Economies at a glance

An unpopular Putin

- Confidence in Russian President Vladimir Putin has been quite low across a range of countries for much of the past decade and declined even further after the annexation of Crimea in 2014.
- Age-related patterns appear to be prevalent regarding views of Putin, with younger adults tending to have more favourable opinions.
- In general, men survey as having more confidence in Putin, with a reasonably large gender gap in opinions in Germany, France, Italy and Belgium.
- In nearly half of the countries surveyed, those with less education have more confidence in Putin.
- Moreover, populist party supporters in Europe are more likely to have confidence in Putin than non-supporters.
- Countries displaying a higher level of confidence in Putin tend to also have a higher level of confidence in Chinese President Xi Jinping.

*% who have **confidence** in Putin to do the right thing regarding world affairs*

Highest rating / Lowest rating

	'01 %	'03 %	'06 %	'07 %	'08 %	'12 %	'14 %	'15 %	'16 %	'17 %	'18 %	'19 %	'20 %	'21 %	'20-'21 Diff
Australia	—	53	—	—	38	—	—	15	25	27	24	27	30	23	▾7
Belgium	—	—	—	—	—	—	—	—	—	—	—	—	26	21	▾5
Germany	41	75	50	32	38	22	22	23	31	25	35	36	31	27	▾4
Canada	—	54	—	36	—	—	—	17	26	19	25	29	24	20	▾4
Sweden	—	—	—	23	—	—	—	—	12	12	18	17	17	14	▾3
Spain	—	31	10	7	10	10	7	6	8	8	10	21	20	18	▾2
UK	26	53	33	37	28	21	20	14	20	19	22	26	23	22	▾1
Japan	—	—	40	19	28	27	20	22	26	28	26	26	23	22	▾1
Italy	24	44	—	26	—	17	18	18	31	26	31	38	37	36	▾1
U.S.	—	—	—	—	—	—	—	—	—	—	—	—	17	16	▾1
Netherlands	—	—	—	—	—	—	—	—	31	12	14	24	18	18	0
France	14	48	24	19	17	12	16	15	20	18	20	28	25	26	▴1
South Korea	—	37	—	24	27	—	32	27	—	27	32	25	22	23	▴1
Greece	—	—	—	—	—	39	41	—	53	50	35	52	—	55	—
Singapore	—	—	—	—	—	—	—	—	—	—	—	—	—	55	—
Taiwan	—	—	—	—	—	—	—	—	—	—	—	—	—	34	—
New Zealand	—	—	—	—	—	—	—	—	—	—	—	—	—	20	—

Source: Pew Research Centre

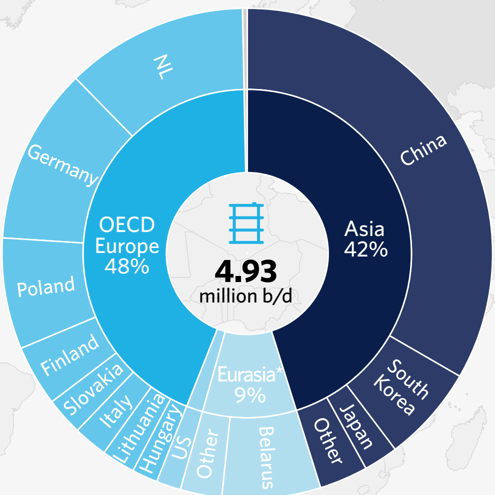
Russia-Ukraine tensions dominating concerns in oil and gas markets

With global supplies of oil and gas already under pressure from low levels of inventory, supply-side constraints and a recovery in demand, elevated tensions between Russia and Ukraine could have major short-term implications for the oil and gas markets, particularly in Europe which is heavily reliant on Russian supply. However, a full-blown escalation resulting in sanctions could have a negative impact on oil and gas flows as far as China, South Korea, Japan and the United States.

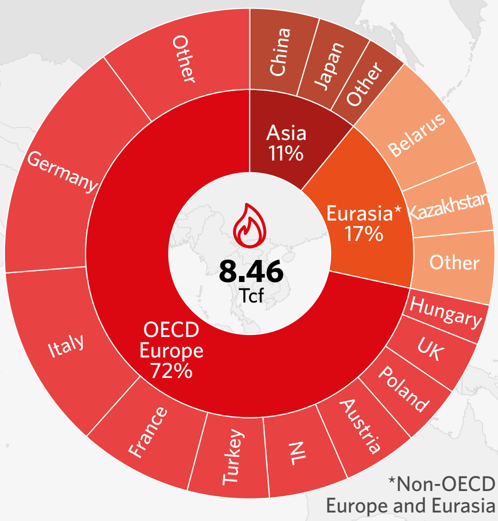
Source: Standard and Poor's Global Ratings

Russia's key oil and gas buyers

Crude/condensate



Natural gas

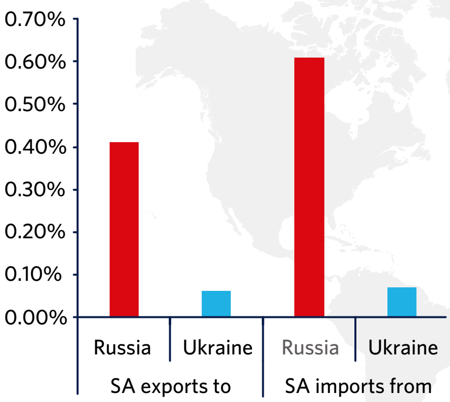


*Non-OECD Europe and Eurasia

South Africa's trade reliance on Russia and Ukraine is relatively small

- **SA mainly imports** wheat and seed oils from Ukraine and copper wire, wheat, chemical/mineral fertilisers and mineral fuels from Russia.
- **SA mainly exports** manganese ore, citrus and raw nickel to Ukraine and inorganic salts, manganese ore and citrus/fresh fruit to Russia.

SA trade with Russia and Ukraine (% of total trade)



Source: Citi

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February 2022

UNITED STATES

At 7.5% in January this year, headline inflation rose to its highest level since 1982. Although there are tentative signs of easing elsewhere in the basket, energy prices are expected to dominate inflation in the short term. The Baltic Dry Index (a measure of shipping costs) fell back to its lowest level in a year, indicating relief in shipping congestion. Moreover, Bloomberg reported that several automakers announced an easing in semiconductor shortages, which could soften inflation in used cars. In addition, although labour market conditions remain tight, the share of small firms planning a rise in compensation declined, heralding a peak in wage inflation. Nevertheless, rapidly escalating geopolitical conflict between Russia and Ukraine has raised the risk of an energy price shock. According to Capital Economics, a rise in international oil prices to US$120/bbl could temporarily add 2% to inflation in the developed world.

Forecast 2022:
GDP: 3.7%
Core PCE inflation: 3.9%
Forecast 2023:
GDP: 2.5%
Core PCE inflation: 2.2%

EUROZONE

A member of the Executive Board of the European Central Bank (ECB) recently noted that two strong consecutive inflation surprises and a faster absorption of labour market slack raised the risk of inflation not returning to 2% by the end of the year. Developments in Ukraine are likely to further raise inflation in the Eurozone given the region's high dependence on Russia for energy. If sustained, this could result in broader-based inflation pressures. As the ECB member pointed out, higher energy costs in Europe are, however, also likely to dent confidence and consumer spending. The hit to growth would be larger in the lower probability event of rationed energy supply. Based on Japan's experience with power cuts in 2012, Capital Economics calculates that a 10% cut in energy supply could dent quarterly growth by 0.5%, cautioning against an acceleration in monetary policy normalisation.

Forecast 2022:
GDP: 3.7%
HICP inflation: 3.8%
Forecast 2023:
GDP: 2.5%
HICP inflation: 1.6%

UNITED KINGDOM

The United Kingdom (UK) government toughened its stance on Russia after President Vladimir Putin showed no signs of stepping back. The UK announced a 10-point sanctions package, which includes an asset freeze on select major Russian banks, the prevention of big private and state Russian firms from raising capital in the UK, a ban on Aeroflot from UK airspace and asset freezes on more than 100 individuals and entities. The UK further aims to ban high-tech exports (including critical technical equipment for the electronics and aerospace sectors and oil refinery equipment) and is suspending dual export licences to Russia. Worsening geopolitical risks have added to the rise in fuel prices. The Bank of England's (BOE) Monetary Policy Report for February 2022 noted it expected inflation to peak at 7.3% in April. However, this is likely to be higher considering recent developments. This could prompt more urgent action from the BOE if second-round effects become evident.

Forecast 2022:
GDP: 4.3%
Inflation: 5.6%
Forecast 2023:
GDP: 1.9%
Inflation: 2.2%

JAPAN

Growth in the final quarter of 2021 increased by an annualised 5.4% but fell short of forecasts. Renewed restrictions on economic activity, to curb the rise in infections due to Omicron, are likely to dampen growth in the first quarter of this year. Despite the rest of the developed world experiencing a surge in inflation, price pressures have been tamer in Japan. As such, Japan's accommodative stance on monetary policy is likely to prevail for the foreseeable future. Japan has followed the direction of its G7 (Group of Seven) counterparts and imposed sanctions on Russia. Russia accounts for 9% of Japan's liquified natural gas and 4% of the country's total crude imports. Japan has suspended the issuance of entry visas and frozen the assets of individuals of the breakaway regions. The Japanese government has also prohibited the issuance of new Russian sovereign debt in the primary and secondary market.

Forecast 2022:
GDP: 2.7%
Inflation: 1%
Forecast 2023:
GDP: 1.4%
Inflation: 0.8%

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CHINA

BBC News reported on statements of Russian support from Chinese officials. China's foreign minister was quoted as saying Russia's security concerns were 'legitimate' and should be 'taken seriously and addressed', while the Chinese ambassador to the United Nations announced that China disagreed with claims from the United States (US) that 'Russia was threatening international peace'. *Brookings Institution* believes that although China has approached the conflict diplomatically, China's aim remains to 'undermine the soft power of the US', to 'tarnish the credibility and appeal of liberal institutions' and to 'discredit open media' in the fight for a new world order. China's foreign ministry has stated the country will maintain normal trade relations with Russia and Ukraine. China remains Russia and Ukraine's largest trading partner, with trade reaching an all-time high last year.

Forecast 2022:
GDP: 5%
Inflation: 2.2%
Forecast 2023:
GDP: 5.1%
Inflation: 2%

EMERGING MARKETS

Although Omicron triggered a fresh wave of lockdowns in emerging markets (EMs), the average level of stringency was much lower than that of developed markets. Moreover, mobility indicators were far less affected than in previous waves. Mobility has recovered to pre-pandemic levels for much of Latin America, the Middle East and Africa and more recently Emerging Europe but remains below crisis levels in Emerging Asia. While the potential for further flare-ups in COVID-19 remains a downside risk, elevated global inflation, rising geopolitical risks and the pace of global monetary policy normalisation are viewed as bigger threats to the nascent economic recovery underway in EMs. While higher international oil prices should benefit growth and the fiscal and current account positions of oil producers, net oil importers will experience a higher import bill and additional inflation pressure. Nevertheless, this will be partly countered by strong base effects, particularly towards the end of the year.

Forecast 2022:
GDP: 4.9%
Inflation: 4.4%
Forecast 2023:
GDP: 4.8%
Inflation: 3.6%

SOUTH AFRICA

The South African (SA) Department of International Relations and Cooperation released a media statement in response to the escalating tension between Russia and Ukraine, stating "no country is immune to the effects of this conflict" and called on Russia 'to immediately withdraw its forces from Ukraine in line with the United Nations Charter'. While direct trade with Russia and Ukraine each account for less than a percent of SA's gross domestic product, SA is likely to feel the effects of higher international oil and grain prices. The Central Energy Fund flagged a 130c/l under-recovery in the price of petrol (95 inland) for March 2022. Despite the freeze on the local fuel levy in the budget announcement, which would have been effective in April, rising international oil prices are likely to filter into additional local fuel price hikes in April. For now, the rand remains the third best-performing currency against the US dollar on a year-to-date basis, but the rand's weakening trend since the middle of the month could gain momentum in the event of a rise in global risk aversion. Local food prices could be directly affected via upward pressure on global grain and fertiliser prices. Meanwhile, higher energy prices could create additional indirect pressure on food prices. Should higher oil prices be short-lived, we would expect the SA Reserve Bank to look through the initial energy price shock and assess whether this will result in second-round inflationary pressures or unhinged inflation expectations.

Forecast 2022:
GDP: 2.0%
Inflation: 5.2%
Forecast 2023:
GDP: 1.8%
Inflation: 4.3%

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 February 2022

	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)	2.95%	8.82%	20.47%	14.80%	10.66%	11.98%	11.01%	8.67%	11.78%
FTSE/JSE Shareholder Weighted Index (Swix)	1.93%	9.10%	14.95%	10.59%	6.25%	8.46%	8.32%	6.30%	10.60%
FTSE/JSE Capped Swix All Share index	2.69%	10.25%	23.06%	11.30%	6.65%	8.11%	8.01%	6.05%	10.41%
FTSE/JSE All Share Top 40 Index	3.28%	9.51%	20.06%	15.95%	11.64%	13.22%	11.53%	9.15%	12.02%
FTSE/JSE Mid Cap Index	1.02%	4.93%	22.55%	7.04%	3.81%	4.20%	6.28%	4.45%	9.05%
FTSE/JSE Small Cap Index	0.54%	6.51%	40.19%	14.99%	6.54%	4.93%	7.70%	5.57%	10.96%
FTSE/JSE Resources Index	16.08%	26.70%	35.70%	30.09%	30.69%	27.62%	26.16%	14.66%	9.18%
FTSE/JSE Financials Index	3.77%	16.73%	36.36%	2.74%	0.78%	4.45%	5.39%	3.31%	9.90%
FTSE/JSE Industrials Index	-7.43%	-6.56%	3.54%	10.27%	4.34%	6.68%	5.69%	5.29%	12.12%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	3.79%	14.69%	37.62%	14.99%	11.85%	13.51%	13.53%	9.82%	11.53%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	3.36%	13.20%	34.96%	14.41%	11.26%	12.57%	13.18%	9.23%	11.13%
FTSE/JSE SA Listed Property Index (Sapy)	-3.26%	1.38%	22.43%	-5.85%	-5.69%	-5.77%	-3.16%	-2.99%	4.67%
FTSE/JSE All Property Index (ALPI)	-2.96%	1.43%	22.81%	-6.67%	-6.31%	-6.44%	-4.79%	-4.14%	4.17%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	0.54%	4.12%	9.02%	8.75%	7.60%	8.91%	9.66%	7.65%	8.11%
FTSE/JSE All Bond Index 1-3 years (Albi)	0.47%	0.97%	5.39%	7.53%	7.64%	8.09%	8.42%	7.84%	7.39%
FTSE/JSE Inflation-linked Index (Ili)	2.13%	5.66%	12.25%	7.06%	5.70%	4.65%	4.97%	4.99%	6.34%
Short-term Fixed Interest Composite Index (Stefi)	0.32%	1.00%	3.89%	5.32%	5.80%	6.13%	6.37%	6.40%	6.15%
Commodities									
NewGold Exchange-Traded Fund	6.06%	2.51%	12.34%	16.51%	17.07%	12.05%	6.60%	10.63%	7.95%
Gold price (in rands)	5.72%	1.43%	12.34%	16.71%	17.36%	12.41%	6.86%	11.10%	8.33%
Platinum Exchange-Traded Fund	3.32%	7.52%	-9.07%	9.71%	8.55%	3.54%	1.42%	1.95%	
Platinum price (in rands)	3.64%	7.29%	-11.94%	9.76%	8.88%	3.87%	1.56%	2.29%	-0.16%
Currency movements									
Rand/euro movements	-0.06%	-4.54%	-4.77%	2.68%	4.74%	4.50%	0.17%	4.11%	5.69%
Rand/dollar movements	-0.37%	-3.19%	2.82%	3.18%	6.97%	3.37%	-0.36%	4.10%	7.56%
Inflation index									
Consumer Price Index (CPI)			-14.87%	-2.83%	-1.16%	-0.08%	1.00%	1.73%	2.76%

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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