

Monthly Market Report

August 2025

Index	Open	Close	% Change
JSE FTSE ALSI Top 40	90 781.37	94 184.64	3.75%
S&P 500	6 339.39	6 460.26	1.91%
Nasdaq Composite	21 122.45	21 455.55	1.58%
Dow Jones Industrial	44 130.98	45 544.88	3.20%
FTSE 100	9 132.81	9 187.34	0.60%
Nikkei	41 069.82	42 718.47	4.01%
Hang Seng	24 773.33	25 077.62	1.23%
DAX	24 065.47	23 902.21	-0.68%
CAC 40	7 771.97	7 703.90	-0.88%

Commodity	Open	Close	% Change
Gold	3 289.93	3 447.95	4.80%
Platinum	1 292.05	1 370.90	6.10%
Iron Ore	99.41	103.50	6.10%
Brent Crude Oil	72.53	68.12	-6.08%

Currency	Open	Close	% Change
USD-ZAR	18.218	17.650	-3.12%
EUR-ZAR	20.795	20.630	-0.79%
GBP-ZAR	24.057	23.850	-0.86%

Source: Bloomberg

Local and Global Macro Economic Perspectives



South Africa

26.1029°S, 28.0576°E

August was a month of stark contrasts. On the surface, financial markets looked unstoppable: the rand and local equities posted their strongest August gains in nearly two decades, lifted by a global “risk-on” mood. This external tailwind reflected a softer U.S. macroeconomic picture and clear signals of shifting monetary policy. But beneath the market optimism, domestic fundamentals told a very different story. Persistent unemployment, rising inflation in essentials, and the initial effects of new U.S. tariffs suggest that the strong market performance owes more to external forces than domestic strength.

The month began with the repo rate reduced to 7.00%, following the SARB’s 25bps cut at the end of July. Year-on-year inflation in essentials was running high in July, with water up 12.1%, electricity 10.6%, and meat 10.5%. While the rate cut provides some breathing room, it cannot fully offset these structural pressures on households or spark broad-based economic growth.

The labour market remains a persistent drag. Q2 unemployment rose to 33.2%, with 140k more people out of work, and youth unemployment held at 46.1%. Gains in trade (+88k), private households (+28k), and construction (+20k) were offset by losses in community services (-42k), agriculture (-24k), finance (-24k), transport (-15k), utilities (-6k), and manufacturing (-5k). Job creation is struggling to keep pace with new entrants, leaving consumer demand under pressure.

On the geopolitical front, the first of August brought a new challenge: the U.S. imposed a 30% tariff on South African goods. With the U.S. accounting for roughly 7.5% of exports, analysts warn the levy could shave 0.2pp off GDP growth and threaten tens of thousands of jobs in sectors such as agriculture and automotive manufacturing. July's trade surplus of R20.3bn masks underlying stress, as imports are rising faster than exports. The rand's recent gains therefore rely heavily on global sentiment rather than domestic strength.

August's rally offers only a temporary reprieve. Rising prices for essentials, persistent unemployment, and U.S. tariffs will continue to weigh on growth. The challenge for policymakers is clear: how do they boost the economy without igniting inflation, all while confronting stubborn joblessness? In hindsight, August may prove to be the calm before a challenging Q3.



United States

40° 42' 24.7572" N, 74° 0' 40.554" W

U.S. equities closed August with modest gains: the S&P 500 rose 1.9%, the Dow Jones Industrial Average increased by 3.2%, while the Nasdaq Composite gained 1.6%. Despite these gains, the Nasdaq faced pressure from weaker earnings forecasts in the tech sector as the month drew to a close. Investors are now focusing on inflation data and potential Federal Reserve policy adjustments as September begins. August brought further signs that the US economy is slowing under the weight of restrictive policy. The data confirmed a labour market losing momentum, inflation stabilising rather than softening further, and consumer activity holding up despite cracks in confidence.

The jobs market told the clearest story. July nonfarm payrolls rose 73k, barely enough to keep pace with population growth and well below the 12-month average. While stronger than June's 14k gain, the trend points to employers becoming increasingly cautious. Private payrolls added 83k jobs, offset by a small decline in government hiring, while manufacturing shed 11k jobs. Hours worked inched up to 34.3, suggesting firms are adjusting via hiring rather than utilisation. The unemployment rate edged up to 4.2%, its highest since late 2021, while broader underemployment rose to 7.9%. Average hourly earnings rose 0.3% m/m and 3.9% y/y, still firm enough to signal that labour-driven inflation pressures have not fully dissipated.

Price data showed more stabilisation than relief. Headline CPI increased 0.2% m/m, leaving the annual rate steady at 2.7%. Core CPI advanced 0.3% m/m, nudging the year-on-year figure to 3.1% from 2.9%. Producer prices suggested renewed pipeline pressures: PPI jumped 0.9% m/m and 3.3% y/y, while core PPI accelerated to 3.7% y/y from 2.6%. Inflation has clearly cooled from its peaks, but the pace of decline has slowed, leaving a more persistent backdrop of price pressures.

Consumers continued to spend. Retail sales climbed 0.5% m/m. Spending on essentials such as food and health outpaced discretionary categories, reflecting households becoming more selective. Surveys highlighted this tension: the University of Michigan sentiment index slipped to 58.6 from 61.7, with both current conditions and expectations weaker. Inflation expectations drifted higher - 4.9% one year ahead and 3.9% over five years - underscoring lingering unease among households.

Industry and housing data diverged. Industrial production dipped 0.1% m/m, though output was still 1.4% higher y/y. The ISM manufacturing PMI remained in contraction at 48.0, with new orders subdued at 47.1. Housing activity surprised on the upside: housing starts rose 5.2% m/m to an annualised 1.43m, even as permits eased to 1.35m. Mortgage rates near 6.7% have restrained affordability, but applications rebounded, suggesting demand remains latent.

The external backdrop offered some relief, with the trade deficit narrowing to \$60.2bn, its smallest in nearly three years, helped by softer imports and stable exports. Energy balances remained tight, with draws in crude and products offset by declining rig counts.

Taken together, the data depict an economy at an inflection point. Hiring is slowing, unemployment is edging higher, and inflation progress has stalled near 3%. Consumers are still spending, but with greater caution. For the Federal Reserve, the challenge is now less about signalling a pivot and more about navigating the next phase where the risks of weaker employment and persistent services inflation converge.



United Kingdom

51°30'32.39" N, 0°05'33.90" E

The Bank of England announced that it would slash its base rate by 25bps to 4%, its fifth cut since August 2024, as it continues a “gradual and careful” path of monetary easing. The decision was finely balanced, with the Monetary Policy Committee voting 5–4 in favour of the move, underscoring the tension between still-sticky inflation and a cooling labour market. June inflation surprised to the upside at 3.6% year-on-year, while GDP contracted 0.1% month-on-month and job market indicators have softened, leaving policymakers divided. One member even favoured a larger 50bps reduction. Governor Andrew Bailey highlighted the risk of near-term inflation persistence but stressed that labour market slack supports a cautious easing cycle.

Consumer price inflation surprised on the upside, rising to 3.8% year-on-year in July (from 3.6% in June), the highest rate since early 2024 and above market expectations of 3.7%. The acceleration was driven largely by a 30% jump in air fares, higher fuel prices, and sustained food inflation, particularly in beef, coffee, and chocolate. Drought conditions in southern Europe added further pressure on fresh produce costs. Core CPI also ticked up to 3.8%. Services inflation quickened to 5%, reflecting wage pressures and higher employer National Insurance contributions. The persistence of sticky services inflation is likely to constrain the Bank of England’s scope for near-term easing. Market pricing now suggests the next move may be delayed until spring 2026. The implications extend beyond monetary policy: regulated rail fares are set to rise by 5.8% next year, based on July’s retail price index of 4.8%, further adding to household cost pressures. While forecasters expect inflation to ease towards 3.5% by year-end 2025 and trend closer to the 2% target in 2026, upside risks remain from food and wages.

The UK Manufacturing PMI edged up to 48.0 in July (from 47.7 in June), signalling the mildest contraction since January. Output declines eased, helped by growth in consumer and intermediate goods, though investment goods remained weak. Export headwinds, particularly from US tariffs, weighed on new orders for a tenth straight month, while higher labour costs drove further job cuts. Services PMI was revised higher to 51.8, marking a third month of expansion in the sector but still below June’s 11-month high. Activity growth was offset by falling new work and the sharpest drop in staffing since February, while backlogs continued their long decline. Encouragingly, input cost

inflation eased to a 2025 low, and business confidence in the sector improved slightly for a second month, though global uncertainty and soft client demand remain constraints.



Eurozone

51°30'32.39" N 0°05'33.90" E

Eurozone inflation held steady at the European Central Bank's 2% target in July, supported by lower energy prices and a stronger euro, but still came in higher than the 1.9% consensus expectation. The main upward pressures came from food, alcohol & tobacco (3.3%), services (3.1%), and non-energy industrial goods (0.8%). This marked the second straight month inflation aligned with the ECB's medium-term target. Core inflation, excluding food and energy, was steady at 2.3%, matching the consensus forecast. ECB President Christine Lagarde recently noted that the bloc was in "wait-and-watch" mode amid uncertainty from Donald Trump's global trade policies, adding that the worst of the inflation shock was "behind us."

Eurozone manufacturing activity edged closer to stabilisation in July, with the HCOB Manufacturing PMI rising to 49.8 from 49.5 in June, its strongest reading since July 2021. While the sector remained in contraction territory, it marked the slowest pace of decline in three years. Output expanded for a fifth straight month but slowed slightly, with the sub-index easing to 50.6. New orders dipped again, particularly in export markets, highlighting external demand weakness. The Eurozone Services PMI rose to 51.0 in June from 50.5 in May, marking the fastest pace of growth since March but falling short of expectations of 51.2. While the sector remains in expansionary territory, the modest gain underscores that services activity is still subdued.



China

31° 14' 12.3" N, 121° 30' 31.5" E

China left its benchmark lending rates unchanged for the third consecutive month, in line with the consensus expectation, signalling caution on monetary easing despite recent weak economic data. The one-year Loan Prime Rate was held at 3.0%, while the five-year LPR, a key reference for mortgages, remained at 3.5%.

China's consumer prices were flat year-on-year in July, missing expectations of a slight 0.1% rise and highlighting persistent demand weakness in the broader economy. On a monthly basis, CPI rose 0.4%, beating the consensus forecast of 0.3%, as lower food costs and a high base from last year kept the annual figure subdued. At the factory level, deflation deepened despite government efforts to tackle overcapacity and unfair competition. The Producer Price Index fell 3.6% year-on-year, extending its decline for the 34th straight month and marking the weakest level since July 2023. The drop, steeper than the expected 3.3% fall, reflected continued pressures from weak construction activity, export challenges, and global trade risks.

China's manufacturing sector contracted for a fifth straight month in August, with the official PMI edging up slightly to 49.4 from 49.3 in July, but still below the 50 growth threshold and short of the consensus expectation (49.5). Weak exports, a property downturn, rising unemployment, local government debt, and extreme weather continue to weigh on growth, raising doubts about Beijing's 2025 GDP target of "around 5%."

The non-manufacturing PMI improved modestly to 50.3 from 50.1, while the composite index rose to 50.5 from 50.2, showing slight resilience outside of manufacturing.



Japan

35° 40' 34.55" N, 139° 46' 26.21" E

Japan's core inflation eased to 3.1% YoY in July, down from 3.3% in June but still above the Bank of Japan's 2% target and slightly above consensus expectations. Headline inflation matched the core reading at 3.1% YoY, the lowest since November 2024, while the "core-core" gauge which excludes fresh food and energy held steady at 3.4%, underscoring persistent underlying price pressures. A key driver of the moderation was the sharp deceleration in rice prices, which had more than doubled earlier this year but are now retreating. Energy costs also declined year-on-year for the first time since March 2024, helped by the return of subsidies. However, broader food inflation remained elevated at 8.3%, keeping pressure on households. Despite signs of easing, inflation has stayed above target for 40 consecutive months, keeping the case for further tightening alive. Markets now expect a potential rate hike by October, particularly after the BOJ upgraded its inflation forecasts last month.

Preliminary data showed that the Japanese economy expanded by a better-than-expected 0.3% in Q2, supported by net exports, though July trade data showed exports falling at the steepest pace in over four years due to weaker demand from the U.S. and China. A recent U.S.–Japan tariff deal has eased some headwinds, reducing reciprocal tariffs to 15% from 25%.

Japan's private sector continued to expand in July, with the S&P Global Composite PMI edging up to 51.6 from 51.5 in June, marking the fourth straight month of growth and the joint-fastest pace since February. The expansion was led by the services sector, where activity accelerated to 53.6, supported by stronger domestic demand and business development, despite a sharp fall in foreign demand linked to weaker tourism. By contrast, the manufacturing sector slipped back into contraction at 48.9, reversing June's modest growth as output and orders declined amid tariff uncertainty and weak external demand. Looking ahead, services resilience is expected to offset manufacturing weakness, with tariff headwinds, tourism concerns, and external demand fragility continuing to weigh on the outlook.