Economic Insights | 12 December 2025

Weekly Monitor

ECONOMICS | SOUTH AFRICA

NEDBANK

Review of 8 to 12 December and a preview of 15 to 19 December

- The rand has risen to its highest level since January 2023 as the US rate cut boosted high-yielding assets.
- Retail sales growth moderated slightly from 3% yoy in September to 2.9% in October.
- On the output side, mining continued to rebound while manufacturing remained jittery.
- As expected, the Fed reduced the benchmark US interest rate by another 25 basis points.
- US PCE edged up slightly in September, its highest level since April 2024.
- China's trade surplus reaches a record high as exports rebound while inflation edges higher.
- Germany's trade surplus widens while industrial output rebounds strongly.
- The Reserve Bank of India cuts interest rates by 25 basis points in line with expectations, while Canada and Brazil kept their key rates unchanged.

Currencies

Another US interest rate cut buoyed risk assets, with emerging market currencies and equities the main beneficiaries. The rand has firmed to its best level in almost three years. The local unit traded around R16.84/$ late on Thursday, its strongest level since the second week of January 2023, and it has held onto its gains this morning. The Brazilian real, which had dipped to BRL5.48/$ on Thursday from BRL5.44 on Friday last week, has risen to BRL5.40, up by 0.6% for the week. The Mexican peso rose to its highest level since the third week of July 2024, gaining 0.9% to MXN18.01/$. The Indian rupee bucked the trend among emerging market currencies following the Central Bank of India's interest rate cut on Friday last week, dropping to INR90.32/$ from INR89.93.

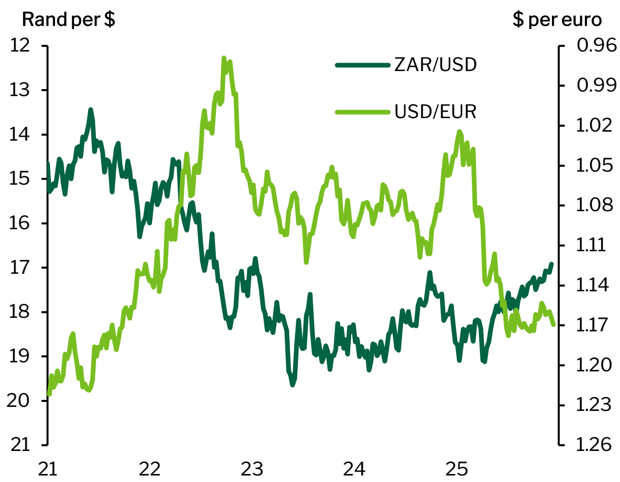
The US dollar lost ground against the European units on expectations that the European Central Bank and the Bank of England will keep their interest rates broadly steady in 2026, narrowing the interest rates differential with the US. The US dollar dropped to $1.175 per euro, its weakest level since the third week of September, while the British pound rose to a seven-week high of $1.34. The Japanese yen firmed to ¥155.57/$ ahead of the Bank of Japan's interest rate decision next week.

Table 1: The currency markets

	2025/12/11	2025/12/04	% Δ
Rand			
ZAR/USD	16.91	16.92	0.04
ZAR/GBP	22.54	22.40	-0.61
ZAR/EUR	19.78	19.68	-0.49
JPY/ZAR	9.21	9.17	-0.43
Majors			
USD/EUR	1.1694	1.1642	0.45
USD/GBP	1.3382	1.3329	0.40
JPY/USD	156.01	155.34	0.43

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

Equities, bonds, and commodities

The JSE All Share Index edged higher on Wednesday and Thursday, reversing its mild dip at the start of the week. Financials gained as the US Fed cut and the firmer rand exchange rate boosted expectations of more local interest rate cuts.

US equities closed higher after the Fed cut, adding to their gains earlier in the week. The S&P 500 inched within a shot of its record high, the Dow set a record high of 48 722.42, while the Nasdaq slipped after Oracle's disappointing earnings report hit AI companies. In Europe, stocks were mixed as investors absorbed global earnings and the Fed decision. At the same time, Japan's Nikkei ticked up as the BOJ's hawkish undercurrent was offset by optimism across global equities.

In the bond market, the SA 10-year government bond yield fell to 8.41% on Thursday as the firmer rand improved the inflation outlook, partly reversing its move earlier in the week when it rose from 8.33% to 8.52%. The US 10-year Treasury yield dipped marginally on Thursday, following the Fed's slightly better inflation outlook for 2026, which eased from 4.18% to 4.14%.

In commodity markets, the Brent crude oil price dipped to $62.69 per barrel (-4.4%), as OPEC+ supply dynamics offset concerns about high demand over the Northern Hemisphere winter. Meanwhile, the US's seizure of a sanctioned Venezuelan oil tanker did not move prices. Gold edged higher to around $4 260 per ounce, as the US dollar softened after the Fed rate cut, while platinum was up almost 3.3%.

Table 2: Equities

	2025/12/11	2025/12/04	% Δ
Local (JSE)			
ALSI	112594.74	112479.92	0.10
Industrials	136548.21	137304.42	-0.55
Financials	24159.94	24044.69	0.48
Basic materials	83313.65	83734.02	-0.50
Global Equities			
S&P500	6901.00	6870.40	0.45
Nasdaq Composite	23593.86	23578.13	0.07
Dow Jones	48704.01	47954.99	1.56
German DAX	24294.61	24028.14	1.11
France CAC	8085.76	8114.74	-0.36
UK FTSE	9703.16	9667.01	0.37
Nikkei	50625.7	50491.87	0.26
Commodities			
Brent crude ($/barrel)	62.69	65.56	-4.38
Gold ($/ounce)	4271.59	4196.53	1.79
Platinum ($/ounce)	1695.40	1641.33	3.29

Source: Refinitiv

Chart 2: JSE Equities

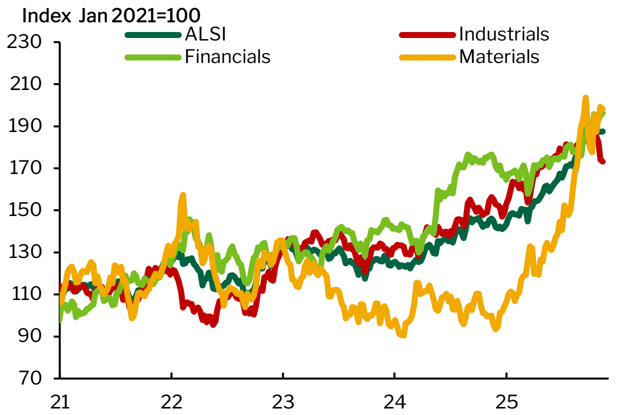
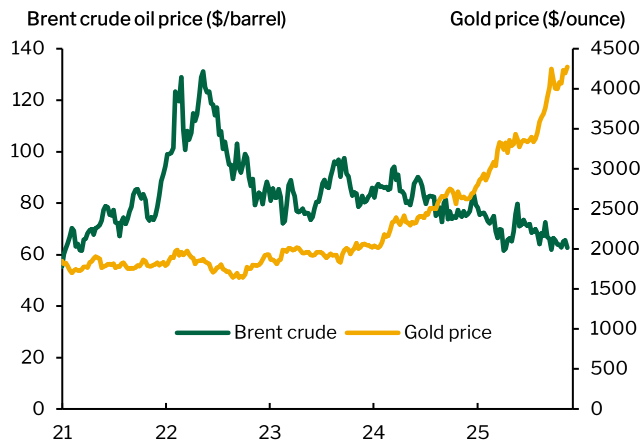


Chart 3: Commodities



Source: Refinitiv

Economic developments

Domestic economic releases and events

Two key international institutions released their assessments of the state of the local economy, generally reflecting a better macroeconomic environment, although growth is still low.

In its concluding statement of the Article IV mission, the International Monetary Fund (IMF) cited factors that will underpin faster economic growth in the coming years. Key among these are the ongoing electricity and logistics reforms, more favourable financial conditions due to lower inflation and falling interest rates, and the exit from the Financial Action Task Force's 'greylist'. However, the multilateral agency continued to flag several constraints that inhibit an even higher growth rate, primarily the labour-market rigidities and inadequate infrastructure. At the same time, elevated public debt restricts higher public spending. While it commended the lowering of the inflation target, it urged the adoption of a fiscal rule that would anchor government spending and public debt. The IMF forecasts real GDP growth to firm to 1.3% in 2025 and 1.4% in 2026, from 0.5% in 2024.

On Friday last week, Moody's affirmed its long-term foreign currency rating at Ba2, maintaining a stable outlook. The rating agency stressed that although the growth outlook has improved, the economy's growth potential was constrained by poor infrastructure, a weak labour market and socioeconomic inequalities. It flagged the poor financial state of the state-owned enterprises as a burden on the fiscus and forecasts the public debt ratio (including SOE debts and loan guarantees) to rise to 87% of GDP in 2025/26 from 83% in 2024/25. Further improvements in electricity supply and the logistics network would help to lift real GDP growth to 1.8% in 2027.

High-frequency data releases painted a mixed picture at the start of the final quarter, with retail sales volumes remaining reasonably buoyant, mining output continuing its turnaround that started in May, while manufacturing was still wobbly.

Annual growth in retail sales moderated from 3% yoy in September to 2.9% in October. Most retailers enjoyed robust sales growth, with textiles, clothing, footwear, and leather goods (5.8% and contributing 1 ppts) leading the charge. On a seasonally adjusted basis, trade increased by 0.9% mom in October, following -0.1% in September and -1.6% in August 2025, resulting in a 0.1% qoq increase over the three months to October. Softer sales growth over the month likely reflected consumers postponing purchases in anticipation of Black Friday promotions. Nonetheless, sales remain robust, confirming the ongoing recovery in consumer demand driven by higher employment, positive wealth effects from rising equity prices, and the gradual slide in borrowing costs due to lower interest rates.

On the production front, mining output increased at a faster pace of 5.8% yoy in October from 1.4% in September. The boost came from iron ore, platinum-group metals (PGMs), manganese and chromium ore, which together added 5.8 ppts. Diamonds were the main drag, subtracting 0.3 ppts. Manufacturing production increased by 0.2%, after rising by 1% in the previous month. Eight of the ten manufacturing divisions reported output growth over this period. Food and beverages (up 1.9% and contributing 0.5 ppts) and electrical machinery (up 6.5% and contributing 0.2ppts) contributed most to the growth over the quarter. In contrast, the most significant drag came from wood and wood products, paper, publishing and printing (-6.9% and subtracting 0.7 ppts).

International economic releases and events

As was widely expected, a weakening labour market convinced the US Federal Reserve (Fed) to ease its policy rate further, outweighing evidence of sticky and elevated inflation. The Fed cut its target for the federal funds rate by another 25 basis points (bps) to 3.50–3.75%, bringing the cumulative reduction to 75 bps in 2025. It was another split decision, with 9 members supporting the 25-bps reduction, 2 voting for no change, and 1 favouring a more aggressive 50-bps cut. Most members were more upbeat about growth prospects for the next three years than in September, likely anticipating the benefits of lower interest rates to filter through relatively quickly. There were no changes to their forecasts of the unemployment rate, which was still expected to ease slightly from 4.5% this year to 4.4% in 2026, before stabilising at 4.2% in 2027 and 2028. Meanwhile, the committee projected a slightly lower inflation trajectory, with core PCE inflation expected to slow from 3% in Q4 2025 to 2% at the end of 2028. Against this backdrop, the committee still saw space for a further 50 bps reduction to move the policy rate closer to neutral over the next two years.

Table 3: Summary of Economic Projections

Economic variable	Meeting	2025	2026	2027	2028
GDP	Dec	1.7	2.3	2.0	1.9
	Sep	1.6	1.8	1.9	1.8
Unemployment rate	Dec	4.5	4.4	4.2	4.2
	Sep	4.5	4.4	4.3	4.2
Core PCE	Dec	3.0	2.5	2.1	2.0
	Sep	3.1	2.6	2.1	2.0
FFR	Dec	3.6	3.4	3.1	3.1
	Sep	3.6	3.4	3.1	3.1

Source: US Federal Reserve

Meanwhile, the Reserve Bank of India (RBI) lowered its key repo rate by 25 bps to 5.25%, bringing the total cuts to 125 bps since the beginning of the year and taking the repo rate to its lowest level since July 2022. The central bank also undertook bond purchases of about $11.14 billion (INR 1 trillion) and foreign exchange swaps of $5 billion to inject liquidity into the banking system and accelerate the transmission of lower rates. On the economic outlook, the RBI has raised its GDP growth forecast for 2025/26 from 6.8% to 7.3%. Meanwhile, headline inflation was revised down from 2.6% to 2%, keeping it within the central bank's 2%–6% target range. The RBI also reduced the Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) rates by 25 bps, bringing them to 5% and 5.5%, respectively.

In contrast, both the Bank of Canada (BoC) and the Central Bank of Brazil (Copom) kept their rates unchanged, as expected. The BoC left its policy rate at 2.25%, citing resilient economic growth and stable inflation near the target. The outlook suggests rates will remain steady well into 2026 unless conditions shift significantly. Similarly, Copom held the Selic rate at 15%, maintaining a hawkish stance despite easing inflation. Any rate cuts are unlikely before mid-2026, as inflation risks remain elevated.

The US economy is still dealing with above-target inflation and fragile consumer confidence. PCE inflation (Personal Consumption Expenditure) edged up slightly from 2.7% yoy in August to 2.8% in September, its highest level since April 2024. At the same time, core PCE inflation, the Fed's preferred gauge excluding food and energy, eased slightly from 2.9% yoy to 2.8%. Meanwhile, consumer sentiment improved modestly in December. The University of Michigan consumer sentiment rose from 51 to 53.3. The uptick was driven by expectations (+7.8%) while current conditions slipped (-0.8%). Households felt slightly more optimistic about the future, led by a 13% rise in expected personal finances, even though December's reading is still nearly 12% below January's levels. Consumers' outlook on inflation improved, with the year-ahead expectations at 4.1%, the lowest since January 2025, while long-run expectations softened to 3.2%.

The EU's final GDP numbers were revised up. The economy grew by 0.3% qoq in Q3, compared with the initial estimate of 0.2%. The improvement stemmed from upward revisions to consumer spending, government spending and fixed investment. Stronger growth in domestic demand offset the weakness in net exports.

Germany's trade surplus widened from €15.3 billion in September to €16.9 billion in October. Exports unexpectedly rose (+0.1%), driven by stronger demand from EU partners. Exports to the EU increased by 2.7%, with those to the euro zone up 2.5% and those to other EU countries up 3.1%. In contrast, exports to the US, Germany's largest market, declined by 7.8% as the impact of US tariffs hit home. Imports fell by 1.2%, dragged down by lower purchases from China, the US, the UK, and Russia. At the same time, industrial production accelerated from 1.1% mom in September to 1.8% in October, the strongest gain since March. Strong growth in electronics (+3.9%) and mechanical engineering (+2.8%) offset the decline in automotive output (−1.3%). On a year-on-year basis, industrial production returned to growth, expanding by 0.8%.

China's trade surplus widened from $90.1 billion in October to $111.9 billion in November, taking the cumulative surplus to a record $1 trillion in the first 11 months of 2025. After shrinking by 1.1% yoy in October, exports rebounded by 5.9%, driven by shipments to ASEAN and the EU. However, exports to the US plunged 18.3% yoy, as tariff pressure intensified. Imports rose from 1% to 1.9%. The surplus with the US narrowed to $23.74 billion from $24.76 billion in the previous month. Other releases showed that China's inflation picked up but remained subdued. Headline inflation rose from 0.2% yoy in October to 0.7% in November, its highest since February 2024. The uptick came from a rebound in food prices (0.2% from-2.9%), driven by higher fresh vegetables and fruits prices. Core inflation remained unchanged at 1.2%, after rising for six straight months.

The Japanese economy shrank 0.6% qoq in Q3 2025, worse than the flash estimate of a 0.4% contraction. The downturn reflects the pressure from higher borrowing costs and weaker external trade. Fixed investment declined (-0.2%), and government spending eased while private consumption edged up. The net trade position also deteriorated, as exports fell by 1.2%, exceeding the 0.1% drop in imports. Exports came under pressure as the front-loading by US importers faded once the higher tariffs came into effect. The tariff rate on Japanese goods was initially set at 24%, but was subsequently lowered to 15% following trade talks and a meeting between US President Donald Trump and Japanese Prime Minister Sanae Takaichi in October.

Next week's focus: Key economic releases and events

Domestic

Next week's releases include the South African Reserve Bank's Quarterly Bulletin (QB) for Q3, which will be published on Monday. The release will provide deeper insights into the economy's performance, especially around household finances, which appear to have improved on the back of lower interest rates and rising disposable income, though weak employment remains a constraint. This will be followed by the inflation data for November, with consumer inflation (CPI) coming out on Wednesday and producer inflation (PPI) on Thursday. We expect CPI to ease from 3.5% in October to 3.4% in November, mainly due to lower fuel prices. During the month, Brent crude price fell by 2% and the rand strengthened by 1.2% against the US dollar, resulting in a 2.4% decline in local fuel prices. This pulled the annual increase in fuel costs down sharply from 3.3% to 0.9%. Food inflation will remain elevated, driven by double-digit increases in meat prices amid ongoing outbreaks of foot-and-mouth disease. However, this will largely be offset by moderation in most other food categories, with healthy crop yields particularly benefiting from favourable weather conditions. Encouragingly, core inflation is expected to remain contained, rising slightly from 3.1% to 3.2%, reflecting subdued domestic demand. PPI is forecast to ease from 2.9% to 2.8%, contained by lower fuel costs. Food prices at the producer level likely remained steady, with the impact of high meat prices offset by moderation in other categories, which benefited from favourable weather, improving logistics and stable power supply. Despite the expected decrease in November, both CPI and PPI are still forecast to trend higher in the coming months due to the lower base effects established towards the end of last year and into the early part of this year.

International

Next week, attention will still be on monetary policy decisions as the European Central Bank (ECB), Bank of England (BoE), Bank of Japan (BoJ), and Bank of Mexico (Banxico) deliver their final decisions of the year. The ECB is widely expected to keep its deposit rate unchanged at 2%, with the focus on updated staff projections and policy guidance amid subdued inflation. The BoE faces a finely balanced call, with markets leaning toward a 25-basis-point cut to 3.75%, although sticky services inflation could argue for a hold. Meanwhile, the BoJ could hike further, as it normalises its interest rates as core inflation hovers near 3%. In the US, key data releases include November nonfarm payrolls and CPI, alongside the final December consumer confidence reading. On the inflation front, the Eurozone, Germany and France's final November data should confirm preliminary estimates, while Japan and the UK CPI will provide fresh signals on price trends ahead of policy decisions.

Table 4: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
12 Dec 2025	Germany	CPI Final (yoy)	Nov	2.3	2.3	%
	UK	Industrial Output (mom)	Oct	0.7	-2	%
	France	CPI (yoy) NSA	Nov	0.9	0.9	%
15 Dec 2025	China (Mainland)	Industrial Output (yoy)	Nov	5	4.9	%
	China (Mainland)	Retail Sales (yoy)	Nov	2.9	2.9	%
	EU	Industrial Production (mom)	Oct	0.6	0.2	%
	EU	Industrial Production (yoy)	Oct	1.6	1.2	%
16 Dec 2025	Germany	ZEW Economic Sentiment	Dec	40	38.5	Index
	Germany	ZEW Current Conditions	Dec	-76.2	-78.7	Index
	US	Non-Farm Payrolls	Nov	35	119	000
	US	Unemployment Rate	Nov	4.4	4.4	%
	US	Average Earnings (yoy)	Nov	3.8	3.8	%
	US	Labor Force Participation Rate	Nov	62.5	62.4	%
	US	Retail Sales (mom)	Oct	0.2	0.2	%
17 Dec 2025	Japan	Exports (yoy)	Nov		3.6	%
	Japan	Imports (yoy)	Nov		0.7	%
	Japan	Trade Balance Total Yen	Nov	-130	-231.8	Billion
	UK	Core CPI (yoy)	Nov	3.3	3.4	%
	UK	CPI (yoy)	Nov	3.4	3.6	%
	SA	CPI (yoy)	Nov	3.6	3.6	%
	SA	Core Inflation (yoy)	Nov	3.2	3.1	%
	EU	HICP Final (yoy)	Nov	2.2	2.2	%
18 Dec 2025	SA	PPI (mom)	Nov	0	-0.1	%
	SA	PPI (yoy)	Nov	2.8	2.9	%
	UK	**BOE Bank Rate**	**Dec**	**3.75**	**4**	**%**
	EU	**ECB Refinancing Rate**	**Dec**	**2.15**	**2.15**	**%**
	EU	**ECB Deposit Rate**	**Dec**	**2**	**2**	**%**
	US	Core CPI (yoy)	Nov	3	3	%
	US	CPI (yoy)	Nov	3	3	%
	Mexico	**Interest Rate**	**Dec**	**7**	**7.25**	**%**
19 Dec 2025	Japan	CPI, Core Nationwide (yoy)	Nov	2.9	3	%
	Germany	GfK Consumer Sentiment	Jan	-23	-23.2	Index
	US	Core PCE Price Index (yoy)	Oct		2.8	%
	US	PCE Price Index (yoy)	Oct		2.8	%
	US	U Mich Sentiment Final	Dec	53.3	53.3	Index
	US	U Mich Conditions Final	Dec	50.7	50.7	Index
	US	U Mich Expectations Final	Dec	55	55	Index
	US	U Mich 1Yr Inf Final	Dec	4.1	4.1	%
	US	U Mich 5-Yr Inf Final	Dec	3.2	3.2	%
	Japan	**JP BOJ Rate Decision**	**19 Dec**	**0.8**	**0.5**	**%**

Source: Refinitiv/Trading Economics

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