October 2019

World Economy

The US Federal Reserve has cut interest rates by 25 basis points at its recent meeting and any weakening of US consumer spending could prompt further cuts. In October, US unemployment rose marginally to 3.6%, which was better than expected, but the longer-term trends indicate the labour market is slowing. The US trade deficit fell by 4.7%, the most in eight months in September as imports of vehicles, mobile phones and other electronics retreated after the pre-tariff surge in August, according to US government data. The UK IHS Markit services Purchasing Managers' Index (all-sector PMI), covering manufacturing and construction as well as services, remained below 50 for a third month in a row, the first time this has happened since 2009. Chinese negotiators want Washington to drop 15% tariffs on about $125bn worth of Chinese goods that went into effect on September 1. They are also seeking relief from earlier 25% tariffs on about $250bn worth of imports from machinery and semi-conductors to furniture.

SA Economy

SA's annualised inflation rate slowed to 4.1% in September from 4.3%, driven mainly by weakness in the economy, which should support another 25-bps interest rate cut in November. The official unemployment rate increased by another 0.1 of a percentage point to 29.1% in the third quarter, Statistics South Africa's (Stats SA's) Quarterly Labour Force Survey (QLFS) shows. New-vehicle sales recorded only their second 2019 year-on-year increase in October, data from the department of trade and industry showed. In October, exports were 21% higher than those of a year earlier. Aggregate exports for the year to end-October were 19.3% ahead of last year's. The seasonally adjusted Absa purchasing managers index (PMI) rose to 48.1 points in October, up from a revised 45.1 points in September. The budget deficit has risen to 5.9% of GDP, as the growth in government expenditure has outpaced the growth in tax revenue. Gross debt has jumped to a record R3.167 trillion, which equates to 60.8% of GDP, and GDP is expected to grow at only around 0.5%. Moody's Investors Service decided to keep SA's international long-term credit rating unchanged at Baa3 but revised the outlook from stable to negative.

Trends and Opportunities

- US longer-term trends indicate the labour market is slowing.
- SA's annualised inflation rate slowed to 4.1%.
- SA's GDP is expected to grow at only 0.5% in 2019.

"Rugby shouldn't be something that creates pressure on you, rugby should be something that creates hope." – **Rassie Erasmus, Springbok Rugby Team Coach 2019**

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