Monthly Report

JANUARY 2020

1. BankServAfrica Economic Transactions Index – November 2019

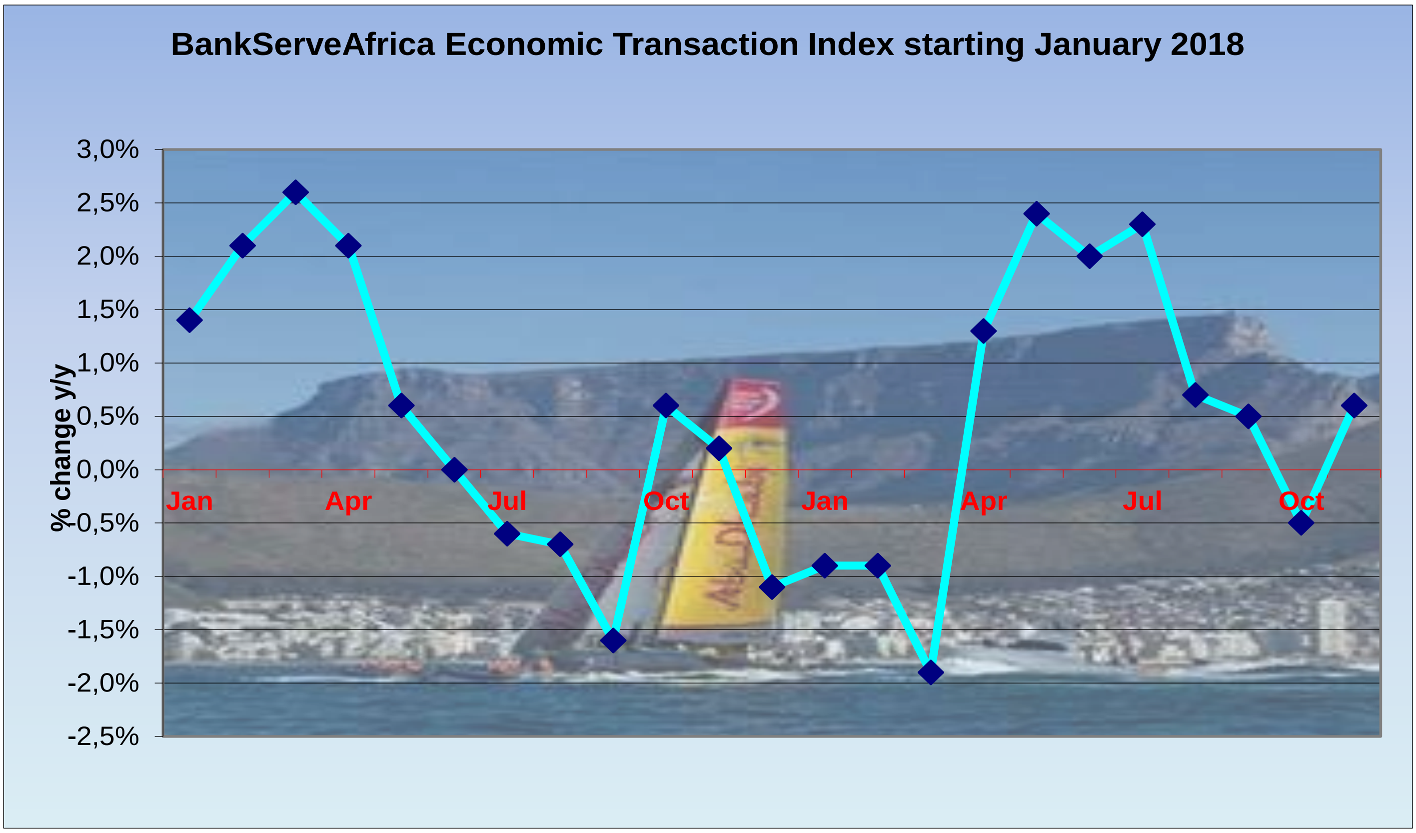
The BankServAfrica Economic Transaction Index (BETI), which measures economic transactions and excludes in-store and manufacturers' card transactions, increased by 1% between October and November. This comes after October's small increase.

It seems Black Friday was not limited to consumers and their spend – it extended to the entire value chain of marketing and advertising, importers, manufacturers, wholesalers and retailers. The result: substantial economic transactions in November that could see it overtake December as the biggest economic transaction month in the South African economy.

While the monthly transactional growth after inflation and seasonal adjustment was 1%, the nominal total of 104 794 252 (after adjusting for the number of days in a year) recorded the highest number ever. This was only lower than December 2018.

The Black Friday and Cyber Monday shopping campaigns are changing the seasonality of the economic cycle in South Africa at present. Of course, the trick is to get to consumers' pockets first, after year-end bonuses are paid in November. But even if these are paid in December, consumers use the 50 days or so grace period on their credit cards to access the special offers that make up Black Friday and Cyber Monday.

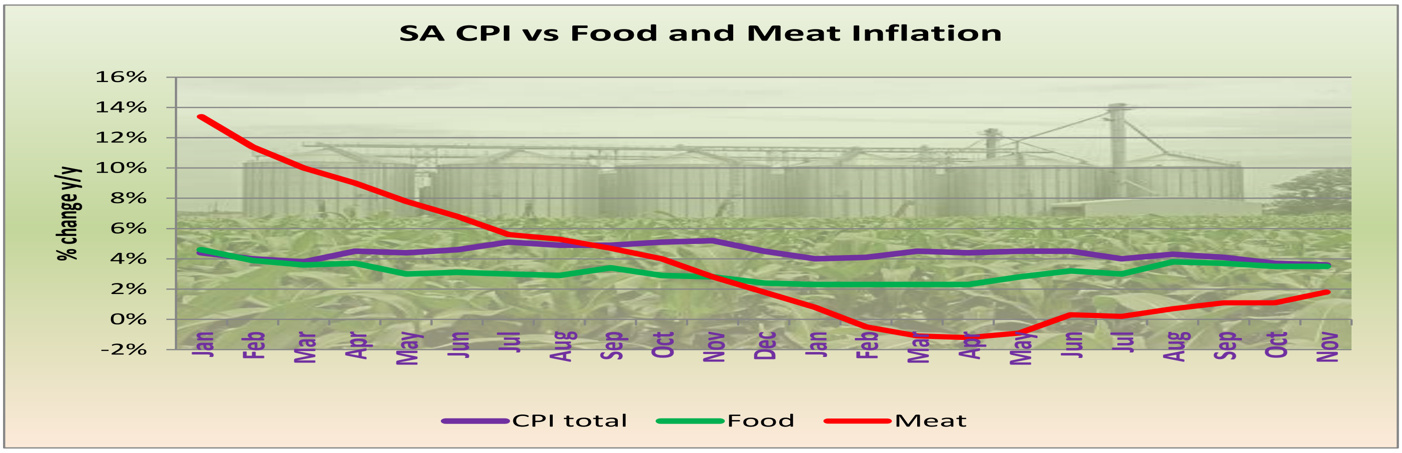
The Black Friday shopping campaign has paid off for the South African economy. The y/y growth experienced in the BETI may have only come in at 0.6% but this was a change in trend as October recorded a decline of -0.5% y/y.



2. Consumer inflation – November 2019

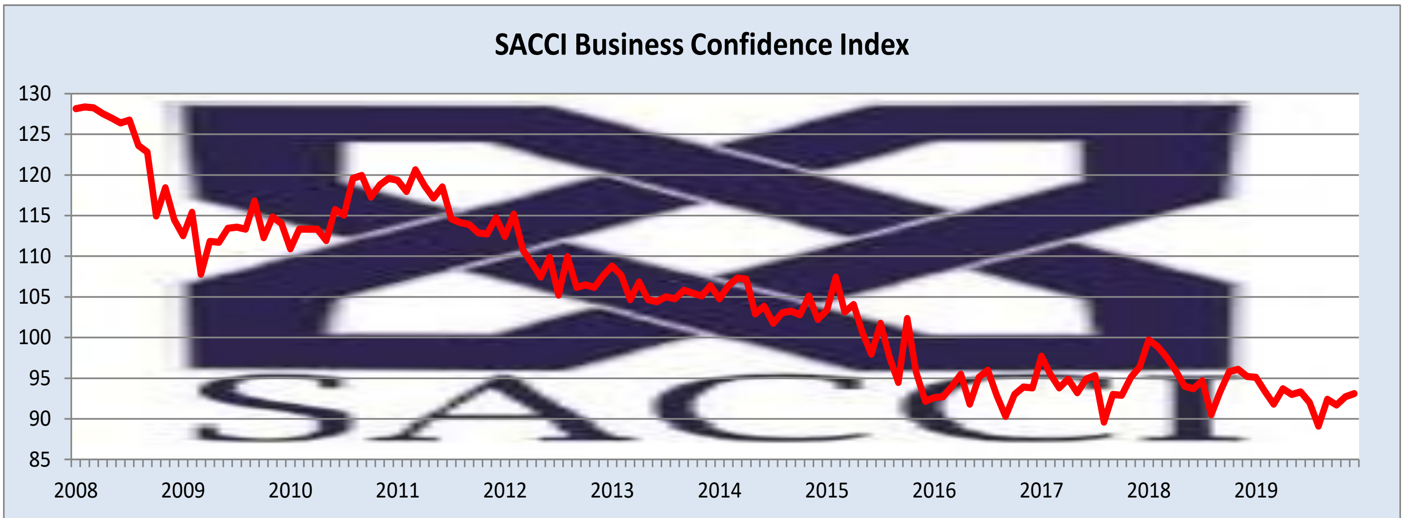
Consumer inflation eased to 3.6% y/y in November from 3.7% y/y in October. Consumer inflation averaged 4.7% in 2018 after a 5.3% rise in 2017.

% ch y/y	Sep-17	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19
CPI	5.1%	4.5%	4.0%	4.3%	4.0%	3.7%	3.6%
Core	4.6%	4.3%	4.2%	4.3%	4.0%	4.0%	3.9%
Food	5.4%	3.2%	3.0%	3.8%	3.7%	3.5%	3.5%
Unprocessed	6.5%	1.5%	1.5%	2.5%	2.8%	2.7%	2.8%
Meat	15.6%	0.3%	0.2%	0.7%	1.1%	1.1%	1.8%
Processed	4.3%	5.4%	5.1%	5.5%	4.9%	4.4%	4.6%



3. SACCI BCI – December 2019

The SACCI Business Confidence Index (BCI) rose to 93.1 in December from 92.7 in November and a 34-year low of 89.1 in August 2019. The average for the BCI in 2019 was 92.6 from 95.5 in 2018, 94.4 in 2017 and 93.5 for 2016. It was last above 100 in October 2015. SACCI hope that the upcoming State of the Nation Address (SONA), Budget 2020/21, and the evaluation by the credit rating agencies, will provide some direction on the way forward.

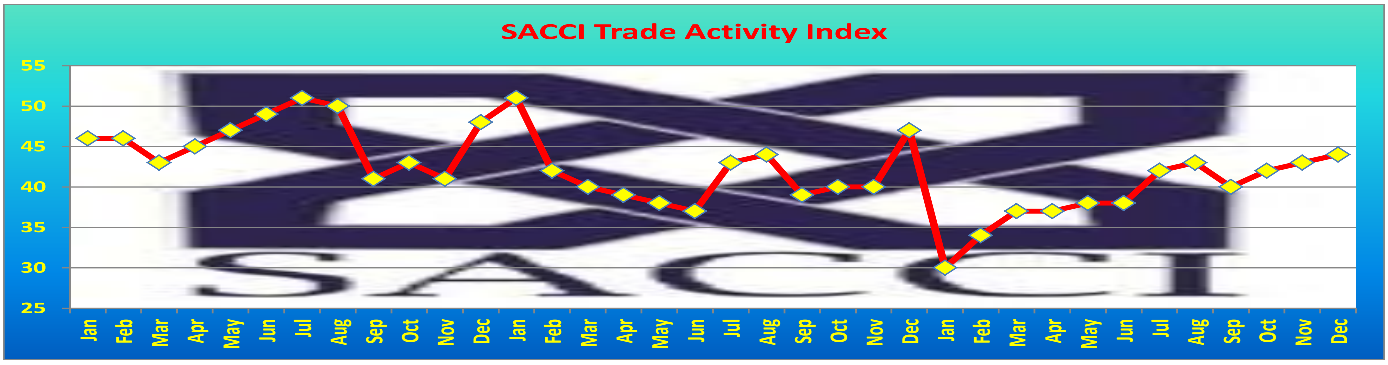


4. SACCI TAI – December 2019

The seasonally adjusted Trade Activity Index (TAI) sank to a record low of 30 in January 2019, but recovered to 34 in February and then rose to 44 in December. The last time the TAI was above 50 was in January 2018, when it was 51.

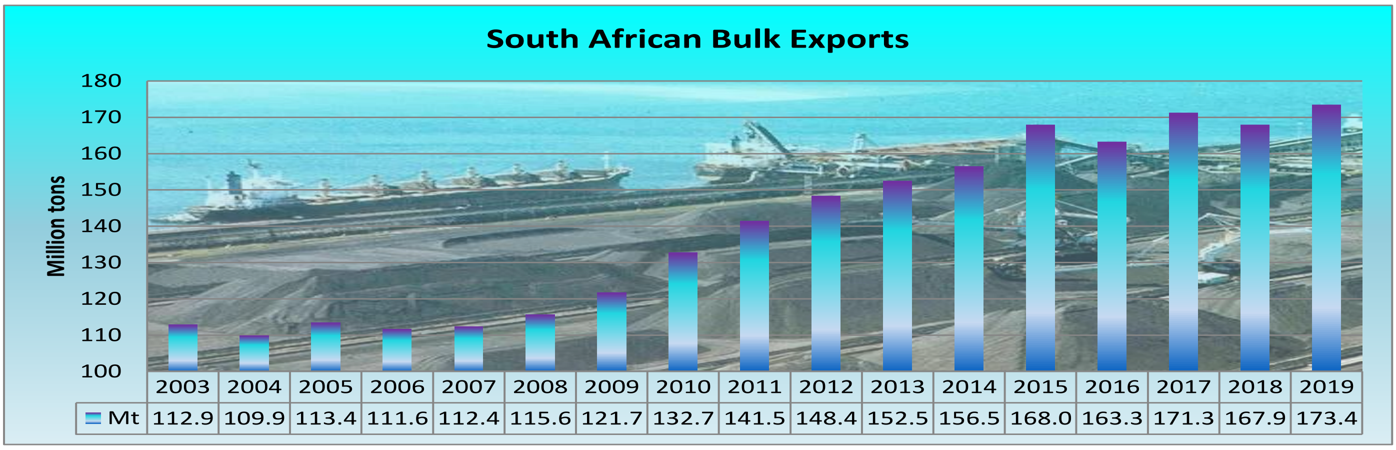
Trade Activity Index (TAI)*

Activity	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Sales volumes	**47**	**43**	**42**	**48**	**50**	**40**
New orders	**36**	**38**	**34**	**44**	**47**	**37**
Backlog on orders received	26	31	31	33	36	31
Supplier deliveries	**36**	**46**	**37**	**45**	**42**	**40**
Inventory level	**38**	**44**	**43**	**42**	**41**	**41**
Selling prices	48	55	58	55	55	50
Input prices	65	70	67	73	71	69
Employment	**40**	**44**	**38**	**41**	**40**	**45**
TAI	**40**	**42**	**38**	**44**	**45**	**40**
TAI seasonally adjusted	**42**	**43**	**40**	**42**	**43**	**44**



5. Ports data – December 2019

Bulk exports rose by 3.3% in 2019 to 173.4 million tons (Mt). The rise was largely due a recovery in iron ore shipments after a poor 2018 caused by derailments on the Sishen-Saldanha iron ore line. Exports out of Richards Bay fell by 3.1% to 90 Mt in 2019. Bulk exports out of Saldanha rose by 14.0% to 65.4 Mt after falling by 10.5% in 2018. Bulk exports out of all the other ports rose by 2.0% to 18.1 Mt.



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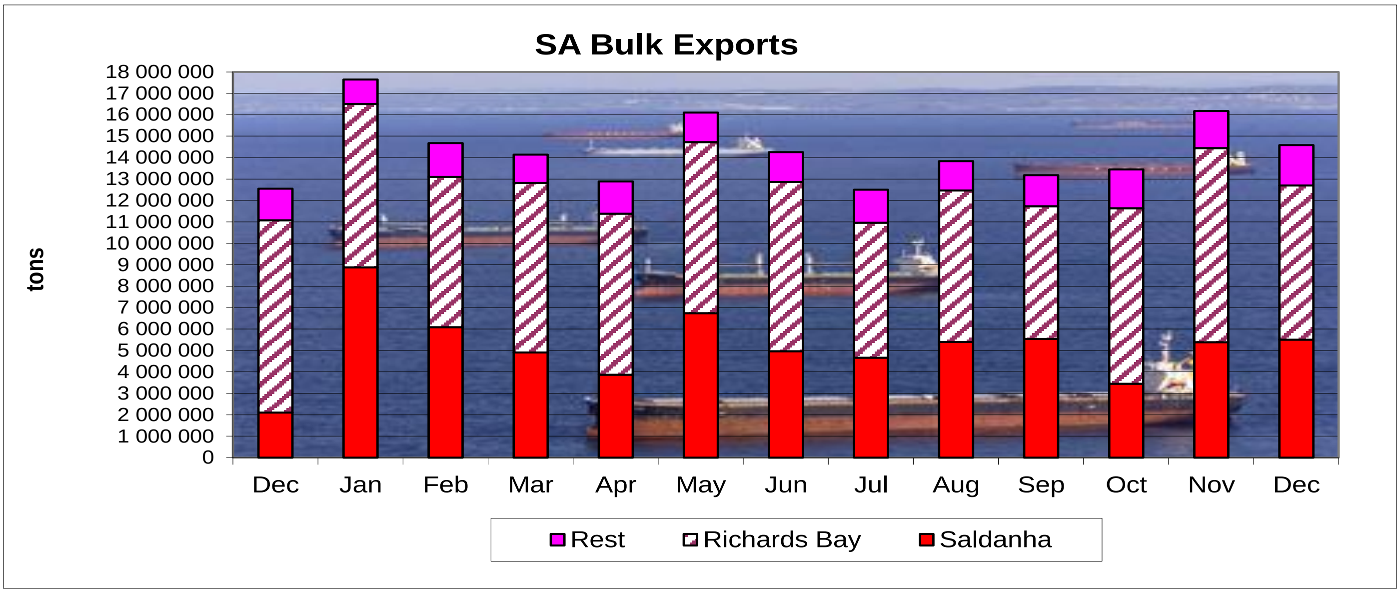
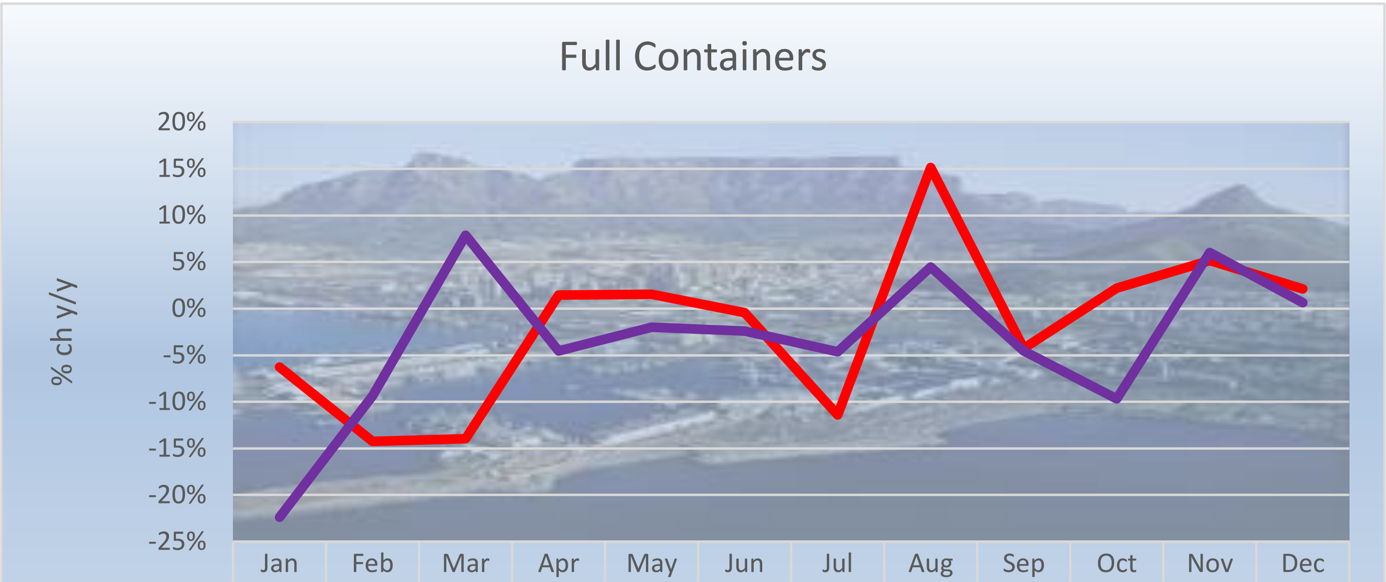
Exports out of Saldanha, which are mostly iron ore, rose to 5.5 Mt in December 2019 from 5.4 Mt in November, 3.5 Mt in October and only 2.1 Mt in December 2018. Exports out of Richards Bay, which are mostly coal, eased to 7.2 Mt in December from 9.1 Mt in November and 8.2 Mt in October. Bulk exports out of the other ports rose to 1.9 Mt in December from 1.7 Mt in November and 1.8 Mt in October.



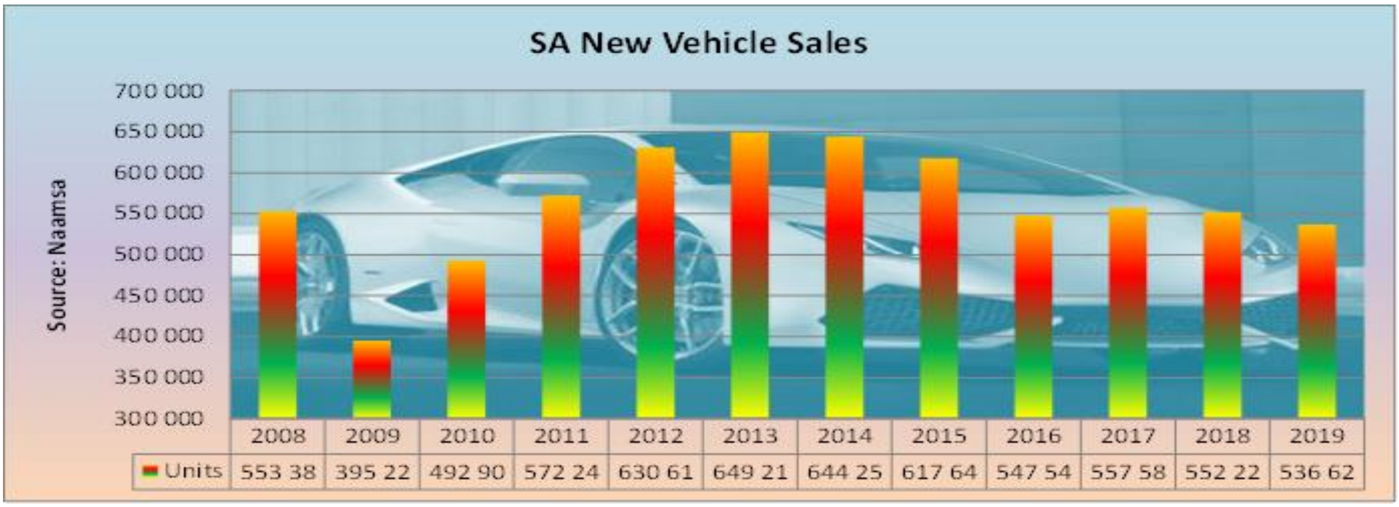
Subdued domestic demand has meant that for most of 2019, full containers imported have fallen, while exports are staging a recovery, although there is no clear discernible pattern. Full containers imported rose by 2.1% y/y in December after a 5.2% y/y gain in November. Full containers exported edged up by 0.6% y/y in December after growing by 6.0% y/y in November.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Imports	-6,3%	-14,3%	-14,0%	1,5%	1,5%	-0,5%	-11,4%	15,2%	-4,3%	2,2%	5,2%	2,1%
Exports	-22,4%	-9,4%	7,9%	-4,5%	-2,0%	-2,4%	-4,6%	4,5%	-4,5%	-9,7%	6,0%	0,6%

6. New vehicle sales – December 2019

The National Association of Automobile Manufacturers of SA (Naamsa) new vehicle sales declined by 2.8% in 2019 to 536 626 units after a 1.0% drop in 2018 and a 1.8% gain in 2017. In December there was a 9.1% y/y rise in new car sales, while sales of new light commercial vehicles, bakkies and mini buses fell by 6.7% y/y. Medium commercial vehicles sales grew by 19.0% y/y, while heavy trucks and buses increased by 18.8% y/y.



7. CEC summer crop estimates – 2019/2020 Intentions to Plant

The CEC released the first intentions to plant at the end of October and this showed a 9.5% increase for maize and a 2.0% rise for soybeans. The rains however are late this year, so I expect a reduction when the first crop estimate is released at the end of January.

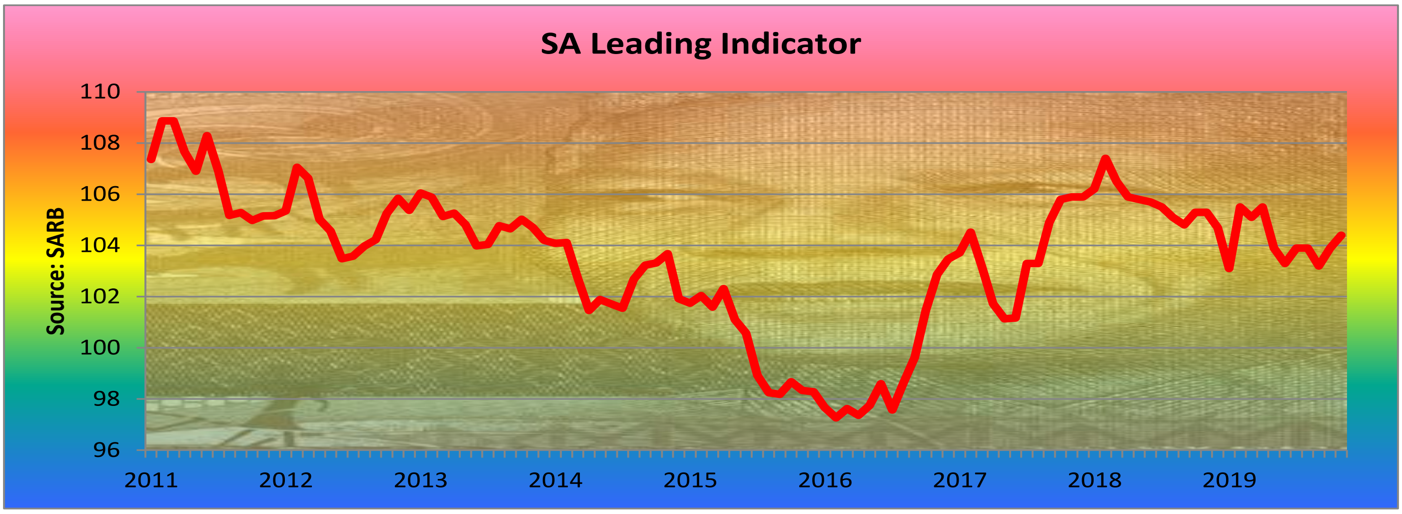
SUMMER CROPS – INTENTIONS TO PLANT: 2020
SOMERGEWASSE – VOORNEME OM TE PLANT: 2020

CROP/GEWAS	Intentions/ Voorneme 2020 Ha	Area planted/ Opp beplant 2019 Ha	Ninth estimate/ Negende skatting 2019 Tons	Change/ Verandering/ %
	soos middel Oktober 2019/ as mid October 2019		as on 24 Oct 2019/ soos op 24 Okt 2019	
	(A)	(B)	(C)	(A) ÷ (B)
Commercial/Kommersieël:				
White maize/Witmielies	**1 431 900**	1 298 400	5 538 240	+10,28
Yellow maize/Geelmielies	**1 087 400**	1 002 100	5 647 810	+8,51
Maize/Mielies	**2 519 300**	2 300 500	11 186 050	+9,51
Sunflower seed/Sonneblomsaad	**538 500**	515 350	680 940	+4,49
Soybeans/Sojabone	**745 500**	730 500	1 170 345	+2,05
Groundnuts/Grondbone	**48 000**	20 050	19 455	+139,40
Sorghum	**43 100**	50 500	134 525	-14,65
Dry beans/Droëbone	**52 500**	59 300	66 355	-11,47
TOTAL/TOTAAL	**3 946 900**	3 676 200	13 257 670	+7,36

Note: Estimate is for calendar year, e.g. production season 2019/20 = 2020
Nota: Skatting is vir kalenderjaar, bv. produksie-seisoen 2019/20 = 2020

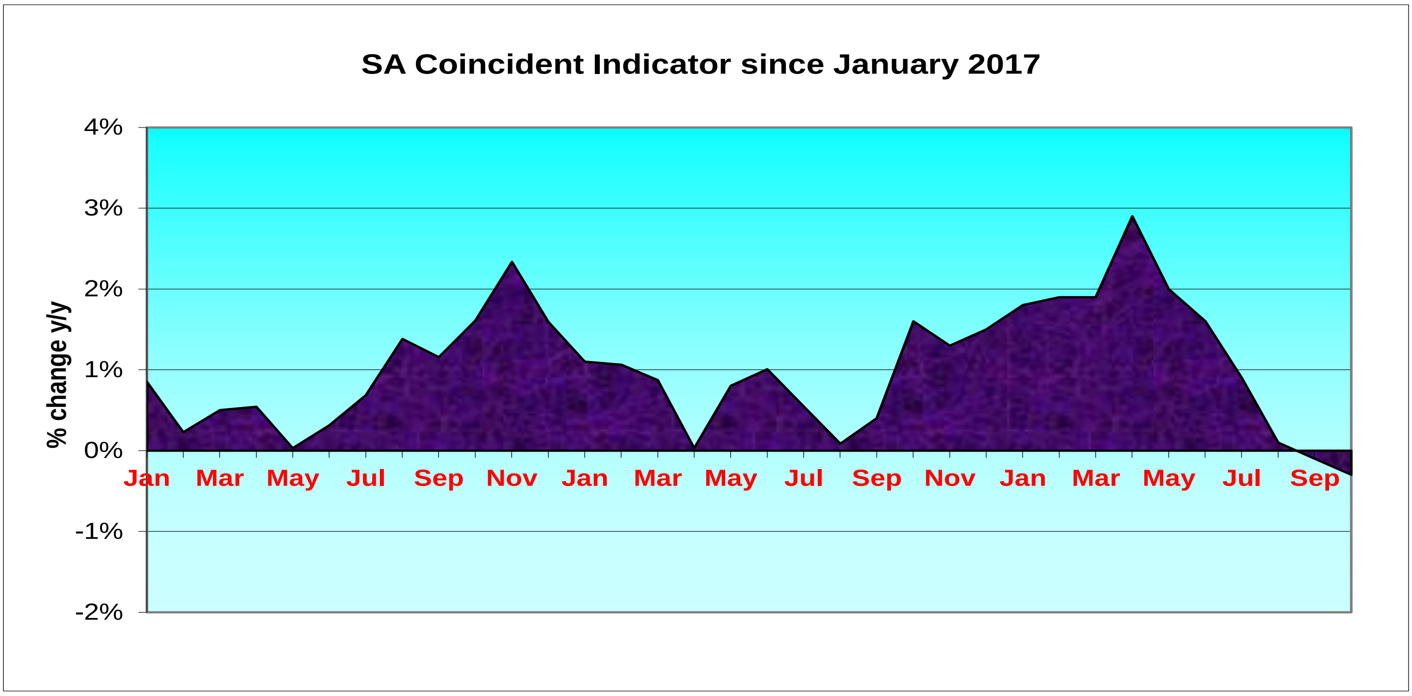
8. Leading indicator – November 2019

The leading indicator rose by 0.5% m/m in November. Six of the ten available component time series increased while four decreased. The largest positive contributions to the movement in the composite leading business cycle indicator in November came from an acceleration in the twelve-month percentage change in job advertisement space and an improvement in the BER's Business Confidence Index. The largest negative contributions came from a decrease in the number of residential building plans approved and a deceleration in the six-month smoothed growth rate in the real M1 money supply.



9. Coincident indicator – October 2019

The coincident indicator fell by 0.3% y/y in October after a 0.1% y/y drop in September and a 0.1% y/y rise in August. Base effects are largely responsible for the rise in the y/y rate in the first half of 2019 as the index bottomed in April 2018.



10. OPEC crude oil price – December 2019

The monthly average OPEC Reference Basket (ORB) rose to $66.84 per barrel in December from $62.94 in November, $59.87 in October, $62.36 in September, $59.69 in August, $64.71 in July, $62.92 in June, $69.97 in May, $70.73 in April, $66.37 in March, $63.82 in February and $58.74 in January. The drone attack on Saudi oil installations over the weekend of 14/15 September, which temporarily cut Saudi supply by half, resulted in a brief spike to $67.88 on 17 September, but the oil price has since eased to the $60 per barrel level as there was a quick recovery in production. The assassination of an Iranian general on 3 January 2020 and the subsequent retaliatory missile attack a week later had a similar short-term on the oil price.

Oil producers led by Saudi Arabia and Russia agreed on 5 December to cut output by an extra 500,000 barrels per day (bpd) in the first quarter of 2020, but stopped short of pledging action beyond March. The countries involved pump over 40% of the world's oil, and their new combined cuts amount to 1.7 million bpd or 1.7% of global production. Another complication for OPEC as it attempts to measure what it should pump this year is that two members, Iran and Venezuela, are under US sanctions that have severely constrained their ability to export. Iran, Libya and Venezuela are exempt from cutting output while OPEC's other 11 members are participating.

The re-imposition of US sanctions on Iran was in large part responsible for the move above $70 in May 2018, but this resulted in increased US shale oil production. The murder of the Saudi dissident journalist Jamal Khashoggi at the Saudi consulate in Istanbul, Turkey, on 2 October 2018 by agents of the Saudi Arabian government has revolted the Western World and the OPEC price dropped from $84.09 on 4 October to $53.92 on 20 December. There has been some recovery in 2019 and in May the International Energy Agency (IEA) said that amongst the analyst community there is an extraordinarily wide divergence of views as to how strong growth will be.

The IEA said its 2019 forecast is reduced by 90 thousand barrels per day (kb/d) to 1.3 million barrels per day (mb/d). Non-OECD countries will drive global oil demand in 2019, adding 1.1 mb/d of growth, with China and India growing by 0.7 mb/d. Net OECD growth will be 0.2 mb/d, led by the US. Global oil demand will average 100.4 mb/d in 2019.

The annual average OPEC Reference Basket (ORB) eased to $64.08 per barrel in 2019 from $69.50 in 2018, $52.51 in 2017 and $40.76 in 2016. In 2012 the price averaged a record $109.45 per barrel. The move above $100 per barrel in 2011 and 2012 was due to the Arab Spring. On an annual average basis I expect low prices in the $40 to $70 range to continue for some time and doubt that we will ever return to the $100 level as electric and hydrogen cars displace petrol and diesel cars.