

## SA FALLS INTO A RECESSION AMIDST POLITICAL UNCERTAINTIES

The firming of the rand during July, from R13.75 to the US dollar at the start of the month, to below R13.20/US\$ by month-end, proved to be only a temporary interruption as the currency slumped badly in August. By month-end, the rand was trading around R14.75/US\$, some 28% weaker than the R11.55/US\$ reached at the height of "Ramaphoria" late in March. Further weakness followed after the release of weak second quarter GDP data, with the rand trading around R15.60/US\$ by 5 September.

While the renewed weakness of the rand was largely driven by general concern around emerging markets, with escalating trouble in Turkey and Argentina the focus, SA-specific issues also featured prominently. The key issues include uncertainty around land reform, concerns over the (so far) failed economic recovery and SA's sustained and fairly large twin deficits.

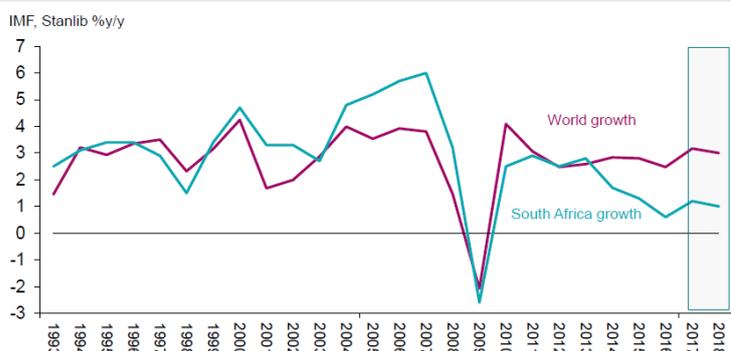


### RECESSION!

Another blow to the economy is the annualised contraction in second quarter GDP numbers of 0.7%, following a first quarter number of -2.2% (which was revised to -2.6%). Two consecutive quarters of negative GDP put us into recession. Of grave concern is that we have been unable to participate in the strong global growth environment. The main reason for our low / negative growth is the continued lack of consumer, business and investor confidence in our country, predominantly around political and policy uncertainty. Even if there's a recovery in the third and fourth quarters, we are unlikely to improve on 2017 GDP growth of 1.3% and expect, at best, around 0.7% - 0.8%.

Considering all of this, it is very likely that the period in the run-up to the 2019 elections will be characterised by economic uncertainty and financial market volatility.

GDP growth: South Africa vs World



### THE WORLD'S TOP 3 BEERS

#### 1) SNOW

This is owned by CRH Beer Limited and is the largest beer producer in China. It is estimated that they sold 101.2 million hectoliters in 2017. Heineken is looking to buy a 40% stake in CRH Beer Limited.

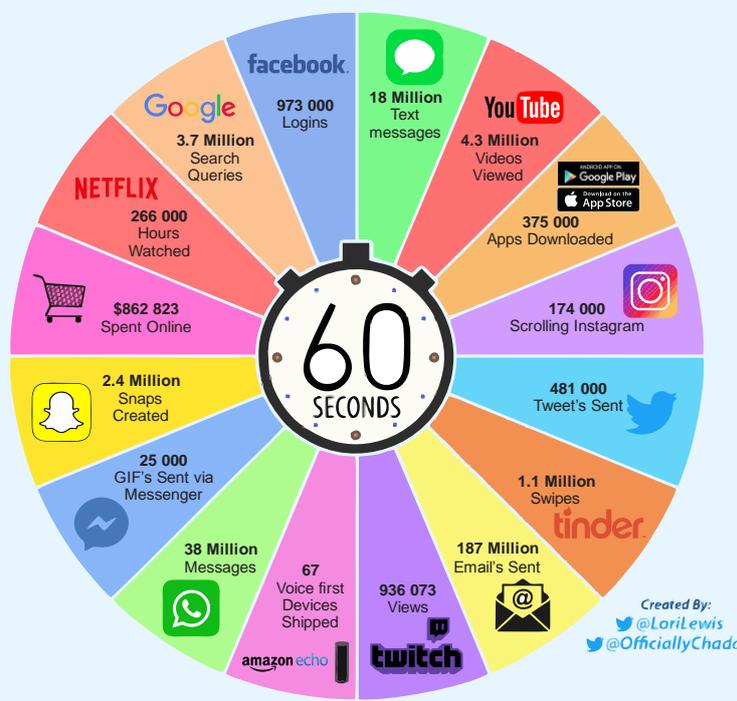
#### 2) BUDWEISER

Produced 49.2 million hectoliters, but both Bud Light and Budweiser sales dropped by 3.1% in the second quarter of 2018.

#### 3) TSING TAO

Produced 49.0 million hectoliters. This Chinese beer, which is predominantly sold in China, started in 1903 and is still growing its market share.

### IN AN INTERNET MINUTE



## THIS AND THAT

- **China** is on course to be the world's biggest economy by 2030. India will surpass Japan and Germany to become the 3rd largest economy. (HSBC)
- **Stryve Biltong**, a start-up headquartered in Texas, landed funding to supply **Walmart** in the US.
- **Cash in transit heists** increased from 137 cases in 2015/2016 to 238 in 2017/2018.
- **The World Tourism Organisation** indicated that tourist arrivals grew by 7% from 2016. **France** has the most arrivals at 86.9 million visitors, followed by **Spain** at 81.8 million and the **US** in 3rd place with 75.9 million. **China** has 60.7 million and **Italy** 58.3 million making up the top 5.
- **Aston Martin** is planning to list on the London Stock Market, and plans to float 25% of the company. They are entering the race to create the first electric SUV.
- **Starbucks** opens its first store in Italy and is now in 78 different countries with over 25 000 stores worldwide. The Milan Starbucks Reserve Roastery is their 3rd Premium store worldwide after Seattle and Shanghai.
- **Amazon's** market value surpassed \$ 1 trillion on 4 September 2018, with the stock price rising as high as \$ 2 050.50. This makes Amazon's founder, **Jeff Bezos**, worth nearly as much as Bill Gates and Warren Buffet put together.
- The world's top **Apps** – WhatsApp, WeChat, Facebook, Facebook Messenger, Pandora, YouTube, Twitter, Google and Spotify.

## THE TOP EMERGING MARKETS

COUNTRY	GDP	INFLATION	EASE OF DOING BUSINESS
CHINA	45.90%	3.00%	9%
SOUTH KOREA	22.90%	2.90%	8%
THAILAND	25.90%	2.70%	18%
SOUTH AFRICA	19.90%	4.90%	39%

An **emerging market** economy describes a nation's economy that is progressing toward becoming more advanced, usually by means of rapid growth and industrialisation.

Articles from: Financial Mail, Business Day, Sunday Times, STANLIB, Allan Gray, Old Mutual, Sanlam, Coronation, Ashburton, PSG, News 24 and Investec were used in developing the article presented in this newsletter.

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## CHINESE FUNDING IN AFRICA

### 10 Massive projects the Chinese are funding in Africa

#### 1. RAILWAYS PROJECTS

At least five African countries have had their railway systems funded by China: Kenya, Ethiopia, Angola, Djibouti and Nigeria.

#### 2. AU HEADQUARTERS

The R3 billion African Union headquarters located in Addis Ababa, Ethiopia, was fully funded and built by China.

#### 3. ECOWAS HEADQUARTERS

In March 2018, West African regional bloc ECOWAS, signed a deal with China to build their headquarters in Abuja at the cost of R475.7 million (\$31.6million).

#### 4. GHANA'S BAUXITE EXPLORATION

In 2017, Ghana agreed to a R150 million bauxite exploration deal with the government of China, aimed at further exploiting the West African country's vast solid mineral deposits.

#### 5. ANGOLA'S CACULO CABACA HYDROPOWER PLANT

In 2017, Angola signed a deal with China for the construction of the Caculo Cabaca Hydropower project in Dondo, Angola. The project is worth R67.7 billion and is set to produce 2.172 megawatts of electricity.

#### 6. CONGO'S SPECIAL ECONOMIC ZONE

China will be investing in the Republic of Congo's Special Economic Zone. The Zone will be built in Pointe Noire in what Ghana calls a 'direct investment' and not a loan or gift.

#### 7. NIGERIA'S EDO STATE OIL REFINERY

Nigeria and China signed a deal to build an oil refinery in Edo State at a cost of R30.1 billion.

#### 8. ZAMBIA'S CEMENT FACTORY

China is responsible for a number of projects in Zambia including the China National Building Material. The project is worth R7.5 billion and will be completed in two phases.

#### 9. EGYPT'S NEW CITY

Shanghai-listed developer, China Fortune Land Development is set to invest up to R301.1 billion to build an upmarket residential district, an industrial zone, schools, a university and recreational centres in a new city in Egypt.

#### 10. ZIMBABWE'S NEW PARLIAMENT

Before President Robert Mugabe was ousted, China presented the former head of state with a million dollar gift: a new parliament, at an expected cost of R2.1 billion.

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