



Weekly Monitor

ECONOMICS | SOUTH AFRICA

Review of 7 to 11 April and a preview of 14 to 18 April

- The **rand** touched its weakest level in almost two years amid heightened risk aversion.
- Global market volatility jumped to the highest level in five years as the trade war escalated.
- **Manufacturing production** declined in February, dragged down by lower output of vehicles and fuels.
- The **US** postponed its **reciprocal tariffs** for three months to allow for trade negotiations with affected countries.
- **US inflation** declined in March as energy prices declined further.
- The **US labour market** added 228 000 jobs, with the unemployment rate at 4.2%.
- The **Reserve Bank of India** lowered its key **interest rate** by 25 basis points to 6%, which aligns with market expectations.

Currencies

The **rand** weakened in volatile trade, bogged down by global risk aversion, amplified by South Africa's political woes. The local unit slumped to R19.75/\$ on Tuesday, its weakest level since late May 2023. It has pulled back to R19.29/\$ this morning but remains under intense pressure. Other emerging market currencies have fared better than the rand, magnifying the influence of domestic factors. Investors are concerned about the stability of the Government of National Unity (GNU), particularly the likely direction of economic policy if the GNU collapses. If the ANC partners with leftist parties, the shift towards more populist policies would hurt confidence and put the rand under even more severe pressure.

The US dollar slumped further against the other major currencies as markets reflected a higher probability of a US recession and more aggressive cuts in US interest rates. The **euro** is trading around \$1.136 this morning, its strongest level since the second week of February 2022. The **British pound** has firmed to \$1.31 after it had dropped to \$1.27 on Monday, while the **Japanese yen** is stronger at ¥142.60. The **Canadian dollar** has firmed to CAD1.39/\$, its strongest level since Trump's election in November 2024, on high hopes that Canada will reach a favourable trade deal with the US.

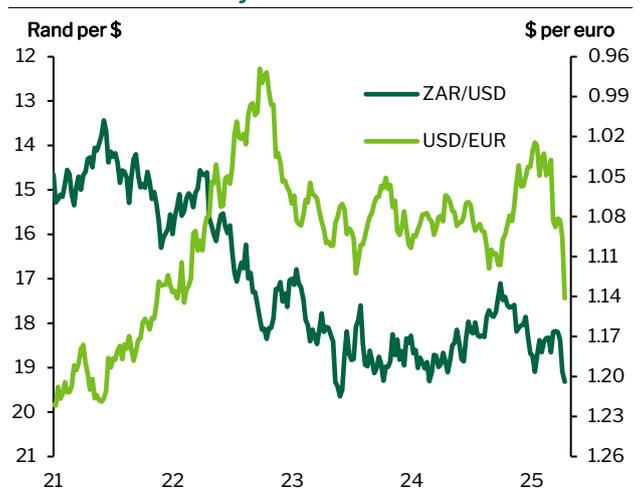
The **Mexican peso** is trading at MXN20.48/\$, firming yesterday after Trump seemed to tone down his rhetoric, stating that he did not want to "hurt" Mexico. The peso has fluctuated between MXN19.92/\$ and MXN20.85 since the start of April, battered by Trump's 'on-off' tariffs. The **Brazilian real** has firmed to BRL5.89/\$ after touching BRL6.01 on Tuesday, while the **Korean Won** is around KRW1 434.6 from KRW1 486.5 early in the week.

Table 1: The currency markets

| | 2025/04/11 | 2025/04/04 | % Δ |
|---------------|------------|------------|-------|
| Rand | | | |
| ZAR/USD | 19.32 | 19.09 | 1.19 |
| ZAR/GBP | 25.25 | 24.42 | 3.39 |
| ZAR/EUR | 22.05 | 20.87 | 5.65 |
| JPY/ZAR | 7.37 | 7.66 | -3.85 |
| Majors | | | |
| USD/EUR | 1.1412 | 1.0955 | 4.17 |
| USD/GBP | 1.3094 | 1.2890 | 1.58 |
| JPY/USD | 142.46 | 146.90 | -3.02 |

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

Equities, bonds and commodities

It was a roller-coaster in equity markets, with **market volatility** reaching a five-year high. The **Chicago Board Options Exchange volatility index (VIX)** surged to its highest level since April 2020, when the world economy was in the throes of the COVID-19

pandemic. Trump's announcement of the three-month suspension of the tariffs saw the major indices recording massive gains on Wednesday before giving up some of the rise on Thursday. The intensifying trade war between the US and China spooked the markets.

Locally, the **JSE ALSI's** losses were tempered by more gains by **basic materials**, which gained 4.4% as they drew further support from rand weakness and favourable metal prices.

In the **US**, the **S&P500** and the **Nasdaq** jumped by 9.5% and 12.2% on Wednesday before dropping by 3.5% and 4.3% on Thursday, respectively. **European equities** were equally volatile, moving in smaller daily margins than their US counterparts. Asian markets were mixed in today's trade, with the **Japanese Nikkei** down by 3% while the **Hang Seng** rose by 1.1%.

Bond markets slumped as recession fears escalated. The **US 10-year yield** rose to 4.41% from 4.01% on 4 April. Locally, the benchmark **10-year yield** fluctuated with changes in the rand, floating around 11.02% this morning from 10.96% on Tuesday.

In **commodity markets**, recession fears pushed the **Brent crude oil price** briefly to below \$64 a barrel on Wednesday, its lowest level since April 2021, before it recovered marginally to \$66 this morning. **Gold** has set a fresh record high of \$3 214.93 an ounce, boosted by the flight to safety in global markets.

Table 2: Equities

| | 2025/04/11 | 2025/04/04 | % Δ |
|-------------------------|------------|------------|-------|
| Local (JSE) | | | |
| ALSI | 86919.71 | 90219.42 | -3.66 |
| Industrials | 121124.09 | 125912.75 | -3.80 |
| Financials | 19436.06 | 20662.36 | -5.93 |
| Basic materials | 52371.23 | 50144.13 | 4.44 |
| Global Equities | | | |
| SP500 | 5268.05 | 5074.08 | 3.82 |
| Nasdaq Composite | 16387.31 | 15587.79 | 5.13 |
| German DAX | 20562.73 | 20641.72 | -0.38 |
| France CAC | 7153.09 | 7274.95 | -1.68 |
| UK FTSE | 7928.45 | 8054.98 | -1.57 |
| Nikkei | 33585.58 | 33780.58 | -0.58 |
| Commodities | | | |
| Brent crude (\$/barrel) | 66.11 | 69.08 | -4.30 |
| Gold (\$/ounce) | 3217.78 | 3037.36 | 5.94 |
| Platinum (\$/ounce) | 941.00 | 916.63 | 2.66 |

Chart 2: JSE Equities

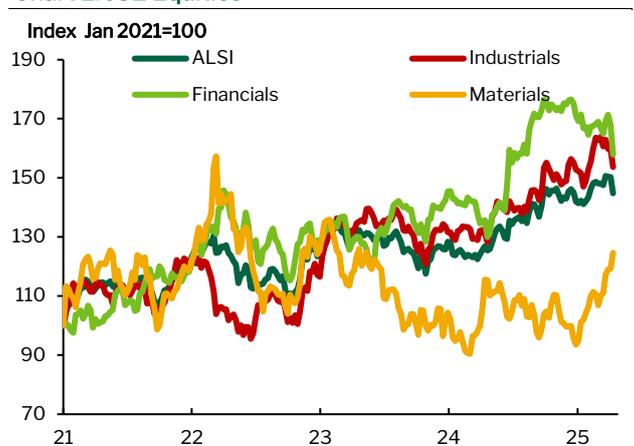
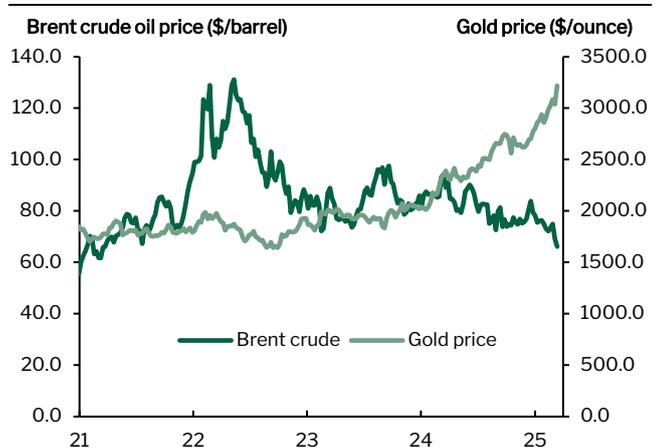


Chart 3: Commodities



Source: Refinitiv

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Economic developments

Domestic economic releases and events

The slide in **manufacturing production** continued in February. It contracted by 3.2% yoy, the same as in January. The leading contributors to the decline were motor vehicles, parts and accessories, followed by coke, petroleum products and nuclear fuel. Other chemical products (up 6.6% yoy) and non-ferrous metal products (up 10%) made the largest positive contributions. Over the month, manufacturing increased by 0.3% from 0.4% in January and -2.3% in December, bringing the change over the past three months to a bleak -2.3%. Manufacturing sales were down 4.5% yoy. On a seasonally adjusted basis, sales increased 0.1% mom, following changes of -1% in January and 1.2% in December 2024.

International economic releases and events

President Trump's on-off tariff announcements hogged the headlines this week. The US delayed its sweeping **reciprocal tariffs** only a few hours after they came into effect on 9 April. The pause is valid for 90 days, with Trump stressing that it is an opportunity for affected countries to strike trade deals with the US. However, all countries will still be subject to the minimum 10% tariff over the 90-day period. Trump said that about 75 countries, including Japan, South Korea, the UK, and Vietnam, have reached out to initiate trade talks. Alarming, the US and China remained locked in a fierce trade war. Over the past week, both countries exchanged blows, ratcheting up the effective tariffs applying to their respective imports to eye-watering levels. The tit-for-tat exchange continued this morning. As of this morning, the US raised the tariff on Chinese imports to 145% after China retaliated by lifting its tariff on US imports to 125%. China has vowed not to back down in the trade war. Press reports suggest the US has indicated that it is ready to negotiate with China.

The **US** labour market remains robust. **Nonfarm payrolls** increased by 228 000. Payroll increases for the previous two months were revised lower by a combined 48 000, with the January figure reduced to 111 000 (-14 000) and the February number to 117 000 (-34 000). The **unemployment rate** remained stable at 4.2%, while the **labour force participation rate** was 62.5%. Health care created the most jobs, adding 54 000 to its payroll. Social assistance, transportation and warehousing also contributed. However, government jobs fell by a further 4 000 after shrinking by 11 000 in February as the Department of Government Efficiency continued to rationalise staff numbers in some federal government departments and agencies. **Inflation** fell to 2.4% yoy in March, the lowest since September, down from 2.8% in February. The drag came from a further drop in gasoline (-9.8%) and fuel oil (-7.6%) prices, while natural gas prices rose to 9.4% from 6%. Inflation slowed for shelter, used cars, trucks, and transportation. In contrast, food prices accelerated. **Core inflation** also slowed to 2.8% yoy from 3.1%.

The **Reserve Bank of India (RBI)** cut its key **interest rate** by 25 basis points to 6%, which aligned with market expectations. The Monetary Policy Committee highlighted that headline inflation, especially food prices, is trending down. Additionally, the committee announced that while the economy remains resilient, the current global trade uncertainties pose significant risks. The RBI predicted real GDP growth of 6.5% and inflation of 4% for the 2025/26 fiscal year.

Germany's trade surplus rose to €17.7 billion in February 2025, up from €16.2 billion in January. **Exports** increased by 1.8% to €131.6 billion, driven by sales to EU countries and significant growth in exports to the US and China. In contrast, **imports** grew by 0.7% to €113.8 billion, with a notable rise in imports from the EU but lower imports from the US and the UK. **Industrial production** rose by 1.3% mom, slowing from January's 2% increase. The smaller increase was caused by a 3.2% drop in construction and lower food and energy production. Annually, **production** was down by 4%.

France's trade deficit widened to €7.9 billion in February, the widest gap since September 2024. This rise was driven by a 2.4% increase in **imports**, reaching €57.5 billion. In contrast, **exports** remained flat at €49.7 billion, with shipments to the EU and the Middle East falling while increasing to America, Asia, and Africa.

Next week's focus: Key economic releases and events

Domestic

We forecast a growth of 1.0% yoy in mining production in February from -2.7% in the previous month. The rebound is mainly due to base effects and less load-shedding than last year. Retail sales probably remained robust in February. We expect sales growth moderated slightly from 7% in January to 5.6% in February. The boost likely came from low inflation and firmer consumer confidence after the SARB reduced interest rates by another 25 bps in January.

International

The focus will be on interest rate decisions in Europe and Canada. The market consensus is that the **European Central Bank (ECB)** will cut by another 25 bps given that the economy is slowing and a gloomier economic outlook amid the heightened downside risk posed by the US trade war. In Canada, the ongoing trade threats with the US have created uncertainty affecting business investment and consumer spending. Thus, the market foresees a 25-bps cut by the **Bank of Canada (BoC)** on Wednesday.

Key data releases include **China's trade data**, which will be closely watched for signs of pre-emptive buying ahead of the high import tariffs announced by the Trump administration. **Chinese Q1 GDP** data, due on Wednesday, will be scrutinised for signs of higher exports to the US. Other releases include **inflation numbers** for the **EU**, **France**, the **UK** and **Japan**. This afternoon, the **University of Michigan's consumer sentiment index** will show the latest change in US inflation expectations after long-term expectations rose to their highest level in March since 1993.

Table 3: Release Calendar

| Date | Country/Region | Indicator Name | Period | Reuters Poll | Prior | Unit | |
|-------------|------------------|-----------------------------|-----------------------------|---------------|-------------|-------------|----------|
| 11 Apr 2025 | Germany | CPI Final (mom) | Mar | 0.3 | 0.3 | % | |
| | Germany | CPI Final (yoy) | Mar | 2.2 | 2.2 | % | |
| | UK | Industrial Output (yoy) | Feb | -2.30 | -1.5 | % | |
| | UK | Manufacturing Output (mom) | Feb | 0.2 | -1.1 | % | |
| | US | U Mich 1Yr Inf Prelim | Apr | 5 | 5 | % | |
| | US | U Mich 5-Yr Inf Prelim | Apr | 4.1 | 4.1 | % | |
| 14 Apr 2025 | SA | Business Confidence Idx | Mar | | 120 | | |
| | China (Mainland) | Exports (yoy) | Mar | 4.4 | 2.3 | % | |
| | China (Mainland) | Imports (yoy) | Mar | -2.0 | -8.4 | % | |
| | China (Mainland) | Trade Balance USD | Mar | 77.00 | 170.52 | Billion | |
| 15 Apr 2025 | UK | ILO Unemployment Rate | Feb | | 4.4 | % | |
| | France | CPI (yoy) | Mar | | 0.8 | % | |
| | France | CPI (mom) | Mar | | 0.2 | % | |
| | EU | Industrial Production (yoy) | Feb | | 0.0 | % | |
| | Germany | ZEW Economic Sentiment | Apr | 5.0 | 51.6 | Index | |
| | Germany | ZEW Current Conditions | Apr | -86 | -87.6 | Index | |
| | SA | Gold Production (yoy) | Feb | | 1 | % | |
| | SA | Mining Production (yoy) | Feb | | -2.7 | % | |
| 16 Apr 2025 | Japan | Machinery Orders (mom) | Feb | 0.8 | -3.5 | % | |
| | Japan | Machinery Orders (yoy) | Feb | -1.4 | 4.4 | % | |
| | China (Mainland) | Industrial Output (yoy) | Mar | 5.6 | 5.9 | % | |
| | China (Mainland) | Retail Sales (yoy) | Mar | 4.2 | 4 | % | |
| | China (Mainland) | GDP (yoy) | Q1 | 5.2 | 5.4 | % | |
| | China (Mainland) | GDP (qoq) SA | Q1 | 1.4 | 1.6 | % | |
| | China (Mainland) | Unemp Rate Urban Area | Mar | | 5.4 | % | |
| | UK | Core CPI (yoy) | Mar | | 3.5 | % | |
| | UK | CPI (yoy) | Mar | | 2.8 | % | |
| | EU | HICP Final (mom) | Mar | 0.4 | 0.4 | % | |
| | EU | HICP Final (yoy) | Mar | 2.2 | 2.2 | % | |
| | SA | Retail Sales (yoy) | Feb | | 7 | % | |
| | US | Retail Sales (mom) | Mar | 1.3 | 0.2 | % | |
| | US | Industrial Production (mom) | Mar | -0.3 | 0.7 | % | |
| | | Canada | BoC Rate Decision | 17 Apr | 2.5 | 2.75 | % |
| | 17 Apr 2025 | Japan | Exports (yoy) | Mar | 4.5 | 11.4 | % |
| Japan | | Imports (yoy) | Mar | 3.1 | -0.7 | % | |
| Japan | | Trade Balance Total Yen | Mar | 485.3 | 584.5 | Billion | |
| US | | Initial Jobless Clm | 7 Apr, w/e | | 223 | 000 | |
| US | | Jobless Clm 4Wk Avg | 7 Apr, w/e | | 223 | 000 | |
| US | | Cont Jobless Clm | 31 Mar, w/e | | 1.85 | Million | |
| | | EU | ECB Refinancing Rate | Apr | 2.40 | 2.65 | % |
| | | EU | ECB Deposit Rate | Apr | 2.25 | 2.5 | % |
| 18 Apr 2025 | Japan | CPI, Core Nationwide (yoy) | Mar | 3.2 | 3 | % | |
| | Japan | CPI, Overall Nationwide | Mar | | 3.7 | % | |

Source: Refinitiv/Trading Economics

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