



Weekly Monitor

ECONOMICS | SOUTH AFRICA

Review of 13 to 17 January and a preview of 20 to 24 January

- The **rand** has regained some ground after falling to below R19/\$ last week.
- The **US** labour market remained resilient in December, with **nonfarm payrolls** at the highest level since March 2024.
- The **German economy** remains subdued, contracting for the second year in succession.
- **Inflation** rose further in the US and Germany but moderated slightly in the UK.
- The **Chinese economy** expanded by 5% in 2024, meeting the government target.
- **China's trade balance** expanded as exports rose while imports rebounded slower.

Market developments

Currencies

The **rand** has pulled from R19.09/\$ in late trading on Friday last week. It fell sharply in the aftermath of the strong US labour market data, which bolstered market expectations that the Federal Reserve would delay more interest rate cuts. The local unit is trading around R18.80/\$ this morning after touching R18.76 on Wednesday.

The **US dollar** has surrendered some of the gains it accumulated following the release of the strong US nonfarm payrolls data last week. The **euro** fell to \$1.02 late on Friday last week, its lowest level since November 2022, before recovering slightly to \$1.03 at Thursday's close. The **British pound** slumped to \$1.22, a 14-month low, trading around that level through this week.

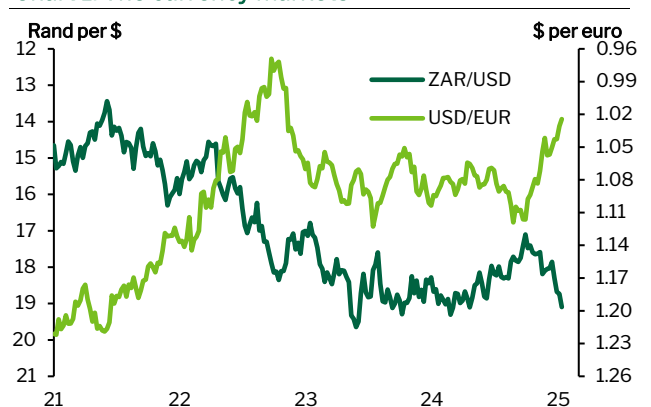
Emerging market currencies generally pulled back. The **Brazilian real** is trading around BRL6.06/\$ from BRL6.11. The **Mexican peso** firmed from MXN20.70/\$ on Friday last week to MXN20.45 on Wednesday but fell to MXN20.83 late on Thursday as the threat of Trump tariffs on the Mexican economy loomed. In Asia, the **Korean won** is marginally firmer at KRW1 457.6/\$ from KRW1473.1 a week ago.

Table 1: The currency markets

	2025/01/16	2025/01/09	% Δ
Rand			
USD/ZAR	18.80	19.09	1.59
GBP/ZAR	22.97	23.18	0.93
EUR/ZAR	19.36	19.55	0.99
JPY/ZAR	8.27	8.25	-0.24
Majors			
EUR/USD	1.0301	1.0244	-0.55
GBP/USD	1.2231	1.2204	-0.22
JPY/USD	155.43	157.69	1.45

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

Equities, bonds and commodities

The local market traded softer this week, with the **JSE All Share Index (ALSI)** weighed by losses in industrials and financials, which offset the robust gain of basic materials.

US equities rebounded marginally as they recovered from last Friday's sharp losses and will likely end the week higher despite yesterday's losses. **European markets** are firmer this week, while the **Japanese Nikkei** bucked the trend.

Bond markets were softer globally after the US labour market data and higher inflation in the US and Germany pointed to a delay in more interest rate cuts.

In commodity markets, the **Brent crude oil price** has breached \$80 a barrel for the first time since October. **Gold** rose to within a whisker of its all-time high set on 29 October, while **platinum** slid to below \$950 an ounce.

Table 2: Equities

	2025/01/16	2025/01/09	% Δ
Local (JSE)			
ALSI	84302.38	85419.86	-0.71
Industrials	115340.19	119448.02	-3.91
Financials	20433.62	21104.50	-1.88
Basic materials	42704.67	42540.52	7.01
Global Equities			
Nasdaq	19338.29	19161.63	0.92
SP500	5937.34	5827.04	1.89
UK FTSE	8391.90	8248.49	1.74
DAX	20655.39	20214.79	2.18
CAC	7634.74	7431.04	2.74
Nikkei	38572.60	39190.40	-1.58
Commodities			
Brent crude (\$/barrel)	83.18	80.57	3.24
Gold (\$/ounce)	2714.99	2689.63	0.94
Platinum (\$/ounce)	935.50	964.85	-3.10

Chart 2: JSE Equities

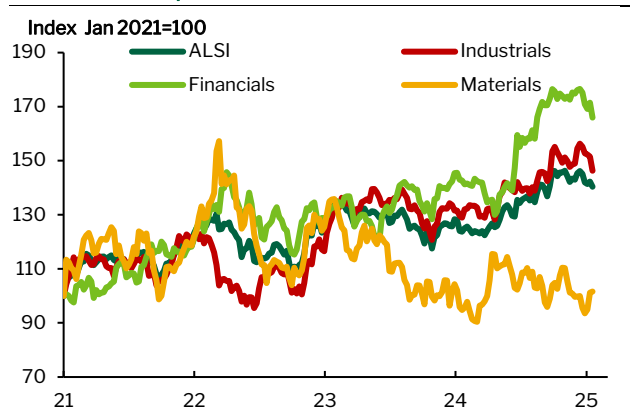
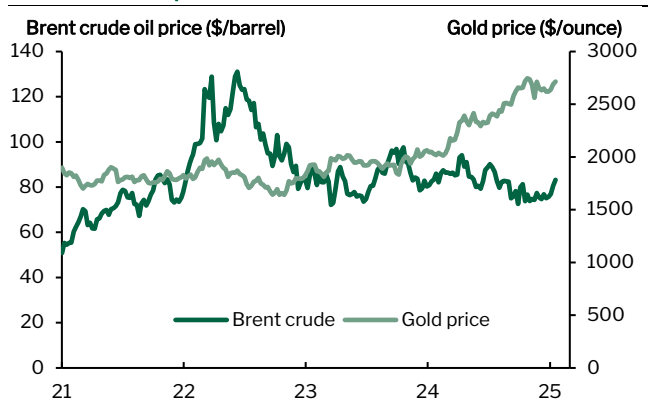


Chart 2: JSE Equities



Source: Refinitiv

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Economic developments

Domestic economic releases and events

There were no major releases last week.

International economic releases and events

The strong underlying trend in the **US labour market** continued at the end of 2024, with **nonfarm payrolls** rising by 256 000 jobs in December, against the market consensus of 166 000, from 211 000 in November. This was the strongest gain since 310 000 in March 2024. Although the numbers remained robust, US employment growth softened noticeably in 2024, with the economy creating 2.2 million jobs compared to 3 million in 2023. The **unemployment rate** eased to 4.1% in December from 4.2% in November. The **labour force participation rate** was steady at 62.5%. Growth in **average hourly earnings** slowed to 3.9% yoy from 4%, continuing to increase faster than inflation. **Initial jobless claims** increased to 217 000 for the week ending 11 January, surpassing market expectations of 210 000. Additionally, **continuing jobless claims** fell to 1.859 million from a peak of 1.908 million in November. The **four-week moving average** decreased by 750 to 212 750. **Retail sales** increased by 0.4% mom in December from November's 0.8% rise. Despite the slowdown, consumer spending remains strong, with robust sales by miscellaneous store retailers, sporting goods, and furniture. In contrast, stores selling building materials, food services, and health products recorded lower sales. Annually, **retail sales** went up by 3.9% from 4.1%.

Preliminary data showed that the **German economy** remained lacklustre in Q4, contracting by 0.1%. For the year, the economy shrunk by 0.2%, after contracting by 0.3% in 2023. This marked two consecutive years of recession.

Inflation figures were in focus this week. **US CPI** advanced by 2.9% yoy in December, deviating from its downward path for a third straight month after increasing to 2.7% in November. However, the reading aligned with market expectations and mainly

reflected fading base effects, particularly for energy. The decline in energy costs moderated noticeably, contracting by only 0.5% yoy relative to November's fall of 3.2%. On a month-on-month basis, energy costs rose by a relatively steep 2.6%, accounting for over 40% of the climb in inflation in December. Furthermore, food and transportation prices increased to 2.5% yoy (from 2.4%) and 7.3% (from 7.1%), respectively. The downward trend in new vehicle prices also levelled out (-0.4% from -0.7%). Encouragingly, the cost of shelter slowed to 4.6% from 4.7%, its lowest level since January 2022. **Core inflation has** remained sticky, trending between 3.2% and 3.3% since June 2024.

German inflation rose to 2.6% yoy in December from 2.2% in November due to an uptick in services costs and food prices. Services inflation edged up to 4.1% from 4%. Food inflation was 2%, up from 1.8%. And, energy price deflation slowed. Over the month, consumer prices increased by 0.5%, rebounding after a 0.2% drop in the previous month. **Core inflation** rose to 3% yoy from 3.1% in November. In **France**, inflation was unchanged at 3.1% in December as a rebound in energy prices was offset by slower services inflation, stable food prices and falling manufactured goods prices. **Core inflation** eased to 1.3% after climbing to 1.5% in November.

UK inflation surprised to the downside, dipping to 2.5% against market expectations of a steady 2.6%. The slight moderation was led by restaurant and hotel prices, which fell to their lowest since July 2021. **Core inflation** dipped to 3.2% from 3.5%. However, it remains far from the 2% target. **Brazil's CPI** dipped slightly to 4.8% from 4.9% in November. The downside was led by softer tariffs for housing utilities and residential electricity. However, the downside was contained by faster price increases for food and beverages, transportation, and personal spending. **Core inflation** remained sticky, unchanged from the previous month at 3.8%.

The **trade surplus** in the **eurozone** widened to €16.4 billion in November from €8.6 billion in October. Despite the increase, **exports** dropped by 1.6% yoy to €248.3 billion, while **imports** fell by 1% to €231.9 billion. Exports of energy products, machinery and vehicles declined, while imports of food, drinks, and manufactured goods increased. **Industrial production** fell by 1.9% yoy in November, after shrinking by 1.1% in October. Encouragingly, production remained steady at 0.2% over the month following broad-based growth across some countries. Production in Germany rebounded by 1.5% mom in November (from -0.4% in October). France and Italy also climbed to 0.2% (-0.3%) and 0.3% (0.1%), respectively. However, production in Ireland contracted by 5.8% (from +5%).

The **Chinese economy** grew by 5.4% qoq in Q4 2024, up from 4.6% in Q3, as the government stimulus measures started to kick in. Annually, **GDP** expanded by 5%, in line with the government's target for 2024. Fourth-quarter growth was boosted by a jump in exports, which led to a larger trade surplus, while robust investment in factories and industrial equipment also bolstered the economy, offsetting lower construction activity. The **trade balance** widened notably to \$104.84 billion in December from \$75.31 billion in November. This was the largest surplus since February, driven by a jump in exports as manufacturers front-loaded orders in anticipation of possible tariffs from the incoming US administration. Imports rebounded by 1%, following a 3.9% contraction in November. The jump in imports probably also reflected pre-emptive purchases from factories ahead of potentially tighter US semiconductor export controls. China's trade surplus with the US narrowed slightly to \$33.5 billion from \$34.9 billion in November.

UK's industrial production declined slower by 0.4% mom in November from a 0.6% drop in October. The decline was driven by lower output in mining (-1.5%) and manufacturing (-0.3%). Annually, industrial production dropped by 1.8% in November from 1.1% fall in October.

Next week's focus: Key economic releases and events

Domestic

Locally, key releases include **consumer inflation** (CPI) for December, as well as **retail sales** and **mining production** for November. We forecast **CPI** to have continued edging up in December, rising to 3.3% from 2.9% in November. The increase will mainly reflect rising fuel costs and the normalisation of the base in food inflation. During the month, the petrol price rose by 0.8%, reducing the yoy rate of decline in this item to 13.6% from -19.1%. The month increase mainly reflected the impact of a 4.4% depreciation of the rand against the US dollar, while the price of Brent crude oil was relatively steady. These will reduce transport deflation from 3.3% to around 2%. Meanwhile, food inflation will likely edge higher to 1.9% from 1.6% as the base effect in certain food items such as milk, eggs and cheese fades. Prices of these food items surged towards the end of 2023 due to the intense load-shedding and bird flu outbreak, causing a shortage of poultry products. Services categories such as housing and utilities, domestic workers' wages, and vehicle insurance, which were surveyed in December, will also contribute to the upside on CPI. However, core inflation, which excludes food and energy, will probably soften to 3.6% from 3.7% due to subdued consumer spending. If the inflation print for December comes out in line with our forecast, headline inflation will average 4.5% in 2024, down from 5.9% in 2023. Inflation will probably continue to increase gradually during 2025 but remain below the SARB's 4.5% target until the third quarter.

Our forecast is for growth of 1.6% yoy in **mining production** from 1.4% the previous month. Growth will likely be driven by improving global demand and the absence of load shedding. Lower inflation and enhanced consumer confidence off the back of the recent interest rate cuts accompanied by the continued normalisation in the base and Black Friday specials are likely to result in growth of 2.2% in **retail sales**.

International

Next week's key releases include the **People's Bank of China's (PBoC) monetary policy decision**. The market consensus is for the **PBoC** to maintain the **one-** and **five-year loan prime rates** at 3.1% and 3.6%, respectively. Also, the **Bank of Japan (BoJ)** will announce its interest rate decision on Friday. The market anticipates a 25 basis points hike to 0.5% from 0.25%. Other data due are the **flash purchasing managers indices (PMIs)** which are expected to reflect relatively steady trading conditions, with services expanding while manufacturing remains subdued. Other data include the final estimate of **US consumer confidence** and **EU CPI**, which is expected to rise to 2.4% yoy, in line with the preliminary estimate.

Table 3: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
17 Jan 2025	China (Mainland)	Industrial Output (yoy)	Dec	5.4	5.4	%
	China (Mainland)	Retail Sales (yoy)	Dec	3.5	3	%
	China (Mainland)	GDP (qoq) SA	Q4	1.6	0.9	%
	China (Mainland)	Unemployment Rate Urban Area	Dec		5	%
	UK	Retail Sales (mom)	Dec	0.4	0.2	%
	EU	HICP Final (yoy)	Dec	2.4	2.4	%
	US	Industrial Production (mom)	Dec	0.3	-0.1	%
	US	Manufacturing Output (mom)	Dec	0	0.2	%
	US	Industrial Production (yoy)	Dec		-0.9	%
20 Jan 2025	China (Mainland)	Loan Prime Rate 1Y	Jan	3.1	3.1	%
	China (Mainland)	Loan Prime Rate 5Y	Jan	3.6	3.6	%
21 Jan 2025	UK	ILO Unemployment Rate	Nov	4.3	4.3	%
	SA	Gold Production (yoy)	Nov		-3.4	%
	SA	Mining Production (yoy)	Nov		1.4	%
	Germany	ZEW Economic Sentiment	Jan	15.4	15.7	Index
22 Jan 2025	SA	CPI (mom)	Dec	0.4	0	%
	SA	CPI (yoy)	Dec	3.0	2.9	%
	SA	Core Inflation (mom)	Dec	0.2	0	%
	SA	Core Inflation (yoy)	Dec	4.3	3.7	%
	SA	Retail Sales (yoy)	Nov		6.3	%
23 Jan 2025	Japan	Exports (yoy)	Dec	4.0	3.8	%
	Japan	Imports (yoy)	Dec	-3.8	-3.8	%
	Japan	Trade Balance Total Yen	Dec	100.0	-110.3	Billion
	France	Business Climate Manufacturing	Jan	96.0	97	Index
24 Jan 2025	Japan	CPI, Core Nationwide (yoy)	Dec	2.8	2.7	%
	Japan	CPI, Overall Nationwide	Dec	3.0	2.9	%
	UK	GfK Consumer Confidence	Jan	-23.0	-17	Index
	Japan	JibunBK Manufacturing PMI Flash	Jan	49.9	49.6	Index
	Japan	JibunBK Composite PMI Flash	Jan	51.0	50.5	Index
	Japan	JibunBK Services PMI Flash	Jan	51.1	50.9	Index
	France	HCOB Manufacturing PMI Flash	Jan	42.2	41.9	Index
	France	HCOB Services PMI Flash	Jan	49.5	49.3	Index
	France	HCOB Composite PMI Flash	Jan	48.0	47.5	Index
	Germany	HCOB Manufacturing PMI Flash	Jan	42.3	42.5	Index
	Germany	HCOB Services PMI Flash	Jan	51.0	51.2	Index
	Germany	HCOB Composite PMI Flash	Jan	47.8	48	Index
	EU	HCOB Manufacturing PMI Flash	Jan	45.0	45.1	Index
	EU	HCOB Services PMI Flash	Jan	51.4	51.6	Index
	EU	HCOB Composite PMI Flash	Jan	49.4	49.6	Index
	UK	S&P Global Composite PMI Flash	Jan	50	50.4	Index
	UK	S&P Global Manufacturing PMI Flash	Jan	47.2	47	Index
	UK	S&P Global Services PMI Flash	Jan	51.0	51.1	Index
	US	S&P Global Manufacturing PMI Flash	Jan	49.6	49.4	Index
	US	S&P Global Services PMI Flash	Jan	56.6	56.8	Index
	US	S&P Global Composite PMI Flash	Jan	55.3	55.4	Index
	US	Existing Home Sales	Dec	4.2	4.15	Million
	US	U Mich Sentiment Final	Jan	73.2	73.2	Index
	US	U Mich Conditions Final	Jan	77.9	77.9	Index
US	U Mich Expectations Final	Jan	70.2	70.2	Index	
US	U Mich 1Yr Inf Final	Jan	3.3	3.3	%	
US	U Mich 5-Yr Inf Final	Jan	3.3	3.3	%	
	Japan	JP BOJ Rate Decision	24 Jan	0.5	0.25	%

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