

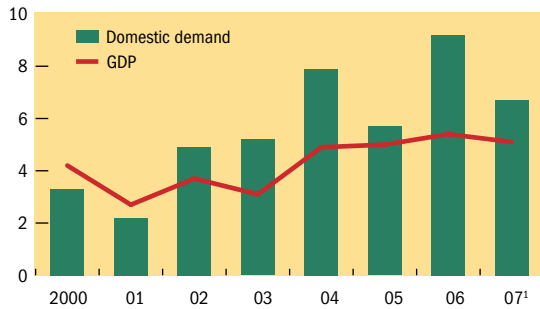


SOUTH AFRICA

South Africa is seeing its longest expansion, thanks in part to sound policies. But inflation has risen, power supply constrains growth, a widening current account deficit raises vulnerability, and unemployment remains high.

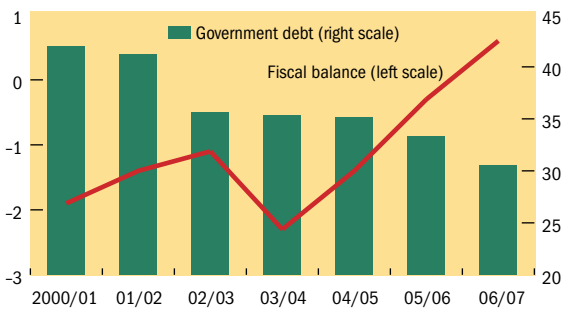
Strong domestic demand has helped spur growth in the past few years . . .

(annual percent change)



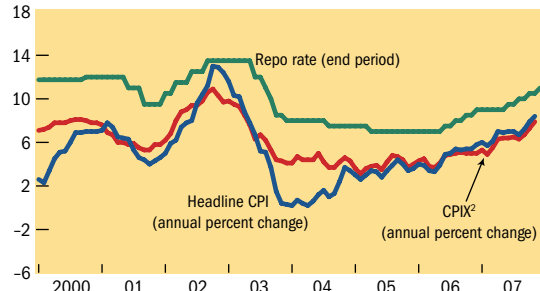
. . . contributing to a steady reduction in public debt and the first fiscal surplus in decades.

(percent of GDP)



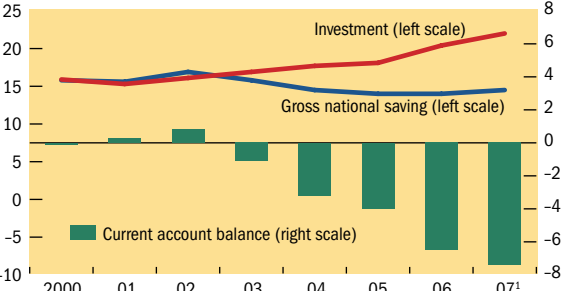
But that strong demand, along with rising global food and fuel prices, has increased inflation, prompting the central bank to raise interest rates . . .

(percent)



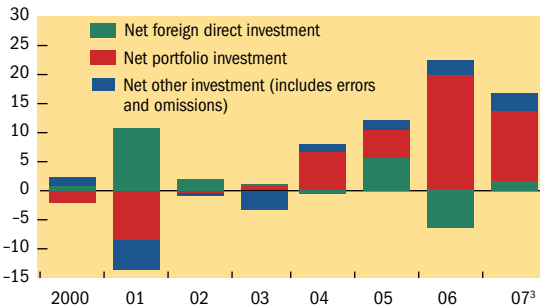
. . . and it has fueled a widening current account deficit, which has reflected falling national savings and rising investment.

(percent of GDP)



So far, the current account deficit has been more than offset by capital inflows, but reliance on portfolio flows increases vulnerability in today's global environment.

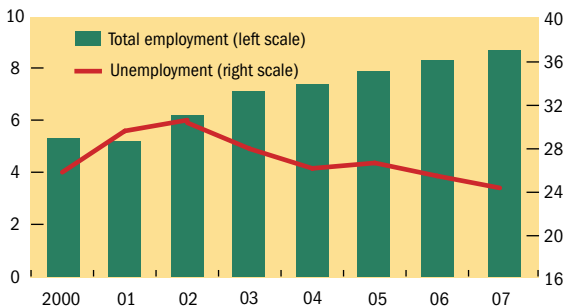
(billion dollars)



A main challenge is lowering unemployment, still high despite vigorous job growth.

(millions of persons)

(percent of labor force)



Sources: South African Reserve Bank; Statistics South Africa; and IMF staff estimates.

¹Estimate.

²Consumer price index excluding mortgage interest (targeted by Reserve Bank).

³Through third quarter.