

Weekly Monitor

ECONOMICS | SOUTH AFRICA



Review of 4 to 8 November and a preview of 11 to 15 November 2024

- The **rand** has pulled back, after falling to R17.80/\$ on Wednesday.
- **US markets** rose strongly in the aftermath of Donald Trump’s victory in Tuesday’s US elections.
- Locally, **new vehicle sales** grew in October, led by a further rebound in passenger vehicle sales.
- The **US Federal Reserve (Fed)** and the **Bank of England** cut **interest rates** by 25 basis points (bps), while the **Central Bank of Brazil** hiked by 50 bps.
- **Global factory activity** accelerated in October, with the service sector continuing to prop up aggregate activity.
- **China’s trade surplus** widened as exports surged, while **Germany’s surplus** narrowed.

Market developments

US markets soared on Wednesday after Republican candidate former president Donald Trump secured an overwhelming victory over his Democratic rival, Vice President Kamala Harris. Republicans also won the Senate and could clinch a majority in the House of Representatives. In response to Donald Trump’s policy agenda, investors expect US equities to benefit from the proposed tax cuts, while plans to raise tariffs and deport undocumented migrants are anticipated to elevate inflation and interest rates over the medium term. As a result, the **US dollar** surged to its highest level since November 2022, rising to \$1.07 against the **euro**. Against the **British pound**, the US unit recovered from a low of \$1.30 it touched on Tuesday morning, while the **Japanese yen** fell to ¥153.2. This morning, the dollar has surrendered some of its gains, subdued by the US Fed’s decision to ease monetary policy further.

Emerging market currencies were also under pressure. The **rand** depreciated to R17.80/\$ in early trade on Wednesday morning before pulling back to R17.31/\$ late on Thursday. This morning, the local unit is trading around R17.40/\$, supported by the Fed’s rate cut. Fed Chair Jerome Powell hinted that the Fed would proceed carefully in easing policy. Given that some of Trump’s policies are expected to stoke inflation, market expectations of Fed cuts in 2025 have been revised lower, weighing on all emerging market currencies. The only exception was the **Brazilian real**, which pulled back from BRL5.86/\$ to BRL5.68/\$ after the Central Bank of Brazil hiked by a larger-than-expected 50 bps on Thursday.

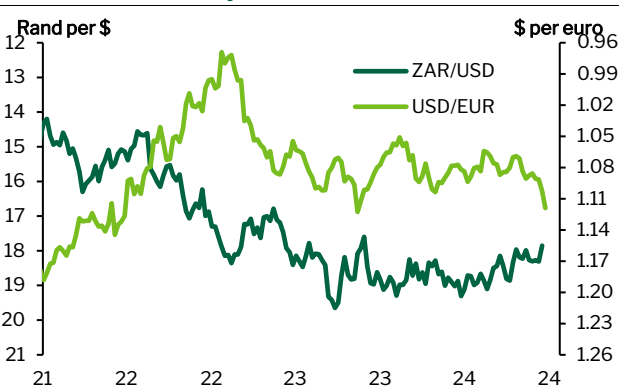
Currencies

Table 1: The currency markets

	7/11/2024	31/10/2024	% Δ
Rand			
USD/ZAR	17.34	17.63	1.68
GBP/ZAR	22.48	22.64	0.70
EUR/ZAR	18.71	19.12	2.23
JPY/ZAR	8.83	8.65	-1.99
Majors			
EUR/USD	1.0786	1.0834	0.45
GBP/USD	1.2965	1.2926	-0.30
JPY/USD	153.18	152.98	-0.13

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

Equities and commodities

The **JSE All Share Index (ALSI)** recovered on Thursday as investors looked ahead to the Fed interest rate announcement, after losing 1.4% of its value during the previous week.

US equities set new record highs as Trump’s policies are viewed to be positive for US corporate earnings. The **S&P 500** reached a new record high of 5973.1, while the technology-dominated **Nasdaq** rose to 19969.5. Elsewhere, markets were mixed, with the

UK's FTSE100 marginally softer, while the German DAX and French CAC gained. The **Japanese Nikkei** was boosted by the weaker yen, which would support higher Japanese export earnings.

In **commodity markets**, the **Brent crude oil price** traded in a narrow band, ending the week marginally higher on indications that OPEC will maintain its output restrictions into 2025. **Gold** pulled back from its recent highs, albeit marginally, while **platinum** was little changed. Gold will continue to be propped up by inflation fears.

Table 2: Equities

	7/11/2024	31/10/2024	% Δ
Local (JSE)			
ALSI	86642.86	87883.90	-1.41
Industrials	118139.34	119196.42	-0.89
Financials	21382.27	21280.54	0.48
Basic materials	44268.75	46358.83	-4.51
Global Equities			
Nasdaq	19243.02	18239.92	5.50
SP500	5929.04	5728.80	3.50
UK FTSE	6964.09	7027.00	-0.90
DAX	19362.52	19254.97	0.56
CAC	8773.40	8725.27	0.55
Nikkei	39381.41	38053.67	3.49
Commodities			
Brent crude (\$/barrel)	76.48	73.86	3.55
Gold (\$/ounce)	2690.69	2735.16	-1.63
Platinum (\$/ounce)	992.15	992.40	-0.03

Chart 2: JSE Equities

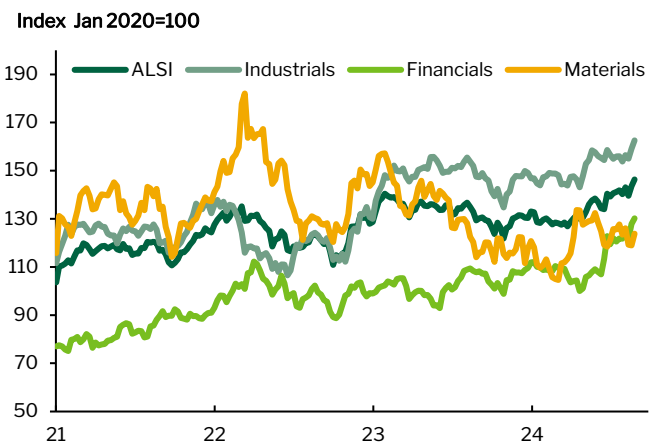
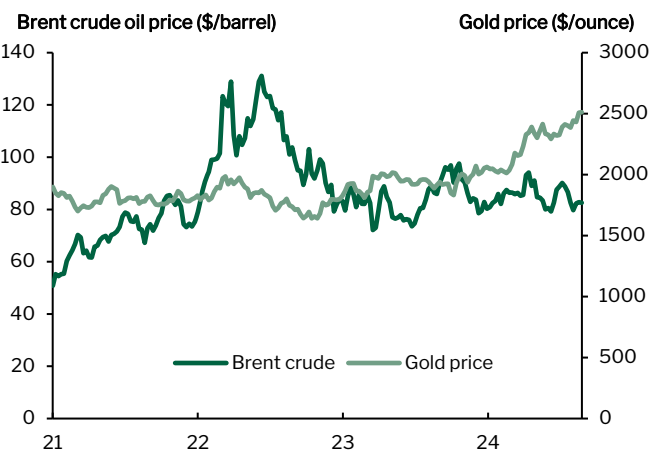


Chart 3: Commodities



Source: Refinitiv

Source: Refinitiv

Economic developments

Domestic economic releases and events

New vehicle sales grew by 5.5% yoy in October after shrinking by 4.1% and 4.7% in September and August, respectively. The outcome was better than our forecast of -2.2% yoy. The improvement was driven by passenger vehicle sales, while sales of light, heavy and extra-heavy commercial vehicles deteriorated further. In total, 47 924 vehicles were sold compared to 44 081 units in the previous month. Passenger vehicle sales rose by 14.5% yoy in October, up from 2.0% in August. Of the 34 228 units sold, car rentals accounted for 19.8%. While the increase reflects seasonal sales to the rental industry, the uptick also points to a likely turnaround in consumer demand in response to steadier household finances as inflation cooled significantly and interest rates declined in September. Total commercial vehicles were down 1 825 units or 11.8% yoy. Apart from increases in sales of busses (19.1% yoy) and heavy commercial vehicles (up 34.6% yoy), sales of all other commercial categories declined further. Light commercial vehicle sales fell by 12.7% yoy in October, easing somewhat from the 17.1% yoy drop recorded in September. Medium commercials were down 10.1%, while the extra heavy segment contracted by 18.6% yoy. Exports declined by a further 42.6% yoy in October to 23 342 units, after shrinking by 38.1% in September. Passenger vehicle exports fell by 51.5% yoy, while those of commercial vehicles were down 25.2%. According to the Automotive Business Council, the drag came from lower exports to Europe due to a model change by a major local original-equipment manufacturer, stricter emissions regulations in the region, and an influx of cheaper electric vehicles from China.

International economic releases and events

While all eyes were on the US elections earlier in the week, the focus shifted back to the policy meetings of several major central banks on Thursday. The **US Federal Reserve (Fed)** cut its **federal funds rate** by 25 basis points (bps) to 4.5%, in line with the market consensus. The Federal Open Market Committee stressed that risks to growth and inflation are roughly balanced. The US economy has remained healthy, while inflation has moved closer to 2% target. Encouragingly, the labour market has cooled from its earlier overheated state, with the unemployment rate marginally higher. Fed Chair Jerome Powell refused to be drawn into the implications of Trump's expansionary fiscal policy for monetary policy, but he stressed that he would not step down even if Trump asked him to before the end of his current term in May 2026.

The **Bank of England** lowered its **interest rate** by 25 bps to 4.75% as the markets predicted. Only one of the nine MPC members favoured no change. Most members were encouraged by the recent drop in inflation to 1.7%, its lowest level since April 2021 and well below the 2% target. However, the Bank continued to warn about the risk posed by sticky services inflation. Upside risks also emanated from the expansionary Autumn Budget Speech tabled by the Labour government last week. The Bank's inflation forecasts for 2024 and 2025 were 2.5% and 2.2%, respectively. In contrast, the **Central Bank of Brazil** hiked its **Selic rate** by 50 bps to 11.25% to bring inflation back to target. The central bank expected inflation to remain elevated above the 3% target, averaging 4.6% and 4% in 2024 and 2025, respectively.

The **US labour market** softened further in October, with monthly job gains reaching the lowest level since December 2020. **Nonfarm payrolls** expanded by only 12 000, down from September's 223 000 and below the market forecast of 113 000 jobs. The slump was primarily due to unusual factors, notably the hurricanes in Florida and North Carolina, and a major labour strike in the manufacturing sector. Hiring by the government (40 000) and health care (52 000) propped up the number. **Average hourly earnings** were up by 0.4% mom and 4% yoy to \$35.46, higher than 0.3% mom and 3.9% yoy in September. The **unemployment rate** remained unchanged at 4.1%, while the **labour force participation rate** slowed slightly to 62.6%. Other data showed that **initial jobless claims** edged to 221 000 for the week ending 31 October, in line with market expectations. The **four-week moving average** declined to 227 250 for the same period, while **continuing jobless claims** were up to 1.892 million for the week ending 26 October.

Global private sector activity accelerated in October, with services outperforming manufacturing. The final **JP Morgan Global Composite PMI** rose marginally to 52.3 in October from 51.9 in September as new orders increased. Among the developed economies, the US posted the strongest growth for the sixth consecutive month as output stabilised. At the same time, Brazil and India led the expansion in emerging economies, while output improved slightly in China. The US, Brazil, and India recorded the strongest overall growth among the major economies, while the eurozone expanded after a September contraction. The **S&P Global US Composite PMI** was 54.1, increasing slightly from 54 in August. The expansion was driven by services (55), while the slowdown in manufacturing activity deepened (48.5). **China's** service sector expanded faster in October as new exports increased due to improved demand and better market conditions. The **Caixin China General Services PMI** rose to 52 from 50.3 in the previous month. Growth was led by a jump in new business. Services reported higher average input prices due to rising material and energy costs. Meanwhile, output prices held steady after declining for two successive months. The **HCOB Eurozone Composite PMI** was flat at 50.

The **Chinese trade surplus** widened sharply to \$95.27 billion in October from \$56.13 billion in September. **Exports** jumped by 12.7% yoy, its fastest pace since July 2022, up from a 2.4% in September. Manufacturers front-loaded orders in anticipation of further tariff increases from the US and the European Union. In contrast, **imports** plunged by 2.3% as local demand weakened. The trade surplus with the US increased slightly to \$33.5 billion in October from \$33.33 billion in September.

The **German trade surplus** narrowed to €17 billion in September from €21.4 billion in August. **Exports** decreased by 1.7% mom from the 1.2% increase in August. Shipments to the European Union fell by 1.8%, while exports to non-EU countries decreased by 1.6%. **Imports** edged up by 2.1% from a downwardly revised 2.6% drop in August. Goods from the EU rose by 1.6%, while those from non-EU countries increased by 2.6%, particularly from China (5.6%) and Russia (20.1%). **Industrial production** sank by 2.5% mom in September from a 2.9% rise in August, mainly due to a drop in the manufacturing output.

The **UK Halifax house price index** slowed by 3.9% yoy in October from 4.6% in September. The average house price reached £293 999 from £293 305. Over the month, **house prices** rose by a marginal 0.2% from 0.3% as high borrowing costs continued to subdue demand.

Next week's focus: Key economic releases and events

Locally, next week's key economic releases include the **quarterly Labour Force Survey (QLFS)** for Q3 2024 and **manufacturing** and **mining production** for September. Stable power supply, reduced policy and political uncertainties, and some improvement in global and local general economic conditions boosted business confidence over the quarter, which could result in a slight improvement in employment growth in Q3. However, the unemployment rate will likely remain high as employment is unlikely to expand by more than the labour force. A more meaningful reduction in the unemployment rate is likely to occur next year as structural reforms create space for moderately faster economic growth and potentially higher fixed investment. **Manufacturing production** likely rebounded by around 1.1% yoy in September, after shrinking by 1.2% in August. We also expect **mining production** to increase by about 2.2% yoy in September from modest growth of 0.3% in August. Output in both sectors will likely recover off last year's low base, supported by the absence of load-shedding.

Internationally, next week's key releases include **US inflation** data, with the market expecting **core inflation** to remain at 3.3% yoy and **headline inflation** to rise to 2.6% yoy from 2.4%. **Inflation** data is also due for **China, Germany** and **France**. The **Banco de Mexico** will announce its **interest rate** decision on Wednesday and the market expects another 25 bps cut as inflation continues to moderate. **Japan's GDP** is also due for release and expected to show growth of 0.7% qoq. Additionally, the **EU** and **UK GDP estimates** for Q3 will be released, with growth forecast to remain flat at 0.4% qoq in the EU. Other data releases include **unemployment, industrial production**, and **retail sales** for several countries.

Table 3: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
8 Nov 2024	France	Trade Balance, EUR, SA	Sep		-7.4	Billion
	France	Imports, EUR	Sep		57.0	Billion
	France	Exports, EUR	Sep		49.7	Billion
	US	U Mich Sentiment Preliminary	Nov	71.0	70.5	Index
	US	U Mich Conditions Preliminary	Nov		64.9	Index
	US	U Mich Expectations Preliminary	Nov		74.1	Index
	US	U Mich 1Yr Inf Preliminary	Nov		2.7	%
	US	U Mich 5-Yr Inf Preliminary	Nov		3.0	%
9 Nov 2024	China (Mainland)	CPI (yoy)	Oct	0.4	0.4	%
	China (Mainland)	CPI (mom)	Oct	-0.10	0.00	%
12 Nov 2024	Germany	CPI Final (mom)	Oct	0.40	0.40	%
	Germany	CPI Final (yoy)	Oct	2.0	2.0	%
	UK	ILO Unemployment Rate	Sep	4.1	4.0	%
	SA	Unemployment Total	Q3	8.6	8.4	Million
	SA	Unemployment Rate	Q3	32.90	33.50	%
	EU	ZEW Survey Expectations	Nov	25.0	20.1	Index
	Germany	ZEW Economic Sentiment	Nov	14.0	13.1	Index
	Germany	ZEW Current Conditions	Nov	-86.0	-86.9	Index
	SA	Manufacturing Production (mom)	Sep	-1.0	-0.6	%
	SA	Manufacturing Production (yoy)	Sep	-2.0	-1.2	%
13 Nov 2024	France	ILO Unemployment Rate	Q3	7.5	7.3	%
	US	Core CPI (mom)	Oct	0.3	0.3	%
	US	Core CPI (yoy)	Oct	3.3	3.3	%
	US	CPI (mom)	Oct	0.2	0.2	%
	US	CPI (yoy)	Oct	2.6	2.4	%
14 Nov 2024	SA	Gold Production (yoy)	Sep		-4.6	%
	SA	Mining Production (yoy)	Sep		0.3	%
	EU	GDP Flash Estimate (qoq)	Q3	0.4	0.4	%
	EU	GDP Flash Estimate (yoy)	Q3	0.9	0.9	%
	EU	Industrial Production (mom)	Sep	0.2	1.8	%
	EU	Industrial Production (yoy)	Sep		0.1	%
	Mexico	Interest Rate	Nov	10.25	10.50	%
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	%
	Japan	Industrial O/P Rev (mom)	Sep	1.4	1.4	%
	Japan	Industrial O/P Rev (yoy)	Sep	0.9	-2.0	%
	UK	Industrial Output (yoy)	Sep		-1.6	%
	UK	Manufacturing Output (yoy)	Sep		-0.3	%
	UK	GDP Prelim (qoq)	Q3		0.50	%
	UK	GDP Prelim (yoy)	Q3		0.7	%
	France	CPI (yoy)	Oct	1.2	1.2	%
	France	CPI (mom)	Oct	0.2	0.2	%
	US	Retail Sales (mom)	Oct	0.3	0.4	%
	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	%

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