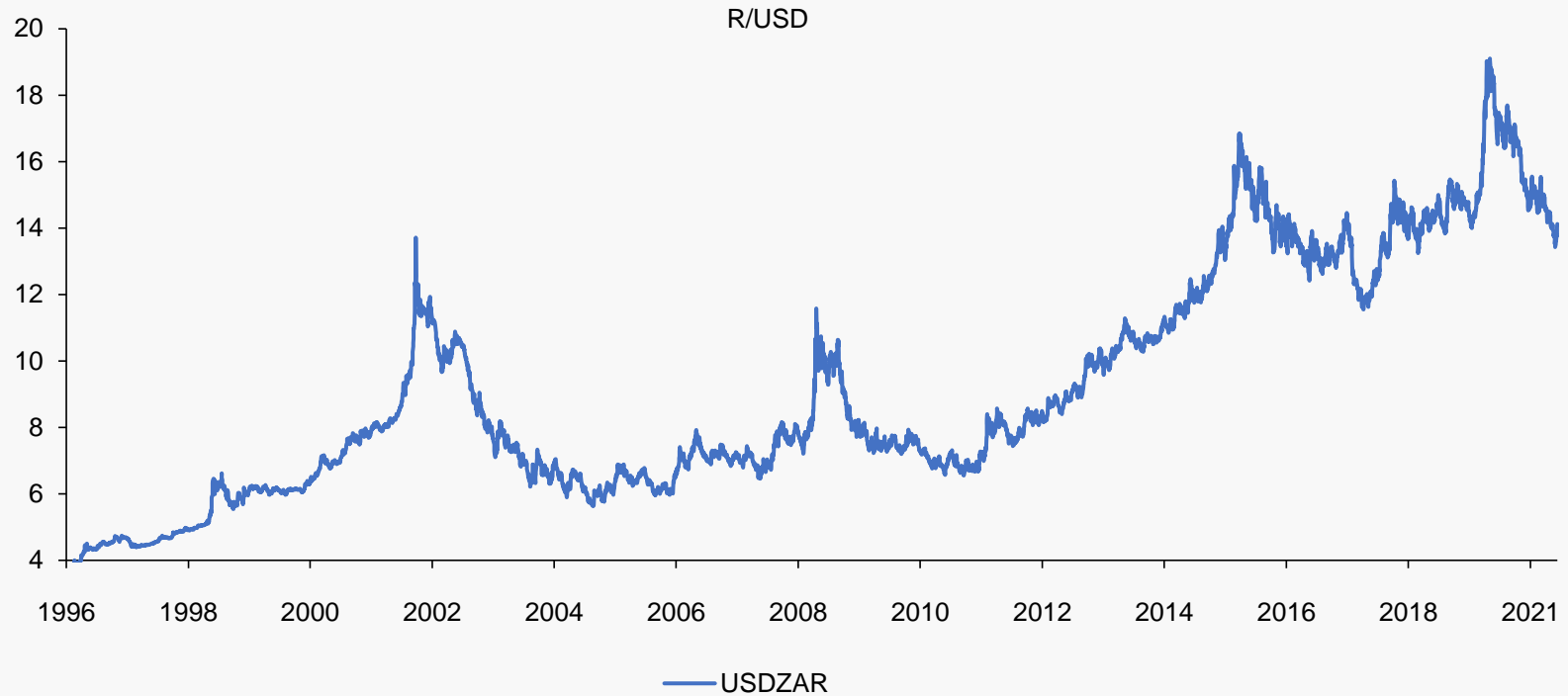




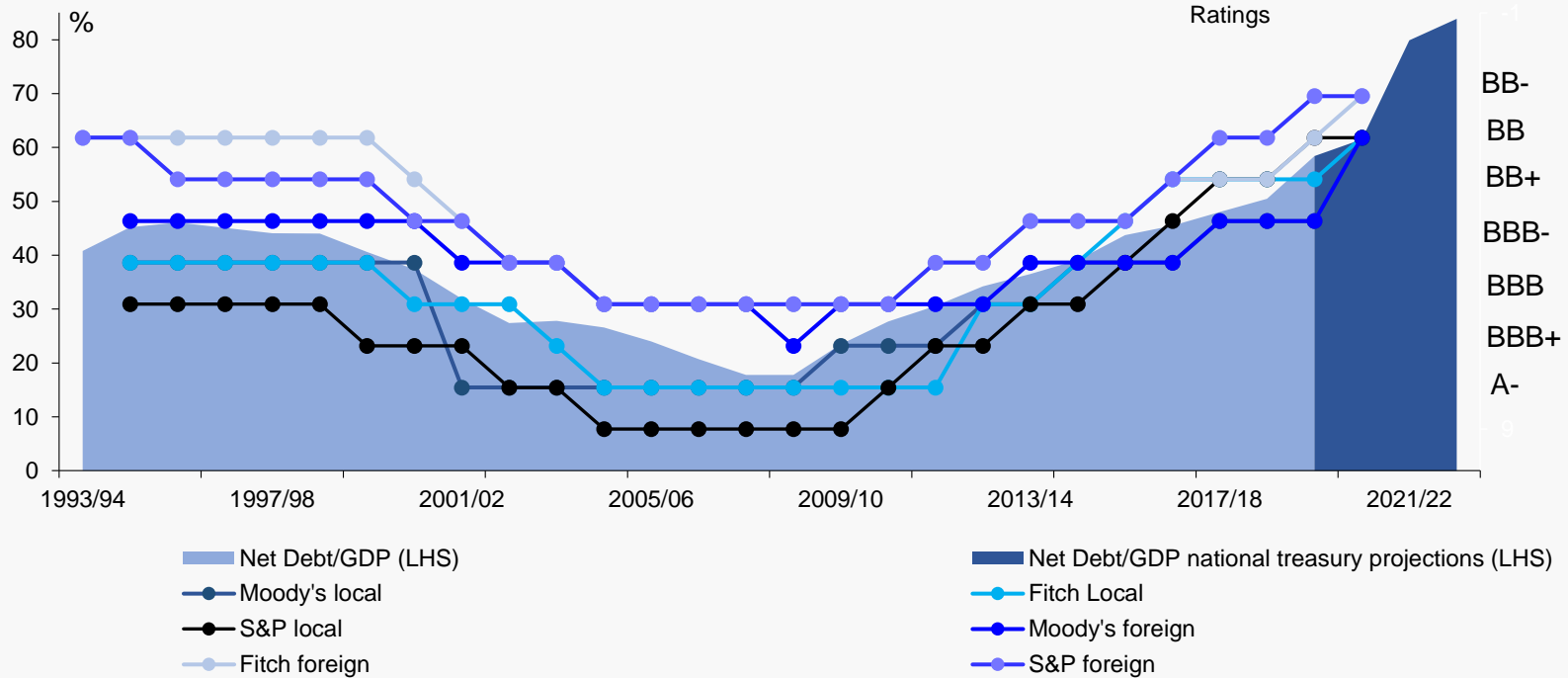
The elephant
IN THE ROOM

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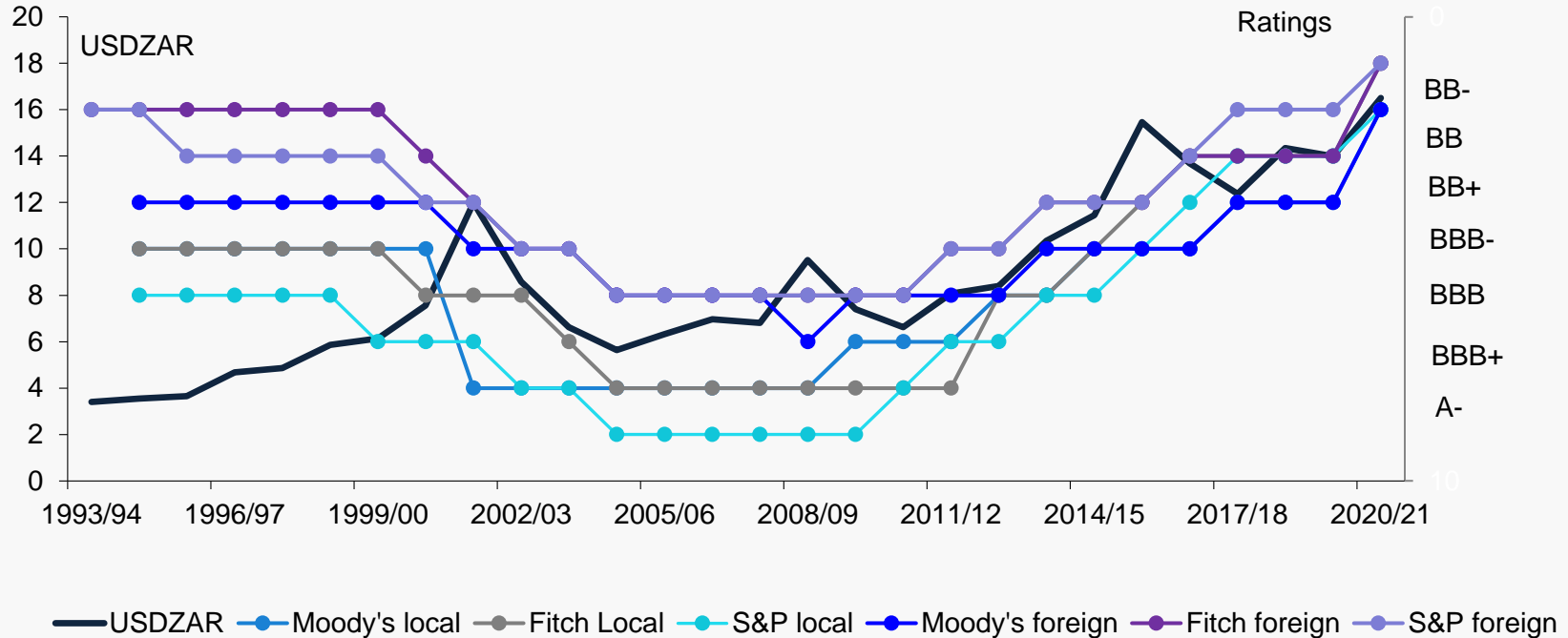
Long-term trend of the rand



Local currency long-term sovereign debt credit ratings vs. government debt as % GDP

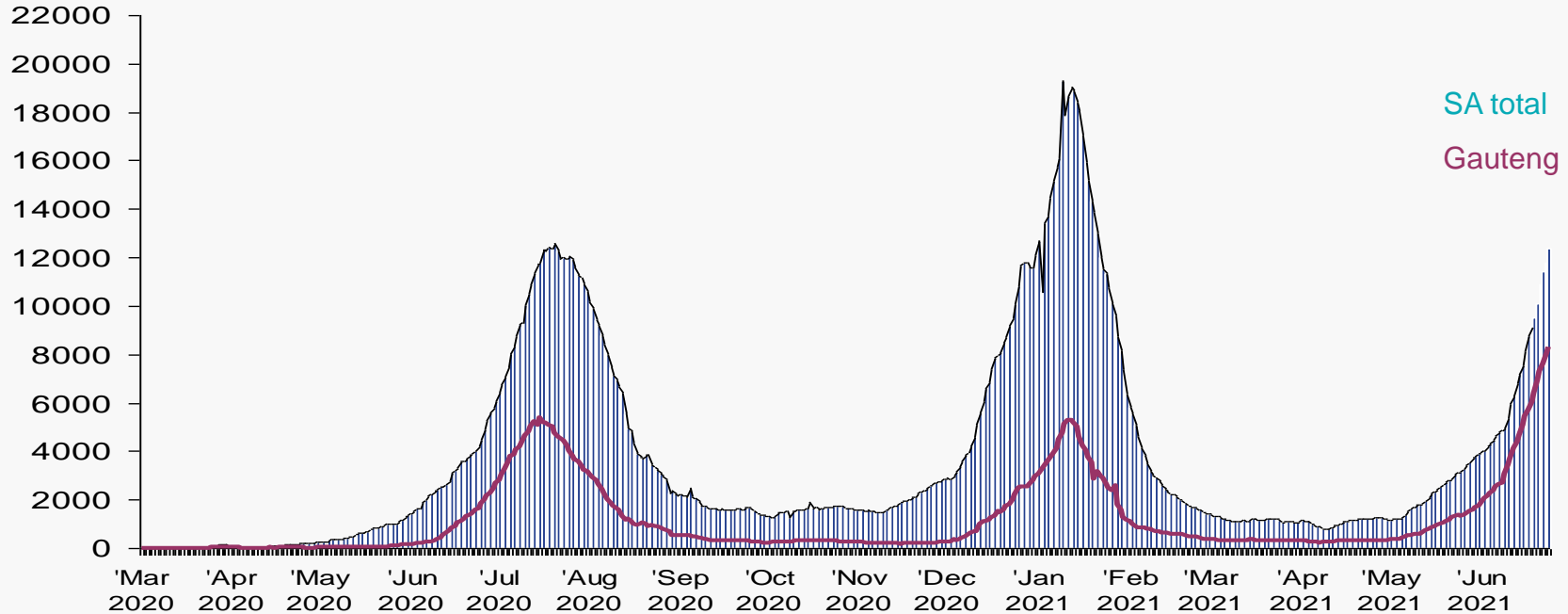


Long-term sovereign debt credit ratings vs USDZAR



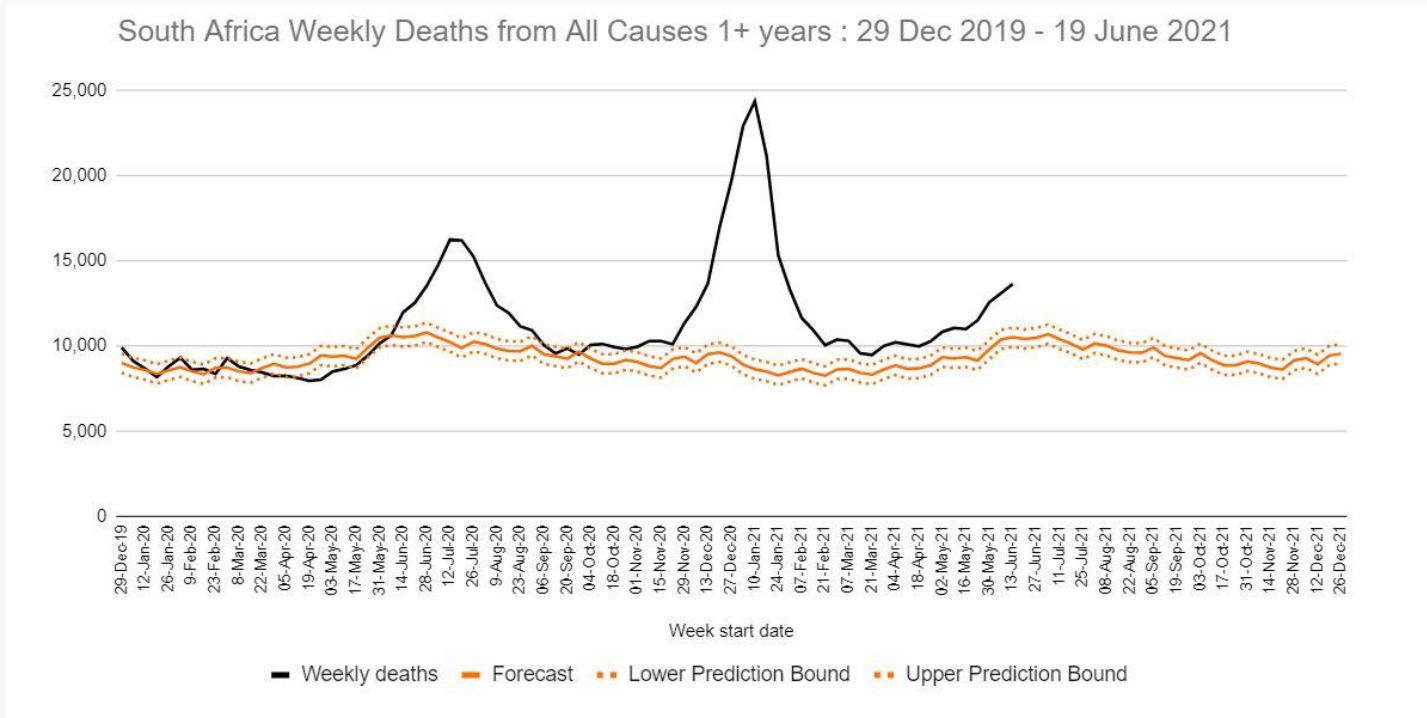
Rate of new Coronavirus infections in SA vs Gauteng

Daily increase in infections (weekly average)



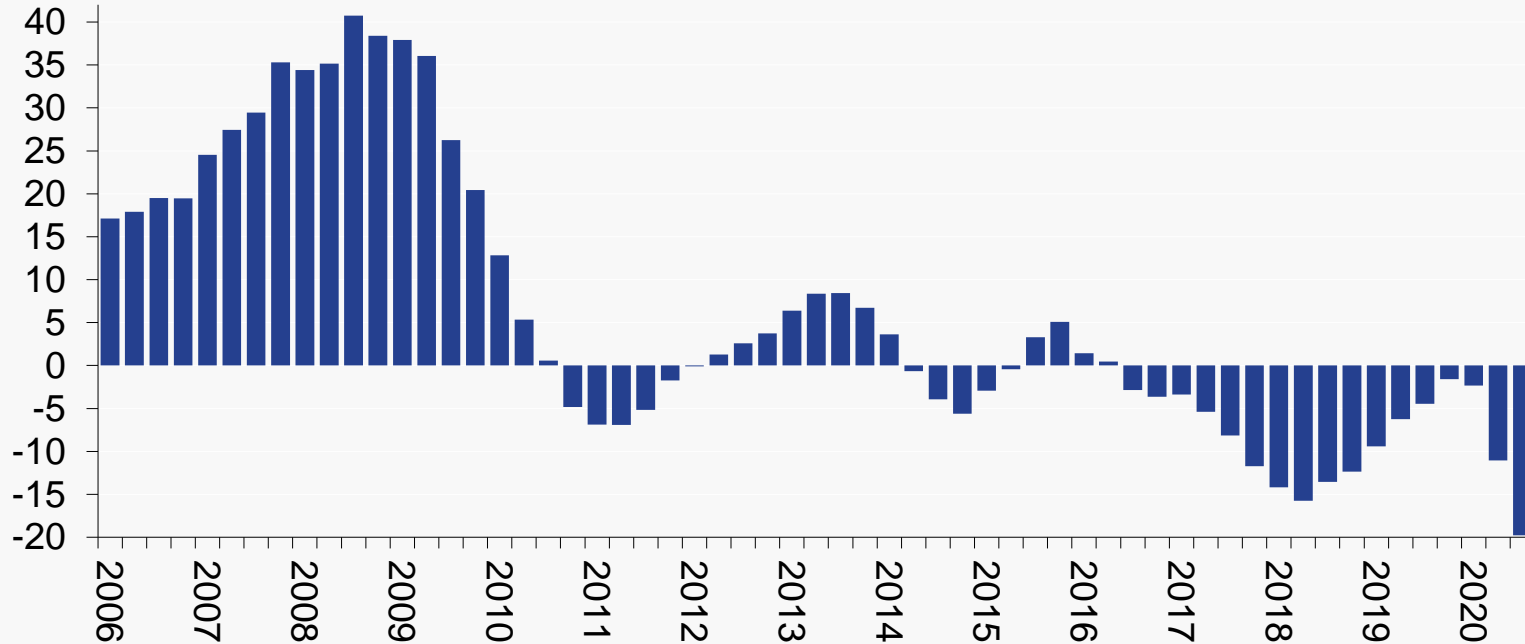
South African weekly deaths from all causes

Number, all causes, 1+ years old



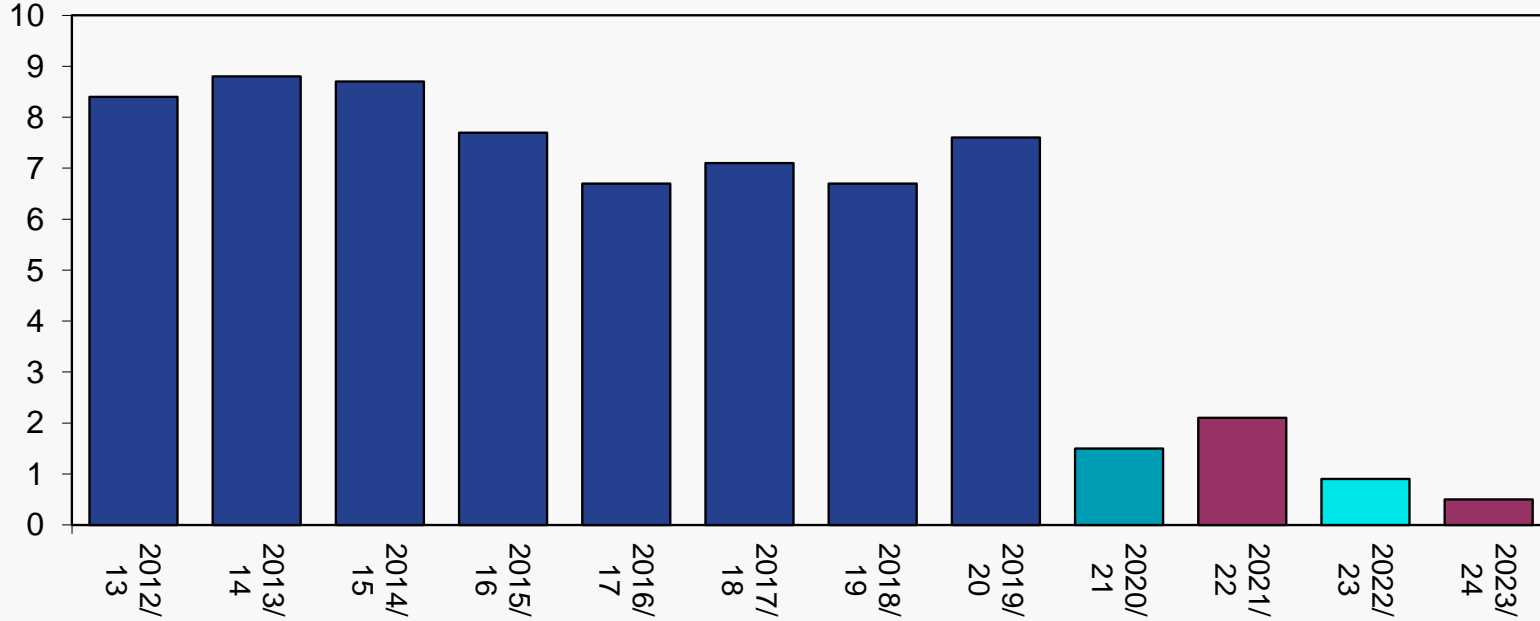
Growth in fixed investment spending by SOEs

% year-on-year, 4-quarter moving average



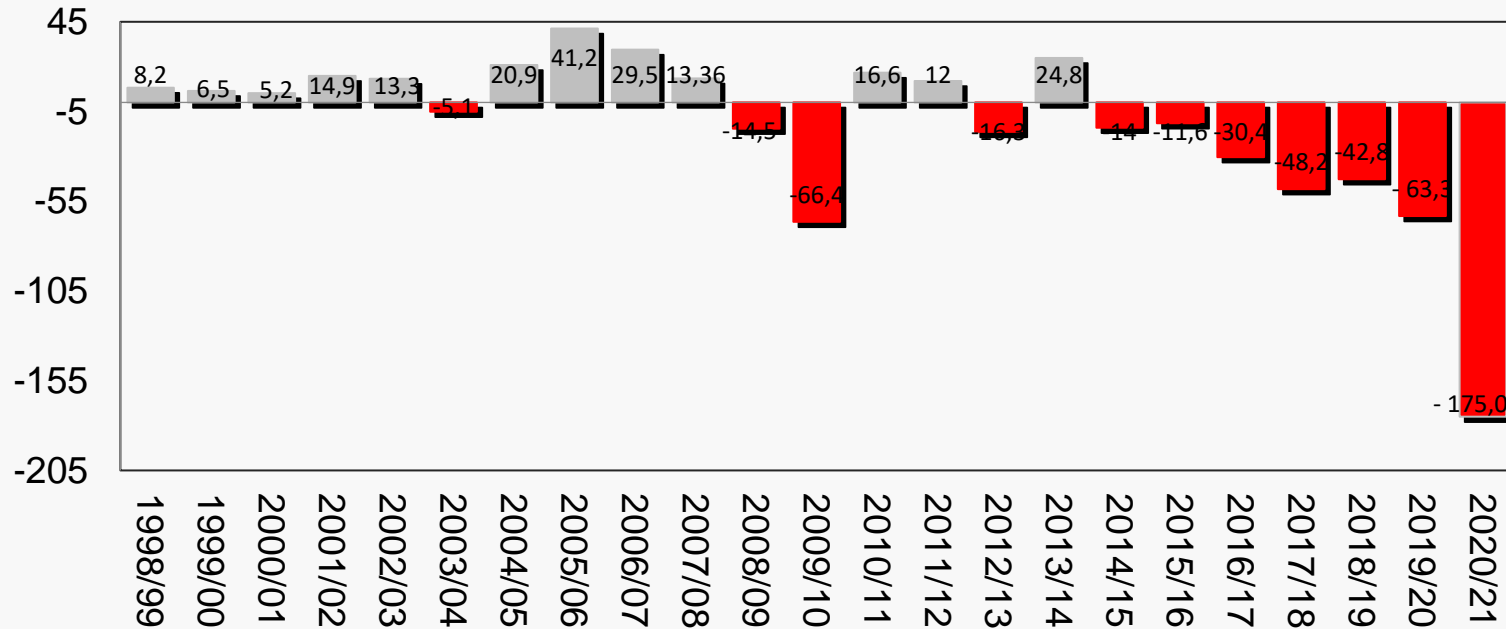
Government compensation of employees (year-on-year)

% year-on-year



SA budget revenue over-runs/under-collection

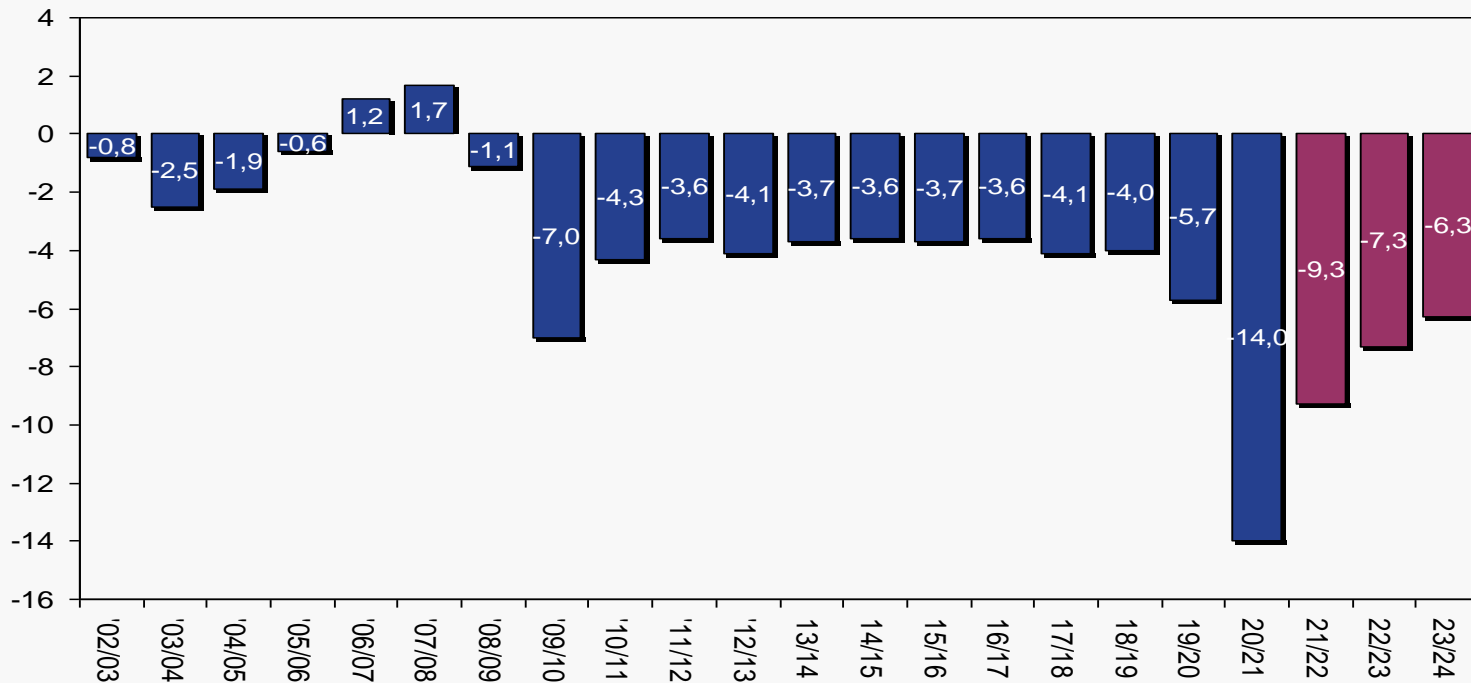
Rbn, relative to the original budget and not the MTBPS



Note: Source: STANLIB

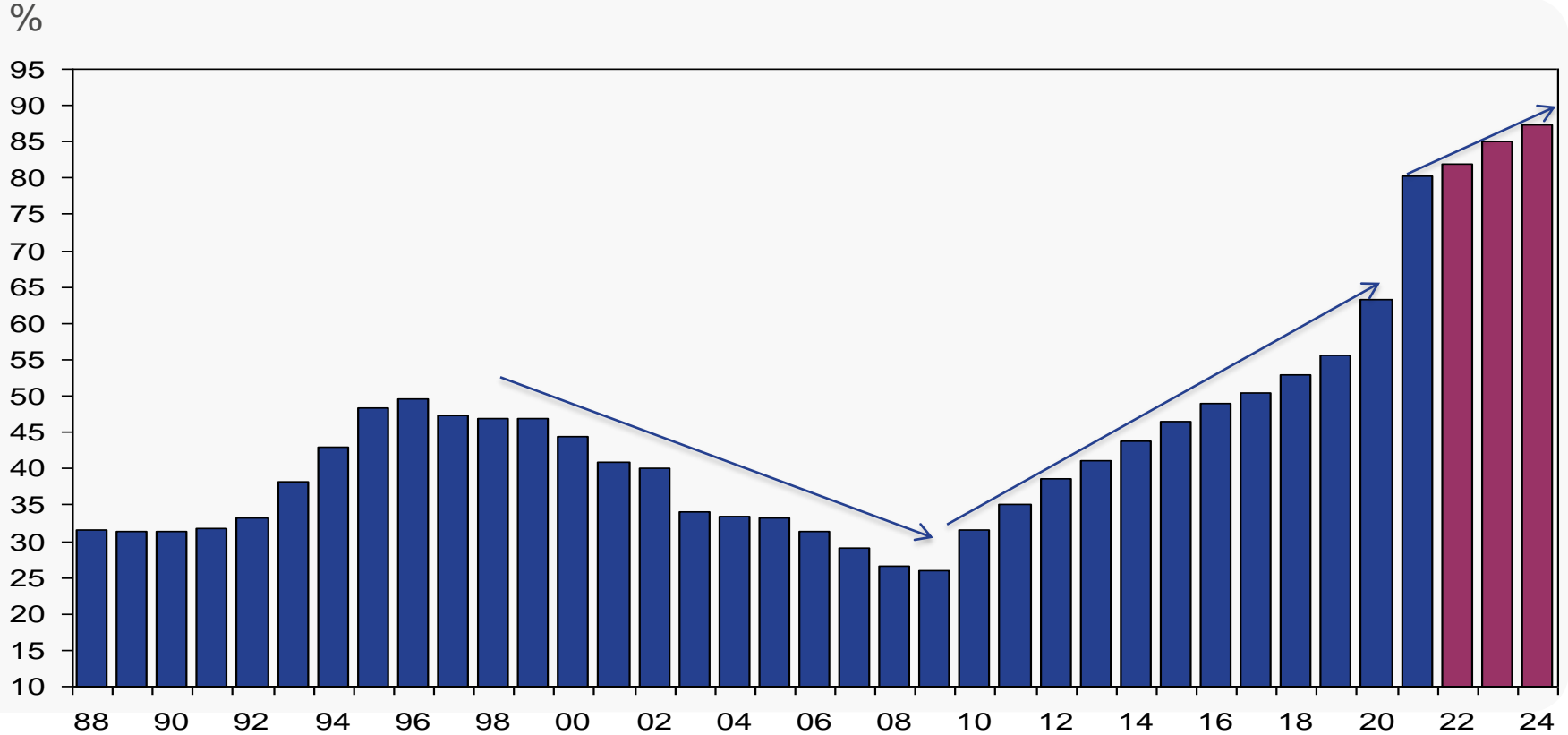
SA budget deficit as % of GDP (government estimate Feb 2021)

%, Fiscal years



Note: Source: STANLIB

SA government gross loan debt as % of GDP (February 2021)

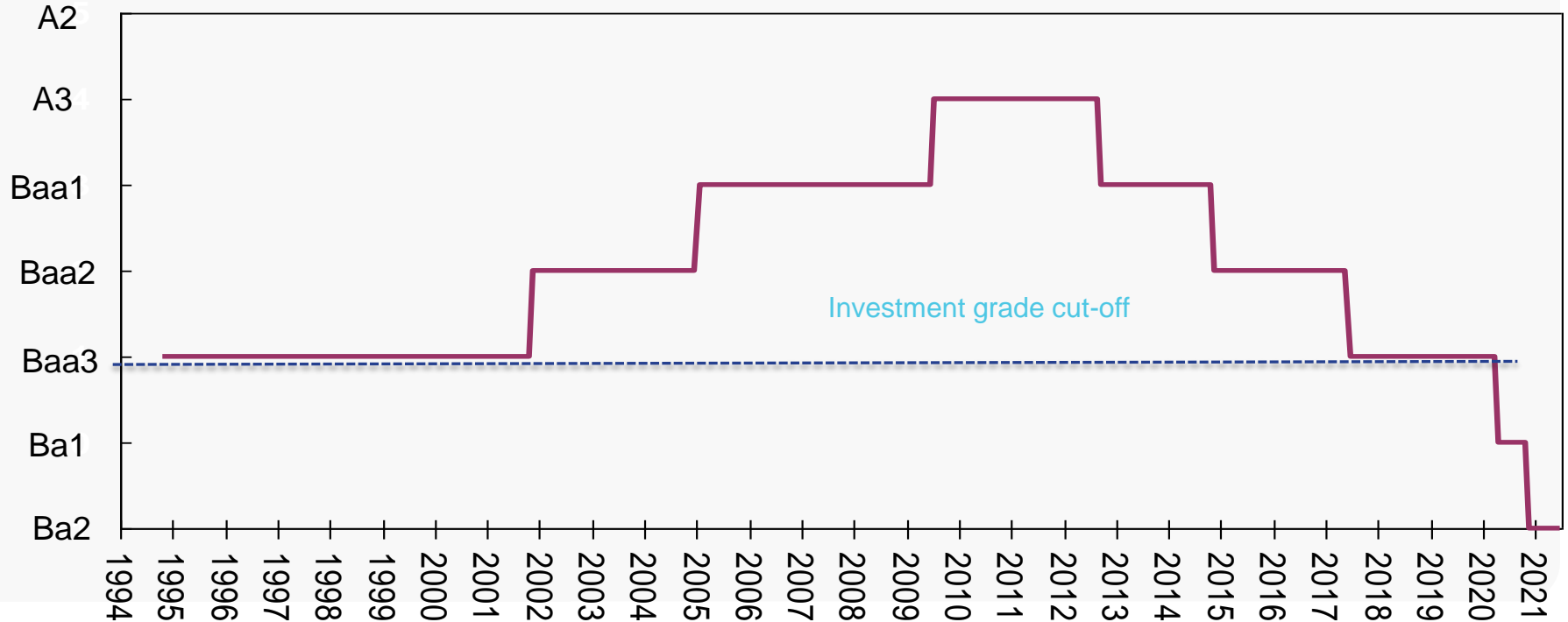


Note: Source: STANLIB

South Africa sovereign credit rating by Moody's

Rating history

Currently on a negative outlook



Note: Source: STANLIB

Economic Scenarios: reduced downside, stronger expected case

		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
	USD/Rand (average)	14.96	14.10	13.50	13.40	13.10	12.90	12.70	12.50
	Repo rate (end rate)	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Extreme Up case 1%	Impact of Covid-19 pandemic very rapidly resolved - economic growth of 3–5%, then 5-7% for SA. Good governance, growth-creating reforms (structural constraints overcome), strengthening of property rights - individuals obtain title deeds in EWC – no nationalisation. High business confidence and fixed investment growth, substantial FDI inflows, strong fiscal consolidation (government debt falls back to low ratios of 2000s). Strong global growth, commodity boom. Stabilisation of credit ratings, then credit rating upgrades.								

Note: Event risk begins Q2.21. Source: Investec

Economic Scenarios: reduced downside, stronger expected case

		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
	USD/Rand (average)	14.96	14.30	14.00	13.90	14.00	14.40	14.70	14.30
	Repo rate (end rate)	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Up case 2%	<p>Quick rebound from Covid-19 pandemic, rising confidence and investment levels - structural problems worked down. No further credit rating downgrades, rating outlooks move to stable and eventually positive, strong fiscal consolidation (government debt projections fall substantially). Global risk-on, global demand quickly returns to trend growth. Limited impact of expropriation (without compensation) to abandoned, unused, labour tenants' and government land (individuals are new owners and receive title deeds) does not have a negative effect on economy - no nationalisation.</p>								

Note: Event risk begins Q2.21. Source: Investec

Economic Scenarios: reduced downside, stronger expected case

		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
	USD/Rand (average)	14.96	14.50	15.00	14.90	15.00	15.40	15.70	15.30
	Repo rate (end rate)	3.50	3.50	3.50	3.75	3.75	3.75	4.00	4.00
Base case 50%	<p>Recovery from the sharp global economic slowdown by 2024 in real terms – sufficient global and domestic monetary and other policy supports to growth and financial markets occur and risk sentiment stabilises then improves. Expropriation of private sector property is limited and does not have a negative impact on the economy or on market sentiment. SA remains in the BB category rating bracket for Moody's – fiscal consolidation (debt to GDP stabilisation) occurs.</p>								

Note: Event risk begins Q2.21. Source: Investec

Economic Scenarios: reduced downside, stronger expected case

		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
Lite (domestic) Down case 42%	USD/Rand (average)	14.96	15.00	15.75	16.50	16.70	17.00	17.50	17.00
	Repo rate (end rate)	3.50	3.75	3.75	4.00	4.00	4.25	4.25	4.50
		<p>The international environment (including risk sentiment) is that of the base case. South Africa fails to see its debt projections stabilise and falls into single B credit ratings from all three agencies for local and foreign currency. Recession occurs. Expropriation of some private commercial sector property without compensation, with some negative impact on the economy. Business confidence depressed, rand weakness, significant load shedding and weak investment growth. Substantial fiscal consolidation ultimately occurs, preventing ratings falling into the C grades.</p>							

Note: Event risk begins Q2.21. Source: Investec

Economic Scenarios: reduced downside, stronger expected case

		Q1.21	Q2.21	Q3.21	Q4.21	Q1.22	Q2.22	Q3.22	Q4.22
	USD/Rand (average)	14.96	15.50	17.00	17.50	18.00	18.50	19.00	19.50
	Repo rate (end rate)	3.50	4.00	4.00	4.25	4.50	4.50	4.75	5.00
Severe Down case 5%	<p>Lengthy global recession, global financial crisis – insufficient monetary and other policy supports to growth domestically and internationally. Depression in SA, unprecedented rand weakness. Nationalisation of private sector property (title deeds not transferred to individuals). SA rated single B from all three key agencies, with further rating downgrades eventually occurring into CCC grade and lower to D (default) as government finances deteriorate (debt projections elevate even further - fail to ever stabilise). Government borrows from increasingly wider sources as it sinks deeper into a debt trap), eventually include widespread services load shedding, strike action and civil unrest.</p>								

Note: Event risk begins Q2.21. Source: Investec

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