

April 2016

World Economy

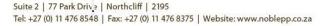
Based on the latest CIPS/Market Purchasing Manager's Index (PMI), the UK's manufacturing sector is now in contraction mode for the first time since 2013. French manufacturing continues to underperform other Eurozone nations. Ex-France, the Eurozone's manufacturing activity has picked up momentum. The euro bloc's Q1 annualized GDP growth was 2.4% in contrasts with the US GDP growth of 0.5% over the same period. The US manufacturing sector continues to struggle, as last year's dollar rally combined with slower global demand have been pressuring American factories. Market economists see the weakness spilling into the second quarter, with no signs of improvement. US vehicle sales beat forecasts and are on target to hit another record. Canada's manufacturing growth continues to improve broadly. The Canadian dollar weakness has been helpful. China's PMI report came in below consensus as the nation's manufacturing sector remains in contraction mode according to Caixin. According to RBS Economics, China's planned 2016 fiscal deficit will be the biggest in decades. This is why Moody's has put China's central government debt on credit watch. India's infrastructure output grew at the fastest rate in 16 months. Fertilizer output and electricity production jumped sharply. In Australia the RBA unexpectedly cut interest rates to record lows. The Australian dollar tumbled in response. In Japan we find the dollar-yen below 106, for the first time since 2014. This yen strengthening is a disaster for the Abenomics effort (economic policies advocated by Shinzō Abe, Prime Minister of Japan).

SA Economy

SA consumer inflation eased to 6.3%y/y in March 2015, helped by base effects. Food inflation continued to increase and is almost at 10%y/y. Figures from the National Association of Automobile Manufacturers of SA show that 4% less new vehicles were sold in 2015 than 2014. Data from the trade and industry department showed new vehicle sales fell by 9.2% y/y in April. New vehicle exports however rose 31.5%, compared with the same month last year, the department said. South Africa's trade balance swung to a R2.92-billion (\$206.10million) surplus in March from a revised R1.27-billion deficit in February, the national revenue agency said. Exports were up by 6.3% on a month-on-month basis, while imports rose by 1.6%. South Africa's tourism sector expects strong growth in 2016 after some strict new visa rules reduced the number of arrivals in the previous year were lifted, Minister Derek Hanekom said. The seasonally adjusted Barclays Purchasing Manager's Index (PMI) improved to 54.9 in April, its highest level since August 2013. This was compared with the 50.5 points registered in March and much higher than market consensus of 50.2



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Initiatives and trends to follow

- The number of non-performing loans in China and the effect on their debt rating.
- The US and UK manufacturing sector weakness, which may influence the decision on another interest rate increase/ decrease.
- Brexit (UK withdrawal from the European Union) uncertainty and the effect on the UK economy.
- The effect of an increase in the SA inflation rate on our economy.
- The exchange rate volatility due to local and foreign uncertainty, with a possibility of another increase in the repo rate.

"Do not save what is left after spending, but spend what is left after saving." **Warren Buffett**

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