



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

## Retail sales ease downward trend .....but consumer spending still under pressure

Real retail sales, as disclosed by Stats SA, dropped by only 3.9% in the month of July. Notwithstanding the downward trading in retail figures, this is an improvement on the previous month's trading of 6.9%. It is, however, imprudent to assume that this marks the start of a turnaround based on one month's data.

Nevertheless, considering that rates started coming down at a very rapid rate, seven months prior to the date of this data (and nine months from now given the delay in the release of data from Stats SA), we would expect some reversal of the deteriorating sales in the short to medium term.

We don't expect this recovery to be across the consumer income spectrum, as the benefit of interest rate cuts primarily affects the mortgaged consumer in the upper and upper-middle income market segments. At the lower-income end of the consumer spectrum, there are retrenchments and downtime to contend with, which will further dampen spending for a while still.

Consumer spending generally pre-empts a turnaround in the economy as a whole, so we expect the rest of the economy to start showing signs of recovery at the very end of 2009, or the start of 2010.

**FTSE/JSE Africa General Retailers Index**



### 18 - 24 Sept 2009 in a nutshell

**Global:** Major global bourses retreated on the news that major central banks would scale down dollar liquidity, and on weak housing data from the US. The S&P 500 in the US slid 1.31%, while European market shares gave up 1.97%, and emerging market stocks dropped 1.30%.

**South Africa:** The local market mainly tracked its overseas counterparts with the FTSE/All Share Index (ALSI) shedding 2.15% for the week which ended on Wednesday 23 September 2009 (due to the Heritage Day public holiday on Thursday). The winner was Listed Property which was marginally higher at 0.32%.

### Markets and Economics - Highlights

#### Global

- The sales of previously-owned U.S. homes unexpectedly fell in August. The National Association of Realtors said sales fell 2.7 % to an annual rate of 5.10 million units, from 5.24 million units in July. That is compared to market expectations for a 5.35 million unit pace, and was a minor setback for the housing market's recovery from a three-year slump.
- The euro zone economy is stabilising but questions remain as to the sustainability of the recovery, European Central Bank (ECB) governing member, Ivan Sramko said. He also warned there was still a risk that the recovery would be "W-shaped".
- The Asian Development Bank (ADB) raised its economic growth forecast for the region on strengthening expansions in China, India and Indonesia, and said it was too early for governments to withdraw stimulus policies. Asia, excluding Japan, would grow 3.9% this year, faster than the March estimate of 3.4%, the institution said in a report.

## South Africa

- Prices at the country's factories, farms and other producers fell 4% last month compared with August last year – the fourth fall in a row. Stats SA said that on a monthly basis, the Producer Price Index (PPI) fell to 0.3% compared with 2.9% in July, indicating a slowing in the pace of the fall in prices.
- The South African Reserve Bank (SARB) kept interest rates steady at 7.0% and, by extension, the commercial banks' prime rate at 10.5%, as markets had expected, saying that the risks to SA's inflation outlook were "evenly balanced". The Bank also concluded that the economy would be slow to emerge from its first recession since 1992. Outgoing SARB governor, Tito Mboweni, warned that a "significant improvement" was not likely until early next year.
- SA's budget deficit is up to 8% of gross domestic product (GDP) this year, twice the initial official estimate. Revenue collection will fall short by about R70bn, according to Deputy President Kgalema Motlanthe.
- The economy lost almost 200 000 formal sector jobs as the recession took hold over the past year. The latest figures from Stat SA show that job shedding slowed in the second quarter, with 67 000 jobs lost compared with 186 000 in the first quarter.

*(The local market was closed on Thursday 24 September 2009 due to a public holiday, and the index values are as at the Wednesday 23, market close.)*

Key Indicators:				
Market	Index	Movement for the period		Year to Date
		%	Index Value @ 24.09.2009	% Performance Return
United States	S & P 500 (US\$)	-1.31%	1,051	16.39%
Europe	Euro Stoxx 50 (Euro)	-1.97%	-1.97	15.79%
Emerging Mkts	MSCI Emerg Mkts (US\$)	-1.30%	908	60.14%
South Africa	FTSE/JSE All Share (ZAR)	-2.15%	25,363	17.92%
Global	MSCI (US\$)	-1.66%	1,123	22.07%
ZAR/Dollar	Rand/US \$ (ZAR)	1.08%	7.46	-21.72%
ZAR/Pound	Rand/£ (ZAR)	-1.32%	11.96	-12.83%
ZAR/Euro	Rand/Euro (ZAR)	0.00%	10.88	-17.33%
JSE	Industrials	-0.80%	25,611	19.14%
JSE	Financials	-1.31%	18,371	16.43%
JSE	Resources 20	-3.62%	45,501	18.15%
JSE	Small Companies	-0.30%	26,318	15.88%
JSE	Listed Property	0.32%	315	1.61%
JSE	RAFI® ALSI	-1.46%	5,272	22.66%
JSE	RAFI® 40	-1.46%	5,079	19.17%
JSE	SWIX	-1.59%	5,369	18.00%

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