



# **An overview of the South African economy**

**Presentation to Investment Solutions clients**

**14 September 2006**



**South African Reserve Bank**

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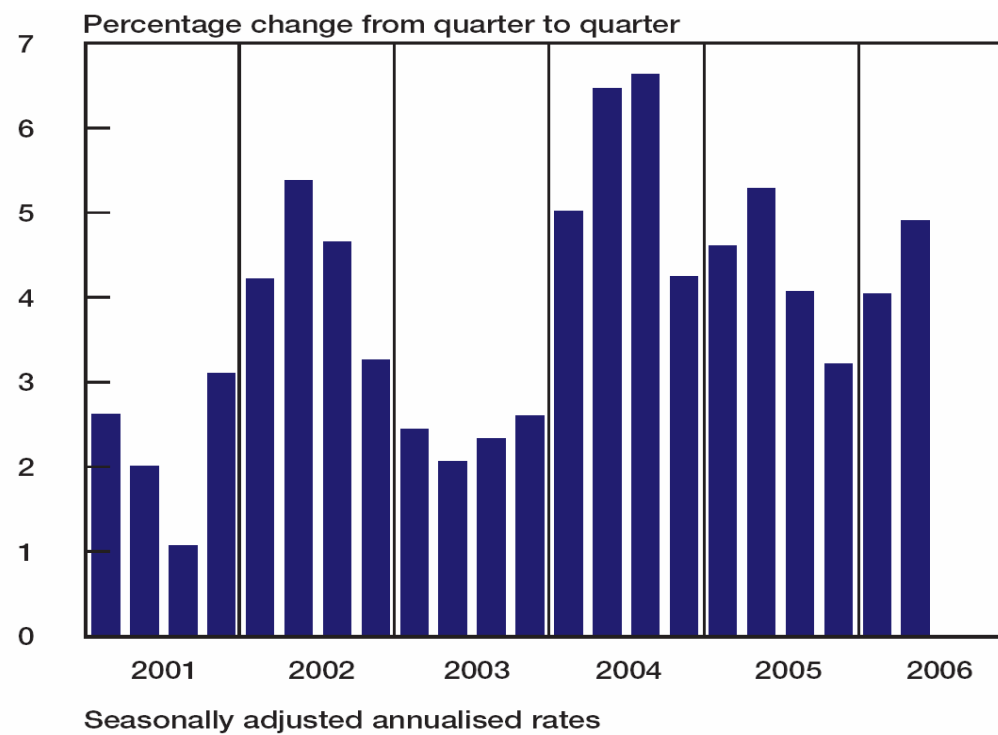
- The South African economy
  - Recent domestic economic developments
  - External account developments
- Monetary policy and inflation
- Financial market developments
- Fiscal policy developments
- Key challenges



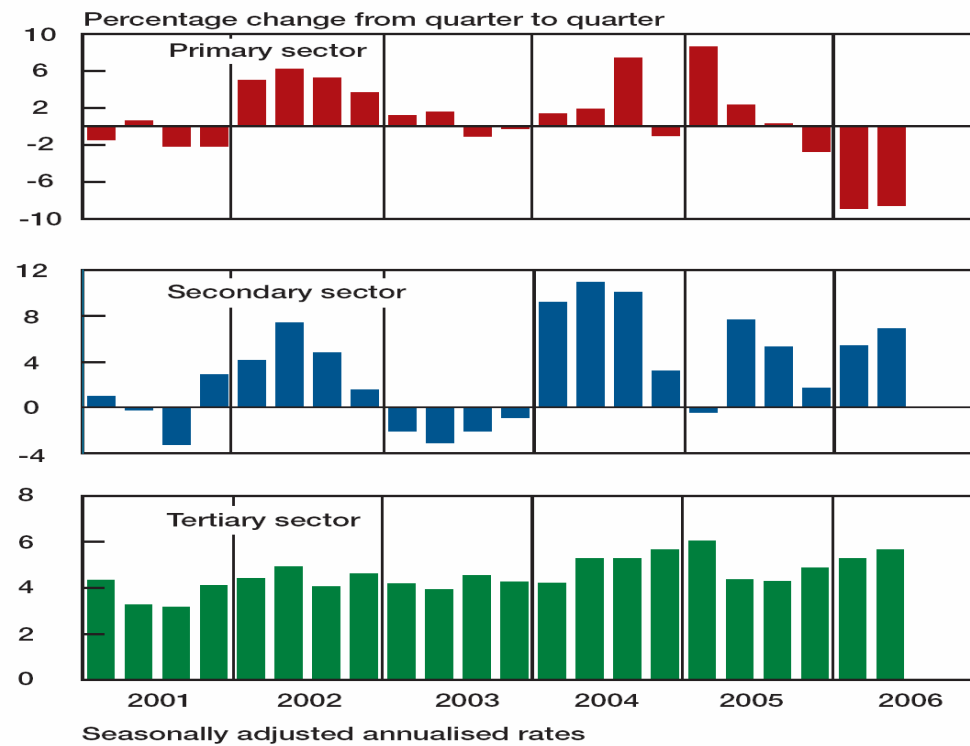
# Recent domestic economic developments



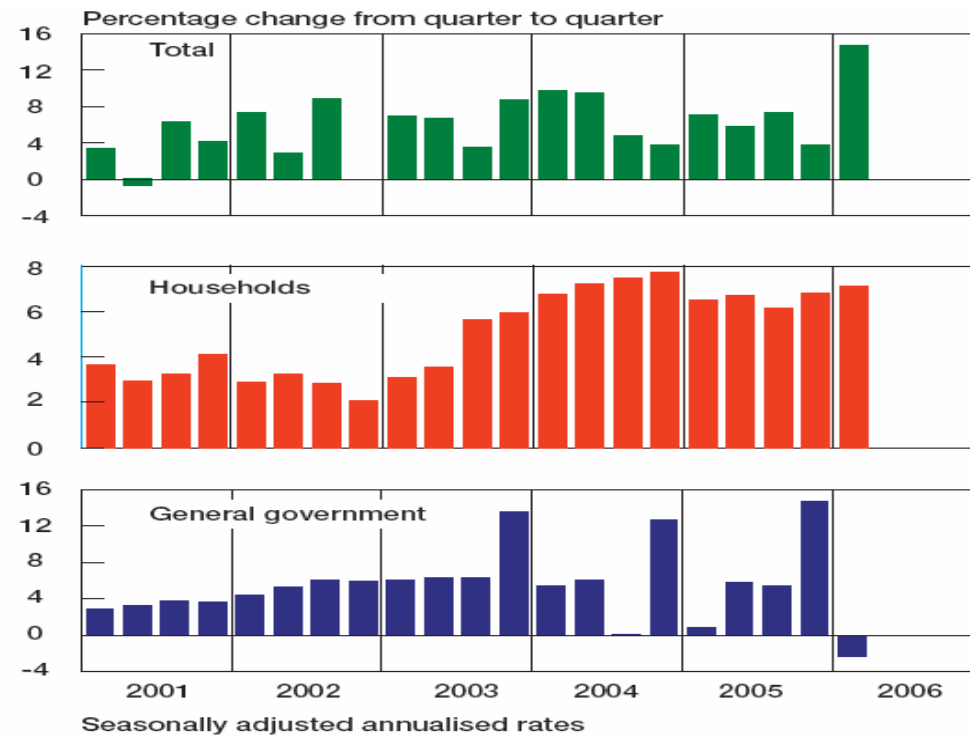
## Real gross domestic product (GDP)



## Real gross domestic product by sector



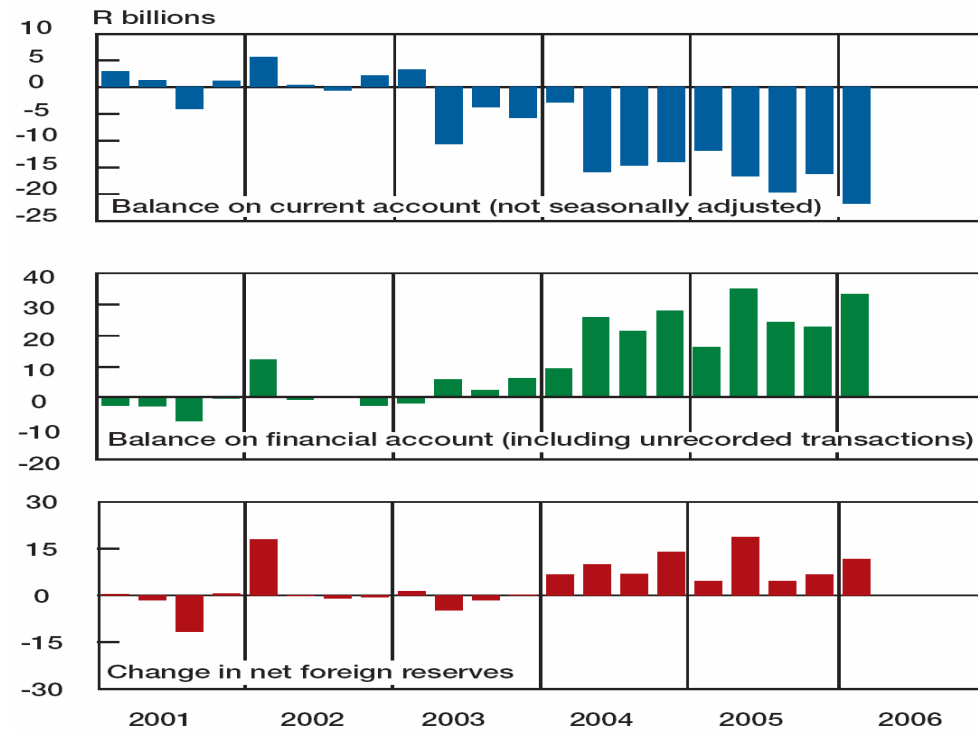
## Real gross domestic expenditure



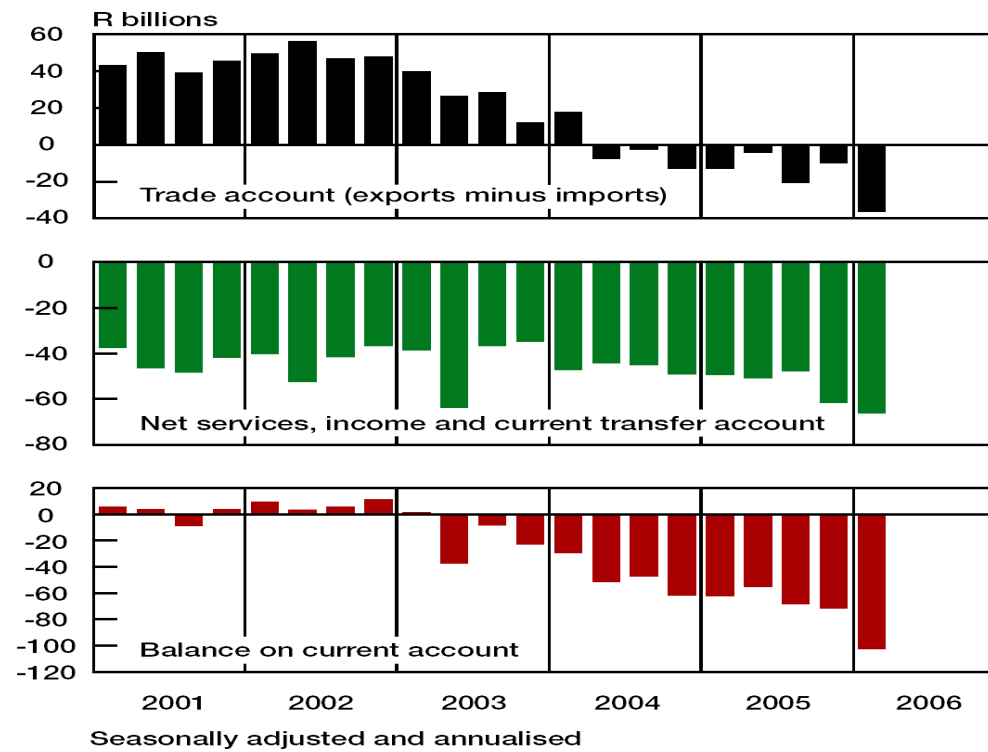
# External account developments



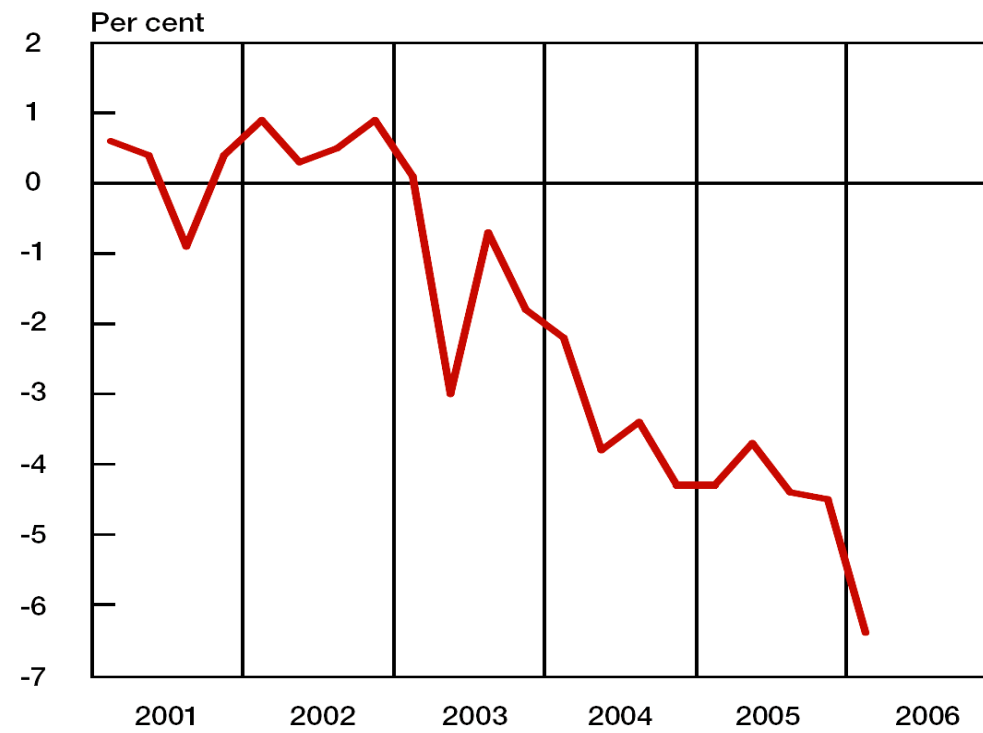
## Overall balance of payments



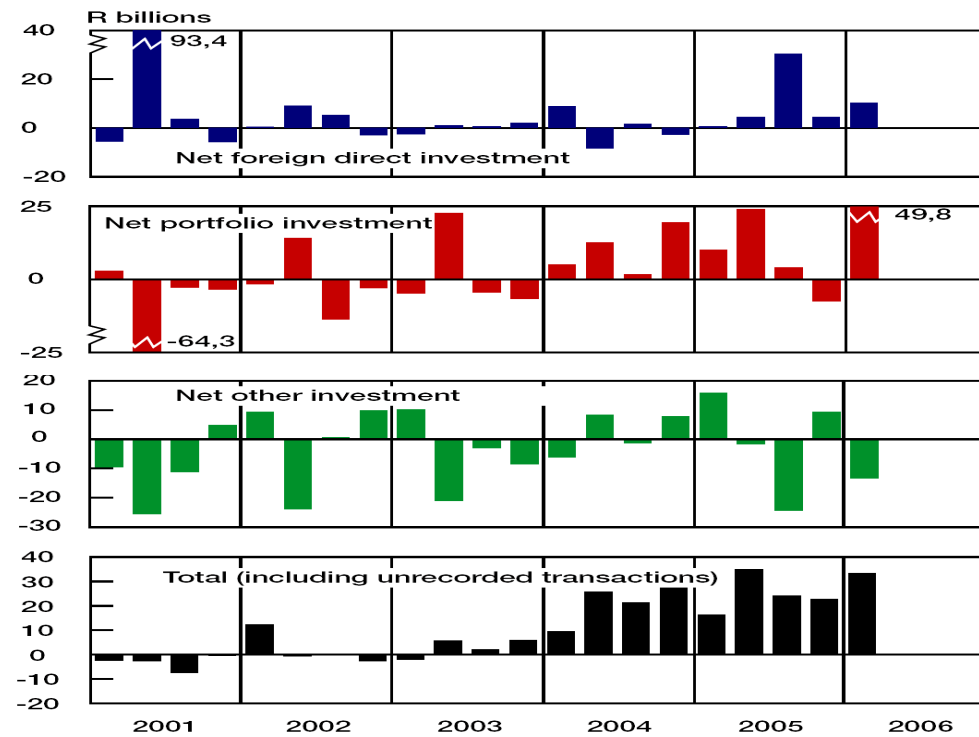
## Current account of the balance of payments



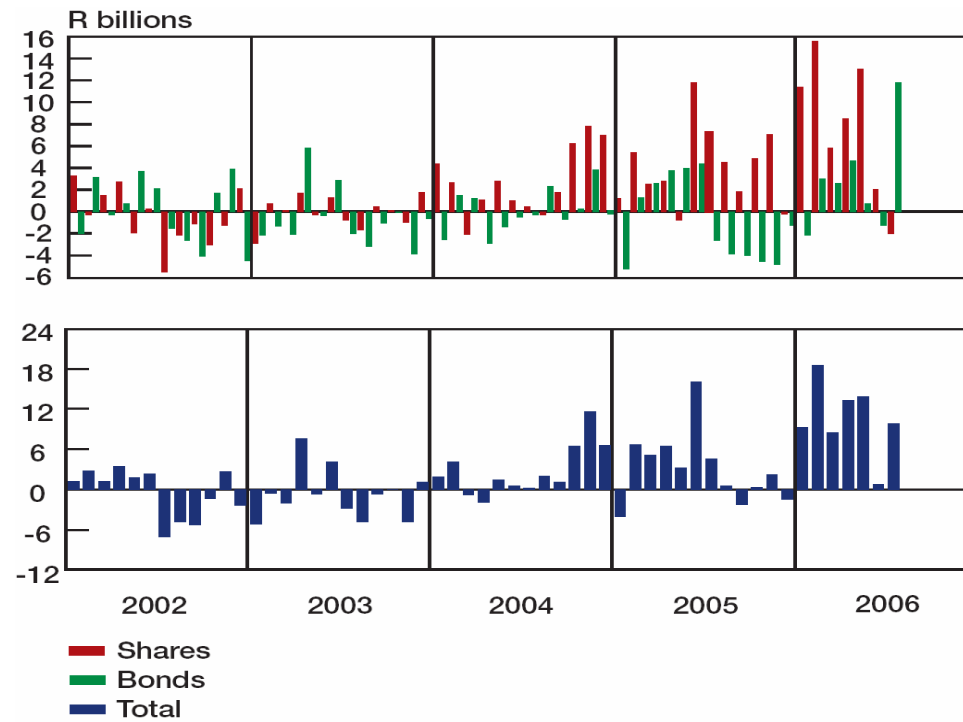
## Ratio of current account balance to GDP



## Financial account

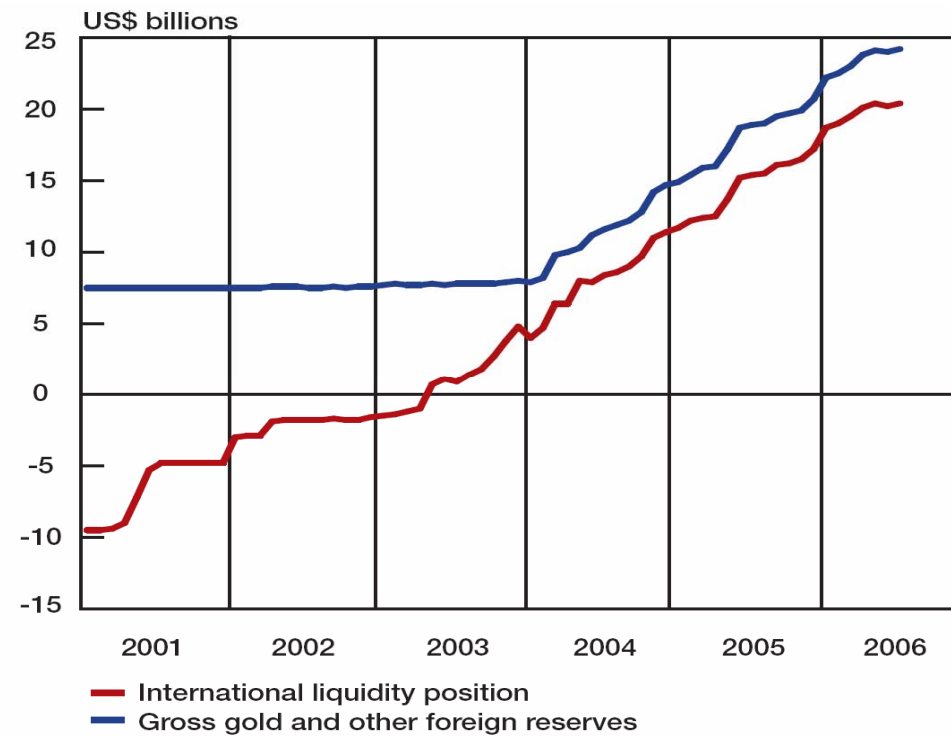


## Non-resident investors' net purchases of bonds and equities

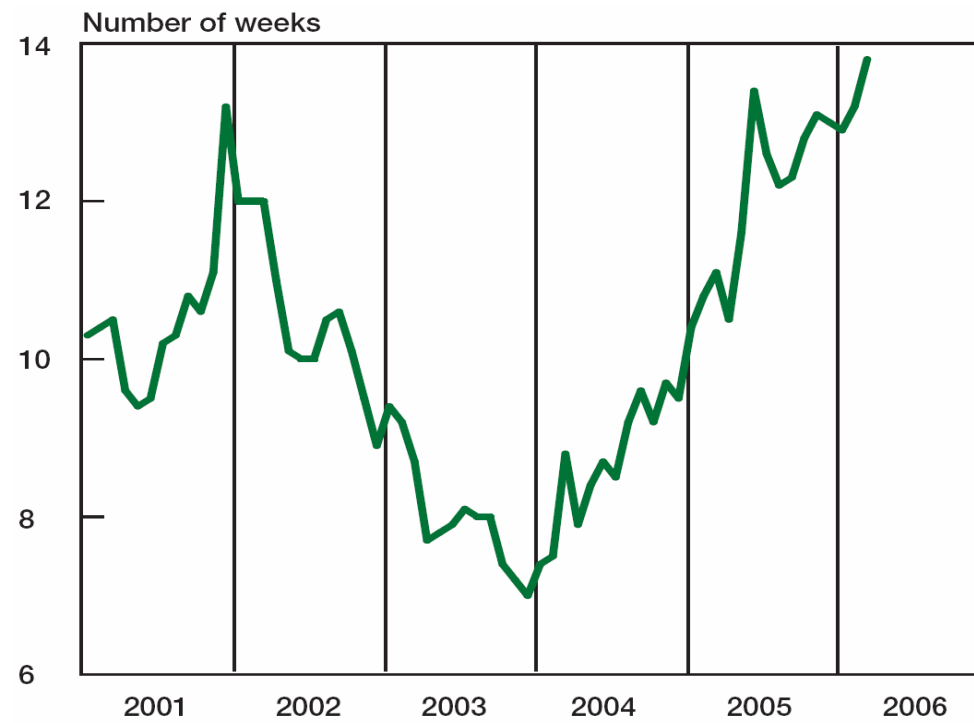


Source: JSE & Bond Exchange of South Africa

## Gold and foreign exchange reserves



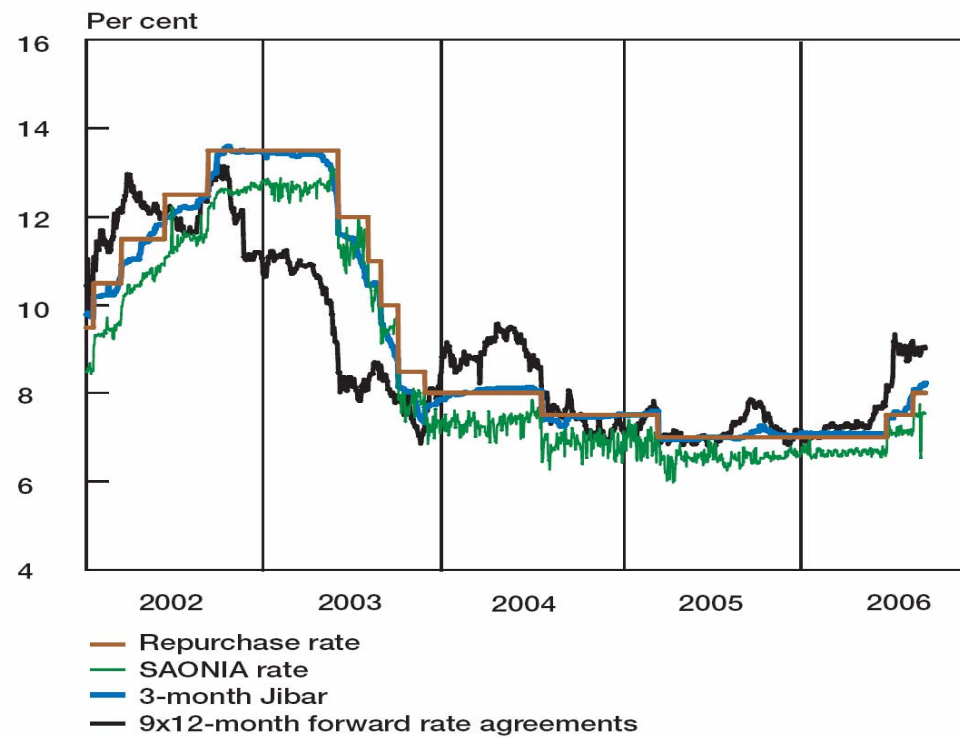
## Imports covered by international reserves



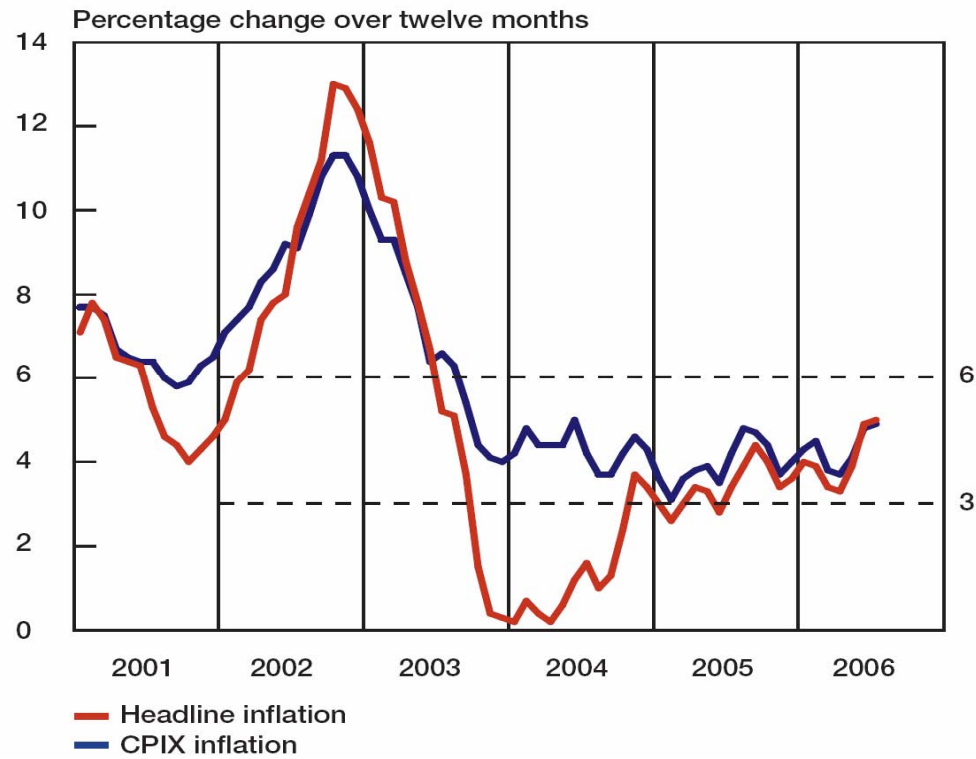
# Monetary policy and inflation



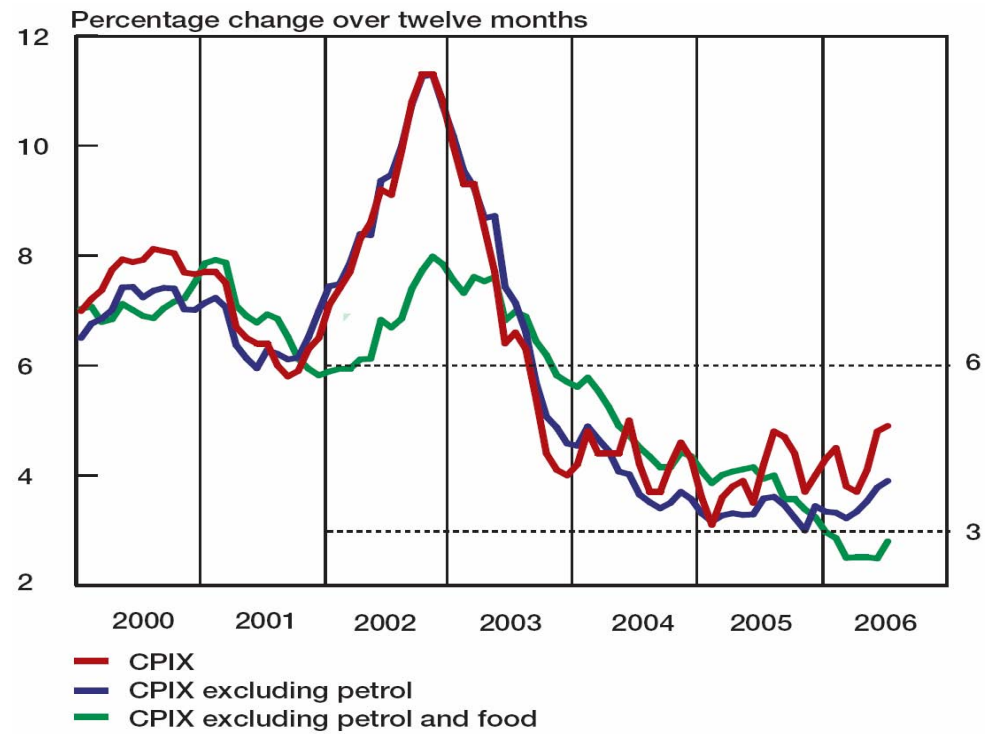
## Money-market interest rates and repo rate



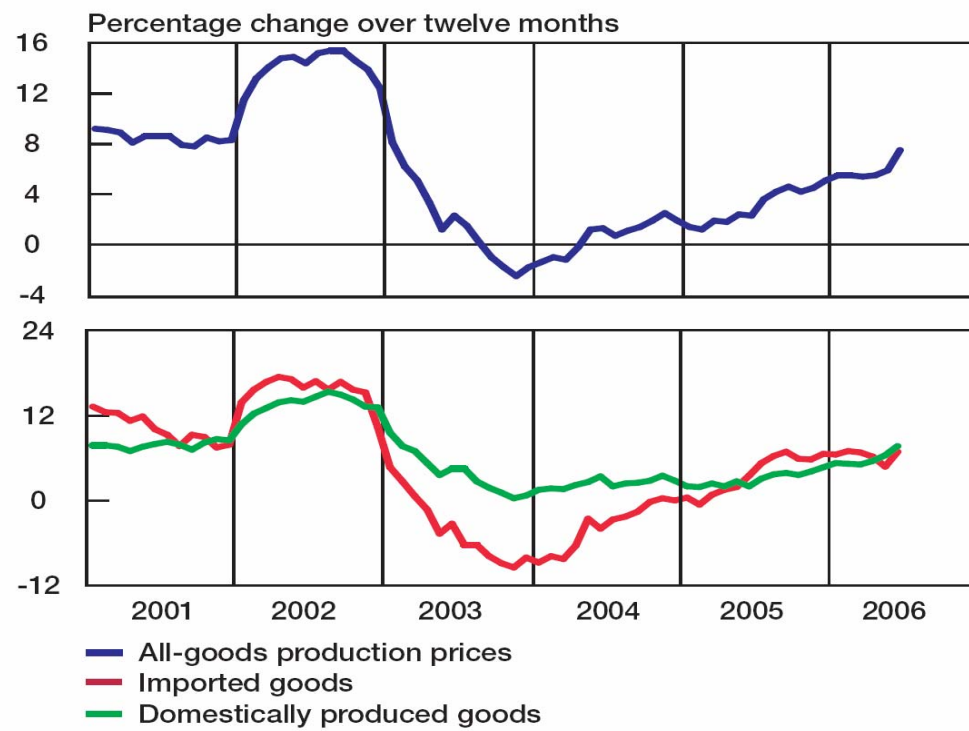
## Headline consumer inflation and CPIX



## CPIX: Excluding food and energy prices



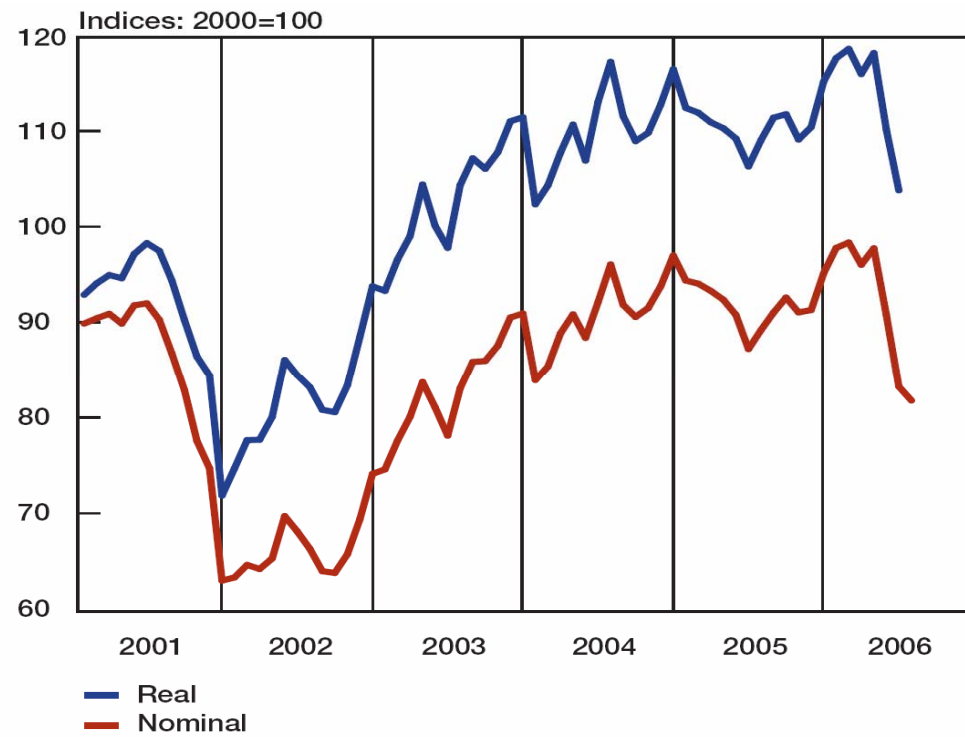
## All-goods production prices



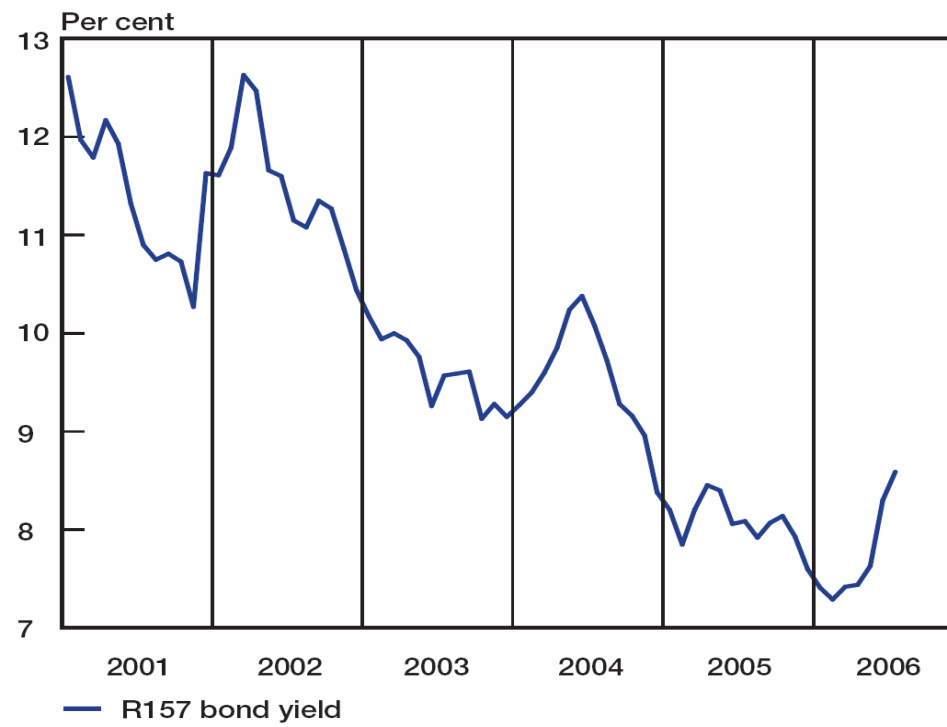
# Financial market developments



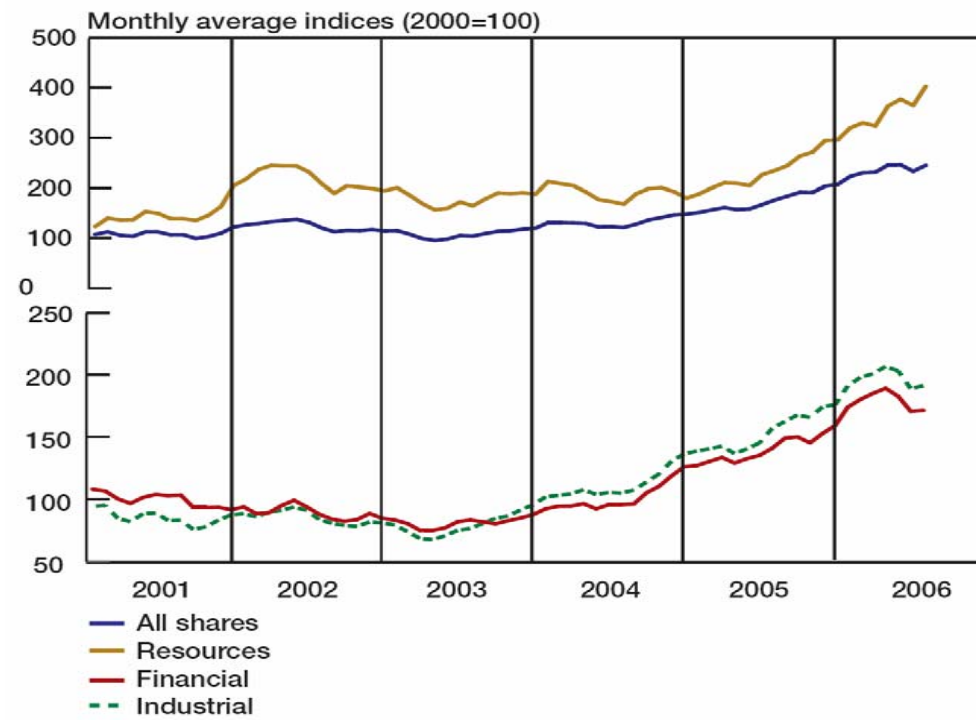
## Effective exchange rate of the ZAR



## Yield on long-term government bonds



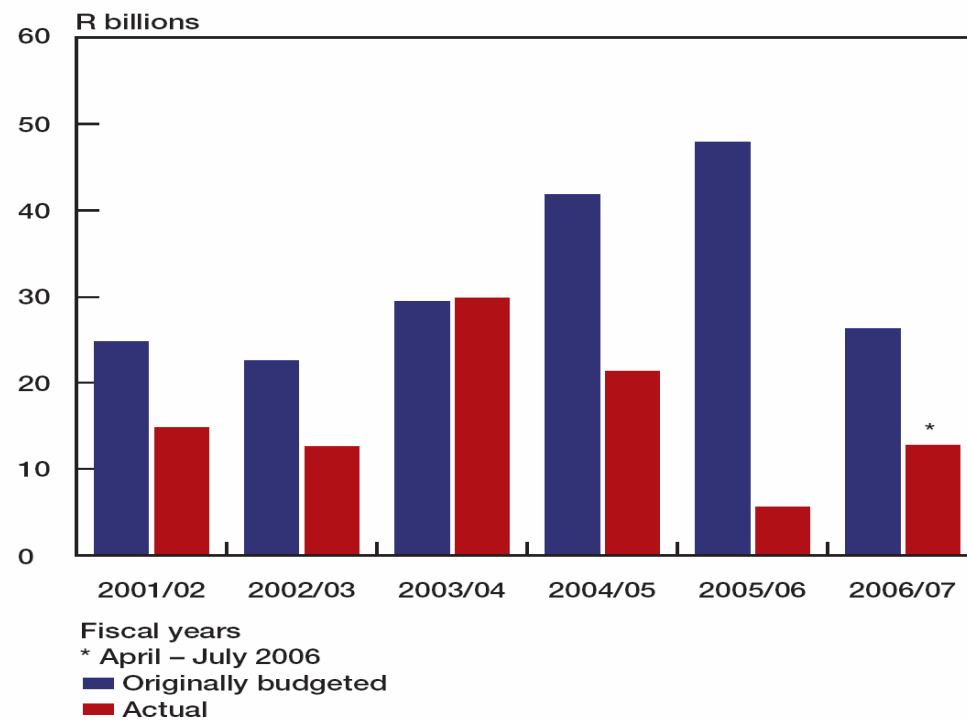
## Share prices



# Fiscal policy developments



## Deficit of national government



## Key challenges

- Accelerated Shared Growth Initiative of South Africa (ASGISA)
- Employment generation and poverty reduction.
- Overcoming skills constraints.
- Continue to attract FDI to reduce dependence on volatile portfolio investment flows.
- Infrastructure development.
- Implementing a broader-based empowerment policy.
- HIV/AIDS.
- Improvement in service delivery.

