NAVIGA

Newsletter

April 2023

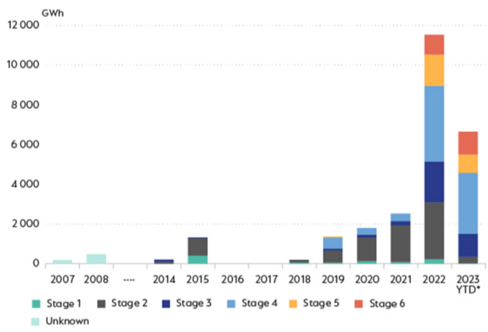
MARKETS AND ECONOMICS

The month of April provided much better returns for investors, with some signs of moderating inflation, possible relief in labour-market tightness, and a few upside surprises for corporate results that provided support for more risk-on sentiment. This is despite continued speculation around the timing and the depth of a potential economic recession across major developed economies. Continued pressure on the banking sector has exacerbated these concerns, as banks continue to tighten credit conditions and lending activity continues to slow.

South African-based investors in offshore markets benefitted from local currency depreciation during April, enhancing the returns from their investments priced back into rands, as the rand ended the month more than 3% weaker against the United States (US) dollar. Most of the weakness over the past year has been on the back of extreme dollar strength, as the dollar hit multi-decade highs towards the end of 2022. Recently, however, weak local confidence and low growth prospects have become a more significant detractor, forcing a weaker rand even as the dollar depreciates.

Sentiment and growth prospects have, unsurprisingly, been severely impacted by load shedding, as South Africa faces regular electricity outages of between four and ten hours per day. Comparing the Gigawatt hours (GWh) of load shedding for the year thus far with that experienced during the whole of 2022 (157 days of load shedding), one can see the increased intensity in 2023 (125 days of load shedding thus far). This will have a significant impact on the second quarter's economic growth figures; the impact is already visible in production figures.

INCREASE IN LOADSHEDDING



Source: EskomSePush

Source: Coronation Fund Manager, April 2023

A few global economic and market highlights:

+ US growth for the first quarter came in at 1.1%, missing market expectations of a slowdown to 2%, as business investment growth slowed, inventories declined, and higher rates put pressure on the housing market. Consumer spending growth, however, accelerated to 3.7% (from 1% in the previous quarter).
+ Chinese growth figures came in better than expected, with the economy expanding 4.5% year-on-year in real terms in the first quarter of 2023. This was predominantly driven by the deployment of pent-up consumer demand.
+ The United Kingdom's inflation remained stubbornly high at 10.1% in March (from 10.4% in February), above market expectations. While input-cost inflation slowed, higher wage demands have put pressure on selling-price inflation.

A few local economic and market highlights:

+ Manufacturing production figures released during April pointed to a 5.2% slump in February (from a 4.1% decline in January), while mining output registered its thirteenth consecutive annual decline, decreasing 5% in February.
+ Local inflation figures surprised on the upside, as prices increased by 7.1% year-on-year in March (compared with 7% in February). Food inflation was the main culprit, as prices rose 14.4% in the component, contributing approximately a third of the increase in inflation.

On the topic of inflation, while food inflation accelerated at the quickest pace in 14 years, we have seen the food products Producer Price Index (PPI) ease to 11.7% in March (from 13.7% in February). This is as a result of prices coming off of a very high base. With a strong correlation between food PPI and food Consumer Price Index (CPI), we can expect the turn in food PPI to provide some relief to the CPI basket as well.

JSE All Share 3,38% | 78 218,37 ▲	**MSCI World *(USD)*** 1,75% | 2 835,93 ▲	**MSCI EM *(USD)*** - 1,13% | 977,05 ▼	**SA Bonds** - 1,11% | 877,01 ▼
SA Property 5,36% | 312,55 ▲	**CPI (y/y)** 7,10% | 109,00 ▲	**Gold** 1,03% | 1 989,78 ▲	**Platinum** 8,35% | 1 074,01 ▲
Oil 0,55% | 80,33 ▲	**£/R** 4,74% | 22,98 ▲	**€/R** 4,44% | 20,15 ▲	**$/R** 2,78% | 18,29 ▲

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