

Weekly Monitor

ECONOMICS | SOUTH AFRICA



Review of 11 to 15 November and a preview of 18 to 22 November 2024

- The **rand** slid as emerging market risk appetite waned and the US dollar rallied.
- **Manufacturing production** contracted by the same 0.8% yoy in September as in August. Over the quarter, the industry grew by 0.2% qoq.
- **Mining production** jumped 4.7% yoy in September, a further sign of a turnaround after months of contraction.
- The **unemployment rate** fell to 32.1% in Q3 from 33.5% in Q2.
- **US inflation** edged higher as energy prices fell at a slower rate while food prices moderated.
- The **Bank of Mexico** cut its policy interest rate in line with market expectations.
- **Chinese inflation** continued to ease, with deflation risks remaining elevated despite the government stimulus intervention.
- **Inflation in Germany** jumped due to an uptick in services and food prices.
- **France's trade gap** widened as exports fell on lower sales of industrial goods.

Market developments

US dollar strength remained the dominant theme in world markets this week, as the greenback gained further in a continuation of an uptrend that began in response to Donald Trump's victory in the US elections last week. Republicans have retained their majority in the House of Representatives, setting the scene for President-elect Trump to implement his mooted economic policies with the backing of both the Senate and the House in his second term. Trump's planned policy mix of tax cuts, higher import tariffs, and mass deportation will likely reflate US consumer inflation and disrupt the Fed's anticipated interest rate cuts in 2025. Recent remarks by Fed Chair Jerome Powell on US interest rates fuelled the dollar's rally further. In a speech in Dallas on Thursday, Fed Chair Jerome Powell stressed that the signals from the US economy suggested that the central bank need not "hurry" to ease monetary policy. The US unit firmed to its highest level since October 2023 against the **euro** and the **British pound**, while the **Japanese yen** fell below ¥156/\$.

Emerging market currencies came under severe pressure, with commodity currencies enduring additional pressure from lower metal prices. Additionally, disappointing stimulus measures from China, a key commodity importer, increased the downward pressure. The **rand** slumped to above R18/\$ for the first time since the second week of August, while the **Brazilian real** surrendered most of last week's substantial gains, falling by 1.7% to BRL5.79/\$. The **Mexican peso** shed 3%, the **Chilean peso** was down by 2.8%, while the **Korean won** shed 1.8%.

In **China**, the authorities intervened to boost the local exchange rate after markets were underwhelmed by the Chinese government's interventions to address the overhang in the property market and high debt burdens among local authorities. Local governments will receive RMB10 trillion (USD1.4 trillion) to deal with hidden debt of RMB14.3 trillion.

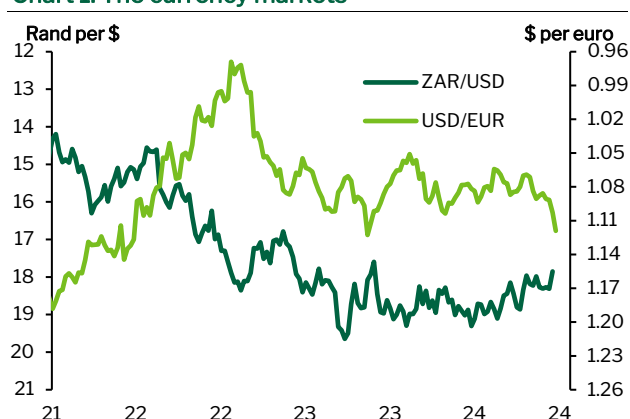
Currencies

Table 1: The currency markets

	14/11/2024	7/11/2024	% Δ
Rand			
USD/ZAR	18.25	17.59	-3.62
GBP/ZAR	23.12	22.52	-2.57
EUR/ZAR	19.23	18.82	-2.15
JPY/ZAR	8.57	8.67	1.22
Majors			
EUR/USD	1.0540	1.0718	1.69
GBP/USD	1.2676	1.2921	1.93
JPY/USD	156.43	152.63	-2.43

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

Equities and commodities

The **JSE All Share Index** (ALSI) was lower, with the sharpest losses occurring in industrials, which fell by 3.8%.

US equities gave up some of the robust gains after touching new record highs last week. In Europe, stocks were mixed with the **UK FTSE** and **German DAX** slightly higher, while the **French CAC** was marginally softer. The **Japanese Nikkei** fell by 2%.

Commodity prices were generally softer as a stronger dollar makes dollar-denominated commodities less attractive to investors. The **Brent crude oil price** was further pressured by the Energy Information Administration's figures showing a rise in US crude inventories by 2.1 million barrels last week, more than the forecasted increase of 1.9 million. **Gold** dropped by 4.3%, while **platinum** fell by 2.4% compared to the previous week.

Table 2: Equities

	14/11/2024	7/11/2024	% Δ
Local (JSE)			
ALSI	85357.46	86642.86	-1.48
Industrials	116458.76	118139.34	-1.42
Financials	21243.19	21382.27	-0.65
Basic materials	42558.70	44268.75	-3.86
Global Equities			
Nasdaq	19107.65	19286.78	-0.93
SP500	5949.17	5995.54	-0.77
UK FTSE	6916.67	6909.21	0.11
DAX	19263.70	19215.48	0.25
CAC	8588.00	8648.81	-0.70
Nikkei	38535.70	39500.37	-2.44
Commodities			
Brent crude (\$/barrel)	74.28	74.79	-0.68
Gold (\$/ounce)	2567.76	2683.77	-4.32
Platinum (\$/ounce)	940.85	968.59	-2.40

Source: Refinitiv

Chart 2: JSE Equities

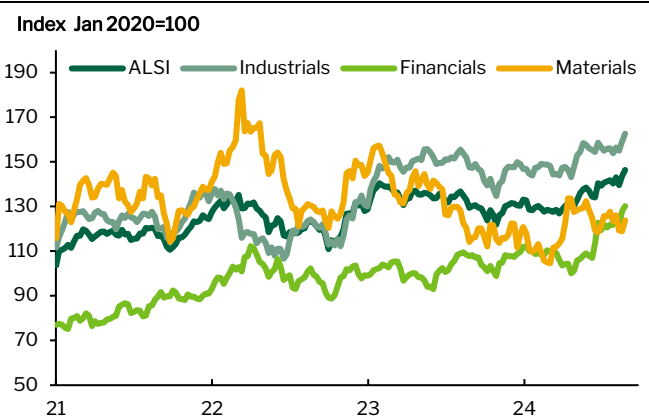
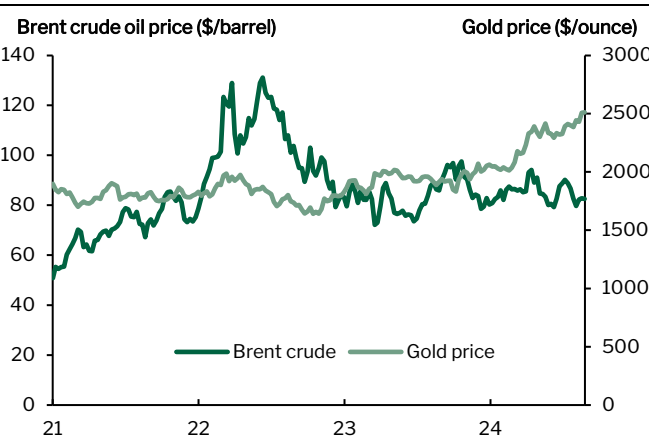


Chart 3: Commodities



Source: Refinitiv

Economic developments

Domestic economic releases and events

The decline in **manufacturing production** extended into September, with output contracting by 0.8% yoy, the same as in August. The weakness in manufacturing output reflects a still challenging operating environment and subdued domestic and global economic conditions. The most significant negative contributions were made by 'motor vehicles, parts and accessories and other transport equipment' (-18.7% and contributing 1.7 pts), while the largest positive contributions were made by 'petroleum, chemical products, rubber and plastic products' (3.1% yoy and contributing 0.6 of a ppt) and 'food and beverages' (1.2% and contributing 0.3 of a ppt). Over the month, production stalled after declining by 0.7% in August. Over Q3, industry output moderated to 0.2% qoq from 0.6% in Q2. Three of the ten divisions posted positive growth rates. 'Basic iron and steel, non-ferrous metal products, metal products and machinery' performed the best, while 'motor vehicles, parts and accessories and other transport equipment' performed the worst. Nominal manufacturing sales declined by 2% yoy in September, following the 0.5% slide in August. Over the Q3, sales decreased by 0.9% qoq after growing 0.8% in Q2. The most significant negative contribution stemmed from 'motor vehicles, parts and accessories and other transport equipment.' The sideways drift in manufacturing production should continue despite the improvement in electricity production and the recovery in domestic and global demand as the year progresses, given the scale of the country's structural impediments.

Mining production jumped 4.7% yoy in September, up from 0.3% in August 2024 and above our forecast of 2.2%. The most significant positive contributions were from PGMs, iron ore, manganese ore, chromium ore and diamonds, which added a combined 5.6 ppts to the total. Coal and gold were the largest negative contributors, shaving 1.5 ppts off the total. On a monthly basis, mining output increased by a seasonally adjusted 3.8% from 3.3% in August. Over Q3, industry output grew 1% qoq, with manganese ore (10.1% qoq and contributing 0.7 of a ppts) and chromium ore (7.3% qoq and contributing 0.4 of a ppts) the largest positive contributors. Nominal mineral sales increased by 8.0% yoy in September. The best performers were gold, manganese ore, chromium ore and coal (contributing a combined 10.8 ppts), while the main negative contributor was PGMs (-4.3 ppts). Seasonally adjusted nominal mineral sales were down 2.5% qoq over Q3.

The **unemployment rate** fell to 32.1% in Q3 from 33.5% in Q2 because employment increased, and the labour force shrunk as discouraged workers increased. Encouragingly, the number of unemployed declined by 373 000 or 4.5% qoq in Q3. Employment rose by 294 000, supported by improved economic activity over the quarter as domestic demand recovered and structural constraints eased. Worryingly, the number of discouraged jobseekers rose by a substantial 160 000 as the economy failed to absorb the growth in the labour force. Both the formal and informal sectors contributed to employment. The informal sector created the most jobs, adding 165 000 over the quarter. The formal sector hired 122 000 people. The **sectoral breakdown** shows mixed performances. For the year to date, total employment rose by 2.2% yoy, with 503 000 jobs created over the period. These gains lifted employment above the pre-pandemic level. However, the pace of job creation still failed to outpace the growth in the labour force. Consequently, the unemployment rate remained well above pre-pandemic levels of around 30%. The **outlook** for the job market looks more promising. Employment will likely increase moderately as the economy recovers over the next 12 to 18 months. Trading conditions have improved, with load-shedding suspended and logistic networks slightly less clogged. The main boost will likely come from services driven by the anticipated recovery in consumer demand as real household incomes return to growth, inflation remains subdued, and interest rates decline further. Further upside could stem from the government's plans to accelerate infrastructure spending. In contrast, government caps on staff numbers will restrict public-sector employment. While employment is forecast to increase, job creation will still be too slow to absorb new entrants into the labour market and reduce unemployment significantly. Consequently, the unemployment rate will likely remain high, easing only slightly and leaving a large pool of discouraged workers.

International economic releases and events

The **US inflation rate** accelerated to 2.6% yoy in October, in line with the market consensus, from 2.4% in September. The rate of decline in energy costs moderated to 4.9% from 6.8%, reflecting less severe drops in gasoline (-12.2% from -15.3%) and fuel oil (-20.8% from -22.4%). Also, prices eased for food (2.1% from 2.3%) and transportation (8.2% from 8.5%). Over the month, **consumer prices** were unchanged at 0.2%. **Core inflation** was steady at 3.3% yoy and 0.3% mom. Consumer sentiment rose in November, with the **University of Michigan's Consumer Sentiment Index** reaching 78.5, the highest since July 2021, up from 74.1 in October. Consumers were much more upbeat about income prospects and short-run business conditions. In contrast, the **current conditions** gauge declined slightly, falling to 64.4 from 64.9. The **one-year inflation outlook** decreased to 2.6%, the lowest since December 2020, while **five-year inflation** expectations rose marginally to 3.1% from 3%.

The **Bank of Mexico** reduced its **benchmark interest rate** by 25 basis points to 10.25% from 10.50%—the decision aligned with market expectations. The central bank was encouraged by the downward trajectory in core inflation, but policymakers remained cautious given the risks posed to core inflation from potential further currency depreciation.

Inflation in China eased to 0.3% yoy from September's 0.4%, reaching its lowest level since June. The latest data highlights increasing deflation risks despite recent stimulus measures implemented by Beijing to bolster the slowing economy. Non-food prices fell by 0.3% from a 0.2% drop in September. Significant reductions in fuel prices primarily influenced this decline. Additionally, food prices moderated (2.9% from 3.3%). **Core inflation** increased by 0.2% yoy, while monthly **consumer prices** decreased by 0.3%.

The **Eurozone economy** expanded by 0.4% qoq in Q3, its fastest pace in two years, from a modest increase of 0.2% in Q2. Over the year, **GDP** growth was 0.9% from 0.6%. Germany grew by 0.2%, avoiding a technical recession, while the French economy rose by 0.4% from 0.2%. Other data showed that **industrial production** contracted by 2% mom in September from a 1.5% rise in August. Production dropped for energy (-1.5% from 0.3%) and capital goods (-3.8% from 3.8%). On an annual basis, **output** fell by 2.8% from 0.1% decline.

Germany's inflation rate rose to 2% yoy in October from a low 1.6% in September. The acceleration was driven by a notable increase in services inflation, which rose to 4% from 3.8%, and food inflation, which increased to 2.3% from 1.6%. At the same time, the decline in energy costs moderated to 5.5% from a 7.6% drop. **Core inflation** increased to 2.9% from 2.7%. On a monthly basis, **consumer prices** were up by 0.4%. The **ZEW Indicator of Economic Sentiment** dropped to 7.4 in November from 13.1 in October. This downturn is attributed primarily to the implications of Donald Trump's electoral victory and the instability resulting from the collapse of the German government coalition. Additionally, the assessment of the current economic situation worsened, with the **current conditions** gauge falling to -91.4 from -86.9.

France's trade deficit increased to €8.3 billion in September from €7.7 billion in August, the widest deficit since October 2023. The decline in **exports** was the key driver, with exports falling by 1.4% to €48.59 billion, its lowest level since May 2022. Key sectors contributing to the drop included industrial products, transport equipment, and natural hydrocarbons, with notable

decreases in refined petroleum products and coke. At the same time, **imports** marginally went down by 0.3% to €56.85 billion due to lower purchases of mechanical and electronic equipment and agricultural products.

The **UK unemployment rate** rose to 4.3% in September from 4%, the highest rate since May. The number of unemployed increased to 33.3 million. Additionally, the number of long-term unemployed (those jobless for over six months) also rose over the quarter and over the year.

Next week's focus: Key economic releases and events

Locally, the focus will be on the **South African Reserve Bank's Monetary Policy Committee (MPC)** meeting, with a decision expected on Thursday. We expected a 25-bps cut as inflation continues to undershoot the SARB 4.5% target, and the inflation outlook remains relatively subdued. However, upside risks to the inflation outlook increased somewhat over the past month. The most significant risk emanates from the likely change in US economic policies during the next four years following Donald Trump's emphatic victory in the US elections, which has already placed the rand under significant pressure.

Key data releases include **CPI** for October and **retail sales** for September. We forecast CPI to have eased further to 3.3% in October from 3.8% in September. The downward pressure will come from lower transport costs, driven by further reductions in fuel prices. The Brent crude oil prices declined by 24.6% yoy over September, while the rand appreciated by 9.6% yoy. This translated into an average decline of 5.2% mom and 18.4% yoy in local petrol prices and 5.9% mom and 26.8% yoy in local diesel prices. Consequently, we expect fuel price deflation to exert further downward pressure on headline inflation in October. This trend is forecast to continue in the final months of this year, with lower global oil prices offsetting the impact of the expected weakening of the rand. However, the downside in CPI will partly be contained by food inflation, which has started drifting higher off a low base.

Next week's key **international** releases include the **People's Bank of China's monetary policy decision**. The market consensus is for the **PBoC** to maintain the **one-** and **five-year loan prime rates** at 3.1% and 3.6%, respectively. The markets expect the **flash purchasing managers indices (PMIs)** to reflect relatively steady trading conditions, with services expanding while manufacturing remains subdued. Other data include the final estimate of **US consumer confidence** and **EU CPI**, which is expected to rise to 2% yoy from the preliminary estimate of 1.7%.

Table 3: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
15 Nov 2024	Japan	GDP (qoq) Annualised	Q3	0.7	2.9	%
	China (Mainland)	Industrial Output (yoy)	Oct	5.4	5.4	%
	China (Mainland)	Retail Sales (yoy)	Oct	3.8	3.2	%
	China (Mainland)	Industrial Production (yoy)	Oct	5.4	5.8	%
	China (Mainland)	Retail Sales (yoy)	Oct	3.8	3.4	%
	China (Mainland)	Unemployment Rate Urban Area	Oct		5.1	%
	UK	Industrial Output (yoy)	Sep		-1.6	%
	UK	GDP Prelim (qoq)	Q3		0.5	%
	France	CPI (yoy)	Oct	1.2	1.2	%
	US	Retail Sales (yoy)	Oct	1.9	1.7	%
	US	Industrial Production (mom)	Oct	-0.4	-0.3	%
	US	Manufacturing Output (mom)	Oct		-0.4	%
	US	Industrial Production (yoy)	Oct		-0.6	%
18 Nov 2024	Japan	Machinery Orders (mom)	Sep	0.7	-1.9	%
	Japan	Machinery Orders (yoy)	Sep	-2.2	-3.4	%
19 Nov 2024	EU	Inflation Rate (yoy)	Oct	2	1.7	%
	EU	Core Inflation Rate (yoy)	Oct	2.7	2.7	%
20 Nov 2024	Japan	Exports (yoy)	Oct		-1.7	%
	Japan	Imports (yoy)	Oct		2.1	%
	Japan	Trade Balance Total Yen	Oct		-294.3	Billion
	China (Mainland)	Loan Prime Rate 1Y	Nov	3.1	3.1	%
	China (Mainland)	Loan Prime Rate 5Y	Nov	3.6	3.6	%
	UK	Core CPI (yoy)	Oct	3.2	3.2	%
	UK	CPI (yoy)	Oct	1.7	1.7	%
	SA	CPI (mom)	Oct		0.1	%
	SA	CPI (yoy)	Oct		3.8	%
	SA	Core Inflation (mom)	Oct		0.30	%
	SA	Core Inflation (yoy)	Oct		4.1	%
	SA	Retail Sales (yoy)	Sep		3.2	%
21 Nov 2024	France	Business Climate Overall	Nov		97.0	Index
	SA	Prime Rate	Nov		11.5	%
	SA	Repo Rate	Nov		8	%
	US	Existing Home Sales	Oct	3.88	3.84	Million
22 Nov 2024	Japan	CPI, Overall Nationwide	Oct		2.5	%
	UK	GfK Consumer Confidence	Nov		-21	Index
	Japan	JibunBK Composite Flash	Nov	49.6	49.6	Index
	Germany	GDP Detailed (qoq)	Q3		0.2	%
	UK	Retail Sales (yoy)	Oct		3.9	%
	France	HCOB Manufacturing PMI Flash	Nov	44.5	44.5	Index
	France	HCOB Composite PMI Flash	Nov	48.1	48.1	Index
	Germany	HCOB Composite PMI Flash	Nov	48.6	48.6	Index
	UK	Composite PMI Flash	Nov	51.8	51.8	Index
	US	S&P Global Manufacturing PMI Flash	Nov	48.5	48.5	Index
	US	S&P Global Services PMI Flash	Nov	55.0	55	Index
	US	S&P Global Composite PMI Flash	Nov	54.1	54.1	Index
	US	U Mich Sentiment Final	Nov	73	73	Index
	US	U Mich Conditions Final	Nov	64.4	64.4	Index
	US	U Mich Expectations Final	Nov	78.5	78.5	Index
	US	U Mich 1Yr Inf Final	Nov	2.6	2.6	%
	US	U Mich 5-Yr Inf Final	Nov	3.1	3.1	%

GROUP ECONOMIC UNIT

Isaac Matshego
Busisiwe Nkonki

+27 10 234 8358
+27 10 233 2966

isaacmat@nedbank.co.za
busisiwenkon@nedbank.co.za

DISCLAIMER

The information furnished in this report (the "report"), which information may include opinions, estimates, indicative rates, terms, price quotations and projections, reflects the existing judgment of the author(s) and the prevailing market conditions as at the date of this report, which judgment and conditions are subject to change without notice, modification or amendment. This report does not necessarily reflect the opinion of Nedbank Limited ("Nedbank"). The information herein has been obtained from various sources, the accuracy and/or completeness of which Nedbank does not guarantee and for which Nedbank accepts no liability.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration. The information contained in this publication may include results of analyses from a quantitative model which represent potential future events that may or may not be realised, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute Nedbank's judgment as of the date hereof and are subject to change without any notice. Nedbank and/or its affiliates may make a market in these instruments for our customers and for our own account. Accordingly, Nedbank's may have a position in any such instrument at any time.

Nedbank recommends that independent tax, accounting, legal and financial advice be sought should any party seek to place any reliance on the information contained herein. This report is intended for use by professional and business investors only. It may not be considered as advice, recommendation or an offer to enter into or conclude any transactions. This report has been prepared for general dissemination and information purposes only and may not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction. Any additional information relative to any financial instruments and/or financial products reviewed in this report is available upon request.

All rights reserved. Any unauthorised use or disclosure of this report is prohibited. This report may not be reproduced without the prior written consent of Nedbank. The information contained in this note is intended solely for the recipient and may not be distributed by the recipient.

All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of Nedbank or its affiliates.