

Contact Us



81 Dely Road
Hazelwood
Pretoria
0081



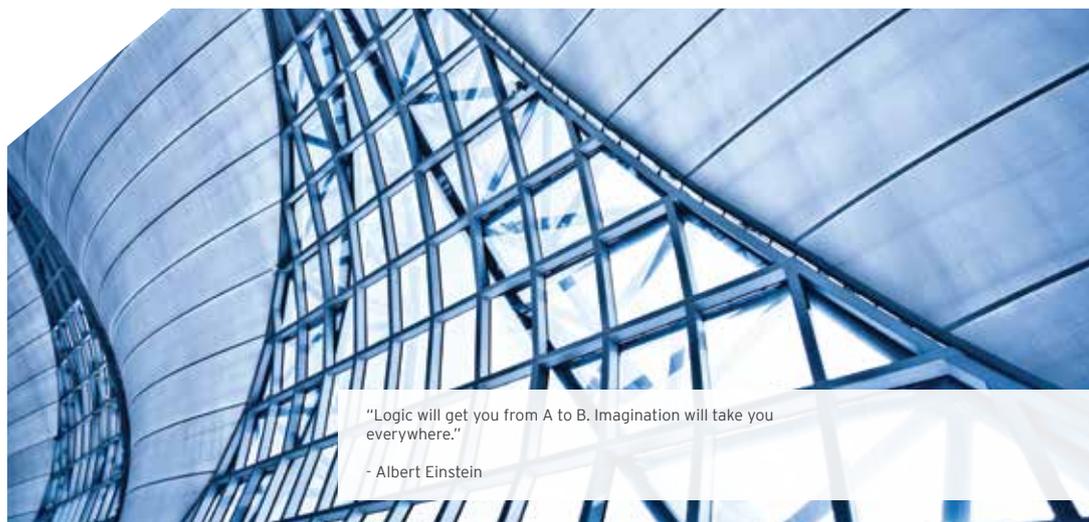
+27 (12) 460 9580



info@efgroup.co.za



www.efgroup.co.za



"Logic will get you from A to B. Imagination will take you everywhere."

- Albert Einstein

ECONOMIC COMMENTARY - By Francois Stofberg

Last week was quite a shocker on the economic front, both locally and abroad. I believe most economists were expecting the South African economy to show at least some positive growth in the first quarter of 2016, not the 1.2% contraction that was posted by Statistics South Africa (STATSSA). This time round the mining sector was the main culprit, dragging down possible GDP growth by 1.5%. This means that if we didn't have a mining sector the economy would have grown by 0.3%, but even this is dismal. What we see in the sectoral growth results is actually more worrisome; that is, the low growth contagion is spreading beyond the mining and manufacturing sectors towards others. It is true that the agricultural sector is in a cyclical down-turn, and that the sector would have grown steadily had it not been for the two-season drought. However, now the electricity and transport sectors are also plagued with contraction, with construction and personal services sectors growing at a dismal 0.5% and 0.6%, respectively.

Our conclusion is that the South African economy is probably already in a recession, and that a downgrade by the end of the year is basically unavoidable, even though Fitch kept our rating at stable this week. Batten down the hatches (talk to your financial advisor, stick to your plan)!

Next week the South African Reserve Bank (SARB) will publish the latest current account deficit, expect a downturn in exports and even more imports, widening the deficit, which should lead to another round of Rand depreciation.

On the international side, the United States (US) reported their lowest non-farm employment change since 2006. Markets were expecting the US economy to turn out almost 160 000 jobs, instead only 38 000 jobs were created. Even though their economy only needs to create about 40 000 jobs to fill labour demands, experts believe that the downturn points towards a slowing US economy, which translates into only one US rate hike at the end of 2016 (in line with the view we've held since last year).