

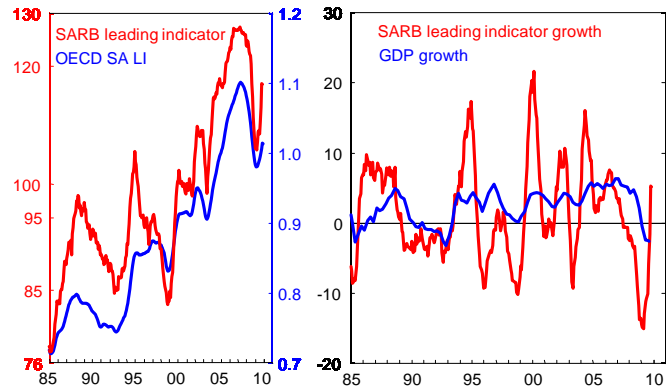
OMIGSA Comment – Rian Le Roux, Chief Economist: Economic Research

Economic recovery sluggish but solid growth expected mid-2010



Data released towards the end of 2009 suggest that the recovery in the economy that started in the third quarter continued in the fourth, but still at a very sluggish pace. While a moderate recovery in exports, a slower pace of inventory depletion and ongoing growth in public sector spending is lending welcome support to the production side of the economy, private demand remains worryingly weak. Retail and vehicle sales remain very depressed, with no sign of any convincing recovery. Aggressive job-shedding by companies have been the key driver of weakness in aggregate household consumption. Spending on capital equipment by private companies remains equally depressed as profits remain under severe downward pressure and demand prospects are not rosy.

SA data watch
Leading indicators up strongly



Source: OMIGSA

The weakness in private demand may continue in the opening months of 2010, but we expect a recovery to set in towards the middle of the year. The Soccer World Cup will provide a welcome additional impetus to the economy. As a result we think there is a reasonably good chance that the economy may be growing fairly solidly by the middle of 2010. In the meantime the rand has remained very firm as a steady stream of foreign capital continued to stream into local financial assets. The strong rand, weak domestic demand and easing food inflation have caused the overall pace of price increases of consumer goods to slow notably to 5.8% in November 2009. We expect inflation to remain just inside the target range for most of 2010.

08 - 14 Jan 2010 in a nutshell

Global: Global bourses were flat this week as investors sought direction ahead of the earnings reporting season in the US. The S&P 500 in the US was a tad higher (0.55%), while its European counterpart shed 0.57% and emerging market stocks were 0.10% in the red.

South Africa: The resources-heavy local bourse ended the week in the black, with the FTSE/JSE All Share Index (ALSI) gaining 0.44% on strong commodities prices and positive news from China. The winners were resources, collecting 0.96%.

Markets and Economics - Highlights

Global

- The US trade gap widened in November 2009 as American consumers and industrial businesses lifted demand for imported goods and services against the backdrop of an improving economy. The trade deficit grew by 9.6% to \$36.4bn, the commerce department said, exceeding economists' forecast of an increase to \$34.5bn.
- The European Central Bank (ECB) kept its benchmark interest rate at a record low as it unwinds some of its stimulus measures and monitors an economic recovery that may be losing steam. The ECB left the main rate at 1%.

- China has increased the amount banks must set aside as reserves, in the clearest sign yet that the central bank is trying to tighten monetary conditions amid mounting concerns of overheating and inflation as a result of the credit boom.

South Africa

- SA manufacturing contracted at a slower pace in November last year than the previous month, as a return to growth in the economy gathered momentum. Factory output dropped an annual 4.7% after declining a revised 9.6% in October, Stats SA said.
- Job creation in South Africa is likely to be an elusive goal this year, unless the government's efforts to protect existing jobs and provide incentives for new employment are doubled. A research report by the research arm of the International Labour Organisation warned that the job crisis is far from over and could even worsen unless adequate action is taken and support measures remain in place.
- SA's gold production bucked the trend and fell 5% last year as SA slipped into third spot in the world rankings of gold producers, behind China and Australia, according to research consultancy GFMS.

Key Indicators:				
Market	Index	Movement for the period		Year to Date
		%	Index Value @ 14.01.2010	% Performance Return
United States	S & P 500 (US\$)	0.55%	1,148	2.95%
Europe	Euro Stoxx 50 (Euro)	-0.57%	2,990	0.80%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-0.10%	1,013	2.38%
South Africa	FTSE/JSE All Share (ZAR)	0.44%	28,142	1.72%
Global	MSCI (US\$)	1.26%	1,208	3.42%
ZAR/Dollar	Rand/US \$ (ZAR)	-0.67%	7.36	-0.41%
ZAR/Pound	Rand/£ (ZAR)	1.95%	12.04	1.52%
ZAR/Euro	Rand/Euro (ZAR)	0.66%	10.69	1.91%
JSE	Industrials	-0.42%	25,049	-0.78%
JSE	Financials	-0.08%	19,494	0.87%
JSE	Resources 20	0.96%	53,458	4.65%
JSE	Small Companies	0.57%	28,214	1.18%
JSE	Listed Property	0.62%	325	0.62%
JSE	RAFI@ ALSI	0.72%	5,880	2.23%
JSE	RAFI@ 40	0.62%	5,728	2.43%
JSE	SWIX	0.18%	5,769	0.59%

 Editor: kbthelezi@omigsa.com

OMIGSA: Tel. 021 509 7622

www.omigsa.com

The information in this document is obtained from OMIGSA, Morningstar and Reuters as at 14 Jan 2010. While every effort has been made to ensure the accuracy of information contained on this document, the Old Mutual, the Old Mutual Investment Group, its associated companies, its Directors or employees provide no representation or warranty, express or implied, regarding the accuracy, completeness or correctness of information contained in this website.

Any opinion expressed is intended for general information, and is subject to change at any time without notice. Old Mutual Investment Group (South Africa) (Pty) Limited is a licensed financial services provider, FSP 604, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group is a wholly owned subsidiary of Old Mutual South Africa Limited. Reg No 1993/003023/07.