EFFICIENT GROUP Weekly Economic Newsletter

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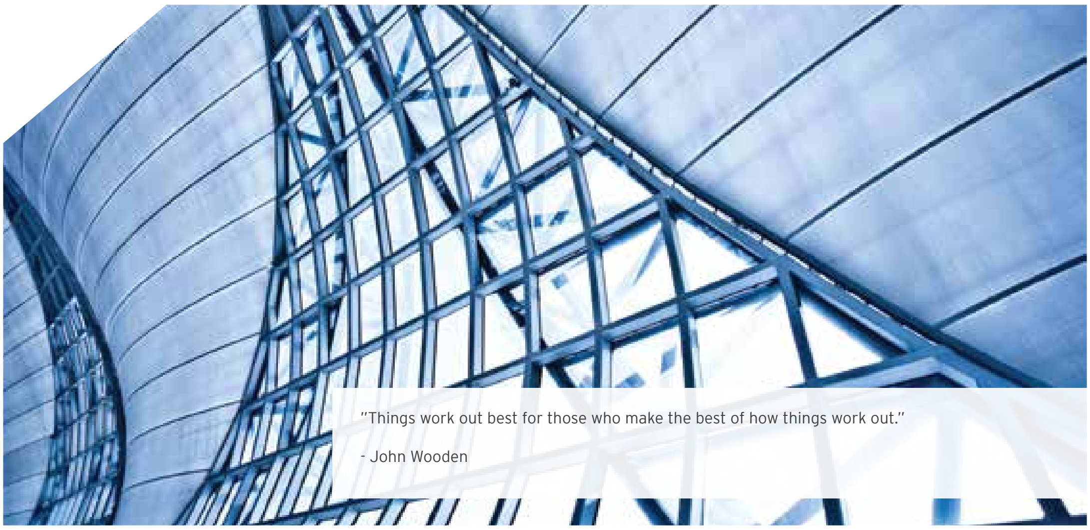
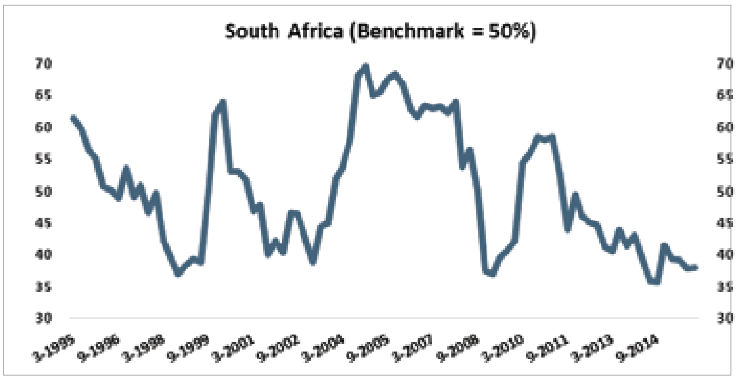


ECONOMIC COMMENTARY - By Francois Stofberg

This week's newsletter might be a bit more technical than it usually is, but we did some interesting work you might like. When economists consider the economy, we have to our disposal many different macro-economic variables to consider: gross domestic product (GDP), GDP per person, industrial production (IP), foreign direct investment (FDI), unemployment, consumer & producer inflation, interest rates, money supply, external & government debt, and the list goes on and on. Our task is then to consider all these variables, to try and string them together, and then interpret their likely meaning and impact. What makes it even more difficult is that these variables are always changing, and that any change, feeds back into a previous assumption.

What we did was to consider 20 of the most prominent macro-economic variables that impact South Africa's economy, over a 20-year period. Each quarter's value, of each variable, is then compared to that variable's 20-year average. If a quarter is above the average, the quarter "passes", if not the quarter "fails". The magnitude at which a variable passes or fails, is expressed as a percentage above the pass rate of 50% (i.e. the 20-year average). What we've found is, that compared to a 20-year average, SA's foreign direct investment (78%), inflation (70%), exports (81%), and current account deficit (80%) are currently doing quite well. However, gross fixed capital formation (1%), external debt (1%), consumer confidence (2%), and real GDP growth (8%), is doing very bad. On average, SA's economy is "failing", and only achieved a 39% average in 2015.



When doing a similar experiment for other countries during 2015, the following can be reported: Brazil (35%), China (38%), Russia (39%), US (42%), Europe (50%), and India (56%). This indicator helps us to better show, how we "feel" about a specific economy. It also shows that we are not the only country struggling to get back on track.