



## The SPM Eco Week: Week of 14 -20 January 2019

### Economic indicators due this week: (Consensus estimates from Bloomberg)

Date	ECO Release	Period	Consensus		Previous	
14 Jan Mon	US Balance Of Trade	Nov	-54.0B		-\$55.5B	
15 Jan Tue	SA Mining Output	Nov	0.8% y/y		0.5% y/y	
	SA Gold Production	Nov			-15.1%	
	SA Retail sales	Nov	2.5% y/y		2.2% y/y	
	US Core PPI	Dec	0.2% m/m	2.9% y/y	0.3% m/m	2.7% y/y
	US PPI	Dec	-0.1% m/m	2.5% y/y	0.1% m/m	2.5% y/y
17 Jan Thu	SA MPC Repo Rate Announcement		6.75%		6.75%	

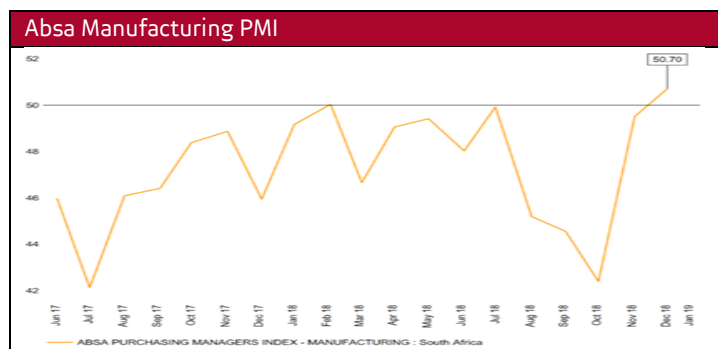
**Abcap forecasts:** SA Mining Output (-2, 8% y/y), SA Retail sales (1.1% y/y), MPC Repo Rate Announcement (6,75%)

### Last week

ECO Release	Period	Actual		Consensus		Previous	
China Foreign Exchange Reserves	Dec	\$3.1T		\$3.07T		\$3.1T	
SA Foreign Exchange reserves	Dec	\$51.6B				\$50.7B	
SA Total New Vehicle Sales	Dec	-1.9% y/y				-4.6% y/y	
US Consumer Credit Change	Nov	\$22.2B		\$17.5B		\$24.9B	
SA Absa Manufacturing PMI	Dec	50.7 Pts				49.5 Pts	
SA Manufacturing Production	Nov	1.6% y/y		2.5% m/m		2.8% y/y	
China Inflation rate	Dec	0.0% m/m	1.9% y/y	0.3% m/m	2.1% y/y	0.3% m/m	2.2% y/y
SACCI Business Confidence	Dec	95.2 Pts				96.1 Pts	
US Core Inflation Rate	Dec	0.2% m/m	2.2% y/y	0.2% y/y	2.2% y/y	0.2 m/m	2.2% y/y
US Inflation Rate	Dec	-0.1% m/m	1.9% y/y	-0.1% m/m	1.9% y/y	0.0% m/m	2.2% y/y

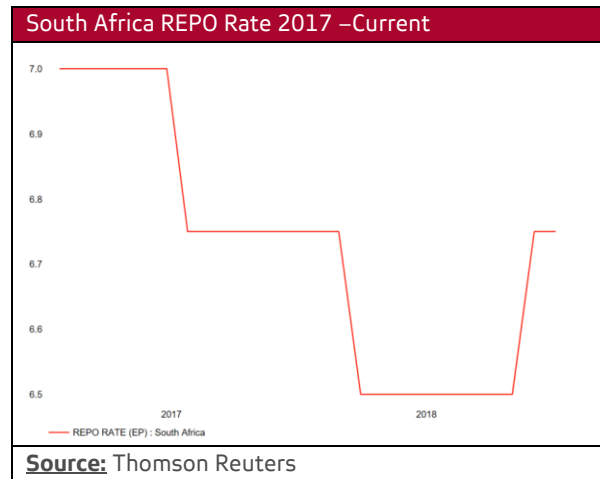
### Discussion point 1: Key Indicators of Q4 Growth Momentum.

The Absa Manufacturing PMI, as expected increased to just above recessionary territory from 49,5 index points to 50,7 points. The PMI has been in recessionary territory since May 2017. The Actual Manufacturing output figures did agree with the PMI showing further growth of 1,6% y/y following a higher than expected 2,8% y/y climb the month prior. Retail numbers for December due out this week are expected to be healthy supported by Black Friday sales. Absa Capital (AbCap) anticipating a 3,1% m/m growth. On the other hand, Mining is expected to have pulled back as a result of a strike at Sibanye Gold notably the country's biggest gold producer. The overall collection of these key economic indicators is expected to contribute positively to the country's fourth quarter growth number.



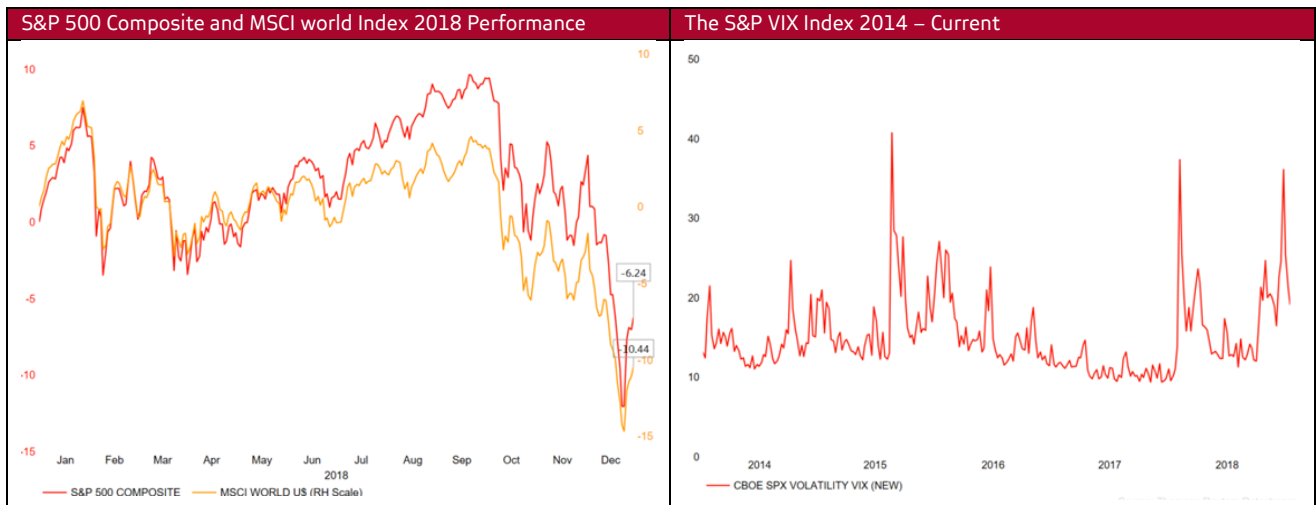
**Discussion point 2: No Change for Now.**

The Repo Rate is expected to remain unchanged at the next MPC meeting this week after a rate hike at their last meeting where half of the members voted for the rates to remain unchanged while the other half voted for a hike. Even though rates can be expected to remain flat for now, a rate hike is expected to take place within the first quarter of the year to contribute to an overall 75bp hike by the end of 2020, as implied in the last meeting. Currently inflation remains on the higher end of the country’s target of 3%- 6% at 5,2%, but the sharply lower Brent crude oil prices are expected to help ease inflationary pressure going forward.

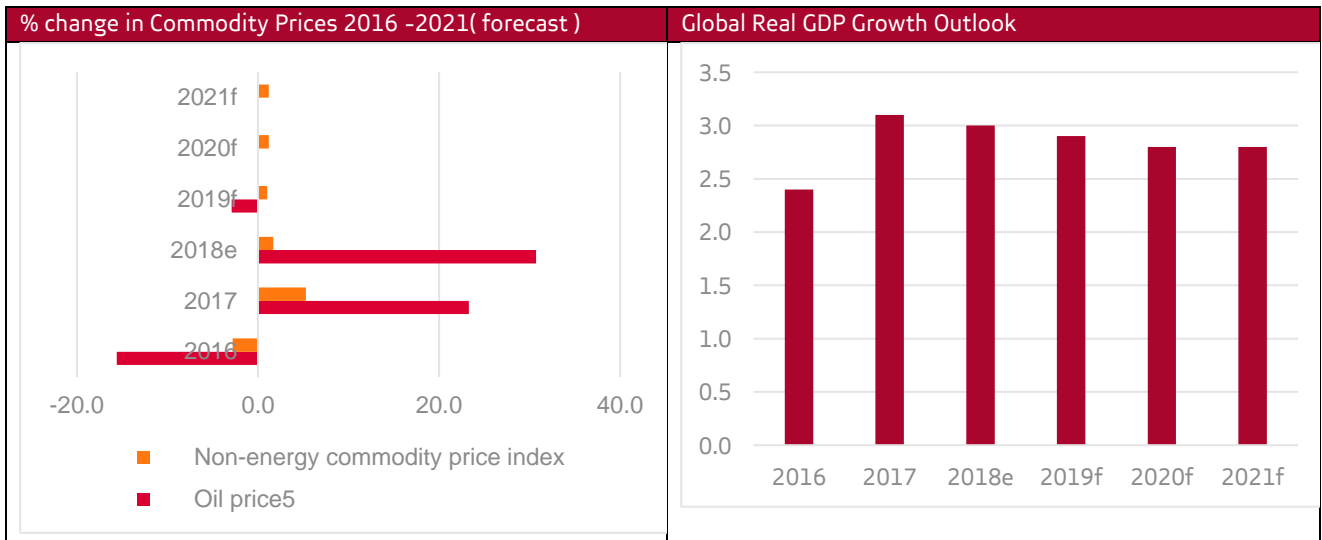


**Discussion point 3: US China trade talks – Flirting with a Global Recession.**

The ongoing trade disputed that started with the United States slapping tariffs on Chinese imports really caused a ripple of volatility globally in 2018 as it not only affected both these powerhouses economically, but also hit investors as escalating concerns of a potential all out trade war breaking out led to the spiking of the VIX Index which measures that expected volatility in the US Stock Market as represented in the graph below. Subsequently this led to risk-off trading behaviour that resulted in the major Indices closing the year off in the red. The Dow declined by 5.6%, the S&P 500 slid 6.2% and the NASDAQ fell 4%, marking 2018 the worst year for the stock market in 10 years.



Although there was no clear conclusion that was reached as reports from the meeting described the talks as vague, the Chinese minister of commerce notated that the meeting did provide a foundation for both countries to resolve some of the ongoing trade disputes going forward, meaning global concerns of an all-out trade war can be put on hold in the meantime, but any misstep between these two world powers could put further downward pressure on global growth expectations that have already taken a knock. Recently the World Bank projected global growth to slow from 3,0% in 2018 to 2,9% in 2019 as financial market stress on the back of trade concerns. South Africa is expected to grow by 1,3% in 2018 compared to the estimates of other emerging markets of 4,2%. Due to its correlation with world growth and increasing supplies, oil prices are also expected to slow sharply this year.



**Source:** The World Bank - Global Economic Prospects

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