



Economic Update



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BREAKING NEWS

Where will South Africa find growth in 2012? Kevin Lings, shares his views.

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NATIONAL POST
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2011: world economy hit by a number of shocks

- **Political turmoil** in North Africa/Middle East that sent oil prices soaring
- **Sharply higher food** prices aggravated by extreme weather conditions
- **Disastrous earthquake in Japan:** massive disruption of vehicle and electronic equipment production
- **Debt-ceiling debacle in the US.** US lost its AAA credit rating
- **Supply chain disruptions in Asia** due to severe flooding in Thailand
- Heightened **sovereign and banking crisis in the Euro-area**



Global Economy

Increase in
global liquidity

Low Interest
rates

US managing to
avoid the rocks

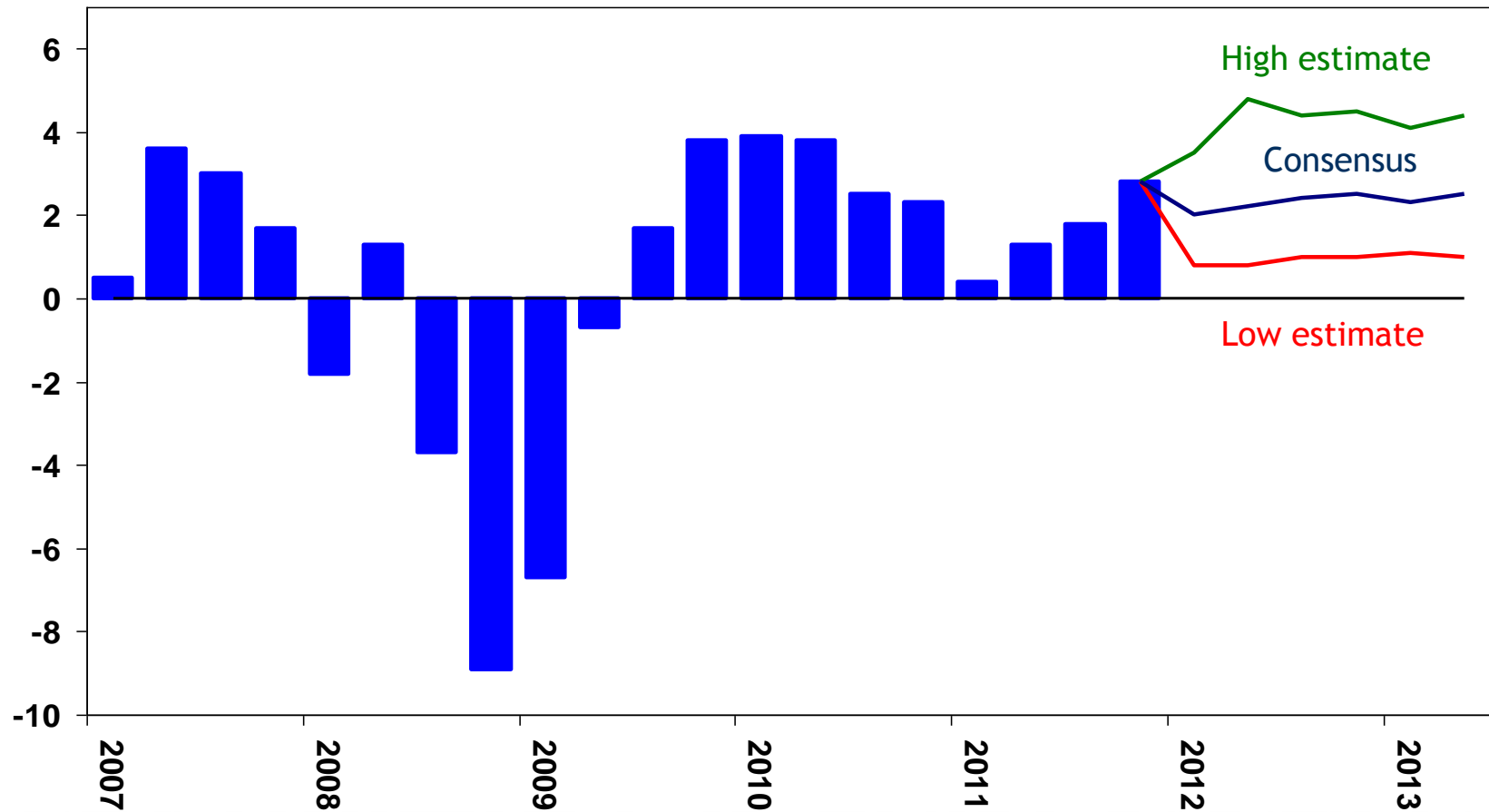




US Real GDP Growth Forecast

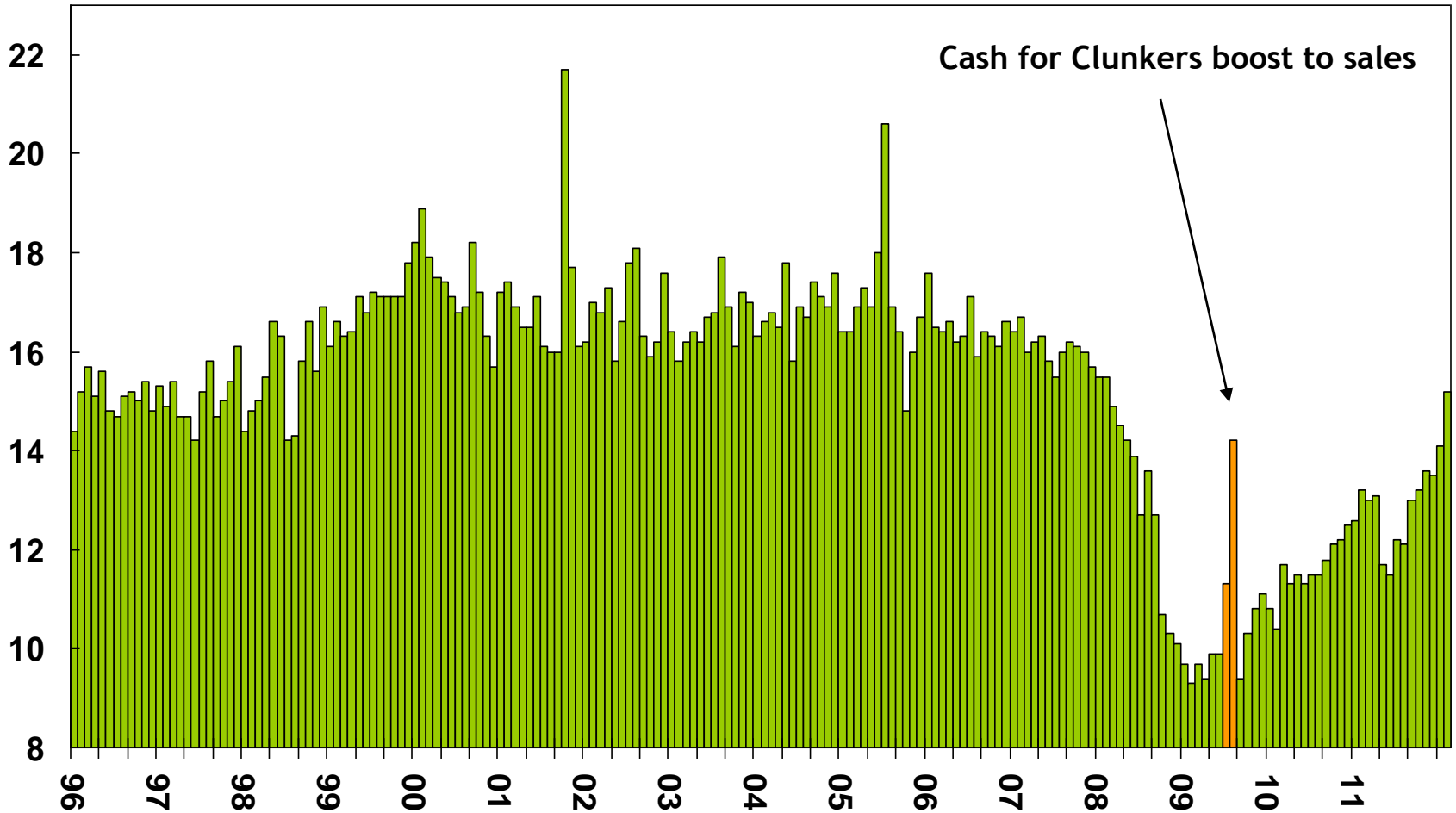
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Consensus forecast updated February 2012



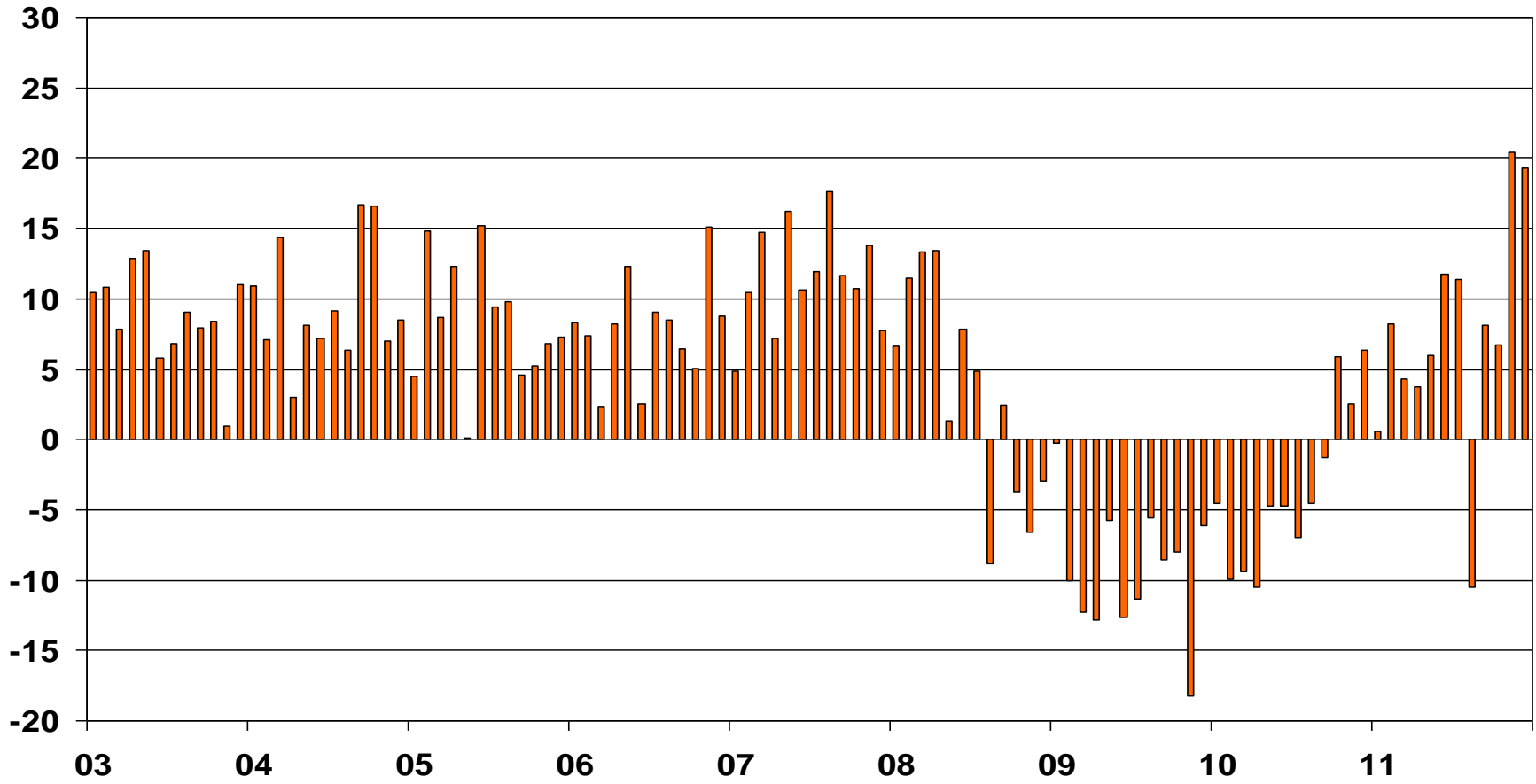
US Light Vehicle Sales

Seasonally adjusted, annualised, million



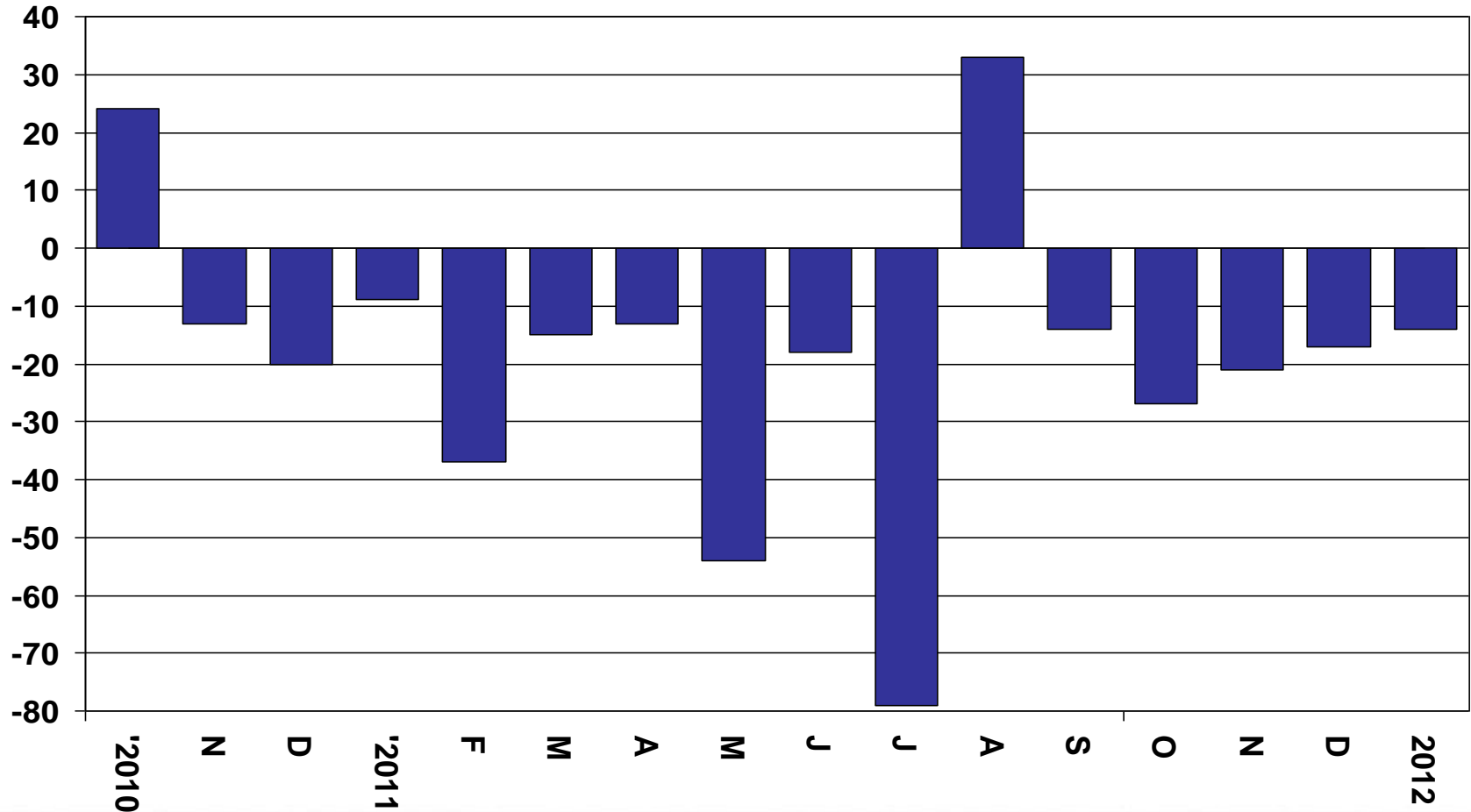
US consumer credit

\$ billion



US Government Employment

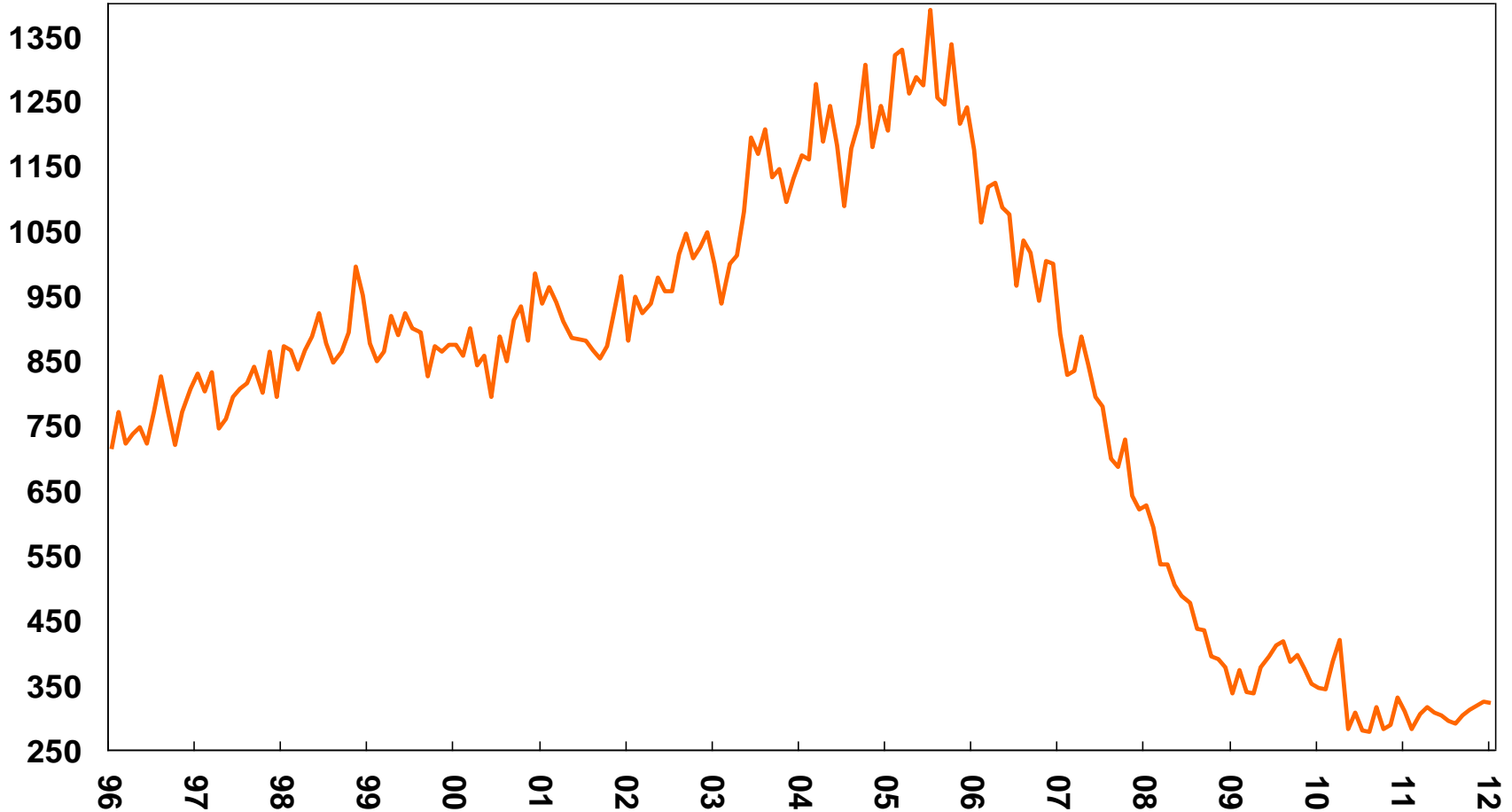
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US new home sales

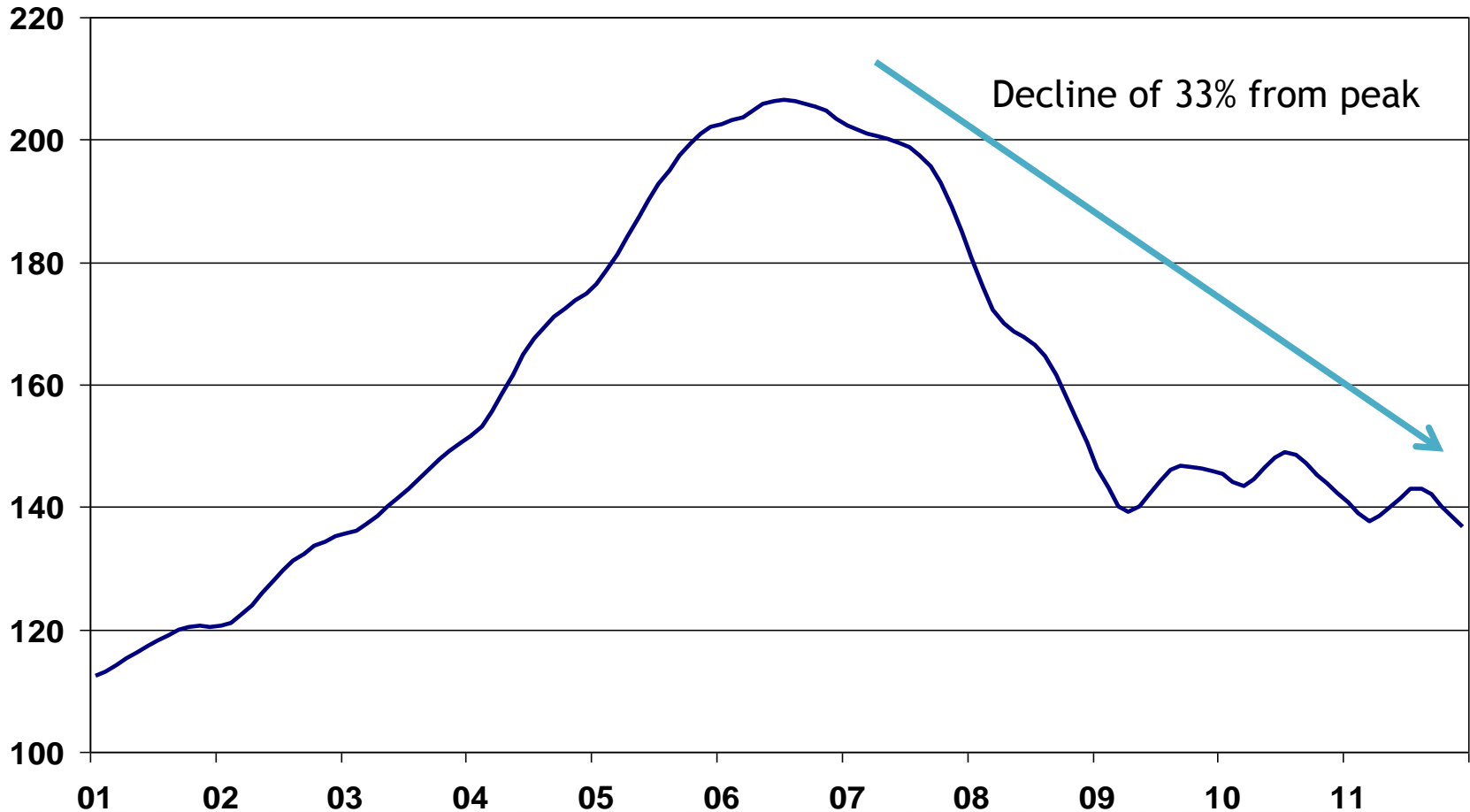
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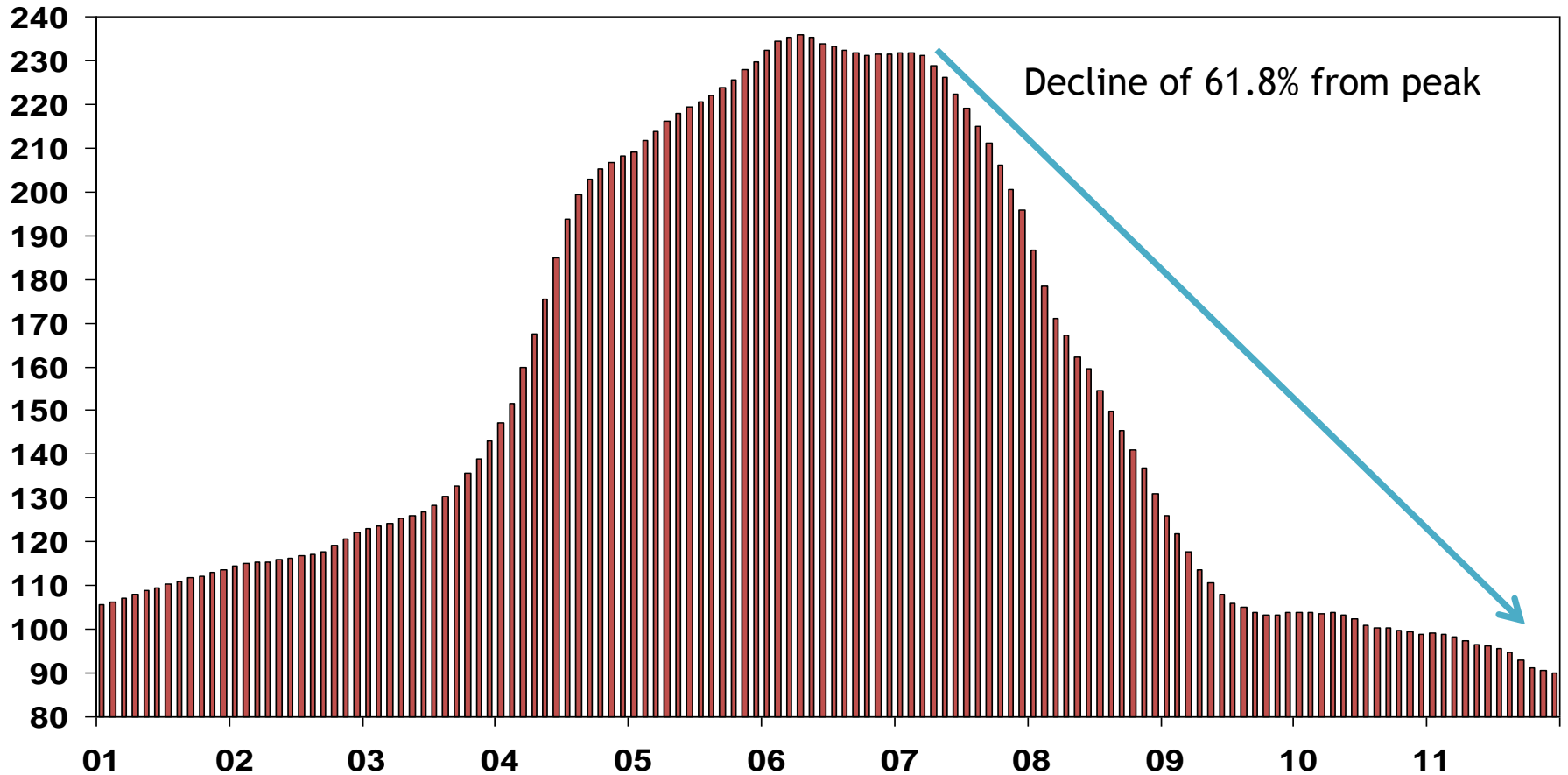
US house prices

US house price index, nominal, S&P Case Shiller

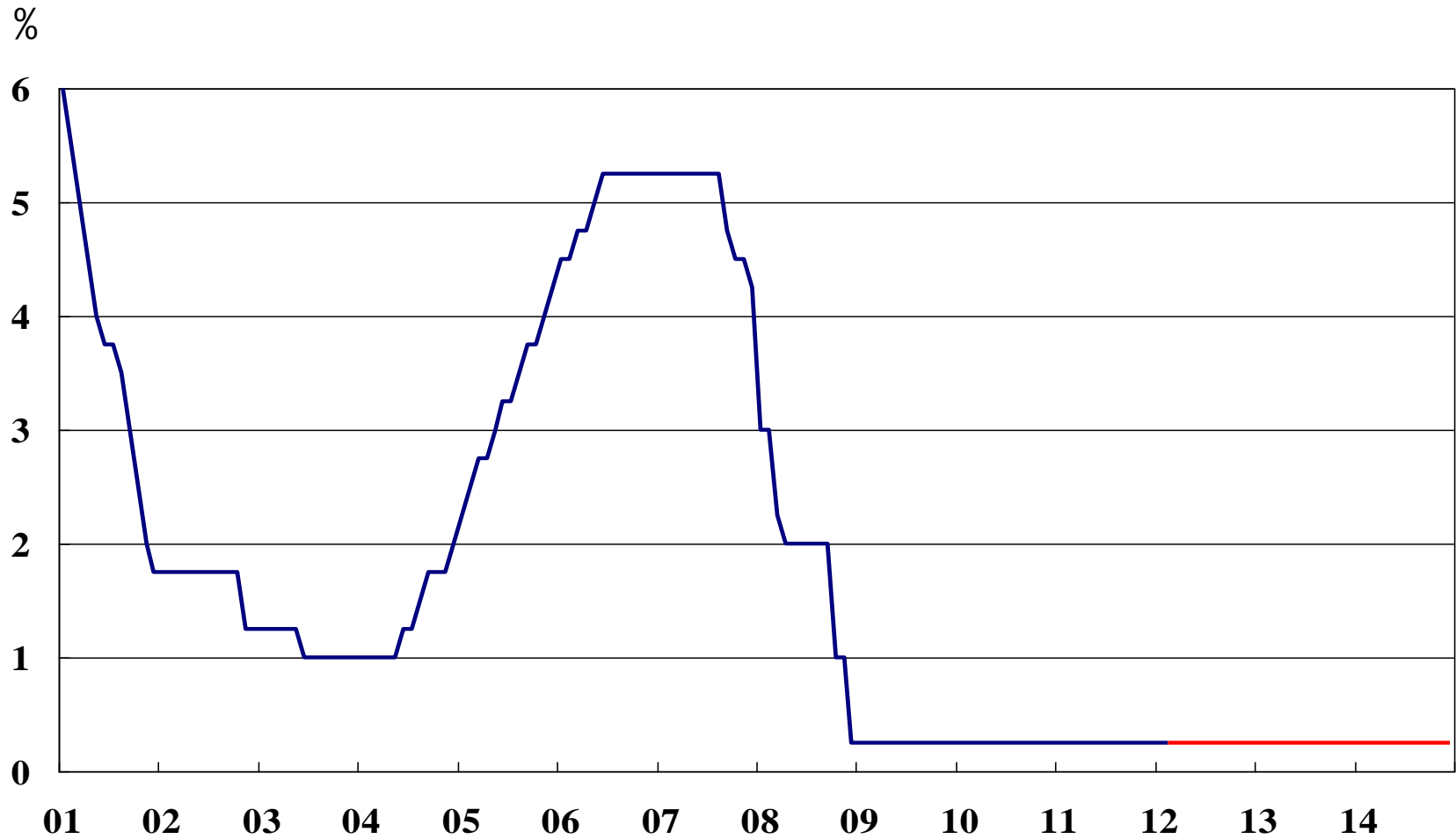


US House Prices in Las Vegas

Las Vegas house price index, nominal, S&P Case Shiller

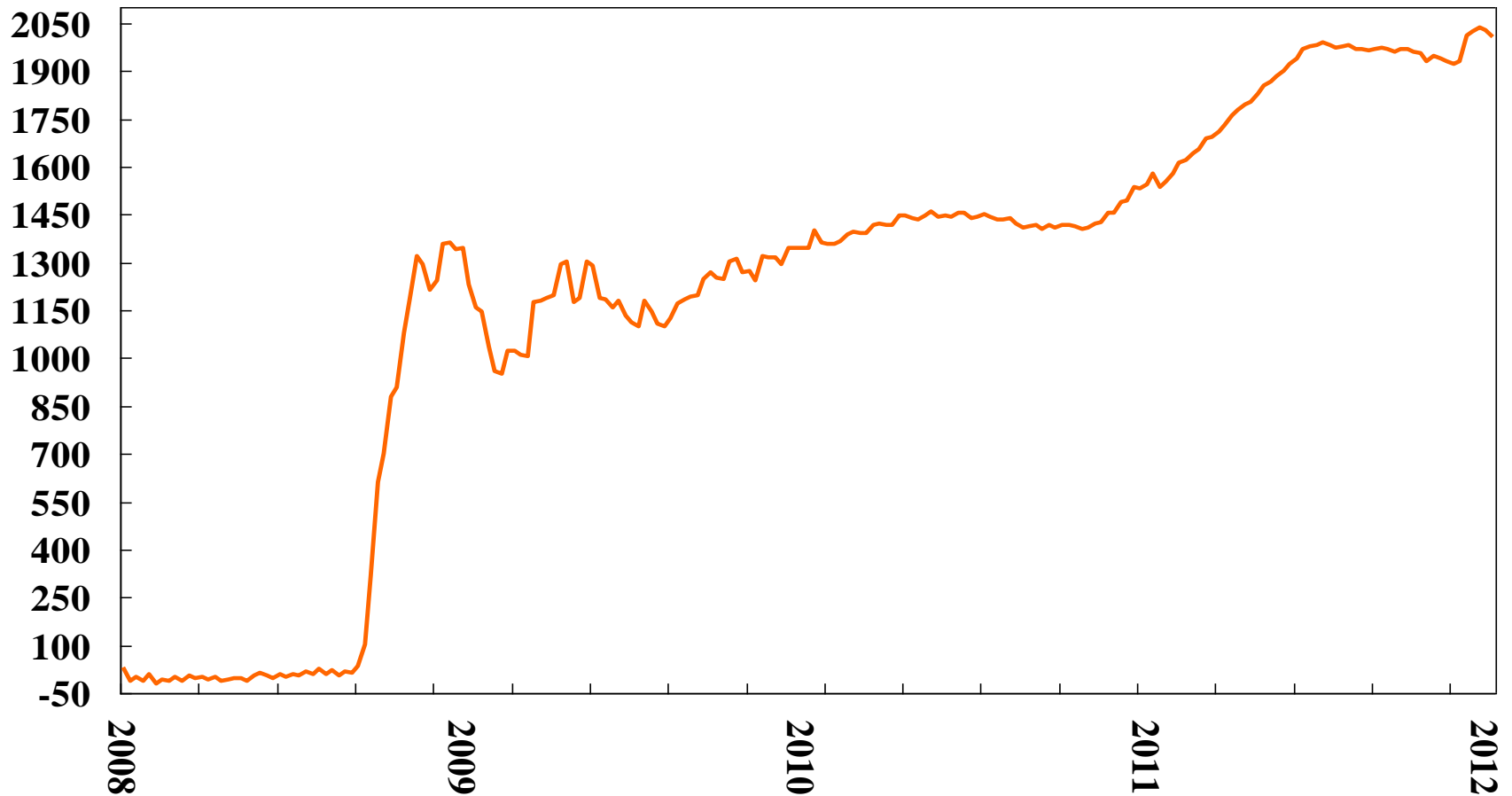



US official interest rates



US increase in liquidity from Federal Reserve

\$ million





Blah blah!!
Blah?

??# Blah
blah! Blah!

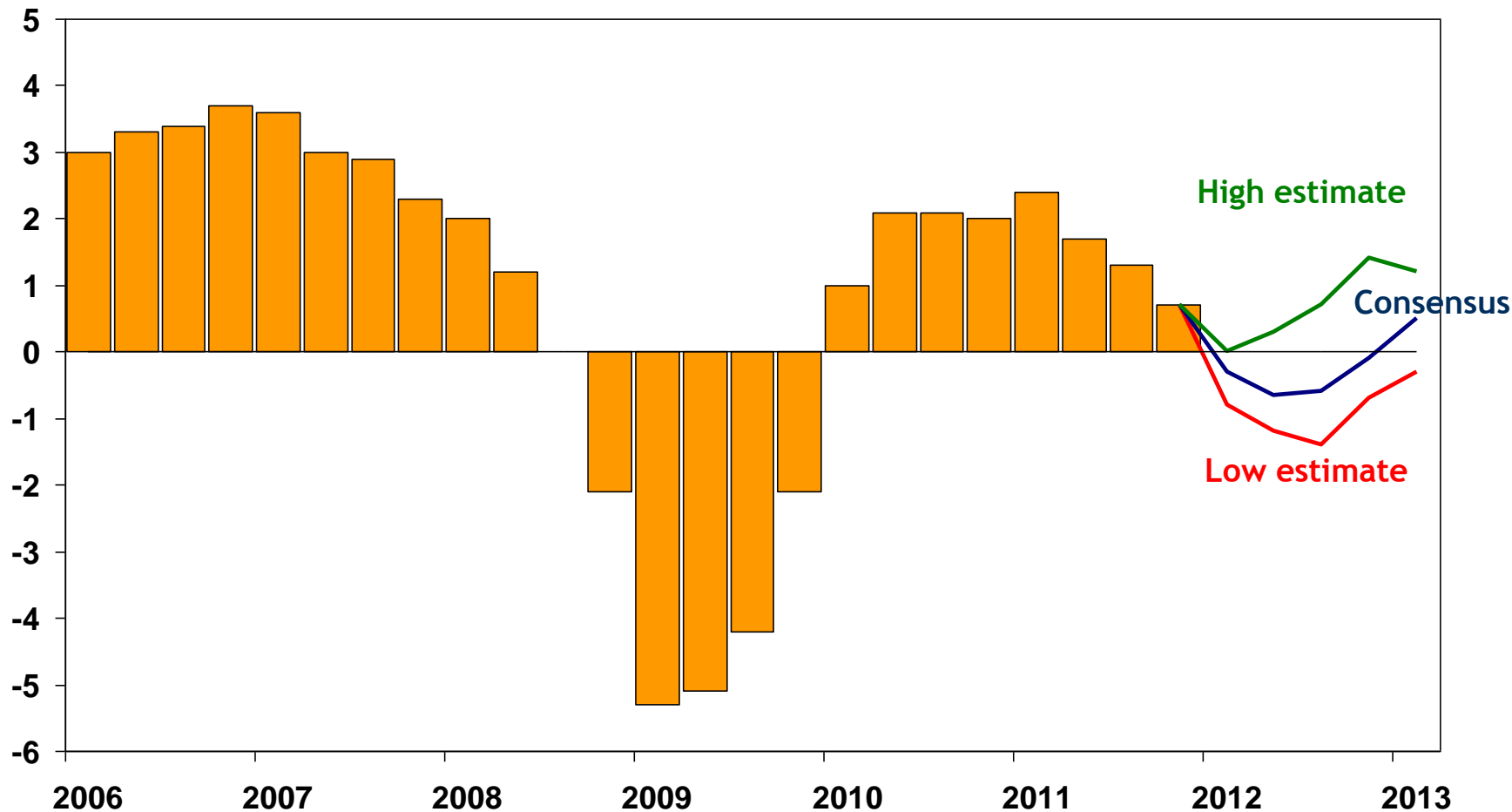
**Euro-area: can
they avoid the
rocks?**



Euro-area real GDP growth - consensus forecast

%y/y

Consensus forecast updated February 2012



IMF Growth forecasts - January 2011

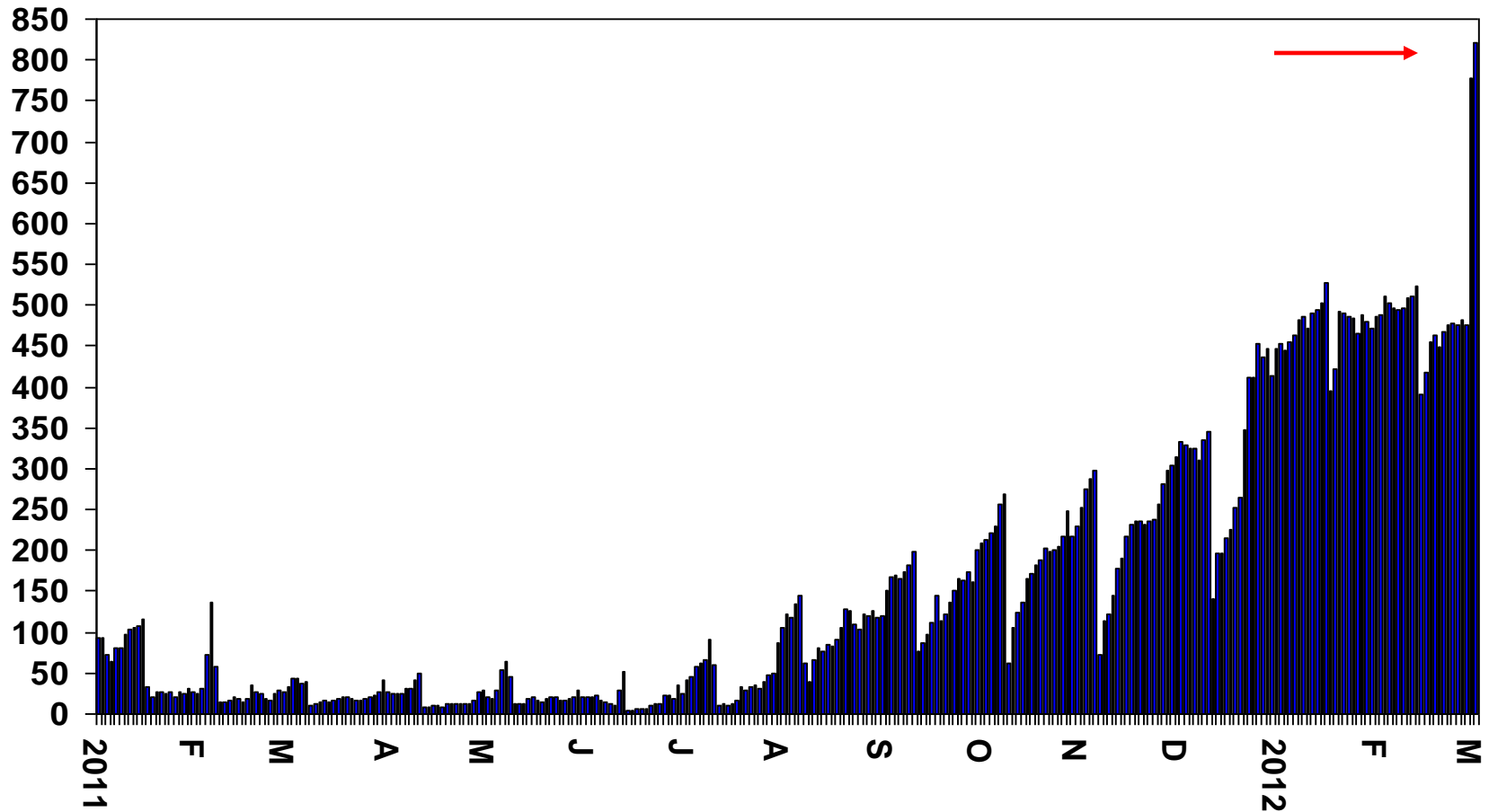
IMF	2010	2011	2012	2013
Euro Area	1.9	1.6	-0.5	0.8
Germany	3.6	3.0	0.3	1.5
France	1.4	1.6	0.2	1.0
Italy	1.5	0.4	-2.2	-0.6
Spain	-0.1	0.7	-1.7	-0.3

ECB: 3-yr Long Term Refinancing Operation (LTRO)

- Introduced in **December 2011**
- Cost of finance set at **1%, fixed for 3-years**
- **€489 billion** issued
- **523 banks** have utilised the facility
- Most of the money is on **deposit at the ECB** earning 0.25%
- **A further €529.6 billion of the LTRO was allocated on 29 February to 800 banks**

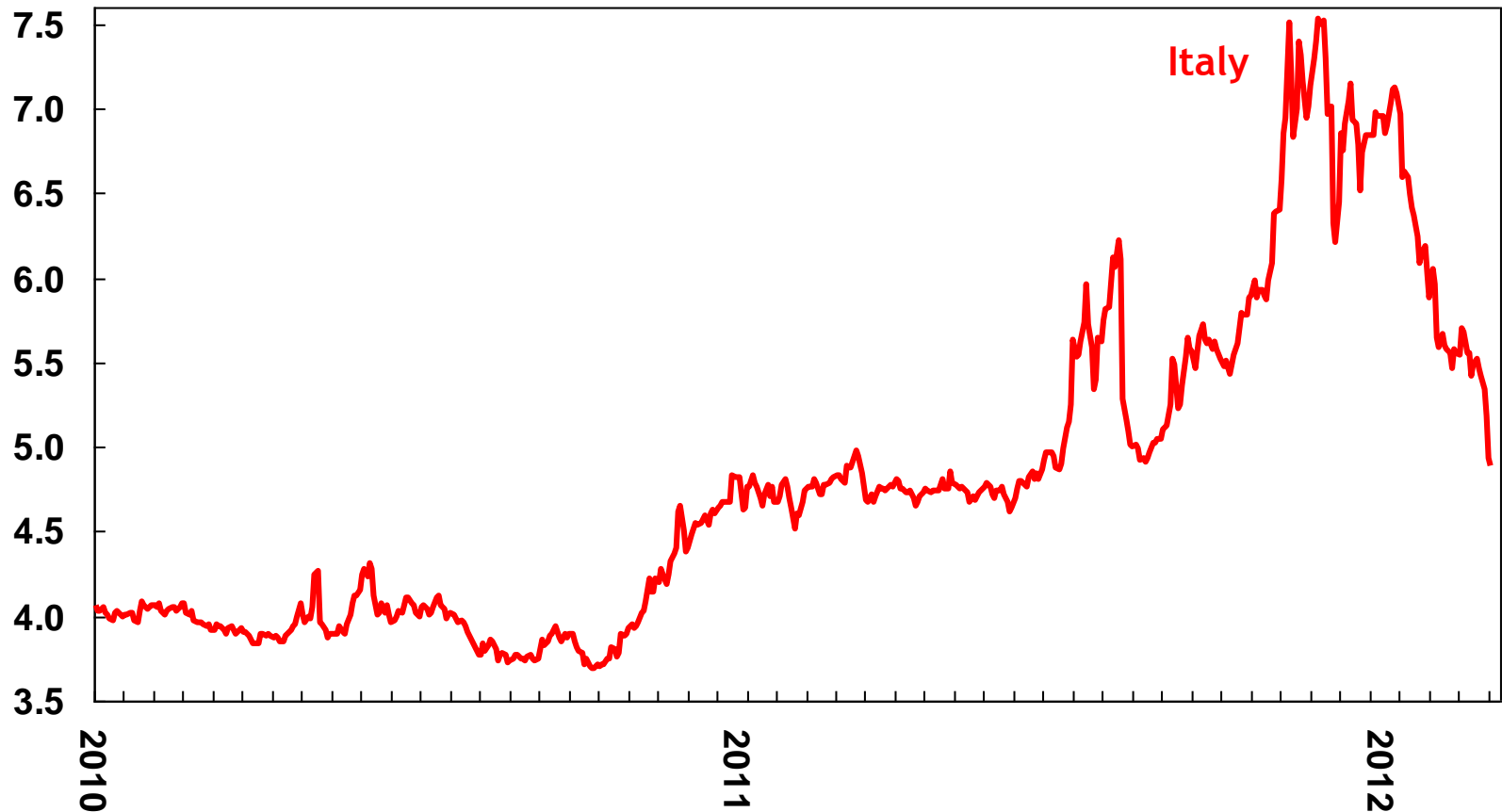
ECB Overnight Deposits

EUR Billion



Italy 10-year Bond Yield

%, yield, daily



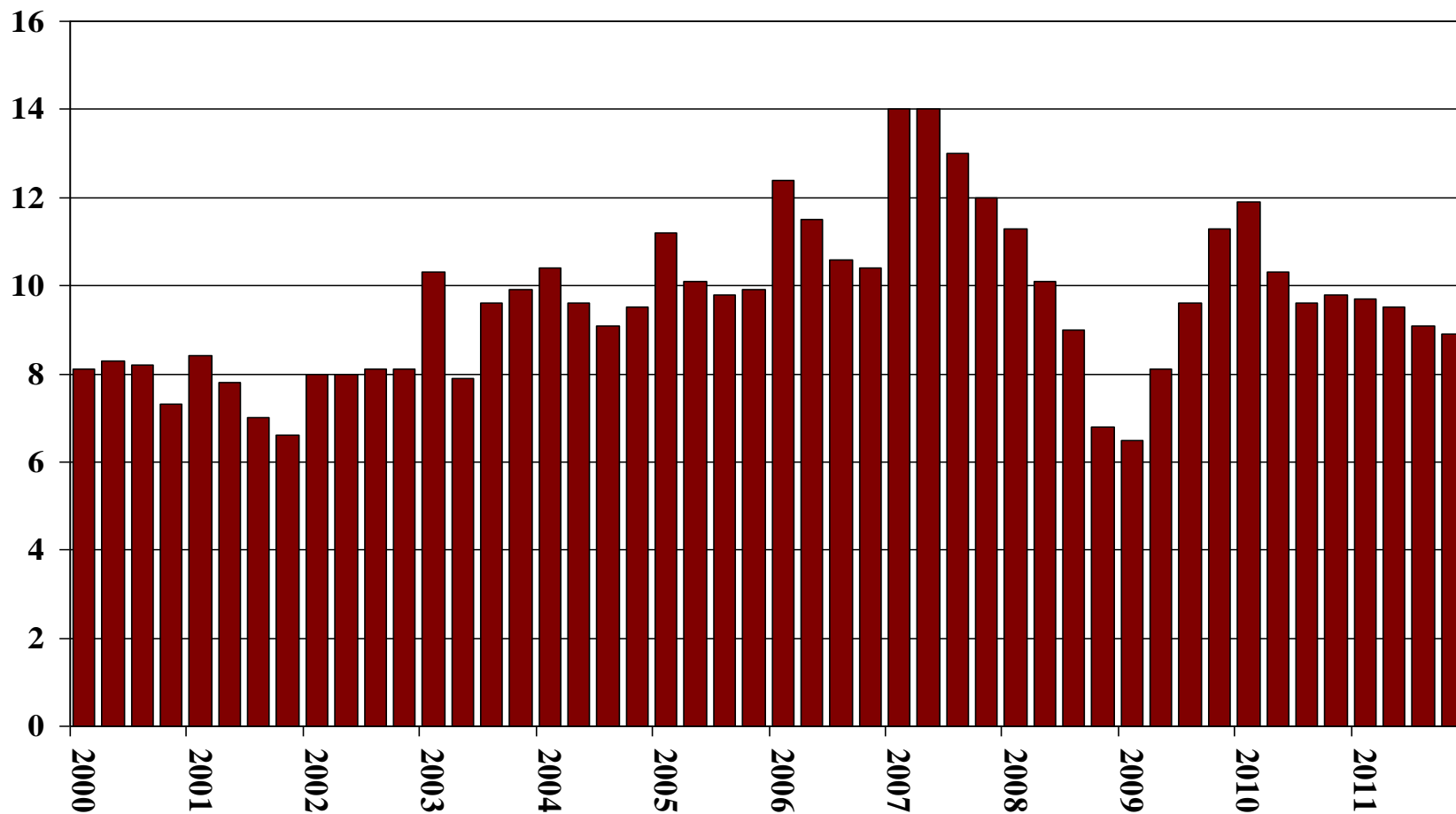
China: trying slow a fast moving ship



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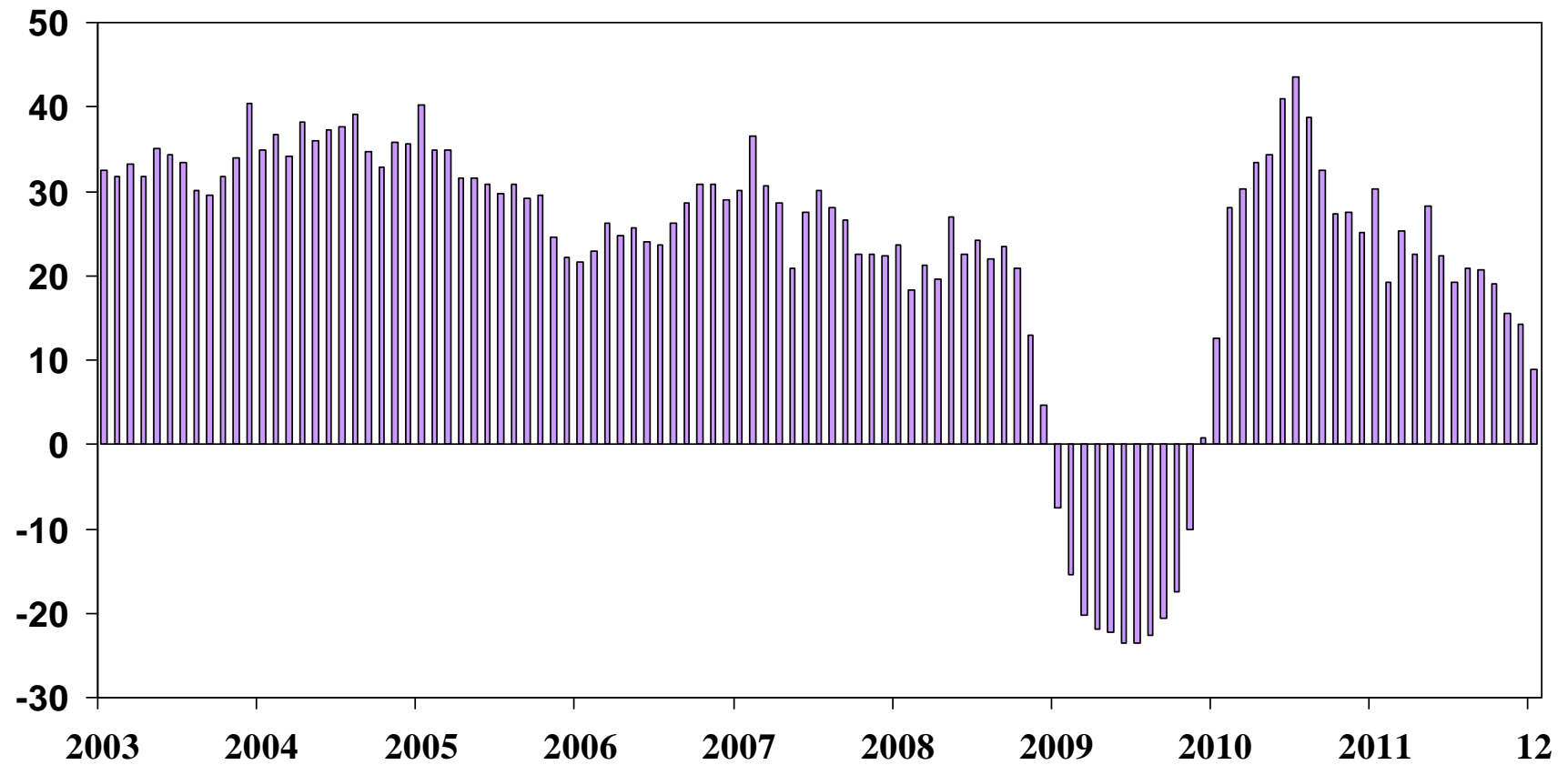
China real GDP growth

%, y/y, real terms



China exports

% y/y, 3month ave



South Africa: finding growth in 2012

Government

Exports

Investment

Consumption



Consumer facing a wave of price increases

Water

Healthcare

Electricity

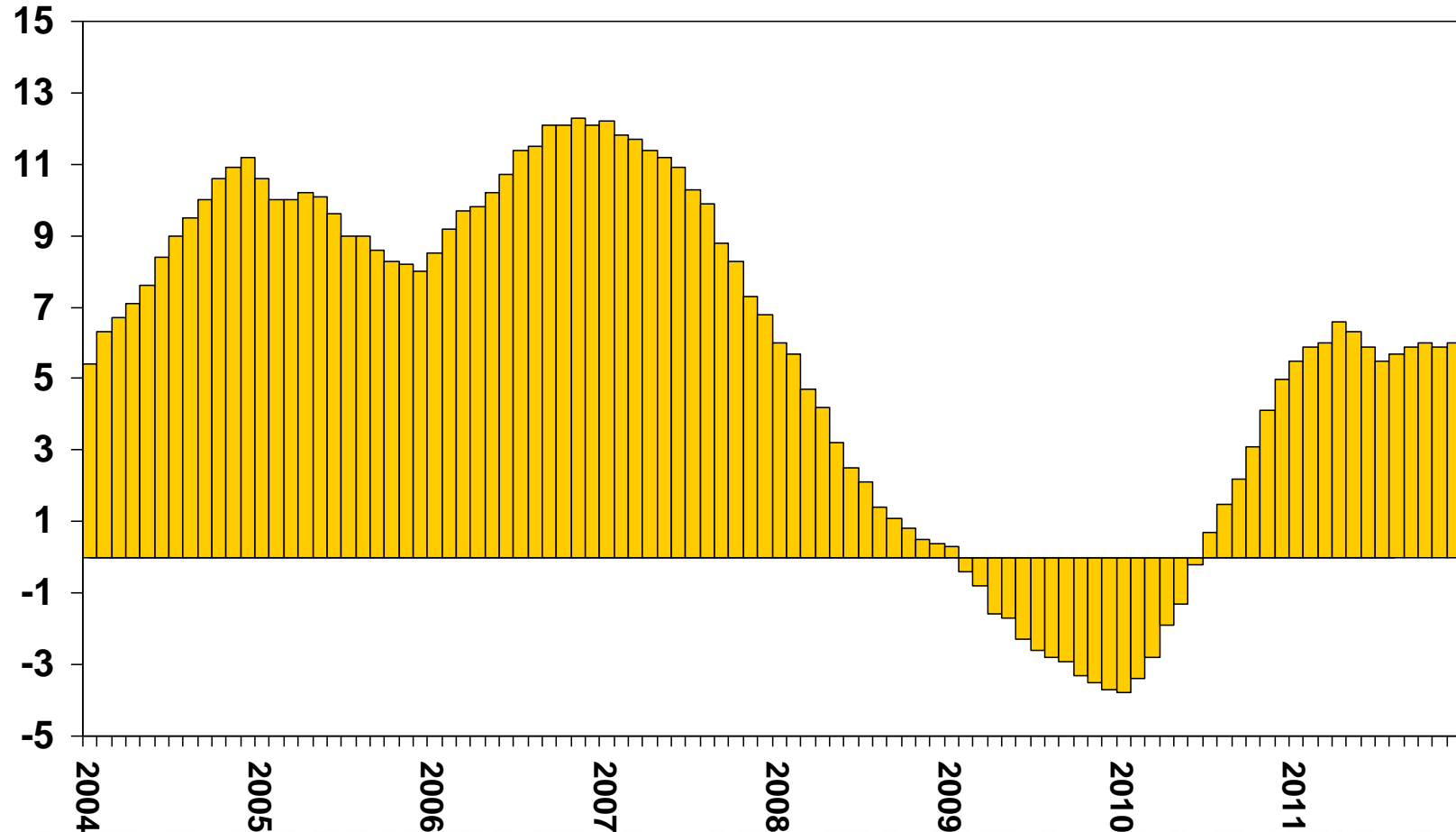
Fuel costs

Food costs

Education

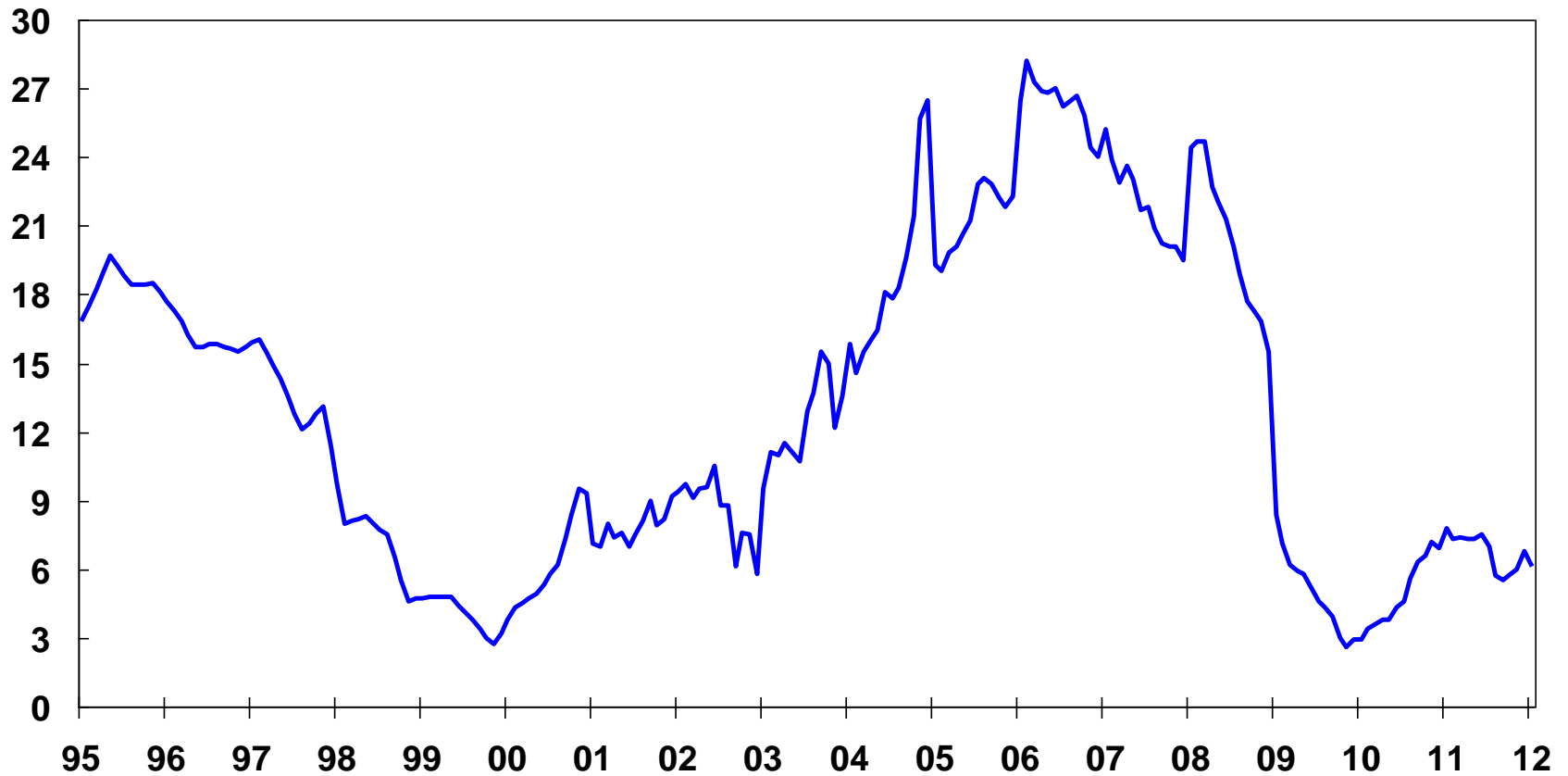
SA retail sales - 12 month moving ave

%y/y



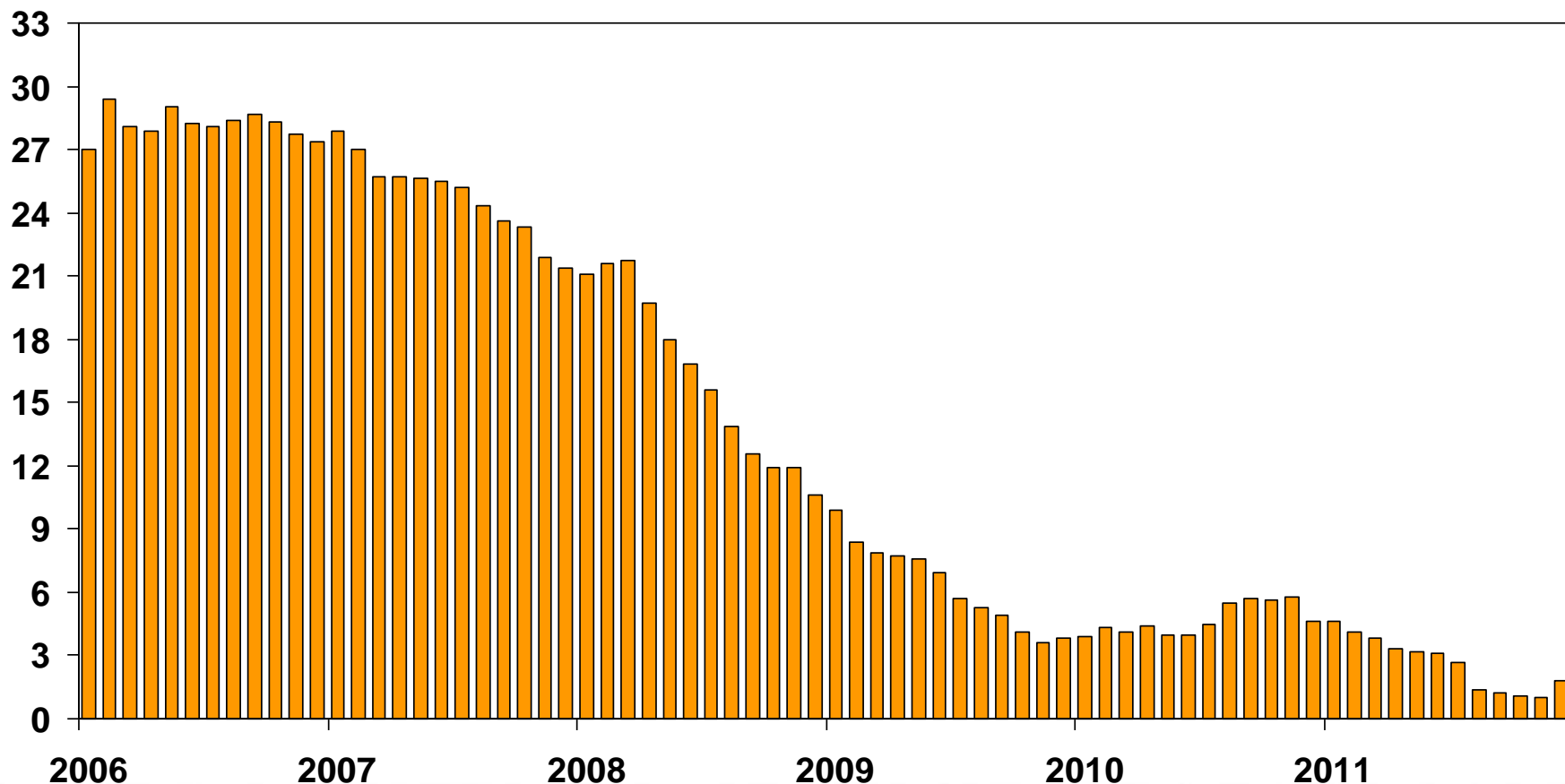
Rate of growth in consumer credit

%y/y



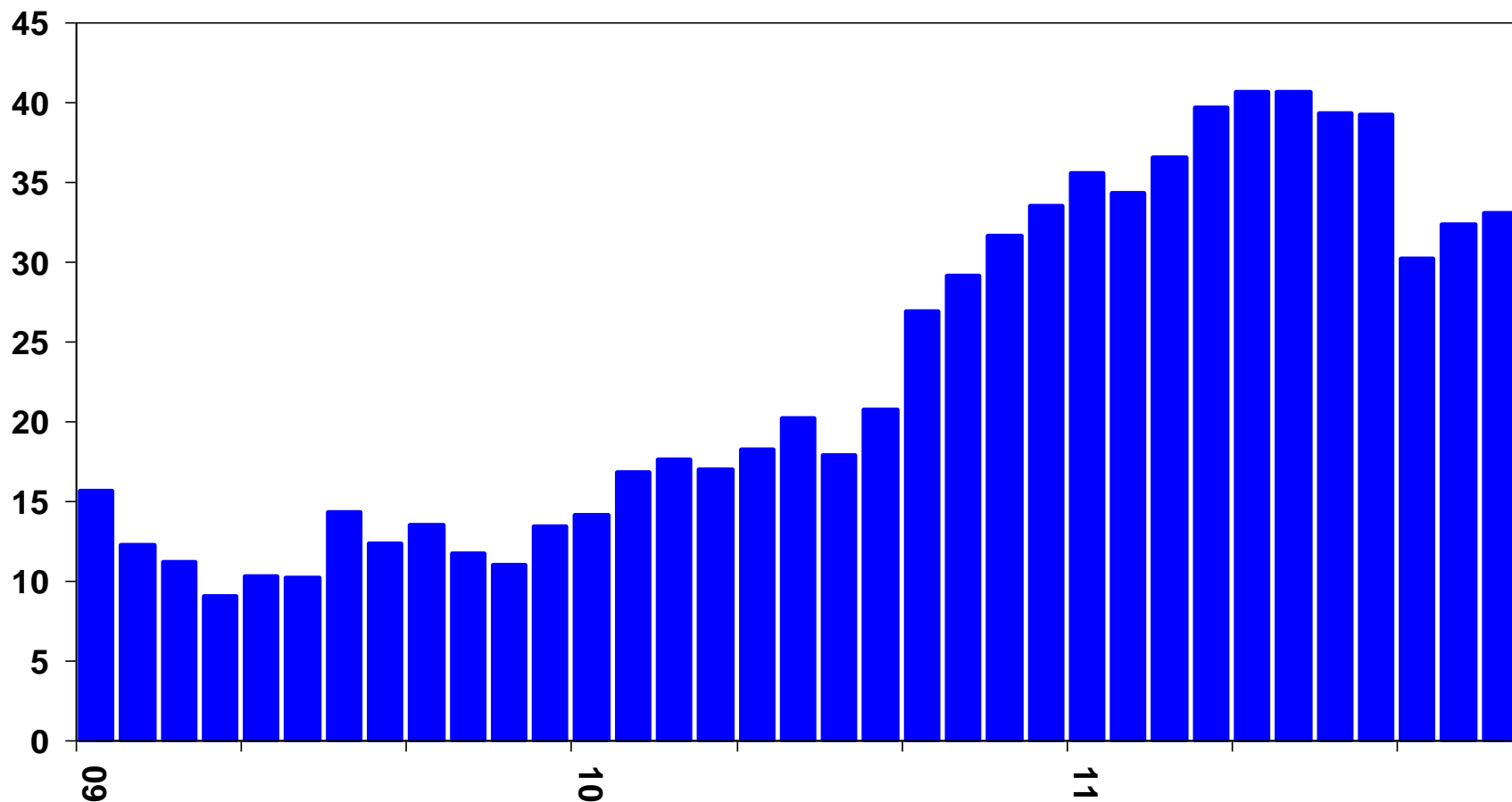
Growth in mortgage lending to households

%y/y



SA growth in unsecured credit to households

%y/y



CPI: discretionary for non-discretionary spending

Non-discretionary spending

Food:	10.7%
Electricity:	17.4%
Water:	9.2%
Private transport:	18.3%
Public transport:	13.0%
Education:	8.6%

Discretionary spending

Appliances:	-0.4%
Vehicles:	0.3%
Furnishings:	-2.3%
Personal care:	1.9%
Clothing:	3.8%

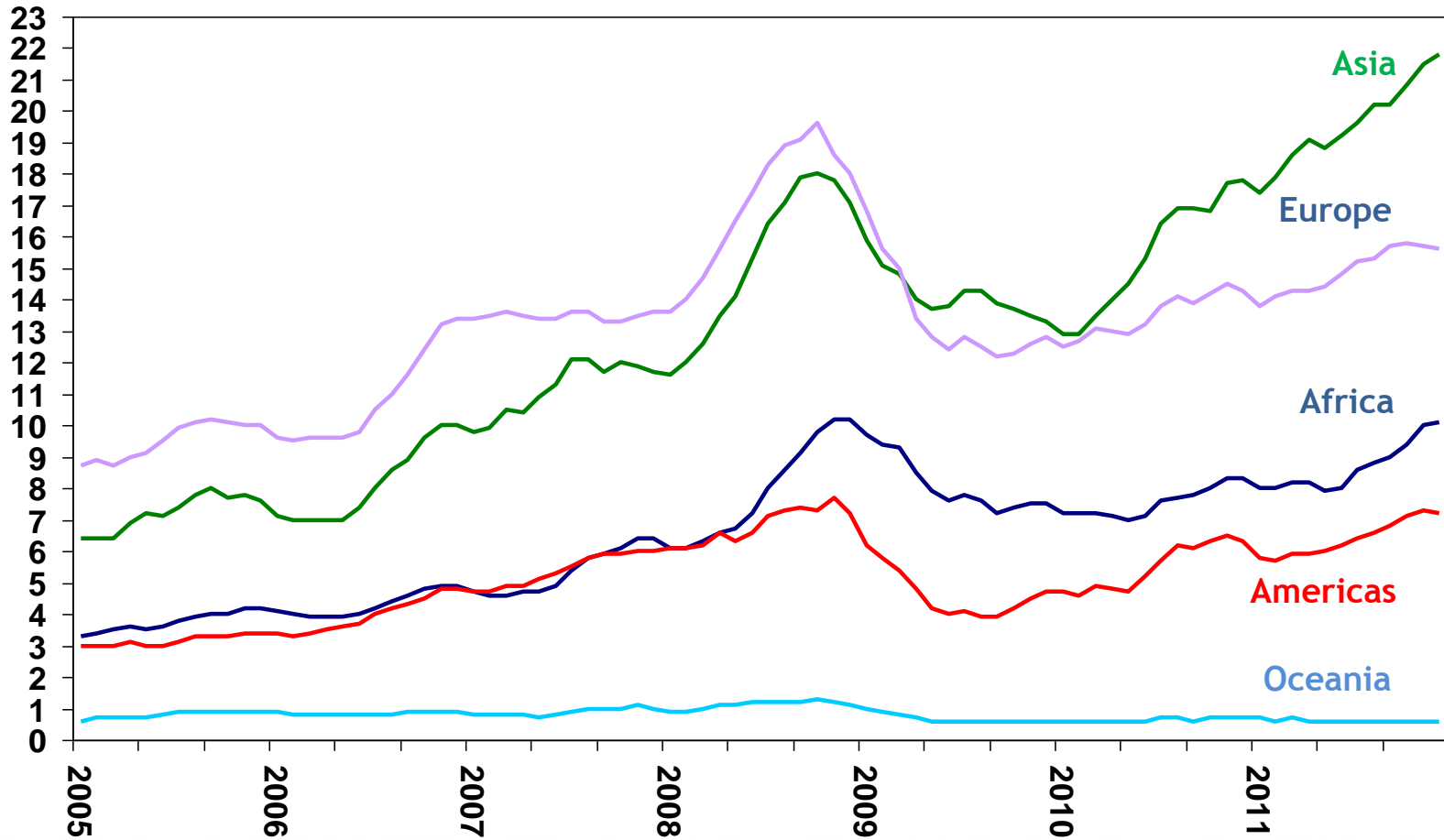


**South Africa's exports:
a missed opportunity**



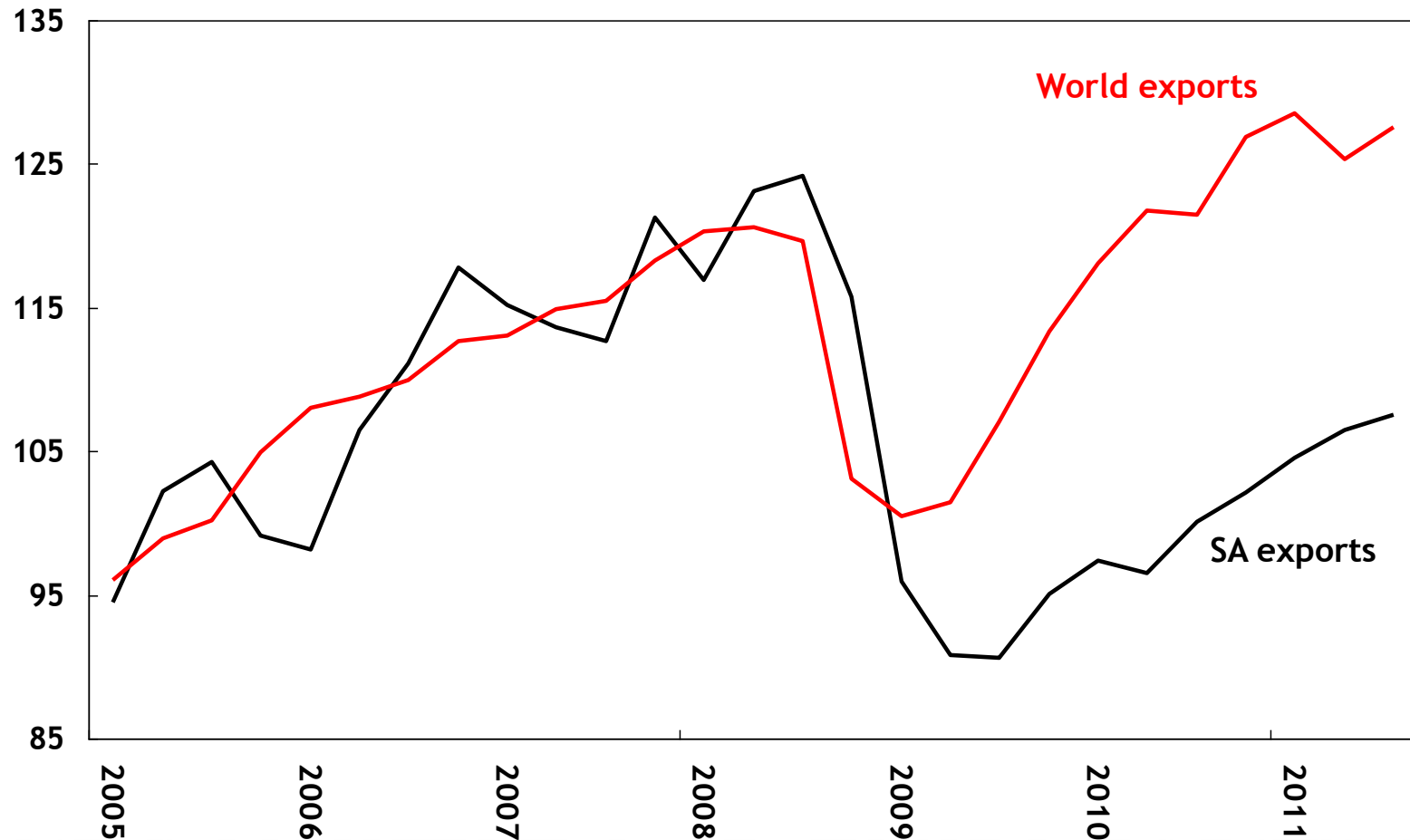
SA exports by region

R billion, 6-month moving average



World exports vs SA exports - volume

Index 2005 = 100



Government: less waste,
more delivery

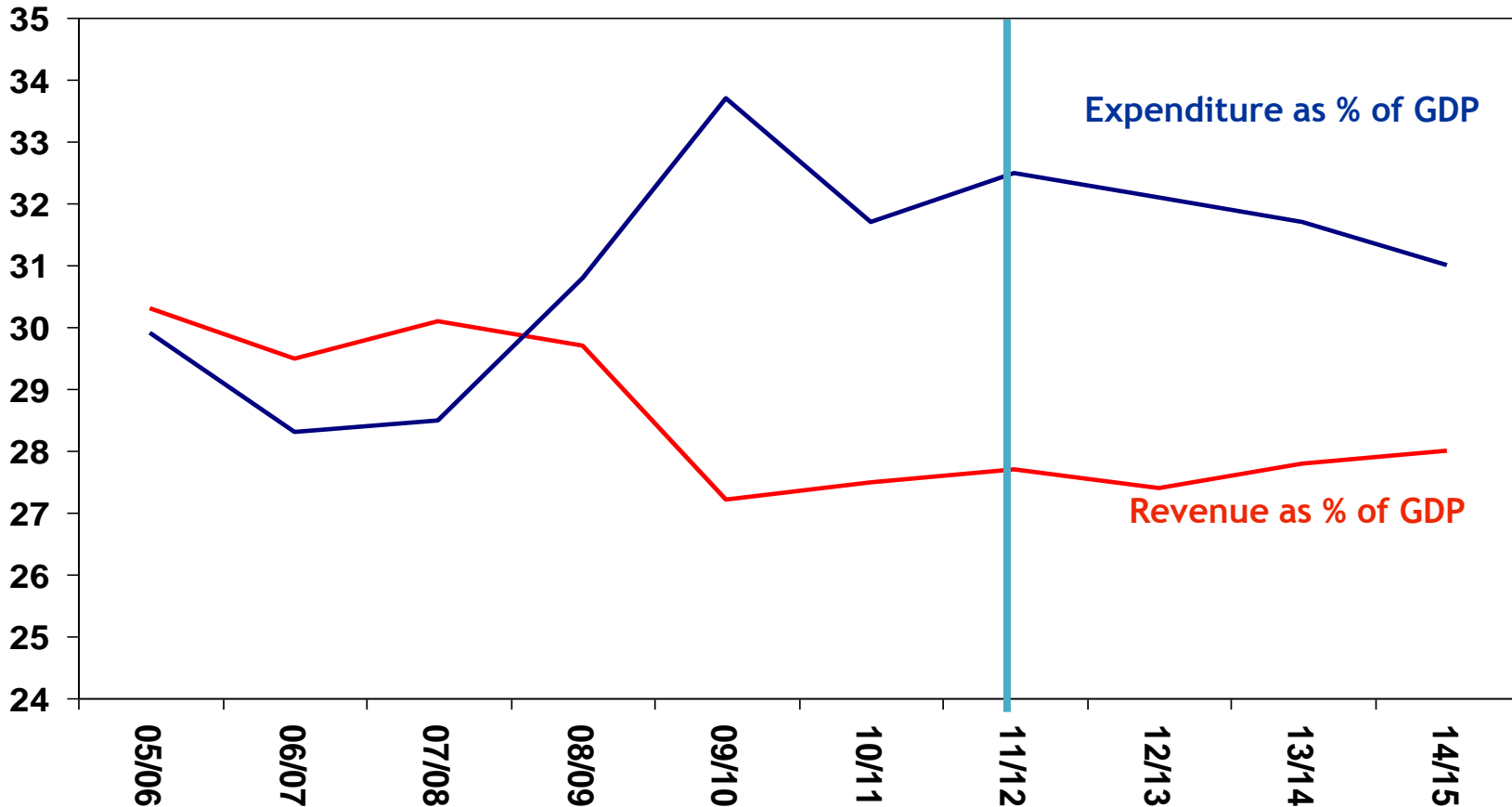


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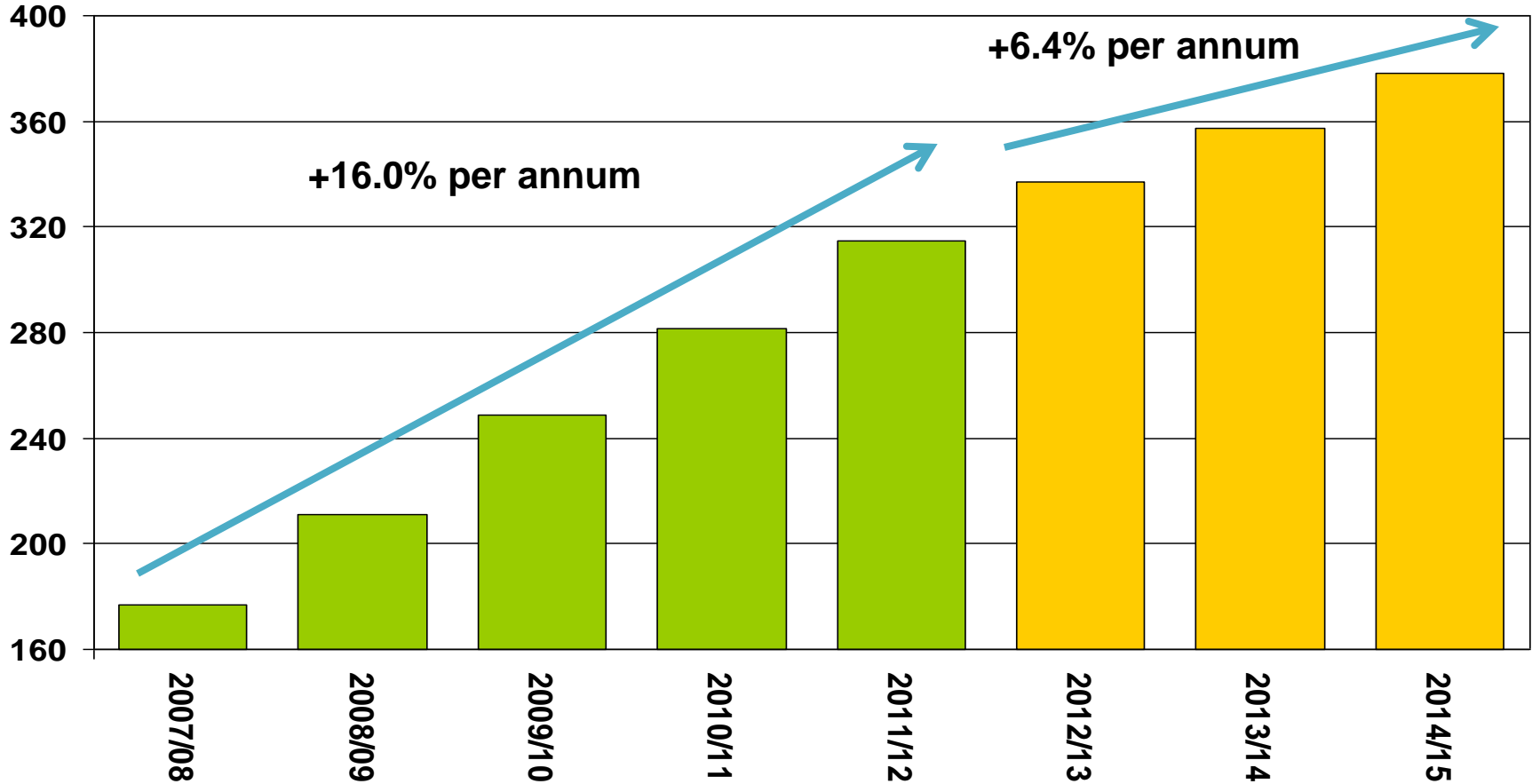
Government expenditure & revenue as % of GDP

% Fiscal years



Government salary payments

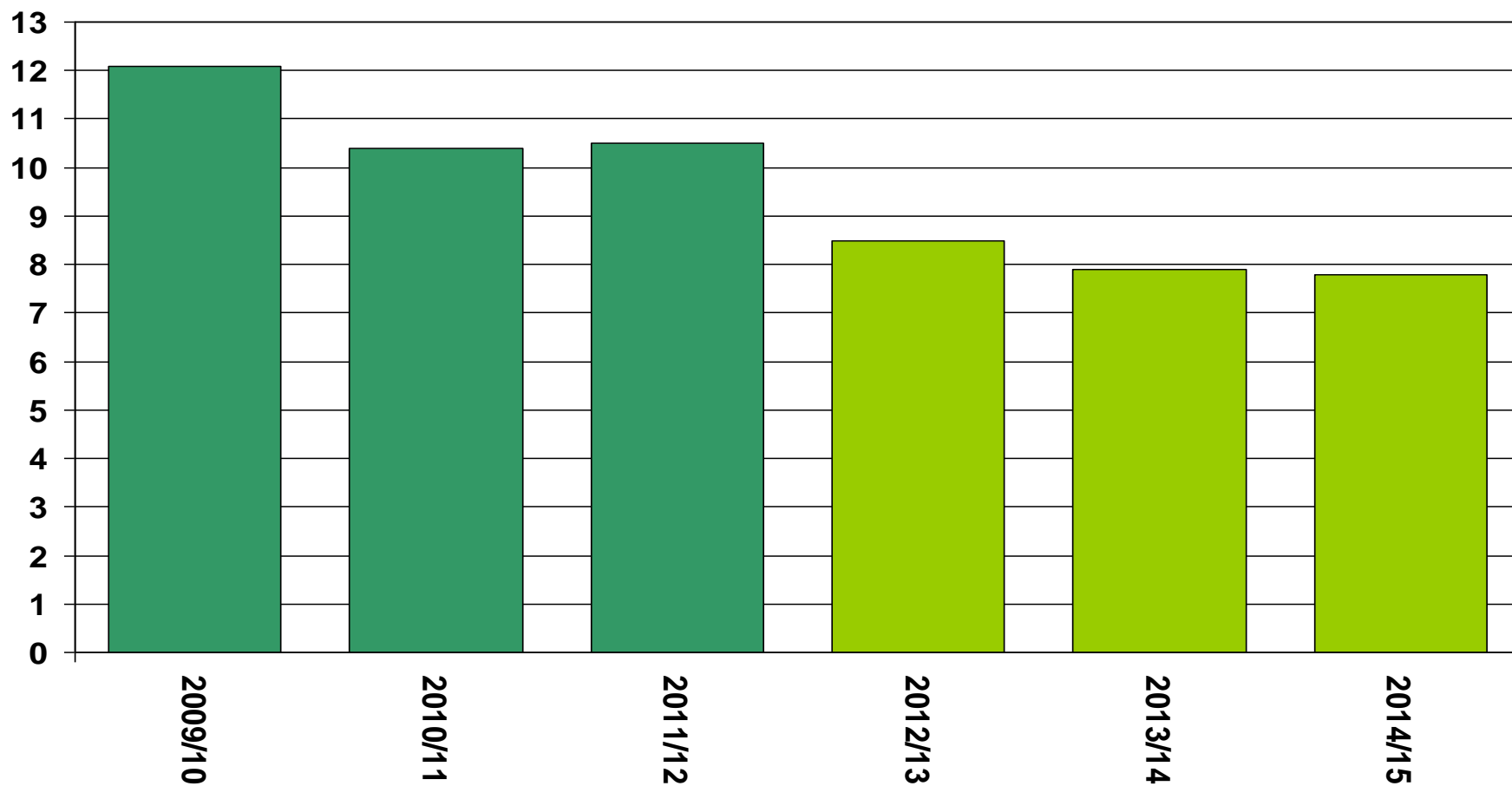
Billions





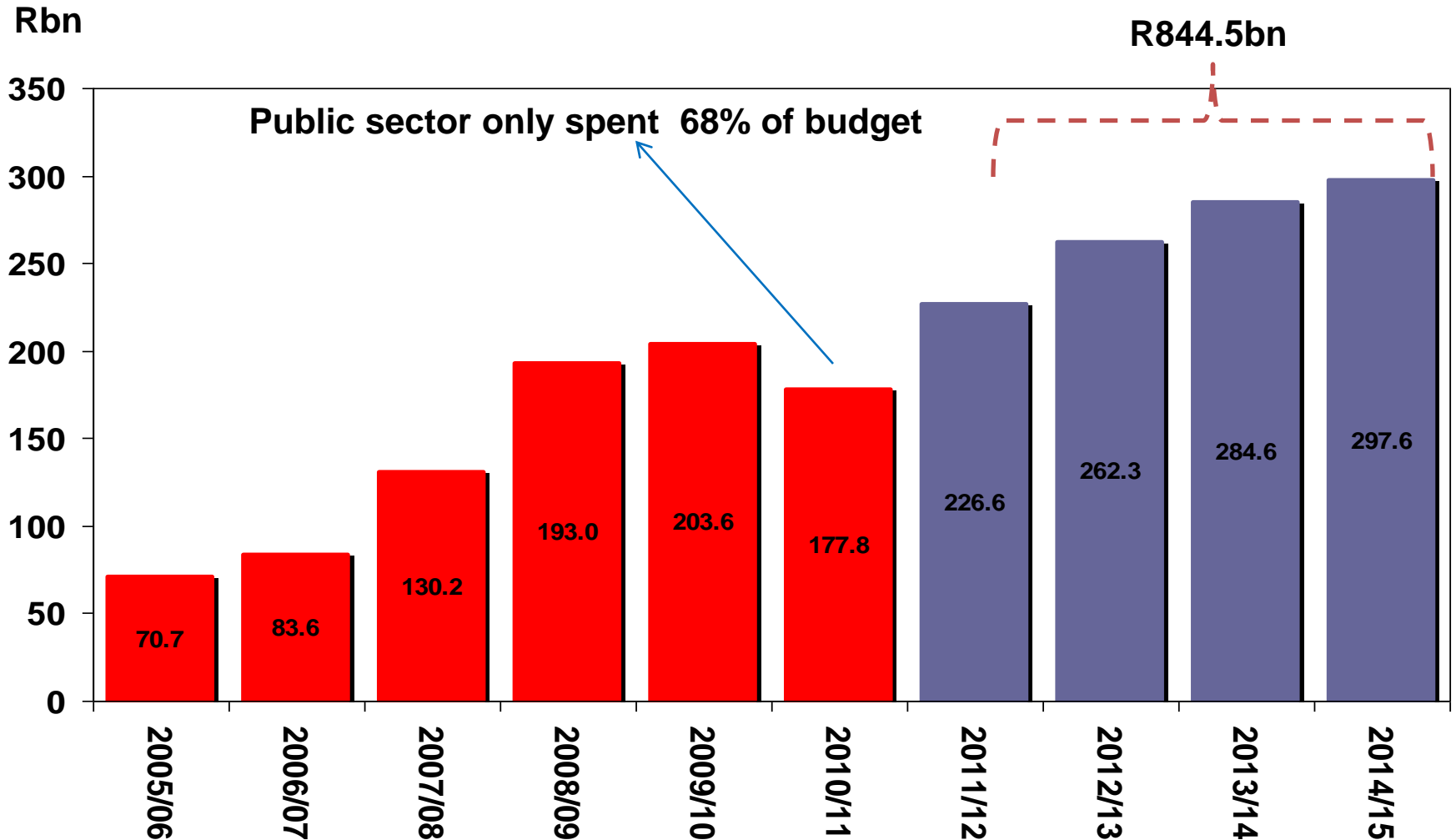
Increase in the spending on social grants

%/y



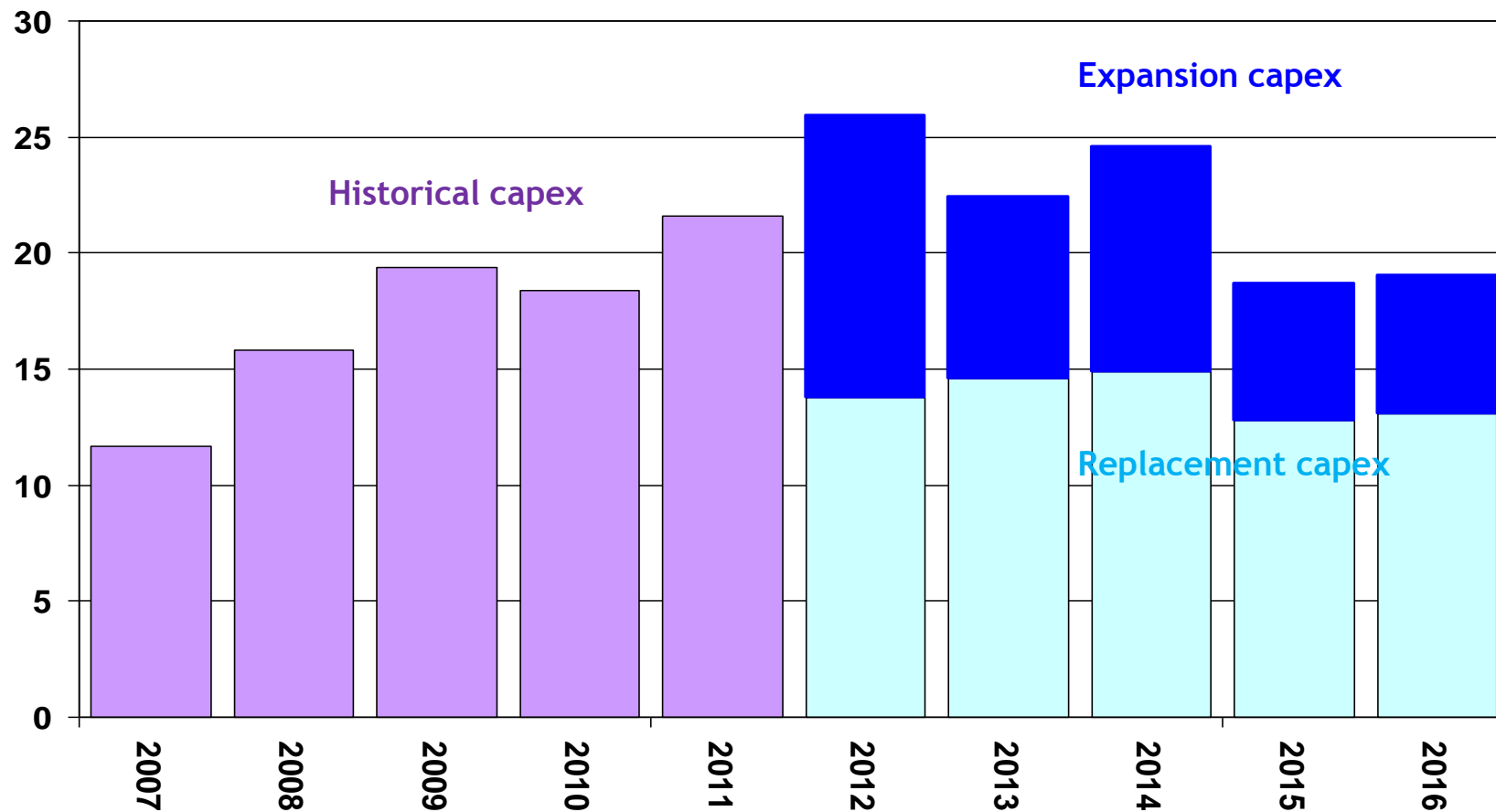


Public sector infrastructural spending



Transnet capital expenditure (R110.6bn over 5yrs)

Rbn



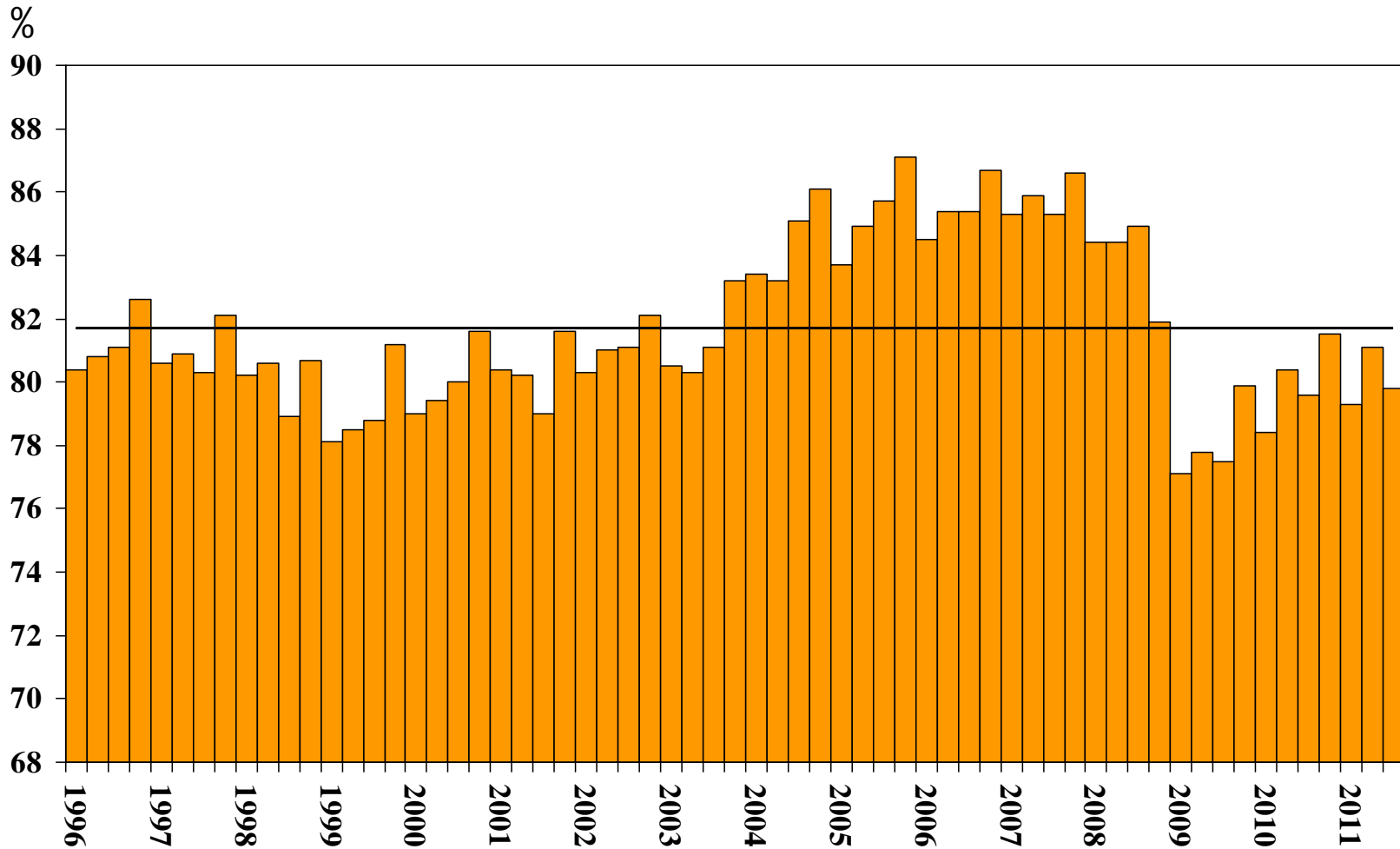
Transnet capacity creation projects

- **Iron ore export railway line** expansion to 60.7m tons, up from 43m
- **Coal railway line expansion** to 81.0m tons, up from 65m
- **Container terminal** at Coega
- Cape Town **container port expansion**
- Durban **container port** terminal berth deepening
- Purchases of **100 locomotives**
- Transnet **multi purpose product pipeline**

South Africa: building for the future



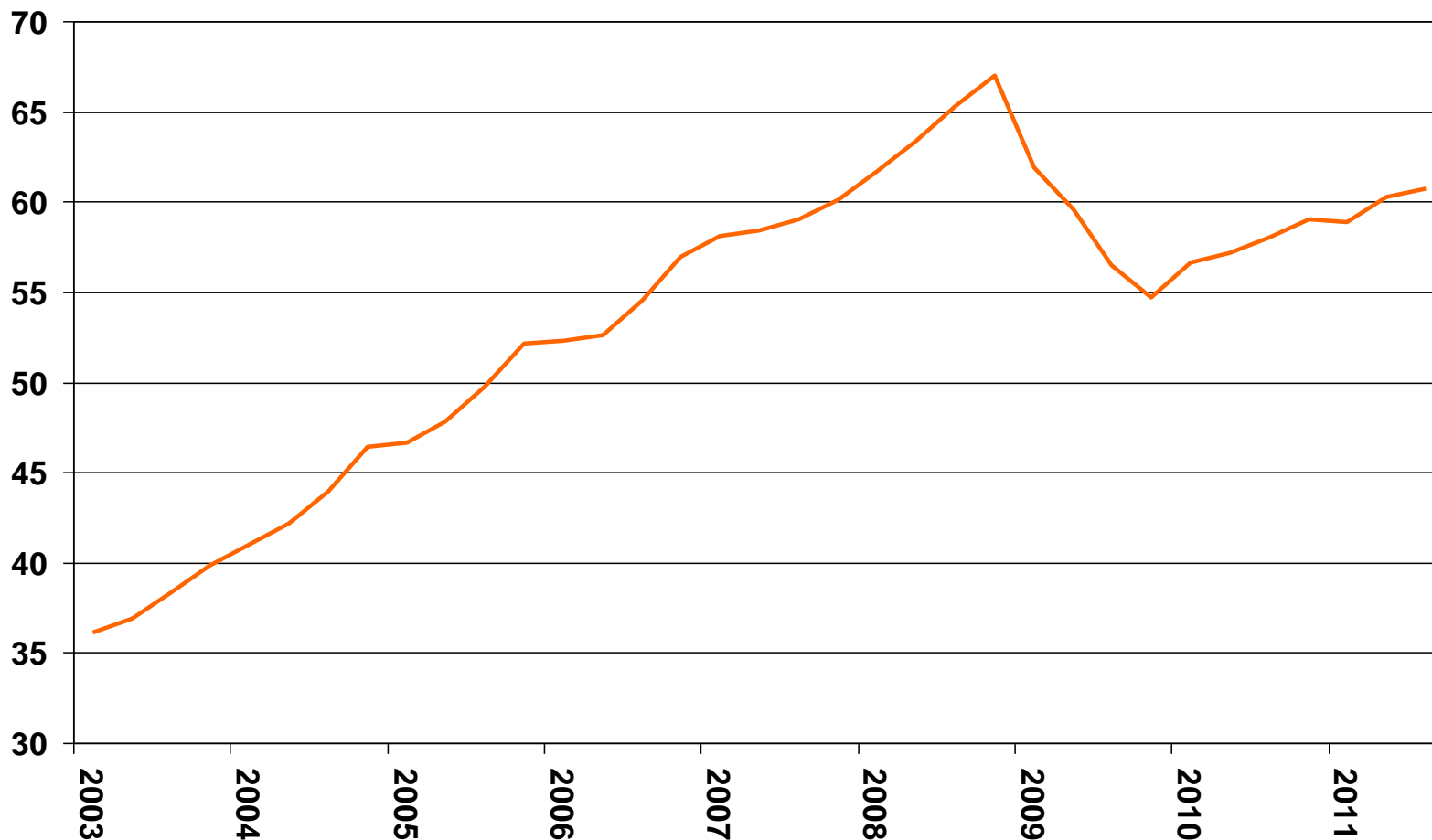
SA manufacturing capacity utilisation





SA private sector fixed investment spending

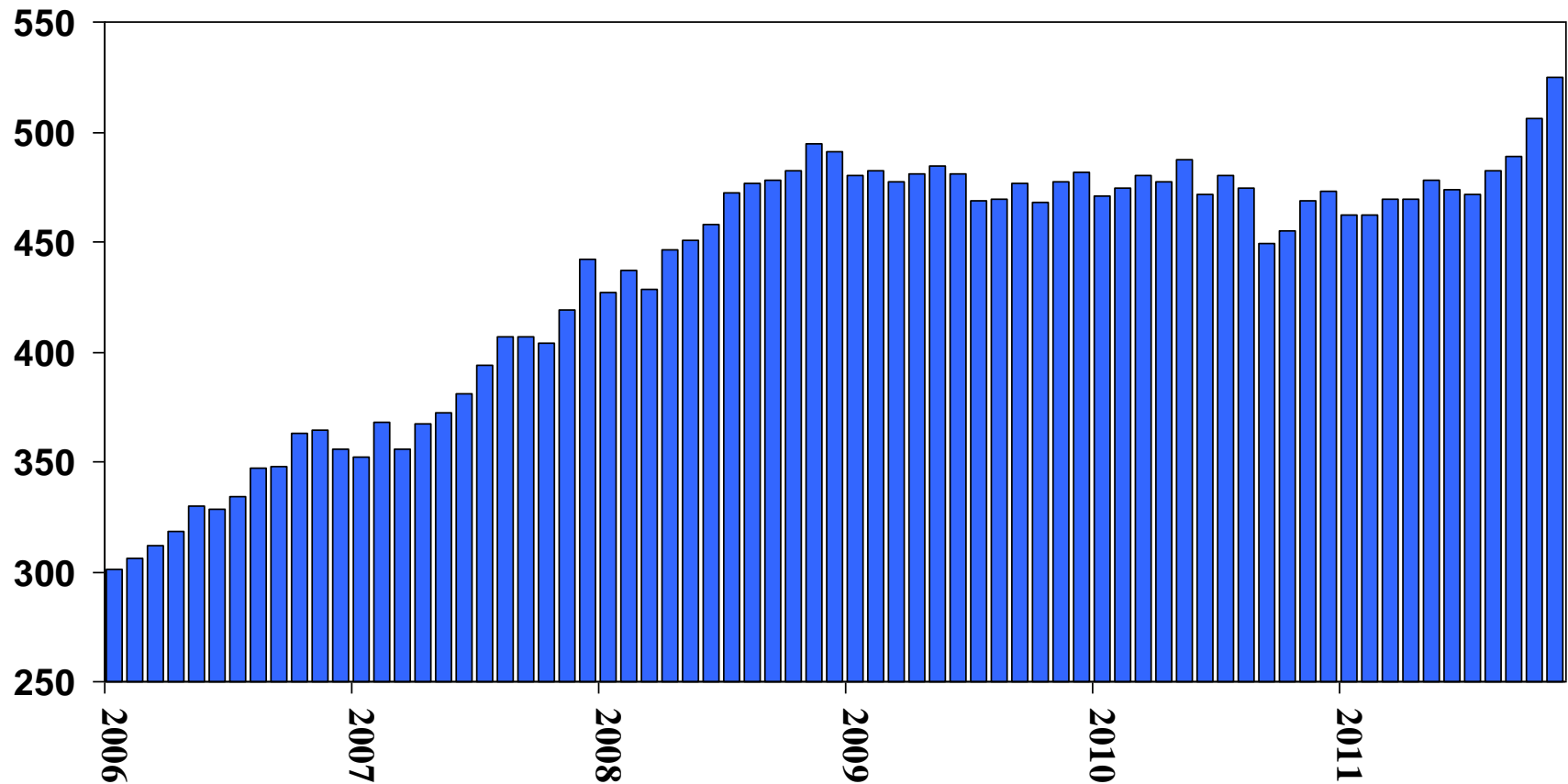
R billion, constant prices





SA corporate deposits

R billion

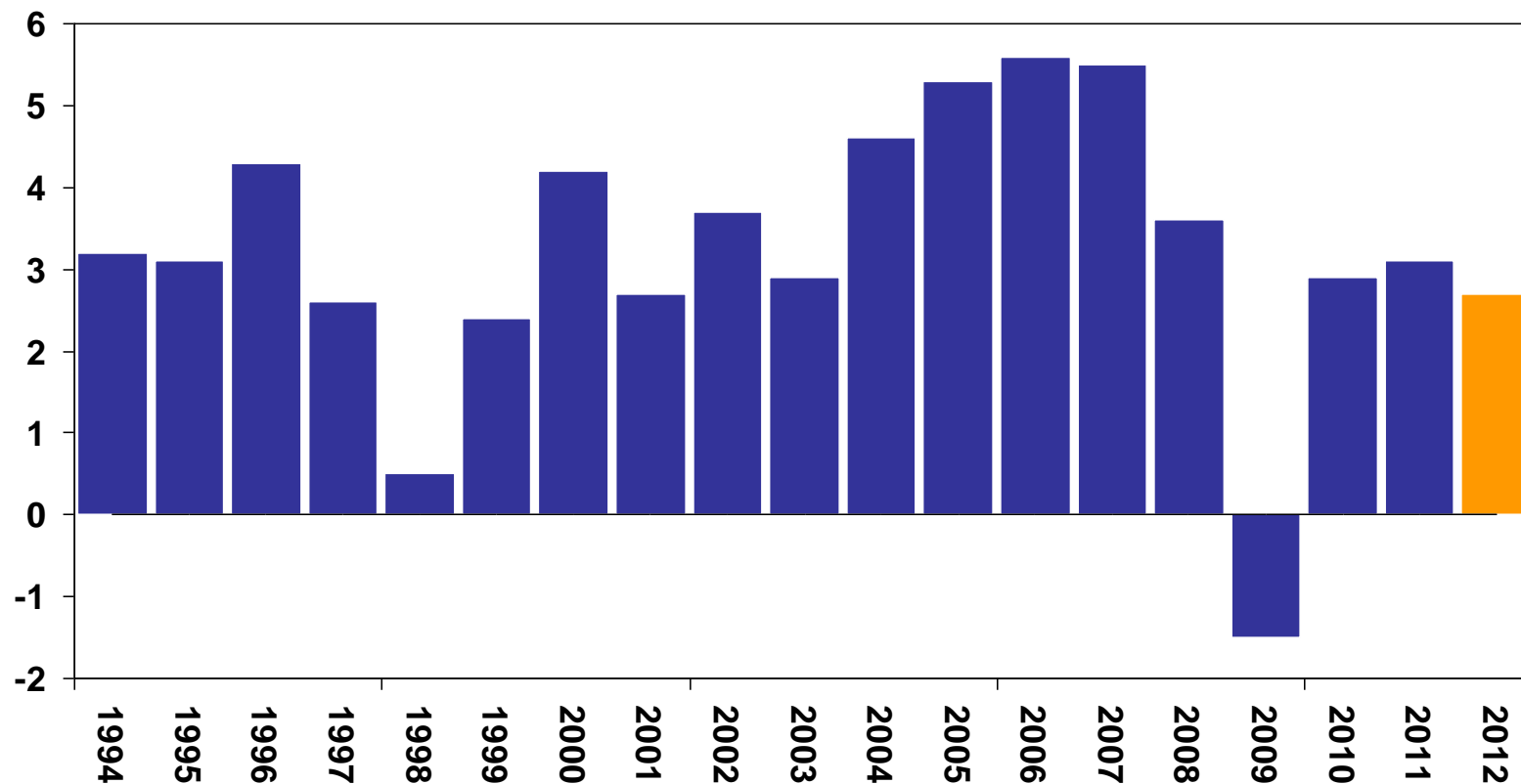




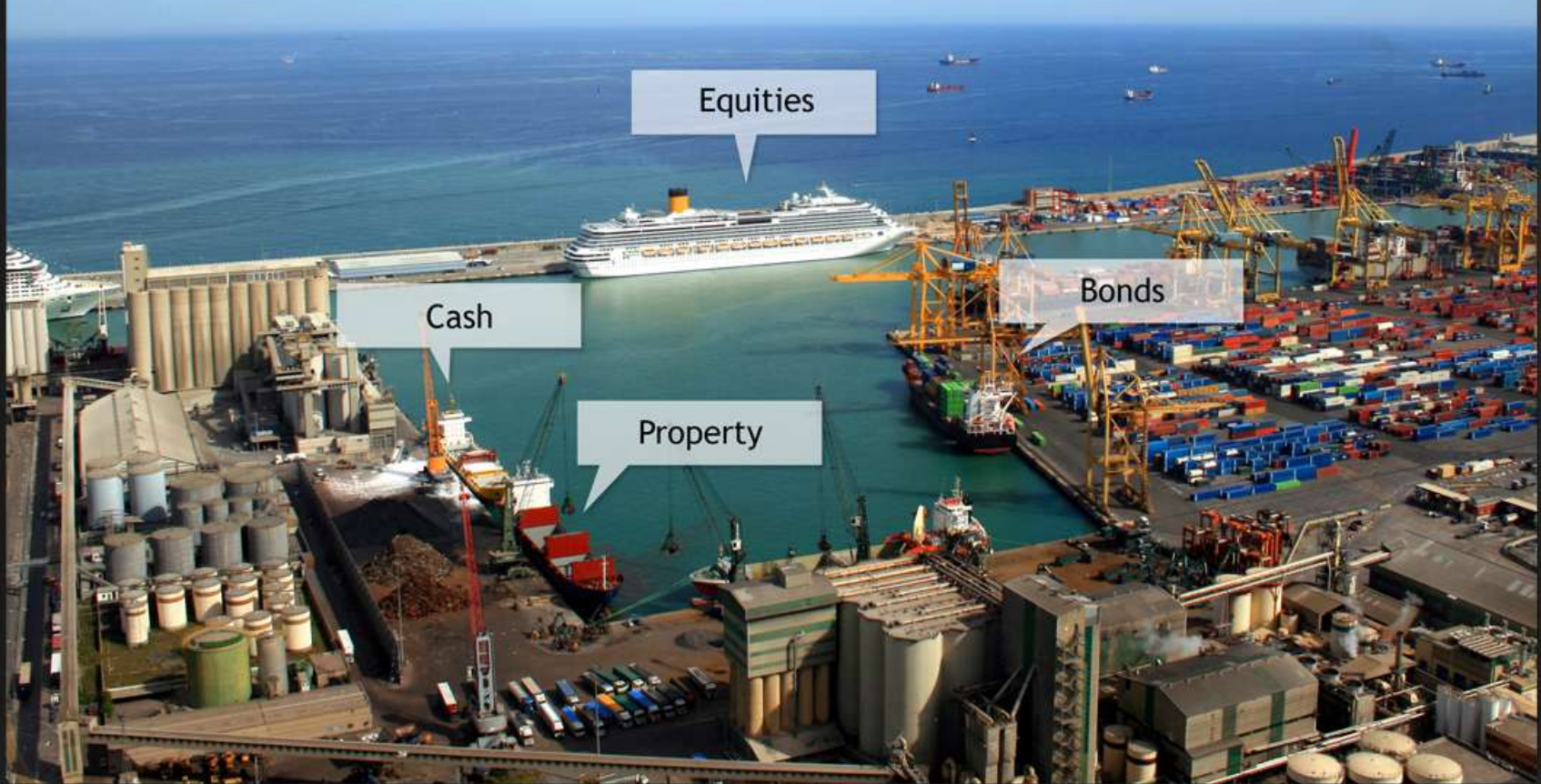
SA GDP annual growth rate

%/y

SA GDP is forecast to grow by 3.1% in 2011, slowing to 2.8% in 2012

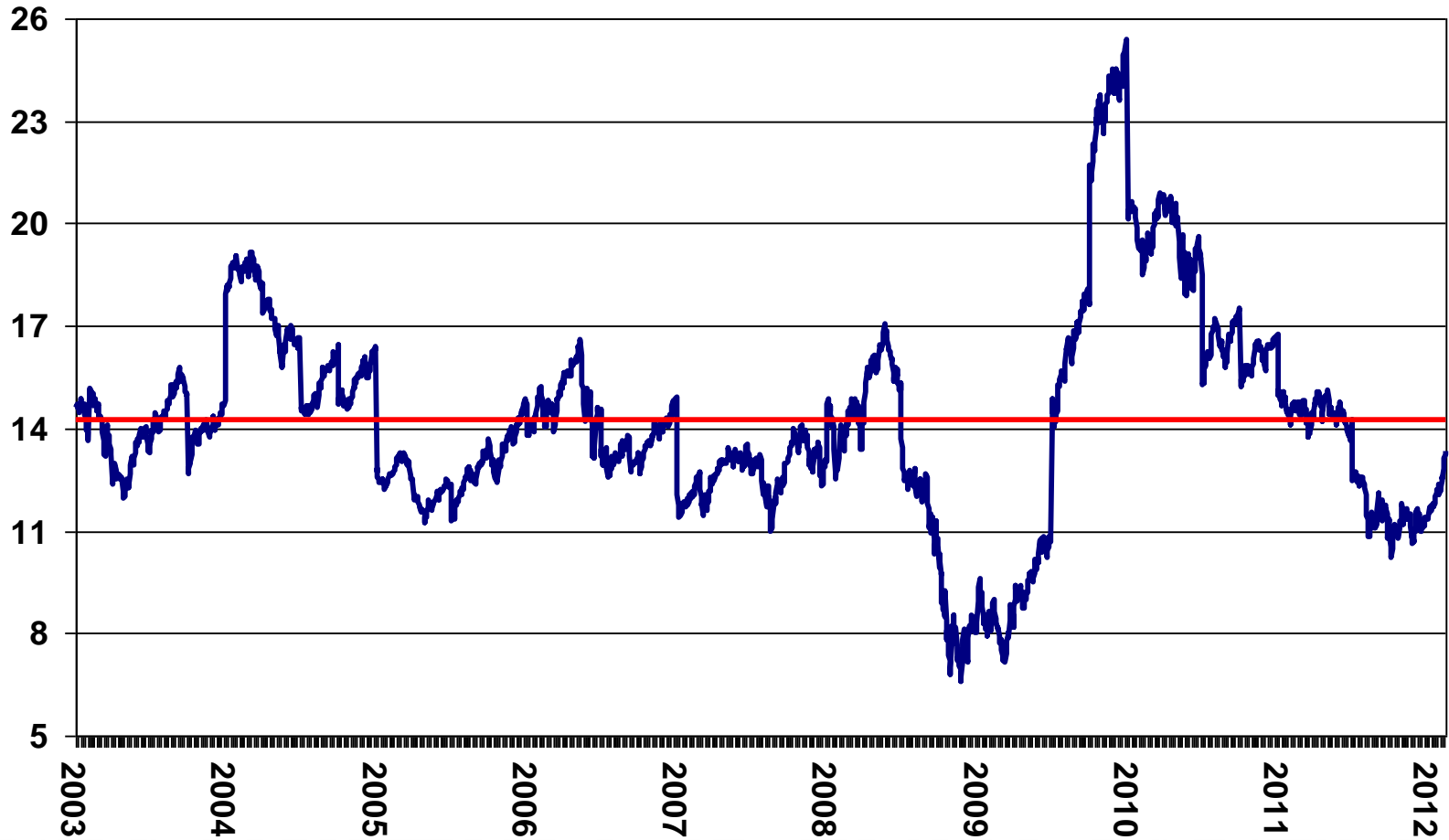


Which ship? - a difficult choice of asset classes



SA All Share Index, historical PE

PE ratio



STANLIB bottom up earnings per sector

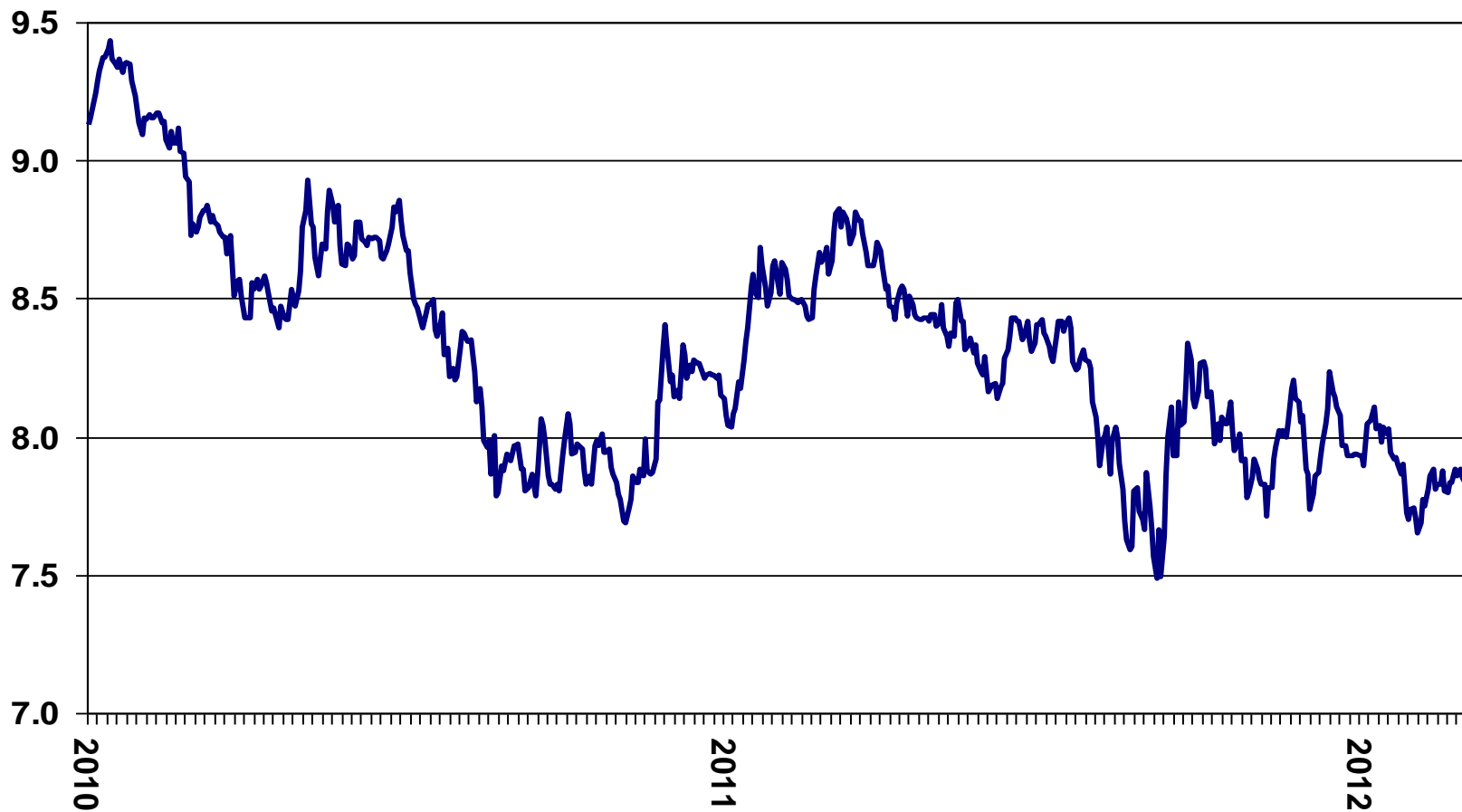
	Current PE ratio	YR1 EPS Growth %	12 month forward PE ratio
Resources	10.0	17.8	8.5
Industrials	15.4	19.2	12.9
Financials	11.1	15.9	9.6
Totals	12.3	18.1	10.4

SA bond market fair value

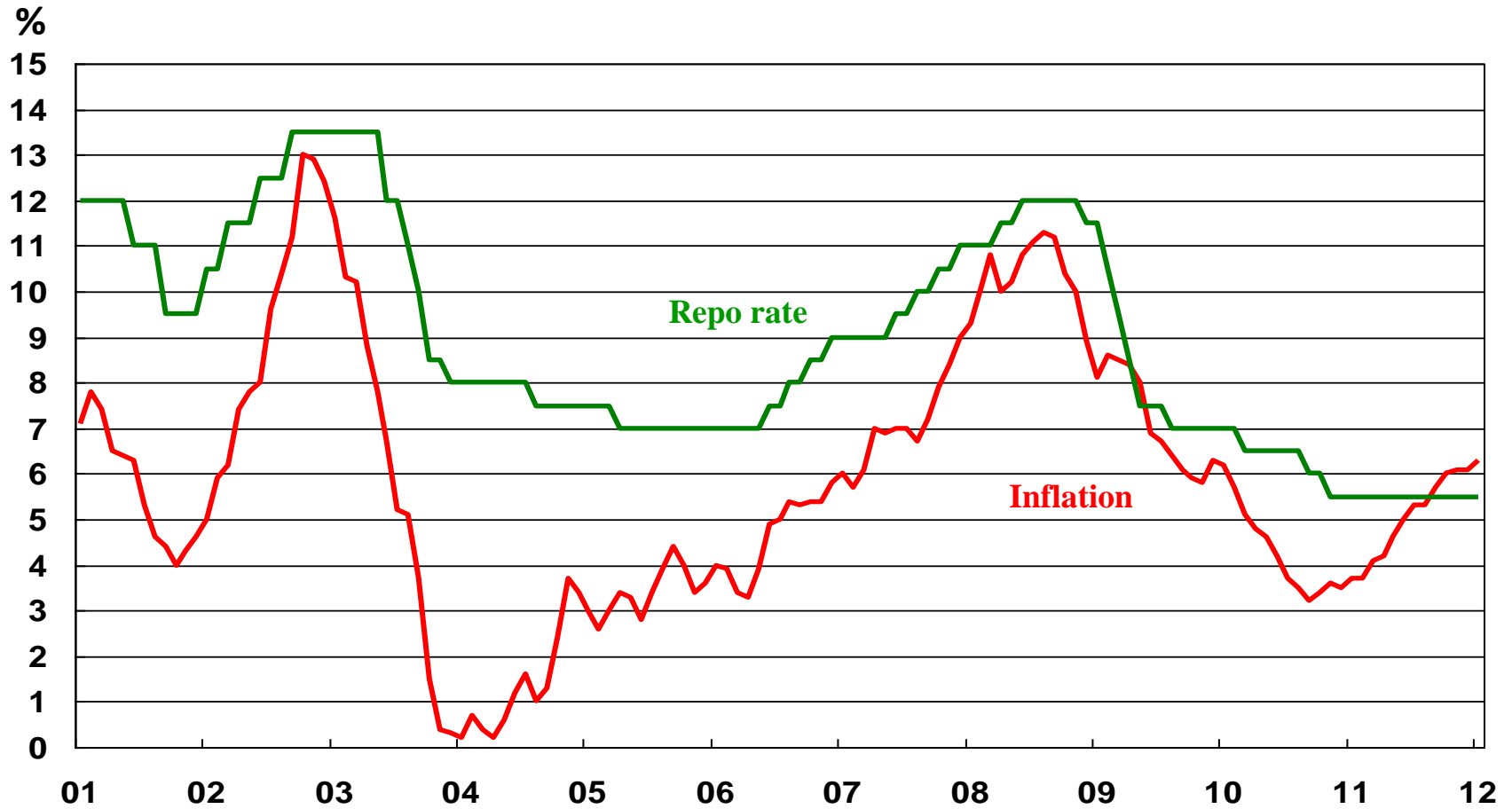
	Market	
RSA Long Term Inflation	5.7	R208-R197
US Long Term Inflation	<u>2.0</u>	US10Y-US10ILB
Inflation Differential	3.7	
+		
US 10 Year Bond	1.8	
+		
SA 10 Year Sovereign Spread	2.3	
RSA 10 Year Fair Value	<u><u>7.8</u></u>	

SA 10-year bond yield

%, yield



SA Repo rate vs Inflation

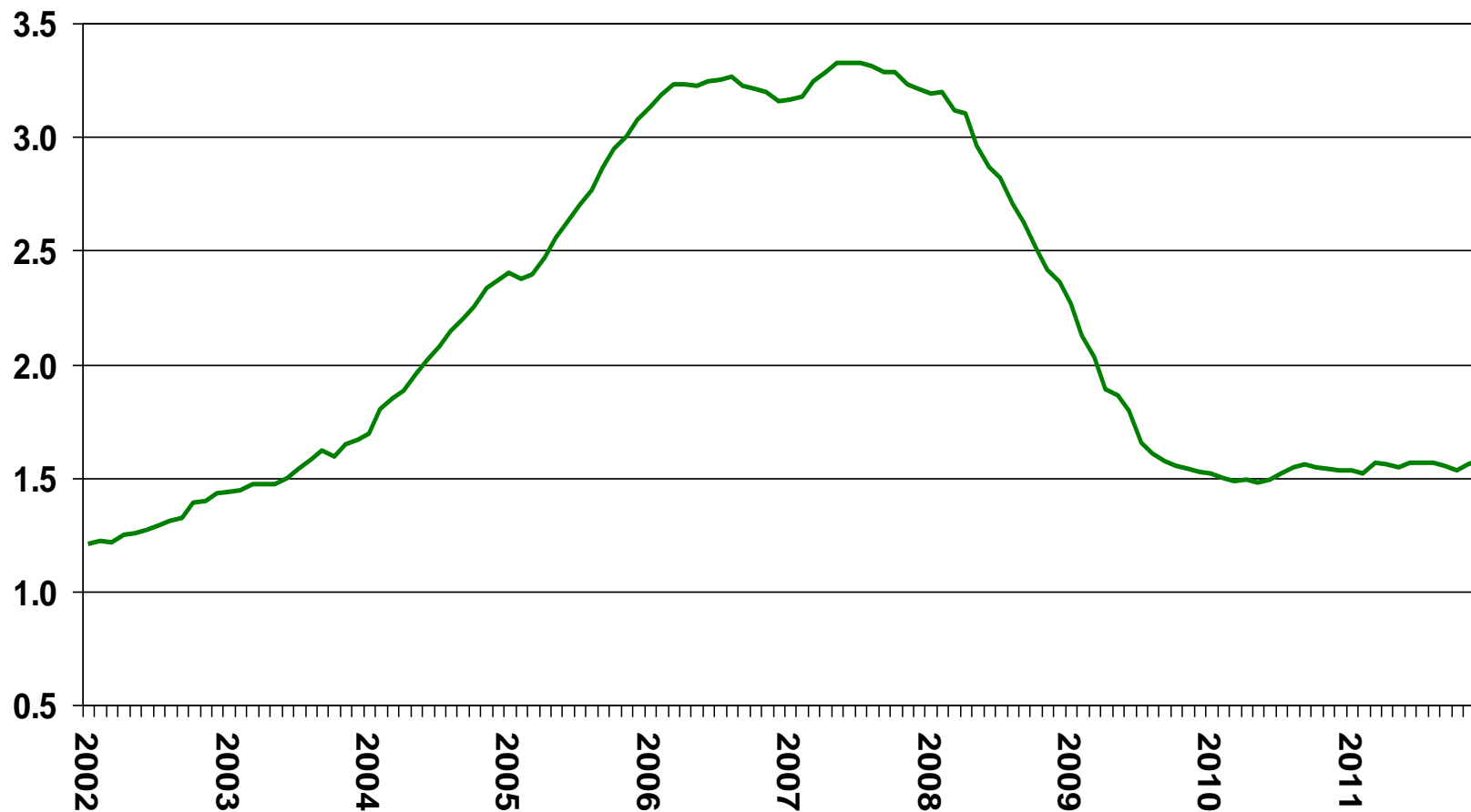




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Building plans passed - residential sector

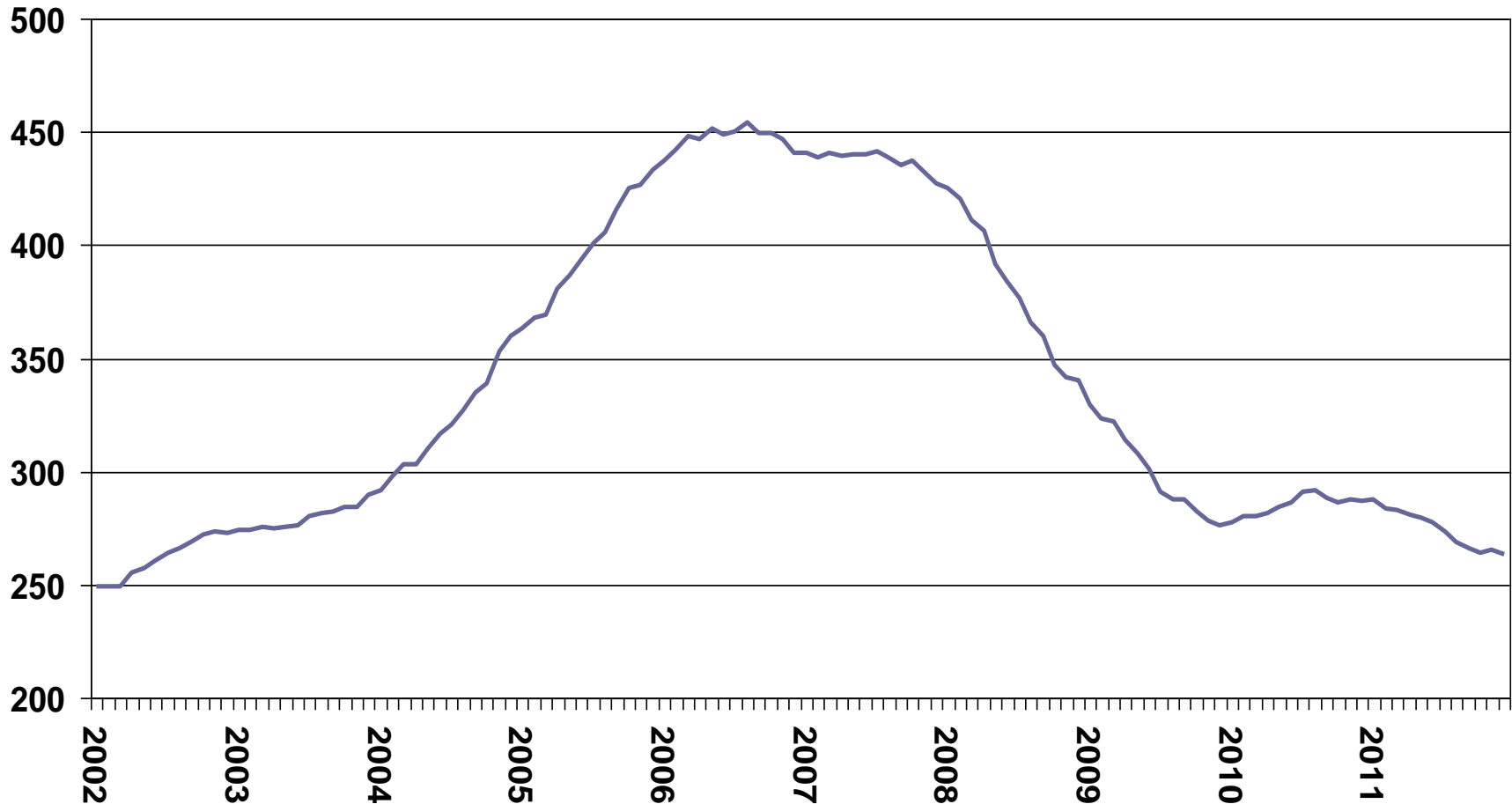
Rbn, constant prices, 12-month moving average





Building plans - additions and alterations residential

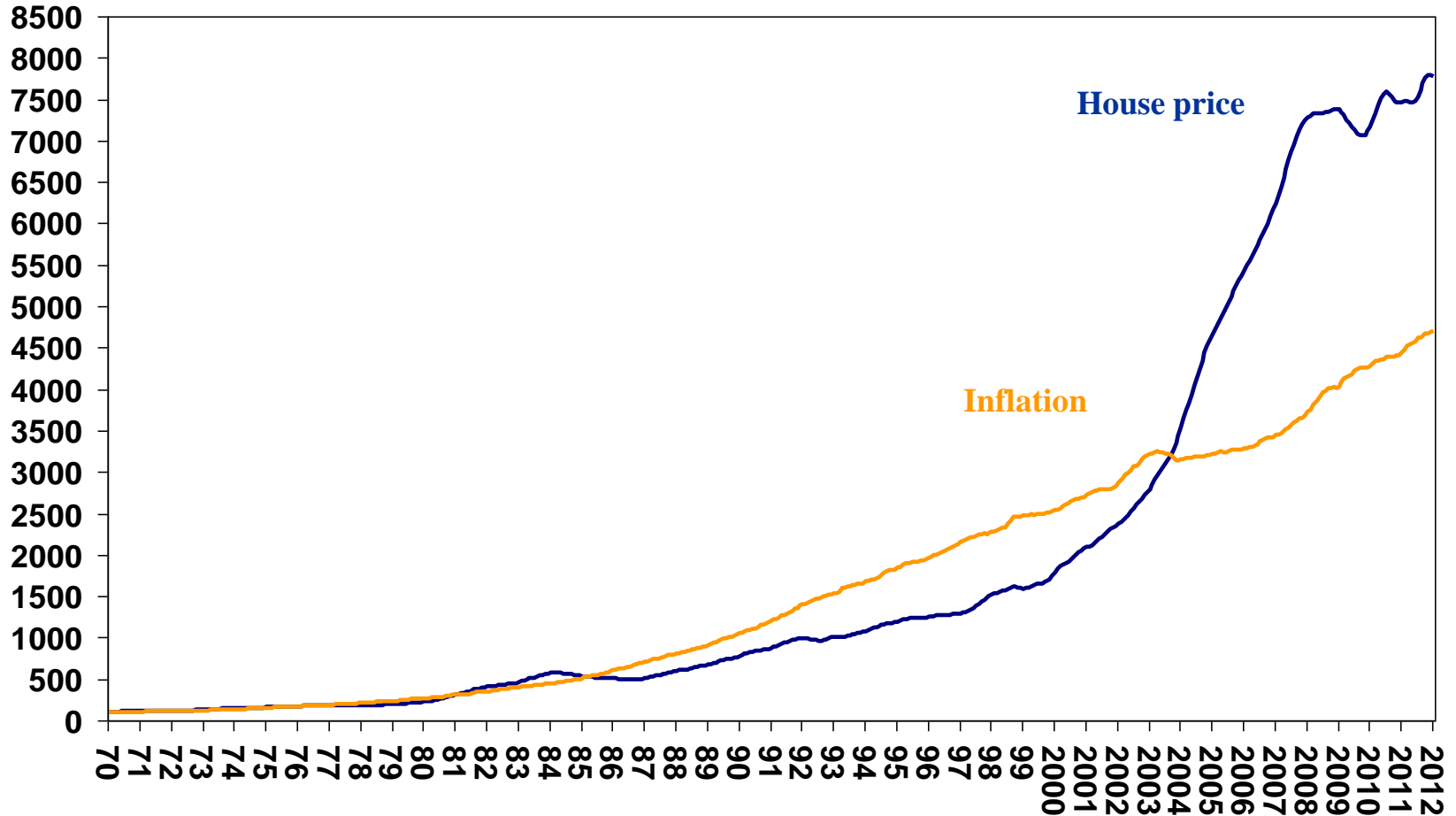
R million, constant prices, 12-month moving average





SA house prices vs inflation

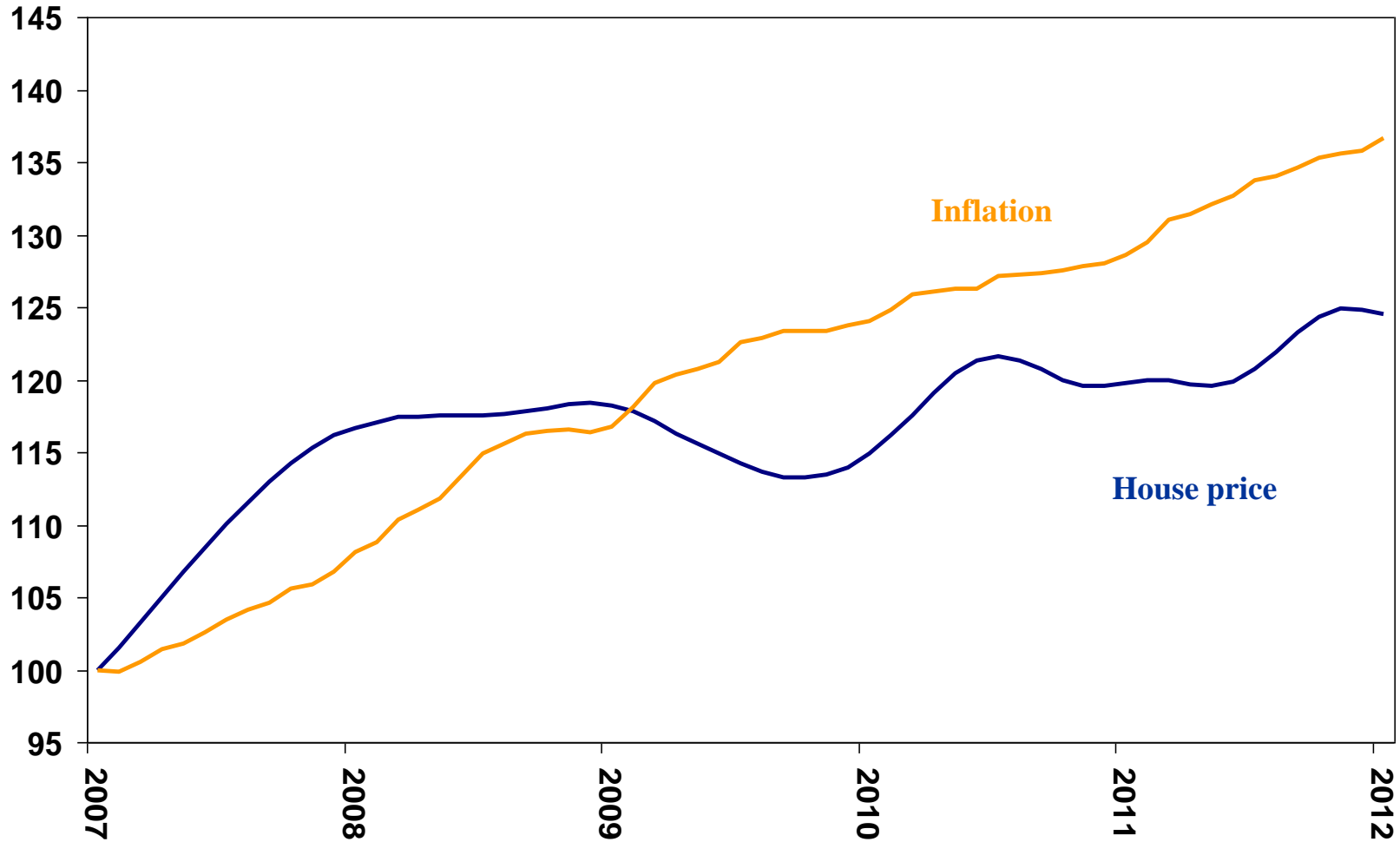
Index 1970 = 100





SA house prices vs inflation

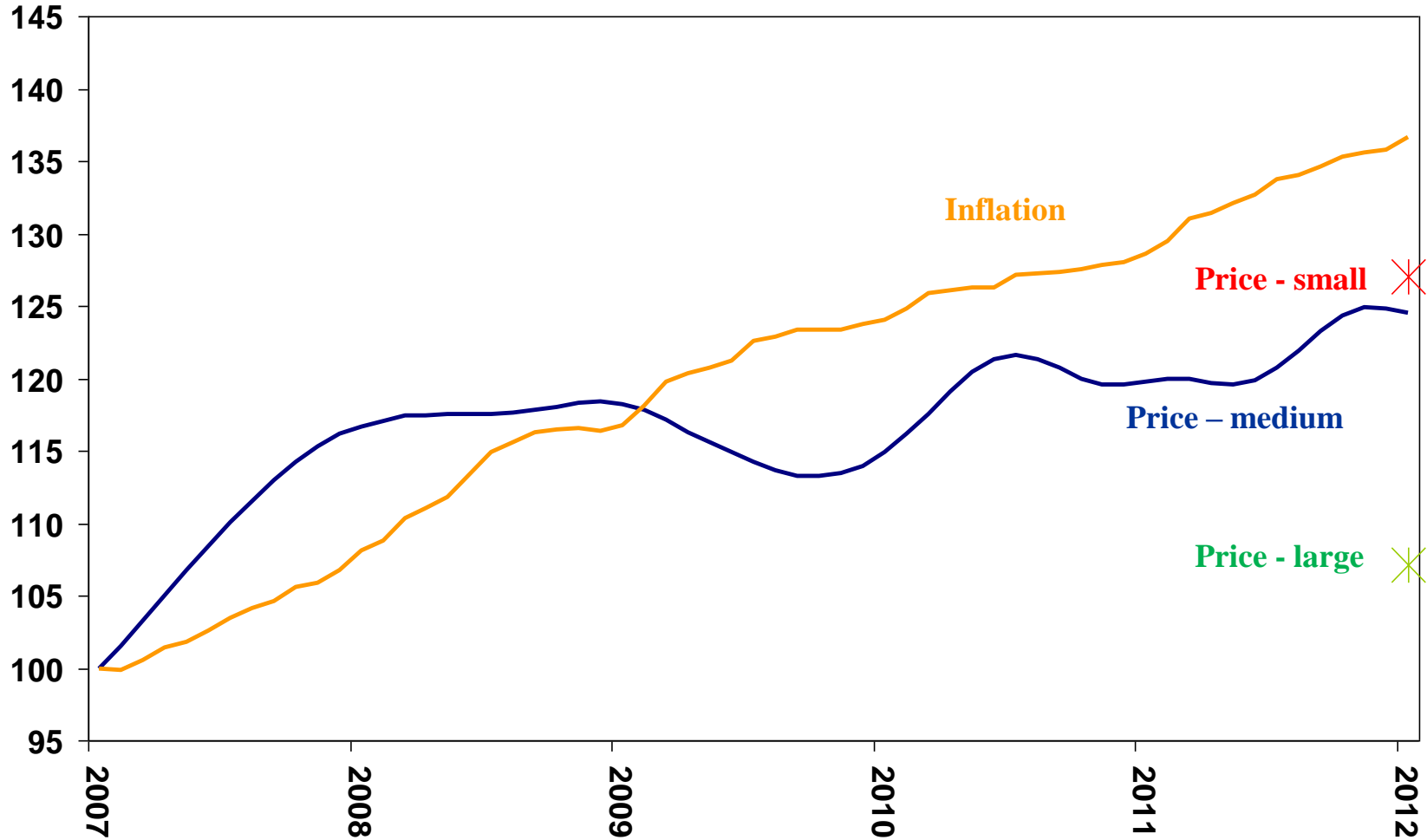
Index 2007 = 100





SA house prices vs inflation

Index 2007 = 100





SA house prices vs inflation vs balanced fund

Index 2007 = 100

