



OPPORTUNITY PRIVATE CAPITAL

Economic Snapshot August 2021

LOCAL HIGHLIGHTS & LOWLIGHTS

- All-Share Index on 15 Aug: 68,940
- All-Share 1-year return: 24.97%
- Market PE ratio: 14.88
- USD/ZAR currently at R14.92/\$, slightly weaker due to unrests
- South Africa 10Y Government Bond yield: Current 8.895%

(Data: Bloomberg; Sharenet; www.tradingeconomics.com)

NEWS

- The '2020' Olympics was completed without crowds, where Tatjana Schoenmaker won the women's 200-meter breaststroke final in world record time. All-in-all, 23 new world records were set. The official price-tag for the Olympics was \$15.4bn, making it the most expensive on record (University of Oxford report).
- Scenes of chaos in Afghanistan has been televised as the Taliban took control of most of the country, with president Biden facing increasing headwinds of his handling of the situation and the withdrawal of troops.
- The Delta variant of the coronavirus is taking its toll on markets and people. In America, new cases increased by 86%, daily hospitalisations by 82% and deaths by 75% when compared to the prior two weeks.
- The Medupi explosion is estimated to take approx. 2y and around R2bn to fix.

Private lending trends

Most of the retailers who can do so have made the move to include online retail in their service offerings over the last couple of years. What was purely a strategic move to test the waters and expand their sales channels in the past, has now been made a requirement for business-survival by the global Covid-19 pandemic.

Many consumers who had never tried e-commerce were forced online when Covid reached their regions and stores closed. The graph on the right compares the growth of US retail sales to the growth of e-commerce, and shows the incredible jump that e-commerce experienced in 2020.

Not depicted in the graph is what happened with the online sales of 'mass retailers', which grew 93% in 2020. An article in Forbes magazine reported that "global e-commerce sales will reach \$4.2 trillion this year, with U.S. consumers accounting for close to one-quarter of that spending".

US retail sales growth



Source: US Department of Commerce, Craigs Investment Partners.

Adobe is one of the main trackers of total global e-commerce, and they are of the opinion that the current environment has supercharged the sales channel with an influence that will “carry forward for generations. There’s just too much momentum and durability.”

It is not all smooth sailing, though. Businesses report that it is generally more expensive to fulfil online- than in-store sales, with clothing and shoes showing a return rate as high as 50%. Consumers also want free returns and delivery, almost as if they want to replicate the experience of trying on merchandise in-store.

The answer seems to lie with a healthy omni-channel strategy because the proverbial ‘devil’ seems to be in the delivery. It will be interesting to see if businesses get customers back in-store after the Covid dust settles.

GRAPH OF THE MONTH: Contemporary art versus traditional asset classes



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