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Economic outlook

In brief

- Since the 2019 *Medium Term Budget Policy Statement (MTBPS)*, economic growth has been revised lower, in part due to electricity supply shortages. Real GDP is expected to grow at 0.9 per cent in 2020.
- Global growth is expected to rise moderately over the forecast period, but considerable downside risks remain. The outlook for South Africa's key trading partners has weakened in recent months.
- Government has announced urgent reforms in the electricity sector to ensure adequate supply of power for businesses and households.
- Raising South Africa's economic growth rate requires structural reforms, including substantial changes in the network industries, to reduce costs and encourage investment across the economy.

Overview

More rapid and sustained economic growth is the central requirement to build a prosperous and equitable South Africa. This remains government's core policy objective. Higher growth would also reduce pressure on the public finances. Achieving this requires decisive steps to build confidence, promote investment and employment, reduce anti-competitive practices and eliminate regulatory blockages.

The economic outlook has weakened since the 2019 MTBPS, following lower-than-expected growth in the second half of the year. Real GDP is estimated to have grown by only 0.3 per cent in 2019, partly as a result of electricity supply failures. Weak growth translated into a record unemployment rate of 29.1 per cent in the second half of 2019. Economic growth projections have been revised down to 0.9 per cent in 2020, rising to just 1.6 per cent in 2022. Electricity shortages are expected to constrain the economy over the forecast period. Global growth is expected to rise moderately over the forecast period, but considerable downside risks remain. The outlook for South Africa's key trading partners has weakened in recent months.

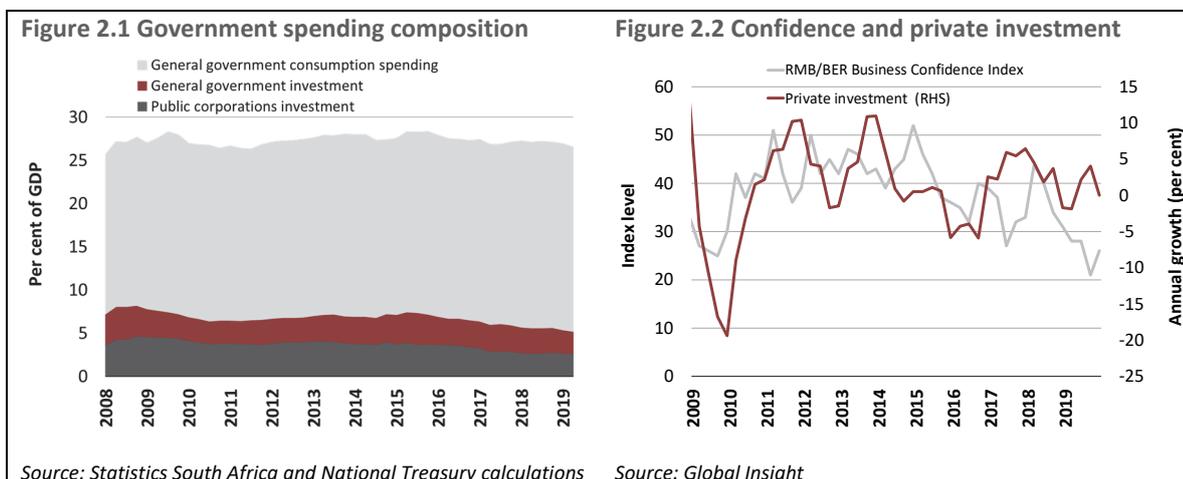
Decisions required that build confidence and boost investment to create jobs and raise growth

Private-sector skills and investment can expand electricity generation and improve ports' performance

To jump-start growth, South Africa requires stronger investment by, and partnerships with, the private sector. Recent network industry failures – in particular in electricity, but also in ports – have increased the cost of doing business. Yet these failures also offer opportunities to draw in private-sector skills and investment, reduce operating costs and build confidence.

The 2019 MTBPS noted that policy certainty and a conducive business environment are critical to support the confidence of business and households. South Africa’s monetary policy framework has provided certainty. Enhancing the state’s contribution to the economy requires greater spending efficiency and a shift in the composition of spending from consumption towards capital infrastructure. It also requires a clear vision for the role of state-owned companies within a robust framework for financial and operational management.

The macroeconomic framework needs to be complemented by a range of reforms that are within government’s control, many of which do not require significant funding. The overriding priority is to enact structural reforms that enable the economy to break from the spiral of low growth and deteriorating public finances.



Reforms to boost confidence and investment

The foundations for economic growth include prudent and credible fiscal and monetary policy, reliable electricity supply, a well-functioning financial system and respect for the rule of law. The speed at which an economy can grow will then be determined by factors affecting the costs of doing business, including the regulatory environment, support for innovation and competition, and the quality and cost of infrastructure.

Structural reforms needed that lower costs of living and of doing business

As highlighted in the 2019 MTBPS, government is focused on structural reforms to support competitiveness, investment and employment, by:

- Reducing costs for households and businesses by modernising and reforming network industries, restructuring inefficient state-owned companies and inviting private-sector participation.
- Increasing exports through evidence-based, export-orientated industrial policy, and supporting labour-intensive sectors such as agriculture and tourism.
- Promoting competition and supporting small business.

The economic impact of Eskom supply disruptions

Eskom, which has a near monopoly on South Africa's electricity supply, is taking a large toll on the economy.

Industry estimated that power cuts caused losses of about 0.1 per cent of GDP in the fourth quarter of 2019. However, without intervention, the impact of supply disruptions on growth will be greater in 2020. Power cuts – even scheduled ones – restrict production and investment, lower trade, increase the cost of doing business and put pressure on profits and employment. This in turn tends to reduce technology uptake and modernisation, particularly in small businesses. An uncertain and declining supply of electricity also contributes to low levels of confidence and investment, as well as lost capacity due to damage from power surges. The size of Eskom's balance sheet and its dominance in the energy sector affect the cost of borrowing for government, which in turn affects the cost of borrowing for the entire economy. Taken together, these factors structurally lower South Africa's competitiveness, employment and exports.

Initial steps to expand electricity supply

Facilitating faster private-sector involvement in the power sector will catalyse confidence and growth more broadly. The President announced a set of urgent reforms to address the Eskom crisis in his February 2020 State of the Nation Address. To facilitate large-scale additional power production, the Department of Mineral Resources and Energy is assessing information to procure 2 000 to 3 000 megawatts of power through its risk mitigation programme. This power will be connected to the national grid within three to 12 months from approval. Efforts are under way to acquire additional electricity from existing independent power producers (IPPs). Government has committed to open bid window 5 and make it possible for municipalities in good financial standing to buy electricity from IPPs.

Efforts are under way to acquire additional electricity from existing IPPs

These efforts will be supported by operational changes announced by the new Eskom CEO, which include separating the utility into three divisions, resuming scheduled maintenance practices, fixing defects at Medupi and Kusile, and buying energy from entities with excess supply. Eskom will also reinstate its demand management strategy, with a clear schedule that allows users to mitigate the most disruptive effects of unplanned outages. Awareness campaigns will help to reduce pressure on the national grid.

A commitment to minimum response times by the National Energy Regulator of South Africa would be supported by introducing simpler, standardised and more transparent licensing requirements for connecting to the grid. This in turn would support the emergence of smaller electricity providers.

Simpler and more transparent licensing arrangements needed from energy regulator

Clearing blockages in transport, logistics and communications

In other network industries, work continues to expand access, draw in private investment and reduce the costs of doing business. These include:

- Rail transport reforms – In November 2019, Cabinet approved the Economic Regulation of Transport Bill for submission to Parliament. The bill – which consolidates economic regulations for the aviation, marine, rail and road transport sectors – will improve third-party access to rail.
- Spectrum licensing – The broadband spectrum licensing plan was released in November 2019. Government is acting to make additional spectrum available from analogue television users.

Swift regulatory action to clear backlogs and modernise ports

Commercial ports' efficiency has declined sharply over the past year. This is the combined result of poor management, inadequate maintenance and resulting equipment failures, and industrial action at container terminals. Delays in modernising ports and digitising operations have compounded these problems. Backlogs for those importing and exporting container cargo have increased sharply, raising costs and damaging export competitiveness.

South Africa needs a modern and efficient ports system to reduce the costs of living and of doing business, and to maintain its position as one of Africa's main trading hubs.

Swift and decisive regulatory action is needed. The corporatisation of the National Ports Authority, provided for in the National Ports Act (2005), should be accelerated. The authority, which regulates ports operators and undertakes infrastructure investment, currently operates as a division of Transnet. Corporatising the authority should allow for better regulation of all port operators, including Transnet Port Terminals. It would also support greater reinvestment of operating profits back into ports, free from Transnet group considerations.

Supporting competition, trade and policy certainty

Actions to boost investment, trade and policy certainty include:

- Reforms to benefit small business – The Companies and Intellectual Property Commission website now includes a single platform for company registration, including registering with social security funds and the South African Revenue Service. In addition, the Competition Commission made rulings in December 2019 that imply a decrease in data costs.
- Investment promotion – In support of the President's initiative, R664 billion of investment commitments have been made. South Africa's foreign-exchange control system will be modernised over the next year to support investment and the country's position as a hub on the continent, as outlined in Annexure E. The Upstream Petroleum Development Bill, which will guide oil and gas exploration and production, was released for public comment in December 2019.
- Industrial policy – Government and industry continue to work on master plans to raise growth and exports in 15 key sectors.

A just transition: Avoiding short-term policy responses that harm long-term growth

South Africa's low growth levels and high unemployment reinforce the desire to protect existing industries and jobs. All governments consider a range of trade-offs in such matters. However, policy decisions should not lock the economy into production patterns that will limit long-term growth.

To achieve higher living standards, South Africa needs to adjust to global market demand. Climate change is starting to shape the manner in which the largest markets regulate imported and domestic products. Support for industries with high carbon emissions is likely to threaten long-term export demand and growth, and could lock South Africa into a position of a low-value exporter.

Climate challenges also represent opportunities to generate new economic activity. Jobs and investment can be created by drawing on private-sector skills and capital, while demand for carbon-intensive products can be managed with incentives and penalties. Industrial policy should support businesses that can respond to these challenges – including producing new food technologies, electric cars, renewable-energy equipment, or energy- and water-saving devices. Targeted social interventions, including re-skilling and financial support, should be directed to workers in sunset industries, rather than providing support to affected companies.

Future-focused policy that takes cognisance of climate change would support efforts to raise youth employment, as announced in the State of the Nation Address, in sectors such as business-process outsourcing, tourism and technology.

Maximising the long-term growth impact of the fiscal framework

Government is exploring ways to maximise the long-term growth impact of the fiscal framework. This includes:

- Improving the composition of spending, by rebalancing spending towards capital expenditure rather than compensation.

- Initiating a review of departmental spending to maximise the impact of existing programmes.
- Reforming procurement regulations to remove unnecessary complexity that delays infrastructure spending and discourages small firms from doing business with government.
- Reviewing tax incentives and other non-cash disbursements, with the aim of repealing redundant, inefficient or inequitable incentives.

Global outlook

In 2020, the global economy is expected to recover moderately from its recent slowdown, supported by low interest rates and reduced trade tensions between the United States (US) and China. Although improved growth in developing countries is expected to support the recovery over the long term, the aggregate growth forecast for South Africa's main trading partners has been revised down over the next three years.

Moderate improvement in global economic growth outlook, but forecast for main trading partners is down

Table 2.1 Economic growth in selected countries

Region/country	2010-2018	2019	2020	2021	2022-2024 ²
Percentage	Post-crisis	GDP forecast			
World	3.8	2.9	3.3	3.4	3.6
Advanced economies	2.0	1.7	1.6	1.6	1.6
United States	2.3	2.3	2.0	1.7	1.6
Euro area	1.4	1.2	1.3	1.4	1.4
United Kingdom	1.9	1.3	1.4	1.5	1.5
Japan	1.4	1.0	0.7	0.5	0.5
Developing countries	5.2	3.7	4.4	4.6	4.8
Brazil	1.4	1.2	2.2	2.3	2.3
Russia	2.0	1.1	1.9	2.0	1.9
India	7.4	4.8	5.8	6.5	7.4
China	7.8	6.1	6.0	5.8	5.6
Sub-Saharan Africa	4.2	3.3	3.5	3.5	4.1
South Africa ¹	1.8	0.3	0.9	1.3	1.6

1. National Treasury forecast. Note: final numbers are for 2022, not an average

2. Average based on IMF World Economic Outlook database, October 2019

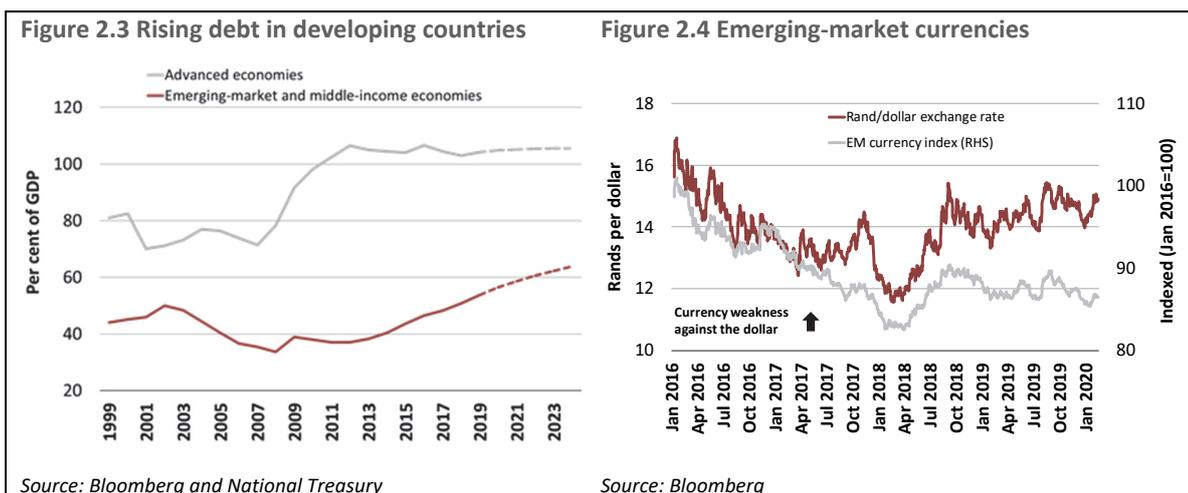
Source: IMF World Economic Outlook, January 2020 and IMF World Economic Outlook database

Over the medium term, global growth is expected to average 3.4 per cent, below average growth of 3.8 per cent between 2010 and 2018. Inflation is expected to remain subdued, with advanced-economy inflation rising from a forecast 1.4 per cent in 2019 to 1.9 per cent in 2021, and developing-economy inflation declining from 5.1 to 4.5 per cent over the same period.

In 2019, global trade slowed, growing by just 1 per cent, in response to rising trade policy uncertainty and tariffs. Trade growth is expected to rise to 2.9 per cent in 2020 and 3.7 per cent in 2021 as trade relations normalise, although serious risks remain to global supply chains. Trading under the African Continental Free Trade Agreement is due to begin on 1 July 2020, marking an important offset to increased protectionism.

African Continental Free Trade Agreement, which will boost intra-African trade, to take effect on 1 July 2020

Low interest rates, particularly in Europe, have supported asset prices in financial markets. Since September 2019, bond yields in advanced economies have started to rise gradually, but remain below 2018 levels. As a result, the impact on developing economies has been muted.



In 2019, developing-country risk premiums and bond yields continued to fall. In aggregate, developing-country currencies remained largely stable against the US dollar. Countries with high levels of debt and policy uncertainty, such as South Africa, faced considerably more volatility. On average in 2019, the rand's nominal exchange value fell 5.4 per cent in trade-weighted terms and 1.9 per cent in real terms.

Global trade tensions remain a risk to growth

Near-term global risks have moderated since the 2019 MTBPS, but the risk of lower growth remains elevated due to trade tensions, in particular between the US and its major trading partners.

Debt levels in developing countries have risen sharply since the global financial crisis, and are projected to grow. Debt levels in advanced economies also remain elevated. High levels of government debt will limit fiscal and monetary policy responses to economic shocks.

Domestic outlook

Real GDP growth slowed from 0.8 per cent in 2018 to a projected 0.3 per cent in 2019. The National Treasury forecasts economic growth of 0.9 per cent in 2020, 1.3 per cent in 2021 and 1.6 per cent in 2022.

Table 2.2 Macroeconomic performance and projections

	2016	2017	2018	2019	2020	2021	2022
Percentage change	Actual			Estimate	Forecast		
Final household consumption	0.6	2.1	1.8	1.1	1.1	1.3	1.6
Final government consumption	2.2	0.2	1.9	2.0	1.6	-0.6	1.2
Gross fixed-capital formation	-3.5	1.0	-1.4	-0.4	0.2	1.3	1.9
Gross domestic expenditure	-0.9	1.9	1.0	1.0	0.7	1.3	1.6
Exports	0.4	-0.7	2.6	-2.1	2.3	2.6	2.8
Imports	-3.9	1.0	3.3	0.2	1.8	2.5	2.8
Real GDP growth	0.4	1.4	0.8	0.3	0.9	1.3	1.6
GDP inflation	7.2	5.3	3.9	4.0	4.5	4.5	4.6
GDP at current prices (R billion)	4 359.1	4 653.6	4 873.9	5 086.4	5 359.3	5 676.4	6 035.1
CPI inflation	6.3	5.3	4.7	4.1	4.5	4.6	4.6
Current account balance (% of GDP)	-2.9	-2.5	-3.5	-3.4	-3.4	-3.5	-3.7

Sources: National Treasury, Reserve Bank and Statistics South Africa

Downward revisions to domestic and global demand mean that average growth is projected at 1.3 per cent over the next three years, well below the 1.8 per cent average from 2010 to 2018. With the population growing at 1.4 per cent over the next three years, per capita GDP is set to decline.

Per capita GDP set to decline over next several years

Serious risks to the forecast include further deterioration in the financial condition of state-owned companies, with attendant demands on the fiscus; unreliable power supply; and policy inertia and slow implementation of structural reforms.

Macroeconomic assumptions

The assumptions outlined below are incorporated in the forecast. Since the 2019 MTBPS, metals prices have been revised higher across the forecast period, while energy prices have been revised slightly lower, other than for 2020. Food inflation has been revised lower given continued subdued price pressures globally and locally.

Public-sector investment in 2019 was lower than forecast, creating base effects that have resulted in a rise in 2020 growth. Deterioration in the public finances and state-owned company balance sheets will constrain growth over the forecast period. South Africa's sovereign risk premium is now assumed to remain elevated in 2020 and 2021.

Assumptions used in the economic forecast

Percentage change	2017	2018	2019	2020	2021	2022
	Actual	Actual	Estimate	Forecast		
Global demand ¹	4.8	4.4	3.4	4.1	4.1	4.0
International commodity prices ²						
Brent crude oil (US\$ per barrel)	54.8	71.0	64.1	59.4	56.1	55.1
Gold (US\$ per ounce)	1 257.7	1 269.3	1 392.8	1 571.6	1 599.3	1 618.6
Platinum (US\$ per ounce)	950.4	880.7	863.7	990.0	1 012.6	1 037.0
Coal (US\$ per ton)	84.1	103.7	80.0	73.4	70.9	71.8
Iron ore (US\$ per ton)	71.2	67.0	91.6	83.5	73.5	67.2
Food inflation	6.9	3.6	3.4	4.2	4.1	4.5
Sovereign risk premium ³ (percentage point)	2.7	3.1	3.2	3.4	3.1	3.0
Real public corporation investment	-11.7	-12.5	-2.3	1.7	1.3	2.1

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, January 2020)

2. Bloomberg futures prices at 5 February 2020

3. The JP Morgan EMBI South African Global Spread is used as an estimate of the risk premium.

It is calculated as the difference between the yield on the US dollar-denominated South African debt, and an interpolated US Treasury curve

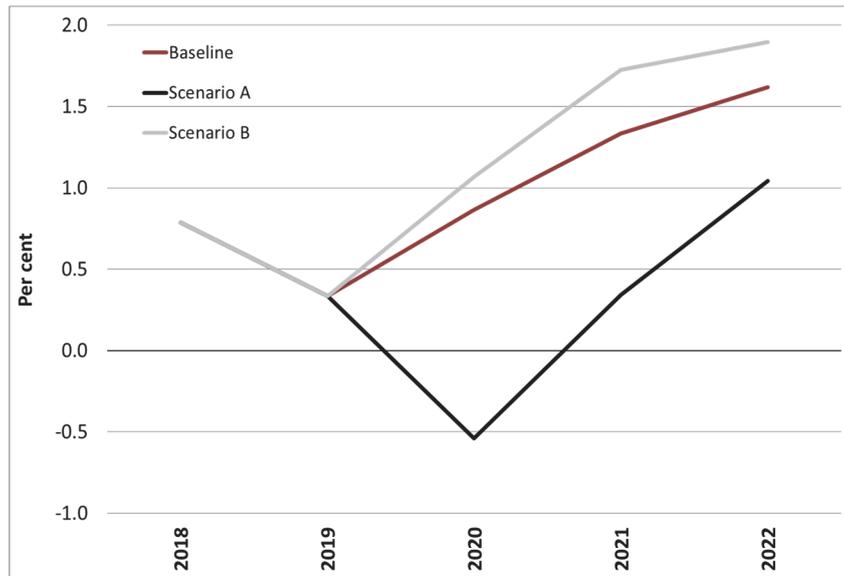
Source: National Treasury, Bloomberg, Statistics South Africa

Scenarios

The National Treasury has modelled two economic growth scenarios.

- In scenario A, mounting distress at state-owned companies erodes the fiscal position further, raising borrowing costs and reducing confidence and investment. This is coupled with worsening global growth due to deteriorating international trade relations and less favourable bilateral trade conditions.
- In scenario B, reforms outlined in the discussion document *Economic Transformation, Inclusive Growth, and Competitiveness: Towards an Economic Strategy for South Africa* are implemented at a moderate pace and help to raise growth. However, weak levels of confidence and continued load-shedding reduce the impact of these reforms. Faster implementation of electricity-sector reforms could result in even higher growth.

Figure 2.5 GDP growth scenarios



Source: National Treasury

Forecast trends

Six of 10 production sectors contracted in the third quarter of 2019

Real GDP growth declined by 0.6 per cent in the third quarter of 2019, with six of the 10 production sectors contracting sharply. Drought, subdued global and domestic demand, high production costs and unreliable power supply contributed to the decline.

Annual electricity sector production declined by 1.4 per cent in 2019. Eskom’s energy availability factor, which measures the ratio of available power to the maximum amount that could be produced on a scale of 100, fell from an average of 71.8 in 2018 to 67 in 2019 – and below 60 in December 2019. A range of factors contributed to the decline, including operational failures at Medupi and Kusile, unreliable coal and diesel supply, and weather-related problems.

Scheduled power cuts are expected to persist over the next 12 to 18 months as Eskom conducts urgent maintenance.

Figure 2.6 Growth by expenditure, 2019*

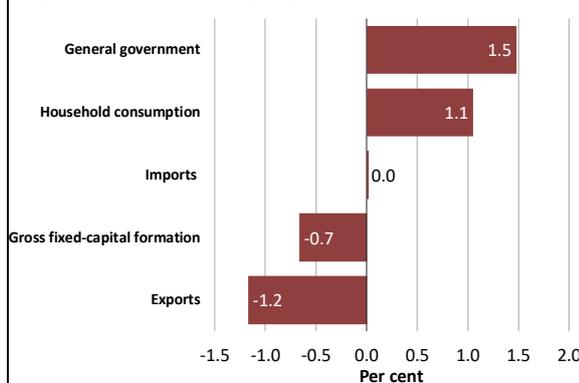
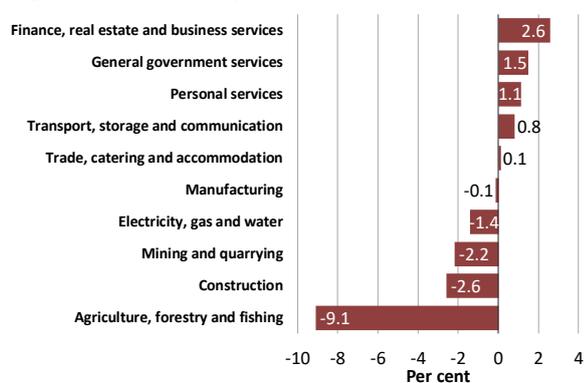


Figure 2.7 Growth by sector, 2019*



*First three quarters of 2019

Source: Reserve Bank and National Treasury

Consumption

Household consumption growth averaged 1.1 per cent in the first nine months of 2019, down from 2.1 per cent in the same period of 2018. This was a result of weaker employment, low growth in disposable income, fragile consumer confidence and high administered prices. The consumer confidence index remained at -7 index points in the second half of 2019, its lowest level since late 2017. Real disposable income growth decelerated sharply in the third quarter to 0.1 per cent as nominal compensation growth slowed in line with moderating inflation.

Household consumption growth averaged 1.1 per cent in first nine months of 2019

Annual growth in credit extended to households, which averaged 6.4 per cent in 2019 compared to 4.6 per cent in 2018, continued to support consumption. Reductions in the prime lending rate have not been fully matched by declining debt-service costs. This is likely driven by debt growth outpacing growth in disposable income, and by rapid growth in costly unsecured credit (10.2 per cent), compared with growth in secured credit (5.3 per cent).

Credit supporting household consumption as income growth remains low

Over the next three years, household consumption is expected to recover gradually. A sustained increase in consumption requires faster growth in economic activity, employment and net wealth, and a reduction in household debt.

Employment

Job creation and wage growth are not easily achievable in the context of low economic growth. In 2019, formal non-agricultural employment fell 0.7 per cent, bringing total employment to 11.3 million people. Annual private-sector wage growth per worker was just 2.4 per cent in the first nine months of 2019, compared with public-sector wage growth of 7.2 per cent. Total wage growth has outpaced profit growth since 2008.

Just 11.3 million people had formal, non-agricultural jobs in 2019

Investment

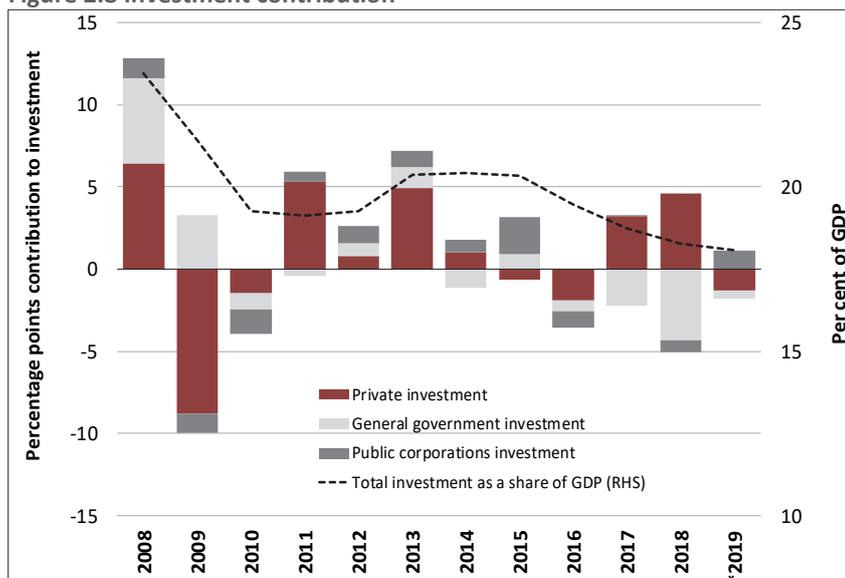
Investment contracted by 0.7 per cent in the first nine months of 2019, due to slowing private-sector investment growth and continued contractions in public investment. Weak balance sheets have contributed to pervasive capital underspending, and the winding down of construction activity at Medupi and Kusile has also reduced investment. Growth in private-sector capital spending is expected to have declined from 2.1 per cent in 2018 to 1.7 per cent in 2019.

Renewable energy projects and need to replenish capital stock expected to support private-sector investment

Private-sector investment, which is expected to average 12.6 per cent of GDP in 2019, is forecast to recover moderately, reaching 12.8 per cent of GDP in 2022. This pattern will be supported by improved global growth, the need to replace capital stock and an uptick in confidence over the forecast period. Large investment projects, such as the renewable energy bid window 4 projects, provide further support.

Although investment in state-owned companies is expected to remain constrained, initiatives such as the Infrastructure Fund are expected to crowd in private and public investment towards the end of the forecast period.

Figure 2.8 Investment contribution



*Year to date

Source: Statistics South Africa and National Treasury

Balance of payments

The current account deficit averaged 3.6 per cent of GDP in the first three quarters of 2019, as rising export prices offset the impact of declining export volumes. Net trade subtracted 0.3 percentage points from growth over the period, as exports contracted due to unreliable electricity supply and weak business conditions, while import growth slowed alongside domestic activity.

*Current account deficit
forecast to average
3.5 per cent of GDP*

The current account deficit is expected to average 3.5 per cent of GDP over the forecast period. Over the next three years, imports and exports are expected to grow gradually, in line with investment and consumption trends.

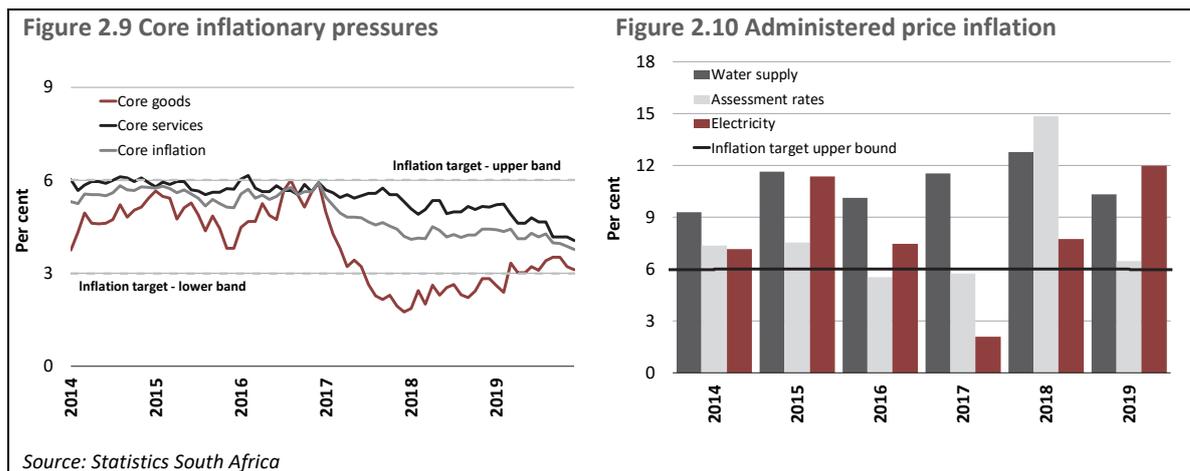
Portfolio inflows are expected to fund the majority of the current account deficit over the medium term, although the President's investment drive should help to raise direct investment. To some extent, low interest rates in the US and Europe are expected to encourage savers in these countries to invest in South Africa, which offers comparatively higher interest rates.

Inflation

*Low domestic inflation
reinforced by weak demand
and low global inflation*

Weak domestic demand continues to limit firms' ability to pass higher prices on to consumers – a trend reinforced by low global inflation. Consumer price index (CPI) inflation and core inflation averaged 4.1 per cent in 2019. CPI inflation is expected to rise to 4.5 per cent in 2020, mainly due to rising meat and electricity prices, and is forecast to remain about 4.6 per cent over the medium term. Inflation expectations remain well-anchored.

There is a risk that higher administered prices and exchange-rate depreciation could put upward pressure on inflation. Downward pressure could emanate from weaker-than-expected global inflation and continued pressure on retailer margins.



Sector performance

Mining

Mining production contracted by 2.2 per cent in the first three quarters of 2019 compared with the same period a year earlier. Strikes, electricity shortages and weaker Chinese and Indian growth mean the sector is likely to contract for a second consecutive year. Production is likely to remain constrained over the medium term amid low confidence, insufficient demand, difficulties securing water for operations and electricity supply cuts.

Strikes, electricity shortages and lower Chinese demand may result in mining contraction

Agriculture

Agricultural production is expected to contract for the second consecutive year in 2019 as a result of drought conditions and outbreaks of foot-and-mouth disease. Production fell by 9.1 per cent in the first three quarters of 2019 compared with the same period in 2018. Weather conditions in late 2019 suggest higher crop output in 2020, although non-tariff barriers and policy uncertainty remain challenges over the medium term.

Agricultural production expected to contract again in 2019 due to drought and disease

Manufacturing

Manufacturing production contracted by 0.1 per cent in the first three quarters of 2019 compared with the same period in 2018. Food and beverages, and vehicles were the only components to raise output. Manufacturing exports grew by 6.8 per cent over the same period. Manufacturing performance is likely to remain subdued over the next few years as high operating costs and electricity shortages weigh on demand.

Financial and business services

Over the first three quarters of 2019, real value added in financial and business services grew by 2.6 per cent relative to the same period in 2018, in line with its long-term average. However, this sector has been losing momentum as activity continues to slow across the economy.

Financial and business services still growing, but losing momentum

Construction

Real value added in construction contracted 2.6 per cent in the first three quarters of 2019. Moderate government spending and weak economic conditions will continue to act as a drag on construction activity, although

the Infrastructure Fund project pipeline, which is valued at over R700 billion, should support activity over the longer term.

Transport and telecommunications

Spectrum allocation expected to benefit transport and telecommunications

In the first three quarters of 2019, real value added in the transport and telecommunications sector increased by 0.8 per cent compared to the same period in 2018. Over the next few years, the sector is expected to grow more quickly due to the expansion of spectrum allocation, although load-shedding may negatively affect existing infrastructure.

Table 2.3 Sector performance

Percentage change	2014	2015	2016	2017	2018	2019¹
Agriculture, forestry and fishing	6.8	-5.9	-10.1	21.1	-4.8	-9.1
Mining and quarrying	-1.7	3.3	-3.9	4.2	-1.7	-2.2
Manufacturing	0.3	-0.4	0.8	-0.2	1.0	-0.1
Electricity, gas and water	-1.0	-1.9	-2.1	0.6	0.9	-1.4
Construction	3.5	1.8	1.2	0.6	-1.2	-2.6
Trade, catering and accommodation	1.4	2.1	1.7	-0.3	-0.6	0.1
Transport, storage and communication	3.5	1.4	1.1	1.4	1.6	0.8
Finance, real estate and business services	2.7	2.1	1.9	2.1	1.8	2.6
General government services	3.2	0.8	0.6	0.3	1.3	1.5
Personal services	1.8	0.9	1.8	1.3	1.0	1.1
Gross domestic product	1.8	1.2	0.4	1.4	0.8	0.3

1. First three quarters

Source: Statistics South Africa

Conclusion

Low levels of economic growth are forecast over the medium term. Efforts to reform the electricity sector and draw in private investment, alongside reforms in other network industries, should improve the growth outlook.