S&P Global
Ratings

Economic Outlook EMEA Emerging Markets Q1 2022

High Inflation And COVID-19 Threaten To Slow Recovery

November 30, 2021

This report does not constitute a rating action

LEAD ECONOMIST

Tatiana Lysenko
Paris
+33-14- 420-6748
tatiana.lysenko
@spglobal.com

ECONOMISTS

Valerijs Rezvijs
London
+44-7929-651-386
valerijs.rezvijs
@spglobal.com

Sarah Limbach
Paris
+33-14-420-6708
sarah.limbach
@spglobal.com

RESEARCH CONTRIBUTOR

Prarthana Verma
CRISIL, Mumbai

Key Takeaways

- By the end of the third quarter, all key emerging market (EM) economies within Europe, the Middle East, and Africa (EMEA) have achieved a meaningful recovery from the pandemic-related downturn. The recovery is not yet complete, however, and some sectors continue to operate below capacity. While the pace of expansion is slowing, most economies should still see above-trend growth in 2022.
- We now forecast higher inflation and higher interest rates in EM-EMEA economies. While we expect inflationary pressures to subside gradually, uncertainties about the domestic and global inflation outlook and the speed of U.S. monetary policy normalization will keep EMEA central banks on a tightening bias.
- Turkey's macroeconomic trajectory is highly uncertain following interest rate cuts amid very high inflation and sharp lira depreciation, but we see limited effects from the developments in Turkey on other EMs.
- Insufficient progress in COVID-19 vaccination remains a key risk to the outlook. The new Omicron variant is a stark reminder that the pandemic is far from over.

After solid growth in the first half of 2021, emerging economies in EMEA have shown mixed performance in the second half of the year. While pandemic developments partly explain different growth outcomes, some one-off factors also contributed to the divergence. Overall, by the end of the third quarter, all key emerging EMEA economies have achieved a meaningful recovery from the pandemic-related downturn, and most have regained or exceeded their pre-pandemic GDP levels, apart from South Africa.

The recovery is not yet complete, however, and some sectors continue to operate below capacity. While the pace of expansion is slowing, most economies should still see above-trend growth in 2022. Our growth forecasts, broadly unchanged from the September baseline, reflect this assumption (see tables 1 and 2). They also incorporate our expectations of softer global demand for manufactured products and commodities; a gradual withdrawal of fiscal support; and tighter and more volatile external and domestic financing conditions.

Table 1

GDP Growth Forecasts
Annual growth rates, %

	2019	2020	2021f	2022f	2023f	2024f
Poland	4.7	-2.7	5.2	5.0	3.3	2.4
Russia	2.0	-3.0	4.2	2.7	2.0	2.0
South Africa	0.1	-6.4	4.9	2.4	1.5	1.5
Turkey	0.9	1.8	9.8	3.7	3.1	3.0

f--S&P Global Ratings forecast. Sources: Oxford Economics, S&P Global Ratings.

Table 2

Real GDP Changes From September Baseline
Percentage points

	2021f	2022f
Poland	0.1	-0.3
Russia	0.2	0.1
South Africa	0.3	-0.2
Turkey	1.2	0.4

f--S&P Global Ratings forecast. Sources: Oxford Economics, S&P Global Ratings.

While our central scenario for 2022 GDP growth remains broadly unchanged, we now forecast higher inflation and higher interest rates in EM-EMEA economies, compared with our September baseline. The risks around this baseline have also evolved.

We continue to see insufficient progress in vaccination as a key risk to the outlook. At the same time, we note that the exit from the pandemic has proven complex--in EMEA and globally--with uneven reopenings between economies and sectors creating mismatches in demand and supply in various markets and price pressures. Our baseline is for annual headline inflation to peak soon, across EM-EMEA (Turkey being a notable exception) and in major advanced economies. There are, however, significant risks around this baseline. This translates into a risk of tighter monetary stance in EMEA economies.

What Has Changed Since September, And What Is The Impact On The Baseline Forecast And Risks?

Pandemic Resurgence In Eastern Europe, Omicron Variant Identified In South Africa

In Central and Eastern Europe (CEE), COVID-19 cases have been surging since October 2021, amid a stalled vaccination progress. In Poland, new cases per capita are now the highest among the major 16 EMs. In Russia, cases have also spiked in October. This wave has started to subside, but new cases remain elevated.

Impact on the forecast and risks: Our baseline assumes limited effect on growth in Poland, Russia, and South Africa in the fourth quarter, while risks to the outlook have risen

S&P Global Ratings believes the new Omicron variant is a stark reminder that the COVID-19 pandemic is far from over. Although already declared a variant of concern by the World Health Organization, uncertainty still surrounds its transmissibility, severity, and the effectiveness of existing vaccines against it. Early evidence points toward faster transmissibility, which has led many countries to close their borders with Southern Africa or reimpose international travel restrictions. Over coming weeks, we expect additional evidence and testing will show the extent of the danger it poses to enable us to make a more informed assessment of the risks to credit. Meanwhile, we expect the markets to take a precautionary stance and governments to put into place short-term containment measures. Nevertheless, we believe this shows that, once again, more coordinated, and decisive efforts are needed to vaccinate the world's population to prevent the emergence of new, more dangerous variants.

Overall, while the economic impact of new waves has diminished, the worsening pandemic situation can still undermine confidence and spending, even in the absence of widespread lockdowns. Indeed, we already observe a significant deterioration in consumer confidence in Poland, as well as declining mobility. In Russia, mobility dipped and remains below pre-pandemic norms.

It is becoming increasingly difficult to forecast the virus' impact on short-term activity in EMEA. Government interventions have become more targeted and differentiated between countries. Mobility used to be a useful leading indicator of consumption, but the link between the two, already weaker in the second wave compared with the first, appears to be waning. Consumer and businesses have been adapting to the restrictions. Policy support, often announced ad hoc, can make a big difference.

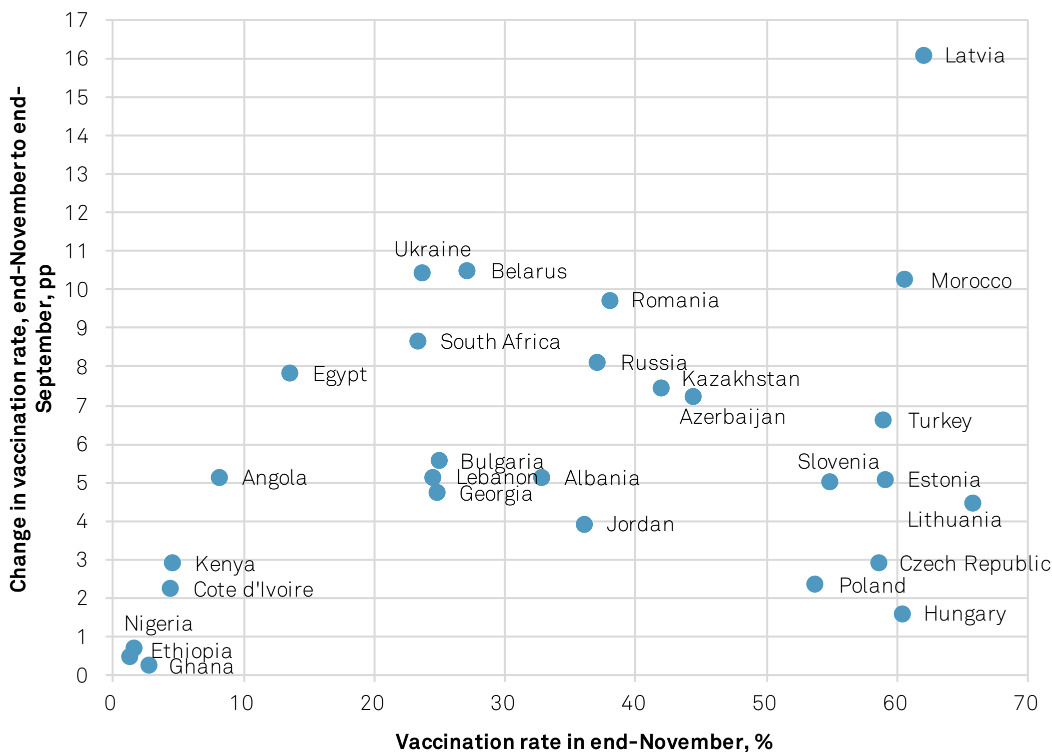
Looking beyond the short-term impact, we continue to see vaccination as crucial to an ultimate exit from the pandemic. While we have learnt that outbreaks can happen in the economies with

high vaccination levels, there is clear evidence that vaccination significantly weakens the link between infections and hospitalizations, allowing governments to avoid overly restrictive measures, and helping to preserve consumer confidence. In this context, insufficient progress with vaccination in many emerging EMEA economies remains a key risk to the outlook, in our view.

While the CEE region initially was ahead of other emerging markets in terms of its vaccination levels, over the past few months progress has slowed (see chart 1). For example, in Poland, the share of vaccinated population has increased by only 2 percentage points (ppts) over the past two months, although the total level is relatively modest at 55%--significantly below the 67% level of the EU. In Russia and South Africa, vaccination levels are even lower, but we have seen some progress over the past couple of months.

Chart 1

Vaccination Progress Has Stalled In Many Central European Economies



Sources: Our World is Data, S&P Global Ratings.

Energy Prices Spiked, But We Expect This To Be Temporary

Hydrocarbon prices continued to trend upward, as a strong recovery in demand on the back of economies' re-openings interacts with supply constraints. Oil prices have surged to multi-year highs, with Brent oil exceeding $80 per barrel in early October 2021. Gas prices, especially in Europe, have skyrocketed.

Impact on the forecast: Meaningful changes to trade balances and inflation, limited effect on growth under the assumption that energy prices will moderate

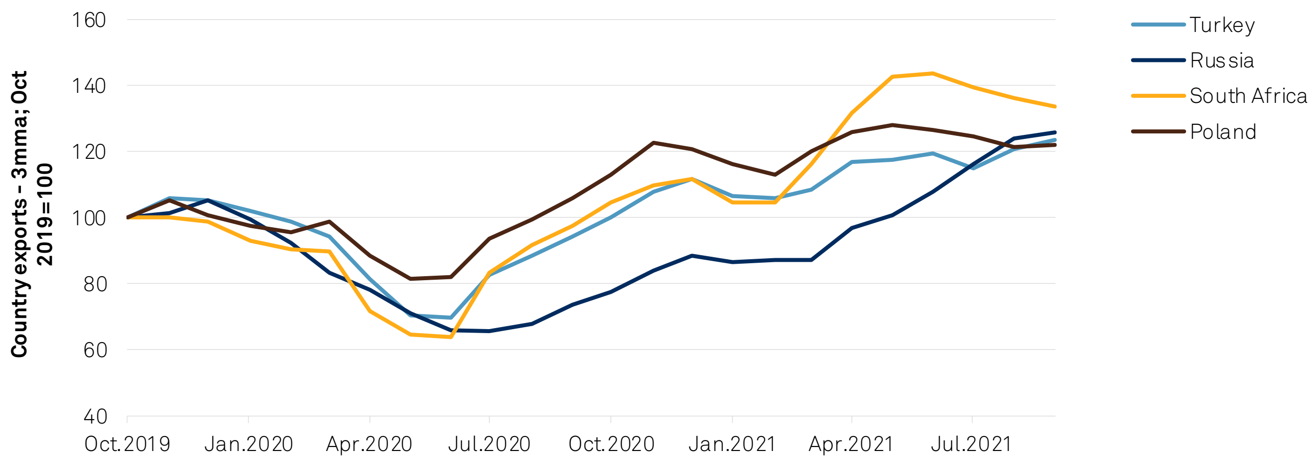
S&P Global Ratings revised its oil and gas price assumptions upward on Oct. 4, 2021 (see "S&P Global Ratings Revises Oil And Natural Gas Price Decks," published on RatingsDirect). We now expect Brent price averaging $65 per barrel (/bbl) in 2022, up from $60/bbl. While international energy prices this quarter have been significantly above our previous expectations, the upward

revision for 2022 oil prices is relatively modest, and we continue to see prices moderating from current elevated levels. Natural gas has favorable fundamentals as a bridge fuel in the energy transition story. We now project Henry Hub to average $3 per million British thermal units (/mmBtu) in 2022, up from $2.5/mmBtu previously.

Higher energy prices have boosted the current account and fiscal balances of EMEA oil exporters, including Russia and Saudi Arabia. Russia's goods exports were almost 30% higher in September compared with September 2019 (see chart 2). Its trade and current account surpluses have ballooned, and the current account surplus is on course to exceed the previous historical record of $116 billion of 2018 this year. A price-smoothing formula used in long-term contracts by Gazprom, Russia's state-controlled energy giant, reduces potential gains from favorable prices in 2021 (see "Price Tremors Threaten Europe's Gas Bridge," published Oct. 5, 2021 on RatingsDirect). A still significant, although falling, share of sales in Gazprom's long-term contracts is tracing the oil price with a lag, which suggests an upside for gas export revenue in 2022.

Chart 2

Exports Have Continued To Perform Strongly Across Key EMEA Economies



Note: Baseline refers to the 3mma for (May-June-July 2020). Sources: National Statistical Agencies, S&P Global Ratings.

While higher oil prices and increases in oil production have lifted Saudi Arabia's GDP growth, the impact of higher oil prices on Russia's growth has been limited. Russia's fiscal framework requires saving most oil revenue windfalls. Given a strong performance of oil and non-oil revenues, additional fiscal spending is likely, from the budget or the National Wealth Fund. However, we do not have clarity regarding the timing, the size, or the type of spending at this point. This is an upside risk to our Russia forecast.

Energy-importing emerging markets in EMEA, including Poland, South Africa, and Turkey, are facing a higher energy imports bill. Trade accounts are generally in good shape in these economies, given the very strong exports (see chart 2). Exports growth is set to moderate,, because global growth is softening and global spending is shifting to services (unless re-openings are reversed). The same trends should also lead to a moderating of commodity prices.

For South Africa, the terms-of-trade reversal has been particularly pronounced. Mineral sales have decreased in September by about 25% in month-on-month terms. At the same time, the country is paying a larger energy bill. In light of the downturn in China's property market, we do not expect mining volumes and sales to return to July's peak levels, which suggests that the current account surplus has peaked.

Higher energy prices have also had a significant impact on headline inflation in several EMEA economies, adding to already-high price pressures. The share of energy spending (electricity, heating, gasoline) in the consumer basket is on average about 10% in EMs, but is higher in Central and Eastern Europe (CEE)—for example, it is 13% in Poland. The extent to which the rise in world energy prices is reflected in domestic consumer prices depends on several factors, including price regulation and tax policy. The impact of higher energy prices on inflation for net importers can also be amplified through a potentially weaker exchange rate. Overall, even before the latest spike, annual energy inflation was running in double-digit numbers in many energy-importing EMEA EMs, reflecting the base effect from 2020's low prices. In October, annual energy inflation was running close to 20%, or higher. It contributed one-third to Poland's headline inflation. By contrast, in Russia, domestic energy prices are largely decoupled from international price trends, and their contribution to the spike in inflation in October was modest. However, to the extent that higher energy prices are pushing up prices in trading partners, this affects import prices and inflation in Russia.

Based on our assumption of lower international energy prices in 2022, we forecast that their direct contribution to domestic inflation in energy-importing EMs will diminish in the coming months, and eventually the impact should become disinflationary.

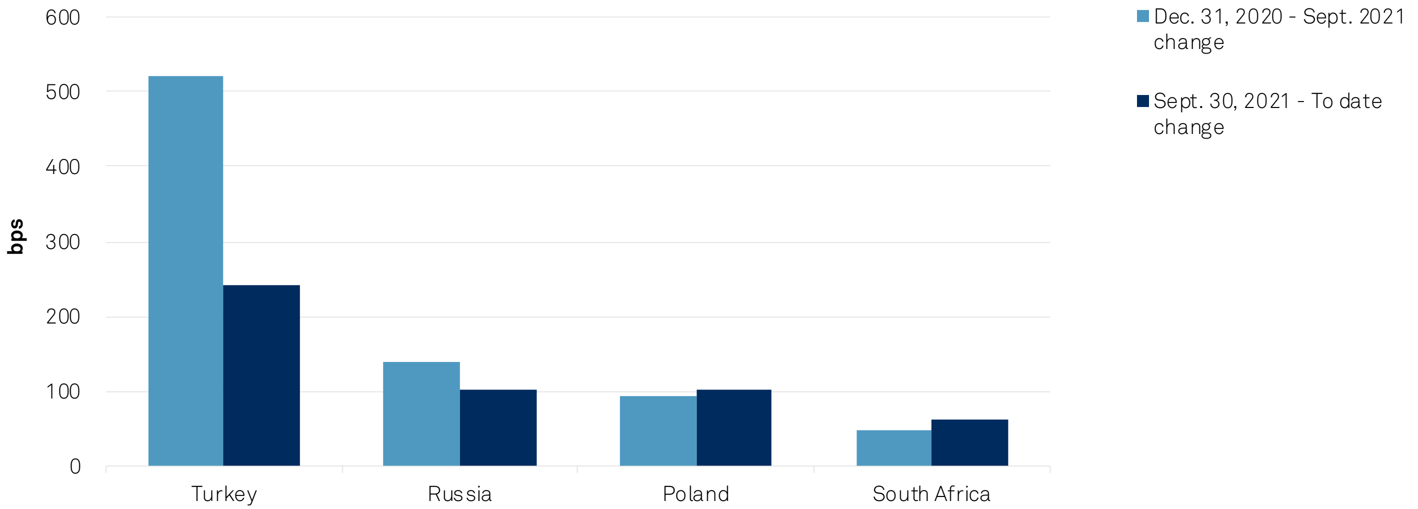
Domestic And Global Inflation Continued To Surprise On The Upside

Inflationary pressures in EM-EMEA show no signs of abating, reaching new multi-year highs in Poland, Russia, and Turkey. Beyond energy-price increases, domestic food prices have seen a steep rise in Russia and Turkey, in part reflecting adverse weather conditions. Strong demand, ongoing supply disruptions, and--in the case of Poland and Russia--tight labor markets, all contributed to rising price pressures. Imported inflation is also an important factor, since export prices in major trading partners have increased, and this effect is in some cases compounded by weaker currencies.

Several EMEA central banks have brought forward or accelerated policy tightening. Central banks in Poland and South Africa started normalizing rates in fourth-quarter 2021, somewhat ahead of our expectations, while Russia's central bank raised the key rate by 75 basis points (bps) to 7.5% in October, further into restrictive territory. Long-term rates have increased meaningfully in key EMEA economies since end-September (see chart 3) on the back of rising policy rates and inflation expectations. Turkey's central bank has moved in the opposite direction and cut the policy rate; however, benchmark bond yields rose in the context of high and rising inflation.

Chart 3

Yields Are On The Rise This Year In EMEA Emerging Markets



bps--Basis points. Source: S&P Global Ratings.

Impact on the forecast and risks: Upward revisions to inflation and interest rates in all key EMs, rising risk of tighter monetary stance

We believe that many inflation drivers, such as high energy prices and supply bottlenecks, are temporary, and expect them to subside in the coming months. Inflation should peak soon, but will likely remain elevated throughout the first half of 2022, and above the target in most cases. There are significant upside risks to this baseline. It may take longer to "unjam" supply bottlenecks. What's more, rising energy prices and supply chain disruptions have pushed input costs for producers. Producer prices in key EM economies have increased much more than consumer prices, suggesting that producers may be absorbing a higher burden of the rise in input costs. However, there tends to be a lag between an increase in producer prices and consumer prices, which could be a sign that upward pressure on consumer prices will remain in the coming months. Another risk comes from weaker currencies. Finally, unlike the first wave of the pandemic, which had a strong disinflationary impact, recent pandemic waves might prove to be inflationary, as they could affect supply more than demand.

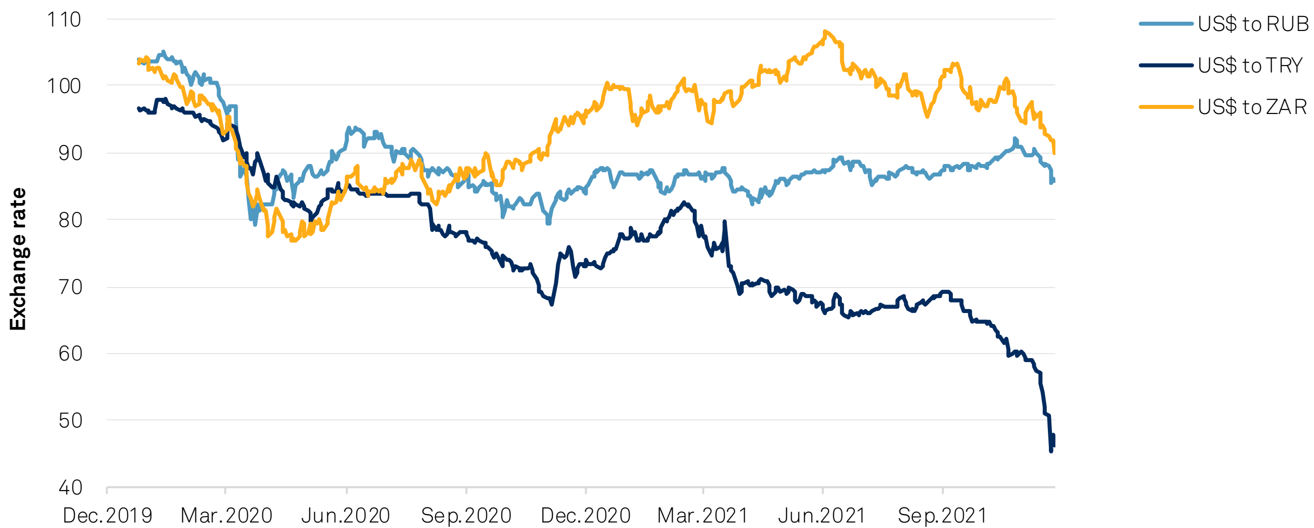
Overall, we believe that heightened uncertainty about domestic and global inflation outlook and the speed of U.S. monetary policy normalization will continue to keep central banks on a tightening bias, affecting domestic financing conditions.

Frontloaded Interest Rate Cuts By The Turkish Central Bank, Selloff In Turkish Currency Markets In November

Turkey's central bank slashed the policy rate by cumulative 300 bps in October and November, after a 100 bps cut in September, despite very high and rising inflation. These frontloaded rate cuts, which accelerated after a dismissal of top central bank officials in October, undermined market sentiment and triggered a selloff in Turkey's currency, with the Turkish lira dropping 20% versus US$ since mid-November.

Chart 4

Exchange Rates, U.S. Dollar Per Local Currency
November 2019 = 100



RUB--Russian ruble. TRY--Turkish lira. ZAR--South African rand. Sources: Datastream, S&P Global Ratings.

Impact on the forecast and risks: Much higher near-term inflation, highly uncertain macroeconomic trajectory, increased risks to macroeconomic stability in Turkey, and limited effect on other EMs

The rapid depreciation of the lira will add to already-significant inflationary pressures, raise the risks of further deposit dollarization, and strain corporate balance sheets. This can lead to an eventual reversal of the easing cycle, and even a sharp hike in the policy rate. At the same time, recent developments suggest a greater tolerance for lira depreciation and a preference for lower rates. This can boost growth in the short term.

With a 12-month deficit narrowing, and a surplus recorded over August-September 2021, Turkey's current account is in much better shape than in August 2018, when a large deficit preceded an abrupt depreciation. However, external debt level remains high, and pressures on the currency are likely reflecting the response of residents converting Turkish lira to foreign currency.

Our baseline assumes a stabilization in Turkey's financial markets and a slowdown of GDP growth to 3.7% in 2022, from an expected 9.8% in 2021. Given the very high level of uncertainty regarding the direction of monetary policy, and policy response more broadly, there is obviously high uncertainty around this scenario. Sharply different outcomes for the exchange rate, inflation, interest rates, and ultimately growth are possible in 2022 and 2023.

We see developments in Turkey as country-specific, and don't expect a broad-based contagion from these events to other EMs. That said, most EMEA economies are facing a less supportive external financing environment, with global financial conditions set to tighten.

Developed markets' central banks are poised to become less expansionary, winding down QE and beginning multi-year process of rate normalization. The US Federal Reserve began tapering asset purchases late this year at $15 billion a month. We expect the Fed to reduce monthly purchases by a greater amount next year to reach zero three months earlier in 2022 than at the current "$15 billion" pace, with the first rate hike in September, earlier than we previously anticipated (see "Economic Outlook U.S. Q1 2022: Cruising At A Lower Altitude," published Nov. 29, 2021). While we still expect a gradual rate normalization, a risk of persistent high inflation requiring an

unanticipated monetary policy adjustment by the Fed has increased. This could force EM central banks to raise rates more aggressively to protect capital flows and counteract exchange rate pressures.

Poland

We expect Poland's GDP growth to remain robust in 2022 at 5%, on par with an expected 2021 outturn of 5.2%. Our 2022 growth forecast is 0.3 percentage points (ppts) lower than our September baseline, mainly because of a somewhat less bullish view on fixed investment growth in the context of the increasing tensions between the Polish government and the EU concerning the Polish judicial system reforms. Our current baseline forecast assumes a limited negative impact from the recent surge in COVID-19 cases on consumer spending in fourth-quarter 2021. Over our forecast horizon, household consumption should remain the key economic growth driver, helped by a strong labor market, wage growth, and loose fiscal policy.

We expect headline inflation to peak in fourth-quarter 2021, and then decelerate from early 2022, driven by a significant slowdown in energy inflation amid a lower oil price, and further helped by a temporary tax cut. Accelerating nonenergy inflation, however, somewhat counteracts the slowdown in headline consumer price growth: a higher pass-through of producer prices as well as tax hikes on alcohol and tobacco will drive up prices. In addition, labor shortages--which existed before the pandemic--and wage growth put upward pressure on prices. Inflationary pressures are exacerbated by the generous fiscal stance. The government has announced a 7% increase of the minimum wage at the beginning of 2022 to support the purchasing power of less well-off Poles. This might, to some extent, offset the negative impact of inflation on household spending, but might itself prove inflationary.

Surging inflation drove the Polish national bank to increase its policy rate in two steps to 1.25%, starting in October; somewhat earlier--and steeper--than we had anticipated. In our view, the hike path will continue in 2022, reaching 2% at the end of the year.

Risks: The virus outbreak may have a larger negative impact on consumer spending than we currently assume. While a compromise remains our baseline, we think that the escalation of disputes with the EU makes their resolution more complicated. Reaching the compromise could therefore take even longer, and result in delays or the suspension of some of EU transfers to Poland.

Table 3

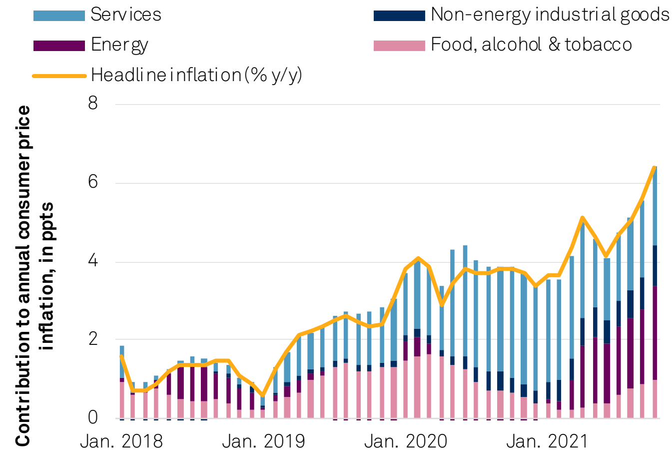
Poland Economic Forecast Summary
% of change, volume (2015 prices)

	2019	2020	2021f	2022f	2023f	2024f
GDP	4.7	(2.6)	5.2	5.0	3.3	2.4
Private consumption	4.0	(3.0)	6.1	6.7	3.9	2.7
Fixed investment	6.6	(7.5)	6.2	4.3	4.8	4.7
Exports of goods and services	5.2	0.1	11.8	5.4	3.6	2.8
Imports of goods and services	3.3	(1.2)	15.2	6.6	4.5	3.6
Inflation (annual average, %)	2.1	3.7	5.0	5.1	2.9	2.5
Unemployment rate (%)	3.3	3.2	3.5	3.3	3.3	3.2
Exchange rate vs. US$ (year average)	3.84	3.90	3.84	3.95	3.92	3.88
Exchange rate vs. US$ (end-year)	3.80	3.76	3.95	3.95	3.90	3.86
Policy rate (% end-year)	1.50	0.10	1.14	1.83	2.22	2.50

f--S&P Global Ratings forecast. Sources: Oxford Economics, S&P Global Ratings.

Chart 5

We Expect Inflation To Peak In The Fourth Quarter Of This Year And Next Year's Deceleration To Be Driven By Energy Prices

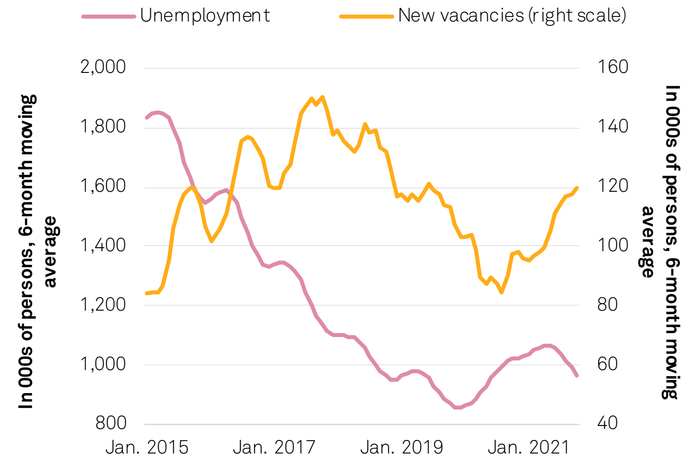


Ppts--Percentage points. Sources: Eurostat, S&P Global Ratings.

Chart 6

The Strong Labor Market Is Set To Support Solid Consumption Growth Over The Coming Years

Y-o-y change, %



Sources: Statistical Office Poland, S&P Global Ratings.

Russia

We expect the Russian economy to grow by 2.7% in 2022, down from a projected 4.2% in 2021, as domestic demand moderates amid policy tightening. We see tighter financing conditions compared with our September baseline, but less drag on growth from fiscal consolidation next year. Lingering pandemic-related restrictions are weighing on activity in the last quarter of 2021 and are likely to spill over into early 2022, but an improving pandemic situation along with vaccination progress should boost confidence and add momentum to consumption over the course of 2022. Other household spending factors will be less supportive than in 2021, as real wages growth slows amid elevated inflation, and consumer credit softens. Oil exports are set to pick up in line with the OPEC+ agreement, and we also see an upside in gas exports.

The budget has performed exceptionally well in 2021 in terms of revenue, due to a combination of rising oil prices, relatively weak Russian ruble, economic rebound, and high inflation. Oil revenue rose by almost 70% in January-October, compared with the same period 2020. Excluding the effect of one-off receipts in April 2020, non-oil revenues were up 35%. The federal budget registered a hefty surplus, and while we expect a traditional surge in spending in December, it should remain in surplus for a whole year. Given a strong performance of oil and non-oil revenues, we think additional fiscal spending--beyond that which we incorporated into our baseline--is likely this year and next, from the budget or the National Wealth Fund. However, we do not have clarity regarding the timing, the size, or the type of spending at this point.

Inflation rose to 8.1% in October, another multi-year high. While fruits and vegetables inflation of 25.6% contributed significantly to the headline reading, non-food inflation was also elevated, and inflation in the services sector, while still moderate, ticked up. Food price inflation (fruits and vegetables especially) seems to have peaked according to recent weekly data from November. Our baseline is for a broad-based slowdown in inflation in 2022, as demand softens and supply constraints subside. Such a scenario assumes that additional fiscal spending is geared largely toward investment. It also incorporates our view about inflation softening in Russia's trading partners, and a stable exchange rate. Even in this scenario, inflation will remain elevated through the first half of 2021. We expect Bank of Russia to hike the key rate again in December to further anchor inflation expectations, bringing the key rate even further into restrictive territory. Once inflation is firmly on a downward path and converging towards the target--in the second half of the year in our baseline--the central bank may start lowering rates.

Risks: Geopolitical risks have flared up, weighing on the currency. Risks of excessive monetary tightening have risen. Additional fiscal spending is an upside risk to growth, while the impact on inflation depends on the type of spending.

Table 4

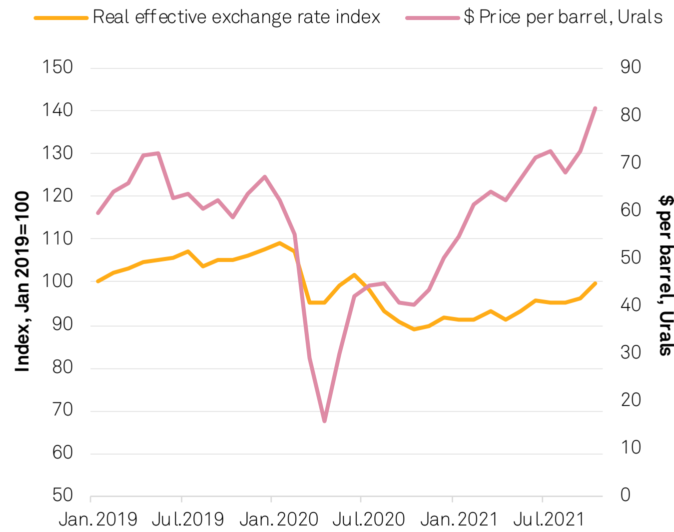
Russia Economic Forecast Summary
% of change, volume (2016 prices)

	2019	2020	2021f	2022f	2023f	2024f
GDP	2.0	(3.0)	4.2	2.7	2.0	2.0
Private consumption	3.1	(8.5)	7.8	3.1	2.7	2.0
Fixed investment	1.5	(4.3)	6.2	3.2	3.7	3.5
Exports of goods and services	0.7	(4.3)	3.5	5.8	2.0	2.0
Imports of goods and services	3.4	(12.0)	11.5	6.0	4.0	3.0
Inflation (annual average, %)	4.5	3.4	6.6	6.2	4.0	4.0
Unemployment rate (%)	4.6	5.8	4.9	4.7	4.6	4.6
Exchange rate vs. US$ (year average)	64.74	72.11	73.50	72.50	75.00	77.00
Exchange rate vs. US$ (end-year)	61.91	73.88	72.00	73.00	76.00	77.50
Policy rate (% end-year)	6.25	4.25	8.00	7.00	6.00	5.50

f--S&P Global Ratings forecast. Sources: Oxford Economics, S&P Global Ratings.

Chart 7

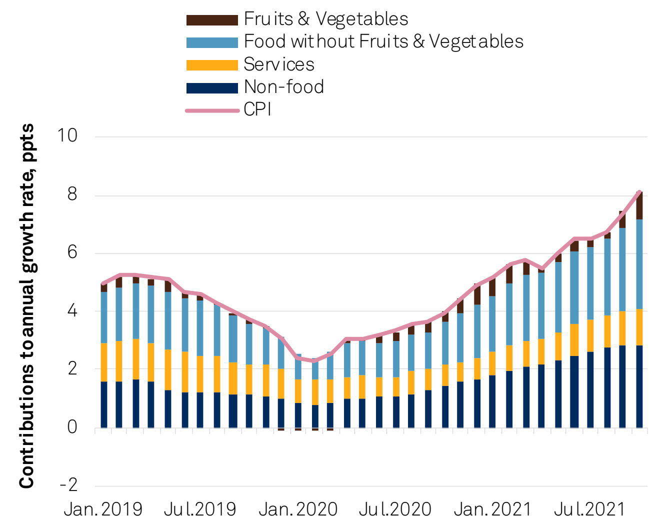
Russian Ruble Hasn't Strengthened After Increase In Oil Prices



Sources: Statistical Office Poland, S&P Global Ratings.

Chart 8

Inflation in Russia Is Increasing, Despite Ongoing Monetary Tightening



Source: CBR, S&P Global Ratings.

South Africa

We project South Africa's GDP growth to slow to 2.4% in 2022, from an expected 4.9% in 2021. The boost from terms-of-trade that has lifted exports, fiscal revenues, exchange rate, and consumer purchasing power has faded away, while fiscal tightening and a gradual removal of monetary accommodation lie in store. We continue to forecast above-trend growth in 2022, given still-significant economic slack. Investment recovery has been trailing behind consumption and exports, and we expect it to pick up meaningfully in 2022 as confidence grows. The labor market should improve gradually, supporting consumption, but we expect unemployment to remain above the already-high pre-pandemic level over our forecast horizon.

South Africa signed an agreement with international donors at the COP26 summit in November that could see it receive $8.5 billion in loans and grants to transition away from coal-fired plants, which currently power 90% of the country's electricity, although the timeline remains uncertain. Meanwhile, power cuts are weighing on economic activity in fourth-quarter 2021.

Risks: Recurrent pandemic waves and new lockdowns in the context of insufficient vaccination rates continue to be a key risk to the outlook. A recent rise in cases linked to a new virus strain raises the possibility that such a scenario could unfold in the near term, although the situation is uncertain. Continuous electricity shortages may slow down the recovery in investment. On the upside, faster progress in economic reforms within the electricity sector could boost confidence and capital spending.

Table 5

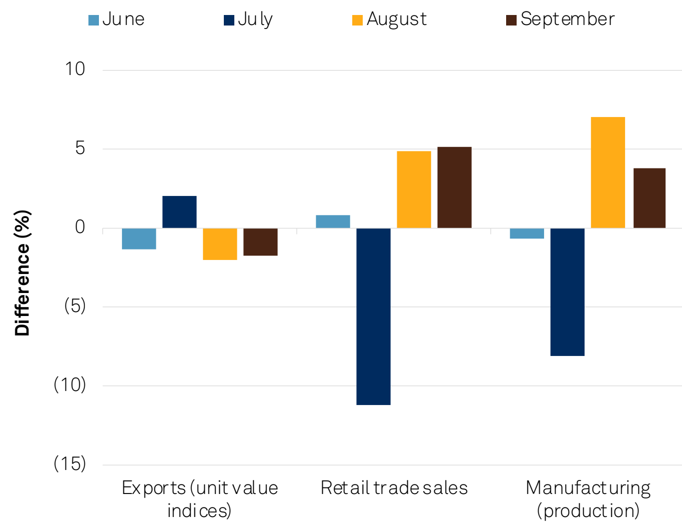
South Africa Economic Forecast Summary
% of change, volume (2015 prices)

	2019	2020	2021f	2022f	2023f	2024f
GDP	0.1	(6.4)	4.9	2.4	1.5	1.5
Private consumption	1.1	(6.5)	5.9	1.5	1.1	1.1
Fixed investment	(2.4)	(14.9)	1.0	6.3	2.8	2.5
Exports of goods and services	(3.4)	(12.0)	11.5	3.3	2.5	2.5
Imports of goods and services	0.5	(17.4)	9.8	2.5	2.9	2.9
Inflation (annual average, %)	4.1	3.3	4.6	4.7	4.6	4.6
Unemployment rate (%)	28.7	29.2	33.5	31.2	30.3	29.8
Exchange rate vs. US$ (year average)	14.45	16.46	14.83	15.33	16.10	16.63
Exchange rate vs. US$ (end-year)	14.04	14.62	15.10	15.50	16.30	16.80
Policy rate (% end-year)	6.50	3.50	3.75	4.75	5.25	6.00

f--S&P Global Ratings forecast. Sources: Oxford Economics, S&P Global Ratings.

Chart 9

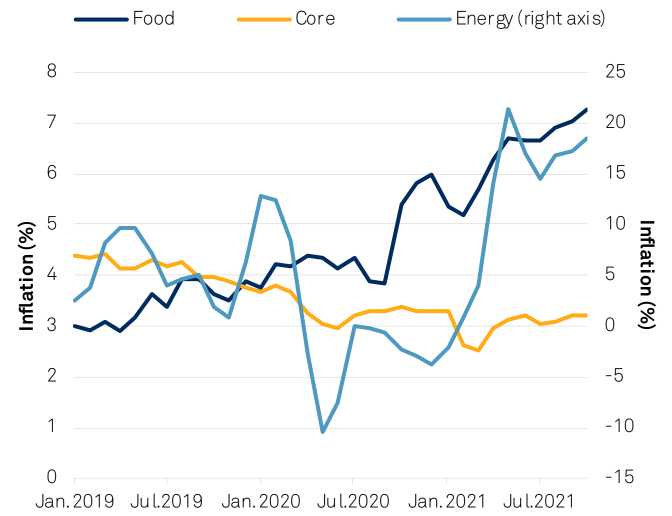
Exports Are Decelerating, While Domestic Activity Recovered From Riot-Induced Drop In July



Source: National Statistical Offices and S&P Global Ratings.

Chart 10

Inflation Has Picked Up In September-October 2021



Note: Baseline refers to the 3mma for (May-June-July 2020). Sources: Stats SA & S&P Global Ratings

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&Ps opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.capitaliq.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR’S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor’s Financial Services LLC.