



What we're watching in **2022**



January

- 8** South Africa's African National Congress (ANC) January 8 statement
- 26** United States (US) Federal Open Market Committee (FOMC) meeting
- 27** SA Monetary Policy Committee (MPC) meeting
- Italy presidential election

February

- 10** SA's State of the Nation Address
- 23** SA's national budget

March

- 9** South Korea presidential election
- 16** US FOMC meeting
- 24** SA MPC meeting
- 27** Hong Kong Chief Executive election
- 31** SA's Social Relief of Distress grant expires; current civil servant wage deal expires

June

- ANC policy conference
- 15** US FOMC meeting

May

- 4** US FOMC meeting
- 9** Philippines presidential election
- 19** SA MPC meeting
- 29** Colombia presidential election

April

- April or May: Hungary presidential election
- 10** France presidential election

July

- 21** SA MPC meeting
- 27** US FOMC meeting
- Japan Upper House election

August

- Jackson Hole
- 9** Kenya presidential election

September

- 21** US FOMC meeting
- 22** SA MPC meeting

December

- 14** US FOMC meeting
- ANC Elective Conference

November

- 2** US FOMC meeting
- 8** US midterm elections
- 24** SA MPC meeting

October

- 2** Brazil presidential elections
- SA Medium-term Budget Policy Statement
- 30-31** G20 Bali Summit
- Q4 2022** China's 20th Communist Party Congress



December 2021

UNITED STATES

The timing of the lift-off in interest rates will be a key focus area in the United States (US) this year. Evidence that inflationary pressures are broadening out has motivated the US Federal Reserve to signal a more aggressive winding down of its bond purchases. This has led markets to bring forward their expectations of the timing of the first interest rate hike. A poll by the *Business Times* in early December 2021 indicated that the market expected two rate rises in the second half of 2022 and estimated the Fed Funds rate would end 2023 at 1.5%. Markets will also be closely watching the outcome of the US mid-term elections in November 2022, particularly given the precipitous fall in President Joe Biden's popularity rating and the readthrough for Democratic leaders' prospects at the ballot box. Political infighting over Biden's domestic agenda has further provided fodder for Republican attacks.

Forecast 2022:
GDP: 4.3%
HICP Inflation: 2.5%
Forecast 2023:
GDP: 2.2%
HICP Inflation: 1.5%

EUROZONE

Key presidential elections are expected to shape the Eurozone's political landscape in 2022. Germany's September 2021 election has resulted in a coalition pact among the Social Democrats, the Green Party and the liberal Free Democrats. While the coalition has pledged to tackle the pandemic, promote social justice, accelerate carbon emissions and adhere to fiscal discipline, these remain merely promises among these divergent parties. France will also vote on a new president in April, with incumbent President Emmanuel Macron and opponent, far-right populist Marine Le Pen, favoured in current polls. Moreover, Italy's Sergio Mattarella's presidential term expires in February this year. Although this presidential role is more ceremonial in ordinary times, it is pivotal during turbulent political periods as the president is ultimately responsible for the country's relationship with Europe.

Forecast 2022:
GDP: 4.5%
Inflation: 3.8%
Forecast 2023:
GDP: 2.2%
Inflation: 1.9%

UNITED KINGDOM

Prime Minister Boris Johnson's Brexit negotiating strategy over Northern Ireland is likely to dominate news headlines early this year. The UK wishes to trigger Article 16 of the Northern Ireland protocol to reduce paperwork on goods moving between Britain and Northern Ireland. Moreover, Britain has requested that the European Court of Justice should not hold the rights to enforce elements of the protocol, but this has been rejected by the European Union (EU). The EU argues that not preserving a border in the Irish Sea will create a backdoor into the EU single market. Without full controls on products, checks may be required as goods enter the EU and this could infringe on Ireland's rights as an EU member. The *Financial Times* warns that any unravelling of the protocol could undermine the basis of the trade agreement with the EU and rupture political ties.

Forecast 2022:
GDP: 2.8%
Inflation: 0.7%
Forecast 2023:
GDP: 1.5%
Inflation: 0.6%

JAPAN

Battling COVID-19, the controversial hosting of the Olympic Games and appointing a seventh prime minister since the Global Financial Crisis dominated market concerns last year. Nevertheless, according to *Reuters*, more than 78% of Japan's population had been fully vaccinated by early December 2021, indicative of Japan's successful vaccination drive. This allows new prime minister Fumio Kishida to focus on his call for 'new capitalism', which the market has interpreted as increased government influence to redistribute wealth. Kishida argues that Abenomics (former prime minister Shinzo Abe's three-pronged approach, which included monetary easing, fiscal consolidation and reforms) exacerbated inequality. Although many advanced nations are tackling higher inflation, Japan's ageing demographic and weak growth in wages have kept longer-dated inflationary expectations intact.



CHINA

Forecast 2022:

GDP: 5.1%
Inflation: 2.1%

Forecast 2023:

GDP: 5.3%
Inflation: 2.0%

The Communist Party of China will host its 20th National Congress in Beijing in 2022, marking the most important political event of the year. While market expectations are for incumbent President Xi Jinping to serve a third term, there is a lot of resistance to his 'zero-COVID' policy. The possible negative growth impact of Xi's pursuit of 'common prosperity' and increased chances of a spill over from Evergrande's debt crisis to other highly leveraged property developers may also count against him. Xi's view that eastern autocracies are on the rise, while western democracies are declining, suggests a continued stand-off between China and the US. While Sino-American relations can improve on shared interests (trade reciprocity and climate change), Fitch rating agency warns against rising tensions with the west over ideological differences, industrial competition and military strength.

Forecast 2022:

GDP: 5.0%
Inflation: 3.9%

Forecast 2023:

GDP: 4.8%
Inflation: 3.5%

EMERGING MARKETS

Fiscal and monetary conditions are becoming less accommodative in the emerging market (EM) composite. Many EMs have responded proactively against rising inflation pressures, while a number of EM governments aim to rein in their extended fiscal deficits. The consequent tightening in financial conditions should lead to a deceleration in growth across the EM composite in 2022. Although a ramp-up in the pace of vaccinations has further promoted economic activity, the spread of the new COVID-19 variant Omicron still poses a downside threat to growth. Geopolitics presents an ongoing risk to the region given a number of key presidential elections taking place. In Latin America, Colombian (29 May) and Brazilian (2 October) presidential elections will be taking centre stage in 2022. From Asia, South Korea (9 March) and the Philippines (9 May) will both host presidential elections, while voters will take to the polls in April 2022 in Hungary in Eastern Europe.

Forecast 2022:

GDP: 2.0%
Inflation: 4.6%

Forecast 2023:

GDP: 1.8%
Inflation: 4.3%

SOUTH AFRICA

Growth and fiscal outcomes surprised markets to the upside in 2021 but risks are tilted to the downside for the new year. Growth is expected to soften significantly from the expected 4.9% rebound last year to a projected 2% in 2022. A deceleration in global demand, softer commodity prices, electricity supply constraints and lingering unemployment will constrain activity. Omicron has, in addition, raised fresh growth concerns. Medium-term pressures on government expenditure resulting from potential overruns on the wage bill and the need to support 9.5 million households, who will face an expiration of the Social Relief of Distress grant at the end of March 2022, compromise government's fiscal consolidation and debt stabilisation plans. Moreover, municipal finances remain in disarray (further complicated by hung councils resulting from the 2021 local government elections (LGE)) and a few state-owned enterprises are financially distressed, raising longer-term risks to government's balance sheet and the sovereign rating outlook. On the political calendar, the ANC's mid-year Policy Conference and the Elective Conference at the end of 2022 will be key focus areas. Although the July 2021 riots, a challenging State Capture Commission testimony and the poor performance of the ANC at the LGE have counted against President Cyril Ramaphosa, the lack of serious contenders raises his chances of re-election as party president.

The macro research desk

Herman van Papendorp is the head of the Momentum Investments research and insights team and takes ultimate responsibility for macro research and asset allocation. Economist, Sanisha Packirisamy, is responsible for providing a macro framework to inform investment opportunities and strategies.



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