P R E S S R E L E A S E

SA Economic Outlook for 2015

By Coface, the international credit insurer

	12Q2	12Q3	12Q4	13Q1	13Q2	13Q3	13Q4	14Q1	14Q2	14Q3	14Q4
Economic growth (%)	2.8	2.1	1.8	1.8	2.2	1.8	2.9	1.9	1.3	1.6	1.3
Gold avg. USD/Ounce	1613	1766	1700	1615	1400	1325	1300	1275	1275	1250	1219
Current account Balance (%GDP)	-6.4	-	-6.6	-6	-5.8	-6.3	-6.8	-6.4	-6.4	-5.8	-5.4
Prime Interest rate (%)	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.5	9.5	9.75	9.75
Inflation rate (%)	4.9	5.6	5.8	5.9	6.3	6.1	5.4	6.2	6.2	5.8	5.3
Unemployment rate (%)	24.9	25.5	24.9	25.2	25.6	25.7	24.1	25.1	25.1	25.4	24.3

South Africa has a relatively heavy regulation burden compared to most developed countries. Rising wages, poverty, inequalities, high unemployment and a shortage of qualified labour are other challenges facing SA.

Global economic growth projections have been revised down in recent months, and the pattern of slow growth is likely to persist, with consequences for all developing economies. South Africa's gross domestic product (GDP) forecast for 2015 has also been revised down. The National Treasury projects GDP growth of 2 per cent in 2015, rising to 3 percent by 2017.

The moderately improving growth outlook will be supported by continued economic growth in much of sub-Saharan Africa, as well as better terms of trade and inflation gains associated with the lower oil price and a more competitive rand exchange rate. Inadequate electricity supply, however, will impose a serious constraint on output and exports over the short term. The South African government is working with Eskom to mitigate the impact of power cuts. These measures include stepping up maintenance to ensure reliability of supply, renewing existing co-generation agreements and entering into new ones with private firms, as well as expediting the completion of new power stations.

At the end of 2014, government invited independent power producers to build coalfired power stations providing up to 2 500MW of electricity. Efforts are also under way to secure additional supply from gas and renewable sources. In combination, these efforts will improve the availability of electricity over the medium term, and plans are under way to ensure that South Africa can generate sufficient energy to power its economy over the long term.

Lower commodity prices, slow growth among trading partners and volatility in global monetary policy and capital flows will directly affect South Africa. The European monetary stimulus is expected to have a muted impact on GDP growth in Europe, and the anticipated weakness of the euro will limit South Africa's currency competitiveness. Weaker commodity demand from China, in particular, is expected to have a negative effect on South Africa's exports.

South Africa's growing trade links with sub-Saharan Africa, where investment has begun to diversify towards manufacturing, services and infrastructure, should continue to provide expanded export markets, though there may be negative effects from reduced Chinese demand. In the short term, lower oil prices are expected to reduce transport costs and improve the terms of trade. Disciplined government spending will reduce the economy's vulnerability to capital outflows, and creating sufficient space for monetary policy to support investment and a competitive real exchange rate.

About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2013, the Group, supported by its 4,440 staff, posted a consolidated turnover of €1.440 billion. Present directly or indirectly in 98 countries, it secures transactions of over 37,000 companies in more than 200 countries. Each quarter, Coface publishes its assessments of country risk for 160 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.
In France, Coface manages export public guarantees on behalf of the French State.

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