

# Economies at a glance

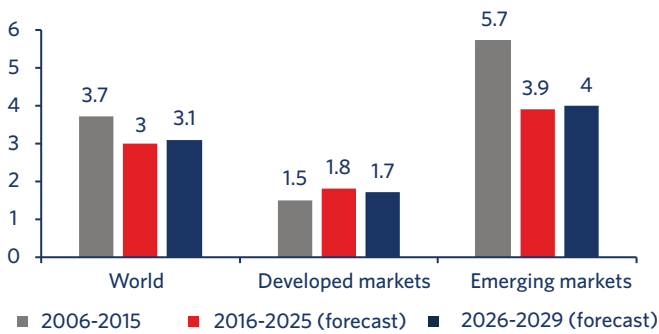
April 2024

## "Steady but slow: Resilience amid divergence"

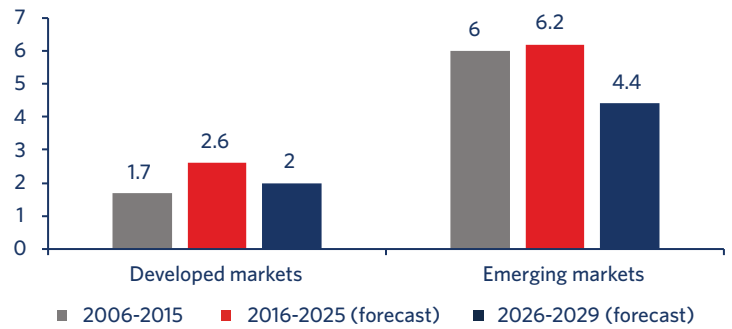
A peek into the International Monetary Fund's latest views on growth, inflation and fiscal dynamics

### Medium-term growth and inflation prospects for the world economy

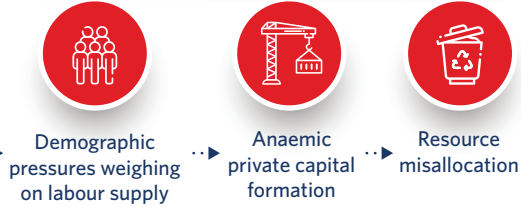
**GDP growth (% y/y)**



**Headline inflation (% y/y)**



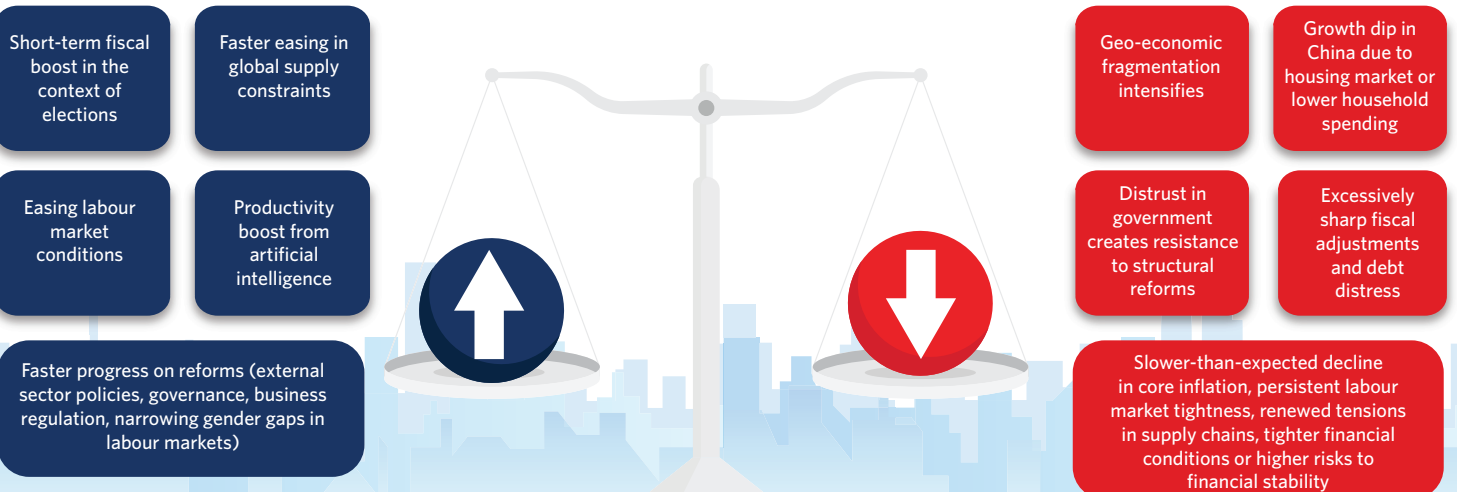
#### Broad-based downturn in medium-term growth forecasts due to:



#### Factors necessary to elevate growth prospects in the medium-term include:



### Risks to the outlook for the world economy are viewed as broadly balanced



# Economies at a glance

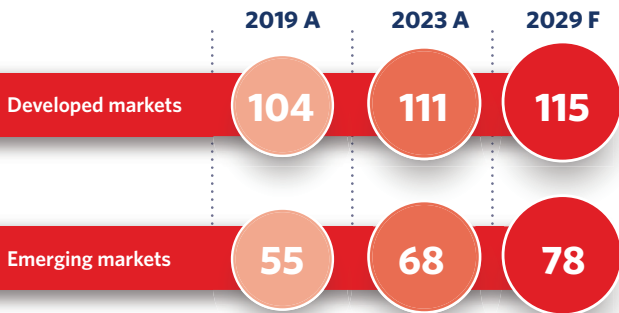
April 2024

**"Steady but slow: Resilience amid divergence"**

A peek into the International Monetary Fund's latest views on growth, inflation and fiscal dynamics

## Debt sustainability to be challenged in the coming years

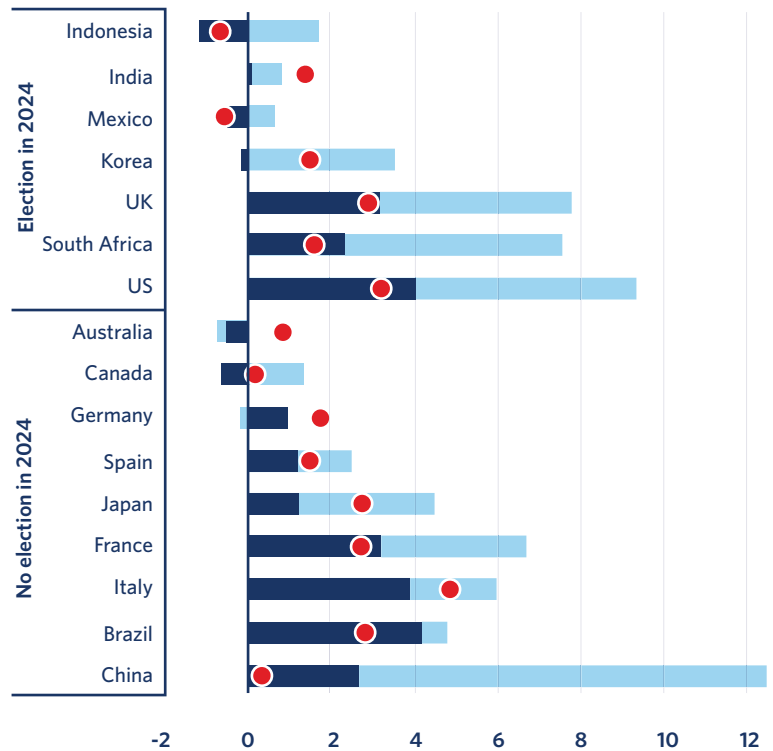
### Government debt ratios set to rise (% of GDP)



### Many countries have large fiscal adjustment needs for debt sustainability

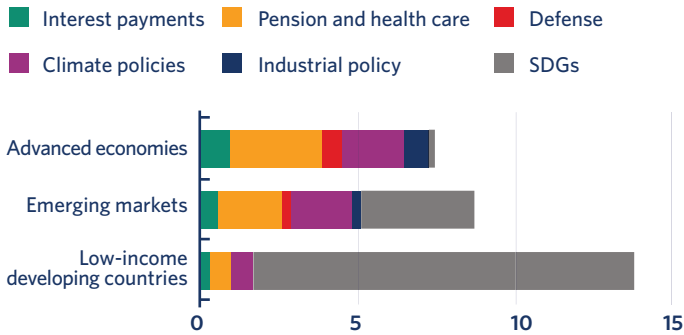
#### Cumulative rise in primary-fiscal-balance-to-GDP ratio, 2023-2029 (percentage points)

- Developed markets
- Adjustment needed to stabilise debt-to-GDP ratio in 2029
- Additional adjustment needed to stabilise debt-to-GDP ratio at 2019 level

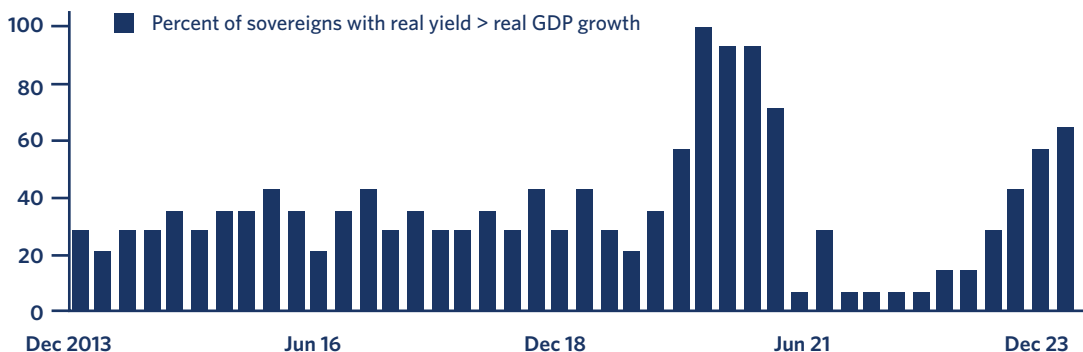


### Mounting spending pressures

#### Potential annual increases in spending through 2030 (percentage of GDP)



### An increasing number of emerging market sovereigns have high real refinancing costs\* relative to economic growth



\*Local currency government financing rates and trailing 12-month inflation rate  
Source: International Monetary Fund (Fiscal Monitor, Global Financial Stability Report, World Economic Outlook)

April 2024

## UNITED STATES

In its April 2024 World Economic Outlook, the International Monetary Fund (IMF) noted that the upward revisions to growth in the United States (US) for 2024 were largely a function of positive spillovers from the previous year and stronger growth momentum. Aggregate demand was supported by firmer-than-expected private consumption and greater fiscal support, almost 2% of GDP higher than forecasted a year earlier. Robust demand, together with tight labour markets, have kept the pressure on underlying inflation, leading to some market commentators pushing out the prospect of interest rate cuts in the US into 2025. Despite sticky inflation, the IMF expects interest rates to be lowered in the US in the second half of 2024. While the Federal (Fed) Funds futures priced in between two and three cuts for 2024 at the end of March, they are now pricing in between one and two cuts before the end of the year.

### Forecast 2024:

GDP: 2.3%  
Core PCE Inflation: 2.6%

### Forecast 2025:

GDP: 1.6%  
Core PCE Inflation: 2.2%

## EUROZONE

Although economic activity is stabilising, the ongoing recovery remains fragile across most constituents. Growth in the latter half of 2023 fell below initial market expectations in line with subdued consumer confidence, the delayed impact of increased energy costs and sluggish manufacturing and business investment as a consequence of higher interest rates. The IMF has warned that trade fragmentation could fray the European Union's (EU) single market and noted that subsidy measures imposed, that harm other EU countries, have increased by 50% since the pandemic. Alongside weaker economic activity, core inflation has dropped more quickly than predicted in the Eurozone. Nonetheless, labour markets remain strong and negotiated wage growth remains robust. Overnight index swaps were previously pricing in between three and four cuts at the end of March but are now looking for closer to three cuts by the end of the year.

### Forecast 2024:

GDP: 0.3%  
Inflation: 2.3%

### Forecast 2025:

GDP: 1.1%  
Inflation: 2%

## UNITED KINGDOM

The IMF predicts a slight economic rebound in the United Kingdom (UK) this year as the delayed negative impact of increased energy costs diminishes. Additionally, anticipated disinflation is projected to lead to a further relaxation in financial conditions and a recovery in real incomes next year. The IMF noted that the tightness of the labour market before the pandemic may partially account for why inflation has been higher in the UK compared to the US or Euro Area, after the pandemic began. Similarly, the effects of past relative price changes, particularly from energy price shocks, have had a greater impact on reducing core inflation in the Eurozone and the UK compared with that in the US. The overnight index swap market previously priced in closer to three interest rate cuts at the end of March, but this has been lowered to around two interest rate cuts by the end of this year.

### Forecast 2024:

GDP: 0.6%  
Inflation: 2.5%

### Forecast 2025:

GDP: 1.1%  
Inflation: 2.1%

## JAPAN

Although the IMF is slightly more optimistic than the consensus, they still expect Japan's economic growth rate to decelerate, dropping from 1.9% in 2023 to 0.9% in 2024. This slowdown can be attributed to the diminishing impact of temporary factors that bolstered growth last year, such as a significant increase in inbound tourism. The IMF notes that Japan is expected to experience a gradual increase in policy rates, which indicates a growing belief that inflation will steadily align with the target rate in the medium term. The Bank of Japan nevertheless opted to keep interest rates unchanged at the April meeting and noted that the consequent weakness in the yen had little impact on Japan's inflationary pressures. The Bloomberg median consensus is projecting the next interest rate hike in the fourth quarter of the year, while traders in the overnight index swap market expect two hikes before the end of the year, starting in September 2024.



## CHINA

**Forecast 2024:**

GDP: 4.8%

Inflation: 0.7%

**Forecast 2025:**

GDP: 4.5%

Inflation: 1.5%

China's economy continues to grapple with the prolonged downturn in its property sector. The IMF drew attention to historical patterns, which show that credit expansions and contractions tend to take time to resolve, with China's current situation being no different. Without substantial measures and reforms targeting the underlying issues, domestic demand is expected to remain subdued for the foreseeable future. Additionally, there are concerns regarding public debt dynamics, especially if the property crisis escalates into deeper problems for local public finances. This situation could potentially lead to increased external surpluses due to weakened domestic demand, posing a risk of heightened trade tensions amid an already tense geopolitical landscape. The IMF expects growth to ease in China in the next two years as the post-pandemic boost to consumption and fiscal support ease, while troubles persist in the property sector.

**Forecast 2024:**

GDP: 4.2%

Inflation: 7.3%

**Forecast 2025:**

GDP: 4.2%

Inflation: 4%

## EMERGING MARKETS

The IMF notes that economies in Latin America have demonstrated impressive resilience in confronting recent global challenges and have surpassed initial expectations in their recovery from the pandemic. Growth rates are now on a gradual decline with economies operating at their full potential. This slowdown is also influenced by a less favourable external environment and the ongoing impact of stringent policies aimed at managing inflation.

Inflationary trends are showing a downward trajectory, largely due to proactive easing measures but there is room for continued monetary policy relaxation. Over in Asia, the IMF anticipates a soft landing as rapid disinflation takes hold and growth remains robust. Nevertheless, the IMF warns that the pace of disinflation and drivers of growth vary significantly across the region with softer growth in China and increased geo-economic fragmentation posing the largest downside risks to the economic trajectory.

Despite global external shocks and rising political instability, the IMF is more upbeat on the outlook for Sub-Saharan Africa given a halving of inflation and stabilisation in public debt ratios.

**Forecast 2024:**

GDP: 1%

Inflation: 5.4%

**Forecast 2025:**

GDP: 1.7%

Inflation: 4.5%

## SOUTH AFRICA

In its April Monetary Policy Review, the South African Reserve Bank (SARB) warned that nominal policy rates remain high across a number of countries, as major central banks maintain a cautious outlook on the pace of disinflation. Although the market's expectations for monetary policy easing have adjusted closer to central banks' thinking and are now pricing in fewer cuts, that are more spread out, the SARB noted that expectations remain broadly intact for a lowering in interest rates to commence this year. The SARB flagged that, locally, core inflation has shown strong momentum in recent months. Moreover, the SARB noted that although surveyed inflation expectations have generally moved sideways, the figures remain worryingly above the midpoint of the inflation target range. In the medium term, the SARB views exchange rate risk as a key source of inflationary pressure through its impact on imported goods. Moreover, upward pressure on wages should additionally pose risks. Relative to realised outcomes on inflation, the SARB points out that they had persistently underestimated food and core goods inflation, while they had overestimated services inflation. Nevertheless, in recent months, the rise in services inflation has mimicked global trends leaving the SARB concerned about a stickier disinflation trajectory. The Reuters Econometer for April reflects a more cautious view on central banks' expectations on inflation risks and signals two interest rate cuts for the year from three in March.

## The macro research desk

---

Herman van Papendorp is the head of the Momentum Investments research and insights team and takes ultimate responsibility for macro research and asset allocation. Economist, Sanisha Packirisamy, is responsible for providing a macro framework to inform investment opportunities and strategies.



The information used to prepare this document includes information from third-party sources and is for information purposes only. Although reasonable steps have been taken to ensure the validity and accuracy of the information contained herein, Momentum Metropolitan Life Limited does not guarantee the accuracy, content, completeness, legality or reliability of the information contained herein and no warranties and/or representations of any kind, expressed or implied, are given to the nature, standard, accuracy or otherwise of the information provided.

Neither Momentum Metropolitan Life Limited, its affiliates, directors, officers, employees, representatives or agents (the Momentum Parties) have any liability to any persons or entities receiving the information made available herein for any claim, damages, loss or expense, including, without limitation, any direct, indirect, special, incidental, punitive or consequential cost, loss or damages, whether in contract or in delict, arising out of or in connection with information made available herein and you agree to indemnify the Momentum Parties accordingly. For further information, please visit us at [momentum.co.za](http://momentum.co.za). Momentum Investments is part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider, and rated B-BBEE level 1.



# Indices summary for April 2024

|   | One month | Three months | One year | Three years | Four years | Five years | Six years | Seven years | Ten years |
|---|-----------|--------------|----------|-------------|------------|------------|-----------|-------------|-----------|
| <b>Equity indices</b>                                   |           |              |          |             |            |            |           |             |           |
| FTSE/JSE All-Share Index (Alsi)                         | 2.95%     | 3.68%        | 1.14%    | 8.81%       | 15.14%     | 9.41%      | 8.47%     | 8.89%       | 8.11%     |
| FTSE/JSE Shareholder Weighted Index (Swix)              | 2.95%     | 3.58%        | 2.30%    | 6.45%       | 12.42%     | 6.40%      | 5.61%     | 6.18%       | 6.72%     |
| FTSE/JSE Capped Swix All Share index                    | 2.92%     | 3.49%        | 2.36%    | 8.23%       | 14.63%     | 7.22%      | 5.68%     | 6.09%       | 6.50%     |
| FTSE/JSE All Share Top 40 Index                         | 3.18%     | 4.46%        | -0.04%   | 8.89%       | 14.93%     | 9.89%      | 9.06%     | 9.52%       | 8.27%     |
| FTSE/JSE Mid Cap Index                                  | 1.48%     | 0.71%        | 4.39%    | 7.88%       | 14.55%     | 5.70%      | 3.91%     | 4.32%       | 5.87%     |
| FTSE/JSE Small Cap Index                                | 2.02%     | -0.78%       | 9.13%    | 14.48%      | 27.10%     | 12.65%     | 7.80%     | 6.80%       | 7.74%     |
| FTSE/JSE Resources Index                                | 6.40%     | 11.72%       | -6.87%   | 2.79%       | 15.00%     | 12.34%     | 14.75%    | 15.49%      | 5.85%     |
| FTSE/JSE Financials Index                               | 2.40%     | -1.59%       | 11.93%   | 14.49%      | 17.41%     | 4.08%      | 2.90%     | 4.83%       | 6.06%     |
| FTSE/JSE Industrials Index                              | 1.58%     | 3.48%        | 1.82%    | 9.16%       | 12.83%     | 9.11%      | 7.09%     | 6.89%       | 8.20%     |
| <b>FTSE/JSE Research Affiliates Fundamental Indices</b> |           |              |          |             |            |            |           |             |           |
| 40 Index (Rafi)   | 4.67%     | 5.58%        | 0.85%    | 13.29%      | 19.53%     | 10.22%     | 9.33%     | 10.24%      | 8.32%     |
| <b>FTSE/JSE Research Affiliates Fundamental Indices</b> |           |              |          |             |            |            |           |             |           |
| All Share Index   | 7.01%     | 8.57%        | 4.86%    | 13.60%      | 20.10%     | 10.43%     | 9.36%     | 10.20%      | 8.30%     |
| FTSE/JSE SA Listed Property Index (Sapy)                | -0.59%    | -0.79%       | 13.67%   | 9.61%       | 16.59%     | -0.04%     | -1.70%    | -1.53%      | 2.84%     |
| FTSE/JSE All Property Index (ALPI)                      | -0.48%    | -1.39%       | 13.24%   | 8.77%       | 16.17%     | -0.74%     | -2.67%    | -2.53%      | 1.59%     |
| <b>Interest-bearing indices</b>                         |           |              |          |             |            |            |           |             |           |
| FTSE/JSE All Bond Index (Albi)                          | 1.37%     | -1.15%       | 6.81%    | 7.22%       | 9.04%      | 7.18%      | 6.81%     | 7.77%       | 7.80%     |
| FTSE/JSE All Bond Index 1-3 years (Albi)                | 0.41%     | 0.44%        | 8.20%    | 6.32%       | 6.54%      | 7.28%      | 7.60%     | 7.74%       | 7.69%     |
| FTSE/JSE Inflation-linked Index (Ili)                   | 0.24%     | -0.32%       | 5.41%    | 6.73%       | 8.25%      | 5.68%      | 5.17%     | 4.90%       | 5.15%     |
| Short-term Fixed Interest Composite Index (Stefi)       | 0.68%     | 2.04%        | 8.46%    | 6.22%       | 5.74%      | 6.02%      | 6.23%     | 6.40%       | 6.53%     |
| <b>Commodities</b>                                      |           |              |          |             |            |            |           |             |           |
| NewGold Exchange-Traded Fund                            | 2.78%     | 12.90%       | 18.08%   | 18.67%      | 8.12%      | 18.29%     | 17.17%    | 13.89%      | 11.85%    |
| Gold price (in rands)                                   | 2.96%     | 12.53%       | 18.91%   | 19.34%      | 8.50%      | 18.66%     | 17.57%    | 14.41%      | 12.28%    |
| Platinum Exchange-Traded Fund                           | 1.80%     | 1.43%        | -11.04%  | -0.41%      | 5.20%      | 6.28%      | 7.20%     | 4.40%       | 1.14%     |
| Platinum price (in rands)                               | 5.15%     | 1.61%        | -9.96%   | -0.50%      | 4.47%      | 5.96%      | 7.22%     | 4.49%       | 1.36%     |
| <b>Currency movements</b>                               |           |              |          |             |            |            |           |             |           |
| Rand/euro movements                                     | -1.75%    | -0.79%       | -0.27%   | 4.84%       | -0.03%     | 4.61%      | 4.93%     | 4.71%       | 3.26%     |
| Rand/dollar movements                                   | -0.80%    | 0.96%        | 2.95%    | 9.06%       | 0.61%      | 5.59%      | 7.08%     | 4.99%       | 5.98%     |
| <b>Inflation index</b>                                  |           |              |          |             |            |            |           |             |           |
| Consumer Price Index (CPI)                              |           |              | 5.32%    | 6.11%       | 5.38%      | 5.13%      | 5.03%     | 4.85%       | 5.04%     |

## Important notes

- Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
- Returns for periods exceeding one year are annualised.
- The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
- The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
- FTSE/JSE disclaimer: www.jse.co.za
- The information reproduced in this document has been compiled by or arrived at by Investments from sources believed to be reliable.
- Reasonable steps have been taken to ensure the validity and accuracy of the information in this document. However, Momentum Investments does not accept any responsibility for any claim, damages, loss or expense, howsoever arising out of or in connection with the information in this document, whether by a client, investor or intermediary.
- The content used in this document is sourced from various media publications, the Internet and Momentum Investments. For further information, please visit us at www.momentuminv.co.za.
- Momentum Investments is part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider, and rated B-BBEE level 1.