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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

THE INTERNATIONAL MONETARY FUND (IMF) ARTICLE IV STAFF REPORT ON SOUTH AFRICA FOLLOWING THE 2024 CONSULTATION

The International Monetary Fund (IMF) today published the outcome of its Article IV Consultation with South Africa, which was held from 11-25 November 2024. Part of the surveillance function, as prescribed in the IMF's Articles of Agreement, requires that the IMF has consultations with each member country to conduct economic and financial assessments.

The IMF staff held virtual meetings with the South African government, the South African Reserve Bank, Eskom, business, organised labour and academia. The outcome of their consultations is summarised in an Article IV Staff Report, which was considered by the IMF Executive Board on 27 January 2025.

IMF Findings

The IMF forecasts real GDP output growth to accelerate from an estimated 0.8 per cent in 2024 to 1.5 percent in 2025 on the back of improved electricity generation, monetary policy easing, and a return of investor and consumer confidence post elections. The IMF projects growth to reach 1.8 per cent by the end of the decade, supported by ongoing electricity and logistics reforms. Risks are tilted to the downside, related to a possible intensification of geoeconomic fragmentation and protectionist policies in the context of an uncertain global environment.

With fiscal deficits moderating but still elevated over the medium term, the IMF projects public debt to continue to rise under its baseline scenario, recommending a more-ambitious-than-envisaged fiscal consolidation.

The IMF expects inflation to stabilise around the midpoint of the central bank's target range. The IMF recommends that the central bank continues to manage the normalization of the policy rate toward the neutral level in a flexible and data-driven manner. The IMF argues that transitioning from a target band to a lower point target with a well-calibrated tolerance band at an appropriate time can help strengthen macroeconomic stability.
The IMF welcomes the ongoing banking-resolution and safety-net reforms, together with macro-prudential measures to bolster capital buffers.

The IMF welcomes ongoing electricity and logistics reforms aiming at alleviating critical supply constraints and calls for the ambitious implementation of these reforms. In addition, the Fund indicates that meeting South Africa's climate goals requires further efforts to increase effective carbon taxation and accelerate the rollout of renewable energy.

Government's response

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In general, the IMF's concerns are aligned with Government's response to addressing immediate and long-term economic challenges.

(a) NT's economic outlook

South Africa's economic growth prospects are poised to recover in 2025, following the lacklustre economic performance in 2023 and 2024, as household consumption gradually increases, supported by rising purchasing power, employment recovery and wealth gains. The National Treasury is estimating growth to increase from 1.1 per cent in 2024 to 1.7 per cent in 2025 in its 2024 Medium Term Budget Policy Statement (MTBPS). Risks to the domestic outlook are more balanced than at the time of the 2024 Budget Review.

(b) Fiscal policy

South Africa is committed to fiscal consolidation and to setting debt on a sustainable path. The fiscal year 2023/24 was a significant success, with the first primary surplus in 15 years being recorded in 2023/24. An overall main budget deficit of 4.7 per cent of GDP is expected for the current fiscal year. This is projected to decline to 4.3 per cent in 2025/26. Meanwhile, debt as a percentage of GDP is expected to stabilize in the 2025/26 financial year, with debt-service costs as a percentage of revenue also peaking at the same time.

(c) Structural reform implementation

The current focus of South Africa's reform agenda includes the stabilisation of the electricity grid, enhancing the efficacy of freight and ports operations, implementing e-Visas, as well as prioritizing the advancement of targeted industries to enhance the business climate and promoting equitable growth. Nearly 94 per cent of the reforms aimed for implementation by 2024 have been accomplished or are significantly progressing. Following its successful first phase, Operation Vulindlela, will be going into its second phase with new initiatives aimed at reversing local government decline, tackling spatial inequality and advancing a digital government to improve service delivery. These enhance the key focus areas of the first phase namely: reducing power cuts, improving the performance of the logistics system, lowering data costs, improving water supply and enabling the country to attract critical skills.

(d) Financial sector policies

The SARB performed its first stress test of South Africa's key insurance firms during the 2023/24 cycle, of which climate-related risks were prominent. Ongoing efforts to exit the FATF grey list during 2025 are well underway, with 16 out of 22 action items having been addressed.

Conclusion

The National Treasury is committed to implementing reforms that will enhance inclusive economic growth, achieve a sustainable public debt level, further repair and strengthen network industries, and strengthen state capacity to support economic activity. A copy of the full Staff Report can be retrieved

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from the International Monetary Fund website www.imf.org or the National Treasury website www.treasury.gov.za

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