

# Weekly Economic Briefing

*For the week ending 2 July 2021*

## HIGHLIGHTS

### South Africa

1. The number of confirmed Covid-19 cases rose to 26 485 on 3 July from 5 073 on 6 June, a 2021 low of 437 on 6 April, and exceeded the second wave peak of 21 980 on 8 January.
2. The number of vaccinations exceeded 3,3 million by 4 July.
3. The South African Reserve Bank celebrated its centenary on 30 June.
4. The Policy Uncertainty Index (PUI) compiled by the North West University (NWU) Business School eased to 50,3 in the second quarter 2021 from 55,2 in the first quarter 2021 and a record 59,8 in the first quarter 2020.
5. The Bureau for Economic Research's Consumer Confidence Index (CCI) eased to -13 in the second quarter from -9 in the first quarter.
6. Rio Tinto declared force majeure on customer contracts at Richards Bay Minerals (RBM) and has ceased operations "until the safety and security position improves".
7. Comair said it will suspend all Kulula and BA flights in South Africa for three weeks from 5 July.
8. The South African Recovery Tracker (SART) edged up another 1,5 points to 92,1 in June, its highest level since the pandemic erupted.
9. The Square Kilometer Array (SKA) was given the final approval on 29 June and will spend € 2bn over the period 2021 – 2030.
10. The Quarterly Employment Statistics showed that there was a 9 000 q/q decline in the first quarter 2021 and formal non-farm employment was 552 000 less than in the first quarter 2020.
11. The number of liquidations rose to 191 in May from 158 in April and 216 in March after easing by 0,3% in 2020 to 2 035
12. There were only two insolvencies in April 2021 compared with seven in April 2020 after declining by 38,5% in 2020 to 1 852.
13. The number of tourists rose to 177 251 in April from 157 638 in March and 90 165 in February, while overseas tourists increased to 19 915 from 17 548 and 10 745.
14. The household debt to disposable income ratio eased to 75,3% in the first quarter from a revised 75,4% (75,3%) in the fourth quarter.
15. The ratio of industrial and commercial inventories plunged to a record low of 8,1% in the first quarter and fourth quarter from 9,2% in the third quarter.
16. Despite the record bounce in economic activity in the third quarter, the South African Reserve Bank has not yet determined when the downturn that started in December 2013 has ended.
17. The national saving rate (gross saving as a percentage of nominal GDP) rose to 18,0% in the first quarter from 14,2% in the fourth quarter.
18. The average wage settlement rate in collective bargaining agreements eased to a record low of 4,5% in the first quarter 2021 from 6,5% in the first quarter 2020 and 6,3% for the full year 2020.
19. The trade weighted rand averaged 92,93 in June from 90,96 in May, 89,7 in April, 86,5 in March, 86,88 in February and 84,56 in January.
20. The volatility in the trade weighted rand rose to 4,71% in June from 4,34% in May, 2,35% in April, 4,83% in March, 4,05% in February and 5,5% in January 2021.
21. Broad M3 money supply growth eased to 1,02% y/y in May from 2,02% y/y in April and 3,62% y/y in March, while narrow M0 money supply rose by 2,95% from 5,24% y/y after a 3,48% y/y fall.
22. Commercial banks cut other loans and advances by R3,1bn m/m in May 2021 and is R116,1bn below the April 2020 total.
23. The real trade weighted exchange rate index rose to 108,97 in April from 105,1 in March, 106,57 in February, 103,96 in January and 105,77 in December.
24. The foreign trade surplus rose to a new record of R54,6bn in May from a revised R51,3bn (R51,2bn) in April.
25. Despite the implementation of the African Free Trade Agreement in January 2021, exports to the rest of Africa only rose by 27,0% y/y in the first five months of 2021 compared with a 53,7% y/y growth for total exports.
26. The US was once again our top export destination in May as it was in April.
27. The trade surplus with the US narrowed to \$1,1bn in May from \$1,13bn in April, \$860m in March, \$606m in February and \$471m in January.
28. Despite a 12,3% y/y jump in electricity consumption in May 2021, this was still 2,9% below that of May 2019
29. Imports of electricity fell by 10,5% y/y in May after a 12,0% y/y drop in April and a 19,2% y/y slump in March, while exports grew by 7,4% y/y after jumping by 13,3% y/y and a 22,9% y/y slump.
30. The power supplied by non-Eskom producers accounted for 10,1% of total generation in May from 9,6% in April, 10,2% in March, 11,3% in February and a record 11,9% in December.

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31. Eskom's Energy Availability Factor (EAF) rose to 68,2% in week 25 from 67,04% in week 24 and 65,58% in week 23
32. New vehicle sales eased to 38 030 in June 2021 from 38 337 units in May 2021, 35 779 units in April 2021, 12 874 units in May 2020, only 574 units in April 2020 and 45 939 units in June 2019.
33. New vehicle exports recovered to 28 384 in June from 23 425 in May 2021, 26 522 units in April and a record 44 566 units in August 2019.
34. The Bureau for Economic Research (BER) manufacturing index eased to 57,3 in June from 57,8 in May, 56,2 in April, 57,4 in March, 53,0 in February, 50,9 in January and a record 60,9 in October.
35. Government's cash balances increased by R108,017bn in June to a record R412,863bn
36. The fiscal deficit narrowed to R5,4bn in May 2021 from R80,3bn in April 2021 and R51,2bn in April 2020.
37. The retail petrol price will be raised by 26 cents per litre (c/l) on 7 July and the wholesale price of diesel will increase by 42 c/l.

## Rest of Africa

38. The central bank of Angola raised its benchmark lending rate by 450 basis points to 20,0%.
39. UAE port operator DP World and the government of Somaliland opened a new container terminal in the Berbera port.
40. Consumer inflation in Kenya rose to 6,32% y/y in June from 5,87% y/y in May and 5,76% y/y in April.
41. The Mauritian economy contracted by 8,7% y/y in the first quarter after a 11,3% y/y decline in the fourth quarter.
42. Morocco's economy expanded by 1,0% y/y in the first quarter after a 6,0% y/y decline in the fourth quarter.
43. The Nigerian PMI eased to 53,6 in June from 54,4 in May after being steady at 52,9 in April and March from 52,0 in February, and a record low of 37,1 in April 2020.
44. The central bank of Seychelles cut its benchmark lending rate by 100 basis points to 2,0%.
45. Senegal's economy expanded by 5,1% y/y in the first quarter after a 2,9% y/y rise in the fourth quarter.
46. Consumer inflation in Uganda rose to 2,0% y/y in June from 1,9% y/y in May, 2,1% y/y in April and 2,7% y/y in March.
47. Uganda's economy expanded by 6,2% y/y in the first quarter after a 0,7% y/y rise in the fourth quarter.
48. Consumer inflation in Zimbabwe eased to 106,6% y/y in June from 161,91% y/y in May and 837,53% y/y in July 2020.

## International

49. The number of confirmed cases of coronavirus around the world neared 185 million on 4 July.
50. Although the year is only half over, more people have already been infected and killed by the coronavirus in 2021 than in 2020.
51. More than 18 000 Americans died of Covid-19 in May, and only 150 of them were fully vaccinated.
52. A new study by scientists at the National Institutes of Health (NIH) finds that the official count of coronavirus cases before the country's devastating second wave surge was way, way off.
53. A total of 130 nations reached an agreement on a global minimum tax.
54. Private equity broke a 40-year record with deals valued at \$500bn in the first half of this year.
55. Chinese President Xi Jinping warned on 1 July, the centenary of the founding of the Chinese Communist Party, that anyone who tries to bully China "will face broken heads and bloodshed."
56. The fear of being censured if "bad" data is released is making China's statistics more unreliable.
57. Vietnam's economy expanded by 6,61% y/y in the second quarter after a 4,65% y/y rise in the first quarter.
58. Bank of England (BoE) Chief Economist Andy Haldane said inflation is likely to finish the year close to 4%, posing the biggest challenge to policy makers since the pound plunged on 16 September 1992.
59. The International Monetary Fund raised its forecast for US GDP growth this year to 7,0% and warned that the US Federal Reserve should raise rates towards the end of 2022.
60. The Congressional Budget Office (CBO) doubled its forecast for US economic growth in fiscal 2021 to 7,4% and said it expected the federal budget deficit to decline slightly to about \$3 trillion despite higher coronavirus aid spending.
61. The US S&P CoreLogic Case-Shiller 20-city home price index rose by 14,9% y/y in April after a 13,4% y/y gain in March.
62. US nonfarm payrolls rose by 850 000 in June.
63. The percentage of US workers who teleworked due to the corona virus pandemic dropped to 14,4% in June from 16,6% in May and 24,3% in August 2020, when the data on this was first collected.
64. US announced job cuts fell to 20 476 in June from 24 586 in May, 22 913 in April and 30 603 in March.
65. US initial jobless claims fell by 51 000 w/w to 364 000 in the week ending 26 June.
66. US employers who have struggled to find workers have turned to teenagers to fill openings with the unemployment rate for 16- to 19-year-olds falling to 9,5% in June 2021, the lowest rate since May 1953, from 24,5% in June 2020.
67. The full impact of extended unemployment benefits on US job growth won't be known until after September when 70,6% of those receiving benefits are terminated.
68. The US Conference Board's Consumer Confidence Index rose to 127,3 in June from a revised 120,0 (117,2) in May.
69. Wall Street's fear gauge, the Chicago Board Options Exchange Volatility Index, or VIX, has tumbled to pre-pandemic levels.

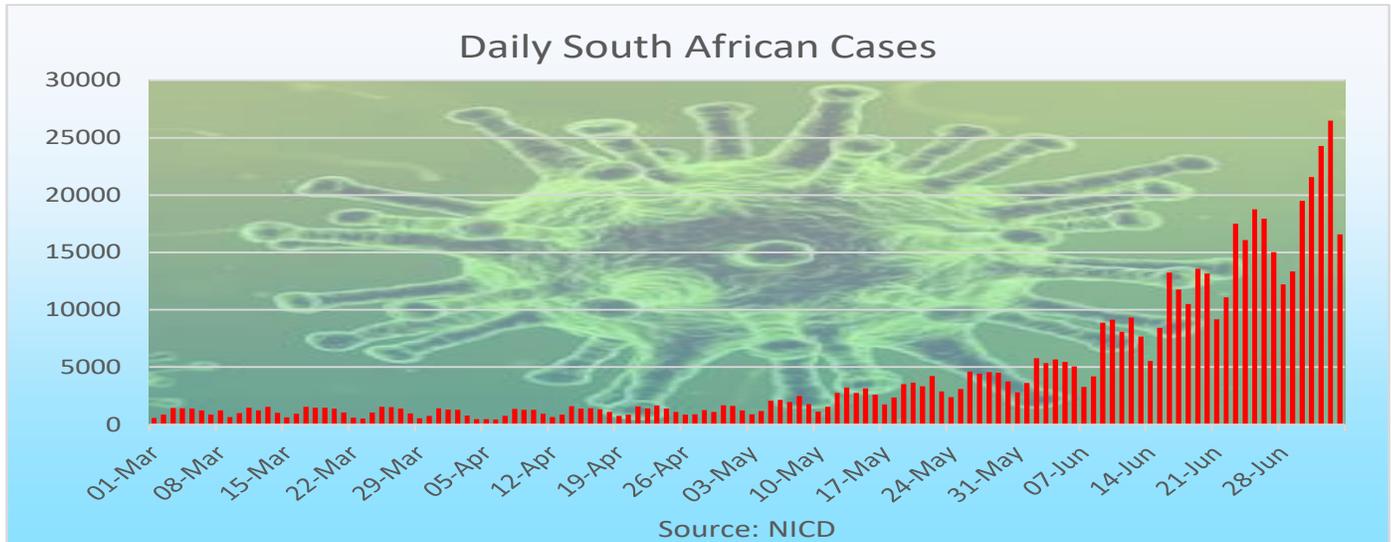
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70. Suppliers to major US retailers such as Walmart, Target, Amazon.com have told Reuters they are placing holiday orders for Chinese-made merchandise weeks earlier this year, as a global shipping backlog threatens to leave many gift buyers empty-handed this Christmas shopping season.
71. US light motor vehicle sales declined 9,8% m/m in June to a seasonally adjusted annualised rate of 15,4 million units.
72. Ford is cutting its North American vehicle production in July due to an ongoing shortage of semiconductor chips.
73. The US foreign trade deficit widened to \$71,2bn in May from \$69,1bn in April.
74. The US Pacific Northwest is sitting under a “heat dome”, while water is scarce in the Southwest.
75. Consumer inflation in the Eurozone eased to 1,9% y/y in June from 2,0% y/y in May and 1,6% y/y in April.
76. Consumer inflation in Iran rose to 47,6% y/y in June from 46,9% y/y in May and 49,5% y/y in April.
77. Consumer inflation in Kazakhstan rose to 7,9% y/y in June from 7,2% y/y in May after being steady at 7,0% y/y in April and March after being steady at 7,4% y/y in February and January.
78. Consumer inflation in Pakistan eased to 9,7% y/y in June from 10,87% y/y in May, 11,1% y/y in April, 9,05% y/y in March, 8,7% y/y in February and 5,65% y/y in January.
79. Consumer inflation in Paraguay rose to 4,5% y/y in June from 3,7% y/y in May after being steady at 2,5% y/y in April and March after being steady at 2,6% y/y in February and January after being steady at 2,2% y/y in December and November.
80. Consumer inflation in Peru rose to 3,25% y/y in June from 2,45% y/y in May.
81. Consumer inflation in Turkey rose to 17,53% y/y in June from 16,59% y/y in May, 17,14% y/y in April and 16,19% y/y in March.
82. Confidence at Japanese big manufacturers rose for a fourth straight quarter due to a boost to exports and profits from a pick-up in external demand.
83. Brazil's unemployment rate rose to a record 14,7% in three months to April from 14,2% in three months to January.
84. Japan's unemployment rate rose to 3,0% in May from 2,8% in April.
85. Russia's unemployment rate eased to 4,9% in May from 5,2% in April.
86. The number of foreign tourist arrivals in Spain rose to 1,3636 million in May.
87. Australia's foreign trade surplus rose to a record AUD 9,68bn in May from AUD 8,16bn in April.
88. The Brazil manufacturing index rose to 56,4 in June from 53,7 in May, 52,3 in April 2021, 52,8 in March, 58,4 in February, 56,5 in January, 61,5 in December, 64,0 in November, a record high of 66,7 in October 2020 and a record low of 36,0 in April 2020.
89. The China manufacturing index eased to 51,3 in June from 52,0 in May, 51,9 in April, 50,6 in March and 50,9 in February.
90. The Eurozone manufacturing index rose to a record 63,4 in June from 63,1 in May, 62,9 in April 2021, 62,5 in March from 57,9 in February, 54,8 in January and a record low of 33,4 in April 2020.
91. The India manufacturing index eased to 48,1 in June from 50,8 in May, 55,5 in April 2021, 55,4 in March, 57,5 in February and a record low of 27,4 in April 2020.
92. The Indonesia manufacturing index eased to 53,5 in June from a record high of 55,3 in May, 54,6 in April 2021, 53,2 in March, 50,9 in February and a record low of 27,5 in April 2020.
93. The Japan manufacturing index eased to 52,4 in June from 53,0 in May, 53,6 in April, 52,7 in March, 51,4 in February and 49,8 in January.
94. The Russia manufacturing index eased to 49,2 in June from 51,9 in May, 50,4 in April 2021, 51,1 in March, 51,5 in February and 31,3 in April 2020.
95. The South Korea manufacturing index rose to 53,9 in June from 53,7 in May, 54,6 in April after being steady at 55,3 in March and February.
96. The UK manufacturing index eased to 63,9 in June from a record 65,6 in May, 60,9 in April 2021, 58,9 in March, 55,1 in February and April 2020's record low of 32,6.
97. The US ISM manufacturing index eased to 60,6 in June from 61,2 in May, 60,7 in April 2021, 64,7 in March, its strongest level since 1983, from 60,8 in February and 41,5 in April 2020.
98. The global manufacturing index eased to 55,0 in June from 56,0 in May, 55,9 in April 2021, 55,0 in March, 53,9 in February and 39,8 in April 2020.
99. The monthly average OPEC Reference Basket (ORB) rose to \$71,89 per barrel in June from \$66,91 in May, \$63,21 in April, \$64,56 in March, \$61,05 in February, \$54,38 in January and \$17,64 in April 2020.
100. A new International Energy Agency (IEA) report says growth of hydropower plants globally will slow significantly this decade.

## South Africa

1. The number of confirmed Covid-19 cases rose to 26 485 on 3 July from 5 073 on 6 June, a 2021 low of 437 on 6 April, and exceeded the second wave peak of 21 980 on 8 January. The first case was only reported on 5 March 2020 and as at 4 July 2021, the total stands at 2 062 896. The seven-day average is also rising and was 19 143 in the seven days ending 4 July from 4 591 in the seven days ending 6 June and a low of 779 in the seven days ending 7 April. Health authorities did not seem to anticipate the severity of the third wave, especially in Gauteng, where there has been a marked shortage of ICU beds.

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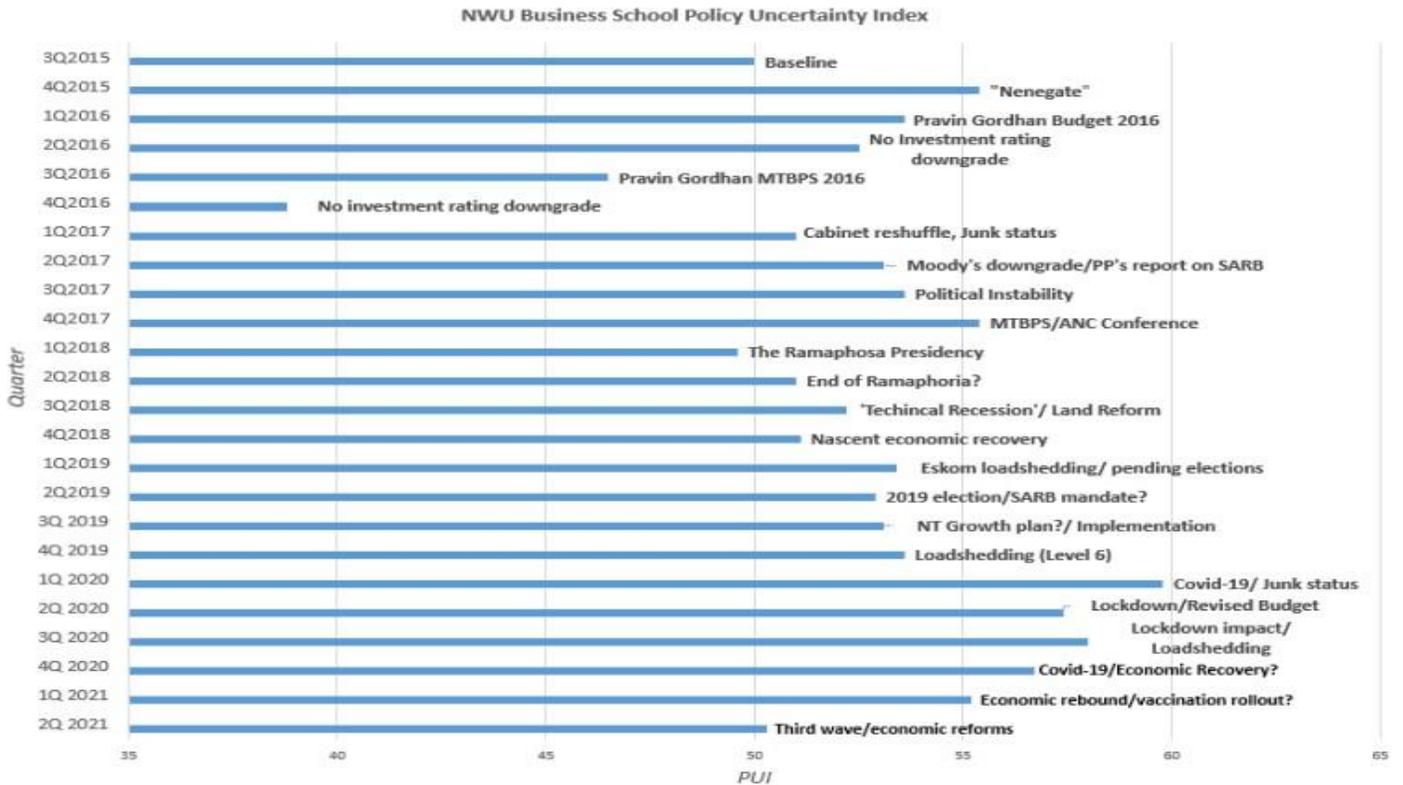


2. **The number of vaccinations exceeded 3,3 million by 4 July.** There has been a ramp-up in the pace of vaccinations with people over the age of 50 now being able to access the vaccine.
3. **The South African Reserve Bank celebrated its centenary on 30 June.** To commemorate the occasion, it issued a R5 coin, but due to Covid restrictions, actual song and dance were missing from this event.

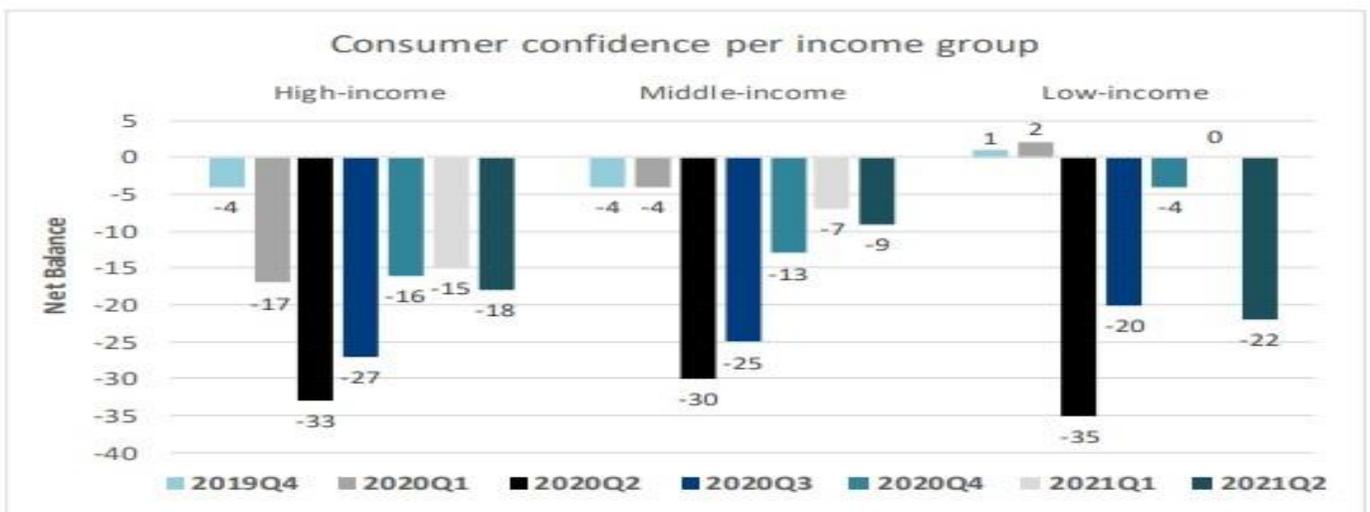


4. **The Policy Uncertainty Index (PUI) compiled by the North West University (NWU) Business School eased to 50,3 in the second quarter 2021 from 55,2 in the first quarter 2021 and a record 59,8 in the first quarter 2020.** The PUI is published in January, April, July and October of each year with a rise above 50 reflecting heightened policy uncertainty, while a decline in the PUI means reduced uncertainty. It was previously in positive territory in the first quarter 2018 at the time of "Ramaphoria".

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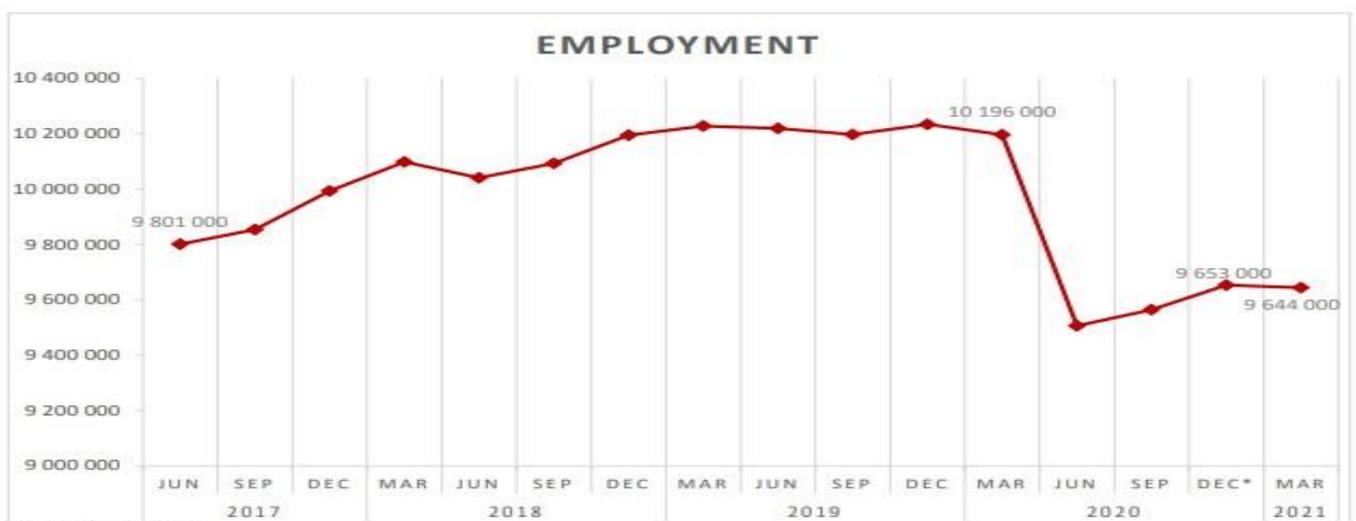
5. **The Bureau for Economic Research's Consumer Confidence Index (CCI) eased to -13 in the second quarter from -9 in the first quarter.** A breakdown of the CCI per household income group shows profoundly diverging results for the different income groups in South Africa. From an income group perspective, the decline in the overall CCI can largely be attributed to a major deterioration in the confidence levels of low-income households (earning less than R 2 500 per month), with the low-income confidence index plunging from zero to -22 index points during the second quarter. Low-income households turned very pessimistic about the outlook for the economy; no longer expect their household finances to improve over the next year; and now consider the present time as highly inappropriate to purchase durable goods. At -22 index points, low-income confidence is now even marginally below the level of -20 recorded during the third quarter of 2020.



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6. **Rio Tinto declared force majeure on customer contracts at Richards Bay Minerals (RBM) and has ceased operations “until the safety and security position improves”.** “Following the tragic death of our colleague, Nico Swart, RBM has faced serious challenges in recent weeks, with business disruptions orchestrated by criminals which have put its people at risk and resulted in the costly destruction and theft of property. This follows in the footsteps of previous violent incidents,” RBM said. RBM said its direct contribution to the South African economy in 2020 was R8bn, including wages and salaries to more than 5 000 employees. The restart of the Blyvooruitzicht gold mine west of Johannesburg was recently shut for several weeks in the face of intimidation after one of its directors and the leader of its in-house union was shot dead.
7. **Comair said it will suspend all Kulula and BA flights in South Africa for three weeks from 5 July.** Sun International also announced that all but two of its hotels and resorts would be closed during the two-week level 4 period, with many smaller businesses in the hospitality sector having made the same decision.
8. **The South African Recovery Tracker (SART) edged up another 1,5 points to 92,1 in June, its highest level since the pandemic erupted.** The overall index was dragged higher by improvements in both the Google Mobility (+2,4 pts) and sentiment (+0,5 pts) indices. A deterioration in the health trends (-1,5 pts) category countered the improvement somewhat. In general, the surge in cases in July and subsequent containment measures put in place will decrease mobility and lower consumer expenditure. The timing of the restrictions put in place will result in a weak start to third quarter economic activity.
9. **The Square Kilometer Array (SKA) was given the final approval on 29 June and will spend € 2bn over the period 2021 – 2030.** Over the past few years, the excitement in the science community about using the SKA telescopes to answer some of the most fundamental questions about our Universe has been growing. Recent meetings have demonstrated this huge scientific interest. For example, close to 1 000 scientists took part in the latest SKA Science Meeting in March. In addition, more than 1,000 researchers are involved in the SKA’s Science Working Groups. These researchers come from hundreds of institutions across 40 countries. These working are working to ensure that humankind can promptly realise the maximum science potential of the new observatory. The procurement of major contracts for the SKA telescopes will start immediately. Furthermore, the SKA have already conducted some market surveys in the past few weeks. Over the coming months, the SKAO will place some 70 contracts within its Member States. Competitive bidding will subsequently begin within each country. The first significant activity on site is due to happen early next year, with the telescope’s construction lasting until 2028. The telescopes will have a productive scientific lifetime of 50 years or more.
10. **The Quarterly Employment Statistics showed that there was a 9 000 q/q decline in the first quarter 2021 and formal non-farm employment was 552 000 less than in the first quarter 2020.** Total formal sector nonfarm employment fell to 9 644 000 in March 2021 or barely 16% of South Africa’s estimated population of 60 million. This was largely due to decreases in the following industries: trade (-40 000 or -1,9%), business services (-19 000 or -0,9%), construction (-5 000 or -1,0%) and electricity (-1 000 or -1,7%). On the other hand, there were increases in the following industries: community services (47 000 or 1,7%), mining (5 000 or 1,1%) as well as manufacturing (4 000 or 0,4%).

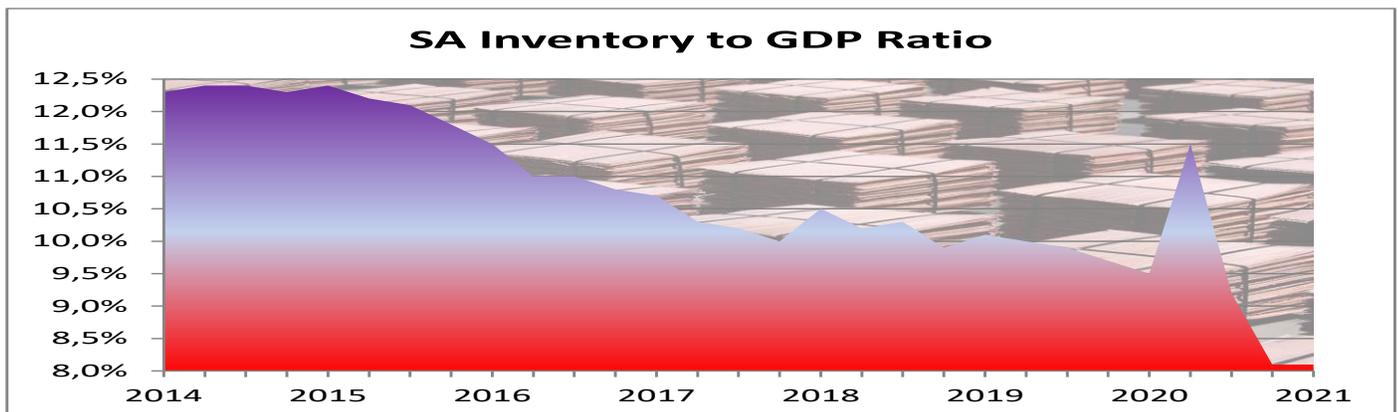
**Figure A: Employment in the non-agricultural formal sector, June 2017 – March 2021.**



\*Revised estimates.

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11. **The number of liquidations rose to 191 in May from 158 in April and 216 in March after easing by 0,3% in 2020 to 2 035.** This followed a rise to 2042 in 2019 from 1 845 in 2018 but remained substantially less than the 3 559 of 2011. The Covid-19 pandemic and lockdown regulations since 27 March 2020 have had an extensive impact on economic activity, including the work performed by the courts. In April 2020 no liquidations were recorded as courts shut down.
12. **There were only two insolvencies in April 2021 compared with seven in April 2020 after declining by 38,5% in 2020 to 1 852.** The number of insolvencies was 3 009 in 2019 from 2 449 in 2018 and 2 657 in 2017. The Covid-19 pandemic and lockdown regulations since 27 March 2020 have had an extensive impact on economic activity, including the work performed by the courts.
13. **The number of tourists rose to 177 251 in April from 157 638 in March and 90 165 in February, while overseas tourists increased to 19 915 from 17 548 and 10 745.** The ten leading overseas countries in terms of the number of tourists visiting South Africa in February 2021 were: Germany, 1 299 (12,1%); United States of America (USA), 1 241 (11,5%); United Kingdom (UK), 1 036 (9,6%); India, 983 (9,1%); Russian Federation, 692 (6,4%); France, 570 (5,3%); Pakistan, 423 (3,9%); The Netherlands, 395 (3,7%); China, 335 (3,1%); and Switzerland, 307 (2,9%). In March the distribution was as follows: US 2 657 (15,1%); Germany, 2 082 (11,9%); UK, 1 712 (9,8%); India, 1 428 (8,1%); France, 893 (5,1%); Russian Federation, 779 (4,4%); China, 736 (4,2%); The Netherlands, 685 (3,9%); Pakistan, 631 (3,6%); and Switzerland, 431 (2,5%). In April the distribution was as follows: US 3 763 (18,9%); UK 2 049 (10,3%); Germany, 1 772 (8,9%); India, 1 201 (6,0%); France, 1 088 (5,5%); Russian Federation, 1 026 (5,2%); The Netherlands, 1 009 (5,1%); China, 649 (3,3%); Pakistan, 616 (3,1%) and Belgium, 471 (2,4%).
14. **The household debt to disposable income ratio eased to 75,3% in the first quarter from a revised 75,4% (75,3%) in the fourth quarter.** The second quarter 2020 ratio of 86,1% was the highest since the first quarter 2009. The household debt to disposable income ratio was steady at 7,7% in the first and fourth quarters from 7,8% in the third quarter and 9,5% in the second quarter.
15. **The ratio of industrial and commercial inventories plunged to a record low of 8,1% in the first quarter and fourth quarter from 9,2% in the third quarter.** This compares with an annual average of 15,8% in 2007. The replenishment of inventories is why I expect a strong GDP growth this year. I saw no media coverage of this important indicator.

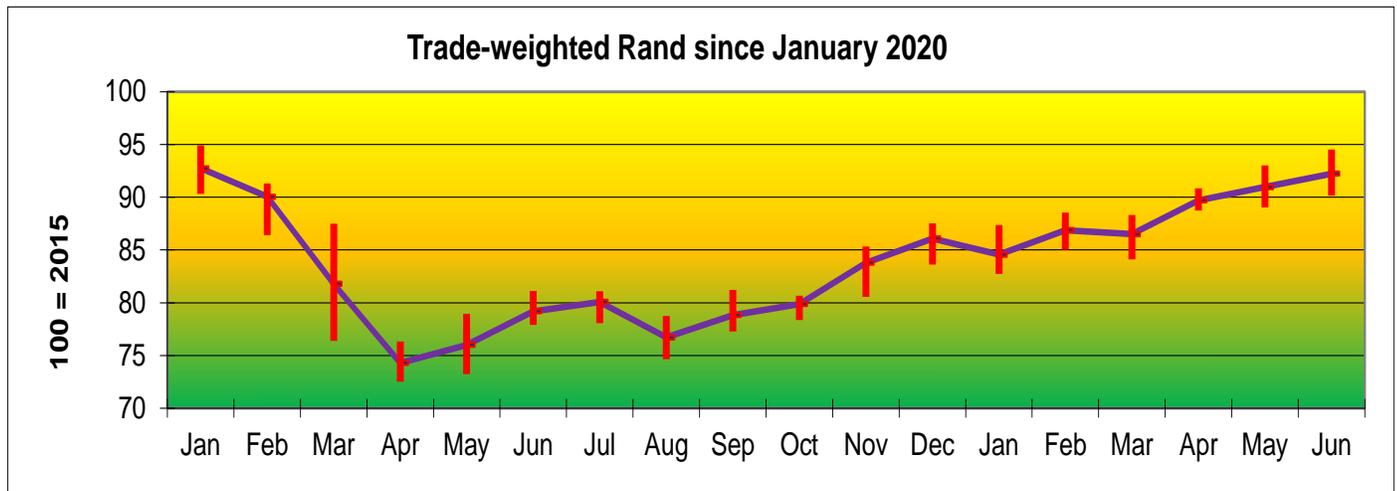


16. **Despite the record bounce in economic activity in the third quarter, the South African Reserve Bank has not yet determined when the downturn that started in December 2013 has ended.** I expect the cyclical dating committee to determine that April 2020 was the bottom of the downturn and that *we are now in an upturn that started in May 2020.*
17. **The national saving rate (gross saving as a percentage of nominal GDP) rose to 18,0% in the first quarter from 14,2% in the fourth quarter.** I saw no media coverage of this increase. Increases in the saving rate of both corporate business enterprises and households more than offset the increased dissaving by general government. The national saving rate remains much higher than before the COVID-19 pandemic, as the spending behaviour of economic agents continues to reflect cautiousness.
18. **The average wage settlement rate in collective bargaining agreements eased to a record low of 4,5% in the first quarter 2021 from 6,5% in the first quarter 2020 and 6,3% for the full year 2020.** This is according to Andrew Levy Employment Publications. Although the number of workdays lost due to industrial action increased to a still relatively low 30 000 in the first quarter of 2021 from only 10 000 in the same quarter in 2020, when the effects of COVID-19 first surfaced, there are indications that some unions view strikes as a last resort given the situation facing employers. However, there is a possibility of strike action in the public sector where wage talks have reached a deadlock. Moreover, new wage negotiations will soon commence in the metals and

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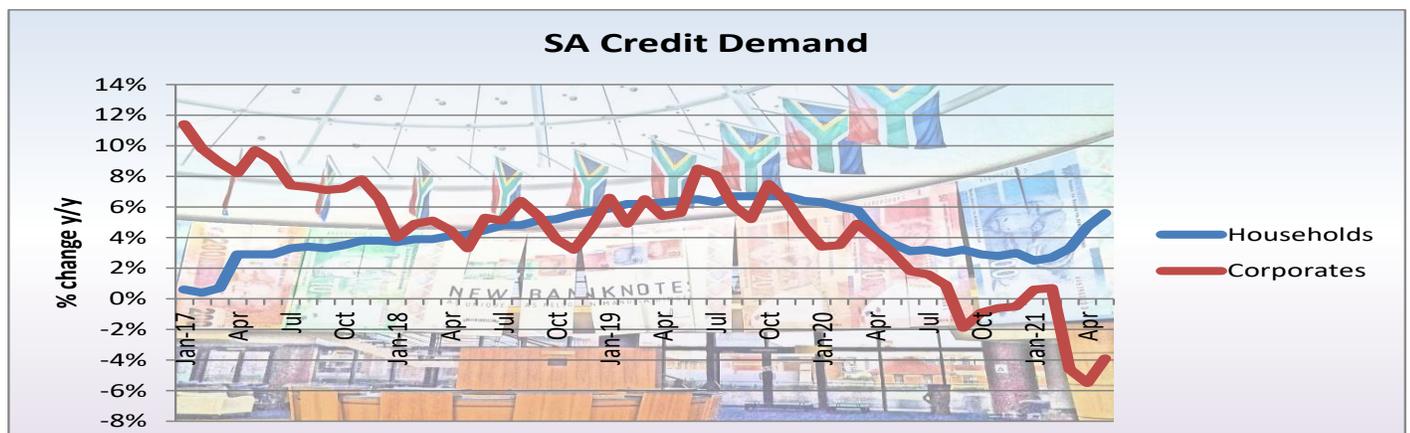
engineering sector, where the 2017 wage deal expired on 30 June 2020 and a wage freeze has been agreed on until 30 June 2021 due to the COVID-19 pandemic. I saw no media coverage of these important labour issues.

- 19. The trade weighted rand averaged 92,93 in June from 90,96 in May, 89,7 in April, 86,5 in March, 86,88 in February and 84,56 in January.** The base year of the indices changed from 2010 to 2015, so this shows that the rand is some 10% weaker than 2015. The weights of the five major currencies are Euro (30,68), Chinese yuan (24,53), US dollar (10,56), Japanese yen (4,95) and Indian rupee (4,85).



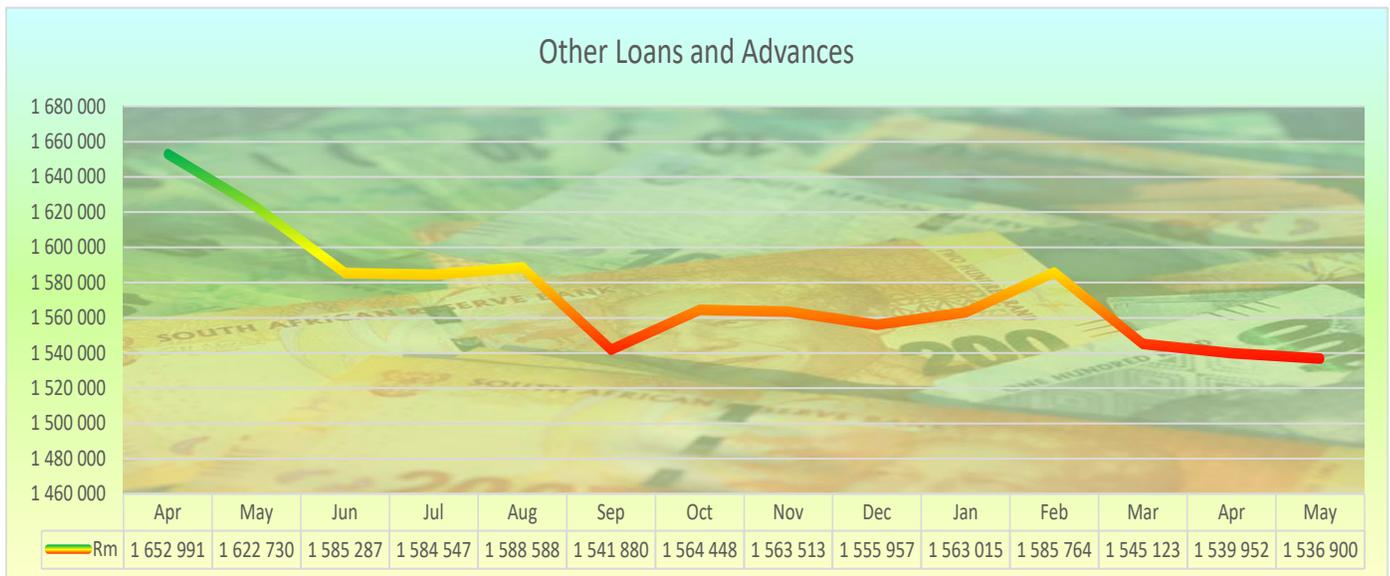
- 20. The volatility in the trade weighted rand rose to 4,71% in June from 4,34% in May, 2,35% in April, 4,83% in March, 4,05% in February and 5,5% in January 2021.** The measure of volatility I use is to divide the monthly range by the monthly average. The rand's weakening in October 2008 resulted in the most volatile month ever, exceeding that of December 2001. The October 2008 volatility was 28,25% compared with December 2001's 23,22%. The May 2013 volatility of 11,61% was due to the announcement that the US Federal Reserve would start tapering its bond buying programme sometime in the future. The actual tapering started in December 2013. The most volatile month in 2014 was January at 6,7%, while December was the most volatile in 2015. In 2016 the most volatile month was May at 8,37%, while December at 10,91% was the most volatile month in 2017. In 2018 the most volatile month was August at 9,51%, while in 2019 it was January at 6,99%, while the least volatile month was April at 2,99%. In 2020 the most volatile month was March at 13,57%, while October was the least volatile month at 2,32%.

- 21. Broad M3 money supply growth eased to 1,02% y/y in May from 2,02% y/y in April and 3,62% y/y in March, while narrow M0 money supply rose by 2,95% from 5,24% y/y after a 3,48% y/y fall.** Total loans and advances, which excludes investments and bills discounted, rose by 0,69% y/y after falling by 0,57% y/y in April and a 0,78% y/y drop in March despite household credit demand rising by 5,6% y/y after a 4,7% y/y jump and a 3,3% y/y gain, as corporate credit demand fell by 3,9% y/y after a 5,5% y/y decrease and a 4,6% y/y drop.

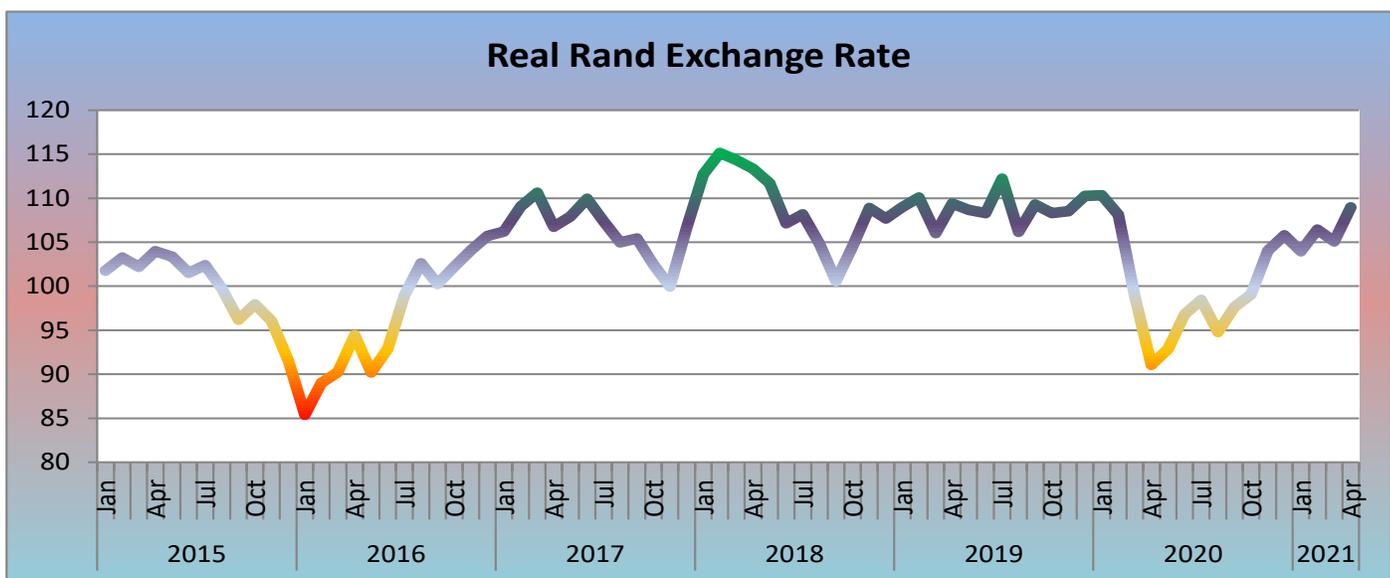


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- 22. Commercial banks cut other loans and advances by R3,1bn m/m in May 2021 and is R116,1bn below the April 2020 total.** This category is mostly overdrafts and is one of the reasons why there has not been a “V” shaped recovery in domestic demand.

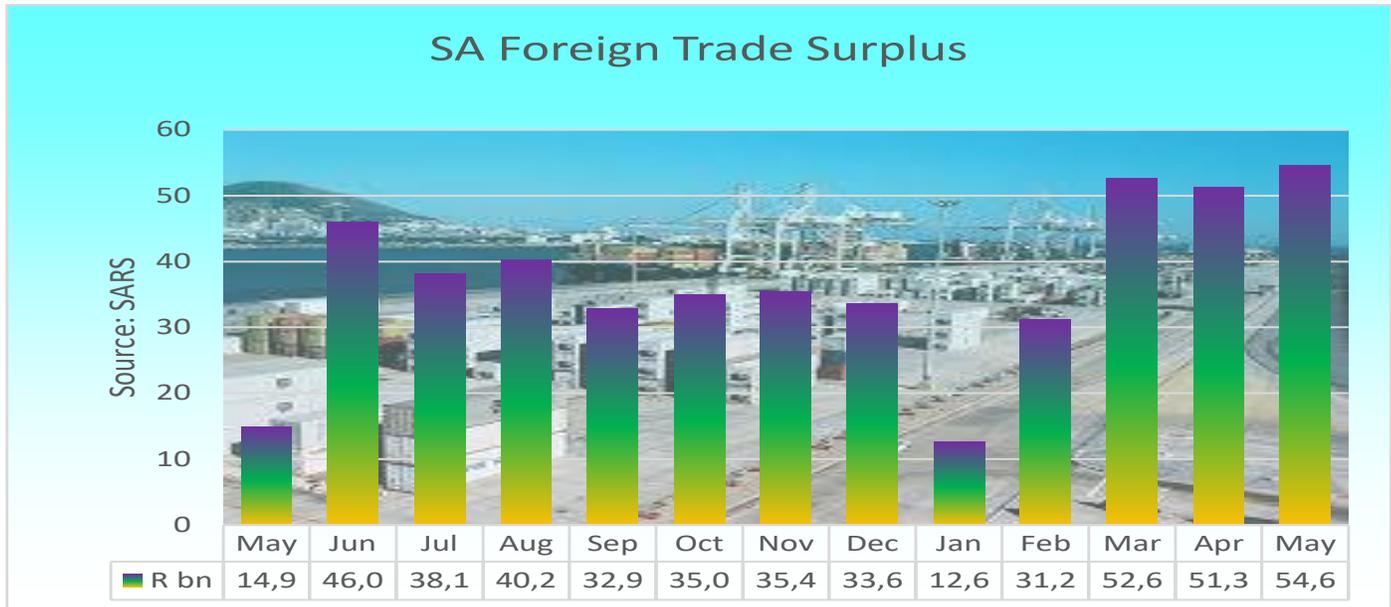


- 23. The real trade weighted exchange rate index rose to 108,97 in April from 105,1 in March, 106,57 in February, 103,96 in January and 105,77 in December.** It also shows once again that the causality runs from exports to the rand as exports in January were weaker than in December, but then rose again in February and April.



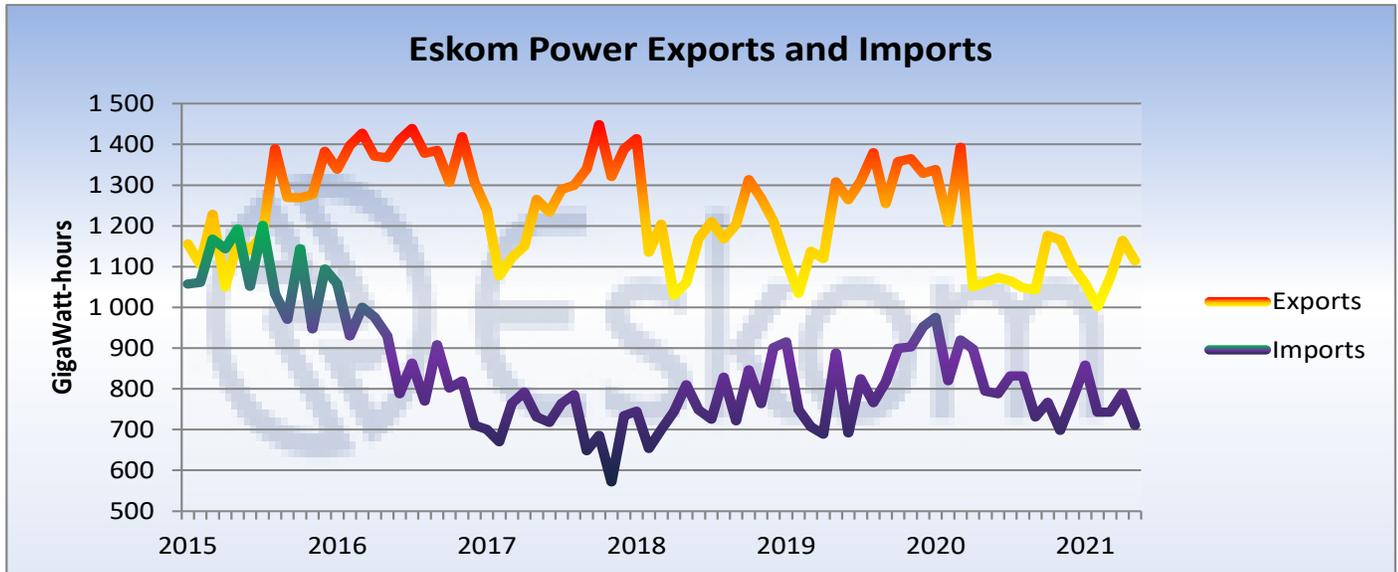
- 24. The foreign trade surplus rose to a new record of R54,6bn in May from a revised R51,3bn (R51,2bn) in April.** This was above the consensus of an easing to a R49,6bn surplus, but not as high as my forecast of a R65bn surplus as there was R2,6bn drop in mineral sales and a R2,7bn fall in precious metal sales. Exports rose by R2,4bn (1,5%) m/m to R163,5bn, while imports fell by R1bn (0,9%) to R108,9bn.

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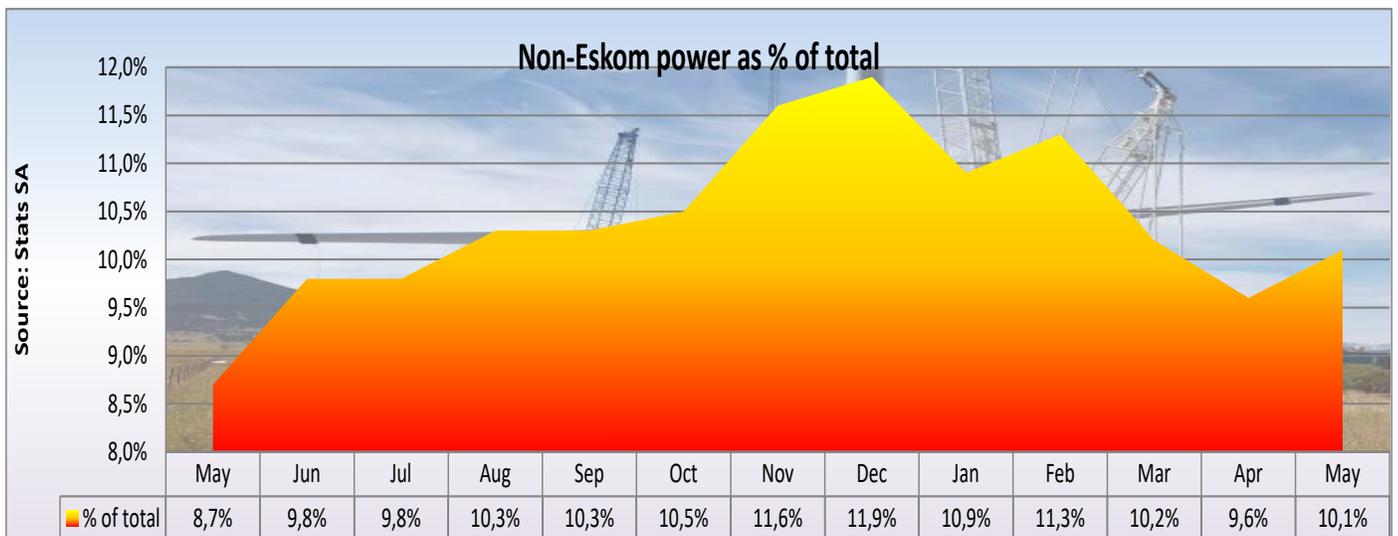


- 25. Despite the implementation of the African Free Trade Agreement in January 2021, exports to the rest of Africa only rose by 27,0% y/y in the first five months of 2021 compared with a 53,7% y/y growth for total exports.** This continues the pattern of 2020, when export growth to the Americas was the best, while the rest of Africa was the worst. This is largely because the US was able to support those workers who were laid off, while in the rest of Africa this was not an option. I expect the Americas to be a top performing region again in 2021, but I only expect the rest of Africa to be near the top in 2022. In the first five months, the Americas was once again the top export destination with growth of 124,2% y/y, while Europe came second with growth of 71,0% y/y.
- 26. The US was once again our top export destination in May as it was in April.** I did not see any media coverage of this fact. The US took 12,5% of our exports followed by China (10,9%), Germany (8,6%), Japan (8,6%) and the UK (7,2%). In April 2021, the US took 12,5% of our exports followed by China (11,1%), the UK (10,1%), Germany (8,6%) and India (4,9%). In April 2020, the order was China (14,9%), the US (8,3%), the UK (5,8%), the Netherlands (5,1%) and Japan (5,1%). In April 2019, the order was China (10,8%), Germany (8,0%), the US (6,9%), the UK (5,7%) and India (5,6%).
- 27. The trade surplus with the US narrowed to \$1,1bn in May from \$1,13bn in April, \$860m in March, \$606m in February and \$471m in January.** The trade surplus surged to \$6,915bn in 2020 from \$2,465bn in 2019. I saw no media coverage of this important data even though the US in May 2021 and April 2021 was our most important export destination. Exports to the US rose to \$11,37bn in 2020 from \$7,799bn, while imports from the US eased to \$4,456bn from \$5,334bn. South Africa's export performance is all the more remarkable given that US imports fell by \$294,5bn in 2020. In May exports to the US rose to \$1,65bn from \$1,524bn in April, \$1,368bn in March, \$983m in February, \$860m in January and \$1,09bn in December, while imports from the US rose to \$550m from \$393m, \$508m, \$377m, \$389m and \$378m.
- 28. Despite a 12,3% y/y jump in electricity consumption in May 2021, this was still 2,9% below that of May 2019.** December and February were the only months in 2020 that showed a y/y increase. We should continue to see positive y/y changes going forward due to base effects and I am forecasting a 5,0% rise in electricity consumption this year as manufacturing and mining revive. In the first five months, the increase was 6,1% y/y.
- 29. Imports of electricity fell by 10,5% y/y in May after a 12,0% y/y drop in April and a 19,2% y/y slump in March, while exports grew by 7,4% y/y after jumping by 13,3% y/y and a 22,9% y/y slump.** There seems to be a revival in demand in our neighbouring states.

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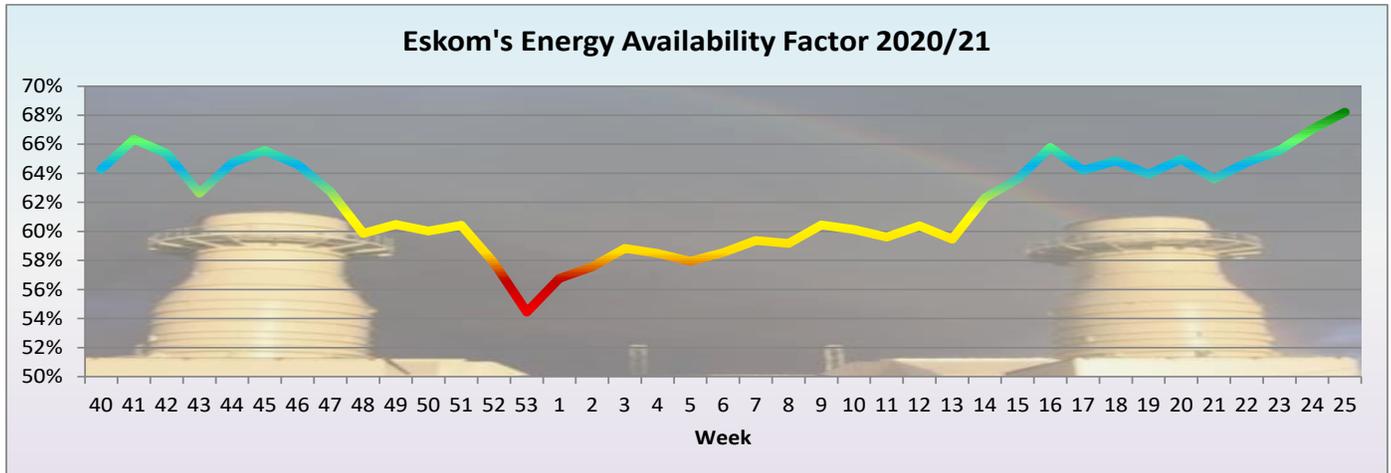


**30. The power supplied by non-Eskom producers accounted for 10,1% of total generation in May from 9,6% in April, 10,2% in March, 11,3% in February and a record 11,9% in December.** I saw no media report on this. The power supplied by non-Eskom producers has increased from only 884 Gigawatt-hours (GWh) in December 2007 to a total of 2 356 GWh in December 2020.



**31. Eskom's Energy Availability Factor (EAF) rose to 68,2% in week 25 from 67,04% in week 24 and 65,58% in week 23.** I saw no media coverage of this important indicator. The main reason for the improvement in EAF recently is that unplanned outages have fallen from 28,5% in week 23 to 24,44% in week 24 and 22,57% in week 25. This meant that Eskom could increase its planned maintenance to 7,47% in week 25 from 6,63% in week 24 and only 3,68% in week 23. The EAF fell to 64,96% in 2020 from 66,93% in 2019, 71,84% in 2018 and 78,61% in 2016. Planned maintenance outages edged up to 11,32% in 2020 from 9,94% in 2019.

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- 32. New vehicle sales eased to 38 030 in June 2021 from 38 337 units in May 2021, 35 779 units in April 2021, 12 874 units in May 2020, only 574 units in April 2020 and 45 939 units in June 2019.** Annual comparisons do not make sense given the disastrous impact Covid-19 had on the new vehicle industry last year when sales fell by 29,1%. The better comparison is with the same month in 2019 and on this basis April 2021 sales were only 2,7% less than April 2019, while May 2021 sales were 5,4% fewer than May 2019, while June 2021 sales were down a massive 17,2% on June 2019. The poor performance in June 2021 may be due to stock shortages. Naamsa expect a 15% increase in total new vehicle sales in 2021, while I was more optimistic and expected a 25% jump, but that was before stock shortages started appearing in South Africa. In the first half of 2021, sales are up 40,1% y/y.
- 33. New vehicle exports recovered to 28 384 in June from 23 425 in May 2021, 26 522 units in April and a record 44 566 units in August 2019.** Vehicle exports rose by 10,6% in 2019 to a record 387 092 in 2019 and Naamsa expected exports to reach 400 000 in 2020, but that was before the impact of the coronavirus. In the event 2020 exports were 271 819 and Naamsa expect a 20% rise in 2021. I expect a 30% jump, but that depends on whether the global shortage in semiconductor chips is eased.
- 34. The Bureau for Economic Research (BER) manufacturing index eased to 57,3 in June from 57,8 in May, 56,2 in April, 57,4 in March, 53,0 in February, 50,9 in January and a record 60,9 in October.** The business activity index eased to 56,2 in June from 58,8 in May, the new orders index slipped to 57,3 from 60,5, the inventories index dipped to 52,4 from 61,4, and the employment index rose to 51,7 from 49,6. Supply chain issues have re-surfaced in June after easing in May. The supplier deliveries index rose to 69,2 in June from 58,7 in May, 61,7 in April and 58,7 in March. This index is inverted, so longer delivery times lift the index and a better delivery performance results in a lower index value. The index remains high from a long-term historic perspective.

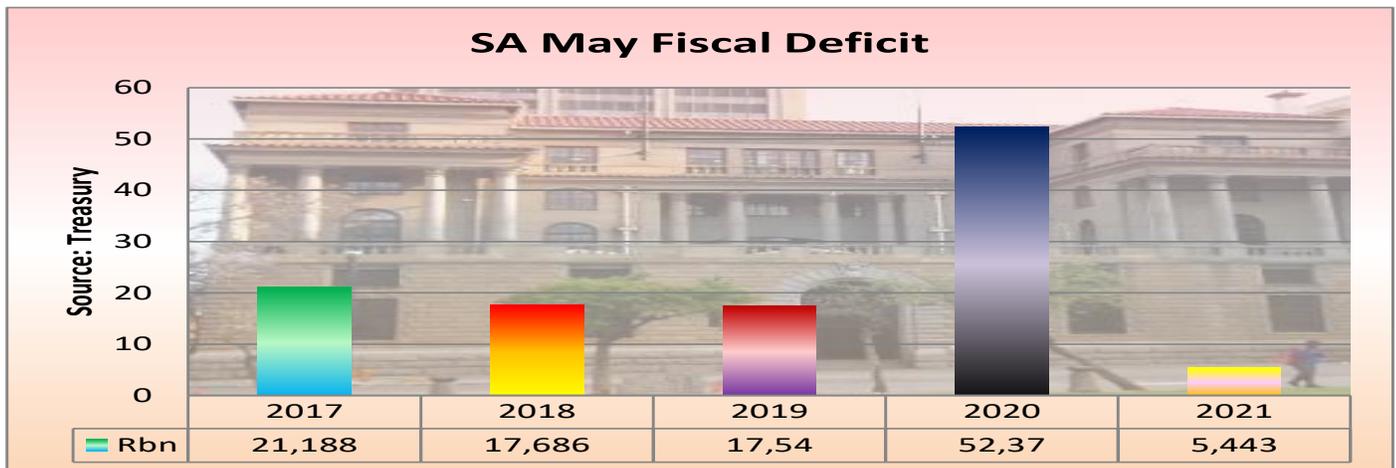


- 35. Government's cash balances increased by R108,017bn in June to a record R412,863bn.** I saw no media coverage of this record. Net domestic short-term loans increased by R5,152bn in June, while net domestic long-term loans inclusive of redemptions and

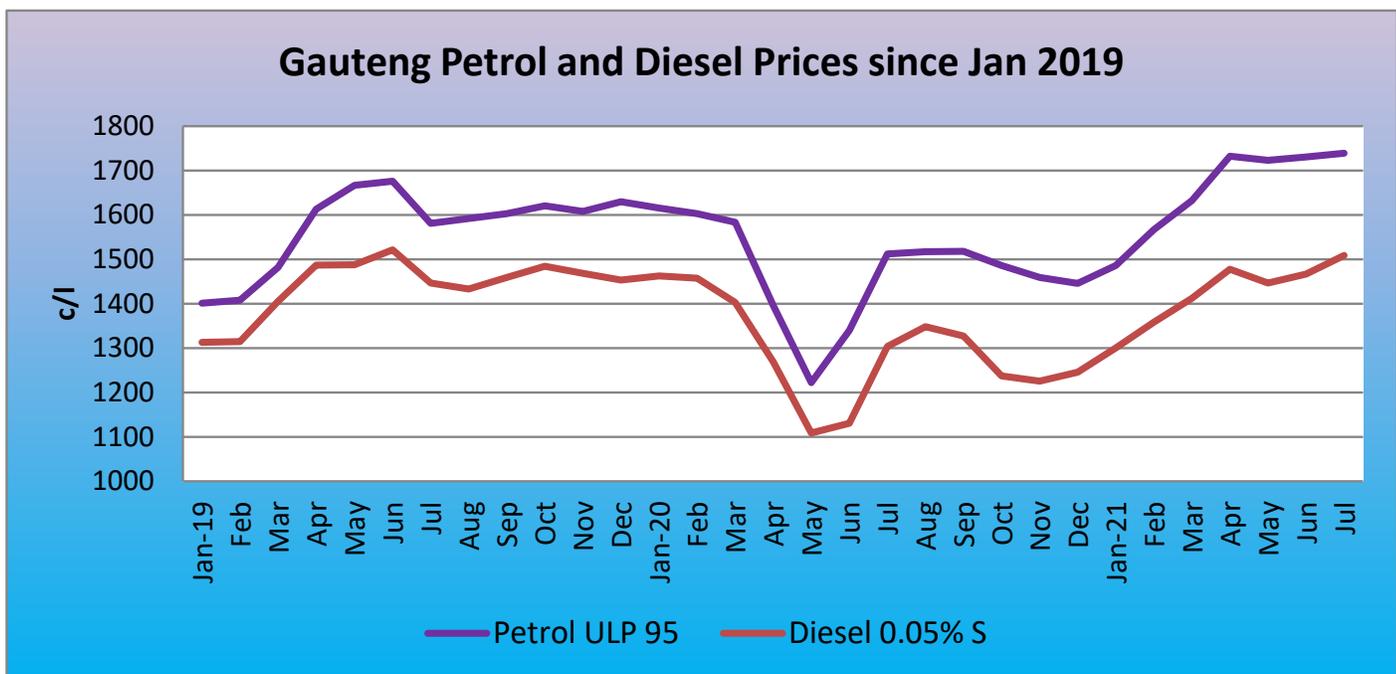
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switch transactions grew by R23,505bn. The government also received a US\$1bn Economic Recovery Loan on 17 June 2021 from the New Development Bank (NDB) which matures in June 2051 (30-year). I expect the June fiscal surplus to be near R60bn.

- 36. The fiscal deficit narrowed to R5,4bn in May 2021 from R80,3bn in April 2021 and R51,2bn in April 2020.** I saw no media coverage of this data even though it was far better than the consensus forecast of a R42bn deficit. The May 2021 deficit was despite a 40,6% y/y surge in revenue and a 16,0% y/y decline in outlays. The April 2021 deficit was due to a 45,1% y/y surge in outlays, while revenue jumped by 35,5% y/y. The February 2021 Budget forecast that revenue would grow by 11,6% in 2021/22 after a 11,0% reduction in 2020/21, while expenditure would fall by 1,6% after a 12,6% jump. The actual 2020/21 revenue reduction was only 8,2%, while outlays grew by only 5,7%. This nevertheless resulted in a 59,8% jump in the fiscal deficit to R551,9bn. The Treasury expect a R482,6bn deficit this fiscal year, while I am more optimistic and expect a R420bn deficit.



- 37. The retail petrol price will be raised by 26 cents per litre (c/l) on 7 July and the wholesale price of diesel will increase by 42 c/l.** Despite the monthly rise the y/y increase for petrol eases to 15,0% in July from 29,2% in June, while that for diesel slips to 15,7% from 29,7%.



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## Rest of Africa

- 38. The central bank of Angola raised its benchmark lending rate by 450 basis points to 20,0%.** This is its first rate hike since November 2017 and takes the rate to the highest since 2011. Angola became the 18th central bank to raise its interest rates this year to curb growing inflationary pressures, easily outpacing the seven central banks that have cut rates in an effort to stimulate economic activity that is still being impacted by the pandemic.
- 39. UAE port operator DP World and the government of Somaliland opened a new container terminal in the Berbera port.** The new terminal increases the port's container capacity from 150 000 Twenty-Foot Equivalent Units (TEUs) to 500 000 TEUs annually, and is the first phase in a broader expansion that aims to position Berbera port as a major oil and gas trade corridor for landlocked Ethiopia. The port is strategically located on the Gulf of Aden, a crucial maritime hub for a fast-growing region that processes up to 20% of global trade annually. The first phase is part of an expansion deal signed with DP World in 2016 worth a total of \$442m. Designed to transform the dusty East African port into one of the continent's premier facilities, it heralded a new dawn for Somaliland, one of the world's poorest jurisdictions. While the state has many of the hallmarks of nationhood, including a currency, army and democratically-elected leaders, its bid for international recognition has stalled. Yet leaders in the capital, Hargeisa, hope international investment holds the key to official independence. "DP World is a big international company that dared to come to Somaliland, and I hope that a lot of other companies will follow," said President Musa Bihi Abdi in 2018.
- 40. Consumer inflation in Kenya rose to 6,32% y/y in June from 5,87% y/y in May and 5,76% y/y in April.** This was mostly due to prices of transport (14,71% vs 16,76% in May vs 17,19% in April) and food & non-alcoholic beverages (8,46% vs 7,02% vs 6,42%).
- 41. The Mauritian economy contracted by 8,7% y/y in the first quarter after a 11,3% y/y decline in the fourth quarter.** This was the fifth consecutive quarter of economic downturn, attributed to the hospitality sector's poor performance (-82,0% vs -74,7% in Q4) as the tourism-dependent nation returned to a full lockdown in March 2021, with all international flights to and from the island suspended for more than two months. Meanwhile, smaller declines were seen in manufacturing (-5,6% vs -11,3%) and mining (-0,6% vs -5,7%). On the other hand, output rebounded in agriculture (11,3% vs -3,1%); construction (0,6% vs -2,2%); wholesale & retail trade (1,9% vs -7,7%); professional, scientific and technical activities (0,7% vs -4,1%); administrative & support services (1,2% vs -20,8%) and public administration (4,3% vs -2,1%).
- 42. Morocco's economy expanded by 1,0% y/y in the first quarter after a 6,0% y/y decline in the fourth quarter.** The expansion was due to a sharp increase in agricultural activities (20,5% vs -7,3% in Q4). At the same time, the non-agricultural sector shrank at a softer pace (-1,4% vs -5,5%), in particular hotels & restaurants (-50,3% vs -57,1%) and transportation services (-10,9% vs -18,6%).
- 43. The Nigerian PMI eased to 53,6 in June from 54,4 in May after being steady at 52,9 in April and March from 52,0 in February, and a record low of 37,1 in April 2020.** The series started in January 2014. Output, purchasing activity and employment growth softened during the month. This was despite a sharp and accelerated rise in new orders, amid greater client demand. On the price front, overall input price inflation was strong, but eased to the softest since December 2020 despite a sharper rise in purchase costs.
- 44. The central bank of Seychelles cut its benchmark lending rate by 100 basis points to 2,0%.** The central bank has now cut its policy rate four times and by a total of 350 basis points since September 2019, including two rate cuts last year by 200 basis points.
- 45. Senegal's economy expanded by 5,1% y/y in the first quarter after a 2,9% y/y rise in the fourth quarter.** The strongest contribution came from the service sector (4,6%), mainly due to a rise in information & communication (27,8%) and business services (9,9%). Output also advanced in the secondary sector (7,0%), particularly within construction (20,6%) and mining activities (17,3%); and in the primary sector (3,0%) marked by a robust expansion in agriculture (5,1%).
- 46. Consumer inflation in Uganda rose to 2,0% y/y in June from 1,9% y/y in May, 2,1% y/y in April and 2,7% y/y in March.** This was mainly due to a smaller decrease in prices of food & non-alcoholic beverages (-1,6% vs -3,5% in May) and housing & utilities (-1,5% vs -1,7%).
- 47. Uganda's economy expanded by 6,2% y/y in the first quarter after a 0,7% y/y rise in the fourth quarter.** This was the strongest expansion since the last quarter of 2019, boosted by the industrial sector (11,6% vs 2,1% in Q4), primarily construction (14,2%) and services (6,6% vs 1,1%), of which information & communication (37,1%) and public administration (36,8%). On the other hand, agricultural activity contracted further (-2,8% vs -1,7%), on account of cash crops (-7,2%) and food crops (-13,3%) amid a severe drought.
- 48. Consumer inflation in Zimbabwe eased to 106,6% y/y in June from 161,91% y/y in May and 837,53% y/y in July 2020.** This is the lowest level since May 2019. Zimbabwe's central bank earlier this month projected inflation to take a massive dip in June and July, as it continues to trend down, anchored by exchange rate and price stability since the introduction of the foreign exchange

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auction system last year, as well as a good farming season. Governor Mangudya added that a bumper harvest, following a good rainy season, will keep price inflation under check, meaning there will be no importation of key commodities like the staple maize meal, which drives inflation.

## International

- 49. The number of confirmed cases of coronavirus around the world neared 185 million on 4 July.** The number of cases globally exceeded 100 000 on 6 March, 200 000 on 18 March, 300 000 on 21 March, 1 million on 2 April, 2 million on 15 April, 3 million on 27 April, 4 million on 10 May, 5 million on 20 May, 6 million on 29 May, 7 million on 7 June, 8 million on 15 June, 9 million on 21 June, 10 million on 28 June, 20 million on 9 August, 30 million on 16 September, 40 million on 18 October, 50 million on 7 November, 60 million on 24 November, 70 million on 9 December, 80 million on 26 December, 90 million on 10 January, 100 million on 25 January, 110 million on 16 February, 120 million on 14 March, 130 million on 1 April, 140 million on 16 April, 150 million on 28 April, 160 million on 11 May, 170 million on 28 May and 180 million on 23 June, according to the John Hopkins University tracker. The alarming aspect of recent cases is that many of those currently testing positive for Covid-19 previously had the virus or were even vaccinated.
- 50. Although the year is only half over, more people have already been infected and killed by the coronavirus in 2021 than in 2020.** I saw very little media coverage of this fact. In many countries the third wave has been more severe than in the first two waves. This may be due to more testing. What I have yet to see is any discussion about preparing for a fourth wave, as in the 1918/1920 Spanish Flu pandemic most countries experienced four waves. The 1918 Flu Pandemic lasted from January 1918 to December 1920, and it spread world-wide. It is estimated that about 500 million people, or one-third of the world's population, became infected with the virus. The number of deaths is estimated to be at least 50 million worldwide, with about 550 000 to 675 000 occurring in the US. In the US the first wave struck in the spring of 1918, the second wave in the autumn (fall) of 1918, a third wave in the winter of 1918 and the fourth wave in the spring of 1919.
- 51. More than 18 000 Americans died of Covid-19 in May, and only 150 of them were fully vaccinated.** It stands to reason that if people took advantage of the vaccines, thousands of lives could be saved. "This is a pandemic of unvaccinated people," said L.A. County Public Health Director Barbara Ferrer, who is constantly urging people to get their shots.
- 52. A new study by scientists at the National Institutes of Health (NIH) finds that the official count of coronavirus cases before the country's devastating second wave surge was way, way off.** For every infection recorded during the spring and summer of 2020, nearly five more went undetected. That amounts to nearly 17 million cases by July 2020 that were previously uncounted. The researchers determined this by gathering blood samples from thousands of people across the country and testing them for coronavirus antibodies, a sure sign of a previous infection. With all these cases accounted for, the NIH team offered a clearer picture of who had been swept up by the pandemic as of last summer. People in urban areas (5,3%) were far more likely than those in rural areas (1,1%) to have evidence of a past infection.
- 53. A total of 130 nations reached an agreement on a global minimum tax.** At a basic level, the framework would prevent companies from shifting profits to low tax jurisdictions and ensure the biggest multinationals pay more tax in the countries in which they operate. In return, the US wants European nations and others to drop their Digital Service Taxes that target American Big Tech companies, but many negotiations still await. In its current form, the deal would require that companies pay at least a 15% tax on income, regardless of where they are based, making it less advantageous to relocate operations to countries with lower tax rates. The rules would apply to multinationals that have a profit margin of at least 10%, while governments would share the right to tax 20% of profits above that threshold. For example, an online company that has no physical presence in a country, but has significant sales there via digital advertising, would be obligated to pay some taxes to the government of that nation.
- 54. Private equity broke a 40-year record with deals valued at \$500bn in the first half of this year.** Private equity firms have had their busiest six months since records began four decades ago, helping to propel global mergers and acquisitions activity to an all-time high.
- 55. Chinese President Xi Jinping warned on 1 July, the centenary of the founding of the Chinese Communist Party, that anyone who tries to bully China "will face broken heads and bloodshed."** In unusually forceful language, Xi hit back at the US and others that have criticized the rising power's trade and technology policies, military expansion and human rights record. In an hour-long speech, he also said the nation must stick to its one-party rule, emphasizing the communists' role in lifting China to global prominence. In front of a crowd of some 70 000, Xi wore a grey buttoned-up suit like the ones Mao wore and spoke from the same balcony atop Tiananmen Gate where the revolutionary leader declared the start of communist rule in 1949. Xi received the biggest applause when he said the party had restored China's dignity after decades of subjugation to Western powers and Japan in the 19th and 20th centuries, and turned it into the world's second largest economy in recent decades. Xi declared that China had restored order in Hong Kong following anti-government protests in 2019 and reiterated the Communist Party's determination to bring self-

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governing Taiwan under its control. The party's official narrative glosses over past mistakes or current controversies, such as the mass famine of the Great Leap Forward in the late 1950s and early 1960s, the violent class warfare and xenophobia of the 1966-76 Cultural Revolution and the June 1989 military intervention that crushed a democracy movement at Tiananmen Square.



- 56. The fear of being censured if “bad” data is released is making China's statistics more unreliable.** Independent analysts who report on China's grains industry have reportedly been arrested and their online businesses shut down to stop them from telling the truth about the country's below-average crop. Chinese officials are cracking down on independent information about grain pricing. There are reports that analysts working in Beijing for respected grains reporting firm Cofeed have been arrested or are under house arrest. Another company called JCI, based in Shanghai, also appears to have had an employee arrested.
- 57. Vietnam's economy expanded by 6,61% y/y in the second quarter after a 4,65% y/y rise in the first quarter.** This was the strongest growth rate since the fourth quarter 2019, as the economy gradually returned to normal conditions, following the easing of lockdown measures to contain the spread of the coronavirus. The expansion was driven mainly by agriculture, forestry and fisheries (4,11%); industry and construction (10,28%), and service sector (4,30%). Considering the first half of the year, the economy expanded by 5,64% y/y. For 2021, the government is targeting economic growth of 6,5%.
- 58. Bank of England (BoE) Chief Economist Andy Haldane said inflation is likely to finish the year close to 4%, posing the biggest challenge to policy makers since the pound plunged on 16 September 1992.** The forecast would be double the central bank's target and above the 3% the BoE estimated earlier this month. Delaying action, he said, will require bigger action later. “This would leave monetary policy needing to play catch-up to re-anchor inflation expectations through materially larger and/or faster interest rate rises than are currently expected. If this risk were to be realized, everyone would lose -- central banks with missed mandates needing to execute an **economic hand-brake turn**, businesses and households facing a higher cost of borrowing and living, and governments facing rising debt-servicing costs,” he said.
- 59. The International Monetary Fund raised its forecast for US GDP growth this year to 7,0% and warned that the US Federal Reserve should raise rates towards the end of 2022.** This is in line with my forecast of 7,2% and far higher than was expected in October last year. The OECD last month also raised its US GDP growth figure to 6,9% (up from 6,5% expected in March), China 8,5% (up from 7,8%), the UK 7,2% (up from 5,1%) and the Eurozone 4,3% (up from 3,9%).

	Revisions to 2021 GDP growth		
	World	China	US
Jun-20	5,4%	8,2%	4,5%
Oct-20	5,2%	8,2%	3,1%
Jan-21	5,5%	8,1%	5,1%
Apr-21	6,0%	8,4%	6,4%
FE Jun 21	6,4%	8,5%	7,2%

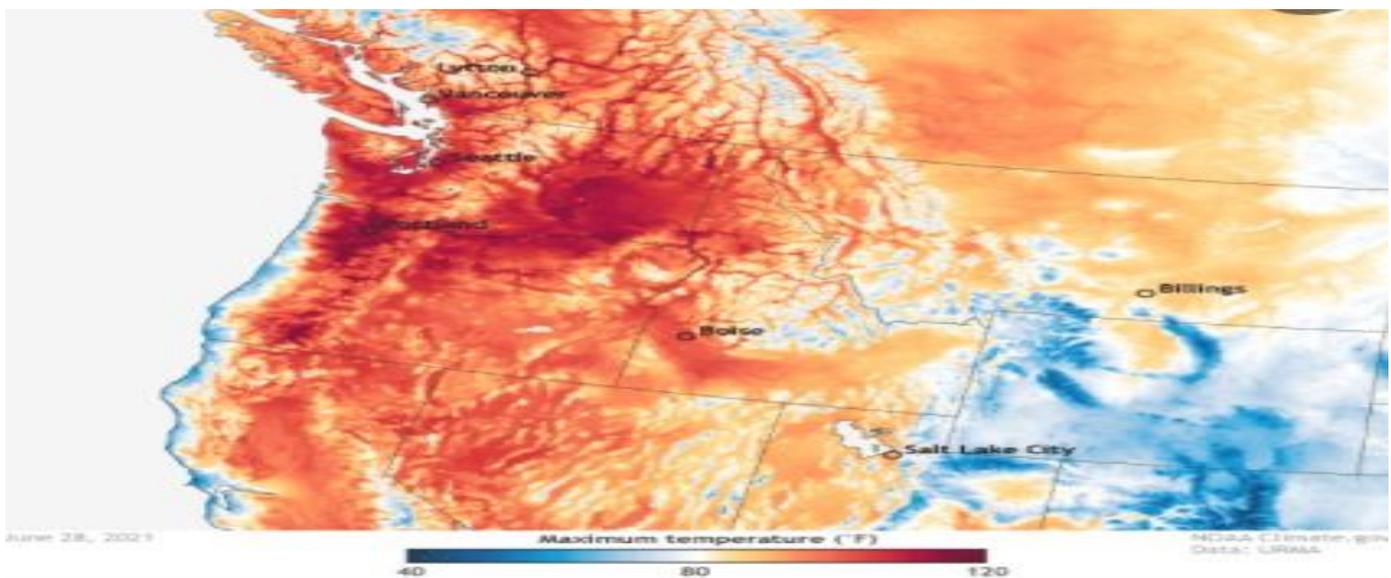
Source: IMF World Economic Outlook

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60. **The Congressional Budget Office (CBO) doubled its forecast for US economic growth in fiscal 2021 to 7,4% and said it expected the federal budget deficit to decline slightly to about \$3 trillion despite higher coronavirus aid spending.** The non-partisan CBO said in updated forecasts that it expects gross domestic product growth to reach 7,4% in 2021, based on fourth-quarter comparisons, double its forecast for 3,7% growth from February. It said growth would taper off to 3,1% in 2022 and 1,1% in 2023. The CBO fiscal 2021 deficit estimate equates to about 13,4% of GDP, compared with 14,9% in fiscal 2020. It projects the deficit to fall sharply to \$1,153 trillion, or 4,7% of GDP in fiscal 2022, and to \$789bn, or 3,1%, in fiscal 2023.
61. **The US S&P CoreLogic Case-Shiller 20-city home price index rose by 14,9% y/y in April after a 13,4% y/y gain in March.** This was the largest annual price increase since December 2005, as demand for suburban homes remained strong in the wake of Covid-19 pandemic and low interest rates. Phoenix reported the highest yearly gain among the 20 cities in April with a 22,3% price increase, followed by San Diego (21,6%) and Seattle (20,2%).
62. **US nonfarm payrolls rose by 850 000 in June.** This was above the consensus forecast of a 695 000 increase and close to my forecast of a 900 000 rise. Despite the rise in nonfarm payrolls, the household survey showed a 18 000 drop in employment, so the unemployment rate rose to 5,9% in June from 5,8% in May, 6,1% in April, 6,0% in March, 6,2% in February from 6,3% in January after being steady at 6,7% in December and November from 6,9% in October, 7,9% in September and 8,4% in August.
63. **The percentage of US workers who teleworked due to the corona virus pandemic dropped to 14,4% in June from 16,6% in May and 24,3% in August 2020, when the data on this was first collected.** These data refer to employed persons who teleworked or worked at home for pay at some point in the last 4 weeks specifically because of the pandemic, in other words they were not previously teleworkers.
64. **US announced job cuts fell to 20 476 in June from 24 586 in May, 22 913 in April and 30 603 in March.** Layoffs reached 2,304 million in 2020 compared with 592 556 cuts announced in 2019. In April 2020 a record 671 129 cuts were announced. "Companies are holding on tight to their workers during a time of record job openings and very high job seeker confidence. We haven't seen job cuts this low since the Dot-Com boom", said Andrew Challenger, Senior Vice President of Challenger, Gray & Christmas, Inc. So far this year, employers have announced plans to cut 212 661 jobs, down 87% from the same period last year and the least since 1995 with the most redundancies announced in the Aerospace/Defence, Telecommunications and Energy.
65. **US initial jobless claims fell by 51 000 w/w to 364 000 in the week ending 26 June.** A steady decline in the number of daily coronavirus cases due to vaccinations allowed the country to continue its re-opening efforts and prompted businesses to hire more workers to respond to growing demand. In addition, many states recently decided to withdraw from federal unemployment benefit programs, following reports that it has been more difficult to hire as the benefits pay more than most minimum wage jobs.
66. **US employers who have struggled to find workers have turned to teenagers to fill openings with the unemployment rate for 16- to 19-year-olds falling to 9,5% in June 2021, the lowest rate since May 1953, from 24,5% in June 2020.** Employers have found that young workers don't have to stay home with elementary age school kids, nor are they receiving unemployment benefits.
67. **The full impact of extended unemployment benefits on US job growth won't be known until after September when 70,6% of those receiving benefits are terminated.** In the meantime, 20% of job postings on Zip Recruiter in June offered a signing bonus up from 2% in March. Hiring bonuses of \$500 are common with some firms offering \$1,000 or more.
68. **The US Conference Board's Consumer Confidence Index rose to 127,3 in June from a revised 120,0 (117,2) in May.** The present situation index climbed 9,0 points to 157,7, a new recovery high. The expectations index rose 6,1 points to 107,0, only 5 points shy of its recovery peak. Consumers have plenty to be cheerful about after being cooped up at home for more than a year. Looking ahead, low Covid infections, rebounding employment, and elevated savings will buoy confidence and push consumers to spend at a breakneck pace over the US summer.
69. **Wall Street's fear gauge, the Chicago Board Options Exchange Volatility Index, or VIX, has tumbled to pre-pandemic levels.** This indicates that equity investors have grown relatively comfortable that stocks will keep climbing even after a stretch of acute market volatility associated with a spike in COVID-19 variant cases or a severe slowdown in the economic recovery. On 2 July, the VIX was at 15,07, its lowest since February 2020 and far below its 52-week high of 41,16.
70. **Suppliers to major US retailers such as Walmart, Target, Amazon.com have told Reuters they are placing holiday orders for Chinese-made merchandise weeks earlier this year, as a global shipping backlog threatens to leave many gift buyers empty-handed this Christmas shopping season.** All expect weeks-long delays in holiday inventory due to shipping bottlenecks. The risk for retailers is a rash of out-of-stock items just as shoppers are ready to open their wallets to splurge on toys, clothing and other merchandise. I expect these shortages to result in increased prices, so I am forecasting a rise in US consumer inflation from October onwards.

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- 71. US light motor vehicle sales declined 9,8% m/m in June to a seasonally adjusted annualised rate of 15,4 million units.** This was below the consensus forecast of a decline to 16,4 million. Better health conditions and reopening services likely contributed to softer demand for vehicles, but surging prices from the ongoing inventory shortage were likely the main culprit behind the last two months of weaker sales. After climbing to a 16-year high in April, the back-to-back declines in May and June dragged the pace of sales back below their pre-Covid level of 16,8 million. Just 41% of households considered June a good time to purchase a vehicle in the latest consumer sentiment report. Households continue to signal a softer appetite for car purchases as used car prices have skyrocketed amid a shortage of new vehicles, while better health conditions and reopening has seen spending rotate into services.
- 72. Ford is cutting its North American vehicle production in July due to an ongoing shortage of semiconductor chips.** Ford said it will idle or reduce production at eight plants, including six in the US, for varying periods of time next month and into early August due to the problem. Affected products range from the Ford F-150 and Ford Bronco Sport to the Ford Mustang and Ford Explorer. This shortage of new vehicles will help to keep the prices of used vehicles elevated.
- 73. The US foreign trade deficit widened to \$71,2bn in May from \$69,1bn in April.** Imports rose by 1,3% m/m to \$277,3bn due to crude oil, fuel oil and lumber; foods, feeds, and beverages; and travel. Exports edged up by 0,6% m/m to \$206,0bn, led by pharmaceutical preparations; foods, feeds, and beverages; travel; and charges for the use of intellectual property.
- 74. The US Pacific Northwest is sitting under a “heat dome”, while water is scarce in the Southwest.** The National Weather Service recorded 116°F (46.7°C) at the Portland International Airport. The heat in the Pacific Northwest is unprecedented but the dynamics involved are straightforward. Summertime heat warms air above the ground or ocean, which then rushes up into the atmosphere to create a dome air that blocks new systems from moving in. Hot spells generally stand out because they max out a single metric, such as a record daytime high, duration, high night-time temperatures. Not so with the heatwave across the Western US where records are being broken in all categories. The Southwest is suffering through one of its worst droughts on record amid a critical reduction in the amount of water from snowpack runoff. Roughly 9,8% of the US is currently in what climate experts refer to as exceptional drought, the most severe designation, which is characterized by widespread crop and pasture losses and shortages in reservoirs, streams and wells amounting to water emergencies. About 44% of the US is experiencing some level of drought, with a further 13% currently affected by drier-than-normal conditions. The current drought is on pace to be one of the worst ever. One of the hardest-hit states is California, home to about 70 000 farms and ranches with a combined output of about \$50bn a year. The dairy industry accounts for the largest chunk of the state’s agricultural revenue, followed by almonds and grapes.

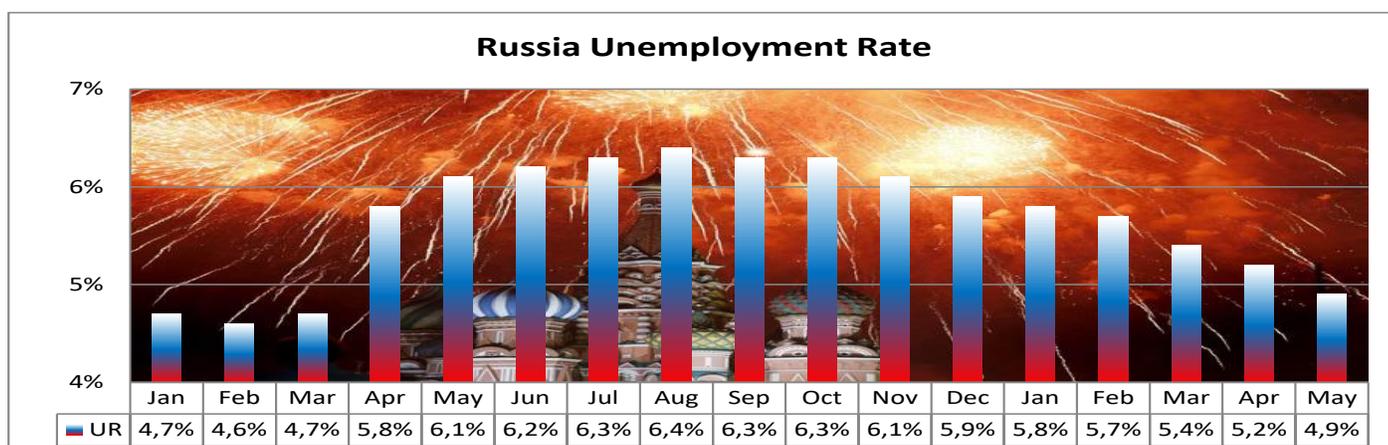


- 75. Consumer inflation in the Eurozone eased to 1,9% y/y in June from 2,0% y/y in May and 1,6% y/y in April.** Prices slowed for energy (12,5% vs 13,1% in May) and services (0,7% vs 1,1%) but inflation accelerated for non-energy industrial goods (1,2% vs 0,7%) and food, alcohol & tobacco (0,6% vs 0,5%).
- 76. Consumer inflation in Iran rose to 47,6% y/y in June from 46,9% y/y in May and 49,5% y/y in April.** The rise was due mainly to a faster rise in prices of food & non-alcoholic beverages (62,7% vs 61,5%), transport (50,4% vs 46,9%), clothing & footwear (57,5% vs 55,3%) and restaurants & hotels (61,5% vs 60,8%). There were slower price increases for housing & utilities (28,5% vs 28,6%),

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furniture & household equipment (66,0% vs 67,6%), recreation & culture (55,2% vs 57,4%), miscellaneous goods & services (50,5% vs 50,6%), communication (11,8% vs 13,8%), tobacco (45,3% vs 46,6%), and health & medical services (42,9% vs 43,5%).

77. **Consumer inflation in Kazakhstan rose to 7,9% y/y in June from 7,2% y/y in May after being steady at 7,0% y/y in April and March after being steady at 7,4% y/y in February and January.** There was an acceleration in prices of food (10,6% vs 9,3% in May vs 9,8% in April vs 10,7% in March vs 11,6% in February). Costs also advanced faster for non-food products (6,9% vs 6,7% vs 6,4% vs 5,6% vs 5,2%) and services (5,6% vs 5,1%).
78. **Consumer inflation in Pakistan eased to 9,7% y/y in June from 10,87% y/y in May, 11,1% y/y in April, 9,05% y/y in March, 8,7% y/y in February and 5,65% y/y in January.** This was mainly due to a slowdown in prices of food & non-alcoholic beverages (10,48% vs 14,83% in May vs 15,91% in April vs 11,58% in March vs 9,74% in February vs 6,66% in January).
79. **Consumer inflation in Paraguay rose to 4,5% y/y in June from 3,7% y/y in May after being steady at 2,5% y/y in April and March after being steady at 2,6% y/y in February and January after being steady at 2,2% y/y in December and November.** The June 2020 rate of 0,5% y/y was the lowest inflation rate since at least 2005. The June 2021 rate was mainly driven by food products (8,6% vs 6,8% in May vs 4,0% in April vs 4,3% in March vs 5,6% in February vs 5,4% in January vs 3,3% in December).
80. **Consumer inflation in Peru rose to 3,25% y/y in June from 2,45% y/y in May.** This was the steepest increase in consumer prices since April 2017, underpinned by prices of food and non-alcoholic beverages (3,7%), housing & utilities (6,9%), transport & communications (3,7%), and recreational, cultural & educational services (2,1%).
81. **Consumer inflation in Turkey rose to 17,53% y/y in June from 16,59% y/y in May, 17,14% y/y in April and 16,19% y/y in March.** Main upward pressure came housing, water, electricity, gas and other fuels (14,62% vs 14,08% in May vs 13,6% in April vs 12,17% in March vs 11,69% in February vs 11,56% in January vs 9,59% in December) and transportation (26,29% vs 28,39% vs 29,31% vs 24,85% vs 22,47% vs 21,43% vs 21,12%). Upward pressure also came from food and non-alcoholic beverages (19,99% vs 17,04% vs 16,98% vs 17,44% vs 18,4% vs 18,11% vs 20,61%).
82. **Confidence at Japanese big manufacturers rose for a fourth straight quarter due to a boost to exports and profits from a pick-up in external demand.** The Tankan survey saw the headline index for big manufacturers' sentiment rose to +14 in the second quarter from +5 in the first quarter.
83. **Brazil's unemployment rate rose to a record 14,7% in three months to April from 14,2% in three months to January.** From February to April, Brazil struggled with a resurgence of Covid-19 infections, which led to the reimposition of lockdowns across the country and the cancellation of the Carnival. The number of unemployed persons went up by 489 000 to 14,76 million while those employed shrank by 85 000 to 85,94 million.
84. **Japan's unemployment rate rose to 3,0% in May from 2,8% in April.** This was the highest rate since December 2020, as the number of unemployed increased by 100 000 m/m to 2,04 million while employment was down by 130 000 to 66.45 million. The jobs-to-application ratio was steady at 1,09 in May and April.
85. **Russia's unemployment rate eased to 4,9% in May from 5,2% in April.** This was the lowest rate since March last year but still above pre-pandemic levels. The number of unemployed people fell by 213 000 m/m to 3,685 million.



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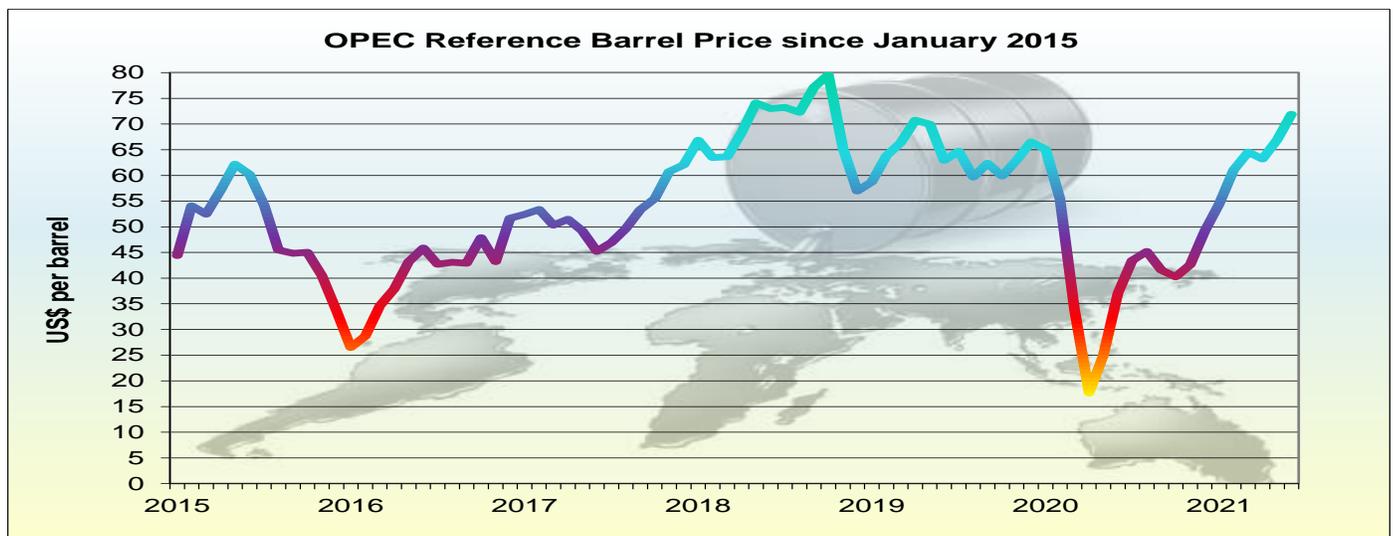
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- 86. The number of foreign tourist arrivals in Spain rose to 1,3636 million in May.** This was the highest number in nine months and compared to a flat reading a year earlier when touristic flights to Spain were suppressed because of the pandemic. This year, tourist arrivals were led by Germany (338 000), France (330 000) and Netherlands (72 000). Considering the first five months of the year, tourist arrivals were down by 69,7% to 3,2 million, compared with 10,6 million a year earlier.
- 87. Australia's foreign trade surplus rose to a record AUD 9,68bn in May from AUD 8,16bn in April.** Exports jumped 6,0% m/m to a 20-month high of AUD 42,23bn, while imports rose at a softer 3% to AUD 32,55bn. Considering the first five months of the year, the trade surplus widened sharply to AUD 40,81bn from AUD 31,89bn in the same period of 2020.
- 88. The Brazil manufacturing index rose to 56,4 in June from 53,7 in May, 52,3 in April 2021, 52,8 in March, 58,4 in February, 56,5 in January, 61,5 in December, 64,0 in November, a record high of 66,7 in October 2020 and a record low of 36,0 in April 2020.** The series started in 2006. The health of the Brazilian manufacturing industry improved further in June, with a stronger increase in sales underpinning faster expansions in production, input buying and employment. Business confidence also strengthened midway through the year. The data continued to point to acute cost pressures among goods producers as global shortages of raw materials and currency weakness exerted further pressure on cost burdens. Input prices and output charges increased at rates unprecedented prior to the Covid-19 crisis.
- 89. The China manufacturing index eased to 51,3 in June from 52,0 in May, 51,9 in April, 50,6 in March and 50,9 in February.** This was the lowest reading in three months, amid the recent uptick in local Covid-19 cases and supply chain difficulties. Output rose the least since March 2020, new order growth eased to a three-month low, and export sales were broadly stagnated. Meantime, the rate of job creation was the second-strongest since January 2013; while backlogs of work rose for the fourth month in a row.
- 90. The Eurozone manufacturing index rose to a record 63,4 in June from 63,1 in May, 62,9 in April 2021, 62,5 in March from 57,9 in February, 54,8 in January and a record low of 33,4 in April 2020.** The series began in June 1997. New order growth and the pace of job creation remained close to May's highs, due to the ongoing easing of COVID-19 restrictions, re-opening of the economy from lockdown and improving global market conditions. Manufacturers struggled to meet higher sales, as evidenced by a near series record increase in backlogs of work. Moreover, supply-side constraints again placed some restrictions on production and average lead times deteriorated to the second-greatest degree in the survey history.
- 91. The India manufacturing index eased to 48,1 in June from 50,8 in May, 55,5 in April 2021, 55,4 in March, 57,5 in February and a record low of 27,4 in April 2020.** The data collection began in March 2005. The latest reading pointed to the first contraction in the manufacturing sector since July 2020, as a harsh resurgence of Covid-19 and stricter lockdown measures negatively impacted demand. Both output and new orders shrank. New export orders decreased for the first time in ten months.
- 92. The Indonesia manufacturing index eased to 53,5 in June from a record high of 55,3 in May, 54,6 in April 2021, 53,2 in March, 50,9 in February and a record low of 27,5 in April 2020.** This was due to a renewed rise in local Covid-19 cases. An expansion of output was recorded for an eighth straight month, but growth moderated from the record rate in May. This was in line with a softer increase in new orders, while growth in export work eased to a three-month low. At the same time, buying levels eased, despite a stronger depletion of raw materials and semi-finished items. Meanwhile, supplier performance deteriorated at the fastest rate since January. Employment was relatively stable amid a continued rise in backlogged works.
- 93. The Japan manufacturing index eased to 52,4 in June from 53,0 in May, 53,6 in April, 52,7 in March, 51,4 in February and 49,8 in January.** The May 2020 reading of 34,8 was the steepest contraction in the sector since March 2009, due to the severe impact of the Covid-19 pandemic on activity. Businesses in the Japanese manufacturing sector signalled a further improvement in operating conditions at the end of the second quarter. That said, the rate of growth eased as expansions in both production and new order inflows slowed to the softest for five months in June as Covid-19 restrictions and supply chain pressures disrupted activity. Ongoing delivery delays placed strain on manufacturers, resulting in an intensification of input price pressures not exceeded since March 2011. Nonetheless, firms remained strongly optimistic that production would rise over the coming 12 months, with the level of positive sentiment the highest on record.
- 94. The Russia manufacturing index eased to 49,2 in June from 51,9 in May, 50,4 in April 2021, 51,1 in March, 51,5 in February and 31,3 in April 2020.** This was the first move below 50 since December 2020 as output growth eased while new orders declined at the fastest pace since November 2020. New export orders also fell at the quickest rate in five months. At the same time, employment fell amid lower pressure on capacity. The decrease was the first round of job shedding in 2021 so far, but only modest overall.
- 95. The South Korea manufacturing index rose to 53,9 in June from 53,7 in May, 54,6 in April after being steady at 55,3 in March and February.** South Korean manufacturers signalled an improved performance for the sector at the end of the second quarter of

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2021. Contributing to stronger business conditions was sustained growth in production levels, while new orders expanded at a quicker pace compared with May. That said, raw material shortages and shipping delays continued to hinder operations in the manufacturing sector, as ongoing disruption resulted in a survey-record increase in input prices. Moreover, as firms sought to pass higher prices on to clients, output prices also increased at a record rate. Yet, South Korean manufacturers were strongly optimistic regarding their outlook for output over the coming 12 months, as sentiment remained positive for the eleventh month in a row.

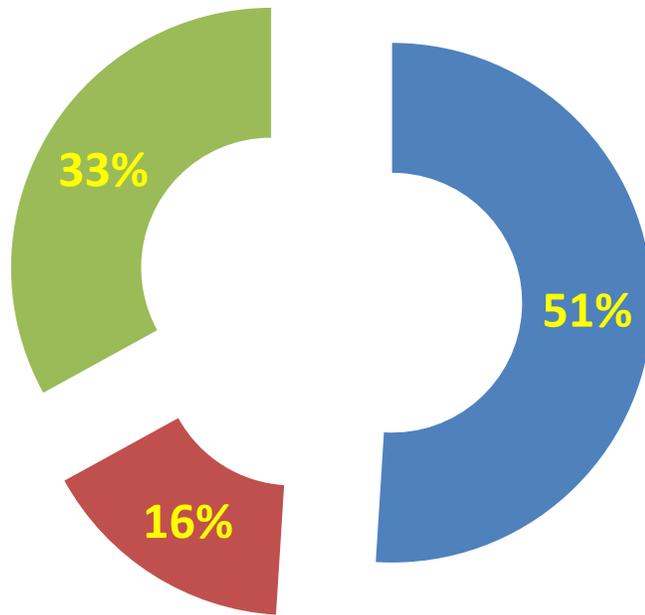
- 96. The UK manufacturing index eased to 63,9 in June from a record 65,6 in May, 60,9 in April 2021, 58,9 in March, 55,1 in February and April 2020's record low of 32,6.** Still, the latest reading signalled a strong pace of expansion in the manufacturing sector, as output increased at marked rates across the consumer, intermediate and investment goods industries. New order growth and the pace of job creation remained close to May's record highs, due to the ongoing easing of COVID-19 restrictions, re-opening of the economy from lockdown and improving global market conditions. Meanwhile, supply-chain and distribution difficulties led to longer vendor lead times and disruption to production schedules.
- 97. The US ISM manufacturing index eased to 60,6 in June from 61,2 in May, 60,7 in April 2021, 64,7 in March, its strongest level since 1983, from 60,8 in February and 41,5 in April 2020.** The reading still pointed to robust growth in factory activity although a slowdown was seen for new orders (66,0 vs 67,0) and supplier deliveries (75,1 vs 78,8) while employment contracted slightly (49,9 vs 59,9) and price pressures intensified (92,1 vs 88,0). On the other hand, production (60,8 vs 58,5) and export orders (56,2 vs 55,4) rose faster. "Companies and suppliers continue to struggle to meet increasing levels of demand. Record-long raw-material lead times, wide-scale shortages of critical basic materials, rising commodities prices and difficulties in transporting products are continuing to affect all segments of the manufacturing economy. Worker absenteeism, short-term shutdowns due to parts shortages, and difficulties in filling open positions continue to be issues that limit manufacturing-growth potential", Timothy Fiore, Chair of the ISM said.
- 98. The global manufacturing index eased to 55,0 in June from 56,0 in May, 55,9 in April 2021, 55,0 in March, 53,9 in February and 39,8 in April 2020.** The global manufacturing sector suffered its steepest contraction in April 2020 since 2009 as demand, international trade and supply chains were severely disrupted by the Covid-19 outbreak. Global manufacturing remained in a strong growth phase in June, with output, new orders and employment all rising and business optimism at robust levels. However, stressed global supply chains continued to disrupt production schedules and delay input deliveries resulting in sharp price increases.
- 99. The monthly average OPEC Reference Basket (ORB) rose to \$71,89 per barrel in June from \$66,91 in May, \$63,21 in April, \$64,56 in March, \$61,05 in February, \$54,38 in January and \$17,64 in April 2020.** The annual average ORB eased to \$41,37 per barrel in 2020 from \$64,08 in 2019, \$69,50 in 2018, \$52,51 in 2017 and \$40,76 in 2016. In 2012 the price averaged a record \$109,45 per barrel. The move above \$100 per barrel in 2011 and 2012 was due to the Arab Spring. On an annual average basis I expect low prices in the \$40 to \$70 range to continue for some time and I doubt that we will ever return to the \$100 level as electric and hydrogen cars displace petrol and diesel cars. Annual sales of electric cars around the world — including trucks and buses — reached almost 27 million in 2019 and are set to accelerate in the coming years to a rate of 133 million vehicles a year in the next two decades, according to BloombergNEF estimates. By 2040, around 500 million passenger electric vehicles will be on the road, or roughly one third of the world's total.



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**100. A new International Energy Agency (IEA) report says growth of hydropower plants globally will slow significantly this decade.** Hydropower has a key role to play in the transition to clean energy. It produces massive quantities of low-carbon electricity and its ability to provide flexibility and storage is unmatched. Many hydropower plants can ramp their electricity generation up or down very rapidly, compared with other power plants such as nuclear, coal or natural gas. This makes it an attractive foundation for integrating greater amounts of wind and solar power – since their output can vary depending on weather and the time of day/year. Global hydropower capacity is expected to increase by 17% between 2021 and 2030, led by China, India, Turkey and Ethiopia, according to the report. This project growth for the 2020s though, is nearly 25% slower than the expansion of hydropower in the previous decade.

## Small Hydro Installed Capacity



■ China   ■ Next 5 largest   ■ Rest of world