QPM forecast summary table November 2023 MPC Press report

Summary tables of quarterly projection model projections

Summary of selected forecast results

** Figures below the forecast in parentheses represents the previous MPC forecast*

1. Selected forecast results (quarterly)

Percentage change (year-on-year)		Actual								Forecast																
		1	2	3	4	2022	1	2	3	4	2023	1	2	3	4	2024	1	2	3	4	2025	1	2	3	4	2026	Steady state
1.	Headline CPI	5.7	6.6	7.6	7.4	6.9	7.0	6.2	5.0	5.3	5.8	5.2	5.1	5.0	4.6	5.0	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
		(5.7)	(6.6)	(7.6)	(7.4)	(6.9)	(7.0)	(6.2)	(5.1)	(5.4)	(5.9)	(5.3)	(5.2)	(5.3)	(4.7)	(5.1)	(4.6)	(4.5)	(4.4)	(4.5)	(4.5)						
2.	Core CPI	3.6	4.1	4.6	5.0	4.3	5.1	5.2	4.7	4.4	4.8	4.6	4.5	4.6	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
		(3.6)	(4.1)	(4.6)	(5.0)	(4.3)	(5.1)	(5.2)	(4.8)	(4.8)	(4.9)	(4.7)	(4.7)	(4.8)	(4.6)	(4.7)	(4.5)	(4.5)	(4.4)	(4.4)	(4.5)						

2. Selected forecast results (annual)

Percentage changes (unless otherwise indicated)		Actual			Forecast				
		2020	2021	2022	2023	2024	2025	2026	Steady state
1.	GDP growth	-6.0%	4.7%	1.9%	0.8%	1.2%	1.3%	1.6%	2.5%
		(-6.0%)	(4.7%)	(1.9%)	(0.7%)	(1.0%)	(1.1%)		
2.	Output gap	-3.5%	-1.9%	-0.5%	0.1%	0.2%	0.2%	0.1%	0.0%
		(-3.5%)	(-1.9%)	(-0.5%)	(0.2%)	(0.3%)	(0.3%)		
3.	Nominal effective exchange rate	-12.8%	9.9%	-2.3%	-12.0%	-1.0%	0.4%	0.4%	2.5%
		(-12.8%)	(9.9%)	(-2.3%)	(-11.4%)	(0.2%)	(0.5%)		
4.	Real effective exchange rate	-10.6%	11.1%	-3.2%	-10.9%	1.5%	2.8%	2.9%	0.0%
		(-10.6%)	(11.1%)	(-3.2%)	(-10.2%)	(2.8%)	(2.9%)		
5.	Real exchange rate gap	-6.6%	5.4%	2.9%	-7.7%	-6.2%	-3.5%	-0.7%	0.0%
		(-6.6%)	(5.4%)	(2.9%)	(-6.9%)	(-4.1%)	(-1.2%)		
6.	Repurchase rate (end of period)	3.50%	3.61%	6.54%	8.17%	7.55%	7.32%	7.30%	7.00%
		(3.50%)	(3.61%)	(6.54%)	(8.24%)	(7.57%)	(7.31%)		
7.	Neutral real interest rate	1.9%	2.1%	2.3%	2.5%	2.7%	2.8%	2.8%	2.5%
		(1.9%)	(2.1%)	(2.3%)	(2.5%)	(2.6%)	(2.7%)		
8.	Current account balance	1.9%	3.7%	-0.5%	-1.3%	-2.6%	-3.5%	-4.0%	
	(ratio to GDP)	(1.9%)	(3.7%)	(-0.5%)	(-2.0%)	(-3.0%)	(-3.4%)		

Notes

A. **Nominal effective exchange rate:** This is based on the bilateral exchange rates of our three largest trading partners (euro area, United States and Japan). The bilateral exchange rates are weighted by export trade weights.

B. **Nominal exchange rate steady state:** This is estimated using the Purchasing Power Parity (PPP) condition, which links the depreciation of the nominal exchange rate to the inflation differential between SA and abroad. Given that the REER depreciation is zero at steady state, the nominal exchange rate will therefore depreciate by 2.5% per year in steady state, reflecting the inflation (target) differential between domestic (4.5%) and foreign (2.0%) inflation.

C. **Real effective exchange rate:** This is the nominal effective exchange rate deflated by the consumer price differential (between South Africa and the trade weighted CPI of euro area, United States and Japan).

D. **Real exchange rate gap:** The gap signifies the extent to which the real exchange rate deviates from its estimated equilibrium level. A positive gap shows an overvaluation of the currency, and vice versa.

E. **Repurchase rate:** End of period refers to the average repo rate for the last quarter of the year. The nominal repo rate steady state is calculated as the sum of SA inflation target (4.5%) and the steady state neutral real interest rate (2.5%).

F. **Neutral real interest rate (NRIR):** The NRIR is the policy rate, minus inflation, which prevails when the economy is fully in balance, with inflation at target and output at potential. The policy stance is measured as either tight or loose based on whether actual rates are above or below this neutral rate, respectively. The steady state NRIR is calculated as the sum of the respective steady states for the G3 neutral real interest rate (0.5%), South Africa's risk premium (2.0%), and the change in the real effective exchange rate REER (0.0%). Before the steady state is reached it is possible for the REER equilibrium to appreciate or depreciate, so this value can have a non-zero value over the medium term. It is nonetheless always zero in the long run.

G. **Steady state:** This is the long run value in the model. While model equilibriums can have different values over the medium term, as conditions change, all equilibriums eventually reach a steady state, where they stabilise. For more details on the estimation of steady states, see Botha, De Jager, Ruch and Steinbarg (2017) - South African Reserve Bank Working Paper Series No. WP/17/01.

H. **Current account balance as a percentage of GDP:** Forecast is obtained from the SARB's Core macroeconometric model.