Excellent start to the 2nd quarter

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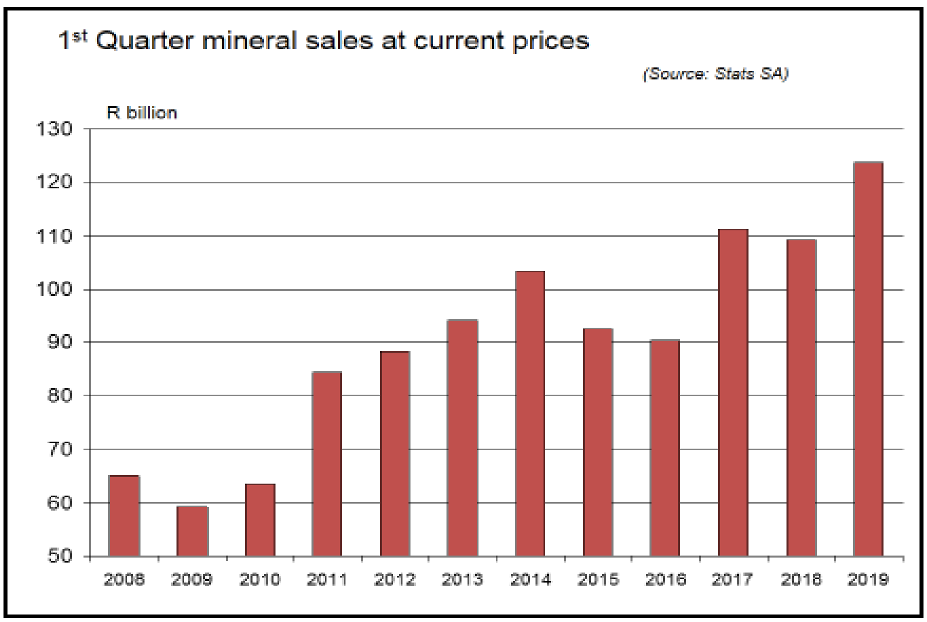
Judging by a raft of highly impressive economic indicators for April, the economy may be on course for a significant revival. Seven of the best are:

- Retail trade sales, which recorded real growth of 2.4% in April (year-on-year) and a sales figure of R83.8 billion (a new record for the start of the 2nd quarter)

- This performance was, however, overshadowed by the renewed buoyancy of the wholesale trade sector, which recorded year-on-year growth of more than 13% in April (at current prices). Wholesale trade acts as a leading indicator for the retail trade sector and the double-digit nominal growth recorded in April could well witness a continuation of a solid growth performance for retail sales during the rest of the second quarter and possibly beyond.

- The value of South Africa's mineral sales (at current prices) was another star performer, with April posting a sixth successive month of double-digit growth (year-on-year basis), namely 16.1%.



The average monthly nominal growth rate for mineral sales since last November amounts to 14.5% (year-on-year basis) and the value during the first four months of 2019 amounts to a whopping R167 billion. This quite spectacular performance was made possible by healthy increases in the prices of gold and iron ore. In mid-June, the price of iron ore reached a five-year high, driven mainly by a combination of supply concerns and exceptionally strong demand from Asia.

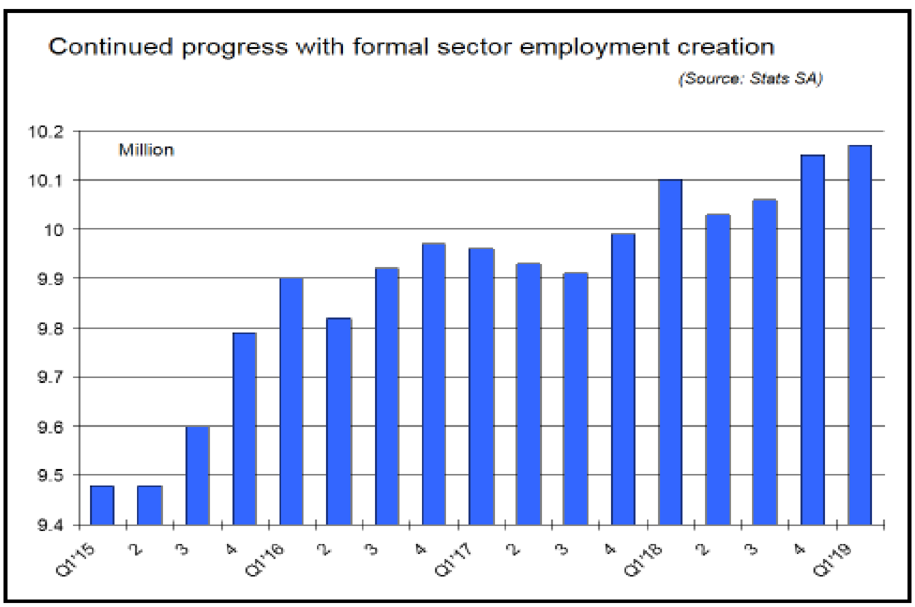
In June, gold rose to above $1,400 per fine ounce to reach its highest level in six years, due mainly to higher so-called safe haven demand and a strong likelihood of US interest rate cuts. As a rule, a rise in geo-political tensions is positive for gold, especially against the background of historical low global interest rates and low dividend yields on equity investments in high-income countries.

- Another key indicator that recorded double-digit growth in April (year-on-year) was inbound tourism from overseas. After a disappointing start to the first quarter of the year, growth of almost 12% was recorded for tourist arrivals from overseas (compared to April 2018), with 217,000 visitors arriving in South Africa.

- Thanks mainly to the good performances of food processing, metal products and transport equipment, the manufacturing sector also posted double-digit growth in April (year-on-year, at current prices)

- After a disappointing first quarter, motor trade sales represented another key sector that recorded double-digit year-on-year growth in April (at current prices), namely 10.4%, with both new and used vehicles rebounding strongly from a year ago. The April sales value for this sector was R54.4 billion.

- At a stunning 20%, the value of buildings completed within larger municipalities topped the nominal double-digit growth club in April (with a value of more than R6.5 billion).



Other welcome news published in June (pertaining to the first quarter), was the increase in the number for formally employed people, albeit marginal.

The resurgence of economic activity in April suggests that investors and consumers did not wait until after the elections to start spending again, despite the extraordinarily high cost of capital and credit (due to the Reserve Bank's obsession with ultra-low inflation).

It also seems clear that the private sector at large anticipated overwhelming electoral support for President Cyril Ramaphosa's promised market reforms and that socialist-leaning political parties would remain marginalised in Parliament.

Two strategies that are now required to lift the economy to sustained higher growth is to infuse the public sector with more competency and to systematically remove the obstacles to growth within each key sector of the economy.