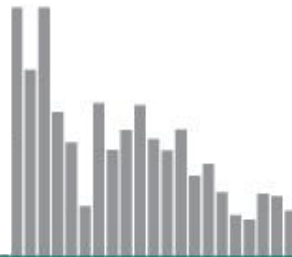




“The World and SA Post-Recession: A surprisingly strong rebound”

**Economic Outlook: Johann Els
Senior Economist, OMIGSA**

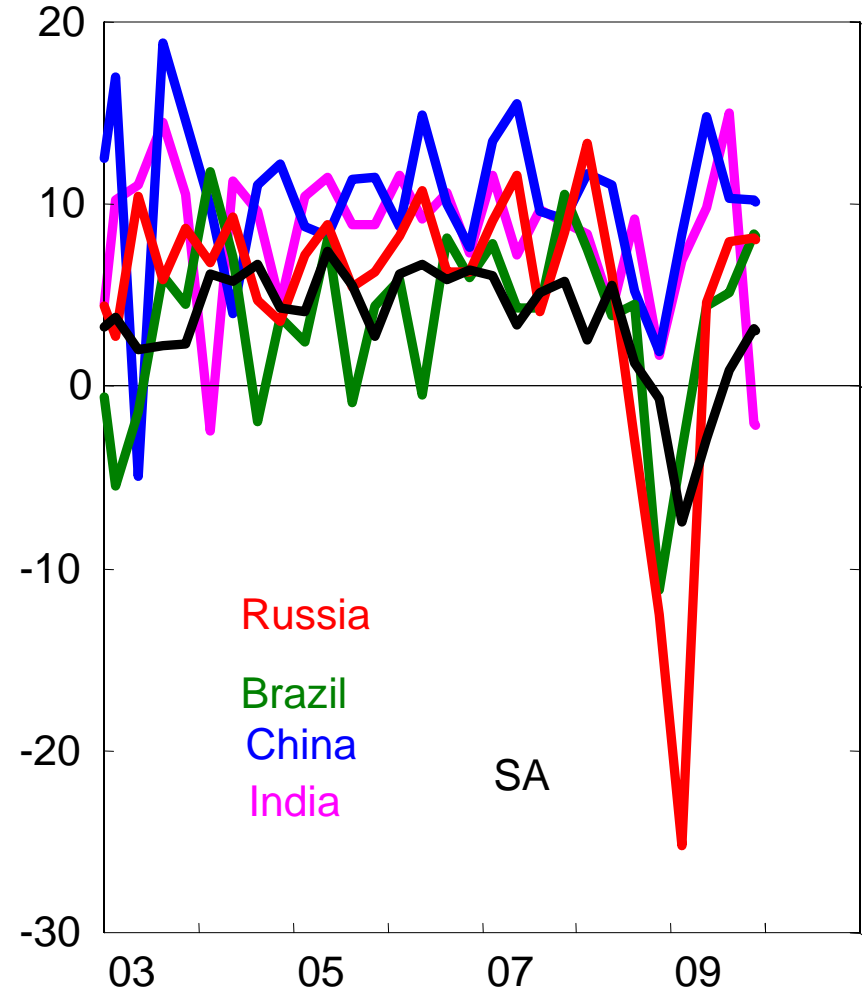
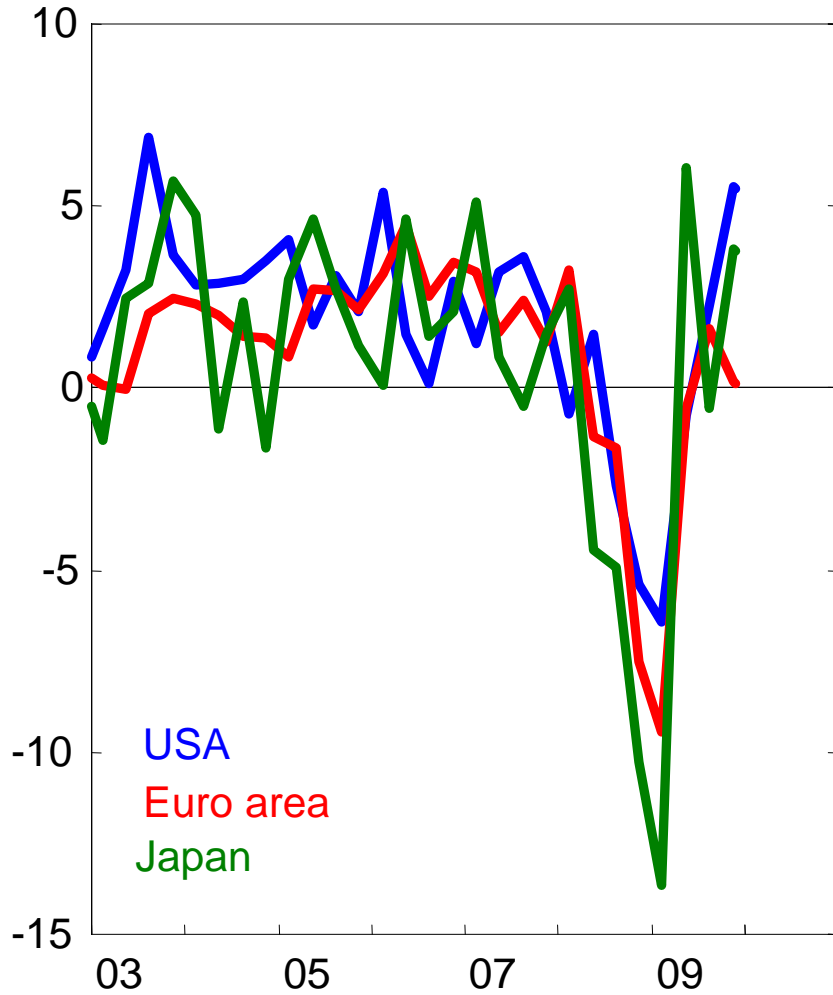


- Growth surprising on the upside
- But medium-term growth still likely to be sub-par
- Core inflation low and falling
- Policy tightening happening in some areas, but Fed & ECB still on hold
- Dollar has firmed, EM currencies remain firm

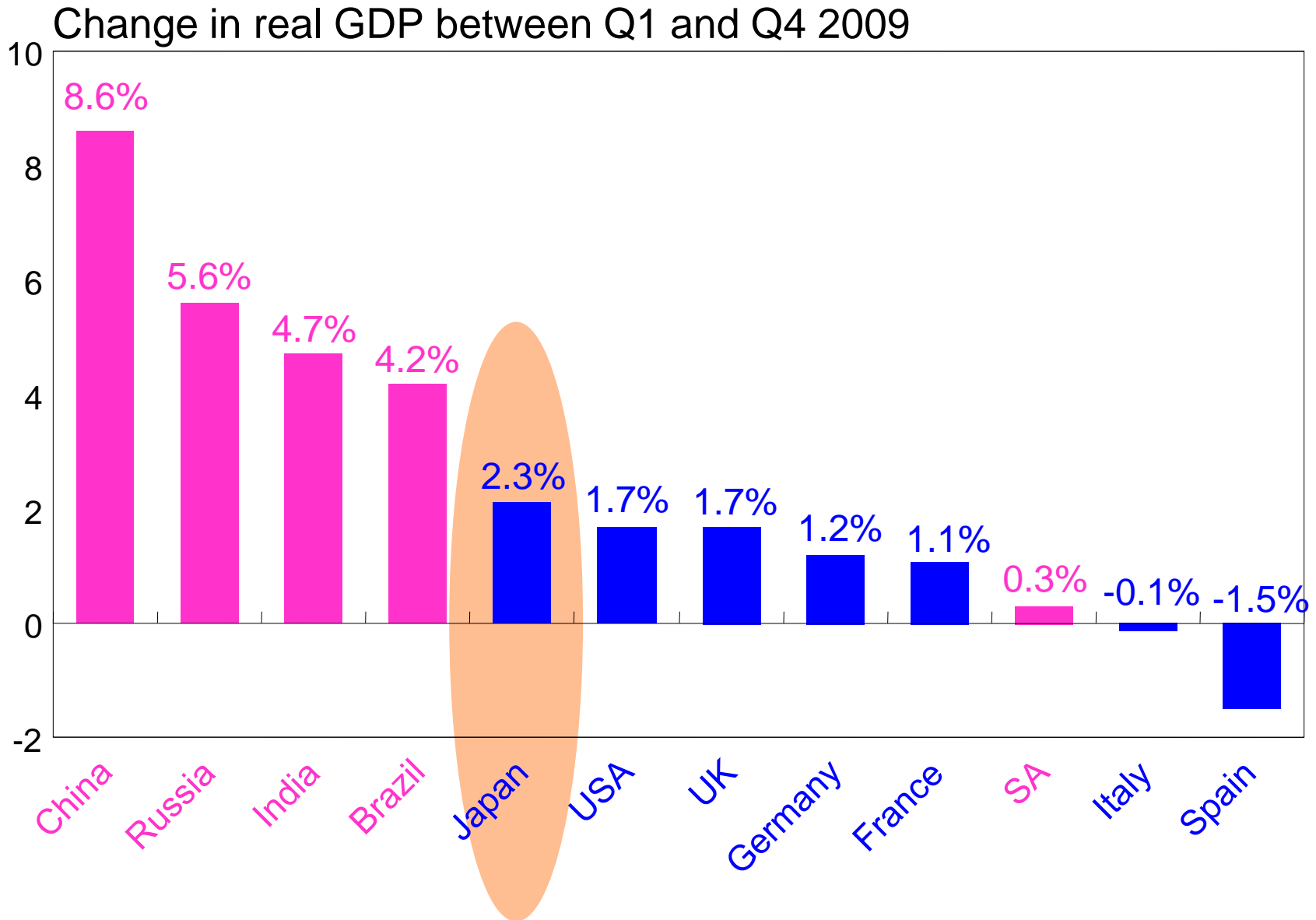
- Growth surprising on the upside
 - Recovery continues
 - No momentum loss

Strong V-shaped initial growth recovery

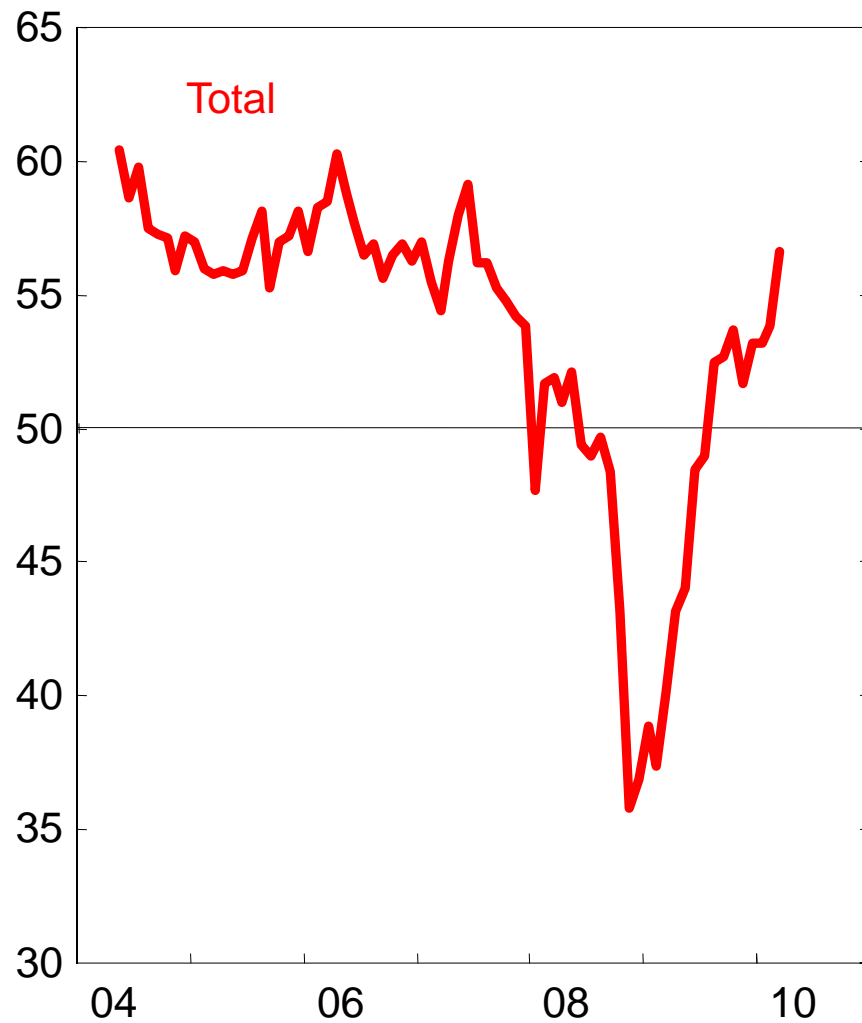
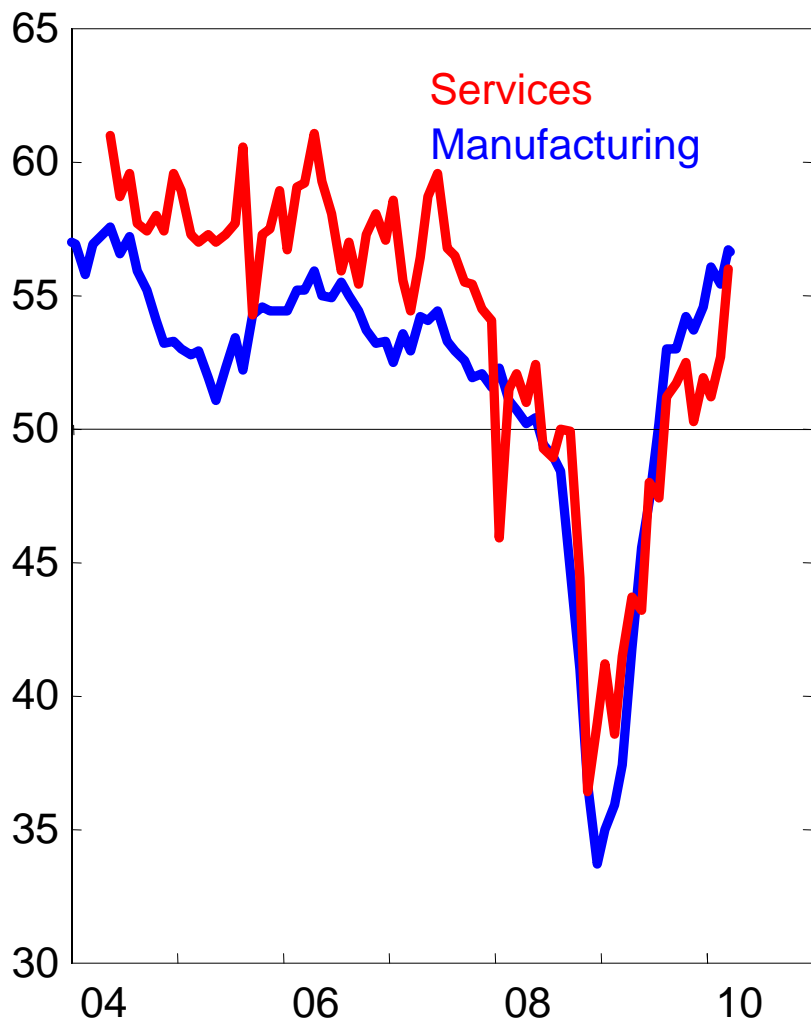
Quarterly annualised GDP growth rates



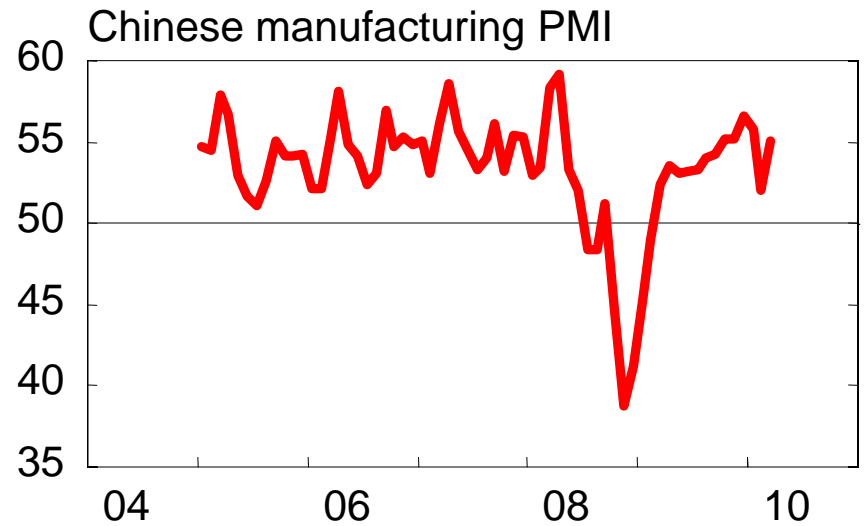
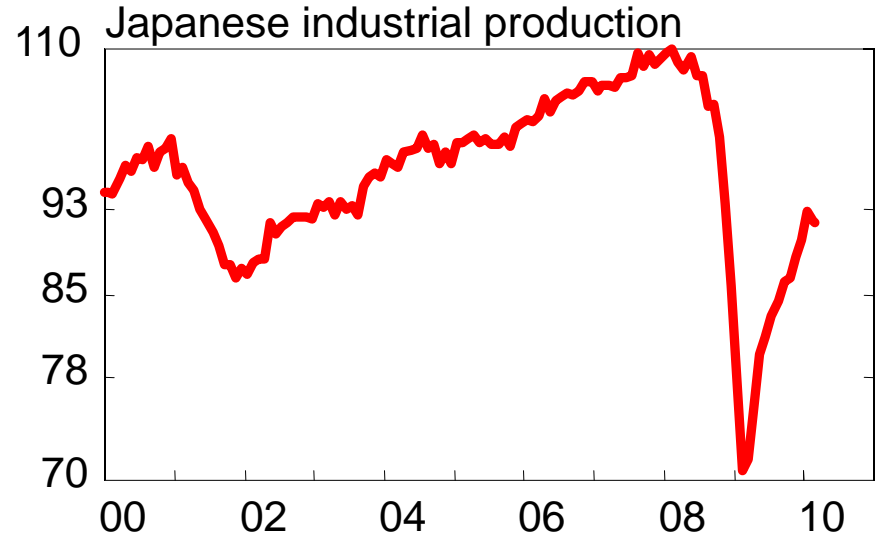
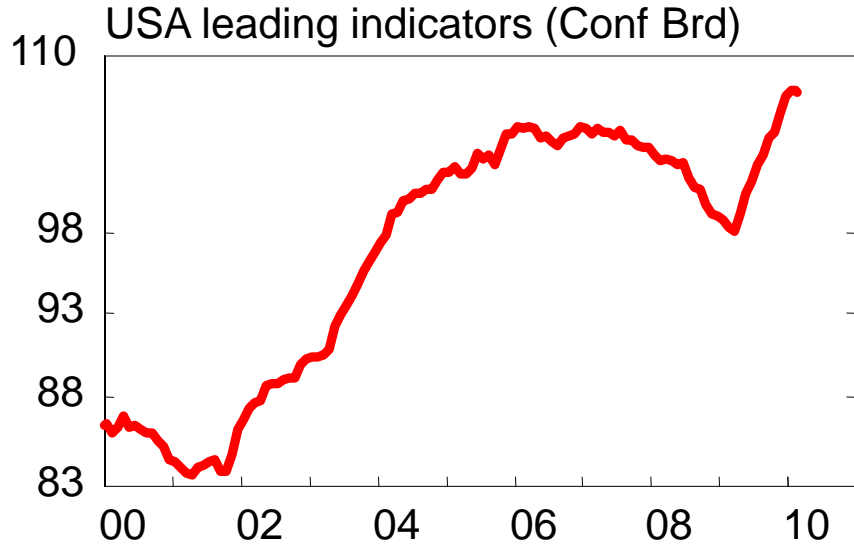
Strong recoveries in Emerging economies no surprise, but check Japan!



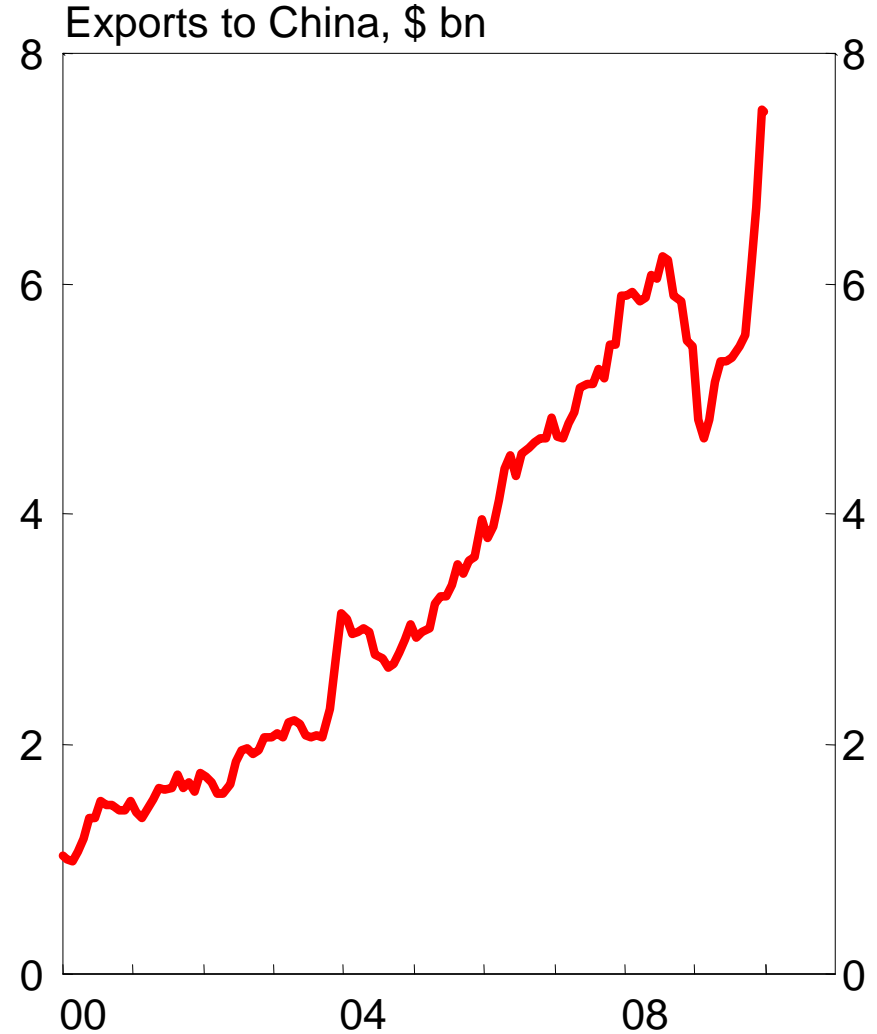
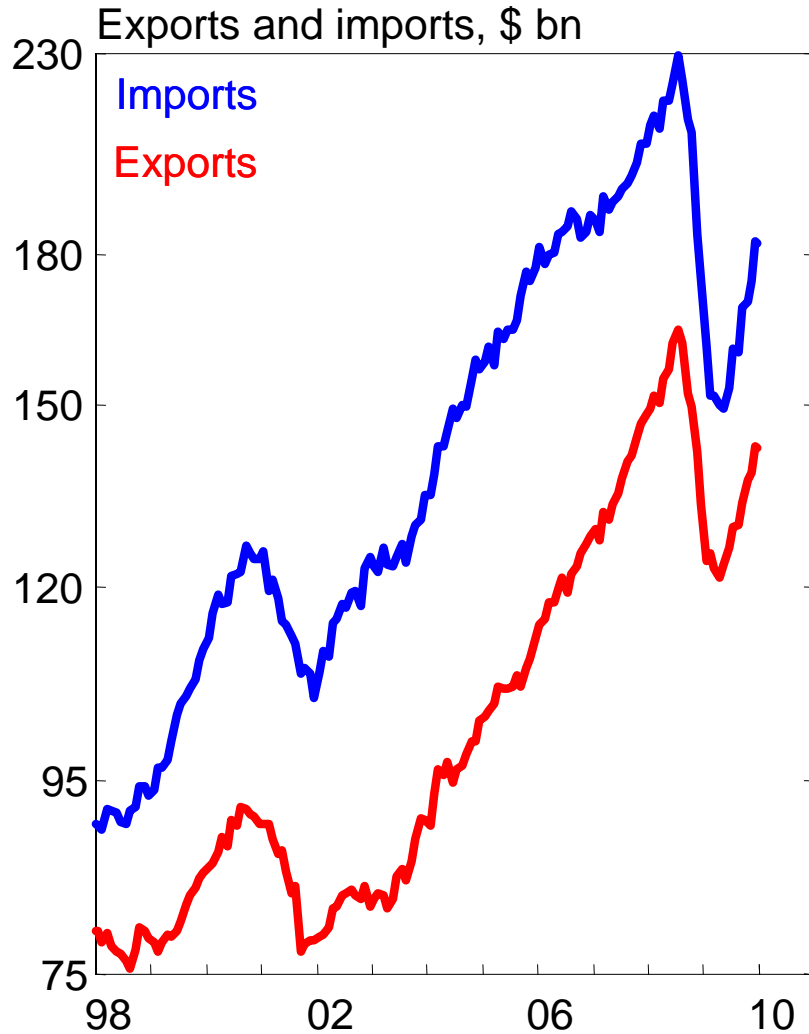
JP Morgan Global All-industry PMI



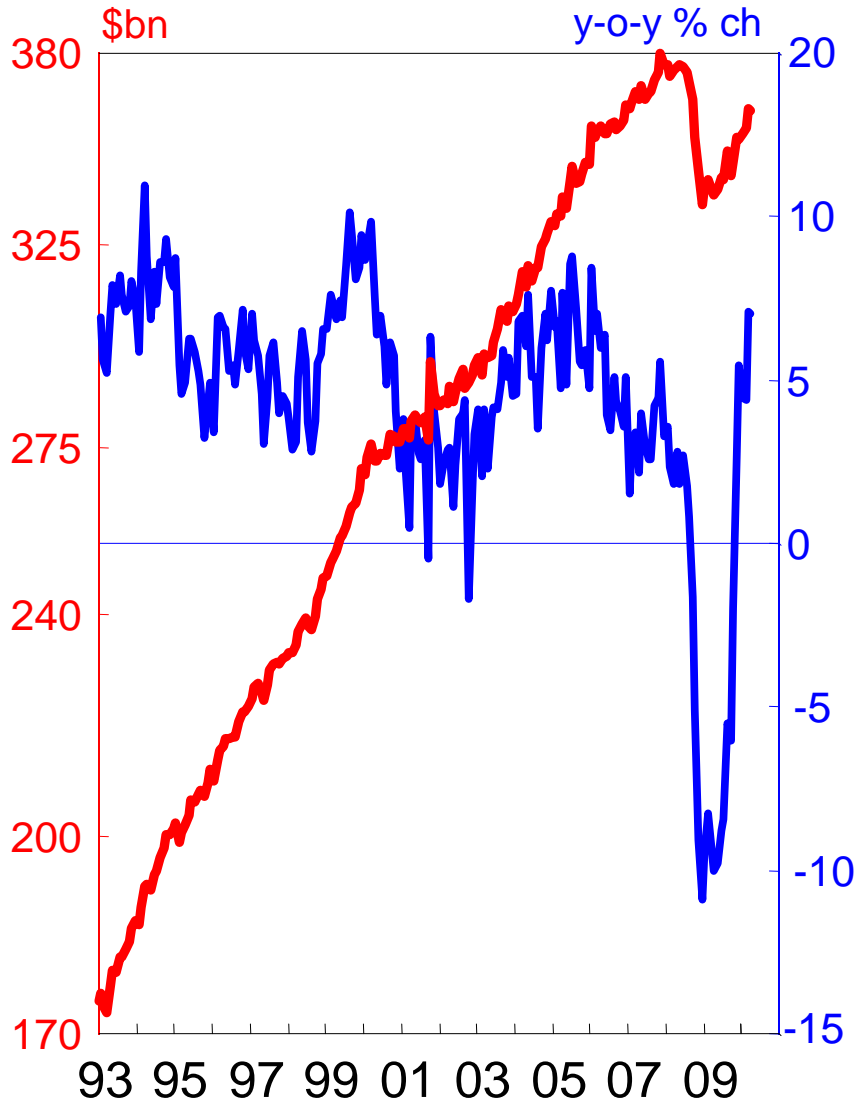
Recovery widespread



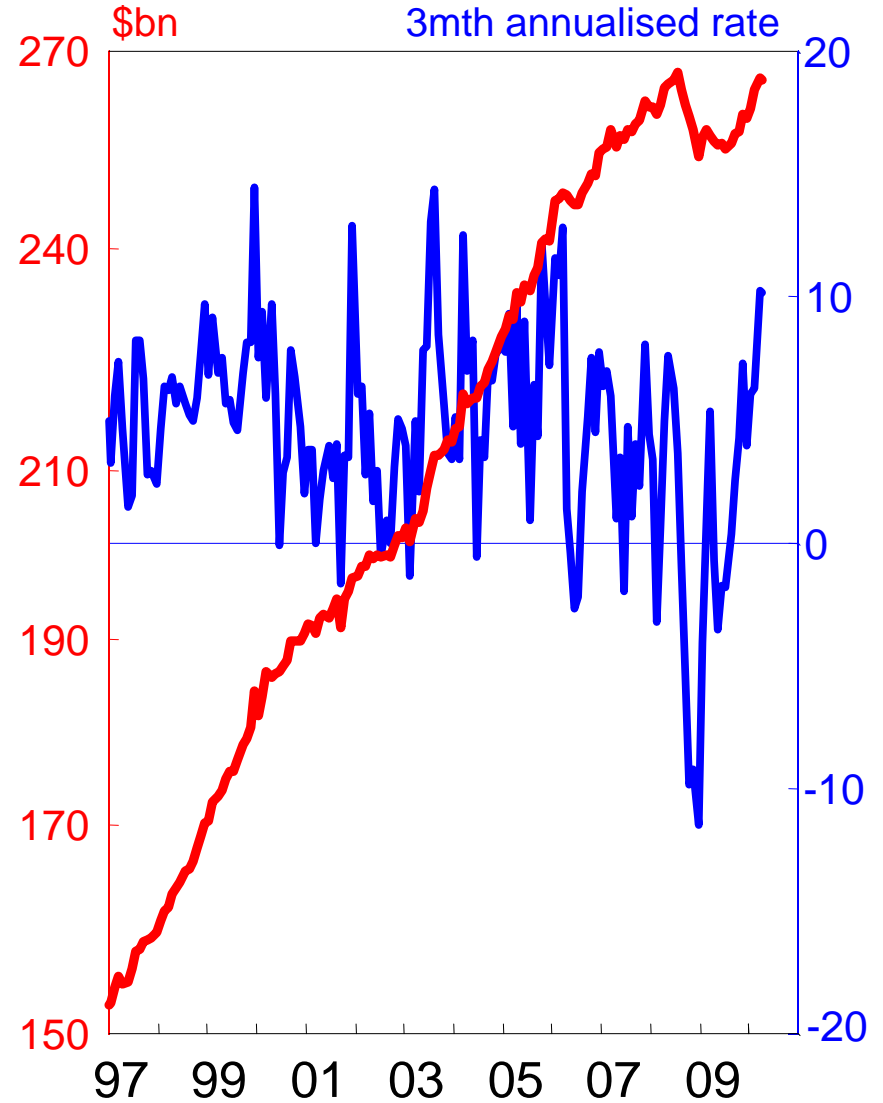
USA trade



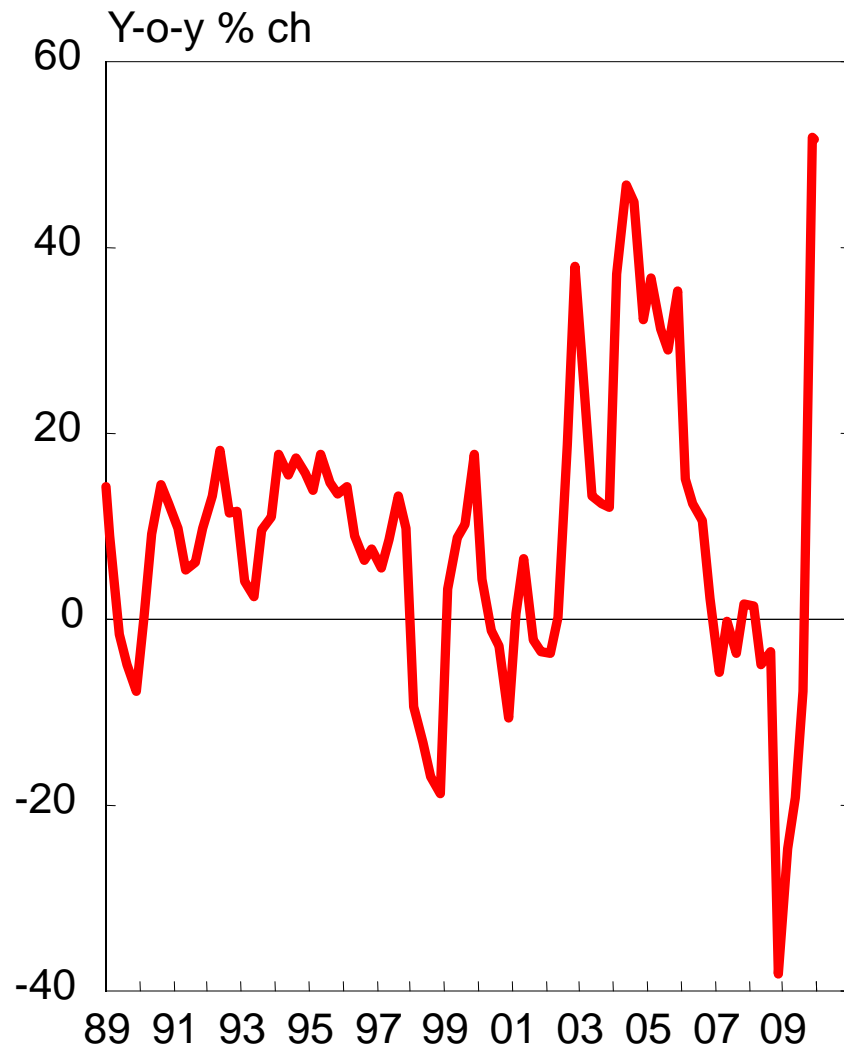
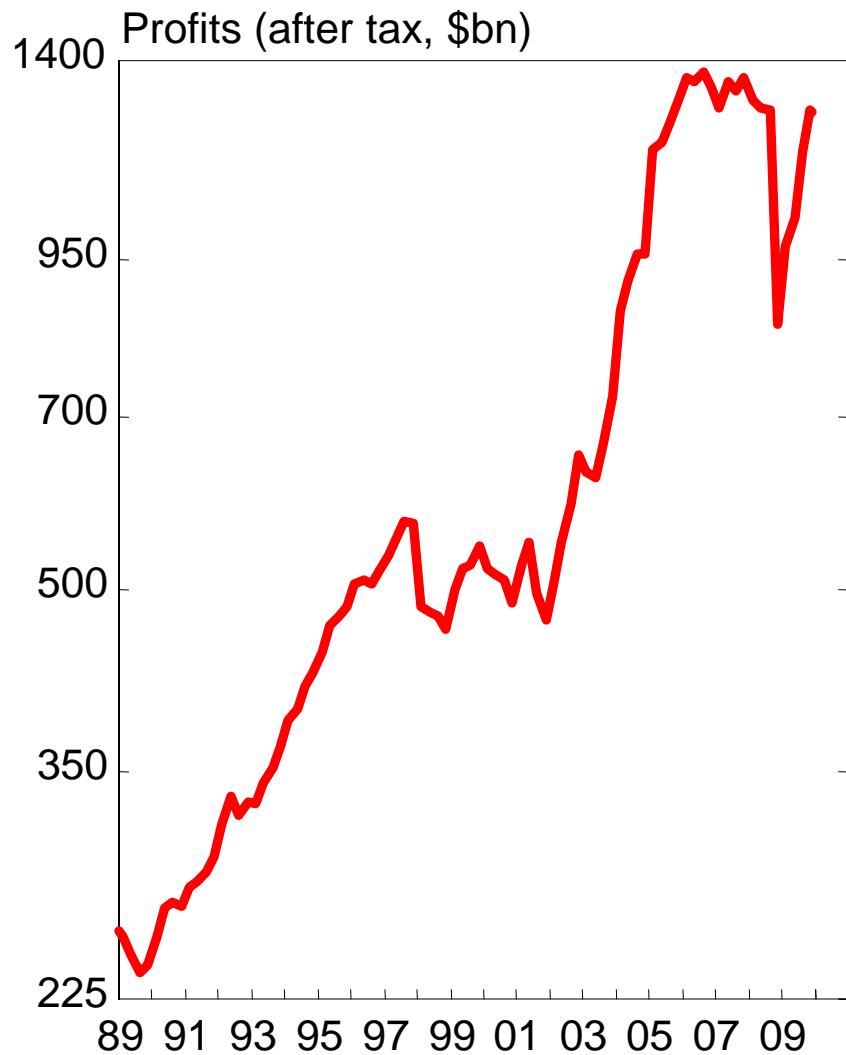
Total

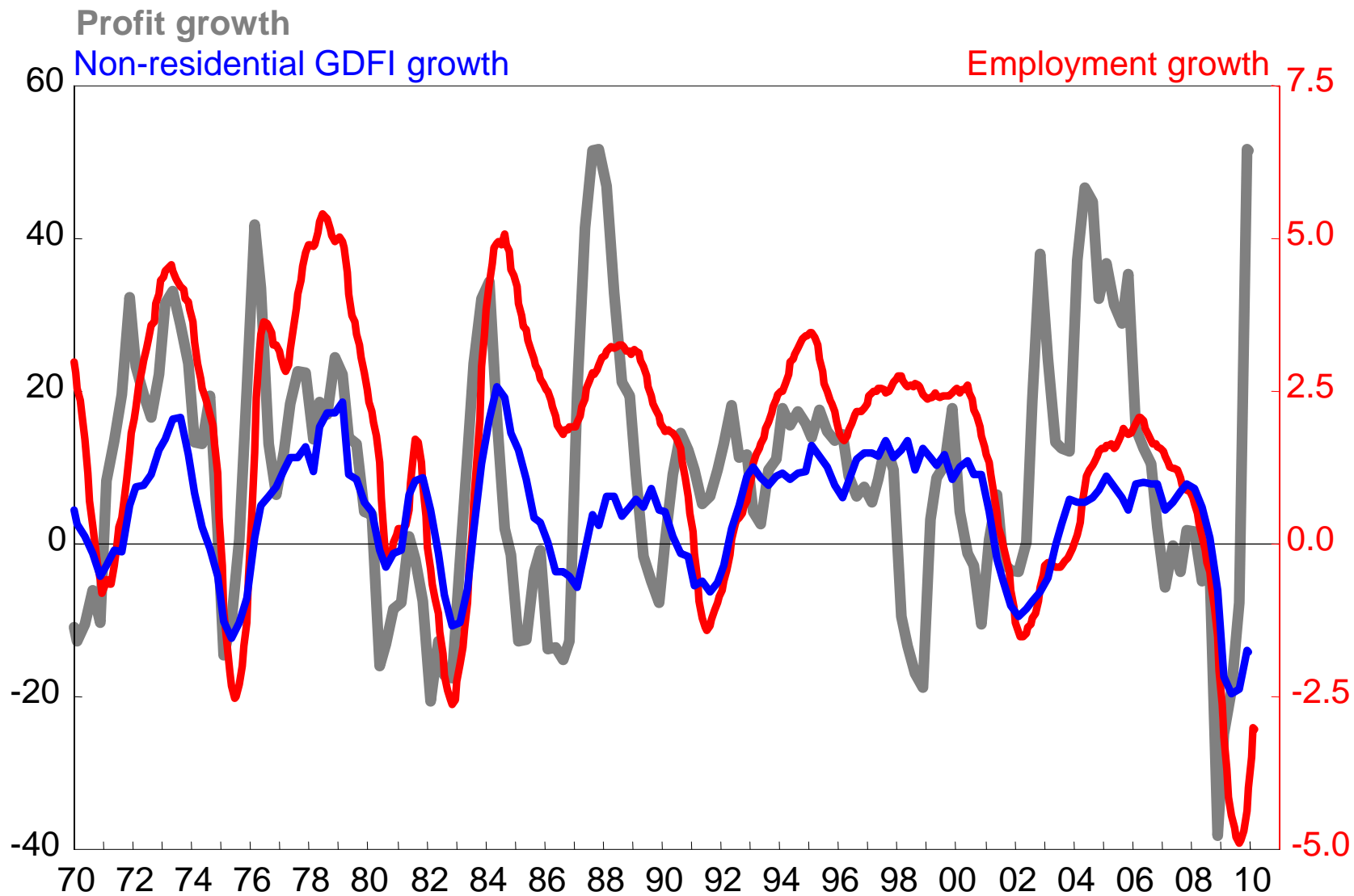


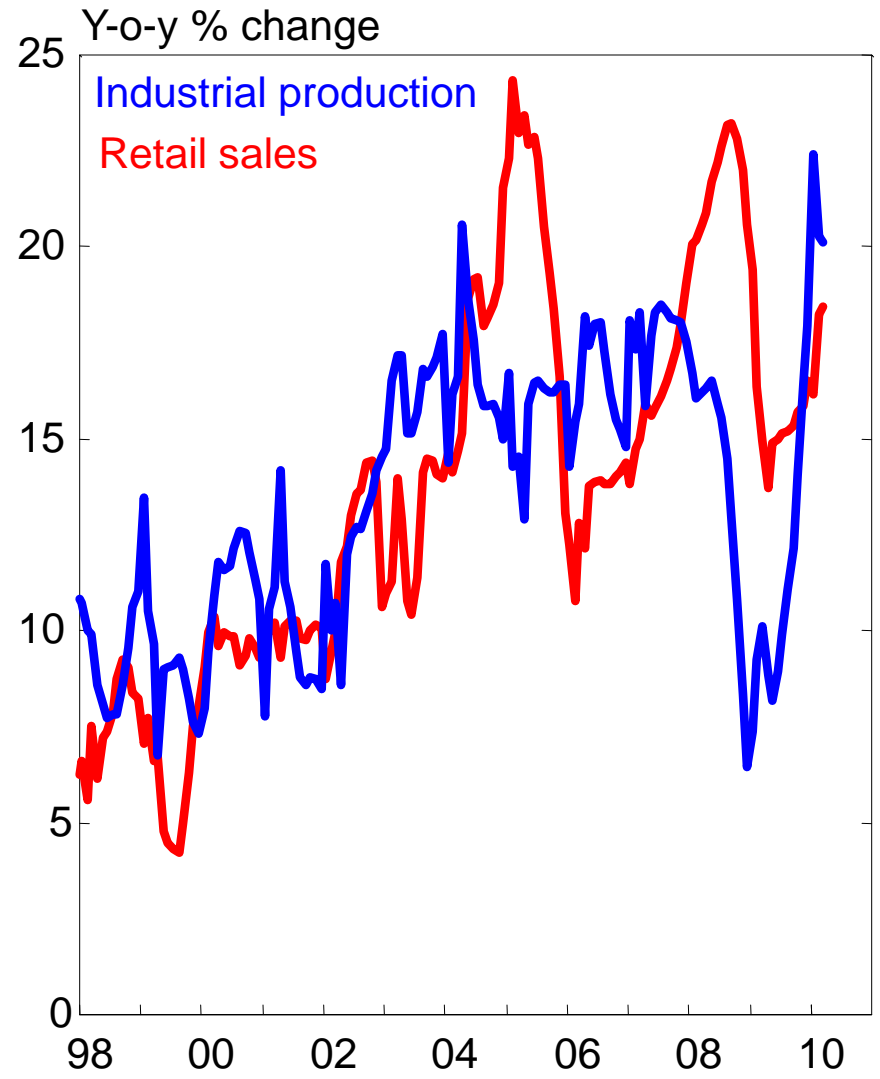
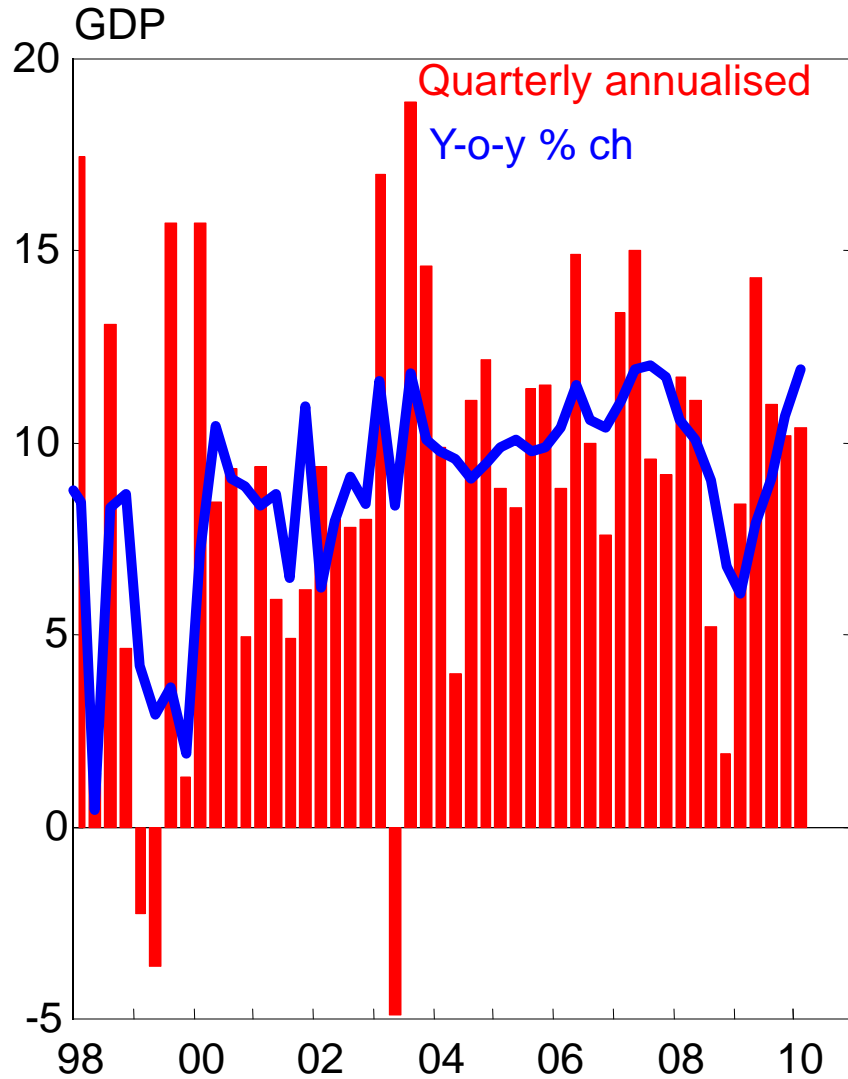
Core



Strong USA profit recovery...



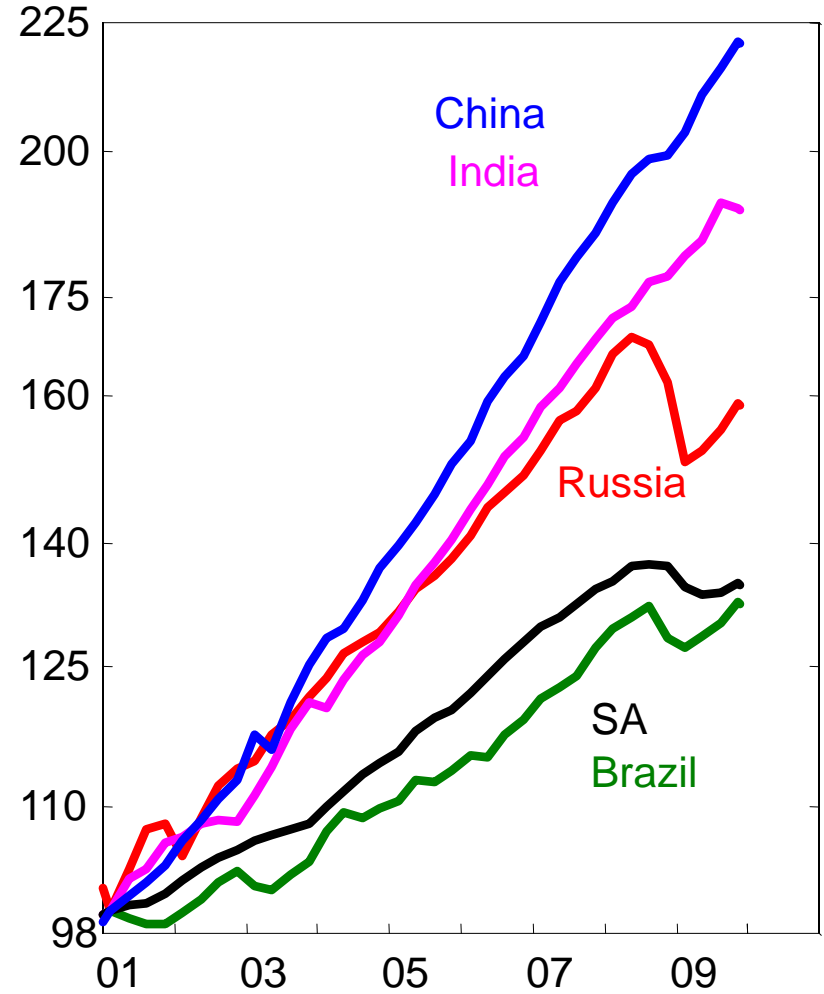
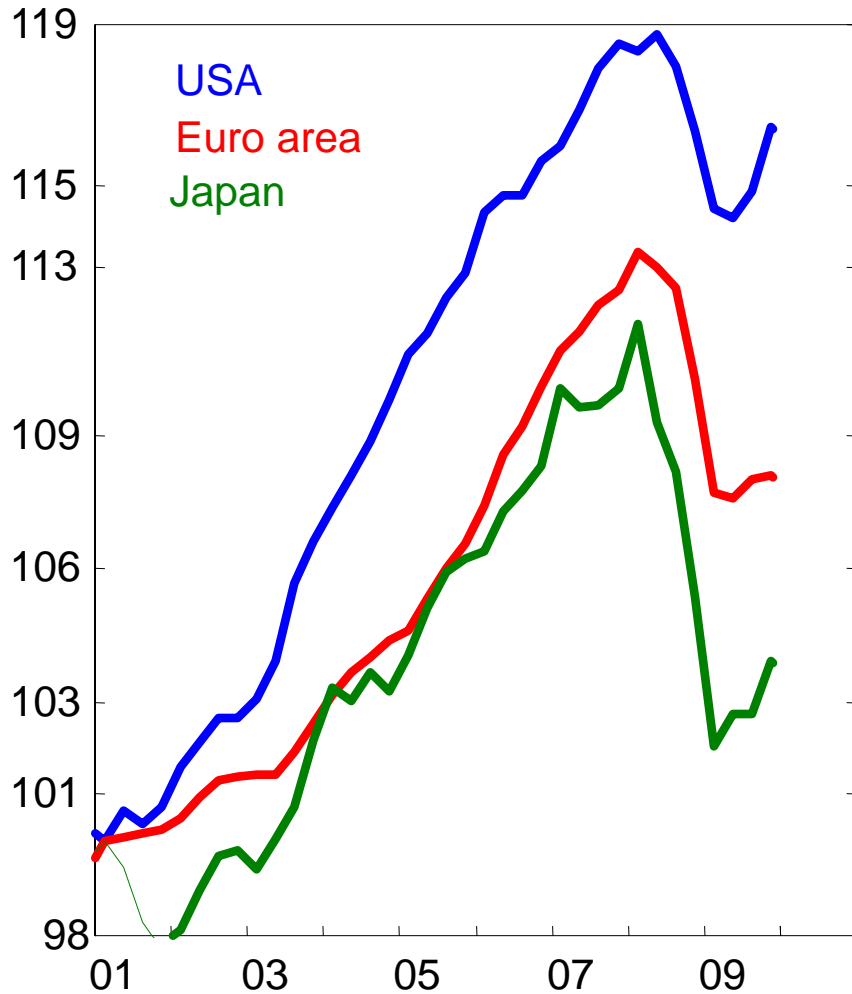




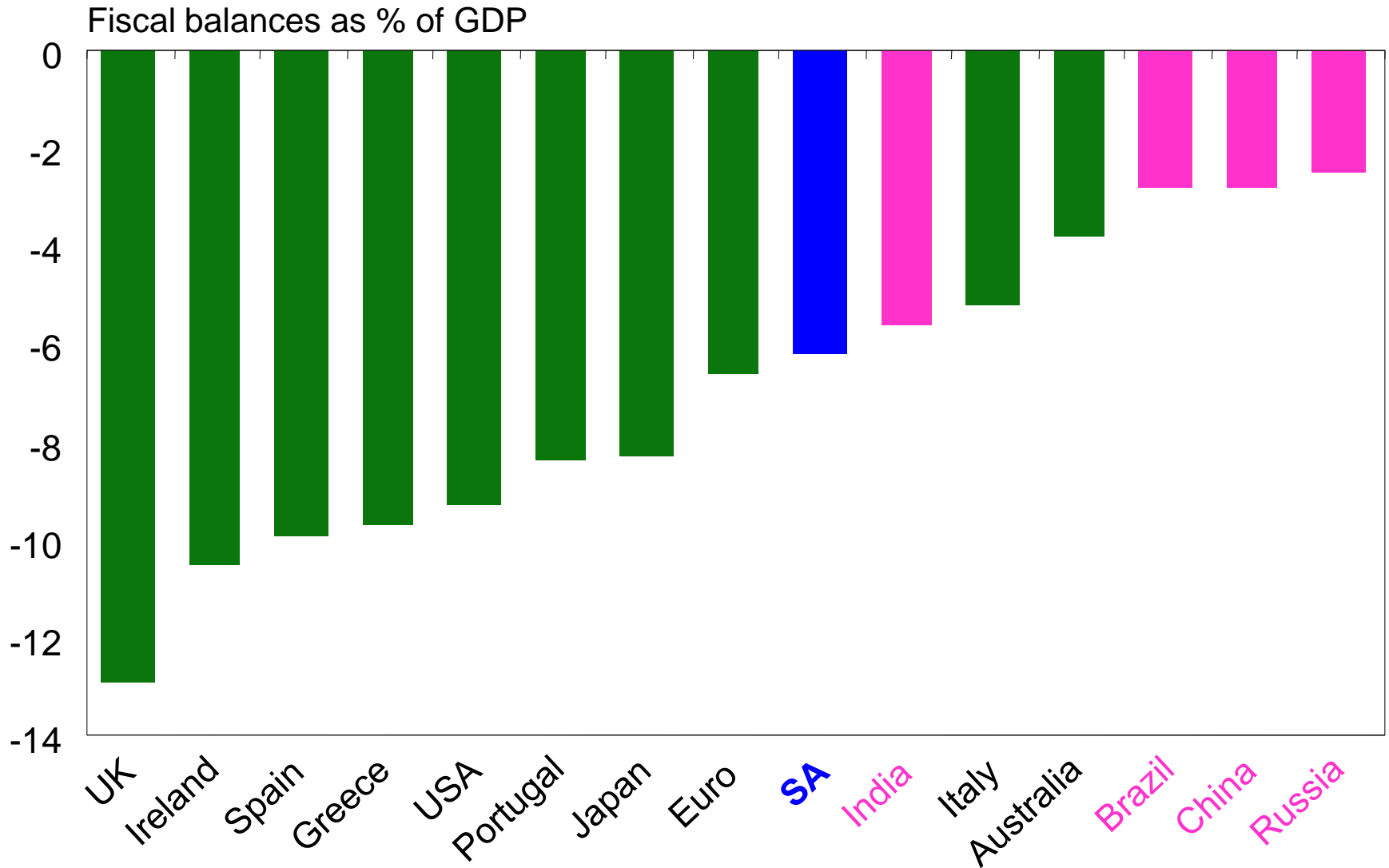
- Growth surprising on the upside
- **But medium-term growth still likely to be sub-par**
 - **Coming monetary & fiscal policy adjustment in developed markets**

Despite V-shaped recovery, many economies still way off the peaks

Real GDP levels (index 2000 = 100)



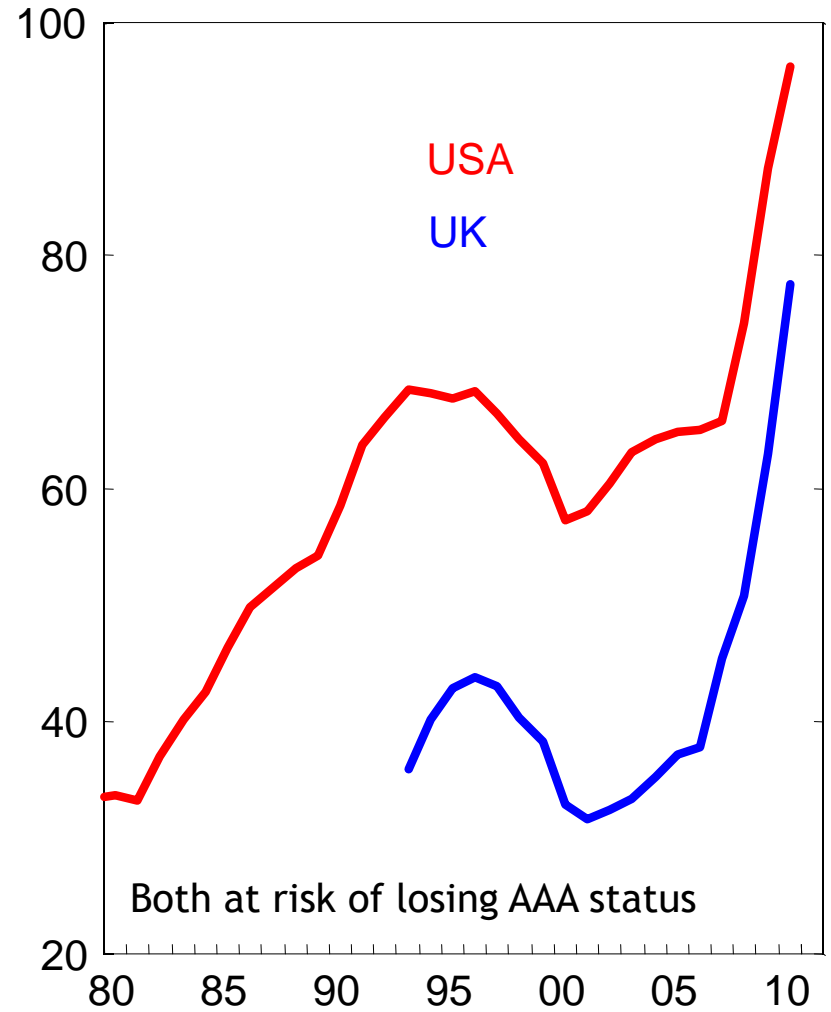
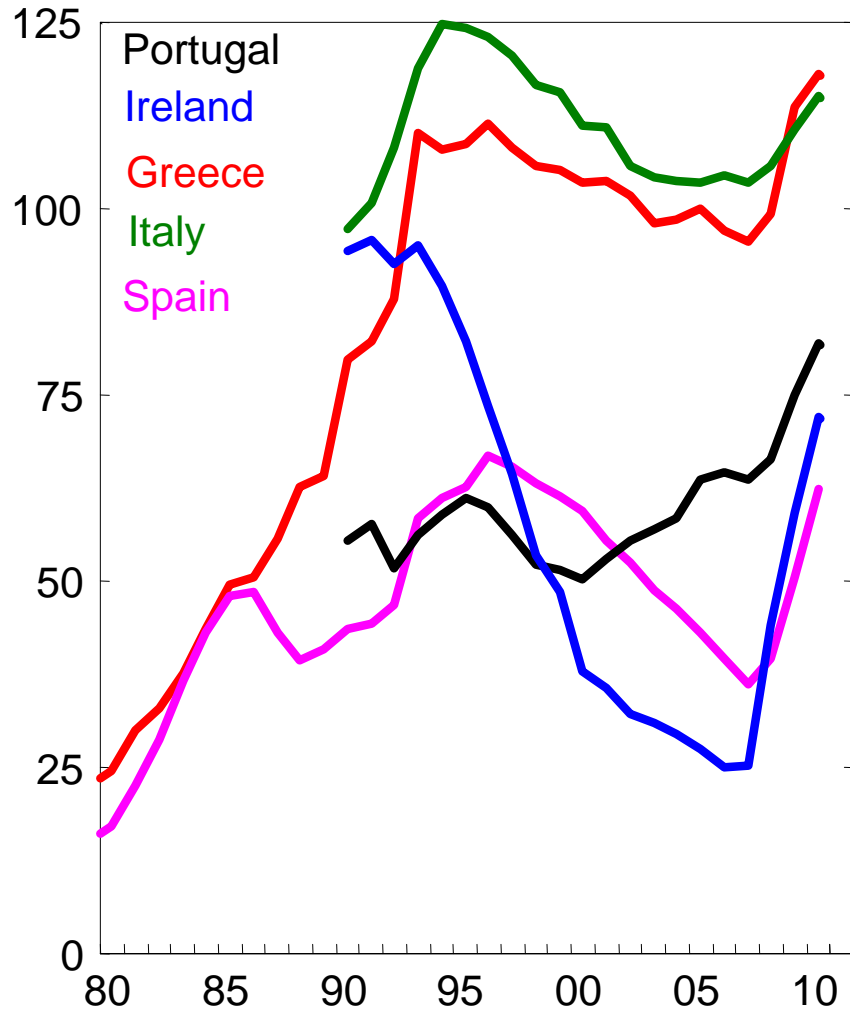
Plus fiscal consolidation now needed...



Fiscal panic

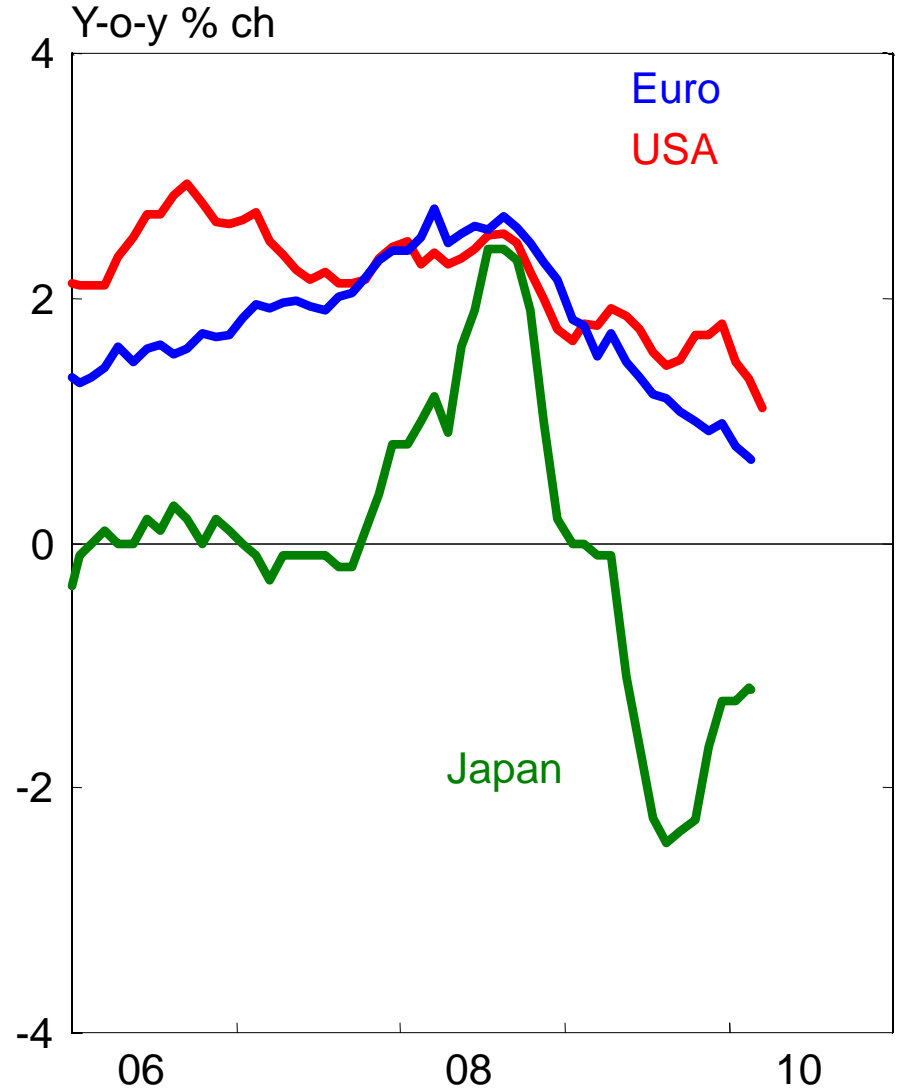
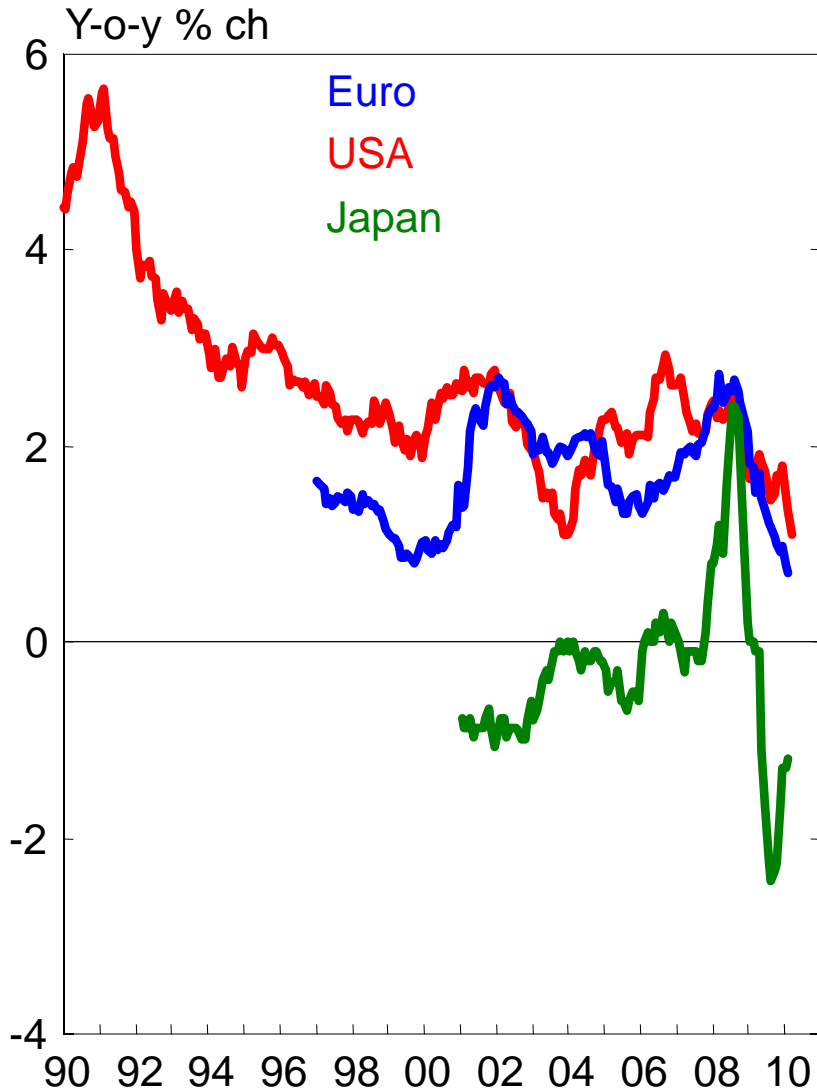
Government debt as % GDP

Govt debt as % of GDP

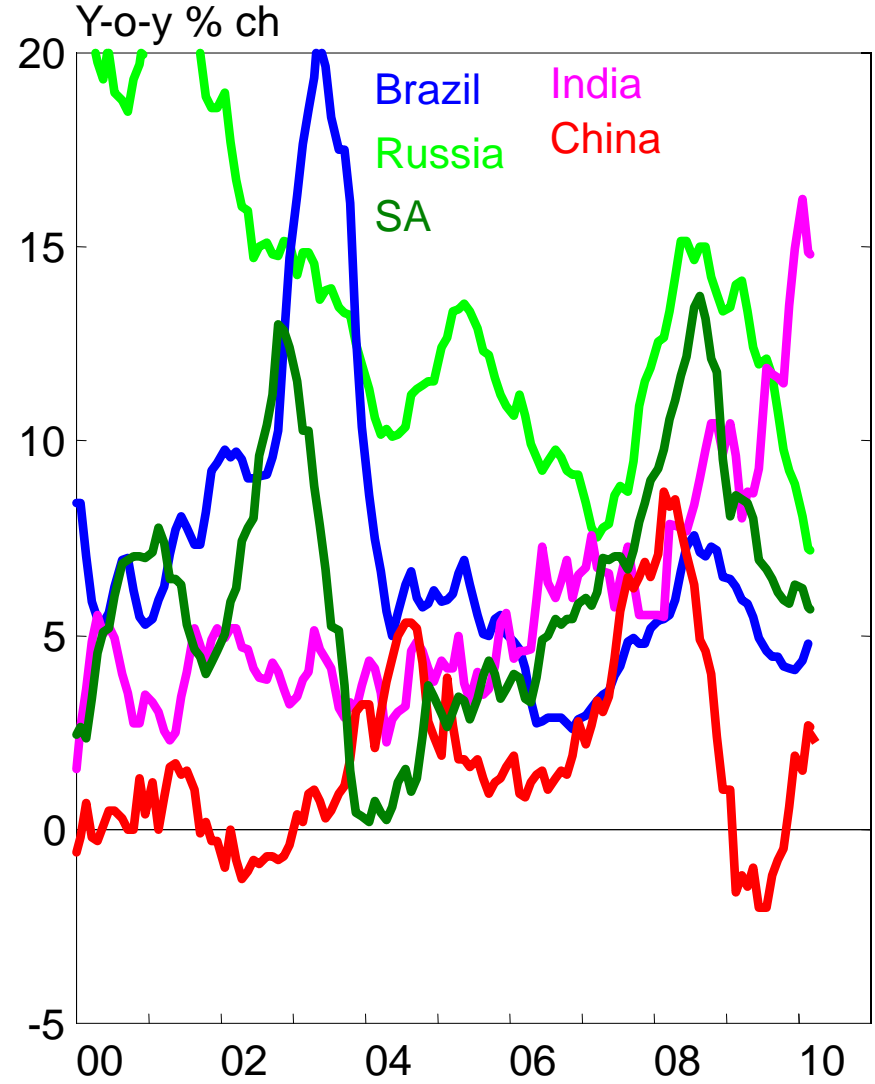
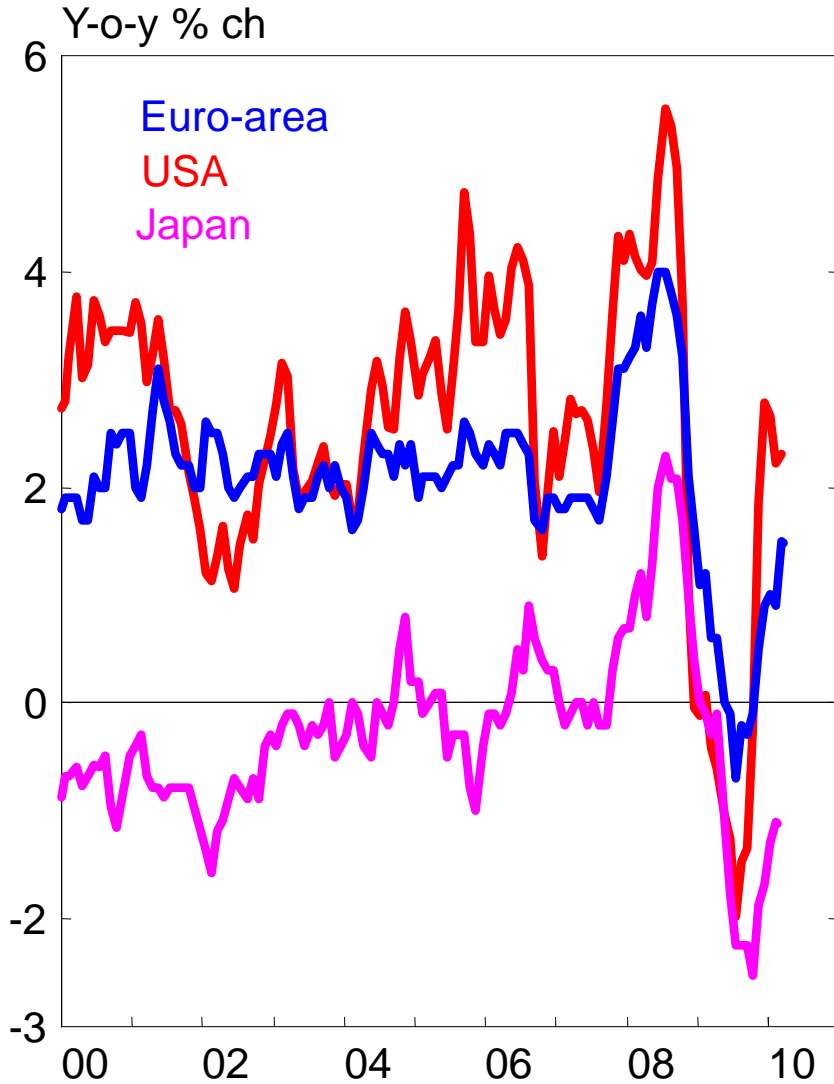


- Growth surprising on the upside
- But medium-term growth still likely to be sub-par
- **Core inflation low and falling**

Core inflation rates

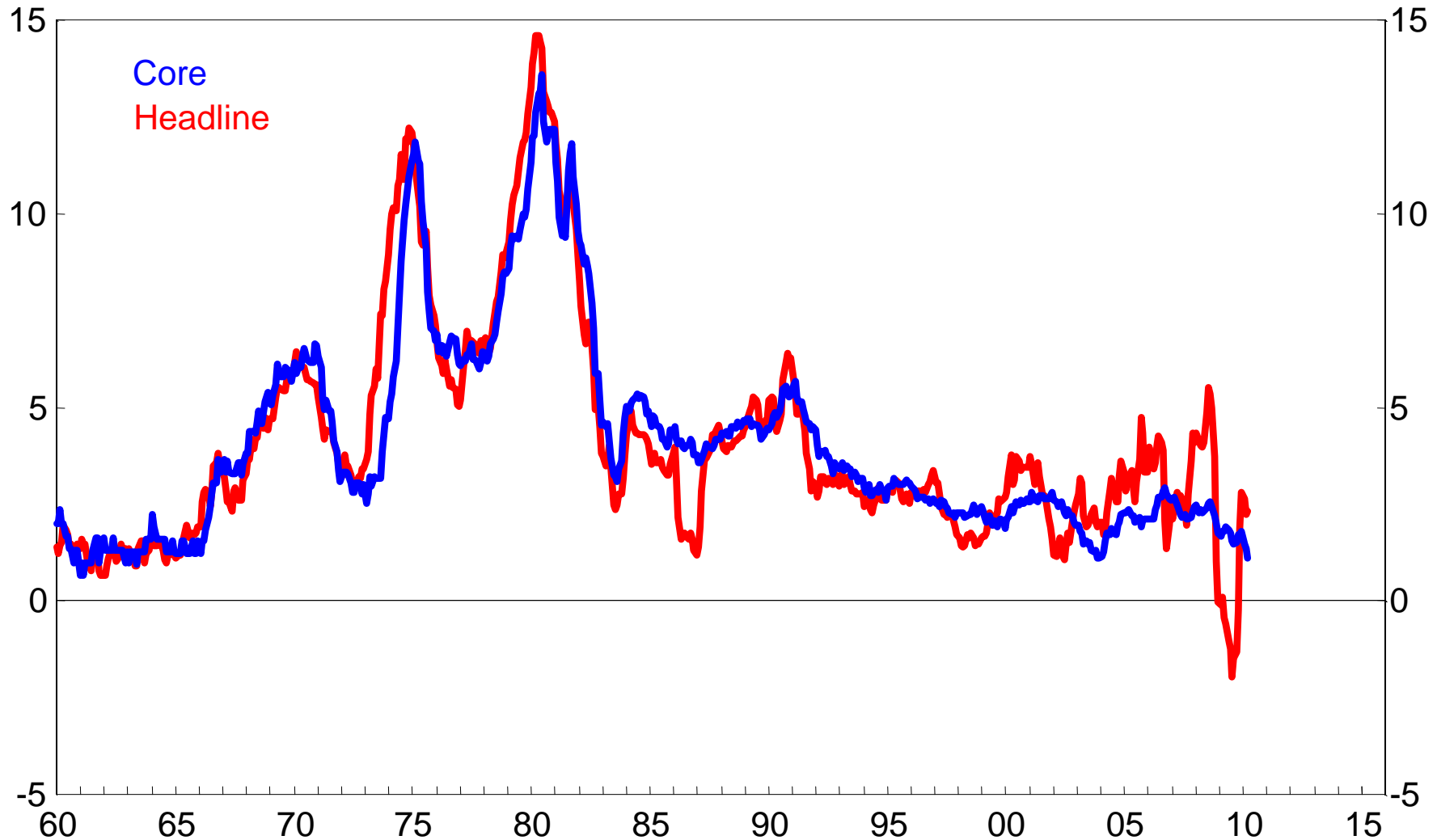


Headline inflation rates

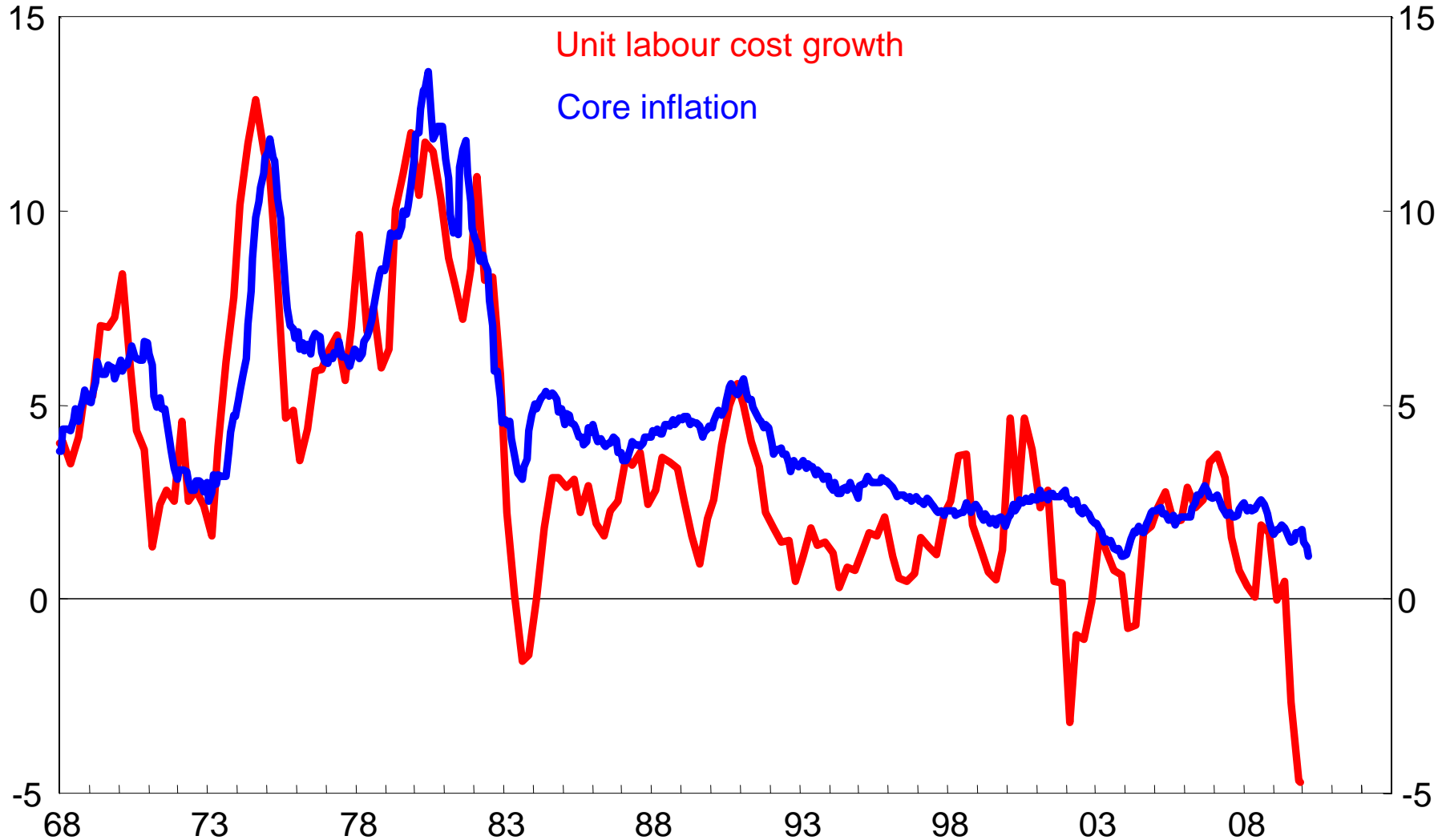


Headline inflation bounces around, core inflation grinds lower

USA, year-on-year inflation rates

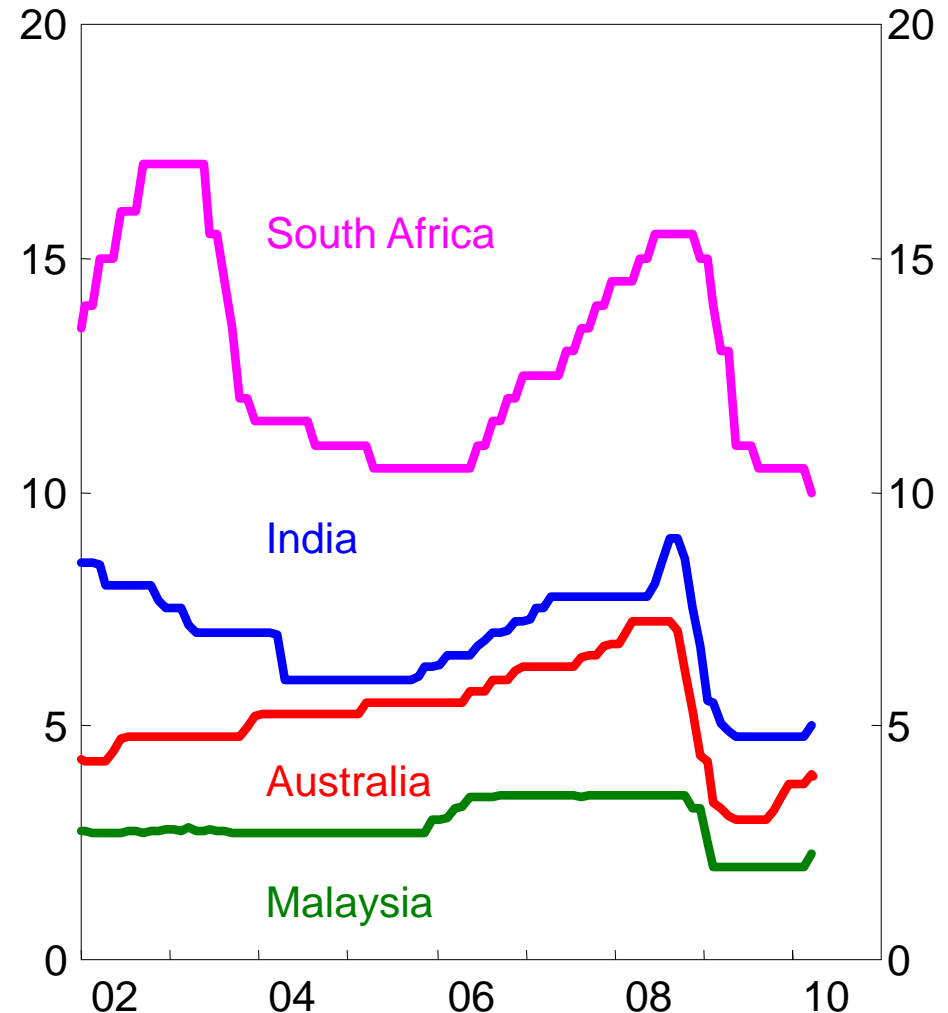
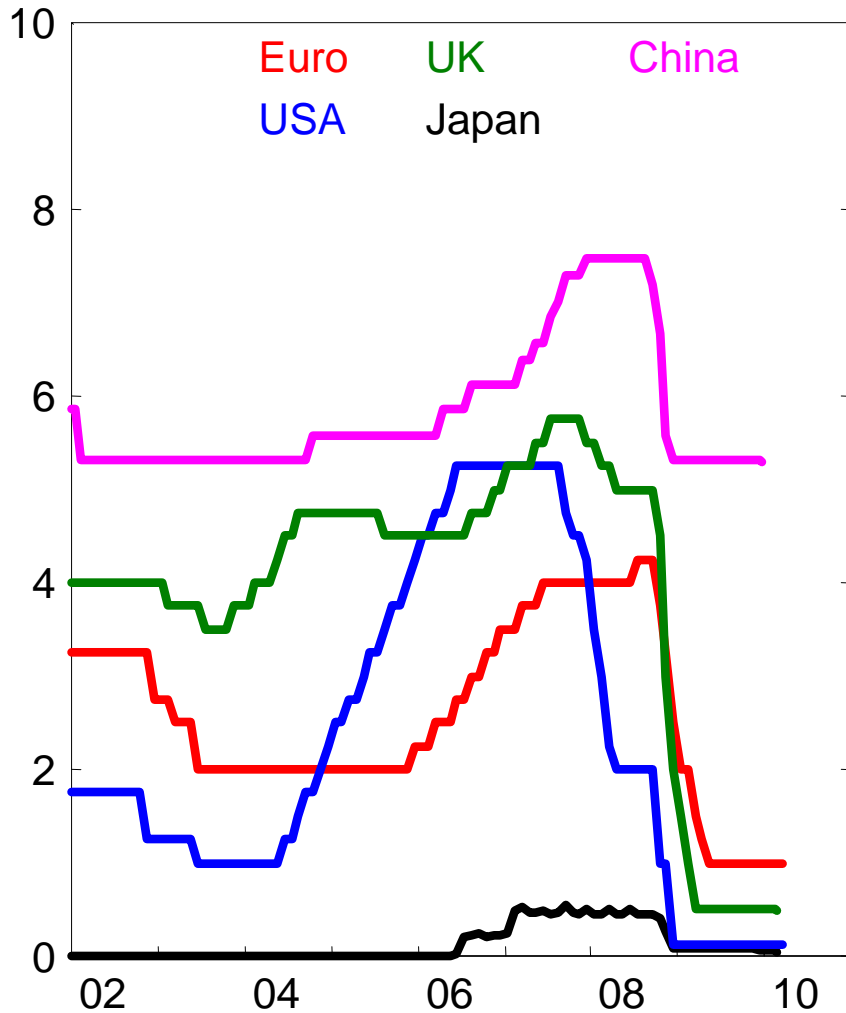


USA: Deflationary pressures are strong and will remain in place, will keep Fed cautious

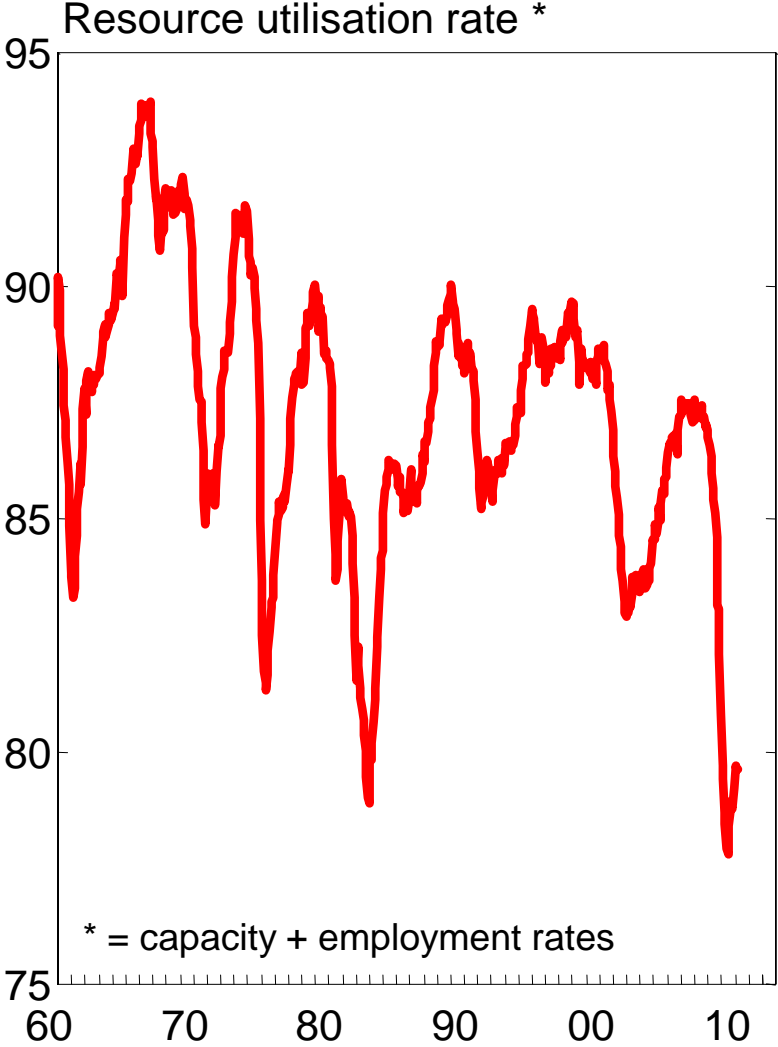
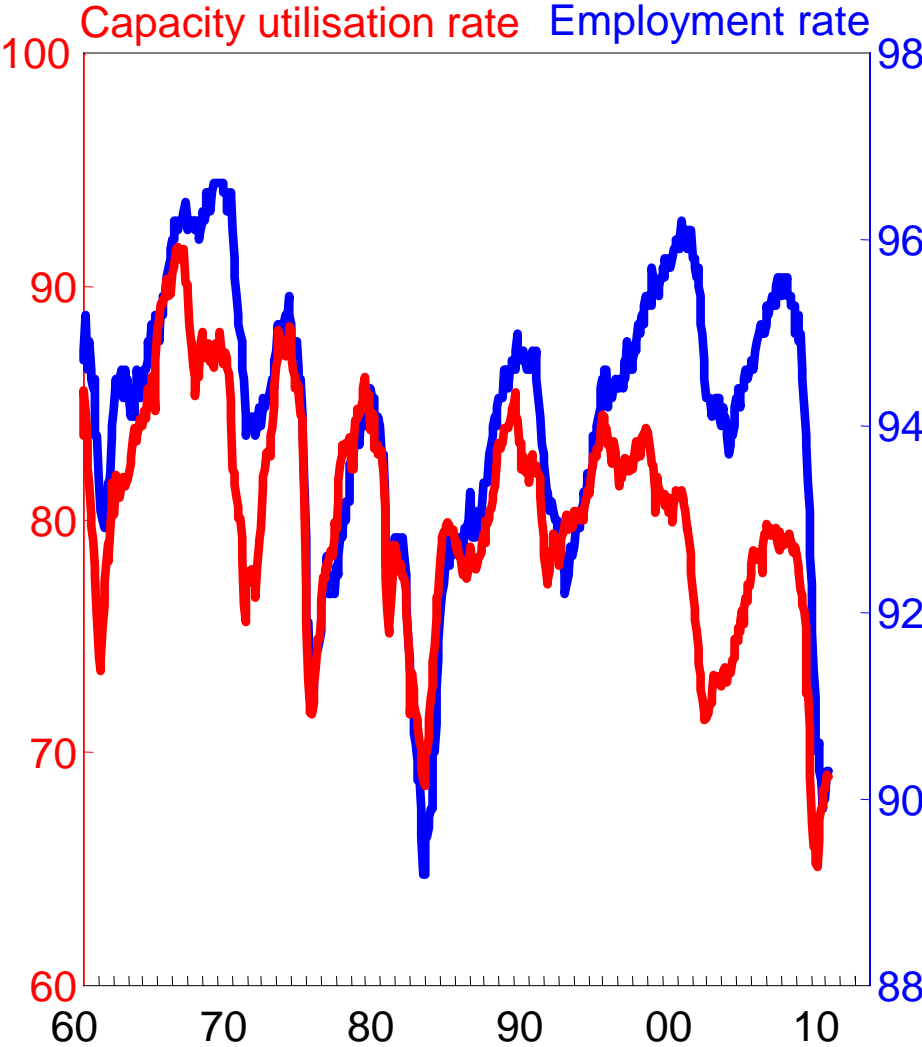


- Growth surprising on the upside
- But medium-term growth still likely to be sub-par
- Core inflation low and falling
- **Policy tightening happening in some areas...**
where growth is strong or inflation a worry
- **...but Fed & ECB still on hold and very dovish**
Fed likely to tighten before ECB

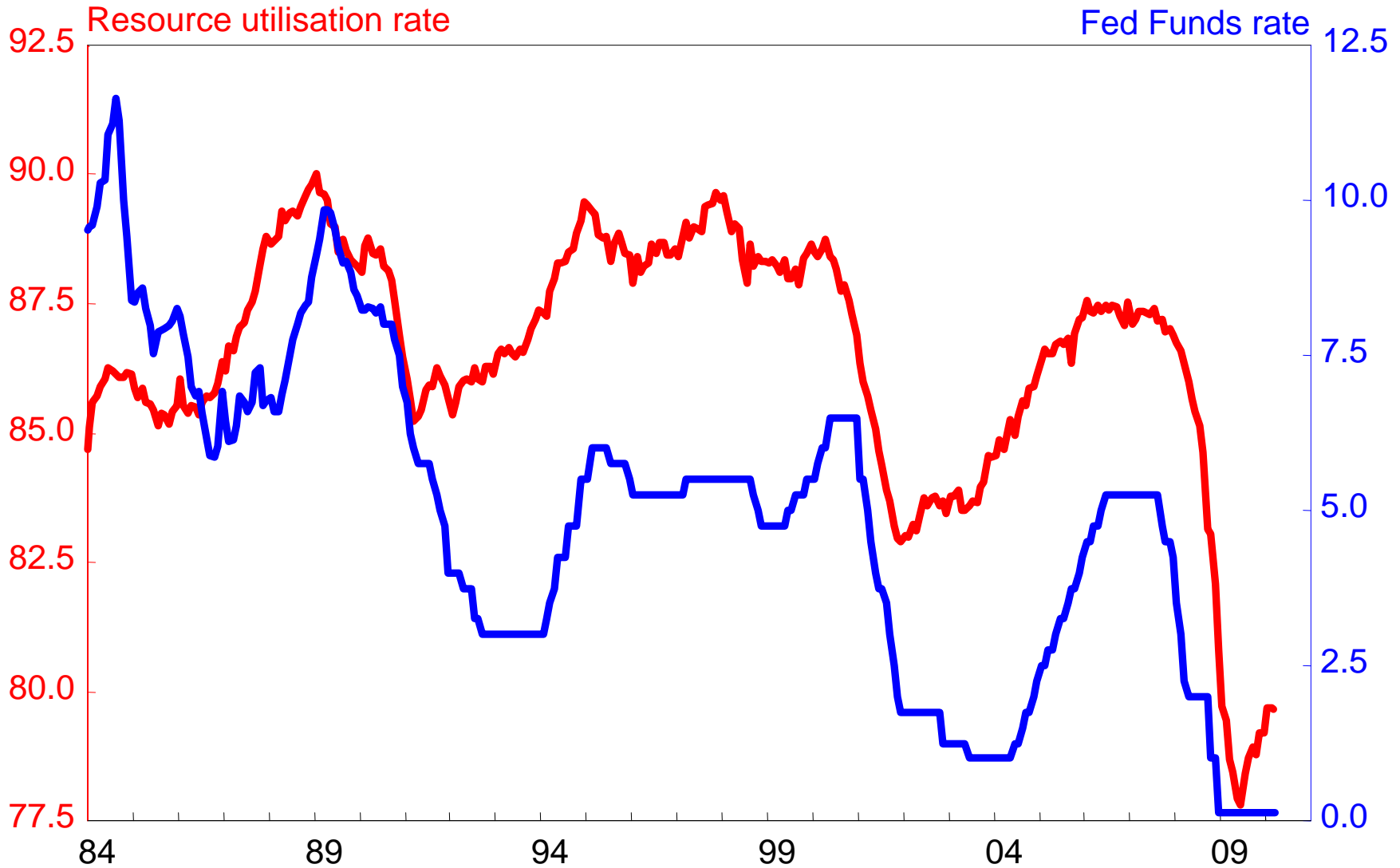
Interest rates moving higher in some areas...



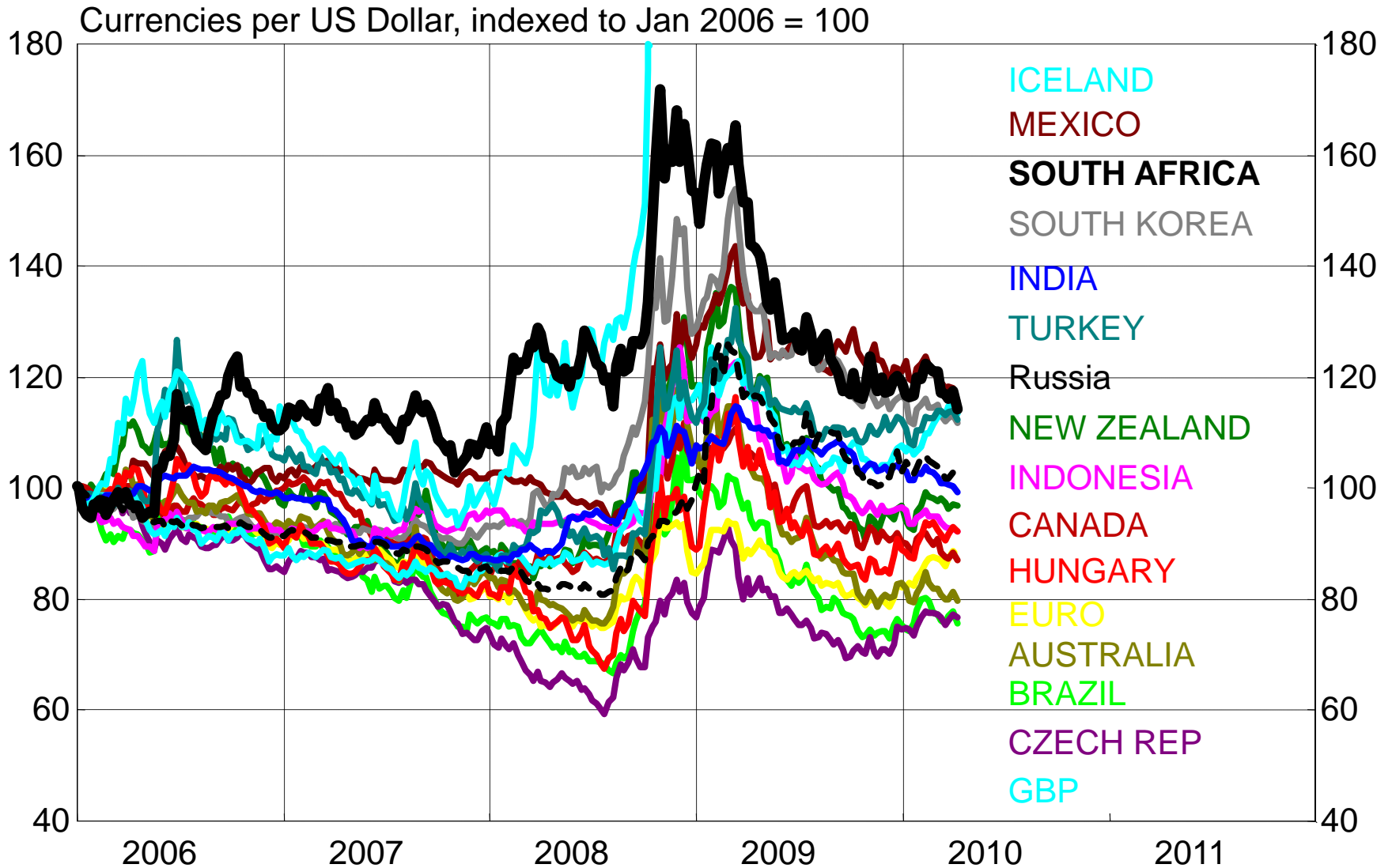
Resource utilisation rates still very low



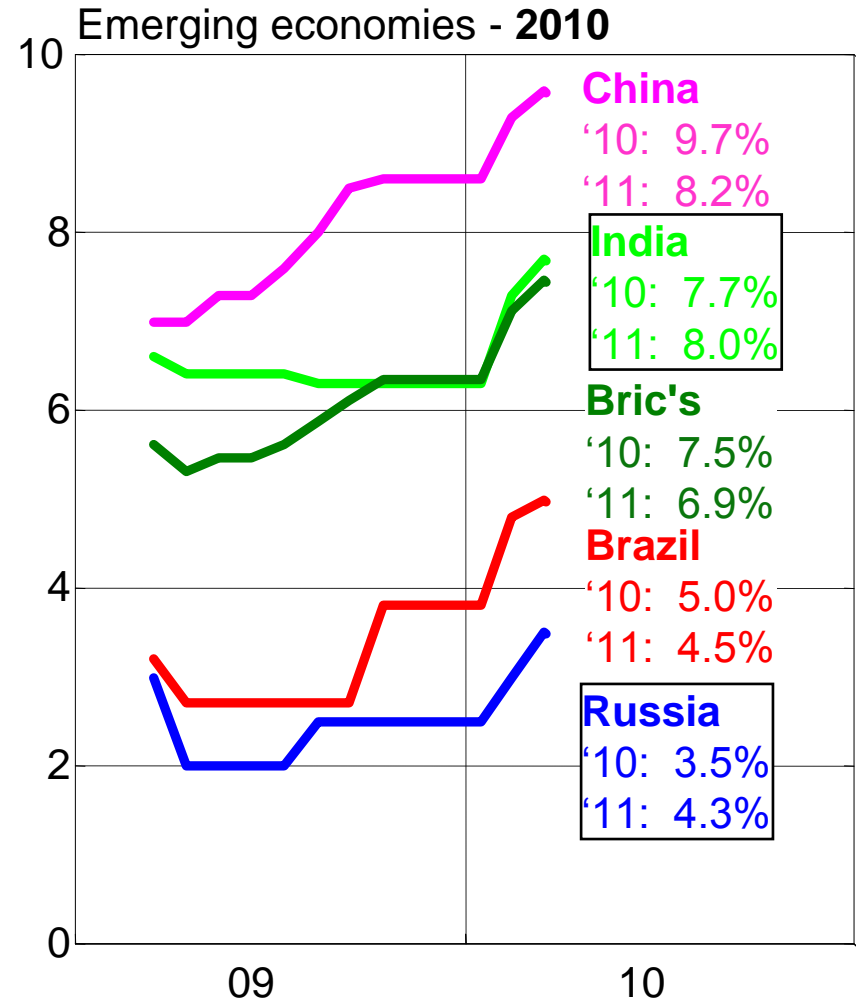
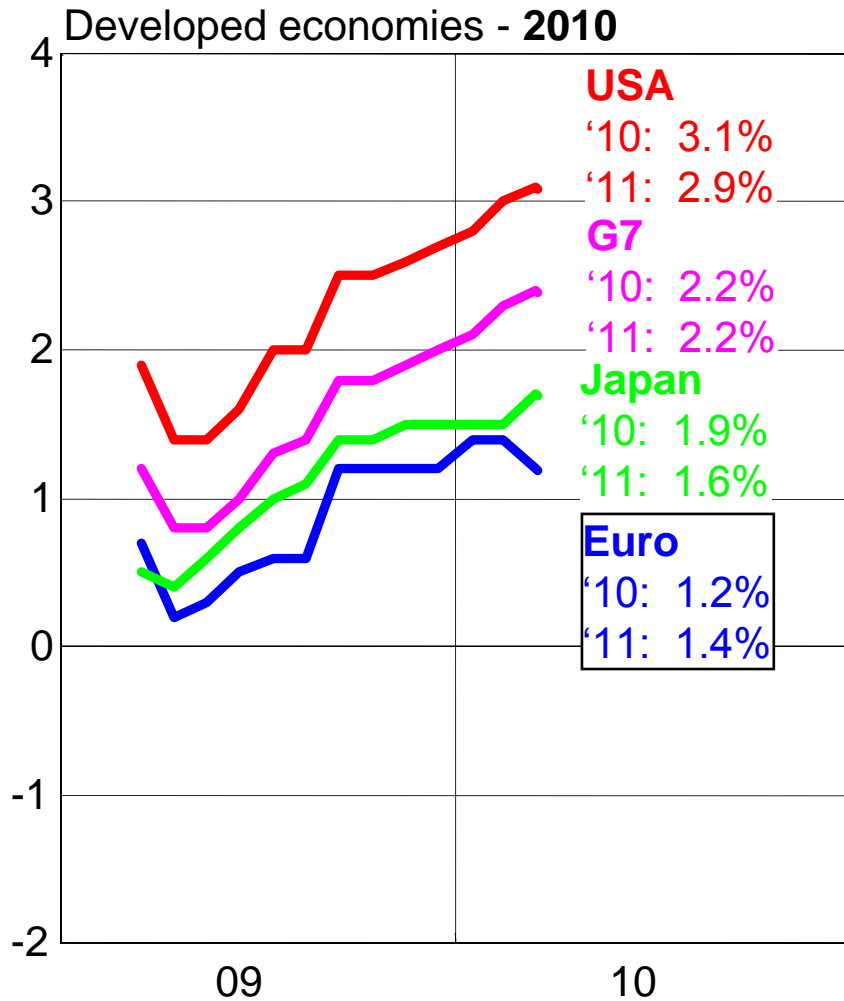
Rates must normalise, but no urgent pressure yet



- Growth surprising on the upside
- But medium-term growth still likely to be sub-par
- Core inflation low and falling
- Policy tightening happening in some areas, but Fed & ECB still on hold
- **Dollar has firmed, EM currencies remain firm**



GDP forecasts for 2010 (Economist survey)

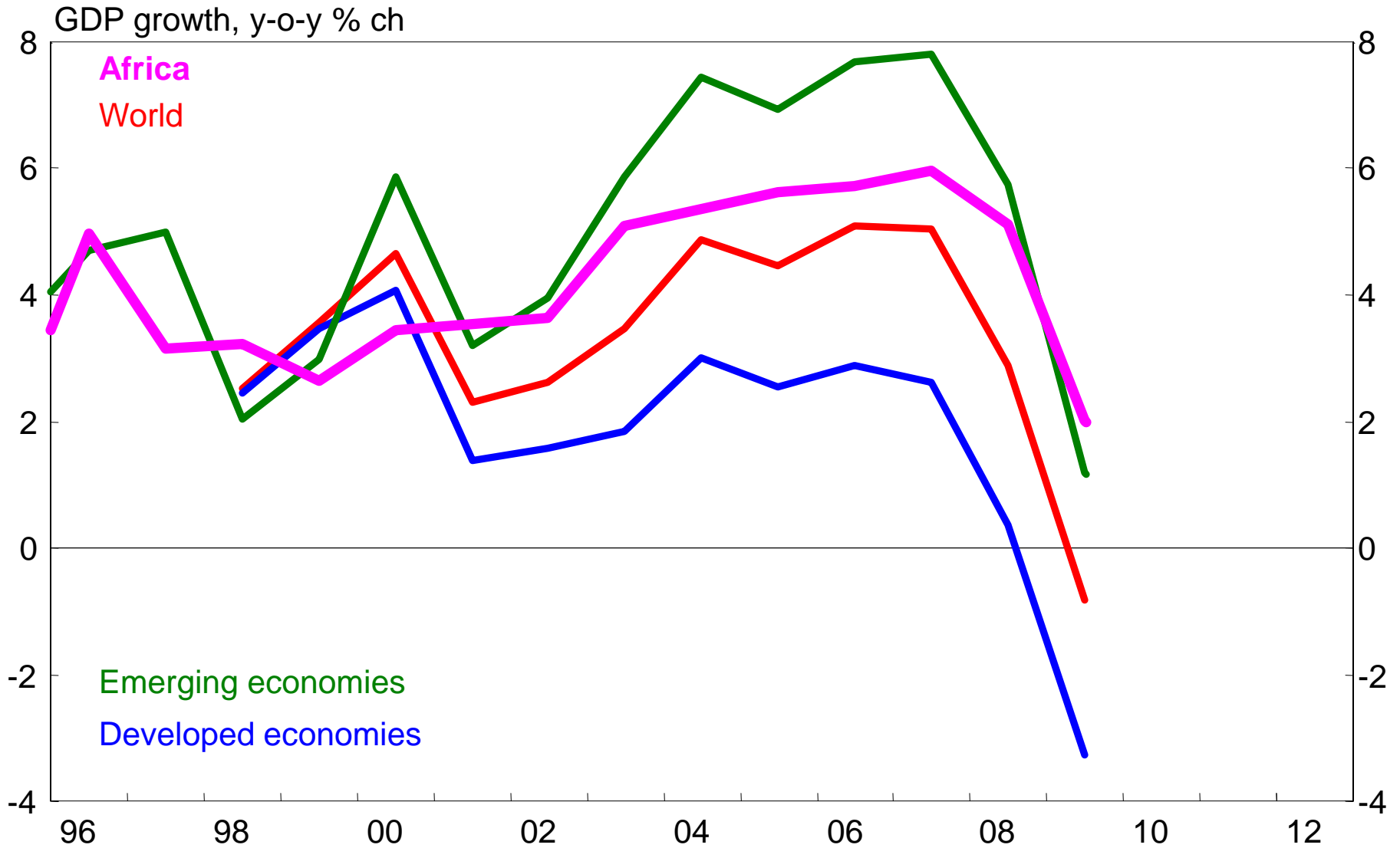


What does Africa look like?

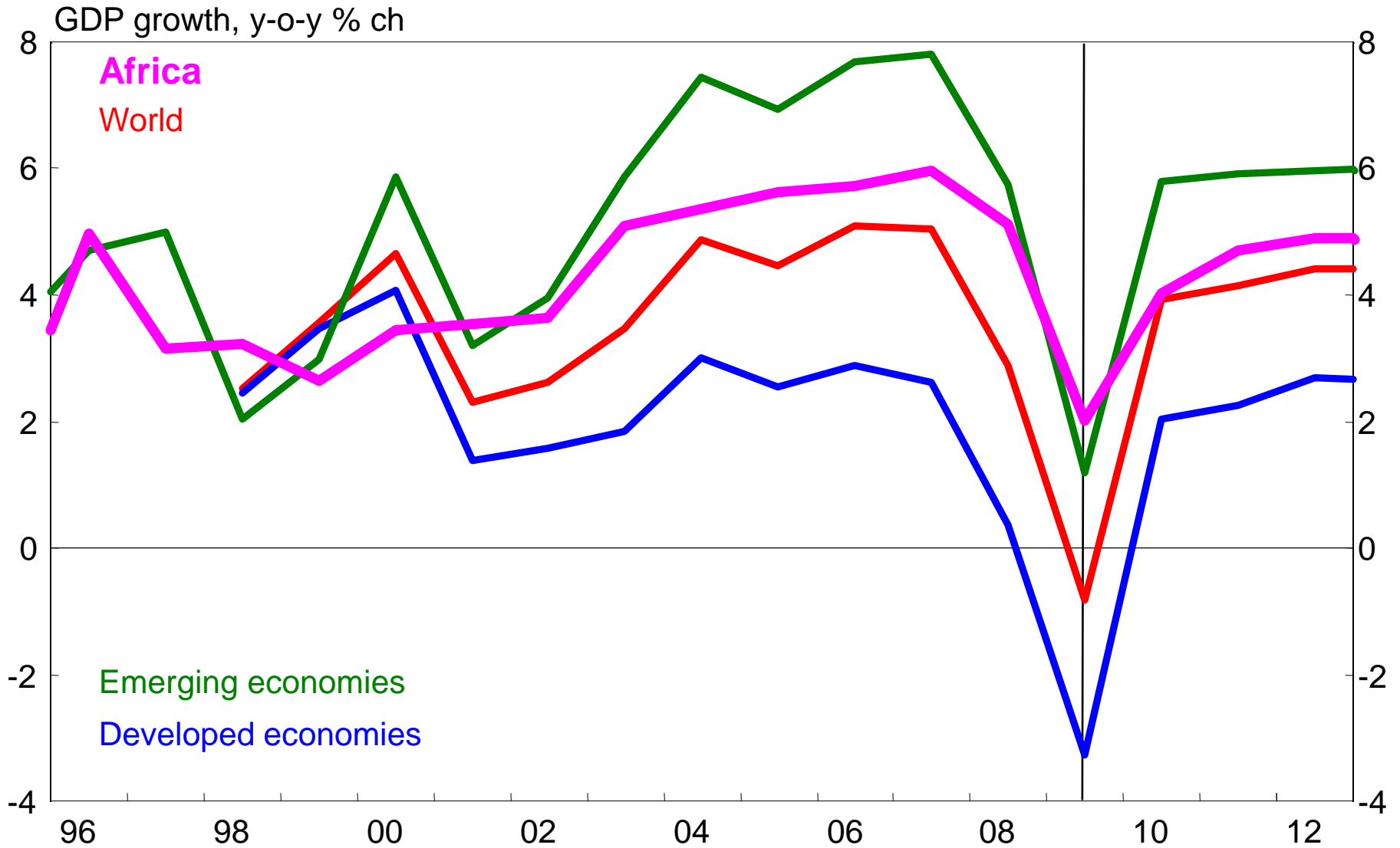
Ten biggest African economies

	GDP (2009, USA\$bn)	Population (m)	Per capita GDP (US\$)	GDP % share of world (2009 PPP)	Avg growth 2001-2009
South Africa	287.9	49.3	5838	0.72	3.6
Egypt	183.7	83	2213	0.66	4.9
Nigeria	167.3	144.4	1159	0.48	6.2
Algeria	154.3	34.9	4421	0.34	6.0
Libya	92.3	6.4	14374	0.14	4.7
Morocco	87.3	32	2729	0.20	4.8
Angola	74.9	16.7	4491	0.16	12.0
Sudan	54.2	42.3	1283	0.14	6.9
Tunisia	39.7	10.3	3866	0.12	4.7
Kenya	29.1	37.2	782	0.09	3.6

African GDP growth vs the World

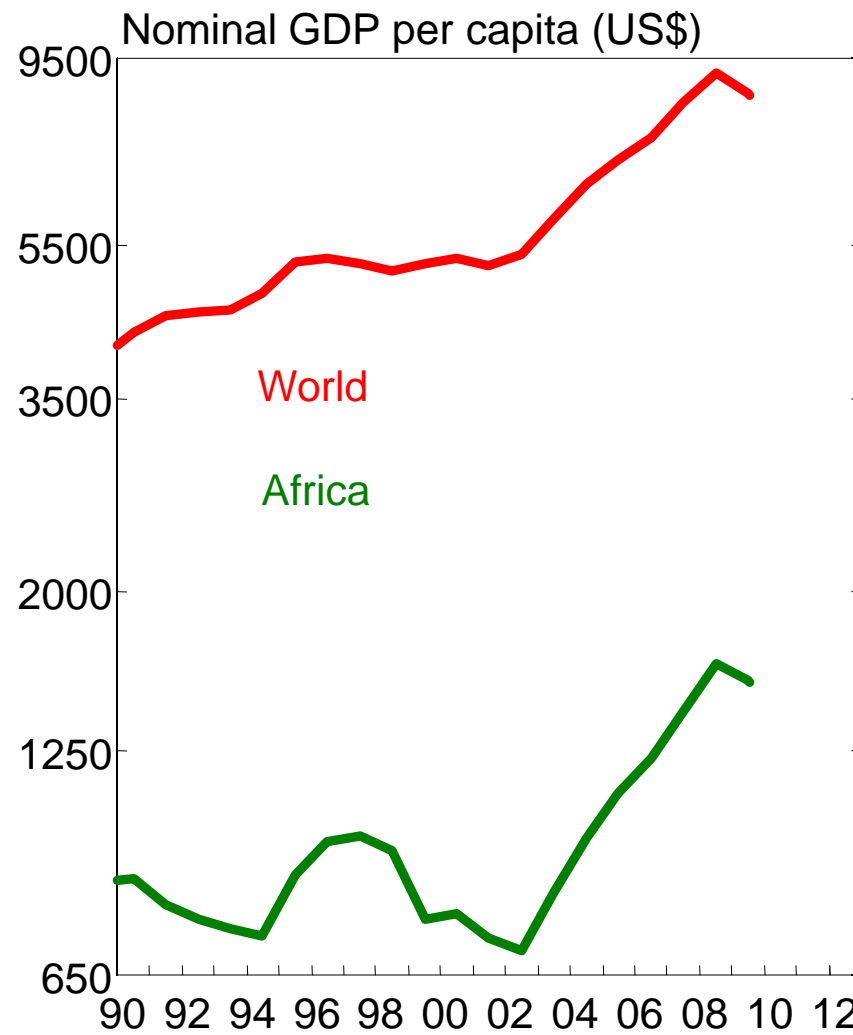
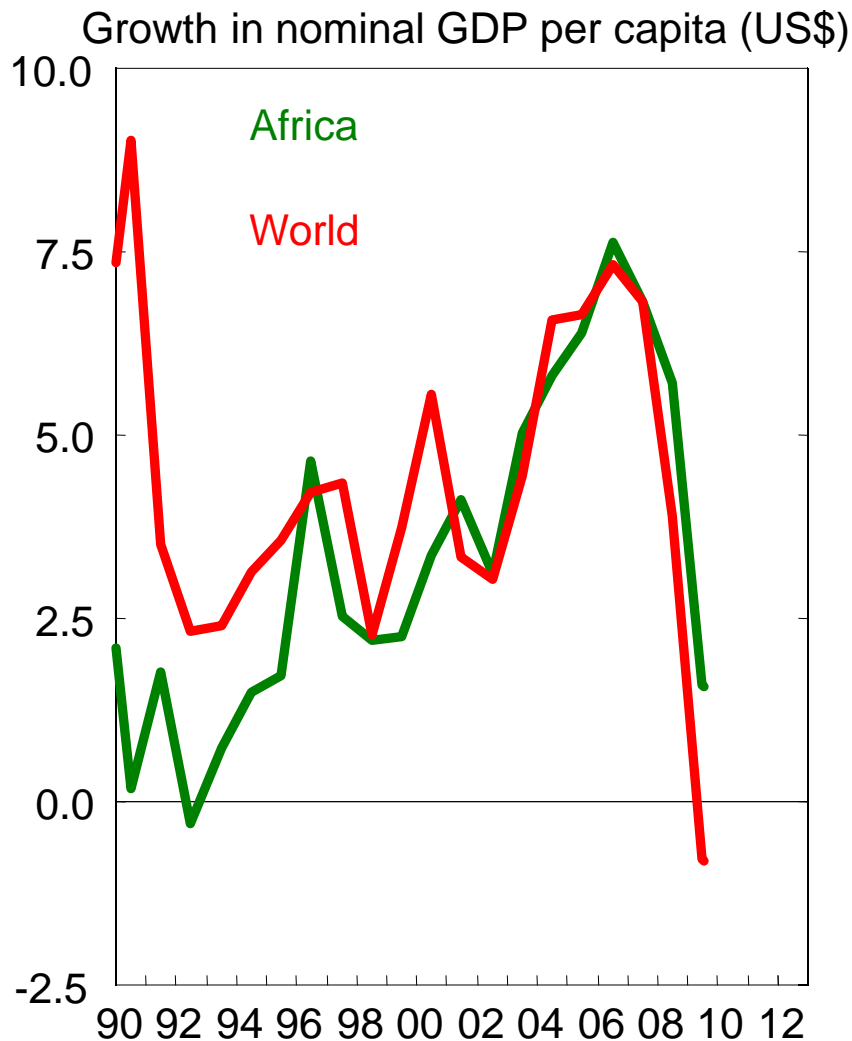


African GDP growth vs the World

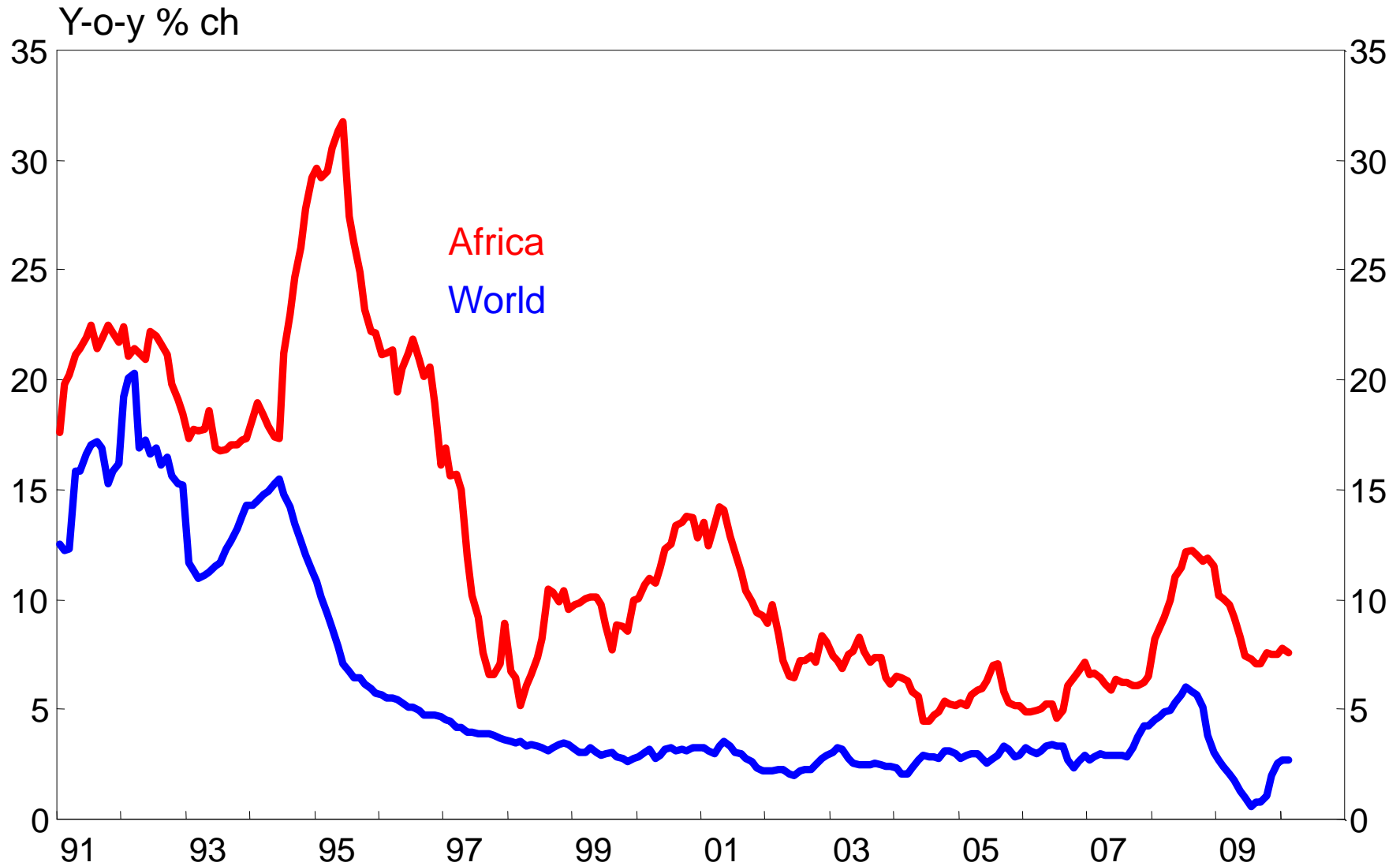


Strong improvement in African per capita GDP

Per capita GDP

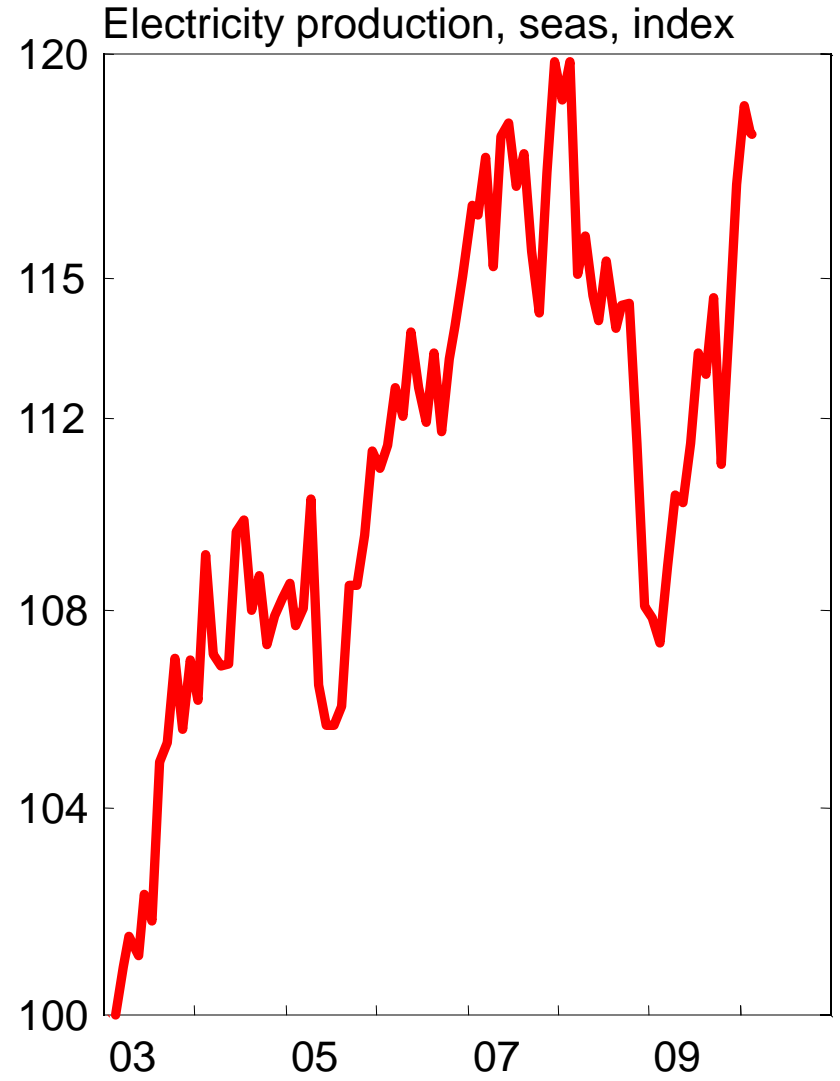
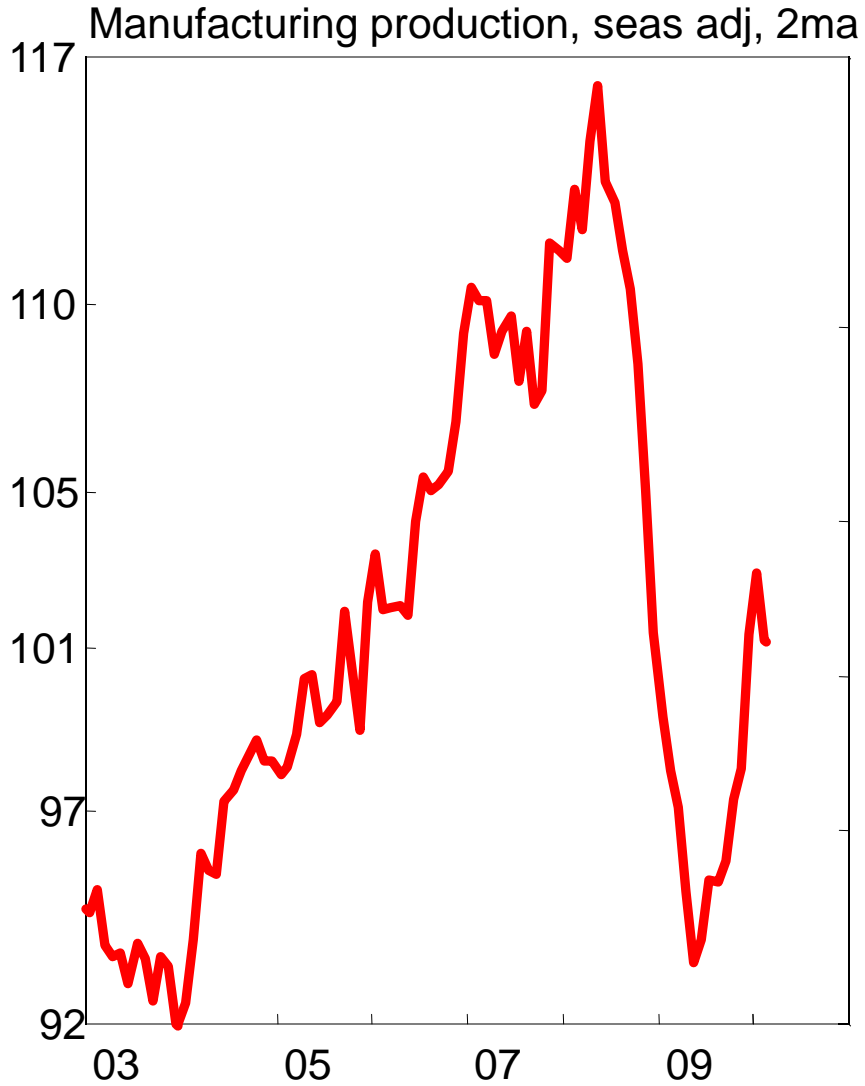


African inflation trending lower, but still above world inflation

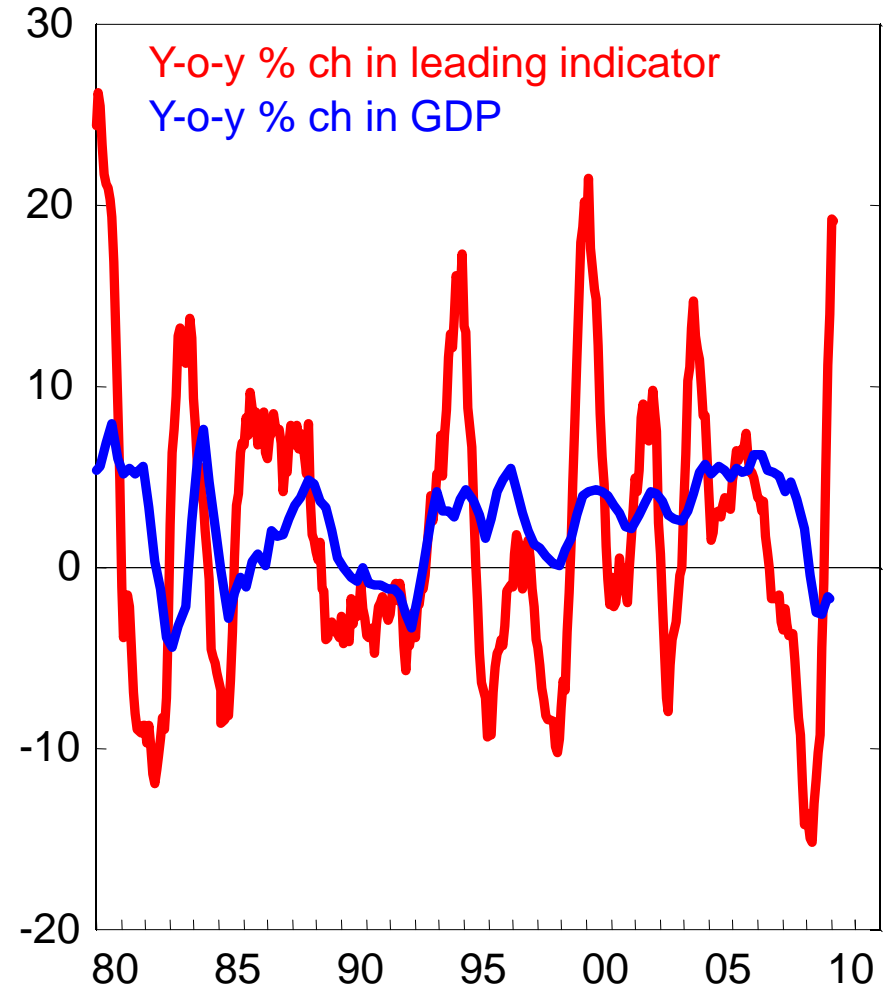
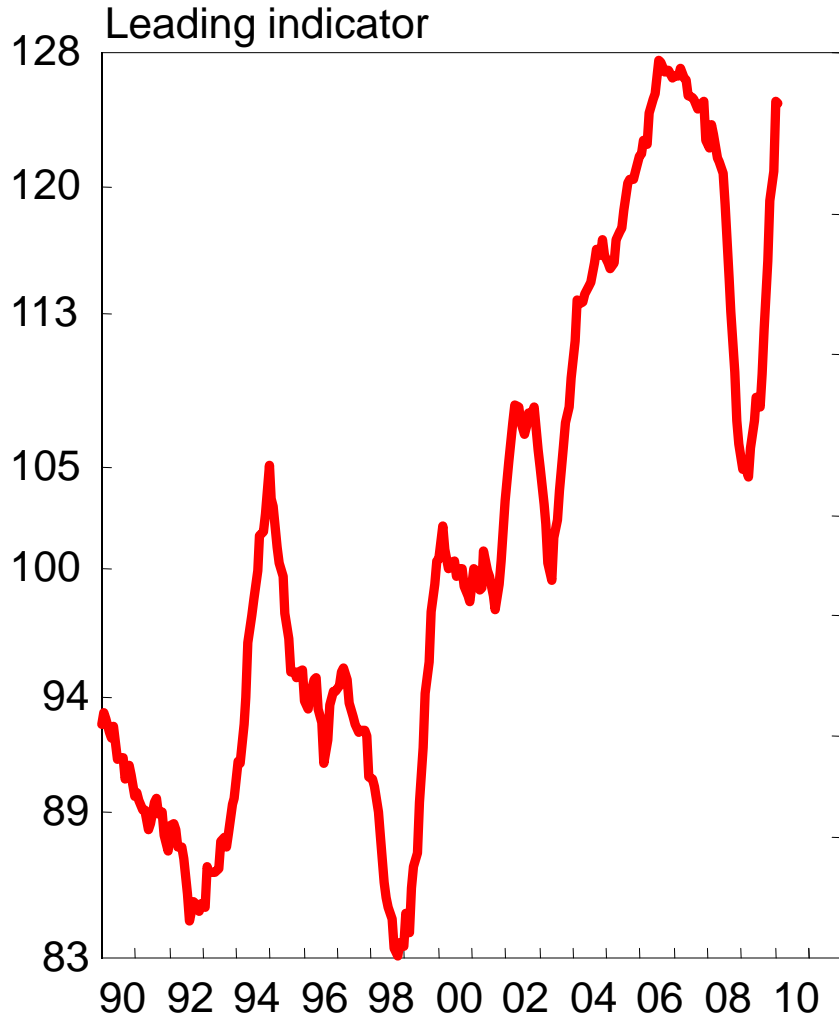


Country	Standard & Poor's	Fitch	Moody's
US	Aaa	Aaa	Aaa
UK	Aaa	Aaa	Aaa
Spain	AA+	Aaa	Aaa
Japan	AA	AA	AA2
Ireland	AA	AA-	AA
Italy	A+	AA-	AA2
Portugal	A+	AA-	AA2
Greece	BBB+	BBB-	A2
China	A+	A+	A1
Botswana	A	-	A2
South Africa	BBB+	BBB+	Baa1
Russia	BBB	BBB+	Baa1
India	BBB-	BBB-	Baa2
Brazil	BBB-	BBB-	Baa3
Tunisia	BBB	BBB	Baa2
Egypt	BB+	BB+	Ba1
Morocco	BB+	BBB-	Ba1
Kenya	B	B+	-
Nigeria	B+	BB-	-
Uganda	B+	B	-
Cameroon	B	B	-

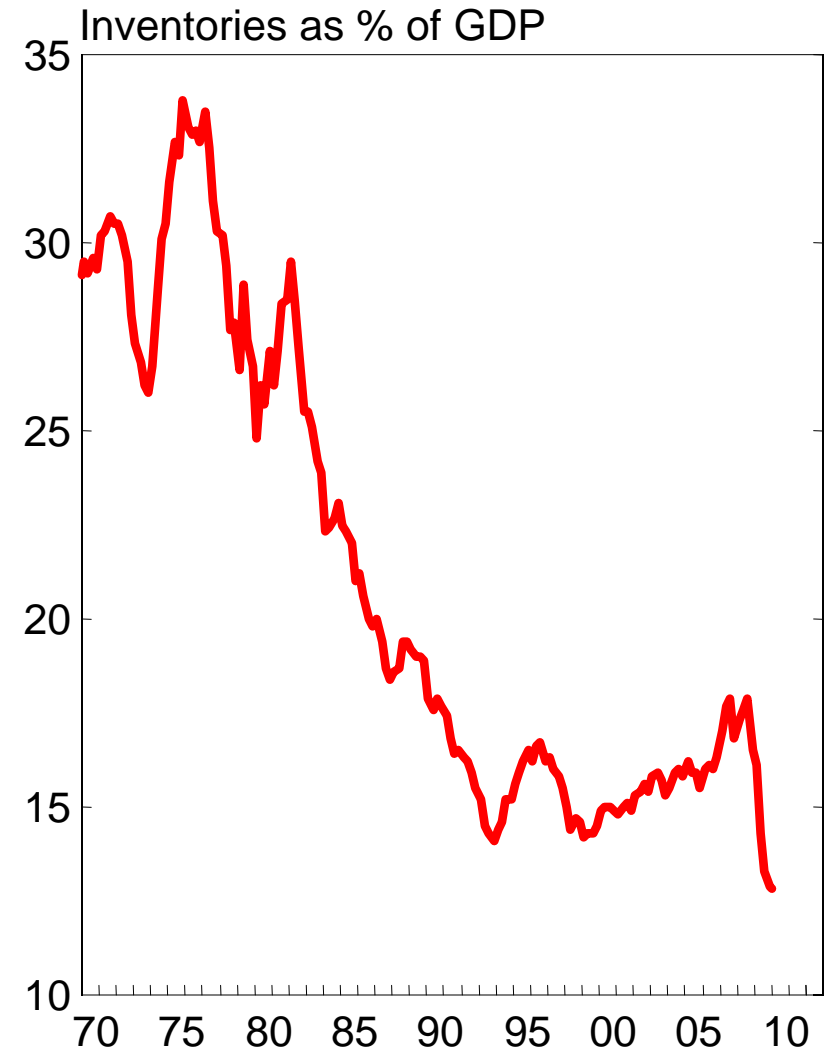
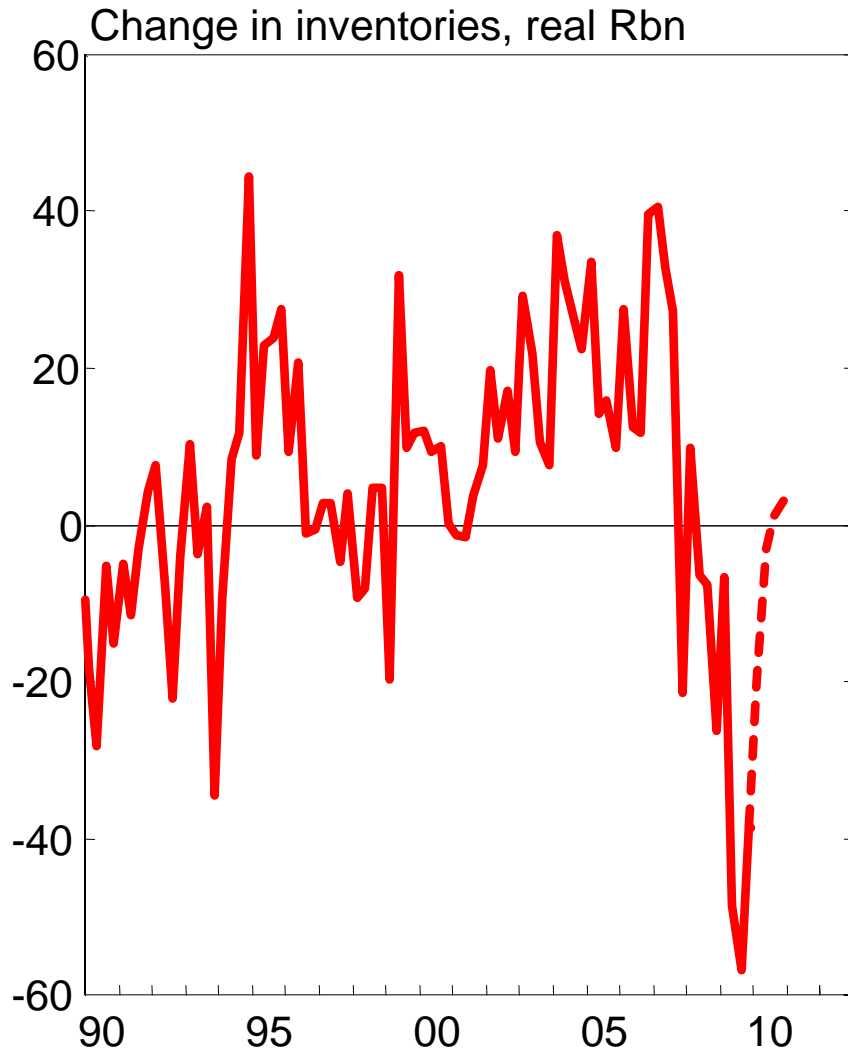
- Economic recovery stronger than expected
- Rand very firm
- Inflation - short term risks to the downside
- Interest rate rates on hold for extended period



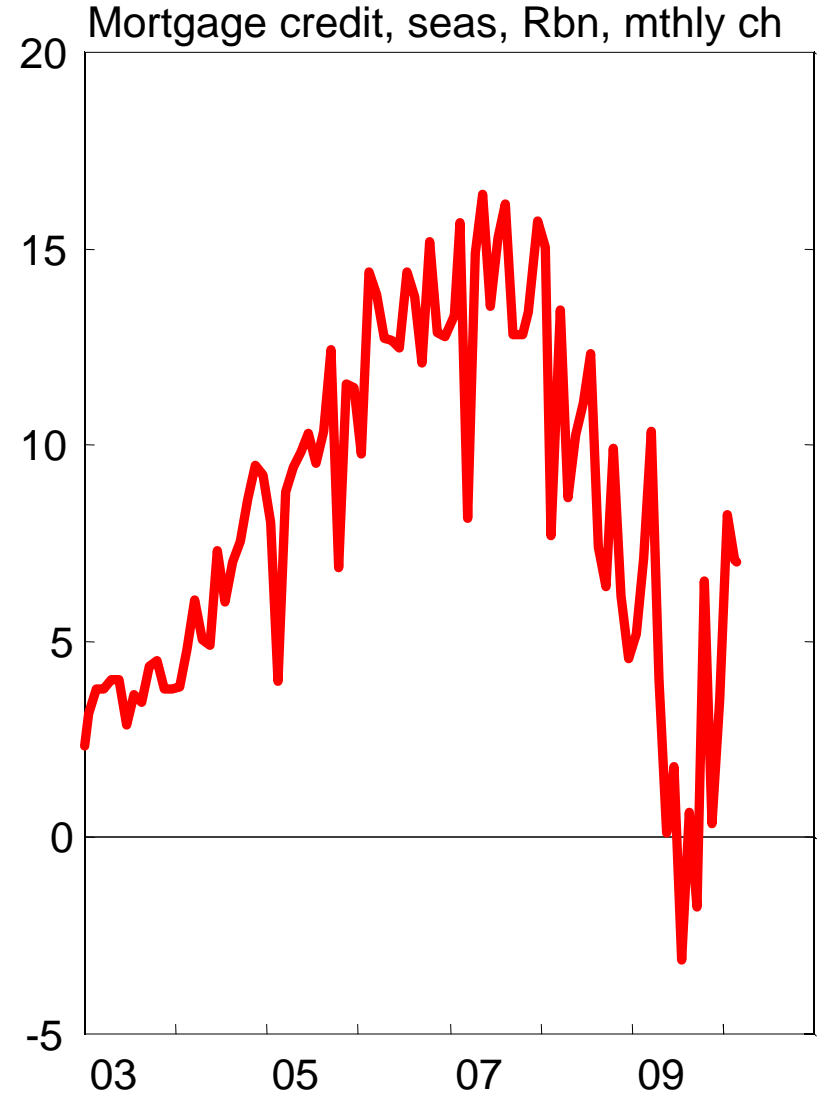
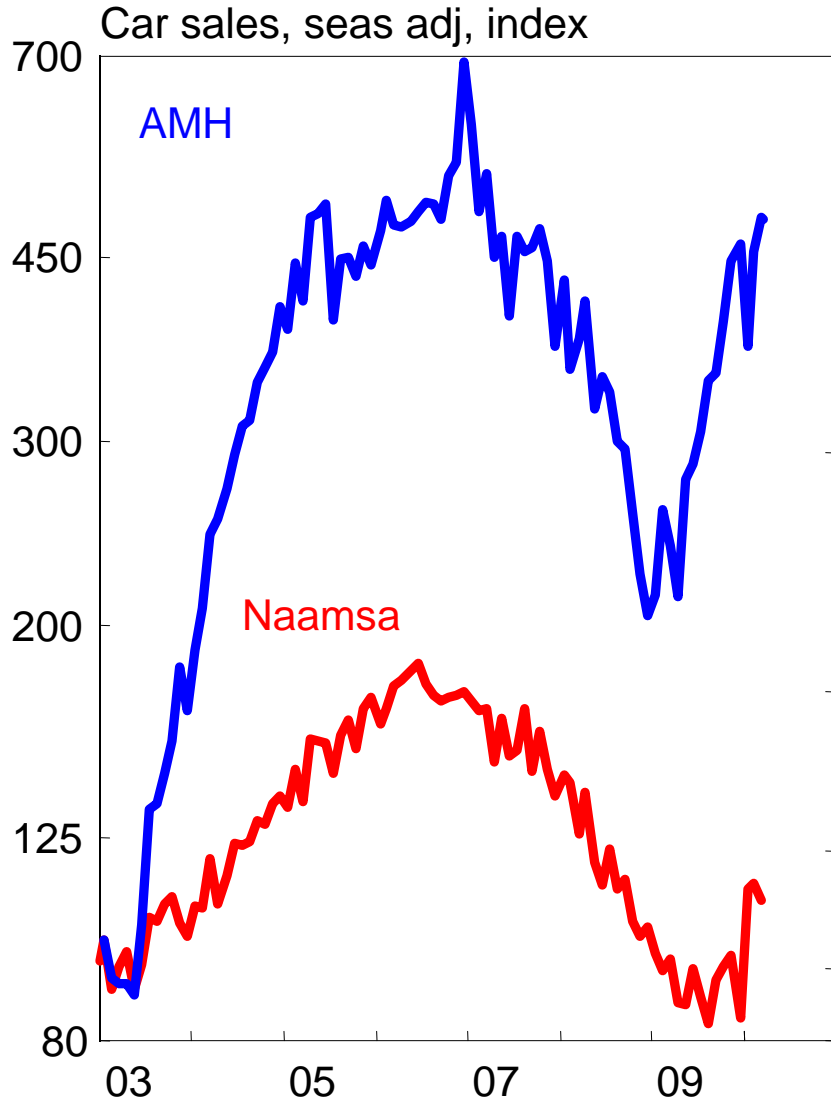
SARB leading indicator



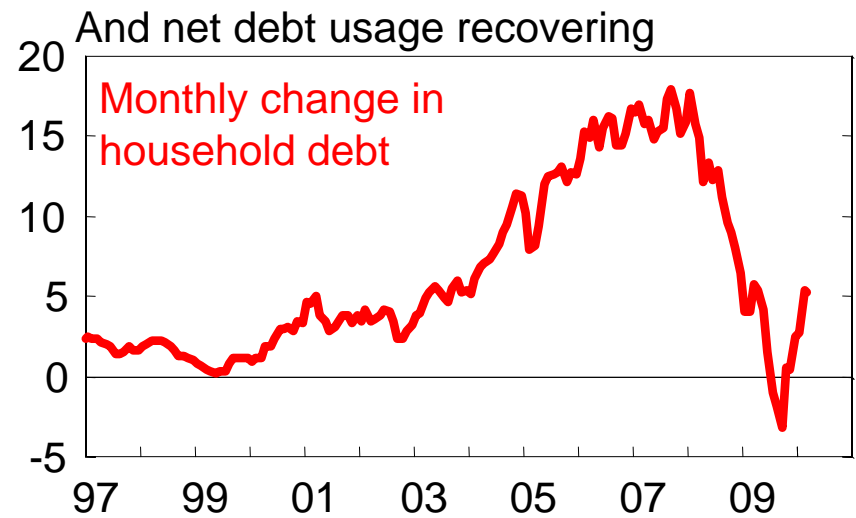
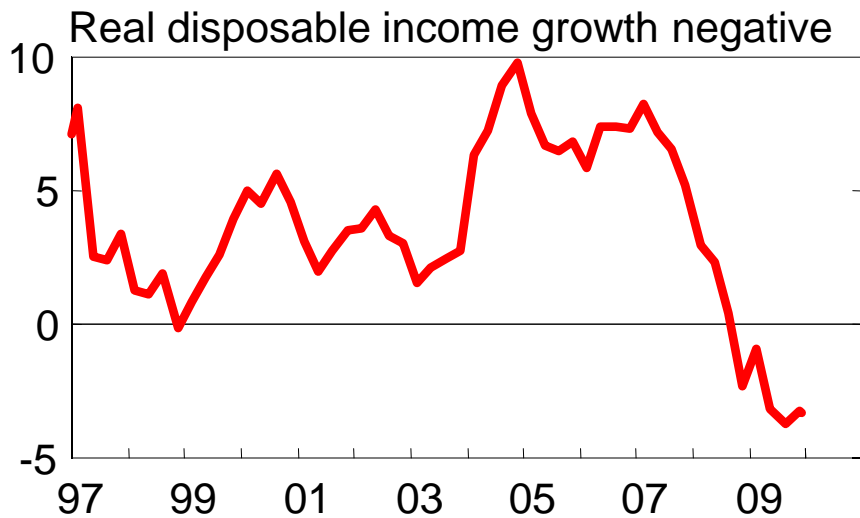
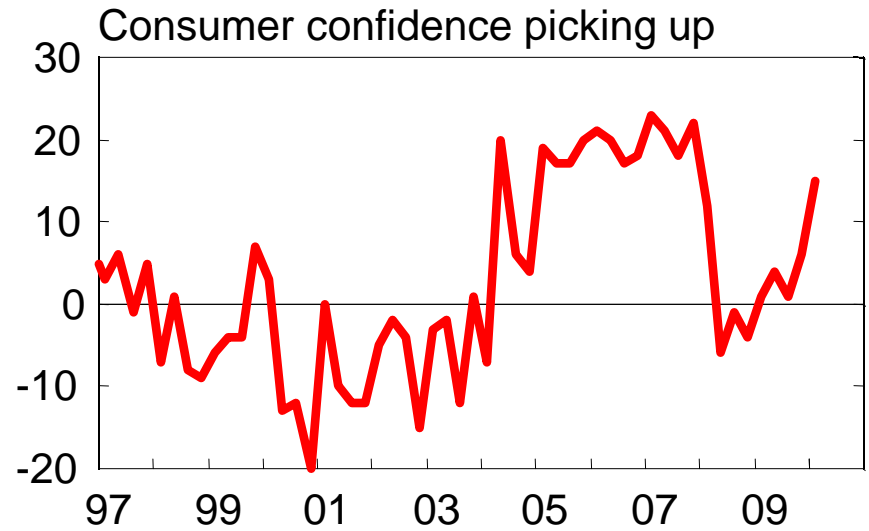
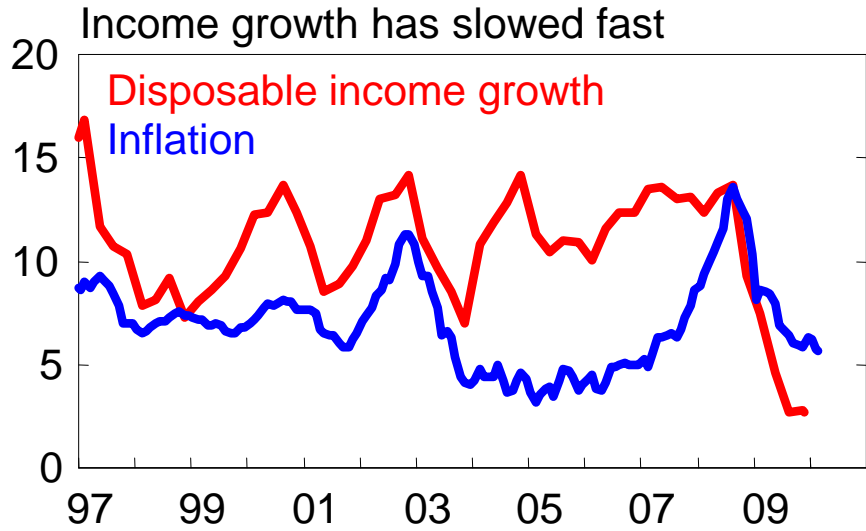
Strong recovery to continue, thanks to inventory cycle



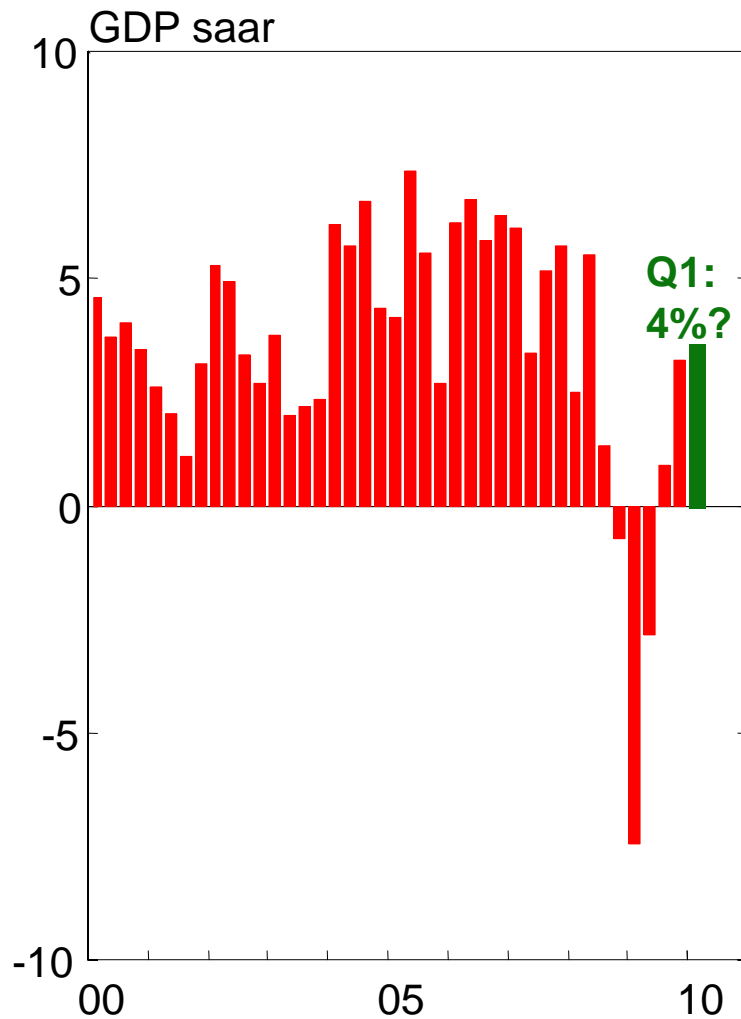
Consumer recovery has started...



... but will likely be slower than previous cycle

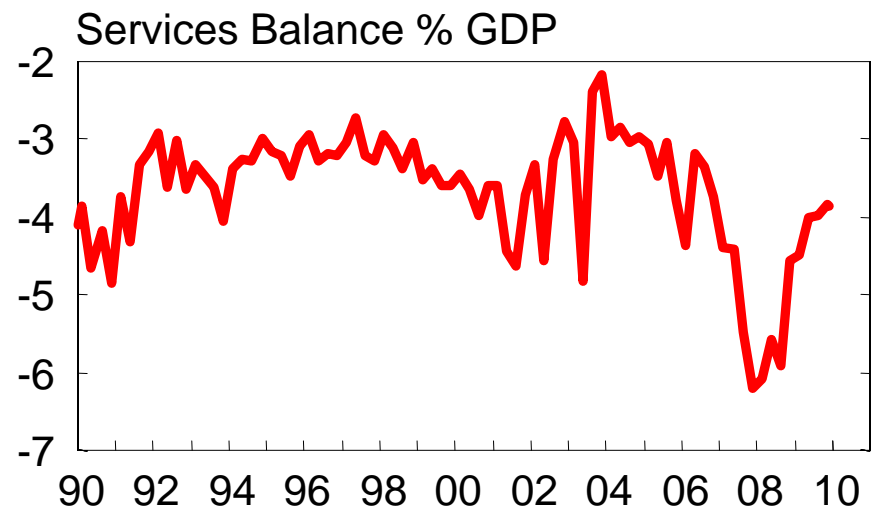
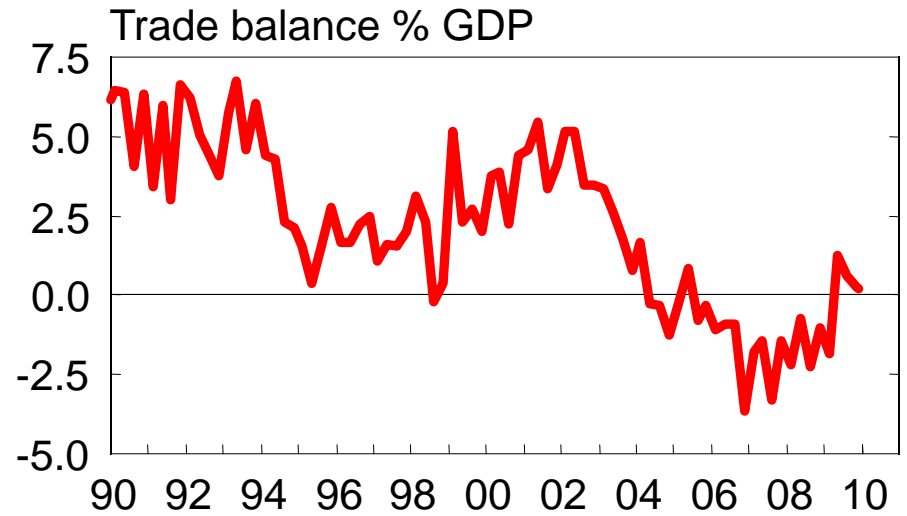
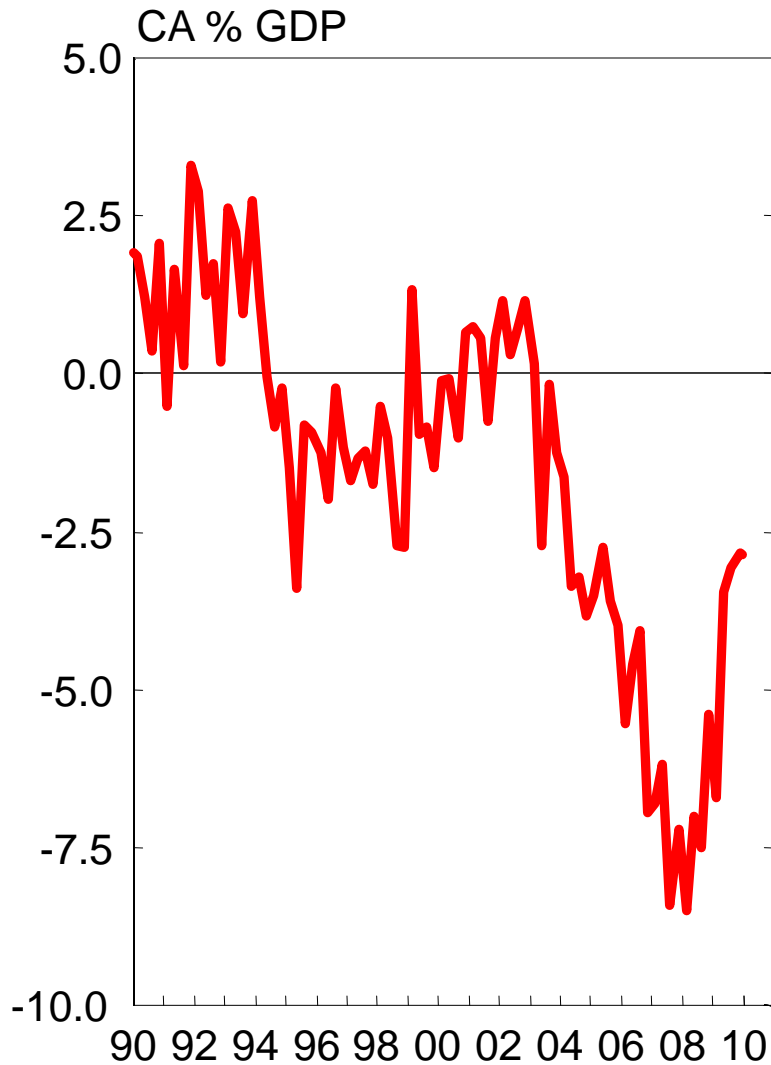


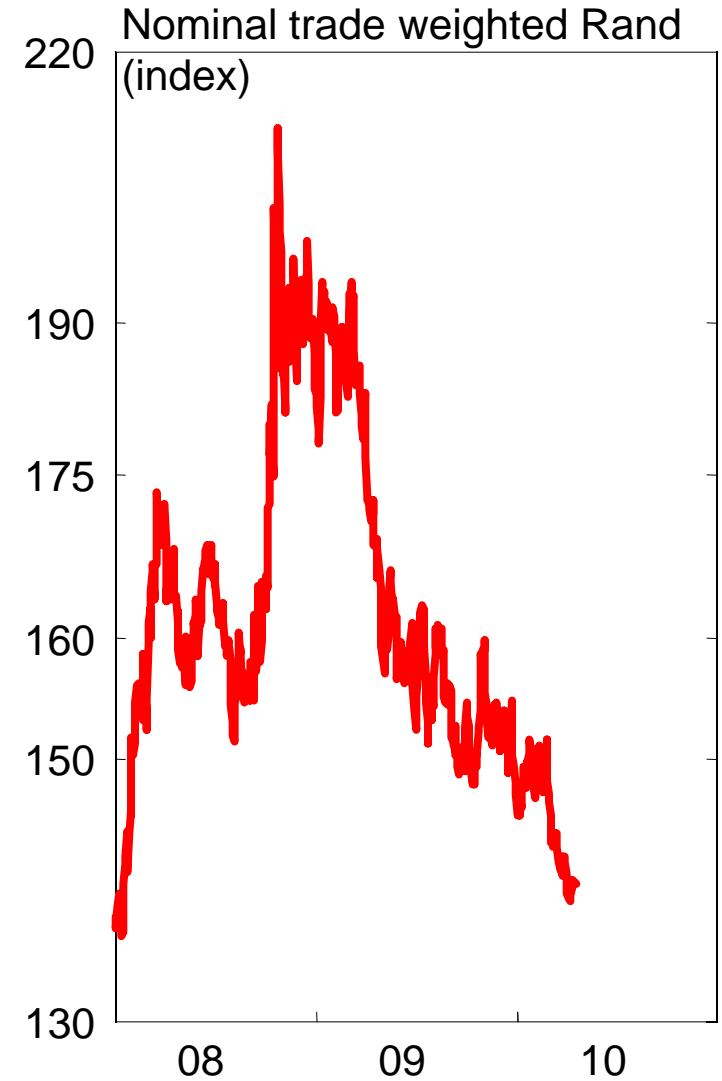
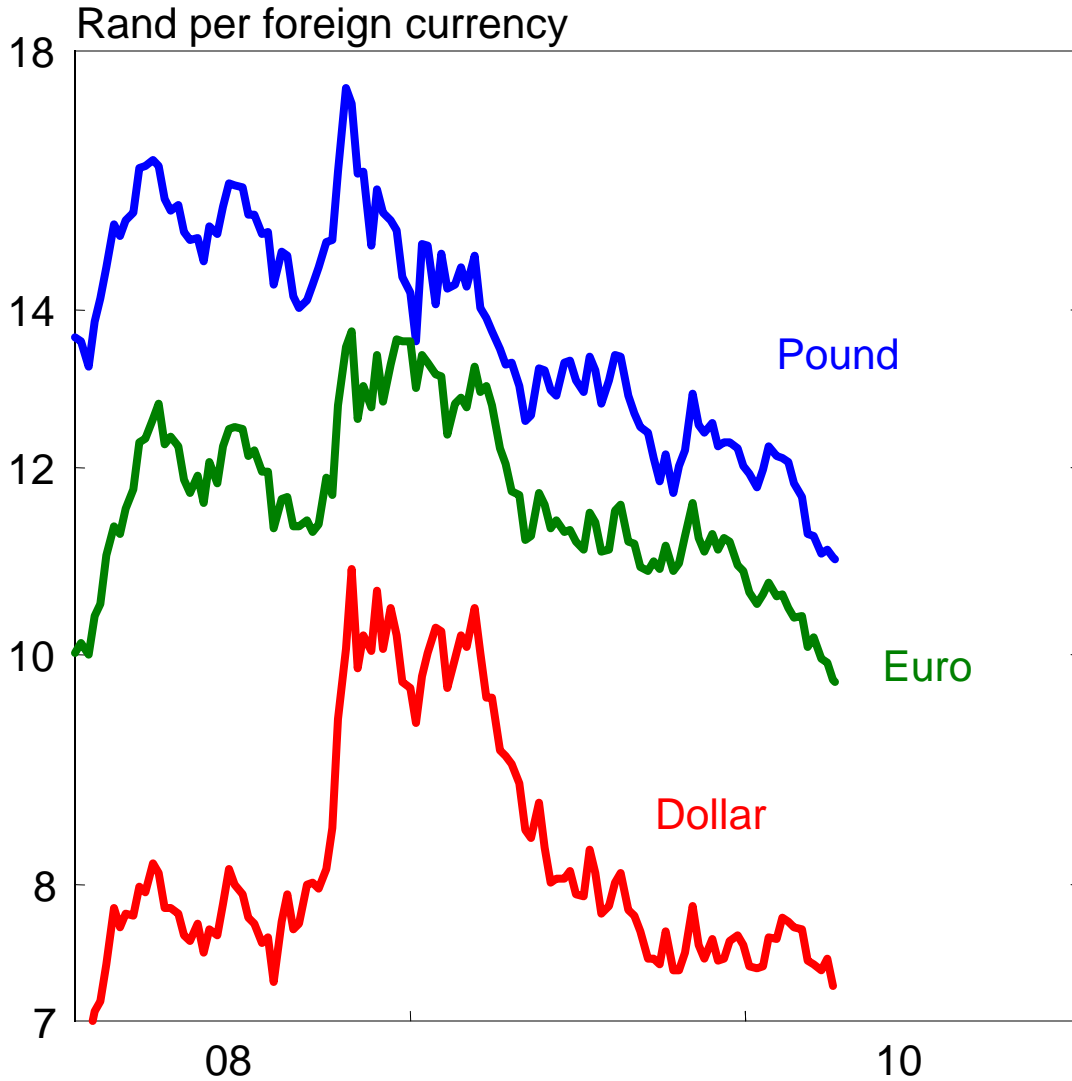
Q1 GDP could top Q4's 3.5%



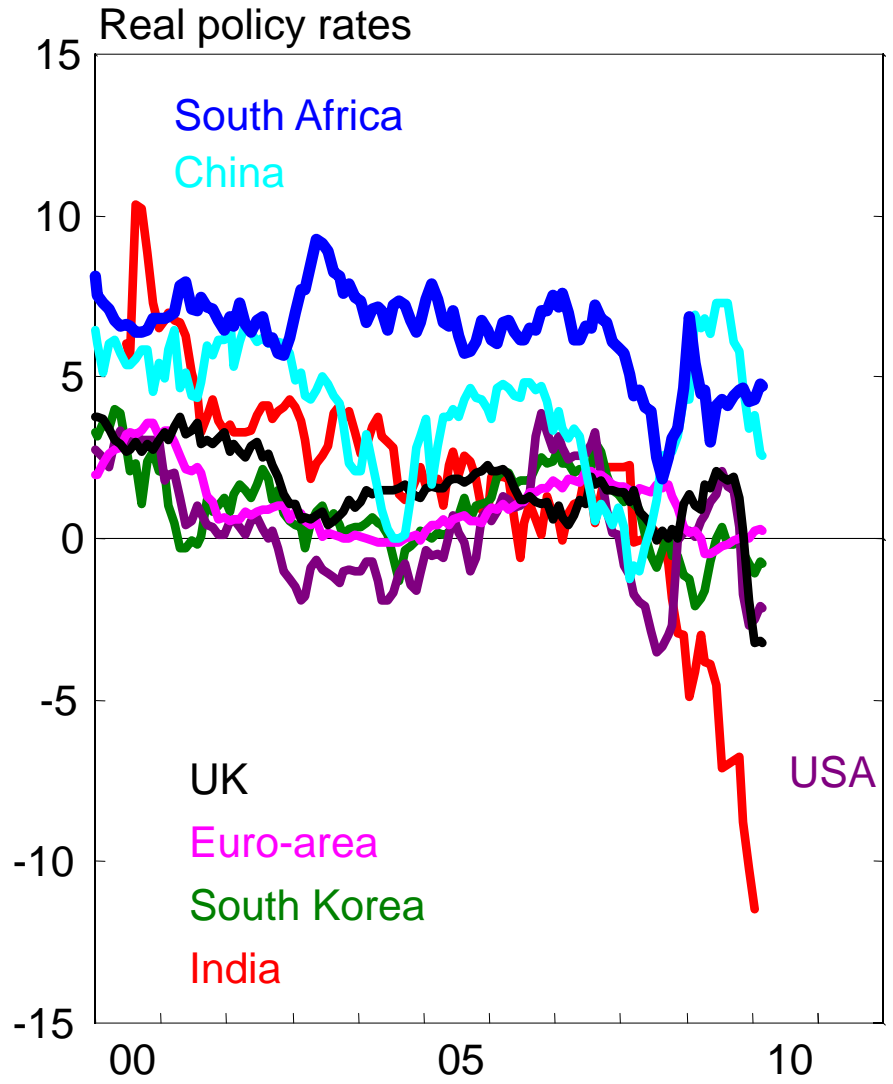
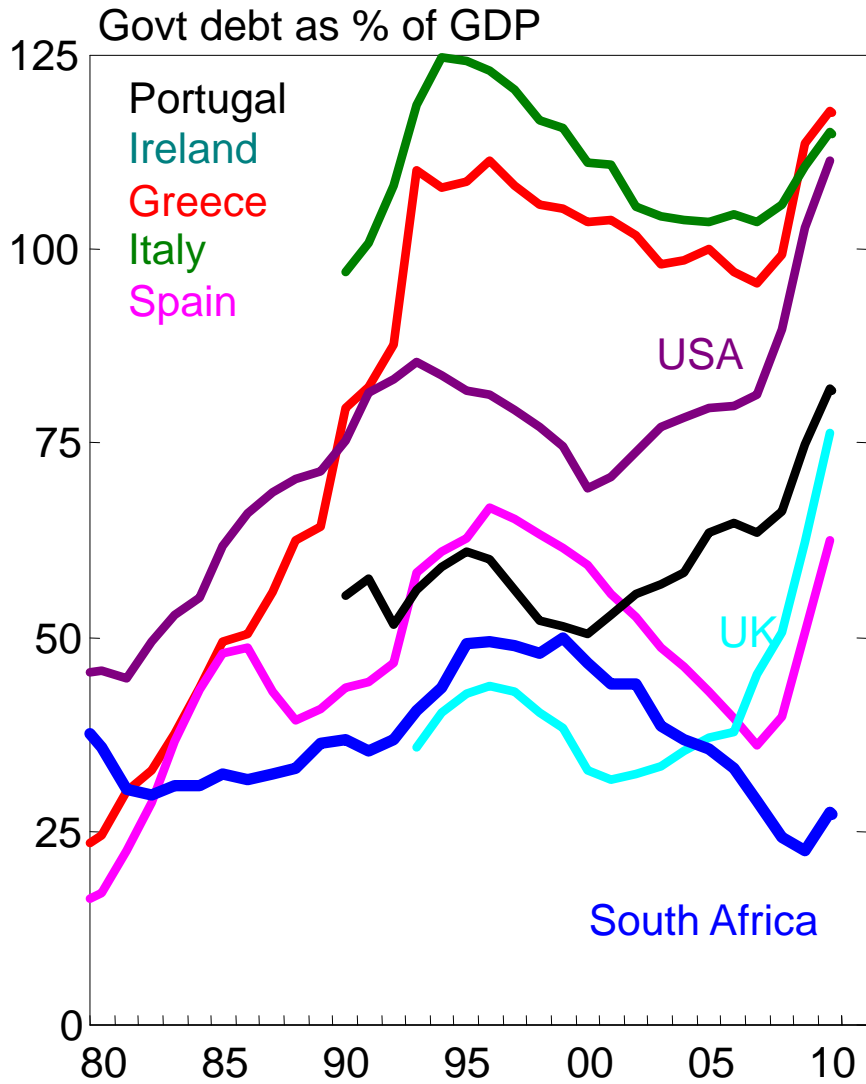
	<i>data edge</i>	Q1	Q4	Q3
Q-o-q saar				
Mining	<i>Feb</i>	12.0	6.2	-1.5
Manufacturing	<i>Feb</i>	3.6	14.4	10.8
Electricity	<i>Feb</i>	16.9	1.3	11.1
Retail sales	<i>Feb</i>	15.5	-3.8	-0.8
Car sales	<i>Mar</i>	117.0	20.1	-7.1
Commercial vehicle sales	<i>Mar</i>	59.3	0.0	42.9
Consumer credit extended	<i>Feb</i>	3.7	1.2	-1.8
Corporate credit extended	<i>Feb</i>	-1.4	-5.8	-0.2
Factor cost GDP		+ -4%?	3.5	1.4

Current account has improved markedly...

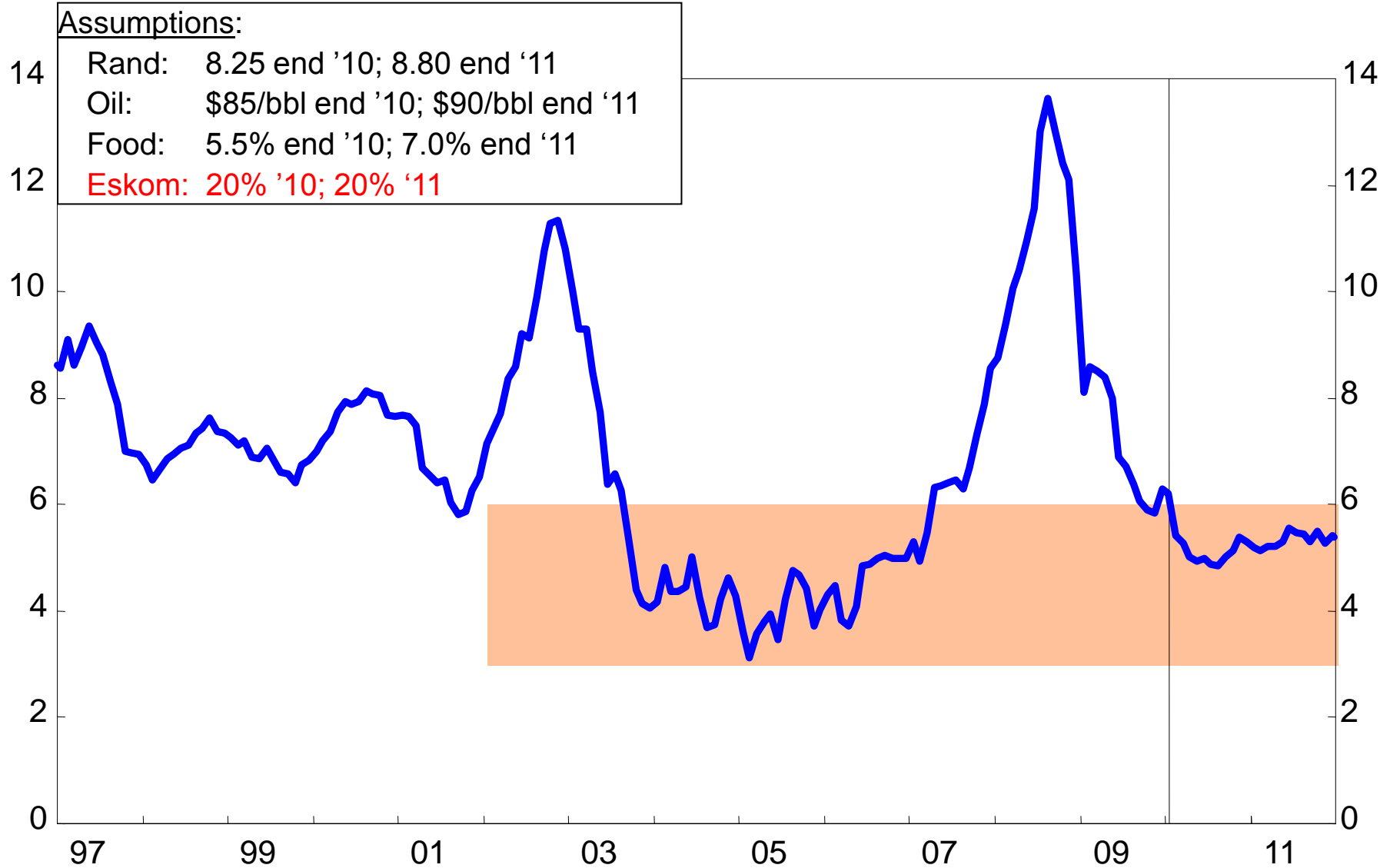




Thanks to healthy fundamentals

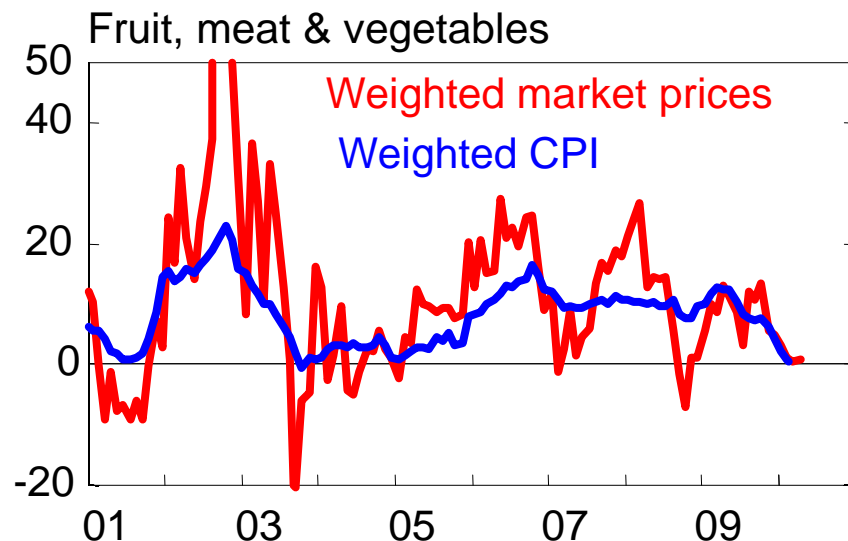
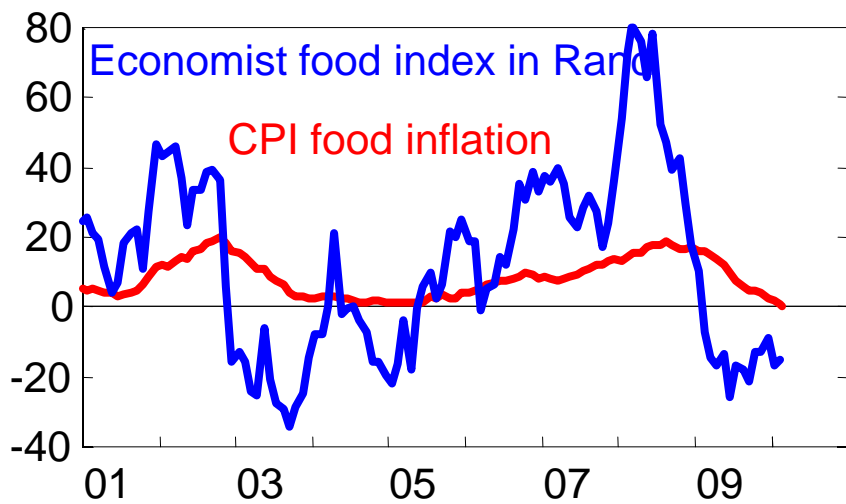
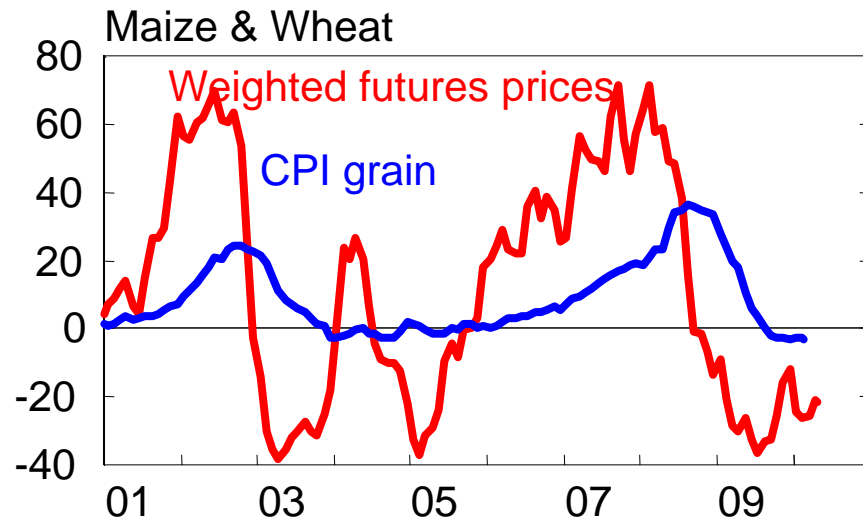
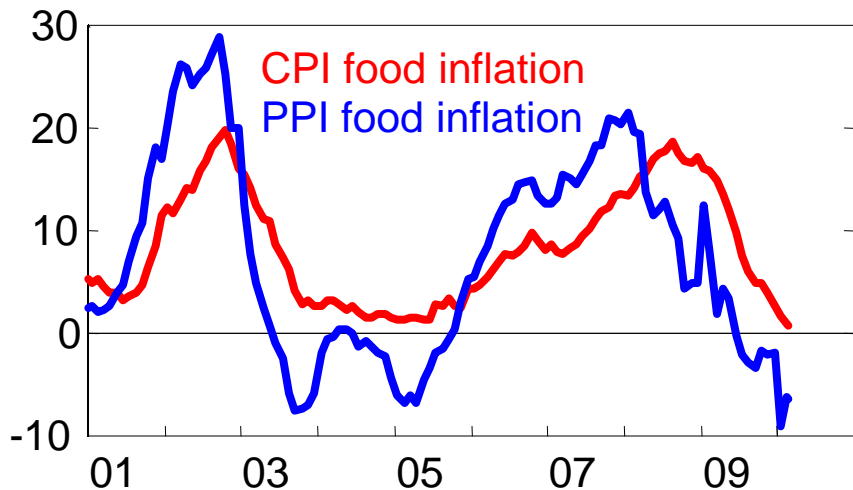


Inflation may dip below 5% in short term, but in upper half of target range medium term

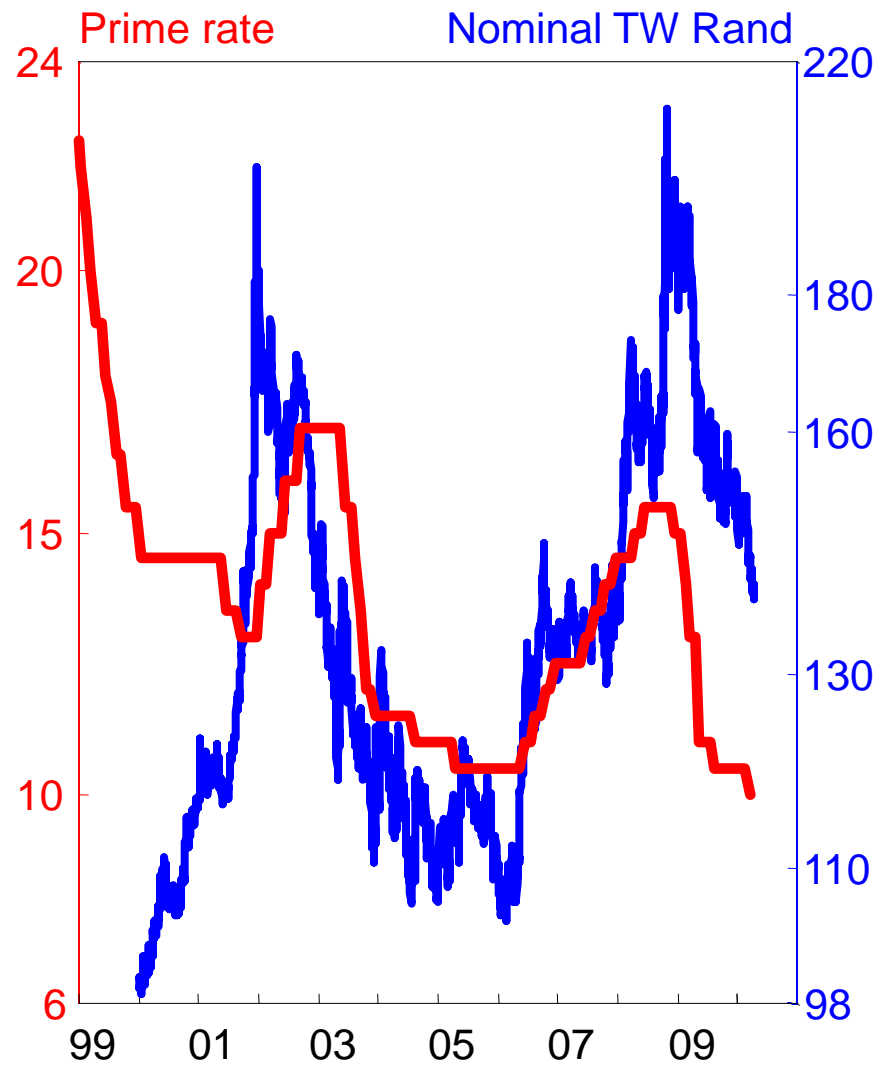
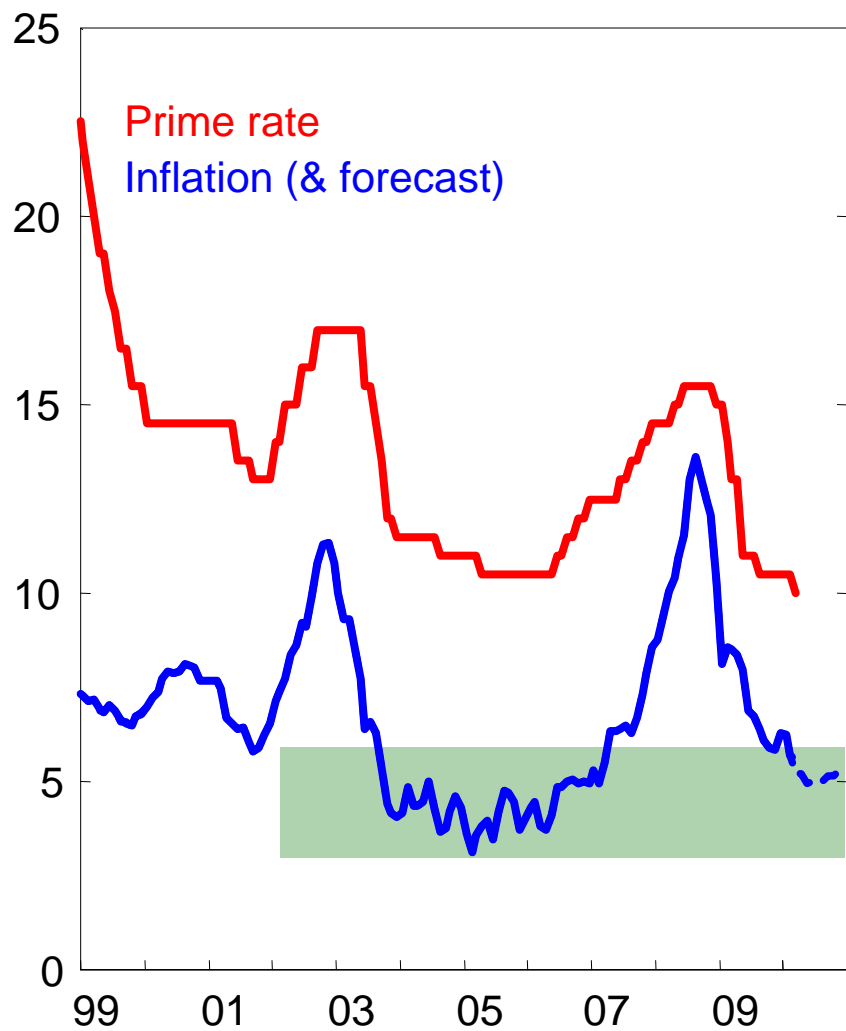


Food inflation drifting lower

Y-o-y % change



Interest rates likely flat for extended period, but another cut cannot be ruled out



- Economic recovery gathering momentum
- Short-term inflation outlook still OK (medium-term less so)
- Current account OK for now, but strong ZAR holds some risks
- ZAR firm, still expect some weakening in H2

SA Macro forecasts for 2009-2012

<u>Indicator</u>	<u>Avg 94-03</u>	<u>Avg 04-07</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
HCE	3.5	6.6	6.1	8.3	5.5	2.4	-3.1	1.5	3.5	3.5
GFCF	5.1	12.5	11.0	12.1	14.2	11.7	2.3	0.5	5.0	5.0
GDP	3.0	5.2	5.3	5.6	5.5	3.7	-1.8	3.5	4.0	4.0
C/A : GDP	-0.7	-4.8	-3.5	-5.3	-7.2	-7.1	-4.0	-4.5	-5.0	-5.5
R/\$: y/e	6.36	6.46	6.33	7.04	6.85	9.39	7.40	8.00	8.80	9.40
Target CPI : y/e	7.4	5.5	4.0	5.0	8.6	10.3	6.3	5.3	5.4	5.7
Prime : y/e	16.88	12.13	10.50	12.50	14.50	15.00	10.50	10.00	12.00	12.00

updated : 01.04.2010