South Africa outlook report

Fourth quarter of 2024

R & D

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Index

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.

1. International overview

Global growth held steady in late 2024, inflation gradually declined and labor markets improved, though vulnerabilities remain due to persistent inflationary pressures and heightened uncertainty in trade and financial conditions.

Macroeconomic outlook

- The Eurozone experienced year-on-year growth of 1.16% in the fourth quarter of the year, continuing the upward trend observed in previous periods. However, during 4Q24, Germany recorded negative growth. The region's average CPI increased slightly to 2.23% compared to the previous quarter. The average unemployment rate in the eurozone was 6.20%, showing a decrease from the previous quarter, which was 6.33%.
- The UK continued its upward trend in GDP, reaching 1.38% during the last quarter of the year. However, the CPI increased to 3.40% and the unemployment rate also rose to 4.40%, 0.50 p.p. above the 3Q23 level.
- In the fourth quarter of 2024, U.S. GDP grew by 2.48%, reflecting a decrease of 0.23 p.p. compared to the previous quarter. Meanwhile, Canada recorded a growth rate of 2.36%, an increase of 0.48 p.p. from the third quarter. The growth rate in Latin America[1] reached 2.36% in 4Q24. As for inflation, the U.S. experienced an increase from the previous quarter, reaching 2.74%. The average inflation rate in Latin America was 3.39%, excluding Argentina's high rate, which reached 154.36%. In terms of unemployment, the U.S. saw its unemployment rate fall to 4.13%, whereas Canada's rate increased to 6.73%. In Latin America, the average unemployment rate was 5.77%, reflecting a slight decrease compared to 3Q24. Most countries followed this downward trend, except for Costa Rica and Chile, where unemployment rose.
- In the Asia region, China recorded a growth rate of 5.40% in the fourth quarter of 2024, marking a year-on-year increase from 5.30% in 4Q23. Japan maintained its positive trend from the previous quarter, reaching 1.20%. Meanwhile, Turkey reversed its previous downward trend, with growth rising to 2.40% compared to the previous quarter. The inflation rate declined in China, Japan and Turkey, continuing the downward trend observed in earlier periods. Additionally, the unemployment rate in all three countries experienced a slight decrease compared to the previous quarter.
- During the fourth quarter of 2024, South Africa's GDP grew compared to the previous quarter, reaching 0.79%. Inflation continued its downward trend, registering 2.81% in the fourth quarter of the year, compared to 4.24% in the previous quarter. The unemployment rate remained high at 31.90%. In Australia, GDP increased by 0.50 p.p. from 3Q24, reaching 1.27% in 4Q24. The CPI continued its downward trend, standing at 2.42%. The unemployment rate improved by 0.13 p.p. compared to 3Q24, reaching 4.01%.

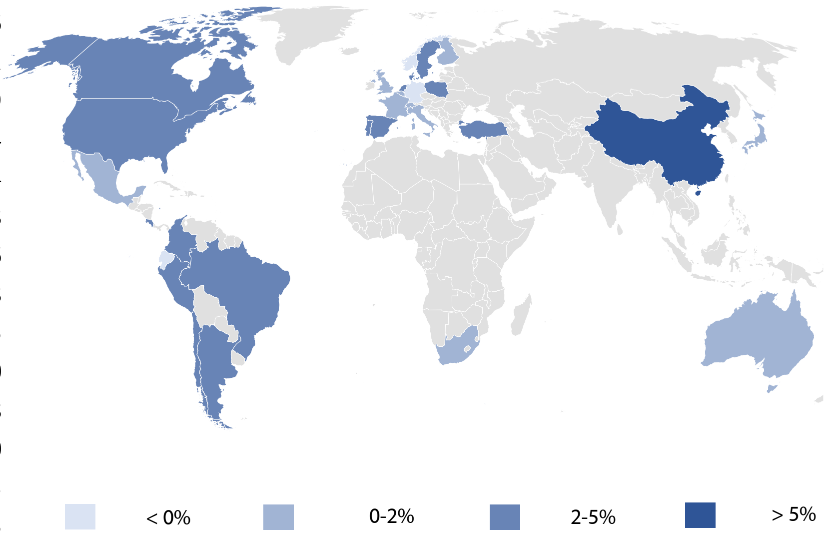
Macroeconomic forecasts and key risks

- The International Monetary Fund projects stable global economic growth of 3.3% in both 2025 and 2026. The U.S. leads among advanced economies with a 2025 growth forecast of 2.7%, driven by strong domestic demand and favorable financial conditions. In contrast, the euro area is expected to grow only 1.0%, hindered by weak manufacturing and geopolitical tensions. In Asia, China is projected to grow by 4.6%, slightly higher than previous estimates, and in Latin America, growth is forecast at 2.5%, despite slowdowns in the region's largest economies. Moreover, global inflation continues to decline, largely due to falling oil prices, though prices for other goods such as food are projected to rise in 2025.
- Short-term risks are divergent—tilted upward in the U.S. but downward in other regions—while medium-term risks are broadly to the downside globally. Trade tensions, political uncertainty, and potential monetary disruptions pose significant threats to future economic stability.
- The OECD is less optimistic and projects that global GDP growth will slow to 3.1% in 2025 and 3.0% in 2026. This deceleration is attributed to rising trade barriers, political and geopolitical uncertainty, and weaker momentum in investment and consumption. In the U.S. growth is expected to fall to 2.2% in 2025, and China is projected to grow by 4.8% in 2025. In the euro area it is projected to reach only 1.0%, in line with the IMF's projections. In terms of prices, the OECD affirms that inflation is expected to fall but remain elevated, though core inflation would stay above target in several countries.
- Regarding risks, major threats include trade fragmentation and tighter monetary policy if inflation persists. On the other hand, agreements to reduce tariffs, improvements in the political environment, or higher public spending could boost growth. The OECD stresses the importance of structural reforms and international cooperation to mitigate these risks and enhance long-term productivity.

(1) The average for Latam countries is based on macroeconomic data for Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru. Data from Ecuador is from 3Q24.

GDP (%, year-on-year growth)

Europe	
BEL	1.10
DEU	-0.16
DNK	4.12
ESP	3.49
FIN	0.84
FRA	0.64
GBR	1.38
ITA	0.56
LUX	1.88
NLD	2.05
NOR	-0.20
POL	3.68
PRT	2.80
SWE	2.33
SWT	1.55
UEM(1)	1.16

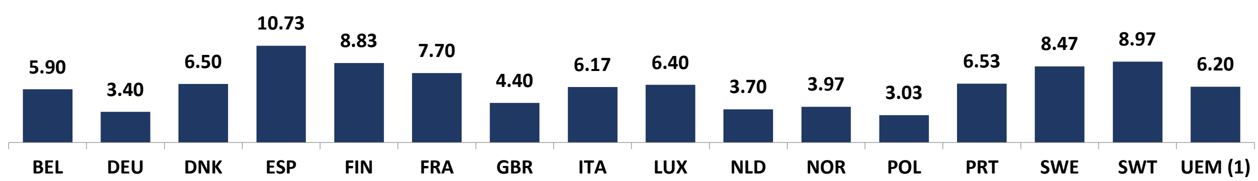


America	
ARG	2.49
BRA	3.26
CAN	2.36
CHL	3.09
COL	2.42
CRI	4.38
ECU(2)	-1.54
MEX	0.53
PER	4.23
LATAM(3)	2.36
USA	2.48
Oceania	
AUS	1.27
Asia	
CHN	5.40
JAP	1.20
TUR	2.40
Africa	
ZAF	0.79

Source: OECD data. Non-member central banks.
(1) Economic and Monetary Union. (2) Data from 3Q24. 4Q24 data not available (3) Latin America: average of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru.

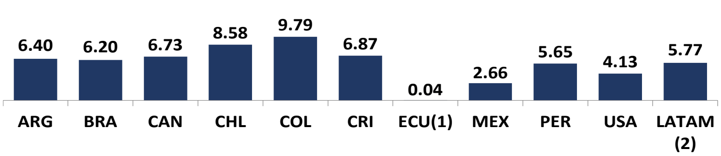
Unemployment rate (%)

EUROPE



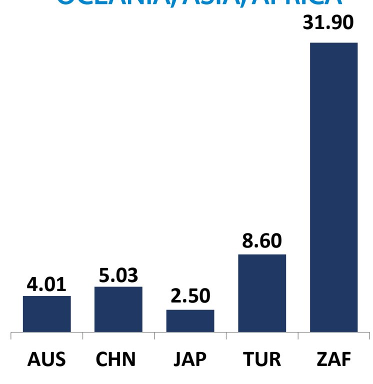
Source: OECD data. Non-member central banks.
(1) UEM: Economic and Monetary Union

AMERICAS



Source: OECD data. Non-member central banks. Data for Ecuador retrieved from INEC.
(1) Data from 3Q24. 4Q24 data not available
(2) LATAM: average of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico and Peru

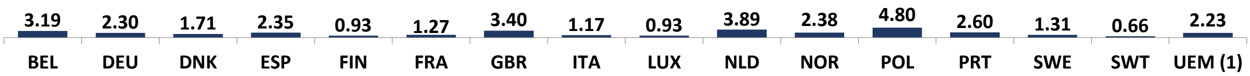
OCEANIA, ASIA, AFRICA



Source: OECD Data. Central Banks of Non-Member Countries.

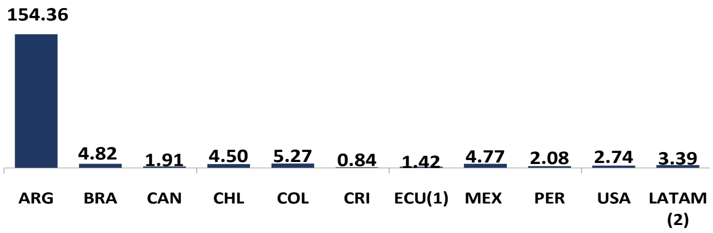
Inflation rate (%)

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 for Ecuador retrieved from INEC.
(1) Data from 3Q24. 4Q24 data not available.
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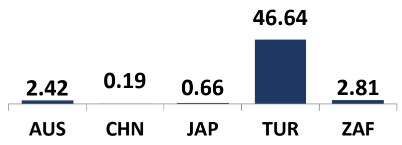
OCEANIA, ASIA, AFRICA



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

Global Ratings and Exchange Rates

LONG-TERM RATES 4Q24

	MOODY'S	S&P	Fitch
		EUROPE	
BEL	Aa3	AA	AA-
DEU	Aaa	AAA	AAA
DNK	Aaa	AAA	AAA
ESP	Baa1	A	A-
FIN	Aa1	AA+	AA+
FRA	Aa3 ▼	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
		AFRICA	
ZAF	Ba2	BB-	BB-
		OCEANIA	
AUS	Aaa	AAA	AAA
		ASIA	
CHN	A1	A+	A+
JAP	A1	A+	A
TUR	B1	BB-	B
		AMERICAS	
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 3Q24 ▼ Decreased from 3Q24

Source: Investing

EXCHANGE RATES 4Q24 ($[1])

EUROPE	4Q23	1Q24	2Q24	3Q24	4Q24	2025
EUR	0.93	0.92	0.93	0.91	0.94	0.95
CHF	1.13	1.14	0.90	0.87	0.88	0.89
DKK	6.93	6.87	6.93	6.79	7.00	7.08
NOK	10.81	10.51	10.75	10.70	11.02	11.16
SEK	10.65	10.39	10.68	10.42	10.78	10.98
GBP	0.81	0.79	0.79	0.77	0.78	0.79
PLN	4.10	3.99	3.99	3.90	4.03	4.12
AMERICAS	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**2025**
ARG	443.71	833.91	885.25	940.59	999.45	998.25
BRL	4.96	4.95	5.21	5.55	5.84	5.79
CLP	895.36	945.96	933.72	903.11	963.71	973.93
COP	4,064.32	3,913.15	3,923.29	4,904.54	4,348.68	4,484.94
PER	3.77	3.74	3.73	3.47	3.75	3.81
MXN	17.54	16.97	17.23	18.93	20.07	20.41
AFRICA	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**2025**
ZAR	18.73	18.87	18.56	17.97	17.90	18.21
OCEANIA	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**2025**
AUS	1.54	1.52	1.52	1.49	1.53	1.55
ASIA	**4Q23**	**1Q24**	**2Q24**	**3Q24**	**4Q24**	**2025**
RMB	7.22	7.19	7.24	7.16	7.19	7.23
TRY	28.55	30.90	32.35	33.50	34.52	34.33

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 economy showed modest improvement in 4Q24, with positive GDP growth and easing inflation. External demand showed mixed signals, with imports continuing to decrease and exports also declining compared to the previous year. Labor market presented persistent challenges.

Main Macroeconomic Indicators (%)

ACTIVITY	4Q23	1Q24	2Q24	3Q24	4Q24	Var. p.p.3Q24	Var. p.p.4Q23	2025	2026
GDP	**1.26**	**0.68**	**0.29**	**0.56**	**0.79**	0.23	-0.47	**1.52**	**1.73**
DOMESTIC DEMAND	4.95	2.93	1.83	4.02	2.05	-1.97	-2.90	1.79	1.47
HOUSEHOLD CONSUMPTION	0.46	-0.28	0.76	1.37	2.28	0.91	1.82	1.54	1.45
PUBLIC CONSUMPTION	3.01	1.61	0.85	-0.24	-0.64	-0.40	-3.65	0.93	-0.35
CAPITAL FORMATION	0.88	-2.42	-7.13	-2.28	-2.77	-0.49	-3.65	4.04	4.13
EXTERNAL DEMAND									
EXPORTS	6.36	1.02	-0.09	-5.26	-3.76	1.50	-10.12	2.82	3.00
IMPORTS	2.27	-7.06	-8.49	-3.86	-5.69	-1.83	-7.96	3.68	2.00
INFLATION									
CPI	**5.65**	**5.41**	**5.04**	**4.24**	**2.81**	-1.43	-2.84	**3.92**	**4.48**
LABOUR MARKET									
UNEMPLOYMENT RATE	**32.10**	**32.90**	**33.50**	**32.10**	**31.90**	-0.20	-0.20		
EMPLOYMENT [(1)]	**4.95**	**3.41**	**1.87**	**1.20**	**2.12**	0.92	-2.83		

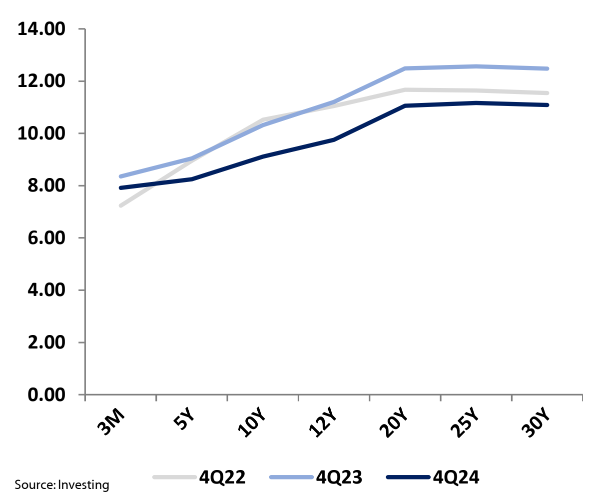
(1) The employment variable represents the year-on-year change in employment growth. Source: South Africa Statistics
Source: quarterly data extracted from the Organization for Economic Cooperation and Development (OECD) as of March 21st 2025. The series for the other quarters have also been updated in the database as of March 21st, 2025, to ensure consistency. Domestic demand source: South African Reserve Bank. Unemployment source: South Africa Statistics. OECD projections, December 2024.

- In the fourth quarter of 2024, South Africa's GDP grew by 0.79%, registering a quarterly increase of 0.23 p.p., though it remained 0.47 p.p. below the same period in 2023. Household consumption was the main contributor to domestic demand, led by a rebound in agricultural production, growing by 2.28%. Public consumption and capital formation contracted by -0.64% and -2.77%, respectively. External demand remained weak, with exports declining by -3.76%, although they improved by 1.50 p.p. on a quarterly basis. Imports decreased by -5.69%, narrowing the trade deficit.

- Inflationary pressures continued to ease, declining significantly to 2.81%. This was mainly due to favorable goods price developments, including food inflation reaching 15-year lows, as well as lower fuel costs and electricity tariffs. The labor market showed a slight quarterly improvement. The unemployment rate fell to 31.90%, 0.20 p.p. lower than in 3Q24. Employment increased by 2.12%, 0.92 p.p. higher than the previous quarter.

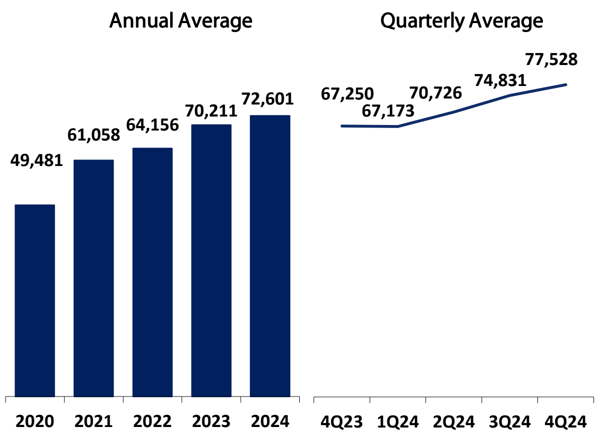
- According to the OECD, GDP growth is expected to be 1.52% in 2025 and 1.73% in 2026. Investment is also forecast to recover in the coming years. In addition, inflation is expected to rise to 3.92% in 2025 and 4.48% in 2026.

Treasury Yield Curves Rates (%)



Source: Investing

South Africa Top 40



Source: Investing

3. Banking sector

During 4Q24, 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 worsened both annually and quarterly. The South African Reserve Bank lowered the interest rate to 7.75%.

BANKING SECTOR CONTEXT 4Q24 (%)

BUSINESS	4Q23	1Q24	2Q24	3Q24	4Q24	Var. p.p. 3Q24	Var. p.p. 4Q23
TOTAL LOANS(1)	4.77	4.79	4.51	4.47	4.17	-0.30	-0.60
TOTAL DEPOSITS(1)	7.64	6.85	4.19	7.25	6.71	-0.54	-0.93
LTD RATIO	84.06	84.04	84.95	82.39	82.06	-0.33	-2.00
EFFICIENCY							
COST-TO-INCOME RATIO	57.03	56.96	56.86	56.69	56.61	-0.08	-0.42
TOTAL INCOME / TOTAL LOANS	39.68	44.86	41.43	42.48	42.07	-0.41	2.39
OPERATING EXPENSES / TOTAL LOANS	49.35	47.80	45.46	51.29	49.29	-2.00	-0.06
SOLVENCY							
CET 1	13.48	13.21	13.16	13.28	13.16	-0.12	-0.32
TIER 1	15.19	14.82	14.83	15.01	14.90	-0.11	-0.29
TOTAL CAPITAL RATIO	17.43	17.28	16.91	17.10	17.21	0.11	-0.22
SOUTH AFRICA RESERVE BANK INTEREST RATES							
INTEREST RATES	8.25	8.25	8.25	8.00	7.75	-0.25	-0.50

Source: South African Reserve Bank
(1) The values for loans and deposits reflect their year-on-year growth rates.

- In 4Q24, total loans growth was 4.17%, which meant a quarterly decrease of 0.30 p.p. and a y-o-y decrease of 0.60 p.p. The growth rate of total deposits in the South African banking sector also declined by 0.93 p.p. compared to the same quarter of the previous year, and by 0.54 p.p. compared to 3Q24. The loan-to-deposit (LTD) ratio stood at 82.06% in 4Q24, down 2.00 p.p. from the same quarter of the previous year.
- Regarding efficiency, the cost-to-income ratio recorded 56.61% in 4Q24. This represented an improvement of -0.42 p.p. and -0.08 p.p., with respect to the same quarter of the previous year and the prior quarter, respectively. In addition, total income/total loans ratio was 42.07% in 4Q24. The ratio improved compared to the same quarter of the last year by 2.39 p.p., whereas it worsened by 0.41 p.p. in comparison to 3Q24. In contrast, operating expenses/total loans ratio improved both annually and quarterly, by 0.06 p.p. and 2.00 p.p., respectively, recording a level of 49.29% during 4Q24.
- In terms of solvency, the South African banking sector reached a Common Equity Tier 1 (CET 1) of 13.16% which represented an annual and quarter decrease of 0.32 p.p. and a 0.12 p.p., respectively. Tier 1 decreased by 0.29 p.p. compared to the same quarter last year, achieving 14.90% in 4Q24. Meanwhile, total capital ratio reached 17.21%, improving by 0.11 p.p. compared to 3Q24, but worsening by 0.22 p.p. with respect to 4Q23.
- The South African Reserve Bank lowered the interest rate to 7.75%, decreasing both annually and quarterly by 0.50 p.p. and 0.25 p.p., respectively. This decision of the South African Reserve Bank intended to support economic growth by easing monetary conditions, as inflation pressures eased.

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

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