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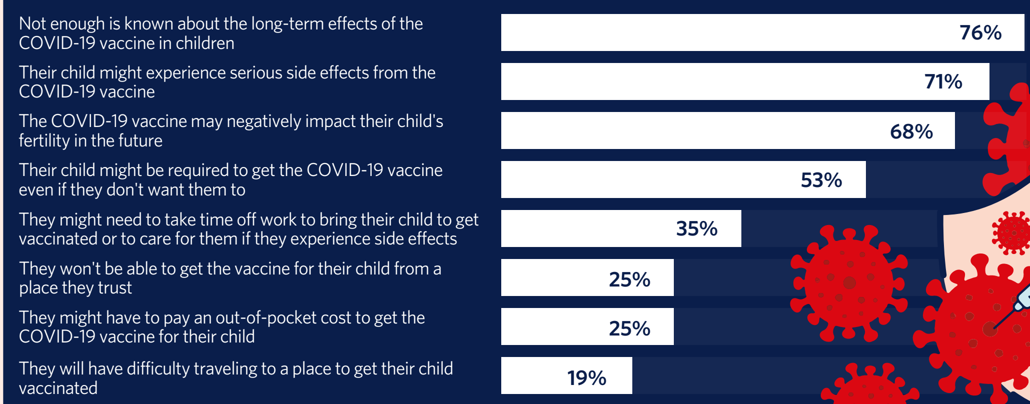
Economies at a glance

Many parents in the US are in no hurry to get their children vaccinated

Although vaccine authorisation has been expanded to younger age cohorts, three in every ten parents in the US say they will definitely not get the vaccine for their **12- to 17-year old (31%)** or their five-year old (30%) children.

Long-term effects, serious side effects and impact on fertility are among the top concerns parents have about vaccinating their **5- to 11-year old children.**

Percent of parents of children ages 5-11 who say they are very or somewhat concerned about each of the following:



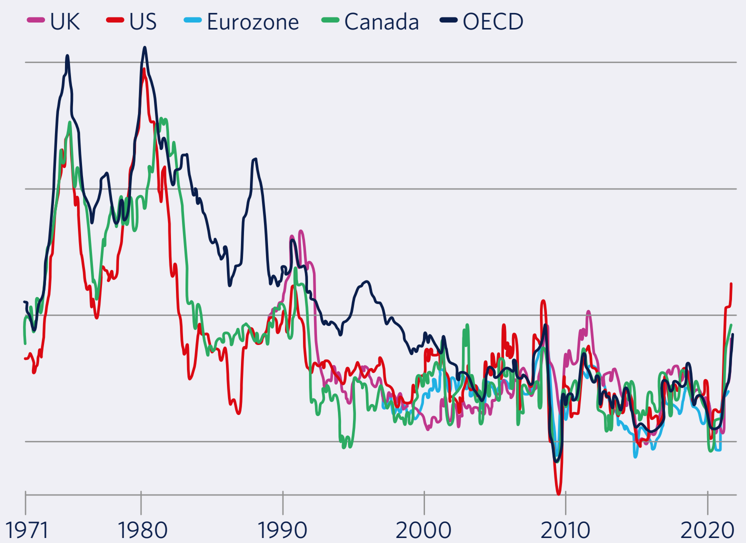
*Source: Our World in Data, WHO, * 15 other countries listed*

The global rise in consumer prices is nowhere near the levels reached in the 1970s and early 1980s

- Annual inflation peaked at more than **15% during the 1970s and 1980s** in many of the countries belonging to the Organisation for Economic Co-operation and Development.
- Nevertheless, about two-thirds of the 100 countries and regions that Consensus Economics tracks are **expected to see inflation averaging more than 2%** this year.
- **Inflation is running hot on a combination of surging energy costs**, an overshoot in demand and supply chain disruptions.
- The likelihood of higher inflation becoming a more permanent threat depends on whether or not the **sharp rise in prices and labour market shortages will lead to unsustainable wage increases** and influence inflation expectations.

Source: Financial Times

Annual % change on consumer price index

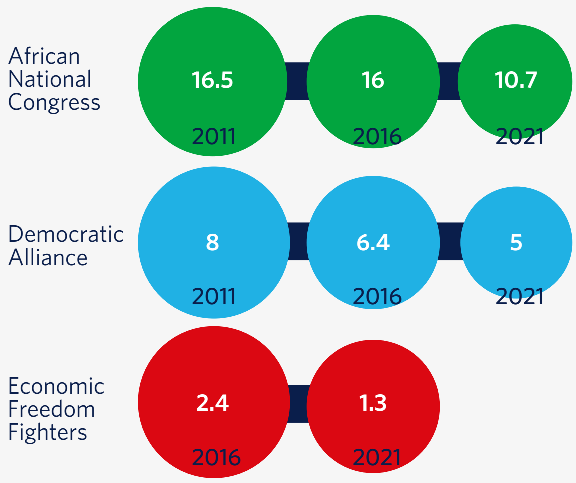


Disillusioned local voter base

- The **biggest political parties in South Africa have suffered huge electoral losses** as voters have become discouraged about their ability to effectively deliver on socio-economic services.
- While the elections are becoming less representative of the popular mandate, **the large share of stayaway voters is holding government accountable for its failures in service delivery.**
- A more fragmented voter base has given rise to the need for **coalition governments in a record number of municipalities.**
- At the time of writing, mayoral candidates from the **Democratic Alliance could soon be elected for five out of South Africa's eight metropolitan municipalities,** leaving only three (Mangaung, Buffalo City and Nelson Mandela Bay) under the control of the African National Congress.

Source: Independent Electoral Commission, SBG Securities

Number of votes by local government election (in millions):



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November 2021

UNITED STATES

Flagging household spending drove a soft growth patch in the third quarter but activity appears to have regained momentum in the fourth quarter. Nominal goods exports have surprised positively, while growth in real consumption gathered speed as consumers dipped into their savings. Growth is, however, set to slow in annual terms in 2022 as the household savings rate has now shifted back to pre-pandemic levels. Even so, Barclays notes potential upside risk to growth from the proposed Build Back Better legislation, which Congress still needs to pass. Barclays estimates this could add 0.6% to growth next year and 0.4% in 2023. Despite an easing in port backlogs, a rollback in shipping costs and a reopening of auto manufacturing plants, higher-than-targeted inflation will continue to challenge Jerome Powell at the start of his second term as US Federal Reserve Chair.

Forecast 2021:
GDP: 4.1%
Core PCE Inflation: 2.8%
Forecast 2022:
GDP: 2.5%
Core PCE Inflation: 2.2%

EUROZONE

Despite 55% of Europe being fully vaccinated, a fresh surge in COVID-19 cases has led many European governments to impose stricter lockdown restrictions. The Netherlands, Austria, Germany, Norway, Poland and Slovakia were among the countries experiencing the highest spike in caseload in recent weeks. A slew of restrictions to contain the surge has driven down the Bloomberg median consensus forecast for growth in the fourth quarter from 5.1% to 4.8%. Capital Economics estimates a month of restrictions would shave 0.8% off fourth quarter growth in Germany (0.25% for the Eurozone). Should additional countries impose restrictions, growth in the Eurozone in the fourth quarter could be a further 0.3% weaker. Meanwhile, despite a rise in short-term inflation, the European Central Bank has forcefully pushed back at financial markets expecting an interest rate rise, suggesting that an increase in 2022 would be highly unlikely.

Forecast 2021:
GDP: 4.3%
HICP Inflation: 2.5%
Forecast 2022:
GDP: 2.2%
HICP Inflation: 1.5%

UNITED KINGDOM

Labour market shortages have largely reflected changing immigration patterns as 87% of furloughed workers had already returned to the labour market by the end of September. Meanwhile, consumers still appear unwilling to spend their excess accumulated savings, weighing negatively on spending. Brexit has likely added to pandemic scarring for the United Kingdom (UK) and the country remains a laggard from the Group of Seven (G7) countries. Tensions between the UK and European Union (EU) have risen over the Northern Irish Protocol, which ensures the smooth movement of goods between Ireland and Northern Ireland but also includes checks on goods entering Northern Ireland from the UK and any other third party to comply with EU regulatory standards. Invoking Article 16 (safeguard measures if the deal is leading to practical problems) is likely to result in onerous tariffs.

Forecast 2021:
GDP: 4.5%
Inflation: 3.8%
Forecast 2022:
GDP: 2.2%
Inflation: 1.9%

JAPAN

The cloud of political uncertainty has lifted in the near term under the new leadership of Prime Minister Fumio Kishida. Both the fiscal and monetary policy stance is set to remain accommodative in the coming quarters. The Liberal Democratic Party, which continues to retain a strong majority in the lower house, has focused its efforts on fiscal stimulus (primarily cash payments to lower-income households), which will add to growth in the first half of 2022. Moreover, an easing in supply-side constraints and excess savings should bolster economic activity. Although high food and energy inflation pressures have spilled over into other categories in the US and Euro Area, below-trend growth, low inflation expectations and soft wage growth have limited the pressure on core measures of inflation in Japan.

Forecast 2021:
GDP: 2.8%
Inflation: 0.7%
Forecast 2022:
GDP: 1.5%
Inflation: 0.6%

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CHINA

China's zero-COVID strategy, to focus on the interests of the health of the majority, has proven costly for growth outcomes. This strategy has led to China's borders being closed for 19 months. Regulatory crackdowns, a vulnerable housing and construction sector, rising international pressure on China to meet its climate goals and a renewed emphasis on "common prosperity" are expected to weigh negatively on economic activity in 2022. Nevertheless, tensions between the US and China have improved, with both parties agreeing to avoid an escalation in trade tariffs. US Treasury Secretary Janet Yellen alluded to a willingness by the US to lower some of the previously imposed tariffs. Moreover, China's Premier Li Keqiang noted that new preferential tax policies, support for cross-border e-commerce and guaranteed power supply should shore up growth and employment.

Forecast 2021:
GDP: 5.1%
Inflation: 2.1%
Forecast 2022:
GDP: 5.3%
Inflation: 2.0%

EMERGING MARKETS

With emerging markets (EMs) acting proactively on rising inflation pressures, and as EM governments aim to rein in their widening fiscal deficits, an associated tightening in financial conditions should lead to a deceleration in growth across the EM composite in 2022. Mobility indicators in EM Asia have improved as many of these economies emerged from more stringent forms of lockdown. A ramp-up in the pace of vaccinations and higher global demand have further underpinned the recent recovery in this region. Higher commodity prices and fiscal spending buoyed short-term growth in many economies in the Latin American region. However, political events, inflation pressures, a tightening in monetary policy and supply-chain bottlenecks may detract from growth prospects in the coming quarters. Over in Emerging Europe, the recent tightening in lockdown restrictions could crimp economic activity in the near term.

Forecast 2021:
GDP: 5.0%
Inflation: 3.9%
Forecast 2022:
GDP: 4.8%
Inflation: 3.5%

SOUTH AFRICA

Growth in economic activity is expected to soften significantly from the expected 4.9% rebound in 2021 to a projected 2% in 2022. A deceleration in global demand, ongoing electricity supply constraints and lingering unemployment will constrain economic activity in 2022. A new COVID-19 variant (B.1.1.529) has caused further growth concerns and triggered a number of travel bans. Scientists have detected more than 30 mutations to the spike protein of the Omicron variant, potentially making it more transmissible. Lower growth forecasts into 2022 and declining commodity prices suggest that the tax buoyancy rate will shift lower in the next fiscal year. Nevertheless, permanent additional expenditure demands are being considered given that one third of the population currently live under the poverty line. While the better-than-expected outcome on the fiscal deficit and government debt ratio (relative to Treasury's February 2021 forecasts) appeased rating agencies at the latest review, in our view, medium-term growth and fiscal concerns remain a threat in the medium term. Despite the inflation scare globally, inflation remains reasonably well contained in the local environment. Medical aid tariffs and rental prices in particular, continue to place downward pressure on underlying inflation. Given a moribund growth outlook and contained inflation expectations, we expect a measured pace of interest rate hikes.

Forecast 2021:
GDP: 2.0%
Inflation: 4.6%
Forecast 2022:
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 November 2021

	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)	4.47%	6.41%	28.53%	15.51%	7.74%	10.55%	8.70%	8.42%	11.37%
FTSE/JSE Shareholder Weighted Index (SWIX)	0.68%	2.03%	20.28%	10.13%	3.44%	7.22%	5.83%	6.00%	10.28%
FTSE/JSE Capped Swix All Share index	0.94%	2.19%	27.83%	10.11%	3.99%	6.68%	5.49%	5.59%	9.98%
FTSE/JSE All Share Top 40 Index	5.36%	6.97%	27.38%	16.63%	8.19%	11.43%	8.85%	8.75%	11.45%
FTSE/JSE Mid Cap Index	-1.58%	0.08%	31.76%	8.13%	3.70%	4.28%	6.28%	5.00%	9.44%
FTSE/JSE Small Cap Index	-1.75%	6.97%	56.22%	12.01%	5.89%	4.83%	5.42%	5.70%	11.43%
FTSE/JSE Resources Index	6.53%	4.73%	37.52%	30.02%	22.49%	20.78%	22.87%	11.55%	6.62%
FTSE/JSE Financials Index	-2.61%	-3.73%	29.16%	-1.02%	-1.19%	1.87%	0.77%	2.29%	9.50%
FTSE/JSE Industrials Index	5.72%	11.92%	21.69%	15.33%	4.34%	9.04%	5.90%	7.39%	13.52%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (RAFI)	3.75%	4.57%	39.91%	14.62%	8.66%	10.40%	11.21%	8.62%	10.71%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	3.18%	4.33%	40.30%	14.31%	8.46%	9.81%	10.90%	8.26%	10.41%
FTSE/JSE SA Listed Property Index (SAPY)	2.16%	-0.35%	44.31%	-5.70%	-9.86%	-5.00%	-4.31%	-1.60%	5.34%
FTSE/JSE All Property Index (ALPI)	2.17%	0.55%	45.93%	-6.52%	-10.24%	-5.91%	-6.15%	-2.86%	4.66%
Interest-bearing indices									
FTSE/JSE All Bond Index (ALBI)	0.66%	-1.95%	8.14%	8.39%	9.54%	8.81%	8.35%	7.32%	7.99%
FTSE/JSE All Bond Index 1-3 years (ALBI)	1.16%	1.10%	4.06%	7.93%	8.55%	8.46%	8.32%	7.86%	7.51%
FTSE/JSE Inflation-linked Index (ILI)	-0.08%	0.86%	13.01%	5.80%	5.44%	3.73%	3.88%	4.11%	6.13%
Short-term Fixed Interest Composite Index (SteFI)	0.32%	0.96%	3.79%	5.58%	6.00%	6.31%	6.48%	6.48%	6.19%
Commodities									
NewGold Exchange-Traded Fund	6.44%	9.65%	5.36%	19.34%	12.99%	11.29%	10.73%	11.57%	7.14%
Gold price (in rands)	7.78%	9.51%	6.20%	19.94%	13.48%	11.93%	11.21%	12.07%	7.21%
Platinum Exchange-Traded Fund	-1.98%	3.33%	0.68%	10.59%	3.83%	2.88%	3.68%	1.42%	
Platinum price (in rands)	-2.99%	3.09%	1.99%	11.01%	4.20%	3.33%	3.95%	1.90%	0.75%
Currency movements									
Rand/euro movements	3.19%	6.29%	-1.38%	4.96%	2.80%	4.05%	2.98%	4.03%	5.23%
Rand/dollar movements	4.92%	10.25%	3.94%	4.79%	3.99%	2.61%	1.70%	5.40%	7.02%
Inflation index									
Consumer Price Index (CPI)	0.24%	0.90%	4.95%	3.95%	4.24%	4.36%	4.69%	4.69%	4.98%

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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