Weekly Monitor

ECONOMICS | SOUTH AFRICA

Review of 24 to 28 March and a preview of 31 March to 4 April

- The rand remained resilient even though the dollar stabilised.
- PPI eased marginally to 1% yoy in February, lower than our forecast of 1.4% and from 1.1% in January.
- Household finances improved in Q4, benefiting from faster income growth, a modest increase in employment, lower interest rates, and a boost from two-pot withdrawals.
- Global private sector activity flash data improved in March, and the services sector continued to grow.
- US consumer confidence fell for the 4th month on import tariff fears.
- German business confidence rose on optimism about the boost from higher defence spending.
- UK inflation slowed marginally to 2.8% from 3%.
- Japanese inflation eased as service costs softened.
- The Bank of Mexico cut its benchmark interest rate by 50 basis points amid rising economic risks.

Currencies

The uncertainty over the impact of the evolving trade war on US and world trade remained the dominant theme in foreign exchange markets over the past week. The US dollar stabilised somewhat over the past two weeks after coming under considerable pressure from its highs in mid-January. President Trump's decision to press ahead with 25% tariffs on all auto imports to the US weighed on the euro and the Japanese yen due to the prominence of the automotive industry in European and Japanese exports.

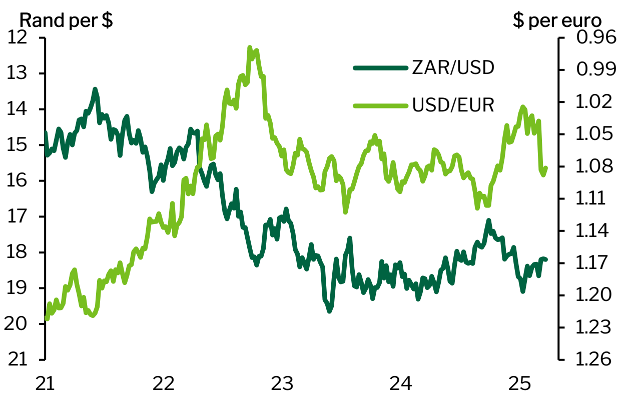
Despite the dollar's mild pullback, the rand strengthened slightly, trading around R18.15 this morning. The local unit benefitted from a wait-and-see attitude within the markets ahead of the US's anticipated introduction of reciprocal tariffs next week. It also drew support from the firm gold price.

Table 1: The currency markets

	2025/03/28	2025/03/21	% Δ
Rand			
ZAR/USD	18.19	18.20	-0.08
ZAR/GBP	23.53	23.42	0.47
ZAR/EUR	19.61	19.68	-0.40
JPY/ZAR	8.27	8.18	1.05
Majors			
USD/EUR	1.0781	1.0814	-0.31
USD/GBP	1.2947	1.2918	0.22
JPY/USD	150.42	149.31	0.74

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

Equities, bonds and commodities

The local market recovered marginally at the start of the week but has come under renewed pressure, which aligns with the weakness in global equities. Industrials were the main losers as investors fretted about the implications of high US import tariffs on local manufactured exports to the US.

US equities started the week on a firm footing as they reversed some of the sharp losses of the past four weeks, but futures point to a weaker opening today. European equities weakened due to sharp falls in the share prices of automakers, with the key indices opening lower this morning. The Japanese Nikkei reflected worries about the US tariffs on the manufacturing sector, a significant exporter to the US. Asian markets closed lower today, led by losses in Japanese and South Korean automakers.

In bond markets, the US 10-year yield is hovering around 4.34%, little changed from a week ago as markets continued to balance the prospects of higher US inflation and a trade war-induced recession. Locally, the benchmark yield is marginally lower at 10.62% this morning, drawing support from the marginally firmer rand.

In commodity markets, Brent crude oil maintained its steady uptick for the third week, shrugging off mounting fears about a US recession and the OPEC+ boost to output from next week. Gold has set a new historical high, trading at $3 081 an ounce this morning as the metal's allure as a safe-haven asset in a risk-off global environment strengthened.

Table 2: Equities

	2025/03/28	2025/03/21	% Δ
Local (JSE)			
ALSI	90310.71	90464.39	-0.17
Industrials	125928.30	128424.93	-1.94
Financials	21094.09	20840.13	1.22
Basic materials	48754.88	49283.04	-1.07
Global Equities			
SP500	5693.31	5667.56	0.45
Nasdaq Composite	17804.03	17784.05	0.11
German DAX	22678.74	22891.68	-0.93
France CAC	7990.11	8042.95	-0.66
UK FTSE	8666.12	8646.79	0.22
Nikkei	37120.33	37677.06	-1.48
Commodities			
Brent crude ($/barrel)	75.45	73.39	2.81
Gold ($/ounce)	3067.14	3023.63	1.44
Platinum ($/ounce)	983.70	974.88	0.91

Source: Refinitiv

Chart 2: JSE Equities

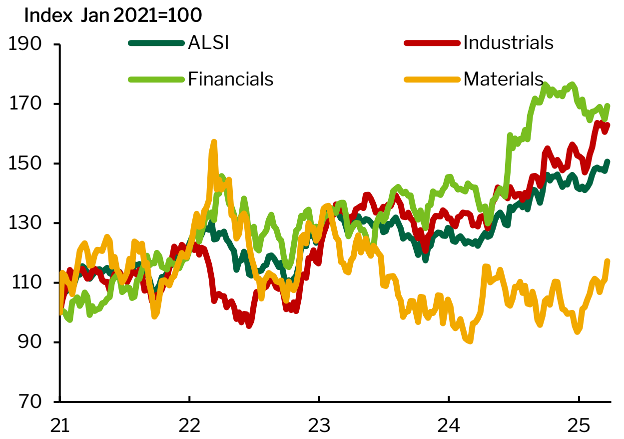
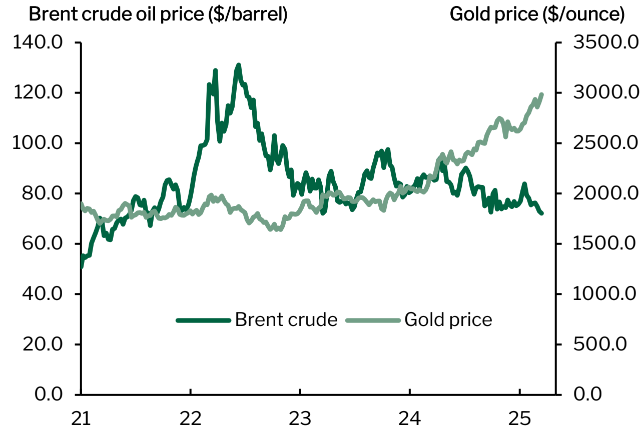


Chart 3: Commodities



Source: Refinitiv

Economic developments

Domestic economic releases and events

Household finances improved in Q4, benefiting from a combination of faster income growth, a modest increase in employment, lower interest rates, and a boost from the two-pot withdrawals. Growth in real personal disposable income (PDI) increased to 0.8% qoq from 0.5%, driven mainly by other income (profits, rents, interest, dividends), which rose by 1.2%, up from 1.1%. Growth in compensation of employees also picked up pace to 0.7% from 0.2%, underpinned by low inflation throughout the quarter. Employment data produced mixed outcomes in Q4, but showed a modest increase in job creation. The net increase in employment, lower interest rates, income growth, and the boost from the two-pot retirement fund withdrawals supported consumer spending, which accelerated by 1% qoq in Q4 from 0.4% in Q3. Despite the rise in expenditure, households probably avoided taking more debt and used part of their savings to reduce their debt burdens. This and faster income growth caused the household debt-to-income ratio to drop to a two-year low of 62% from 62.4% in Q3. Lower interest rates helped reduce the ratio of debt service costs to disposable income to 8.9% in Q4 from 9.1% in Q3 and Q2.

Household balance sheets also strengthened. Net wealth increased as the market value of assets grew faster than liabilities. However, the ratio of net wealth to disposable income decreased to 413% from 416% as disposable income increased faster. The savings drawdown continued in Q4, with the ratio of personal savings to PDI falling to -1.2%, its lowest level since Q4 2018. Household finances are expected to improve further in 2025. Subdued inflation will continue to support real personal disposable income, and the effect of the interest rate cuts and the withdrawals from the two-pot retirement system should help reduce debt service costs. At the same time, the gradual improvement in employment, in line with better growth prospects, higher wage settlements in the public sector, and relatively strong growth in bonuses and other additional pay, will continue to support consumers' financial health.

Producer inflation eased marginally to 1.0% yoy in February from 1.1% in January. The figure was lower than our and the market's forecast of 1.4% and 1.3%, respectively. The main driver remained the 'food, beverages and tobacco products' category, which rose by 4.2% yoy, contributing 1.2 percentage points to the annual increase. The coke, petroleum, chemicals, rubber, and plastic products category was unchanged from the previous month at 1.8% yoy. Smaller contractions in petrol and diesel prices and an acceleration in the increase of chemical products were offset by a larger contraction in the other category and a moderation in the prices of rubber and plastic products. Metals, machinery, and equipment inflation increased to 2.0% from 1.4%. A gradual uptick in producer inflation is likely in 2025, driven by the normalisation in the base, with food and fuel prices taking the lead. Food prices will be affected by fading global disinflation, with further upside from the unfolding trade war, which threatens global food prices and the rand. Global fuel prices will remain restrained by steady global demand and ample supply, but the vulnerable rand could partially offset the weakness in the Brent crude oil price. We forecast PPI to average around 3.3% in 2025, slightly up from 3% in 2024.

International economic releases and events

The S&P Global US PMI Composite Index rose to a preliminary 53.5 in March, up from 51.6 in February. The services sector primarily drove the uptick, as output strengthened due to higher new business inflows and improved customer demand. In contrast, manufacturing output fell below 50, which signals contraction, after expanding by 52.7 in February. The drag came from lower new orders and reduced purchases of key inputs. The overall picture suggests a mixed performance, with services leading the recovery but manufacturing facing difficulties.

In the Eurozone, business activity saw a slight improvement, with the flash HCOB Eurozone Composite PMI rising marginally to 50.4 from 50.2. The pace of expansion eased in services while manufacturing returned to growth after two years of contraction. Germany saw its fastest output growth in ten months, while France's activity contracted for a seventh consecutive month, though at a slower pace. The flash S&P Global UK PMI Composite Index rose to 52 from 50.5. Services drove the improvement, while manufacturing output fell sharply. In Japan, private sector activity weakened, with the Jibun Bank PMI deteriorating to 49.5 from 52.

In the US, the Conference Board's consumer confidence index dropped for the fourth consecutive month to 92.9 in March. US households fretted about the implications of the Trump administration's planned import tariff hikes on their purchasing power. The present situation subindex fell to 134.5 from 138.1, while the expectations index dropped to a 12-year low of 65.2 from 74.8. Other data showed that new orders for manufactured goods rose by 0.9% in February, slowing down from January's 3.3% increase. Orders for motor vehicles and parts increased by 4%, pointing to pre-emptive buying as the Trump administration's high import tariffs loom. Transportation equipment edged up by 1.5%. Excluding defence orders went up by 0.8%.

German business sentiment improved in March. The Ifo Business Climate Index rose to 86.7 from 85.3 in February. Companies reported greater satisfaction with their current situation and were more upbeat about the outlook, particularly in manufacturing and services. While order books decreased slightly, expectations of better business conditions were notable across most sectors, including trade and construction.

In France, consumer sentiment fell slightly to 92 in March from 93 in February. Sentiment on future financial prospects (-11 from -4) declined further, while the view on their past financial situation (-21 from -20) returned to the long-term average. Slightly more households thought it was a good time to buy durable goods, while the desire to save decreased somewhat. The manufacturing sector decreased slightly in March, with the climate indicator falling to 96 from 97 in February. The decline was due to less optimism about order books (both domestic and foreign) and future selling prices. However, expectations regarding workforce adjustments, overall production, and personal production prospects improved. Economic uncertainty also decreased.

UK inflation eased to 2.8% yoy in February from 3% in January. Although inflation remained high, the slight moderation came from lower clothing and footwear prices (-0.6% from 1.8%) and softer increases in household services (5.3% from 5.6%). Core inflation fell to 3.7% from 3.9%. Consumer confidence remains low, with the GfK consumer confidence at -19 in March from -20 in February. The economic outlook for the next 12 months improved, but sentiment about personal finances softened slightly.

Japan's core nationwide inflation moderated to 3% yoy in February from 3.2% in January, remaining above the Bank of Japan's 2% target. Services inflation edged down slightly to 1.3% from 1.4%, while goods inflation was kept high by a 9% rise in electricity tariffs.

The Bank of Mexico lowered its key interest rate by 50 basis points to 9% on concerns about rising global risks, with the economy expected to show weakness in Q1.

Next week's focus: Key economic releases and events

Domestic

Key releases include February's money supply, private sector credit extension (PSCE), and trade balance. New vehicle sales for March will also be published. We forecast annual growth in PSCE to slow from 4.6% in January to 4.5% in February, mainly due to slower growth in the investment and bills category, which had jumped by 1.5% mom and 11% yoy in January. However, even growth in loans and advances, which excludes investment and bills, will likely moderate further due to slow growth in corporate loans as the base effects fade. Household loans will remain subdued at around 3%, likely near the bottom of the cycle. Going forward, growth in household credit will start edging higher, supported by rising real incomes, low interest rates, and the two-pot retirement fund withdrawals.

The trade balance likely widened to R19.6 billion in February from R16.4 billion in January as imports continued to grow faster than exports. Exports probably posted a modest recovery, mainly benefiting from a surging gold price. The upside to exports, however, remains contained by softer prices of the country's other key commodities and muted demand from key trade partners. Imports likely remained supported by firmer domestic demand, driven by consumption on the back of low inflation, rising real incomes, and lower interest rates.

Vehicle sales likely rose by 9.3% yoy in March from 7.3% the previous month. The acceleration partly reflects the low base last year and easing financial conditions due to the interest rate cuts and lower prices.

International

The focus will be on US Personal Consumption Expenditure Price (PCE) Index data, which is due for release this afternoon. The Reuters' market consensus predicts that core PCE rose to 2.7% in February from 2.6% in January. The University of Michigan's consumer sentiment index will likely indicate fading confidence and higher inflation expectations.

Other releases include US nonfarm payrolls, with the market awaiting how Trump's policies have affected government jobs. The markets expect job creation to amount to 128 000 in March, significantly slower than 151 000 added in February. The unemployment rate is estimated to rise marginally to 4.2% from 4.1%. Meanwhile, S&P Global PMI data is expected to show a moderate recovery in manufacturing while services growth softens somewhat. Consumer confidence and retail sales data from the Eurozone and the US will also be published next week.

Table 3: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
28 Mar 2025	UK	Retail Sales (mom)	Feb	-0.4	1.7	%
	Germany	GfK Consumer Sentiment	Apr	-22.7	-24.7	Index
	UK	GDP (qoq)	Q4	0.10	0.1	%
	UK	Retail Sales (yoy)	Feb	0.5	1	%
	France	CPI Preliminary (yoy)	Mar	0.9	0.8	%
	France	CPI Preliminary (mom)	Mar	0.3	0	%
	Germany	Unemployment Rate SA	Mar	6.2	6.2	%
	EU	Economic Sentiment	Mar	97.0	96.3	Index
	EU	Consumer Confid. Final	Mar	-14.5	-14.5	Index
	SA	Budget Balance (mom)	Feb	15.00	-62.68	Billion
	US	Core PCE Price Index (mom)	Feb	0.3	0.3	%
	US	Core PCE Price Index (yoy)	Feb	2.7	2.6	%
	US	PCE Price Index (mom)	Feb	0.3	0.3	%
	US	PCE Price Index (yoy)	Feb	2.5	2.5	%
	US	U Mich Sentiment Final	Mar	57.9	57.9	Index
	US	U Mich Conditions Final	Mar	63.5	63.5	Index
	US	U Mich 1Yr Inf Final	Mar	4.9	4.9	%
	US	U Mich 5-Yr Inf Final	Mar	3.9	3.9	%
	US	U Mich Expectations Final	Mar	54.2	54.2	Index
31 Mar 2025	Japan	Industrial O/P Preliminary (mom	Feb	2.0	-1.1	%
	Japan	Industrial O/P Preliminary (yoy)	Feb	3.0	2.3	%
	Japan	Retail Sales (yoy)	Feb	2.8	3.9	%
	China (Mainland)	Composite PMI	Mar	51.1	51.1	Index
	Germany	Retail Sales (mom) Real	Feb	0.3	0.2	%
	Germany	Retail Sales (yoy) Real	Feb	3.2	2.9	%
	SA	M3 Money Supply (yoy)	Feb		7.1	%
	SA	Pvt Sector Credit Ext.	Feb		4.6	%
	Germany	CPI Preliminary (mom)	Mar	0.4	0.4	%
	Germany	CPI Preliminary (yoy)	Mar	2.30	2.3	%
	SA	Trade Bal (Incl. Region)	Feb		-16.42	Billion
1 Apr 2025	Japan	Unemployment Rate	Feb	2.6	2.5	%
	EU	HICP Flash (yoy)	Mar	2.1	2.3	%
	EU	Unemployment Rate	Feb	6.3	6.2	%
	SA	Total New Vehicle (yoy)	Mar		7.3	%
	SA	Total New Vehicle Sales	Mar		47978	
2 Apr 2025	US	Factory Orders (mom)	Feb	0.1	1.7	%
3 Apr 2025	Japan	JibunBK Composite	Mar	48.5	48.5	Index
	SA	Std Bank Whole Econ PMI	Mar	45.0	49	Index
	France	HCOB Composite PMI	Mar	47.0	47	Index
	Germany	HCOB Composite PMI	Mar	50.9	50.9	Index
	EU	HCOB - Composite PMI	Mar	50.4	50.4	Index
	UK	S&P Global PMI Composite	Mar	52.00	52	Index
	US	S&P Global Composite PMI	Mar	53.5	53.5	Index
	US	ISM Non-manufacturing PMI	Mar	53	53.5	Index
4 Apr 2025	France	Industrial Output (mom)	Feb	0.5	-0.6	%
	US	Non-farm Payrolls	Mar	128.0	151	000
	US	Unemployment Rate	Mar	4.2	4.1	%
	US	Average Earnings (mom)	Mar	0.3	0.3	%
	US	Labor Force Participation Rate	Mar		62.4	%

Source: Refinitiv/Trading Economics

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