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The economy

The threat of trade tariffs, the renegotiation of bilateral trade agreements with the United States, and geopolitical conflict dominated global economic developments in Q2 2025.

According to the International Monetary Fund's World Economic Outlook released in April 2025, the global economic growth projection for 2025 slowed to 2.8%, and 3.0% for 2026 (compared with the January 2025 projections of 3.3% for 2025 and 2026). Large economies such as the US, China and India achieved modest growth in the first quarter.

On 2 April 2025, coined as "Liberation Day" by US President Trump, he announced wide-ranging trade tariffs imposed on US trade partners. Then on 9 April, he announced the postponement of the trade tariffs by 90 days until 9 July 2025. Even though the review of trade tariffs by the US did not surprise, the extent of the tariffs alarmed many. What's more, trade tariffs were imposed on friend and foe alike, to the surprise of US allies. Since April, countries around the world have reached out to the Office of the US Trade Representative to negotiate more favourable bilateral trade agreements.

By March 2025, the US GDP growth rate pulled back to -0.5% and the current account deficit increased to $450 billion as imports into the US accelerated before the announcement of expected tariffs (compared with $312 billion in Q4 2024).

Since January 2025, the federal funds rate remained constant and US inflation, though above the Federal Reserve's target 2% rate, was benign. The US dollar exchange rate continued to weaken to June 2025.

View graph 1 - US dollar index (DXY)

Geopolitical tension continued in Q2 2025. The war in Ukraine has been continuing for more than three years and the conflict in Gaza reignited 18 months ago. In addition, Iran and Israel attacked each other in June 2025. As the US weighed in, the world was concerned about potential global conflict and the oil price spiked briefly, from approximately US$65 a barrel to $77 a barrel. As the risk of conflict increased, global markets reacted negatively but quickly recovered as the conflict receded.

South Africa's economic growth remained concerning in Q1 2025. Quarter-on-quarter growth was only 0.1% and year-on-year growth was 0.5%. The agriculture, forestry and fishing industry recovered to grow by 15.8% in Q1 2025, after contracting in 2024 because of the drought experienced in the summer rainfall region. The manufacturing industry contracted by 2.0% in Q1 and the mining and quarrying industry by 4.1%. Platinum group metals (PGMs) contracted the most.

The South African Reserve Bank (SARB) has twice reduced the repurchase rate by 0.25% in 2025 (in January and again in May). Consumer price inflation remained benign (3.0% on average for the period from January to June 2025). The SARB released a discussion document in May 2025 indicating that as South Africa moves towards global best practice of a single-point inflation target, the inflation target could be set at 3%.

South Africa's official employment rate for Q1 2025 was 32.9%, while the expanded unemployment rate was 41.1%. The definitions of the official and expanded unemployment rates are in line with the globally accepted definitions used by the International Labour Organisation. Capitec Bank CEO Gerrie Fourie suggested that South Africa's unemployment rate is closer to 10%, implying that employment in the informal sector of the economy is not measured accurately. The debate is set to continue as questions arise about the sample used by Stats SA to measure employment. While the informal sector of the economy should not be underestimated, anecdotal evidence points to unemployment remaining a crucial challenge domestically.

The Minister of Finance presented the National Budget to Parliament on 21 May 2025, after failed efforts in February and March 2025. There was sufficient support to pass the three budget votes – the Fiscal Framework and Revenue Proposals (passed), the Division of Revenue Bill (passed) and the Appropriation Bill. The National Budget, without increasing VAT, represents a credible effort from National Treasury.

Financial markets

Against the economic background highlighted above, financial markets experienced more volatility than usual in the first half of 2025. The trading range for domestic and global shares and the rand exchange rate extended to more than 20% in the first half of 2025, which is unusual.

The table below indicates the trading range in the first half of 2025.

Asset class	Value on 31 December 2024	Value on 30 June 2025	Best value YTD	Weakest value YTD
All Share Index	84 095	96 430	97 183	77 165
Listed Property	2 403	2 531	2 553	2 188
ALBI	10.44%	10.23%	10.20%	11.21%
S&P 500 Composite	5 882	6 205	6 215	4 835
US 10-yr Govt Bond	4.53%	4.27%	3.91%	4.79%
USD Index (DXY)	108.28	96.4	109.48	96.4
USD/ZAR	R18.84	R17.70	R17.58	R19.93
Gold	$2 616	$3 294	$3 500	$2 622

Source: Iress

South African shares performed well to June 2025, as the FTSE/JSE All Share Index TR improved from 16.7%. Resources shares performed particularly well (up 48.1% YTD), followed by industrial shares gaining 16.8% and financial shares adding 6.0% for the six months. Gold shares shone as AngloGold Ashanti increased by 90%, Gold Fields by 68% and Harmony by 63% for the year to date. Platinum shares performed well in Q2 2025, and Northam is now up 97% for the six-month period, and Impala Plats is up 81%. In the industrial sector, telecom and industrial rand hedge shares performed well, while retail shares struggled. Banking and insurance shares posted disappointing performance.

View graph 2 - FTSE/JSE All Share Index

On 30 June 2025, the year-to-date return for listed property was 5.3%, but the 12-month return was 23.9%.

The FTSE/JSE All Bond Index (ALBI) yield-to-maturity rate closed Q2 2025 at 10.23%. The ALBI achieved an annual return of 18.4% and the return for the year to date, to June 2025, is at 6.6%. Bonds in the 7- to 12-year maturity bucket were the best performer achieving an investment return of 20.6% for the 12 months to June 2025, and at 7.8% the contribution for the year to date is impressive. Inflation-linked bonds contributed only 7.6% for the 12 months to June 2025 and 1.6% for the calendar year to date.

Money market returns continue to show resilience (8.1% for the year to June 2025).

After trading at R18.84 at year-end and despite the volatility, the rand exchange rate strengthened to R17.70 by quarter-end. It is worth noting that the rand traded as weakly as R19.93 on 9 April 2025 during the Liberation Day melee, and as strongly as R17.58 on 26 June 2025. Rand strength contributed to modest investment returns from offshore share and bond exposure. The year-to-date return for offshore shares in US dollars is 10.3%, but the rand return is only 3.7%. Similarly, for the 12 months to June 2025, offshore shares posted a dollar return of 16.7% but a rand return of 13.6%.

In rands, offshore bonds contributed 6.0% for the 12 months to June 2025 and 0.8% for the year to date.

Non-resident holders of shares listed on the JSE continued to reduce their exposure to JSE-listed shares. The JSE reported that non-resident shareholders sold shares to the value of R238 billion over the six months from January to June 2025. In nominal terms, this is more than the value of shares sold in any full calendar year since 1994.

View graph 3 - Non-resident share transactions reported by the JSE from 1994 to June 2025 (indexed to 1994 values of the rand and the All Share Index TR)

A more reliable approach to assessing transactions by non-resident holders of shares on the JSE since 1994, is to adjust the value of recent transactions to account for a consistently weakening rand and a consistently rising All Share Index. Graph 3 shows that non-residents invested significant amounts of money in JSE-listed shares in the 1990s, when the rand was stronger and the All Share Index lower. Over the last decade, there were consistent outflows as non-residents sold their JSE exposure. The adjusted outflows for the six months to June 2025 already amount to $13.5 billion, compared with 2008, the year in which the JSE experienced the biggest adjusted outflow from non-residents, namely $20.7 billion.

The table below demonstrates that the investment returns rewarded investors for the volatility in the periods to June 2025.

% Change June 2025	Most recent quarter	Calendar YTD	1 year (p.a.)	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
All Share Index (ALSI)	10.2%	16.7%	25.2%	17.8%	16.4%	10.1%
Listed Property	9.1%	5.3%	23.9%	19.8%	16.6%	3.0%
STeFI Composite	1.9%	3.8%	8.1%	7.8%	6.3%	6.7%
All Bond Index (ALBI)	5.9%	6.6%	18.4%	13.4%	10.9%	9.2%
MSCI All Country World ZAR	7.9%	3.7%	13.6%	21.2%	14.6%	14.8%
Bloomberg Global Aggr. Bond ZAR	1.0%	0.8%	6.0%	5.6%	-0.8%	5.0%
Rand (+ stronger, - weaker)	3.5%	6.4%	2.7%	-2.7%	-0.4%	-3.1%
Inflation (estimate)	0.9%	2.5%	3.1%	4.7%	5.7%	6.0%
Gold ZAR	1.9%	18.3%	37.8%	32.4%	17.9%	30.9%

Source: Iress

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Information for this article has been obtained from several sources:
Iress, Stats SA, US Bureau of Economic Analysis