

OMIGSA Comment – Rian Le Roux, Chief Economist: Economic Research

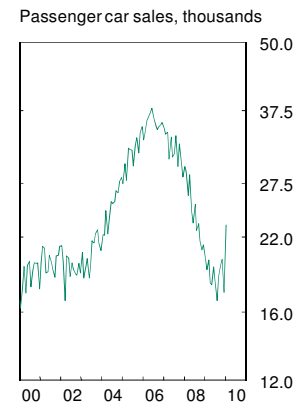
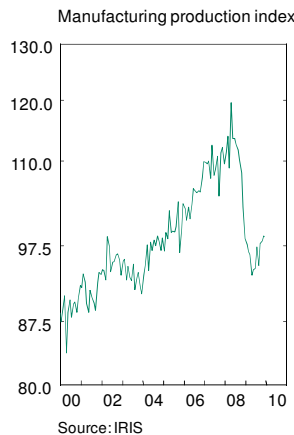
SA's recovery surprising on the upside



The local economy is not only recovering, but growth has in fact surprised strongly on the upside since the final quarter of last year. GDP growth came in at 3.2% annualised during the fourth quarter of 2009, some 0.5% better than consensus expectations.

Early indicators point to another strong performance during the first quarter of 2010, and we currently estimate the actual outcome at 4% - 4.5% on an annualised basis. Recent firmer real economy data has resulted in consensus GDP growth forecasts for 2010 being revised up from the 2.0%-2.5% range to around 3.0%. Our own view is more optimistic at 3.5% for calendar 2010.

Recovery signs mount



Our view, expressed since early 2010 that growth may accelerate quite strongly from the second quarter of 2010, appears to be playing out earlier than we thought. The Soccer World Cup will provide a welcome additional impetus to the economy. A very promising development over the past month is growing signs that consumer spending is reviving.

The recovery in the economy has already had a beneficial impact on government revenues, with VAT collections in particular surging. As a result, the Minister of Finance indicated only one month into the new fiscal year that the deficit may come in at 6.8% for the 2010/11 fiscal year, compared to the 7.3% predicted in the budget speech in February.

02-08 April 2010 in a nutshell

Global: Despite fears emanating from the Greece debt concern, major global indices, with the exception of Europe, ended on a favourable note this week. The S&P 500 in the US gained 1.75%, its European counterpart fell 0.19% and emerging market shares gained 4.68%.

South Africa: The local bourse has fed off positive sentiment from abroad as well as the World Bank's decision to grant Eskom a \$3.5bn loan. The JSE All Share Index was up 1.66%, with resources 4.75% higher and industrials gaining 1.82%.

Markets and Economics - Highlights

Global

- US stocks gained on Thursday after surprisingly strong March retail sales increased optimism that the economic recovery is on track. Investors snapped up retailers' shares after top U.S. chains reported a record year-over-year increase in same-store sales for March - reflecting favourably on Wall Street. Gains in retailers' stocks eclipsed worries about Greece's debt load as the country's borrowing costs rose to new highs even as the government struggled to reassure markets it can stay solvent.
- Spot gold hit a three-month peak in London early on Friday as lingering concerns over Greek debt spurred safe haven buying, sending holdings in the SPDR Gold Trust to record levels.
- Oil prices in Asia rebounded to near \$86 a barrel after two days of declines. Positive US economic

indicators - growing retail sales and consumer demand - as well as views that China may revalue its currency, bolstered expectations for sustained energy demand growth. Asian stock markets were mostly higher on Friday ahead of the release of the first quarter economic growth numbers next week.

South Africa

- The rand put in a strong performance, rallying directly after the World Bank's approval of a \$3.75 billion loan to Eskom, while a firmer euro also provided support. Overall it gained 2.93% against the dollar for the week and 2.62% against the euro.
- Maize prices advanced yesterday as the rand weakened against the dollar, making imports more expensive for local millers.
- Mining production has seen its second consecutive positive annual growth since December 2009. The index of total mining production was 5.8% higher in February 2010 compared with February 2009, Statistics SA said on Thursday. The production of platinum group metals (PGMs) was the main contributor (contributing 1.8 percentage points).
- South Africa's Reserve Bank said it won't reduce the fixed spread between its benchmark interest rate and the prime rate of commercial banks. The Reserve Bank and the Banking Association of South Africa released a joint report on Thursday stating there is no reason to change the current 350 basis-point band between the repo and prime rates. According to the report, it would be expedient for all banks to have a uniform prime rate so that clients can themselves compare prices using a single standard of comparison.
- South Africa's economic confidence was largely steady in March, with the economy expected to stay on a recovery course and a strong rand helping to keep inflation within its target, according to the Reuters Econometer.

Key Indicators:					
Market	Index	Movement for the period		Year to Date	
		%	Index Value @ 08.04.2010	% Performance Return	
United States	S & P 500 (US\$)	1.75%	1186.43	6.40%	
Europe	Euro Stoxx 50 (Euro)	-0.19%	2942.31	-0.81%	
Emerging Mkts	MSCI Emerg Mkts (US\$)	4.68%	1036.31	4.73%	
South Africa	FTSE/JSE All Share (ZAR)	1.66%	29030.38	4.93%	
Global	MSCI (US\$)	1.62%	1211.27	3.70%	
ZAR/Dollar	Rand/US \$ (ZAR)	-2.93%	7.25	-1.88%	
ZAR/Pound	Rand/£ (ZAR)	-0.15%	11.06	-6.72%	
ZAR/Euro	Rand/Euro (ZAR)	-2.62%	9.68	-7.73%	
JSE	Industrials	1.82%	26843.84	6.33%	
JSE	Financials	-0.48%	21038.36	8.86%	
JSE	Resources 20	4.75%	52869.34	3.49%	
JSE	Small Companies	4.03%	29880.62	7.15%	
JSE	Listed Property	3.33%	356.49	10.37%	
JSE	RAFI® ALSI	1.40%	6097.46	6.01%	
JSE	RAFI® 40	1.65%	5926.38	5.98%	
JSE	SWIX	1.39%	6060.84	5.68%	
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