

IMF Executive Board Concludes 2024 Article IV Consultation with South Africa

January 30, 2025

Washington, DC: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation^[1] (file:///data4/users6/Rabner/My%20Documents/South%20Africa%20-%202024%20-%20Article%20IV%20Consultation%20-%20Press%20Release%20-%20Bundle.docx#_ftn1) with South Africa.

South Africa's economy has continued to face challenges in recent years. Power shortages and disruptions to rail and port operations constrained growth to 0.7 percent in 2023. Activity remained subdued in 2024, given election-related uncertainty in the first half of the year and severe droughts. Nonetheless, power generation was stabilized and, following the formation of a reform-oriented Government of National Unity in June, consumer, business, and investor confidence rebounded. Inflation moderated from 5.9 percent in 2023 to an estimated

4.5 percent in 2024, with the central bank cutting interest rates by 50 basis points in 2024. While still high, unemployment declined to an estimated 32.8 percent in 2024. Government deficits remained elevated, pushing public debt to above 75 percent of GDP by end-2024.

Looking ahead, real GDP growth is projected to accelerate to 1.5 percent in 2025, driven by recovering private consumption and investment supported by stable electricity generation. Over the medium term, annual growth is expected to reach 1.8 percent, as investment improves gradually on the back of ongoing reform efforts to address electricity and logistics bottlenecks. Inflation is projected to average 4 percent in 2025 and stabilize at the midpoint of the SARB's target range (4.5 percent) in the medium run. With fiscal deficits projected to stay elevated over the medium term, public debt is expected to continue to rise.

The outlook remains marked by high uncertainty, with the balance of risks tilted to the downside. Key downside external risks relate to a further deepening of geoeconomic fragmentation and intensification of protectionist policies, an escalation of ongoing conflicts, a deeper slowdown in main trading partners, or slower global disinflation and tightening financial conditions. Domestically, resistance to and delays in the implementation of needed reforms could add to downside risks. On the upside, faster and more ambitious reform implementation by the new government, or stronger global growth, could boost confidence and growth.

Executive Board Assessment^[2] (file:///data4/users6/Rabner/My%20Documents/South%20Africa%20-%202024%20-%20Article%20IV%20Consultation%20-%20Press%20Release%20-%20Bundle.docx#_ftn2)

"Directors agreed with the thrust of the staff appraisal. They welcomed South Africa's new Government of National Unity and its commitment to reforms aimed at addressing long-standing challenges. While there are signs of recovery, economic activity remains subdued amid heightened global uncertainty and long-standing structural impediments. Against this background, Directors emphasized the importance of prudent macroeconomic policies complemented by ambitious structural reforms to support macroeconomic stability and place the economy on a path toward higher, more inclusive, and greener growth.

"Directors welcomed the authorities' commitment to fiscal prudence, including plans to reduce the fiscal deficit and stabilize debt. Given increased risks, most Directors called for more ambitious fiscal consolidation efforts to lower debt to more prudent levels and rebuild fiscal buffers, although a few felt that the authorities' preferred approach may be more appropriate given political economy considerations. Directors considered that an evenly paced fiscal consolidation focused on cutting inefficient spending while

protecting priority social and infrastructure spending, and continuing to strengthen tax administration, can support debt sustainability while minimizing the negative impact on the economy. Most Directors agreed that introducing a prudent debt anchor supported by a fiscal rule could help underpin the adjustment and bolster credibility, although a few Directors felt that a debt ceiling could constrain flexibility. Enhancing fiscal transparency and risk management can further support the resilience of public finances.

“Directors commended the South African Reserve Bank’s effective monetary management, which supported a decline in inflation. Looking forward, they recommended maintaining a flexible and data-driven approach to monetary policy decisions amid ongoing uncertainties. Directors saw merit in shifting, at an opportune time, from the current inflation target band to a lower point target, which will require careful design, gradual implementation, close coordination, and appropriate communication.

“Directors welcomed the authorities’ efforts to safeguard financial stability, including recent banking-resolution and safety-net reforms and macro-prudential policies. They encouraged the authorities to continue to monitor risks, including those related to the sovereign-bank nexus, and to stand ready to implement prudential measures as needed. They considered that strengthened supervision, including for non-bank financial institutions, alongside continued efforts to bolster the AML/CFT framework, remain essential.

“Directors commended the authorities for their structural reform efforts aimed at removing critical impediments to growth. They encouraged the new government to implement resolutely ongoing energy and logistics reforms, including by promoting private sector participation. To support higher and greener growth and job creation, particularly among the youth, while reducing inequality and poverty, Directors recommended additional reforms to enhance the business environment, bolster governance, and improve labor market flexibility, along with sustained efforts to facilitate trade and achieve climate goals.

Directors wished the authorities success during South Africa’s G20 Presidency and welcomed their leadership in support of multilateral cooperation.”

South Africa: Selected Economic Indicators, 2022-27				
Social Indicators				
GDP		Poverty (percent of population)		
Nominal GDP (2022, billions of US dollars)	407	Lower national poverty line (2015)		
GDP per capita (2022, in US dollars)	6,712	Undernourishment (2019)		
Population characteristics		Inequality (income shares unless otherwise specified)		
Total (2022, million)	62	Highest 10 percent of population (2015)		
Urban population (2020, percent of total)	67	Lowest 40 percent of population (2015)		
Life expectancy at birth (2020, number of years)	64	Gini coefficient (2015)		
Economic Indicators				
	2022	2023	2024	2025
				Proj.
National Income and Prices				

(Annual Percentage Change Unless Otherwise Indicated)

Real GDP	1.9	0.7	0.8	1.5
Domestic demand	3.9	0.8	0.4	1.5
Private Consumption	2.5	0.7	1.2	1.4
Government Consumption	0.6	1.9	1.0	1.0
Gross Fixed Investment	4.8	3.9	-3.4	2.5
Inventory Investment (contribution to growth)	1.5	-0.6	0.0	0.0
Net export (contribution to growth)	-2.1	-0.1	0.4	0.1
Real GDP per capita 1/	1.1	-0.8	-0.7	0.1
GDP deflator	5.0	4.8	4.4	4.1
CPI (annual average)	6.9	5.9	4.5	4.0
CPI (end of period)	7.4	5.5	3.0	4.5

Labor Market**(Annual Percentage Change Unless Otherwise Indicated)**

Unemployment rate (percent of labor force, annual average)	33.5	33.1	32.8	32.7
Unit labor costs (formal nonagricultural)	2.1	-0.8	-0.7	0.1

Savings and Investment (Percent of GDP)

Gross national saving	15.0	13.9	13.2	12.9
Investment (including inventories) 2/	15.4	15.5	14.5	14.6

Fiscal Position**(Percent of GDP Unless Otherwise Indicated) 3/**

Revenue, including grants 4/	27.6	26.8	26.8	26.8
Expenditure and net lending	31.9	32.7	32.9	33.3
Overall balance	-4.3	-5.9	-6.1	-6.6
Primary balance	0.3	-0.9	-0.7	-1.0
Gross government debt 5/	70.8	73.4	75.7	78.3
Government bond yield (10-year and over, percent)	10.7	11.6	11.2	..

Money and Credit**(Annual Percentage Change Unless Otherwise Indicated)**

Broad money	8.3	7.9	5.2	5.7
Credit to the private sector 6/	8.2	4.1	5.0	5.6
Repo rate (percent, end-period)	7.0	8.25	7.75	..
3-month Treasury bill interest rate (percent)	5.2	8.0	8.3	..
Private sector credit growth (total) 7/	9.2	4.8	4.3	..
Credit growth (households) 8/	7.7	4.4	3.1	..
Credit growth (corporates) 8/	10.7	5.2	6.4	..

Balance of Payments**(Annual Percentage Change Unless Otherwise Indicated)**

Current account balance (billions of U.S. dollars)	-1.8	-6.1	-5.3	-7.3
percent of GDP	-0.5	-1.6	-1.3	-1.7
Exports growth (volume)	7.4	3.5	-4.0	2.7
Imports growth (volume)	14.9	4.1	-4.9	2.2
Terms of trade	-8.6	-4.8	1.7	-1.7
Overall balance (percent of GDP)	0.0	0.5	0.8	0.0
Gross reserves (billions of U.S. dollars)	60.6	62.5	65.9	65.9
<i>in percent of ARA</i>	88.9	97.0	97.1	..
Total external debt (percent of GDP)	40.4	41.5	43.2	44.7
Nominal effective exchange rate (period average)	16.6	18.8	18.6	..
Real effective exchange rate (period average)	6.8	7.7	7.5	..
Exchange rate (Rand/U.S. dollar, end-period)	17.0	18.5	18.7	..

Sources: Bloomberg, Haver, National Treasury South Africa, SARB, World Bank, and IMF staff calculations.

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.

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 includes proceeds from the sales of assets, realized valuation gains from holding of foreign currency deposits, and other capital items, which are not classified as revenue by the IMF's Government Finance Statistics Manual 2014.

5/ Central government.

6/ Depository institution's domestic claims on private sector in all currencies.

7/ Credit extended by all monetary institutions/ Claims on the domestic private sector/ Total loans & advances. Data as of November.

8/ Data for 2024 is as of August.

[1] (file:///data4/users/6/Rabner/My%20Documents/South%20Africa%20-%202024%20-%20Article%20IV%20Consultation%20-%20Press%20Release%20-%20Bundle.docx#_ftnref1) Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with

members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] (file:///data4/users6/Rabner/My%20Documents/South%20Africa%20-%202024%20-%20Article%20IV%20Consultation%20-%20Press%20Release%20-

%20Bundle.docx#_ftnref2) At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here:

<http://www.IMF.org/external/np/sec/misc/qualifiers.htm> (<http://www.imf.org/external/np/sec/misc/qualifiers.htm>).

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