

# South Africa outlook report

## Third quarter of 2024



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The quarterly report of South Africa aims to provide a comprehensive and executive view of the main sectorial indicators of the country, classified by regulated industry, as well as the macroeconomic situation at the end of each quarter.

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# 1. International overview

***Global growth remains stable, driven by recovery in both advanced and emerging economies, with moderating inflation supporting real income growth. Labour market pressures continue to ease, while unemployment remains mostly stable, majorly at or near historical lows.***

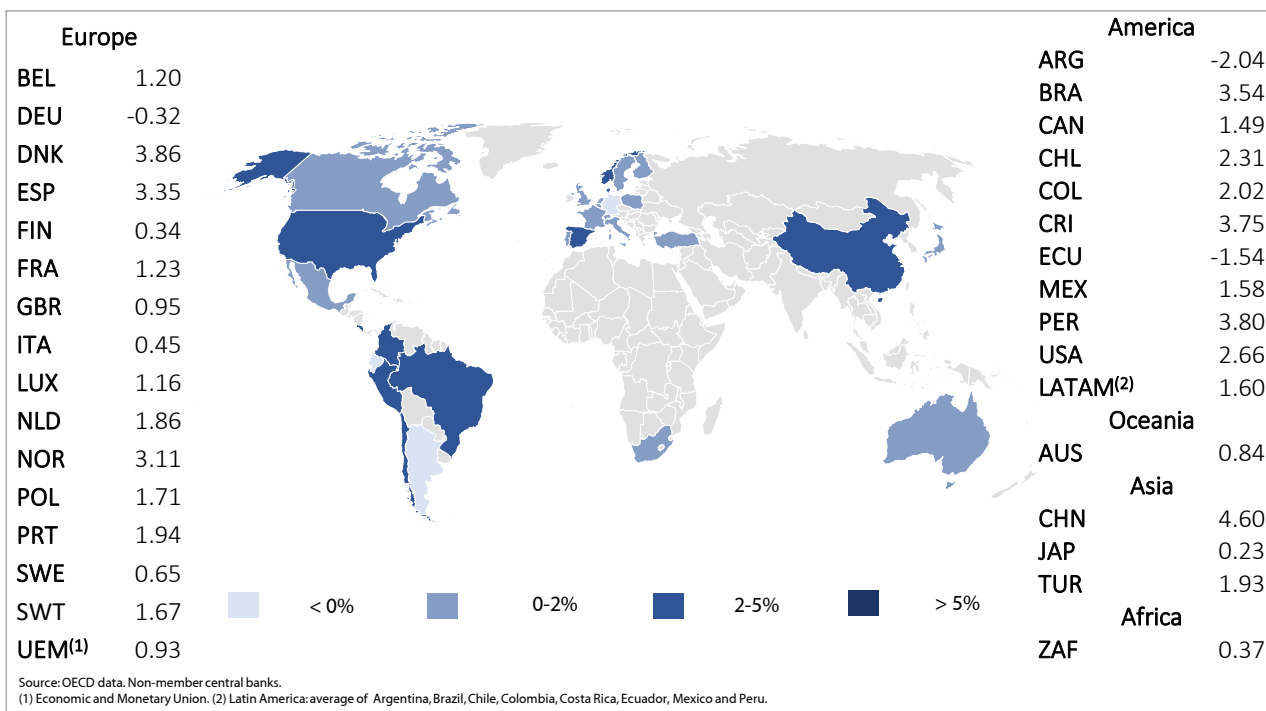
## **Macroeconomic outlook**

- ▶ In the third quarter, GDP in the eurozone grew by 0.93% year-on-year, continuing its upward trend. However, Germany continued its negative trend, recording negative growth of -0.32%. The average CPI in the eurozone continued to fall for another quarter, reflecting the effectiveness of the EU's current monetary policy. Only the Netherlands recorded an increase in its CPI compared to 3Q23. The average unemployment rate in the eurozone was 6.33%, down slightly from 6.40% in the previous quarter.
- ▶ In the third quarter of 2024, U.S. GDP grew by 2.66%, while Canada's year-over-year growth was 1.49%, still slightly up from the second quarter. Latin America's growth rate rose to 1.87%. Inflation in the U.S. decreased to 2.62% and in Canada to 2.04%. The average inflation rate in Latin America was 2.57%, excluding Argentina's high rate of 234.24%. Also in Latin America, the average unemployment rate was 5.88%, with a slowdown observed in Brazil (6.40%) and Peru (5.99%), both of which declined on a quarterly and annual basis. On the other hand, the unemployment rate increased in the United States and Canada, reaching 4.20% and 6.50%, respectively.
- ▶ In the Asia region, China recorded growth of 4.60% in the quarter, down from 4.90% in 3Q23. Japan recorded a GDP increase of 0.23% after two consecutive quarters of negative growth. Turkey's growth slowed down to 1.93%, continuing a downward trend since 1Q24 (6.70%). China's inflation rose to 0.48%, an increase both year-on-year and quarter-on-quarter. Turkey ended its upward trend, with inflation dropping by 18.18 p.p. quarter-on-quarter and by 2.11 p.p. Y-o-Y. Unemployment rates in China and Japan remained relatively stable compared to the previous quarter. In Turkey, however, the unemployment rate decreased by 0.53 p.p. compared to 3Q23.
- ▶ In the third quarter of 2024, South Africa's GDP growth rate increased by 0.87 p.p. compared to 3Q23, reaching a growth rate of 0.37%. Inflation continued to decline, falling by 0.78 p.p. year-on-year. The unemployment rate remained high at 32.10%. In Australia, GDP slowed down with a decline of 1.28 p.p. compared to 3Q23. The CPI continued its downward trend and stood at 2.81%, 2.56 p.p. lower than in 3Q23. Unemployment worsened significantly by 4.62 p.p. compared to 3Q23.
- ▶ According to the OECD, indicators point to a gradual moderation in the second half of the year after the strong growth in the first half. The services sector slowed down in July and August, but recovered in September. Similarly, retail trade grew by 5.1% in the first half of 2024, remained flat in July and August, and then picked up again in September. Industrial production followed a similar trend, showing robust growth in early 2024, but losing momentum in July and August.
- ▶ The IMF's growth projections show that emerging economies will remain stable, similar to advanced economies, which slowed in 2023. Global inflation is expected to decline, although disinflation will be faster in advanced economies than in developing ones.

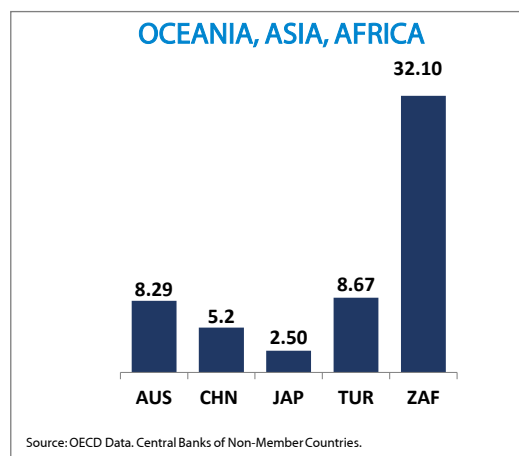
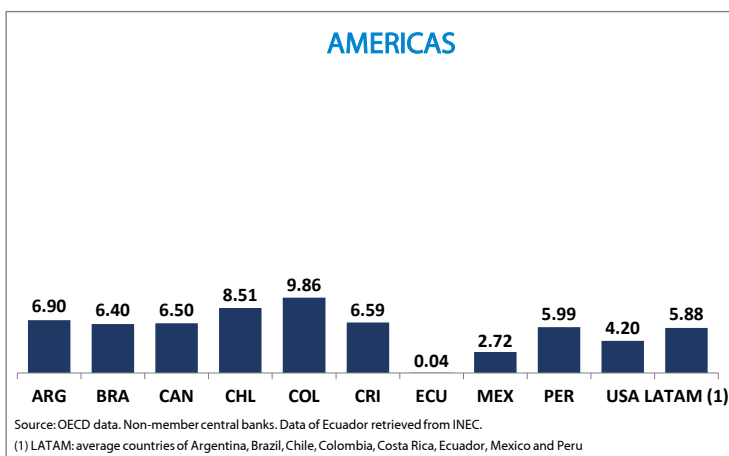
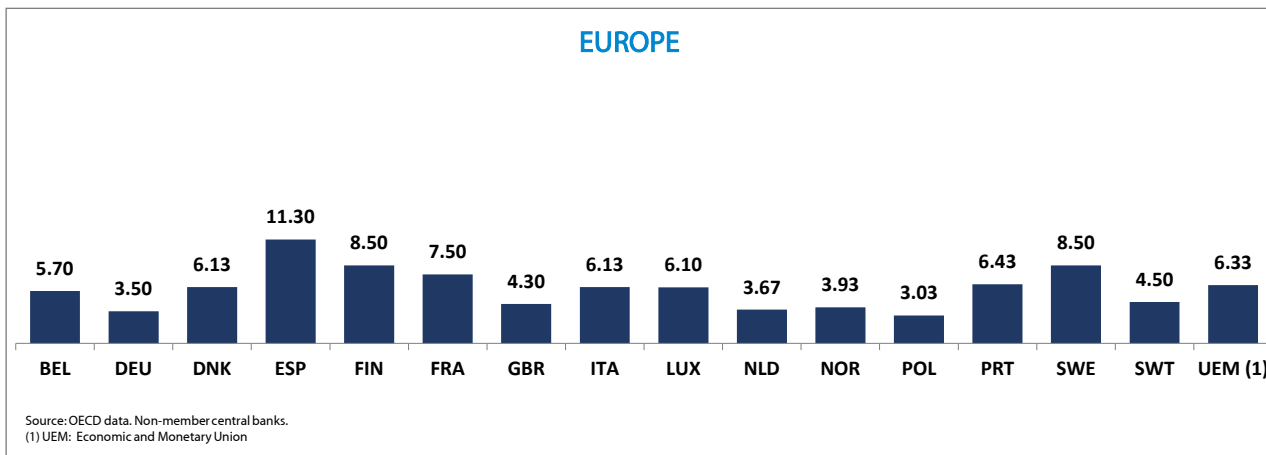
## **Other indicators and key risks**

- ▶ The IMF highlights the importance of mitigating the disruption caused by exchange rate volatility. Differences in disinflation across countries lead to desynchronization of central bank policies, which may result in increased capital flows. The appreciation of the US dollar on the back of high-interest rate expectations could push up domestic prices in economies with higher import dependence and a larger share of dollar-denominated imports, potentially putting pressure on their financial sectors.
- ▶ OECD notes that global risks include geopolitical tensions, trade issues, and slower growth, but a recovery in real incomes could boost consumer confidence. Fiscal measures and structural reforms are crucial to ensuring sustainability and long-term growth.
- ▶ The OECD also warns that financial risks remain due to elevated debt levels, overvalued assets, and the deteriorating creditworthiness of some borrowers, particularly in the commercial real estate sector. In addition, the growing scope and interconnectedness of less regulated non-bank financial institutions increase the likelihood of adverse shocks spreading rapidly across different market segments.

## GDP (% , year-on-year growth)

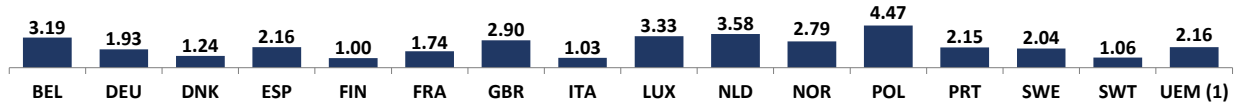


## Unemployment rate (%)



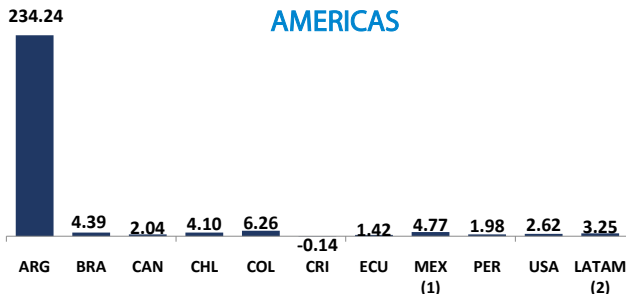
## Inflation rate (%)

### EUROPE



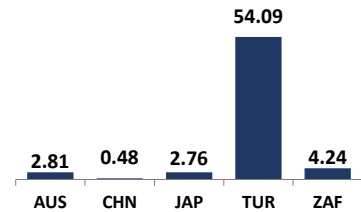
Source: OECD Data, Central Banks of Non-Member Countries.  
(1) Monetary and Economic Union

### AMERICAS



Source: OECD Data, Trading Economics, Central Banks of Non-Member Countries. Data of Ecuador retrieved from INEC.  
(1) Data from 2Q24. 3Q24 data not available.  
(2) LATAM: average of Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, and Peru

### OCEANIA, ASIA, AFRICA



Source: OECD Data, Trading Economics, Central Banks of Non-Member Countries

## Global Ratings and Exchange Rates

### LONG-TERM RATES 3Q24

	MOODY'S	S&P	Fitch
<b>EUROPE</b>			
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa2	AA-	AA-
ITA	Baa3	BBB	BBB
LUX	Aaa	AAA	AAA
NLD	Aaa	AAA	AAA
NOR	Aaa	AAA	AAA
POL	A2	A-	A-
PRT	A3	A-	BBB+
GBR	Aa3	AA	AA-
SWE	Aaa	AAA	AAA
SWT	Aaa	AAA	AAA
<b>AFRICA</b>			
ZAF	Ba2	BB-	BB-
<b>OCEANIA</b>			
AUS	Aaa	AAA	AAA
<b>ASIA</b>			
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B1	BB- ▲	B
<b>AMERICAS</b>			
ARG	Ca	CCC	C
BRA	Ba1 ▲	BB	BB ▲
CAN	Aaa	AAA	AA+
CHL	A2	A	A-
COL	Baa2	BB+	BB+
CRI	Ba3 ▲	BB-	BB-
ECU	Caa3	B-	B-
MEX	Baa2	BBB	BBB-
PER	Baa1	BBB-	BBB
USA	Aaa	AA+	AAA

▲ Increased from 2Q24 ▼ Decreased from 2Q24

Source: Investing

### EXCHANGE RATES 3Q24 (\$¹)

EUROPE	3Q23	4Q23	1Q24	2Q24	3Q24	2024
EUR	0.92	0.93	0.92	0.93	0.91	0.92
CHF	1.13	1.13	1.14	0.90	0.87	0.88
DKK	6.85	6.93	6.87	6.93	6.79	6.90
NOK	10.48	10.81	10.51	10.75	10.70	10.75
SEK	10.81	10.65	10.39	10.68	10.42	10.58
GBP	0.79	0.81	0.79	0.79	0.77	0.78
PLN	4.14	4.10	3.99	3.99	3.90	3.99
AMERICAS	3Q23	4Q23	1Q24	2Q24	3Q24	2024
ARG	334.66	443.71	833.91	885.25	940.59	913.54
BRL	4.89	4.96	4.95	5.21	5.55	5.36
CLP	839.20	895.36	945.96	933.72	903.11	943.76
COP	4,043.78	4,064.32	3,913.15	3,923.29	4,904.54	4,090.76
PER	3.66	3.77	3.74	3.73	3.47	3.76
MXN	17.06	17.54	16.97	17.23	18.93	18.30
AFRICA	3Q23	4Q23	1Q24	2Q24	3Q24	2024
ZAR	18.64	18.73	18.87	18.56	17.97	18.36
OCEANIA	3Q23	4Q23	1Q24	2Q24	3Q24	2024
AUS	1.53	1.54	1.52	1.52	1.49	1.51
ASIA	3Q23	4Q23	1Q24	2Q24	3Q24	2024
RMB	7.24	7.22	7.19	7.24	7.16	7.20
TRY	26.81	28.55	30.90	32.35	33.50	32.77

Source: Investing, OECD projections, December 2024.

(1) The base currency used is the U.S. dollar against each local currency quoted

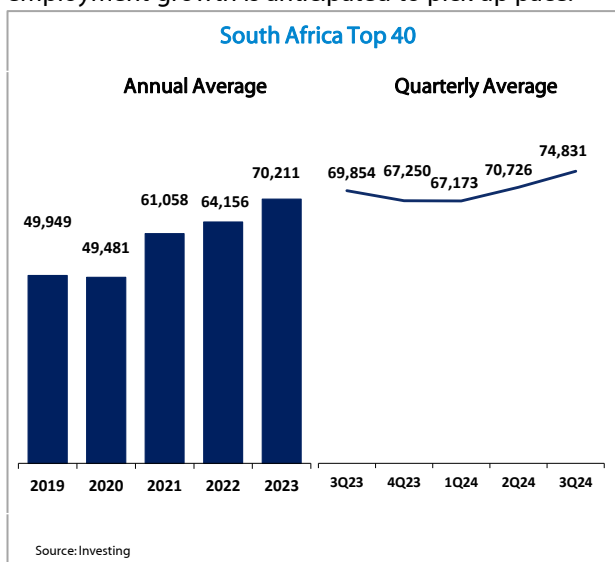
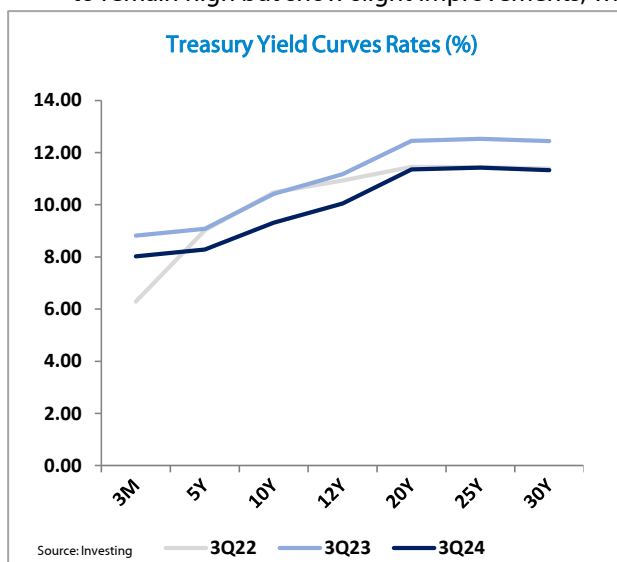
## 2. Macroeconomic view

**South Africa's GDP is expected to gradually recover over the next year, majorly bolstered by capital formation and household consumption, despite ongoing challenges in the labor market and external demand.**

Main Macroeconomic Indicators (%)									
ACTIVITY	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p.2Q24	Var. p.p.3Q23	2024	2025
<b>GDP</b>	<b>-0.50</b>	<b>1.26</b>	<b>0.65</b>	<b>0.31</b>	<b>0.37</b>	<b>0.06</b>	<b>0.87</b>	<b>0.98</b>	<b>1.52</b>
DOMESTIC DEMAND	4.21	4.95	3.50	2.62	4.36	1.74	0.15	0.35	1.79
HOUSEHOLD CONSUMPTION	0.98	0.46	-0.32	0.82	1.48	0.66	0.50	1.18	1.54
PUBLIC CONSUMPTION	2.35	3.01	1.56	0.94	-0.07	-1.01	-2.42	1.41	0.93
CAPITAL FORMATION	1.52	0.88	-2.59	-7.57	-2.78	4.79	-4.30	-2.72	4.04
EXTERNAL DEMAND									
EXPORTS	2.49	6.36	-1.03	-4.18	-6.79	-2.61	-9.28	-1.55	2.82
IMPORTS	-2.44	2.27	-7.09	-8.45	-3.56	4.89	-1.12	-3.50	3.68
<b>INFLATION</b>									
<b>CPI</b>	<b>5.02</b>	<b>5.63</b>	<b>5.42</b>	<b>5.06</b>	<b>4.24</b>	<b>-0.82</b>	<b>-0.78</b>	<b>4.63</b>	<b>3.92</b>
<b>LABOUR MARKET</b>									
<b>UNEMPLOYMENT RATE</b>	<b>31.90</b>	<b>32.10</b>	<b>32.90</b>	<b>33.50</b>	<b>32.10</b>	<b>-1.40</b>	<b>0.20</b>		
<b>EMPLOYMENT <sup>(1)</sup></b>	<b>6.21</b>	<b>4.95</b>	<b>3.41</b>	<b>1.87</b>	<b>1.20</b>	<b>-0.67</b>	<b>-5.01</b>		

(1) The employment variable represents the year-on-year change in employment growth. Source: Statistics South Africa  
Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of December 9th 2024. The series for the other quarters have also been updated to the database as of December 9th, 2024, to gain consistency. Domestic demand source: South African Reserve Bank. Unemployment source: Statistics South Africa. Projections OECD December 2024.

- ▶ In the third quarter of 2024, South Africa's GDP stood at 0.37%, showing a quarterly and annual improvement, with expenditure by households contributing the most to growth in real GDP alongside capital formation which reduced its negative impact in GDP. Looking ahead, projections for 2024 and 2025 indicate a gradual recovery, GDP growth is expected to reach 0.98% in 2024 and 1.52% in 2025. Domestic demand recovered from the two previous quarters, achieving 4.36% in 3Q24.
- ▶ External demand remained weak, with exports declining sharply. Imports also fell, exacerbating the trade deficit. However, both exports and imports are expected to stabilize, with exports growing by 2.82% and imports by 3.68% in 2025, according to OECD projections, boosted by a favorable behavior of ZAR exchange rates in international markets.
- ▶ Domestic inflationary pressures eased somewhat during 2024 as both headline consumer and producer price inflation decelerated, supported by a contained pressure of underlying inflation.
- ▶ The unemployment rate saw a slight quarterly improvement, decreasing to 32.10% from the previous quarter's 33.50%, but employment growth remained slow at 1.20%. The unemployment rate is expected to remain high but show slight improvements, while employment growth is anticipated to pick up pace.



### 3. Banking sector

**During 3Q24, total loans and deposits growth rates continued to decline compared to the same quarter of the previous year. Regarding efficiency, the cost to income ratio improved year-on-year. In general terms, solvency indicators improved quarterly. The South African Reserve Bank lowered interest rate to 8.00%.**

BANKING SECTOR CONTEXT 3Q24 (%)							
BUSINESS	3Q23	4Q23	1Q24	2Q24	3Q24	Var. p.p. 2Q24	Var. p.p. 3Q23
TOTAL LOANS	5.38	4.77	4.79	4.51	4.47	-0.04	-0.91
TOTAL DEPOSITS	7.68	7.64	6.85	4.19	7.25	3.06	-0.43
LTD RATIO	84.58	84.06	84.04	84.95	82.39	-2.56	-2.19
EFFICIENCY							
COST-TO-INCOME RATIO	130.70	124.36	106.56	109.71	120.73	11.02	-9.97
TOTAL INCOME / TOTAL LOANS	39.14	39.68	44.86	41.43	42.48	1.05	3.34
OPERATING EXPENSES / TOTAL LOANS	51.15	49.35	47.80	45.46	51.29	5.83	0.14
SOLVENCY							
CET 1	13.26	13.48	13.21	13.16	13.28	0.12	0.02
TIER 1	14.93	15.19	14.82	14.83	15.01	0.18	0.08
TOTAL CAPITAL RATIO	17.15	17.43	17.28	16.91	17.10	0.19	-0.05
SOUTH AFRICA RESERVE BANK INTEREST RATES							
INTEREST RATES	8.25	8.25	8.25	8.25	8.00	-0.25	-0.25

Source: South African Reserve Bank

- ▶ During 3Q24, total loan growth was 4.47%, which meant a quarterly decrease of 0.04 p.p. and a y-o-y decrease of 0.91 p.p. Total deposits growth rate in the South African banking sector also declined by 0.43 p.p. compared to the same quarter of the previous year, but it increased by 3.06 p.p. compared to 2Q24. The loan-to-deposit (LTD) ratio stood at 82.39% in 3Q24, down 2.19 p.p. from the same quarter in the previous year.
- ▶ Regarding efficiency, the cost to income ratio reached 120.73% in 3Q24. This represented a significant improvement of 9.97 p.p. with respect to the same quarter of the previous year, whereas compared to the prior quarter, the ratio was 11.02 p.p. worse. In addition, total income/total loans ratio was 42.48% in 3Q24. The ratio improved compared to both the same quarter of the last year and the previous quarter, by 3.34 p.p. and 1.05 p.p., respectively. In contrast, operating expenses/total loans ratio worsened both annually and quarterly, by 0.14 p.p. and 5.83 p.p., respectively, recording a level of 51.29% during 3Q24.
- ▶ In terms of solvency, the South African banking sector reached a total capital ratio of 17.10% which represented an annual decrease of 0.05 p.p., and a 0.19 p.p. improvement compared to 2Q24. Tier 1 increased by 0.08 p.p. compared to the same quarter last year, achieving 15.01% in 3Q24. Meanwhile, Common Equity Tier 1 (CET 1) reached 13.28 %, improving compared to both 3Q23 and 2Q24, by 0.02 p.p. and 0.12 p.p., respectively.
- ▶ The South African Reserve Bank decided to lower the interest rate to 8.00%, after the fifth consecutive quarter at 8.25%, decreasing by 0.25 p.p., both annually and quarterly.



## 4. Glossary

- ▶ **BUSINESS VOLUME:** The business volume is the set of activities that generate income for a bank, formed by financing (loans) plus customer resources (deposits).
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **COST TO INCOME:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio is.
- ▶ **COVERAGE RATIO:** It is a ratio that informs us about the protection that financial entities have against the unpaid loans of their clients. It is represented as the total provisions that the entity has over the total doubtful loans.
- ▶ **CPI:** The consumer price index is an indicator that measures the variation of prices of a basket of goods and services in a specific location during a certain period of time.
- ▶ **EFFICIENCY RATIO:** It is a ratio that measures the productivity of an entity. It is the result of the quotient between operating expenses and gross margin. In other words, it relates the income obtained with the expenses necessary for its achievement. As a conclusion, an entity will be more efficient the lower its efficiency ratio.
- ▶ **GDP:** Gross Domestic Product (GDP) is an economic indicator that reflects the monetary value of all final goods and services produced by a territory in a certain period of time. It is used to measure the wealth generated by a country.
- ▶ **GM:** Gross Margin.
- ▶ **GM/ATAs:** Gross Margin / Average Total Assets. Gross margin is composed of the set of revenues generated by a financial entity in its activity.
- ▶ **LEVERAGE RATIO:** The Tier 1 leverage ratio measures a bank's core capital relative to its total assets. The numerator consists of the most stable and liquid capital, as well as the most effective at absorbing losses during a financial crisis or recession. The denominator is a bank's total exposures, which include its consolidated assets, derivative exposures and certain off-balance sheet exposures
- ▶ **LCR (Liquidity Coverage Ratio):** this ratio measures a bank's liquidity. It is calculated as the institution total liquid assets divided by its short-term obligations.
- ▶ **LTD RATIO:** The loan-to-deposit ratio (LDR) is used to evaluate a bank's liquidity by comparing the total loans of a bank with the total deposits during the same period.
- ▶ **OE:** Operating Expenses.
- ▶ **OE/ATAs:** Operating Expenses / Average Total Assets. Operating expenses are those that an entity incurs during the exercise of its activity.
- ▶ **OECD:** Organization for Economic Cooperation and Development.
- ▶ **p.p.:** percentage points.
- ▶ **ROA:** An indicator that measures the profitability of a company in relation to its total assets. It indicates the return that is being obtained for its assets. It is calculated as the quotient between profit and total assets. The profit used is that obtained before taxes and interests.
- ▶ **ROE:** Financial profitability is also known as return on equity, which relates the net profits obtained in a given investment operation with the own resources.
- ▶ **TIER 1:** Tier 1 capital refers to the core capital held in a bank's reserves and is used to fund business activities for the bank's clients. It includes common stock, as well as disclosed reserves and certain other assets
- ▶ **TOTAL CAPITAL:** total regulatory capital divided by total risk-weighted assets

# 5. Appendix

## MACROECONOMIC OVERVIEW

- ▶ Organisation for Economic Co-operation and Development, (OECD):  
<https://www.oecd.org/>
- ▶ South African Reserve Bank:  
<https://www.resbank.co.za/en/home>

## ACRONYMS

▶ DEU - Germany	▶ LUX - Luxembourg	▶ TUR - Turkey	▶ ECU - Ecuador	▶ ZAF - South Africa
▶ BEL - Belgium	▶ NLD - Netherlands	▶ ARG - Argentina	▶ MEX - Mexico	▶ UEM- European Monetary Union
▶ DIN - Denmark	▶ NOR - Norway	▶ BRA - Brazil	▶ PER - Peru	
▶ ESP - Spain	▶ POL - Poland	▶ CAN - Canada	▶ USA- United States	
▶ FIN - Finland	▶ PRT - Portugal	▶ CHL - Chile	▶ AUS - Australia	
▶ FRA - France	▶ GBR- United Kingdom	▶ COL - Colombia	▶ CHN - China	
▶ ITA - Italy	▶ SUE - Sweden	▶ CRI - Costa Rica	▶ JAP - Japan	

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