



# Weekly Monitor

ECONOMICS | SOUTH AFRICA

## Review of 3 to 7 February and a preview of 10 to 14 February

- The **rand** pulled back from its fall on Monday to trade at a 2-week high this morning.
- The positive momentum in **new vehicle sales** continued in January, with total sales up 10.4% yoy.
- Markets were volatile early in the week after the US imposed higher tariffs on Canada, Mexico and China, but they have since calmed.
- The **Bank of England** cut interest rates by 25 basis points to 4.5%.
- **Mexico** reduced its policy rate further while **India** eased for the first time in almost five years.
- **US** core **PCE inflation** remained sticky at 2.8% for the third consecutive month in December.
- **Eurozone inflation** increased to 2.5% due to higher energy prices.
- **Global private sector activity** softened in January despite firmer manufacturing.

## Currencies

The **rand** came under pressure early in the week after US President Donald Trump announced that the US would suspend its cash transfers to South Africa as it reviews the implications of the land expropriation law signed by President Ramaphosa. The local unit fell to R18.71/\$ on Monday from R18.65 last Friday but recovered to trade around R18.43/\$ this morning.

The **US dollar** strengthened against the euro early in the week on concerns about the effects of Trump's tariff threats on Europe's economies. However, the **euro** regained most of these losses, ending the week slightly up against the greenback. The **British pound** strengthened early in the week before coming under renewed pressure after the Bank of England cut interest rates on Thursday. The **Japanese yen** hit an 8-week high of ¥151.69 after a Bank of Japan Board member suggested the central bank hikes interest rates to 1%.

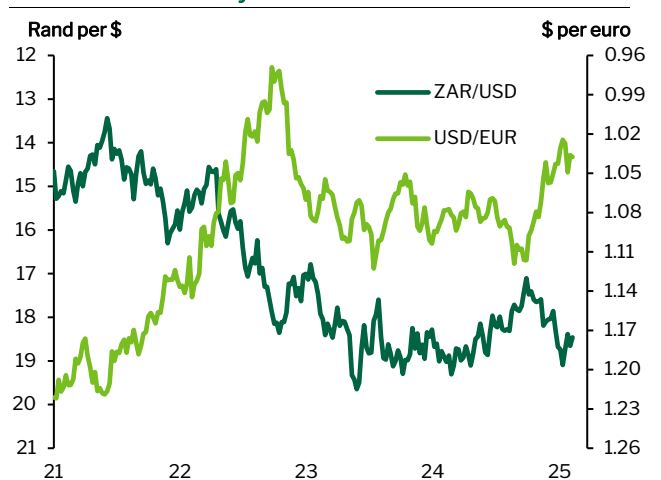
The **Canadian dollar** and **Mexican peso** fell sharply after the US President signed an order to impose higher tariffs on their exports to the US. The peso slumped by 3% in early trade on Monday but recovered after Trump postponed the higher tariffs by a month on assurances from Mexico's President Claudia Sheinbaum that she would tackle illegal immigration. Canadian Prime Minister Justin Trudeau also offered to resolve the issues, which helped the Canadian dollar reverse most of its losses. Trump imposed 10% tariffs on Chinese goods, which led to China announcing retaliatory measures. However, a scheduled call between Trump and President Xi Jinping could postpone the higher tariffs.

Table 1: The currency markets

	2025/02/06	2025/01/30	% Δ
<b>Rand</b>			
USD/ZAR	18.46	18.65	1.03
GBP/ZAR	22.90	22.99	0.41
EUR/ZAR	19.16	19.34	0.94
JPY/ZAR	8.21	8.30	1.09
<b>Majors</b>			
USD/EUR	1.0375	1.0362	-0.13
USD/GBP	1.2419	1.2390	-0.23
JPY/USD	151.74	155.18	2.27

Source: Refinitiv

Chart 1: The currency markets



Source: Refinitiv

## Equities, bonds and commodities

The local equity market has rebounded from its slide on Monday, with the **JSE All Share Index** heading for its highest close since the second week of December. Gains in financials and basic materials led to the recovery.

**US markets** are marginally higher this week after the slump on Monday. The deal between the US, Mexico, and Canada to postpone the higher tariffs and hopes of a similar agreement with China helped markets to recover. **European stocks** strengthened further while trade-war worries hit the Japanese Nikkei.

**Bond markets** firmed this week as investors anticipated downside for equities due to the potential adverse effect of the US trade war on corporate earnings. The **US 10-year yield** dropped to 4.42% from 4.50% on Monday, while the SA benchmark yield was little changed from last week.

In commodity markets, the **Brent crude oil** price rose, correcting from the earlier sell-off caused by higher US crude and gasoline stockpiles and fears of weaker economic growth from a potential new China-US trade war. **Gold** continued to be lifted by inflation worries, hovering above \$2 800 an ounce. **Platinum** edged slightly higher.

Table 2: Equities

	2025/02/06	2025/01/30	% Δ
<b>Local (JSE)</b>			
ALSI	87555.02	86126.77	1.66
Industrials	121813.29	120537.21	1.06
Financials	20360.50	20257.84	0.51
Basic materials	46254.79	44691.64	3.50
<b>Global Equities</b>			
SP500	6083.57	6040.53	0.84
Nasdaq Composite	19791.99	19627.44	0.61
German DAX	21902.42	21732.05	0.78
France CAC	8007.62	7950.17	0.72
Nikkei	39066.53	39572.49	-1.28
UK FTSE	8727.28	8673.96	0.61
<b>Commodities</b>			
Brent crude (\$/barrel)	75.61	78.20	-3.31
Gold (\$/ounce)	2862.69	2801.00	2.20
Platinum (\$/ounce)	985.55	977.55	0.82

Chart 2: JSE Equities

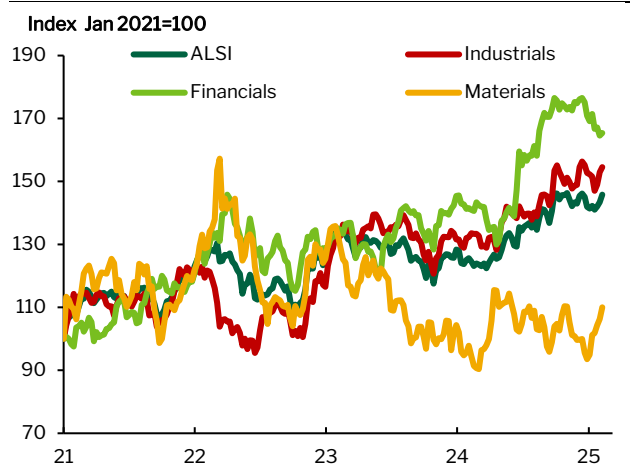
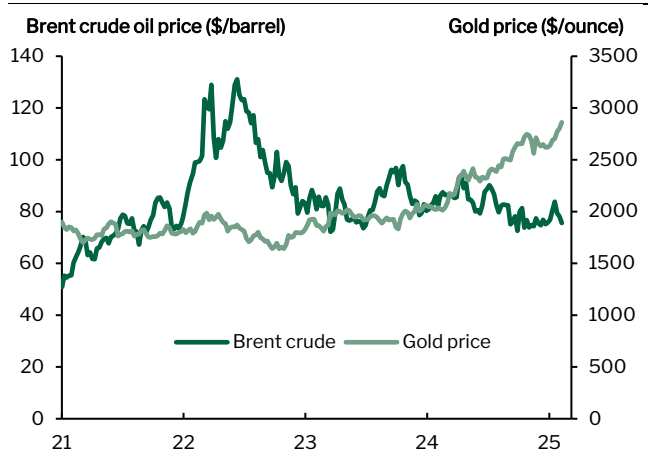


Chart 3: Commodities



Source: Refinitiv

Source: Refinitiv

## Economic developments

### Domestic economic releases and events

In the **State of the Nation Address**, President Cyril Ramaphosa focused on the economy, stressing that the government will advance measures to help lift the economic growth rate above 3%. The Medium-Term Development Plan, which will be released today, will focus on promoting inclusive growth, job creation, tackling the high cost of living, and building a capable state. Infrastructure spending will exceed R940 billion over the next three years, with R375 billion invested by state-owned enterprises (SOEs). The government remains committed to improving operations at Eskom, Transnet, and other significant SOEs in the network industries. Under the second phase of Operation Vulindlela, municipalities will receive increased attention to tackle the widespread service delivery failures. The funding model of local government authorities will be reviewed to ensure that they direct the revenue towards maintaining infrastructure. On social measures, the Social Relief of Distress grant will be utilised as a basis for sustainable income support for the unemployed. The president also stated that the government would proceed with the preparatory work for implementing the National Health Insurance scheme. The president stressed that the US covered only 17% of HIV/Aids programme funding, suggesting that the termination of the financing by the US Agency for International

Development (USAID) would not derail the programmes significantly. Reports indicate that USAID transferred between R8 billion and R9 billion a year to South Africa in recent years.

The positive momentum in **new vehicle sales** in Q4 continued into January. Vehicle sales were up by 10.4% yoy, a notable jump from December's 2.5% increase. Passenger vehicle sales surged by 18.3% yoy, while commercial vehicle sales fell by 7.6%. Exports rose by 5 803 cars from last year, as passenger vehicle sales recovered, growing by 29.7% yoy. Exports of commercial vehicles also performed well, with 2 293 more exported compared to last year. According to the Automotive Business Council, the improved economic outlook, coupled with higher business and consumer sentiment, will support the new vehicle market.

## International economic releases and events

On the monetary policy front, the **Bank of England (BoE)** cut the **Bank rate** by 25 basis points (bps) to 4.5%. The unanimous decision, with two of the nine MPC members favouring a 50-bps reduction, highlighted the MPC's concern about weaker-than-expected economic growth. The BoE also revised its annual GDP growth forecast to 0.75% from 1.5% previously, citing concerns over stagnant output and the potential impact of US trade policies. Despite the subdued growth outlook, the BoE still favoured a gradual easing in monetary policy due to sticky services inflation. As expected, the **Bank of Mexico** reduced its **benchmark rate** by 25 bps to 9.5% after the economy shrank by 0.6% in Q4. Similarly, the **Reserve Bank of India (RBI)** cut its **repo rate** by 25 bps to 6.25%, the first cut since May 2020, as inflation moderated. The RBI hinted at further cuts as it noted that inflation had eased while the economic recovery still had some way to go.

Global private sector activity softened in January. The **JP Morgan composite PMI** weakened slightly from 52.6 in December to 51.8 as slower growth in services offset a modest improvement in manufacturing. The **services PMI** eased to 52.2 from 53.8, while **manufacturing** rose just above the key 50 threshold that signals expansion to 50.1 from 49.6. Within manufacturing, the boost came from growth in output and new orders, complemented by improved supplier delivery times. However, employment and stock levels declined further. The US experienced a notable improvement, with output growth hitting a seven-month high, while downturns continued in the euro area, Japan, and the UK. China's expansion also strengthened, albeit only marginally, while India led growth among the major developing nations.

In the **US**, the **PCE price index** rose to 2.6% yoy from 2.4%, with the upward pressure emanating mainly from fuel prices. The **core PCE** inflation rate, the Fed's preferred inflation gauge, was steady at 2.8% for the third consecutive month. The data release showed that consumer finances and spending remained healthy. Nominal **personal consumption expenditure (PCE)** growth eased slightly from 5.8% yoy in November to 5.7% in December, underpinned by a 5% growth in personal disposable income. Households relied slightly more on savings, reducing the **personal savings rate** to 3.8% in December from 4.1% in November.

Preliminary estimates showed that **eurozone inflation** rose to 2.5% in January from 2.4% in December due to higher energy costs (1.8% from 0.1%). Inflation for non-energy industrial goods remained stable (0.5%), while food and services slowed slightly. **Core inflation** held steady at 2.7%. **Retail sales** declined by 0.2% mom in December, after recording no growth in November. Food, drinks, and tobacco sales dropped by 0.7%, while non-food sales rose by 0.3%. Despite the lack of upward traction, **sales** volumes rose by 1.9% yoy, up from 1.6% growth in November, as the slow uptick from the low base in 2022 and 2023 continued. Within the bloc, **Germany** and **France** posted lower sales volumes, reflecting the lacklustre demand in the eurozone's two largest economies.

**Germany's unemployment rate** increased to 6.2% in January from 6.1% in December, reaching 2.9 million. Manufacturing layoffs increased as the sector struggled with fading competitiveness amid higher energy costs and generally weak external demand. At the same time, weak consumer demand also weighed on employment. **Retail sales** dipped by 1.6% mom in December from a 0.1% drop in November. Sales declined for food (-1.7%) and non-food (-0.7%). Annually, **retail sales** growth slowed to 1.8% from 2.9%.

The **unemployment rate** in **Japan** fell slightly to 2.4% in December from 2.5% in November. The number of employed increased by 140 000, while the number of unemployed rose by 40 000. The **labour force participation rate** rose to 63.4%, while the **jobs-to-applications ratio** remained at 1.25, still reflecting a tight labour market.

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

### Domestic

**Manufacturing production** likely contracted by 1.7% yoy in December from -2.6% in November. Despite the absence of load-shedding, the sector still contends with high operating costs, eroding its competitiveness. These struggles are reflected in the weak PMI outcomes. In December, the ABSA PMI dropped almost two index points to 46.2 before falling even further to 45.3 in

January. Our forecast is for growth of 0.8% yoy in **mining production** from -0.9% the previous month. Base effects and somewhat better operating conditions will support a modest recovery in mining production.

## International

This afternoon, the focus will be on the **US labour market report**, which is expected to show that US job gains remained firm at the start of this year. The market consensus is that **nonfarm payrolls** likely rose by 170 000 in January from 256 000 in December. The **unemployment rate** is expected to remain steady at 4.1%, while **average weekly earnings** are projected to have risen by 0.3% mom, which keeps the annual rate at close to 4%.

Other key releases include **Chinese inflation** data on Monday, while **CPI** data for the **US** and **Germany** will be out on Tuesday and Wednesday, respectively. GDP data will be released in the **UK** and **Eurozone** on Thursday and Friday, respectively.

Table 3: Release Calendar

Date	Country/Region	Indicator Name	Period	Reuters Poll	Prior	Unit
7 Feb 2025	SA	Net \$Gold & Forex Res	Jan		60.37	Billion
	SA	Gross \$Gold & Forex Res	Jan		65.46	Billion
	Germany	Industrial Output (mom)	Dec	-0.6	1.5	%
	Germany	Industrial Production (yoy)	Dec		-2.85	%
	Germany	Exports (mom) SA	Dec	-1	2.1	%
	Germany	Imports (mom) SA	Dec	1.8	-3.3	%
	UK	Halifax House Prices (mom)	Jan	0.2	-0.2	%
	UK	Halifax House Prices (yoy)	Jan		3.3	%
	US	Non-Farm Payrolls	Jan	170.0	256	000
	US	Unemployment Rate	Jan	4.1	4.1	%
	US	Average Earnings (mom)	Jan	0.3	0.3	%
	US	Labor Force Participation Rate	Jan		62.5	%
9 Feb 2025	China (Mainland)	CPI (yoy)	Jan	0.1	0.1	%
	China (Mainland)	CPI (mom)	Jan		0	%
11 Feb 2025	France	ILO Unemployment Rate	Q4	7.6	7.4	%
	SA	Manufacturing Production (mom)	Dec	0.9	-1.1	%
	SA	Manufacturing Production (yoy)	Dec	-1.9	-2.6	%
12 Feb 2025	US	Core CPI (mom), SA	Jan	0.3	0.2	%
	US	Core CPI (yoy), NSA	Jan	3.1	3.2	%
	US	CPI (mom), SA	Jan	0.3	0.4	%
	US	CPI (yoy), NSA	Jan	2.9	2.9	%
13 Feb 2025	Germany	CPI Final (mom)	Jan	-0.2	0.5	%
	Germany	CPI Final (yoy)	Jan	2.3	2.6	%
	UK	Industrial Output (mom)	Dec	0	-0.4	%
	UK	Industrial Output (yoy)	Dec		-1.8	%
	UK	Manufacturing Output (mom)	Dec	0.40	-0.3	%
	UK	Manufacturing Output (yoy)	Dec		-1.2	%
	UK	GDP Preliminary (qoq)	Q4	0.0	0	%
	UK	GDP Preliminary (yoy)	Q4	1.0	0.9	%
	SA	Gold Production (yoy)	Dec		-11.5	%
	SA	Mining Production (yoy)	Dec		-0.9	%
	EU	Industrial Production (mom)	Dec		0.2	%
	EU	Industrial Production (yoy)	Dec		-1.9	%
	SA	Business Confidence Idx	Jan		118.1	Index
14 Feb 2025	EU	GDP Flash Estimate (qoq)	Q4	0.0	0.0	%
	EU	GDP Flash Estimate (yoy)	Q4	0.9	0.9	%
	US	Retail Sales (mom)	Jan	0.3	0.4	%
	US	Retail Sales (yoy)	Jan	3.7	3.9	%
	US	Industrial Production (mom)	Jan	0.3	0.9	%
	US	Manufacturing Output (mom)	Jan	0.2	0.6	%
	US	Industrial Production (yoy)	Jan		0.6	%

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