

Global and local market movers

Economic roundup since the last outlook

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Strength with soft spots

- **16 December 2025:** The United States (US) **unemployment rate rose** to a **four-year high** of 4.6% in November 2025. Employers added 64 000 jobs in November, following a 105 000 drop in workers in October, which was largely driven by the loss of 162 000 federal workers as the administration continued to pare back government jobs.
- **23 December 2025: US growth surprised to the upside**, expanding at a 4.3% annualised rate for the third quarter, driven by resilient consumer spending and an upswing in exports and government outlays.
- **3 January 2026:** Following months of escalation and threats, geopolitical risk spiked after the US launched a **limited military intervention in Venezuela**, reviving fears that energy shocks could complicate the Federal Reserve's disinflation path. However, sanctions, infrastructure decay and low output in Venezuela limit the effect on an oversupplied oil market, globally.



Growth concerns

- **5 November 2025:** The Bank of England Monetary Policy Committee voted five to four in favour of **reducing the policy rate to the lowest level in nearly three years to 3.75%** as concerns over the health of the economy grew.
- **26 November 2025:** United Kingdom (UK) Chancellor Rachel Reeves unveiled a high-stakes Labour Budget, **announcing sweeping tax rises** projected to raise £26.1 billion by 2030, largely via **extended income-tax threshold freezes**. This breaks a key manifesto pledge, while promising falling borrowing, a return to fiscal surpluses by 2028 and no renewed austerity.
- **4 January 2026:** UK Prime Minister Sir Keir Starmer **advocated 'closer alignment' with the European Union (EU) single market** (while stopping short of rejoining), injecting a new political debate on post-Brexit economic strategy and influencing market and investor expectations about future regulatory orientation.



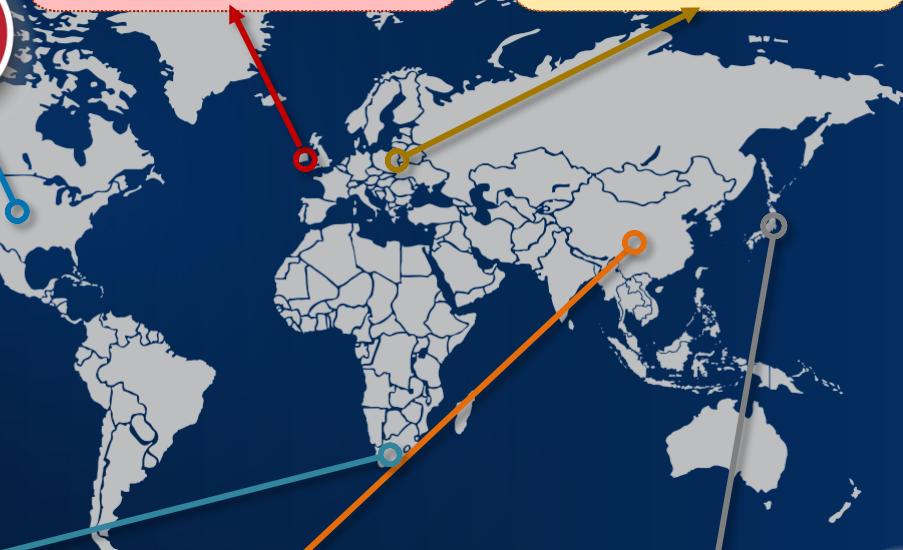
Political currents

- **24 December 2025:** The French government failed to finalise a full 2026 budget, forcing Prime Minister Sébastien Lecornu to push **emergency 'stopgap' legislation to extend the 2025 budget into 2026** while negotiations continue, heightening concerns about fiscal credibility and investor confidence.
- **29 December 2025:** The far-right AfD was invited to the Munich Security Conference, marking a controversial political moment as Germany grapples with rising populism and the mainstream reassessment of political boundaries ahead of key regional and national ballots. This move could legitimise the party domestically.
- **1 January 2026:** Bulgaria became the 21st member of the Eurozone and gained a seat on the European Central Bank Governing Council. The move underlined European unity in a time of heightened geopolitical tensions and could encourage other prospective EU members to accelerate reforms.



Emerging markets: Divergent paths

- **5 December 2025:** The Reserve Bank of India cut the policy repo rate to 5.25 %, marking another easing move as inflation stayed well below target, even while the rupee weakened and capital markets priced in mixed growth and currency dynamics.
- **1 January 2026:** Russia raised the VAT rate from 20 % to 22 % to bolster flagging revenues as oil and gas receipts declined under sanctions and lower global prices.
- **2 January 2026:** Significant **legal and political changes took effect in Indonesia** with the new penal code, shifting away from the Dutch colonial era and introducing provisions on social conduct and state protections, marking a major domestic policy turn with potential implications for governance and rights perception.



Encouraging momentum

- **24 October 2025:** South Africa (SA) was removed from the **Financial Action Task Force (FATF) greylist**, reflecting strengthened anti-money-laundering and counter-terrorist financing frameworks, boosting investor confidence.
- **12 November 2025:** Finance Minister Enoch Godongwana delivered the Medium-Term Budget Policy Statement to Parliament, outlining recalibrated fiscal priorities, **reaffirming deficit reduction targets** and signalling a commitment to fiscal credibility and structural reform.
- **14 November 2025:** S&P Global Ratings upgraded SA's sovereign credit ratings for the first time in two decades, raising the **foreign-currency long-term rating to BB** and the local-currency rating to BB+, with a positive outlook signalling confidence.



Slow but stable

- **11 December 2025:** At the Central Economic Work Conference, Chinese leaders **pledged to maintain a 'proactive' fiscal policy and flexible monetary tools in 2026** to support consumption, and investment growth amid persistent structural headwinds and weak external demand.
- **21 December 2025:** China left its **benchmark lending rates unchanged for the seventh straight month**, signalling that the People's Bank of China is in no rush to tighten further and may instead lean on fiscal support to bolster the economy.
- **5 January 2026:** China's **services sector recorded its slowest growth in six months**, with modest deceleration in new business volumes and continued export order contraction, while employment trends and input costs remained mixed.



Policy reset

- **20 November 2025:** The Takaichi Cabinet approved a ¥21.3 trillion (\$135 billion) fiscal stimulus package to support households, energy costs and growth priorities, reflecting active fiscal policy aimed at complementing monetary tightening.
- **Late December 2025:** Japanese government bond yields surged sharply, with the 10-year yield posting its largest annual increase since the 1990s amid Bank of Japan policy normalisation and fiscal stimulus, reshaping domestic fixed-income markets and investor positioning.
- **5 January 2026:** Bank of Japan Governor Kazuo Ueda reiterated commitment to further rate increases if inflation and wage trends support it, anchoring expectations around continued rate hikes and signalling a structural shift after years of stimulus.



in the moment

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Economic outlook: January 2026

Overview

Global growth has proven sturdier than feared despite a harsher trade regime, but remains pedestrian by historical standards as protectionism, fiscal strain and political fragmentation sap momentum. Escalating tariffs have hardened into a structural feature of global policy, unsettling markets and redrawing supply chains without tipping the world into recession. Domestic demand has acted as a quiet stabiliser, supported by resilient labour markets and adaptive firms. Inflation paths are diverging sharply. China is easing into disinflation amid industrial overcapacity, Japan is tightening cautiously to defend its fragile exit from deflation, while Europe remains wary of cutting rates too aggressively. The United States (US) stands apart. Fiscal excess, tariff-driven price pressures and doubts around institutional independence threaten a rise in bond yields. Against this unsettled backdrop, bond markets are reasserting discipline, forcing governments to pay for fiscal indulgence as public debt ratios climb. South Africa (SA) is caught on the margins of a fragmented global order. A favourable commodity price mix and a firmer rand offer temporary insulation, while improved fiscal discipline has been rewarded with an early sovereign rating upgrade. Yet growth remains modest, constrained by weak investment and coalition politics. Encouragingly, softer inflation and a credible shift to a lower inflation target should give the SA Reserve Bank (SARB) scope for further measured easing in 2026, provided political and reform momentum holds.



**Global
impact**

Structural protectionism is reshaping supply chains and accelerating the shift toward bilateral trade deals. Strategic promiscuity is fragmenting the global trade map as countries hedge across multiple partners. Monetary policy divergence is widening, with China easing into disinflation, Japan tightening to defend its escape from deflation, while Europe and the US tread carefully amid price pressures. Bond markets are reasserting discipline, penalising fiscal excess as public debt climbs. Growth remains resilient but uninspiring, underpinned by domestic demand rather than trade, leaving the balance of risks tilted to policy missteps, fiscal shocks or market volatility.



**Local
impact**

SA is operating in a fragmented global environment, but favourable commodity prices and lower oil costs have provided partial insulation, supporting the rand and improving terms of trade. Firmer fiscal discipline has lifted investor confidence, underpinning a sovereign credit rating upgrade. Reform progress remains incremental, however, with subdued fixed investment, coalition politics and policy uncertainty constraining growth. Encouragingly, anchored inflation expectations and a firmer currency have widened policy space, giving the SARB scope for cautious interest rate cuts in 2026, provided reform momentum holds.



**Consumer
impact**

Global consumers are facing mounting pressures. In the US, households now shoulder most tariff costs, squeezing real incomes and slowing spending on durables. European optimism has waned as high inflation and economic uncertainty weigh on discretionary purchases. In China, stimulus has a limited effect amid weak income growth and a persistent property slump, constraining retail demand. Meanwhile, SA consumers are facing more moderate inflation prospects and the potential for further monetary easing despite high joblessness, slowing two-pot withdrawals and subdued confidence.



**Business
impact**

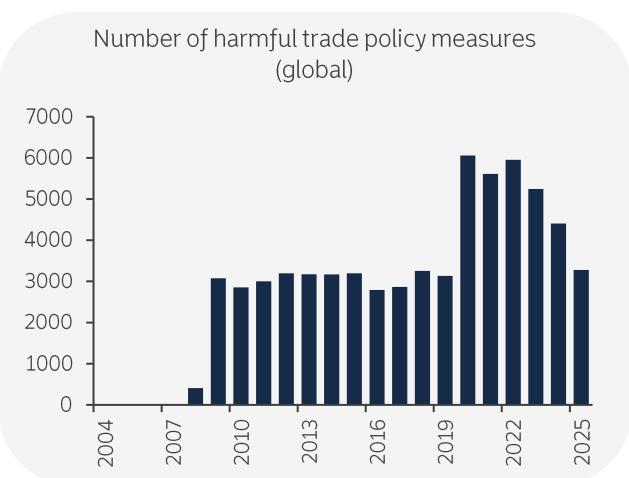
Firms are adjusting to a more fragmented and uncertain world. In the US, the pre-order shield has vanished, with tariffs now driving unit cost increases for many companies. Small businesses are most exposed, while larger firms absorb costs with their scale. European firms are confronting high energy costs, carbon border taxes and supply chain fragility, forcing efficiency-driven strategies. In China, anti-involution policies and high-tech manufacturing are providing selective growth amid a property slump. SA businesses are meanwhile prioritising de-risking and South-South trade to offset structural constraints.

Looking back at 2025:

Economic surprise #1: The big stick returns, marking a harder edge to American trade policy

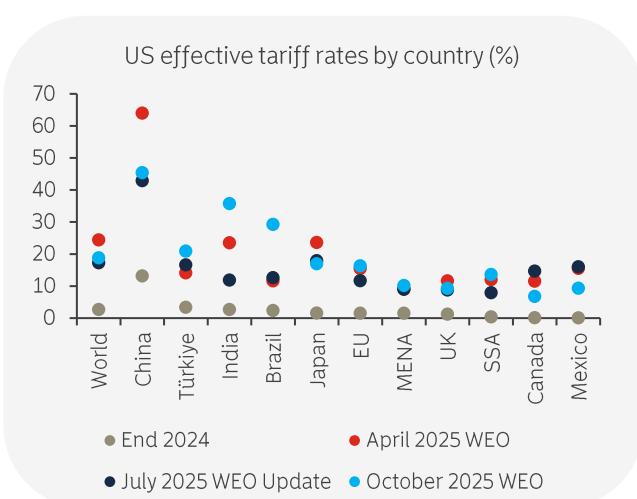
- Washington is again leaning heavily on tariffs, signalling that the shift toward a more defensive trade stance is now a settled feature of US policy rather than a temporary tactic. Measures that were once occasional negotiating tools have become part of a broader push to redirect supply chains and assert strategic priorities. While the number of new harmful trade policy measures introduced has reduced in recent years, the number remains structurally higher. Moreover, a number of bilateral trade deals have been negotiated in this new era of protectionist policies.
- The wider scope of tariffs has periodically unsettled markets, prompting renewed questions about the outlook for global inflation, the direction of investment flows and the ability of affected economies to cope with a more fragmented trading environment, particularly as actual tariff rates continue to lag effective rates.
- Higher tariffs have already started positively contributing to US government coffers but the share of customs duties to overall government revenues remains under 2%.

Chart 1: A more protectionist environment is marked by a structurally higher level of harmful trade measures



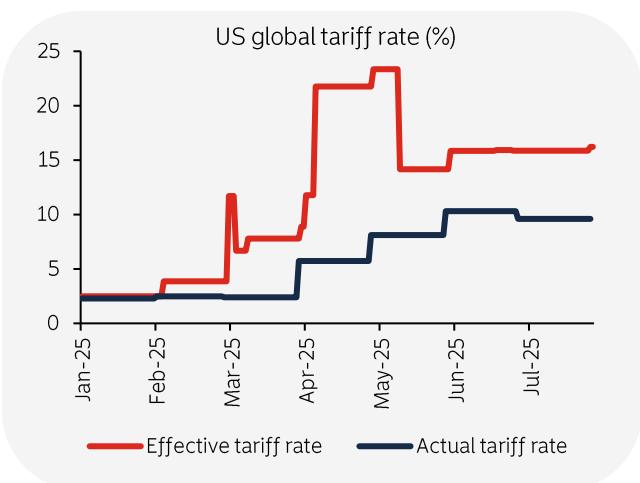
Source: Global Trade Alert, Momentum Investments

Chart 3: US effective tariff rates are lower than those announced on Liberation Day for some countries



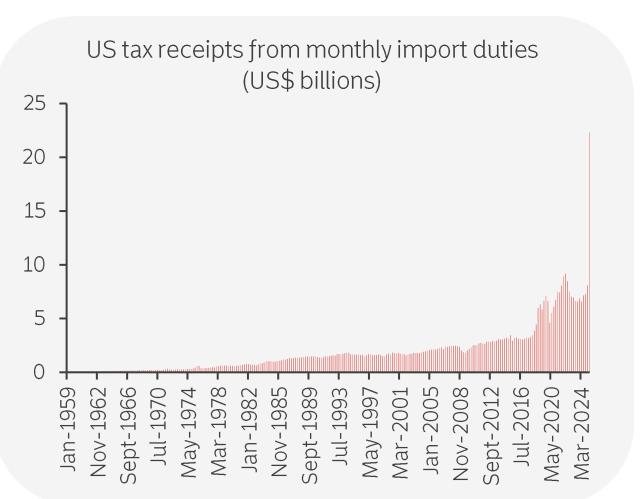
Source: IMF, Momentum Investments, MENA = Middle East and North Africa, SSA = Sub-Saharan Africa, WEO = World Economic Outlook

Chart 2: Actual tariffs have lagged the effective rates due to delayed payments, litigation and shipping times



Source: International Monetary Fund (IMF), Momentum Investments, actual rate = duty paid on imports at customs as a share of the value of imports³

Chart 4: Tariffs have driven a surge in import duties, but this won't be enough to arrest the US debt problem



Source: Federal Reserve of St. Louis, Momentum Investments, data up to April 2025

Looking back at 2025:

Economic surprise #2: A surprisingly sturdy expansion in a fractured trade world

- Despite a more fragmented trading environment, growth held up better than many had expected, despite subdued business and consumer confidence measures. Trade volumes have additionally not dipped by as much as initially anticipated due to an increase in transshipments as China continues to circumvent direct trade routes into the US.
- Higher tariffs, supply chain snags and rising input costs appeared likely to erode corporate profitability and weigh on exports, leading forecasters to prepare for a softer growth patch. Yet a sharper slowdown failed to materialise. This shift in expectations has shown up strongly in the rise in expectations for 'no (economic) landing' in the Bank of America (BofA) Global Fund Manager Survey in recent months.
- Domestic demand remained firm, supported by stable employment, steady household spending and a quicker-than-expected shift by businesses toward new sourcing arrangements. While growth in the major regions remained firm in the second half of the year, growth is expected to have softened in the second half of 2025 as negative trade effects and the US government shutdown filtered into weaker economic activity.

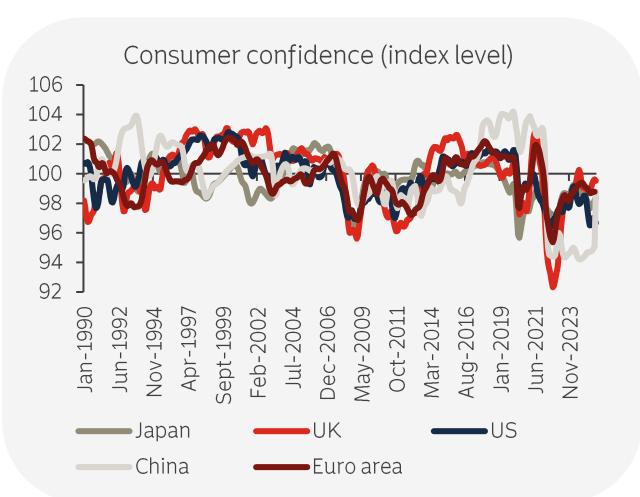
Chart 5: A patchy recovery in business sentiment, but confidence remains in the doldrums



Source: Organisation for Economic Cooperation and Development (OECD), Momentum Investments

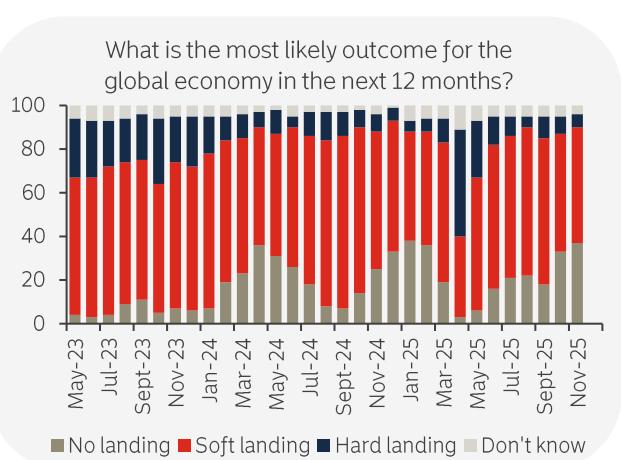
Chart 6: Consumers are feeling less gloomy, but not yet upbeat

Chart 6: Consumers are feeling less gloomy, but not yet upbeat



Source: OECD, Momentum Investments, data up to August 2025

Chart 7: Fund managers are increasingly factoring in the probability of 'no landing' in the global economy



Source: BofA, Momentum Investments

Chart 8: Trade redirection, including transshipments, has prevented a collapse in global trade volumes



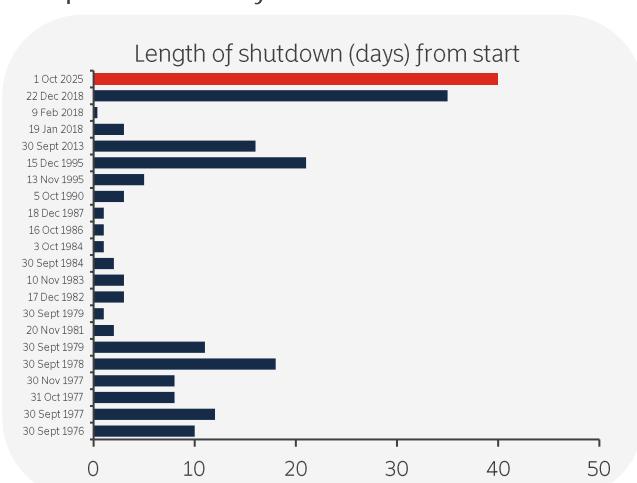
Source: General Administration of Customs (China), Momentum Investments, ASEAN = Association of Southeast Asian Nations

Looking back at 2025:

Economic surprise #3: Record polarisation pushes America into its longest shutdown

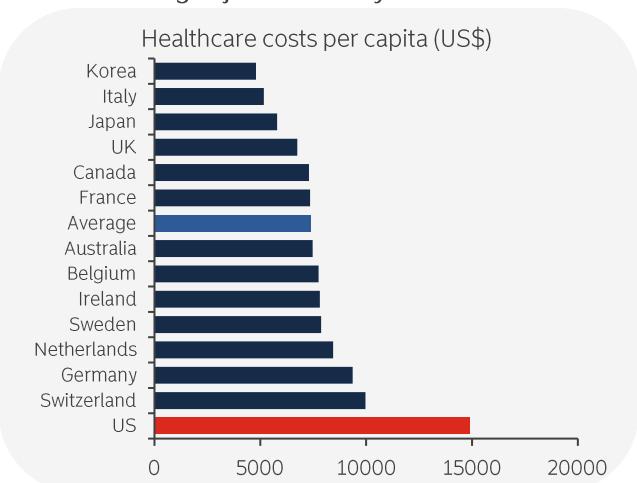
- America's latest, and longest, government shutdown has exposed how deeply political polarisation and fiscal pressures are now corroding the machinery of governance.
- Markets were braced for some end-of-deadline theatrics, but few anticipated a stoppage of this scale, especially with federal spending frozen, key public services idled and renewed concerns emerging over the debt ceiling and even the faint possibility of a technical default.
- The episode also casts a harsher light on America's long-term fiscal trajectory. Rising interest costs are consuming a growing share of federal revenue, while ageing-related pressures, from healthcare programmes to Social Security, are set to widen structural deficits absent meaningful reform.
- Against this backdrop, the intensifying partisan divide makes the prospects of durable fiscal consolidation ever more remote, raising the risk that future standoffs become more frequent, more disruptive and harder for markets to shrug off.

Chart 9: The longest US government shutdown in history disrupted the economy



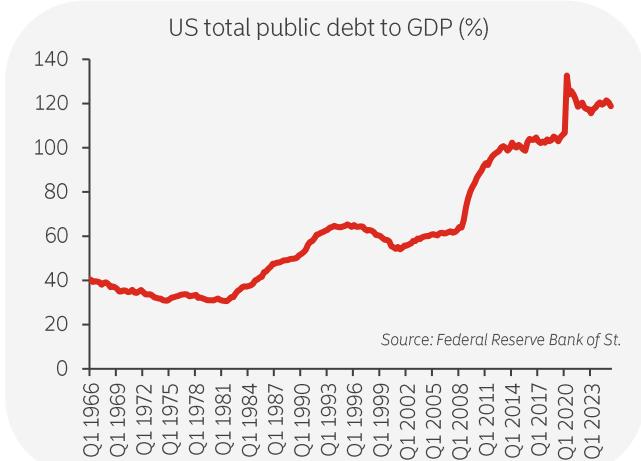
Source: US Congressional Research Service, Momentum Investments

Chart 11: US per capita healthcare spending is almost twice the average of other wealthy nations



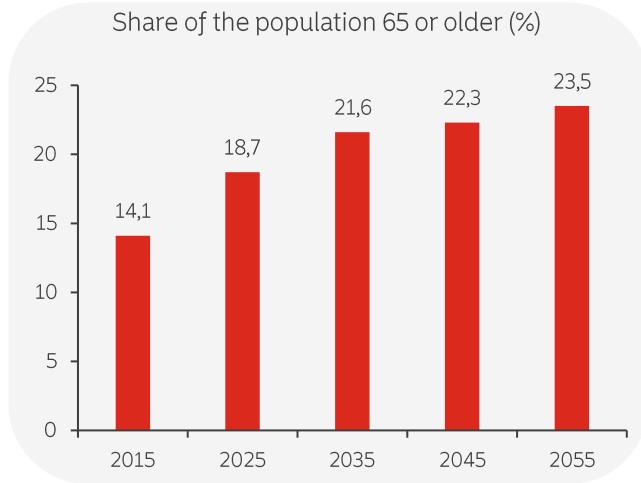
Source: Peterson Foundation, Momentum Investments

Chart 10: Outsized US public debt has risen above US\$38 trillion



Source: Federal Reserve Bank of St. Louis, Momentum Investments, data up to Q2 2025

Chart 12: A demographic headwind is facing the US fiscus



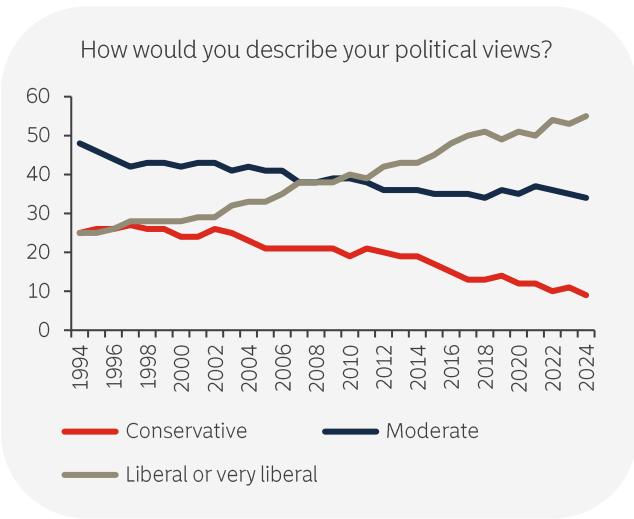
Source: Peterson Foundation, Momentum Investments

Looking back at 2025:

Economic surprise #4: From anti-establishment outsiders to governing insiders

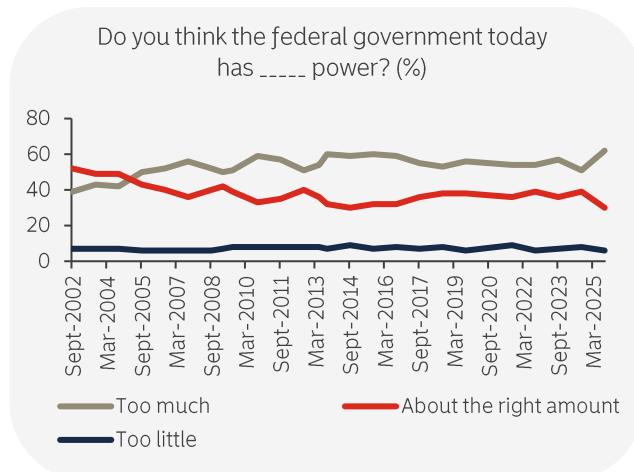
- Parties that once channelled frustration with political elites have moved from the electoral margins into the centre of government, drafting budgets, steering trade policy and reshaping migration rules.
- For investors, the surprise is not their arrival but their durability. Movements previously written off as inexperienced or inherently unstable have proved far more resilient in office than expected, less prone to burning out through internal rifts or voter remorse.
- Their entrenchment signals that the political realignment they represent is likely to persist rather than fade with the next electoral cycle. In America, record polarisation across the political spectrum leaves less room for across-the-aisle negotiation on key issues between the Republicans and Democrats in federal and state government.

Chart 13: Partisans have become increasingly politically polarised



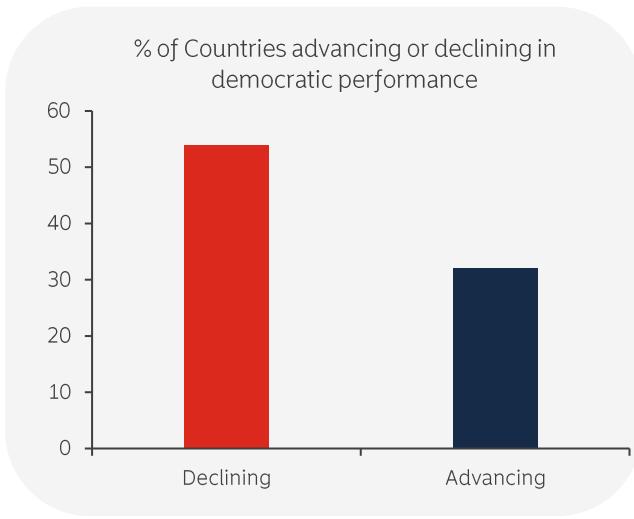
Source: Gallup, Momentum Investments

Chart 15: Americans perceive that the government has too much power



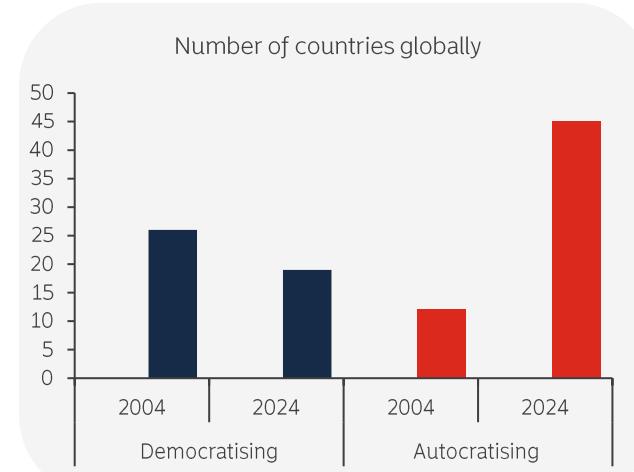
Source: Gallup, Momentum Investments, data up to September 2025

Chart 14: Global patterns show that democracy around the world continues to weaken



Source: International IDEA, Momentum Investments

Chart 16: A global trend of autocratisation is sweeping across nations



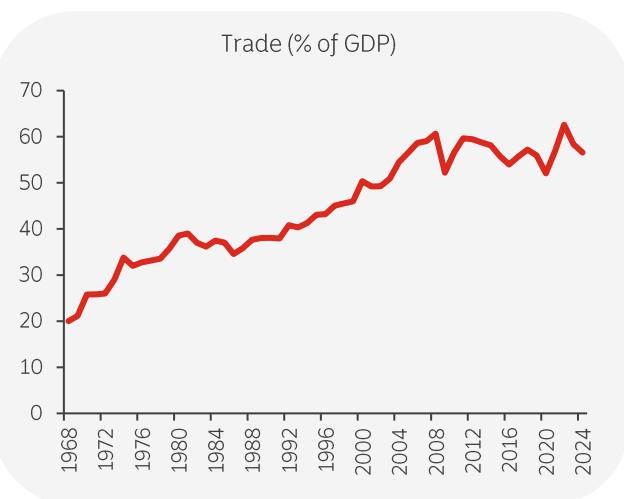
Source: V-dem, Momentum Investments

Looking back at 2025:

Economic surprise #5: Strategic promiscuity redraws the global trade map

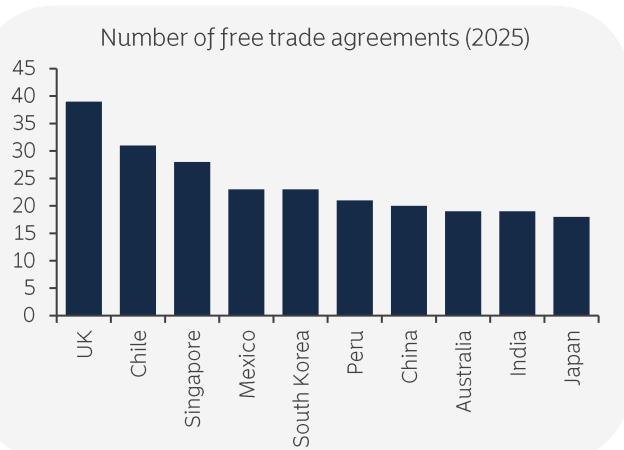
- Countries, confronted with rising tariffs, geopolitical friction and the growing use of supply chains as leverage, responded with an uncommon burst of deal-making, preventing a steeper drop off in the global trade to GDP ratio.
- Governments that once relied heavily on familiar partnerships began striking agreements across a wider range of counterparts, diluting the exclusivity of old alliances in favour of more flexible, opportunistic arrangements.
- The pattern that emerged was a trade system reshaping itself far more quickly than many analysts had predicted, exposing how loosely the global economy is now tethered to the traditional blocs that long defined it.
- Consequently, the global trade policy uncertainty index partly retraced an earlier spike reached during the announcement of Liberation Day tariffs in April 2025.

Chart 17: Global trade share of GDP has largely moved sideways



Source: World Bank, Momentum Investments

Chart 19: Countries are embarking on more bilateral and free trade agreements



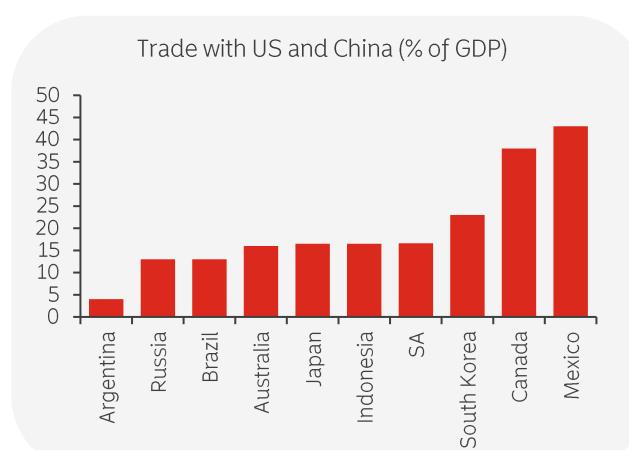
Source: IMD World Competitiveness Centre, Momentum Investments

Chart 18: The global trade policy uncertainty index has retraced from its earlier peak



Source: SARB, Bloomberg, Momentum Investments

Chart 20: Trade ties with the US and China are meaningful but are diversifying



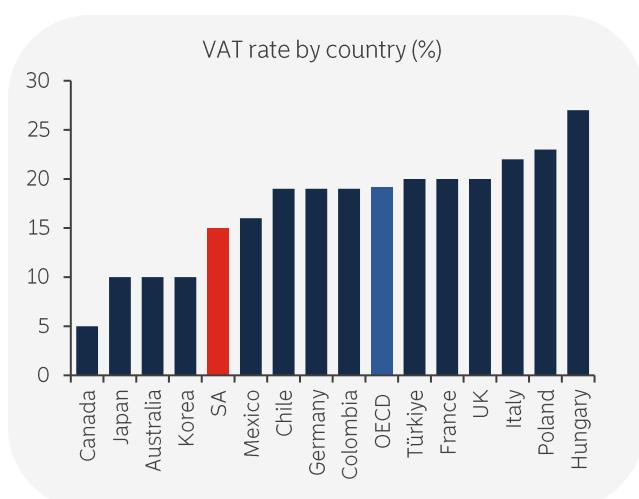
Source: Bloomberg, Momentum Investments

Looking back at 2025:

Economic surprise #6: The VAT hurdle that laid bare the coalition's fault lines

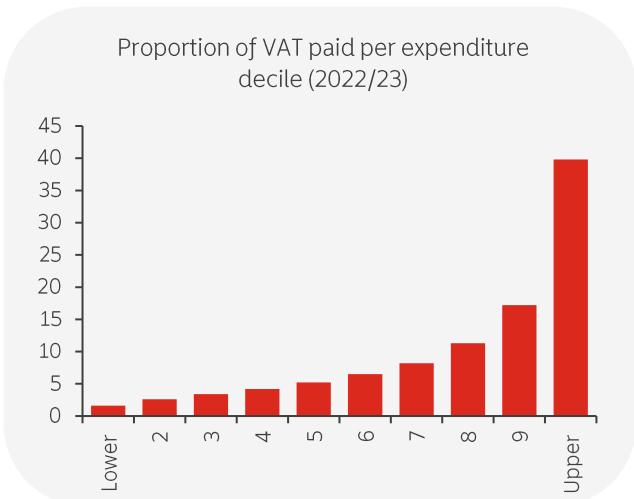
- SA's GNU encountered its first major stumbling block not over foreign policy or security matters, but over managing levers to further the fiscal consolidation path.
- Plans to raise VAT collided head-on with differing priorities inside the coalition, producing an impasse that knocked the budget process off its usual course. National Treasury supported their initial view to raise VAT by comparing SA's lower VAT rate to the typical OECD economy, while noting that the case to raise personal income taxes or corporate income taxes would be much harder to ratify.
- The stand-off highlighted the structural tensions of shared governance, including the imperative to secure revenue for essential public services sits uncomfortably alongside political sensitivities and the reality of strained household finances. It is a delicate equilibrium to balance, but it is one the GNU is likely to confront more than once as fiscal pressures deepen.

Chart 21: SA's VAT rate is comparatively lower compared to global peers



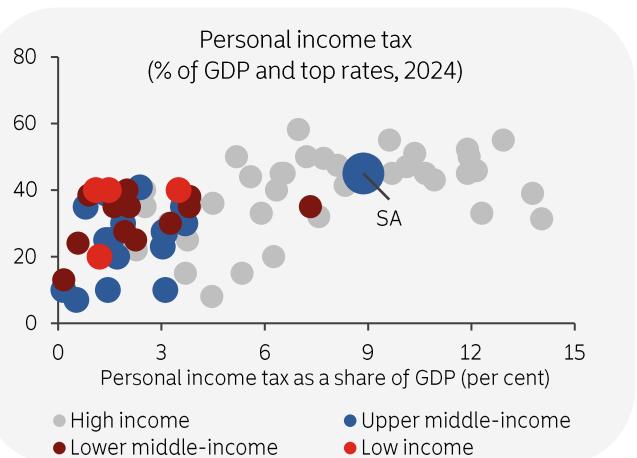
Source: OECD, Momentum Investments

Chart 22: The VAT burden is borne out by the higher expenditure deciles in SA



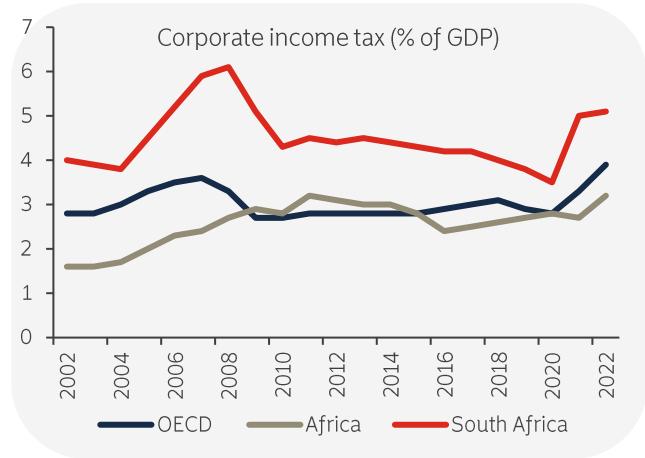
Source: Treasury, Momentum Investments

Chart 23: Little room to lift SA's marginal personal income tax rate based on global peer rates



Source: Treasury, Momentum Investments

Chart 24: SA's corporate income tax rate is already high when compared to our peers



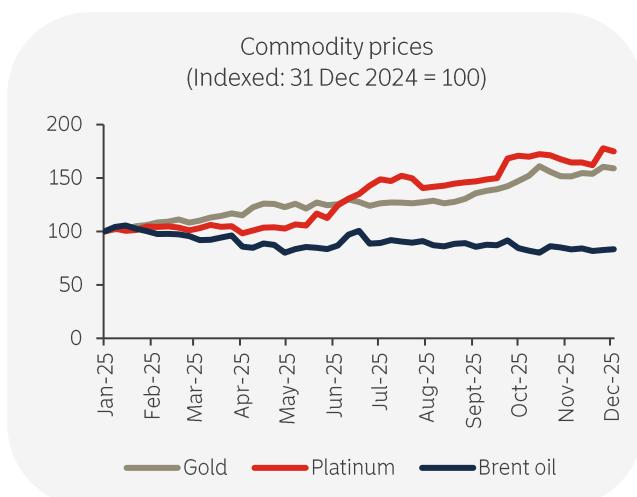
Source: Treasury, Momentum Investments

Looking back at 2025:

Economic surprise #7: A fortunate price mix lifts SA's terms of trade

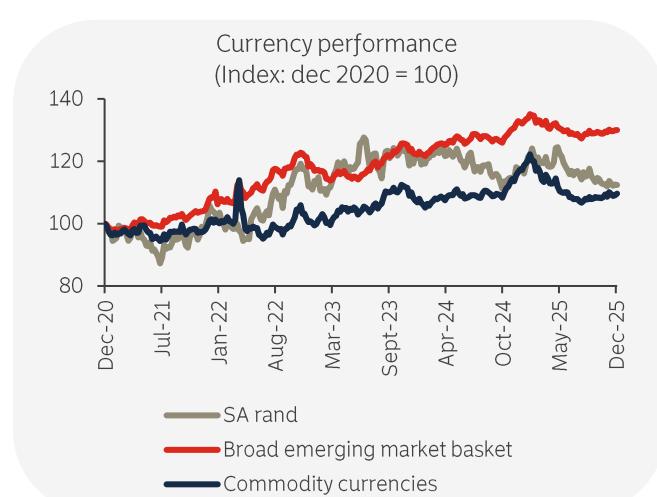
- A well-timed upswing in key commodity prices gave SA an unexpected external windfall.
- Gold and platinum benefited from a mix of safe-haven buying, geopolitical unease and lingering supply tightness, while global oil benchmarks remained softer than anticipated.
- Together, these shifts nudged the country's terms of trade in a favourable direction, lending the rand more support than underlying economic conditions may have warranted. The improvement also worked quietly in the background as an economic stabiliser, offsetting some of the drag from weaker domestic momentum and a patchy global recovery.

Chart 25: Gold and platinum prices lifted in 2025, while oil prices remained contained



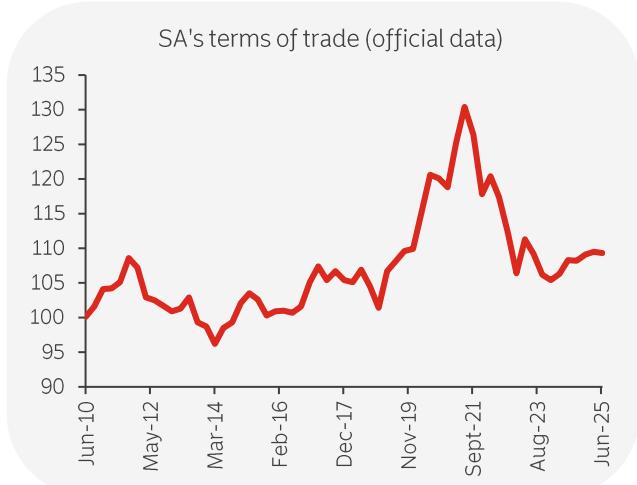
Source: Bloomberg, Momentum Investments

Chart 27: The rand performed better than typical commodity-related currencies



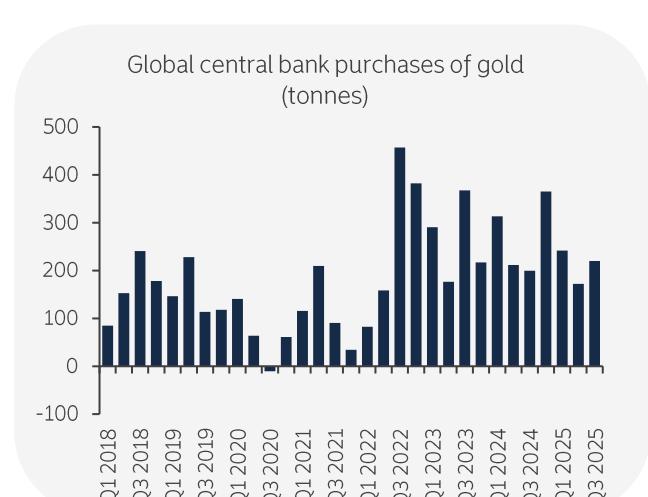
Source: Bloomberg, Momentum Investments, commodity currencies include = Australian dollar, Brazilian real, New Zealand dollar, Canadian dollar and Russian rouble

Chart 26: SA's terms of trade received a welcome boost and acted as a positive driver of the rand



Source: Bloomberg, SARB, Momentum Investments

Chart 28: Global central bank demand for gold slowed relative to history but remained firm



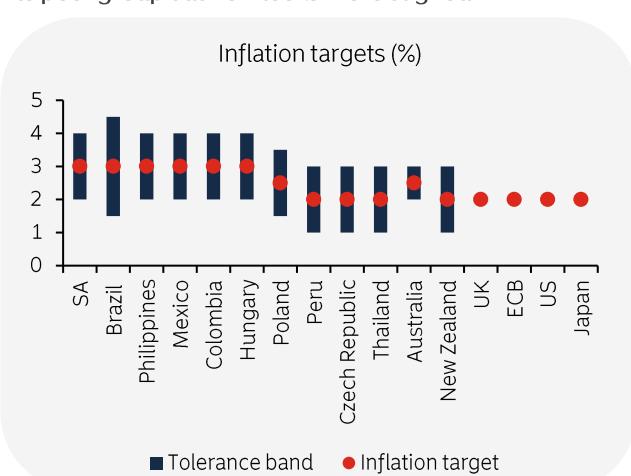
Source: Bloomberg, Momentum Investments

Looking back at 2025:

Economic surprise #8: A firmer rand renders a tough 3% pivot on the inflation target more tenable

- Under normal circumstances, shifting to a stricter 3% inflation target would risk rattling markets and prompting doubts about policy resolve.
- This time, however, the external environment did much of the heavy lifting. A stronger rand, supported by a weaker dollar, firm precious-metal prices and relatively soft global oil prices, helped contain imported cost pressures.
- That combination provided an unexpectedly supportive setting, making the revised target appear more achievable rather than an overreach.
- A lower inflation target should allow for less volatile inflation, an improvement in purchasing power, an increase in housing affordability for consumers, a less stringent funding environment for corporates and a lower government borrowing costs, in time.

Chart 29: SA's previous inflation target was higher than its peer group but now looks more aligned



Source: Daily Maverick, Prescient, Momentum Investments, ECB = European Central Bank

Chart 31: Inflation expectations have moderated across the board



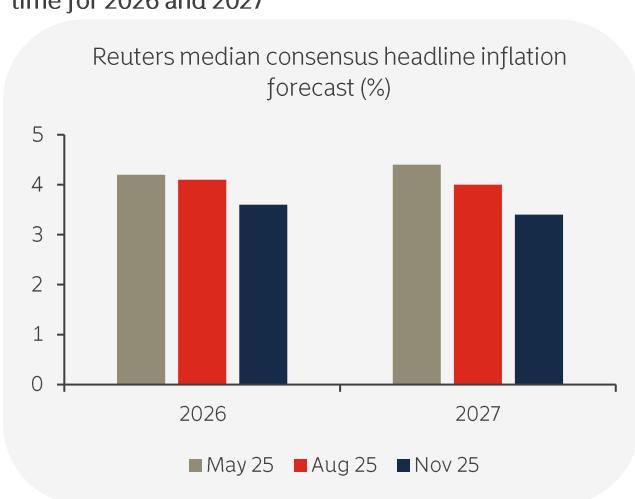
Source: Bureau of Economic Research (BER), Momentum Investments

Chart 30: The SARB's level of credibility ranks high on a global scale



Source: Berkeley Economics (University of California), Momentum Investments, EU = European Union, UAE = United Arab Emirates

Chart 32: Analysts reduced their inflation forecasts over time for 2026 and 2027



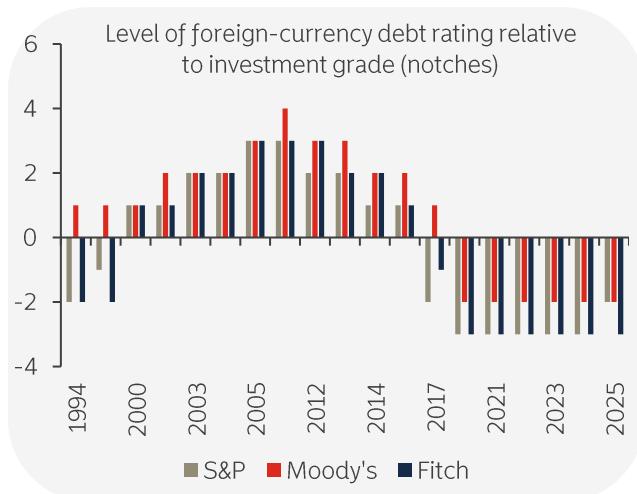
Source: Reuters, Momentum Investments

Looking back at 2025:

Economic surprise #9: Fiscal discipline pays off in a surprise credit rating upgrade

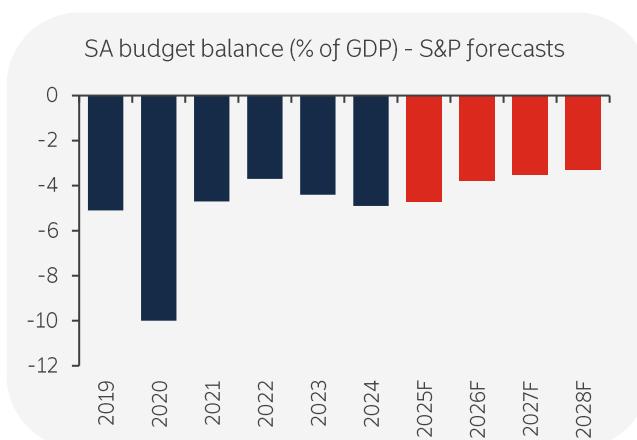
- S&P Global's unexpected lift to SA's sovereign rating reflected a gradual strengthening of the country's public finances. It is incremental and the total quantum of debt remains large, but the improvements have been enough to shift the needle. Moody's, nevertheless, kept SA's sovereign rating and outlook unchanged at the December 2025 review, citing ongoing caution around growth, reform and fiscal dynamics.
- Softer government bond yields, which rallied in part due to the SARB targeting a lower level of headline inflation, have already trimmed government's debt-service costs.
- Government revenue outperformed earlier projections made in the national budget and spending controls held more firmly than in previous years, offering rare relief to a budget that has long struggled under the weight of weak growth and rising obligations.
- The decision to upgrade SA came on the heels of the country's removal from the FATF greylist, a development largely anticipated by markets but still meaningful in signalling a cleaner operating environment for cross-border capital.

Chart 33: S&P Global lifted SA's foreign currency credit rating to BB with a positive outlook



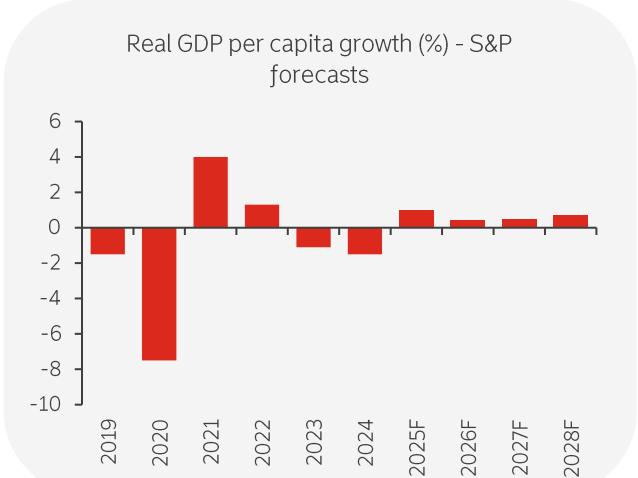
Source: S&P Global, Fitch, Moody's, Bloomberg, Momentum Investments

Chart 35: S&P Global expects SA's fiscal deficit ratio to reach negative 3.3% of GDP by 2028



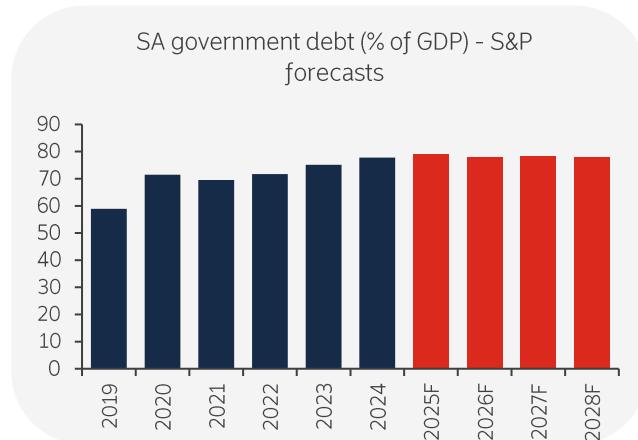
Source: S&P Global, Treasury, Momentum Investments

Chart 34: S&P Global expects an improvement in SA's GDP per capita



Source: S&P Global, Momentum Investments

Chart 36: S&P Global expects SA's debt-to-GDP ratio to reach 77.9% of GDP by 2028



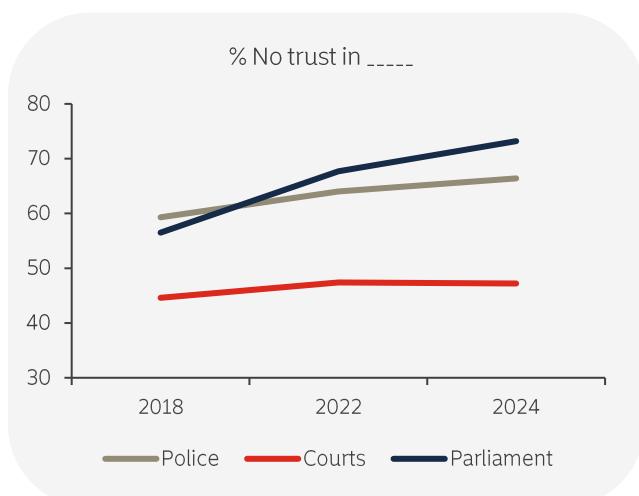
Source: S&P Global, Treasury, Momentum Investments

Looking back at 2025:

Economic surprise #10: The long road to professionalising SA's law enforcement

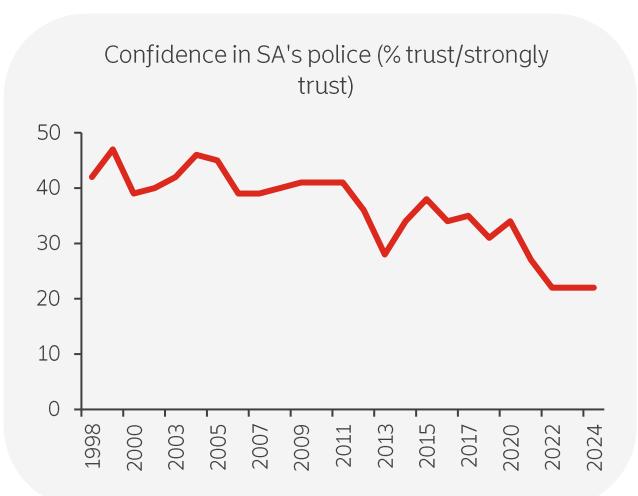
- The Police Commission's work has begun to expose the depth of the structural flaws in SA's law-enforcement system. Its findings point to long-running problems, including corruption, weak oversight and chronic misallocation of resources, which have eroded the effectiveness of policing and undermined public confidence.
- The political ramifications are not trivial. Perceptions of interference and uneven accountability could weigh on the ANC ahead of the 2026 municipal elections, costing them votes, particularly in more urbanised areas.
- Yet the inquiry has at least offered a more coherent outline of what reform would require, providing a starting point for rebuilding credibility in institutions that have been allowed to drift for too long, leading to a structural decline in citizen trust in institutions like the police force.

Chart 37: Increasing level of citizen distrust in the police, courts and parliaments



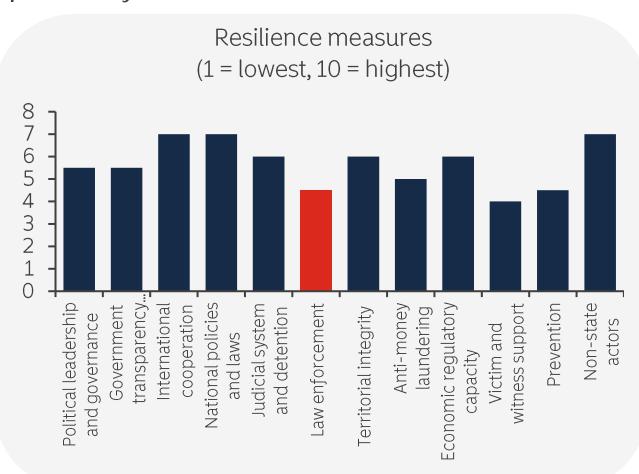
Source: Afrobarometer, Momentum Investments

Chart 38: Citizen trust in police has been in structural decline since the late 90s



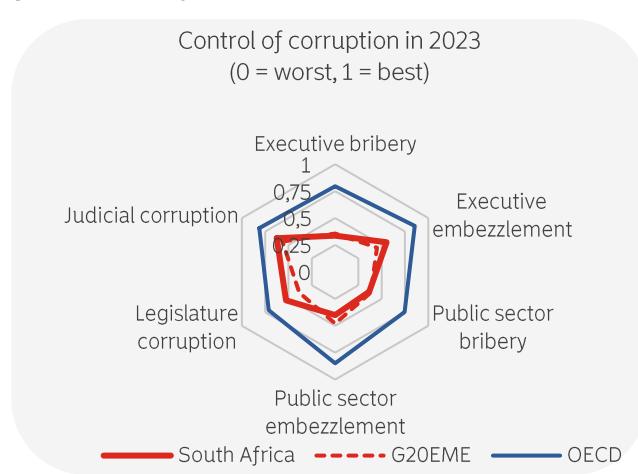
Source: Human Sciences Research Council, Momentum Investments

Chart 39: SA's resilience in crime prevention is particularly low



Source: ENACT Africa, Momentum Investments

Chart 40: SA needs to further address corruption and government deficiencies



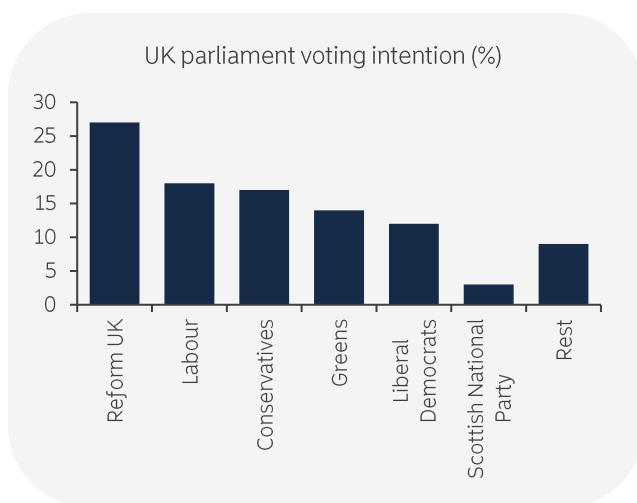
Source: OECD, Momentum Investments, EME = emerging market economies

Looking ahead to 2026:

Economic trend #1: The post-war liberal order continues its quiet unravelling

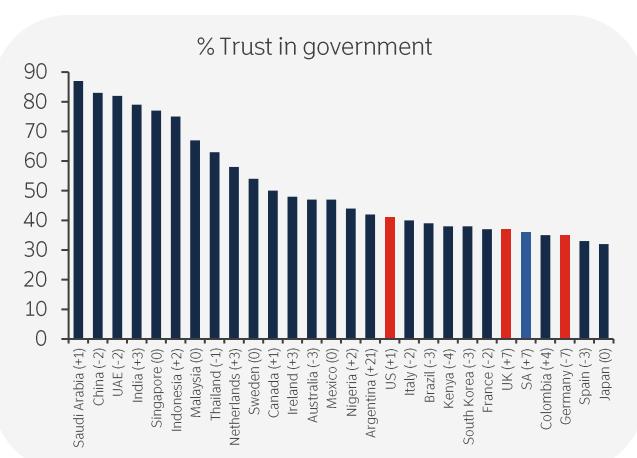
- The architecture of the post-war liberal order is loosening piece by piece, even if the shifts are quieter than the headlines suggest.
- A growing number of governments are being steered by populist or hard-right formations, and their consolidation in office is placing steady strain on institutions once considered untouchable. Courts, public broadcasters and central banks are feeling the pressure as political leaders test the limits of independence in pursuit of short-term advantage.
- On the surface, the world can appear calmer. Brief ceasefires and negotiated war pauses offering the impression of stability as conflicts drag on. Yet the underlying landscape is more fragile. As long-standing institutional safeguards are weakened or repurposed for geopolitical bargaining, the system becomes more vulnerable to shocks, leaving global politics more brittle than the momentary lulls in tension might imply.

Chart 41: Polls in the UK show centrist parties under strain



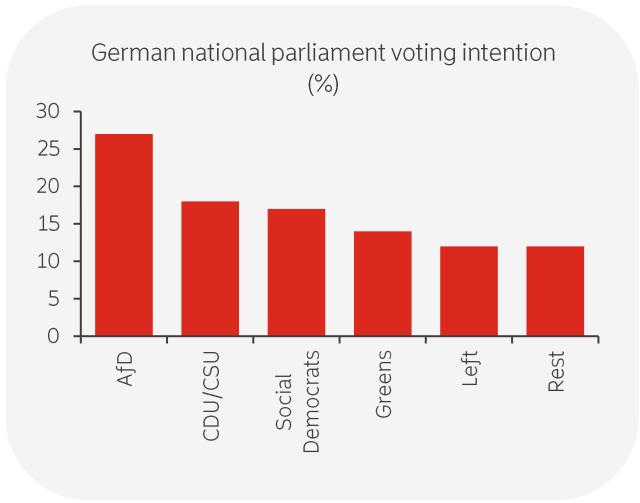
Source: Politico (07 December 2025), Momentum Investments

Chart 43: Citizens' trust in governments operating in democracies are falling behind



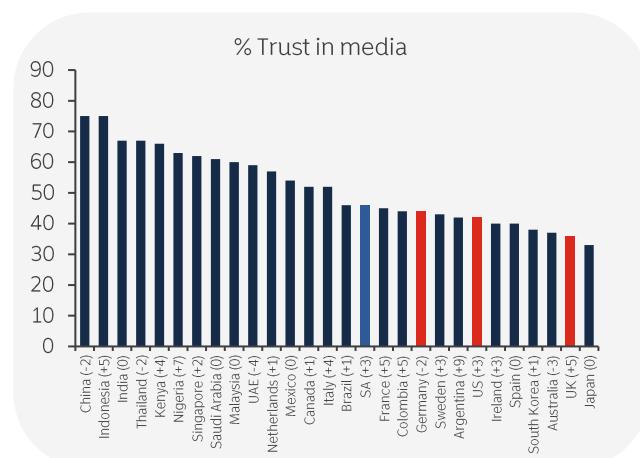
Source: 2025 Edelman Trust Barometer, Momentum Investments, numbers in brackets = shift between 2024 and 2025

Chart 42: Polls in Germany show the far right making gains



Source: Politico (07 December 2025), Momentum Investments

Chart 44: Citizens' trust in media is dropping in response to trends like fake news



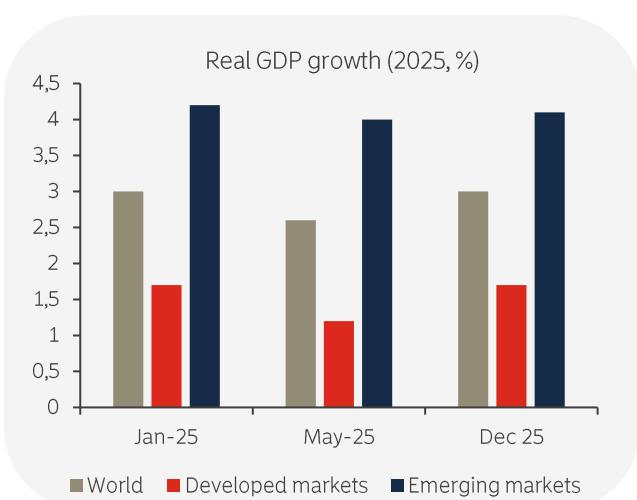
Source: 2025 Edelman Trust Barometer, Momentum Investments, numbers in brackets = shift between 2024 and 2025

Looking ahead to 2026:

Economic trend #2: Global central banks stop marching in step

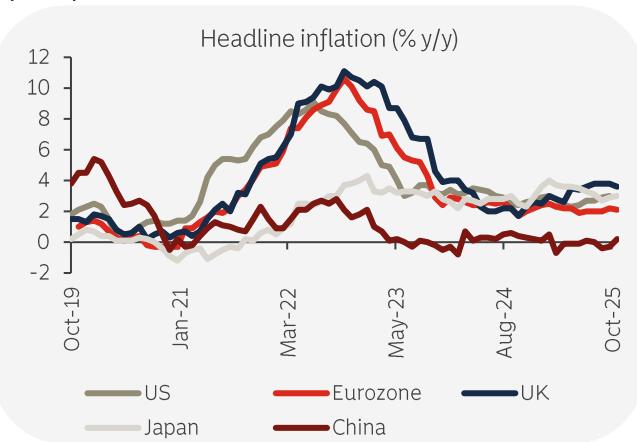
- Global headline figures may suggest an unremarkable year, but the apparent calm conceals widening divergences beneath the surface. With growth and inflation moving along increasingly different trajectories, central banks are drifting out of sync.
- China is set to maintain an easing bias as excess industrial capacity continues to exert powerful disinflationary pressure. Japan, by contrast, is likely to tighten further to safeguard its tentative exit from decades of price stagnation. In the Eurozone, policymakers are still wary that disinflation has possibly not fully run its course, and as such another one or two more cuts cannot be fully excluded. In the US, the pace and depth of any easing will depend on whether residual inflation pressures prove persistent. The result is a monetary landscape no longer defined by coordinated cycles, but by an uneven mix of domestic constraints and region-specific risks. Meanwhile, a highly divided monetary policy committee at the Bank of England continue to debate persist price pressures and job market concerns.
- Futures markets and overnight indexed swap spreads are indicating three cuts in the US by the end of 2026, no shift in interest rates in the Eurozone, two cuts in the UK and two hikes in Japan.

Chart 45: Markets expect growth in emerging markets to be more than double that of developed markets



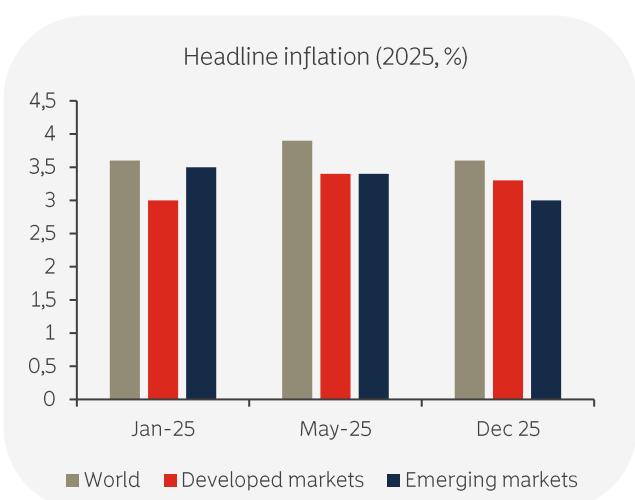
Source: Bloomberg Momentum Investments

Chart 47: China still grappling with near-deflation, while price pressures remain in the UK



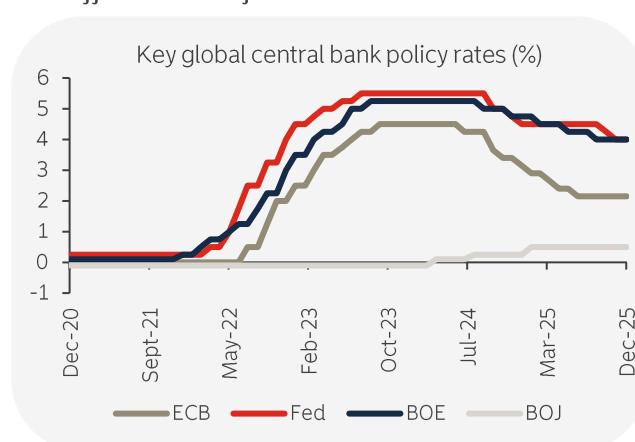
Source: Bloomberg, Momentum Investments

Chart 46: Markets' expectations of inflation softened in the second half of the year



Source: Bloomberg Momentum Investments

Chart 48: Central bank policy divergence growing in line with differentiated inflation trends



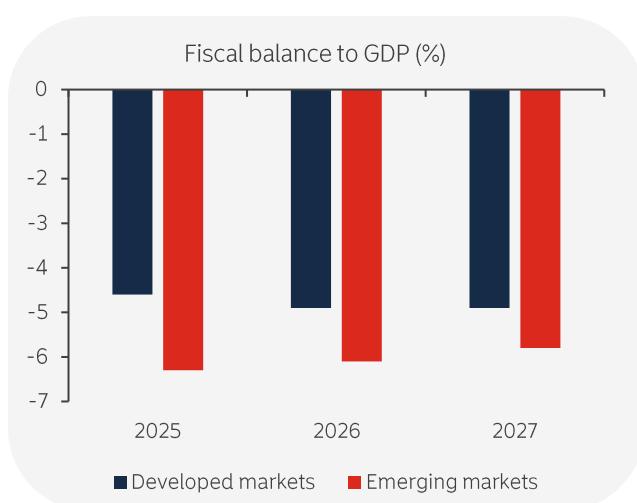
Source: Bloomberg, Momentum Investments, Fed = Federal Reserve, BOE = Bank of England, BOJ = Bank of Japan

Looking ahead to 2026:

Economic trend #3: Bond markets write the cheque for fiscal excess

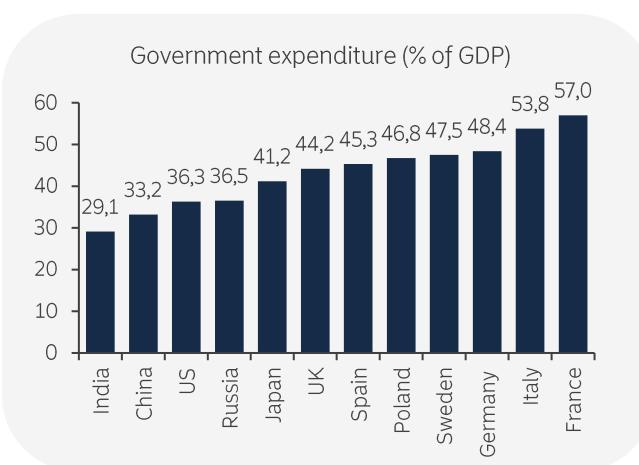
- The period in which governments could rely on ultra-low borrowing costs and abundant central-bank purchases is fading fast.
- Debt ratios in advanced economies have climbed past 110% of GDP, and investors are no longer treating fiscal slippage with benign indifference. Instead, bond markets are differentiating more sharply. Countries demonstrating credible budget discipline are seeing more favourable financing conditions, while those continuing to run large deficits are finding that the bill for past excesses is finally coming due.
- French government bond yields ran higher in 2025 as debt neared 120% of GDP given years of lavish government spending. This follows on two years of government instability making it difficult to pass a budget through a fractured parliament.

Chart 49: Fiscal deficits are set to widen across developed economies



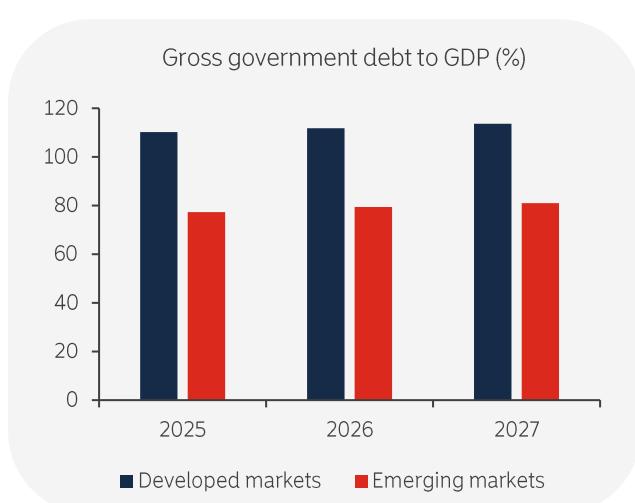
Source: IMF Fiscal Monitor, Momentum Investments

Chart 51: Lavish government spending spells trouble for future debt dynamics



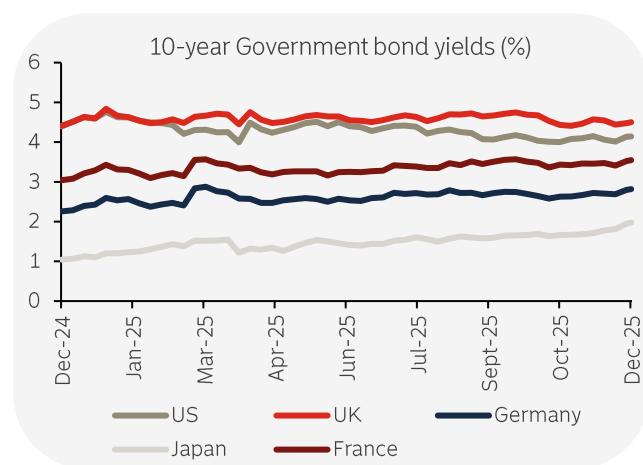
Source: World Bank, Momentum Investments

Chart 50: Debt ratios are set to climb across developed and emerging economies



Source: IMF Fiscal Monitor, Momentum Investments

Chart 52: Bond markets are becoming less forgiving of highly indebted markets



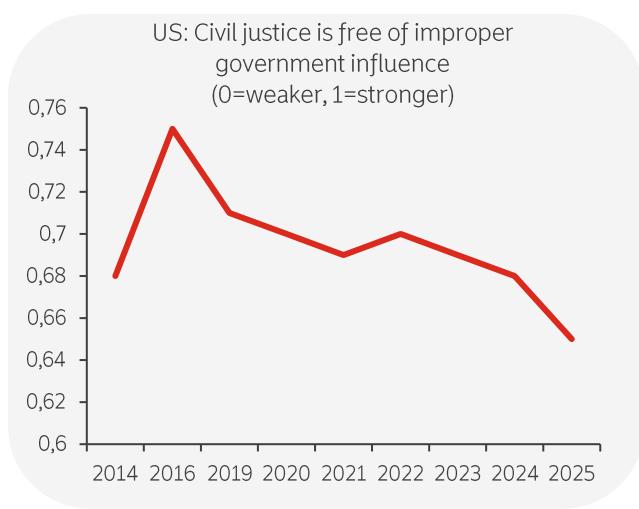
Source: Bloomberg, Momentum Investments

Looking ahead to 2026:

Economic trend #4: Politics' expanding grip on core institutions

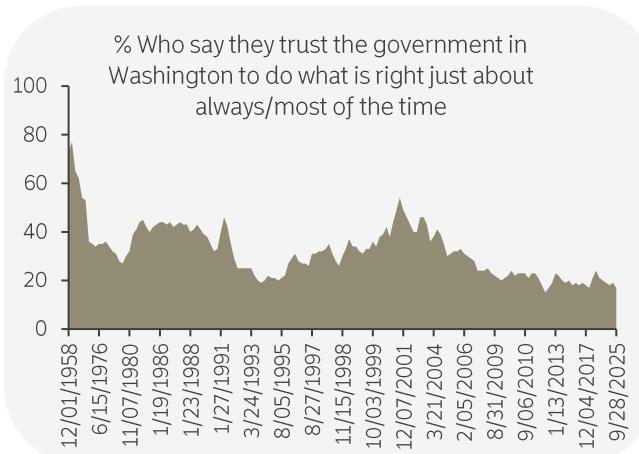
- Governments facing weak growth, rising public liabilities and increasingly impatient electorates are likely to more heavily influence institutions once treated as technocratic domains.
- Central banks, regulators and state-owned entities may find themselves nudged toward decisions that prioritise political timelines rather than economic logic, whether through pressure to keep monetary policy looser for longer or to adjust regulatory stances that cushion short-term discomfort.
- For markets, the risk is a more erratic policy environment. Shifts driven by electoral considerations tend to blur price signals, heighten volatility and complicate the task of interpreting macro trends.
- As institutional autonomy is tested, investors may need to place greater weight on political incentives when assessing the durability of policy choices once assumed to be shielded from such interference.

Chart 53: Government's tentacles are increasingly creeping into civil justice in the US



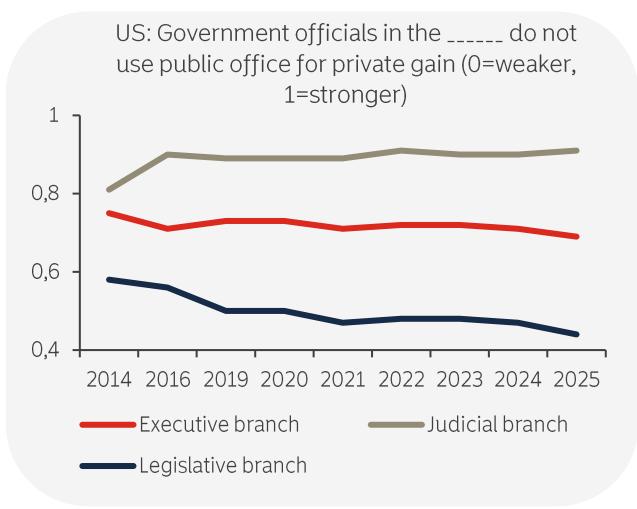
Source: World Justice Project, Momentum Investments

Chart 55: Public trust in the US government is operating close to historic lows



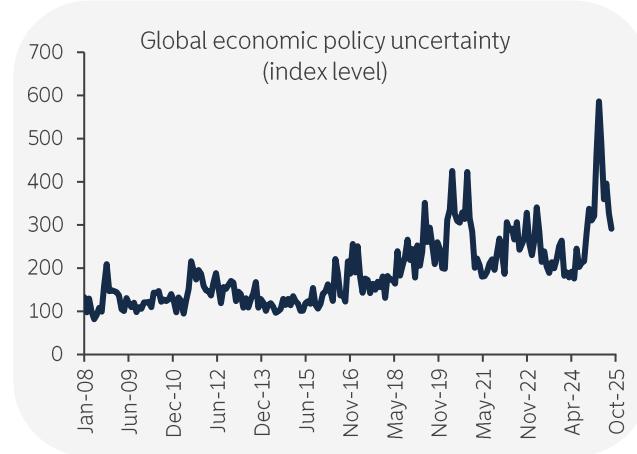
Source: Pew Research Centre, Momentum Investments

Chart 54: Government interference in the US is becoming a bigger concern



Source: World Justice Project, Momentum Investments

Chart 56: Global economic policy uncertainty could reset to a higher level structurally



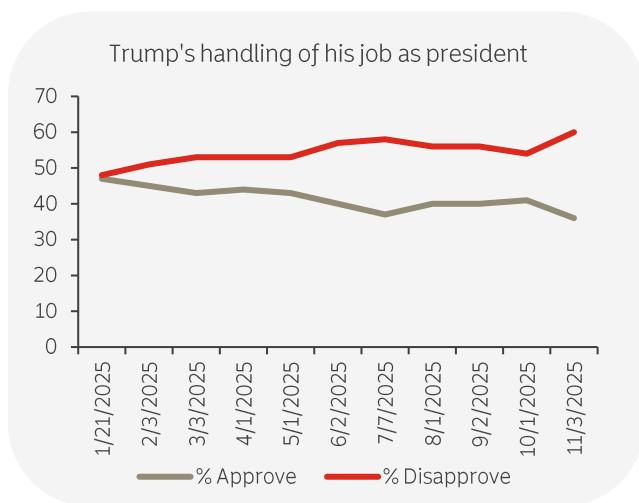
Source: policyuncertainty.com, Momentum Investments

Looking ahead to 2026:

Economic trend #5: The global stakes of the 2026 US midterm elections

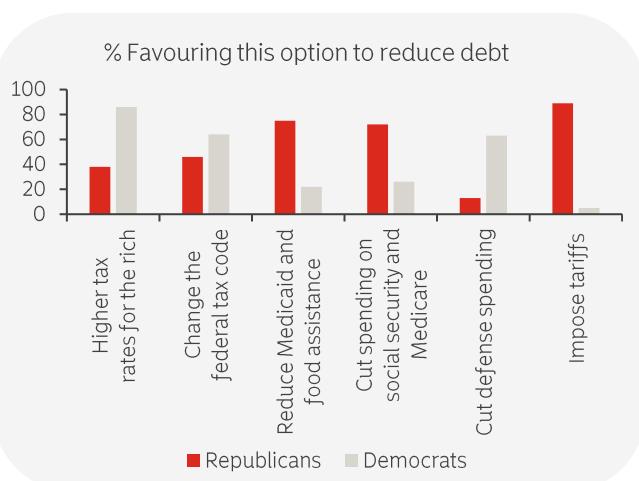
- The 2026 US midterms loom as a pivotal moment for global markets, given their potential to reset the trajectory of American fiscal choices, trade policy and regulatory ambition.
- With control of Congress genuinely contestable, investors will be watching closely to see whether the electorate extends the current gridlock or delivers a more decisive balance of power.
- A Republican advance would likely sharpen the focus on spending restraint, deregulation and more forceful trade measures. A Democratic tilt, by contrast, would reinforce Washington's interventionist industrial strategy and a heavier regulatory hand.
- For the rest of the world, the election is less a domestic political event than a determinant of how predictable, or volatile, the US policy environment will be over the next several years.

Chart 57: US President Donald Trump's popularity dipped after the prolonged government shutdown



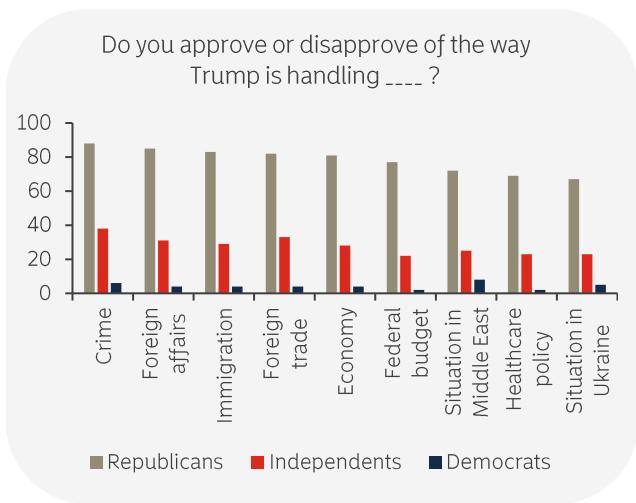
Source: Gallup, Momentum Investments

Chart 59: Wide disparity in partisan views on how to deal with elevated US federal debt



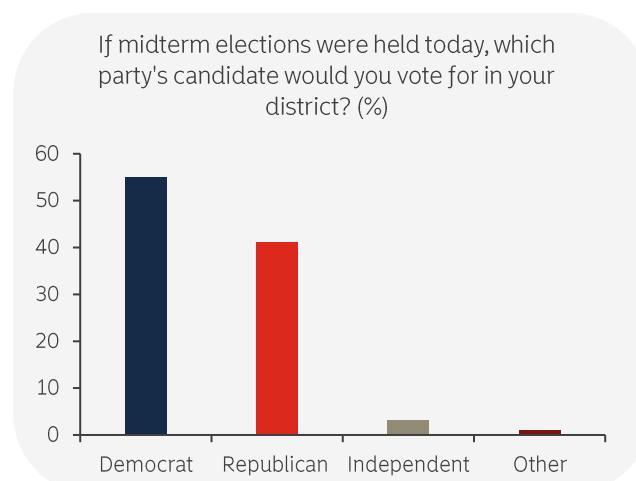
Source: Gallup, Momentum Investments

Chart 58: Large majorities of Republicans are in support of Trump's handling of key issues



Source: Gallup (3-25 November 2025), Momentum Investments

Chart 60: Democrats have a double-digit lead against Republicans



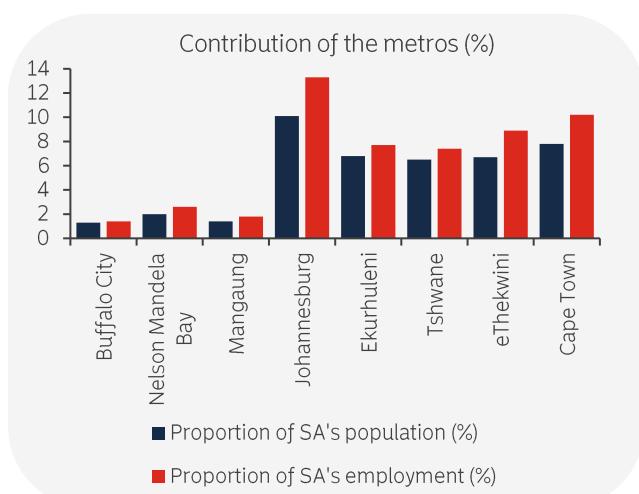
Source: NPR, PBS News, Marist Poll (3 - 10 November 2025, 1,291 surveyed), Momentum Investments

Looking ahead to 2026:

Economic trend #6: The municipal test that could rewire SA's political map

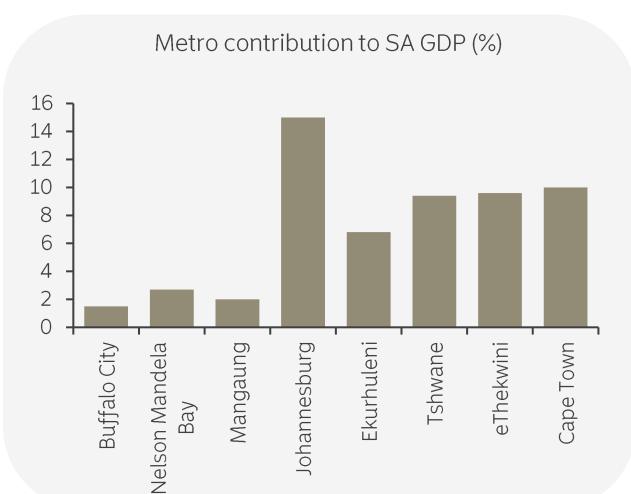
- The 2026 SA municipal elections are shaping up less as an ideological contest and more as a judgment on basic governance. Years of deteriorating local capacity, chronic service failures and unstable coalitions in major metros have made competence the core ballot question.
- That backdrop gives the DA an opening. The party has been widening its footprint in Gauteng's urban middle corridor and in parts of KwaZulu-Natal, positioning it to make further incremental gains in municipalities where frustrations over water, waste management and infrastructure breakdowns run deepest.
- If those shifts materialise, the implications will stretch beyond local boundaries. A meaningful redrawing of urban political loyalties would alter the balance of power heading into the 2029 national election, signalling that municipal performance is becoming a central driver of SA's broader political realignment.

Chart 61: Over 42% of SA's population reside in the metros while the metros account for 53% of all jobs



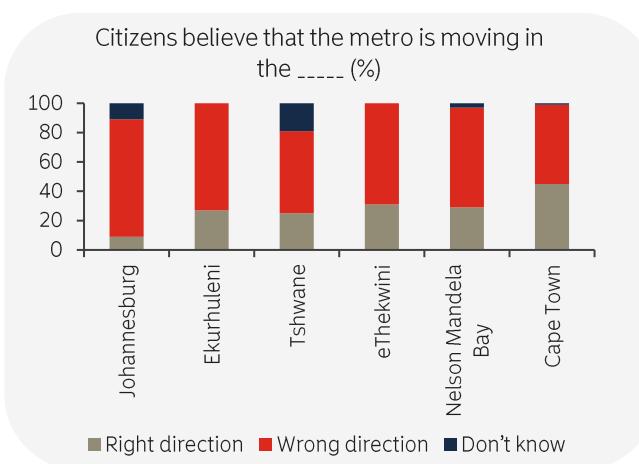
Source: Institute of Race Relations (IRR) - July 2024, Momentum Investments

Chart 62: SA's eight metros account for nearly 60% of the country's GDP



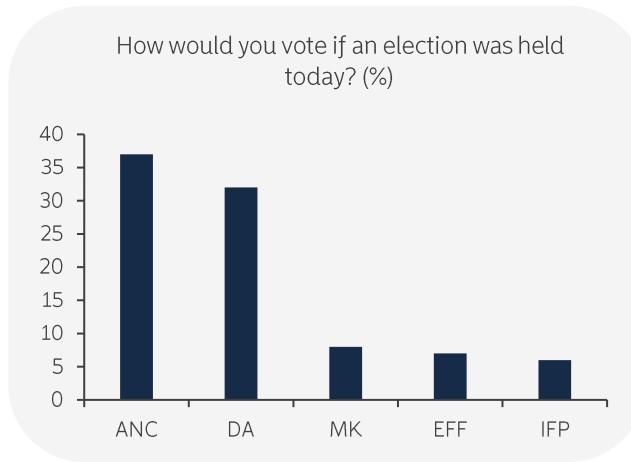
Source: IRR - July 2024, Momentum Investments

Chart 63: Citizens are looking for change to improve service delivery outcomes



Source: SBG Securities, Momentum Investments

Chart 64: Voter dissatisfaction with service delivery could cost the ANC in the municipal elections



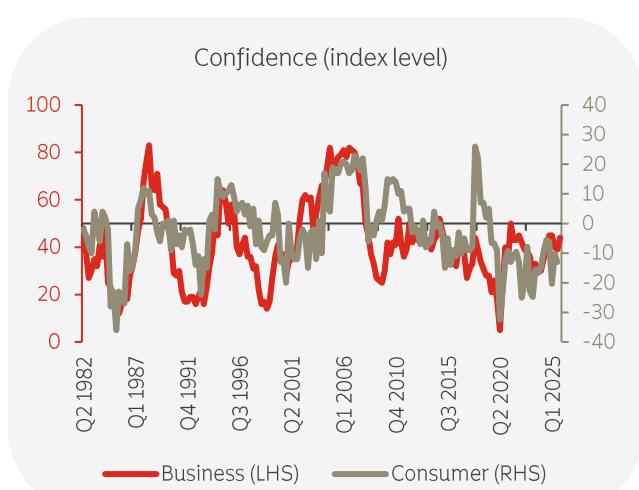
Source: Social Research Foundation (November survey of 1002 registered voters, assuming a voter turnout of 53%), Momentum Investments

Looking ahead to 2026:

Economic trend #7: The SA economy catches a quiet current, signalling an upward growth pulse

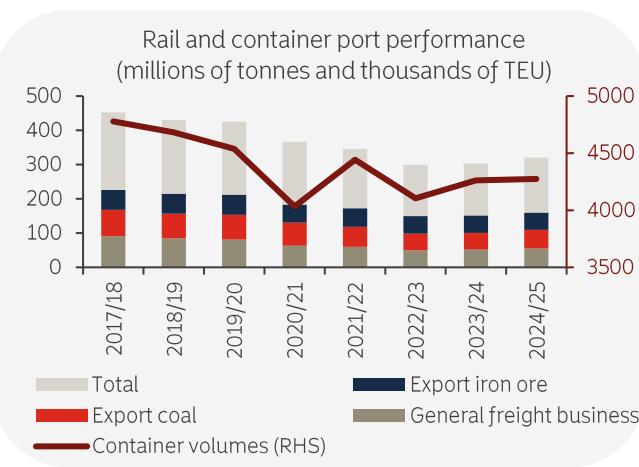
- Growth initially disappointed expectations in 2025 as fixed investment failed to ignite due to persistent political uncertainty. Nonetheless, growth in SA should post at a slightly firmer 1.6% in 2026 (from a projected 1.2% in 2025) helped by a mix of cyclical relief and incremental structural gains.
- Firming corporate sector credit growth for renewable energy and working capital requirements furthermore sends a welcome growth signal. Fixed investment should gain further traction as the private electricity build-out scales, rail and port reforms move from plans to execution, and early logistics partnerships ease bottlenecks.
- Households are likely to provide a steadier spending floor as inflation settles, real wages turn positive and interest-rate relief filters through. Moreover, a healthier terms-of-trade position creates a clearer runway for growth to edge higher. While unlikely to be a boom, it will mark a clear shift from the stagnation SA has endured, with growth expected to reach above 2% in 2027, in our view, on broadening fixed investment gains.

Chart 65: Businesses and consumers lack confidence in a sharper economic upturn



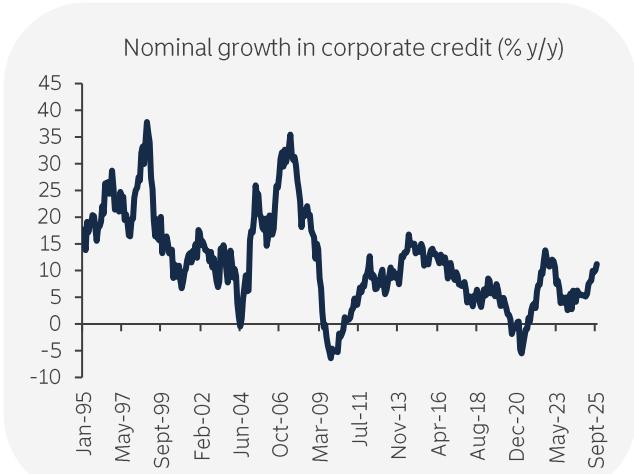
Source: BER, RMB, FNB, Momentum Investments, data up to Q3 2024 for the consumer confidence index and Q4 for the business confidence index

Chart 67: Logistics performance has bottomed out and is slowly improving



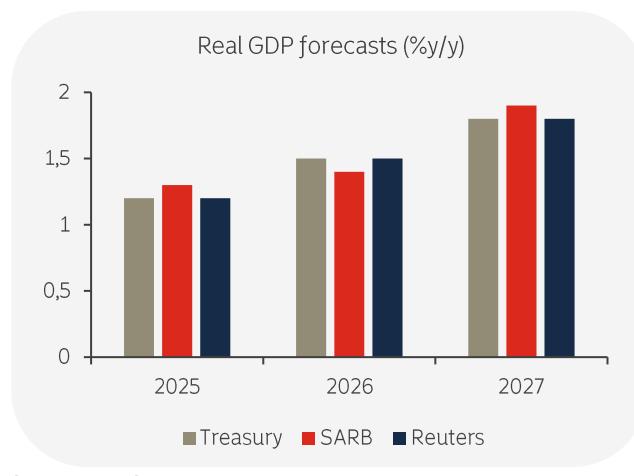
Source: Treasury, Momentum Investments

Chart 66: Encouraging growth in corporate credit partly related to investment in renewable energy



Source: SARB, Momentum Investments, data up to October 2025

Chart 68: Expectations of a recovery closer to 2% growth by 2027 are underpinned by reform gains



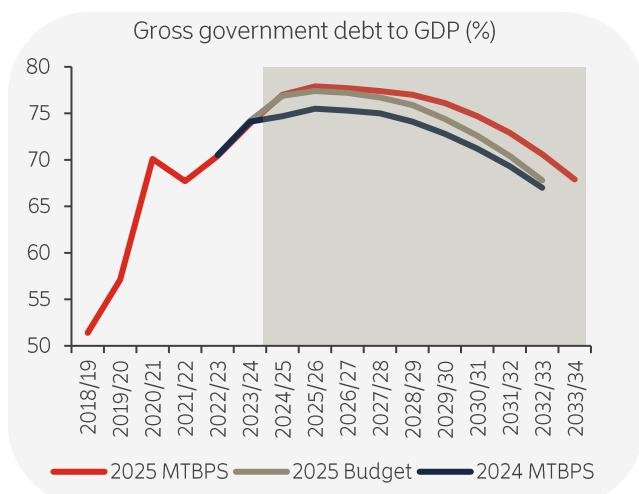
Source: Treasury, SARB, Reuters, Momentum Investments

Looking ahead to 2026:

Economic trend #8: Rating agencies likely to reward reform and fiscal prudence

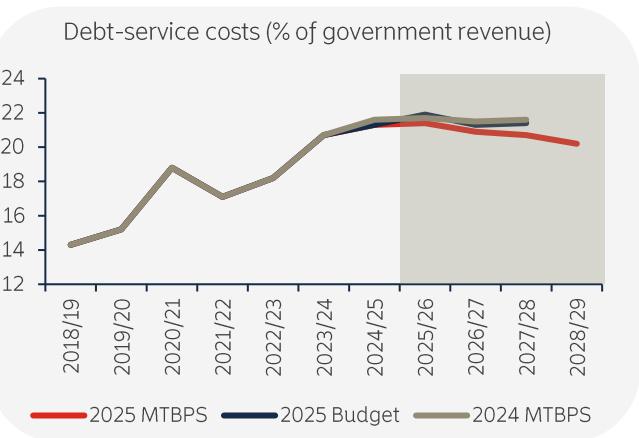
- Rating agencies appear increasingly inclined to acknowledge SA's steadier fiscal footing and the gradual, even if uneven, advance of reforms. While S&P Global reaffirmed its confidence in the incremental gains made in fiscal prudence and economic growth by leaving SA on a positive outlook, Moody's exercised a higher level of caution.
- Although Moody's acknowledged economic resilience and reform progress, they remained wary of structural hurdles. But markets have taken note of firmer expenditure control and revenue outcomes that have held up better than expected, both of which are beginning to ease pressure on the state's hefty interest bill. Further expected evidence of fiscal consolidation and improvements in energy and logistics nonetheless leave market participants cautiously optimistic over a favourable move in ratings in 2026.
- Debt levels remain elevated and refinancing demands are still sizeable, but the trajectory is looking less precarious than in recent years. In this context, agencies have more grounds to indicate a shift in their outlooks, reflecting the view that improved policy execution is slowly reducing sovereign risk.

Chart 69: A worsening in the debt ratio caused by smaller nominal GDP due to lower expected inflation



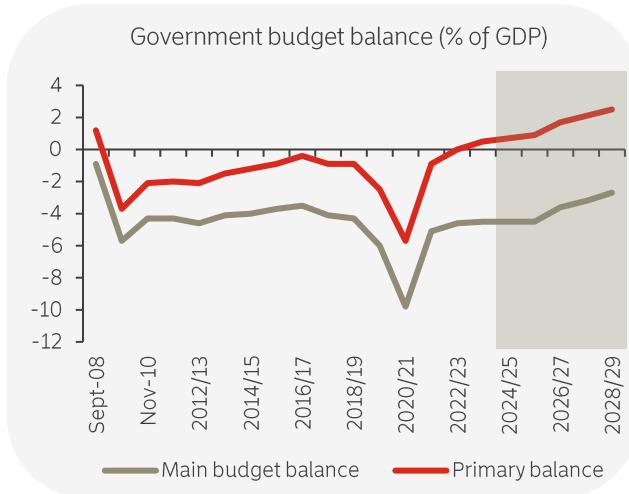
Source: Treasury, Momentum Investments, shaded area = forecasts, MTBPS = medium-term budget policy statement

Chart 71: Small improvement in debt-service costs



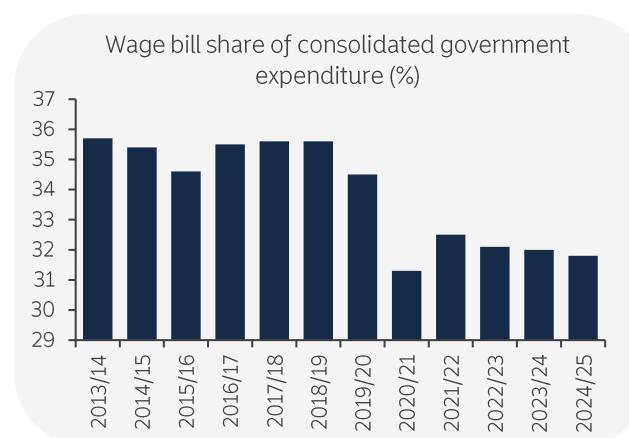
Source: Treasury, Momentum Investments

Chart 70: Government expects to maintain a primary surplus over the medium-term framework



Source: Treasury, Momentum Investments

Chart 72: Evidence of expenditure restraint



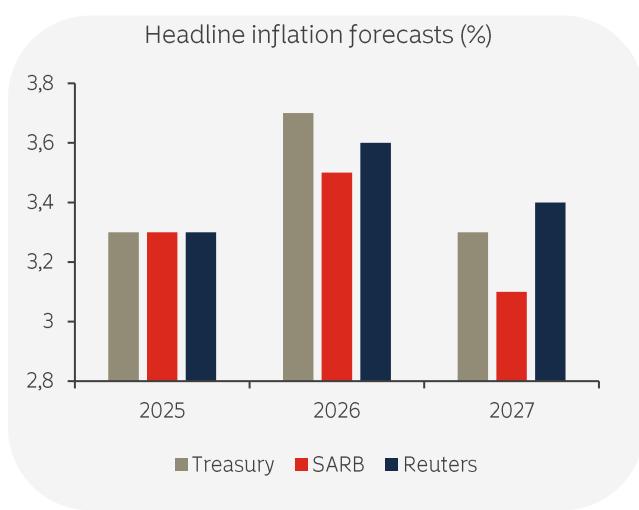
Source: Treasury, Momentum Investments

Looking ahead to 2026:

Economic trend #9: With rand support and inflation in check, policy options are expanding

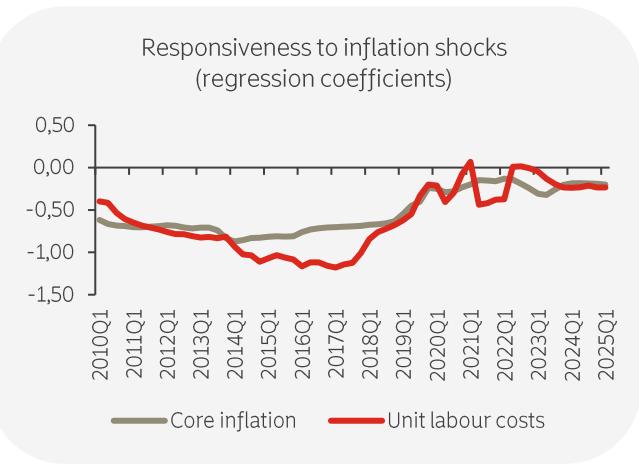
- SA enters 2026 with a more forgiving macro backdrop.
- Inflation is set to drift higher from a projected 3.3% in 2025 toward 3.5% in 2026, comfortably inside the new $3\% \pm 1$ percentage-point target band. Although the rand remains well behaved, there are, admittedly, still lingering upside threats to inflation posed by medical aid tariffs and electricity charges. As inflation expectations increasingly become more forward-looking, hinging on the new target, rather than tied to the consumers' previous price experience, inflation should drop further to an expected 3.3% average in 2027 and 2028, in our view.
- A still-supportive terms-of-trade position, steadier capital inflows and firmer fiscal signals have helped keep the rand on a more even keel, limiting imported price pressures. If these conditions hold, the SARB should have space to lower interest rates a little further, confident that the broader inflation environment remains contained rather than overheating. We expect a further two cuts of 25 basis points each in 2026 and one further cut in 2027.

Chart 73: Expected inflation has moderated on the back of SARB credibility and the new target



Source: Treasury, SARB, Reuters, Momentum investments

Chart 75: Core inflation and unit labour costs have become less responsive to inflation shocks



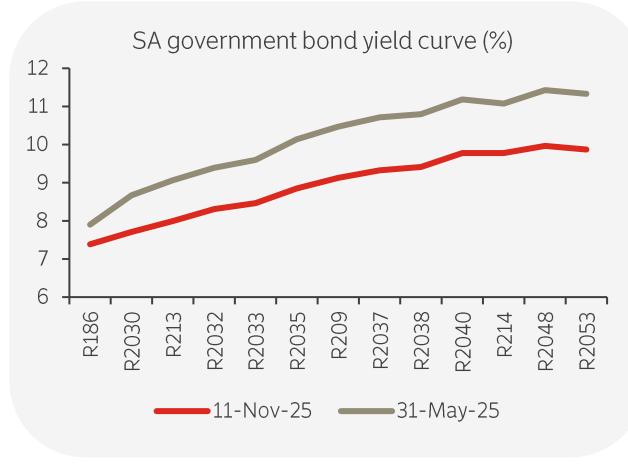
Source: Treasury, Bloomberg, Momentum Investments

Chart 74: SARB credibility has aided in a drop in inflation volatility



Source: SARB, Momentum Investments

Chart 76: Government bond yields rallied on the news that the SARB would be targeting 3% inflation



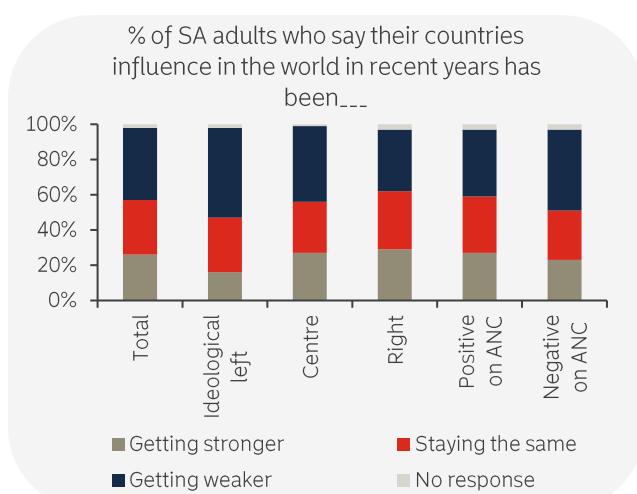
Source: Bloomberg, Momentum Investments

Looking ahead to 2026:

Economic trend #10: Treading between tariffs and trade alliances

- SA finds itself having to steer carefully between a more protectionist US and the expanding gravitational pull of emerging economic blocs. Washington's tariff escalation, coupled with sharper scrutiny of strategic imports, continues to complicate access for several SA exporters, with diplomatic tension over geopolitical alignments adding another layer of uncertainty.
- Yet the global trading environment is also opening new avenues. Deepening commercial links within Africa, helped by the slow but tangible rollout of the African Continental Free Trade Area, are widening markets for manufactured goods and services. At the same time, stronger ties with India, Southeast Asia and parts of the Middle East are shifting the composition of SA's export basket toward regions less exposed to US policy swings.
- The country's removal from the FATF greylist in late 2025 has further eased transactional bottlenecks, allowing for a more diversified set of commercial relationships by improving the operating environment for banks and corporates engaged in cross-border trade and investment.

Chart 77: South Africans see their country's influence in the world as waning rather than growing



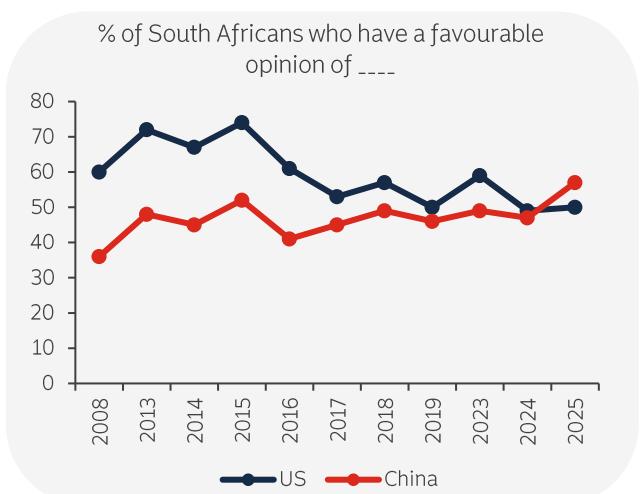
Source: Pew Research Centre (1570 adults surveyed in March 2025), Momentum Investments

Chart 79: SA exports more to Asia, Europe and Africa than it does to the US



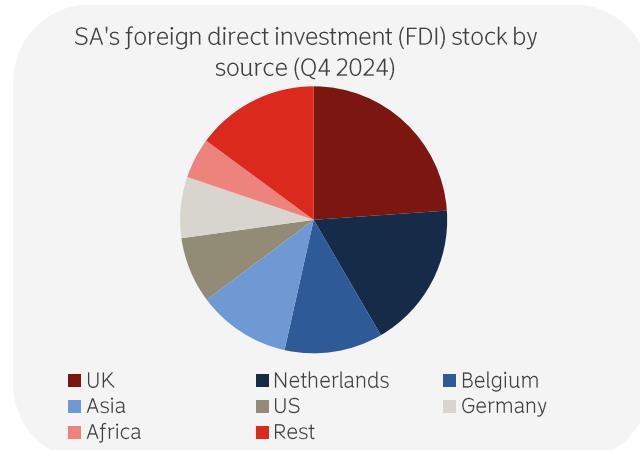
Source: OECD, Momentum Investments

Chart 78: SA views on the US dipping, but rising for China



Source: Pew Research Centre (1570 adults surveyed in March 2025), Momentum Investments

Chart 80: SA is more reliant on Europe than the US for foreign direct investment (FDI)



Source: Nedbank, SARB, Momentum Investments

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