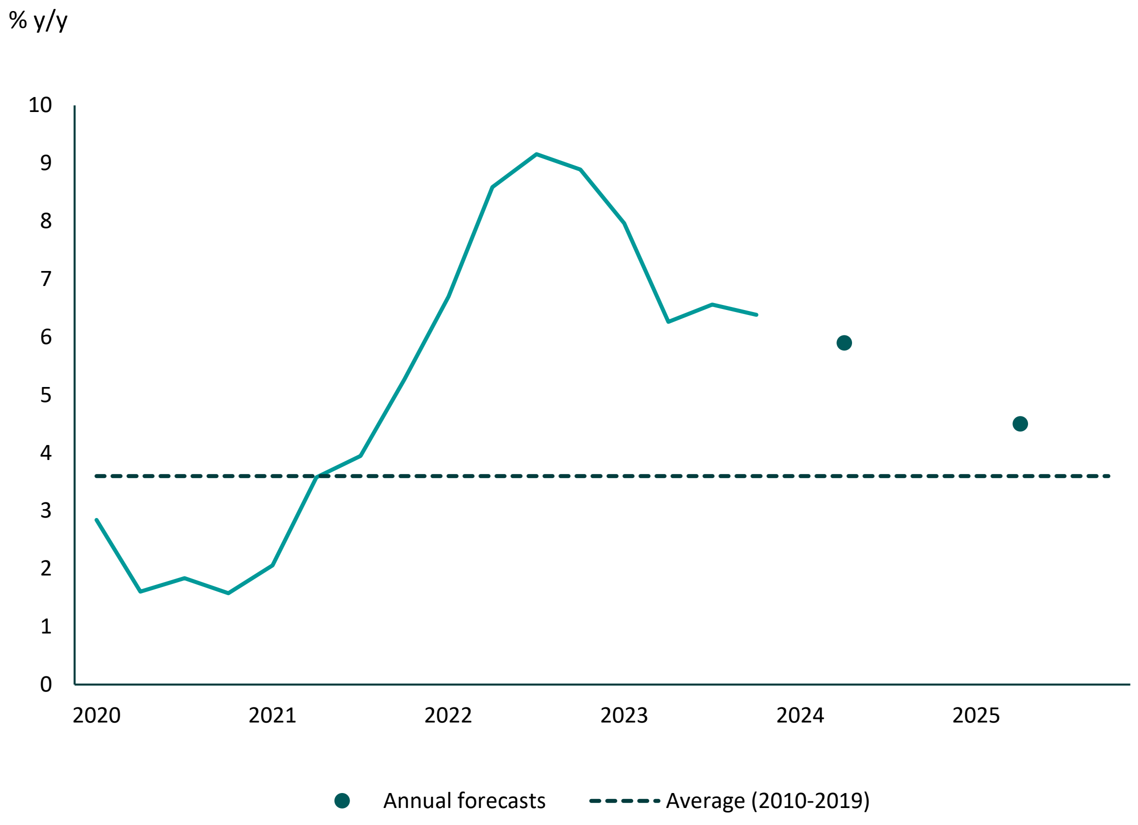
FNB Economics

Economic Update

2024

The global view: Inflation moderating, but still a distance to target



- Global inflation to remain sticky only drifting lower
- Major Central Banks to start a mild rate cutting cycle in 2024, but DM real rates elevated compared to pre-covid
- **Geopolitics tensions to persist for some time, risk premia in respective financial and commodity markets**
  - Middle East situation remains fluid
  - Russia-Ukraine conflict to remain as 'war of attrition' - no direct NATO involvement
  - US-China de-coupling and tariffs to continue, risk of acceleration dependent on the US election

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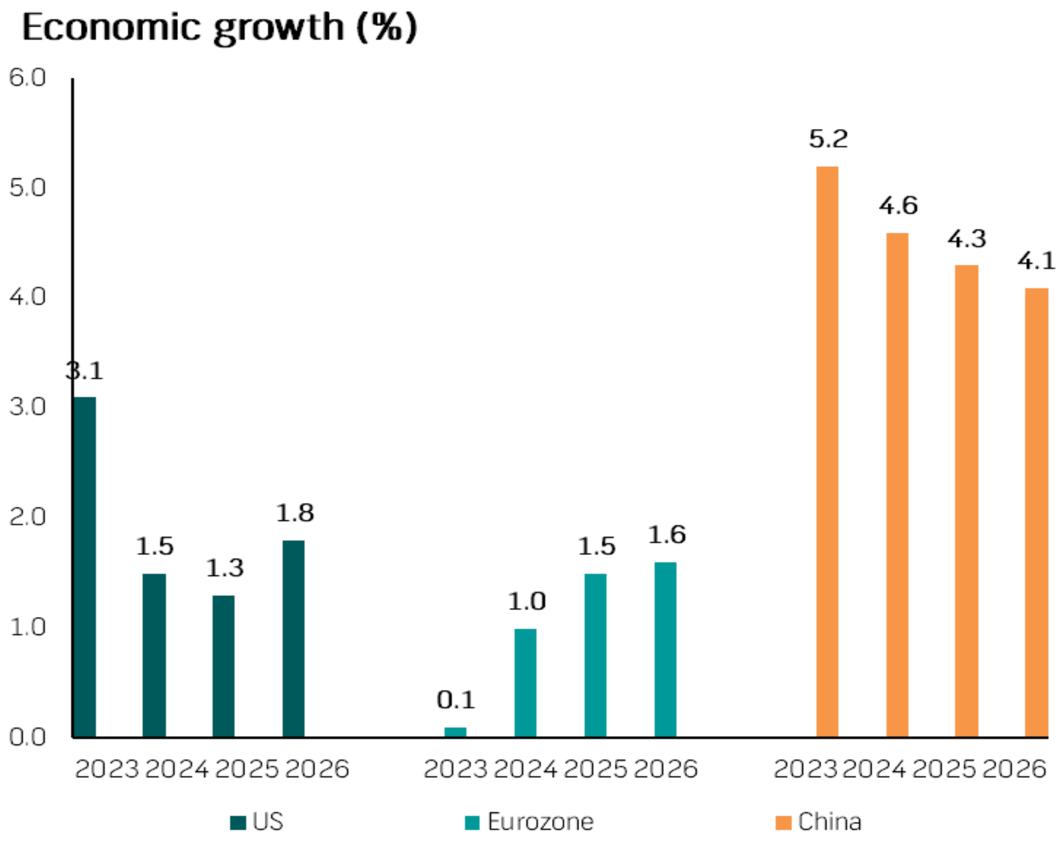
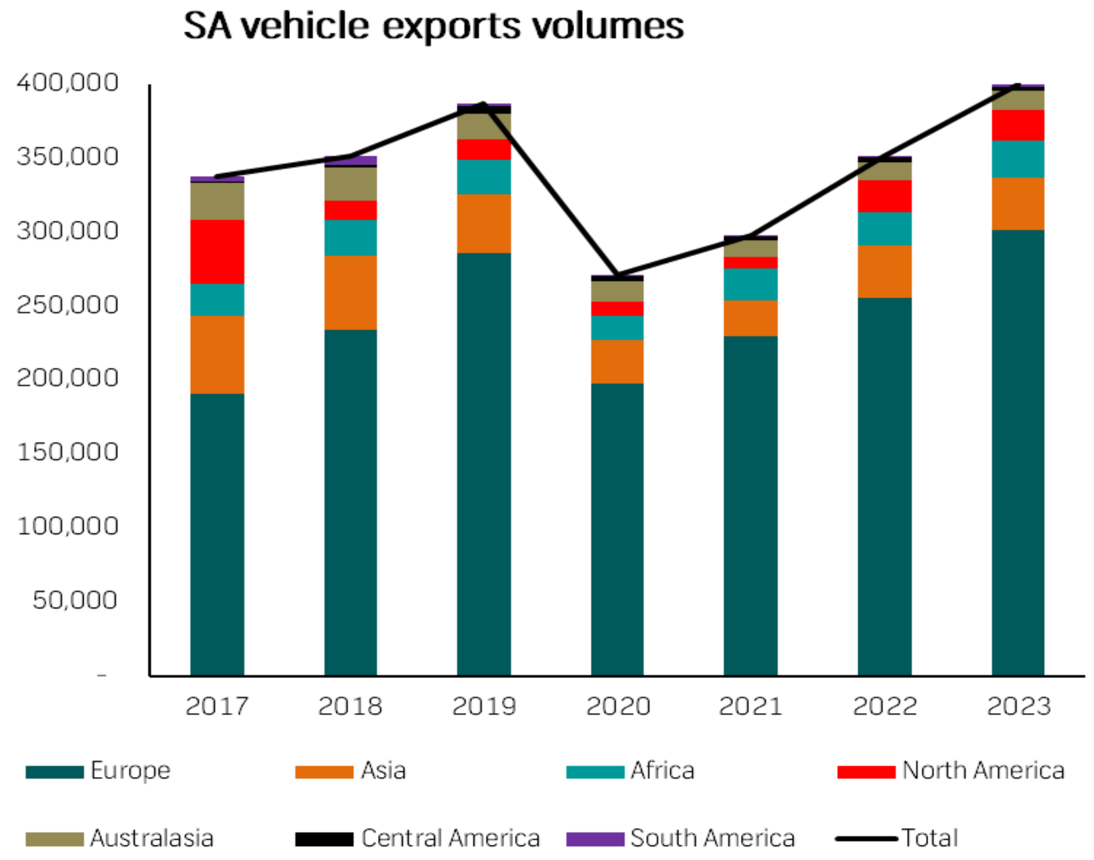
Source: SAAMSA, FNB Economics

Outlook for major trading partners: mixed growth prospects and implications





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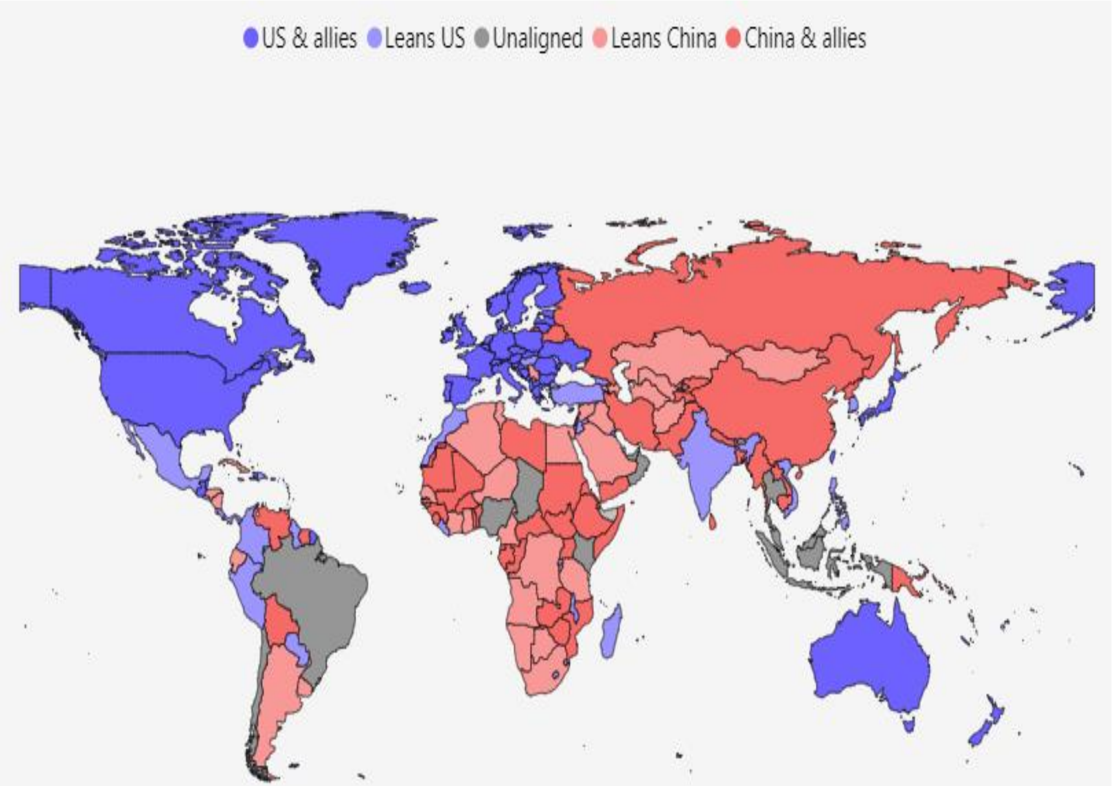
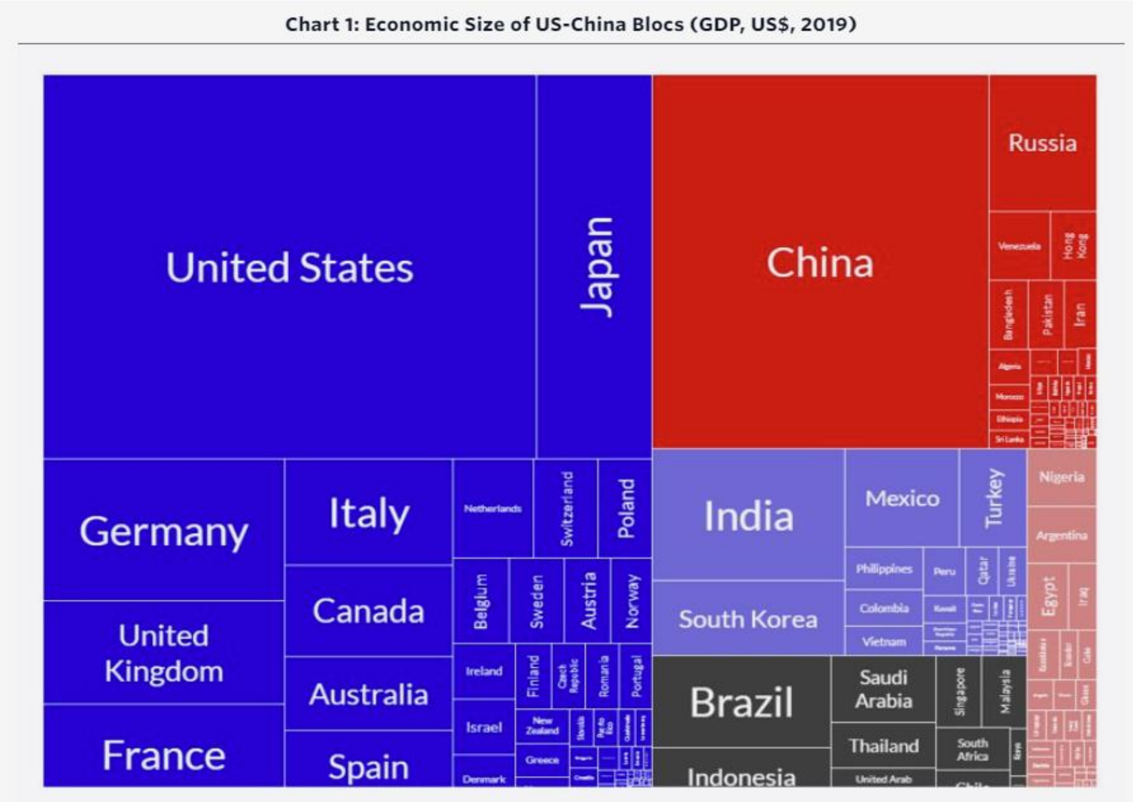
Source: IMF, World Bank, FNB Economics

Geopolitical state of play





- Increased geofracturing / de-coupling now a top risk for global economic activity.
- The China bloc is home to slightly more of the world's people than the US bloc (46% vs. 43%). **However, the China bloc generates only 27% of the world's GDP, compared with 67% from the US bloc.**
- Decoupling trends to accelerate, increased tariffs and supply chain re-organsation of the two blocs.
    - This would lead to inefficiencies; inflationary pressures; tariffs; private sector credit required; increased risk premia.

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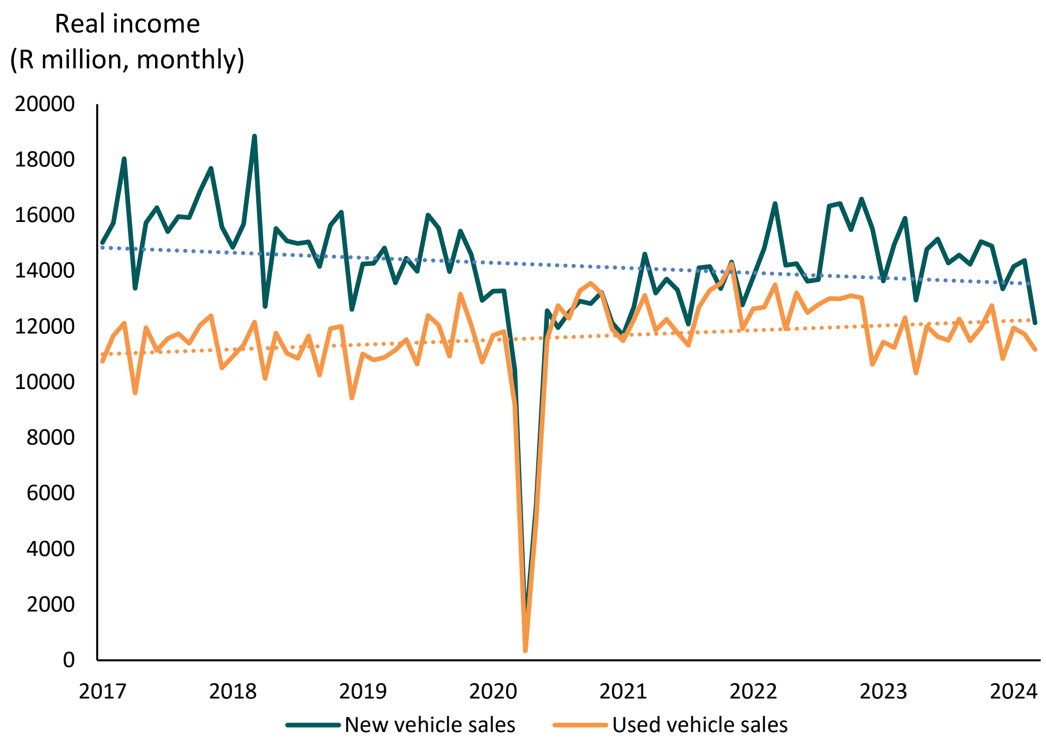
Source: Capital Economics, FNB Economics

Weak consumer fundamentals are impacting the automotive sector



YTD (January to May) growth performance

	Passenger	LCV	MCV	HCV	EHV	Buses
YTD2023	-1.7	14.4	11.7	-14.1	21.9	29.8
YTD2024	-6.3	-6.1	-6.4	1.7	-0.2	25.0

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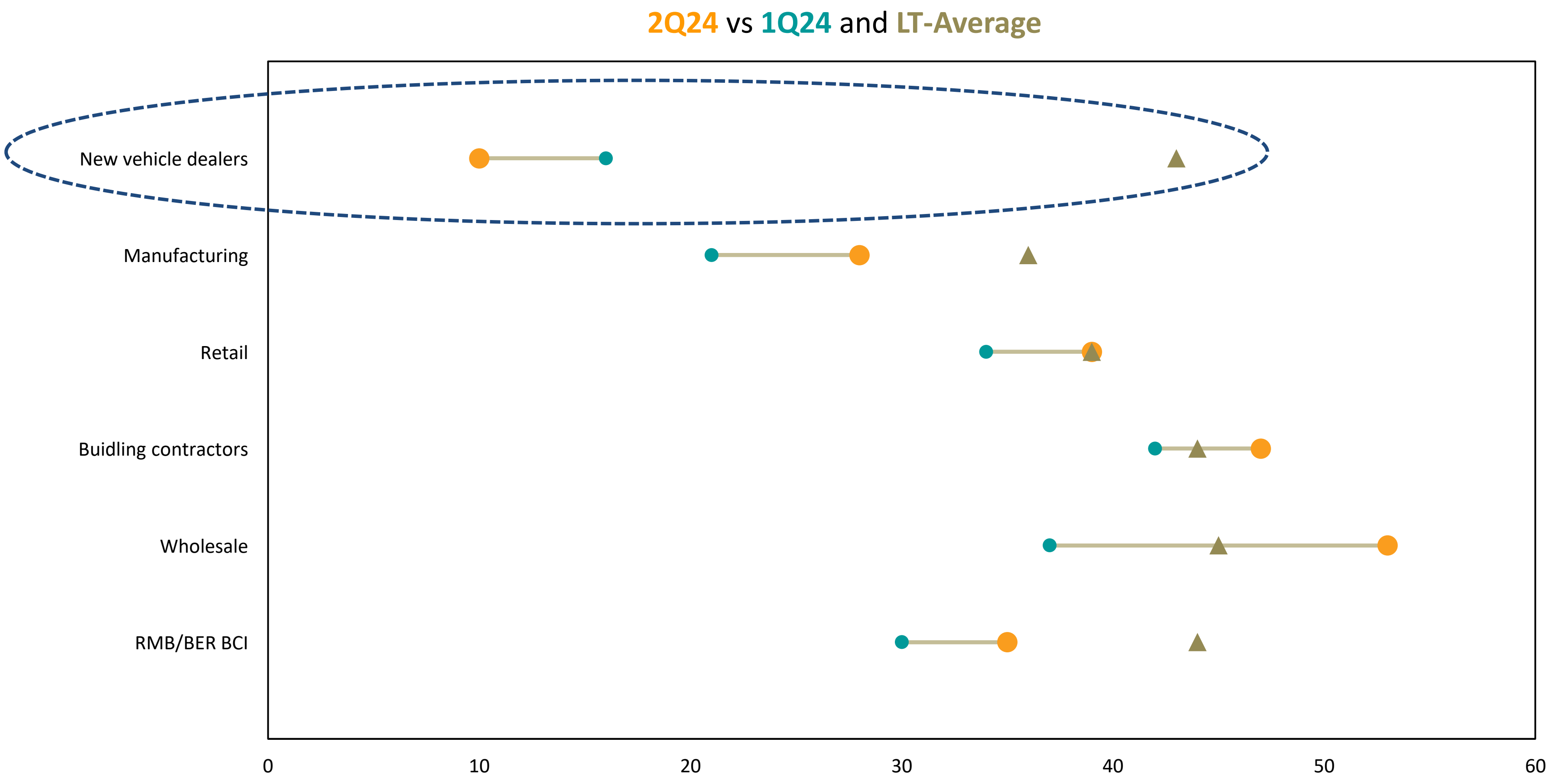
Source: Stats SA, SARB, FNB Economics

Weak consumer fundamentals are impacting the automotive sector, with divergent sentiment



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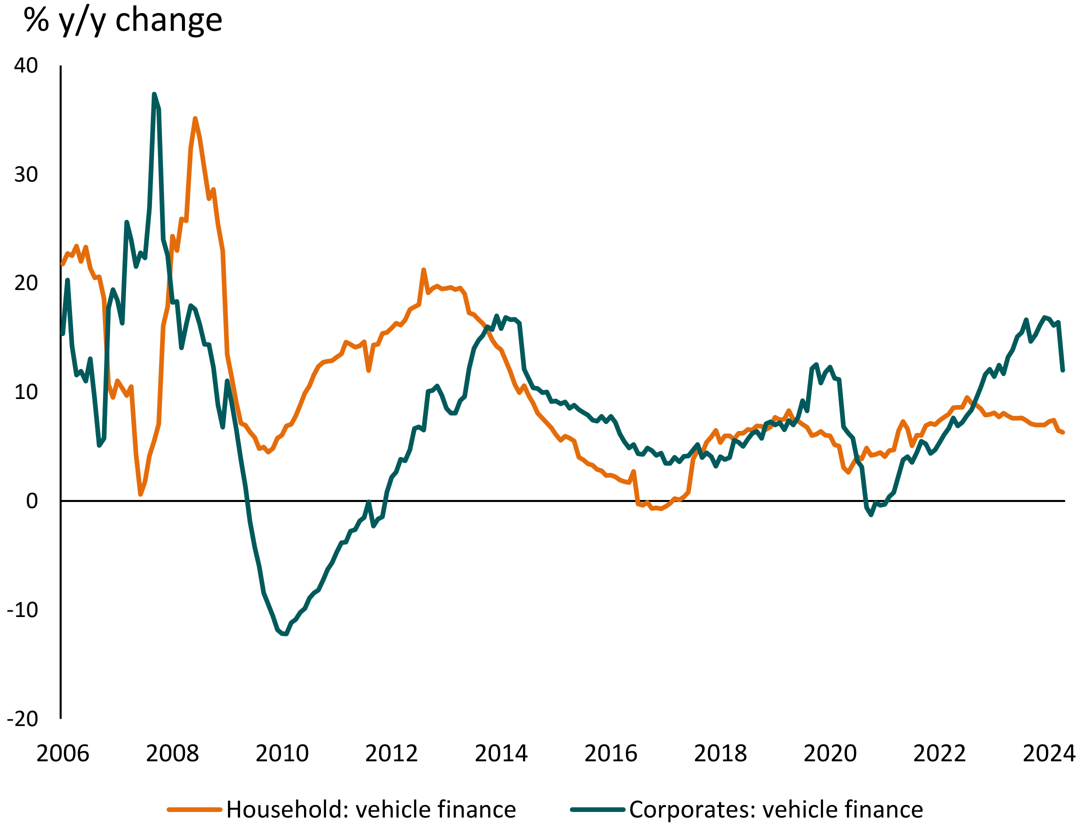
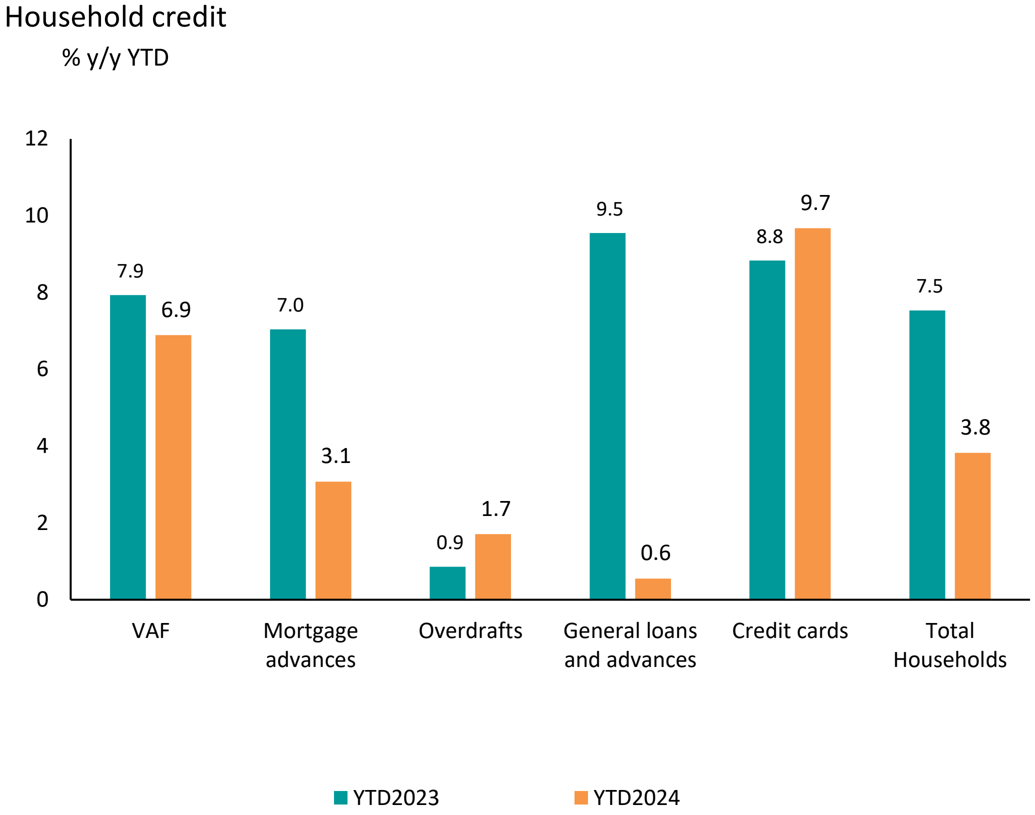
Source: BER, FNB Economics

.....vehicle financing still moderately supportive





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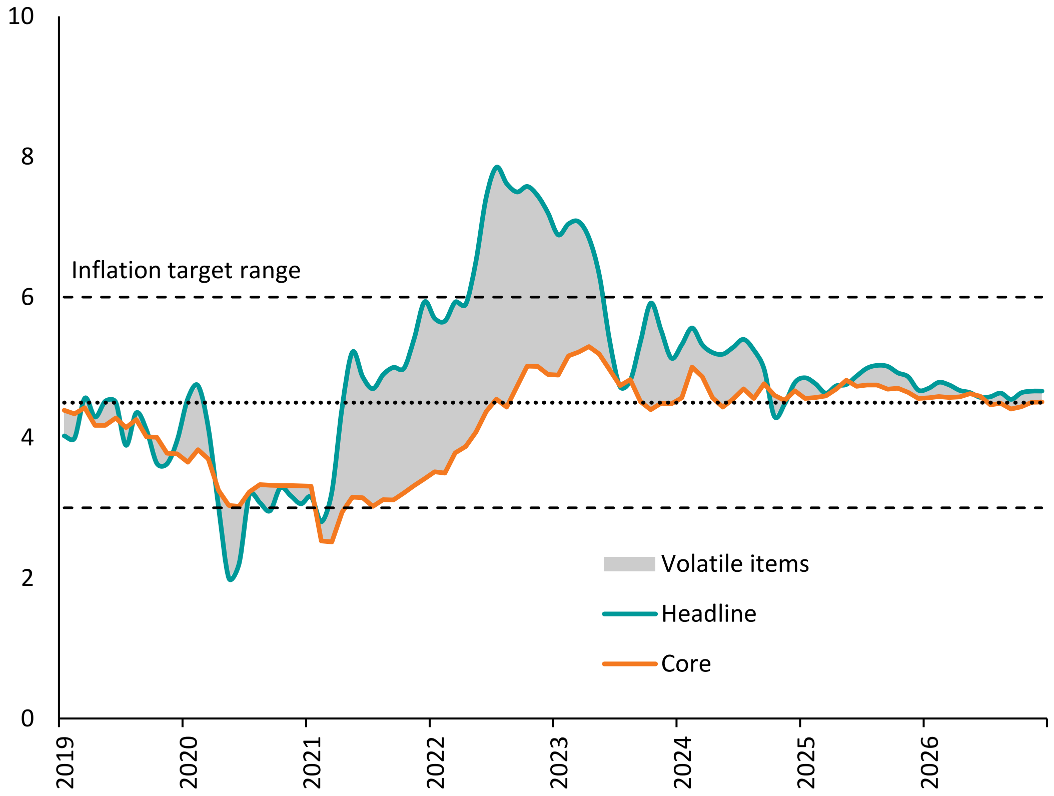
Source: SARB, FNB Economics

Falling inflation should ease some of the near-term pressure on activity

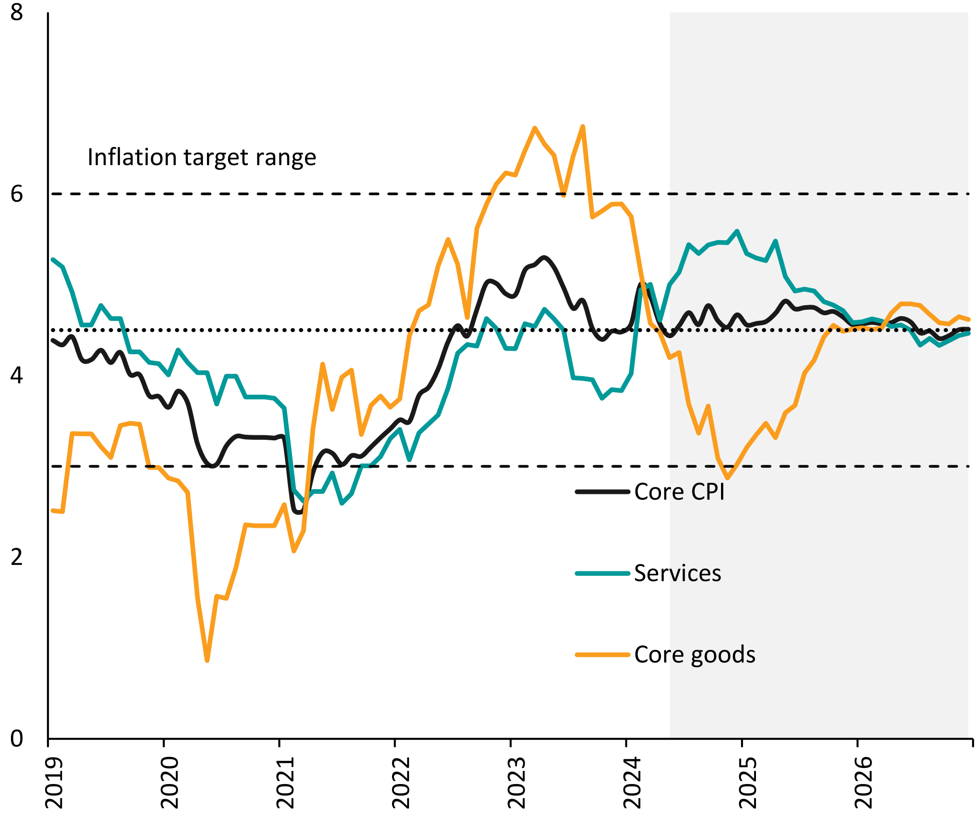
Headline vs core

% y/y



Core inflation

% y/y



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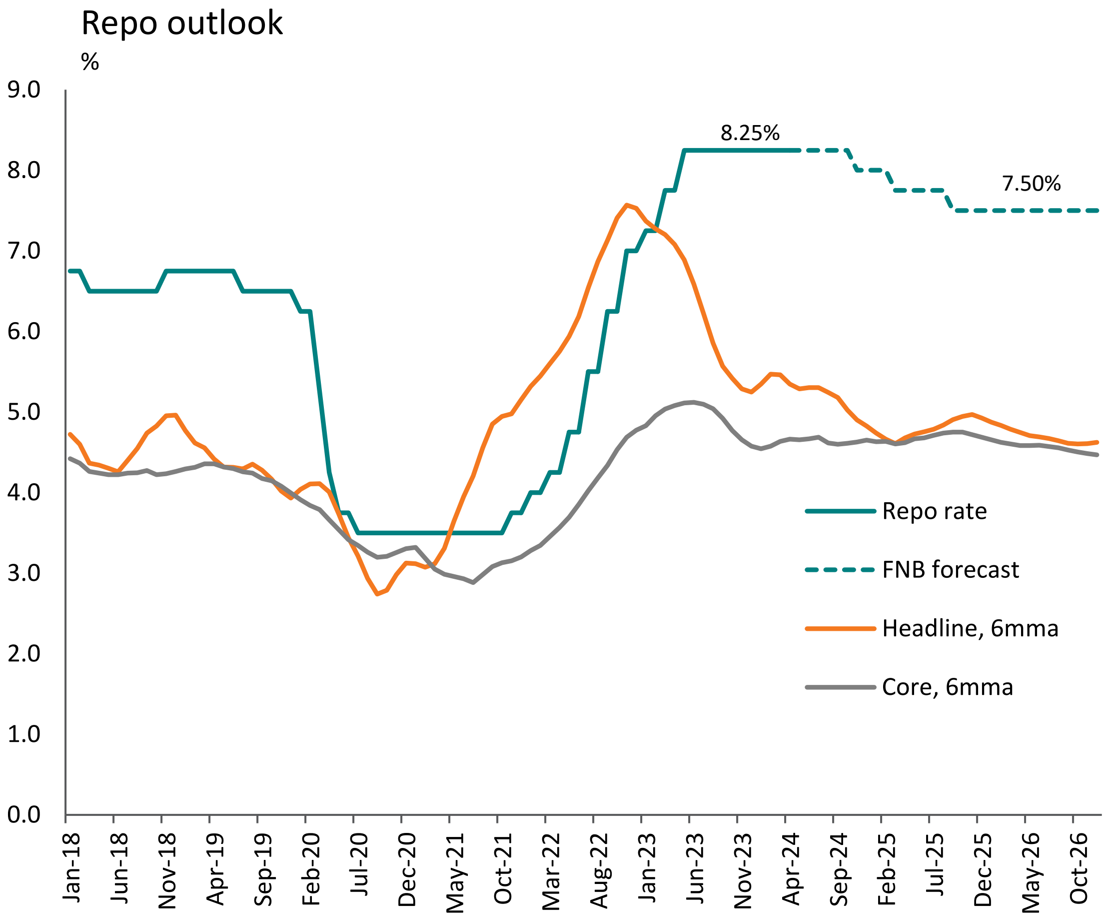
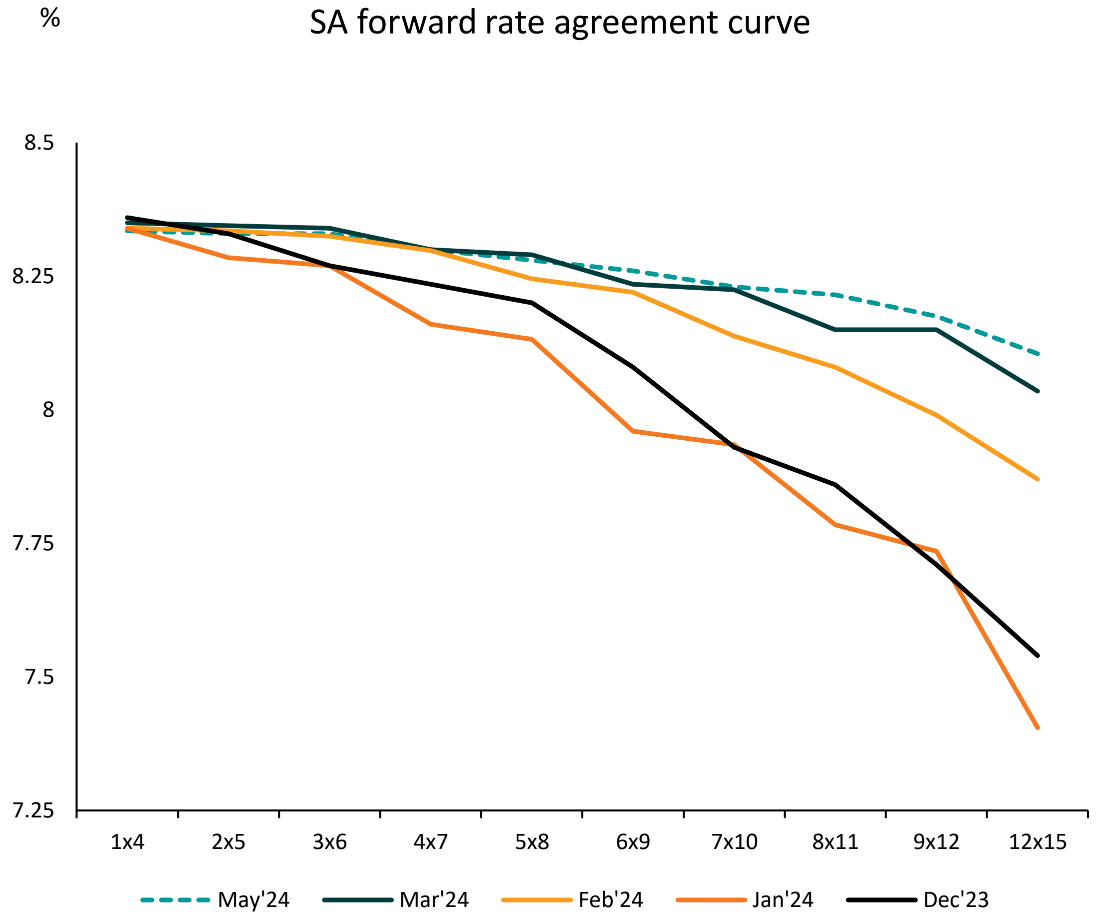
Source: Stats SA, FNB Economics

Supporting a fall in interest rates, although at a slow pace





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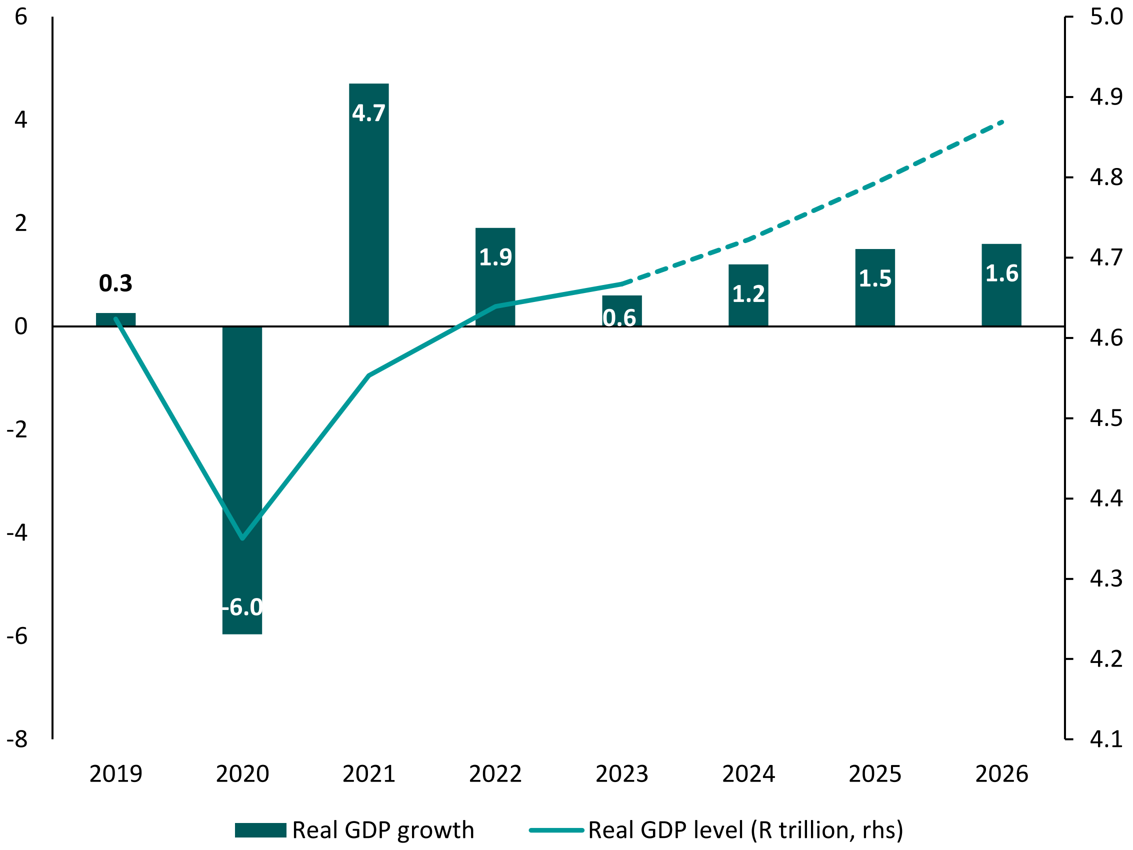
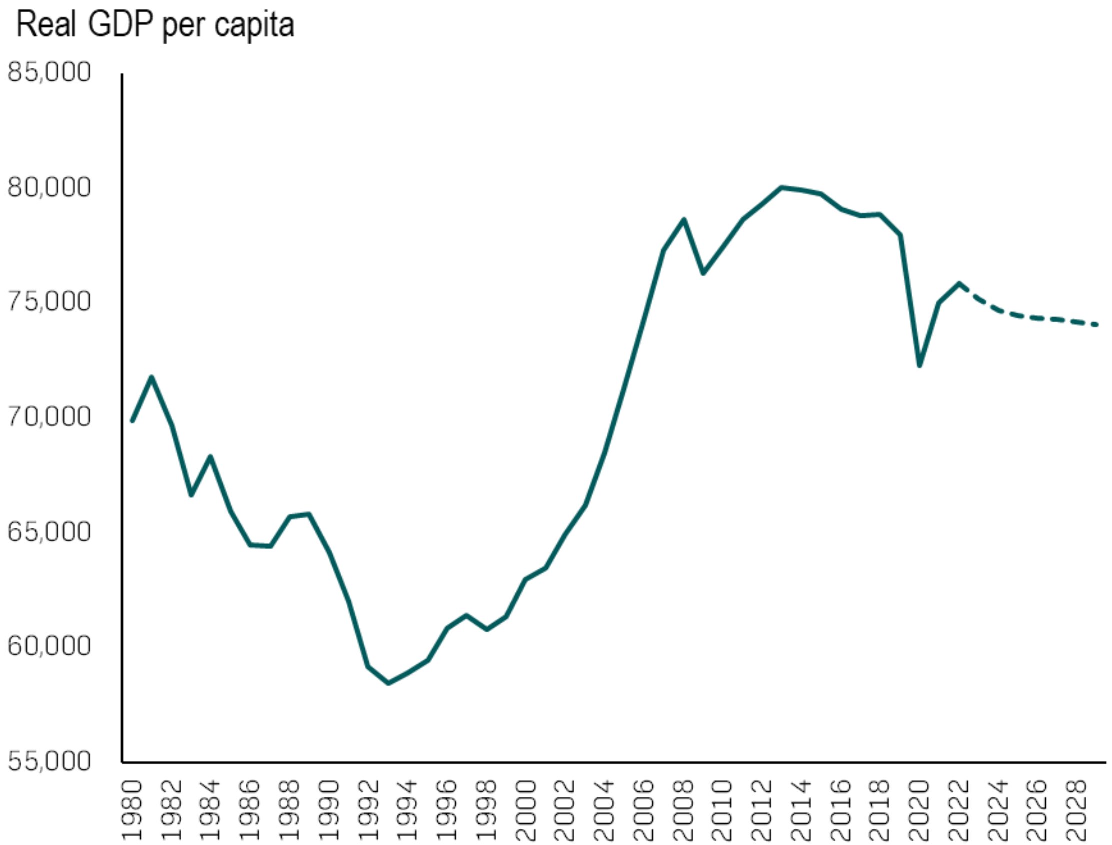
Source: Stats SA, Reuters, FNB Economics

Thus, the growth outlook is modest





GDP growth (%)	2023a	2024	2025	2026	2024-2026
Reuters consensus (April 2024)	0.6	1.1	1.6	1.8	**1.5**
FNB Economics	0.6	1.2	1.5	1.6	**1.4**

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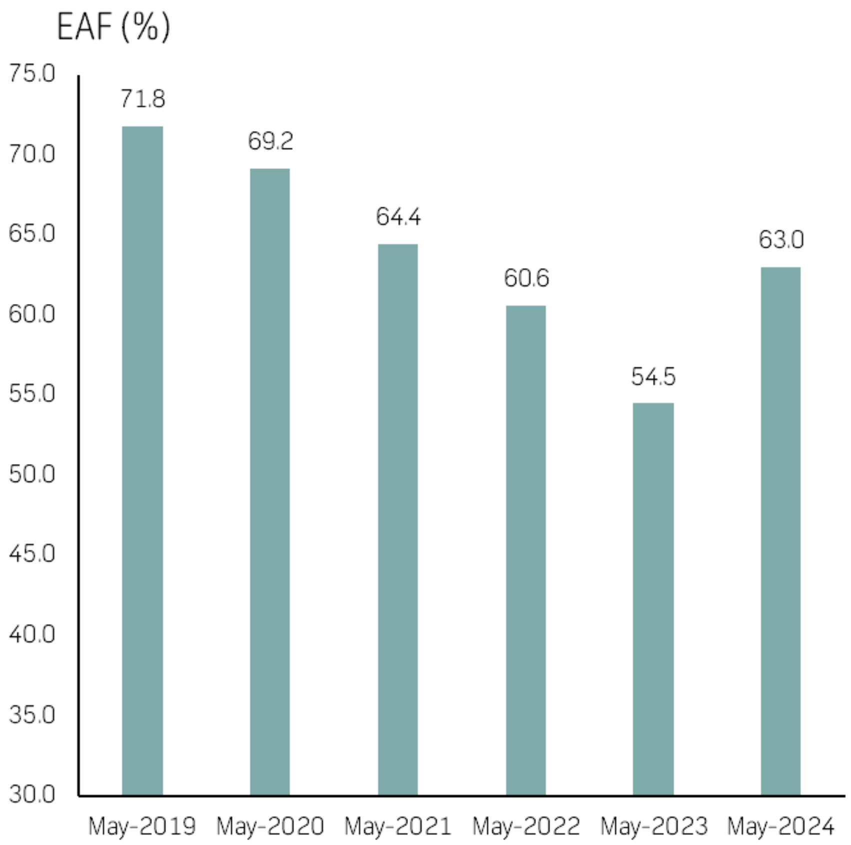
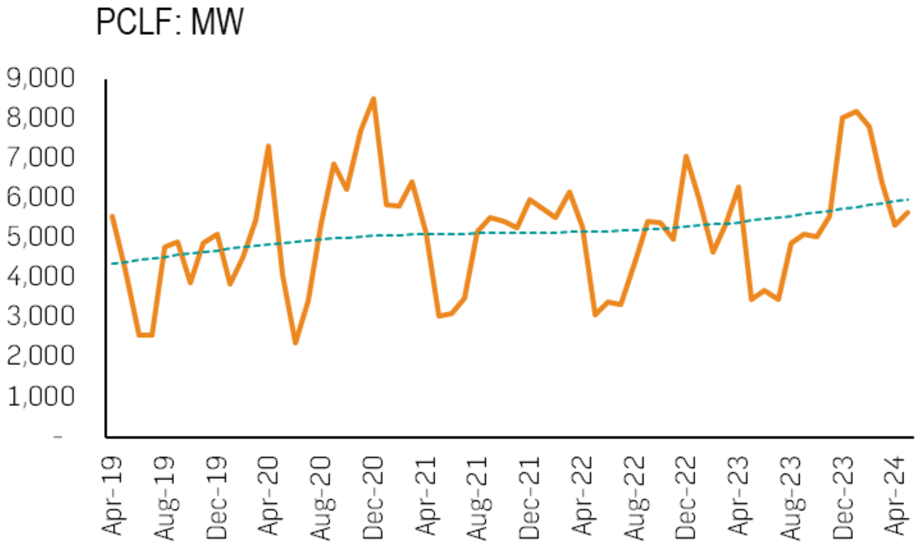
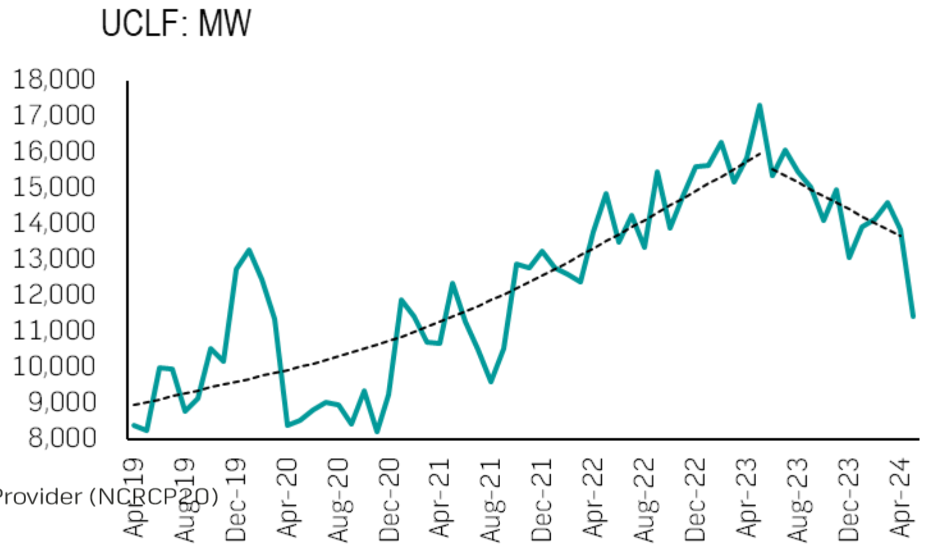
Source: Stats SA, Reuters, FNB Economics

But the reform agenda is underway, with the energy constraint already easing the growth outlook is modest







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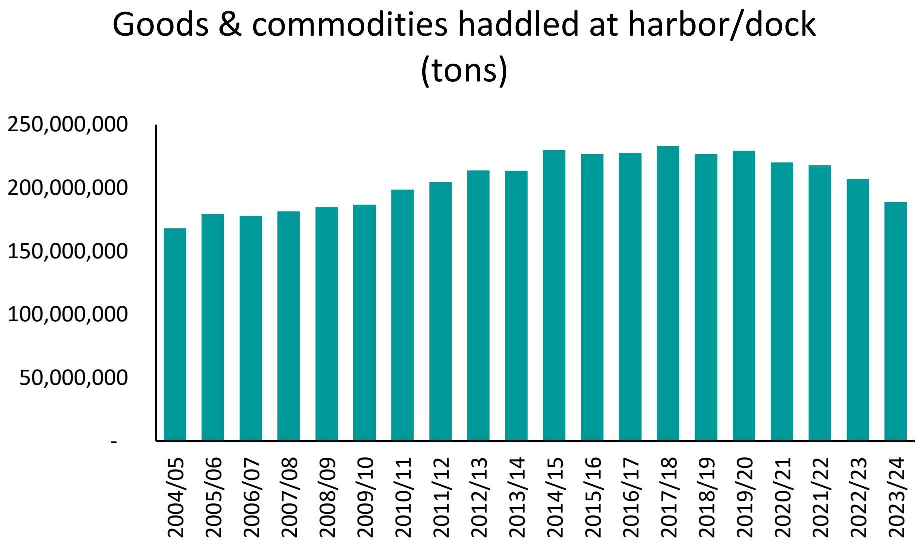
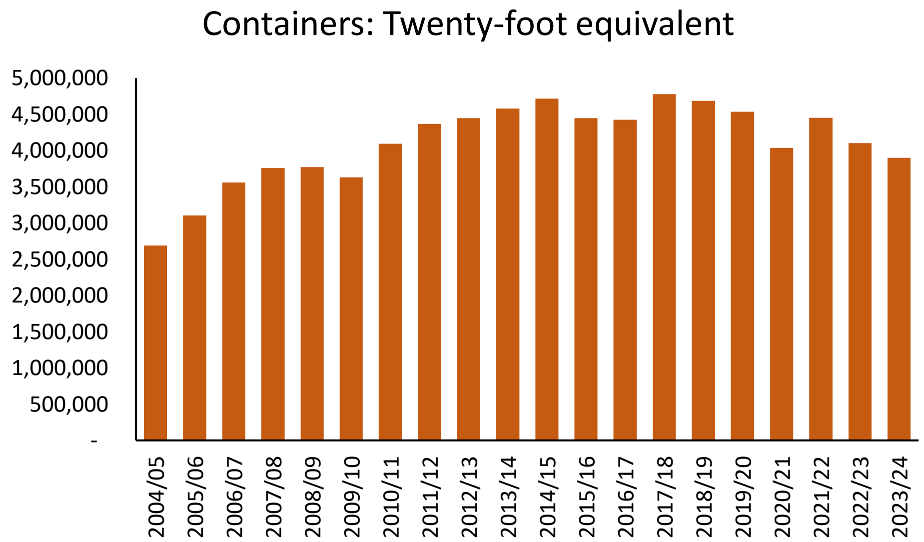
Source: Eskom, FNB Economics

Tracking freight rail and port performance – no trend improvement yet





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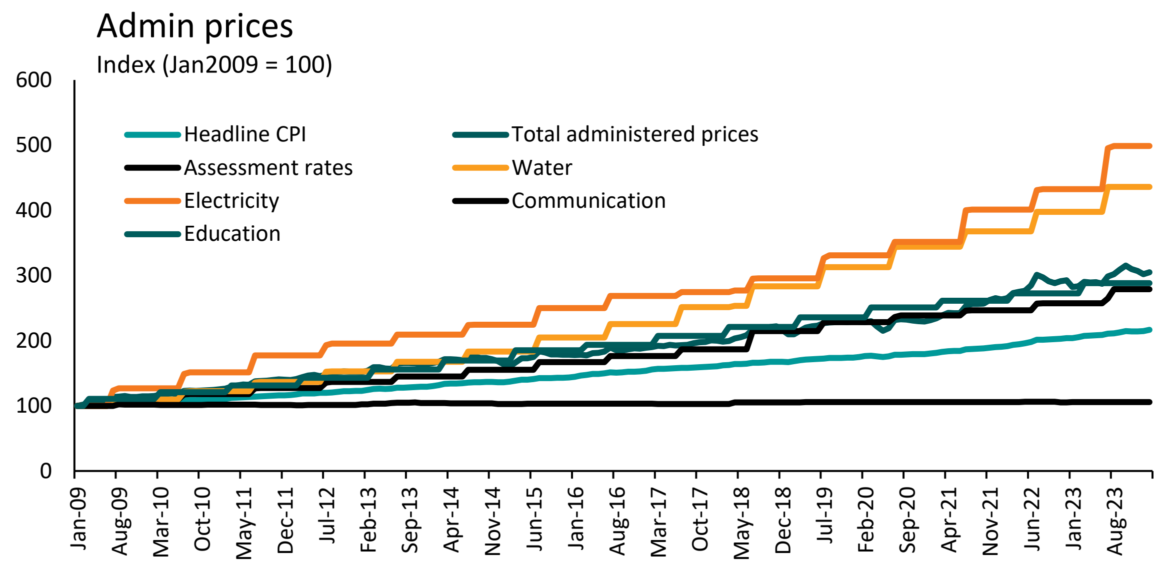
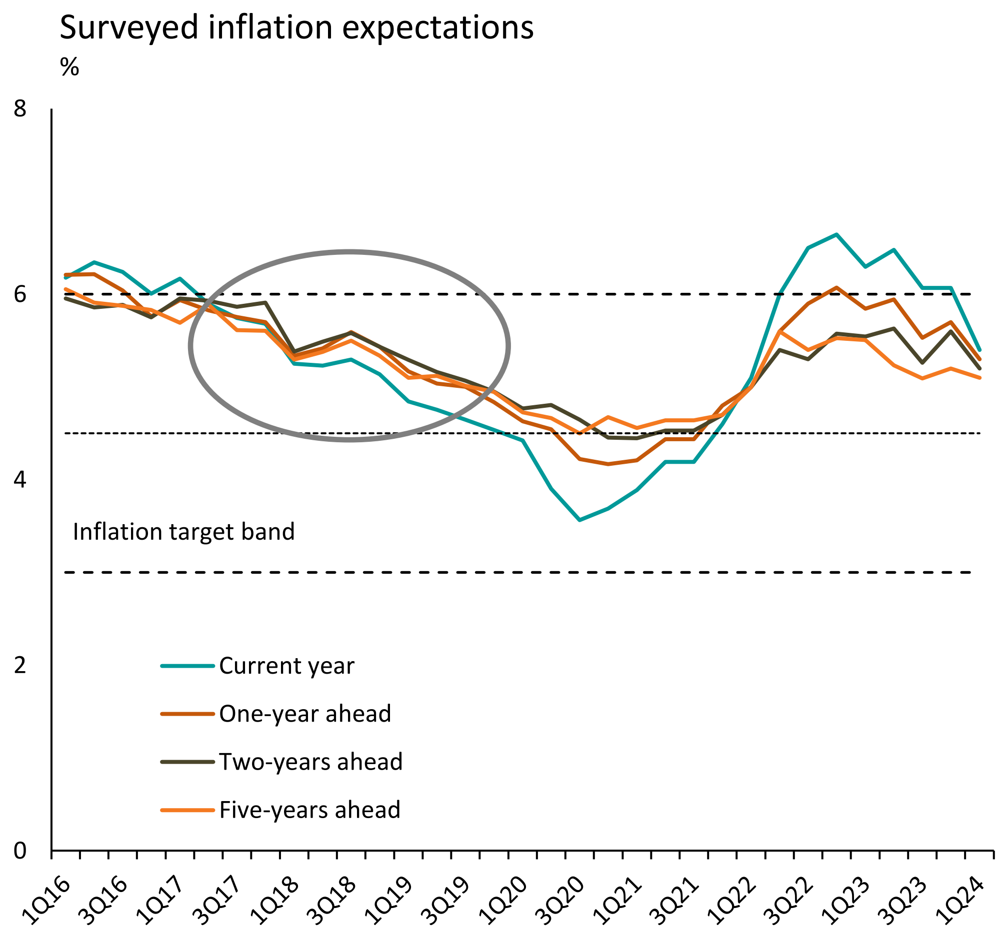
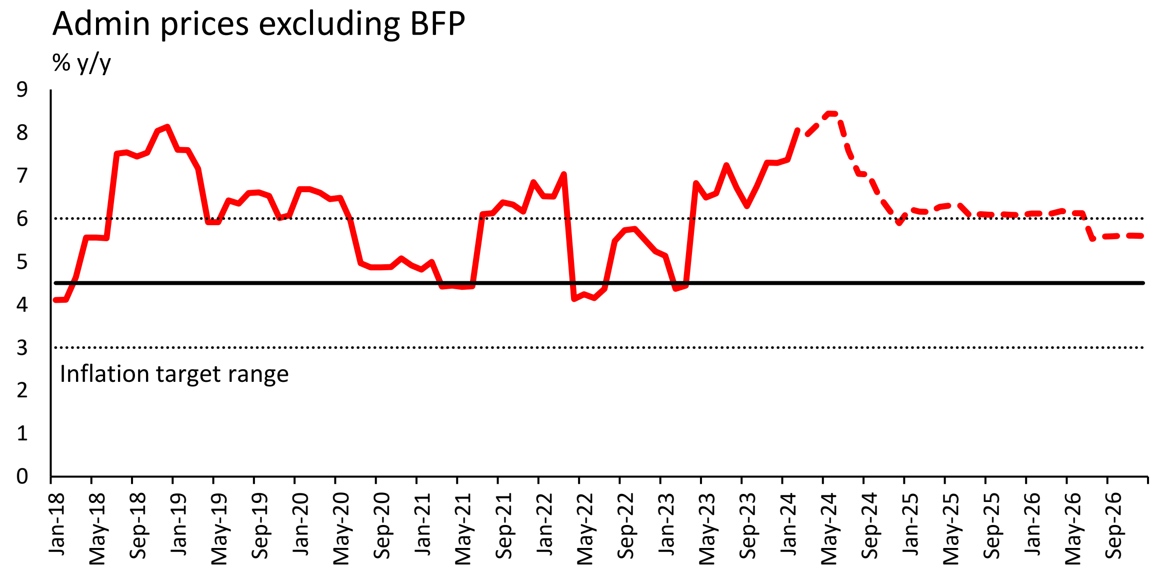
Source: Stats SA, SARB, Transnet, FNB Economics

The SARB pursues a lower target?

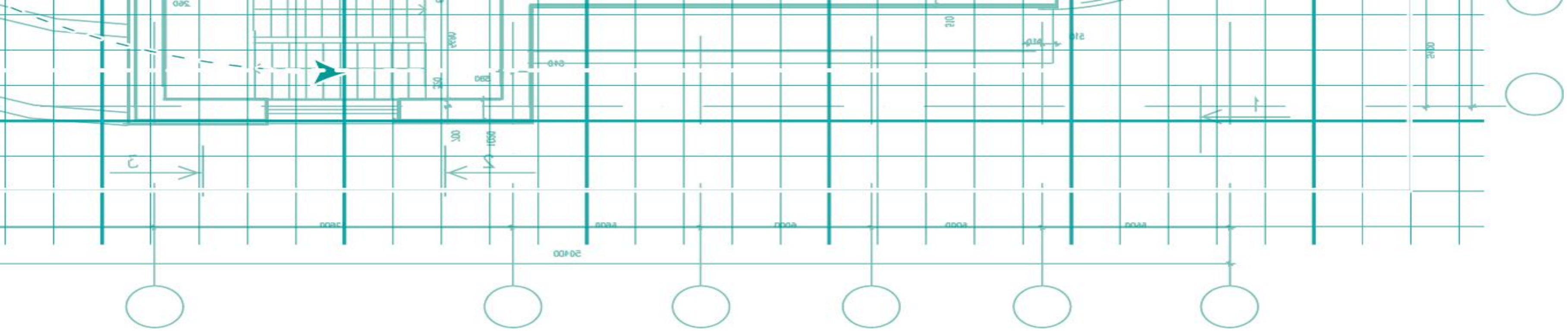






d Credit Provider (NCRCP20)

Source: Stats SA, SARB, Transnet, FNB Economics



Thank you

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