

Weekly Economic Update

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2 Key developments to impact our markets last week 25bp repo rate increase | Minimum wage



Increase in the repo rate

SA Reserve Bank Monetary Policy Committee increased repo rate by 25 basis points: 6.50% to 6.75%

This decision was split 50/50 between committee members, as predicted by market analysts in the run up to the meeting due to improvement in the near-term inflation profile:

Headline CPI inflation forecast to average 4.7% in 2018

down from 4.8%, with a gradual increase to 5.6% in Q3 2019.

averaging 5.5% and 5.4 % in 2019 and 2020

from previous forecasts of 5.7% and 5.4%.

Core inflation is forecast to average 4.3% in 2018 and 5.3% in 2019

both lower than at the last MPC meeting in September.

Economic growth has been revised 0.1% lower to 0.6% in 2018

Resulting in lower growth in economic activity until after 2020. Medium-term inflation risks evaluated on the upside,

including rising interest rates and reduction in liquidity globally

and the associated potential weakness of the rand with other emerging market currencies.

Hike now or later?

To prevent hiking at an aggressive pace later, the SARB decided to hike by 25bp now, which allows our economy to adjust.

President Ramaphosa signed the minimum wage bill into law

The new minimum wage is

R20 per hour

across all sectors from 1 January 2019.

This will benefit +- 6 million employees currently earning < R3700 pm.



Business confidence index to be released this week

RMB/BER business confidence index comes out in Q4 2018...

with expected improvements. Last year 62% of business executives were dissatisfied with prevailing business conditions. Jobs and the investment summit indicate greater certainty in the macroeconomic policy configuration and legislated minimum wage may boost consumer expenditure.

Also coming soon:

FNB/BER consumer confidence

Private sector credit extension

October trade and budget balances

Trade and budget balances expected to print wider deficits, which will likely push the currency weaker and bond yields higher from levels we saw post the interest rate hike.

Looking globally

G20 meetings take place in Argentina this weekend

with a focus on the future of work, infrastructure for development and a sustainable food future.

Trade negotiations between the US and China will likely dominate discussions as one of the biggest risks to global growth, even though not on the formal agenda.



Brexit negotiations and Italy's budget discussions with the European Commission continue... which is tearing markets apart at a time when world leaders are agreeing on globalisation as the way to go.

[Click here to watch the video or to listen to the podcast.](#)