

FNB Economics Weekly

Highlights

All local economic news out this week has been overshadowed by Britain's decision to leave the European Union (EU). While immediate risks stem from global financial market fallout (currency and equities in particular), the longer term implications of broader EU dissolution are the primary concern.

Separatists, nationalists and right leaning politicians will have been emboldened by the Brexit vote and there is already speculation that more countries may hold similar referendums.

As far as the domestic economy is concerned, one immediate benefit for South Africa is that the Brexit vote will almost certainly push out further Fed hikes, although the rand weakness it precipitated (and inflation risks) doesn't necessarily mean the SARB will have the same luxury.

The Week Ahead

Next week is largely quiet on the domestic data front with mostly second and third tier data being released. Monday will see figures on liquidations and insolvencies, Tuesday, Quarterly Employment Statistics, building plans passed on Wednesday and the producer price index (PPI) on Thursday.

Most of the market focus is expected to centre around the potential impact of Britain's impending exit from the European Union. We expect there to be an improvement in the employment figures, driven by government hiring in the run up to the local government elections. Business confidence and private sector investment remains dangerously weak and it's difficult to see any impetus from the private sector.

The recent softening in the CPI number suggests that the PPI which precedes consumer inflation moves could continue to moderate, albeit modestly.