

Monthly Market Report

December 2025

| Index | Open | Close | % Change |
|----------------------|------------|------------|----------|
| JSE FTSE ALSI Top 40 | 103,256.80 | 107,977.90 | 4.57% |
| S&P 500 | 6,849.09 | 6,845.50 | -0.05% |
| Nasdaq Composite | 23,365.69 | 23,241.90 | -0.53% |
| Dow Jones Industrial | 47,716.42 | 48,063.29 | 0.73% |
| FTSE 100 | 9,720.51 | 9,931.38 | 2.17% |
| Nikkei | 50,253.91 | 50,339.48 | 0.17% |
| Hang Seng | 25,858.56 | 25,630.54 | -0.88% |
| DAX | 23,836.79 | 24,490.10 | 2.74% |
| CAC 40 | 8,122.71 | 8,149.50 | 0.33% |

| Commodity | Open | Close | % Change |
|-----------------|----------|----------|----------|
| Gold | 4,293.43 | 4,319.37 | 1.89% |
| Platinum | 1,670.77 | 2,060.51 | 23.33% |
| Iron Ore | 105.49 | 104.35 | -1.08% |
| Brent Crude Oil | 63.20 | 60.85 | -3.72% |

| Currency | Open | Close | % Change |
|----------|--------|--------|----------|
| USD-ZAR | 17.110 | 16.560 | -3.21% |
| EUR-ZAR | 19.840 | 19.450 | -1.96% |
| GBP-ZAR | 22.640 | 22.320 | -1.41% |

Source: Bloomberg

Local and Global Macro Economic Perspectives



South Africa

26.1029°S, 28.0576°E

The South African economy grew by 0.5% in Q3 2025, extending its expansion streak to a fourth consecutive quarter, though at a slower pace than the 0.9% growth seen in Q2. Growth was broad-based, with nine of ten industries improving, led by trade, mining, agriculture, and finance-related services, while the utilities sector contracted. On the demand side, household spending, government expenditure, and a rebound in fixed investment supported activity, although inventory reductions and a negative net trade position, weighed on overall performance. Year-on-year, GDP rose 2.1%, marking the strongest annual growth since Q3 2022.

South Africa's inflation rate eased slightly to 3.5% in November from 3.6% in October, coming in just below expectations of 3.6%. The slowdown was driven by softer price growth in several categories, especially transport (where fuel inflation dropped sharply from 3.3% to 0.1%). However, food and non-alcoholic beverages accelerated from 3.9% to 4.4%, led by a notable rise in meat prices amid ongoing foot-and-mouth disease outbreaks, while restaurants, accommodation, and alcohol and tobacco also saw faster increases.

Core inflation edged up to 3.2% from 3.1%, and on a monthly basis the CPI declined by 0.1% after rising 0.1% in the previous month.

South Africa's Absa PMI dropped sharply to 42 in November from 49.2 in October, signalling a deeper contraction in manufacturing and the weakest reading since April 2020. The decline reflected fragile sector conditions, with domestic demand, exports, and output all under pressure despite some easing in cost pressures and early logistical improvements. New sales orders fell steeply, dragging business activity lower, while inventories slipped to their lowest level since May and employment remained subdued. The outlook improved slightly as expectations for business conditions moved back into positive territory at 50.8 after two months of pessimism.



United States

40° 42' 24.7572" N, 74° 0' 40.554" W

The Federal Reserve cut the federal funds target range by 25bps in December to 3.50%–3.75%, marking the third consecutive rate reduction of 2025. The decision passed by a 9–3 vote, with one dissenter favouring a larger cut and two preferring no change, highlighting growing divergence within the Committee. Subsequent minutes indicated the decision was finely balanced. Updated projections continue to point to a slower easing path ahead: the median dot plot remains unchanged in signalling one further cut in 2026 and one in 2027, while the share of participants projecting no rate cuts in 2026 increased. The Fed also revised its 2026 GDP growth forecast higher to 2.3% from 1.8%, even as inflation is still expected to remain above the 2% target through at least 2028.

November CPI surprised to the downside, with headline inflation rising 2.7% year-on-year versus expectations of 3.1%, and core CPI printing at 2.6% compared with a 3.0% consensus. On a monthly basis, both headline and core CPI increased by 0.2%, below forecasts of 0.3%. Shelter inflation slowed meaningfully to 3.0% year-on-year from 3.7% previously, providing incremental evidence that housing-related price pressures are easing. While the inflation release was affected by shutdown-related data gaps and the absence of October CPI—limiting comparability—the breadth and composition of the downside surprise were consistent with a gradual moderation in underlying price pressures rather than a one-off distortion.

Labour market indicators also pointed to continued cooling. Nonfarm payrolls increased by 64,000 in November, above expectations of 50,000 but still low in absolute terms and well below levels seen earlier in the cycle. The unemployment rate rose to 4.6% from 4.4% in September, while wage growth remained subdued. Consumer confidence weakened further in December, with the Conference Board index falling to 89.1 from 92.9 and below expectations of 91.0, reflecting softer employment and income expectations alongside ongoing consumer sensitivity to prices and economic conditions.



United Kingdom

51°30'32.39" N, 0°05'33.90" E

UK inflation fell to 3.2% YoY in November 2025, its lowest level in eight months, down from 3.6% in October and below both market expectations (3.5%) and the Bank of England's forecast (3.4%). The biggest downward pressure came from food and non-alcoholic drinks, especially bread and cereals, where prices dropped for items like cakes, biscuits, and breakfast cereals. Inflation also eased in alcohol and tobacco, transport, housing and utilities, and

services. Clothing and footwear prices fell overall, driven mainly by cheaper women's clothing. Month-on-month, the CPI declined 0.2%, the sharpest drop since July 2024.

The UK economy grew by only 0.1% in the third quarter of 2025, in line with earlier estimates and marking a slowdown from the 0.3% expansion recorded in the previous quarter. The production sector contracted by 0.3%, driven by declines in manufacturing and in mining and quarrying, with manufacturing particularly affected by a sharp 4.7% fall in transport equipment output. Motor vehicles, trailers, and semi-trailers plunged by 10.3% after a cyberattack disrupted Jaguar Land Rover's operations in September. In contrast, the services sector posted modest growth of 0.2%, supported by financial, insurance, and real-estate activities, although professional and technical services weakened. Construction output also edged up by 0.2%, mainly due to increased repair and maintenance work despite a drop in new projects. From an expenditure perspective, household consumption rose 0.3%, government spending increased 0.4%, and business investment rebounded strongly with a 1.5% gain. On an annual basis, GDP expanded by 1.3%, slightly below the 1.4% growth seen in the previous quarter but in line with the initial estimate.

The Bank of England cut interest rates by 25bps to 3.75% after a close 5–4 vote but signalled that the pace of future reductions may slow as policymakers remain divided over inflation risks. The decision followed a sharper-than-expected fall in inflation and new forecasts showing the economy stagnating, though four committee members argued that price pressures (still the highest in the G7) could persist. Governor Andrew Bailey supported the cut after concluding inflation could return to the 2% target by spring 2026 but warned that uncertainty remains. Markets reacted with a brief rise in sterling and higher gilt yields as investors reassessed the likelihood of further easing.

The UK Manufacturing PMI rose from 50.2 to 50.6 in November, slightly above expectations and marking a second month of expansion after a year of contraction. Output continued to improve across consumer, intermediate, and investment goods, supported by the first increase in new orders in 15 months. Despite this, manufacturing employment fell for the fourteenth consecutive month as firms pointed to higher labour costs linked to new insurance contribution rules, though the pace of job losses eased following reduced uncertainty after the Autumn Budget.



Eurozone

51°30'32.39" N 0°05'33.90" E

The European Central Bank (ECB) kept interest rates unchanged at its December meeting, maintaining the deposit rate at 2% for a fourth consecutive meeting. Updated projections point to a more resilient Eurozone economy and a broadly stable inflation outlook, reinforcing the view that the ECB is now firmly in a neutral policy stance and that further rate cuts are unlikely in the near term.

Recent economic data have surprised to the upside. Eurozone growth has proven more robust than expected, supported by resilient domestic demand, a tight labour market and exporters adapting better than feared to higher US tariffs. The ECB revised growth forecasts for 2025 higher to 1.4% for 2025, easing to 1.2% in 2026 before returning to 1.4% through 2027 and 2028.

Inflation has hovered close to the ECB's 2% target since early 2025, underpinned by sticky services inflation and wage growth. Final data from Eurostat showed headline inflation unchanged at 2.1% YoY, revised down from an initial estimate of 2.2% and matching the October reading. On a month-on-month basis, consumer prices declined

by 0.3%, the first monthly fall since January. Headline inflation is projected to average 2.1% in 2025, dip slightly below target in 2026 and 2027, partly due to lower energy prices and the delayed rollout of the EU's carbon trading scheme, before returning to 2% in 2028. Core inflation, which excludes food and energy, held steady at 2.4% YoY for a third consecutive month, underscoring the ECB's view that underlying price pressures are easing only gradually but remain contained. The ECB's core inflation forecasts were nudged marginally higher, reflecting slower-than-expected easing in services prices.

Against this backdrop, the ECB has signalled little appetite to adjust policy in the near term. President Christine Lagarde stressed that all options remain on the table but reiterated a data-dependent, meeting-by-meeting approach, with no forward guidance on the future rate path.

Eurozone manufacturing activity deteriorated in November, with the HCOB Manufacturing PMI revised down to 49.6 from 50.0 in October, slipping back into contraction territory and marking a five-month low. The data point to renewed demand-side weakness, with new orders declining and export orders falling for a fifth consecutive month. In response to softer demand, manufacturers accelerated job cuts, with factory employment falling at the fastest pace in seven months. Inventory drawdowns also intensified, reflecting ongoing efforts to align production with weaker order books. While manufacturing output continued to expand, the pace of growth slowed, with the output index dropping to its weakest level in nine months.



China

31° 14' 12.3" N, 121° 30' 31.5" E

China's central bank left the one-year and five-year Loan Prime Rates (LPR) unchanged at 3.00% and 3.50% in December, marking the seventh consecutive pause amid persistent domestic softness. November retail sales rose just 1.3% year-on-year, while manufacturing indicators remained only marginally above the 50-point expansion threshold. Cumulative January–November fixed-asset investment fell 2.6% year-on-year, down from -1.7% through October, reflecting particularly weak activity in November—especially in property and infrastructure—which added to the drag on the year-to-date total.

External demand provided some offset to weak domestic activity. November exports rebounded 5.9% year-on-year to USD 330 billion, reversing a 1.1% contraction in October and exceeding consensus expectations, while imports rose 1.9% versus a 1.0% gain in the prior month. The trade surplus widened to USD 111.7 billion from USD 90.1 billion a year earlier, and the cumulative January–November surplus topped USD 1 trillion for the first time on record. Beneath this headline rebound, there were clear compositional shifts: shipments to the United States declined sharply, down nearly 29% year-on-year, whereas exports to the European Union, Australia, and key Southeast Asian markets recorded robust growth, reflecting ongoing U.S. tariff pressures and continued diversification of external demand.

Inflationary pressures remain muted. Headline CPI rose 0.7% year-on-year and declined 0.1% month-on-month, reflecting seasonal softness and subdued consumer spending. Producer prices remained in deflation at -2.2% year-on-year for the twelfth consecutive month, highlighting ongoing margin pressures in industrial sectors. Weak PPI underscores well-documented structural challenges in manufacturing and investment demand, though low CPI allows policymakers to maintain accommodative conditions without immediate price risk.

Labour market conditions were broadly steady, with the national urban unemployment rate holding at 5.1% in November, indicating relative stability despite broader economic headwinds. Overall, the data reflect a

bifurcated economy, with external demand partially offsetting weak domestic consumption and investment, but structural constraints and uneven trade patterns continue weighing on growth momentum.



Japan

35° 40' 34.55" N, 139° 46' 26.21" E

The Bank of Japan (BoJ) raised its benchmark interest rate by 25 basis points to around 0.75%, the highest level in three decades, marking its first-rate hike since January and a further step away from decades of ultra-loose monetary policy. The move was widely anticipated and approved unanimously, reflecting growing confidence among policymakers that Japan can sustain inflation around its 2% target, supported by firmer wage growth and improving domestic conditions. The BoJ emphasised that financial conditions remain accommodative, with real interest rates still deeply negative, and signalled that further gradual rate increases remain possible if its economic and inflation outlook is realised.

Japanese headline inflation slowed slightly in November printing at 2.9% YoY with food prices continuing to be a key driver. Core consumer prices, which exclude fresh food, rose 3.0% YoY, unchanged from October, remaining above the BoJ's 2% target for the 44th consecutive month. A narrower measure that also strips out energy prices eased to 3% YoY, indicating some moderation in underlying price pressures, though inflation remains firmly entrenched. The November data suggest that while inflation may no longer be accelerating, it remains sufficiently elevated to keep the BoJ on a cautious but upward policy path.

Japan's private-sector activity continued to show a clear divergence between manufacturing and services in November. The S&P Global Manufacturing PMI was revised slightly lower to 48.7, marking a fifth consecutive month in contraction, although the pace of decline moderated to the softest since August. Cost pressures in the sector intensified, driven by higher labour and raw material costs, and manufacturers were able to pass some of these increases on through higher selling prices. Encouragingly, business sentiment improved to its highest level since January, supported by new product launches and expectations of firmer demand. In contrast, the services sector remained a key pillar of growth. The Services PMI rose to 53.2, extending the expansion streak to eight months.



India

20° 35' 16" N, 78° 57' 46" E

The Reserve Bank of India cut the repo rate by 25bps to 5.25% in December 2025, its fourth reduction of the year, totalling 125 bps and bringing the rate to its lowest level since mid-2022. To support liquidity and strengthen policy transmission, the RBI also announced INR 1 trillion in bond purchases and USD 5 billion in forex swaps. The central bank upgraded its FY2025/26 GDP growth forecast to 7.3% and lowered its inflation projection to 2.0%, keeping price pressures comfortably within its target band. In line with the repo cut, the Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) rates were also reduced by 25 bps, to 5.0% and 5.50%, respectively.

India's consumer inflation edged up to 0.71% year-on-year in November 2025, rebounding from October's record low of 0.25% but still well below the Reserve Bank of India's target band of 2% to 6%. The increase was modest, as food prices continued to fall sharply due to softer vegetable, pulse and spice costs, and goods inflation stayed muted after the GST rate rationalisation. Price pressures eased further in categories like clothing, footwear and miscellaneous services, while housing inflation was largely unchanged. A few components saw mild acceleration, including pan, tobacco and intoxicants, as well as fuel and light.

India's manufacturing sector lost momentum in December 2025, with the HSBC Manufacturing PMI at 55.0, below November's 56.6. Output and new orders grew more slowly, export demand rose at its softest pace in 14 months, and employment increased only marginally as firms reported lighter workloads. Cost pressures stayed subdued and output price inflation eased to a nine-month low. Purchasing activity grew at the slowest rate in two years, while finished goods inventories dropped sharply as companies relied on existing stock. Business confidence weakened to its lowest level in over three years amid competitive pressures and market uncertainty, despite support from new product launches and advertising.

India's services sector also lost some momentum, with the HSBC Services PMI at 58.0, below November's 59.8, marking the softest expansion since January. Growth in new business and output eased to 11-month lows, though export orders strengthened compared with the previous month. Employment dipped slightly for the first time since May, reflecting broadly unchanged staffing levels. Input cost inflation picked up but remained among the weakest in over five years, while selling price increases were minimal. Business confidence deteriorated further, reaching its lowest point in nearly three and a half years.