



## Snapshot of the Economy

Kgotso Radira  
October 2011



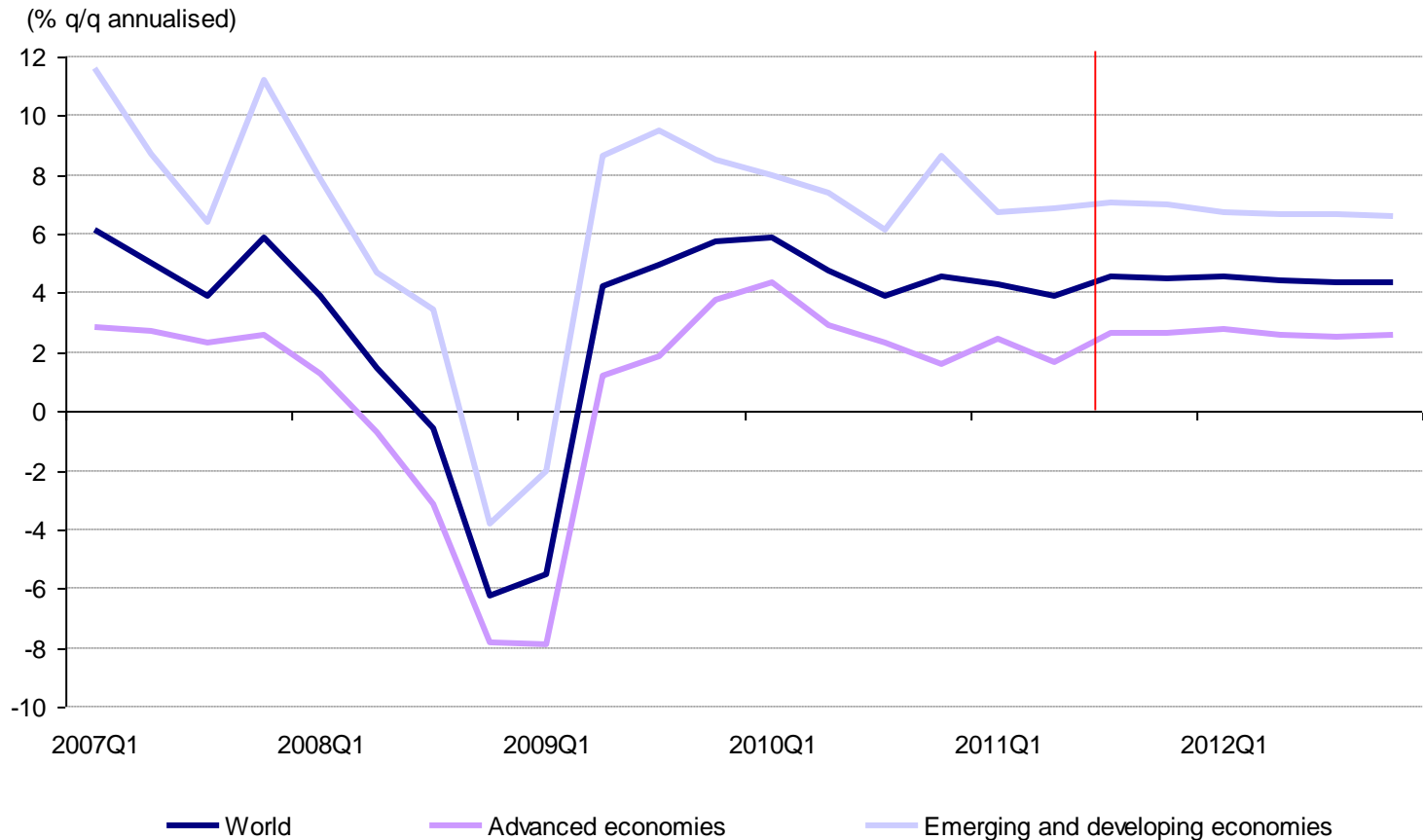


# Introduction

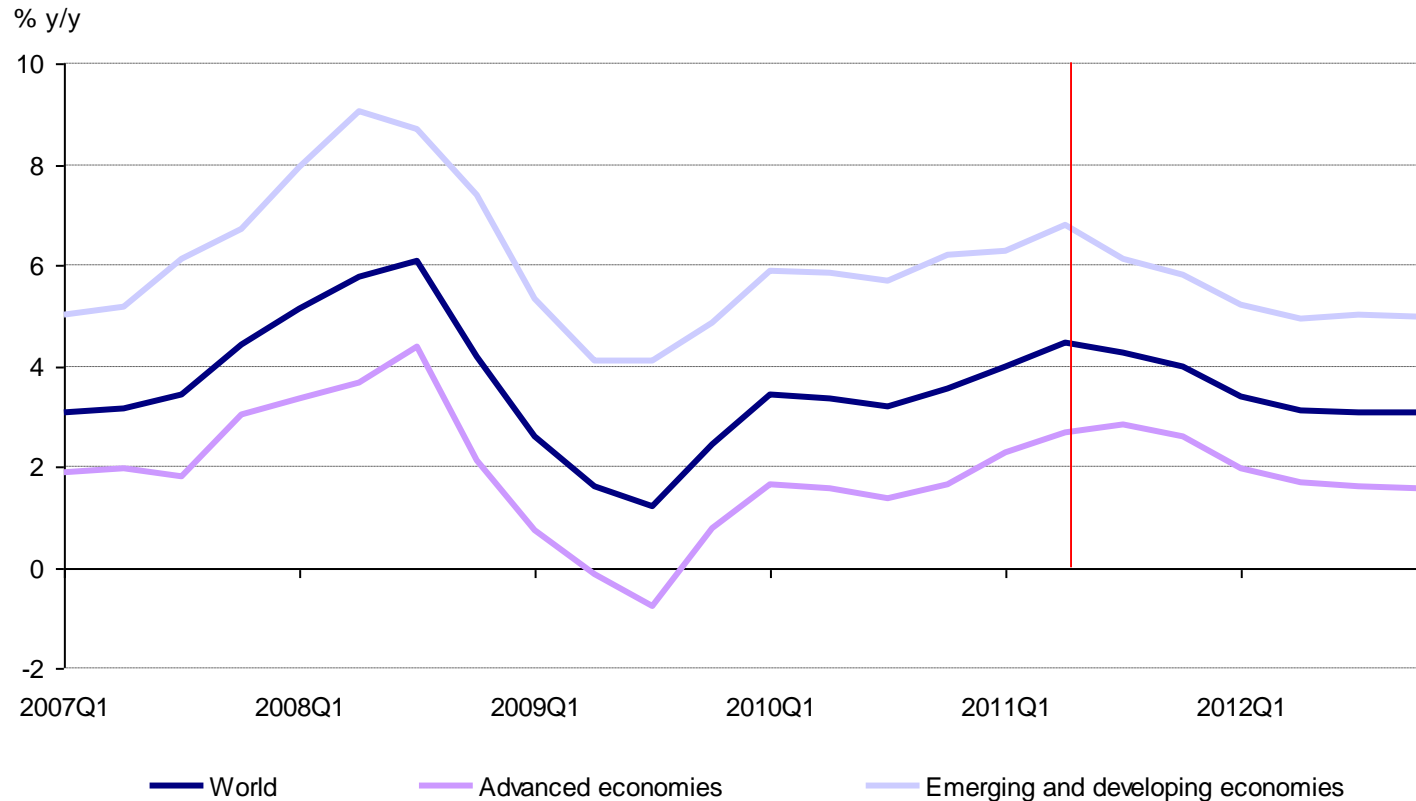
- Global recovery seemed to be on track in early 2011, but there has been a number of shocks
- Surging oil / food prices
- **MENA** unrest (Tunisia, Egypt, Libya , Saudi Arabia, Bahrain, Yemen, Syria, Israel / Palestine)
- **Natural disasters** (Aussie / SA floods, droughts, NZ earthquake. Japan earthquake / Tsunami / Nuclear disaster)
- **European debt** problems intensify (Greek debt default looking increasingly likely)
- There are signs that the global economy is slowing and is at risk of a double dip recession
- Interest rates are likely to remain low for longer than expected across most economies



## ...mild slowdown of the global expansion, and increasing risks

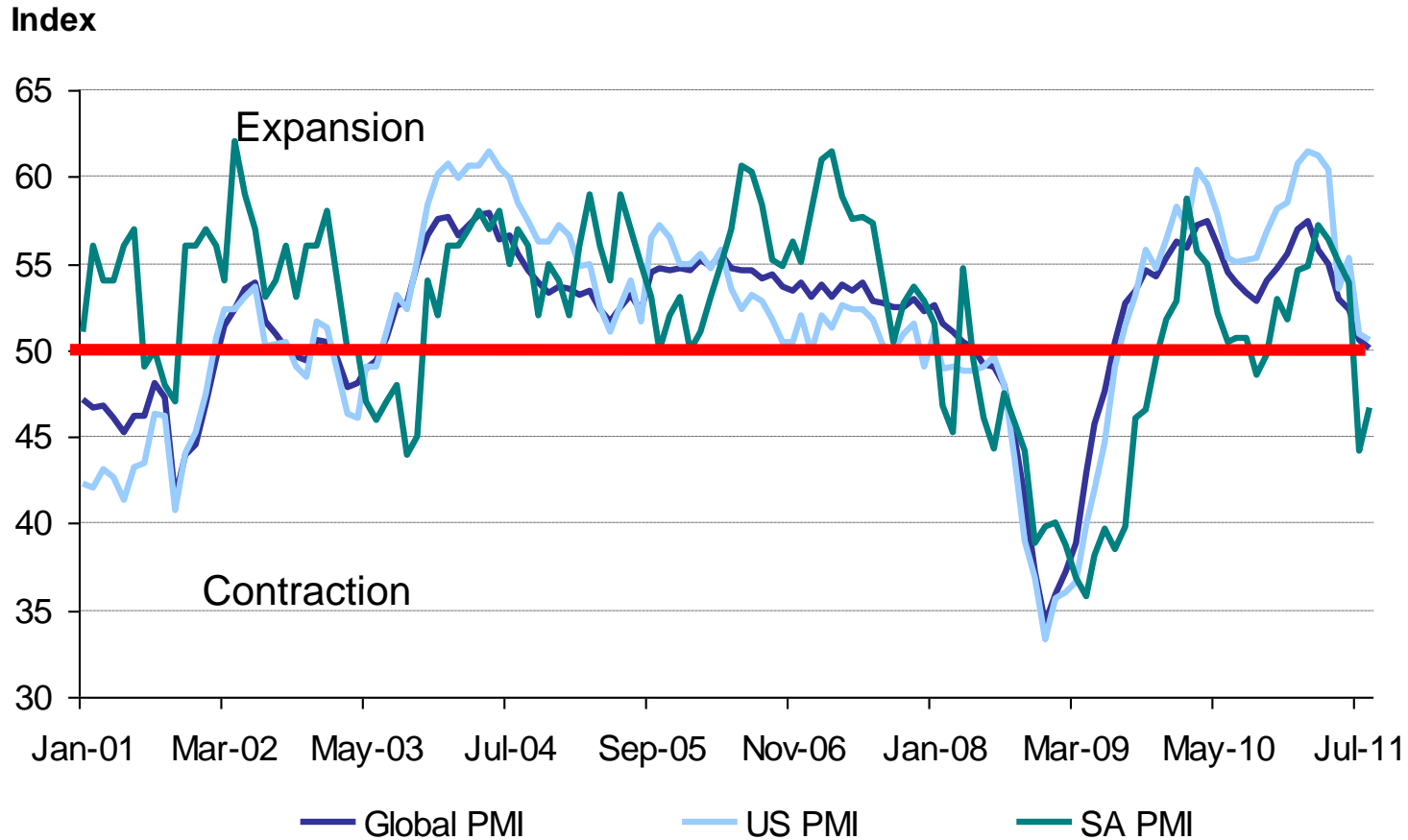


# Global inflation has been driven by faster than expected increase in commodity prices but core inflation remains subdued



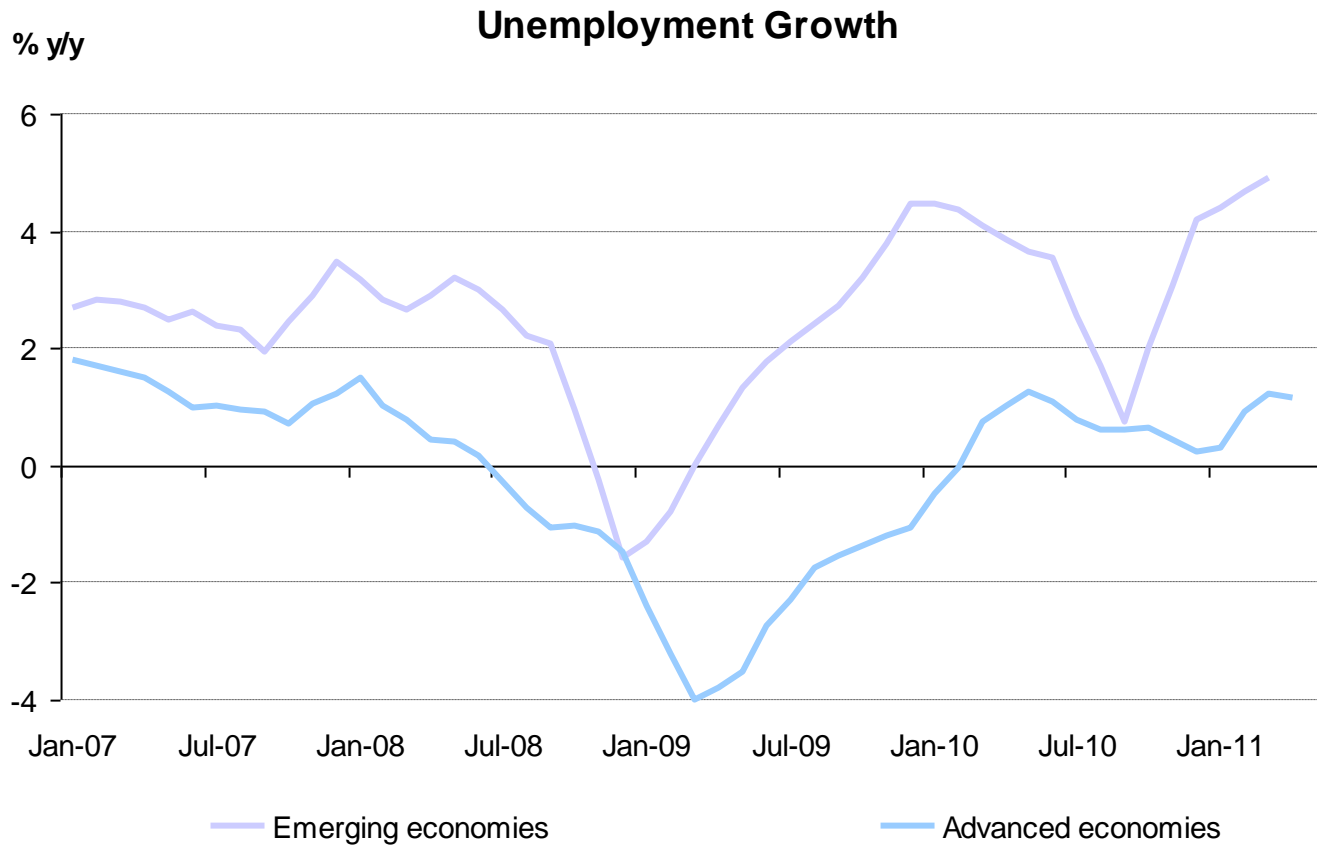


# Global manufacturing, V shape or W????



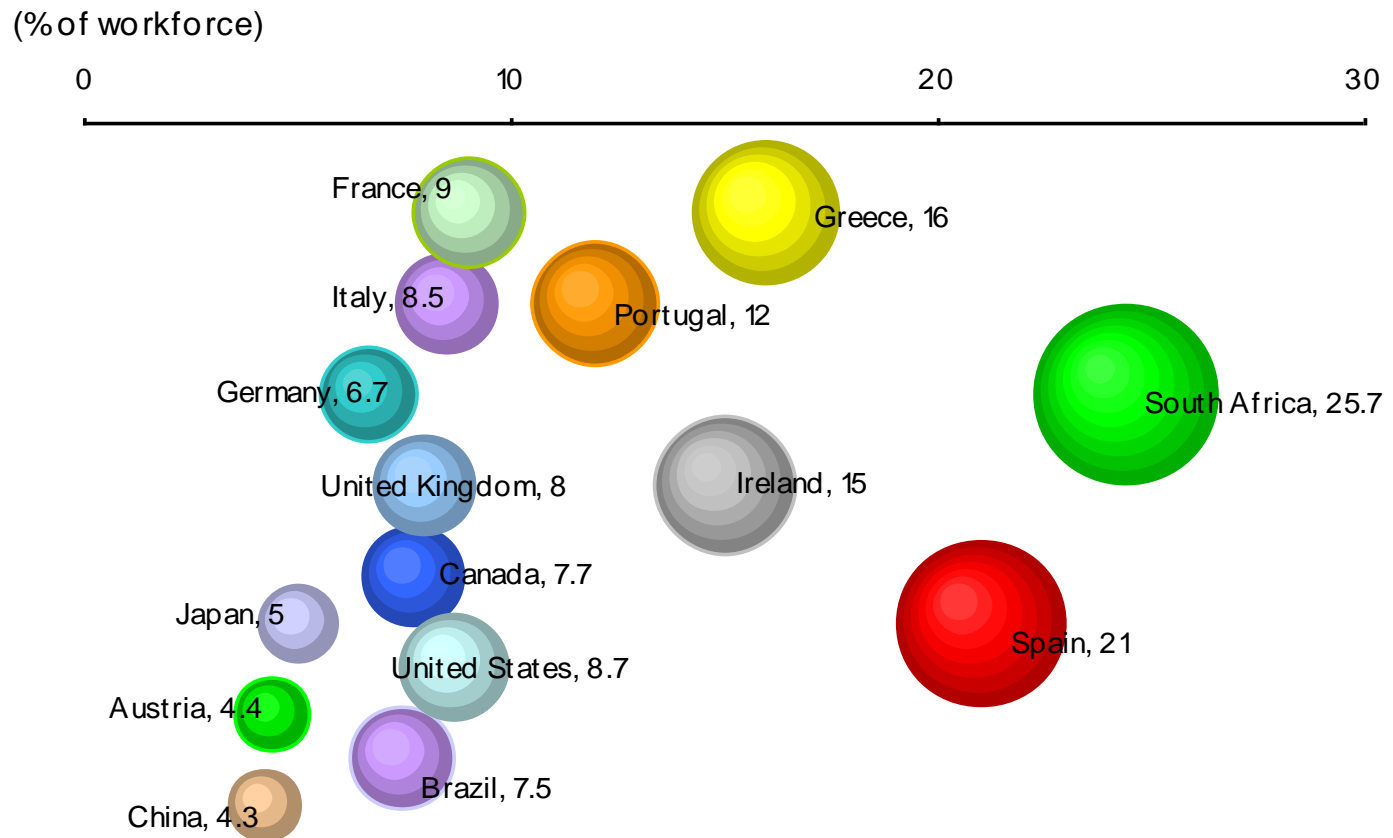


# Employment creation is a challenge



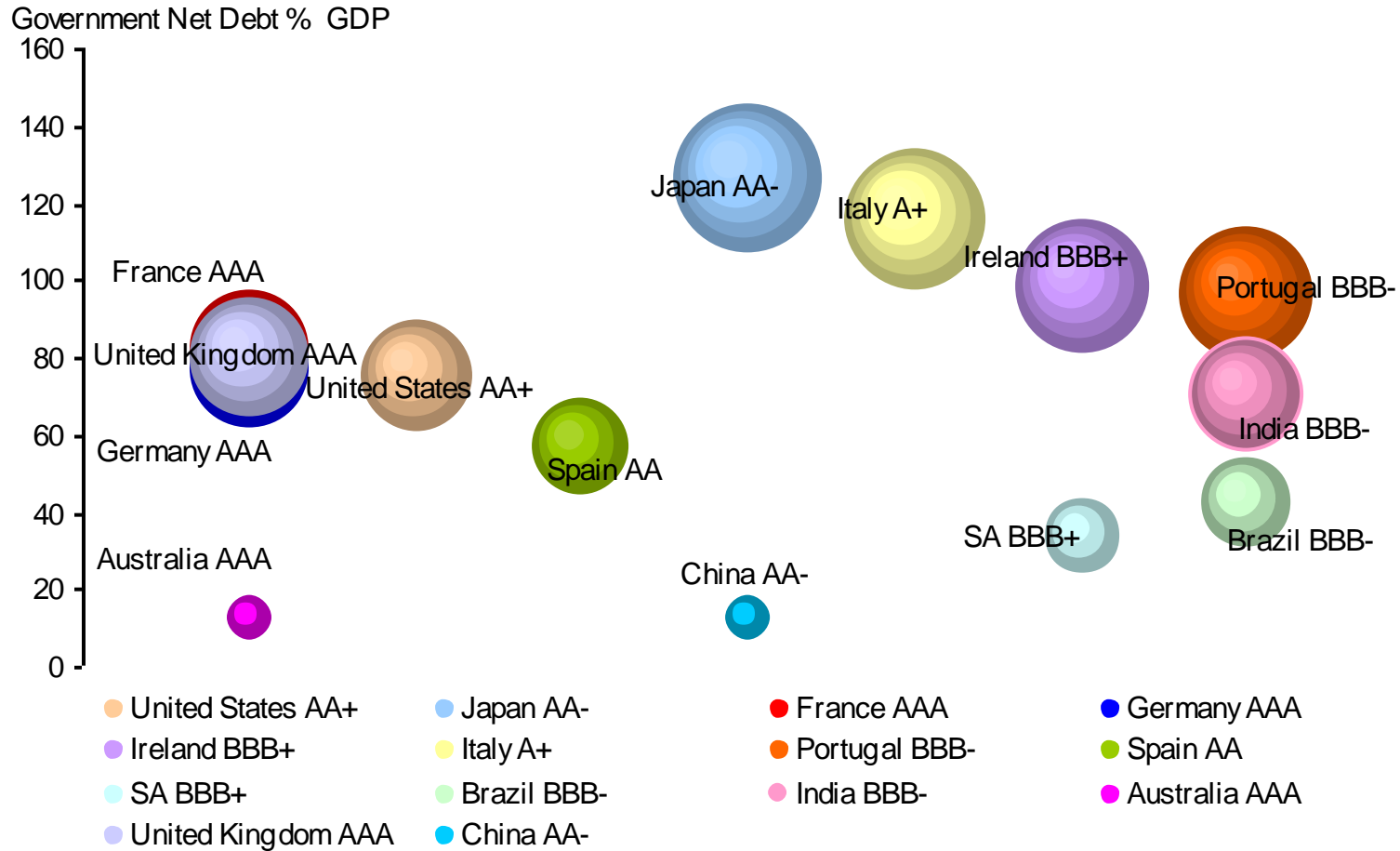


# ..unemployment is a global problem..





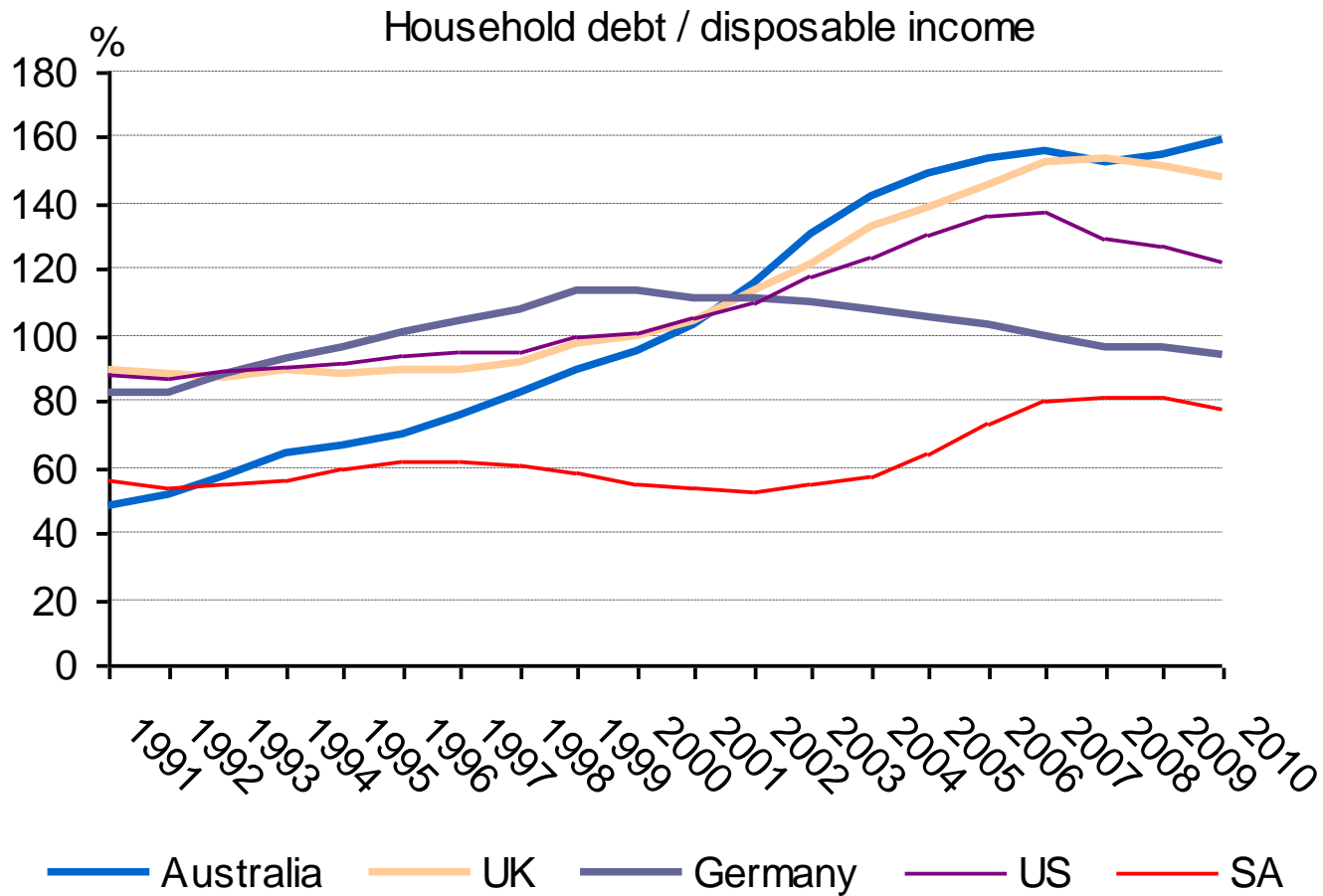
....debt levels are high both for governments.....







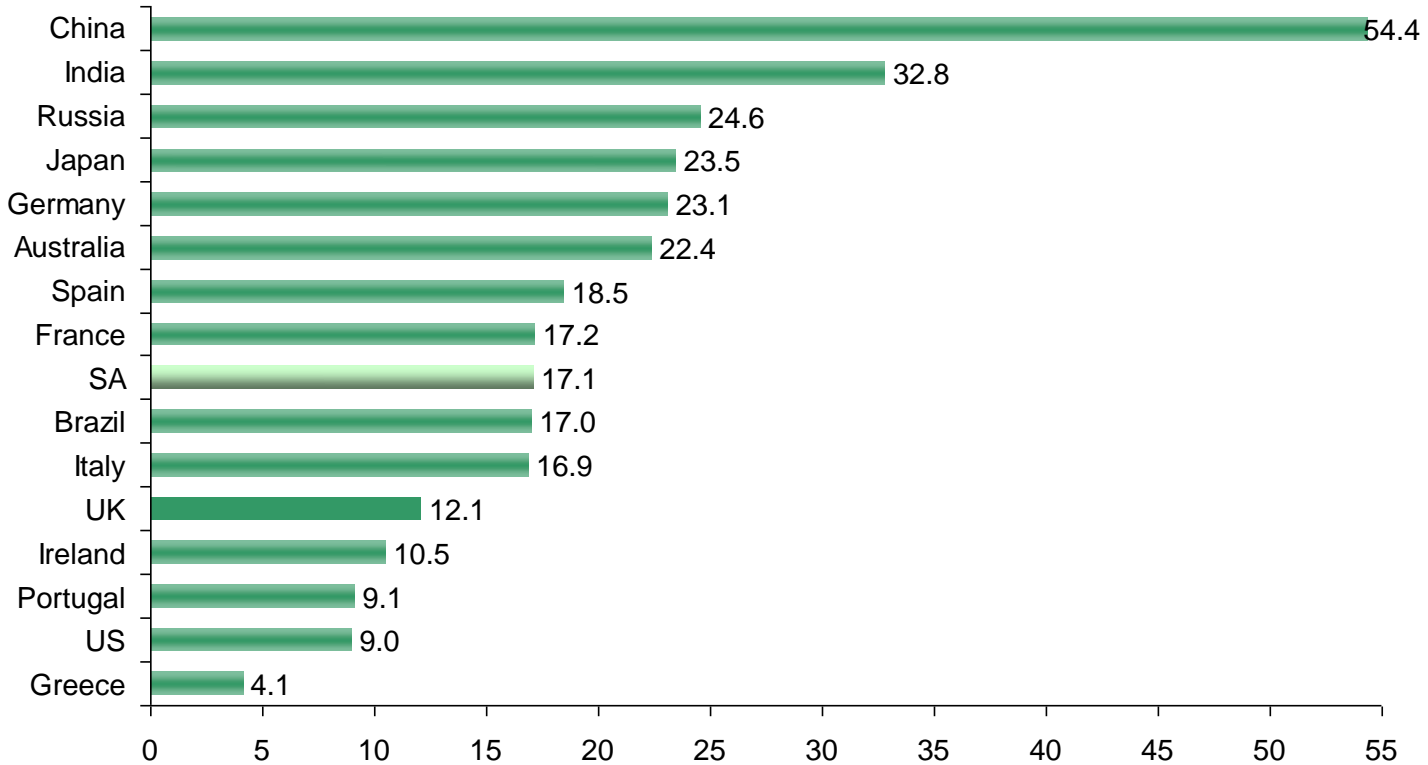
....and households.....





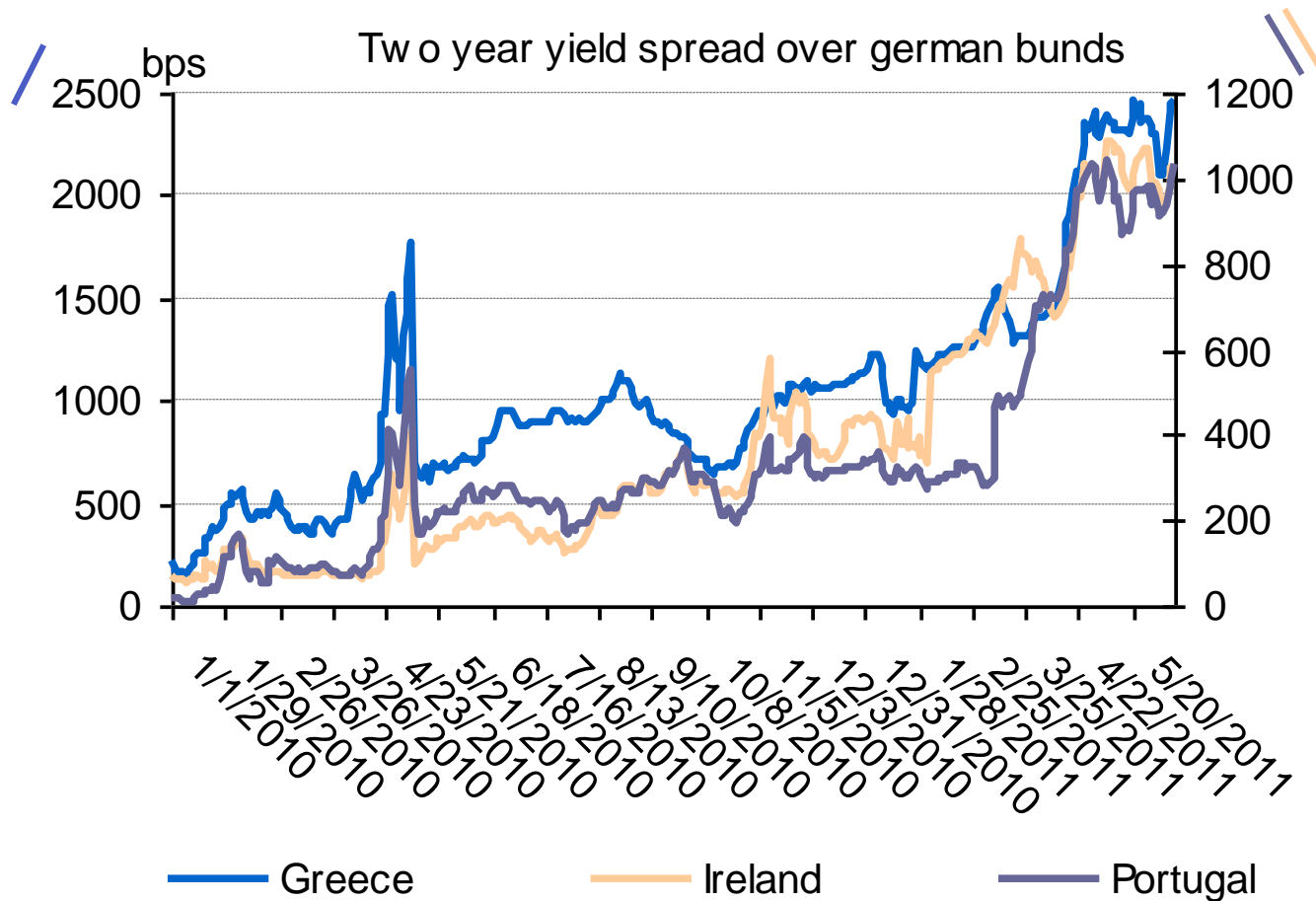
# .....Savings are very low in some key countries.....

Gross national savings as % GDP



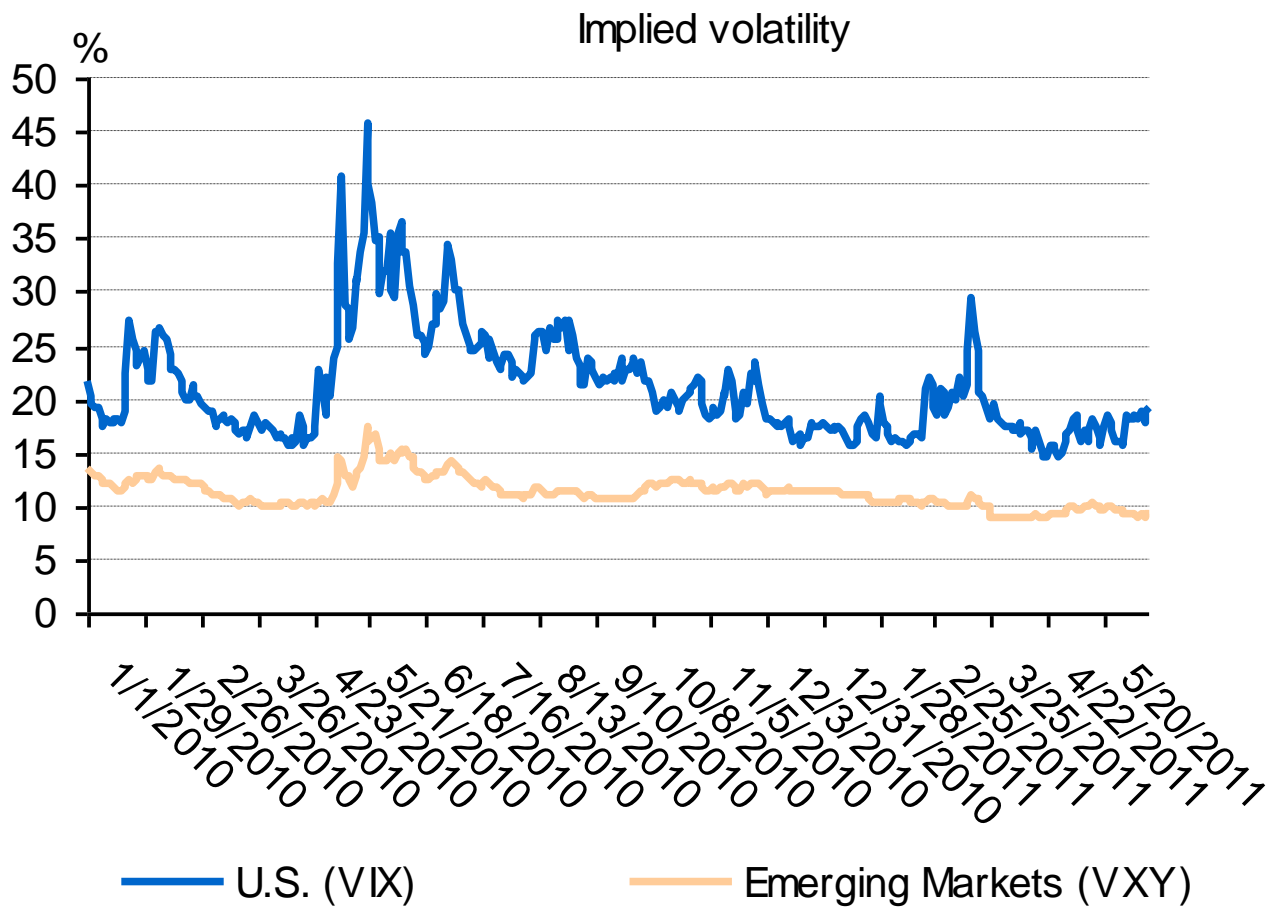


....as a result of the uncertainty  
yields have short up.....

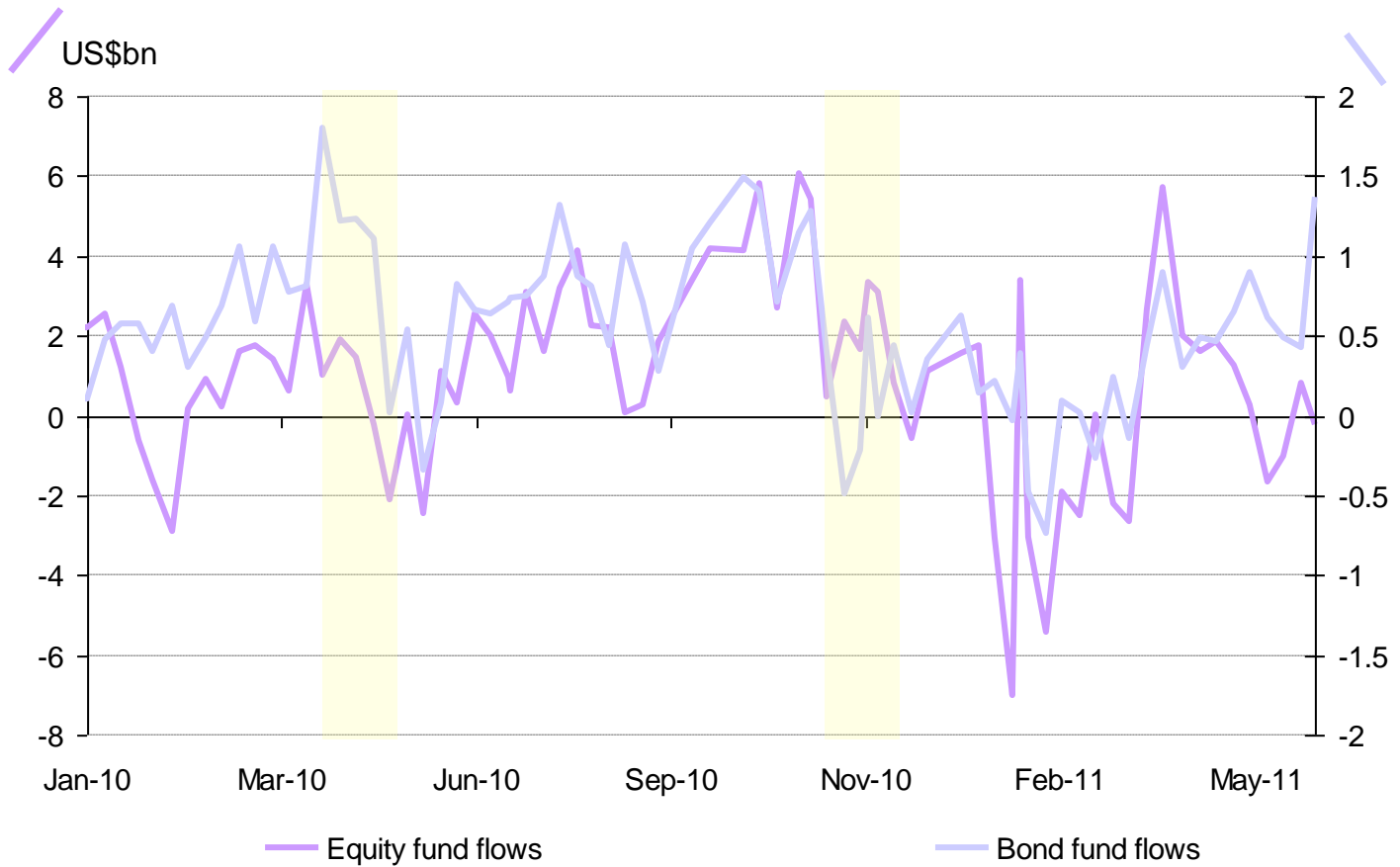




....the volatility has short up.....



...as result funds have flowed into emerging markets

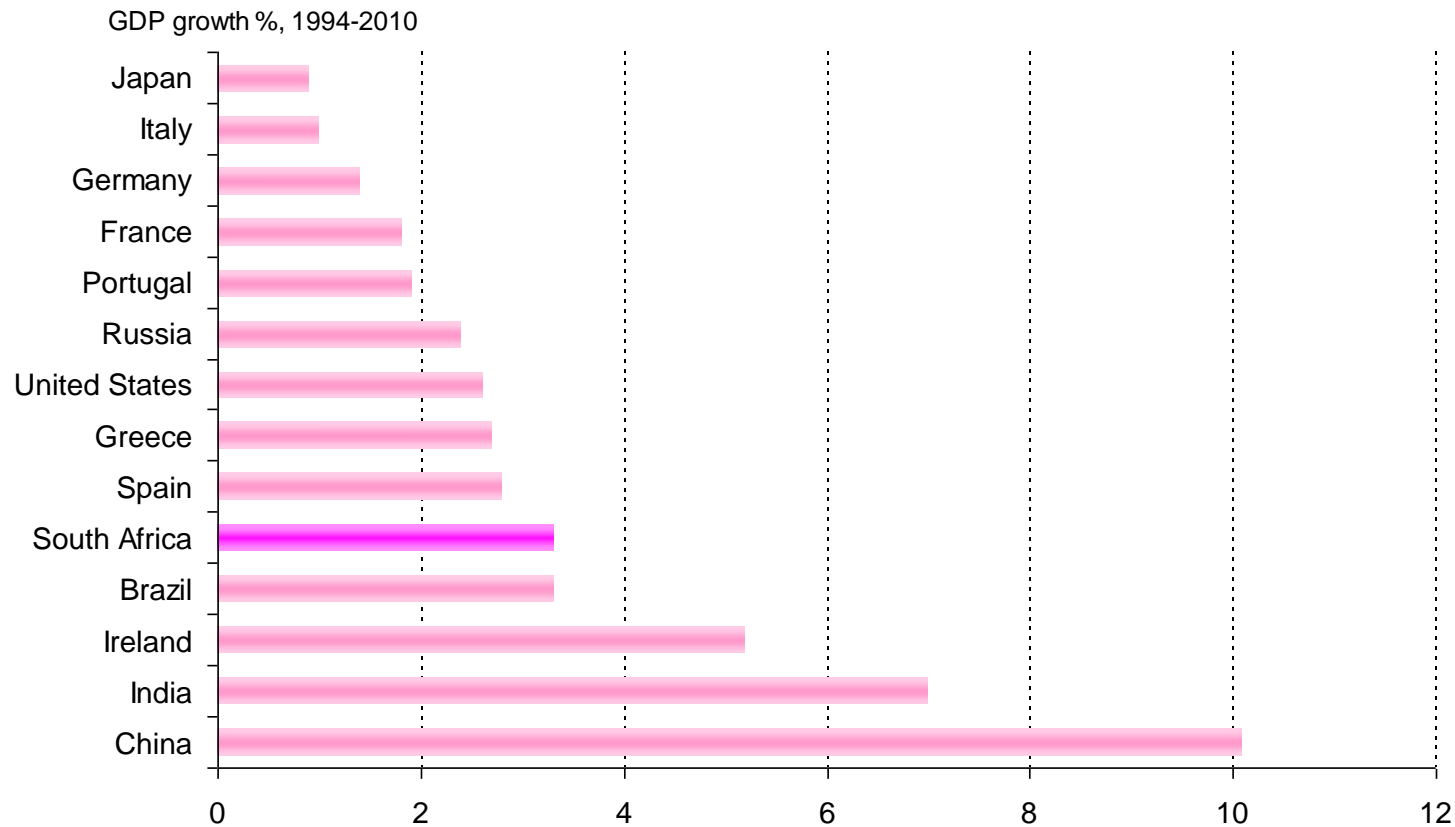




What should SA do in such times?



## Align ourselves with economies that are growing and likely to be major economic powers





## SA export mix shifting to faster growing economies..

Region	2006		2010		2011 GDP growth f/cast
	R'bn	% of Total	R'bn	% of Total	
Africa	52.7	13.3	90.6	15.4	5.5
Europe	139.7	35.4	160.9	27.3	1.8
US	41.3	10.5	51.7	8.8	2.8
UK	31.5	8.0	27.0	4.6	1.7
Japan	42.4	10.7	46.9	7.9	1.4
China	14.4	3.6	59.3	10.0	9.6
India	5.3	1.3	21.7	3.7	8.2
<b>Advanced</b>		<b>57.0</b>		<b>44.0</b>	2.3
Emerging		<b>18.0</b>		<b>29.0</b>	6.9





## .....Global Growth Summary.....

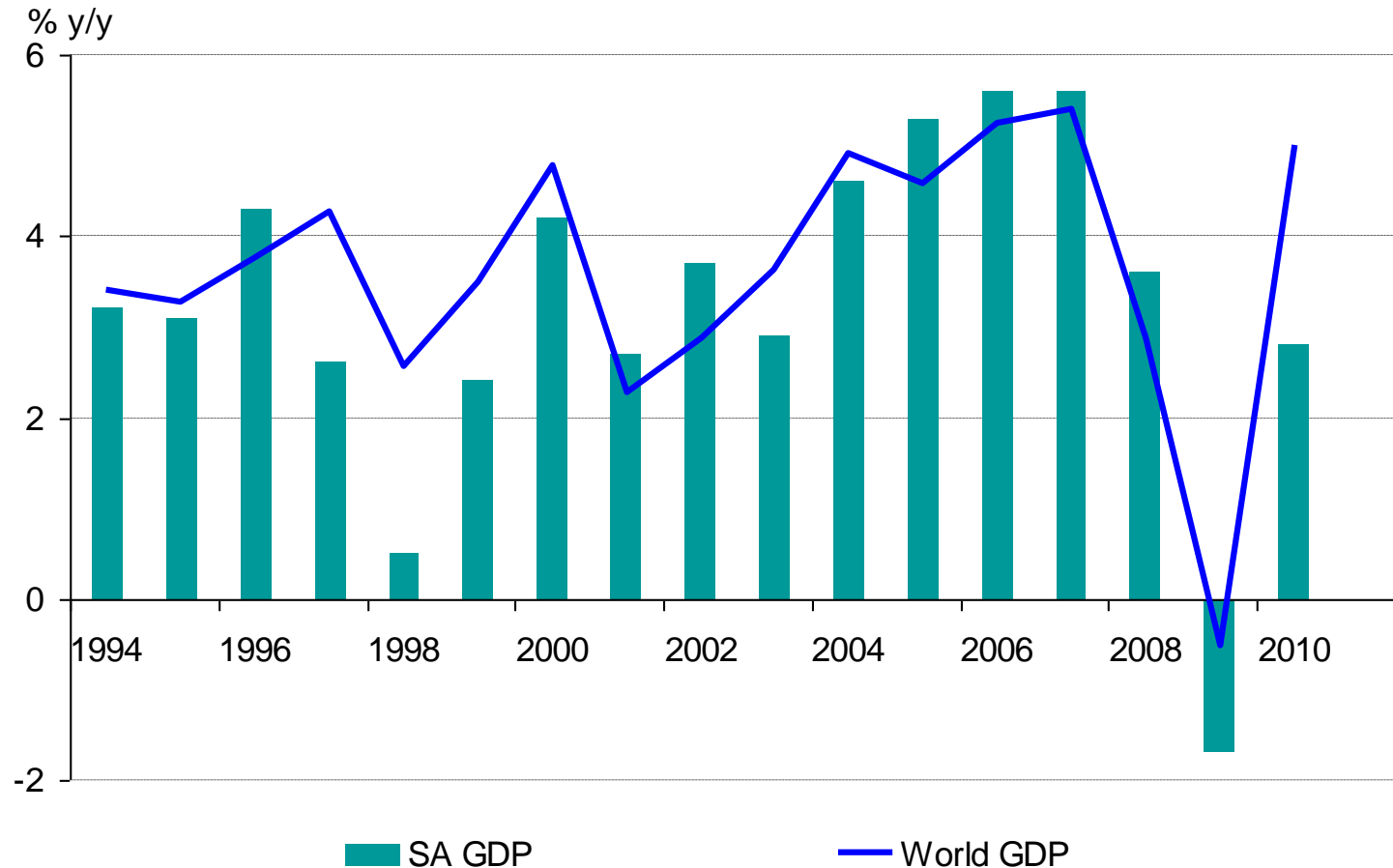
- Overall, the global economy expanded at an annualized rate of 4.3 percent in the first quarter, and forecasts for 2011–12 are broadly unchanged, with offsetting changes across various economies. However, greater-than-anticipated weakness in U.S. activity and renewed financial volatility from concerns about the depth of fiscal challenges in the euro area periphery pose greater downside risks
- Risks also draw from persistent fiscal and financial sector imbalances in many advanced economies, while signs of overheating are becoming increasingly apparent in many emerging and developing economies.
- Strong adjustments—credible and balanced fiscal consolidation and financial sector repair and reform in many advanced economies, and prompt macroeconomic policy tightening and demand rebalancing in many emerging and developing economies—are critical for securing growth and job creation over the medium term
- Inflation accelerated mainly because of larger-than-expected increases in commodity prices.
- After easing through much of the first half of 2011, global financial conditions have become more volatile since late May



SA

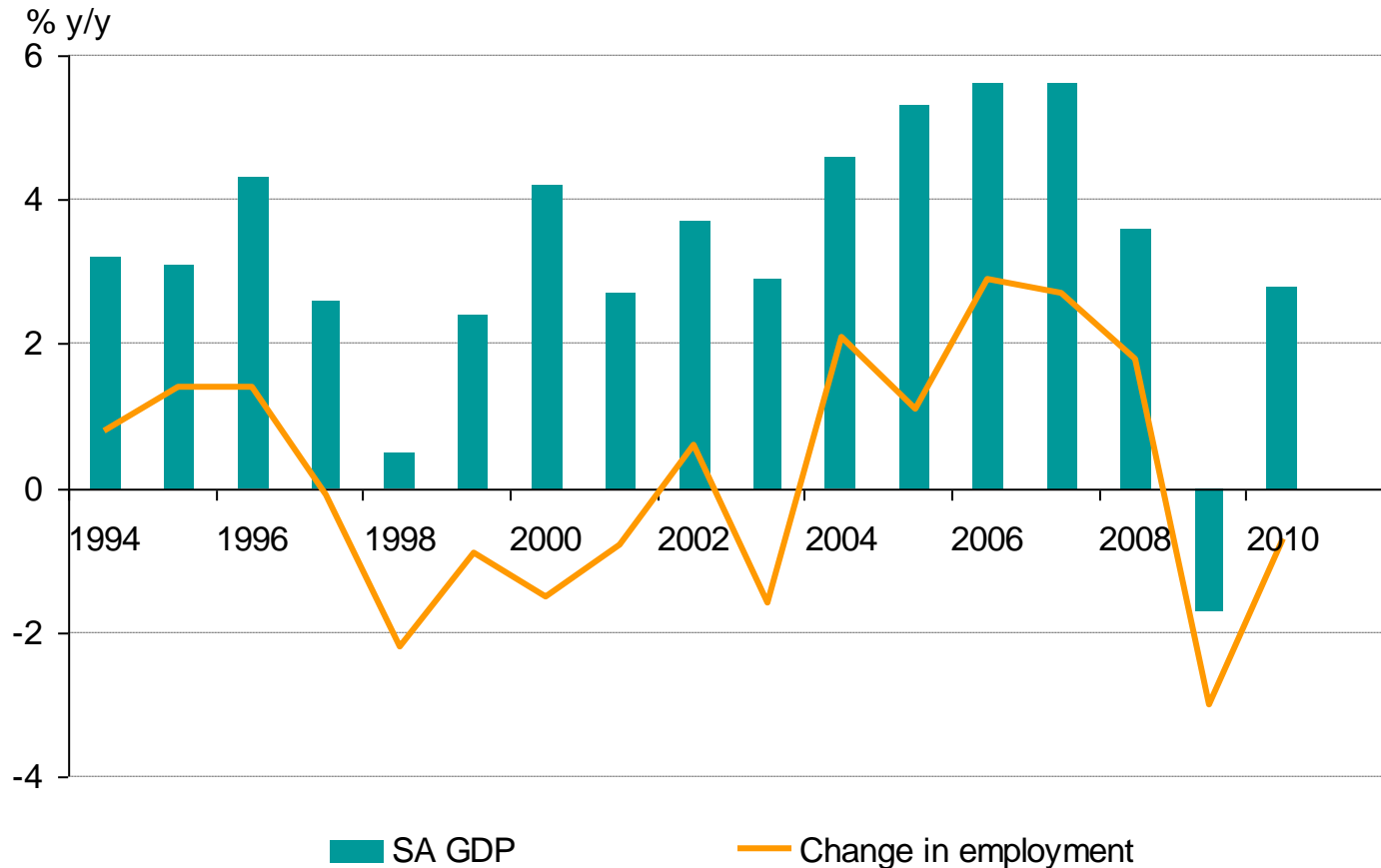


# SA's growth trend depends on the global economy

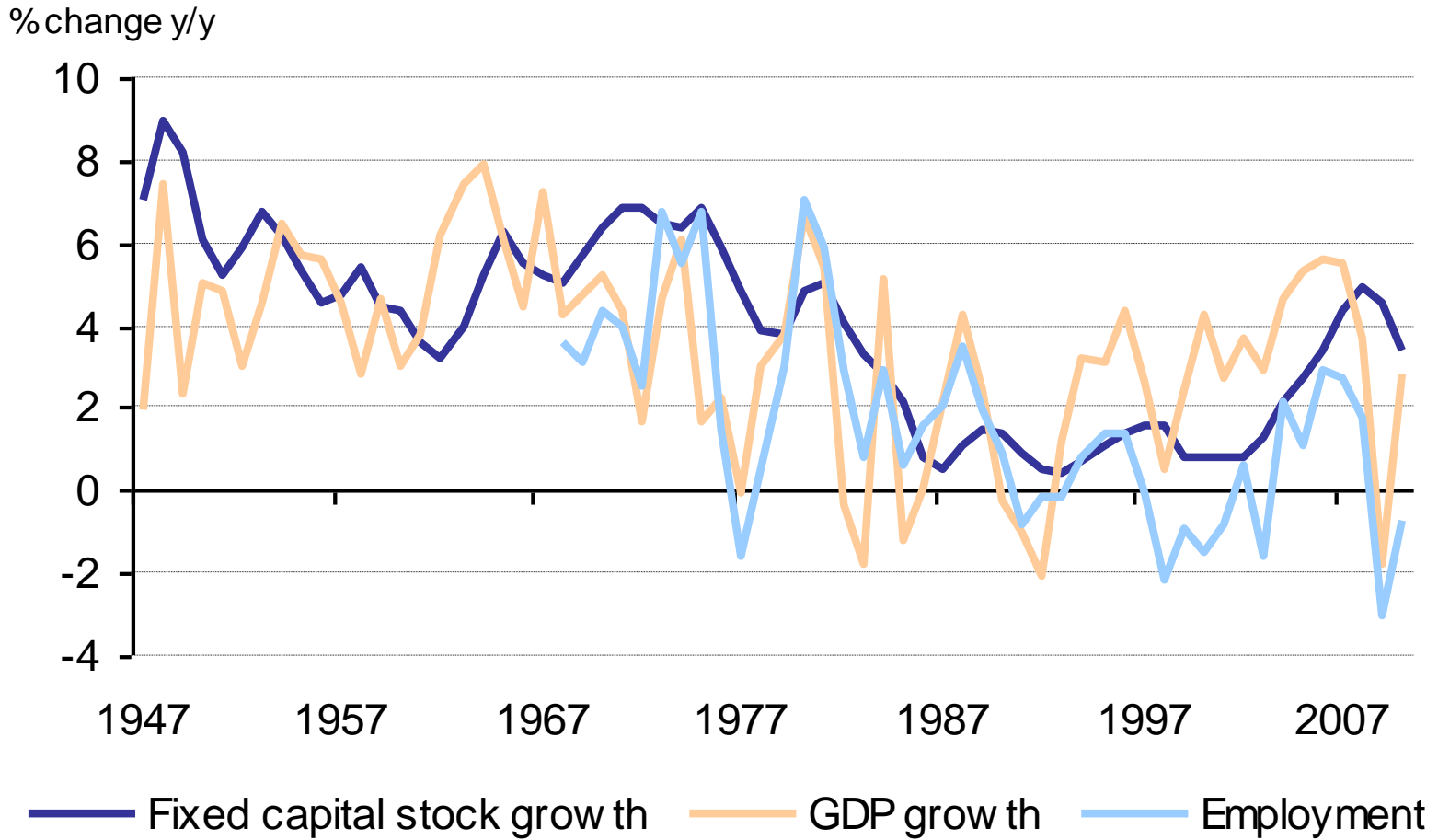




... not enough jobs were created during periods of strong growth

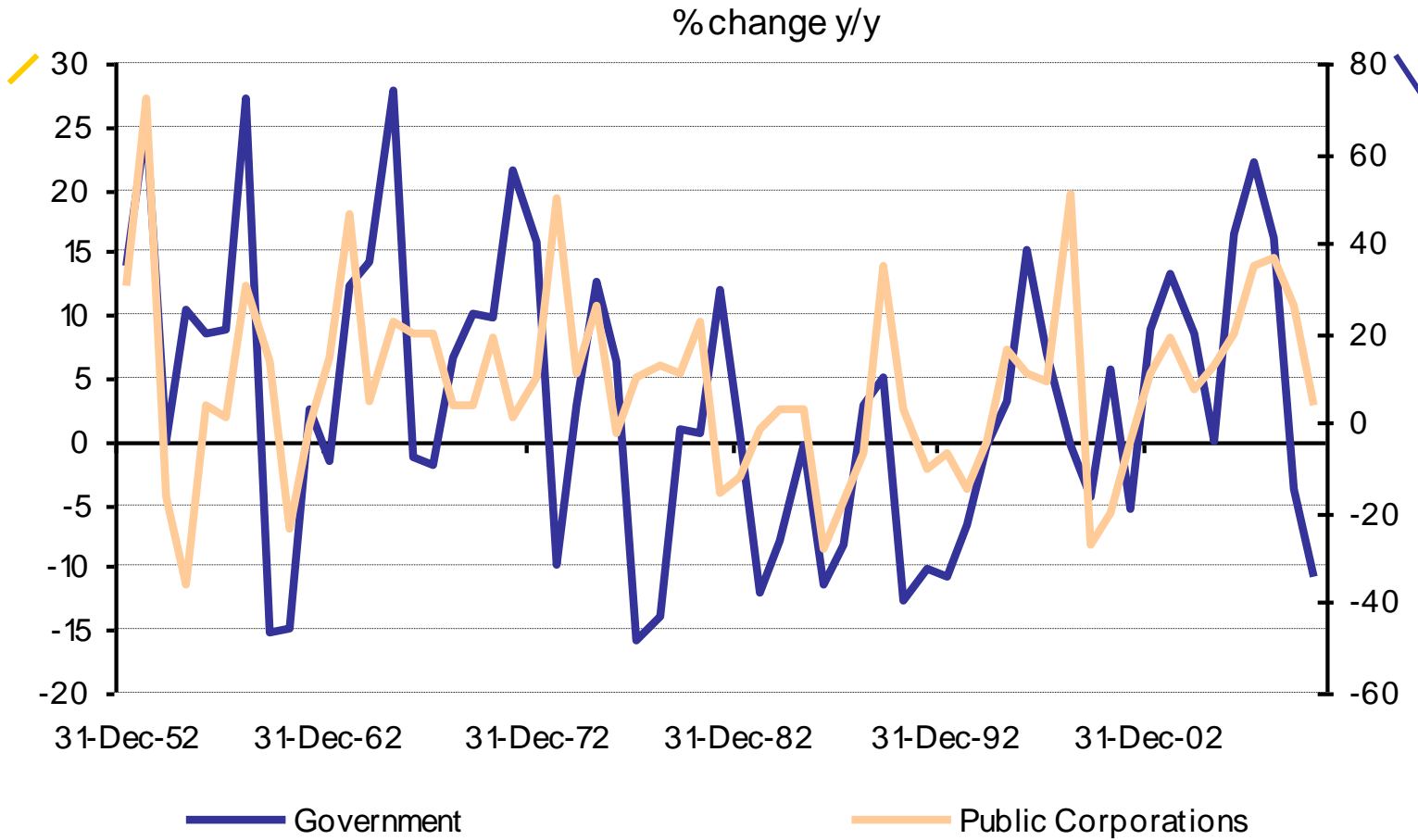


# ... key to job creation is investment in infrastructure



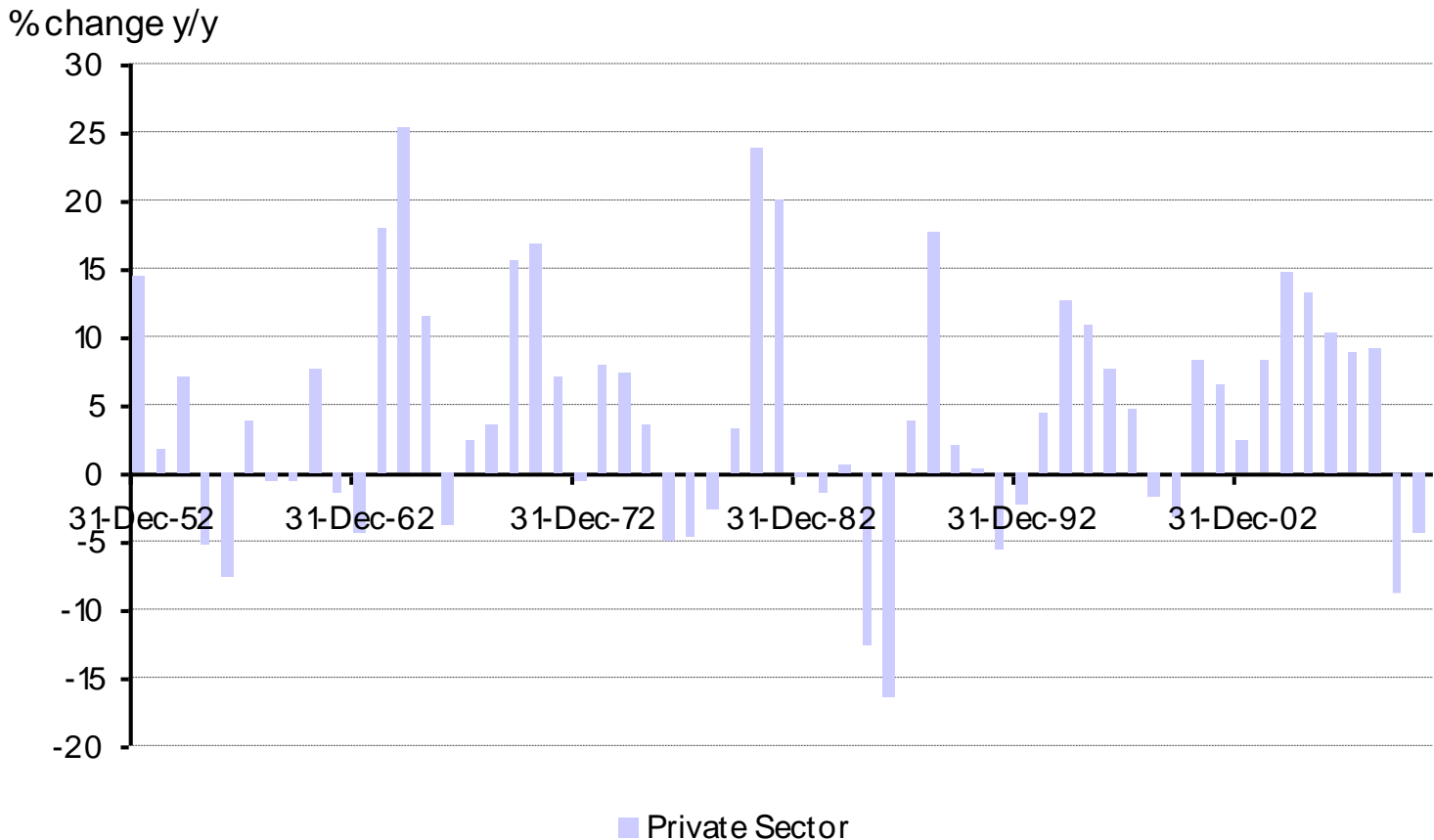


# ...investment growth is key for growth in employment



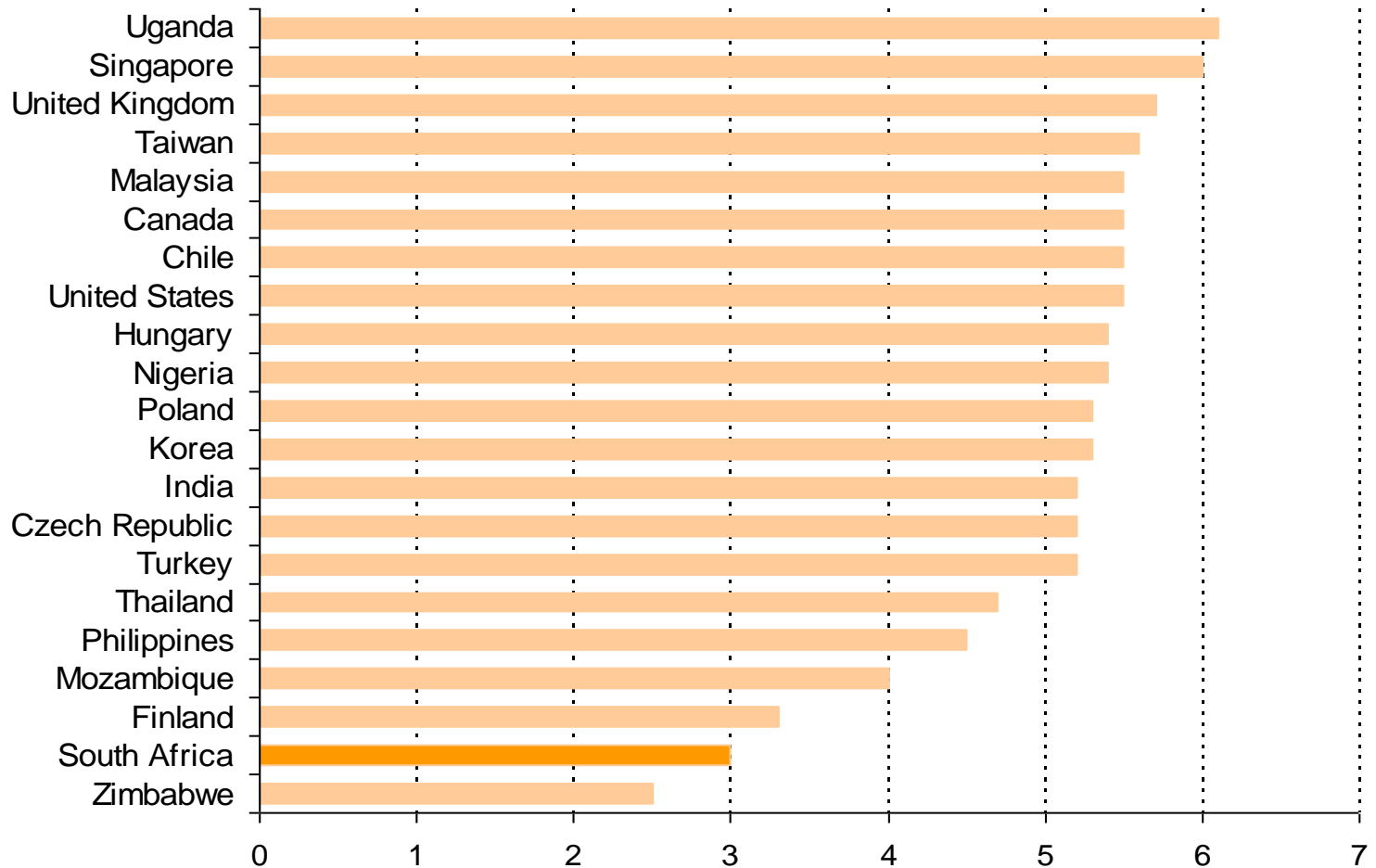


...private sector investment will then recover....





## But the inflexibility of the labour market remains



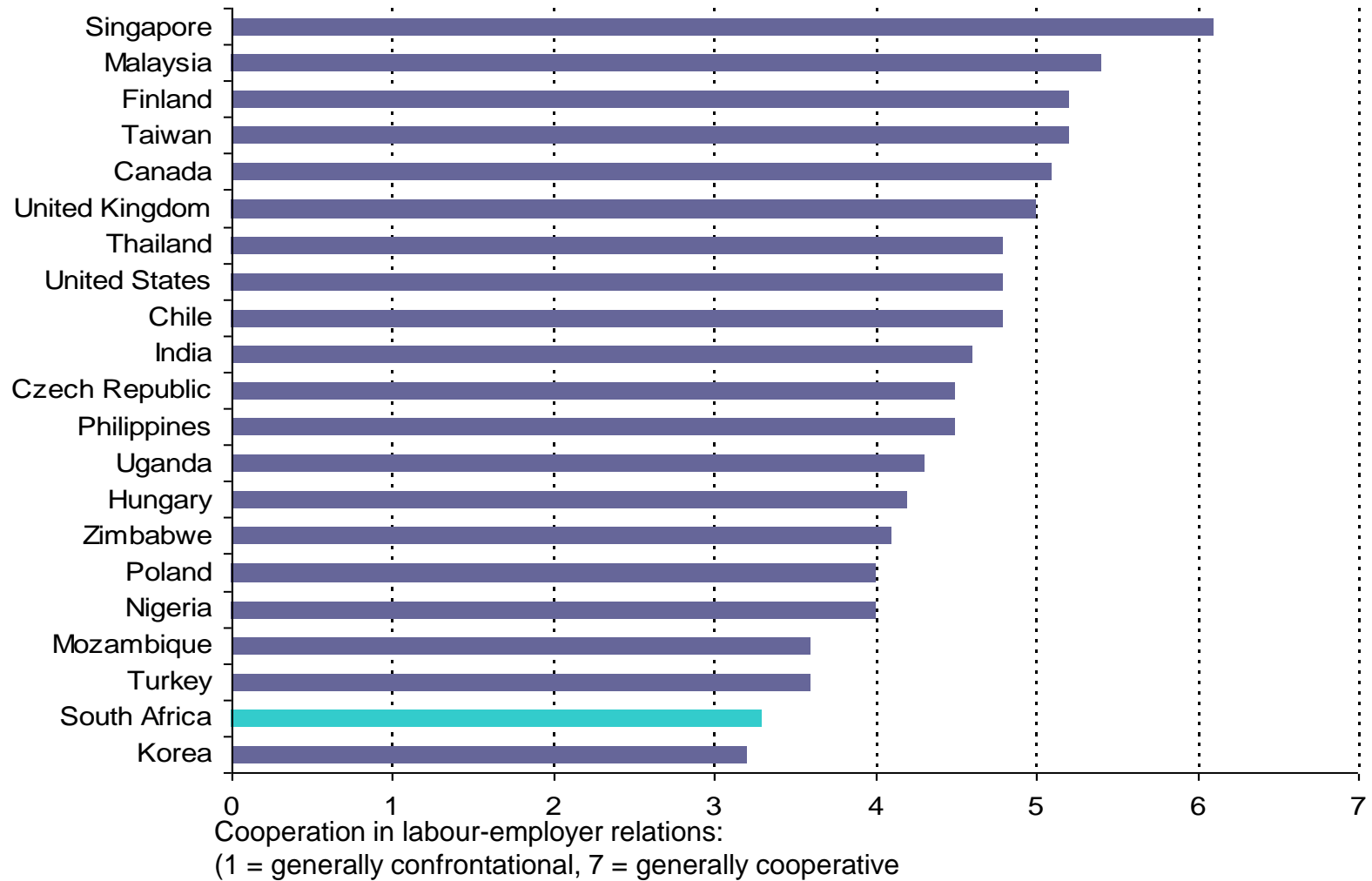
Flexibility of wage determination:

(1 = set by a centralized bargaining process, 7 = up to each individual company)



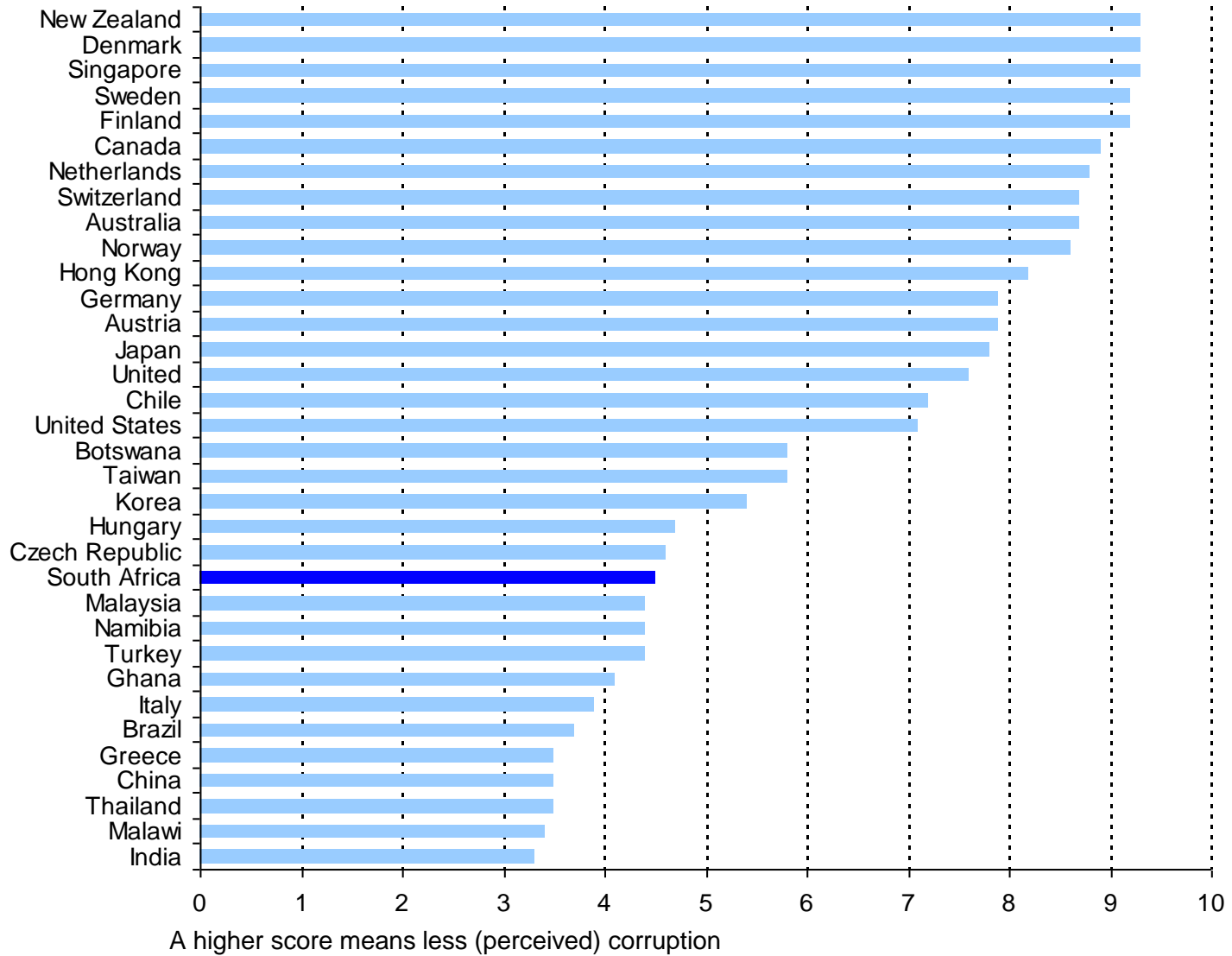


# Labour dispute remain is another impediment



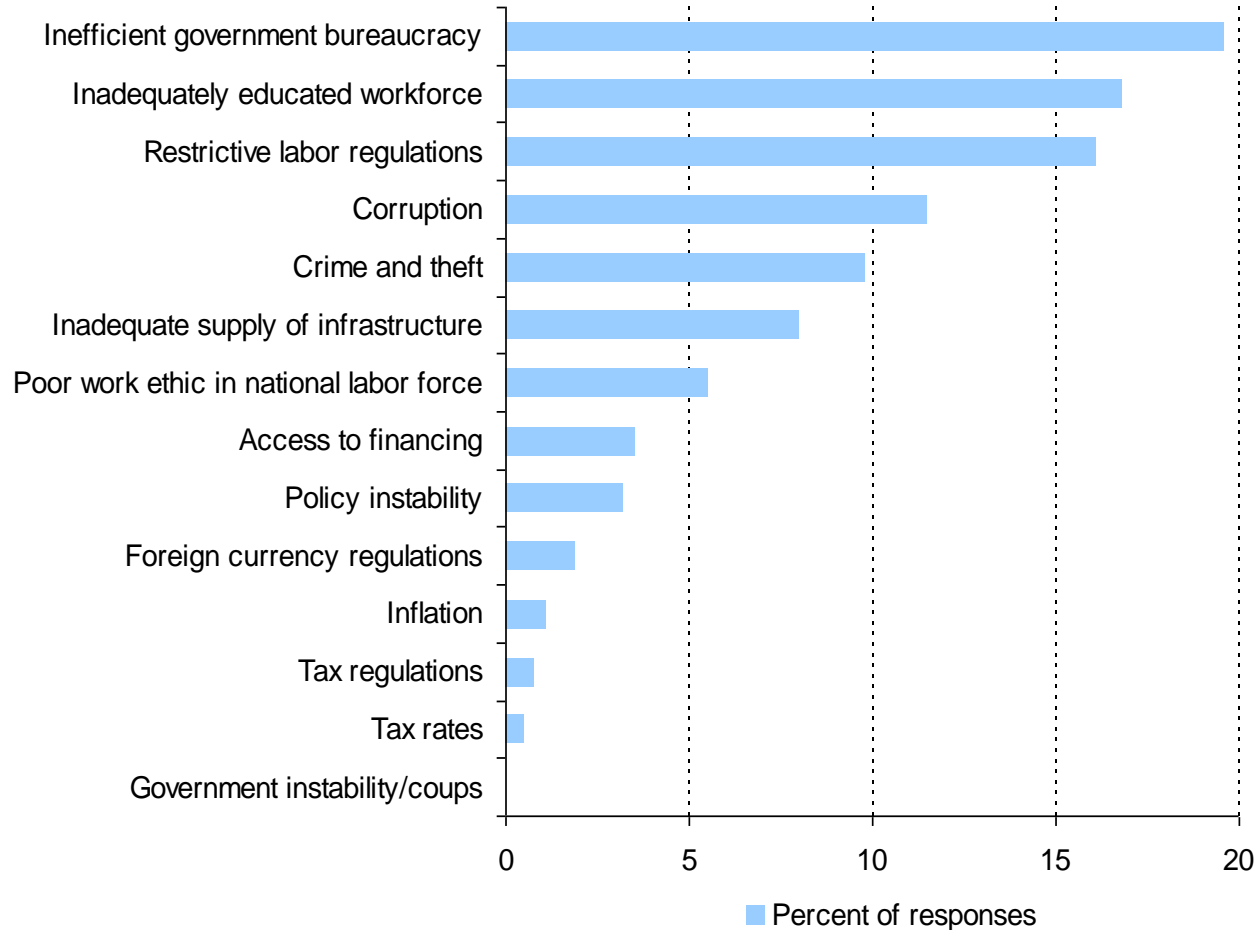


..as does corruption





## ..most problematic factors in doing business



The bars in the figure show the responses weighted according to their rankings



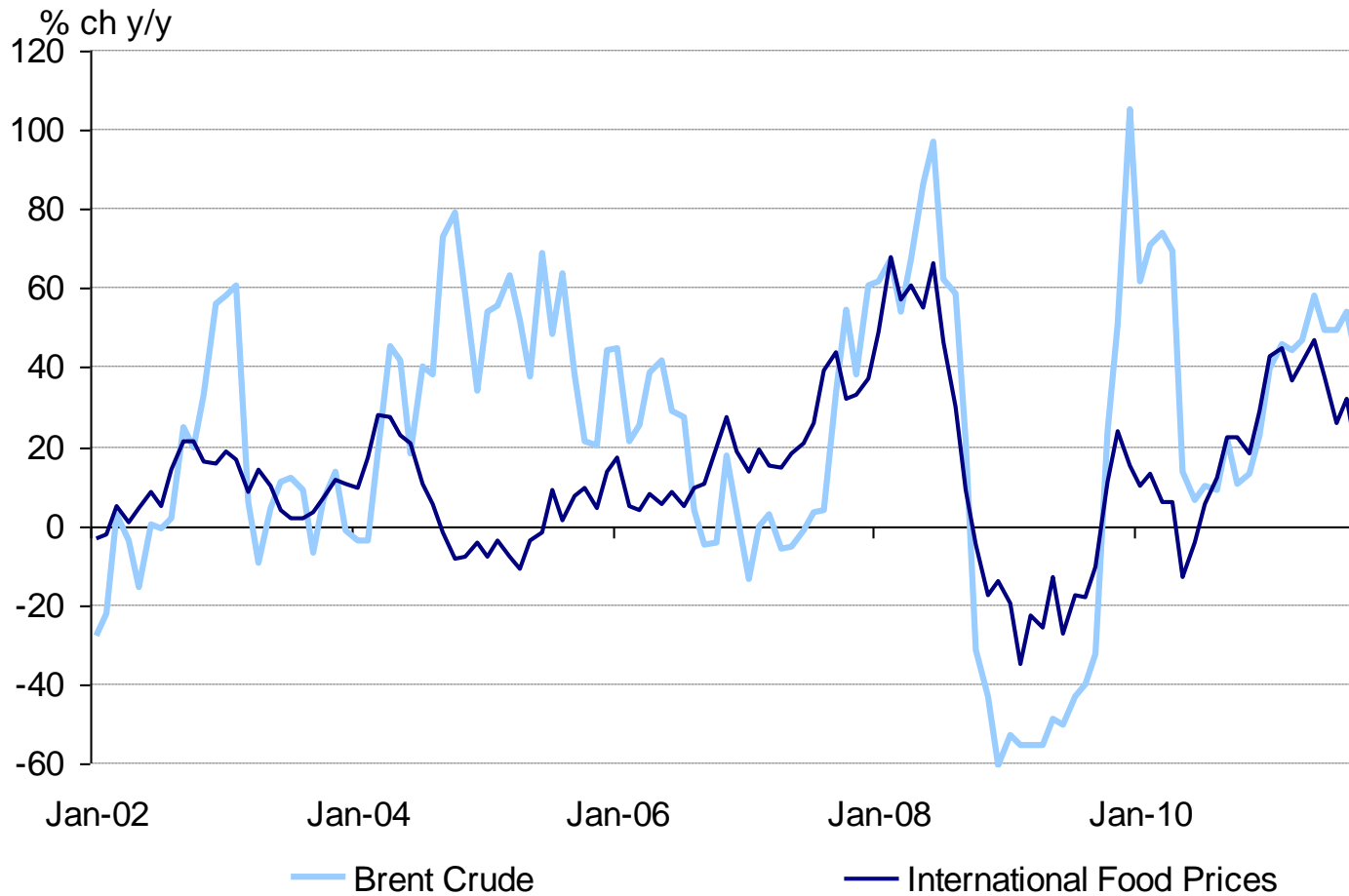
..Economic and employment growth depends on infrastructure investment



.....economic data

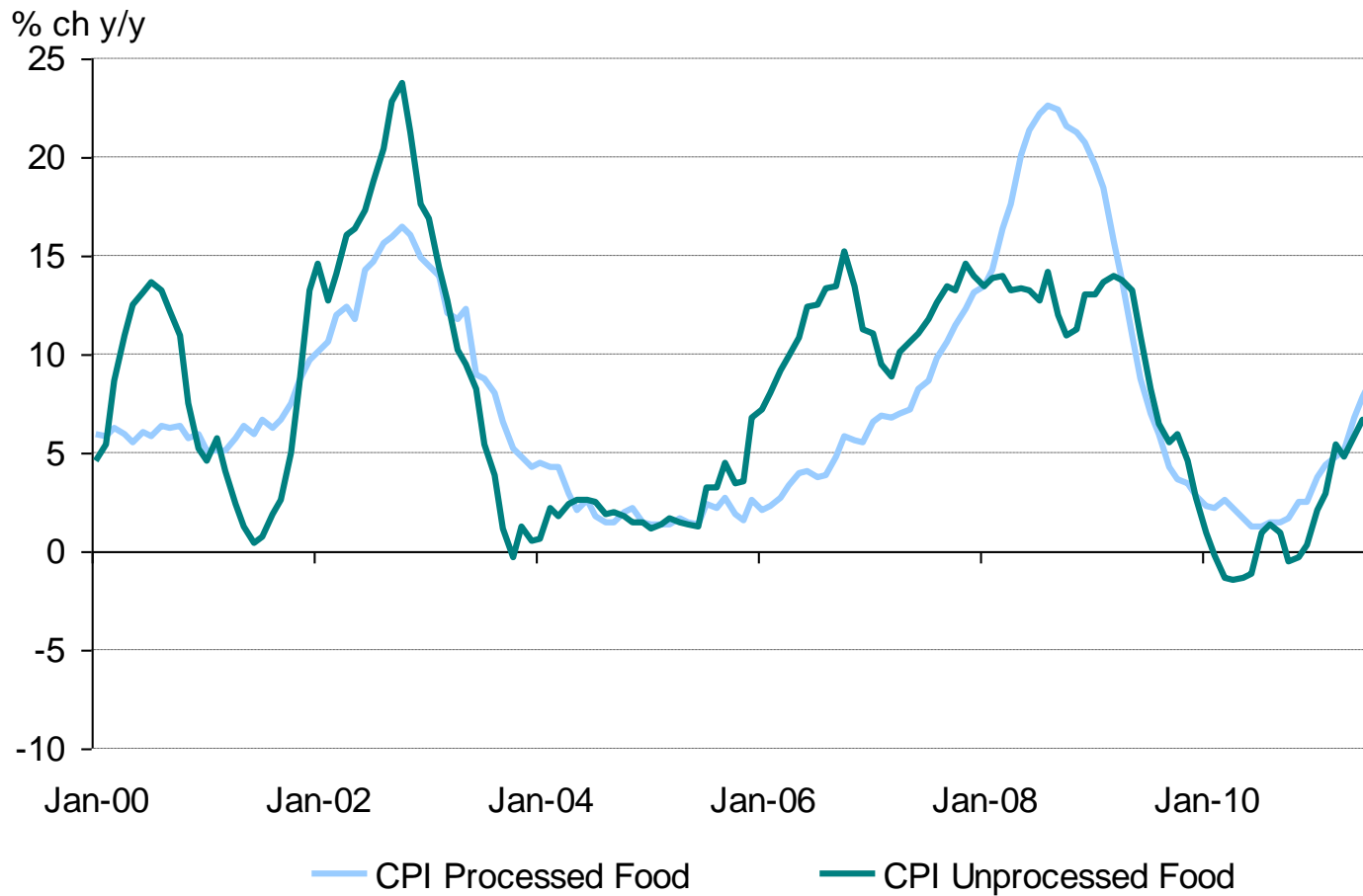


## ...macro Inflation drivers



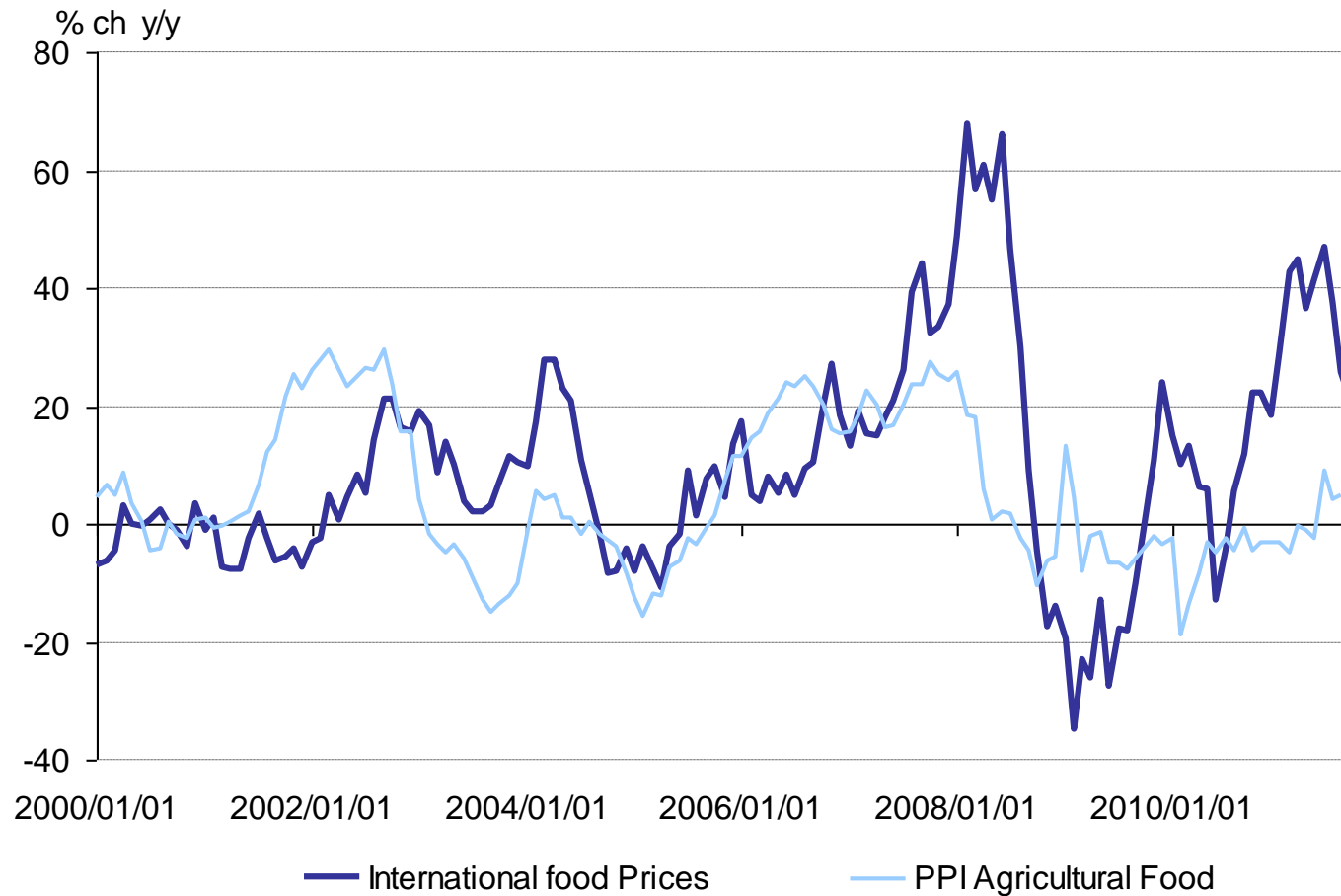


...food prices continue to rise.....





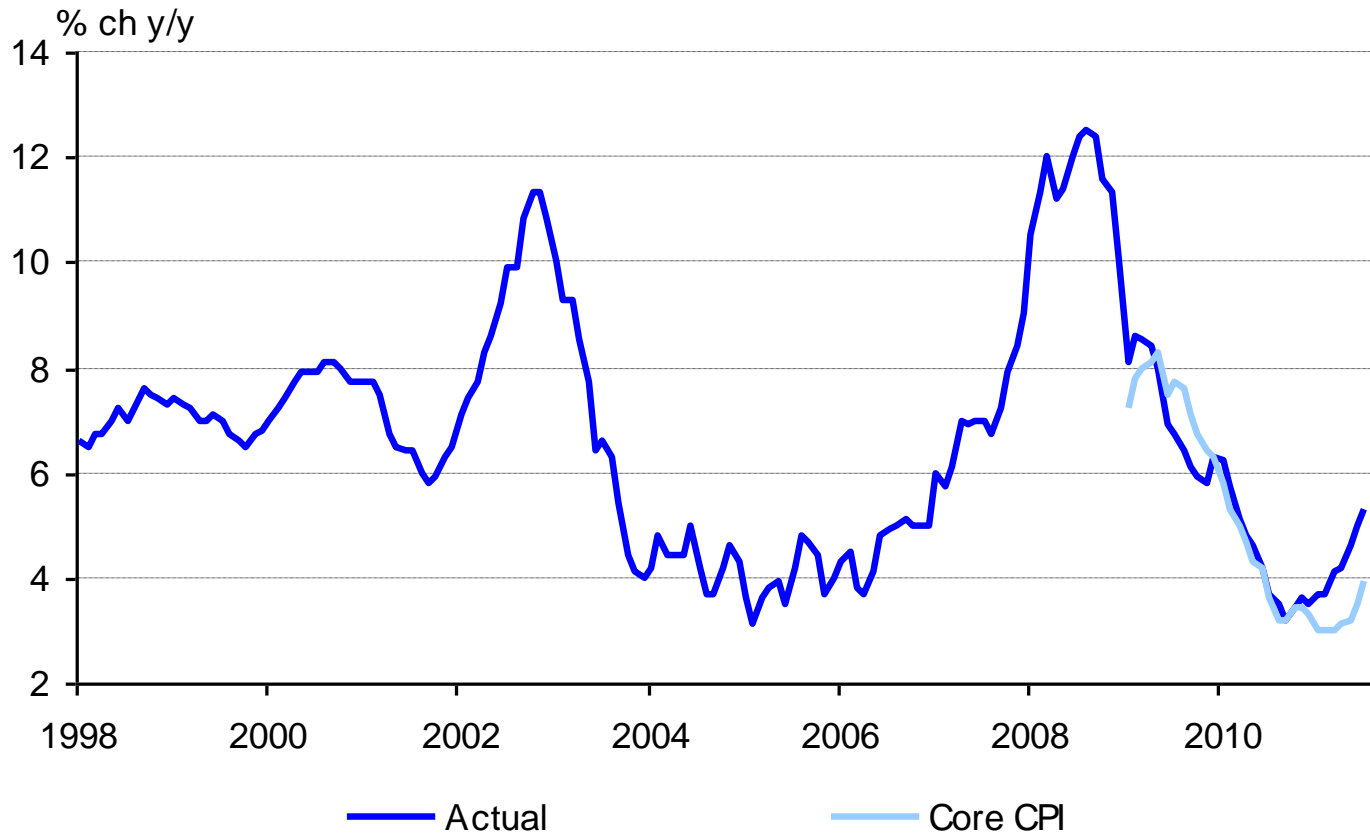
...due to rising international food prices.....





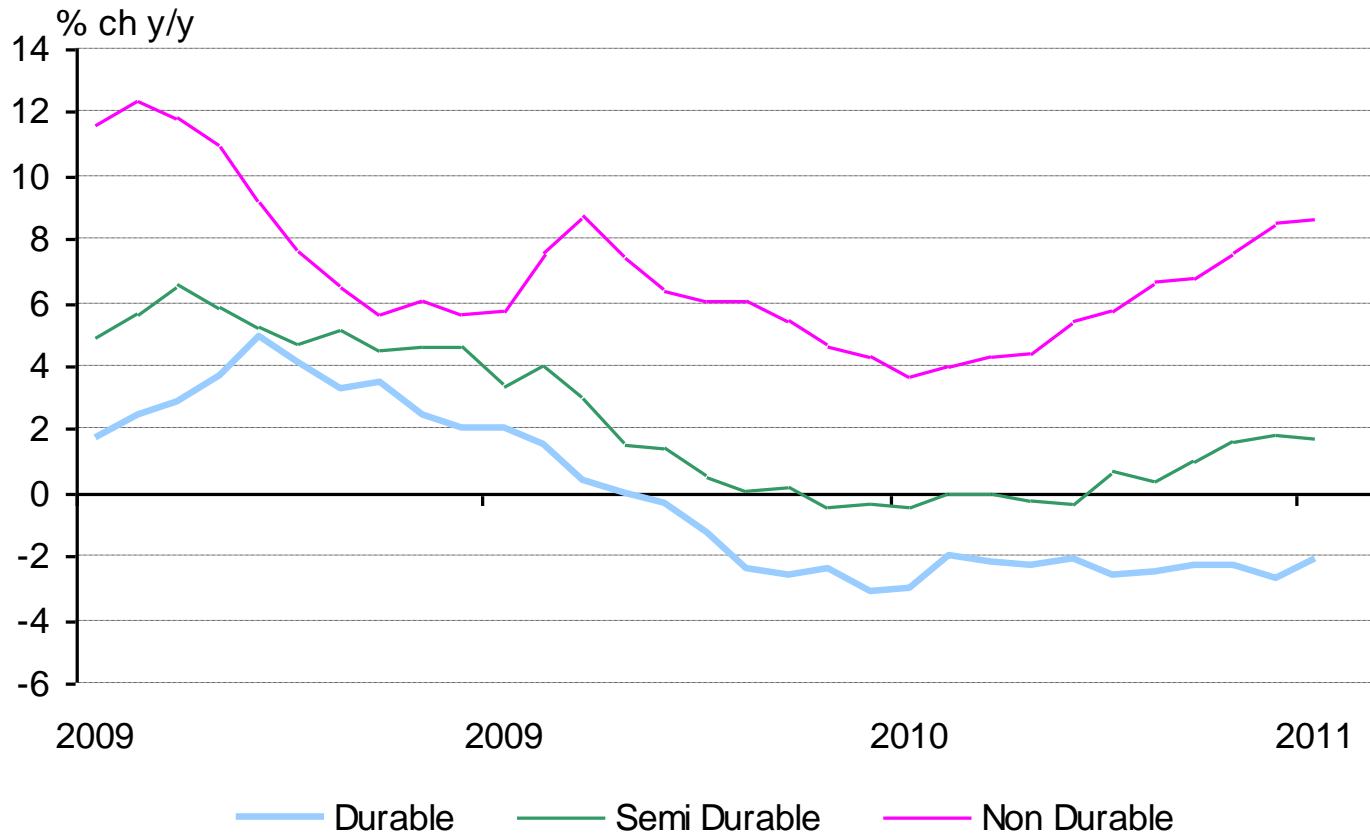


...Inflation has been driven higher by volatile components not demand driven



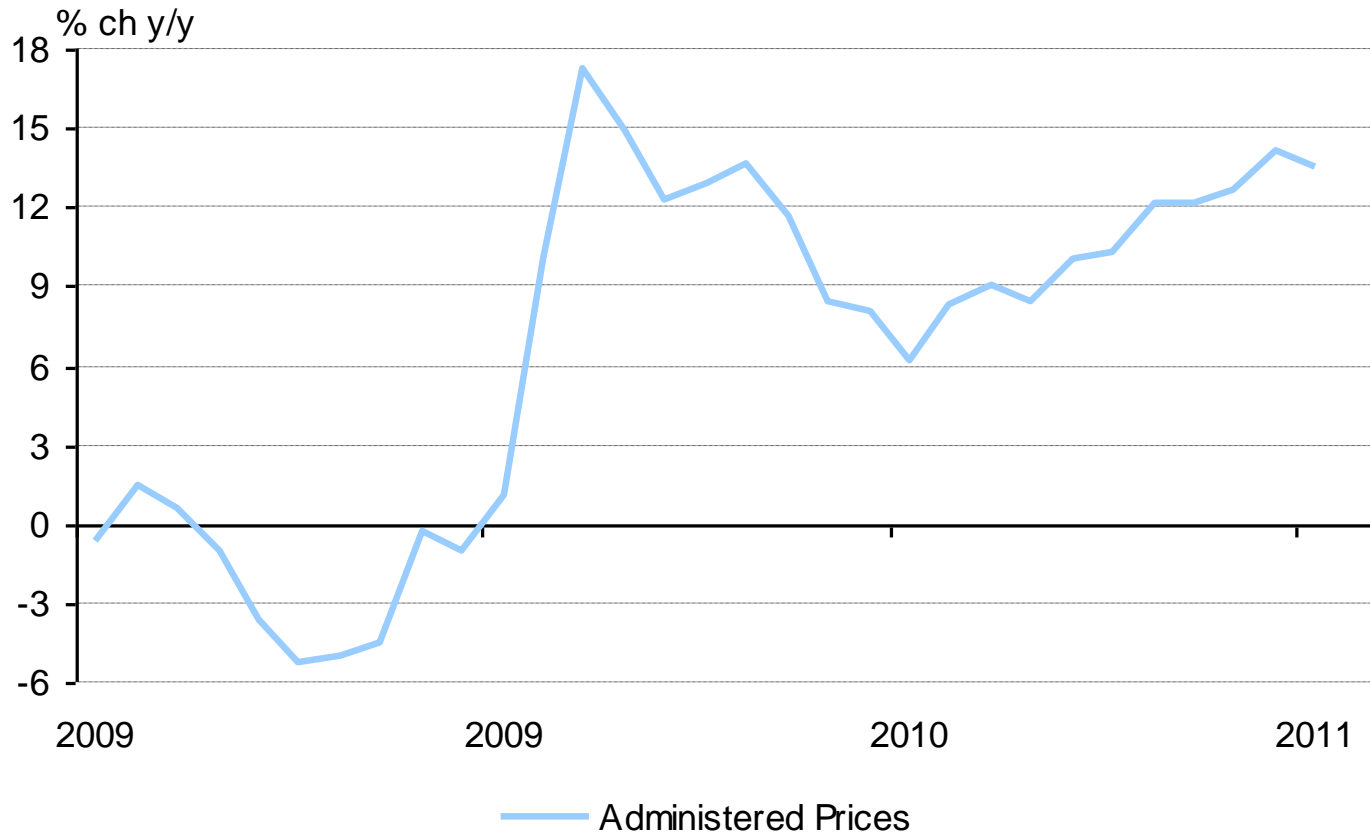


...Consumer spending remains weak, hence durable and semi goods inflation....



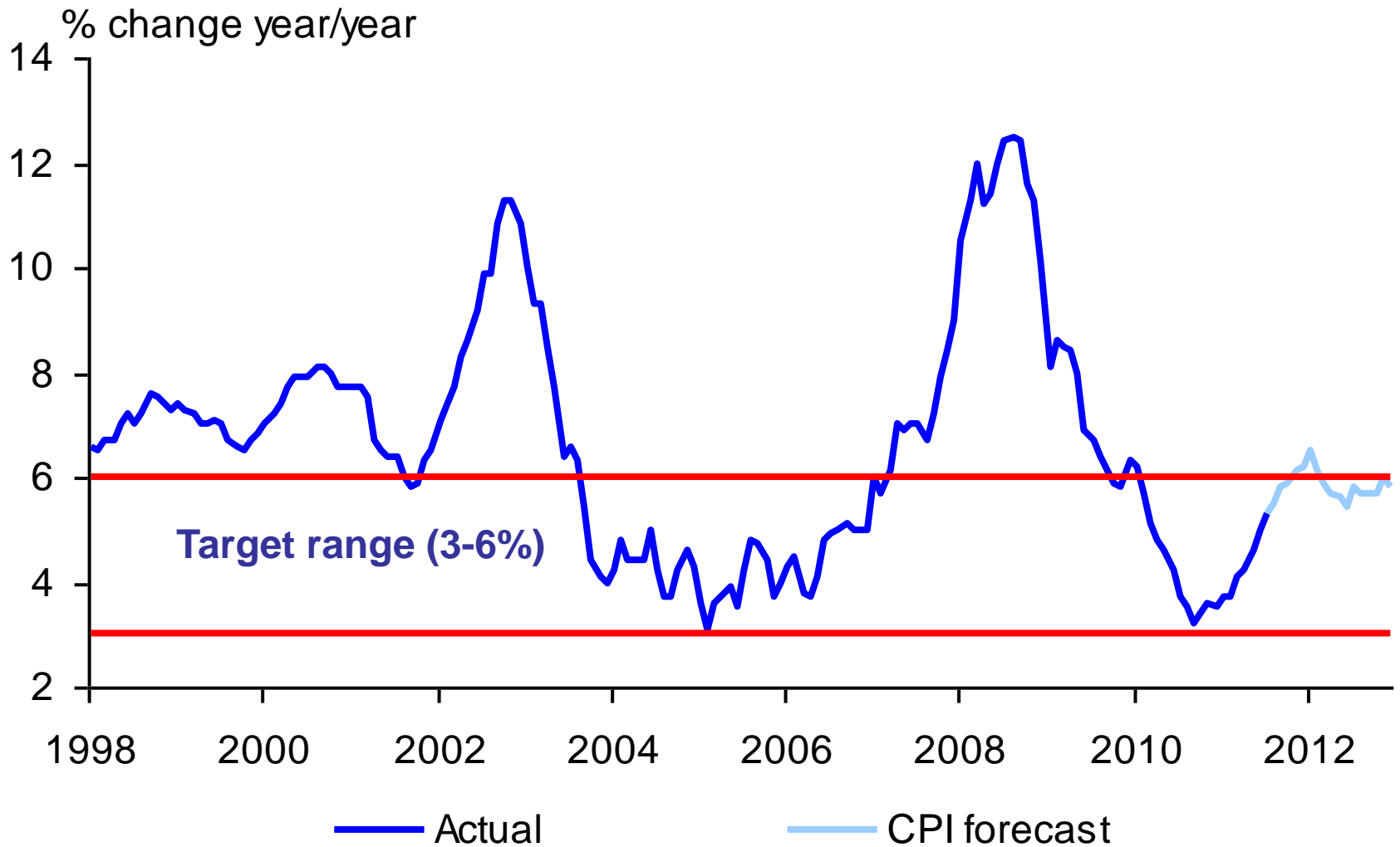


...administered prices have been the main drivers of inflation....





# ...our view on inflation going forward ...





## ...Inflation and interest rate forecasts

- The inflation outlook has deteriorated compared to earlier in the year
- The SARB is unlikely to hike interest rates in a period of increased uncertainty. If you are not sure rather don't do anything
- Markets are pricing in a 30% chance of a rate cut in three months time
- We expect rates to be left unchanged for a long period than previously expected, with the first hike in H1:12
- Upside risks remain, particularly from food and administered prices.
- The weakening rand is also a concern



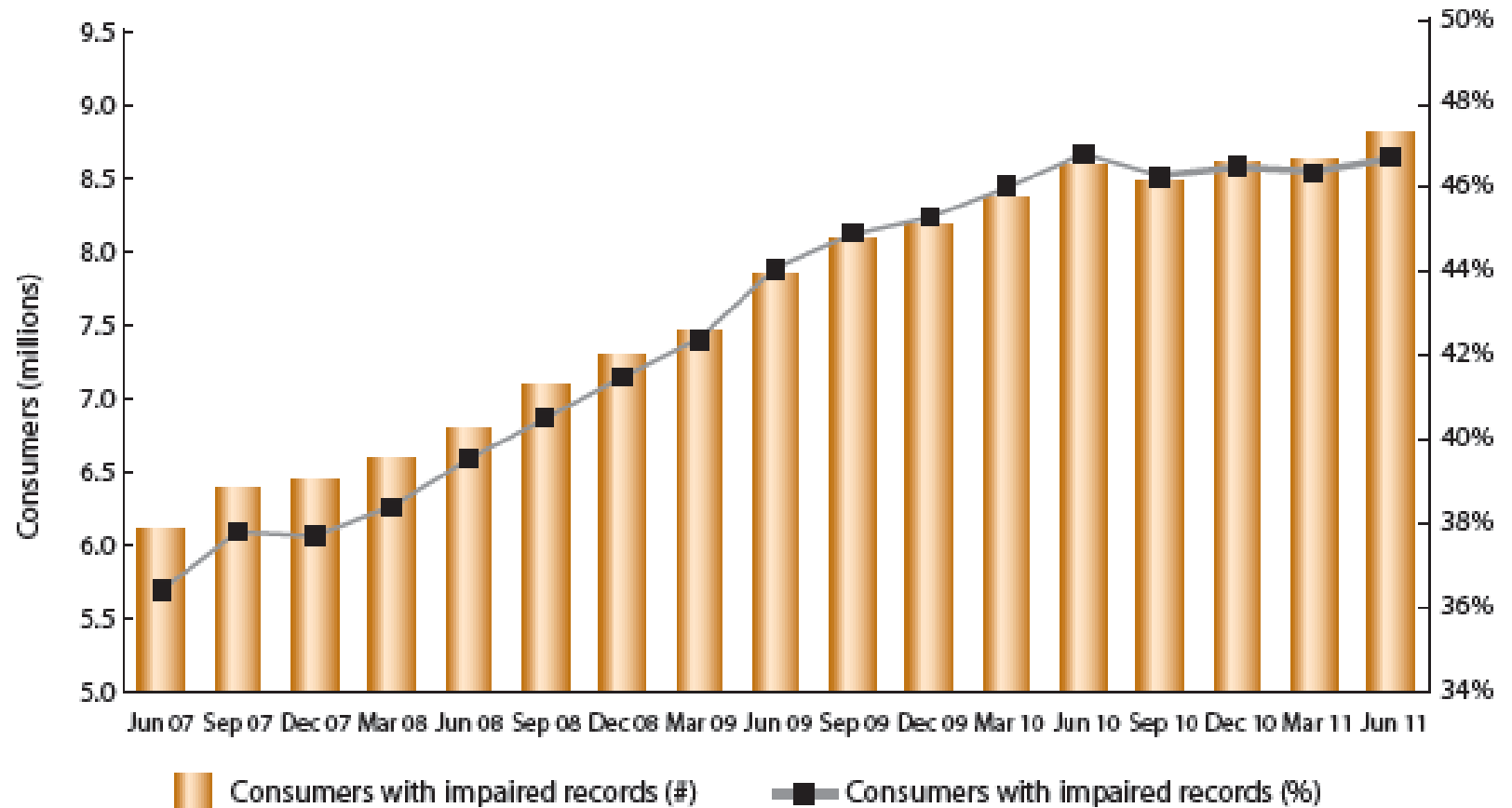
# Economic Growth



The consumer



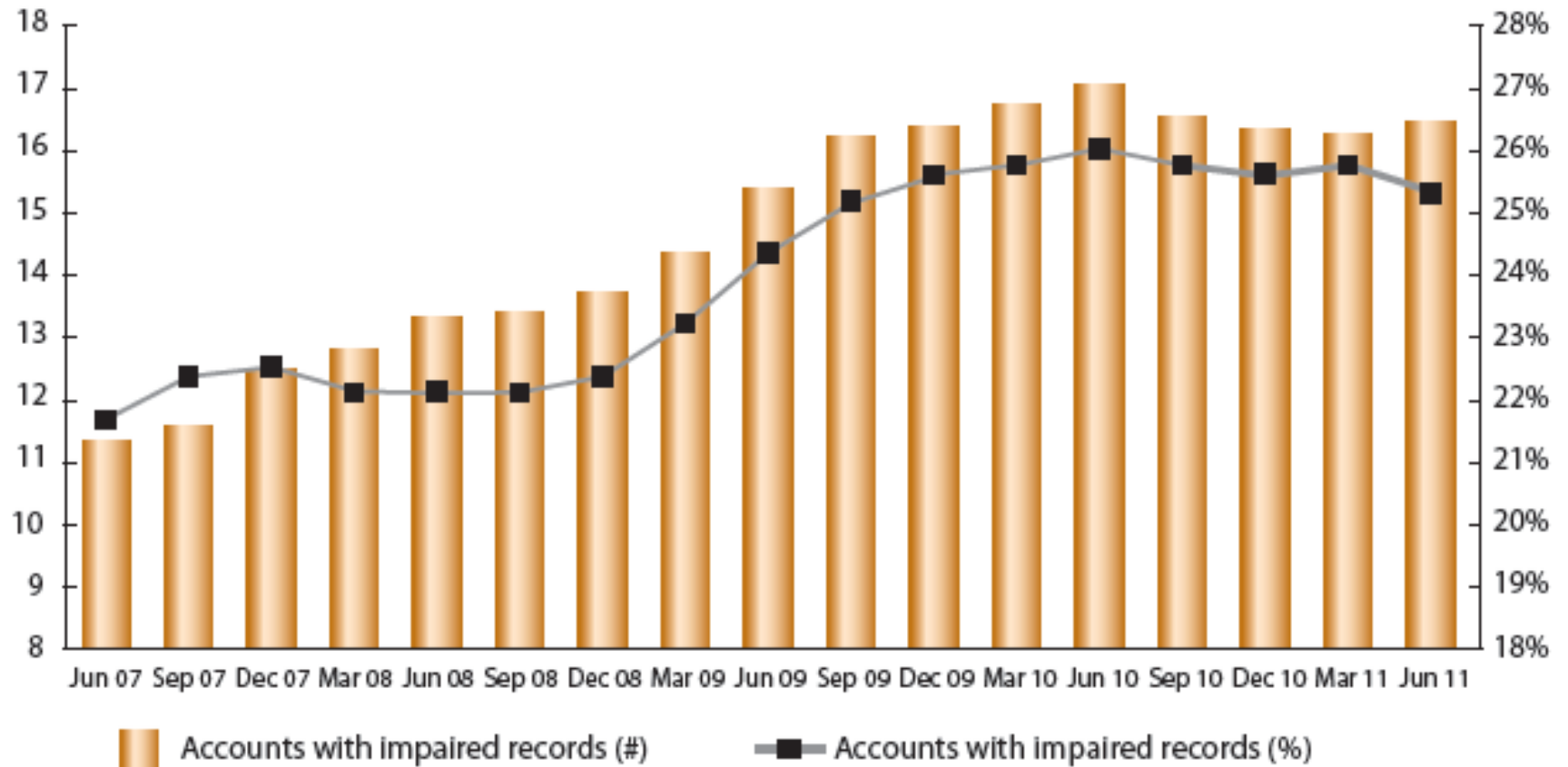
# Consumers with impaired credit records





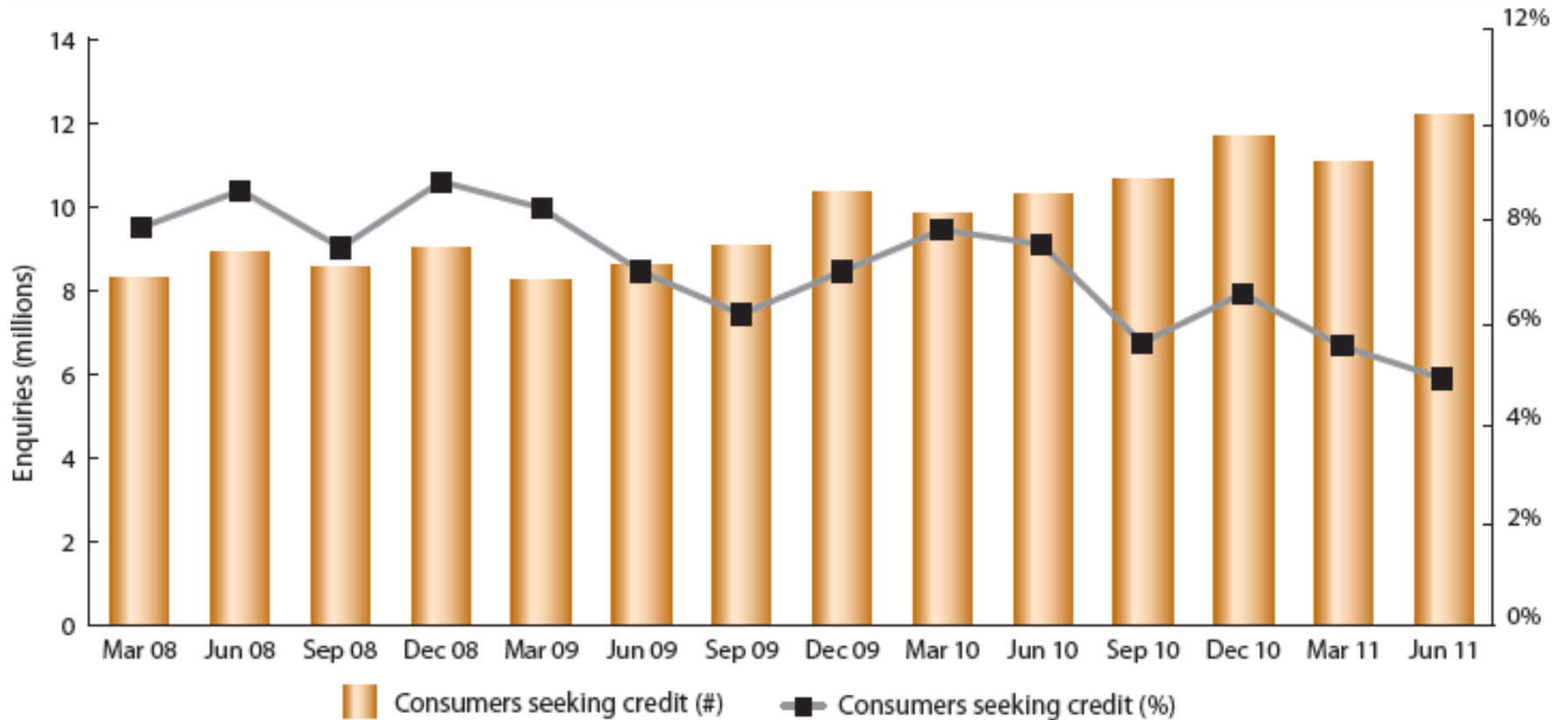


# Accounts with impaired credit record



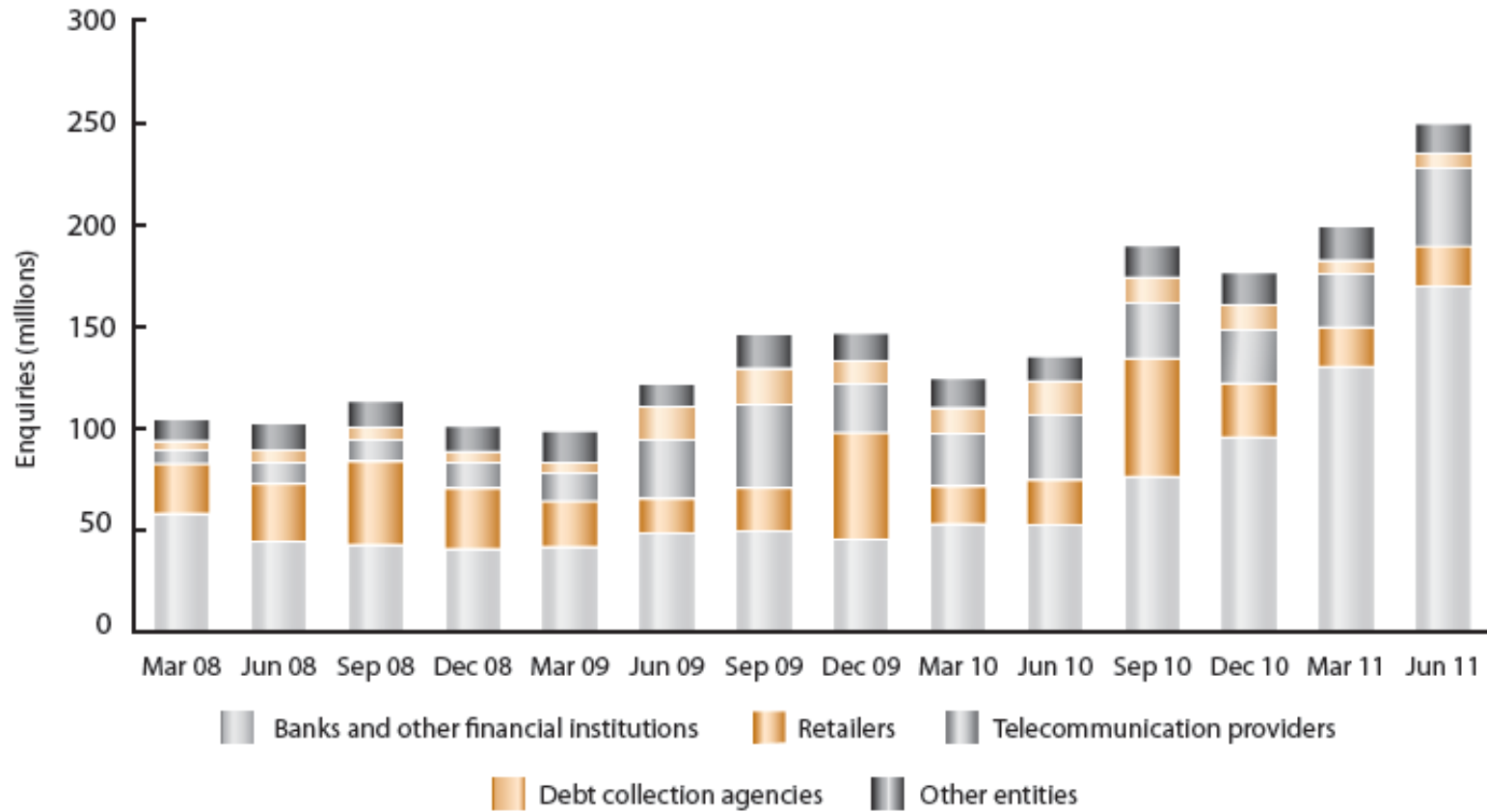


# Enquiries due to consumers seeking credit





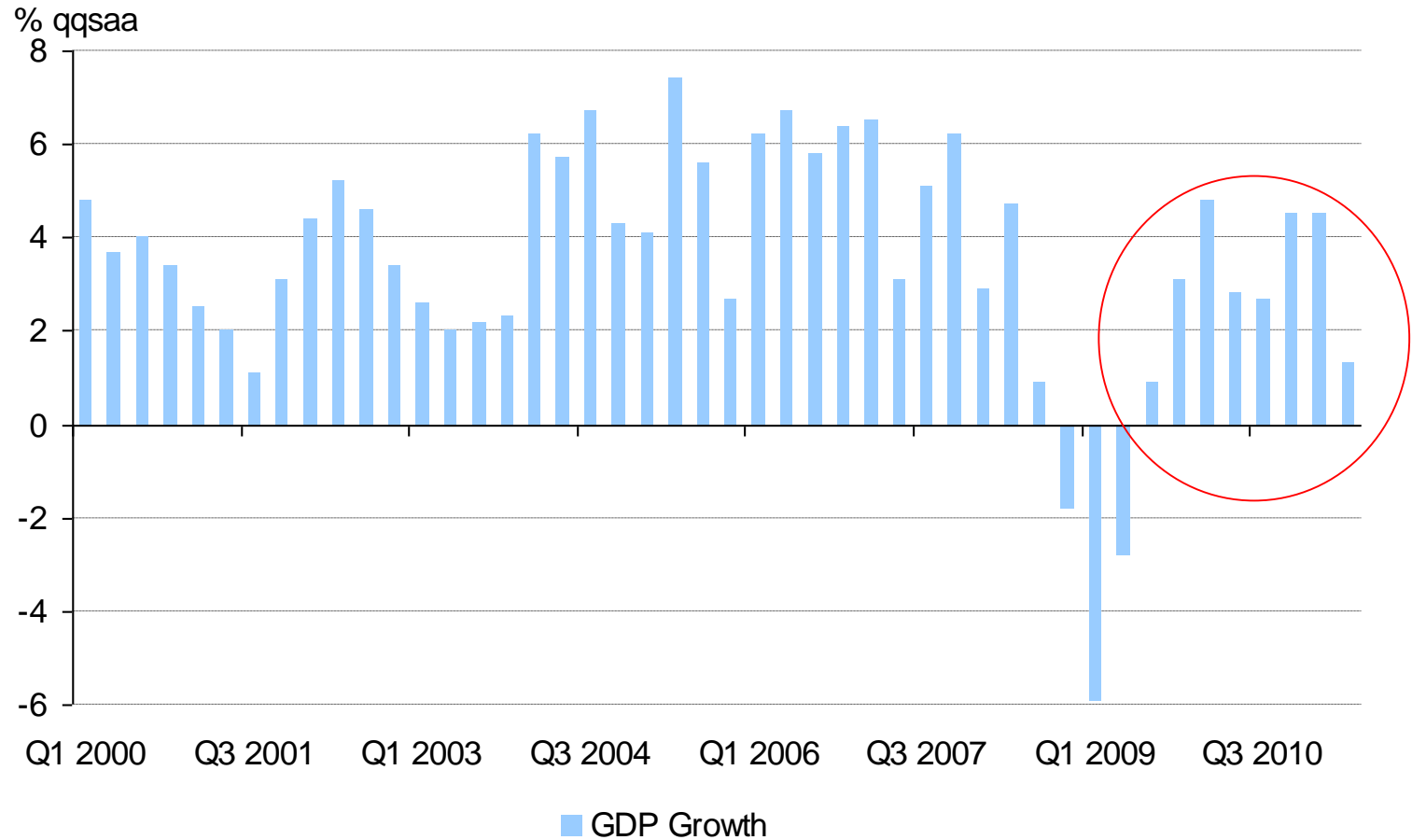
# All enquiries- distribution according to sector



1/1/1#

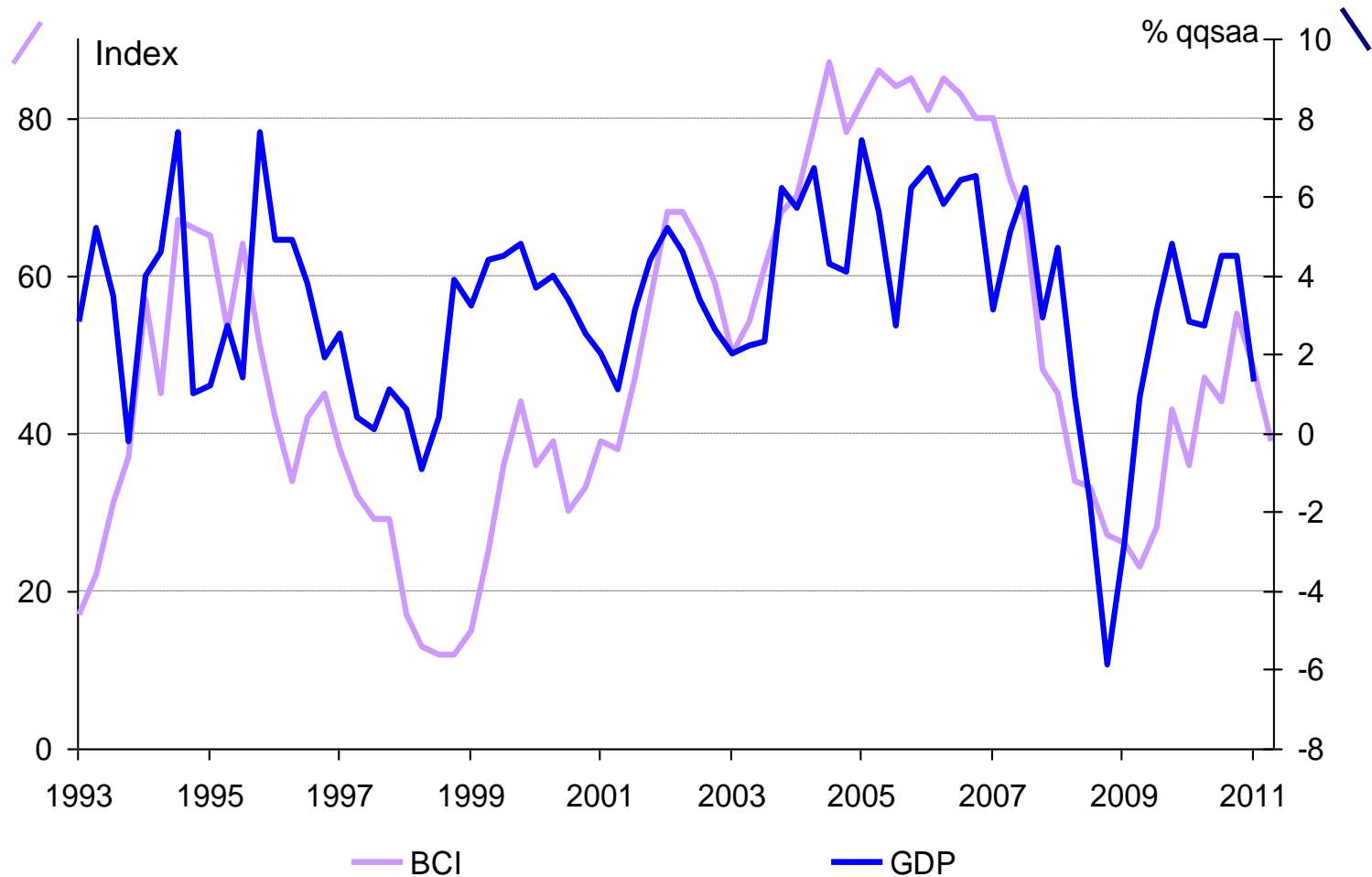


...GDP growth slowed to 1.3% in Q2.11...



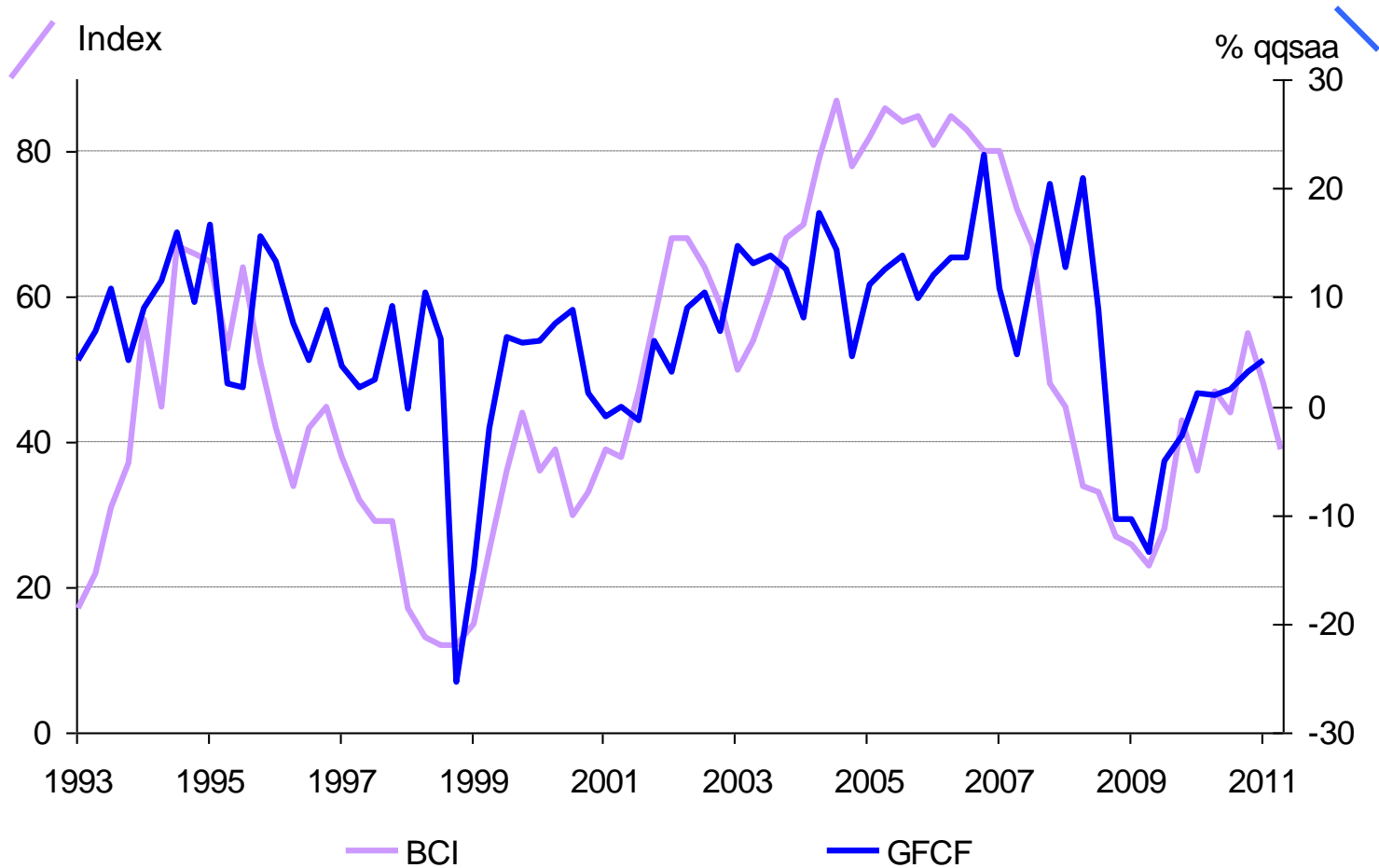


# ..Business Confidence....



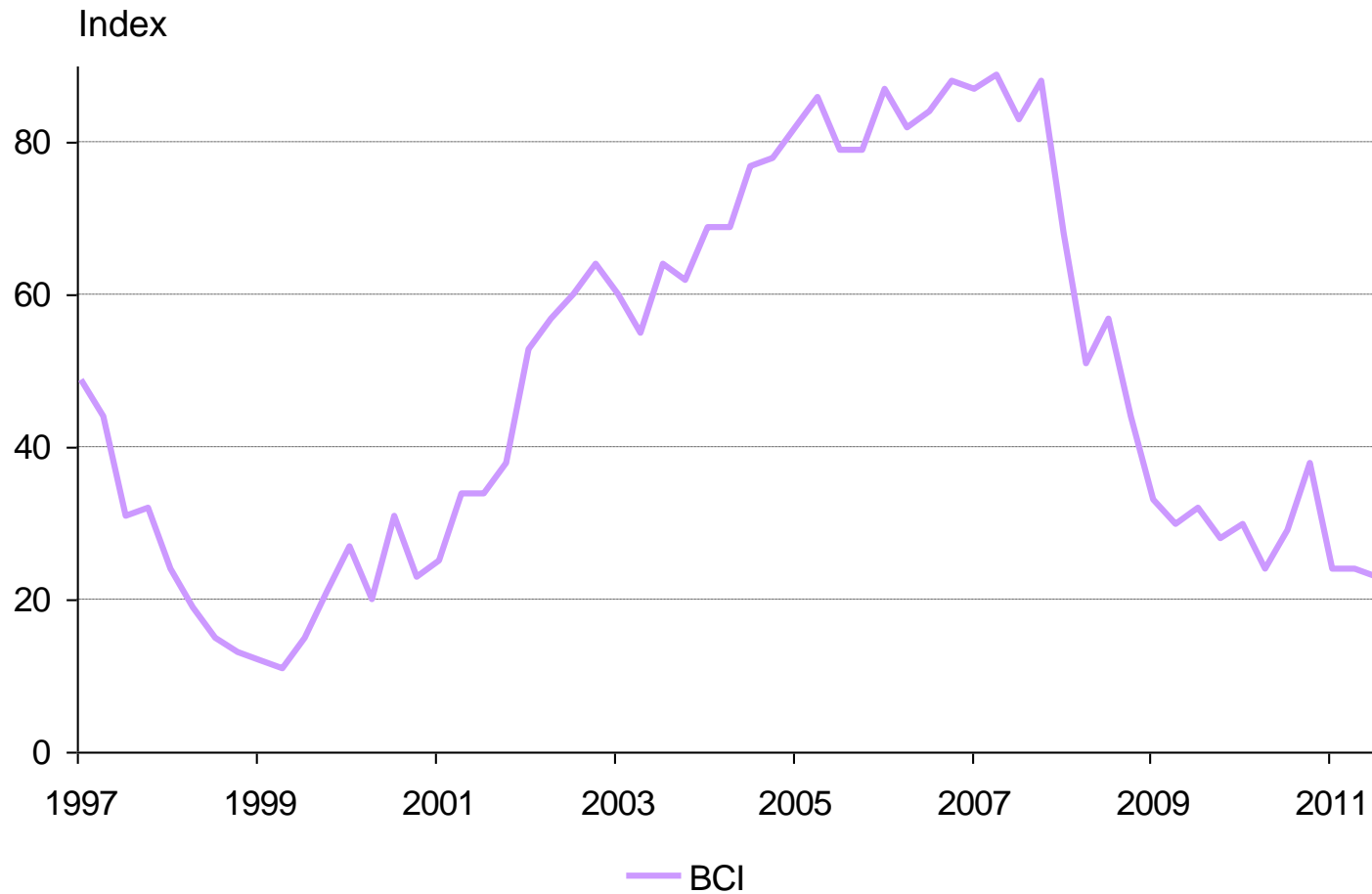


# Business confidence and investment





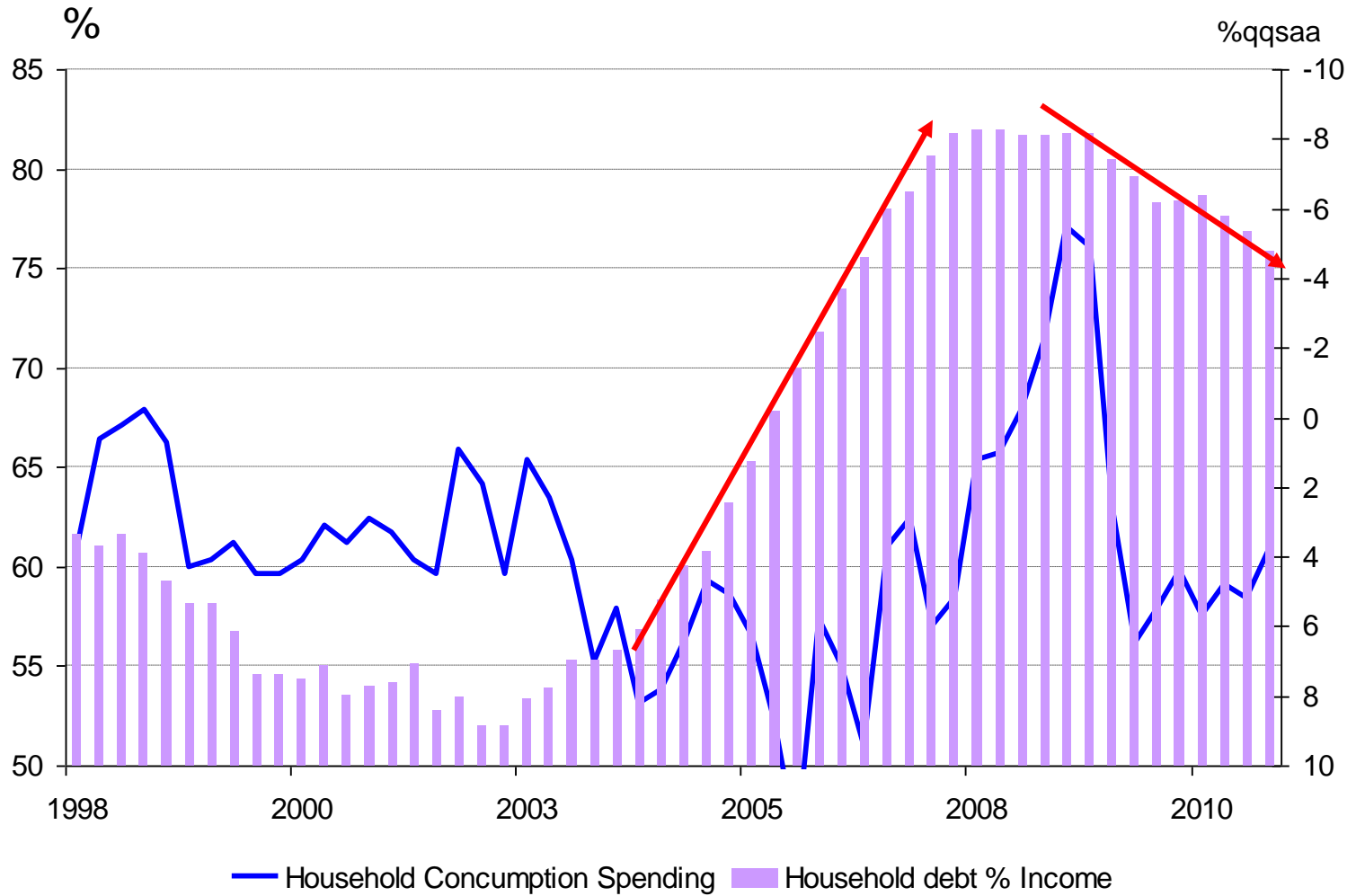
# BER Building sector confidence





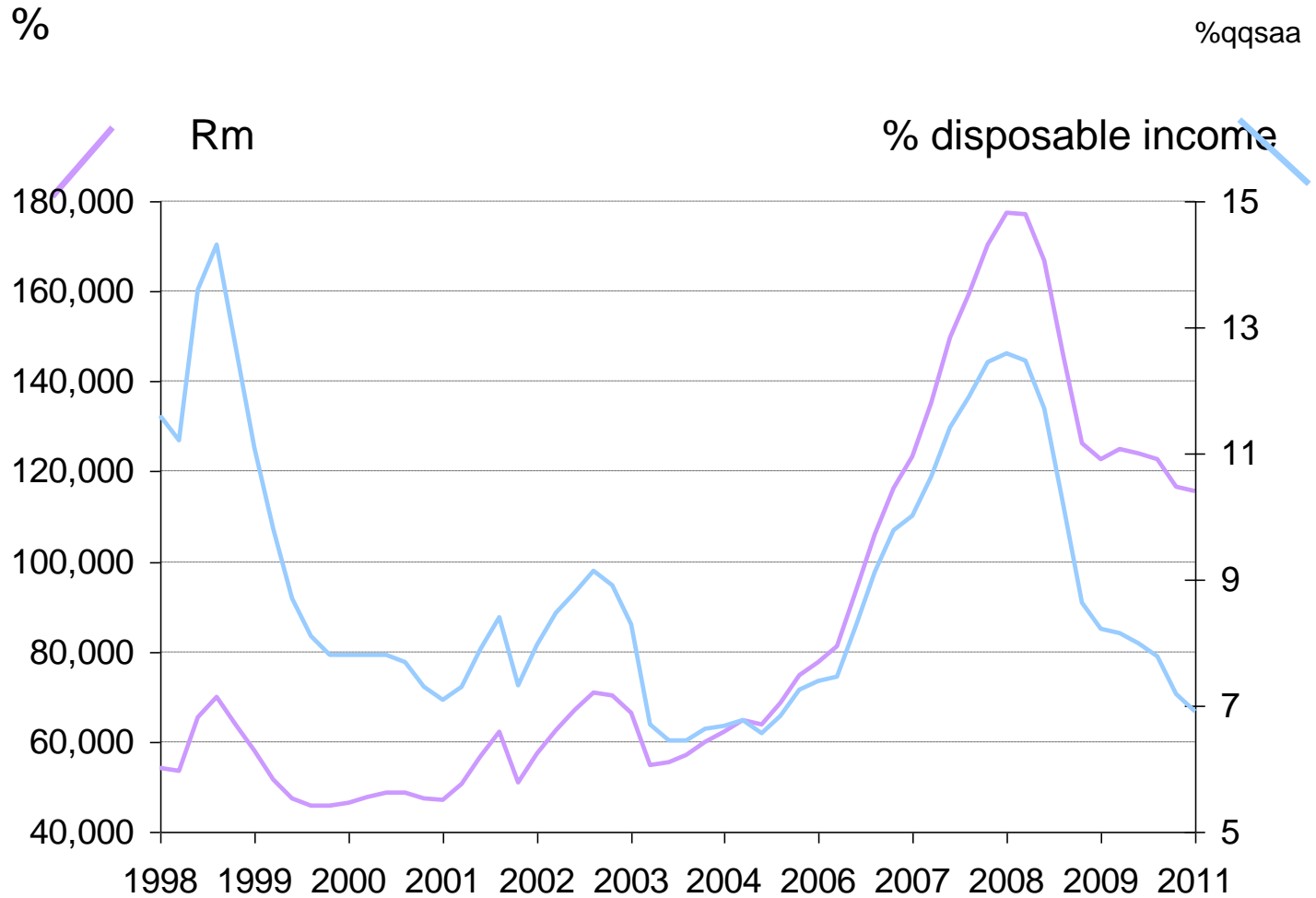


# Household debt to income and HCE





# Household debt to income and HCE



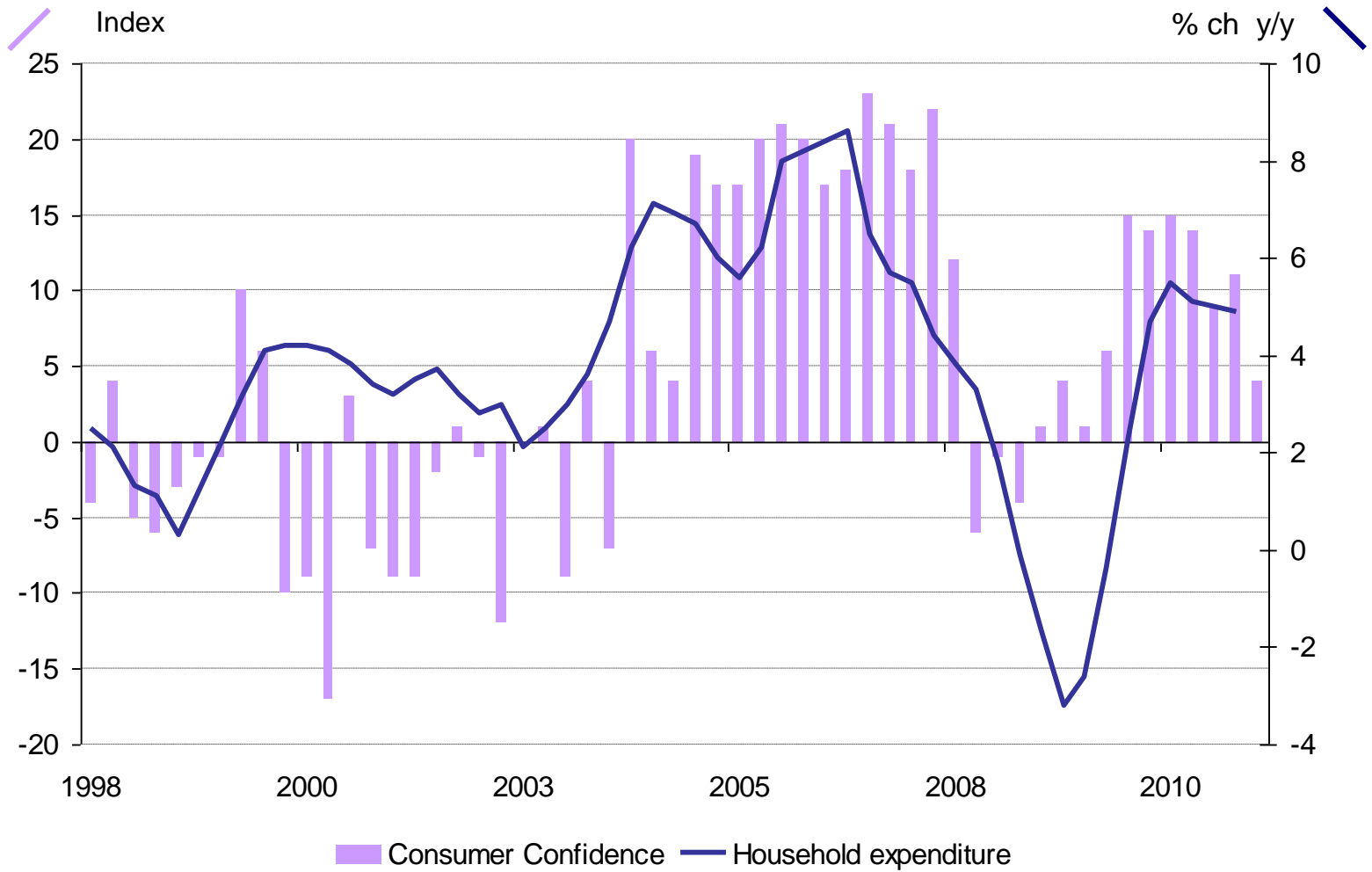
— Debt Servicing cost of Household

— Debt Servicing cost as % of Disposable Income

Source: SARB

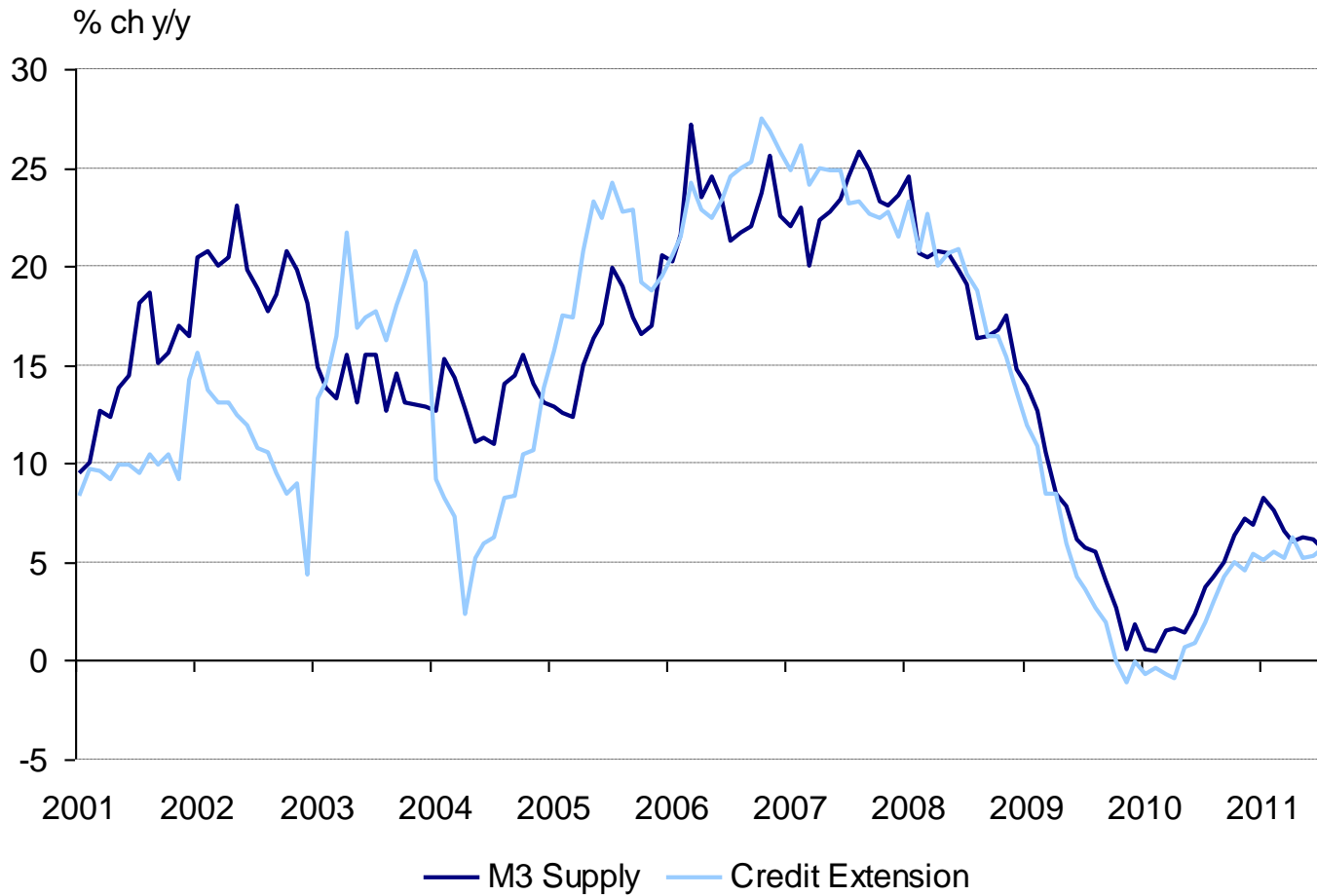


# Consumer Confidence



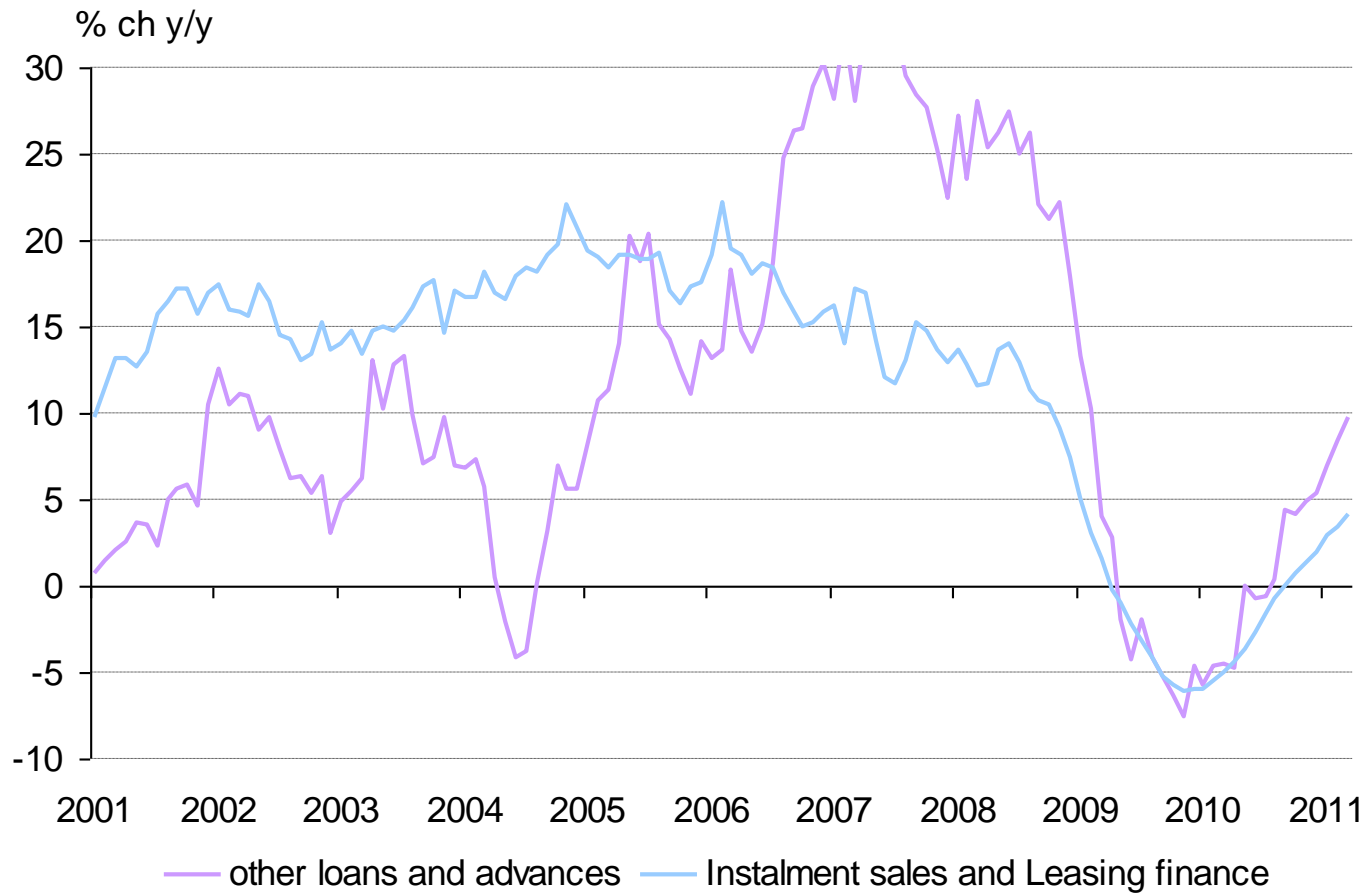


# Money Supply, Bank Credit





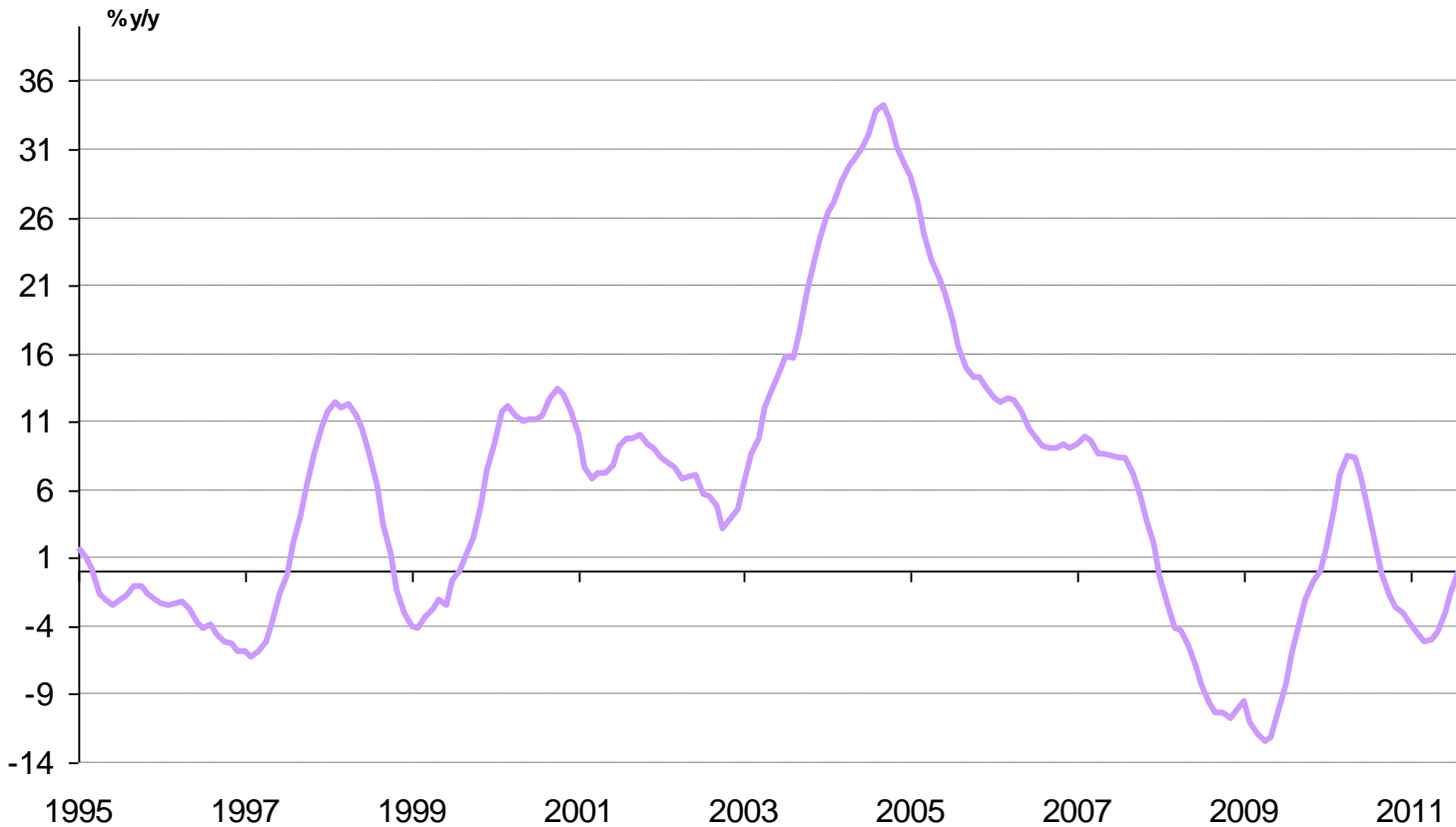
# Demand for credit





..house prices...

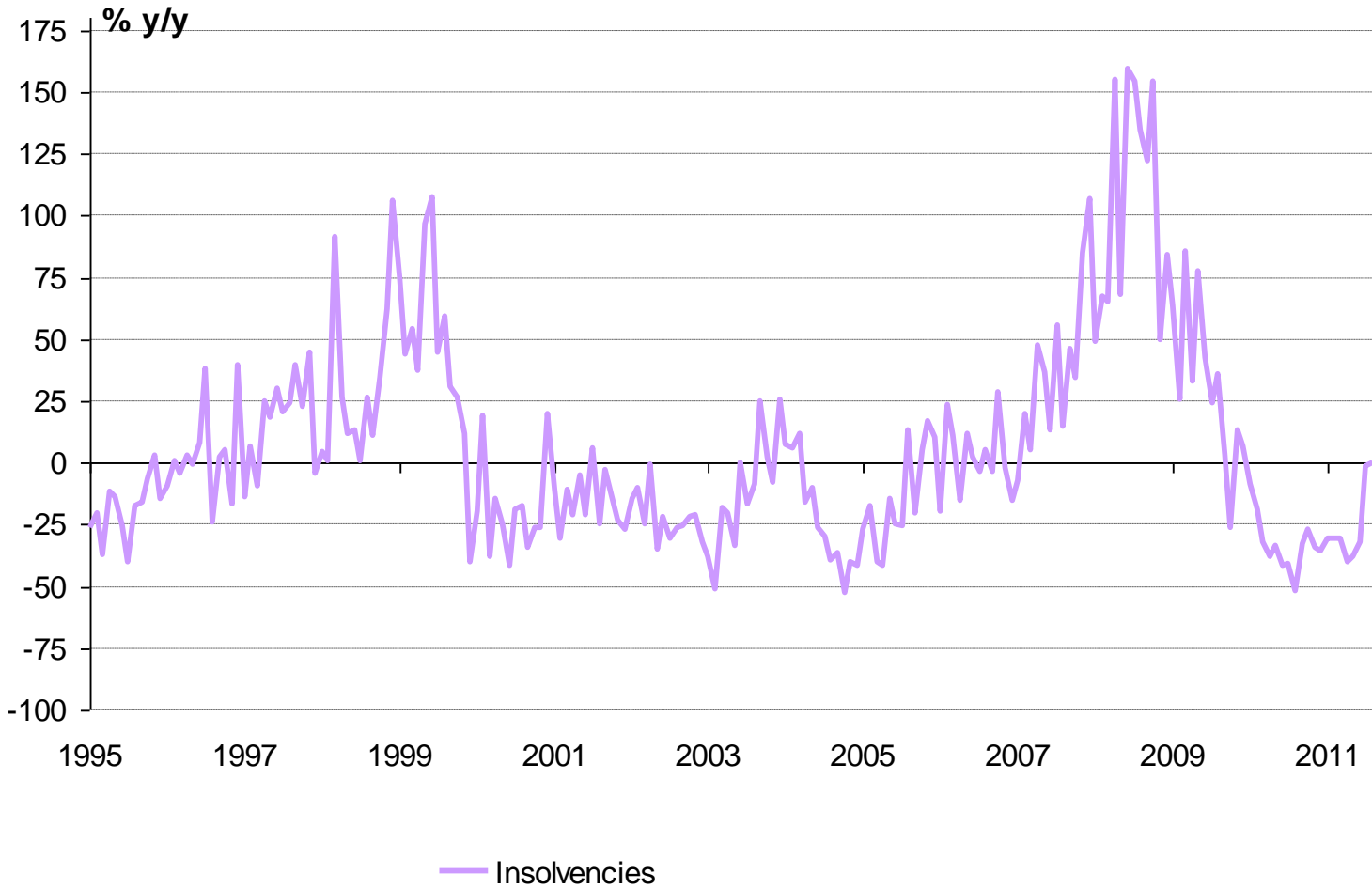
% ch y/y ABSA House Prices



— Real ABSA House Prices

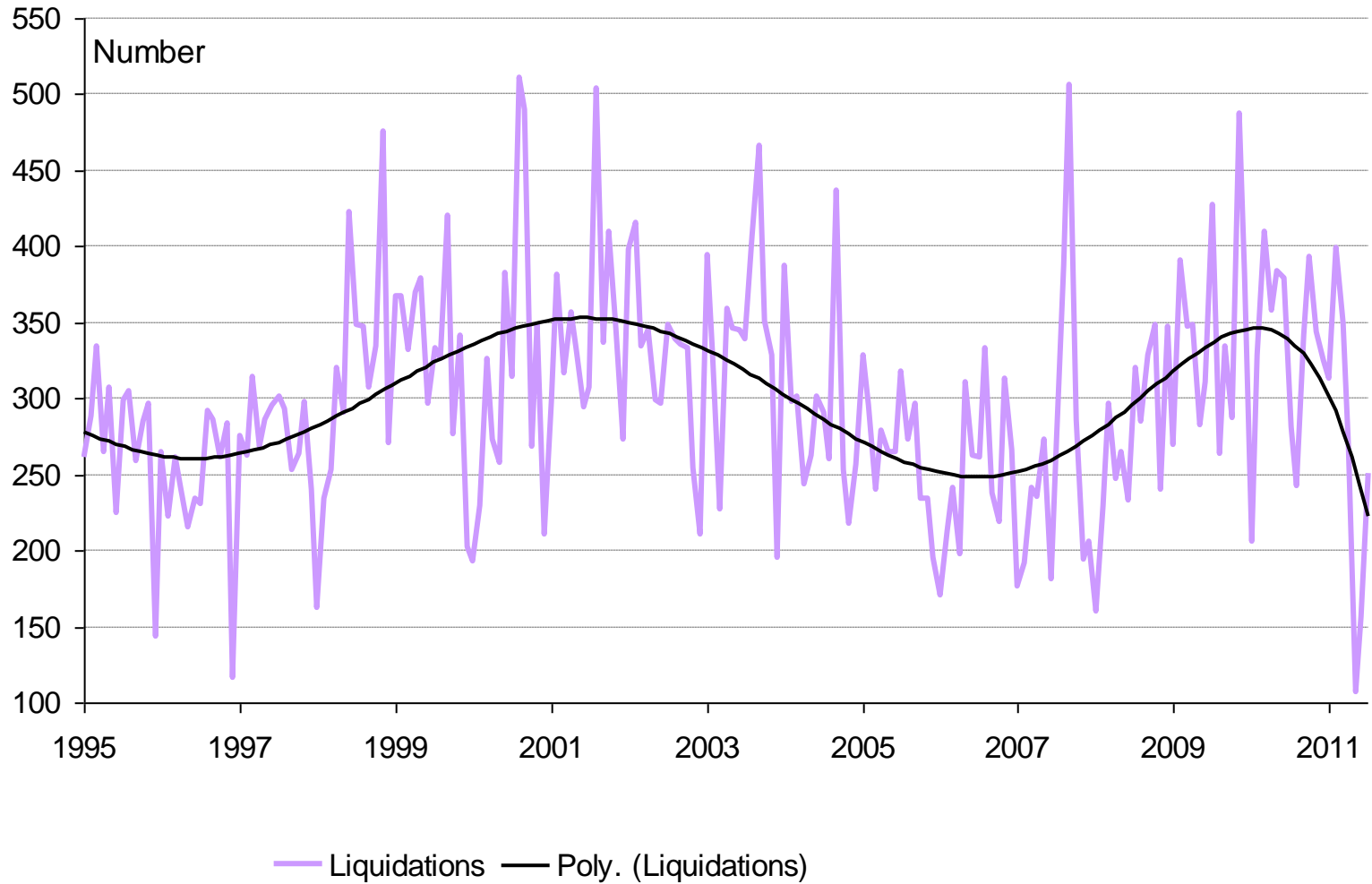


# Insolvencies





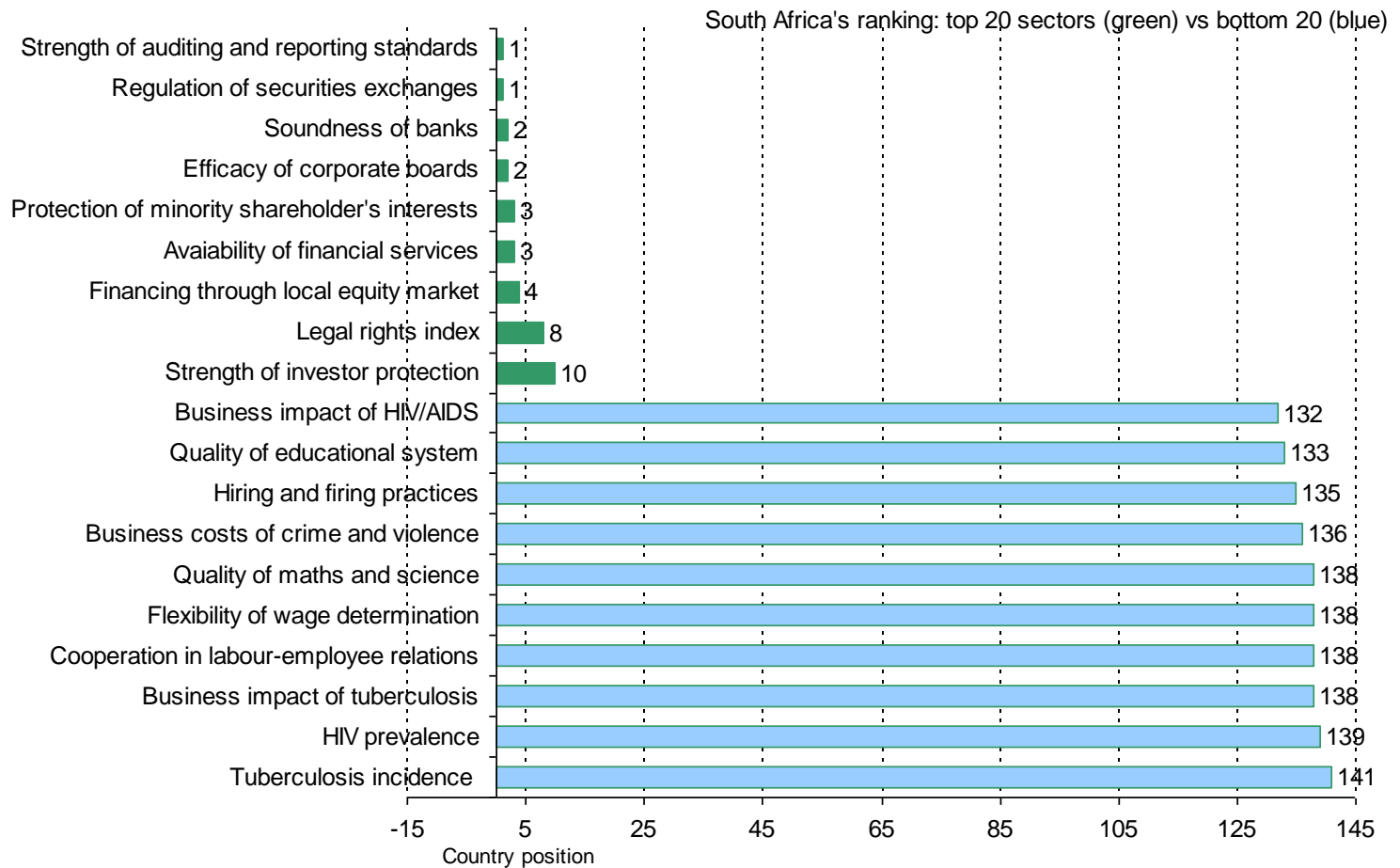
# Liquidations







The strength of SA's regulatory and corporate governance environment is being increasingly recognised but it remains dogged by legacy issues.





....so where to from here (2012)?

- **Economy**
  - Rand
  - Interest rates & inflation
  - Consumer spending
  - Relative to world
  - Government finances
  - **Politics & Stability- important dates**

1/1/1#