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 . . .
(percentage)

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.