

Market Commentary

August 2024

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South African market themes

Following the rally in domestic assets, the outlook for a global soft landing is likely already priced in. Local sectors that have benefitted from the positive run include banks, life insurers, retailers, and listed property. In August, the Capped SWIX gained 1.3%, the All Share Index gained 1.4%, and the ALBI gained 2.4%. Financials and Industrials ticked up by 5.3% and 4.0%, respectively, while resources lagged, declining by 10.1%. The Rand strengthened over August but ended the month with a rebound due to volatility and uncertainty surrounding U.S. data releases. The month ended with a Rand-US dollar appreciation of 2.4%.

The month of August showed that South Africa's fiscal position remains under pressure. Despite volatility in the political landscape over the past few months, foreign direct investment has gradually been recovering. South Africans have also enjoyed a continued period of suspended loadshedding, yet the Eskom tariff hikes are looming. This highlights the increased need for renewable energy and private sector participation. The October Medium-Term budget is expected to provide updated fiscal projections.

The inflation rate fell to 4.6% in July, down from 5.1% in June. The rise in electricity costs (13% year-on-year) pushed up housing and utility expenses, though falling petrol prices and lower international food costs provided some relief. Due to lower international food prices, the food and non-alcoholic beverages inflation rate eased slightly to 4.5% year-on-year in July, compared to 4.6% in June. There is still an expectation that the South African Reserve Bank (SARB) will follow the U.S. Federal Reserve in cutting interest rates when it meets on the 19th of September.

In August, manufacturing activity in South Africa decreased substantially, with the Absa Purchasing Managers' Index (PMI) dropping from 52.4 in July to 43.6 in August. This decline reflects the impact of political uncertainty, high inflation, and weaker local and international demand. The business activity index and

new sales orders both dipped for the month, resulting in August showing 38.9 points and 34.6 points, respectively.

On the 13th of August, the Africa Centres for Disease Control and Prevention (Africa CDC) declared the mpox outbreak a Public Health Emergency of Continental Security (PHECS), followed by the World Health Organization (WHO) declaring the outbreak in the Democratic Republic of the Congo (DRC) and other affected African countries a Public Health Emergency of International Concern (PHEIC) on the 14th of August. In response to these declarations, South Africa has continued to prioritise surveillance and awareness campaigns for mpox.

In August, South Africa's Crop Estimates Committee lowered the 2023-2024 maize production forecast by 2%, reflecting the harsh draught conditions earlier in the year. Within that estimate, white maize is down by 3% month-on-month, while yellow maize fell by 2%.

Pick n Pay released its latest trading statement which revealed numerous challenges that the retailer has been facing, including a disappointing 0.1% sales growth over the 21 weeks ending 21 July. Contributing factors included the difference between total and like-for-like sales, and the closure of several stores. Closures within the latest financial year include: sixteen supermarkets, four corporate offices, and twelve franchise outlets. These closures form part of a turnaround strategy to close 35 stores and convert 70 stores to the Boxer brand.

South African National Roads Agency SOC Limited (Sanral) announced ambitions to inject over R50 billion into the local economy. This will be realised through new tenders, of which it has already awarded 86 contracts worth R15 billion, and is currently evaluating a further 96 tenders, valued at R35 billion across various regions. Of the current projects underway, an upgrade of R4 billion for the Huguenot Tunnel is included.



Inflation dropped to 4.6% in July, easing from June's 5.1%



South Africa has continued to prioritise surveillance and awareness campaigns for mpox



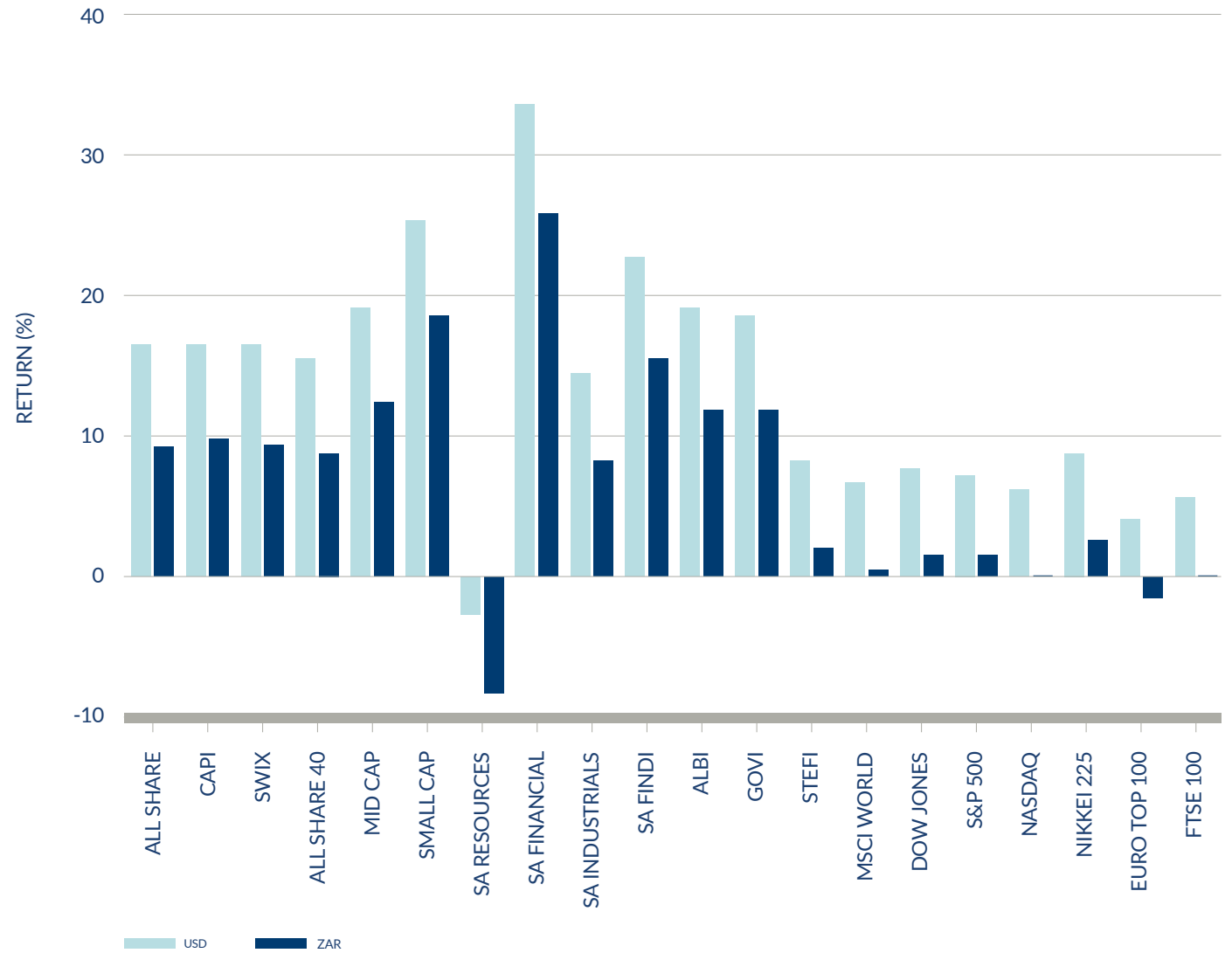
Pick n Pay's latest trading statement revealed numerous challenges and lacklustre sales growth



Sanral plans to inject R50 billion into local economy through new tenders

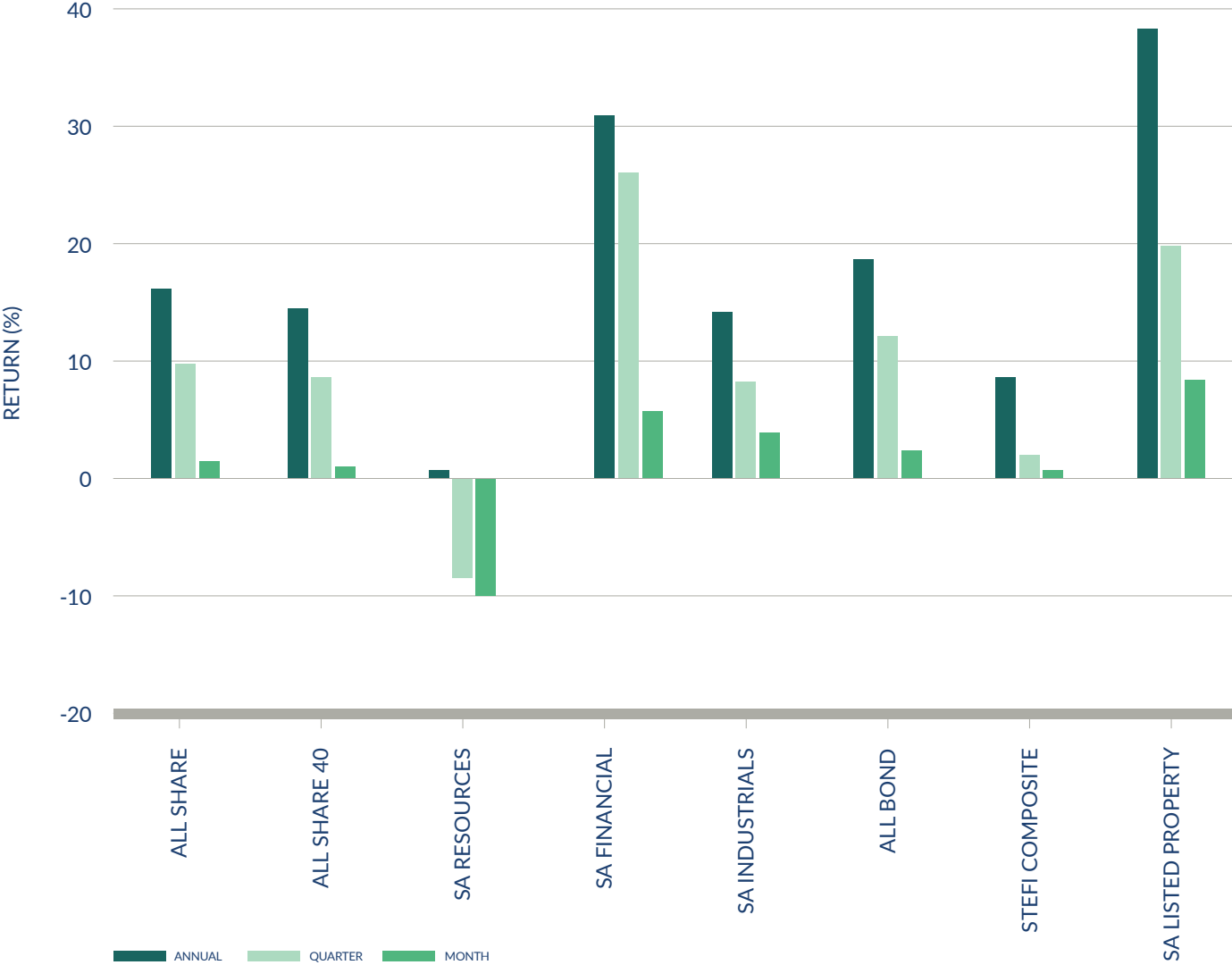
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

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