



The economy

South Africa's economy continued to disappoint when Stats SA released the GDP (gross domestic product) data for Q3 2024 on 3 December 2024. The economy contracted by 0.3% compared to Q2 2024. The annual growth rate (measured from Q3 2023 to Q3 2024) was 0.4%. The industry that struggled the most in Q3 2024 was agriculture, down 28.8% quarter on quarter and 24.9% year on year. The lower contribution from agriculture reduced GDP growth by 0.7%. The contraction in the agriculture industry was due to the impact of a severe drought on maize, soya beans, wheat, sunflower crops as well as fruit and vegetable yields. It is unclear to what extent agriculture recovered in Q4 2024 and it is still early in the 2025 summer rainfall area's growing season, but this industry may show recovery further into 2025.

While agriculture may recover from Q4 2024 onwards, there are concerns that the protests and civil disturbances in Mozambique may have affected exports of minerals and commodities through the Maputo harbour in Q4 2024, thus slowing growth in the mining industry.

The domestic economy was projected to grow by 1.1% in calendar 2024. For the projections to be accurate, the domestic economy was required to expand by 1.1% in Q4 2024 (i.e. R50 billion more than baseline growth). Further growth in Q4 2024 could benefit from lower interest rates and possibly two-pot related spending. The GDP data for Q4 2024 is scheduled for release on 4 March 2025.

The South African Reserve Bank's (SARB's) Monetary Policy Committee cut the local repurchase rate twice by 0.25% in 2024, in August and again in November. The SARB's objective is to maintain price stability – i.e. ensuring that consumer price inflation is maintained at a reasonable level – and to protect the purchasing power of the rand. While consumer price inflation is currently low (2.8% in October 2024, 2.9% in November 2024, and 3.0% expected in December 2024), the rand exchange rate has come under

pressure. Initial expectations were for the rand to strengthen because of lower interest rates and a better economic outlook. However, following the Trump election victory in November 2024, the US dollar strengthened considerably (graph 1), which resulted in pressure on the rand (graph 2).

[View graph 1](#) | [View graph 2](#)

There are concerns and uncertainty about the global economic developments that may follow Donald Trump's inauguration as the 47th US president on 20 January 2025. The US economy is expected to grow by 2.8% in 2024, inflation is under control and the federal funds rate is being lowered. In the euro area, economic growth is soft at 0.8% but expected to improve in 2025. China's economic growth for 2024 is expected at 4.6%, lower than the targeted 5% growth rate. Against this backdrop there are concerns about the possibility of a more transactional international trade and foreign policies under the returning Trump administration.

The uncertainty has an impact on global investors' assessments of emerging and developing markets.

Financial markets

The returns for the indices representing the asset classes in which domestic retirement funds typically invest are shown in the table below.

% Change December 2024	Most recent quarter	Calendar YTD	1 year (p.a.)	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
All Share Index (ALSI)	-2.1%	13.4%	13.4%	8.7%	12.2%	9.0%
Listed Property	-0.8%	29.0%	29.0%	12.6%	5.1%	3.1%
STeFI Composite	2.0%	8.5%	8.5%	7.2%	6.2%	6.7%
All Bond Index (ALBI)	0.4%	17.2%	17.2%	10.3%	9.6%	8.7%
MSCI All Country World ZAR	8.1%	21.2%	21.2%	12.0%	17.3%	15.4%
Bloomberg Global Aggr. Bond ZAR	3.5%	1.2%	1.2%	1.0%	4.0%	5.3%
Rand (+ stronger, - weaker)	-8.3%	-2.9%	-2.9%	-5.1%	-5.1%	-3.9%
Inflation (estimate)	0.1%	2.9%	2.9%	5.4%	5.4%	6.2%
Gold ZAR	7.6%	30.6%	30.6%	23.0%	26.2%	26.4%

A period of lacklustre performance of the FTSE/JSE All Share Index (graph 3) corresponds with the rand weakness and US dollar strength that followed the first interest rate reduction in late September 2024 (graph 2). The index was down 2.1% for the quarter to December 2024, but supported by solid returns earlier in the year, the index closed 13.4% higher for 2024.

[View graph 3](#)

Commodities generated negative returns, both for the most recent quarter and the calendar year. Financials were up 21.6% for the year despite the difficulty experienced in Q4 (-1.8%). Likewise, the industrial index achieved a return of 17.3% for the year and -0.5% for the last quarter of 2024. Property shares were up 29% for the year.

Out of 137 shares that were monitored, 95 were up at the end of 2024 and only 42 shares closed the year lower. Top performing shares included Altron, Raubex, African Rainbow Capital, Mr Price, Karoo, WBO, OUTsurance,

Capitec, TFG and Attacq. Poor performers included well-known names such as Sasol, Kumba, Angloplat, Northam, BHP, Glencore, African Rainbow Minerals, Mondi, Exxaro, AB Inbev and MTN.

The JSE ASSA All Bond Index rose 17.2% in 2024 and bonds in the 12 years+ maturity bucket achieved a return of 21.4%. This is higher than the returns for bonds in the 0-3 years maturity bucket (9.6%) and 12-month money market investments (9.1%).

Offshore diversification was important in the final quarter as the rand weakened. The MSCI All Country World Index fell by 0.9% in US dollars, but in rands, the contribution for the quarter was 8.1%. For the calendar year, the index was up 17.7% in US dollars and 21.2% in rands. The Bloomberg Global Aggregate Bond Index posted negative returns in US dollars: -1.7% for the year and -5.1% for the last quarter (in rands, up 1.2% for the year and up 3.5% for the last quarter).

In Summary

It is difficult to form a clear picture of developments in economies and financial markets when looking into 2025. Domestic economic conditions are set to improve but are subject to risks from the political arena. Globally, the sense of “not knowing” accompanying the anticipation (and early days) of the second Trump administration in the US creates uncertainty in the minds of investors.

It seems the key variable that domestic investors need to get correct is the direction of the rand exchange rate. As shown in the past, the direction of the rand is determined by exogenous factors (e.g. the US dollar exchange rate) about two-thirds of the time, and by domestic factors one-third of the time.

At this stage, the rand is under pressure despite positive domestic developments.

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Information for this article has been obtained from several sources:
Iress, Stats SA, IMF Data Mapper and Tradingeconomics.com

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