Newsletter, July 2020

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CORNHILL MANAGEMENT

GDPR challenge still lingers for advisers

With growing numbers and larger fines for breaches of the European Union's General Data Protection Regulation (GDPR) expected to be handed down to companies not toeing the line in the coming year, experts have said the regulation continues to represent a major challenge to financial advisers two years after it was introduced.

GDPR is the EU's legal framework which details companies' obligations when collecting and processing the personal data of individual EU citizens. The regulation came into force in May 2018 and as you would expect applies to all EU member states as well as Norway, Iceland, and Liechtenstein due to their European Economic Area (EEA) membership.

Despite launching two years ago experts say that there are still many firms facing difficulties when it comes to complying with all aspects of the legislation.

Paul Grainger, chief executive of UK compliance and regulatory consultancy Complyport, explained that some of its finer points had yet to be completely understood by companies.

He told The FT's Financial Adviser that many were "simply not sufficiently well-versed" in the legislation.

Prior to implementation of the legislation – the most comprehensive of its kind in the world – companies globally had to rush to comply with what at the time they described as regulation that was sometimes unclear.

Covering not just companies and their clients in the EU, but any firm doing business with EU citizens or entities, companies around the world had to ensure everything from the security of their IT systems, to data processing and storage procedures met with the new guidelines.

Just months ahead of the GDPR being enacted, surveys of financial advisory firms showed that many were unclear about what changes they needed to make to their operations to be GDPR-compliant. In one survey, a tenth of IFAs even claimed to have no idea what GDPR was.

This was despite the threat of massive fines for breaches – up to EUR 20 million or 4% of annual turnover, whatever was higher.

But GDPR continues to prove itself a challenge for financial advisers, especially, says Grainger, the issue of data sharing, which is an essential part of advisers' work.

He said: "Under GDPR, for personal data sharing to be permitted and valid, the data sharing must be for a legal purpose – and the main legal purpose applicable to financial advisers is that data is required to fulfil a contract – or that a client has given consent.

"For client consent to be valid, it is not good enough to assume that a client has not objected or to work on an opt-out basis.

"Consent must be affirmative, specific, informed, unambiguous and freely given, and firms must also be mindful that a client has a legal right to withdraw consent."

He added that companies needed to employ "robust processes and procedures," to ensure this was met, or face a potentially heavy fine.

This is far from the only problem GDPR can throw up for advisers. Retention of client data is also a problem, especially in cases where some data may be held in paper records. Under GDPR, clients can demand that a company provide them with the details of all data it holds on them.

Some companies may struggle to store all that data together if they do not have proper data storage and management procedures in place, experts warn.

As mentioned previously, when the regulation was introduced two years ago, many in the financial services industry, including advisers, complained of the vagueness of some of the GDPR's wording. For example, it stipulates any breach of the regulations must be reported within 72 hours and to affected parties 'without undue delay', but does not give specific instruction on what constitutes undue delay.

Since then, the European Data Protection Board, the supervisory body governing GDPR, has issued clarifications and guidelines to help with compliance.

But data on what fines have been handed out so far for GDPR breaches suggests that the finance industry in particular has struggled with compliance for some time.

The UK's Information Commissioner's Office, which decides on fines for GDPR breaches, said that in the first three quarters of the 2019-2020 financial year, it received 799 reports of personal data breaches across the finance, insurance, and credit sector.

Meanwhile, according to a study of GDPR fines between May 2018 and September 2019, the finance sector received more

GDPR fines than any other industry. The fines were for breaches in the processing of personal data.

However, what the survey, which was published by professional services firm Mazars Ireland, also revealed was that there had been very few fines issued by country regulators in the first year since GDPR went into effect – only 68 across 20 countries.

Moreover, the study reported that eight EU countries, including Ireland, had not issued any GDPR fines.

This is expected to change soon.

More recent data compiled by global law group DLA Piper showed that as of January this year, EU regulators had handed out EUR 114 million in fines.

While a total of 160,000 breaches had been reported, according to the research only a few of those had been very large fines – for example, EUR 50 million of the total had been a single fine imposed on Google in France.

But more are likely soon, says the law firm.

"The total amount of fines of EUR 114 million imposed to date is relatively low compared to the potential maximum fines that can be imposed under GDPR, indicating that we are still in the early days of enforcement," said Ross McKean, a partner at DLA Piper.

"We expect to see momentum build with more multi-million Euro fines being imposed over the coming year as regulators ramp up their enforcement activity," he said.

The Information Commissioner's Office has already said it intends to fine both British Airways and Marriot GBP 183 million and GBP 99 million respectively, over data breach incidents in 2018. If the fines are imposed – a final decision pending submissions from the companies is expected at the end of this year – they will be the largest levied under GDPR so far.

Although the massive fines for the likes of such firms underscore that all companies, no matter how large and well-resourced they might be, can fall foul of GDPR legislation, smaller firms are apparently finding it especially hard to ensure compliance.

In its annual report for 2018-2019, the Information Commissioner's Office said that small and medium-sized organisations had found it difficult to meet the challenges posed by GDPR compliance.

While meeting all the requirements of the legislation may appear daunting, experts say that it can be managed.

They urge anyone whose operations will be affected by the legislation to make sure that they are taking steps to ensure they are compliant, even breaking it down into smaller steps of compliance in one area at a time.

They add that simply showing that you are making an effort to comply could be the difference between regulators taking action and not.

Odia Kagan, a partner and compliance expert at US legal firm Fox Rothschild, told businessnewsdaily.com: "Companies that have been on a path and worked with regulators… have had cases closed against them or their fines have been reduced.

"You need a plan. Conduct a risk assessment, figure out the riskier pieces of your processing, and start working through them."

Working towards compliance can also help in promoting trust and confidence among clients.

Chris Slovak, vice president of global sales solutions at data solutions firm Tealium, told businessnewsdaily.com: "If you do it right, you get auditability and transparency. You can tell your customers what data you have and where you're sending it.

"If you do it right, you're going to have better conversations with your customers because you have a better understanding of what they want in the moment you're talking to them." ■

GDPR – your 10-point guide

GDPR is a set of regulations on how companies should collect and process the personal data of EU citizens. It sets out organisations' responsibilities to ensure the privacy and protection of personal data, provides data subjects with certain rights, and assigns powers to regulators to ask for demonstrations of accountability or even impose fines for failure to comply with GDPR requirements.

Under GDPR, companies should:

- Process personal data in a lawful, fair and transparent manner – any processing must be done for a legitimate purpose; firms must ensure it is processed solely for a legitimate purpose and must inform data subjects about what they are using their personal data for.
- Limit the processing and collection of data only to what is necessary – once the processing purpose is completed personal data should not be kept.
- Respect the rights of data subjects to request to see all the information a company holds about them and what this information is used for. Data subjects also have the right to ask for corrections to, and the deletion or transfer of, their personal data, and object to processing of their data.
- Obtain clear and explicit documented consent from the data subject if they want to process personal data for a purpose other than the legitimate purpose for which that data is being collected.
- Inform the relevant regulatory body of any detected data breach within 72 hours of its identification.
- Implement organisational and technical measures to protect personal data when designing new systems and processes.
- Undertake a Data Protection Impact Assessment when undertaking any action which may result in a significant change being introduced in the processing of personal data.
- As controllers of personal data, ensure the protection and privacy of personal data if it is being transferred to a third party or to another entity within the same company.
- Assign a Data Protection Officer if there is significant processing of personal data in an organisation. This person would be responsible for advising the company about GDPR compliance.
- Ensure staff are trained and aware of data protection responsibilities and GDPR requirements.

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THE 2020 GOLD RUSH: HOW LONG WILL IT LAST?

Gold has had a glittering year so far as investors snap up the precious metal at a staggering rate as they look for safe-haven investments during the coronavirus pandemic. But how long will the gold rush last and what is the best way to start investing in the precious metal? We take a closer look.

With the coronavirus crisis creating havoc on world markets, investors have been investing record amounts in gold.

According to gold industry organisation the World Gold Council, the first five months of 2020 have seen USD 33.7 trillion of inflows into gold exchange-traded funds (ETFs), well ahead of the record for a full calendar year when USD 24 billion was invested in 2016.

Gold has historically been a major safe-haven asset in times of market turbulence. It is perhaps unsurprising then that investors have been pouring their money into it as the Covid-19 pandemic has swept the world and sent countries into lockdown.

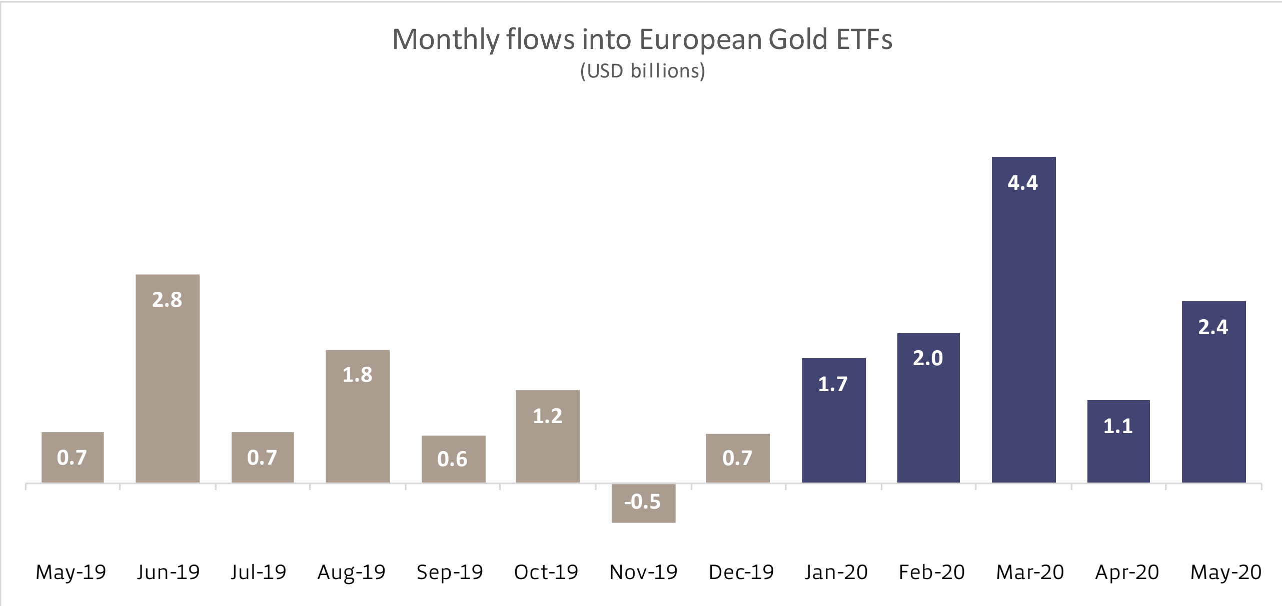
As Kenneth Lamont, passives analyst at Morningstar, explains: “In times of economic uncertainty, gold comes into its own as a store of value.”

But since the end of March, equity markets have been on an upward trend amid positive news on containing the spread of the disease and many developed states easing their lockdown restrictions. Yet, the demand for gold has not dipped, rather, it has actually intensified.

As data from the World Gold Council shows, inflows into gold funds first peaked in March of this year as lockdowns were imposed, before easing off and then picking up once again.

of the damage any return to strict lockdown measures would inflict on already battered economies.

In China, where the virus originated, authorities in Beijing have had to close schools, cancel flights and lockdown entire areas for a second time after a serious new outbreak. In the US, infection rates are rising in some states where lockdown restrictions have been



Source: World Gold Council

This has been driven, experts say, by investors who are betting that markets have got ahead of themselves and that the risk of a second wave of infections is greater than widely believed.

“For investors who are unconvinced by the rebound in stock markets, increasing your allocation to gold is a way of buying crash insurance for your portfolio,” said Morningstar’s Lamont.

At the time of writing, lockdowns are still being eased across many countries, and data on infections is being closely followed by governments desperate to get economies firing again, fearful

eased. In the UK, there are concerns that the disease’s reproduction, or ‘R’ rate is above 1 – meaning each infected person is infecting more than one other person and therefore the virus is spreading exponentially – in some areas.

Regardless of what happens with a potential second wave of infections, global economies are expected to continue to struggle for months to come.

First quarter GDP falls in many countries were steep, but second quarter drops are almost certain to be much worse with full lockdowns in many developed countries not being implemented until well into March and continuing through April and much of May if not beyond. In the UK alone, GDP dropped by 20% in April as much of the economy remained shuttered. It is still yet to reopen fully at the start of July.

Meanwhile, the World Bank has forecast the global economy will contract 5% in 2020.

This is likely to keep demand for gold high.

Investors will be looking to use gold as a hedge against recession, high unemployment, and rising inflation.

And as central banks around the world pledge to do whatever is necessary to prop up economies – cutting rates in order to keep liquidity high for example – investors' opportunity cost of holding non-yielding bullion is reduced, making gold cheaper for them in comparison to holding other safe-haven currencies, or even fixed income investments such as sovereign bonds.

Jeffrey Sica, founder of Circle Squared Alternative Investments, told Reuters: "No matter what the long-term consequences, like inflation, there will be continued stimulus throughout the world and that will keep gold prices supported in the long term."

While gold would seem like an attractive bet for investors at the moment, those new to investing in precious metals may be wondering how best to go about adding it to their portfolio.

Some experts suggest investors may be wise to go for exposure to physical gold and steer clear of investing directly in gold miners.

Although high gold prices are theoretically good for their profit margins, mining companies must operate in the same difficult conditions other firms are, and will, face as economies remain under pressure.

Paul Jackson, global head of asset allocation at Invesco, told Morningstar: "There are going to be a lot of failures out there, a lot of bankruptcies, and if you're buying equities of any form right now you need to be careful not just about the risk to earnings and dividends, but the bankruptcy risk that exists."

One relatively easy way of gaining exposure to gold is through the same gold ETFs which have seen record inflows this year. These funds are usually low-cost and, rather than investing in gold-related equities as some other funds do, these track gold spot prices.

An alternative method is direct purchase of bullion – which is proving increasingly popular. The UK-based Pure Gold Company, which buys physical gold on behalf of private investors, said it registered a 987% increase in gold sales in a single week at the start of June, compared to the weekly average over the previous year.

Another option is gold futures, although this is usually considered something for more experienced investors.

Whatever the method, gold investment experts say they expect more investors to add gold to their portfolios, or increase their existing holdings of the precious metal, as the Covid-19 pandemic continues.

Josh Saul, CEO of Pure Gold Company, told yourmoney.com: “Investors are concerned the equity markets and the wider economy could spiral downwards again, and have taken refuge in physical gold coins and bars which have risen in value by almost 17% this year.

“Our clients are worried that when government aid, especially the furlough scheme, stops and unemployment invariably increases, our economy will contract along with house prices. Many global economic forums, analysts and investment banks expect a long and enduring recession, or even a depression comparable in scale to the Great Depression of the 1930s.

“In such uncertain times like these, the status of gold as an insurance policy is coming into its own.” ■

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WORLD MARKETS UPDATE

GLOBAL

Global stocks rose in June, capping off an impressive comeback for share markets in the second quarter of the year.

Markets had plunged in the first quarter as the coronavirus pandemic took hold and economies ground to a halt. But over the last three months many markets have now almost clawed back that lost ground as global economies have re-opened and stimulus has flooded markets.

However, the virus continued to ravage countries and, as health experts around the world continued to warn, the pandemic is far from over. As many countries moved further in easing restrictions during June, markets nervously eyed signs of any spike in infections as lockdowns came to an end. A new outbreak in China caused concern, as did rising case numbers in a number of US states.

Governments will be wary of having to re-introduce lockdowns before they have even been fully lifted as the scale of the economic damage the pandemic has already caused becomes clearer with each passing week.

During the month, the Organization for Economic Cooperation and Development (OECD) said the pandemic had triggered the worst economic crisis since World War II, going on to forecast a contraction in global GDP of 6.0% in 2020. This compares to an earlier prediction of a 2.4% drop. There are concerns the contraction could actually end up being even worse as the 6.0% forecast was formulated based on the assumption that the pandemic situation would not get any worse.

Meanwhile, the International Monetary Fund warned that the current global economic crisis could test the fund's total resources of USD 1 trillion.

US

S&P 500	2.0%	Dow Jones	1.8%
MSCI USA	2.3%	NASDAQ	6.1%

While June brought to an end a stellar quarter for US stocks, local equities actually only made limited gains in the month.

Economic readings gave cause for a degree of optimism with indicators suggesting the economy is on the path to recovery.

Surveys showed consumer confidence was up in June, while the IHS Markit US Manufacturing Purchasing Managers' Index (PMI) reading rose to 49.8 in the month from 39.8 in May 2020. The data pointed to only a minimal deterioration in US manufacturing conditions as goods producers and their customers began to reopen amid looser restrictions following the COVID-19 outbreak. Pending home sales soared more than 44% m-o-m in May.

Meanwhile, latest labour market data showed there was a record rise of 4.8 million new jobs in the month and the unemployment rate fell more than expected, from 13.3% to 11.1%.

Towards the end of the month investor enthusiasm was dented by rising Covid-19 case numbers in some states and authorities in Texas and Florida were forced to roll back some lockdown easing measures as they struggled to keep the spread of the coronavirus in check. The country's top infectious disease expert, Dr Anthony Fauci, director of the National Institute for Allergy and Infectious Diseases, has warned that the US could face up to 100,000 new cases per day unless stronger action is taken to tackle the virus.

Meanwhile, tensions between Washington and Beijing rose over China's enactment during the month of a new security law in Hong Kong which critics say will drastically curtail freedoms in the former British colony. US lawmakers have since approved sanctions on China over the legislation.

Europe

MSCI EMU	5.0%	DAX	6.2%
FTSE 100	1.7%	CAC 40	5.5%

European equities had another good month and, as was the case elsewhere, an excellent quarter with double digit gains.

The rise came against a backdrop of falling Covid-19 cases across the continent and continued stimulus measures which have helped lift sentiment. The European Central Bank (ECB) expanded its pandemic emergency purchase programme by EUR 600 billion to a total of EUR 1.35 trillion and extended the programme to at least June 2021. Markets had been expecting only a EUR 500 billion increase.

There was some upbeat economic data with the flash IHS Markit Eurozone Composite Purchasing Managers' Index (PMI) reading jumping from 31.9 in May to 47.5 in June and signs of improved business confidence in the key German and French economies.

But ECB officials have been keen to stress that short-term indicators, while improving, may not be the best guide to the potential strength of any longer-term post-pandemic recovery.

Meanwhile, in a bid to help Europe's finance houses build up reserves as a buffer against the current economic slump, the ECB recommended a ban on dividend payments, bonuses, and share buybacks by EU banks be extended until at least the end of 2020. Some banks are reportedly lobbying the central bank to rescind the ban as they look to shore up slumping share prices.

As in most other markets, UK stocks finished the month higher, capping off an excellent quarter in which the FTSE 100 rose 8.8% – the biggest such gain since 2010.

Sentiment was lifted by continuing global stimulus and the further easing of lockdown measures. As business activity has picked up there is growing optimism over the prospects for a post-pandemic economic recovery.

However, the UK is still struggling to get its coronavirus outbreak under control with infection rates coming down only slowly. Restrictions on non-essential businesses operating were only lifted at the start of July and one major city in the country, Leicester, was forced to go back into lockdown as the infection rate there rose dangerously. Health experts have suggested similar local lockdowns in other towns could also follow.

Meanwhile, at the end of the month it was announced that Britain's economy shrank by the most since 1979 in the first three months of the year with GDP contracting 2.2% q-o-q for the period. This came after official data showed UK GDP shrank by a record 20.4% in April from March and 24.5% y-o-y in the same month.

The government has announced a GBP 5 billion package of infrastructure investment to help boost the economy. But most analysts have dismissed the sum as too small to provide much meaningful help.

Asia

MSCI Australia	7.0%	Shanghai Composite	4.6%
MSCI ASEAN	4.2%	Nikkei 225	2.0%
KOSPI	4.1%	SENSEX	7.7%

Chinese shares were up for the month, boosted by signs that the domestic economy is picking up again and on the back of wider improved global sentiment as lockdowns were eased in many countries.

Data showed China's manufacturing sector grew more than expected in June with the official manufacturing PMI reading for the month coming in at 50.9, up from 50.6 in May.

However, it was far from all good news in June with a new coronavirus outbreak in Beijing leading to lockdowns being re-introduced in parts of the city and nearby areas, and widespread international condemnation after Beijing implemented a new security law in Hong Kong. Critics say the law will drastically curb freedoms in the former British colony, and the US has introduced sanctions against China over the legislation.

The furore did not appear to affect stocks in Hong Kong much though and the Hang Seng Index posted its second monthly gain of the year, rising 6.4% for the period.

Meanwhile, in what is being widely seen as a bid to get more foreign investment into the country to help the coronavirus-hit economy, Beijing announced it would increase the number of sectors open to foreign investment as of July 23. There are currently 33 sectors closed off to foreign investors.

Indian shares were up for the month, with energy, finance and industrial stocks faring best. Some sectors are now in positive territory for the year, having rebounded more than 30% from lows seen in March.

Stocks have been helped by a flurry of stimulus measures from the government and central bank and foreign investors pouring back into the re-opening economy amid high global liquidity.

But sentiment in June was dogged at times by an increasingly poor growth outlook and surging local Covid-19 cases. The IMF said during the month that the Indian economy would contract by 4.5% this year. Global credit rating agency Fitch also lowered its outlook for India from “stable” to “negative” citing uncertainty over India’s medium-term growth and fiscal situation.

Rising tensions with China also troubled markets as clashes between troops along a contested part of the Himalayan border between the two nuclear powers resulted in the deaths of 20 Indian soldiers.

Japanese stocks, as measured by the Nikkei 225 index, ended in positive territory for June, helping bring up double digit gains for the index over the second quarter. The gains were driven largely by increasingly optimistic global sentiment as coronavirus restrictions in many countries were eased and hopes rose that the global economy will recover strongly from the effects of the pandemic.

But local economic data was mixed, at best. According to official data, Japanese exports fell by a worse than expected 28.3% y-o-y in May as global demand remained subdued. Vehicle exports alone plunged more than 60% during the period. The decline is the largest since the global financial crisis. At the same time, manufacturing surveys showed sentiment in the industry remained poor and around its lowest level since 2009. And while the au Jibun Bank Flash Japan Composite Purchasing Managers’ Index (PMI) reading was up in June, the improvement was down to a large jump in the services sector reading. The manufacturing reading was largely unchanged and well in contraction territory. Business sentiment is also poor, according to official government surveys.

Against a backdrop of wider positive global sentiment and upbeat data from major economies such as the US and China, Korean shares posted a strong gain for the month.

The advances added to an astonishing rebound for the second quarter which saw local equities rise more than 20%, wiping out all the losses from the Covid-19 driven fall in the first quarter of the year.

In other news, the Korean government has proposed expanding capital gains tax to include a larger number of affluent stock investors. Under the new proposal, as of 2023, a tax of up to 25% would be levied on annual capital gains exceeding KRW 20 million (USD16,627) for retail investors. The finance ministry has said this would affect around 300,000 people who make up the top 5% of all stock investors in the country. Institutional investors, who pay corporate income tax, will not be affected. The plans have yet to be presented to parliament for approval.

In South-East Asia, while there were gains in some markets, economic concerns remained.

In Malaysia, exports plunged a worse than expected 25.5% y-o-y in May, as the global economy closed due to the coronavirus pandemic. It was the largest fall since May 2009 and follows a 23.8% y-o-y drop in April. Imports also contracted sharply, falling 30.4% y-o-y after an 8% drop in April.

In Thailand, leading local business association the Thai Chamber of Commerce, said it now expected the economy to contract between 5%-8% this year, revising a previous forecast for a 3%-5% fall in GDP. This comes as, despite an easing of coronavirus restrictions, readings for many economic indicators worsened in the month.

The second quarter also saw Vietnam's economic growth fall to its slowest pace in at least 30 years as GDP grew just 0.4% y-o-y in the period. It had expanded 6.7% in the same period in 2019.

But in some more positive news for the region, officials in Indonesia have said that seven companies would soon relocate factories, mostly from China, to the country in investments worth a combined USD 850 million.

In Australia, local stocks, as proxied by the benchmark ASX 200 index, closed higher for the month, bringing total gains for the quarter up to 16.2 per cent – the biggest three-month rise since the third quarter of 2009.

The advance of local shares came against a background of continuing caution over the state of the economy but also some positive data. The CBA Flash Composite Purchasing Managers' Index (PMI) reading for June suggested a return to growth in the month, rising more than 24 points to 52.5. A reading above 50 indicates expansion. However, the rise in the composite index reading was driven by a 26.3-point increase in the services PMI while manufacturing remained in contraction territory, albeit marginally so at 49.8.

Despite the positive readings, worries over the strength of any economic recovery persist and jobs are a particular concern. Official figures for the period from early April to early May showed employment fell by a seasonally-adjusted 227,000 on the previous month with the unemployment rate now at 7.1% – the highest level since 2001.

Latin America

MSCI Latin America	5.3%	MSCI Chile	6.1%
MSCI Brazil 25-50	7.1%	MSCI Mexico	-0.1%
MSCI Colombia	-0.2%	MSCI Peru	2.1%

Latin American equities were up overall for the month, posting a decent gain, despite the region being ravaged by coronavirus. Brazil is currently the world's second biggest Covid-19 hotspot, behind the US, while Mexico is also one of the worst hit countries in the world.

Global central banks have kept interest rates low in a bid to help economies during the pandemic. The lower returns from sovereign fixed-income bonds have prompted investors to look to assets normally considered riskier, which in turn has boosted equity markets in the region, analysts say.

This comes, however, as the economic outlook for the region's economies darkens. The International Monetary Fund has slashed its 2020 economic forecasts for Latin American countries with Brazil's economy now predicted to shrink 9.1%, Mexico's 10.5% and Argentina's 9.9% for the year.

Latest data has shown the difficulties these economies are facing. Brazil's national debt and government deficit were at record highs in May while unemployment has also risen to a two-year high. Mexico's manufacturing sector remained deep in contraction territory in June with the IHS Markit Manufacturing Purchasing Managers' Index (PMI) reading coming in at 38.6, little changed from 38.3 in May.

And in Argentina, official data released at the end of the month showed that the economy plunged a worse than expected 17.5% m-o-m for June and 26.4% y-o-y inApril as quarantine measures brought economic activity to a halt. It was the worst fall since monthly data was first published in 1993 and comes as the government is already struggling to make a deal with bondholders to restructure USD 65 billion in overseas debt.

Looking ahead, investors will be eyeing Covid-19's course in the region over the coming weeks with some governments pushing ahead with an easing of pandemic restrictions despite few signs that the virus's spread is slowing and leaders such as Brazil's populist president Jair Bolsonaro and Mexico's president Andrés Manuel López Obrador downplaying its seriousness.

Africa

MSCI FM Africa	0.9%	FTSE/JSE	9.8%
MSCI South Africa	10.4%	MSCI Egypt	0.3%
MSCI Kenya	0.2%	MSCI Nigeria	-3.7%

African stocks, as proxied by the MSCI Frontier Markets Africa index, were marginally higher for the month.

South African shares gained despite a deepening recession in the country. GDP contracted 2% q-o-q in the first quarter, according to latest data with mining and manufacturing leading the way down. The former fell 21.5% and the latter saw a drop of 8.5% in the period. This comes after GDP shrank 0.1% in the first quarter of the year and 0.5% in the last three months of 2019.

The shuttering of much of the economy due to the pandemic has seen economic forecasts for the year downgraded and during June the government announced an emergency budget with a forecast that will see the economy shrink by 7.2% this year as tax revenues fall. The forecast continued in a grim vein with the consolidated budget deficit expected to surge to 15.7% and South Africa's debt increasing to above 100% of GDP by 2025.

Authorities have recently partially eased lockdown measures to allow key sectors such as mining and retail to operate.

Elsewhere, in Nigeria, the manufacturing Purchasing Managers' Index (PMI) reading jumped to 53.9% in June from a record low of 43.3 points in the previous month. Meanwhile, central bank officials have said Nigerian banks plan to restructure a third of loans after running into repayment problems because of the coronavirus pandemic. According to reports in local media, 17 banks have submitted requests to restructure more than 32,000 loans for businesses and individuals, representing 33% of loans.

Similarly, Kenya's central bank said local banks had restructured almost a quarter of the sector's total loan book by end of May as borrowers struggle to make repayments amid pay cuts and layoffs. The sectors which had most business loans reviewed were trade, real estate, tourism, and transport, all of which have been hit hard by the pandemic.

In Egypt, the central bank said it will set aside EGP 7 billion for its recently-created Credit Guarantee Company (CGC) to guarantee loans for large corporations in the industrial, agricultural, and construction sectors, expanding the CGC's focus from SMEs. The move is part of an EGP 100 billion stimulus programme to help the economy through the coronavirus crisis. ■

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Cornhill Sales Diary

Even though staying at home is the safest course of action during the current pandemic, Cornhill remains fully open for business. Your sales representatives are more than happy to provide assistance via calls or virtual meetings.

Covid 19