



ECONOMIC COMMENTARY

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WALMART'S RESILIENCE AND AFRICA'S REFORM MOMENTUM

As July came to a close, the economic mood in the United States (US) shifted dramatically. A surprising surge in retail sales, rising 1% (the largest increase in a year and a half), sparked a rally on Wall Street. The S&P 500 erased all of its more recent losses, closing 1.6% higher, while the tech-heavy Nasdaq Composite jumped more than 2%. This unexpected retail boost, alongside robust results from Walmart, injected fresh optimism into the markets and eased fears of an imminent recession.

Walmart, the world's largest retailer, led the charge. Walmart reported a 4.2% year-on-year increase in same-store sales and raised its annual profit forecast. This performance underscored the resilience of US consumers. "So far, we are not experiencing a weaker consumer overall", said Walmart CEO Doug McMillon. This statement, coupled with positive labour market data showing lower-than-expected jobless claims, bolstered the narrative that the US might achieve a "soft landing" – curbing inflation without tipping into a recession.

Mona Mahajan, Senior Investment Strategist at Edward Jones, highlighted that the retail and labour market data "help support the soft landing narrative. The consumer may be cooling but not collapsing." This renewed confidence was evident as markets adjusted their expectations for Federal Reserve rate cuts, now pricing in fewer and smaller reductions.

The ripple effect of US economic resilience was felt globally, particularly in Africa, where several nations are pursuing bold economic reforms. Ethiopia, under Prime Minister Abiy Ahmed, has been at the forefront of these changes. Ethiopia's government has embraced deeper reforms, including a critical move to a market-based exchange rate. This shift is part of a broader strategy to open up the economy, attract foreign direct investment, and drive sustainable growth. The country's efforts are already beginning to pay off, positioning Ethiopia as a potential magnet for investment in the coming decade.

Zambia, under President Hakainde Hichilema, is also on a transformative path. Hichilema, a technocrat with a vision for change, has focused on devolving decision-making and implementing deep economic reforms aimed at revitalising the economy. Zambia's previous economic mismanagement left it heavily indebted, but under Hichilema's leadership, the country is now pursuing sustainable policies that are beginning to attract investor interest. If Zambia can maintain this momentum, it could serve as a role model for other nations in the region.

Meanwhile, in South Africa (SA), the formation of a Government of National Unity, after the African National Congress (ANC) lost its majority in the May elections, has provided a much-needed boost to business confidence. The alliance between the ANC, the Democratic Alliance, and smaller parties has brought a sense of stability that is crucial for economic recovery. Business leaders have noted a significant improvement in government responsiveness, with initiatives like visa extensions for foreign workers with scarce skills and measures to curb wasteful expenditure being implemented swiftly. These developments have led to a positive response from the markets, with the Johannesburg Stock Exchange gaining 6.5% in the past two months and the rand strengthening against the dollar.

SA's ability to maintain this political and economic stability will be critical in attracting further investment and driving growth. As Africa's most industrialised economy, SA's success is pivotal for the broader region. The country's challenges, particularly in addressing energy supply issues and improving infrastructure, remain significant. However, the current momentum offers hope that with continued reform and cooperation, SA could see a sustained economic recovery.

As we look ahead, the stories of Walmart's resilience and the economic reforms in Ethiopia, Zambia, and SA highlight a critical economic principle: Adaptability and strategic foresight are essential in a rapidly changing global landscape. In a world where markets are increasingly interconnected, the ability to navigate these economic waves will determine not only survival but long-term success.

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