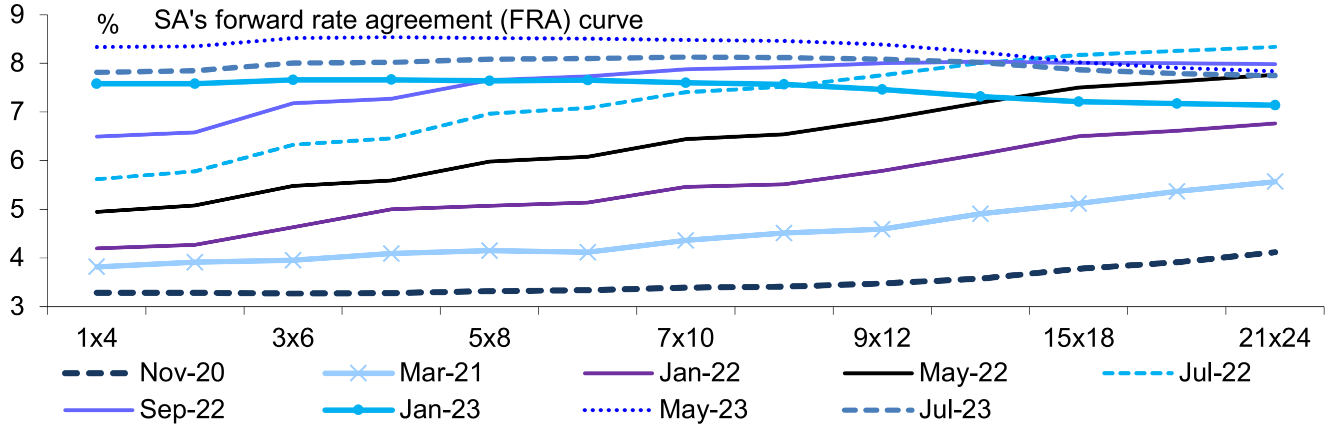
Investec

MPC preview: SARB expected to keep rates on hold

Wednesday 12 July 2023

Figure 1: Forward Rate Agreement (FRA) curve



Source: Bloomberg

The South Africa's Reserve Bank (SARB) is likely to keep interest rates on hold this month, after the Fed's (US Federal Reserve Bank) pause in its interest rate hike cycle at the June FOMC meeting, with South Africa's MPC decision due next week Thursday, 20th July. The meeting takes place as SA has hiked interest rates by 4.75% in its current hiking cycle, while CPI inflation, which is due for release for June next week Wednesday is likely to show inflation falling back within the inflation target range (of 3-6% y/y for South Africa). Next week Wednesday's inflation print is likely to show the targeted measures fall to around 5.5% y/y, significantly affected by base affects from rapidly rising inflation of a year ago, and these statistical base effects will also influence the July inflation outcome, seeing it likely drop towards 4.5% y/y, the midpoint of the inflation target range. Inflation targeting is forward looking for the Reserve Bank, and it seeks to influence future inflation outcomes through its monetary policy targeting framework, and so inflation in a few months to over a years' time (2024 in particular). While the outcome of the next two inflation prints, June and July, will see inflation fall towards, and potentially then reach, the midpoint of the inflation targeting range, these are essentially historical data prints.

From September, CPI inflation is likely to climb back up from 4.5% y/y to 5.0% y/y, and then remain close to this rate over Q4.23. With a three to four quarter lag between the impact of interest rates on the economy and inflation, the SARB also needs at least a pause in its interest rate hike cycle to assess the impact on both inflation and the economy. Already, there is evidence of distress borrowing amongst households, whilst the financial vulnerability of consumers has increased while salary and wage increases are well below inflation in SA, the last in particular having a suppressing effect on consumer demand and so on demand led inflation. While January will see a further lift in inflation (again due to the prevailing base effects), from March next year CPI inflation should more permanently remain at, or very close to, 4.5% y/y. From this perspective further interest rate hikes in SA are not needed. However, what will also be key is the movements in the US interest rate cycle, particularly given the effect this has on rand depreciation, and so the risks for the inflation outlook.

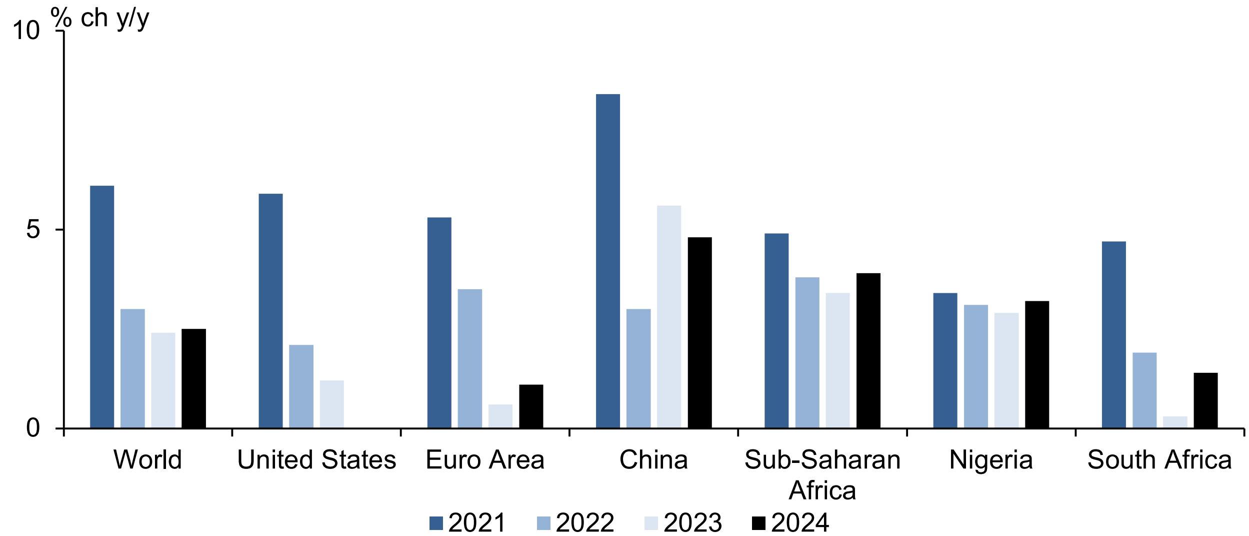
Figure 2: Forecasts

Period end rate %	Q1.23	Q2.23	Q3.24	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Repo Rate	7.75	8.25	8.25	8.25	8.00	7.50	7.50	7.00
Prime Overdraft Rate	11.25	11.75	11.75	11.75	11.50	11.00	11.00	10.50

Source: Iress, Investec

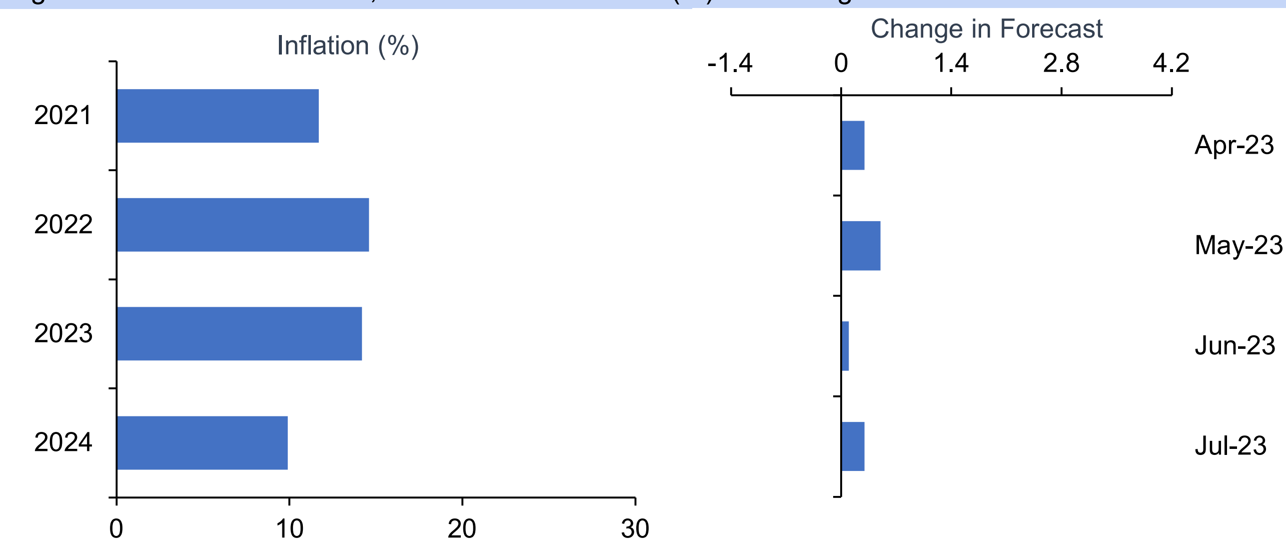
Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 3: Major Economies and Sub-Saharan Africa, Real GDP, annual variation in %



Source: Focus Economics July 2023

Figure 4: Sub-Saharan Africa, 2023: 14.2% - inflation (%) and change in forecast



Source: Focus Economics July 2023

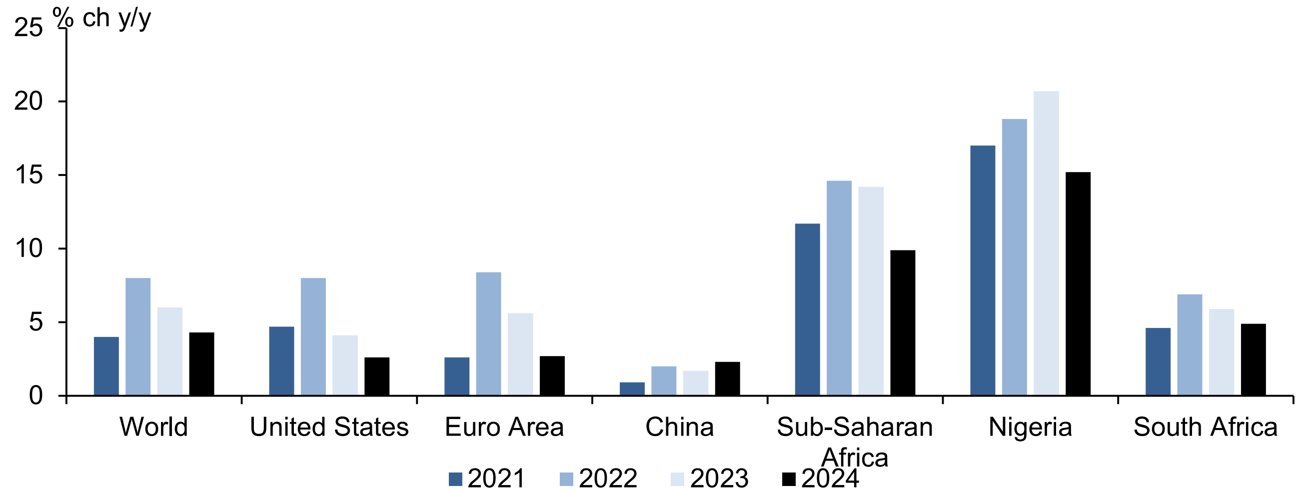
Figure 5: Reuters June 2023 forecasts: CPI % y/y

Forecast period	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	2023	2024	2025
CPI % y/y	6.3	5.4	5.4	5.4	4.9	4.7	6.0	4.9	4.6
Previous survey	6.4	5.5	5.3	5.6	5.2	4.6	5.8	47	4.5

Source: Reuters

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 6: Major Economies and Sub-Saharan Africa consumer prices, annual variation in %



Source: Focus Economics July 2023

That is, lowering the difference between SA and US interest rates (narrowing the interest rate differential) weakens the rand, which in turn places upwards pressure on inflation. The high-risk nature of SA as an investment destination means interest rates must be higher in SA than in the US. A narrowing in the SA-US interest rate differential over the past year and a half has undermined the domestic currency, along with the increasingly risk adverse environment for global financial markets as interest rates have risen globally to tame inflation. SA's 'real return' on interest rates is low and not attractive to investors comparatively, adding to rand weakness.

The US has raised the Fed funds rate by 5.00% since the start of the current interest rate cycle, while SA has only lifted the repo rate by 4.75%, reducing the risk premium offered to investors. Markets have virtually fully factored in a 25bp lift in the fed funds rate at the next FOMC meeting, which is due on the 26thJuly, at 89% currently, or a 22bp lift according to the fed funds futures implied rate. Looking forward, markets have not meaningfully factored in any further US interest rate hikes, or indeed cuts this year, although expectations of US interest rate cuts are marked for 2024.

Figure 7: Reuters June 2023 forecasts: Repo rate % y/y

Forecast period	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	2023	2024	2025
Repo rate % y/y	8.25	8.25	8.25	8.25	8.00	7.50	8.25	7.50	7.00
Previous survey	7.75	7.75	7.75	7.50	7.25	7.00	7.75	7.00	7.00

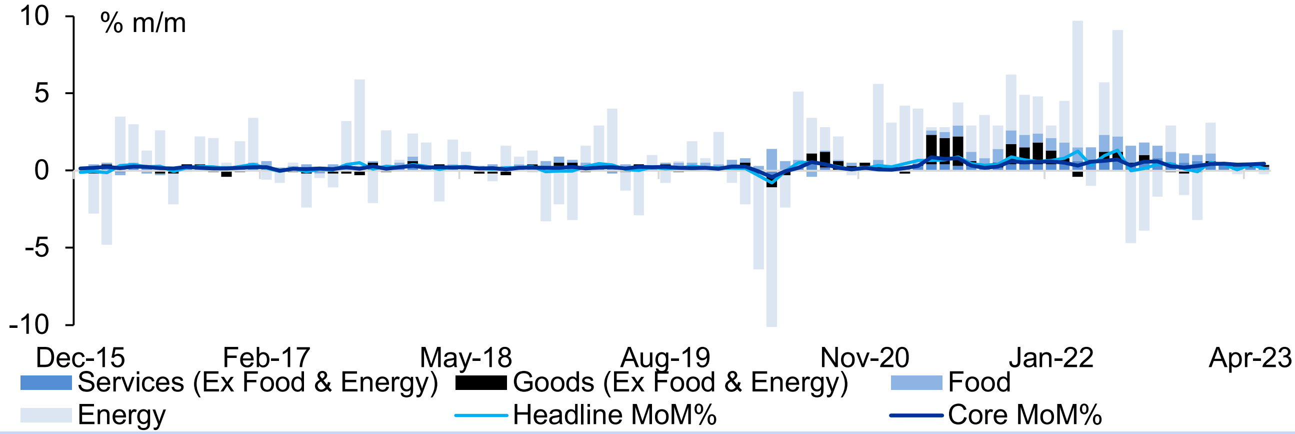
Source: Reuters

Figure 8: Inflation forecasts	2022	2023	2024	2025	2026	2027
Consumer Inflation (Av: %)	6.9	5.7	4.7	4.3	4.6	4.7
Producer Inflation (Av: %)	14.4	6.9	5.0	5.1	5.1	5.0
Salary & wage increases (%)	4.0	3.2	4.0	4.0	4.1	4.7

Source: Investec

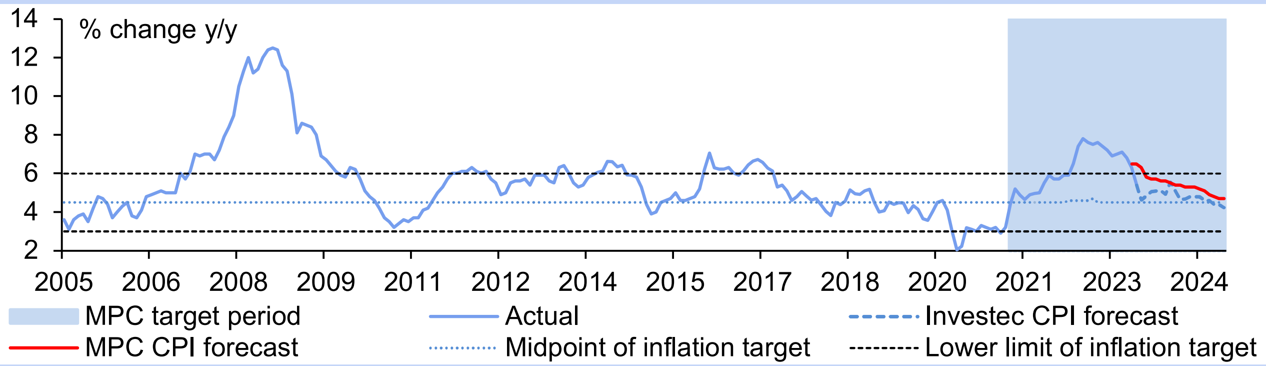
Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 9: Contributions to US CPI mom % (sa), and core CPI



Source: Bloomberg

Figure10: SA Consumer Inflation: history and forecasts



Source: Stats SA, SARB, Investec

Figure 11: Reuters June 2023 Foreign exchange rates poll: USDZAR

	1M	3M	6M	1Y
Release/Effective Date	30 Jun 2023	31 Aug 2023	30 Nov 2023	31 May 2024
Median	19.3750	19.0834	18.9334	18.3000
High	20.0000	21.3000	20.9000	20.1667
Low	17.7000	17.7000	17.9000	17.0000
No. of forecasts	18	20	20	17

Source: Reuters

Figure 12: Reuters June 2023 forecasts: GDP

Forecast period	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	2023	2024	2025
GDP y/y %	-0.7	0.5	1.1	1.3	1.2	1.6	0.3	1.2	1.5
Previous survey	0.6	0.6	1.2	1.0	1.0	1.1	0.4	1.4	1.5

Source: Reuters

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 13: SA Monetary Policy Committee (MPC) meeting dates for 2023

Month	Date	Investec Forecast
July	18th - 20th July	8.25
September	19th - 21st September	8.25
November	21st - 23rd November	8.25

Source: SARB, Investec

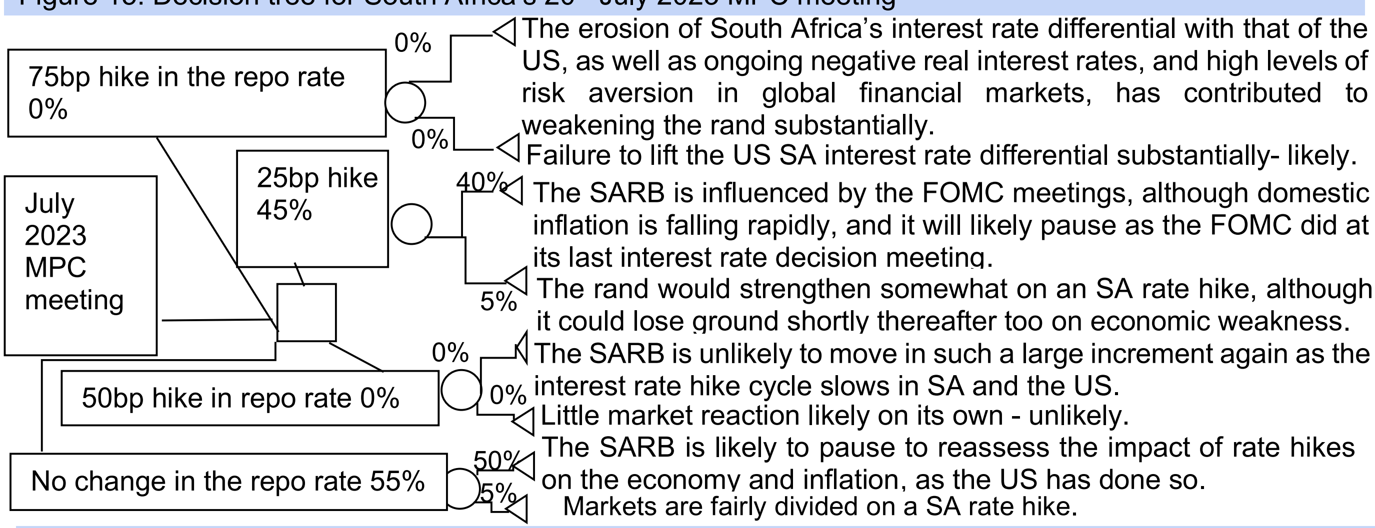
Figure 14: Forecasts	2022	2023	2024	2025	2026	2027
Repo Rate	7.00	8.25	7.00	7.00	7.00	7.00
Prime Overdraft rate	10.50	11.75	10.50	10.50	10.50	10.50
SA rand bond	11.75	11.50	11.00	10.50	10.30	10.00
US Fed funds rate	4.50	5.50	4.25	3.00	3.00	3.00
UK Bank rate	3.50	5.75	4.50	2.50	2.50	2.50

Note: forecasts are *% year-end.* Source: Investec, SARB, IRESS

With the SARB not hiking in July, and the US potentially hiking by 25bp, although we think it is possible that the Fed may choose to extend its pause in its interest rate hike cycle over July as well, SA would still remain below the US in terms of the actual rise in interest rates it has delivered. This would continue to undermine the rand, while US interest rate hikes add to market risk aversion and so weaken risk assets, including EM curries and so the domestic currency.

With the SARB recently redoing its QPM (Quarterly Projection Model), the projections will be of interest as well at the upcoming MPC meeting next week. We do not expect it to necessarily point to the need for more interest rate hikes, other than the elevation in SA's risk premium over the last several years, which is indicative of upwards pressure on SA's interest rate hikes. While we expect no hike in interest rates this month for SA, or for the rest of the year, marked rand weakness would change this view, and remains a key risk.

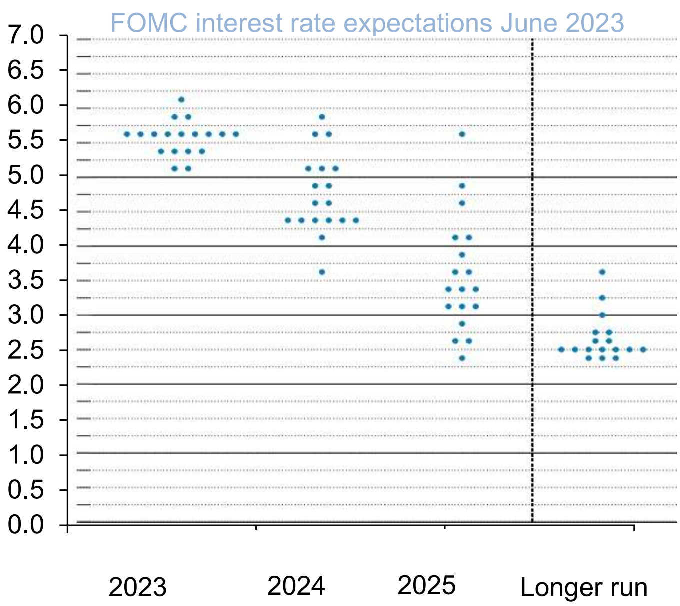
Figure 15: Decision tree for South Africa's 20th July 2023 MPC meeting

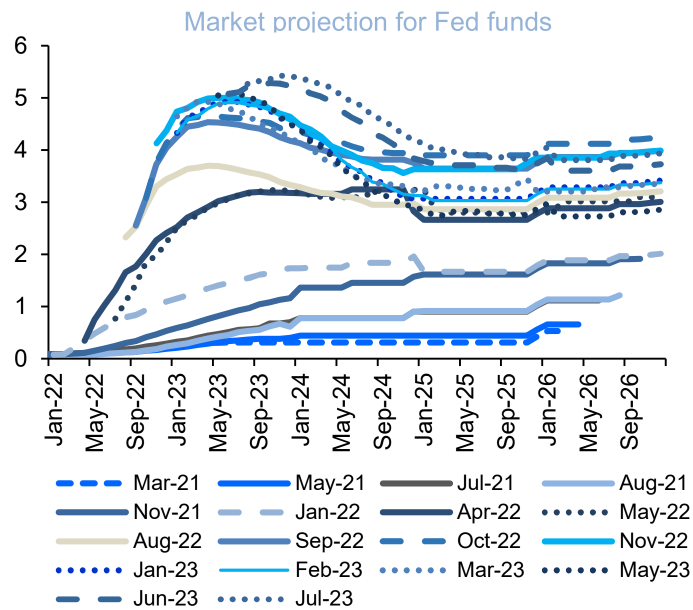


Key: squares are decision nodes; circles are chance nodes and triangles end nodes. Source: Investec

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 16: US interest rate projections





Source: FOMC, Bloomberg

Figure 17: FOMC 2023 Meeting Schedule

25th-26th July 2023
19th-20th September 2023
31st October-1st November 2023
12th-13th December 2023

Source: Federal Reserve Bank

Figure 18: Forecast of international interest rates (%, end quarter)

	US Fed funds	Euro zone Refi rate	Euro zone deposit rate	UK Bank Rate
Current	5.00-5.25	4.00	3.50	5.00
Q1.23	4.75-5.00	3.50	3.00	4.25
Q2.23	5.00-5.25	4.00	3.50	5.00
Q3.23	5.25-5.50	4.25	3.75	5.75
Q4.23	5.25-5.50	4.25	3.75	5.75
Q1.24	5.00-5.25	4.00	3.75	5.75
Q2.24	4.50-4.75	3.75	3.50	5.25
Q3.24	4.25-4.50	3.50	3.25	4.75
Q4.24	4.00-4.25	3.25	3.00	4.50

Source: Macrobond, Investec

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 19: Interest rate forecast end rates

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2022	7.50	1.8	4.00	-1.7
Feb 2022	7.50	1.8	4.00	-1.7
Mar 2022	7.75	1.8	4.25	-1.7
Apr 2022	7.75	1.9	4.25	-1.6
May 2022	8.25	1.7	4.75	-1.8
Jun 2022	8.25	0.8	4.75	-2.7
Jul 2022	9.00	1.2	5.50	-2.3
Aug 2022	9.00	1.4	5.50	-2.1
Sep 2022	9.75	2.3	6.25	-1.2
Oct 2022	9.75	2.2	6.25	-1.3
Nov 2022	10.50	3.1	7.00	-0.4
Dec 2022	10.50	3.3	7.00	-0.2
Jan 2023	10.75	3.9	7.25	0.4
Feb 2023	10.75	3.7	7.25	0.2
Mar 2023	11.25	4.2	7.75	0.7
Apr 2023	11.25	4.4	7.75	0.9
May 2023	11.75	5.4	8.25	1.9
Jun 2023	11.75	6.4	8.25	2.9
Jul 2023	11.75	7.1	8.25	3.6
Aug 2023	11.75	6.9	8.25	3.4
Sep 2023	11.75	6.7	8.25	3.2
Oct 2023	11.75	6.7	8.25	3.2
Nov 2023	11.75	6.6	8.25	3.1
Dec 2023	11.75	6.8	8.25	3.3
Jan 2024	11.50	6.0	8.00	2.5
Feb 2024	11.50	6.4	8.00	2.9
Mar 2024	11.50	6.9	8.00	3.4
Apr 2024	11.50	6.8	8.00	3.3
May 2024	11.00	6.2	7.50	2.7
Jun 2024	11.00	6.2	7.50	2.7
Jul 2024	11.00	6.2	7.50	2.7
Aug 2024	11.00	6.4	7.50	2.9
Sep 2024	11.00	6.4	7.50	2.9
Oct 2024	11.00	6.6	7.50	3.1
Nov 2024	11.00	6.6	7.50	3.1
Dec 2024	10.50	6.3	7.00	2.8

Source: IRESS, Investec

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 20: Interest rate forecast end rates (continued)

Date	Prime forecast	Prime less Inflation	Repo	Repo less Inflation
Jan 2025	10.50	6.1	7.00	2.6
Feb 2025	10.50	6.0	7.00	2.5
Mar 2025	10.50	6.1	7.00	2.6
Apr 2025	10.50	6.3	7.00	2.8
May 2025	10.50	6.5	7.00	3.0
Jun 2025	10.50	6.5	7.00	3.0
Jul 2025	10.50	6.2	7.00	2.7
Aug 2025	10.50	6.1	7.00	2.6
Sep 2025	10.50	6.1	7.00	2.6
Oct 2025	10.50	6.2	7.00	2.7
Nov 2025	10.50	6.3	7.00	2.8
Dec 2025	10.50	6.1	7.00	2.6
Jan 2026	10.50	6.2	7.00	2.7
Feb 2026	10.50	6.2	7.00	2.7
Mar 2026	10.50	6.2	7.00	2.7
Apr 2026	10.50	6.0	7.00	2.5
May 2026	10.50	5.8	7.00	2.3
Jun 2026	10.50	5.7	7.00	2.2
Jul 2026	10.50	5.8	7.00	2.3
Aug 2026	10.50	5.9	7.00	2.4
Sep 2026	10.50	6.0	7.00	2.5
Oct 2026	10.50	5.8	7.00	2.3
Nov 2026	10.50	5.7	7.00	2.2
Dec 2026	10.50	5.8	7.00	2.3
Jan 2027	10.50	5.8	7.00	2.3
Feb 2027	10.50	5.7	7.00	2.2
Mar 2027	10.50	5.6	7.00	2.1
Apr 2027	10.50	5.7	7.00	2.2
May 2027	10.50	5.8	7.00	2.3
Jun 2027	10.50	5.8	7.00	2.3
Jul 2027	10.50	6.1	7.00	2.6
Aug 2027	10.50	5.9	7.00	2.4
Sep 2027	10.50	5.8	7.00	2.3
Oct 2027	10.50	5.8	7.00	2.3
Nov 2027	10.50	6.0	7.00	2.5
Dec 2027	10.50	6.0	7.00	2.5

Source: IRESS, Investec

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 21: CPI forecast averages

Date	Index Base 2016	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y	
Jan 2022	100.2	5.7	0.2			
Feb 2022	100.8	5.7	0.6			
Mar 2022	101.8	5.9	1.0	5.8		
Apr 2022	102.4	5.9	0.6			
May 2022	103.1	6.5	0.7			
Jun 2022	104.2	7.4	1.1	6.6		
Jul 2022	105.8	7.8	1.5			
Aug 2022	106.0	7.6	0.2			
Sep 2022	106.1	7.5	0.1	7.7		
Oct 2022	106.5	7.6	0.4			
Nov 2022	106.8	7.4	0.3			
Dec 2022	107.2	7.2	0.4	7.4	2022	6.9
Jan 2023	107.1	6.9	-0.1			
Feb 2023	107.9	7.0	0.7			
Mar 2023	109.0	7.1	1.0	7.0		
Apr 2023	109.4	6.8	0.4			
May 2023	109.6	6.3	0.2			
Jun 2023	109.8	5.4	0.2	6.2		
Jul 2023	110.7	4.6	0.8			
Aug 2023	111.1	4.8	0.4			
Sep 2023	111.5	5.1	0.3	4.8		
Oct 2023	111.9	5.1	0.4			
Nov 2023	112.3	5.1	0.3			
Dec 2023	112.5	4.9	0.2	5.0	2023	5.7
Jan 2024	113.0	5.5	0.5			
Feb 2024	113.4	5.1	0.3			
Mar 2024	114.1	4.6	0.6	5.1		
Apr 2024	114.5	4.7	0.4			
May 2024	114.9	4.8	0.3			
Jun 2024	115.1	4.8	0.2	4.8		
Jul 2024	116.0	4.8	0.8			
Aug 2024	116.2	4.6	0.2			
Sep 2024	116.6	4.6	0.3	4.7		
Oct 2024	116.8	4.4	0.2			
Nov 2024	117.2	4.4	0.3			
Dec 2024	117.2	4.2	0.1	4.3	2024	4.7

Source: Stats SA, Investec

Figure 22: CPI forecast averages (continued)

Date	Index Base 2016	Annual y/y	Monthly m/m	Quarterly y/y	Calendar year y/y	
Jan 2025	118.1	4.4	0.7			
Feb 2025	118.5	4.5	0.4			
Mar 2025	119.1	4.4	0.5	4.5		
Apr 2025	119.4	4.2	0.2			
May 2025	119.5	4.0	0.1			
Jun 2025	119.7	4.0	0.2	4.1		
Jul 2025	121.0	4.3	1.1			
Aug 2025	121.4	4.4	0.3			
Sep 2025	121.8	4.4	0.3	4.4		
Oct 2025	121.9	4.3	0.1			
Nov 2025	122.1	4.2	0.2			
Dec 2025	122.4	4.4	0.2	4.3	2025	4.3
Jan 2026	123.1	4.3	0.6			
Feb 2026	123.6	4.3	0.4			
Mar 2026	124.2	4.3	0.5	4.3		
Apr 2026	124.7	4.5	0.4			
May 2026	125.1	4.7	0.3			
Jun 2026	125.5	4.8	0.3	4.7		
Jul 2026	126.7	4.7	1.0			
Aug 2026	127.0	4.6	0.2			
Sep 2026	127.2	4.5	0.2	4.6		
Oct 2026	127.6	4.7	0.3			
Nov 2026	128.0	4.8	0.3			
Dec 2026	128.1	4.7	0.1	4.7	2026	4.6
Jan 2027	128.9	4.7	0.6			
Feb 2027	129.5	4.8	0.5			
Mar 2027	130.3	4.9	0.6	4.8		
Apr 2027	130.7	4.8	0.3			
May 2027	131.0	4.7	0.2			
Jun 2027	131.4	4.7	0.3	4.7		
Jul 2027	132.3	4.4	0.7			
Aug 2027	132.8	4.6	0.4			
Sep 2027	133.2	4.7	0.3	4.6		
Oct 2027	133.6	4.7	0.3			
Nov 2027	133.7	4.5	0.1			
Dec 2027	133.9	4.5	0.1	4.6	2027	4.7
Jan 2028	134.5	4.4	0.5			
Feb 2028	135.2	4.4	0.5			
Mar 2028	136.0	4.4	0.6	4.4		
Apr 2028	118.1	4.4	0.7			
May 2028	118.5	4.5	0.4			

Source: Stats SA, Investec

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Figure 23: Economic Scenarios: note updated expected and downside qualitative

		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Extreme	USD/Rand (average)	17.76	18.68	17.60	16.50	15.50	15.00	14.60	14.50
Up case	Repo rate (end rate)	7.75	8.25	7.50	7.25	7.00	6.50	6.50	6.00

1% SA economic growth very quickly rises to 3–5%, then 5-7%. Good governance, growth-creating reforms (structural constraints eradicated), strong property rights, no nationalisation or expropriation without compensation. High business confidence and fixed investment growth, substantial FDI, fiscal consolidation drives debt to low ratios of 2000s. Very subdued domestic inflation on extreme rand strength, very favourable weather conditions. Strong global growth, risk-on, commodity boom. Rapid upgrades of credit ratings to investment grade. Very short grey listing. Quick transition to renewable energy from fossil fuels.

		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Up case **1%**	USD/Rand (average)	17.76	18.68	18.00	17.20	17.00	16.90	17.10	16.90
	Repo rate (end rate)	7.75	8.25	7.75	7.75	7.50	7.00	7.00	6.50

Economic growth lifts towards 5.0% y/y, rising business confidence and investment, structural constraints eroded, global growth strong, global financial markets risk-on. No nationalisation or expropriation without compensation. Low domestic inflation on favourable weather and global conditions, rand strength, lower inflation on increased privatisation. Credit rating upgrades on fiscal consolidation, markedly lower borrowings. Substantial transition to renewable energy away from fossil fuel usage, comprehensive measures to alleviate climate change impact on economy. Grey listed for less than eighteen months.

		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Base	USD/Rand (average)	17.76	18.68	18.40	17.90	17.55	17.65	17.85	17.55
case	Repo rate (end rate)	7.75	8.25	8.25	8.25	8.00	7.50	7.50	7.00

46% Economic growth modest lifts towards 3.0% y/y on reforms, global financial market risk sentiment is neutral to positive. SA remains in the BB credit rating category bracket on fiscal consolidation (debt to GDP stabilisation). The rand stabilises, then strengthens somewhat. Inflation is impacted by weather patterns via food price inflation. A transition to renewable energy and slow move away from fossil fuel usage occurs and measures to alleviate the impact of climate change on the economy are modestly implemented. The Russian/Ukraine conflict eases. Little to no expropriation without compensation. Temporary grey listing.

		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Lite	USD/Rand (average)	17.76	18.68	19.70	20.50	20.90	20.50	20.00	19.60
(domestic)	Repo rate (end rate)	7.75	8.25	8.50	9.00	9.50	9.50	9.50	9.50

Down case **42%** The lite down case has the same expected international environment as the base case, but the domestic environment differs. Business confidence depressed, substantial electricity and water shedding, very weak rail capacity, civil and political unrest, little investment growth, swing toward left leaning policies recession. Temporary increase in state borrowings, risk of credit rating downgrades rise, then occur later in period, but sees eventual fiscal consolidation Expropriation of private sector property is very limited and has a modestly negative impact on the economy. High inflation on unfavorable weather conditions, marked rand weakness. Little transition to renewable energy or measures to alleviate climate change. Lengthy greylisting.

		Q1.23	Q2.23	Q3.23	Q4.23	Q1.24	Q2.24	Q3.24	Q4.24
Severe	USD/Rand (average)	17.76	18.68	20.50	21.60	22.30	23.00	23.00	22.80
down	Repo rate (end rate)	7.75	8.25	9.25	10.50	11.00	11.00	11.50	11.50

case **10%** Lengthy global recession, global financial crisis – insufficient monetary and other support domestically and internationally. ANC/EFF coalition in 2024. Widespread, severe services load shedding, severe civil and political unrest. Government borrows from increasingly wider sources, SA rated single B from all three key agencies, eventually CCC grade, increased risk of default, sinks deeper into a debt trap. Failure to transition to renewable energy and to sufficient measures to alleviate the impact of climate change on the economy. Very high inflation on very adverse weather conditions, severe rand weakness. Full implementation of expropriation without compensation occurs (particularly for land held for speculative purposes), with a significant negative impact on the economy. SA blacklisted.

Note: Event risk begins Q3.23. Source: Investec

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188

Disclaimer

For the purposes of this disclaimer, Investec shall include Investec Bank Limited, its ultimate holding company, a subsidiary (or a subsidiary of a subsidiary) of that entity, a holding company of that entity or any other subsidiary of that holding company, and any affiliated entity of any such entities. “Investec Affiliates” shall mean any directors, officers, representatives, employees, advisers or agents of any part of Investec.

The information and materials presented in this report are provided to you solely for general information and should not be considered as an offer or solicitation of an offer to sell, buy or subscribe to any securities or any derivative instrument or any other rights pertaining thereto.

The information in this report has been compiled from sources believed to be reliable, but neither Investec nor any Investec Affiliates accept liability for any loss arising from the use hereof or makes any representations as to its accuracy and completeness. Any opinions, forecasts or estimates herein constitute a judgement as at the date of this report. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied is made regarding future performance. The information in this report and the report itself is subject to change without notice. This report as well as any other related documents or information may be incomplete, condensed and/or may not contain all material information concerning the subject of the report; its accuracy cannot be guaranteed. There is no obligation of any kind on Investec or any Investec Affiliates to update this report or any of the information, opinions, forecasts or estimates contained herein.

Investec (or its directors, officers or employees) may, to the extent permitted by law, own or have a position or interest in the financial instruments or services referred to herein, and may add to or dispose of any such position or may make a market or act as a principal in any transaction in such financial instruments. Investec (or its directors, officers or employees) may, to the extent permitted by law, act upon or use the information or opinions presented herein, or research or analysis on which they are based prior to the material being published. Investec may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them. The value of any securities or financial instruments mentioned in this report can fall as well as rise. Foreign currency denominated securities and financial instruments are subject to fluctuations in exchange rates that may have a positive or adverse effect on the value, price or income of such securities or financial instruments. Certain transactions, including those involving futures, options and other derivative instruments, can give rise to substantial risk and are not suitable for all investors.

This report does not contain advice, except as defined by the Corporations Act 2001 (Australia). Specifically, it does not take into account the objectives, financial situation or needs of any particular person. Investors should not do anything or forebear to do anything on the basis of this report. Before entering into any arrangement or transaction, investors must consider whether it is appropriate to do so based on their personal objectives, financial situation and needs and seek financial advice where needed.

No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by Investec or any Investec Affiliates as to, or in relation to, the accuracy, reliability, or completeness of the contents of this report and each entity within Investec (for itself and on behalf of all Investec Affiliates) hereby expressly disclaims any and all responsibility or liability for the accuracy, reliability and completeness of such information or this research report generally.

The securities or financial instruments described herein may not have been registered under the US Securities Act of 1933, and may not be offered or sold in the United States of America or to US persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act. US entities that are interested in trading securities listed in this report should contact a US registered broker dealer.

For readers of this report in South Africa: this report is produced by Investec Bank Limited, an authorised financial services provider and a member of the JSE Limited.

For readers of this report in United Kingdom and Europe: this report is produced by Investec Bank Plc (“IBP”) and was prepared by the analyst named in this report. IBP is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

This report is not intended for retail clients and may only be issued to professional clients and eligible counterparties, and investment professionals as described in S19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005.

For readers of this report in Ireland: this report is produced by Investec Bank plc (Irish Branch) and was prepared by the analyst named in this report. Investec Bank plc (Irish Branch) is authorised by the Prudential Regulation Authority in the United Kingdom and is regulated by the Central Bank of Ireland for conduct of business rules.

For readers of this report in Australia: this report is issued by Investec Australia Limited, holder of Australian Financial Services License No. 342737 only to ‘Wholesale Clients’ as defined by S761G of the Corporations Act 2001.

Annabel Bishop • Investec Bank Limited • email: annabel.bishop@investec.co.za • Tel (2711) 286 7188