

## July 2017

### World Economy

The International Monetary Fund (IMF) on Monday maintained its global growth forecast at 3.5% for 2017 and 3.6% for 2018. The update revised the growth forecast of the US downwards from 2.3% to 2.1% in 2017 and from 2.5% to 2.1% in 2018, while China's growth is expected to remain at 6.7% in 2017, the same level as in 2016, with a moderate decline to 6.4% in 2018. The US GDP growth increased to 2.6% quarter on quarter in the second quarter of 2017, after growing by only 1.2%q/q in Q1 2017. In the UK, a recent spike in inflation coupled with modest economic growth could see an interest rate rise as soon as August. Inflation in the eurozone remained well below the European Central Bank's goal as policy makers prepare to discuss unwinding stimulus. Residential property prices in China continue to show signs of strength.

### SA Economy

The JSE All-share index reaches an all time high at the end of July, and means the market is now again at the level it was 27 months ago. The June Producer Price Index (PPI) for intermediate goods recorded a 2.1% year-on-year increase, which is down from the 3.1% year-on-year increase recorded in May. The economy is very weak and there is just not enough room for manufacturers to pass on cost increases into the market," Marique Kruger Seifsa economist said. The SA Reserve Bank decided to cut rates by 25bps largely as a result of their weaker growth outlook and lower inflation forecast. Although the recent rate cut will help short-term growth, it is not a solution for the structural problems weighing down the economy, according to rating agency Moody's. The Organisation for Economic Cooperation and Development's (OECD's) economic survey for South Africa also pointed out the need for structural reforms to boost growth. SA consumer inflation eased to 5.1%/y/y in June, slightly below market expectations. South Africa reported a trade surplus of R10.67bn for June 2017, data from SARS shows. SA petrol price will increase by 19c/l in August and could rise further in September given the current daily under-recovery.

### Trends and Opportunities

- The US long term GDP growth forecast is downward.
- SA Inflation is expected to fall further in the months ahead.
- The SA Reserve Bank is expected to cut rates further this year.
- The petrol price is expected to rise further in the coming months.

*"Try not to become a man of success, but rather try to become a man of value" - Albert Einstein*

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