2

Economic outlook

In brief

- The South African economy grew faster than expected in the first half of 2021, but this momentum is expected to wane following public violence in July, port and rail disruptions, and the third wave of COVID-19 infections.
- Real GDP is forecast to grow by 5.1 per cent in 2021. Output is expected to return to pre-pandemic levels in 2022, a year earlier than estimated in February. This is largely the result of global demand, higher commodity prices and the easing of COVID-19 lockdown restrictions.
- Household consumption has improved, but has not fully recovered from the pandemic. Inflation is contained within the target band, despite upward pressure from food and energy prices. Gross fixed-capital investment remains well below pre-pandemic levels. The labour market is weak, with unemployment at 34.4 per cent.
- Government has made progress on a few key reforms. In the energy sector, private-sector power producers will be able to sell electricity directly to consumers and municipalities can generate their own power or procure electricity from independent producers. The Transnet National Ports Authority has been corporatised, which will improve incentives for efficiency and competitiveness. The eVisa system will be rolled out to 15 countries by March 2022. Operation Vulindlela continues to monitor and support the implementation of priority reforms.

Introduction

South Africa's economy is expected to grow by 5.1 per cent in 2021, following a 6.4 per cent contraction in 2020. Domestic economic activity recovered more rapidly than anticipated in the 2021 Budget, supported by international demand and higher commodity prices.

Structural constraints in the domestic economy are expected to slow the recovery. Inadequate electricity supply, combined with pandemic-induced job losses, will continue to limit the speed and durability of the recovery and long-term growth. Global factors, including higher and more persistent inflation and associated changes in monetary policy, along with changes in commodity prices, add to uncertainty about the medium-term outlook.

The rollout of vaccines continues to support improved global and domestic activity. However, access to vaccinations remains skewed between and within countries, inhibiting broader vaccine coverage and raising concerns about the emergence of more aggressive variants of COVID-19. Although South Africa has opened up free vaccinations to a large portion of its population, the take-up of vaccinations has been slow. As a result, future waves of the pandemic pose risks to communities and economic activity.

Over the medium term, economic and fiscal policy balance the need to restore jobs and support businesses, protect vulnerable groups, and implement a series of reforms needed to promote faster GDP growth. Debt stabilisation will also support recovery by reducing the cost of capital. Collectively, these interventions will support confidence, investment and job creation – and a more resilient, equitable and competitive economy.

Progress on reforms critical to economic recovery

Government, through Operation Vulindlela, has made progress on several key reforms outlined in its October 2020 economic recovery plan. The amendment of Schedule 2 of the Electricity Regulation Act (2006), raising the licensing threshold from 1 to 100 megawatts (MW), has made it possible for private power generators to sell directly to customers. This will reduce pressure on the national grid and alleviate the risk of power cuts. The pace and scale of private generation will largely depend on the ease of the National Energy Regulator of South Africa registration process, which needs to be streamlined. Amended regulations also enable municipalities to self-generate or procure power directly from independent power producers. Over the longer term, creating a competitive energy market will help contain the costs of generating electricity and support GDP growth.

Government has announced the corporatisation of the Transnet National Ports Authority as an independent subsidiary of Transnet and appointed an interim board. The separation of port infrastructure and operations will create incentives for efficiency and competitiveness between port service providers – reducing delays, improving services and introducing cost discipline.

Reforms in progress

Electricity: Government initiated the procurement of additional electricity generation capacity through the fifth bid window of the Renewable Energy Independent Power Producer Procurement Programme in April 2021. This and the next two bid windows are expected to add 6 800 MW of renewable energy to the grid over the medium term – enough to power over 4 million homes.

Transport: Transnet Freight Rail will allow third-party access to the freight rail network by end-2022. Allowing private rail operators to use the freight rail network will bolster system volume and capacity.

Tourism: The now completed eVisa system will be rolled out to 15 countries by March 2022, providing much-needed support for the tourism sector.

Water: Legislative drafting and financial modelling have been done to establish a National Water Resources Infrastructure Agency responsible for improving the management of bulk water resources. The Department of Water and Sanitation is fast-tracking its application process to ensure that the 90-day target for issuing single-use water licences will be implemented by March 2022 to improve the ease of doing business.

Telecommunications: Work is under way to standardise and improve processes for applications to use property in rolling out towers and fibre to expand digital communications infrastructure. This work will be finalised by October 2022.

Infrastructure: A review of the public-private partnership regulations was completed in May 2021. Its recommendations include simplifying the regulations, eliminating delays in approval and implementation, and standardising project preparation; and building capacity at all levels of government. These will be implemented from early 2022.

However, critical reforms in the telecommunications space have been delayed, constraining innovation and access to better-priced data. These reforms include the release of spectrum through an auction and digital migration, delayed due to recent legal challenges launched by mobile operators. In addition, the Independent Communications Authority of South Africa's possible recall of temporary spectrum at the end of November will affect the quality of digital services for those working from home and leave millions of households without free access to educational and health websites. Government assigned this spectrum in April 2020 to alleviate pressure on digital services in light of the COVID-19 lockdowns.

The durability of the recovery will depend on the implementation of a broad range of structural reforms that inspire confidence and create an enabling environment for accelerating and sustaining economic activity. In the context of limited fiscal space, reforms that require little budgetary support – including regulatory reforms that enhance competition – are being prioritised.

Global outlook

The International Monetary Fund (IMF) expects global GDP to increase by 5.9 per cent in 2021, moderating to 4.9 per cent in 2022. The outlook remains highly uncertain.

Table 2.1 Economic growth in selected countries

Region/country	2019	2020	2021	2022	2023
Percentage	**Actual**			**Forecast**	
World	**2.8**	**-3.1**	**5.9**	**4.9**	**3.6**
Advanced economies	**1.7**	**-4.5**	**5.2**	**4.5**	**2.2**
United States	2.3	-3.4	6.0	5.2	2.2
Euro area	1.5	-6.3	5.0	4.3	2.0
United Kingdom	1.4	-9.8	6.8	5.0	1.9
Japan	0.0	-4.6	2.4	3.2	1.4
Emerging and developing countries	**3.7**	**-2.1**	**6.4**	**5.1**	**4.6**
China	6.0	2.3	8.0	5.6	5.3
India	4.0	-7.3	9.5	8.5	6.6
Brazil	1.4	-4.1	5.2	1.5	2.0
Russia	2.0	-3.0	4.7	2.9	2.0
Sub-Saharan Africa	**3.1**	**-1.7**	**3.7**	**3.8**	**4.1**
Nigeria	2.2	-1.8	2.6	2.7	2.7
South Africa[1]	0.1	-6.4	5.1	1.8	1.6
World trade volumes	**0.9**	**-8.2**	**9.7**	**6.7**	**4.5**

1. National Treasury forecasts
Source: IMF World Economic Outlook, October 2021

The COVID-19 pandemic continues to take a toll on global growth. The stronger-than-anticipated recovery in developed economies in the first half of 2021 reflects the impact of additional fiscal support and better control of the pandemic through large-scale vaccination programmes. Outside the most developed economies, however, scarring – defined as medium-term economic performance below pre-pandemic projections – is expected to be pervasive. Although major commodity exporters have benefited from higher global demand and an improving outlook, low-income countries face worsening pandemic dynamics.

The IMF's positive growth outlook is predicated on several factors, including global vaccine access, sustained monetary and fiscal policy support, and stabilising inflation. However, there are significant downside risks to the outlook, particularly if inflation rises more than expected, monetary policy becomes less supportive, fiscal support is reduced or new coronavirus variants emerge before significant portions of the population are vaccinated.

Global equity markets have recorded a strong performance in the year to date as a result of higher risk appetite, excess liquidity and the easing of COVID-19 restrictions. Yet rising inflation and speculation around tightening monetary policy (central bank asset purchase tapering followed by rising interest rates), alongside concerns about a possible global spillover from recent market developments in China, are weighing on global equities. Bond yields in both developed and developing economies have already started to rise in response, placing upward pressure on domestic borrowing costs.

Figure 2.1 Global equities

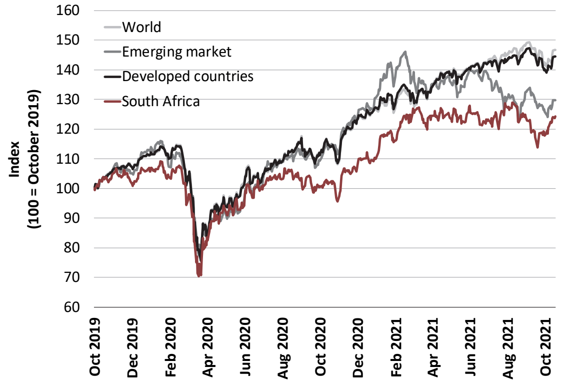


Figure 2.2 Commodity prices

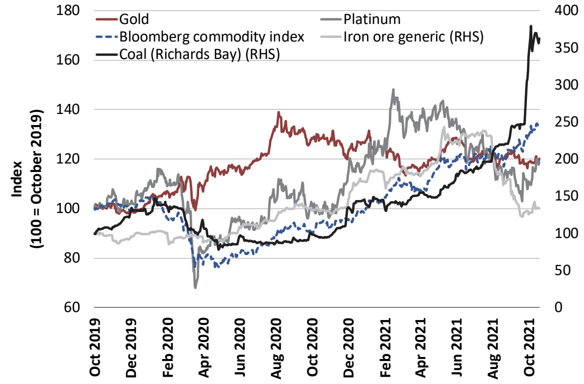


Figure 2.3 10-year bond yields

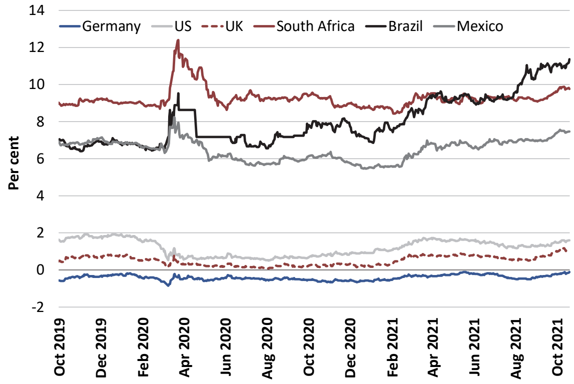
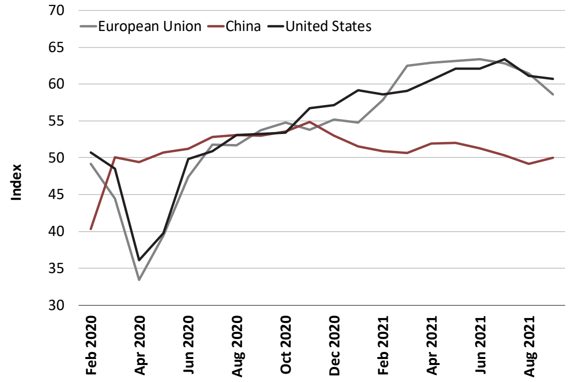


Figure 2.4 Global manufacturing PMIs*



**Purchasing manufacturing indices: above 50 indicates expansionary manufacturing activity*

Source: Bloomberg

Capital flows to developing economies have been declining since November 2020, though elevated commodity prices have provided some support for commodity exporters. Slowing manufacturing activity in some major economies could reduce the prices of industrial-related commodities. Oil, natural gas and coal prices are expected to remain elevated in response to global energy shortages, and to normalise in 2022. Over the longer term, as global supply-chain bottlenecks abate and manufacturing production increases, platinum group metals prices are expected to rise, while coal and oil prices are expected to decline in line with the global transition to renewable energy.

A broad index of developing country currencies strengthened by about 2 per cent against the US dollar by mid-2021, but these gains have since been eroded. The rand continued to recover to pre-pandemic levels during 2021, supported by higher commodity prices.

Conducting a macroeconomic policy review

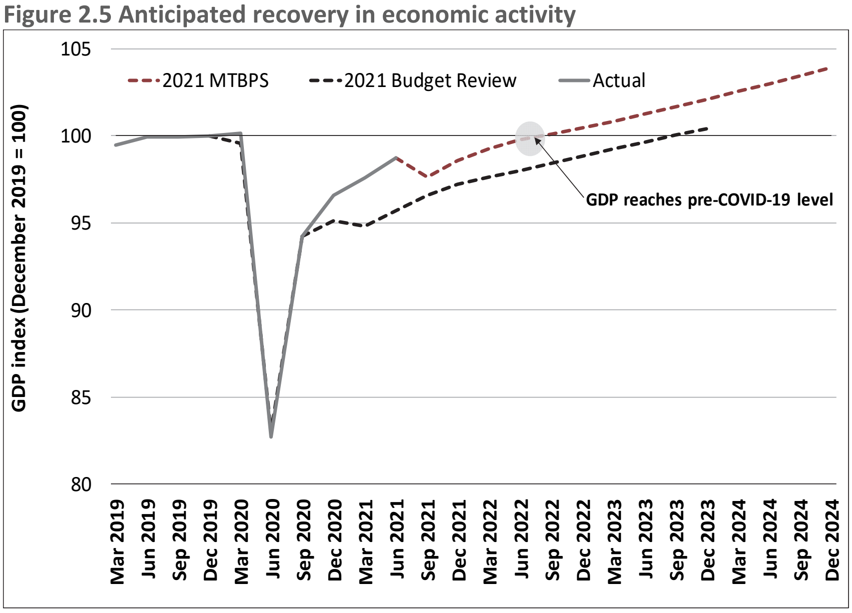
In line with its mandate, the National Treasury is reviewing government's macroeconomic policy from the global financial crisis to the present.

The policy review will examine how key indicators, such as economic growth and employment, have evolved since 2008; assess government's fiscal, monetary and macroprudential policy choices; and propose appropriate reforms to policy targets and institutional frameworks. A draft review document, due at the end of March 2022, will form the basis for workshops, public discussions and additional research. A final review is expected to be published in 2023.

Domestic outlook

The National Treasury projects real economic growth of 5.1 per cent in 2021 and 1.8 per cent in 2022, compared with 2021 Budget estimates of 3.3 per cent and 2.2 per cent respectively. Real GDP growth is expected to moderate to 1.6 per cent in 2023 and 1.7 per cent in 2024. The 2021 projection reflects supportive global growth and export commodity prices, and the easing of COVID-19 lockdown restrictions.

Figure 2.5 Anticipated recovery in economic activity



Source: National Treasury calculations and Statistics South Africa

The recovery in economic activity from 2020 continued in the first half of 2021, when South Africa's GDP rose by 7.5 per cent compared with the first half of 2020. From June 2021, certain sectors – manufacturing, wholesale and retail, restaurants, hospitality, and recreation – were particularly hard hit by the combination of the third wave of COVID-19 infections, public violence and disruptions to Transnet as a result of fire and cyber-attacks. These factors suggest that GDP is likely to contract in the third quarter. Despite this, GDP is now expected to return to pre-pandemic levels late in 2022, earlier than projected in the 2021 Budget, because of stronger-than-expected GDP outcomes in the first half of 2021.

Table 2.2 outlines macroeconomic performance over the past three years and sets out medium-term projections.

Table 2.2 Macroeconomic performance and projections

Calendar year	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Percentage change		**Actual**		**Estimate**		**Forecast**	
Final household consumption	2.4	1.1	-6.5	5.7	2.0	1.9	1.9
Final government consumption	1.0	2.7	1.3	0.1	-1.4	-2.9	-0.1
Gross fixed-capital formation	-1.8	-2.4	-14.9	1.2	3.1	3.4	3.5
Gross domestic expenditure	1.6	1.2	-8.0	4.9	2.4	1.9	1.7
Exports	2.8	-3.4	-12.0	10.3	2.9	2.6	2.7
Imports	3.2	0.5	-17.4	9.5	5.3	4.0	2.6
Real GDP growth	**1.5**	**0.1**	**-6.4**	**5.1**	**1.8**	**1.6**	**1.7**
GDP inflation	4.0	4.5	5.3	5.4	1.3	3.2	4.4
GDP at current prices (R billion)	**5 358**	**5 605**	**5 521**	**6 112**	**6 304**	**6 607**	**7 018**
CPI inflation	4.6	4.1	3.3	4.5	4.2	4.3	4.5
Current account balance (% of GDP)	-3.0	-2.6	2.0	3.8	0.4	-1.5	-1.7

Source: National Treasury, Reserve Bank and Statistics South Africa

Household consumption

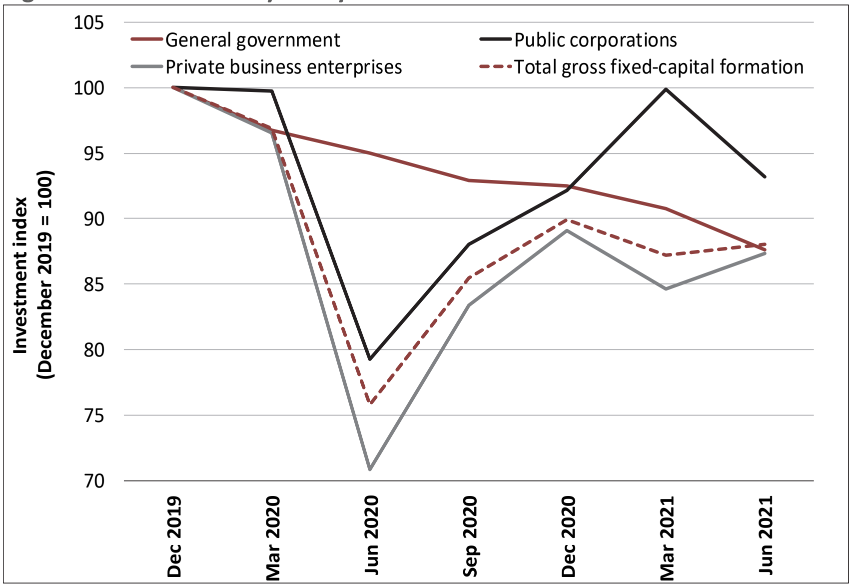
Following a coronavirus-induced decline in 2020, household consumption is expected to grow by 5.7 per cent in 2021. It is supported by improved earnings and growing credit extension, which is linked to low interest rates. Nonetheless, the value of household consumption remains 1.4 per cent below pre-pandemic levels, weighed down by lower spending on semi-durable goods such as clothing. The COVID-19 lockdowns disproportionately affected lower-income households. While 94 per cent of workers with graduate qualifications reported receiving their full salaries in the second quarter of 2021, only 86 per cent of workers with matric or less reported receiving the same. More than three-quarters of post-pandemic job losses have been in lower-earning positions. Furthermore, fewer than 8 per cent of employees in these positions were able to work from home during lockdown periods.

The easing of lockdown restrictions and the reinstatement of the *special COVID-19 social relief of distress grant* until March 2022 will support spending for lower-income households in particular through the rest of 2021. Over the medium term, persistently high unemployment will continue to weigh on the recovery. Renewed restrictions in response to additional waves of COVID-19 infections would pose a significant downside risk to household incomes and spending.

Investment

Gross fixed-capital formation has improved marginally in the current year, but remains well below pre-pandemic levels. In the second quarter of 2021, investment amounted to about 14 per cent of GDP (compared with the National Development Plan target of 30 per cent), following a 13-year decline since 2008. Private investment, the largest component of fixed-capital formation, has been slow to recover from the lows of 2020. This is a result of weak confidence and demand, and persistent structural constraints such as inadequate electricity supply. Government investment has continued to decline.

Figure 2.6 Investment by entity



Source: Statistics South Africa and National Treasury

Government's recently announced 100 MW embedded electricity generation reform is expected to bolster confidence and private investment over the medium term (reflected in Scenario A). However, a clear and simple registration process is required to support investment.

Inflation

Inflation is projected to reach 4.5 per cent in 2021, reflecting upward pressure from non-core inflation – specifically food and energy prices – while core inflation remains subdued. Beyond 2021, inflation is expected to remain well contained within the target range, approaching 4.5 per cent in the outer years. Risks to the inflation outlook are primarily in the near term and assessed to the upside, mainly stemming from non-core inflation.

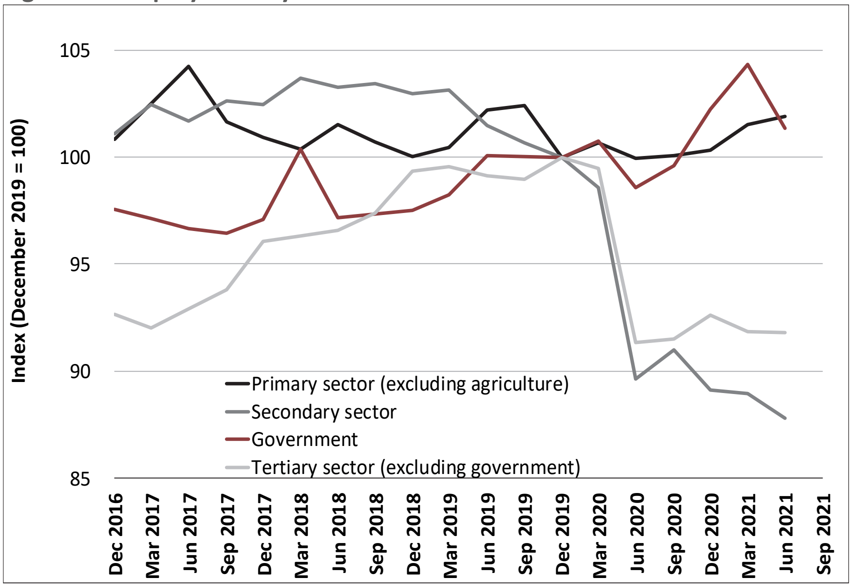
Employment

Although post-pandemic economic activity is showing signs of recovery, the formal labour market is not. Resurgent COVID-19 infections and resulting lockdown restrictions during the first half of 2021 disrupted the recovery in labour demand. The total number of employed people decreased for two consecutive quarters over the period. By June 2021, the total number of jobs – 14.9 million – remained 1.5 million below pre-pandemic levels. The official unemployment rate rose to 34.4 per cent, the highest recorded since publication of the Quarterly Labour Force Survey began in 2008.

During the second quarter of 2021, the number of private-sector jobs reached a post-2005 low. Public-sector employment gains appear to be driving a partial recovery in jobs, consisting largely of temporary work and training opportunities created through public employment programmes.

Official data and the National Income Dynamics Study – Coronavirus Rapid Mobile Survey show divergences in the employment recovery by age, education, gender and race – with black women in particular bearing the brunt of job losses. The fiscal relief package announced in response to COVID-19 and the presidential employment initiative have helped to offset job losses. Sustainable reductions in unemployment will require the effective implementation of the economic recovery plan to crowd in investment and support job creation by the private sector.

Figure 2.7 Employment by sector



Source: Statistics South Africa and Reserve Bank

Balance of payments

South Africa's financial account deficit widened from 4.4 to 7.2 per cent of GDP between the first and second quarters of 2021 as portfolio and other investments registered net outflows. The financial account has been in deficit since the first quarter of 2020, offset by a strong surplus on the current account. In the first half of 2021, higher global commodity prices bolstered South Africa's terms of trade as the value of exports grew faster than that of imports. This led to the trade surplus reaching 10 per cent of GDP in the second quarter, pushing the current account surplus to 5.6 per cent of GDP. As commodity prices and global demand stabilise over the medium term, the terms of trade gains are expected to dissipate and import demand is expected to return. The current account is projected to return to a deficit in 2023, in line with a moderate recovery in domestic demand.

Macroeconomic assumptions

The forecast incorporates assumptions outlined in Table 2.3. Compared with the 2021 Budget forecast, the major changes are a higher export commodity price index for 2021 (although lower over the forecast period) and a lower sovereign risk premium. The latter is supported by favourable global conditions, and improved economic and revenue performance in the near term.

Table 2.3 Assumptions informing the macroeconomic forecast

	2019	2020	2021	2022	2023	2024
Percentage change	Actual		Estimate	Forecast		
Global demand[1]	**2.1**	**-3.6**	**5.5**	**4.8**	**4.0**	**4.0**
International commodity prices[2]						
Brent crude oil (US$ per barrel)	64.3	41.8	70.6	76.8	70.9	66.7
Gold (US$ per ounce)	1 392.2	1 769.5	1 791.5	1 767.8	1 781.0	1 811.0
Platinum (US$ per ounce)	863.6	883.3	1 091.1	995.3	1 003.8	1 012.5
Coal (US$ per ton)	71.3	65.2	133.6	144.5	111.9	105.0
Iron ore (US$ per ton)	93.6	108.1	160.6	107.8	101.2	97.5
Palladium (US$ per ounce)	1 539.0	2 192.7	2 417.7	2 022.3	2 031.3	2 040.1
Food inflation	**3.4**	**4.5**	**6.1**	**4.7**	**4.7**	**4.6**
Sovereign risk premium	**3.2**	**4.9**	**3.5**	**3.3**	**3.1**	**3.1**
Public corporation investment	**-19.5**	**-11.9**	**11.4**	**6.3**	**6.4**	**7.5**

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, October 2021)
2. Source: Bloomberg futures prices as at 15 October 2021
Source: National Treasury

Maintaining the National Treasury's macroeconomic models

The National Treasury uses a suite of globally recognised economic models to assess the state of the economy, evaluate the impact of policy choices, quantify potential economic risks and formulate macroeconomic projections. The models' results are used to inform policy development and produce the macroeconomic forecast, which underpins the fiscal framework published in the *Medium Term Budget Policy Statement* and the *Budget Review*.

In line with standard practice, the National Treasury recently updated its quarterly model. The September 2021 update incorporated the effects of Statistics South Africa's recent GDP rebasing and benchmarking exercise, which resulted in an upward revision in the size of the economy and changes to the weights of different components of GDP. National statistical agencies periodically conduct GDP rebasing and benchmarking to account for changes in the economy. South Africa's last such update was in 2014.

Risks to the domestic growth outlook

Risks to the outlook remain elevated, reflecting continued uncertainty in both the global and domestic economy.

Although sizeable fiscal support continues in developed economies, many developing economies have begun to reduce support as fiscal space narrows, which may slow their recovery.

Global inflation is elevated and its trajectory is highly uncertain. The IMF expects inflation to subside to pre-pandemic levels in 2022 as supply-demand mismatches ease and labour markets normalise. However, persistent inflation in the United States and other developed economies – stemming from a combination of pandemic-induced supply constraints and high energy prices – is likely to result in a hike in interest rates.

Mass vaccination against COVID-19 is hindered by supply constraints, lack of access and hesitancy. Although just over half of the population in developed countries is now fully vaccinated, progress in developing countries is significantly lower. This means that much of the world remains susceptible to continued health and economic shocks from the pandemic.

In South Africa, policy uncertainty and the slow implementation of structural reforms continue to weigh on business confidence and investment. Electricity supply constraints, in particular, could worsen in the short term and constrain the recovery.

A further deterioration in the public finances due to additional spending pressures and the materialisation of contingent liabilities could trigger further credit rating downgrades. These in turn would increase borrowing costs and crowd out public spending on service delivery and infrastructure.

Possible future waves of COVID-19 infections may result in further disruptions to economic activity.

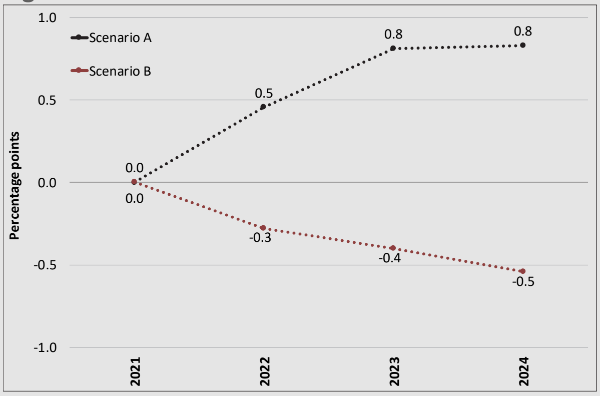
Alternative scenarios

The National Treasury has generated two scenarios that provide insight into possible deviations from the growth forecast.

In **Scenario A**, a strong uptake of additional electricity-generating capacity from the higher licensing threshold is assumed during the forecast period. As projects come online, the energy constraint eases considerably, improving business sentiment, lowering the sovereign risk premium and reducing the overall cost of borrowing. This supports private-sector investment and consumption expenditure.

In **Scenario B**, supply-demand mismatches and persistent inflation prompt a more aggressive tightening of monetary policy by major economies in the near term. This leads to weaker global growth and commodity prices, with negative consequences for the domestic economy.

Figure 2.8 Deviation from the baseline GDP forecast



Source: National Treasury calculations

Sector performance and outlook

Agriculture

Agriculture expanded by 8.3 per cent in the first half of 2021 compared with the same period in 2020 and is set to grow for a second consecutive year. Grain production estimates suggest strong performance for summer field crops; winter field crop output is expected to be marginally lower than 2020. Livestock farmers have rebuilt herds as veld recovered in parts of the country affected by drought. Agricultural exports have continued to perform well, with citrus exports showing record gains for the third year. Higher global prices for agricultural commodities are likely to moderate over the medium term.

Mining

Mining production increased by 25.2 per cent in the first half of 2021 compared with the same period in 2020. This recovery to pre-pandemic levels was supported by higher global prices and strong demand. Regulatory uncertainty, transport and logistical shortcomings, and power disruptions continue to affect the sector, while performance remains heavily dependent on the global environment and the commodity cycle. Production growth is expected to moderate around current levels over the medium term.

Manufacturing

Manufacturing production grew by 17 per cent in the first six months of 2021 compared with the same period in 2020. Production has not recovered to pre-pandemic levels, although the Absa Purchasing Managers' Index remains above the neutral 50-point mark. Electricity disruptions, raw material shortages and rising input costs will continue to limit output in the short to medium term.

Electricity

The electricity, gas and water sector grew by 5.8 per cent in the first six months of the year compared with the same period in 2020. Generation capacity, however, remains constrained. A large number of unplanned outages, and explosions at the Medupi and Kendal power stations, reflect the deterioration in Eskom's plant performance. The risk of power cuts remains high. This is also evident in the downward trend of the energy availability factor (which measured 63 in 2021, compared with 65 in 2020). Raising the licensing threshold for embedded generation will support higher investment, reduce pressure on the grid and lower the risk of load-shedding from late 2022. However, inadequate electricity supply will remain a binding constraint on economic recovery in the near term.

Construction

Real gross value added in the construction sector fell 2.9 per cent in the first half of 2021 relative to the corresponding period in 2020, reaching levels last observed in September 2007. While investment has improved marginally, the change is insufficient for recovery in the sector. Construction has been severely affected by lockdown restrictions and confidence remains low. Employment in the first half of the year fell by 4.5 per cent compared with the same period in 2020.

Transport and communications

The transport, storage and communication sector grew by 4.2 per cent in the first half of the year relative to the first half of 2020. This recovery was supported by increased freight transportation, higher passenger traffic and, in communications, increased demand for digital services. Risks to growth include the return of protracted load-shedding and further lockdowns. In addition, the possible recall of temporary spectrum at the end of November will affect the communications sector.

Finance

The finance sector grew by 4.7 per cent in the first six months of 2021 relative to the first half of 2020. Strong monetary, fiscal and regulatory policy responses supported bank customers as well as the integrity of institutions. Despite the significant increase in claims paid as a result of the COVID-19 pandemic, the life and non-life insurance industries remain well capitalised and are able to support their policyholders and beneficiaries. Low interest rates have supported mortgage markets, benefiting first-time home owners. Because domestic banks increased their share of government debt in 2020, further downgrades remain a systemic risk for the sector.

Green recovery and a just transition

South Africa – the largest greenhouse gas (GHG) emitter in Africa and the 12th largest globally – has committed to ambitious climate change targets. These include having GHG emissions peak in 2025 at 510 million tonnes and decline thereafter to a maximum of 420 million tonnes by 2030. These targets are in line with the National Development Plan and net zero emissions commitments by 2050. Reducing GHG emissions and adapting to climate change will involve a concerted national effort. Achieving a just transition, and promoting resilience to droughts, floods and extreme temperature change, requires the participation of all economic sectors.

Extensive work is under way within government to prepare the climate transition. In November 2021, government announced that developed countries will mobilise R131 billion in concessional and grant funding over the next three to five years to support South Africa's transition away from coal and develop new sectors such as electric vehicles and green hydrogen.

The National Treasury supports a green transition that can unlock economic growth, create jobs, and build a more resilient and inclusive economy. This requires managing the potential trade-offs associated with major economic restructuring, particularly for workers and vulnerable communities. The transition must be financed in a sustainable manner that does not unduly burden the fiscus. Eskom's Just Energy Transition plan is a first step in efforts to decarbonise the energy sector and is being reviewed. A well-designed transition will enable South Africa to access additional international climate finance for adaptation, and build on mitigation efforts through the Green Climate Fund, Climate Investment Funds and other sources.

To help meet its climate goals, government introduced a carbon tax in 2019. Announcements concerning the second phase of this tax, which begins in 2023, will be made in the 2022 Budget.

Conclusion

The medium-term economic outlook has improved somewhat since the February 2021 forecast, largely driven by supportive global conditions. However, momentum is slowing as a result of domestic and global factors – including continued structural constraints and the scarring impact of the pandemic on jobs and investment – that will adversely affect GDP growth. A durable recovery and growth in jobs require urgent implementation of reforms to improve competitiveness, and the ease and cost of doing business.