

ECONOMIC COMMENTARY - DR. FRANCOIS STOFBERG

Inflation falls but the story is far from over

For the first time in years, South Africa's (SA's) inflation is closer to Switzerland's than Zimbabwe's. August's Consumer Price Index slowed to 3.3% year-on-year, comfortably inside the South African Reserve Bank's (SARB's) 3% to 6% target and edging towards the lower end. Core inflation remains steady at 3.1%. These figures are far from the double-digit surges of the past, suggesting that monetary policy is finally gaining traction. So, why did the SARB hold the repo rate unchanged at 7.00% in September instead of cutting it again? Policymakers argue that past easing still needs time to filter through. With the rand volatile and SA's risk premium high, they prefer to wait for inflation to prove that it can stay low.

Anchoring lower expectations

A quiet but powerful shift is underway. Analysts' five-year inflation expectations have dropped to a record low of around 4.2%. This might not sound dramatic but it is the difference between inflation being viewed as a constant threat and as something under control. The SARB has hinted that it now wants inflation to settle closer to 3%, not the old "midpoint" of 4.5%. This ambition changes the game: If inflation consistently hovers near 3%, households could see more stable food and fuel costs, and investors would demand lower risk premiums on South African bonds. But it also means that the SARB will be slower to cut rates as the bar for easing has been raised.

Global crosscurrents

SA never operates in a vacuum. The world's central banks still call many of the shots:

- + **United States (US):** US inflation is expected to be 2.7% to 2.9% but the Federal Reserve (Fed) is more worried about a weakening labour market. Job growth slowed in August, prompting the first rate cut since 2024. Traders expect another in October. If the Fed cuts rates aggressively, the dollar could weaken, giving the rand breathing room.
- + **Markets "priced for perfection":** Wall Street is at record highs, fuelled by artificial intelligence hype and expectations of looser US policy. Credit spreads are at their tightest since 1998, meaning investors are being paid almost nothing to take risk. History suggests that these moments rarely end quietly. If sentiment turns, emerging markets, like SA, are usually the first to feel the tremors.
- + **The Trump effect:** In the "Trump 2.0" era, the dollar has dropped more than 10% in 2025, its weakest run in two decades. For SA, a weaker dollar helps tame inflation but also shows how political shocks abroad can ripple into local grocery prices.

Local growth is still fragile

Lower inflation is good news but SA's growth outlook remains muted. Our gross domestic product is forecast to expand only marginally in 2025, not enough to impact unemployment. Electricity supply has improved but logistics bottlenecks at ports and rail continue to cap export potential. Bond yields remain elevated, reflecting investor caution over government debt. The rand, meanwhile, dances to the global tune. It firmed briefly on easing inflation expectations but slipped again before the SARB's decision, showing how quickly sentiment can shift.

What does this mean for you?

- + **Households:** Living cost relief is real but do not expect bond repayments to fall sharply soon. The SARB will wait for proof before cutting rates again.
- + **Businesses:** Stable inflation helps planning but funding costs remain high. Exporters gain from the rand's weakness, while importers benefit from softer price pressures.
- + **Investors:** Bonds offer attractive yields but carry fiscal and currency risk. Equities may benefit if inflation keeps falling, though global shocks remain a wild card.

The bottom line

SA is at a delicate turning point. Inflation is easing, expectations are anchored lower, and the SARB has its sights set on 3%. But global volatility, weak domestic growth, and political uncertainty still cloud the outlook. For now, it is a waiting game: Households get some relief, investors must tread carefully, and policymakers hope that this time, the hard-won gains against inflation do not slip away.

Kind regards
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YOUR WEEKLY ECONOMIC UPDATE

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UPDATE

Global Indices, Currencies and Commodities, 23 September 2025

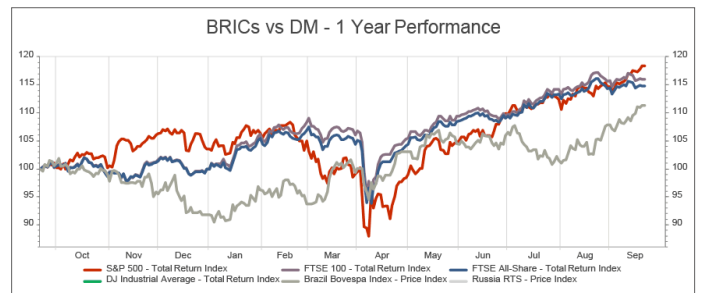
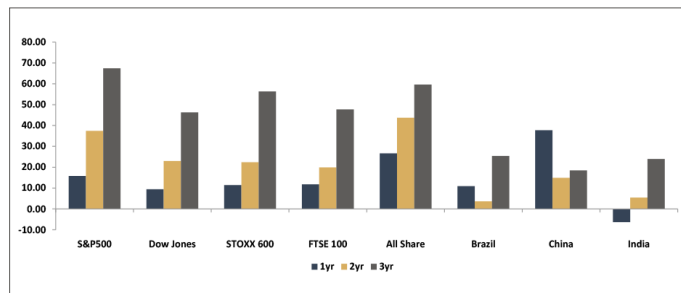
GLOBAL INDICES

South Africa	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
All Share	106110.83	4.9%	27%	20%	14%
Top 40	98714.31	5.4%	30%	20%	14%
Mid Cap	102519.44	3.5%	15%	18%	13%
Small Cap	99133.4	3.2%	13%	20%	21%
Resource 20	102889.31	20.7%	84%	32%	13%
Industrial 25	141374.3	0.2%	25%	18%	14%
Financial 15	21855.83	0.2%	4%	16%	17%

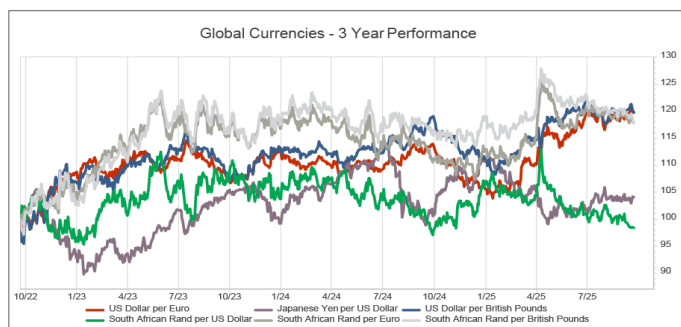
Europe	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
FTSE 100	9216.67	0.3%	11%	10%	9%
DAX 30	23639.41	-3.2%	24%	23%	13%
CAC 40	7853.59	-1.6%	3%	4%	10%
STOXX 600	554.12	-0.7%	6%	10%	8%
Russia RTS	955.46	0.0%	0%	0%	-5%

Asia	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Nikkei 225	45045.81	3.4%	21%	16%	14%
Hang Seng	26545.1	5.7%	47%	21%	2%
Shanghai	3820.0894	2.5%	40%	11%	3%
India SENSEX	82626.23	1.2%	-1%	11%	16%

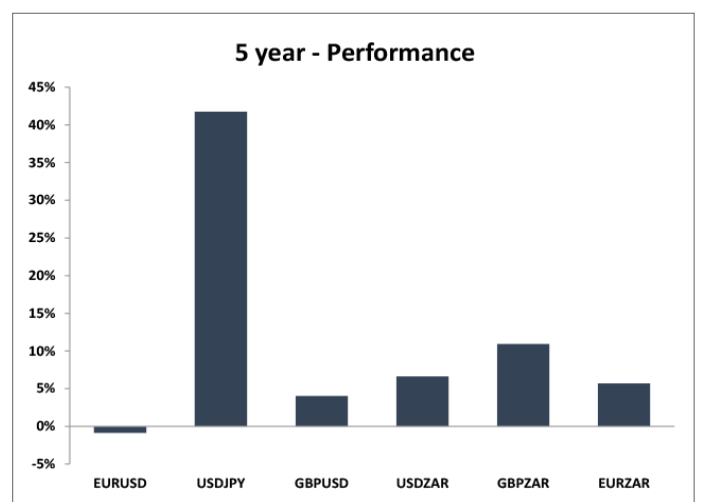
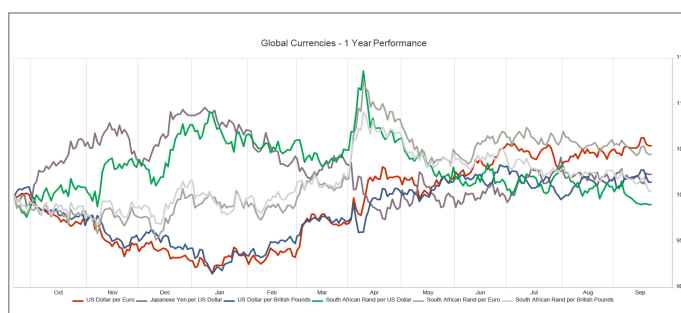
Americas	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Dow Jones	46315.27	3.1%	10%	16%	11%
S&P 500	6664.36	3.9%	17%	22%	15%
Nasdaq	22631.477	6.2%	26%	29%	16%
Russel 1000	46315.27	3.1%	10%	16%	11%
Brazil Bovespa	145865.11	8.5%	10%	11%	8%



CURRENCIES

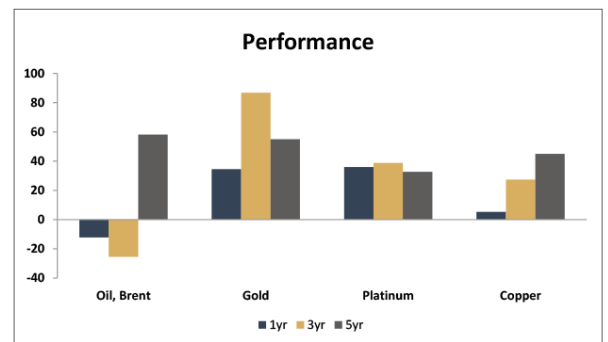
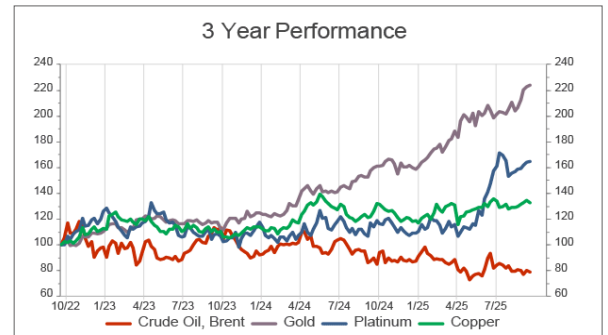
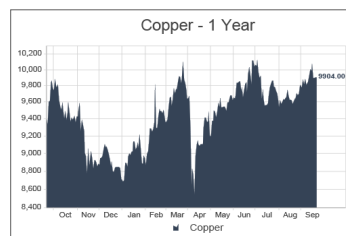
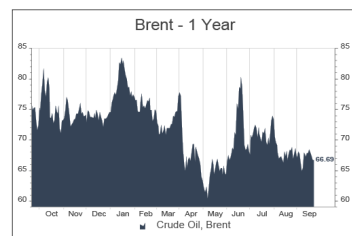
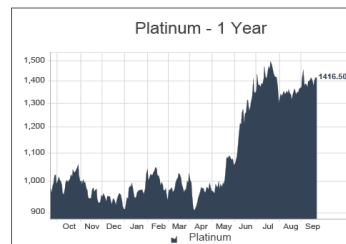
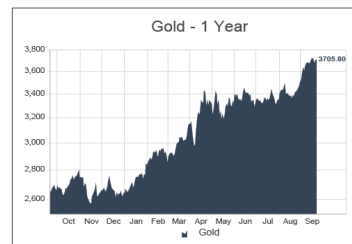


Currencies	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
USD/ZAR	17.35	-0.6%	-1%	-4%	1%
GBP/ZAR	23.39	-0.9%	1%	1%	2%
EUR/ZAR	20.40	-0.3%	5%	1%	1%
AUD/ZAR	11.45	1.0%	-4%	-3%	-1%
EUR/USD	1.18	0.3%	6%	5%	0%
USD/JPY	147.89	0.7%	2%	0%	7%



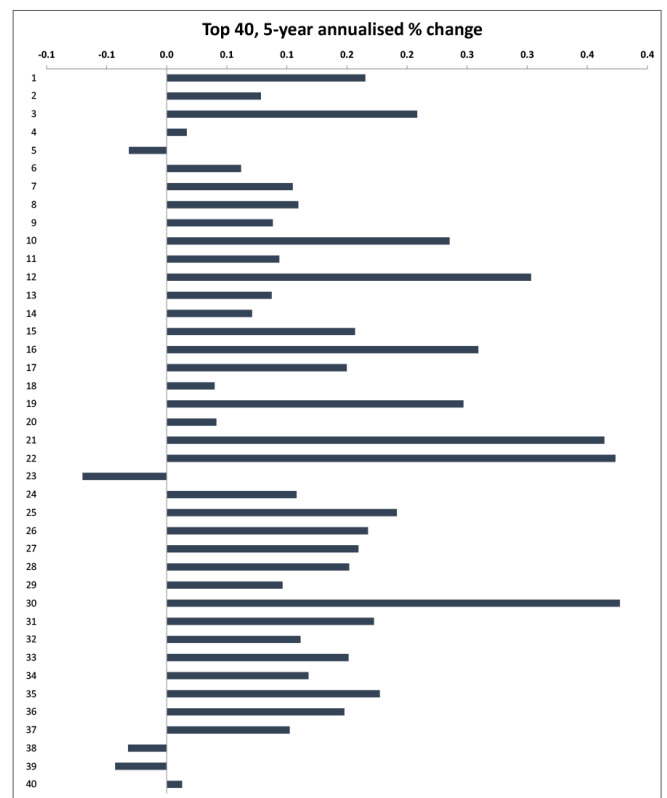
COMMODITIES

Commodities	Close	1M %	1 Year %	2Y Ann %	5Y Ann %
Gold	3705.80	10.3%	34%	30%	3%
Platinum	1416.50	7.9%	36%	16%	-3%
Silver	42.95	13.6%	29%	28%	-1%
Brent Crude	66.69	0.1%	-12%	-17%	12%
Copper	9904.00	2.9%	5%	10%	5%



TOP 40

Top 40		Close	1M %	1 Year %	2Y Ann %	5Y Ann %
1	ABSA GROUP LTD	183.92	-2.3%	6%	4%	17%
2	ANGLO AMERICAN PLC	595.00	16.4%	19%	7%	8%
3	ANGLO GOLD ASHANTI	1149.00	23.7%	138%	85%	21%
4	ANHEUSER-BUSCH INBEV	1031.56	-6.5%	-7%	-3%	2%
5	ASPEN	101.87	-9.4%	-47%	-23%	-3%
6	BHP Group Limited	450.50	-4.6%	-7%	-9%	6%
7	BID CORP LTD	448.51	-4.1%	1%	2%	10%
8	BRITISH AMERICAN TOBACCO PLC	944.33	-6.6%	45%	22%	11%
9	BIDVEST GROUP LIMITED	220.06	-8.8%	-22%	-10%	9%
10	COMPAGNIE FINANCIERE	3258.08	9.7%	34%	15%	24%
11	CLICKS GROUP	364.17	-3.4%	-6%	20%	9%
12	CAPITEC	3587.14	-0.9%	19%	45%	30%
13	DISCOVERY	199.09	-5.6%	25%	17%	9%
14	EXXARO RESOURCES LTD	184.65	11.6%	17%	3%	7%
15	FIRSTRAND	80.99	4.1%	-3%	12%	16%
16	GOLDFIELDS LTD	691.33	31.2%	171%	74%	26%
17	GLENORE PLC	73.07	4.7%	-19%	-18%	15%
18	GROWTHPOINT	14.96	1.5%	6%	18%	4%
19	HARMONY GOLD MINING	279.22	4.1%	61%	88%	25%
20	IMPLATS	194.30	19.9%	98%	40%	4%
21	INVLT	132.33	3.6%	-3%	13%	36%
22	INVESTEC	133.81	5.8%	-2%	13%	37%
23	MONDI PLC	234.00	-8.6%	-30%	-15%	-7%
24	MR PRICE GROUP LTD	214.77	0.8%	-13%	25%	11%
25	MTN GROUP	138.00	-11.6%	45%	9%	19%
26	NEDBANK	214.26	-7.5%	-27%	3%	17%
27	NASPERS -N	6070.00	4.9%	65%	38%	16%
28	NEPI ROCKCASTLE PLC	140.37	-2.2%	-2%	16%	15%
29	OLD MUTUAL LTD	13.66	7.2%	6%	6%	10%
30	OUTSurance	79.29	6.3%	39%	38%	38%
31	PEPKOR HOLDINGS LTD	25.80	0.2%	11%	25%	17%
32	PROSUS NV	1159.00	6.9%	75%	41%	11%
33	REMGRO	176.26	4.9%	21%	8%	15%
34	REINET INVESTMENTS SCA	522.59	-0.2%	10%	15%	12%
35	STANBANK	244.06	-2.4%	0%	16%	18%
36	SHOPRITE	285.35	5.6%	-6%	8%	15%
37	SANLAM	86.10	-1.5%	-1%	13%	10%
38	SASOL	117.16	10.7%	-8%	-31%	-3%
39	Sibanye Stillwater Ltd	40.67	15.0%	118%	13%	-4%
40	VODACOM GROUP LIMITED	132.74	-5.9%	19%	11%	1%



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