

NAVIGA

Newsletter

February 2021

MARKETS AND ECONOMICS

Global inflation fears resurfaced in February, playing off against optimism around the US stimulus package and continued vaccine rollouts. Locally, we had the State of the Nation address, the annual National Budget speech, our own vaccine roll-out rollercoaster, and lockdown level adjustments, making it an eventful month.

Besides the few “hopeful” local developments, the global wave was also highly supportive in February, with very rewarding returns being delivered to investors in growth assets. Both local and global indices ended the month significantly stronger, despite intra-month sell-offs. The local performance was primarily thanks to resource counters, rallying on higher metal prices and impressive results.

A few highlights from local economic indicators included a slightly higher inflation figure at 3.2%, a 1.3% year on year dip in retail sale and 0.9% year on year increase in wholesale trade for December, a surprise on the upside in mining and manufacturing production. Unemployment figures unfortunately worsened by 1.7% in the last quarter, with the increased activity in the job market unable to offset the damage done by the COVID period and weak economic growth.

SONA AND BUDGET

In the SONA address, President Cyril Ramaphosa highlighted four priorities namely defeating COVID, accelerating economic recovery, implementing structural reforms, and fighting corruption. While various other policies and promises were also mentioned, many parties were left disappointed with the lack of detail and clear plans to achieve results.

In delivering the 2021/22 National Budget, Finance Minister Tito Mboweni emphasized the need to cut expenditures and reduce debt, provide funding to much needed recipients (including the COVID vaccine roll-out), and prevent a fiscal collapse. Various aspects of the budget were better than expected however, and for most parts it was a relatively positive outcome given the circumstance. The following are some key changes/highlights:

- + No additional taxes.
- + Personal income tax brackets and rebates increased 5%, providing relief to taxpayers.
- + Excise duties on alcohol and tobacco increased by 8%.
- + The general fuel levy and RAF levy increased by 15c/litre and 11c/litre, respectively.
- + UIF contribution ceiling set at R17 711.58 per month from 1 March 2021.
- + The budget deficit has been revised to 14% of GDP in 2020/21.
- + Gross debt increased from 65.6% to 80.3% of GDP for 2020/21.

VACCINES AND LOCKDOWNS

After experiencing a significant set-back at the start of our vaccination plan, due to studies questioning the AstraZeneca vaccine's efficacy against the new COVID variant, vaccinations finally got underway after the first batch of the Johnson&Johnson vaccine arrived in the country. According to comments, 67 000 people were vaccinated in the first ten days of the program, with administered dosages being ramped up gradually each day, and more vaccination sites being added. We have also secured more dosages of the Johnson&Johnson vaccine, adding to the already secured Pfizer vaccines, set to be received in the second quarter. Phase two of the roll-out program aimed at the elderly, essential workers, people that work or live in institutional settings, and those with co-morbidities, will begin in late April/early May.

With daily cases well-contained, and still on the downtrend, the president announced that the country will move to Level 1 of the national lockdown. This will bring relief to local businesses that have only been able to operate under very limited conditions.

The key changes are:

- + Curfew hours reduced further, now applicable between 12am and 4am.
- + Sale of alcohol allowed for sale as normal.
- + Religious, social, political, and cultural gatherings will be permitted, subject to conditions including a maximum limit set at 100 people for indoor events and 250 for outdoor events.
- + Nightclubs will remain closed, and gatherings before or after funerals are still not permitted.

The president highlighted that the third wave is still a substantial risk, with the wearing of masks in public places and following of all social distancing guidelines remaining mandatory.

JSE All Share 5,87% 66 138,05 ▲	MSCI World (USD) 2,56% 2 726,91 ▲	MSCI EM (USD) 0,76% 1 339,26 ▲
SA Bonds 0,06% 765,19 ▲	SA Property 8,60% 285,49 ▲	CPI (y/y) 3,20% 117,70 ▲
Gold -4,16% 1 770,16 ▼	Platinum 12,58% 1 219,21 ▲	Oil 17,04% 64,42 ▲
\$/R -0,24% 15,13 ▼	€/R -0,77% 18,26 ▼	£/R 1,42% 21,08 ▲