

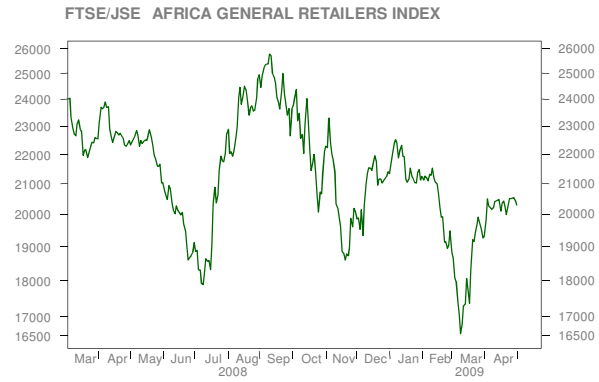
**OMIGSA Comment – Jeanine van Zyl: Sector Head: Industrials**

**Despite sharp fall in retail sales ...the consumer will slowly edge out of recession**



Retail sales fell 6.7% in April compared with the same month last year, the biggest fall since records began in 2003. While such a drastic fall was unexpected, it should also be taken with some measure of caution – as April is an unusual month in that this year it included the Easter holiday while in the previous year, Easter was in March.

The Easter holiday is both good and bad for retailers, with sales of building supply products generally slacking off over Easter, while products like food and beverages experience a surge in sales. In short, it makes the months of March and April incredibly difficult to predict or compare. In addition, it is important to note that the fall in various categories differed significantly, with clothing and footwear sales only 3.6% down on the previous year, while hardware goods were down 28.5%.



Source: I-Net

We expect the consumer to be edging slowly out of recession as the year eases on with significantly lower interest rates than at the beginning of the cycle. Inflation, while presently holding its ground quite sturdily, is expected to drop quite sharply into the second half of the year – giving the consumer more disposable income. However, large scale retrenchments looming on the horizon could possibly derail this process.

**12 - 18 June 2009 in a nutshell**

**Global:** Major global bourses were deep in the red this week on mixed economic data from the US and worries that the recovery of the global economy might take longer than anticipated. The S&P 500 in the US plunged 3.49% while the European market stocks slid 4.29% and emerging market shares plummeted 5.94%.

**South Africa:** Lower commodity prices, a stronger rand and profit-taking heavily battered the local market – the FTSE/JSE All Share Index shed 3.91% with the biggest losers, resources, slipping 6.49%.

**Markets and Economics - Highlights**

**Global**

- President Obama’s administration plans to restrict the Federal Reserve emergency lending powers while endowing it with new authority for systemic risk, ushers in what may become the Fed’s biggest overhaul in decades. Prices paid to producers rose less than forecasted last month as food expenses dropped, leading to the biggest 12-month slump in wholesale costs in 50 years, said a US government source.
- Unemployment in the UK rose to 7.2% in the three months ending April 2009, said the Office for National Statistics, as the recession pushed the number of people out of work to a 12-year high.

- Emerging market stocks fell to their lowest levels in three weeks on lower oil and metals prices and fears that the global economic recovery may falter. At summits hosted by Russia, leaders of the emerging world powers discussed reducing their reliance on the US, as well as boosting security and trade.

### South Africa

- Figures released by the Reserve Bank showed SA's deficit on the current account widened to 7% of gross domestic product (GDP) in the first quarter of 2009 (from 5.8% in the previous quarter) . This was above consensus forecasts of a 6% deficit. In value terms, the deficit soared from R137.3bn to R163.7bn.
- Retail sales fell 6.7% in April compared with the same month last year, the biggest fall since records began in 2003 – backing the case for the Reserve Bank to cut interest rates again at its policy meeting next week.
- Exporters remained under pressure in the second quarter, as weak global demand continued to take its toll, driving manufacturing business conditions to its lowest level in 11 years. But there are indications of a possible uptick in the medium term, a survey by the independent Bureau of Economic Research (BER) showed.
- Motor trade sales for the three months ending April 2009 decreased by 14.9%, compared with a growth of 8.7% for the three months ending April 2008 , Stats SA said.

#### Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 18.06.2009	% Performance Return
United States	S & P 500 (US\$)	-3.49%	912	1.00%
Europe	Euro Stoxx 50 (Euro)	-4.28%	2,414	-1.51%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-5.94%	744	31.22%
South Africa	FTSE/JSE All Share (ZAR)	-3.91%	22,156	3.01%
Global	MSCI (US\$)	-3.91%	958	4.13%
ZAR/Dollar	Rand/US \$ (ZAR)	2.90%	8.16	-14.38%
ZAR/Pound	Rand/£ (ZAR)	1.37%	13.31	-2.99%
ZAR/Euro	Rand/Euro (ZAR)	1.70%	11.35	-13.75%
JSE	Industrials	-1.50%	20,671	-3.84%
JSE	Financials	-0.76%	15,691	-0.56%
JSE	Resources 20	-6.49%	40,661	5.59%
JSE	Small Companies	-2.35%	23,436	3.19%
JSE	Listed Property	-0.34%	291	-6.13%
JSE	RAFI® ALSI	-4.47%	4,487	4.40%
JSE	RAFI® 40	-4.81%	4,338	1.78%
JSE	SWIX	-2.99%	4,671	2.66%

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