Report by Freddie Mitchell

Data to be released next week:

Date	Data	Period	Year Ago	Previous Period	Efficient Expectation
7/09/2010 : 8h00	Gross reserves	August	$38.0bn	$43.2bn	**$42.6bn**
7/09/2010 : 8h00	Net reserves	July	$36.9bn	$38.7bn	**$38.5bn**
9/09/2010 : 13h00	Manufacturing production	July	-17.2%	+8.8%	**+9.6%**
9/09/2010 : 11h30	Mining production	July	-7.6%	-4.9%	**NA**
9/09/2010 : 15h30	Repo rate		7.0%	6.5%	**6.0%**

Economic variables released during the course of the past week gave an indication of South African international trade, demand for credit and money supply in the economy. These variables are very important to look at as they give an indication of consumer demand (demand for credit) and foreign demand for South African produced goods.

The South African trade balance recorded another surplus of R2.0bn during July 2010, after the R5.6bn surplus recorded in June 2010. Main contributors to this surplus were the products from the manufacturing, mining and mining related sectors. The increase in demand in the manufacturing sector is good news as this sector was the largest contributor to the economic growth of 3.2% for the second quarter of 2010. It however remains worrying that production in the mining sector keeps on declining, knowing that this sector remains one of South Africa's largest foreign exchange earners and major employers in the economy. The mining sector also did not perform well in the second quarter and contracted by 20.8% in the GDP estimates.

There have been several signs that consumer demand is picking up in South Africa. Private Sector Credit Extension (PSCE) and money supply (M3) figures for July increased by 2.0% and 3.7% respectively and both figures were above market expectations. PSCE is, in general, driven mainly by mortgage advances and other credit extended such as credit cards. These categories continued to expand significantly during July and supported the considerable expansion in PSCE by R22.2bn for the month, the highest increase since November 2008. Another suggestion of healthier consumer demand was the recovery of the retail, wholesale and restaurant sector as measured in the GDP estimates. This sector contributed a solid nicely to economic growth as it increased by 5.7% during the second quarter of 2010.

Even though the economy grew by 3.2% during the second quarter of 2010, it was still lower than market expectations. Job losses in the second quarter increased while inflation levels declined to their lowest in years. The slowing in the pace of inflation in the economy can be attributed to lower overall consumer demand in the economy, which is currently showing signs of recovery. Inflation levels are presently driven by increases in administered prices such as increases in electricity tariffs and water and sanitation services fees. Low consumer inflation and pressure on employment may cause the MPC to lower the repo rate form 6.5% to 6.0% at the next MPC meeting.

On the international front, manufacturing production in China, India and Russia powered ahead during July. Optimism that China is succeeding in shifting towards a more domestic driven and sustained growth path after the credit-fuelled drive earlier this year has lifted Asian stocks and metal markets that are largely dependent on demand from China. German manufacturing production and exports is most likely to keep a solid pace of expansion even while doubts persist about how long Germany can rely on exports to cover the effects of spending reductions at home. Even with this positive news on manufacturing production in these countries, fear of waning economic recovery in the US weighed heavily on international equity markets as markets edged lower in the last couple of weeks. Lower economic growth in the US does not bode well for Europe and Asia, who are still heavily dependent on demand from the US.

THE EFFICIENT GROUP HOUSE VIEW ON MAJOR ECONOMIC AGGREGATES

	2009	2010
GDP	-1.90%	3.5%
Current Account: GDP	-4.00%	-4.5%
CPI*	5.60%	5.5%
Repo*	7.00%	6.0%
$/Euro*	1.43	1.25
R/$ *	7.40	7.00
Oil* ($/barrel)	77.20	95.00
Gold* ($/oz)	1096.85	1200.00
* End of period		