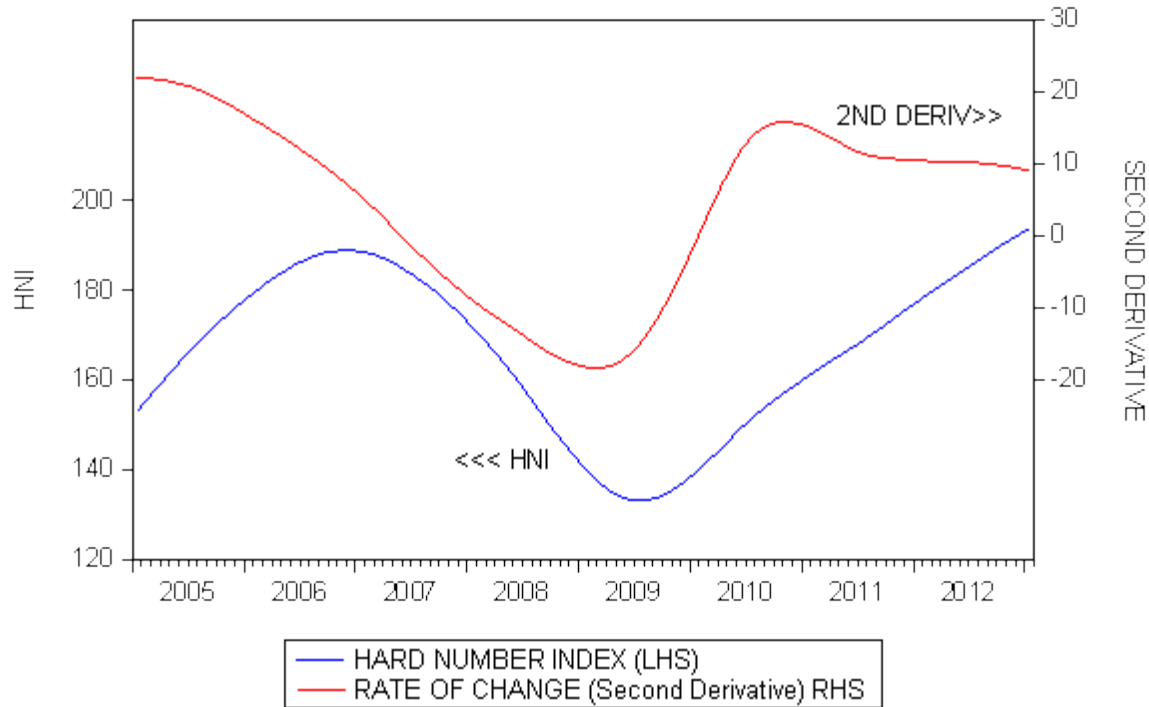


## The Hard Number Index: Maintaining the recovery

The SA economy in January 2012 continued its strong recovery from the recession of 2009, moving forward at a more or less constant speed according to our Hard Number Index of economic activity (HNI).

### The Hard Number Index and its rate of change

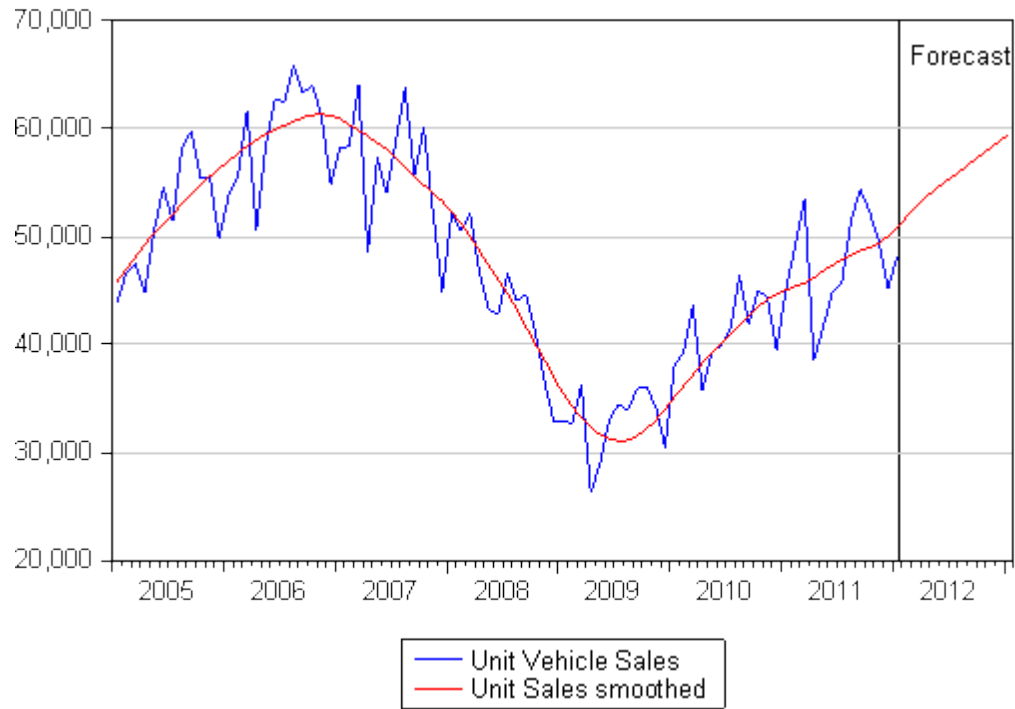


Source: Naamsa, SARB and Investec Wealth & Investment

Our HNI is based on two very up to date hard numbers: new unit vehicle sales in January 2012 released by Naamsa and the notes in circulation at January month end released by the Reserve Bank (SARB). We have shown that the HNI provides a very accurate predictor of the Coinciding Business Cycle Indicator provided by the SARB (the latest observation of this is only for October 2011).

Unit vehicle sales in January 2012 must be regarded as highly satisfactory to the industry. Sales grew from 45 200 units sold in December 2011 to 48 251 units in January 2012. On a seasonally adjusted basis December was a particularly strong month and sales in January, on a seasonally adjusted basis, declined by 2 239 units. As we show below, January sales have maintained the strong recovery in unit sales – with the industry possibly regaining peak sales of 60 000 units in early 2013, if current trends are maintained. If such buoyant sales were to materialise they would surprise the market place.

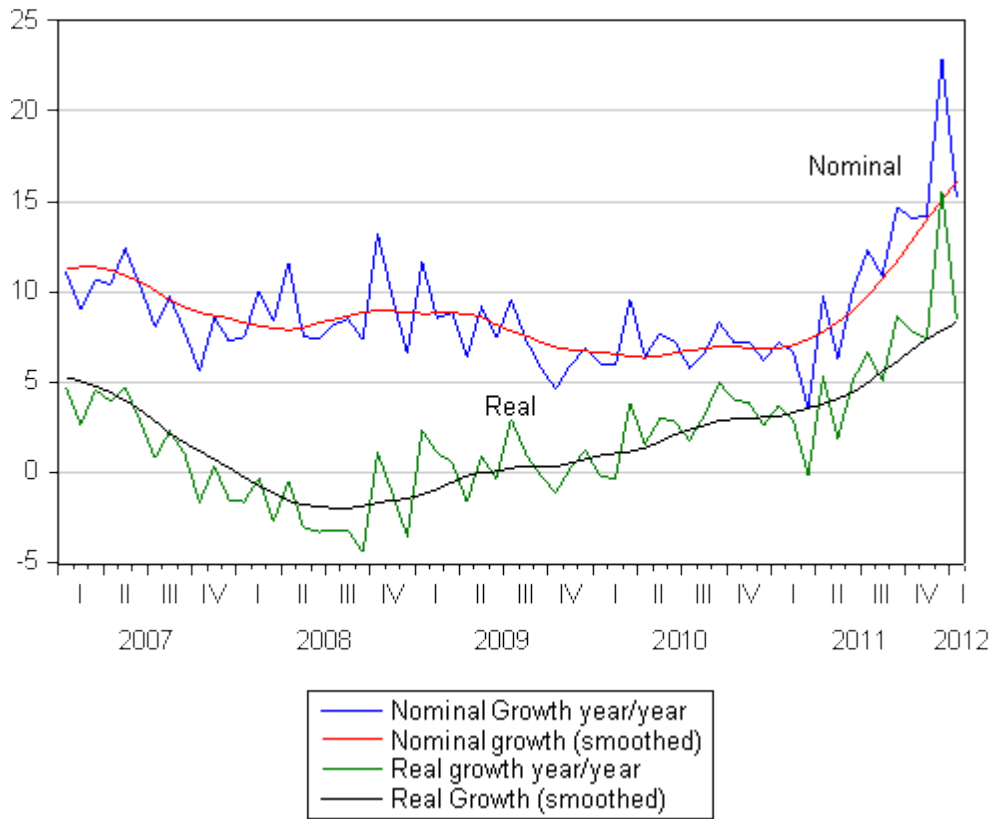
**Unit vehicle sales – actual, smoothed and extrapolated**



Source: Naamsa and Investec Wealth & Investment

On the money supply front, the explosive growth in the supply and demand for cash registered in the final quarter of 2011 moderated somewhat in January 2012. However the strong underlying growth in the nominal and, more important for the economy, the real (inflation adjusted) supply of cash has been well maintained.

### The growth in the money base – nominal and real



Source: SARB and Investec Wealth & Investment

These monetary trends bode well for aggregate expenditure in the months to come. Our impression remains that the consensus continues to underestimate the pace of economic activity under way in SA, especially final demands. This is perhaps best reflected in the improved share market valuations recently attached to the general retailers listed on the JSE. **Brian Kantor**