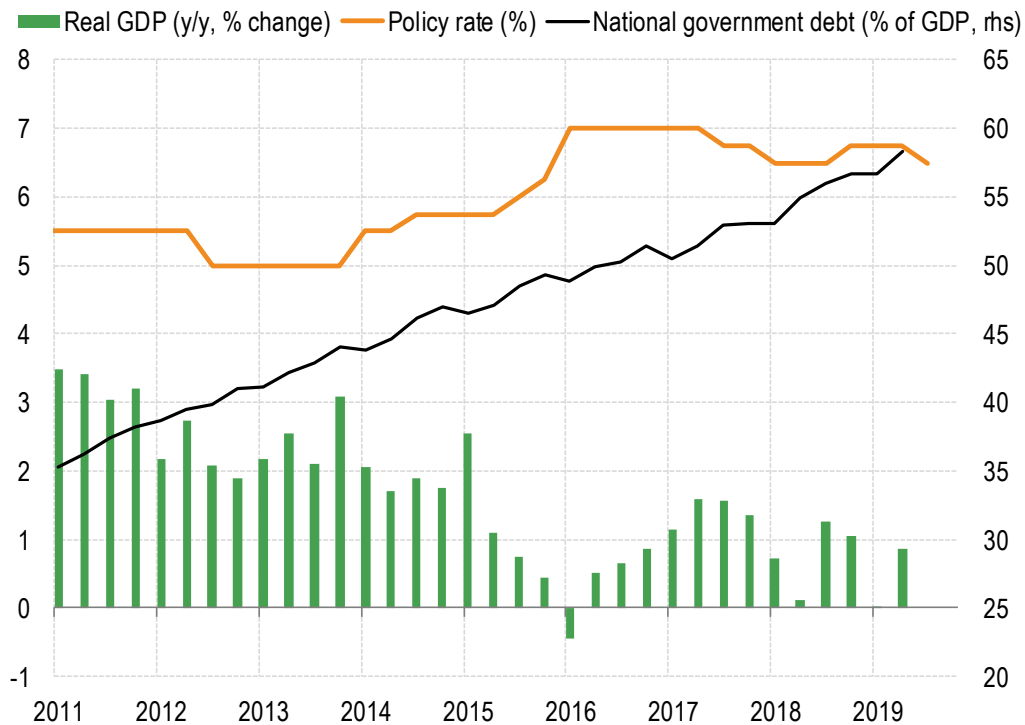




South Africa: the economic outlook is still gloomy

Economic growth has averaged only 1% per year since 2015, and weakened further in H1 2019. Exports have suffered from slower world demand growth while structural constraints have weighed heavily on investment, which has declined continuously since early 2018. Major power outages have disrupted activity in 2019: they result from the severe troubles of state-owned company Eskom, and illustrate well the country's lack of infrastructure. Only steady progress in the structural reform process will allow investment to recover in the medium term.

Meanwhile, real GDP growth is expected to remain low (projected at 0.4% in 2019 and 0.8% in 2020) and policymakers' room for manoeuvre to boost domestic demand is very narrow. On the fiscal front, financial support to rescue Eskom has aggravated the rise in government deficits (5.3% in the 12-month period to June 2019) and public debt. On the monetary front, the central bank has slightly cut its policy (repo) rate this year, but fiscal slippage and the country's reliance on foreign financing should prevent further monetary policy easing the short term.



Source: SARB, SSA