

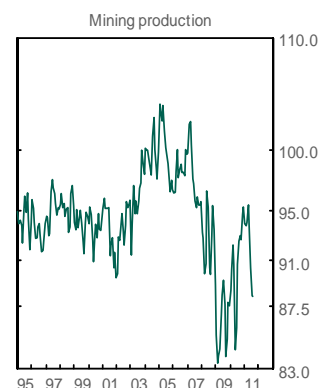
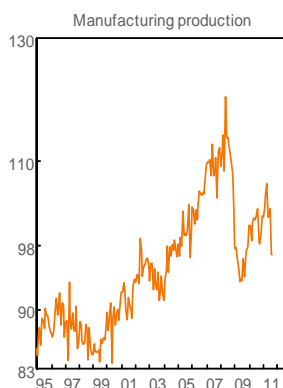
OMIGSA Comment – Johann Els: Senior Economist

Manufacturing and mining, among other factors, muting GDP growth



After the momentum loss in local growth during the second quarter, expectations were that growth would rebound during the third quarter. However, incoming data suggest that such a rebound is by no means going to be very strong.

Continued weakness in manufacturing and mining production, electricity generated, and construction will likely keep gross domestic product (GDP) growth fairly muted. Fortunately, there has been some rebound between the second and third quarters in vehicle and retail sales.



Source: OMIGSA (Iris)

Ongoing weakness in investment and exports (the outlook for the latter now looking even bleaker, given the global growth slowdown), combined with the downward revision of first quarter growth, will cause growth for the full year to come in around 3.3% - lower than our long-held 3.7% forecast. The global economic slowdown will probably limit local growth in 2012 to roughly the same rate as 2011.

With growth slowing, interest rate expectations have softened sharply, with many analysts now predicting that rates will not begin to rise before well into 2012.

7 – 13 October 2011 in a nutshell

Global: Broad global gains were fuelled by easing tensions over the Eurozone as its leaders prepare to hammer out a deal to solve their debt crisis. The S&P 500 rose 3.32% and its European counterpart was up 3.71%, while emerging markets grew a striking 7.69%.

South Africa: South African stocks largely mirrored global market trends, with the FTSE/JSE All Share Index improving 3.16%. All sectors showed growth this week. The industrials sector was the winner again, reflecting a 4.73% boost.

Markets and Economics – Highlights

Global

- U.S. President Barack Obama has urged European officials to act swiftly to avert a debt meltdown. U.S. bank exposure to the European debt crisis is estimated at \$640 billion, nearly 5% of total U.S. banking assets, according to recent research papers written for Congress. Sharpening economic frustration over the stagnant U.S. recovery and the jobless crisis has dominated the markets, against a backdrop of Obama's plunging approval ratings ahead of his 2012 re-election bid. Meanwhile, consumer confidence hovered near a record low as Americans turned more pessimistic about the state of the U.S. economy, reflected in Bloomberg's Consumer Sentiment Index, which was at -50.8 for the week.
- A second bailout for Greece, agreed in July, but frozen by international auditors, can now be re-negotiated at a European Union (EU) summit on October 23. This is because Slovakia has finally approved the Eurozone bailout fund, removing the final hurdle. Slovakia became the last country in the 17-nation Eurozone to agree to expand to €440bn (\$600bn) the European Financial Stability Facility (EFSF), the Eurozone's primary weapon against the debt debacle. The EU can now focus on plans to recapitalise banks amid the rising likelihood that those holding Greek debt will have to take bigger losses. Meanwhile, Standard & Poor's cut Spain's sovereign credit rating, renewing concerns about the extent of Europe's fiscal woes.
- The International Monetary Fund (IMF) last month cut its forecast for India's economic growth. The South Asian economy is expected to expand 7.8% in 2011. This is slower than the 8.2% projected in June. For 2012, it lowered its estimate to 7.5% from 7.8%. Meanwhile, India's rupee has weakened 8.9% against the US dollar this year, as investors sold stocks in emerging markets because of risks to global growth. This resulted in the rupee being the worst performing currency in Asia, which may boost import costs. India's current economic woes are largely as a result of their intensifying inflation which has exceeded 9% for a 10th consecutive month in September, maintaining pressure on the central bank to extend its record interest-rate increases.

South Africa

- South African (SA) manufacturing recovered in August, expanding 5.6% as companies boosted output following strikes in the chemical, petroleum and mining industries a month earlier. Manufacturing production increased after an improved contraction in July of 6.2%. However, Africa's biggest economy is still struggling to recover from the slowest growth in almost two years in the second quarter, after approximately 320,000 metalworkers went on a two-week work stoppage; and petroleum, chemical, engineering and packaging workers held an 18-day strike for higher wages.
- A total of 468 000 people are likely to lose their jobs as a result of the global economic decline. A report released by the International Labour Organisation (ILO) rates SA as having one of the worst employment rates in the world, alongside Spain and America. Ian Ollis, the Democratic Alliance's spokesman on Labour, attributes the poor ranking to the government's inability to adapt the economic policy to the current economic climate. Other analysts are pointing fingers at SA's labour laws which make it difficult to fire people, and employers prefer to opt for fixed-term contracts as opposed to providing full time jobs.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 13.10.2011	% Performance Return
United States	S & P 500 (US\$)	3.32%	1,204	-4.32%
Europe	Euro Stoxx 50 (Euro)	3.71%	2,333	-16.49%
Emerging Mkts	MSCI Emerg Mkts (US\$)	7.69%	930	-19.16%
South Africa	FTSE/JSE All Share (ZAR)	3.16%	30,834	-4.00%
Global	MSCI (US\$)	4.02%	1,169	-8.66%
ZAR/Dollar	Rand/US \$ (ZAR)	-0.63%	7.88	19.21%
ZAR/Pound	Rand/£ (ZAR)	1.40%	12.40	20.28%
ZAR/Euro	Rand/Euro (ZAR)	1.72%	10.82	22.43%
JSE	Industrials	4.73%	27,043	-11.07%
JSE	Financials	2.72%	21,296	-1.62%
JSE	Resources 20	2.44%	49,824	-11.51%
JSE	Small Companies	1.34%	31,349	-7.03%
JSE	Listed Property	1.72%	386	-0.39%
JSE	RAFI@ 40	3.34%	6,389	-4.00%
JSE	RAFI@ ALSI	3.28%	6,113	-5.47%
JSE	SWIX	3.17%	6,513	-3.42%

 Contact: njacobs@omigsa.com

OMIGSA: Tel. 021 509 6984

www.omigsa.com

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