Economies at a glance

August 2023

momentum investments

Women in the labour market in South Africa

1
Little progress in female labour force participation rates* since the global financial crisis

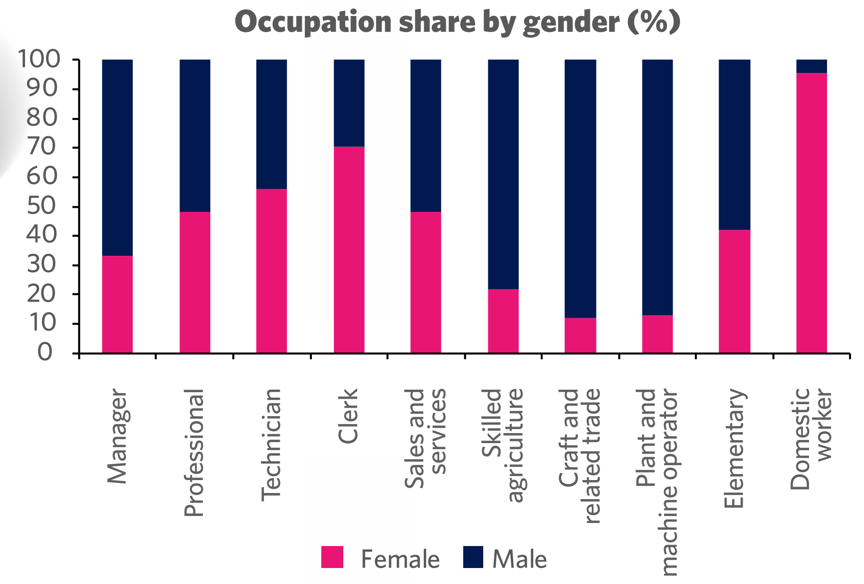
	Male	Female
2008	67.1%	51.9%
2022	63.9%	52.3%

2
Working conditions** faced by males and females

Males		Females
62%	Share of those employed hired on a permanent rather than temporary basis	60%
82%	Have a written contract rather than a verbal agreement in place	83%
64%	Contribute towards the Unemployment Insurance Fund	58%
29%	Have medical aid benefits	31%
47%	Contribute to a pension or retirement fund	45%
72%	Have access to paid sick leave	72%
51%	Entitled to maternity/paternity leave	57%
	Females spend 2.8 times more hours per day on household work and family care than males	2.8 Times

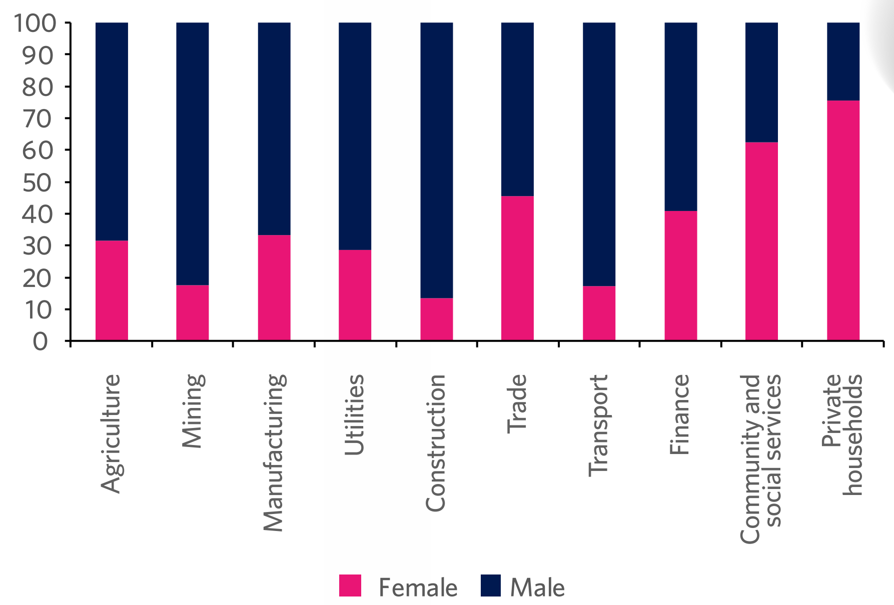
4
Females are underrepresented at managerial level

Occupation share by gender (%)



3
Societal expectations and traditional gender norms stymie women's ability to pursue certain careers

Gender split by industry (%)



5
Top 4 reasons for not attending an educational institution (ages 7 – 18)

Males:
- Poor academic performance (26.1%)
- Illness and disability (25.9%)
- No money for fees (15.5%)
- Education is useless (4.6%)

Females:
- No money for fees (22.5%)
- Illness and disability (20.2%)
- Poor academic performance (17.5%)
- Family commitments (13.4%)

6
Policy measures to encourage female participation in the labour force

- Equal investment in skills and education
- Entrepreneurship training and support programmes
- Credit access
- Eradicating gender-based violence
- Encouraging employment outside of traditional roles
- Expanded child and elder care

*Labour force participation rate = % of working age population that are employed or actively seeking employment

Sources: Q1 2023 Quarterly Labour Force Survey (Statistics South Africa), General Household Survey (Statistics South Africa), World Economic Forum and International Labour Organisation

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UNITED STATES

At the annual Jackson Hole Symposium, Federal Reserve (Fed) Chair Jerome Powell noted that though inflation had moved lower from its peak, it remained unacceptably high. He affirmed the Fed's readiness to raise rates further if necessary and committed to maintaining tight monetary policy until inflation exhibited a sustained move lower toward the central bank's 2% target. Powell acknowledged the delicate balancing act of avoiding both insufficient rate hikes that could entrench higher inflation and excessive tightening, which may harm the economy. The latter takes into account that the full impact of prior rate increases is likely yet to be fully realised in the real economy, based on the traditional lag in the transmission of monetary policy. With current economic data showing resilience, expectations are that the Fed will persist in its strategy of tighter monetary policy for longer.

Forecast 2023:
GDP: 1.9%
Core PCE Inflation: 4%
Forecast 2024:
GDP: 0.6%
Core PCE Inflation: 2.5%

EUROZONE

Germany is once again wearing the mantle of the 'sick man of Europe,' a sobriquet it first bore in the late 1990s. According to the International Monetary Fund, Germany stands alone among major advanced economies in facing contraction this year. The industrial sector continues to grapple with feeble activity, while exports have underperformed. Unlike in the late 1990s, today's Germany enjoys a lower unemployment rate of 3% and is a more open economy. The setback in manufacturing is likely transient, attributed to last year's gas price surge and the post-pandemic shift from goods to services. Nonetheless, addressing structural issues is imperative. Bureaucratic conservatism poses hindrances to business, necessitating reforms. Germany's challenges encompass an ageing population, substantial carbon emissions, inadequate investment in information technology and political coalition tensions, all hurdles to achieving a sustained higher growth trajectory.

Forecast 2023:
GDP: 0.5%
HICP Inflation: 5.3%
Forecast 2024:
GDP: 0.8%
HICP Inflation: 2.4%

UNITED KINGDOM

The Confederation of British Industry's monthly retail sales balance, comparing year-on-year volumes, plummeted from negative 25 in July to negative 44 in August, signifying a concerning contraction in the retail sector. However, there's a glimmer of optimism in the form of the GfK's Consumer Confidence Index, which climbed five points to register at negative 25 in August. Notably, this marks the first instance in a year and a half where wage growth has outpaced inflation, indicating an improvement in real disposable incomes. Nevertheless, the road ahead for the British consumer is not without its challenges. The Bank of England's sharp interest rate cycle, now totalling 14 hikes since December 2021, and market expectations of another hike in the forthcoming September meeting, coupled with housing market pressures and rising unemployment, may exert further downward pressure on sentiment before any meaningful recovery takes hold.

Forecast 2023:
GDP: 0.3%
Inflation: 7.3%
Forecast 2024:
GDP: 0.4%
Inflation: 2.8%

JAPAN

Japanese growth surprised positively at 1.5% in quarterly terms for the second quarter of the year thanks to robust auto exports and a rise in tourist arrivals. Although external demand added a firm 1.8% to quarterly growth output, domestic demand detracted 0.3%. Private consumption contracted by 0.5% during the quarter, a consequence of elevated inflation impacting the sales of food and household appliances. However, an optimistic outlook prevails, propelled by the first favourable uptick in real wages in seven quarters. Additionally, Japanese business sentiment among major manufacturers surged from a modest one point in Q1 to a noteworthy five points in the second quarter. Similarly, sentiment for large non-manufacturers improved, progressing from 22 to 23 points over the same period. Encouragingly, the Tankan survey underscored a palpable increase in capital investment plans, further underlining positive economic prospects.

Forecast 2023:
GDP: 1.7%
Inflation: 3%
Forecast 2024:
GDP: 0.8%
Inflation: 2.1%

CHINA

Weak confidence, geopolitical tensions, an ageing population, negative headline inflation, burgeoning debt and a troubled real estate market have raised the spectre of a balance sheet recession, where real debt escalates due to deflation, triggering defaults amid moribund economic growth. However, signs of resilience persist. Core and services inflation remain positive, indicating that recent deflationary trends were a function of food and transport prices. Moreover, China's stranglehold on rare earth metals positions it as a crucial trading partner for the West and while the ageing population poses long-term challenges, a surplus of young job seekers offers near-term labour resources. China's global export share, sizeable domestic market, capital controls, a less extreme property market bubble and available policy tools provide hope for averting a Japan-style market stagnation.

Forecast 2023:
GDP: 5.1%
Inflation: 0.8%
Forecast 2024:
GDP: 4.5%
Inflation: 1.9%

EMERGING MARKETS

Despite expectations for a more aggressive positioning of the BRICS grouping in opposition to the Group of Seven (G7) countries, the annual BRICS summit instead focused on enhancing cooperation between its members. Cooperation agreements spanning space, education and health were raised, while commitments were made to promote cross-border trade and financial flows within the bloc. Although 23 countries had reportedly applied to join the group, only Saudi Arabia, Egypt, the United Arab Emirates, Iran, Ethiopia and Argentina were extended invitations to join. This expanded group of nations now accounts for 29% of global gross domestic product (GDP), in comparison to the G7's share of global GDP of 44%. Discussions held over the summit suggest there is scope for the group's reliance on the dollar to decline further. However, this remains a challenge given that local currency lending from the grouping's New Development Bank remains low with less than a quarter of disbursements made last year done in local currency.

Forecast 2023:
GDP: 3.9%
Inflation: 5.9%
Forecast 2024:
GDP: 4.1%
Inflation: 5.4%

SOUTH AFRICA

Inflation cooled by more than expected in the July figures from Statistics South Africa (SA). The headline figure, registering at 4.7% in year-on-year terms, marked a notable decline from the previous month's 5.4%. This pronounced drop was largely owing to a fall in food inflation to below 10%, alongside the transport category, which dipped into deflation. Softer-than-expected core inflation figures offer some relief amid concerns of broadening inflation pressures exacerbated by a weakening currency and inflation expectations shifting beyond the midpoint of the 3% to 6% inflation target. Local food price inflation remains on a downward trajectory, bolstered by favourable soil moisture levels and ample stock supplies. However, global factors, such as emerging El Niño weather patterns leading to drier conditions, the cessation of the Black Sea Grain Initiative and recent poultry tariff reinstatements, could temper the pace of this descent. In our analysis, the latest inflation figure substantiates another pause in the interest rate at the upcoming September rate decision meeting. Should unfavourable inflationary risks materialise, challenging the SA Reserve Bank's expectation of sustainably attaining the midpoint of the target by the first quarter of 2025, the central bank may respond with marginally higher interest rates. Even without this, notable upside risks to the inflation outlook suggest that monetary policy will remain tighter for longer, with the first interest rate cut only likely by the second quarter of 2024, in our view.

Forecast 2023:
GDP: 0.2%
Inflation: 5.8%
Forecast 2024:
GDP: 1.1%
Inflation: 4.7%

The macro research desk

Herman van Papendorp is the head of the Momentum Investments research and insights team and takes ultimate responsibility for macro research and asset allocation. Economist, Sanisha Packirisamy, is responsible for providing a macro framework to inform investment opportunities and strategies.

Indices summary for August 2023

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (Alsi)	-4.77%	0.39%	15.77%	14.88%	12.02%	8.93%	8.59%	8.81%	9.46%
FTSE/JSE Shareholder Weighted Index (Swix)	-4.85%	3.00%	11.27%	11.77%	8.65%	5.83%	5.50%	5.84%	8.02%
FTSE/JSE Capped Swix All Share index	-4.79%	2.95%	10.87%	14.56%	9.79%	6.16%	5.60%	5.73%	7.81%
FTSE/JSE All Share Top 40 Index	-5.59%	-0.56%	18.09%	14.76%	12.87%	9.52%	9.26%	9.49%	9.70%
FTSE/JSE Mid Cap Index	-3.51%	6.29%	5.83%	15.01%	6.26%	5.27%	3.78%	3.72%	7.02%
FTSE/JSE Small Cap Index	1.72%	7.06%	6.91%	29.98%	16.39%	9.26%	7.15%	6.27%	8.79%
FTSE/JSE Resources Index	-8.38%	-12.70%	-0.08%	8.35%	13.48%	12.80%	14.64%	15.01%	6.84%
FTSE/JSE Financials Index	-1.28%	16.39%	17.76%	23.51%	7.14%	3.63%	4.37%	5.24%	8.07%
FTSE/JSE Industrials Index	-4.66%	1.44%	24.44%	13.96%	11.67%	8.05%	6.60%	6.80%	9.41%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	-4.80%	0.33%	14.62%	21.58%	13.35%	9.87%	10.01%	10.81%	9.90%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	-4.44%	0.29%	12.20%	20.48%	12.49%	9.19%	9.24%	10.12%	9.29%
FTSE/JSE SA Listed Property Index (Sapy)	0.92%	4.18%	10.34%	17.20%	-2.67%	-3.25%	-4.84%	-2.92%	2.57%
INET-J803T FTSE/JSE All Property Index (ALPI)	0.83%	4.27%	9.73%	17.01%	-2.77%	-4.55%	-5.57%	-4.20%	1.57%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	-0.23%	6.74%	7.49%	7.80%	6.87%	7.72%	7.77%	8.11%	7.82%
FTSE/JSE All Bond Index 1-3 years (Albi)	0.91%	4.88%	9.09%	5.67%	7.16%	7.84%	7.65%	7.96%	7.58%
FTSE/JSE Inflation-linked Index (Ili)	0.42%	3.15%	1.77%	8.43%	6.16%	5.67%	4.95%	4.23%	5.66%
Short-term Fixed Interest Composite Index (Stefi)	0.69%	2.04%	7.29%	5.18%	5.49%	5.86%	6.09%	6.32%	6.32%
Commodities									
NewGold Exchange-Traded Fund	5.12%	-5.71%	24.89%	3.06%	11.74%	15.40%	13.15%	9.24%	9.46%
Gold price (in rands)	4.61%	-5.77%	25.04%	3.51%	11.86%	15.63%	13.49%	9.72%	9.80%
Platinum Exchange-Traded Fund	8.34%	-7.43%	26.30%	4.91%	6.18%	9.19%	5.71%	2.15%	2.42%
Platinum price (in rands)	7.52%	-6.84%	25.24%	3.99%	5.82%	8.98%	5.31%	1.97%	2.28%
Currency movements									
Rand/euro movements	4.78%	-2.81%	19.92%	0.45%	5.28%	3.78%	4.86%	3.27%	4.28%
Rand/dollar movements	6.40%	-4.55%	11.07%	3.73%	5.65%	5.23%	6.45%	3.67%	6.33%
Inflation index									
Consumer Price Index (CPI)			4.73%	5.75%	5.09%	4.86%	4.91%	4.85%	5.13%

Important notes

1. Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
2. Returns for periods exceeding one year are annualised.
3. The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
4. The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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