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2023 BUDGET REVIEW

ECONOMIC OUTLOOK

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

In brief

- South Africa is expected to register better-than-expected GDP growth of 2.5 per cent in 2022, largely due to strong agriculture and services sector growth in the third quarter.
- GDP growth is expected to decline over the medium term, averaging 1.4 per cent, as a result of persistent power cuts, deteriorating rail and port infrastructure, and a weaker global outlook.
- Higher economic growth and a durable recovery in economic activity require a stable macroeconomic framework, complemented by rapid implementation of economic reforms and improved state capability.
- Government is taking urgent measures to reduce load-shedding in the short term and transform the sector through market reforms to achieve long-term energy security. Other reforms are under way to improve performance in the transport sector, in particular freight rail.

OVERVIEW

South Africa's economy grew by an estimated 2.5 per cent in 2022 – an upward revision from 1.9 per cent in the 2022 *Medium Term Budget Policy Statement* (MTBPS). However, the medium-term growth outlook has deteriorated. Real GDP growth is now projected to average 1.4 per cent from 2023 to 2025, compared with 1.6 per cent in the 2022 MTBPS.

Inadequate electricity supply remains the most immediate and significant constraint to production, investment and employment. This is compounded by disruptions to and underinvestment in freight and logistics networks, which erode competitiveness. Rising inflation has constrained household spending and raised the cost of living.

Global growth is expected to slow in 2023. Central banks are countering the effects of high inflation through increased interest rates and, while headline inflation seems to have peaked in many countries, it remains high. A number of global risks remain, implying the need for stronger domestic demand to support economic growth.

South Africa needs much higher growth to address unemployment and poverty. This requires continued commitment to a macroeconomic framework that encourages investment, accelerated progress on reforms under way, and improved state capability.

ENHANCING ECONOMIC GROWTH

The domestic economy experienced persistently weak fixed investment, high unemployment and low growth for most of the decade preceding the COVID-19 pandemic. Anaemic growth over this period was largely the result of longstanding structural weaknesses in the economy, including inefficiency in network industries (electricity, logistics, water and telecommunications), inadequate competition, poor educational outcomes and skills mismatches, and the perpetuation of apartheid spatial legacies. Combined with recent economic shocks, these structural problems undermine the country's growth potential and social fabric. Addressing these problems requires structural reforms, increased investment and measures to improve the economy's resilience.

Government continues to provide a stable macroeconomic policy framework, underpinned by a flexible exchange rate, inflation targeting and sustainable fiscal policy, to encourage investment. This framework mitigates the domestic impact of global shocks. Low and stable inflation safeguards purchasing power, particularly for low-income households that are most adversely affected by rising prices. Fiscal policy works to stabilise the public finances, reducing the economy-wide cost of borrowing and creating the fiscal space needed to respond to economic shocks when they occur.

In tandem with policy settings to encourage investment, accelerated implementation of structural reforms is needed to lift the rate at which the economy can grow. The most pressing reforms are required in electricity and freight rail, where inadequate capacity is a brake on economic activity. Numerous reforms in other sectors are under way through Operation Vulindlela and the economic recovery plan.

Update on the economic recovery plan

In the last year, government has made progress implementing its economic recovery plan:

- Government established the National Energy Crisis Committee (NECOM) to coordinate a response to the electricity crisis, bring an end to power cuts and accelerate new energy generation. The licensing requirement for embedded generation projects has been lifted and the pipeline has grown to over 100 projects with more than 9 000 megawatts (MW) of capacity.
- To create an enabling environment, the work visa system is being updated. A remote worker visa and a special dispensation for high-growth start-ups will be introduced. Amendments are being finalised to the Businesses Act (1991) to reduce regulatory constraints for small businesses.
- To promote industrial growth, eight masterplans are being implemented. The agriculture and agro-processing masterplan was signed in May 2022 and aims to grow output by R32 billion in the agriculture, forestry and fishing sector by 2030. The cultural and creative industries masterplan was approved by Cabinet in August 2022.
- The presidential employment initiative has created over 1 million short-term jobs over the past two years. The next cohort of 255 000 young people will take up posts as school assistants in over 22 000 schools from 1 February 2023.
- Rollout of critical infrastructure is under way in water and sanitation, energy and transport. Projects worth R134.2 billion are in procurement, R232.3 billion are in construction and R3.9 billion have been completed.

Tackling the electricity crisis

Eskom's generation fleet continues to perform poorly due to maintenance backlogs in old power stations and design flaws in new plants. The failure to address grid constraints and meet approval requirements, as well as increasing costs, have resulted in lower-than-expected capacity being procured from the Renewable Energy Independent Power Producer Procurement Programme as well as the Risk Mitigation Independent Power Producer Procurement Programme. Onerous regulatory requirements that delay private generation have exacerbated the crisis. The total hours of power cuts increased from 1 165 in 2021 to 3 782 in 2022.

Government is taking urgent measures to reduce load-shedding in the short term and transform the sector through market reforms to achieve long-term energy security. In the short term, NECOM aims to improve the availability of electricity and facilitate investment in generation capacity. If planned investments are implemented rapidly, 6 484 MW could be added to the grid over the next 24 months (Figure 2.1). Specific actions include:

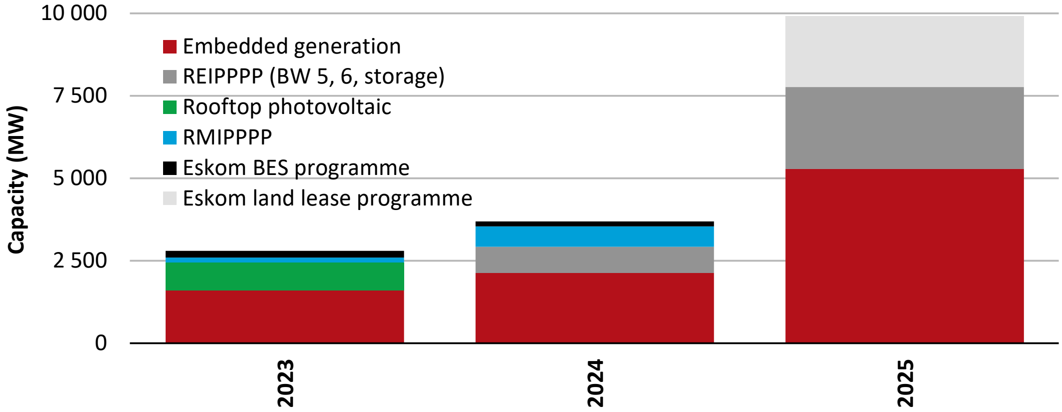
- Improving Eskom's plant performance, ensuring it procures power from existing independent power producers and importing power from neighbouring countries.
- Clearing regulatory obstacles by establishing a one-stop shop to bring electricity onto the grid more rapidly. This will be supported by the Energy Security Bill, which removes regulatory impediments for independent power producers.
- Supporting the rollout of rooftop solar for households with a tax incentive to encourage electricity generation and expanding the renewable energy tax incentive for business (see Chapter 4).
- Implementing a wheeling framework and grid capacity rules to provide certainty to private producers investing in energy projects.

Government's long-term objective is to restructure the electricity industry, while balancing energy security, efficiency and cost. Eskom is being unbundled into generation, transmission and distribution entities, with the establishment of the National Transmission Company of South Africa as a separate subsidiary through the amendment of the Electricity Regulation Act (2006).

Eskom debt relief

The 2023 Budget proposes to provide Eskom with debt relief amounting to R254 billion over the next three years. This arrangement, which is subject to strict conditions, will relieve extreme pressure on the utility's balance sheet, enabling it to undertake the necessary maintenance and investment. The operating conditions associated with the relief package support the broader restructuring of South Africa's electricity industry. Details are set out in Chapter 3 and online Annexure W3.

Figure 2.1 Additional projected capacity from renewable energy investment (2023–2025)

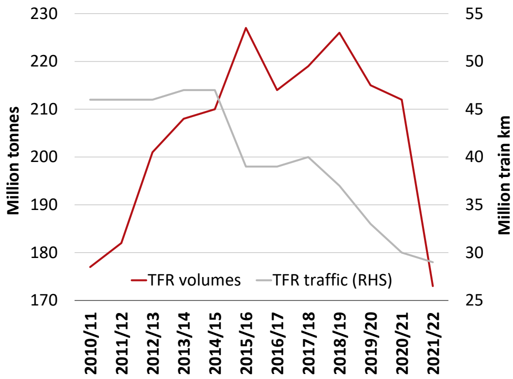


**REIPPPP: Renewable Energy Independent Power Producer Procurement Programme, RMIPPPP: Risk Mitigation Independent Power Producer Procurement Programme, BES: battery energy storage*
Source: Selected NECOM interventions, National Treasury calculations

Addressing transport and logistics constraints

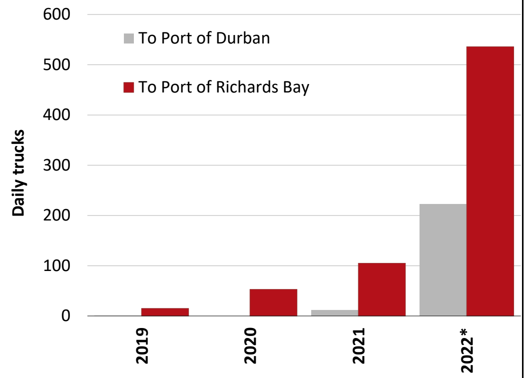
Constraints in logistics have negatively affected economic growth and employment. More than a quarter of long-distance freight traffic has shifted to roads in the past five years as a result of severe deterioration in the freight rail network. This is due in large part to historical underinvestment in the network.

Figure 2.2 Transnet freight rail volumes and train km



Source: Railway Safety Regulator; Jaap van der Merwe

Figure 2.3 Average daily coal trucks: Port of Durban and Richards Bay



**2022 includes data up until October*
Source: South African Freight Demand Model

Several reforms are under way to support recovery in the transport sector. The Economic Regulation of Transport Bill, which will establish the transport regulator, has been tabled in Parliament. Transnet is taking steps to improve operations in key corridors. Software upgrades, for example, will increase efficiency through better signalling. Additional interventions required include steps to prevent theft and vandalism; resolving legal challenges in relation to locomotive procurement; and granting third-party access to the rail network, which is now in the pilot phase. The operations and infrastructure management functions of Transnet Freight Rail are due to be separated by October 2023. This is intended to facilitate competition and improve pricing.

Strengthening state capability

The 2023 Budget targets improved investment planning by government, alongside significant increases in infrastructure expenditure (see Annexure D). It also makes allocations to strengthen the fight against crime and corruption. Support is provided to address the State Capture Commission recommendations, and to bolster anti-money-laundering and counter-terror-financing activities (see Chapter 5). These actions are critical to ensuring that limited public resources are not lost to criminality and graft, but are instead used to lay the foundations of a more resilient economy.

GLOBAL OUTLOOK

Global growth is expected to slow in 2023 to 2.9 per cent, with significant risks to the outlook tilted largely to the downside. Growth in some of the world's largest economies is set to slow in 2023, with Europe and the United States showing signs of weakening activity. Despite declining economic growth, labour markets in advanced economies remain fairly resilient. Manufacturing purchasing managers' indices in major advanced economies and some emerging market economies contracted in the second half of 2022. In particular, China's manufacturing activity was adversely affected by its zero-COVID policy and troubled real estate sector. The removal of China's zero-COVID policy in December 2022 will support a gradual rebound in economic activity this year.

Table 2.1 Economic growth in selected countries

Region/country	2021	2022	2023	2024
Percentage	Actual	Estimate	Forecast	
World	**6.2**	**3.4**	**2.9**	**3.1**
Advanced economies	**5.4**	**2.7**	**1.2**	**1.4**
United States	5.9	2.0	1.4	1.0
Euro area	5.3	3.5	0.7	1.6
United Kingdom	7.6	4.1	-0.6	0.9
Japan	2.1	1.4	1.8	0.9
Emerging and developing countries	**6.7**	**3.9**	**4.0**	**4.2**
Brazil	5.0	3.1	1.2	1.5
Russia	4.7	-2.2	0.3	2.1
India	8.7	6.8	6.1	6.8
China	8.4	3.0	5.2	4.5
Sub-Saharan Africa	**4.7**	**3.8**	**3.8**	**4.1**
Nigeria	3.6	3.0	3.2	2.9
South Africa[1]	4.9	2.5	0.9	1.5
World trade volumes	**10.4**	**5.4**	**2.4**	**3.4**

1. National Treasury forecast
Source: IMF World Economic Outlook, January 2023

Heightened geopolitical uncertainty from the war in Ukraine has resulted in persistent price increases. Indications are that headline inflation in both advanced and emerging market economies has peaked, although it is still elevated because food and energy prices remain high by historical standards. The International Monetary Fund projects that global consumer price inflation will fall from 8.8 per cent in 2022 to 6.6 per cent in 2023 before easing to 4.3 per cent in 2024. Global inflation averaged 3.6 per cent in the decade preceding the pandemic.

South Africa has benefited from a strong rebound in global economic activity and elevated commodity prices. However, the external support is expected to dissipate in 2023 with the slowdown in global demand and a broad-based easing of commodity prices (Figure 2.6). Coal prices have eased significantly but remain well above pre-pandemic levels. Near-term demand for coal and iron ore is expected to decline, while easing supply constraints in the automotive industry will support medium-term demand for platinum group metals. Meanwhile, the gold price reflects its "safe-haven" status as global uncertainties persist.

Figure 2.4 Global manufacturing PMIs*

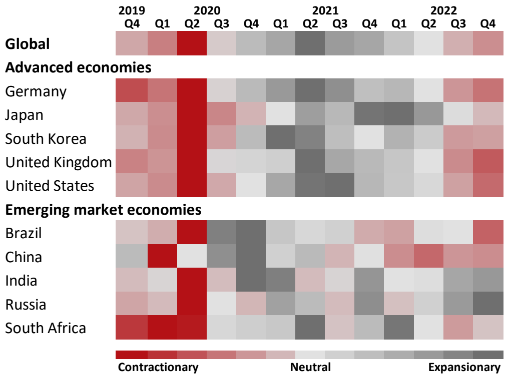


Figure 2.5 Selected inflation and monetary policy rates

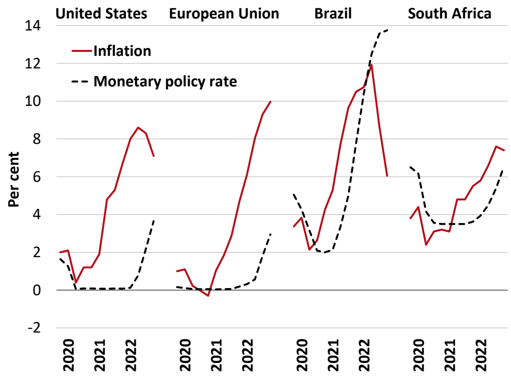


Figure 2.6 Selected global commodity prices

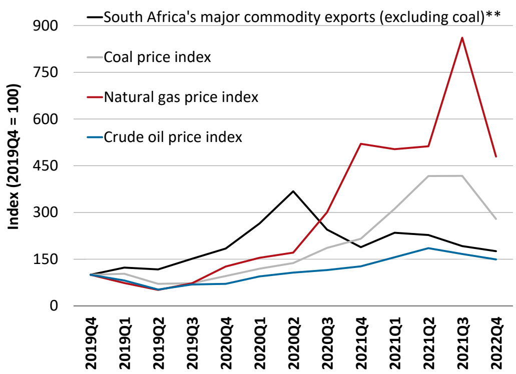
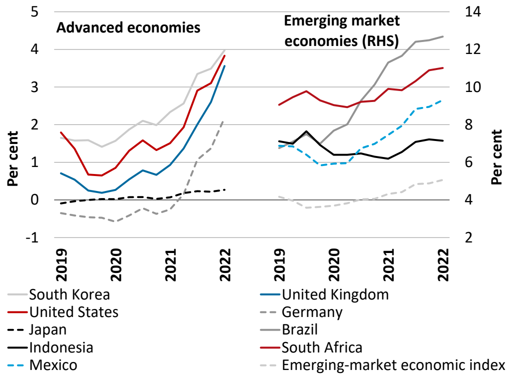


Figure 2.7 Selected 10-year bond yields



**Grey indicates expansionary and red indicates contractionary manufacturing activity*
***Trade weighted index includes gold, iron ore, platinum, palladium and rhodium*
Source: Bloomberg, IMF Primary Commodity Prices

The US dollar strengthened against major currencies for most of 2022. As the pace of monetary policy tightening in the United States moderates, this trend is expected to reverse, with a weaker dollar in 2023.

Higher interest rates and slowing global growth weighed on global equity markets and bond yields for most of 2022 before a late recovery in the fourth quarter, given signals of a slower pace of monetary policy tightening. Domestically, the South African 10-year bond yield has declined since the 2022 MTBPS in line with global trends and an improved fiscal position, despite persistent domestic structural constraints.

DOMESTIC OUTLOOK

The National Treasury forecasts real economic growth of 2.5 per cent in 2022 compared with 1.9 per cent projected in the 2022 MTBPS.

Real GDP outperformed expectations in the third quarter of 2022. However, weaker global support, frequent and prolonged power cuts, elevated inflation and higher borrowing costs will constrain growth in 2023.

Table 2.2 Macroeconomic performance and projections

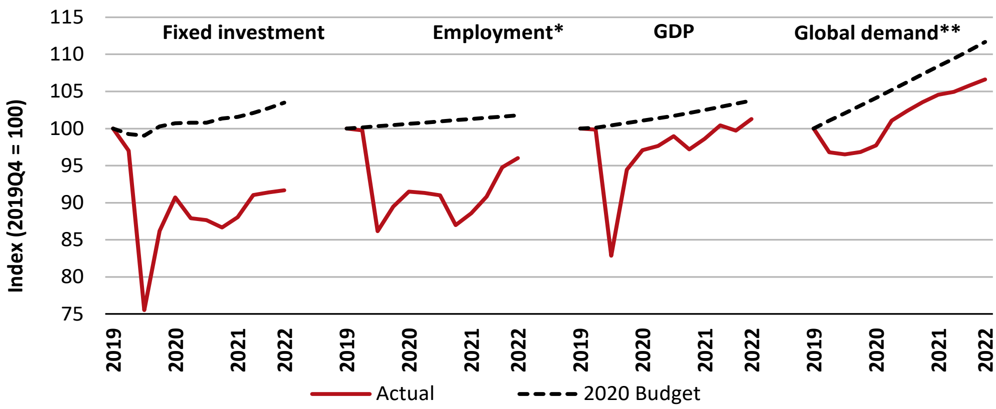
Percentage change	2019	2020	2021	2022	2023	2024	2025
	Actual			Estimate	Forecast		
Final household consumption	1.2	-5.9	5.6	2.8	1.0	1.5	1.8
Final government consumption	2.1	0.8	0.6	0.3	-2.2	0.4	0.0
Gross fixed-capital formation	-2.1	-14.6	0.2	4.2	1.3	3.8	3.5
Gross domestic expenditure	1.4	-8.0	4.8	3.8	0.9	1.5	1.8
Exports	-3.4	-11.9	10.0	8.8	1.0	2.2	2.9
Imports	0.4	-17.4	9.5	14.0	1.1	2.3	2.9
Real GDP growth	**0.3**	**-6.3**	**4.9**	**2.5**	**0.9**	**1.5**	**1.8**
GDP inflation	4.6	5.7	6.2	4.0	3.5	4.9	4.6
GDP at current prices (R billion)	**5 613.7**	**5 556.9**	**6 192.5**	**6 597.6**	**6 894.8**	**7 338.3**	**7 814.5**
CPI inflation	4.1	3.3	4.5	6.9	5.3	4.9	4.7
Current account balance (% of GDP)	-2.6	2.0	3.7	-0.4	-1.8	-2.0	-2.1

Sources: National Treasury, Reserve Bank and Statistics South Africa

GDP growth is projected to be 0.9 per cent in 2023 and to average 1.4 per cent through 2025. Disruptive power cuts are expected to continue for most of 2023 and energy constraints are likely to remain a drag on productive capacity for at least the next two years. The urgent implementation of energy reforms outlined in this chapter could materially improve growth over the medium term.

Although output has recovered, the persistent scarring impact of the pandemic on employment and investment decisions continues to weigh on the recovery (Figure 2.8).

Figure 2.8 Post-pandemic recovery in economic activity



**Employment projection based on trend projection from 2016 to 2019*
***Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, January 2020 & January 2023)*
Source: IMF, National Treasury and Statistics South Africa

Employment

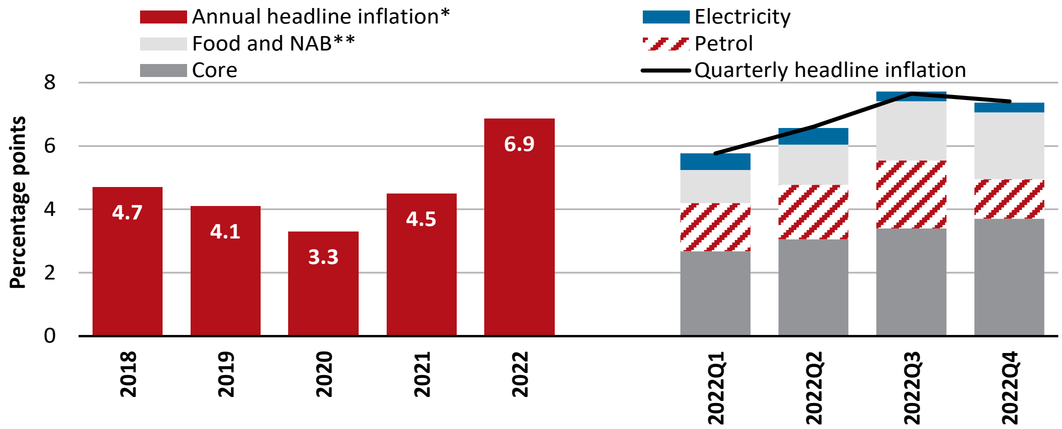
After losing 2.3 million jobs to the pandemic, the economy has regained 1.6 million jobs. There were 655 000 fewer people employed in the third quarter of 2022 than in the fourth quarter of 2019. After peaking at 34.9 per cent in the third quarter of 2021, the official unemployment rate declined marginally to 32.9 per cent in the third quarter of 2022. Among the 7.7 million people unemployed in the third quarter of 2022, about a quarter were individuals who lost their jobs and slightly less than half were new entrants into the labour force who could not find work. Nearly 60 per cent of the 7.7 million individuals were youth aged between 15 and 34.

The employment recovery remains subdued in the finance and business services, construction, transport and communications, and trade, catering and accommodation sectors. Although employment growth in the first three quarters of 2022 expanded by 4.6 per cent compared with the same period in 2021, the number of people employed is on par with the levels recorded in the first half of 2016. The pace of job creation is expected to moderate in 2023, before rising gradually over the medium term.

Inflation

Headline inflation peaked in the third quarter and averaged 6.9 per cent during 2022. Inflation is projected is estimated to ease to 5.3 per cent in 2023. Global crude oil and domestic food prices remain sources of inflationary pressure. Electricity prices have been revised up by 4.6 per cent over the medium term compared to the 2022 MTBPS and are projected to average 14 per cent from 2023 to 2025, following the regulator's approval of an 18.7 per cent tariff for Eskom in 2023/24. The gradual broadening of price pressures in the economy is evident in core inflation, which is expected to average 5.2 per cent in 2023 compared with 4.3 per cent in 2022. Headline inflation is expected to ease to 4.9 per cent in 2024 and 4.7 per cent in 2025 as core inflation moderates over the medium term.

Figure 2.9 Annual headline inflation and contributions to quarterly headline inflation



**Per cent change*
***NAB: non-alcoholic beverages*
Source: Statistics South Africa

Household consumption

Household consumption is estimated to have grown by 2.8 per cent in 2022, following an expansion of 5.6 per cent in 2021. After buoyant growth in the first half of the year, household consumption contracted in the third quarter of 2022, reflecting the impact of inflationary erosion of consumers' purchasing power. Credit extended to households has supported the recovery in consumer spending, but rising borrowing costs are likely to slow credit extension in the near term. Individuals without access to employment and income have received some support through the *COVID-19 social relief of distress grant*, which will continue until the end of 2023/24.

Household consumption is expected to average 1.4 per cent from 2023 to 2025. By the end of 2025, the moderation in inflation will improve the purchasing power of households, alongside the gradual recovery in employment.

Investment

Gross fixed-capital formation grew in the third quarter of 2022, led by the public sector. Total investment remains R59.9 billion below pre-pandemic levels – with private investment accounting for R50.7 billion of the shortfall.

Firms remain under strain given challenging domestic business conditions. Following an expansion of a mere 0.2 per cent in 2021, gross fixed-capital formation is estimated to have grown 4.2 per cent in 2022, mainly driven by private investment in machinery and equipment. Gross fixed-capital formation is estimated to slow to 1.3 per cent in 2023 as weaker global demand and tighter global financial conditions constrain foreign investment. The electricity crisis will weigh on investment decisions and reduce profitability through lost production and increased operating costs. Delays in the rollout of infrastructure through the independent power producer programmes will support investment later than anticipated at the time of 2022 MTBPS. However, as new energy comes online over the medium term, the energy constraint will ease, improving overall business sentiment and stimulating fixed investment.

Balance of payments

The current account surplus of 3.7 per cent of GDP recorded in 2021 is expected to reverse to a small deficit of 0.4 per cent of GDP in 2022, driven by slowing net trade gains. The trade surplus in the first three quarters of 2022 narrowed by more than half compared with the same period in 2021, as the value of imports outpaced that of exports. In the near term, weaker external demand, the easing of export commodity prices, and electricity and logistical constraints will limit export volume growth. A slowdown in domestic activity will constrain import volume growth in 2023, while demand for imports will gradually improve over the medium term. The current account deficit is expected to average 2 per cent of GDP from 2023 to 2025. In the near term, the financial account will be vulnerable to capital outflows from global monetary policy tightening and market volatility.

Macroeconomic assumptions

The forecast incorporates the assumptions outlined in Table 2.3. Global demand is expected to expand by 3.2 per cent in 2023. The export commodity price index is anticipated to decline further in 2023. After averaging 4.1 per cent in 2022, the sovereign risk premium is expected to ease to 3.8 per cent in 2023 and 3.6 per cent in 2024. This decline reflects a slower-than-anticipated pace of tightening in global monetary policy, South Africa's fiscal consolidation and progress in alleviating domestic structural constraints. Compared with the 2022 MTBPS forecast, food prices are revised higher in the near term.

Table 2.3 Assumptions informing the macroeconomic forecast

Percentage change	2020	2021	2022	2023	2024	2025
	Actual		Estimate	Forecast		
Global demand[1]	-3.4	6.2	3.2	3.2	3.4	3.5
International commodity prices[2]						
Oil	41.8	70.7	100.8	82.9	78.2	74.3
Gold	1 769.5	1 799.8	1 801.5	1 935.5	2 028.3	2 085.5
Platinum	883.2	1 090.8	961.0	1 050.8	1 072.7	1 099.1
Coal	65.2	125.2	271.1	149.6	141.2	133.8
Iron ore	108.1	158.2	120.7	118.3	112.3	108.4
Palladium	2 192.7	2 398.2	2 107.5	1 797.0	1 856.3	1 897.8
Food inflation	4.5	6.1	9.2	7.0	4.4	4.5
Sovereign risk premium	4.9	3.5	4.1	3.8	3.6	3.4
Public corporation investment	-22.7	10.7	10.4	5.0	8.1	6.5

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, January 2023)
2. Bloomberg futures prices as at 30 January 2023
Source: National Treasury

Economic scenarios

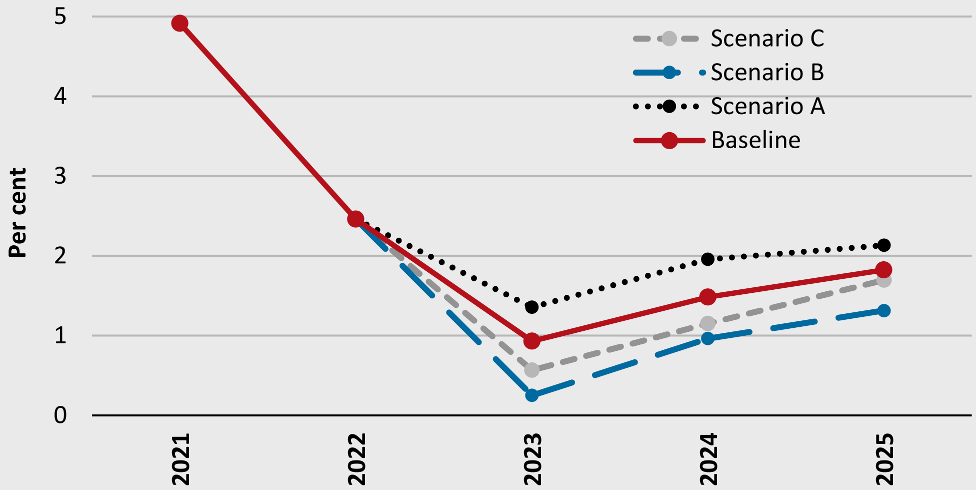
The National Treasury has modelled three scenarios against the baseline economic forecast.

The upside **Scenario A** assumes the full implementation of NECOM interventions to resolve the electricity crisis. These result in the elimination of load-shedding by the end of 2023 and support an additional R173 billion in medium-term investment. A stable electricity supply boosts business operations, supports export-intensive industries, stimulates consumer spending and raises the rate at which the economy can grow. In the upside energy scenario, growth averages 1.8 per cent from 2023 to 2025.

In the downside **Scenario B**, power cuts intensify in 2023 and 2024, with further delays in procuring new generation capacity. This deterioration erodes the economy's potential growth rate, especially in the short run. Real GDP growth slows to 0.2 per cent in 2023, only recovering to 1.3 per cent in 2025.

The downside **Scenario C** considers the impact of a sharper global slowdown in 2023 and a more tepid recovery in 2024, assuming several global risks discussed below materialise. Tighter financial conditions in emerging market and developing economies and heightened global risk aversion reduce demand for South African financial assets, while inflation remains elevated. Weaker global demand among South Africa's main trading partners lowers exports. GDP growth is estimated to slow to 0.6 per cent in 2023 before reaching 1.7 per cent by 2025. Growth is projected to average 1.1 per cent from 2023 to 2025.

Figure 2.10 GDP growth scenarios



Source: National Treasury

Risks to the domestic growth outlook

Risks to the global outlook remain elevated, and include:

- Weaker-than-expected global growth, including the effects of monetary policy tightening in major economies.
- Further disruptions to global supply chains, renewed inflationary pressures, and constrained food and energy supplies stemming from the war in Ukraine.
- A sustained period of lower growth and elevated borrowing costs, which poses a threat to highly indebted countries.

The domestic outlook faces a range of risks, led by continued power cuts and a deterioration in port and rail infrastructure. Slow implementation of structural reforms could lower business confidence and deter new investment. Widespread criminal activity poses a threat to economic growth and national security. A deterioration of the fiscal outlook due to unfunded spending pressures or the materialisation of contingent liabilities could increase borrowing costs, and crowd out both private and public investment.

SECTOR PERFORMANCE AND OUTLOOK

Agriculture

Gross value added in agriculture contracted by 4.9 per cent over the first three quarters of 2022 compared with the same period in 2021, mainly due to base effects after two years of strong growth. The sector faced higher input costs for fertiliser and fuel, market access constraints and heavy rains during 2022. Despite the contraction, the sector is still performing well, but the electricity crisis poses a risk to growth in the livestock, grains and horticulture subsectors. Although there is a risk of flooding in some areas, the sector is expected to register a strong performance in 2023.

Mining

Despite elevated commodity prices, mining sector gross value added contracted by 6.9 per cent in the first three quarters of 2022 compared with the same period in 2021. While sales values benefited from the favourable prices, production volumes of gold, platinum group metals and iron ore declined. Output was affected by operational challenges – including safety stoppages and logistics disruptions – along with power cuts, persistent freight rail constraints, and labour action. Growth will remain under pressure as a result of high input costs, persistent structural challenges and increased crime.

Manufacturing

Gross value added in the manufacturing sector was 0.2 per cent higher in the nine months to September 2022 compared with the same period in 2021. Manufacturing continues to operate below pre-pandemic levels. Weak global demand and supply chain constraints remain a challenge. Logistics disruptions, coupled with high cost pressures and intense load-shedding, are expected to weigh on the sector, particularly in the iron and steel, non-ferrous metals, chemicals, electrical equipment, wood and paper subsectors.

Construction

Gross value added fell by 4.7 per cent in the first three quarters of 2022 compared with the same period in 2021. Despite signs of recovery in the third quarter, the real value of the sector is still similar to that of 2007 and well below pre-pandemic levels. Weak investment, low confidence, unsustainable undercutting on tender prices and an increase in organised crime underpin the prolonged poor performance. The outlook for 2023 looks slightly more optimistic as public and private investment in capital infrastructure begins to materialise.

Utilities

Gross value added was 2.3 per cent lower in the first nine months of 2022 compared with the same period in 2021, reflecting continued deterioration in energy availability as power cuts reached record levels. Other constraining factors include rising tariffs, which are necessary for Eskom's financial sustainability but risk lowering demand, illegal connections, non-payment for services and ageing infrastructure.

Transport and communications

The sector grew by 8.9 per cent in the first nine months of 2022 compared with the same period in 2021. The expansion was supported by increased freight transportation, higher passenger traffic and continued demand for digital services. Initiatives to update and improve the usage of mobile telecommunications radio frequency spectrum should support the communications sector. The transport sector will remain under pressure until Transnet reforms begin to take effect.

Finance and business services

Finance, real estate and business services grew by 4 per cent in the first nine months of 2022 compared with the same period in 2021. The strong performance was largely driven by increased economic activity in financial intermediation, insurance, real estate and business services. This reflects, in part, an improvement in consumer creditworthiness in the wake of the pandemic lockdowns. A grey listing of South Africa by the Financial Action Task Force would have negative consequences for growth prospects in 2023.

CONCLUSION

Economic growth is expected to slow in 2023. Higher and sustained growth depends on rapid progress in implementing reforms and a capable state to provide public goods and services. In the near term, government is focused on addressing growth-limiting electricity and transport challenges.

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