EFFICIENT GROUP Weekly Economic Newsletter

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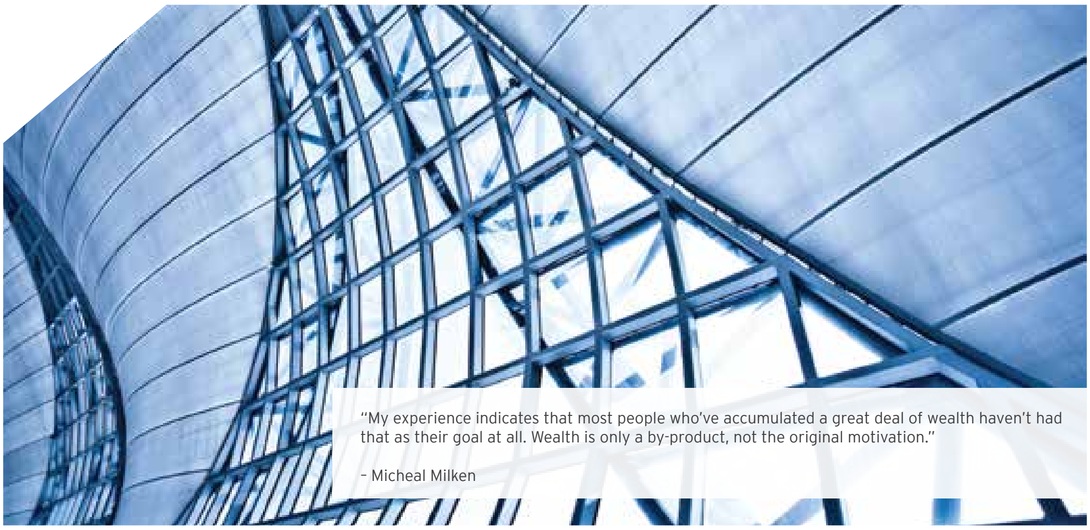

ECONOMIC COMMENTARY - By Francois Stofberg

Last year China reported growth of 6.9%, their lowest recorded level for the last quarter century, but still a tremendous feat I think very little people appreciate, even though they tweaked the numbers in their favour. China's new target is an average of 6.5% annual growth for the next five years, as they attempt to transition from a developing (investment and export-orientated) economy to a developed (service and consumer driven) economy. Chinese bureaucrats however, are still optimistic about growth for this year, explaining that those who believe China is heading towards a hard landing are severely mistaken. Critics believe that the slowdown we've seen from China over the last couple of years will persist, and now be dragged even lower as a result of lower global growth estimates.

In the end, a slower growing Chinese economy will mean we will have to find new places to send our export commodities to. Unfortunately, it seems as though the global demand for these commodities have come under pressure, as a result of a stronger US$ and lower growth. In these instances, a diversified export bundle would have helped, unfortunately this is something that can only be changed on a macro-scale by supporting policies from an efficient government, over a long term.

Last week, through all the confusion on the markets, was definitely one for the banks (and perhaps even for resources, although I believe it will be short lived), and it seems as though Standard Bank came out ahead. The bank reported an increase in return on equity (a measure of profitability) of 15.3%, and the group reported a 27% increase in headline earnings. With respect to some other local banks, concerns are still mounting around the decision of Barclays Bank Plc to decrease their stake in Barclays Africa (formerly ABSA Group Limited). Also, Old Mutual have rekindled talks about radical restructuring, which some believe includes the possibility of dividing the company into stand-alone companies. However, unlike the move from Barclays to get rid of their African holdings, Old Mutual's move seems to originate from a desire to cut unnecessary costs, like having its headquarters and dual-listing in London.