

Alice through the (economic) looking glass

Economic outlook presentation to
ASSA Life Assurance Seminar

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15 May 2025

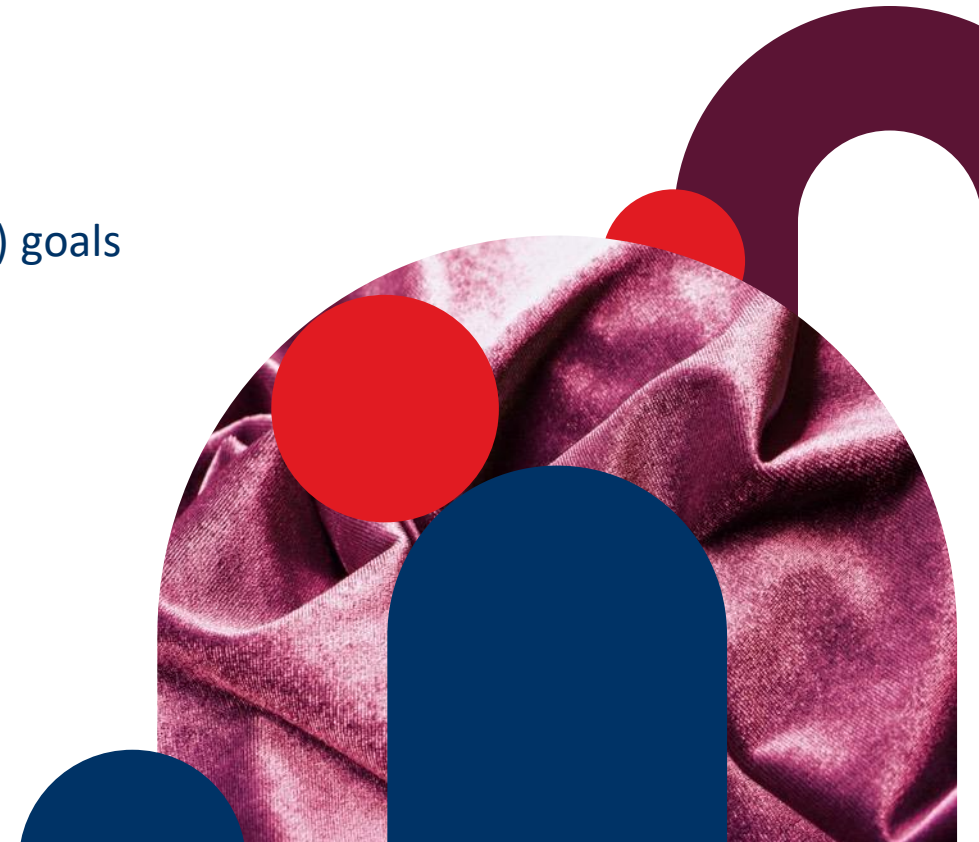


GLOBAL OUTLOOK

- 1 Redrawing geopolitical lines
- 2 Tariff-induced tremors
- 3 The price of protectionism

LOCAL OUTLOOK

- 4 Delayed growth recovery
- 5 Scoring our own (political) goals
- 6 Inflation setting us apart



Global outlook

An abstract graphic in the bottom right corner of the slide. It features several overlapping circles and semi-circles in two shades of red and maroon against a dark blue background. The shapes vary in size and opacity, creating a layered, organic feel.

Redrawing geopolitical lines



Source: Hedgeye

Section

01

Redrawing geopolitical lines

Geopolitical hotspots

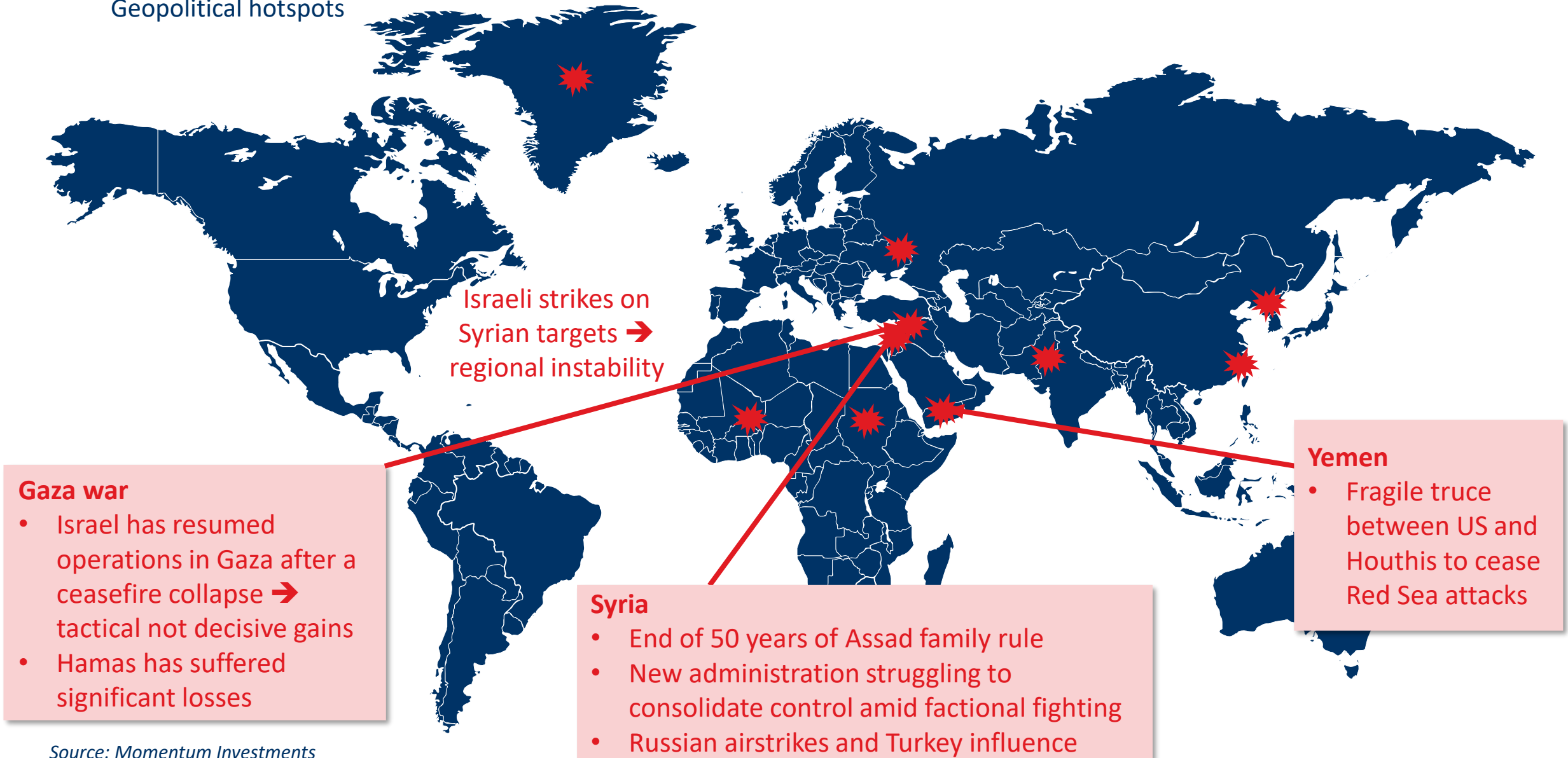


Russia-Ukraine war

- Incremental territorial gains by Russia
- Redirected energy exports
- Europe bracing for shifts in US policy support

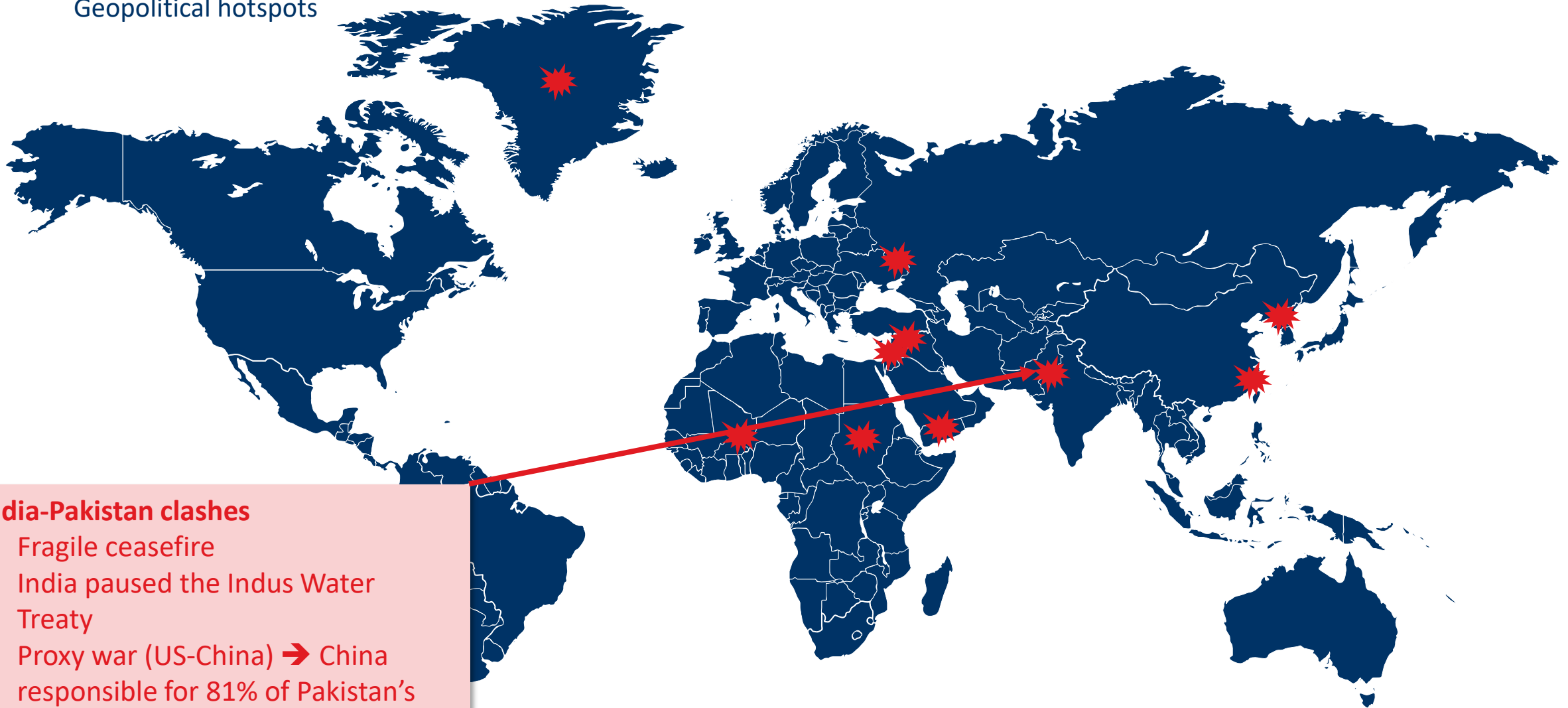
Redrawing geopolitical lines

Geopolitical hotspots



Redrawing geopolitical lines

Geopolitical hotspots

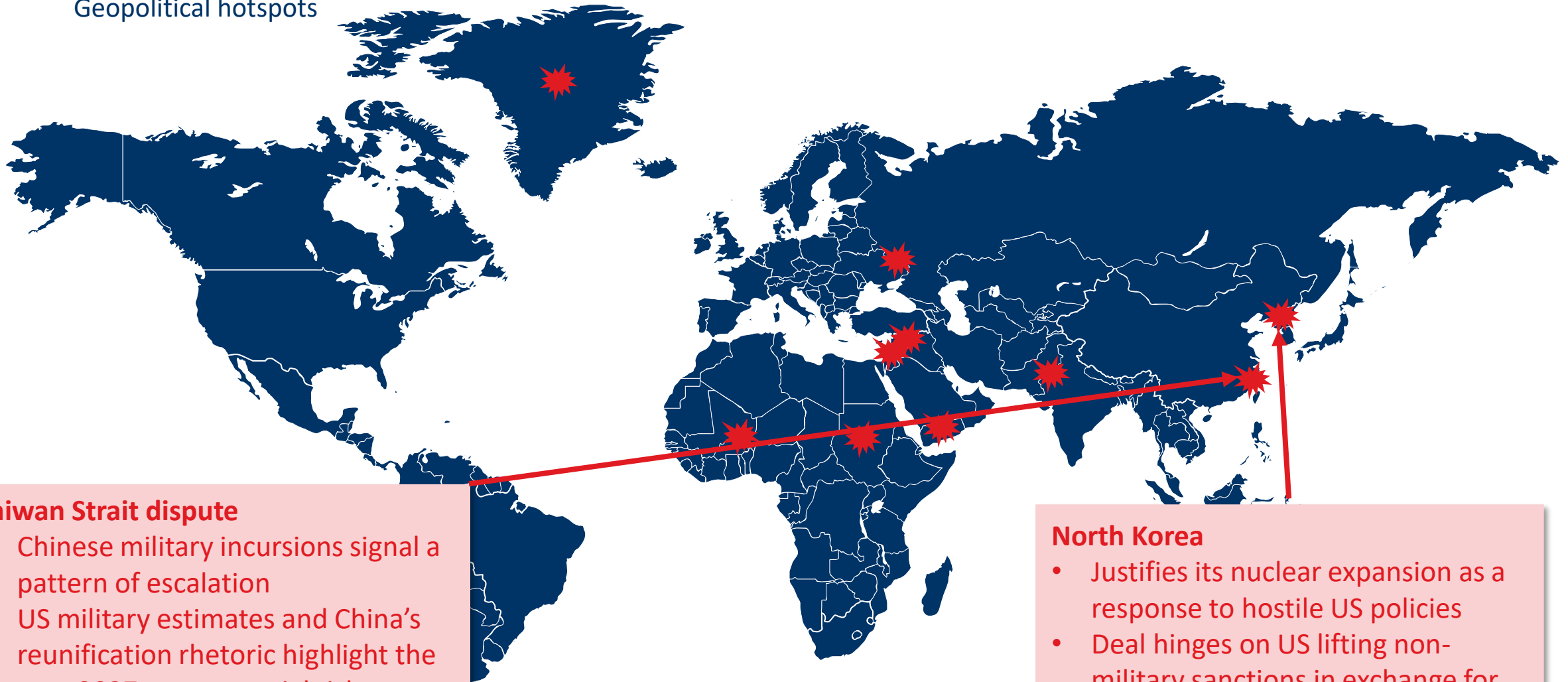


India-Pakistan clashes

- Fragile ceasefire
- India paused the Indus Water Treaty
- Proxy war (US-China) → China responsible for 81% of Pakistan's imported weapons

Redrawing geopolitical lines

Geopolitical hotspots



Taiwan Strait dispute

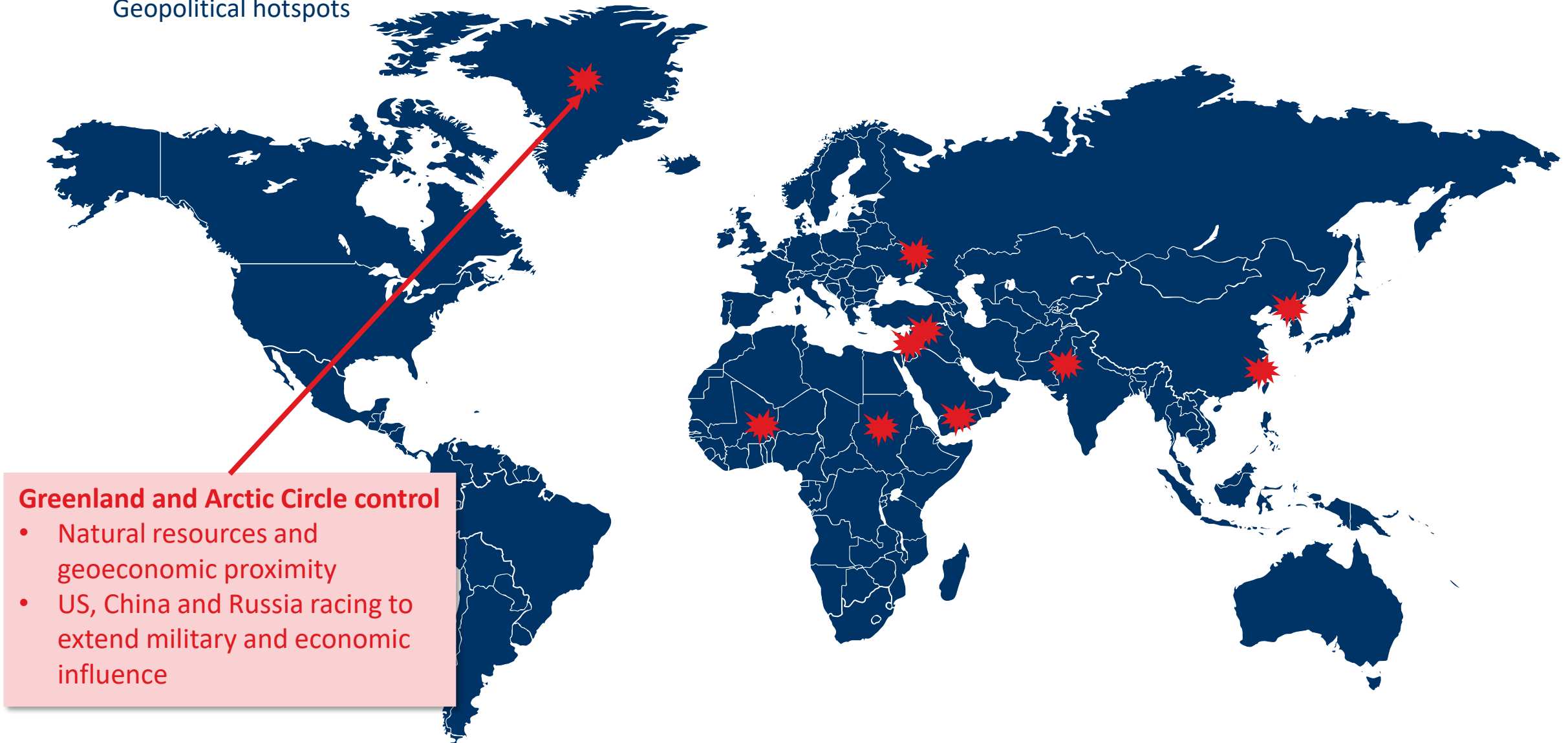
- Chinese military incursions signal a pattern of escalation
- US military estimates and China's reunification rhetoric highlight the year 2027 as a potential risk
- Semi-conductor dominance

North Korea

- Justifies its nuclear expansion as a response to hostile US policies
- Deal hinges on US lifting non-military sanctions in exchange for North Korea stopping the production of nuclear weapons

Redrawing geopolitical lines

Geopolitical hotspots



Redrawing geopolitical lines

Fewer elections, more political challenges



Redrawing geopolitical lines

Fewer elections, more political challenges



Canada:

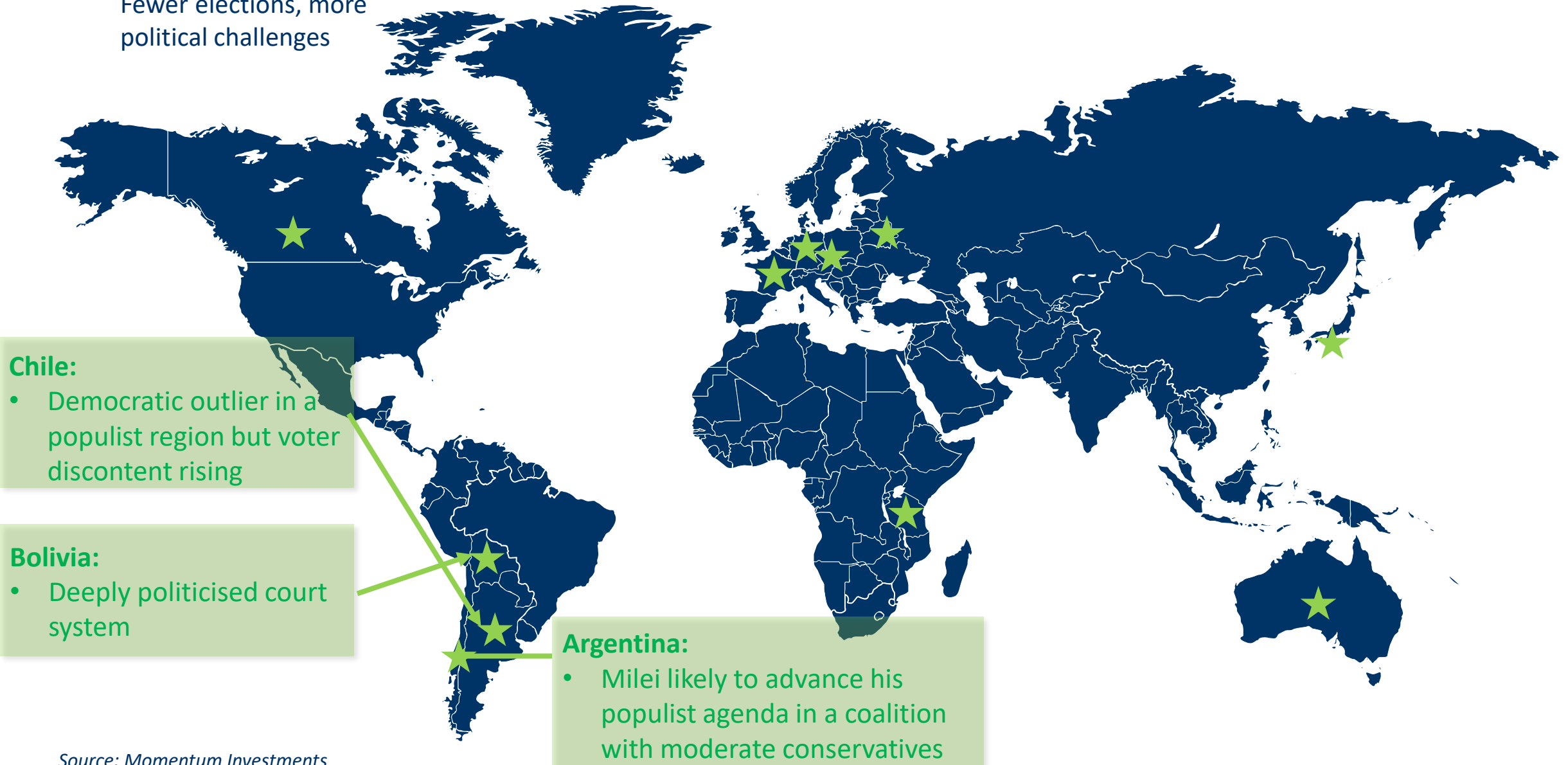
- Liberal Party staged a comeback
- Carney's tough stance will make negotiations difficult
- Continental defence
- Preventing China from entering USMCA market via a backdoor

Australia:

- Domestic issues-run campaign
- Albanese did not adopt Dutton's vocal stance on Trump
- But pushback likely to be diplomatic

Redrawing geopolitical lines

Fewer elections, more political challenges



Redrawing geopolitical lines

Fewer elections, more political challenges



Redrawing geopolitical lines

Fewer elections, more political challenges



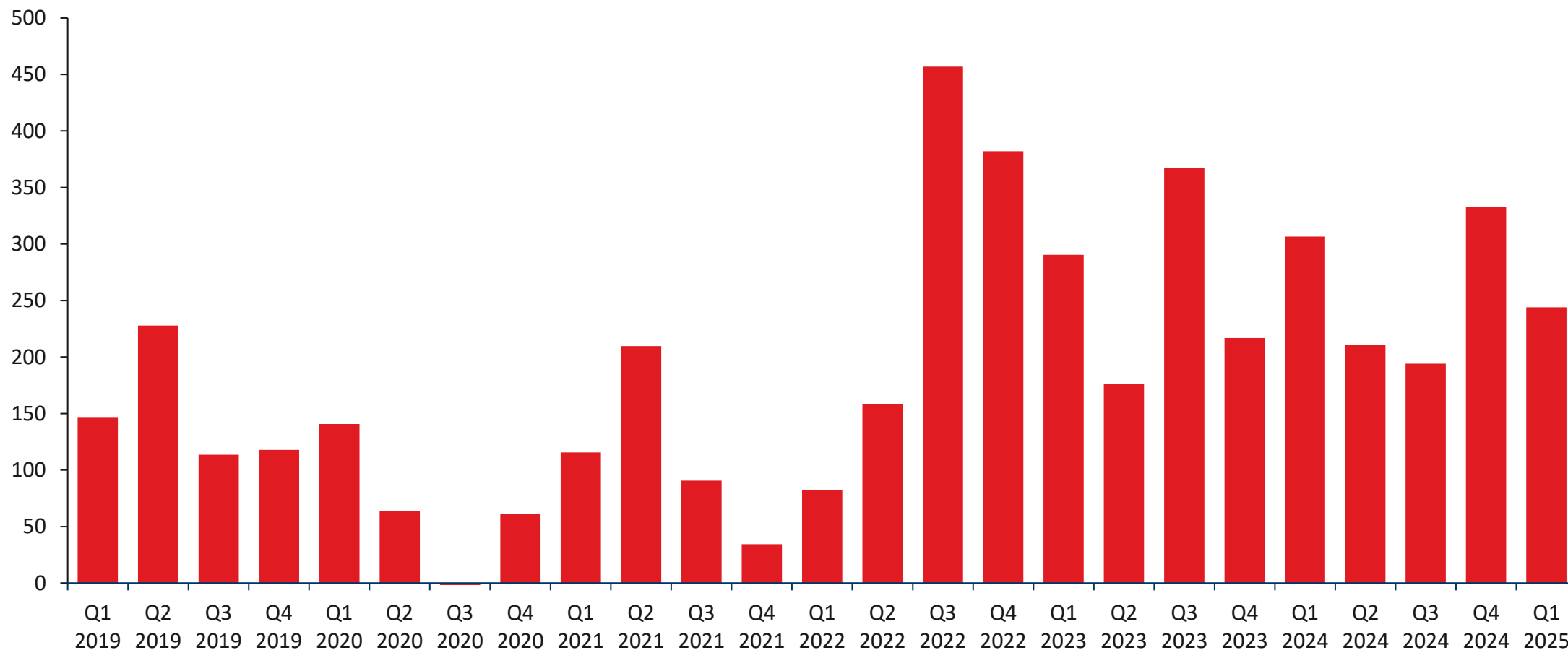
Tanzania:

- China = main trading partner for 8 years
- Institutional manipulation continues

Redrawing geopolitical lines

Central banks diversifying away from the US dollar

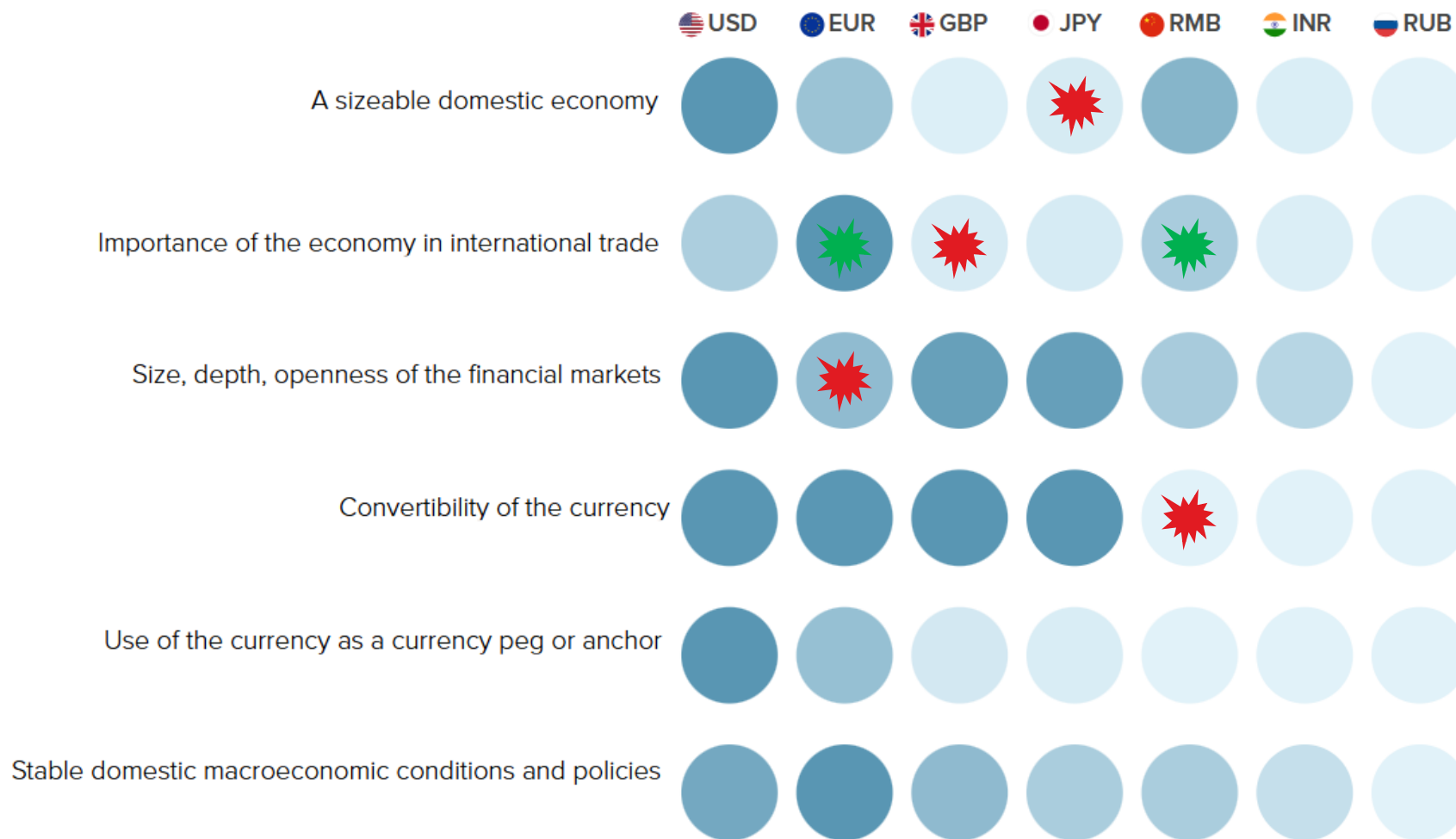
Central bank gold purchases (millions of tonnes)



Source: World Gold Council, Momentum Investments

Redrawing geopolitical lines

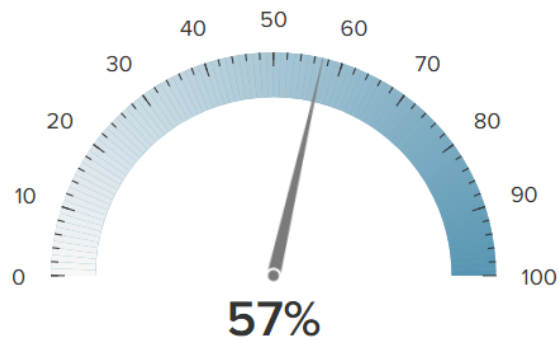
US dollar dominance → US dollar ticks many of the requirements needed to maintain its global reserve currency status



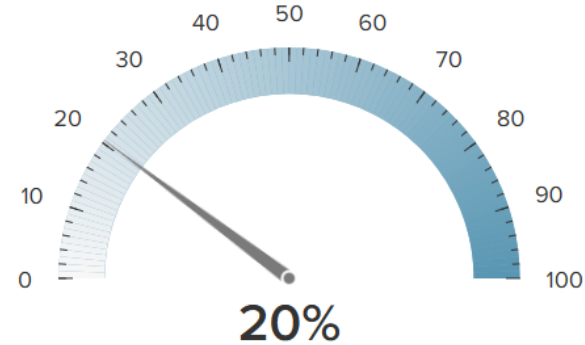
Redrawing geopolitical lines

US dollar remains a high share of global foreign exchange reserves

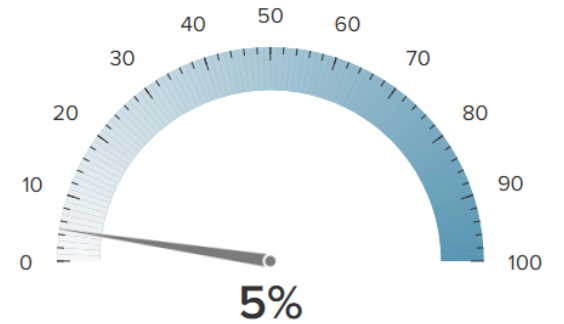
Dollar



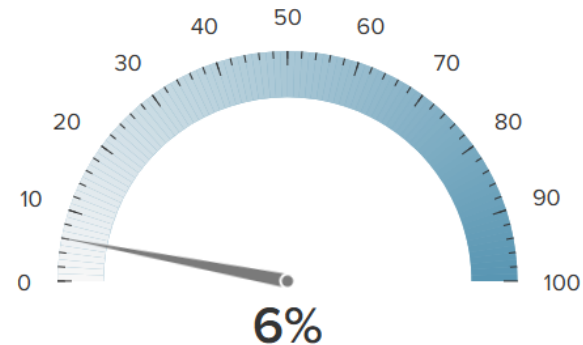
Euro



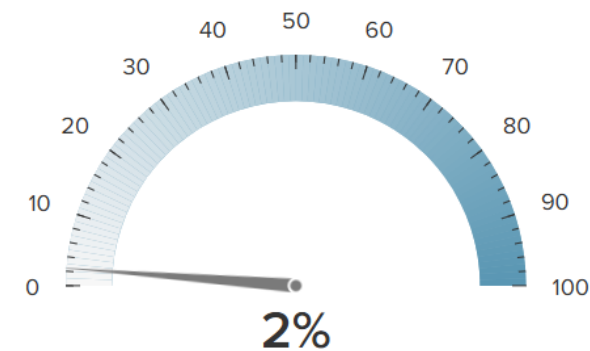
Pound



Yen



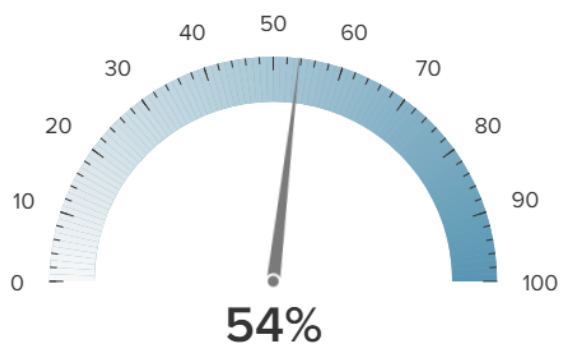
Renminbi



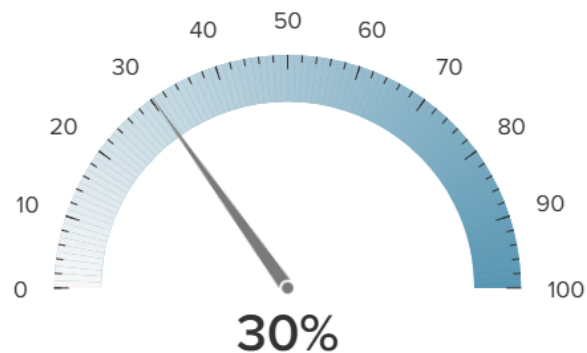
Redrawing geopolitical lines

US dollar remains a high share of export invoicing

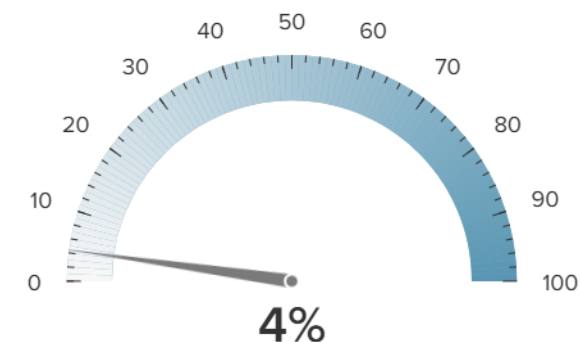
Dollar



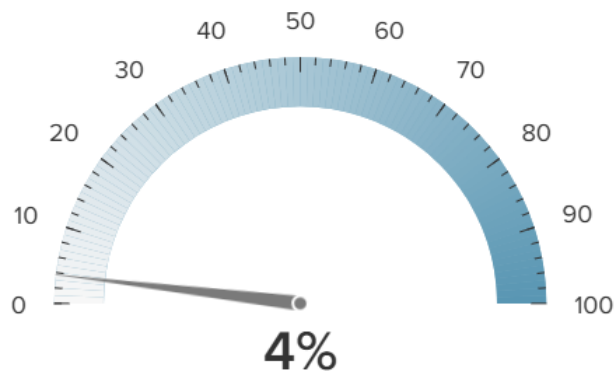
Euro



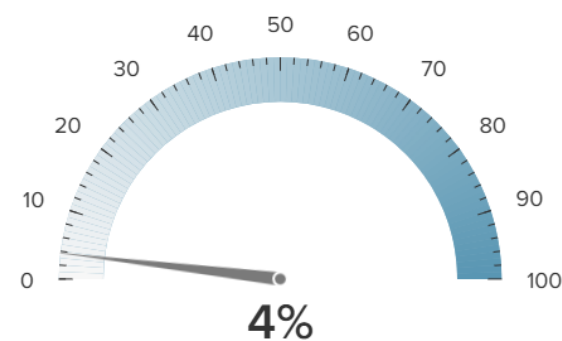
Pound



Yen



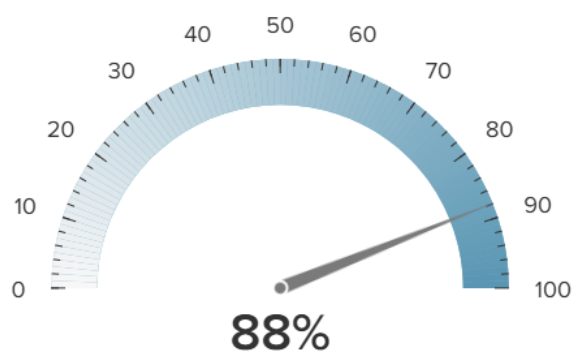
Renminbi



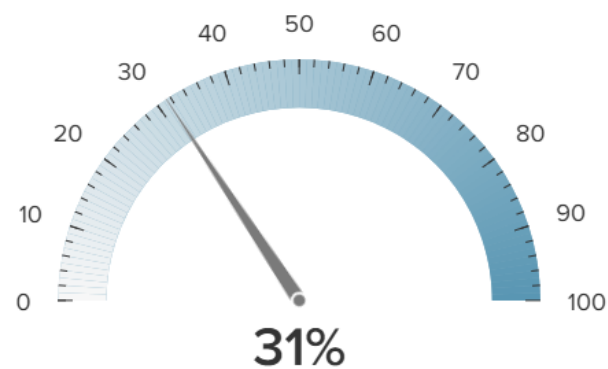
Redrawing geopolitical lines

US dollar remains a high share of foreign exchange transactions

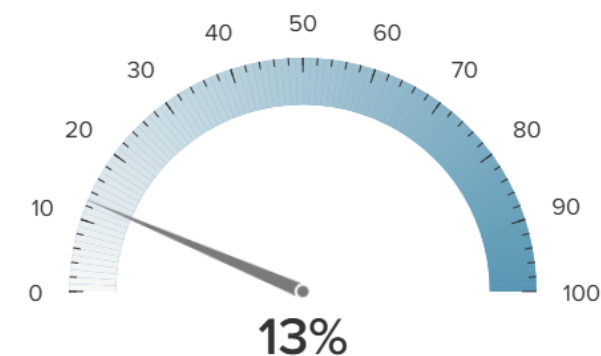
Dollar



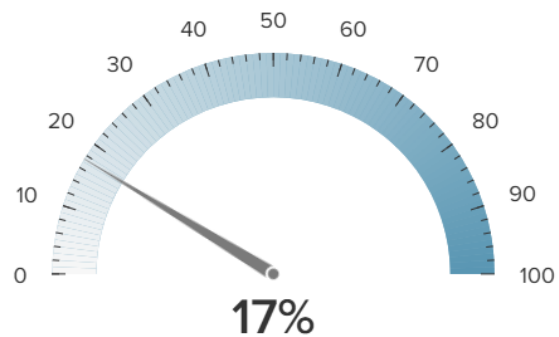
Euro



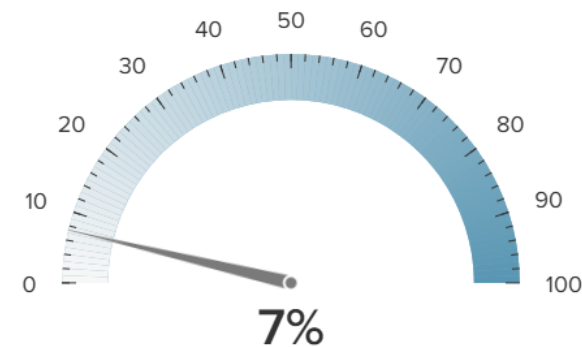
Pound



Yen



Renminbi



Tariff-induced tremors



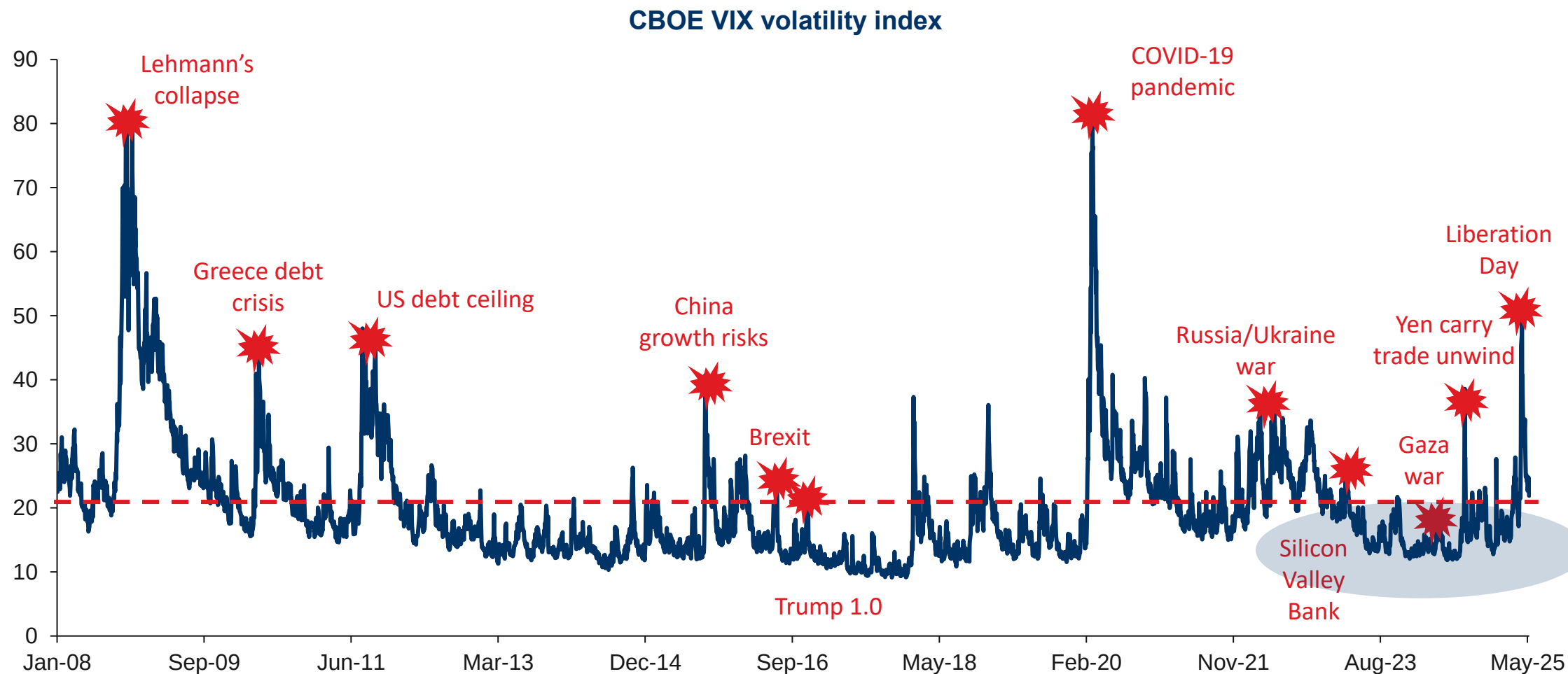
Source: North Shore News

Section

02

Tariff-induced tremors

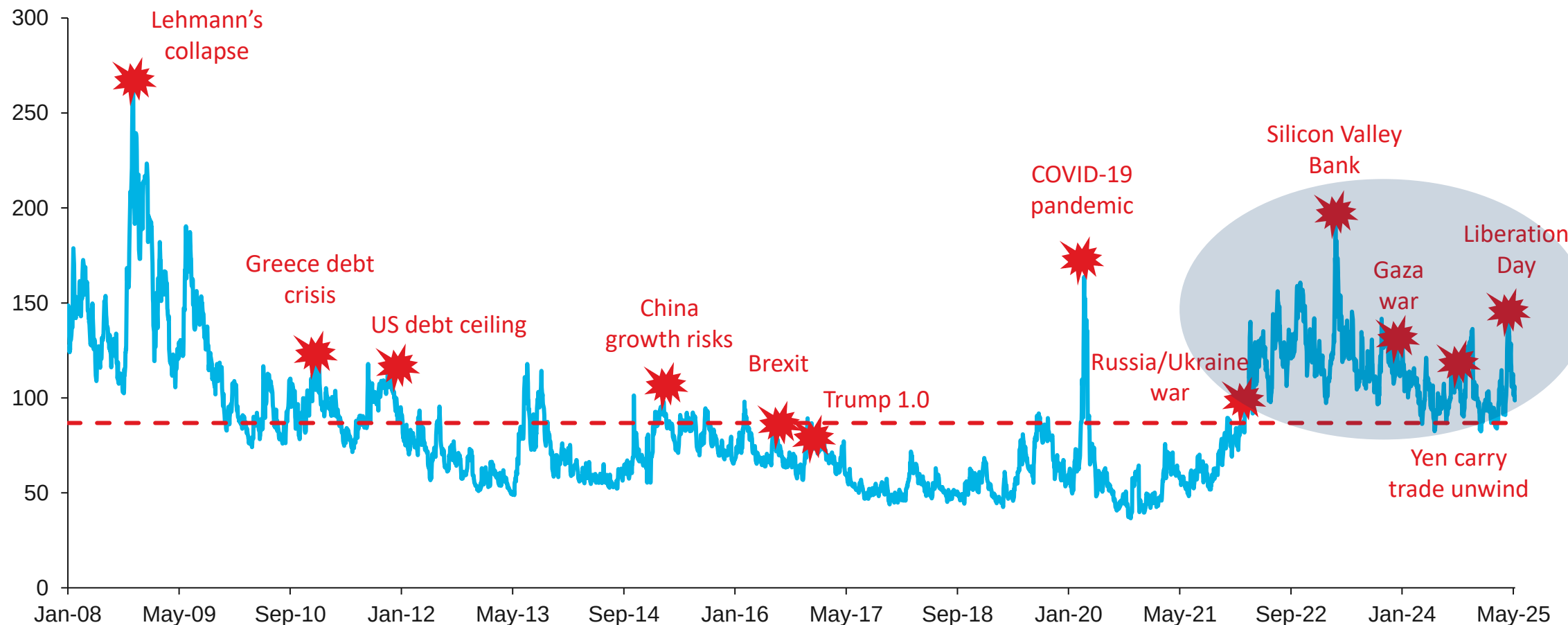
Volatility whipsawing in response to policy shifts



Tariff-induced tremors

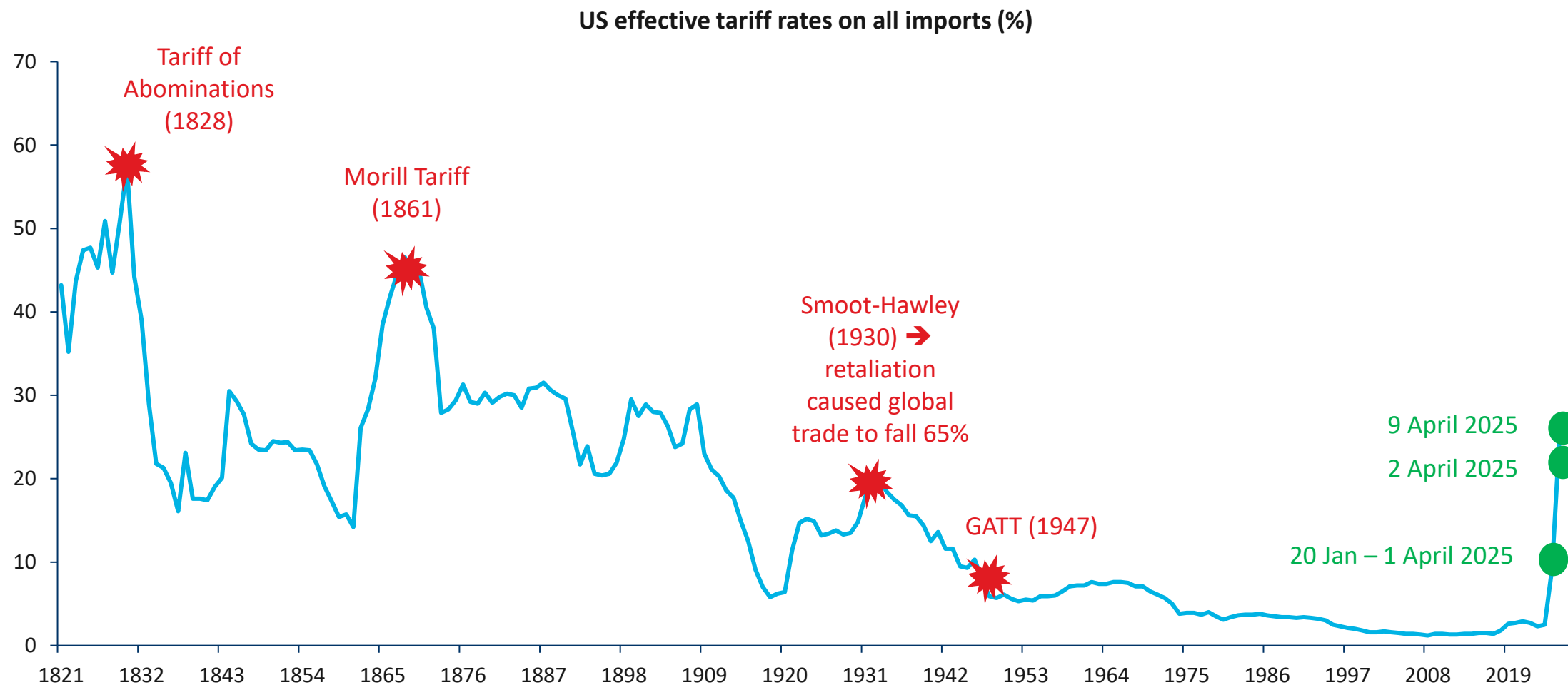
Bond market sell-off spooked the White House → 25% of the US bond market is owned by foreigners → is 5% the trigger-level for the US administration?

MOVE index



Tariff-induced tremors

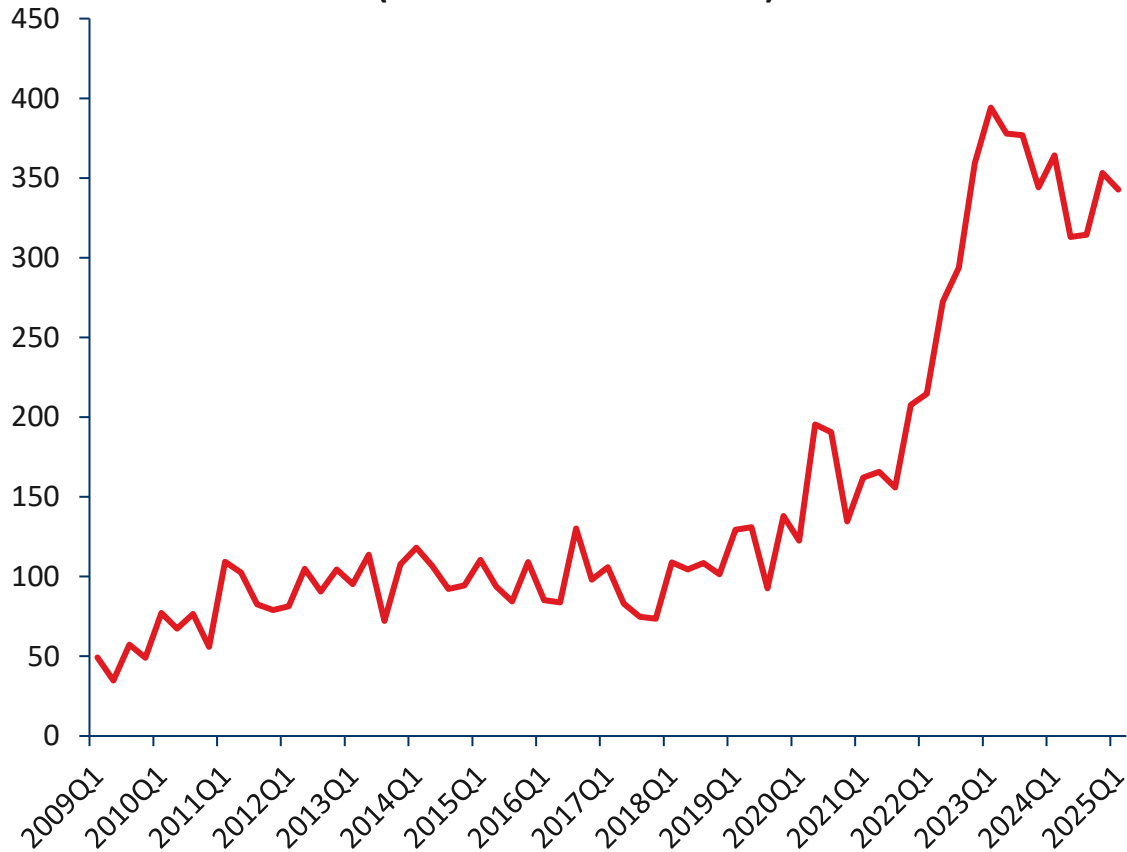
Tariffs are still higher than at the start of the year



Tariff-induced tremors

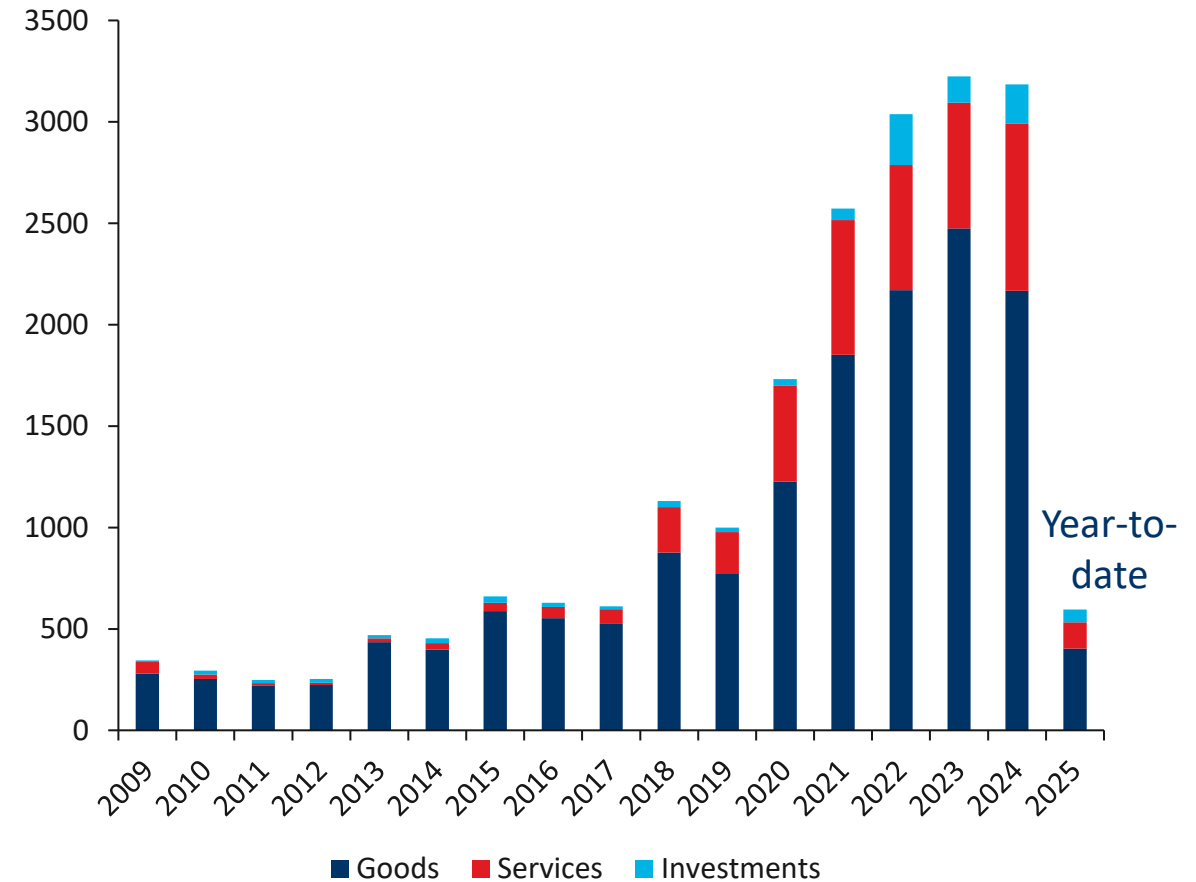
A more fragmented world as protectionist policies rise

Fragmentation keywords in earnings calls
(Index 2013 - 2015 = 100)



Source: International Monetary Fund, Momentum Investments

Trade-restrictive measures (number)

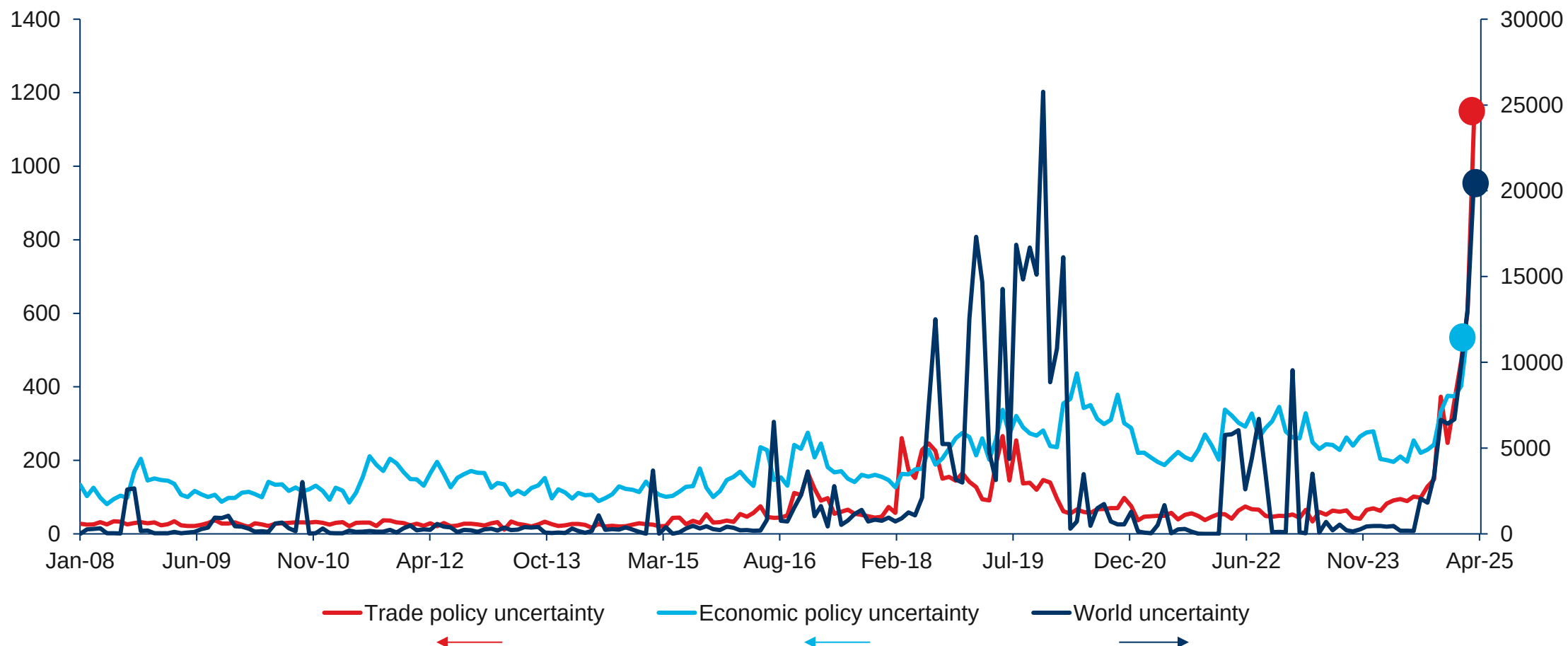


Source: International Monetary Fund, Momentum Investments

Tariff-induced tremors

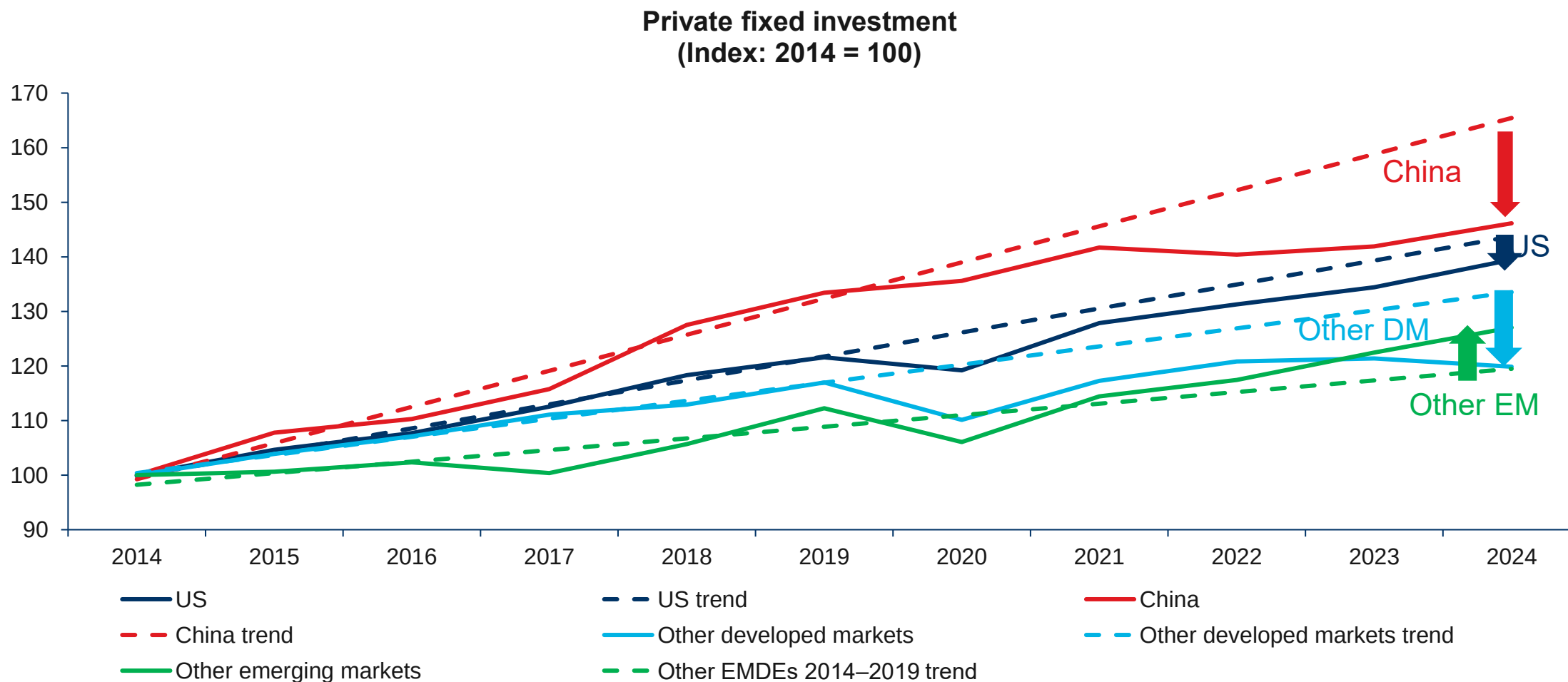
If there was ever a time to talk about uncertainty → goes a long way in explaining wide-ranging forecasts and numerous forecast revisions

Global trade policy uncertainty (index level)



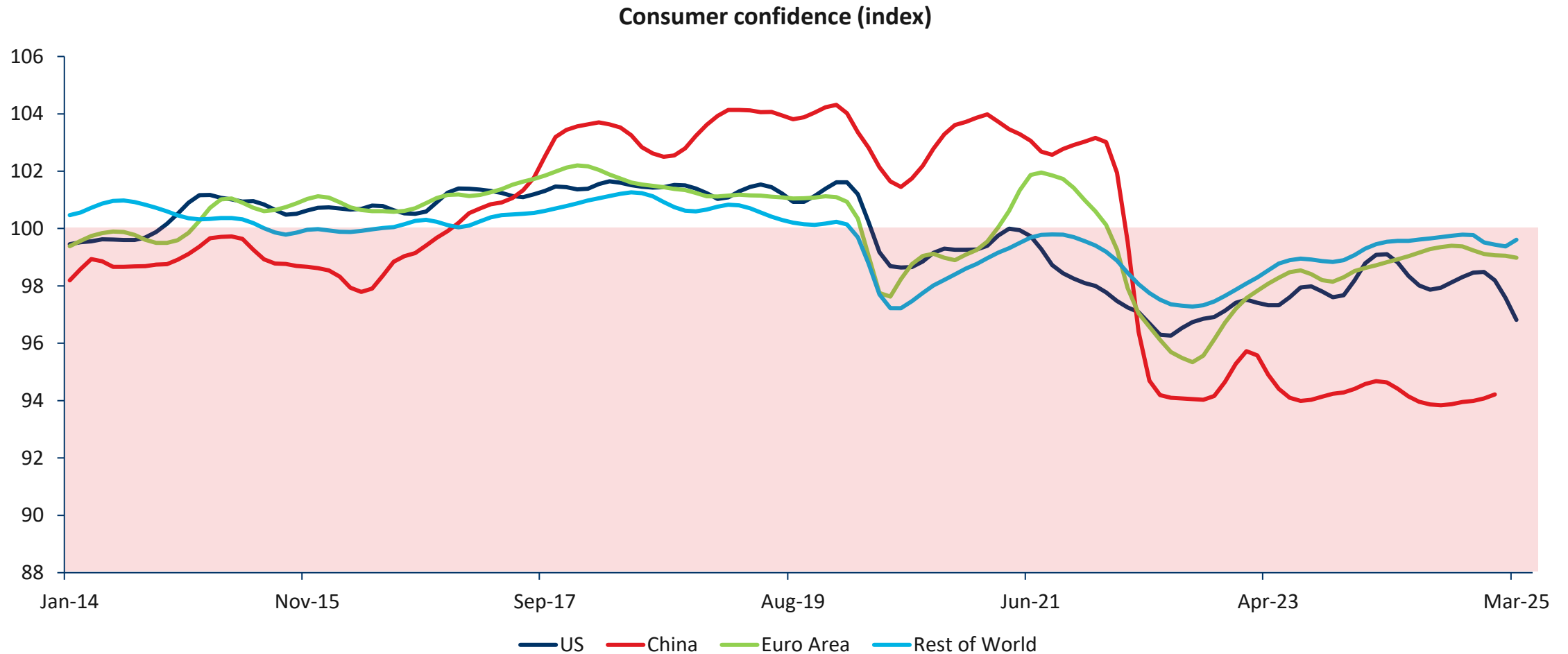
Tariff-induced tremors

Firms need certainty to deploy capital and hire workers



Tariff-induced tremors

Consumer are worried about tariffs → we have only recently emerged from a cost-of-living crisis



The price of protectionism



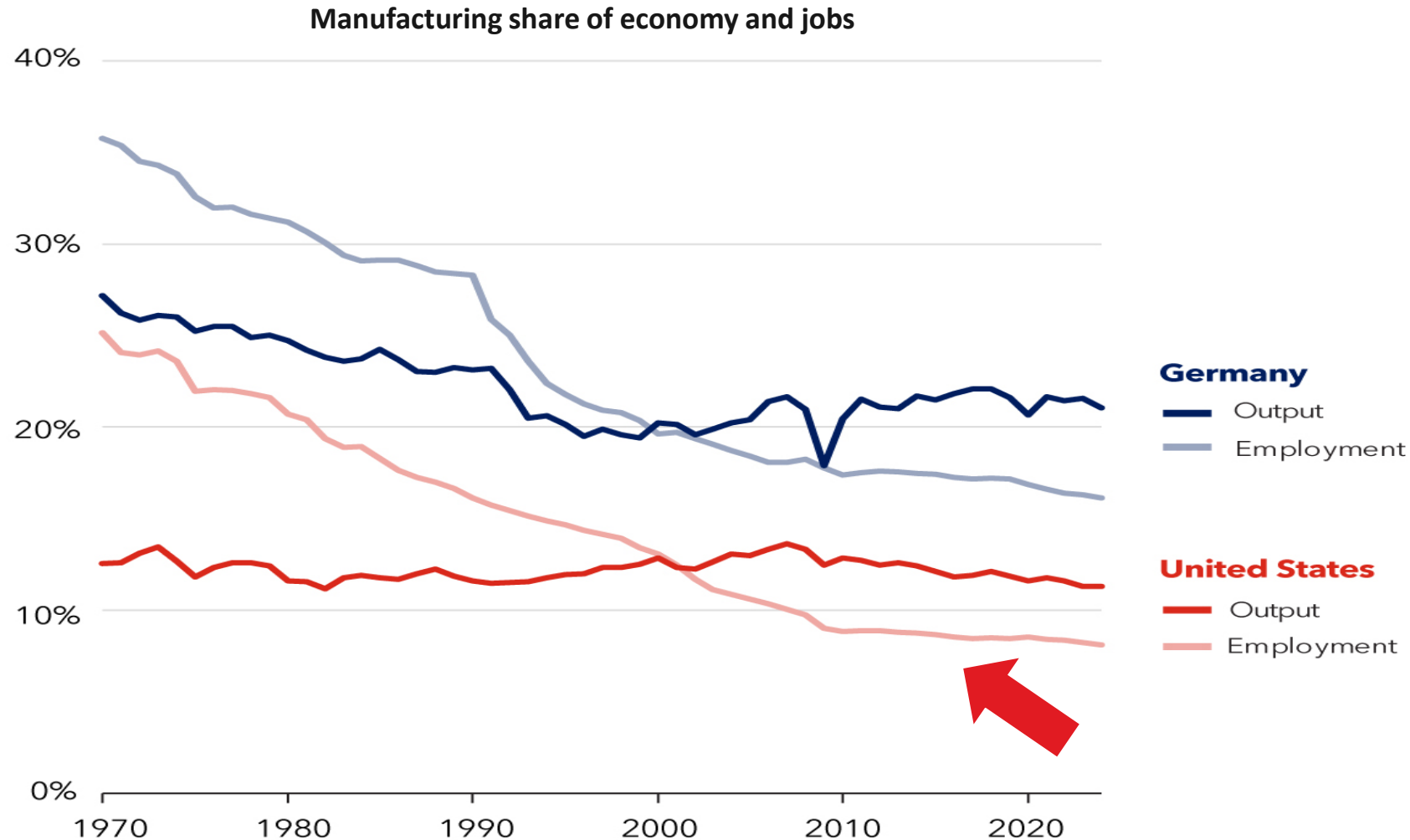
Source: Chaz Fenwick

Section

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The price of protectionism

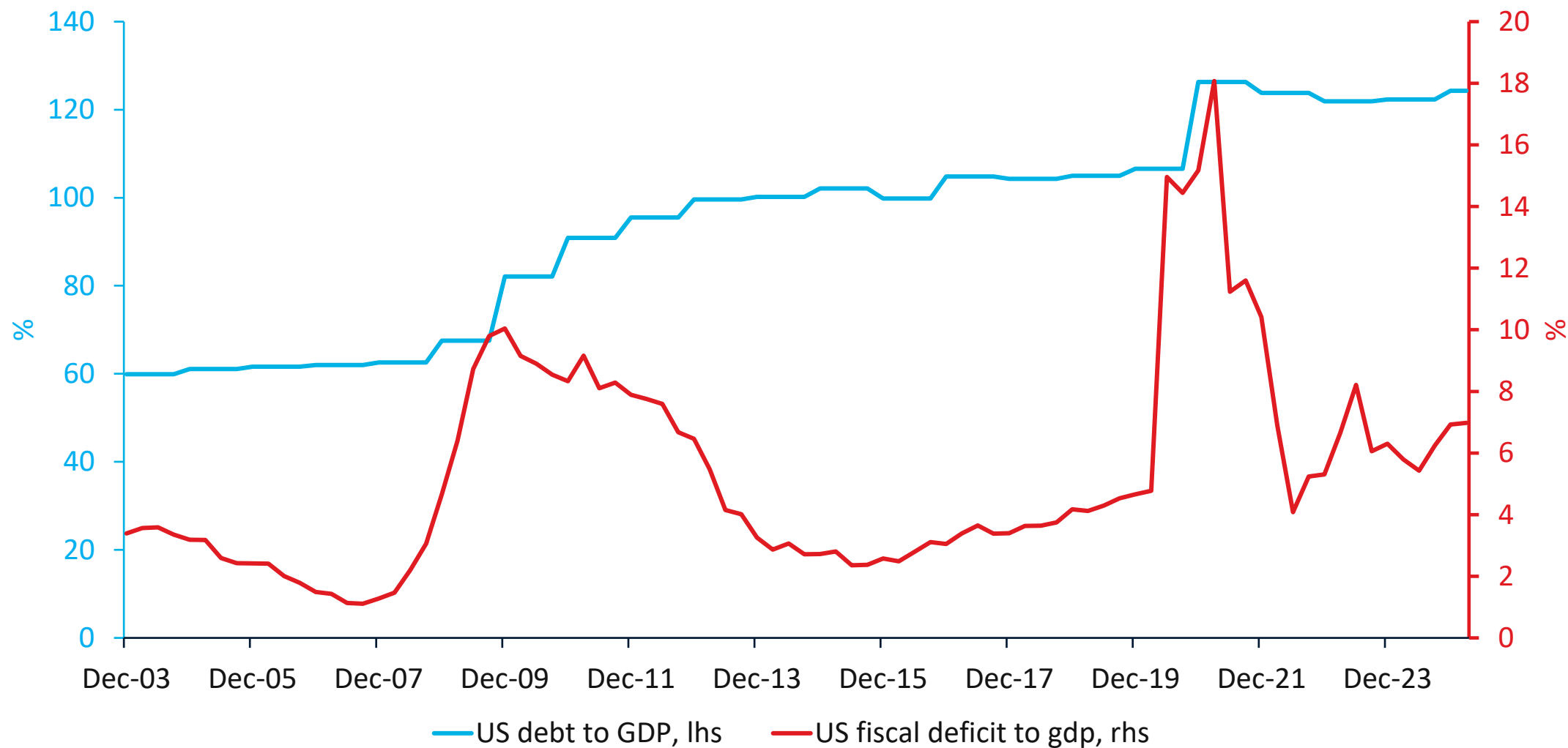
Why Trump is not a fan of globalisation



Source: International Monetary Fund

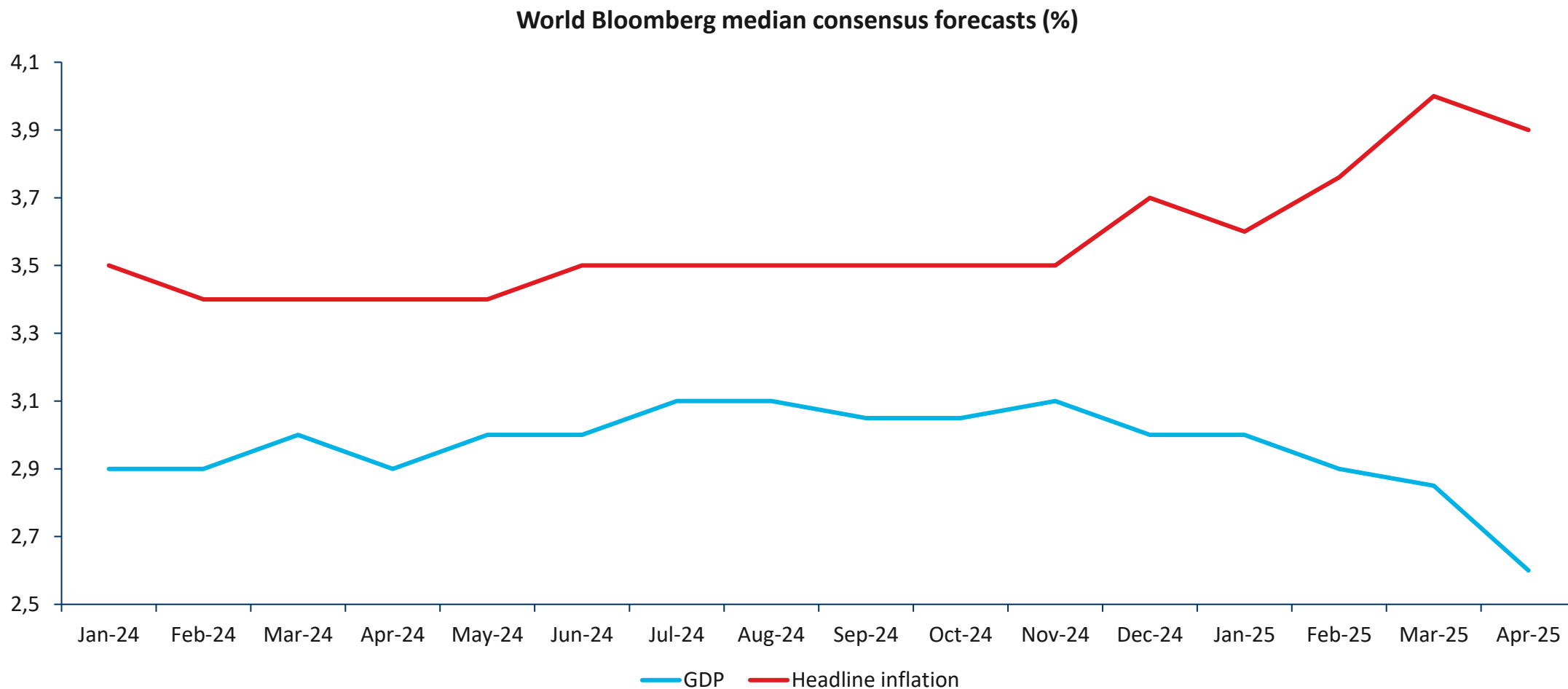
The price of protectionism

Can tariffs repair the US fiscal trajectory?



The price of protectionism

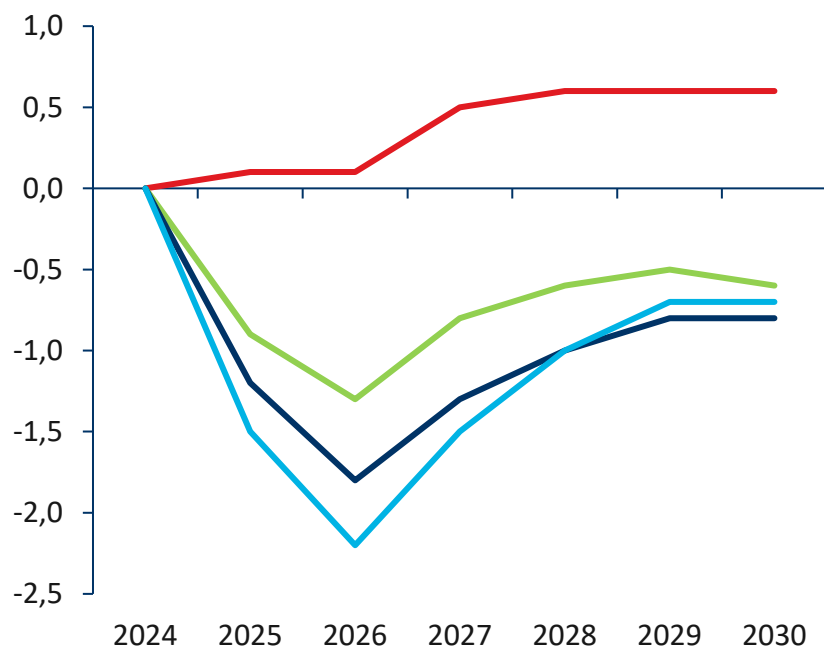
Upside risks to inflation and downside risks to growth



The price of protectionism

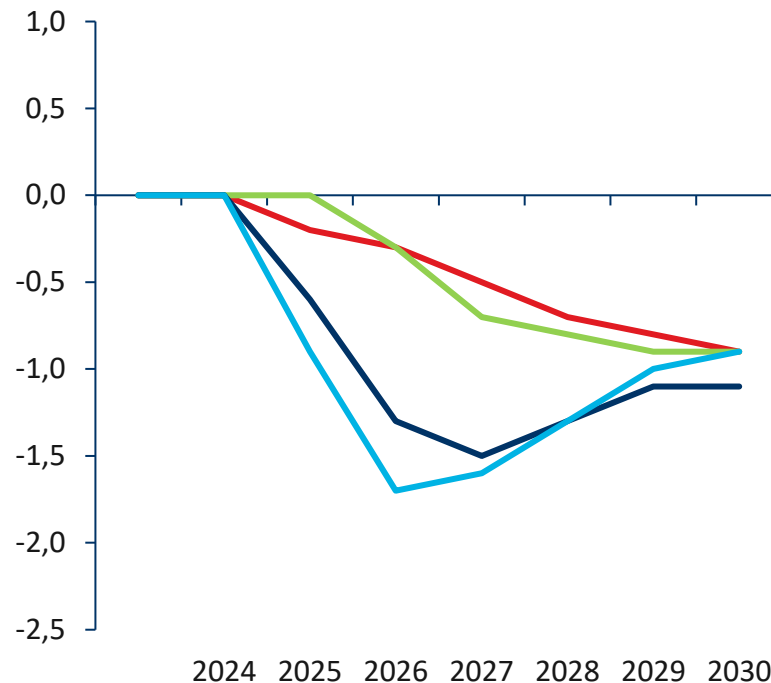
Percent deviation from base case growth forecast (scenario = lower productivity in Europe, extension of US tax cuts, 50 percentage point tariff increase US-China trade, weak domestic demand in China)

US



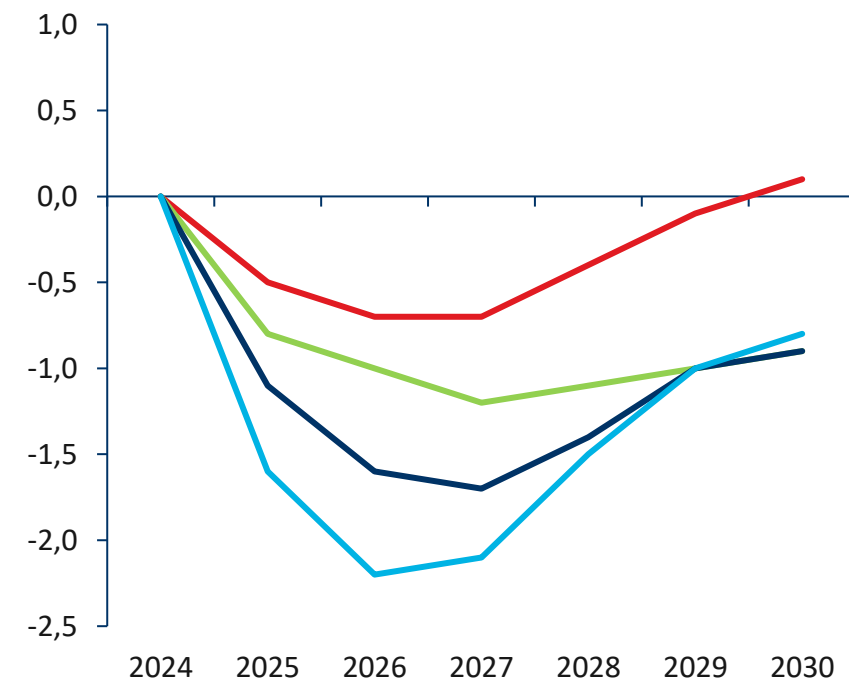
- Global divergences
- Add trade war
- Add global uncertainty
- Add tighter financial conditions

Euro Area



- Global divergences
- Add trade war
- Add global uncertainty
- Add tighter financial conditions

China



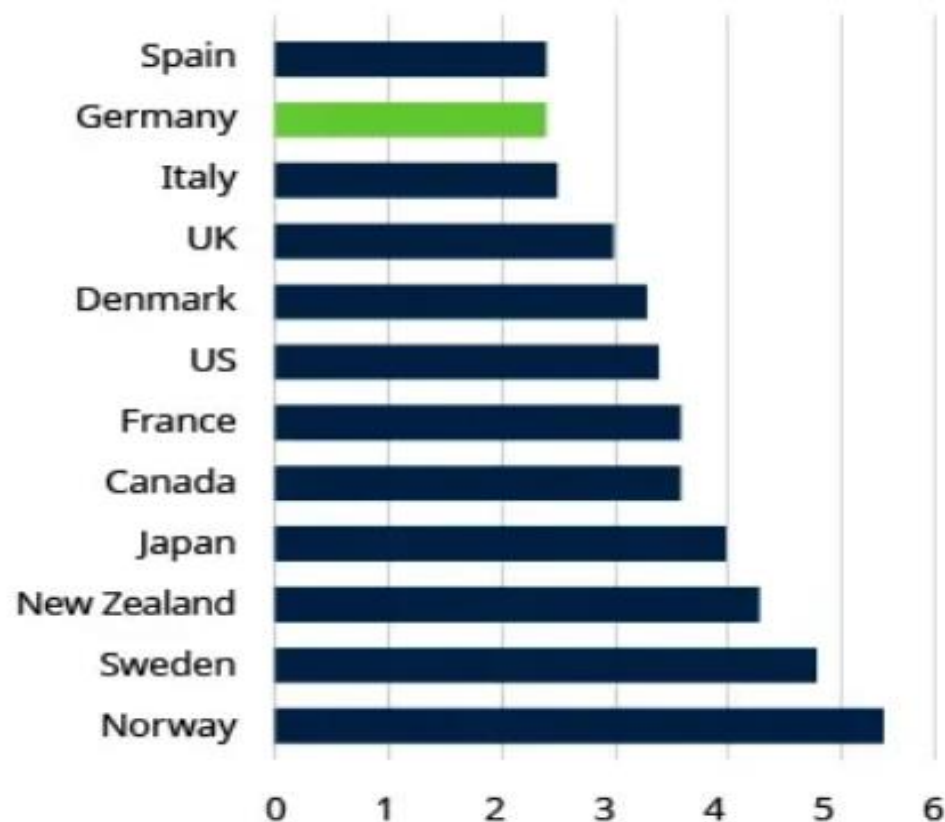
- Global divergences
- Add trade war
- Add global uncertainty
- Add tighter financial conditions

The price of protectionism

Germany boosting its domestic demand prospects by lifting the debt brake

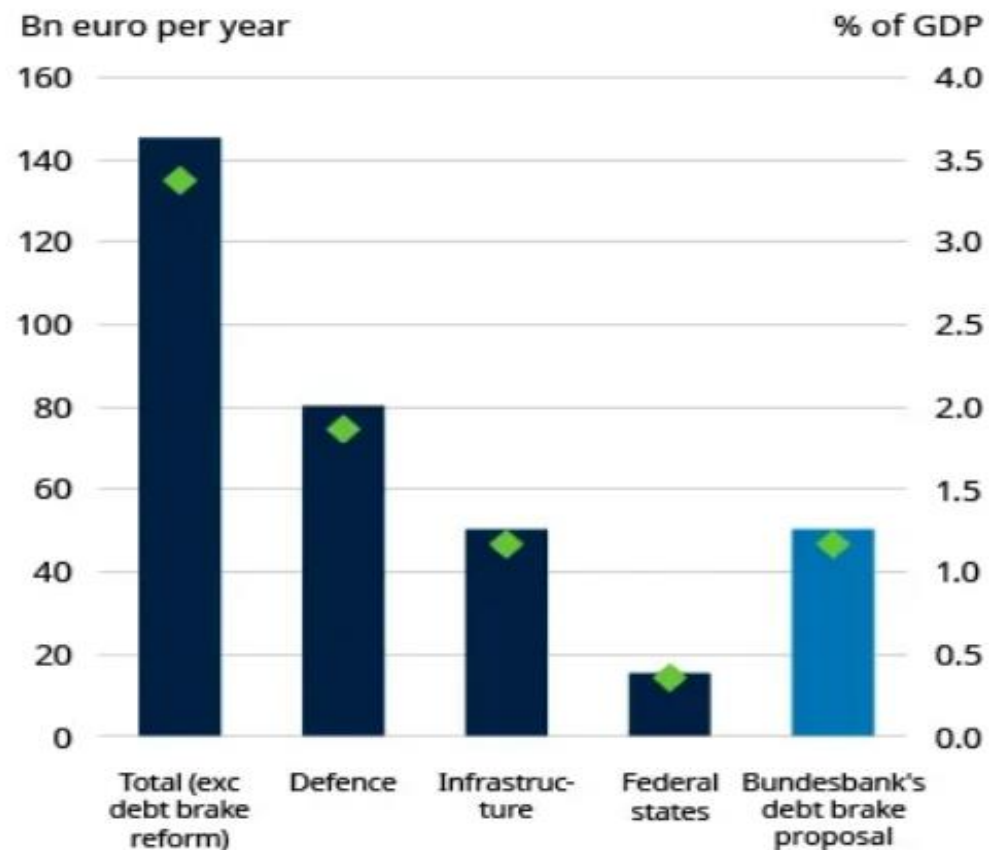
Public investment as % of GDP

2018–2022 average



Source: Schroders

Estimated volume of fiscal spending proposals

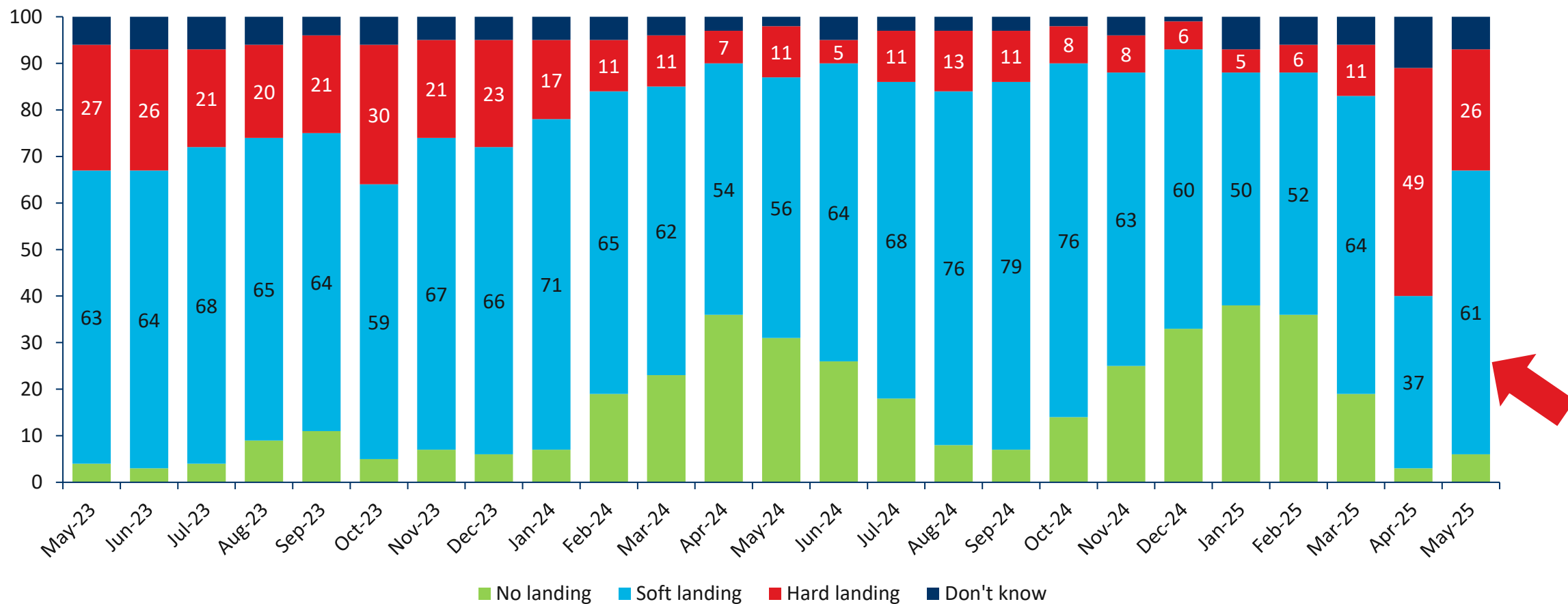


Source: Schroders

The price of protectionism

Hard landing expectations have retreated, with a soft landing once again the consensus view

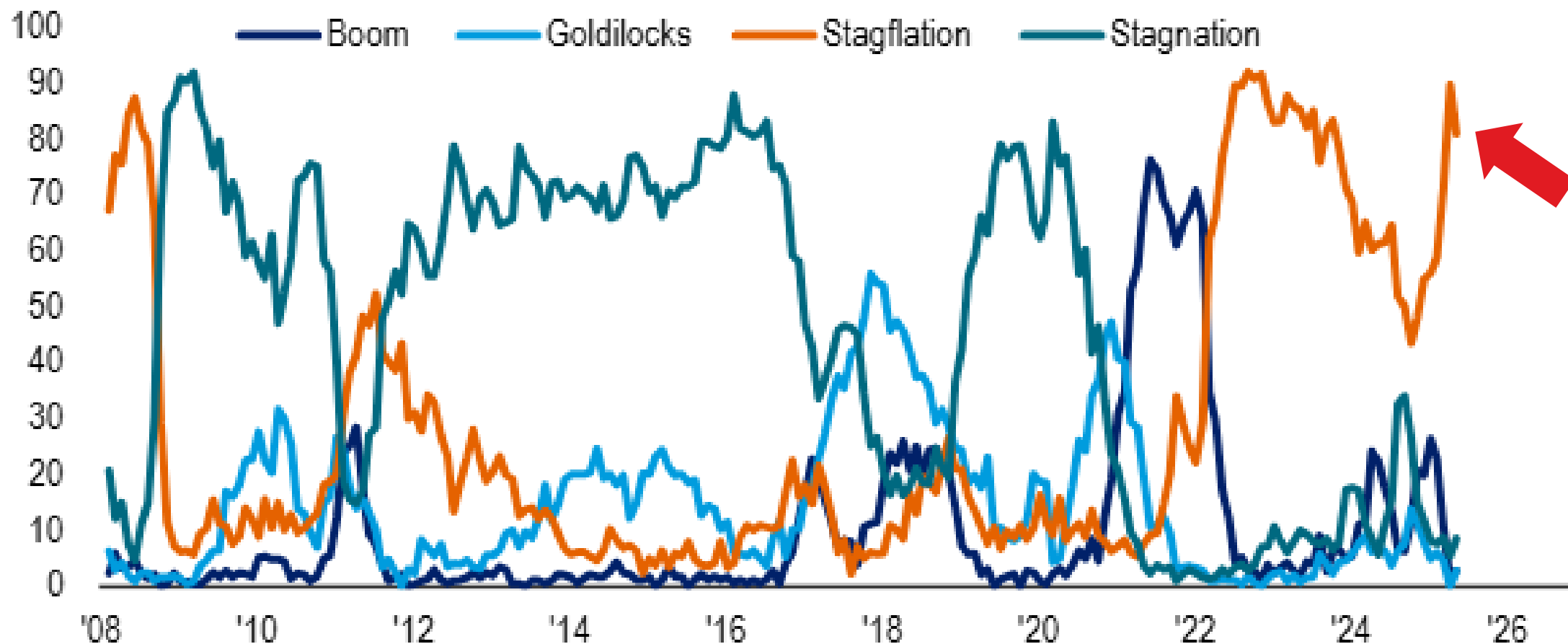
What is the most likely outcome for the global economy in the next 12 months?



The price of protectionism

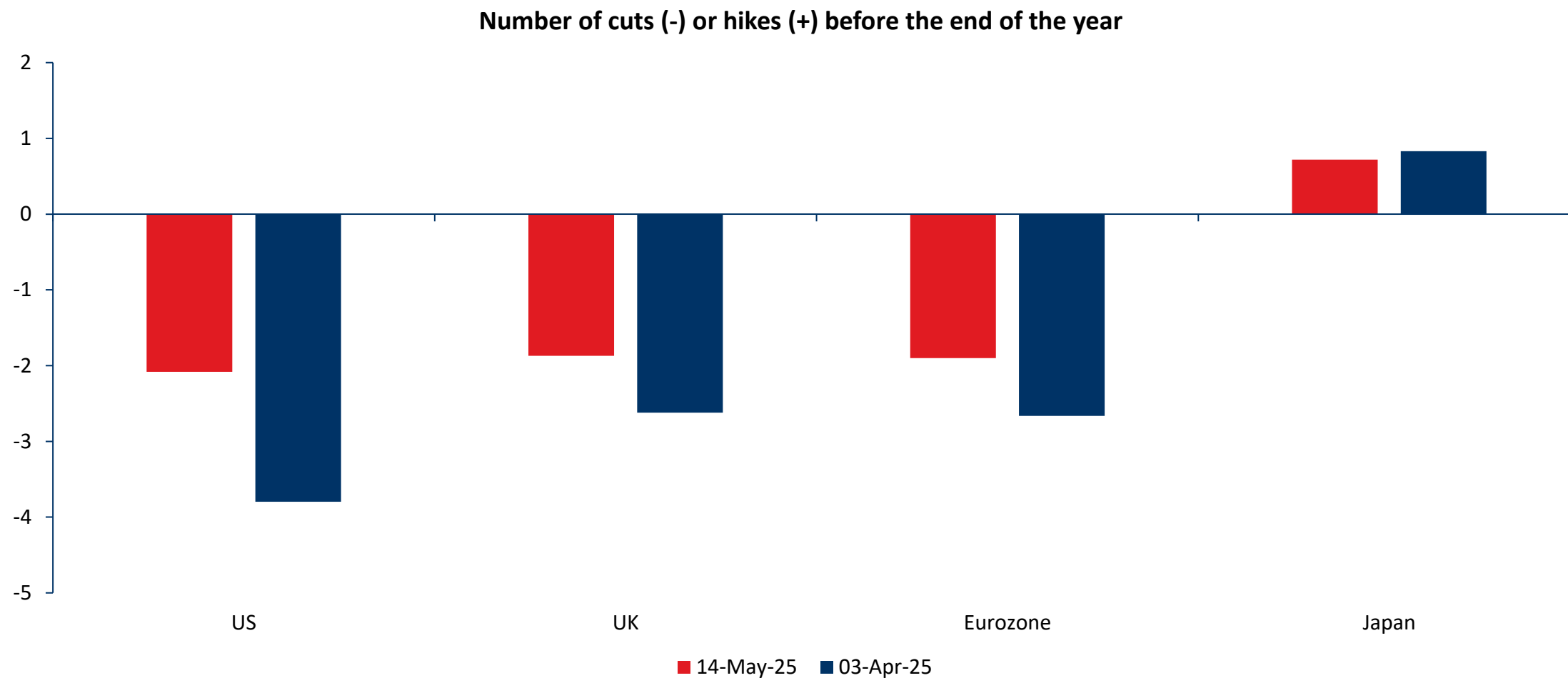
Stagflation is the most likely outcome in the US → stagnation elsewhere?

How would investors describe the global economy over the next 12 months?



The price of protectionism

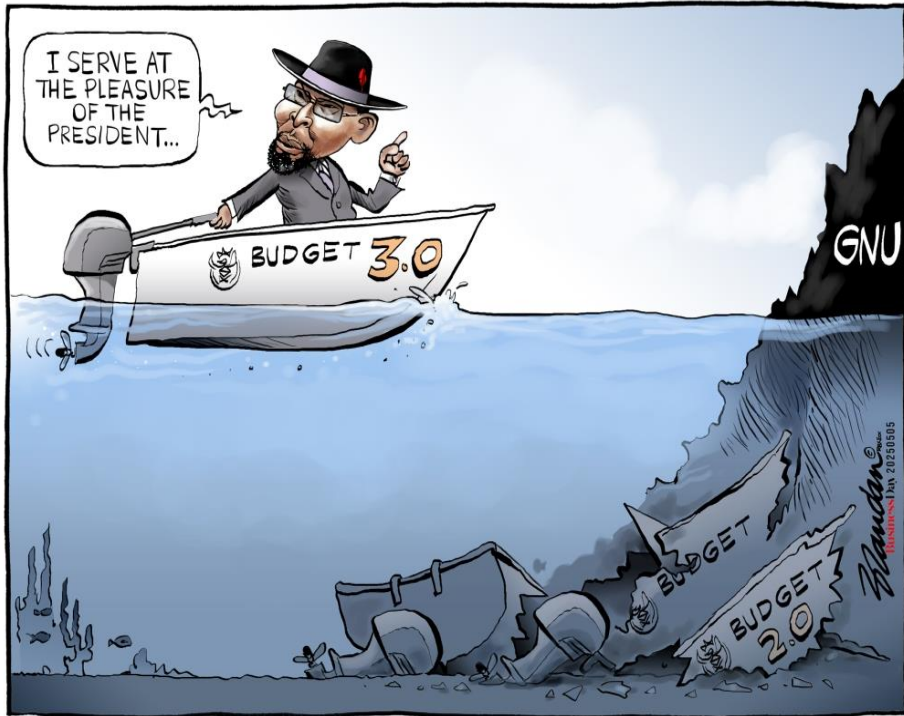
Higher terminal interest rates likely



Local outlook



Delayed growth recovery



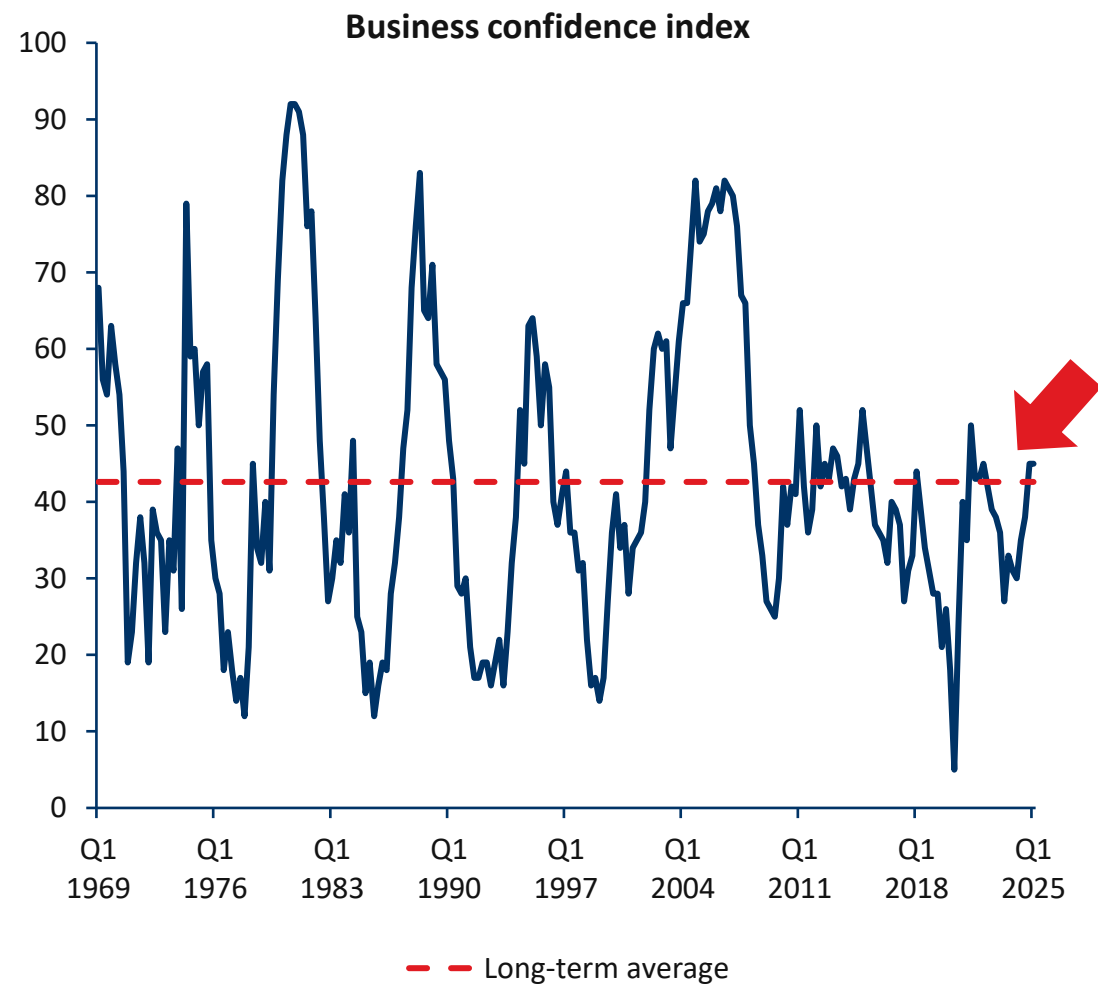
Source: BusinessLive

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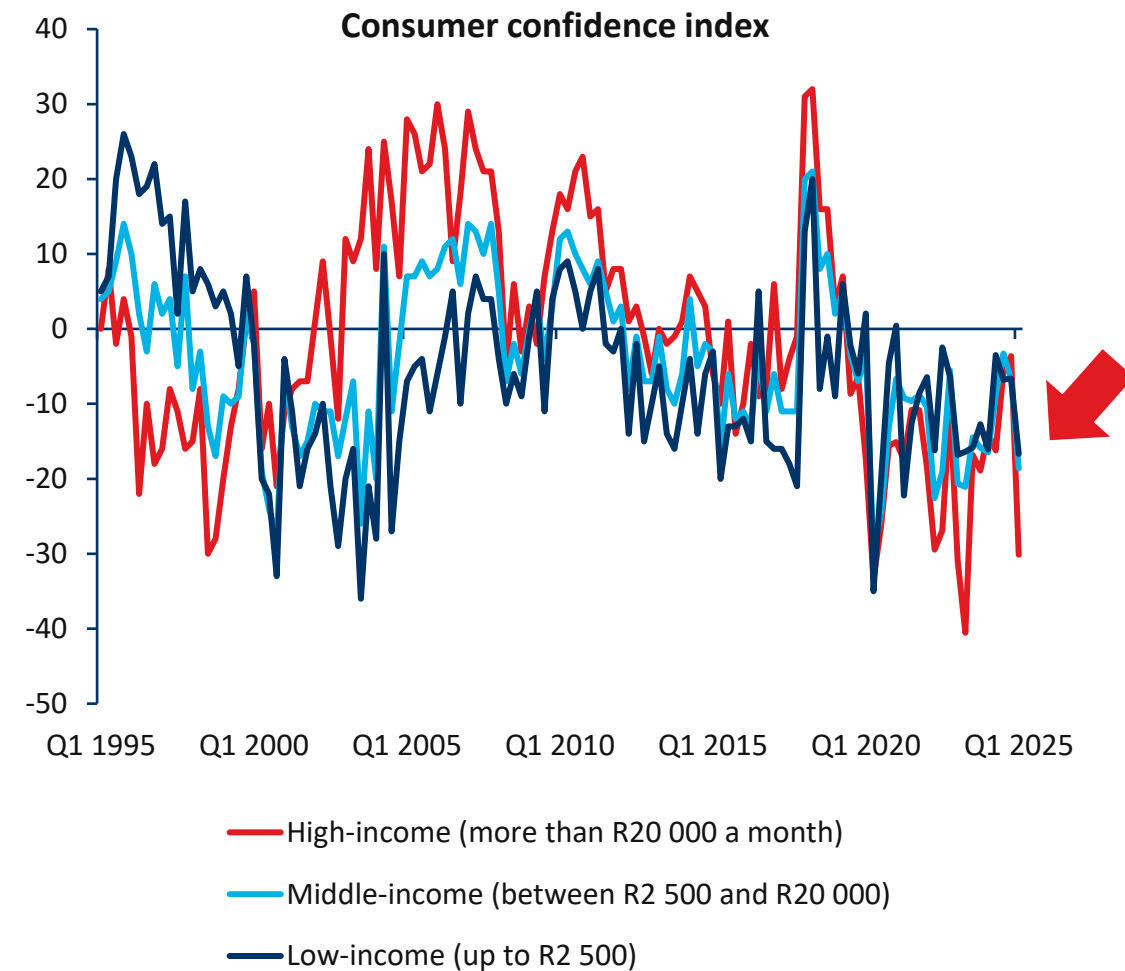
04

Delayed growth recovery

Local confidence fraying



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

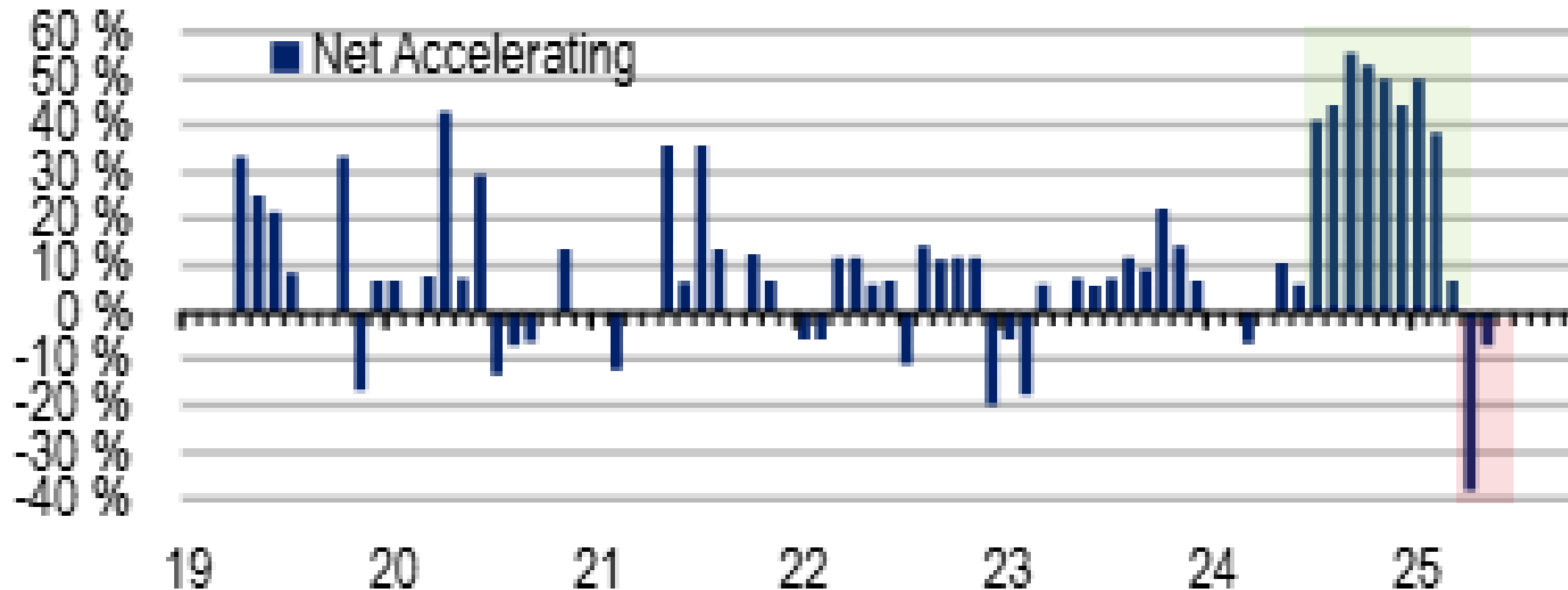


Source: Bureau for Economic Research (BER), Momentum Investments

Delayed growth recovery

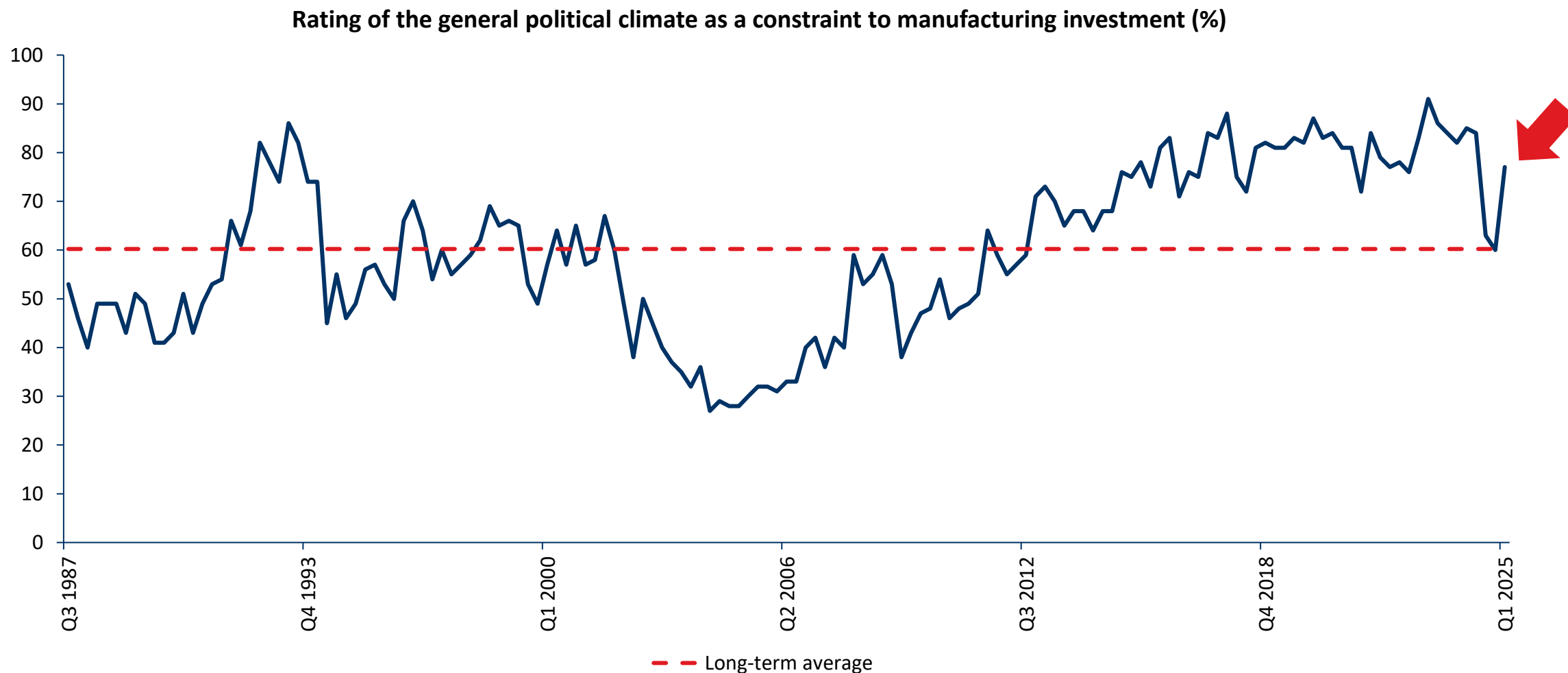
Structural reform hopes have turned more bearish (although they have recovered off recent lows!)

Net balance of SA fund managers that see reforms accelerating in SA



Delayed growth recovery

Salami-slicing GDP growth estimates as a result of weaker fixed investment projections



Delayed growth recovery

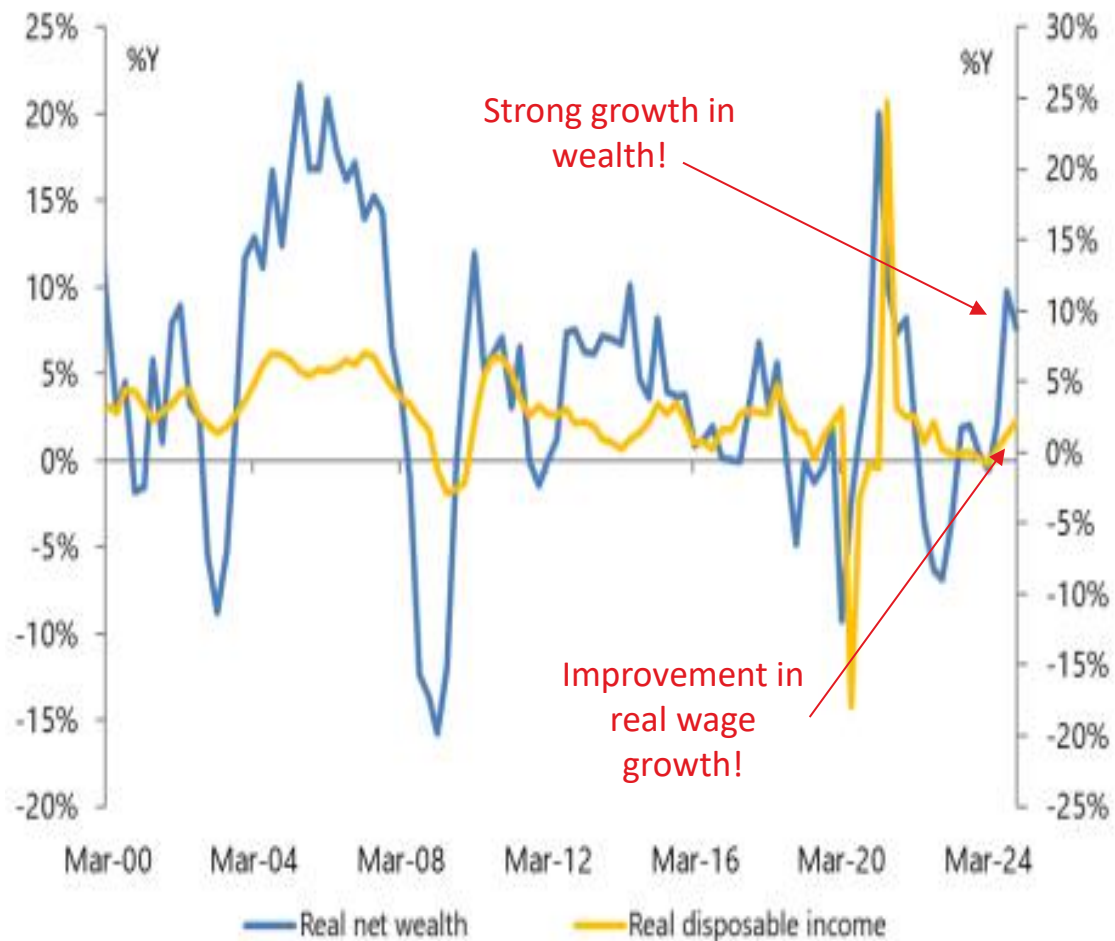
Salami-slicing GDP growth estimates as a result of weaker exports

SA's top 10 export partners	2025 GDP (Oct 2024)	2025 GDP (Apr 2025)
China	4.5	4.0
US	2.2	1.8
Germany	0.8	0
Mozambique	4.3	3.5
UK	1.5	1.1
Japan	1.1	0.6
India	6.5	6.2
Namibia	4.2	3.8
Botswana	5.2	-0.4
Zimbabwe	6.0	6.0

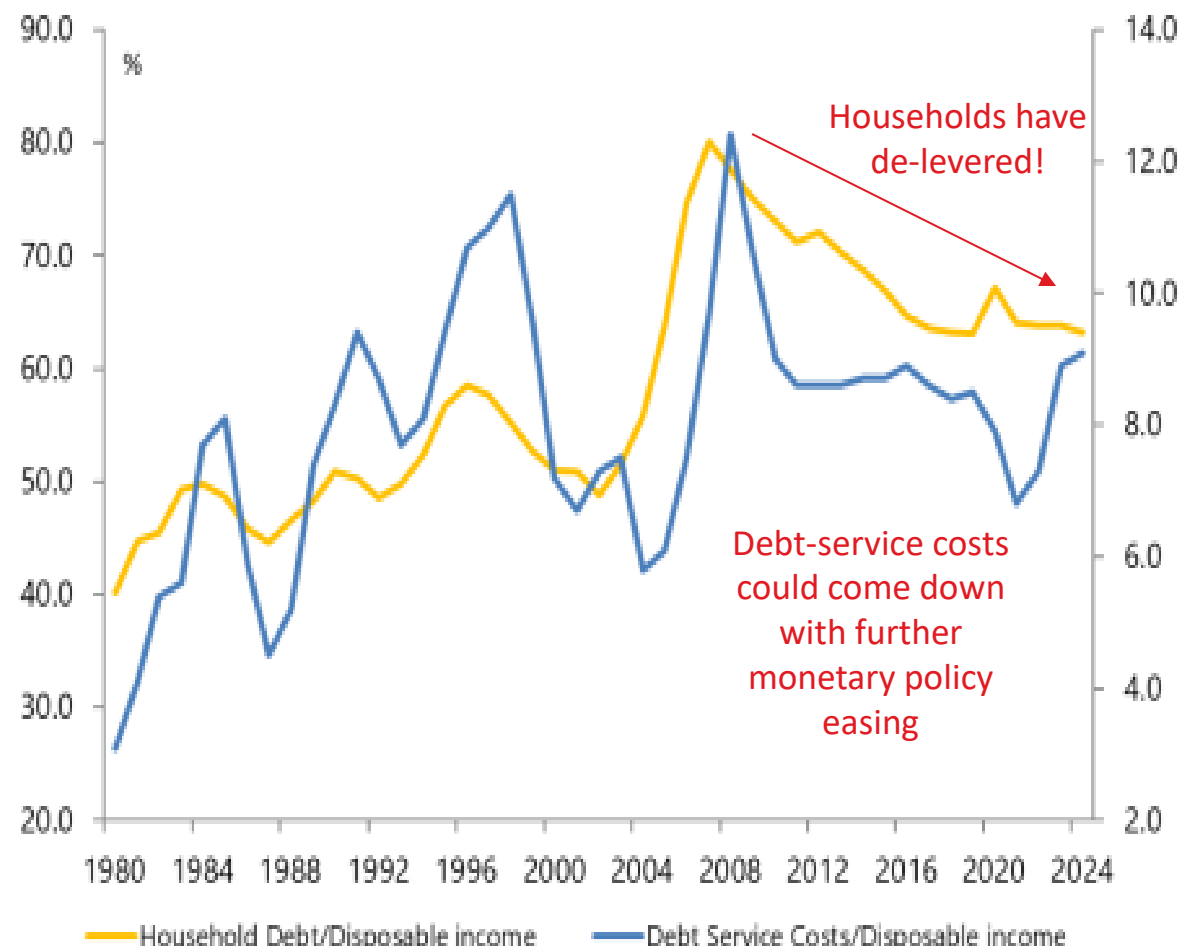
Source: SARS 2024 Trade Statistics, International Monetary Fund, Momentum Investments

Delayed growth recovery

Fortunately, SA households' balance sheets look solid



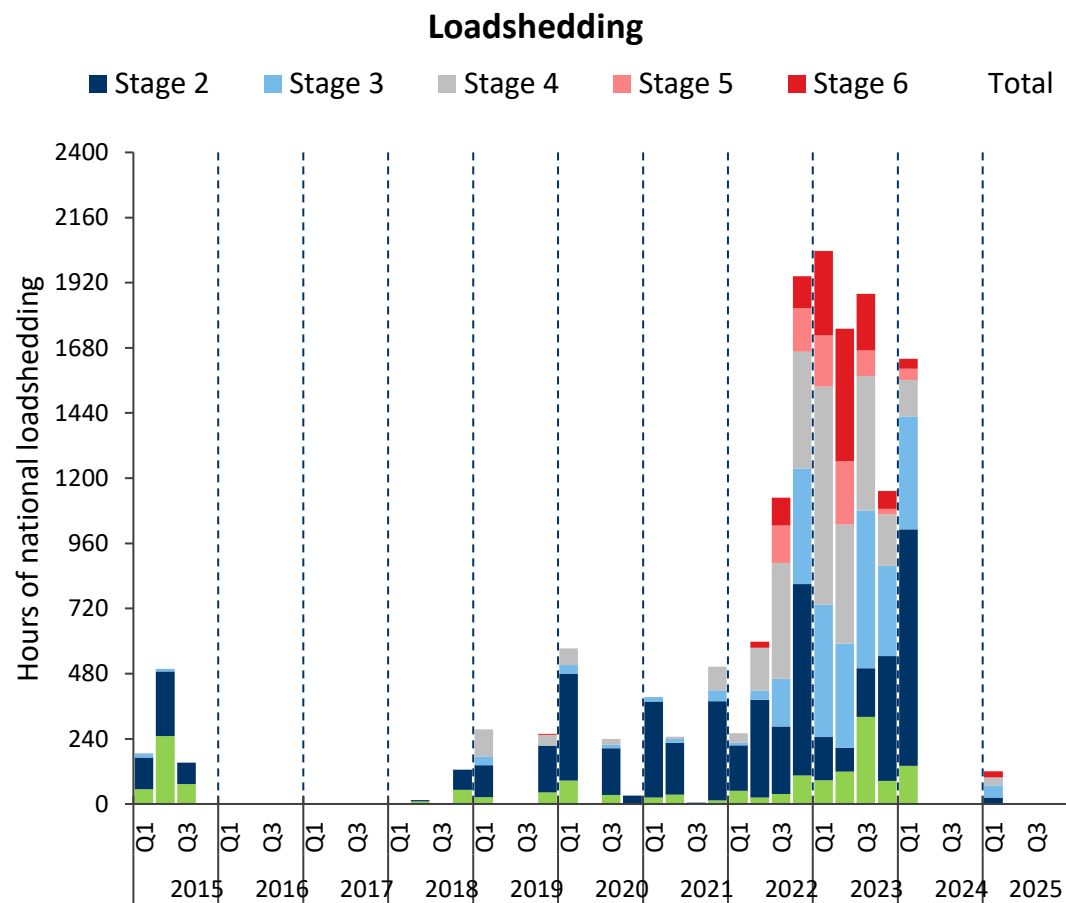
Source: RMBMS



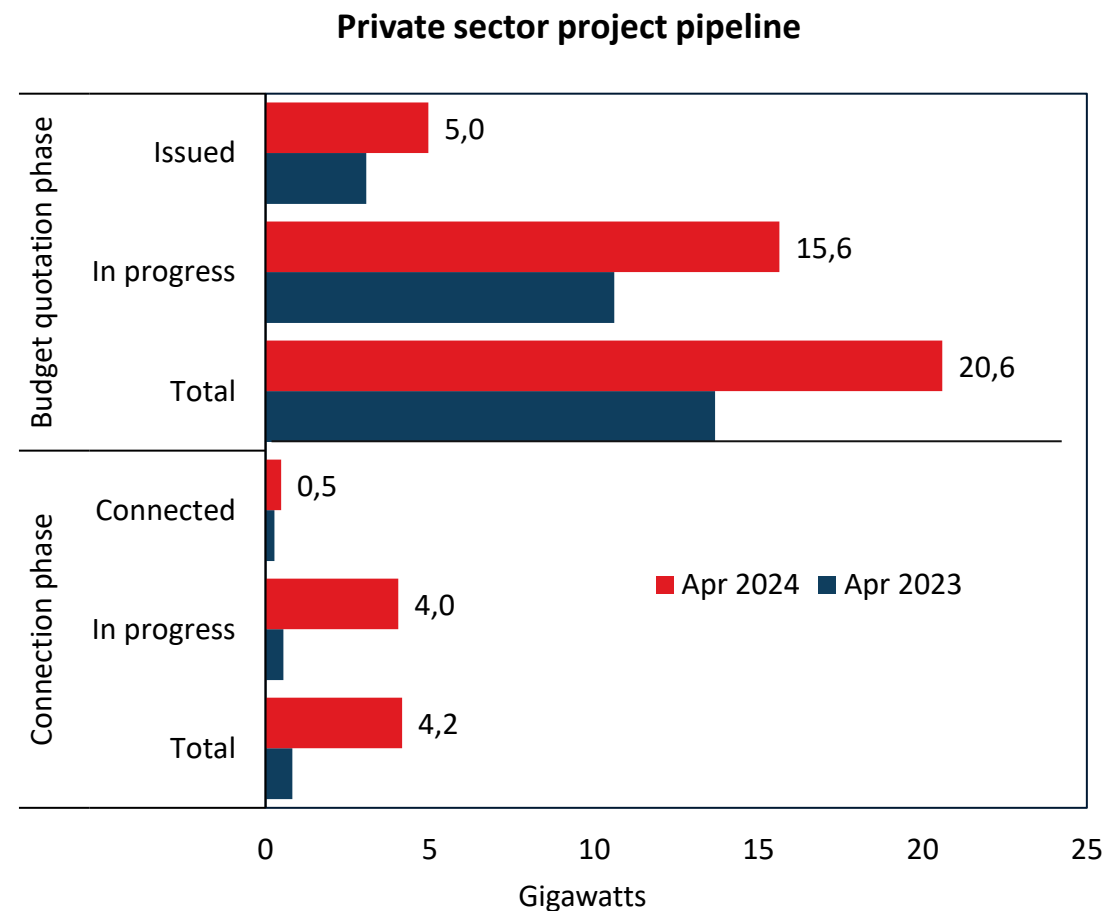
Source: RMBMS

Delayed growth recovery

Structural improvement in energy supply remains positive for SA's medium-term growth outlook



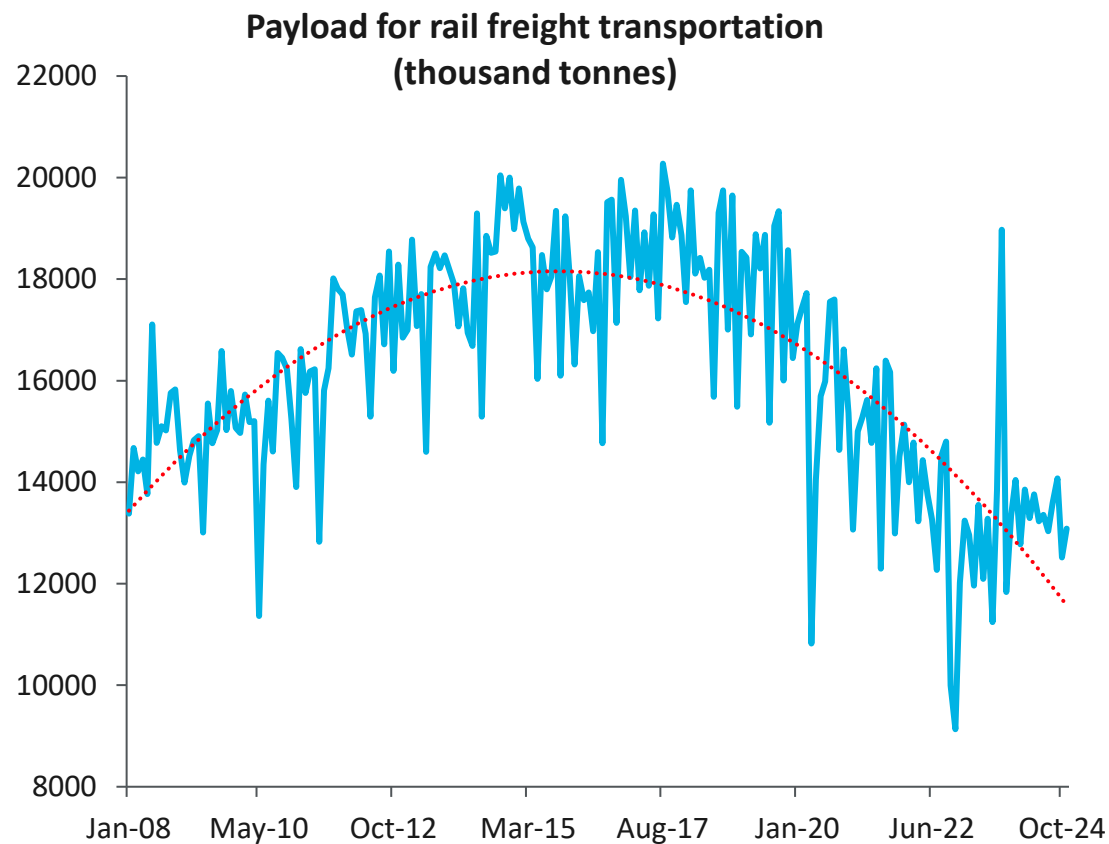
Source: EskomSePush, Momentum Investments



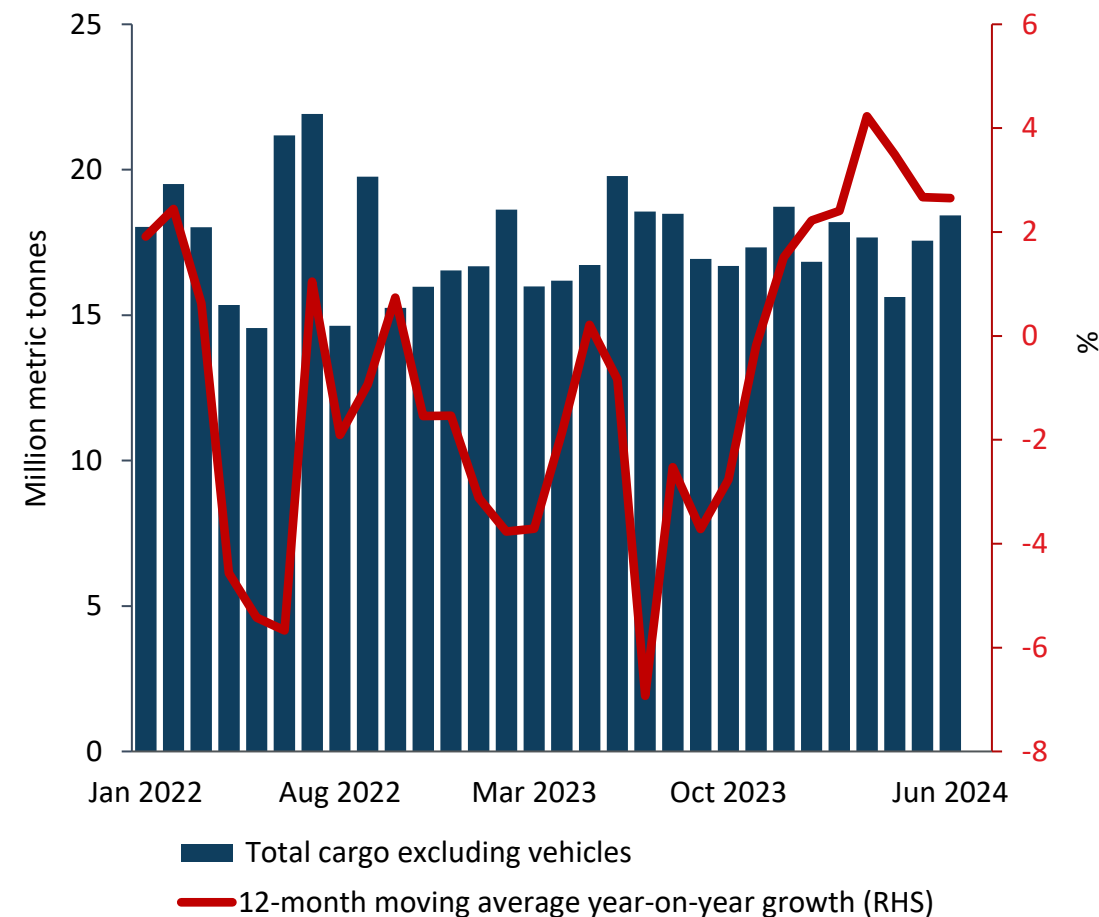
Source: SARB, Momentum Investments

Delayed growth recovery

Logistics legislation overhaul is positive for medium-term growth in SA



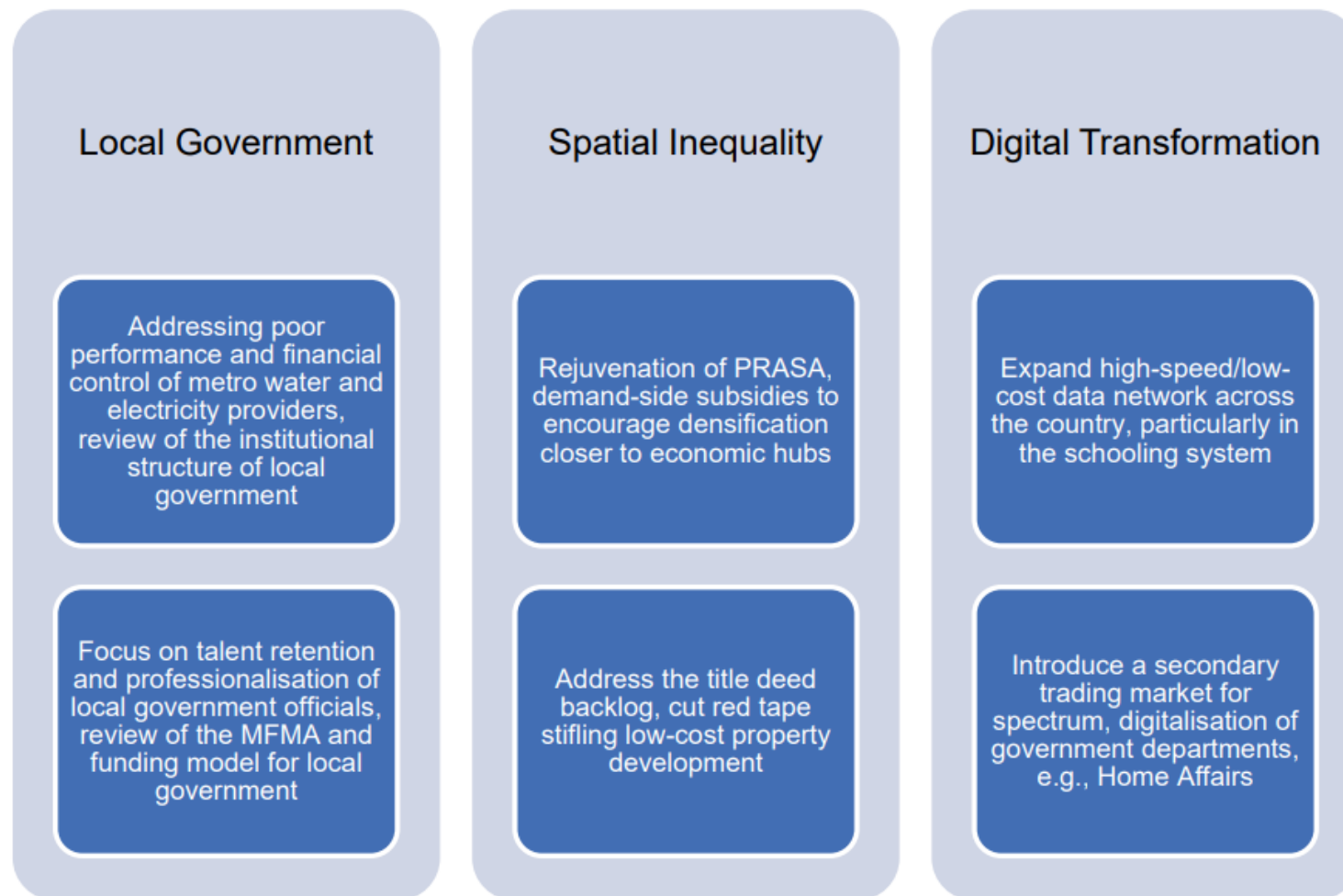
Source: National Treasury, Momentum Investments



Source: National Treasury, Momentum Investments

Delayed growth recovery

Phase two of Operation Vulindlela will be positive for longer-term growth in SA



Scoring our own political goals



Source: BusinessLive

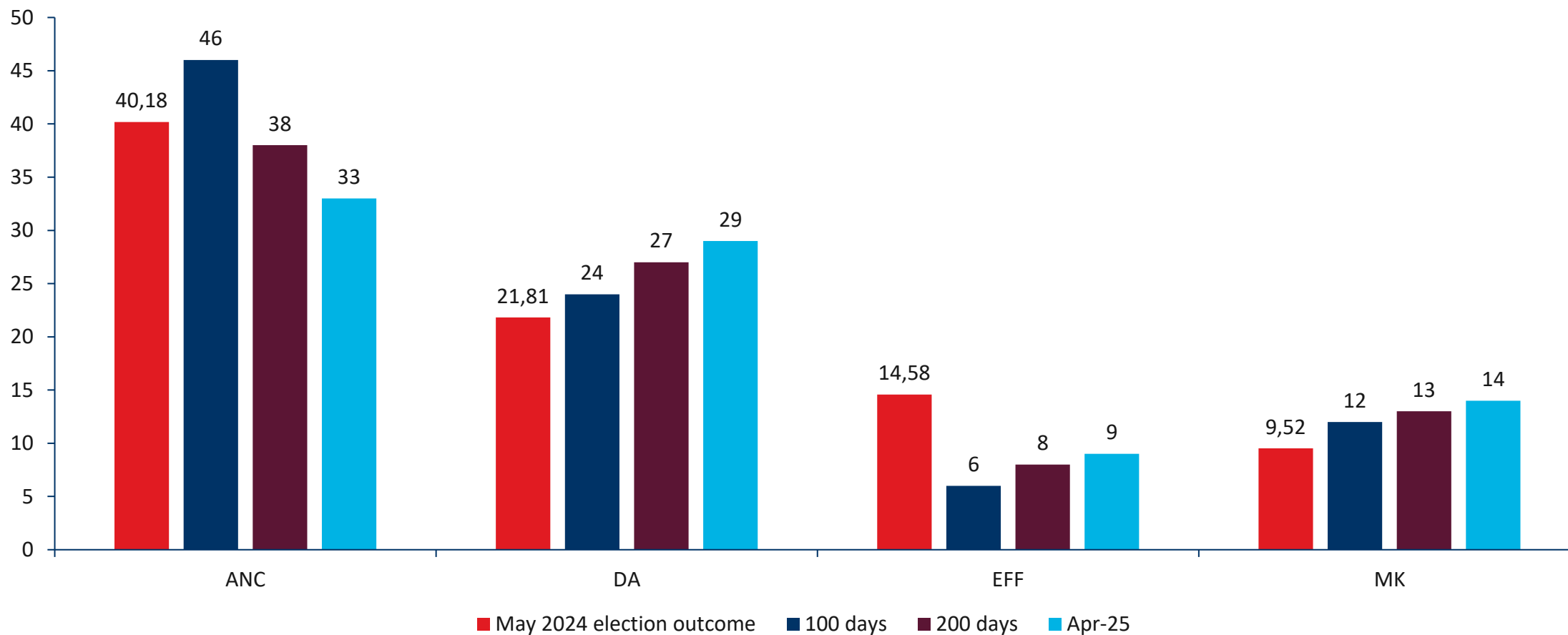
Section

05

Scoring our own political goals

The ANC miscalculates!

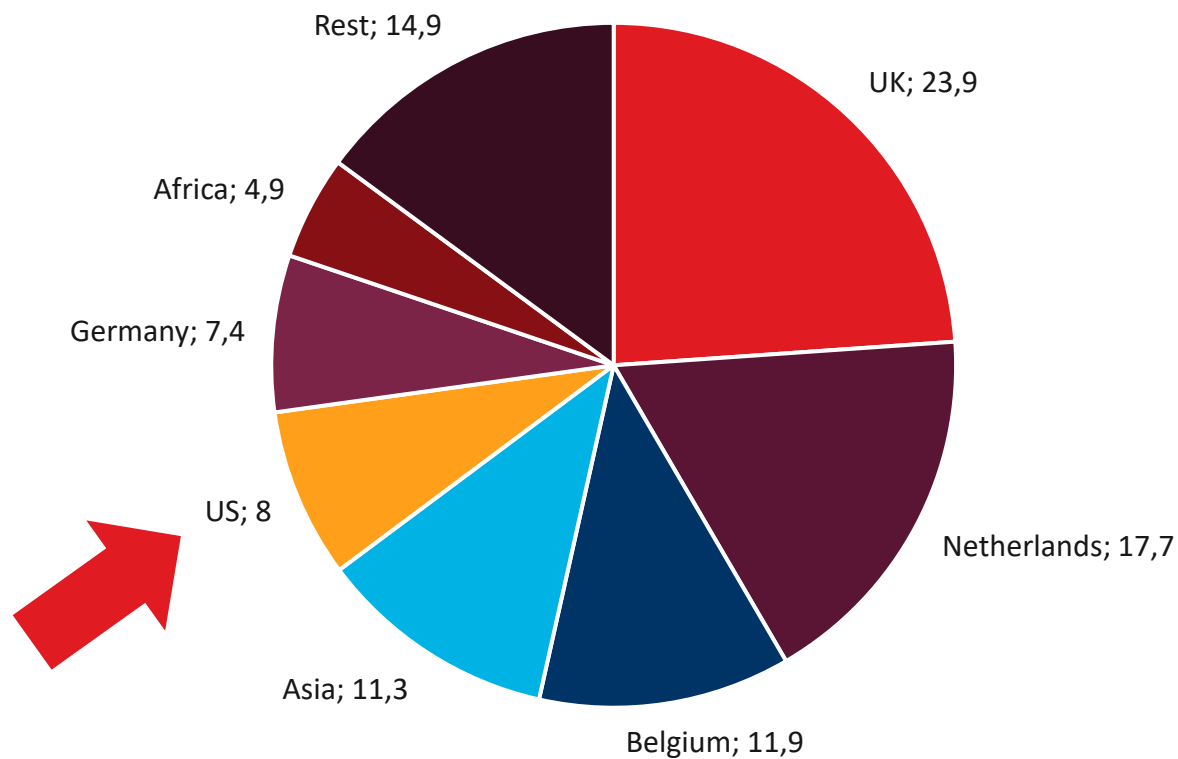
If general elections were taking place today, which party would you vote for?



Scoring our own political goals

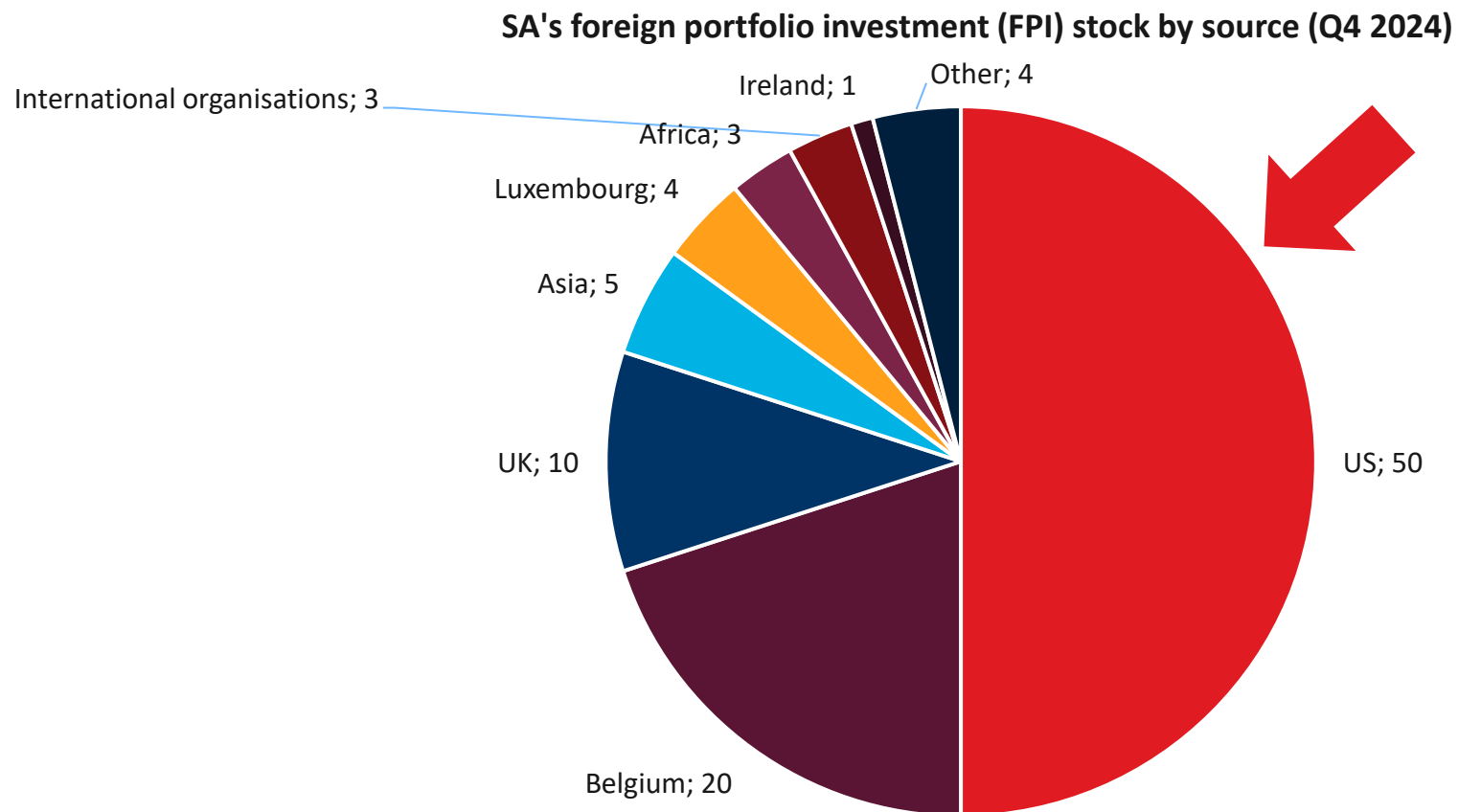
Trade, FDI and portfolio flows in the crosshairs: Fortunately, Europe plays a bigger role in our FDI

SA's foreign direct investment (FDI) stock by source (Q4 2024)

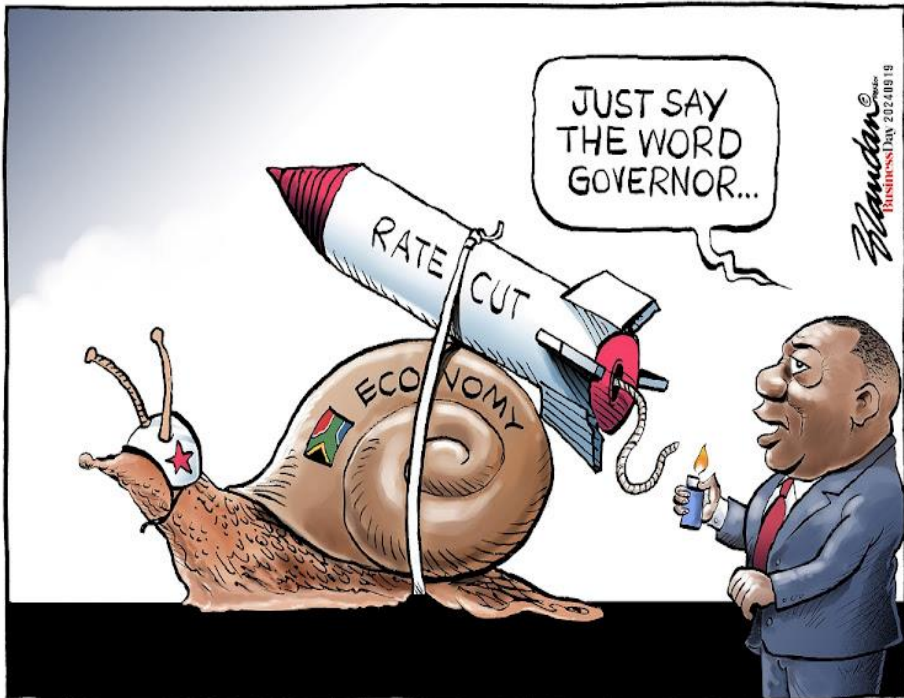


Scoring our own political goals

Trade, FDI and portfolio flows in the crosshairs: Portfolio flows into SA dwarfed by the US



Inflation setting us apart

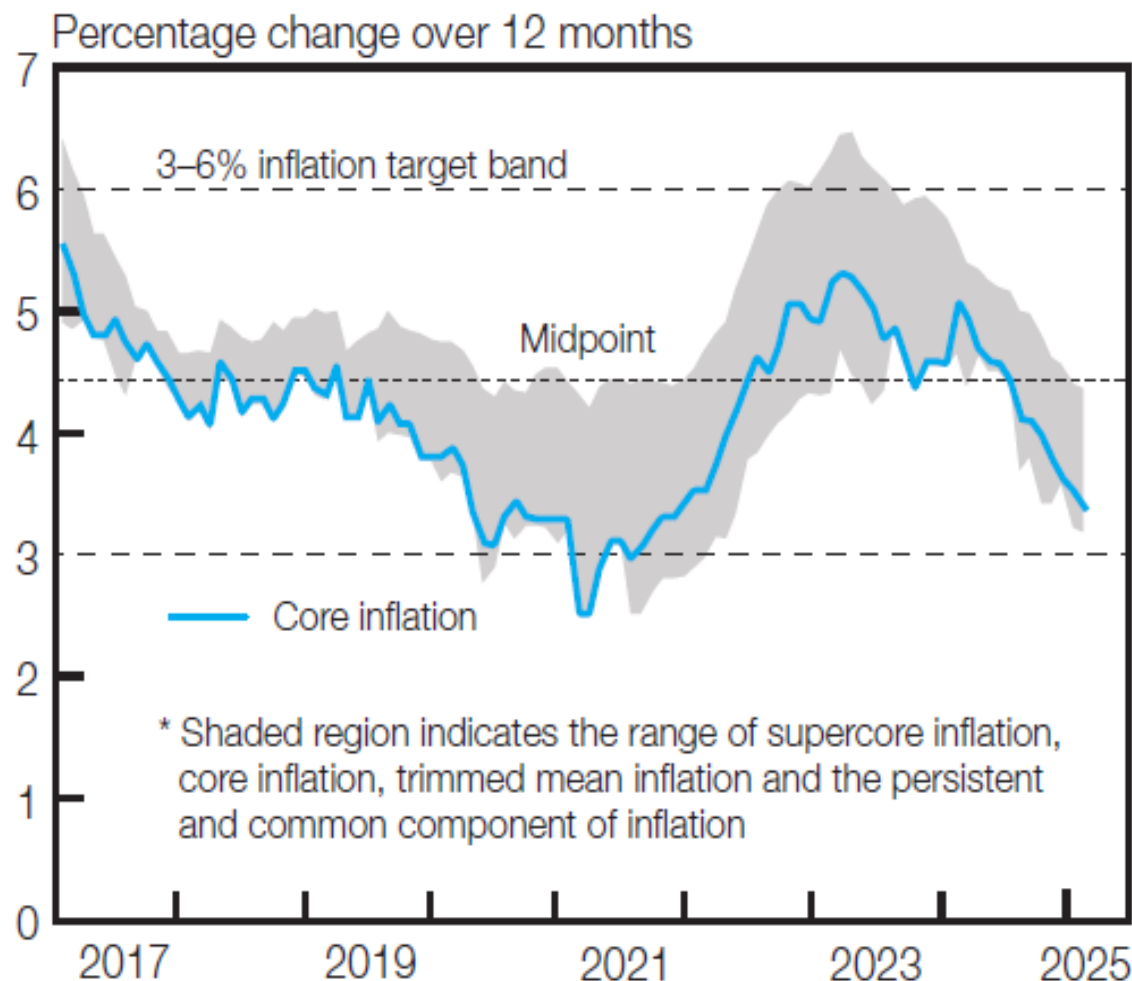


Source: BusinessLive

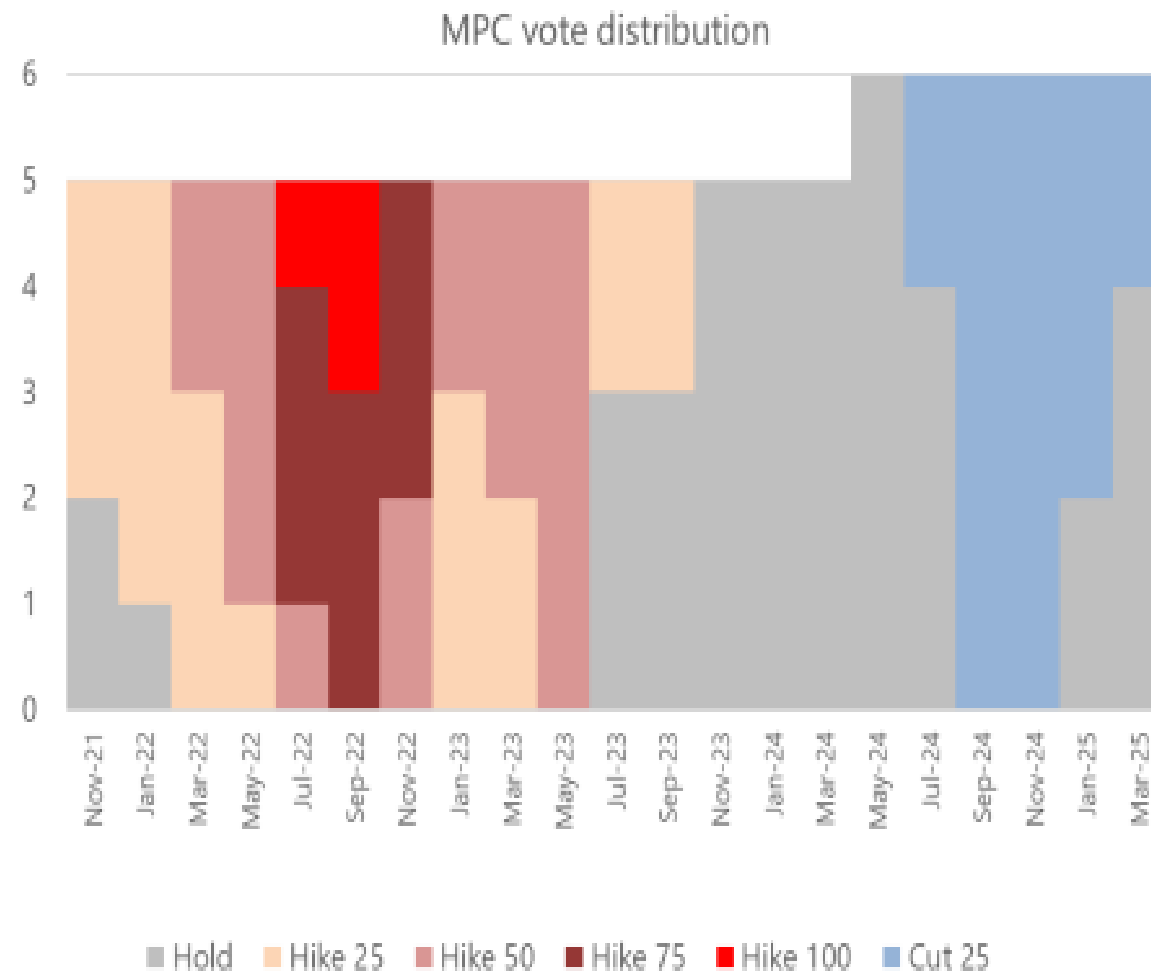
Section **06**

Inflation setting us apart

Room for (some) monetary policy easing given expectation for well-behaved inflation



Source: SARB



Source: RMBMS

- The worldwide **populist** and **protectionist** impact of the 2024 **electoral mega-cycle** will affect political and economic agendas more clearly throughout 2025.
- The foundations of the global economy, including **policy coordination**, **international cooperation** and **seamless trade** are coming into question.
- The growing reliance on **trade barriers** may drive up costs, weaken global integration, and disrupt supply chains and **international relations**.
- The global economy remains **stable**, though the strength of **resilience differs** across countries.
- **Policy-induced disruptions** to the **ongoing disinflation** process could disrupt the transition to looser monetary policy.
- **Global risks** and renewed **local political instability** could negate **local cyclical upturn** but reforms remain in place to **lift growth** in the **medium** term.

Questions?

