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Nedbank
Guide to the Economy

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International background and outlook

After ending 2023 on a soft footing, global growth is set to slow further in 2024 weighed down by various downside risks. The impact of past interest rate hikes will continue to filter through economies, containing both domestic and external demand. The short-term outlook is also constrained by weakness in the Chinese economy as the global powerhouse struggles with protracted vulnerabilities in the property sector, weak domestic demand, and an unfavourable external environment. The escalating tensions in the Middle East also pose a significant threat to growth and inflation outlooks. Global inflation has continued its downward trend, edging closer to target in most advanced countries. Unfortunately, the upside risks to the inflation outlook have increased. The escalation in tensions in the Middle East, particularly those related to the disruption in the Red Sea, will curtail supply and increase shipping costs as companies are forced to use alternative and more expensive routes. Potential El Niño-led spikes in food prices continue to present upside risks to the outlook, but this should dissipate in coming months. Core inflation is easing slowly in most advanced countries, only predicted to fall within target in 2025. In emerging-market economies (EMEs), inflation is largely close to or has fallen within target, with most central banks holding rates steady while others continue to cut. Advanced-economy central banks have reached the end of their hiking cycles, but remain cautious about cutting rates prematurely, given strong labour markets and rising geopolitical risks.

The **world economy** ended 2023 on a soft footing, mainly reflecting tighter monetary policy, which weighed on sentiment and dampened aggregate demand. Global conditions were further marred by other shocks, muted global trade, heightened geopolitical risks and climate-related threats. However, the loss of momentum was not broad-based, with the services sector rebounding somewhat in December while manufacturing remained subdued. Economic activity in EMEs was resilient, bolstered by strong demand in some countries. In advanced economies (AEs), growth in the Unites States (US) was quite robust despite higher interest rates, buoyed by resilient household consumption and a robust labour market. In the Eurozone growth remained feeble as activity in the bloc's largest economies faltered, with the German economy contracting. Chinese growth rebounded, but the prolonged slump in the property sector contained the upside. Higher public spending ahead of this year's general election boosted the Indian economy.

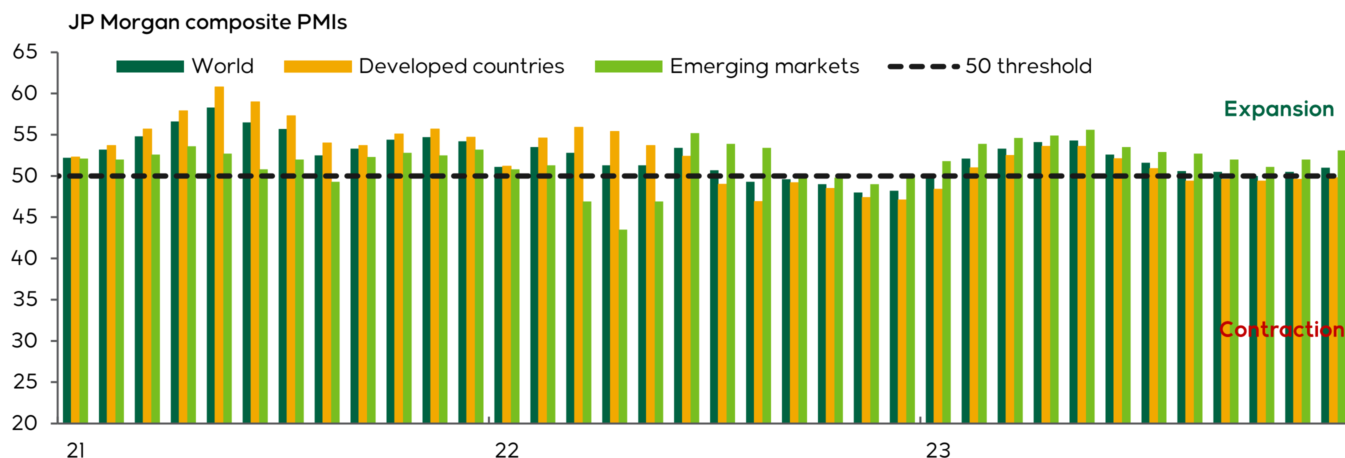
Global growth is set to remain subdued in 2024. In its January 2024 Global Economic Prospects (GEP), the **World Bank** forecasts that this year will mark the third consecutive year of deceleration, reflecting the pass-through of higher policy rates, tighter financial conditions, and weak global trade. The escalation of geopolitical tensions in the Middle East has exacerbated the downside risks as the world continues to recover from the effects of the 'overlapping shocks of the past 4 years'. The World Bank maintained its global growth forecast at 2.4% for 2024, but revised its 2025 forecast lower to 2.7% from 3% in the June 2023 GEP. Near-term growth prospects are expected to diverge. In AEs and China, output for 2024 is expected to trend below the averages between 2010 and 2019. In contrast, aggregate growth in EMEs is set to improve, albeit to a lesser extent in countries with weak fundamentals. AE growth is expected to moderate to 1.2% (unchanged), edging slightly higher to 1.6% in 2025 (a downward revision from 2.2%), bolstered by the expectations of lower inflation and more supportive monetary policy. The EME growth forecasts for 2024 and 2025 were maintained at 3.9% and 4%, respectively.

High-frequency indicators pointed to firmer economic activity at the end of 2023. Standard & Poor's (S&P) global composite purchasing managers' index (PMI), which measures private sector activity, expanded slightly to 51 in December, but growth remained below its long-run average of 53.2. Nonetheless, the divergences between the sectors and economies continued.

On the sector front, the upside was yet again boosted by services, which expanded on increased new business and firmer business confidence. Manufacturing activity was stuck in contraction territory for the seventh straight month in December, with weakness most pronounced in AEs. Overall activity in the Eurozone, Canada and Australia contracted, while the US, United Kingdom (UK) and Japan recorded marginally higher activity. In EMEs, output increased for a third straight month, with both services and manufacturing expanding in December. Private sector activity is likely to remain weak in 2024 as the lagged effects of past interest rate hikes contain global demand.

The downside could be partially capped by a modest recovery in global trade, with the World Bank expecting growth of 2.3% amid an expected upswing in goods demand. Unfortunately, the risks to the global trade outlook are largely tilted to the downside given heightening geopolitical tensions, trade fragmentation and protectionism.

Chart 1: Global economic activity ended 2023 on a soft footing and is expected to remain muted in the 1st half of 2024.



Source: S&P Global JP Morgan Global PMIs

The **US** economy recorded a strong expansion in the second half of 2023, continuing the upbeat momentum observed in the first half. Real GDP grew by a seasonally adjusted and annualised 4.9% qoq in Q3, the fastest since the final quarter of 2021, when the economy expanded by 7%. The boost stemmed from strong household consumption, which rebounded notably (3.1% vs 0.8% in Q2) as robust real incomes and savings helped consumers shrug off the impact of tighter monetary policy. The upside was further bolstered by positive contributions from private inventories, residential investment, government spending and net trade. Non-residential investment subtracted from the upside, slowing to 1.4% qoq from 7.4% in Q2. The monthly statistics suggests a moderate expansion in economic activity over Q4. The manufacturing PMI weakened, sliding to 47.9 in December after reaching a 6-month high of 50 in October. In contrast, services recorded the strongest growth in 5 months, as new orders rose at the fastest pace since June. Non-farm payrolls increased at a slower rate in the final quarter of 2023, unemployment held steady at a relatively low rate of 3.7% in December, and wages (average hourly earnings) edged higher again following 3 months of moderation. Although the low jobless rate and the wage gains are growth supportive, they also raise concerns about potential inflationary pressures and thus raises the risk of interest rates remaining higher for longer. There are signs of renewed strength in household balance sheets. The personal savings rate increased in October and November following 4 consecutive months of decline. With more income to sustain living standards, consumers increased their spending, with real retail sales climbing by 2.2% yoy in December. The World Bank expects US growth to slow to 1.6% yoy in 2024 (compared to 2.5% in 2023) as earlier interest rate hikes weigh on demand. However, it is highly likely that US growth will expand even further in 2024 on the back of a resilient labour market, strong household balance sheets, declining inflation, and the anticipated easing in monetary policy later this year.

The **Eurozone** was on the verge of a technical recession in 2023. Real GDP declined by 0.1% qoq in Q3, reversing the 0.1% growth in Q2. The downside came from a decline in inventories, while expansions in household consumption and government spending failed to provide meaningful support. The drag has continued to emanate from the bloc's largest economies. The German economy contracted by 0.3% in 2023 as high interest rates and still elevated inflation levels weighed on consumption expenditure and inventory accumulation by businesses. The contraction in France was led by a deterioration in net trade and, similar to Germany, a decline in inventories. Italy and Spain offered some support, albeit marginal, as their economies expanded by 0.1% and 0.3%, respectively. High-frequency indicators indicate that growth in the bloc likely stalled in the final quarter. The HCOB Eurozone manufacturing and services PMIs recovered slightly in Q4 but continued to trend below the key 50-threshold, weighed down by weak domestic and external demand. Retail sales were persistently weak, contracting for the 14th consecutive month in November as high interest rates and inflation contained demand and spending power. Despite the frail economic conditions, consumer confidence recovered slightly in December 2023 and January 2024. Consumers appear to have grown more hopeful about the outlook for the economy and their future income as inflation moderated. Eurozone growth is expected to tick up slightly in 2024 as real disposable incomes rise on declining inflation, firm wage growth and resilient employment. The main downside risks to the near-term growth outlook are sluggish external demand, the pass-through of tighter monetary policy and adverse credit supply conditions. A renewed rise in energy prices, if geopolitical tensions worsen, would also add downside pressure. However, the European Central Bank (ECB) expects the dampening

impact of these risks to fade later in the year as monetary policy becomes more supportive. The ECB expects growth to recover to 0.8% in 2024, close to the World Bank's forecast of 0.7%.

The **UK's** lacklustre performance persisted, with real GDP shrinking by 0.1% qoq in Q3 following no growth in Q2. The drag was led by a contraction in household consumption and private investment, which have been impacted by high interest rates, still elevated inflation, and a weak economic outlook. The downside was partially offset by government consumption, which edged higher following increased spending on public administration and defence, and education. Net trade also contributed positively to GDP as imports contracted at a faster pace than exports. More recent indicators provide a mixed picture, but still suggest a fragile economic environment. Similar to its peer economies, manufacturing activity has largely been weak, declining in December, following 3 months of firmer activity. On the upside, services activity, which had previously contracted between August and October, expanded for a second straight month in December. Retail sales increased by a modest 0.1% yoy in November, marking the first increase in 19 months, with retailers attributing the modest rise to earlier Black Friday sales and wider discounting. The Bank of England (BoE) expects growth to remain fragile over the medium term, mainly due to the impact of higher interest rates, waning fiscal support and weak potential supply. In its November 2023 Monetary Policy Report, the BoE forecast GDP growth of 0.25% for 2024, and 0.75% for 2025.

The **Japanese** economy lost momentum in Q3 of 2023 as mounting price pressures and weaker global demand weighed. Real economic growth contracted by 0.7% qoq, the first decline since Q3 of 2022. The drag stemmed from lower government investment and a deterioration in the net trade position. At the same time, consumer spending and private fixed investment declined further, although by less than in the previous quarter. The slump in manufacturing deepened, with activity shrinking for a seventh straight month in December – the steepest rate since February. Most of the downside stemmed from a sharp decline in external sales amid muted demand from key export destinations, such as China, Europe, and North America. Services continued to benefit from increased tourism, particularly inbound tourism, which (with the assistance of the Japanese government's domestic travel subsidy) has almost fully recovered to pre-pandemic levels. Looking ahead, the World Bank expects growth in Japan to slow in 2024 and 2025, easing to 0.9% and 0.8%, respectively. The expected loss of momentum reflects weak growth in key trading partners, and a tapering off of post-pandemic pent-up demand.

Table 1: The World Bank expects global growth to slow for a third consecutive year in 2024. (Growth in %)

	Estimate	Jan-24 forecasts		Jun-23 forecasts	
	2023	2024	2025	2024	2025
World	**2.6**	**2.4**	**2.7**	**2.4**	**3.0**
Advanced economies	**1.5**	**1.2**	**1.6**	**1.2**	**2.2**
US	2.5	1.6	1.7	0.8	2.3
Euro area	0.4	0.7	1.6	1.3	2.3
Japan	1.8	0.9	0.8	0.7	0.6
Emerging market economies	**4.0**	**39**	**4.0**	**3.9**	**4.0**
China	5,2	4.5	4.3	4.6	4.4
Russia	2.6	1.3	0.9	1.2	0.8
Brazil	3.1	1.5	2.2	1.4	2.4
Mexico	3.6	2.6	2.1	1.9	2
Egypt	3.8	3.5	3.9	4.0	4.7
India	6.3	6.4	6.5	6.4	6.5
Nigeria	2.9	3.3	3.7	3.0	3.1
South Africa	0.7	1.3	1.5	1.5	1.6

Source: WB Global Economic Prospects January 2024

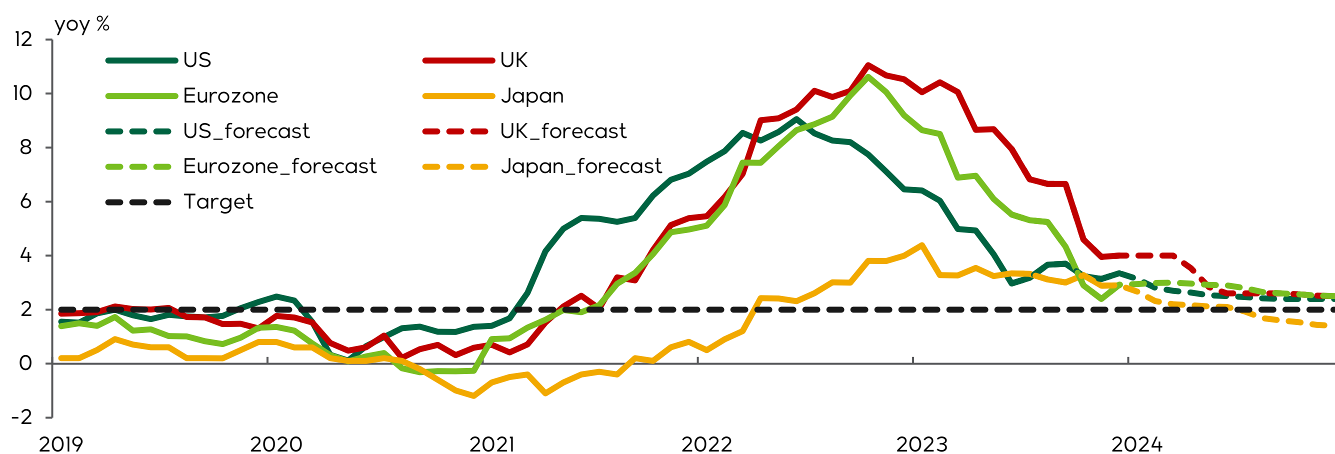
Growth in **EMEs** was relatively resilient in the first half of last year. However, real GDP began to wane in the second half as the impact of tighter monetary policy weighed on both domestic and external demand. Violence and political instability also contained growth in some countries. **China's** post-pandemic recovery faltered again in Q4 of 2023. The economy slowed to 1% qoq following an upwardly revised 1.5% expansion in Q3 as the country struggles to mount a sustainable recovery due to a protracted property crisis, tepid domestic demand, and an unfavourable external environment. The central bank attempted to stimulate demand by cutting interest rates and pumping liquidity into the financial system. However, the effectiveness of these measures has been contained by weak consumer and business confidence. High-frequency data was mixed during Q4, with private sector activity indicating an ongoing acceleration in both the manufacturing and services sectors. Both sectors experienced a surge in new orders, mainly due to a modest increase in domestic demand. Services providers were further supported by a 4-month increase in external orders. Retail sales remained relatively robust, at 7.4% yoy in December, but growth slowed from a 5-month high of 10.1% yoy in November. In contrast, the woes in the property sector remained a drag, with new house prices contracting at the steepest rate since February 2015. The World Bank expects growth to slow to 4.5%

and 4.3% in 2024 and 2025, respectively. The slowdown in China will weigh significantly on some EMEs, particularly those with trade links to the country. However, EMEs with strong fundamentals should manage to weather the storm.

In **India**, the fastest growing economy in the South Asian region, real GDP remained strong during 2023. However, growth slowed slightly to 1.7% qoq in Q1 compared to the 1.9% expansion in the previous period. The slowdown was led by a deterioration in net trade and a notable easing in household spending. On the upside, government expenditure rebounded significantly as the April–May 2024 elections loom, while gross fixed capital formation also edged higher. Private sector activity expanded in Q4, albeit at a softer pace. Manufacturing activity grew at a softer pace than in the first half of the year, but it remained at expansionary levels. Services remained robust on the back of strong domestic demand and modest external demand. The World Bank forecasts that the economy will expand by 6.4% in 2024, boosted by robust investment and services.

Brazil's economy slowed notably in Q3, expanding by 0.1% qoq, down from 0.9% in Q2. The slowdown was largely driven by a contraction in agricultural output as hot and dry weather conditions weighed on soybean yields. On the expenditure side, growth was constrained by a contraction in gross fixed capital formation, while household consumption, government expenditure and net trade contributed positively. Following a relatively resilient 2023, the World Bank expects the Brazilian economy to slow to 1.5% in 2024, by more than half the estimated 3.1% recorded last year. The slowdown largely reflects expectations for a moderation in agricultural harvests given unfavourable weather conditions. Some upside support could arise from an ongoing easing in inflation, which should allow for further interest rate cuts, and thus boost consumption and investment. According to the World Bank, growth in EMEs will be steady at 3.9% in 2024, with some variation across regions. The slowdown in China will contain the upside, however, this will be partially offset by firming growth in other parts of the world and a modest recovery in trade.

Chart 2: Headline inflation will continue to ease in most advanced countries as interest rate hikes filter through.



Sources: Refinitiv

Global inflation continued on its downward trend, easing significantly from its 2022 peak. Food and energy prices moderated, while higher interest rates contained demand. Although inflation remained above central bank targets in most economies, price pressures receded more convincingly in 2023. The downward trend is expected to continue in 2024 as the interest rate hikes over the past 2 years continue to filter through economies. However, upside risks persist. The worsening conflict in the Middle East has fuelled navigational and supply risks, both of which will drive prices higher. Furthermore, unfavourable weather due to El Niño could worsen the impact on food prices. However, these upside risks will be somewhat contained by the expected slowdown in global demand.

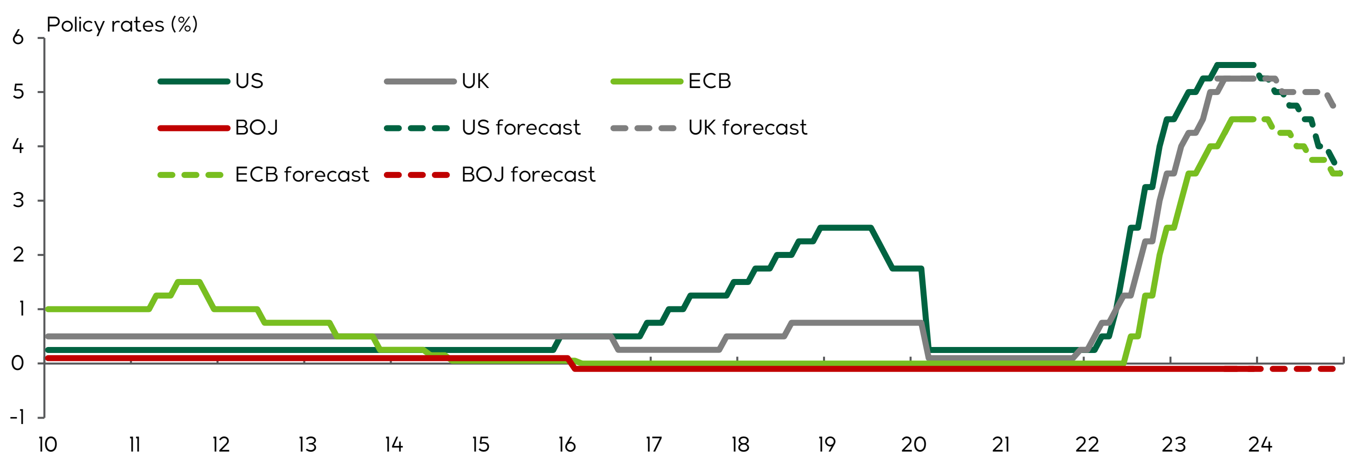
US headline inflation increased to 3.4% yoy in December after reaching a 5-month low of 3.1% in November. The upward pressure reflected a softer decline in energy prices after global crude prices increased on geopolitical tensions. Core inflation has remained stubbornly sticky, trending quite close to 4% throughout the quarter. Encouragingly, core personal consumption expenditure (PCE) inflation, the Federal Reserve's (Fed) preferred measure, declined at a faster pace to 3.2%. Price pressures will likely continue to subside in 2024 as tighter monetary policy weighs. However, the strong labour market and resilient household balance sheets will contain the rate of deceleration. The Fed's forecasts indicate that core PCE inflation will average 2.4% in 2024, 2.2% in 2025 and 2% in 2026. **Eurozone inflation** also edged higher in December, climbing for the first time since April to 2.9% from 2.4% in November. Similar to the US, the increase was driven by crude oil-related base effects. Core inflation cooled to the lowest level since March 2022. Despite this trend in core prices, the ECB has warned that domestic pressures remain elevated due to strong growth in unit labour costs. **UK inflation** was 4% after reaching an over 2-year low of 3.9% in November. In **Japan**, **inflation** declined to 2.8% in November from 3.3% in the previous month. Underlying price pressures have continued to fade, with core inflation easing to 2.5%, the lowest it has been since July 2022.

Among the EMEs, the deflation in **China** continued for a third straight month in December, with prices contracting by 0.3%, albeit at a slower pace than in November. Falling prices suggest that Chinese officials may need to adopt more measures to stimulate the economy in 2024. After trending above the central bank's target range of 1.75%-4.75% (3.25% with a +-1.5%

tolerance band) in September and October, **Brazil's** inflation began easing again in November and December. In **India**, inflation increased in the past 2 months of the year, climbing to 5.69% yoy in December, but remaining within the central bank's 2%–6% target range. **Turkey's** inflation has returned to more than 60% after easing to below 40% in the middle of last year, highlighting the need for the central bank to hike interest rates even more aggressively. Overall, price pressures appear relatively contained, with inflation within or trending close to central bank targets in most countries.

Monetary policy tightened significantly in 2023, with interest rates reaching multidecade highs in some economies. In line with the meaningful moderation in price pressures, advanced and developing countries have reached the end of their hiking cycles, although some central banks remain hawkish in their communication. The **US Fed** left its target for the federal funds rate unchanged at 5.25%– 5.50% for a third consecutive meeting in December, but suggested that it could cut by up to 75 basis points in 2024. The market consensus is for the Fed to start cutting in May. The **ECB** also held its refinancing rate steady at 4.5% during its last meeting of 2023, adding that policy rates would need to be 'maintained for a sufficiently long duration' to bring inflation down to 2%. The ECB expects inflation to average 2.7% in 2024, 2.1% in 2025 and 1.9% in 2026. Core inflation is forecast to ease at a slower pace, averaging 2.7% in 2024, 2.3% in 2025 and 2.1% in 2026. Similar to its peer economies, the **BoE** held its Bank rate steady at 5.25% in December. However, the decision was not unanimous, with 3 of the 9 members voting for a 25-basis point hike, citing a tight labour market and signs of persistent inflationary pressures. The Bank also reiterated that monetary policy would need to remain restrictive for a sufficiently long time to reach the target in the medium term. As widely expected, the **BoJ** kept interest rates unchanged in December, reaffirming its commitment to extra-loose monetary policy.

Chart 3: Major central banks will start to ease in 2024, but only gradually.

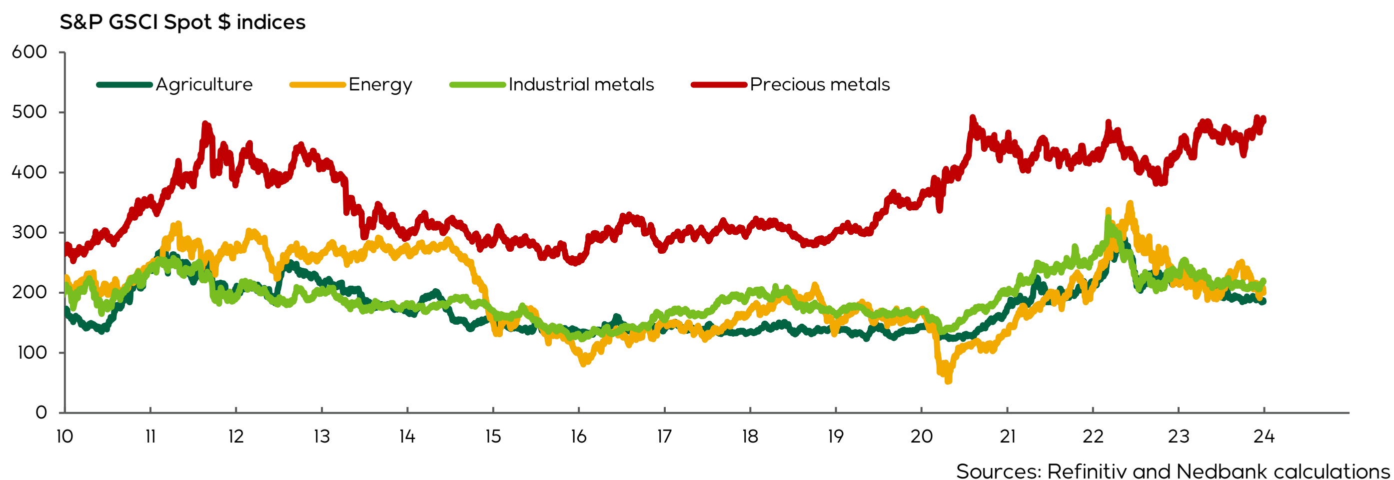


Sources: Refinitiv

Monetary policy was mixed in EMEs, with some countries holding rates steady, while others supported their economies through cuts and liquidity injections. The People's Bank of China (PBoC) left its 1-year loan prime rate and the 5-year rate unchanged in December. However, the central bank injected a record amount of liquidity (over $203 billion) into the financial system through the 1-year medium-term lending facility to revive the economy mired by tepid demand and prolonged weakness in the property sector. The Central Bank of Brazil, the first major central bank to start cutting, lowered its Selic rate by another 50 basis points (bps) to 11.25% in December. The Committee maintains its dovish stance, stating that the assessment of the economic environment continues to point to a slowdown. Brazil's inflation target has been lowered to 3% from 3.25%, which could limit the extent of the cuts in this cycle. The central bank expects inflation to average 3.9% in 2024 and 3.5% in 2025. Central banks in Mexico, India, and South Africa (SA) are projected to cut during the second half of the year, in line with falling global interest rates.

Commodity prices moderated in Q4 of 2023, after surging on brewing geopolitical tensions. The S&P Goldman Sachs Commodity Spot Price Index contracted by 10.7% qoq, from a 16% rebound in the previous quarter, hurt by weak global demand. The tensions in the Middle East have worsened over the past weeks, escalating beyond Israel and Gaza. The Houthi militants began launching missile attacks at cargo ships passing through the Red Sea, prompting the US and UK to strike their bases in Yemen. The escalation in tensions poses significant upside risks to the global inflation outlook, with the disruption in the Red Sea expected to curtail supply and increase shipping costs as companies are forced to use alternative and more expensive routes. The tensions are yet to have a material impact on oil prices. However, a prolonged and more extensive escalation in the conflict could trigger significant oil supply disruptions. Brent crude oil prices declined by 16.4% in Q4, weighed down by subdued global demand, weak growth prospects and expectations of lower US interest rates. The declines occurred despite Saudi Arabia and Russia maintaining their supply restrictions. Precious metals rose by 10.7% in Q4 as the heightened geopolitical tensions bolstered demand for safe assets. Non-precious metals were down by 13.2%, practically reversing the 13.7% gain in Q3.

Chart 4: Commodity prices largely dipped in Q4 as softer global demand overshadowed worries about geopolitical tensions.



Sources: Refinitiv and Nedbank calculations

Food prices have continued to trend lower, but the outlook remains clouded by unfavourable weather conditions as the El Niño weather pattern continues. According to *Science & Information for Smart-Nation*, El Niño is likely close to peak strength and will gradually weaken. However, it is expected to continue for the next few months, threatening agricultural yields. The Food and Agricultural Organization's (FAO) food price index dropped by 10.1% yoy in December, reflecting lower prices of cereals (-16.6%), vegetable oils (-15.3%) and dairy products (-16%). Sugar prices were elevated for most of 2023, rising by 14.9% yoy In December. However, the rate of increase has dropped from more than 40% due to strong production in Brazil on favourable weather conditions and lower returns from ethanol sales.

In currency markets, the **US dollar** lost ground in Q4 as rapidly cooling inflation fuelled hopes that the Fed had reached the end of its hiking cycle and that it would probably begin cutting in early 2024. However, the greenback has rebounded as expectations on the timing of the first Fed cut were moved back. The unit has also drawn support from its safe-haven status as geopolitical tensions in the Middle East escalate. The performance of EME currencies was mixed, but the upside was contained by escalating geopolitical tensions, weak global growth prospects and idiosyncratic risks. The dollar appreciated by 2.5%, 2.4%, 2.3% and 0.7% against the Chilean peso, Mexican peso, Indonesian rupiah and the Brazilian real. However, it was down by 3.8%, 2.6% and 0.7% against the Russian ruble, Polish zloty and the Chinese yuan.

Global equity markets rallied as an ongoing easing in inflationary pressures and expectations of interest rate cuts in 2024 bolstered the earnings outlook. Gains were contained by China's growth woes and the escalation of geopolitical tensions, however, this weighed more heavily on EME equities. US equities edged higher in the last 2 months of 2023 following 3 consecutive months of losses. Gains were led by interest-sensitive stocks, including real estate, and consumer discretionary. Energy stocks slipped as crude oil prices dipped over the quarter. The Nasdaq, S&P 500, and Dow Jones Industrial Average were up by double digits during the quarter, gaining 12.8%, 11.2%, and 12.7%, respectively. European equities followed suit, with information technology, real estate and industrials and materials stocks registering strong gains. In the UK, gains were led by small and mid-cap domestically-orientated stocks as well as by large industrial and financial stocks. The German DAX and French CAC advanced by 9.9% and 6.7% over the quarter, respectively, while the FTSE 100 was up by 3.9%. Japan's Nikkei ended the year up by 5.4% qoq, boosted by gains in large-cap growth. On the downside, profit-taking trades weighed on financial stocks, while weakness in the domestic economy dragged smaller domestically-orientated stocks lower. EME equities also improved in Q4 of 2023, but they lagged developed market performances as risk aversion rose on escalating tensions in the Middle East and concerns about China's below-standard recovery. According to the Morgan Stanley Capital Index (MSCI), emerging market equity prices were up by 7.7% in Q4.

Liandra da Silva

Domestic background and outlook

After a disappointing Q3, the economy has likely returned to modest growth of around 0.2% qoq in the final quarter, helped by less disruptive load-shedding and higher tourist arrivals during the festive season. However, underlying trading conditions remain highly unfavourable, and the economy still faces significant headwinds in 2024. These include slower global growth, much tighter financial conditions for consumers, unreliable electricity supply and uncertainty ahead of the national elections. The modest improvement in employment will continue in some industries. However, the labour market could weaken, reducing the chances of a more broad-based recovery in consumer spending. Relatively subdued global oil prices will contain local fuel price increases, which support lower inflation and will probably persuade the South African Reserve Bank (SARB) to reduce interest rates during the second half of the year, providing some relief to households. Although fixed investment will be propped up by continued outlays of renewable energy and embedded generation, the country's structural challenges and the downturns in the domestic and global business cycles are still expected to result in softer activity throughout 2024. We forecast a modest GDP growth of 1% in 2024.

The economy contracted in Q3 as domestic demand weakened while structural constraints persisted, and global conditions remained unfavourable. Locally, the weakness became more broad-based. Key producers reduced output substantially and drew down inventories to sustain exports as load-shedding persisted and transport bottlenecks intensified. At the same time, consumer confidence and demand weakened significantly, hurt by shrinking real disposable income, sticky inflation and higher interest rates. Consequently, real GDP contracted by a seasonally adjusted 0.2% qoq, following modest growth of 0.4% and 0.5% in Q1 and Q2, respectively.

Table 2: GDP breakdown by sector and expenditure category

Industry	Size	Annual growth rate		Quarterly growth rate						
	% of GDP	yoy % change		qoq % change (not annualised)						YTD
	2022	2021	2022	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	2023
Agriculture	2.6	7.4	0.9	-11.8	31.4	-2.4	-11.9	2.8	-9.6	-3.2
Mining	7.3	12.0	-7.1	-3.1	1.9	-3.0	1.4	0.8	-1.1	-1.6
Manufacturing	12.0	6.7	-0.4	-5.6	1.6	-1.2	1.5	2.1	-1.3	0.2
Electricity and water	2.9	1.9	-2.5	-1.4	-2.6	-2.0	-1.0	-0.8	0.2	-5.4
Construction	2.2	-2.0	-3.4	-2.6	4.1	0.4	1.1	-0.2	-2.8	2.6
Domestic trade	12.1	6.2	3.5	-1.1	1.2	-2.2	0.7	-0.3	-0.2	-1.6
Transport and comms	6.8	5.0	8.3	2.7	3.4	0.9	1.1	-1.8	0.9	4.0
Finance	21.2	2.5	3.4	2.1	1.1	-1.6	0.6	0.4	0.5	0.9
General government	8.0	0.0	0.1	-1.5	0.4	-0.7	0.3	0.7	0.1	0.3
Personal services	14.6	5.3	2.6	0.3	-1.0	-0.1	0.8	0.7	0.6	0.8
Value added	89.6	4.4	1.9	-0.8	1.8	-1.1	0.4	0.4	-0.3	0.3
GDP	**100.0**	**4.7**	**1.9**	**-0.8**	**1.8**	**-1.1**	**0.4**	**0.5**	**-0.2**	**0.3**
HCE	66.8	5.8	2.5	0.1	-0.1	0.7	0.4	-0.2	-0.3	0.7
GCE	19.6	0.5	1.0	-0.9	0.5	-0.7	1.3	1.8	0.3	1.9
GFCF	14.6	0.6	4.8	0.4	0.4	1.5	1.8	3.8	-3.4	4.9
∆ in inventories (Rbn)	1.0	-16.5	44.3	35.7	86.9	40.2	29.3	62.0	-44.5	-22.4
GDE	102.0	5.0	3.9	0.4	1.2	-0.5	0.5	1.5	-2.9	0.9
Exports	27.4	9.1	7.4	0.2	2.0	-3.2	4.3	0.6	0.6	3.2
Imports	29.4	9.6	14.9	4.9	0.2	-0.8	4.8	3.2	-8.6	4.6
Expenditure on GDP	**100.0**	**4.8**	**1.9**	**-0.9**	**1.7**	**-1.1**	**0.3**	**0.7**	**-0.1**	**0.3**

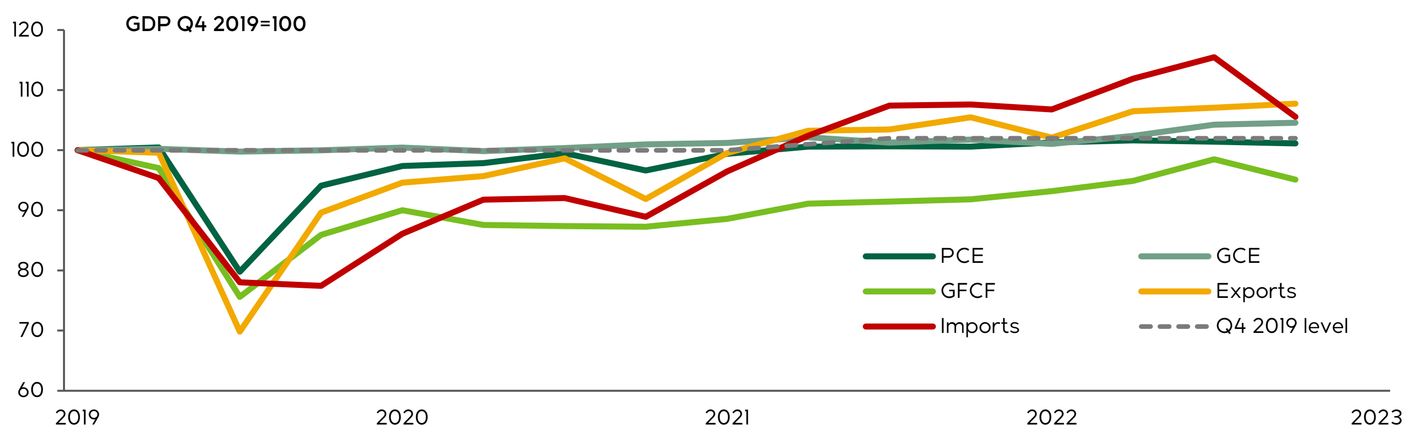
Source: Statistics SA

The industry breakdown of GDP showed mixed performances during the quarter. The sharpest drop in value added was recorded in agriculture, forestry, and fishing, which was hurt by the avian flu outbreak in the poultry industry and offset the boost from a reasonable summer harvest. Output also fell in the mining, manufacturing, construction, and domestic trade

sector. However, value added by electricity, gas, and water increased slightly after 5 consecutive quarters of contraction, partly reflecting the improved operations at Eskom and the contributions of the renewable energy programme. Value added by transport, storage and communications increased marginally, but conditions in the industry remained weak. Government services as well as finance, real estate and business services expanded slightly. Over the first 3 quarters of the year, real GDP grew by 0.3% yoy, which although weak, is nonetheless remarkable given the unprecedented obstacles and challenges the economy has faced.

On the expenditure side, the weakness stemmed from a decline in domestic demand and a still negative net export position. Household consumption expenditure (HCE), accounting for over 60% of GDP, contracted for the second consecutive quarter, down by 0.3% qoq, due to a further drop in personal disposable income (PDI). PDI fell for the third successive quarter, reflecting the erosive impact of elevated inflation, notably high food prices. This outweighed the support from employment growth, which helped to reduce the unemployment rate to 31.9% in Q3. At the same time, households depleted their savings, leaving them heavily exposed to rising debt service costs caused by higher interest rates, and with little choice but to cut back on spending.

Chart 5: Subdued domestic were mainly to blame for the contraction in Q3's GDP.



Source: Stats SA

The most worrying development was the relapse in fixed investment after 7 consecutive quarters of growth. Gross fixed capital formation (GFCF) fell by 3.4% qoq in Q3, with declines seen across all sectors. The private sector outlays, which accounts for 74% of GFCF, contracted by 3.1% qoq after 8 quarters of expansion, while those of public corporations and government dropped by 4.1% and 4.5%, respectively. The decline in private sector capital outlays mainly reflected a sudden drop in outlays on machinery and equipment after 3 quarters of healthy growth, driven by the switch to renewable and other alternative energy sources. Investments in transport equipment as well as residential and non-residential buildings also contracted, reflecting the impact of higher interest rates and shrinking corporate profits. Public corporations struggled to make significant progress in delivering on key infrastructure projects essential to support the private sector capital spending. Most of the failures emanate from inefficient state-owned enterprises, particularly Eskom and Transnet.

Government consumption expenditure grew modestly in Q3, reflecting the higher wage settlement reached for 2023/24. Another significant contributor to the decline in Q3 GDP was a massive inventory rundown after 6 quarters of accumulation, as the manufacturing, mining, as well as transport, storage and communication industries reduced stock levels.

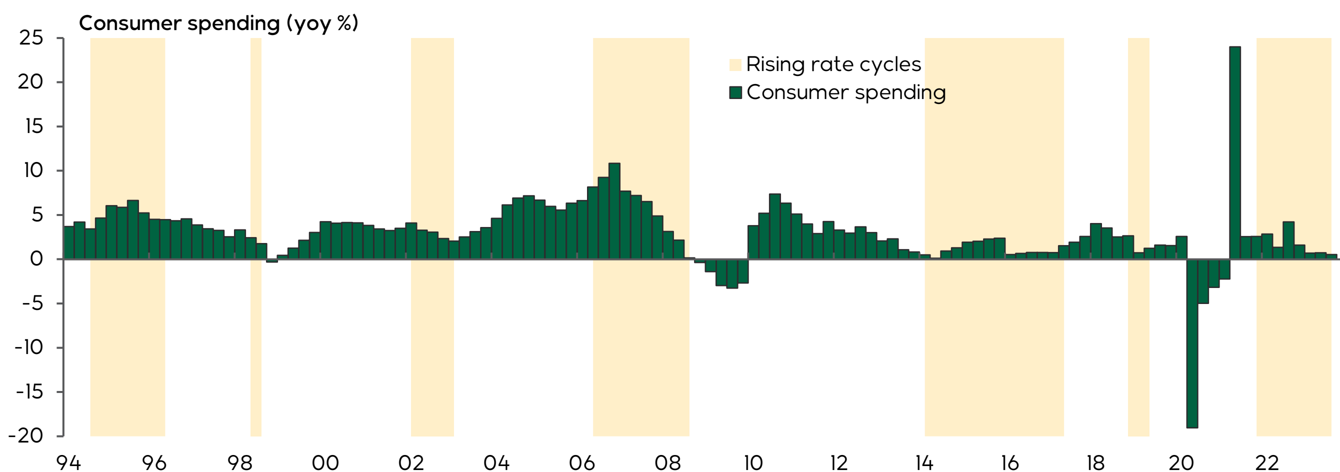
The latest data suggest that the economy ended the year with modest growth after the Q3 contraction. The production side of the economy strengthened slightly, reflecting some improvement in the operating environment. The low base of Q3 will probably also amplify the growth rates over the final quarter. Mining and manufacturing output benefited from less severe load-shedding. Over Q4, only 3 256 GW were removed from the grid compared to 5 942 GW in the previous quarter and 6 021 GW in the final quarter of 2022. Consequently, mining production rose by 3.9% yoy in October and 6.8% in November, while manufacturing production expanded by 2.3% and 1.9% over the same period. In December the purchasing managers index (PMI) rose above the key 50 threshold (which separates contraction from expansion) for the first time since April, suggesting that reduced load-shedding helped to improve manufacturing conditions. However, at 50.9, the PMI remains below the long-term average, reflecting the challenges faced by the manufacturing sector, which are limiting its much-needed contribution to employment creation and economic growth. Anecdotal reports indicate that there was a strong rise in tourist arrivals over the festive season, which likely provided a temporary lift to industries benefiting from tourism.

Consumer spending probably weakened further in the final quarter, reflecting the continued impact of higher interest rates, weak finances, subdued credit growth, and fragile consumer confidence. Retail sales fell sharply in October and November. This was despite promotional events, such as Black Friday and Cyber Monday, which usually underpin sales over the final quarter. Wholesale sales also collapsed in October, reflecting the impact of lower consumer spending, while new vehicle sales contracted for the fifth consecutive month in December. The FNB/BER consumer confidence index deteriorated slightly to - 16 in Q4 from -17. Altogether, we forecast GDP growth of 0.2% qoq in Q4, translating into a growth rate of about 0.5% for 2023 compared with our previous forecast of 0.6%.

The **growth outlook for 2024** remains murky. Underlying economic conditions will likely remain weak in the first half of the year, before improving moderately during the second half. In the absence of significant operational improvements at Eskom

or a massive increase in alternative power generation, load-shedding will persist, placing a ceiling on economic growth. New renewable energy projects will increasingly contribute more to electricity supply, gradually reducing the drag from load-shedding. Even so, progress is likely to be slow given limited grid capacity. Operational failures at Transnet have escalated, undermining rail transport and significantly delaying cargo processing at the ports. These will continue to disrupt output, inflate operating costs, and erode profitability across all industries. At the same time, global demand will likely weaken further, limiting the upside for commodity prices and weighing on our exports. Despite lingering concerns over drier weather conditions due to El Niño, most parts of SA experienced good rainfall in late 2023 and early 2024, which suggests that agricultural output should remain relatively steady in 2024. In contrast, the services sector will face stronger headwinds, with domestic demand likely to weaken significantly as the financial strain on household incomes and company profits intensifies.

Chart 6: Consumer spending is under pressure, primarily due to shrinking income and higher interest rates.



Source: SARB

Household consumption expenditure (HCE) is expected to remain weak in the first half of the year as the pass-through of higher interest rates continues, which, along with fragile confidence, will cause consumers to remain cautious of spending. Spending will likely start to accelerate during the second half of the year as inflation moderates more convincingly and interest rates begin to fall. However, there is a risk that the pressure on spending could persist into the second half of the year if SARB delays interest rate cuts and employment growth fades as the unfavourable economic environment prompts companies to retrench workers. We forecast consumer spending to grow by a modest 0.6% in 2024, before accelerating by 1.8% in 2025.

The outlook for fixed investment is clouded by the adverse operating conditions. The RMB/BER Business Confidence Index fell to 31 in Q4 from 33 in Q3, and is unlikely to improve significantly in 2024 due to persistent infrastructure constraints and slow economic reforms. These, together with fading profits caused by subdued demand and higher production costs, will make private firms wary of undertaking significant capital expenditure. We forecast GFCF to grow by 0.5% in 2024 before accelerating to 3.9% in 2025 as the waves of renewable energy investments start to lift power supply and reduce load-shedding. Faster growth in fixed investment can be achieved through accelerating structural reforms, restoring fiscal discipline, and tackling crime and corruption, which will lift business confidence, raise the country's potential growth rate, and encourage investment by the private sector.

Government consumption expenditure (GCE) will also slow down due to the sharp deterioration in government finances caused by a collapse in corporate tax revenue as weaker demand and higher operating costs drained profits. The Medium-term Budget Policy Statement showed upward revisions in budget deficits and borrowing costs. Given the mounting pressure to reduce these shortfalls, the government will have to contain spending growth. We forecast growth in GCE to average 1.5% in 2024 and 2025, respectively. However, there is a risk that GCE growth could be higher than anticipated in 2024 due to unplanned election-related spending.

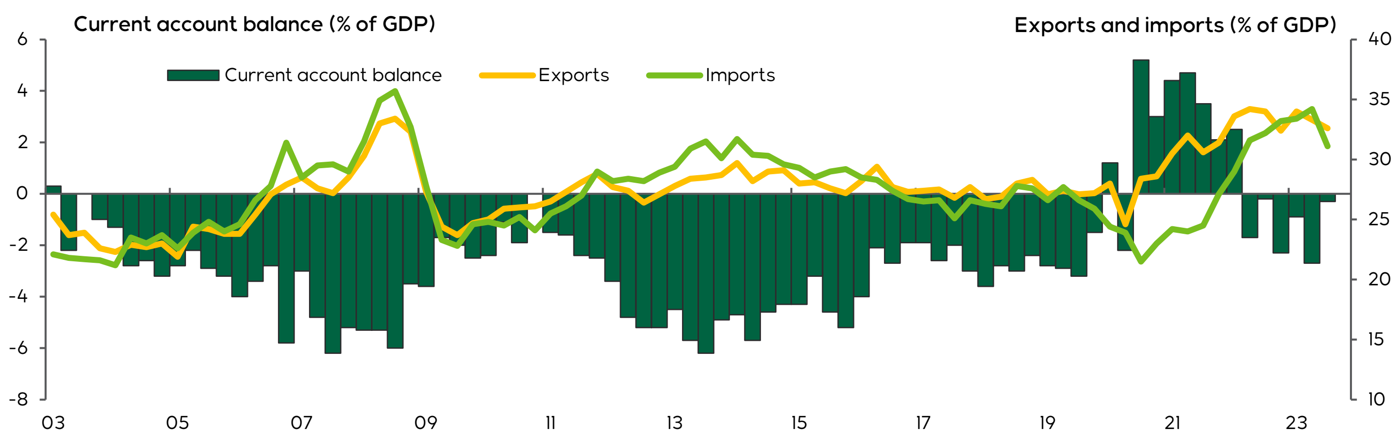
Finally, the net export position will remain a drag on GDP. Export volumes will be contained by domestic constraints, with persistent power outages and port inefficiencies inhibiting the upside even as global demand improves. Subdued commodity prices will also dampen the rebound of exports. Imports will likely decline, albeit slower than exports, due to weak domestic demand. While machinery and equipment imports for renewable energy projects will continue, it is unlikely to increase nearly as rapidly as last year, when the sudden surge in load-shedding caused a scramble to secure alternative power sources. Escalating global geopolitical tensions and trade protectionism also complicate the outlook for global supply chains and trade, which filter through to the South African economy.

On the balance of risks, we forecast GDP growth of 1% in 2024 before accelerating slightly to 1.5% in 2025. The market consensus forecasts are slightly more optimistic at 1.3% and 1.7% for 2024 and 2025, respectively.

A wider trade surplus helped to narrow the **current account deficit** in Q3. The trade surplus widened as import volumes and prices fell by more than those of exports, offsetting the impact of a slightly wider deficit on the services, income, and current transfer account. As a percentage of GDP, the current account deficit narrowed significantly to 0.3% after deteriorating to 2.7% in Q2. The trade data for October and November showed net trade surpluses due to sharp seasonal drops in imports

and slightly firmer exports, suggesting that the trade account remained in surplus in the final quarter of 2023. The services account will also benefit from higher tourist arrivals during the festive season. At this stage, the current account deficit is forecast to widen moderately to around 1.4% in 2023 from 0.5% in 2022. We expect the current account deficit to increase gradually to 1.8% of GDP in 2024. Export volumes and prices will remain under pressure for all the reasons discussed above, but import volumes and prices will also decline as domestic demand weakens, global inflation subsides and world growth slows. We now see a slight improvement in the terms of trade (the ratio of export to import prices) as global oil prices remain relatively low, while the prices of SA's major export commodities improve, particularly during the second half of the year.

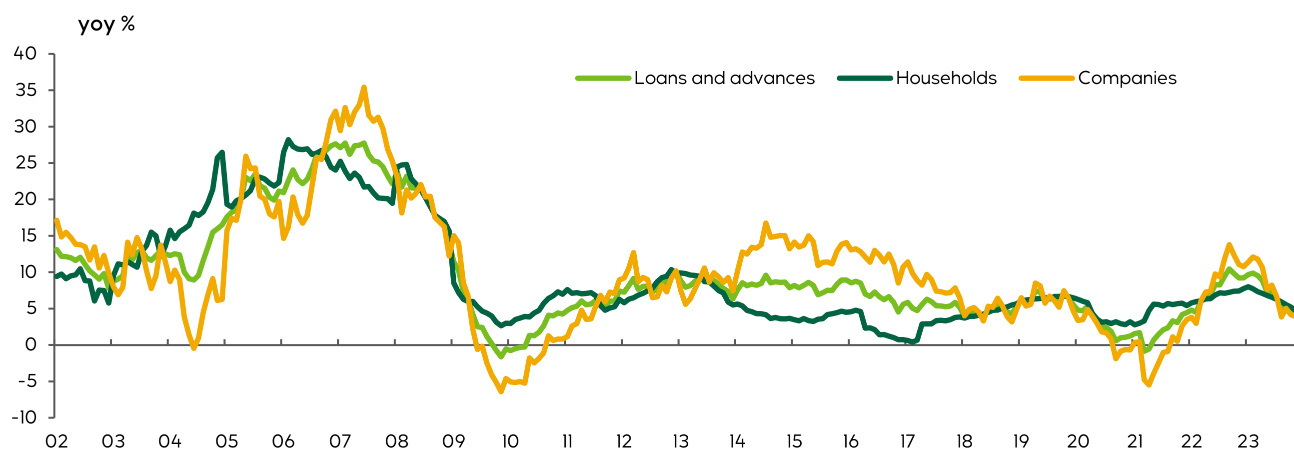
Chart 7: The current account deficit narrowed in Q3.



Source: SARB

The **financial account** surplus widened to 2.2% of GDP in Q3 after narrowing to 0.1% in Q2. The recovery reflected improved emerging-market risk appetites and heightened speculation that US interest rates had peaked. Net other investment recorded inflows of R8.2 billion after outflows of R65.1 billion in Q2, while net direct investment inflows (up by R40.4 billion) rose for the seventh consecutive quarter. However, portfolio outflows remained severe at R24.4 billion from R25.9 billion due to the global selloff of equities on global growth concerns. Subdued domestic growth prospects added to the negative sentiment towards SA. In the first 3 quarters of 2023, the inflows in the financial account totalled R89.7 billion compared with R47.7 billion over the same period in 2022, lifted by a jump in net direct investment, which offset massive net portfolio and other investment outflows. The financial account will likely be volatile and weak in 2024 due to lingering worries about the fragile domestic economy and the volatile global landscape. Other potential triggers of capital flight include a further deterioration in the fiscal position, as well as political noise and policy uncertainty ahead of the upcoming general elections, which could provide some disincentives to foreign investment in South African assets.

Chart 8: Credit growth slowed significantly as the impact of higher interest rates and subdued activity intensified.



Source: SARB

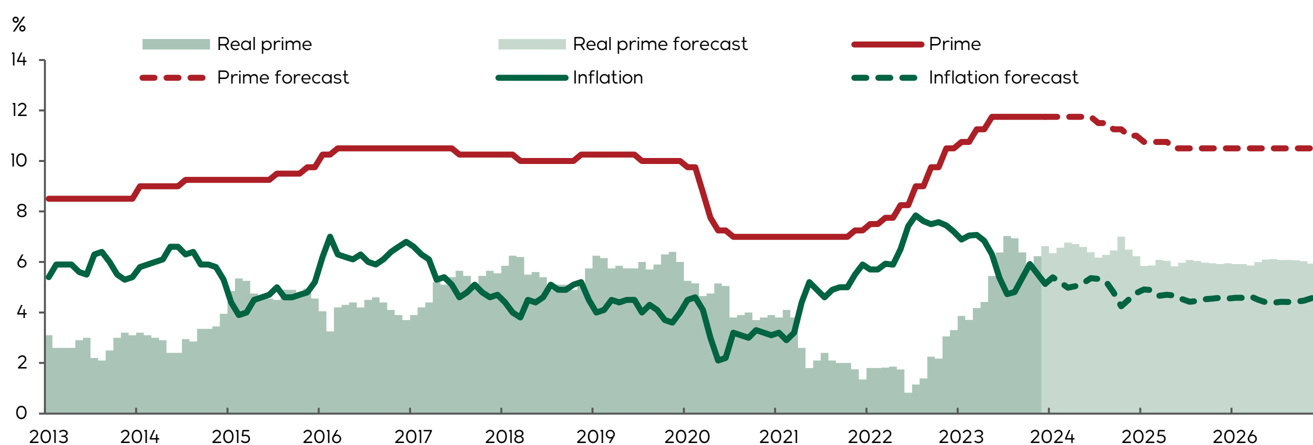
Bank credit growth lost further momentum towards the end of last year, moderating to 4.9% yoy in December from 7.7% at the end of 2022. Loan growth to households and companies weakened, pressured by higher interest rates and a faltering economy. Household loan growth slowed to 4.3%, its lowest level since March 2021, hurt by higher interest rates and tighter lending standards amid rising defaults. The drag came mainly from slower growth in home loans, overdrafts, and personal loans. Instalment sales and leasing finance (used for vehicle finance) and credit cards also moderated, but by less than the other credit products. Growth in company loans eased to 5%, reflecting weak business confidence and the loss of momentum in fixed investment. Apart from instalment sales and leasing finance, growth in all other corporate credit products slowed down. The resilience of instalment sales and leasing finance (up by a robust 16% yoy in December) probably reflects the growing shift towards online shopping, which creates demand for a fleet of vehicles, and the impact of the collapse in rail transport, which boosts vehicle demand to move goods via road. The slowdown in credit demand is likely to continue and

broaden into the first half of 2024. In the retail market, the cumulative impact of the interest rate hikes will continue to filter through the economy, which coupled with fragile confidence amid poor growth prospects and heightened political uncertainty will keep households cautious of borrowing and spending. At the same, commercial banks will remain wary of accelerating credit extension given the strains on household finances. Corporate demand will continue to be supported by renewable energy projects, but the upside will be contained by fading profits and high operational costs, which will convince many companies to trim large capital expenditure plans. We expect credit growth to improve gradually during the second half of the year as the interest rates ease and the economy recovers slightly.

Inflation resumed its gradual downward trend towards the end of last year. Headline inflation eased to 5.1% in December after briefly jumping to 5.9% in October following spikes in global oil prices caused by fears of supply disruptions due to the conflict in the Middle East and the extended production cuts by Saudi Arabia and Russia. The deceleration was driven by lower fuel prices and a moderate easing in food inflation as the impact of the avian flu outbreak on poultry supply and prices faded. Encouragingly, underlying price pressures remained contained, with core inflation (excluding food, fuel, and electricity) steady at 4.5%.

We expect inflation to be sticky at just above 5% in the first 6 months of this year before stabilising close to 4.5% over the second half. The downward pressure will mainly emanate from global disinflation and weaker domestic demand, but the risks to our forecast still reside on the upside. A fragile rand remains a key uncertainty, given volatile global risk sentiment, SA's deteriorating fiscal position and the uncertainties surrounding the outcome of this year's general elections. The country's significant and persistent structural constraints also continue to pose upside risks. While the impact of load-shedding on prices is likely to ease gradually as alternative energy supply comes on stream, the worsening congestion and disruptions to road, rail, and port services will keep domestic cost structures elevated and prevent a faster deceleration in price pressures. In addition, the ongoing conflict in the Middle East clouds the outlook for global oil prices and shipping costs. Attacks on cargo passing through the Red Sea have already forced traffic along longer and more expensive routes. If the situation persists or worsens, global supply chains could again be disrupted, placing upward pressure on input costs and the prices of finished goods. Encouragingly, good summer rainfall has eased concerns over the threat that El Niño poses to domestic crops in the current planting season. However, high domestic cost structures due to failing economic infrastructure, coupled with the unpredictable effects of climate change and a weaker rand will continue to exert upward pressure on local food prices.

Chart 9: Inflation is forecast to trend lower, creating space for a moderate decline in interest rates in 2024.



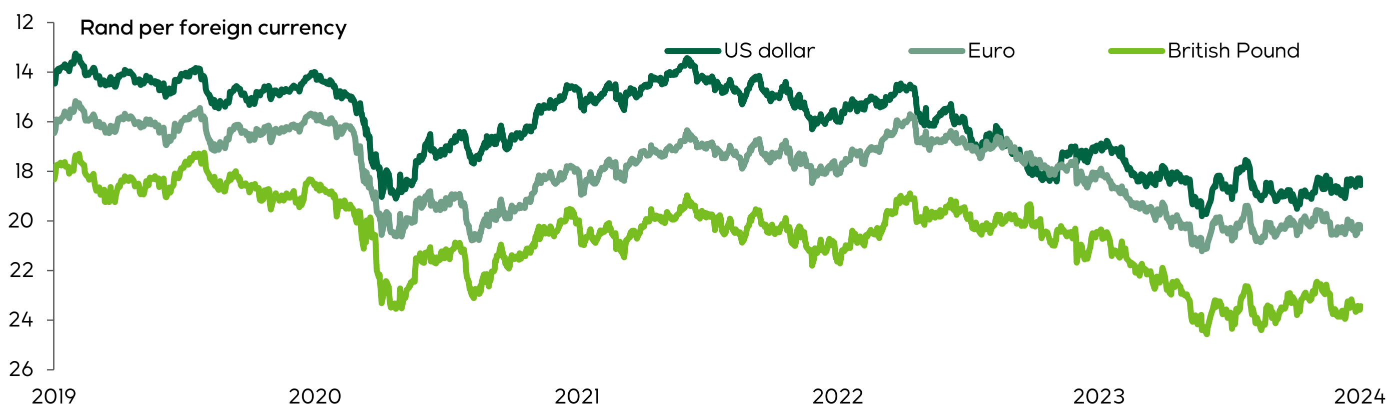
Sources: SARB and Nedbank calculations

SARB's **Monetary Policy Committee (MPC)** kept interest rates unchanged for the fourth consecutive time in January, with the repo and prime lending rates at 8.25% and 11.75%, respectively. The decision was unanimous, based on somewhat better inflation outcomes, increasing evidence of global disinflation and a relatively steady inflation outlook. SARB left its inflation forecast unchanged. Headline inflation is expected to average 5% in 2024, 4.6% in 2025, and 4.5% in 2026, while core inflation is forecast to remain relatively steady at an average of 4.6% in 2024 and 2025, before easing to 4.5% in 2026. The MPC still considered that the outlook faced upside risks. These risks remained mostly unchanged, consisting of a weak rand, the impact of the sharp increases in electricity tariffs, higher wage settlements, higher operating costs, and unpredictable food prices. The central bank expected GDP growth to improve modestly over the next 3 years, rising from an estimated 0.6% in 2023 to 1.2% in 2024, 1.3% in 2025 and 1.6% in 2026. The anticipated growth rate is broadly expected to match the country's low potential growth rates over the next 3 years, leaving the output gap around zero, and therefore unlikely to impact inflation materially. SARB's Quarterly Projection Model still points to moderately lower interest rates over 2024 and 2025. Given the unsettled geopolitical landscape and the rand's vulnerability to the country's fiscal trajectory and the uncertainties around the outcome of the general election, we expect the MPC to start easing monetary policy in July, reducing the repo and prime rates by a cumulative 75 bps to 7.50% and 11% by the end of 2024. The risks to our interest rate forecast is concentrated around the timing and pace of the anticipated easing. SARB could bring the first cut forward to May if the rand holds steady around the elections and the US starts its monetary easing earlier than most expect. If this scenario materialises, interest rates will probably be reduced by a more aggressive 100 bps over the year.

Local equities recovered in Q4 of 2023 and early 2024 after incurring heavy losses in Q3 when global risk appetites deteriorated because of uncertainties over the outlook for US interest rates, evidence of a faltering world economy and concerns about the conflict in the Middle East. Risk sentiment improved over Q4, boosted by evidence of fading global price pressures and mounting expectations of an earlier and more significant easing in US monetary policy during 2024. Since then, renewed doubts emerged over the outlook for US interest rates following slightly higher inflation readings in many advanced countries and a significant pushback by officials from major central banks against the market's dovish interest rate expectations. The FTSE/JSE All-share index gained an impressive 6.2% qoq in Q4 and continued to trade higher so far in 2024. Over the final quarter, the financial index jumped by 10.6%, while industrials and basic materials gained 5.4% and 2.7%, respectively. In the whole of 2023, the FTSE/JSE All-share index rose by 4.3% compared with the end of 2022. The equity market is expected to remain volatile in 2024. Global downside risks emanate from lingering geopolitical tensions, a sharper-than-expected downturn in the world economy and the threat that interest rates in low-risk countries remain around their peaks for longer. If the world economy manages to outperform expectations, even modestly, global risk appetites will improve, potentially resulting in renewed interest in emerging market assets. On the domestic front, sentiment will likely be heavily influenced by fiscal developments, the intensity of load-shedding and other logistical constraints, the pace of monetary policy easing and noise around and following the outcome of the elections.

Bond yields moderated slightly in Q4 of 2023 and early 2024, as US bond yields declined on upbeat interest rate expectations, domestic inflation eased marginally more than anticipated and the markets started to price in the peak in SA's policy rate. The yield on the benchmark 5-year government bond fell to 8.70% at the end of December from 9.41% at the end of September, while the 10-year bond dropped to 9.77% from 10.8% over the same period. Bond yields are likely to trend lower during 2024 as easing inflation boosts expectations for interest rate cuts. However, the yields will remain volatile amid a turbulent global landscape, concerns about SA's fiscal position, the impact of power shortages on growth and inflation, and policy uncertainties ahead of the general elections.

Chart 10: The rand recovered some ground in Q4, but the outlook is uncertain.



Sources: Refinitiv

The **rand** experienced mixed fortunes against the major currencies during Q4 of 2023 and early 2024 after coming under pressure for most of Q3 because of unfavourable global and domestic factors. The local currency ended Q4 at R18.62 against the US dollar, gaining 3.5% from the end of Q3. However, it lost 0.9% and 1.5% against the Euro and the British pound, respectively, ending at R20.16 and R23.42 over the same period. Changes in global investors' risk appetites, speculations about the direction of interest rates in the major economies and concerns about load-shedding dominated the rand movements last year. These factors will continue to impact the local currency's movements in 2024. However, local factors are likely to become more prominent. Policy uncertainties will dominate more as the elections approach. There is growing speculations that the ruling ANC could lose its outright majority and potentially be forced to form a coalition government with another party. A coalition with a left-wing party could result in unfavourable changes in policy direction. The risk of a further deterioration in the country's fiscal metrics also remains high. We expect the rand to remain under pressure until the uncertainties around the election and the fiscal trajectory have been resolved. Thereafter, we expect the rand to strengthen somewhat, benefiting from more supportive global conditions as US interest rates ease and global economic activity gradually improves.

Johannes Khosa

Facts and forecasts of key economic variables

Updated 30 January 2024

	2019	2020	2021	2022	2023	2024	2025	2026
Growth (real, % change)								
GDP	0.3	-6.0	4.7	1.9	0.5	1.0	1.5	1.6
GDE	1.1	-7.8	5.0	3.9	0.9	0.2	2.0	1.4
HCE	1.3	-6.1	5.8	2.5	0.4	0.2	1.8	1.6
GDFI	-1.7	-14.6	0.6	4.8	4.1	0.5	3.9	2.2
Exports	-3.3	-12.0	9.1	7.4	3.7	1.0	3.1	2.5
Imports	0.6	-17.6	9.6	14.9	3.7	-0.5	4.4	2.0
Current account balance								
R bn	-146.5	108.2	226.7	-30.0	-97.6	-134.5	-178.2	-188.1
% of GDP	-2.6	1.9	3.6	-0.5	-1.4	-1.8	-2.3	-2.2
Gold price (average per ounce)								
Dollar	1404.4	1783.4	1795.6	1817.1	1942.7	2085.0	2086.0	2060.1
Rand	20330.2	29345.1	26809.9	29763.4	35882.5	39357.3	38060.9	37955.7
Exchange rates								
Rand per US$	14.48	16.45	14.93	16.38	18.47	18.88	18.25	18.42
US$ per euro	1.120	1.148	1.182	1.052	1.082	1.104	1.120	1.112
Yen per US$	109.0	106.2	110.3	131.8	141.5	140.3	135.0	129.2
US$ per UK pound	1.278	1.288	1.376	1.179	1.246	1.279	1.282	1.262
Rand per eruo	16.20	18.86	17.63	17.20	19.98	20.84	20.43	20.49
Yen per rand	7.54	6.49	7.40	8.04	7.66	7.43	7.40	7.01
Rand per UK pound	18.49	21.15	20.54	19.30	23.00	24.14	23.38	23.25
Interest rates (end of period)								
Three-month JIBAR	6.80	3.63	3.87	7.21	8.34	7.56	7.09	7.07
Prime	10.00	7.00	7.25	10.50	11.75	11.00	10.50	10.50
Long bond	8.96	8.93	9.65	10.84	11.04	10.84	10.29	10.20
Inflation (average)								
Headline CPI	4.1	3.3	4.6	6.9	5.9	5.0	4.6	4.5
Core CPI	4.1	3.4	3.1	4.3	4.9	4.6	4.6	4.5

While every care is taken to ensure the accuracy of the information and views in this document, no responsibility can be assumed for any action based on the information.

Facts and forecasts of key economic variables

Updated 30 January 2024

	2023				2024			
	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24
GDP (qoq %)	0.4	0.5	-0.2	0.2	0.1	0.2	0.8	0.5
Interest rates (end of period)								
Three-month JIBAR	7.9	8.4	8.3	8.3	8.33	8.32	7.83	7.56
Prime	11.3	11.8	11.8	11.8	11.75	11.75	11.25	11.00
Long bond (10-yr)	10.6	11.4	12.0	11.0	11.22	11.63	11.15	10.84
Inflation (end of period)								
CPI	7.1	5.4	5.4	5.1	5.0	5.4	4.8	4.8
Core CPI	5.5	5.0	4.5	4.5	4.2	4.4	4.9	4.8
Exchange rates (end of period)								
Rand per US$	17.8	18.8	18.9	18.3	18.96	19.13	18.73	18.18
US$ per euro	1.1	1.1	1.1	1.1	1.093	1.101	1.110	1.128
Yen per US$	133.2	144.6	149.4	141.1	144.3	140.2	136.8	135.0
US$ per UK pound	1.2	1.3	1.2	1.3	1.268	1.268	1.287	1.302
Rand per eruo	19.4	20.4	20.0	20.2	20.71	21.07	20.79	20.51
Yen per rand	7.5	7.7	7.9	7.7	7.61	7.33	7.30	7.42
Rand per UK pound	22.0	23.7	23.1	23.3	24.04	24.26	24.11	23.68
Gold price per ounce								
$	1977.6	1919.6	1964.2	2062.6	2081.2	2118.6	2074.1	2067.9
Rand	35249.0	36036.8	37153.0	37708.7	39449.2	40531.9	38846.2	37604.4

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