

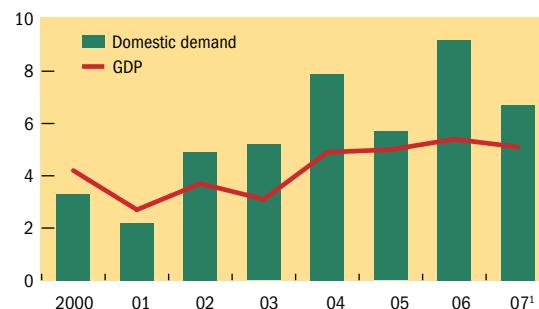


SOUTH AFRICA

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.

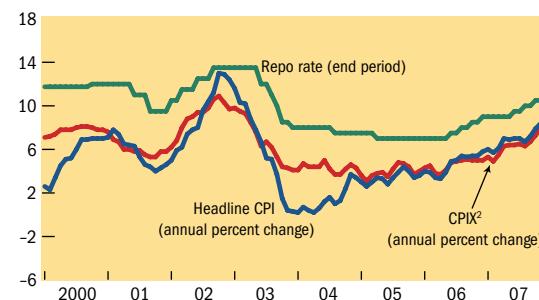
Strong domestic demand has helped spur growth in the past few years . . .

(annual percent change)



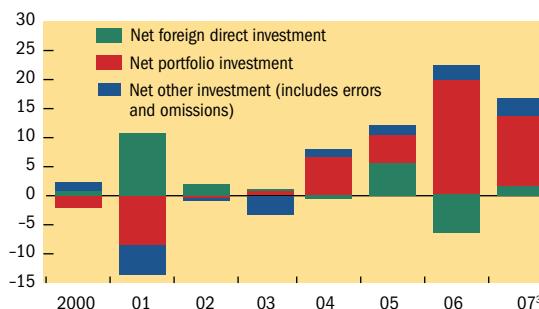
But that strong demand, along with rising global food and fuel prices, has increased inflation, prompting the central bank to raise interest rates . . .

(percent)



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)



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

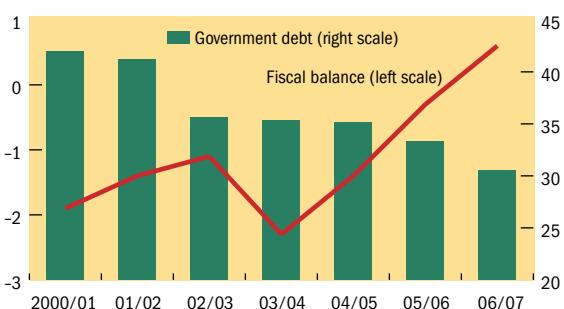
¹Estimate.

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

³Through third quarter.

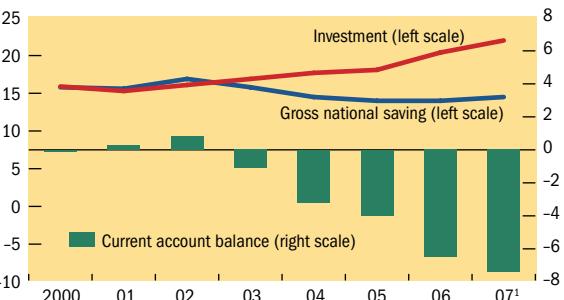
. . . contributing to a steady reduction in public debt and the first fiscal surplus in decades.

(percent of GDP)



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

(percent of GDP)



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

(millions of persons)

