

### Economies at a glance

March 2021

#### Forecast 2021:

GDP: 6,5%

Inflation: 2,2%

#### Forecast 2022:

GDP: 3,3%

Inflation: 2,0%

### EUROZONE

The region will spend up to €150 billion to develop capacity for the production of semiconductors (a huge global shortage exists). The goal is to increase Europe's share to 20% of global capacity. In the meantime, the increase in commodity prices such as oil receded (from above \$70 to \$65 per barrel) due to renewed full, or partial, lockdowns in many countries. Lockdowns will prolong the region's economic recovery. Vaccination had a slow start due to, among other factors, EU-leaders deciding to first negotiate a lower price for vaccines (Europe now pays \$5 to \$10 less per vaccine) before securing vaccines. In addition, vaccine deliveries for the Eurozone are not arriving on time. This angered some Eurozone countries and they blocked exports of vaccines (for delivery) to the UK, which led to a political stand-off between the region and UK.

#### Forecast 2021:

GDP: 4,9%

Inflation: 2,2%

#### Forecast 2022:

GDP: 6,8%

Inflation: 2,0%

### JAPAN

Japan's economy is likely to have contracted in the first quarter of 2021 due to COVID-19 induced restrictions imposed on some regions. It contributed to curtailing real consumption spending of households with two or more members by 6.1% y/y in January. The discovery of highly contagious COVID-19 variants may induce further restrictions. Coupled with a slow pace of vaccinations, it may hurt the economy's growth prospects. As such, strategists are readying new proposals for Prime Minister, Yoshihide Suga, recommending another round of fiscal stimulus of ¥150 trillion (double the amount already budgeted) to ensure a recovery from the pandemic. Japan's economy is expected to be boosted by 2,7% in the long run by a trade deal encompassing fifteen Asia-Pacific nations. The deal aims to increase market access and cutting import tariffs.

### UNITED STATES

As 25% of Americans are now vaccinated against COVID-19, the third US stimulus package (\$1,9 trillion) will soon boost the economy further. In March/April last year consumers received cheques of \$1 200, followed by \$600 in December/January and now, individuals earning less than \$75 000 annually (or \$150 000 for couples), will receive \$1 400. President Biden, however, also proposed personal income tax increases for households with annual earnings of more than \$400 000. Meanwhile bond yields surged in anticipation of higher economic growth and inflation, betting on an interest rate increase as early as next year. However, the Fed's message in its March statement was that it will not be pulled into pre-emptive interest rate tightening as it will follow the new policy framework. The play between the Fed and markets will, however, continue.

#### Forecast 2021:

GDP: 4,1%

Inflation: 1,5%

#### Forecast 2022:

GDP: 5,1%

Inflation: 1,2%

### UNITED KINGDOM

The extent of the disruption stemming from Brexit is becoming more evident. The UK government reports that, in January, British exports to the EU fell 40,7%, while exports to the rest of the world increased modestly. However, conditions for a strong consumer-led recovery remain in place, mainly because of strong fiscal and monetary policy support. Such recovery will however only start in the second quarter of 2021 due to an expected contraction in the first quarter caused by the third lockdown. Indeed, analysis by the Centre for Economics and Business Research revealed that lockdowns cost the UK economy about £251 billion. Also, the vaccination process was delayed by a shortage of vaccines, partly due to some EU-countries not releasing some of the vaccines.

#### Forecast 2021:

GDP: 3,9%

Inflation: 0,5%

#### Forecast 2022:

GDP: 1,8%

Inflation: 0,6%

## CHINA

China's new economic plan suggests that strong economic growth (above 6% in 2021) will be accompanied by a larger focus on financial stability (and technology advancement). More emphasis on financial stability implies some economic growth will be sacrificed to reduce the fiscal deficit (down to 3,2% of gross domestic product in 2021), controlling credit growth and improving the creditworthiness of financial institutions. Unsurprisingly then, the People's Bank of China decided to keep interest rates unchanged, despite low inflation forecasts. However, soaring exports, industrial production growth of 35,1% y/y and an increase of 33,8% in retail sales y/y contributed to analysts raising their economic growth forecasts for China to between 8% and 9% for 2021. The first round of 'trade talks' between China and the US (under a Biden-presidency) delivered nothing but 'shadow boxing'.

### Forecast 2021:

GDP: 6,7%

Inflation: 3,5%

### Forecast 2022:

GDP: 5,9%

Inflation: 3,4%

### Forecast 2021:

GDP: 8,7%

Inflation: 1,6%

### Forecast 2022:

GDP: 5,5%

Inflation: 2,1%

## EMERGING MARKETS

Rising inflation contributed to Russia and Brazil increasing interest rates and they are likely to raise it further. After increasing interest rates by 200 basis points, the Turkish central bank governor was replaced. India is mulling further restrictions as COVID-19 cases are increasing due to citizens ignoring mask-wearing and social distancing. India prioritised its own vaccinations following complaints that 60 million doses were exported compared to only 48 million citizens vaccinated. Although OPEC and Russia agreed to continue with oil production cuts set last year, the pace of increase in oil prices subsided on the back of new COVID-19 restrictions in Europe and the US proposal to increase personal income taxes. A research study by CountryRisk.io found that rating agencies are more likely to downgrade emerging markets than 'rich countries', despite the latter's increasing debt burden.

### Forecast 2021:

GDP: 3,4%

Inflation: 3,9%

### Forecast 2022:

GDP: 2,3%

Inflation: 4,3%

## SOUTH AFRICA

The economy was hit by another bout of load shedding in March. Estimates are that the economy could have been around 25% larger if there was no load shedding over the past decade. The South African Reserve Bank (Sarb) estimates an economic growth of 3,8% in 2021, but that gross domestic product will contract by 0,2% in the first quarter. The central bank's Monetary Policy Committee became more hawkish as they unanimously decided to keep the repo rate unchanged (at the January-meeting two members still voted for a reduction of 25 basis points). The Sarb expects consumer price inflation (CPI) to increase in the near-term due to base effects, an increasing oil price and higher administered prices, but that it will remain stable in outer years.

## The macro research desk

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# Indices summary for March 2021

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
<b>Equity indices</b>									
FTSE/JSE All-Share Index (Alsi)	1,58%	13,14%	53,98%	9,68%	9,66%	8,20%	7,34%	8,07%	10,85%
FTSE/JSE Shareholder Weighted Index (Swix)	3,16%	13,28%	51,51%	6,38%	7,13%	6,00%	5,43%	7,11%	10,61%
FTSE/JSE Capped Swix All Share index	3,71%	12,60%	54,24%	4,29%	5,22%	4,35%	4,07%	5,89%	
FTSE/JSE All Share Top 40 Index	1,30%	13,19%	54,00%	11,05%	11,03%	8,89%	7,93%	8,26%	10,94%
FTSE/JSE Mid Cap Index	3,35%	9,36%	45,35%	0,46%	0,92%	2,29%	2,27%	5,41%	8,97%
FTSE/JSE Small Cap Index	7,65%	21,22%	79,23%	0,10%	-0,63%	2,04%	2,33%	4,55%	9,52%
FTSE/JSE Resources Index	1,21%	18,70%	92,52%	30,48%	25,16%	23,41%	13,47%	7,35%	5,62%
FTSE/JSE Financials Index	1,73%	3,84%	37,81%	-7,40%	-1,70%	-1,72%	-1,55%	2,81%	8,48%
FTSE/JSE Industrials Index	1,86%	12,95%	38,17%	7,28%	6,88%	5,48%	6,02%	8,21%	13,80%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	2,17%	13,64%	56,24%	6,28%	8,03%	8,31%	6,68%	6,37%	9,17%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	1,78%	13,65%	56,71%	5,99%	7,57%	8,19%	6,28%	6,21%	8,83%
FTSE/JSE SA Listed Property Index (Sapy)	1,23%	6,40%	34,44%	-12,91%	-11,49%	-9,04%	-6,90%	-1,17%	4,39%
<b>Interest-bearing indices</b>									
FTSE/JSE All Bond Index (Albi)	-2,54%	-1,74%	16,96%	5,49%	8,08%	8,66%	7,06%	7,81%	8,22%
FTSE/JSE All Bond Index 1-3 years (Albi)	0,34%	-0,18%	9,96%	8,37%	8,69%	8,83%	8,28%	8,15%	7,80%
FTSE/JSE Inflation-linked Index (Ili)	0,60%	4,66%	16,79%	2,28%	3,57%	3,51%	3,84%	4,65%	6,51%
Short-term Fixed Interest Composite Index (Stefi)	0,31%	0,90%	4,57%	6,34%	6,62%	6,81%	6,78%	6,68%	6,31%
<b>Commodities</b>									
NewGold Exchange-Traded Fund	-4,18%	-9,90%	-12,76%	16,49%	10,37%	6,23%	9,25%	8,73%	9,51%
Gold price (in rands)	-3,94%	-9,29%	-12,55%	17,04%	11,38%	5,87%	9,67%	9,11%	9,92%
Platinum Exchange-Traded Fund	-1,39%	11,19%	34,82%	16,57%	8,18%	3,71%	3,71%	1,83%	
Platinum price (in rands)	-7,21%	8,86%	32,15%	15,87%	7,71%	3,62%	3,57%	1,96%	-0,98%
<b>Currency movements</b>									
Rand/euro movements	-4,68%	-3,46%	-11,46%	5,99%	4,84%	0,68%	4,91%	2,60%	6,10%
Rand/dollar movements	-1,71%	0,79%	-17,32%	7,60%	2,43%	0,10%	3,36%	4,96%	8,13%
<b>Inflation index</b>									
Consumer Price Index (CPI)			2,86%	3,85%	3,90%	4,37%	4,81%	4,68%	5,06%

## Important notes

- Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
- Returns for periods exceeding one year are annualised.
- 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).
- The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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