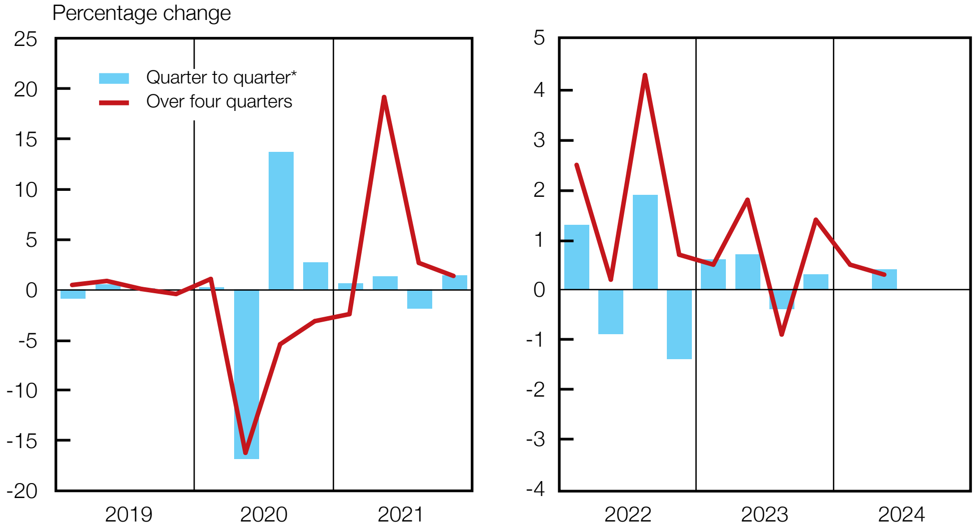
Domestic economic developments

Domestic output[1]

Domestic economic activity recovered in the second quarter of 2024 along with a stable electricity supply. Real *gross domestic product* (GDP) expanded by 0.4% in the second quarter of 2024 after remaining unchanged in the first quarter. The expansion reflected increased activity in the secondary and tertiary sectors, while the real output of the primary sector decreased anew in the second quarter. The average level of real GDP in the first half of 2024 was 0.4% higher than in the corresponding period of 2023.

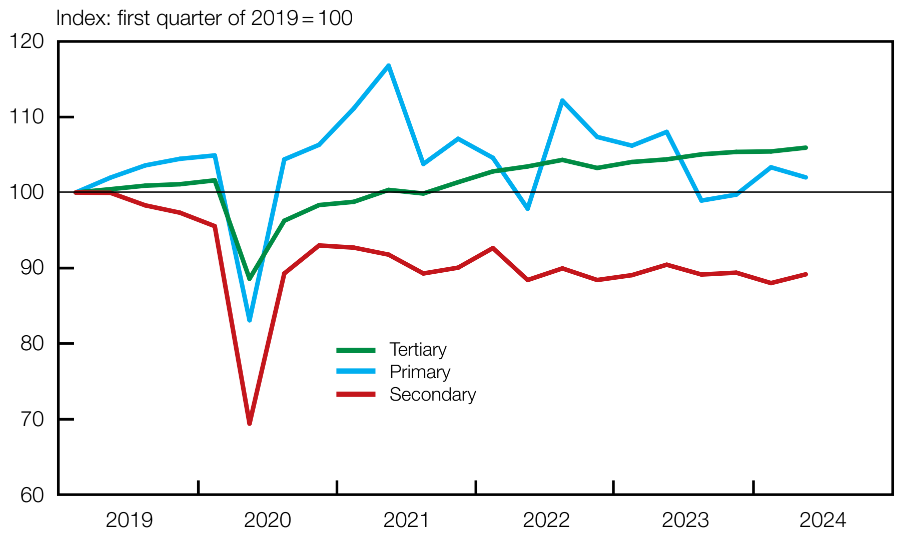
Real gross domestic product



* Seasonally adjusted
Source: Stats SA

The real output of the *non-primary sector* also increased by 0.6% in the second quarter of 2024 following a decrease of 0.2% in the first quarter.

Real gross value added by the main sectors



Seasonally adjusted
Source: Stats SA

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.

Real gross domestic product

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

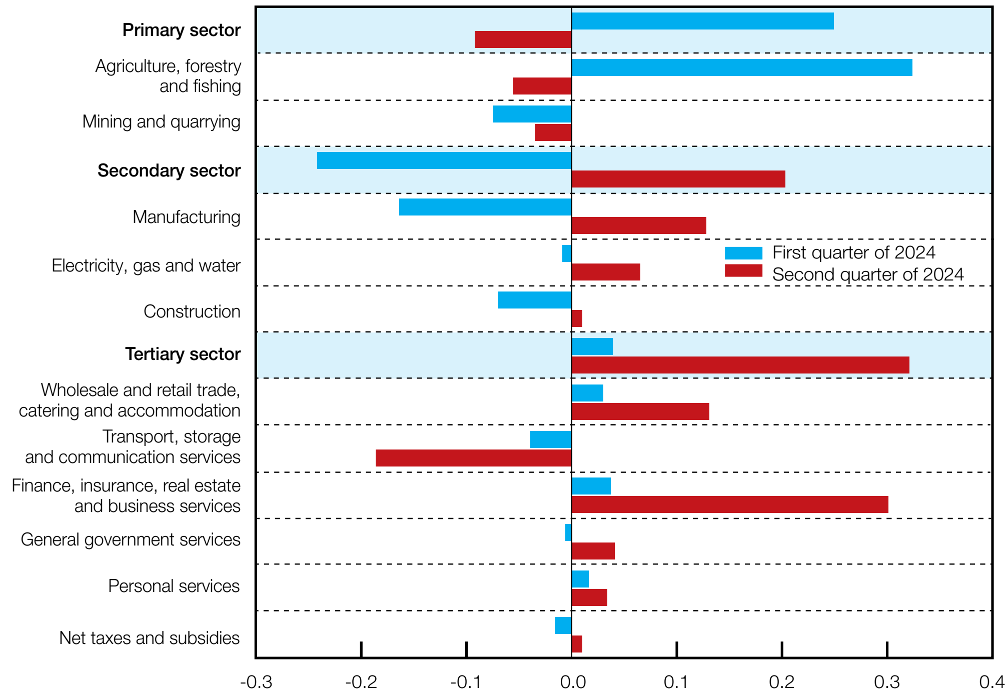
Sector	2023					2024	
	Q1	Q2	Q3	Q4	Year*	Q1	Q2
Primary sector	-1.1	1.7	-8.4	0.8	-2.2	3.6	-1.3
Agriculture	-4.6	3.4	-19.4	-2.4	-4.8	13.5	-2.1
Mining	1.5	0.5	-0.7	2.6	-0.5	-1.7	-0.8
Secondary sector	0.7	1.6	-1.4	0.3	-0.4	-1.5	1.3
Manufacturing	1.0	2.3	-1.3	0.3	0.3	-1.4	1.1
Construction	0.9	-0.2	-3.3	-1.5	-0.1	-3.1	0.5
Tertiary sector	0.8	0.3	0.6	0.3	1.2	0.1	0.5
Wholesale and retail trade, catering and accommodation	1.0	-0.5	-0.3	-2.8	-1.8	0.3	1.2
Finance, real estate and business services	0.8	0.4	1.1	0.8	1.6	0.2	1.3
*Non-primary sector***	*0.8*	*0.6*	*0.2*	*0.3*	*0.9*	*-0.2*	*0.6*
*Non-agricultural sector****	*0.8*	*0.6*	*0.2*	*0.4*	*0.8*	*-0.3*	*0.6*
Total	**0.6**	**0.7**	**-0.4**	**0.3**	**0.7**	**0.0**	**0.4**

* 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

After increasing by 3.6% in the first quarter of 2024, the real gross value added (GVA) by the *primary sector* decreased by 1.3% in the second quarter. The primary sector subtracted 0.1 percentage points from overall real GDP growth as the real output of both the agricultural and mining sectors contracted.

Contributions to growth in real gross domestic product



Percentage points

Source: Stats SA

The real GVA by the *agricultural sector* contracted by 2.1% in the second quarter of 2024 following an expansion of 13.5% in the first quarter. The decrease reflected the lower production of field crops and animal products. Agricultural activity was constrained by adverse weather conditions and persistent outbreaks of animal diseases over the period. Consequently, the average level of real agricultural output in the first half of 2024 was 10.1% lower than in the corresponding period of 2023.

The estimated commercial maize harvest of 13.1 million tons for the 2023/24 season is 20.5% lower than the final crop for the 2022/23 season, but adequate to supply the domestic consumption of about 12.0 million tons per annum. Despite the estimated area planted in the 2023/24 season being 1.9% larger than in the previous season, challenging weather conditions affected the lower-than-expected harvest.

Commercial maize crop and area planted

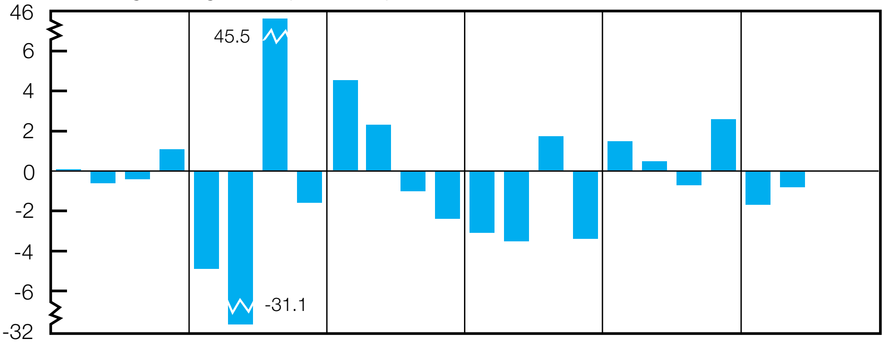
	Crop (million tons)	Area planted (million hectares)
2022/23: final	16.4	2.59
2023/24: estimate	13.1	2.64

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

The real output of the *mining sector* contracted further by 0.8% in the second quarter of 2024 despite the absence of electricity load-shedding over this period. Production decreased in 5 of the 12 mineral groups in the second quarter, notably in iron ore, coal and diamonds, while the production of platinum group metals (PGMs) and chromium ore increased. The lower iron ore production resulted from reduced output by a large iron ore producer amid ongoing domestic rail and port inefficiencies, potentially constraining exports. At the same time, subdued industrial demand dampened coal production. Conversely, improved global automotive demand supported the increased production of PGMs.

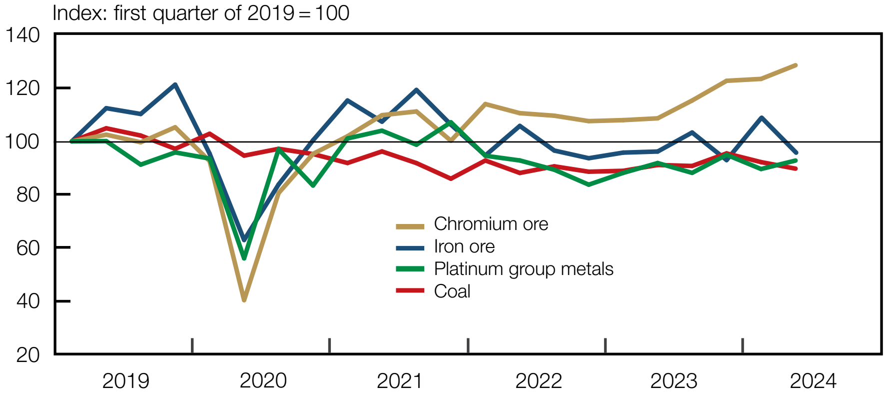
Real gross value added by the mining sector

Percentage change from quarter to quarter



Physical volume of mining production: selected subsectors

Index: first quarter of 2019 = 100



Seasonally adjusted

Source: Stats SA

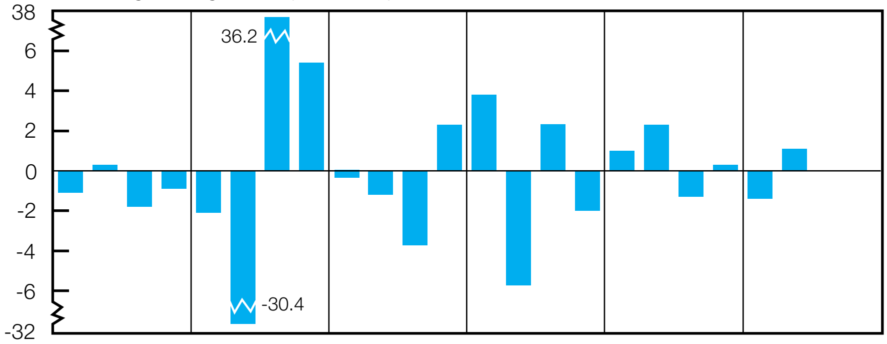
Domestic mining production continued to be impeded by, among other factors, high operating costs, subdued investment and lower international prices of some commodities. Accordingly, the level of real mining output in the first half of 2024 was 0.1% lower than in the corresponding period of 2023.

The real GVA by the *secondary sector* increased by 1.3% in the second quarter of 2024 after decreasing by 1.5% in the first quarter, contributing 0.2 percentage points to overall growth in real GDP. Real activity increased in the manufacturing; electricity, gas and water; and construction sectors in the second quarter of 2024.

Real economic activity in the *manufacturing sector* increased by 1.1% in the second quarter of 2024 and contributed 0.1 percentage points to overall growth in real GDP. The increase was driven by higher production volumes in 6 of the 10 manufacturing subsectors, in particular motor vehicles, parts and accessories and other transport equipment; food and beverages; basic iron and steel, non-ferrous metal products, metal products and machinery; and petroleum, chemical, rubber and plastic products.

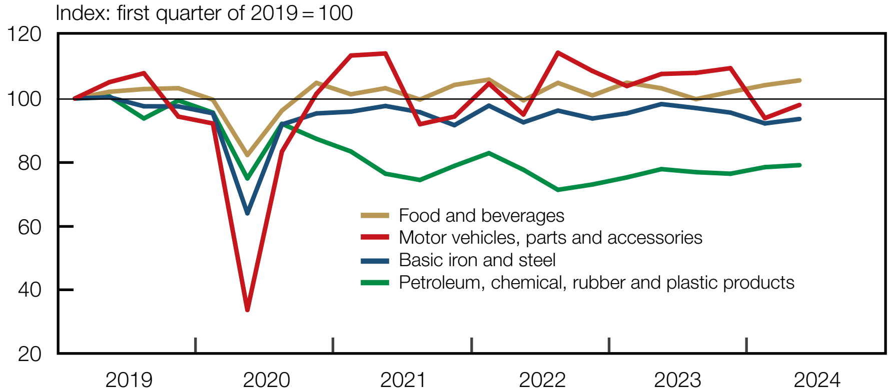
Real gross value added by the manufacturing sector

Percentage change from quarter to quarter



Physical volume of manufacturing production: selected subsectors

Index: first quarter of 2019 = 100



Seasonally adjusted

Source: Stats SA

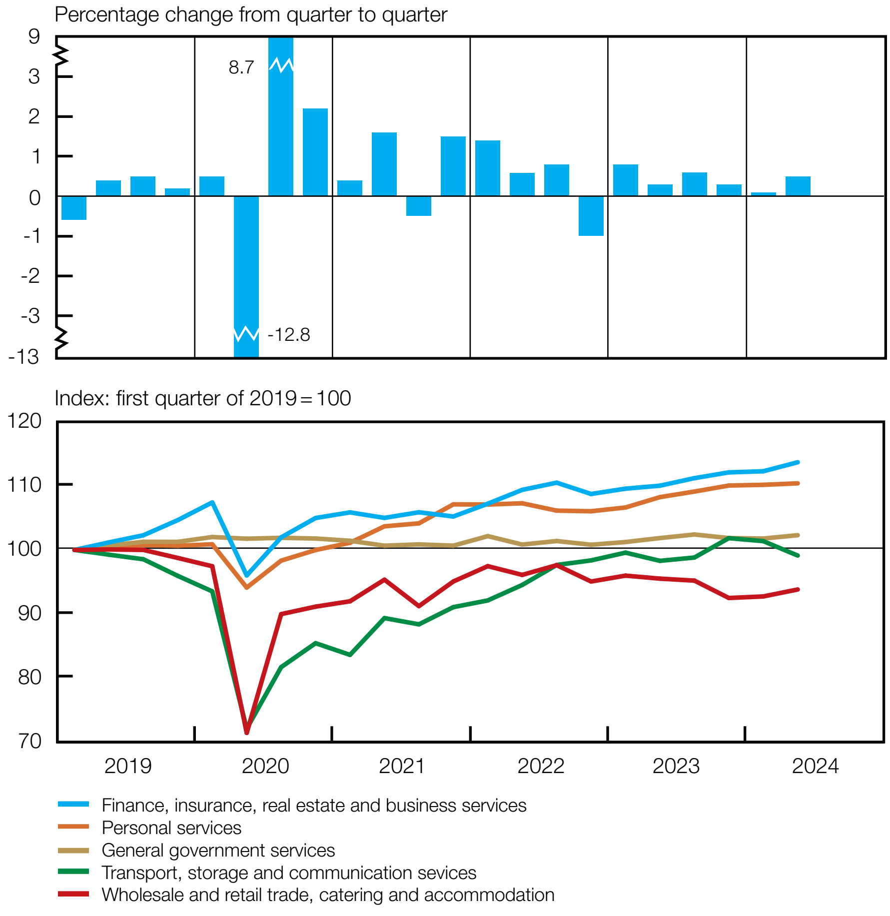
Real manufacturing output was likely boosted by the stable supply of electricity in the second quarter of 2024 as the production of both durable and non-durable goods increased. Despite the increase in output, the seasonally adjusted utilisation of production capacity in the manufacturing sector decreased from 78.4% in February 2024 to 77.9% in May. The sector continued to be weighed down by the generally challenging economic environment, including high operating costs, supply chain disruptions and weak demand, as reflected in the subdued Absa Purchasing Managers' Index (PMI) in recent quarters. Consequently, the level of real manufacturing output in the first six months of 2024 was 0.7% lower than in the corresponding period of 2023.

The real output of the sector supplying *electricity, gas and water* increased by 3.1% in the second quarter of 2024 following a decrease of 0.4% in the first quarter. The expansion reflected increased volumes of both electricity production and consumption, enabled by Eskom's improved energy availability factor. Consequently, no electricity load-shedding was implemented in the second quarter, which supported economic activity more broadly. Water consumption also increased in the second quarter of 2024. As a result, the level of real output of this sector in the first half of 2024 was 3.4% higher than in the corresponding period of 2023.

The real GVA by the *construction sector* expanded by 0.5% in the second quarter of 2024 following four successive quarters of contraction. The turnaround reflected increased residential and non-residential building activity. However, the average level of real construction output in the first half of 2024 was still 7.8% lower than in the corresponding period of 2023.

The real GVA by the *tertiary sector* increased by 0.5% in the second quarter of 2024 and contributed 0.3 percentage points to overall GDP growth. Real output expanded in the commerce; finance, insurance, real estate and business services; personal services; and general government services sectors, while that of the transport, storage and communication services sector contracted further in the second quarter of 2024.

Real gross value added by the tertiary sector



Seasonally adjusted

Source: Stats SA

The real output of the *commerce sector* expanded by 1.2% in the second quarter of 2024 following a revised increase of 0.3% in the first quarter. Real wholesale and retail trade activity increased, while motor trade activity decreased in the second quarter. Wholesale trade activity was supported by higher sales of machinery and equipment, agricultural raw materials and wholesale trade on a fee or contract basis. The increase in retail trade activity was broad-based, with sales of textiles, clothing, footwear and leather goods; general dealers; as well as pharmaceuticals and medical goods, cosmetics and toiletries increasing the most.

The decline in motor trade activity reflected lower sales of new vehicles and fuel in the second quarter of 2024, with affordability remaining an important factor in new vehicle purchasing decisions amid high borrowing costs. Despite the increase in the second quarter, the commerce sector continued to grapple with subdued consumer and business demand, supply chain disruptions as well as higher unemployment. Consequently, the level of real output of the commerce sector in the first half of 2024 was 2.5% lower than in the corresponding period of 2023.

The real GVA by the *transport, storage and communication services sector* contracted further by 2.2% in the second quarter of 2024, subtracting 0.2 percentage points from overall GDP growth. The decline reflected reduced activity in land freight transportation and transport support services, while passenger journeys undertaken by rail increased alongside the restoration of five more crucial Metrorail lines.

The real GVA by the *finance, insurance, real estate and business services sector* increased by 1.3% in the second quarter of 2024 and contributed 0.3 percentage points to overall real GDP growth as activity increased in the financial intermediation, real estate and business services subsectors. The average level of real finance, insurance, real estate and business services output in the first half of 2024 was 2.9% higher than in the corresponding period of 2023.

Following two quarters of contraction, the real GVA by the *general government services sector* expanded by 0.5% in the second quarter of 2024, reflecting an increase in the number of government employees, most of them benefitting from temporary employment opportunities provided by the Electoral Commission of South Africa to assist with the national elections in May.

The real output of the *personal services sector* increased by 0.2%, reflecting increased activity in health and education services. The average level of real output of personal services in the first half of 2024 was 2.3% higher than in the corresponding period of 2023.

Real gross domestic expenditure[2]

Real *gross domestic expenditure* (GDE) increased by 1.0% in the second quarter of 2024 following a decrease of 0.6% in the first quarter. Real final consumption expenditure by households and general government increased in the second quarter of 2024, together with an accumulation in real inventory holdings. By contrast, real gross fixed capital formation contracted further over this period. The average level of real GDE in the first half of 2024 was 1.4% lower 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 Statistics South Africa.

Real gross domestic expenditure

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

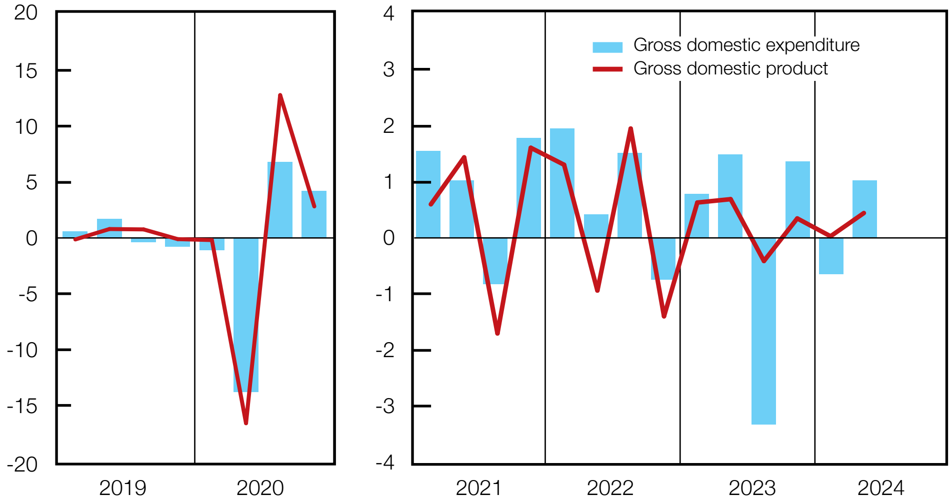
Component	2023					2024	
	Q1	Q2	Q3	Q4	Year[1]	Q1	Q2
Final consumption expenditure							
Households	0.5	0.0	-0.2	0.1	0.7	-0.2	1.4
General government	1.3	1.5	0.5	-0.4	1.9	-0.2	1.0
Gross fixed capital formation	1.9	4.1	-4.7	-0.2	3.9	-1.7	-1.4
Domestic final demand[2]	**0.9**	**0.9**	**-0.7**	**-0.1**	**1.4**	**-0.4**	**0.9**
Change in inventories (R billions)[3]	*52.9*	*77.5*	*-45.7*	*19.4*	*26.0*	*3.8*	*9.6*
Residual[4]	*0.2*	*0.2*	*0.1*	*0.2*	*0.2*	*0.3*	*0.2*
Gross domestic expenditure[5]	**0.8**	**1.5**	**-3.3**	**1.4**	**0.8**	**-0.6**	**1.0**

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

Real gross domestic product and expenditure

Percentage change from quarter to quarter

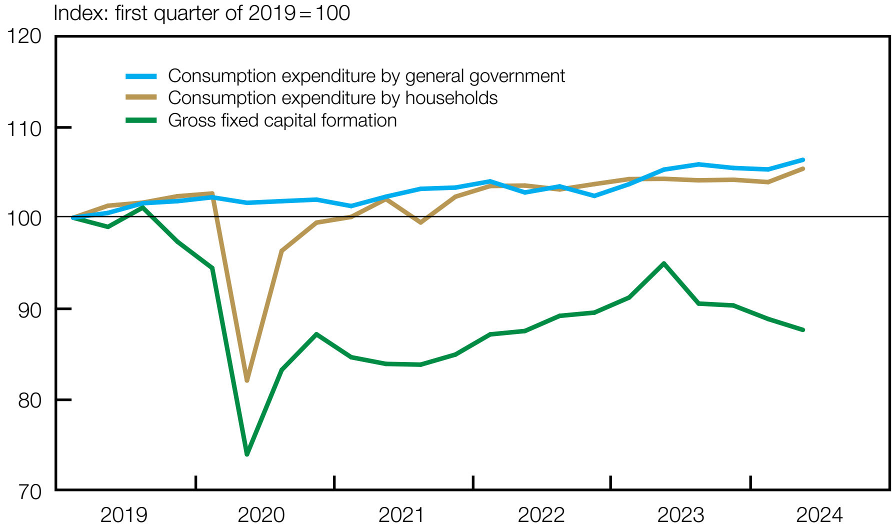


Seasonally adjusted

Sources: Stats SA and SARB

Components of real gross domestic final demand

Index: first quarter of 2019 = 100



Seasonally adjusted

Sources: Stats SA and SARB

Real final consumption expenditure by households contributed the most to growth in real GDP at 0.9 percentage points in the second quarter of 2024, with real final consumption expenditure by general government and the change in real inventory holdings contributing a further 0.2 and 0.1 percentage points respectively. By contrast, real net exports deducted 0.6 percentage points from overall GDP growth in the second quarter of 2024.

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

Percentage points

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

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

Sources: Stats SA and SARB

The real *exports* of goods and services decreased slightly further by 0.4% in the second quarter of 2024 as the export volumes of service and agricultural products decreased amid challenging weather conditions that impacted harvests. By contrast, the volume of mining exports was boosted by a significant increase in precious metals (including gold, PGMs and stones). Manufacturing export volumes also increased in the second quarter of 2024 as the export volumes of chemical products as well as machinery and electrical equipment rebounded.

Real exports and imports of goods and services

Quarter-to-quarter percentage change*

Component	2024					
	Exports			Imports		
	Percentage of total**	Q1***	Q2***	Percentage of total**	Q1***	Q2***
Total	**100.0**	**-2.9**	**-0.4**	**100.0**	**-5.0**	**1.7**
Mining	**39.7**	**-5.3**	**3.8**	**19.5**	**-19.3**	**3.7**
Of which:						
Mineral products	14.4	-3.4	-3.0	14.5	-27.0	3.2
Precious metals including gold, platinum group metals and stones	12.3	-10.1	17.5	1.1	5.9	5.5
Base metals and articles thereof	13.0	-2.7	-1.0	4.0	14.8	5.0
Manufacturing	**36.5**	**-4.2**	**1.8**	**63.3**	**1.8**	**-0.4**
Of which:						
Vehicles and transport equipment	11.4	-7.9	-2.3	13.6	-13.7	10.7
Machinery and electrical equipment	7.4	-2.3	2.4	25.9	5.1	-4.6
Chemical products	5.9	-5.5	9.8	10.1	7.3	-5.3
Prepared foodstuffs, beverages and tobacco	4.8	1.1	0.4	2.1	15.3	4.8
Agriculture	**10.3**	**9.9**	**-21.0**	**4.0**	**-13.7**	**15.5**
Of which:						
Vegetable products	8.9	9.6	-24.8	2.3	-21.8	32.1
Services	**13.3**	**-0.9**	**-0.7**	**13.0**	**-6.9**	**4.0**

* 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 increased by 1.7% in the second quarter of 2024 following a decrease of 5.0% in the first quarter. Mining imports volumes reverted to an increase, largely driven by a switch in mineral products and the further increase in precious metals (including gold, PGMs and stones) as well as base metals and articles thereof. Similarly, the real imports of services and agricultural goods reverted to an increase in the second quarter, with a significant increase in vegetable imports. By contrast, manufacturing imports were adversely affected by decreases in the import volumes of machinery and electrical equipment as well as chemical products in the second quarter of 2024.

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	
	Q1	Q2	Q1	Q2	Q1	Q2
Total	**-0.8**	**-0.1**	**-1.5**	**0.5**	**0.7**	**-0.6**
Mining	**-0.6**	**0.4**	**-1.4**	**0.2**	**0.8**	**0.2**
Of which:						
Mineral products	-0.1	-0.1	-1.5	0.1	1.4	-0.2
Precious metals, including gold, platinum group metals and stones	-0.4	0.5	0.0	0.0	-0.4	0.5
Base metals and articles thereof	-0.1	0.0	0.2	0.1	-0.3	-0.1
Manufacturing	**-0.4**	**0.2**	**0.3**	**-0.1**	**-0.8**	**0.2**
Of which:						
Vehicles and transport equipment	-0.3	-0.1	-0.5	0.4	0.3	-0.4
Machinery and electrical equipment	0.0	0.0	0.3	-0.3	-0.4	0.4
Chemical products	-0.1	0.2	0.2	-0.2	-0.3	0.3
Prepared foodstuffs, beverages and tobacco	0.0	0.0	0.1	0.0	-0.1	0.0
Agriculture	**0.3**	**-0.7**	**-0.2**	**0.2**	**0.5**	**-0.9**
Of which:						
Vegetable products	0.2	-0.7	-0.2	0.2	0.4	-0.9
Services	**0.0**	**0.0**	**-0.3**	**0.2**	**0.3**	**-0.2**

* 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

Real *net exports* subtracted 0.6 percentage points from real GDP growth in the second quarter of 2024 as the real net exports of agricultural products – mainly vegetable products – and services detracted 0.9 and 0.2 percentage points respectively. Conversely, the higher real net exports of machinery and electrical equipment as well as chemical products contributed positively to overall net manufacturing exports.

Real *final consumption expenditure by households* reverted to an increase of 1.4% in the second quarter of 2024 from a decline of 0.2% in the first quarter, in line with the increase of 0.9% in the real disposable income of households. Real expenditure on durable, semi-durable and non-durable goods as well as on services increased in the second quarter. Nonetheless, the level of real spending by households in the first half of 2024 was only 0.3% higher than in the corresponding period of 2023, reflecting constrained household finances.

Real final consumption expenditure by households

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

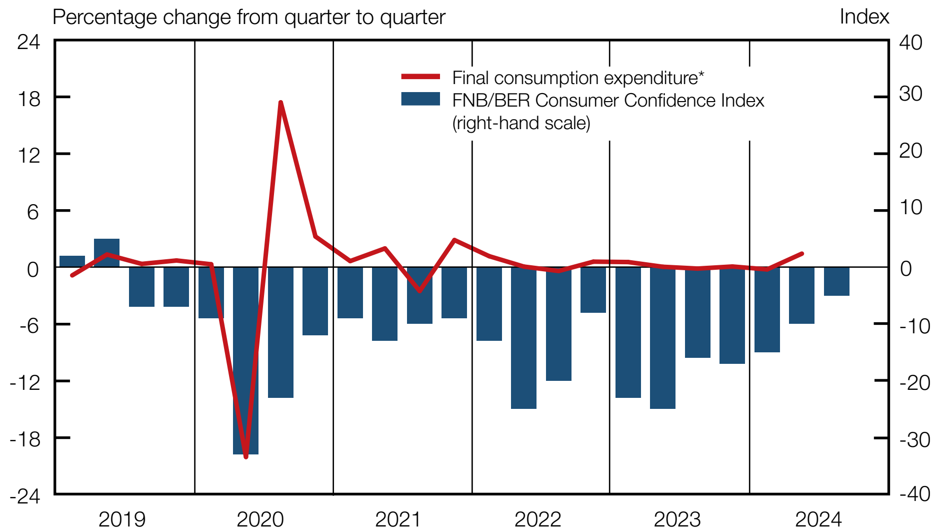
Category	2023					2024	
	Q1	Q2	Q3	Q4	Year*	Q1	Q2
Durable goods	-0.8	-1.1	-0.3	2.4	0.6	0.4	0.9
Semi-durable goods	2.7	-3.6	1.3	3.5	3.5	-4.2	1.7
Non-durable goods	0.3	0.1	-0.7	-1.6	-2.4	1.4	0.7
Services	0.5	0.9	-0.1	-0.1	2.1	-0.6	1.8
Total	**0.5**	**0.0**	**-0.2**	**0.1**	**0.7**	**-0.2**	**1.4**

* Percentage change over one year

Source: Stats SA

Real spending on *durable goods* increased by 0.9% in the second quarter of 2024 after increasing by 0.4% in the first quarter, supported by improved consumer confidence and growth in the real disposable income of households. Real purchases of personal transport equipment contracted in the second quarter of 2024, while real outlays on recreational and entertainment goods, computers and related equipment, and other durable goods increased. However, consumer outlays on furniture and household appliances increased at a slower pace over this period.

Real final consumption expenditure by households and consumer confidence



* Seasonally adjusted

Sources: BER and Stats SA

Real outlays on *semi-durable goods* increased by 1.7% in the second quarter of 2024 after decreasing by 4.2% in the first quarter. Spending on clothing and footwear as well as miscellaneous goods reverted to increases over this period, while consumer purchases of household textiles as well as recreational and entertainment goods increased further. However, consumer outlays on motorcar tyres, parts and accessories declined further in the second quarter of 2024.

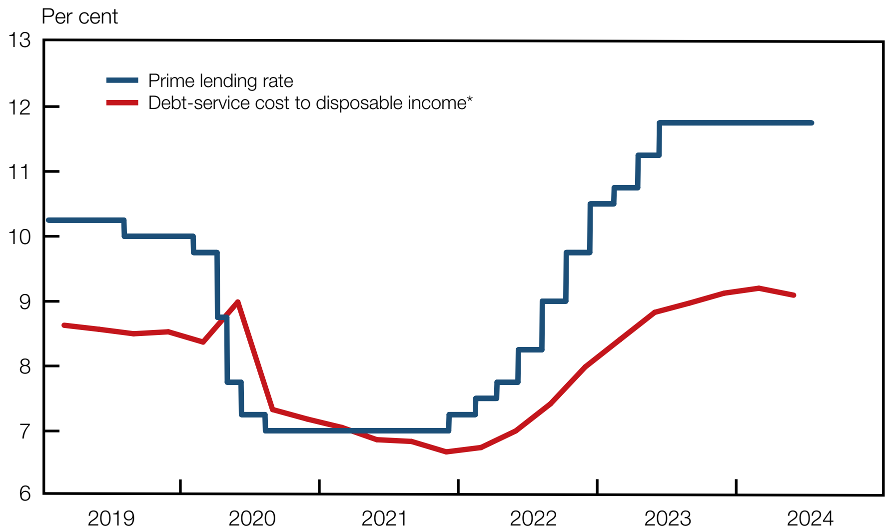
Growth in real spending on *non-durable goods* moderated to 0.7% in the second quarter of 2024 from 1.4% in the first quarter. Real spending on household fuel, power and water; and petroleum products declined, while that on medical and pharmaceutical products increased at a slower pace. The slight decrease in the number of road passenger journeys in the second quarter affected household spending on petroleum products. Consumption expenditure on food, beverages and tobacco also increased in the second quarter of 2024.

Real household expenditure on *services* reverted to an increase of 1.8% in the second quarter of 2024 following a decline of 0.6% in the first quarter as expenditure on rent; medical services; transport and communication services; recreational, entertainment and educational services; as well as miscellaneous services increased. By contrast, outlays on household services declined in the second quarter of 2024.

Seasonally adjusted *household debt* increased at a slower pace in the second quarter of 2024 as growth in most categories of credit extended to households moderated. Household debt as a percentage of nominal disposable income edged lower to 62.2% in the second quarter of 2024 from 63.0% in the first quarter as the increase in nominal disposable income exceeded that in household debt. Households' cost of servicing debt relative to disposable income decreased marginally to 9.1% in the second quarter of 2024 from 9.2% in the first quarter, reflecting the slower pace of increase in the stock of debt while the prime lending rate remained unchanged.

Households' net wealth increased in the second quarter of 2024 as the market value of total assets increased more than that of total liabilities. The higher value of assets stemmed largely from an increase in share prices, while the value of housing stock declined. The ratio of net wealth to nominal disposable income increased to 393% in the second quarter of 2024 from 389% in the first quarter as household's net wealth increased at a faster pace than that in nominal disposable income.

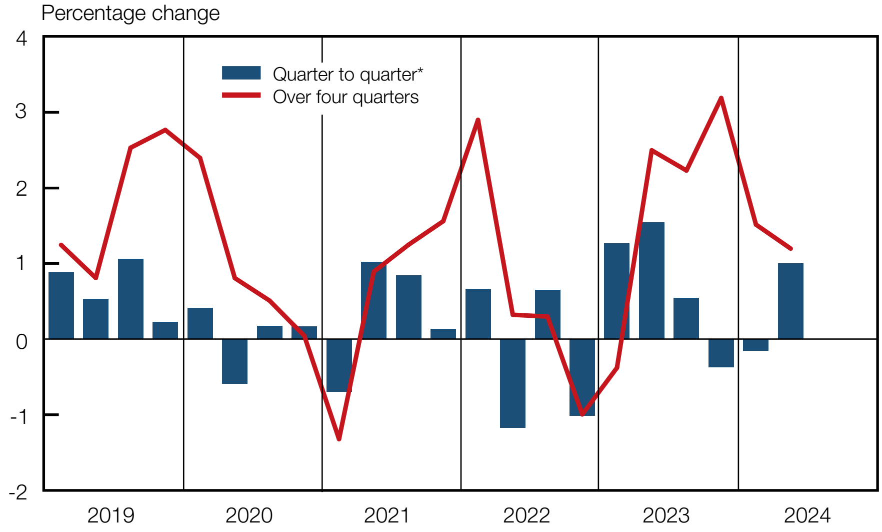
Household debt-service cost and the prime lending rate



* Seasonally adjusted
Source: SARB

Following a contraction of 0.2% in the first quarter of 2024, real *final consumption expenditure by general government* increased by 1.0% in the second quarter. Real spending on both the compensation of employees and non-wage goods and services increased, largely reflecting the recruitment of temporary employees as well as other expenses related to the national elections in May 2024. The level of real final consumption expenditure by general government in the first half of 2024 was 1.4% higher than in the corresponding period of 2023.

Real final consumption expenditure by general government



* Seasonally adjusted

Source: Stats SA

Real *gross fixed capital formation* decreased further by 1.4% in the second quarter of 2024 following a decrease of 1.7% in the first quarter as all three organisational types reduced capital outlays. The decrease in real capital outlays in the second quarter of 2024 represented a fourth successive quarterly contraction. Consequently, the level of real gross fixed capital spending in the first half of 2024 was 5.0% lower than in the corresponding period of 2023.

Real gross fixed capital formation

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

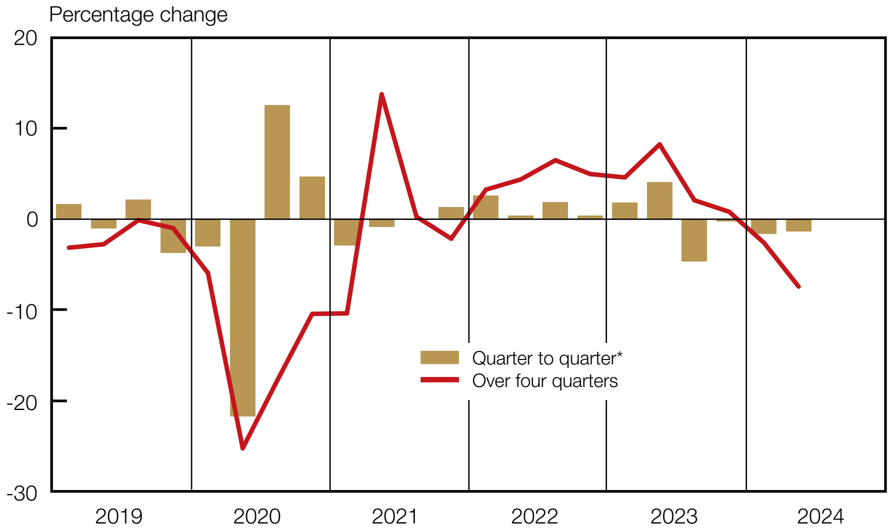
Sector	2023					2024	
	Q1	Q2	Q3	Q4	Year*	Q1	Q2
Private business enterprises..........	0.6	5.3	-5.1	0.9	3.0	-3.1	-1.3
Public corporations......................	7.3	6.5	-7.1	4.2	9.9	2.5	-1.5
General government....................	4.0	-1.9	-1.3	-7.3	3.9	2.0	-1.5
Total..	**1.9**	**4.1**	**-4.7**	**-0.2**	**3.9**	**-1.7**	**-1.4**

* Percentage change over one year

Source: Stats SA

Real fixed investment by *private business enterprises* decreased further by 1.3% in the second quarter of 2024 and subtracted 0.9 percentage points from growth in total real gross fixed capital formation. Reduced investment in computer software, construction works as well as machinery and equipment more than offset increased investment in residential buildings and non-residential buildings in the second quarter of 2024. However, the private sector's share of total nominal gross fixed capital formation increased to 72.0% in the second quarter of 2024 from 71.8% in the previous quarter, while the level of real gross fixed capital spending by private business enterprises was 4.9% lower in the first half of 2024 compared to the corresponding period of 2023.

Real gross fixed capital formation



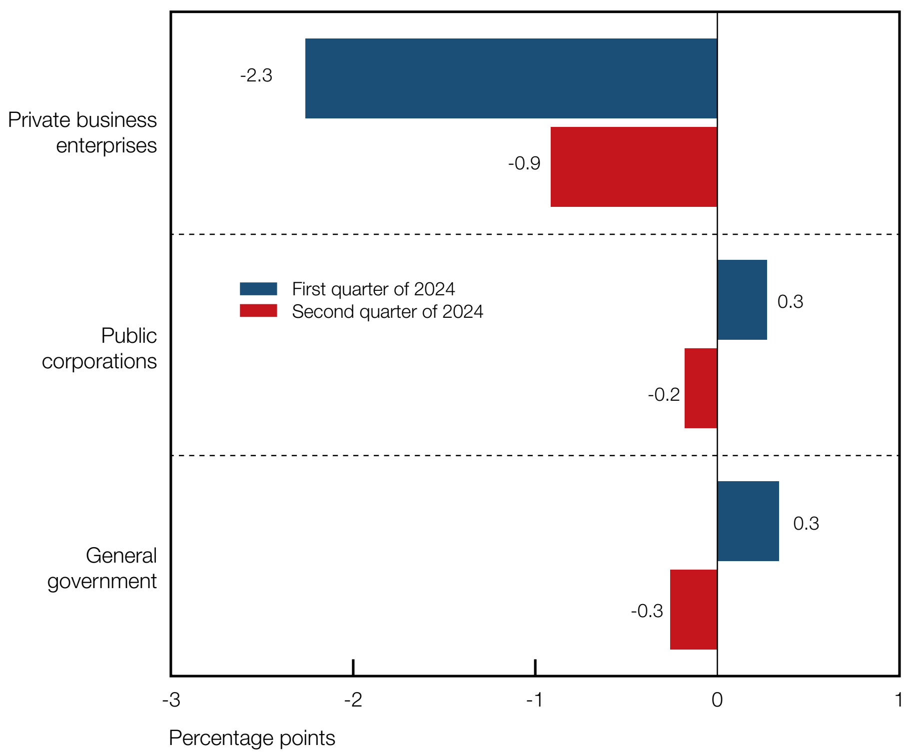
* Seasonally adjusted

Source: Stats SA

Real gross fixed capital outlays by the *public sector* decreased by 1.5% in the second quarter of 2024 following an increase of 2.2% in the preceding quarter. The decrease reflected lower capital spending by both general government and public corporations. The public sector's share of total nominal gross fixed capital formation decreased to 28.0% in the second quarter of 2024 from 28.2% in the first quarter.

Real gross fixed capital formation by *public corporations* decreased by 1.5% in the second quarter of 2024 from an increase of 2.5% in the first quarter. The decrease reflected lower investment in computer equipment and transport equipment.

Contributions to growth in real gross fixed capital formation



Source: Stats SA

Real gross fixed capital expenditure by *general government* decreased by 1.5% in the second quarter of 2024 following an increase of 2.0% in the previous quarter. The decrease resulted from lower investment in machinery and equipment, computer equipment as well as transport equipment.

Measured by asset type, real capital investment in the *other assets*[3] category as well as construction works and transport equipment decreased in the second quarter of 2024, while that in residential buildings and non-residential buildings increased. Investment in other assets and construction works subtracted 0.9 and 0.6 percentage points respectively from growth in total gross fixed capital formation in the second quarter of 2024.

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

During the second quarter of 2024, real *inventory holdings* increased by R9.6 billion (at seasonally adjusted and annualised 2015 prices) following an accumulation of R3.8 billion in the first quarter. The inventory build-up contributed 0.1 percentage points to growth in real GDP over this period. Inventory accumulation emanated mainly from the trade, manufacturing and finance sectors, while the mining, electricity and transport sectors recorded reductions in inventories.

Gross nominal saving

The *national saving rate* (gross saving as a percentage of nominal GDP) increased from 12.7% in the first quarter of 2024 to 14.1% in the second quarter as the higher saving rate of corporate business enterprises and the lower dissaving by general government outweighed the lower saving rate of households. The share of total gross capital formation financed through foreign capital (the foreign financing ratio) decreased from 10.4% in the first quarter of 2024 to 5.9% in the second quarter.

Gross saving as a percentage of gross domestic product

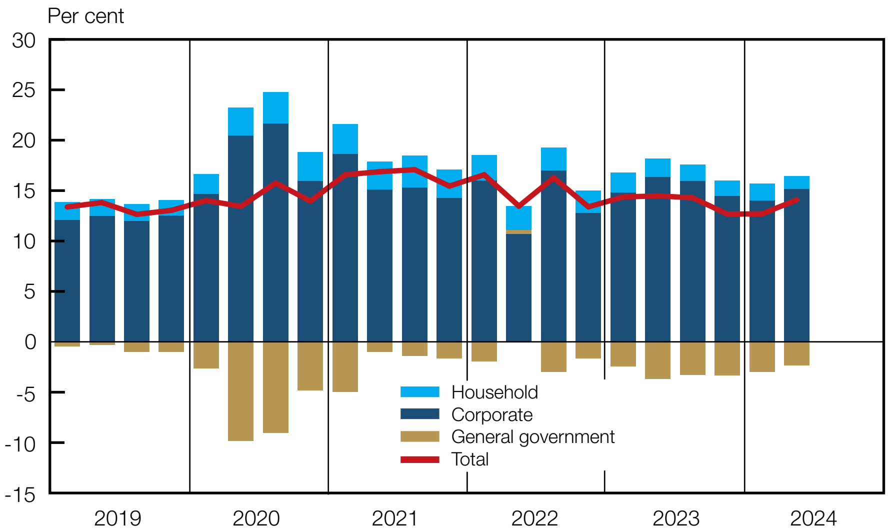
Ratio in per cent based on seasonally adjusted and annualised data

Sector	2023					2024	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Corporate	14.8	16.4	16.0	14.5	15.4	14.0	15.2
General government	-2.4	-3.7	-3.3	-3.3	-3.2	-3.0	-2.3
Household	2.0	1.8	1.6	1.5	1.7	1.6	1.3
Total	**14.4**	**14.5**	**14.3**	**12.7**	**13.9**	**12.7**	**14.1**

Source: Stats SA and SARB

Gross saving by the *corporate sector* as a percentage of nominal GDP increased from 14.0% in the first quarter of 2024 to 15.2% in the second quarter, reflecting the increase in the seasonally adjusted operating surplus, coupled with lower seasonally adjusted tax payments. Dissaving by *general government* as a percentage of nominal GDP decreased from 3.0% in the first quarter of 2024 to 2.3% in the second quarter as the decline in government's seasonally adjusted nominal expenditure exceeded that in nominal revenue collections. The saving rate of the *household sector* decreased to 1.3% in the second quarter of 2024 from 1.6% in the first quarter as the increase in seasonally adjusted nominal household consumption expenditure outweighed the increase in nominal household disposable income.

Gross saving as a percentage of gross domestic product



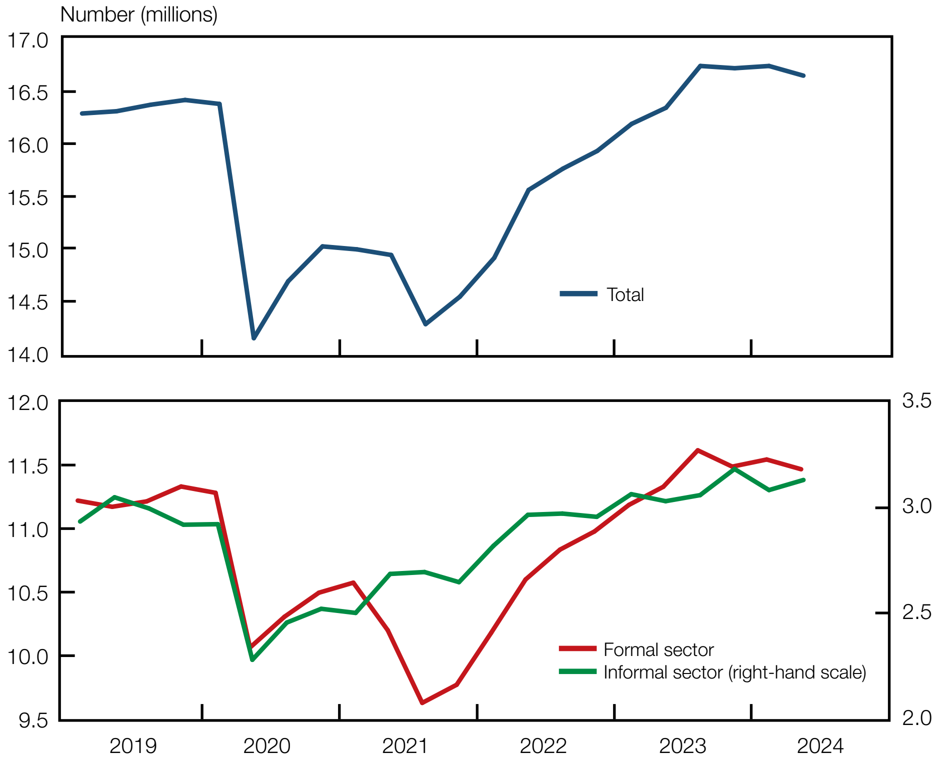
Sources: Stats SA and SARB

Employment

Total household-surveyed employment decreased by 92 000 (0.6%) between the first and second quarter of 2024 but remained above its pre-COVID-19 level, according to Statistics South Africa's (Stats SA) *Quarterly Labour Force Survey (QLFS)*. Formal sector employment decreased by 77 000 (0.7%), while 45 000 (4.8%) jobs were lost in the agricultural sector and 18 000 (1.5%) fewer persons were employed in the private household sector in the second quarter of 2024. By contrast, informal sector employment increased by 48 000 (1.5%). Formal employment in the wholesale, retail and accommodation sector decreased by 118 000 (5.2%), while the finance and construction sectors shed 24 000 (0.9%) and 15 000 (1.9%) jobs respectively. The manufacturing sector recorded job gains of 41 000 (2.9%) and the electricitry, gas and water supply sector employed 8 000 (8.3%) more people. The year-on-year pace of increase in total household-surveyed employment slowed further from 552 000 (3.4%) in the first quarter of 2024 to 306 000 (1.9%) in the second quarter, in part due to base effects created by the recruitment of the second cohort of Phase IV of the Presidential Youth Employment Initiative (PYEI) a year earlier.

Employment contracts of a limited duration decreased sharply by 6.7% on a quarter-to-quarter and seasonally adjusted basis in the second quarter of 2024, possibly reflecting the pause in temporary public sector employment programmes, particularly the PYEI. Contracts of a permanent nature decreased marginally by 0.6%, while those of an unspecified duration increased by 1.9% in the second quarter.

Household-surveyed employment



Source: Stats SA

The number of new and renewed job postings on the PNet web platform increased by 13.0% on a seasonally adjusted quarter-to-quarter basis in the second quarter of 2024 and by a further 2.2% on a month-to-month basis in July, which should support employment growth in the second half of 2024. The number of job postings in July 2024 almost matched those of July 2019, before the onset of the COVID-19 pandemic.

Household-surveyed labour market statistics

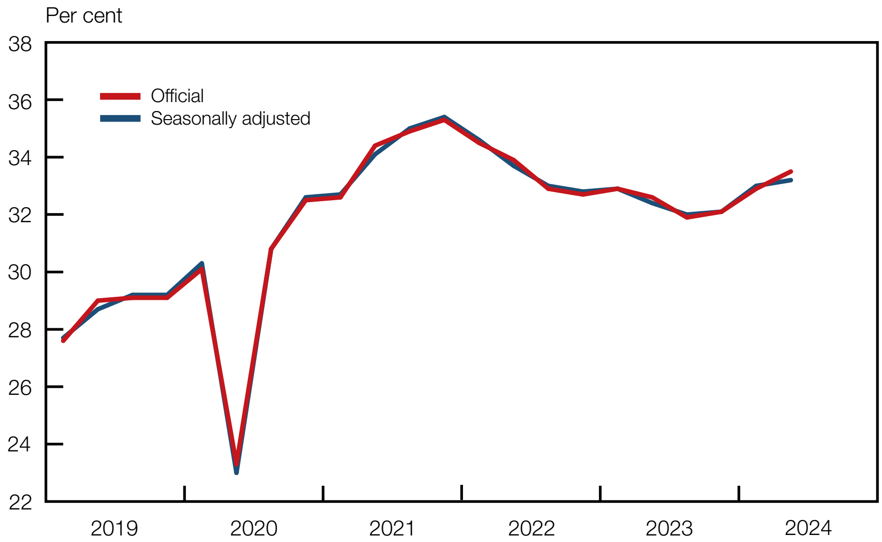
	Number (thousands)			Quarter-to-quarter change		Percentage change over four quarters
	2023	2024		2024 Q2		
	Q2	Q1	Q2	Number	Per cent	Per cent
a. Total employed	16 346	16 745	16 652	-92	-0.6	1.9
b. Total unemployed (official definition)	7 921	8 226	8 384	158	1.9	5.8
c. Total labour force (a+b)	24 268	24 971	25 036	66	0.3	3.2
d. Total not economically active	16 478	16 188	16 260	72	0.4	-1.3
e. Population 15–64 years (c+d)	40 746	41 158	41 296	137	0.3	1.4
f. Official unemployment rate* (b/c)*100	32.6%	32.9%	33.5%	–	–	–
g. Discouraged	3 182	3 048	3 195	147	4.8	0.4
h. Other reasons for not searching for work	1 252	1 451	1 358	-94	-6.4	8.5
i. Expanded unemployment rate**	42.1%	41.9%	42.6%	–	–	–

* 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 in South Africa increased by 0.3% to 25.0 million in the second quarter of 2024 as the increase of 158 000 (1.9%) in the number of officially unemployed persons outweighed the decrease in the number of employed persons. Consequently, the official unemployment rate increased for a third consecutive quarter, from 32.9% in the first quarter of 2024 to 33.5% in the second quarter, while the seasonally adjusted unemployment rate increased from 33.0% to 33.2% over the same period.

Unemployment rate



Sources: Stats SA and SARB

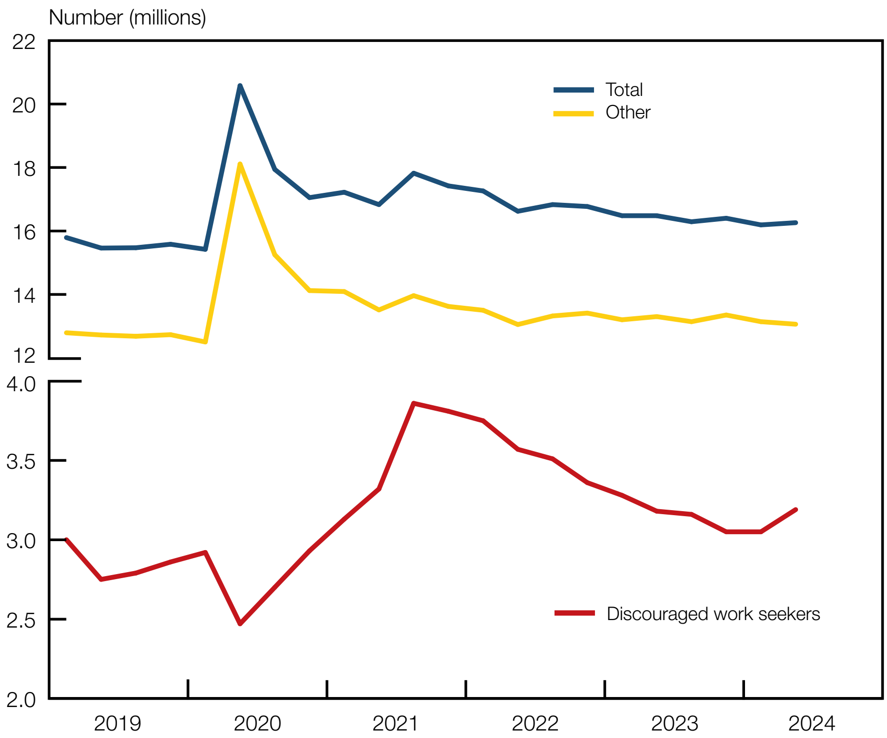
The total number of officially unemployed persons in the second quarter of 2024 consisted of 42.0% of new entrants to the labour market followed by 28.6% of job losers and 22.7% of people who last worked five years ago, while re-entrants and job leavers accounted for only 3.8% and 2.8% respectively. The proportion of long-term unemployment (being unemployed for one year or longer) to total unemployment remained elevated and increased from 75.2% in the first quarter of 2024 to 76.2% in the second quarter, although this was still below the most recent peak of 80.0% in the fourth quarter of 2021.

The youth unemployment rate (those aged 15–24 years and actively searching for work) increased further from 59.7% in the first quarter of 2024 to 60.8% in the second quarter. Similarly, the unemployment rate of those aged between 25 and 34 years increased from 40.7% to 41.7% over the same period. The International Labour Organization (ILO) expects the global youth unemployment rate to decrease slightly from 13.0% in 2023 to 12.8% in both 2024 and 2025.[4] The share of young persons who were neither in employment, education or training (NEET) in South Africa decreased slightly from 35.5% in the first quarter of 2024 to 35.2% in the second quarter (equivalent to 3.6 million out of 10.3 million young persons). The ILO has lowered its projections for the share of youth NEET globally from 21.8% previously to 20.4% in both 2024 and 2025, while the NEET for upper middle-income countries is expected to reach 25.9% in 2024 before decreasing slightly to 25.8% in 2025.[5]

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

5 Ibid.

Not economically active population



Source: Stats SA

The not economically active population in South Africa increased by 72 000 (0.4%) persons in the second quarter of 2024 as the increase of 147 000 (4.8%) in the number of discouraged work seekers outweighed the decrease of 75 000 (0.6%) in the *other*[6] not economically active category. As a result, the expanded unemployment rate, which includes discouraged work seekers, increased further from 41.9% in the first quarter of 2024 to 42.6% in the second quarter, following nine consecutive quarterly decreases up to the fourth quarter of 2023.

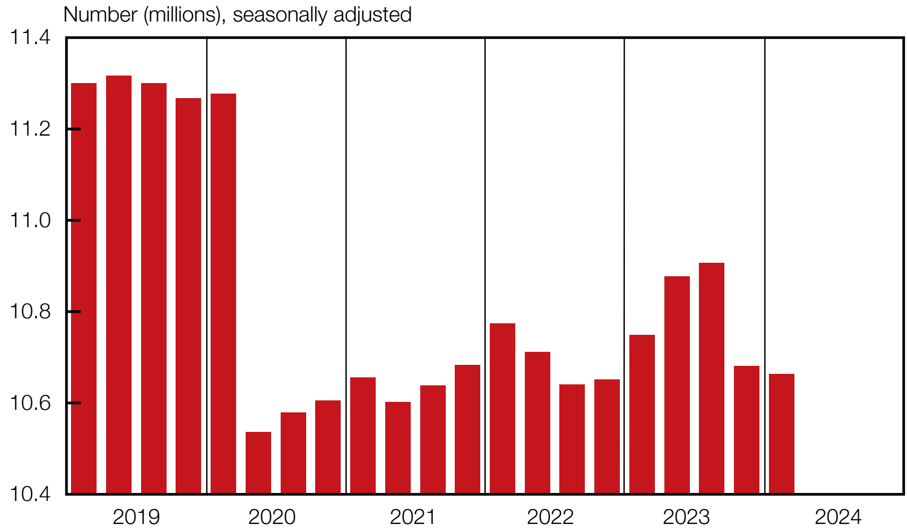
The labour force participation rate remained broadly unchanged at 60.6% in the second quarter of 2024 but still above its pre-COVID-19 peak of 60.3% recorded in the first quarter of 2020. However, the labour absorption rate – the percentage of the working-age population (15–64 years) who are employed – decreased slightly from 40.7% in the first quarter of 2024 to 40.3% in the second quarter as employment decreased while the working-age population increased.

Enterprise-surveyed formal non-agricultural employment[7] decreased further in the first quarter of 2024, albeit at a slower pace than in the preceding quarter, as 27 400 jobs were lost (an annualised decrease of 1.0%). Public sector employment decreased further in the first quarter alongside stagnant private sector employment.

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

7 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, and all quarterly growth rates are annualised.

Formal non-agricultural employment*

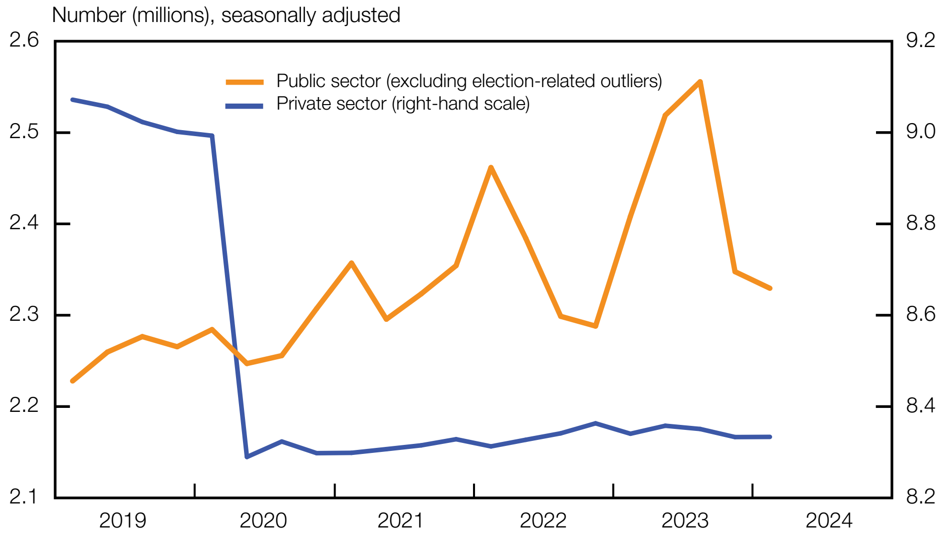


* Excluding election-related outliers

Sources: Stats SA and SARB

Public sector employment decreased further by 27 700 (4.6% annualised) in the first quarter of 2024, resulting in a cumulative loss of 231 900 jobs over the past two quarters, largely reflecting significant job losses associated with the end of Phase IV of the PYEI in the basic education sector in the fourth quarter of 2023. Employment decreased in all public sector tiers in the first quarter of 2024, except for state-owned companies (SOCs) in the transport, storage and communication services sector.

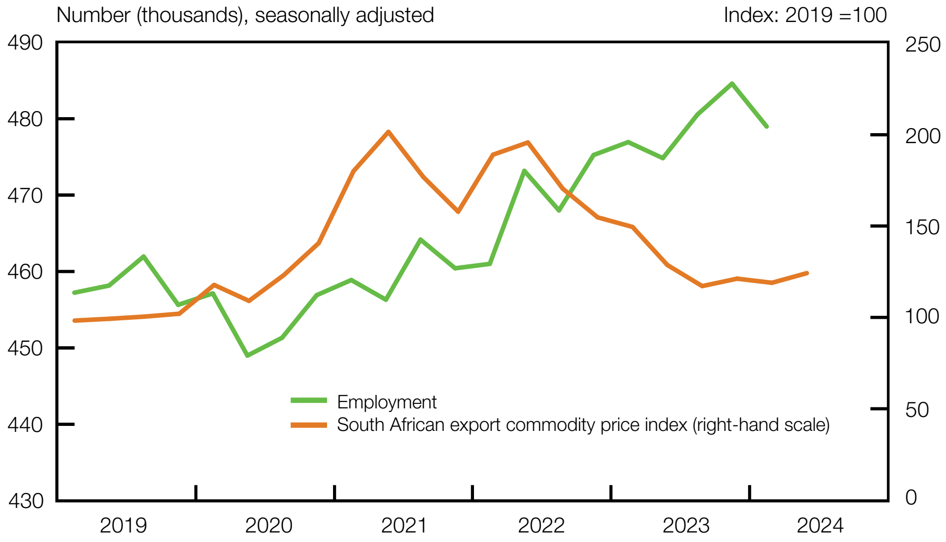
Public and private formal sector employment



Sources: Stats SA and SARB

Private sector employment remained broadly unchanged at 8.33 million in the first quarter of 2024, close to the pandemic-induced low of 8.29 million in the second quarter of 2020, as firms struggled to generate meaningful employment opportunities amid weak economic growth, ongoing operational and logistical challenges, and subdued consumer demand. Job losses in the trade, catering and accommodation services as well as the mining and construction subsectors were offset by job gains in the remaining four subsectors.

Formal mining sector employment and international commodity prices



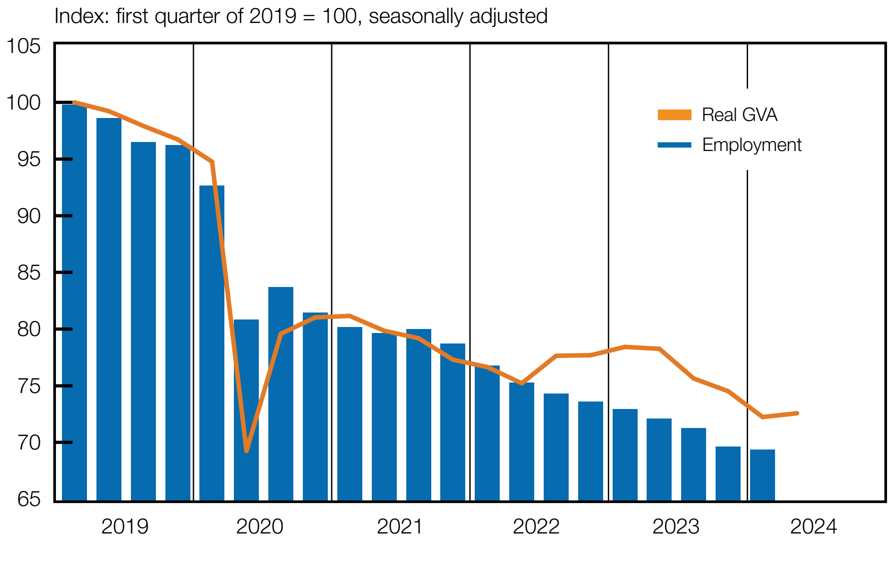
Sources: Stats SA and SARB

Mining sector employment decreased in the first quarter of 2024 following retrenchments and restructuring by several mining companies. This decline occurred amid electricity and logistical constraints as well as lower international commodity prices, which impacted the PGM, coal and iron ore mining industries in particular, according to the Minerals Council South Africa. Employment decreased at a faster pace in the gold mining industry in the first quarter of 2024, while the decrease in non-gold mining employment fully reversed the job gains made in the previous quarter.

Manufacturing sector employment increased by 13 800 in the first quarter of 2024, resuming its upward trend since the third quarter of 2021. Encouragingly, manufacturing business confidence[8] rose by 7 index points to 28 index points in the second quarter of 2024 – the highest level in two years – as respondents reported higher production volumes amid improved business conditions, increased capacity utilisation, a renewed appetite for investment and a recovery in some major global economies. However, the survey indicated that, despite the stable electricity supply and improved capacity utilisation, the number of factory workers decreased in the second quarter, along with significant declines in the average hours worked per worker.

8 As measured by the Bureau for Economic Research's *Absa Manufacturing Survey*.

Formal construction sector employment and output



Sources: Stats SA and SARB

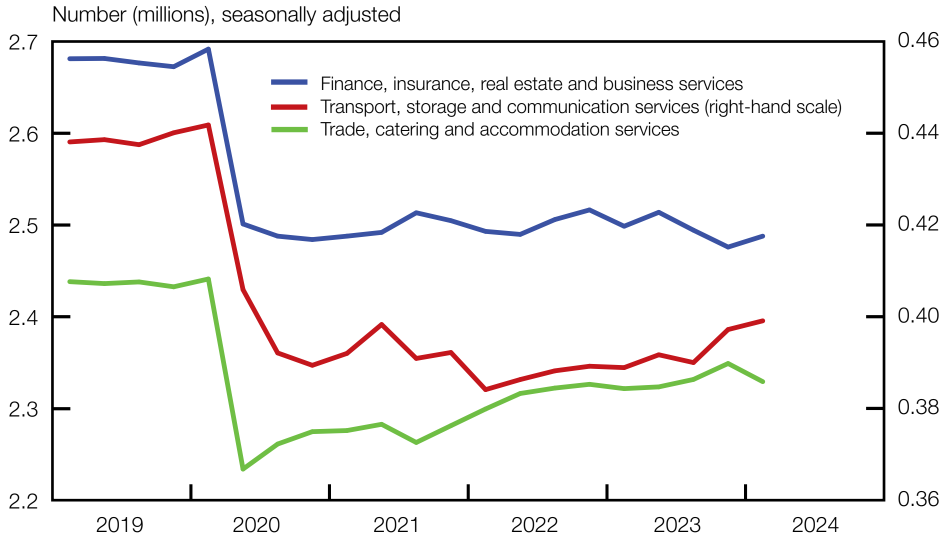
9 As measured by the FNB/BER Building Confidence Index.

10 As measured by the BER's Retail Survey.

Consistent with the contraction in output, *construction sector employment* decreased for a 10th consecutive quarter in the first quarter of 2024, albeit at a much slower pace, resulting in the cumulative loss of 90 000 formal construction sector jobs over this period. Sentiment indicators in the building and construction sector continued to display mixed signals in the second quarter of 2024 and were thus not fully supportive of employment creation in the construction sector in the short term. The First National Bank/Bureau for Economic Research (FNB/BER) Civil Confidence Index deteriorated slightly from 47 index points to 44 index points from the first quarter of 2024 to the second quarter as civil construction activity eased somewhat but remained above its long-term average for almost two years, while profitability deteriorated. By contrast, building confidence[9] improved by 8 index points to 35 index points in the second quarter, underpinned by a surge in sentiment among hardware retailers amid increased building activity and sales. However, residential building activity remained under strain despite an improvement in confidence, while non-residential building confidence improved alongside notably higher activity reported.

Employment in the *trade, catering and accommodation services sector* decreased by 19 800 in the first quarter of 2024, eroding much of the 27 300 jobs gained in the previous three quarters. This is consistent with the weak output growth in this sector over the past four quarters, reflecting ongoing challenging business conditions amid subdued consumer demand. Meanwhile, business confidence among retailers[10] increased by 5 index points to 39 index points in the second quarter of 2024, underpinned by higher reported sales volumes and a significant improvement in profitability. However, the survey results varied across the different retail subcategories, as confidence among retailers of non-durable goods improved slightly, while it fell substantially for semi-durable goods retailers (textiles, clothing, footwear and leather goods) and increased significantly for durable goods retailers (hardware and furniture).

Private formal services sector employment



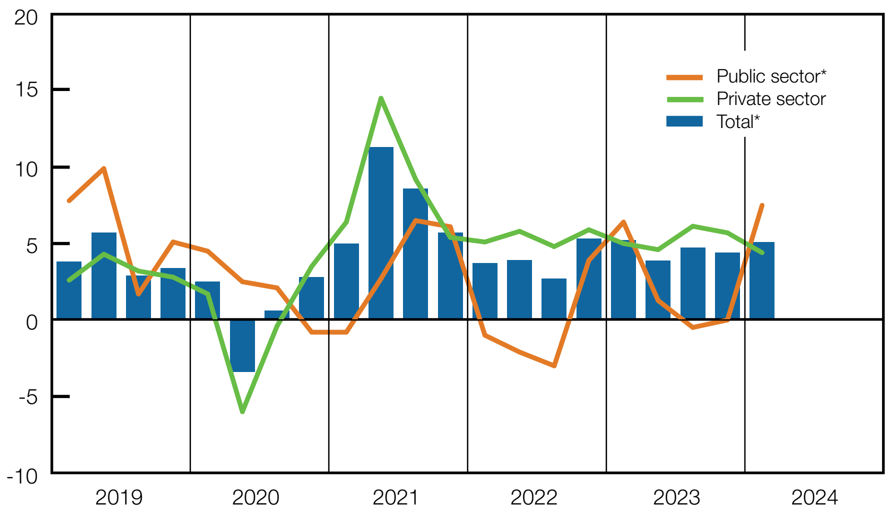
Sources: Stats SA and SARB

The *finance, insurance, real estate and business services sector* created 11 800 jobs in the first quarter of 2024 following a cumulative loss of 37 900 jobs in the preceding two quarters. Similarly, employment in the *transport, storage and communication services sector* increased for a second successive quarter in the first quarter of 2024, continuing its moderate upward trend since the first quarter of 2022. However, employment in these two sectors remained well below their pre-pandemic levels.

Labour cost and productivity

Year-on-year growth in *formal non-agricultural nominal remuneration per worker* accelerated from 4.3% in the fourth quarter of 2023 to 5.1% in the first quarter of 2024 as the acceleration in public sector remuneration growth per worker outweighed the deceleration in private sector remuneration growth. Consequently, the year-on-year pace of change in real remuneration per worker reverted from a decrease of 0.6% to an increase of 2.0% over this period.

Formal non-agricultural nominal remuneration per worker



* Excluding election-related outliers

Sources: Stats SA and SARB

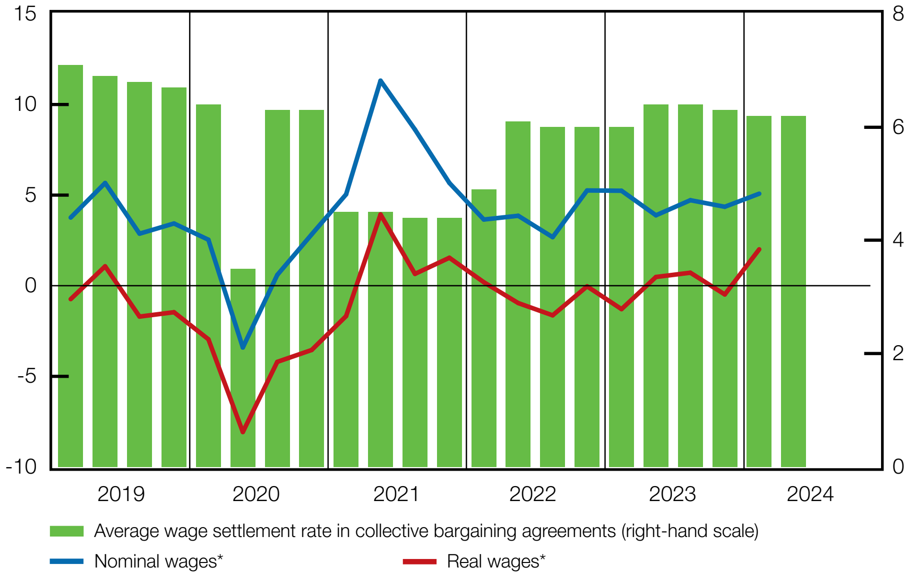
Nominal remuneration growth per private sector worker moderated for a second successive quarter, from a revised 6.1% in the third quarter of 2023 to 4.4% in the first quarter of 2024. Four of the eight private subsectors registered growth rates well below the midpoint of the inflation target range over this period, ranging between 3.3% and 3.7%. The deceleration in nominal remuneration growth per worker in the finance, insurance, real estate and business services; manufacturing; non-gold mining; construction; and community, social and personal services sectors outweighed the acceleration in the remaining three subsectors.

Nominal remuneration per public sector worker reverted from a year-on-year decrease of 0.4% in the fourth quarter of 2023 to an increase of 7.5% in the first quarter of 2024, largely due to base effects related to the significant number of low-earning temporary PYEI workers. Nominal remuneration per worker accelerated in all public sector tiers except for national departments and SOCs in the transport, storage and communication services sector.

The average wage settlement rate in collective bargaining agreements receded to 6.2% in the first six months of 2024, from 6.4% in the corresponding period of 2023 and an overall annual average of 6.3% in 2023, according to Andrew Levy Employment Publications. The number of working days lost due to industrial action fell notably from 4.6 million in the first six months of 2023 to 54 000 over the same period in 2024, largely due to the high base created by the nationwide public sector strike in March 2023.

Formal non-agricultural remuneration per worker and wage settlement rate

Percentage change over four quarters Per cent

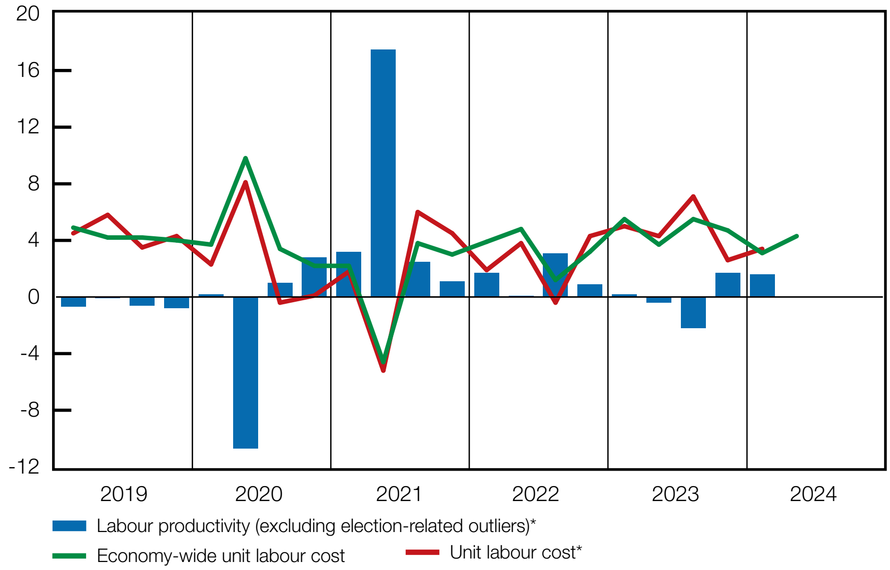


* Excluding election-related outliers

Sources: Andrew Levy Employment Publications, Stats SA and SARB

Labour productivity and nominal unit labour cost

Percentage change over four quarters



* Formal non-agricultural sector

Sources: Stats SA and SARB

Growth in labour productivity in the formal non-agricultural sector accelerated marginally from 1.6% in the fourth quarter of 2023 to 1.7% in the first quarter of 2024 as the year-on-year growth in non-agricultural output moderated at a slower pace than that in employment. Likewise, *growth in nominal unit labour cost* accelerated from 2.6% in the fourth quarter of 2023 to 3.4% in the first quarter of 2024 as year-on-year growth in output slowed at a faster pace than that in total remuneration. Growth in economy-wide nominal unit labour cost accelerated from 3.1% in the first quarter of 2024 to 4.3% in the second quarter as year-on-year growth in the compensation of employees accelerated while that in output slowed marginally.

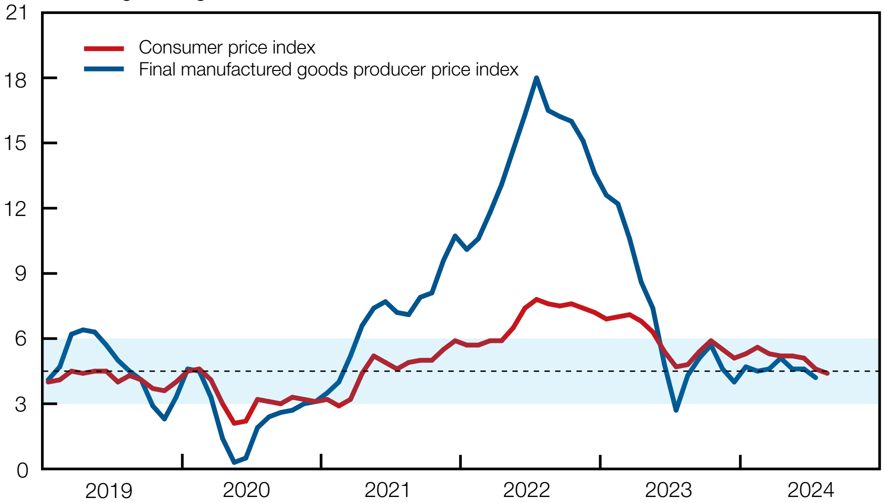
Prices[11]

Headline consumer price inflation remained above target in many countries during the first half of 2024, despite the moderation in global inflationary pressures due to lower international crude oil prices and a slowdown in food price inflation. Similarly, domestic inflationary pressures eased somewhat over this period as both headline consumer and producer price inflation decelerated. In addition, consumer price inflation moderated to below the 4.5% midpoint of the inflation target range for the first time in 40 months in August 2024 due to an easing in food and fuel price inflation.

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

Headline producer and consumer prices

Percentage change over 12 months



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

Source: Stats SA

Headline producer price inflation for final manufactured goods moderated to 4.2% in July 2024, largely due to slowdowns in producer price inflation for food products, metals, machinery and equipment as well as coal and petroleum products, with the latter easing from 9.2% in May 2024 to 5.1% in July amid stable crude oil prices and an appreciation in the exchange value of the rand.

Producer price inflation for intermediate manufactured goods accelerated gradually during the first half of 2024 to 4.2% in July as price inflation accelerated in the categories of sawmilling and wood, chemicals, rubber and plastics as well as basic and fabricated metals.

Producer price inflation

Percentage change over 12 months

	2024				
	March	April	May	June	July
Final manufactured goods	4.6	5.1	4.6	4.6	4.2
Intermediate manufactured goods	1.7	1.8	0.4	2.3	4.2
Electricity and water	15.6	14.4	12.1	9.2	10.2
Mining	-12.7	-5.5	-6.4	-4.0	-2.1
Agriculture, forestry and fishing	7.7	9.7	8.6	9.0	5.0

Source: Stats SA

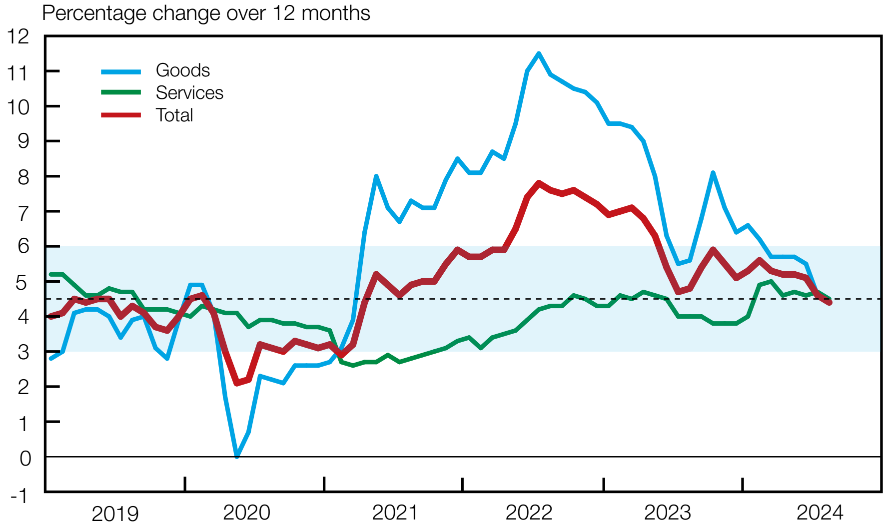
Producer price inflation for electricity and water slowed from 16.8% in January 2024 to 10.2% in July, largely due to the deceleration in electricity price inflation from 18.3% to 11.9% over this period. Producer price inflation for water also slowed to 5.6% in July 2024 from 8.6% in June.

The producer price index for mining products declined for an 11th consecutive month by 2.1% year on year in July 2024, driven by a 7.1% year-on-year decrease in non-ferrous metal ore prices; a 14.8% decrease in the prices of stone quarrying, clay and diamonds; and a decrease of 6.8% in coal and gas prices. These declines were partially offset by the year-on-year increase of 7.3% in the gold and other metal ores category in July 2024, in line with the multiple record-breaking gold prices registered so far in 2024.

Producer price inflation for agriculture, forestry and fishing products accelerated to 9.7% in April 2024, with price pressures emanating from both agricultural products and forestry, before easing to 5.0% in July 2024. The acceleration in producer price inflation of agricultural products up to April 2024 reflected double-digit rates of increase in the price inflation of cereals and other crops, milk and eggs, and live animals. However, producer price inflation for these agricultural products slowed in the subsequent two months, with price inflation for live animals more than halving to 4.9% in July 2024.

Headline consumer prices

Percentage change over 12 months



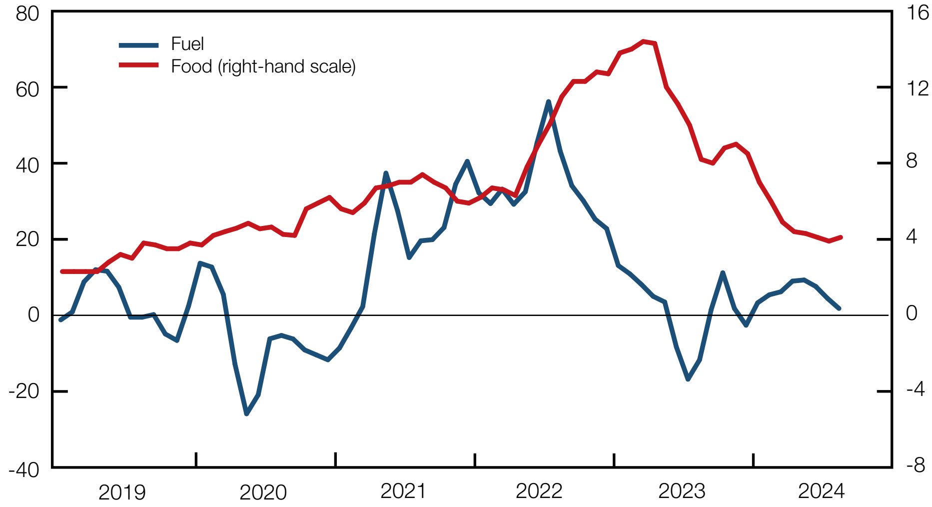
---- Midpoint of the inflation target range (4.5%)

Source: Stats SA

Headline consumer price inflation has remained within the inflation target range for 15 consecutive months, easing further to 4.4% in August 2024 from 5.6% in February. Both goods and, to a lesser extent, services price inflation moderated over this period.

Consumer food and fuel prices

Percentage change over 12 months



Source: Stats SA

Consumer price inflation

Percentage change over 12 months

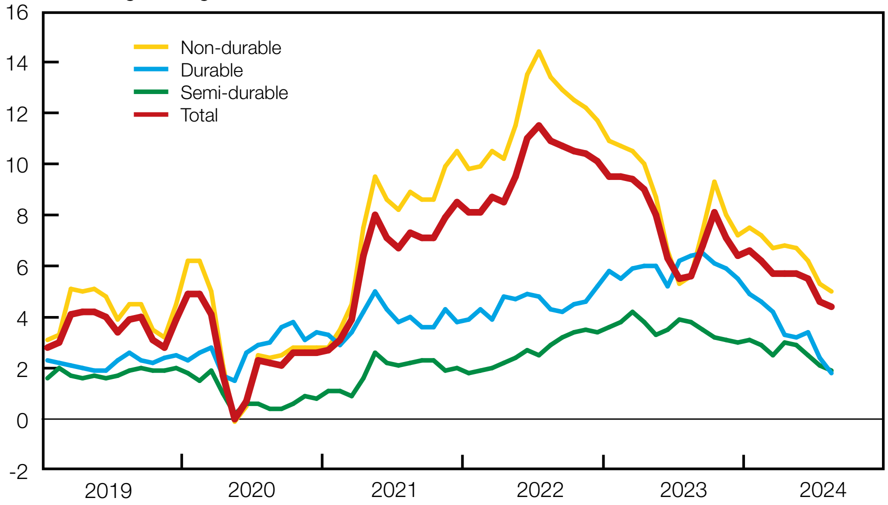
		2024				
	Weight	Apr	May	Jun	Jul	Aug
Headline CPI	100.00	5.2	5.2	5.1	4.6	4.4
Headline CPI, excluding food and non-alcoholic beverages, fuel and electricity	74.40	4.6	4.6	4.5	4.3	4.1
Goods	48.68	5.7	5.7	5.5	4.6	4.4
Non-durable	35.71	6.8	6.7	6.2	5.3	5.0
Semi-durable	5.38	3.0	2.9	2.5	2.1	1.9
Durable	7.59	3.3	3.2	3.4	2.4	1.8
Services	51.32	4.6	4.7	4.6	4.7	4.5

Source: Stats SA

Consumer goods price inflation slowed from 6.6% in January 2024 to 4.4% in August, driven by a broad-based moderation in price inflation for all durability categories. Non-durable goods price inflation eased from 7.5% in January 2024 to 5.0% in August as the moderation in food price inflation outweighed the acceleration in fuel price inflation up to May, before the latter also moderated from June to August. Likewise, durable goods price inflation slowed from 4.9% to 2.1% over the same period, largely due to a slowdown in vehicle price inflation as a result of subdued consumer demand and a stable exchange value of the rand. Semi-durable goods price inflation displayed some volatility but still moderated from 3.1% to 1.8% over this period.

Consumer goods prices

Percentage change over 12 months

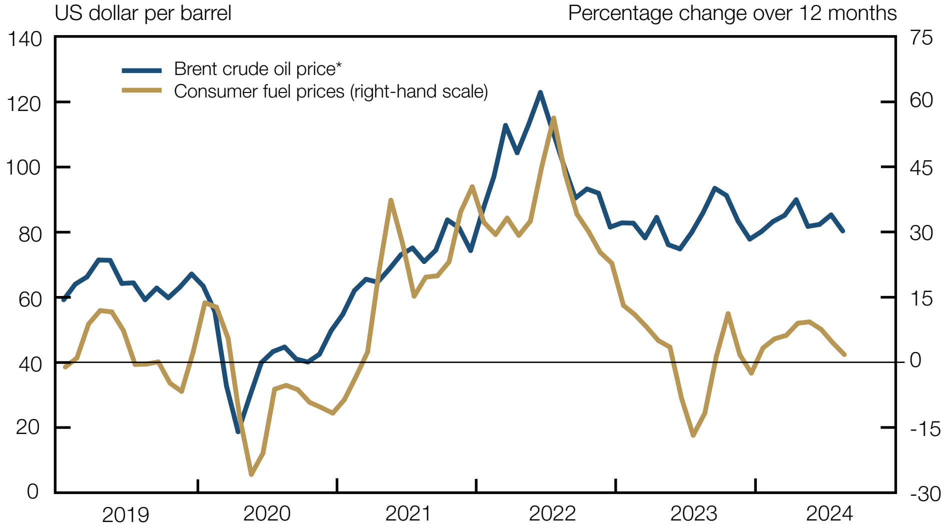


Source: Stats SA

Consumer fuel price inflation accelerated from 3.3% in January 2024 to 9.3% in May, before moderating to 1.8% in August. During this period, petrol price inflation decelerated from 9.2% to 1.2%, while diesel price inflation slowed from 9.5% to 3.2%. The initial acceleration in domestic consumer fuel price inflation largely reflected the increase in international crude oil prices, with the average price of Brent crude oil increasing from US$80.14 per barrel in January 2024 to US$89.85 per barrel in April. Subsequently, the price of Brent crude oil decreased to US$80.30 per barrel in August 2024 following increased production by countries not a part of the Organization of the Petroleum Exporting Countries and its allies as well as a slowdown in global economic growth, which coincided with an appreciation in the exchange value of the rand against the United States (US) dollar. The global crude oil market remains uncertain and susceptible to fluctuations due to ongoing geopolitical tensions and global demand-supply imbalances.

Brent crude oil and consumer fuel prices

US dollar per barrel | Percentage change over 12 months

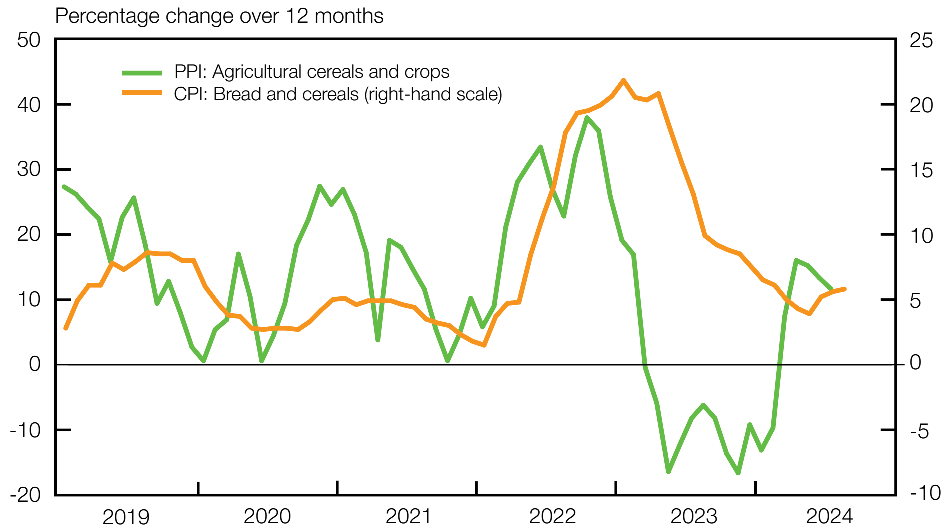


* Monthly average

Sources: Refinitiv, Stats SA and SARB

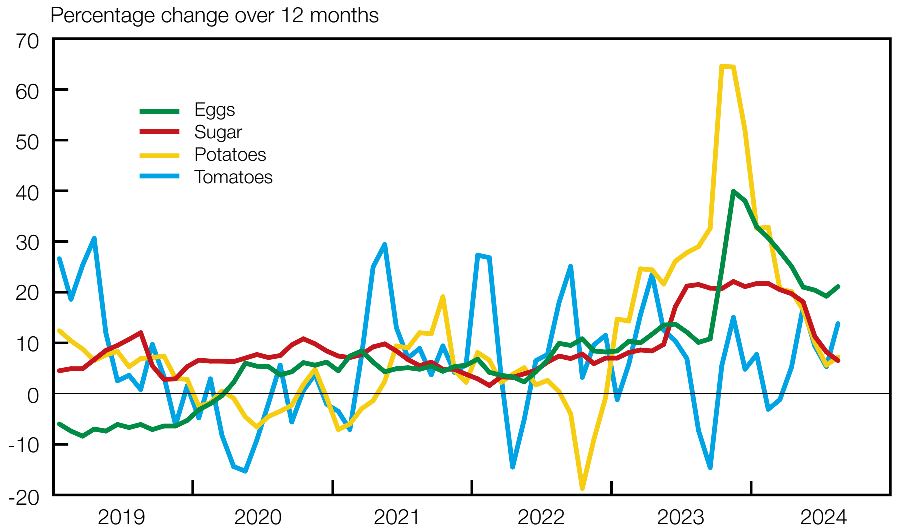
Consumer food price inflation accelerated for the first time in eight months as it quickened to 4.1% in August 2024 from 3.9% in July – the lowest rate since January 2020. The moderation up to July 2024 reflected broad-based disinflation across the consumer food categories as price inflation slowed for milk, cheese and eggs (to 6.4%); vegetables (to 3.4%); sugar, sweets and desserts (to 8.3%); and fruit (to 2.0%). The recent slight acceleration in food prices resulted from increases in six of the nine food price categories in August 2024. Price inflation for the highest-weighted categories of meat as well as for bread and cereals accelerated to 1.4% and 5.8% respectively in August 2024. Despite the recent slowdown, vegetable prices remained elevated as especially the prices of potatoes and tomatoes accelerated by 7.2% and 13.8% respectively in August 2024. Milk, cheese and egg prices continued to outpace headline consumer price inflation by a considerable margin on account of the double-digit acceleration of 21.1% in egg prices in August 2024. Other low-weighted food items, such as coffee, recorded a significant acceleration from 10.9% in January 2024 to 20.3% in August, mostly on account of a decline in coffee harvests in the main producing countries, which were impacted by extreme dry weather conditions.

Producer and consumer food prices



Source: Stats SA

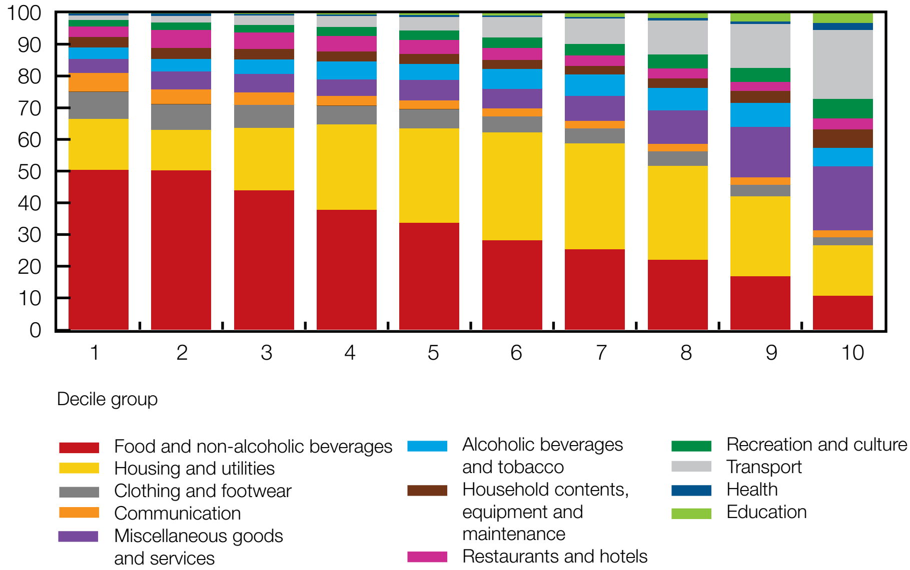
Food price inflation



Source: Stats SA

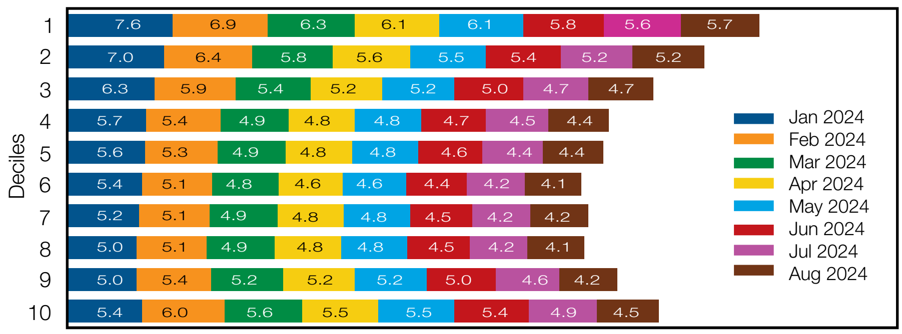
Despite easing from 7.6% in January 2024 to 5.7% in August, the inflation rate for the lowest expenditure decile group remained higher than for all the other groups. The slowdown in this decile group was largely driven by the deceleration in consumer food price inflation as food prices disproportionately affect lower-income households, with a weight of 50.3% compared to just 10.6% for the highest expenditure decile group.

Weights in the consumer price index per expenditure decile group



Source: Stats SA

Consumer prices per expenditure decile

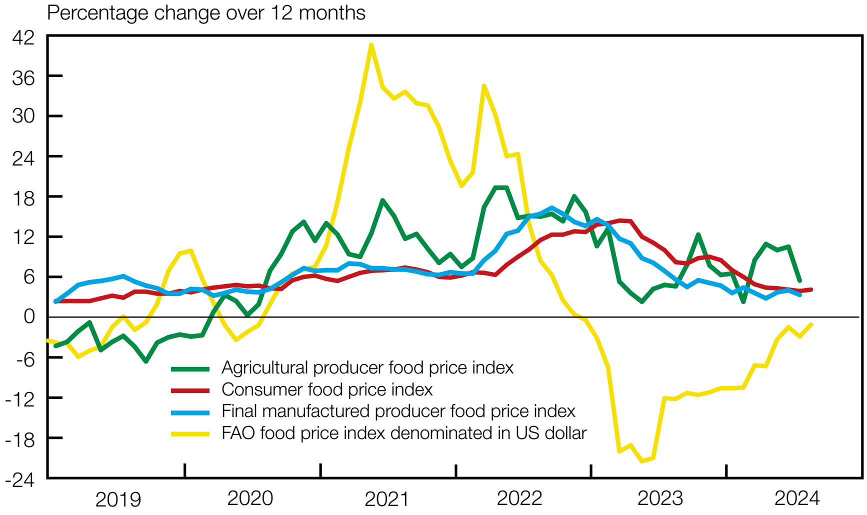


Decile 1: up to R17 721
Decile 2: R17 722 up to R29 475
Decile 3: R29 476 up to R42 582
Decile 4: R42 583 up to R56 909
Decile 5: R56 910 up to R73 813
Decile 6: R73 814 up to R94 884
Decile 7: R94 885 up to R124 227
Decile 8: R124 228 up to R173 022
Decile 9: R173 023 up to R269 902
Decile 10: R269 903 and more

Source: Stats SA

Final manufactured producer food price inflation initially slowed from 4.4% in February 2024 to 2.8% in April, whereafter it accelerated slightly to 3.3% in July. This increase was driven by an acceleration in producer price inflation for meat and meat products, grain mill products and bakery products. This likely reflects the earlier acceleration in agricultural producer food price inflation, which surged from 2.3% in February 2024 to 10.9% in April. The acceleration largely resulted from the turnaround in cereals and other crop price inflation, from -3.1% in January 2024 to 16.0% in April, as adverse weather conditions earlier in the year led to a lower-than-expected domestic maize crop. In addition, producer price inflation for live animals accelerated from 4.3% in January 2024 to 13.4% in June. Agricultural producer price inflation subsequently slowed to 5.4% in July 2024.

Producer and consumer food prices

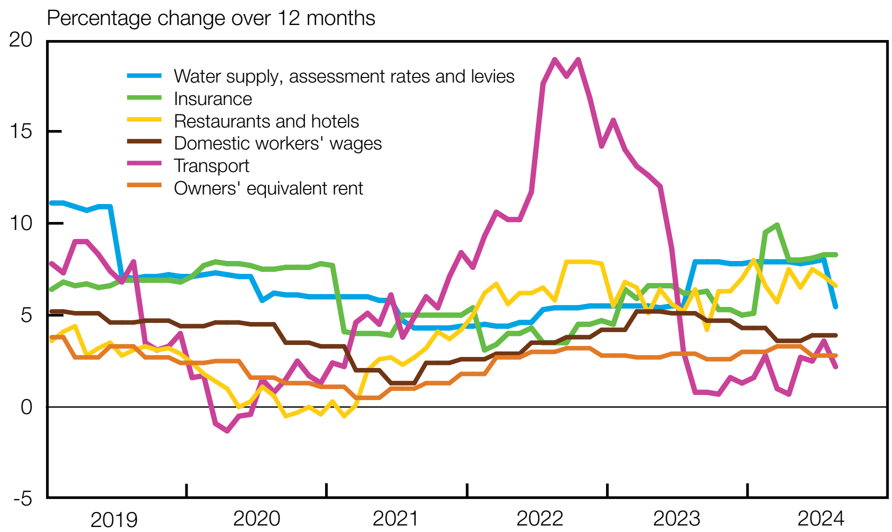


Source: Stats SA

The US dollar-denominated food price index of the United Nations' Food and Agriculture Organization (FAO) remained in deflation for a 19th consecutive month in August 2024. The index also decreased slightly on a month-to-month basis in August as a decrease in the prices of sugar, cereals and meat outweighed increases in those of dairy products and vegetable oils. Extreme weather conditions and global supply chain disruptions amid geopolitical tensions could potentially pose upside risks to international food price inflation in the coming months, despite favourable harvests in certain regions.

Consumer services price inflation decelerated from 5.0% in March 2024 to 4.6% in June, before accelerating slightly to 4.7% in July. The earlier moderation resulted mainly from the slower price inflation of actual rentals for housing and owners' equivalent rent, which eased to 3.2% and 2.8% respectively in June, and a slowdown in health insurance services price inflation to a still elevated 10.3%. Thereafter, consumer services price inflation accelerated on account of the acceleration in transport services price inflation, which quickened to 3.6% in July 2024 from 2.5% in June. However, consumer services price inflation slowed to 4.5% in August 2024, mostly on account of the deceleration in transport services price inflation, which moderated to 2.2%. In addition, water supply and assessment rates slowed to 5.5% from 8.0% over the same period. Restaurant and hotel services price inflation also decelerated somewhat.

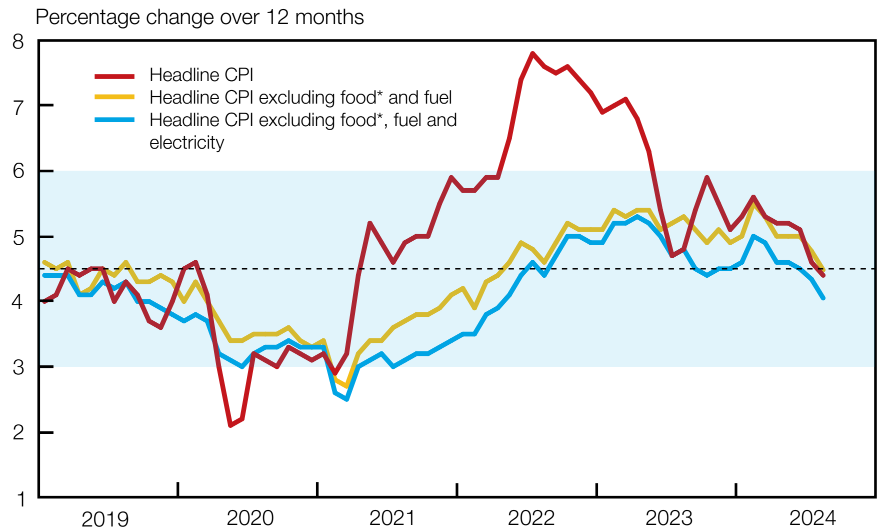
Consumer services prices



Source: Stats SA

Most measures of underlying inflation have moderated in recent months, primarily due to the slowdown in services and durable goods price inflation. When excluding the impact of food, non-alcoholic beverages and fuel prices, consumer price inflation eased steadily from 5.5% in February 2024 to 4.5% in August. Similarly, the South African Reserve Bank's (SARB) preferred measure of core inflation, which also excludes electricity prices, decelerated from 5.0% to 4.1% over the same period.

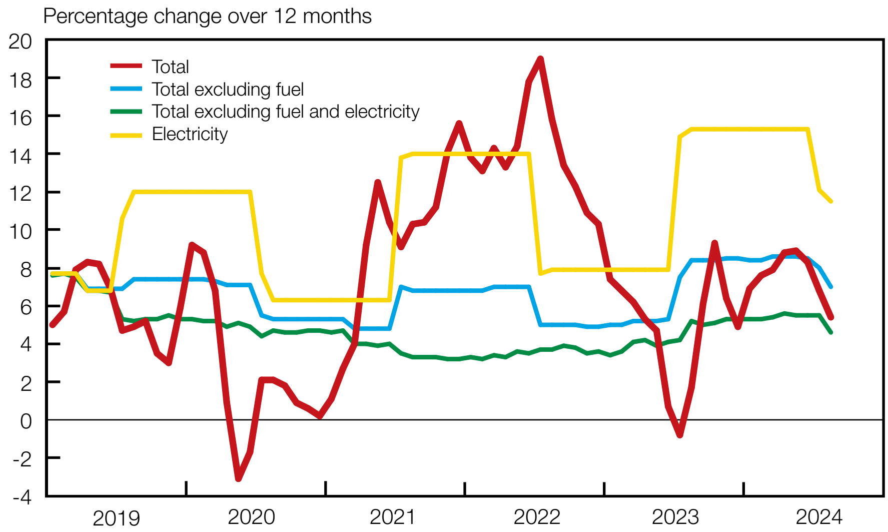
Headline and underlying measures of consumer prices



---- Midpoint of the inflation target range (4.5%)
* Food includes non-alcoholic beverages
Source: Stats SA

Administered price inflation accelerated steadily from 6.9% in January 2024 to 8.9% in May before slowing to 5.4% in July, mirroring the movements in fuel and electricity price inflation. When excluding fuel prices, administered price inflation decelerated from 8.4% to 7.0% over this period, underpinned by the deceleration in electricity services price inflation. When also excluding the impact of electricity prices, administered price inflation amounted to 4.6% in August 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% during 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

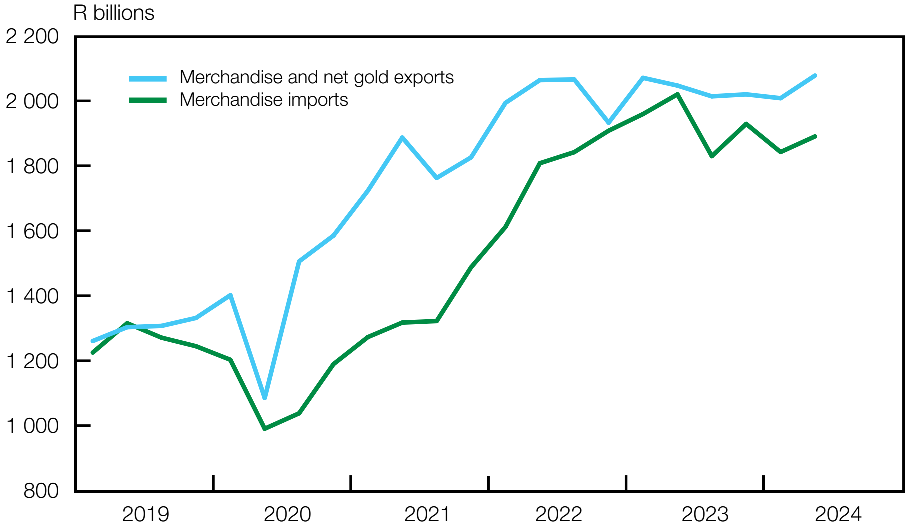
External economic accounts

Current account[12]

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

South Africa's trade surplus widened further to R187 billion in the second quarter of 2024 from R166 billion in the first quarter as the value of merchandise and net gold exports increased more than the value of merchandise imports. The increase in the value of merchandise exports reflected higher prices, while that of imports reflected both higher prices and volumes.

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

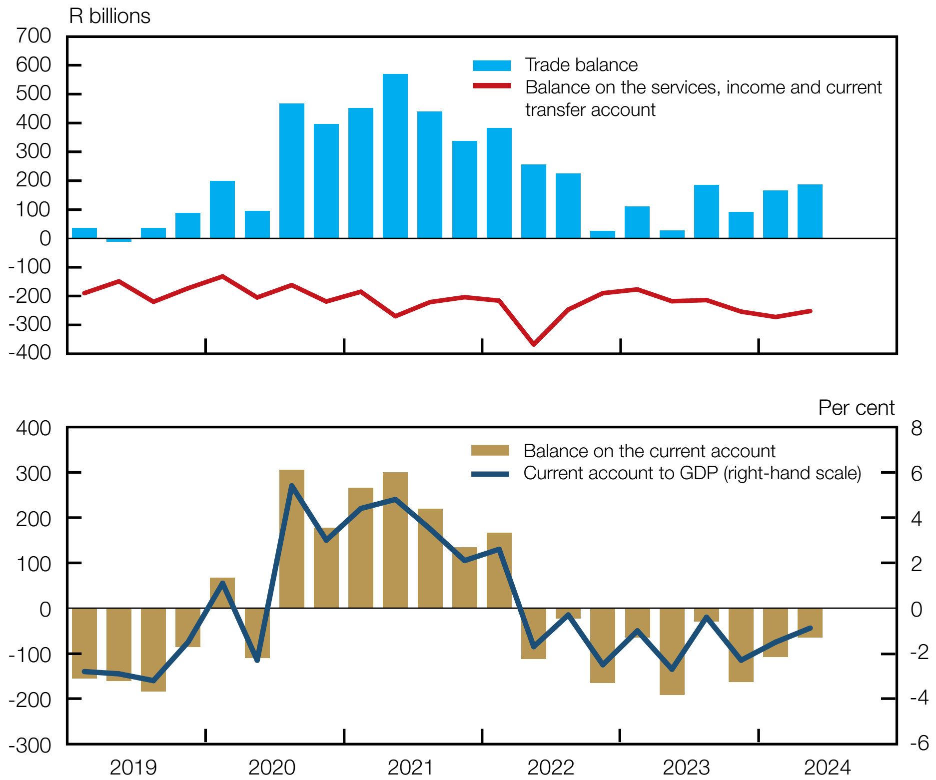
	2023				2024	
	Q2	Q3	Q4	Year	Q1	Q2
Merchandise exports	1 952	1 887	1 898	1 922	1 895	1 927
Net gold exports	94	127	122	116	113	151
Merchandise imports	-2 020	-1 830	-1 929	- 1 934	-1 842	-1 890
Trade balance	**27**	**184**	**91**	**103**	**166**	**187**
Net services, income and current transfer payments	-218	-214	-254	-215	-273	-252
Balance on current account	**-191**	**-29**	**-163**	**-112**	**-107**	**-65**
As a percentage of gross domestic product						
Trade balance	0.4	2.6	1.3	1.5	2.3	2.6
Services balance	-1.2	-1.2	-1.1	-1.1	-0.9	-1.1
Income balance	-1.2	-1.2	-1.8	-1.4	-2.2	-1.6
Current transfer balance	-0.7	-0.7	-0.6	-0.6	-0.6	-0.7
Balance on current account	**-2.7**	**-0.4**	**-2.3**	**-1.6**	**-1.5**	**-0.9**

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

Sources: Stats SA and SARB

The wider trade surplus alongside a smaller deficit on the services, income and current transfer account resulted in a further narrowing of the deficit on the current account of the balance of payments from R107 billion (1.5% of GDP) in the first quarter of 2024 to R64.6 billion (0.9% of GDP) in the second quarter.

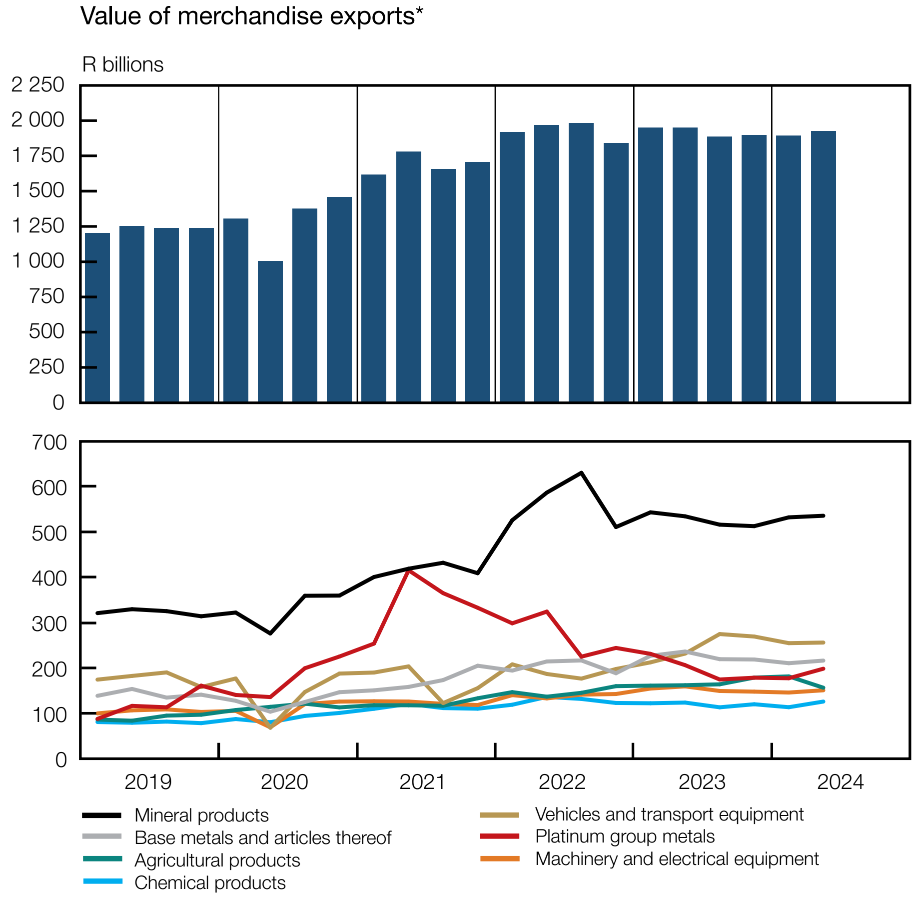
Current account of the balance of payments



Seasonally adjusted and annualised
Sources: Stats SA and SARB

The value of merchandise exports increased by 1.7% in the second quarter of 2024 as increases in the value of manufacturing and mining exports outweighed the sizeable decrease in the value of agricultural exports. The increase in the value of mining products largely reflected higher exports of PGMs, base metals and articles thereof as well as mineral products, which more than offset the lower exports of pearls, precious and semi-precious stones in the second quarter of 2024.

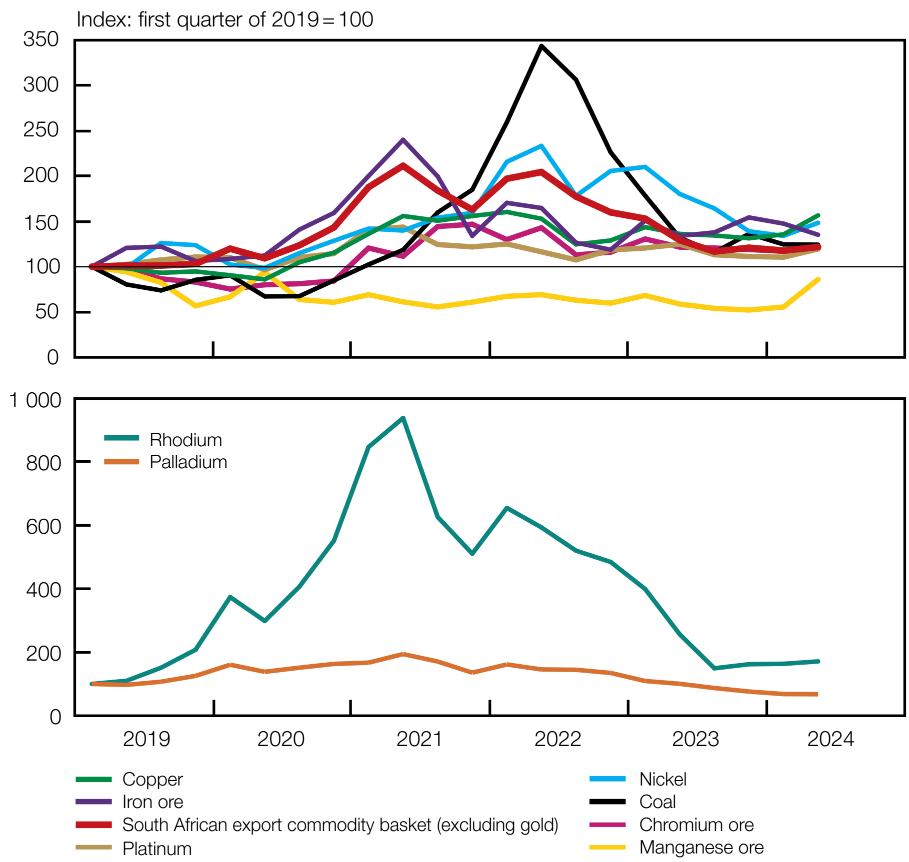
The higher value of manufacturing exports in the second quarter of 2024 reflected a fairly broad-based increase among the subsectors, with the exports of chemical products, machinery and electrical equipment as well as prepared foodstuffs, beverages and tobacco increasing notably, while the value of exported vehicles and transport equipment increased marginally. However, the exports of ceramic products, glass and glassware as well as footwear and headgear decreased in the second quarter of 2024.



The value of agricultural exports decreased significantly in the second quarter of 2024 as the lower export value of vegetable products as well as raw hides and skins outweighed the increased exports of live animals and animal products. Lower exports of maize contributed the most to the decline in the value of exported vegetable products in the second quarter of 2024.

The US dollar price of a basket of domestically produced non-gold export commodities increased by 3.4% in the second quarter of 2024 due to the higher international prices of manganese ore, copper, nickel, platinum, rhodium and chromium. The price of manganese ore increased substantially in the second quarter of 2024 due to supply concerns after a temporary shutdown of one of the largest manganese ore mines in the world following cyclone damage. Tight global supply and increased demand, especially from the transition to renewable energy, supported copper and nickel prices in the second quarter of 2024, with the price of copper reaching a daily all-time high in May.

Selected South African export commodity prices in US dollar*



* Quarterly averages

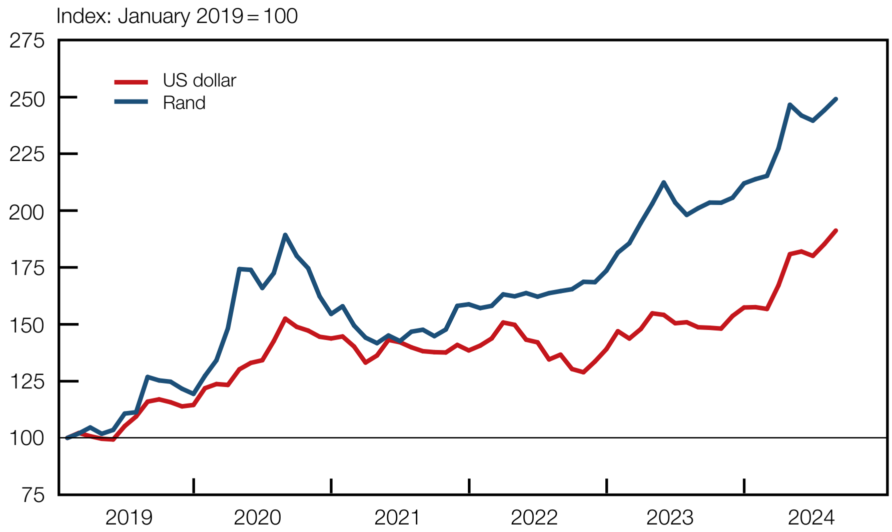
Sources: Afriforesight, World Bank and SARB

The rand price of merchandise exports increased by 2.9% in the second quarter of 2024, while the volume of merchandise exports decreased by 1.2%, weighed down by lower volumes of agricultural exports.

The average US dollar price of gold on the London market increased further by 12.8%, from US$2 072 per fine ounce in the first quarter of 2024 to US$2 338 per fine ounce in the second quarter, with the surge partly driven by heightened geopolitical uncertainty and central bank purchases of gold. Following a decline in June 2024, the monthly average price of gold increased to a new all-time high of US$2 470 per fine ounce in August, mostly due to expectations of an interest rate cut by the US Federal Reserve (Fed), lower US bond yields and a weaker US dollar.

In rand terms, the average realised price of net gold exports also increased by 11.2% in the second quarter of 2024, with the pace of increase somewhat moderated by the appreciation in the exchange value of the rand over this period. This, together with the higher physical quantity of net gold exports, resulted in a 34.0% increase in the value of net gold exports in the second quarter of 2024.

International price of gold



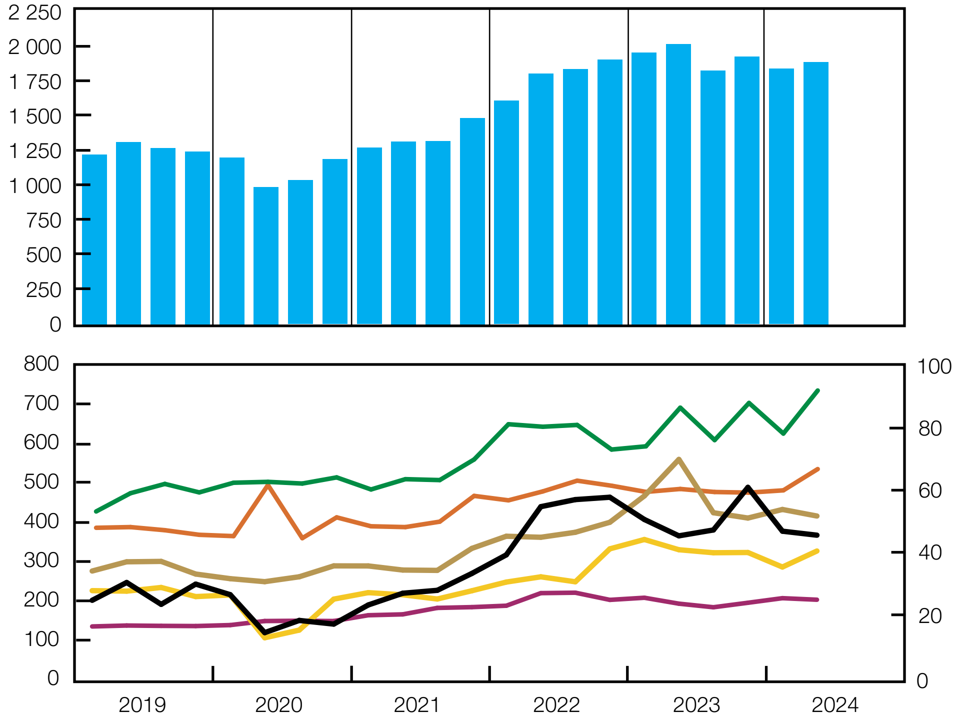
Source: Refinitiv

After declining in the first quarter of 2024, the value of merchandise imports increased by 2.6% in the second quarter as the higher imports of agricultural and manufactured products outweighed the decline in mining imports. The substantially higher value of agricultural imports can be attributed to increased rice and wheat imports to ensure sufficient availability in the domestic market. The increase in manufacturing imports was driven primarily by higher imports of vehicles and transport equipment as well as textiles and articles thereof, which more than offset the decline in machinery and electrical equipment as well as chemical products. The increase in imported vehicles and transport equipment was due to the increased imports of passenger vehicles as well as imported parts used in vehicles manufactured for the export market.

The value of mining imports decreased further in the second quarter of 2024 due to lower imports of mineral products, particularly crude oil. The value of crude oil imports decreased by 35.4% to its lowest level since the second quarter of 2023, reflecting a contraction in the physical quantity of crude oil imports which more than offset the 8.1% increase in the average realised rand price thereof, from R1 616 per barrel in the first quarter of 2024 to R1 747 per barrel in the second quarter. By contrast, the value of imported refined petroleum products increased in the second quarter of 2024 due to higher imports of petrol and aviation kerosene.[13]

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

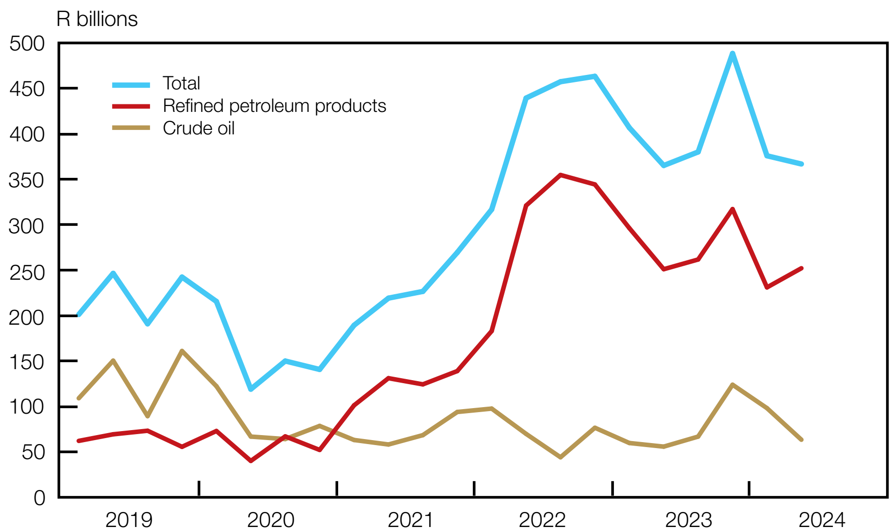
Value of merchandise imports



Machinery and electrical equipment
Vehicles and transport equipment
Agriculture (right-hand scale)
Mineral products
Chemical products
Textiles and articles thereof (right-hand scale)

Seasonally adjusted and annualised
Sources: Stats SA and SARB

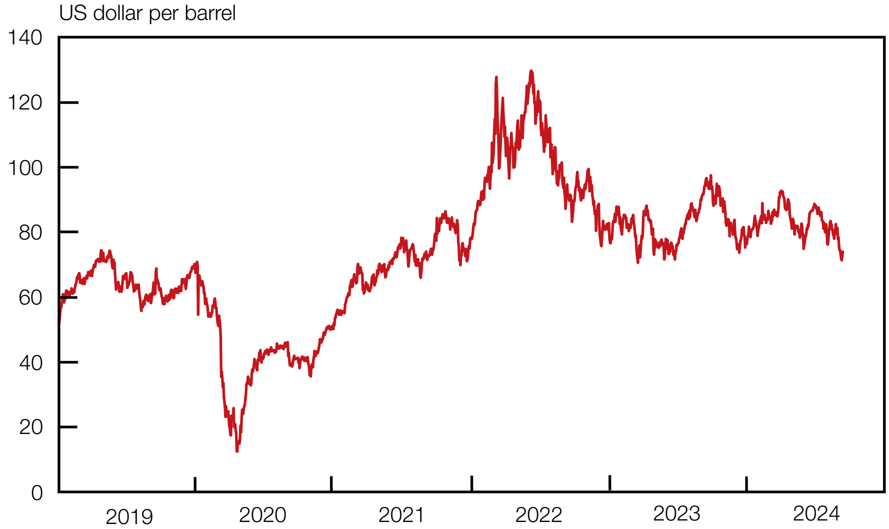
Value of mineral imports



Seasonally adjusted and annualised
Sources: Stats SA and SARB

The monthly average US dollar spot price of Brent crude oil increased noticeably in April 2024. However, the price declined in May – largely due to, among other factors, concerns about a weakening global economy and inventory build-up – before increasing slightly in June. On average, the US dollar spot price of Brent crude oil increased by 2.2% from US$82.81 per barrel in the first quarter of 2024 to US$84.61 per barrel in the second quarter. The price then increased further from US$82.30 per barrel in June 2024 to US$85.24 per barrel in July, mainly reflecting global supply constraints alongside escalating geopolitical tensions. However, the price decreased in August 2024 to US$80.30 per barrel as weak demand from China continued to weigh on the market.

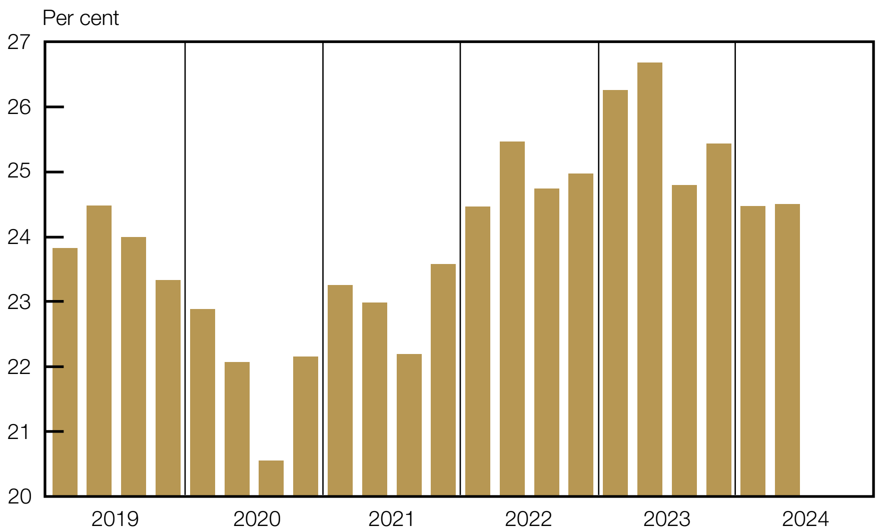
Brent crude oil price



Source: Refinitiv

Both the rand price and the volume of imports increased by 1.3% in the second quarter of 2024. The import penetration ratio (i.e. real merchandise imports as a ratio of GDE) rose slightly from 24.4% in the first quarter of 2024 to 24.5% in the second quarter.

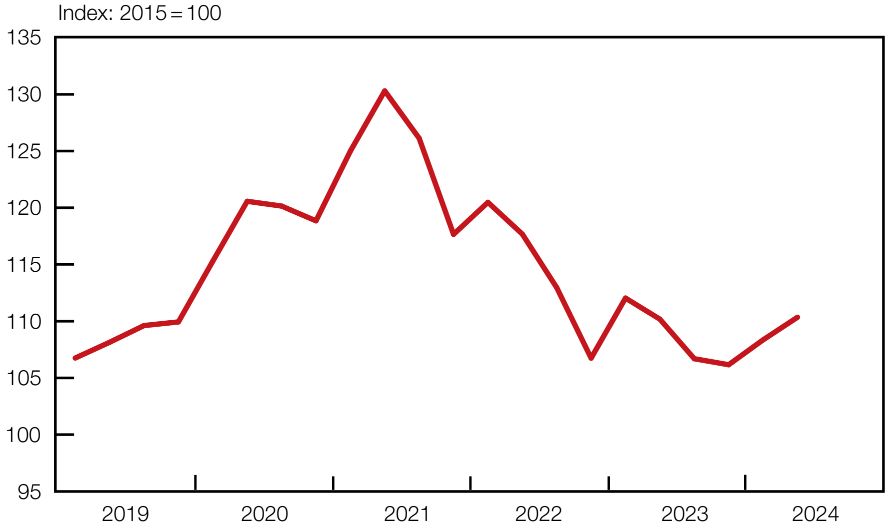
Import penetration ratio



Sources: Stats SA and SARB

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

Terms of trade*

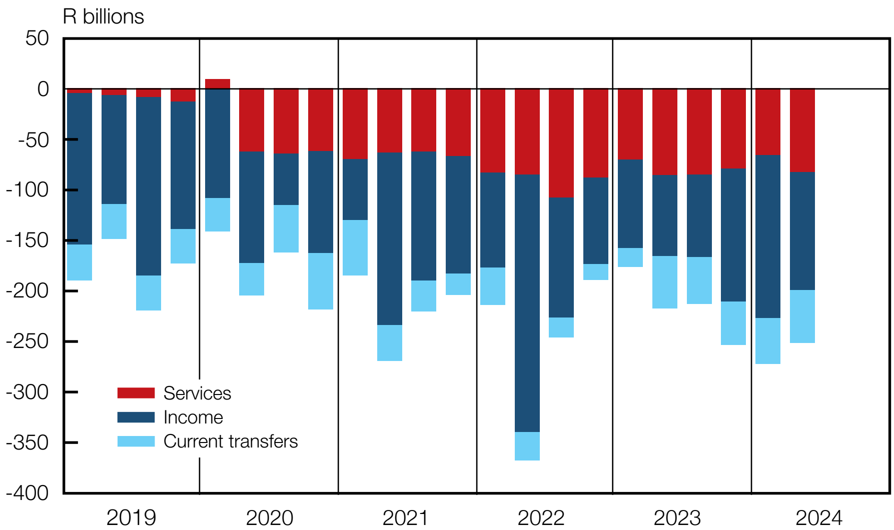


* Including gold

Sources: Stats SA and SARB

The shortfall on the services, income and current transfer account narrowed from R273 billion (3.8% of GDP) in the first quarter of 2024 to R252 billion (3.4% of GDP) in the second quarter. The narrowing stemmed from a smaller deficit on the income account, which outweighed the larger deficits on the services and current transfer accounts.

Net services, income and current transfer payments



Seasonally adjusted and annualised

Sources: Stats SA and SARB

The deficit on the services account widened to 1.1% of GDP in the second quarter of 2024 from 0.9% of GDP in the first quarter as gross services payments increased more than gross services receipts. The increase in gross services payments resulted from, among other factors, higher payments for travel services, including passenger fare payments, as more South Africans travelled abroad in the second quarter of 2024.

The deficit on the income account narrowed in the second quarter of 2024 as gross income receipts increased while gross income payments declined. Gross dividend receipts increased by 11.2% in the second quarter of 2024, while gross dividend payments decreased by 30.2%. The sharp decline in gross dividend payments reflected decreases in both direct and non-direct dividend payments. The former contributed the most as the higher dividends declared by small and medium-sized enterprises were outweighed by the much lower dividends declared by large corporations. Furthermore, gross interest payments increased in the second quarter of 2024, while gross interest receipts declined. On balance, the income deficit as a percentage of GDP decreased from 2.2% in the first quarter of 2024 to 1.6% in the second quarter.

Net current transfer payments increased in the second quarter of 2024 as gross current transfer payments increased at a faster pace than gross current transfer receipts. Increased payments to the Southern African Customs Union (SACU) at the start of the 2024/25 fiscal year contributed to the higher gross current transfer payments. As a percentage of GDP, net current transfer payments increased from 0.6% in the first quarter of 2024 to 0.7% in the second quarter.

Financial account

The net flow of capital on South Africa's financial account of the balance of payments (excluding unrecorded transactions) switched from an inflow of R51.4 billion in the first quarter of 2024 to an outflow of R18.1 billion in the second quarter. On a net basis, portfolio investment and financial derivatives recorded outflows, while direct investment, other investment and reserve assets recorded inflows. Net financial flows as a percentage of GDP switched from an inflow of 2.9% in the first quarter of 2024 to an outflow of 1.0% in the second quarter.

Net financial transactions

R billions

	2023				2024	
	Q2	Q3	Q4	Year	Q1	Q2
Change in liabilities						
Direct investment	53.0	6.3	2.5	64.1	24.4	16.6
Portfolio investment	-19.9	-41.9	-9.0	-99.3	-52.0	-20.1
Financial derivatives	-53.2	-90.4	-56.4	-267.1	-34.9	-42.0
Other investment	-49.8	52.1	-22.0	-5.5	105.0	-16.2
Change in assets						
Direct investment	17.9	7.5	13.8	51.9	-4.7	-7.7
Portfolio investment	-22.9	18.1	-58.2	-23.1	16.3	-37.4
Financial derivatives	82.6	99.7	57.6	310.7	48.3	41.6
Other investment	-12.7	-44.4	53.8	8.0	-65.1	26.6
Reserve assets	-2.4	6.3	7.8	13.3	14.0	20.5
Total identified financial transactions*	**-7.5**	**13.2**	**-10.0**	**53.0**	**51.4**	**-18.1**
As a percentage of gross domestic product	*-0.4*	*0.7*	*-0.6*	*0.8*	*2.9*	*-1.0*

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

Source: SARB

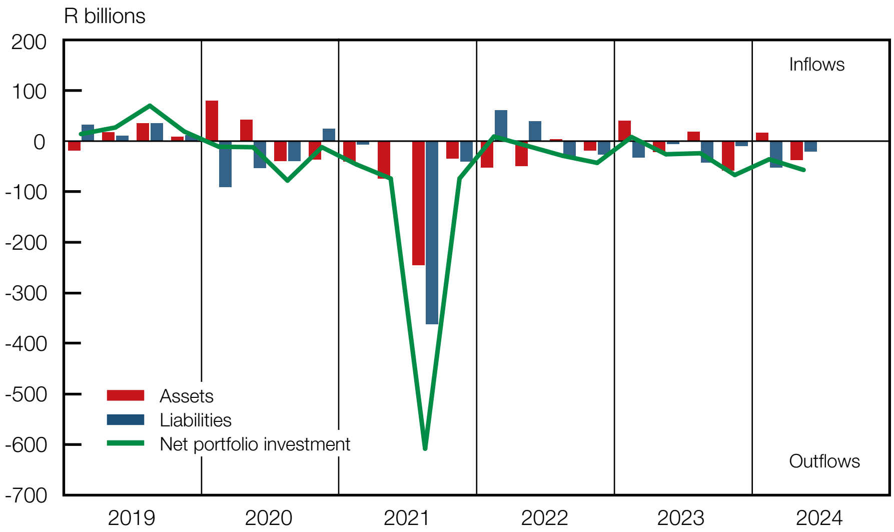
Foreign-owned assets in South Africa

South Africa's direct investment liabilities recorded an inflow of R16.6 billion in the second quarter of 2024 following an inflow of R24.4 billion in the first quarter as non-resident parent entities increased equity investment in domestic entities, notably a domestic company in the broadcasting sector.

Portfolio investment liabilities recorded a further outflow of R20.1 billion in the second quarter of 2024 following an outflow of R52.0 billion in the preceding quarter. Non-residents disposed of domestic equity securities amounting to R33.0 billion during the second quarter of 2024 following a disposal of R24.2 billion in the first quarter, while they acquired debt securities amounting to R13.0 billion in the second quarter of 2024 compared with a disposal of R27.8 billion in the preceding quarter. The acquisition of domestic debt securities was partly countered by a US$400 million international bond redemption by a domestic bank.

Other investment liabilities switched to an outflow of R16.2 billion in the second quarter of 2024 following an inflow of R105.0 billion in the first quarter as the domestic private non-banking sector's repayment of loans to non-residents exceeded non-residents' deposits at domestic banks. The outflow also reflected national government's third of eight quarterly repayments of XDR381 million on an International Monetary Fund (IMF) loan.

Portfolio investment flows



Source: SARB

South African-owned assets abroad

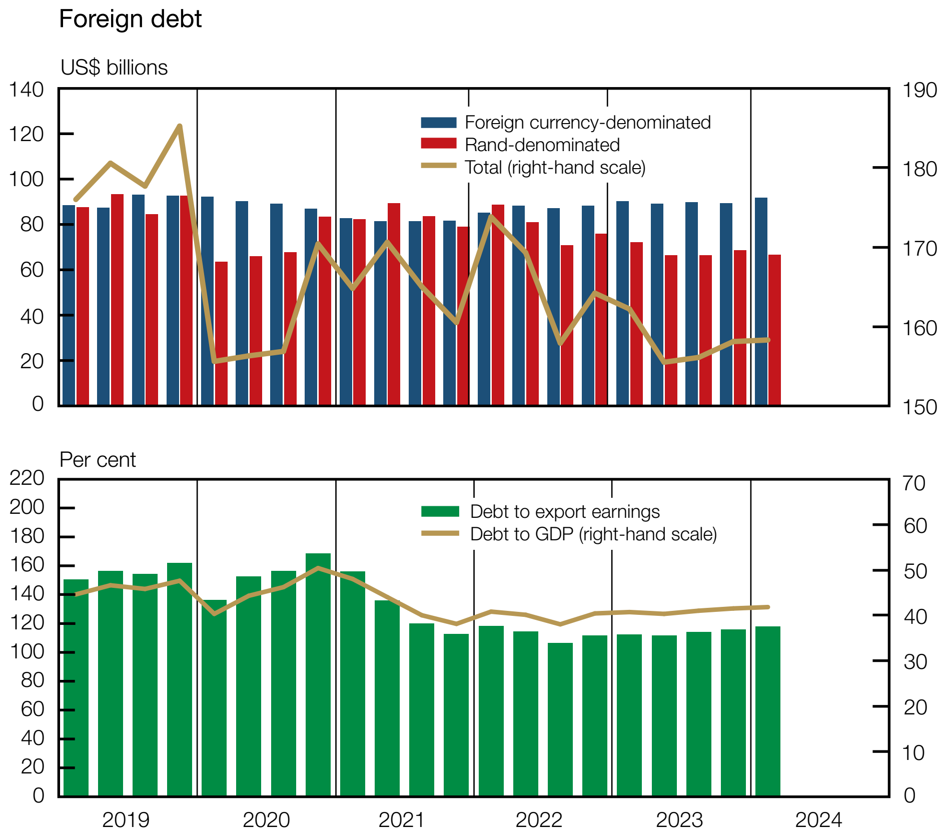
South Africa's direct investment assets recorded an outflow of R7.7 billion in the second quarter of 2024 following an outflow of R4.7 billion in the first quarter as domestic parent entities' extension of loans to non-resident subsidiaries outweighed their disposal of equity capital in non-resident subsidiaries.

South Africa's foreign portfolio investment assets reverted from an inflow of R16.3 billion in the first quarter of 2024 to an outflow of R37.4 billion in the second quarter as the domestic private non-banking sector acquired foreign equity and debt securities, while the domestic banking sector acquired foreign debt securities.

Other investment assets switched to an inflow of R26.6 billion in the second quarter of 2024 from an outflow of R65.1 billion in the first quarter, largely reflecting non-residents' repayment of short-term loans to the domestic private banking and non-banking sectors. This inflow was partly countered by the domestic banking sector increasing its deposits at non-resident banks.

Foreign debt

South Africa's total external debt increased marginally from US$158.1 billion at the end of December 2023 to US$158.3 billion at the end of March 2024. Expressed in rand terms, South Africa's total external debt increased from R2 938 billion to R3 007 billion over this period.



Source: SARB

Foreign currency-denominated external debt increased from US$89.4 billion at the end of December 2023 to US$91.8 billion at the end of March 2024. The increase can be attributed to national government's borrowing of US$1 billion from the World Bank and €500 million from the KfW Development Bank, a CAD120 million Canada Just Energy Transition loan as well as borrowing by the private sector. These borrowings were partially countered by the second of eight quarterly repayments of XDR381 million on an IMF loan and a US$1.5 billion international bond redemption in January 2024 by national government.

Rand-denominated external debt, expressed in US dollars, decreased from US$68.7 billion at the end of December 2023 to US$66.5 billion at the end of March 2024. The decrease could be attributed to non-resident net sales of bonds in the domestic capital market, a decrease in the market value of these bonds as well as the depreciation in the exchange value of the rand over this period, which resulted in a decrease in rand-denominated external debt expressed in US dollars. This decrease was partially offset by an increase in the short-term foreign debt of the private non-banking sector.

South Africa's total external debt as a ratio of annual GDP[14] increased from 41.5% at the end of December 2023 to 41.8% at the end of March 2024. Similarly, the ratio of external debt to export earnings increased from 115.9% to 118.2% over the same period.

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

Foreign debt of South Africa

US$ billions at end of period

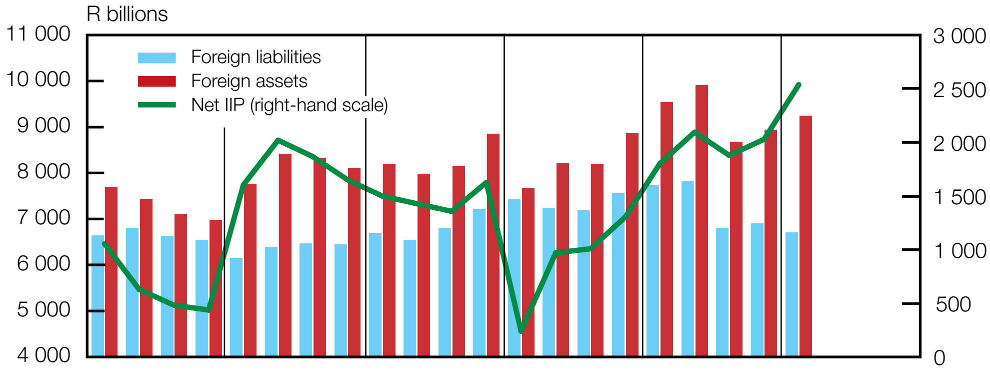
	2022	2023				2024
	Q4	Q1	Q2	Q3	Q4	Q1
Foreign currency-denominated debt	88.3	90.1	88.7	89.8	89.4	91.8
Debt securities	29.3	30.1	28.9	27.8	27.9	26.4
Other	59.0	60.0	59.8	62.0	61.5	65.4
Public sector	17.2	18.3	18.5	18.4	18.0	18.8
Monetary sector	16.8	16.2	16.4	17.8	18.3	19.2
Non-monetary private sector	25.2	25.5	24.9	25.8	25.2	27.4
Rand-denominated debt	75.9	72.1	66.4	66.3	68.7	66.5
Debt securities	46.5	43.4	41.7	40.3	43.8	40.7
Other	29.5	28.7	24.7	26.0	24.9	25.8
Total foreign debt	164.2	162.2	155.1	156.1	158.1	158.3
As a percentage of gross domestic product	*40.5*	*41.0*	*40.6*	*41.3*	*41.5*	*41.8*
As a percentage of total export earnings	*111.5*	*112.4*	*111.5*	*114.2*	*115.9*	*118.2*

Source: SARB

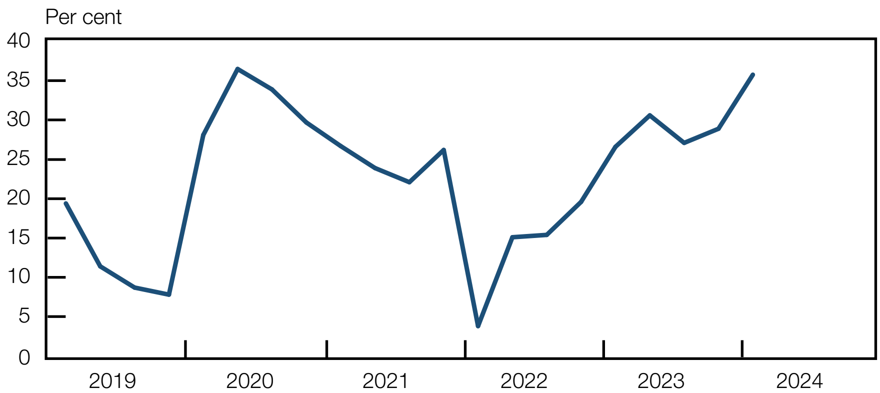
International investment position

South Africa's positive net international investment position (IIP) increased further from a revised R2 028 billion at the end of December 2023 to R2 537 billion at the end of March 2024. This resulted from a significant increase in foreign assets, mainly emanating from strong growth in foreign share market indices, while foreign liabilities decreased.

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) increased by 3.4% from a revised R8 933 billion at the end of December 2023 to R9 237 billion at the end of March 2024 as all functional categories of foreign assets increased, except for financial derivatives. Direct and portfolio investment assets increased, mainly due to a 10.2% increase in the US Standard & Poor's (S&P) 500 Index, supported by similarly strong growth in other foreign share market indices over this period. Other investment assets increased as the domestic private banking and non-banking sectors granted short-term loans to foreign companies. Reserve assets also increased, mainly due to the valuation effects resulting from the higher gold price and the depreciation in the exchange value of the rand against the US dollar during the first quarter of 2024.

The market value of South Africa's foreign liabilities (inward investment) decreased by 3.0% from a revised R6 905 billion at the end of December 2023 to R6 700 billion at the end of March 2024 as all functional categories decreased, except for other investment. The decrease in both direct and portfolio investment liabilities was largely due to valuation effects following a 3.1% decrease in the FTSE/JSE All-Share Index in the first quarter of 2024. The decrease in portfolio investment liabilities was further exacerbated by the disposal of both equity and debt securities by non-residents in the first quarter of 2024. Other investment liabilities increased as non-residents granted loans to the domestic private banking and non-banking sectors and as non-resident deposits with the domestic banking sector increased. In addition, national government increased its borrowing from international agencies, notably a €500 million KfW Development Bank loan and a CAD120 million Canada Just Energy Transition loan. These loans were partially countered by the second of eight quarterly repayments of XDR381 million on an IMF loan.

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

As a ratio of South Africa's annual GDP,[15] foreign assets increased from 127.2% at the end of December 2023 to 130.2% at the end of March 2024, while foreign liabilities decreased from 98.3% to 94.4% over the same period. This resulted in an increase in the positive net IIP from 28.9% of GDP at the end of December 2023 to 35.8% at the end of March 2024.

International reserves and liquidity

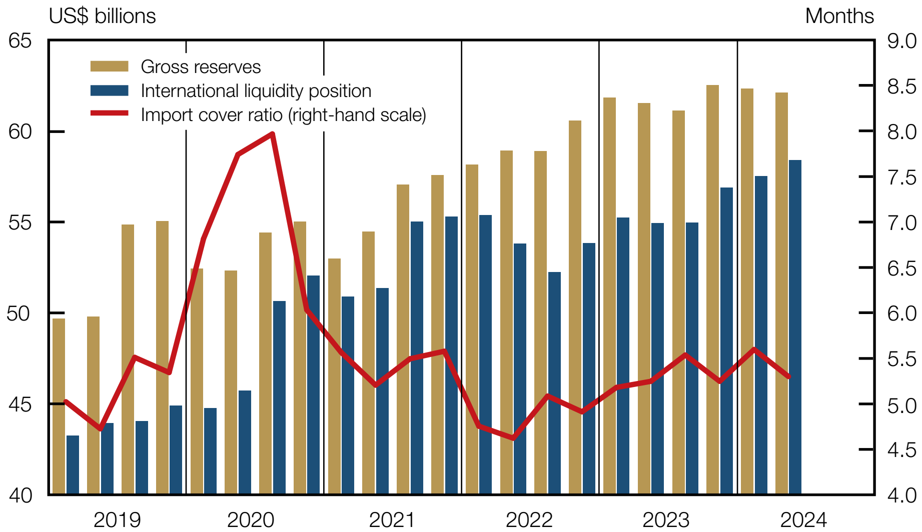
South Africa's international reserves decreased further by R20.5 billion in the second quarter of 2024 following a decrease of R14.0 billion in the first quarter.

16 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, decreased slightly from US$62.3 billion at the end of March 2024 to US$62.1 billion at the end of June as foreign exchange (FX) payments more than offset the increase in the US dollar gold price, before increasing to US$63.2 billion at the end of August. South Africa's international liquidity position[16] increased from US$57.5 billion at the end of March 2024 to US$58.4 billion at the end of June, and further to US$60.1 billion at the end of August.

The level of import cover (i.e. the value of gross international reserves relative to the value of merchandise imports as well as services and income payments) decreased from 5.6 months at the end of March 2024 to 5.3 months at the end of June.

International reserves



Source: SARB

Box 1 Understanding the special drawing rights component of international reserve assets[1,2]

South Africa's reserve assets are a major asset class on the South African Reserve Bank's balance sheet. The bulk of these assets falls under the category 'other reserve assets',[3] while the balance consists of monetary gold[4] and special drawing rights (SDRs).[5] Although 'other reserve assets' continues to be the major category of reserve assets, the contribution of SDRs increased significantly in 2021 following the International Monetary Fund's (IMF) allocation of an all-time high general SDR. These international reserve assets are readily available to, and controlled by, the monetary authority (central bank) and are important for meeting balance of payments financing needs, intervening in foreign exchange markets to affect the exchange value of the currency and for other related purposes.[6]

This box focuses on the SDR component of South Africa's international reserve assets. The SDR[7] is an international reserve asset created by the IMF in 1969 to supplement the official reserve assets of IMF member countries. SDRs are mainly held by the IMF and its member countries, but the IMF has the authority to approve other institutions such as central banks and multilateral development banks to hold SDRs, with 20 such organisations[8] approved by the IMF as prescribed holders as at February 2023.

While the SDR is not a currency nor a claim on the IMF, it represents a potential claim on the freely usable currencies of IMF member countries. The value of the SDR is determined by a basket of these currencies, with the composition reviewed every five years. The Chinese renminbi was added to the basket in 2015 when it was deemed to have met the inclusion criteria,[9] which increased the composition of the basket to

1 The compilation of South Africa's external accounts adheres to the guidelines of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* published by the International Monetary Fund, available at https://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm.

2 This box relates to the statistics published on pages S-3, S-84, S-85, S-94 to S-107 and S-110 in this edition of the *Quarterly Bulletin*.

3 Other foreign exchange reserves include securities as well as currency and deposits.

4 Regarding the holdings of gold bullion with the monetary authority, gold is referred to as a financial asset on the central bank's balance sheet.

5 The International Monetary Fund creates SDRs, which are held by the monetary authorities of member countries as part of their reserve assets. These holdings can be converted into other currencies.

6 These include maintaining confidence in the currency and the economy as well as to serve as a basis for foreign borrowing.

7 https://www.imf.org/en/Topics/special-drawing-right

8 https://www.imf.org/en/About/Factsheets/Sheets/2023/special-drawing-rights-sdr

9 There are two criteria, namely the export criterion and the freely usable criterion. A currency meets the export criterion if the issuing country is an IMF member (or a monetary union that includes IMF members) and is one of the top five world exporters, while a currency meets the freely usable criterion if it is widely used in payments for international transactions and widely traded in the principal exchange markets.

five currencies, with the others being the United States (US) dollar, euro, Japanese yen and British pound. To prioritise work on the coronavirus disease 2019 (COVID-19) pandemic, the IMF's Executive Board postponed the five-yearly review of the currency basket and decided in March 2021 to extend the 2015 basket valuation to July 2022. When the currency basket was reviewed in 2022, the IMF's Executive Board decided to keep the current composition of five currencies in the SDR basket. However, the weights of the US dollar and the Chinese renminbi increased, while the weights of the Japanese yen, the euro and the British pound decreased, as shown in the accompanying table.

The SDR basket's currency composition and weights

Per cent

	US dollar	Euro	Japanese yen	British pound	Chinese renminbi	Total
2000	44.20	29.40	14.80	11.60	–	100.00
2005	42.92	34.14	11.48	11.46	–	100.00
2010	41.94	37.36	11.26	9.44	–	100.00
2015	41.73	30.93	8.33	8.09	10.92	100.00
2022	43.38	29.31	7.59	7.44	12.28	100.00

Source: IMF

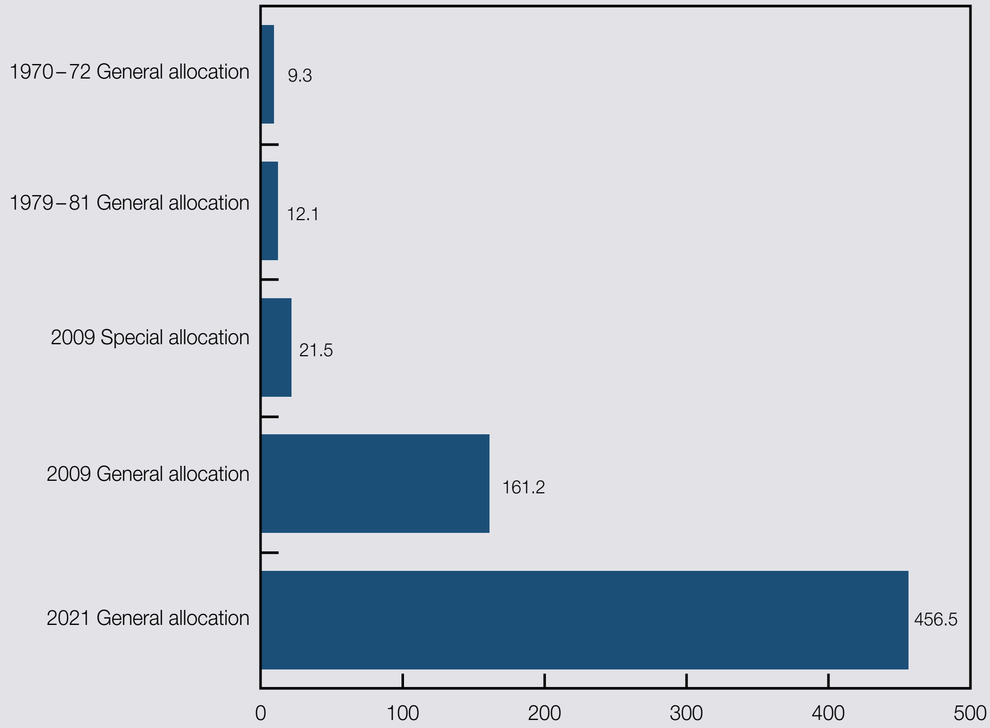
Since the SDR's inception, the IMF has made one special and four general SDR allocations, as shown in the graph on the next page. SDR allocations are made to meet a long-term global need to supplement existing reserve assets. The 2009 and 2021 general SDR allocations were made during the global financial crisis and the COVID-19 pandemic respectively. The purpose of these allocations was to alleviate severe liquidity shortages and fiscal pressures through building reserve asset buffers, thereby enhancing global financial stability and to mitigate the risk of global economic stagnation.

The IMF made the first general SDR allocation between 1970 and 1972, distributing a total of XDR9.3 billion over this period. The second general allocation occurred between 1979 and 1981, with approximately XDR12.1 billion allocated. In response to the 2008–09 global financial crisis, in 2009 the IMF made a third general SDR allocation of XDR161.2 billion and a one-off special SDR allocation of XDR21.5 billion to countries that joined the IMF after 1981 and had therefore never received an SDR allocation. In response to the COVID-19 pandemic, the IMF's Board of Governors approved the fourth and largest-ever general SDR allocation of XDR456.5 billion in 2021. Of this amount, Africa received XDR23.7 billion, with seven countries receiving more than 50% of Africa's total SDR allocation, including South Africa's 12% share of XDR2.9 billion (US$4.2 billion).[10]

10 The IMF defines the value of the US dollar in terms of the SDR as the reciprocal of the sum of the equivalents in US dollars of the amounts of the currencies in the SDR basket, based on the daily market exchange rates of the five currencies included in the basket.

General and special SDR allocations

SDR billions



Source: IMF

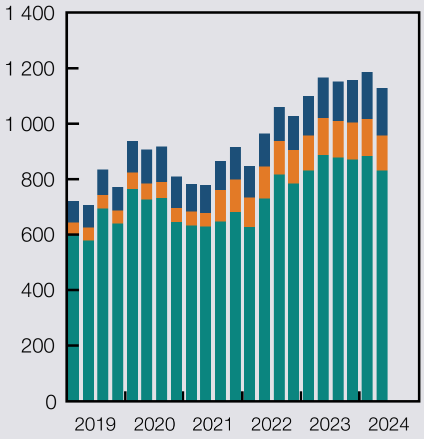
The 2021 SDR general allocation to African countries

Per cent

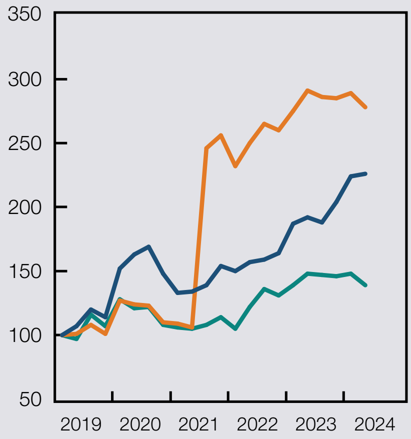
Country	SDR allocation (in millions of SDRs)	Per cent allocated
South Africa	2 924	12
Nigeria	2 353	10
Egypt	1 953	8
Algeria	1 879	8
Libya	1 508	7
Congo-Brazzaville	1 022	4
Zambia	938	4
Other	11 157	47
Total	23 734	100

Source: IMF

Composition of South Africa's gross foreign reserves*



South Africa's gross foreign reserves*



* As at end of period

Gold reserves
Special drawings rights
Other foreign exchange reserves

Source: SARB

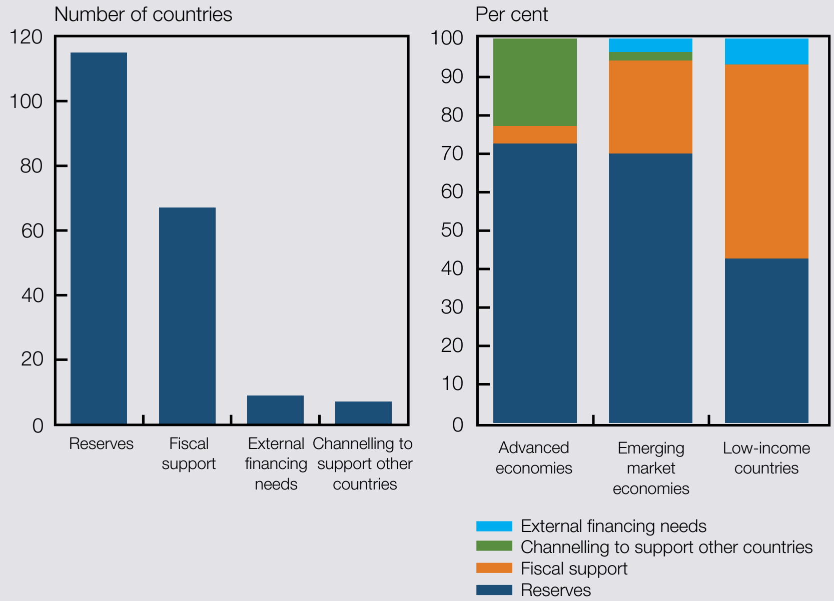
The most recent SDR allocation took place in August 2021 and increased South Africa's gross gold and other foreign reserves from US$54.5 billion at the end of July 2021 to US$58.4 billion at the end of August. Consequently, the end-of-quarter value of total gross foreign reserves, expressed in rand terms, increased from R778 billion at the end of June 2021 to R865 billion at the end of September, while the SDR contribution to total gross foreign reserves increased from 6.3% to 13.2%.

According to the IMF, an SDR allocation is a way of supplementing member countries' foreign exchange reserves, allowing members to reduce their reliance on more expensive domestic or external debt for building reserves. SDRs can be utilised for fiscal support and/or external financing needs or can be retained as part of reserve assets. Most advanced economies retained the allocated SDRs as part of their reserve assets, while also channelling some of their allocations to support other countries. Most emerging market economies also retained the allocated SDRs as part of their reserve assets, while some used them for fiscal support and debt repayments. Conversely, most low-income countries used the allocated SDRs for fiscal support and only retained a portion of the SDRs as part of their reserve assets.

The majority of SDRs are allocated to developed countries, based on their share of quotas in the IMF. The most important determinant of IMF quotas is the size of a country's gross domestic product (GDP), with the world's developed countries receiving the largest share of SDR allocations and the low-income countries receiving the smallest amounts. For example, the US received an XDR79.5 billion allocation in the 2021 allocation round, representing about 17% of the total SDR allocation, significantly more than the entire allocation to the African continent of XDR23.7 billion, representing 5% of the total SDR allocation.

However, in October 2021, the world's developed nations pledged to voluntarily channel US$100 billion (20%) worth of their SDR allocations to support vulnerable countries, with US$103.4 billion transferred as at June 2023. This was done through the IMF's Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust.

Countries' use of allocated SDRs as at April 2023



Source: IMF

Exchange rates[17]

The nominal effective exchange rate (NEER) of the rand increased by 5.2% in the second quarter of 2024 following an increase of 0.8% in the first quarter. The NEER increased by 2.4% in April 2024 but decreased by 1.3% in May and subsequently increased by 4.1% in June. During the second quarter of 2024, the exchange value of the rand displayed improved investor sentiment towards the domestic economy following the outcome of South Africa's national elections and the formation of a government of national unity (GNU), over and above the relatively stable domestic electricity supply. Despite some volatility in global financial markets during the second quarter of 2024, the exchange value of the rand was supported by increased expectations of monetary policy easing by the US Fed.

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

Exchange rates of the rand

Percentage change

	30 Sep 2023 to 31 Dec 2023	31 Dec 2023 to 31 Mar 2024	31 Mar 2024 to 30 Jun 2024	30 Jun 2024 to 13 Sep 2024
Weighted average*	-1.7	0.8	5.2	-0.5
Euro	-3.2	0.4	5.3	-1.1
US dollar	1.1	-2.2	4.3	2.6
Chinese yuan	-1.8	-0.3	4.8	-0.2
British pound	-2.9	-1.0	4.1	-1.4
Japanese yen	-4.1	4.7	10.9	-10.2

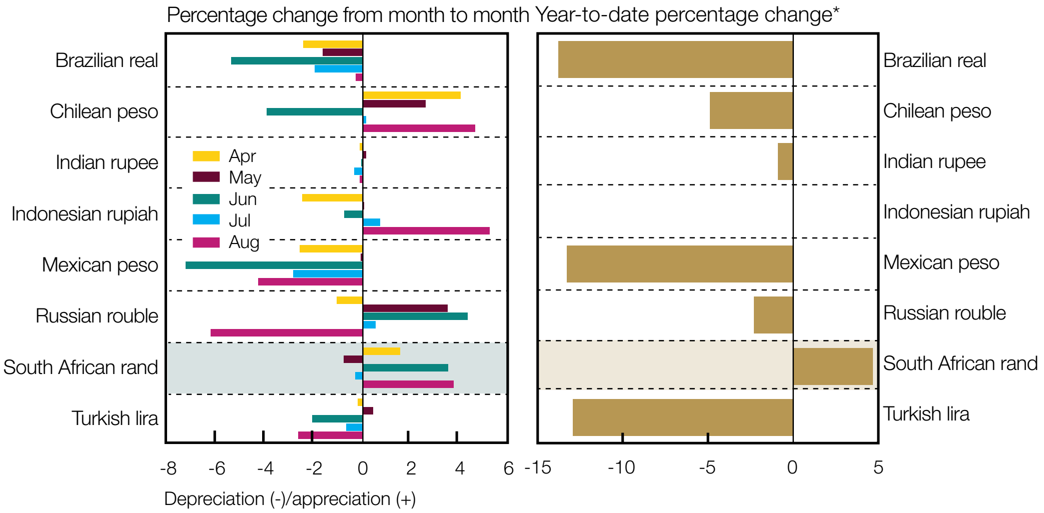
* Trade-weighted exchange rate against a basket of 20 currencies (nominal effective exchange rate)
Depreciation (-)/appreciation (+)

Source: SARB

The exchange value of the rand appreciated against several major currencies in the second quarter of 2024, most notably the Japanese yen and the euro following the higher policy interest rate in Japan as well as increased uncertainty in Europe ahead of national elections in several

European countries. In addition, the rand was among the best-performing emerging market currencies against the US dollar in the second quarter of 2024.

Emerging market currencies against the US dollar in 2024

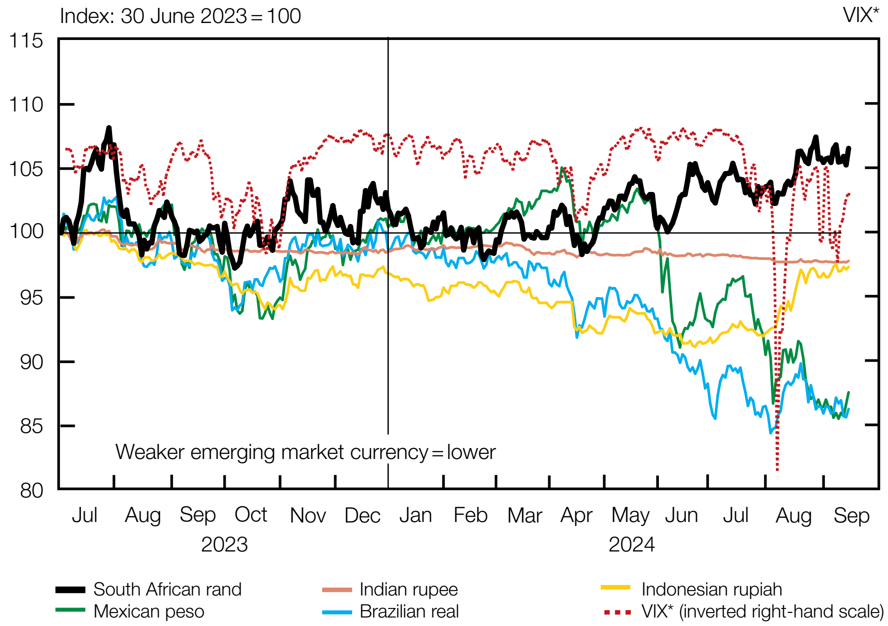


* From 31 December 2023 to 13 September 2024

Sources: Refinitiv and SARB

Subsequently, the exchange value of the rand experienced some volatility and the NEER decreased by 0.5% from the end of June 2024 to 13 September as tensions in the Middle East escalated. In addition, global investors became more risk averse amid concerns of a possible economic recession in the US following worse-than-expected unemployment statistics. Notably, the Volatility Index (VIX) increased substantially on 5 August 2024 as a result of the unwinding of the Japanese yen carry trade and significant declines in global equity markets. However, the expectation of lower interest rates in the US supported the exchange value of the rand from the end of June 2024 to 13 September.

Emerging market currencies against the US dollar

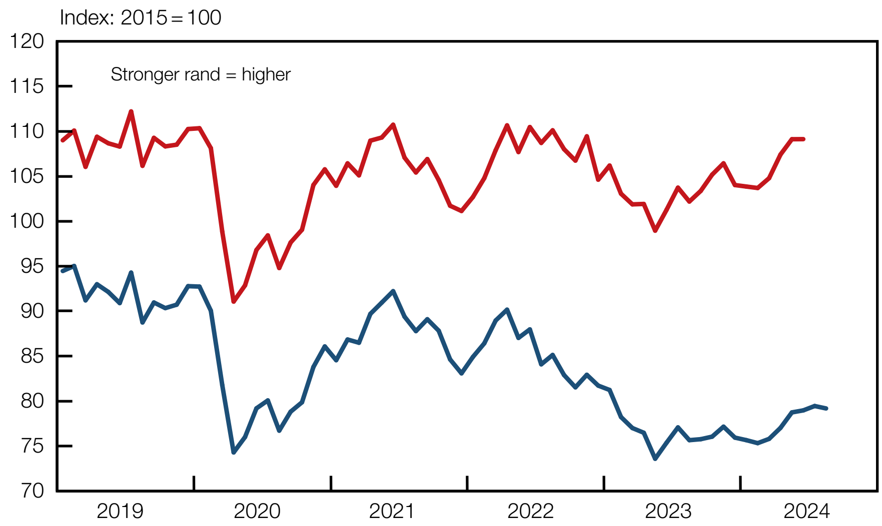


* The Volatility Index (VIX), developed by the Chicago Board Options Exchange (CBOE), is a real-time index that represents the market's expectation of 30-day forward-looking volatility derived from the S&P 500 Index options. The VIX provides a measure of market risk and investor sentiment.

Sources: Refinitiv and SARB

The real effective exchange rate (REER) of the rand increased by 7.8% from June 2023 to June 2024, reducing the competitiveness of domestic producers in foreign markets.

Effective exchange rates of the rand



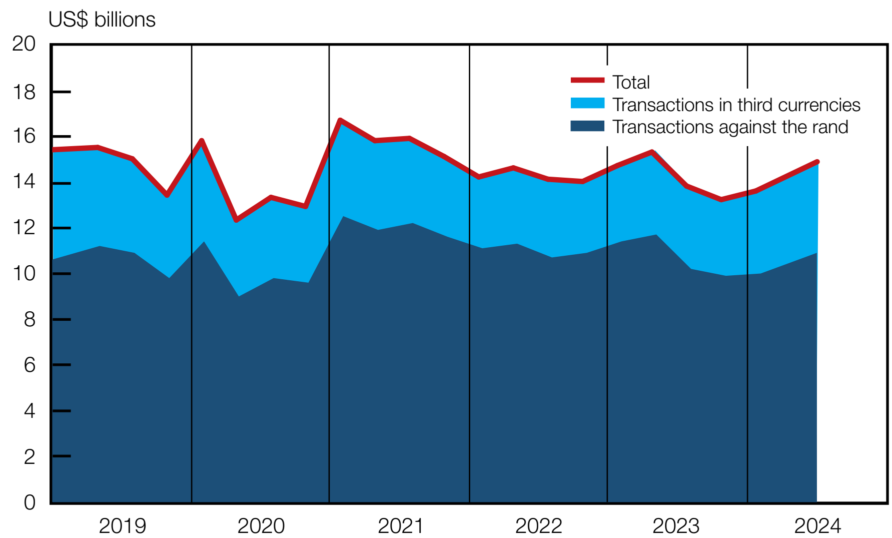
Source: SARB

Turnover in the South African foreign exchange market

The net average daily turnover[18] in the South African FX market increased from US$13.7 billion in the first quarter of 2024 to US$14.4 billion in the second quarter due to increased transactions against the rand. FX transactions against the rand increased from US$10.0 billion in the first quarter of 2024 to US$10.9 billion in the second quarter, along with some intra-quarter volatility in the exchange value of the rand related to the build-up to, and outcome of, South Africa's national elections. Transactions in third currencies decreased from US$3.6 billion to US$3.5 billion over the same period.

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

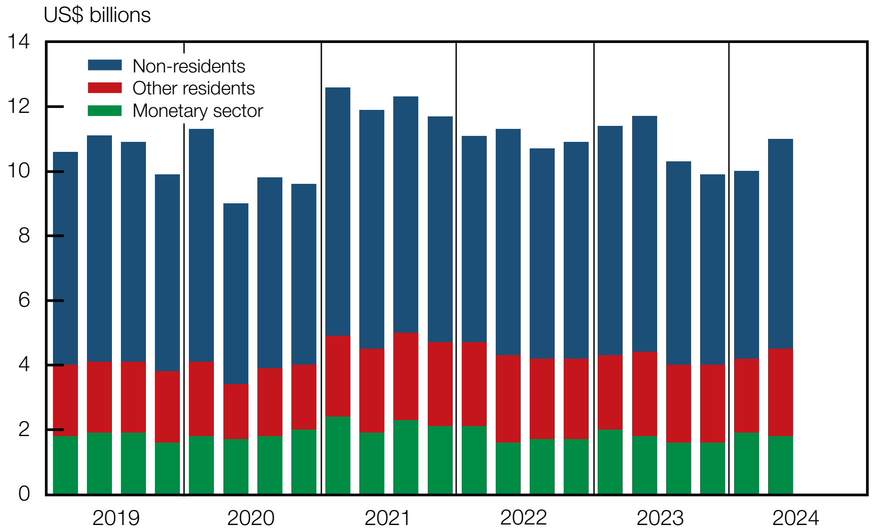
Net average daily turnover in the South African foreign exchange market



Source: SARB

The increase in FX transactions against the rand in the second quarter of 2024 was mainly driven by increased net average daily counterparty participation by non-residents and residents. Non-resident participation increased from US$5.8 billion in the first quarter of 2024 to US$6.5 billion in the second quarter, while participation by residents increased from US$2.3 billion to US$2.7 billion over the same period. However, the monetary sector's participation in the rand market declined slightly from US$1.9 billion in the first quarter of 2024 to US$1.8 billion in the second quarter.

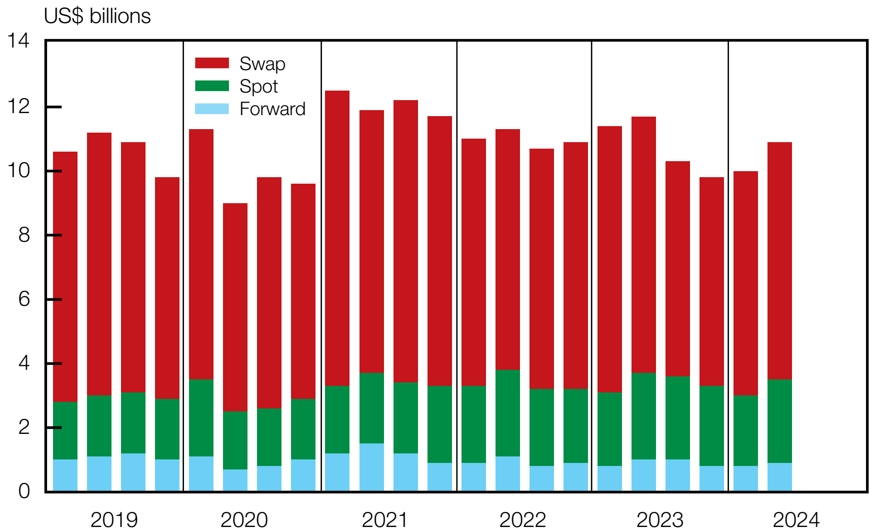
Composition of net average daily turnover in the South African foreign exchange market against the rand, by counterparty



Source: SARB

The increase in transactions against the rand during the second quarter of 2024 reflected increases across all instruments. Net average daily swap transactions in the rand market increased from US$7.0 billion in the first quarter of 2024 to US$7.4 billion in the second quarter. Amid changing interest rate expectations globally, forward and spot transactions also increased from US$0.8 billion to US$0.9 billion and from US$2.2 billion to US$2.6 billion respectively over the same period.

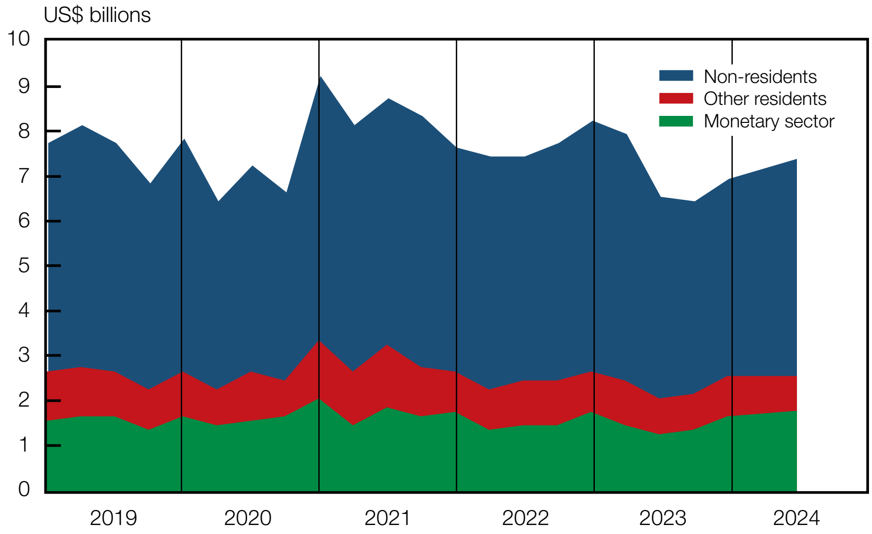
Composition of net average daily turnover in the South African foreign exchange market against the rand, by instrument



Source: SARB

The higher turnover in the inter-dealer rand swap market in the second quarter of 2024 was mainly due to increased non-resident participation from US$4.4 billion in the first quarter of 2024 to US$4.8 billion in the second quarter. Participation by residents in the rand swap market increased marginally from US$0.9 billion to US$1.0 billion, while that of the monetary sector declined from US$1.7 billion to US$1.6 billion over the same period.

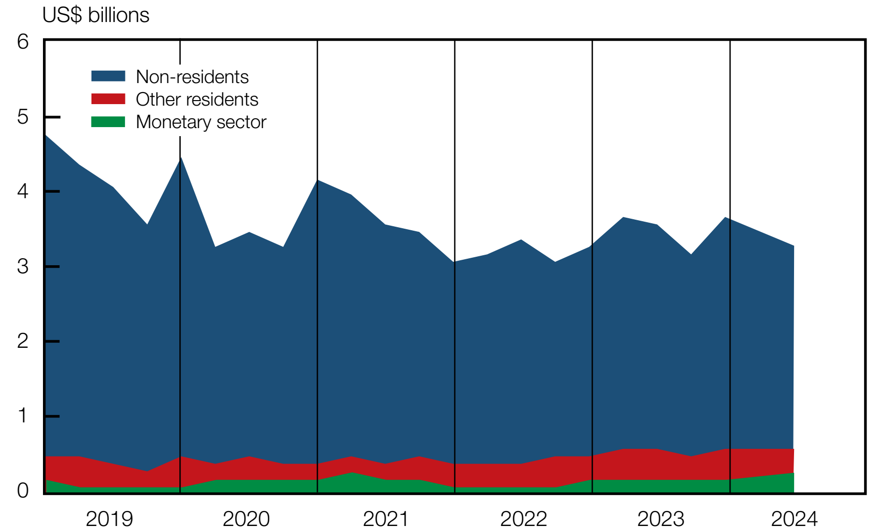
Composition of net average daily swap turnover in the South African foreign exchange market against the rand, by counterparty



Source: SARB

Transactions in the market for third currencies decreased from US$3.6 billion in the first quarter of 2024 to US$3.5 billion in the second quarter. This was due to lower non-resident and resident participation, which decreased from US$3.1 billion to US$2.9 billion and from US$0.4 billion to US$0.3 billion respectively over this period. However, monetary sector participation in the third currency market increased marginally from US$0.2 billion in the first quarter of 2024 to US$0.3 billion in the second quarter.

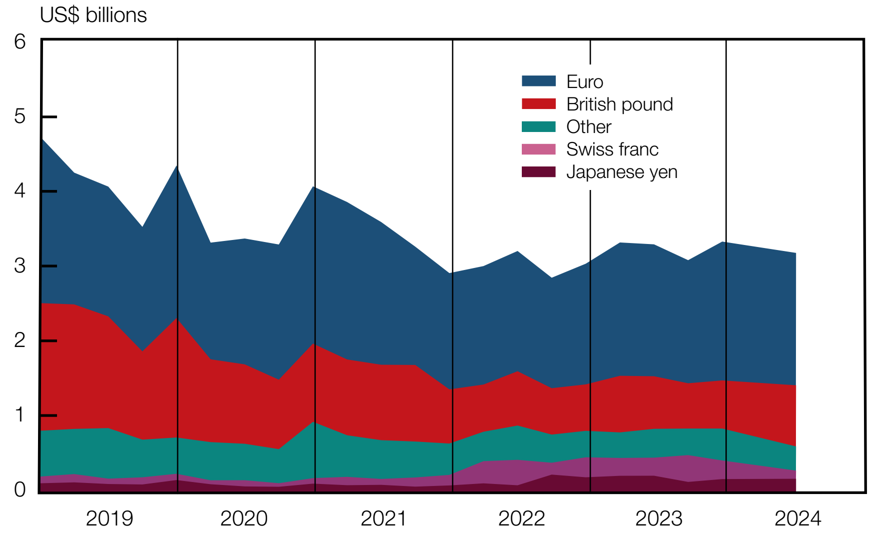
Composition of net average daily turnover in the South African foreign exchange market in third currencies, by counterparty



Source: SARB

In the market for third currencies, US dollar transactions against the euro declined from US$1.9 billion in the first quarter of 2024 to US$1.8 billion in the second quarter, while those against the Japanese yen remained unchanged at US$0.2 billion. Transactions of the US dollar against the Swiss franc declined from US$0.2 billion to US$0.1 billion over the same period. However, transactions of the US dollar against the British pound increased from US$0.6 billion in the first quarter of 2024 to US$0.7 billion in the second quarter, 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



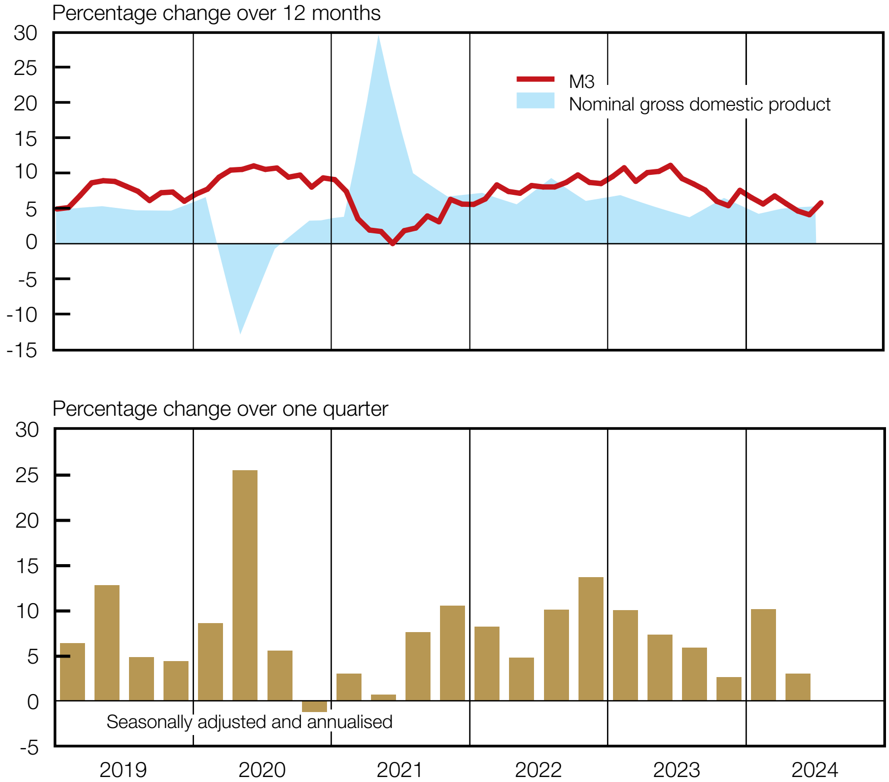
Source: SARB

Monetary developments, interest rates and financial markets

Money supply

Year-on-year growth in the broadly defined money supply (M3) moderated further in the first half of 2024, continuing the trend that started in mid-2023. After a robust expansion, with growth averaging 10.2% in the first half of 2023, growth in M3 nearly halved to average 5.6% in the first six months of 2024. In July 2024, growth accelerated somewhat to 5.9%. The moderating trend was largely driven by a notable slowdown in the deposits of financial companies, with deposit holdings of households and non-financial companies supporting overall money supply thus far in 2024. The quarter-to-quarter seasonally adjusted and annualised growth in M3 decelerated notably to 3.0% in the second quarter of 2024 from 10.1% in the first quarter. The moderation in the quarterly growth in M3 relative to that in nominal GDP resulted in an increase in the income velocity of M3 from 1.41 in the first quarter of 2024 to 1.42 in the second quarter.

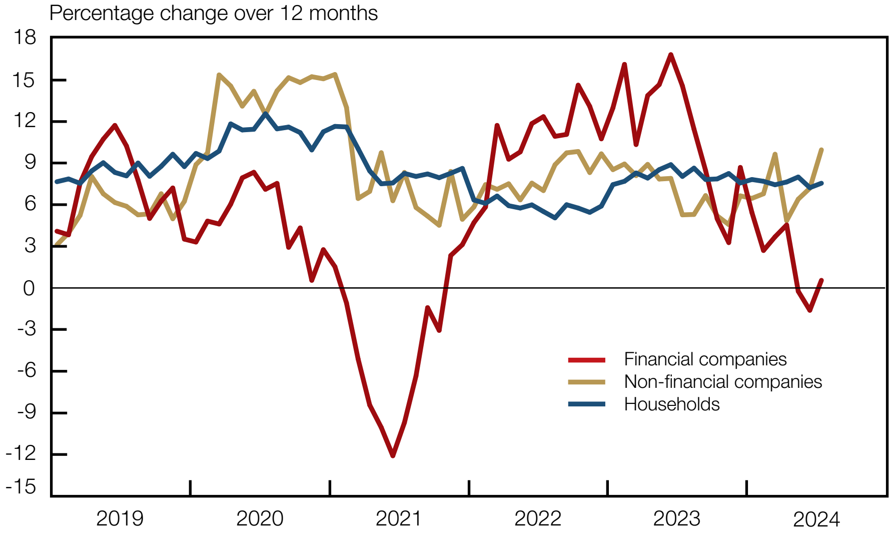
Money supply and gross domestic product



Sources: Stats SA and SARB

Growth in corporate sector deposits continued to moderate in the first half of 2024, mainly due to a sharp slowdown in the deposit holdings of financial companies, which reverted from a year-on-year growth rate of 16.8% in June 2023 to contractions of 0.2% in May 2024 and 1.6% in June – the lowest rate of change since October 2021. These contractions were as a result of withdrawals of deposits by, among others, fund managers, securities trading companies, the JSE clearing house, stockbrokers, the Public Investment Corporation and other public financial companies, and coincided with the period of uncertainty around the national elections. Subsequently, the deposits of financial companies expanded by 0.5% year on year in July 2024.

Deposit holdings of households and companies



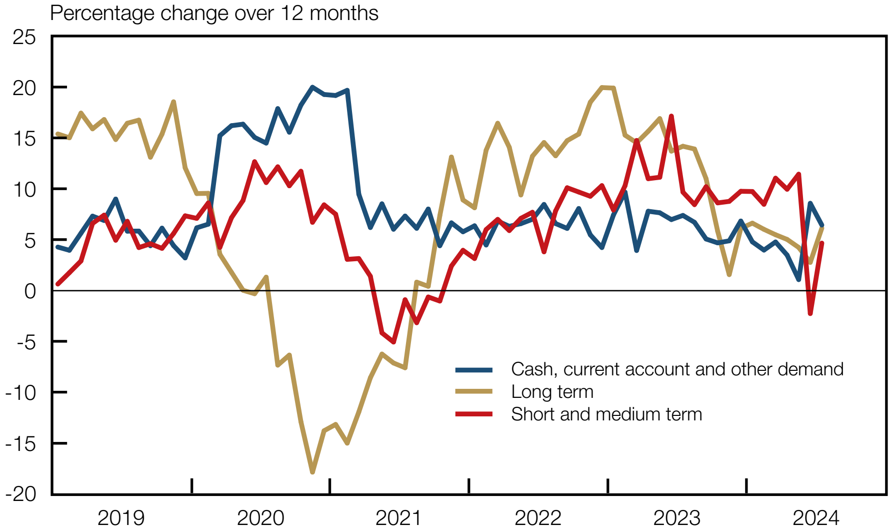
Source: SARB

Growth in the deposit holdings of non-financial companies fluctuated broadly sideways in the 12 months to July 2024, accelerating from 7.9% in June 2023 to a recent high of 9.6% in March 2024. Deposit balances were temporarily elevated due to a build-up in deposits earmarked for dividend distribution and the receipt of equitable share transfer allocations by metropolitan municipalities. The overlapping of the Easter holidays with month-end also resulted in the delays of some automated transactions until the first business day of the following month, which kept deposit balances elevated. Subsequently, growth in the deposit holdings of non-financial companies decelerated notably to 4.9% in April 2024 before accelerating sharply to 10.0% in July, boosted by, among other factors, local authorities receiving equitable share transfers and as vehicle manufacturers, beverage companies, breweries as well as mining and resource companies placed funds on demand deposits for later use.

Growth in household sector deposits moderated slightly thus far in 2024, from an average growth rate of 8.1% in the first half of 2023 to 7.6% in the first half of 2024. Household deposits expanded by 7.5% in July 2024, slightly up from 7.2% in June, supported by the prevailing elevated interest rate environment. Growth in the deposits of non-profit institutions serving households – largely of various trusts, including property, church, educational and family trusts – contributed to the deposit growth of households in the first seven months of the year.

Year-on-year growth in long-term deposits moderated from 13.7% in June 2023 to a low of 2.8% in June 2024 before accelerating to 6.1% in July. The moderation was largely due to the withdrawal of long-term deposits by financial companies and reflected a shift towards more liquid deposit categories amid uncertainty in the build-up to the national elections. As such, the short- and medium-term deposit category recorded the highest growth rate among the three maturity categories, averaging around 10% between June 2023 and May 2024. In June 2024, short- and medium-term deposits contracted by 2.2%, predominantly as a result of a shift to cash, cheque and other demand deposits, with growth in this category accelerating substantially from 1.1% in May 2024 to 6.5% in July. The switch to liquidity largely reflected the impact of investor strategies following a period of heightened uncertainty after the outcome of the national elections.

Deposits by maturity



Source: SARB

The deposit holdings of the corporate sector declined by R87.2 billion in the second quarter of 2024 – a significant change from the R38.3 billion increase recorded during the same period a year earlier. This change was driven by declines of R58.9 billion and R28.3 billion in the deposit holdings of non-financial and financial companies respectively, with the latter contrasting the R59.3 billion increase recorded in the second quarter of 2023. The decline in corporate sector deposits reflected dividend and provisional tax payments, which were paid in the second quarter of 2024, combined with notable withdrawals by, among others, securities trading and fund management companies. By contrast, the deposit holdings of the household sector increased by R41.3 billion in the second quarter of 2024, nearly matching the increase of R41.8 billion recorded in the second quarter of 2023.

M3 holdings of households and companies

	Quarter-on-quarter change (R billions)					Percentage of total M3 deposit holdings*
	2023			2024		
	Q2	Q3	Q4	Q1	Q2	
Households	41.8	43.4	24.4	20.2	41.3	37.2
Companies: Total	38.3	34.8	40.8	89.4	-87.2	62.8
Of which: Financial	59.3	-17.7	-5.4	24.1	-28.3	32.3
Non-financial	-21.0	52.5	46.2	65.3	-58.9	30.4
Total M3 deposits	**80.1**	**78.2**	**65.2**	**109.7**	**-45.9**	**100.0**

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

Source: SARB

Within the counterparts of M3, the decrease of R45.9 billion in M3 money supply in the second quarter of 2024 was predominantly driven by a decline of R126.8 billion in net foreign assets of the monetary sector, which was partially countered by increases in net claims on the government sector of R60.0 billion, net other assets of R11.9 billion and claims on the domestic private sector of R9.1 billion. The substantial decrease in net foreign assets of the monetary sector largely reflected a decrease in loans granted under resale agreements to the foreign sector in the interbank market, coupled with declines in the value of derivative instruments issued by the foreign sector and the value of foreign assets held by the SARB.

Counterparts of change in M3

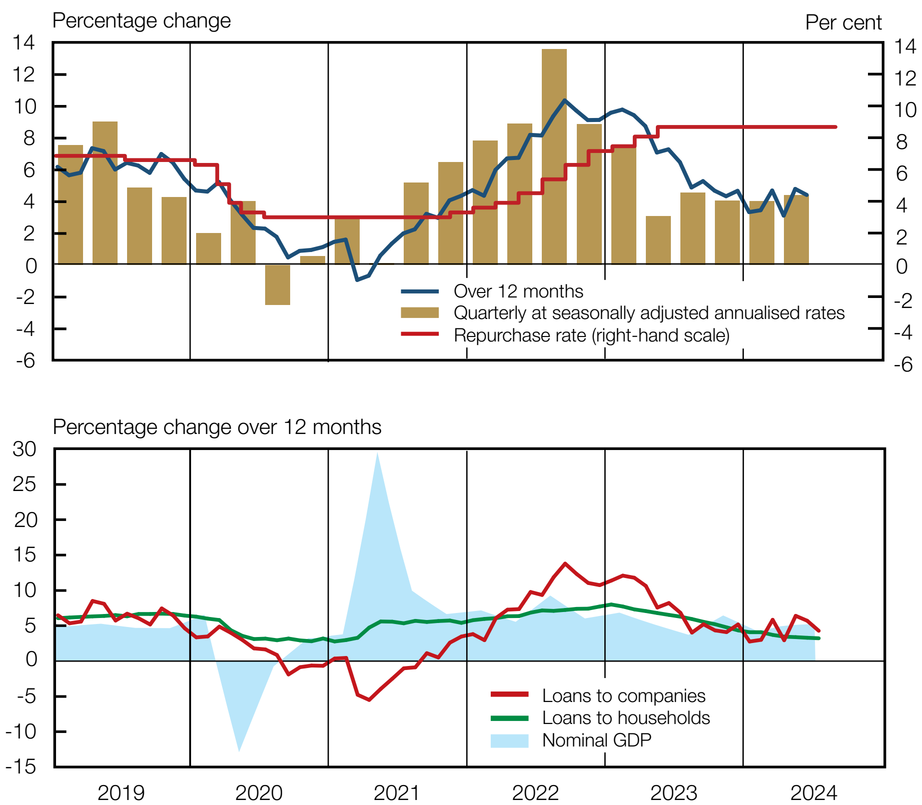
	Quarterly change (R billions)				
	2023			2024	
	Q2	Q3	Q4	Q1	Q2
Claims on the private sector	35.4	72.3	21.7	91.0	9.1
Net claims on the government sector	-67.5	127.3	52.4	-23.5	60.0
Net foreign assets	188.3	-88.3	-14.4	44.3	-126.8
Net other assets	-76.1	-33.1	5.4	-2.2	11.9
Change in M3	80.1	78.2	65.2	109.7	-45.9

Source: SARB

Credit extension

Year-on-year growth in total loans and advances by monetary institutions to the domestic private sector remained muted and averaged 4.1% in the first half of 2024, notably lower than the average growth rate of 8.7% recorded in the same period of 2023. In July 2024, growth in total loans and advances moderated to 3.8%. The moderation in credit extension over the 18 months to July 2024 occurred across both the corporate and household sectors, although credit extension to the corporate sector has picked up slightly in recent months. The quarter-to-quarter seasonally adjusted and annualised growth in total loans and advances also lost momentum, slowing from 7.4% in the first quarter of 2023 and subsequently hovering around 4.0% for two successive quarters before accelerating slightly to 4.4% in the second quarter of 2024.

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

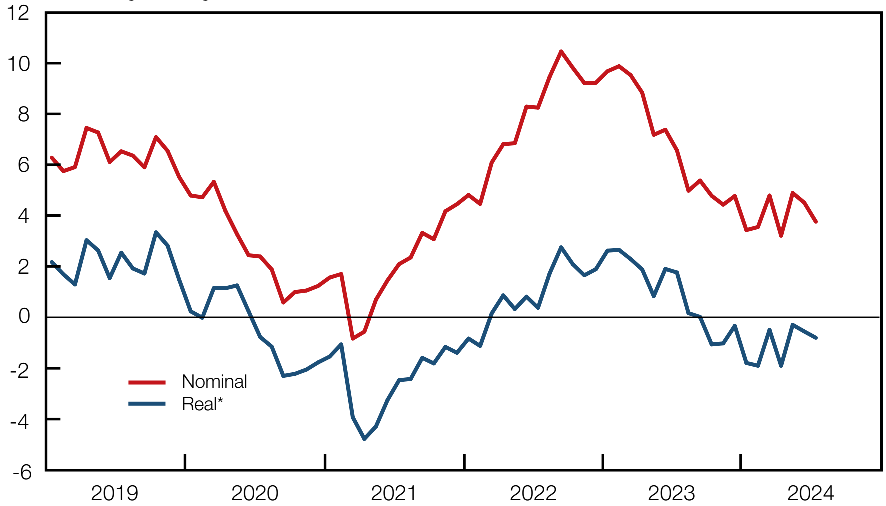


Sources: Stats SA and SARB

Growth in real loans and advances decelerated from 2.7% in February 2023 to a low of -1.9% in April 2024 before accelerating slightly to -0.8% in July. In real terms, loans and advances to the domestic private sector contracted year on year for 10 consecutive months up to July 2024.

Total loans and advances

Percentage change over 12 months



* Deflated with the headline consumer price index

Source: SARB

The nominal amount of total loans and advances extended to the household sector decreased sharply from R23.5 billion in the first quarter of 2024 to R8.5 billion in the second quarter. Nonetheless, the household sector provided the main impetus to overall credit extension in the second quarter of 2024 as loans and advances to the corporate sector contracted by R0.2 billion. The repayment by financial companies of R42.4 billion, mainly of general loans, more than offset the credit extension of R42.2 billion to non-financial companies for similar loans.

Total loans and advances extended to households and companies

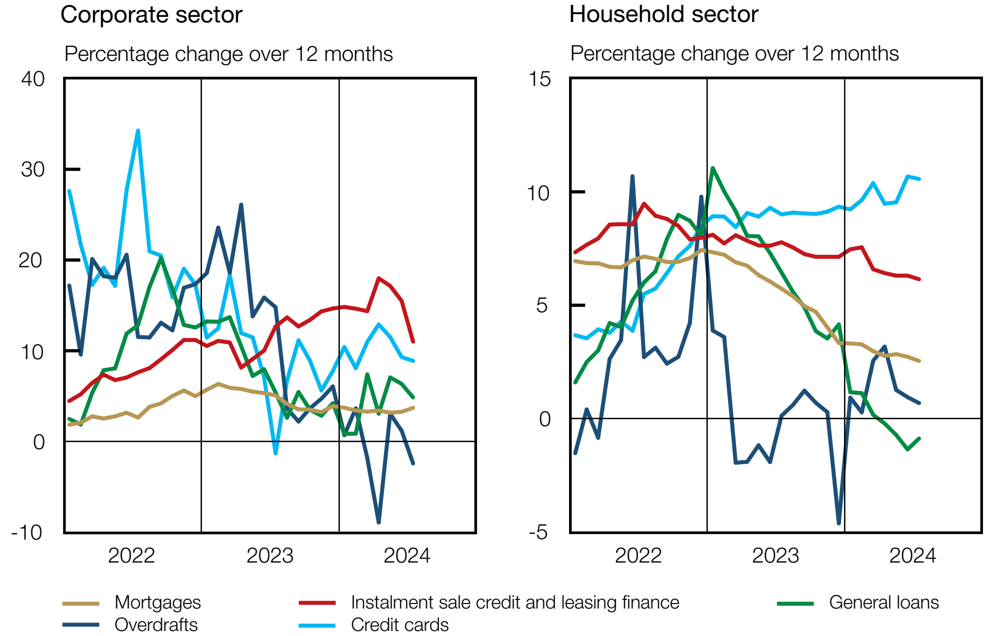
	Quarter-to-quarter change (R billions)					Percentage of total loans and advances*
	2023			2024		
	Q2	Q3	Q4	Q1	Q2	
Households	16.7	18.0	18.7	23.5	*8.5*	49.2
Companies: Total	2.4	43.1	9.9	67.5	*-0.2*	50.8
Of which: Financial	*0.5*	*18.4*	*5.3*	*31.7*	*-42.4*	*12.3*
Non-financial	*1.9*	*24.7*	*4.6*	*35.8*	*42.2*	*38.5*
Total bank loans and advances	19.1	61.1	28.6	91.0	8.3	100.0

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

Source: SARB

Growth in loans and advances extended to the corporate sector moderated from 12.1% in February 2023 to a post-pandemic low of 2.8% in January 2024 before accelerating to 6.4% in May and slowing again to 4.3% in July. Growth in instalment sale credit to companies (9% of total corporate loans) remained robust, accelerating to a recent high of 18.0% in April 2024, although it then moderated to 11.0% in July. Growth in corporate credit card advances also mostly recorded double-digit growth rates in the first seven months of 2024, but comprised only 0.4% of total loans to companies. Growth in general loans to companies (53% of total corporate loans) accelerated from 0.8% in January 2024 to 4.8% in July, with demand in recent months predominantly driven by non-financial companies in the mining and resources, consumer goods manufacturing, equipment and logistics as well as petroleum and renewable energy sectors. Growth in mortgage loans to companies (26% of total corporate loans) has fluctuated in a narrow range of between 3.2% and 3.9% since September 2023 and amounted to 3.7% in July 2024. The utilisation of overdrafts by corporates (11% of total corporate loans) fluctuated sharply in the first seven months of 2024, moderating from a year-on-year increase of 3.1% in May to a contraction of 2.4% in July.

Selected loans and advances

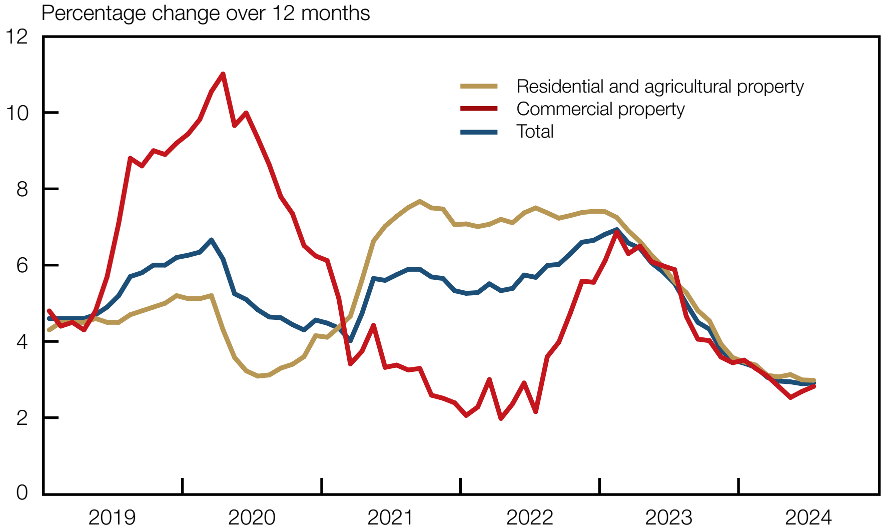


Source: SARB

Growth in total loans and advances extended to the household sector moderated gradually from 8.0% in January 2023 to 3.2% in July 2024 amid higher interest rates and with banks also having tightened their lending criteria in response to a surge in default rates. Growth decelerated across most credit categories, with the slowdown noticeable in most unsecured loans categories. Growth in general loans to households (14% of total household loans) decelerated sharply from a post-COVID-19 high of 11.0% in January 2023 to a contraction of 0.9% in July 2024. Households' utilisation of overdrafts (2% of total household loans) remained volatile, with growth fluctuating between 0.3% and 3.2% in the first seven months of 2024. This was higher than the growth rates recorded during most of 2023, possibly indicating that households may have resorted to overdrafts to supplement their spending on essential goods and services. Similarly, households likely relied more on credit card advances (8% of total household loans) to cover their monthly expenses as this was the only category to maintain robust growth in the first seven months of 2024, with growth fluctuating between 9.2% in January and 10.6% in July. The moderation in credit extension to households was also noticeable in the asset-backed credit categories, with year-on-year growth in mortgage advances to households (59% of total household loans) decelerating from a peak of 7.3% in January 2023 to 2.5% in July 2024. Growth in instalment sale credit to households (18% of total household loans) continued to taper off, decelerating from 7.5% in January 2024 to 6.1% in July.

On aggregate, growth in total mortgage advances decelerated further, from 3.4% in January 2024 to 2.9% in July, with growth in mortgage loans on commercial as well as residential and agricultural property slowing in tandem since the start of 2023. Growth in mortgage advances on commercial property decelerated from 3.5% in January 2024 to 2.8% in July, while growth in mortgage advances on residential and agricultural properties slowed to 3.0% in the same month.

Mortgage advances



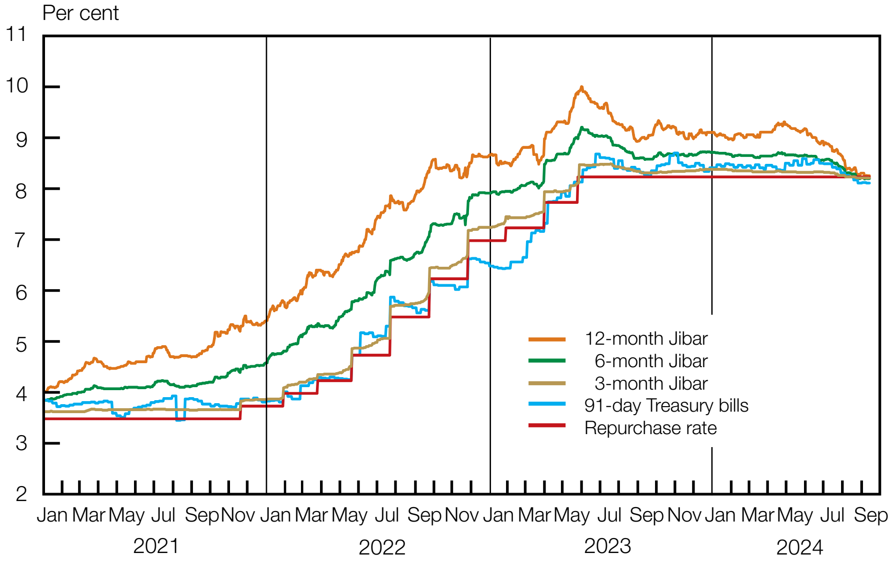
Source: SARB

Interest rates and yields

The SARB's Monetary Policy Committee (MPC) lowered the repurchase (repo) rate by 25 basis points to 8.00% per annum at the September 2024 meeting after keeping it unchanged for seven consecutive meetings. The MPC noted improvements in the inflation forecast and assessed the overall risks to the domestic inflation outlook to be balanced.

Domestic short-term money market rates have been relatively stable over the past year but started decreasing in recent months in response to the appreciation in the exchange value of the rand and some lower-than-expected consumer price inflation outcomes. The three-month Johannesburg Interbank Average Rate (Jibar) initially fluctuated close to 8.34% from 1 June 2024 to mid-July before decreasing to 8.23% on 13 September amid expectations of a reduction in the policy rate at the September MPC meeting. Similarly, the six-month Jibar fluctuated lower from 8.68% in early June to 8.22% on 13 September. The longer-dated 12-month Jibar followed a more pronounced downward trend, decreasing from 9.19% on 1 June 2024 to 8.28% on 13 September.

Money market rates

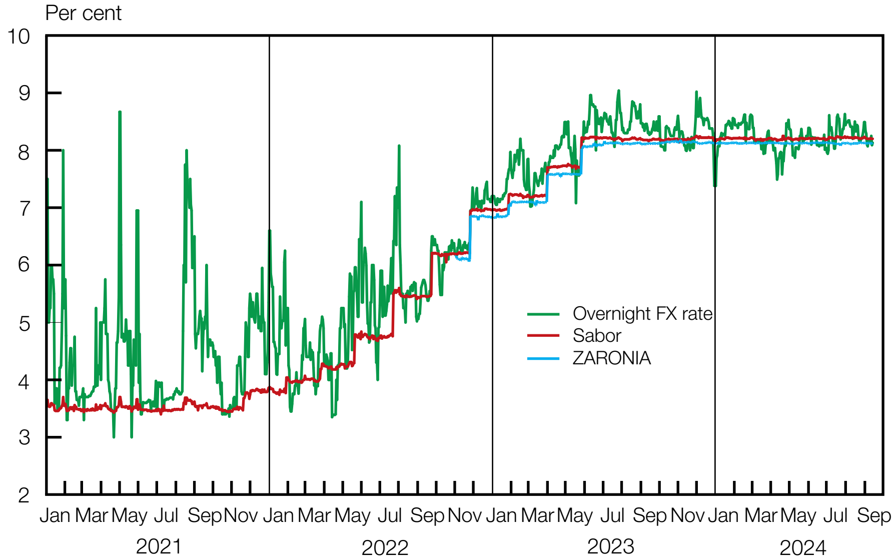


Source: SARB

The tender rate on 91-day Treasury bills (TBs) decreased by 28 basis points from 8.61% on 1 June 2024 to 8.33% on 31 July as the demand for these short-term liquid assets by private sector banks increased. The rate then decreased even further to 8.13% on 13 September.

The South African Benchmark Overnight Rate (Sabor) fluctuated in close alignment with the repo rate, averaging 8.21% between June and August 2024 as liquidity conditions in the overnight interbank market remained stable. The South African Rand Overnight Index Average (ZARONIA) rate also traded below the repo rate, fluctuating within a narrow range of 8.08% and 8.14% from 1 June 2024 to 31 August. It settled at 8.13% on 13 September, reflecting ample liquidity in the overnight call deposit market.

Benchmark overnight rates



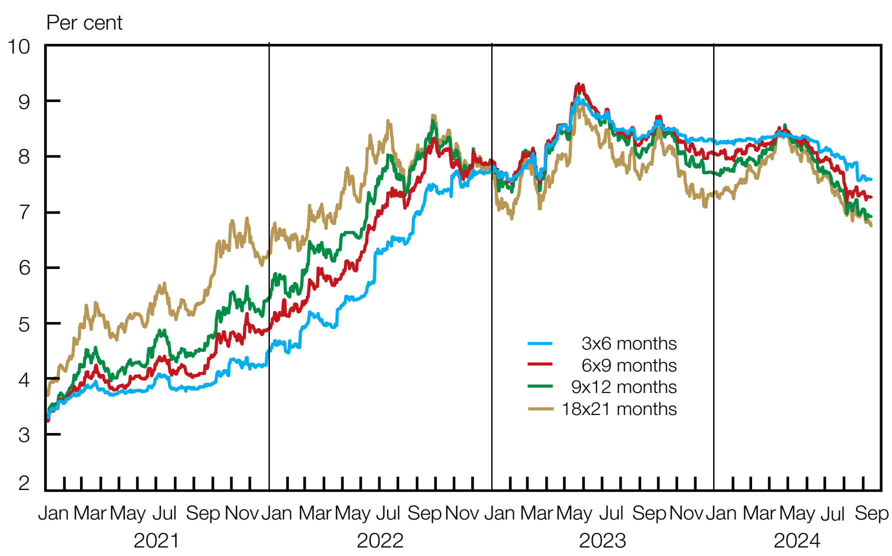
Source: SARB

The overnight FX rate remained somewhat more volatile and initially decreased by 35 basis points from 8.39% on 1 June 2024 to 8.04% at month-end when foreign banks experienced ample liquidity in the overnight FX market, before increasing to 8.49% on 31 August when foreign banks required more liquidity from the overnight FX forward market to meet demand prior to month-end. Subsequently, the overnight FX rate receded to 8.13% on 13 September when the demand for liquidity subsided.

Forward rate agreements (FRAs) trended downwards across the maturity spectrum from the second quarter of 2024 amid expectations that the MPC would reduce the policy rate in the near term following lower domestic inflation outcomes and the appreciation in the exchange value of the rand. The 3x6-month FRA decreased by 75 basis points from 8.34% on 1 June 2024 to 7.59% on 13 September. Similarly, the 6x9-month FRA decreased by 98 basis points from 8.25% to 7.27% over the same period, while the 9x12-month FRA decreased by 128 basis points from 8.20% to 6.92%. The longer-dated 18x21-month FRA decreased significantly by 102 basis points from 8.11% on 1 June 2024 to 7.09% on 31 July, and decreased futher to 6.75% on 13 September.

The weighted average monthly flexible deposit and lending rates offered by private sector banks has remained stable in recent months, aligned with the unchanged monetary policy rate during this period. The flexible interest rate charged by banks on mortgage advances increased marginally from 11.45% to 11.47% between May and July 2024. The interest rate on instalment sale credit decreased marginally from 11.89% in May 2024 to 11.88% in July, while the interest rate on overdrafts decreased from 11.96% to 11.87%. The interest rate on credit card advances increased by 27 basis points from 18.02% in May 2024 to 18.29% in July. Similarly, the weighted average interest rates offered on deposits changed only marginally, with the rate on call deposits fluctuating around 8.00% between May 2024 and July. The rate offered on 12-month fixed deposits decreased only slightly to 8.78% in July 2024 from 8.86% in May.

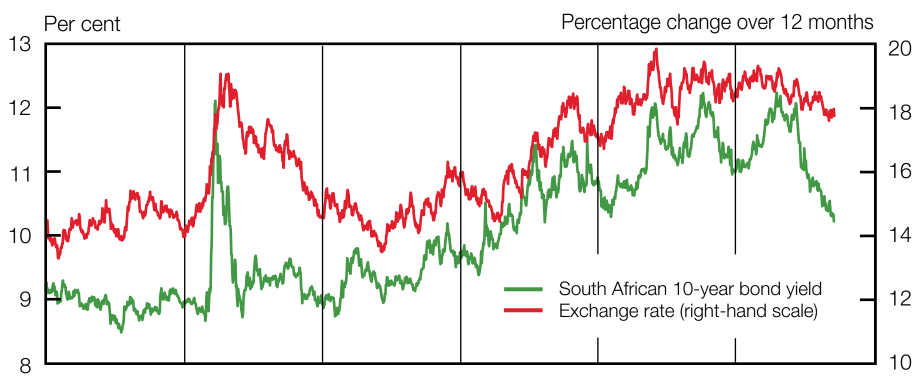
Forward rate agreements



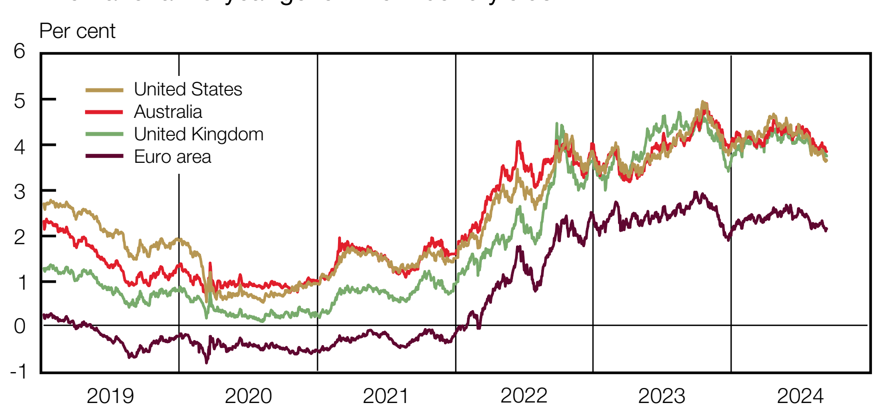
Source: SARB

The *yield on 10-year South African rand-denominated government bonds issued and traded in the domestic market* declined notably by 201 basis points from 12.23% on 16 April 2024 to 10.22% on 13 September. The downward trend was supported by, among other factors, the appreciation in the exchange value of the rand, the moderation in domestic consumer price inflation and positive investor sentiment following the formation of the GNU. The decrease also reflected lower international bond yields on expectations of interest rate cuts by the US Fed in particular as well as other central banks.

Domestic government bond yield and the exchange rate



International 10-year government bond yields



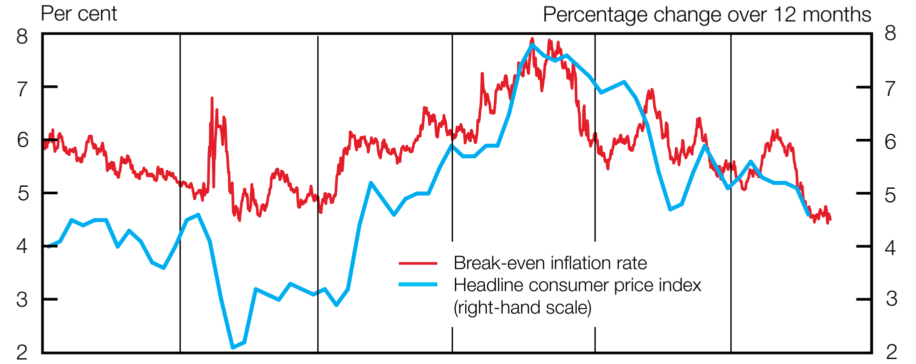
Sources: IRESS, JSE and SARB

19 The break-even inflation rate in the four- to six-year maturity range is calculated as the difference between the nominal yield on the *R2030* conventional bond (maturing on 31 January 2030) and the real yield on the *R210* inflation-linked bond (maturing on 31 March 2028).

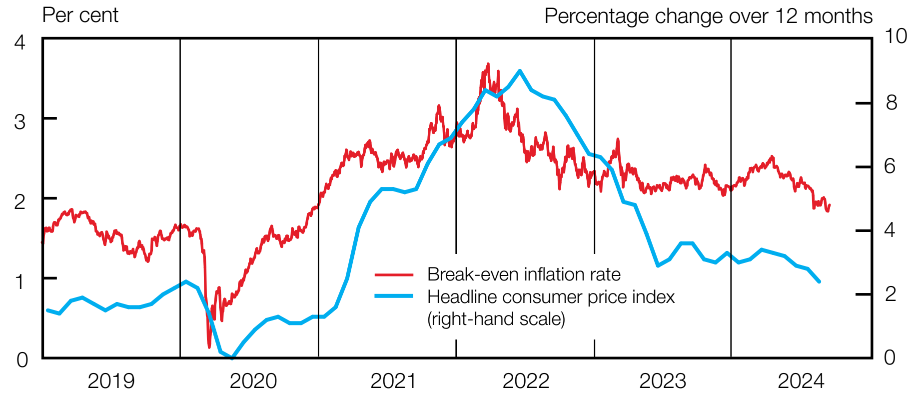
20 The break-even inflation rate of the US is calculated by subtracting the real yield of the five-year inflation-linked US Treasury bond from the yield of the closest nominal US Treasury maturity.

The South African *break-even inflation rate*[19] in the four- to six-year maturity range trended notably lower from 6.17% on 26 April 2024 to 4.50% on 13 September, at the midpoint of the inflation target range. This reflected the sustained moderation in consumer price inflation alongside the appreciation in the exchange value of the rand over this period. Meanwhile, the US break-even inflation rate[20] for bonds in the five-year maturity range fluctuated lower to below the 2% inflation target and recorded 1.96% on 13 September 2024, reflecting lower inflation expectations by market participants over the next five years.

South African inflation rates



United States inflation rates



Sources: IRESS, JSE and Stats SA

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

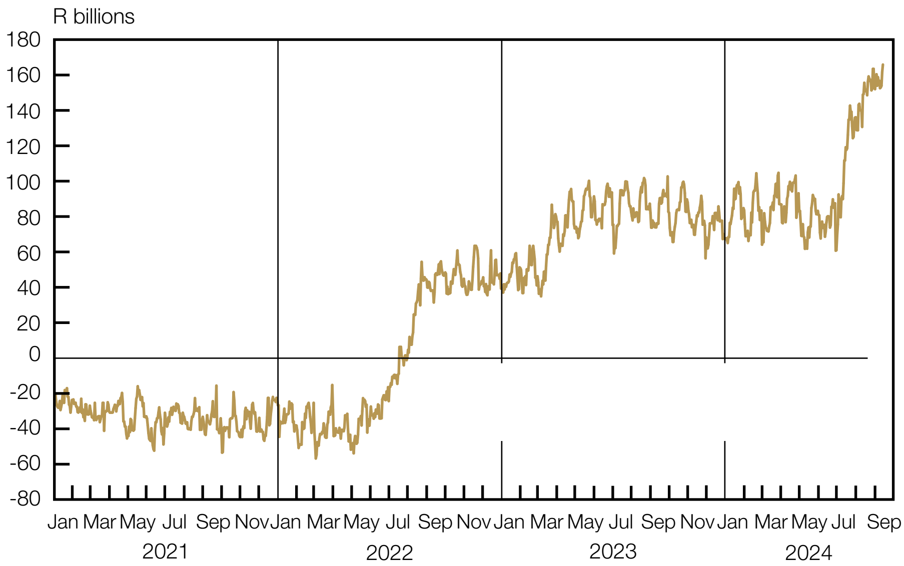
22 This is the differential between the yield on South African government US dollar-denominated bonds and that on US dollar-denominated bonds of the US government.

The yield spread for emerging market US dollar-denominated bonds relative to US government bonds, as measured by the JPMorgan Emerging Markets Bond Index Plus (EMBI+),[21] tapered off to 294 basis points in March 2024 before widening to 400 basis points in August as escalating geopolitical tensions continued to push some emerging market bond yields higher, while US bond yields declined. By contrast, South Africa's *sovereign risk premium*[22] on US dollar-denominated government bonds in the six-year maturity range narrowed from a monthly average of 305 basis points in March 2024 to 253 basis points in August, supported by the positive investor sentiment after the formation of the GNU.

Money market

During the second quarter of 2024, private sector banks recorded an average daily surplus liquidity position of R81.1 billion, which varied between a low of R60.7 billion on 28 June and a high of R103.2 billion on 24 April, with the latter only temporarily breaching the R100 billion upper limit of the liquidity target range. The high liquidity position occurred when, among other factors, funds of the Corporation for Public Deposits (CPD) were withdrawn from the SARB and placed with private sector banks, which increased the overall liquidity position in the money market. The amount on offer at the SARB's weekly refinancing auction was kept at R7.0 billion as banks' requirement for additional funds waned since the implementation of the surplus-based Monetary Policy Implementation Framework in 2022. In July and August 2024, the average daily surplus liquidity position of private sector banks increased to R130.0 billion following transfers made from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) of the SARB to National Treasury (NT).[23]

Daily liquidity



Source: SARB

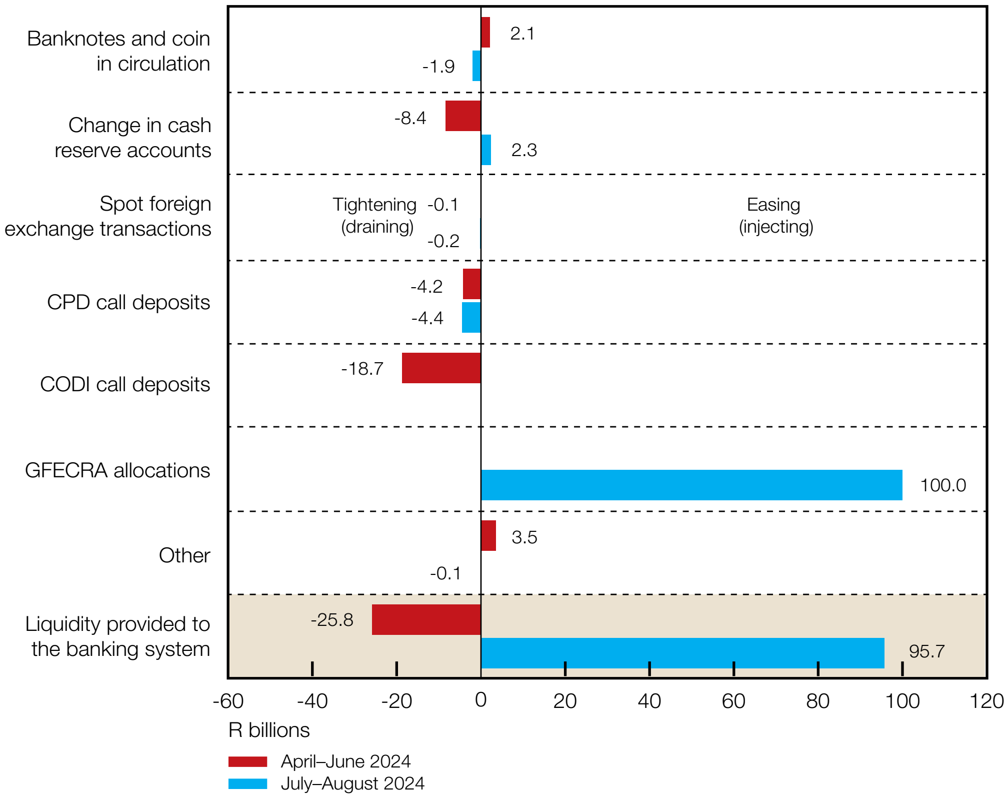
Total accommodation provided to banks at the weekly main refinancing auctions has remained fairly stable at R0.45 billion since March 2024 but increased temporarily to R1.2 billion by the end of July when one of the smaller banks required short-term liquidity to fulfil its month-end obligations. In August 2024, the total accommodation provided to banks decreased to R0.35 billion.

Money market liquidity contracted by a net amount of R25.8 billion in the second quarter of 2024 compared to an expansion of R14.7 billion in the first quarter. The contraction resulted mainly from R18.7 billion in funds of the Corporation for Deposit Insurance (CODI) that were placed in call deposits at the SARB and an increase of R8.4 billion in required cash reserve deposits of private sector banks. The contraction was only slightly offset by a decrease of R2.1 billion in banknotes and coin in circulation outside of the SARB as well as 'other factors' of R3.5 billion, which included accommodation provided to banks.

In July and August 2024, money market liquidity expanded by a considerable R95.7 billion, mainly on account of the R100.0 billion allocation of funds from the GFECRA of the SARB to NT, together with a decrease in banks' required cash reserve deposits of R2.3 billion. The expansion was partially offset by an increase of R4.4 billion in CPD call deposits at the SARB and an increase of R1.9 billion in banknotes and coin in circulation.

23 The GFECRA settlement agreement to allocate funds to NT was signed by the Minister of Finance and the Governor of the SARB in June 2024. It specifies the transfer of R150 billion to NT over a three-year period in three tranches (consisting of R100 billion in 2024, R25 billion in 2025 and R25 billion in 2026) to assist in reducing government's borrowing requirement. See https://www.resbank.co.za/en/home/what-we-do/financial-markets/The-Gold-and-Foreign-Exchange-Contingency-Reserve-Account

Factors influencing money market liquidity flows



Source: SARB

Bond market

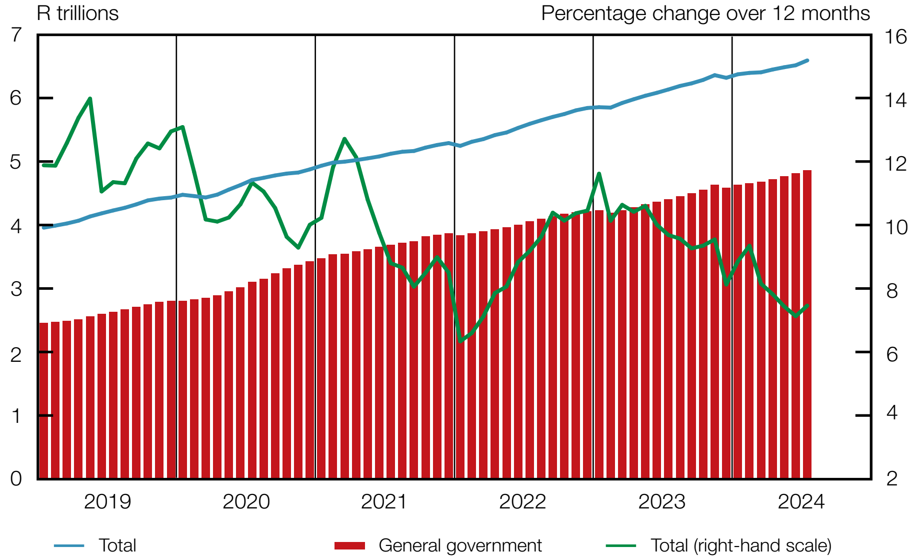
The *total nominal value of outstanding listed*[24] *and unlisted*[25] *rand-denominated debt securities* issued by residents and non-residents in the domestic primary debt market increased by 7.5% year on year to R6.6 trillion at the end of July 2024, representing a notable slowdown from the year-on-year increase of 11.6% recorded in January 2023. General government[26] still contributed

24 These are debt securities listed on the JSE Limited, the Cape Town Stock Exchange and the Integrated Exchange.

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

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

Outstanding value of listed and unlisted rand-denominated debt securities in issue in the domestic primary debt market*



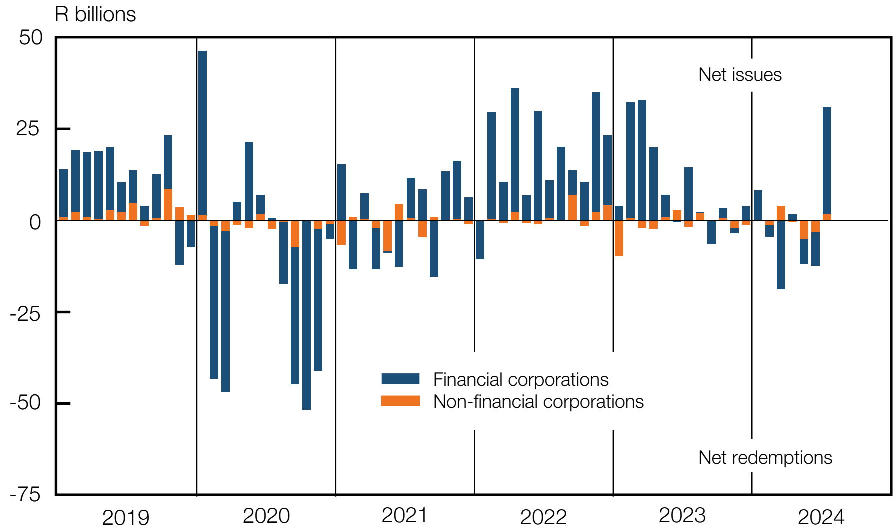
* Nominal value

Sources: Banks, CTSE, I-Ex, JSE, National Treasury and SARB the bulk of the total outstanding amount of debt securities in issue at 73.7% at the end of July 2024, with net issuance by general government increasing by 44.8% in the first seven months of 2024 compared with the same period of 2023, reflecting the government's larger borrowing requirement.

By contrast, corporations switched from net issuance of R97.8 billion in the domestic primary corporate[27] debt market in the first seven months of 2023 to net redemptions of R2.6 billion in the corresponding period of 2024. The net redemptions were mainly concentrated in non-financial corporations, while banks recorded net issuance of listed debt securities which offset the net redemptions in unlisted debt securities.

27 Corporates include both public and private as well as financial and non-financial corporations.

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



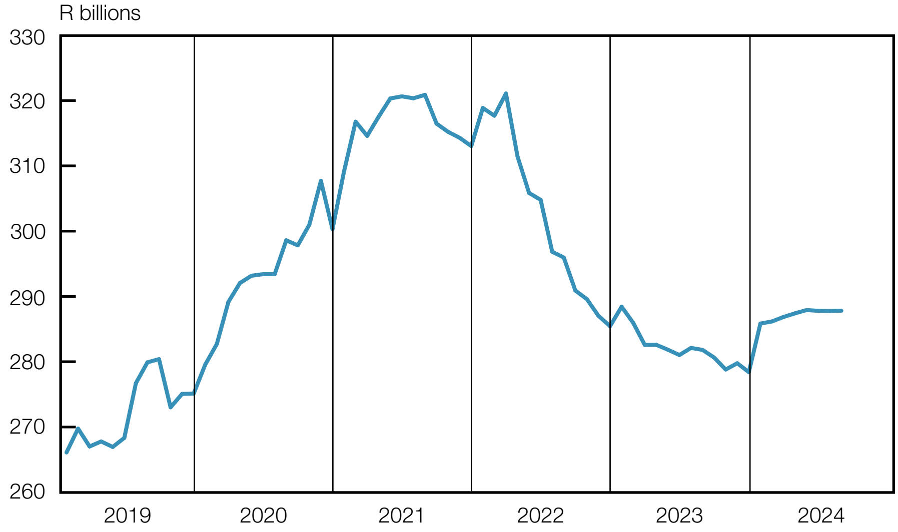
* Nominal value
Sources: Banks, CTSE, I-Ex, JSE and SARB

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 R28.7 trillion in the first eight months of 2024 was 3.0% higher than in the corresponding period of 2023, reflecting higher bond prices, while the number of trades declined by 8.0% over the same period. Non-residents' participation rate[28] declined from an average of 11.9% during the first eight months of 2023 to an average of 9.9% in the first eight months of 2024.

28 The non-resident 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 issue in the *European and Japanese bond markets* increased steadily from a recent low of R278 billion in December 2023 to R288 billion at the end of August 2024. The increase resulted from higher issuance in especially the European bond market, with non-resident issuers accounting for the bulk of the total amount in issue.

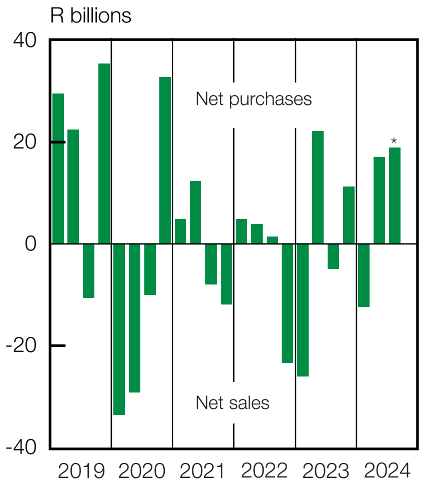
Outstanding amount of rand-denominated bonds in issue in international markets



Source: Bloomberg

Non-residents were net buyers of JSE-listed bonds of R17.1 billion in the second quarter of 2024 after recording net sales of R12.4 billion in the first quarter, according to JSE data. Subsequently, non-residents increased their holdings of local bonds further by R18.9 billion in July and August, resulting in cumulative net purchases of domestic bonds by non-residents of R23.6 billion in the first eight months of 2024 compared with net sales of R4.2 billion in the corresponding period of 2023. The cumulative net purchases reflected, among other things, lower global inflation and increased expectations that the US Fed would cut interest rates in September 2024. Furthermore, domestic factors adding to increased foreign purchases of domestic bonds included the continued easing in domestic consumer price inflation, the positive sentiment related to the formation of the GNU following the May 2024 national elections and an extended period without electricity load-shedding. After declining noticeably to a recent low of 24.6% in April 2024, the share of non-residents' holdings of domestic government bonds moved broadly sideways up to August.

Non-resident net transactions in the domestic bond market



* July and August
Source: JSE

Share of non-resident holdings of domestic government bonds

Source: National Treasury

Share market

The *value of secondary equity capital raised*[29] by companies listed on the JSE in the domestic and international primary share markets surged to R87.3 billion in the first eight months of 2024, significantly higher than the R4.2 billion raised in the corresponding period of 2023. This was mostly due to the R71.6 billion raised by a secondary-listed industrial company in March 2024 in an accelerated share buy-back programme. As such, companies in the industrial sector contributed the most to the total value of capital raised in the first eight months of 2024 at 87.3%.

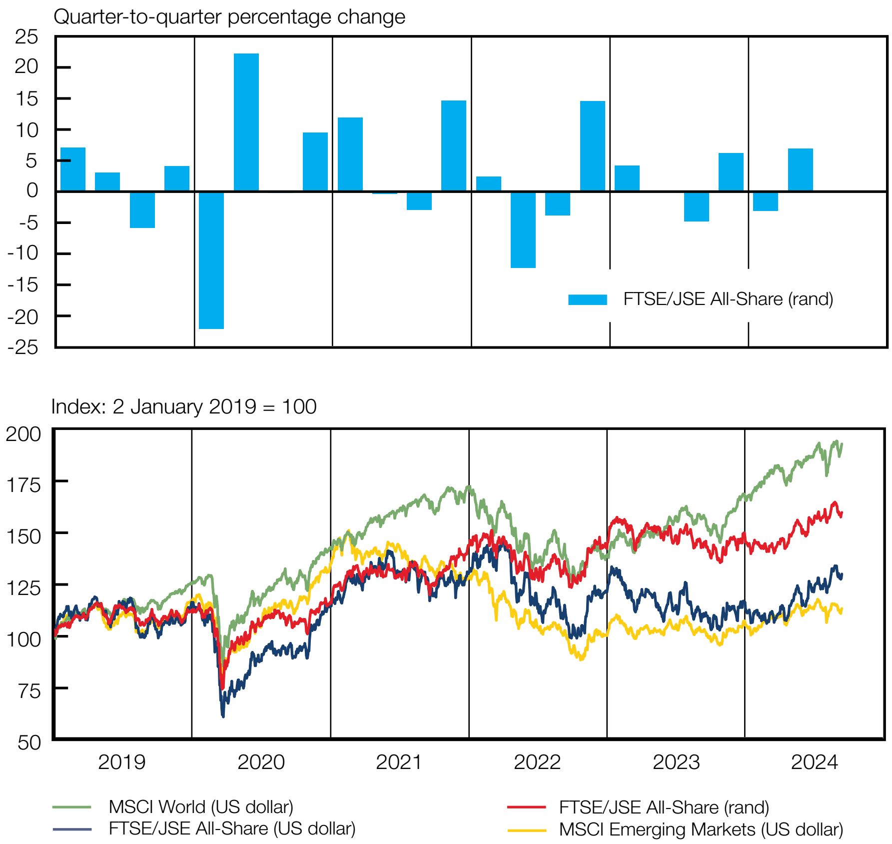
29 This excludes primary equity capital raised through new listings.

The combined *value of turnover* in the secondary share market of the four South African stock exchanges of R3.6 trillion in the first eight months of 2024 was 6.5% lower than in the same period of 2023, alongside lower volumes traded. The combined market capitalisation of all the shares listed on these exchanges increased from R18.1 trillion in February 2024 to R18.9 trillion in August, in line with higher share prices.

Non-residents' holdings of JSE-listed shares declined further by R44.8 billion in the second quarter of 2024, representing the ninth consecutive quarter of net selling in the domestic share market, according to JSE data. Non-residents then reduced their holdings of domestic shares by a further R12.7 billion in July and August, which brought cumulative net sales of shares by non-residents to R93.4 billion in the first eight months of 2024, slightly higher than the R89.1 billion recorded in the corresponding period of 2023. Persistent net selling of domestic shares reflected concerns over escalating tensions in the Middle East, weak domestic and global economic growth and, in particular, fears over the possibility of a recession in the US.

After a decline of 3.1% in the first quarter of 2024, the *FTSE/JSE All-Share Index* (Alsi) gained, on balance, 6.9% in the second quarter – its best quarterly performance since the fourth quarter of 2022. Domestic share prices were buoyed by renewed investor confidence following the formation of the GNU as well as higher international share price indices, with a 2.2% and 4.1% increase in the MSCI World Index and the MSCI Emerging Markets Index respectively in the second quarter of 2024.

Share price indices



Sources: IRESS and JSE

Despite challenging global macroeconomic and geopolitical conditions, the Alsi continued to trend higher, surpassing the key 84 000 index level and reaching an all-time high of 84 554 index points on 27 August 2024. This rise occurred alongside heightened expectations of an imminent interest rate cut in the US and was further supported by the increase in the share prices of gold-mining companies due to the record-high international price of gold. Subsequently, the Alsi declined somewhat to 81 979 index points on 13 September.

The overall *price-earnings ratio* of ordinary shares listed on the JSE increased from a recent low of 11.8 in January 2024 to 15.8 in August as share prices increased noticeably while total earnings declined. The *dividend yield* declined from a recent high of 2.9% in January 2024 to 2.1% in August as dividends declared declined while share prices increased.

Market for exchange-traded derivatives

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

The total *value of turnover in the derivatives markets of the JSE*[30] decreased slightly in the first eight months of 2024 compared with the corresponding period of 2023. The value of currency derivative transactions declined significantly by 18.8% over this period, while that of equity derivatives declined by 1.4%. By contrast, the value of transactions in commodity derivatives increased the most, by 9.3%, over the same period, while that of interest rate derivatives increased by 1.4%.

Derivatives turnover on the JSE, January to August 2024

Type of derivative	Value (R billions)	Change over one year (per cent)
Equity	3 881	-1.4
Warrants	0.4	9.2
Commodity	1 035	9.3
Interest rate	1 022	1.4
Currency	753	-18.8
Total	6 691	-1.9

Source: JSE

Box 2 The evolution of international and domestic commodity derivative prices

The mining and agriculture industries are pivotal in the South African economy, with the former contributing meaningfully to the fiscus through taxes and the latter being important for food security. Both industries are vulnerable to instability created by fluctuations in mineral and agricultural commodity prices. In addition, changes in agricultural commodity prices are an important determinant of domestic food price inflation, which peaked at 14.4% in March 2023. This box explains the commodity derivatives market, the relationship between spot[1] and futures[2] prices as well as the evolution of selected commodity derivative prices.

The commodity derivatives market is essential for investors, traders and businesses looking to diversify their portfolios or hedge against price fluctuations. Commodity derivatives trading on the commodity derivates market of the JSE Limited (JSE) is based on contracts with various underlying agricultural and mining commodities, each with spot and futures prices. Spot prices are referenced to the near[3] delivery month where commodity instruments are exchanged or cash is settled on the conclusion of a near-term futures contract. Spot prices therefore reflect current or near-term supply and demand conditions. For commodity derivatives futures contracts, mark-to-market futures prices are established daily for settlement at future dates. Therefore, futures prices are determined and referenced against longer-term commodity contracts and reflect expected future demand and supply conditions.

1 The South African Reserve Bank uses the mark-to-market spot price of commodity derivatives for analysis – a method used to measure the fair value of derivatives contracts based on their current (spot) market prices. For commodities, the JSE makes use of the time-weighted average price (TWAP) and snapshots are taken at certain times to determine mark-to-market prices.

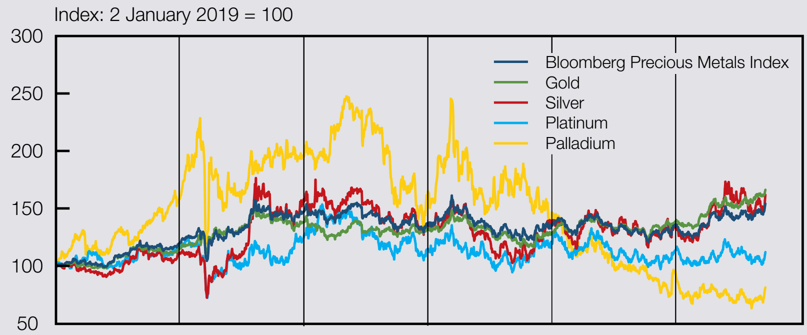
2 Futures contracts are agreements to buy and sell commodities at a predetermined price at a longer-term future date. Futures contracts for the various commodities are available for different months, with the furthest contract currently extending to December 2025.

3 The near delivery month is the first contract expiration month for each product.

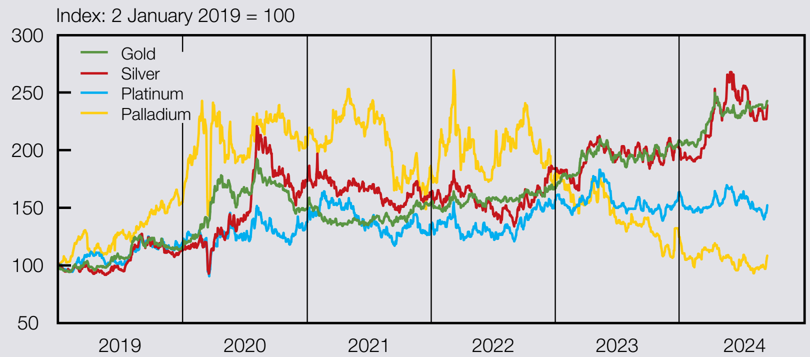
Macroeconomic shocks regularly impact commodity markets and thus movements in global and domestic commodity derivative prices.[4] International commodity prices and JSE commodity derivative prices will never be the same. This is because the market makers who hedge directly in the international markets take risks and provide liquidity but endeavour to ensure that the quotes are close to the market.

The Bloomberg Precious Metals Index[5] increased steadily throughout 2019 before decreasing sharply to 104 index points on 18 March 2020 following the lockdown restrictions related to the global coronavirus disease 2019 (COVID-19) pandemic. This decrease was broad-based among all global and domestic precious metals derivative spot prices, except for domestic gold derivatives as investors preferred this safe-haven asset during the period of heightened uncertainty. Subsequently, the Bloomberg Precious Metals Index rebounded to 157 index points on 6 August 2020, mostly reflecting global supply chain constraints and increased demand from China as industrial activity rebounded. Precious metal commodity derivative prices then corrected to November 2022.

Global precious metals derivative spot prices



Domestic precious metals derivative spot prices



Sources: Bloomberg and JSE

Most of the global and domestic precious metals derivative prices trended higher from the end of 2022 amid rising geopolitical tensions arising from the war between Russia and Ukraine and later the conflict between Israel and Hamas in the Middle East. Similar to global gold and silver derivative prices, domestic gold and silver derivative prices increased largely in tandem, with all-time highs in April and May 2024 respectively, as both commodities offered similar hedging properties against macroeconomic and currency shocks. The increase in these derivative prices reflected, among other factors, expectations of interest rate cuts by the United States (US) Federal Reserve and increased demand from China. Furthermore, global and domestic silver derivative prices rose on increased industrial demand, primarily in the electrical and electronics sector, as silver is a vital commodity for conductors of electricity, including solar panels.

Following the commencement of the Russia–Ukraine conflict, global and domestic palladium derivative prices initially rose sharply for a brief period due to supply constraints. Thereafter, palladium derivative prices declined significantly as diversification strategies that substituted the use of palladium took effect. Domestic palladium derivative prices peaked at 270 index points on 8 March 2022 before falling by 65.4% to 6 August 2024 – a five-and-a-half-year low. Furthermore, the rise in global demand for electric vehicles, which do not have catalytic converters requiring the use of palladium, also contributed to the lower palladium derivative prices. After increasing to early 2021, domestic and global platinum derivative prices traded broadly sideways

4 Global commodity derivate contracts are quoted in US dollar per measure of the contract, while the domestic contracts are quoted in rand.

5 The Bloomberg Precious Metals Index tracks the performance of holding a long position in precious metal commodities futures contracts. The index comprises gold, silver, platinum and palladium commodity futures contracts.

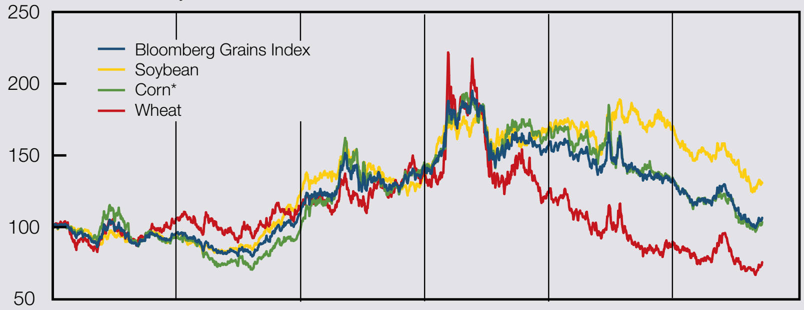
into 2024 due to relatively stable supply. As the largest producer of platinum, South Africa is expected to contribute around 70% of global platinum supply in 2024. In general, global and domestic metal derivative prices are similarly impacted by macroeconomic developments and therefore display broadly similar trends.

While global and domestic precious metals derivative prices largely trend in tandem, global and domestic grain derivative prices do not always follow similar trends as weather conditions have a big influence on the crop production per country. The disruption in global economic activity caused by the COVID-19 pandemic also led to a considerable decrease in the Bloomberg Grains Index[6] to a low of 80 index points on 26 June 2020. However, the index recovered significantly to well beyond its pre-pandemic levels, peaking at 195 index points on 17 May 2022, initially because of the pandemic-induced supply chain constraints and later because of the Russia–Ukraine war as both countries are significant global grain producers. The index subsequently declined to a recent low of 99.4 index points on 26 August 2024.

Domestic wheat derivative prices generally displayed an upward trend from December 2019 to mid-2022, while domestic maize derivative prices declined somewhat in early 2020 before also increasing up to the end of 2022. Soybean derivative prices increased significantly from early 2019 up to 2022, with intermittent declines at the start of 2021 and mid-2022. The Russia–Ukraine war, which started in February 2022, destroyed grain crops, interrupted imports and exports, and led to international sanctions, thus impacting both global supply and demand for grain products and contributing to the higher global and domestic agricultural derivative prices. In addition, grain prices were impacted by a demand shock driven by panic buying, labour shortages and logistical challenges as well as strong demand from China.

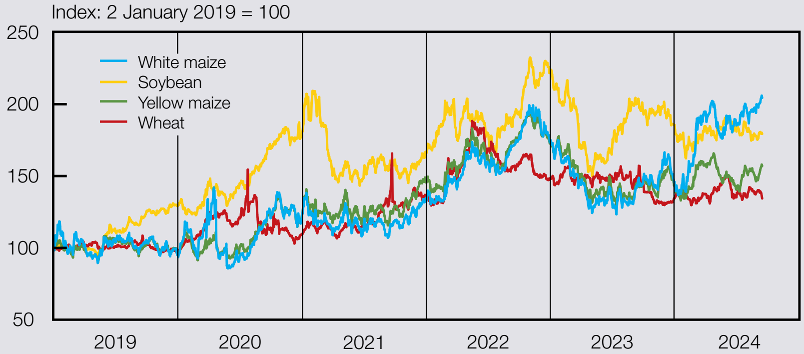
Global agriculture derivative spot prices

Index: 2 January 2019 = 100



Domestic agriculture derivative spot prices

Index: 2 January 2019 = 100



* Corn in the US is the same product as yellow maize in South Africa

Sources: Bloomberg and JSE

6 The Bloomberg Grains Index aims to track the performance of holding a long position of agricultural grain commodity futures contracts. The index is derived from corn, Chicago wheat, Kansas City wheat, soybeans, soybean oil and soybean meal commodities.

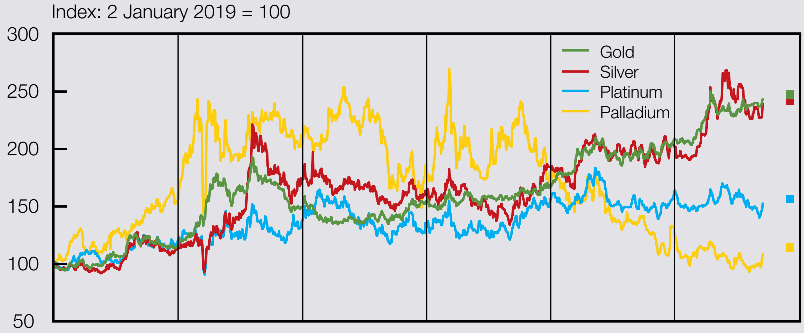
The factors that underpinned higher agricultural derivative prices subsided somewhat from the end of 2022. Following an agreement brokered by the United Nations and Türkiye, grain exports from Ukraine resumed in the second half of 2022 and, together with favourable weather conditions, resulted in ample global grain supplies as the 2022/23 global maize harvest increased by 6.0% year on year, according to the International Grains Council. Domestically, favourable weather conditions also contributed to good harvests and improved crop yields, according to the Crop Estimates Committee (CEC) of the Department of Agriculture, Land Reform and Rural Development, which contributed to lower domestic derivative grain prices. Subsequently, after Russia's withdrawal from the Black Sea Grain Initiative, most domestic agricultural derivative prices increased from the second half of 2023 alongside a weaker exchange value of the rand and adverse weather conditions brought about by the El Niño weather pattern, while international grain prices continued to trend lower.

Domestic precious metals derivative futures prices are trending somewhat higher for the remainder of 2024. Although domestic mining production is expected to continue to experience high input costs and logistical challenges, the stable electricity supply should aid metals production. The derivative futures prices of silver and gold are significantly influenced by the impact of geopolitical developments on supply, the outlook for US interest rates and higher global industrial demand. The derivative futures prices of palladium are expected to only increase marginally following the sharp decrease over the past two years.

The most recent crop estimates released by the CEC show a decline in most of the domestic grain harvests for the 2023/24 production season due to adverse weather conditions. Consequently, the derivative futures prices of domestic agricultural products generally reflect a mix of slight increases and declines for the remainder of 2024.

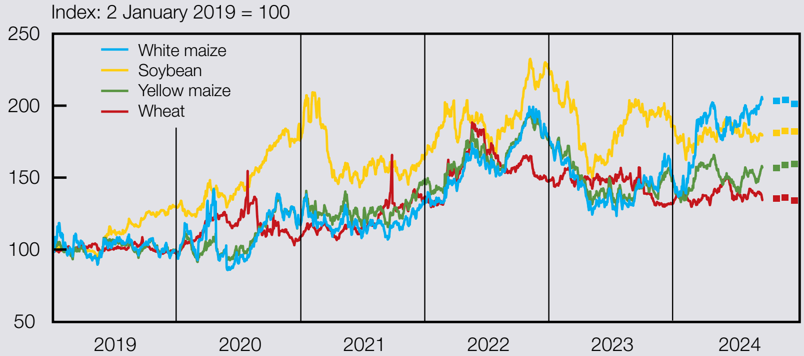
Domestic precious metals derivative spot and futures prices*

Index: 2 January 2019 = 100



Domestic agriculture derivative spot and futures prices*

Index: 2 January 2019 = 100



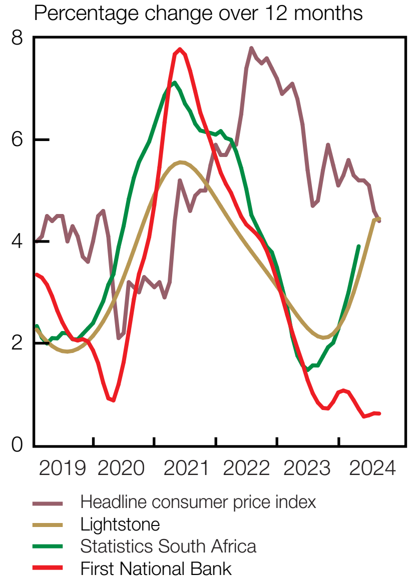
* Blocks: futures prices at 13 September 2024

Source: JSE

Real estate market

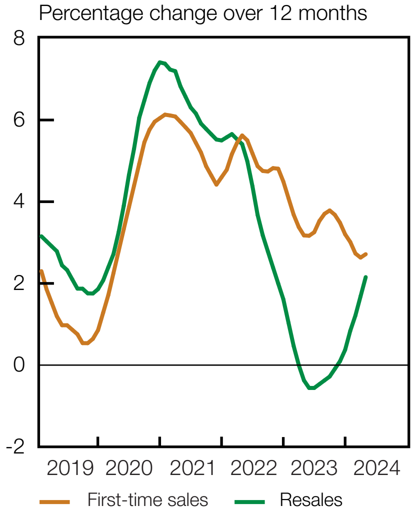
Although growth in nominal *residential property prices* was still subdued in the first eight months of 2024 and some still below headline consumer price inflation due to weak domestic economic activity and elevated interest rates, the year-on-year rates of increase in the available house price indices accelerated somewhat in recent months. This was especially evident in the prices of existing properties for all metropolitan areas, which switched from a year-on-year decline of 0.6% in June 2023 to an increase of 2.2% in April 2024, according to Stats SA. By contrast, growth in the prices of properties sold for the first time slowed further over this period. According to Lightstone, the moderation in the year-on-year rates of increase in both sectional title and freehold property prices has bottomed out, with these price indices increasing from 0.6% and 3.3% respectively in September 2023 to 3.9% and 5.0% respectively in August 2024.

Residential property and consumer prices



Sources: FNB, Lightstone and Stats SA

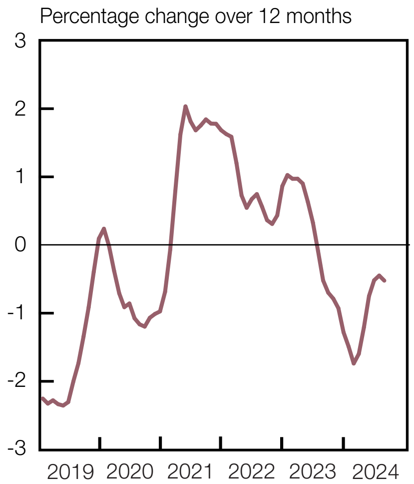
Residential properties sold for all metropolitan areas



Source: Stats SA

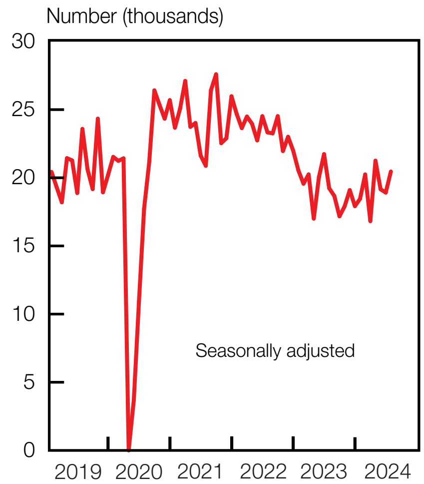
The recent acceleration in nominal house price growth coincided with an increase in the Residential Property Demand Index compiled by FNB, reflecting signs of increased demand for residential property. In addition, the seasonally adjusted number of residential property

Residential Property Demand Index



Source: FNB

Residential property transfers



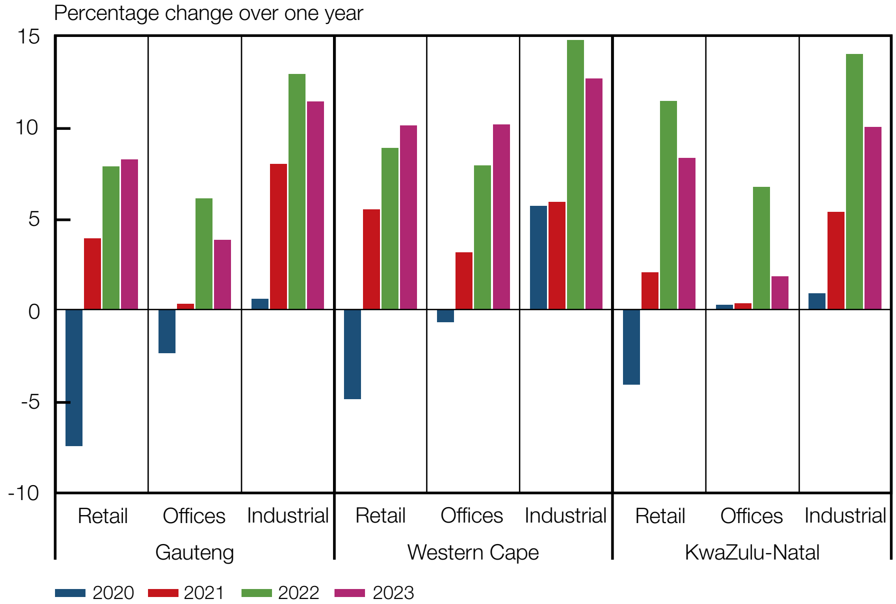
Source: Lightstone

transfers at the Deeds Office declined by 2.2% year on year in the seven months to July 2024 compared with a decrease of 17.3% in the same period of 2023.

The total return[31] on *commercial property* declined in most provinces in 2020 following the nationwide lockdown restrictions, which negatively impacted most commercial property sectors, especially retail. The total return on commercial property then improved in subsequent years, with the Western Cape outperforming other provinces in 2023, registering the highest total returns in all three property sectors at 10.1% for both retail property and offices and 12.7% for industrial property. This reflected the continued trend of migration to the Western Cape from other provinces.

31 The 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.

Total return on commercial property by selected provinces



Source: MSCI

Non-bank financial institutions

The net financial flows[32] of non-bank financial institutions[33] declined from R101 billion in the first quarter of 2024 to R55.6 billion in the second quarter, reflecting weak domestic economic activity. The cumulative net inflows to these institutions amounted to R156 billion in the first half of 2024, which was R22.9 billion higher than in the same period of 2023.

Gross inflows[34] to non-bank financial institutions declined by 0.4% from the first quarter of 2024 to R1.2 trillion in the second quarter, and by 5.5% in the first half of 2024 compared with the first half of 2023. Gross inflows to unit trusts declined by 2.5% from the first quarter of 2024 to R759 billion in the second quarter, mainly driven by lower gross inflows to linked investment service providers and banks, which respectively declined by 11.7% and 33.3% to R183 billion and R28.4 billion over the same period. Meanwhile, gross inflows to private and official retirement funds increased slightly by 0.7% from the first quarter of 2024 to R165 billion in the second quarter following an increase in contributions received by official retirement funds. Gross inflows to insurance companies increased by 4.7% from the first quarter of 2024 to R315 billion in the second quarter due to an increase in premiums received by both life and non-life insurance companies in particular.

The growth in gross inflows to non-bank financial institutions was outpaced by that of nominal GDP in the second quarter of 2024. Measured as a ratio of nominal GDP, gross inflows declined from 70.9% in the first quarter of 2024 to 66.9% in the second quarter.

32 Net financial flows are measured as the difference between gross inflows and gross outflows.

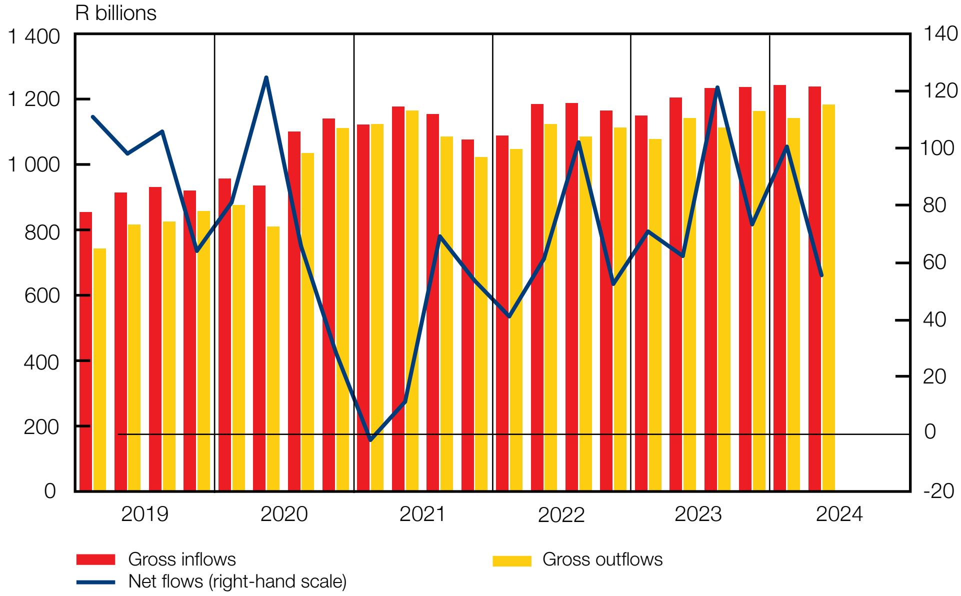
33 Non-bank financial institutions consist of unit trusts, life and non-life insurance companies as well as private and official retirement funds.

34 Gross inflows comprise investment and other income, contributions and premiums received as well as sales of units, including switches.

35 Gross outflows comprise benefits and claims paid, premiums paid on reinsurance outwards, surrenders, repurchases of units, administrative expenses, dividends paid and other expenditure.

Gross outflows[35] from non-bank financial institutions increased by 3.5% from the first quarter of 2024 to R1.2 trillion in the second quarter. Gross outflows from unit trusts increased slightly by 0.8% to R753 billion over this period due to increased outflows from money market unit trusts in particular. The gross outflows from insurance companies increased by 11.3% from the first quarter of 2024 to R292 billion in the second quarter following an increase in policy surrenders, claims paid and dividends paid. Gross outflows from private and official retirement funds increased by 3.7% from the first quarter of 2024 to R138 billion in the second quarter. The introduction of the two-pot retirement system, which will make it possible for members to withdraw a portion of their retirement savings from September 2024, is expected to result in increased gross outflows from retirement funds in the short to medium term.

Non-bank financial institution flows



Source: SARB

Flow of funds

The net capital inflow from the *rest of the world* to South Africa increased from R10.4 billion in the fourth quarter of 2023 to R56.9 billion in the first quarter of 2024, despite weak domestic and global economic growth over this period. Non-residents switched from net sales of domestic financial assets of R43.7 billion in the fourth quarter of 2023 to net purchases of R112 billion in the first quarter of 2024. Non-residents extended loans of R103 billion in the first quarter of 2024, mainly to domestic private non-financial corporate business enterprises as well as to central and provincial governments for energy-related programmes. Furthermore, non-residents' deposits with the domestic banking sector increased by R8.3 billion over the same period. These inflows were partly offset by net sales of domestic fixed-interest securities of R28.1 billion in the first quarter of 2024, which followed net purchases of R12.3 billion in the fourth quarter of 2023 as well as non-residents' net disposal of domestic shares of R1.8 billion from R0.5 billion in the fourth quarter of 2023.

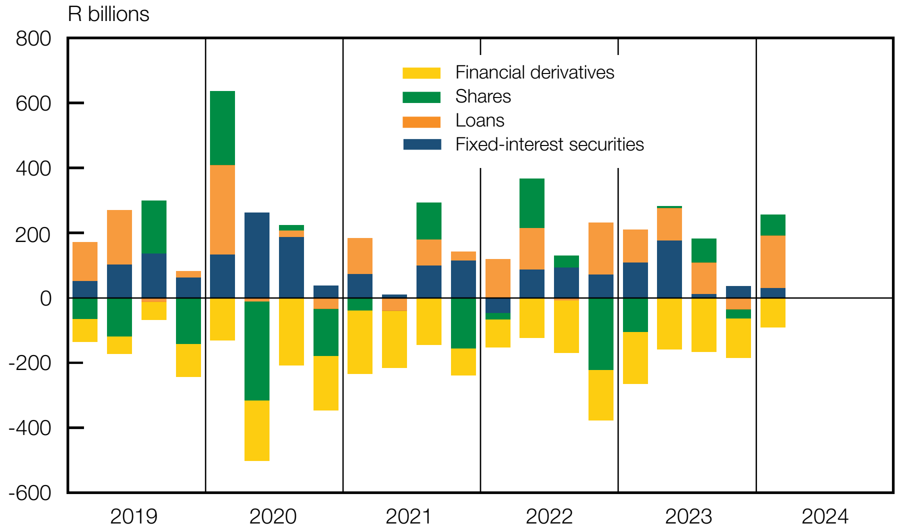
South African residents' net sales of foreign assets of R54.2 billion in the fourth quarter of 2023 switched to net purchases of R55.3 billion in the first quarter of 2024. This included foreign interest-bearing securities of R2.1 billion and loans of R119 billion, mainly by domestic private non-financial corporate business enterprises and banks. South Africa's foreign reserves continued to decrease in the first quarter of 2024 and lower exposure to foreign financial derivatives was recorded over the same period.

Domestic economic activity remained subdued in the first quarter of 2024, weighed down by weak global and domestic demand, ongoing infrastructure-related bottlenecks, high operating costs as well as elevated interest rates. *Financial intermediaries*' net incurrence of financial liabilities amounted to R287 billion in the first quarter of 2024 from a net disposal of R132 billion in the fourth quarter of 2023. Net flows of cash and deposits to financial intermediaries increased significantly from R37.2 billion in the fourth quarter of 2023 to R106 billion in the first quarter of 2024, mainly comprising R43.3 billion from other financial institutions, R42.7 billion from non-financial corporate business enterprises and R15.5 billion from local governments through equitable share transfer allocations to municipalities. The net flow to collective investment schemes (mainly unit trusts) increased from R6.8 billion in the fourth quarter of 2023 to R32.1 billion in the first quarter of 2024, mainly from the household sector. In addition, the net flow to insurers and retirement funds increased to R68.9 billion, mostly to life business.

Financial intermediaries recorded a net acquisition of financial assets to the value of R345 billion in the first quarter of 2024 compared with a net disposal of R79.4 billion in the fourth quarter of 2023. Intermediation through loans increased by R162 billion in the first quarter of 2024 following repayments of R35.1 billion in the fourth quarter of 2023. Net purchases of shares amounted to R65.5 billion and net purchases of fixed-interest securities to R29.3 billion in the first quarter of 2024, while exposure to financial derivatives decreased by R89.7 billion over the same period.

The net borrowing requirement of *general government* was higher at R127 billion in the first quarter of 2024 compared with R54.1 billion in the fourth quarter of 2023 due to a noticeable increase in its dissaving and, to a lesser extent, gross capital formation. However, the *2024 Budget Review* indicated measures and reforms to reduce the budget deficit, while the general government is expected to draw from the valuation gains of the GFECRA during the year. The higher net borrowing requirement of general government was financed through the net issuance of government bonds of R70.7 billion (including the net redemption of a foreign currency-denominated international bond) in the first quarter of 2024 following net redemptions of R25.0 billion in the fourth quarter of 2023. General government sourced loans to the value of R40.7 billion, while cash and deposit holdings increased by R1.5 billion in the first quarter of 2024.

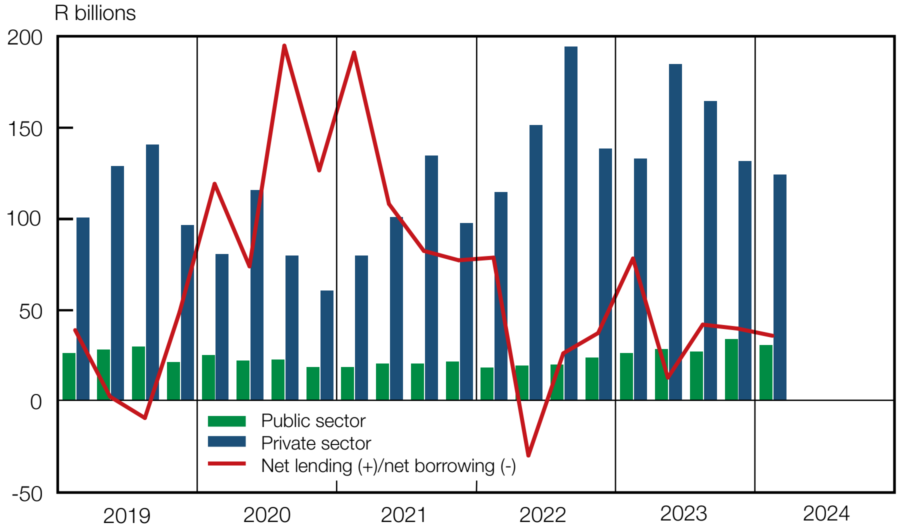
Financial intermediaries' net transactions in selected financial assets



Source: SARB

Gross capital formation by *public and private non-financial corporate business enterprises* remained weak in the first quarter of 2024, contracting by 6.6% amid the challenging economic environment. This was outweighed by a decline in gross saving by non-financial corporate business enterprises from R202 billion in the fourth quarter of 2023 to R188 billion in the first quarter of 2024 due to dividend payments, which resulted in a smaller net lending position of R35.9 billion. The surplus funds were channelled to deposit holdings of R42.7 billion and loans extended of R88.5 billion, while net sales of units in collective investment schemes amounted to R2.1 billion in the first quarter of 2024. The sector sourced funds through the net issuance of shares of R24.1 billion and loans of R103 billion over the same period.

Gross capital formation and net lending/borrowing position of non-financial corporate business enterprises



Source: SARB

Gross capital formation by *households* decreased in the first quarter of 2024 amid high borrowing costs and stagnant employment growth. This, together with the increase in households' gross saving, contributed to a smaller net borrowing position of R23.6 billion in the first quarter of 2024 from R48.8 billion in the fourth quarter of 2023. Constrained household finances and high interest rates weighed on loans incurred, which were lower at R17.2 billion in the first quarter of 2024 from R23.6 billion in the fourth quarter of 2023. Households' net acquisition of financial assets included cash and deposits of R22.7 billion, net purchases of units from collective investment schemes of R26.9 billion and net flows to insurers and retirement funds of R43.6 billion in the first quarter of 2024.

Public finance[36]

Non-financial public sector borrowing requirement[37]

The preliminary *non-financial public sector borrowing requirement* of R77.2 billion in the first quarter of fiscal 2024/25 (April–June 2024) was R10.7 billion less than that recorded in the same period of the previous fiscal year. The lower borrowing requirement reflected the notably smaller deficit of the consolidated general government, mostly due to the larger surplus of extra-budgetary institutions and the smaller cash deficit of local government. The extra-budgetary institutions' larger surplus could be attributed to significantly lower cash payments for operating activities and higher cash receipts due to an increase in grants received. The smaller deficit of local government resulted largely from a decline in cash payments as purchases of goods and services decreased. The consolidated provincial government's cash *surplus* switched to a *deficit* due to significantly higher payments for operating activities. The non-financial public enterprises and corporations, or SOCs, recorded a larger cash deficit for the period under review.

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

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

Non-financial public sector borrowing requirement

R billions

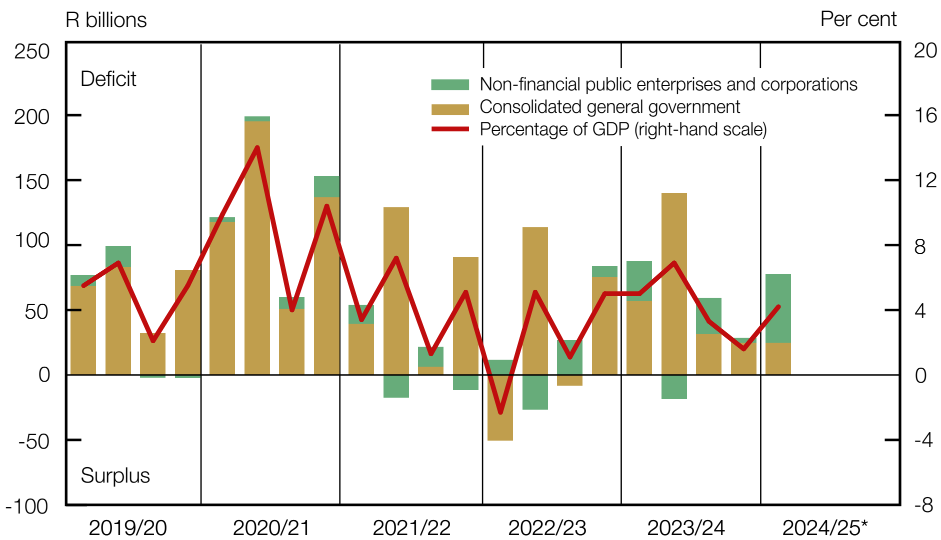
Level of government	Apr–Jun 2023*	Apr–Jun 2024*
Consolidated general government	57.2	24.8
National government	43.6	46.2
Extra-budgetary institutions	-18.1	-50.5
Social security funds	-10.5	-9.3
Consolidated provincial government	-3.2	6.3
Local government	45.3	32.0
Non-financial public enterprises and corporations	30.7	52.4
Total	**87.9**	**77.2**
As a percentage of gross domestic product	*5.0*	*4.2*

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

Sources: National Treasury, Stats SA and SARB

As a ratio of GDP, the non-financial public sector borrowing requirement decreased to 4.2% in the first quarter of fiscal 2024/25 compared with 5.0% recorded in the first quarter of the previous fiscal year.

Non-financial public sector borrowing requirement



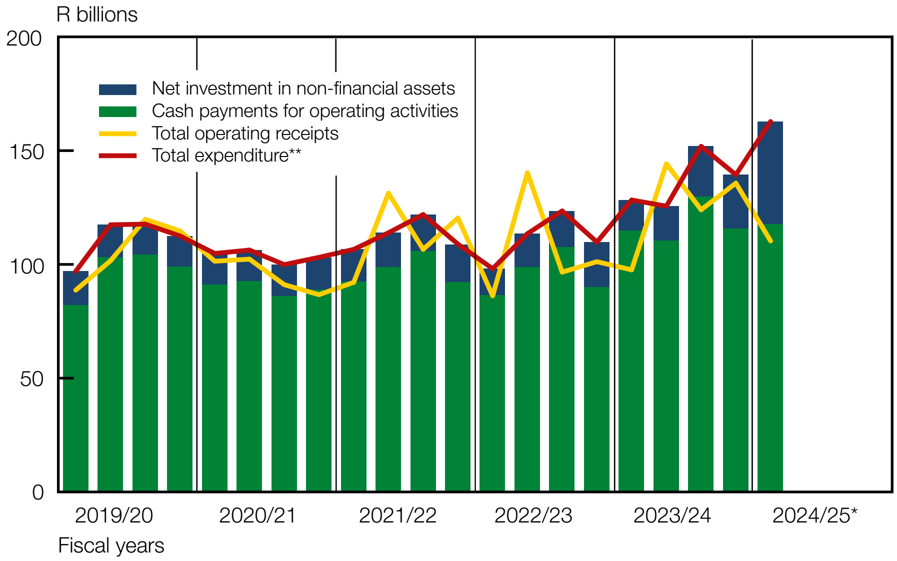
* April–June 2024

Sources: National Treasury, Stats SA and SARB

The preliminary cash deficit of the non-financial SOCs of R52.4 billion in the first quarter of fiscal 2024/25 was R21.7 billion more than in the same period of the previous fiscal year. This reflected a notable increase in total expenditure, which outpaced the moderate increase in cash receipts from operating activities.

Total cash receipts from operating activities of non-financial SOCs increased by 13.1% year on year in the first quarter of fiscal 2024/25, largely due to a 12.7% increase in the sales of goods and services. The total expenditure of non-financial SOCs, inclusive of cash payments for operating activities and net investment in non-financial assets, increased significantly by 26.9% year on year to R162.8 billion in April–June 2024, largely reflecting an increase in spending on machinery and equipment as well as other structures.

Financial activities of non-financial public enterprises and corporations



* April–June 2024

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

Source: SARB

Budget comparable analysis of national government finances

National government's cash book deficit of R52.3 billion in the first quarter of fiscal 2024/25 (April–June 2024) was R5.9 billion higher compared with the same period of the previous fiscal year as growth in expenditure outpaced that in revenue. The larger net borrowing requirement was financed in the domestic financial markets through the net issuance of long-term government bonds as well as TBs and short-term loans. National government's primary deficit[38] of R8.4 billion in April–June 2024 was significantly higher than the primary deficit of R1.7 billion recorded in the corresponding period of the previous fiscal year due to a marked rise in non-interest expenditure.

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

National government finances

	Actual Apr–Jun 2023		Actual Apr–Jun 2024		Originally budgeted[1] Fiscal 2024/25	
	R billions	Percentage change[2]	R billions	Percentage change[2]	R billions	Percentage change[3]
Revenue	407.0	-4.4	418.1	2.7	1 815.0	5.4
Percentage of GDP	*23.1*		*22.6*		*24.4*	
Expenditure	453.4	9.9	470.4	3.7	2 136.0	4.4
Percentage of GDP	*25.8*		*25.4*		*28.7*	
Cash book balance[4]	-46.4		-52.3		-320.9	
Percentage of GDP	*-2.6*		*-2.8*		*-4.3*	
Primary balance[5]	-1.7		-8.4		61.2	
Percentage of GDP	*-0.1*		*-0.5*		*0.8*	
Gross loan debt[6]	4 948.1	10.9	5 360.3	8.3	5 522.2	5.0
Percentage of GDP	*72.2*		*74.6*		*74.1*	

1 *2024 Budget Review*
2 Year-on-year percentage change: actual outcome on previous year's actual outcome
3 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
4 Cash book deficit (-)/surplus (+)
5 Cash book deficit (-)/surplus (+) excluding interest payments
6 As at 30 June 2024 for rand values
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

Sources: National Treasury, SARS and Stats SA

National government's total revenue increased by 2.7% year on year to R418.1 billion in April–June 2024 but fell short of the budgeted projection for the first quarter of fiscal 2024/25. The increase resulted largely from higher revenue collections from taxes on income, profits and capital gains, with smaller increases or, in some cases, decreases from the other tax categories. Total revenue as a ratio of GDP was 22.6% in April–June 2024, lower than the 23.1% recorded in the same period of the previous fiscal year.

Revenue from taxes on income, profits and capital gains of R267.2 billion (63.9% of total revenue) in April–June 2024 marked an increase of 5.1% compared to the previous year. This rise was primarily driven by an 11.5% increase in personal income tax (PIT), largely due to higher bonus payments and tax receipts from share incentive payouts. By contrast, corporate income tax (CIT) collections decreased by 5.5% year on year to R82.7 billion in the first quarter offiscal 2024/25, primarily due to lower provisional tax collections from the mining sector and, to a lesser extent, from other sectors such as manufacturing; transport, storage and communication; and wholesale and retail trade. The *2024 Budget Review* projected revenue from taxes on income, profits and capital gains for fiscal 2024/25 to increase by 7.6% to R1 085 billion.

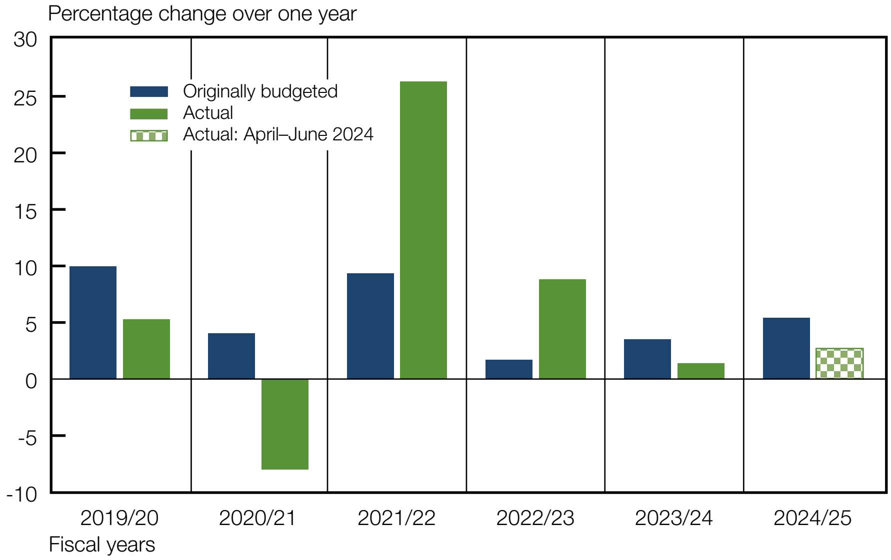
National government revenue in fiscal 2024/25

Revenue source	Originally budgeted[1] Fiscal 2024/25		Actual Apr–Jun 2024	
	R billions	Percentage change[2]	R billions	Percentage change[3]
Taxes on income, profits and capital gains	1 085. 0	7.6	267.2	5.1
Of which: Income tax on individuals	741.1	13.4	173.9	11.5
Income tax on companies	306.7	-3.2	82.7	-5.5
Payroll taxes	24.5	8.4	6.0	8.6
Taxes on property	20.6	6.2	5.3	5.0
Taxes on goods and services	654.2	6.1	133.7	0.1
Of which: Value-added tax (VAT) net	476.7	6.5	94.7	0.4
Domestic	559.2	6.4	130.3	5.7
Imports	286.7	8.2	51.2	-5.2
Refunds	-369.1	7.6	-86.8	4.7
Fuel levy	95.8	4.7	21.6	-2.1
Other excise duties	67.4	6.8	14.6	2.7
Taxes on international trade and transactions.	78.7	6.5	14.5	1.4
Import duties	76.9	8.9	13.4	-3.6
Other	1.7	-45.9	1.1	158.6
Other revenue[4]	42.0	-31.8	13.8	-2.4
Less: SACU[5] payments	89.9	12.6	22.5	12.6
Total revenue	1 815.0	5.4	418.1	2.7

1 *2024 Budget Review*
2 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
3 Year-on-year percentage change: actual outcome on previous year's actual outcome
4 Including non-tax revenue and extraordinary receipts
5 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 of national government



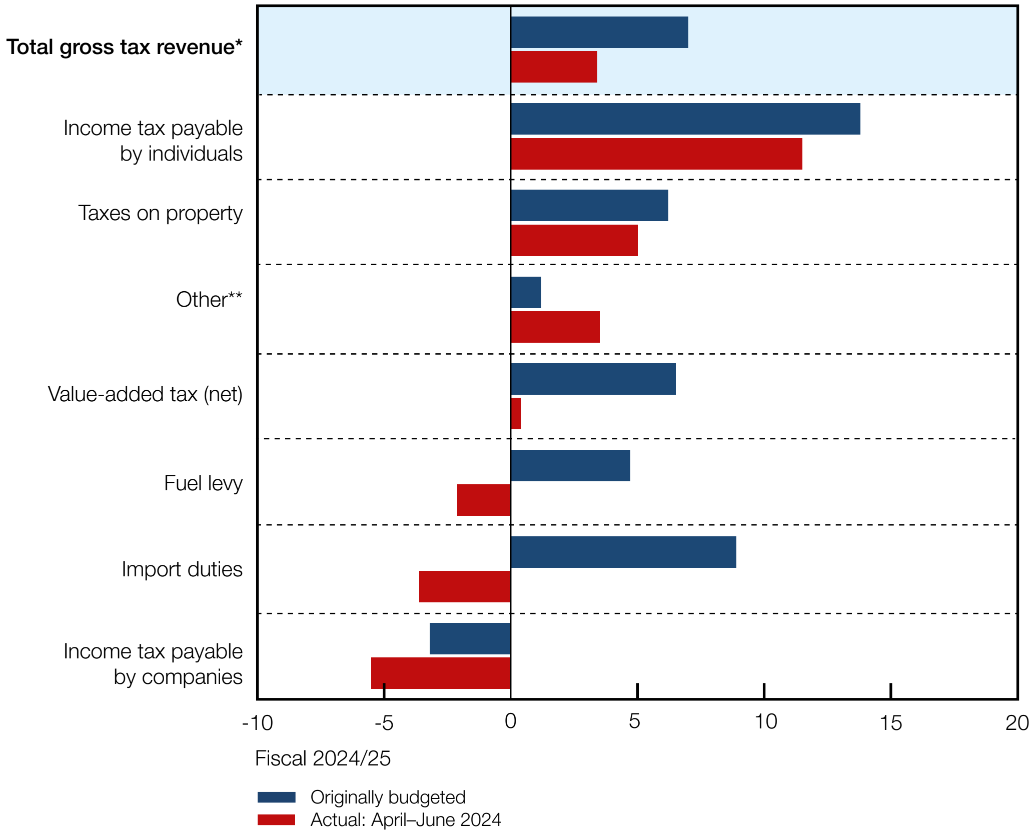
Sources: National Treasury and SARS

Revenue from taxes on goods and services increased only marginally by 0.1% to R133.7 billion (32.0% of total revenue) in the first quarter of fiscal 2024/25 following a marginal increase of 0.4% in net value-added tax (VAT) receipts, which was dampened by higher VAT refunds of R86.8 billion. The *2024 Budget Review* projected revenue from taxes on goods and services for fiscal 2024/25 to increase by 6.1% to R654.2 billion.

Taxes on international trade and transactions increased by 1.4% year on year to R14.5 billion in April–June 2024, largely reflecting an increase in miscellaneous customs and excise collections. The *2024 Budget Review* projected taxes on international trade and transactions to increase by 6.5% to R78.7 billion in fiscal 2024/25.

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,[39] decreased by 2.4% year on year to R13.8 billion in the first quarter of fiscal 2024/25, mainly due to year-on-year declines of 39.0% and 28.9% in interest receipts and rent on land to R1.7 billion and R5.5 billion respectively. The *2024 Budget Review* projected a 31.8% contraction in other revenue to R42.0 billion in fiscal 2024/25. The *2024 Budget Review* projected R89.9 billion for payment to the other SACU member states[40] in fiscal 2024/25, with the first instalment of R22.5 billion transferred in April 2024.

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

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

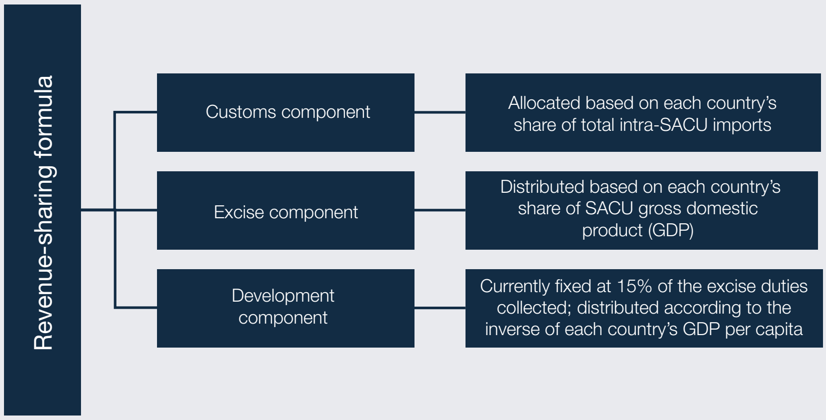
Box 3 Unpacking the Southern African Customs Union's common revenue pool distribution

The Southern African Customs Union (SACU) was established in 1910 and is the oldest functioning customs union[1] in the world. Its objectives include the facilitation of the free movement of goods among member states,[2] the adoption of a common external tariff (CET)[3] on imports from non-member countries, and a revenue-sharing arrangement (the management of which is designated to South Africa).

Since its inception, SACU has gone through various changes. The political and economic developments of the early 1990s necessitated a renegotiation of the 1969 SACU agreement, with the aim of democratising SACU and more effectively addressing the needs of the member states. This culminated in the SACU agreement of 2002, which ushered in clear mandates, objectives, and transparent and democratic institutions with the adoption of a rules-based dispensation and joint decision-making by all member states.

A new revenue-sharing formula (RSF) was also included in article 34 of the 2002 SACU agreement and comprises three components, namely customs, excise and development. The agreement also provides for a common revenue pool (CRP)[4] into which all customs, excise and additional duties collected in the Common Customs Area (CCA)[5] are paid. South Africa is the appointed administrator of the CRP and ensures that transactions between member states are audited and reported to the SACU member states. This box unpacks the mechanism employed by SACU to distribute funds among member states.

Components of the revenue-sharing formula



Source: SACU

The SACU member states apply a CET while imposing the same rate of excise duties on imported and locally manufactured goods. The revenue collected is then shared among the member states and allocated to the budget of the Secretariat in accordance with the agreed RSF. South Africa, as the current administrator of the CRP, is responsible for providing the forecast of the member states' revenue shares based on customs and excise transaction data per member state. Since each member state's revenue share is based on a forecast, the 2002 SACU agreement stipulates that adjustments will be made with a two-year lag to account for the difference between the forecast and the actual revenue collected, informed by an annual audit outcome published in the *Medium Term Budget Policy Statement (MTBPS)*.

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1 A customs union is a group of countries that has eliminated tariffs on trade among themselves and agreed to apply the same tariffs on imported goods from non-union members.

2 SACU member states comprise Botswana, Eswatini (formerly Swaziland), Lesotho, Namibia and South Africa.

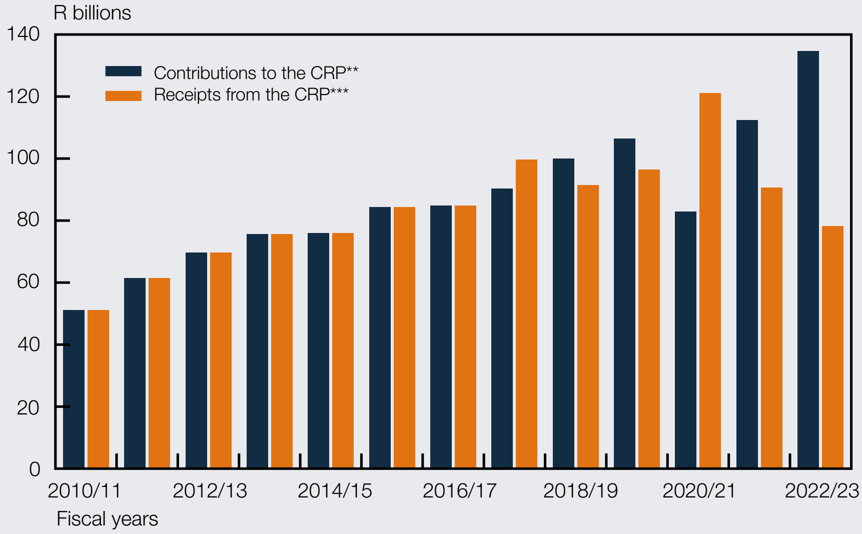
3 A CET is a tariff, or tax, applied to imported goods by a customs union. The purpose of a CET is primarily to protect the member countries of the customs union from outside competition by making imported goods more expensive, while at the same time promoting trade among the member countries by eliminating tariffs on their trade.

4 All customs, excise and additional duties (trade taxes) collected in the Common Customs Area are paid into the CPR and shared among member states in accordance with the SACU agreement's RSF.

5 The CCA is the combined areas of Botswana, Eswatini, Lesotho, Namibia and South Africa.

The adjustments are calculated in accordance with the RSF, with excess payments subtracted from the revenue shares (negative adjustments) and a shortfall in payments added to the revenue shares (positive adjustments) in the subsequent fiscal year.

SACU-related* transactions



* Comprising Botswana, Eswatini, Lesotho, Namibia and South Africa (BELNS)
** Contributions to the actual CRP collection of the BELNS
*** BELNS share including SACU Secretariat budget

Source: SARS

Between fiscal 2010/11 and fiscal 2016/17, the contributions made by member states to the CRP were closely aligned to the proceeds received from the CRP. The global financial crisis (GFC) negatively impacted both the contributions and receipts in fiscal 2008/09 and fiscal 2009/10 as trade slowed globally and within the SACU member states. Since fiscal 2017/18, the contributions to and receipts from the CRP have diverged.

Contributions to the common revenue pool, 2010/11 – 2022/23*

R millions

Fiscal years	Botswana	Eswatini	Lesotho	Namibia	Total BELN states	South Africa	Total
2010/11	433.4	54.9	184.5	601.2	1 274.1	49 917.4	51 191.5
2011/12	427.2	146.6	157.8	571.1	1 302.6	60 134.8	61 437.4
2012/13	459.1	132.6	161.5	847.0	1 600.1	68 007.5	69 607.6
2013/14	476.5	162.6	232.8	960.8	1 832.6	73 748.9	75 581.5
2014/15	393.5	193.5	225.0	962.7	1 774.6	74 200.0	75 974.7
2015/16	745.3	209.7	210.9	1 173.7	2 339.6	82 001.3	84 340.9
2016/17	555.6	214.4	245.9	1 197.8	2 213.7	82 535.4	84 749.1
2017/18	855.0	222.4	203.6	1 276.4	2 557.4	87 731.1	90 288.5
2018/19	846.7	246.1	320.0	1 024.5	2 437.3	97 552.4	99 989.6
2019/20	868.7	263.7	422.7	1 930.3	3 485.4	102 893.8	106 379.2
2020/21	800.0	172.2	318.1	1 170.3	2 460.6	80 488.3	82 948.9
2021/22	916.9	234.7	365.3	1 605.5	3 122.5	109 301.6	112 424.0
2022/23	989.2	291.1	340.5	1 845.0	3 465.8	131 155.0	134 620.8

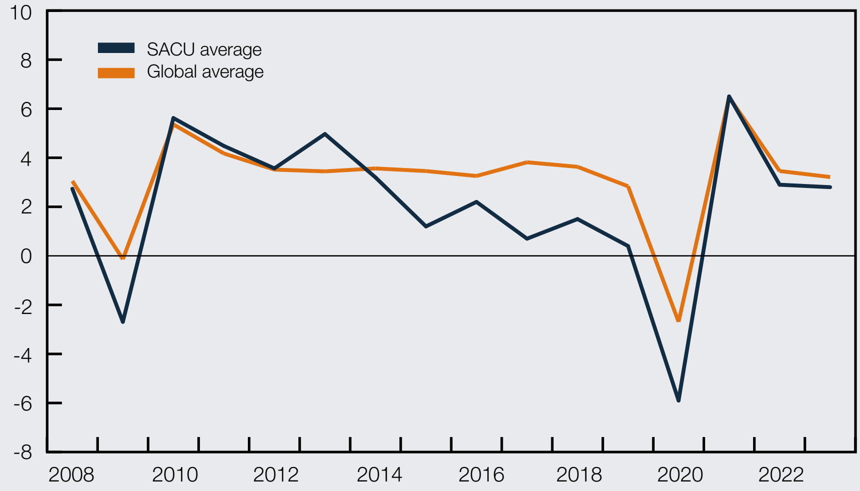
* Components may not add up to totals due to rounding off.

Source: SARS

Contributions to the CRP decreased significantly in fiscal 2020/21 due to the impact of the global coronavirus disease 2019 (COVID-19) pandemic, which restricted the movement of people and goods between countries and resulted in severe global supply chain constraints. These limitations contributed to the 2.7% contraction in global real gross domestic product (GDP) in 2020 and a significant c ontraction of 5.9% in the real GDP of the SACU member states. Contributions to the CRP recovered in fiscal 2021/22 and fiscal 2022/23 as trade-related tax collections improved in line with the recovery in nominal imports following the easing of the pandemic-induced restrictions. On average, the contributions to the CRP by South Africa were 97.4% between fiscal 2010/11 and 2022/23, with the balance attributed to Botswana, Eswatini, Lesotho, and Namibia (BELN).

Real gross domestic product

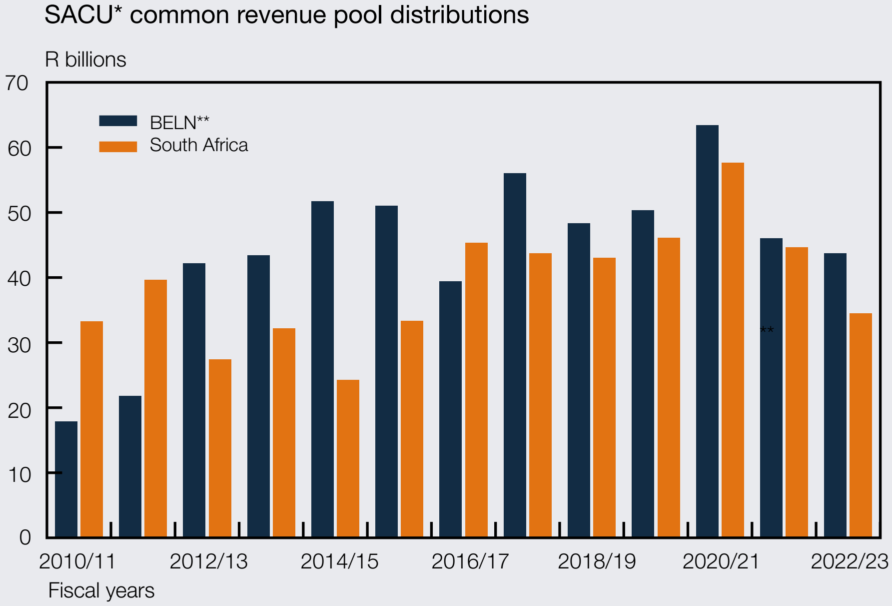
Percentage change over one year



Source: IMF

As the administrator of the CRP, South Africa is also responsible for the disbursement of funds and any adjustments to all the SACU member states, following the institutional decisions on each member states' share for that particular period. The annual audit outcome would reflect the difference between the projected revenue shares and the actual payments, with adjustments implemented with a two-year lag. The SACU receipts can be quite volatile due to the impact of fluctuations in the contributions to the CRP for a given year, along with the structure of the RSF which allows correcting for the CRP's over/under estimations from two years prior.

The SACU CRP distributions to the BELN states increased from 35.0% in fiscal 2010/11 to 55.9% in fiscal 2022/23, with South Africa's receipts declining from 65.0% to 44.1% over the same period. The BELN receipts decreased significantly from R51.0 billion in fiscal 2015/16 to R39.4 billion in fiscal 2016/17, mainly owing to the reclassification of the imported component of South Africa's fuel levy. The misclassification, which occurred in fiscal 2014/15, was adjusted in fiscal 2016/17 in line with the SACU RSF. The receipts rebounded in fiscal 2017/18 and reached a peak of R63.4 billion in fiscal 2020/21, which included an upward adjustment of R4.3 billion from fiscal 2018/19. The distributions from the CRP to the BELN states subsequently trended lower in fiscal 2021/22 and fiscal 2022/23, mainly impacted by the COVID-19 pandemic which resulted in lower projected imports and customs duties as well as adjustments of R2.0 billion and R14.5 billion for excess payments during fiscal 2019/20 and fiscal 2020/21 respectively.



* Comprising Botswana, Eswatini, Lesotho, Namibia and South Africa
** Comprising Botswana, Eswatini, Lesotho and Namibia, and the SACU Secretariat budget

Sources: National Treasury and SARS

Shares received from the common revenue pool, 2010/11 – 2022/23*

R millions

Fiscal years	Botswana	Eswatini	Lesotho	Namibia	Secretariat	Total BELN states	South Africa	Total
2010/11	6 618.1	2 629.6	2 628.2	5 975.9	53.9	17 905.7	33 285.8	51 191.5
2011/12	8 949.0	2 881.0	2 753.0	7 137.0	40.6	21 760.6	39 676.0	61 436.6
2012/13	15 283.1	7 062.5	5 966.3	13 795.8	43.5	42 151.3	27 456.3	69 607.6
2013/14	15 334.9	7 154.1	6 054.6	14 726.6	104.3	43 374.4	32 207.1	75 581.5
2014/15	19 023.3	7 486.7	7 034.1	18 116.6	77.0	51 737.7	24 237.0	75 974.7
2015/16	20 039.1	6 815.1	6 308.2	17 126.8	733.0	51 022.2	33 318.7	84 340.9
2016/17	15 546.6	5 252.1	4 519.0	14 070.7	60.0	39 448.3	45 300.7	84 749.1
2017/18	23 030.7	7 108.7	6 154.2	19 597.4	59.8	55 950.9	43 746.2	99 697.0
2018/19	19 464.6	5 844.0	5 542.2	17 374.9	62.9	48 288.6	43 068.5	91 357.2
2019/20	18 744.0	6 318.2	6 226.2	18 922.3	69.4	50 280.0	46 115.3	96 395.3
2020/21	23 742.8	8 348.6	8 980.5	22 251.9	71.4	63 395.2	57 653.4	121 048.6
2021/22	18 762.4	6 375.1	6 007.8	14 751.2	69.8	45 966.2	44 663.0	90 629.2
2022/23	18 207.0	5 817.6	5 399.5	14 189.5	69.8	43 683.4	34 457.5	78 140.9

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

Source: SARS

The BELN states' share from the CRP increased sharply from R43.7 billion in fiscal 2022/23 to R79.8 billion in fiscal 2023/24 (82.7% year on year) on account of the improved CRP forecast and the upward adjustment of R8.8 billion for fiscal 2021/22. According to the *2024 Budget Review*, the SACU share distributions to BELN states are projected to increase further and peak at R89.9 billion in fiscal 2024/25 before declining to R79.7 billion in fiscal 2026/27.

The *2024 Budget Review* projected total revenue for fiscal 2024/25 to increase by 5.4% to R1 815 billion. In the first four months of fiscal 2024/25 (April–July 2024), national government's total revenue increased by 39.1% year on year to R687.9 billion.

National government's total expenditure increased by 3.7% year on year to R470.4 billion in the first quarter of fiscal 2024/25 but was lower than the budgeted projections for this period. The increase was primarily driven by higher voted expenditure by national government departments, while debt-service cost contracted year on year. Total expenditure as a ratio of GDP decreased marginally from 25.8% in the first quarter of fiscal 2023/24 to 25.4% in the first quarter of fiscal 2024/25.

National government expenditure in fiscal 2024/25

Expenditure item	Originally budgeted[1] Fiscal 2024/25		Actual Apr–Jun 2024	
	R billions	Percentage change[2]	R billions	Percentage change[3]
Voted expenditure	1 102.8	3.8	269.1	6.3
Transfers and subsidies	804.9	3.8	194.3	5.2
Current payments	281.7	5.2	70.2	7.9
Payments for capital assets	15.2	-12.9	3.8	48.6
Payments for financial assets	1.1	-47.3	0.8	-7.1
Statutory amounts[4]	1 028.2	4.5	201.2	0.5
Of which: Provincial equitable share	600.5	2.6	150.1	0.8
Interest on debt	382.0	7.3	43.8	-1.9
General fuel levy	16.1	4.5	0.0	0.0
Total expenditure	**2 136.0**	**4.4**	**470.4**	**3.7**

1 *2024 Budget Review*
2 Year-on-year percentage change: budgeted estimates on previous year's actual outcome
3 Year-on-year percentage change: actual outcome on previous year's actual outcome
4 Including extraordinary payments
Components may not add up to totals due to rounding off and the exclusion of unclassified items.

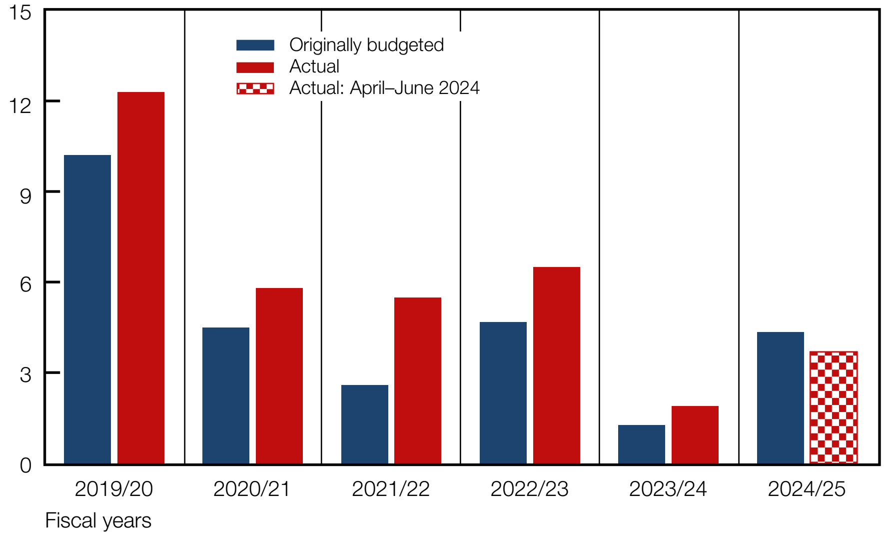
Source: National Treasury

Total voted expenditure by national government departments increased by 6.3% year on year to R269.1 billion (57.2% of total expenditure) in April–June 2024. This reflected increases in transfers and subsidies to R194.3 billion (a 5.2% year-on-year increase), current payments to R70.2 billion (a 7.9% year-on-year increase) and payments for capital assets to R3.8 billion (a 48.6% year-on-year increase). By contrast, payments for financial assets decreased by 7.1% year on year to R838.8 *million* in the period under review. The *2024 Budget Review* projected total voted expenditure to increase by 3.8% to R1 103 billion in fiscal 2024/25.

Interest payments on national government debt (debt-service cost) decreased by 1.9% year on year to R43.8 billion in the first quarter of fiscal 2024/25. This reflected lower foreign debt following some redemptions as well as lower rand-denominated interest payments on foreign debt due to the appreciation in the exchange value of the rand against other major trading currencies compared to the same period in the previous fiscal year. Debt-service cost was projected to increase by 7.3% to R382.0 billion in fiscal 2024/25 in the *2024 Budget Review*.

Expenditure by national government

Percentage change over one year

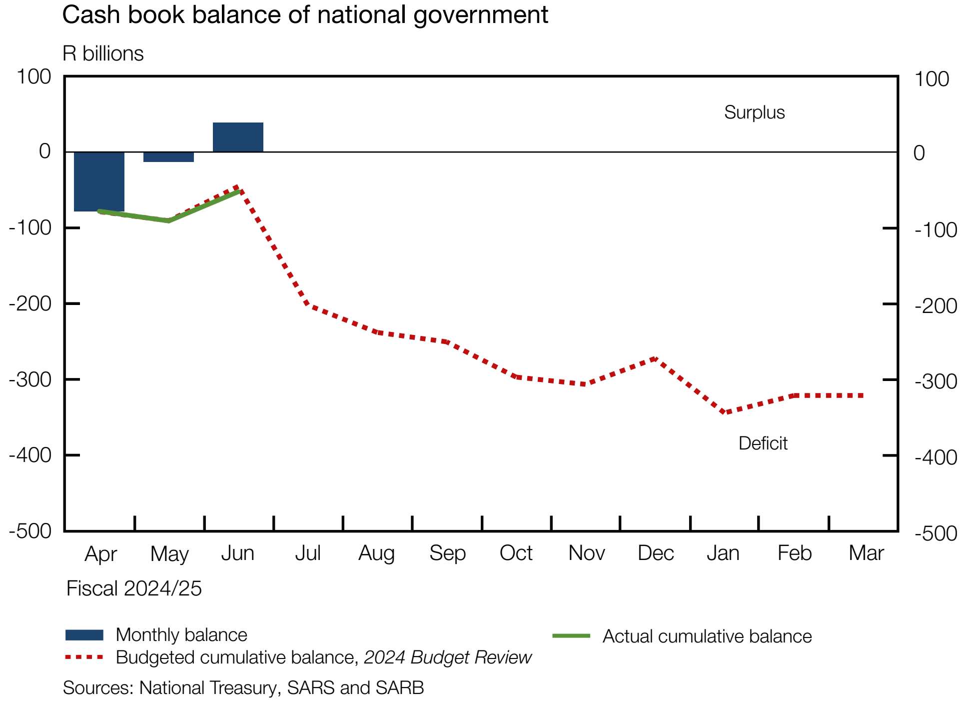


Source: National Treasury

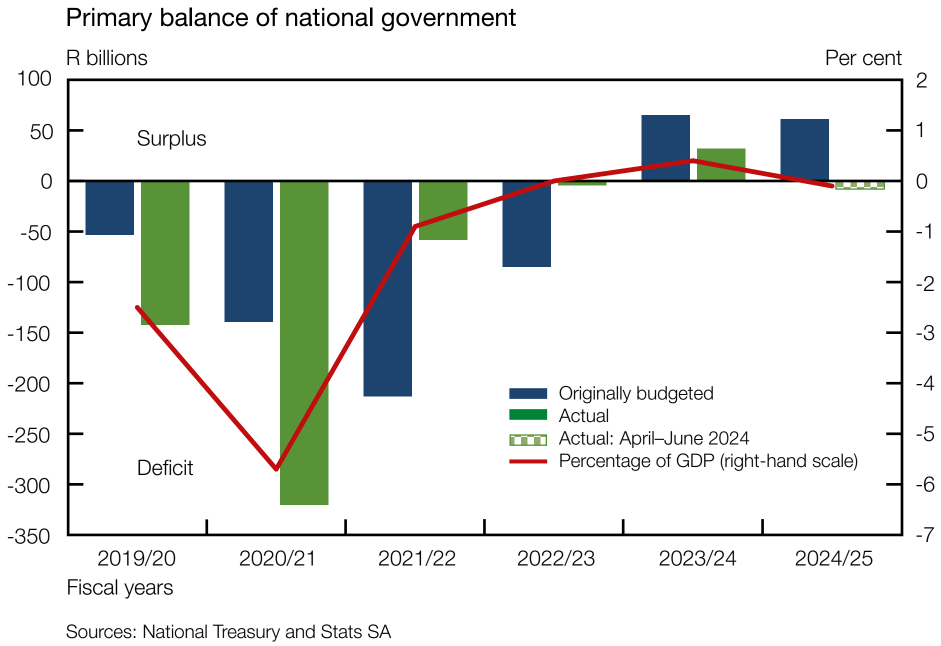
Equitable share transfers to provinces – the primary source of revenue for provincial governments – rose by 0.8% year on year to R150.1 billion (31.9% of total expenditure) in the first quarter of fiscal 2024/25. The *2024 Budget Review* projected R600.5 billion in equitable share transfers for fiscal 2024/25. In addition, the portion of the general fuel levy earmarked for sharing with metropolitan municipalities was expected to increase by 4.5% year on year to R16.1 billion for fiscal year 2024/25.

The *2024 Budget Review* projected an increase of 4.4% in total expenditure of national government to R2 136 billion for fiscal 2024/25. National government's total expenditure was R820.1 billion in April–July 2024 – 19.7% more than a year earlier.

The outcome of national government revenue and expenditure in the first quarter of fiscal 2024/25 resulted in a cash book deficit of R52.3 billion compared with the deficit of R46.4 billion recorded in the same period of the previous fiscal year. The cash book deficit as a percentage of GDP of 2.8% in the first quarter of fiscal 2024/25 was higher than the 2.6% recorded in the first quarter of fiscal 2023/24.



The *2024 Budget Review* projected a national government cash book deficit of R320.9 billion for fiscal 2024/25. The net result of national government revenue and expenditure during April–July 2024 yielded a cash book deficit of R132.2 billion, which was R58.1 billion less than the deficit recorded over the same period in the previous fiscal year.



National government's primary deficit increased from R1.7 billion in April–June 2023 to R8.4 billion in April–June 2024 as non-interest expenditure outpaced revenue. The primary deficit as a percentage of GDP was 0.5% in the first quarter of fiscal 2024/25 – higher than the 0.1% recorded in the same period of the previous fiscal year. The *2024 Budget Review* projected a primary *surplus* of R61.2 billion for fiscal 2024/25.

National government financing

R billions

Item or instrument	Actual Apr–Jun 2023	Actual Apr–Jun 2024	Originally budgeted[1] Fiscal 2024/25
Cash book balance[2]	**-46.4**	**-52.3**	**-320.9**
Cash flow balance[2,3]	**-55.7**	**-56.0**	**…**
Plus: Cost/profit on revaluation of foreign debt at redemption[4]	0.0	0.0	0.0
Accrual adjustments	31.9	9.8	…
State-owned companies' debt relief	0.0	-8.0	-64.2
GFECRA[5] settlement (net)	…	…	100.0
Net lending/borrowing requirement[6]	**-23.8**	**-54.2**	**-285.1**
Treasury bills and short-term loans[7]	-19.5	11.1	33.0
Domestic bonds[7]	63.9	46.4	196.0
Foreign bonds and loans[7]	9.5	-9.6	-3.8
Change in available cash balances[8]	-69.0	6.3	59.9
Total net financing	**23.8**	**54.2**	**285.1**

1 *2024 Budget Review*
2 Deficit (-)/surplus (+)
3 The cash flow balance includes extraordinary receipts and payments, and differs from the cash book balance.
4 Cost (+)/profit (-)
5 Gold and Foreign Exchange Contingency Reserve Account
6 Net lending (+)/net borrowing (-)
7 Net issuance (+)/net redemption (-)
8 Increase (-)/decrease (+)

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

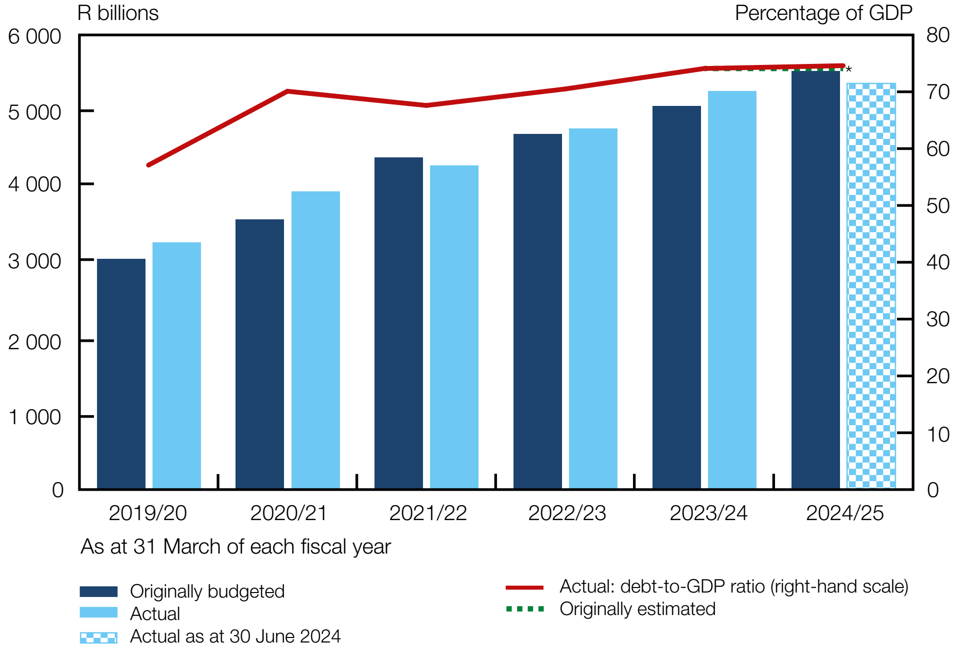
Sources: National Treasury and SARB

National government's cash flow deficit of R56.0 billion in April–June 2024 was slightly higher than the R55.7 billion recorded in the same period a year earlier. After accounting for the cost of revaluation of foreign debt and accrual adjustments, national government's net borrowing requirement amounted to R54.2 billion in the first quarter of fiscal 2024/25, which was R30.3 billion higher than in the previous fiscal year. The net borrowing requirement included a payment of R8.0 billion for Eskom's debt restructuring programme, which is part of the R64.2 billion allocated for Eskom's debt-relief programme in fiscal 2024/25, as outlined in the *2024 Budget Review*.

The higher net borrowing requirement of national government in the first quarter of fiscal 2024/25 was primarily financed in the domestic financial markets through the net issuance of long-term government bonds amounting to R46.4 billion, along with TBs and short-term loans totalling R11.1 billion. By contrast, foreign bonds and loans recorded a net redemption of R9.6 billion in the period under review. In addition, national government reduced its available cash balances by R6.3 billion in April–June 2024 to finance part of the net borrowing requirement.

National government's total gross loan debt (domestic and foreign) increased by 8.3% year on year to R5 360 billion as at 30 June 2024 due to the higher net issuance of domestic debt. By contrast, national government's foreign debt declined by 7.4% year on year to R556.1 billion as at 30 June 2024, reflecting the net redemption of foreign debt along with revaluation effects from the appreciation in the exchange value of the rand against other major trading currencies. Domestic debt accounted for a substantial 89.6% of total gross loan debt as at 30 June 2024, with the remainder comprising foreign debt. National government's gross loan debt for fiscal 2024/25 was projected to increase by 5.0% to R5 522 billion (74.1% of GDP) in fiscal 2024/25 in the *2024 Budget Review*.

Gross loan debt of national government

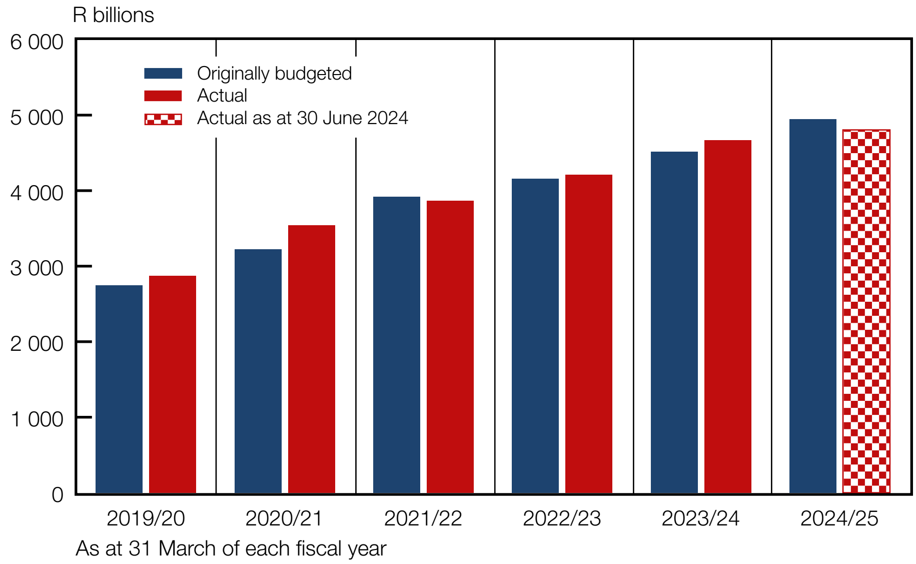


* Actual as at 30 June 2024

Sources: National Treasury and Stats SA

National government's total gross domestic debt (marketable and non-marketable) increased notably by R456.9 billion year on year to R4 804 billion as at 30 June 2024. The increase was primarily driven by the higher net issuance of domestic marketable debt, including both bonds and TBs. As at 30 June 2024, domestic marketable bonds amounted to R4 253 billion (88.5% of the total stock of outstanding gross domestic debt), representing a 9.6% increase from a year earlier. Non-marketable domestic debt, consisting of domestic non-marketable bonds (retail bonds) and short-term loans from the CPD, increased by 11.8% year on year to R29.0 billion as at 30 June 2024.

Domestic debt of national government

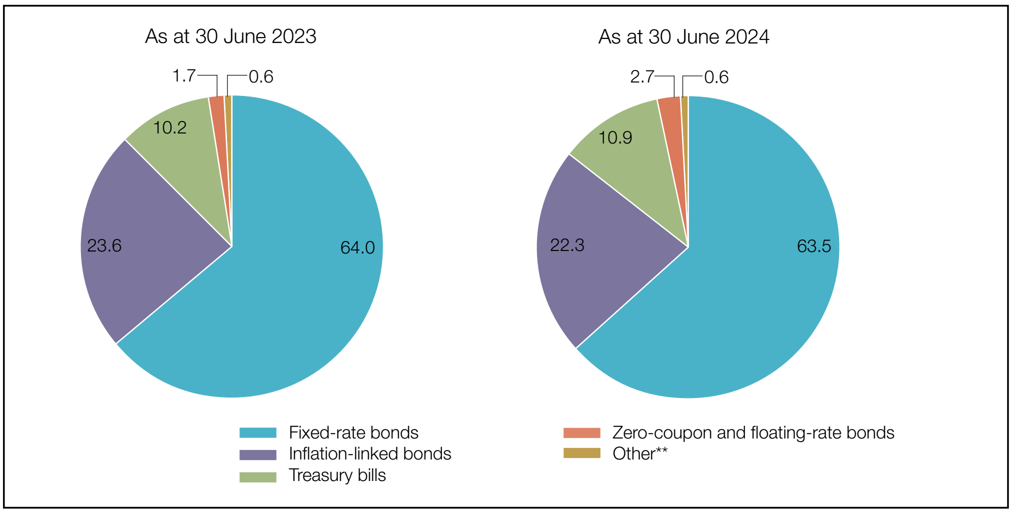


Source: National Treasury

As at 30 June 2024, the outstanding stock of fixed-rate bonds increased by 9.8% year on year to R3 053 billion and accounted for the largest share of national government's total domestic debt at 63.5%. Inflation-linked bonds increased by 4.7% year on year to R1 073 billion as at 30 June 2024 and represented 22.3% of total domestic debt. TBs increased notably to R522.1 billion as at 30 June 2024, following the net issuance of R80.2 billion between 30 June 2023 and 30 June 2024, and accounted for 10.9% of total domestic debt. The increase was primarily driven by the 364-day TBs, which accounted for 50.1% of the total net issuance, with the 273-day TBs, the 182-day TBs and the 91-day TBs accounting for 26.0%, 10.9% and 13.0% respectively. Zero-coupon and floating-rate bonds increased by 72.8% year on year to R127.8 billion as at 30 June 2024, comprising only 2.7% of total domestic marketable debt.

Composition of national government's domestic debt*

Per cent



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

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

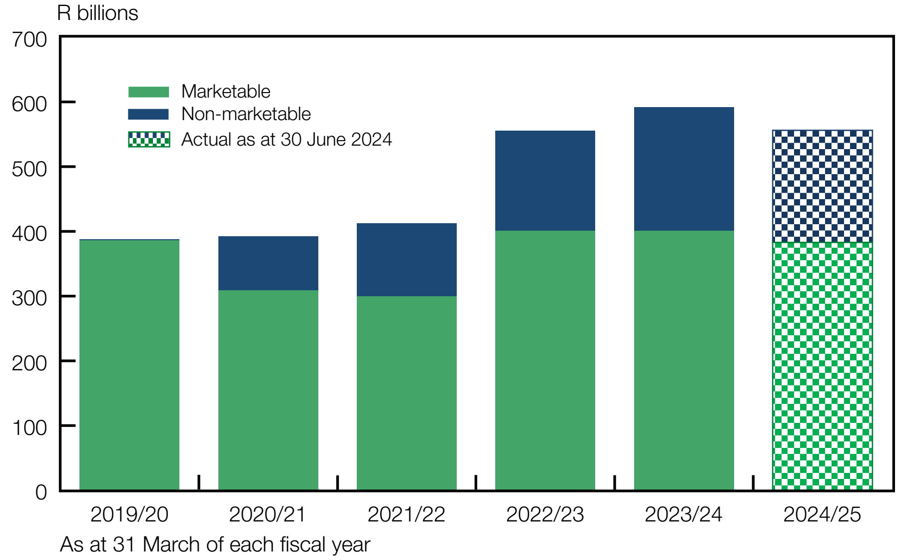
Source: National Treasury

National government's total gross foreign debt (marketable and non-marketable) of R556.1 billion as at 30 June 2024 was 7.4% less than a year earlier. The decrease reflected the net redemption of both marketable and non-marketable debt along with exchange rate revaluation effects resulting from the appreciation in the exchange value of the rand against other major trading currencies. The foreign marketable debt continued to account for the largest share of total gross foreign debt at 68.8%, with the balance comprising non-marketable foreign debt.

The outstanding balance of foreign marketable debt decreased by 10.4% year on year to R382.9 billion as at 30 June 2024. The decline could be attributed to the redemption of a US$1.5 billion (R28.0 billion) marketable bond in January 2024 along with the exchange rate revaluation effects. The average outstanding maturity of foreign marketable debt decreased slightly from 156 months as at 30 June 2023 to 155 months a year later.

Non-marketable foreign debt decreased slightly by 0.1% year on year to R173.2 billion as at 30 June 2024. This reflected the continued partial redemption of the IMF's XDR-denominated loan along with the exchange rate revaluation effects.

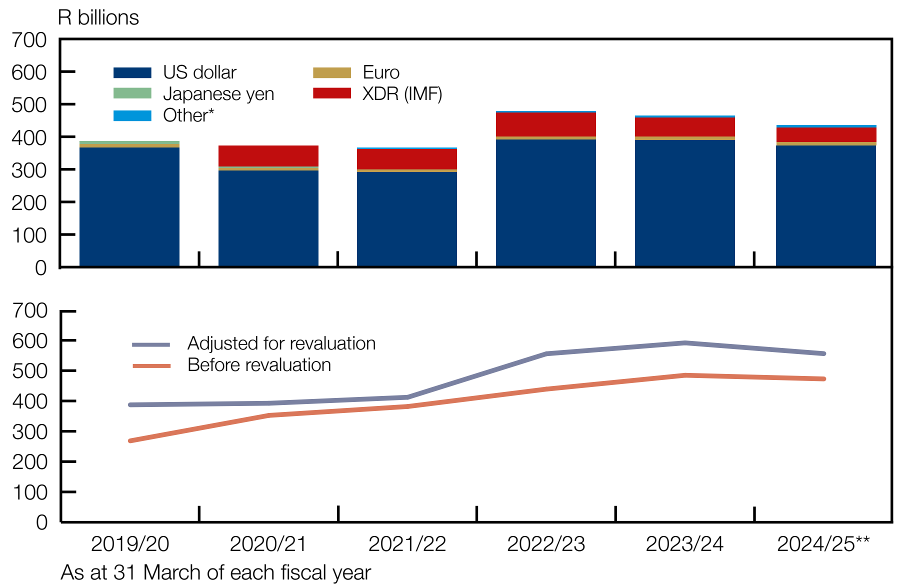
Foreign debt of national government



Source: National Treasury

National government's total outstanding balance of foreign debt was R472.7 billion as at 30 June 2024 before accounting for exchange rate revaluation effects, but increased to R556.1 billion after the revaluation adjustment. US dollar-denominated debt accounted for 83.6% of total outstanding foreign debt, followed by the IMF's XDR-denominated debt at 8.2%.

Currency composition of national government's foreign debt



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

** Actual as at 30 June 2024

Source: National Treasury

Total public sector debt[41]

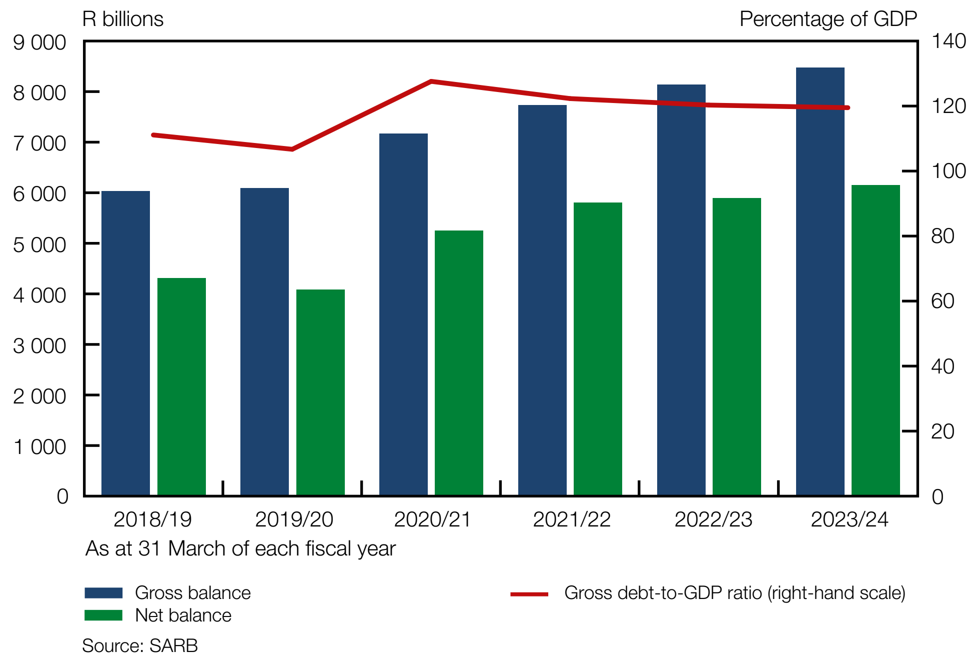
South Africa's preliminary total consolidated *gross*[42] public sector debt (both domestic and foreign) increased to R8 477 billion (119.5% of GDP) as at 31 March 2024 compared with R8 137 billion (120.3% of GDP) as at 31 March 2023. Similarly, the consolidated *net*[43] public sector debt increased to R6 146 billion (86.6% of GDP) as at 31 March 2024 from R5 895 billion (87.2% of GDP) recorded a year earlier.

41 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.

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

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

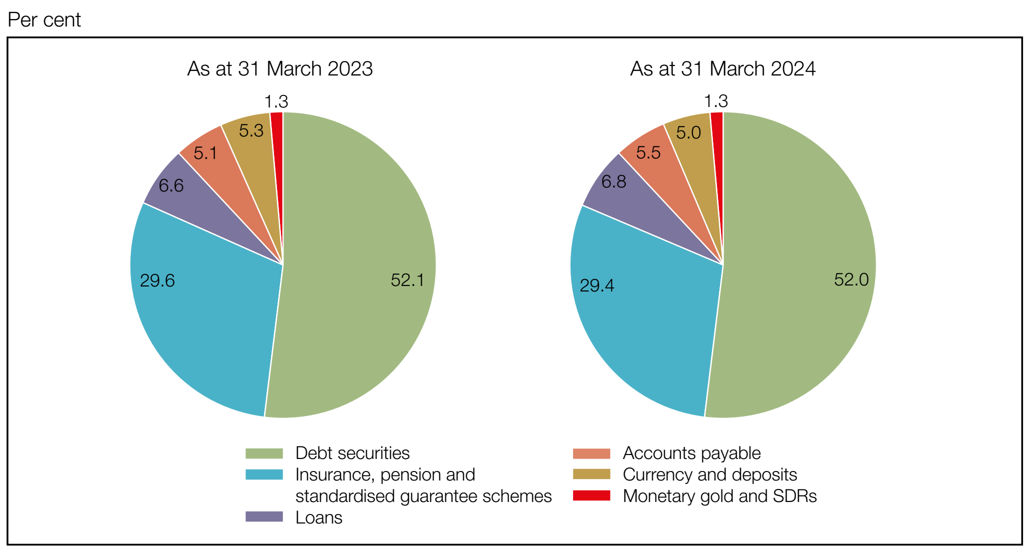
Total consolidated public sector debt



Source: SARB

The total outstanding consolidated public sector debt securities in both the domestic and international markets increased to R4 408 billion as at 31 March 2024 – R168.7 billion more than a year earlier. Debt securities were the largest contributor to total consolidated public sector debt at 52.0% as at 31 March 2024, followed by insurance, pension and standardised guarantee schemes at 29.4%, with monetary gold and SDRs contributing the least at 1.3%.

Consolidated gross public sector debt



Source: SARB

44 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 *Quarterly Bulletin.*

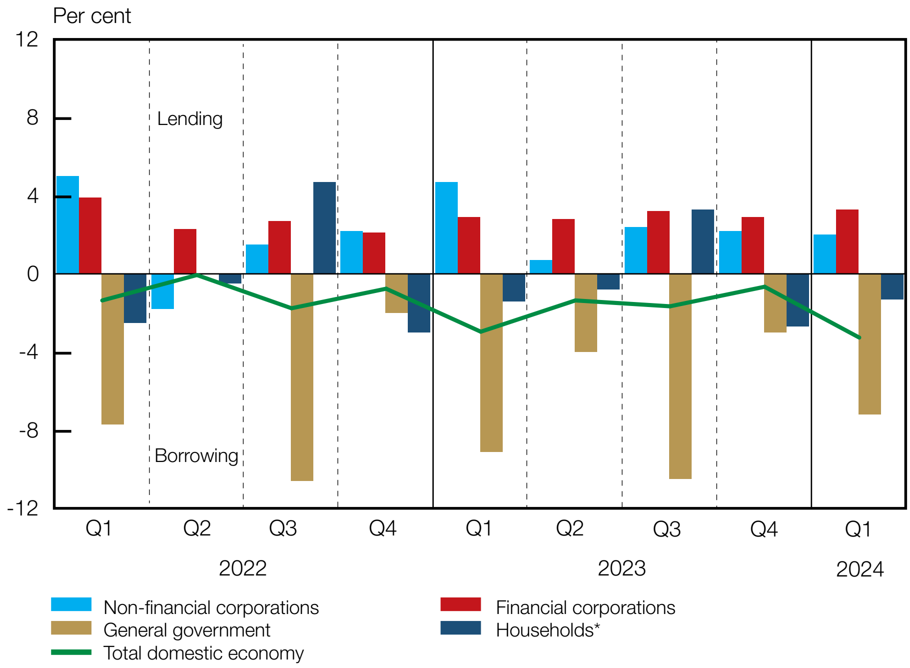
45 Net lending/borrowing is calculated as gross saving *plus/minus* capital transfers receivable/payable *minus* gross capital formation.

Integrated economic accounts[44]

Current and capital account

South Africa's net borrowing position[45] increased from R10.4 billion (0.6% of GDP) in the fourth quarter of 2023 to R56.9 billion (3.2% of GDP) in the first quarter of 2024, larger than the R49.5 billion recorded in the corresponding period of the previous year. The larger net borrowing position was due to a greater reduction in gross saving than that in 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 remained net lenders in the first quarter of 2024. However, the net lending of non-financial corporations decreased due to lower levels of gross saving compared with the previous quarter. The household sector recorded a smaller net borrowing position in the first quarter of 2024 as gross saving by households increased amid lower consumption expenditure. By contrast, general government's gross dissaving increased notably, resulting in a larger net borrowing position in the first quarter of 2024.

Box 4 Delineation of the other financial intermediaries subsector in the current and capital account

The higher-for-longer interest rate environment supported the income metrics of the ‘other financial intermediaries’ (OFIs)[1] subsector in the South African economy, particularly through a notable increase in interest received by the OFIs. This box describes the recent trends in the balancing items of the OFIs subsector, including the gross primary income, gross saving and net lending/borrowing position as compiled in the current and capital account.

OFIs are classified as a subsector within the financial corporation sector and interact with other economic sectors through transactions such as hire purchase as well as the provision of personal or commercial finance, unsecured lending, securitisation, central clearing and factoring. The *System of National Accounts 2008 (2008 SNA)* delineates economic activity flows into five sectors, namely non-financial corporations, financial corporations, general government, households (including non-profit institutions serving households) and the rest of the world. The financial corporations sector is further classified into three categories, of which OFIs form part of the ‘financial corporations except monetary financial institutions as well as insurance corporations and pension funds’ category.

Classification of the financial corporations sector according to the *System of National Accounts 2008*

Financial corporations	**Sector and subsector**		***2008 SNA* code**
			S12
Monetary financial institutions	Central bank		S121
	Other monetary financial institutions	Deposit-taking corporations except the central bank	S122
		Money market funds	S123
Financial corporations except monetary financial institutions as well as insurance corporations and pension funds	Non-money market fund investment funds		S124
	Other financial intermediaries, except insurance corporations and pension funds		**S125**
	Financial auxiliaries		S126
	Captive financial institutions and money lenders		S127
Insurance corporations and pension funds	Insurance corporations		S128
	Pension funds		S129

The activities of OFIs are captured in the analytical construct of the current and capital account as provided in the *2008 SNA* framework. This framework encapsulates these activities in a sequence of accounts with their balancing items, as illustrated by the accompanying table for 2023.

1 Other financial intermediaries include financial corporations (except insurance corporations and pension funds) that provide financial services by incurring liabilities in forms other than currency, deposits or close substitutes for deposits on their own account for the purpose of acquiring financial assets by engaging in financial transactions in the market.

Other financial intermediaries' sequence of accounts for 2023

Accounts[1]		Balancing items[2]		Nominal value (R millions)
Current[3]	Production		Output at basic prices[5]	29 620
			minus Intermediate consumption[6]	13 132
		Gross value added at basic prices		**16 489**
	Generation of income		*minus* Compensation of employees	8 539
			minus Other taxes on production	49
		Gross operating surplus		**7 901**
			Net property income	**12 878**
	Allocation of primary income		Interest received[7]	44 149
			Distributed income of corporations received (dividends)	7 334
			Property income attributed to insurance policy holders	7
			minus Interest paid[8]	38 613
		Gross primary income		**20 779**
	Secondary distribution of income		*minus* Current taxes on income, wealth	2 133
			minus Net non-life insurance premiums paid[9]	69
			Non-life insurance claims received[10]	69
		Gross disposable income[11]		**18 646**
		Gross saving[12]		**18 646**
Capital[4]			*minus* Gross fixed capital formation[13]	246
			minus Change in inventories	3
		Net lending (+)/ borrowing (-)[14, 15, 16]		**18 397**

1 According to the sequence of accounts in the *2008 SNA* accounting framework.
2 'Balancing items' is an accounting concept carried forward from one account to the next.
3 The current account records the production of goods and services, the generation of income by production, the subsequent distribution and redistribution of income as well as the use of income for consumption and saving.
4 The capital account records the acquisition and disposal of non-financial assets and capital transfers.
5 Output consists of those goods and services that are produced within an establishment that become available for use outside the establishment *plus* any goods and services produced for own final use.
6 The value of goods and services consumed as inputs, excluding depreciation.
7 The interest recorded in the allocation of the primary income account represents interest as defined in the *2008 SNA* rather than bank interest. According to the *2008 SNA*, interest received can be divided into actual interest received and financial intermediation services indirectly measured (FISIM).
8 Actual interest paid on loans from other financial intermediaries, adjusted for FISIM.
9 Net non-life insurance premiums comprise both the actual premiums payable by policyholders to obtain insurance cover during the accounting period (premiums earned) and the premium supplements payable out of the investment income attributed to insurance policyholders *less* the service charges payable to the insurance corporation.
10 Non-life insurance claims are the amounts payable in the settlement of damages that result from an event covered by a non-life insurance policy during the current accounting period.
11 Gross disposable income excludes holding gains and losses.
12 Gross saving is the balancing item of the current account and is carried forward to the capital account. The difference between gross and net saving is imputed consumption of fixed capital (depreciation).
13 Gross fixed capital formation is the value of acquisitions *less* disposals of fixed assets (non-financial assets).
14 Net lending is the amount of resources available to lend to deficit units in the economy through the financial account, even if they are retained in a bank deposit.
15 Net borrowing is the amount of resources required from surplus units in the economy through the incurrence of liabilities in the financial account.
16 Net lending/borrowing means that what is borrowed by one unit must be lent by another unit, and vice versa.

The current account begins with the calculation of the gross value added through the production account. For OFIs, this entails the calculation of output with the recording of the production of services, which includes output made up of the value of explicit fees and financial intermediation services indirectly measured (FISIM),[2] minus intermediate consumption, to derive the gross value added. The gross operating surplus is derived by deducting the compensation of employees and other taxes on production from the gross value added, rendering the second balancing item. Extending the sequence of accounts, OFIs receive net property income (interest, dividends and property income attributed to insurance policyholders) that, together with their gross operating surplus, constitutes their gross primary income. Adjusting the gross primary income for tax payments and net current transfers (net non-life insurance premiums paid and claims received) yields the gross disposable income, which is available to facilitate saving, and completes the current account.

The capital account, which flows from the last balancing item (gross saving) of the current account, records the change in non-financial assets (net of disposals and acquisitions) and the change in inventories to derive

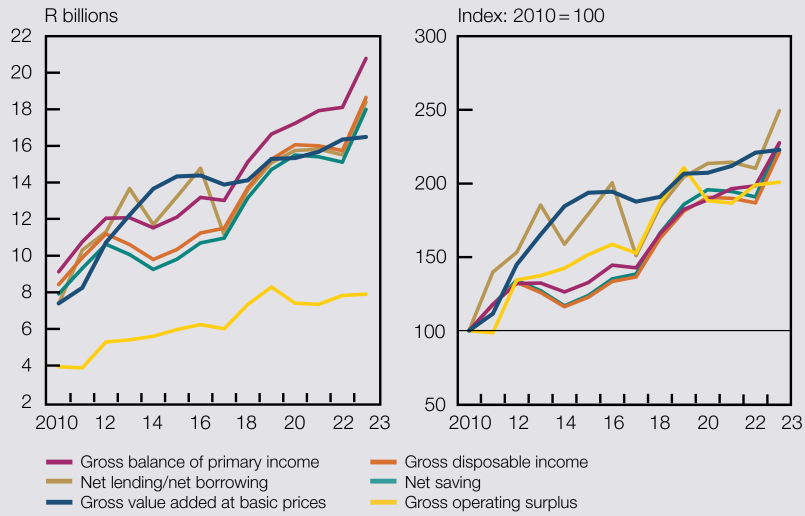
2 FISIM is the implicit financial services provided, which are calculated as (rL–rr) × YL, where rL, rr and YL represent the lending rate, reference rate and average stock of loans respectively.

the net lending/borrowing of OFIs. The OFIs' balancing items have all generally displayed an upward trend since 2010, with a notable increase in 2023. This trend was driven largely by the gross primary income balance following a significant increase in net property income, especially in interest received, while the gross value added and the operating surplus increased only marginally.

Selected balancing items of other financial intermediaries

	R billions				
	Gross value added	Gross balance of the primary income	Gross disposable income	Gross saving	Net lending/ borrowing
2010	7.4	9.1	8.4	8.4	7.4
2011	8.3	10.8	9.9	9.9	10.3
2012	10.7	12.0	11.2	11.2	11.3
2013	12.2	12.1	10.6	10.6	13.7
2014	13.7	11.5	9.8	9.8	11.7
2015	14.3	12.1	10.3	10.3	13.2
2016	14.4	13.2	11.2	11.2	14.8
2017	13.9	13.0	11.5	11.5	11.1
2018	14.1	15.1	13.7	13.7	13.6
2019	15.3	16.6	15.3	15.3	15.1
2020	15.3	17.2	16.1	16.1	15.8
2021	15.7	17.9	16.0	16.0	15.8
2022	16.3	18.1	15.7	15.7	15.5
2023	16.5	20.8	18.6	18.6	18.4

Selected balancing items of other financial intermediaries



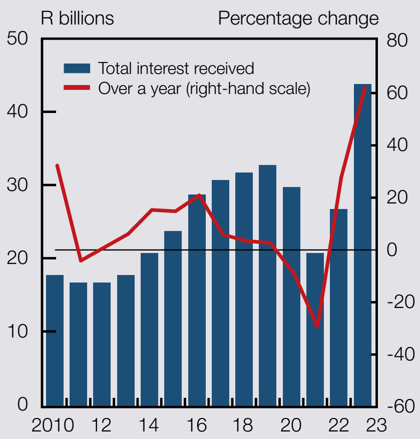
Source: SARB

The gross value added of OFIs as a ratio of the total financial corporation sector's gross value added, and that of the total economy, remained broadly the same between 2010 and 2023 at around 3.8% and 0.3% respectively. Although the ratio of the OFIs' balancing items as a percentage of the total financial corporations sector generally did not increase, their gross primary income received rose significantly in 2023, which lifted the subsector's gross saving and net lending.

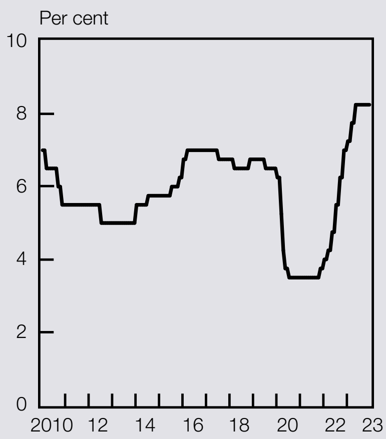
Other financial intermediaries' contribution of selected items to the financial corporations sector and the total economy

	As a percentage of the financial corporations sector		As a percentage of the total economy	
	2010	2023	2010	2023
Output at basic prices	3.8	3.7	0.2	0.2
Intermediate consumption	3.7	3.6	0.2	0.2
Gross value added at basic prices	**3.9**	**3.8**	**0.3**	**0.3**
Compensation of employees	4.4	3.5	0.3	0.3
Other taxes on production	2.5	1.2	0.0	0.0
Gross operating surplus	**4.3**	**4.2**	**0.3**	**0.3**
Interest received	5.8	5.1	2.9	2.7
Distributed income of corporations received (dividends)	4.5	5.2	0.7	0.8
Interest paid	7.4	7.0	2.3	2.3
Gross primary income	**10.0**	**7.3**	**0.3**	**0.3**
Current taxes on income, wealth, and so forth	3.5	4.9	0.2	0.2
Gross disposable income	**6.2**	**6.8**	**0.3**	**0.3**
Gross saving	**13.2**	**8.2**	**1.7**	**1.9**
Gross capital formation	6.0	1.0	0.2	0.0

Interest received by other financial intermediaries



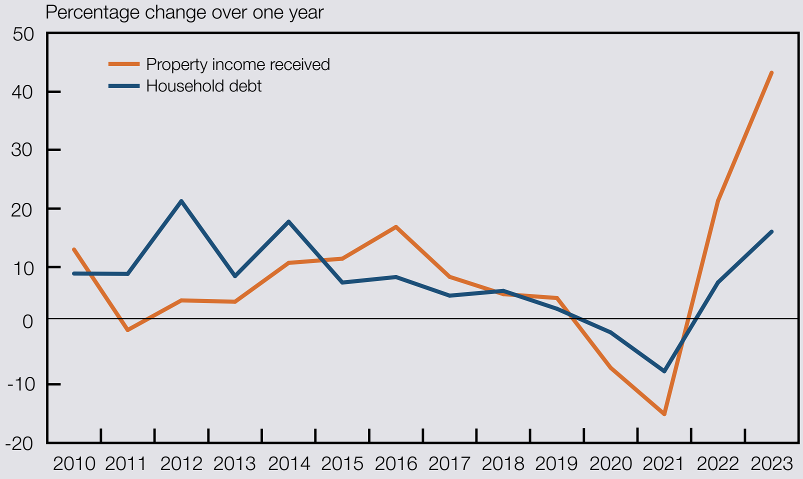
Repurchase rate



Source: SARB

Interest received by OFIs increased to a record high of R44.1 billion in 2023, reflecting the higher interest rate environment and, to a lesser extent, higher household debt levels. As OFIs generally provide unsecured debt to households, the interest rates charged in this subsector can vary and are generally elevated, which likely contributed to the significant increase in interest income received.

Household debt from other financial intermediaries and property income received



Source: SARB

Household debt from OFIs rose steadily after declining in 2021 and increased by 16.1% in 2023. Furthermore, the ratio of household debt from OFIs as a percentage of total household debt increased gradually from 8.9% in 2010 to 10.9% in 2023. Despite the steady increase in the household sector's reliance on credit from OFIs for various types of expenditure – including education, housing and consumption – OFIs remain a relatively small yet important source of funding for households, especially during periods of economic hardship.

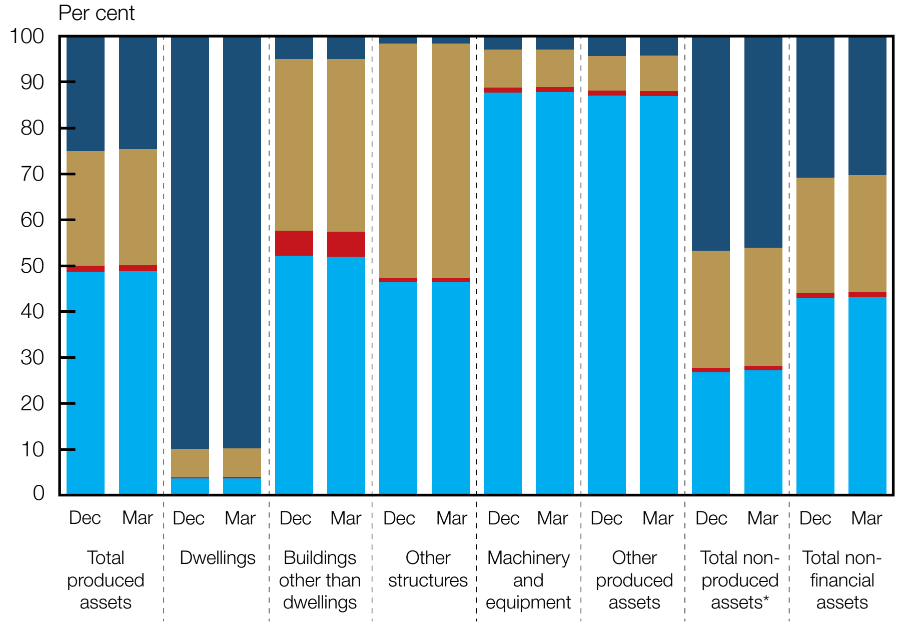
Non-financial balance sheet and accumulation account

The market value of total non-financial assets increased by 2.0% from 31 December 2023 to R19.5 trillion as at 31 March 2024. Non-financial corporations (public and private) held the largest share of total non-financial assets at 43.1%, while households and general government owned 30.4% 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 31 March 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 87.8% of total machinery and equipment was held by non-financial corporations.

The market value of total produced fixed assets increased by R274.5 billion (2.1%) from 31 December 2023 to R13.3 trillion as at 31 March 2024, reflecting revaluations of R272.3 billion and an increase of R2.2 billion in net capital formation. The market value of machinery and equipment as well as other structures increased by R42.6 billion and R219.3 billion respectively in the first quarter of 2024, contributing 1.5 and 4.6 percentage points respectively to growth in the capital stock of non-financial assets.

Households owned 46.1% of non-produced assets (land only) as at 31 March 2024, while non-financial corporations and general government held 27.2% and 25.8% respectively.

Institutional sector non-financial asset holdings as at 31 December 2023 and 31 March 2024



* Land only
** Including non-profit institutions serving households

Source: SARB

Financial balance sheet and accumulation account

The market value of financial assets of the total domestic economy increased by R522.0 billion to R50.4 trillion, while that of total liabilities decreased marginally by R14.1 billion to R47.4 trillion in the three months to 31 March 2024. The increase in the market value of financial assets was largely due to increases in the value of bank loans as well as currency and deposits. The decrease in the market value of total liabilities resulted from a decline in the holdings of equity and investment fund shares/units as well as debt securities following lower domestic share and bond prices.

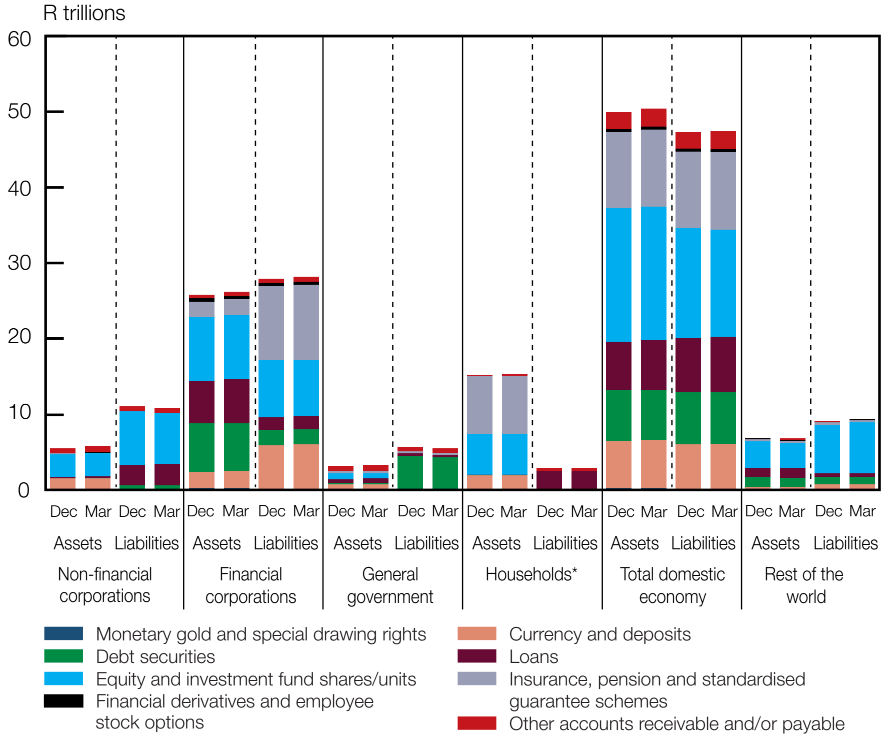
Financial corporations' share of total financial assets increased marginally from 51.9% as at 31 December 2023 to 52.0% as at 31 March 2024 as higher global share prices increased the value of foreign listed shares and the holdings of non-money market fund investment fund shares/units. Similarly, financial corporations' share of total liabilities increased from 58.9% to 59.4% over the same period due to increases in the value of currency and deposits as well as bank loans.

Households' share of total financial assets decreased marginally from 30.4% as at 31 December 2023 to 30.2% as at 31 March 2024 due to a decline in the value of listed share holdings. By contrast, households' share of total liabilities increased marginally from 6.0% to 6.1% over this period, primarily due to growth in the value of bank loans extended to households.

Non-financial corporations' contribution to total financial asset holdings increased marginally from 11.3% as at 31 December 2023 to 11.4% as at 31 March 2024, while their contribution to total liabilities decreased from 23.3% to 22.9% over the same period. The decline reflected the lower market values of debt securities as well as equity and investment fund shares/units, which were related to weaker domestic asset prices.

The decrease in general government's share of total financial assets from 6.4% as at 31 December 2023 to 6.3% as at 31 March 2024 resulted from a reduction in general government's deposit balances with the central bank and a decline in the value of pension entitlements, which outweighed the positive valuation effects in the outstanding balance on the GFECRA. Similarly, general government's contribution to total liabilities decreased from 11.8% to 11.6% over this period on account of a decline in the market value of national government debt securities following lower bond prices.

Market value of total financial assets and liabilities by institutional sector and financial instrument as at 31 December 2023 and 31 March 2024



* Including non-profit institutions serving households

Source: SARB

The market value of the rest of the world's (ROW) holdings of South African financial assets decreased from R6.9 trillion as at 31 December 2023 to R6.7 trillion as at 31 March 2024 as the valuation effects resulting from lower domestic share prices contributed to a decrease in the value of equity and investment fund shares/units holdings. The market value of South Africa's total foreign assets (the ROW's total liabilities) increased from R9.1 trillion to R9.5 trillion over the same period due to a significant increase in equity and investment fund shares/units, which benefitted from higher global share prices

The changes in both financial assets and liabilities in the total domestic economy during the first quarter of 2024 resulted mainly from net transactions, which accounted for R295.2 billion of the increase in the value of various financial instruments, especially currency and deposits as well as bank loans. Revaluations accounted for R35.3 billion of the increase during the quarter.

The from-whom-to-whom market value of financial asset and liability stock positions between the domestic institutional sectors and the ROW as at 31 March 2023[46] showed that the household sector was the only institutional sector that maintained a positive net financial wealth (asset) position of R12.3 trillion, mainly against financial corporations.

46 See page E–11 in the experimental tables section in this edition of the *Quarterly Bulletin*.

Non-financial corporations and general government both recorded negative net financial wealth (liability) positions, mainly due to net liabilities incurred of R4.4 trillion and R3.1 trillion respectively with financial corporations as well as R3.0 trillion and R1.4 trillion respectively with the ROW. The financial intermediation activities of financial corporations generated a near-balanced net financial wealth position, with asset claims of R26.2 trillion and liability commitments of R28.2 trillion in the total economy. The ROW's negative net financial wealth position mainly comprised liabilities of R6.2 trillion and R3.0 trillion incurred against financial and non-financial corporations.

Abbreviations

2008 SNA	*System of National Accounts 2008*
Alsi	All-Share Index
BER	Bureau for Economic Research (Stellenbosch University)
BELNS	Botswana, Eswatini, Lesotho, Namibia and South Africa
CAD	Canadian dollar
CCA	Common Customs Area
CEC	Crop Estimates Committee (Department of Agriculture, Land Reform and Rural Development)
CET	common external tariff
CODI	Corporation for Deposit Insurance
COVID-19	coronavirus disease 2019
CPD	Corporation for Public Deposits
CPI	consumer price index
CRP	common revenue pool
CTSE	Cape Town Stock Exchange
EMBI+	Emerging Markets Bond Index Plus (JPMorgan)
FAO	Food and Agriculture Organization (United Nations)
Fed	Federal Reserve (United States)
FISM	financial intermediation services indirectly measured
FNB	First National Bank
FRA	forward rate agreement
FX	foreign exchange
GDE	gross domestic expenditure
GDP	gross domestic product
GFECRA	Gold and Foreign Exchange Contingency Reserve Account
GNU	government of national unity
GVA	gross value added
I-Ex	Integrated Exchange
IIP	international investment position
ILO	International Labour Organization (Switzerland)
IMF	International Monetary Fund (United States)
Jibar	Johannesburg Interbank Average Rate
JSE	JSE Limited
M3	money supply
MPC	Monetary Policy Committee (South African Reserve Bank)
PMI	Purchasing Managers' Index
PYEI	Presidential Youth Employment Initiative
QB	*Quarterly Bulletin*
QES (survey)	*Quarterly Employment Statistics (survey)*

QLFS	*Quarterly Labour Force Survey*
R	rand
repo (rate)	repurchase (rate)
ROW	rest of the world
RSF	revenue-sharing formula
Sabor	South African Benchmark Overnight Rate
SACU	Southern African Customs Union
SARB	South African Reserve Bank
SARS	South African Revenue Service
SDR	special drawing right
SOC	state-owned company
S&P	Standard & Poor's (United States)
Stats SA	Statistics South Africa
TB	Treasury bill
US	United States
VAT	value-added tax
VIX	Volatility Index
XDR	IMF SDR exchange rate
ZARONIA (rate)	South African Rand Overnight Index Average (rate)