

## Contents:

Highlights

Core indicators

GDP growth

Business environment

Household consumption

International trade

Financial markets

Money and prices

Labour

Government

*Note: Shaded area in graphs denotes the downward phase of the business cycle.*

Compiled by Nicolaas vd Wath  
Email: [wnwath@sun.ac.za](mailto:wnwath@sun.ac.za)  
Phone: 021 808 9755

## Highlights

### **COVID-19 pandemic forces global PMI readings to historic lows**

The economic damage caused by measures implemented in an attempt to curb the spread of COVID-19 was reflected in Purchasing Managers' Indices (PMI) in major economies plummeting in March. The flash IHS Markit Eurozone Composite PMI plunged to 31.4 index points in March from 51.6 in February, the largest monthly fall since data was first collected in 1998. In the US the index fell to the lowest level ever of 40.5 in March, down from 49.6 in February, while in the UK the monthly decline exceeded that seen during the height of the global financial crisis, falling almost 16 points to 37.1 in March.

### **SARB to purchase government bonds in response to COVID-19 financial shock**

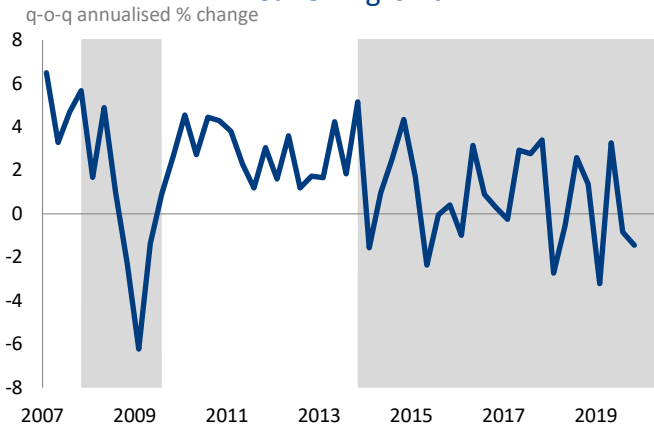
On 25 March, the SARB announced that it would commence buying government bonds in the secondary market. This is aimed to reduce price volatility in the wake of the COVID-19 financial shock. Since the beginning of March, the yield on the 10-year government bond increased by around 370 basis points from 8.85% to around 12.55% before the announcement. Besides reducing price volatility, bond purchases by the Bank could help reduce the borrowing cost of government. In line with regulations, the SARB is prohibited from buying bonds directly from government and bonds will therefore be purchased on the secondary market. To do this, the Bank will create money to buy the bonds, thereby injecting money into the market, easing financial conditions. No timeframe or quantity for the purchase of government securities was mentioned.

### **Moody's downgraded SA debt to sub-investment grade**

On 27 March, Moody's downgraded SA's foreign and local currency sovereign credit rating to Ba1 – one notch below investment grade – following a scheduled ratings review. Moody's main reason for the downgrade was "structurally very weak growth" and limited capacity to stimulate the economy during crisis times. The agency cited unreliable electricity supply and weak business confidence as reasons why the SA economy is expected to struggle to recover meaningfully after the current COVID-19 induced deep recession. A further reason for the downgrade was the "inexorable rise" in government debt over the medium term, which would happen even if the government manages to cut back spending on wages (which the agency thinks is unlikely in 2020 at least). The implication of the country losing its final investment-grade rating is that SA government bonds will be excluded from the FTSE World Government Bond Index (WGBI) by the end of April/May.

# Core indicators

## Real GDP growth



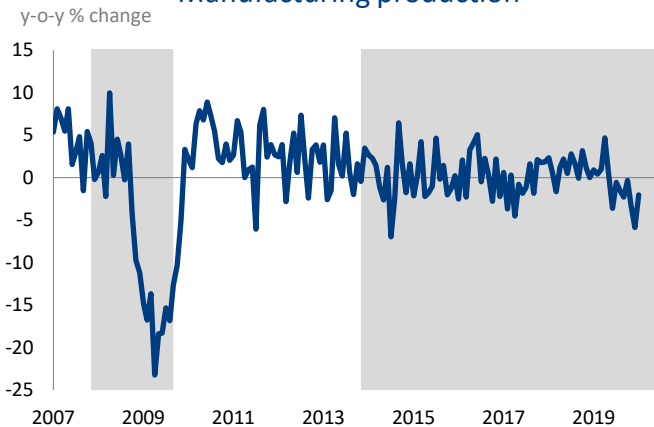
Source: Stats SA

## CPI inflation



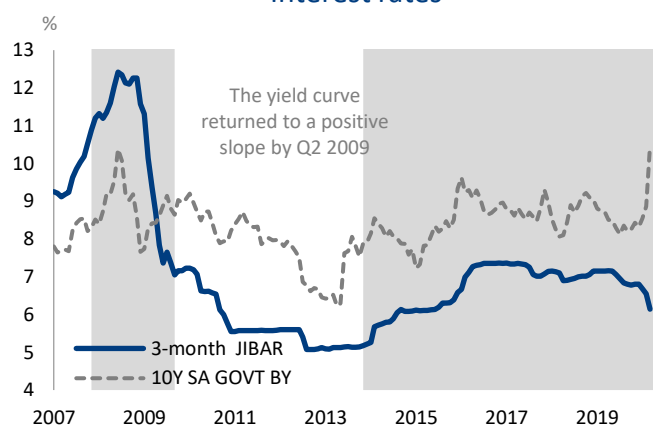
Source: Stats SA

## Manufacturing production



Source: Stats SA

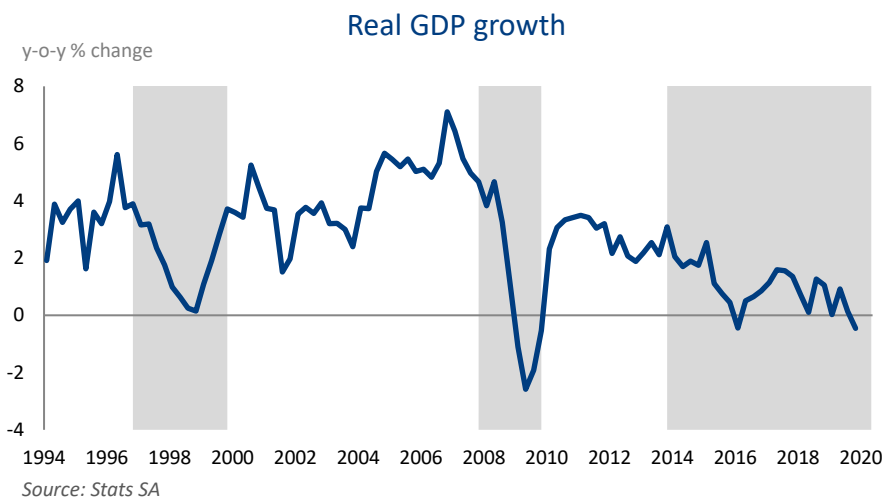
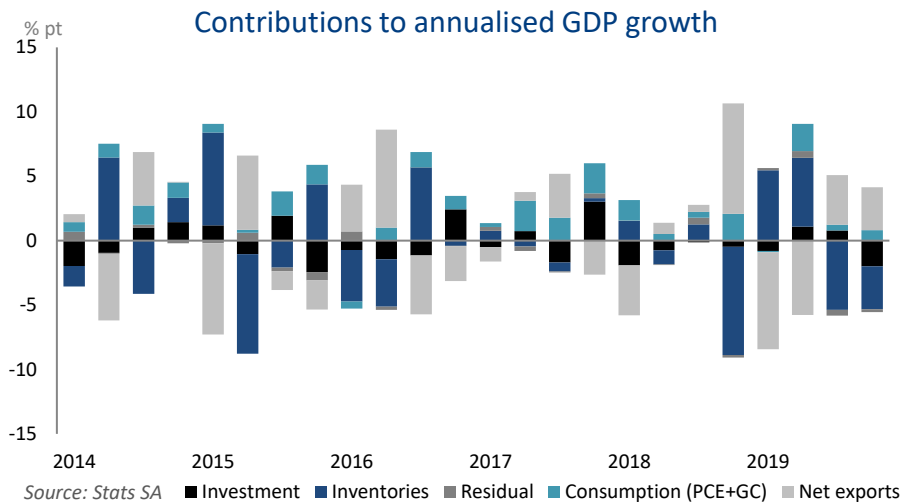
## Interest rates



Source: Thomson Reuters

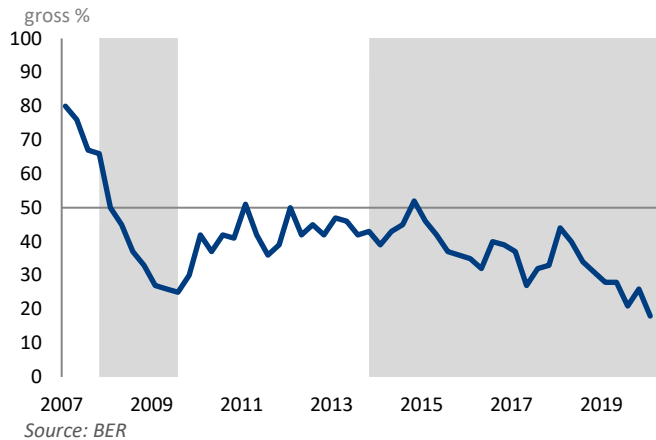
Please refer to the [glossary on the BER's website](#) for explanations of technical terms.  
[Click here for more information about the BER's services.](#)

# GDP growth

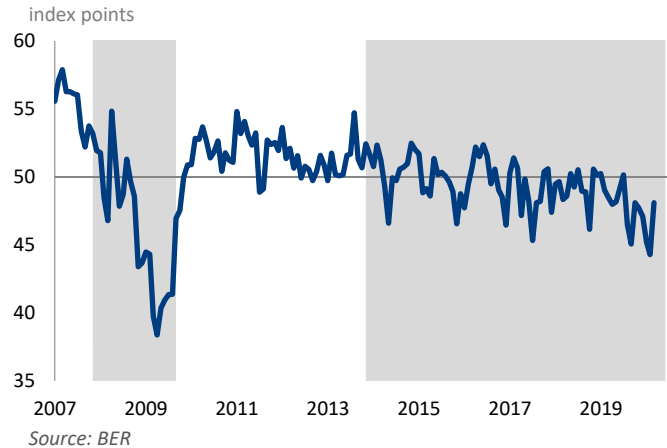


# Business environment

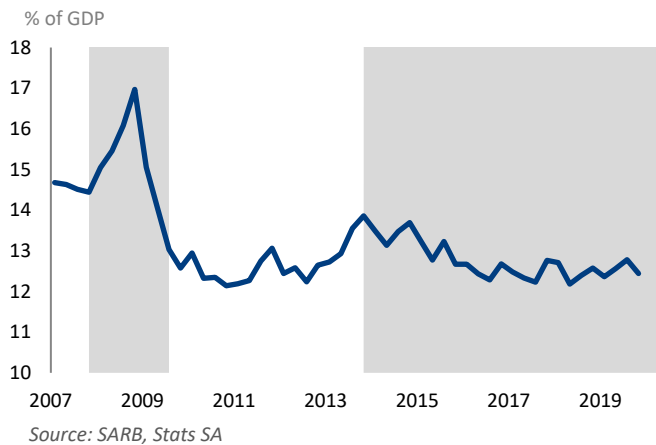
### RMB/BER Business Confidence Index



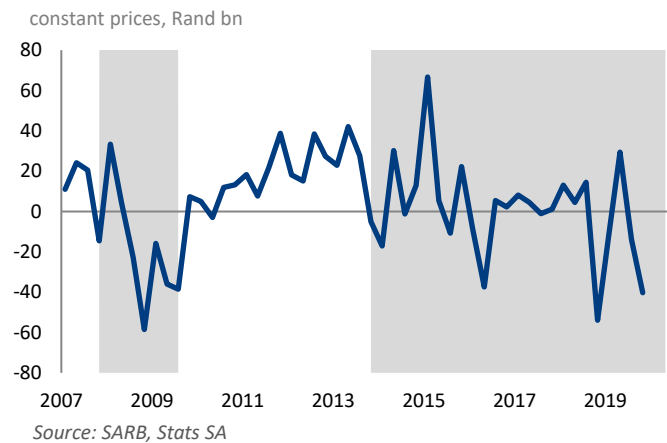
### Absa Purchasing Managers Index



### Private fixed investment

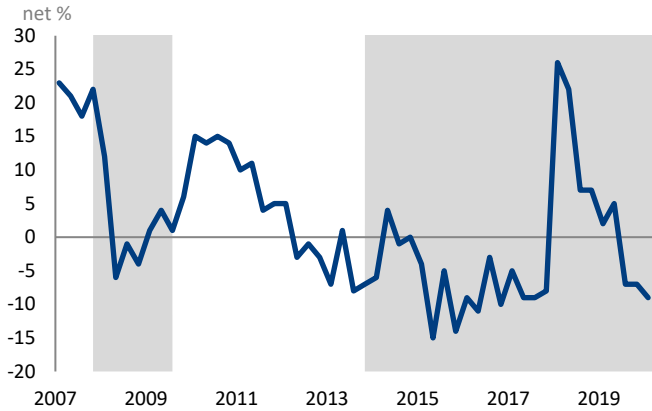


### Changes in inventories



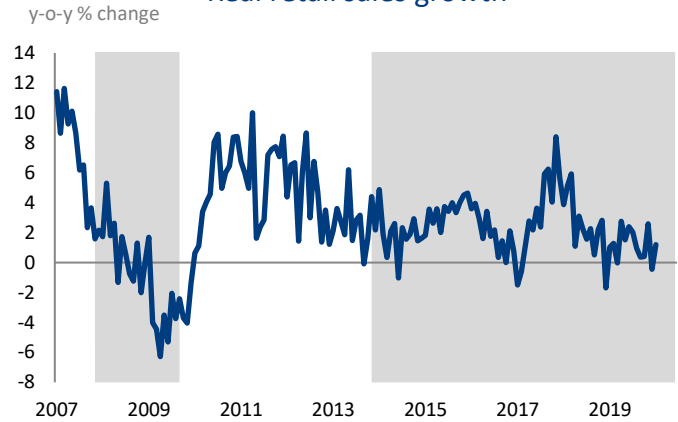
# Household consumption

## FNB/BER Consumer Confidence Index



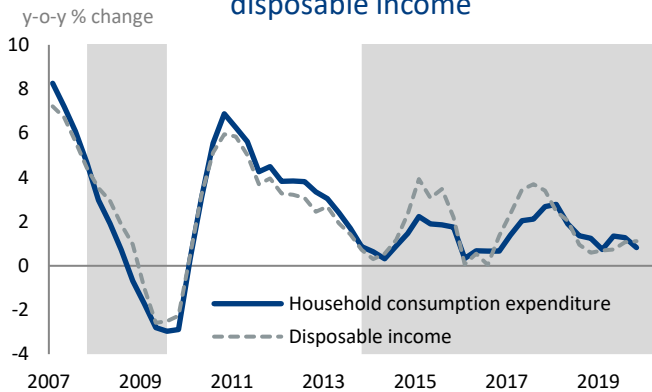
Source: BER

## Real retail sales growth



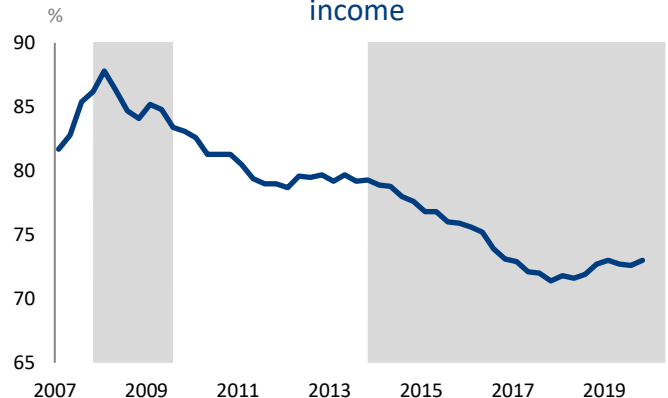
Source: Stats SA

## Household consumption and real disposable income



Source: SARB, Stats SA

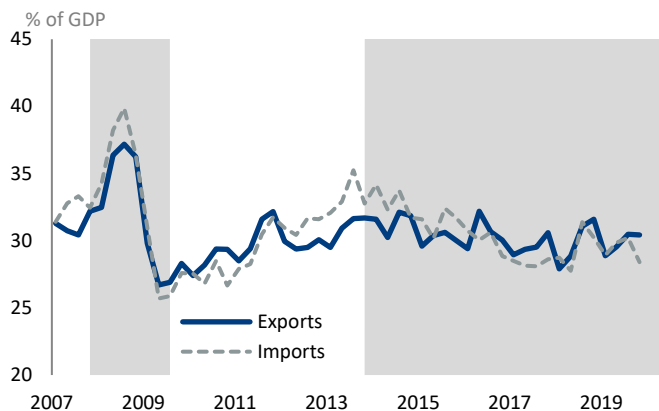
## Ratio of household debt to disposable income



Source: SARB

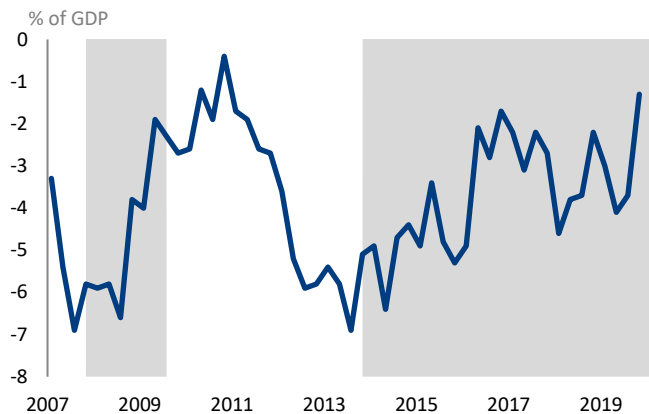
# International trade

## Imports and exports



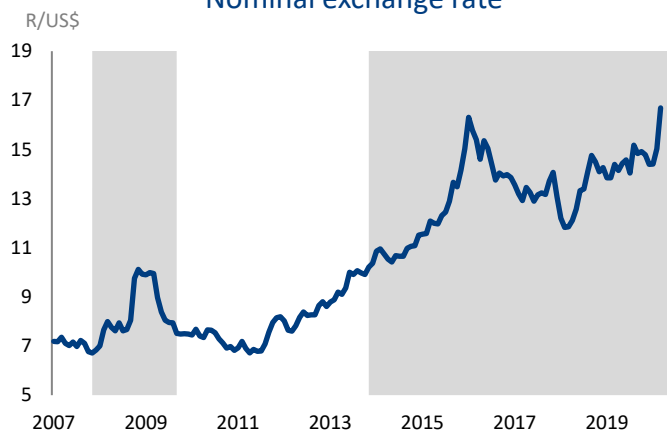
Source: SARB, Stats SA

## Current account balance



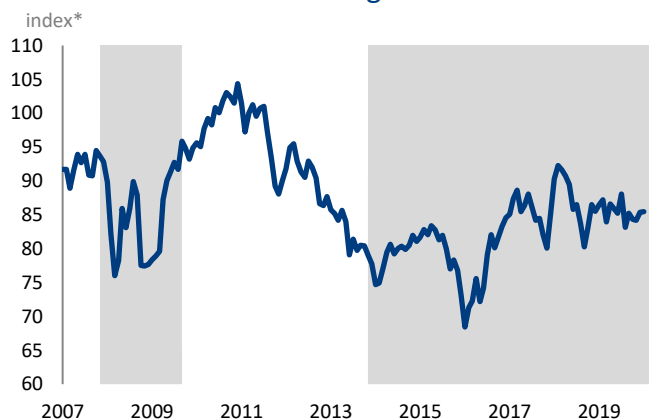
Source: SARB

## Nominal exchange rate



Source: Thomson Reuters

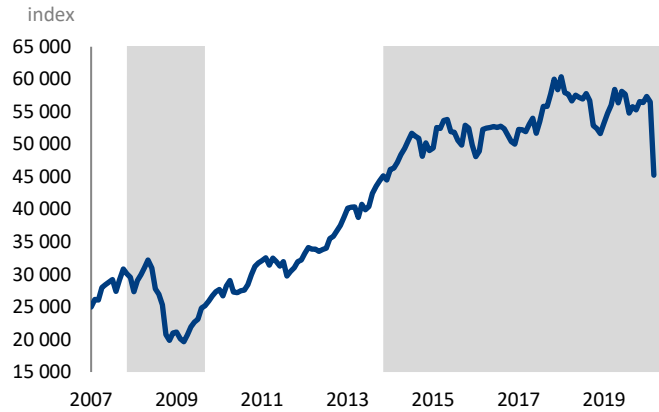
## Real effective exchange rate of the Rand



Source: SARB \*higher values denote a stronger rand

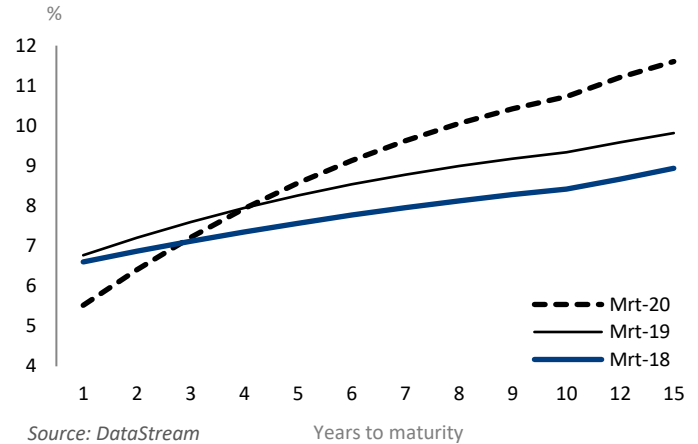
# Financial markets

## JSE all share index



Source: Thomson Reuters

## Yield curve comparisons



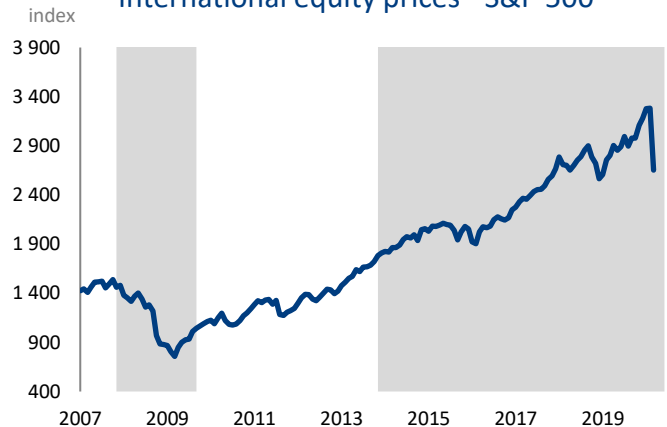
Source: DataStream

## Economist all commodities index



Source: Economist

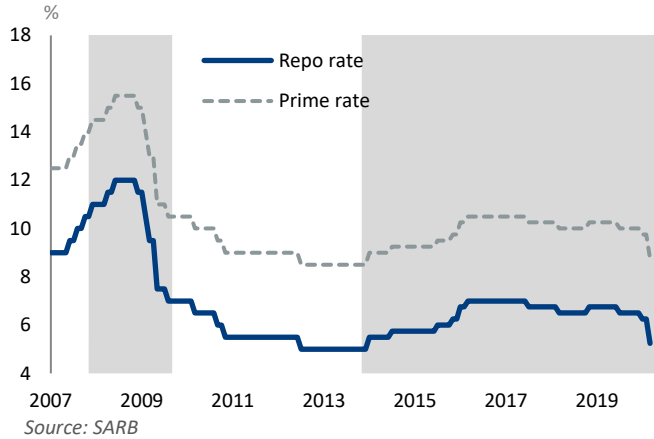
## International equity prices - S&P 500



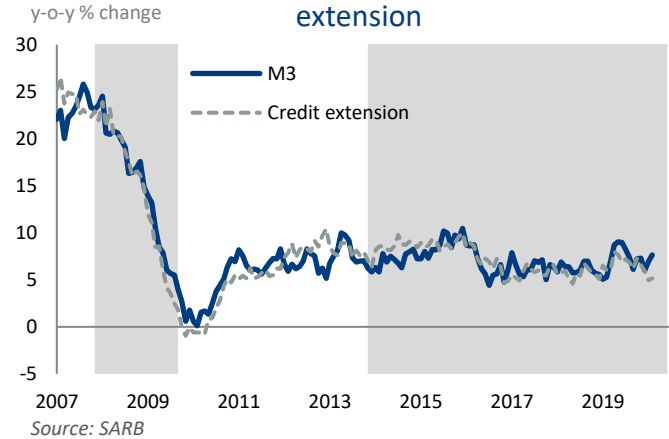
Source: DataStream

# Money and prices

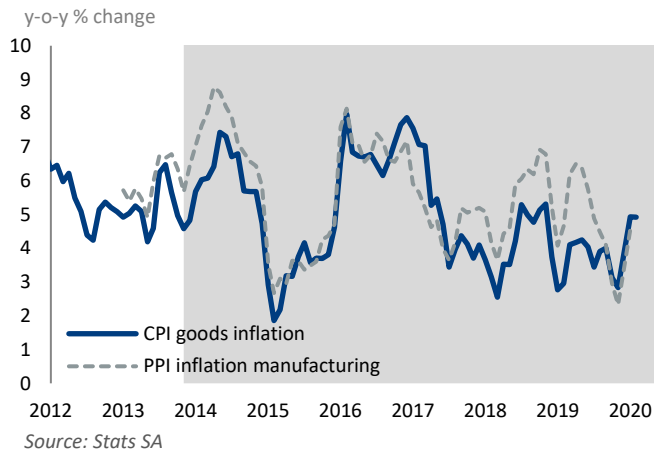
## Repo and prime interest rate



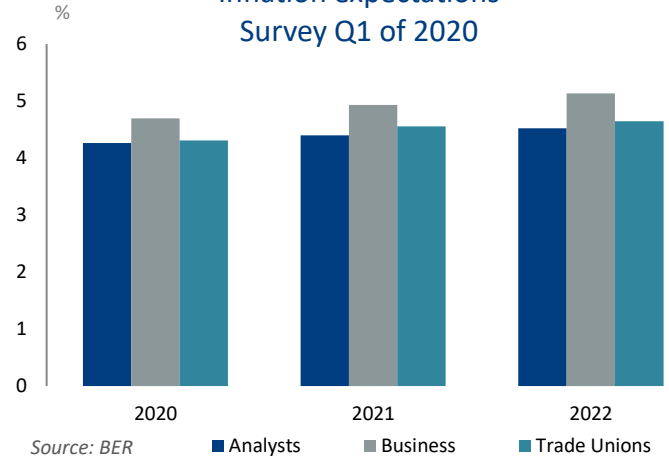
## M3 monetary aggregates and credit extension



## Consumer and producer prices



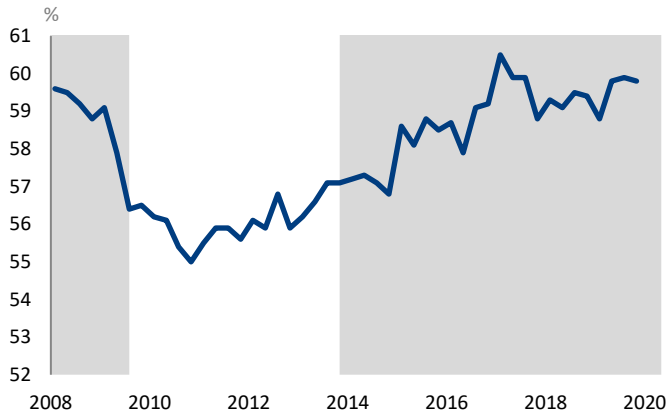
## Inflation expectations Survey Q1 of 2020





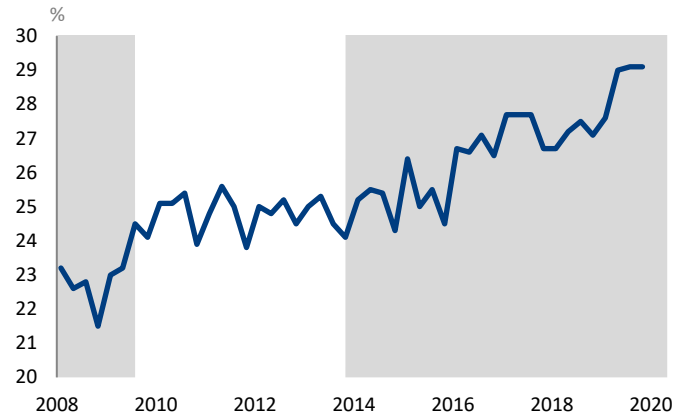
# Labour

### Labour force participation



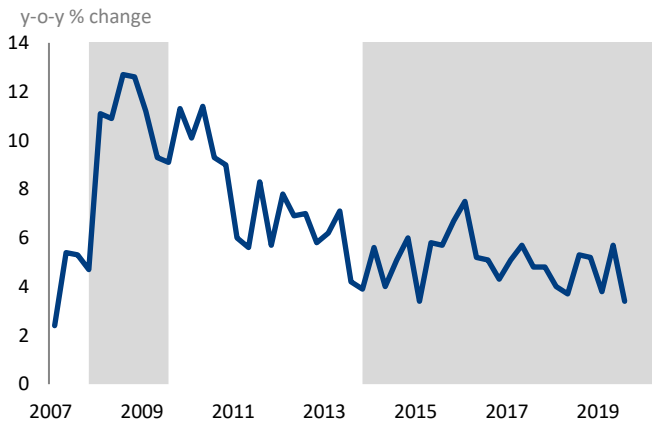
Source: Stats SA

### Unemployment rate



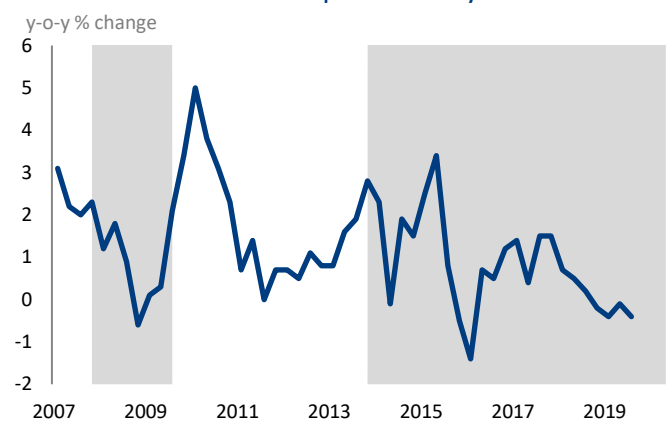
Source: Stats SA

### Unit labour cost



Source: SARB

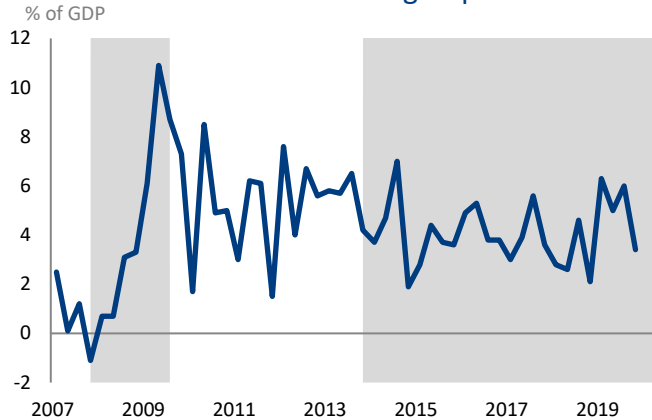
### Labour productivity



Source: SARB

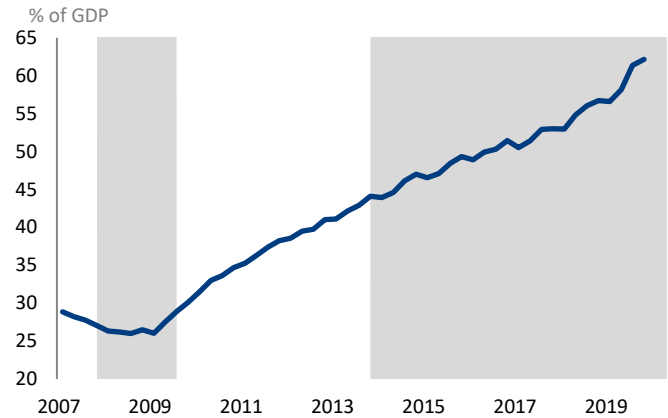
# Government

## Public sector borrowing requirement



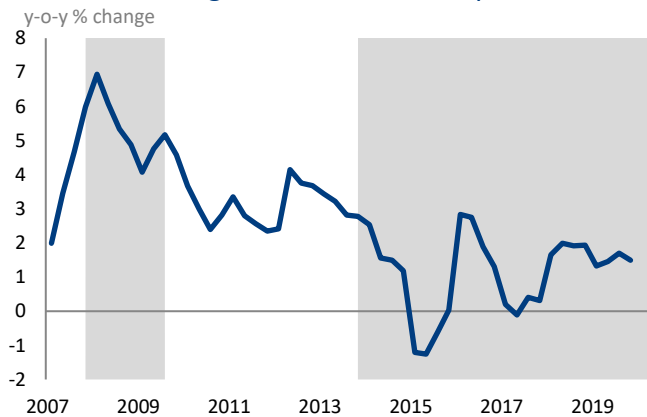
Source: SARB

## Gross government debt



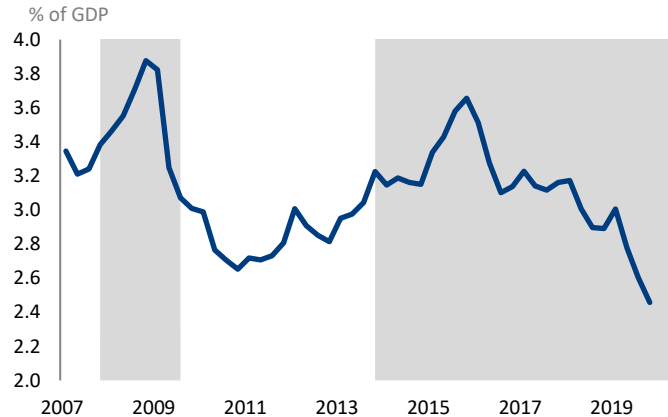
Source: SARB

## Real government consumption



Source: SARB, Stats SA

## Government fixed investment



Source: SARB, Stats SA

## Copyright & Disclaimer

This publication is confidential and only for the use of the intended recipient. Copyright for this publication is held by Stellenbosch University.

Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.