
May 2019

World Economy

US consumer confidence rose more than expected in May and remains relatively high overall. US house prices rose less than expected in March, with the annual rate of increase slowing to 2.7% year-on-year. US housing market has lost momentum in the past 18 months, but there is a more sustainable balance between ownership and rentals. US manufacturing growth slowed further in May to its weakest pace of activity in more than two-and-a-half years, defying expectations for a modest rebound, a national purchasing managers survey showed. Initial estimates released in May showed Japan's economy grew an annualised 2.1% in the first quarter as imports fell faster than exports, while business and household spending slipped in a sign of weak domestic demand. Factory activity contracted in most Asian countries in May as an escalating trade war between Washington and Beijing raised fears of a global economic downturn. Inflation in the 19 countries sharing the euro fell to 1.2% in May from 1.7% in April, below expectations of 1.3%.

SA Economy

SA's economy contracted 3.2% in the first quarter of 2019, the worst drop since the same period in 2009. SA will probably enter another recession given the weak performance in the first quarter of 2019. The Reserve Bank's monetary policy committee (MPC) kept interest rates unchanged at 6.75%. Annual headline consumer price inflation for April has moderated to 4.4% Stats SA announced. Villa from Moody's SA warned that SA's credit profile will likely continue to deteriorate in the absence of effective policy changes in the context of weakening fiscal strength and low growth. Statistics SA's quarterly labour force survey revealed that the unemployment rate jumped 0.5 percentage points to 27.6% in the first quarter of 2019. Retail sales were 0.2% higher in March, lower than the 0.6% expected by economists polled by Bloomberg. South Africa recorded a trade deficit of R3.43-billion in April from a revised R4.71-billion surplus in March, data from the revenue service showed. The seasonally adjusted Absa Purchasing Managers' Index (PMI) fell to 45.4 index points in May from 47.2 points in April. The South African new-vehicle market declined by 5.7% in May. Export sales decreased by an unexpected 8.8%.

Trends and Opportunities

- SARS expects inflation to average 4.5% this year.
- Indications are there may be room for interest rate cuts in SA this year.
- Expectations rose that the US Federal Reserve would cut interest rates

"There is an ocean between saying and doing" – Riaan Manser, Author of **Around Madagascar on my Kayak and Around Africa on my Bicycle**

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