

STANLIB Economic Update Road to Recovery

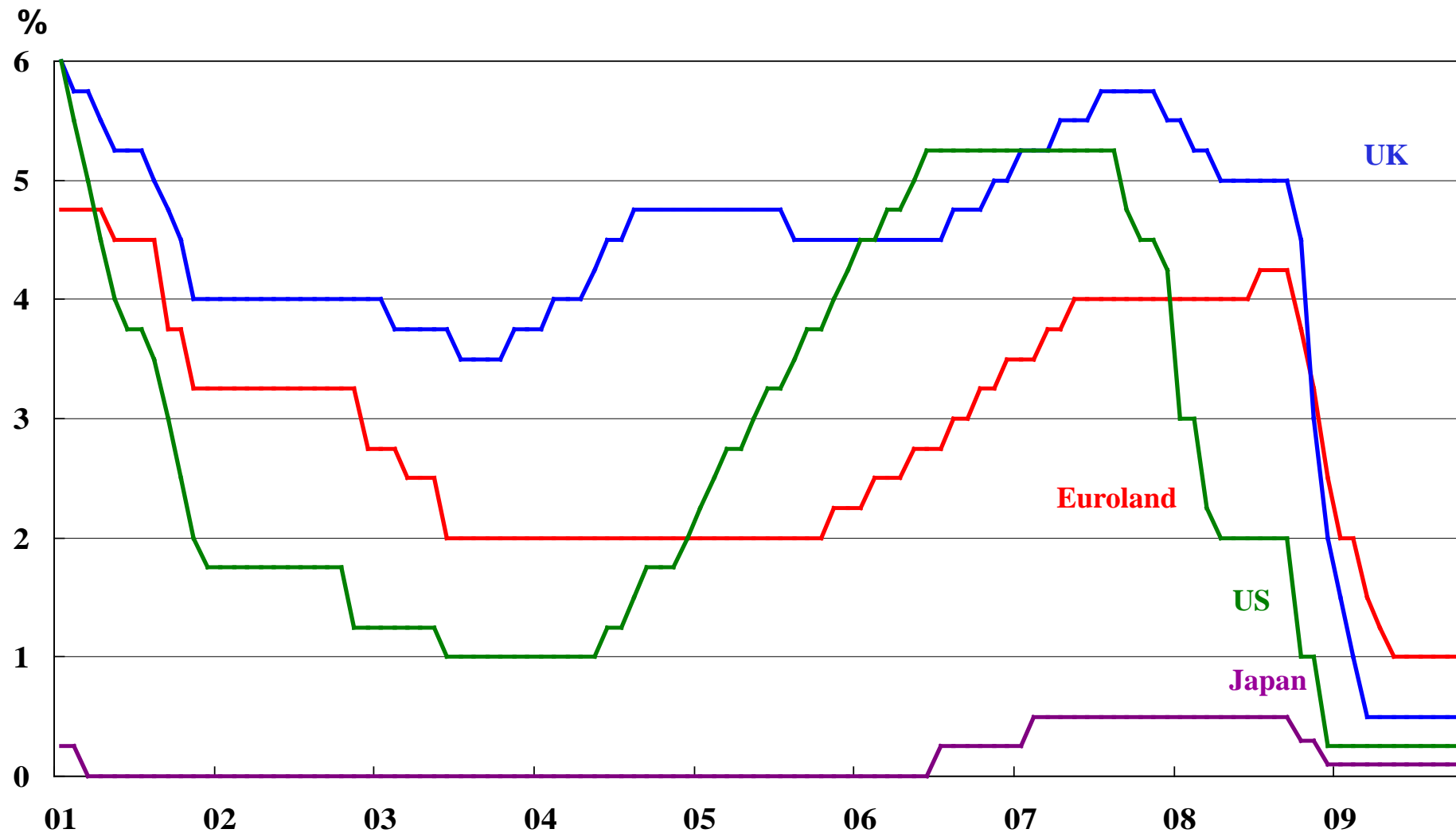
Kevin Lings

Economist

October 2009

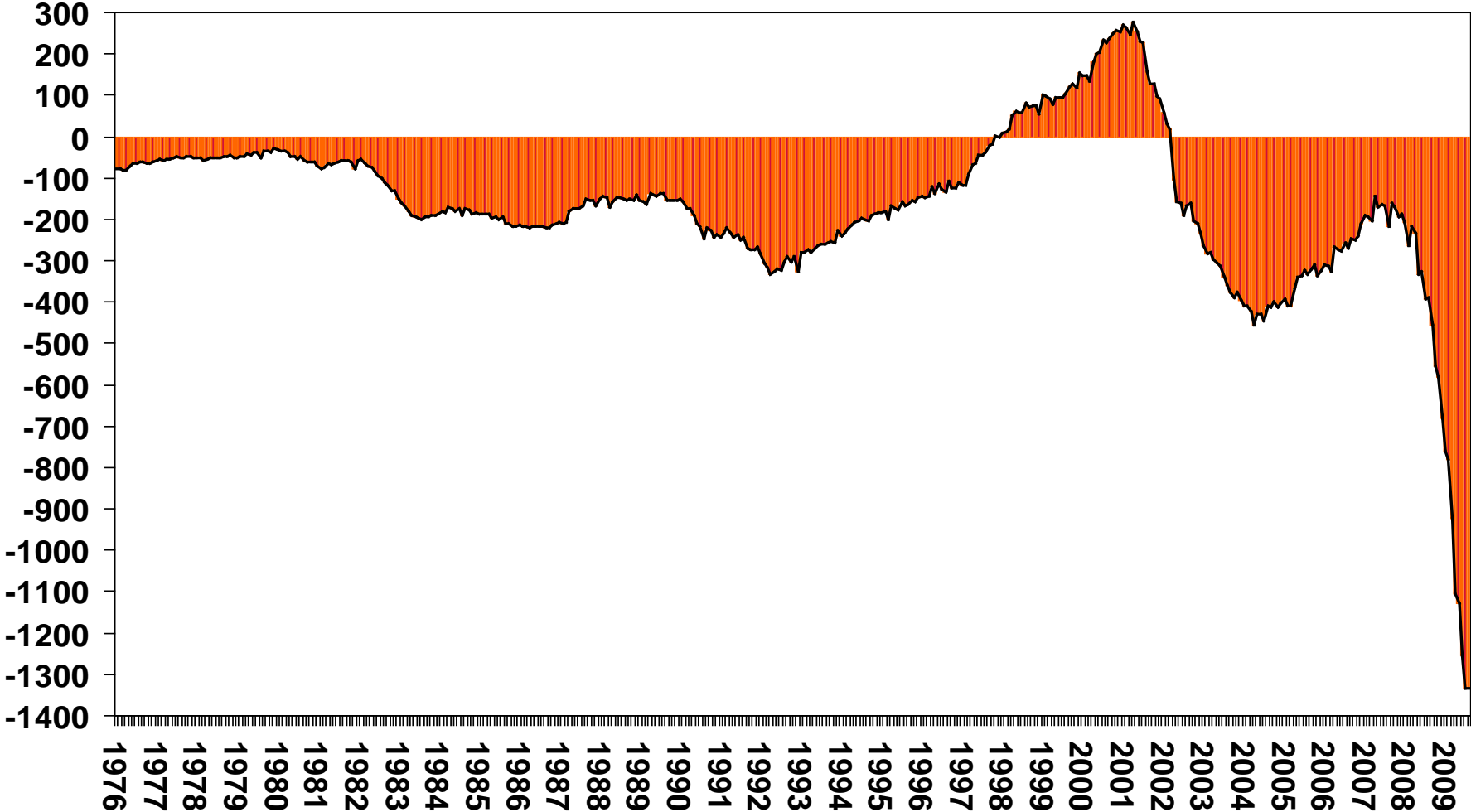
STANLIB

Euro-area, US, Japan and UK official interest rates



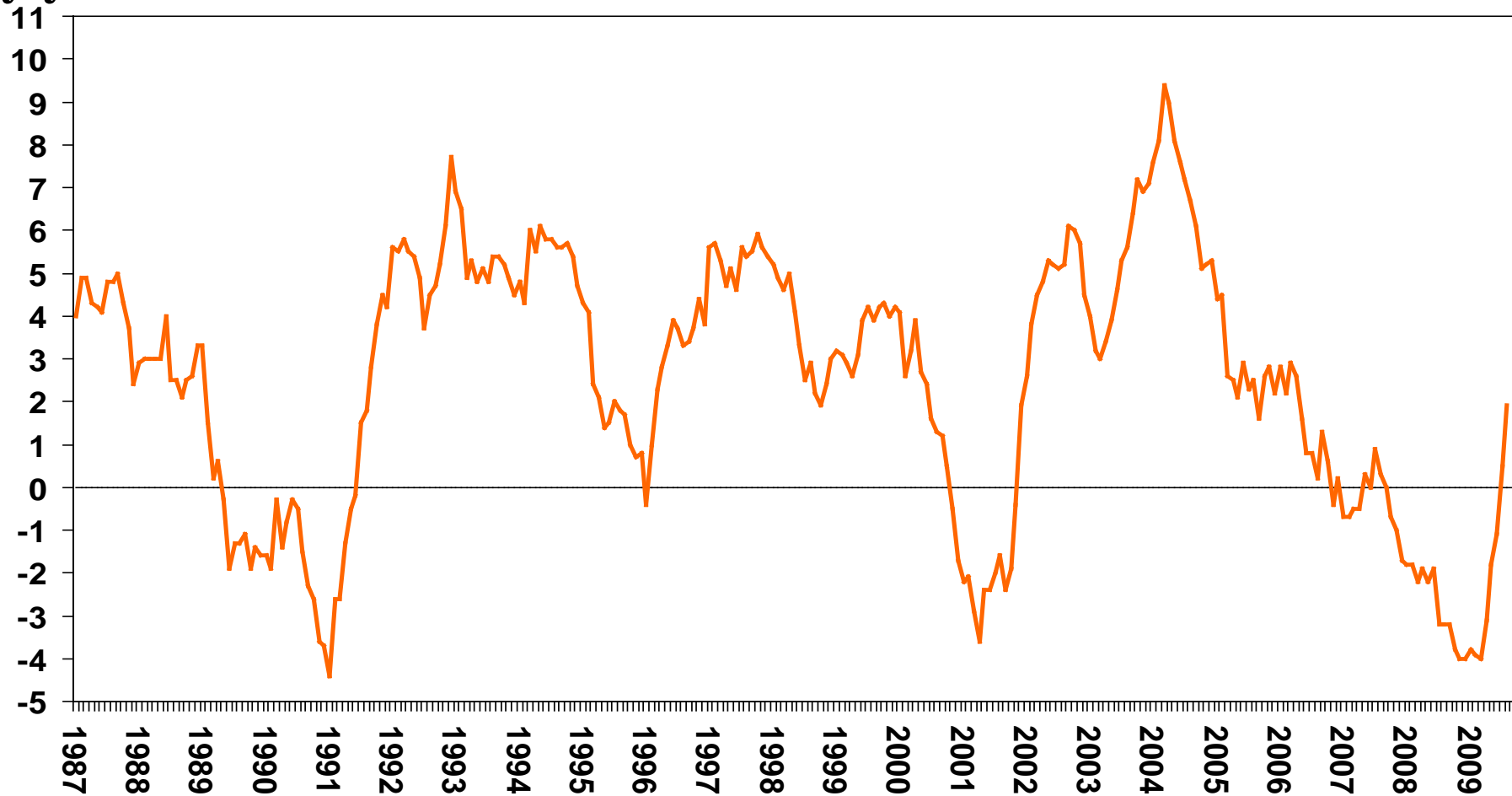
US Federal Budget

\$bn, 12-month running total



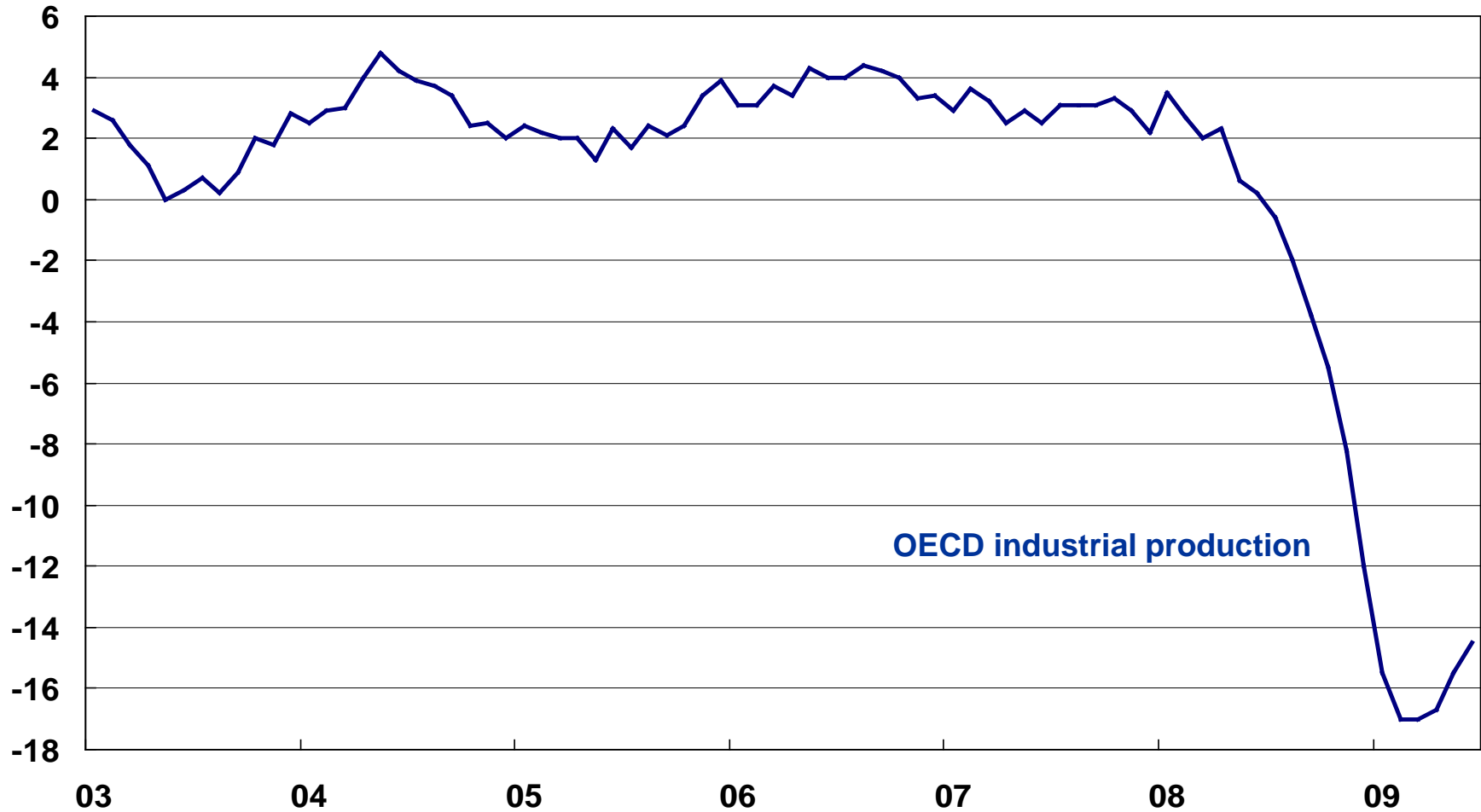
US leading indicator

%y/y



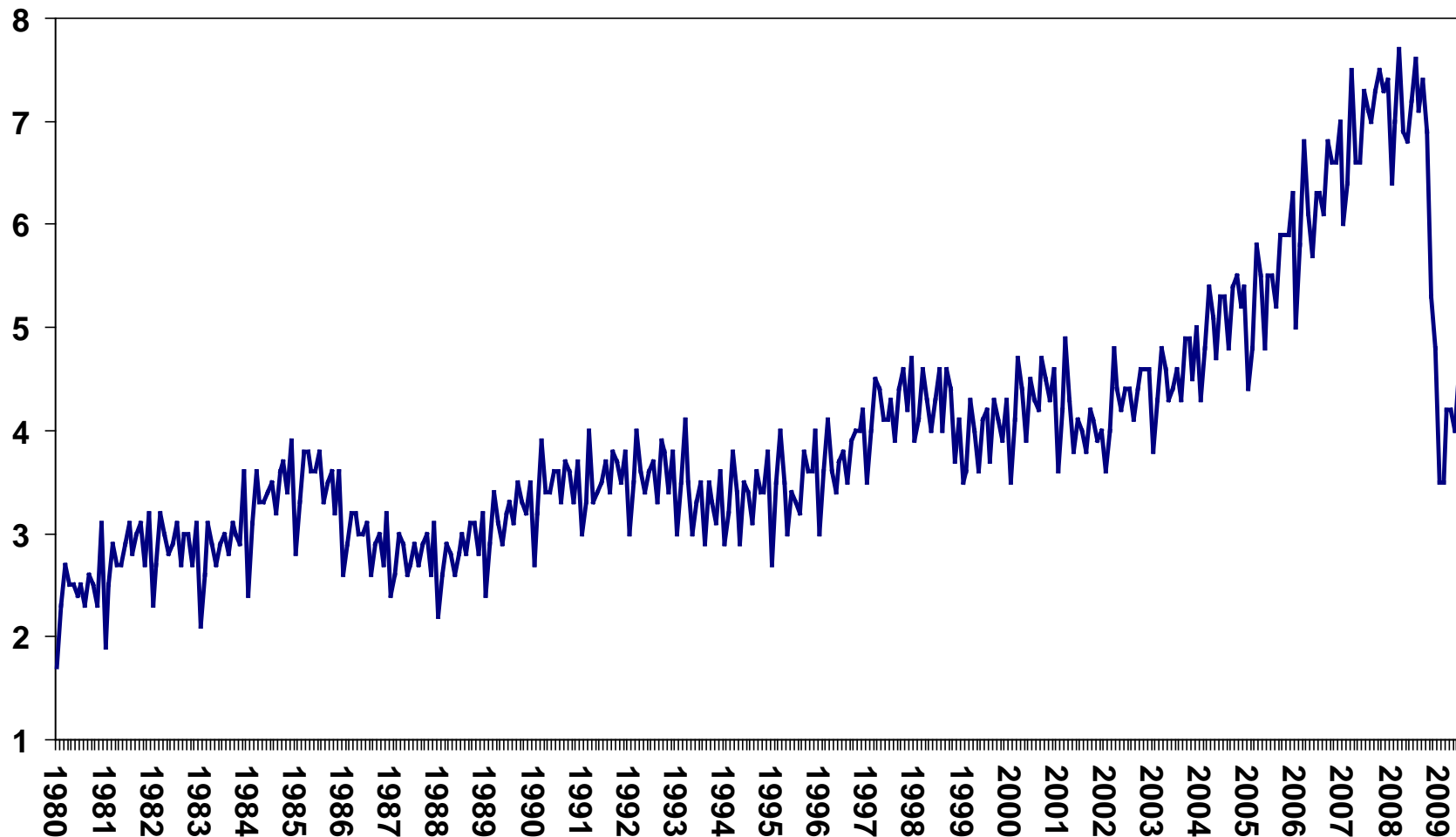
OECD industrial production

%, y/y



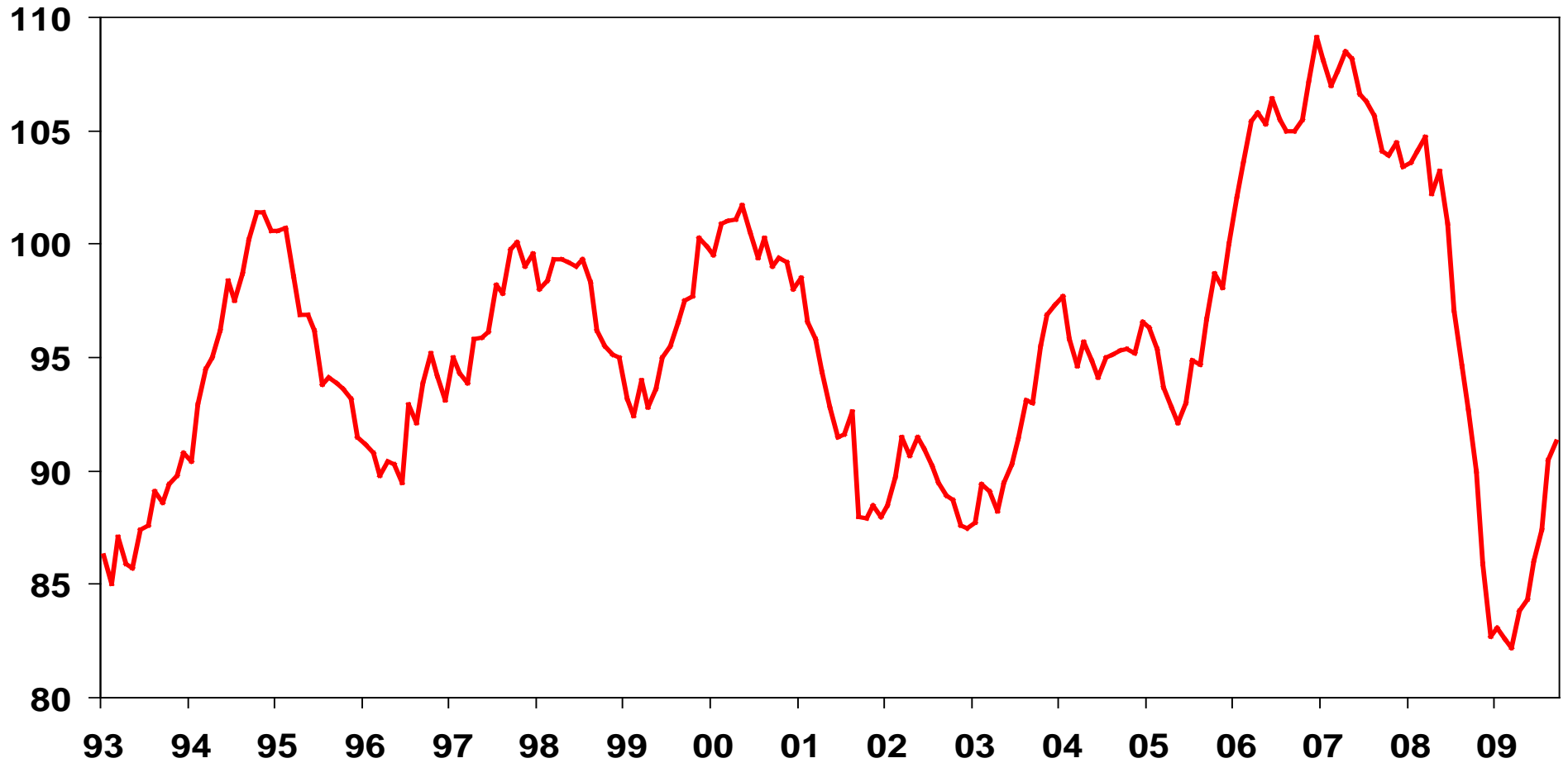
Japan exports

Yen Trillion



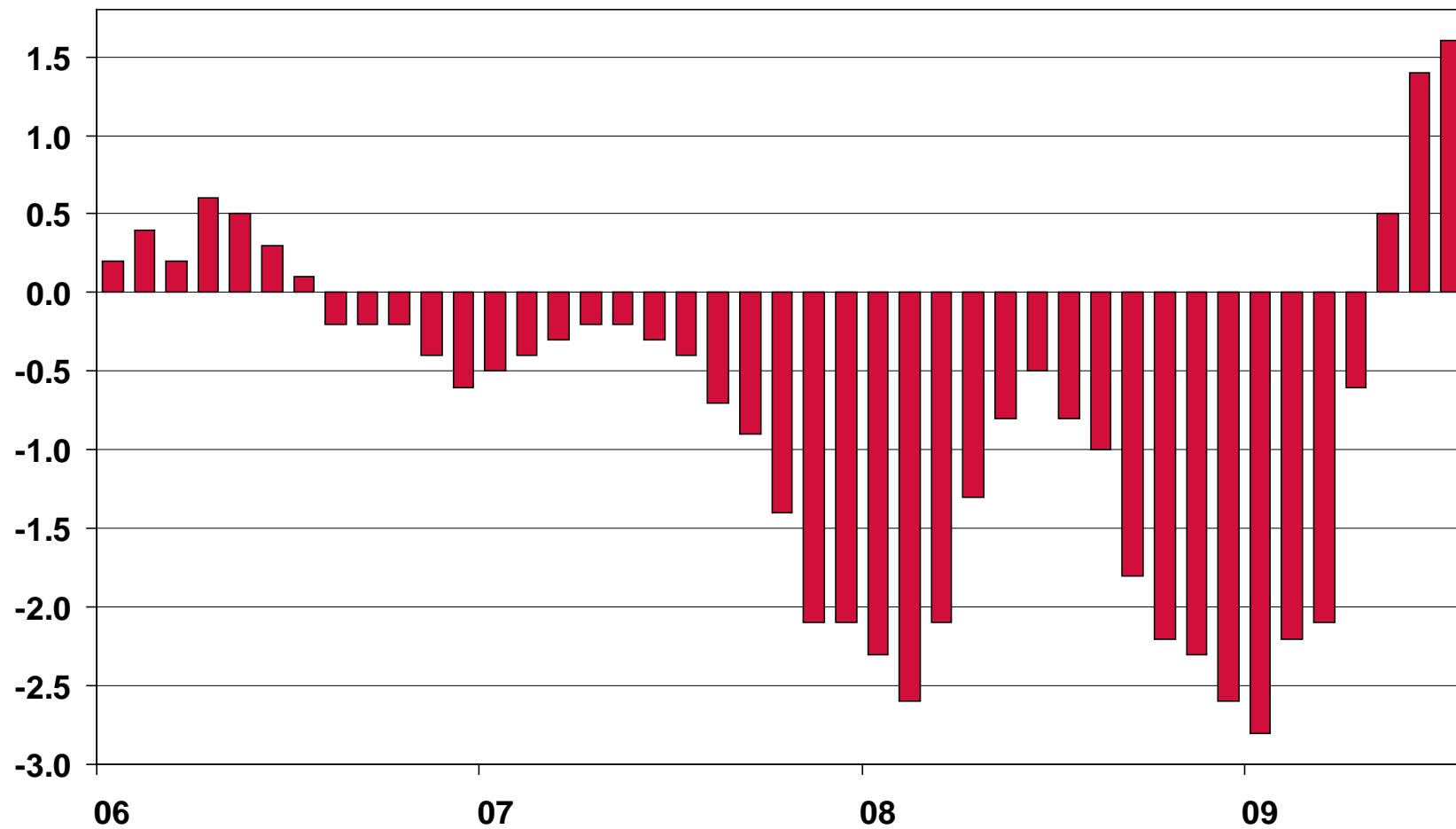
German IFO business climate index

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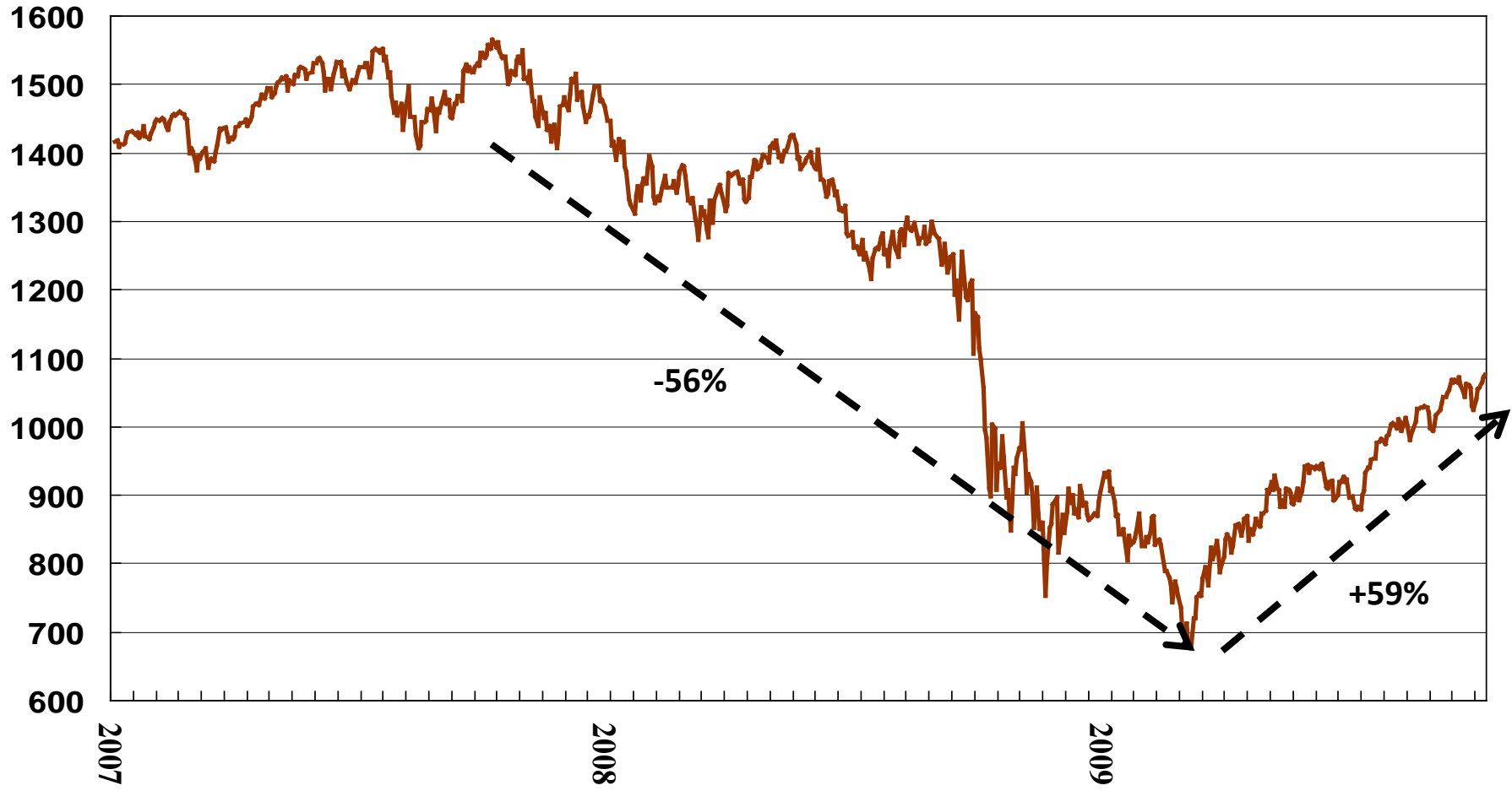
US house prices

US House prices, %, m/m, nominal, S&P Case Shiller



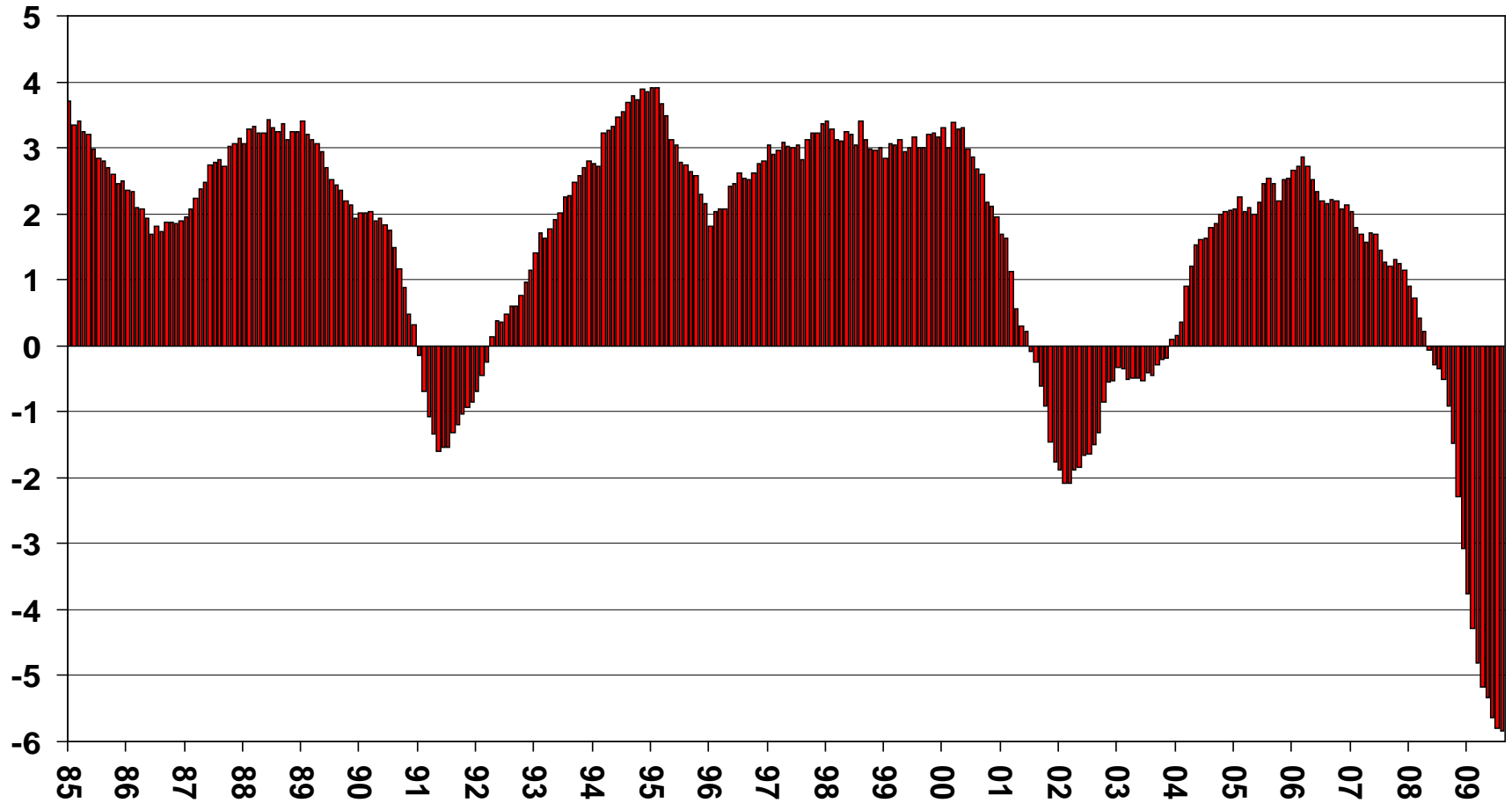
S&P 500 Share Index

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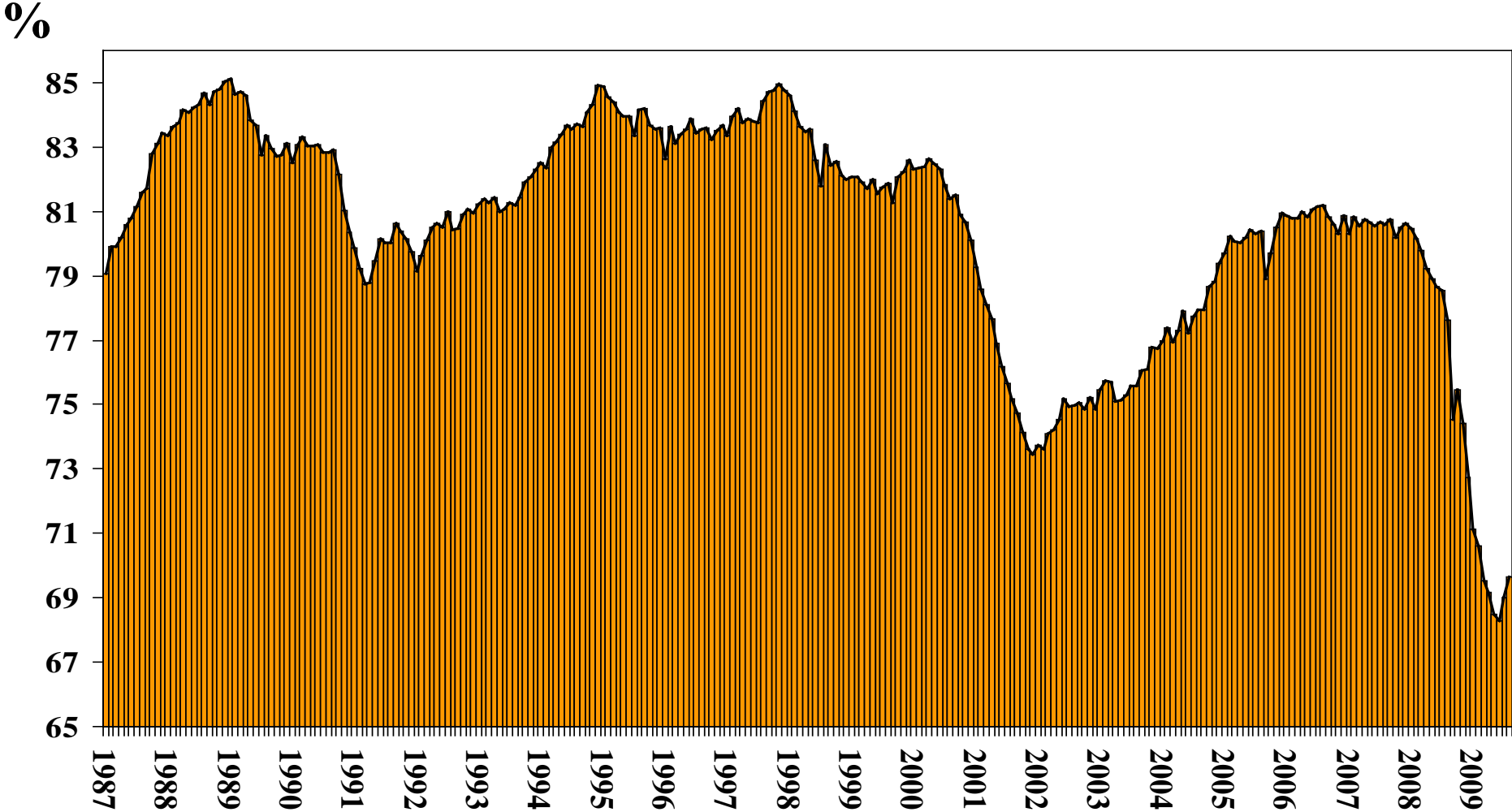


US monthly payroll changes (12 month total)

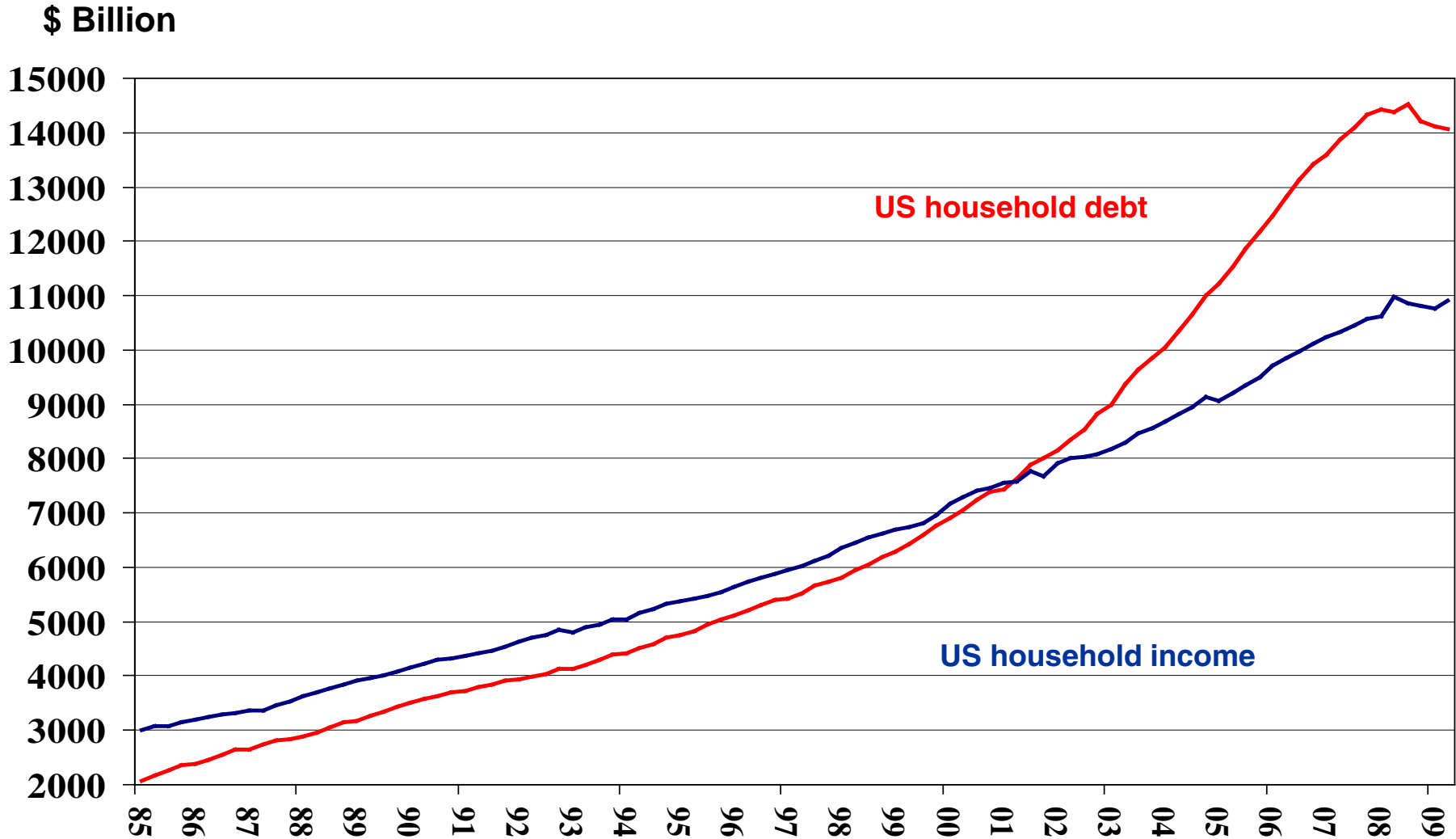
Million



US industrial capacity utilisation

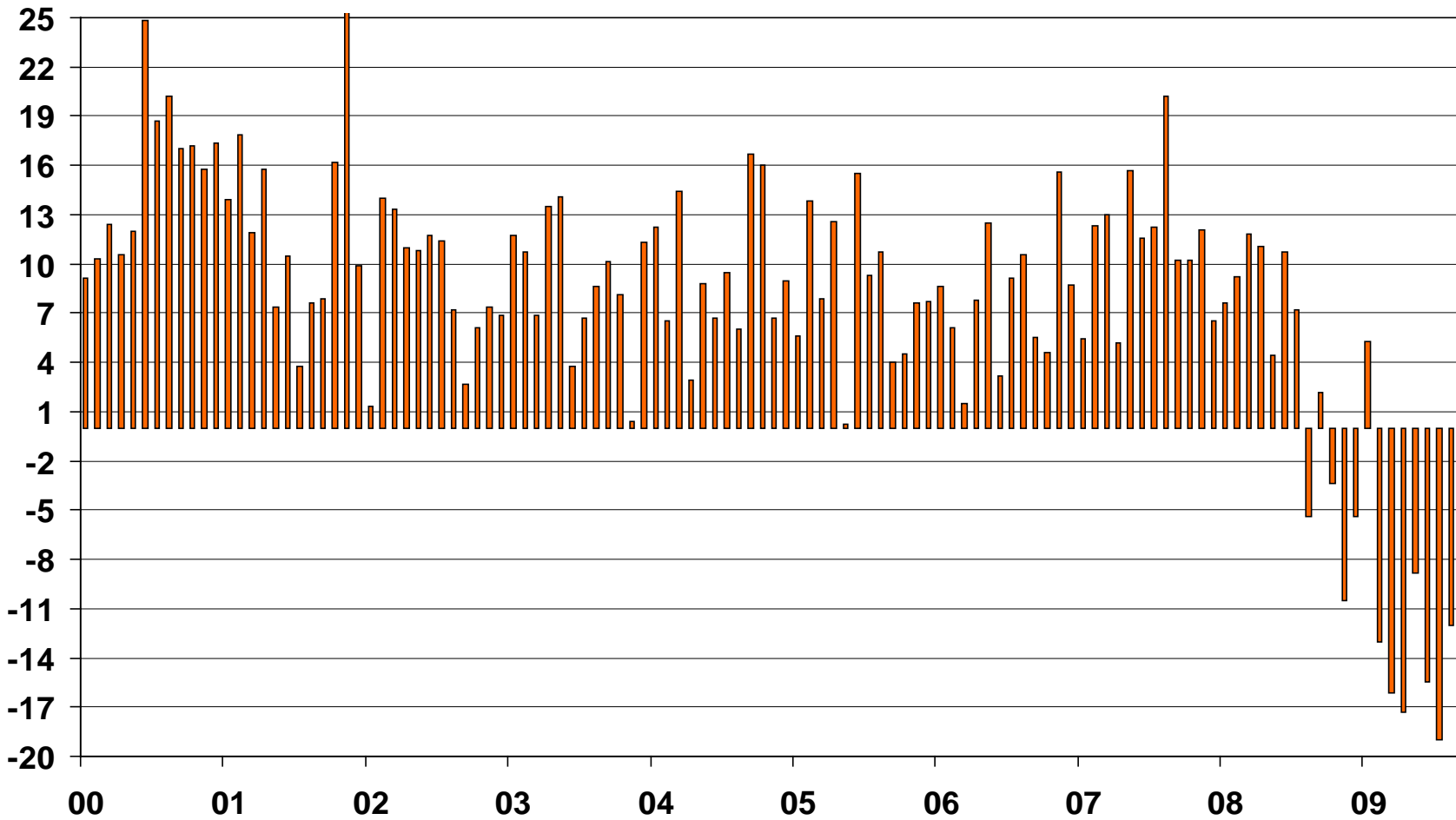


Growth in US household debt vs US household income



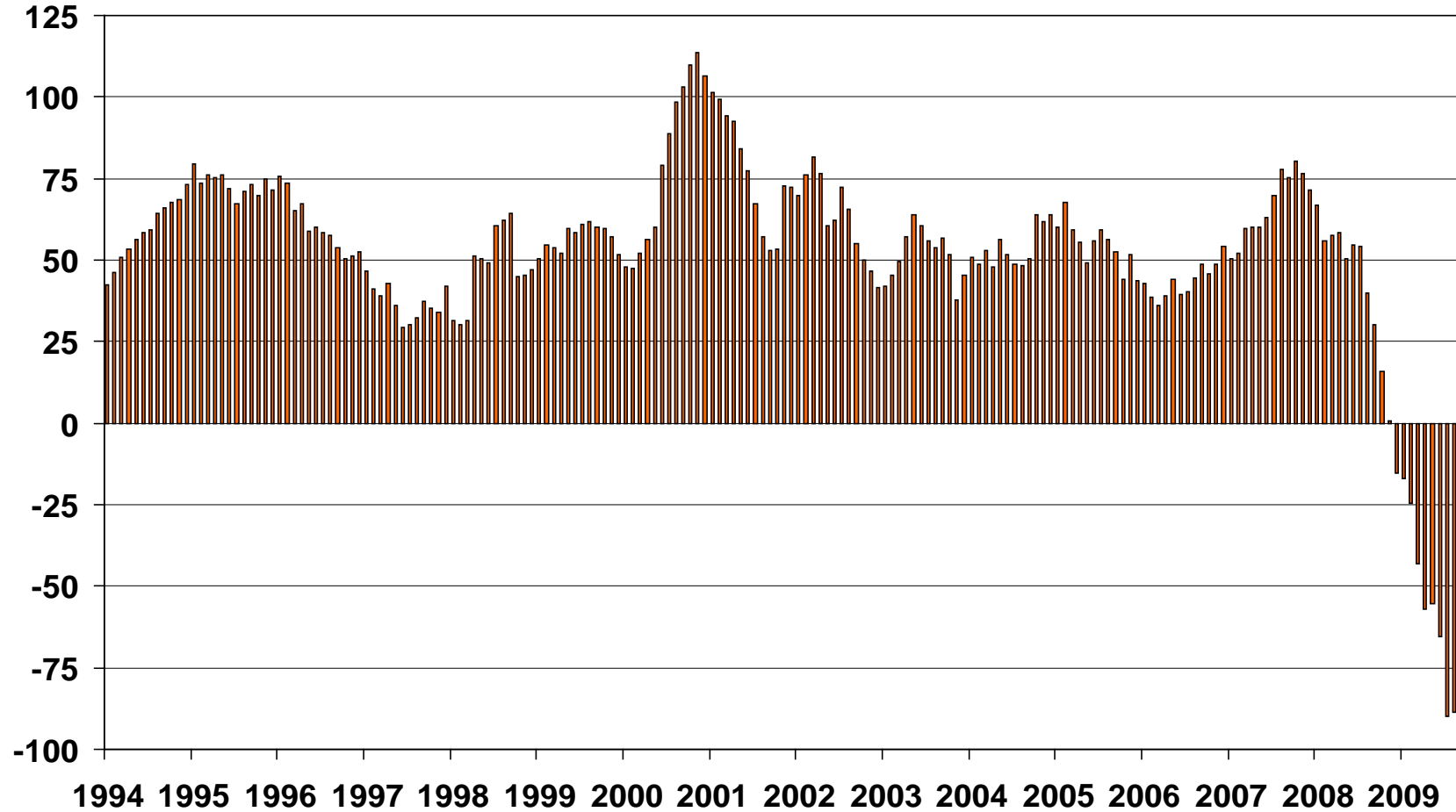
US consumer credit

\$ billion, month-on-month

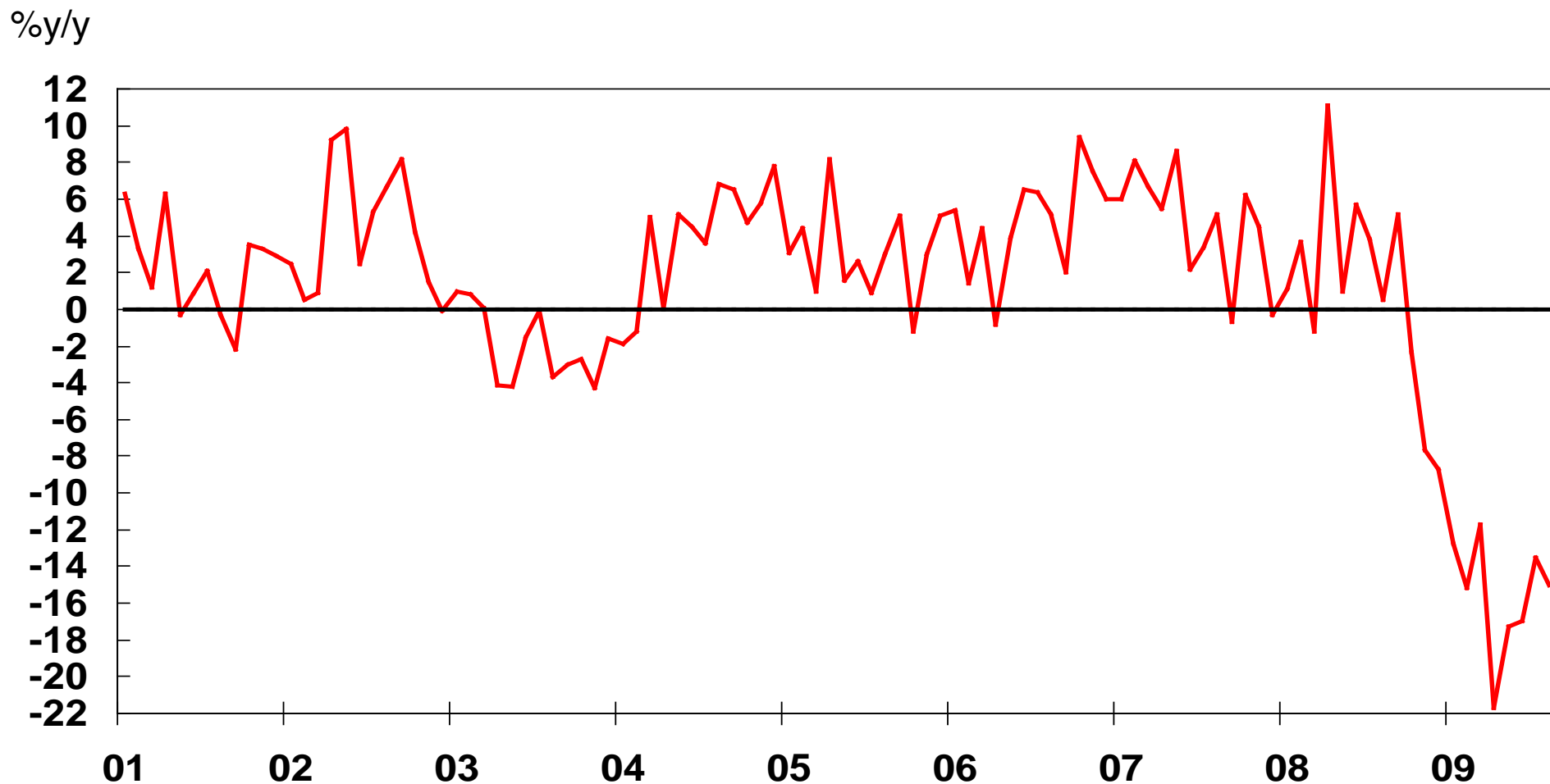


US consumer credit

\$ billion, month-on-month, 6-month moving average

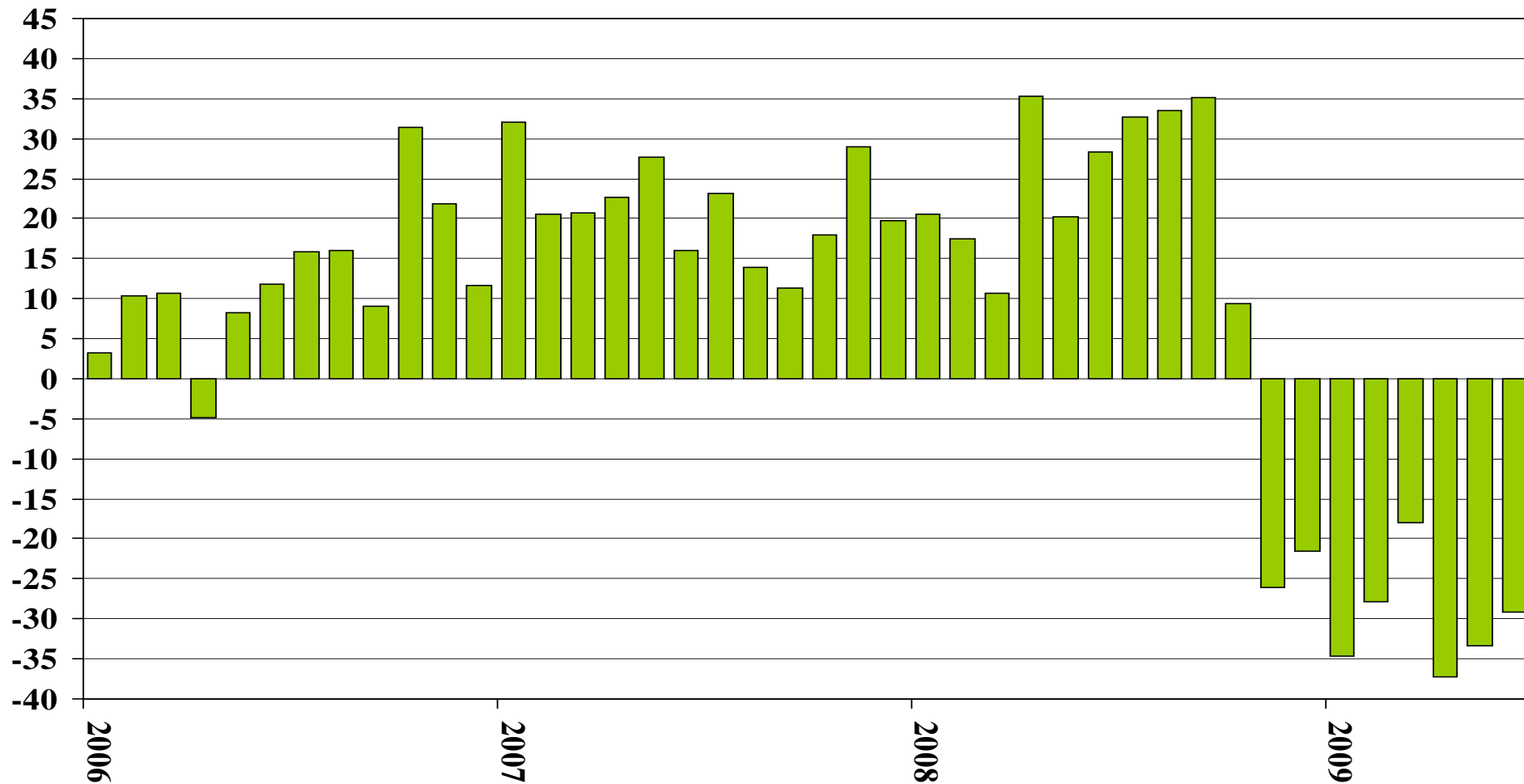


SA manufacturing production



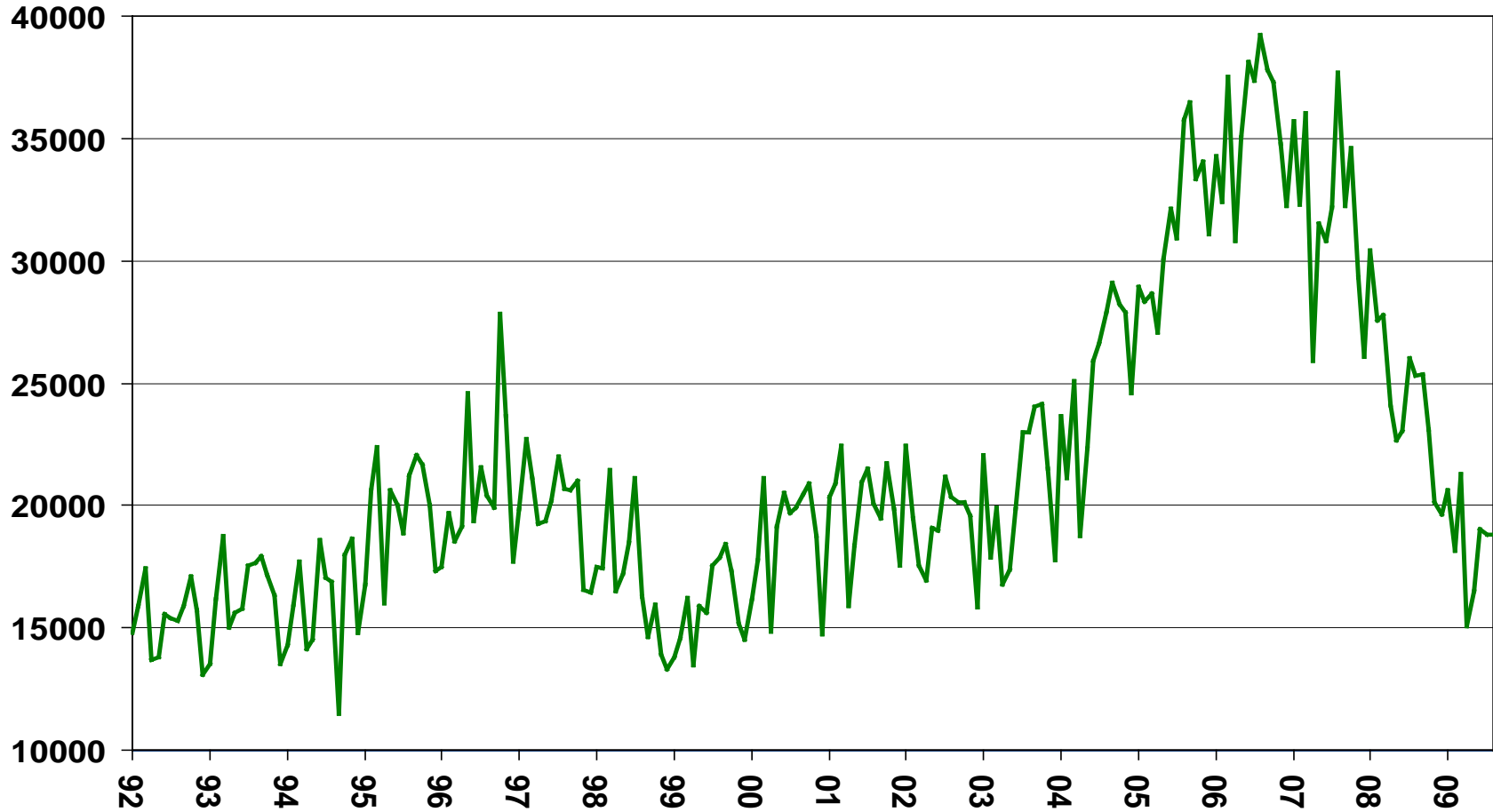
South African Exports in Dollars

%y/y, Dollars



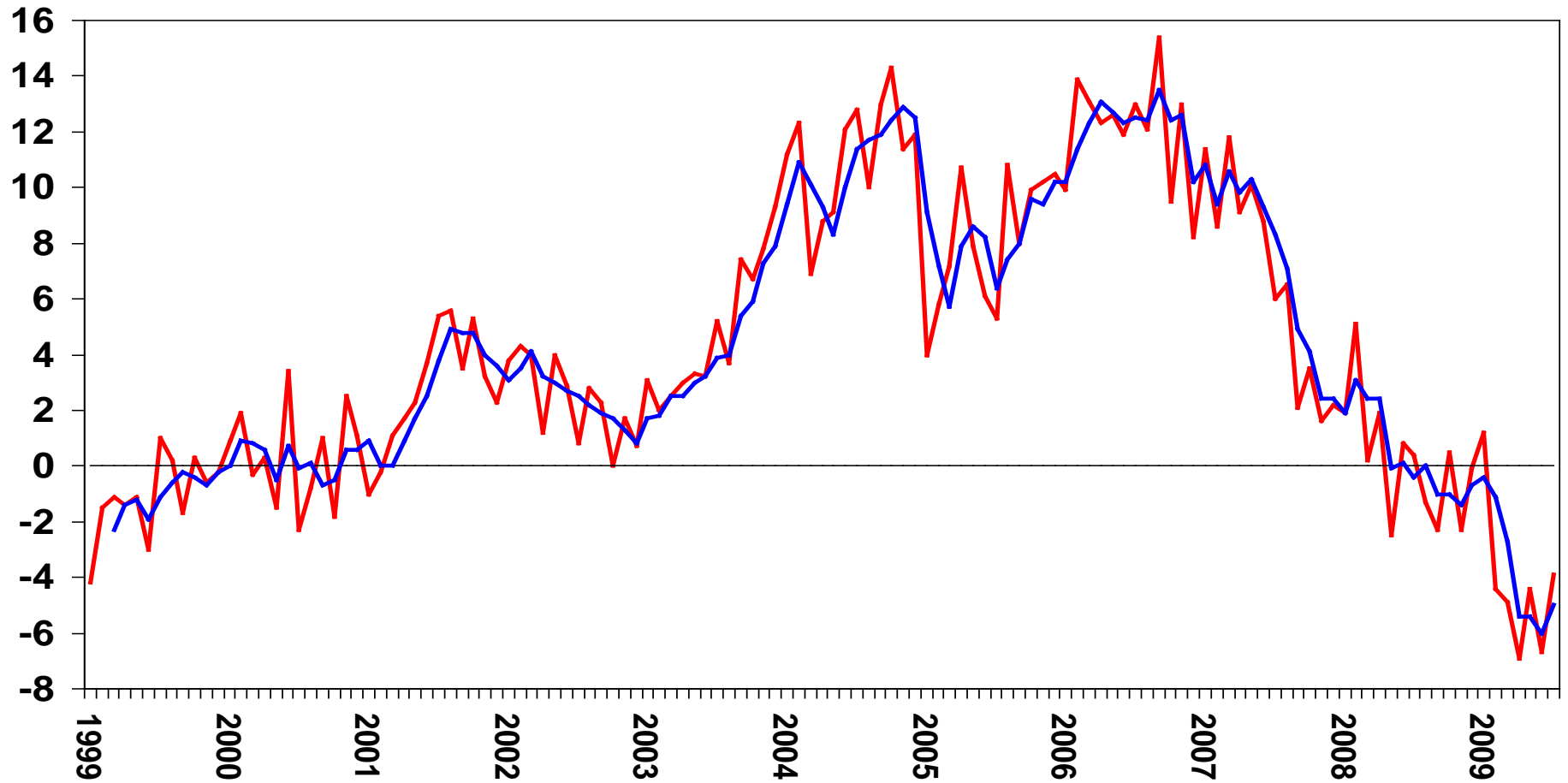
SA passenger vehicle sales

Units

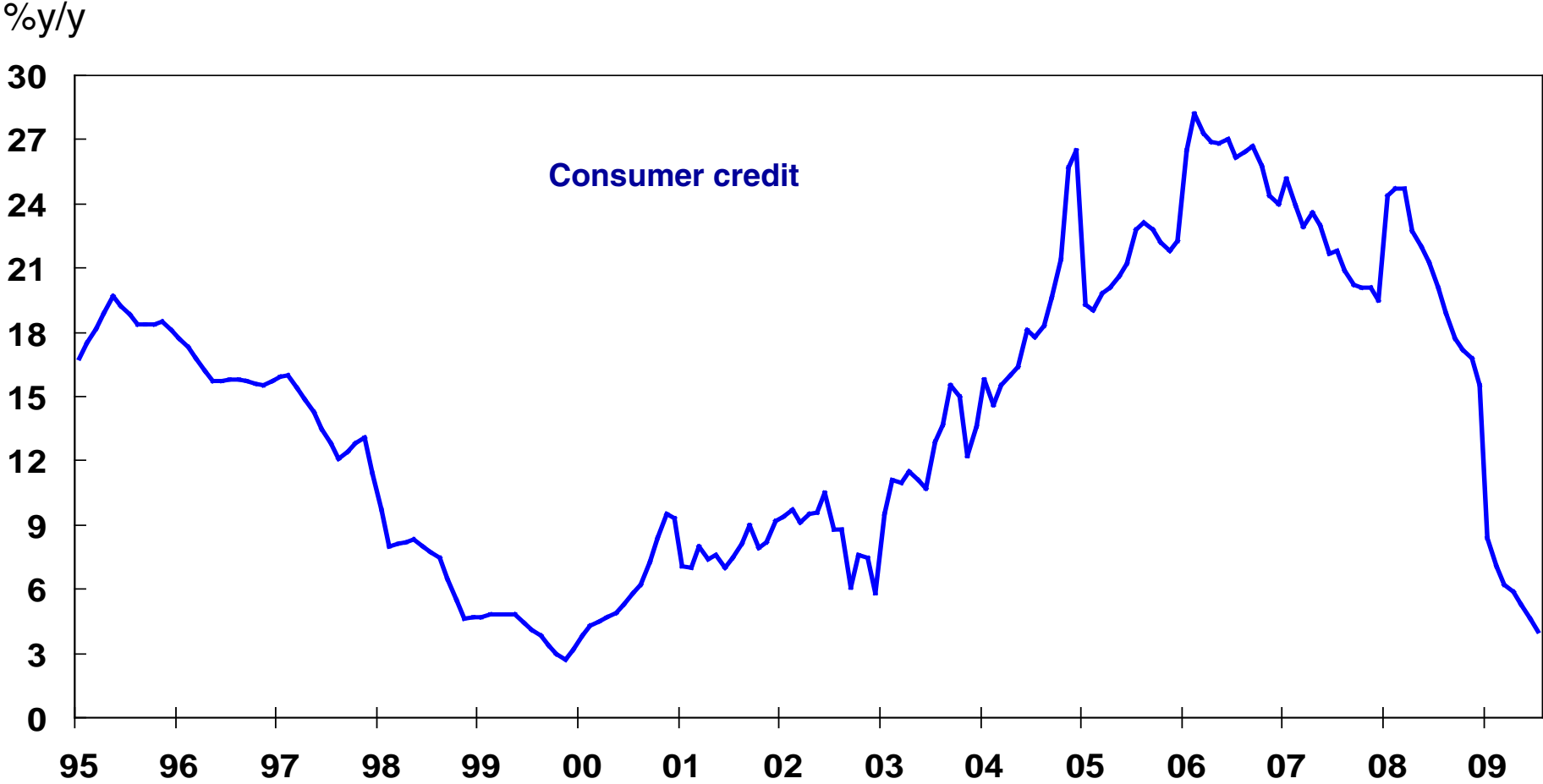


SA retail sales

%y/y

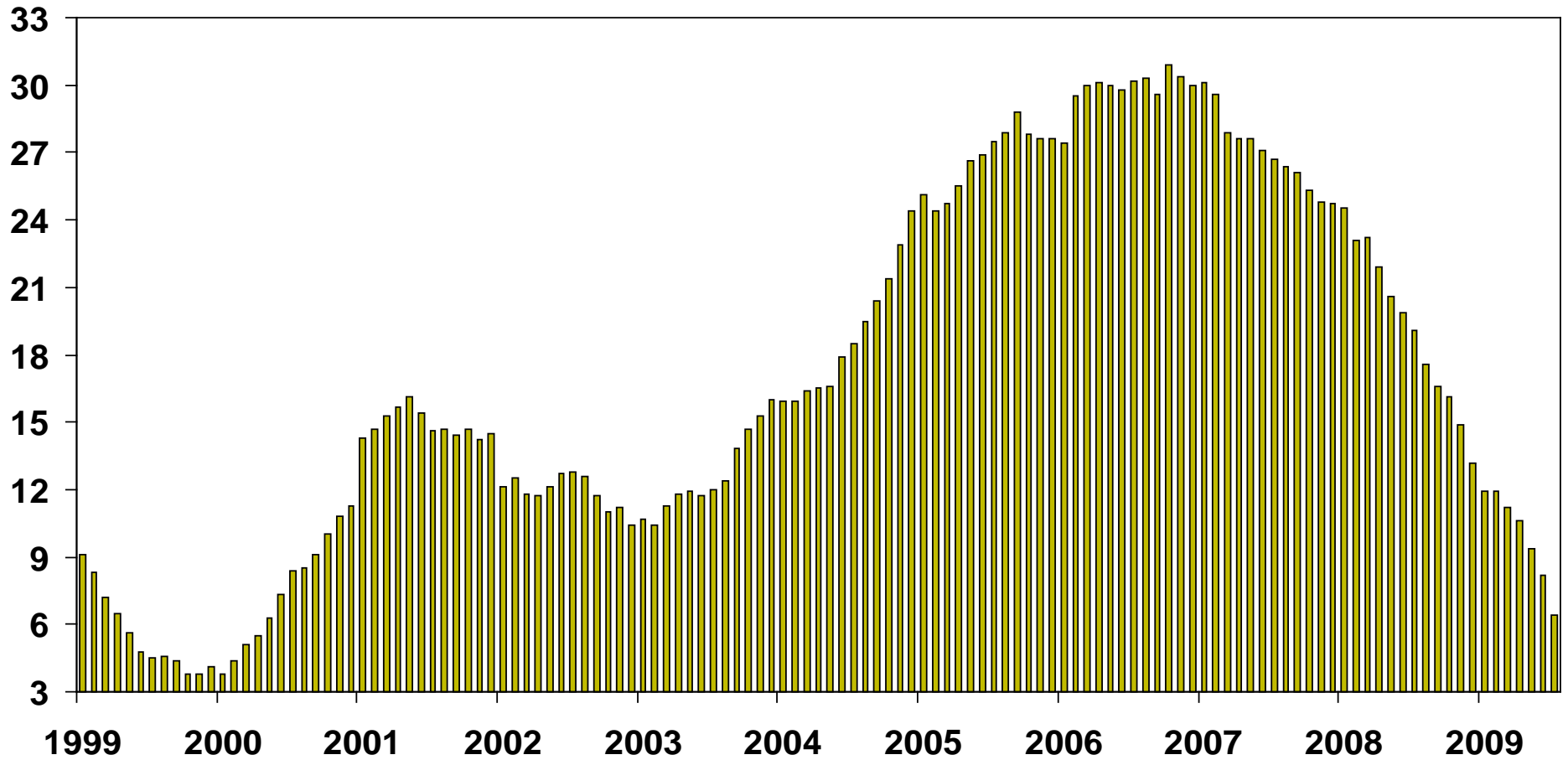


Rate of growth in consumer credit

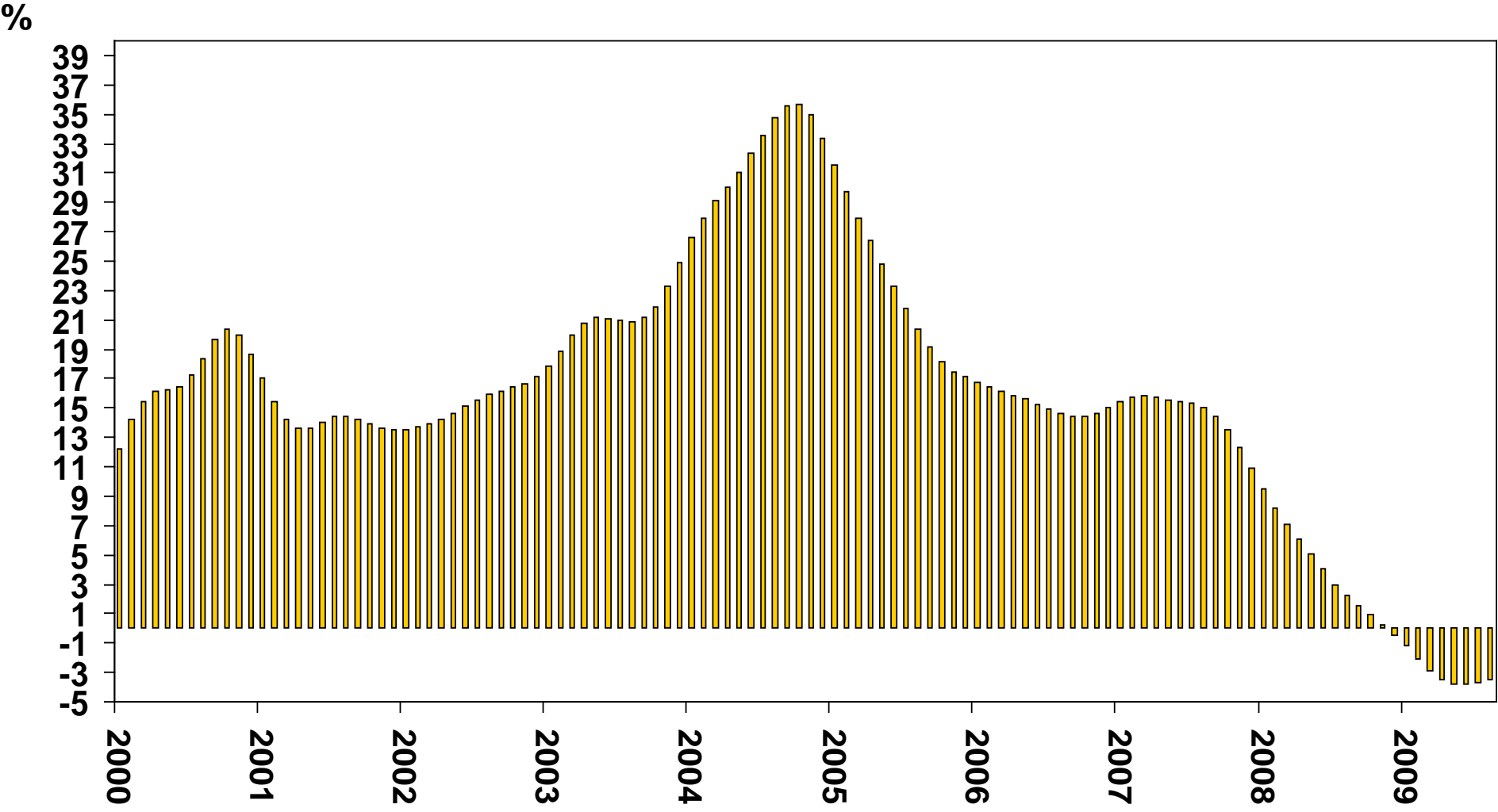


Growth in mortgage lending

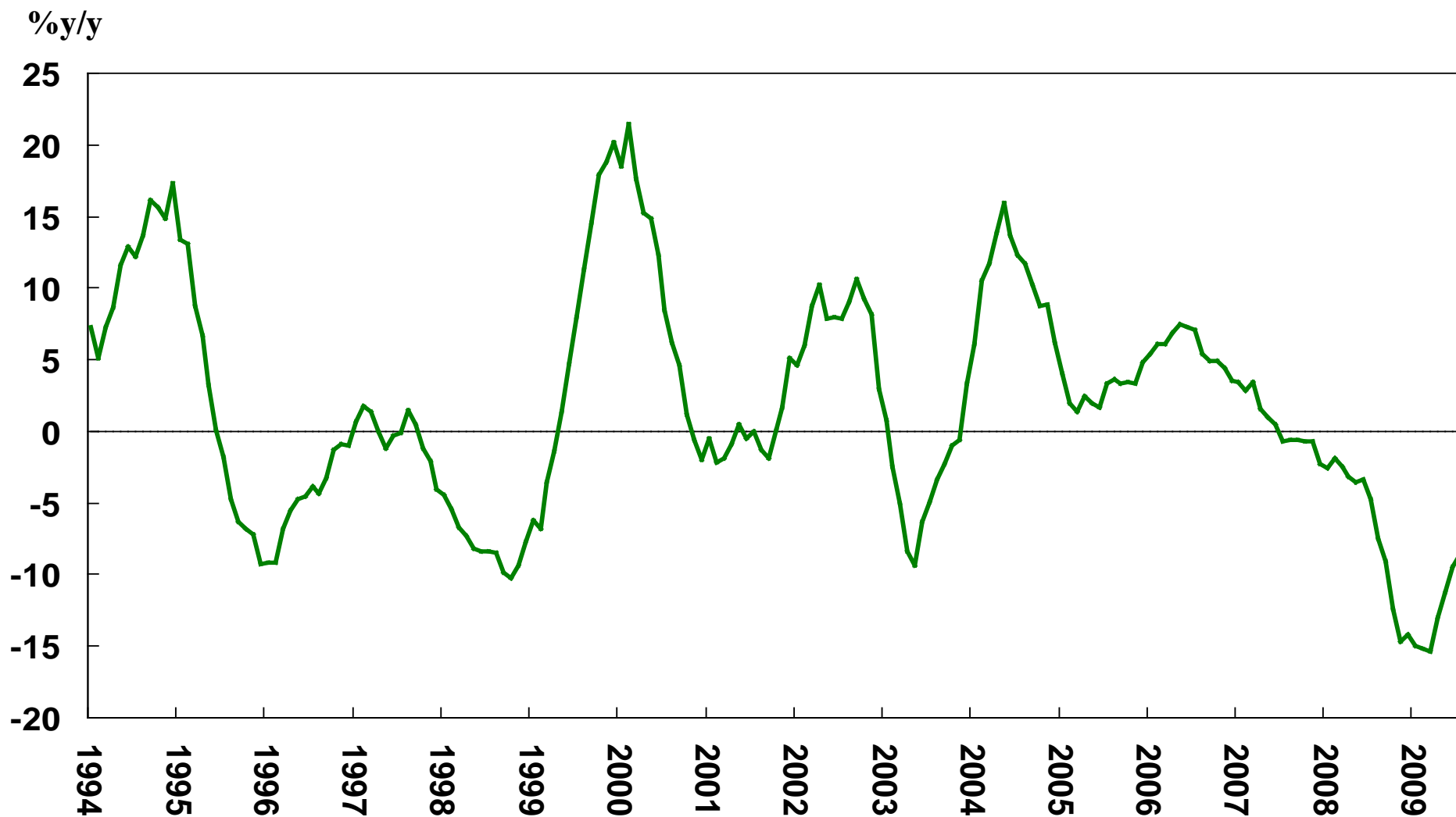
%y/y



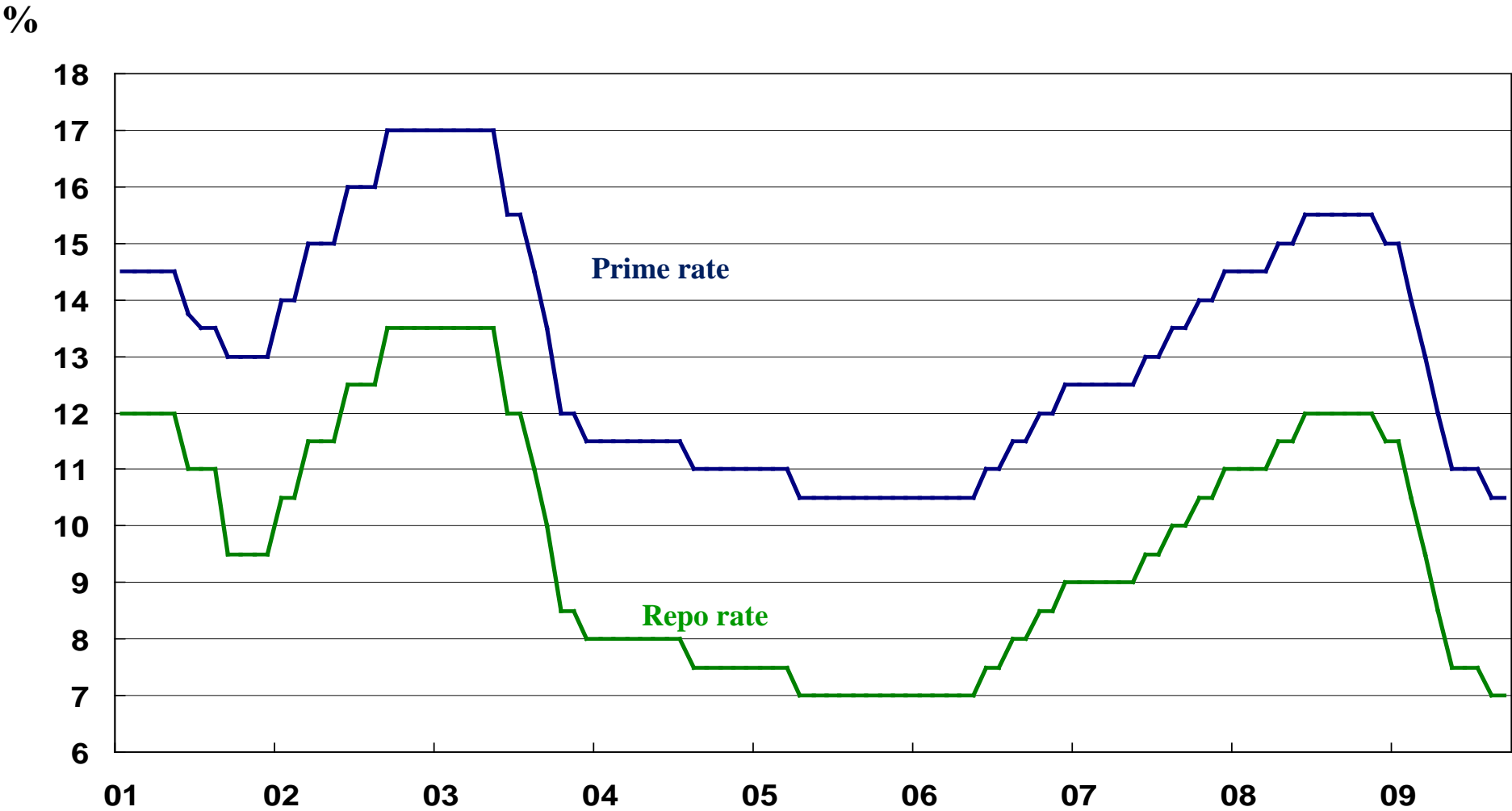
SA average house prices (ABSA data)



SA leading indicator

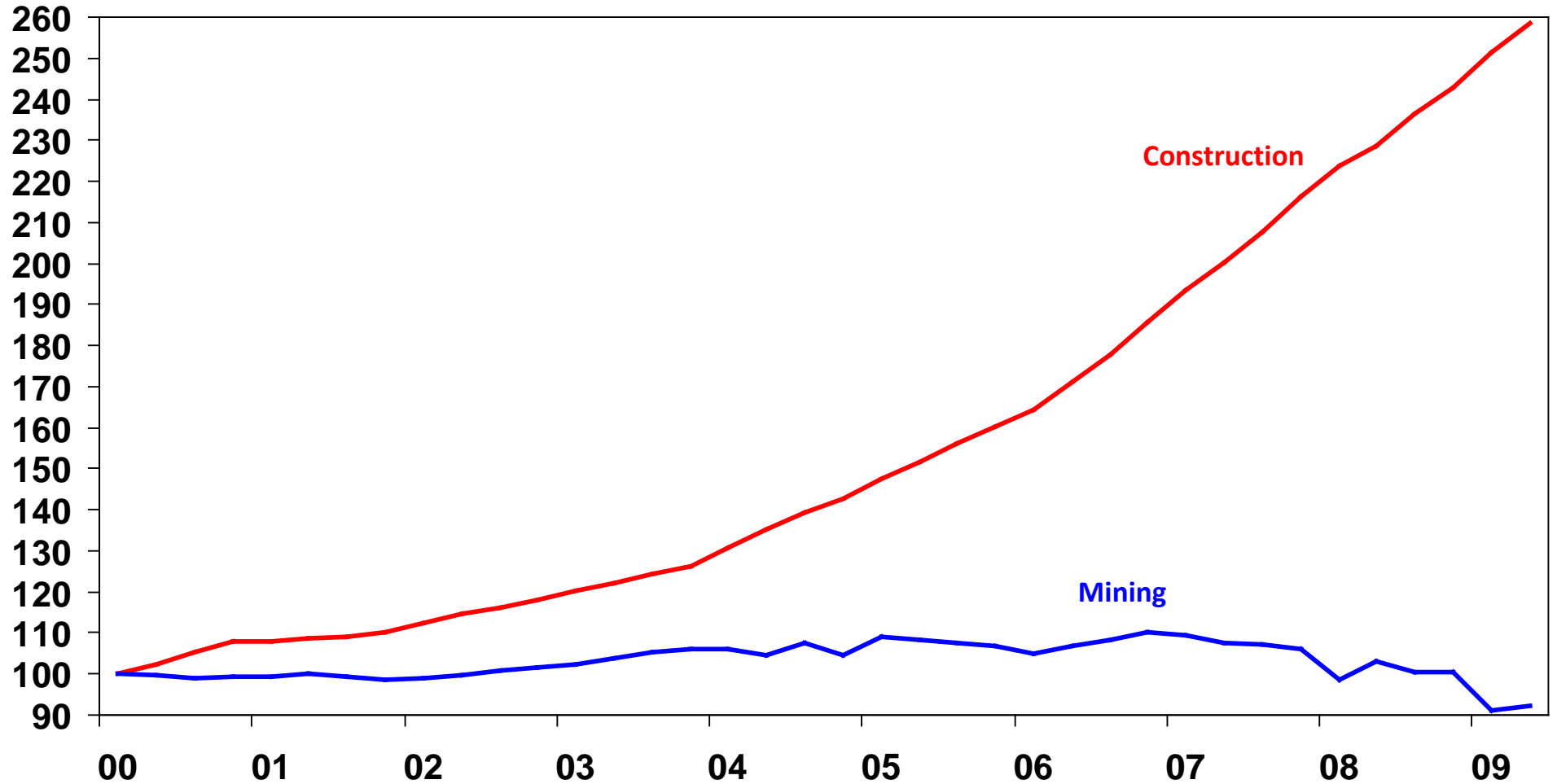


South Africa Repo Rate vs Prime Interest Rate



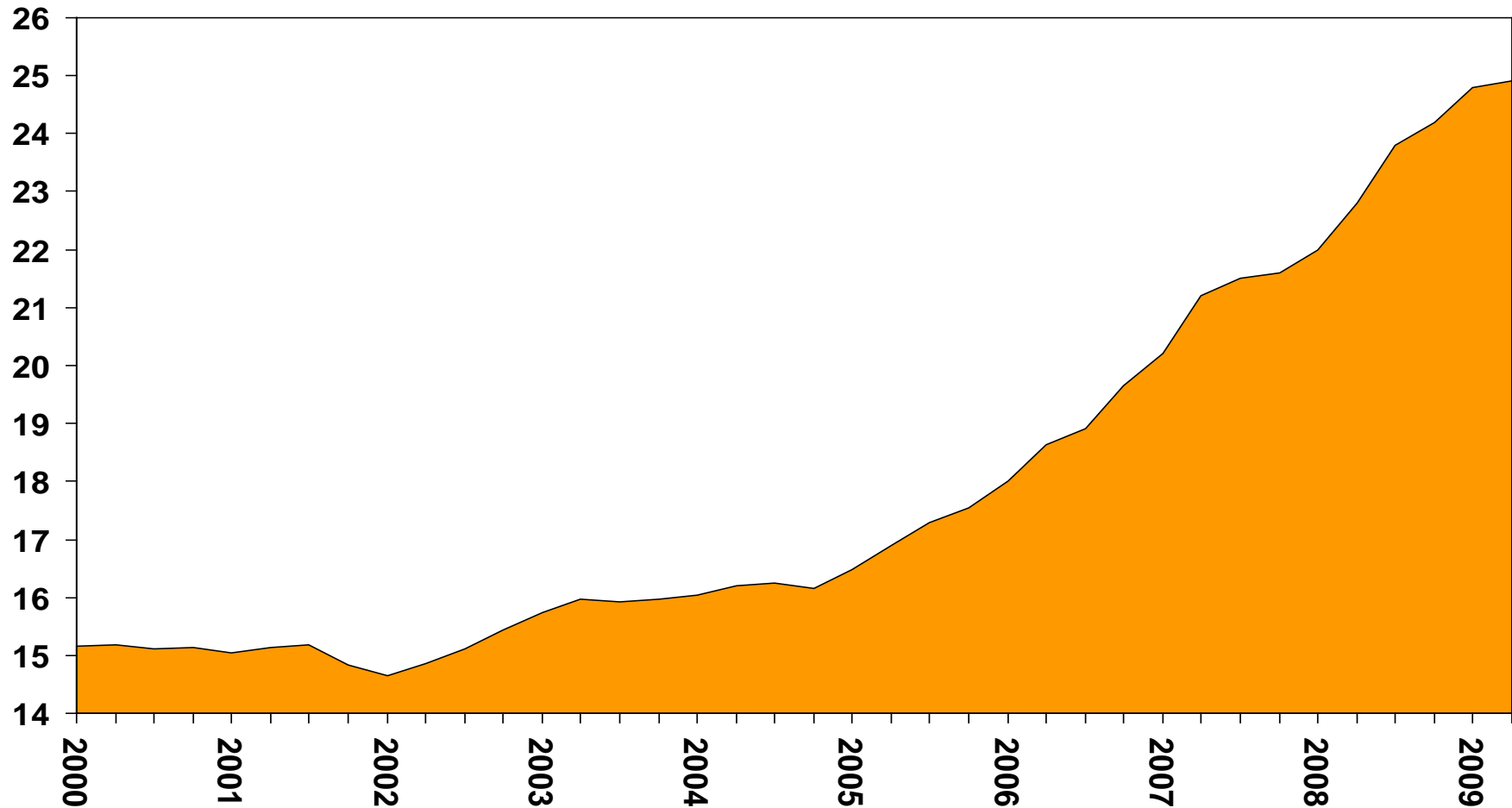
Best/worst performing sectors in SA

Index



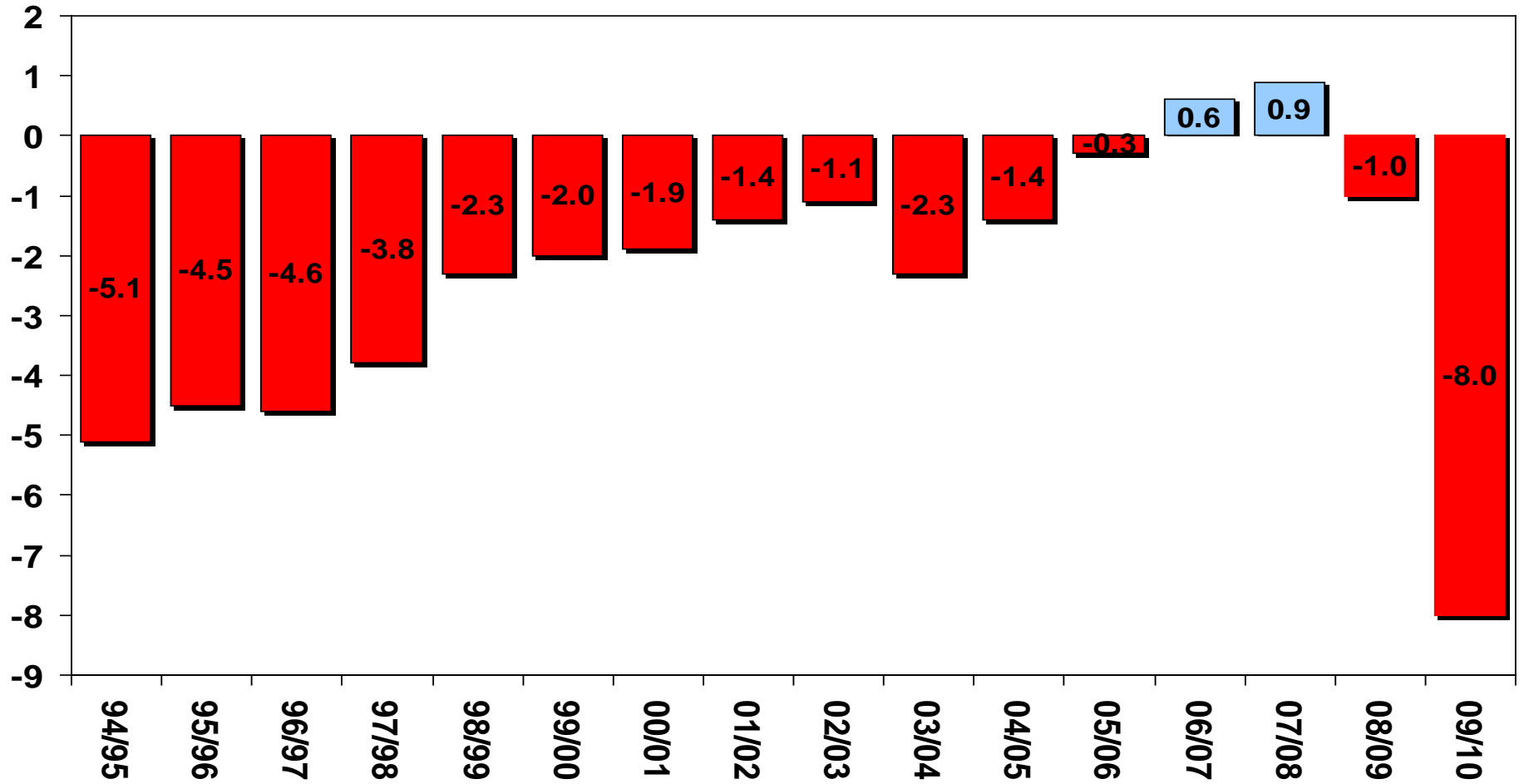
Fixed investment as a % of GDP

% of GDP



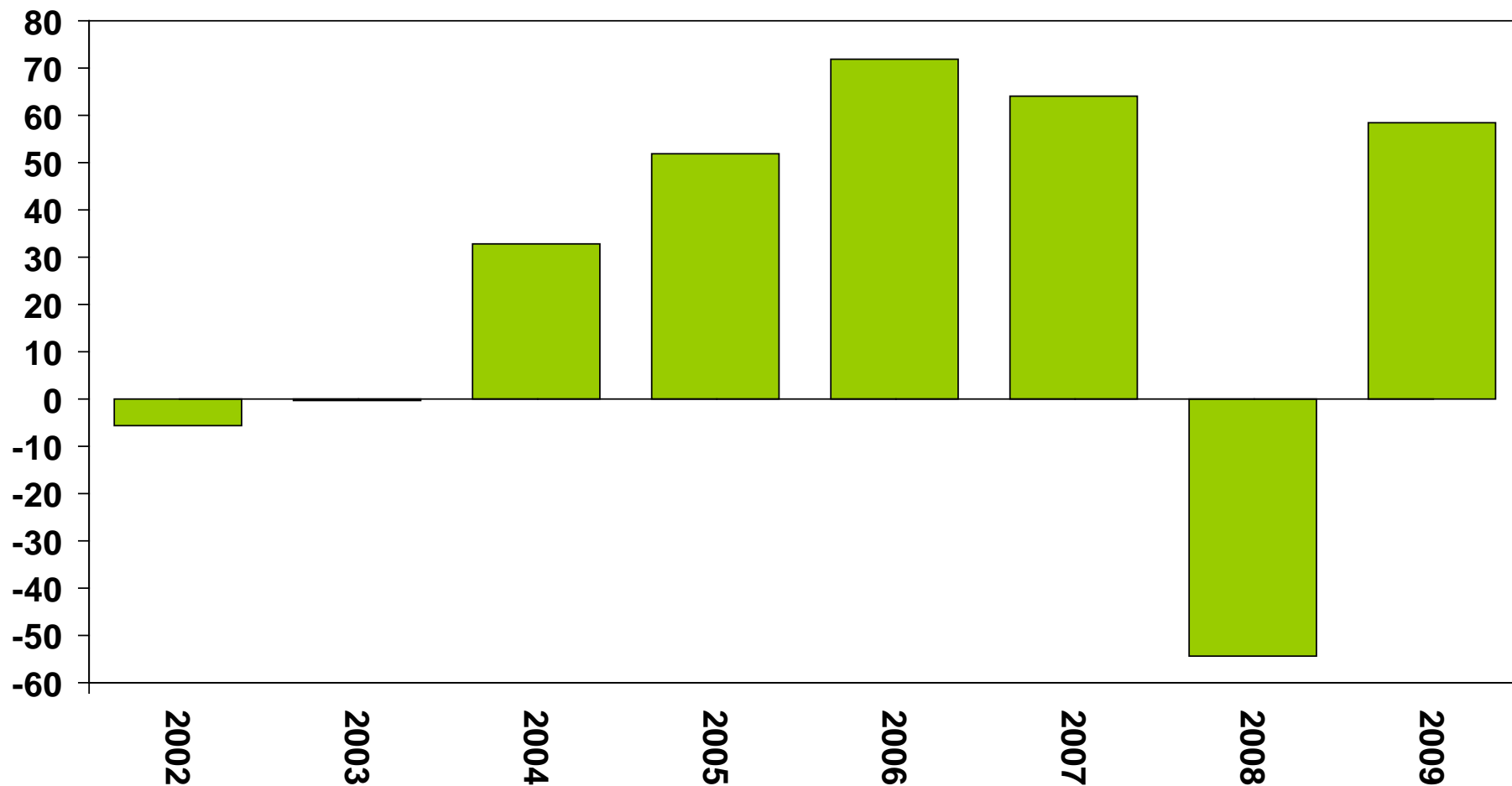
SA budget deficit as % of GDP

% Fiscal years



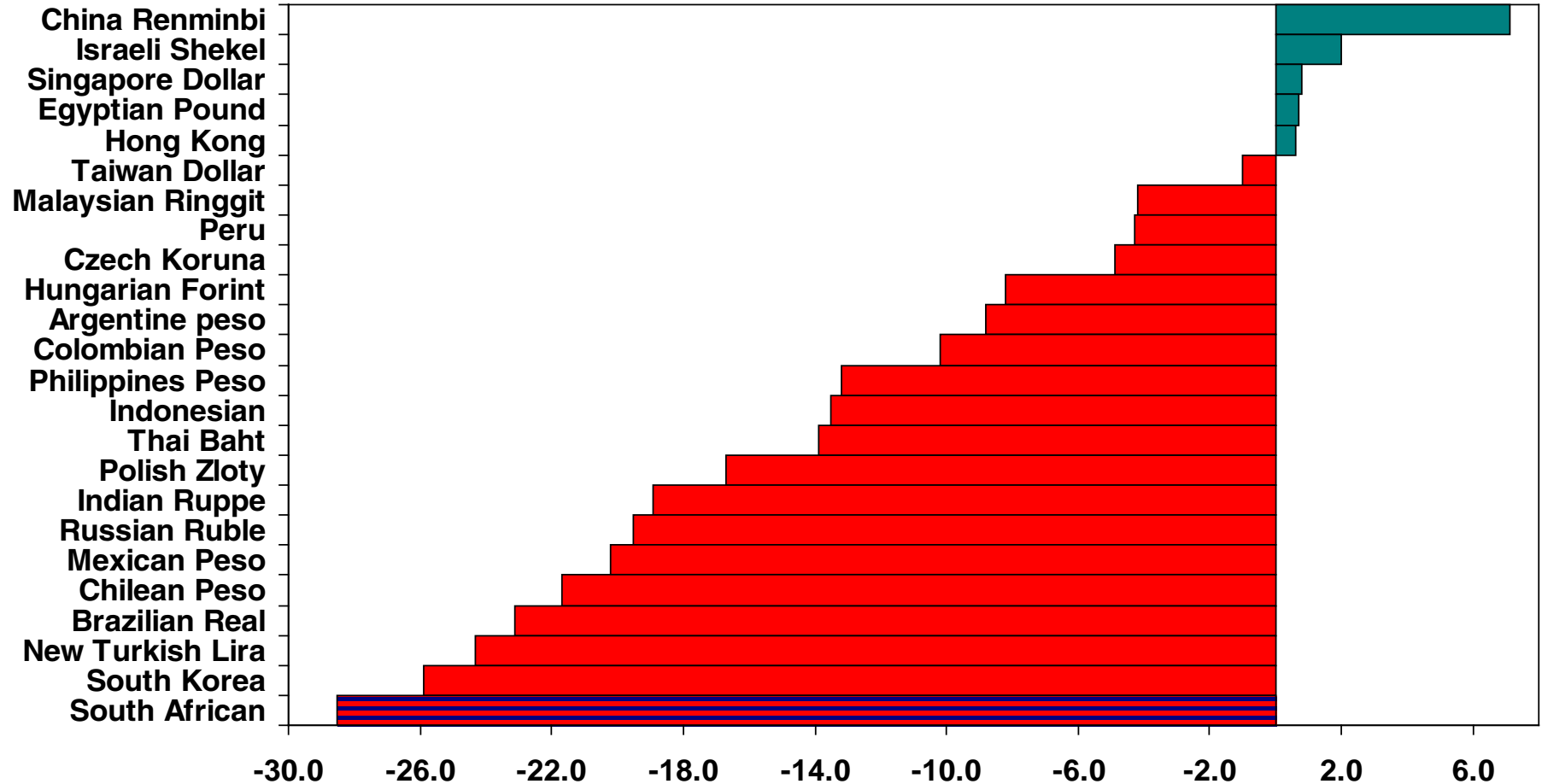
Net foreign purchases of equities (annual)

Rbn



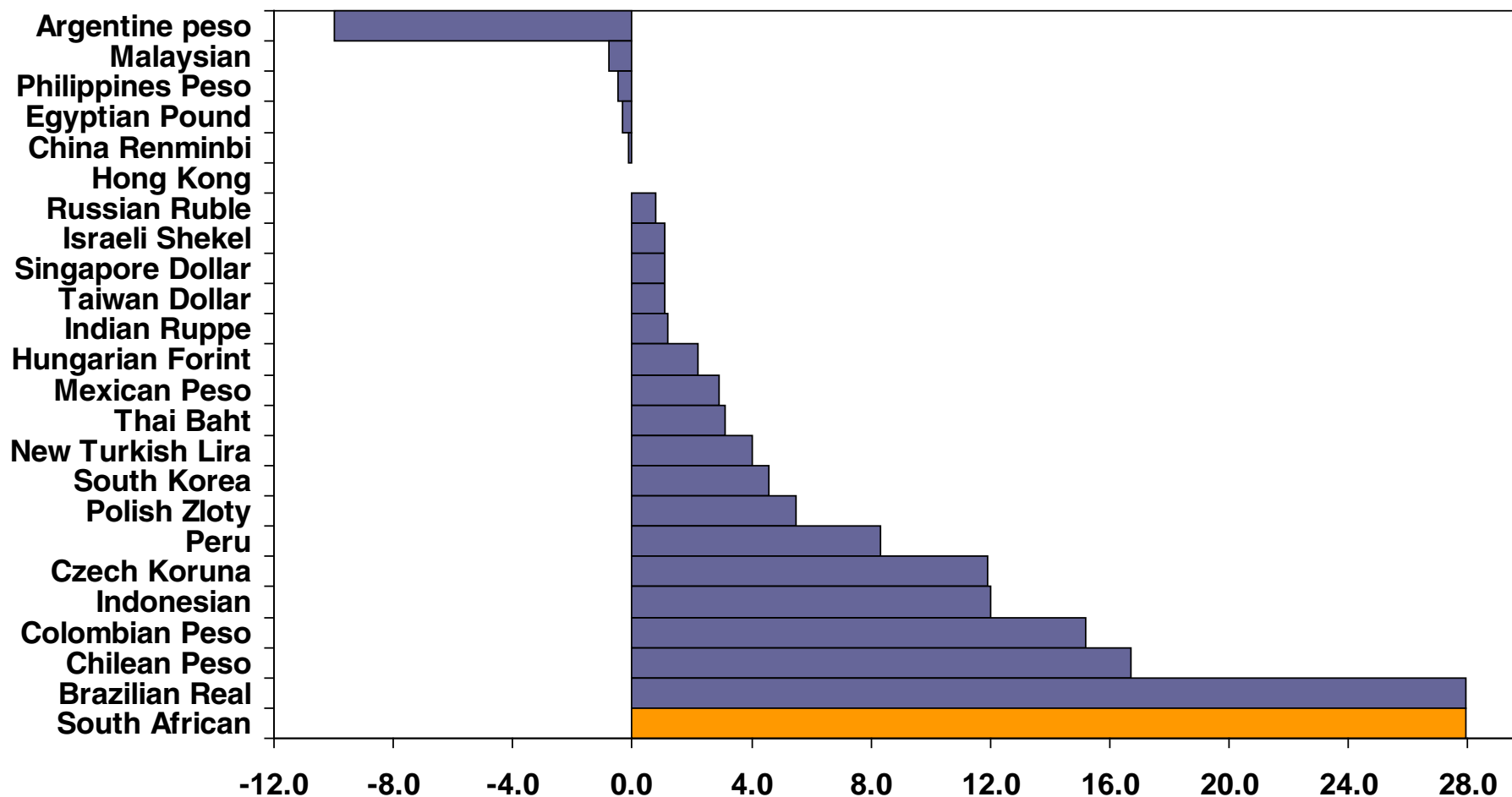
Emerging market exchange rate vs USD

2008, % change



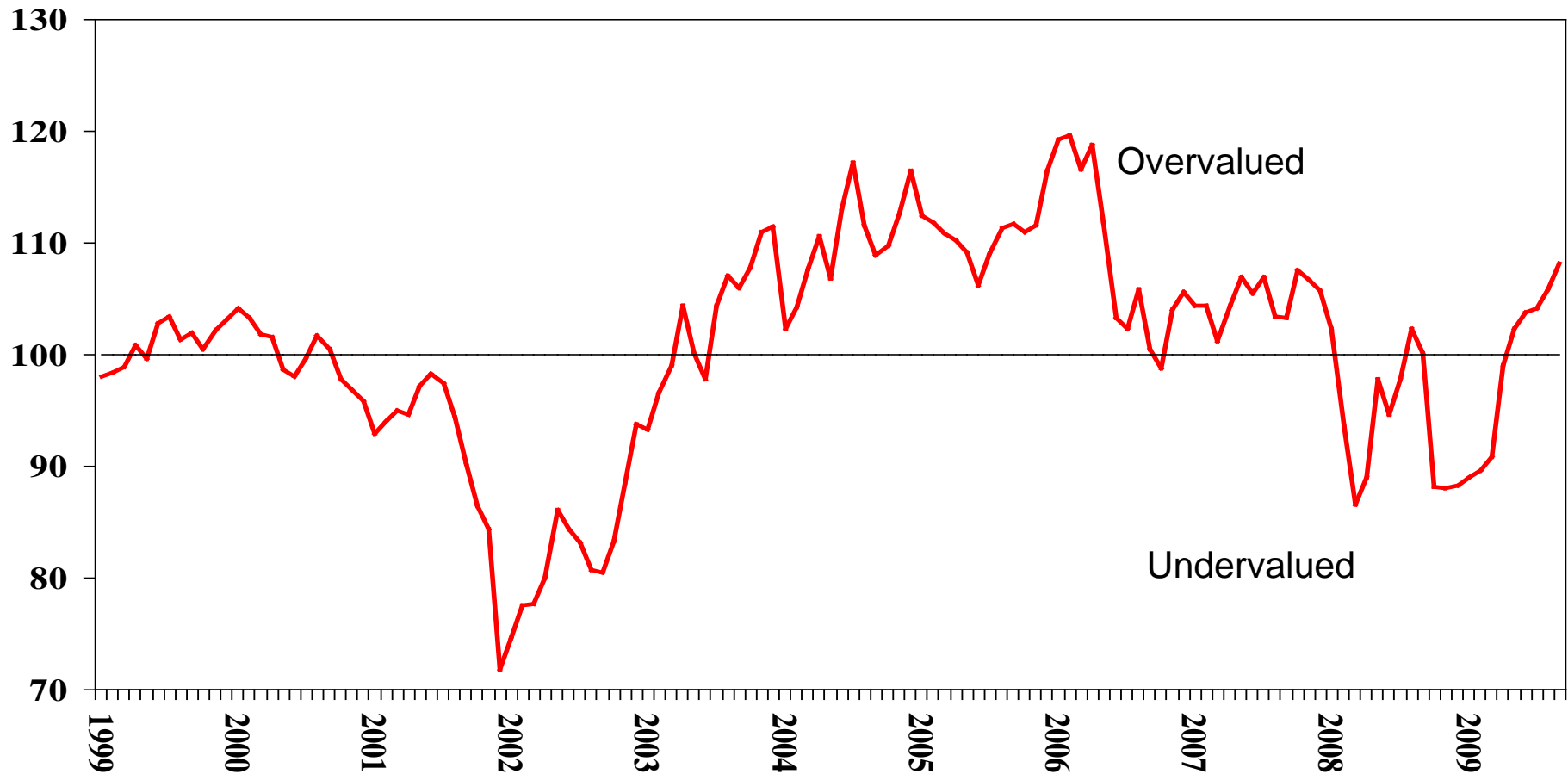
Emerging market exchange rate vs USD

1 Jan 2009 to 18 September 2009, % change



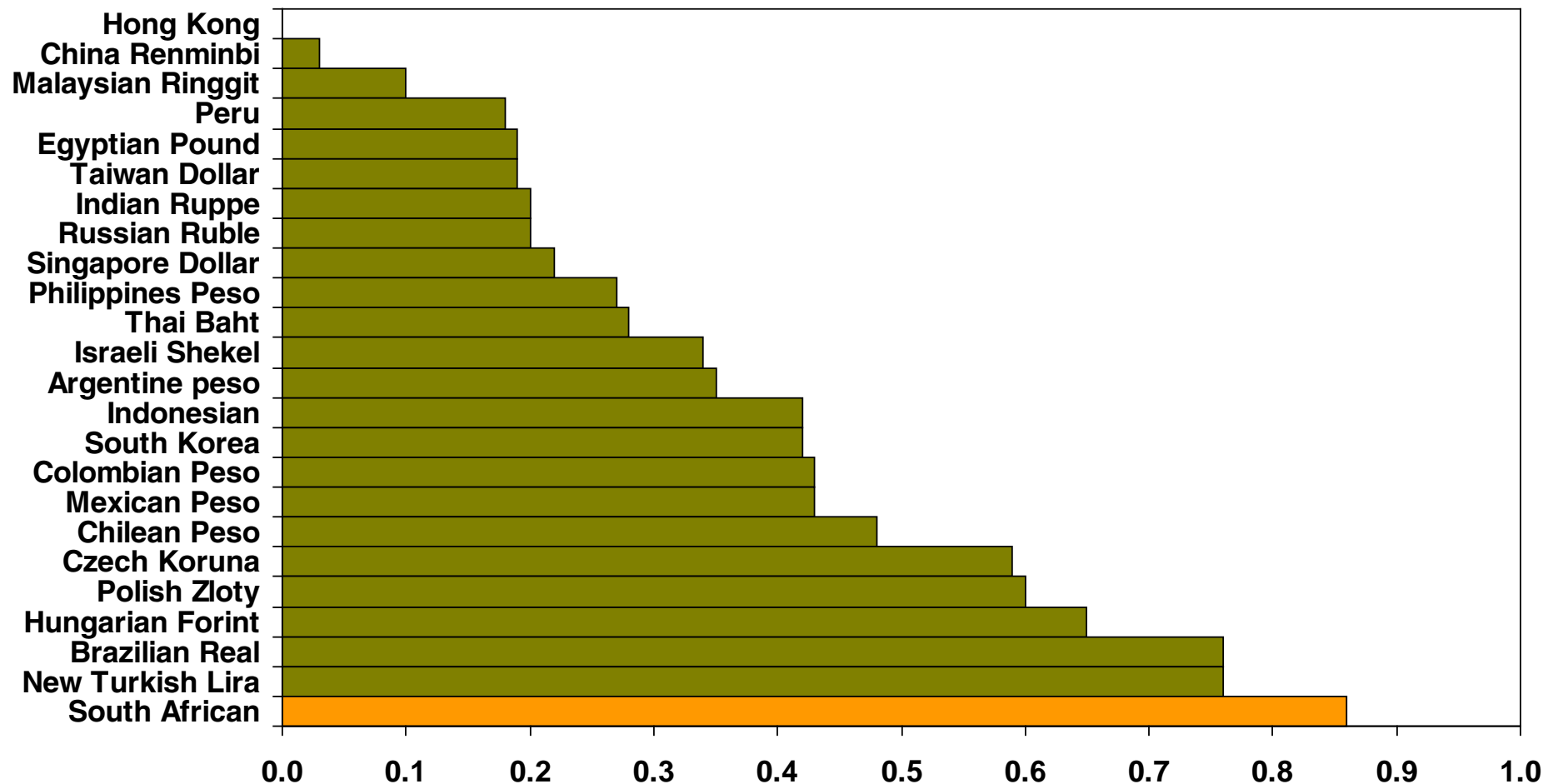
SA real effective (trade-weighted) exchange rate

Index, SARB



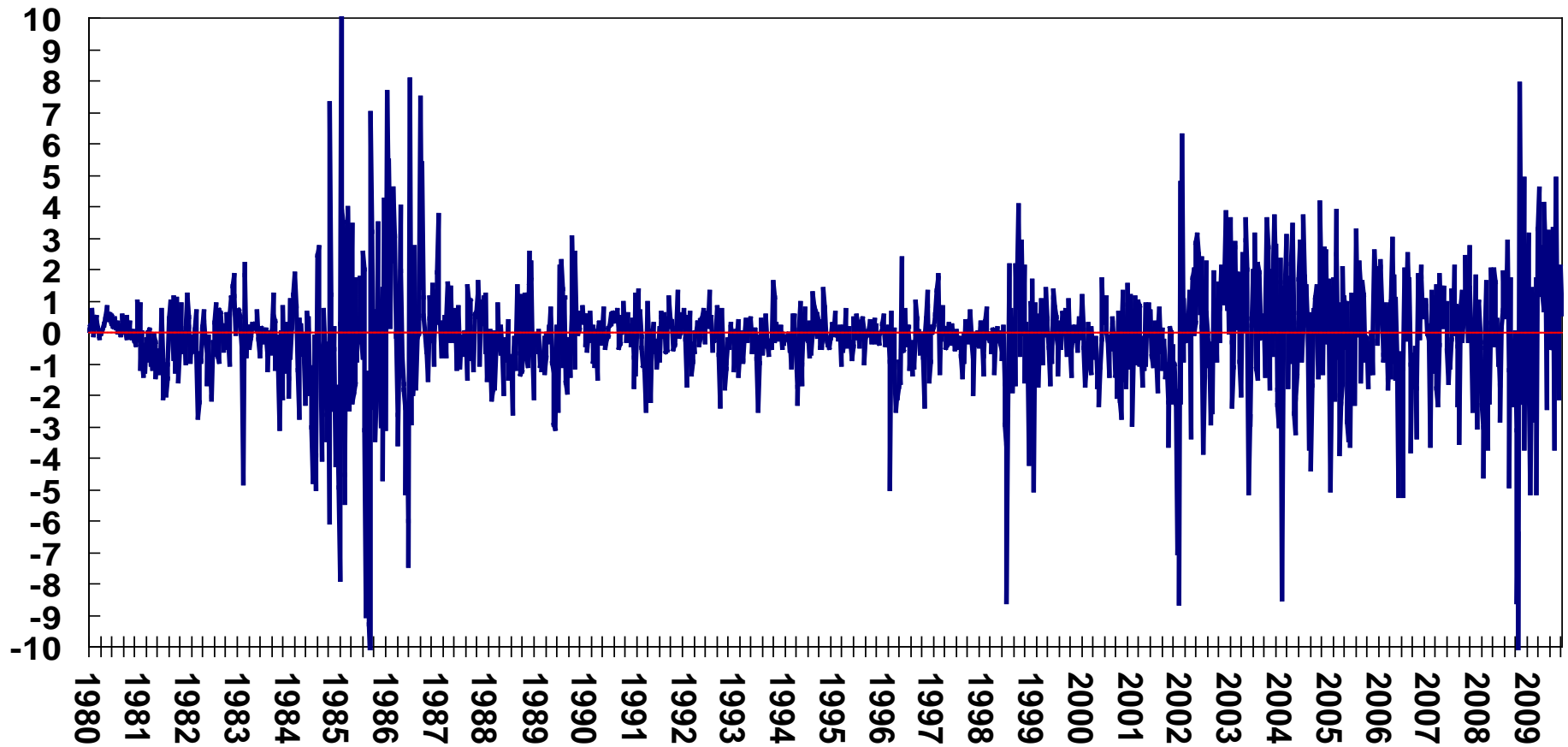
Emerging market exchange rate daily volatility

Average daily percentage change in value of currency irrespective of direction since 2000

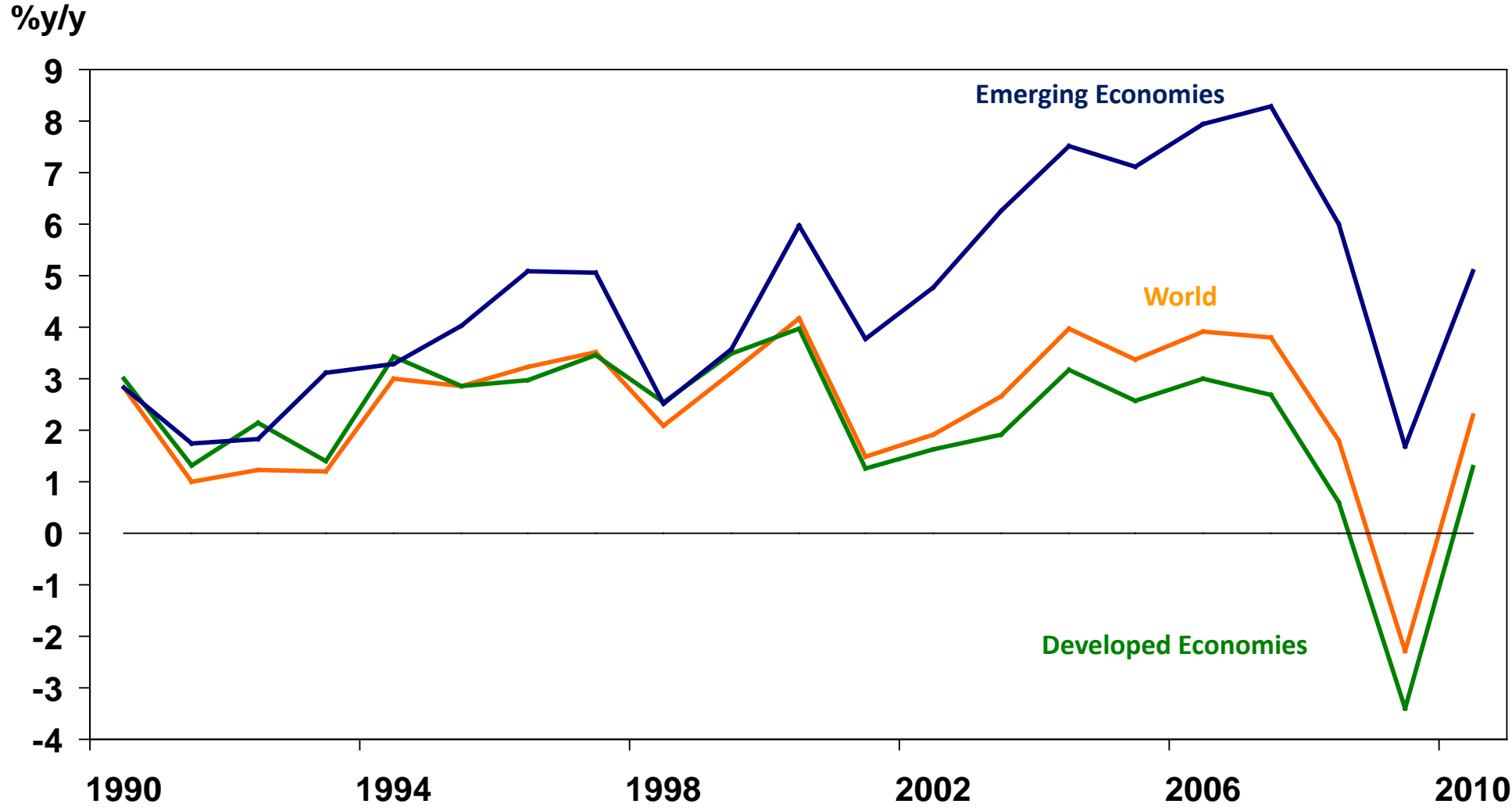


SA Rand/Dollar volatility

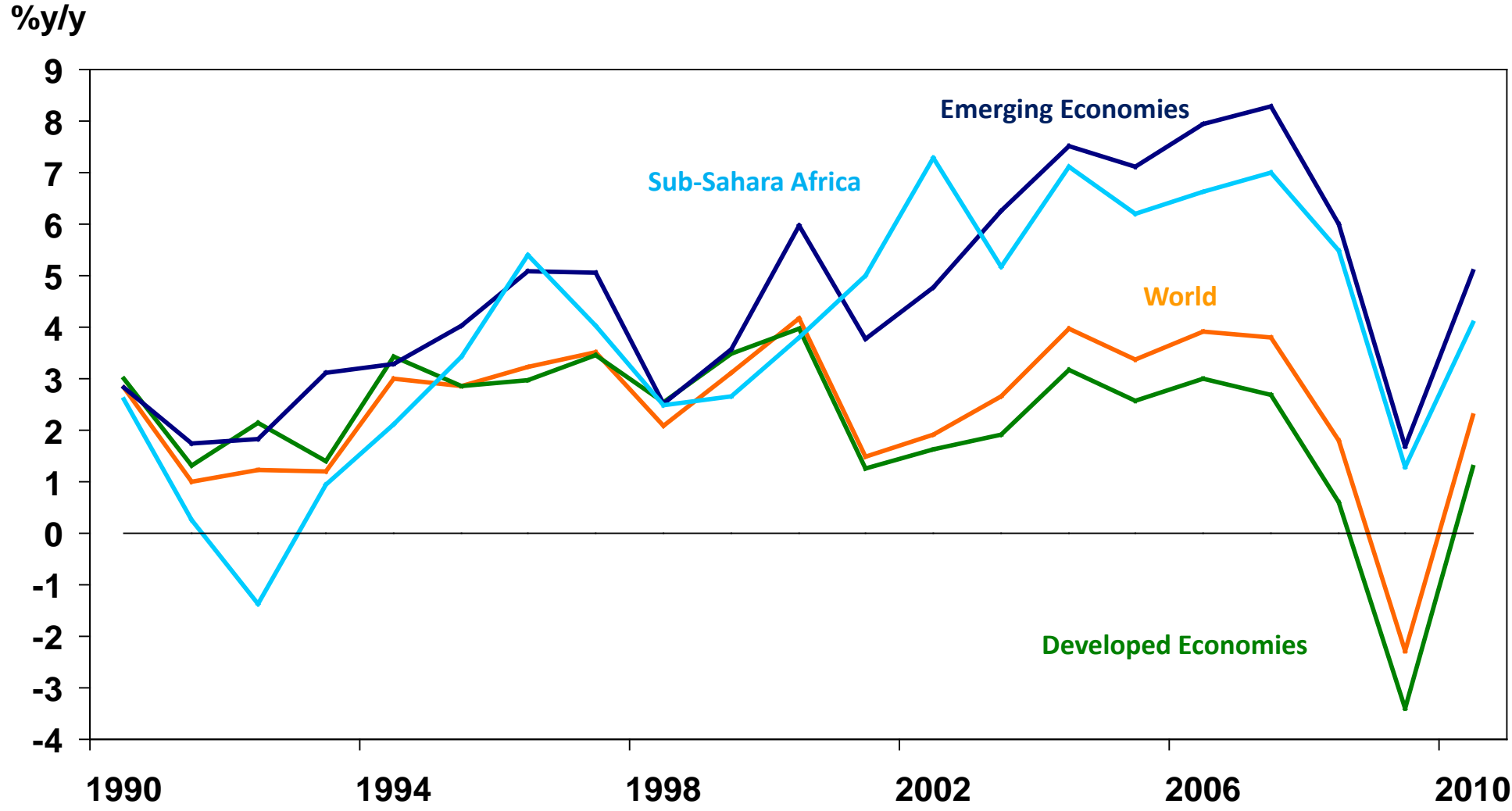
Weekly change in currency value %



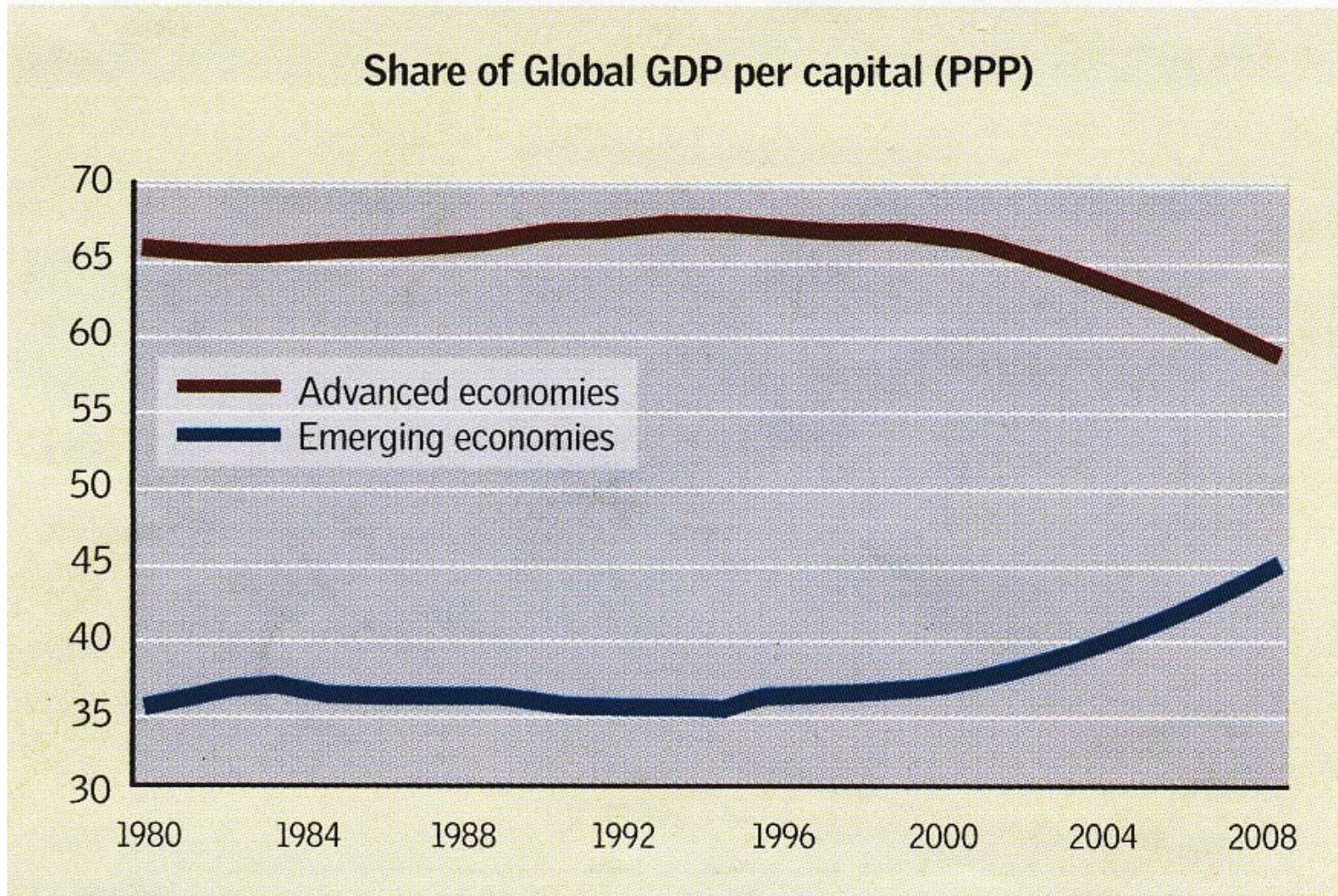
GDP growth comparisons



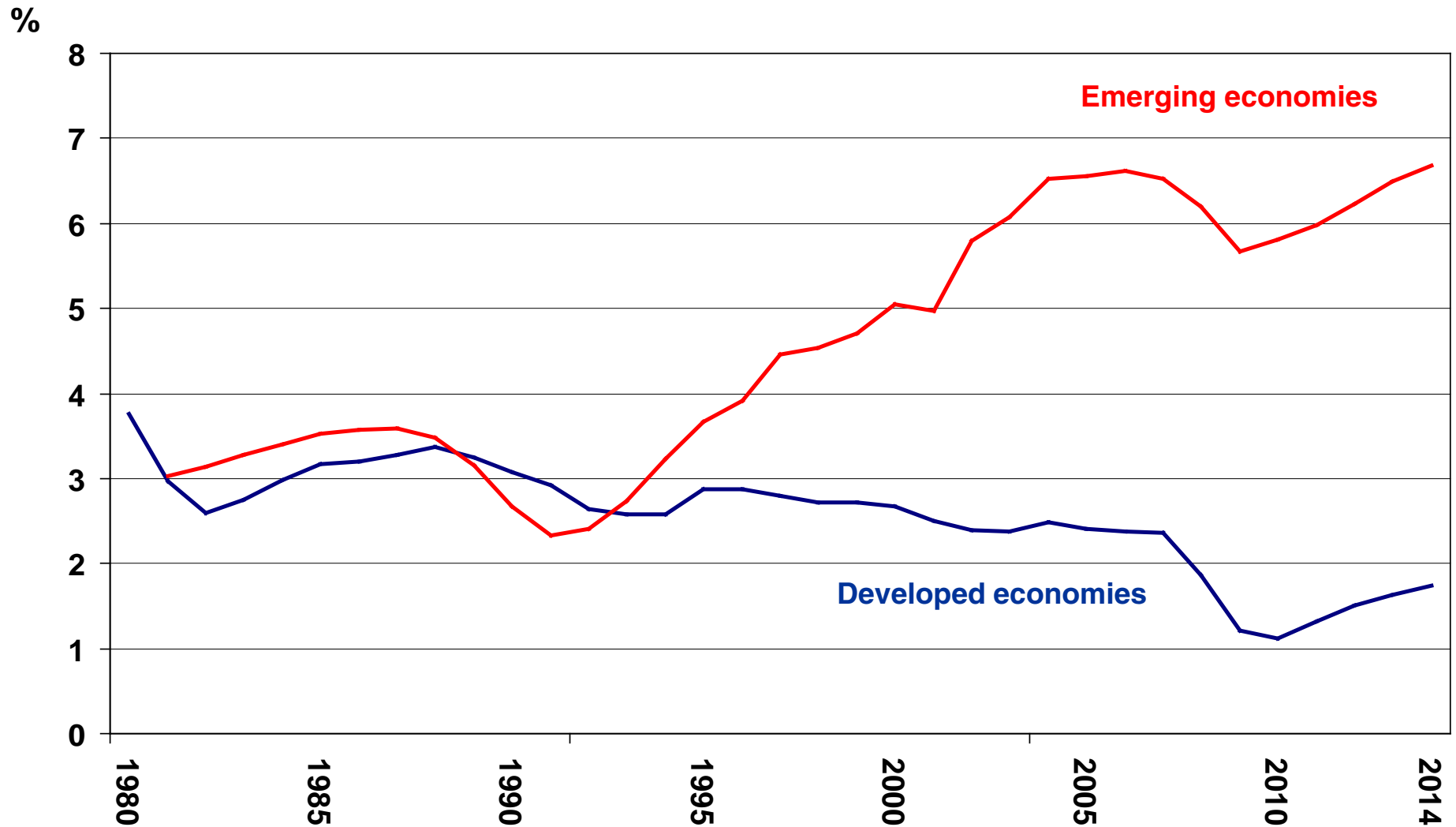
GDP growth comparisons



Emerging vs developed economy's share of world GDP



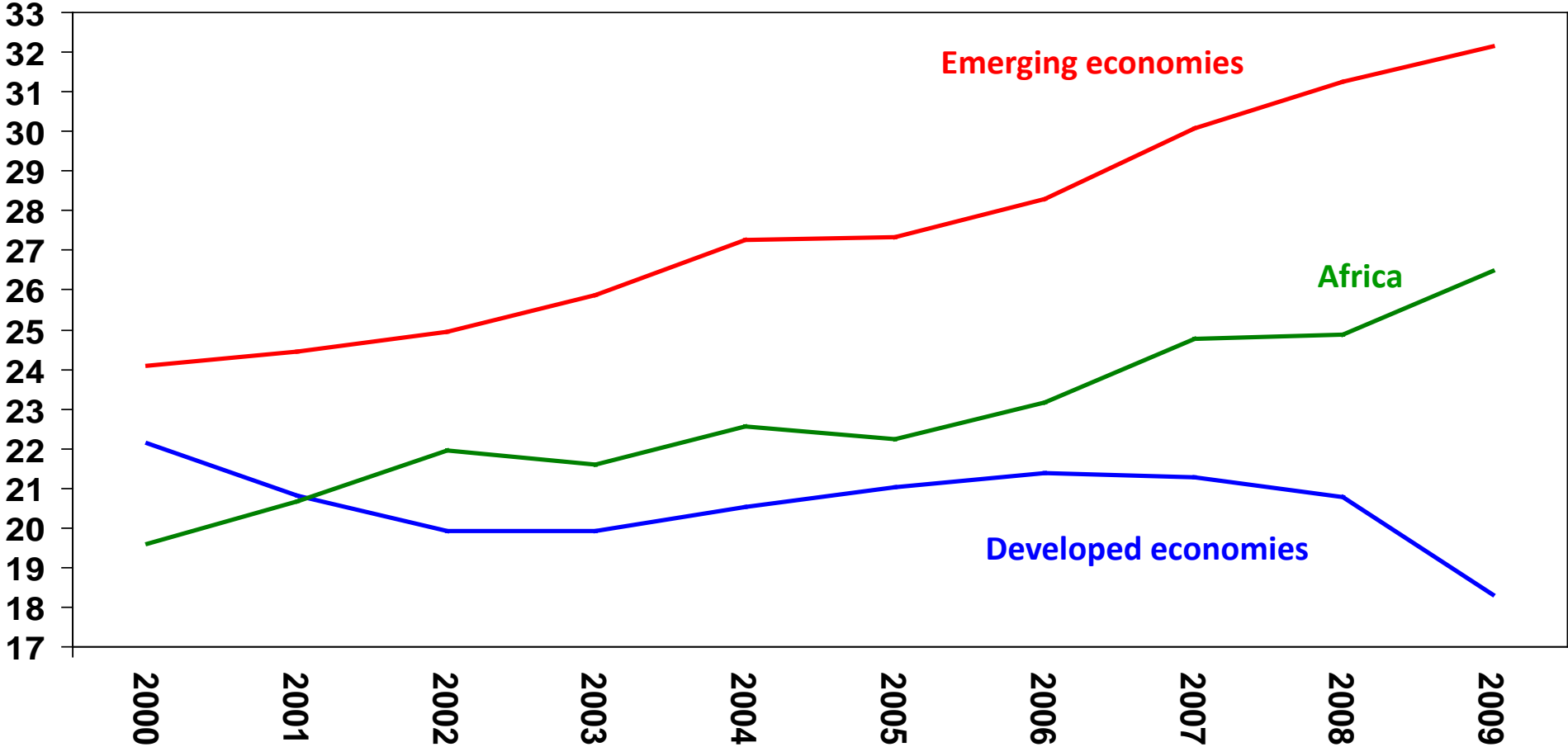
Potential GDP growth (IMF calculation)



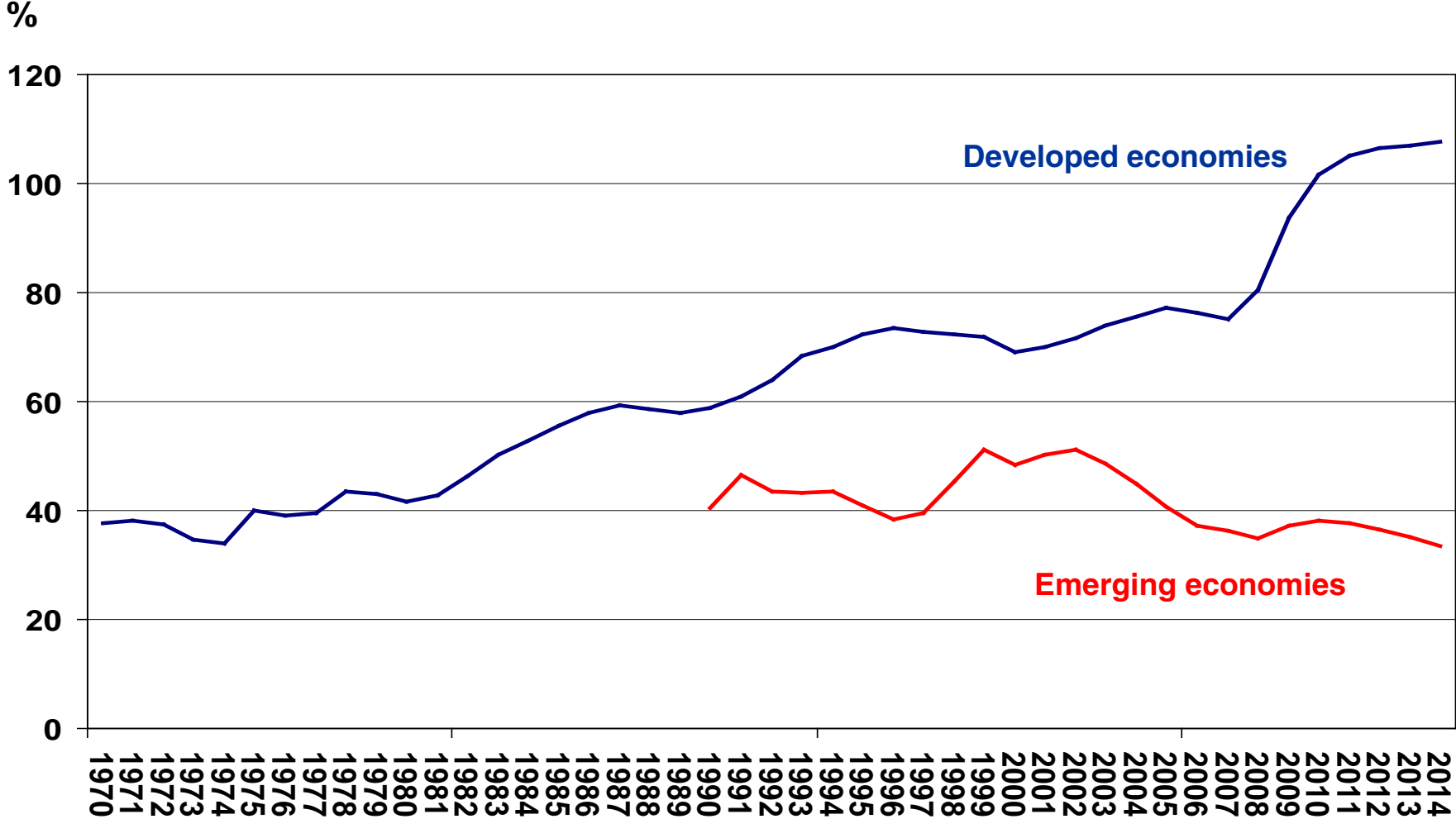
Emerging vs Developed economies vs Africa

Fixed investment as a % of GDP

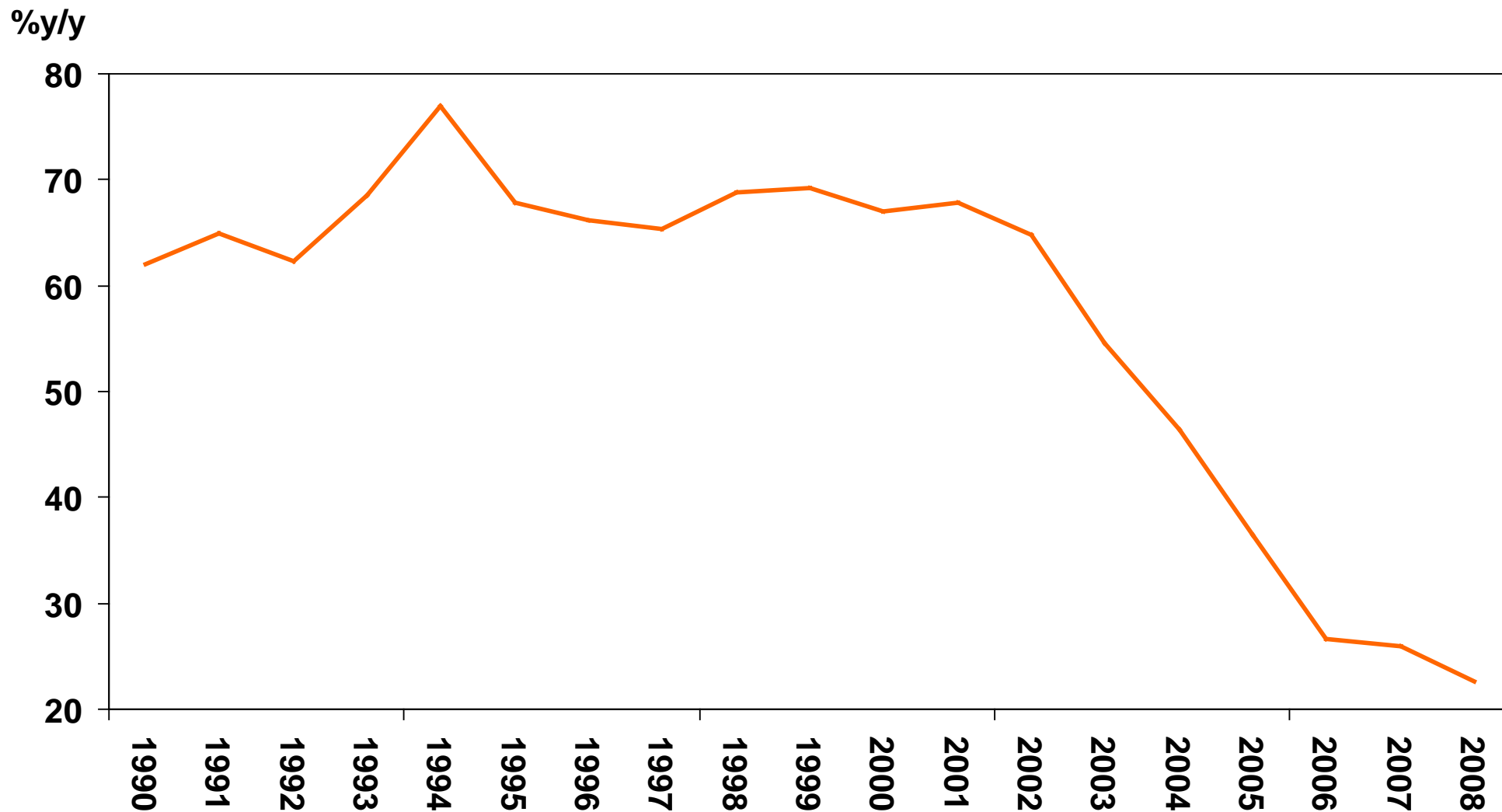
%



Public debt as a % of GDP (developed vs emerging markets)

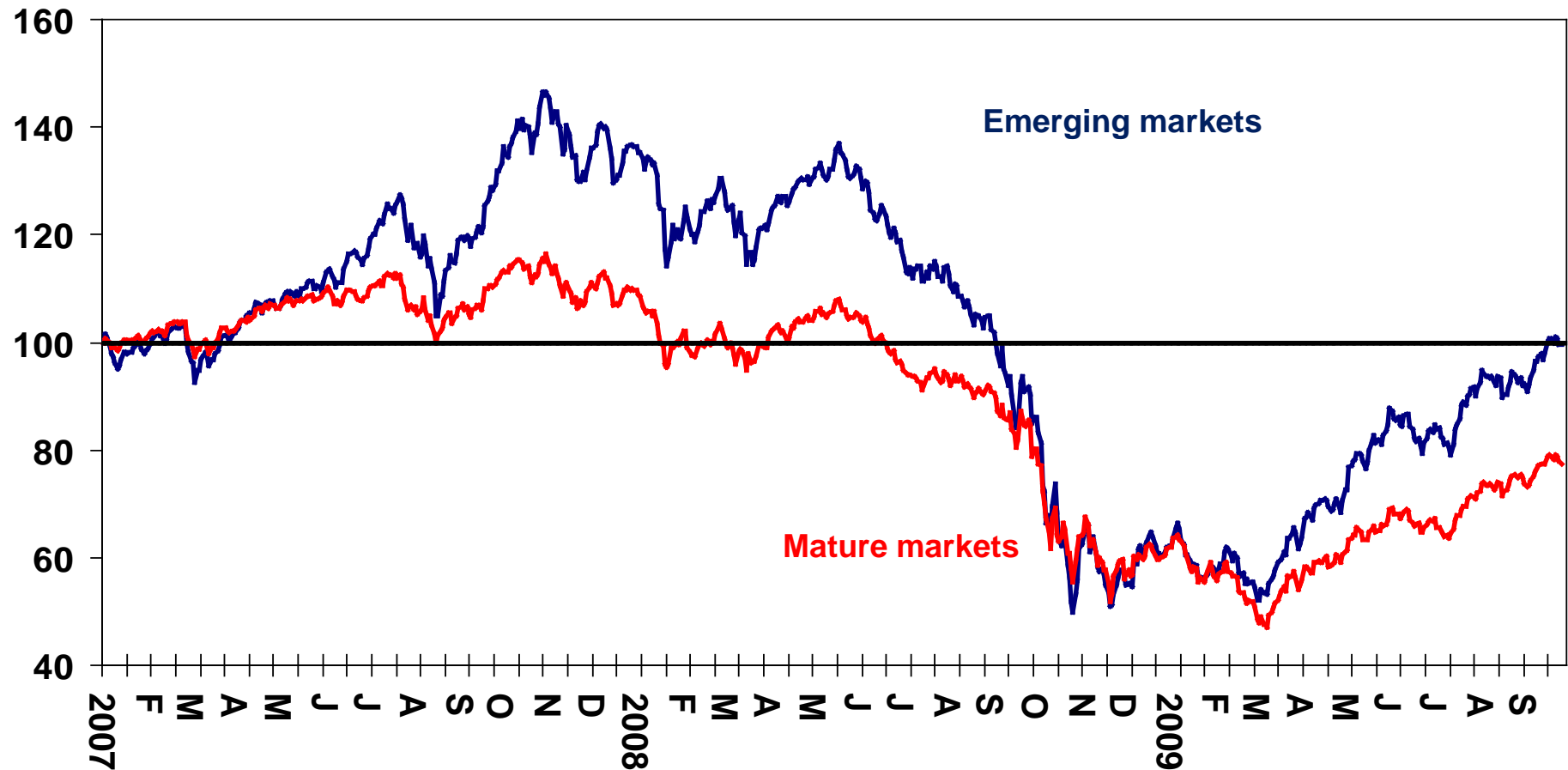


Sub-Saharan Africa External Debt as % of GDP

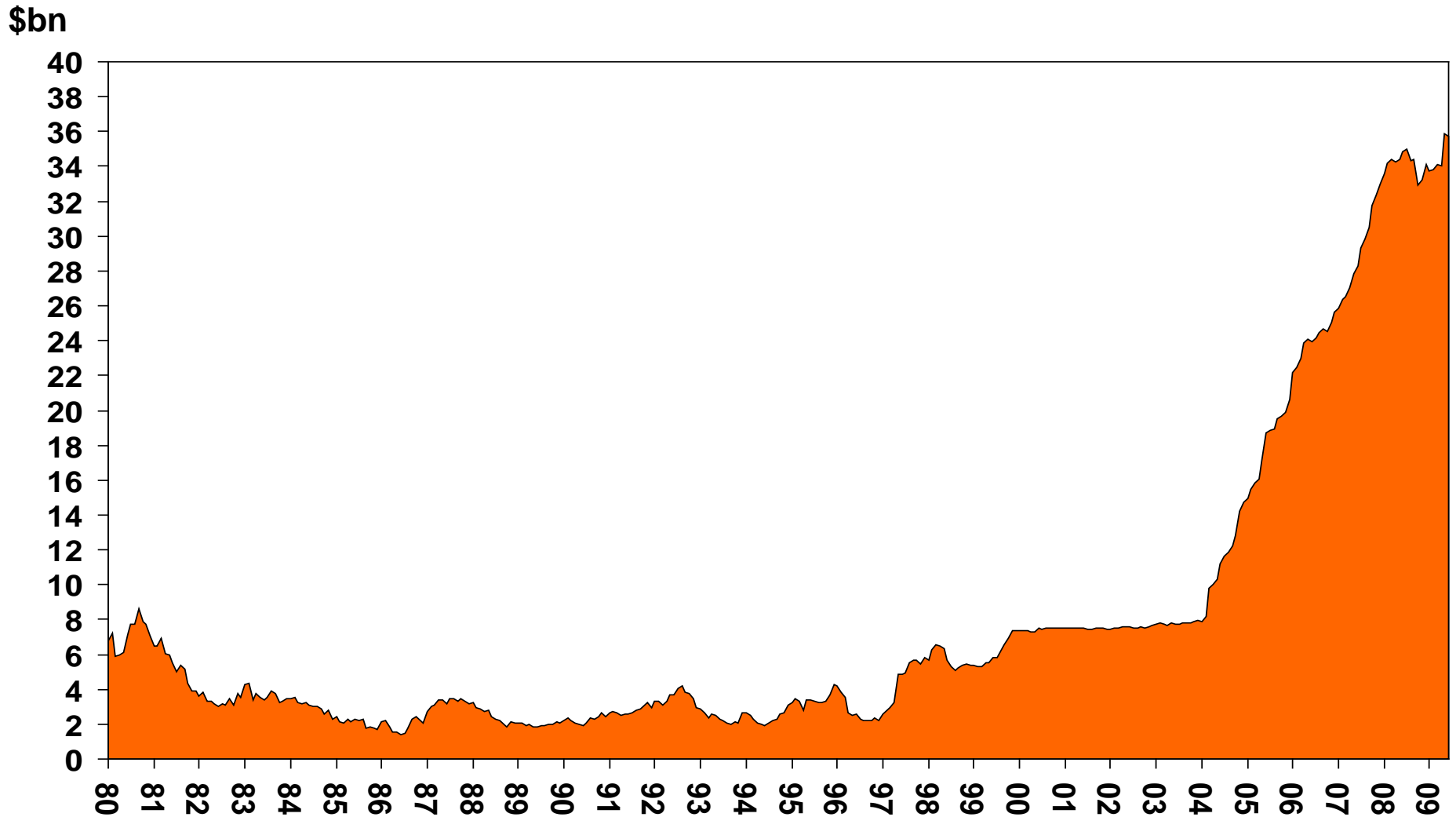


Equity market performance

MSCI Indices (USD), Beginning Jan 2007 =1 00



SA foreign exchange reserves



**Sovereign credit rating of
South Africa is upgraded to
an 'A' rating**

Rating

Date

Aaa

Aa1

Aa2

Aa3

A1

A2

A3

16 Jul 2009

11 Jan 2005

Baa2

29 Nov 2001

Baa3

30 May 1995

Conclusion

- There are now clear **signs of stability** in global financial markets, while leading economic indicators have started to improve.
- The improved financial and economic stability has come as a **significant cost** . Budget deficits have risen dramatically
- Most analysts **have revised up growth estimates for 2010**
- While the world economy is expected to **recover in 2010**, the recovery is likely to be muted and well below trend for structural reasons
- The credit crisis has impacted **developed economies significantly more than the emerging markets.**
- **Emerging economies are well placed** to continue to out-perform the developed world, which is likely to significantly shape future investment opportunities
- The South African economy has been cushioned by the **infrastructural development ahead of World Cup**, while the reduction in interest rates will provide support in 2010