Summary of selected forecast results

* Figures below the forecast in parentheses represents the previous MPC forecast

1. Selected forecast results (quarterly)

Percentage change (year-on-year)	Actual					Forecast																				Steady state
	1	2	3	4	2021	1	2	3	4	2022	1	2	3	4	2023	1	2	3	4	2024	1	2	3	4	2025	Steady state
1. Headline CPI	3.1	4.9	4.9	5.5	4.5	5.7	6.6	7.6	7.4	6.9	6.9	6.4	5.5	5.3	6.0	5.1	5.0	4.7	4.6	4.9	4.6	4.6	4.5	4.5	4.5	4.5
	(3.1)	(4.9)	(4.9)	(5.5)	(4.5)	(5.7)	(6.6)	(7.6)	(7.4)	(6.9)	(6.5)	(5.9)	(4.9)	(4.6)	(5.4)	(5.1)	(4.9)	(4.6)	(4.5)	(4.8)	(4.5)	(4.5)	(4.5)	(4.5)	(4.5)	
2. Core CPI	2.8	3.1	3.1	3.3	3.1	3.6	4.1	4.6	5.0	4.3	5.1	5.3	5.1	5.0	5.1	4.9	4.9	4.7	4.6	4.8	4.6	4.5	4.5	4.5	4.5	4.5
	(2.8)	(3.1)	(3.1)	(3.3)	(3.1)	(3.6)	(4.1)	(4.6)	(5.0)	(4.3)	(5.1)	(5.4)	(5.2)	(5.0)	(5.2)	(5.0)	(4.9)	(4.6)	(4.4)	(4.7)	(4.4)	(4.4)	(4.5)	(4.5)	(4.5)	

2. Selected forecast results (annual)

Percentage changes (unless otherwise indicated)	Actual				Forecast			Steady state
	2019	2020	2021	2022	2023	2024	2025	Steady state
1. GDP growth	0.3%	-6.3%	4.9%	2.0%	0.2%	1.0%	1.1%	2.5%
	(0.3%)	(-6.3%)	(4.9%)	(2.5%)	(0.3%)	(0.7%)	(1.0%)	
2. Output gap	0.0%	-3.5%	-2.0%	-0.6%	-0.2%	0.0%	0.0%	0.0%
	(0.0%)	(-3.5%)	(-2.0%)	(-0.3%)	(0.1%)	(0.1%)	(0.1%)	
3. Nominal effective exchange rate	-7.0%	-12.8%	9.9%	-2.3%	-8.6%	1.7%	0.8%	2.5%
	(-7.0%)	(-12.8%)	(9.9%)	(-2.5%)	(-3.2%)	(-1.5%)	(0.4%)	
4. Real effective exchange rate	-4.5%	-10.6%	11.1%	-3.2%	-7.0%	4.4%	3.3%	0.0%
	(-4.5%)	(-10.6%)	(11.1%)	(-3.2%)	(-1.9%)	(1.3%)	(3.0%)	
5. Real exchange rate gap	-1.3%	-10.9%	0.0%	-3.1%	-10.1%	-5.8%	-2.6%	0.0%
	(-1.3%)	(-10.9%)	(0.0%)	(-3.1%)	(-4.9%)	(-3.5%)	(-0.6%)	
6. Repurchase rate (end of period)	6.50%	3.50%	3.61%	6.54%	7.13%	6.94%	6.91%	7.00%
	(6.50%)	(3.50%)	(3.61%)	(6.54%)	(7.08%)	(6.91%)	(6.89%)	
7. Current account balance (ratio to GDP)	-2.6%	2.0%	3.7%	-0.5%	-2.4%	-2.7%	-2.9%	
	(-2.6%)	(2.0%)	(3.7%)	(-0.7%)	(-1.7%)	(-1.8%)	(-1.8%)	

Notes

A. **Nominal effective exchange rate:** This is based on the bilateral exchange rates of our three largest trading partners (euro area, United States and Japan). The bilateral exchange rates are weighted by export trade weights.

B. **Nominal exchange rate steady state:** This is estimated using the Purchasing Power Parity (PPP) condition, which links the depreciation of the nominal exchange rate to the inflation differential between SA and abroad. Given that the REER depreciation is zero at steady state, the nominal exchange rate will therefore depreciate by 2.5% per year in steady state, reflecting the inflation (target) differential between domestic (4.5%) and foreign (2.0%) inflation.

C. **Real effective exchange rate:** This is the nominal effective exchange rate deflated by the consumer price differential (between South Africa and the trade weighted CPI of euro area, United States and Japan).

D. **Real exchange rate gap:** The gap signifies the extent to which the real exchange rate deviates from its estimated equilibrium level. A positive gap shows an overvaluation of the currency, and vice versa.

E. **Repurchase rate:** End of period refers to the average repo rate for the last quarter of the year. The nominal repo rate steady state is calculated as the sum of SA inflation target (4.5%) and the steady state neutral real interest rate (2.5%).

F. **Steady state:** This is the long run value in the model. While model equilibriums can have different values over the medium term, as conditions change, all equilibriums eventually reach a steady state, where they stabilise. For more details on the estimation of steady states, see Botha, De Jager, Ruch and Steinbarg (2017) - South African Reserve Bank Working Paper Series No. WP/17/01.

G. **Current account balance as a percentage of GDP:** Forecast is obtained from the SARB's Core macroeconometric model.