Weekly Monitor

ECONOMICS | SOUTH AFRICA

NEDBANK

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

- The rand was firmer this week, supported by positive local economic data and a softer dollar.
- Growth exceeded expectations in Q2. The largest positive contributions came from mining, manufacturing and trade.
- The current account deficit widened to 1.1% of GDP from 0.5% as the trade surplus narrowed.
- Mining and manufacturing production delivered mixed outcomes in July.
- The US labour market is experiencing a slowdown, attributed to the effects of strict immigration policies from the Trump administration.
- US inflation rises, growing speculation around a possible 25 basis points cut at the Federal Reserve's (Fed) upcoming meeting on September 16-17.
- The European Central Bank (ECB) kept interest rates unchanged, signalling a potential end to the rate-cutting cycle.
- China experienced a return to deflation in August, driven by a drop in food prices.

Currencies

The rand has firmed to its strongest level since the first week of November and closed at R17.35 against the dollar on Thursday. While much of the rand's strength was due to the dollar's continued woes, stronger-than-expected GDP outcomes for Q2 as well as higher gold and platinum prices also supported the currency.

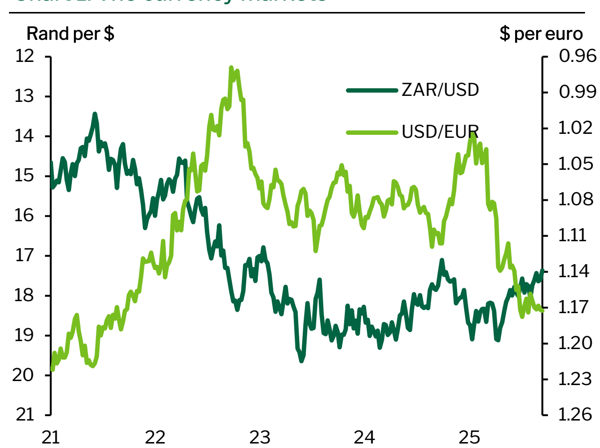
The US dollar came under renewed pressure after US inflation data reinforced expectations that the Fed will cut its policy interest rate on Wednesday. Also, the softer producer inflation and labour market data weighed on yields, eroding dollar support and keeping the greenback on the defensive across other major currencies. On Thursday, the euro drew support from the ECB's decision to keep interest rates unchanged and the signal that it is near the end of its cutting cycle. The pound regained some lost ground as fiscal jitters faded, but the Japanese yen depreciated slightly against the US dollar.

Table 1: The currency markets

	2025/09/11	2025/09/04	% Δ
Rand			
ZAR/USD	17.36	17.60	1.34
ZAR/GBP	23.51	23.67	0.69
ZAR/EUR	20.36	20.60	1.20
JPY/ZAR	8.49	8.37	-1.40
Majors			
USD/EUR	1.1725	1.1717	0.07
USD/GBP	1.3551	1.3506	0.33
JPY/USD	147.53	147.38	0.10

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

Equities, bonds, and commodities

The local equity market increased marginally on Thursday, lifted by commodity moves and firmer domestic growth. Within the subindices, basic materials rose by 3.7%, led the gain.

US equities remained buoyant this week, as expectations of a resumption of Fed interest rate cuts increased. The S&P 500, Nasdaq, and the Dow pushed near fresh highs, driven by pronounced investor optimism that the Fed will cut further and strong corporate earnings. That optimism lifted risk appetite broadly and fed a steady bid into equities through the week. In Europe, stocks were also firmer, due to improved risk sentiment and lower bond yields, while Japan's Nikkei showed a mixed reaction consistent with export sensitivities to the yen.

In bond markets, the benchmark SA 10-year yield eased further to 9.51% pulled by cooling inflation expectations. The US 10-year yield dipped below 4% for the first time since April after CPI data matched expectations.

In commodities, the Brent crude oil price closed stronger at $66.41 per barrel, as supply risks eased. Precious metals extended their rally, with gold advancing by 1.9%, benefiting from lower yields and a softer dollar, while platinum gained 1.7% supported by strong industrial demand.

Table 2: Equities

	2025/09/11	2025/09/04	% Δ
Local (JSE)			
ALSI	104081.91	102741.69	1.30
Industrials	139862.36	140776.34	-0.65
Financials	21681.82	21856.54	-0.80
Basic materials	69830.78	67347.85	3.69
Global Equities			
SP500	6587.47	6481.50	1.63
Nasdaq Composite	22043.07	21700.39	1.58
Dow Jones	46108.00	45400.86	1.56
German DAX	23703.65	23596.98	0.45
France CAC	7823.52	7674.78	1.94
UK FTSE	9297.58	9208.21	0.97
Nikkei	44372.50	43018.75	3.15
Commodities			
Brent crude ($/barrel)	66.41	64.00	3.77
Gold ($/ounce)	3654.99	3586.36	1.91
Platinum ($/ounce)	1396.70	1373.35	1.70

Source: Refinitiv

Chart 2: JSE Equities

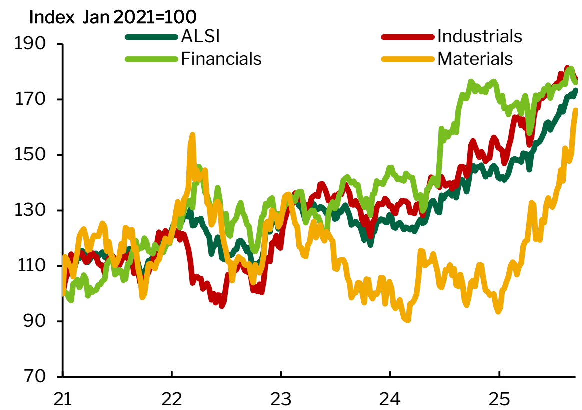
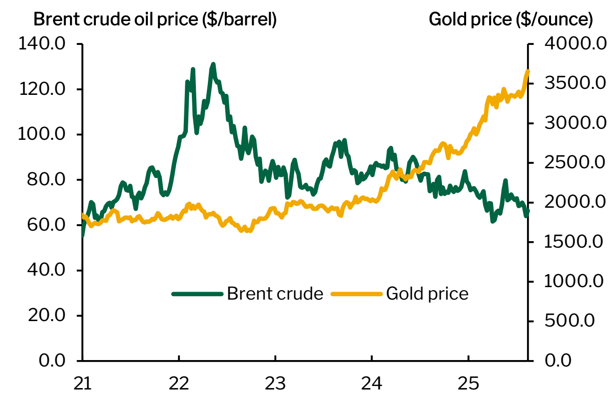


Chart 3: Commodities



Source: Refinitiv

Economic developments

Domestic economic releases and events

As we expected, the economy fared better in Q2. Real GDP grew by a faster 0.8% qoq, up from 0.1% in Q1, beating our and the market's forecasts of 0.6% and 0.5%, respectively. Compared with the same quarter a year ago, the economy grew by 0.6%, marginally slower than 0.8% in Q1. On the production side, the largest positive contributions came from mining, manufacturing and domestic trade, while construction and transport, storage and communications weighed on the outcome. Agriculture continued its positive momentum, supported by strong performances in horticulture and livestock. Services were supported by consumer demand, which benefitted from subdued inflation, lower interest rates, and the two-pot withdrawals. The rebound in mining and manufacturing production was helped by more stable electricity supply, logistical improvements, steady global demand and improved domestic conditions. On the expenditure side, GDP accelerated by 0.7% qoq, up from a revised 0.2% qoq (previously 0.1%) in Q1. The increase was mainly driven by higher household consumption expenditure, a rise in government consumption spending and a jump in inventory accumulation. In contrast, gross fixed capital formation declined further, and net exports remained a drag as exports fell more than imports. We see the recovery gaining traction in the second half of the year. Households will continue doing the heavy lifting. Subdued inflation and lower interest rates will bolster real incomes, ease debt burdens and support household spending. The upside will be capped by slower government spending due to fiscal constraints, uneven fixed investment, and a weaker trade balance as global growth softens, commodity prices remain subdued, and higher US tariffs and persistent policy uncertainties take their toll. We expect GDP to grow by 1.1% in 2025, only moderately faster than 0.5% in 2024.

The current account also reflected the mounting pressure on exports caused by the threat of higher US tariffs on South Africa and dampening impact of America's dramatic pivot towards protectionism on the world economy. The current account deficit widened from 0.6% of GDP in Q1 to 1.1% in Q2 as the trade surplus narrowed. Total exports fell by 1.7% qoq, while imports declined by only 0.1%. On the export front, the drag came from merchandise exports, which contracted by a relatively steep 1.9%, completely overshadowing the modest 0.3% increase in net gold exports. The terms of trade also deteriorated despite the higher gold and platinum prices, contracting by 0.2% after gaining 0.4% in Q1. The non-trade deficit narrowed marginally from 3.5% of GDP in Q1 to 3.4% in Q2. The improvement reflected a steady services deficit of 0.8% of GDP, while the deficit on the secondary income account narrowed from 0.7% to 0.4%. In contrast, the deficit on the primary income account widened to 2.3% of GDP from 2%.

We expect the current account to remain in deficit as the trade surplus narrows further. Although exports have shown some resilience, higher US tariffs on South Africa's exports relative to many of our competitors and subdued growth among key trade partners will weigh on export volumes. On the positive side, the robust gold price, the recent rise in platinum prices and marginally improved logistics will help limit the downside. Conversely, imports are likely to increase due to stronger consumer demand given subdued inflation, higher real incomes, lower interest rates and a resilient rand. The non-trade account will remain in a deficit as strong domestic growth boosts corporate profits and dividend payments, thereby driving income payments higher. However, service income is expected to rise as tourism continues to recover.

Mining and manufacturing production delivered mixed outcomes in July. Mining output rose by 1% mom and surged 4.4% yoy. The outcome reflects strong momentum in iron ore (up 12.2%) and PGMs (up 6.2%), each adding 1.7 ppts to overall growth. The rebound highlights firmer demand conditions, both globally and domestically, as well as fewer operational disruptions. By contrast, manufacturing production slipped 0.5% mom and declined 0.7% yoy, reversing June's modest gains. The main drag came from basic iron and steel, non-ferrous metals, and structural metal products, collectively shaving 1.1 ppts off the total. These results underscore the pressure facing the steel industry, where weak demand and rising costs continue to erode output. Although improved electricity supply is providing a more stable operating environment, the divergence between mining and manufacturing suggests that structural pressures are still weighing on South Africa's broader industrial recovery.

International economic releases and events

More evidence emerged of a slowdown in the US economy as the Trump administration's strict immigration and protectionist trade polices started to weigh. Nonfarm payrolls rose by only 22 000 jobs in August, well below the market consensus of 79 000. Revised data showed job losses were recorded in June, with payrolls down by 13 000, the first decline since December 2020. This slowdown was driven by a further decline in federal government employment, while healthcare created jobs. The unemployment rate edged up to 4.3% in August, a level last touched in October 2021. Average hourly earnings rose by 0.3% to $36.53. Over the past 12 months, earnings have increased by 3.7%. The Bureau of Labour Statistics' annual rebasing of labour market data released on Tuesday shows that the US labour market added 911 000 fewer jobs in the year ending March 2025 than previously reported. There was more bad news on the labour markets, with initial jobless claims rising to 263 000, its highest level since October 2021.

Staying in the US, inflation rose from 2.7% yoy in July to 2.9% in August, the highest since January, but in line with market expectations. The increase was driven by food prices, which rose from 2.9% to 3.2%. Food-at-home jumped from -0.1% to 0.6%, its sharpest increase since 2022. Core inflation was steady at 3.1%. Despite inflation's steady climb, the markets expect the more dramatic deterioration in the labour market to convince the Fed to cut interest rate by 25 basis points at next week's policy meeting.

The European Central Bank (ECB) kept interest rates unchanged, leaving the refinancing rate at 2.15% and the deposit rate at 2%. At the press conference, ECB Governor Christine Lagarde highlighted that 'growth shows resilience of domestic demand', with Q2 data showing a 0.1% qoq growth. The decision was also in line with the Bank's September forecast and supported by the August CPI, which was 2.1% yoy and core at 2.3%, essentially around the target.

German exports fell by 0.6% mom in July, while imports rose by 0.1%. This led to the narrowing of the trade surplus from €15.4 billion to €14.5 billion, as higher US tariffs on EU imports hit demand. Although the US remained Germany's most important export market, accounting for 10% of total exports, exports to the US were down 7.9% in August, the fourth month-on-month decline in a row and the lowest value since December 2021. Unfortunately, the export-oriented economy is expected to be badly affected by the levies. On a positive note, the local industry fared better in July. Industrial production rose by 1.3% mom, after declining by 0.1% in June. Manufacturing led the recovery, with the boost coming from the automotive industry. Annually, output increased by 1.5% from a 1.8% drop in June.

In China, prices dipped back into deflation, declining by 0.4% yoy in August after a flat reading in July. The drag came from food, which tumbled from -1.6% to -4.3%. The decline was broad-based, with most categories deepening due to ample supply, lower production costs, and weak demand. Month-on-month, consumer prices were unchanged after rising by 0.4% in July. At the same time, exports continued to outpace imports, albeit at a slower pace. After gaining 7.2% yoy in July, export growth slowed to 4.4%

in August, as exports to the US plunged by 33% due to the 30% additional tariffs on Chinese imports. Meanwhile, import growth slowed from 4.1% to 1.3%. Altogether, China's trade surplus widened from $98.2 billion to $102.3 billion.

Next week's focus: Key economic releases and events

Domestic

The focus next week will be on the South African Reserve Bank's (SARB's) Monetary Policy Committee (MPC) meeting, and the release of August's consumer inflation (CPI) and July's retail sales data. We believe the MPC will leave the repo rate unchanged, pausing its easing cycle, which started in September last year. Inflation is expected to drift upwards from the SARB's preferred 3% target in the coming months, peaking at around 4.5% towards the end of 2026, before slowly receding towards 3% by the end of 2027. Since the July meeting, the risks to the inflation outlook have not changed much and appear relatively balanced. Food and electricity prices still pose the most significant upside risk over the near term. The growth trajectory remains weak, so there is no demand pressure on prices.

We expect average consumer prices to decline by 0.1% mom in August after rising 0.9% in July. This mostly reflects lower fuel prices and some general softening off July's higher base. July is a heavy survey month, during which municipalities adjust tariffs on major items such as water and electricity. Headline inflation will ease from 3.5% to 3.3% due to continued fuel price deflation. Meat prices exert further upward pressure on food prices, given the ongoing battle against foot-and-mouth disease. Fuel deflation will deepen from -5.5% yoy to -6.2%, reflecting lower global oil prices and a firmer rand. No significant movements are expected from the other components since August is not a heavy survey month. Core inflation will likely inch up from 3% to 3.1% as higher municipal tariffs lift services inflation.

August's retail sales will be based on a new sample. This might lead to discrepancies between our forecasts and the actual numbers. Nonetheless, our forecast is for retail sales to grow by 2% yoy in July, from 1.6% the previous month. Sales are supported by subdued inflation, lower interest rates and easing debt service costs, which have lifted real wages and discretionary spending.

International

Next week, the focus will be on monetary policy decisions in the US, UK, Canada, Japan and Brazil. The market consensus is for the US Federal Reserve to reduce its target for the federal funds rate by 25 bps to 4-4.25%. According to the CME Group's Fed Watch tool, the markets are pricing a 93% chance of a cut. The Fed's revised real GDP growth rate and core PCE inflation forecasts will be closely scrutinised for the likely timing of further cuts. The Bank of England is expected to hold its Bank Rate steady at 4% on 18 September. After August's cut, policymakers are wary of moving too quickly given that core inflation remains elevated.

Meanwhile, the Bank of Japan (BoJ) will likely keep the policy rate at 0.5%, as the BoJ waits for confirmation of a further easing in inflation. At this stage, price pressures remain elevated. While wholesale inflation picked up in August, the markets expect core consumer inflation to moderate from 3.1% to 2.8% in August. Elsewhere, the Bank of Canada will also decide on interest rates, and the markets expect a 25bps cut to 2.75%, driven by easing inflation and sluggish growth. Finally, Brazil's Selic rate is expected to remain steady at 15% as the central bank weighs elevated inflation risks against the need to support the economy.

Other data due is inflation for the EU, UK and Japan and industrial production data for the US, EU, and China.

Table 3: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
12 Sep 2025	Germany	CPI Final (mom)	Aug	0.1	0.1	%
	Germany	CPI Final (yoy)	Aug	2.2	2.2	%
	UK	Industrial Output (mom)	Jul	0	0.7	%
	UK	Industrial Output (yoy)	Jul	1.1	0.2	%
	France	CPI (yoy) NSA	Aug	0.9	0.9	%
	France	CPI (mom) NSA	Aug	0.4	0.4	%
	US	U Mich 1Yr Inf Preliminary	Sep	4.8	4.8	%
	US	U Mich 5-Yr Inf Preliminary	Sep	3.5	3.5	%
15 Sep 2025	China (Mainland)	Industrial Output (yoy)	Aug	5.8	5.7	%
	China (Mainland)	Retail Sales (yoy)	Aug	3.8	3.7	%
	China (Mainland)	Unemployment Rate Urban Area	Aug	5.2	5.2	%
16 Sep 2025	UK	ILO Unemployment Rate	Jul	4.7	4.7	%
	EU	Industrial Production (mom)	Jul	0.5	-1.3	%
	EU	Industrial Production (yoy)	Jul	0.9	0.2	%
	Germany	ZEW Economic Sentiment	Sep	25	34.7	Index
	Germany	ZEW Current Conditions	Sep	-65	-68.6	Index
	US	Retail Sales (mom)	Aug	0.3	0.5	%
	US	Industrial Production (mom)	Aug	0	-0.1	%
17 Sep 2025	Japan	Exports (yoy)	Aug		-2.6	%
	Japan	Imports (yoy)	Aug		-7.5	%
	Japan	Trade Balance Total Yen	Aug	-150	-117.5	Billion
	UK	Core CPI (yoy)	Aug	3.7	3.8	%
	UK	CPI (yoy)	Aug	3.8	3.8	%
	SA	CPI (mom)	Aug		0.9	%
	SA	CPI (yoy)	Aug		3.5	%
	SA	Core Inflation (mom)	Aug		0.4	%
	SA	Core Inflation (yoy)	Aug		3	%
	EU	HICP Final (mom)	Aug	0.2	0	%
	EU	HICP Final (yoy)	Aug	2.1	2.1	%
	SA	Retail Sales (yoy)	Jul		1.6	%
	Canada	BoC Rate Decision	18 Sep	2.75	2.75	%
	US	Fed Funds Tgt Rate	17 Sep	4.25	4.5	%
	Brazil	Selic Interest Rate	17 Sep	15	15	%
18 Sep 2025	Japan	Machinery Orders (mom)	Jul	0.4	3	%
	Japan	Machinery Orders (yoy)	Jul	5.9	7.6	%
	UK	BOE Bank Rate	Sep	4	4	%
	SA	Prime Rate	Sep		10.5	%
	SA	Repo Rate	Sep		7	%
19 Sep 2025	Japan	CPI, Core Nationwide (yoy)	Aug	2.8	3.1	%
	France	Business Climate Mfg	Sep	95	96	Index
	France	Business Climate Overall	Sep	95	96	Index
	Japan	JP BOJ Rate Decision	19 Sep	0.5	0.5	%

Source: Refinitiv/Trading Economics

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