2

Economic policy and outlook

The South African economy continued to grow at a brisk pace in the first half of 2005. Economic growth has been characterised by strong advances in public and private sector investment and consumption, and supported by a global environment of low inflation, low interest rates and strong commodity prices.

The Labour Force Survey suggests that over the past year South Africa has experienced a significant expansion of formal sector employment, which is a critical means of achieving a more equitable sharing of the benefits derived from accelerated growth. Real wages are increasing, boosting household income, while productivity increases provide an additional economic stimulus.

Over the medium term, economic growth is expected to moderate in 2006, and then to accelerate to between 4,4 and 5 per cent a year in 2007 and 2008. Inflation is expected to remain within the target range of 3 to 6 per cent. Major public sector investments, improved service delivery, further policy adjustments to support accelerated and shared growth, and a more competitive economy will contribute to higher growth rates and labour absorption.

Introduction and overview

Six years of uninterrupted growth

By the end of the first half of 2005, South Africa had experienced an unprecedented six-year economic expansion. Strong demand for commodities, sustained increases in consumer purchasing power, and healthy increases in both private and public sector investment are leading the current acceleration in the economy. The 4,4 per cent growth rate in the first half of 2005 reflects broad-based advances across all major sectors. Growth in the transport, communications and construction sectors exceeded 6 per cent, while agriculture grew by 7,9 per cent. Manufacturing sector output has accelerated as the year has progressed.

Investment in fixed capital by the private sector and public corporations continues to grow strongly, rising by 8,7 and 14,7 per cent respectively in the first half of 2005. A range of public sector investments and private sector initiatives are expected to help push investment as a percentage of GDP beyond the 16,8 per cent it reached in the first half of 2005.

Historically low interest rates and improvements in earnings make credit more affordable

Household consumption remains strong and is expected to grow by 5,9 per cent in 2005. Debt levels remain relatively stable, as historically low interest rates and improvements in earnings make credit more affordable.

Better export growth from higher commodity prices and a somewhat weaker currency in the first five months of 2005 contributed to a stronger trade balance and slightly smaller current account deficit compared to 2004. Steady high demand for rand-denominated assets resulted in healthy capital inflows of R48,1 billion in the first half of 2005 and ensured more than adequate financing of the current account. This is expected to continue in the present international economic conditions.

Statistics show long-term expansion of formal sector employment

The March 2005 Labour Force Survey indicates a significant expansion of employment in South Africa over the past year, both in formal sector job creation and in informal or unregulated activities.

Consumer price inflation less mortgage interest costs (CPIX) reached a cyclical low of 3,1 per cent in February 2005. Lower expectations of inflation combined with low producer and consumer price inflation contributed to a reduction of the repo rate in April 2005 to 7 per cent from 7,5 per cent at the end of 2004. CPIX inflation averaged 3,8 per cent in the first eight months of 2005 and is expected to increase to 4,1 per cent for the year, remaining within the target range of 3-6 per cent over the MTEF period.

Real economic growth is expected to accelerate to 4,4 per cent in 2005 from 3,7 per cent in 2004, rising to 4,8 per cent in 2008.

Global developments

Global growth expected to be above 4 per cent in 2005

Global GDP growth is expected to remain strong in 2005, rising by 4,3 per cent (2004: 5,1 per cent). This expansion has been underpinned by growth-friendly macroeconomic policies and low inflation in important regions of the world economy.

The US and China registered strong growth during the first half of 2005, and Japan exhibited signs of a more sustained recovery. Economic growth in Europe remains sluggish and prospects uncertain.

Table 2.1 Trends and projections of global growth and inflation, selected countries, 2004 – 2006

Country/region	2004	2005	2006	2004	2005	2006
	Growth projections			CPI projections		
World	**5,1**	**4,3**	**4,3**	**3,7**	**3,9**	**3,7**
US	4,2	3,5	3,3	2,7	3,1	2,8
Euro area	2,0	1,2	1,8	2,1	2,1	1,8
UK	3,2	1,9	2,2	1,3	2,0	1,9
Japan	2,7	2,0	2,0	–	-0,4	-0,1
Emerging markets and developing countries	**7,3**	**6,4**	**6,1**	**5,8**	**5,9**	**5,7**
Developing Asia	**8,2**	**7,8**	**7,2**	**4,2**	**4,2**	**4,7**
China	9,5	9,0	8,2	3,9	3,0	3,8
Africa	**5,3**	**4,5**	**5,9**	**7,8**	**8,2**	**7,0**
South Africa	3,7	4,3	3,9	1,4	3,9	5,3

Source: IMF, World Economic Outlook, September 2005

China and India lead strong growth trend in developing countries

Growth across the developing world remains robust, particularly in Asia, where China and India continue to grow very rapidly. In Africa, economic growth is expected to reach 4,5 per cent in 2005, and inflation has receded from more than 10 per cent in 2003 to single-digit levels. Commodity price increases over the past several years have been especially beneficial for commodity exporters.

The balance-of-payments positions of larger economies continue to present a mixed picture. Abrupt changes to these positions pose a risk to the sustainability of capital flows and exchange rates.

Oil prices are expected to remain high

World growth is expected to remain relatively healthy over the MTEF. Oil prices, however, are likely to remain high (above US$55 per barrel) in the medium term in the face of strong global demand and geopolitical risk.

Balance of payments

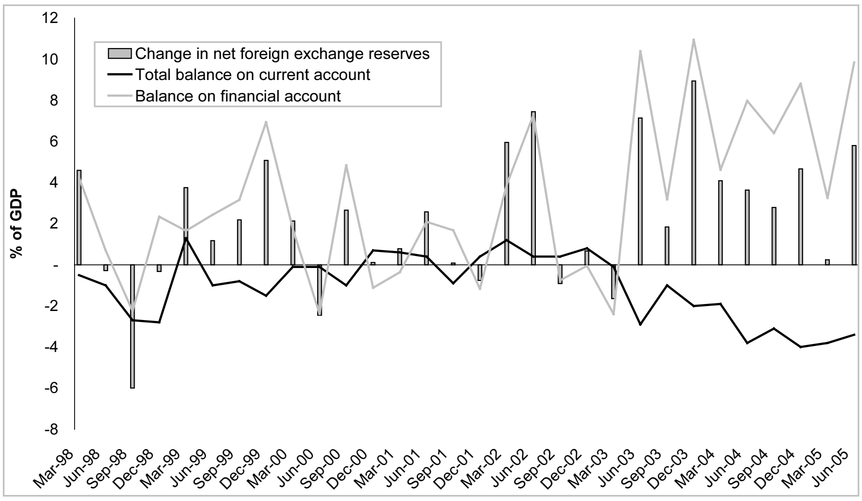
Surplus on financial account at 6,6 per cent of GDP

The balance of payments remains healthy, as capital flows continue to exceed what is required to accommodate the current account deficit. The surplus on the financial account was 6,6 per cent of GDP in the first half of 2005, compared to the current account deficit of 3,6 per cent of GDP.

Current account

The current account deficit of 3,6 per cent of GDP in the first half of 2005 was largely unchanged from 2004.

Figure 2.1: Current and financial account balances, 1998 – 2005

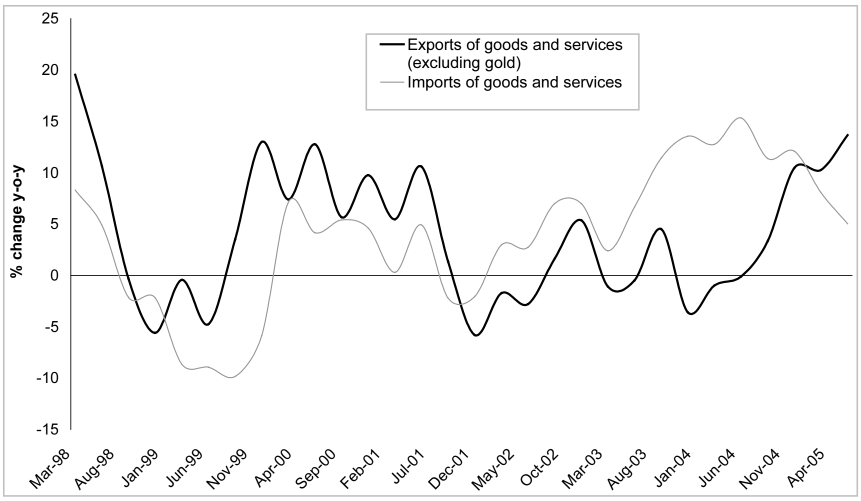


Merchandise exports up on strong commodity demand

The value of merchandise exports increased by an annualised 14 per cent in the first half of 2005, with strong demand for commodities from Asia. The value of merchandise imports increased by an annualised 8,5 per cent during the same period, driven largely by mineral products (including crude oil) and manufactured goods such as machinery and electrical equipment.

The recent oil price increases and continued imports of capital goods will put pressure on the trade balance in the second half of 2005, but are not expected to raise the current account deficit beyond the 3,5 per cent of GDP expected for the year as a whole.

Figure 2.2: Percentage change in merchandise imports and exports, 1998 – 2005



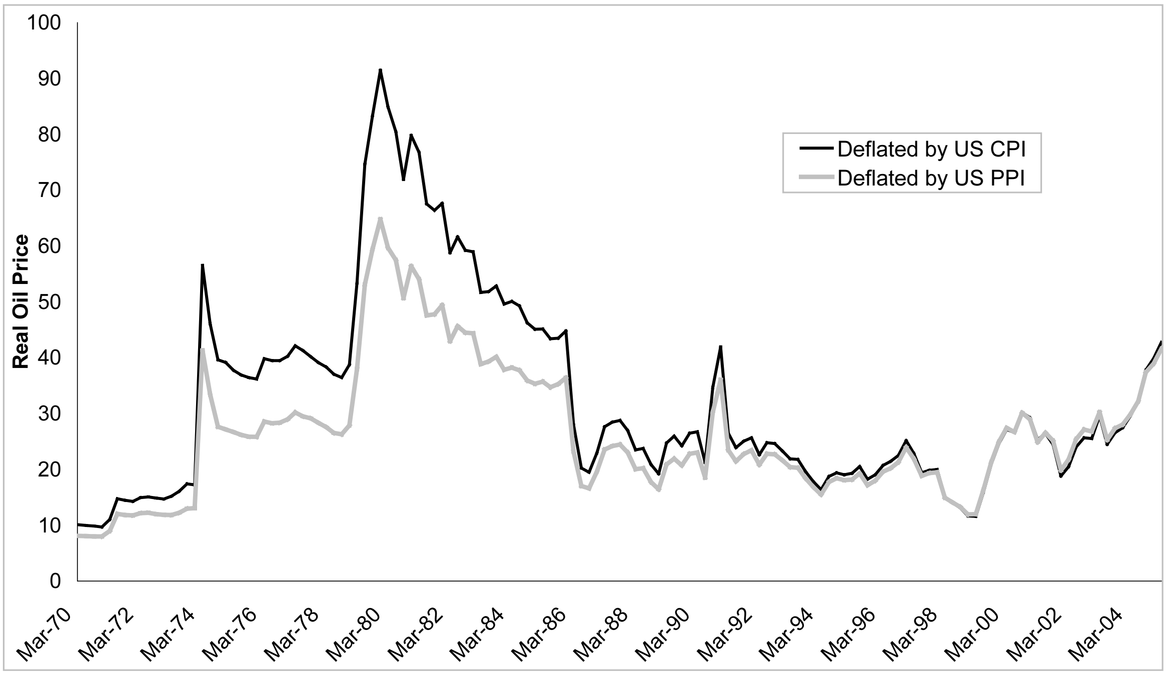
The effect of the rising oil price on the South African economy

West Texas Intermediate (WTI) crude for October 2005 delivery rose to a record high of US$70,85 per barrel on 30 August 2005. The price of WTI has more than tripled from US$18 per barrel in November 2001, and at this level is similar in nominal terms to the previous three oil price shocks (1974, 1979, 1990). However, in real terms oil prices are well below the highs experienced in the 1970s.

The immediate cause of the most recent record high was concern about production losses in the US Gulf of Mexico related to the effects of Hurricane Katrina. This comes at the end of a six-year rally driven by a rise in global demand, a lack of new discoveries, supply disruptions, under-investment in capacity and expansionary monetary policy internationally, which have increased demand for commodities and stimulated consumer demand.

Global oil consumption has increased rapidly, partly as a result of global economic growth. China has accounted for one-third of growth in global oil demand since 2000. Previous oil price spikes were mostly due to adverse supply conditions, in contrast to the present demand-led price rise.

Trends in real oil prices, 1970 – 2004



Crude oil accounts for about 10 per cent of South Africa's total imports and makes up 10 per cent of the country's energy sources. Petroleum products such as petrol and diesel constitute 33 per cent of final energy demand and two-thirds of these products are derived from imported oil. As a result, the Gauteng fuel price has risen by nearly 30 per cent over the past year, putting upward pressure on inflation. The effect on the current account has, however, been softened by the increase in commodity prices, particularly gold and platinum group metals.

Notwithstanding strong global demand, higher oil prices may have a negative impact on growth in the Group of 7 (G7) economies, and consequently South African export volumes and ultimately total output. Modelling done by the International Monetary Fund in 2000 showed that a US$10 per barrel permanent increase in the oil price could lead to a reduction in G7 growth by half a percentage point.

Modelling done by the National Treasury indicates that a US$10 per barrel permanent increase in the price of oil (i.e. an increase of US$10 relative to the baseline in each of the quarters from 2005Q3 to 2009Q1) will result in a reduction of 0,3 percentage points in South African GDP growth in 2006.

Financial account

Growing demand for South African bonds and equities

Strong domestic growth, low inflation, the prospect of rising bond prices, high commodity prices and attractive yields in equities have stimulated foreign demand for South African bonds and equities. Capital inflows were further boosted by rising volumes of merchandise imports, which contributed to an increase in trade financing by South Africa's trading partners.

Net foreign direct investment (FDI) contributed R4,4 billion to the R48,1 billion financial account surplus in the first half of 2005.

Turnover on the Bond Exchange of South Africa in the eight months to August 2005 exceeded that for the corresponding period in 2004 by 4 per cent. Non-resident participation in the Bond Exchange increased from 9 per cent in February 2004 to an average of 16 per cent in the first eight months of 2005. Non-residents also accounted for 20 per cent of total trade in the equity market. Share market conditions in the Johannesburg Securities Exchange were robust, buoyed by growth across various sectors. The all-share price index increased rapidly and reached historic highs from the end of May 2005.

Further steps in the liberalisation of exchange controls

South Africa remains committed to the gradual liberalisation of exchange controls based on certain prerequisites, including macroeconomic stability and enhanced financial regulation. In addition, South Africa has a key role to play as a regional financial centre by facilitating the flow of capital to the rest of Africa, thereby helping to realise NEPAD development goals.

South African financial institutions have already made a significant contribution to facilitating the provision of capital and financial services on the continent. To enhance their potential in this regard, the following reforms to exchange controls are announced:

- South African banks are to be allowed to hold foreign assets up to 40 per cent of their domestic regulatory capital as part of the shift from exchange controls to the prudential regulation of banks' foreign exposures. Non-African foreign assets will be restricted to 20 per cent, while African assets can constitute up to the entire 40 per cent.

  The above prudential foreign exposure limit will regulate both on- and off-balance-sheet bank assets with a foreign content, including the trading book. The range of transactions will include, *inter alia*, underwriting foreign currency denominated bonds issued by local entities, including South African Government bonds; foreign currency denominated lending to non-residents; issuing guarantees; and foreign portfolio investment in bonds, shares or other assets.

  The allowance comes into effect once agreement has been reached between the National Treasury, the Reserve Bank and the banking industry on an appropriate system of reporting.

  In addition, South African banks can extend foreign currency denominated facilities for the financing of approved foreign direct investments by South African companies.

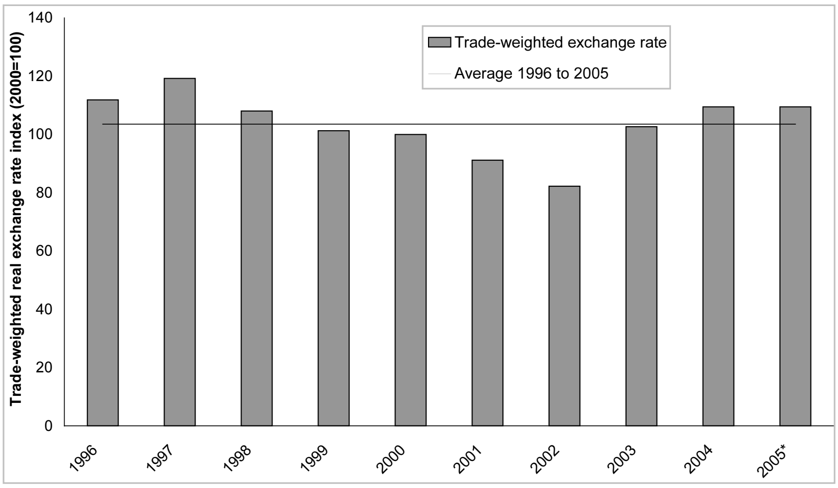
- The foreign exposure limit on collective investment schemes is increased from 20 per cent to 25 per cent of total retail assets, and for investment managers from 15 per cent to 25 per cent of total retail assets. This will further enable South African residents to diversify their investment portfolios through domestic channels and enhance the role of South African fund managers in facilitating the flow of funds to the continent. This increased allowance applies with immediate effect.
- Further details of these exchange control reforms will be provided by the Reserve Bank.

Exchange rate and international reserves

On a trade-weighted basis, the rand has retreated from the highs it reached in 2004. In addition, since the sharp depreciation of the exchange rate in 2001 and subsequent rebalancing, the volatility of the rand has reduced. The trade-weighted real exchange rate has returned to the average level of the 1996-2000 period. This is indicated in Figure 2.3.

Trade-weighted real exchange rate of rand has returned to average level of 1996-2000

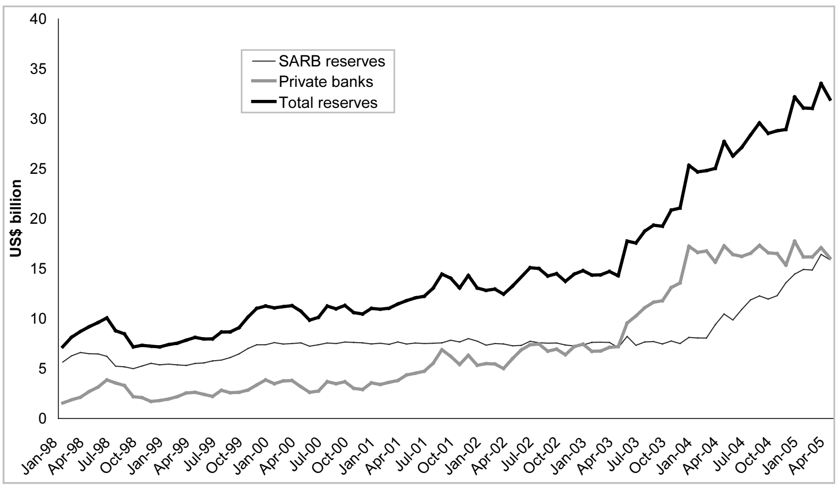
Figure 2.3: Rand exchange rate indicators



The closure of the net open forward position and prudent reserve management by the Reserve Bank resulted in a significant increase in the level of foreign exchange reserves, with gross gold and other foreign exchange reserves rising to US$19,5 billion at the end of September 2005. The net international liquidity position increased to US$16,1 billion from US$11,4 billion in 2004 and US$4,8 billion over the same period in 2003.

Foreign reserves up significantly

Figure 2.4: Annual changes in total reserves, 1998 – 2005



Import cover has increased to 13,5 weeks

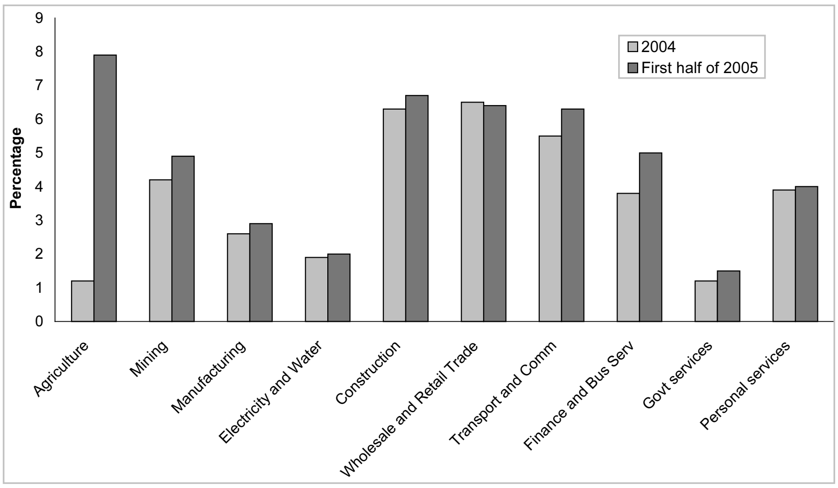
Import cover of gross international reserves improved from seven weeks worth at the end of 2003 to 13,5 weeks at the end of June 2005. From the end of 2003 to the end of 2004, the ratio of gross reserves to short-term foreign currency denominated debt improved from 69 per cent to 179 per cent.

Real output trends

Robust and broad-based growth in the first half of 2005

Economic growth in the first half of 2005 reached 4,4 per cent, rising by a seasonally adjusted and annualised rate of 4,9 per cent in the second quarter, compared to 3,5 per cent in the first quarter of 2005. The growth was spread across all sectors of the economy.

Figure 2.5: Sectoral growth, 2004 – 2005



Agriculture

Bumper maize crop, animal production boost agriculture

Value added was particularly strong in the agriculture, forestry and fishing sector, increasing by 7,9 per cent in the first half of 2005 compared to the same period in 2004. The bumper maize crop and improved animal production supported growth in the sector.

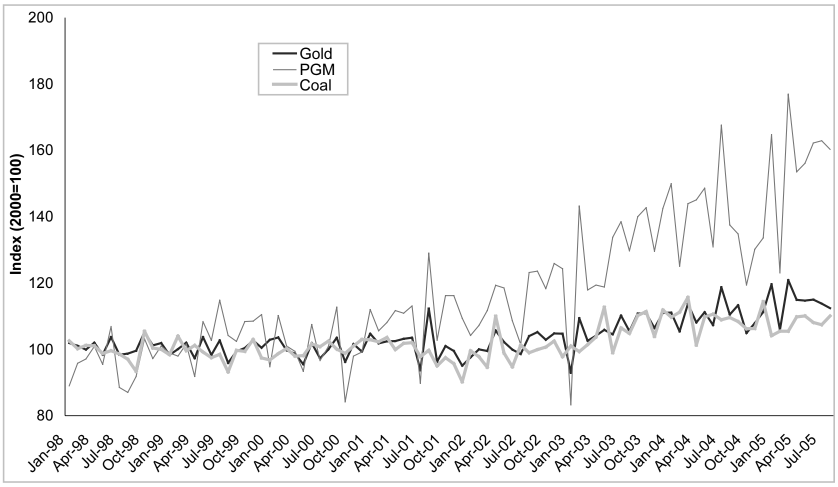
Mining

Strong commodity prices help fuel growth in mining sector

Output in the mining sector was brisk on the strength of a rising commodity cycle. The sector grew at an average of 4,9 per cent in the first six months of 2005 compared to the same period in 2004.

All subsectors, with the exception of gold mining, achieved positive growth. The rising global demand for mining products has been accompanied by an increase in the production of copper, steel, nickel, iron ore and platinum. Gold output remains weak.

Figure 2.6: Index of mining production, 1998 – 2005



Manufacturing

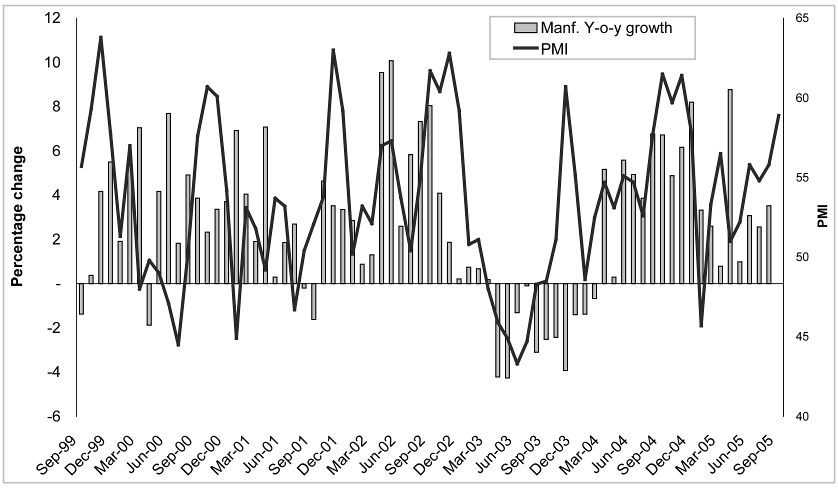
Steady growth in manufacturing as exports recover

The manufacturing sector continued its upswing, with growth in value added increasing by 2,9 per cent in the first half of 2005. Modest production output growth of 2,2 per cent in the first quarter of this year was followed by a stronger rise of 4,1 per cent in the second quarter, driven by a surge in purchasing orders from wholesalers and retailers replenishing inventories.

Level of investment signals a positive outlook for the sector

Simultaneous strong investment in production capacity in manufacturing (6,5 per cent) and output (3,4 per cent) in the first half of the year resulted in capacity utilisation remaining relatively unchanged compared to 2004 at 83,9 per cent.

Figure 2.7: Growth in manufacturing and the Purchasing Managers Index (PMI), 1999 – 2005



Construction

Renovations and additions boost construction sector

The construction sector grew by 6,7 per cent in the first half of 2005 compared with the same period in 2004. Low interest rates and rising disposable income have supported a buoyant property market and construction in the residential (particularly renovations and additions) and non-residential markets.

Construction activity in the civil engineering subsector picked up notably in the first half of 2005, and will be supported in future by major public infrastructure projects, including ports, power generation and large water projects.

The supply of building materials, particularly bricks and cement, is under pressure due to limited output capacity among key producers. Cement production capacity is 14,2 million tons a year and cement demand is expected to increase to 17 million tons by 2010. The three large cement manufacturers aim to spend a total of R4,4 billion on expansion to meet rising cement demand.

Transport and communications

Brisk expansion within the transport and communications sector

The transport and communications sector continued its favourable growth trajectory in the first half of 2005, as demand for cellular services, distribution and logistics services remained strong. The sector grew 6,3 per cent in the first half of 2005 compared to the same period in 2004 and is expected to be a key driver of accelerated growth in the period ahead.

Efficiency improvements at ports begin to show results

South African cargo owners and Spoornet are beginning to reap the benefits of efficiency improvements within port operations. In May 2005, shipping companies lifted the US$100 surcharge that was imposed two years ago in response to delays at Durban Harbour’s container terminal. This has increased the volume of cargo carried by Spoornet.

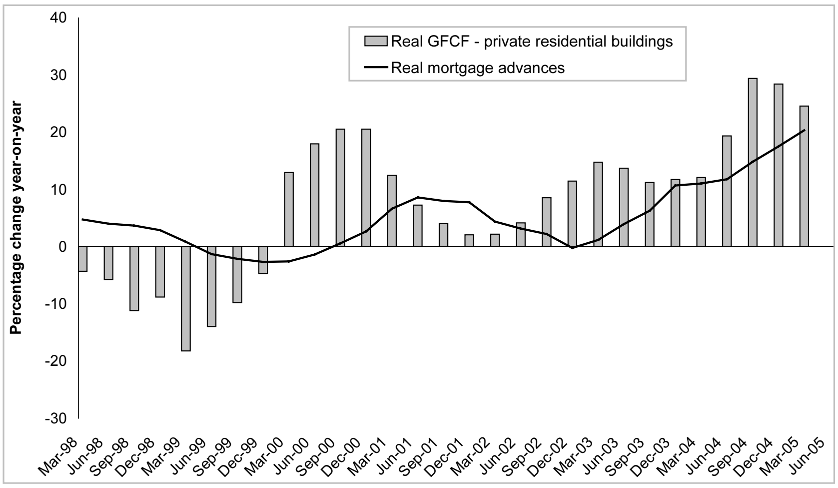
The first quarter of 2005 saw significant developments in the telecommunications industry. Most notable were the initiatives that came into effect on 1 February to deregulate certain elements of telecommunications. Mobile operators are no longer required to use Telkom’s fixed line service infrastructure, and this could result in an increase in investment spending as network operators build their own infrastructure.

Financial sector

More South Africans can access financial services

Growth in real value added by the financial intermediation, insurance, real estate and business services sector accelerated in the first half of the year to 5 per cent. This growth was driven primarily by the real estate sector and a broad expansion of financial services to more South Africans, including new products such as the Mzansi bank accounts arising from the Financial Sector Charter initiatives.

Figure 2.8: Growth in mortgage advances and residential investment, 1998 – 2005



Indicators of accelerating growth

Growth has accelerated significantly in recent years, from an average of 2,7 per cent over 1994-1999 to an estimated 3,5 per cent average over 2000-2005. In the second quarter of 2005, growth accelerated to about 5 per cent. Several economic indicators suggest that domestic growth is accelerating at rates that many commentators considered unlikely a few years ago. Consumer and business confidence levels are at record highs.

Over the past two fiscal years, VAT receipts have grown by 15 per cent and 22 per cent respectively.

Corporate profitability, as measured by the profitability of JSE-listed firms, rose by more than 40 per cent for the year ending August 2005, and corporate tax receipts increased by 29 per cent in the first five months of the current fiscal year.

Real sector trends indicate robust growth. Cement sales have increased 10,2 per cent for the year ending June 2005, driven by the strong growth in investment in residential buildings. Vehicle sales enjoyed strong growth during the same period, with sales increasing by 26,1 per cent, while real retail trade sales increased by 8,4 per cent and real wholesale trade sales increased by 11,2 per cent.

In addition, four out of the 10 subsectors in the manufacturing sector report output growth of greater than 5 per cent from July 2004 to June 2005. Glass and non-metallic minerals production increased by 6,4 per cent on the strength of the construction boom, food and beverage production increased 10 per cent, furniture by 10,4 per cent and motor vehicles, parts and accessories output by 11,1 per cent.

Employment and remuneration

Increase in labour force suggests an alignment of employment and economic growth trends

The Labour Force Survey (LFS) for March 2005 is suggestive of a broad expansion in employment that has accelerated recently in line with more rapid economic growth. The long-term trend demonstrates a continued rise in formal sector employment, despite short-term variations. Inherent difficulties in surveying some types of households contribute to uncertainty about informal sector employment statistics from one survey to the next.

Table 2.2 Key labour market indicators, September 2001 – March 2005 (Official definition of unemployment)

Labour market category Thousands	September 2001[1]	March 2005
Total employment	**11 181**	**11 907**
Employed (formal sector)	*7 793*	*8 398*
Unemployed (official definition)	4 655	4 283
Total economically active	**15 836**	**16 190**
Not economically active	12 281	13 334
Total aged 15 - 65 years	**28 117**	**29 524**
Unemployment rate	29,4%	26,5%
Labour force participation rate	56,3%	54,8%
Labour absorption rate	39,8%	40,3%

1. Revised on the basis of the new population estimates.
Source: Labour Force Survey, Historical Series, September 2000 to March 2005: Revised Estimates

Rapid growth in labour productivity in the first half of the year led to some deceleration in nominal unit labour costs from 7,2 per cent in 2004 to 5,9 per cent in the first quarter of 2005. More broadly, healthy growth in labour productivity has helped to raise real earnings by more than 4 per cent a year over the past two years.

Average wage settlements indicate lower inflation expectations

It is anticipated that average settlements in collective bargaining agreements for 2005 will range from 6-6,5 per cent compared with 6,8 per cent in 2004, reflecting lower inflation expectations among both business and labour.

Domestic expenditure

A favourable interest rate environment and strong real wage growth contributed to lively growth in real gross domestic expenditure of 4 per cent during the first half of 2005 compared to the same period in 2004.

Gross fixed capital formation

Expansion of real gross fixed capital formation reflects high levels of business confidence

Real gross fixed capital formation expanded by 8,3 per cent in the first half of 2005 relative to the same period in 2004, reflecting sustained high levels of business confidence and the expectation of favourable economic conditions ahead. Investment now accounts for nearly 17 per cent of GDP.

Private sector investment increased by 8,7 per cent in the first half of 2005 compared to 9 per cent in the first half of 2004. Within that category, investment in private residential buildings was especially vigorous, growing by 21,2 per cent, and reflecting healthy levels of construction activity in the property sector. Despite more subdued output growth in the manufacturing sector, investment remained healthy, rising by 6,5 per cent compared to 6,3 per cent in the first half of 2004.

Large capital expenditure projects planned in motor industry and mining

Gross fixed capital formation should continue to be strong over the MTEF period, as both private and public corporations undertake significant expansion and recapitalisation projects. Large capital expenditure projects are planned in a number of sectors, including the motor industry (more than R5,5 billion to increase production capacity) and mining (including a five-year, R6 billion platinum project).

Complementing private-sector initiatives, government capital expenditure has remained strong, growing by 3,2 per cent in the first half of 2005, with further capital spending planned over the MTEF period. Investment by public corporations increased by 14,7 per cent in the first half of 2005 compared to the first half of 2004.

Household consumption expenditure

Demand for durable goods drives household consumption

Household consumption spending remained strong, growing by 6,3 per cent in the first half of 2005. Consumption of durable goods remained the fastest-growing category, with growth of about 20 per cent in the first half of 2005. New vehicle sales figures were exceptional, increasing by 27,4 per cent in the first nine months of 2005 compared to the same period in 2004. In the period ahead, increasing real wages and productivity should sustain the current level of household consumption.

Money supply and credit extension

Strong growth in credit extension

Private sector credit extension was supported by healthy balance sheets, low interest rates, strong business and consumer confidence, corporate demand for bank-intermediated funding, and buoyant real estate and financial markets. Growth in instalment sales and leasing credit remained high, and growth in mortgage advances surged to 28,1 per cent in August 2005.

Non-performing loans at historic lows

Despite the robust growth in credit extension, there are no indications that the banking sector will be under undue stress in the medium term. Non-performing loans and provisions remain at historic lows.

The trend of growth in money supply remains firm, supported by low nominal interest rates and strongly positive business and consumer confidence. Brisk economic activity and a strong transaction demand for money continued to influence the monetary aggregates.

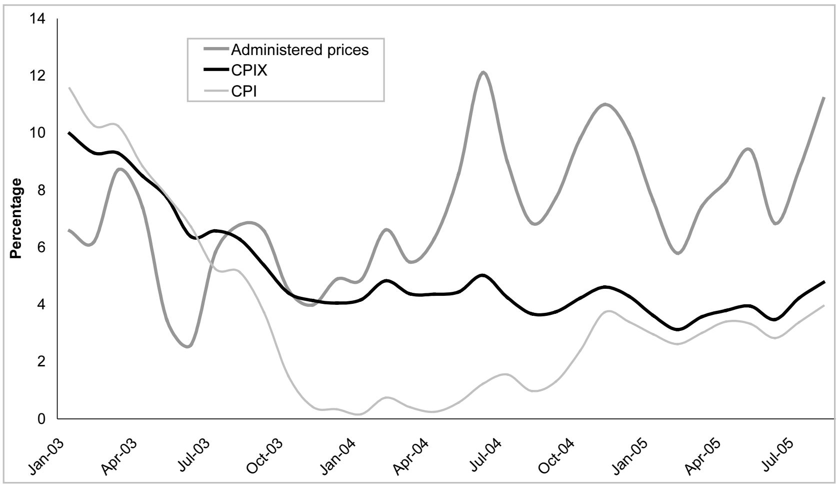
Inflation

Consumer inflation up slightly as a result of higher oil prices

CPIX inflation remained within the inflation target range for the past 24 consecutive months to August 2005, reaching its lowest point (3,1 per cent) in February 2005. Consumer inflation increased to 4,8 per cent in August 2005, mainly due to higher petrol prices reflecting rising world oil prices.

Producer price inflation remained subdued, rising to 4,2 per cent in August 2005. The imported component of inflation increased due to the slight depreciation of the rand in the first six months of 2005, rising oil prices and an increase in inflation among South Africa's major trading partners.

Figure 2.9: Inflation trends, 2003 – 2005



Administered prices remain at levels above CPIX

Administered prices, now published by Statistics South Africa as a subcomponent of the CPI, continue to be volatile due to the inclusion of the petrol price in the basket, and remain at levels above CPIX.

Inflation expectations for 2005, as measured by the Bureau for Economic Research Inflation Expectations Survey, have remained at the midpoint of the target range for the first two quarterly surveys of 2005. Inflation expectations for 2006 have drifted upward in the second quarter survey to 4,9 per cent.

CPIX inflation target will remain 3-6 per cent over the MTEF period

The CPIX inflation target agreed to between the Minister of Finance and the Governor of the Reserve Bank will remain 3-6 per cent over the MTEF. The CPIX basket comprises the consumer price index, excluding mortgage interest costs.

Domestic outlook

GDP growth is expected to be 4,4 per cent in 2005 in a relatively benign international economic environment coupled with robust domestic demand. Some weaknesses in international conditions

– resulting from higher oil prices, stubborn inflation in Europe and rising interest rates in the United States – are expected to reduce domestic economic growth to about 4,2 per cent in 2006.

Household consumption likely to remain robust

Household consumption expenditure is expected to draw back to more sustainable yet still robust levels of 4,1-4,5 per cent over the MTEF period, underpinned by employment growth and moderate real wage increases.

Investment spending will continue to be a driver of economic growth, as productive capacity expands significantly, and government and public corporations embark on significant programmes to increase and improve existing infrastructure. Private sector investment is expected to benefit from the crowding-in effects of additional public sector spending and the low interest rate environment. Overall, gross fixed capital formation is expected to grow at an average annual rate of 9,4 per cent over the MTEF period.

Government consumption is expected to slow to 4,6 per cent in 2005 and remain stable over the forecast period.

Current account deficit expected to average 3,8 per cent of GDP over forecast period

South Africa's export performance improved in 2005, and is expected to continue to register progress as commodity prices remain relatively strong and profitability of a broader range of manufactured exports increases. Due to strong domestic demand, import volumes are likely to remain high over the medium term. The current account deficit is expected to average 3,8 per cent of GDP over the forecast period, widening to 4,1 per cent in the outer year, as imports of capital goods accelerate alongside investment.

Although CPIX inflation should remain comfortably within the target range, oil prices will put some temporary upward pressure on prices. In the current year, CPIX inflation is projected to average 4,1 per cent, but to rise to a peak of 5,2 per cent in 2006, before declining over the remainder of the forecast period as oil prices abate and productivity improvements reduce domestic price pressures.

Table 2.3 Macroeconomic projections, 2002 – 2008

Calendar year	2002	2003	2004	2005	2006	2007	2008
		Actual		Estimate		Forecast	
Percentage change unless otherwise indicated							
Final household consumption	3,2	3,4	6,1	5,9	4,1	4,2	4,5
Final government consumption	4,4	6,4	7,2	4,6	4,3	4,4	4,7
Gross fixed capital formation	3,7	9,0	9,4	8,6	9,6	9,8	9,6
Gross domestic expenditure	4,8	5,3	6,3	4,3	5,1	4,7	5,6
Exports	0,5	-0,9	2,9	6,8	5,3	5,0	6,0
Imports	4,9	8,5	12,9	6,4	8,6	6,1	8,3
Real GDP growth	**3,6**	**2,8**	**3,7**	**4,4**	**4,2**	**4,4**	**4,8**
GDP deflator	10,3	4,5	5,9	5,3	5,5	4,8	4,6
GDP at current prices (R billion)	**1 164,9**	**1 251,5**	**1 374,5**	**1 510,0**	**1 659,5**	**1 816,3**	**1 991,1**
CPIX (Metropolitan & urban, average for year)	9,3	6,8	4,3	4,1	5,2	4,8	4,5
Current account balance (% of GDP)	0,7	-1,5	-3,2	-3,5	-3,7	-3,6	-4,1

Table 2.4 Macroeconomic projections, 2004/05 – 2008/09

Fiscal year	2004/05	2005/06	2006/07	2007/08	2008/09
	Actual	Estimate		Forecast	
GDP at current prices (R billion)	**1 405,5**	**1 542,2**	**1 693,7**	**1 856,7**	**2 033,3**
Real GDP growth	4,0	4,4	4,0	4,6	4,8
GDP deflator	5,8	5,1	5,6	4,8	4,5
CPIX (Metropolitan & urban, average for year)	4,1	4,7	5,1	4,8	4,5