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## February 2020

### World Economy

The US Federal Reserve delivered an emergency half-percentage point interest rate cut in a bid to protect the longest-ever economic expansion from the spreading coronavirus. The G7 finance ministers and central bank chiefs held an emergency conference call as concerns grow that the spreading epidemic could imperil growth and possibly drive some countries into a recession. Governor Mark Carney said the Bank of England (BOE) will “take all necessary steps” to support the UK economy from coronavirus fallout. The International Monetary Fund (IMF) and World Bank issued a joint statement pledging to help countries deal with the fallout from the epidemic. The Organisation for Economic Co-operation and Development (OECD) warned that the global economy risks an outright contraction in the first quarter as it slashed its global GDP forecast by half a percentage point to 2.4%, the lowest rate since the 2008/2009 financial crisis. The Chinese manufacturing index plunged from 50 index points to 35.7, while the non-manufacturing index crashed from 54.1 index points to 29.6.

### SA Economy

The SA economy shrank 1.4% in quarter four, from a revised contraction of 0.8% in the previous quarter. Also, according to Stats SA, the economy managed growth of just 0.2%, down from 2018’s 0.8%. Government debt has risen from a low of 26% of GDP in 2009 to an estimated 65.6% of GDP in 2019/2020 and it is expected to rise to over 70% of GDP within the next three years. The Absa purchasing managers’ index (PMI), hit 44.3 index points in February, its lowest level since August 2009. In another blow to the accuracy of official motor industry sales figures, Mercedes-Benz has followed BMW in deciding to stop reporting monthly sales. Producer price inflation increased 4.6% from a year before. The budget delivered by finance minister Tito Mboweni highlights the “severe deterioration” of public finances and the long-term policy challenge of stabilising government debt, credit ratings agency Fitch said. Agbiz says China’s temporary closure of some of the manufacturing hubs and restrictions on human movements could badly affect demand from SA firms. Trade and Industrial Policy Strategies (TIPS) warns that South Africa’s mining industry could suffer “significant losses” should the coronavirus, not be contained in the short term,

### Trends and Opportunities

- The global economy risks a contraction in the first quarter
- The SA government debt is estimated to rise to 65% of GDP in 2019/20.
- SA manufacturing firms and mining industry could suffer should the coronavirus not be contained.

*“I’m an optimist in the sense that I believe humans are noble and honorable, and some of them are really smart. I have a very optimistic view of individuals.” Steve Jobs*

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