading business cycle indicator was linked to the historical indicator from January 2015.

Composite leading business cycle indicator



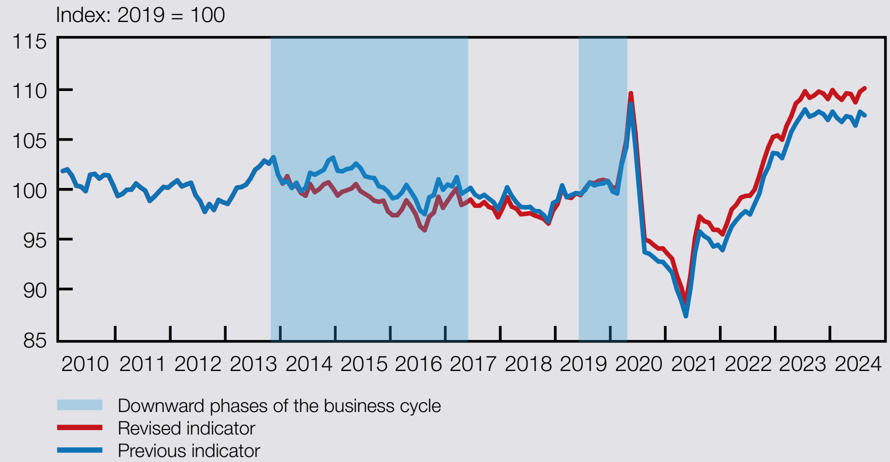
Source: SARB

There was one change to the seven component time series used to compile the composite lagging business cycle indicator, with the other six components retained without changes.

- The prime overdraft rate charged by commercial banks was replaced with the weighted average interest rate charged by commercial banks. Although these two interest rates are fairly closely aligned, the prime overdraft rate moves in step with the repurchase rate, while the weighted average rate charged by banks sometimes deviates from the prime overdraft rate and is thus a better reflection of the actual cost of capital in the economy.

For similar reasons to the composite leading business cycle indicator, the inherent trend of the composite lagging business cycle indicator also has no economic meaning. The final step in compiling the composite lagging business cycle indicator therefore also involves matching its long-term trend to that of the composite coincident business cycle indicator. The long-term trend of the composite lagging business cycle indicator was adjusted upwards by a slightly smaller margin than before to match the adjustment made to the trend of the composite coincident business cycle indicator. The revised composite lagging business cycle indictor was linked to the historical composite indicator from January 2014.

Composite lagging business cycle indicator



Source: SARB

The revised component series included in the three composite business cycle indicators are listed in the table below.

Component time series of the composite business cycle indicators*

Leading indicator	Coincident indicator	Lagging indicator
Job ad space in the Sunday Times newspaper and the Pnet online platform: six-month smoothed growth rate	*Real GVA by the construction; transport, storage and communication services; finance, insurance, real estate and business services; and community, social and personal services sectors*	Ratio of gross fixed capital formation in machinery and equipment to final consumption expenditure on goods by households
Number of residential building plans passed for flats, townhouses and houses larger than 80m^2	Total formal non-agricultural employment	Nominal labour cost per unit of production in the manufacturing sector: percentage change over 12 months
Interest rate spread: 10-year government bonds less 91-day Treasury bills	*Real value of wholesale, retail and motor trade sales*	Value of non-residential buildings completed at constant prices
Real M1 money supply (deflated with the consumer price index (CPI): six-month smoothed growth rate	Industrial production index	Ratio of inventories to sales in manufacturing and trade
Index of commodity prices (in US dollar) for a basket of South African-produced export commodities	Utilisation of production capacity in manufacturing	Ratio of consumer instalment sale credit to disposable income of households
Composite leading business cycle indicator of South Africa's major trading-partner countries: percentage change over 12 months		*Weighted average interest rate charged by commercial banks*
Gross operating surplus as a percentage of GDP		Real value of cement sales
Rand Merchant Bank/Bureau for Economic Research (RMB/BER) Business Confidence Index		
Net balance of manufacturers observing an increase in the average number of hours worked per factory worker (half weight)		
Net balance of manufacturers observing an increase in the volume of domestic orders received (half weight)		
Number of new passenger vehicles sold: percentage change over 12 months		

* The component series that were changed during this review are italicised.

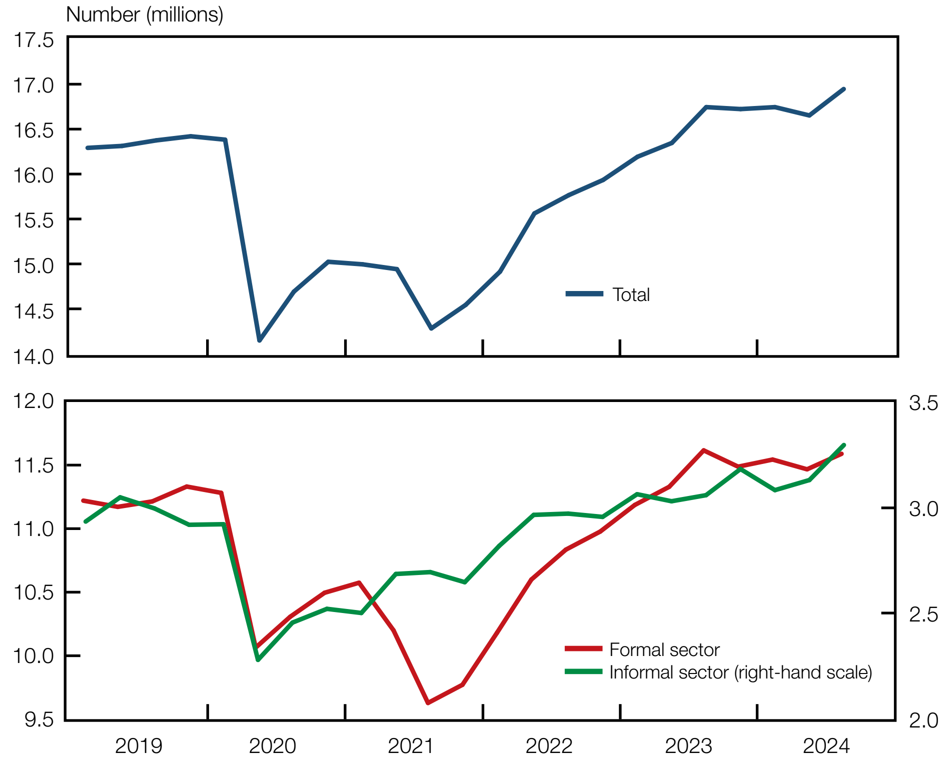
Employment

4 Stats SA noted that the response rate of the *Quarterly Labour Force Survey (QLFS)* was 87.8% in the third quarter of 2024 compared with 88.6% in the second quarter (and 88.8% in the third quarter of 2023).

Total household-surveyed employment increased by 294 000 (1.8%) in the third quarter of 2024 following broad-based job gains in three of the four main sectors, according to Statistics South Africa's (Stats SA) *Quarterly Labour Force Survey (QLFS)*.[4] Formal sector employment increased by 122 000 (1.1%), while the informal and agricultural sectors gained 165 000 (5.3%) and 39 000 (4.4%) jobs respectively. By contrast, the private household sector employed 32 000 (2.8%) fewer persons. The increase in formal sector employment in the third quarter of 2024 was largely driven by job gains in the construction (62 000), mining (30 000) and transport, storage and communication services (38 000) sectors.

The year-on-year pace of increase in total household-surveyed employment slowed further from 306 000 (1.9%) in the second quarter of 2024 to 201 000 (1.2%) in the third quarter, partly due to base effects related to the Presidential Youth Employment Initiative (PYEI) a year earlier. As such, employment contracts of a limited duration decreased by 6.3% on a year-on-year basis in the third quarter of 2024, while permanent contracts and those of an unspecified duration decreased by 1.5% and 0.7% respectively.

Household-surveyed employment



Source: Stats SA

5 https://www.pnet.co.za/wp-content/uploads/2024/11/Pnet-Job-Market-Trends-Report-October-2024-FINAL.pdf

The seasonally adjusted number of new and renewed job postings on the Pnet web platform increased by 0.6% in the third quarter of 2024 and by 3.0% on a month-to-month basis in October, with total job postings approximately 7.2% higher compared with those recorded in October 2019 before the onset of the COVID-19 pandemic. The *Pnet Job Market Trends Report*[5] noted increases in hiring activity in the architecture and engineering (28.0%), medical and health (26.0%) as well as manufacturing and assembly (25.0%) sectors on a year-on-year basis in September 2024. Together with the increase in job postings up to October 2024, the increased hiring activity could continue to support employment growth for the remainder of the year.

Household-surveyed labour market statistics

	Number (thousands)			Quarter-to-quarter change		Percentage change over four quarters
	2023	2024		2024 Q3		
	Q3	Q2	Q3	Number	Per cent	Per cent
a. Total employed	16 745	16 652	16 946	294	1.8	1.2
b. Total unemployed (official definition)	7 849	8 384	8 011	-373	-4.5	2.1
c. Total labour force (a+b)	24 594	25 036	24 957	-79	-0.3	1.5
d. Total not economically active	16 292	16 260	16 474	214	1.3	1.1
e. Population 15–64 years (c+d)	40 886	41 296	41 431	135	0.3	1.3
f. Official unemployment rate* (b/c)*100	**31.9%**	**33.5%**	**32.1%**	–	–	–
g. Discouraged	3 156	3 195	3 355	160	5.0	6.3
h. Other reasons for not searching for work	1 206	1 358	1 352	-6	-0.4	12.1
i. Expanded unemployment rate**	**41.2%**	**42.6%**	**41.9%**	–	–	–

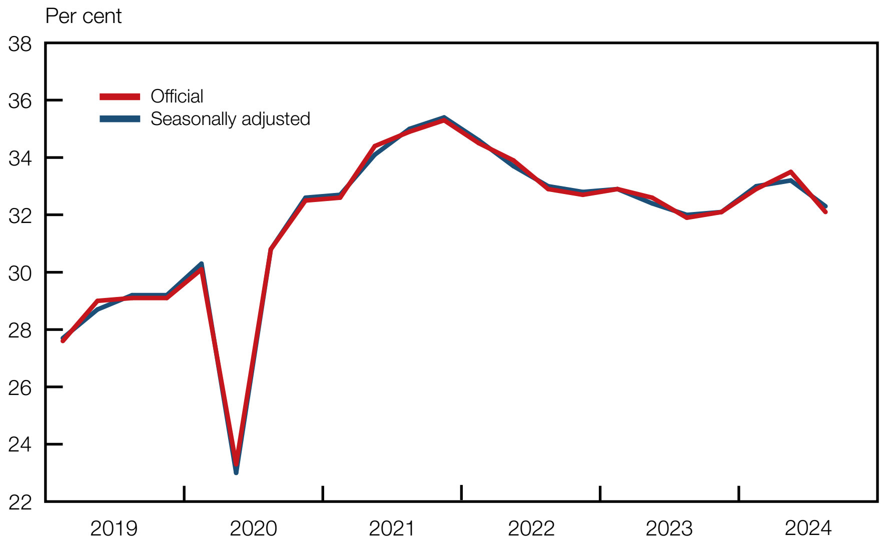
* Stats SA follows the ILO definition of calculating the official unemployment rate, which is internationally comparable.
** The expanded unemployment rate is calculated by Stats SA's in-house formula and is not internationally comparable.

Source: Stats SA

The total labour force decreased by 0.3% to 24.9 million in the third quarter of 2024 as the sharp decrease in the number of officially unemployed persons by 373 000 (4.5%) far outpaced the increase in the number of employed persons. Consequently, the official unemployment rate decreased from 33.5% in the second quarter of 2024 to 32.1% in the third quarter following three consecutive quarterly increases. Similarly, the seasonally adjusted unemployment rate decreased from 33.2% to 32.3% over the same period. According to its May 2024 report, the International Labour Organization (ILO) lowered its projection for the global unemployment rate in 2024 from 5.2% to 4.9% as global unemployment outcomes are expected to remain below pre-pandemic levels.[6]

6 https://www.ilo.org/sites/default/files/2024-06/WESO_May2024%20-%20Final_30-05-24_2.pdf

Unemployment rate



Sources: Stats SA and SARB

In the third quarter of 2024, the total number of officially unemployed persons primarily consisted of new entrants to the labour market (43.4%), followed by job losers (26.9%) and persons who last worked five years ago (22.5%). Re-entrants and job leavers accounted for 4.7% and 2.5% respectively. The proportion of long-term unemployment (being unemployed for one year or longer) to total unemployment has increased steadily over the past decade and remained elevated at 76.7% in the third quarter of 2024, up from 76.2% in the second quarter but still below the recent peak of 80.0% recorded in the fourth quarter of 2021.

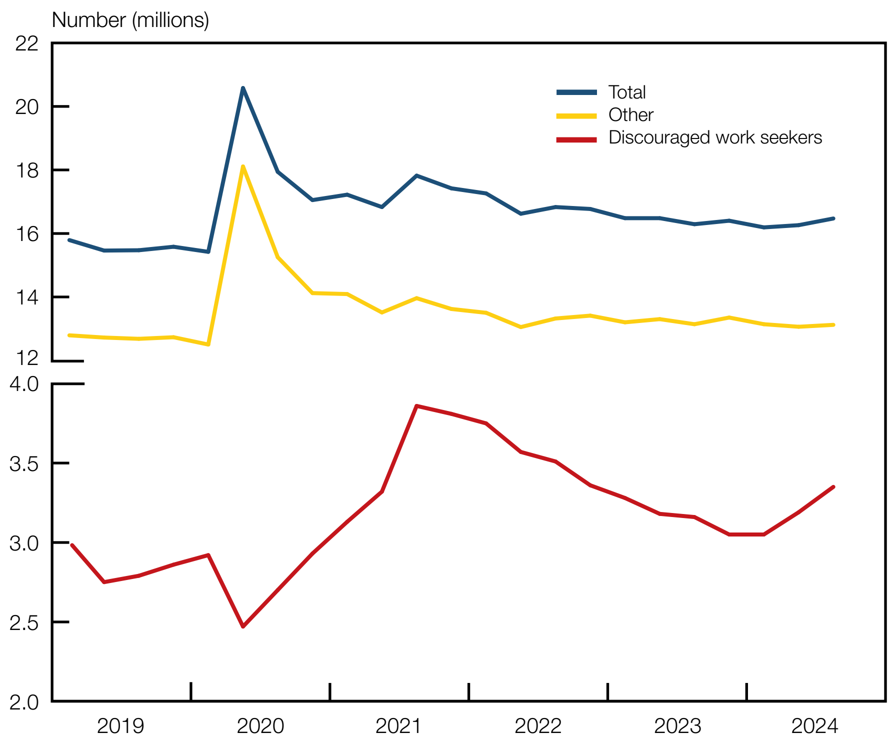
The youth unemployment rate (persons aged 15–24 years and actively searching for work) remained elevated despite a slight decrease from 60.8% in the second quarter of 2024 to 60.2% in the third quarter. Similarly, the unemployment rate of those aged between 25 and 34 years decreased from 41.7% to 40.4% over the same period. The ILO expects a slight decrease in the global youth unemployment rate from 13.0% in 2023 to 12.8% in both 2024 and 2025.[7]

In South Africa, the proportion of young persons not in employment, education or training (NEET) decreased from 35.2% in the second quarter of 2024 to 34.2% in the third quarter, translating to 3.5 million out of 10.3 million young persons. In addition, the ILO projects that the global youth NEET rate will reach 20.4% in 2024 and remain steady through 2025 and 2026, while Africa's NEET rate is expected to reach 23.3% in 2024.[8]

7 https://www.ilo.org/publications/major-publications/global-employment-trends-youth-2024

8 https://www.ilo.org/sites/default/files/2024-10/WESO%20September%202024%20Update%20-%20Final.pdf

Not economically active population



Source: Stats SA

The not economically active population in South Africa increased sharply by 214 000 (1.3%) persons in the third quarter of 2024. This was primarily due to an increase in both the number of discouraged work seekers (160 000) and those categorised as other[9] not economically active persons (54 000). Nevertheless, the expanded unemployment rate, which includes discouraged work seekers, decreased from 42.6% in the second quarter of 2024 to 41.9% in the third quarter, mainly due to the significant decrease in the number of officially unemployed persons.[10]

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

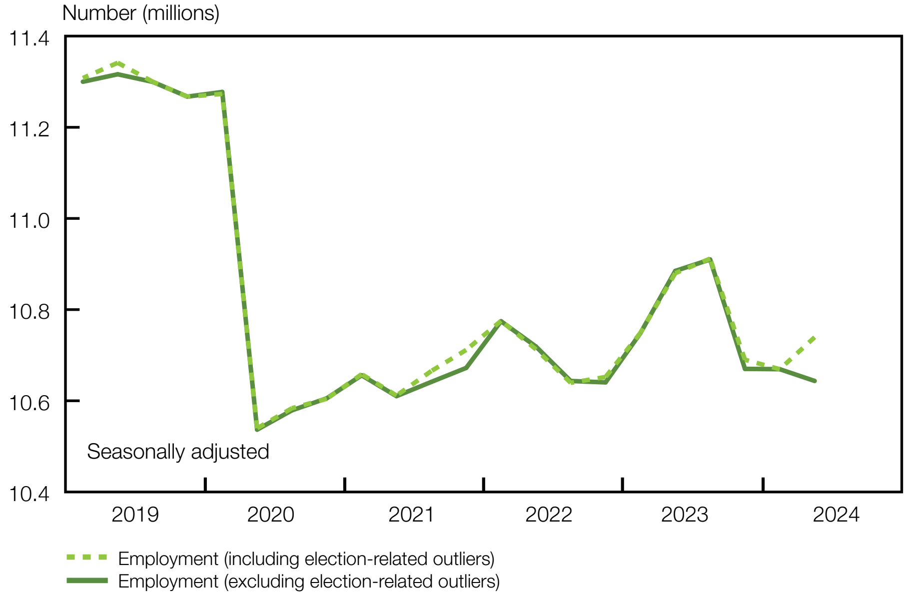
10 The expanded unemployment rate is calculated using Stats SA's in-house formula and is therefore not internationally comparable.

The labour force participation rate decreased to 60.2% in the third quarter of 2024, slightly below the pre-COVID-19 peak of 60.3% recorded in the first quarter of 2020. The labour absorption rate, which measures the percentage of the working-age population (15–64 years) that is employed, increased from 40.3% in the second quarter of 2024 to 40.9% in the third quarter, consistent with the increase in employment in the quarter.

Enterprise-surveyed formal non-agricultural employment[11] increased in the second quarter of 2024, following decreases in the previous two quarters. The additional 70 100 jobs (an annualised increase of 2.7%) in the second quarter was largely driven by the temporary election-related employment in the public sector, while private sector employment decreased. Formal non-agricultural employment levels remained subdued due to, among other factors, muted economic growth, logistical constraints and persistent labour market skills mismatches. Employment prospects are likely to remain uncertain as the South African economy is expected to grow by only 1.1% in 2024, despite the improved post-election sentiment, a sustained period of stable electricity supply, the appreciation in the exchange value of the rand and lower consumer price inflation.

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

Formal non-agricultural employment*

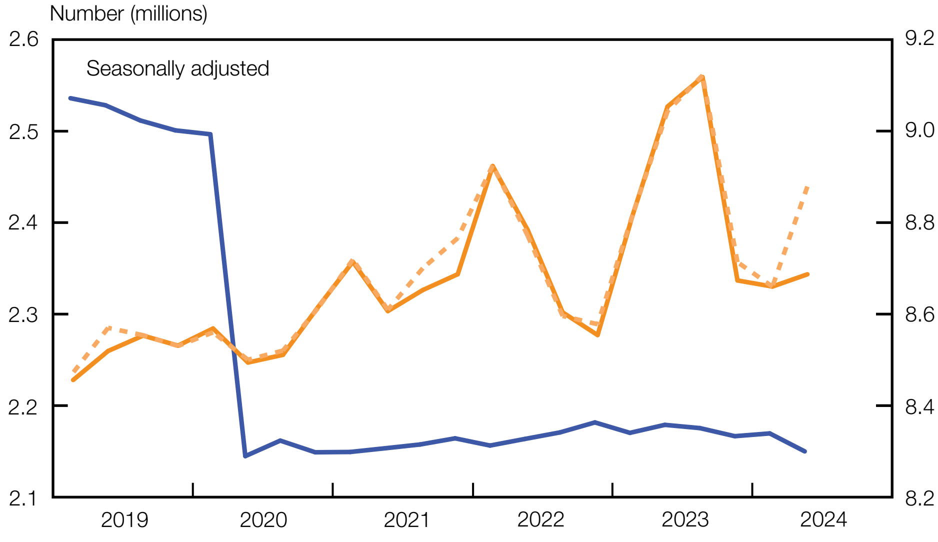


Sources: Stats SA and SARB

Public sector employment surged by 109 400 jobs (20.1% annualised) in the second quarter of 2024, largely due to the temporary employment opportunities provided by the Electoral Commission of South Africa (IEC) to assist with the national elections in May. When excluding election-related employment, public sector employment increased by only 13 400 (2.3% annualised) during the quarter. Employment increased across all tiers of the public sector, except for state-owned companies (SOCs) in the public transport, storage and communication services sector. The most notable increase was recorded in other public sector enterprises,[12] reflecting the large number of election-related employment opportunities created over this period.

12 Includes parastatals, agricultural marketing boards, universities, technikons, public corporations (excluding, Transnet, SA Post Office, Telkom and SABC).

Public and private formal sector employment

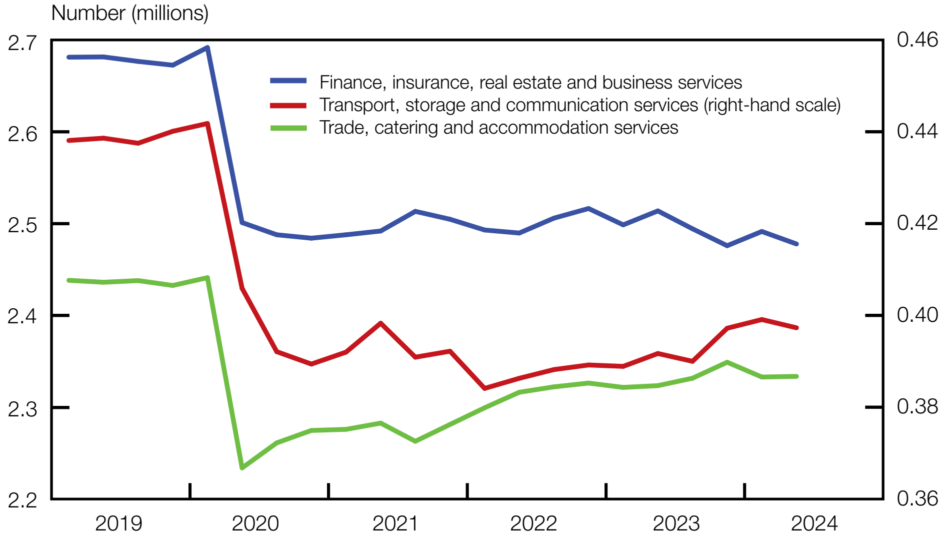


Sources: Stats SA and SARB

13 This is a composite indicator of the hiring intentions of firms in the retail, wholesale, manufacturing, building and other services sectors during the reference quarter, as surveyed by the Bureau for Economic Research (BER).

Private sector employment decreased by 39 300 (1.9% annualised) in the second quarter of 2024, with broad-based decreases recorded across all the subsectors, except for trade, catering and accommodation services. This coincided with the heightened uncertainty ahead of the national elections amid the prevailing subdued economic growth environment. This aligns with the Bureau for Economic Research's (BER) composite employment indicator,[13] which deteriorated from -6 in the second quarter of 2024 to -9 in the third quarter, indicating that firms remained reluctant to hire in the near term.

Private formal services sector employment



Seasonally adjusted
Sources: Stats SA and SARB

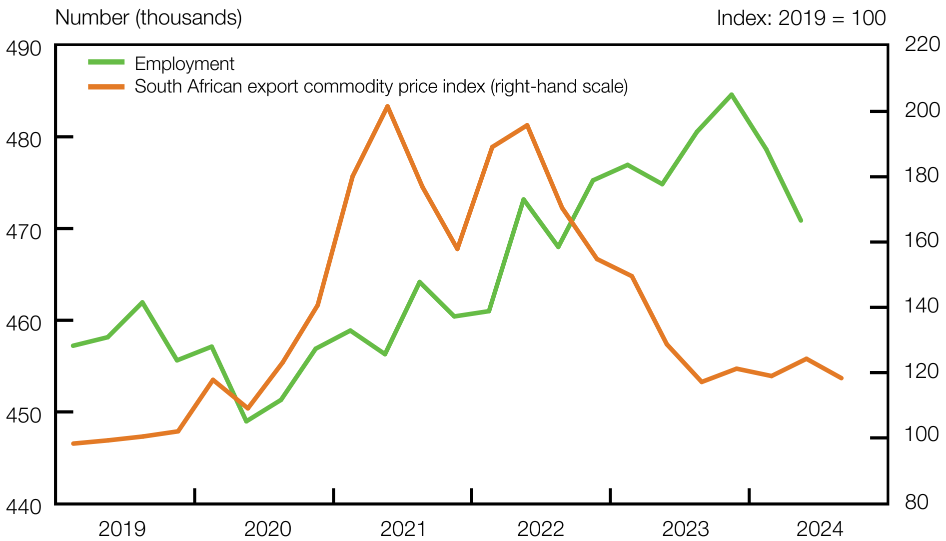
The *trade, catering and accommodation services sector* was the only private subsector that created employment during the second quarter of 2024, albeit marginally. However, employment in this sector was still 4.4% lower than the pre-COVID-19 level of 2.4 million recorded in the first quarter of 2020. Although business confidence[14] among retailers improved for a second successive quarter – from 34 index points in the first quarter of 2024 to 38 index points in the third quarter – history suggests that a sustained increase in confidence above the neutral 50-point level, together with improved consumer demand, is needed to stimulate meaningful employment gains.

14 As measured by the BER's Retail Survey.

By contrast, employment decreased in the remaining private services sectors in the second quarter of 2024, particularly in finance, insurance, real estate and business services as well as non-governmental community, social and personal services, which recorded job losses of 13 600 and 9 500 respectively. In addition, the private transport, storage and cummunication services sector shed 1 800 jobs in the same period.

Mining sector employment decreased further by 1.9% in the second quarter of 2024 to 470 900, weighed down by job losses in both the gold mining and non-gold mining industries. While mining employment recovered gradually after the COVID-19 lockdowns, supported by higher international commodity prices, the decline in the prices of most commodities since mid-2022, alongside increased costs, contributed to profitability pressures. In addition, logistical constraints also continue to weigh on employment creation in this sector.

Formal mining sector employment and international commodity prices



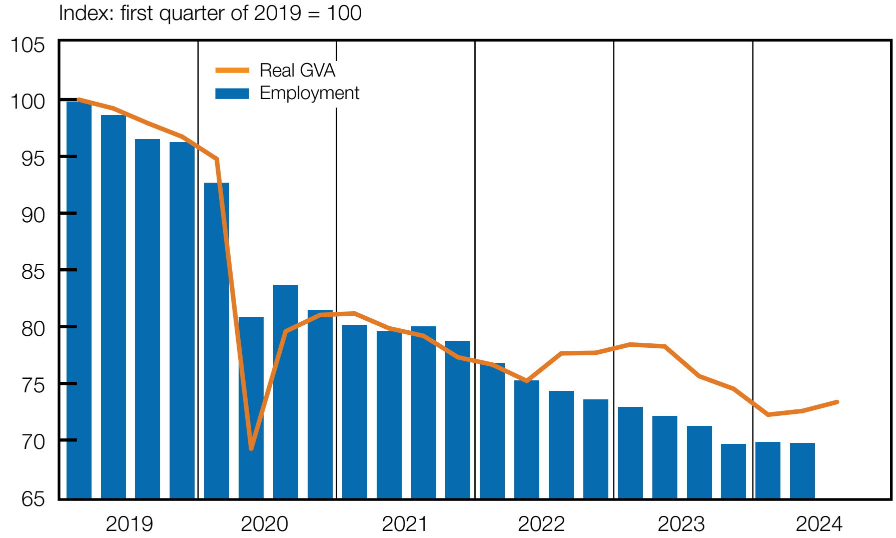
Seasonally adjusted
Sources: Stats SA and SARB

Employment in the manufacturing sector decreased by 2.1% in the second quarter of 2024. Although a modest recovery has been noted in manufacturing sector employment after the COVID-19 pandemic, it appears to have stalled from the fourth quarter of 2023, reflecting weak domestic and global demand amid persistent domestic structural contraints to employment.

Similarly, *employment in the construction sector* decreased marginally in the second quarter of 2024, continuing its steady downward trend since the fourth quarter of 2020. Employment growth in the sector remains constrained by the uncertain economic environment and weak construction activity, administrative barriers, logistical challenges as well as criminal activities associated with the invasion of construction sites. Encouragingly, sentiment indicators in the building and construction sector[15] improved further in the third quarter of 2024, with the First National Bank (FNB)/BER Civil Confidence Index rising to its highest level since the third quarter of 2016.

15 As measured by the BER's Building and Construction Survey.

Formal construction sector employment and output

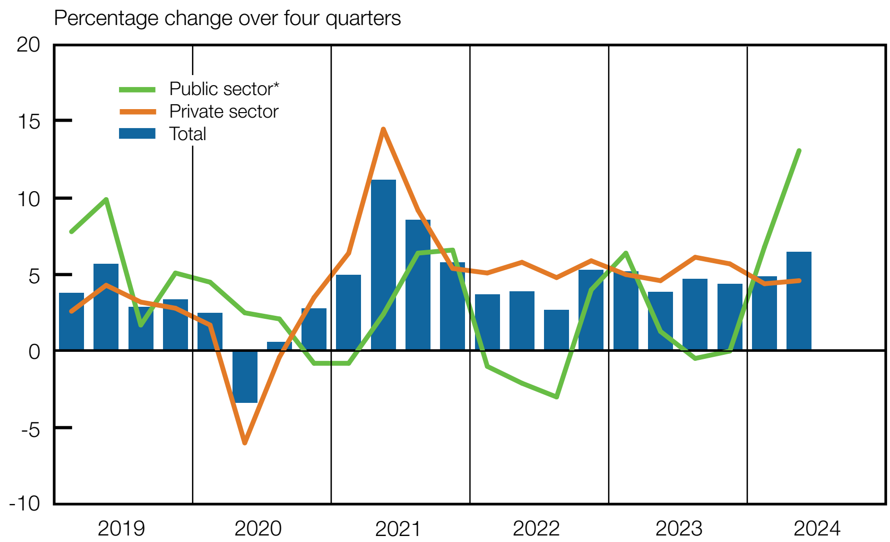


Seasonally adjusted
Sources: Stats SA and SARB

Labour cost and productivity

Year-on-year growth in *nominal remuneration per worker* in the formal non-agricultural sector accelerated further from 4.9% in the first quarter of 2024 to 5.5% in the second quarter as remuneration growth per worker accelerated in both the public and private sectors. However, in real terms, growth in remuneration per worker decelerated from 1.8% to 1.0% over the same period.

Formal non-agricultural nominal remuneration per worker



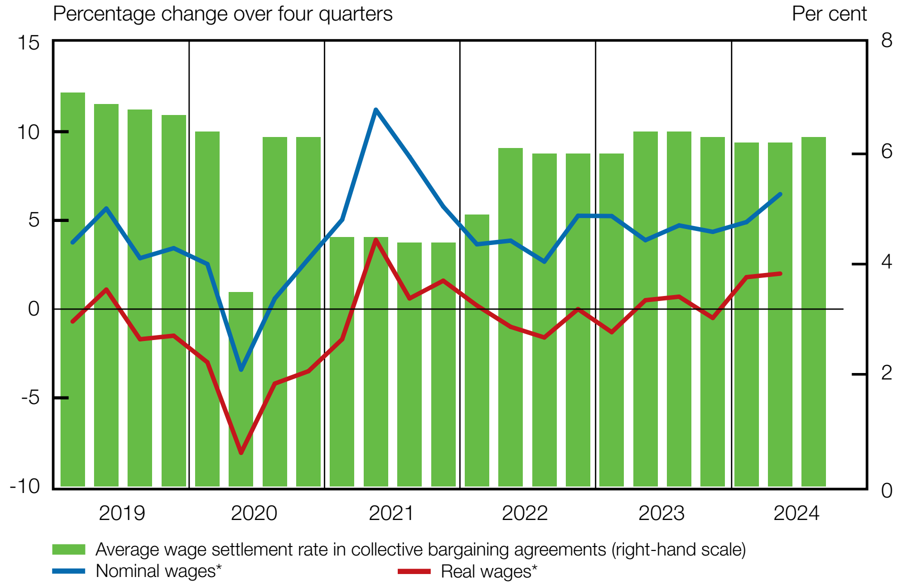
* Excluding election-related outliers
Sources: Stats SA and SARB

Nominal remuneration growth per public sector worker accelerated further from 6.8% in the first quarter of 2024 to 13.1% in the second quarter. The acceleration was noted at the national and provincial government levels, following the 4.7% annual public sector wage increase effective from 1 April 2024, along with base effects associated with the large number of temporary

PYEI workers employed a year earlier. However, remuneration growth per worker decelerated notably in other public sector enterprises, impacted by the large number of temporary IEC workers and, to a lesser extent, at local government level and SOCs in the transport, storage and communication services sector.

Growth in *nominal remuneration per private sector worker* accelerated marginally from 4.4% in the first quarter of 2024 to 4.6% in the second quarter. Wage growth per worker accelerated in the mining; finance, insurance, real estate and business services; and private community, social and personal services sectors. These accelerations were partially offset by moderations in the construction; trade, catering and accommodation services; and private transport, storage and communication services sectors.

Formal non-agricultural remuneration per worker and wage settlement rate

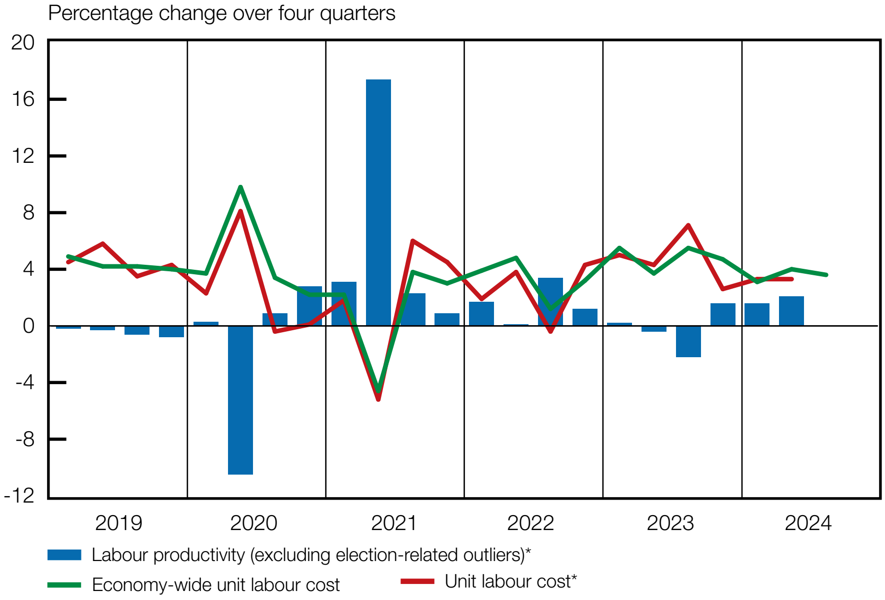


* Excluding election-related outliers

Sources: Andrew Levy Employment Publications, Stats SA and SARB

The average wage settlement rate in collective bargaining agreements was 6.3% in the first nine months of 2024, the same as the comparable period in 2023 and the overall average for last year, according to Andrew Levy Employment Publications. The number of working days lost due to industrial action fell notably from 4.8 million in the first nine months of 2023 to 84 500 over the same period in 2024, largely due to the high base created by the nationwide public sector strike in March 2023 and the prolonged municipal worker strike in July 2023.

Labour productivity and nominal unit labour cost



* Formal non-agricultural sector
Sources: Stats SA and SARB

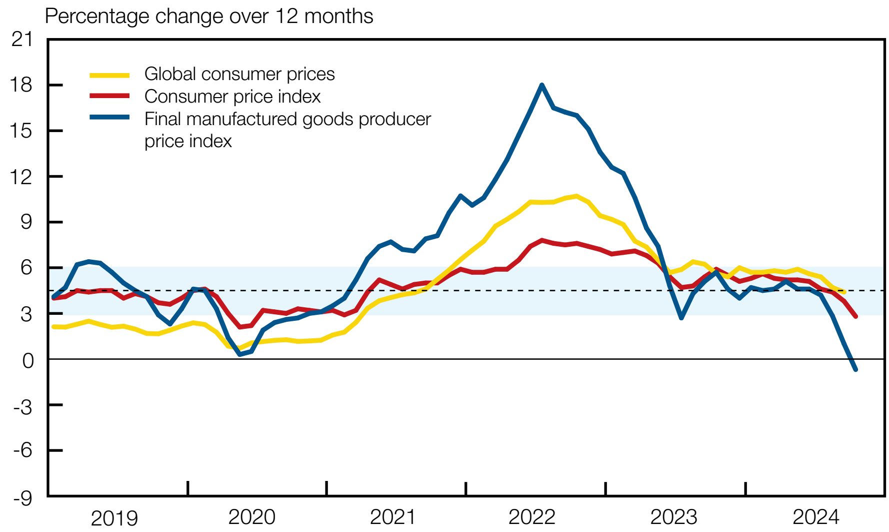
Growth in *labour productivity* in the formal non-agricultural sector accelerated from 1.6% in the first quarter of 2024 to 2.2% in the second quarter as year-on-year growth in employment slowed, while that in non-agricultural output remained unchanged. Growth in *nominal unit labour cost* in the formal non-agricultural sector remained unchanged at 3.3% in the second quarter of 2024 as growth in both total remuneration and output remained relatively unchanged. *Economy-wide nominal unit labour cost* growth slowed from 4.0% in the second quarter of 2024 to 3.6% in the third quarter as growth in the compensation of employees moderated at a faster pace than that in total output.

Prices[16]

The slowdown in global consumer price inflation has led to monetary policy easing in many countries in recent months. Domestic inflationary pressures have also receded thus far in 2024, largely reflecting the marked slowdown in fuel price inflation and the appreciation in the exchange value of the rand. Notably, headline consumer and producer price inflation slowed to multi-year lows in October 2024.

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

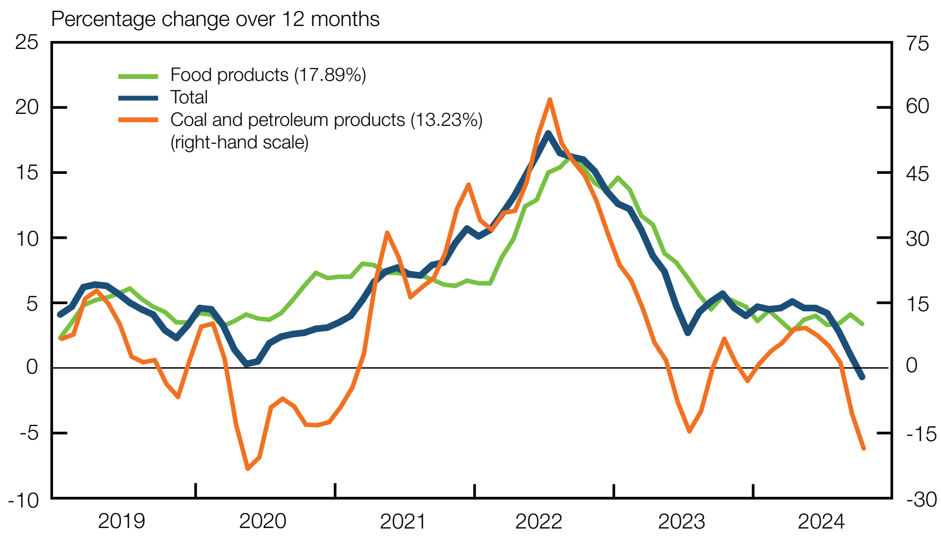
Headline producer and consumer prices



Sources: OECD and Stats SA

Headline producer price inflation for final manufactured goods moderated significantly from 5.1% in April 2024 to a multi-year low of -0.7% in October, largely due to the sharp reversal in producer prices for coal and petroleum products from an increase of 9.2% in May 2024 to a decrease of 18.6% in October. Although price inflation also moderated in most of the other final manufactured producer price categories over this period, producer food price inflation accelerated somewhat from 2.8% in April 2024 to 3.4% in October, reflecting higher prices of bakery, grain mill, fish and fish products as well as fruit and vegetables.

Final manufactured producer price index



* Number in brackets indicates the weights in final manufactured producer price index

Source: Stats SA

After remaining subdued in the first half of 2024, producer price inflation for intermediate manufactured goods accelerated from a recent low of 0.4% in May to 5.5% in October, reflecting a renewed increase in input costs. The acceleration primarily reflected elevated rates of inflation in chemicals, rubber and plastic products as well as basic and fabricated metals.

Producer price inflation

Percentage change over 12 months

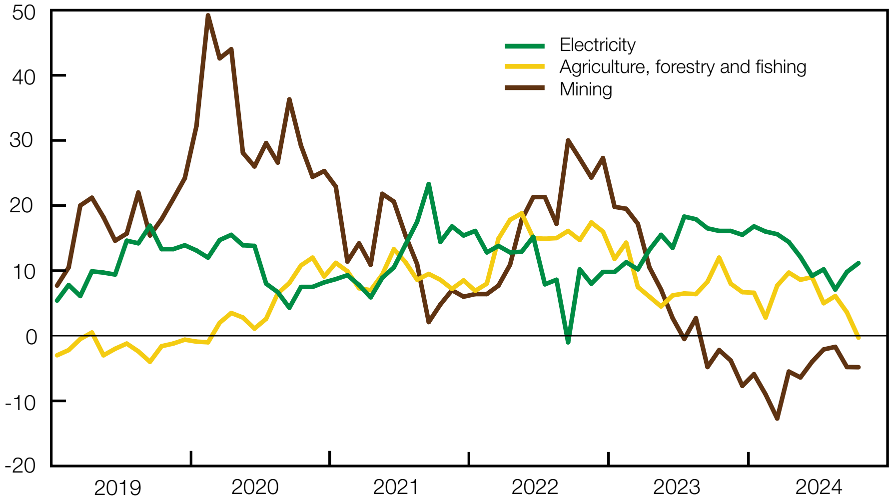
	2024				
	Jun	Jul	Aug	Sep	Oct
Final manufactured goods	4.6	4.2	2.8	1.0	-0.7
Intermediate manufactured goods	2.3	4.2	4.2	4.8	5.5
Electricity and water	9.2	10.2	7.1	9.8	11.2
Mining	-4.0	-2.1	-1.7	-4.8	-4.8
Agriculture, forestry and fishing	9.0	5.0	6.1	3.6	-0.3

Source: Stats SA

Although still elevated, producer price inflation for electricity and water moderated significantly from 16.8% in January 2024 to 7.1% in August, largely due to the deceleration in electricity price inflation from 18.3% to 8.4% over this period. Producer price inflation for electricity subsequently accelerated again to 12.2% in October 2024. Despite the slowdown in producer price inflation for water from 8.7% in June 2024 to 5.6% in the four months to October, price pressures in this category remain tilted to the upside due to intermittent water supply challenges and increased maintenance costs.

Producer prices

Percentage change over 12 months

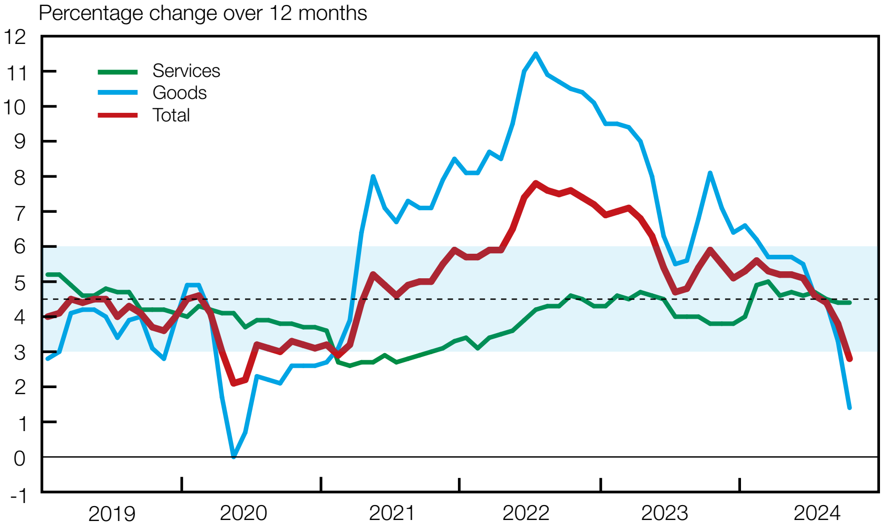


Source: Stats SA

The pace of deflation in producer prices for mining products slowed from 12.7% in March 2024 to 1.7% in August, before picking up again to 4.8% in October as the prices of most mining product categories continued to decrease. However, producer price inflation for gold and other metal ores continues to increase, albeit at a slower pace, as reflected in the multiple all-time high gold prices recorded thus far in 2024, with the price of gold benefitting from increased safe-haven demand amid ongoing geopolitical tensions as well as prevailing expectations of interest rate cuts by the United States (US) Federal Reserve (Fed) and a weaker US dollar exchange rate.

Producer price inflation for agriculture, forestry and fishing products slowed from 9.7% in April 2024 to -0.3% in October due to a moderation in agricultural producer prices as the price inflation of fruit and vegetables as well as live animals slowed. In addition, producer price inflation for forestry eased from 7.8% in June 2024 to 5.4% in August, before accelerating to 6.6% in October, while producer price inflation for fishing was muted at 0.7% in that month.

Headline consumer prices



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

Source: Stats SA

Headline consumer price inflation remained below the midpoint of the inflation target for a second consecutive month as it slowed further to 2.8% in October 2024 – the lowest rate since June 2020. Consumer price inflation has now remained within the 3–6% inflation target range for 16 consecutive months and eased to below the lower end of the inflation target range in October 2024. The deceleration since the beginning of 2024 was primarily driven by a notable easing in goods price inflation, alongside a more modest deceleration in services price inflation.

Consumer price inflation

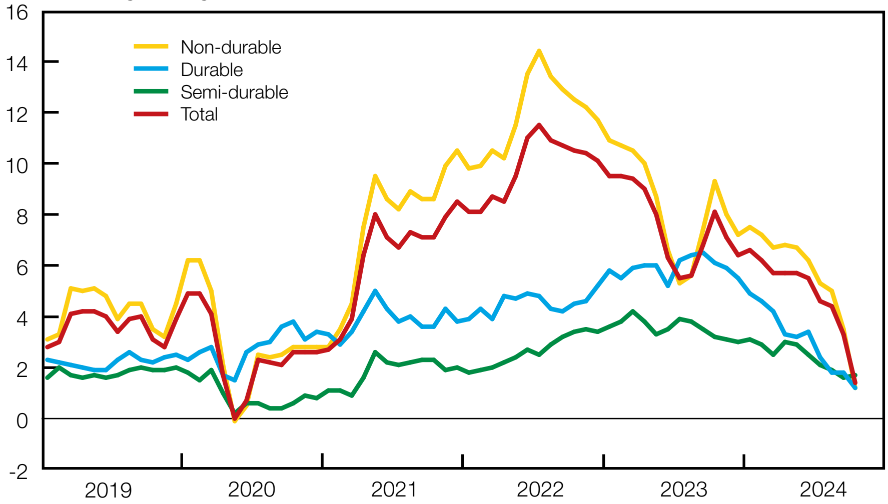
Percentage change over 12 months

		2024				
	Weight	Jun	Jul	Aug	Sep	Oct
Headline CPI	100.00	5.1	4.6	4.4	3.8	2.8
Headline CPI, excluding food and non-alcoholic beverages, fuel and electricity	74.40	4.5	4.3	4.1	4.1	3.9
Goods	48.68	5.5	4.6	4.4	3.3	1.4
Non-durable	35.71	6.2	5.3	5.0	3.5	1.2
Semi-durable	5.38	2.5	2.1	1.9	1.6	1.7
Durable	7.59	3.4	2.4	1.8	1.8	1.2
Services	51.32	4.6	4.7	4.5	4.4	4.4

Source: Stats SA

Consumer goods prices

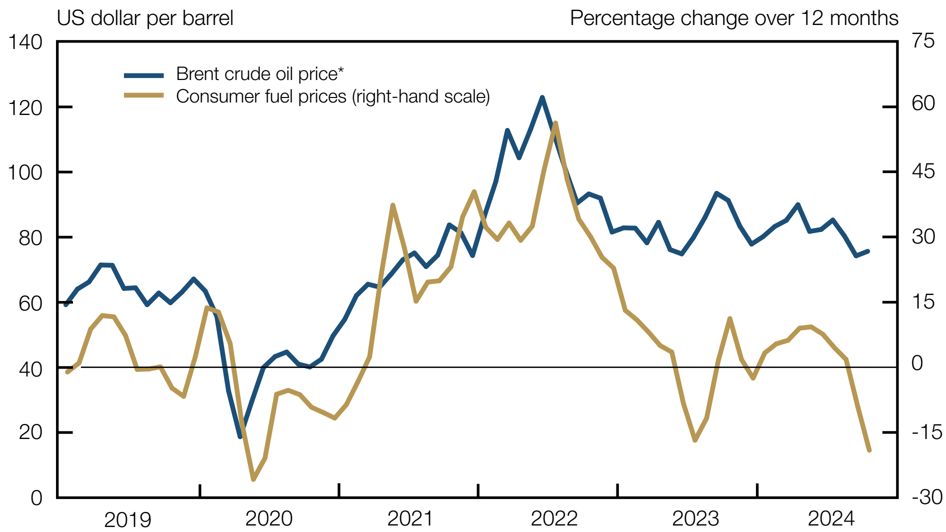
Percentage change over 12 months



Source: Stats SA

Consumer goods price inflation slowed significantly from 6.6% in January 2024 to 1.4% in October, driven by a broad-based moderation in price inflation across all durability categories. Non-durable goods price inflation eased the most, from 7.5% in January 2024 to 1.2% in October, primarily due to a marked slowdown in fuel and food price inflation. Durable and semi-durable goods price inflation also slowed to 1.2% and 1.7% respectively in October, largely due to a moderation in vehicle as well as clothing and footwear price inflation amid subdued consumer demand and the appreciation in the exchange value of the rand.

Brent crude oil and consumer fuel prices



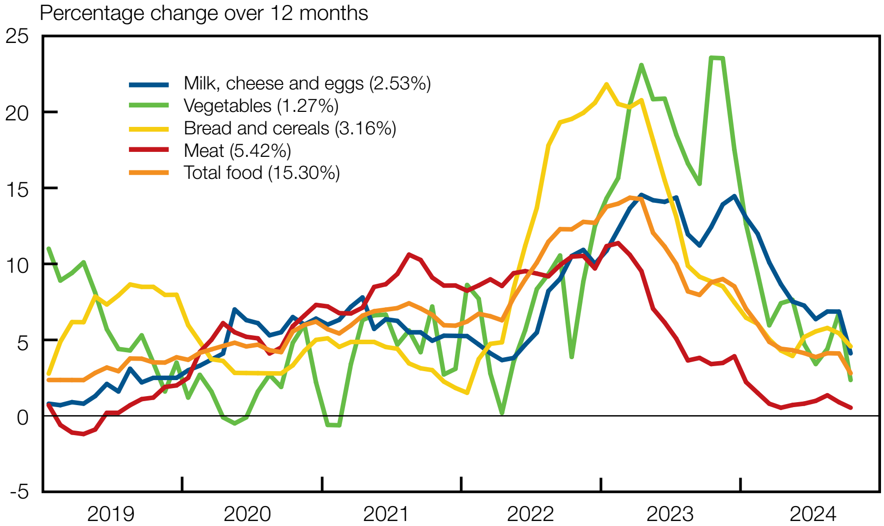
* Monthly average

Sources: Refinitiv, Stats SA and SARB

Consumer fuel price inflation decelerated substantially from 9.3% in May 2024 to -19.1% in October as petrol price inflation decelerated from 9.2% to -18.1% and diesel price inflation slowed from 9.2% to -21.6%, largely driven by the decline in international crude oil prices and the appreciation in the exchange value of the rand, along with base effects. Surprisingly, the average price of brent crude oil decreased from US$89.85 per barrel in April 2024 to US$75.62 per barrel in October, despite the escalation in geopolitical tensions thus far in the year. In addition, the price of crude oil was suppressed by a slowdown in global economic growth and lower demand from China as well as the availability of sufficient global stocks, which benefitted from increased production by countries outside of the Organization of the Petroleum Exporting Countries (OPEC).

Consumer food price inflation has moderated notably since the end of 2023, reflecting broad-based disinflation across the consumer food categories, but appears to have bottomed out in recent months. Food price inflation decelerated from 4.1% in September 2024 to 2.8% in October due to a broad-based slowdown in the pace of increase in the various food categories, with modest upward price adjustments in some of the lowest-weighted food products. However, some food price categories continued to register inflation rates that outpaced overall consumer price inflation by a considerable margin. Milk, cheese and egg prices remained elevated on account of double-digit egg price inflation of 21.1% in September 2024, as the poultry market has still not fully recovered from the impact of the avian flu outbreak in 2023. Nevertheless, egg price inflation moderated substantially to 7.2% in October 2024. In addition, vegetable price inflation accelerated to 6.8% in September 2024 from 4.4% in August as the price inflation of potatoes surged to 13.9% from 7.2%, partly due to the occurrence of black frost that destroyed crops in the Limpopo province. Thereafter, price inflation of potatoes eased substantially to 3.4% in October due to a gradual normalisation in prices following the black frost event and a lower quality of potatoes. Despite a slight moderation in September 2024, the price inflation of hot beverages remained high on account of the double-digit growth in coffee and tea prices, which were affected by the persistent extreme weather conditions that disrupted global production.

Selected consumer food prices

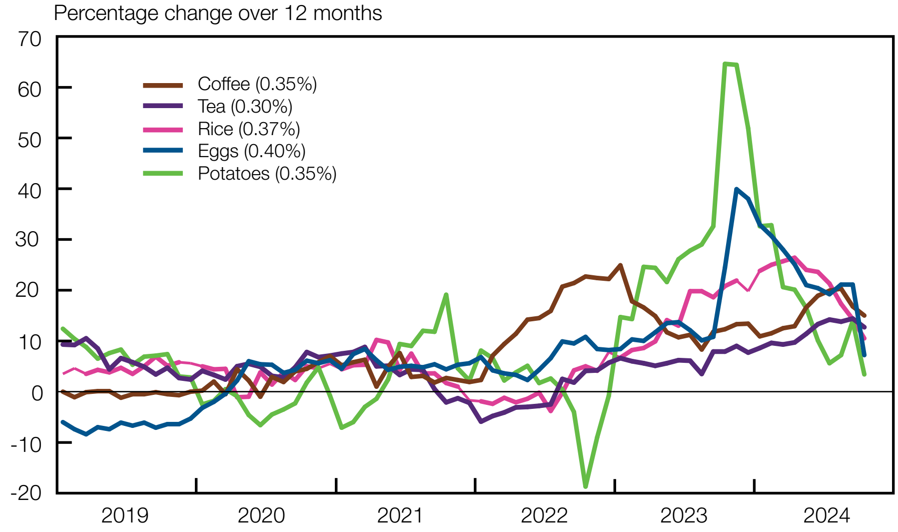


Number in brackets indicates weights in the consumer food price index

Source: Stats SA

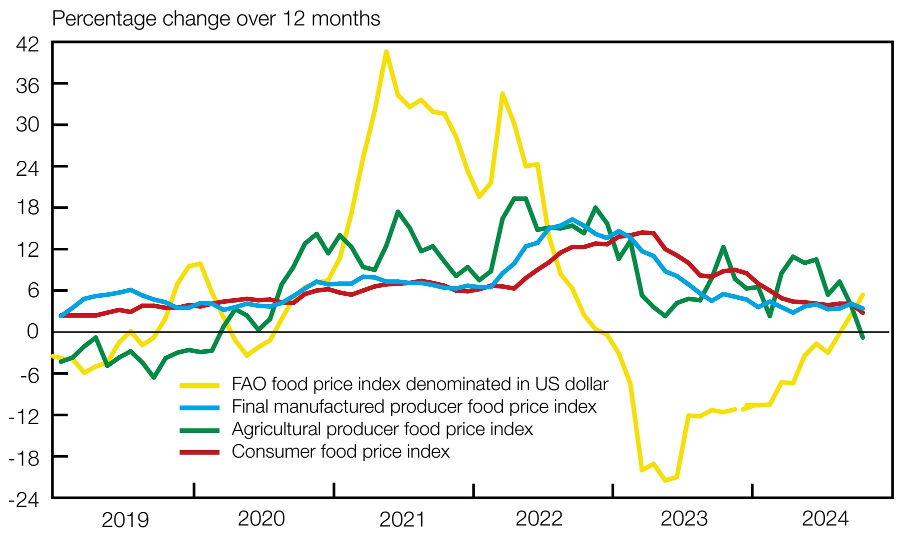
Final manufactured producer food price inflation has moved broadly sideways since the end of 2023 before accelerating somewhat to 4.1% in September 2024. The increase was mostly driven by an acceleration in producer price inflation for fruit and vegetables; bakery products; grain mill products, starch products and animal feeds; dairy products; and oil and fat products. Conversely, this measure of producer price inflation moderated to 3.4% in October 2024, largely driven by a broad-based deceleration across the various food price categories. Meanwhile, agricultural producer food price inflation moderated notably from 10.9% in April 2024 to -0.8% in October, reflecting a broad-based moderation across the agricultural producer price categories. Price inflation for fruit and vegetables remained in deflation, while producer prices of live animals and milk and eggs recorded deflation of 7.5% and 0.9% respectively. Although still elevated, producer price inflation for cereals and crops also decelerated somewhat to 13.1% over this period.

Selected food price sub-indices



Number in brackets indicates weights in the consumer food price index
Source: Stats SA

Producer and consumer food prices

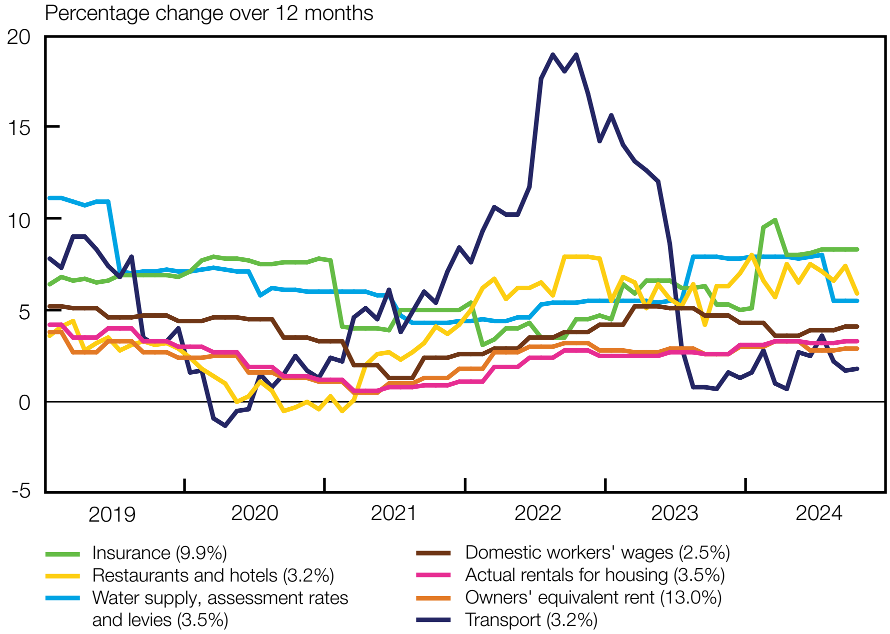


Source: Food and Agriculture Organization of the United Nations (FAO) and Stats SA

The US dollar-denominated food price index of the Food and Agriculture Organization (FAO) of the United Nations (UN) increased by 5.7% on a year-on-year basis and by 0.5% month to month in November 2024, marking the largest monthly increase since April 2023 as the higher prices of dairy products and vegetable oils slightly offset the decreases in the prices of meat, cereals and sugar. Extreme weather conditions continue to disrupt crop production and harvests globally, exerting upward pressure on the prices of various international food commodities.

Consumer services price inflation decelerated slightly in the first 10 months of 2024, easing to 4.4% in October 2024. Transport services price inflation slowed to 1.8% in October 2024 from 3.6% in July, reflecting the significant slowdown in fuel price inflation. Although still elevated, price inflation for water supply, assessment rates and levies slowed to 5.5% from 8.0% over the same period, still outpacing headline consumer price inflation by a considerable margin. By contrast, actual rentals for housing and owners' equivalent rent accelerated marginally to 3.3% and 2.9% respectively in October. Despite the recent moderation from 7.4% in September 2024 to 5.9% in October, restaurant and hotel services prices remained elevated, underpinned by hotel services price inflation, which continued to outpace headline consumer price inflation by quite a margin. In addition, domestic workers' wages also accelerated somewhat from 3.6% in May 2024 to 4.1% in October.

Services price inflation

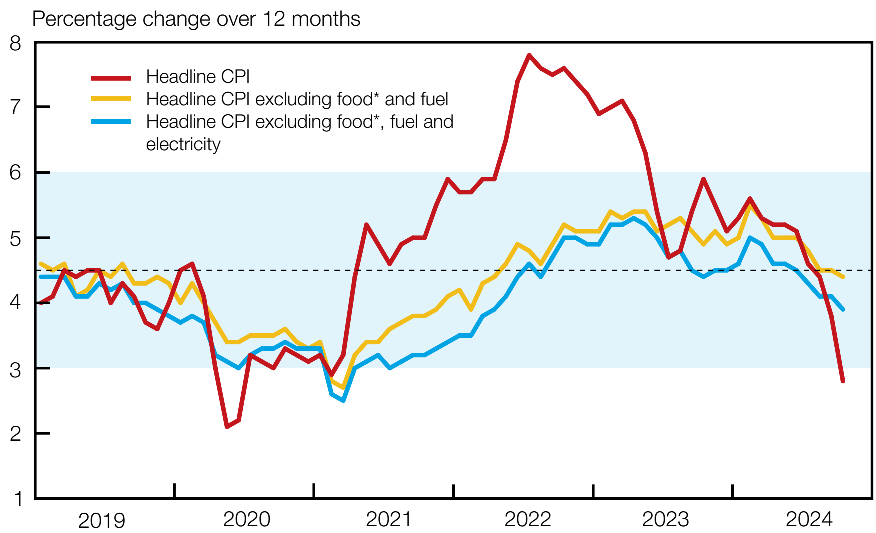


Number in brackets indicates weights in the overall consumer price index

Source: Stats SA

Most measures of underlying inflation remained subdued and slowed throughout the first 10 months of 2024, primarily driven by the slowdown in services and durable goods price inflation. When excluding the effect of food, non-alcoholic beverages and fuel prices, consumer price inflation eased steadily from 5.5% in February 2024 to 4.4% in October. Similarly, the SARB's preferred measure of core inflation, which in addition excludes electricity prices, decelerated from 5.0% to 3.9% over the same period. The moderation in underlying inflation suggests subdued domestic inflationary pressures amid weak consumer demand and the associated impact of the appreciation in the exchange value of the rand.

Headline and underlying measures of consumer prices



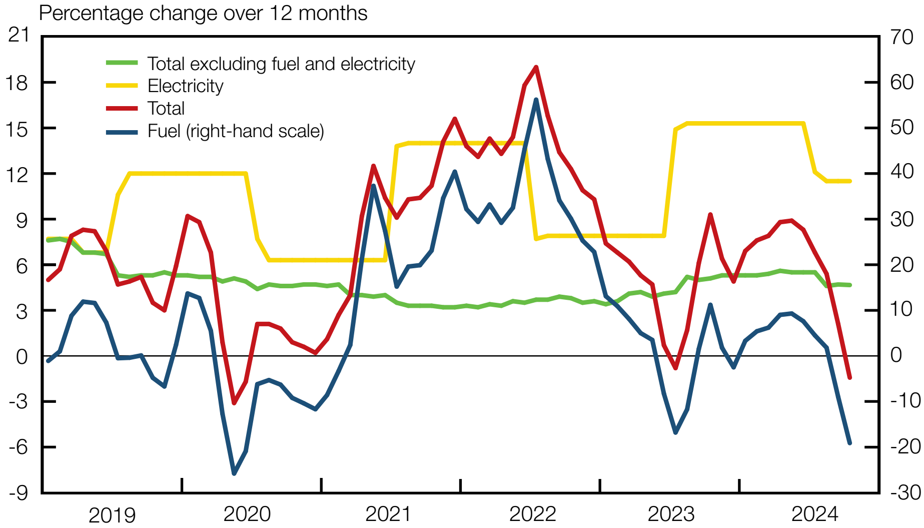
---- Midpoint of the inflation target range (4.5%)

* Food includes non-alcoholic beverages

Source: Stats SA

Administered price inflation decelerated significantly from 8.9% in May 2024 to -1.4% in October due to the marked slowdown in fuel price inflation, while electricity prices as well as water supply and municipal assessment rates also increased at a slower pace. As such, when excluding fuel prices, administered price inflation eased from 8.6% to 7.0% over this period. When also excluding the impact of electricity prices, administered price inflation amounted to 4.7% in October 2024.

Administered prices



Source: Stats SA

All three survey groups in the BER's *Inflation Expectations Survey* for the third quarter of 2024 lowered their expectations for headline consumer price inflation further across the entire three-year horizon. Financial analysts expected inflation to average 4.8% in 2024, 4.4% in 2025 and 4.5% in 2026. Business representatives still had the highest expectations but nevertheless lowered their expectations from 5.6% to 5.4% for 2024, from 5.4% to 5.3% for 2025 and from 5.3% to 5.2% in 2026 – making them the only group anticipating inflation to remain above 5.0% for the whole three-year period. Trade union representatives lowered their inflation expectations the most, from 5.3% to 5.0% for 2024, from 5.0% to 4.7% for 2025 and from 4.8% to 4.6% for 2026.

The continued decline in inflation expectations could likely be attributed to the deceleration in actual headline consumer price inflation in recent months, successive fuel price decreases and participants' positive sentiment regarding the appreciation in the exchange value of the rand. Average five-years-ahead inflation expectations also declined further, from 4.9% in the second quarter of 2024 to 4.8% in the third quarter.

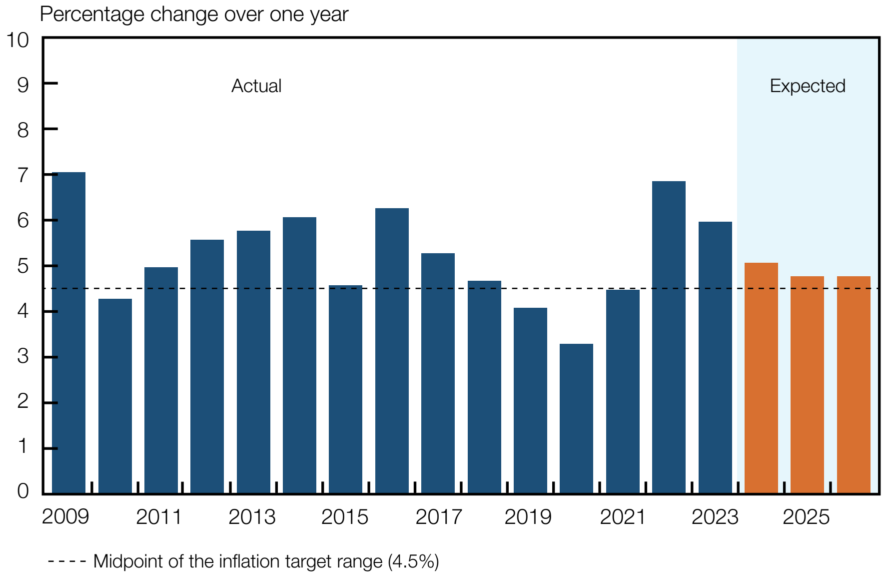
Headline consumer price inflation expectations

Per cent, as surveyed in the third quarter of 2024

Average expected inflation	Financial analysts	Business representatives	Trade union representatives	All surveyed participants
2024	4.8	5.4	5.0	5.1
2025	4.4	5.3	4.7	4.8
2026	4.5	5.2	4.6	4.8
Five years ahead	4.4	5.0	4.9	4.8

Source: BER

Headline consumer prices and expectations



Sources: BER and Stats SA

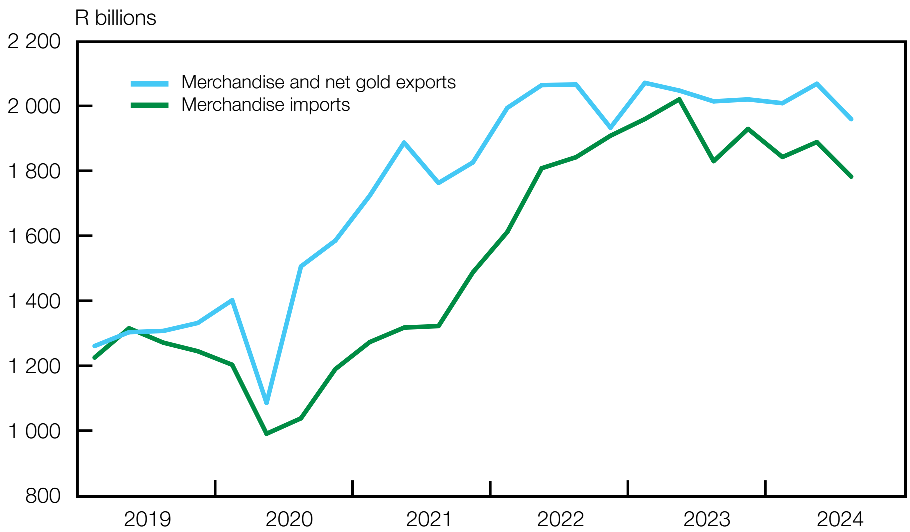
External economic accounts

Current account[17]

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

South Africa's trade surplus narrowed slightly to R177 billion in the third quarter of 2024 from R180 billion in the second quarter as the value of merchandise and net gold exports decreased more than the value of merchandise imports. The decrease in the value of merchandise exports and imports reflected both lower volumes and prices.

Value of South Africa's exports and imports



Seasonally adjusted and annualised

Sources: Stats SA and SARB

Current account of the balance of payments

R billions, seasonally adjusted and annualised

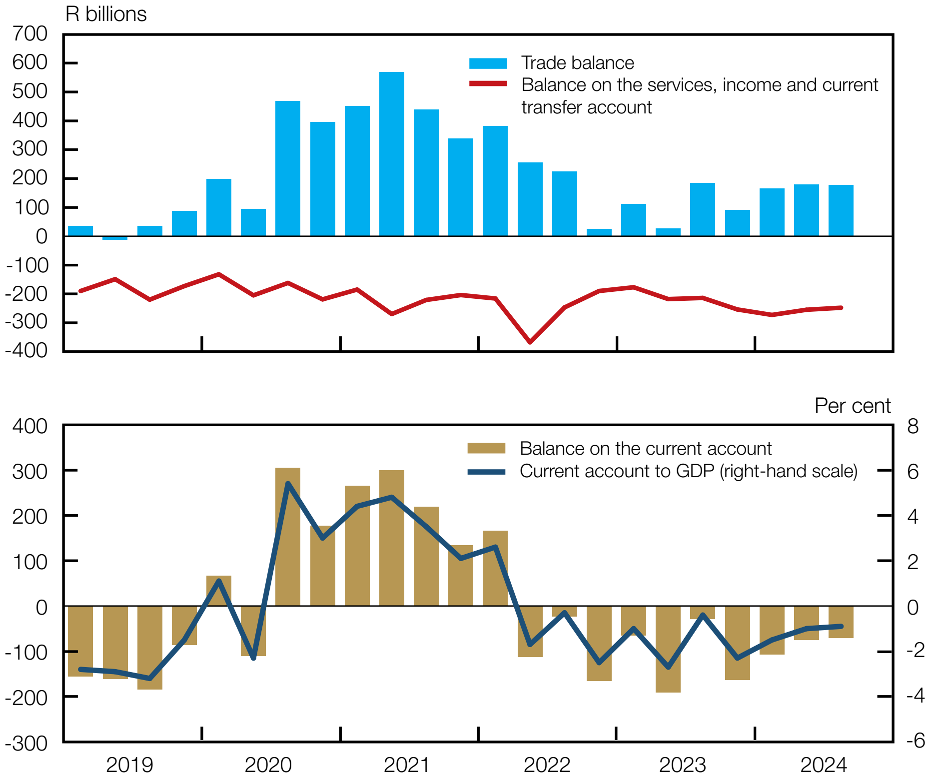
	2023			2024		
	Q3	Q4	Year	Q1	Q2	Q3
Merchandise exports	1 887	1 898	1 922	1 895	1 917	1 820
Net gold exports	127	122	116	113	151	139
Merchandise imports	-1 830	-1 929	- 1 934	-1 842	-1 888	-1 782
Trade balance	**184**	**91**	**103**	**166**	**180**	**177**
Net services, income and current transfer payments	-214	-254	-215	-273	-255	-248
Balance on current account	**-29**	**-163**	**-112**	**-107**	**-75**	**-71**
As a percentage of gross domestic product						
Trade balance	2.6	1.3	1.5	2.3	2.4	2.4
Services balance	-1.2	-1.1	-1.1	-0.9	-1.2	-1.0
Income balance	-1.2	-1.8	-1.4	-2.2	-1.6	-1.8
Current transfer balance	-0.7	-0.6	-0.6	-0.6	-0.7	-0.7
Balance on current account	**-0.4**	**-2.3**	**-1.6**	**-1.5**	**-1.0**	**-1.0**

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

Sources: Stats SA and SARB

The narrower trade surplus was more than offset by the smaller deficit on the services, income and current transfer account, which resulted in a narrowing of the deficit on the current account of the balance of payments from R75.3 billion in the second quarter of 2024 to R70.8 billion in the third quarter. As a ratio of GDP, the deficit on the current account remained broadly unchanged at 1.0% over this period.

Current account of the balance of payments



Seasonally adjusted and annualised

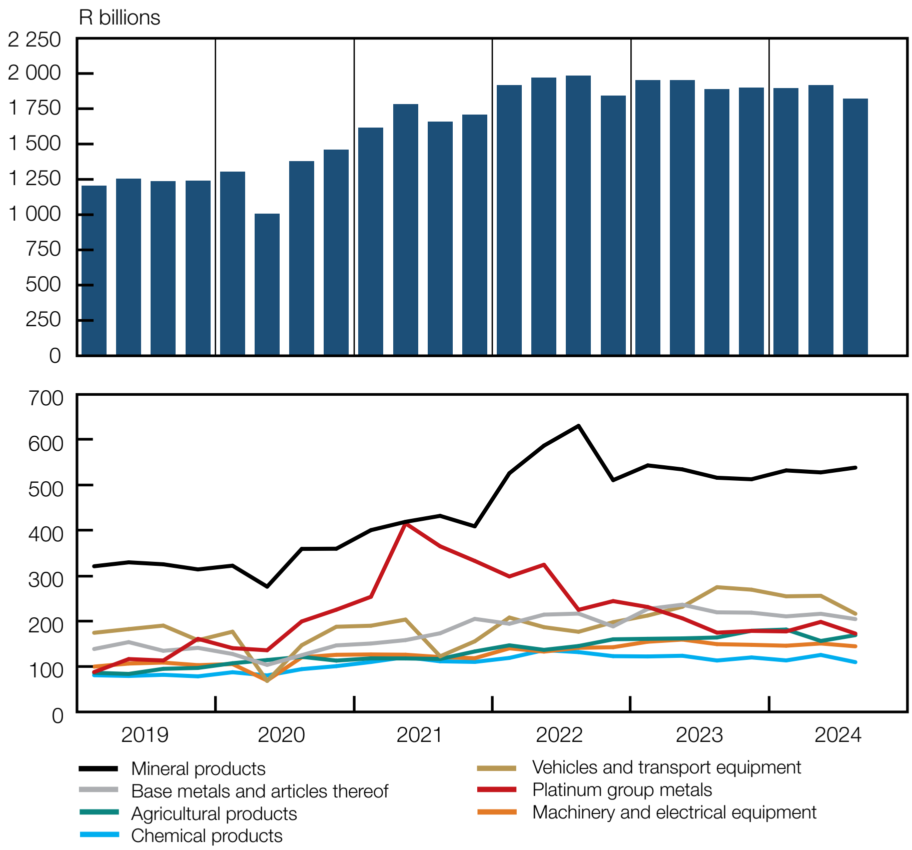
Sources: Stats SA and SARB

The value of merchandise exports decreased by 5.1% in the third quarter of 2024 as decreases in manufacturing and mining exports outweighed the increase in the value of agricultural exports. Almost all subcategories of mining exports decreased over this period, particularly PGMs, base metals and articles thereof as well as pearls, precious and semi-precious stones. Exports of PGMs decreased as the lower realised rand price of these metals outweighed the increase in the physical quantities exported. The lower export value of base metals and articles thereof partly reflected reduced exports of iron and steel as well as copper and nickel. These declines outweighed the increase in the value of exported mineral products (the largest contributor to mining exports), which was buoyed by higher exports of residual fuel oils.[18]

The decrease in the value of manufacturing exports in the third quarter of 2024 largely resulted from lower exports of vehicles and transport equipment, chemical products, machinery and electrical equipment as well as prepared foodstuffs, beverages and tobacco. The lower value of exported vehicles and transport equipment was due to fewer exports of commercial and passenger vehicles, while that of chemical products resulted from a decrease in the exports of organic and inorganic chemicals. The higher value of agricultural exports in the third quarter of 2024 was largely supported by the increased exports of citrus fruit.

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

Value of merchandise exports*

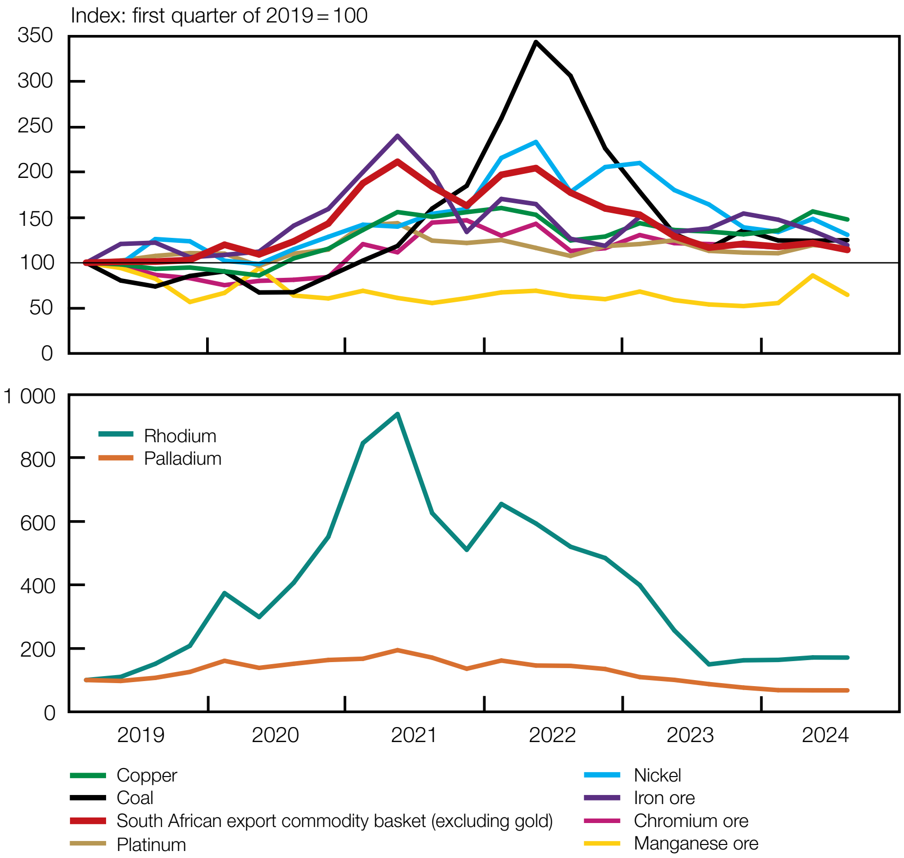


* Excluding net gold exports
Seasonally adjusted and annualised
Sources: Stats SA and SARB

The US dollar price of a basket of domestically produced non-gold export commodities decreased by 6.2% in the third quarter of 2024 as the international prices of most commodities declined, with notable decreases in manganese ore, nickel and iron ore prices. The price of manganese ore fell sharply due to an unexpected decline in Chinese steel demand, which led to a reduction in the consumption of manganese ore. The nickel price decreased due to Indonesia's oversupply of nickel, which resulted in a global surplus. By contrast, the price of coal increased slightly in the third quarter of 2024 after declining in the previous two quarters due to, among other factors, China's increasing consumption of coal-generated electricity amid a reduction in the generation of hydropower.

The rand price of merchandise exports decreased by 0.9% in the third quarter of 2024, weighed down by the broad-based decline in export commodity prices. Over the same period, the volume of merchandise exports decreased further by 4.2%.

Selected South African export commodity prices in US dollar*

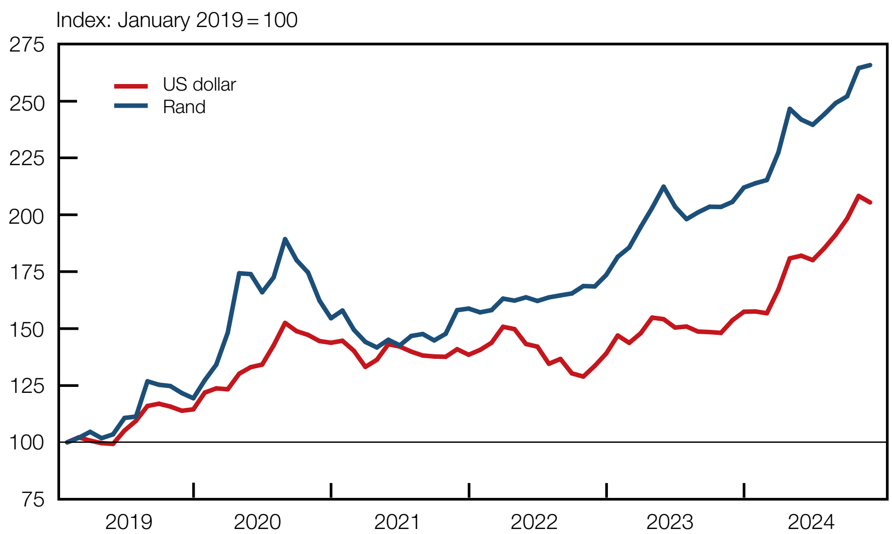


* Quarterly averages

Sources: Afriforesight, World Bank and SARB

The quarterly average US dollar price of gold on the London market increased further by 5.9% from US$2 338 per fine ounce in the second quarter of 2024 to US$2 475 per fine ounce in the third quarter due to, among other factors, global monetary policy easing, continued geopolitical uncertainty and increased over-the-counter investor demand. The monthly average price of gold increased for a fourth consecutive month in October 2024, reaching a record high of US$2 781 per fine ounce on 30 October, driven by increased geopolitical tensions and uncertainty around the outcome of the US presidential election at the time, which led to increased demand for safe-haven assets.

International price of gold

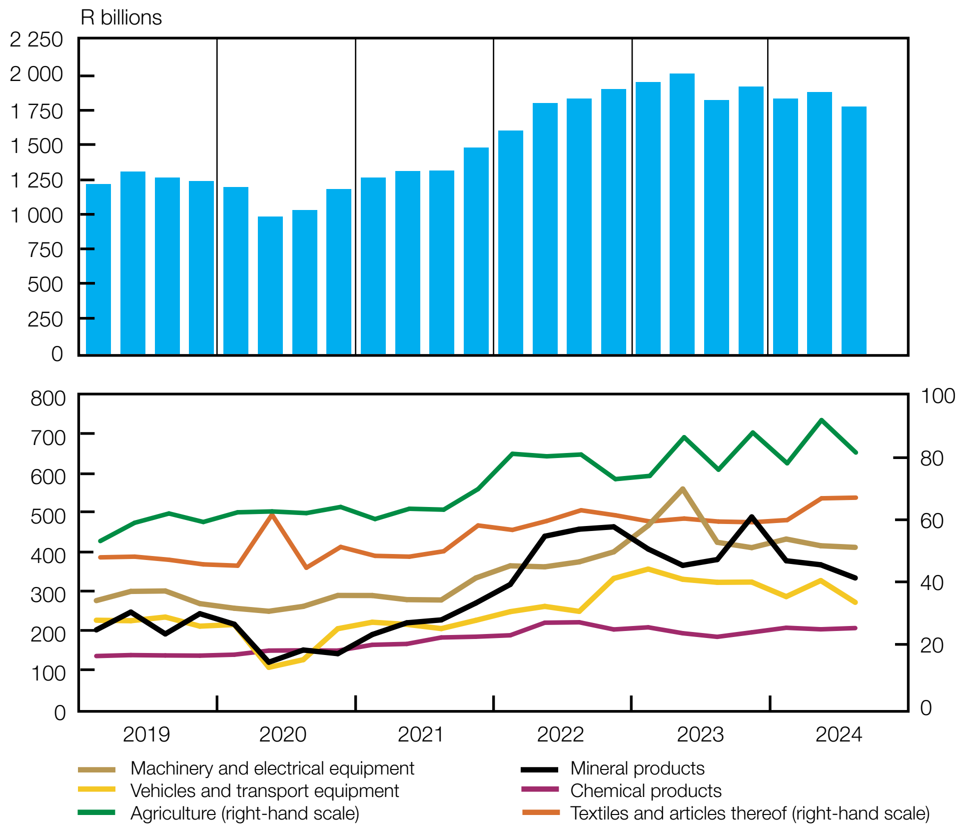


Source: LSEG

In rand terms, the average realised price of net gold exports increased by 1.3% in the third quarter of 2024, with the pace of increase moderated by the appreciation in the exchange value of the rand over this period. However, the decrease in the physical quantity of net gold exports outweighed the increase in the realised price, which resulted in a decrease of 7.8% in the value of net gold exports in the third quarter of 2024.

Following an increase in the second quarter of 2024, the value of merchandise imports decreased by 5.6% in the third quarter as the import value of all three major categories, namely mining, manufacturing and agriculture, declined. The decrease in the import value of manufactured products resulted primarily from noticeably lower imports of vehicles and transport equipment, which more than countered the increased imports of chemical products. The decline in the imports of vehicles and transport equipment could partly be attributed to lower demand for imported parts used in vehicles manufactured for the export market as, among other factors, the production of a certain model was discontinued. The decline in agricultural imports in the third quarter of 2024 was due to lower imports of live animals and animal products as well as rice and wheat.

Value of merchandise imports

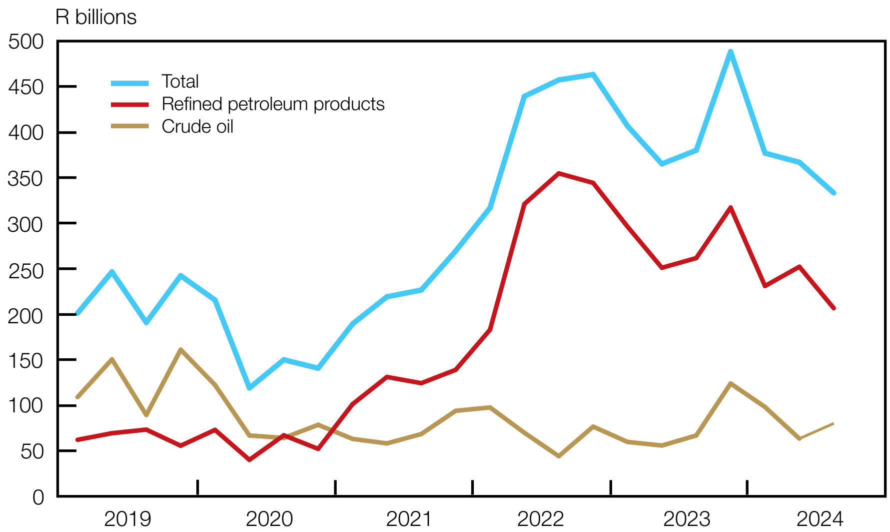


Seasonally adjusted and annualised
Sources: Stats SA and SARB

The value of mining imports decreased for a third consecutive quarter in the third quarter of 2024 following decreases in the imports of all the subsectors, particularly mineral products. The import value of mineral products decreased further to its lowest level since the first quarter of 2022, with the value of imported refined petroleum products decreasing by 18.1% to its lowest level in 10 quarters as imports of petrol and diesel decreased substantially, partly due to the improved capacity of existing refineries following a maintenance shutdown in the previous quarter. The decline in diesel imports also reflected a reduction in domestic demand for diesel-powered energy generation as electricity load-shedding remained suspended. The increase of

26.3% in crude oil imports was outweighed by the decrease in refined petroleum products, resulting in lower imports of mineral products. The increase in crude oil imports reflected the higher physical quantity, which more than offset the 7.9% decrease in the average realised rand price thereof, from R1 747 per barrel in the second quarter of 2024 to R1 608 per barrel in the third quarter.

Value of mineral imports



Seasonally adjusted and annualised
Sources: Stats SA and SARB

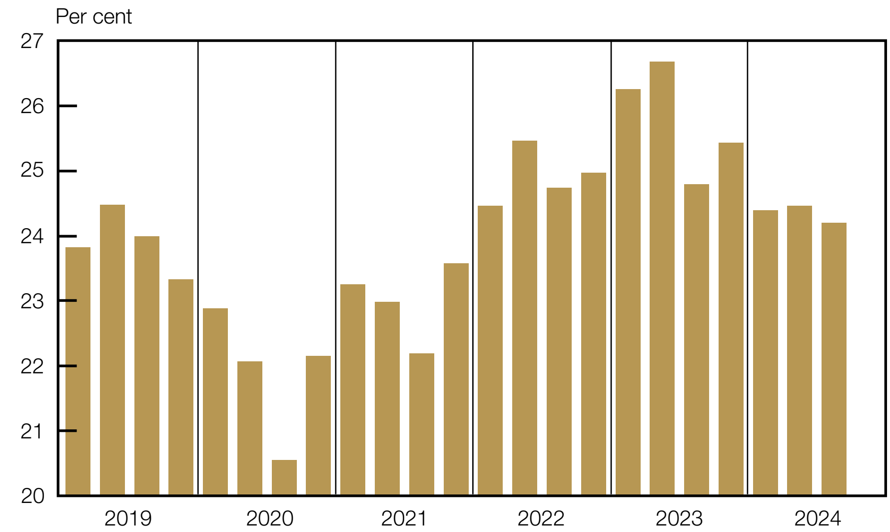
The monthly average US dollar spot price of Brent crude oil increased further in July 2024 before declining in August and September due to, among other factors, lower demand from China and global economic headwinds heightening fears of oversupply. On average, the US dollar spot price of Brent crude oil decreased by 5.6% from US$84.61 per barrel in the second quarter of 2024 to US$79.91 per barrel in the third quarter. The price then increased slightly from US$74.19 per barrel in September 2024 to US$75.62 per barrel in October, largely reflecting the impact of the continued geopolitical tensions. Subsequently, the price decreased to US$74.39 per barrel in November 2024, partly due to easing supply concerns emanating from the conflict in the Middle East.

Brent crude oil price

Source: LSEG

The rand price of merchandise imports decreased by 0.7% in the third quarter of 2024, while the volume of merchandise imports decreased by 5.0%. As a result, the import penetration ratio (i.e. real merchandise imports as a ratio of GDE) declined from 24.4% in the second quarter of 2024 to 23.3% in the third quarter.

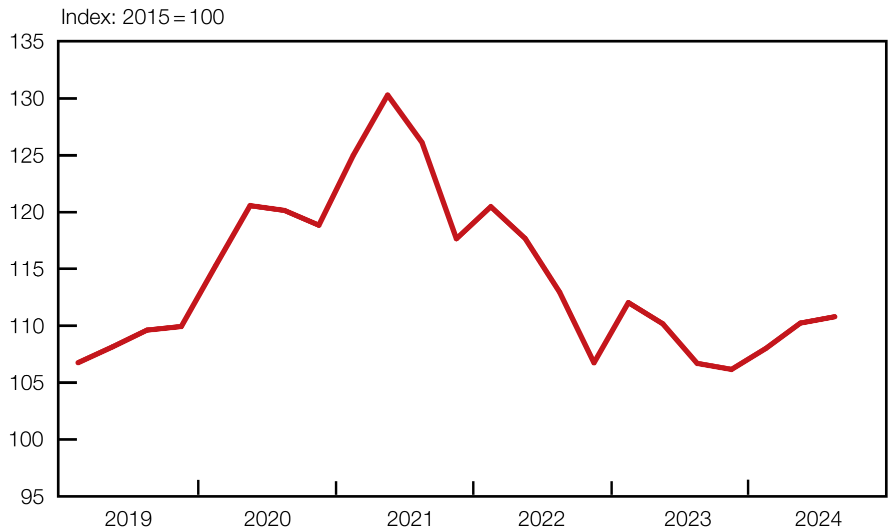
Import penetration ratio



Sources: Stats SA and SARB

South Africa's terms of trade improved further in the third quarter of 2024 as the rand price of exported goods and services decreased less than that of imports.

Terms of trade*



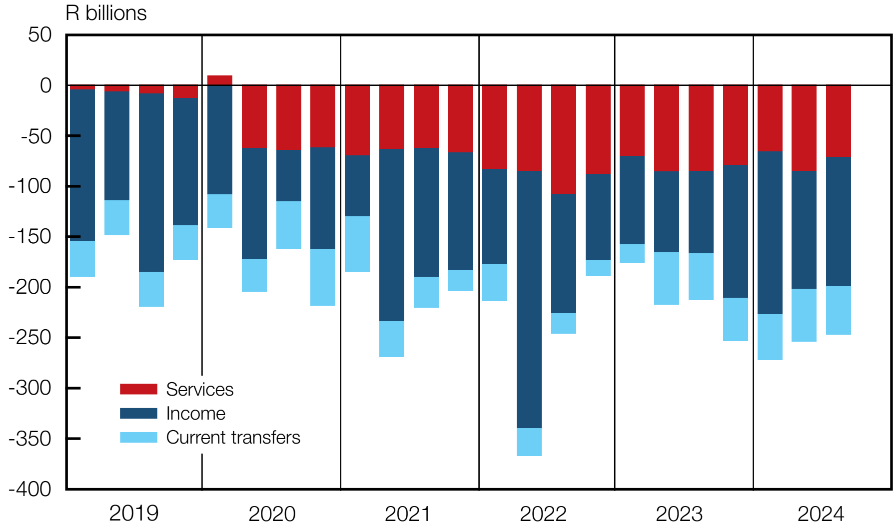
* Including gold

Sources: Stats SA and SARB

The shortfall on the services, income and current transfer account narrowed for a second consecutive quarter from R255 billion (3.5% of GDP) in the second quarter of 2024 to R248 billion (3.4% of GDP) in the third quarter. Notwithstanding the wider deficit on the income account, the narrower deficits on the services and current transfer accounts reduced the overall deficit on the services, income and current transfer account.

The deficit on the services account narrowed to 1.0% of GDP in the third quarter of 2024 from 1.2% of GDP in the second quarter as gross services receipts increased, while gross services payments remained broadly unchanged. All the subcomponents of gross services receipts increased in the third quarter of 2024 as, among other factors, the large number of foreign tourists visiting South Africa bolstered travel receipts and passenger fare receipts.

Net services, income and current transfer payments



Seasonally adjusted and annualised

Sources: Stats SA and SARB

The deficit on the income account widened in the third quarter of 2024 as gross income receipts decreased slightly while gross income payments increased. Both gross dividend payments and receipts increased in the third quarter of 2024, with net dividend payments increasing further from R7.5 billion in the second quarter to R13.7 billion in the third quarter. Gross interest payments increased in the third quarter of 2024 as debt levels and global interest rates remained relatively elevated despite the recent monetary policy easing by some central banks. On balance, the income account deficit as a percentage of GDP increased marginally from 1.6% in the second quarter of 2024 to 1.8% in the third quarter.

Net current transfer payments decreased in the third quarter of 2024 as gross current transfer payments decreased while current transfer receipts increased. As a ratio of GDP, net current transfer payments remained broadly unchanged at 0.7% over the same period.

Financial account

The net flow of capital on South Africa's financial account of the balance of payments (excluding unrecorded transactions) switched from an outflow of R18.1 billion in the second quarter of 2024 to a significant inflow of R39.1 billion in the third quarter. On a net basis, other investment and financial derivatives recorded outflows, while direct investment, portfolio investment and reserve assets recorded inflows. Net financial account flows as a percentage of GDP switched from an outflow of 1.0% in the second quarter of 2024 to an inflow of 2.1% in the third quarter.

Net financial transactions

R billions

	2023			2024		
	Q3	Q4	Year	Q1	Q2	Q3
Change in liabilities						
Direct investment	6.3	2.5	64.1	24.4	16.6	-3.2
Portfolio investment	-41.9	-9.0	-99.3	-52.0	-20.1	45.6
Financial derivatives	-90.4	-56.4	-267.1	-34.9	-42.0	-43.6
Other investment	52.1	-22.0	-5.5	105.0	-16.2	67.2
Change in assets						
Direct investment	7.5	13.8	51.9	-4.7	-7.7	17.2
Portfolio investment	18.1	-58.2	-23.1	16.3	-37.4	35.5
Financial derivatives	99.7	57.6	310.7	48.3	41.6	36.4
Other investment	-44.4	53.8	8.0	-65.1	26.6	-132.6
Reserve assets	6.3	7.8	13.3	14.0	20.5	16.7
Total identified financial transactions*	**13.2**	**-10.0**	**53.0**	**51.4**	**-18.1**	**39.1**
As a percentage of gross domestic product	*0.7*	*-0.6*	*0.8*	*2.9*	*-1.0*	*2.1*

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

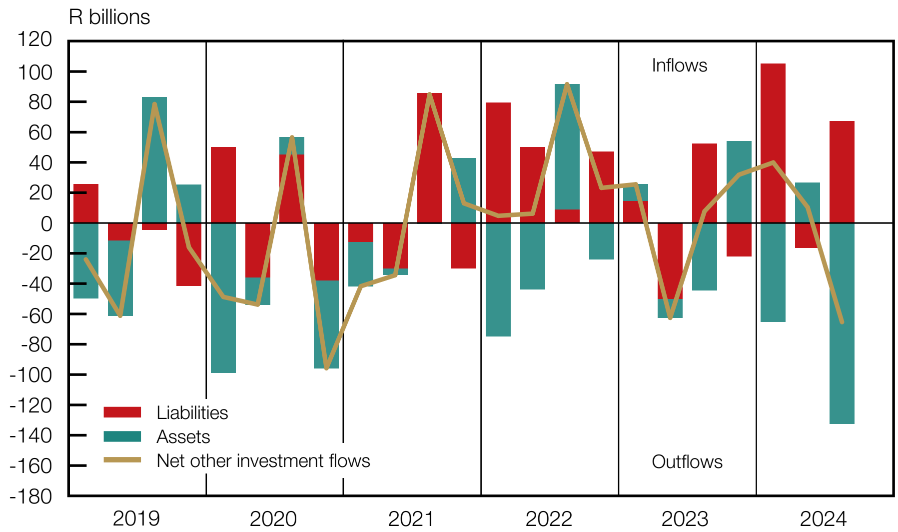
Source: SARB

Foreign-owned assets in South Africa

South Africa's direct investment liabilities switched to an outflow of R3.2 billion in the third quarter of 2024 following an inflow of R16.6 billion in the second quarter as the repayment of loans by domestic subsidiaries outweighed non-resident parent entities' equity investment in domestic subsidiaries.

Portfolio investment liabilities reverted to a significant inflow of R45.6 billion in the third quarter of 2024 following an eighth consecutive quarterly outflow of R20.1 billion in the second quarter. Non-residents' net acquisition of domestic debt securities amounted to R41.4 billion in the third quarter of 2024 following the net acquisition of R13.0 billion in the second quarter. The net acquisition of domestic equity securities by non-residents of R4.1 billion in the third quarter of 2024 reflected a reversal from the net disposal of R33.0 billion in the second quarter.

Other investment flows



Source: SARB

Other investment liabilities switched to an inflow of R67.2 billion in the third quarter of 2024 from an outflow of R16.2 billion in the second quarter as non-residents granted loans to the private banking and non-banking sectors and increased their deposits at domestic banks. The inflow was partly countered by national government's fourth instalment of eight quarterly repayments of XDR381 million on a special drawing rights (SDR) XDR-denominated IMF loan.

South African-owned assets abroad

South Africa's direct investment assets switched to an inflow of R17.2 billion in the third quarter of 2024 following an outflow of R7.7 billion in the second quarter as a domestic company further reduced its shareholding in a non-resident subsidiary. In addition, non-resident subsidiaries repaid loans to South African parent entities.

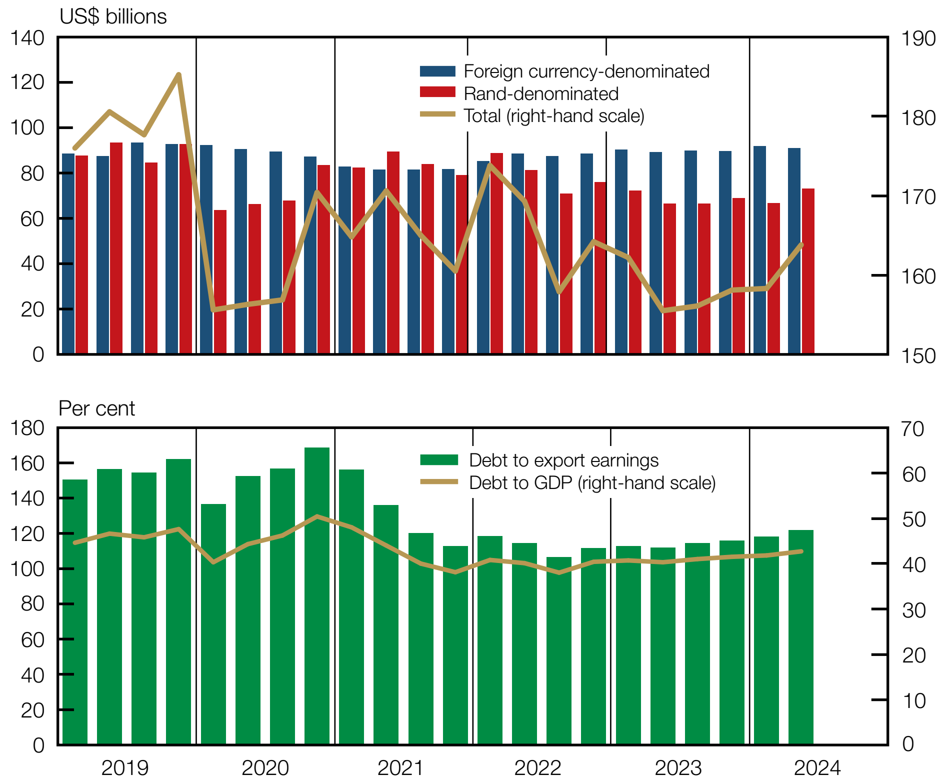
South Africa's foreign portfolio investment assets reverted from an outflow of R37.4 billion in the second quarter of 2024 to an inflow of R35.5 billion in the third quarter as the domestic private banking sector disposed of foreign debt securities, while the private non-banking sector disposed of foreign equity securities.

Other investment assets switched from an inflow of R26.6 billion in the second quarter of 2024 to an all-time high outflow of R132.6 billion in the third quarter. This outflow can mainly be attributed to the domestic private banking sector granting short-term loans under resale agreements to non-residents and, to a lesser extent, increasing its deposits at non-resident banks. The private non-banking sector also granted short-term loans to non-residents.

Foreign debt

South Africa's total external debt increased significantly from US$158.3 billion at the end of March 2024 to US$163.8 billion at the end of June. However, expressed in rand terms, South Africa's total external debt decreased from R3 007 billion to R2 984 billion over the same period as the exchange value of the rand appreciated by 4.1% against the US dollar over this period.

Foreign debt



Source: SARB

Foreign currency-denominated external debt decreased from US$91.8 billion at the end of March 2024 to US$90.8 billion at the end of June. The decrease resulted largely from the repayment of the third instalment of eight quarterly repayments of XDR381 million on an IMF loan, the domestic private non-banking sector's repayment of short-term loans to non-residents as well a US$400 million international bond redemption by a domestic holding company.

Foreign debt of South Africa

US$ billions at end of period

	2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2
Foreign currency-denominated debt	**90.1**	**88.7**	**89.8**	**89.4**	**91.8**	**90.8**
Debt securities	30.1	28.9	27.8	27.9	26.4	26.0
Other	60.0	59.8	62.0	61.5	65.4	64.8
Public sector	18.3	18.5	18.4	18.0	18.8	18.1
Monetary sector	16.2	16.4	17.8	18.3	19.2	19.0
Non-monetary private sector	25.5	24.9	25.8	25.2	27.4	27.7
Rand-denominated debt	**72.1**	**66.4**	**66.3**	**68.7**	**66.5**	**73.0**
Debt securities	43.4	41.7	40.3	43.8	40.7	46.2
Other	28.7	24.7	26.0	24.9	25.8	26.8
Total foreign debt	**162.2**	**155.1**	**156.1**	**158.1**	**158.3**	**163.8**
As a percentage of gross domestic product	*41.0*	*40.6*	*41.3*	*41.5*	*41.8*	*42.7*
As a percentage of total export earnings	*112.4*	*111.5*	*114.2*	*115.9*	*118.2*	*122.0*

Source: SARB

Rand-denominated external debt, expressed in US dollars, increased notably from US$66.5 billion at the end of March 2024 to US$73.0 billion at the end of June. The increase was due to non-resident net purchases of bonds in the domestic capital market, an increase in the market value of these bonds and the appreciation in the exchange value of the rand over this period, which resulted in an increase in rand-denominated external debt when expressed in US dollars. The increase was slightly offset by a decrease in the short and long-term debt of the private non-banking sector.

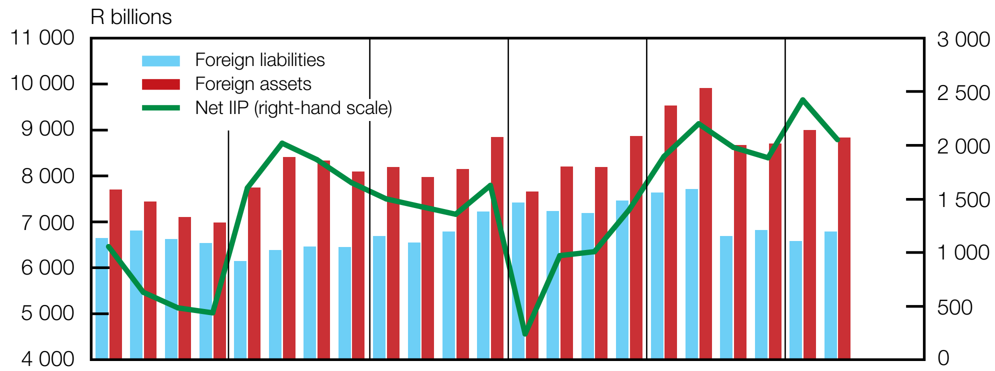
South Africa's total external debt as a ratio of annual GDP[19] increased from 41.8% at the end of March 2024 to 42.7% at the end of June. Similarly, the ratio of external debt to export earnings increased from 118.2% to 122.0% over the same period as total foreign debt increased.

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

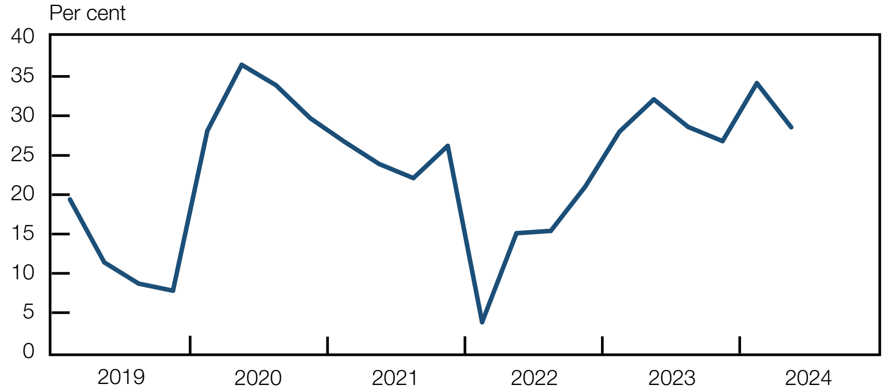
International investment position

South Africa's positive net international investment position (IIP) decreased from a revised R2 424 billion at the end of March 2024 to R2 052 billion at the end of June as the value of foreign assets decreased and that of foreign liabilities increased. The appreciation in the exchange value of the rand, as reflected by the 5.2% increase in the nominal effective exchange rate (NEER) in the second quarter of 2024, had a larger impact on foreign assets than on foreign liabilities over this period.

South Africa's international investment position



Net international investment position to GDP



Source: SARB

The market value of South Africa's foreign assets (outward investment) decreased by 1.8% from a revised R9 003 billion at the end of March 2024 to R8 838 billion at the end of June, reflecting decreases in most functional categories except for portfolio investment. Direct investment declined mainly because of valuation effects due to the appreciation in the exchange value of the rand. The marginal increase in portfolio investment was due to the increase in the value of dual-listed entities, a 3.9% increase in the US Standard & Poor's (S&P) 500 Index and the domestic private non-banking sector's acquisition of foreign equity securities. Other investment assets decreased mainly due to non-residents' repayment of short-term loans to the domestic banking sector. Reserve assets decreased mainly because of foreign exchange (FX) payments and the appreciation in the exchange value of the rand, which more than offset the increase in the gold price.

The market value of South Africa's foreign liabilities (inward investment) increased by 3.1% from a revised R6 580 billion at the end of March 2024 to R6 786 billion at the end of June. The increase in foreign liabilities reflected an increase in the direct and portfolio investment functional categories, while other investment decreased. Direct and portfolio investment increased mainly due to valuation effects, following a 6.9% increase in the FTSE/JSE All-Share Index (Alsi) in the second quarter of 2024. The increase in direct investment was further augmented by a non-resident entity increasing its shareholding in a domestic company in the broadcasting sector. The increase in portfolio investment was partly countered by a US$400 million international bond redemption by a domestic holding company. Other investment decreased mainly due to the domestic private non-banking sector's repayment of short-term loans to non-residents as well as national government's third instalment of eight quarterly repayments of XDR381 million on an IMF loan.

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

As a ratio of South Africa's annual GDP,[20] foreign assets decreased from 126.9% at the end of March 2024 to 123.0% at the end of June, while foreign liabilities increased from 92.7% to 94.5% over the same period. This resulted in a decrease in the positive net IIP as a ratio to GDP from 34.2% at the end of March 2024 to 28.6% at the end of June.

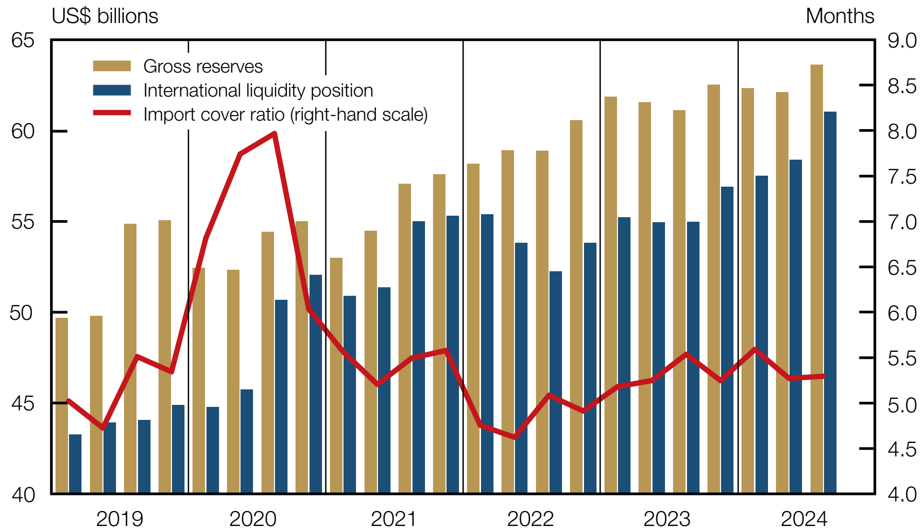
International reserves and liquidity

South Africa's international reserves decreased further by R16.7 billion in the third quarter of 2024 following a decrease of R20.5 billion in the second quarter.

21 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.

The value of South Africa's gross gold and other foreign reserves (i.e. the international reserves of the SARB before accounting for reserves-related liabilities), measured in US dollar terms, increased from US$62.1 billion at the end of June 2024 to US$63.6 billion at the end of September, benefitting from the continued increase in the US dollar gold price, which outweighed the FX payments. The country's gross gold and other foreign reserves subsequently increased to US$65.9 billion at the end of November 2024. South Africa's international liquidity position[21] increased from US$58.4 billion at the end of June 2024 to US$61.0 billion at the end of September before decreasing to US$60.6 billion at the end of November.

International reserves



Source: SARB

The level of import cover (i.e. the value of gross international reserves relative to the value of merchandise imports as well as services and income payments) remained broadly unchanged at 5.3 months from the end of June 2024 to the end of September.

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

Exchange rates[22]

The NEER of the rand increased by 2.3% in the third quarter of 2024 following an increase of 5.2% in the second quarter. Despite geopolitical tensions in the Middle East and increased financial market volatility weighing on the NEER at the beginning of the third quarter, the impact on the exchange value of the rand was fairly muted as the NEER increased in August and September 2024. During this period, global inflation expectations were mixed but resulted in monetary policy easing by several major central banks, including the US Fed and the European Central Bank (ECB). Domestically, the NEER was supported by the continued suspension of electricity load-shedding as well as expectations that the government of national unity (GNU) will implement growth-enhancing policies. From the end of September to 29 November 2024, the NEER declined somewhat as US economic data releases reflected a resilient US economy and tempered initial expectations of further monetary policy easing by the US Fed.

Exchange rates of the rand

Percentage change

	31 Dec 2023 to 31 Mar 2024	31 Mar 2024 to 30 Jun 2024	30 Jun 2024 to 30 Sep 2024	30 Sep 2024 to 29 Nov 2024
Weighted average*	0.8	5.2	2.3	-1.3
Euro	0.4	5.3	1.7	-0.5
US dollar	-2.2	4.3	6.4	-5.2
Chinese yuan	-0.3	4.8	2.7	-2.2
British pound	-1.0	4.1	0.3	0.1
Japanese yen	4.7	10.9	-5.9	0.0

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

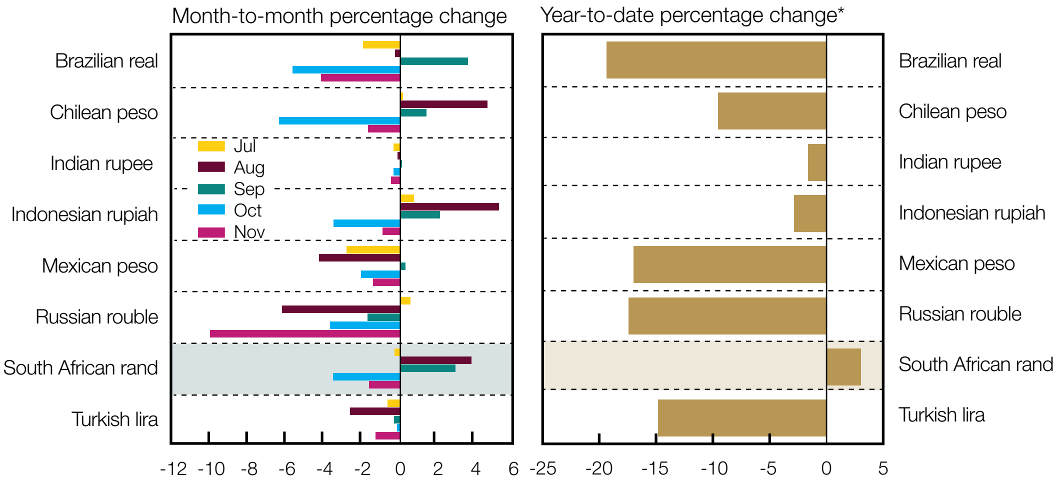
Source: SARB

Several emerging market currencies, including the rand, depreciated against the US dollar in July 2024 following a deterioration in global investor sentiment amid escalating tensions in the Middle East. As a result, the NEER decreased by 1.2% in July 2024.

The rand continued to depreciate against the US dollar at the beginning of August 2024 amid continued geopolitical tensions in the Middle East as well as a notable increase in financial market volatility due to significant decreases in global equity markets as concerns around the global economic outlook grew. However, these effects were quickly reversed when global investor sentiment improved on growing expectations that several major central banks would lower their policy interest rates in the third quarter of 2024 in response to continued disinflation. As a result, the NEER increased by 1.6% in August 2024.

The NEER then increased further by 1.9% in September 2024 as some major monetary authorities, including the US Fed and the ECB, eased monetary policy during the month, with the US Fed lowering the Federal funds rate by 50 basis points in September. The increase in the NEER coincided with domestic factors, including the narrowing current account deficit, lower inflation and monetary policy easing by the SARB in September 2024, which also supported the exchange value of the rand over this period.

Emerging market currencies against the US dollar in 2024



Depreciation (-)/appreciation (+)

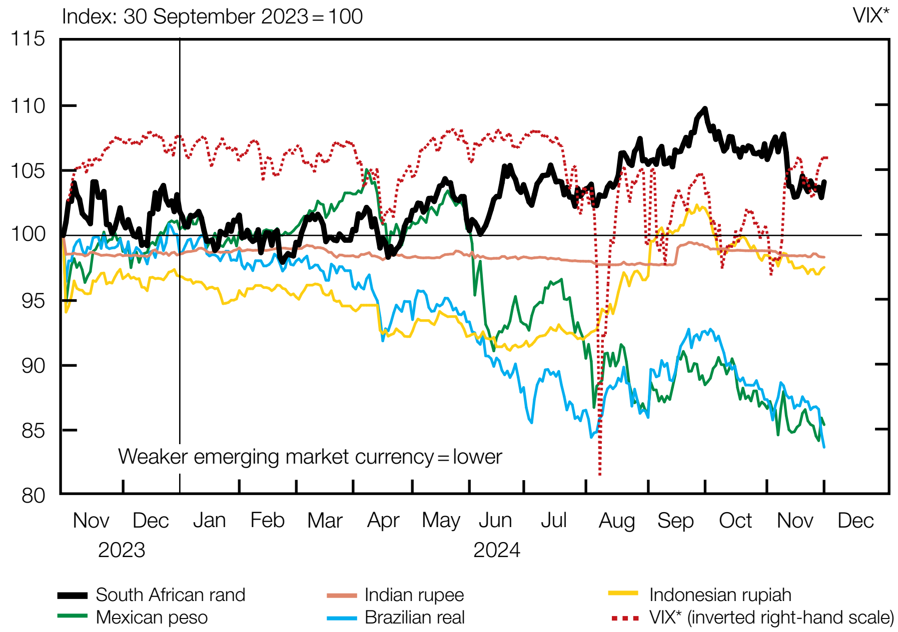
* From 31 December 2023 to 29 November 2024

Sources: LSEG and SARB

Several emerging market currencies, including the rand, depreciated against the US dollar from the end of September to 29 November 2024 as the US dollar strengthened following an improved US economic outlook as well as a deterioration in global investor sentiment amid continued rising tensions in the Middle East. The exchange value of the rand also decreased following the release of the *2024 MTBPS* towards the end of October and the conclusion of the US general election in November. As a result, the NEER decreased by 1.3% from the end of September to 29 November 2024.

Overall, the rand has been among the best-performing emerging market currencies against the US dollar thus far in 2024, appreciating by 3.0% since the beginning of the year. While there are still some domestic factors inhibiting economic growth, the improvement in investor sentiment amid the continued suspension of electricity load-shedding and the timely formation of the GNU have contributed to the appreciation in the exchange value of the rand against the US dollar for most of 2024.

Emerging market currencies against the US dollar

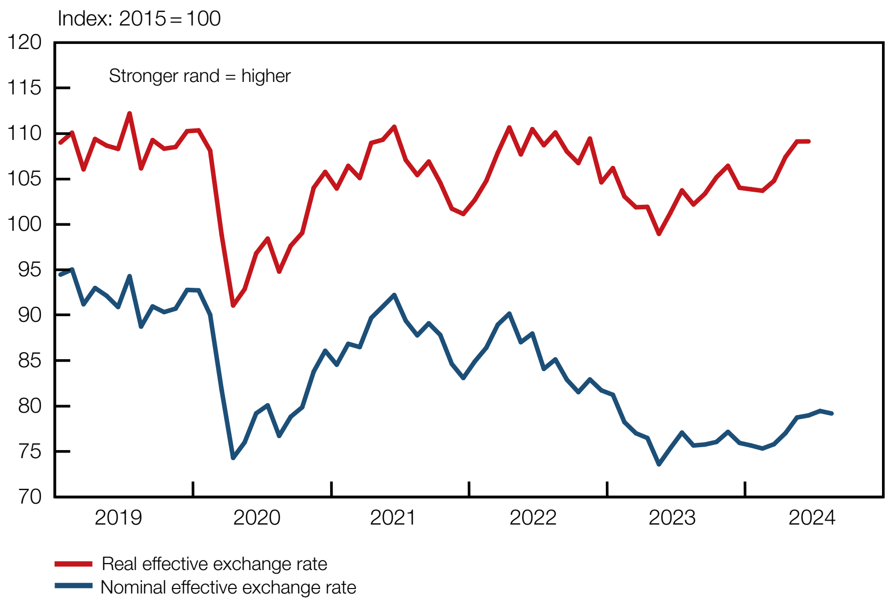


* The Volatility Index (VIX), developed by the Chicago Board Options Exchange (CBOE), is a real-time index that represents the market's expectation of 30-day forward-looking volatility derived from the S&P 500 Index options. The VIX provides a measure of market risk and investor sentiment.

Sources: LSEG and SARB

The real effective exchange rate of the rand increased by 7.6% from September 2023 to September 2024, negatively affecting the competitiveness of domestic producers in foreign markets.

Effective exchange rates of the rand



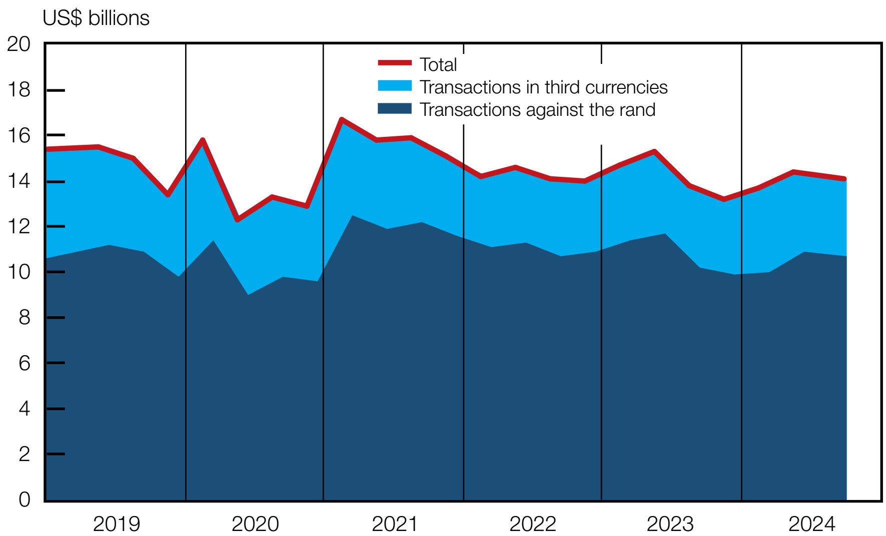
Source: SARB

Turnover in the South African foreign exchange market

The net average daily turnover[23] in the South African FX market decreased slightly from US$14.4 billion in the second quarter of 2024 to US$14.1 billion in the third quarter amid lower inflation and interest rates globally, with additional monetary policy easing expected towards the end of 2024. FX transactions against the rand decreased from US$10.9 billion in the second quarter of 2024 to US$10.7 billion in the third quarter, while the exchange value of the rand continued to appreciate due to improved investor sentiment over this period. Transactions in third currencies also declined marginally from US$3.5 billion in the second quarter of 2024 to US$3.4 billion in the third quarter.

23 This is calculated as the daily average of all new foreign exchange transactions concluded during a specified period, adjusted for domestic interbank double counting.

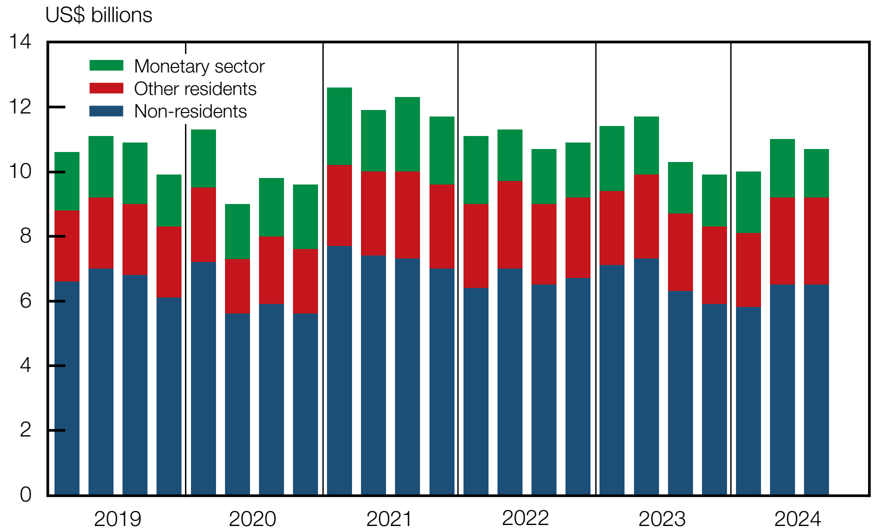
Net average daily turnover in the South African foreign exchange market



Source: SARB

The decrease in FX transactions against the rand in the third quarter of 2024 was mainly driven by lower monetary sector participation, which declined from US$1.8 billion in the second quarter of 2024 to US$1.5 billion in the third quarter. Average participation by other residents and non-residents in the rand market remained stagnant from the second to the third quarter of 2024, averaging US$2.7 billion and US$6.5 billion respectively.

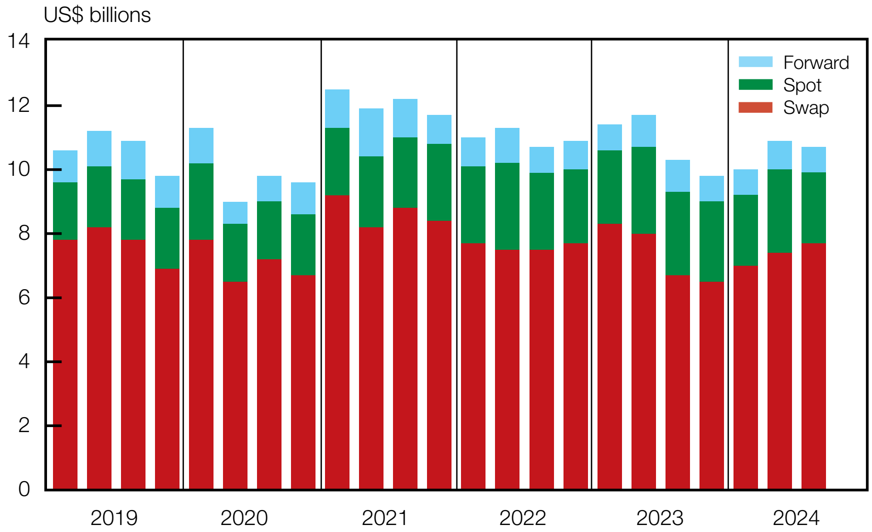
Composition of net average daily turnover in the South African foreign exchange market against the rand, by counterparty



Source: SARB

Swap transactions in the rand market increased from US$7.4 billion in the second quarter of 2024 to US$7.7 billion in the third quarter. Spot transactions declined from US$2.6 billion to US$2.2 billion, while forward transactions also decreased slightly from US$0.9 billion to US$0.8 billion over the same period.

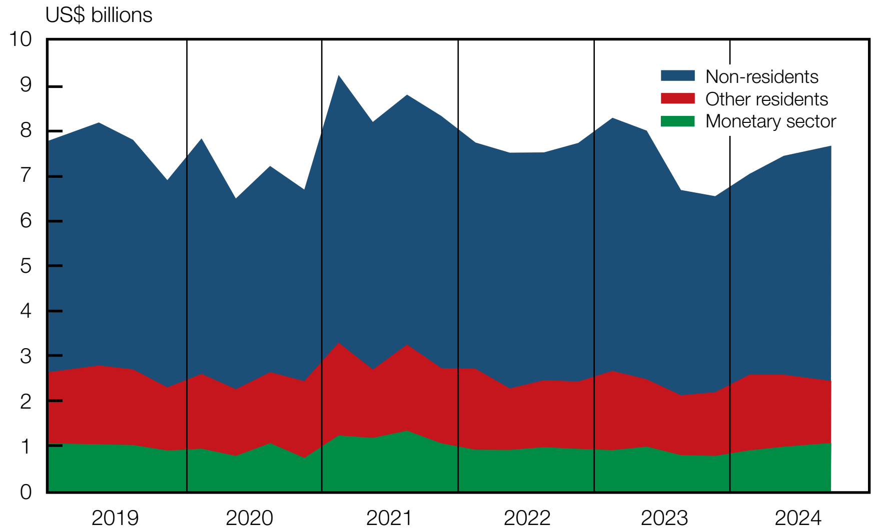
Composition of net average daily turnover in the South African foreign exchange market against the rand, by instrument



Source: SARB

Turnover in the inter-dealer rand swap market increased in the third quarter of 2024 as market participants responded to changing interest and exchange rate fluctuations. Participation by non-residents in the swap market increased from US$4.8 billion in the second quarter of 2024 to US$5.2 billion in the third quarter. Other residents' participation in the swap market increased slightly from US$1.0 billion to US$1.1 billion, while participation by the monetary sector decreased from US$1.6 billion to US$1.4 billion over the same period.

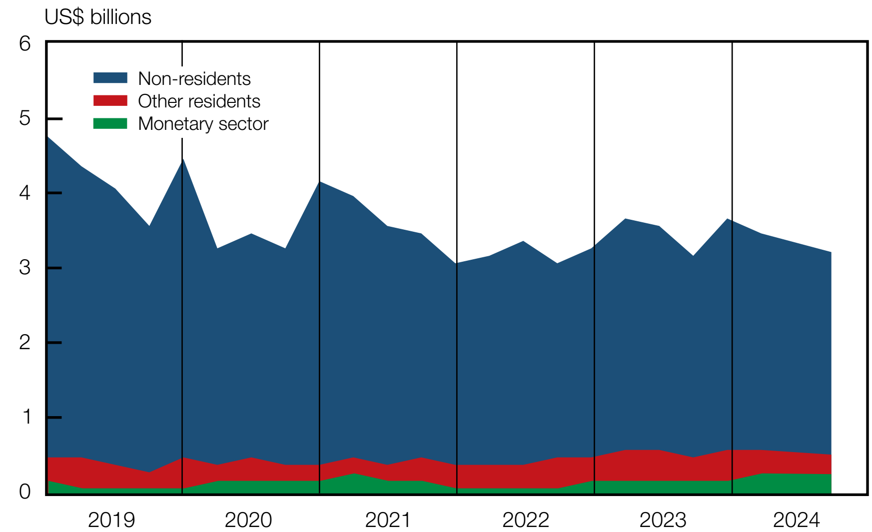
Composition of net average daily swap turnover in the South African foreign exchange market against the rand, by counterparty



Source: SARB

The decrease in FX transactions in the market for third currencies during the third quarter of 2024 was mainly driven by lower non-resident participation, which declined from US$2.9 billion in the second quarter of 2024 to US$2.8 billion in the third quarter. Participation by the monetary sector and other residents averaged only US$0.3 billion each in the third quarter.

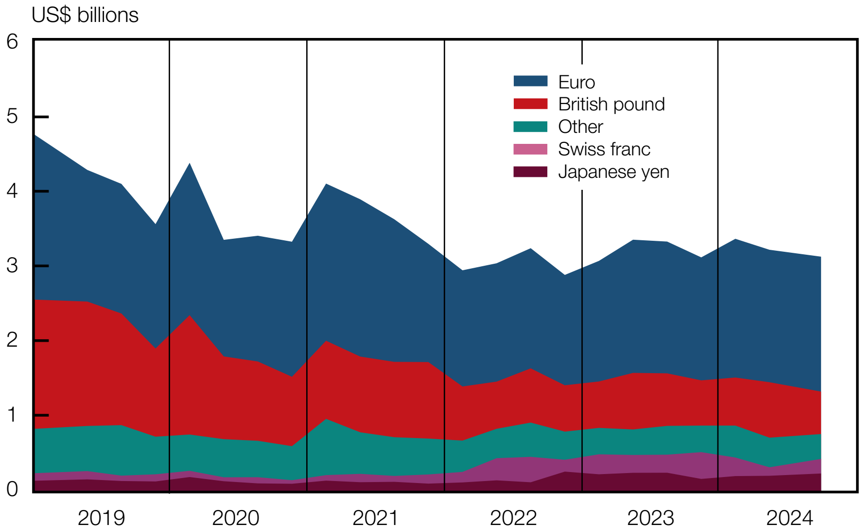
Composition of net average daily turnover in the South African foreign exchange market in third currencies, by counterparty



Source: SARB

In the market for third currencies, US dollar transactions against the euro and the Japanese yen remained unchanged from the second to the third quarter of 2024 at US$1.8 billion and US$0.2 billion respectively. Transactions of the US dollar against the Swiss franc increased from US$0.1 billion in the second quarter of 2024 to US$0.2 billion in the third quarter. US dollar transactions against the British pound declined from US$0.7 billion to US$0.6 billion over the same period, while those against other currencies remained unchanged at US$0.4 billion.

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



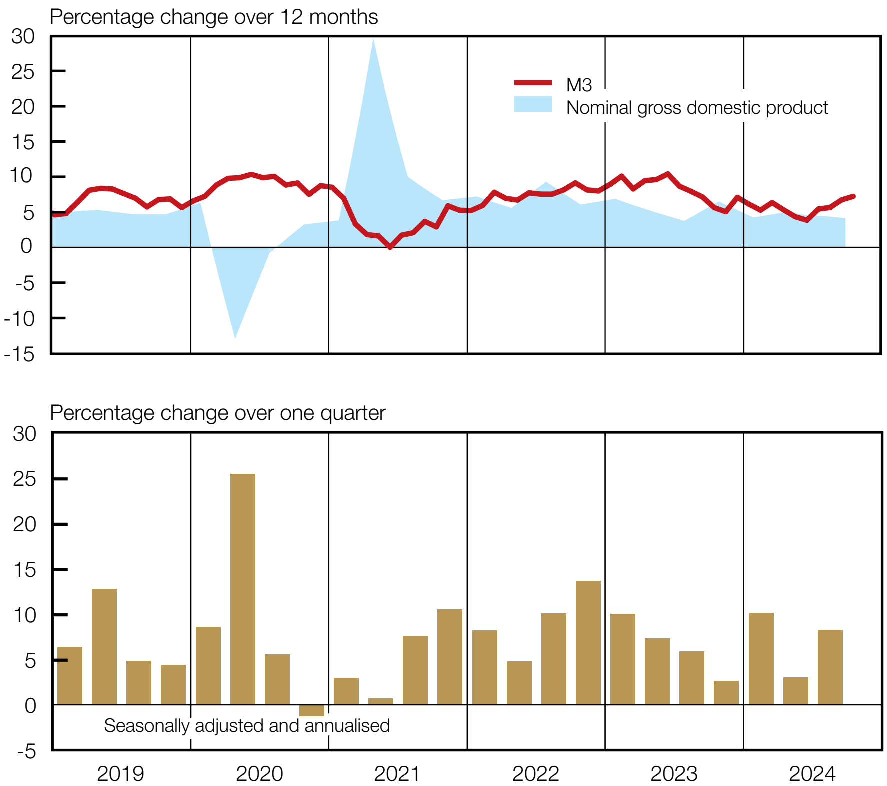
Source: SARB

Monetary developments, interest rates and financial markets

Money supply

Growth in the broadly defined money supply (M3) accelerated in the third quarter of 2024 after slowing in the first half of the year, with year-on-year growth accelerating from a low of 4.2% in June to 7.3% in September. The recent expansion in M3 reflected a notable acceleration in the deposit holdings of the corporate sector, while those of the household sector moderated slightly. Growth in M3 accelerated again to 7.8% in October and averaged 6.1% in the first 10 months of 2024, much lower than the 9.3% recorded over the same period in 2023. On a quarter-to-quarter seasonally adjusted and annualised basis, growth in M3 accelerated from 3.0% in the second quarter of 2024 to 8.2% in the third quarter. The income velocity of M3 decreased slightly from 1.42 in the second quarter of 2024 to 1.39 in the third quarter as the growth in M3 exceeded that in nominal GDP.

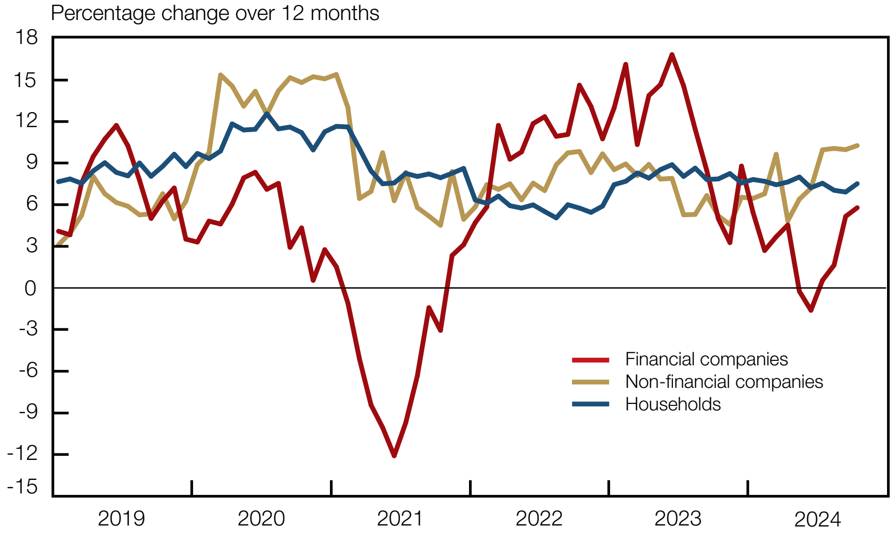
Money supply and gross domestic product



Sources: Stats SA and SARB

Growth in corporate sector deposits accelerated from a recent low of 2.5% in June 2024 to 7.9% in October as the deposits of financial and non-financial companies increased. The deposits of financial companies reverted from a contraction of 1.6% in June 2024 to an increase of 5.8% in October, while growth in the deposit holdings of non-financial companies accelerated from 10.1% in August 2024 – the first double-digit growth rate since February 2021 – to a recent high of 10.3% in October. Despite slowing somewhat from 8.0% in May 2024 to 7.5% in October, growth in the deposit holdings of households continued to support overall growth in M3 thus far in 2024.

Deposit holdings of households and companies



Source: SARB

The deposit holdings of the corporate sector increased by R194.5 billion in the third quarter of 2024, a significant turnaround from the decrease of R87.2 billion recorded in the second quarter and substantially higher than the R34.8 billion increase recorded during the same period a year earlier. Financial and non-financial companies contributed almost equally to the increase in corporate sector deposits over this period. The deposit holdings of financial companies were supported by fund managers placing funds in fixed and notice deposits to benefit from high yields as part of their cash flow management strategy. In addition, the deposit holdings of, among others, the Public Investment Corporation (PIC), insurers, unit trusts and public financial companies also increased. The increase in non-financial corporate deposits reflected increased deposits of companies involved in, among other things, vehicle, beverage and consumer goods manufacturing as well as mining and resources. Overall, deposit balances in the third quarter of 2024 were also boosted by proceeds from the sale of Pepkor shares, municipalities receiving equitable share transfers from national government and an increase in the deposits of state-owned entities. The deposit holdings of the household sector increased by R40.8 billion in the third quarter of 2024, slightly lower than the increase of R41.3 billion recorded in the previous quarter and the R43.4 billion increase registered during the same period in 2023.

M3 holdings of households and companies

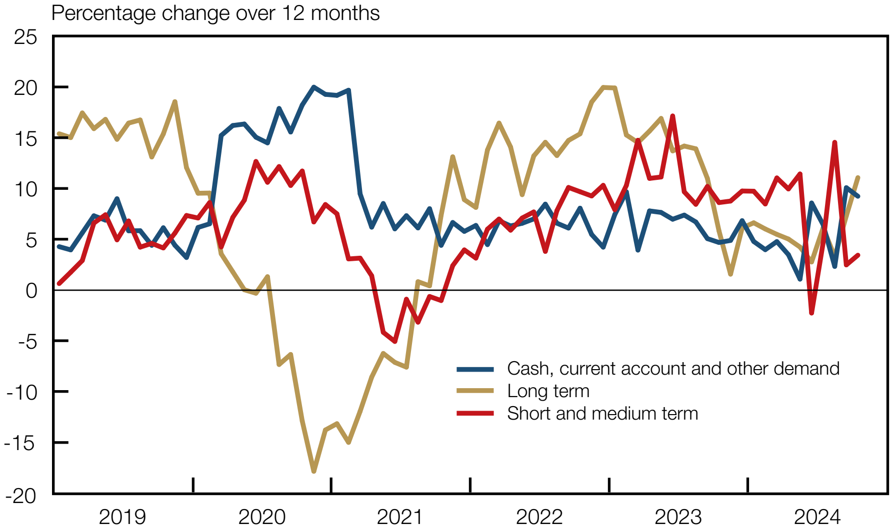
	Quarterly change (R billions)					Percentage of total M3 deposit holdings*
	2023			2024		
	Q2	Q3	Q4	Q1	Q2	
Households	43.4	24.4	20.2	41.3	40.8	36.4
Companies: Total	34.8	40.8	89.4	-87.2	194.5	63.6
Of which: Financial	-17.7	-5.4	24.1	-28.3	96.0	32.7
Non-financial	52.5	46.2	65.3	-58.9	98.5	30.9
Total M3 deposits	**78.2**	**65.2**	**109.7**	**-45.9**	**235.4**	**100.0**

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

Source: SARB

The moderation in the year-on-year growth in long-term deposits since November 2023 continued in the first half of 2024, reaching a recent low of 2.8% in June 2024. Growth then accelerated to 6.1% in July 2024 following the outcome of the national elections, mostly due to fund managers investing funds in longer-term deposits and negotiable certificates of deposit offering favourable returns, before accelerating further to 11.1% in October. Growth in the more liquid deposit categories was quite volatile, with short- and medium-term deposits initially accelerating from 9.7% in January 2024 to 11.5% in May before slowing sharply to -2.2% in June. Subsequently, growth in this category rebounded briefly to 14.6% in August 2024 before receding to 3.4% in October as deposits switched to the cash, current account and other demand maturity category. As such, growth in this most liquid category rebounded noticeably from a low of 1.1% in May 2024 to 9.2% in October 2024.

Deposits by maturity



Source: SARB

All the counterparts of M3 contributed to the R235.4 billion increase in M3 in the third quarter of 2024, except for net foreign assets. The largest contributor was claims on the domestic private sector with an increase of R92.1 billion, followed by net other assets of the monetary sector and net claims on the government sector, which contributed R78.7 billion and R78.4 billion respectively. These increases were partly offset by a decline of R13.8 billion in net foreign assets of the monetary sector.

Counterparts of change in M3

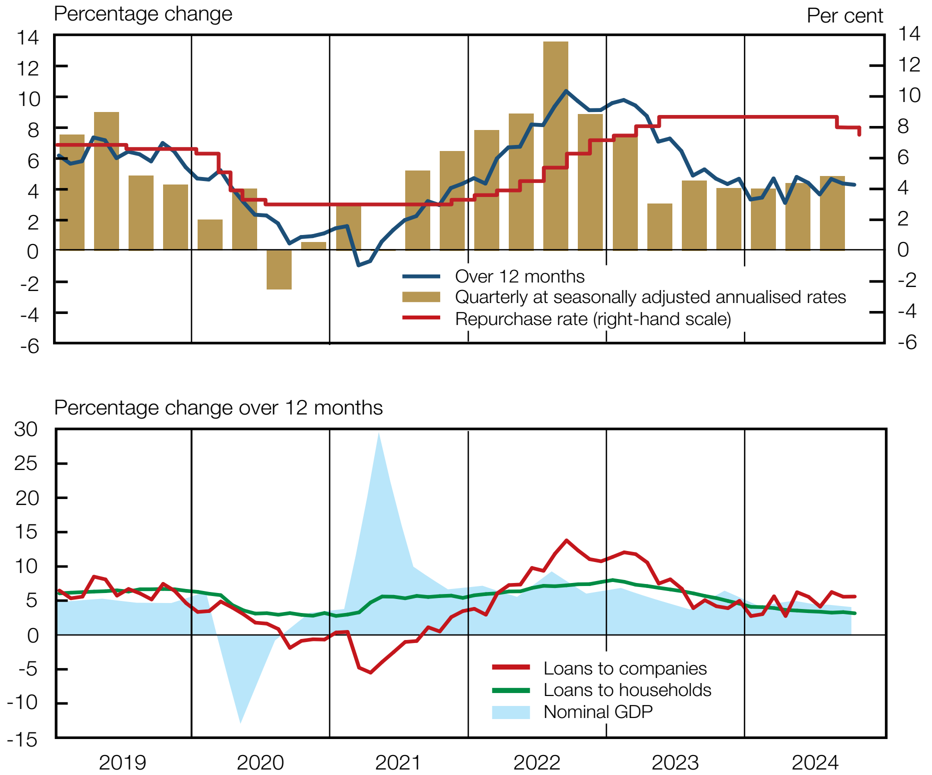
	Quarterly change (R billions)				
	2023		2024		
	Q3	Q4	Q1	Q2	Q3
Claims on the private sector	72.3	21.7	90.9	9.1	92.1
Net claims on the government sector	127.3	52.5	-23.5	59.9	78.4
Net foreign assets	-88.3	-14.5	44.5	-126.8	-13.8
Net other assets	-33.1	5.5	-2.2	11.9	78.7
Change in M3	**78.2**	**65.2**	**109.7**	**-45.9**	**235.4**

Source: SARB

Credit extension

Year-on-year growth in total loans and advances extended by monetary institutions to the domestic private sector decelerated notably from 9.9% in February 2023 to 3.2% in April 2024 – the lowest growth rate since October 2021 – and thereafter increased by 4.5% and 4.4% in September and October respectively. Growth in credit extension averaged 4.2% in the first 10 months of 2024, well below the averages of 7.5% and 7.4% recorded over the same period in 2022 and 2023 respectively, as growth in credit extension to the corporate sector edged slightly higher than that of the household sector thus far in 2024. The seasonally adjusted and annualised growth in total loans and advances accelerated from 4.0% in the first quarter of 2024 to 4.8% in the third quarter. The ratio of loans and advances to nominal GDP increased slightly from 59.2% in the second quarter of 2024 to 59.7% in the third quarter as growth in credit extension marginally exceeded that in nominal GDP.

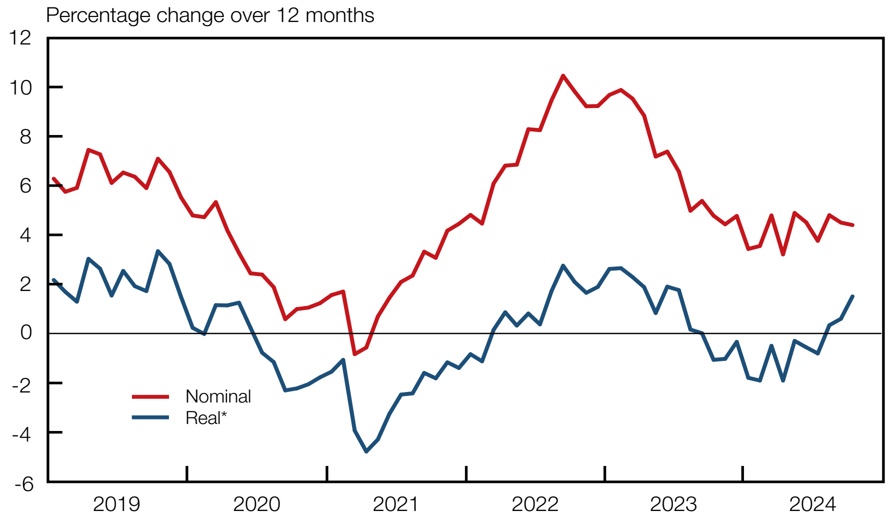
Total loans and advances to the private sector and gross domestic product



Sources: Stats SA and SARB

After 10 successive months of contraction, growth in real loans and advances expanded by 0.6% and 1.5% in September and October 2024 respectively as growth in nominal loans and advances marginally outpaced growth in consumer price inflation.

Total loans and advances



* Deflated with the headline consumer price index

Source: SARB

The corporate sector provided the impetus for the overall acceleration in credit extended to the domestic private sector in the third quarter of 2024, as credit extended to both financial and non-financial companies increased. In nominal terms, credit extended to the corporate sector rebounded from a slight contraction of R0.8 billion in the second quarter of 2024 to an increase of R45.1 billion in the third quarter, exceeding the R42.4 billion increase recorded in the same period of 2023. Credit extended to the household sector increased by R16.8 billion in the third quarter of 2024, which was lower than the increase of R18.8 billion in the same quarter of 2023 but still exceeded the R9.2 billion increase recorded in the second quarter of 2024.

Total loans and advances extended to households and companies

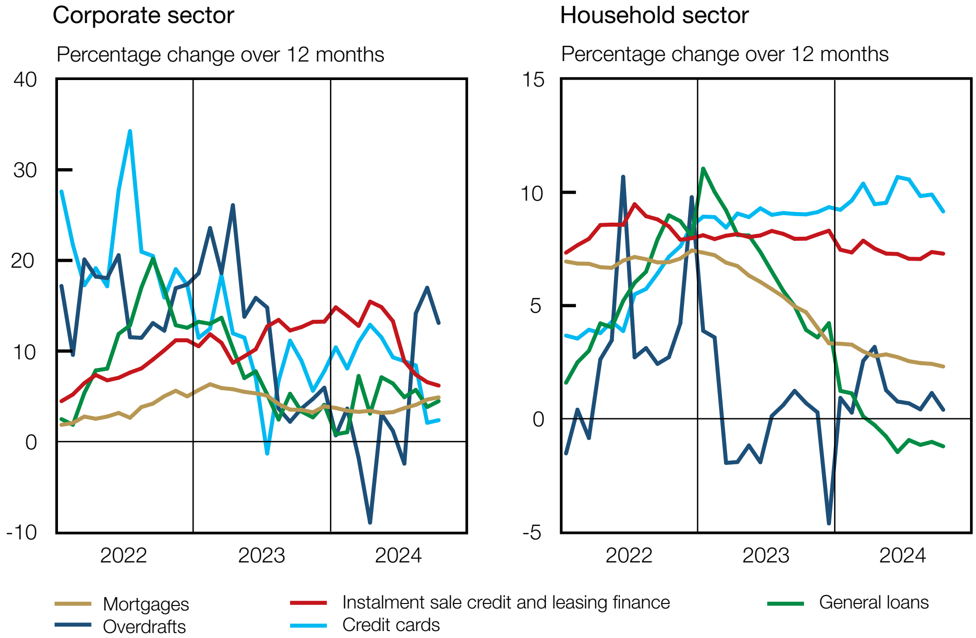
	Quarter-to-quarter change (R billions)					Percentage of total loans and advances*
	2023		2024			
	Q3	Q4	Q1	Q2	Q3	
Households	18.8	20.5	23.8	9.2	16.8	49.2
Companies: Total	42.4	8.2	67.2	-0.8	45.1	50.8
Of which: Financial	18.4	5.3	31.8	-42.4	23.5	13.3
Non-financial	23.9	2.9	35.4	41.5	21.5	37.5
Total bank loans and advances	**61.1**	**28.7**	**91.0**	**8.3**	**61.8**	**100.0**

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

Source: SARB

Growth in credit extended to the corporate sector fluctuated from a post-pandemic low of 2.8% in January 2024 before increasing to 6.3% in August but receded somewhat to 5.6% in September and October. Despite the quarterly increase in the nominal value of total loans extended to the corporate sector, most of the credit categories to the corporate sector decelerated in the third quarter of 2024, although growth in overdrafts and mortgage advances remained strong. The utilisation of overdrafts by corporates (11% of total corporate loans) fluctuated notably for most of 2024, contracting by 8.9% in April before increasing notably by 17.0% and 13.1% in September and October respectively.

Selected loans and advances



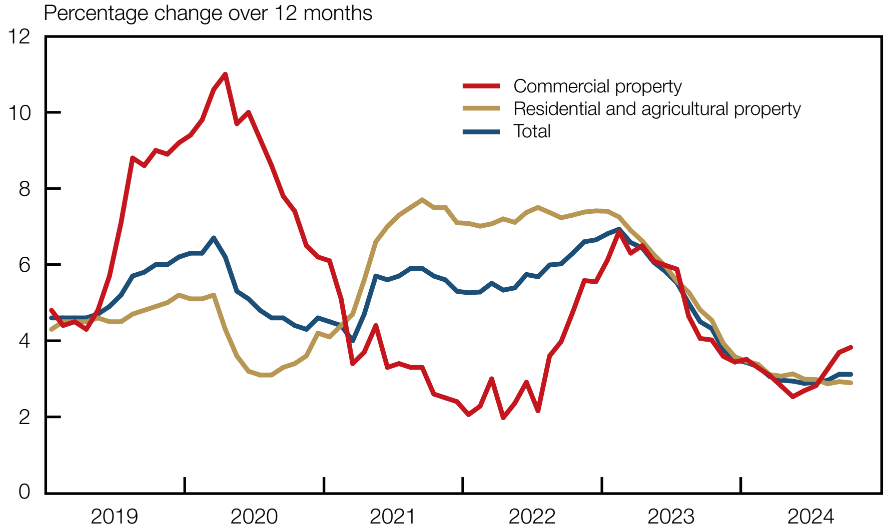
Source: SARB

The recent acceleration partly reflects the increased use of overdraft facilities by financial companies as well as low base effects from the previous year. Growth in mortgage advances extended to corporates (26% of total corporate loans) fluctuated between 3.2% and 3.9% from September 2023 to mid-2024 before accelerating to 4.9% in October 2024. After recording 13 months of double-digit growth rates, growth in instalment sale credit to companies (9% of total corporate loans) moderated sharply from a recent high of 15.4% in April 2024 to 6.2% in October. The year-on-year growth in general loans to companies (53% of total corporate loans) fluctuated from a low of 0.8% in January 2024 to 7.1% in May before slowing again to 4.5% in October, partly due to non-financial companies involved in vehicle and consumer goods manufacturing, education and training as well as retail trade repaying term loans, alongside base effects. Growth in credit card advances to companies (0.4% of total corporate loans) decelerated sharply from 12.9% in April 2024 to 2.4% in October.

Growth in credit extension to the household sector moderated gradually from 8.0% in January 2023 to 3.2% in October 2024, reflecting a broad-based slowdown across the various credit categories, in both asset-backed and, mostly, unsecured loans. Growth in general loans to households (14% of total household loans) remained lacklustre for most of 2024, decelerating from a high of 11.0% in January 2023 to -1.2% in October 2024, reflecting affordability constraints amid elevated debt-servicing costs as well as tighter lending criteria by banks due to rising non-performing loans and default rates. Growth in households' utilisation of credit card advances (8% of total household loans) remained fairly firm at an average of 9.8% in the first 10 months of 2024, possibly indicating the occasional usage of credit cards to maintain spending. Households' utilisation of overdrafts (2% of total household loans) remained volatile, with growth rates fluctuating between 0.3% and 3.2% thus far in 2024. Year-on-year growth in mortgage advances to households (59% of total household loans) decelerated gradually throughout 2023 and further to 2.3% in October 2024 – the lowest rate since February 2015. Growth in instalment sale credit to households slowed slightly from a recent high of 8.3% in December 2023 to 7.3% in October 2024.

Mortgage advances

Percentage change over 12 months



Source: SARB

The downward trend in total mortgage advances continued into 2024, with year-on-year growth decelerating for a 16th consecutive month from 6.6% in March 2023 to 2.9% in July 2024, before accelerating marginally to 3.1% in September and October. The residential property market continued to be impacted by relatively high interest rates, slow income growth and low levels of consumer confidence. However, withdrawals of partial pension benefits by households following the introduction of the two-pot retirement system could potentially provide some relief to borrowers, while the recent repurchase (repo) rate reductions could also support the demand for residential property going forward.

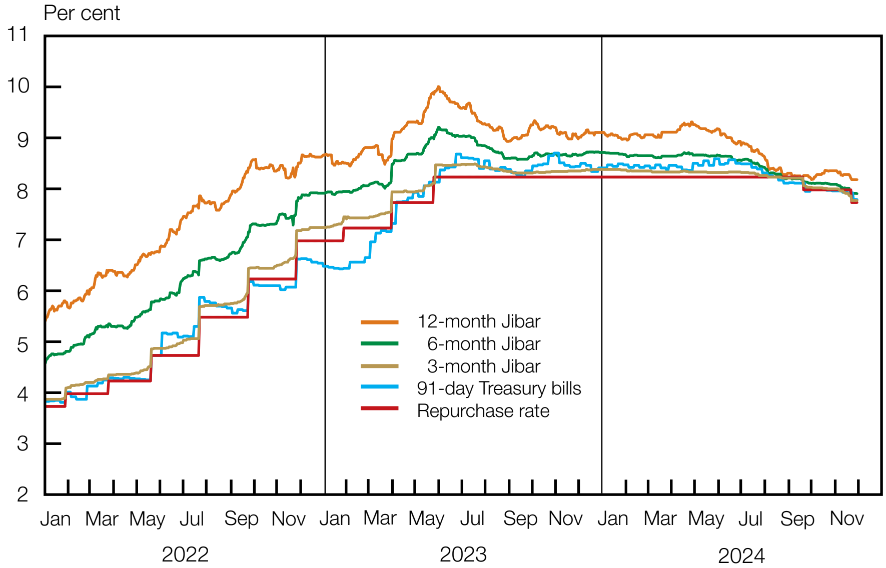
Similarly, growth in mortgage advances on commercial property remained muted for most of 2024, decelerating from 3.5% in January to a low of 2.5% in May before accelerating somewhat to 3.8% in October. The commercial property market continued to be hindered by elevated interest rates and generally weak activity in the non-residential building sector but it could benefit from a sustained improvement in investor and business confidence.

Interest rates and yields

The Monetary Policy Committee (MPC) of the SARB lowered the repo rate further by 25 basis points to 7.75% per annum at the November 2024 meeting after reducing it by the same magnitude at the September meeting following lower inflation outcomes recently and an improved inflation outlook. However, the MPC noted that while the risks to the domestic inflation outlook are currently assessed as balanced, upside risks emanating from higher prices for food, electricity and water as well as insurance premiums and wage settlements remain in the medium term.

Domestic short-term money market rates across the different maturities decreased in line with the reduction in the repo rate in September and November 2024, while also reflecting movements in the exchange value of the rand as well as lower actual and expected consumer price inflation outcomes. The three-month Johannesburg Interbank Average Rate (Jibar) decreased from 8.23% on 16 September 2024 to 8.02% on 22 October and further to 7.79% on 29 November. Similarly, the six-month Jibar decreased from 8.23% on 16 September to 8.13% on 22 October before it decreased further to 7.93% on 29 November. By contrast, the 12-month Jibar fluctuated within a narrow range, increasing by 10 basis points from 8.28% on 16 September 2024 to 8.38% on 22 October. Subsequently, the rate decreased to 8.20% on 29 November, following the MPC meeting. The tender rate on 91-day Treasury bills (TBs) also reflected the changes in the repo rate, declining by 14 basis points from 8.13% on 16 September 2024 to 7.99% on 21 October. The decrease also reflected the increased demand for short-term high-quality liquid assets by private sector banks. The tender rate on 91-day TBs then declined further to 7.81% on 29 November.

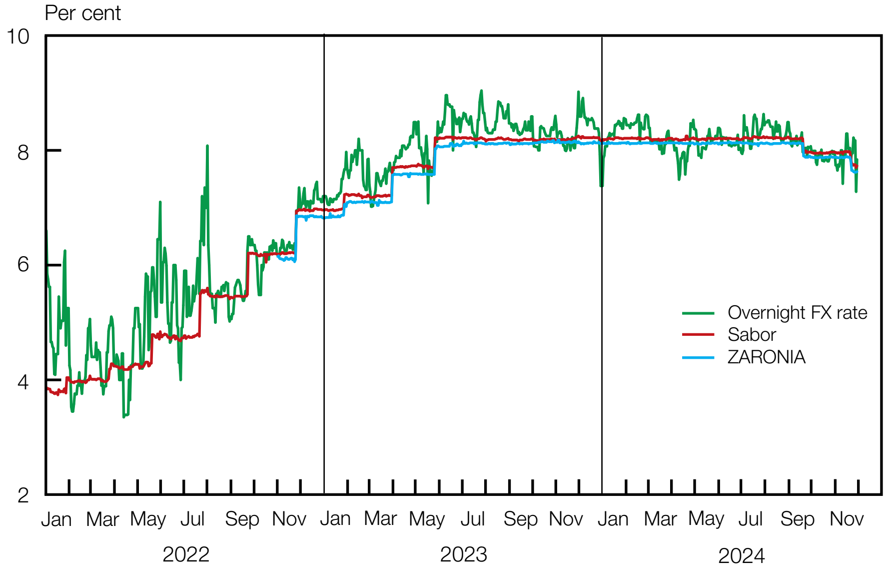
Money market rates



Source: SARB

Funding conditions in the interbank lending market have been relatively stable throughout 2024 as reflected in the benchmark overnight rates. The South African Benchmark Overnight Rate (Sabor) fluctuated in close alignment with the repo rate, averaging 7.98% from 16 September 2024 to mid-November as private sector banks experienced periods of surplus liquidity in the overnight interbank market. Thereafter, the rate decreased to 7.32% on 29 November in line with the further reduction in the repo rate. The South African Rand Overnight Index Average (ZARONIA) rate continued to trade below the repo rate and declined from 8.12% on 16 September 2024 to 7.88% on 31 October, reflecting adequate liquidity conditions in the overnight call deposit market. At the end of November 2024, the ZARONIA rate declined further to 7.63%. The more volatile overnight FX rate decreased by 25 basis points from 8.19% on 16 September 2024 to 7.94% on 31 October as liquidity conditions in the overnight FX forward market eased before falling further to a low of 7.84% on 29 November. However, the overnight FX rate averaged 8.27% in the third quarter of 2024, up from 8.11% in the second quarter.

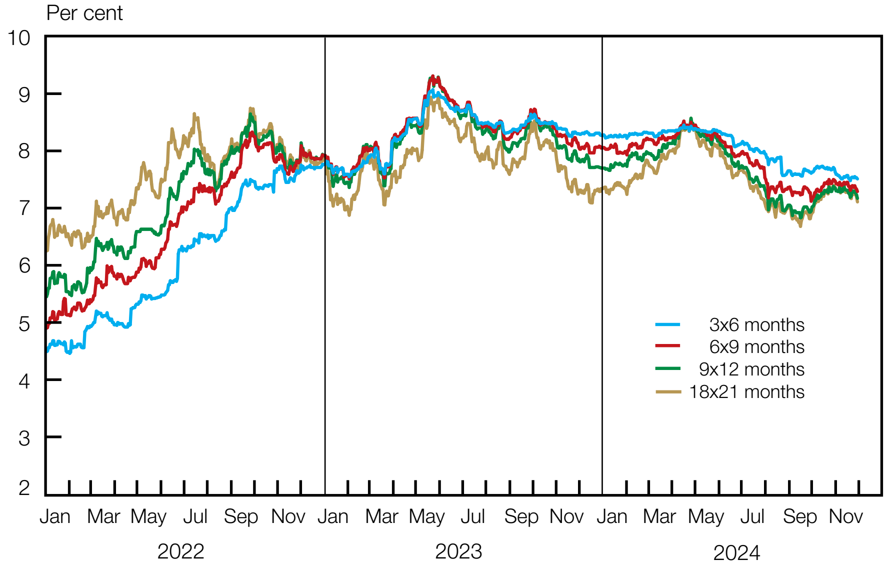
Benchmark overnight rates



Source: SARB

Rates on forward rate agreements (FRAs) initially displayed a slight upward trend across the maturity spectrum from early September 2024 to October but then trended lower again in November, mostly reflecting movements in the exchange value of the rand, the reduction in the repo rate and lower-than-expected inflation outcomes. The 3x6-month FRA initially increased by 14 basis points from 7.57% on 16 September 2024 to 7.71% on 21 October before decreasing to 7.51% on 29 November.

Forward rate agreements



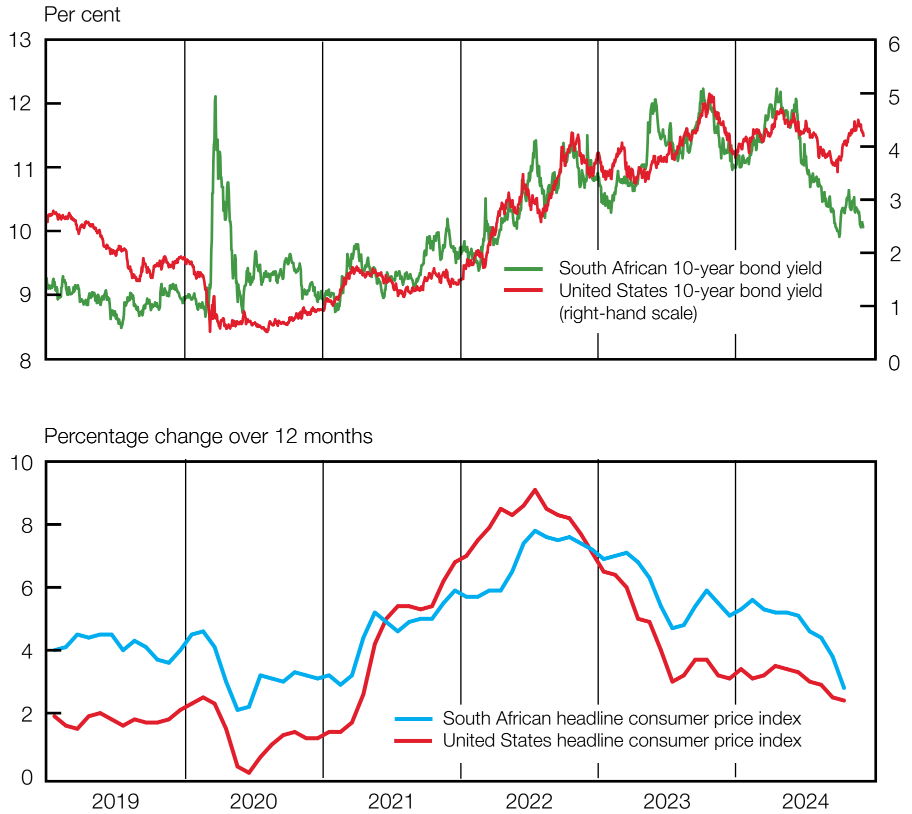
Source: SARB

Similarly, the 6x9-month FRA increased by 23 basis points from 7.23% on 16 September 2024 to 7.46% on 21 October before decreasing marginally to 7.29% on 29 November, while the 9x12-month FRA increased by 48 basis points from 6.83% to 7.31%. The longer-dated 18x21-month FRA increased significantly by 65 basis points from 6.68% to 7.33% over the same period before decreasing to 7.11% on 29 November.

Deposit and lending rates offered by private banks decreased slightly alongside the recent reductions in the repo rate as reflected in the decrease from 11.46% in August 2024 to 11.34% in September in the weighted average flexible interest rate charged by banks on mortgage advances. Similarly, the rate on instalment sale credit decreased from 11.93% to 11.78% over the same period. The weighted average interest rate on overdrafts also decreased marginally from 11.76% in August 2024 to 11.60% in September, while the rate on credit card advances decreased from 18.11% to 18.03% over the same period. The weighted average interest rate offered on call deposits decreased from 8.00% in August 2024 to 7.87% in September, while banks offered a weighted average interest rate of 8.62% on 12-month fixed deposits in September.

The *yield on 10-year South African rand-denominated government bonds issued and traded in the domestic market* declined considerably by 232 basis points to a recent low of 9.91% on 27 September 2024 following a high of 12.23% on 16 April. The decline in South African bond yields tracked international bond yields and was influenced by, among other factors, the appreciation in the exchange value of the rand, lower consumer price inflation, recent and anticipated monetary policy easing and improved investor sentiment since the formation of the GNU. Subsequently, the 10-year South African government bond yield increased by 73 basis points to 10.64% on 23 October, along with the depreciation in the exchange value of the rand and higher international bond yields. Thereafter, the yield moved lower to 10.06% on 29 November.

Government bond yields and inflation

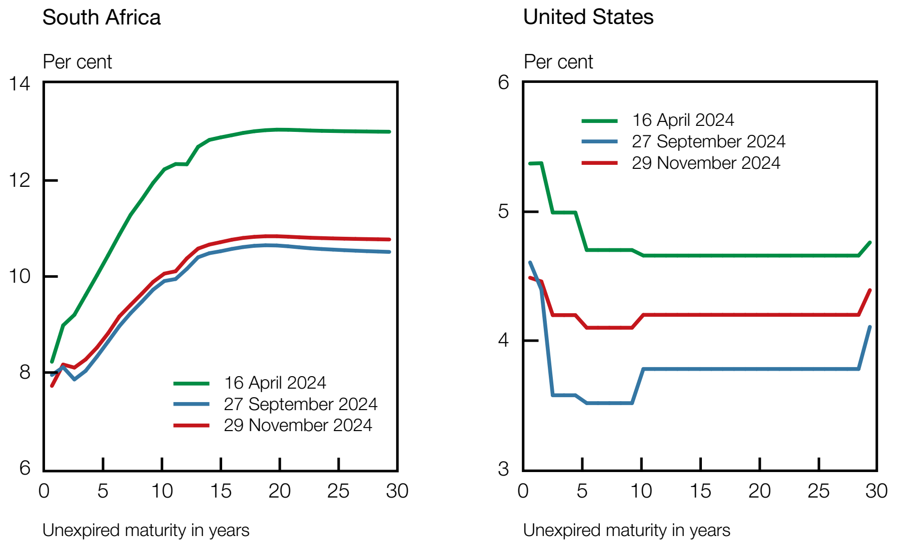


Sources: IRESS, JSE and Stats SA

Movements in the level of the *domestic yield curve* generally reflected the impact of the underlying drivers of bond yields as the slope of the yield curve flattened and moved lower from 16 April to 27 September 2024, with the short-term maturity range influenced lower by the reduction in the repo rate, before increasing slightly to R0.65 billion in November. Subsequently, the level of the yield curve shifted somewhat higher across the maturity spectrum to 29 November, except for the extreme short end which continued to move lower. Similarly, the inverted US yield curve also shifted lower over the same period before moving higher to 29 November. The yield gap[24] in South Africa narrowed from 479 basis points on 16 April 2024 to 256 basis points on 27 September before widening to 305 basis points on 29 November.

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

Yield curves



Sources: IRESS and JSE

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+),[25] narrowed from 417 basis points in July 2024 to 371 basis points in November as emerging market bond yields declined alongside an appreciation in emerging market currencies, while US government bond yields increased. Likewise, South Africa's *sovereign risk premium*[26] on US dollar-denominated government bonds in the six-year maturity range continued to narrow from a monthly average of 246 basis points in July 2024 to 215 basis points in November, buoyed by sustained positive investor sentiment since the formation of the GNU and an international credit rating agency's revision of South Africa's debt rating outlook from stable to positive.

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

26 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

Private sector banks' daily surplus liquidity position averaged R141.3 billion during the third quarter of 2024, ranging between a low of R69.4 billion on 1 July and a high of R183.6 billion on 23 September, with the latter well above the R160 billion upper limit of the liquidity target range plus the R40 billion shock buffer. The withdrawal of Corporation for Public Deposits (CPD) funds from the SARB over this period led to an increase in the overall liquidity position in the money market as these funds were placed with private sector banks.

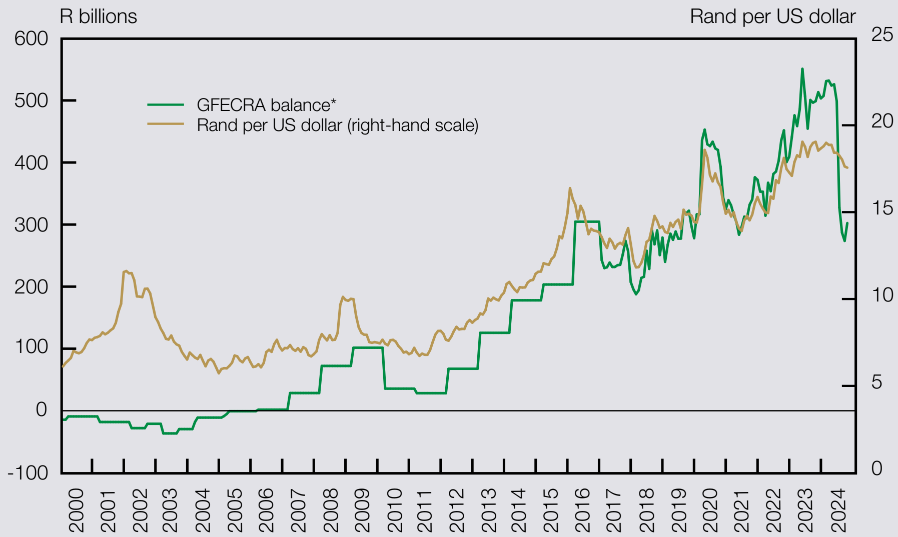
The amount on offer at the SARB's weekly refinancing auction was kept at R7.0 billion as banks' requirement for additional funds declined following the implementation of the surplus-based Monetary Policy Implementation Framework in 2022. The average daily surplus liquidity position of private sector banks increased further to R190.7 billion on 23 October 2024 after additional transfers were made from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) to National Treasury (NT). Box 2 provides more detail on the impact of the GFECRA allocation to NT on the monetary statistics.

Box 2 The impact of the Gold and Foreign Exchange Contingency Reserve Account distribution to National Treasury on money and banking statistics[1]

The Gold and Foreign Exchange Contingency Reserve Account (GFECRA)[2] Defrayal Amendment Act 27 of 2024 and the GFECRA Settlement Agreement[3] as provided for in the South African Reserve Bank Act 90 of 1989, as amended (SARB Act) gave effect to the transfer of funds from the GFECRA to National Treasury (NT) in the 2024/25 fiscal year and outlined a framework for further disbursements in the future. The transfers made in this fiscal year affected a range of statistics and analysis published in the *Quarterly Bulletin (QB)* and this box discusses the impact of the initial disbursements made between 1 July and 12 August 2024 on the money and banking statistics.

Historically, the outstanding balances in the GFECRA went unsettled, with the last formal settlement made by NT in 2003 to the value of R28 billion in favour of the SARB for accrued losses resulting from the appreciation in the exchange value of the rand against reserve currencies.[4] The balance of the GFECRA gradually grew from a negative R9.2 billion in April 2000 to R453 billion in April 2020 due to the increase in South Africa's holdings of foreign exchange reserves and in particular the valuation effects associated with the depreciation in the exchange value of the rand against reserve currencies[5] as reflected in the accompanying graph.

GFECRA balance and the exchange value of the rand against the US dollar



* Annual data were used from 2000 to 2016 and monthly data from 2017.

Source: SARB

Thereafter, the GFECRA balance decreased in line with the appreciation in the exchange value of the rand, reaching R284 billion in May 2021 before increasing to an all-time high of R551 billion in May 2023 as the exchange value of the rand depreciated again.

---

1 This box explains the impact of the GFECRA disbursement on money and banking statistics disseminated in the SARB's *Quarterly Bulletin*. This is reflected in the changes to the 'South African Reserve Bank liabilities' table on page S–2, the 'Monetary analysis' tables on page S–24 and the 'Liquidity management operations' table on page S–29.

2 The GFECRA is a valuation account that captures the unrealised profits or losses incurred by the SARB on South Africa's holdings of gold and foreign exchange (FX) reserves that arise from exchange rate and price movements. Any unrealised profit or loss accrues to the government in terms of section 28 of the SARB Act. From a balance sheet perspective, a positive balance is reflected as a liability to the SARB, representing an amount payable to the government.

3 The GFECRA Settlement Agreement was promulgated in June 2024 and obligated the SARB to transfer R200 billion to the National Revenue Fund (NRF) during the 2024/25 fiscal year, with the first R100 billion transferred upon the promulgation and another R100 billion to be transferred later in the fiscal year. Of this amount, the government will transfer R100 billion to the SARB from the NRF towards the contingency reserve account. In addition, the SARB is expected to transfer R25 billion in each of the 2025/26 and 2026/27 fiscal years to the NRF.

4 Reserve currencies are foreign currencies held in large quantities by the SARB as part of its foreign exchange reserves.

5 When the exchange value of the rand appreciates against the US dollar and other reserve currencies, the GFECRA balance declines, and when the exchange value of the rand depreciates, the balance increases.

As envisaged in the February *2024 Budget Review*, a new GFECRA settlement framework that was agreed to in June 2024 by the Minister of Finance and the Governor of the SARB set out key principles specifying that GFECRA distributions should be transparent, well-governed and used solely for reducing government borrowing. The framework emphasised the need to safeguard the SARB's balance sheet and policy independence, thus the agreement specifies that the GFECRA should retain a sufficient balance to absorb future exchange rate swings. It also prohibits the sale of foreign exchange (FX) reserves to realise GFECRA gains if the reserve balance falls below the adequacy level.[6]

To give effect to the new framework, the GFECRA has been split into three pools of funds, with distributions made based on the following 'waterfall' approach:

- The first pool is the GFECRA buffer, which serves as a backup fund to absorb significant rand appreciation shocks, thereby minimising the risk of the account turning negative.
- Once the first pool is full, any additional funds will flow to the SARB's contingency reserve fund.[7]
- Any remaining excess funds will be distributed to NT on an annual basis.

Statement of Assets and Liabilities

	October 2024	July 2024	July 2024	
Post-GFECRA distribution				**Pre-GFECRA distribution**
EQUITY				**LIABILITIES**
Share capital	2 000 000	2 000 000	2 000 000	Share capital
Statutory reserve fund	458 525 601	458 525 601	458 525 601	Reserve fund
Contingency reserve fund	133 415 491 814	33 415 491 814		
Other	15 318 509 726	112 679 760 592		
LIABILITIES				
Notes and coin in circulation	169 222 976 808	167 342 760 551	167 342 760 551	Notes and coin in circulation
Deposits:				Deposits:
SA government's SDR deposit account	110 560 849 381	114 083 368 820	114 083 368 820	*SA government's SDR deposit account*
SA government: Other	8 375 092 620	8 641 926 918	8 641 926 917	*SA government: Other*
Banks	328 438 045 603	292 380 622 571	292 380 622 571	*Banks*
Other	48 360 827 168	59 257 142 286	59 225 126 612	*Other*
Foreign loans and deposits:				Foreign loans and deposits:
SA government	41 726 103 723	66 055 685 952	66 055 685 952	*SA government*
Other	46 505 766	47 095 859	47 095 859	*Other*
Gold and Foreign Exchange Contingency Reserve Account	302 391 192 757	327 312 840 000		
Other liabilities	6 192 594 755	7 829 739 088	481 269 847 169	Other liabilities
TOTAL EQUITY AND LIABILITIES	**1 164 508 715 722**	**1 189 506 960 052**	**1 189 506 960 052**	**TOTAL LIABILITIES**

6 The reserve adequacy level is the amount of FX reserves needed to protect the country's economy from external shocks and maintain financial stability. The SARB FX reserve adequacy level is the minimum amount of liquid assets the country needs to have to cover its trade and debt obligations for one year.

7 The contingency reserve fund is an all-purpose equity buffer for the SARB that provides a safety net for unexpected losses, including losses from the interest costs paid by the SARB to manage liquidity when there are GFECRA payouts to NT.

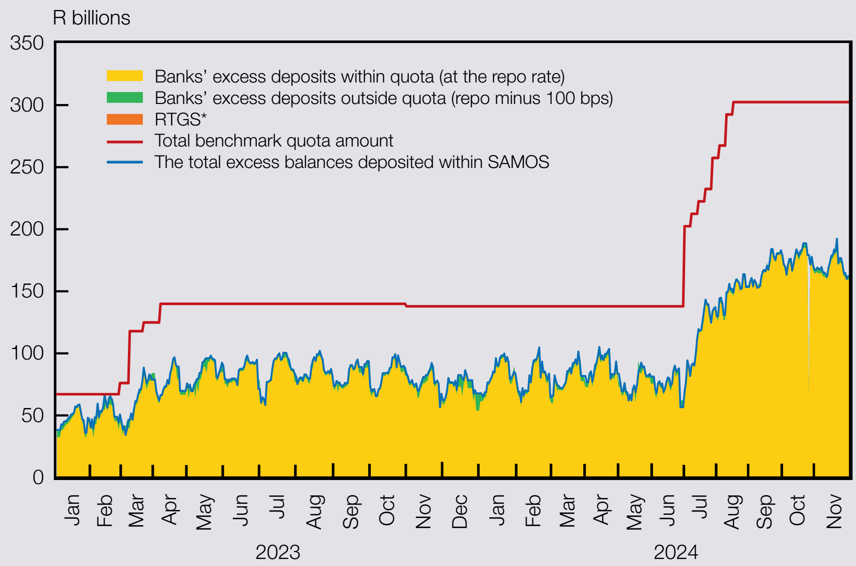
In line with these principles, the agreement specified the distribution of R250 billion from the GFECRA over a three-year period, of which R150 billion will be transferred to NT in three tranches: R100 billion in fiscal 2024/25 and R25 billion in both 2025/26 and 2026/27. An initial transfer of R100 billion was made to the SARB's contingency reserve buffer on 1 July 2024. The purpose of the buffer is to protect the SARB's policy solvency, defined as the flexibility to pursue its mandate without concern for its financial position.

The future distributions to NT are likely to be substantially smaller, as the current GFECRA balances have accumulated over a period of nearly two decades. However, accumulated GFECRA balances will be distributed more frequently. The liquidity management costs of these payouts will be payable by the SARB. The exact costs will be influenced by the level of short-term interest rates that apply at the time and will recur indefinitely.

The distribution of R100 billion to NT in fiscal 2024/25 was funded through the replacement of non-interest-bearing accumulated gains in the GFECRA, with new interest-bearing liabilities in the form of private banks' excess reserves placed[8] at the SARB. No FX reserves were sold. As a result, the impact of this transaction was limited to the liability side of the SARB's balance sheet,[9] as shown in the accompanying table with estimates for July 2024 and October 2024 for illustration.

To absorb the surplus liquidity generated by the GFECRA distribution, the SARB increased private banks' quota limits[10] from R138 billion in June 2024 to R302.5 billion in August. As a result of the GFECRA distribution, the average amount of banks' deposits within quotas increased from R73.8 billion in June 2024 to R166.0 billion in September. The SARB also utilised other money market tools to drain a portion of the excess liquidity emanating from the GFECRA distribution.

Banks' deposit balances within the SAMOS payment system



* RTGS is the regional cross-border real-time gross settlement system in the SADC region. Deposits of foreign central banks at SARB. These amounts do not qualify to be remunerated.

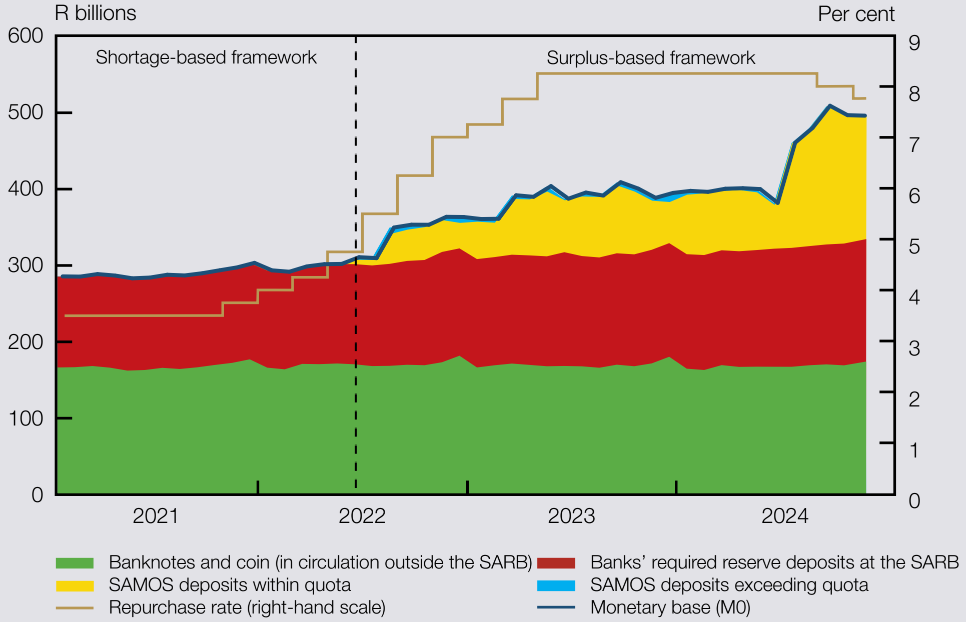
Source: SARB

8 See table KB131 on page S–29 in the *QB* for the South African Multiple Option Settlement (SAMOS) account standing facilities regarding 'within quota' and 'in excess of quota' amounts as well as total surplus liquidity. Banks' deposit surplus liquidity at the SARB, with the amount 'within quota' earning the repurchase (repo) rate and that 'in excess of quota' earning the repo rate *minus* 100 basis points to encourage activity in the interbank market.

9 The GFECRA distribution necessitated changes to the 'South African Reserve Bank Liabilities' table on page S–2. Equity now includes contingency reserves fund and other reserves, which were included in other liabilities up to June 2024.

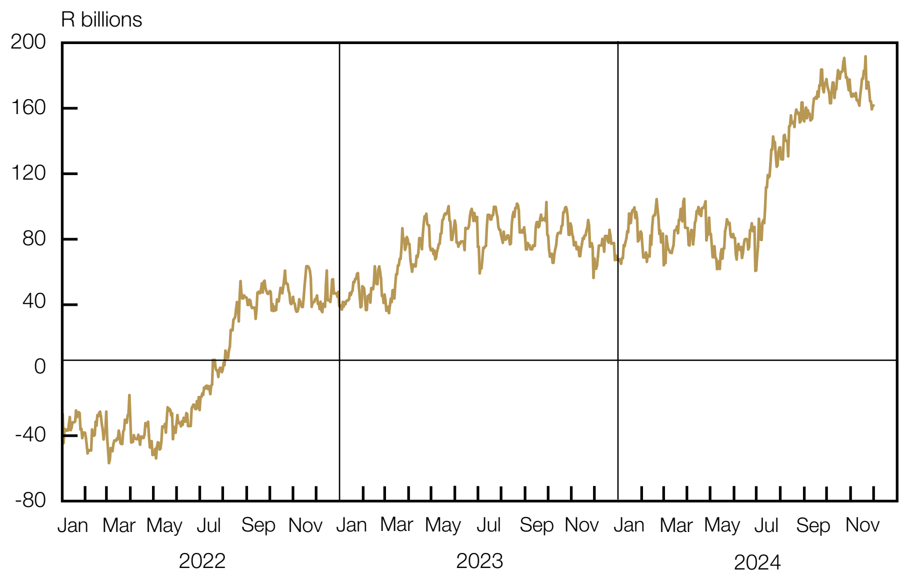
10 Quotas were designed to accommodate all excess liquidity in the system. The SARB sets quotas at its desired level of surplus liquidity, with the size of each bank's quota based on the relative size of its balance sheet.

Composition of South Africa's monetary base and the repo rate



Source: SARB

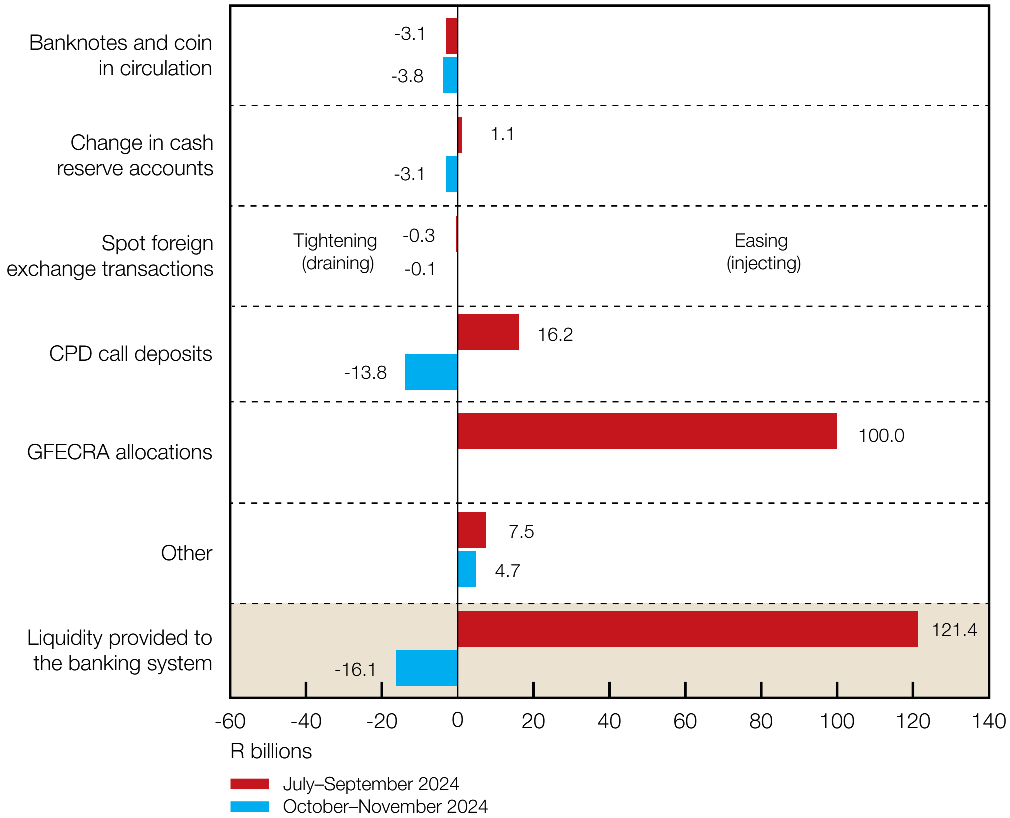
Daily liquidity



Source: SARB

Total accommodation provided to banks at the weekly main refinancing auctions increased from R1.2 billion at the end of July 2024 to R5.4 billion at the end of September as some banks required short-term liquidity for month-end obligations. In October 2024, the total accommodation provided to banks decreased to R0.35 billion as banks' requirement for additional liquidity declined before increasing slightly to R0.65 billion in November.

Factors influencing money market liquidity flows



Source: SARB

Money market liquidity expanded by a net amount of R121.4 billion in the third quarter of 2024 after a contraction of R25.8 billion in the second quarter. The expansion in the third quarter resulted largely from the R100 billion transferred from the GFECRA to NT. Furthermore, R16.2 billion in CPD funds were transferred to private sector banks along with a decrease of R1.1 billion in required cash reserve deposits of private sector banks. The expansion was slightly offset by an increase of R3.1 billion in banknotes and coin in circulation outside of the SARB.

In October and November 2024, money market liquidity contracted by R16.1 billion, mainly on account of the tightening of R13.8 billion in CPD call deposits at the SARB, an increase of R3.8 billion in banknotes and coin in circulation outside of the SARB, together with an increase of R3.1 billion in banks' required cash reserve deposits at the SARB.

Bond market

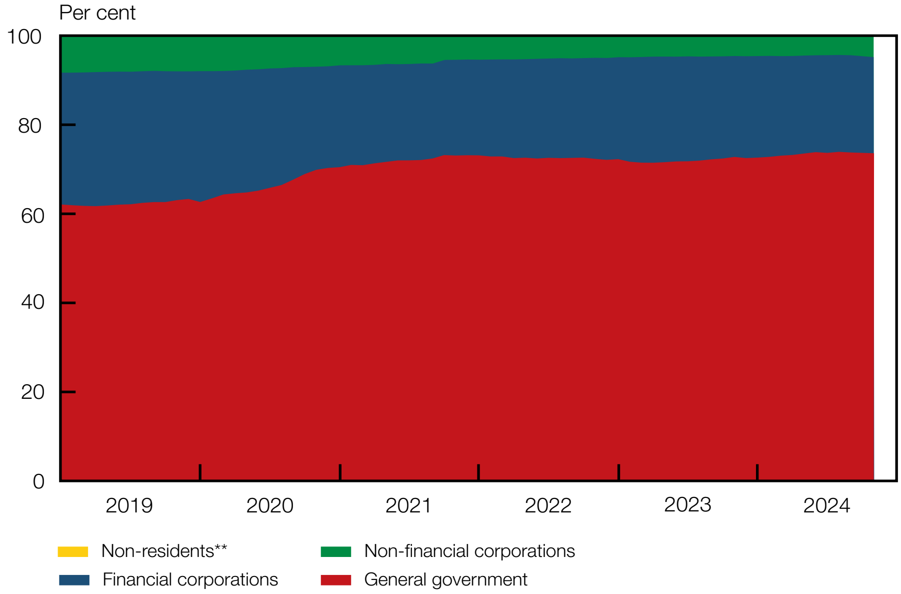
27 These are debt securities listed on the JSE Limited (JSE), Cape Town Stock Exchange (CTSE) and the Integrated Exchange (I-Ex).

28 These are debt securities not listed on a stock exchange and traded on the over-the-counter market.

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

The total *nominal value of outstanding listed*[27] *and unlisted*[28] *rand-denominated debt securities* issued by residents and non-residents in the domestic primary debt market increased by 7.4% year on year to R6.7 trillion at the end of October 2024. The outstanding amount of bonds issued by general government[29] of R5.0 trillion at the end of October 2024 continued to account for the largest share of the total amount of debt securities in issue in the domestic primary debt market at 73.8%. Net issuance of bonds by general government was 17.5% higher in the 10 months to October 2024 compared with the corresponding period of 2023, reflecting the elevated government borrowing requirement due to a combination of revenue shortfall and a sharp rise in expenditure, which resulted in a wider budget deficit in the *2024 MTBPS* compared with the projected deficit in the *2024 Budget Review*.

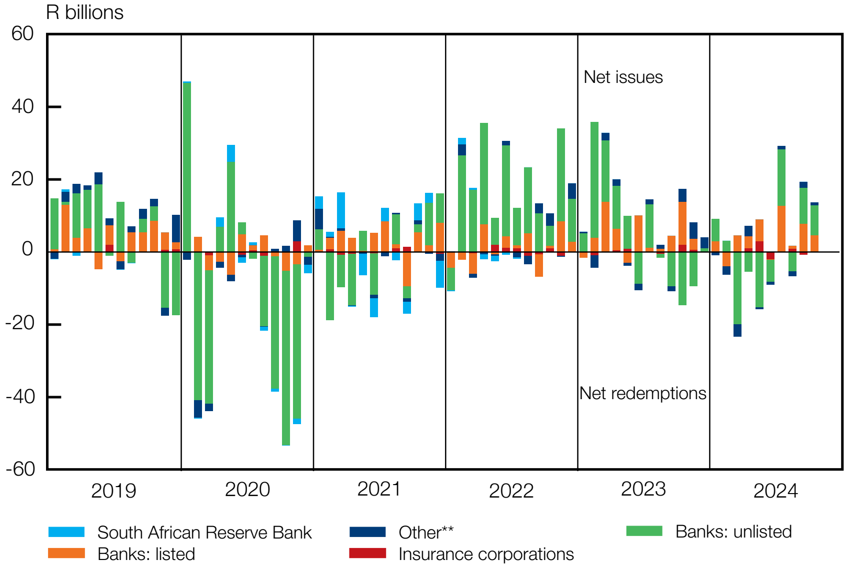
Sectoral composition of total outstanding listed and unlisted rand-denominated debt securities in the domestic primary debt market*



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

Meanwhile, financial corporations accounted for 21.8% of the total outstanding amount of debt securities in issue at the end of October 2024 but their net issuance decreased by 72.6% to only R29.0 billion in the first 10 months of 2024 compared with the same period of 2023. The reduced net issuance by financial corporations mainly reflected net redemptions of unlisted debt securities by banks of R9.0 billion in the first 10 months of 2024 compared with net issues of R52.9 billion in the same period of 2023 amid debt restructuring by banks due to surplus funding across their funding channels.

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



* Nominal value
** Includes state-owned companies, real estate corporations, special-purpose vehicles and other financial corporations

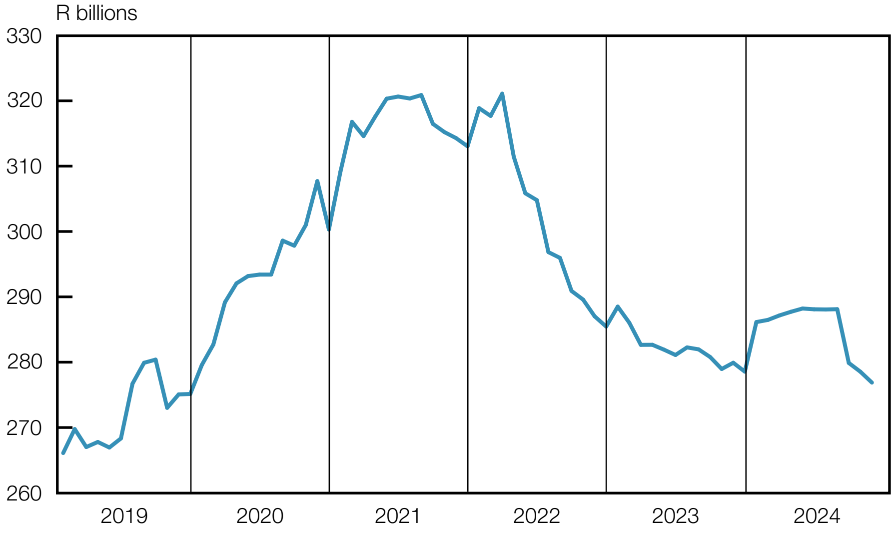
Sources: Banks, CTSE, I-Ex, JSE and SARB

The total *value of turnover* in the domestic secondary bond market of the JSE Limited (JSE), the Cape Town Stock Exchange (CTSE) and the Integrated Exchange (I-Ex) of R41.4 trillion in the 11 months to November 2024 was 8.2% higher than in the corresponding period of 2023, spurred by higher bond prices. Non-residents' participation[30] rate declined from an average of 11.4% during the first 11 months of 2023 to 9.1% over the same period in 2024.

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

The total outstanding amount of rand-denominated debt securities in the *European and Japanese bond markets* declined to R277 billion in November 2024 after a steady increase from January to August. The decline was as a result of larger scheduled redemptions, particularly in the European bond market. In the first 11 months of 2024, rand-denominated bond issuance in both markets was 7.3% higher than in the same period of 2023, along with the appreciation in the exchange value of the rand.

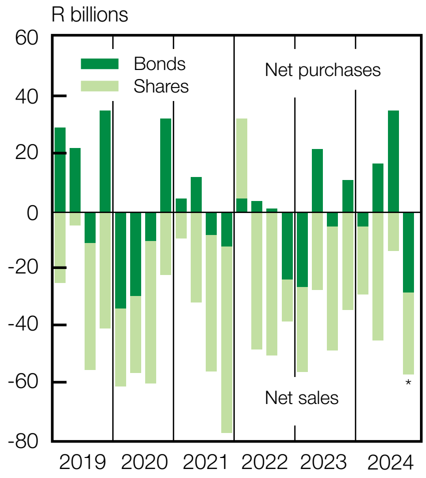
Outstanding amount of rand-denominated bonds in issue in international markets



Source: Bloomberg

Non-residents recorded net purchases of JSE-listed bonds to the amount of R35.6 billion in the third quarter of 2024 – the largest quarterly net purchases since the second quarter of 2011, according to JSE data. Subsequently, the holdings of domestic bonds by non-residents decreased by R28.0 billion in October and November, reflecting, among other factors, sentiments after the tabling of the *2024 MTBPS*. This resulted in cumulative net purchases of bonds by non-residents of R12.2 billion in the first 11 months of 2024 compared with net purchases of R14.9 billion in the corresponding period of 2023. Cumulative net purchases mainly reflected lower domestic interest rates and consumer price inflation as well as continued positive market sentiment since the formation of the GNU. Thus far in 2024, non-residents mainly transacted in government bonds, with the largest net purchases in the *R2035* and *R2040* bonds.

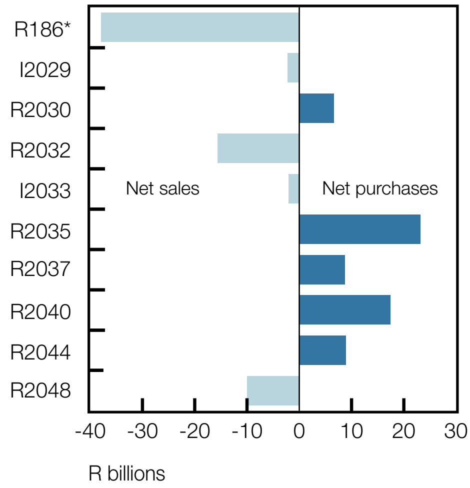
Non-resident net transactions in the domestic bond and share market



* October and November

Source: JSE

Largest net transactions by non-residents in government bonds by instrument and maturity in the first 11 months of 2024



* R186 bond matures in 2025

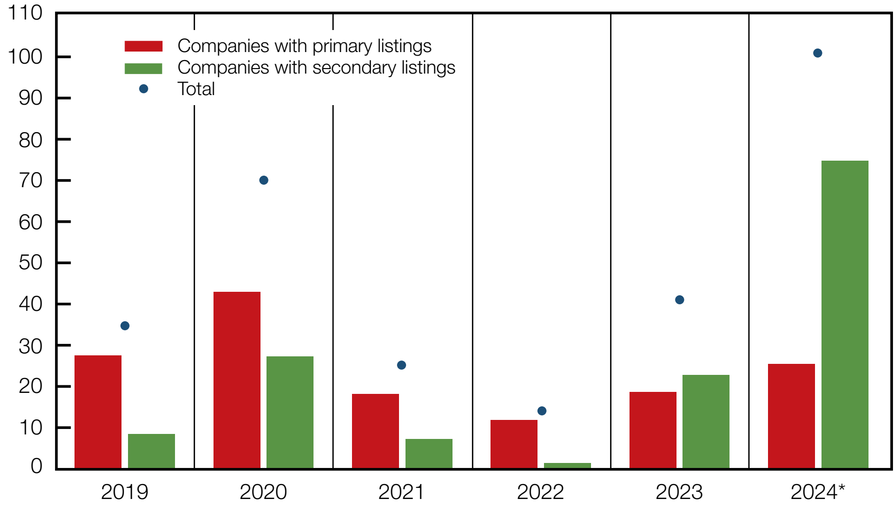
Share market

After the significant value of secondary capital raised of R71.6 billion by a secondary-listed industrial company in March 2024, the value of equity capital raised was again subdued in the remainder of 2024. The value of secondary equity capital raised by companies listed on the JSE in the domestic and international primary share markets amounted to R100 billion in the first 11 months of 2024 compared with R40.1 billion in the corresponding period of 2023. Following the relative decline from 2021, the uptick in the value of capital raised from 2023 to date reflects corporate actions where proceeds were used for various purposes. Thus far in 2024, the bulk of the equity capital has been raised by secondary-listed companies on the JSE at 74.6%, with companies in the industrial sector contributing the most to the total value of capital raised at 78.6%.

The combined *value of turnover* in the secondary share market of the four South African stock exchanges of R5.1 trillion in the first 11 months of 2024 was 0.6% higher than in the same period of 2023, along with higher share prices. The combined market capitalisation of all the shares listed on these exchanges increased from R18.1 trillion in February 2024 to R19.3 trillion in November, in line with higher share prices.

Capital raised in the primary share market of the JSE

R billions



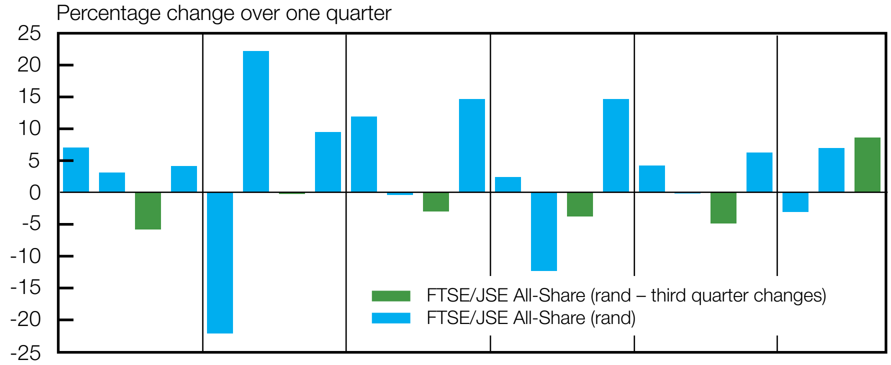
* Eleven months to November

Source: JSE

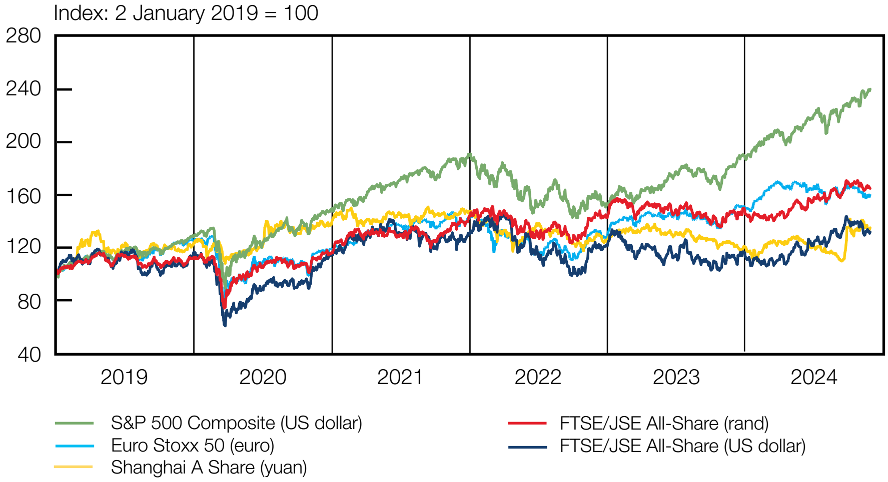
Non-residents' holdings of JSE-listed shares declined by R13.5 billion in the third quarter of 2024, followed by further net sales of R28.6 billion in October and November, according to JSE data. The continued sell-off in the domestic secondary share market brought cumulative net sales of shares by non-residents to R123 billion in the first 11 months of 2024, similar to the net sales of R117 billion in the same period of 2023. The persistent net selling of domestic shares reflected concerns over the escalating conflict in the Middle East as well as weak global and domestic economic growth prospects.

Share price indices

Percentage change over one quarter



Index: 2 January 2019 = 100



Sources: IRESS and JSE

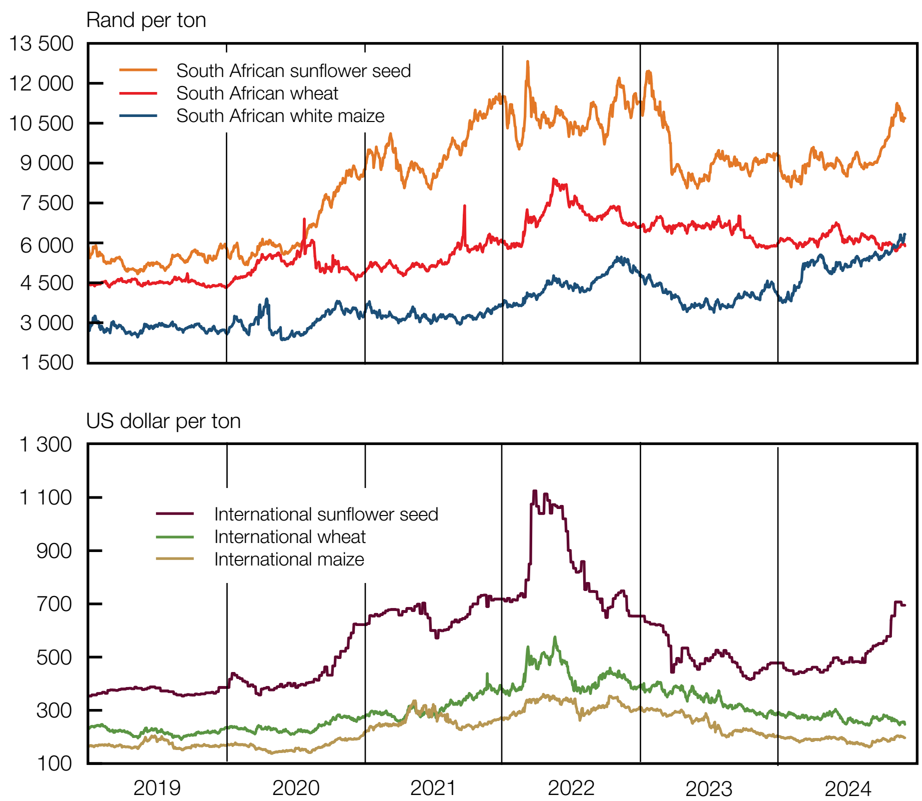
In rand terms, the *Alsi* surged, on balance, by 8.6% in the third quarter of 2024, recording its first positive third-quarter growth since 2017. The increase was supported by gains in the financial and industrial sectors of 13.0% and 10.9% respectively over this period. Overall, the performance of the South African share market during the quarter benefitted from higher international share prices as well as substantial Chinese stimulus measures announced in September 2024 to address the country's economic slowdown, continued improved investor sentiment following the establishment of the GNU and the stable electricity supply by Eskom. In US dollar terms, the 15.6% increase in the Alsi during the third quarter of 2024 outperformed the increases of 12.4% and 5.5% in both the Shanghai A Share and S&P 500 Composite indices respectively. In rand terms, the Alsi reached an all-time high of 87 644 index points on 28 October, followed by a correction to 84 510 index points on 29 November, along with escalating geopolitical risks in the Middle East and no resolution in sight for the Russia-Ukraine conflict.

The overall *price-earnings ratio* of ordinary shares listed on the JSE increased from a recent low of 14.2 in June 2024 to 15.2 in November as total earnings decreased while share prices increased over the same period. The dividend yield increased from 2.1% in August 2024 to 2.6% in November as dividends declared increased noticeably more than share prices.

Market for exchange-traded derivatives

The *spot price of maize contracts* traded on the JSE generally trended upwards during 2024. The spot price of white maize increased from a recent low of R3 754 per ton on 11 January 2024 to an all-time high of R6 385 per ton on 2 December. According to the Crop Estimates Committee (CEC) of the Department of Agriculture, Land Reform and Rural Development, the domestic maize harvest estimate was 22.6% lower in the 2023/24 production season than in the previous season as a result of the adverse impact of the El Niño-induced drought.

Grain prices



Sources: International Grains Council and JSE

The *spot price of domestic sunflower seed contracts* increased significantly by 21.7% from a recent low of R8 780 per ton on 13 August 2024 to R10 684 per ton on 29 November. The increase in domestic sunflower seed prices reflected the sustained upward trend in international sunflower seed prices and a lower domestic supply of sunflower seeds resulting from the projected lower harvest for the 2023/24 production season as estimated by the CEC.

The *spot price of domestic wheat contracts* trended relatively sideways during the second half of 2024, fluctuating somewhat lower from a recent high of R6 761 per ton on 31 May 2024 to R5 885 per ton on 29 November. This was alongside the appreciation in the exchange value of the rand, lower international wheat prices and favourable rainfall that led to an increase in production estimates over the review period, notably in the Western Cape, which is a predominantly winter rainfall region and a major winter crop-producing province.

The *total value of turnover in the derivatives markets of the JSE*[31] increased marginally in the first 11 months of 2024 compared with the corresponding period of 2023. The value of transactions in interest rate derivatives increased by 9.2% over the same period, reflecting increased hedging or speculative activity on the uncertainty around interest rates. Similarly, the value of transactions in commodity derivatives increased by 7.5% in the 11 months to November 2024 compared with the same period of 2023. By contrast, the value of currency derivatives transactions declined by 11.2% in the first 11 months of 2024 compared with the corresponding period of 2023.

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

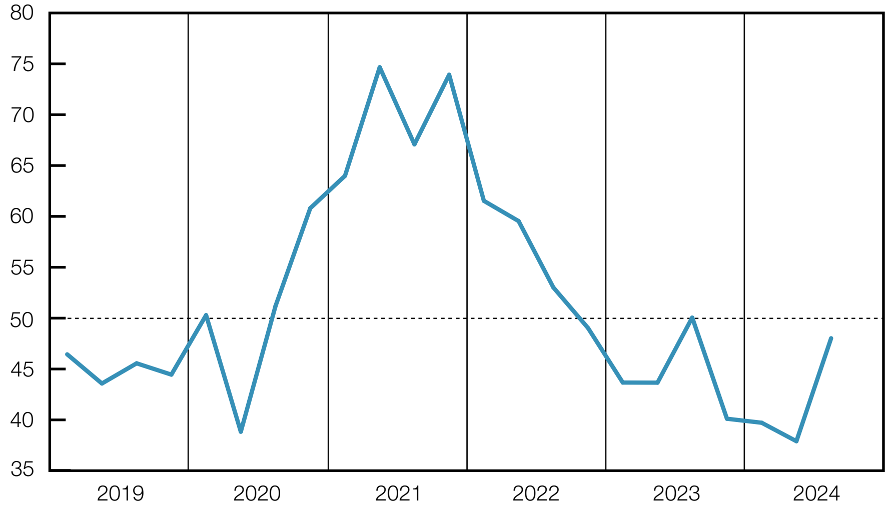
Derivatives turnover on the JSE, January to November 2024

Type of derivative	Value (R billions)	Change over one year (per cent)
Equity	5 511	-0.5
Warrants	1	18.3
Commodity	1 423	7.5
Interest rate	1 479	9.2
Currency	1 040	-11.2
Total	9 454	0.7

Source: JSE

The Agricultural Business Chamber of South Africa (Agbiz)/Industrial Development Corporation (IDC) Agribusiness Confidence Index (ACI) improved by 10 points to 48 index points in the third quarter of 2024 after dropping to a 15-year low in the second quarter. Notwithstanding the rebound, the ACI remained below the neutral 50-point level, implying that to some extent South African agribusinesses remain pessimistic. The main concerns weighing on the agricultural sector included, among other factors, the El Niño-induced drought that withered summer crop harvests, logistical constraints and geopolitical tensions. However, 6 out of the 10 subindices increased in the third quarter, thereby contributing to the overall increase in the index, possibly signalling improved long-term growth prospects and better farming conditions, should the sector overcome the challenges.

Agbiz/IDC Agribusiness Confidence Index



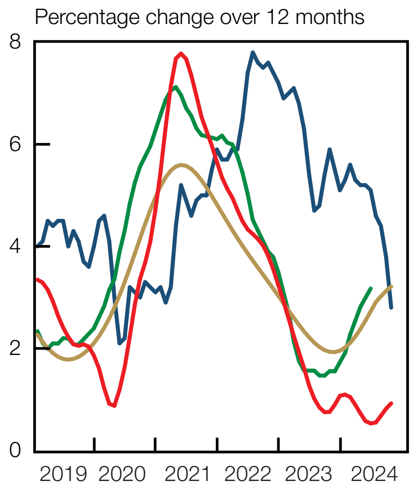
······ Neutral 50-point level

Source: Agbiz

Real estate market

Although growth in nominal *residential property prices* remained subdued, the year-on-year rates of increase in the available house price indices accelerated in recent months, along with a deceleration in headline consumer price inflation. In addition, the recent recovery in house price growth occurred alongside improved consumer confidence and the recent interest rate reductions. The year-on-year rate of increase in Stats SA's residential property price index accelerated to 3.2% in June 2024, while growth in the FNB and Lightstone house price indices also increased to 0.9% and 3.2% respectively in October 2024. According to Stats SA, the rebound in nominal house prices occurred in most major provinces, with the Western Cape displaying the strongest year-on-year growth at 7.6% in June 2024, mainly driven by the continued trend of migration to the Western Cape from international and local residents.

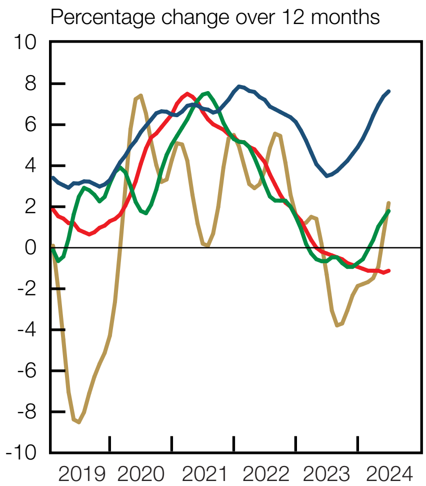
Residential property and consumer prices



Headline consumer price index
Lightstone
Stats SA
FNB

Sources: FNB, Lightstone and Stats SA

Residential property prices by selected provinces



Western Cape
Limpopo
KwaZulu-Natal
Gauteng

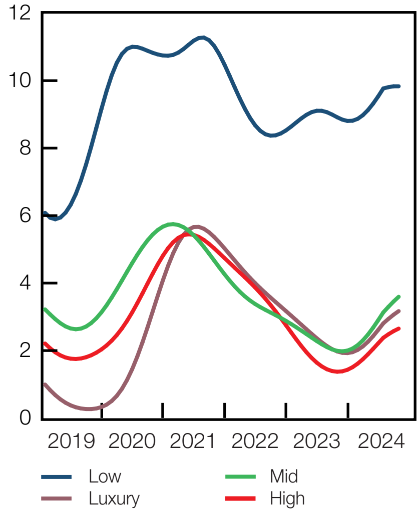
Source: Stats SA

The emerging recovery in house prices was especially noticeable in the low-value category (below R250 million) as the year-on-year rate of increase accelerated to 9.8% in October 2024, according to Lightstone. In addition, the Absa Homeowner Sentiment Index[32] reached an all-time high and increased by 2 percentage points to 84% in the second quarter of 2024, reflecting improved consumer confidence in the overall state of South Africa's residential property market.

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

Residential properties by value category

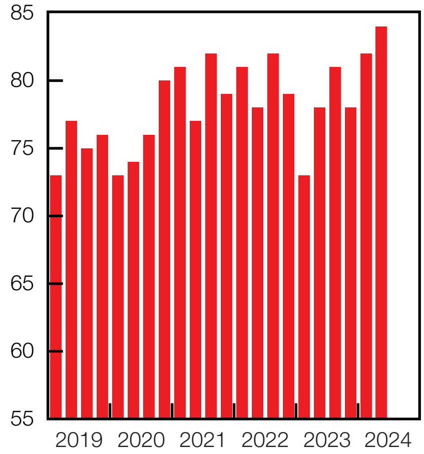
Percentage change over 12 months



Source: Lightstone

Homeowner Sentiment Index

Per cent



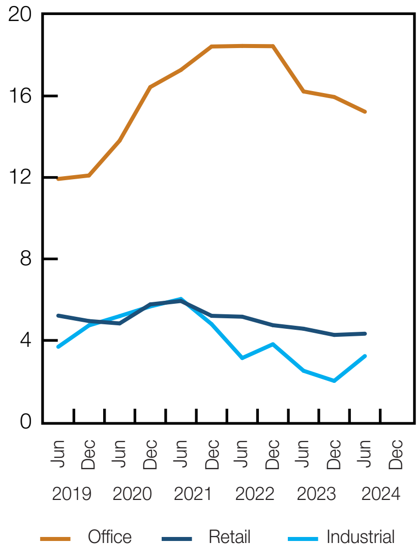
Source: Absa

The total return[33] on commercial property showed a marked improvement in 2024 as it registered an annual increase of 10.1% in June, according to MSCI data. The higher return was also reflected in lower vacancy rates, with the office vacancy rate, although still high, declining the most from a recent high of 18.5% in June 2022 to 15.2% in June 2024, while the retail property vacancy rate declined slightly to 4.3% over the same period. The lower and stable vacancy rates have resulted in a higher base rental income, particularly observed in the year-on-year growth rates of 5.6% and 5.1% in the retail and industrial property rental income respectively in June 2024.

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

Vacancy rate of commercial property by sector

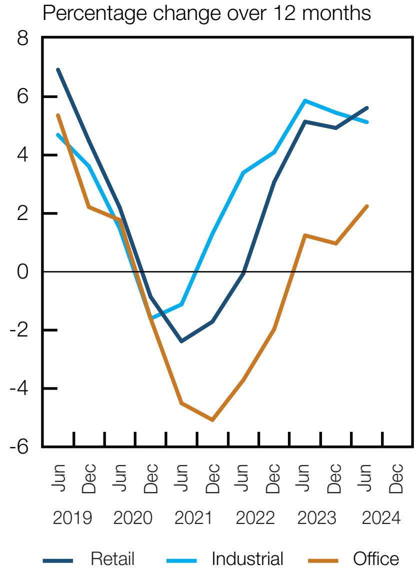
Per cent



Source: MSCI

Basic rental growth of commercial property by sector

Percentage change over 12 months



Non-bank financial institutions

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

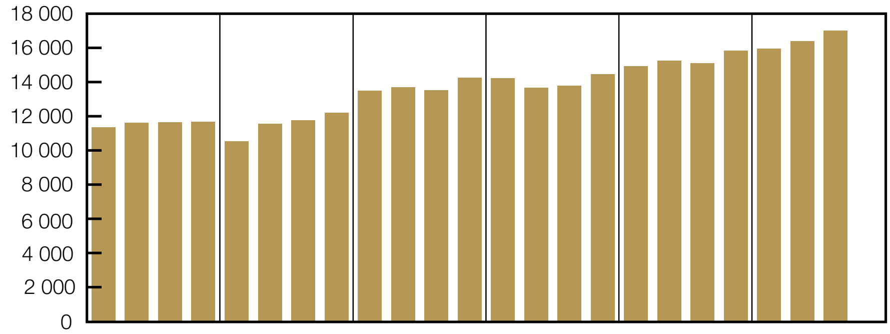
35 Non-bank financial institutions consist of unit trusts, the Public Investment Corporation (PIC), life and non-life insurance companies, official and private retirement funds, participation bond schemes, other financial intermediaries as well as non-monetary public financial corporations.

36 Other financial intermediaries comprise financial corporations engaged in lending, securitisation vehicles and central clearing counterparties.

The market value of the total assets[34] of non-bank financial institutions[35] increased by 3.7% from the second quarter of 2024 to R17.0 trillion in the third quarter, buoyed by increased financial asset prices. On a year-on-year basis, the market value of the total assets increased by 12.6% in the third quarter of 2024 compared with an increase of 7.5% in the second quarter. The total assets under management by the PIC increased by 6.2% from the second quarter of 2024 to R3.0 trillion in the third quarter, while those of insurance companies increased by 4.7% to R5.2 trillion over the same period. The total assets of unit trusts also increased by 4.5% from the second quarter of 2024 to R4.5 trillion in the third quarter, while those of other financial intermediaries[36] increased by 1.4% to R477 billion over the same period.

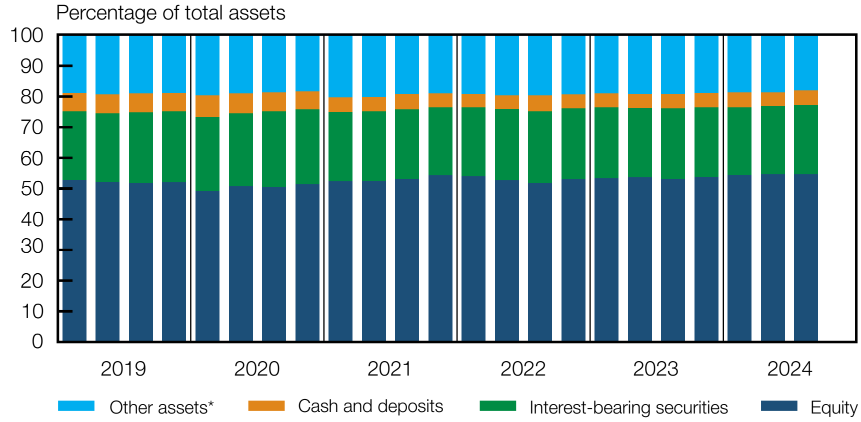
Total assets of non-bank financial institutions

R billions



Contribution of different asset classes to total assets of non-bank financial institutions

Percentage of total assets



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

Source: SARB

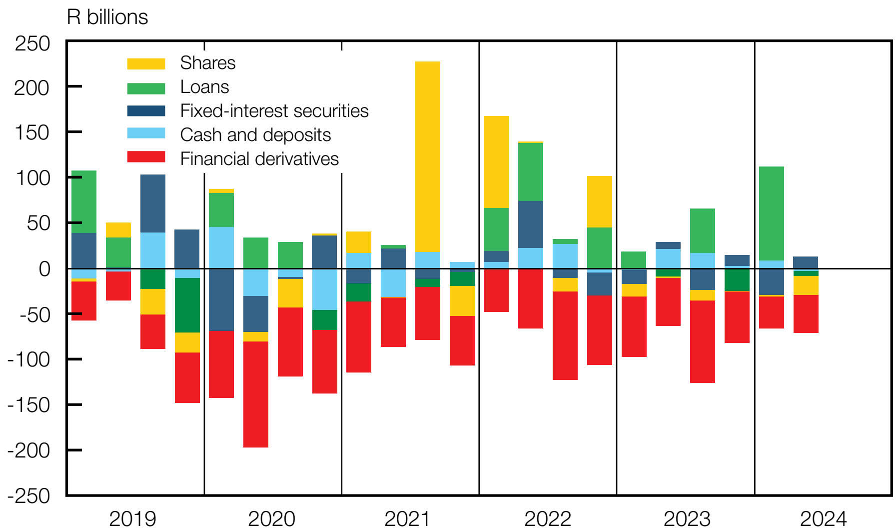
Holdings of equity by non-bank financial institutions increased by 0.1 percentage points from the second quarter of 2024 to 54.6% of total assets in the third quarter, in line with higher local and international share prices. The proportion of assets held in interest-bearing securities increased by 0.3 percentage points from the second quarter of 2024 to 22.6% of total assets in the third quarter alongside lower bond yields and a slowdown in consumer price inflation.

The share of holdings of cash and deposits by non-bank financial institutions relative to total assets increased by 0.2 percentage points from the second quarter of 2024 to 4.7% in the third quarter. By contrast, the share of the value of loans extended by non-bank financial institutions to households and companies continued to decline by 0.2 percentage points from the second quarter of 2024 to 4.2% of total assets in the third quarter. Likewise, the quarterly growth in credit extension by other financial intermediaries remained stagnant in the third quarter of 2024 following a marginal increase of 0.1% in the second quarter. Growth in credit extension by other financial intermediaries remained weak due to the prolonged effect of high interest rates.

Flow of funds

The net capital inflow from the *rest of the world* (ROW) to South Africa of R56.9 billion in the first quarter of 2024 changed to a net outflow of R6.6 billion in the second quarter – the first net outflow since the fourth quarter of 2021. In turn, non-residents recorded net sales of domestic financial assets of R115 billion in the second quarter of 2024. The reduced exposure reflected a decline of R1.7 billion in deposits with the domestic banking sector in the second quarter of 2024 from an increase of R8.3 billion in the first quarter. Following the net inflow of R103 billion in loans in the first quarter of 2024, an outflow of R5.2 billion was recorded in the second quarter. This included an increase of R22.8 billion in trade credit and short-term loans, mostly extended to the domestic banking sector, which was offset by the repayment of long-term loans of R27.9 billion from the domestic banking sector and an IMF loan from national government. Furthermore, reduced exposure to domestic financial derivatives amounted to R42.0 billion in the second quarter of 2024. Non-residents switched from net sales of R28.1 billion in fixed-interest securities in the first quarter of 2024 to net purchases of R12.8 billion (including the redemption of an international bond) in the second quarter. Non-residents' net purchases of domestic bonds were supported by, among other factors, the slowdown in domestic inflation. However, persistent net sales of domestic shares amounted to R21.1 billion in the second quarter of 2024, reflecting escalating tensions in the Middle East and weak domestic and global economic growth.

Net acquisition of selected domestic financial assets by non-residents



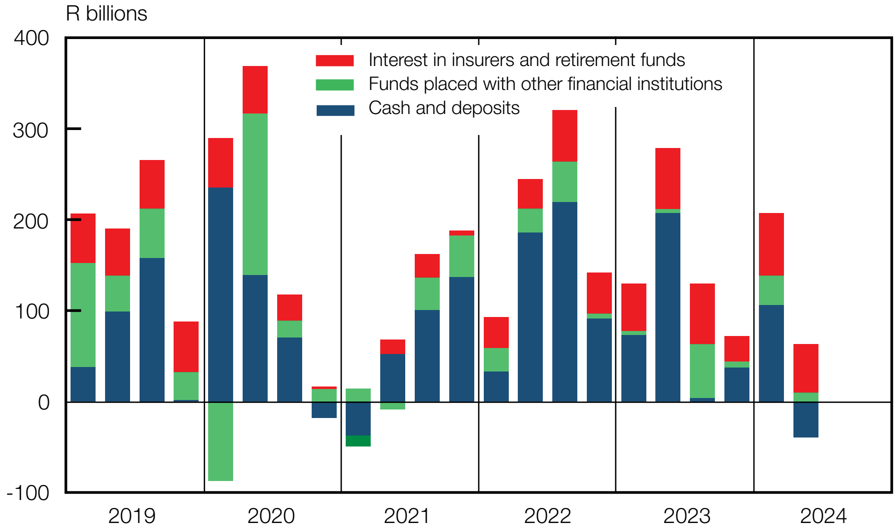
Source: SARB

South African residents recorded net sales of foreign assets of R108 billion in the second quarter of 2024 after recording net purchases of R46.5 billion in the first quarter. Loans extended by residents to foreign entities declined by R183 billion in the second quarter of 2024 as long-term loans extended by domestic private non-financial corporate business enterprises were offset by the repayment of trade credit and short-term loans by the domestic banking sector. Furthermore, domestic investors reduced their foreign exposure to financial derivatives by R41.6 billion, South Africa's foreign reserves decreased further by R20.5 billion and net sales of fixed-interest securities amounted to R19.5 billion in the second quarter of 2024. By contrast, funds placed with foreign institutions amounted to R62.3 billion and net purchases of foreign shares amounted to R20.0 billion over the same period.

Financial intermediaries' net disposal of liabilities amounted to R219 billion in the second quarter of 2024 from a net incurrence of R247 billion in the first quarter. The net flow of cash and deposits to the monetary institutions declined by R39.1 billion in the second quarter of 2024 due to withdrawals by local government, non-financial corporate business enterprises, which reflected dividend and provisional tax payments, and other financial institutions. The net flow to collective investment schemes decreased from R32.1 billion in the first quarter of 2024 to R9.5 billion in the second quarter, mainly due to net sales of units from insurers and retirement funds and the foreign sector. The net flow to insurers and retirement funds decreased from R66.1 billion in the first quarter of 2024 to R53.5 billion in the second quarter due to increased dividend payouts.

Financial intermediaries recorded a net disposal of financial assets of R167 billion in the second quarter of 2024 from a net acquisition of R304 billion in the first quarter. Intermediation through loans switched from an increase of R116 billion in the first quarter of 2024 to a decline of R167 billion in the second quarter. Financial intermediaries reduced their exposure to financial derivatives and shareholdings by a combined R207 billion in the second quarter of 2024. By contrast, financial intermediaries increased their net purchases of fixed-interest securities from R27.6 billion in the first quarter of 2024 to R49.8 billion in the second quarter, which consisted mainly of net purchases of government bonds and securities of public enterprises.

Financial intermediaries' net incurrence of selected financial liabilities



Source: SARB

General government recorded a lower net dissaving of R54.8 billion in the second quarter of 2024 from R118 billion in the first quarter, contributing to a smaller net borrowing requirement. The smaller net borrowing requirement of general government of R59.7 billion in the second quarter of 2024, compared with R127 billion in the first quarter, also reflected a 2.2% contraction in gross capital formation by the general government sector over the same period. The net borrowing requirement was financed through government bond issuance of R65.5 billion (including the net redemption of a foreign currency-denominated international bond), together with an increase in net issuance of TBs at R11.5 billion in the second quarter. The sector sourced loans of R32.8 billion in the second quarter of 2024, which were mainly from the banking sector but were partly offset by repayments of an IMF loan, compared with loans of R40.7 billion in the first quarter. On the assets side, cash and deposit withdrawals amounted to R27.6 billion in the second quarter of 2024.

Gross capital formation of *private and public non-financial corporate business enterprises* increased from R154 billion in the first quarter of 2024 to R192 billion in the second quarter. The increase was largely due to higher capital outlays by the private non-financial corporate business enterprises, spurred by an optimistic economic outlook following the stable electricity supply due to the continued suspension of electricity load-shedding. However, the increase in gross saving by non-financial corporate business enterprises from R188 billion in the first quarter of 2024 to R228 billion in the second quarter outweighed that in gross capital formation, resulting in a larger net lending position of R36.8 billion compared with R35.9 billion in the first quarter. The sector channelled some of its surplus funds to net purchases of units in collective investment schemes and fixed-interest securities of R9.5 billion and R17.1 billion respectively, and extended loans of R8.0 billion mainly to the foreign sector in the second quarter of 2024. By contrast, non-financial corporate business enterprises withdrew cash and deposits of R26.5 billion over the same period. The sector sourced funds through loans of R40.3 billion in the second quarter of 2024, while share redemptions amounted to R78.6 billion over the same period.

The *household sector's* higher gross saving contributed to a smaller net borrowing position of R22.1 billion in the second quarter of 2024 from R23.6 billion in the first quarter, with households financing their shortfall through loans of R6.6 billion, particularly in mortgage loans. In the second quarter of 2024, households' net acquisition of financial assets included cash and deposits of R40.8 billion, nearly double the R22.7 billion recorded in the first quarter. Net purchases of units in collective investment schemes amounted to R15.7 billion in the second quarter of 2024, which were lower than the R26.9 billion in the first quarter. By contrast, the net flow from households to insurers and retirement funds increased from R36.0 billion in the first quarter of 2024 to R37.9 billion in the second quarter.

Public finance[37]

37 Unless stated to the contrary, the year-on-year rates of change in this section compare April–September 2024 with April–September 2023 for flows, while stocks are as at 30 September 2024 over the year. Data for both periods are unaudited and preliminary.

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

Non-financial public sector borrowing requirement[38]

The preliminary *non-financial public sector borrowing requirement* increased by R23.0 billion year on year to R213.6 billion in the first six months (April–September 2024) of fiscal 2024/25. The higher borrowing requirement was largely due to the significant increase in the cash deficit of the non-financial public enterprises and corporations, or SOCs. By contrast, the consolidated general government recorded a smaller deficit, mostly due to the lower deficit of national government and the higher surplus of extra-budgetary institutions, which were partially offset by the deficit of the consolidated provincial government. The higher cash surplus of extra-budgetary institutions can be attributed to higher cash receipts from operating activities due to an increase in grants received and a slightly slower increase in payments for operating activities. The national government's lower deficit was mainly a result of higher cash receipts from operating activities due to higher revenue collections in most tax categories. By contrast, the consolidated provincial government switched from a cash *surplus* to a cash *deficit*, mainly due to higher cash payments for the compensation of employees in the period under review. In addition, all other levels of general government recorded cash surpluses.

Non-financial public sector borrowing requirement

R billions

Level of government	Apr–Sep 2023*	Apr–Sep 2024*
Consolidated general government	178.4	176.0
National government	246.6	241.9
Extra-budgetary institutions	-16.4	-25.8
Social security funds	-26.5	-27.0
Consolidated provincial government	-8.0	3.9
Local government	-17.3	-17.0
Non-financial public enterprises and corporations	12.1	37.6
Total	**190.5**	**213.6**
As a percentage of gross domestic product	*5.4*	*5.8*

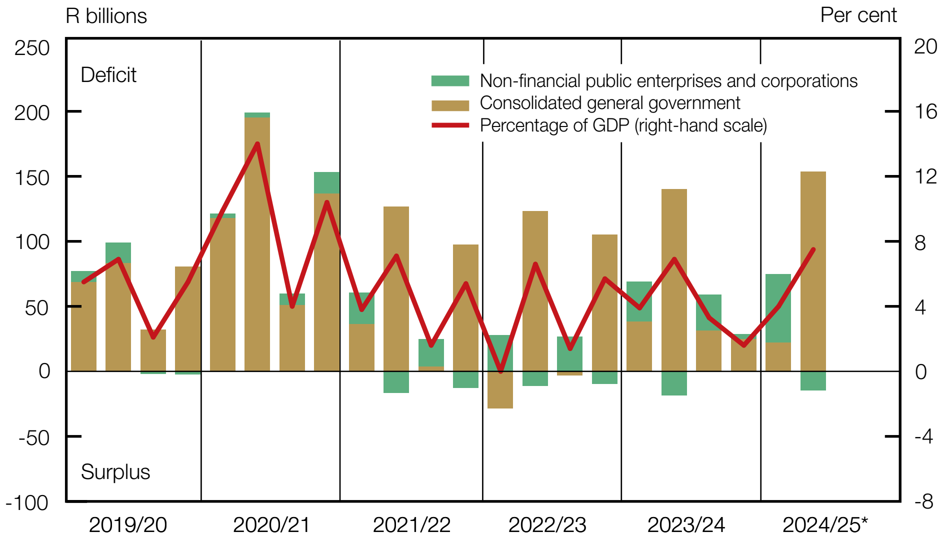
* Deficit (+)/surplus (–)

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

Sources: National Treasury, Stats SA and SARB

The non-financial public sector borrowing requirement, as a ratio of GDP, increased to 5.8% in the first six months of fiscal 2024/25 compared with 5.4% in the first six months of the previous fiscal year.

Non-financial public sector borrowing requirement



Fiscal years

* April–September 2024

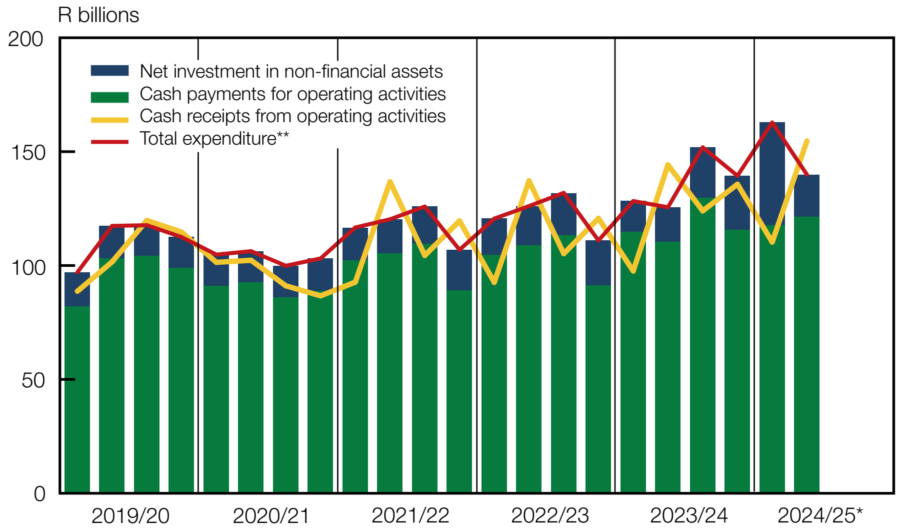
Sources: National Treasury, Stats SA and SARB

The preliminary financial activities of the non-financial SOCs resulted in a higher cash deficit of R37.6 billion in the first half of fiscal 2024/25. The larger cash deficit was due to a notable increase in total expenditure, which outpaced the increase in cash receipts from operating activities.

Total cash receipts from operating activities of the non-financial SOCs increased by 9.6% year on year to R265.1 billion, largely due to higher sales of goods and services in the first half of fiscal 2024/25. However, total expenditure of the non-financial SOCs, which includes cash payments for operating activities and net investment in non-financial assets, increased significantly by 19.2% year on year to R302.7 billion. This substantial increase in total expenditure emanated from the larger increase in net investment in non-financial assets.

Net investment in non-financial assets increased to R63.5 billion in the first half of fiscal 2024/25, largely driven by increased spending on building and structures as well as machinery and equipment.

Financial activities of non-financial public enterprises and corporations



Fiscal years

* April–September 2024

** Including both cash payments for operating activities and net investment in non-financial assets

Source: SARB

Box 3 The *2024 Medium Term Budget Policy Statement*[1]

The *2024 Medium Term Budget Policy Statement (MTBPS)* sets out a pro-growth agenda to address South Africa's prolonged economic and fiscal weakness. Over the medium term, the strategy is focused on supporting economic growth and reducing poverty and unemployment, while ensuring long-term fiscal stability by maintaining macroeconomic stability and sustainable fiscal policy, implementing structural reforms, supporting growth-enhancing public infrastructure investment and building a capable state that delivers a reasonable and reliable standard of public service to foster the necessary environment for inclusive economic growth and job creation.

The main expected outcomes of the *2024 MTBPS* are to achieve a primary budget surplus[2] of 1.8% of gross domestic product (GDP) in fiscal 2027/28 and to stabilise national government's gross loan debt at 75.5% of GDP in fiscal 2025/26.

Leading up to the *2024 MTBPS*, the South African economy was faced with challenges in logistics and port operations. However, Transnet's freight volumes grew from 149.5 million tonnes at the end of March 2023 to approximately 151.7 million tonnes by the end of March 2024, supported by the implementation of a recovery plan from October 2023 and reversing the prolonged decline in freight volumes. Although the risks to the domestic economic outlook were assessed as balanced at the time of the 2024 Budget, the *2024 MTBPS* revised the projection for real GDP growth lower to 1.1% in 2024 from the 1.3% projected in the *2024 Budget Review*. However, the country's fiscal and economic outlook remains optimistic over the medium term, with the economy projected to grow by an annual average of 1.8% over the medium term as a result of the early benefits of the implementation of reforms.

In the second half of 2024, headline consumer price inflation receded to its lowest rate in over three years, supported by lower food and transport prices, and is projected to stabilise around the midpoint of the 3–6% inflation target range over the medium term. Risks to the inflation outlook include higher administered prices and unfavourable weather conditions for agriculture.

Macroeconomic projections*

Percentage

	2023**	2024		2025		2026		2027
		Medium-term estimates***						
	Outcome	Budget	*MTBPS*	Budget	*MTBPS*	Budget	*MTBPS*	*MTBPS*
Real GDP growth	0.7	1.3	1.1	1.6	1.7	1.8	1.7	1.9
CPI	5.9	4.9	4.6	4.6	4.4	4.6	4.5	4.5
Current account balance (as a percentage of GDP)	-1.6	-2.8	-1.8	-3.0	-2.1	-3.0	-2.2	-2.5
GDP at current prices (R billions)	7 024	7 346	7 397	7 801	7 898	8 298	8 404	8 954

* Calendar years
** *2024 MTBPS*
*** *2024 Budget Review* and *2024 MTBPS*

Source: National Treasury

The *2024 MTBPS* revised consolidated government revenue lower by R15.1 billion to R2 022 billion compared with the *2024 Budget Review*'s original estimate of R2 037 billion for fiscal 2024/25, largely reflecting downward revisions in tax revenue. By contrast, National Revenue Fund (NRF) receipts have been revised upwards by R3.2 billion, mainly due to higher-than-expected revaluation profits from foreign currency transactions and provincial conditional grant surrenders from fiscal 2023/24. The gross tax revenue projected for fiscal 2024/25 has been revised downwards by R22.3 billion compared with the *2024 Budget Review* estimate of R1 863 billion, largely on account of the reduced collection of import value-added tax (VAT), personal income tax (PIT) and the net fuel levy.

1 The Minister of Finance presented the *2024 Medium Term Budget Policy Statement (MTBPS)* to Parliament on 30 October 2024.

2 A primary budget surplus is attained when revenue exceeds non-interest expenditure.

Fiscal framework*

R billions/percentage of GDP

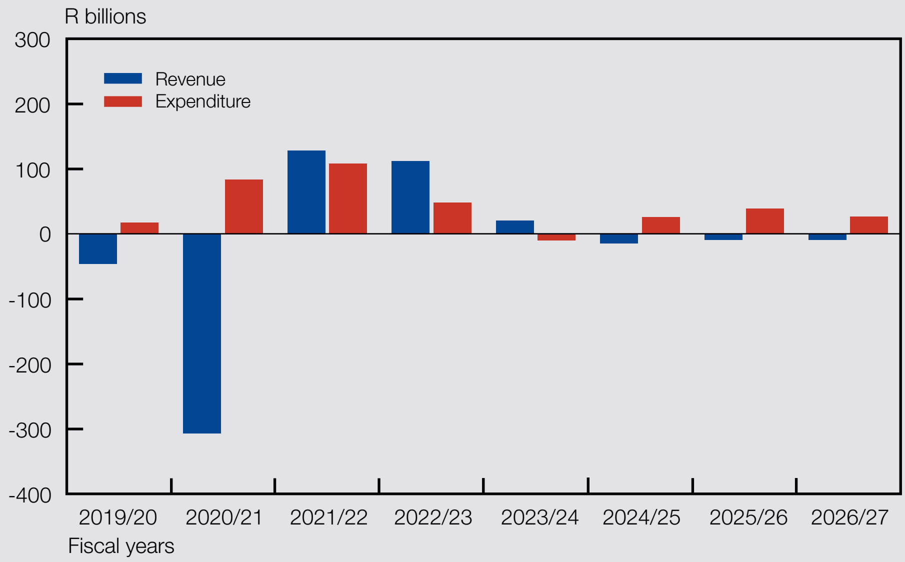
	2023/24**	2024/25		2025/26		2026/27		2027/28
		Medium-term estimates***						
	Outcome	Budget	*MTBPS*	Budget	*MTBPS*	Budget	*MTBPS*	*MTBPS*
Total consolidated revenue	1 941	2 037	2 022	2 176	2 167	2 324	2 314	2 472
Total consolidated expenditure	2 259	2 369	2 395	2 471	2 510	2 598	2 624	2 767
*Of which: Debt-service costs****	*356.1*	*382.2*	*388.9*	*414.7*	*419.1*	*440.2*	*445.7*	*475.7*
Primary balance****	33.2	61.2	3.2	106.5	75.3	153.0	120.6	166.7
Percentage of GDP	*0.5*	*0.8*	*0.4*	*1.3*	*0.9*	*1.8*	*1.4*	*1.8*
Consolidated budget deficit (fiscal balance)	-317.5	-332.4	-373.5	-295.0	-343.7	-274.2	-310.1	-295.3
Percentage of GDP	*-4.5*	*-4.5*	*-5.0*	*-3.7*	*-4.3*	*-3.3*	*-3.6*	*-3.2*
Gross loan debt of national government	5 259	5 522	5 622	5 959	6 055	6 293	6 424	6 817
Percentage of GDP	*74.1*	*74.1*	*74.7*	*75.3*	*75.5*	*74.7*	*75.3*	*75.0*

* Fiscal years
** *2024 MTBPS*
*** *2024 Budget Review* and *2024 MTBPS*
**** Main budget

Source: National Treasury

The government's medium-term strategy remains focused on achieving fiscal sustainability and as such provides for limited financial support to state-owned companies (SOCs), while remaining committed to completing the resolution of the debt obligations of Eskom and the South African National Roads Agency Limited (SANRAL), enabling them to make critical investments in electricity supply and road infrastructure respectively. The termination of toll collections on Phase 1 of the Gauteng Freeway Improvement Project (GFIP) put SANRAL under significant financial strain. To mitigate these pressures, national government and the Gauteng province took over R47.0 billion of the agency's outstanding liabilities. In fiscal 2024/25 and over the medium term, Gauteng's contribution will amount to R13.1 billion, while national government will provide R4.4 billion, with further commitments beyond this period.

Revisions to consolidated government's revenue and expenditure*

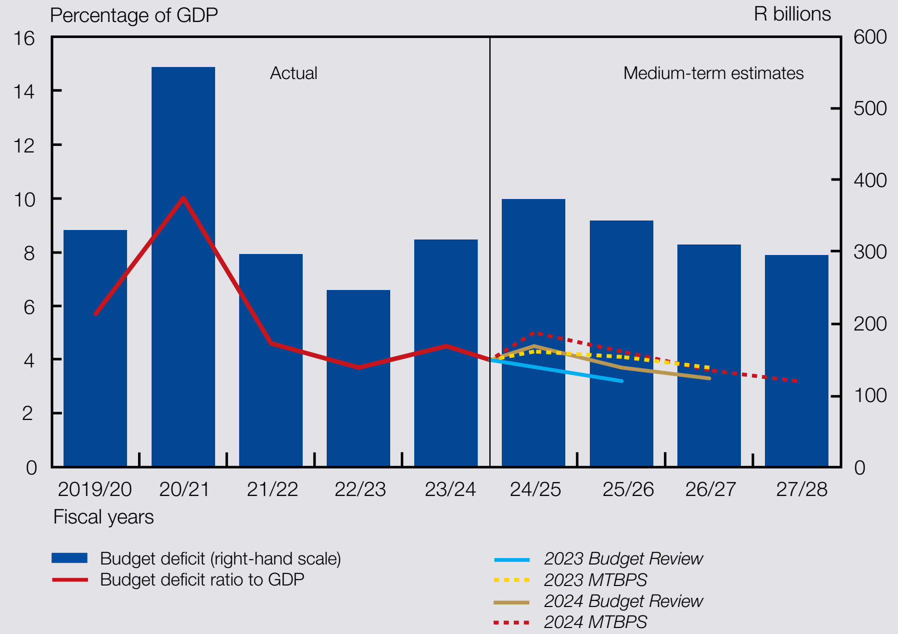


* *Budget Review* to *MTBPS*
Source: National Treasury

Consolidated government expenditure for fiscal 2024/25 was revised higher in the *2024 MTBPS* to an estimated R2 395 billion, from R2 369 billion projected in the *2024 Budget Review* due to higher non-interest expenditure and debt-service costs. Non-interest expenditure is projected to increase in the next two years due to the additional allocation of R13.3 billion to SANRAL for the repayment of debt related to the GFIP. In addition, the government approved R11.0 billion to implement early retirement measures in fiscal 2025/26 and fiscal 2026/27 to manage the public service wage bill, while an adjustment of R3.5 billion was made to carry-through costs for the South African National Defence Force's troop deployment in the Democratic Republic of the Congo. Debt-service costs – the fastest-growing component of spending – were revised upwards by R6.7 billion to R388.9 billion in fiscal 2024/25 due to high interest rates and a wider budget deficit. Escalating debt-service costs have diverted funds away from essential services such as education, healthcare and investment in infrastructure.

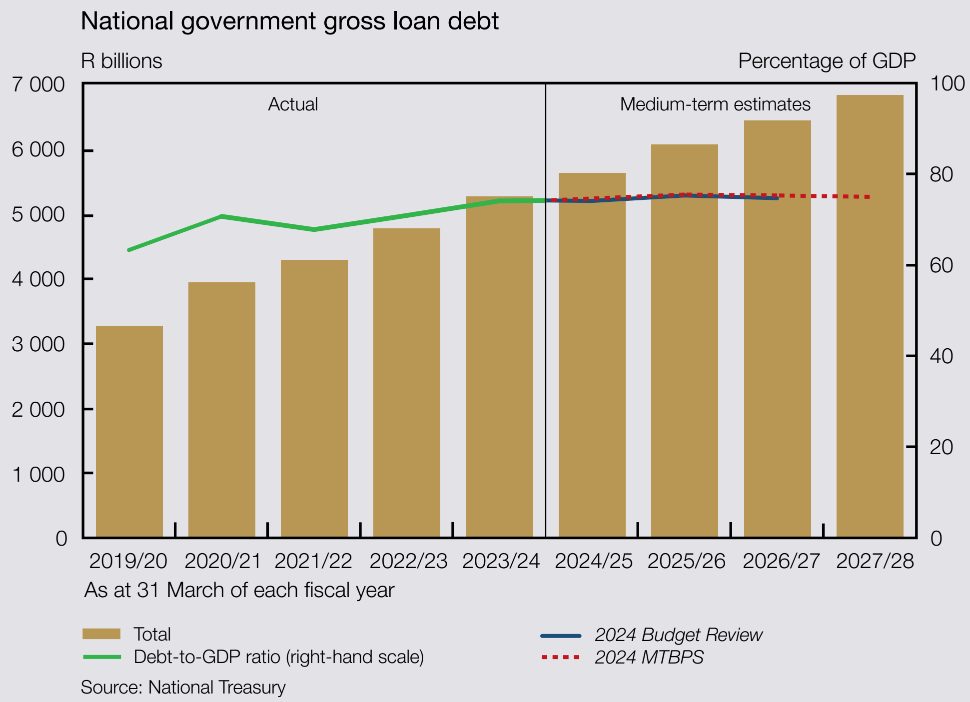
The consolidated government budget deficit is projected to narrow from 5.0% of GDP in fiscal 2024/25 and to average 3.7% over the medium term.

Consolidated government budget deficit



Source: National Treasury

The government's gross borrowing requirement for fiscal 2024/25 – the sum of the budget deficit, maturing loans, the Eskom debt-relief arrangement and the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) settlement – was reduced by R32.9 billion to R424.7 billion. Over the medium term, the gross borrowing requirement is expected to average R557.5 billion. The government's financing strategy in fiscal 2024/25 includes securing US$3.0 billion from international financial institutions and capital markets, while aiming to raise approximately US$15.0 billion over the medium term to meet its foreign-currency obligations. To help manage liquidity, the government will also draw down on its foreign exchange balances. Debt redemptions will increase notably from R173.7 billion in fiscal 2025/26 to R306.0 billion in fiscal 2027/28. To honour these redemptions, the government will exchange some shorter-dated bonds for longer-dated bonds.



The total gross loan debt of national government in fiscal 2024/25 was revised higher to R5 622 billion in the *2024 MTBPS* and is expected to increase to R6 817 billion in fiscal 2027/28. The increase is attributed to a larger budget deficit as well as fluctuations in interest, inflation and exchange rates. Gross loan debt as a percentage of GDP is projected to stabilise at 75.5% in fiscal 2025/26.

The *2024 MTBPS* highlighted some risks to the fiscal outlook in the near to medium term, largely reflecting expectations of lower revenue growth due to weak global and domestic economic growth, difficulties in implementing the government's borrowing strategy as well as potentially increased demands for budgetary support, especially related to SOCs, and higher-than-anticipated public sector wage increases.

Budget comparable analysis of national government finances

National government's cash book deficit of R256.0 billion recorded in the first half of fiscal 2024/25 (April–September 2024) was R4.2 billion higher than in the corresponding period of the previous fiscal year. However, national government's primary deficit[39] decreased to R65.8 billion in April–September 2024 compared with the primary deficit of R79.2 billion recorded in the corresponding period of the previous fiscal year. The net borrowing requirement in the first half of fiscal 2024/25 was financed in the domestic financial markets through the net issuance of long-term government bonds as well as TBs and short-term loans, resulting in an increase in national government's gross loan debt to R5 450 billion as at 30 September 2024.

39 The primary deficit/surplus is the cash book balance, excluding interest payments.

National government finances

	Actual Apr–Sep 2023		Actual Apr–Sep 2024		Originally budgeted[1] Fiscal 2024/25		Revised estimates[2] Fiscal 2024/25	
	R billions	Percentage change[3]	R billions	Percentage change[3]	R billions	Percentage change[4]	R billions	Percentage change[5]
Revenue	784.4	-0.3	821.4	4.7	1 815.0	5.4	1 797.4	4.3
Percentage of GDP	*22.2*		*22.3*		*24.4*		*23.9*	
Expenditure	1 036.2	9.2	1 077.4	4.0	2 136.0	4.4	2 153.0	5.2
Percentage of GDP	*29.4*		*29.2*		*28.7*		*28.6*	
Cash book balance[6]	-251.8		-256.0		-320.9		-355.6	
Percentage of GDP	*-7.1*		*-6.9*		*-4.3*		*-4.7*	
Primary balance[7]	-79.2		-65.8		61.2		33.2	
Percentage of GDP	*-2.2*		*-1.8*		*0.8*		*0.4*	
Gross loan debt[8]	5 080.0	9.2	5 450.0	7.3	5 522.2	5.0	5 622.5	6.9
Percentage of GDP	*73.5*		*75.1*		*74.1*		*74.7*	

1 *2024 Budget Review*
2 *2024 MTBPS*
3 Year-on-year percentage change: actual outcome on previous year's actual outcome
4 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
5 Year-on-year percentage change: revised estimates on previous year's actual outcome
6 Cash book deficit (-)/surplus (+)
7 Primary balance refers to the cash book deficit (-)/surplus (+) excluding interest payments
8 As at 30 September for actual rand values

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

Sources: National Treasury, SARS and Stats SA

National government's total revenue[40] increased by 4.7% year on year to R821.4 billion in April–September 2024, supported by higher revenue collections in especially personal income tax (PIT), but was still below the cumulative monthly budgeted projection for the first half of fiscal 2024/25. The *2024 Budget Review* projected total revenue of R1 815 billion for fiscal 2024/25, which was revised lower to R1 797 billion in the *2024 MTBPS*. Total revenue as a ratio of GDP increased from 22.2% in April–September 2023 to 22.3% in the same period of 2024.

40 Total revenue for the months of July and August 2024 reported previously in the September 2024 edition of the *Quarterly Bulletin (QB)* included the GFECRA distribution of R200.0 billion cash flows through the National Revenue Fund (NRF). Following consultations with National Treasury (NT), these transactions have since been excluded from the total revenue of national government as presented in the main Budget accounts.

National government revenue in fiscal 2024/25

Revenue source	Originally budgeted[1] Fiscal 2024/25		Revised estimates[2] Fiscal 2024/25		Actual Apr–Sep 2024	
	R billions	Percentage change[3]	R billions	Percentage change[4]	R billions	Percentage change[5]
Taxes on income, profits and capital gains	1 085. 0	7.6	1 091.1	8.2	503.3	8.3
Of which: Income tax on individuals	741.1	13.8	731.6	12.3	336.7	11.8
Income tax on companies	306.7	-3.2	318.7	0.6	149.0	1.5
Payroll taxes	24.5	8.4	24.5	8.4	11.9	8.2
Taxes on property	20.6	6.2	21.0	8.4	10.7	8.8
Taxes on goods and services	654.2	6.1	627.5	1.8	286.0	0.1
Of which: Value-added tax (VAT) net	476.7	6.5	463.8	3.6	205.4	0.1
Domestic	559.2	6.4	562.8	7.1	271.6	6.8
Imports	286.7	8.2	266.8	0.7	117.5	-4.5
Refunds	-369.1	7.6	-365.8	6.7	-183.7	6.7
Fuel levy	95.8	4.7	82.4	-10.0	43.7	-3.9
Other excise duties ...	67.4	6.8	66.8	5.8	28.6	5.6
Taxes on international trade and transactions	78.7	6.5	76.5	3.7	34.2	4.7
Import duties	76.9	8.9	74.0	4.7	32.5	2.6
Other	1.7	-45.9	2.6	-19.6	1.7	75.5
Other revenue[6]	42.0	-32.0	46.6	-24.5	20.3	-0.3
Less: SACU[7] payments	89.9	12.6	89.9	12.6	44.9	12.6
Total revenue	1 815.0	5.4	1 797.4	4.3	821.4	4.7

1 *2024 Budget Review*
2 *2024 MTBPS*
3 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
4 Year-on-year percentage change: revised estimates on previous year's actual outcome
5 Year-on-year percentage change: actual outcome on previous year's actual outcome
6 Including non-tax revenue and extraordinary receipts
7 Southern African Customs Union

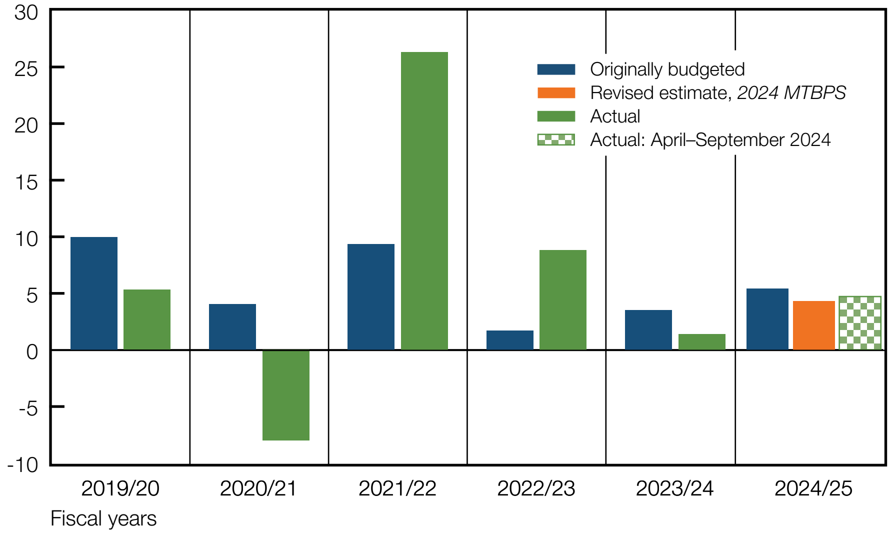
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

Sources: National Treasury and SARS

Revenue from taxes on income, profits and capital gains increased by 8.3% year on year to R503.3 billion in April–September 2024 and contributed 61.3% to total revenue. The increase resulted mainly from higher PIT collections, which increased by 11.8%, particularly in the finance, community services and manufacturing sectors, and an increase of 1.5% in corporate income tax (CIT) collections. The marginal increase in CIT reflected lower provisional tax receipts from the finance, electricity and manufacturing sectors. The *2024 Budget Review*'s projected revenue of R1 085 billion from taxes on income, profits and capital gains for fiscal 2024/25 was revised higher to R1 091 billion in the *2024 MTBPS*.

Revenue of national government

Percentage change over one year



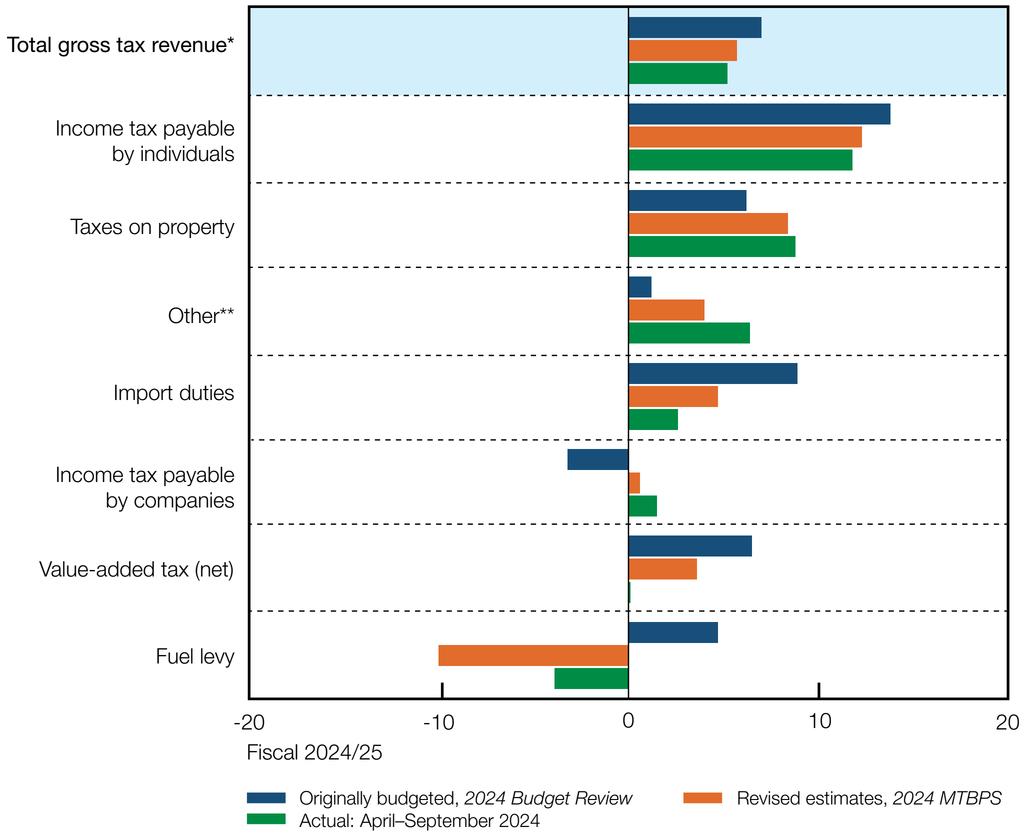
Sources: National Treasury and SARS

Revenue from taxes on goods and services increased by only 0.1% year on year to R286.0 billion (34.8% of total revenue) in the first half of fiscal 2024/25 as net value-added tax (VAT) receipts recorded a similar marginal increase of 0.1% year on year to R205.4 billion. Net VAT revenue was constrained by higher-than-expected VAT refunds of R183.7 billion as well as lower import VAT collections. Other excise duties increased by 5.6% year on year to R28.6 billion in April–September 2024. The *2024 MTBPS* revised revenue from taxes on goods and services downwards to R627.5 billion for fiscal 2024/25 from the originally projected amount of R654.2 billion in the *2024 Budget Review*.

Taxes on international trade and transactions increased by 4.7% year on year to R34.2 billion (4.2% of total revenue) in April–September 2024, driven by higher customs and import duties from the importation of tobacco products, beverages and clothing. The *2024 Budget Review* projected taxes on international trade and transactions of R78.7 billion in fiscal 2024/25, which were revised lower to R76.5 billion in the *2024 MTBPS*.

Growth in national government's gross tax revenue*

Percentage change over one year



* Before netting out SACU payments

** Including secondary tax on companies, withholding tax on interest and other excise duties

Sources: National Treasury, SARS and SARB

Other revenue, primarily consisting of non-tax revenue,[41] decreased by 0.3% year on year to R20.3 billion in the first half of fiscal 2024/25, mainly due to lower revenue from interest receipts and rent on land. The *2024 Budget Review* projected other revenue of R42.0 billion in fiscal 2024/25, which was revised higher to R46.6 billion in the *2024 MTBPS*. Payments to the other Southern African Customs Union (SACU) member states[42] were earmarked as R89.9 billion in fiscal 2024/25, up from the R79.8 billion in fiscal 2023/24. Of this amount, R67.4 billion was transferred in three equal tranches in April, July and October 2024.

National government's total revenue of R933.9 billion in the first seven months of fiscal 2024/25 (April–October 2024) increased by 4.4% year on year.

National government's total expenditure[43] increased by 4.0% year on year to R1 077 billion in the six months from April to September 2024. The increase was primarily driven by higher voted expenditure by national government departments, along with increased debt-service costs. The *2024 Budget Review* projected an increase of 4.4% in total expenditure of national government to R2 136 billion for fiscal 2024/25, which was revised upwards to R2 153 billion in the *2024 MTBPS*. Total expenditure as a ratio of GDP decreased marginally from 29.4% in the first half of fiscal 2023/24 to 29.2% in the first half of fiscal 2024/25.

41 Non-tax revenue comprises sales of goods and services other than capital assets, interest, dividends and rent on land as well as financial transactions in assets and liabilities.

42 SACU comprises Botswana, Eswatini, Lesotho, Namibia and South Africa.

43 Total expenditure in July 2024 previously included the GFECRA distribution of R100.0 billion cash flows through the NRF. Following NT's media release on the 'Statement of the national government's revenue, expenditure and borrowing' regarding the treatment of the GFECRA settlement on 20 September 2024, this transaction has since been excluded from the total expenditure of national government as presented in the main Budget accounts.

National government expenditure in fiscal 2024/25

Expenditure item	Originally budgeted[1] Fiscal 2024/25		Revised estimates[2] Fiscal 2024/25		Actual Apr–Sep 2024	
	R billions	Percentage change[3]	R billions	Percentage change[4]	R billions	Percentage change[5]
Voted expenditure	1 102.8	3.8	1 119.2	5.3	567.0	3.5
Of which: Transfers and subsidies	804.9	3.8	810.7	4.6	418.0	2.6
Current payments	281.7	5.2	284.0	6.1	140.3	5.8
Payments for capital assets	15.2	-12.9	16.3	-6.4	7.8	24.1
Payments for financial assets	1.1	-47.3	8.1	-	0.9	-35.6
Statutory amounts[6]	1 033.2	5.0	1 033.8	5.0	510.4	4.5
Of which: Provincial equitable share	600.5	2.6	600.5	2.6	300.2	1.0
Interest on debt	382.0	7.3	388.6	9.2	190.3	10.3
General fuel levy	16.1	4.5	16.1	4.5	5.4	4.5
Total expenditure	2 136.0	4.4	2 153.0	5.2	1 077.4	4.0

1 *2024 Budget Review*
2 *2024 MTBPS*
3 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
4 Year-on-year percentage change: revised estimates on previous year's actual outcome
5 Year-on-year percentage change: actual outcome on previous year's actual outcome
6 Including extraordinary payments

\- Denotes a value of more than a 100 percentage points
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

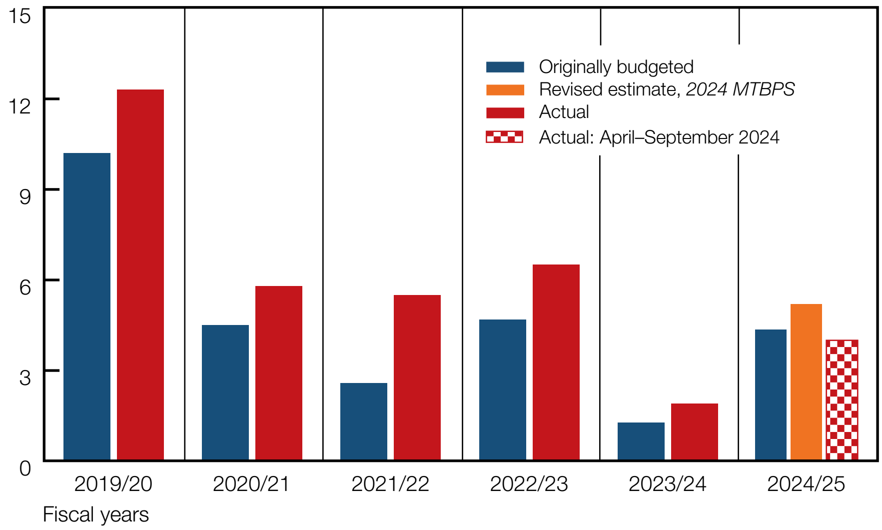
Sources: National Treasury and SARS

Total voted expenditure by national government departments (52.6% of total expenditure) increased by 3.5% year on year to R567.0 billion in April–September 2024. The increase in total voted expenditure was driven by higher transfers and subsidies of R418.0 billion, current payments of R140.3 billion and payments for capital assets of R7.8 billion in the period under review. The *2024 MTBPS*'s projection of R1 119 billion for total voted expenditure in fiscal 2024/25 was higher than the R1 103 billion projected in the *2024 Budget Review*.

Interest payments on national government debt (debt-service cost) of R190.3 billion represented a notable year-on-year increase of 10.3% in the first half of fiscal 2024/25, in line with the higher levels of gross loan debt. In the *2024 Budget Review*, government envisaged a total debt-service cost of R382.0 billion in fiscal 2024/25, which was revised upwards to R388.6 billion in the *2024 MTBPS*.

Expenditure by national government

Percentage change over one year



Source: National Treasury

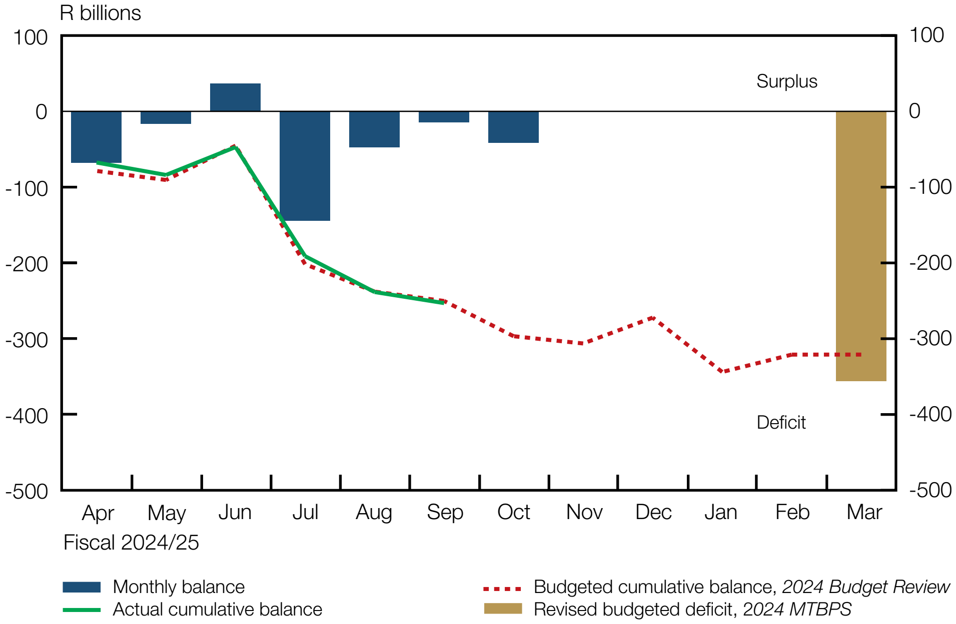
Equitable share transfers to provinces – the primary source of revenue for provincial governments – increased at a year-on-year rate of 1.0% to R300.2 billion in April–September 2024. The *2024 Budget Review* projected R600.5 billion in equitable share transfers to provinces for fiscal 2024/25, while the projection of the general fuel levy for sharing with metropolitan municipalities was R16.1 billion. Of this amount, the first tranche of R5.4 billion was transferred in August 2024, with the second and third tranches expected in December 2024 and March 2025 respectively.

In the first seven months of fiscal 2024/25, national government's total expenditure increased by 4.1% year on year to R1 236 billion.

The outcome of national government revenue and expenditure in the first half of fiscal 2024/25 resulted in a cash book deficit of R256.0 billion, which was R4.2 billion more than in the same period of fiscal 2023/24. The cash book deficit as a percentage of GDP of 6.9% in April–September 2024 was lower than the 7.1% recorded in the same period of the previous year.

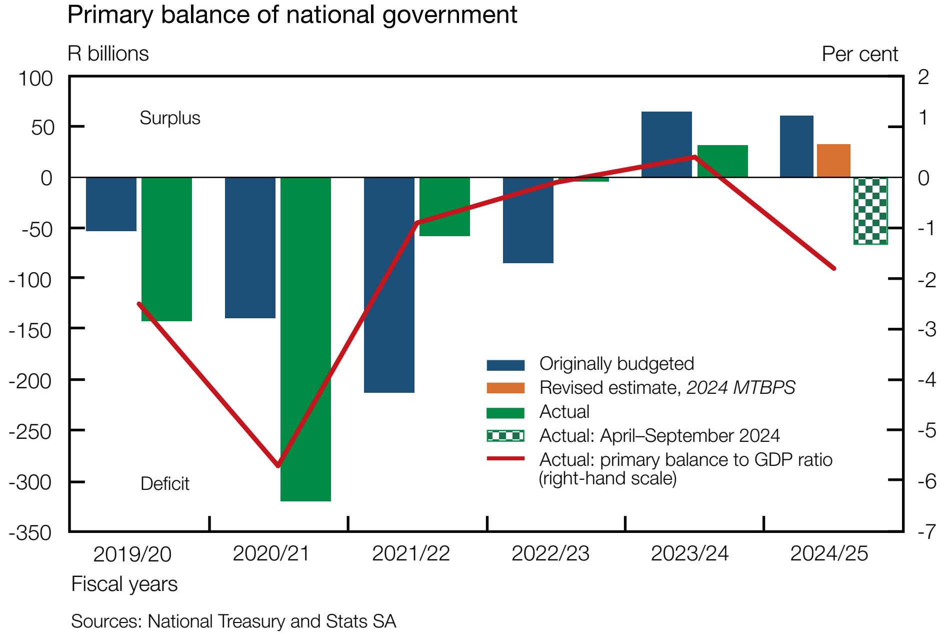
Cash book balance of national government

R billions



Sources: National Treasury, SARS and SARB

The *2024 Budget Review* projected a national government cash book deficit of R320.9 billion for fiscal 2024/25, which was revised higher to R355.6 billion in the *2024 MTBPS*. National government's cash book deficit of R302.1 billion recorded in April–October 2024 was R9.2 billion more than the deficit recorded over the same period in the previous year.



National government's primary deficit narrowed from R79.2 billion in April–September 2023 to R65.8 billion in April–September 2024 as growth in total revenue outpaced that in non-interest expenditure. The primary deficit as a ratio of GDP of 1.8% in the first half of fiscal 2024/25 was lower than the 2.2% recorded in the same period of the previous fiscal year. The *2024 Budget Review*'s projection of a primary surplus of R61.2 billion (0.8% of GDP) for fiscal 2024/25 was revised lower to a surplus of R33.2 billion (0.4% of GDP) in the *2024 MTBPS*.

National government financing

R billions

Item or instrument	Actual Apr–Sep 2023	Actual Apr–Sep 2024	Originally budgeted[1] Fiscal 2024/25	Revised estimates[2] Fiscal 2024/25
Cash book balance[3]	251.9	-256.0	-320.9	355.6
Cash flow balance[3,4]	-260.9	-261.1	…	…
Plus: Cost/profit on revaluation of foreign debt at redemption[5]	0.0	0.0	0.0	0.0
Accrual adjustments	48.8	22.6	…	…
Eskom debt relief	-16.0	-8.0	-64.2	-64.2
GFECRA[6] settlement (net)	…	100.0	100.0	100.0
Net lending/borrowing requirement[7]	-228.2	-146.5	-285.1	-319.8
Treasury bills and short-term loans[8]	52.7	23.5	33.0	33.0
Domestic bonds[8]	126.6	127.2	196.0	240.8
Foreign bonds and loans[8]	9.5	-19.1	-3.8	13.2
Change in available cash balances[9]	39.3	14.8	59.9	32.8
Total net financing	228.2	146.5	285.1	319.8

1 *2024 Budget Review*
2 *2024 MTBPS*
3 Deficit (-)/surplus (+)
4 The cash flow balance includes extraordinary receipts and payments and differs from the cash book balance.
5 Cost (+)/profit (-)
6 Gold and Foreign Exchange Contingency Reserve Account
7 Net lending (+)/net borrowing (-)
8 Net issuance (+)/net redemption (-)
9 Increase (-)/decrease (+)
... Not available

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

Sources: NT and SARB

National government's cash flow deficit increased marginally to R261.1 billion in April–September 2024 compared with the deficit of R260.9 billion recorded in April–September 2023. After accounting for accrual adjustments, Eskom's debt restructuring programme[44] of R8.0 billion and the net GFECRA settlement[45] of R100.0 billion, the net borrowing requirement of national government decreased by R81.7 billion year on year to R146.5 billion in the first half of fiscal 2024/25.

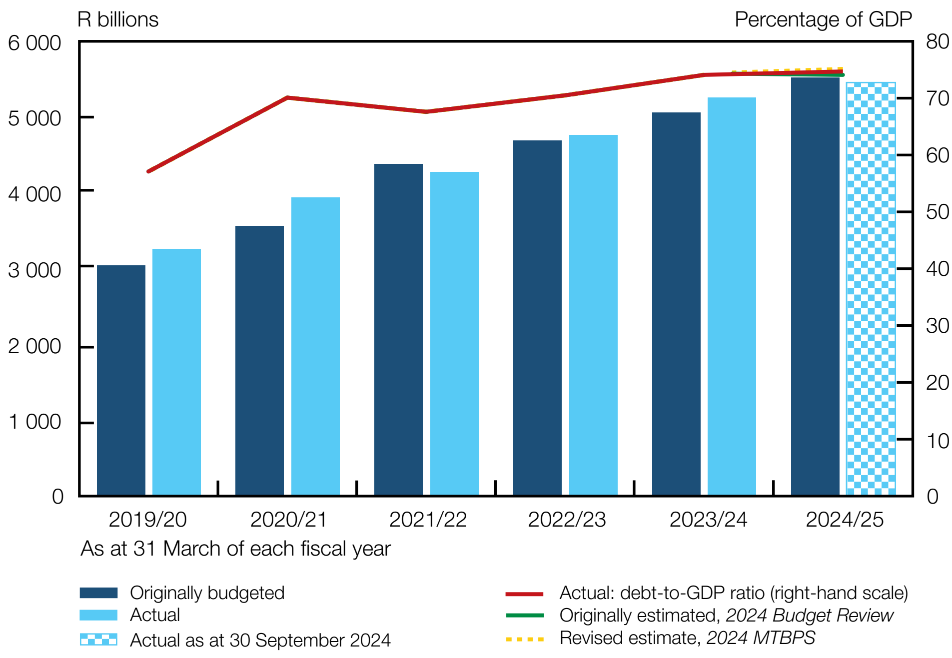
The lower net borrowing requirement of national government in the first half of fiscal 2024/25 was primarily financed in the domestic financial markets through the net issuance of long-term government bonds amounting to R127.2 billion, together with TBs and short-term loans of R23.5 billion. By contrast, national government's net redemption of foreign bonds and loans amounted to R19.1 billion in the period under review, while national government's available cash balances decreased by R14.8 billion to finance part of the net borrowing requirement.

National government's total gross loan debt (domestic and foreign) of R5 450 billion as at 30 September 2024 represented a year-on-year increase of R370.0 billion (7.3%), reflecting the higher net issuance of domestic debt. By contrast, national government's total foreign debt contracted between 30 September 2023 and 30 September 2024, reflecting the net redemption of foreign debt along with the revaluation effects from the appreciation of the exchange value of the rand against other major trading currencies. As a share of GDP, total gross loan debt increased from 73.5% as at 30 September 2023 to 75.1% as at 30 September 2024. The *2024 Budget Review* projected gross loan debt of R5 522 billion (74.1% of GDP) as at the end of fiscal 2024/25, which was revised upward to R5 622 billion (74.7% of GDP) in the *2024 MTBPS* due to a larger projected budget deficit as well as fluctuations in interest rates, inflation and the exchange rate. The *2024 MTBPS* also revised gross loan debt as a ratio of GDP higher and it is now expected to stabilise at 75.5% in fiscal 2025/26 compared with the 75.3% initially projected in the *2024 Budget Review*.

44 Eskom's debt restructuring programme is a government support programme aimed at strengthening the utility's balance sheet, enabling it to conduct the necessary investment and maintenance and support structural reform in the electricity sector.

45 Government's receipt of the GFECRA distribution from the SARB in accordance with clause 6.1.4 of the GFECRA settlement agreement.

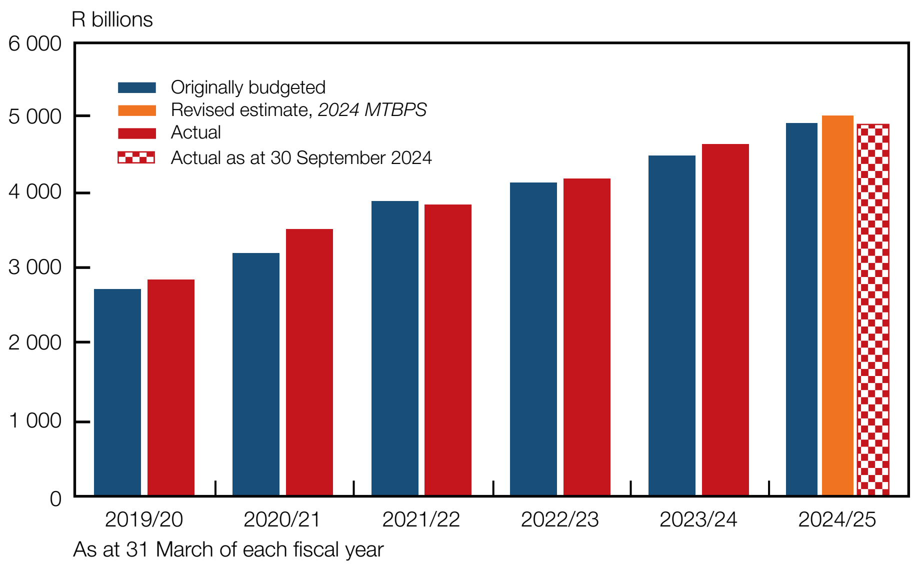
Gross loan debt of national government



Sources: National Treasury and Stats SA

National government's total gross domestic debt (marketable and non-marketable) increased by 10.0% year on year to R4 931 billion as at 30 September 2024. The increase reflects the higher net issuance of domestic marketable debt, comprising both bonds and TBs, and non-marketable debt. Domestic marketable debt increased by 9.9% year on year to R4 898 billion as at 30 September 2024 and remained the largest contributor to total domestic debt at 99.3%. Non-marketable domestic debt increased from R26.8 billion as at 30 September 2023 to R32.2 billion as at 30 September 2024. The *2024 MTBPS* revised the gross domestic debt higher to R5 045 billion as at 31 March 2024 from the original estimate of R4 949 billion in the *2024 Budget Review*.

Domestic debt of national government

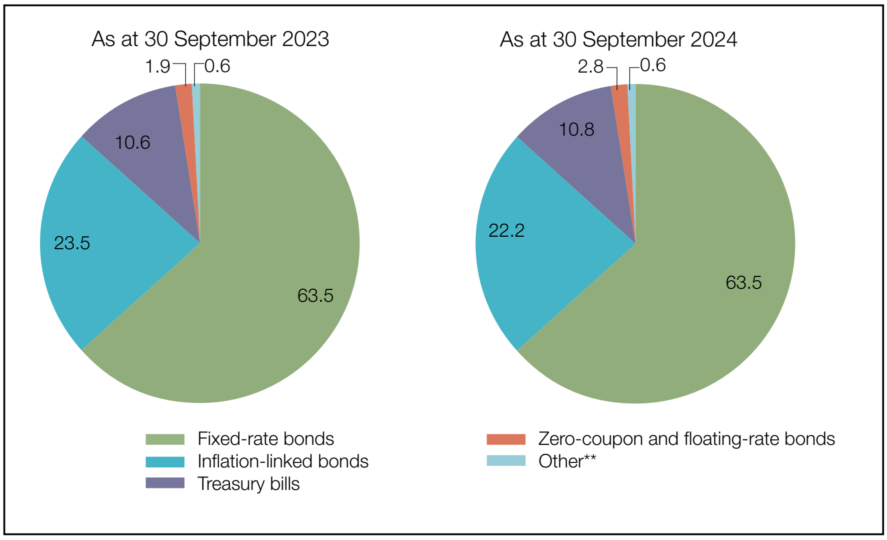


Source: National Treasury

In September 2024, national government issued two new fixed-rate bonds (*R2033* and *R2038*) to the combined value of R10.4 billion, increasing the outstanding stock of fixed rate bonds by 10.0% year on year to R3 130 billion (63.5% of total domestic bonds) as at 30 September 2024. Inflation-linked bonds in issue increased by 4.2% year on year to R1 097 billion (22.2% of total domestic debt) as at 30 September 2024, while TBs increased by 12.0% to R531.8 billion (10.8% of total domestic debt). Zero-coupon and floating-rate bonds increased by R56.2 billion year on year to R139.7 billion as at 30 September 2024 and contributed 2.8% to the total stock of domestic debt.

Composition of national government's domestic debt*

Per cent



* Components may not add up due to rounding off.
** Including total outstanding domestic non-marketable bonds, short-term loans from the Corporation for Public Deposits and other debt

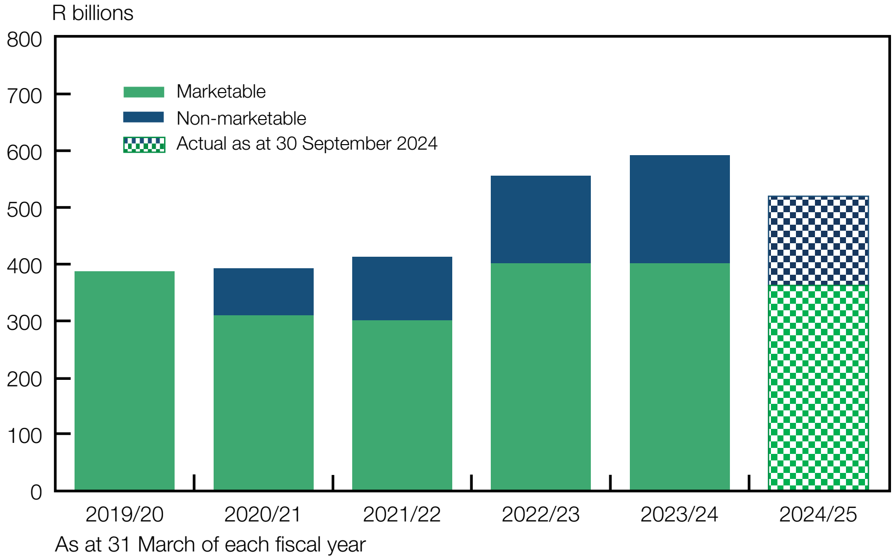
Source: National Treasury

National government's total gross foreign debt (marketable and non-marketable) decreased by 12.9% year on year to R519.3 billion as at 30 September 2024. This reflected both the redemption of marketable debt and the two partial redemptions of the IMF's special drawing rights (SDR) XDR-denominated loan and the Canadian dollar-denominated loan, alongside exchange rate revaluation effects due to the appreciation in the exchange value of the rand against other major trading currencies. Foreign marketable debt accounted for the largest share of total gross foreign debt at 69.7% as at 30 September 2024, with the stock of non-marketable foreign debt accounting for the balance. The *2024 Budget Review* projected gross foreign debt of R573.0 billion (7.7% of GDP) at the end of fiscal 2024/25, which was revised slightly higher to R577.2 billion in the *2024 MTBPS*.

National government's foreign marketable bonds declined by 14.8% year on year to R361.9 billion as at 30 September 2024 due to the net redemption of marketable bonds along with the exchange rate revaluation effects. The average outstanding maturity of foreign marketable debt of 152 months as at 30 September 2024 reflected a slight decline from 154 months as at 30 September 2023.

Non-marketable foreign debt declined by R13.7 billion year on year to R157.4 billion (30.3% of gross foreign debt) as at 30 September 2024, as the fourth instalment of eight quarterly repayments of XDR381 million on an IMF loan to the value of XDR1.5 billion and the partial redemption of the Canadian dollar-denominated loan to the value of CAD6.0 million, together with the exchange rate revaluation effects, outweighed the uptake of four foreign loans from international financial institutions between 30 September 2023 and 30 September 2024.

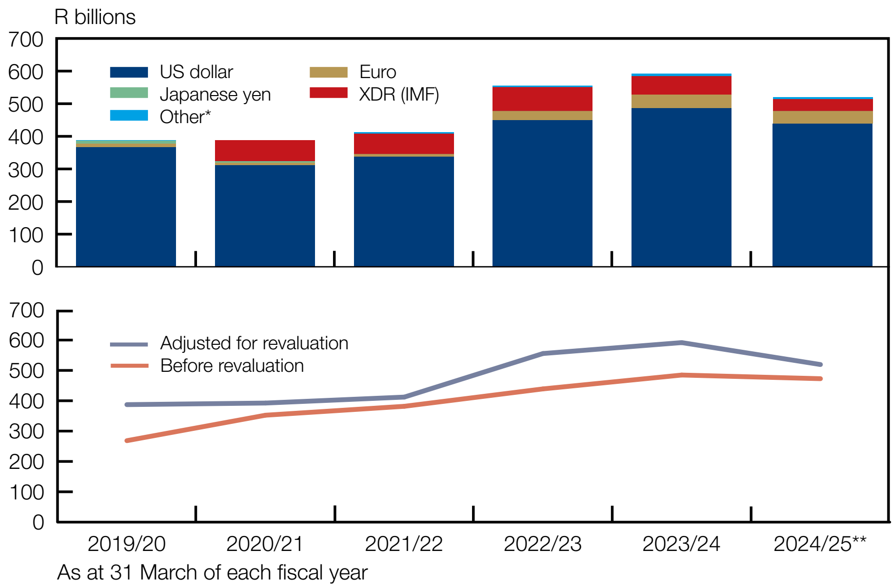
Foreign debt of national government



Source: National Treasury

National government's total outstanding balance of foreign debt was R472.7 billion as at 30 September 2024 before accounting for exchange rate revaluation effects. However, after accounting for the exchange rate revaluation adjustment, total outstanding foreign debt increased to R519.3 billion (a revaluation of R46.6 billion) as at 30 September 2024. The US dollar-denominated and euro-denominated debt together accounted for 91.9% of the total outstanding stock of gross foreign debt. The balance was shared between foreign debt denominated in the IMF's XDR, the Canadian dollar and the South African rand.

Currency composition of national government's foreign debt



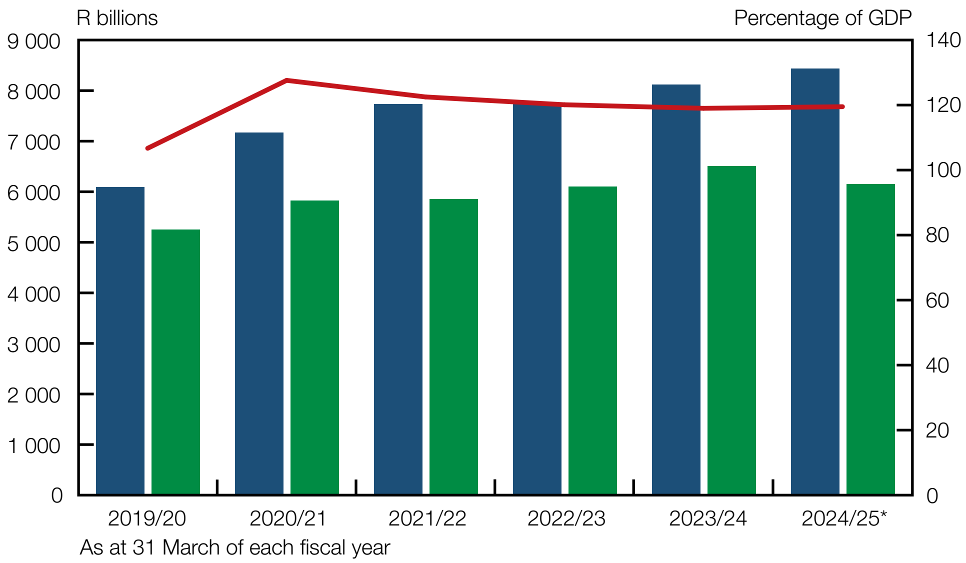
* Including the British pound, Swedish krona, Canadian dollar and South African rand
** As at 30 September 2024

Source: National Treasury

Total public sector debt[46]

The preliminary total consolidated *gross*[47] public sector debt of South Africa as at 30 June 2024 of R8 766 billion (122.0% of GDP) was R574.0 billion higher than a year earlier. Similarly, after netting the individual debt instruments against its corresponding financial assets, the consolidated *net*[48] public sector debt of R5 800 billion (84.7% of GDP) as at 30 June 2023 increased to R6 512 billion (90.6% of GDP) as at 30 June 2024.

Total consolidated public sector debt



*As at 30 June 2024

Source: SARB

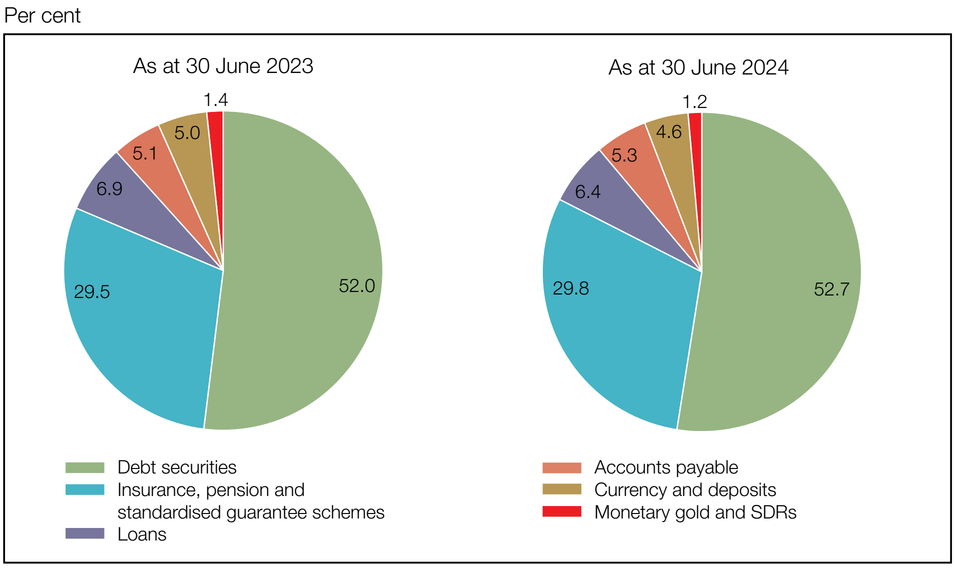
The total outstanding consolidated public sector debt securities in both the domestic and international markets increased by 8.5% year on year to R4 622 billion (52.7% of total gross public sector debt) as at 30 June 2024. The second largest public sector debt instrument – insurance, pension and standardised guarantee schemes – increased by 8.0% year on year to R2 613 billion (29.8% of total gross public sector debt) as at 30 June 2024. The monetary gold and SDRs decreased by 5.1% year on year to R105.7 billion and contributed the least to total consolidated gross public sector debt.

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

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

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

Consolidated gross public sector debt



Source: SARB

Integrated economic accounts[49]

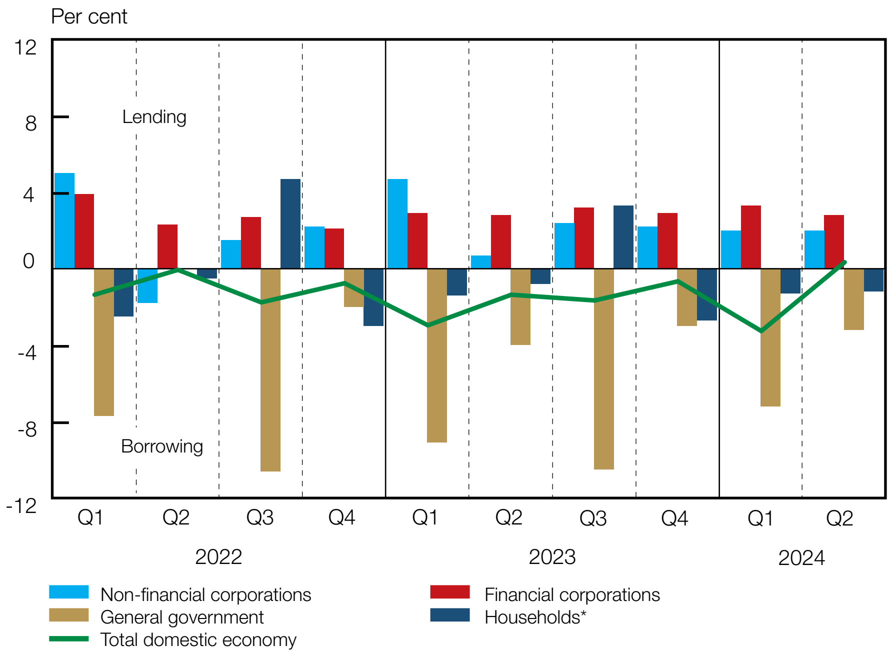
Current and capital account

South Africa's net borrowing position[50] of R56.9 billion (3.2% of GDP) in the first quarter of 2024 reverted to a net lending position of R6.6 billion (0.4% of GDP) in the second quarter as the increase in gross saving significantly outweighed that in gross capital formation. This was the first net lending position following nine consecutive quarters of net borrowing. South Africa's net borrowing position of R50.3 billion in the first half of 2024 was lower than the R72.3 billion recorded in the same period a year earlier.

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

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

South Africa's net lending/borrowing as a ratio of gross domestic product



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

Source: SARB

Both financial and non-financial corporations maintained net lending positions in the second quarter of 2024. However, the net lending position of financial corporations decreased due to lower levels of gross saving compared with the previous quarter. The household sector's net borrowing position decreased slightly in the second quarter of 2024 as the sector's gross saving increased more than gross capital formation. Similarly, general government significantly reduced its net borrowing in the second quarter of 2024 due to a decrease in its gross dissaving.

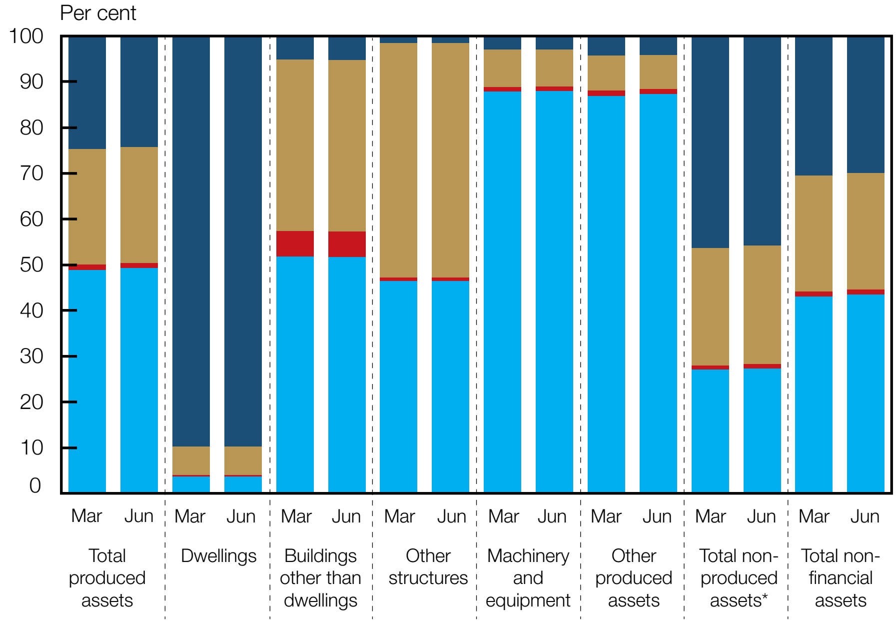
Non-financial balance sheet and accumulation account

The market value of total non-financial assets increased by 1.4% from 31 March 2024 to R19.7 trillion as at 30 June. Non-financial corporations (public and private) held the largest share of total non-financial assets at 43.4%, while households and general government owned 30.0% and 25.5% respectively. Financial corporations held only 1.1% of total non-financial assets, mainly in the form of buildings other than dwellings. As at 30 June 2024, households owned 89.9% of all dwellings. General government and non-financial corporations accounted for the majority holdings of other structures – such as roads, bridges and harbours – at 51.2% and 46.4% respectively, while 87.9% of total machinery and equipment was held by non-financial corporations.

The market value of total produced fixed assets increased by R178.2 billion (1.3%) from 31 March 2024 to R13.4 trillion as at 30 June 2024, reflecting revaluations of R182.6 billion and a decrease of R4.3 billion in net capital formation. The market value of machinery and equipment as well as other structures increased by R59.8 billion and R110.6 billion respectively in the second quarter of 2024, contributing 0.5 and 0.8 percentage points respectively to growth in the capital stock of non-financial assets.

Households owned 45.9% of non-produced assets (land only) as at 30 June 2024, while non-financial corporations and general government held 27.3% and 26.0% respectively.

Institutional sector non-financial asset holdings as at 31March and 30 June 2024



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

Financial balance sheet and accumulation account

The market value of financial assets and liabilities of the total domestic economy increased by R862.7 billion to R51.2 trillion and by R1.2 trillion to R48.6 trillion respectively in the three months to 30 June 2024. The increase in the market value of financial assets was largely due to increases in the holdings of equity and investment fund shares/units as well as debt securities following higher domestic share and bond prices.

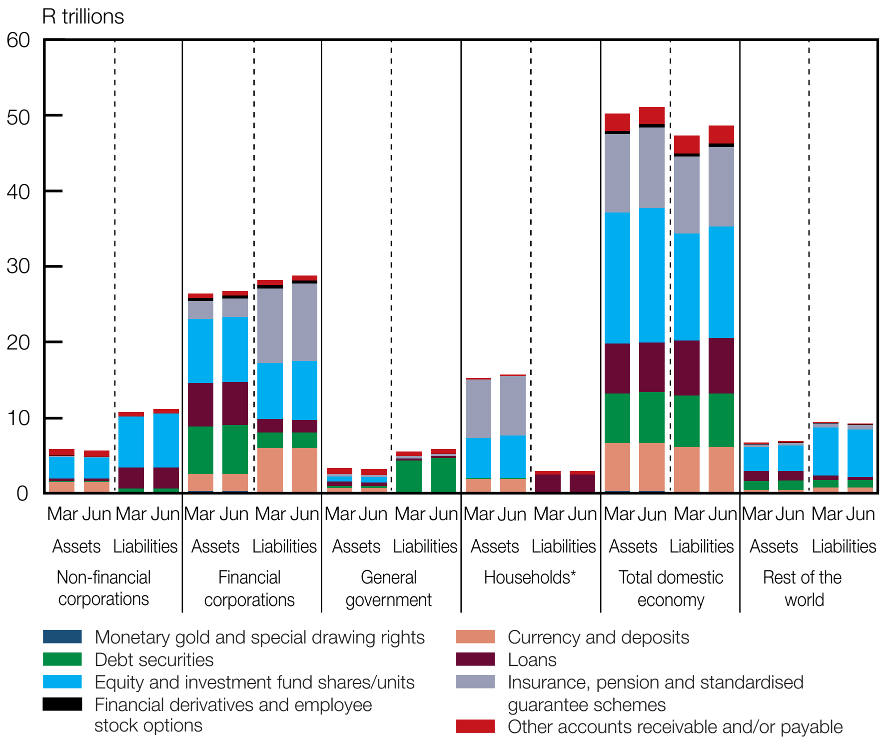
The proportion of total financial assets held by financial corporations remained steady at 52.2% as at 30 June 2024. Although there was an increase in the value of equity and investment fund shares/units as well as debt securities, this was somewhat neutralised by a decline in the value of loans extended to the ROW sector. Meanwhile, the share of total liabilities by financial corporations decreased slightly from 59.5% as at 31 March 2024 to 59.2% as at 30 June, partly due to the decline in the deposit holdings of non-financial and financial corporations.

Households' share of total financial assets increased from 30.2% as at 31 March 2024 to 30.8% as at 30 June as the value of their financial assets increased in all financial instrument categories. By contrast, the share of total liabilities held by households declined marginally from 6.1% to 6.0% over this period, primarily due to a slower pace of growth in the value of bank loans extended to households as well as a decline in the other accounts payable.

Non-financial corporations' contribution to total financial asset holdings decreased from 11.2% as at 31 March 2024 to 10.8% as at 30 June, while their contribution to total financial liabilities increased from 22.7% to 22.9% over the same period. The increase was driven by the higher market value of equity and investment fund shares/units, which was buoyed by rising domestic asset prices.

The decrease in general government's share of total financial assets from 6.3% as at 31 March 2024 to 6.2% as at 30 June resulted from a decline in general government's deposits with the monetary authority as well as negative valuation effects in the outstanding balance on the GFECRA. By contrast, general government's contribution to total liabilities increased from 11.6% to 11.9% over this period, largely reflecting net issuances of national government debt securities and valuation effects following higher bond prices.

Market value of total financial assets and liabilities by institutional sector and financial instrument as at 31 March and 30 June 2024



* Including non-profit institutions serving households

Source: SARB

The market value of the ROW's holdings of South African financial assets increased from R6.6 trillion as at 31 March 2024 to R6.9 trillion as at 30 June as the valuation effects resulting from higher domestic share prices and increased equity holdings in a domestic entity contributed to an increase in the value of listed and unlisted equity. The market value of South Africa's total foreign assets (the ROW's total liabilities) decreased from R9.4 trillion to R9.3 trillion over the same period as the value of equity and investment fund shares/units as well as debt securities declined due to an appreciation in the exchange value of the rand, and non-residents repaid their short-term loans to the domestic banking sector.

The changes in both financial assets and liabilities in the total economy during the second quarter of 2024 resulted from revaluation effects, which accounted for R864.1 billion of the increase in the value of various financial instruments, especially equity and investment fund shares/units. Financial transactions further contributed R212.2 billion to the overall increase.

The from-whom-to-whom market value of financial asset and liability stock positions between the domestic institutional sectors and the ROW as at 30 June 2024[51] showed that the household sector was the only institutional sector that maintained a positive net financial

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

wealth (asset) position of R12.8 trillion, mainly due to claims against financial corporations. Non-financial corporations and general government both recorded negative net financial wealth (liability) positions, mainly due to net liabilities of R4.5 trillion and R3.3 trillion incurred respectively against financial corporations and R3.0 trillion and R1.4 trillion incurred respectively against the ROW. The financial intermediation activities of financial corporations generated a near-balanced net financial wealth position, with asset claims of R26.7 trillion and liability commitments of R28.8 trillion in the total economy. The ROW's negative net financial wealth position mainly comprised liabilities of R6.2 trillion and R2.8 trillion incurred against financial and non-financial corporations.