



MFP OUTCOME MATTERS

Sanisha Packirisamy

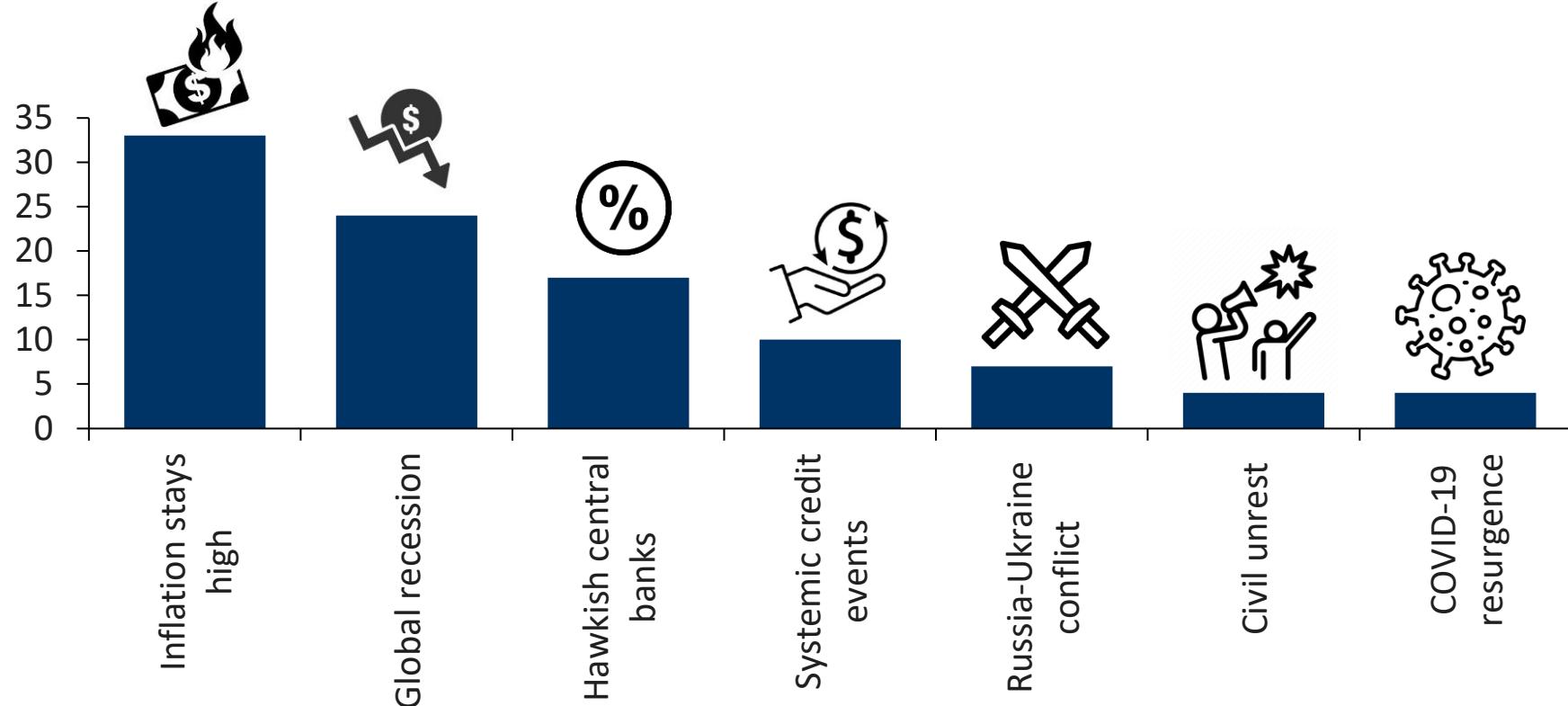
Cloudy with a chance of recession

23 August 2022

Recession fears are top investor concerns



What do investors consider as the biggest tail risk to markets?

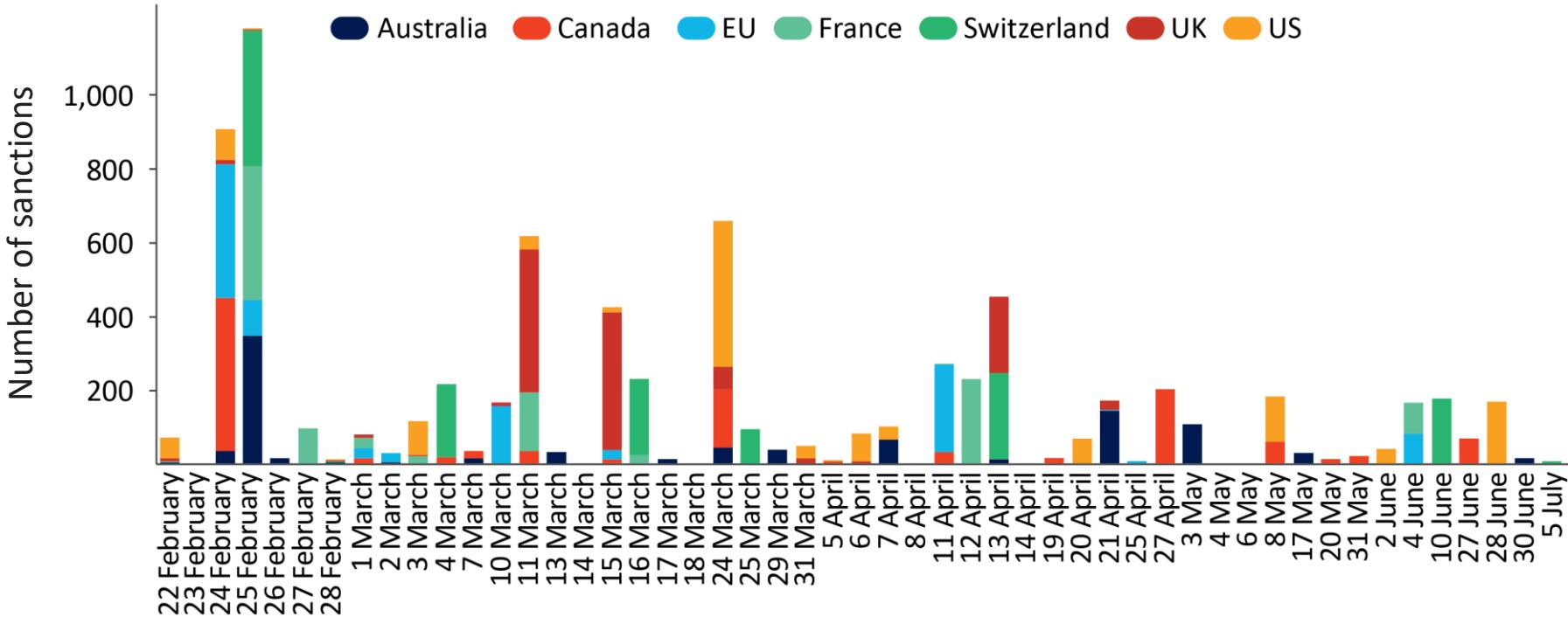


Sources: Bank of America Merrill Lynch Global Fund Manager Survey for June 2022, Momentum Investments

Sanctions should weaken Russia over time



Russian economy is weathering sanctions, but tough times lie ahead

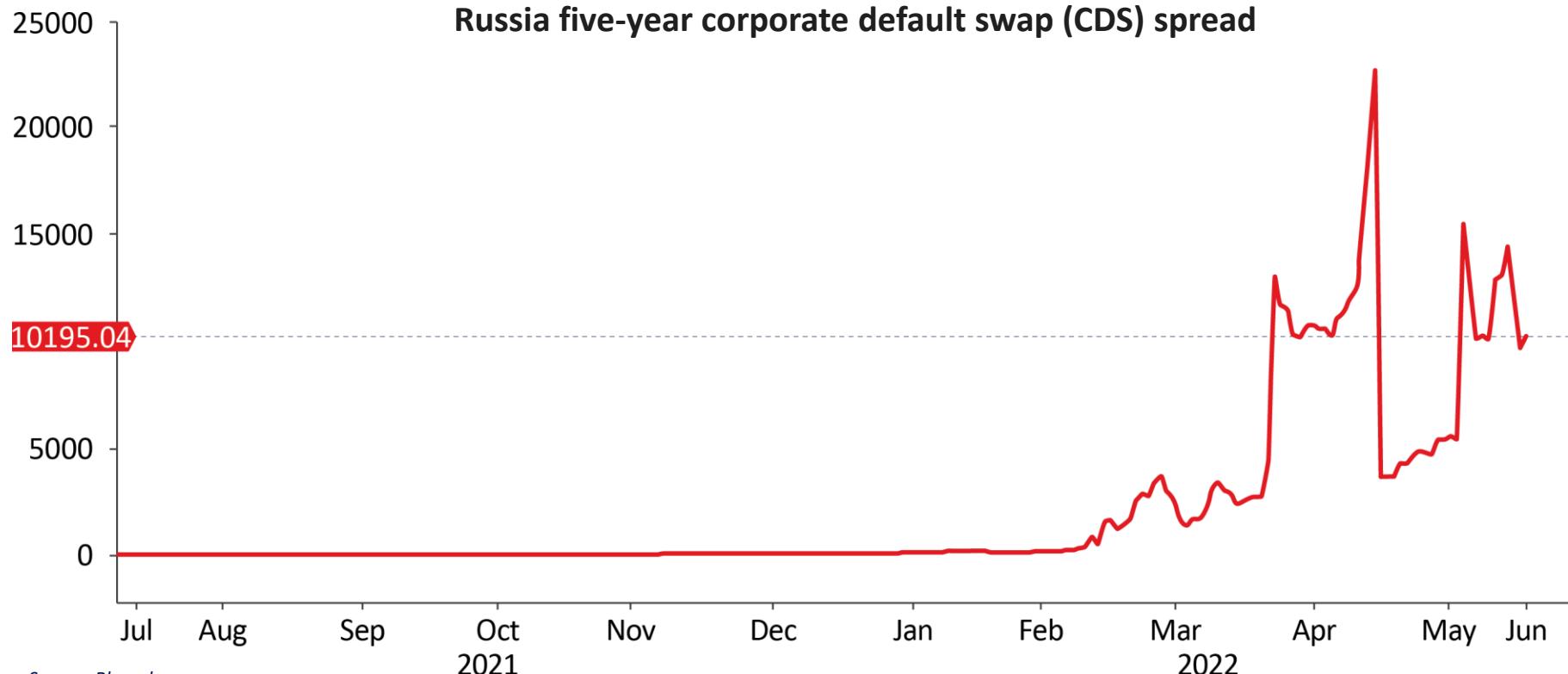


Source: Castellum.AI. Japan sanctions data excluded.

First Russian default on foreign debt in a century



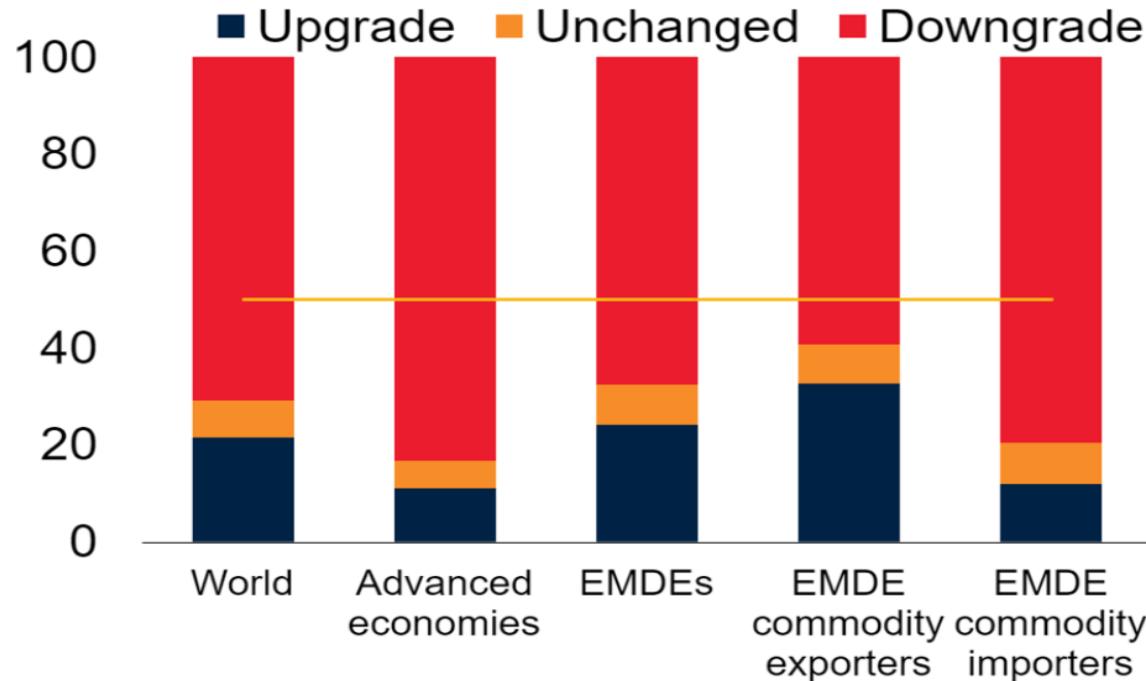
No major immediate effect, but borrowing money at a later stage will be problematic



Source: Bloomberg

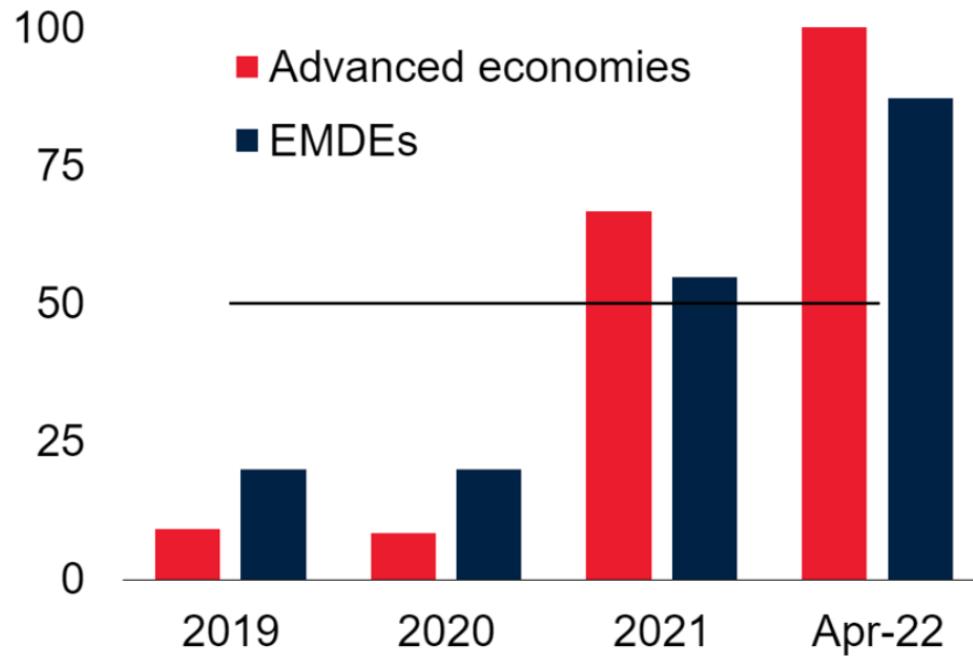
Global growth set to be markedly weaker

This year's growth outlook has been downgraded in the vast majority of countries



Global inflation has risen substantially

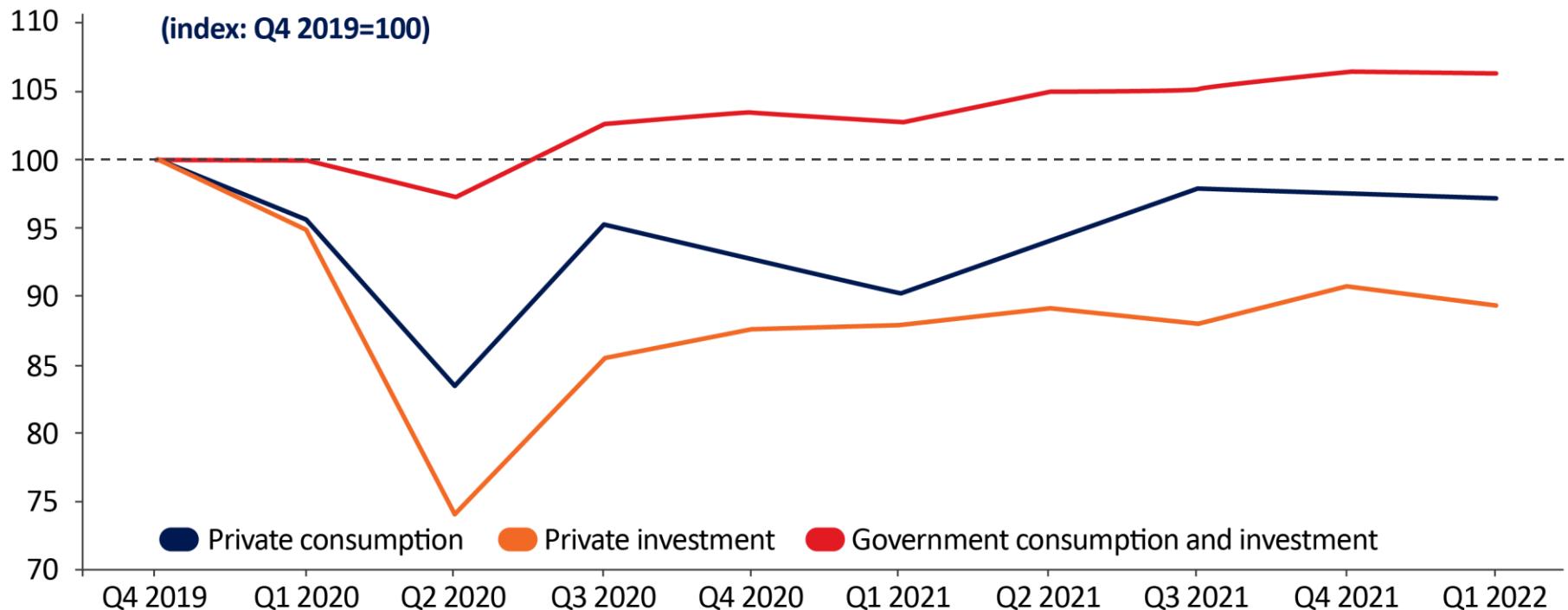
Headline inflation is above central bank targets in almost all countries which have targets



Less healthy economic fundamentals in the Eurozone



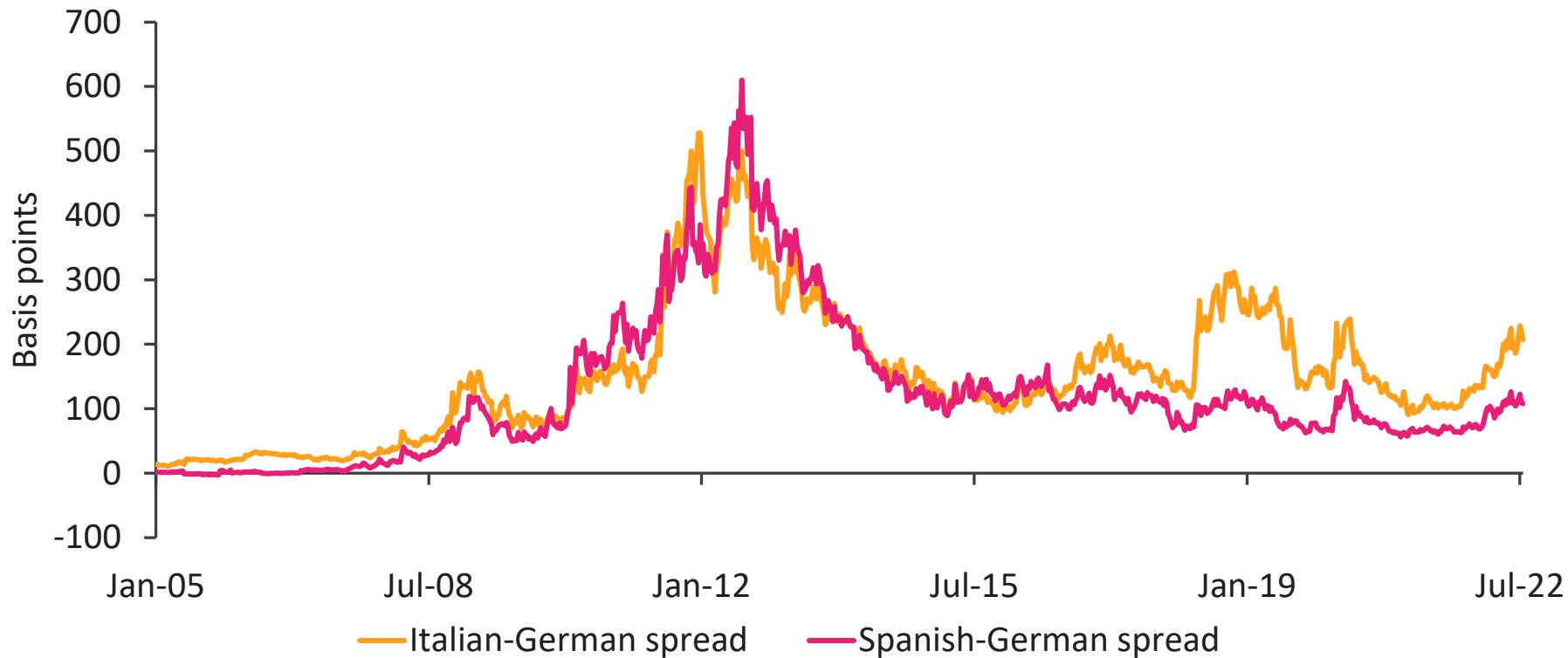
Household spending and investment are lagging the recovery



Peripheral debt concerns on the rise



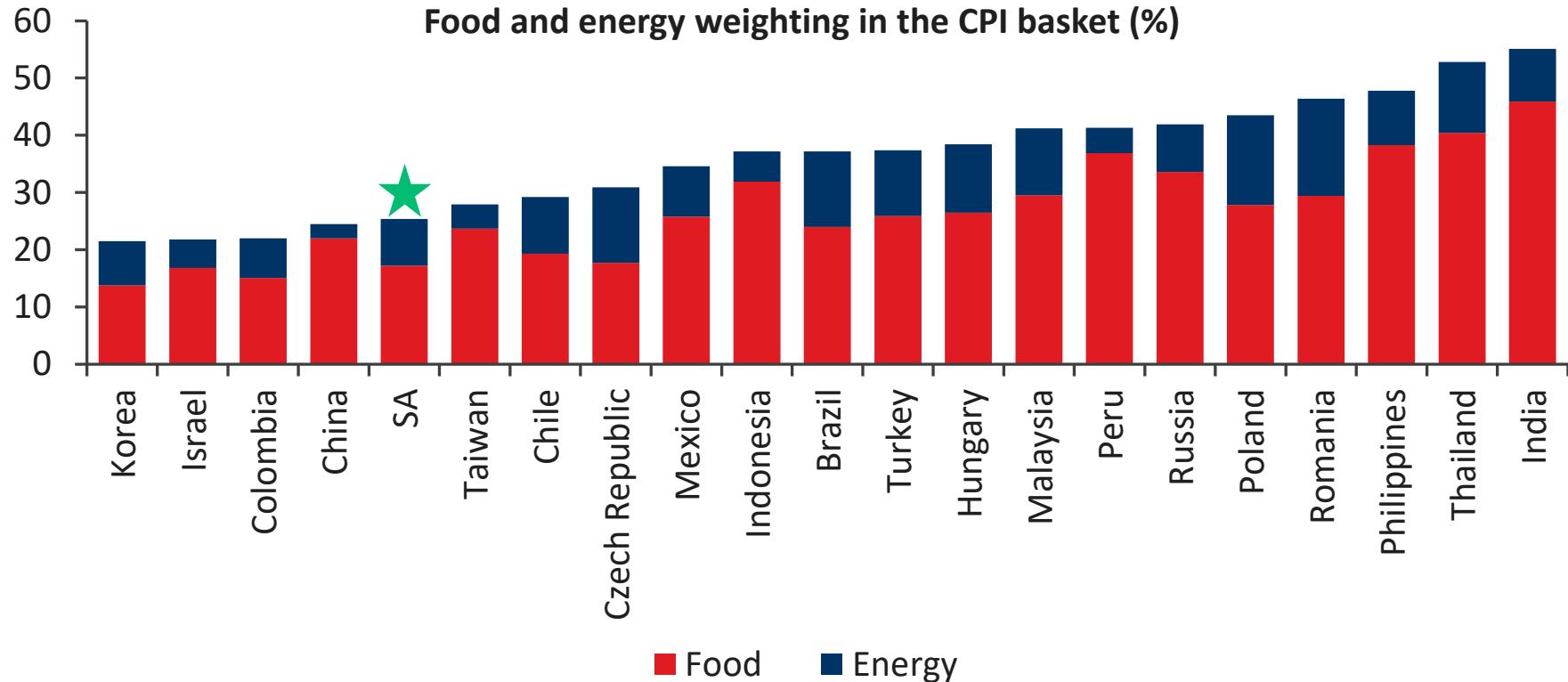
Financial markets are demanding higher risk premia



Emerging markets exposed to external price shocks



Food and energy constitute a large portion of emerging market consumer baskets

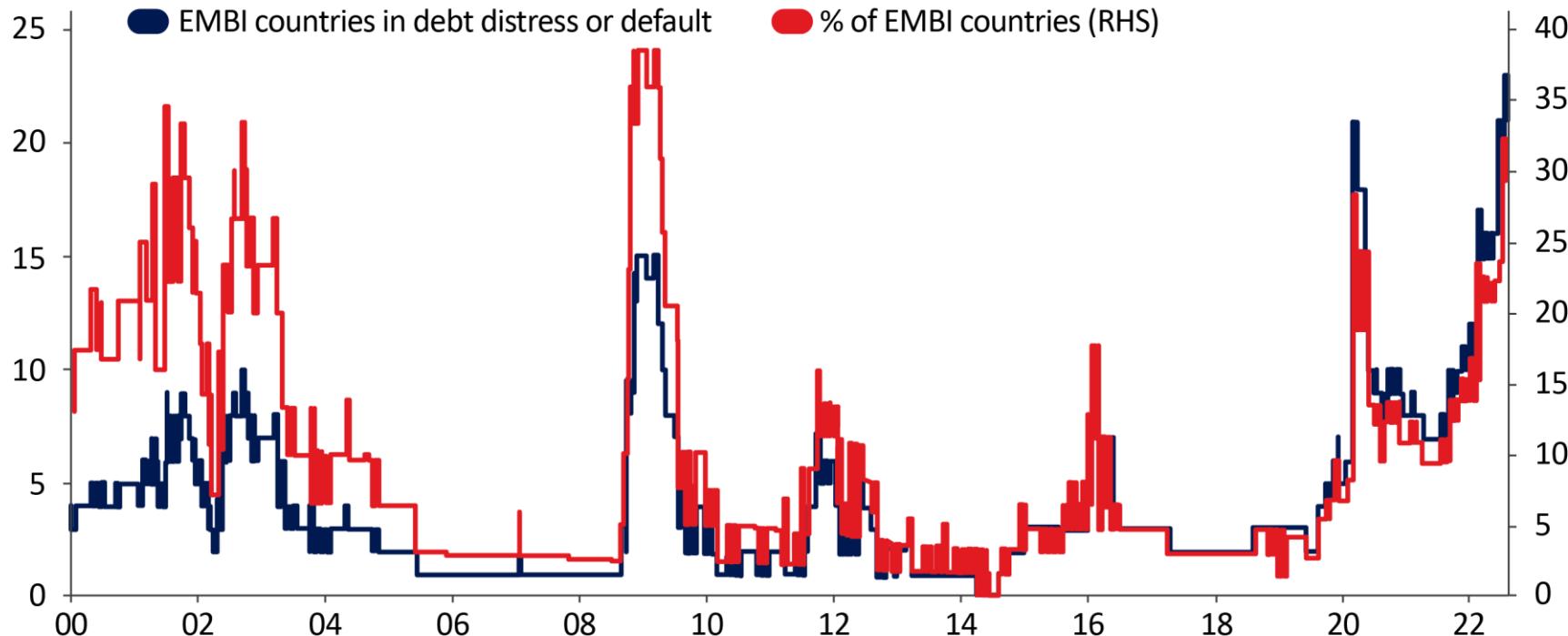


Source: Citi, Haver Analytics, Momentum Investments

More robust policy is a headwind for emerging markets



Record number of emerging market sovereigns in debt distress or default



Asia has defied the global surge in prices

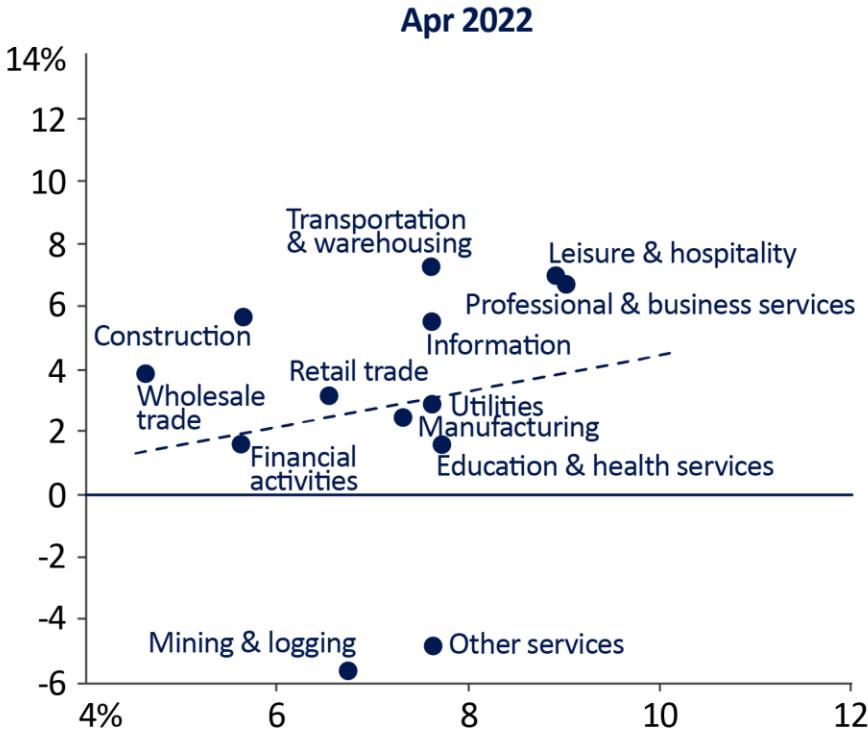
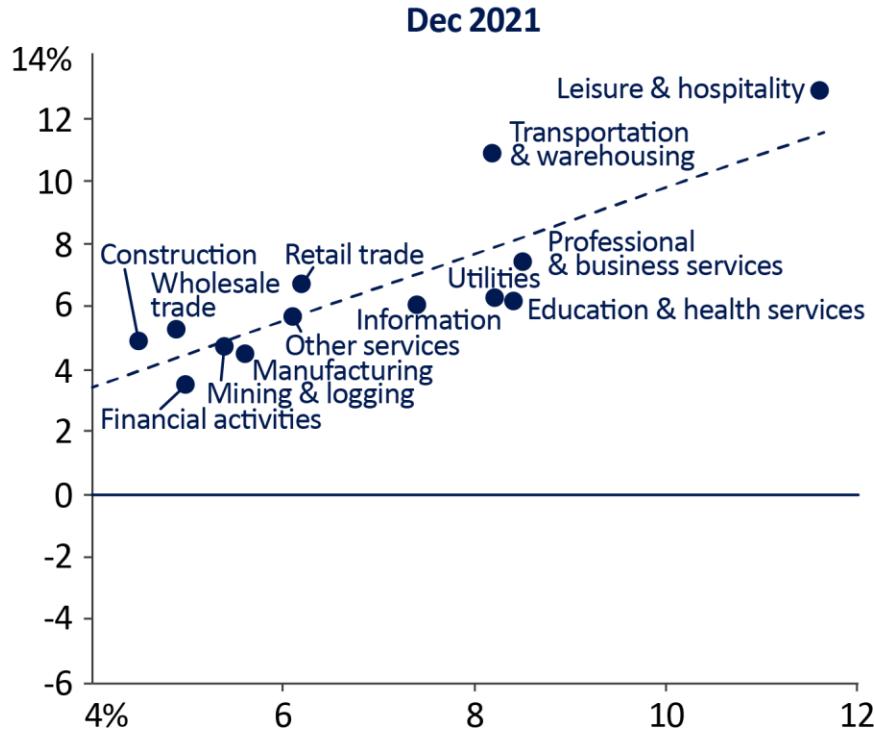
Subsequently, parts of Asia could buck the global wave of monetary policy tightening



Wage pressures may have topped out

Firms appear less inclined to raise wages to fill vacant positions

Three-month percentage change in average hourly earnings compared to job openings rate



Global central banks walking a fine line

Balancing high inflation with the risk of a deeper recession

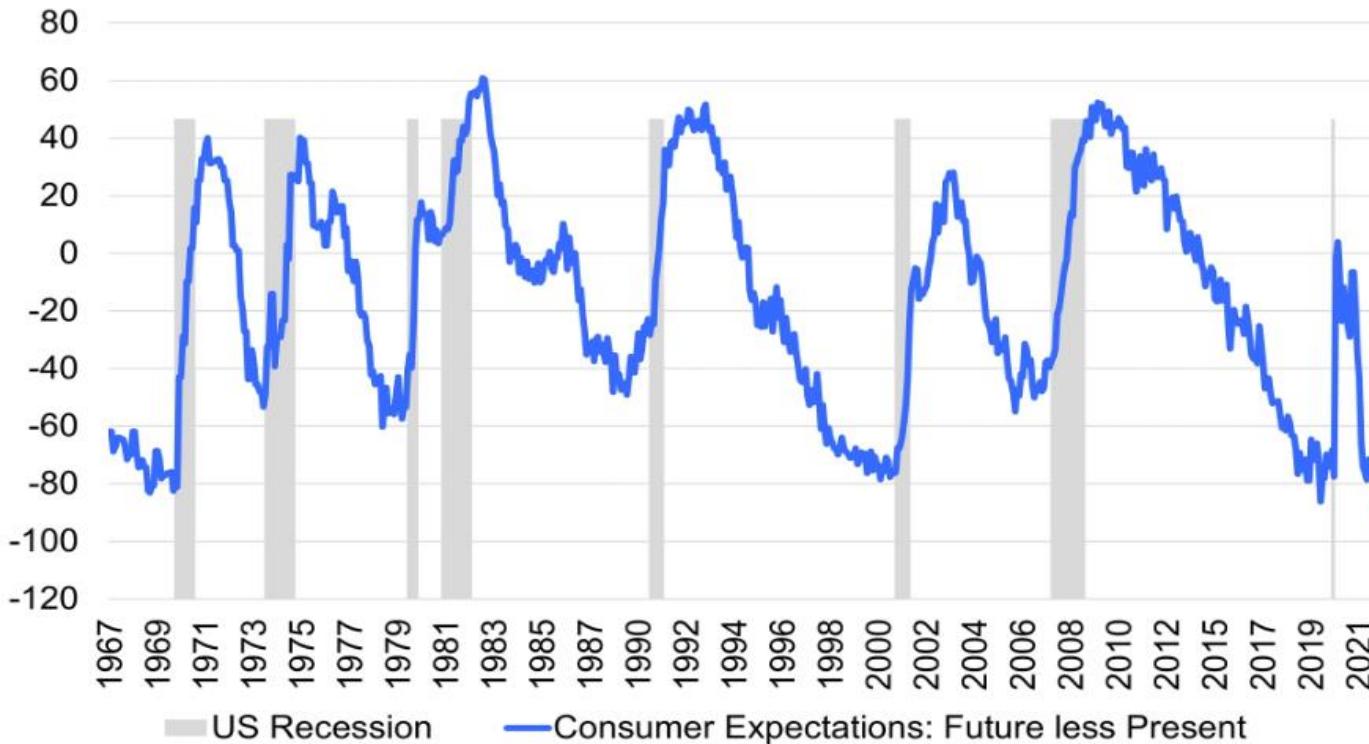
m



US consumer sentiment has slumped

m

Consumers anticipate tough times ahead



Source: Franklin Templeton

SA Reserve Bank keeps inflation expectations at bay

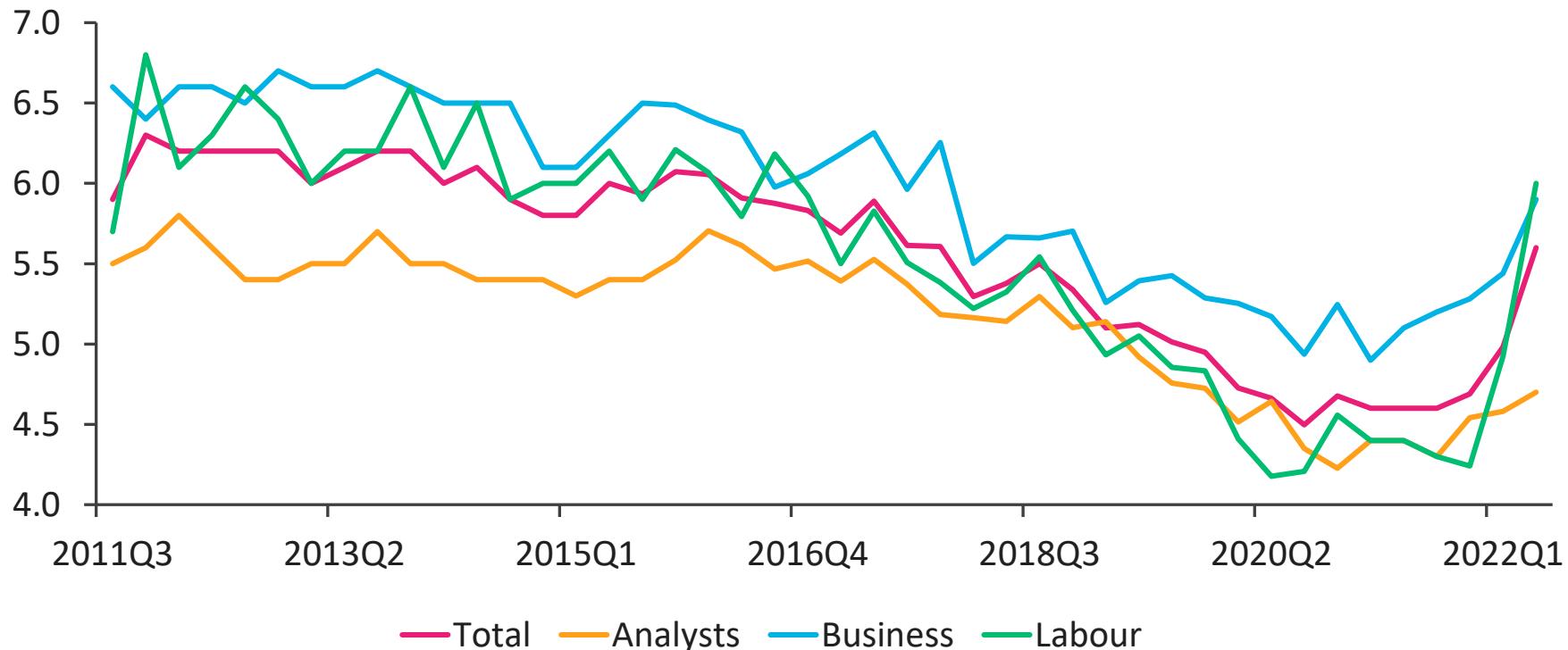
m



Concerns of rising inflation persistence

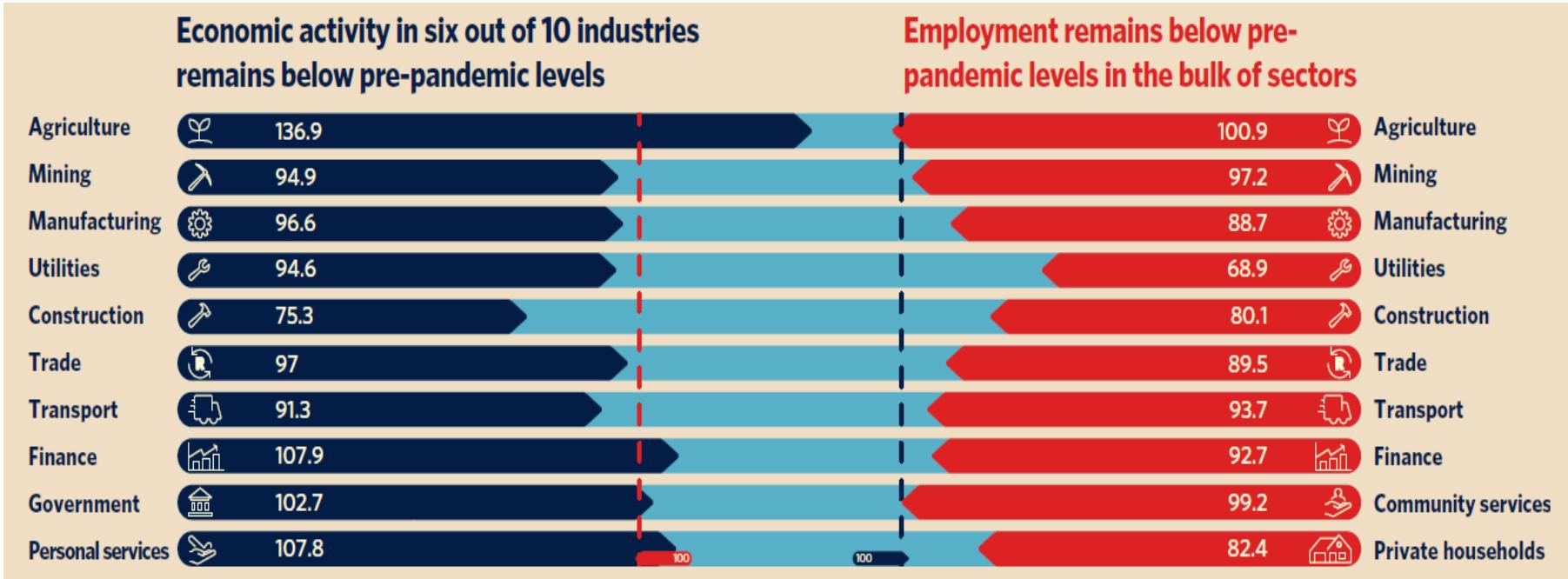


Reining in inflation expectations remains a key focus of the SA Reserve Bank



Laggards in the SA post-pandemic recovery

Economic activity and employment remain below pre-pandemic levels in many sectors



Constraints to investment in SA



An uncertain political climate is hindering investment prospects

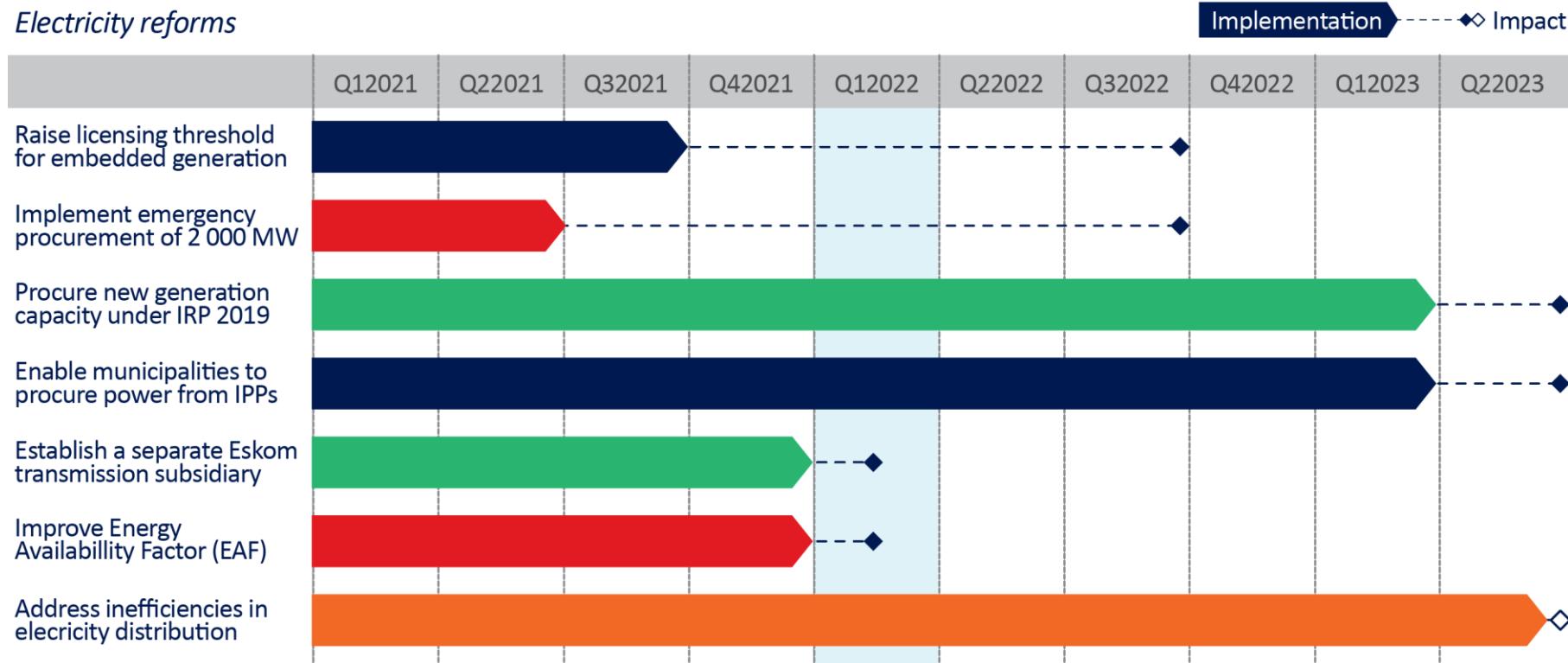


Government inefficiencies have derailed faster progress



Unreliable power supply is a primary constraint to potential growth

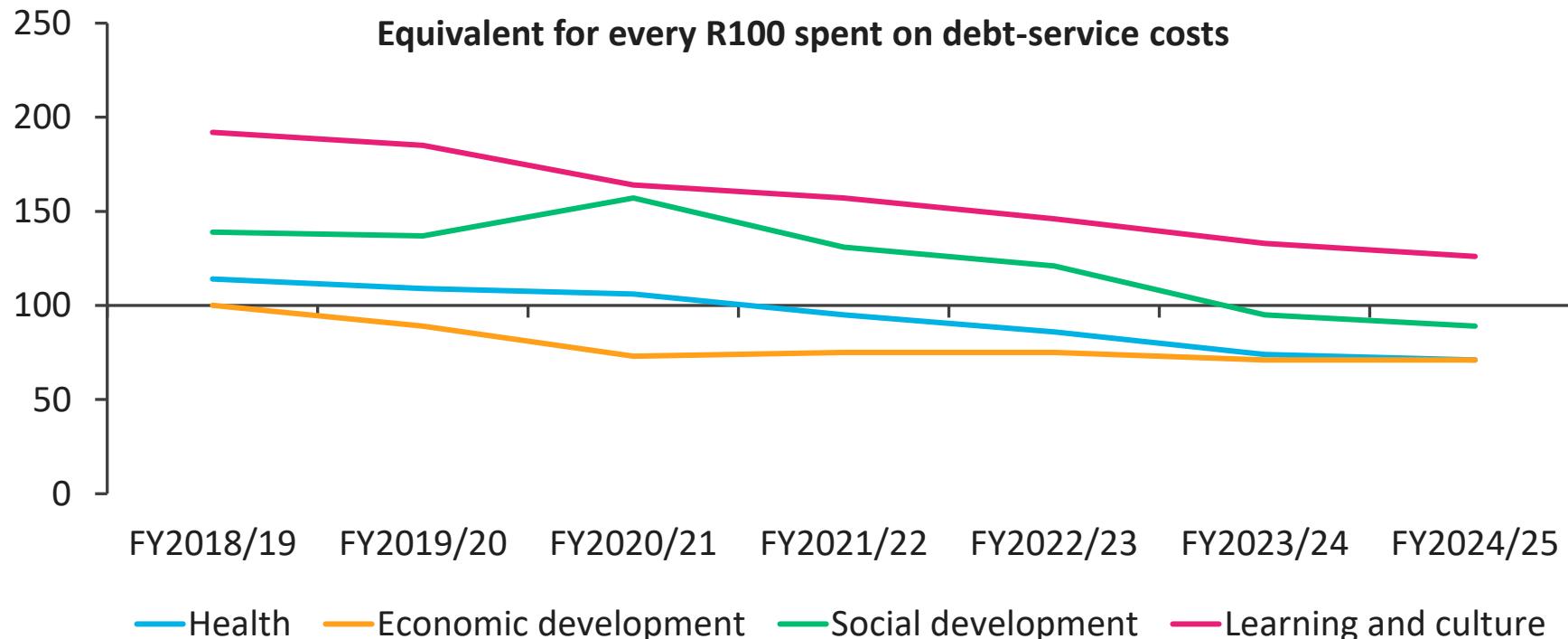
Electricity reforms



Source: Operation Vulindlela

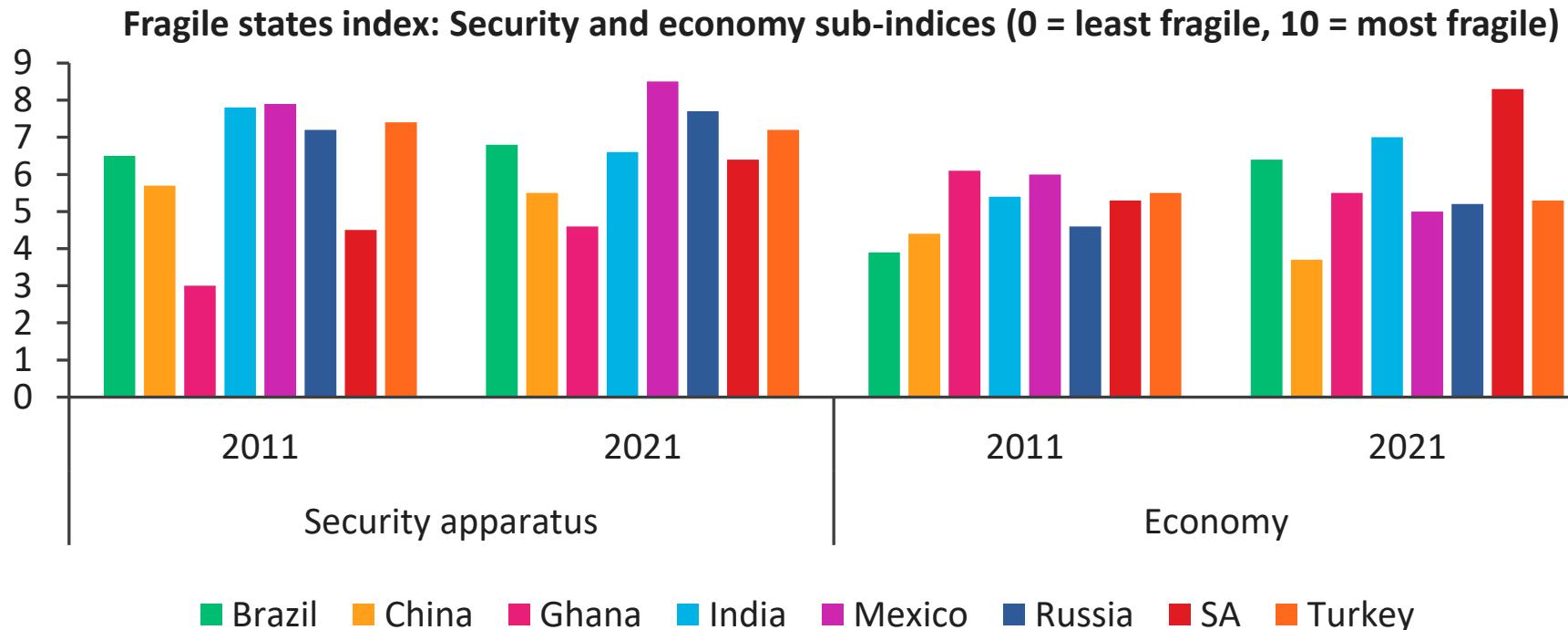
Longer-term fiscal concerns

Still much work to be done to place the country on a sustainable debt path



Endemic corruption has further crippled service delivery

Good governance necessary to promote development



momentum
investments

MFP
OUTCOME MATTERS

Thank you