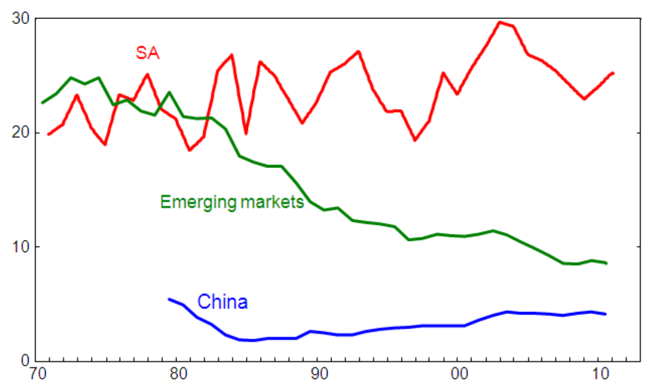
OMIGSA COMMENT – JOHANN ELS, SENIOR ECONOMIST
New job creation…Getting even slower

The latest jobs data released by Stats SA on Tuesday pointed to the disappointingly slow employment recovery underway in SA, with 14,000 jobs actually being *lost* during the first quarter of 2011 despite higher economic growth.

This pushed the official unemployment rate up to 25%, versus 24% in the fourth quarter of 2010. (However, there is a shortcoming with the data, as it cannot be seasonally adjusted and there are always job losses in the first quarter of the year).

SA's unemployment rate substantially higher than our competitors
Unemployment rates (%)



Source: OMIGSA

During the 2008-2009 financial crisis, South Africa lost some 426,000 jobs, and only 170,000 new jobs have been gained subsequently. This is a very slow jobs recovery by historical measures, with employment in the manufacturing and mining sectors remaining in the doldrums. The financial and trade sectors, accounting for 22% and 20% of total employment, respectively, have accounted for the vast majority of private sector job creation in the past year.

On a global scale, South Africa has one of the biggest persistent unemployment problems around. The graph shows that our competitors in emerging markets have much lower jobless rates, much of which is due to their higher economic growth rates. While our BRIC partners have averaged 6-7% growth in the past 30 years, SA has managed only 3.4%.

29 April - 05 May 2011 in a nutshell

Global: Global equities suffered this week amid concerns around US unemployment data, among other factors. The S&P 500 in the US fell 1.87%, while its European counterpart shed 2.62% and emerging market stocks slid 3.25%.

South Africa: The local bourse tracked Wall Street lower this week, with the FTSE/JSE All Share Index falling 3.30%. The biggest losers were resources, which fell 5.61%.

Markets and Economics - Highlights

Global

- Fuelling fears about the strength of the US economic recovery, data showed U.S. initial jobless claims unexpectedly rose to an eight-month high in the week ended 30 April, Applications for jobless benefits jumped by 43,000 to 474,000, Labor Department figures showed.
- Commodity prices fell sharply over the week as investors cut their holdings in oil, silver and industrial metals amid concern that economic growth will slow. The S&P GSCI Index of 24 raw materials fell 11.4% percent in five days, the longest losing streak since August. Crude oil slumped as much as 5.2%, silver futures 5.4% and copper for three month delivery 1.8%.
- Emerging-market equity funds attracted fewer inflows amid mounting concerns of accelerating inflation in developing nations. The funds lured $1.3 billion for the week ended May 4, down from net inflows of $1.8 billion the previous week. The gauge has lost 4.1% percent in the past month, compared with a 0.2% increase in the MSCI World Index of developed nations. Emerging central banks are tightening.
- Portugal announced a three-year Euro 78 billion loan agreement with the IMF, EU and European Central Bank. While the plan allows more time for the government to reduce the budget deficit, analysts worried that steep spending cuts could spark a recession.
- The Bank of England and the European Central Bank kept interest rates at current levels on Thursday. The BoE retained the historic-low key lending rate of 0.5% for the 27th consecutive month. On the same day, the Markit/CIPS headline services PMI index for the services sector weakened to 54.3 in April from 57.1 in March.

06 May 2011

South Africa

- Institutional investors expect zero nominal returns from JSE equities over the next six months and negative real returns over the next 12 months, the South African Investor Confidence Survey has revealed. The belief in the market that many economies around the world are still to feel the painful impact of the Japanese earthquake crisis could be behind this negative picture. The actual extent of the damage the disaster in Japan caused on the global economy could be far worse than the market initially expected, the survey reported.
- Growth in credit demand by South Africa's private sector slowed to 5.13% year-on-year in March, compared with 5.43% in February, central bank data showed on Friday. Growth in the broadly defined M3 measure of money supply also braked to 6.53% year-on-year compared with 7.55% in February. Economic analysts surveyed by Reuters last week forecast private sector credit would expand by 6.05% year-on-year in March. Growth in M3 was seen at 7.6% year-on-year.
- Prices at mines and factories rose a touch faster than expected last month, while the outlook for the economy improved, adding weight to the case for higher interest rates, official figures showed. Producer prices jumped 7,3% from March last year, quickening from a 6,7% rise in February — the highest pace since August last year, Statistics SA said. Meanwhile, the Reserve Bank's leading business cycle indicator, which points to economic trends six to 12 months ahead, rose for the sixth month in a row in February.
- The Kagiso purchasing managers index (PMI) stabilised last month, suggesting manufacturing, the economy's second-biggest sector by output was robust but not booming. The PMI reflects the percentage of purchasing managers who reported better business conditions in a given month. The index is used as a gauge of the health of manufacturing in SA. A reading above 50 shows the sector to be expanding, while one below 50 reflects contraction.

Key Indicators:

Market	Index	Movement for the period		Year to Date
		%	Index Value @ 05.05.2011	% Performance Return
United States	S & P 500 (US$)	-1.87%	1,335	6.13%
Europe	Euro Stoxx 50 (Euro)	-2.62%	2,927	4.78%
Emerging Mkts	MSCI Emerg Mkts (US$)	-3.25%	1,162	0.93%
South Africa	FTSE/JSE All Share (ZAR)	-3.30%	31, 582	-1.67%
Global	MSCI (US$)	-2.13%	1,355	5.89%
ZAR/Dollar	Rand/US $ (ZAR)	1.89%	6.72	1.70%
ZAR/Pound	Rand/£ (ZAR)	0.30%	11.00	6.66%
ZAR/Euro	Rand/Euro (ZAR)	-0.25%	9.77	10.50%
JSE	Industrials	-1.26%	27,446	-9.75%
JSE	Financials	-2.67%	21,258	-1.80%
JSE	Resources 20	-5.61%	54,068	-3.97%
JSE	Small Companies	-1.03%	32,160	-4.63%
JSE	Listed Property	-1.83%	370	-4.34%
JSE	RAFI® ALSI	-3.40%	6,597	-0.88%
JSE	RAFI® 40	-3.41%	6,369	-1.52%
JSE	SWIX	-2.94%	6,604	-2.07%

Editor: njacobs@omigsa.com OMIGSA: Tel. 021 509 6984 www.omigsa.com