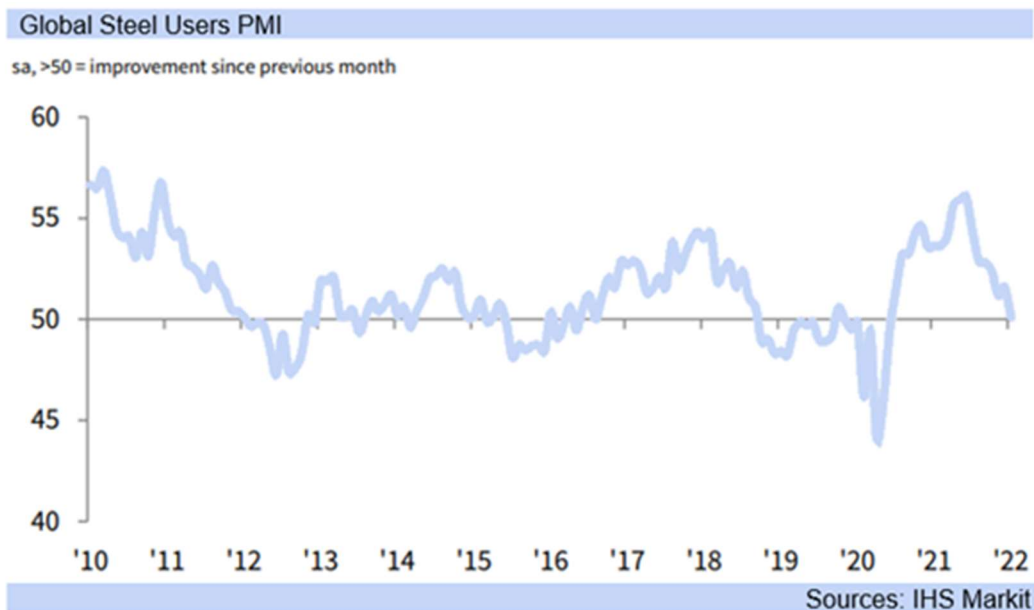


SA Economics



Wednesday 9 February 2022

Commodities note: the global macro-economic environment this year will be the least supported by policy measures since the pandemic began, and this has already weighed on activity in January

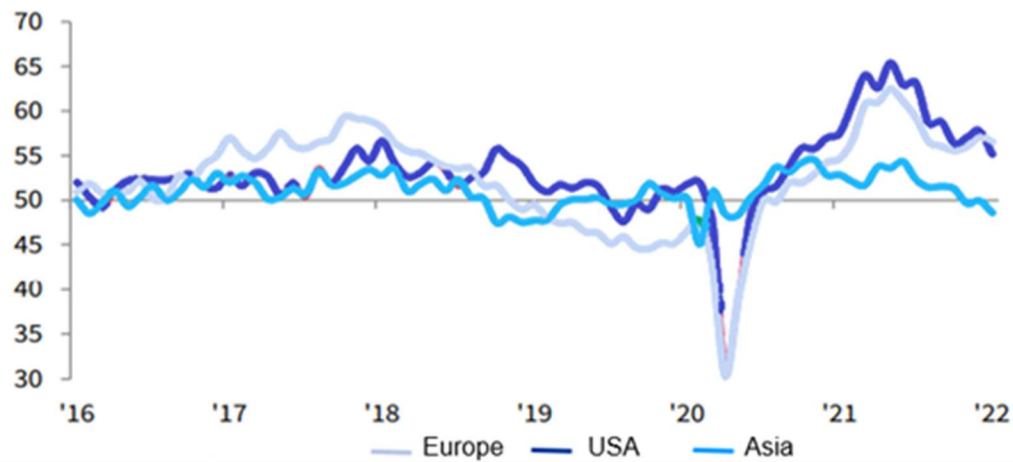


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Global Steel Users PMI

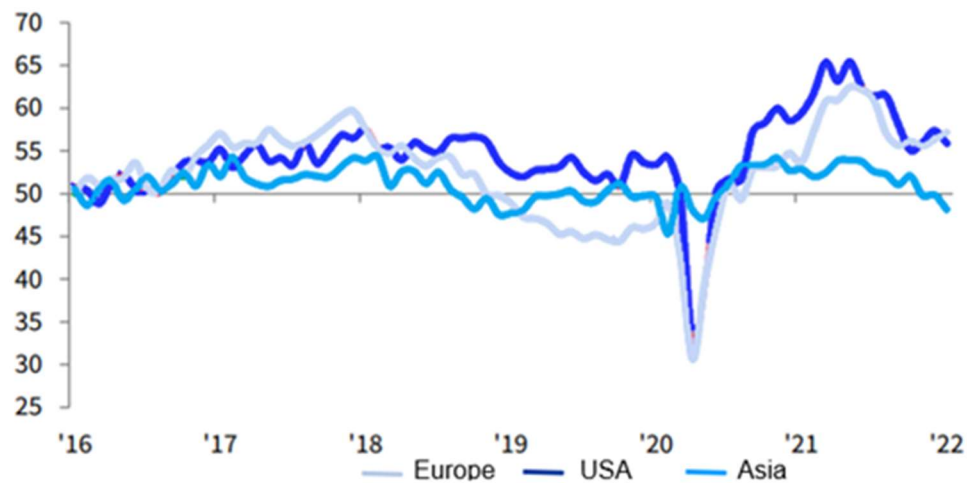
sa, >50 = improvement since previous month



Sources: IHS Markit

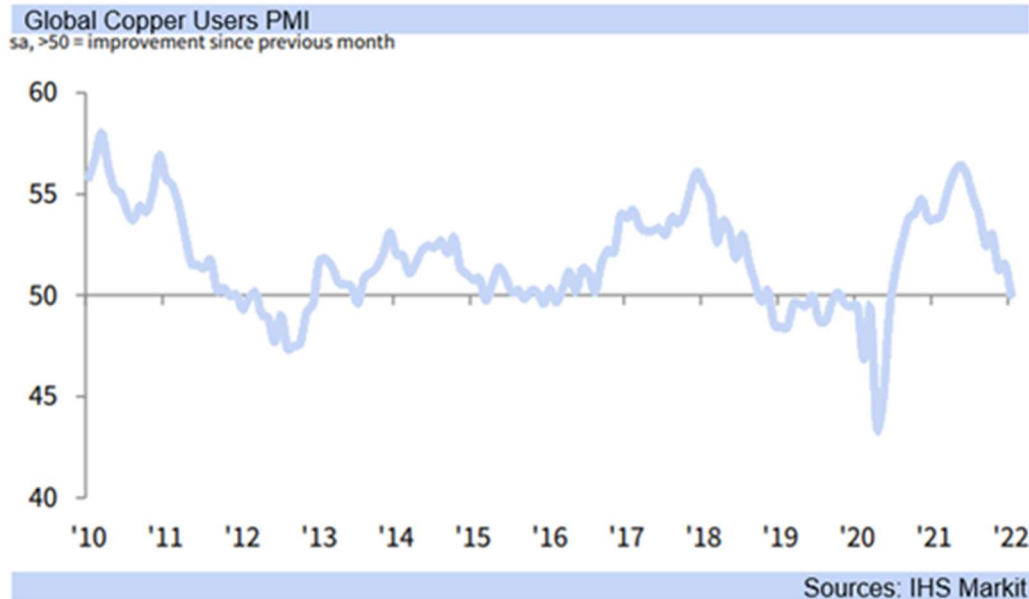
Global Copper Users PMI

sa, >50 = improvement since previous month



Sources: IHS Markit

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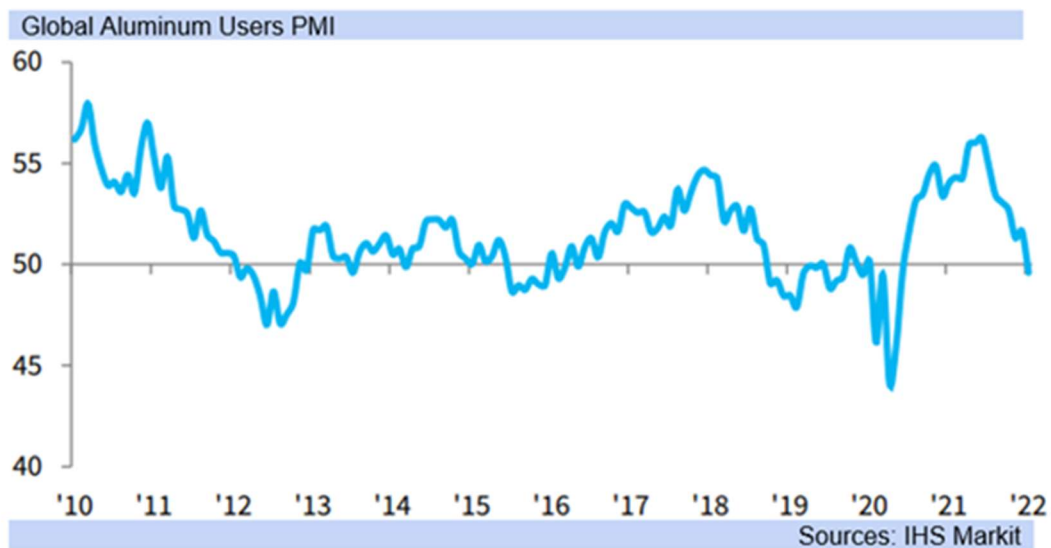
- With most economies seeing slower economic growth this year than last year's heady rebound, the world's economic recovery remains on track to reach levels before the pandemic by this year, while commodity prices are expected to see slowing growth to moderation.
- Global economic data continues to show improving demand, albeit at a slower pace than last year's heady acceleration, and the global macro-economic environment will be the least supported by policy measures since the pandemic began.
- The recent gain in commodity prices has provided some support for the domestic currency but global PMIs have softened in SA's key trading partners' while supply chain disruptions and shortages persist, and the recovery is still uneven.
- January started off with a slowdown in activity as many key economies were afflicted by the Omicron wave, and IHS market reports consumer services saw activity contract for the first time in January in nine months", with the global composite PMI dropping to 51.4 from 54.3.
- The risk averse market mood fed into February as markets' priced in extreme interest rate hikes, causing concerns on economic growth and market volatility, and investors have been repositioning for a higher global interest rate/ lower economic growth environment.
- The monthly Risk Appetite Index (from data from about 100 institutional investors) was unchanged from the low recorded in January with also IHS highlighting that "the past two months represent the first period of risk aversion seen since the survey began in late-2020".
- Survey participants also worried about Russian/Ukraine political tensions, and the tensions have buoyed the surge in oil prices while all ESG (environmental, social and governance) considerations were "expected to gain in importance over the next 3-5 years".

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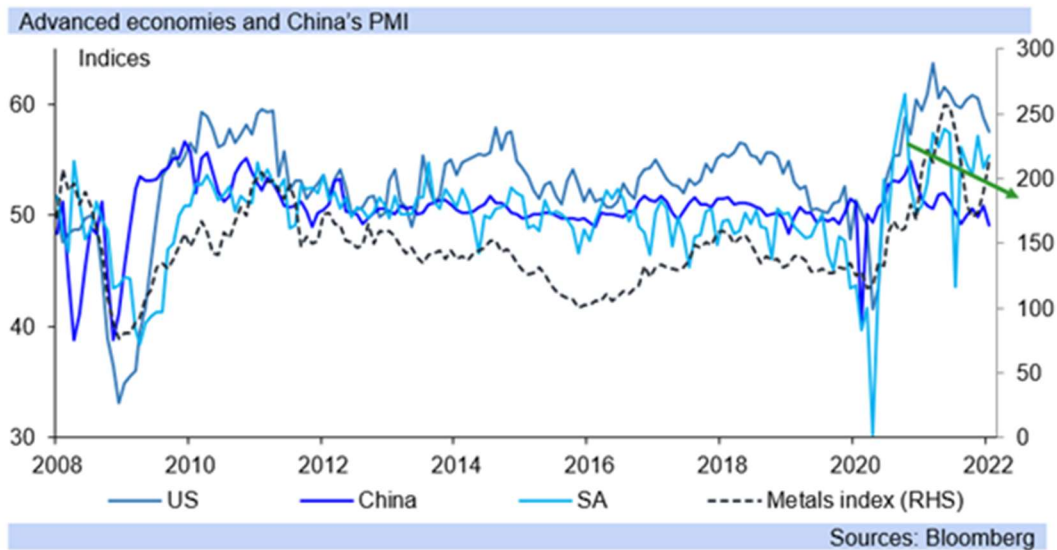


- A recent POLITICO Morning Consult Global Sustainability Poll showed the majority of countries' participants believed out of consumers, taxpayers, governments, other countries, or the private business sector, companies should bear the costs to combat climate change.
- Weaker demand has been reported in January by copper, steel and aluminum users to consumer services activity, and some areas that saw improved growth in activity reported it below 2021's levels, with commodity prices not expected to collapse in H1.22.

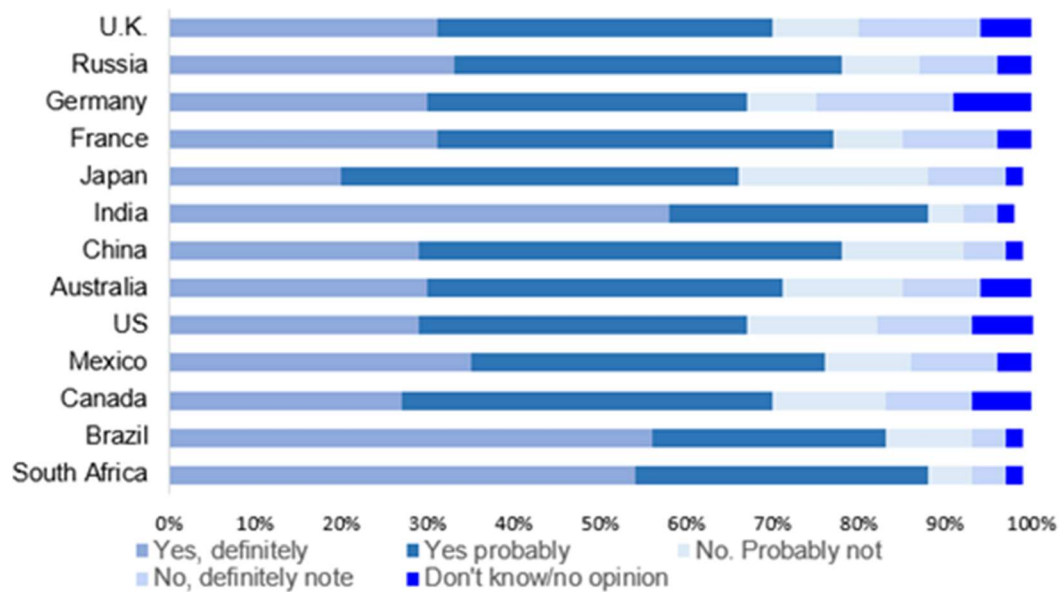
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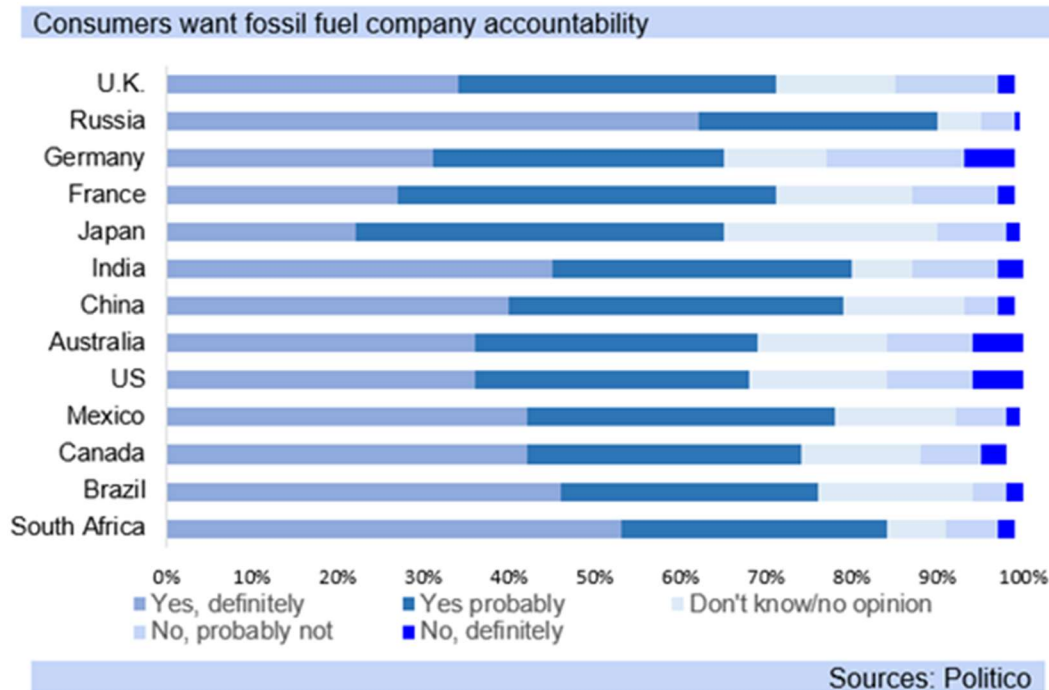
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Strong majorities believe wealthier countries should support poorer countries in fighting climate change



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- Oil prices continue to be the biggest recent gainers, as would be expected, but Nymex and Ice futures continue to show moderation out to 2025, with Brent down to US\$75.1/bbl, still elevated over 2020 the more traditional US\$65/bbl expected before the pandemic.
- The EIA (the US Energy Information Administration) has the price of Brent crude oil falling to closer to US\$65/bbl by 2023, with variability in the forecasts, while short-term it is expected to remain elevated, before moderating from the middle of the year as supply improves.
- Despite climate change concerns and a strong psychological shift away from fossil fuels for many nations, this is not expected to result in oil prices collapsing in the medium-term, and indeed most emissions reduction targets through well into the longer term.
- The IPCC's (Intergovernmental Panel on Climate Change which is the United Nations body for assessing the science related to climate change) latest report shows "(e)ach of the last four decades has been successively warmer than any decade that preceded it since 1850."
- The "global surface temperature for the past decade alone ... (2011 to 2020) was 1.1 °C higher than the full fifty years of 1850–1900, with larger increases over land, 1.6 °C than over the ocean 0.9 °C", caused in the vast majority by human activity.
- "Global surface temperature will continue to increase until at least the mid-century under all emissions scenarios considered. Global warming of 1.5°C ... - 2°C will be exceeded ...

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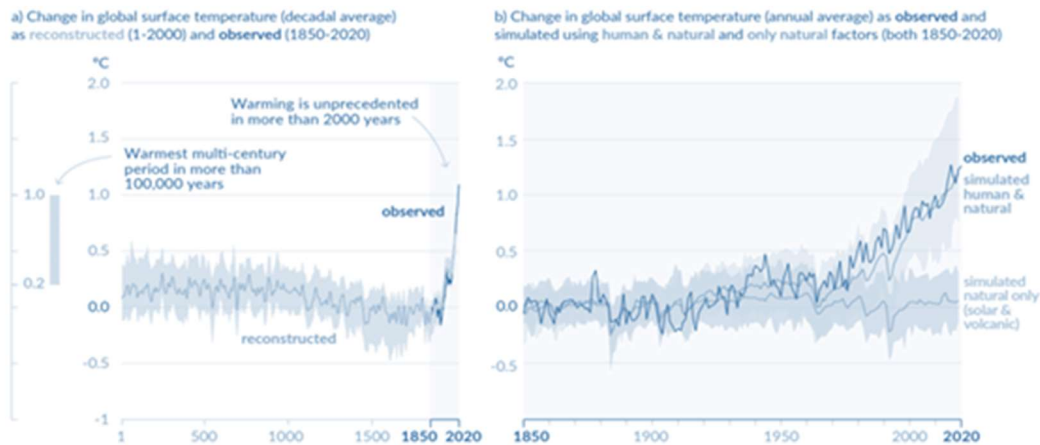


unless deep reductions in CO₂ and other greenhouse gas emissions occur in the coming decades.

- “(E)very additional 0.5°C of global warming causes clearly discernible increases in the intensity and frequency of hot extremes, including heatwaves (very likely), and heavy precipitation (high confidence), as well as agricultural and ecological droughts.”
- "It is virtually certain that global mean sea level will continue to rise over the 21st century. Relative to 1995-2014, the likely global mean sea level rise by 2100 is .. 0.44-0.76 m under the intermediate GHG (greenhouse gas) emissions scenario."
- While climate change affects so far are substantially less than what will most likely occur in several years' time, and worse longer-term, many shelve their concerns and will only worry when it becomes severely disruptive, but climate change cannot be reversed, only slowed.

Human influence has warmed the climate at a rate that is unprecedented in at least the last 2000 years

Changes in global surface temperature relative to 1850-1900



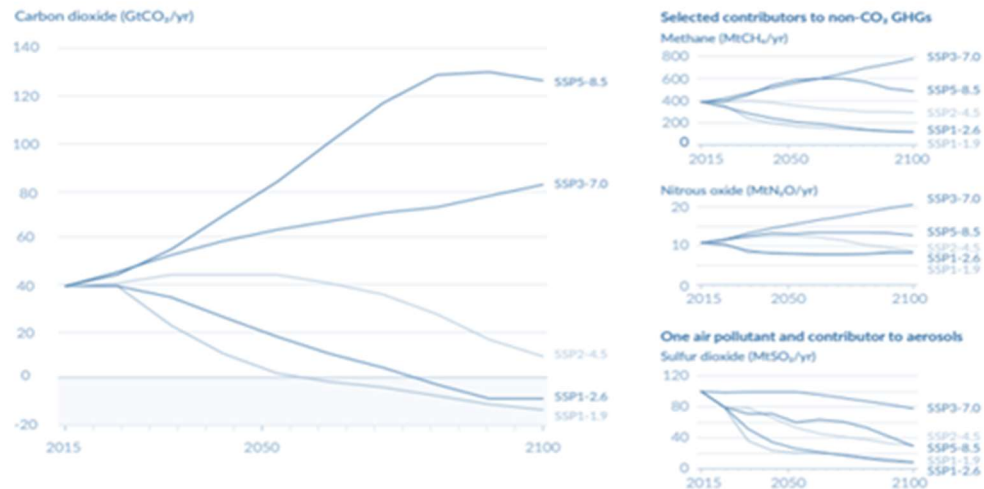
Sources: Intergovernmental panel on climate change (IPCC)

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Future emissions cause future additional warming, with total warming dominated by past and future CO₂ emissions

a) Future annual emissions of CO₂ (left) and of a subset of key non-CO₂ drivers (right), across five illustrative scenarios



Sources: Intergovernmental panel on climate change (IPCC)

Future emissions cause future additional warming, with total warming dominated by past and future CO₂ emissions

b) Contribution to global surface temperature increase from different emissions, with a dominant role of CO₂ emissions

Change in global surface temperature in 2081-2100 relative to 1850-1900 (°C)



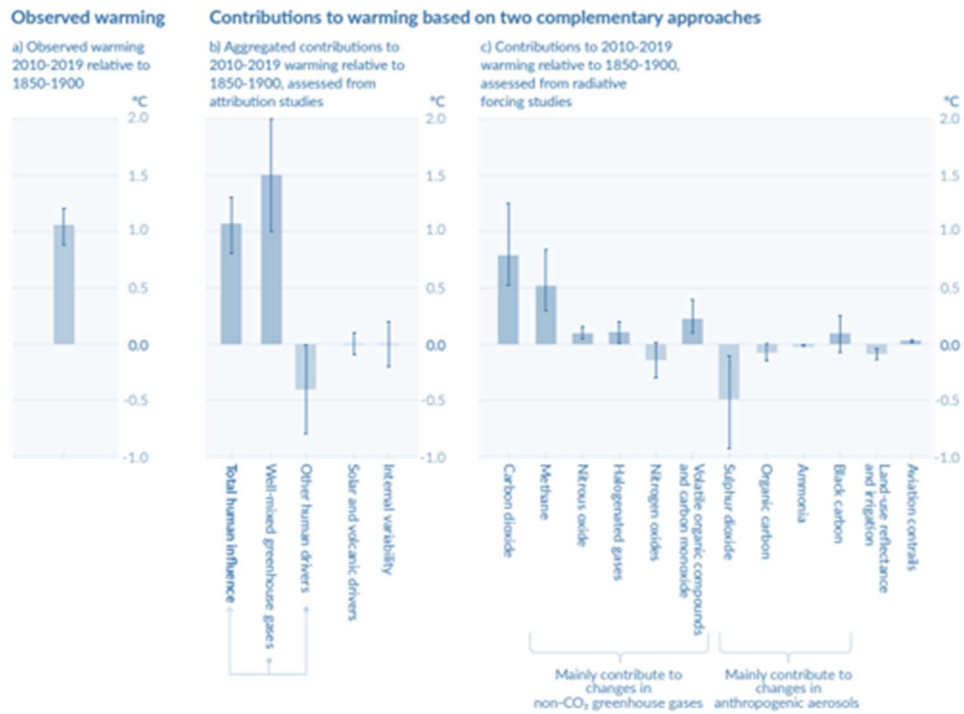
Total warming [observed warming to date in darker shade], warming from CO₂, warming from non-CO₂ GHGs and cooling from changes in aerosols and land use

Sources: Intergovernmental panel on climate change (IPCC)

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Observed warming is driven by emissions from human activities, with greenhouse gas warming partly masked by aerosol cooling



Sources: Intergovernmental panel on climate change (IPCC)