



# Reality. Reform. Recovery. Risks

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# Outline



1. US trade policy implications on the global macroeconomic outlook
2. Global fracturing: will China weaponise its holdings of US Treasuries?
3. South Africa's outlook: Reality, Reform, Recovery, Risks
4. Monetary policy reform: implications of the change in the inflation target

# 1. US trade policy implications on the macroeconomic outlook

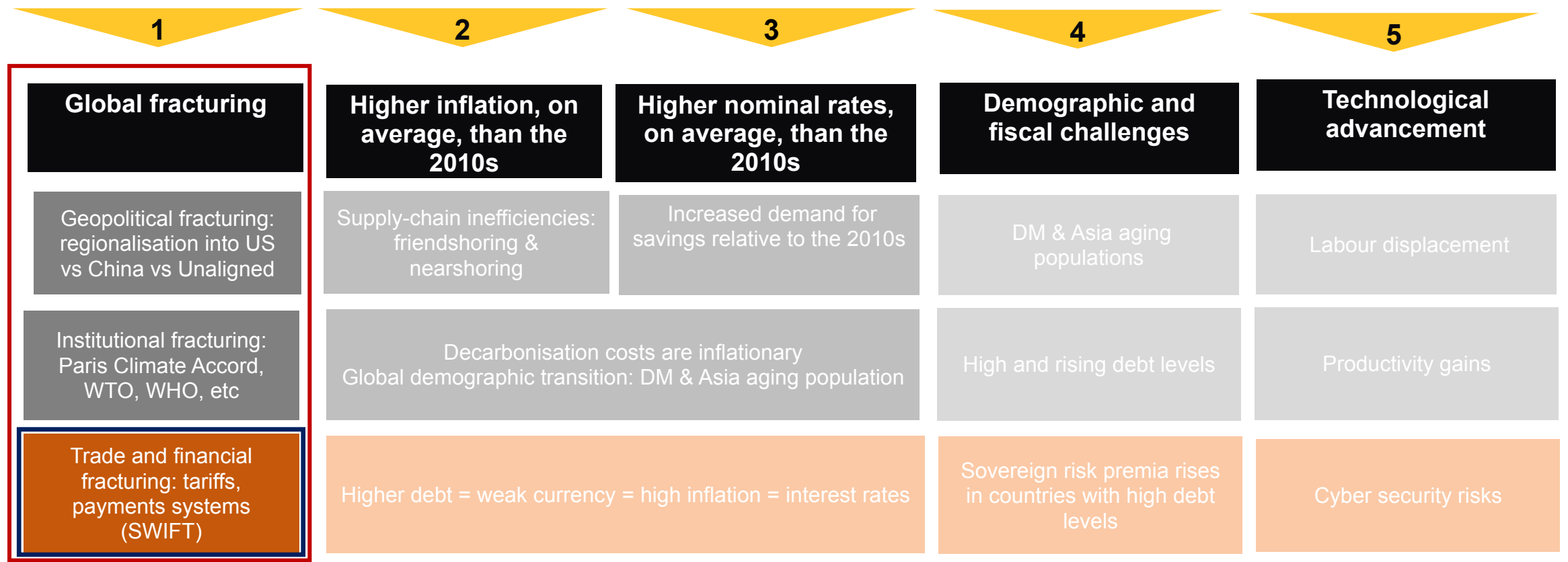


Tariffs are a tax on growth and there are no winners in a trade war



# Key secular or structural themes that will drive the global economy and markets

- Global fracturing is the most relevant theme for the change in economic outlook
- Specific theme is trade and financial fracturing



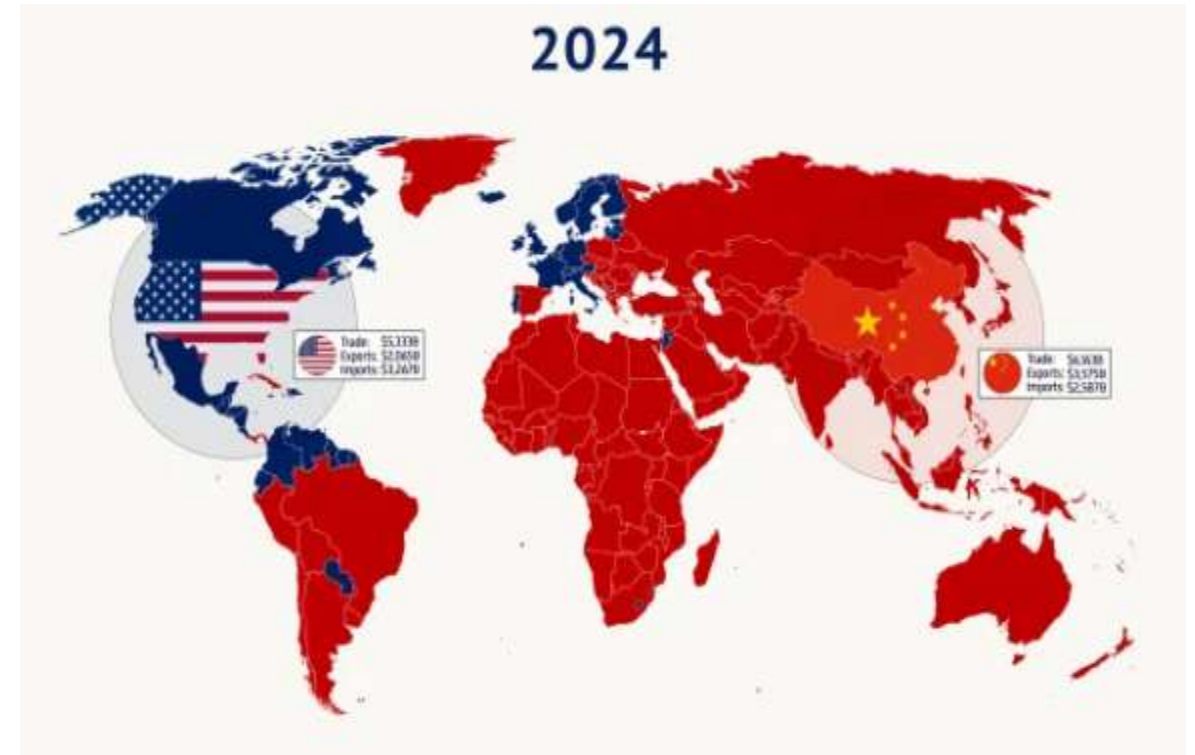
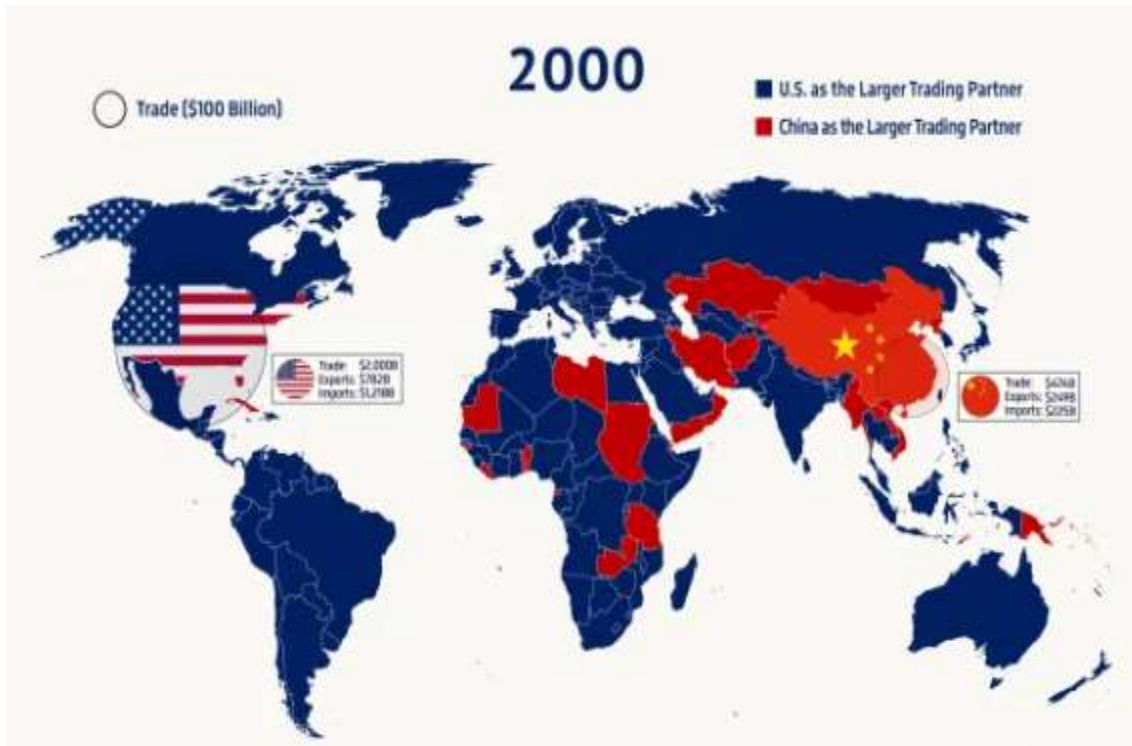
Source: RMB Global Markets Research

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# The Chinese challenge to American primacy: won the trade race



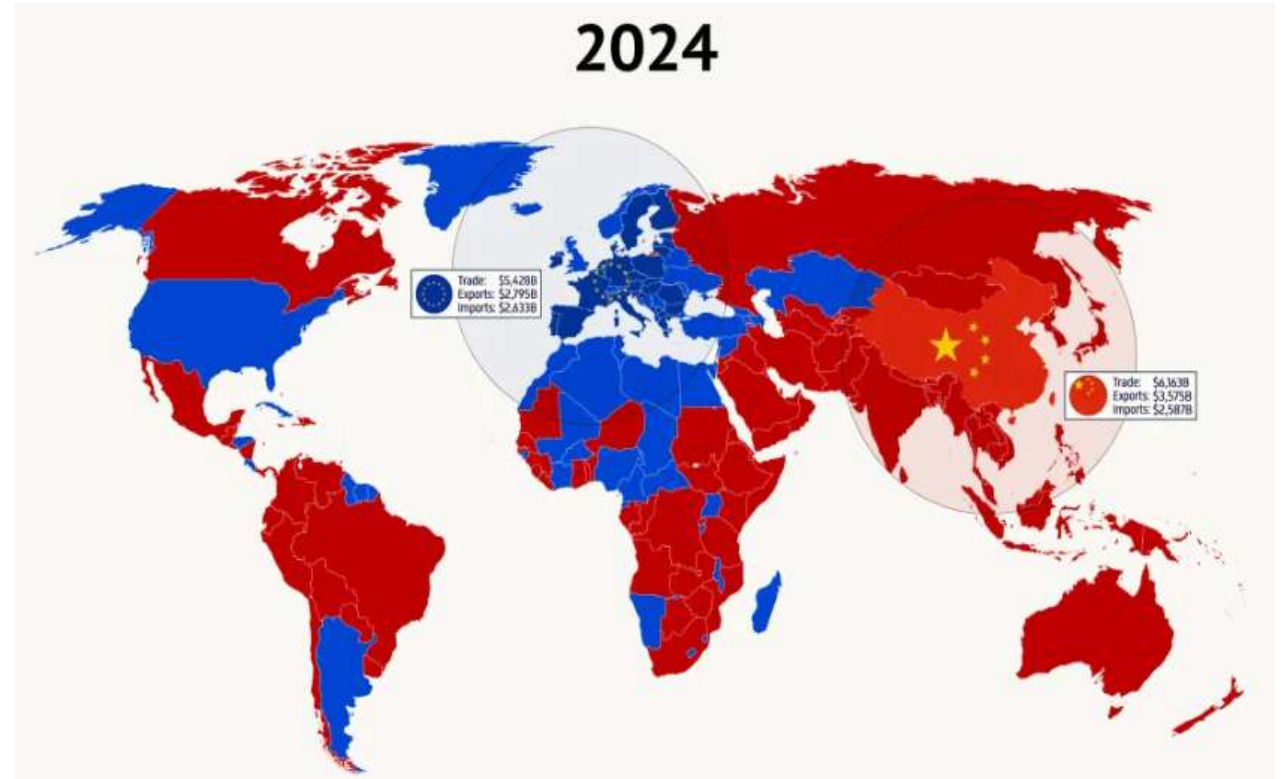
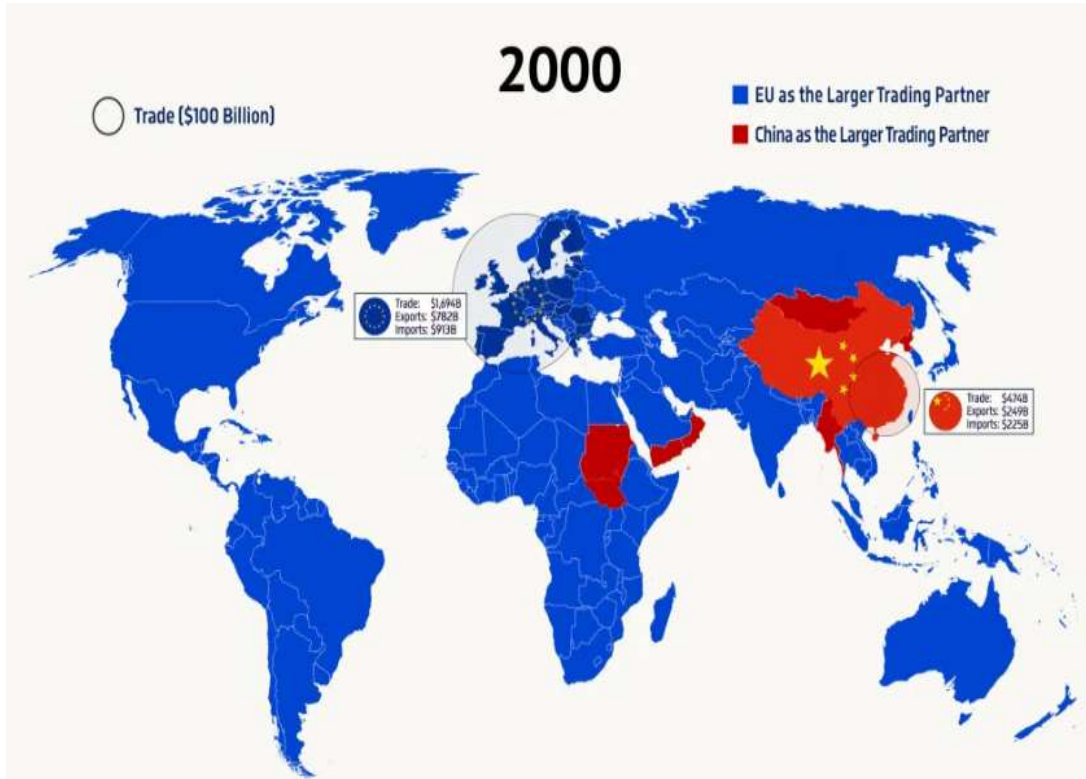
- China is now the dominant trade partner for most of Asia, Eastern Europe, the Middle East, Oceania, South America, and Africa, with a total of US\$6.2tn worth of trade vs US's S\$5.3tn



# The Chinese challenge to European primacy: won the trade race



- ❑ From 2000 to 2024, total goods trade (exports + imports) grew from \$1.69 trillion to \$5.43 trillion for the EU (4.1% CAGR) and from \$474 billion to \$6.16 trillion for China (11.3% CAGR).
- ❑ By 2024, China's total trade volume exceeded the EU's by 14%, with exports 28% higher, while imports were nearly identical.
- ❑ As a result, China's trade surplus was 510% larger than the EU's. Trade as a share of GDP in 2024 stood at 33% for China and 28% for the EU.



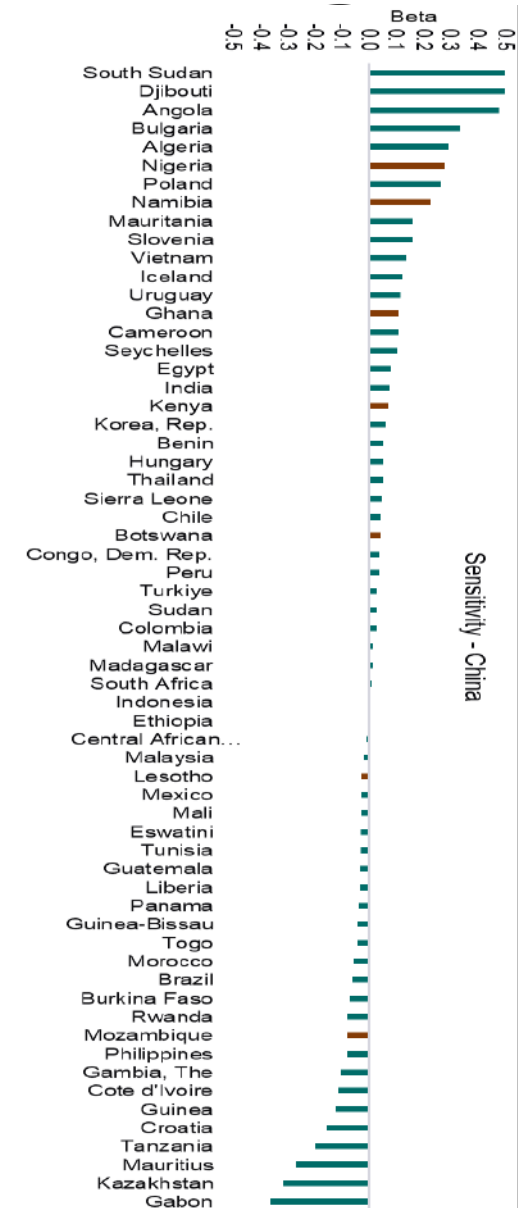
## US Freedom Day tariffs suspended for 90 days until June 30

- ❑ The reciprocal tariffs suspended for 90 days, uncertainty about what happens on 1 July.
- ❑ Most African countries tariffs at the universal 10% thus there will not be any change post 1 July
- ❑ Lesotho, Botswana, South Africa, Namibia, Zambia, Mozambique and Nigeria risks remain



# Most African countries highly correlated with global and US economic growth

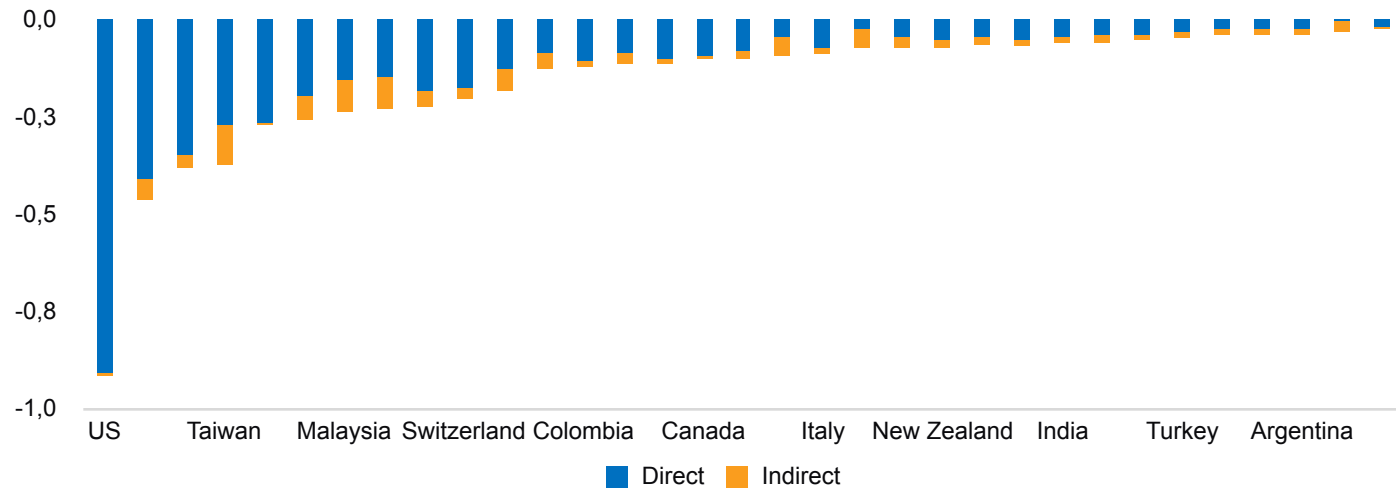
- ❑ Global and US growth impact African through the commodity and financing channels
- ❑ China's growth impact less severe



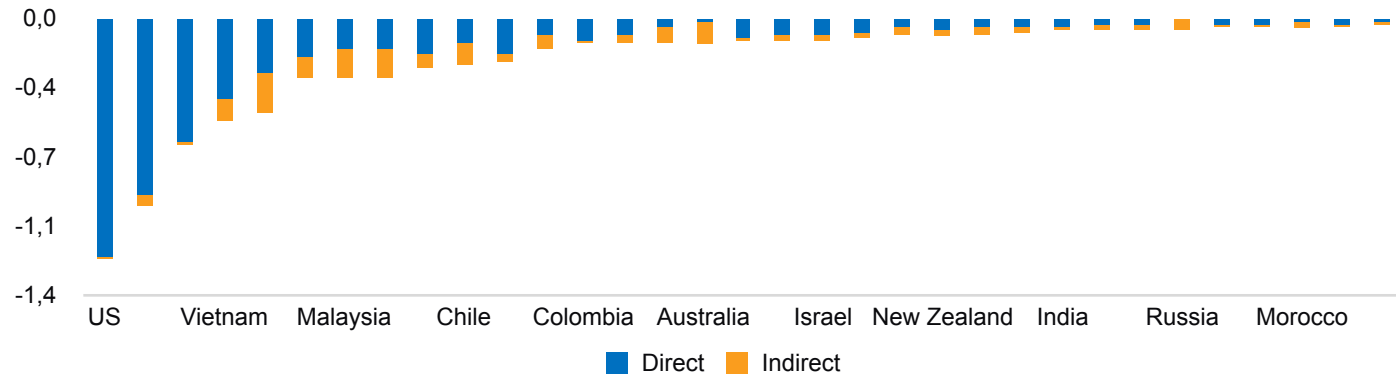
# Impact of tariffs on economic growth over short, medium and long-term



Impact on economic growth over one year

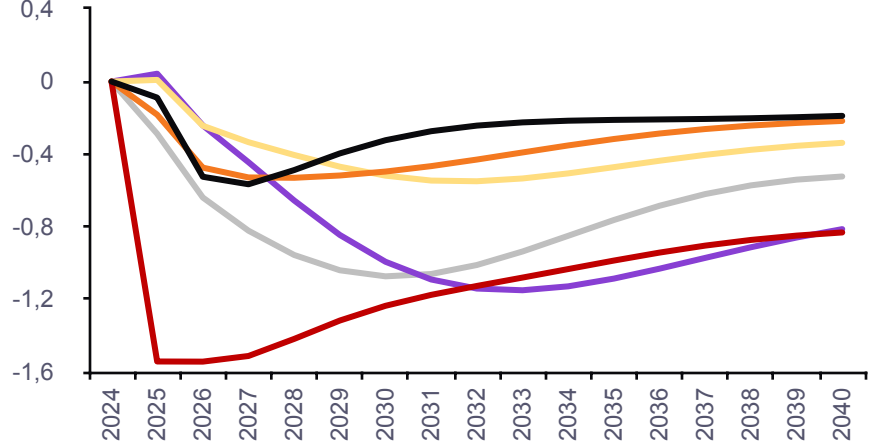


Impact on economic growth over three years



Tariffs impact on global growth

Tariffs impact on BRICS over the long term



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## 2. Will China weaponise its Holdings of US treasuries?



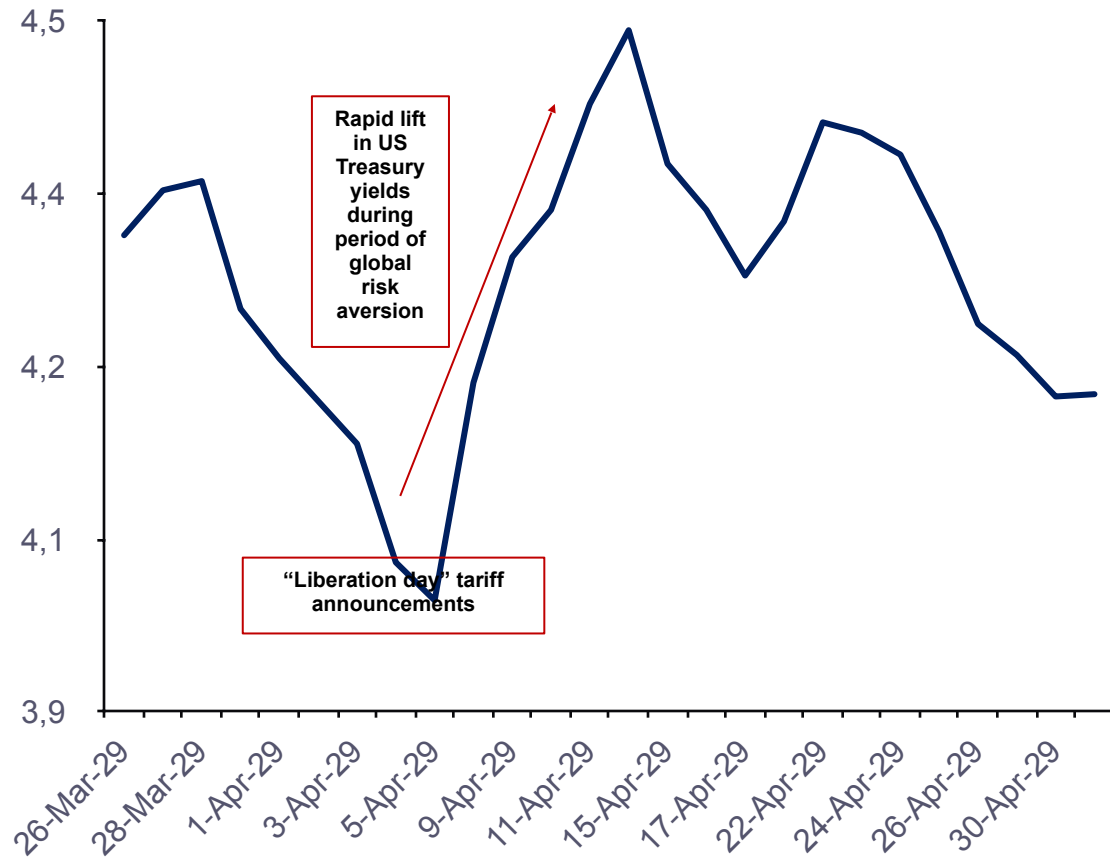
What should we expect the impact on global flow of funds to look like?

# The response of US markets to risk aversion has been atypical

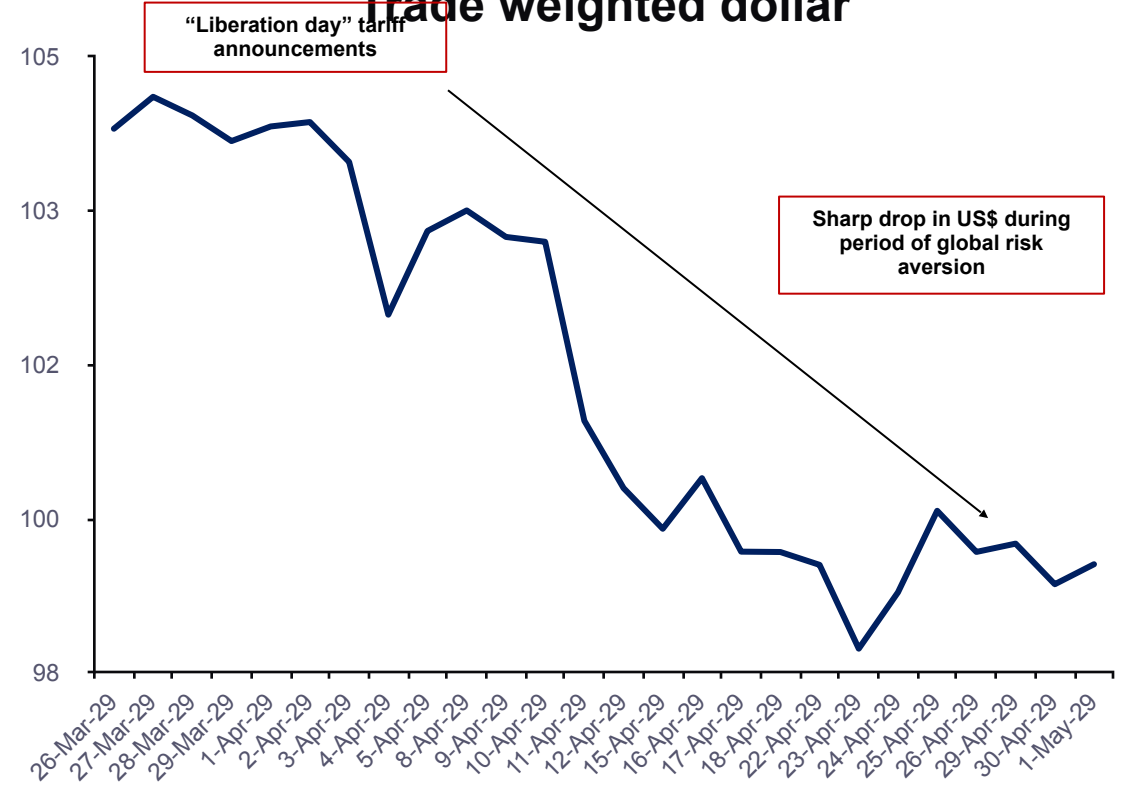


- ❑ In a risk aversion episode, US assets attract inflows and increase in value
- ❑ On Liberation Day they did the exact opposite and sold off
- ❑ Raising questions whether China is weaponizing its holdings of US treasuries and fire-selling

US 10-year Treasury yield



Trade weighted dollar



# Chinese savings and its exposure to the value of US asset markets is significant

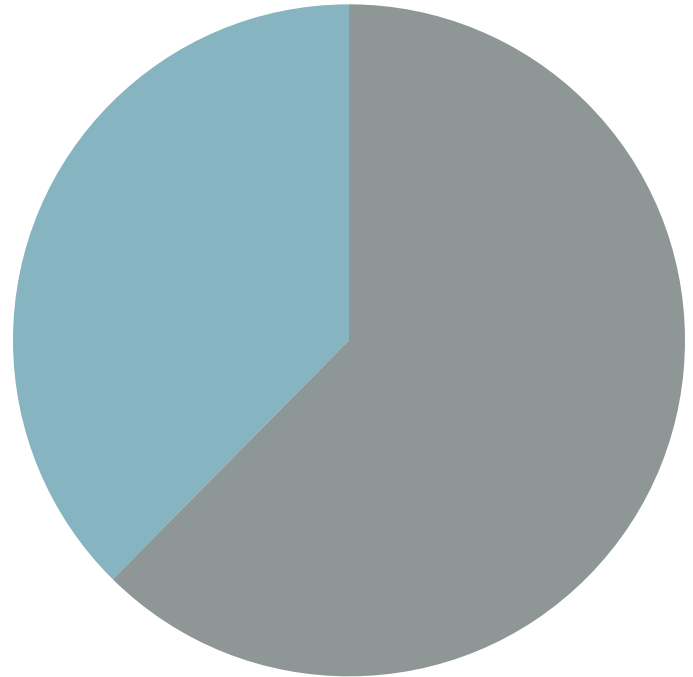


### China's foreign assets (US\$tn - end-2024)



- PBOC reserves (\$3.5tn, 19% of GDP)
- State Banks (\$1.1tn, 6% of GDP)
- China Investment Corporation (\$0.4tn, 2% of GDP)
- Other foreign assets (\$3.8tn, 24% of GDP)

### Chinese savings (% GDP)



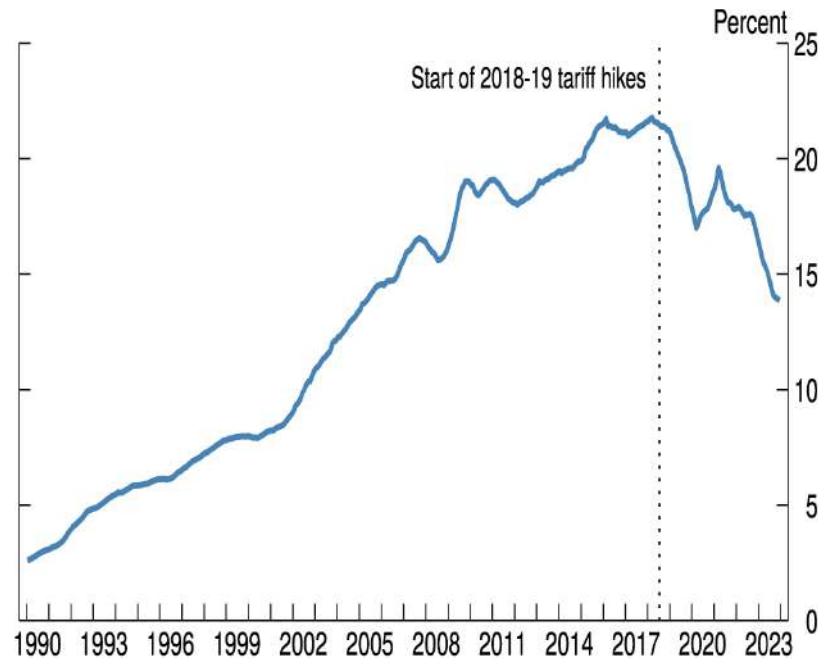
- China gross domestic savings invested in non-US assets
- Chinese savings in US assets

# China plays the long game and is not reactive on major polices

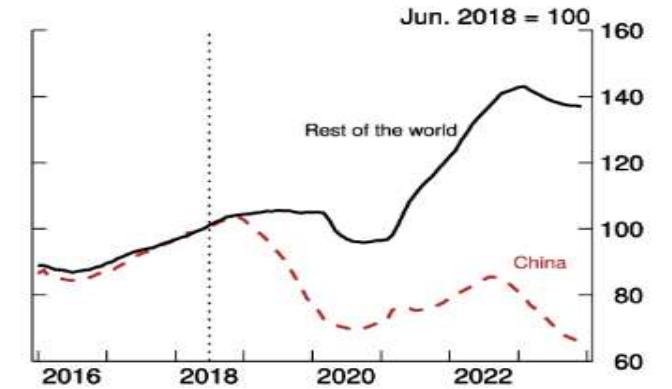
- ❑ China has a significant proportion of its gross savings invested in US assets
- ❑ Weaponising its holdings of US treasuries will hurt the US and in turn hurt itself
- ❑ We can conclude that China is more focused on the long-term than short-term reactions



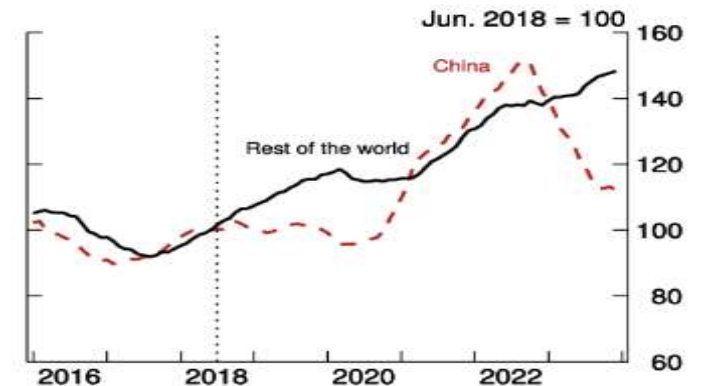
### China's Share of U.S. Goods Imports



### Tariffed Goods



### Non-Tariffed Goods

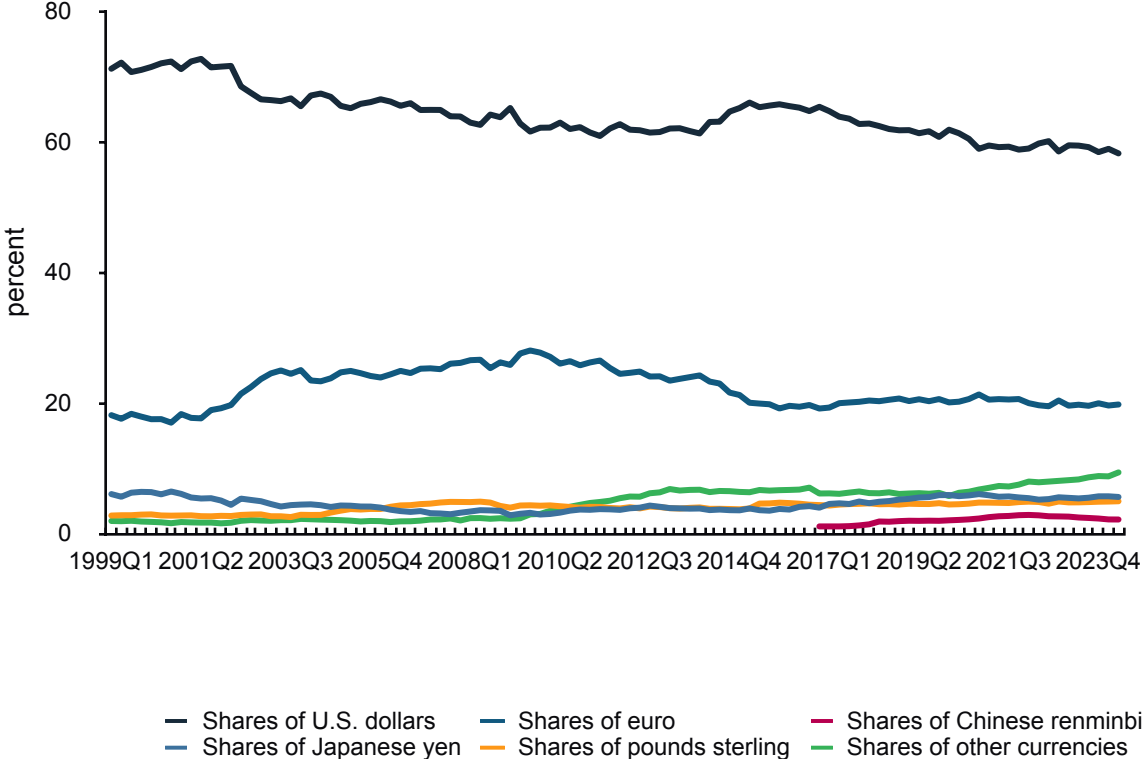


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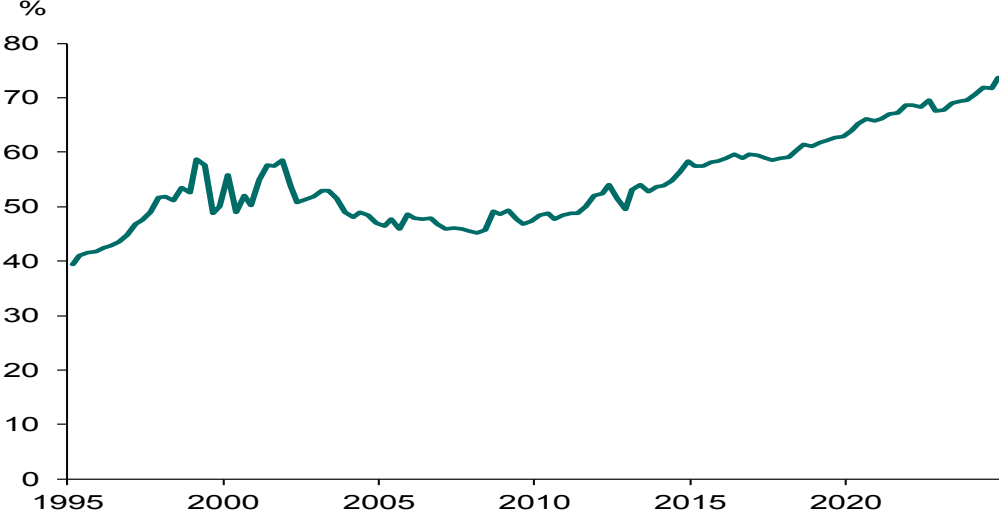
# US asset markets remain the world's most liquid and deepest markets



Share of currency held as official reserves



US share of global equity market capitalisation



# 3. REALITY. REFORM. RECOVERY. RISKS



**CORPORATE AND  
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# OVERVIEW: REALITIES, RECOVERY AND REFORM



## Economics

- **We expect the economy to grow by 1.0% this year, rising to 1.4% next year**, a further downgrade on our more bullish estimates from the beginning of the year. However, our 2028 forecast is still for near 2.0% growth as ongoing reform efforts gain traction.
- **Inflation remains low, although base effects will see it accelerate to an average of 4.2% in 2026 from our forecast of 3.5% this year.** We see inflation slowing to 3.0% in 2028 as the anticipated new inflation target anchors inflation expectations lower.
- **We expect another 25bp rate cut this year at the September MPC meeting**, with further gradual policy easing likely over the forecast horizon as inflation durably declines. We expect the policy rate to fall to 6.25% by end-2028.
- Risks to our forecasts: Higher US tariffs on South Africa and the rest of the World, a slower pace of structural and macro policy reform, political instability within the GNU, longer-lasting domestic disinflation.

## Markets

- We forecast **USD/ZAR to end the year at 18.00**. While the rand is appreciating, we worry that dollar weakness is already overdone.
- In commodities, we see growing downside risks for oil prices, with **limited scope for oil prices holding above US\$65/bbl** as OPEC+ unwinds its voluntary production cuts at a faster pace than previously envisaged.
- In the fixed income market, **we recommend increasing duration** exposure to take advantage of compelling real yield opportunities now concentrated in longer maturities, specifically the 12- to 18-year region of the nominal curve.

# GLOBAL ECONOMY: GROWTH EASES



## Real GDP growth

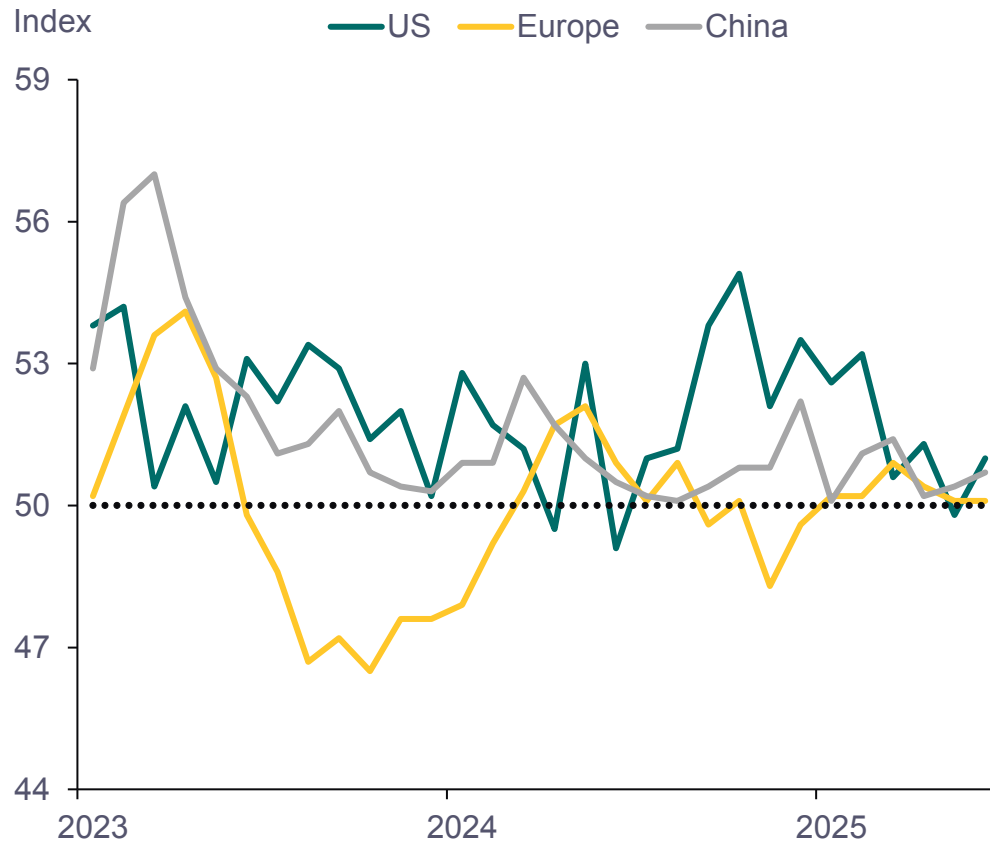


- The IMF expects 2.8% global growth this year
- US growth is expected at 1.3% in 2025, down from 2.8% in 2024.
- China's growth is projected at 4.3% in 2025.
- Eurozone growth is expected at 0.9% this year, supported by large fiscal expansion – especially from Germany – and monetary policy rate cuts, though the easing cycle is nearing its end.

# FRAGILE MOMENTUM IN MAJOR ECONOMIES



## Purchasing Managers Indices

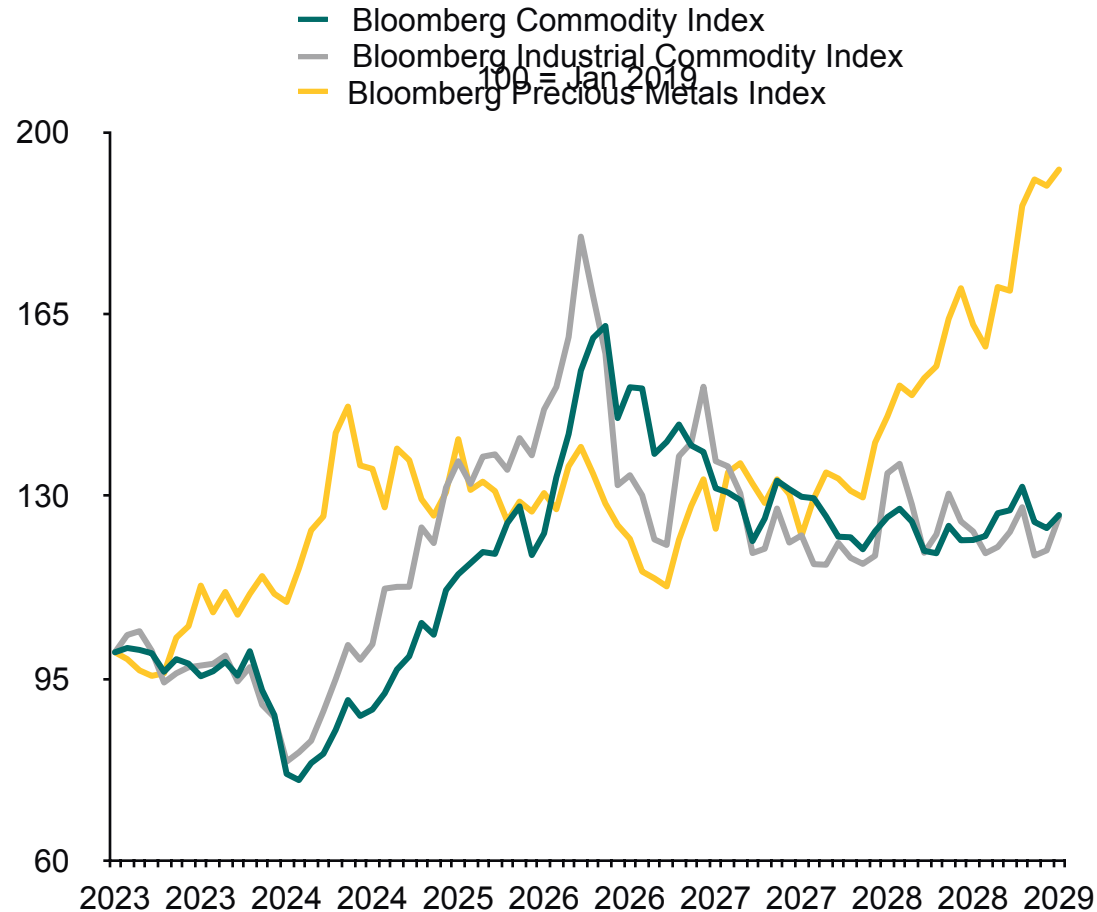


- High frequency indicators suggest that economic growth in the three major global economic zones is weak but not collapsing.
- US leading economic indicators shows some uptick although underlying momentum remain weak.
- The European growth outlook is arguably the one that has been affected the most
- China's economic growth still shows no signs of picking up, despite the attempts by the government to stimulate activity.

# COMMODITIES: OIL WEIGHED BY FADING DISRUPTION RISKS



## Commodity indices

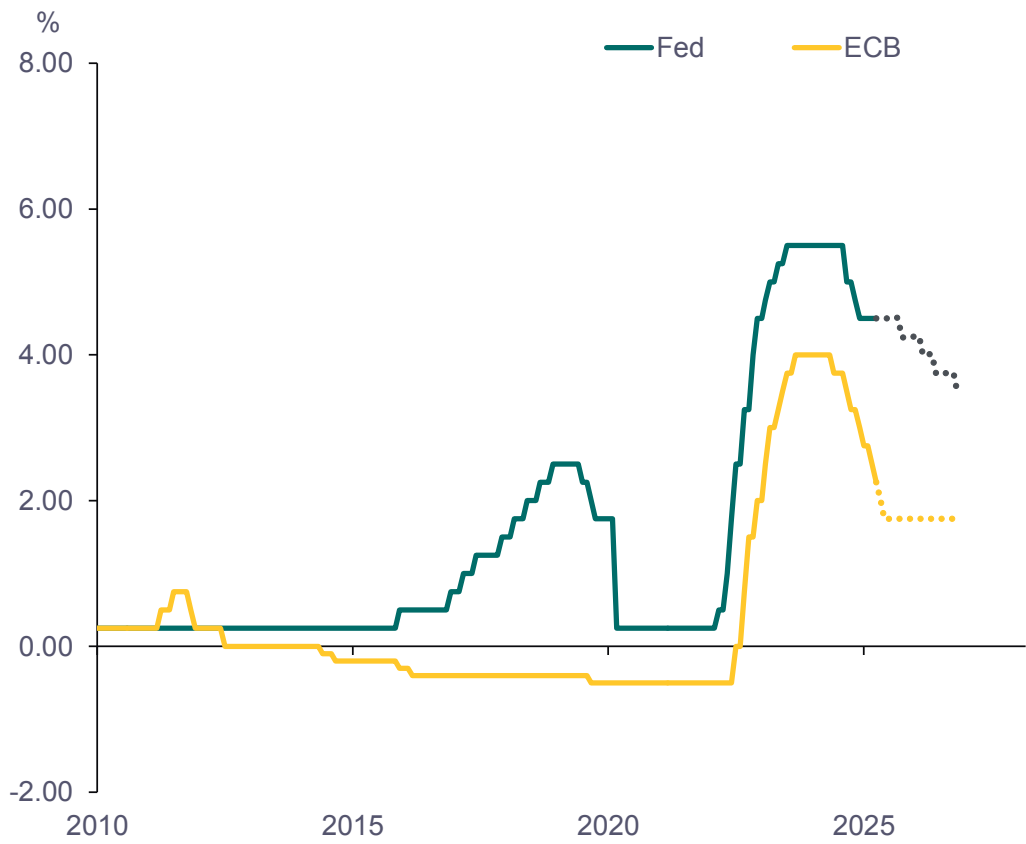


- **We see increased prospects for precious metals fund flows gravitating more toward platinum group metals (PGMs)** given their attractive comparative fundamental valuation relative to gold.
- Our fundamental analysis suggests a neutral gold valuation closer to US\$3,000/oz. **However, persisting geopolitical risks should keep gold well bid above fair value for longer.**
- **Copper drifted up to US\$10,000/t, our neutral valuation level.** We now expect copper to trade in a holding pattern amid progress at reopening the Cobre Panama mine – a key swing factor for the copper market.
- Downside risk for oil prices are in play amid a supply glut in the global oil market. We maintain our view for **prices to end the year trading around US\$66/bbl.**

# GLOBAL CENTRAL BANKS POLICY: SLOW RATE CUTS



## Fed and ECB policy interest rates

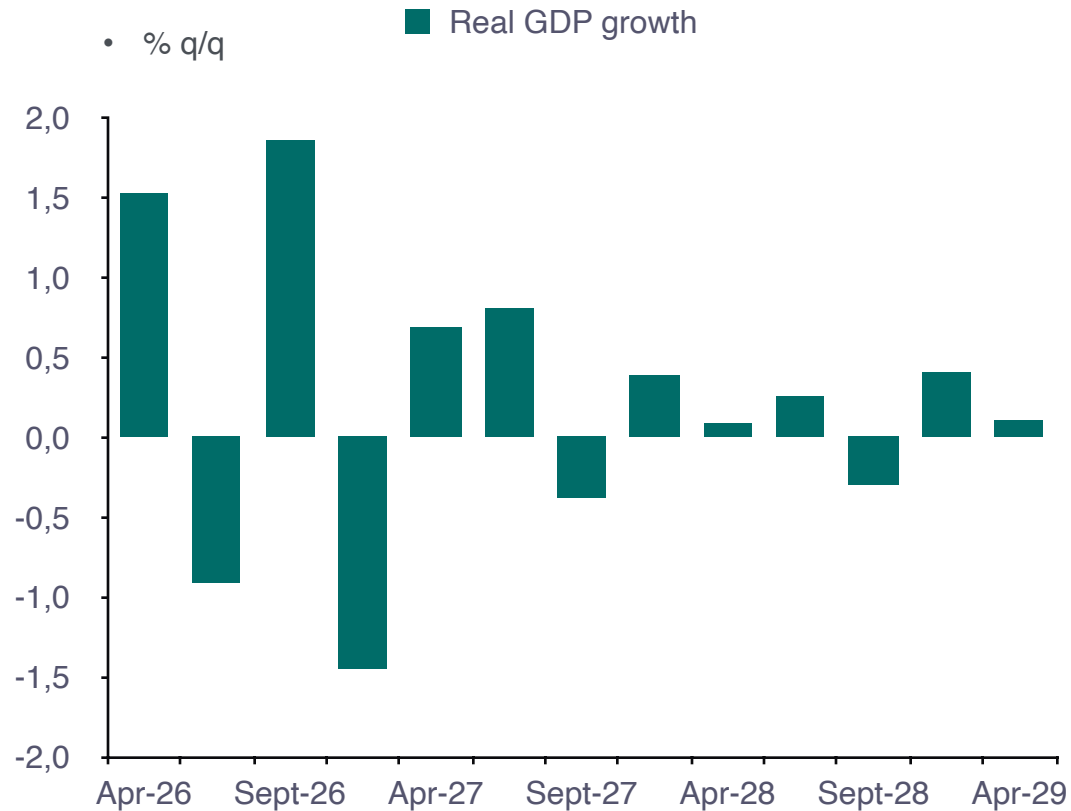


- The Fed has kept rates steady since late last year and with inflation remaining problematic, **we think it will only cut rates once more this year**, although cuts may accelerate again in 2026.
- The ECB has continued its cutting cycle, even in the face of the tariff threats, but it is getting close to the end of the cycle. **We assume one more 25bp rate cut this year before rates bottom out.**
- **Interest rate differentials have moved in favour of the US**, but this has not translated through into the dollar. Rate differentials are expected to move against the dollar next year.

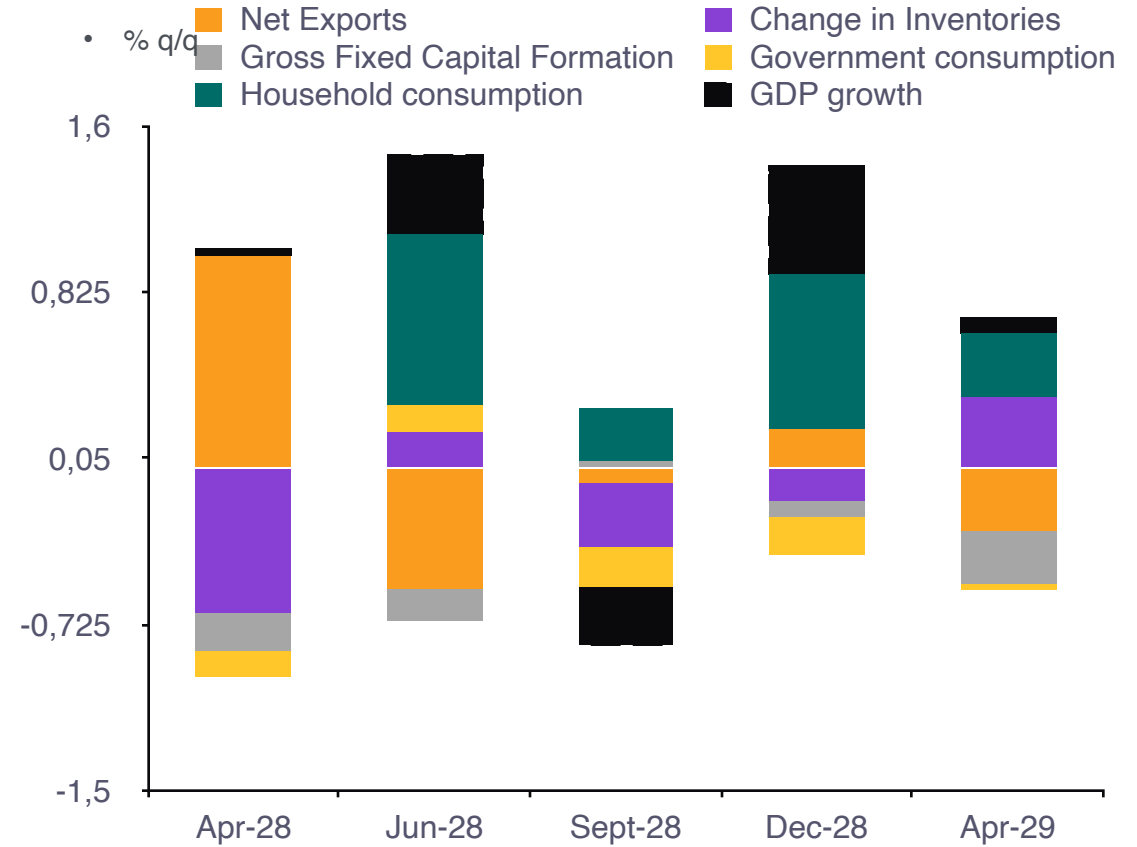
# South Africa: Reality bites, growth stalls



## Real GDP growth



## Composition of real GDP growth

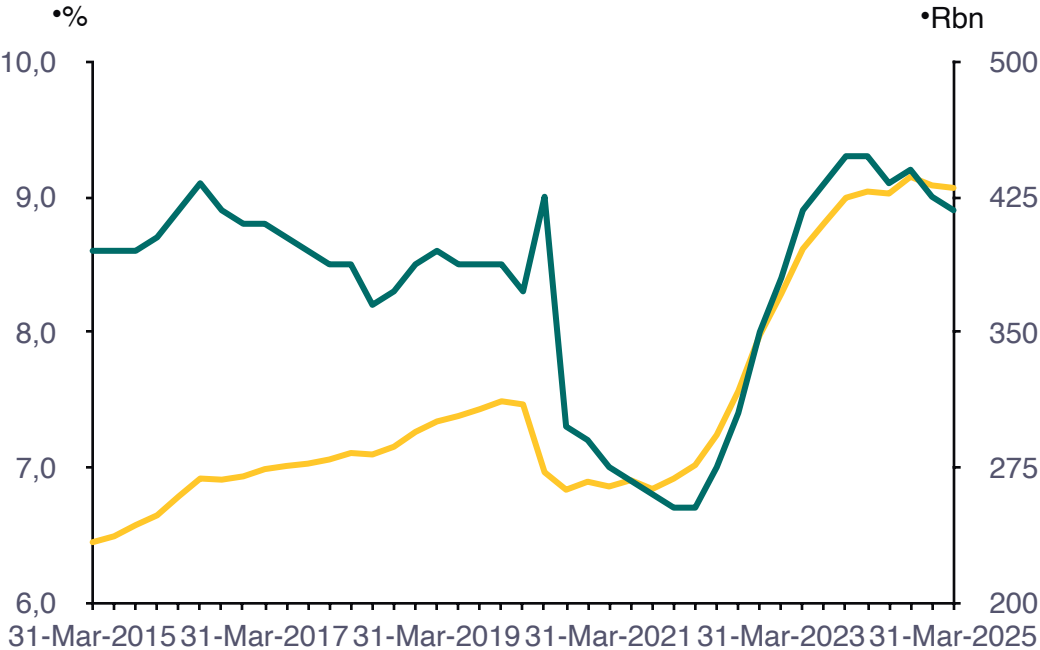


# Consumer spending drivers



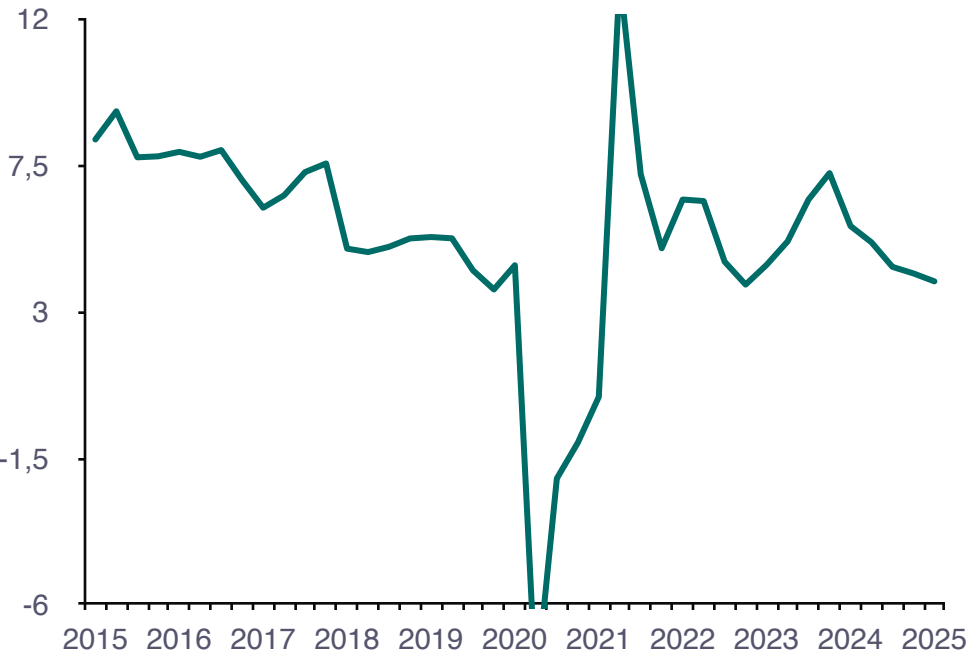
## Household debt service burden

— Debt service, % of disposable income (LHS) — Debt service, ZARbn (RHS)



## Wage growth

• % y/y — Compensation of employees

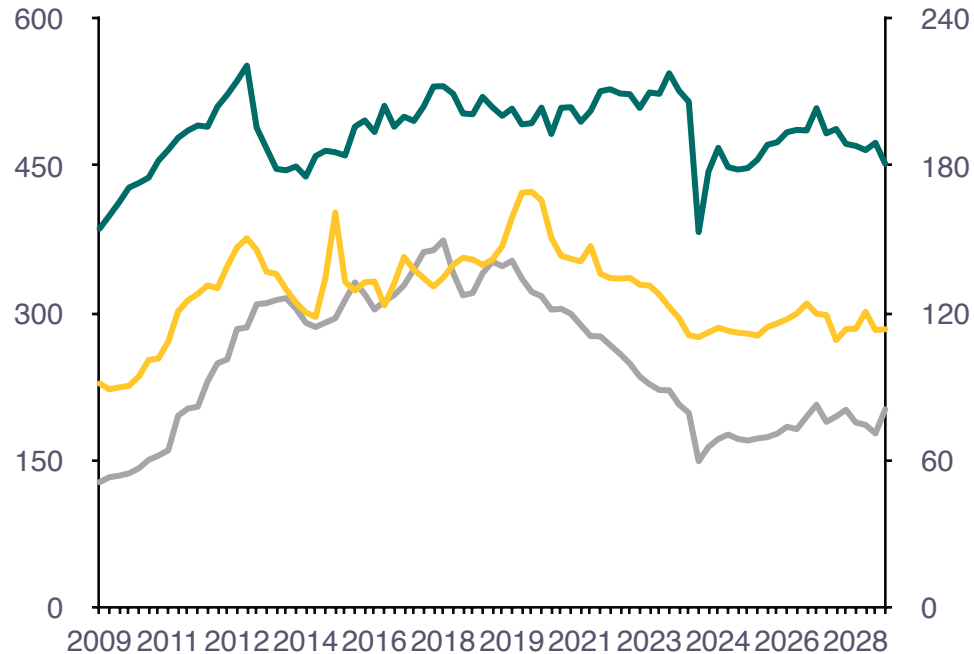


# Investment headache: slower than initially expected



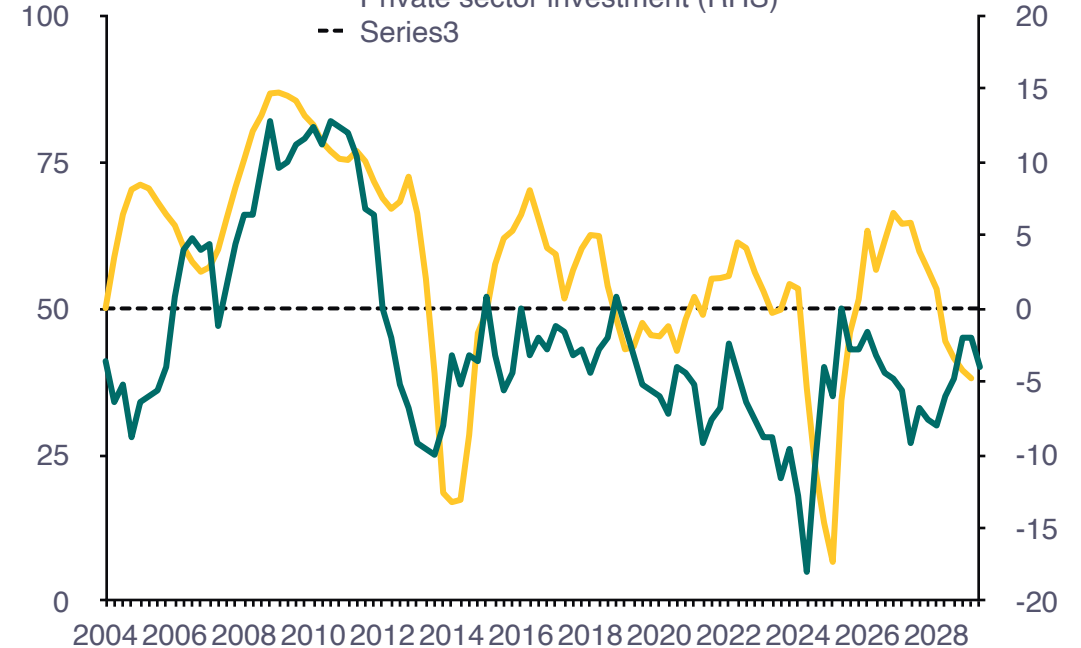
## Gross fixed capital formation

• Rbn    Private (LHS)    Government    SOE    •Rbn



## Business confidence and private investment

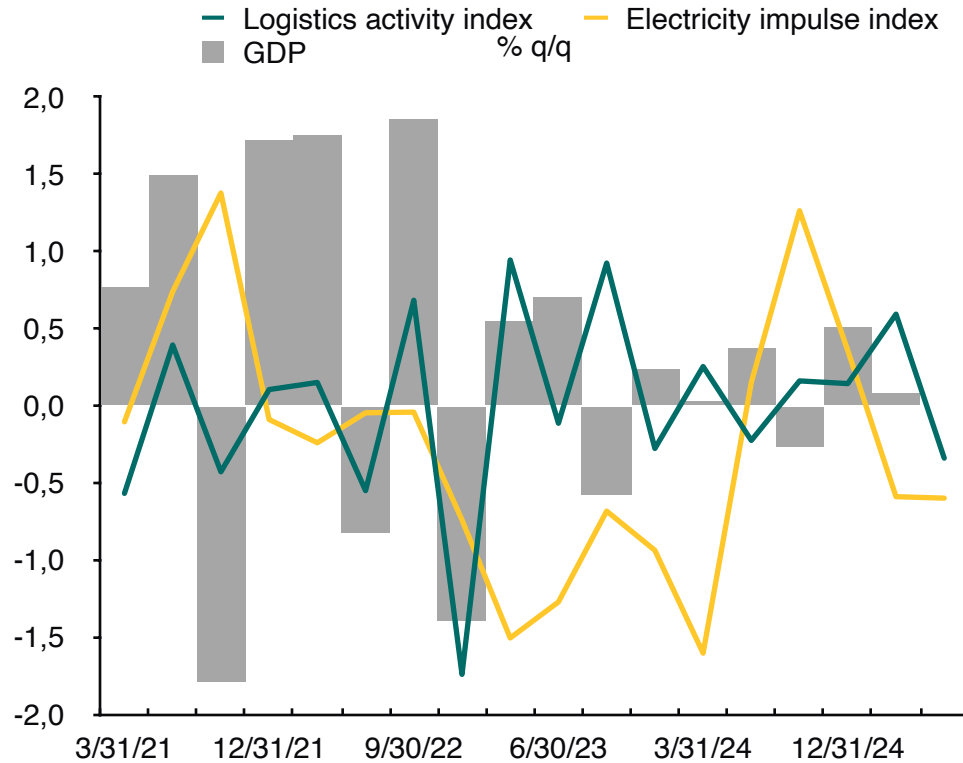
• Index    RMB/BER Business Confidence Index    Private sector investment (RHS)    Series3    •% y/y, 4QMA



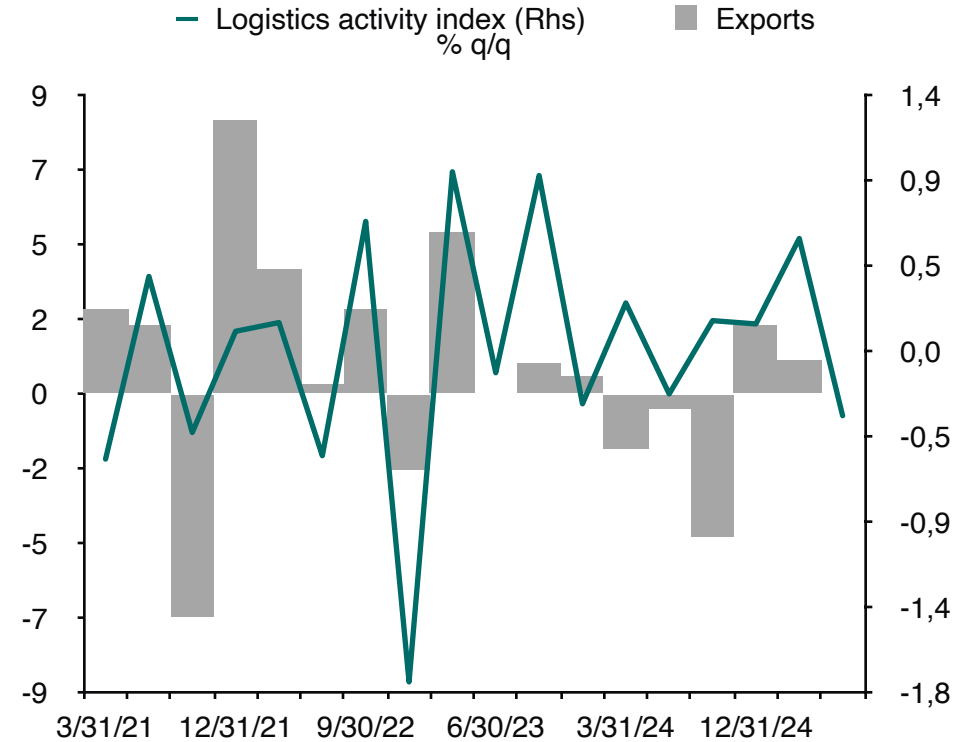
# Network bottlenecks still hinder growth



## Logistics and energy index and GDP



## Logistics activity index and exports

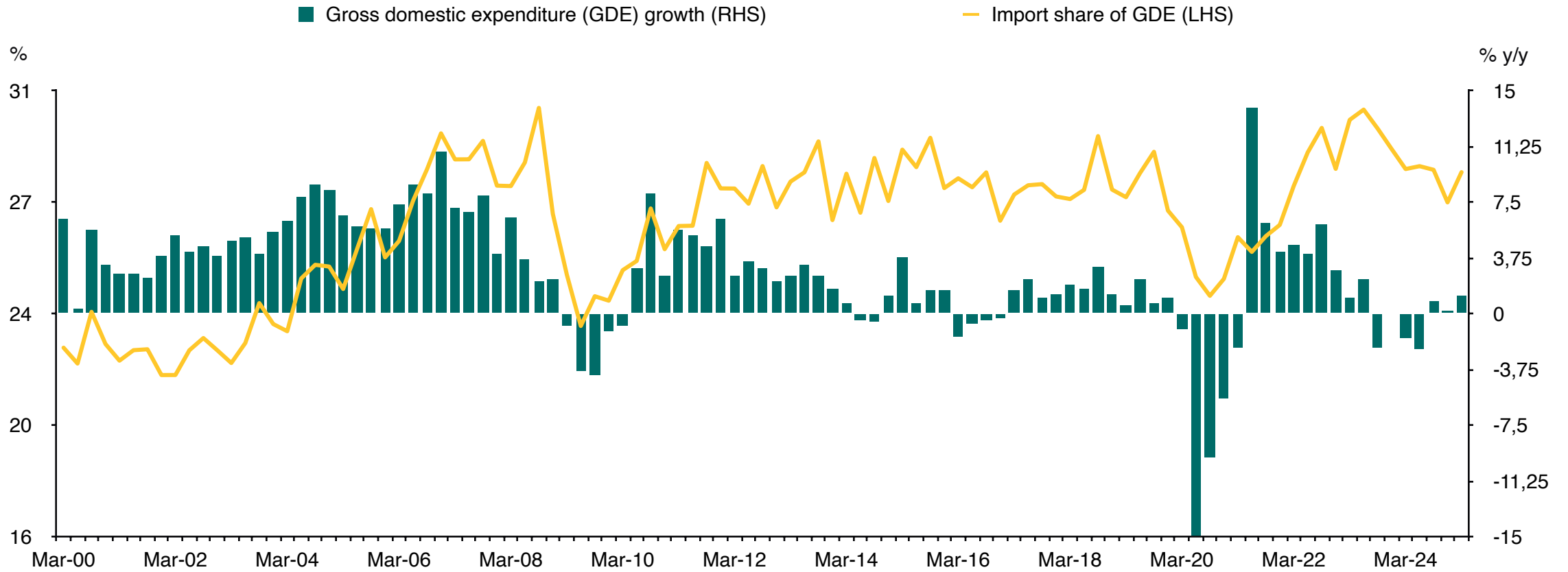


Note: The indices were constructed using the factor model of Banbura and Modugno (2014).

# Growth pains, but an economy at potential?



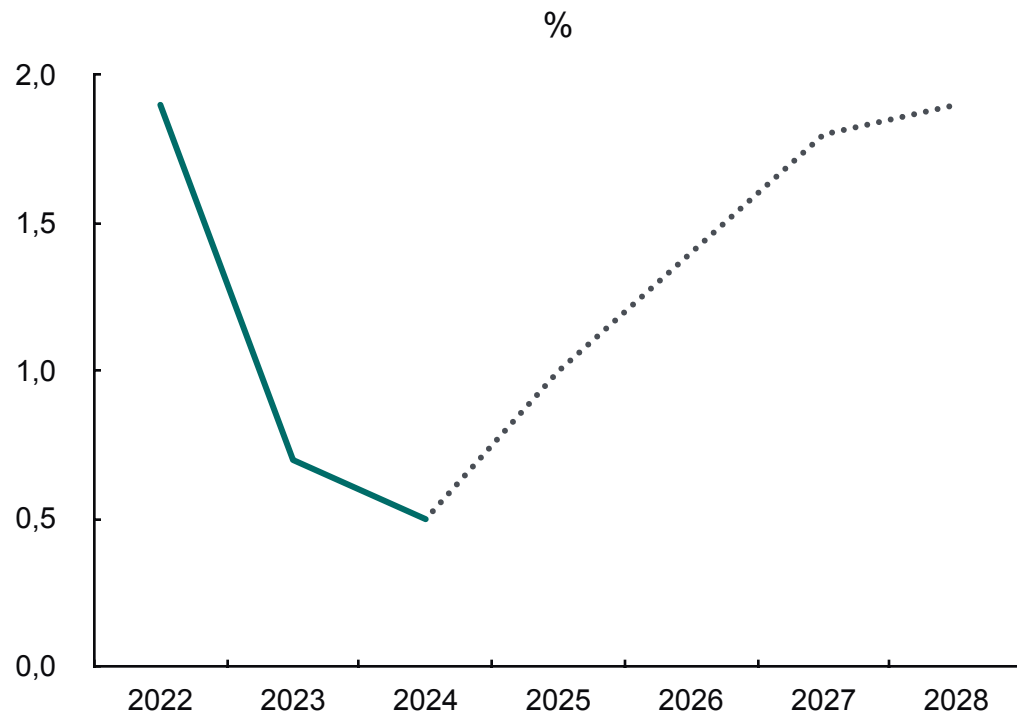
## Gross domestic expenditure and the import share



# A gradual growth recovery



## Real GDP growth forecast



Note: Dotted lines represent forecasts

- **Growth is forecast at 1.0% in 2025 (down from 1.2%), gradually rising to 1.9% by 2028.**
- **Household consumption remains the primary growth driver**, supported by modest inflation, lower interest rates, and declining debt service costs. Stronger consumer spending growth requires sustained job creation and productivity gains.
- **We expect private investment to contract by 0.3% this year** before rising gradually over the forecast.
- **Government spending set to stay weak** amid fiscal constraints, although there may be upside near-term risks given the Budget.
- **Net exports a persistent drag on growth** reflecting modest global growth, tariff headwinds and the pick-up in import intensive investment spending.

# 4. Monetary Policy Reform

CHANGING THE INFLATION TARGET TO 3% IS A DONE DEAL

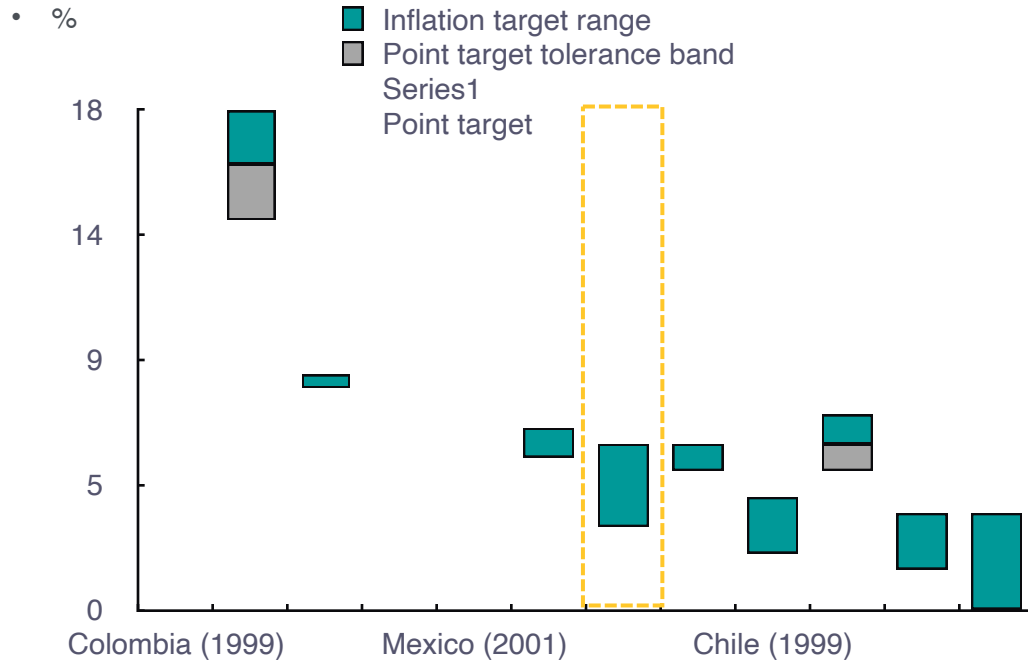


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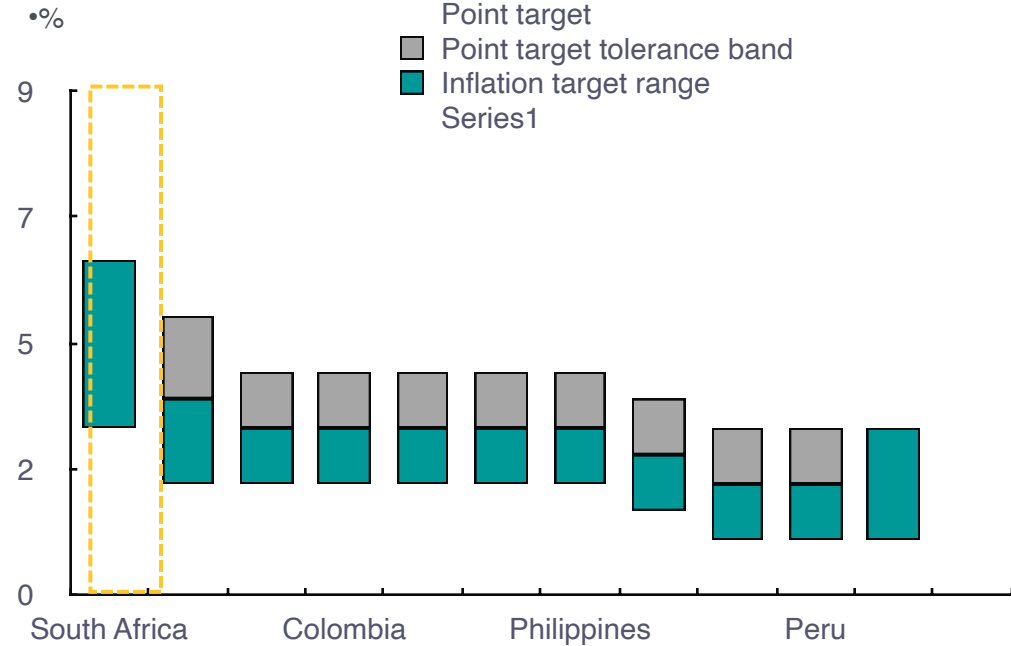
# An Inflation targeting outlier



## Emerging markets inflation targets: Starting



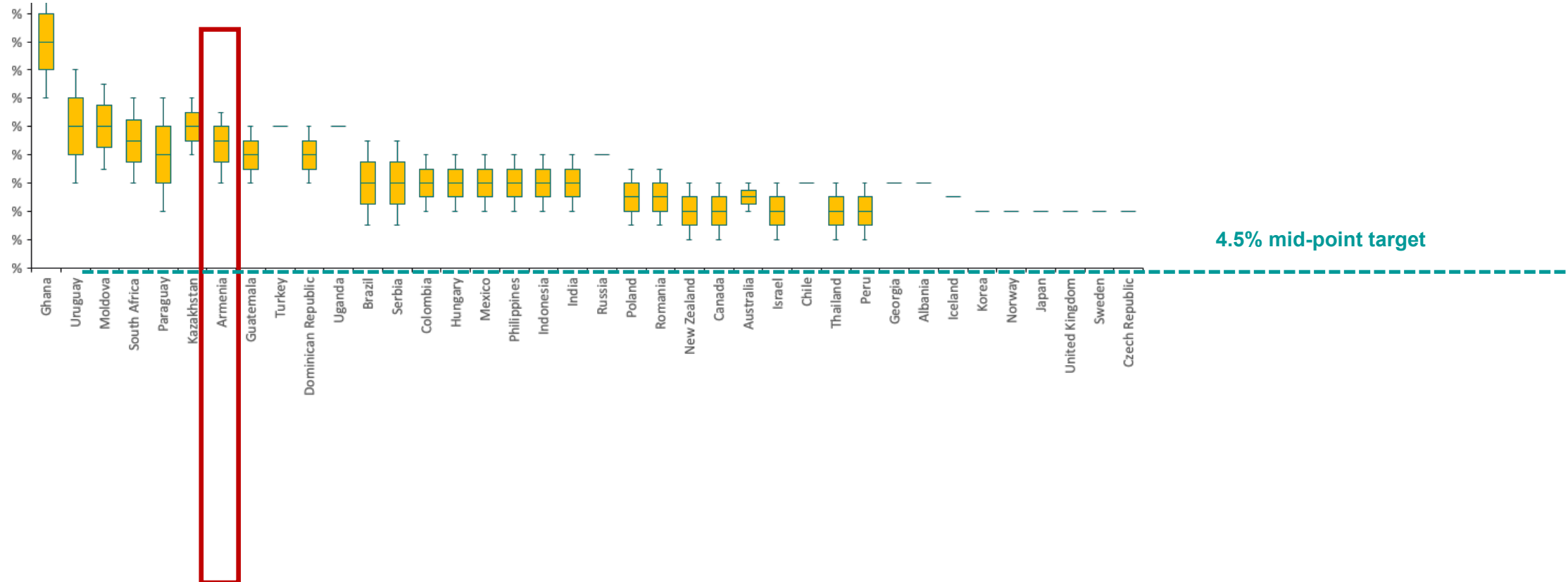
## Emerging markets inflation targets: Current



# South Africa's inflation target is higher than peers



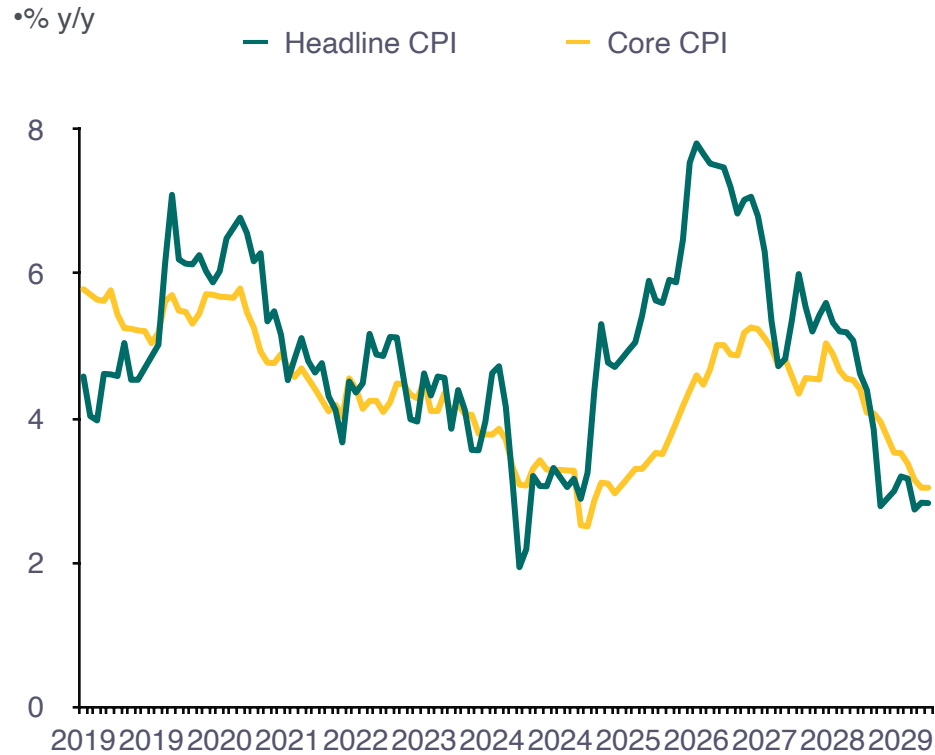
SA vs Inflation Targeting Peers



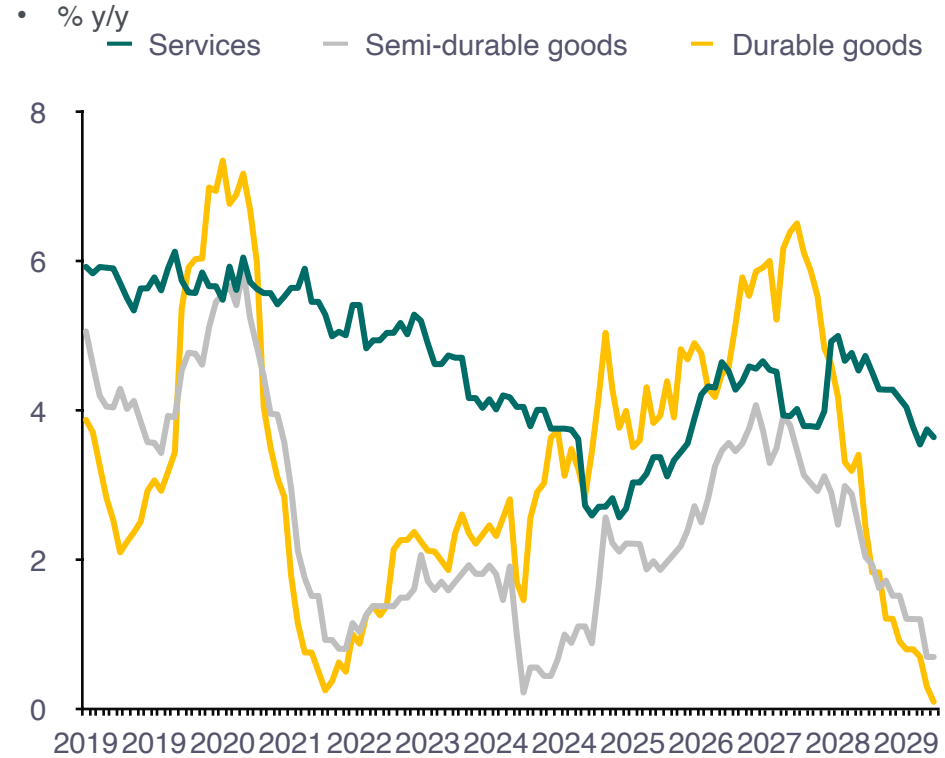
# An opportune time to shift to 3.0%



## Headline and core inflation



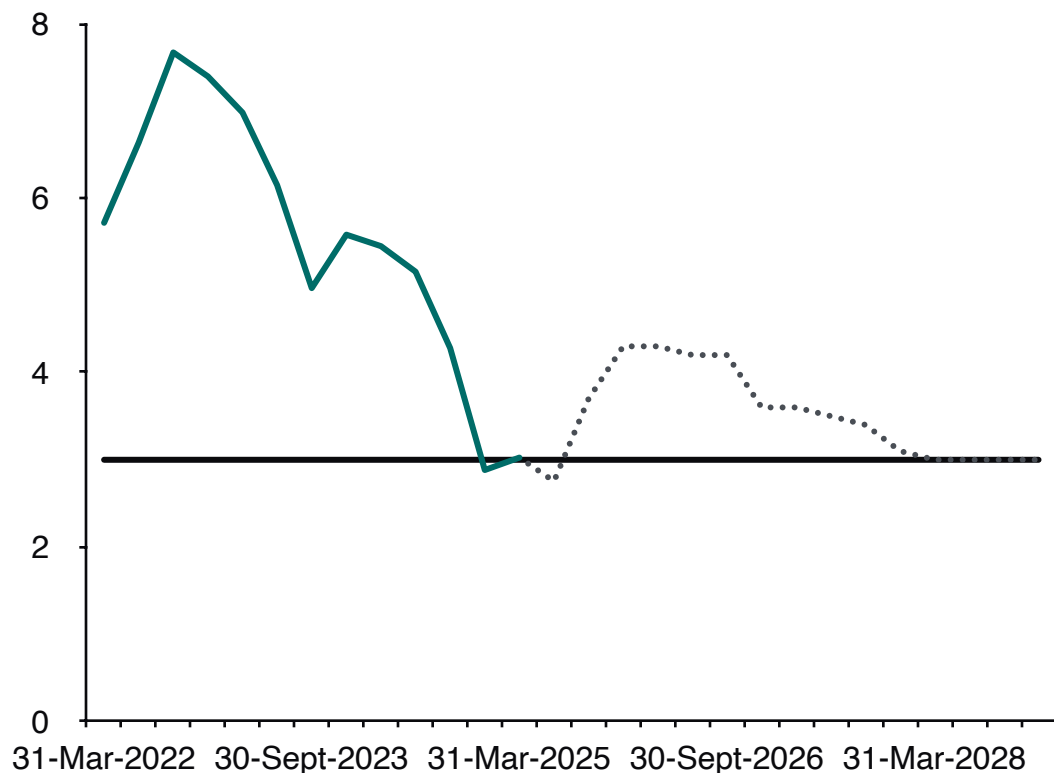
## Core inflation drivers



# Inflation outlook



## Inflation forecast



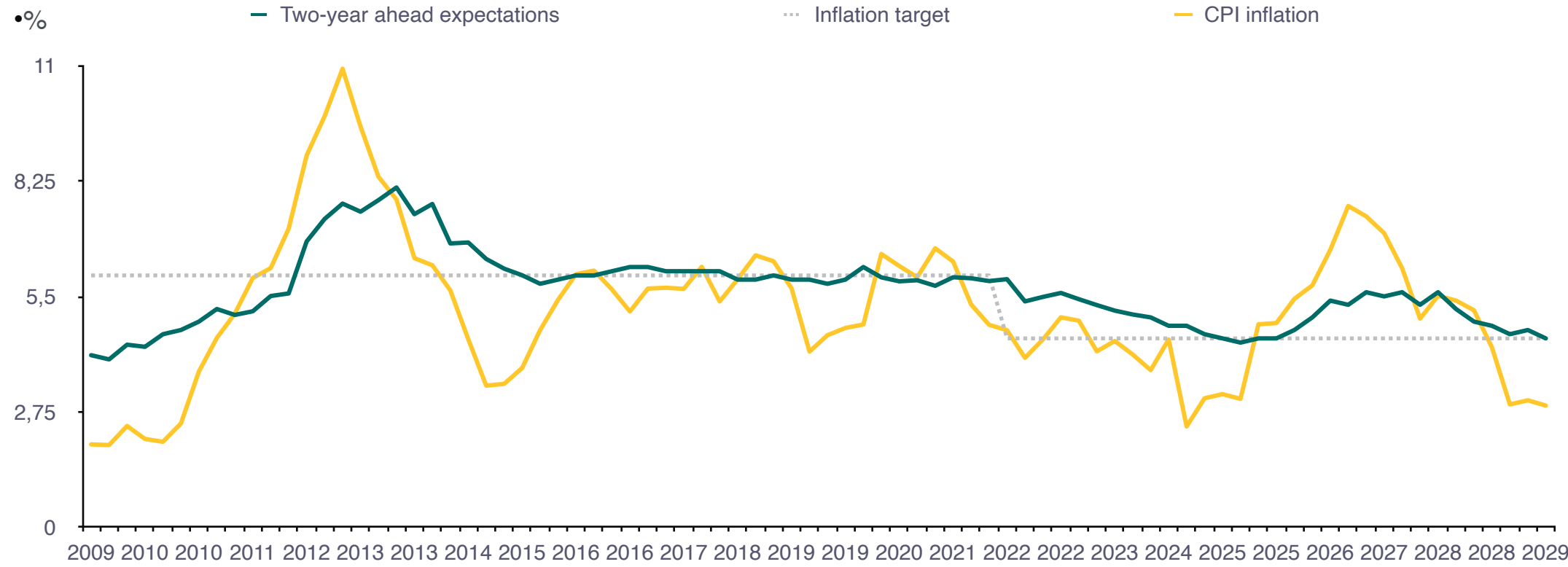
Note: Dotted lines represent forecast

- The proposal to lower the inflation target to 3% is well-timed.
- **Oil prices are expected to average US\$65 per barrel over the next three years**, limiting inflationary pressure from fuel costs, while declining maize and rice prices may help contain food inflation—though meat prices pose a risk.
- **Core inflation remains soft** due to weak domestic demand, the pass-through effects of lower oil prices, a stronger rand reducing import costs, and subdued rental price increases.
- **The formal adoption of the 3% target is expected to stabilise expectations and support renewed disinflation**, with headline CPI forecast to average 3.5% in 2025, 4.2% in 2026, 3.6% in 2027, and 3.0% in 2028.

# Managing expectations is key



## Inflation expectations



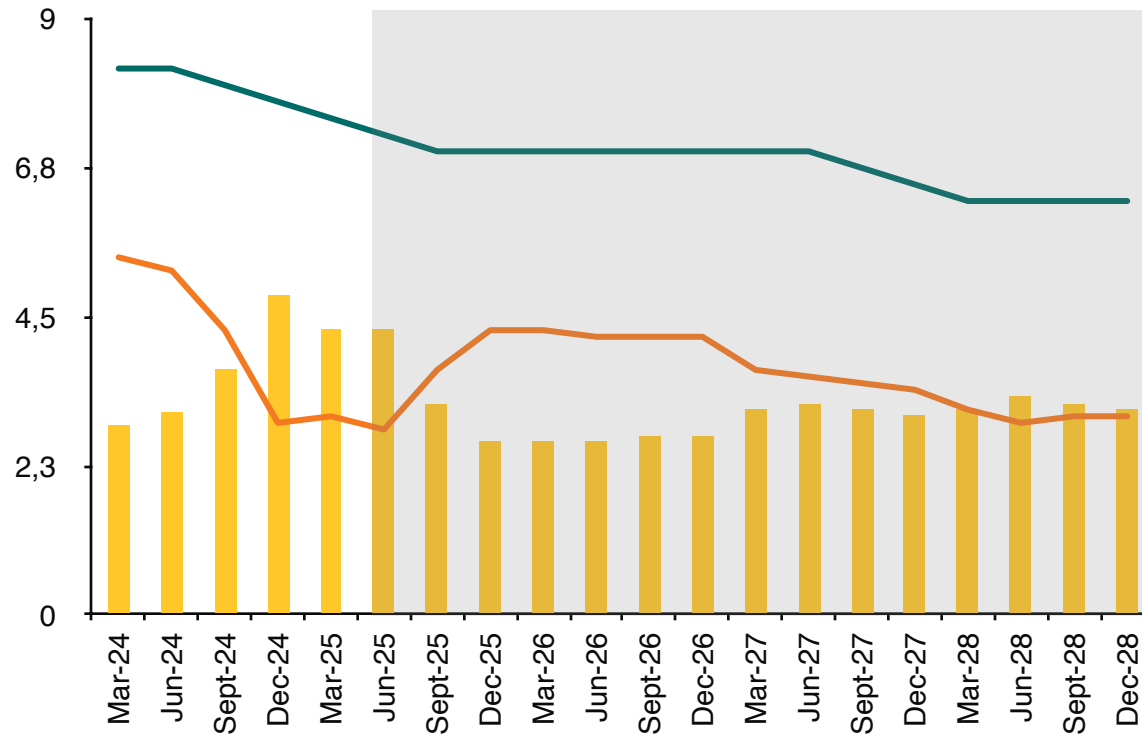
# LOWER INFLATION TARGET, LOWER RATES



## Repo rate outlook

• %, % y/y

— SARB policy rate    ■ Real policy rate  
— CPI inflation



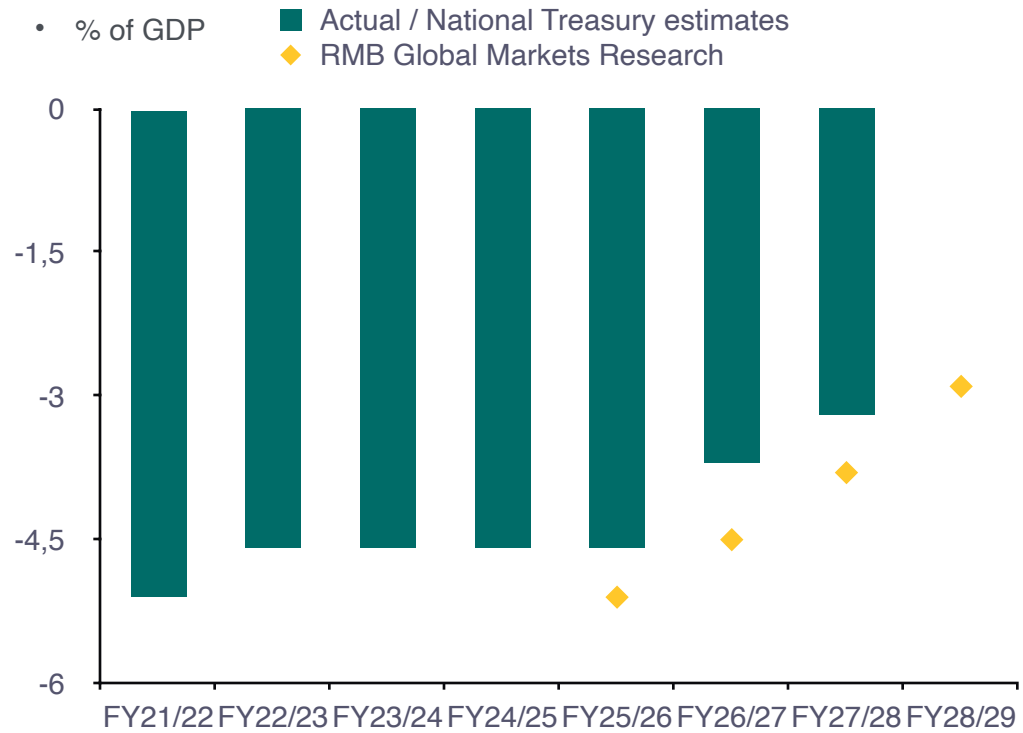
Note: Shaded area represent forecasts

- **With inflation well-contained and risks easing, the SARB cut rates by 25bp in May.** We expect another 25bp rate cut in September, bringing the policy rate to 7.00%.
- **The July decision could be finely balanced,** and future rate moves will depend on the timing of a formal announcement and implementation of a lower inflation target.
- Despite easing inflation, nominal rigidities - especially in administered prices and wages - pose medium-term challenges, but **gradual disinflation could allow for further easing from mid-2027, with rates reaching 6.25% by early 2028.**
- If the lower inflation target is adopted sooner, **SARB's scenario suggests inflation could anchor more quickly, enabling up to 150bp in cumulative rate cuts by the end of next year.**

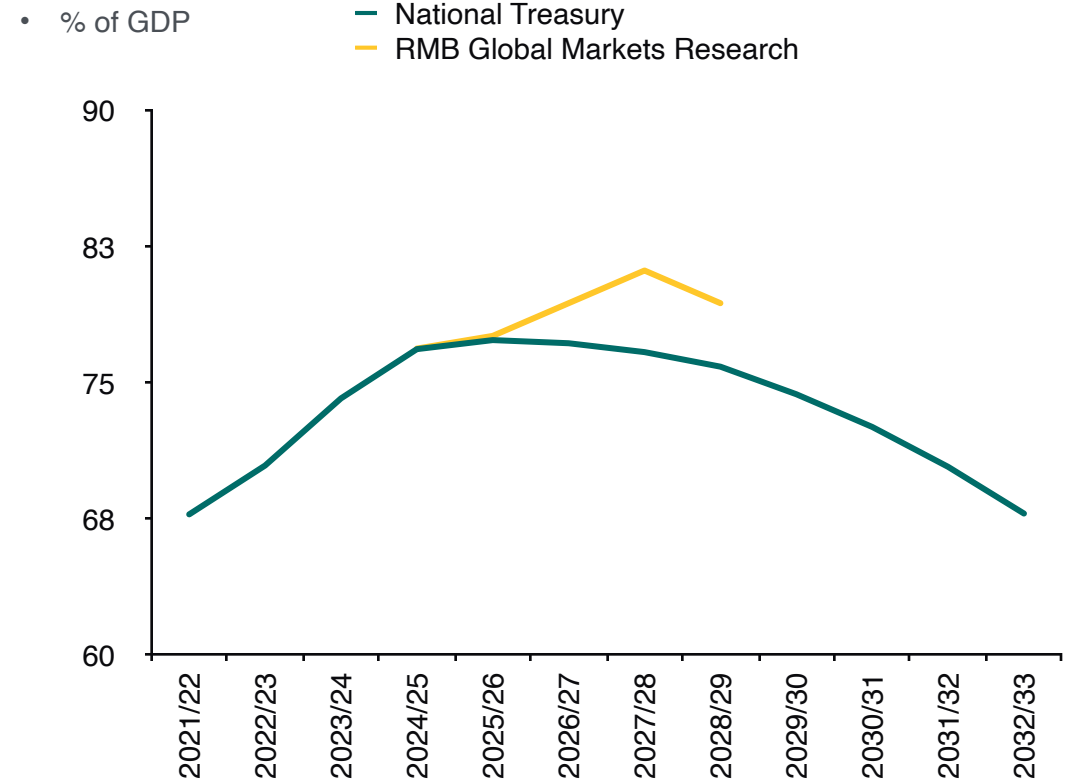
# Fiscal policy: budget strain



## Main budget balance



## Gross government debt

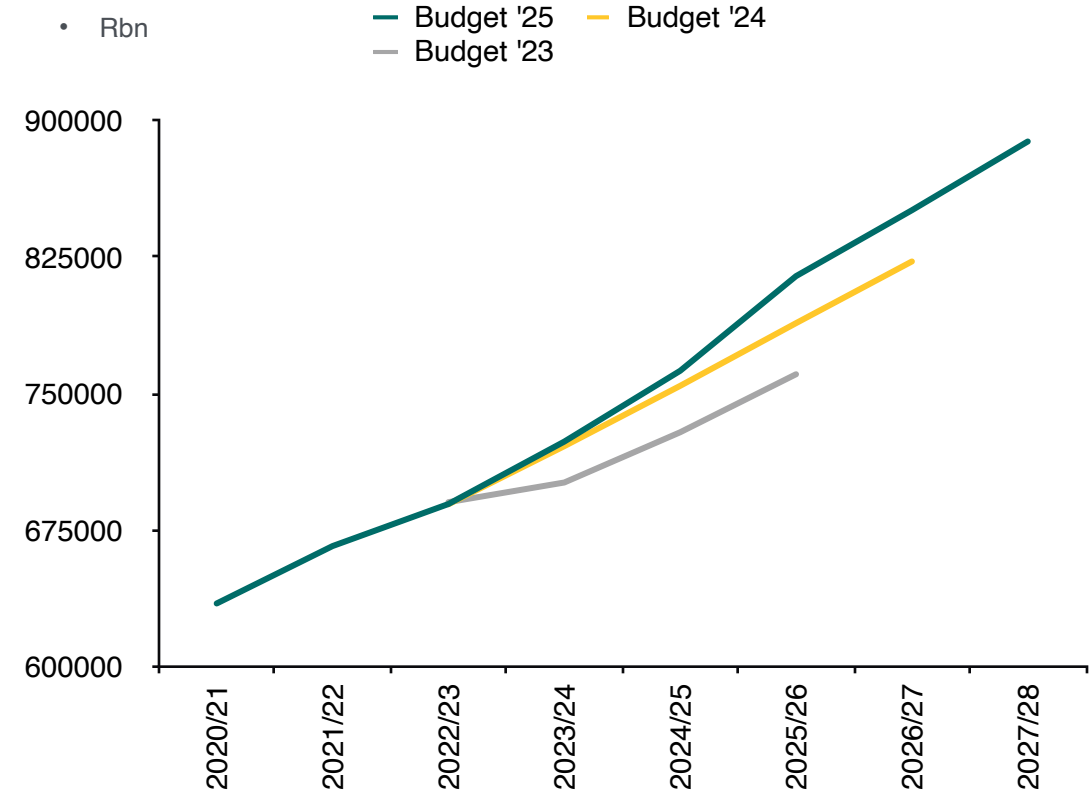


# The stealth tax squeeze, higher spending



## Tax-to-GDP ratio

## Government wage bill

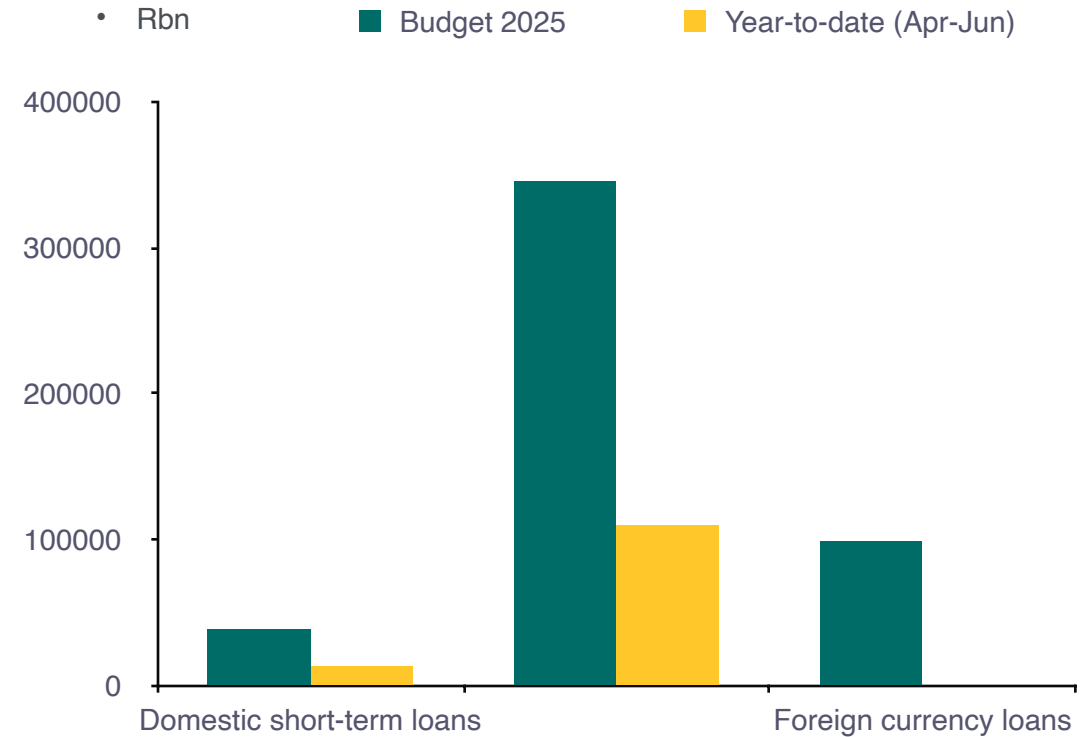


# Big borrowing needs, but no rise in issuance



## The government's gross borrowing requirement

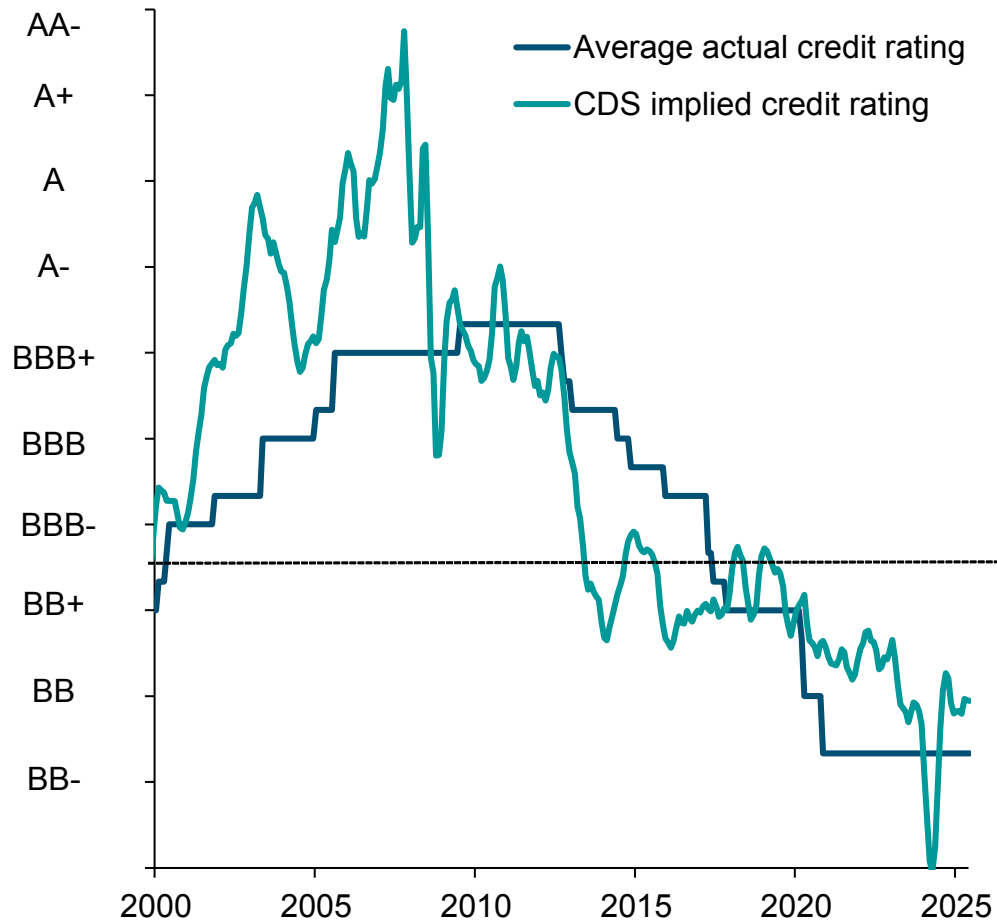
## Debt issuance



# SOUTH AFRICA SOVEREIGN RISK: AN UPGRADE IS POSSIBLE



## Credit rating and where the market is trading



- South African credit continues to trade richer than the sovereign credit rating suggests.
- There was surprisingly limited pressure this year despite the deterioration in US-SA relations and delays in passing the budget.
- **S&P has South Africa on a positive ratings watch. We forecast a ratings upgrade in early 2026.**
- We expect South Africa to be removed from the FATF grey list later this year.

Agency	Rating	
Moody's	Ba2 (BB)	Moody's is one notch higher than the others but has not yet been as positive in reviews.
S&P	BB-	Positive outlook announced in November 2024, reaffirmed in May 2025.
Fitch	BB-	Stable outlook reaffirmed in March 2025.

# 5. Markets expectations

**TERMS OF TRADE SUPPORTIVE OF ZAR**



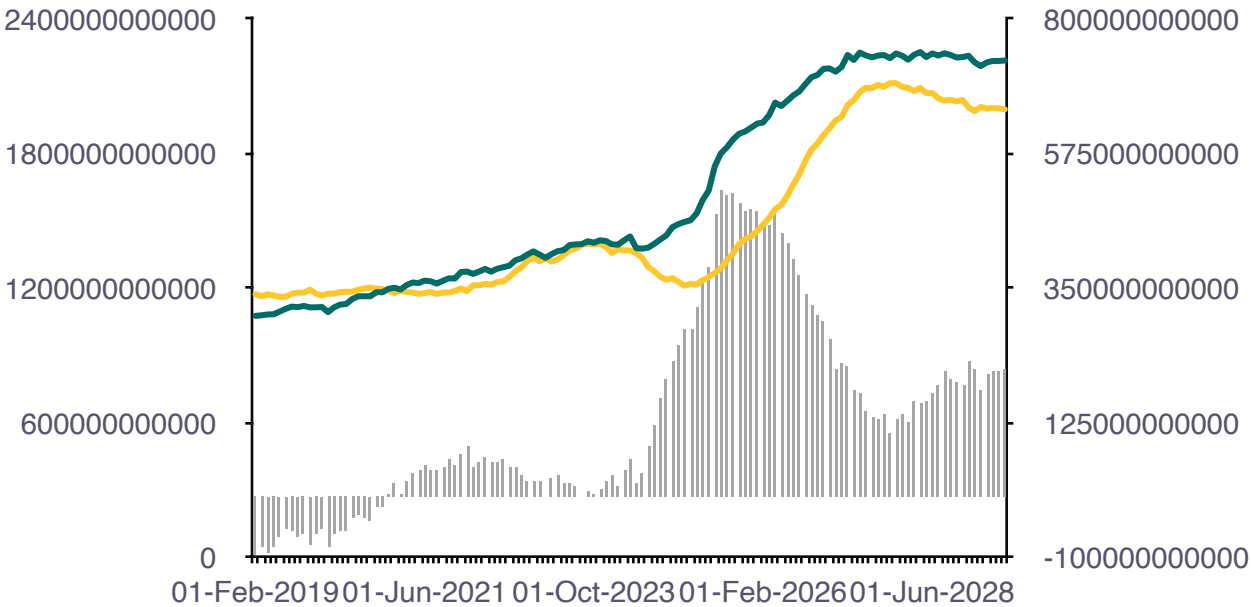
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# Commodity price support for the trade balance



## Exports, imports and the trade balance

- Rbn, 12-m rolling sum
- Exports
- Imports
- Trade balance (RHS)
- Rbn, 12-m rolling sum



## South Africa export commodity prices (USD)

- Index: 2016=100
- South Africa export commodity prices



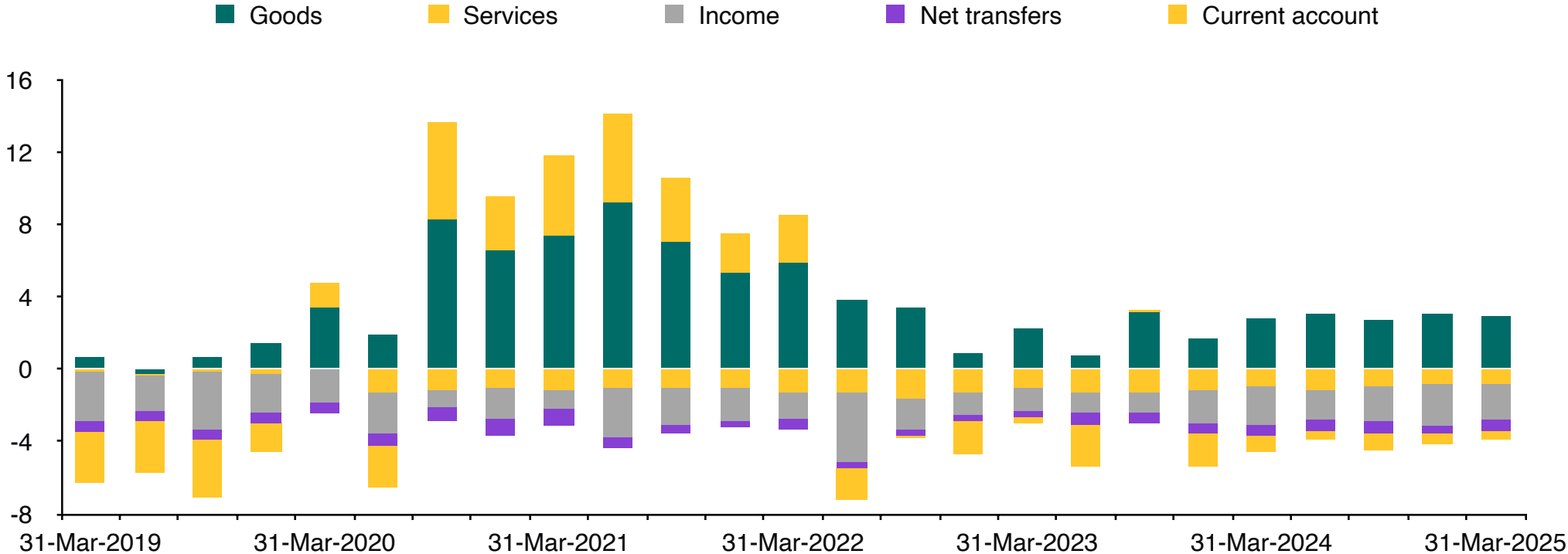
Note: Commodity price index uses the prices of gold, platinum, palladium, rhodium, coal, iron ore, manganese and chromium weighted by their 12-month moving average of export values.

# Trade boost for the balance of payments



## Composition of the current account balance

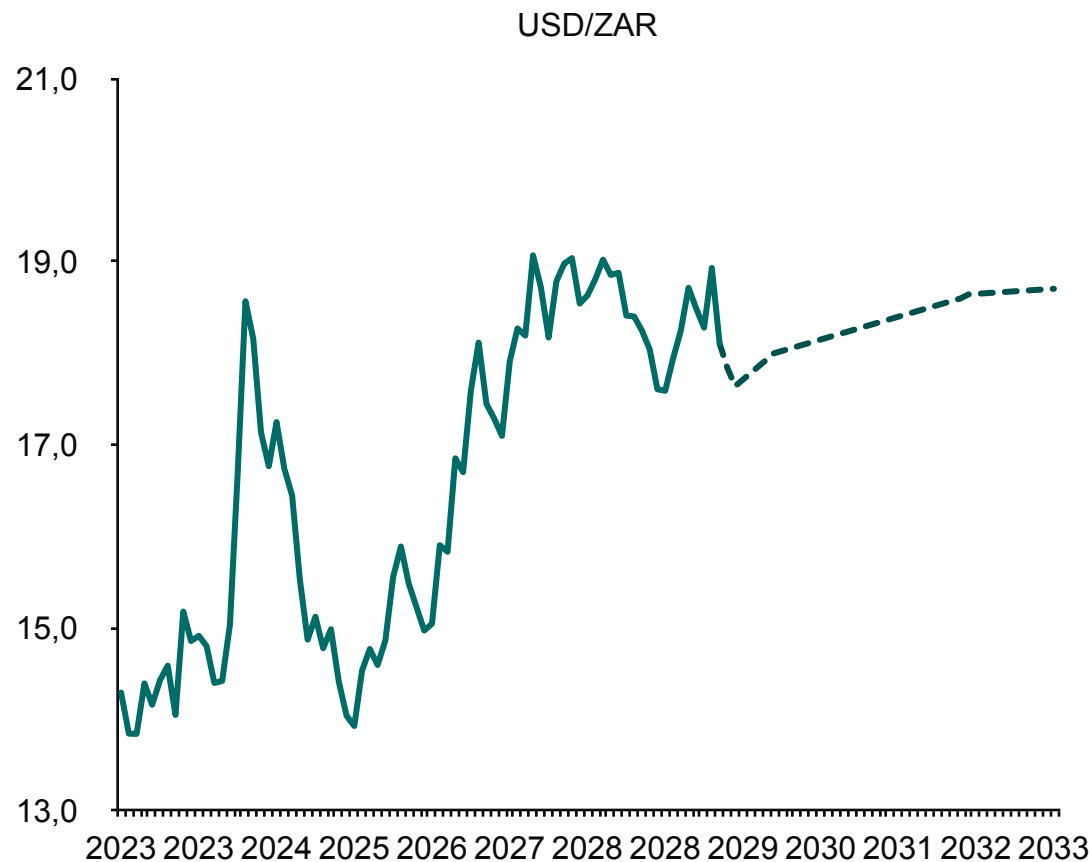
• % of GDP



# RAND OUTLOOK: APPRECIATION ANCHORED BY COMMODITIES



## USD/ZAR forecast

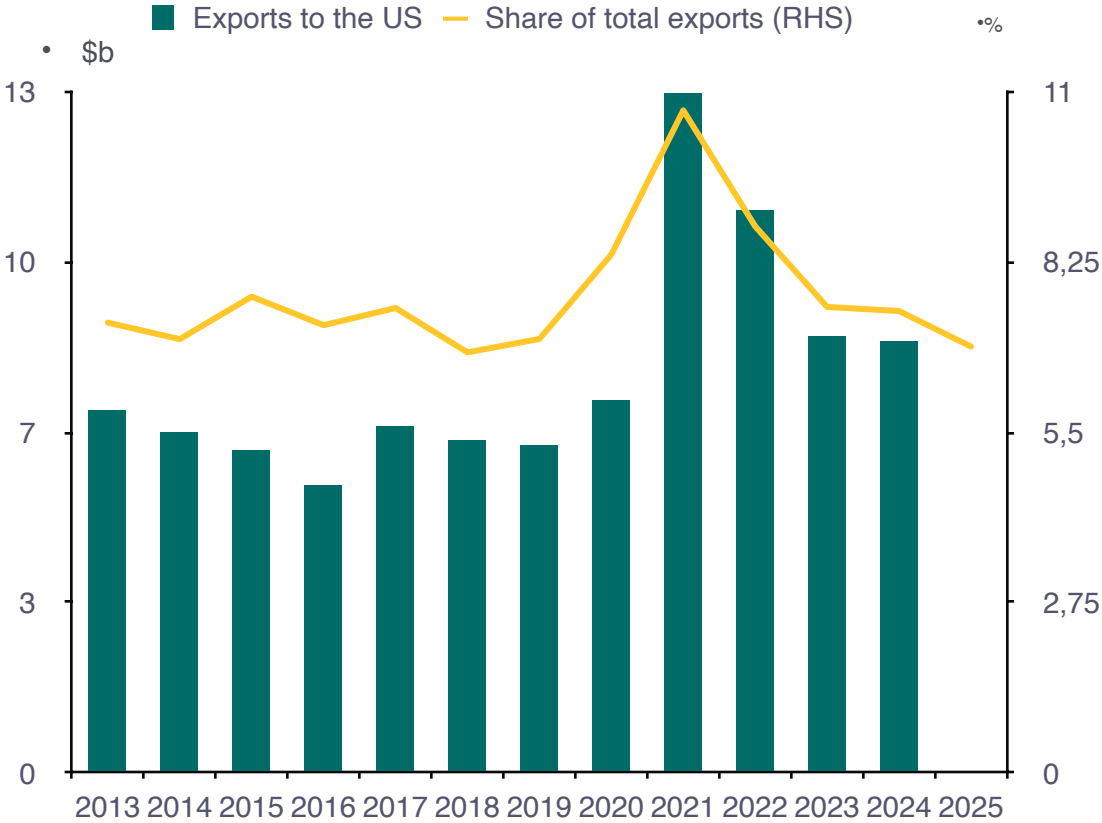


- Improving fundamentals have compressed the rand's currency risk premium and we now see **USD/ZAR at 18.00 at year-end, from 18.20 previously.**
- **The rand's appreciation is anchored by surging commodity terms of trade**, assisted by oil's retreat. Platinum prices also gained noticeably, contributing positively toward the terms of trade uplift.
- **Volatility in USD/ZAR has continued to compress**, supported by low global market volatility. Both realised and implied measures have declined, and the narrowing of risk reversals and term spreads suggests that options markets are pricing in reduced upside risk for the rand.
- USD positioning has become stretched, and we see scope for EUR/USD to bounce.

# But US tariffs present a risk for exports



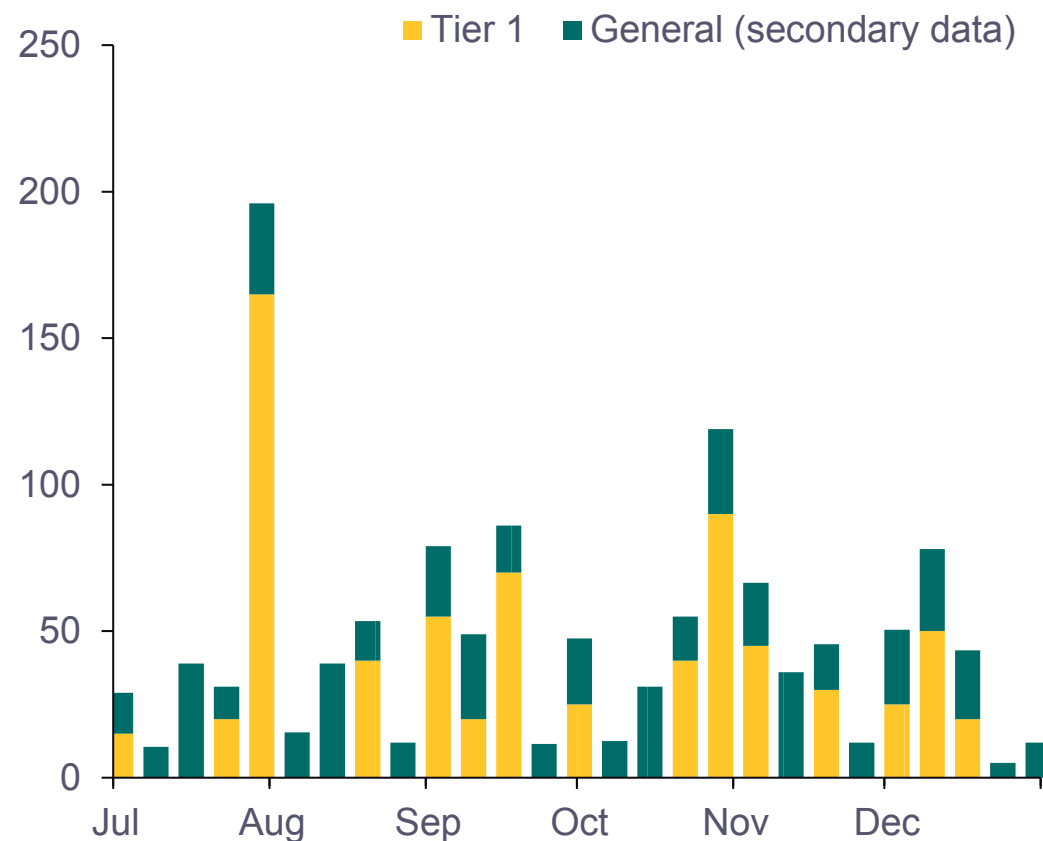
## South Africa exports to the US



# DATA AND EVENT RISKS: KEY EVENT DATES



## Data/event risk scoring



- There is a confluence of data/event risk at the end of July. Within four days, we get the Fed and SARB MPC meetings, US and Eurozone GDP, the usual turn-of-the-month data such as payrolls, as well as US reciprocal tariffs coming into effect.
- The pause of US tariffs on China ends on 12 August.

## Selected key event risk dates

30 July	Fed meeting
31 July	SARB meeting
1 August	US tariffs imposed unless trade deals reached
12 August	Pause in US-China tariffs expires
21 August	Fed's Jackson Hole Symposium



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# EXTRA SLIDES

GNU

REFORMS

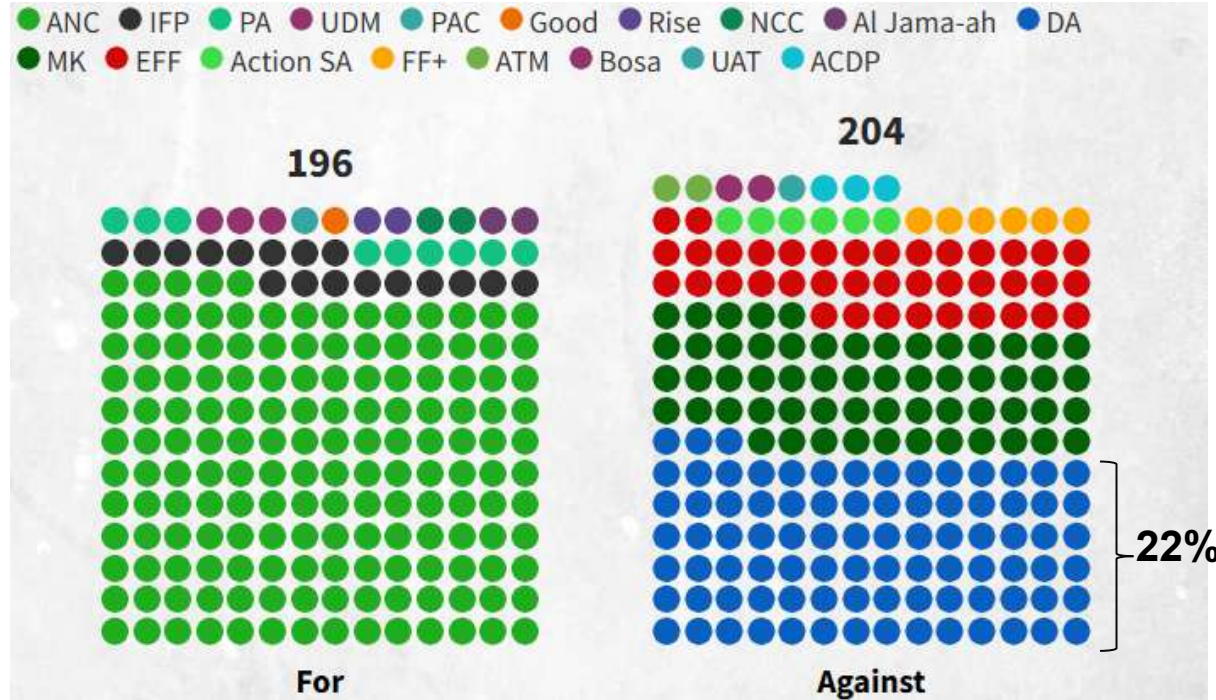


**RMB**

# The centrist GNU supports continued economic reform

## Reformers managed to pass budget.. without the DA

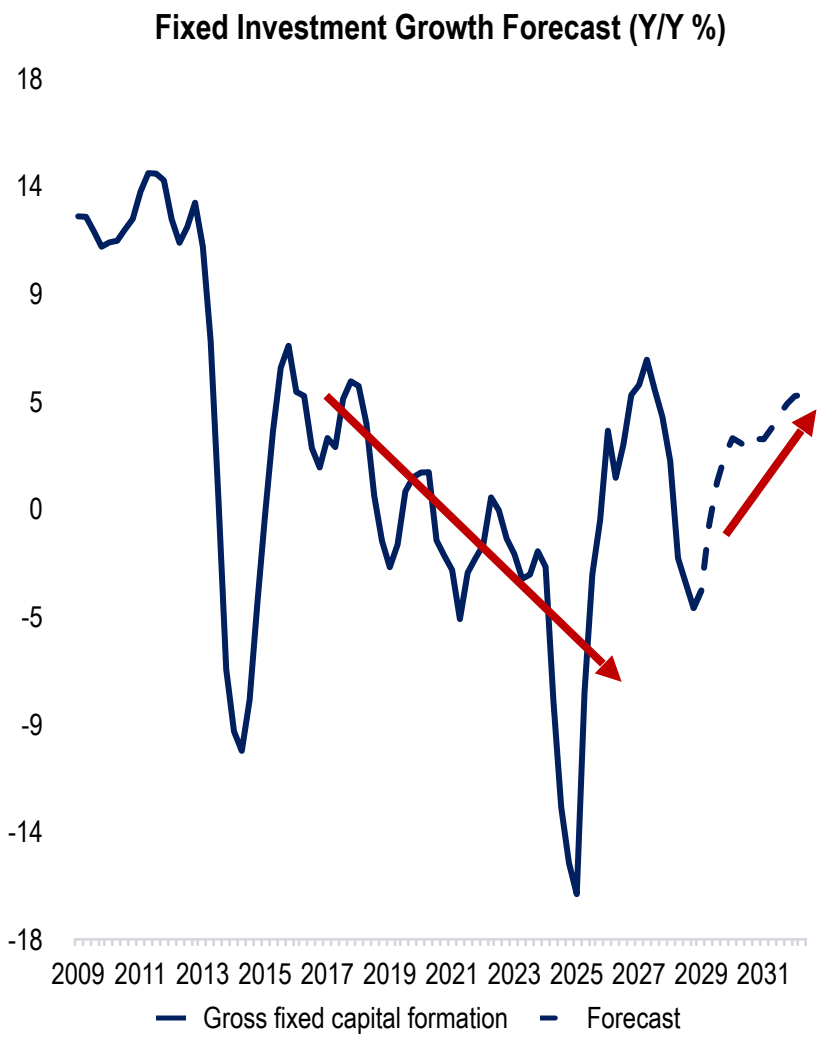
<b>Upside – Government of National Unity</b>	<b>Pre-election Baseline – Status Quo Continues</b>
Governing party + Reformers form a coalition	Factions grind it out and cooperate with counterparts in other parties, increased paralysis
Increased isolation of rent seekers from political power	



**Budget uncertainty puts us here**

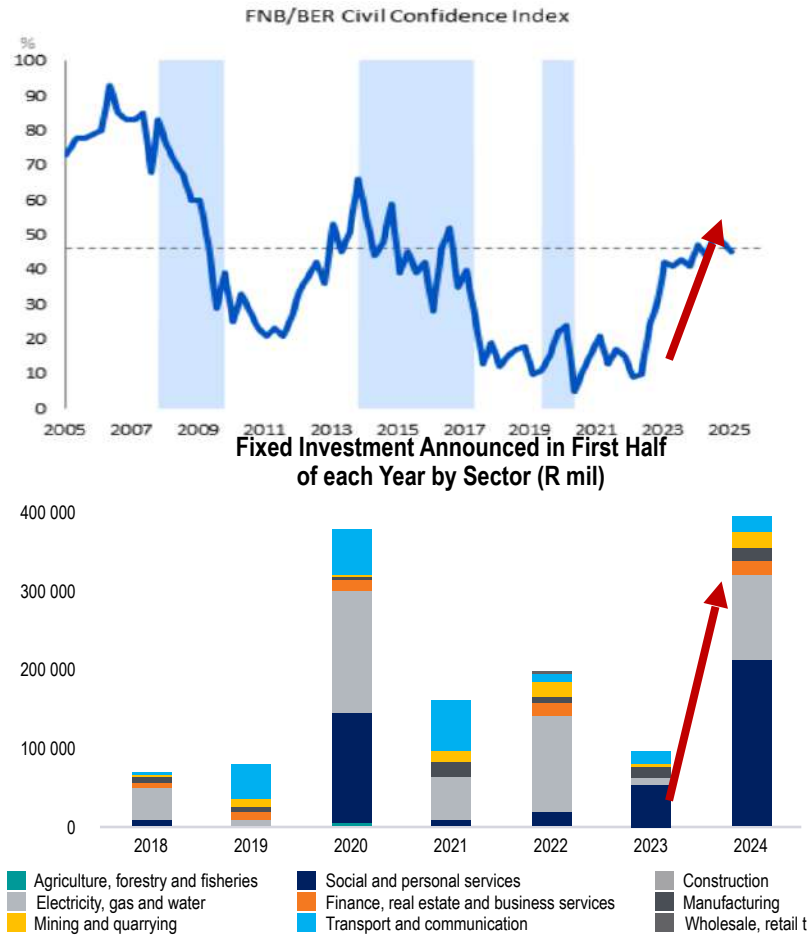
**Centrists: 49% + 22% = 71%**

# Fixed investment is taking longer than expected – posing downside risk to growth, but some progress is being made



### Fixed Investment Reform Tracking

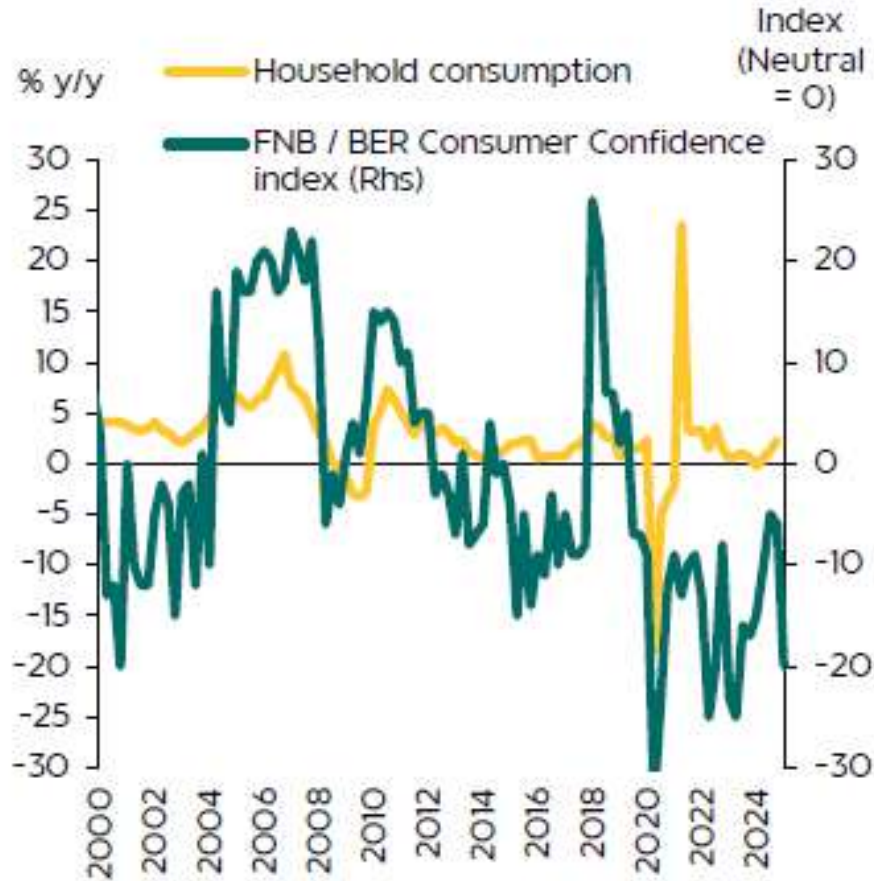
- Government is significantly scaling up its infrastructure programme and reforms, **including alternative financing arrangements, are taking shape.**
- Regulations governing private public **partnerships (PPPs) have been simplified and will take effect on June 1.**
- The department of transport is close to finalising the creation of a **private sector participation unit to be housed in the Development Bank of Southern Africa.** (Requests for information (RFI) have been sent out to gauge the market's appetite for investing in rail and port infrastructure and operations. A similar RFI process will be launched for the **passenger rail sector** in May. Procurement is, however, expected to start only at the end of August 2025.
- **The National Water Resources Infrastructure Agency (NWRIA) is being used to unlock off-budget funding,** through commercial and development finance, to address SA's water crisis.
- **In 2025/2026, four windows of the Budget Facility for Infrastructure (BFI) are being introduced** instead of just one annually. The BFI facilitates national priority public projects of R1bn or more that require fiscal support to cover a viability gap.
- Later this year, the Independent Power Producers' Office expected **to issue a RFI for a multi line energy transmission package.** The aim is to enable the private sector to play a key role in the expansion of the transmission network as it has done in the generation of renewable electricity.



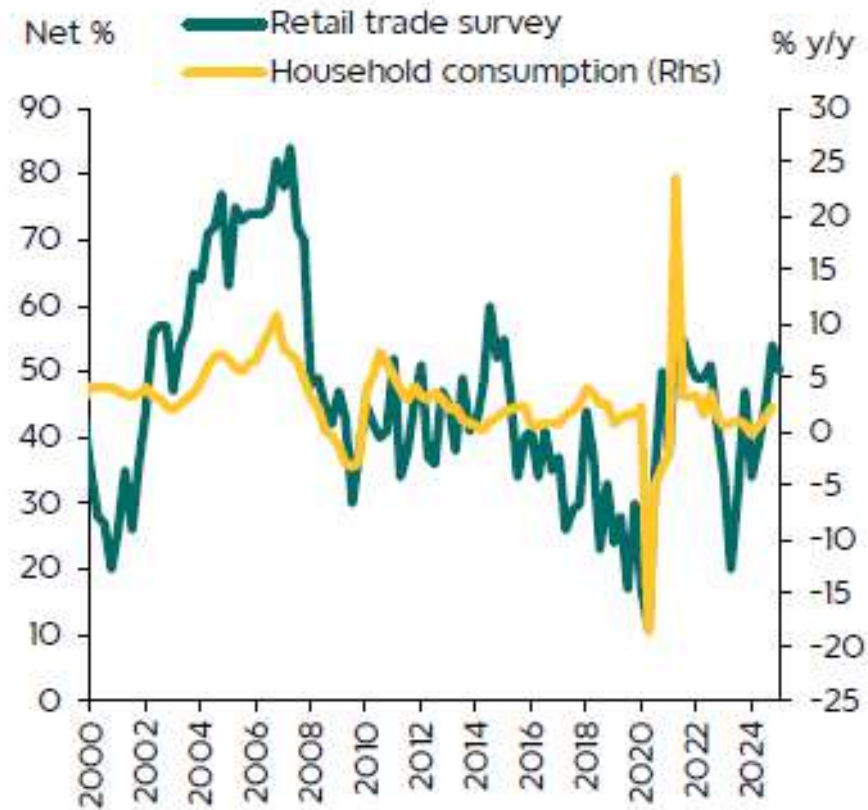
# Consumer sector continues to support the recovery



Consumer confidence declines...



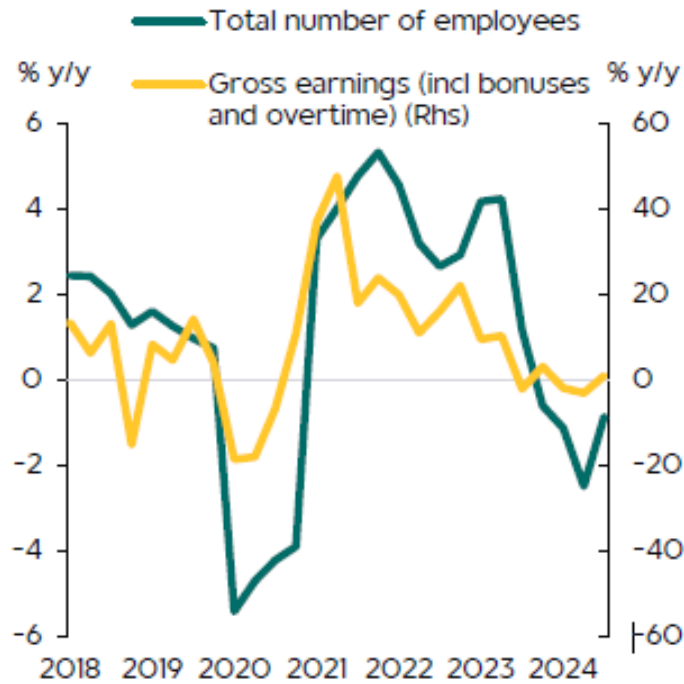
...while retail confidence rise



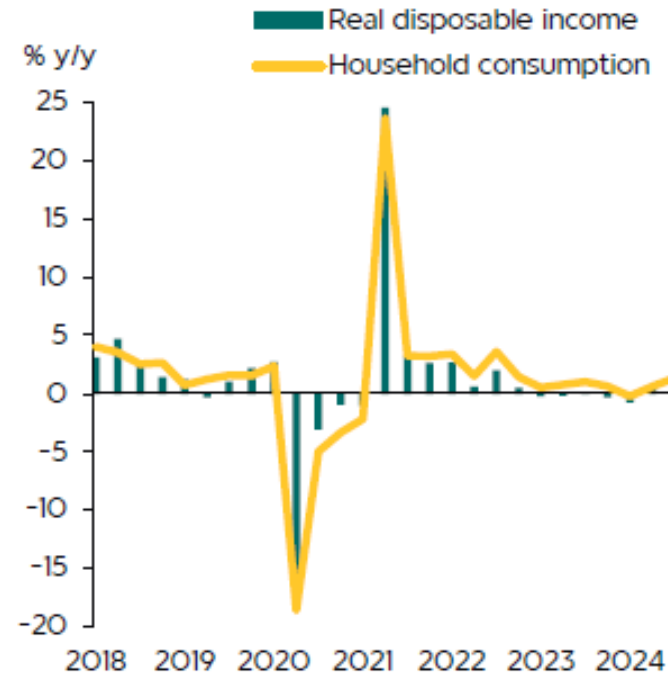
# Employment and earnings gradually picked up but credit has been moderating



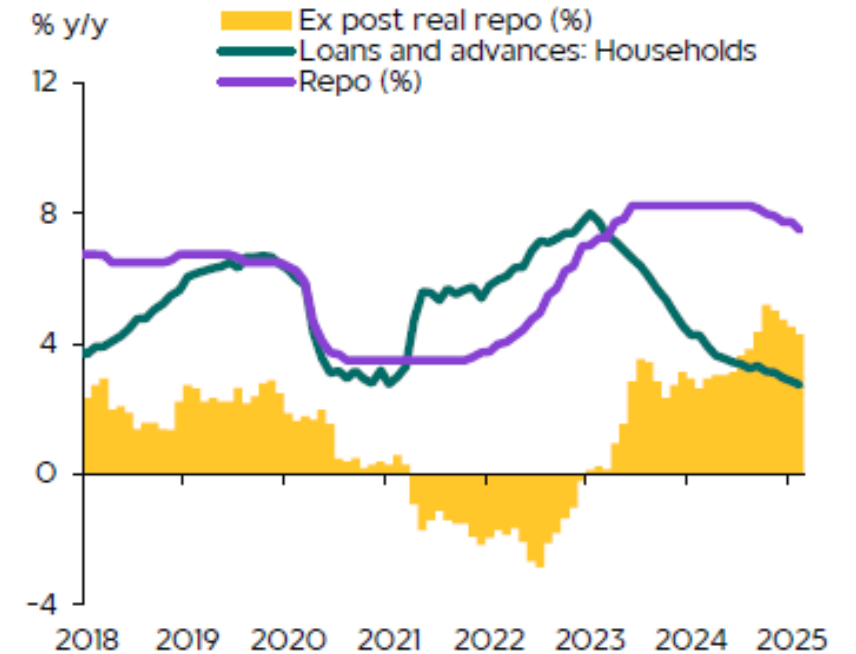
## Employment and earnings



## Disposable income and consumption



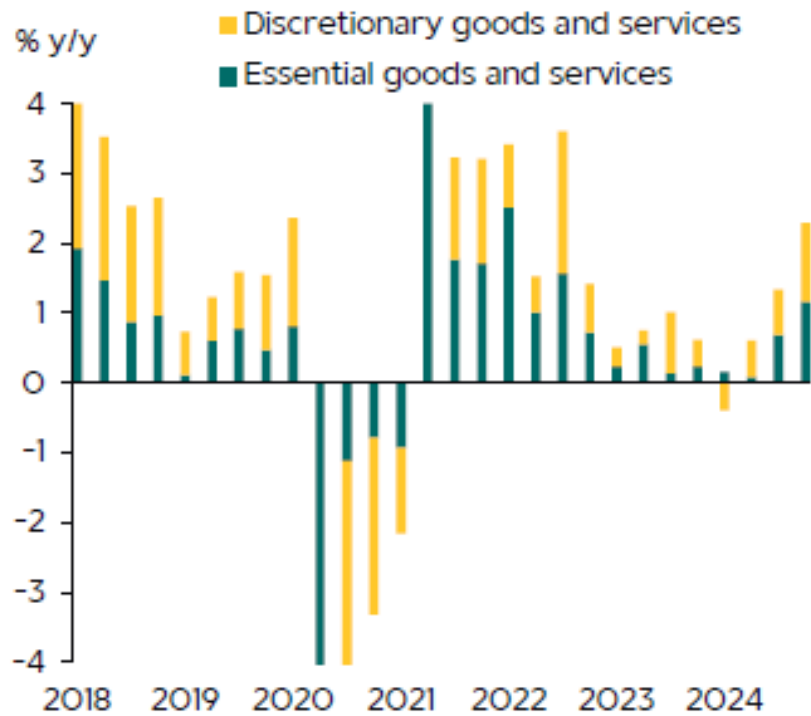
## Household credit extension



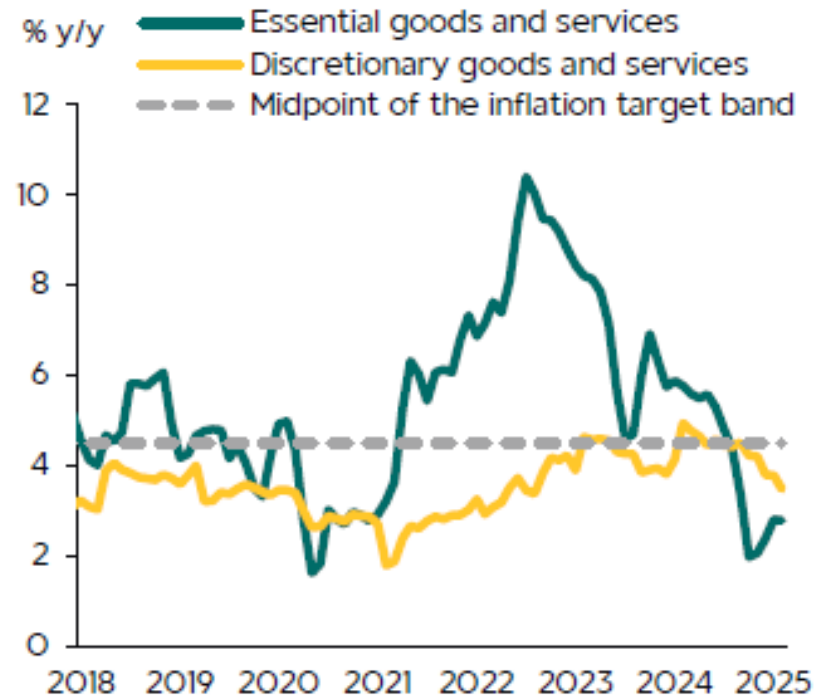
# Household spending rebalances towards essentials



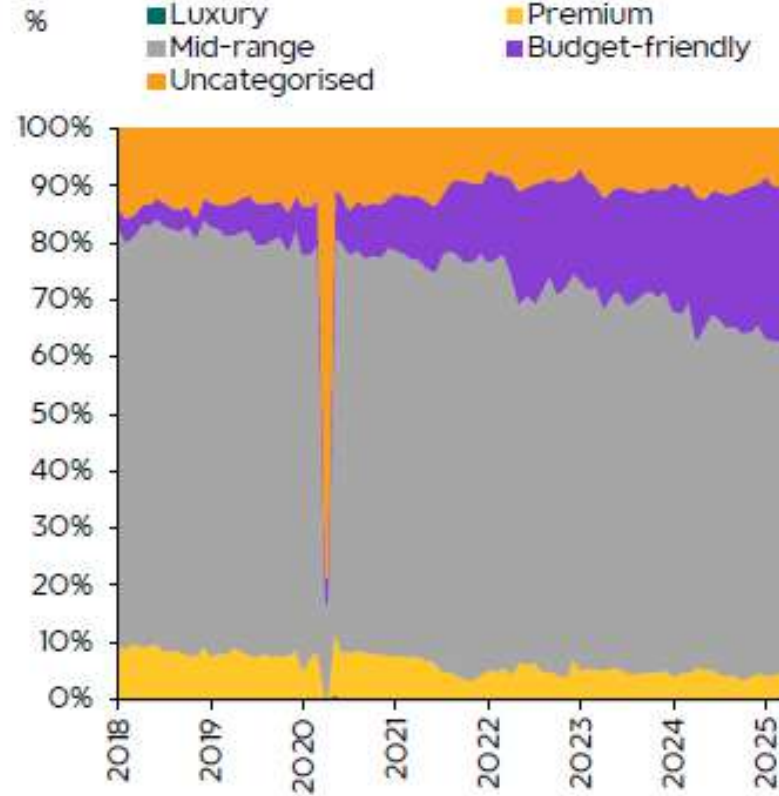
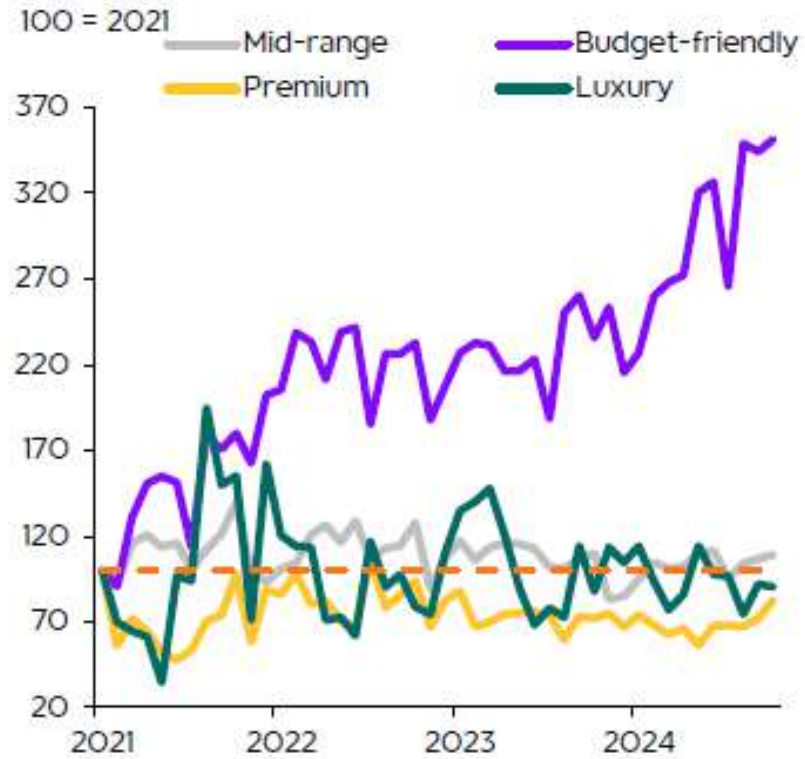
### Contributions to household consumption...



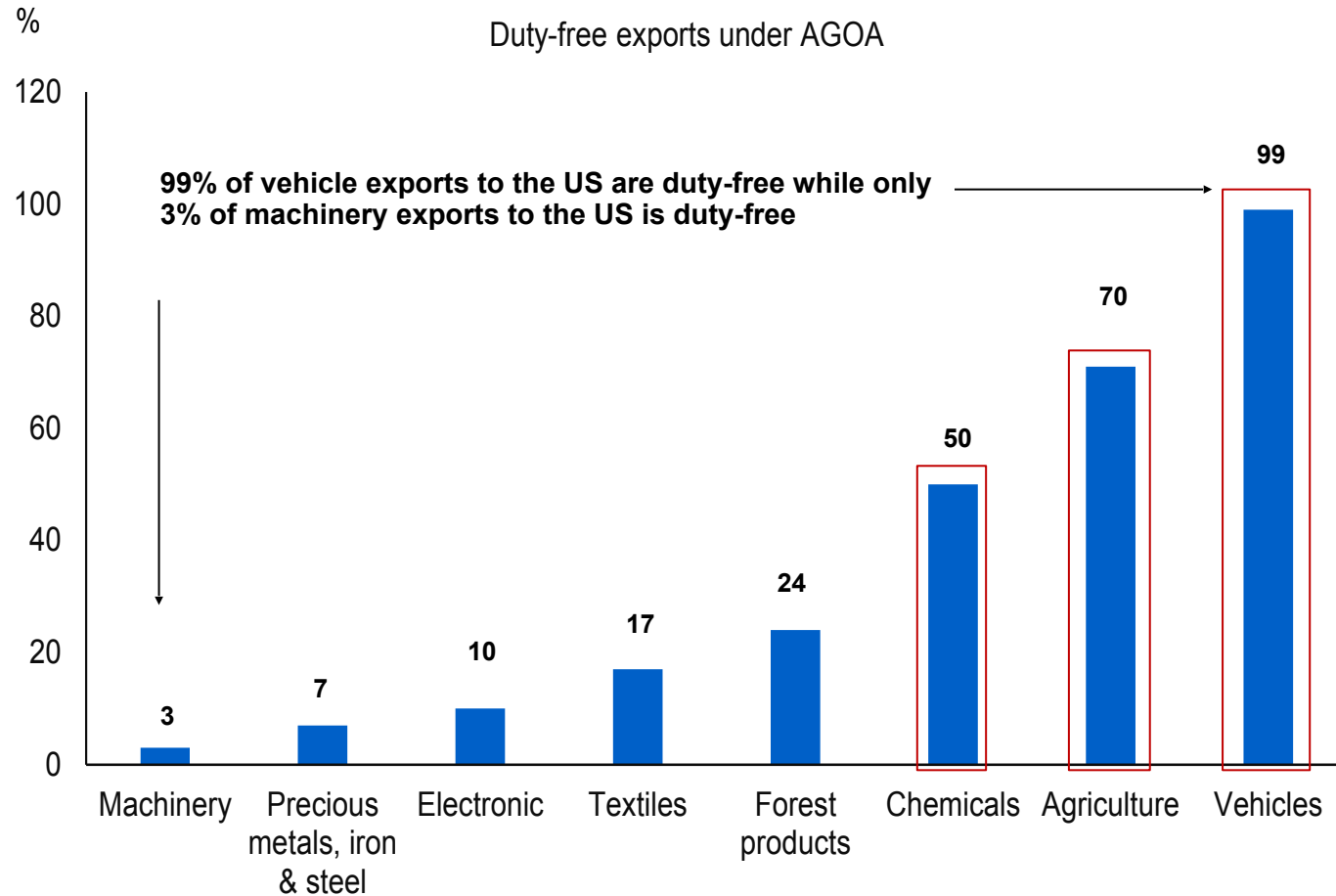
### ...Consumer price inflation



# Budget-friendly vehicle sales outperform other segments



# Trade tariffs and potential loss of AGOA will have 0.2% - 0.4% of downside risk to real GDP growth



## Second-round effects we need to watch

- 1. Supply Chain Disruptions – risks to global growth:** Tariffs can lead to significant disruptions in global supply chains. Small open economies often rely on imported intermediate goods for their manufacturing sectors. Increased costs and delays can hamper production and competitiveness
- 2. Investment Uncertainty:** The uncertainty created by trade wars can deter foreign direct investment (FDI). Investors may be hesitant to commit to projects in small economies due to the unpredictable trade environment
- 3. Currency Volatility:** Trade wars can lead to increased uncertainty in financial markets, causing fluctuations in exchange rates. Small open economies with less stable currencies may experience heightened volatility, affecting trade and investment
- 4. Inflationary Pressures:** Tariffs can increase the cost of imported goods, leading to higher prices for consumers. This can result in inflationary pressures, reducing purchasing power and potentially leading to higher interest rates

## May 2025 forecast adjustments: **growth and inflation lowered**



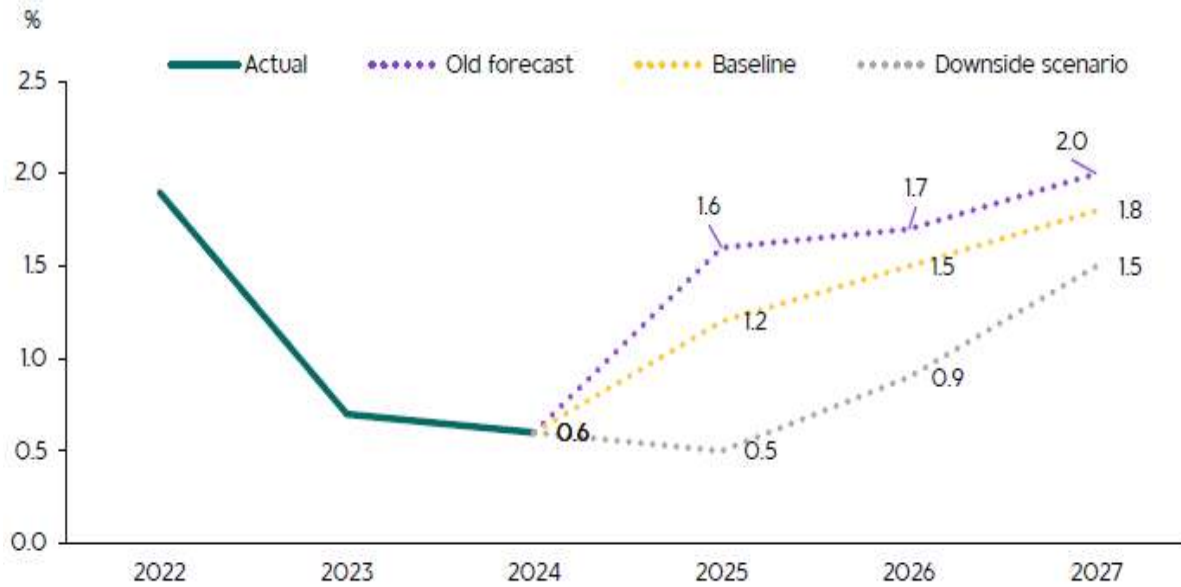
	2025	2026	2027	2028
Real GDP – old forecast	1.6	1.7	2.0	2.2
<b>Real GDP – new forecast</b>	<b>1.3</b>	<b>1.6</b>	<b>2.0</b>	<b>2.1</b>
CPI – old forecast	3.8	4.4	4.3	4.5
<b>CPI – new forecast</b>	<b>3.5</b>	4.4	4.3	4.5
Repo rate – old forecast	7.0	7.0	7.0	7.0
<b>Repo rate – new forecast</b>	7.0	7.0	7.0	7.0
Government debt to GDP– old forecast	77.5	79.3	80.9	80.3
<b>Government debt to GDP – new forecast</b>	<b>77.9</b>	<b>80.1</b>	<b>81.9</b>	<b>81.6</b>
Current account balance – old forecast	-0.9	-1.3	-1.6	-2.1
<b>Current account balance – new forecast</b>	<b>-0.6</b>	-1.3	<b>-1.7</b>	<b>-2.3</b>

**Key:**

**Green** reflects improvement

**Red** reflects deterioration

# May 2025 forecast adjustments: growth and inflation lowered



	Actual			Forecast		
	2022	2023	2024	2025	2026	2027
<b>RMB GDP forecasts</b>	1.9	0.7	0.6	<b>1.2</b>	<b>1.5</b>	<b>1.8</b>
<i>SARB</i>				1.7	1.8	2.0
<i>National Treasury</i>				1.9	1.7	1.9
<i>Bloomberg consensus</i>				1.6	1.8	2.2
<i>IMF</i>				1.0	1.3	1.6

# 4. Operation Vulindlela II



## OPERATION VULINDLELA

Supporting the Implementation of Priority Structural Reforms

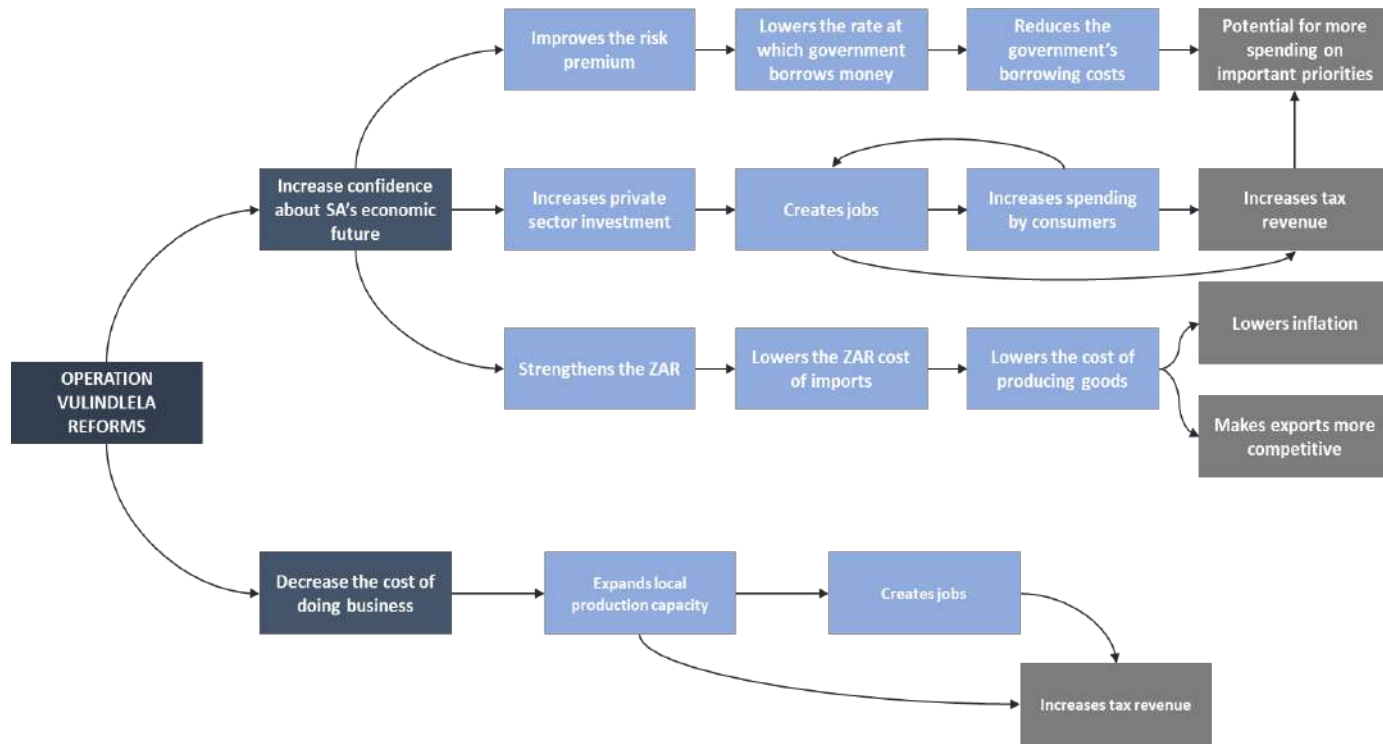


# Sectoral trends show general government, agriculture and personal services holding up.

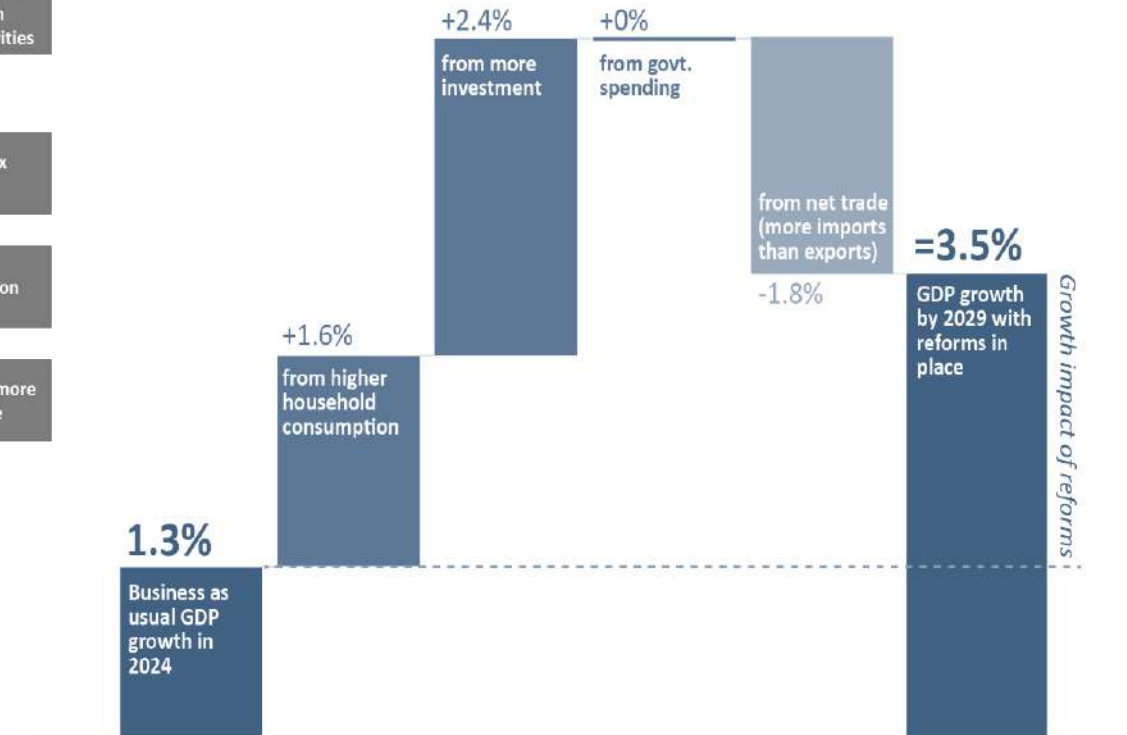


- ❑ Implementing the OV reforms can boost real GDP growth by 1.5% above the baseline of 2%.
- ❑ The largest driver of this improvement is fixed investment, which is 4% higher by 2029.
- ❑ Improved energy availability and access to ports and railways, exports perform better, reaching growth of almost 5% in 2029 vs. 3% in the baseline.
- ❑ In the reform scenario, real GDP is R399.6bn (+7.7%) higher than in the baseline by 2029, and investment is R196.7bn (+22.3%) higher.

## The logic of economic reforms



## OV reforms could boost growth to 3.5% by 2029



# Focus areas for OV Phase II

## Following through on existing reforms



Transform the electricity sector to achieve energy security



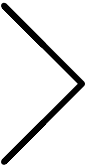
Create a world-class logistics system to support export growth



Ensure a secure and reliable supply of water



Reform the visa system to attract skills and investment



## Expanding to new reform areas



Create dynamic and integrated cities to enable economic activity



Harness digital public infrastructure as a driver of growth and inclusion



Strengthen local government and improve the delivery of basic services



# Energy

Accelerating market reform for long-term energy security and a competitive economy

## Achievements in Phase I



Regulatory changes to **enable private investment in electricity generation**



**National Transmission Company of South Africa established** as an independent entity



**Electricity Regulation Amendment Act passed** to introduce a competitive electricity market



**Rooftop solar more than doubled in one year** as a result of tax incentives and feed-in tariffs



**World-class renewable energy procurement programme revived** with over 10 GW of wind, solar and storage currently in procurement

## Priorities for Phase II

1

**Complete the restructuring of Eskom and establish an independent Transmission System Operator**

2

**Establish a competitive wholesale market for electricity generation**

3

**Streamline the regulatory framework for energy projects through the Energy Security Bill**

4

**Reform the electricity distribution industry to establish financially and operationally sustainable distribution companies**

5

**Strengthen and expand the national transmission network**



# Logistics

Opening the rail network and port terminals to private sector participation to improve efficiency

## Achievements in Phase I



**Freight Logistics Roadmap published** to outline a clear path for reform of the logistics system



**Draft Network Statement developed for the freight rail network** to enable third party access by private rail operators



**Private sector participation introduced in container terminals** for the first time



**Economic Regulation of Transport Act passed** to provide independent regulation and enable competition in ports and rail



**Private Sector Participation Unit established** to package and oversee implementation of PSP projects through Transnet and PRASA

## Priorities for Phase II

1

**Complete the restructuring of Transnet and establish an independent National Ports Authority and Rail Infrastructure Manager**

2

**Enable open access to the freight rail network**

3

**Introduce private sector participation in ports and rail through a dedicated PSP Unit**

4

**Establish the Transport Economic Regulator**

5

**Finalise the National Rail Bill to establish a legal framework for a competitive rail sector**





# Water

Investing in water infrastructure and ensuring a secure and reliable supply of water

## Achievements in Phase I



**Water use licenses backlog cleared** - unlocking billions in investment



**National Water Resources Infrastructure Agency Act passed** to provide for a dedicated agency to own and manage bulk water infrastructure



**Water quality monitoring system reinstated** for the first time since 2014 to enable effective intervention in failing municipalities



**Raw Water Pricing Strategy revised** to ensure cost recovery and renewed investment in infrastructure



**Water Partnerships Office established** to develop pipeline of PSP projects in the water sector



## Priorities for Phase II

1

**Develop a National Water Action Plan and establish a coordination structure to ensure water security**

2

**Implement institutional reforms to improve the management of water resources**

3

**Strengthen the regulation and oversight of water service provision**

4

**Support the introduction of private sector partnerships in the water sector**



# Visas

Reforming the visa system to attract skills, investment and tourism

## Achievements in Phase I



**Comprehensive review of the work visa system completed** with recommendations for reform



**Revised Immigration Regulations published** to provide for points based system and new visa categories



**Trusted Employer Scheme established** to create fast-track process for major investors



**eVisa system introduced** to 34 countries, including China, India, Kenya and Nigeria



**More than 50% of the backlog of existing visa applications cleared** and processing times reduced

## Priorities for Phase II

1

**Implement the Points Based System for Critical Skills Visas and General Work Visas**

2

**Implement the Remote Work Visa**

3

**Expand the Trusted Employer Scheme**

4

**Implement an Electronic Travel Authorisation (ETA) for tourist visas**



# Local government

Institutional, governance and financial reforms to address the root causes of deteriorating performance

## Priorities for Phase II

1

**Shift to a utility model for water and electricity services to ensure financial and operational sustainability**



Require all metros to establish or appoint ring-fenced, professionally managed and independently licensed utilities for water & sanitation and electricity within two years, with support from National Treasury and line departments.

2

**Standardise and professionalise the appointment of senior officials in local government**



Ensure that all Municipal Managers and CFOs meet the minimum standards for qualifications, experience and integrity, and extend the mandate of the Public Service Commission to oversee compliance at local government level.

3

**Review the institutional structure of the local government system through an updated White Paper on Local Government**



Publish an updated White Paper on Local Government to outline a modern and fit-for-purpose local government system, including a review of powers and functions as well as the appropriateness of the two-tier system.

4

**Review the funding model and functions assigned to local government, including the use of conditional grants**



Undertake a review to ensure that local government revenue matches its responsibilities, and that funding mechanisms incentivize improved service delivery performance.



# Spatial inequality

Creating dynamic cities that support economic growth and generate employment

## Priorities for Phase II

1

**Revitalise and restore passenger rail services**



Complete the restoration of strategic corridors and upgrading of stations and rolling stock, and develop a roadmap for the future of passenger rail.

2

**Strengthen demand-side housing policy to support densification**



Redesign the First Home Finance programme to increase uptake, and introduce a demand-side rental subsidy for affordable housing.

3

**Release public land and buildings for affordable housing and other development**



Make available under-utilized land owned by national government departments and entities through sale or long-term lease for affordable housing.

4

**Clear the backlog of title deeds and make the titling system more accessible and affordable**



Address obstacles to titling by resolving outstanding planning approvals for subsidized housing developments, raising the small estates threshold, and establishing mechanisms to resolve disputes over ownership.

5

**Review land use, building and other regulations to enable low-cost property developments**



Review the current regulatory framework to support low-cost developments, for example by relaxing land use zoning schemes in certain areas to allow households to build a second or third dwelling.



# Digital transformation

Investing in digital public infrastructure to enhance service delivery and expand financial inclusion

## Priorities for Phase II

1

**Develop and implement a Digital Transformation Roadmap for South Africa**



Put in place a clear, practical roadmap to drive catalytic projects, overseen by an Inter-Departmental Working Group on Digital Transformation.

2

**Implement digital identity for secure and remote access to services**



Establish universal biometric enrolment and introduce a foundational digital identity system, together with a digital wallet for citizens to access their digital ID, drivers license and other verifiable credentials.

3

**Establish a data exchange for evidence-based policymaking and service delivery**



Create a data exchange to integrate key administrative databases, enabling improved programme design and targeting while reducing leakages and fraud.

4

**Introduce digital payments for cost-effective and dignified transactions**



Enable real-time payments at no cost through multiple channels to reduce cash transactions, and establish a payment bridge for government departments and agencies to make payments to citizens directly.

5

**Create trusted digital channels for accessing information and services**



Relaunch Gov.za as a fully functional platform for citizens to access information and services, and make procurement and other government data transparent.



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