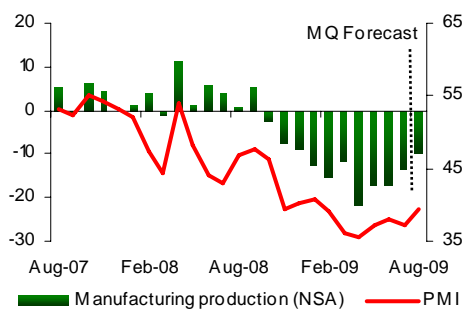


SA week ahead

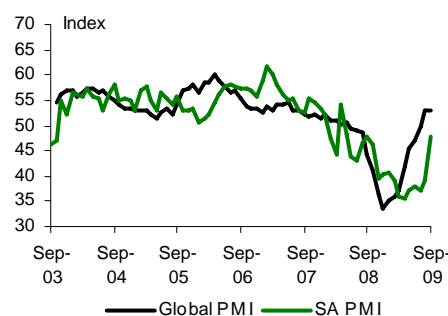
SOUTH AFRICA

2 October 2009

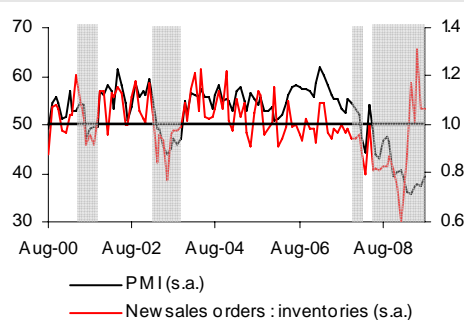
SA Manufacturing production vs. PMI



Global PMI vs. SA Kagiso PMI



SA PMI vs. Sales orders : Inventories



Source: BER, Stats SA, Macquarie Research, October 2009

* Non-seasonally adjusted

Analyst

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5–9 October 2009

Thursday, 8 October 2009, 13h00 – Manufacturing production (August)

- We forecast a recovery in manufacturing production* from -13.7% YoY in July to -9.8% YoY in August. This means a monthly rise of 4.2% MoM (+4.4% MoM in July).
- Despite the huge bounce back in yesterday's September Kagiso PMI (to 48pts), one must keep in mind that because local manufacturing production data is two months old when released, we need to look back on manufacturing activity in August.
- The global JP Morgan PMI rose to 53.1 in August (50.0pts in July), signifying that on the whole, global manufacturing sectors are now expanding. Importantly, the forward-looking new orders component jumped to 58.2 (from 53.2 in July).
- The strongest relationship between the global and SA PMI is found with a three-month lag. As a result, a 3.5pt rise in May's global PMI together with a 2pt increase in the August Kagiso PMI bodes well for local manufacturing production in August.
- Supporting this, the ratio of new sales order to inventories in the Kagiso PMI has risen sharply. Previous phases of contraction in the PMI suggest that when this ratio rises sharply, expansion territory (> 50pts) is extremely likely, which seems reasonable given the surge in the PMI to 48pts in September.
- The final cherry on top is the fact that expected business conditions moved into expansion mode in May 2009 and have risen consistently, to measure 70.3pts in September. This bodes well for a view that by 1Q10 manufacturing production will grow positively once again.

Fig 1 SA Week Ahead 5–9 October 2009

Unit	Prior	MQ Forecast	Consensus
Thursday 8 October 13h00 – Manufacturing Production (August)			
% YoY (nsa)	-13.7	-9.8	-11.2

Source: Bloomberg, Statistics SA, BER, Macquarie Research, October 2009

Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions
<p>Macquarie - Australia/New Zealand Outperform – return >5% in excess of benchmark return Neutral – return within 5% of benchmark return Underperform – return >5% below benchmark return</p> <p>Macquarie – Asia/Europe Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie First South - South Africa Outperform – expected return >+10% Neutral – expected return from -10% to +10% Underperform – expected return <-10%</p> <p>Macquarie - Canada Outperform – return >5% in excess of benchmark return Neutral – return within 5% of benchmark return Underperform – return >5% below benchmark return</p> <p>Macquarie - USA Outperform (Buy) – return >5% in excess of benchmark return (Russell 3000) Neutral (Hold) – return within 5% of benchmark return (Russell 3000) Underperform (Sell)– return >5% below benchmark return (Russell 3000)</p> <p>Recommendations – 12 months</p> <p>Note: Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>Volatility index definition* This is calculated from the volatility of historical price movements.</p> <p>Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p>High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p>Medium – stock should be expected to move up or down at least 30–40% in a year.</p> <p>Low–medium – stock should be expected to move up or down at least 25–30% in a year.</p> <p>Low – stock should be expected to move up or down at least 15–25% in a year.</p> <p>* Applicable to Australian/NZ/Canada stocks only</p>	<p>Financial definitions</p> <p>All "Adjusted" data items have had the following adjustments made: Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests</p> <p>EPS = adjusted net profit / epowa* ROA = adjusted ebit / average total assets ROA Banks/Insurance = adjusted net profit / average total assets ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

Recommendation proportions – For quarter ending 30 September 2009

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	45.08%	54.02%	40.00%	42.31%	62.86%	43.61%	(for US coverage by MCUSA, 0.35% of stocks covered are investment banking clients)
Neutral	39.77%	19.10%	45.00%	43.36%	31.90%	39.85%	(for US coverage by MCUSA, 0.35% of stocks covered are investment banking clients)
Underperform	15.15%	26.88%	15.00%	14.34%	5.24%	16.54%	(for US coverage by MCUSA, 0.00% of stocks covered are investment banking clients)

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