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**April 2019**

## **World Economy**

In the first quarter of 2019, US GDP grew by 3.2% quarter-on-quarter, annualised. This compares with growth of 2.2% quarter-on-quarter in Q4 2018 and 2.9% for 2018 as a whole. The GDP performance in Q1 2019 was far better than market expectations for growth of 2.3% (Bloomberg, STANLIB 2.6%q/q). US hiring topped forecasts in April as the jobless rate dipped to a fresh 49-year low and wage gains were slightly lower than projected, suggesting the still-healthy labour market can continue to support growth without fuelling inflation. The jobless rate unexpectedly fell to 3.6% while average hourly earnings growth was unchanged at 3.2%, below projections. Eurozone factory activity has contracted for a third month in April, hurt by weak global demand, rising trade protectionism and concerns over Britain's upcoming departure from the European Union, according to a survey. China released manufacturing and non-manufacturing PMI data which came in worse than widely forecasted. Sub-Saharan Africa growth is expected to rise to 5% in 2019, excluding SA and Nigeria.

## **SA Economy**

SA's consumer confidence index dipped to +2 in Q1 2019 (down from +7 in Q4 2018), which is more in line with the average reading since 1994, as prospects of economic recovery remain uncertain. The ABSA PMI data for April showed an improved level of industrial activity, recording 47.2 points, compared with 45 points in March. IHS Markit's Purchasing Managers' Index (PMI) jumped to 50.3 in April from 48.8 in March, the highest reading since June 2018 and back above the 50 mark denoting expansion, with manufacturers reporting a slight improvement in output and new orders. SA recorded a trade surplus of R5bn in March, as growth in exports exceeded growth in imports for the second month in a row. Farm and factory gate inflation, as measured by the annual change in the producer price index (PPI) quickened to 6.2% in March. New-vehicle sales reflected a "welcome surprise" on the upside, with export sales continuing to perform "exceptionally" well. Exports sales had registered strong growth, reflecting a substantial improvement of 53.8%, compared with vehicles exported in April last year.

## **Trends and Opportunities**

- Some investors expect the FED will reduce the US interest rate this year.
- US GDP is improving better than market expectations.
- SA industrial activity is improving.
- SA inflation is increasing due to mainly the petrol price increase.

*"Things always become obvious after the fact."* – Nassim N. Taleb, Author of Black Swan

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