

Load shedding suspension and upcoming elections see ‘positive mood’ in economic activity

The BankservAfrica Economic Transactions Index (BETI) reached its highest level in eight months in April.



Source: © Benoni City Times [Benoni City Times](#) Spending in preparation for the upcoming elections could have had a positive impact on economic activity in April

The Index, which measures all interbank economic activity processed by BankservAfrica, reached an index level of 134.2 in April.

This is almost last August’s level and an improvement of 0.6% on a monthly basis,” says Shergeran Naidoo, BankservAfrica’s head of stakeholder engagements.

Role of upcoming elections

Towards the end of March, load shedding was suspended, leaving South Africans free of power cuts since then.

This could have had a positive impact on economic activity in April while spending in preparation for the upcoming elections might have also played a role.

According to the Independent Electoral Commission (IEC), a record number of about 27.7 million voters – the highest since

the advent of democracy in South Africa – are eligible to participate in the 2024 national and provincial elections on 29 May.

Additional economic activity for political party campaigns and the IEC's preparation activities are likely to be reflected in additional retail spending.

A detailed evaluation of the BETI around election dates in South Africa revealed that in six of the nine elections under review, economic activity picked up in the month before the election month, while in seven of the eight cases (2024 not included here) the BETI increased in the election month itself.



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A synchronised uptick

"While other developments in the economy are also reflected in the performance of the BETI, election-related spending could make a meaningful impact on the BETI, in the period around election dates," says Elize Kruger, independent economist.

In what seems to be a synchronised uptick, other nowcast indicators also increased in April.

The S&P Global South Africa Purchasing Managers' Index (PMI) – a composite gauge designed to give a single-figure snapshot of operating conditions in the private sector economy – increased to 50.3 in April, which, according to the report, was a month of stability.

Similarly, the Absa Purchasing Managers' Index rebounded to 54 index points, driven by improved business activity.

After eight successive months of falling numbers, new vehicle sales picked up in April and improved by 2.2% on an annualised basis - the first time since July 2023 that monthly sales outperformed those of a year earlier.



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A welcomed 'blip of positivity'

The standardised nominal value of transactions cleared through BankservAfrica in April 2024 subsided to R1.290tn vs R1.305tn in March, while the number of transactions increased to 157.0 million, growing from 156.1 million in March, according to Naidoo.

Among the different electronic payment streams captured in the BETI, in terms of the number of transactions, PayShap was the star performer during April, spiking to 6.6 million, almost double the number recorded in March.

While April is a welcomed 'blip of positivity', there are still multiple challenges facing the economy, such as uncertainty around the election outcome and what that would mean for the economy, combined with the 'wait-and-see' approach by investors, particularly for capital expenditure plans.

"Assuming the election outcome will not lead to a major disruption in macroeconomic policies, a slight improvement in the

economic scenario is still forecast towards the end of the year,” says Kruger.

The headline inflation rate in December is forecast to be around 4.5% and at least 50bps in interest rate cuts by year-end.

Additionally, assuming that the intensity of load shedding continues to be less than experienced in 2023, real GDP growth is forecast at 1.1% in 2024 vs 0.6% in 2023.

Although still too low to make a meaningful dent in the unemployment rate, this is somewhat better than the previous year.

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