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# SOUTH AFRICA

| Table 1 | 2023 |
|---|---|
| Population, million | 60.5 |
| GDP, current US$ billion | 378.0 |
| GDP per capita, current US$ | 6248.5 |
| International poverty rate ($2.15)[a] | 20.5 |
| Lower middle-income poverty rate ($3.65)[a] | 40.0 |
| Upper middle-income poverty rate ($6.85)[a] | 61.6 |
| Gini index[a] | 63.0 |
| School enrollment, primary (% gross)[b] | 98.1 |
| Life expectancy at birth, years[b] | 62.3 |
| Total GHG emissions (mtCO2e) | 580.1 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ Most recent WDI value (2021).

*South Africa's economic growth slowed to 0.6 percent in 2023, undermined by constraints on products and input markets and a broad-based decline in public service delivery (electricity supply, transport and logistics, public safety). As this weak growth trailed population growth, per capita income contracted by 0.4 percent. The unemployment rate remains above 30 percent amid limited labor demand. Ahead of general elections in May, the 2024 Budget further extended social support introduced during the pandemic while maintaining plans to stabilize debt.*

## Key conditions and challenges

South Africa's economy remains crippled by multiple structural constraints, including electricity shortages, transport bottlenecks (ports and freight rail), and a high crime rate. Reforms to address them continue to advance at a slow pace due to declining state implementation capacity and a lack of political consensus. Social indicators remain dismal. Poverty is high – estimated at 62.7 percent in 2023 when using the upper-middle-income poverty line – and inequality remains among the highest in the world. Progress on extending access to basic services (such as water, electricity, and refuse collection) is stalling. Vulnerability to hunger has increased since the COVID-19 pandemic. An estimated 12.9 percent of the population was at risk of hunger in 2022, despite the expansion of social grants.

In the absence of structural reforms, the impact of fiscal policy on output (the fiscal multiplier) has been low and declining, reflecting inefficiencies in the allocation of resources and deteriorating state capacity. Social spending has mitigated hardship, but weak job creation has hampered progress in reducing poverty. Higher public sector wages and transfers to poorly performing state-owned enterprises have crowded out public investment, contributing to the erosion of the country's public capital stock. Monetary policy is sound, credible, and consistent with the South African Reserve Bank's price stability mandate.

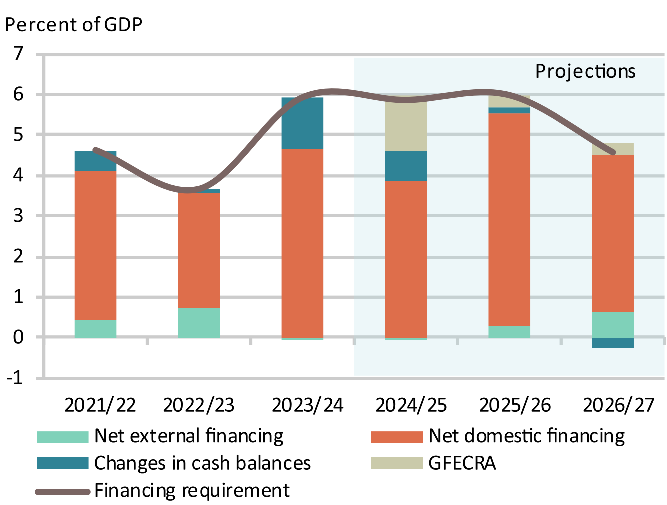
The political economy is complex. Amid growing discontent with economic prospects and dismal public service delivery, the African National Congress (ANC) is set to face highly contested general elections this year. Hence, there is uncertainty around the economic policies the new government will prioritize.

## Recent developments

Real GDP growth slowed from 1.9 percent in 2022 to 0.6 percent in 2023. On the spending side, private investment in alternative energy supported growth, but a drawdown on inventories and weak net export performance had a negative impact on growth. Domestic consumption remained constrained by poor labor market outcomes and fiscal expenditure restraint. On the sectoral side, mining and manufacturing were affected by power outages and transport bottlenecks. The services sectors performed better. Extreme weather events, including floods, severe storms, and droughts in several provinces negatively affected agricultural output and had significant human and social costs.

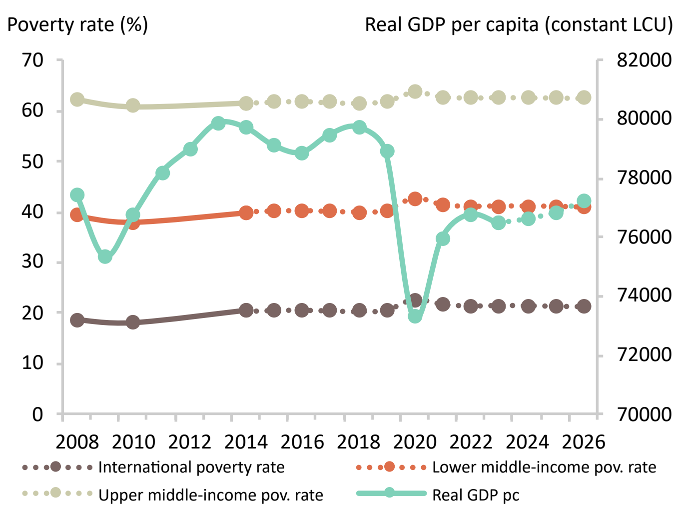
The unemployment rate averaged 32.4 percent in 2023, with the rate for those aged 15-34 at 44.9 percent. Even though more jobs were created in 2023 – about 790,000 jobs – the pace of job creation is not keeping up with the growing labor

**FIGURE 1 South Africa** / Government financing




Sources: National Treasury and World Bank.

**FIGURE 2 South Africa** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

force, resulting in rising numbers of unemployed people.

Consumer inflation, supported by sound monetary policy and lower global commodity prices, declined from 6.9 percent in 2022 to 6.0 percent in 2023. The South African Reserve Bank left the key interest rate unchanged at 8.25 percent since May 2023. Yet, high food and fuel prices disproportionately affected the most vulnerable people: the poorest 20 percent of households faced an inflation rate of 9.3 percent.

The current account deficit widened from 0.5 percent of GDP in 2022 to 1.6 percent of GDP in 2023, due to deteriorating terms of trade (-4.8 percent in 2023), and logistics constraints on exports. Lower global commodity prices for South Africa's key exports contributed to weaker fiscal revenue and, together with rising debt-service payments and persistent spending pressures, negatively impacted fiscal outcomes. The fiscal deficit reached an estimated 6 percent of GDP in 2023/24, and public debt reached an estimated 73.9 percent of GDP over the same period.

# *Outlook*

Persistent structural constraints limit South Africa's economic potential. Real GDP growth is projected to average 1.3 percent over 2024-26, as energy sector reforms are expected to improve electricity supply gradually. To accelerate the growth trajectory, broad-based reforms and faster implementation are urgently needed.

Inflation is expected to continue to decline, easing the cost-of-living pressures on households. The labor market is expected to remain weak, driven by subdued private sector activity, skills mismatches, and cumbersome labor regulations. This will translate into unemployment rates in the order of 32 percent over 2024-26. The weak labor market will continue to weigh on households' consumption and progress on social outcomes. The upper-middle-income poverty rate is projected to remain high, at 62.5 percent in 2026.

Less favorable terms of trade and persistent transport bottlenecks are expected to weigh on external balances. The current account deficit is expected to widen to 2.8 percent of GDP in 2024 and to 3 percent of GDP by 2026. Nonetheless, it is projected to remain financed by foreign capital inflows.

The fiscal trajectory is projected to improve gradually over the medium term. However, spending allocations remain tilted toward current expenditure. Public capital spending is projected below 3 percent of GDP over 2024-26 due to limited fiscal space. The government is planning to draw down about US$8 billion from the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) – an account at the central bank recording foreign exchange valuation changes in rand–over the next three years to reduce its borrowing requirements, which is expected to translate into slower debt accumulation. Public debt is projected to reach about 78 percent of GDP in 2026. However, pressures on public wages and state-owned enterprises, the extension of the COVID-19 social relief of distress grant, persistently high interest rates, and high risks to growth and revenue could put fiscal consolidation at risk.

**TABLE 2 South Africa** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2021 | 2022 | 2023e | 2024f | 2025f | 2026f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 4.7 | 1.9 | 0.6 | 1.2 | 1.3 | 1.5 |
| Private consumption | 5.8 | 2.5 | 0.7 | 1.4 | 1.4 | 1.4 |
| Government consumption | 0.5 | 1.0 | 2.1 | -0.8 | -0.3 | -0.4 |
| Gross fixed capital investment | 0.6 | 4.8 | 4.2 | 4.2 | 4.0 | 4.0 |
| Exports, goods and services | 9.1 | 7.4 | 3.5 | 2.2 | 2.5 | 3.0 |
| Imports, goods and services | 9.6 | 14.9 | 4.1 | 3.8 | 3.0 | 3.0 |
| **Real GDP growth, at constant factor prices** | 4.4 | 1.9 | 0.6 | 1.2 | 1.3 | 1.5 |
| Agriculture | 7.4 | 0.9 | -12.2 | 12.7 | 2.0 | 2.0 |
| Industry | 6.2 | -2.5 | -0.1 | 0.3 | 1.1 | 1.6 |
| Services | 3.8 | 3.4 | 1.3 | 1.1 | 1.3 | 1.4 |
| **Inflation (consumer price index)** | 4.5 | 6.9 | 6.0 | 4.9 | 4.5 | 4.5 |
| **Current account balance (% of GDP)** | 3.7 | -0.5 | -1.6 | -2.8 | -3.0 | -3.0 |
| **Net foreign direct investment inflow (% of GDP)** | 9.7 | 1.6 | 2.0 | 1.5 | 1.5 | 1.5 |
| **Fiscal balance (% of GDP)**[a] | -4.6 | -3.6 | -6.0 | -5.9 | -6.0 | -4.5 |
| **Revenues (% of GDP)** | 27.8 | 28.2 | 27.3 | 27.3 | 27.3 | 27.4 |
| **Debt (% of GDP)** | 67.8 | 70.9 | 73.9 | 74.5 | 76.9 | 78.0 |
| **Primary balance (% of GDP)** | -0.4 | 0.9 | -1.0 | -0.6 | -0.6 | 1.1 |
| **International poverty rate ($2.15 in 2017 PPP)**[b,c] | 21.7 | 21.5 | 21.5 | 21.5 | 21.4 | 21.4 |
| **Lower middle-income poverty rate ($3.65 in 2017 PPP)**[b,c] | 41.4 | 41.1 | 41.1 | 41.1 | 41.1 | 40.9 |
| **Upper middle-income poverty rate ($6.85 in 2017 PPP)**[b,c] | 62.8 | 62.6 | 62.7 | 62.6 | 62.6 | 62.5 |
| **GHG emissions growth (mtCO2e)** | 3.2 | 3.7 | -1.1 | 0.7 | 1.0 | 1.4 |
| **Energy related GHG emissions (% of total)** | 78.3 | 78.8 | 78.4 | 78.4 | 78.4 | 78.4 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The Eskom debt-relief arrangement is reported above the line, in expenditures.
b/ Calculations based on 2014-LCS. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.