# Weekly Monitor

ECONOMICS | SOUTH AFRICA

## Review of 31 March to 4 April and a preview of 7 to 11 April

- The rand lost significant ground this week as the Trump tariffs hit emerging market currencies.
- Growth in private sector credit extension (PSCE) reversed course in February, slowing to 3.7% yoy from 4.6% in January.
- The trade balance switched to a surplus of R20.9 billion in February as exports rebounded.
- New vehicle sales exceeded expectations in March, jumping by an impressive 12.5% yoy in March from 7.3% in February.
- Markets weakened across the globe, gripped by fears of an intense global trade war after US President Donald Trump announced sweeping reciprocal tariffs on 60 of the US's trading partners.

## Currencies

The uncertainty over the impact of the evolving trade war on US and world trade hit emerging market assets this week. The rand has slumped to its lowest level since the first week of February 2025. The unit is trading around R19.01/$ this morning, down from R18.30 on 31 March and R18.70 yesterday.

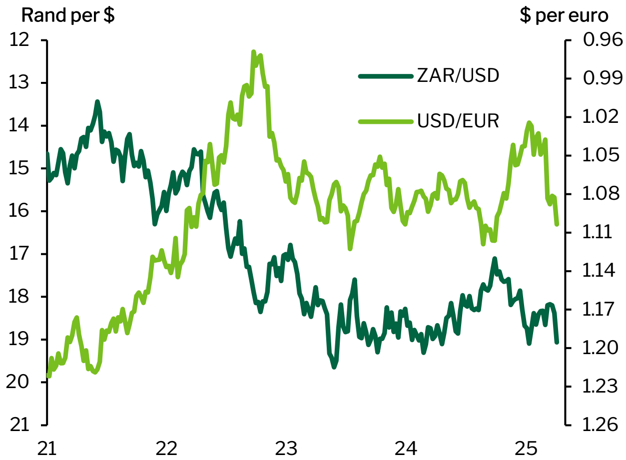
The US dollar has depreciated across the board, eroding all its gains accumulated after Trump's election win was confirmed in the first week of November. It has weakened to $1.09 per euro, while it touched $1.30 against the British pound yesterday before firming marginally to $1.29 this morning. The Japanese yen is firmer at ¥146/$ this morning.

Table 1: The currency markets

| | 2025/04/04 | 2025/03/28 | % Δ |
|---|---|---|---|
| | | | |
| Rand | | | |
| ZAR/USD | 19.01 | 18.38 | 3.73 |
| ZAR/GBP | 24.77 | 23.71 | 4.45 |
| ZAR/EUR | 20.68 | 19.94 | 3.73 |
| JPY/ZAR | 7.67 | 8.11 | -5.47 |
| Majors | | | |
| USD/EUR | 1.0983 | 1.0827 | 1.44 |
| USD/GBP | 1.2985 | 1.2938 | 0.36 |
| JPY/USD | 145.95 | 149.81 | -2.58 |
| | | | |

Source: Refinitiv

Chart 1: The currency markets




Source: Refinitiv

## Equities, bonds and commodities

Global equity markets fell sharply on Thursday after the US announced its extreme reciprocal tariffs on Wednesday, recording their sharpest losses since 2022. The local market has not been spared, with the JSE ALSI eroding its gains from early in the week. Financials led the losses with a 2% decline.

In the US, the major indices fell sharply on Thursday, wiping out their gains since Monday. The S&P 500 slid by 4.8% in one day, the Dow Jones slumped by 4%, and the Nasdaq shed 6%. Key technology counters recorded significant losses due to their high exposure to Chinese manufacturing. European equities have also dropped sharply this week. In today's trading, Asian markets weakened further, led by the Japanese Nikkei's 2.8% loss.

Bond markets rose as recession risk increased, with fears about the impact of a trade war on the global economy outweighing the inflation risks. The US 10-year yield has dropped to 3.9% from 4.3% a week ago. In South Africa, the benchmark yield has risen to 11.08% from 10.70%, rising in line with the significant weakening of the rand.

In commodity markets, Brent crude oil slumped to below $66 a barrel on heightened global growth fears and after OPEC+ indicated a larger-than-previously announced output hike in May. Reports suggest that the cartel will increase its aggregate output quota by another 135 000 barrels per day next month. Gold was buoyed by its safe-haven and inflation-hedge qualities as expectations of a slowdown in global economic activity and a jump in inflation soared. The price broke through $3 100 an ounce but has eased to around $3 083 this morning.

Table 2: Equities

| | 04/04/2025 | 28/03/2025 | % Δ |
|---|---|---|---|
| Local (JSE) | | | |
| ALSI | 90219.42 | 90310.71 | -0.10 |
| Industrials | 125912.75 | 125928.30 | -0.01 |
| Financials | 20662.36 | 21094.09 | -2.05 |
| Basic materials | 50144.13 | 49995.52 | 0.30 |
| Global Equities | | | |
| SP500 | 5396.52 | 5580.94 | -3.30 |
| Nasdaq Composite | 16550.61 | 17322.99 | -4.46 |
| German DAX | 21717.39 | 22461.52 | -3.31 |
| France CAC | 7598.98 | 7916.08 | -4.01 |
| UK FTSE | 8474.74 | 8658.85 | -2.13 |
| Nikkei | 34735.93 | 37120.33 | -6.42 |
| Commodities | | | |
| Brent crude ($/barrel) | 71.69 | 74.94 | -4.34 |
| Gold ($/ounce) | 3083.09 | 3084.03 | -0.03 |
| Platinum ($/ounce) | 952.27 | 983.48 | -3.17 |

Source: Refinitiv

Chart 2: JSE Equities

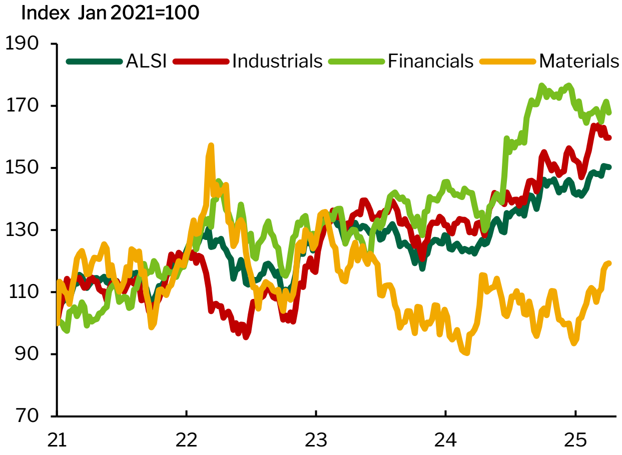
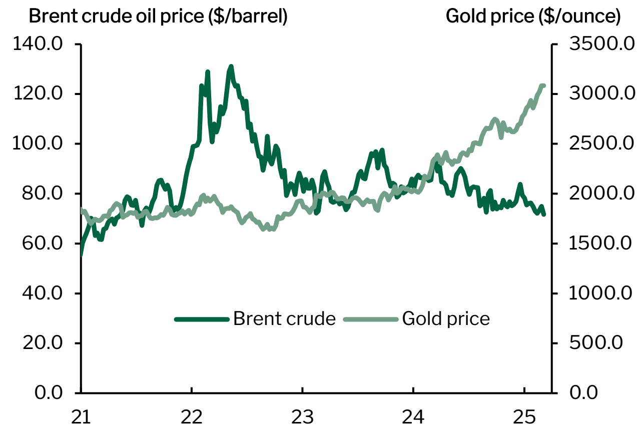



Chart 3: Commodities




Source: Refinitiv

## Economic developments

### Domestic economic releases and events

South Africa was slapped with a 30% tariff on all exports to the US. This measure effectively terminates the country's duty-free access to the US under the Africa Growth and Opportunity Act (AGOA). However, we stress that the status of AGOA is unclear at this stage, with the programme unlikely to be extended before it expires in September 2025. SA exports of automobiles, steel and aluminium will incur a 25% tariff with immediate effect after the US imposed this measure on all related imports into the US. Therefore, the impact of the high US import tariffs will be visible in local automotive exports. SA exports machinery, fully-built motor vehicles and related components to the US. According to South African Revenue Service trade data, SA exported "precious metals" and "vehicles, aircraft and vessels" worth R55 billion and R34.7 billion in 2024, accounting for 35.1% and 22.2% of total SA exports to the US, respectively.

The South African Revenue Service's preliminary tax collections data for 2024/25 (April to March) shows that gross tax collections totalled R1.855 trillion, R8.7 billion more than the revised estimate of R1.846 trillion in the October 2024 Medium-Term Budget Policy Statement (MTBPS) but R8 billion below the Budget 2024 estimate. Therefore, tax revenue grew by 6.6% from R1.74 trillion in 2023/24. The tax-to-GDP and tax buoyancy ratios were 24.8% and 1.2, respectively. Personal taxes rose by 12.6%, boosted by firm remuneration growth and withdrawals under the Two-pot retirement system, which netted R12.9 billion in taxes since its inception in September 2024. Corporate tax collections were up 3.3% to R323.3 billion, R6.9 billion and R20.6 billion more than the MTBPS and Budget estimates, respectively. Value-added tax collections rose by R10.5 billion to R458.1 billion.

Broad money supply (M3) growth slowed from 7.1% in January to 6.1% yoy in February, the lowest growth rate since July 2024, when it grew by 5.9%. Growth in private sector credit extension (PSCE) reversed course in February, slowing to 3.7% after accelerating to 4.6% in January. A significant moderation in the bills and investments category was mainly to blame. Leasing finance and instalment sales improved slightly (6.1% from 5.9%), other loans and advances slowed further (4% from 4.4%), and mortgages held steady at 3.2% for a third month. Growth in loans and advances, which excludes bills and investments, slowed from 4.1% to 3.9%. Household loans eased from 2.9% to 2.7%, its slowest growth rate since March 2017. Corporate credit growth moderated to 5.1% yoy from 5.3%, weighed down by overdrafts. Credit growth has largely disappointed at the start of 2025. On the household front, the weakness could reflect reluctance given still elevated interest rates. However, muted inflation and an improved growth and employment outlook should bolster consumer confidence, allow lenders to ease credit standards, and encourage growth in the coming months. On the corporate front, credit growth will likely remain volatile and relatively weak as fixed investment remains patchy.

The trade balance shifted to a surplus of R20.9 billion in February, reversing a deficit of R16.7 billion in January. This improvement was driven by a strong rebound in exports, which grew by 10.4% mom, recovering from a 6.6% contraction in the previous month. The boost to exports came from a 77% increase in shipments of vehicles and transport equipment, likely due to demand from the US as firms frontloaded purchases ahead of the anticipated tariff increases. Precious metals and machinery, as well as electronics also contributed, with increases of 24% and 12%, respectively. However, the gains were partially offset by declines in base metals and mineral products, which contracted by 19% and 8%, respectively. On the import side, the previous month's growth was almost entirely wiped out, with imports contracting by 13.5% after rising by 14.5% in January. The decline was driven by contractions in most categories, except mineral products (up 1.7%) and precious metals (up 18.6%). Over the year, both exports and imports slowed, with imports slipping into contraction territory. The trade outlook looks more pessimistic after the US announced new tariffs. SA faces both direct and indirect impacts from these tariffs. SA exports to the US could slow as their prices become less competitive, reducing demand. Additionally, the imposition of tariffs in other key economies, which are important trade partners of SA, could face weaker growth prospects, dampening their demand for South African exports. This, combined with a muted global growth outlook, suggests South African exports could be weaker than initially expected, lagging behind imports. However, the drag on exports could be contained by more reliable electricity supply, slightly smoother logistics, and sustained demand for gold amid ongoing geopolitical uncertainty. Imports may continue to rise due to stronger consumer spending and a modest recovery in fixed investment.

Vehicle sales exceeded expectations in March, jumping by an impressive 12.5% yoy in March from a 7.3% rise in February. New passenger vehicles soared by 25.3% yoy to 33 447 units, driven by robust consumer demand and a stable lending environment. Total commercial vehicle sales fell by a milder 5.6% yoy from a 10.1% contraction in January. Increased sales of heavy commercial vehicles were offset by a contraction in light commercials. Car exports were 9 354 more than last year, reflecting a 31.1% yoy rise. Passenger vehicle exports increased by 7.1% yoy, while exports of commercial vehicles more than doubled, totalling 14 676 units.

## International economic releases and events

US President Donald Trump announced sweeping import tariffs on 60 trading partners. The minimum tariff rate was set at 10%. Tariffs on Chinese goods were raised by 34% in addition to the current 20%, bringing effective tariffs on the US's largest trading partner to between 54% and 70%. The European Union (20%), Japan (24%), and the UK (10%) will incur lower, but still high, tariffs. Vietnam (46%), Taiwan (32%), India (26%), and South Korea (25%) also attracted high rates, while Lesotho (50%) was slapped with the highest tariff rate. Goods from Australia, Brazil, Turkey, and Saudi Arabia, among others, will be charged 10%. In addition to the universal tariffs, a 25% tariff will be imposed on automobiles, steel and aluminium, effective immediately. The temporary exemptions on Canada and Mexico for goods under the USMCA trade deal remain in place, but these exclude automobiles, steel and aluminium. Canada immediately announced a retaliatory tariff on the US, matching the 25% on these goods.

The latest Purchasing Managers Index (PMI) shows a slowdown in global manufacturing in March. The global manufacturing PMI fell to 50.5 from 51.5 in February. Manufacturing output in emerging markets appeared stronger compared to most advanced economies. Export orders increased slightly on pre-emptive buying of Chinese goods by US firms in anticipation of the US tariff hikes. New orders and output growth slowed, while sentiment regarding future output deteriorated. Input price inflation stabilised in most economies, while deflation in Chinese output prices persisted.

US personal consumption expenditure (PCE) price index held steady at 2.5% yoy in February, while core PCE inflation rose to 2.8% from 2.6%. Food price increases remained steady at 0.3% mom, while energy prices increased slightly by 0.1% following a jump of 1.3% in January. The University of Michigan's consumer sentiment index continued to reflect consumers' growing concerns about the economy, driven by fears of rising unemployment and persistent inflation amid the Trump administration's tariff policy. Sentiment dropped to 57 in March from 64.7 in February and 79.4 a year ago, with consumers fretting about the outlook for personal finances, business conditions, employment and inflation. The expectations subindex dropped to 52.6 from 64 and 77.4 a year ago, while the current conditions gauge was 63.8 from 65.7 and 82.5 a year ago. Inflation expectations rose by large margins for the third consecutive month, with the one-year measure rising to 5% from 4.3%, while the five-year indicator jumped to 4.1% from 3.5%.

Eurozone inflation eased to 2.2% yoy in March from 2.3% in February, preliminary estimates showed. Services inflation dropped to 3.4% from 3.7%, while energy prices fell by 0.7% from a 0.2% rise. Non-energy industrial goods and processed food prices remained stable, but unprocessed food increased to 4.1% from 3%. Core inflation declined to 2.4%. Monthly consumer prices increased by 0.6%, up from 0.4% in February. The unemployment rate fell to 6.1% in February from 6.2% in January. However, youth unemployment rose slightly to 14.2%. Consumer confidence remained subdued at -14.5 as consumers worried about their finances. However, consumers indicated a slight increase in their willingness to make significant purchases in the next year.

The German unemployment rate rose to 6.3% in March, the highest since September 2020. The GfK Consumer Climate Indicator remained stable at -24.5, reflecting mixed economic sentiment after the elections, with improved prospects but an increased tendency to save. Meanwhile, retail sales increased by 0.8% in February, driven by growth in the food and non-food sectors. Over the year, retail sales rose by 4.9%. According to preliminary estimates, inflation eased to 2.2%yoy in March from 2.3% in February. The moderation was led by services inflation, which decreased to 3.4%, and a steeper drop in energy costs by 2.8%. In contrast, food inflation rose slightly to 2.9%. Monthly, consumer prices edged down by 0.3% from 0.4%.

In France, inflation remained at 0.8% in March. Services inflation increased slightly to 2.3% from 2.2% due to higher insurance costs, food prices rose by 0.6% from 0.3%, while energy prices dropped further (-6.2% from -5.8%). Monthly consumer prices grew by 0.2%, driven mainly by clothing and footwear, but lower than market expectations of 0.4%.

The UK economy grew by 0.1%qoq in Q4 after it stagnated in Q3. The services sector contributed slightly, particularly from health and social work, while construction expanded by a marginal 0.3%. However, production declined by 0.4%, mainly due to a drop in manufacturing. Household consumption increased by 0.1%, driven by spending on hospitality and housing. Public spending rose by 0.5%. In February 2025, retail sales unexpectedly increased by 1% mom in February, with substantial gains in household goods and non-food stores, although food sales fell by 2%. Annually, retail sales rose by 2.2%.

## Next week's focus: Key economic releases and events

### Domestic

Key releases scheduled for next week include manufacturing production for February and gold and foreign exchange reserves for March. Manufacturing production likely contracted, albeit at a slightly slower rate of -1.9% yoy in February from -3.3 in January. The anticipated outcome reflects some improvement in structural constraints, particularly stable power supply and slightly smoother logistics compared to last year. Excess capacity due to subdued global demand and commodity prices in the context of high operating costs still constrains output growth in the sector. Gross reserves will likely rise to $67.61 billion in March from $66.26 billion in February, driven mainly by a sharp rise in the value of gold reserves and a modest increase in foreign exchange reserves. During the month, gold reserves rose sharply by 8.9%, reflecting valuation adjustments as the gold price rose to record highs. The gold price benefitted from the uncertainty and concerns about global growth caused by Trump's hefty tariff increases. Foreign exchange reserves are also expected to have increased marginally by 0.5% mom. The international liquidity position will likely grow to $62.83 billion from $61.73 billion. The rand value of reserves is forecast to remain around 7.9 months of imports.

### International

Today's focus will be on the US Federal Reserve Chairman Jerome Powell, who will deliver a speech on the economy. His remarks will be closely scrutinised for the Fed chairman's initial views on the Trump administration's reciprocal tariffs, which are expected to hurt US economic activity and stoke inflation. At the time of the March Federal Open Market Committee meeting, Powell suggested that the Fed expected the impact of the tariffs on inflation to be transitory, implying that the Fed would adopt a 'wait-and-see' approach on interest rates.

Key data releases will be US nonfarm payrolls this afternoon. The market consensus is for payrolls to have risen by 128 000 in March, slower than 151 000 in February. Government jobs fell further in March as the Department of Government Efficiency cut more jobs in several federal agencies and departments. The unemployment rate is estimated to rise marginally to 4.2% from 4.1%. Other key releases include Germany and French trade data, while the Bank of India is expected to reduce its repo rate to 6% from 6.25%. Markets will also look out for retaliatory tariffs on the US by its key trading partners.

Table 3: Release Calendar

| Date | Country/Region | Indicator Name | Period | Reuters Poll | Prior | Unit |
|---|---|---|---|---|---|---|
| 4 Apr 2025 | Germany | Industrial Orders (mom) | Feb | 3.5 | -7.0 | % |
| | France | Industrial Output (mom) | Feb | 0.4 | -0.6 | % |
| | UK | S&P Global PMI Composite | Mar | | 50 | Index |
| | US | Non-Farm Payrolls | Mar | 135 | 151 | 000 |
| | US | Unemployment Rate | Mar | 4.1 | 4.1 | % |
| | US | Average Earnings (mom) | Mar | 0.3 | 0.3 | % |
| | US | Labor Force Participation Rate | Mar | | 62.4 | % |
| 7 Apr 2025 | Germany | Industrial Output (mom) | Feb | -1.2 | 2 | % |
| | Germany | Industrial Production (yoy) | Feb | | -1.49 | % |
| | Germany | Exports (mom) | Feb | 1.50 | -2.5 | % |
| | Germany | Imports (mom) | Feb | 0.6 | 1.2 | % |
| | Germany | Trade Balance, EUR | Feb | 17.4 | 16 | Billion |
| | UK | Halifax House Prices (yoy) | Mar | | 2.9 | % |
| | SA | Net $Gold & Forex Res | Mar | | 61.7 | Billion |
| | SA | Gross $Gold & Forex Res | Mar | | 66.264 | Billion |
| | EU | Retail Sales (mom) | Feb | 0.6 | -0.3 | % |
| | EU | Retail Sales (yoy) | Feb | 2.1 | 1.5 | % |
| 8 Apr 2025 | France | Trade Balance, EUR | Feb | -5.5 | -6.54 | Billion |
| 9 Apr 2025 | India | Repo Rate | 9 Apr | 6 | 6.25 | % |
| 10 Apr 2025 | China (Mainland) | CPI (yoy) | Mar | 0.0 | -0.7 | % |
| | China (Mainland) | CPI (mom) | Mar | -0.2 | -0.2 | % |
| | SA | Manufacturing Production (mom) | Feb | | 0.2 | % |
| | SA | Manufacturing Production (yoy) | Feb | | -3.3 | % |
| | US | Core CPI (mom) | Mar | 0.3 | 0.2 | % |
| | US | Core CPI (yoy) | Mar | 3.0 | 3.1 | % |
| | US | CPI (mom), SA | Mar | 0.2 | 0.2 | % |
| | US | CPI (yoy) | Mar | 2.5 | 2.8 | % |
| 11 Apr 2025 | Germany | CPI Final (mom) | Mar | 0.3 | 0.3 | % |
| | Germany | CPI Final (yoy) | Mar | 2.20 | 2.2 | % |
| | UK | Industrial Output (yoy) | Feb | | -1.5 | % |
| | UK | Manufacturing Output (yoy) | Feb | | -1.5 | % |
| | US | U Mich Sentiment Final | Apr | 56.7 | 57 | % |
| | US | U Mich Conditions Final | Apr | 63.4 | 63.8 | % |
| | US | U Mich 1Yr Inf Final | Jun | 52.3 | 52.6 | % |
| | US | U Mich 5-Yr Inf Final | Apr | 5.0 | 5 | % |
| | US | U Mich Expectations Final | Apr | 4.1 | 4.1 | % |

Source: Refinitiv/Trading Economics

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