2

Economic outlook

In brief

- Economic growth has deteriorated but is expected to improve moderately over the next three years, reaching 3 per cent in 2017.
- The improved outlook is supported by investments in energy and transport, a gradual pick-up in global growth, rising exports to the African continent and a recovery in private investment.
- The medium-term strategic framework prioritises initiatives that will boost investment, including major projects in rail, energy and ports, as well as immigration reform and efforts to improve dispute-resolution mechanisms in the labour relations environment.
- The global rebalancing of trade provides opportunities for South Africa to broaden exports beyond its traditional reliance on minerals, metals and agricultural exports.
- South Africa's low level of domestic savings and high investment requirements increase the economy's reliance on, and vulnerability to, foreign capital flows. Proposed fiscal measures will help to address these deficits and ensure the long-term sustainability of the public finances.

Growth and structural reform

Over time, structural reforms under way will boost economy's growth potential

South Africa's economic performance has weakened since the beginning of 2014. The National Treasury projects gross domestic product (GDP) growth of 1.4 per cent in 2014, down from 3.6 per cent in 2011. The slowdown has highlighted structural constraints in the economy. A number of factors that were perceived as temporary have become embedded into expectations. These include tightness in electricity supply, labour tensions, skills shortages and transport constraints. Nevertheless, important structural changes are occurring in major economic sectors and need to be accelerated. Achieving faster growth and job creation will require growing private-sector investment, as well as structural reforms that enhance the labour-intensity of growth.

Economic growth is expected to rise gradually over the medium term, reaching 3 per cent by 2017. The improving outlook will be supported by moderate global growth, rising exports to the rest of the continent, the easing of transport and logistics constraints as infrastructure projects are completed, a stabilisation of electricity supply and a recovery in private investment.

MTSF initiatives boost investment in electricity and transport, and encourage private investment

South Africa's longer-term economic prospects are tied to successful implementation of the reforms described in the medium-term strategic framework (MTSF) and the National Development Plan. These include large public-sector infrastructure investments in electricity and transport; expanded partnerships to encourage private-sector investment; special economic zones to boost exports; programmes to encourage more dynamic, integrated cities; and initiatives to improve the quality of education and skills development.

Critical MTSF interventions over the medium term include:

- Expanding energy supply through public and private investment, including procuring 2.5GW of privately supplied baseload electricity and signing cogeneration agreements for over 800MW to be added to the national grid.
- Expanding rail capacity for coal exports between Mpumalanga and the Richards Bay Coal Terminal, building a new heavy-haul rail line from the Waterberg region, and increasing port capacity for iron exports via Saldanha and the Northern Cape corridor.
- Enhancing the performance of sea ports and inland terminals, revising and consolidating port charges, establishing a single transport regulator and reducing cross-subsidisation in transport pricing.
- Preparing to exploit on- and offshore oil and gas by developing an exploratory drilling plan and legislation.
- Improving dispute-settlement mechanisms in labour relations.
- Enabling immigration reform to encourage people with skills to work in South Africa.

Underpinning all these initiatives is the recognition that the state must urgently step up the provision of critical services and infrastructure, and improve its capacity to plan, manage and maintain its programmes and assets.

Table 2.1 Macroeconomic projections, 2013 – 2017

Calendar year	**2013**	**2014**	**2015**	**2016**	**2017**
		Estimate		**Forecast**	
Percentage change unless otherwise indicated					
Final household consumption	2.6	1.9	2.3	2.8	3.0
Gross fixed capital formation	4.7	2.7	3.6	4.7	5.1
Real GDP growth	**1.9**	**1.4**	**2.5**	**2.8**	**3.0**
CPI inflation	5.8	6.3	5.9	5.6	5.4
Current account balance (% of GDP)	-5.8	-5.6	-5.4	-5.2	-5.0

Source: Reserve Bank and National Treasury

The world economy

Moderately improving economic growth rates in developed markets are expected to contribute to stronger global demand and international trade. Yet the world economic outlook is fragile and uneven. Employment is a major concern in both developed and developing economies. Global trade growth has slowed to just 3.8 per cent in 2014, revised down from a forecast 4.3 per cent in April of this year. A range of geopolitical risks could trigger increased volatility.

Economic growth in sub-Saharan Africa will remain above 5 per cent over medium term

Economic recovery in the United States has gathered pace, but growth in Europe and Japan has slowed. The International Monetary Fund (IMF) forecasts that emerging markets and developing economies will grow at 5 per cent in 2015, but estimates have been reduced since the beginning of this year. Concerns about slower growth in the Chinese economy, and the resultant consequences for commodity prices, feature prominently in the global forecast. The outlook for growth in sub-Saharan Africa remains above 5 per cent.

During 2014, monetary policy in advanced economies has remained broadly supportive of economic growth, but there is a growing policy divergence. While Europe is likely to continue easing monetary policy, the US Federal Reserve is expected to begin raising interest rates. With prospects of improved returns in many advanced economies, investor sentiment is turning. Rising interest rates in advanced economies may prompt currency depreciation and higher bond yields in emerging markets. If rates rise sharply because of adverse market shocks, it could prompt a broad withdrawal of capital from countries with external vulnerabilities.

Table 2.2 Annual percentage change in GDP and consumer price inflation, selected regions/countries, 2013 – 2016

Region / country	2013	2014	2015	2016	2013	2014	2015	2016
Percentage	GDP projections[1]				Consumer price index projections[1]			
World	**3.3**	**3.3**	**3.8**	**4.0**	**3.9**	**3.8**	**3.9**	**3.8**
Advanced economies	**1.4**	**1.8**	**2.3**	**2.4**	**1.4**	**1.6**	**1.8**	**2.0**
US	2.2	2.2	3.1	3.0	1.5	2.0	2.1	2.1
Euro area	-0.4	0.8	1.3	1.7	1.3	0.5	0.9	1.2
UK	1.7	3.2	2.7	2.4	2.6	1.6	1.8	2.0
Japan	1.5	0.9	0.8	0.8	0.4	2.7	2.0	2.6
Emerging markets and developing countries	**4.7**	**4.4**	**5.0**	**5.2**	**5.9**	**5.5**	**5.6**	**5.2**
Brazil	2.5	0.3	1.4	2.2	6.2	6.3	5.9	5.6
Russia	1.3	0.2	0.5	1.5	6.8	7.4	7.3	6.0
India	5.0	5.6	6.4	6.5	9.5	7.8	7.5	6.7
China	7.7	7.4	7.1	6.8	2.6	2.3	2.5	3.0
Sub-Saharan Africa	**5.1**	**5.1**	**5.8**	**6.0**	**6.6**	**6.7**	**7.0**	**6.5**
South Africa[2]	1.9	1.4	2.5	2.8	5.8	6.3	5.9	5.6

1. IMF World Economic Outlook, October 2014

2. National Treasury forecasts

In the wake of the global financial crisis, the focus of recovery has been on stimulating demand through fiscal and monetary policy, and changing patterns of world trade and investment. Commodity-exporting countries, including South Africa, have until recently benefited from strong growth in demand and rising terms of trade. Loose monetary policy and low-cost borrowing supported consumption demand and investment. Over the period ahead, while emerging markets with flexible exchange rates can take advantage of US dollar strength to improve competitiveness, they will also have to contend with the consequences of continued shifts in global trade patterns.

The world economy and South Africa

Opportunities to broaden South Africa's exports beyond minerals, metals and agricultural exports

While declining commodity prices and weakness in South Africa's largest export market – the European Union – put pressure on exports, other opportunities are emerging. Trade and financial links with sub-Saharan Africa have grown and South African firms are well positioned to expand on the continent. The global rebalancing of growth also provides opportunities for South Africa to broaden beyond its traditional reliance on minerals, metals and agricultural commodities to manufactured exports with greater value addition, supported by the more competitive exchange rate.

Strong growth in manufactured exports to SADC region

In recent years there has been particularly strong growth of exports of manufactured products to Southern African Development Community countries. In contrast, exports to Japan and the US, which historically included large quantities of platinum, have declined. Exports to China were flat in 2014, weighed down by decreased demand for minerals and metal products. Import growth has been muted in line with modest economic activity and investment.

Table 2.3 Major export destinations for South African products, 2000 – 2014

	2013	2014[1]	2000	2012	2013	2014[1]
	Contribution to export growth		% Share			
EU	3.0	4.3	31.3	20.6	21.0	23.5
Germany	*0.6*	*0.9*	*7.8*	*5.4*	*5.3*	*5.9*
UK	*0.6*	*0.9*	*8.9*	*3.9*	*4.0*	*4.4*
Netherlands	*0.8*	*0.7*	*3.3*	*3.5*	*3.8*	*4.5*
India	-0.3	1.2	1.4	4.3	3.6	4.8
Brazil	-0.0	-0.0	0.7	0.9	0.8	0.8
China	4.0	-0.0	2.0	11.6	13.9	12.6
SADC	2.5	1.3	9.8	12.9	13.7	13.6
Mozambique	*1.1*	*0.5*	*2.3*	*2.7*	*3.4*	*3.7*
Zimbabwe	*0.5*	*0.3*	*2.2*	*2.7*	*2.8*	*2.8*
Zambia	*0.6*	*0.4*	*2.0*	*2.9*	*3.1*	*3.2*
US	0.5	-0.2	12.0	8.8	8.3	8.1
Japan	1.2	-0.7	8.1	6.3	6.7	5.7
Unallocated[2]	-1.4	-1.6	15.2	11.0	8.5	7.1
Other[3]	2.8	2.1	19.6	23.7	23.5	23.8
Total	**12.4**	**6.5**	**100.0**	**100.0**	**100.0**	**100.0**

1. First seven months of 2014
2. Commodities, such as gold, sold through exchanges
3. Includes Hong Kong, Korea, Singapore, Malaysia, Australia, Nigeria, Ghana, Angola, Egypt and United Arab Emirates
Source: Quantec

After narrowing in 2010 and 2011, the deficit on South Africa's current account has returned to a range of about 5.5 per cent of GDP over the past two years. The main factor in this deterioration has been the rising trade deficit, only partially offset by declining service and dividend income outflows. Global investment appetite for South African assets has remained strong, supported by the broader exposure to the region provided by many local firms. Monetary conditions in advanced economies have also sustained capital inflows.

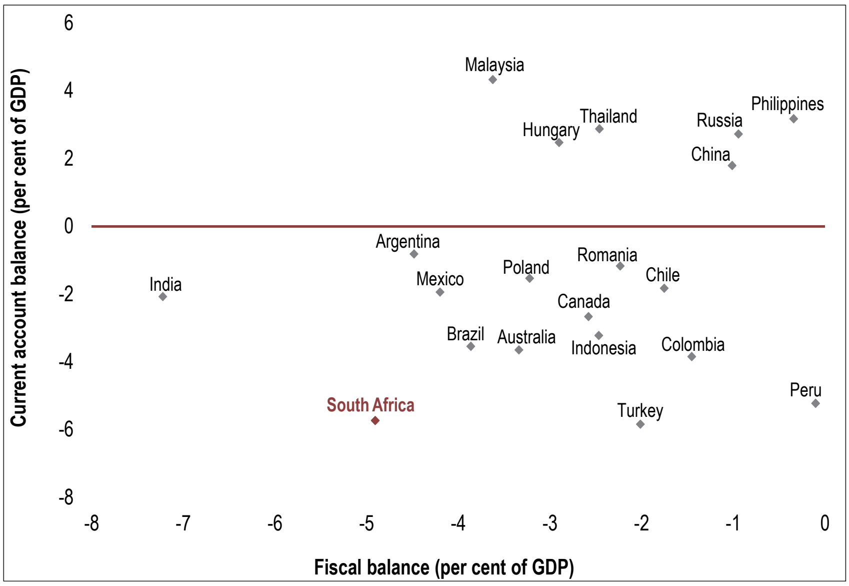
To date, capital flows have been sufficient to finance investment. The inflation-targeting regime has helped to minimise the impact of currency movements on prices, and to prevent real competitiveness gains from being eroded by inflation. The country's strong monetary and financial market institutions continue to provide stability to the economy.

However, the low level of domestic savings and high investment requirements increase the economy's reliance on, and vulnerability to, foreign capital flows. South Africa's "twin deficits" – a reference to the current account and fiscal balances – are larger than those of many of its emerging market peers.

Government's proposed fiscal package will reduce external vulnerability

The fiscal proposals set out in Chapter 3 will help to reduce external vulnerability by moving government towards a positive savings position over the medium term.

Figure 2.1 Current account and fiscal balances, 2014 forecasts



Source: IMF World Economic Outlook October 2014

Table 2.4 Balance of payments, 2007 – 2014

Percentage of GDP	2007	2008	2009	2010	2011	2012	2013	2014[1]
Total current account	**-7.0**	**-7.2**	**-4.0**	**-2.0**	**-2.3**	**-5.2**	**-5.9**	**-5.4**
Trade balance	-1.8	-1.6	0.1	1.9	1.6	-1.3	-2.2	-2.5
Net services, income and transfer receipts	-5.2	-5.6	-4.1	-3.8	-3.9	-4.0	-3.7	-2.9

1. First six months of 2014
Source: Reserve Bank

Domestic economic outlook and trends

Economic growth to improve over medium term as energy and transport projects are completed

GDP growth is projected to rise gradually from an estimated 1.4 per cent in 2014 to 3 per cent in 2017. Factors weighing on short-term economic performance include electricity and other infrastructure constraints, low levels of business and consumer confidence, and moderate employment and personal disposable income growth. Economic performance is expected to improve in the years ahead, as energy generation and transport infrastructure projects are completed, and as export markets recover.

Strong investment growth in manufacturing and, more recently, in construction

Although domestic economic demand has been generally robust, in recent quarters demand has trended lower in line with lower growth in consumption, personal income and credit. Investment growth has also been muted, averaging just 3 per cent per year since 2010. While investment growth in residential and non-residential buildings has declined, spending on machinery and equipment has shown strong average growth of 7.2 per cent per year since 2011. Investment growth has been particularly strong in manufacturing. Growth in mining and the tertiary sectors has been weak. Over the past three quarters the value of construction works has picked up dramatically, underscoring growth in the sector and progress in infrastructure delivery.

Table 2.5 Macroeconomic performance and projections, 2011 – 2017

Calendar year	2011	2012	2013	2014	2015	2016	2017
		Actual		Estimate		Forecast	
Percentage change unless otherwise indicated							
Final household consumption	4.9	3.5	2.6	1.9	2.3	2.8	3.0
Final government consumption	4.3	4.0	2.4	1.8	1.5	1.5	1.5
Gross fixed capital formation	4.2	4.4	4.7	2.7	3.6	4.7	5.1
Gross domestic expenditure	4.6	4.0	2.2	0.9	2.6	3.0	3.3
Exports	6.8	0.4	4.2	3.1	4.2	4.7	5.2
Imports	10.0	6.0	4.7	1.0	4.1	5.0	5.6
Real GDP growth	**3.6**	**2.5**	**1.9**	**1.4**	**2.5**	**2.8**	**3.0**
GDP inflation	5.9	4.5	5.8	6.1	5.8	5.7	5.6
GDP at current prices (R billion)	**2 932.7**	**3 139.0**	**3 385.4**	**3 642.6**	**3 952.6**	**4 295.8**	**4 675.6**
Nominal GDP growth	**9.7**	**7.0**	**7.8**	**7.6**	**8.5**	**8.7**	**8.8**
Headline CPI inflation (Dec 2012 = 100)	5.0	5.7	5.8	6.3	5.9	5.6	5.4
Current account balance (% of GDP)	-2.3	-5.2	-5.8	-5.6	-5.4	-5.2	-5.0

Source: Reserve Bank and National Treasury

Table 2.6 Macroeconomic performance and projections, 2011/12 – 2017/18

Fiscal year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
		Actual		Estimate		Forecast	
Percentage change unless otherwise indicated							
Real GDP growth	3.3	2.2	1.9	1.6	2.6	2.9	3.1
GDP inflation	5.0	5.0	5.8	5.9	5.9	5.7	5.6
Headline CPI inflation (Dec 2012 = 100)	5.6	5.6	5.8	6.2	5.8	5.5	5.3
GDP at current prices (R billion)	2 981.8	3 198.6	3 449.0	3 712.3	4 033.6	4 386.4	4 775.1

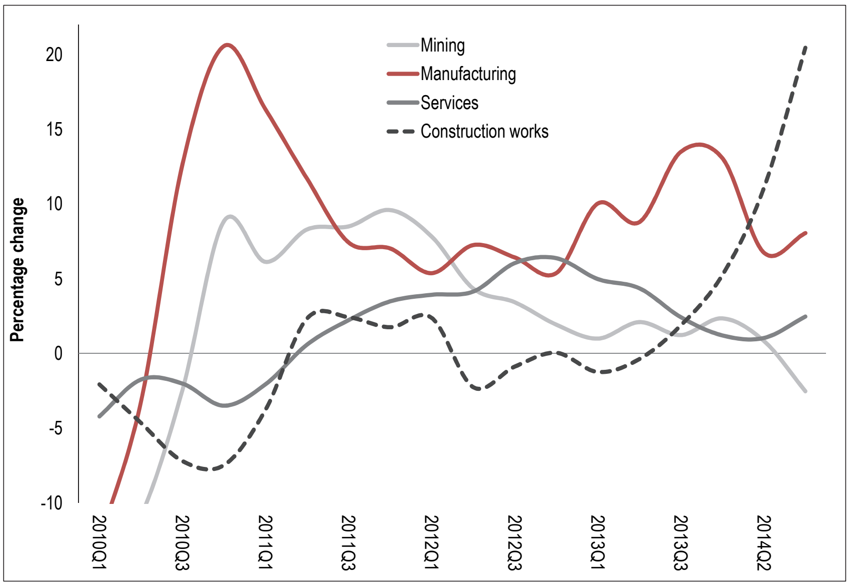
Source: Reserve Bank and National Treasury

Over the medium term, higher investment should be supported by continued strong demand from African export markets and expanding partnerships with the private sector.

If sustained, competitive rand exchange rate will help to boost exports

The more competitive rand exchange rate, if sustained in real terms and not eroded by wage settlements that outpace productivity gains, will help to boost exports and support further investment in tradable sectors, including manufacturing. Private investment growth is projected to reach 3.9 per cent in 2015 and 5.8 per cent in 2016.

Figure 2.2 Investment by sector, percentage growth, 2010 – 2014[1]



1. Real 2005 prices, year-on-year percentage change

Source: Reserve Bank

Unemployment rate remains at about 25 per cent

The unemployment rate remains at about 25 per cent, or 35 per cent if discouraged job seekers are included. The 2014 June Quarterly Labour Force Survey indicated that 403 000 jobs had been created since June 2013, but the Quarterly Employment Survey suggests that formal employment creation was more moderate. Temporary employment associated with national and provincial elections in May 2014, and growth in public-employment programmes, appears to account for a large share of growth recorded in 2014.

Weak employment outcomes are reflected in slowing real disposable income growth. As household balance sheets come under strain, credit extension has declined, reducing the pace of household consumption growth.

Monetary policy and subdued demand have helped to keep inflation stable

The consumer price index (CPI), which stayed mostly within the 3 to 6 per cent target band over the past four years, rose to 6.4 per cent in August 2014. This was caused by a spike in domestic maize and wheat prices, and the impact of the weaker rand on petrol prices. Monetary policy and subdued demand conditions have helped to keep inflation levels stable. In comparison to countries with similar growth rates, however, inflation remains elevated, suggesting stubborn levels of core inflation and structural imbalances in the economy.

Over the period ahead, food inflation is expected to recede from current levels thanks to buoyant global and domestic production. Together with an expected moderation in global oil prices, these forces should partially offset increases in electricity prices. Headline inflation is expected to return within the target band in the first quarter of 2015, and core inflation is likely to remain close to current levels of 5.8 per cent in 2015. Further rand depreciation would pose an upside risk to the inflation forecast.

The growth outlook is expected to improve over the medium term in line with a gradual normalisation of electricity supply as the availability of existing plant improves and new generating capacity is added to the grid.

Other infrastructure projects, such as those taking place in the transport and logistics sector, will also be completed, reducing output constraints.

Structural changes under way in South Africa

MTSF programmes complement structural shifts already under way in the economy

The National Development Plan acknowledges that growth and job creation must be underpinned by a shift from consumption to investment. The MTSF outlines programmes and investments to improve productivity and competitiveness, particularly in core productive sectors and new areas with potential, such as on- and offshore oil and gas, and green technology. These reforms will complement structural shifts that are already under way in the main sectors of the economy.

As a result of some of these structural changes, the labour intensity of production continues to decline. While reductions in labour intensity boost unit labour productivity and can enhance competitiveness, the economy is not creating jobs at a sufficient pace to absorb new entrants in the workforce, or to substantially reduce unemployment.

Table 2.7 Sector growth trends, 2012 – 2014

	2012	2013					2014		
Percentage	**Year**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**Year[1]**
Agriculture, forestry and fishing	2.0	-4.4	-3.0	3.6	6.4	2.3	2.5	4.9	3.3
Mining and quarrying	-3.6	13.4	-5.4	11.4	15.7	3.1	-24.7	-9.4	-2.6
Manufacturing	2.1	-7.9	11.7	-6.6	12.3	0.8	-4.4	-2.1	1.2
Electricity and water	-1.6	-2.8	5.1	3.8	-5.6	-0.4	0.1	-0.6	0.1
Construction	2.3	2.5	2.3	2.1	3.1	2.8	4.9	5.0	3.4
Wholesale and retail trade, hotels and restaurants	3.8	2.1	3.1	1.3	2.3	2.2	2.1	-0.2	1.8
Transport and communication	2.4	2.1	1.5	2.6	1.6	1.9	1.7	4.0	2.1
Finance, real estate and business services	3.7	3.3	3.5	1.2	1.5	2.4	2.0	1.5	1.8
Personal services	2.1	1.2	1.6	1.6	1.3	1.8	1.0	1.2	1.3
General government	2.8	0.1	0.2	0.4	0.9	1.5	1.7	2.9	1.2
GDP	*2.5*	*0.8*	*3.2*	*0.7*	*3.8*	*1.9*	*-0.6*	*0.6*	*1.4*

1. Year-to-date growth trend
Source: Reserve Bank

Government employment programmes can complement private-sector job creation. Over the past five years the Expanded Public Works Programme created 4 million jobs of short- to medium-term duration. The Department of Environmental Affairs runs several programmes that create jobs and train people. The Department of Trade and Industry provides incentives to create jobs in areas such as business process outsourcing and offshoring, which has created 9 000 jobs to date.

Early indications suggest successful take-up of employment tax incentive

Initial reports suggest that the employment tax incentive, implemented at the beginning of this year, has begun to improve job prospects for young workers. As at August 2014, about 23 500 employers had claimed the incentive for at least 209 000 employees. From inception to date the Jobs Fund has approved 93 projects and allocated R5 billion in grant funding. This has leveraged a further R6.1 billion from project partners. Total employment in these projects amounts to 167 847, of which 56 356 are new placements into vacant positions. Over 185 000 beneficiaries will receive work-related training.

Manufacturing

Growth in manufactured exports suggests competitiveness and efficiency gains

The manufacturing sector has struggled to recover from the 2009 recession and the slowdown in Europe, with output affected by electricity and transport constraints, as well as labour stoppages. Manufacturing has, however, invested more than any other sector over the past four years, increasing gross fixed capital formation by 9.2 per cent per year from the first half of 2010 to the first half of 2014. The sector's lower value add and employment performance can be partly explained by the long lead times involved in large investments, but also by changing patterns of investment between sub-sectors and productivity improvements.

Growth in manufactured exports has risen, suggesting competitiveness and efficiency gains, partly through upgrading of obsolete capital equipment, supported by industrial policies and incentives such as the Manufacturing Competitiveness Improvement Programme. This has helped to realign the sector with changing global patterns of demand and competition, and should lead to higher output and growth as other constraints are eased.

Agriculture

Labour-intensive horticultural exports growing as share of total agricultural output

Agriculture has grown strongly in 2014, due mainly to large increases in maize and livestock production, favourable weather conditions and higher prices. The sector has also gone through significant structural changes since 2000, shifting away from traditional crops, becoming more commercial and export focused. While this has reduced employment, labour-intensive horticultural exports (such as grapes, citrus and tree nuts) are now growing as a share of total agricultural output, replacing highly mechanised grain exports such as maize and wheat. The largest exporting subsector, horticulture, grew its exports to Africa by 24 per cent, while global citrus exports grew by 29 per cent.

Exports from manufacturing and agriculture are responding to growing demand in sub-Saharan Africa and elsewhere, which should help to boost export performance over the medium term.

Energy

Economy's energy-intensity is decreasing in response to price effects and availability

South Africa's electricity shortage has been a primary constraint to growth and investment, but it has also forced structural changes in the energy sector and across the economy. Through both price effects and availability constraints, the energy intensity of the economy, measured as units of energy required per unit of GDP, has declined. Between 2008 and 2011, electricity intensity decreased by 7.4 per cent. The use of solar panels, compact fluorescent light bulbs, smart buildings, cogeneration and other efficiency measures has increased, with economy-wide investments tending to shift towards less energy-intensive sectors.

The gradual shift to lower energy intensity has been supported by increased diversity in the energy mix – both in terms of fuels used and the sources of energy (public and private, local and regional). The Renewable Energy Independent Power Producer Programme has now connected 1GW of electricity generation capacity, awarded another 1.4GW and is in the final stages of allocating a further 1.5GW. Energy imports from Mozambique's Cahora Bassa hydroelectric plant and the Aggreko temporary power plant have grown, as have short-term electricity purchases from municipalities, like the Kelvin power station in Gauteng. Private supply for own use has also increased, with some large firms building their own power plants. The Department of Energy will soon issue a formal request for proposals inviting independent power producers to submit bids to generate coal-fired electricity.

Mining

Over the past several years protracted labour disputes, electricity shortages and maintenance issues have resulted in large swings in mining output. Production has shifted away from gold towards iron ore and platinum. While the share of mining as a percentage of GDP has been declining since the 1970s, the sector accounts for just under 50 per cent of South Africa's exports, and its linkages with the rest of the economy remain strong. As South Africa diversifies away from its reliance on mineral exports in an era of declining commodity prices, a number of activities outlined in the MTSF will support improved productivity and output.

Financial sector regulation

Government continues to strengthen financial sector reforms

Government is continuing work to strengthen the financial sector in line with a series of reforms announced in the 2011 paper *A safer financial sector to serve South Africa better*. In 2014, draft regulations for over-the-counter derivatives, credit agreements, hedge funds and insurance were released. Substantial progress has been made with retirement reforms. The second draft of legislation to implement a "twin-peaks" model of financial regulation has been completed and will soon be tabled in Parliament.

African Bank curatorship

Over the past several years, a growing pattern of unsecured lending for personal loans boosted temporary access to credit, but also proved expensive to consumers. Earlier this year, African Bank Limited, which accounted for 2 per cent of banking assets, began to founder. The Reserve Bank acted to forestall contagion of the broader banking system, and the Minister of Finance placed African Bank under curatorship. The restructuring, which involves the private sector, is proceeding well. Government has not provided any funds to bail out African Bank, but has provided a R7 billion backstop to the Reserve Bank in line with international practice. It is unlikely that the Reserve Bank will draw on this facility, and no costs to the taxpayer are expected.

Transport and telecommunications

Freight rail investments to improve turnaround times, with growing capacity to produce rolling stock in passenger rail

Large capital investments under way in transport will result in higher productivity over time. In the case of Transnet, turnaround times for rapid loading facilities, grain elevators, branch lines, specialised wagons and consolidated terminals will improve efficiency in freight rail. The Passenger Rail Agency of South Africa's R53 billion investment in commuter rail will progressively increase domestic capacity to produce rolling stock, while improving the quality of public transport. Telecommunications investments such as the completion of FibreCo's 2000km fibre-optic network, Vodacom and Cell C's network upgrades, and the rollout of municipal WiFi hotspots will expand broadband access and speed. Reduced cellphone termination rates have already contributed to lower prices in the telecoms sector, while the launch of new service providers is expected to increase competition in the sector.