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Highlights

IMF cuts SA's growth forecast

The IMF cut its economic growth outlook for South Africa to 1.4% for 2014 and 2.3% for 2015. The current projection for 2014 represents a 1.5 percentage point cut to the IMF's October 2013 forecast of 2.9%. The IMF cited the difficult industrial relations environment and infrastructure backlogs (specifically electricity constraints) as the main reasons for the downward adjustment. The IMF's growth forecast for 2014 is now in line with the BER's expectation for this year. However, at a projected 2.9% the BER remains more optimistic about next year, albeit that risks are clearly on the downside and growth could be closer to the IMF's 2.3%.

MTBPS stresses short-term pain for long-term fiscal sustainability

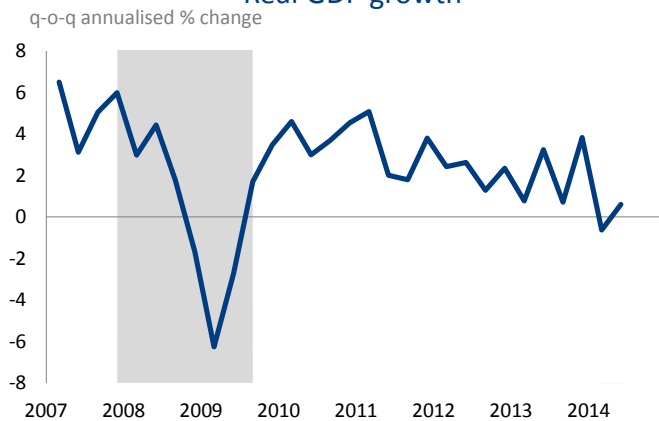
Newly appointed Finance Minister, Nhlanhla Nene, delivered his first Medium Term Budget Policy Statement (MTBPS). The minister faced a difficult task – he had to deal with a significantly weaker macroeconomic backdrop than was projected at the time of the February Budget, while at the same time reassuring rating agencies and financial markets. In the event, the minister certainly rose to the occasion; not only did he base his fiscal analysis on reasonably conservative growth projections, but he was also prepared to lower the government's expenditure ceiling and to signal tax increases next year. For a full analysis, please see the latest BER Comment.

September CPI inflation surprises on the downside

Consumer price inflation remained flat in September. As a result, the annual rate slowed to 5.9% year-on-year, from 6.4% in August. While markets were expecting a moderation in consumer inflation, the actual figure came in lower than the 6.1% predicted. This is the first time since February that headline inflation fell within the South African Reserve Bank's target range of 3 – 6%. The downside surprise stemmed mainly from lower-than-expected food price inflation. Food prices rose by 0.1% over the month (from a 0.7% increase in August), resulting in the annual rate falling from 9.5% in August to 8.7% in September. Additional downward pressure emanated from the transport category. A 4.8% month-on-month drop in the price of petrol resulted in annual transport inflation moderating from 6.1% to 4.2%, which shaved 0.3 percentage points off the headline number.

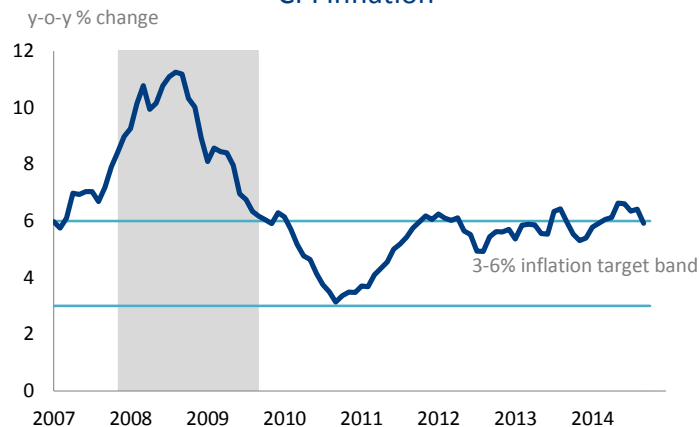
Core indicators

Real GDP growth



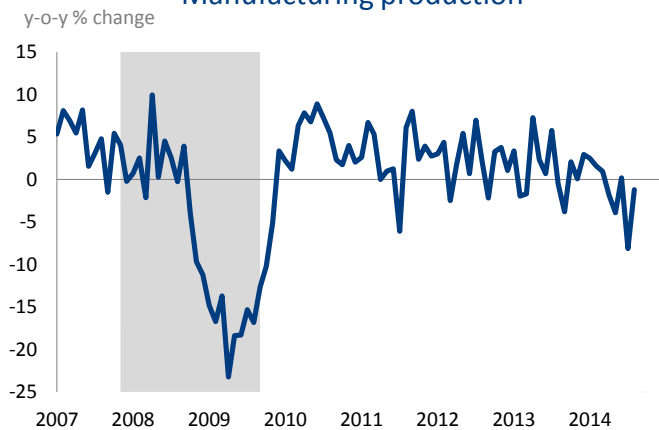
Source: SARB

CPI inflation



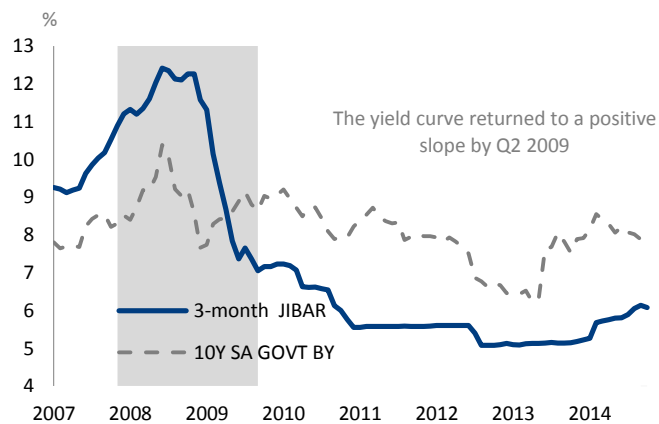
Source: StatsSA

Manufacturing production



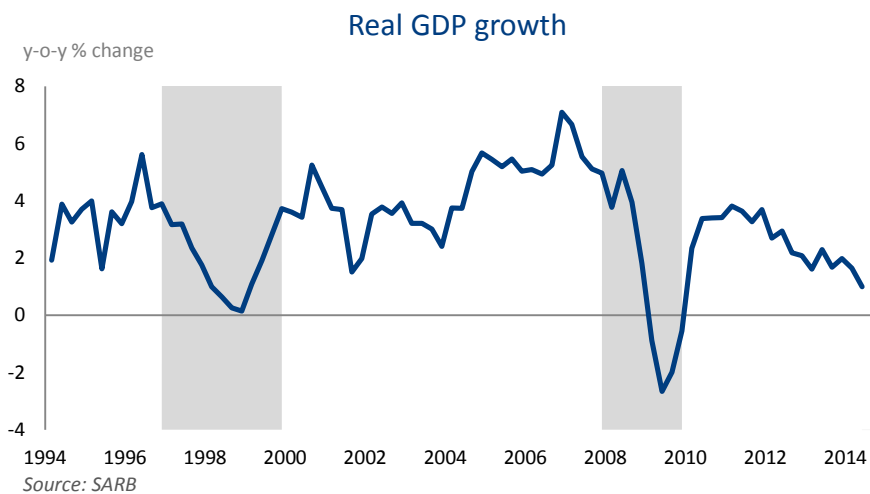
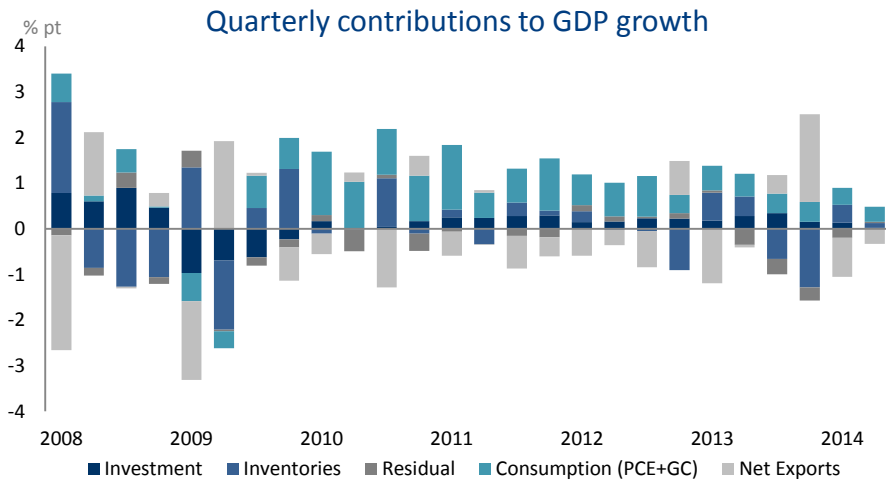
Source: StatsSA

Interest rates



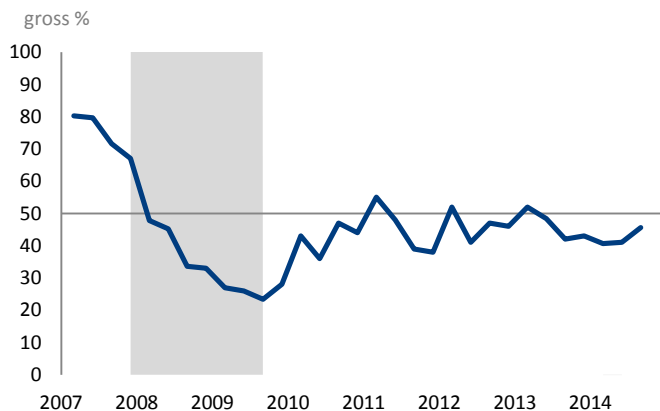
Source: Thomson Reuters

GDP Growth



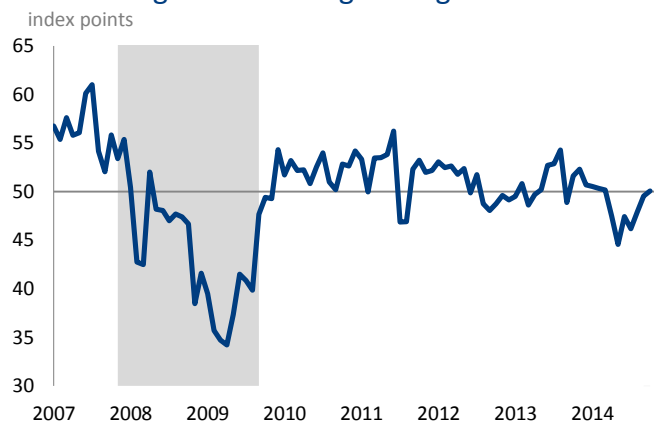
Business Environment

RMB/BER Business Confidence Index



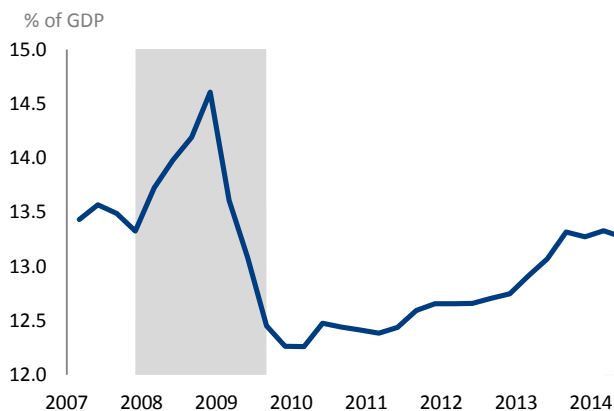
Source: BER

Kagiso Purchasing Managers Index™



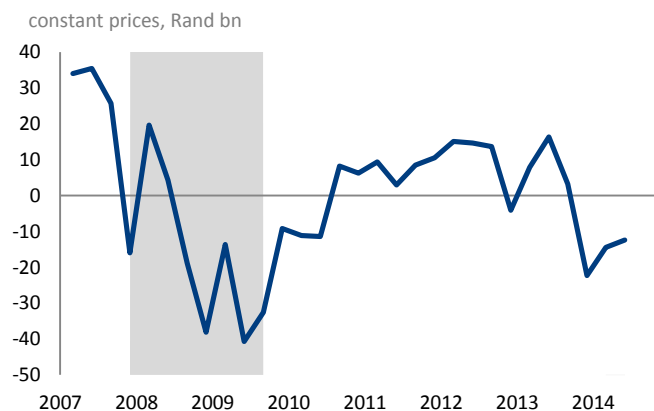
Source: BER

Private fixed investment



Source: SARB

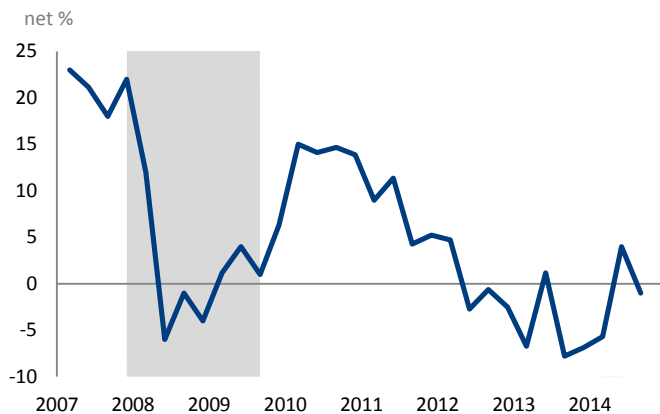
Changes in inventories



Source: SARB

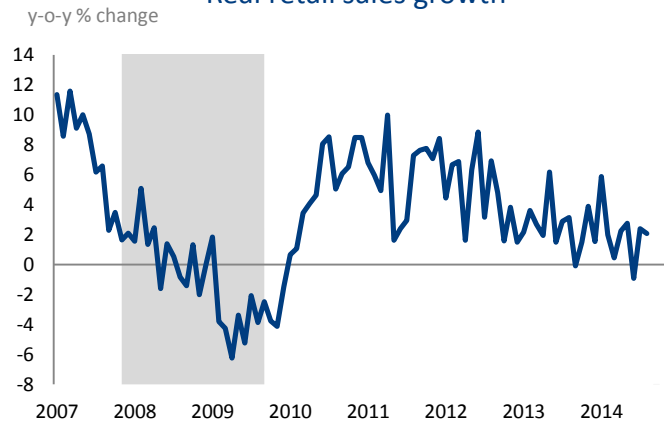
Household consumption

FNB/BER Consumer confidence index



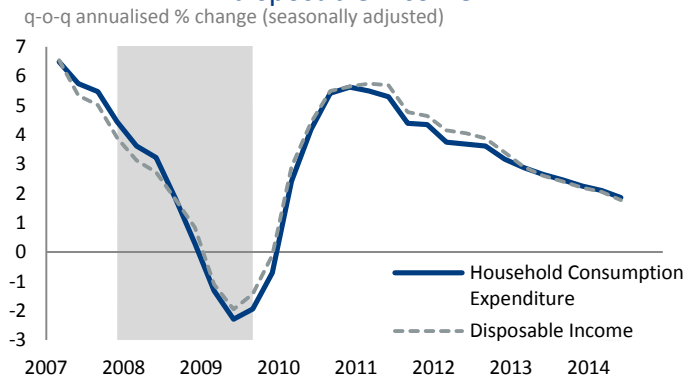
Source: BER

Real retail sales growth



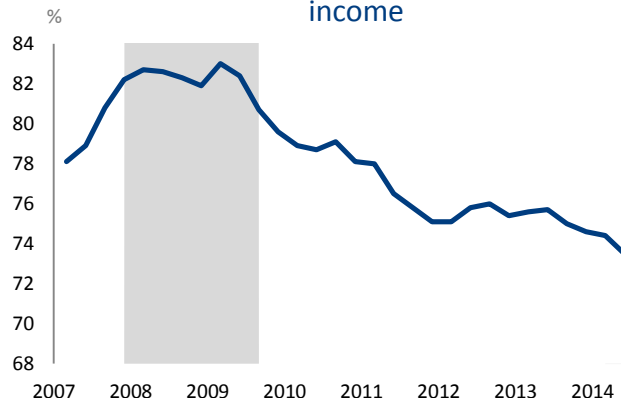
Source: StatsSA

Household consumption and real disposable income



Source: SARB

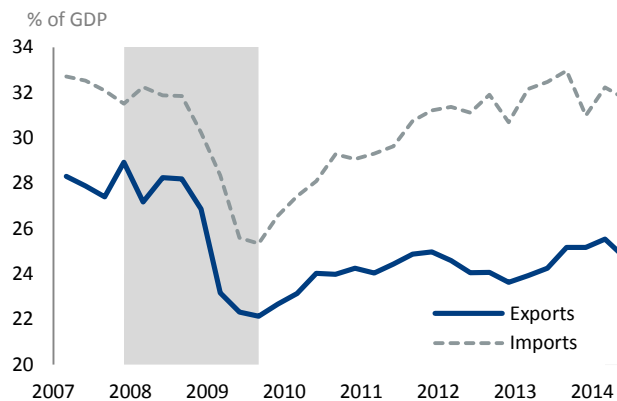
Ratio of household debt to disposable income



Source: SARB

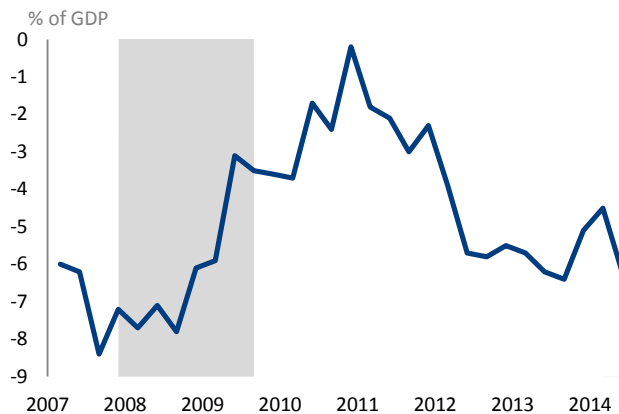
International trade

Imports and exports



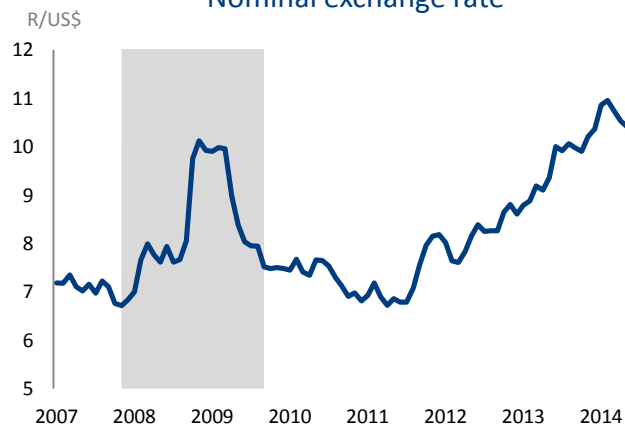
Source: SARB

Current account balance



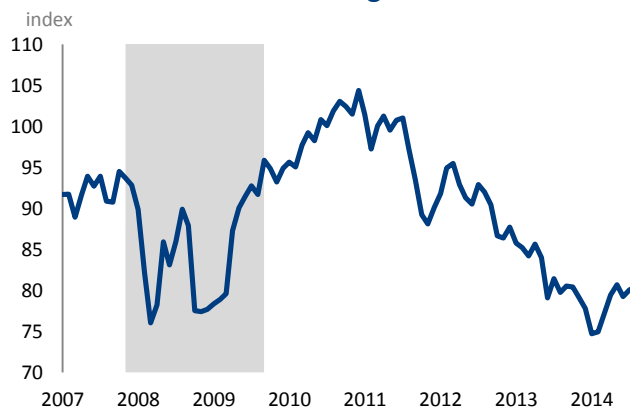
Source: SARB

Nominal exchange rate



Source: Thomson Reuters

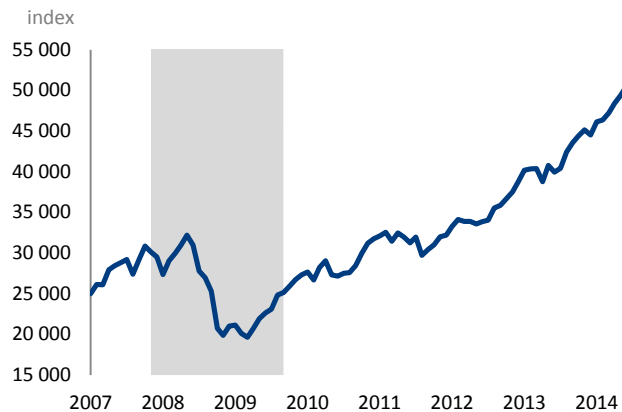
Real effective exchange rate of the Rand



Source: SARB

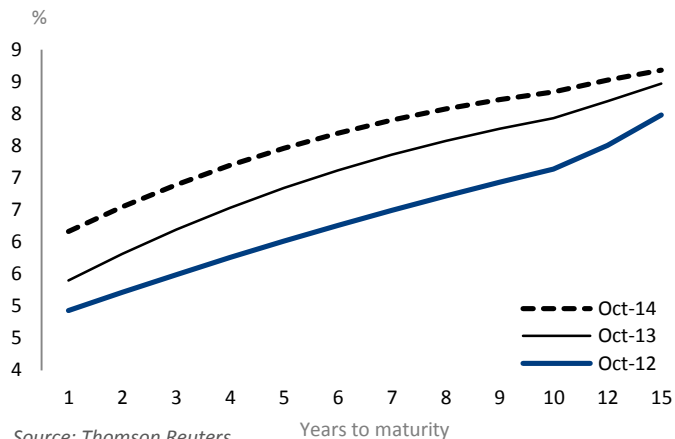
Financial markets

JSE all share index



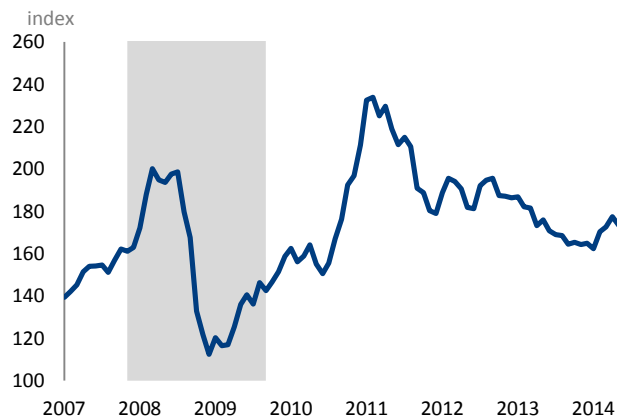
Source: Thomson Reuters

Yield curve comparisons



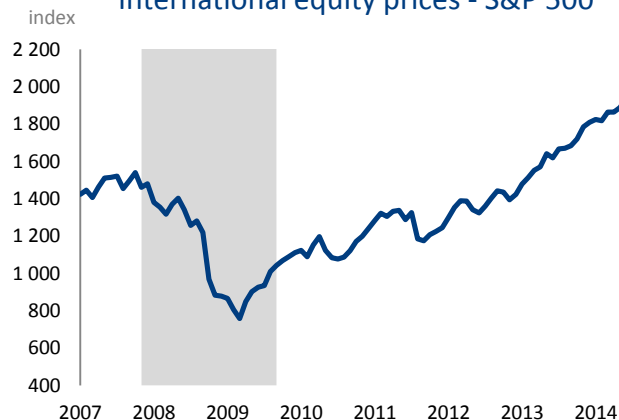
Source: Thomson Reuters

Economist all commodities index



Source: Economist

International equity prices - S&P 500

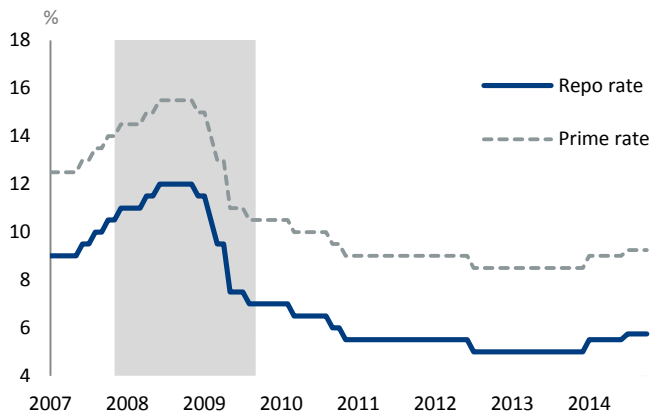


Source: Thomson Reuters

Please refer to the [glossary on the BER's website](#) for explanations of technical terms.
[Click here for more information about the BER's services.](#)

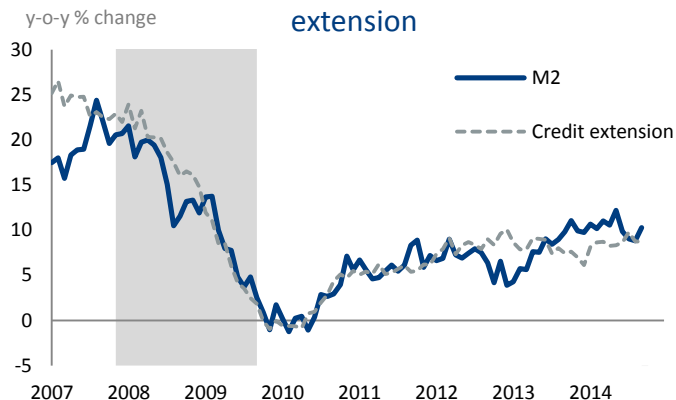
Money and prices

Repo and prime interest rate



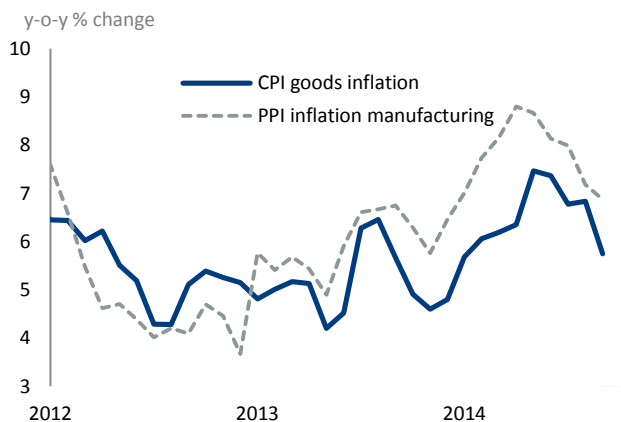
Source: SARB

M2 monetary aggregates and credit extension



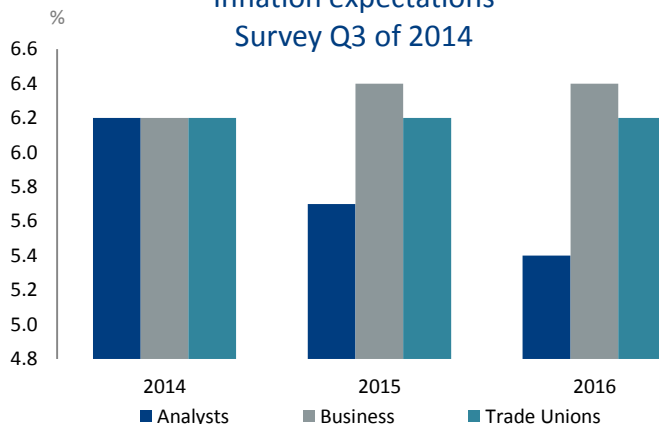
Source: SARB

Consumer and producer prices



Source: StatsSA

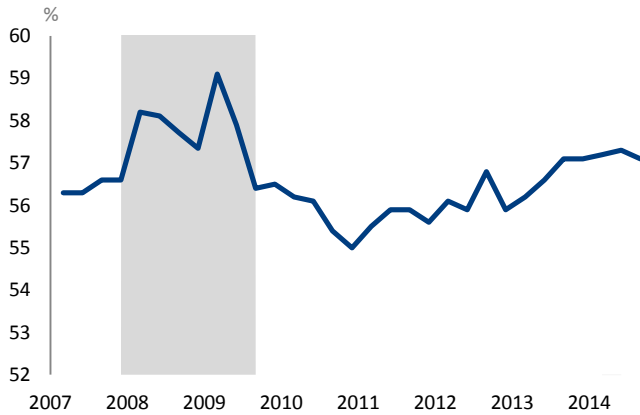
Inflation expectations Survey Q3 of 2014



Source: BER

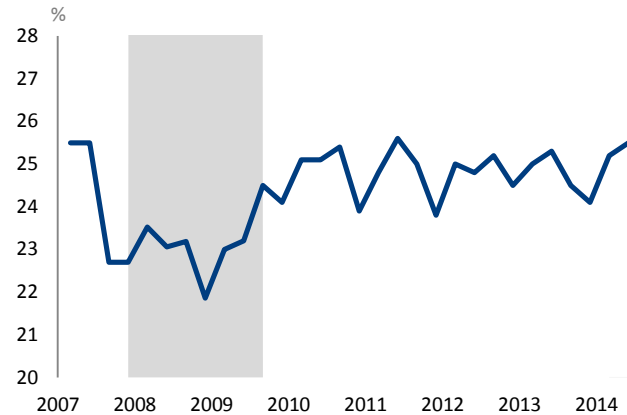
Labour

Labour force participation



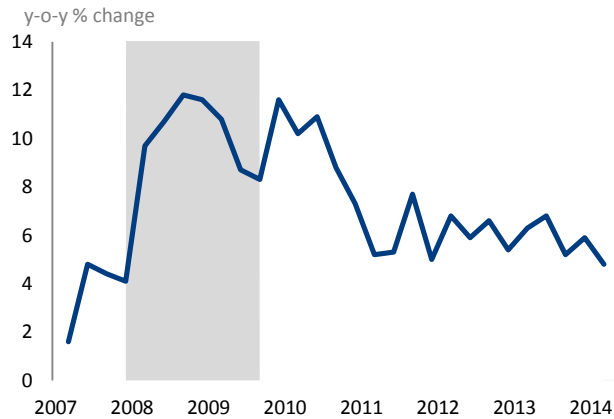
Source: StatsSA

Unemployment rate



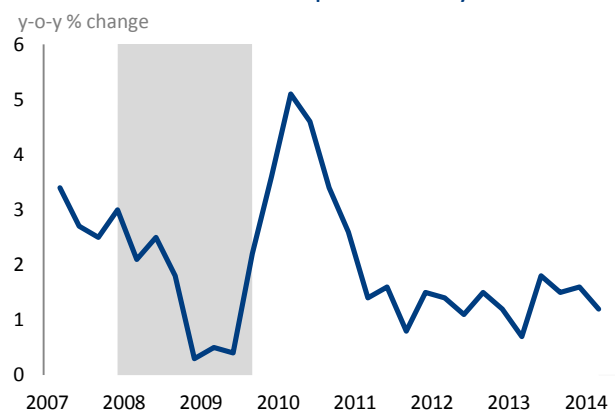
Source: StatsSA

Unit labour cost



Source: SARB

Labour productivity



Source: SARB

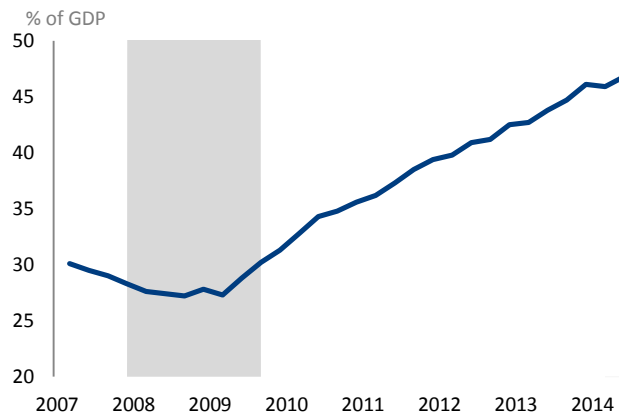
Government

Public sector borrowing requirement



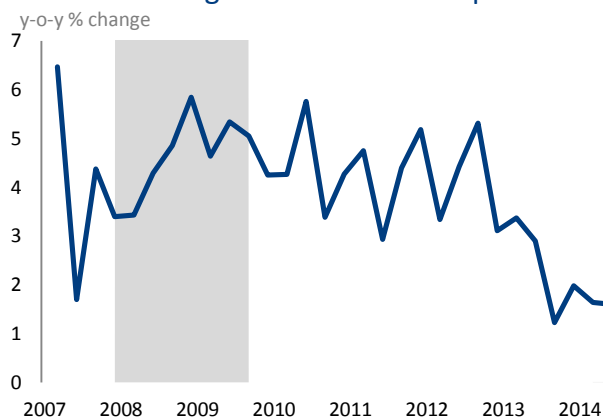
Source: SARB

Government debt



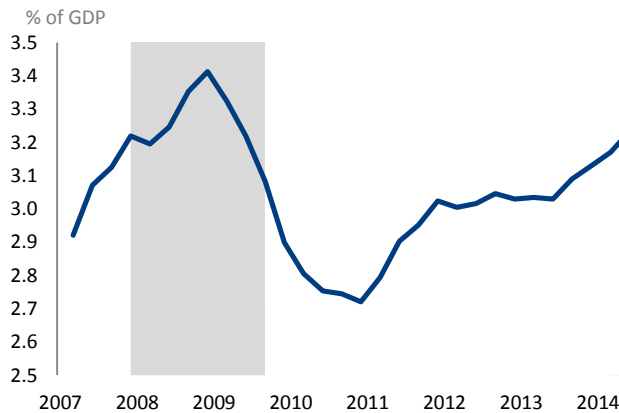
Source: SARB

Real government consumption



Source: SARB

Government fixed investment



Source: SARB

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