

BREAKING NEWS BRIEFING

October 26th 2017
Country risk course



XI JINPING CONFIRMED AS CHINA'S MOST POWERFUL LEADER SINCE MAO

- 19th National Congress of the Communist Party of China
- Xi Jinping's second five-year term as party general secretary
- Mr Xi is only the second Chinese Communist ruler to secure an eponymous reference in the constitution while still in power
- 205 members of Central Committee chose a new Politburo and Politburo Standing Committee (top leadership of the CPC)
- China had embarked on a “new era”
- Will Xi Jinping reduce the Chinese economy's traditional reliance on debt-fueled investment ?



Xi Jinping is addressing the nation to lay out his political and economic vision



CHINA RISKS BUBBLE WITH SURGE IN PROPERTY INVESTMENT

Real estate development helped put the economy in a good place but is the demand sustainable?

The boom in numbers

10%

Contribution made by property investment to China's GDP in 2016

12

Cities out of 70 in an official survey saw property prices fall in the three years to August 2016

50m

Homes were vacant in 2013, according to the China Household Finance Survey

Source: Financial Times, October 19th, 2017

China's real GDP growth
Annual % growth, quarterly



Source: CEIC Generate. 19 Oct 2017



China property: Price growth drives investment



Source: Financial Times, October 19th, 2017



SOUTH AFRICA POLITICAL RISK IS OVERSHADOWING ECONOMIC RECOVERY



- South Africa is considered a riskier proposition than most other comparable emerging markets (Ems) for investors :
 - political uncertainty
 - ministerial shake-ups
 - rating downgrades

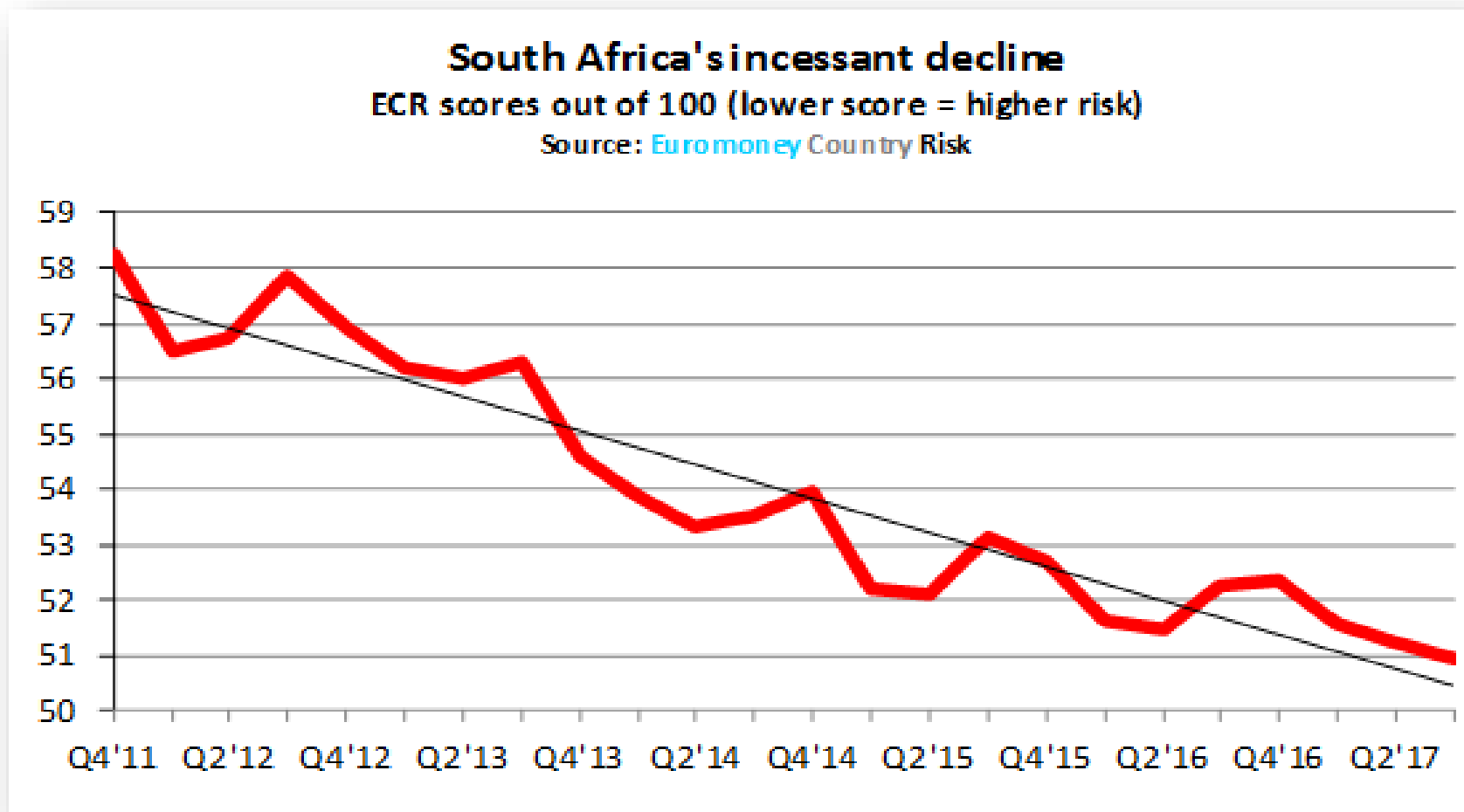
	2015	2016 (f)	2017 (f)
GDP growth (%)	1.3	0.3	0.8
Inflation (yearly average) (%)	4.6	6.2	6.0
Budget balance (% GDP)	-3.6	-3.5	-3.5
Current account balance (% GDP)	-4.4	-3.3	-3.4
Public debt (% GDP)	49.8	50.5	52.4

Source: COFACE

There are, at last, some encouraging signs of economic improvement :

- GDP rising
- Annual growth is barely higher than 1%





Source: Euromoney

- South Africa's risk score continued falling in the first half of 2017, and provisional results from the latest, third-quarter survey, due to be released in early October, show the trend is likely to continue.



WHAT FUTURE FOR EUROPE?

- EU reform proposed are meant to strength Europe:
 - -Create a European monetary fund
 - -Big tax reforms for most of the countries
 - -Create a European Finance ministry to deal with the economic strategies of EU
- Facts slowing these reforms:
 - -Weaker political position of the Angela Merkel in Germany
 - -Oppositions to the new reforms in France
 - -The Catalonia referendum
 - -Brexit impact and the slow exit from EU.
 - Uncertainty regarding Monetary policies (Especially Quantitative easing)



Sources: Financial Times, Project syndicate and Investing.com





**THANK YOU FOR YOUR
ATTENTION**