



# SOUTH AFRICA

## POST-FINANCING ASSESSMENT—PRESS RELEASE; AND STAFF REPORT

September 2024

In the context of the Post-Financing Assessment, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse of time basis, following discussions that ended on July 8, 2024, with the officials of South Africa on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 31, 2024.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services  
PO Box 92780 • Washington, D.C. 20090  
Telephone: (202) 623-7430 • Fax: (202) 623-7201  
E-mail: [publications@imf.org](mailto:publications@imf.org) Web: <http://www.imf.org>

**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Concludes Post Financing Assessment Discussions with South Africa

FOR IMMEDIATE RELEASE

**Washington, DC – September 4, 2024:** The Executive Board of the International Monetary Fund (IMF) concluded the Post Financing Assessment (PFA)<sup>1</sup>, and endorsed the Staff Appraisal on a lapse-of-time basis. South Africa’s capacity to repay the Fund is assessed as adequate.

The new government of national unity that took office in June faces significant challenges, including declining real per capita growth, high unemployment, poverty, and inequality, and a rising level of public debt. The new administration has committed to address these challenges by continuing ongoing structural reforms aimed at addressing supply constraints and bolstering inclusive growth, while maintaining fiscal discipline.

Growth slowed to 0.7 percent in 2023, depressed in part by widespread power shortages and disruptions at rails and ports. Unemployment remained elevated, reaching 32 percent at end-2023. Following decisive monetary policy tightening during 2022 and early 2023, inflation fell within the SARB’s 3–6 percent target range last year, moderating further to 5.1 percent in June 2024. The current account deficit widened to 1.6 percent of GDP in 2023 (from 0.5 percent in 2022), driven by higher imports. The budget deficit remained in line with the revised budget target thanks to robust revenues and expenditure restraint, although public debt continued to rise to just above 74 percent of GDP.

Looking ahead, growth is expected to reach 1 percent in 2024, on the back of improved investor sentiment and electricity generation, stabilizing at 1.4 percent in the medium term, as structural bottlenecks ease only gradually. Inflation is projected to decline toward the midpoint of the target range 2025Q2. The current account deficit is expected to increase modestly to 2.2 percent of GDP by 2029, as imports accelerate in line with domestic demand. The fiscal deficit is projected to remain elevated over the medium term, given rising debt service, support to state-owned enterprises, and sizeable spending on public wages and transfers. As a result, public debt is not expected to stabilize. Risks to the outlook are broadly balanced, with faster reform implementation under the new government of national unity representing an upside risk to growth, while downside risks largely relate to the uncertain external environment and an inability of the new government to agree on needed fiscal and structural reforms.

### Executive Board Assessment<sup>2</sup>

South Africa’s economy has shown resilience in the face of massive disruptions, but persisting structural challenges risk a further erosion of living standards. Despite unprecedented electricity shortages and bottlenecks at rails and ports last year, growth stayed positive, as

---

<sup>1</sup> After completing an [IMF lending program](#), a country may be subject to a Post Financing Assessment (PFA). It aims to identify risks to a country’s medium-term viability and provide early warnings on risks to the IMF’s balance sheets. For more details click [here](#).

<sup>2</sup> The Executive Board takes decisions under its lapse-of-time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

economic agents adapted. However, per-capita income growth continued to decline, public debt rose further, and unemployment and poverty rates remained at unacceptably high levels.

The new government should use the opportunity of a new mandate to implement bold reforms to address long-standing challenges and achieve the economy's full potential. Such a mandate can turn the economy around from the path of weak growth, high debt, and deteriorating living standards toward high growth, fiscal sustainability, and shared prosperity. This requires determined structural and fiscal reforms, complemented by prudent monetary and financial policies. The new administration should build on the existing reform agenda but increase its ambition and accelerate implementation to put the economy on a permanently higher and more inclusive growth path.

Structural reforms are paramount to support job creation, growth, and prosperity. Wide-ranging electricity and transportation-sector reforms, including to foster private sector participation, are indispensable to reinvigorating activity, boosting exports, and supporting the green transition. Product-market reforms improving business environment and removing obstacles to trade, complemented by labor-market reforms, are essential to boost investment and employment. Strengthening governance and reducing corruption are essential to reap reform gains, which should be broadly distributed.

An ambitious fiscal consolidation is essential to restore the sustainability of public finances. Durable expenditure-based consolidation of at least 3 percent of GDP over the next three years is required to place debt on a sustained downward path, while protecting vulnerable groups. Reliance on gains on foreign reserves has helped lower borrowing needs but does not substitute for the needed fiscal consolidation. Any additional spending initiatives to lower inequality and improve health should be financed in a deficit-neutral way. Improving the institutional fiscal framework by adopting a debt rule, bolstering the procurement framework, and improving public-investment management can support the adjustment and mitigate fiscal risks.

Monetary policy should carefully manage the descent of inflation to the mid-point of the target range and stay data dependent. Given continued uncertainty about the inflation outlook, rate cuts should be considered only once inflation declines sustainably towards the mid-point of the target range. Any change to the monetary policy framework should be carefully timed, well-coordinated and communicated to manage expectations and safeguard credibility.

Financial policies should continue to support financial stability. Ongoing banking resolution and safety-net reforms, together with the new loss-absorbing capacity requirement, significantly strengthen crisis management tools and enhance depositors' protection. Continued monitoring of risks remains critical, given the sovereign-financial sector nexus. Implementation of prudential regulations, along with the countercyclical buffer, could play a vital role.

Staff assess that South Africa's capacity to repay the Fund is adequate under the baseline and downside scenarios. South Africa is expected to be able to repay the Fund by end-2025 given ample reserves and manageable external debt service. Capacity to repay is also assessed as adequate under a downside scenario, where policies will need to be tightened to contain inflationary pressures and safeguard debt sustainability, while protecting vulnerable groups. The flexible exchange rate is expected to act as a shock-absorber.

### South Africa: Selected Economic Indicators, 2022–26

Social Indicators					
<b>GDP</b>		<b>Poverty (percent of population)</b>			
Nominal GDP (2022, billions of US dollars)	407	Lower national poverty line (2015)		40	
GDP per capita (2022, in US dollars)	6,712	Undernourishment (2019)		7	
<b>Population characteristics</b>		<b>Inequality (income shares unless otherwise specified)</b>			
Total (2022, million)	62	Highest 10 percent of population (2015)		53	
Urban population (2020, percent of total)	67	Lowest 40 percent of population (2015)		7	
Life expectancy at birth (2020, number of years)	64	Gini coefficient (2015)		65	
Economic Indicators					
	2022	2023	2024	2025	2026
			Proj.		
<b>National income and prices (annual percentage change unless otherwise indicated)</b>					
Real GDP	1.9	0.7	1.0	1.3	1.4
Domestic demand	3.9	0.8	1.2	1.5	1.5
Private Consumption	2.5	0.7	0.9	1.2	1.3
Government Consumption	0.6	1.9	1.2	1.2	1.3
Gross Fixed Investment	4.8	3.9	3.1	2.8	2.7
Inventory Investment (contribution to growth)	1.5	-0.6	0.0	0.0	0.0
Net export (contribution to growth)	-2.1	-0.1	-0.3	-0.2	-0.1
Real GDP per capita 1/	1.1	-0.8	-0.6	-0.2	-0.1
GDP deflator	5.0	4.8	4.9	4.5	4.5
CPI (annual average)	6.9	5.9	5.2	4.6	4.5
CPI (end of period)	7.4	5.5	4.8	4.6	4.5
<b>Labor market (annual percentage change unless otherwise indicated)</b>					
Unemployment rate (percent of labor force, annual average)	33.5	33.1	33.8	34.2	34.5
Unit labor costs (formal nonagricultural)	2.1	-0.8	-0.6	-0.2	-0.1
<b>Savings and Investment (percent of GDP)</b>					
Gross national saving	15.0	13.9	13.7	13.7	13.7
Investment (including inventories) 2/	15.4	15.5	15.4	15.7	15.8
<b>Fiscal position (percent of GDP unless otherwise indicated) 4/</b>					
Revenue, including grants 4/	27.6	26.8	27.0	27.0	27.1
Expenditure and net lending 5/	31.9	32.7	33.2	33.4	32.6
Overall balance	-4.3	-5.9	-6.3	-6.4	-5.5
Primary balance	0.3	-0.9	-0.9	-0.8	0.2
Gross government debt 6/	70.8	73.4	75.0	77.6	79.3
Government bond yield (10-year and over, percent) 7/	11.3	11.6	...	...	...
<b>Money and credit (annual percentage change unless otherwise indicated)</b>					
Broad money	8.3	6.5	7.5	7.5	7.5
Credit to the private sector 8/	8.9	4.4	5.9	5.9	5.9
Repo rate (percent, end-period) 7/	7.0	8.25	...	...	...
3-month Treasury bill interest rate (percent) 7/	6.5	7.9	...	...	...
<b>Balance of payments (annual percentage change unless otherwise indicated)</b>					
Current account balance (billions of U.S. dollars)	-1.8	-6.1	-6.9	-7.7	-8.6
percent of GDP	-0.5	-1.6	-1.8	-1.9	-2.0
Exports growth (volume)	7.4	3.5	3.5	3.6	3.7
Imports growth (volume)	14.9	4.1	4.0	3.9	3.8
Terms of trade	-8.6	-4.8	-1.2	-1.4	-0.3
Overall balance (percent of GDP)	0.0	0.5	0.0	0.0	0.0
Gross reserves (billions of U.S. dollars)	60.6	62.5	62.5	62.5	62.5
in percent of ARA	88.9	97.0	95.3	...	...
Total external debt (percent of GDP)	40.4	41.5	42.2	43.6	44.9
Nominal effective exchange rate (period average) 7/	-4.9	-7.7	...	...	...
Real effective exchange rate (period average) 7/	-1.4	-9.0	...	...	...
Exchange rate (Rand/U.S. dollar, end-period) 7/	17.0	18.4	...	...	...
Sources: South African Reserve Bank, National Treasury, Haver, Bloomberg, World Bank, and Fund staff estimates and projections.					
1/ Per-capita GDP figures are computed using STATS SA mid-year population estimates.					
2/ Inventories data are volatile and excluded from the investment breakdown to help clarify fixed capital formation developments.					
3/ Consolidated government as defined in the budget unless otherwise indicated.					
4/ Revenue excludes "transactions in assets and liabilities" classified as part of revenue in budget documents. This item represents proceeds from the sales of assets, realized valuation gains from holding of foreign currency deposits, and other conceptually similar items, which are not classified as revenue by the IMF's Government Finance Statistics Manual 2014.					
5/ The Eskom debt relief is treated as capital transfer above-the-line item.					
6/ Central government.					
7/ Average January 1- April 19, 2023. For nominal and effective exchange rate, year on year change of average January 1-April 19.					
8/ Other depository institutions' "loans and securities" in all currencies.					



# SOUTH AFRICA

## POST-FINANCING ASSESSMENT

July 31, 2024

### EXECUTIVE SUMMARY

**Context.** South Africa's economy faces significant macroeconomic challenges: declining GDP per capita, rising debt, high unemployment, poverty, and inequality. Following national elections in May, the long-ruling African National Congress (ANC) lost its majority in parliament and formed a government of national unity (GNU) with the main opposition party Democratic Alliance and nine other parties. The GNU has indicated its intention to address these challenges, while ensuring social cohesion and good governance, which has been welcomed by the markets.

**Outlook and Risks.** Growth declined to 0.7 percent in 2023, due to unprecedented electricity shortages and disruptions at rails and ports. Activity is expected to gradually recover, with growth reaching 1 percent this year, and 1.4 percent in the medium term. Faster reform implementation supported by the GNU represents an upside risk to confidence and growth. On the downside, an inability of the GNU to agree on reforms, a slowdown in trading partner growth, intensification of geopolitical tensions, and tighter global financial conditions could weigh on the outlook.

**Staff Advice.** Policies should focus on bolstering inclusive growth and restoring fiscal sustainability, while managing the descent of inflation to target and safeguarding financial stability. Ongoing structural reforms—including in the electricity and transportation sectors—should be continued, accelerated, and complemented with measures improving the business environment and functioning of product and labor markets, while strengthening governance. An ambitious expenditure-based fiscal consolidation—supported by an improved institutional fiscal framework, including a debt ceiling—is essential to put debt on a sustained downward path. Monetary policy should stay data dependent and rate cuts be considered only after inflation declines sustainably towards the midpoint of the target range. The authorities should continue to monitor financial sector risks, including those related to the bank-sovereign nexus, and enhance supervision and prudential regulations.

**Capacity to Repay the Fund.** South Africa is assessed as having adequate capacity to repay its obligations to the Fund following its access in 2020 to financial assistance under the Rapid Financing Instrument (SDR 3.1 billion) to address the aftermath of the pandemic.

Approved By  
**Andrea Richter Hume**  
**(AFR) and Anna Ilyina**  
**(SPR)**

An IMF team comprising Delia Velculescu (head, AFR), Max Alier (Resident Representative), Jana Bricco, Kamil Dybczak, Taehoon Kim (all AFR), Asma Khalid (FAD), Mario Mansilla (MCM), Boaz Nandwa (SPR), and Nasha Mavee (local economist) held discussions with Finance Minister Godongwana, Governor Kganyago, Deputy Finance Ministers Masondo and Sarupen, and officials in the Presidency, National Treasury, SARB, SARS, Ministry of Labor, and representatives of Eskom, Transnet, private banks, and academia during July 1–8, 2024 in Pretoria. Vuyelwa Vumendlini and Linda Motsumi (OED) attended the discussions. Yadian Chen (AFR), and Hermine Ilunga (local office) provided research support. Erick Trejo (AFR) and Sandra du Plessis (local office) supported the preparation of the report and mission.

## CONTENTS

<b>CONTEXT</b>	<b>4</b>
<b>RECENT DEVELOPMENTS</b>	<b>5</b>
<b>OUTLOOK AND RISKS</b>	<b>7</b>
<b>POLICY DISCUSSIONS</b>	<b>9</b>
A. Fiscal Policy	9
B. Monetary Policy	12
C. Financial Sector Policy	13
D. Structural Reforms	14
<b>CAPACITY TO REPAY AND DOWNSIDE SCENARIO</b>	<b>16</b>
<b>STAFF APPRAISAL</b>	<b>18</b>
<b>BOX</b>	
1. GFECRA—A Short Primer	10
<b>FIGURE</b>	
1. Downside Scenario: Deviations from Baseline	17
<b>TABLES</b>	
1. Selected Economic Indicators, 2022–26	20
2. Consolidated Government Operations, FY22–29	21
3. Balance of Payments, 2022–29	22

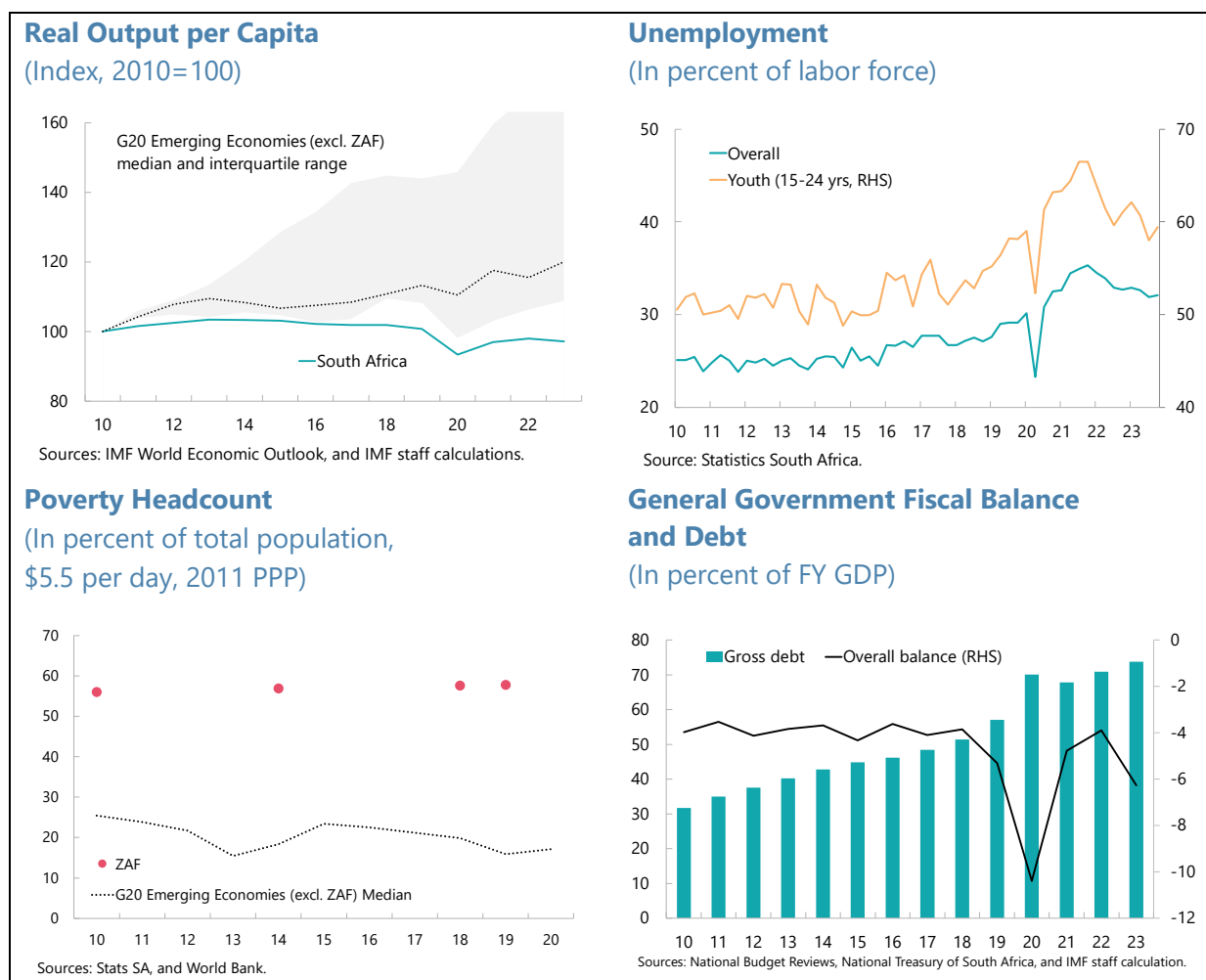
4. Financial Corporations, 2022–29	23
5. Financial Soundness Indicators, 2019–24	25
6. Medium-Term Macroeconomic Framework, 2022–29	26
7. Indicators of Fund Credit—Baseline and Downside Scenario (RFI arrangements), 2023–29	27

**ANNEXES**

I. Risk Assessment Matrix	28
II. Sovereign Risk and Debt Sustainability Framework	32

## CONTEXT

**1. South Africa continues to face significant macroeconomic challenges.** Real per-capita GDP has been declining over the last decade, reflecting weak policies, an inability to address entrenched structural rigidities, and governance weaknesses that undermined key sectors of activity (electricity, logistics). Consequently, unemployment has been on a rising trend, reaching 32 percent at end-2023 (60 percent for youth), poverty is triple the G20 EM median, and inequality is among the highest in the world. Rising public spending and interest rates led to public debt ballooning to 74 percent of GDP at end-2023, triple its 2008 level. On the upside, South Africa's diversified economy and mineral wealth, flexible exchange rate, inflation-targeting framework, deep financial markets, and ability to issue domestic-currency debt remain sources of strength.



**2. Following national elections in May, a new government of national unity was formed and is gearing up to confront immediate and long-term challenges.** The long-ruling ANC party lost its majority for the first time in 30 years, requiring it to seek a historic government of national unity (GNU) with the main opposition party Democratic Alliance (DA) and nine other parties. The GNU partners have committed to prioritize fostering inclusive growth and job creation, reducing

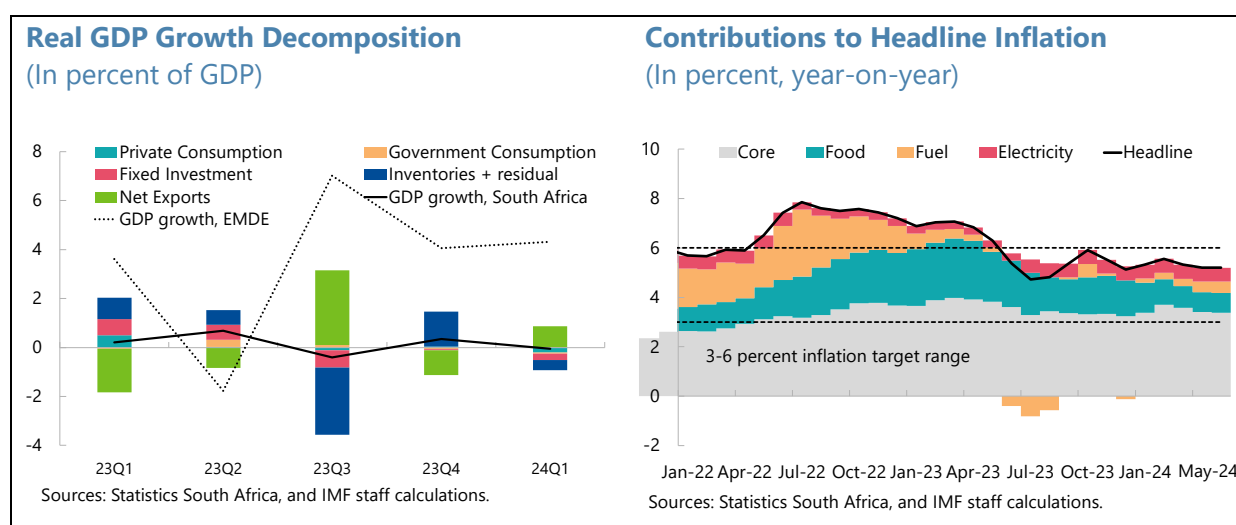


poverty and tackling the high cost of living, and build a capable, ethical, and developmental state, while committing to stabilize public debt, continuing ongoing structural reforms, and pursuing the green transition. Markets welcomed the GNU, with the Rand initially appreciating by about 5 percent and the government bond yield declining by 40 bp.

**3. This report assesses South Africa’s capacity to repay the Fund following the SDR 3.1 billion financial assistance approved by the Executive Board under the Rapid Financing Instrument (RFI) in July 2020.<sup>1</sup>** Emergency financial assistance was provided in support of the authorities’ policy actions to mitigate the severe economic disruption from the COVID-19 pandemic. Outstanding credit to the Fund stood at SDR 1.53 billion at end-July 2024, above the SDR 1.5 billion threshold for which a Post-Financing Assessment is recommended. This report assesses South Africa’s capacity to repay the Fund under the baseline and a downside scenario.

## RECENT DEVELOPMENTS

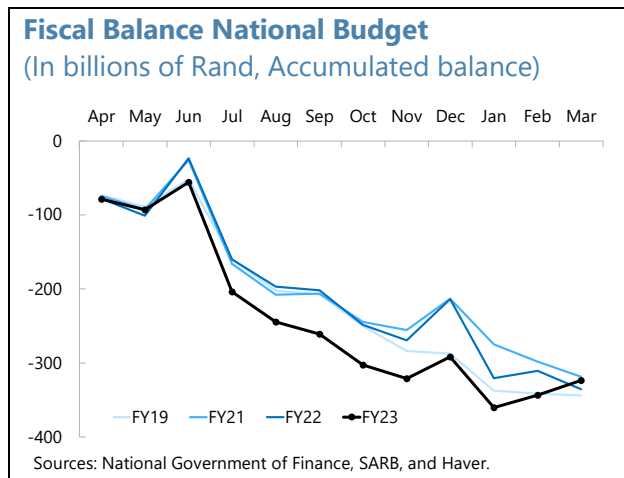
**4. Economic growth tapered off in 2023 amidst extraordinary domestic disruptions and remained weak in early 2024.** Unprecedented power shortages and drastic disruptions at rails and ports—reflecting the culmination of years of weak management and governance problems at state-owned electricity (Eskom) and logistics (Transnet) companies—capped growth at 0.7 percent in 2023 (from 1.9 percent in 2022). Activity was supported by government consumption (1.9 percent) and investment (3.9 percent), as businesses shifted to self-generation of electricity, while private consumption growth softened (0.7 percent). Growth decelerated to -0.1 percent q-o-q in 2024Q1, with all domestic demand components contracting. Inflation fell within the SARB’s 3–6 percent target range in 2023, averaging 5.9 percent, and declined further to 5.1 percent in June 2024. The unemployment rate reached 32.9 percent in 2024Q1.



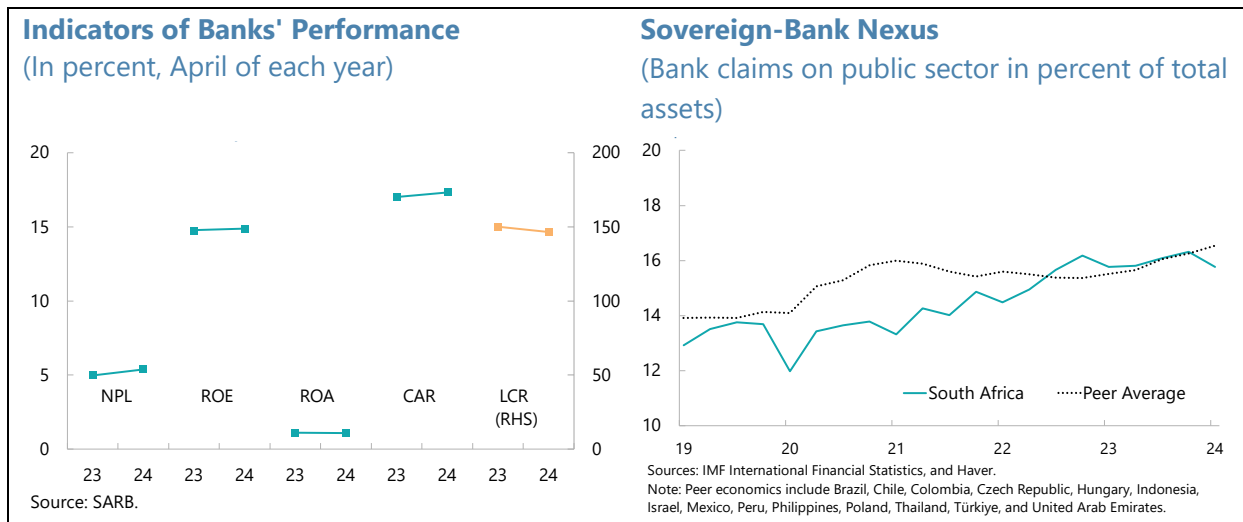
<sup>1</sup> [IMF Staff Report for South Africa 2020, Request for Purchase Under the Rapid Financing Instrument.](#)

**5. The FY23 fiscal deficit outcome was in line with the revised (October) budget target but higher than the FY23 (February) budget target.**

The main budget deficit (authorities' definition) reached 4.6 percent of GDP in FY23, relative to the original (February) budget target of 3.9 percent, revised in October to 4.7 percent of GDP.<sup>2</sup> The FY23 outturn was in line with the FY22 deficit. Revenues were better than expected mainly due to higher CIT receipts and sales of foreign-currency assets, although tax revenues were lower than in FY22. Tight controls in FY23Q4 kept spending in line with the revised budget and below the FY22 level. Despite a modest primary surplus (0.4 percent of GDP), public debt rose to 74.1 percent of GDP, reflecting rising debt service and Eskom debt relief.



**6. Despite the challenging environment, the financial sector remained resilient.** As of end-April 2024, banks' capital and liquidity ratios stayed comfortably above regulatory minima, and profitability was stable, driven by net-interest income. Credit growth to the private sector declined in 2023 and reached 4.8 percent in May, given subdued economic activity and public debt-driven crowding out of private investment.<sup>3</sup> Indeed, banks' exposure to the public sector reached

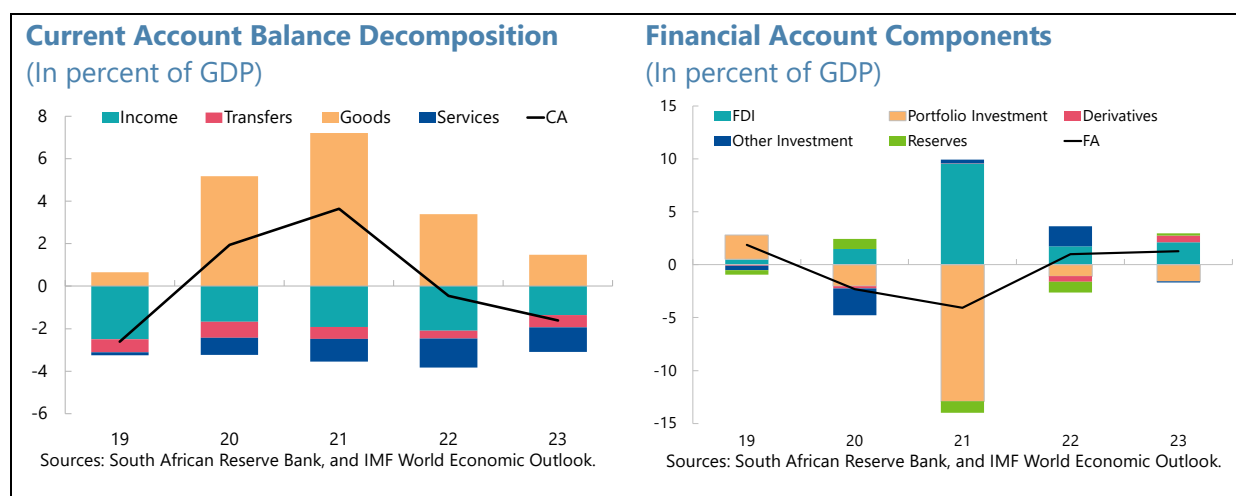


<sup>2</sup> The main budget includes all expenditures financed from the National Revenue Fund, including most spending by national departments and their agencies and transfers made to provincial and local governments. The authorities consider "transactions in assets and liabilities", e.g., proceeds from the sales of assets, realized valuation gains from holding of foreign currency deposits, and other conceptually similar items, as part of non-tax revenue, above the line. They consider the Eskom debt relief arrangement as a balance sheet transaction below the line.

<sup>3</sup> The SARB estimates that the credit gap turned slightly positive since 2023 (see [SARB's Financial Stability Review, First Edition May 2023](#)).

15.8 percent of assets in 2024Q1, around the EM average, although smaller banks are more heavily exposed. Non-performing loans (NPL) increased to 5.4 percent in April, mainly reflecting the impact of high interest rates on the retail portfolio but are covered by standard provisions. The SARB assessed the system to be resilient to shocks in its latest stress tests.<sup>4</sup> Life and non-life insurers capital levels were above regulatory requirements at end-2023 and were also found to be resilient to shocks.<sup>5</sup>

**7. The external position in 2023 was broadly in line with the level implied by medium-term fundamentals and desirable policies.** During 2023, the rand depreciated by 9 percent against the US dollar, but regained around 1.7 percent by end-June. Still, the current account (CA) deficit widened to 1.6 percent of GDP at end-2023 (from 0.5 percent in 2022), driven by higher imports. Staff estimates a CA gap of -0.9 percent of GDP relative to the fundamentals-driven CA norm.<sup>6</sup> The financial account was in surplus in 2023, supported by net FDI and derivatives inflows and an increase in reserves, offsetting net portfolio and other investment outflows. The net international investment position (NIIP) increased to 28 percent of GDP at end-2023, with external debt reaching 41.5 percent of GDP. Gross international reserves (GIR) rose to 16.5 percent of GDP at end-2023, representing 97 percent of the IMF's ARA metric.



## OUTLOOK AND RISKS

**8. Growth is expected to rise to 1 percent in 2024 and stabilize around 1.4 percent in the medium term.** Electricity generation has improved relative to last year, with no loadshedding since March. As a result, and given dissipating election uncertainty, activity is expected to accelerate in the second half of the year, driven by a rebound in investment (2.9 percent) and private consumption

<sup>4</sup> See SARB: [Financial Stability Review, Second Edition November 2023](#).

<sup>5</sup> See SARB: [Financial Stability Review, First Edition June 2024](#).

<sup>6</sup> See IMF: [External Sector Report, July 2024](#).

(0.9 percent), the latter also supported by the implementation of the two-pot pension reform allowing for withdrawals of pension savings up to a limit.<sup>7</sup> Public consumption is projected to soften (1.2 percent) relative to 2023, while net exports will contribute negatively (-0.3 ppt) to growth, driven by rising imports. The output gap is estimated to be closed this year. Growth is projected to increase to 1.3 percent next year and stabilize at 1.4 percent in the medium run, assuming structural bottlenecks are being eased but not eliminated absent an acceleration of structural reforms. Inflation is expected to decline towards the midpoint of the target range by mid-2025 and remain there thereafter.

**9. Risks to the outlook are broadly balanced, with downside risks largely related to the uncertain external environment and domestic fiscal and structural reforms, and upside risks stemming from faster reform implementation under the new GNU:**

- **External Risks:** Escalation of the conflict in Gaza and Israel and Russia’s war in Ukraine, coupled with a slowdown in main trading partners—notably China—and deepening of geoeconomic fragmentation could lead to volatile commodity prices, lower demand for South Africa’s exports, and capital outflows. Lower commodity prices may depress fiscal revenue and exert pressure on the current account. Slower-than-envisaged disinflation in advanced economies may result in higher-for-longer global interest rates, triggering capital outflows, disorderly financial market conditions, and heightened volatility of the rand. On the upside, stronger global demand could lift exports, while a faster-than-expected decline in inflation and the easing of global supply constraints could enable monetary policy easing, supporting growth.
- **Domestic Risks:** Faster and more ambitious than expected implementation of structural reforms under the new GNU could contribute to higher confidence and growth. Conversely, an inability of the coalition government to reach consensus to durably address the electricity and logistics bottlenecks and pursue other structural reforms could weaken activity and confidence, lead to capital outflows, and increase financing costs. Slower growth would further exacerbate poverty and inequality, with risks to social cohesion. An inability to implement the ambitious fiscal consolidation required to put public debt on a downward trajectory, the materialization of contingent fiscal liabilities (due to additional support to SOEs), or the introduction of new spending programs without securing deficit-neutral financing would add to pressures on debt sustainability and a higher risk premium.

**Authorities’ Views**

**10. The authorities had a somewhat more sanguine view of the outlook and agreed that risks are balanced.** In its February 2024 Budget Review, the National Treasury (NT) projected growth at 1.3 percent in 2024, rising to 1.8 percent by 2026. The SARB sees growth at 1.1 this year, rising to 1.7 in the medium run, with inflation gradually declining toward the midpoint of the target range by 2024Q4. Both considered the election outcome as an important upside risk to reform

<sup>7</sup> See National Treasury: [Budget Review, February 2024](#), section Tax Proposals, box Policy update: Two-pot retirement reforms.

implementation and the near and medium-term outlook. Nonetheless, they agreed that downside risks remain, particularly related to the uncertain external environment, including deepening geoeconomic fragmentation, volatile commodity prices, and higher-for-longer interest rates. The authorities concurred with the external sector assessment.

## POLICY DISCUSSIONS

### A. Fiscal Policy

**11. The FY24 budget aims to stabilize and put debt on a declining path.** The authorities project the general government deficit to reach 4.5 percent of GDP in FY24 and 3.3 percent by FY26, corresponding to a primary balance improvement of 0.6 pp of GDP this year, rising to 1.9 pp of GDP by FY26 (Text Table 1). This is predicated on modest tax measures (0.2 percent of GDP)—no inflation adjustments for PIT brackets, higher excise duties on alcohol and tobacco, and the implementation of the global minimum CIT—and primary spending compression (1.5 percent of GDP) through an extension of tight hiring limits

and spending controls implemented last November and yet-to-be-specified reforms of the public sector over the medium run. The government will use valuation gains on foreign exchange reserves accumulated in the SARB's GFECRA account (2 percent of GDP over the next three years) to reduce borrowing needs (Box 1). As a result, the authorities expect public debt to peak at 75.3 percent of GDP next year and decline thereafter. Prior to the elections, the government increased the Social Relief of Distress (SRD) grant, indicating it could be transformed into a permanent universal basic income grant (BIG), and passed a national health insurance (NHI) law. While indicating its intention to finance both initiatives, it did not provide details.

**12. Under staff's baseline scenario, debt remains on a non-stabilizing path in the medium term** (Text Table 1). Staff projects the FY24 general government deficit at 6.2 percent of GDP, higher than the authorities' estimate largely due to higher spending on Eskom support (0.8 percent of GDP), which staff accounts above the line, as well as somewhat higher spending on transfers and interest and lower non-tax revenues (the latter excluding valuation gains on sales of government assets, accounted by staff below the line). Staff's medium-term projections are based on more

**Text Table 1. Fiscal Outlook**  
(Consolidated General Government, percent of GDP)

	FY23	FY24	FY25	FY26	FY27	FY28	FY29
<b>Staff</b>							
Revenue	26.8	27.0	27.1	27.1	27.2	27.2	27.2
Expenditure	33.0	33.2	33.5	32.3	32.4	32.4	32.4
Overall Balance	-6.2	-6.2	-6.5	-5.2	-5.2	-5.2	-5.2
Primary Balance	-1.1	-0.8	-0.8	0.6	0.6	0.6	0.6
Debt	74.1	75.0	78.5	79.4	81.2	82.5	84.0
<b>Authorities 1/</b>							
Revenue	27.3	27.3	27.5	27.6			
Expenditure	32.2	31.8	31.2	30.8			
Overall Balance	-4.9	-4.5	-3.7	-3.3			
Primary Balance	0.2	0.8	1.6	2.1			
Debt	73.9	74.1	75.3	74.7			
<i>Memo items:</i>							
Staff Revenue (Authorities' Definition) 2/	27.3	27.2	27.1	27.1	27.2	27.2	27.2
Staff Expenditure (Authorities' Definition) 3/	31.9	32.3	32.2	32.3	32.4	32.4	32.4
Staff Overall Balance (Authorities' Definition)	-4.7	-5.2	-5.1	-5.1	-5.2	-5.2	-5.2

Note: Consolidated general government.

1/ The authorities' estimates are as of 2024 Budget Review, before the publication of the FY23 GDP.

2/ Including Transactions in Assets and Liabilities.

3/ Excluding Eskom Debt Relief.

conservative assumptions regarding tax buoyancy and primary spending compression, given the lack of well-specified measures in the budget.<sup>8</sup> Thus, the primary surplus reaches only 0.6 percent of GDP by FY29, insufficient to stabilize debt. With interest costs increasing, the overall deficit stays high (5.2 percent of GDP) and debt continues to rise to 84 percent of GDP by FY29. The overall risk of debt distress is assessed as moderate, given rising debt over the medium term and high contingent liabilities, with the currency and maturity composition of debt and depth of domestic capital markets mitigating risks.

### Box 1. GFECRA—A Short Primer<sup>1</sup>

The Gold and Foreign Exchange Contingency Reserve Account (GFECRA) held by the SARB captures valuation gains and losses on foreign reserves and is recorded as a liability to the National Treasury (NT). It has not been utilized regularly, with the last formal settlement done in 2003, amounting to R28 billion in favor of the SARB. Since then, due to Rand depreciation, the account's value soared from R1.8 billion in March 2006 to R507.3 billion in January 2024.

Concurrent with the FY24 budget, the government proposed a settlement agreement between the NT and the SARB that does not rely on the sale of foreign reserves but consists of a shift of part of the accumulated gains in the GFECRA account (a non-remunerated liability on the SARB's balance sheet) to remunerated liabilities to the banking sector. The authorities have concomitantly established a new framework governed by a set of principles ensuring that any GFECRA distributions are transparent, well-governed, and solely aimed at reducing public debt. Specifically, to safeguard the SARB's balance sheet and policy independence, GFECRA will retain enough funds to absorb exchange rate swings, lest the NT would be obligated to compensate for the losses. A part of the excess funds will be allocated to the SARB's contingency reserve, aimed at preserving SARB's solvency and covering sterilization costs. Any remaining funds could be distributed to the National Treasury.

In line with these principles, the agreement envisages the distribution of R250 billion from GFECRA over the next three years, of which R100 billion has been transferred to the SARB contingency reserve to compensate for monetary sterilization costs resulting from this operation and R150 billion to the NT (of which R100 billion was transferred this fiscal year, and R25 billion each in the subsequent two years) to be utilized to reduce borrowing needs.

<sup>1</sup> [NT and SARB - Gold and Foreign Exchange Contingency Reserve Account \(GFECRA\)](#).

**13. An ambitious fiscal consolidation of at least 3 percentage points of GDP is essential to put debt on a sustained downward path.** In line with previous advice, given high fiscal vulnerabilities, staff recommends reducing debt to around 60–70 percent of GDP in the next 5–10 years. This requires growth-friendly measures of at least 3 pp of GDP. With the output gap closed and low fiscal multipliers,<sup>9</sup> the adjustment should be evenly spread during FY24–26. With the widening of the deficit over the last decade largely due to higher spending unaccompanied by

<sup>8</sup> While the permanent extension of the SRD grant is already included in staff's projections, its transformation into a (potentially more generous) universal grant, as well as the NHI, which will likely take significant time to implement, are not included, given lack of details at this time, and represent downside risks.

<sup>9</sup> Janse van Rensburg, de Jager, and Makrelov (2021) "Fiscal multipliers in South Africa after the global financial crisis", [SARB Working Paper WP/21/07](#).

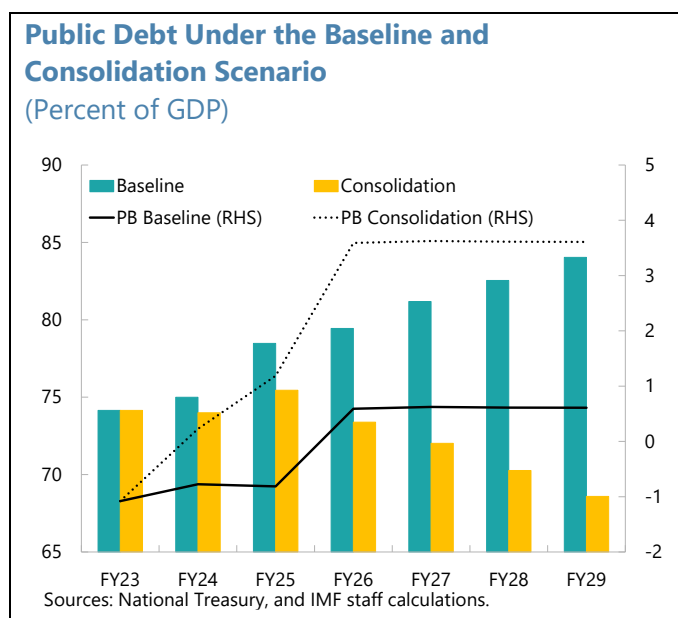
higher growth, the required fiscal adjustment could be achieved by increasing spending efficiency through: (i) improving procurement processes, better targeting tertiary education subsidies, and SOE reforms;<sup>10</sup> (ii) limiting public-sector wage increases below inflation and reducing allowances and pay progression; and (iii) concrete measures improving the efficiency of the public administration. Ambitious implementation of such reforms (which could yield up to 5–6 percent of GDP), could create additional space for public investment and other initiatives addressing inequality and improving health outcomes. The latter initiatives, if implemented, will require careful design and additional tax measures, accompanied by tax-base broadening and improvements in tax administration.

#### 14. Improving the institutional fiscal framework would help support the adjustment, boost fiscal space, and strengthen debt sustainability.

Anchoring the existing nominal primary expenditure ceiling in a debt ceiling framed within a medium-term fiscal framework (MTFF) and other supporting fiscal institutions would support policy credibility and debt sustainability. The new procurement bill and accompanying regulations should be used as an opportunity to bolster the integrity of the system by centralizing and standardizing procedures and transparency standards and moving towards an E-procurement system in line with best practice. The transparency and effectiveness of public investment management and contingent liability reporting should also be strengthened.<sup>11</sup>

#### Authorities' Views

**15. The authorities reiterated their commitment to stabilize and put debt on a downward trajectory, while preserving economic stability.** The NT considered that the consolidation included in the FY24 Budget strikes the right balance between safeguarding fiscal sustainability and preserving macroeconomic stability. The spending controls implemented late last year, together with the revenue measures introduced in the FY24 Budget, were seen as sufficient to achieve this year's budget target. Looking forward, the authorities aim to further contain the public sector wage bill and rationalize transfers through a comprehensive reform of the public administration. They are committed to improving revenue administration and reducing non-compliance and are open to exploring a fiscal rule to bolster policy credibility, supported by IMF TA. On the financing front, they



<sup>10</sup> [IMF's Staff Report for South Africa 2023 Article IV, Annex XI.](#)

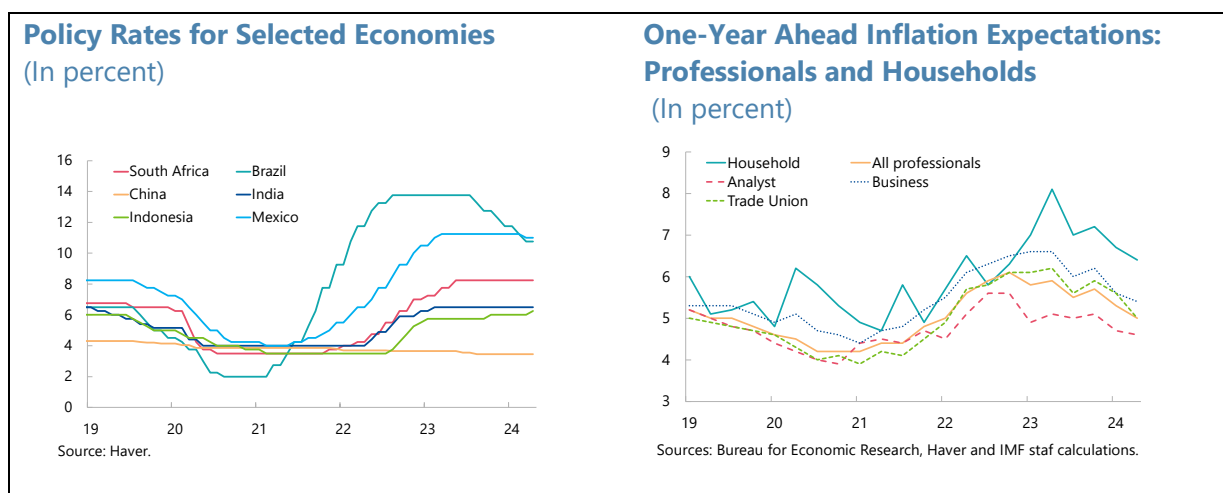
<sup>11</sup> [IMF's Fiscal Transparency Evaluation, May 2024.](#)



continue to manage refinancing risks and interest costs, including via switch auctions and seeking concessional financing from international financial institutions.

## B. Monetary Policy

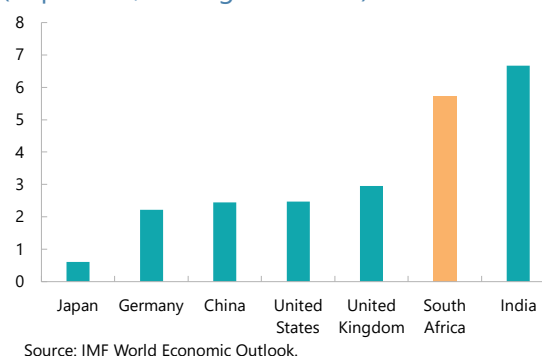
**16. The SARB has paused the tightening cycle but retained a hawkish stance.** Since November 2021, the policy rate has been raised by a cumulative 475 basis points, reaching a peak of 8.25 percent in May 2023, in line with peers. With inflation still above the mid-point of the target range (4.5 percent) and continued uncertainty around the inflation outlook domestically and globally, the SARB has left the rate on hold since then. Inflation expectations (one-year ahead) have declined to 5 percent in 2024Q2 (from 5.7 percent in 2023Q4) but remain above SARB’s mid-point target. At its July 2024 meeting, the SARB indicated that inflation is expected to fall to the mid-point of the target range by 2024Q4.



**17. Monetary policy should remain data dependent, and any changes to the policy framework should be carefully timed and well communicated.** With the real policy rate slightly above the SARB’s estimated natural rate (2.65 percent), the current policy stance remains appropriate. Given continued uncertainty, rate cuts should be considered once inflation declines sustainably toward the midpoint of the target range. Shifting from a target band to a point target with a narrower tolerance band—as suggested by the SARB following the NT’s recent macroeconomic policy review—at an opportune time could help anchor expectations and reduce pressure on the exchange rate.<sup>12,13</sup>

### South Africa’s Inflation Relative to Main Trading Partners

(In percent, Average 2007–23)



<sup>12</sup> [National Treasury \(2024\): Macroeconomic Policy: A Review of Trends and Choices.](#)

<sup>13</sup> [Monetary Policy Review \(April 2024\).](#)



The implementation of such policy change requires appropriate timing, careful communication, and close coordination between the SARB and NT to manage expectations and safeguard policy credibility. A transparent rules-based approach for managing the SARB's balance sheet (including the GFECRA account) in line with international best practices, is key to safeguard its independence and solvency. The 2022 safeguards assessment of the SARB found strong safeguards in most areas, including in governance and oversight, audit, and financial reporting. Most recommendations have since been implemented.

### **Authorities' Views**

#### **18. The SARB is committed to stabilizing inflation at the mid-point of the target range.**

The SARB reiterated that its stance remains data dependent and sensitive to the balance of risks to the outlook. Its forecast continues to see policy normalization, with rates easing into more neutral territory by next year. Regarding the inflation-targeting framework, the SARB saw merit in moving to a lower point target, which can help reduce the inflation differential with trading partners. However, the move will need to be carefully planned in cooperation with the NT and well communicated, and thus will take more time. The authorities are working on a rules-based framework to manage GFECRA balances in line with best practices, supported by IMF TA.

## **C. Financial Sector Policy**

#### **19. The ambitious financial policy agenda aims at enhancing the financial system's resilience to shocks.**

The authorities are implementing the new banking resolution framework, which substantially enhances the crisis management toolkit. The new deposit insurance scheme (CODI) has been put in place since April 2024, with ongoing implementation. The authorities have also announced a new loss-absorbing capacity requirement (FLAC), to be implemented gradually over the second half of this decade, which will enable the use of more efficient resolution tools and reduce resolution costs. Banks are preparing to meet by end-2025 the one percent cycle neutral positive countercyclical capital buffer requirement announced in late 2023, which will increase their resilience to future shocks.

#### **20. Financial sector policies should continue to safeguard financial stability, given persisting risks.**

The exposure of the financial system to rising public debt can give rise to systemic risk and exacerbate contagion, given interconnections between banks and non-bank financial institutions (NBFIs). While mitigating risks from the sovereign-financial sector nexus primarily requires fiscal consolidation and structural reforms, a carefully calibrated set of prudential measures (e.g., higher risk weights, capital surcharges, concentration limits) could also play an important role, but should be phased-in and clearly communicated. Further improving financial sector supervision, especially its intrusiveness and focus on interlinkages across intermediation segments, can help identify and address vulnerabilities early. The authorities should continue monitoring NBFIs and harmonize their supervision and regulation with that of banks. While the Financial Action Task Force (FATF) grey listing had limited impact so far, it could increase bank costs and reputational risk.

Building on the good progress made so far, the authorities should step up efforts to implement remaining items on the action plan agreed with the FATF to enable exit from the grey list in 2025.<sup>14</sup>

### **Authorities' Views**

**21. The authorities agreed that while the financial sector remains resilient, close monitoring is key to safeguard its stability.** Prudential authorities are monitoring the evolution of NPLs but consider that the system's strong profitability and adequate provisioning will be sufficient to absorb the impact of higher impaired loans. They are also closely watching banks' exposure to the sovereign, which has recently stabilized, but do not see it as a threat to financial stability and agree that fiscal policy should be the first line of defense; where necessary, they prefer to rely on moral suasion on a case-by-case basis. Supervisors will continue to implement the new resolution framework and deposit insurance scheme. The authorities remain committed to address deficiencies in combating money laundering and terrorism financing and are working toward exiting the grey list during 2025.

## **D. Structural Reforms**

**22. South Africa has embarked on a comprehensive structural reform agenda aimed at revitalizing growth.** Coordinated under Operation Vulindlela, reforms cover the electricity and transportation sectors, digital communications, water infrastructure, and the immigration and visa regime.<sup>15</sup> With slow initial implementation, the authorities were unable to prevent a full-blown electricity and transportation crisis that had been years in the making, and that almost brought activity to a halt last year. The important decision in December 2022 to eliminate the licensing threshold for electricity generation added over 7000MW of distributed capacity. The recent adoption of Electricity Regulation (Amendment) Bill (ERA) marks another milestone, paving the way for private sector participation in grid expansion. In the transport sector, freight rail operations and infrastructure are being separated by setting up an Infrastructure Manager. Progress has also been made with the completion of the auction of high-demand spectrum, streamlining digital telecommunications regulations and water licensing, and modernizing the eVisa system.

**23. The new government should use the opportunity of a fresh mandate to reinvigorate and accelerate the implementation of growth-enhancing structural reforms.** Indeed, the new government has committed to continue ongoing reforms supported by Operation Vulindlela and complement them with additional efforts to support the functioning of the labor market and the provision of public services. Such reforms are essential not only to realize the country's full growth potential, but also to attract needed investment, promote job creation, lower unemployment and poverty and support the public finances by reducing debt. Renewed efforts to improve governance

<sup>14</sup> In June 2024, the FATF plenary confirmed that South Africa has addressed or largely addressed 8 out of the 22 required action items. See [South Africa National Treasury FATF Grey listing Progress Plan 2024](#).

<sup>15</sup> For more details see: <https://www.stateofthenation.gov.za/operation-vulindlela>.

and reduce corruption are preconditions for maximizing reform gains, which should be broadly distributed. Priorities include:

- **Electricity:** Fully implementing the unbundling of electricity generation, transmission and distribution, and establishing a competitive electricity market is a key priority to ensure adequate power supply, improve efficiency, lower electricity prices, and support activity in all other sectors. Facilitating private investment in transmission by streamlining regulations (including on local content), is essential to bring in renewable energy to the grid. This, together with greening of electricity generation will also be key to support the green transition. Restoring Eskom’s commercial viability and addressing municipal arrears remains critical to improve its efficiency and reduce fiscal risks.
- **Transport:** Fully implementing the Freight Logistics Roadmap is equally essential to improve the efficiency and competitiveness of rail lines and ports. In freight rail, establishing an independent transport regulator and finalizing a cost-reflective tariff methodology will be key to facilitate competition and private sector participation in the sector. Crowding in private investment to upgrade port equipment and expedite outsourcing of port operations is essential to support exports. Transnet must implement its turnaround plan to restore its long-run viability.
- **Product markets and trade:** Improving the business environment and reducing the regulatory burden and entry barriers, especially for SMEs, can also help reduce costs of doing business and foster competition. Opening closed professions would lower costs and improve the allocation of resources.<sup>16</sup> Efforts should also be made to remove tariff and non-tariff barriers and deepen intra-regional trade, including by fully implementing the African Continental Free Trade Area (AfCFTA).<sup>17</sup> Industrial policies, where desirable, should address specific market failures that impede competition and exports in concerned industries and technological advancement, while avoiding discriminatory contents that violate international trade rules, accentuate trade tensions, or distort FDIs.
- **Labor market:** In a second stage, labor-market reforms can complement other reforms to maximize employment gains.<sup>18</sup> Efforts should focus on: (i) completing ongoing reforms of the immigration framework and eVisa system to address skill gaps; (ii) reducing spatial disparities by revisiting zoning regulations and redesigning housing support to facilitate choice; (iii) promoting school-to-job-transitions and making job search more effective; (iv) improving the representativeness of collective bargaining and allowing firm-level flexibility; and (v) streamlining dispute resolution process.<sup>19</sup>

---

<sup>16</sup> [OECD Economic Survey: South Africa \(2022\)](#).

<sup>17</sup> See “[Trade Integration in Africa](#),” which estimates that South Africa’s exports to other African countries can increase up to 10 percent within the next 5 to 10 years if AfCFTA agreement is implemented.

<sup>18</sup> See IMF (2023) “[Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies](#)”.

<sup>19</sup> [IMF’s Staff Report for South Africa 2023 Article IV, Annex XVII](#).

**Authorities' Views**

**24. The authorities remain committed to their reform agenda focused on addressing supply constraints, while supporting activity and employment.** They continue to prioritize addressing electricity and transport bottlenecks, which they see as critical areas to support activity and unlock the economy's growth potential. They are committed to the just transition in a manner that ensures energy stability and security. They are also working on finalizing other ongoing structural efforts, including the eVisa system, water licensing, and digital communications, and are exploring a second wave of reforms that not only support growth but also broaden social inclusivity.

## CAPACITY TO REPAY AND DOWNSIDE SCENARIO

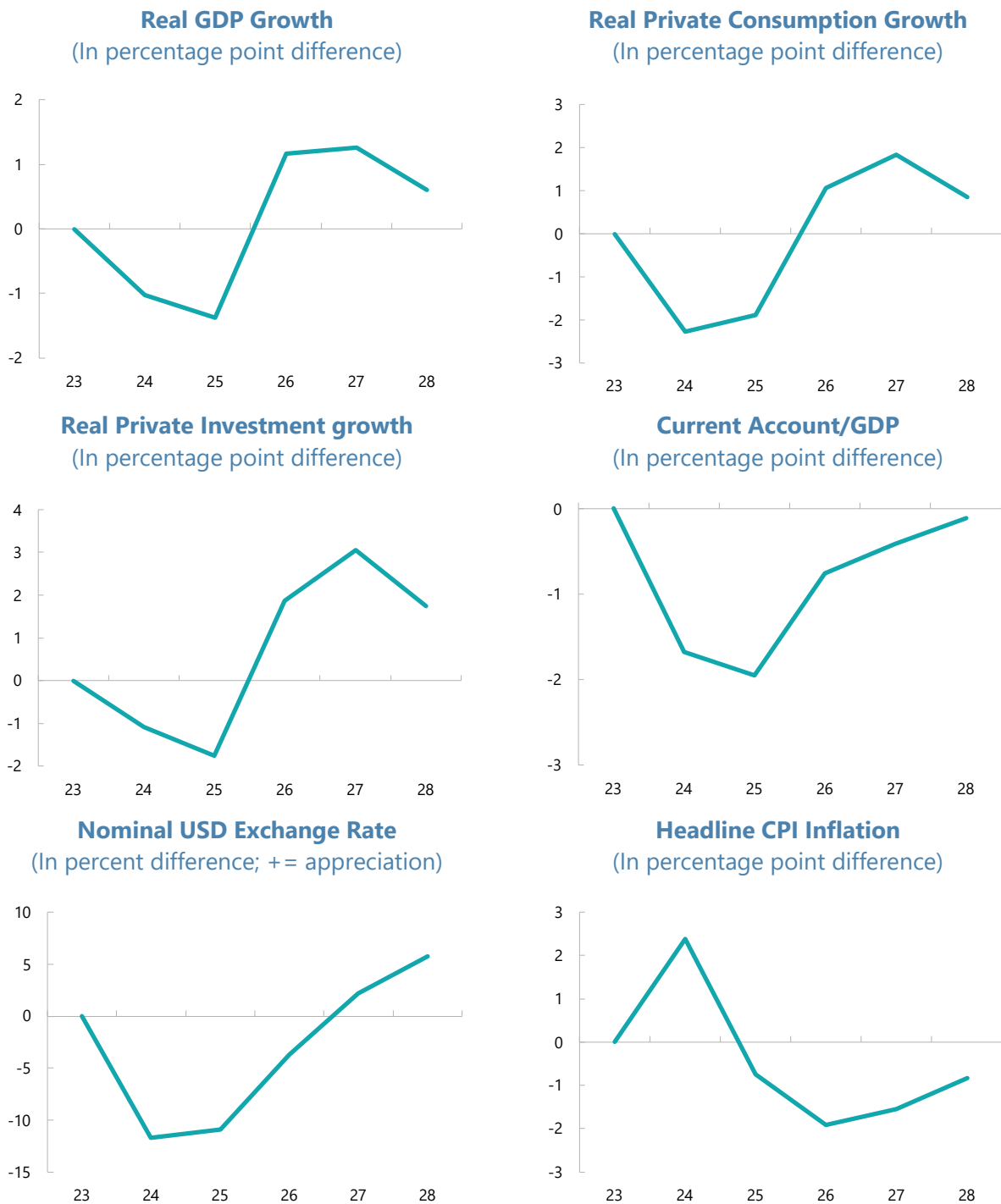
**25. South Africa's capacity to repay the Fund is adequate under the baseline.** Outstanding Fund credit amounted to SDR 1.53 billion (50.0 percent of quota, 3.2 percent of GIR) at end-July 2024. RFI repayments are projected to amount to SDR 0.4 billion in the remainder of 2024 and SDR 1.2 billion in 2025 (38.9 percent of quota, 2.5 percent of GIR, 4.8 percent of public external debt service, and 1.1 percent of exports) and are expected to remain manageable. At end-July 2024, South Africa's SDR allocation balance was SDR 4.7 billion.

**26. In a downside scenario combining a slowdown in China, escalation of geopolitical risk, and tightening of global financial conditions, South Africa's outlook would deteriorate and policies would need to adjust** (Figure 1):<sup>20</sup>

- **Shocks:** A slowdown in China's economy, accompanied by disinflation, leads to lower global demand but also improved terms of trade, with a mixed effect on Emerging Market exports. An escalation of the conflict in the Middle East results in a surge in oil prices and shipping costs, amounting to a negative global supply shock. Tighter monetary policy in the US leads to higher sovereign and corporate premia and currency depreciation in Emerging Markets.
- **Impact on South Africa** (Figure 1): As a result of these combined shocks and the associated uncertainty, lower private consumption and investment would lead to a decline in South Africa's growth relative to the baseline of 1 and 1.4 pp in 2024 and 2025, respectively, leading to modest recessions in both years and a negative output gap. The exchange rate would depreciate by 10–12 percent in 2024–25 relative to the baseline, fueling inflation. Exports are expected to fall (notwithstanding the depreciation), more than offsetting the contraction in imports, resulting in a widening of the current account deficit by 1.6 and 2 percent relative to the baseline in 2024–25. The fiscal deficit would rise, given downwardly rigid nominal spending and lower tax revenues, and the public debt ratio would increase, with additional financing needs expected to be largely financed domestically.<sup>21</sup>

<sup>20</sup> See Box 1.2 of the [April 2024 WEO](#). The results for South Africa are derived from the G20 model presented in M. Andriele and others (2015), with all shocks doubled.

<sup>21</sup> The model includes a fiscal reaction function aiming to stabilize debt through spending and revenue adjustment.

**Figure 1. Downside Scenario: Deviations from Baseline**

Sources: World Economic Outlook, and IMF staff calculations.

- **Policy response:** Higher inflationary pressures and capital outflows call for higher short-term interest rates, although the ambitiousness and pace of monetary policy tightening would need to also be mindful of cyclical considerations. Similarly, fiscal policy would need to carefully balance sustainability and cyclical concerns. With limited fiscal space and higher financing needs and costs, additional fiscal consolidation to stabilize and eventually reduce debt will be essential to restore fiscal sustainability, while protecting vulnerable groups. To maintain policy credibility, the adjustment should be appropriately paced and anchored in a strengthened medium-term framework. The materialization of contingent liabilities could further weaken debt sustainability (Figure 7), potentially requiring additional adjustment. Financial policies should address risks promptly, making use of all tools, and be mindful of nonlinearities and contagion given financial interlinkages and the sovereign-bank nexus. Structural reforms must be accelerated to support confidence and growth.

**27. South Africa's capacity to repay the Fund remains adequate in the downside scenario.**

Even under this scenario, RFI repayments are expected to remain manageable, peaking in 2024 at 3.5 percent of GIR, 7.4 percent of public external debt service, and 1.8 percent of exports. The comfortable reserve coverage position, access to development partner financing, deep financial markets, reliance on domestically denominated debt, and the flexible exchange rate serve as shock absorbers in the downside scenario.

**Authorities' Views**

**28. The authorities are committed to repaying their obligations to the Fund and agreed with the assessment that capacity to repay remains adequate including under a downside scenario.** Both the NT and SARB broadly agreed with the risks included in staff's downside scenario and took note that the economy and capacity to repay remain resilient even under significant stress. They reiterated their commitment to safeguard macroeconomic and price stability as well as fiscal sustainability under a downside scenario.

## STAFF APPRAISAL

**29. South Africa's economy has shown resilience in the face of massive disruptions, but persisting structural challenges risk a further erosion of living standards.** Despite unprecedented electricity shortages and bottlenecks at rails and ports last year, growth stayed positive, as economic agents adapted. However, per-capita income growth continued to decline, public debt rose further, and unemployment and poverty rates remained at unacceptably high levels.

**30. The new government should use the opportunity of a new mandate to implement bold reforms to address long-standing challenges and achieve the economy's full potential.** Such a mandate can turn the economy around from the path of weak growth, high debt, and deteriorating living standards toward high growth, fiscal sustainability, and shared prosperity. This requires determined structural and fiscal reforms, complemented by prudent monetary and financial policies. The new administration should build on the existing reform agenda but increase its ambition and

accelerate implementation to put the economy on a permanently higher and more inclusive growth path.

**31. Structural reforms are paramount to support job creation, growth, and prosperity.**

Wide-ranging electricity and transportation-sector reforms, including to foster private sector participation, are indispensable to reinvigorating activity, boosting exports, and supporting the green transition. Product-market reforms improving business environment and removing obstacles to trade, complemented by labor-market reforms, are essential to boost investment and employment. Strengthening governance and reducing corruption are essential to reap reform gains, which should be broadly distributed.

**32. An ambitious fiscal consolidation is essential to restore the sustainability of public finances.**

Durable expenditure-based consolidation of at least 3 percent of GDP over the next three years is required to place debt on a sustained downward path, while protecting vulnerable groups. Reliance on gains on foreign reserves has helped lower borrowing needs but does not substitute for the needed fiscal consolidation. Any additional spending initiatives to lower inequality and improve health should be financed in a deficit-neutral way. Improving the institutional fiscal framework by adopting a debt rule, bolstering the procurement framework, and improving public-investment management can support the adjustment and mitigate fiscal risks.

**33. Monetary policy should carefully manage the descent of inflation to the mid-point of the target range and stay data dependent.**

Given continued uncertainty about the inflation outlook, rate cuts should be considered only once inflation declines sustainably towards the mid-point of the target range. Any change to the monetary policy framework should be carefully timed, well-coordinated and communicated to manage expectations and safeguard credibility.

**34. Financial policies should continue to support financial stability.** Ongoing banking resolution and safety-net reforms, together with the new loss-absorbing capacity requirement, significantly strengthen crisis management tools and enhance depositors' protection. Continued monitoring of risks remains critical, given the sovereign-financial sector nexus. Implementation of prudential regulations, along with the countercyclical buffer, could play a vital role.

**35. Staff assess that South Africa's capacity to repay the Fund is adequate under the baseline and downside scenarios.** South Africa is expected to be able to repay the Fund by end-2025 given ample reserves and manageable external debt service. Capacity to repay is also assessed as adequate under a downside scenario, where policies will need to be tightened to contain inflationary pressures and safeguard debt sustainability, while protecting vulnerable groups. The flexible exchange rate is expected to act as a shock-absorber.

Table 1. South Africa: Selected Economic Indicators, 2022–26

Social Indicators					
GDP		Poverty (percent of population)			
Nominal GDP (2022, billions of US dollars)	407	Lower national poverty line (2015)		40	
GDP per capita (2022, in US dollars)	6,712	Undernourishment (2019)		7	
Population characteristics		Inequality (income shares unless otherwise specified)			
Total (2022, million)	62	Highest 10 percent of population (2015)		53	
Urban population (2020, percent of total)	67	Lowest 40 percent of population (2015)		7	
Life expectancy at birth (2020, number of years)	64	Gini coefficient (2015)		65	
Economic Indicators					
	2022	2023	2024	2025	2026
	Proj.				
<b>National Income and Prices (Annual Percentage Change Unless Otherwise Indicated)</b>					
Real GDP	1.9	0.7	1.0	1.3	1.4
Domestic demand	3.9	0.8	1.2	1.5	1.5
Private Consumption	2.5	0.7	0.9	1.2	1.3
Government Consumption	0.6	1.9	1.2	1.2	1.3
Gross Fixed Investment	4.8	3.9	3.1	2.8	2.7
Inventory Investment (contribution to growth)	1.5	-0.6	0.0	0.0	0.0
Net export (contribution to growth)	-2.1	-0.1	-0.3	-0.2	-0.1
Real GDP per capita 1/	1.1	-0.8	-0.6	-0.2	-0.1
GDP deflator	5.0	4.8	4.9	4.5	4.5
CPI (annual average)	6.9	5.9	5.2	4.6	4.5
CPI (end of period)	7.4	5.5	4.8	4.6	4.5
<b>Labor Market (Annual Percentage Change Unless Otherwise Indicated)</b>					
Unemployment rate (percent of labor force, annual average)	33.5	33.1	33.8	34.2	34.5
Unit labor costs (formal nonagricultural)	2.1	-0.8	-0.6	-0.2	-0.1
<b>Savings and Investment (Percent of GDP)</b>					
Gross national saving	15.0	13.9	13.7	13.7	13.7
Investment (including inventories) 2/	15.4	15.5	15.4	15.7	15.8
<b>Fiscal Position (Percent of GDP Unless Otherwise Indicated) 3/</b>					
Revenue, including grants 4/	27.6	26.8	27.0	27.0	27.1
Expenditure and net lending 5/	31.9	32.7	33.2	33.4	32.6
Overall balance	-4.3	-5.9	-6.3	-6.4	-5.5
Primary balance	0.3	-0.9	-0.9	-0.8	0.2
Gross government debt 6/	70.8	73.4	75.0	77.6	79.3
Government bond yield (10-year and over, percent) 7/	11.3	11.6	...	...	...
<b>Money and Credit (Annual Percentage Change Unless Otherwise Indicated)</b>					
Broad money	8.3	6.5	7.5	7.5	7.5
Credit to the private sector 8/	8.9	4.4	5.9	5.9	5.9
Repo rate (percent, end-period) 7/	7.0	8.25	...	...	...
3-month Treasury bill interest rate (percent) 7/	6.5	7.9	...	...	...
<b>Balance of Payments (Annual Percentage Change Unless Otherwise Indicated)</b>					
Current account balance (billions of U.S. dollars)	-1.8	-6.1	-6.9	-7.7	-8.6
percent of GDP	-0.5	-1.6	-1.8	-1.9	-2.0
Exports growth (volume)	7.4	3.5	3.5	3.6	3.7
Imports growth (volume)	14.9	4.1	4.0	3.9	3.8
Terms of trade	-8.6	-4.8	-1.2	-1.4	-0.3
Overall balance (percent of GDP)	0.0	0.5	0.0	0.0	0.0
Gross reserves (billions of U.S. dollars)	60.6	62.5	62.5	62.5	62.5
in percent of ARA	88.9	97.0	95.3	...	...
Total external debt (percent of GDP)	40.4	41.5	42.2	43.6	44.9
Nominal effective exchange rate (period average) 7/	-4.9	-7.7	...	...	...
Real effective exchange rate (period average) 7/	-1.4	-9.0	...	...	...
Exchange rate (Rand/U.S. dollar, end-period) 7/	17.0	18.4	...	...	...

Sources: South African Reserve Bank, National Treasury, Haver, Bloomberg, World Bank, and Fund staff estimates and projections.

1/ Per-capita GDP figures are computed using STATS SA mid-year population estimates.

2/ Inventories data are volatile and excluded from the investment breakdown to help clarify fixed capital formation developments.

3/ Consolidated government as defined in the budget unless otherwise indicated.

4/ Revenue excludes "transactions in assets and liabilities" classified as part of revenue in budget documents. This item represents proceeds from the sales of assets, realized valuation gains from holding of foreign currency deposits, and other conceptually similar items, which are not classified as revenue by the IMF's Government Finance Statistics Manual 2014.

5/ The Eskom debt relief is treated as capital transfer above-the-line item.

6/ Central government.

7/ Average January 1- April 19 2023. For nominal and effective exchange rate, year on year change of average January 1-April 19.

8/ Other depository institutions' "loans and securities" in all currencies.



Table 2. South Africa: Consolidated Government Operations 1/ FY22–29

	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
	Est.	Est.				Proj.		
	(In billions of rand)							
<b>Total Revenue and Grants</b>	1879.4	1900.8	2044.5	2156.2	2299.6	2435.7	2588.4	2740.9
Tax revenue	1643.0	1661.1	1794.9	1887.7	2013.8	2133.5	2267.5	2402.1
Non-tax revenue 2/	39.2	31.7	27.2	34.9	37.1	39.3	41.7	43.1
Provinces, social security, and other entities	197.2	208.0	222.4	233.6	248.7	263.0	279.2	295.6
<b>Total Expenditure</b>	2141.1	2341.4	2516.0	2671.6	2737.3	2901.3	3084.4	3268.4
Current expenditure	1947.0	2082.0	2234.0	2348.5	2493.7	2643.8	2811.0	2978.9
Wages and salaries	689.2	721.1	766.4	805.0	848.9	897.7	952.9	1009.1
Other goods and services	292.4	315.9	331.8	340.5	362.4	383.3	409.8	434.0
Interest	315.8	364.0	412.8	450.6	487.7	521.6	554.3	588.9
Transfers	649.6	680.9	723.0	752.4	794.6	841.3	894.0	946.8
Capital expenditure	147.5	183.4	195.1	204.9	218.1	230.7	244.8	259.3
Payment for financial assets	46.5	76.0	86.9	118.2	25.4	26.9	28.5	30.2
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Primary Balance</b>	54.1	-76.6	-58.7	-64.8	50.0	56.0	58.2	61.4
<b>Overall Balance</b>	-261.7	-440.6	-471.5	-515.4	-437.7	-465.6	-496.0	-527.5
<b>Financing</b>	261.7	440.6	471.5	515.4	437.7	465.6	496.0	527.5
Local Currency Debt (net)	314.2	338.1	318.8	453.5	412.2	441.8	471.3	503.4
Foreign Currency Debt (net)	34.7	24.0	29.2	23.3	22.6	21.4	21.2	21.0
Transactions in Assets and Liabilities	17.0	29.6	14.3	1.5	1.3	1.4	1.5	1.0
Use of cash and other balances	-118.3	110.6	42.1	12.1	1.6	1.0	2.0	2.1
<b>Structural Primary Balance</b>	76.9	-76.8	-62.2	-63.3	48.1	55.3	57.3	61.5
<b>Gross Government Debt</b>	4765	5258	5686	6250	6735	7278	7854	8468
<b>Total Revenue and Grants</b>	28.0	26.8	27.0	27.1	27.1	27.2	27.2	27.2
Tax revenue	24.4	23.4	23.7	23.7	23.8	23.8	23.8	23.8
Non-tax revenue	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Provinces, social security, and other entities	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
<b>Total Expenditure</b>	31.9	33.0	33.2	33.5	32.3	32.4	32.4	32.4
Current expenditure	29.0	29.4	29.5	29.5	29.4	29.5	29.5	29.6
Wages and salaries	10.3	10.2	10.1	10.1	10.0	10.0	10.0	10.0
Other goods and services	4.3	4.5	4.4	4.3	4.3	4.3	4.3	4.3
Interest	4.7	5.1	5.4	5.7	5.8	5.8	5.8	5.8
Transfers	9.7	9.6	9.5	9.4	9.4	9.4	9.4	9.4
Capital expenditure	2.2	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Payment for financial assets	0.7	1.1	1.1	1.5	0.3	0.3	0.3	0.3
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Primary Balance</b>	0.8	-1.1	-0.8	-0.8	0.6	0.6	0.6	0.6
<b>Overall Balance</b>	-3.9	-6.2	-6.2	-6.5	-5.2	-5.2	-5.2	-5.2
<b>Financing</b>	3.9	6.2	6.2	6.5	5.2	5.2	5.2	5.2
Local Currency Debt (net)	4.7	4.8	4.2	5.7	4.9	4.9	5.0	5.0
Foreign Currency Debt (net)	0.7	0.0	0.0	0.3	0.3	0.2	0.2	0.2
Transactions in Assets and Liabilities	0.3	0.4	0.2	0.0	0.0	0.0	0.0	0.0
Use of cash and other balances	-1.8	1.6	0.6	0.2	0.0	0.0	0.0	0.0
<b>Structural Primary Balance (Percent Of Potential Gdp)</b>	1.1	-1.1	-0.8	-0.8	0.6	0.6	0.6	0.6
<b>Gross Government Debt 3/</b>	70.9	74.1	75.0	78.5	79.4	81.2	82.5	84.0
<b>Memorandum Items:</b>								
Fiscal year GDP (billions of rand)	6,722	7,091	7,582	7,964	8,477	8,964	9,516	10,077
Fiscal year real GDP growth (percent)	1.3	1.7	1.3	1.1	1.5	1.3	1.4	1.4
Fiscal year GDP Deflator growth (in percent)	5.1	3.7	5.6	3.9	4.8	4.3	4.7	4.4
Fiscal year nominal GDP growth (percent)	6.5	5.5	6.9	5.0	6.4	5.7	6.2	5.9

Sources: South African National Treasury And Fund Staff Estimates And Projections.

1/ Data are on a fiscal year basis (April 1-March 31) and factor in the 2024 Budget. Consolidated government corresponds to the national government, social security funds, provincial governments, and some public entities. Local governments are only partially captured through the transfers sent to them by national government.

2/ Non-tax revenue excludes transactions in financial assets and liabilities. These transactions are classified as a domestic financing item given that they involve primarily revenues associated with realized exchange rate valuation gains from the holding of foreign currency deposits and other conceptually similar smaller items.

3/ Covers Only National Government Debt.

Table 3. South Africa: Balance of Payments, 2022–29

	2022	2023	2024	2025	2026	2027	2028	2029
			Proj.					
	(In billions of US dollars)							
<b>Balance On Current Account</b>	-1.8	-6.1	-6.9	-7.7	-8.6	-9.3	-9.3	-10.3
Balance on goods and services	8.2	1.2	-0.9	-3.5	-4.2	-5.0	-6.8	-8.5
Exports of goods and services	136	125	132	139	146	154	160	168.4
Imports of goods and services	-128	-123	-133	-143	-150	-158	-167	-176.9
<b>Balance On Income</b>	-8.5	-5.2	-3.1	-1.9	-2.2	-2.1	-0.3	0.6
Income receipts	11.4	11.8	10.7	7.9	4.1	1.0	2.0	2.4
Income payments	-19.8	-16.9	-13.8	-9.7	-6.3	-3.2	-2.2	-1.9
<b>Balance on Transfers</b>	-1.5	-2.2	-2.9	-2.4	-2.1	-2.2	-2.2	-2.3
<b>Capital Flows (Including Errors and Omissions)</b>	6.0	5.4	6.9	7.7	8.6	9.3	9.3	10.3
<b>Balance on Capital and Financial Account</b>	6.5	4.1	6.9	7.7	8.6	9.3	9.3	10.3
Balance on capital account	-1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance on financial account	8.3	4.1	6.9	7.7	8.6	9.3	9.3	10.2
Direct investment	7.1	8.0	8.2	7.7	7.1	6.5	5.9	4.7
Liabilities	9.2	5.2	7.8	7.3	6.7	6.1	5.4	4.2
Assets	-2.2	2.8	0.4	0.4	0.4	0.4	0.5	0.5
Portfolio investment	-4.4	-6.0	-4.9	0.0	0.8	1.7	2.7	3.3
Liabilities	2.6	-4.7	-6.9	-2.0	0.4	0.4	0.9	1.4
Assets	-7.0	-1.2	2.0	2.0	0.4	1.3	1.8	1.9
Financial derivatives	-2.0	2.4	1.9	1.5	0.6	0.3	0.1	0.1
Liabilities	-17.4	-14.1	-10.9	-9.1	-3.5	-1.6	-0.8	-0.4
Assets	15.4	16.5	12.8	10.6	4.1	1.8	0.9	0.4
Other investment	7.7	-0.4	1.7	-1.5	0.0	0.7	0.6	2.3
Liabilities	11.4	-0.8	8.0	9.0	9.5	10.0	10.5	11.0
Assets	-3.7	0.4	-6.3	-10.5	-9.5	-9.3	-9.9	-8.7
<b>Errors and Omissions</b>	-0.5	1.3	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross Reserves (End of Period)</b>	60.6	62.5	62.5	62.5	62.5	62.5	62.5	62.5
	(In percent of GDP)							
<b>Balance on Current Account</b>	-0.5	-1.6	-1.8	-1.9	-2.0	-2.1	-2.1	-2.2
Balance on goods and services	2.0	0.3	-0.2	-0.9	-1.0	-1.1	-1.5	-1.8
Balance on goods	3.4	1.5	0.7	0.0	-0.3	-0.6	-0.9	-1.2
Balance on services	-1.4	-1.2	-0.9	-0.9	-0.7	-0.6	-0.6	-0.6
Exports of goods and services	33.4	32.8	33.7	34.3	34.9	35.3	35.6	36.1
Imports of goods and services	-31.4	-32.4	-34.0	-35.2	-35.9	-36.5	-37.2	-37.9
Balance on income	-2.1	-1.4	-0.8	-0.5	-0.5	-0.5	-0.1	0.1
Balance on transfers	-0.4	-0.6	-0.7	-0.6	-0.5	-0.5	-0.5	-0.5
<b>Capital Flows (Including Errors and Omissions)</b>	1.5	1.4	1.8	1.9	2.0	2.1	2.1	2.2
<b>Balance on Capital and Financial Account</b>	1.6	1.1	1.8	1.9	2.0	2.1	2.1	2.2
Balance on capital account	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance on financial account	2.0	1.1	1.8	1.9	2.0	2.1	2.1	2.2
Direct investment	1.7	2.1	2.1	1.9	1.7	1.5	1.3	1.0
Portfolio investment	-1.1	-1.6	-1.3	0.0	0.2	0.4	0.6	0.7
Financial derivatives	-0.5	0.6	0.5	0.4	0.1	0.1	0.0	0.0
Other investment	1.9	-0.1	0.4	-0.4	0.0	0.2	0.1	0.5
<b>Errors and Omissions</b>	-0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross Reserves (End of Period)</b>	15.5	16.5	15.9	15.4	14.9	14.4	13.9	13.4
<i>in months of next year's imports</i>	5.9	5.6	5.3	5.0	4.7	4.5	4.2	4.0
<b>Memorandum Items:</b>								
Total external debt	40.4	41.5	42.2	43.6	44.9	45.9	47.0	47.9
International investment position (net)	19.6	27.9	26.8	24.2	21.3	18.3	15.6	12.8
GDP at current prices (US\$ billion)	407	381	392	405	418	435	450	466.2

Sources: South African Reserve Bank And Fund Staff Estimates And Projections.

Table 4. South Africa: Financial Corporations, 2022–29

	2022	2023	2024	2025	2026	2027	2028	2029
	Est.		Proj.					
	(In billions of rand)							
<b>Central Bank</b>								
Net foreign assets	1,070	1,150	1,167	1,197	1,227	1,252	1,282	1,313
Net domestic assets	-699	-743	-744	-747	-746	-738	-730	-725
Domestic claims	-673	-697	-680	-708	-713	-705	-697	-692
Central government (net)	-817	-811	-795	-823	-827	-819	-811	-806
State and local government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public nonfinancial corporations	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Private sector	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Other depository corporations	139	109	109	109	109	109	109	109
Other financial corporations	3.5	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Other items net	-37.5	-57.2	-63.8	-38.8	-33.8	-33.8	-33.8	-33.8
Monetary base	360	396	423	451	480	514	552	587
<b>Other Depository Corporations</b>								
Net foreign assets	257	286	297	329	378	398	435	494
Net domestic assets	4,319	4,648	4,937	5,297	5,664	6,093	6,536	6,993
Domestic claims	5,714	6,124	6,558	6,997	7,446	7,929	8,438	8,978
Central government (net)	759	904	1,042	1,168	1,286	1,409	1,542	1,683
State and local government	21.6	20.7	21.9	23.2	24.6	26.1	27.7	29.3
Public nonfinancial corporations	75.7	52.4	52.9	53.4	53.9	54.4	54.8	55.3
Private sector	3,889	4,047	4,286	4,538	4,806	5,096	5,401	5,725
<i>of which loans and securities</i>	3,794	3,959	4,193	4,439	4,701	4,985	5,284	5,601
Central Bank	218	252	266	282	299	317	336	356
Other financial corporations	751	848	888	932	977	1,027	1,077	1,130
Other items net	-1,395	-1,476	-1,620	-1,700	-1,781	-1,836	-1,902	-1,986
<b>Depository Corporations</b>								
Net foreign assets	1,328	1,436	1,464	1,526	1,605	1,651	1,717	1,807
Net domestic assets	3,388	3,586	3,937	4,282	4,637	5,060	5,497	5,941
Domestic claims	4,685	5,032	5,465	5,860	6,285	6,756	7,251	7,774
Central government (net)	-57	92	247	346	459	590	731	877
State and local government	21.6	20.7	21.9	23.2	24.6	26.1	27.7	29.3
Public nonfinancial corporations	77	53	54	54	55	55	56	56
Private sector	3,890	4,014	4,250	4,500	4,766	5,053	5,356	5,678
<i>of which loans and securities</i>	3,794	3,959	4,193	4,439	4,701	4,985	5,284	5,601
Other financial corporations	754	852	892	936	981	1,031	1,081	1,134
Other items net	-1,297	-1,446	-1,529	-1,577	-1,648	-1,695	-1,754	-1,833
Broad money	4,715	5,022	5,401	5,808	6,242	6,711	7,214	7,748

Sources: International Financial Statistics, South African Reserve Bank, And Imf Staff Estimates.

Table 4. South Africa: Financial Corporations, 2022–29 (concluded)

	2022	2023	2024	2025	2026	2027	2028	2029
		Est.	Proj.					
	(In billions of rand)							
<b>Other Financial Corporations</b>								
Net foreign assets	2,969	3,189	3,422	3,570	3,743	3,927	4,116	4,319
Net domestic assets	5,707	6,053	6,476	6,971	7,474	8,011	8,585	9,196
Domestic claims	6,183	6,561	7,017	7,544	8,082	8,656	9,269	9,921
Central government (net)	1,338	1,491	1,636	1,848	2,052	2,268	2,504	2,756
State and local government	38.4	40.9	43.8	46.6	49.6	52.8	56.2	59.8
Public nonfinancial corporations	409	419	428	437	447	456	465	475
Private sector	2,221	2,291	2,426	2,569	2,721	2,885	3,058	3,241
<i>of which loans and securities</i>	657	678	718	760	805	805	805	805
Central Bank	0.9	1.0	1.1	1.1	1.2	1.3	1.4	1.5
Other Depository Corporations	2,175	2,317	2,482	2,643	2,812	2,993	3,184	3,388
Other items net	-476	-507	-541	-573	-608	-645	-684	-726
Non-liquid liabilities	8,676	9,243	9,898	10,541	11,217	11,938	12,701	13,514
<b>Financial Corporations</b>								
Net foreign assets	4,296	4,625	4,887	5,096	5,347	5,577	5,833	6,125
Net domestic assets	5,509	5,781	6,253	6,758	7,260	7,835	8,432	9,039
Domestic claims	7,937	8,423	9,107	9,824	10,573	11,387	12,254	13,171
Central government (net)	1,281	1,584	1,883	2,193	2,510	2,858	3,235	3,633
State and local government	59.9	61.6	65.7	69.9	74.2	78.9	83.8	89.1
Public nonfinancial corporations	486	472	482	492	502	511	521	531
Private sector	6,110	6,305	6,677	7,069	7,487	7,938	8,414	8,919
<i>of which loans and securities</i>	4,451	4,638	4,911	5,200	5,507	5,790	6,089	6,406
Other items net	-2,428	-2,642	-2,854	-3,066	-3,313	-3,552	-3,822	-4,132
Liabilities	9,805	10,406	11,139	11,854	12,607	13,412	14,265	15,165
Liquid	947	1,011	1,089	1,162	1,239	1,322	1,413	1,499
Nonliquid	8,858	9,394	10,050	10,692	11,369	12,090	12,853	13,666
<b>Memorandum Items:</b>								
<i>Central Bank (billions of US dollar)</i>								
Net foreign reserves	63.0	62.1	61.6	61.6	61.6	61.6	61.6	61.6
Central gov. FX deposits	7.8	7.1	5.2	3.9	3.6	3.6	3.6	3.6
Year-on-year growth (percent)								
Monetary base	15.2	9.9	7.0	6.5	6.5	7.0	7.3	6.4
Broad money	8.3	6.5	7.5	7.5	7.5	7.5	7.5	7.4
Claims on private sector								
Dep. Corp.	8.2	3.2	5.9	5.9	5.9	6.0	6.0	6.0
Dep. Corp., loans and securities	8.9	4.4	5.9	5.9	5.9	6.0	6.0	6.0
Fin. Corp.	5.6	3.2	5.9	5.9	5.9	6.0	6.0	6.0
Fin. Corp., loans and securities	7.8	4.2	5.9	5.9	5.9	5.1	5.2	5.2
Broad money multiplier (ratio)	13.1	12.7	12.8	12.9	13.0	13.1	13.1	13.2
Claims on public sector (percent of total assets)								
Other Depository Corporations								
Central government	14.8	15.4	15.8	16.3	16.6	16.9	17.2	17.5
Public nonfinancials	1.0	0.7	0.6	0.6	0.6	0.6	0.5	0.5
Other Financial Corporations								
Central government	11.1	11.5	11.8	12.4	12.8	13.3	13.7	14.1
Public nonfinancials	2.8	2.7	2.6	2.5	2.4	2.3	2.2	2.1

Sources: International Financial Statistics, South African Reserve Bank, And Imf Staff Estimates.

Table 5. South Africa: Financial Soundness Indicators, 2019–24

	2019	2020	2021	2022	2023	2024
	(Percent)					
<b>Capital Adequacy</b>						
Regulatory capital to risk weighted assets 1/ <i>of which Tier 1 capital 1/</i>	16.6	16.6	18.1	17.6	17.4	17.3
Capital to total assets 2/	8.0	7.6	8.1	7.7	...	...
<b>Asset Quality</b>						
Impaired advances to gross loans and advances 1/ Nonperforming loans net of provisions to capital	3.9	5.2	4.5	4.7	5.4	5.4
	18.1	25.1	18.6	19.7	...	...
<b>Earnings, Profitability, and Efficiency</b>						
Return on assets 1/	1.2	0.5	1.1	1.2	1.1	1.1
Return on equity 1/	14.4	7.0	13.8	15.0	14.6	14.9
Net interest income to interest-earning assets 1/	3.9	3.7	3.9	4.0	4.1	4.2
Non-interest revenue to total assets 1/	2.2	1.9	2.0	2.0	2.0	2.0
Operating expenses to total assets 1/	3.1	2.7	2.8	2.8	2.9	2.9
Cost to Income Ratio 1/	58.8	58.7	58.3	57.0	57.0	57.0
Interest margin to gross income	53.9	54.9	54.7	54.8	...	...
Trading income to total income	5.6	6.2	6.6	7.2	...	...
Non-interest expenses to gross income	62.5	63.1	62.4	62.0	...	...
Personnel expenses to non-interest expenses	49.1	47.4	49.0	48.5	...	...
<b>Liquidity</b>						
Liquid assets held to liquid-asset requirement 1/	262.2	304.7	327.5	338.0	344.6	335.4
Liquidity coverage ratio 1/	143.3	138.9	144.8	153.2	147.7	146.5
Ten largest depositors to total funding 1/	16.4	19.2	19.5	20.8	19.1	18.9
Liquid assets to total assets	18.5	18.7	19.2	18.4	...	...
Liquid assets to short-term liabilities	37.1	35.2	34.6	33.4	...	...
Customer deposits to total loans	63.9	70.0	71.5	71.5	...	...
<b>Exposure to FX Risk</b>						
Net open FX position to capital	0.9	0.7	0.6	0.6	...	...
Foreign-currency-denominated loans to total loans	8.3	8.7	7.8	7.8	...	...
Foreign-currency-denominated liabilities total liabilities	7.8	7.1	7.0	6.8	...	...
<b>Derivatives</b>						
Gross asset position in financial derivatives to capital	51.1	102.1	49.5	50.4	...	...
Gross liability position in financial derivatives to capital	49.2	98.3	52.4	52.5	...	...
<b>Real Estate Market</b>						
Residential real estate price growth 3/	3.5	2.5	4.2	3.6	1.6	...
Residential real estate loans to total loans	24.2	23.6	24.3	24.3	...	...
Commercial real estate loans to total loans	8.0	8.0	7.9	7.6	...	...
<b>Household Debt 4/</b>						
Household debt to GDP	40.4	42.6	41.7	40.3	...	...
Household debt service to disposable income	9.4	7.7	7.2	7.5	...	...

Sources: SARB Prudential Authority, Financial Soundness Indicators Database (FSID), Haver, and IMF staff calculations.

1/ 2019-2023 data are end of period, 2024 data are as of April, the source of data is SARB Prudential Authority. The rest are from FSI unless noted otherwise.

2/ All data (note specified in 1/ and 3/) are from FSID, as of July 2022.

3/ Annual average data from First National Bank, Haver.

4/ As of June 2022.

**Table 6. South Africa: Medium-Term Macroeconomic Framework, 2022–29**

	2022	2023	2024	2025	2026	2027	2028	2029
			Proj.					
<b>National Income and Prices (Annual Percentage Change)</b>								
Real GDP	1.9	0.7	1.0	1.3	1.4	1.4	1.4	1.4
CPI (annual average)	6.9	5.9	5.2	4.6	4.5	4.5	4.5	4.5
Output gap (percent of potential real GDP)	-0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Labor Market (Annual Percentage Change)</b>								
Unemployment rate (percent of labor force, annual average)	33.5	33.1	33.8	34.2	34.5	34.8	35.1	35.4
<b>Savings and Investment (Percent of GDP)</b>								
Gross national saving	15.0	13.9	13.7	13.7	13.7	13.9	14.1	14.2
Public (incl. public enterprises) 1/	0.2	-0.9	-1.3	-1.2	-1.1	-1.2	-1.2	-1.2
Private	14.8	14.8	15.0	15.0	14.9	15.0	15.3	15.4
Investment (including inventories) 2/	15.4	15.5	15.4	15.7	15.8	16.0	16.2	16.4
Public (incl. public enterprises)	3.8	4.1	4.2	4.1	4.1	4.1	4.1	4.1
Private	10.3	10.8	10.7	10.9	11.1	11.3	11.5	11.7
<b>Fiscal Position (Percent of GDP) 3/</b>								
Revenue, including grants	27.6	26.8	27.0	27.0	27.1	27.1	27.2	27.2
Expenditure and net lending	31.9	32.6	33.2	33.4	32.6	32.3	32.4	32.4
Overall balance	-4.3	-5.8	-6.3	-6.4	-5.5	-5.2	-5.2	-5.2
Primary balance	0.3	-0.8	-0.9	-0.8	0.2	0.6	0.6	0.6
Gross government debt 4/	70.8	73.4	75.0	77.6	79.3	80.8	82.3	83.7
<b>Balance of Payments (Percent of GDP Unless Otherwise Indicated)</b>								
Exports of Goods and Services (volume, annual percentage change)	7.4	3.5	3.5	3.6	3.7	3.7	3.7	3.7
Imports of Goods and Services (volume, annual percentage change)	14.9	4.1	4.0	3.9	3.8	3.8	3.8	3.8
Current account balance (billions of U.S. dollars)	-1.8	-6.1	-6.9	-7.7	-8.6	-9.3	-9.3	-10.3
percent of GDP	-0.5	-1.6	-1.8	-1.9	-2.0	-2.1	-2.1	-2.2
Gross reserves (billions of U.S. dollars)	60.6	62.5	62.5	62.5	62.5	62.5	62.5	62.5
percent of short-term debt (residual maturity)	121.9	124.5	114.1	118.5	112.1	107.9	105.3	91.8
Total external debt	40.4	41.5	42.2	43.6	44.9	45.9	47.0	47.9

Sources: Haver, South African National Treasury, World Bank, And Fund Staff Estimates And Projections.

1/ Public savings are computed using SARB financial accounts data adding public corporations and general government gross savings. This allows to obtain a refined private sector savings estimate that excludes SOEs included as part of the private sector in the National Accounts. The refined private sector savings estimate is derived as the difference between the National Accounts gross national savings and the public savings.

2/ Noisy inventories data are excluded from the investment breakdown to highlight fixed capital formation developments.

3/ Consolidated government unless otherwise indicated.

4/ National government.

**Table 7. South Africa: Indicators of Fund Credit—Baseline and Downside Scenario (RFI arrangements), 2023–29**

	2023	2024	2025	2026	2027	2028	2029
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Existing and prospective Fund credit (SDR million)</b>							
Disbursements	0	0	0	0	0	0	0
Stock of existing and prospective Fund credit	2,669.8	1,144.2	0.0	0.0	0.0	0.0	0.0
Obligations	521.1	1,643.7	1,183.2	10.9	10.9	10.9	10.9
Principal (repayments/repurchases)	381.4	1,525.6	1,144.2	0.0	0.0	0.0	0.0
Charges and interest	139.7	118.1	39.0	10.9	10.9	10.9	10.9
<b>Baseline Scenario:</b>							
<b>Fund obligations (repurchases and charges) in percent of:</b>							
Quota	17.1	53.9	38.8	0.4	0.4	0.4	0.4
GDP	0.18	0.56	0.39	0.0	0.0	0.0	0.0
Exports of goods and services	0.6	1.6	1.1	0.0	0.0	0.0	0.0
Gross international reserves	1.1	3.5	2.5	0.0	0.0	0.0	0.0
Government revenue	0.7	2.1	1.4	0.0	0.0	0.0	0.0
External debt service, public	2.4	7.4	4.8	0.0	0.0	0.0	0.0
<b>Fund credit outstanding in percent of:</b>							
Quota	87.5	37.5	0.0	0.0	0.0	0.0	0.0
GDP	0.94	0.39	0.00	0.0	0.0	0.0	0.0
Exports of goods and services	2.9	1.1	0.0	0.0	0.0	0.0	0.0
Gross international reserves	5.7	2.4	0.0	0.0	0.0	0.0	0.0
Government revenue	3.5	1.4	0.0	0.0	0.0	0.0	0.0
External debt, public	4.0	1.6	0.0	0.0	0.0	0.0	0.0
<b>Downside Scenario:</b>							
<b>Fund obligations (repurchases and charges) in percent of:</b>							
Quota	17.1	53.9	38.8	0.4	0.4	0.4	0.4
GDP	0.18	0.63	0.44	0.0	0.0	0.0	0.0
Exports of goods and services	0.6	1.8	1.2	0.0	0.0	0.0	0.0
Gross international reserves	1.1	3.5	2.5	0.0	0.0	0.0	0.0
Government revenue	0.7	2.3	1.7	0.0	0.0	0.0	0.0
External debt service, public	2.4	7.4	4.8	0.0	0.0	0.0	0.0
<b>Fund credit outstanding in percent of:</b>							
Quota	87.5	37.5	0.0	0.0	0.0	0.0	0.0
GDP	0.94	0.44	0.00	0.0	0.0	0.0	0.0
Exports of goods and services	3.2	1.3	0.0	0.0	0.0	0.0	0.0
Gross international reserves	5.7	2.4	0.0	0.0	0.0	0.0	0.0
Government revenue	3.5	1.6	0.0	0.0	0.0	0.0	0.0
External debt, public	4.0	1.6	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items under baseline scenario:</b>							
Quota (SDR million)	3,051.2	3,051.2	3,051.2	3,051.2	3,051.2	3,051.2	3,051.2
Gross domestic product (USD million)	380,592	392,099	404,793	418,464	434,510	450,046	466,174
Exports of goods and services (USD million)	124,720	132,243	139,025	146,046	153,522	160,431	168,363
Gross international reserves (USD million)	62,518	62,500	62,500	62,500	62,500	62,500	62,500
Government revenue (USD million)	101,906	105,813	109,374	113,513	117,953	122,369	126,738
External debt service (USD million)	28,927	29,612	32,890	31,853	33,681	35,062	35,996
Total external debt (USD million)	89,391	93,594	99,736	106,282	112,882	119,502	126,384

Source: IMF staff calculations.

Annex I. Risk Assessment Matrix<sup>1</sup>

Nature/Source of Threat	Likelihood	Time Horizon	Expected Impact on Economy	Policy Responses
<b>Global Risks</b>				
<b>Intensification of Regional Conflict(s).</b> Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	<b>High</b>	ST	<b>H/M.</b> Increasing spillovers from the war in Ukraine and the Middle East could lead to persistently high global fuel and food prices, lifting core inflation and de-anchoring inflation expectation. Domestic financing conditions could abruptly tighten with capital outflows and rand depreciation. On the other hand, the country's coal and precious metal exports might provide an external offset to the adverse effects.	Tighten monetary policy further if large currency depreciation and a surge in general uncertainty de-anchor inflation expectations.  Proceed with an ambitious, expenditure-based, and growth-friendly fiscal consolidation, while preserving well targeted social spending.  Implement bold structural reforms, including that boost exports, to facilitate private sector-led employment creation.
<b>Commodity Price Volatility.</b> A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	<b>High</b>	ST-MT	<b>H/M.</b> Commodity price volatility is a main driver for the country's current account (CA) performance in the coming period given the importance of mining exports. Terms of trade would worsen from lower commodity prices and external demand, and exports of precious metals and coal would decline, as well as tax mining revenues. In contrast, higher commodity prices could temporarily and significantly improve the CA.	Frontload the envisaged fiscal tightening if budget financing becomes problematic.  Tighten monetary policy further if large currency depreciation and a surge in general uncertainty de-anchor inflation expectations.  Swiftly implement reforms to address electricity and transportation bottlenecks, including by attracting private sector participation.
<b>Abrupt Global Slowdown or Recession.</b> Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	<b>Medium</b>	ST	<b>H/M.</b> A worsening external environment would plunge the country into a recession with an adverse impact on financing conditions, capital flows, the exchange rate, poverty reduction, job creation and social stability. In contrast, weaker demand could reduce inflation pressures, but any exchange rate depreciation would counteract this. Increasingly costly fiscal financing would rely increasingly on domestic sources amid a deepening bank-sovereign nexus, further crowding out private investment. Terms of trade would worsen, and exports of precious metals and coal would decline.	Frontload the envisaged fiscal tightening if budget financing becomes problematic.  Focus more on expenditure-based consolidation that protects productive investment and well-targeted social spending.  Implement bold structural reforms, including to alleviate export bottlenecks, boost market confidence and increase private investment supporting private sector-led growth and employment creation.  Tighten monetary policy further if large currency depreciation and a surge in general uncertainty de-anchor inflation expectations.

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.



Nature/Source of Threat	Likelihood	Time Horizon	Expected Impact on Economy	Policy Responses
<b>Global Risks</b>				
<p><b>Monetary Policy Miscalibration.</b> Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets and weakening the credibility of central banks.</p>	<b>Medium</b>	<i>ST-MT</i>	<p><b>H/M.</b> Capital flow reversals would cause a sharp tightening of financial conditions, and depreciation, and an increase in risk premia across asset classes, and weakening the external and fiscal positions.</p>	<p>Tighten monetary policy further if large currency depreciation and a surge in general uncertainty de-anchor inflation expectations.</p> <p>Frontload the envisaged fiscal tightening to boost market confidence if budget financing becomes problematic.</p> <p>If market conditions turn disorderly and crisis circumstances are imminent, consider measures to stem capital flow reversals among a broader policy package of measures to restore orderly conditions, ensuring that such measures do not substitute for warranted macroeconomic adjustment.</p>
<p><b>Systemic Financial Instability.</b> High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.</p>	<b>Medium</b>	<i>ST-MT</i>	<p><b>M/L.</b> South Africa's asset markets and financial system could be adversely impacted from systemic financial instability in advanced economies due to sudden shifts in investor sentiment to EMs. That said, the country's large external asset position, diversified economy, sophisticated financial system, and flexible exchange rate regime are sources of strength.</p>	<p>Adopt and operationalize the new bank resolution and step-up crisis preparedness. The Corporation for Deposit Insurance has been operational since April 1<sup>st</sup>, 2024.</p> <p>Provide temporary liquidity support to the financial system if domestic financing conditions tighten acutely and threaten financial stability. Consider reinstating swap lines with major central banks.</p> <p>Frontload the envisaged fiscal tightening if budget financing becomes problematic.</p>
<p><b>Social Discontent.</b> High inflation, real income loss, spillovers from conflicts (including migration), worsening inequality, and disputed elections cause social unrest and detrimental populist policies. This exacerbates imbalances, slows growth, and leads to policy uncertainty and market repricing.</p>	<b>Medium</b>	<i>ST-MT</i>	<p><b>H/M.</b> Social tensions would disrupt key infrastructure and supply channels, and weaken confidence generally, dampening economic growth. Employment would deteriorate, fiscal deficits worsen, risk premia surge, and domestic financing conditions tighten.</p>	<p>Enact support measures targeted to the poor while continuing an ambitious, expenditure-based, and growth friendly fiscal consolidation to ensure debt stabilization.</p> <p>Implement bold structural measures that allow the private sector to invest and create jobs and promote inclusive growth.</p> <p>Tighten monetary policy further in case of external financing shortfalls and/or higher inflation.</p>
<p><b>Deepening Geo-Economic Fragmentation.</b> Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty, technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.</p>	<b>High</b>	<i>MT-LT</i>	<p><b>H.</b> Reconfiguration of trade and financial flows could have a sizable impact on South Africa, although the direction and the magnitude of the potential effect also depend on the degree of fragmentation, as the country is a major exporter of precious metals that are highly sought after.</p>	<p>Build resilience and mitigate the risks associated with geo-economic fragmentation, including:</p> <p>Implement bold structural reforms to improve the business environment and benefit from trade and capital flow diversion.</p> <p>Strengthening the ongoing regional trade integration under the African Continental Free Trade Area.</p> <p>Restore policy space through an ambitious, expenditure-based, and growth-friendly fiscal consolidation, while preserving well targeted social spending.</p>

Nature/Source of Threat	Likelihood	Time Horizon	Expected Impact on Economy	Policy Responses
<b>Global Risks</b>				
<b>Cyberthreats.</b> Cyberattacks on physical or digital infrastructure and service providers (including digital currency and crypto assets) or misuse of AI technologies trigger financial and economic instability.	<i>Medium</i>	<i>ST-MT</i>	<i>H/M.</i> Disruptions could severely impact the financial market infrastructure and related economic activity, the widespread usage of cash could cushion the impact on the supply of essential goods but would still affect large parts of the population.	There is scope to strengthen cybersecurity supervision and oversight and a need for additional dedicated resources. Detailed recommendations can be found in the FSAP Technical Note on Cybersecurity Risk Supervision and Oversight (2021).
<b>Extreme Climate Events.</b> Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	<i>Medium</i>	<i>MT-LT</i>	<i>H.</i> The economy is vulnerable to extreme weather events, as evidenced by the devastating flooding in Durban. Deteriorating infrastructure, including in the electricity, water, and transportation sectors, further adds to the challenges.	Improve capacity for monitoring and assessing climate policies and strengthen early warning systems.  Ensure well-targeted fiscal support for post-disaster assistance.
<b>Disorderly energy transition.</b> A disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	<i>Medium</i>	<i>MT-LT</i>	<i>H.</i> The economy is among the most carbon intensive EMs. The country primarily exports coal, minerals, and metals, and its major trading partners are similarly carbon-intensive nations, facing significant uncertainties regarding climate policies.	Proceed with implementation of Just Transition plan. Promote green and resilient public investment to build low-carbon and climate-resilient infrastructure.  Steadfast implementation of labor and product market reforms to facilitate adoption of climate change technology.
<b>Domestic Risks</b>				
<b>Delays in Implementing Structural Reforms.</b> Difficulties in attaining consensus within the new government of national unity on needed reforms including in the electricity and transportation sectors, delay their implementation. On the upside, reforms could be implemented faster under the new administration	<i>Medium</i>	<i>ST-MT-LT</i>	<i>H.</i> Structural constraints to growth, including renewed electricity shortages and disruptions at ports and rails, would continue to erode confidence, trigger capital outflows, and raise financing costs amid further sovereign rating downgrades. Poverty, inequality, and unemployment would worsen, and dissatisfaction would become widespread. Failure to address vulnerabilities at Eskom and Transnet would also have adverse consequences for the public finances. On the upside, faster reform implementation could lead to higher confidence and growth, supporting capital inflows and the fiscal position.	Swiftly implement reforms to address electricity and transportation bottlenecks, including by attracting private sector participation, improving SOE operational efficiency, enhance competition in product markets, and increase labor market flexibility, while strengthening governance.  Advance anti-corruption and anti-money laundering measures to boost confidence.

Nature/Source of Threat	Likelihood	Time Horizon	Expected Impact on Economy	Policy Responses
<b>Domestic Risks</b>				
<p><b>Higher-than-expected Budget Deficits and Ballooning Debt.</b> The fiscal deficit is already high and threatened by continuous SOE bailouts, compensation policy challenges, and high current expenditures.</p>	<b>High</b>	<i>ST-MT</i>	<p><b>H.</b> Perception that public debt is unsustainable would lead to capital outflows, amid deteriorating confidence, and challenging BOP financing. Financial sector vulnerability would increase with entrenched bank-sovereign nexus and loss of appetite for sovereign credit.</p>	<p>Adopt revenue and expenditure measures to credibly reduce the fiscal deficit (while protecting social outlays) by adhering to the announced compensation policy, conditioning transfers to SOEs to meeting performance indicators, and eliminating inefficient subsidies.</p> <p>Support fiscal consolidation by decisively implementing long-standing structural reforms to boost market confidence.</p>

## Annex II. Sovereign Risk and Debt Sustainability Framework

Figure 1. South Africa: Risk of Sovereign Stress

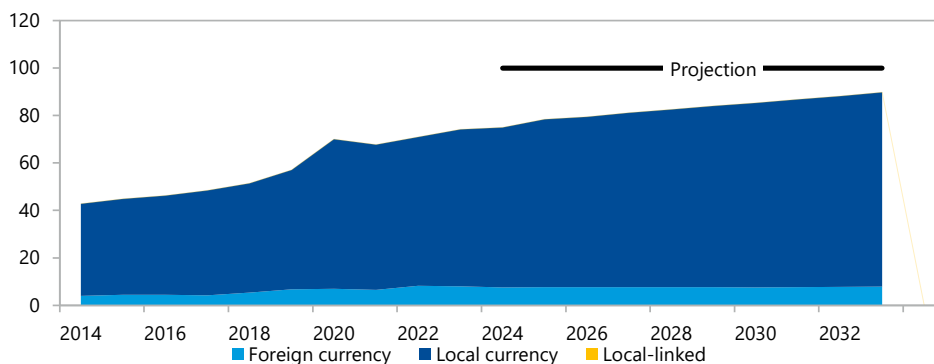
Horizon	Mechanical signal	Final assessment	Comments
<b>Overall</b>	...	<b>Moderate</b>	The overall risk of sovereign stress is moderate, as the authorities still have time to address unfavorable medium term debt dynamics arising from persistent weak growth, elevated fiscal deficits, and the materialization of contingent liabilities from SOEs. Mitigating factors include the depth of the domestic investor pool, and low FX and short-term debt exposure. A credible medium-term fiscal consolidation and growth enhancing structural reforms are key to put debt on a downward path and contain medium term sovereign stress risks.
<b>Near term 1/</b>	N/A	N/A	N/A
<b>Medium term</b>	<b>High</b>	<b>High</b>	Medium-term risks are assessed as high, given the probability of debt not stabilizing, and the high terminal debt level. The stress tests for commodity and contingent liabilities further confirm the high risk, including for GFN.
Fanchart	<b>High</b>	...	
GFN	<b>Moderate</b>	...	Tighter for longer global financial conditions, additional spending pressures, and large SOE liabilities exacerbate the medium-term risks.
Stress test	Comm. Prices Cont. Liabty.	...	
<b>Long term</b>	...	<b>High</b>	In the absence of policy changes, the persistence of medium-term factors which imply a non-stabilizing medium term debt path would also affect the long-term outlook. GFN's are also projected to be higher during 2029-33.
<b>Sustainability assessment 2/</b>			Not required
<b>Debt stabilization in the baseline</b>			No
<b>DSA Summary Assessment</b>			
<p>Commentary: South Africa is at a moderate overall risk of sovereign stress. Debt is not expected to stabilize in the baseline during the extended time horizon. However, medium-term liquidity risks as analyzed by the GFN Financeability Module are moderate, with the currency and maturity composition of debt mitigating these risks. The deep domestic capital markets further help mitigate the risks. Advancing fiscal consolidation as part of a credible medium-term framework and structural reforms to boost growth are needed to contain medium term risks of sovereign stress.</p>			
Source: Fund staff.			
<p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p>			
<p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p>			
<p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p>			

Figure 2. South Africa: Debt Coverage and Disclosures

						Comments							
<b>1. Debt coverage in the DSA: 1/</b>													
	CG	GG	NFPS	CPS	Other								
<b>1a. If central government, are non-central government entities insignificant?</b>						0							
<b>2. Subsectors included in the chosen coverage in (1) above:</b>													
Subsectors captured in the baseline						Inclusion							
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes							
				2	Extra budgetary funds (EBFs)	No							
				3	Social security funds (SSFs)	No							
				4	State governments	No							
				5	Local governments	No							
				6	Public nonfinancial corporations	No							
				7	Central bank	No							
				8	Other public financial corporations	No							
<b>3. Instrument coverage:</b>													
	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/								
<b>4. Accounting principles:</b>													
			Basis of recording		Valuation of debt stock								
			Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/							
					Market value 7/								
<b>5. Debt consolidation across sectors:</b>													
						Consolidated							
						Non-consolidated							
<b>Color code:</b>													
■ chosen coverage						■ Missing from recommended coverage							
						■ Not applicable							
<b>Reporting on Intra-Government Debt Holdings</b>													
		Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total		
CPS	NFPS	GG: expected	CG	1	Budget. central govt						0		
				2	Extra-budget. funds							0	
				3	Social security funds								0
				4	State govt.								0
				5	Local govt.								0
				6	Nonfin pub. corp.								0
				7	Central bank								0
				8	Oth. pub. fin. corp								0
Total			0	0	0	0	0	0	0	0	0		
<p>1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.</p> <p>2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.</p> <p>3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.</p> <p>4/ Includes accrual recording, commitment basis, due for payment, etc.</p> <p>5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).</p> <p>6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.</p> <p>7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.</p> <p>Commentary: Consistent with the debt coverage available from the authorities, calculations are based on the national government's budget (central government). Consolidated general government debt figures are not available due to difficulties in identifying cross debt holdings across institutional sectors. While this methodology excludes provincial governments, social security funds, and extra-budgetary institutions, these entities are not allowed to incur debt. Even though municipalities can borrow, most provincial and municipal expenditure is funded through transfers from the national government and is thus already captured to a considerable extent. However, the DSA also excludes SOEs, whose indebtedness has increased rapidly in recent years.</p>													

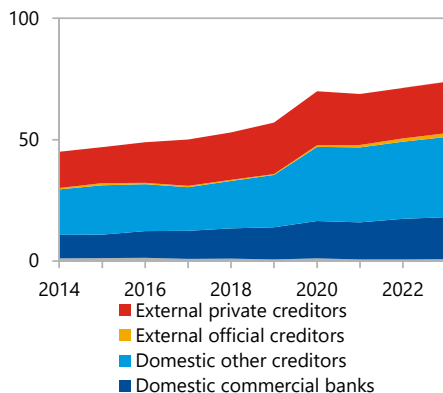
**Figure 3. South Africa: Public Debt Structure Indicators**

**Debt by Currency (Percent of GDP)**



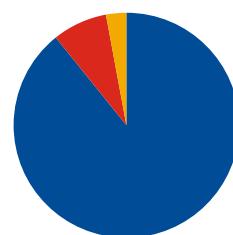
Note: The perimeter shown is central government.

**Public Debt by Holder (Percent of GDP)**



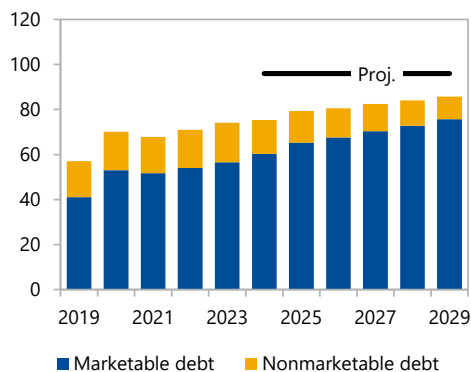
Note: The perimeter shown is general government.

**Public Debt by Governing Law, 2023 (percent)**



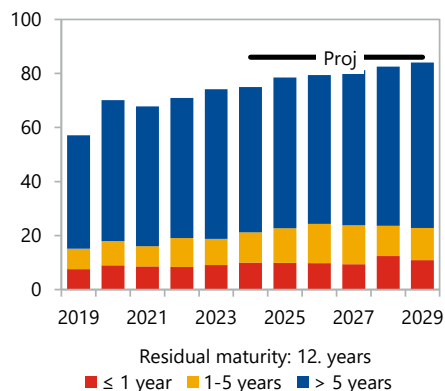
Note: The perimeter shown is general government.

**Debt by Instruments (Percent of GDP)**



Note: The perimeter shown is general government.

**Public Debt by Maturity (Percent of GDP)**



Note: The perimeter shown is general government.

Commentary: The debt-to-GDP ratio is projected to rise in the projection period, driven primarily by unfavorable automatic debt dynamics. Domestic financing sources are expected to continue to play a significant role, as non-residents' local currency bond purchases have declined following the sovereign downgrade below investment grade in 2020. The charts also show the relatively favorable debt composition with relatively long maturities and low foreign currency denominated debt.

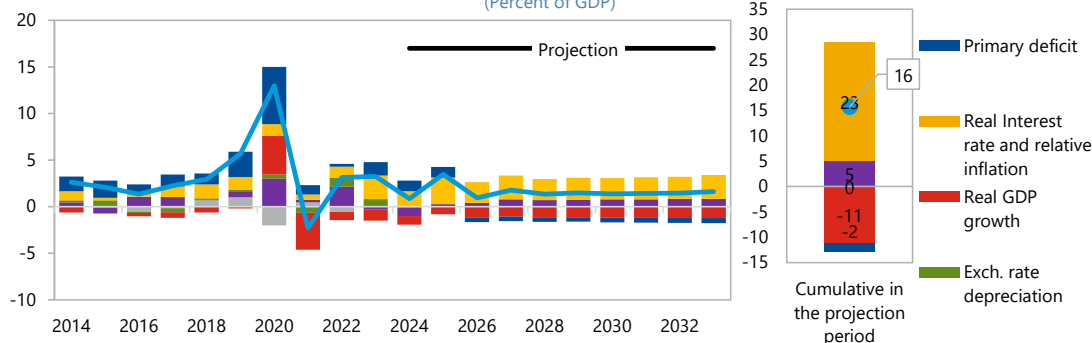
**Figure 4. South Africa: Baseline Scenario**

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection							Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	
Public Debt	74.1	75.0	78.5	79.4	81.2	82.5	84.0	85.4	86.8	88.2	89.9	
Change in Public Debt	3.3	0.8	3.5	0.9	1.8	1.3	1.5	1.4	1.4	1.4	1.6	
Contribution of identified flows	3.2	0.9	3.4	1.0	1.8	1.3	1.5	1.4	1.4	1.4	1.6	
Primary deficit <sup>1</sup>	1.4	1.1	1.1	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
Noninterest revenues	23.9	24.0	24.1	24.2	24.2	24.3	24.3	24.3	24.3	24.3	24.3	
Noninterest expenditures	25.3	25.2	25.3	23.7	23.7	23.8	23.8	23.8	23.8	23.8	23.8	
Automatic debt dynamics	2.1	0.7	2.0	1.0	1.5	1.1	1.2	1.1	1.2	1.1	1.3	
Real interest rate and relative inflation	2.5	1.7	2.9	2.2	2.6	2.3	2.4	2.3	2.4	2.4	2.6	
Real interest rate	2.5	1.4	2.7	2.0	2.4	2.1	2.2	2.1	2.2	2.2	2.4	
Relative inflation	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Real growth rate	-1.2	-0.9	-0.8	-1.2	-1.1	-1.1	-1.1	-1.2	-1.2	-1.2	-1.2	
Real exchange rate	0.8	...	...	...	...	...	...	...	...	...	...	
Other identified flows	-0.3	-1.0	0.2	0.4	0.8	0.7	0.7	0.8	0.8	0.8	0.8	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other transactions <sup>2</sup>	-0.3	-1.0	0.2	0.4	0.8	0.7	0.7	0.8	0.8	0.8	0.8	
Contribution of residual	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Gross Financing Needs	14.5	15.4	16.2	14.7	14.9	14.5	17.7	16.3	17.2	16.0	16.9	
of which: debt service	13.0	14.3	15.0	15.1	15.4	15.0	18.1	16.8	17.8	16.5	17.4	
Local currency	11.7	13.4	13.8	14.1	14.5	14.1	17.3	16.1	17.2	15.8	16.8	
Foreign currency	1.4	0.9	1.2	1.0	0.8	0.9	0.9	0.7	0.5	0.8	0.6	
Memo:												
Real GDP growth (percent)	1.7	1.3	1.1	1.5	1.3	1.4	1.4	1.4	1.4	1.4	1.4	
Inflation (GDP deflator; percent)	3.7	5.6	3.9	4.8	4.3	4.7	4.4	4.5	4.5	4.5	4.5	
Nominal GDP growth (percent)	5.5	6.9	5.0	6.4	5.7	6.2	5.9	6.0	6.0	6.0	6.0	
Effective interest rate (percent)	7.5	7.6	7.7	7.6	7.5	7.4	7.2	7.1	7.1	7.1	7.1	

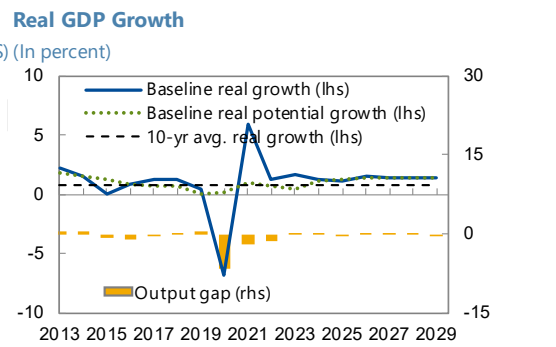
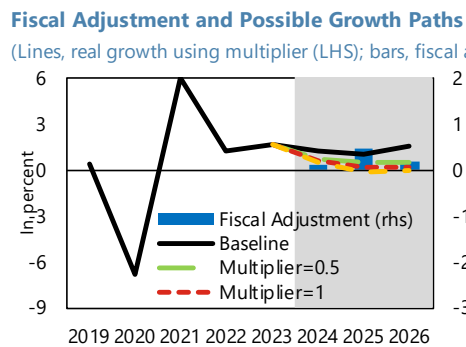
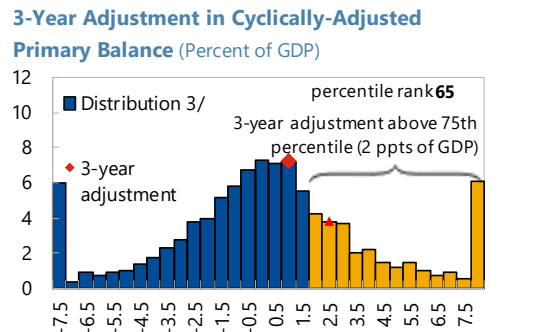
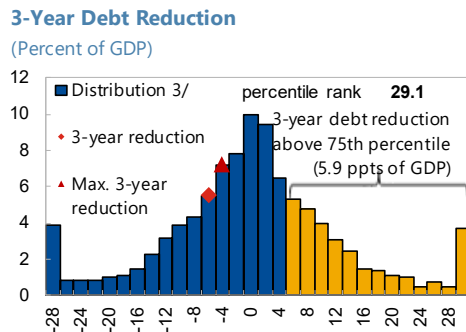
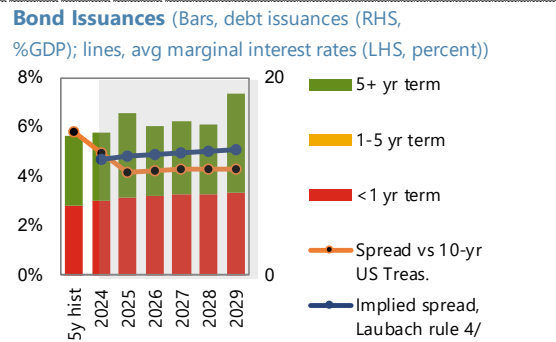
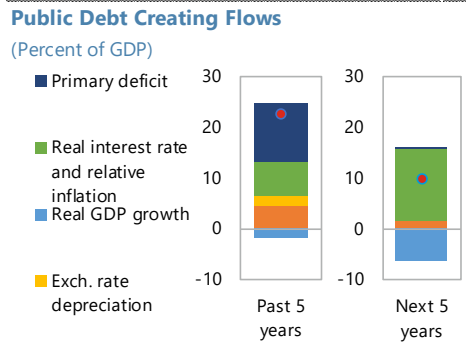
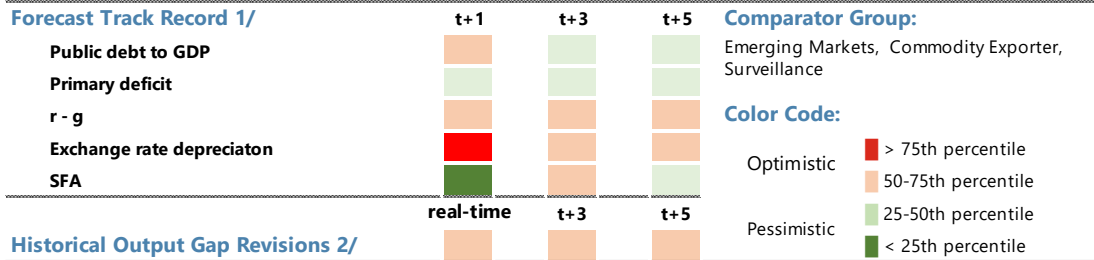
<sup>1</sup> Primary deficit of the Central Government<sup>2</sup> This includes the impact of GFECRA**Contribution to Change in Public Debt**

(Percent of GDP)



Commentary: Public debt will continue to rise, driven by the r-g dynamics which reflects persistent weak real growth and a relatively high average interest rate on public debt. While the real GDP growth is expected to offset some of the unfavorable automatic debt dynamics in the longer-term, it will be insufficient to lower the public debt ratio. GFNs are projected to remain above 15 percent of GDP in the medium term and rise to above 17 percent of GDP in 2029-33, despite the still-favorable maturity and currency structure of the debt. The Eskom debt relief arrangement is included above the line as a capital transfer, resulting in higher noninterest expenditures in 2023-25. The distribution of R150 billion from the SARB's GFECRA account to the NT (to be paid out in three tranches of R100 billion in 2024, and R25 billion each in 2025 and 2026) lowers financing needs and is reflected below the line in other identified inflows.

Figure 5. South Africa: Realism of Baseline Assumptions

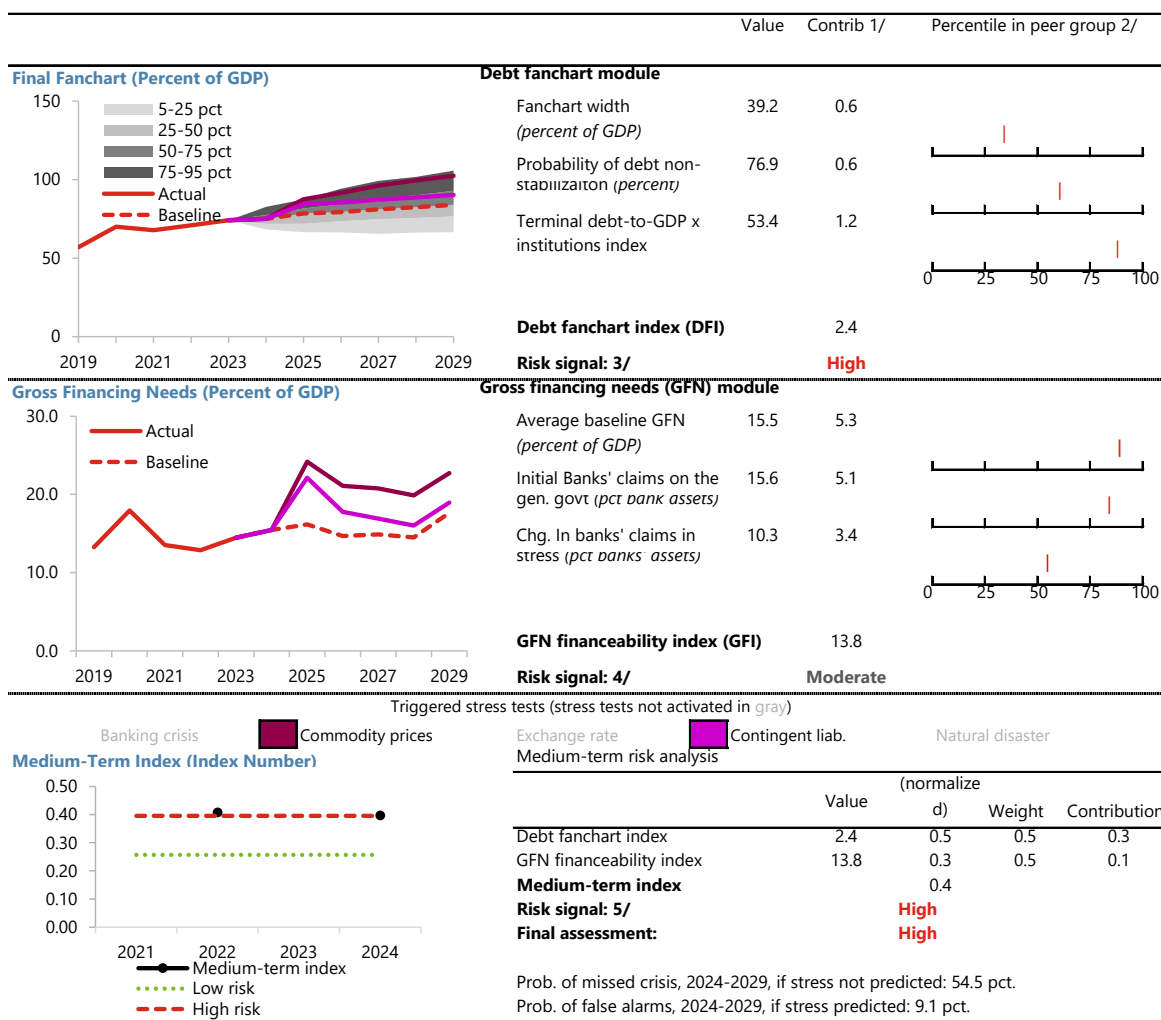


Commentary: The forecast track record is generally within bounds for optimism, except for exchange rate depreciation projections. Debt creating flows are compositionally different between the last and next 5 years, driven by the inclusion of data from the COVID-19 pandemic which biases GDP growth's contribution downwards. The three-year debt and CAPB adjustments are around the median of the distribution of comparator countries' experience. The effect of fiscal adjustment on growth is broadly within the bounds of standard multiplier assumptions.

Source : IMF Staff.  
 1/ Projections made in the October and April WEO vintage.  
 2/ Calculated as the percentile rank of the country's output gap revisions defined as the difference between real time/period ahead estimates.  
 3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.  
 4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.



Figure 6. South Africa: Medium-Term Risk Analysis



Commentary: The medium-term analysis suggests a high risk of sovereign stress over that time horizon. The main issue suggested by the analysis is the possibility of substantial increases in the public debt ratio under low-probability downside scenarios. The increase in gross financing needs under a stress scenario is moderate. The commodity price and contingent liability stress scenarios were triggered. The contingent liability (CL) stress scenario assumes a full materialization of total SOE debt guaranteed by the government, in 2025. The commodity price stress scenario assumes a 30 percent reduction in commodity prices. The materialization of these risks significantly increases both the fanchart and GFN financeability risks.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.