



ACTUARIAL SOCIETY
OF SOUTH AFRICA

Advancing Actuarial Excellence

Political gains and global pains

Economic outlook

27 March 2025

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Global

- Navigating strategic revisionism
- The price of protectionism
- Central banks proceeding with caution

Local

- Catalysts for a growth recovery
- Trade in the crosshairs
- Balancing solidarity and sovereignty
- Managing risks to inflation

Summary

GLOBAL: Navigating strategic revisionism



Source: PNI Atlantic News

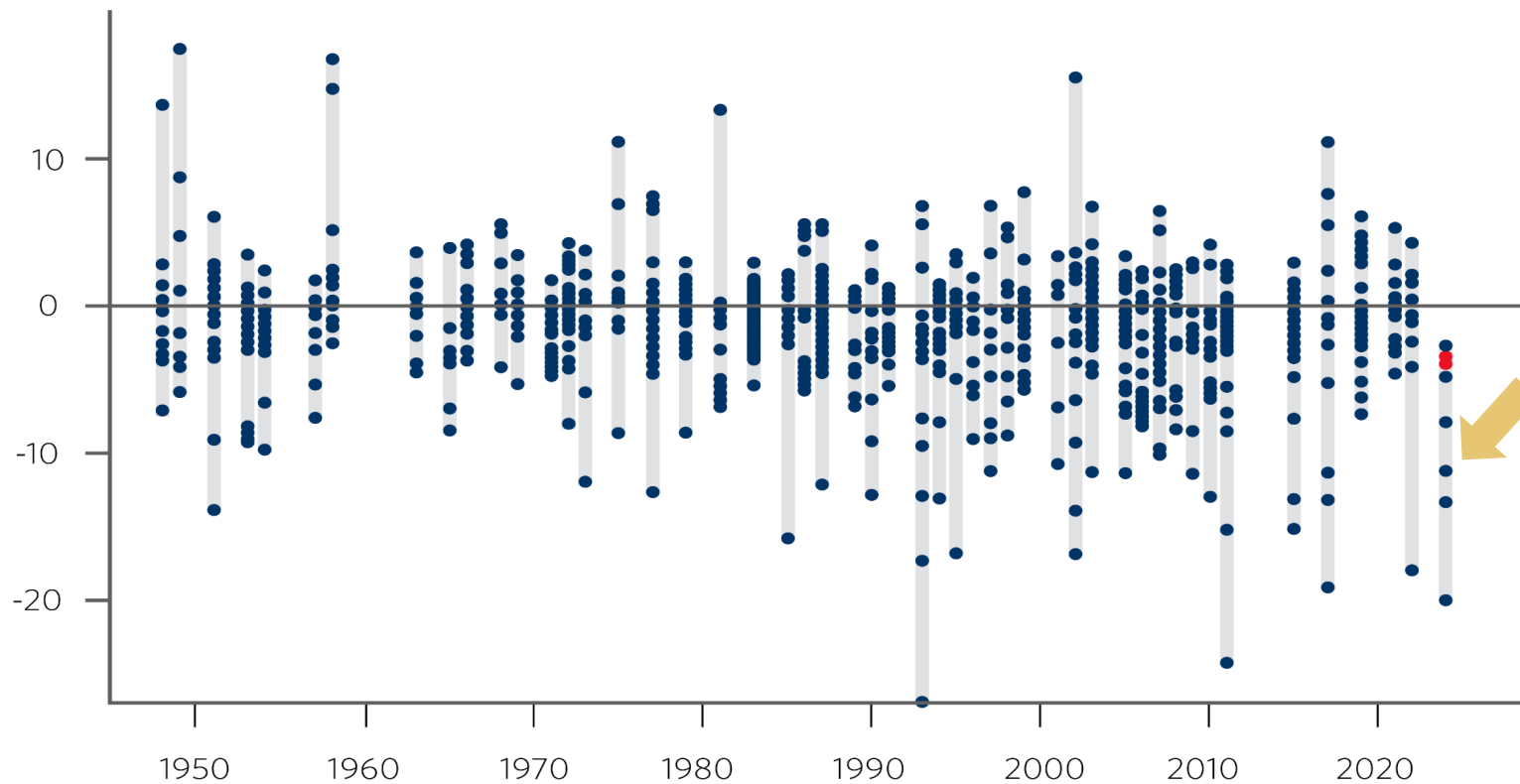
GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Support for political incumbents fell in nearly all major economies last year

Rise/fall in vote share for governing parties in national elections (% pts), by year

• Individual election • US 2024



Source: Financial Times

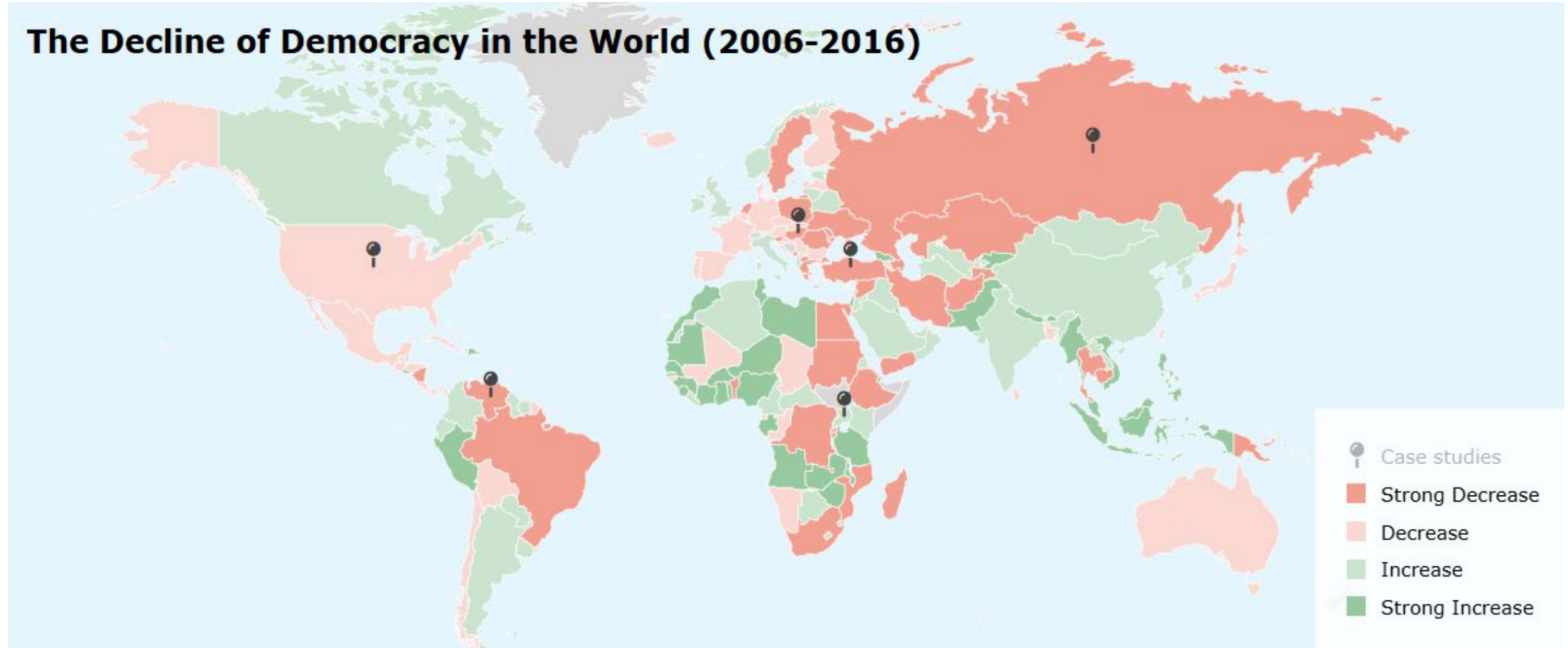


GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Democratic backsliding → slow-burn Constitutional crisis

The Decline of Democracy in the World (2006-2016)

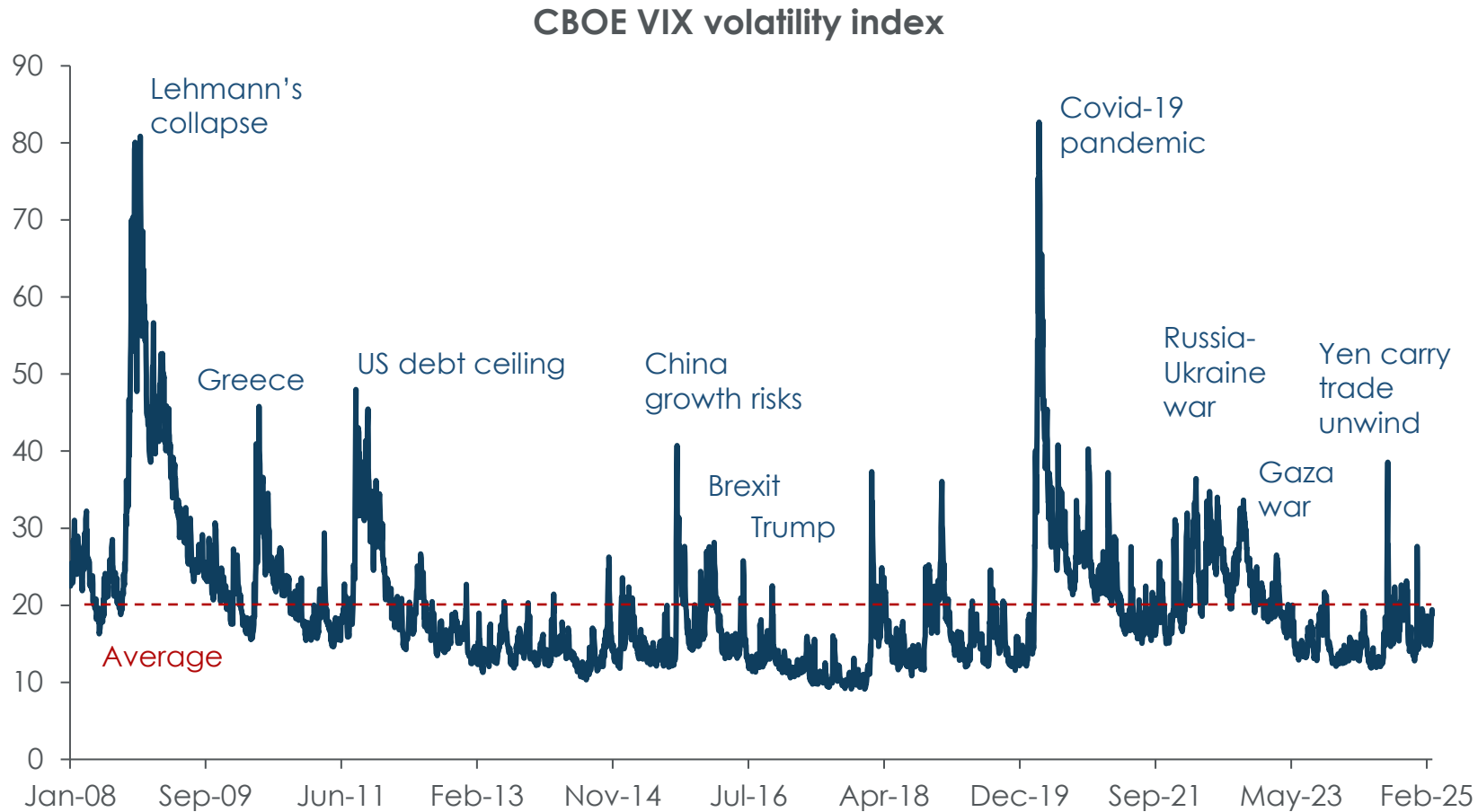


Source: Economist Intelligence Unit

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Global financial fragilities mount despite buoyant equity markets



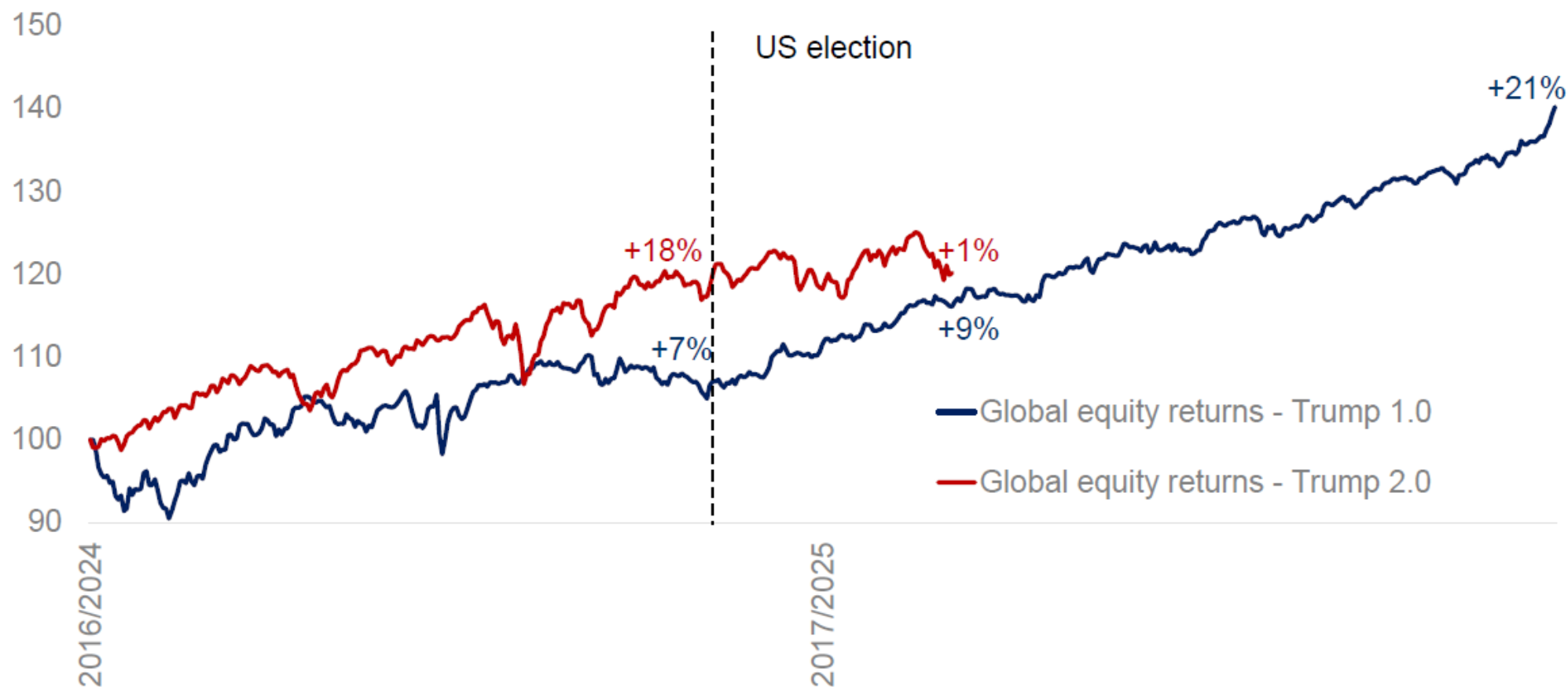
Source: Bloomberg, Momentum Investments



GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Weaker equity returns to be expected → Trump victory less of a surprise this time and global equity returns much stronger in the two years prior to the election

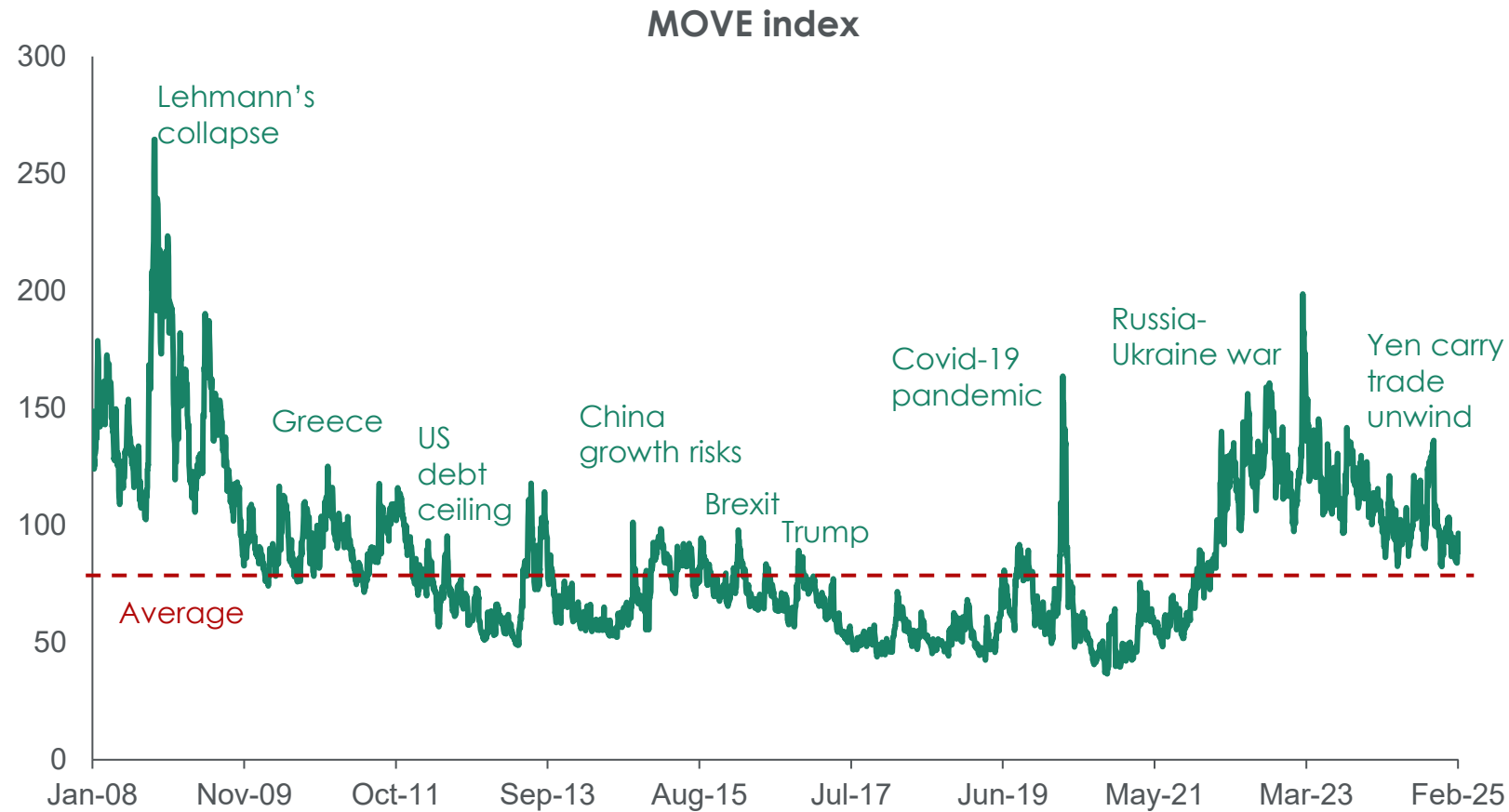


Source: Bloomberg, Momentum Investments

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Volatility in bond markets proved more frothy

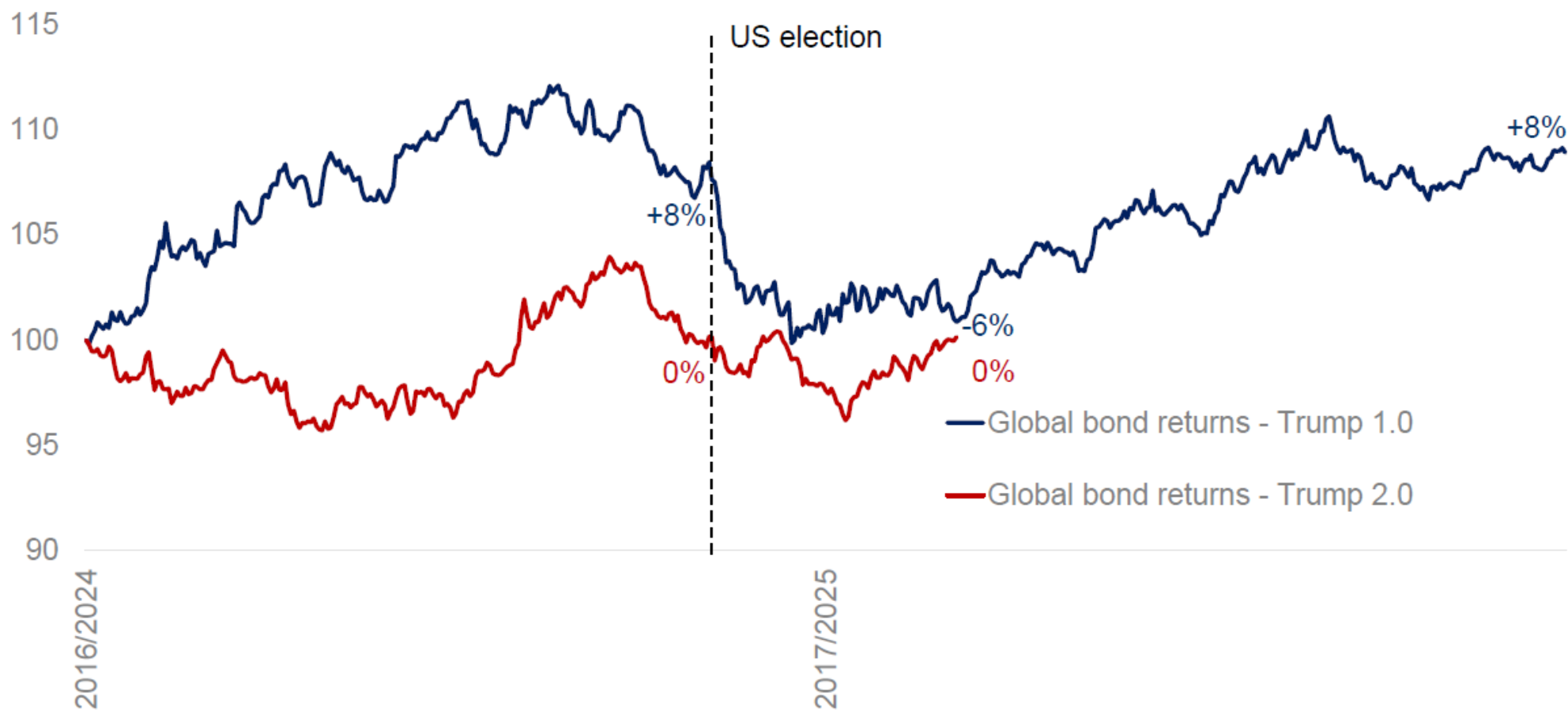


Source: Bloomberg, Momentum Investments

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Smaller bond market sell-off this time → global bond market returns weaker in the run-up to elections this time and US inflation double what it was at start of Trump 1.0



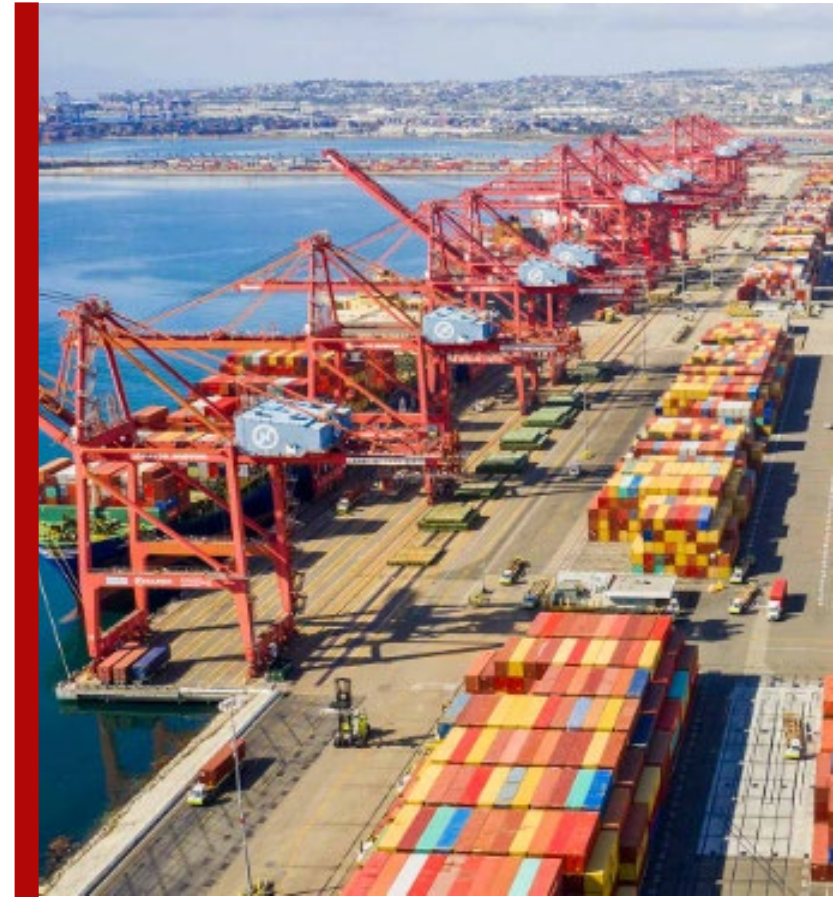
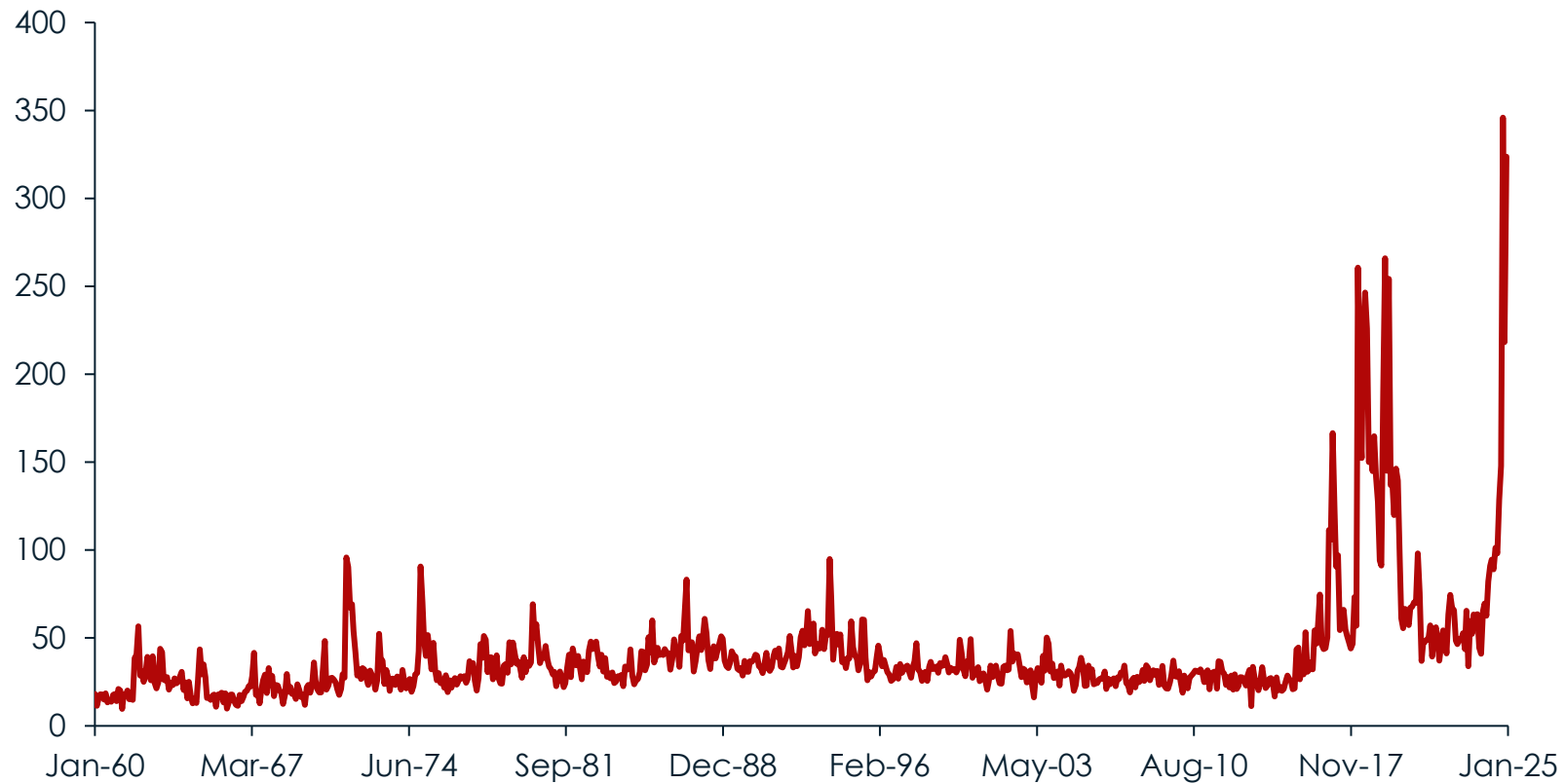
Source: Bloomberg, Momentum Investments

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Trump is casting a long trade shadow over the global economy

Global trade policy uncertainty (index level)

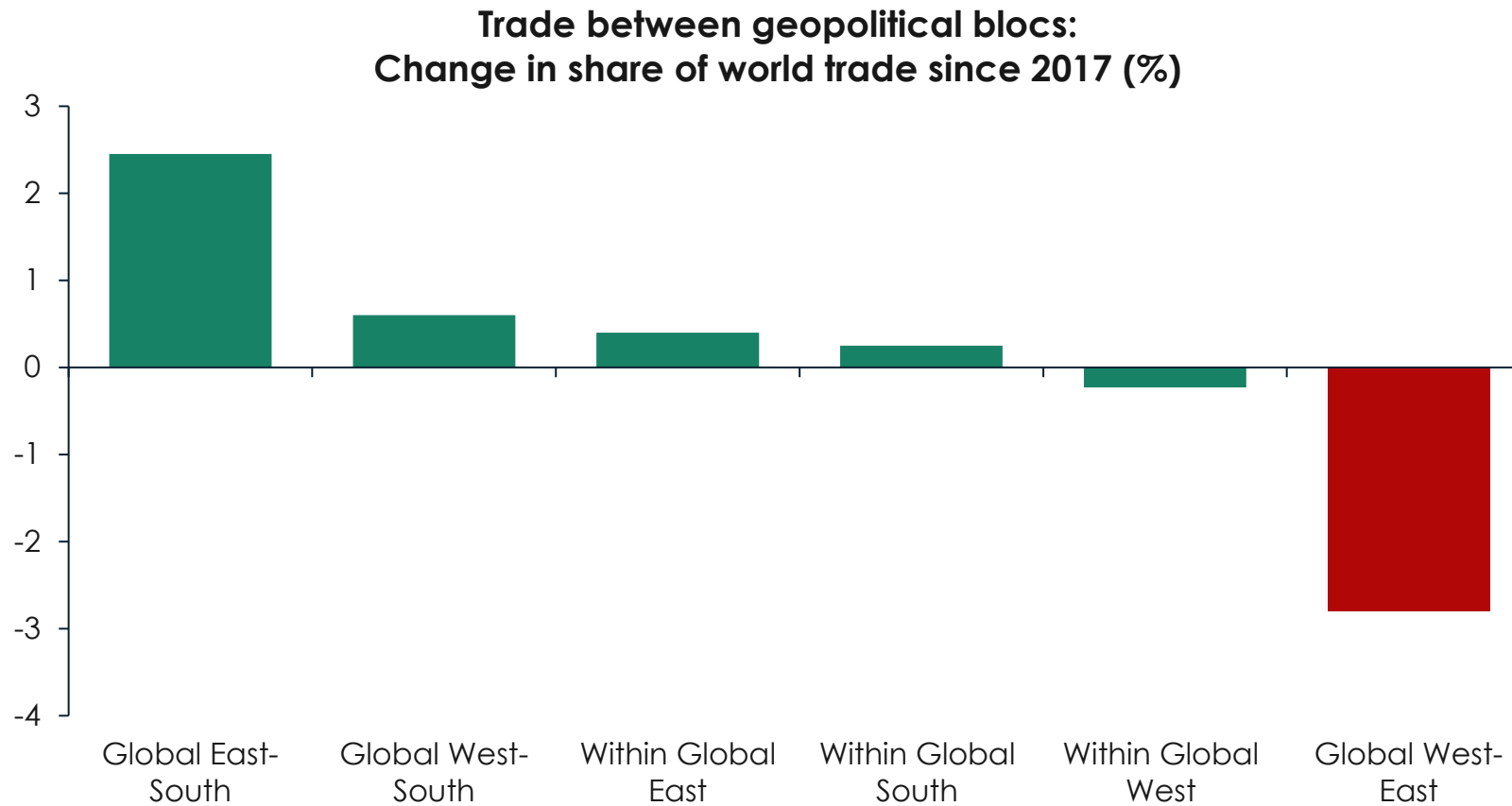


Source: <https://www.matteoiacoviello.com>, Momentum Investments

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Bifurcation of global trade into geopolitical blocs



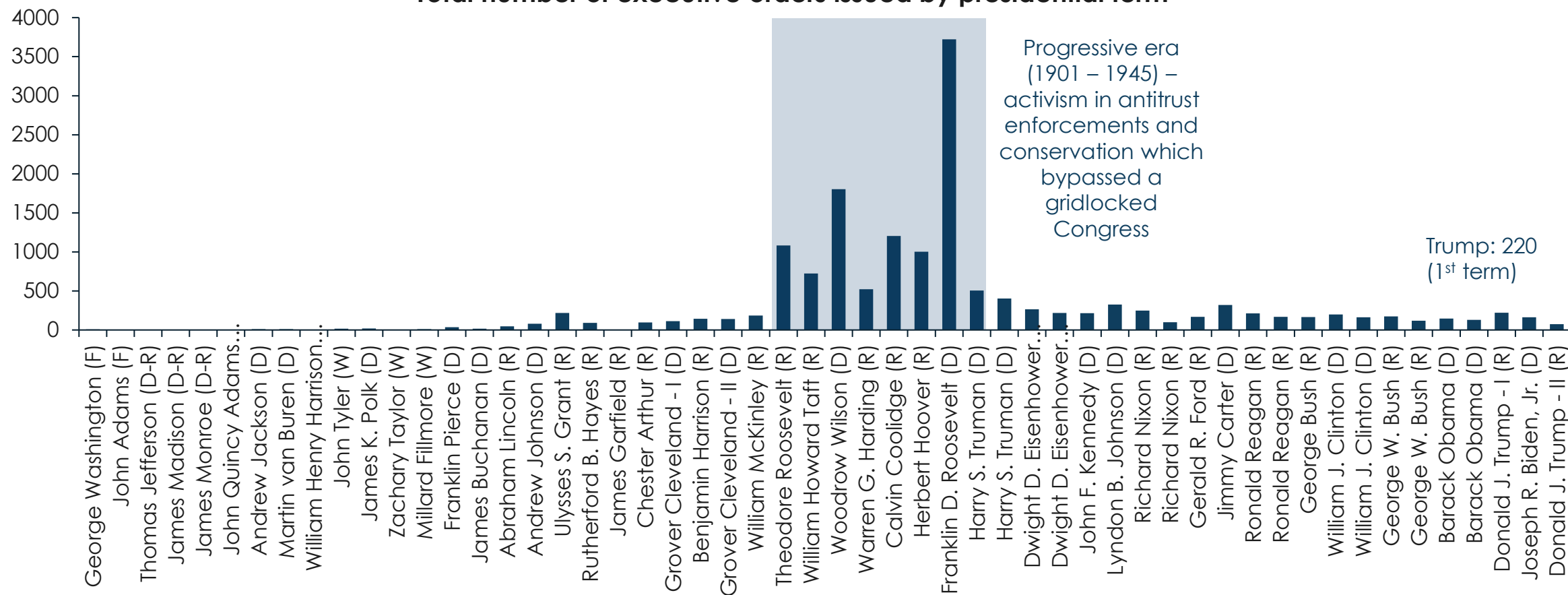
Source: Deutsche Bank, Global East = China and Russia, Global West – US, most of Europe, Australia, New Zealand and Developed Asia, Global South = top 20 by size

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Trump promised to do a lot from the start, and he has done that

Total number of executive orders issued by presidential term



Source: : The American Presidency Project, Momentum Investments, 99 EOs by 25 March 2025

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



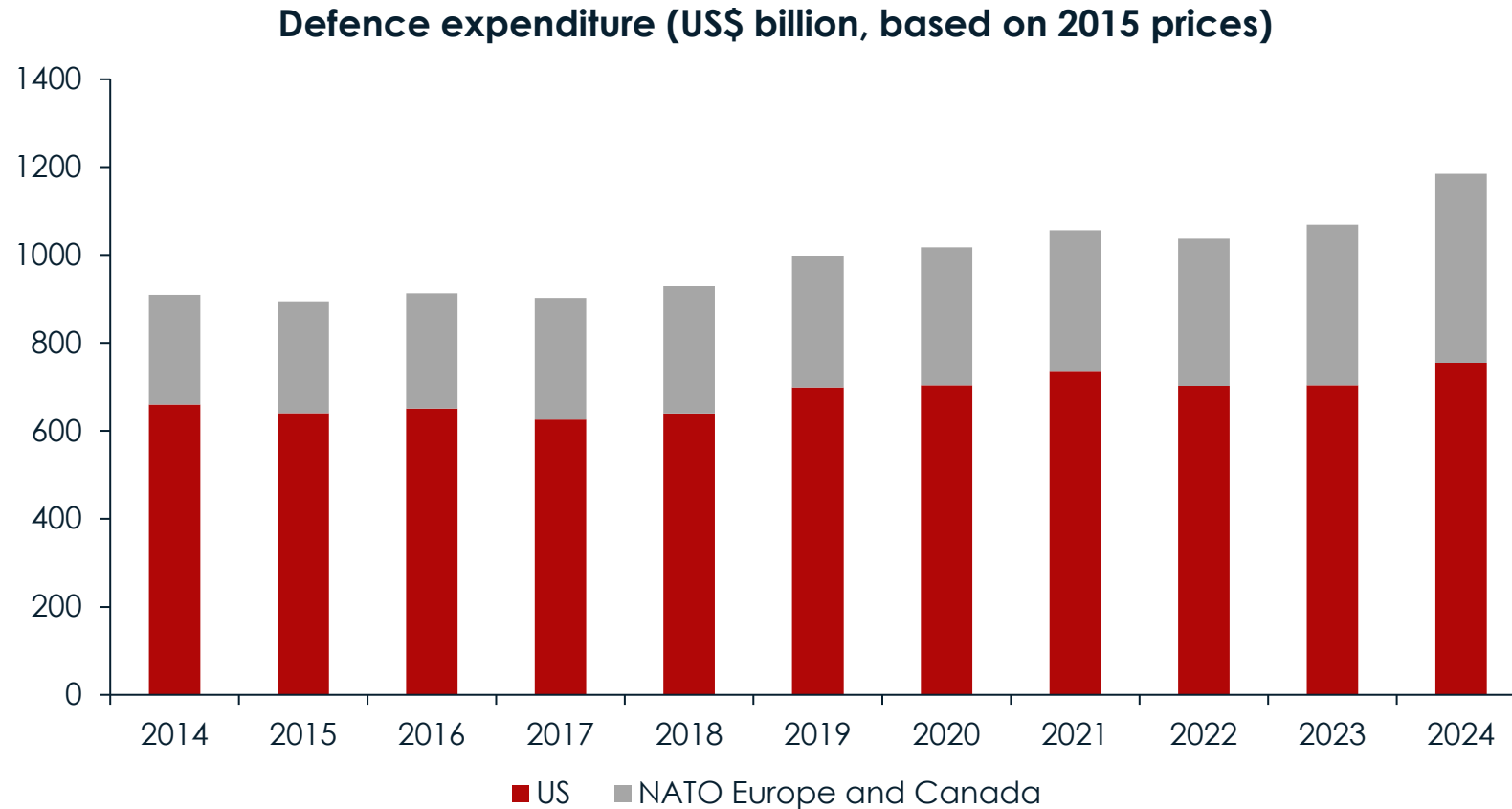
Placing American interests first and prepared to challenge allies



GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Trump not willing to entertain free-riding

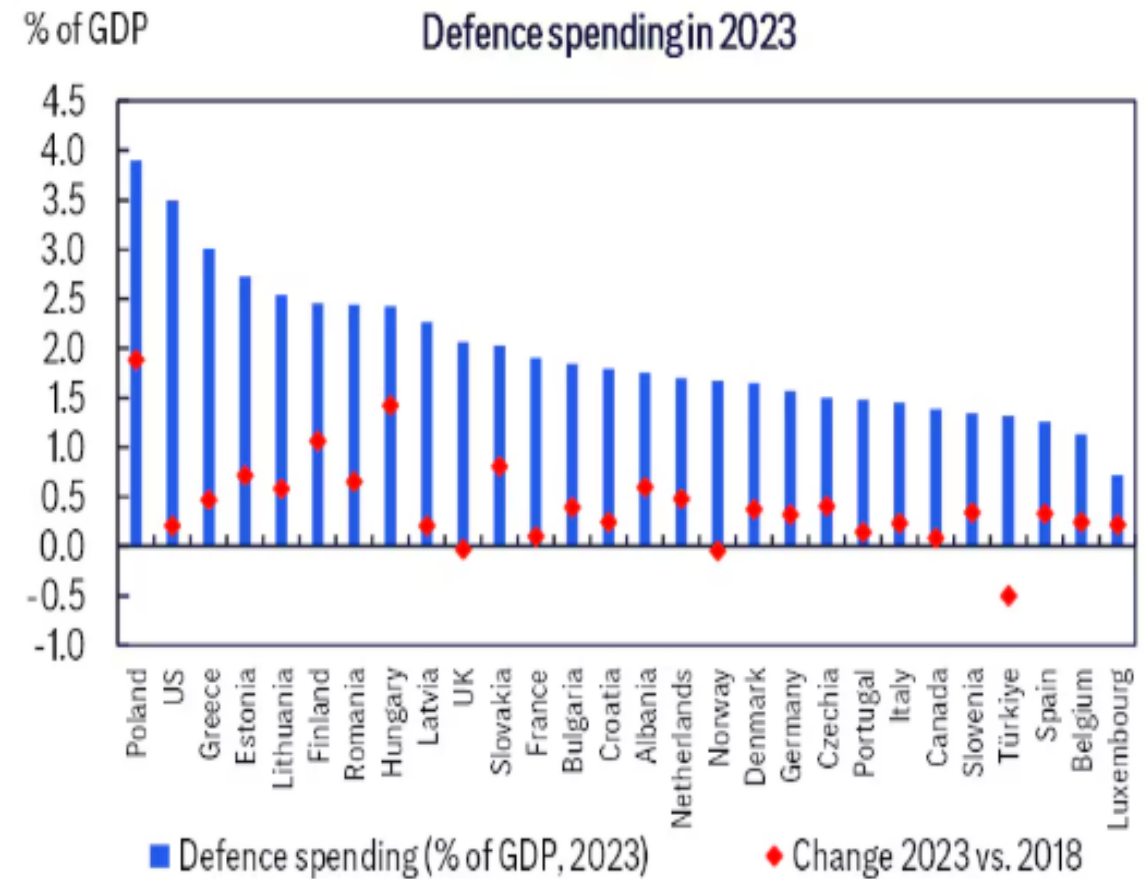
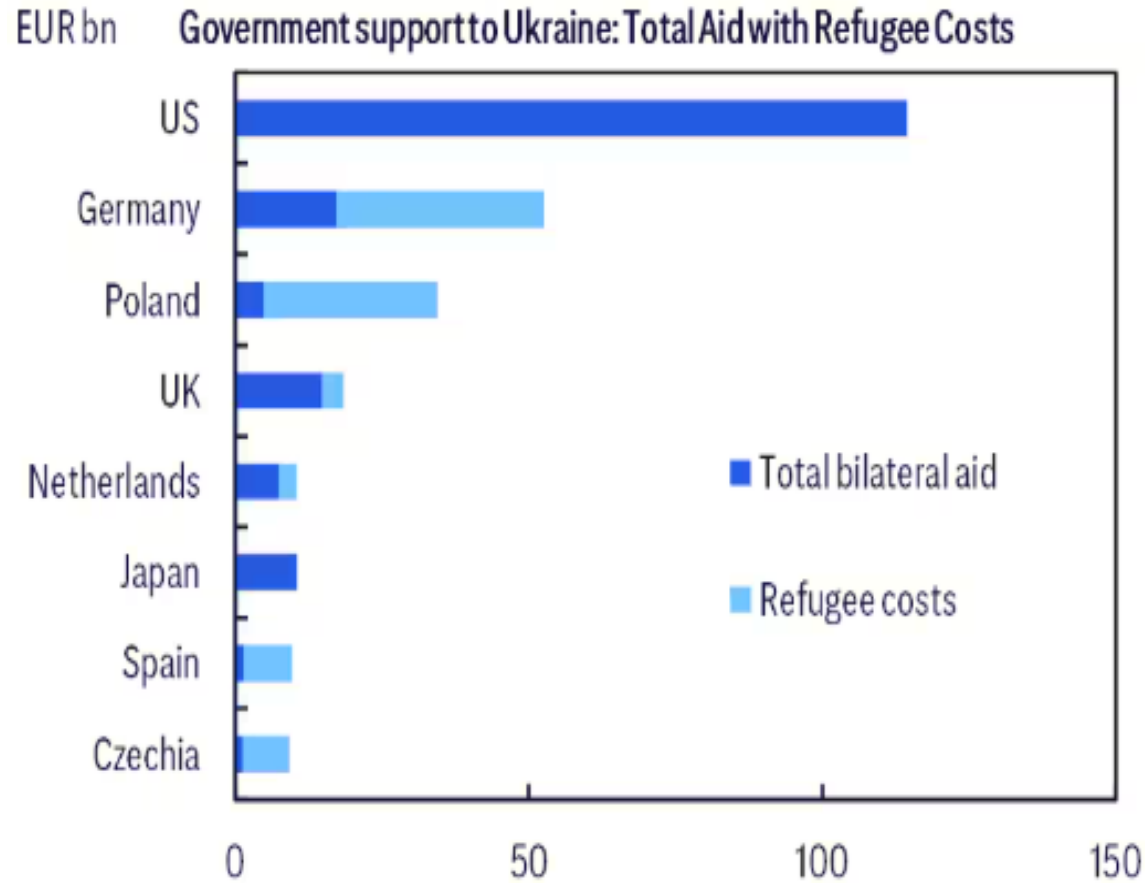


Source: NATO Public Diplomacy Division, Momentum Investments

GLOBAL: NAVIGATING STRATEGIC REVISIONISM



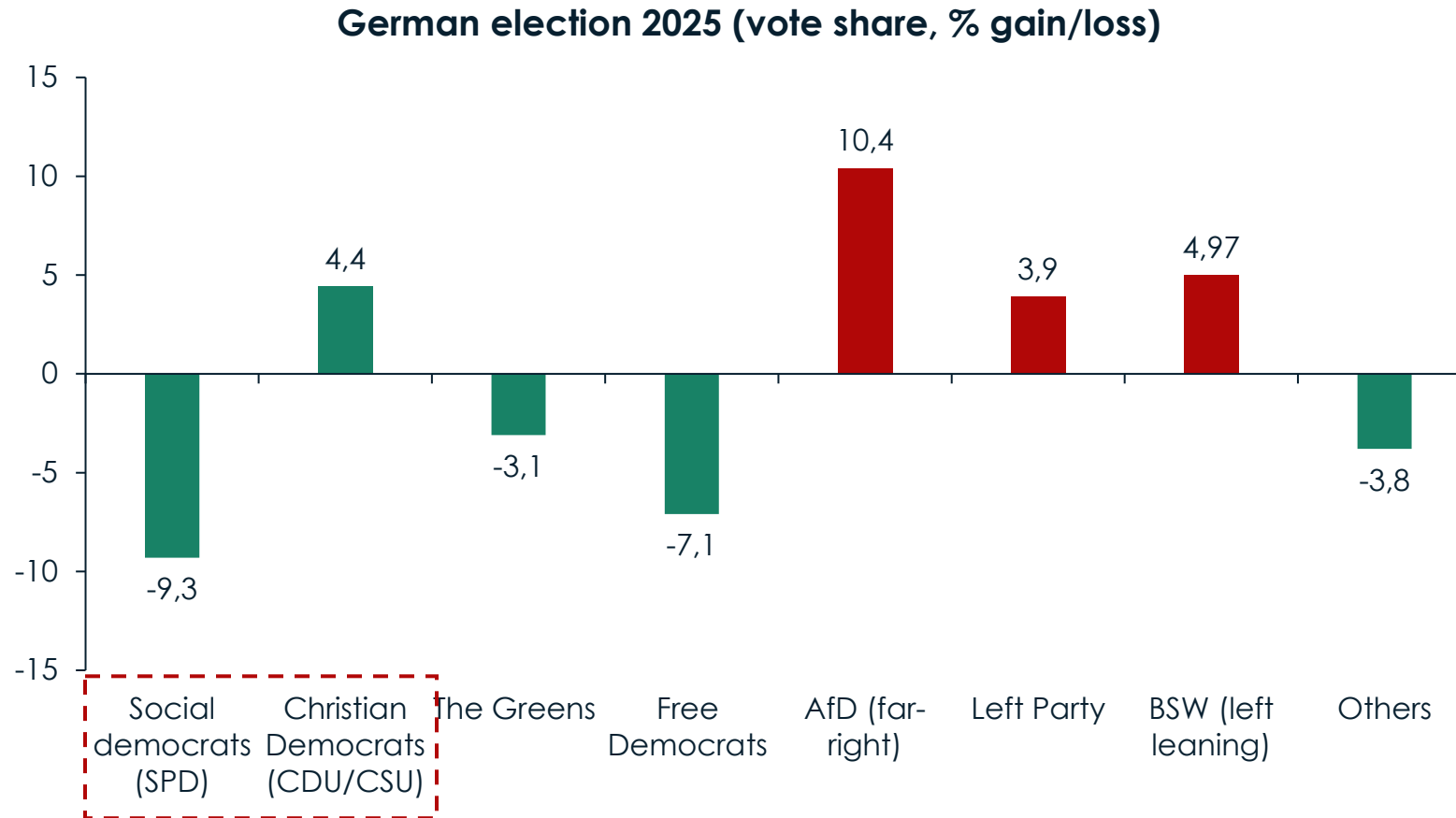
Increased defense spending to remain a permanent feature of the fiscal landscape



GLOBAL: NAVIGATING STRATEGIC REVISIONISM



Germany shifts rightwards



Source: NATO Public Diplomacy Division, Momentum Investments

GLOBAL:

The price of protectionism



Source: Hedgeye

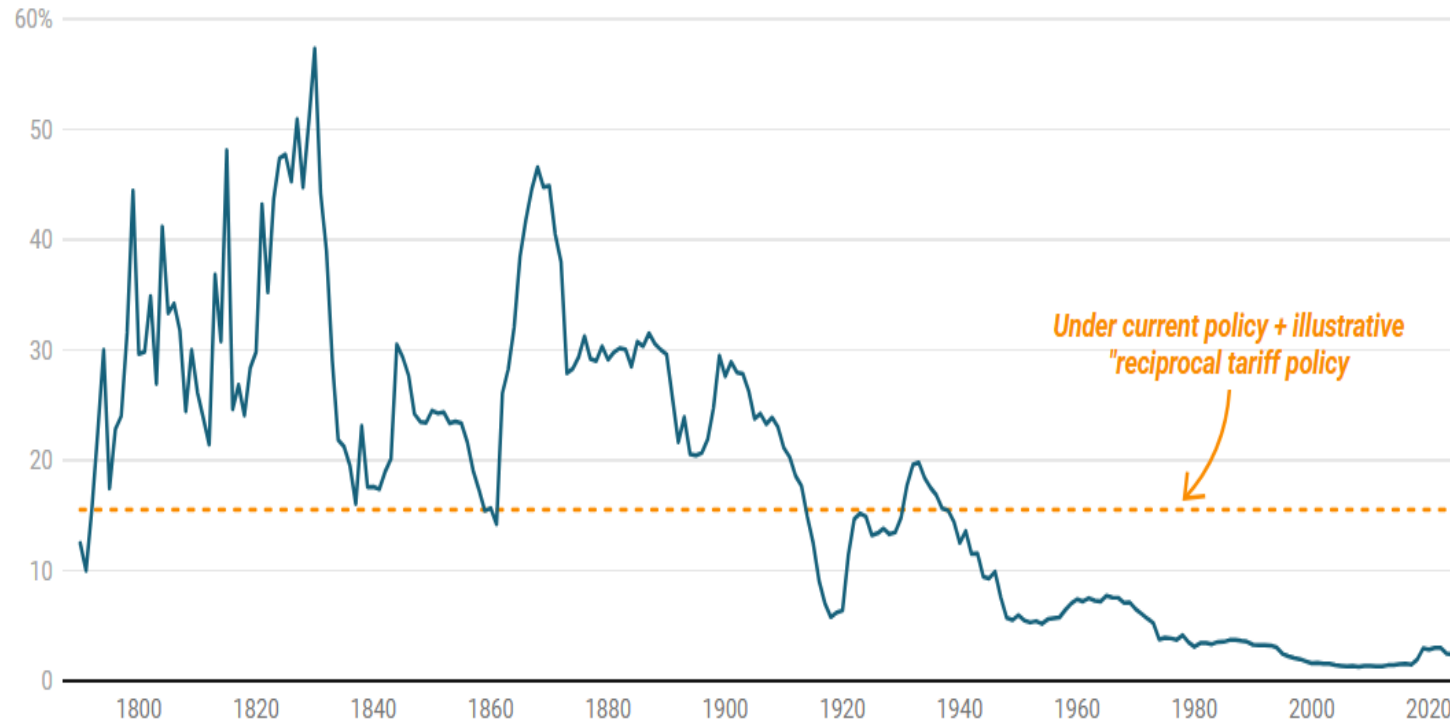
GLOBAL: THE PRICE OF PROTECTIONISM



Tariffs on the move → not too surprising in a longer-term context

U.S. Average Effective Tariff Rate Since 1790

Customs duty revenue as a percent of goods imports



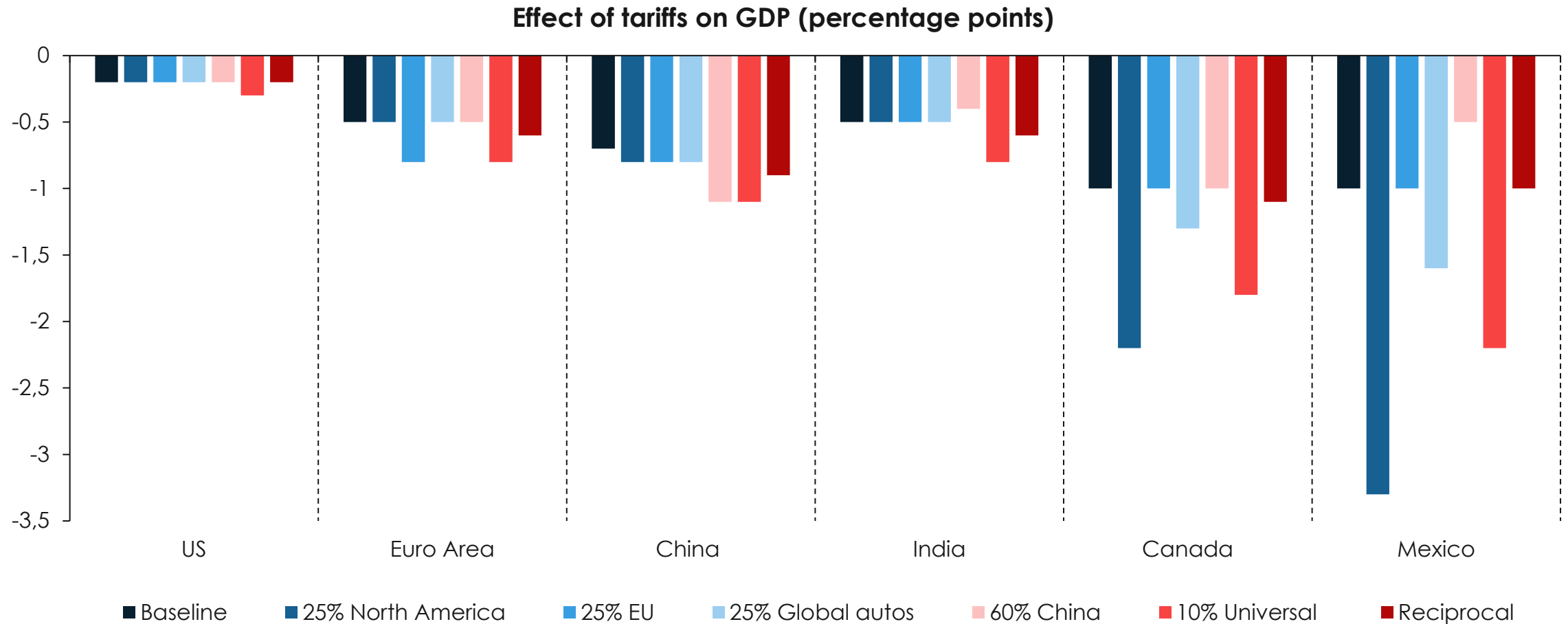
Source: The Budget Lab



GLOBAL: THE PRICE OF PROTECTIONISM



There are no winners in a global trade war → growth impact



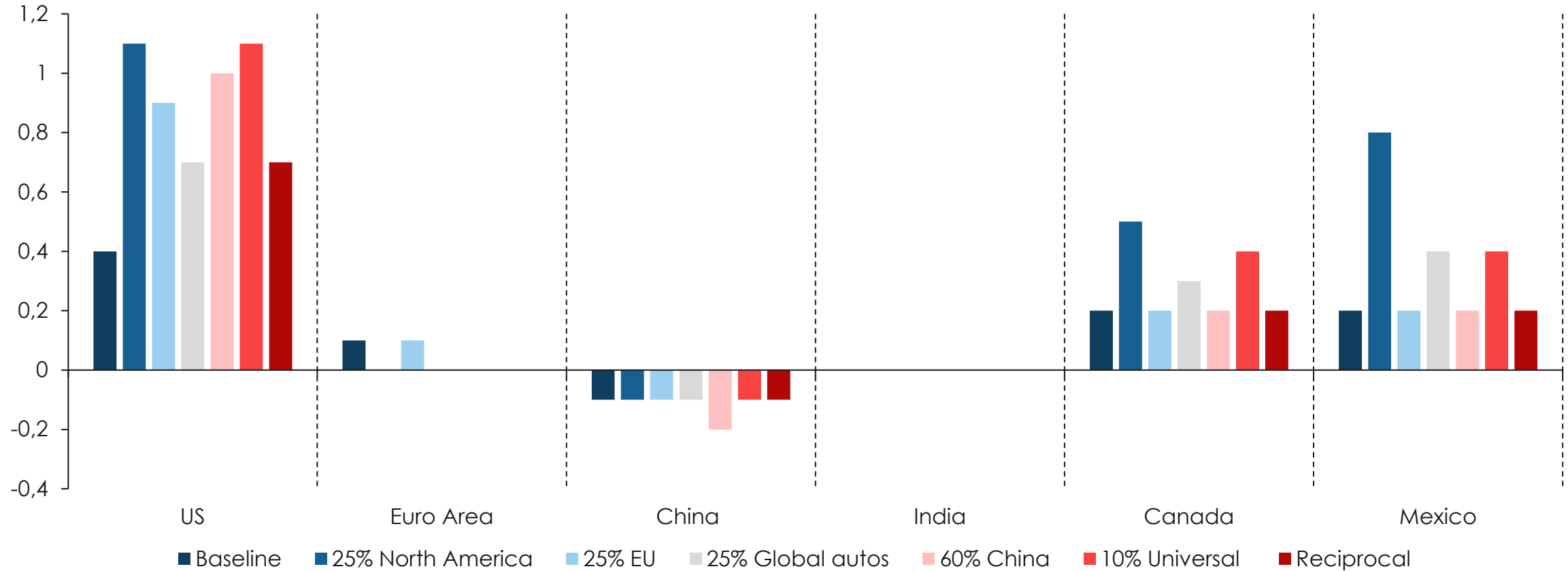
Source: Goldman Sachs, Momentum Investments

GLOBAL: THE PRICE OF PROTECTIONISM



There are no winners in a global trade war → inflation impact

Effect of tariffs on headline inflation (percentage points)



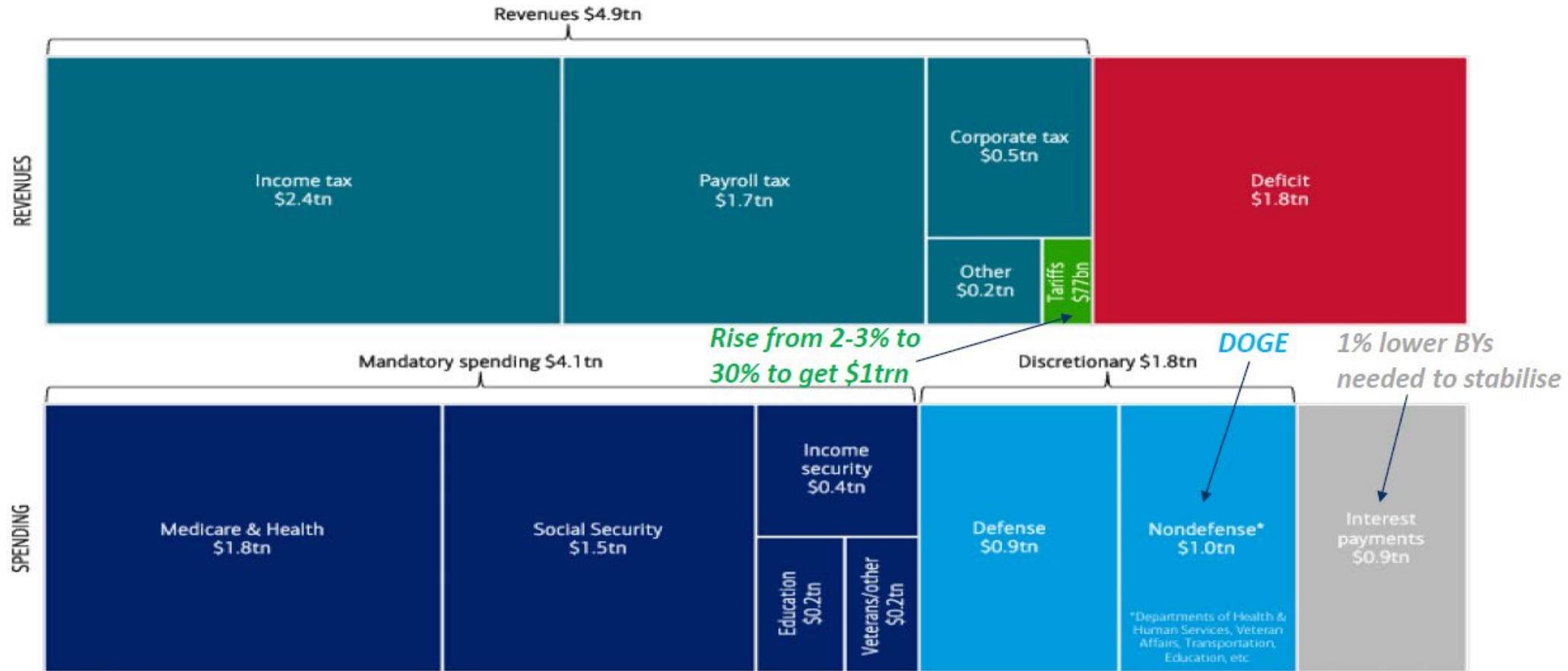
Source: Goldman Sachs, Momentum Investments

GLOBAL: THE PRICE OF PROTECTIONISM



Tough ask to improve US fiscal position outside of large tariff increases or cuts to non-defense spending

US Federal Government Revenues & Spending (FY2024)



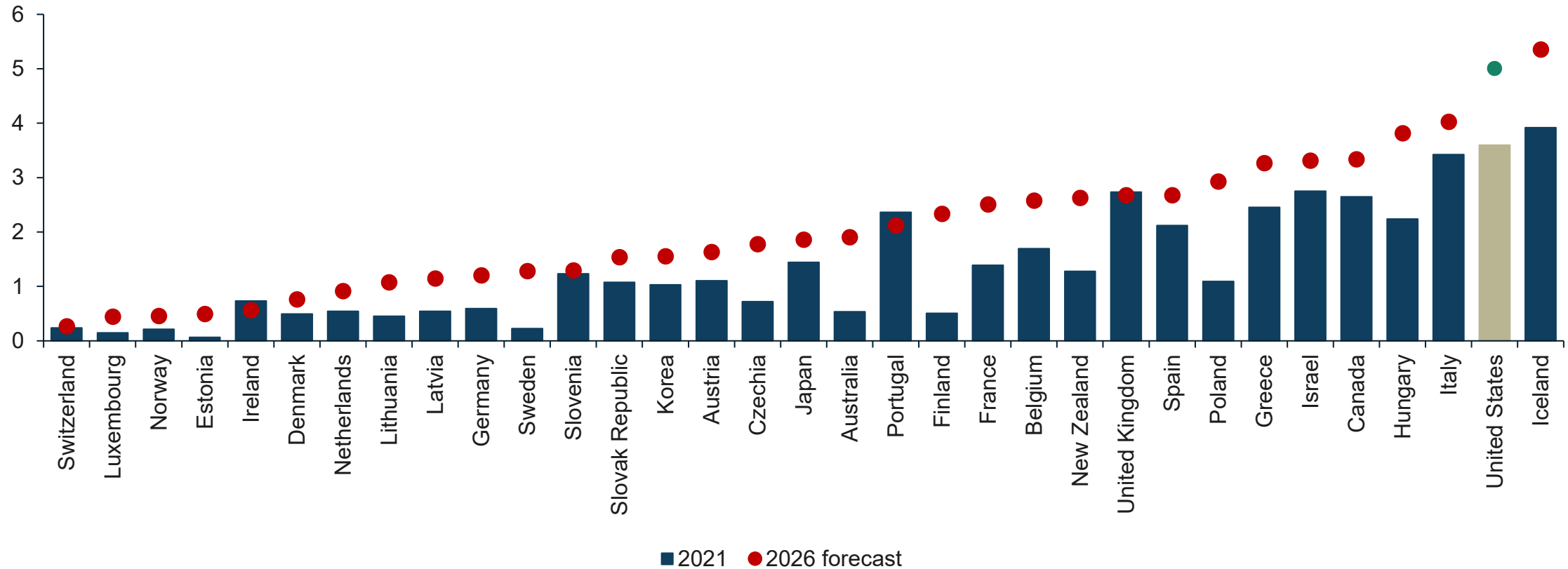
Source: Goldman Sachs, Momentum Investments

GLOBAL: THE PRICE OF PROTECTIONISM



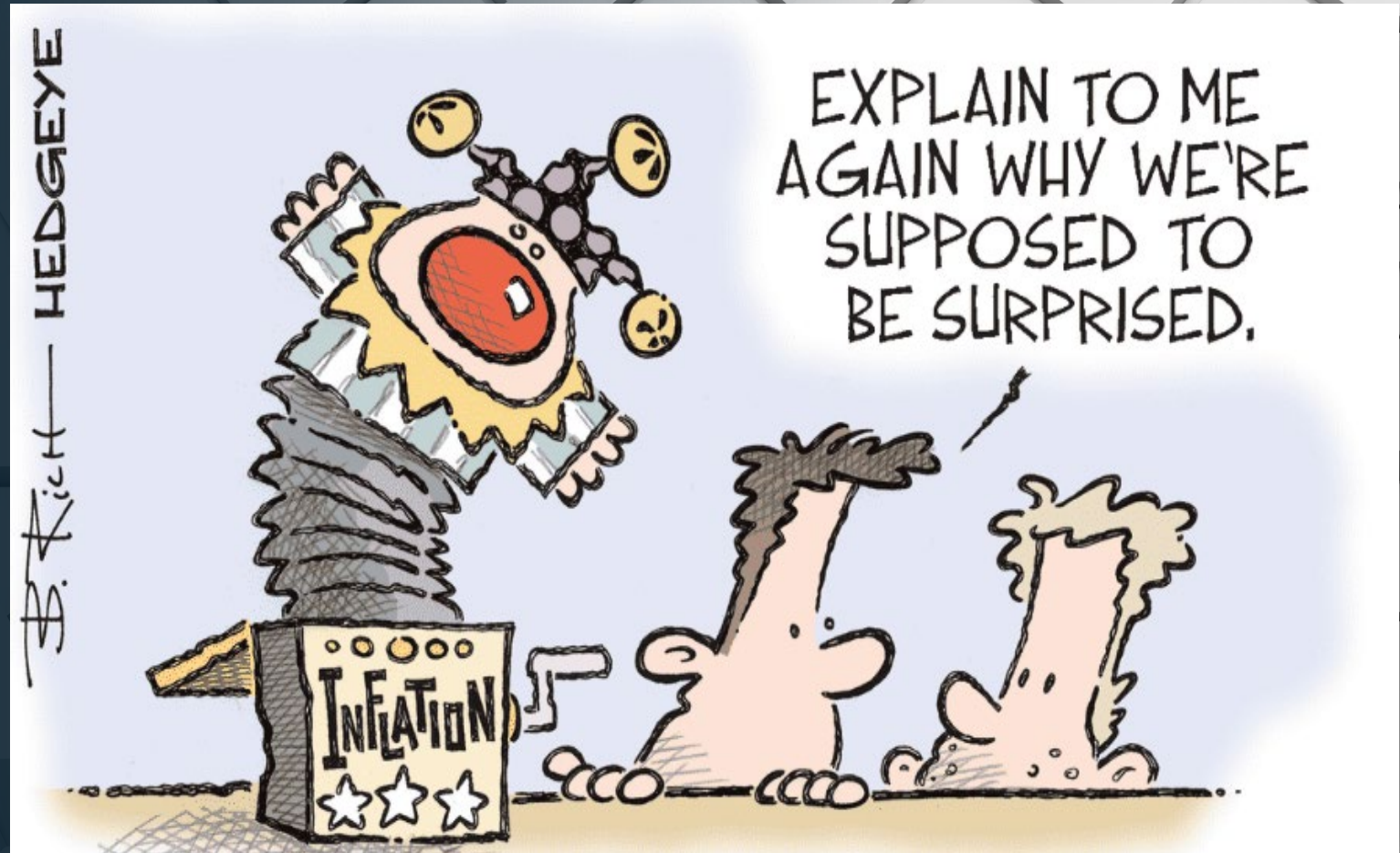
Fiscal risks pose headwinds to the US dollar in the longer run

Government interest bill (% of GDP)



Source: OECD, Momentum Investments

GLOBAL:
Central banks
proceeding with
caution



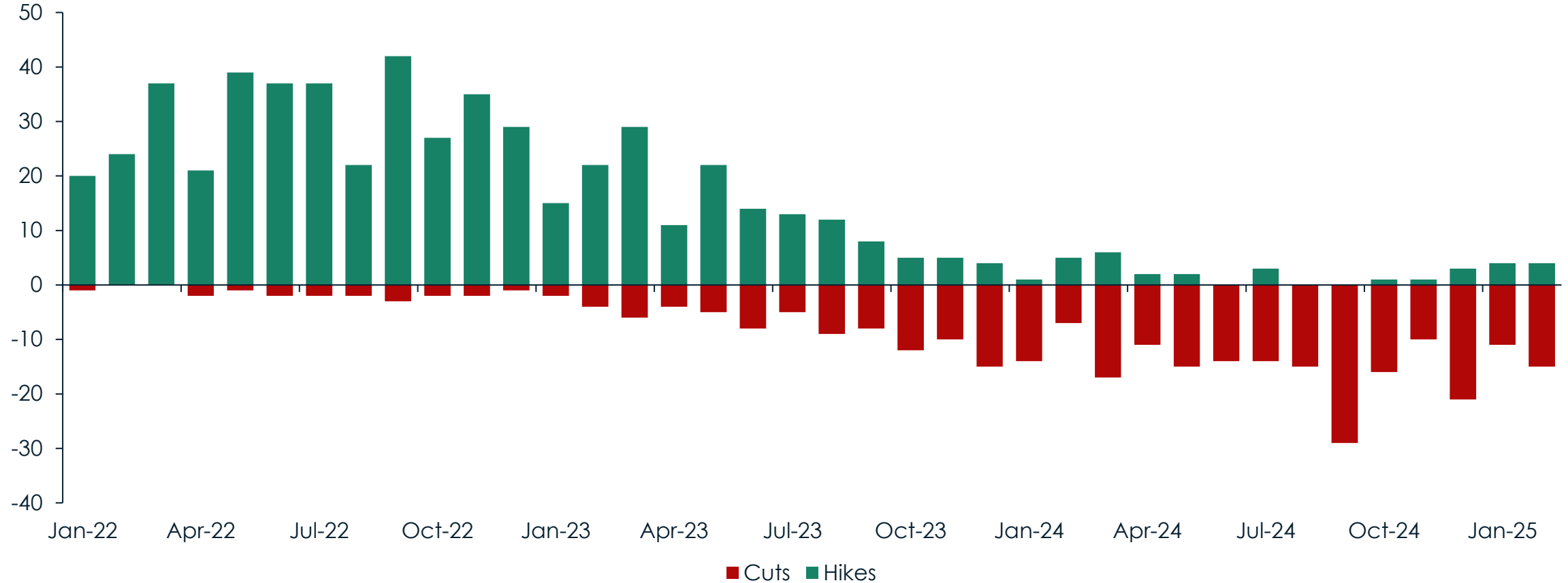
Source: Hedgeye

GLOBAL: CENTRAL BANKS PROCEEDING WITH CAUTION



Potential of Trump's policies to stir inflation will keep central banks cautious

Number of central banks hiking or cutting globally



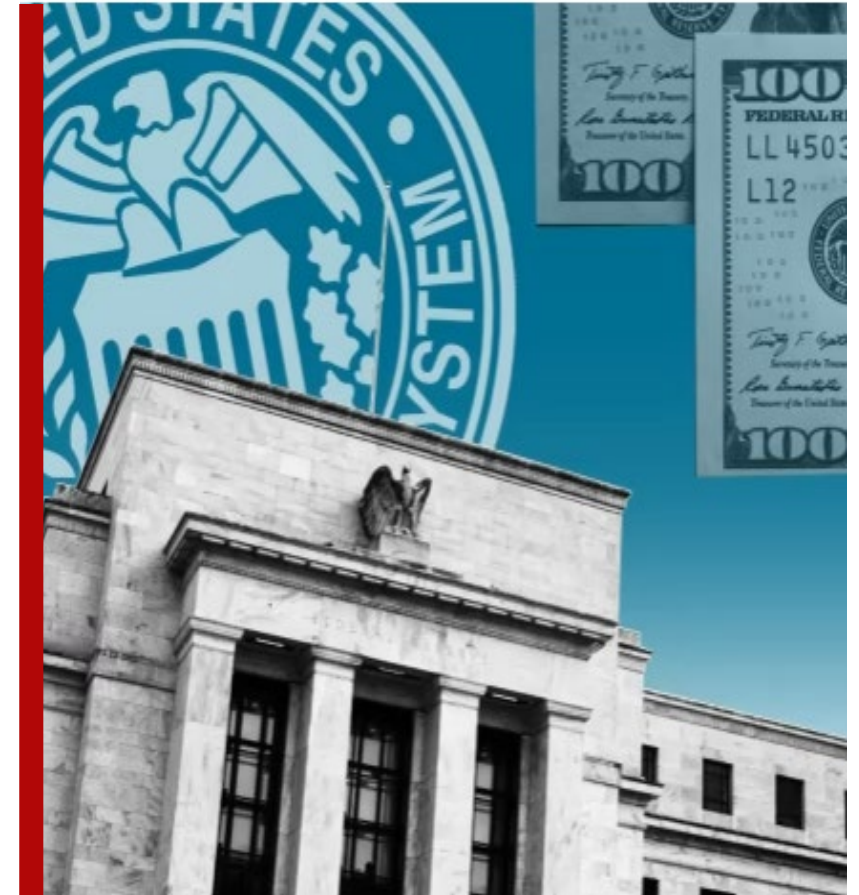
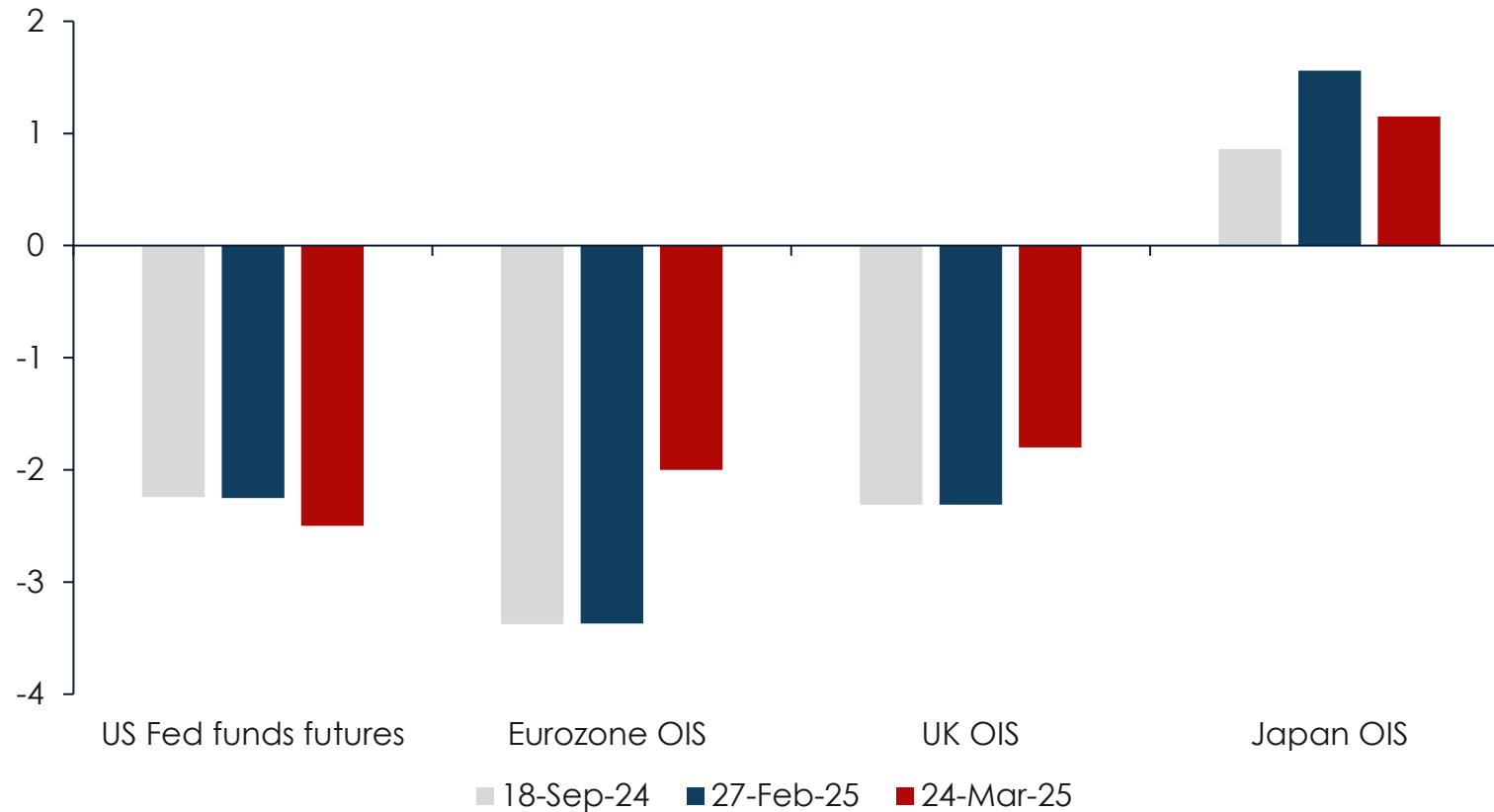
Source: Bloomberg, Momentum Investments, data up to February 2025

GLOBAL: CENTRAL BANKS PROCEEDING WITH CAUTION



Potential of Trump's policies to stir inflation will keep central banks cautious

No. of expected interest rate cuts by Dec 2025



Source: Bloomberg, Momentum Investments

GLOBAL: CENTRAL BANKS PROCEEDING WITH CAUTION



Can Trump remove Powell prematurely?



- **Federal Reserve Act Section 10** → appointment and removal of governors
- Removal **“for cause”** → neglect or inefficiency or breaking the law
- Chair term ends in **May 2026**
- Trump backed off in 2018 (market pressure)
- Board Chair ≠ FOMC Chair → FOMC could vote him back in as Chair
- **Trump’s advisors considering:** Kevin Hassett (set to serve as director of the White House National Economic Council), former George W. Bush White House officials Larry Lindsey and Marc Sumerlin, former World Bank President David Malpass, former Fed official Kevin Warsh and **Michelle Bowman**

Source: NBC News, FOMC = Federal Open Market Committee

LOCAL: Catalysts for a growth recovery

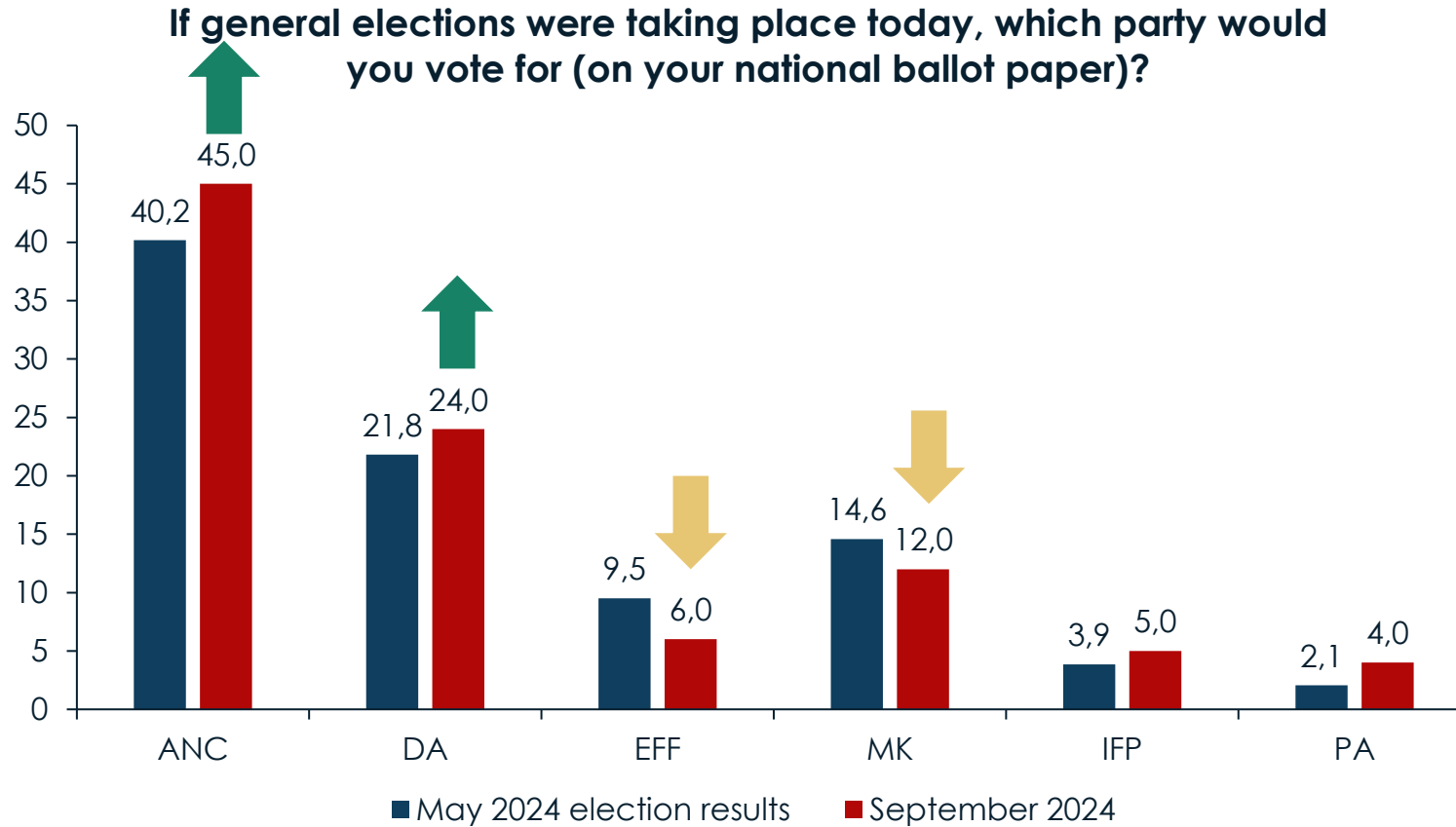


Source: Business Day

LOCAL: CATALYSTS FOR A GROWTH RECOVERY



The Government of National Unity is working

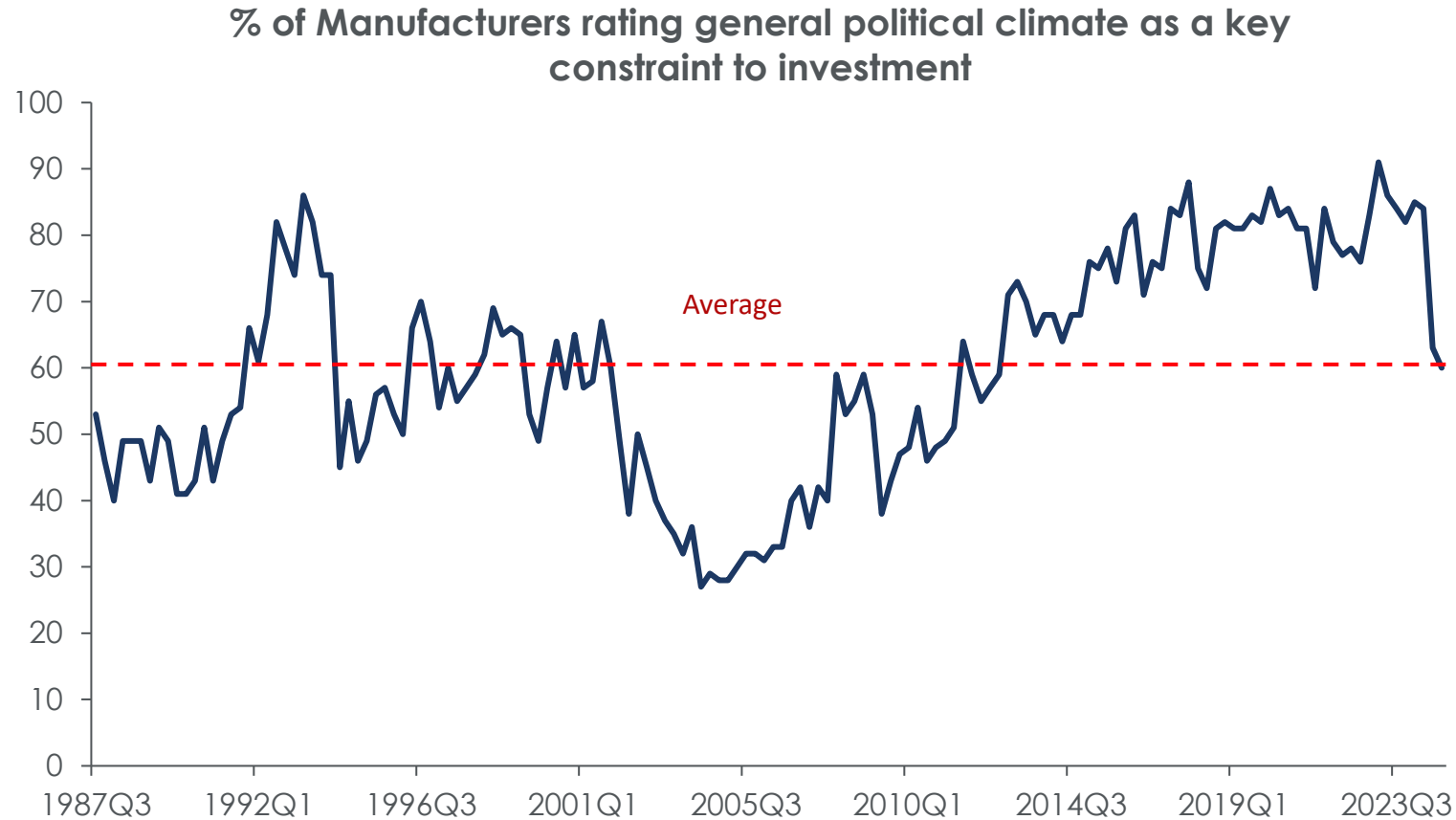


Source: Social Research Foundation, Momentum Investments

LOCAL: CATALYSTS FOR A GROWTH RECOVERY



GNU takes the sting out of political uncertainty



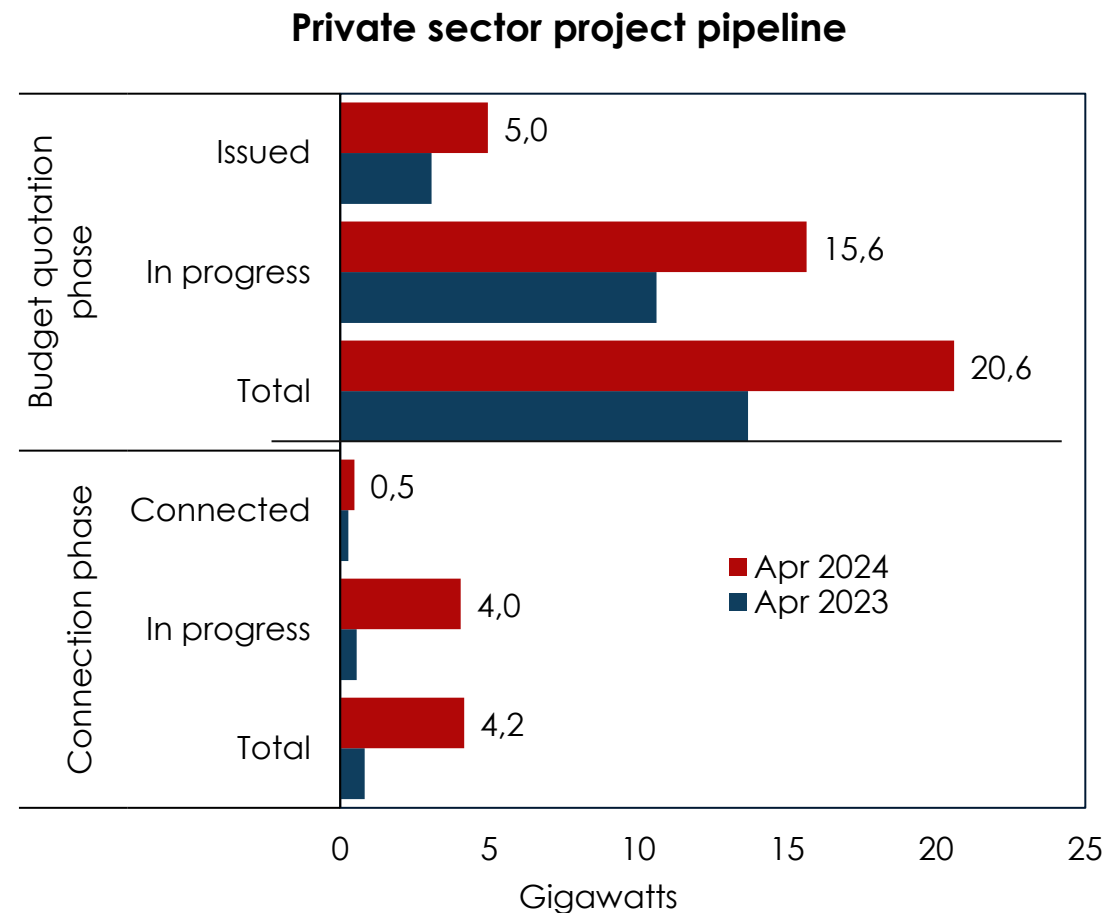
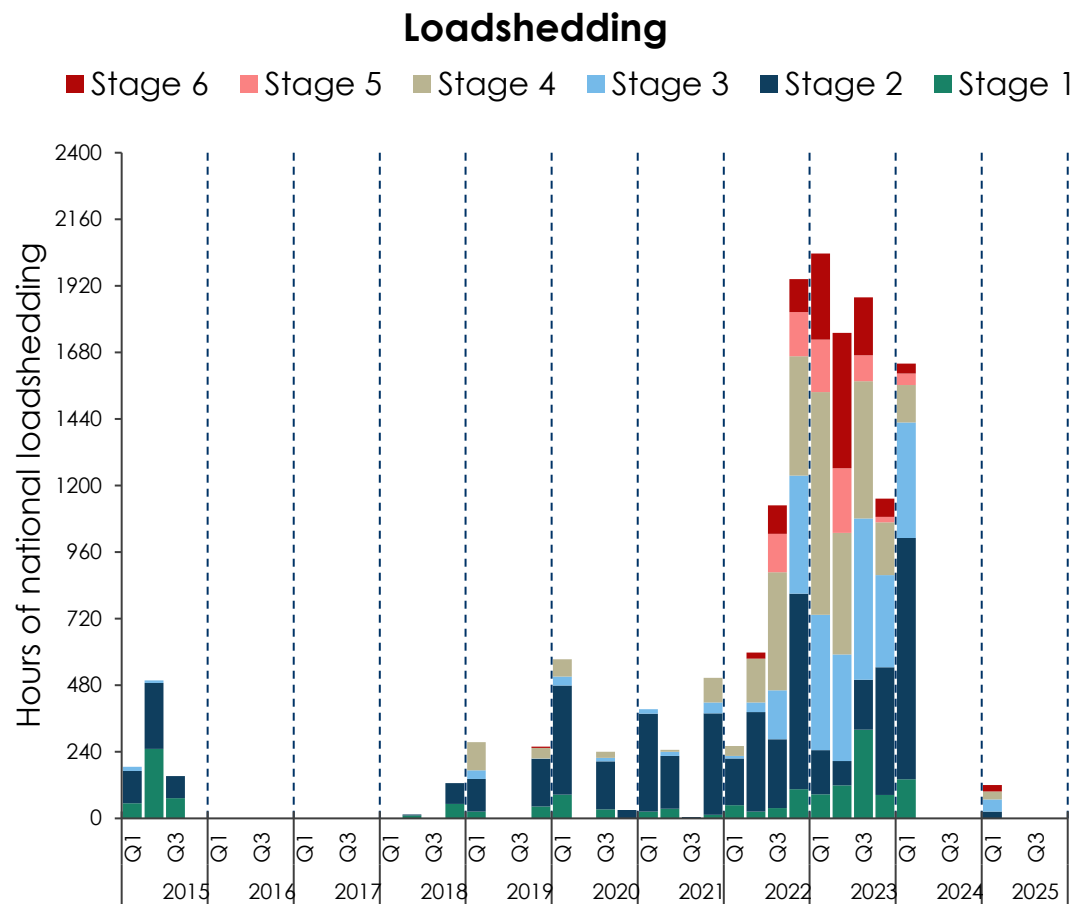
Source: Bureau for Economic Research Manufacturing Survey Q4 2024, Momentum Investments



LOCAL: CATALYSTS FOR A GROWTH RECOVERY



Structural improvement in energy supply despite recent bout of loadshedding

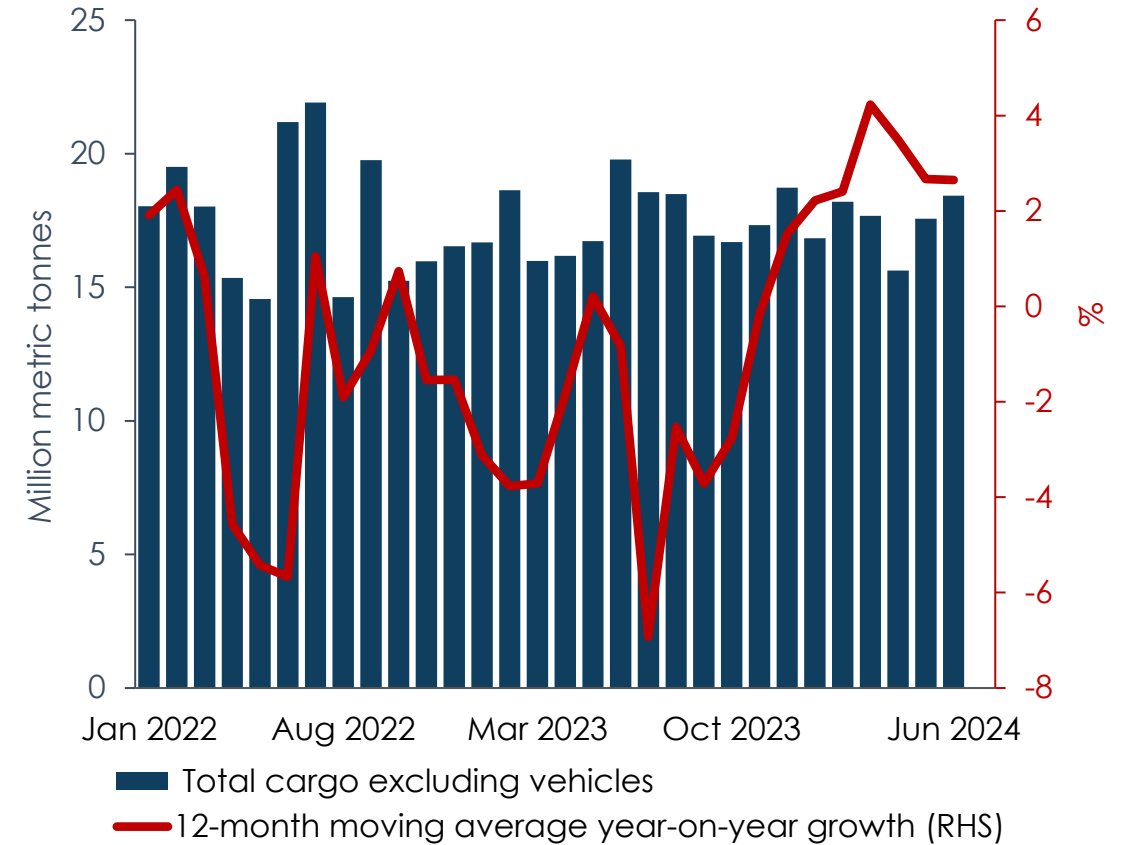
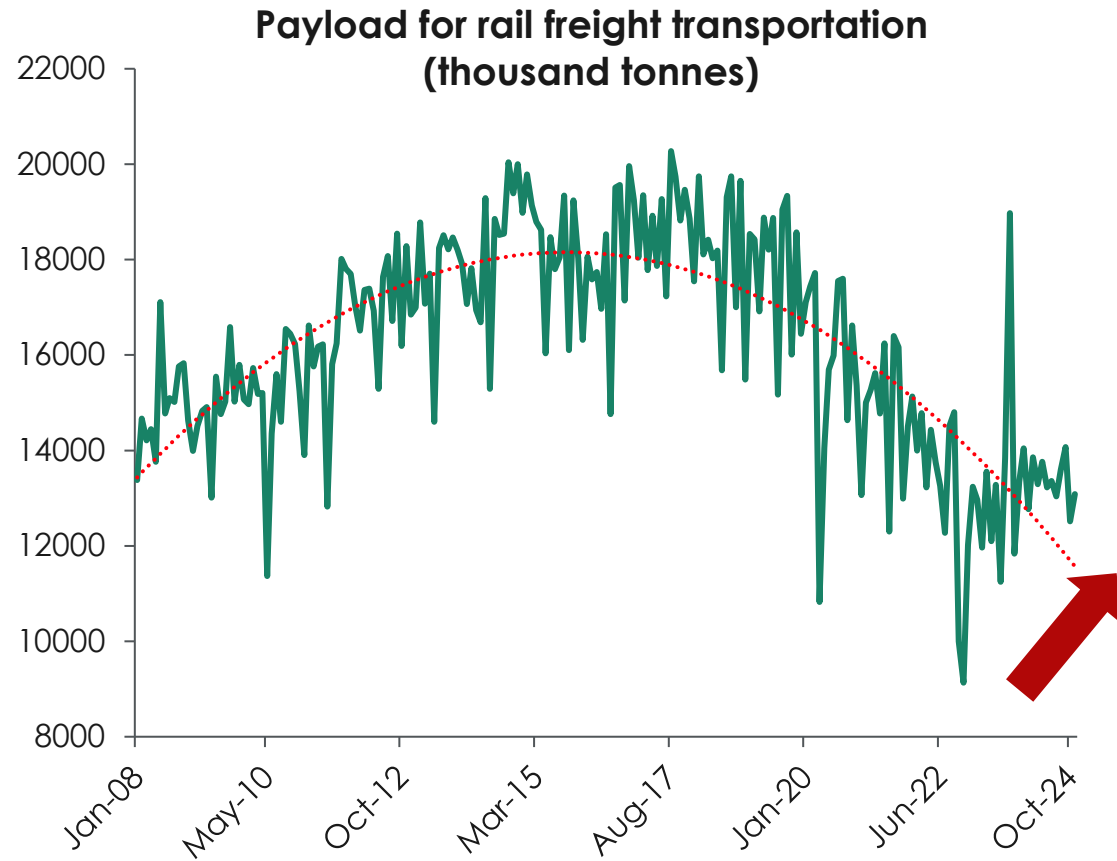


Source: EskomSePush, SARB, Momentum Investments

LOCAL: CATALYSTS FOR A GROWTH RECOVERY



Logistics legislation overhaul is positive → financial and infrastructure challenges persist

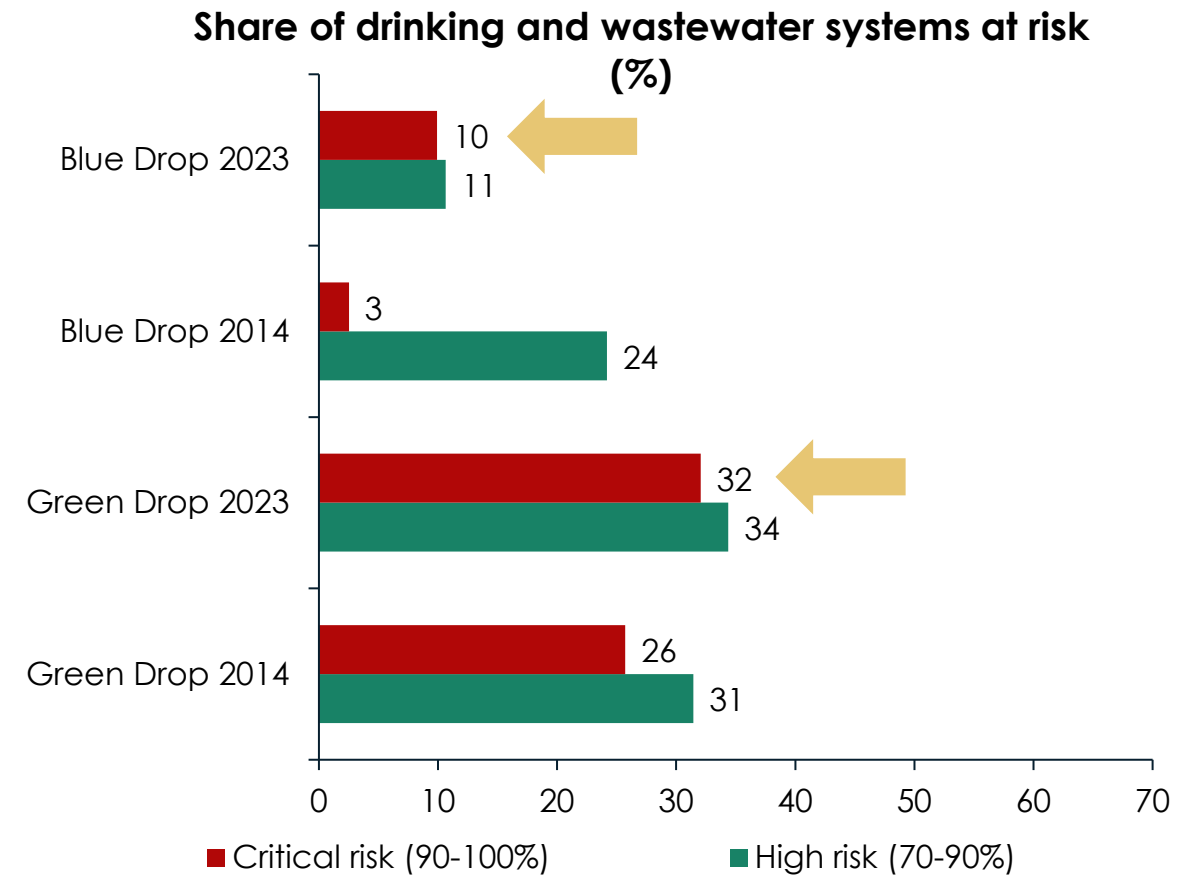
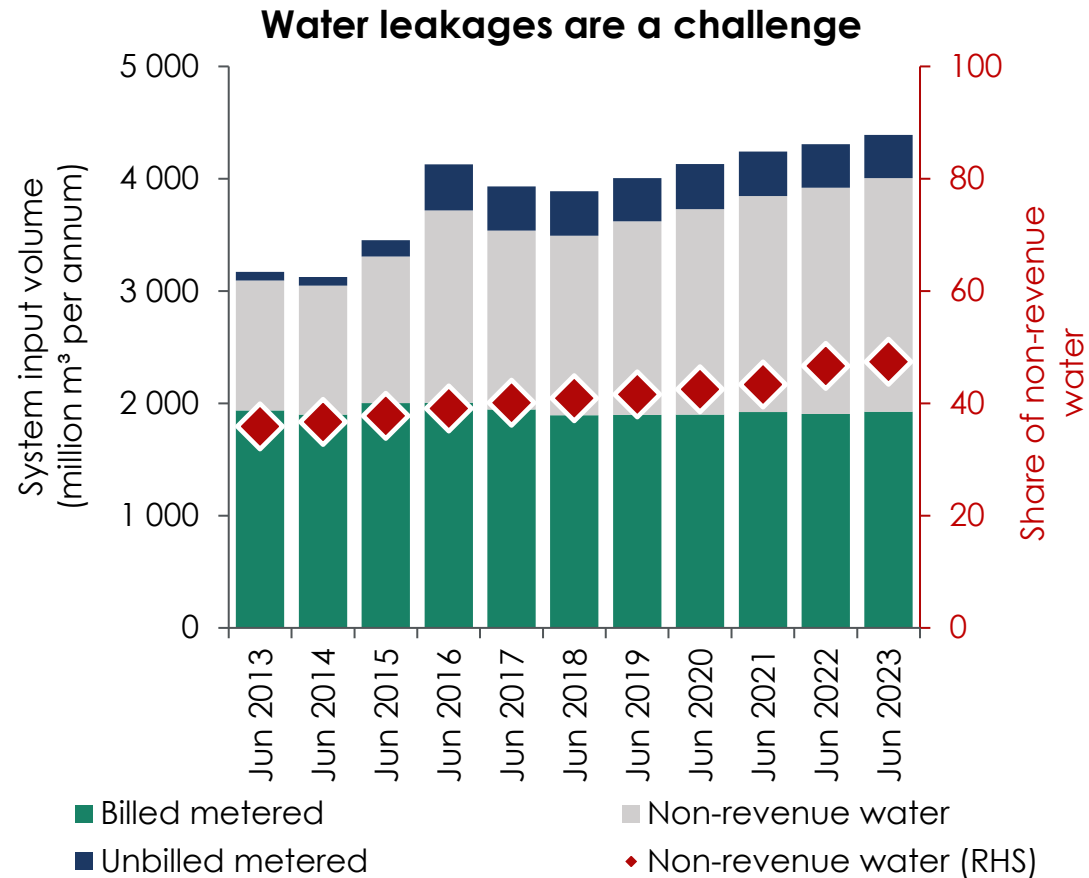


Source: National Treasury, Momentum Investments

LOCAL: CATALYSTS FOR A GROWTH RECOVERY



Water is the next big challenge → but there are ripples of progress



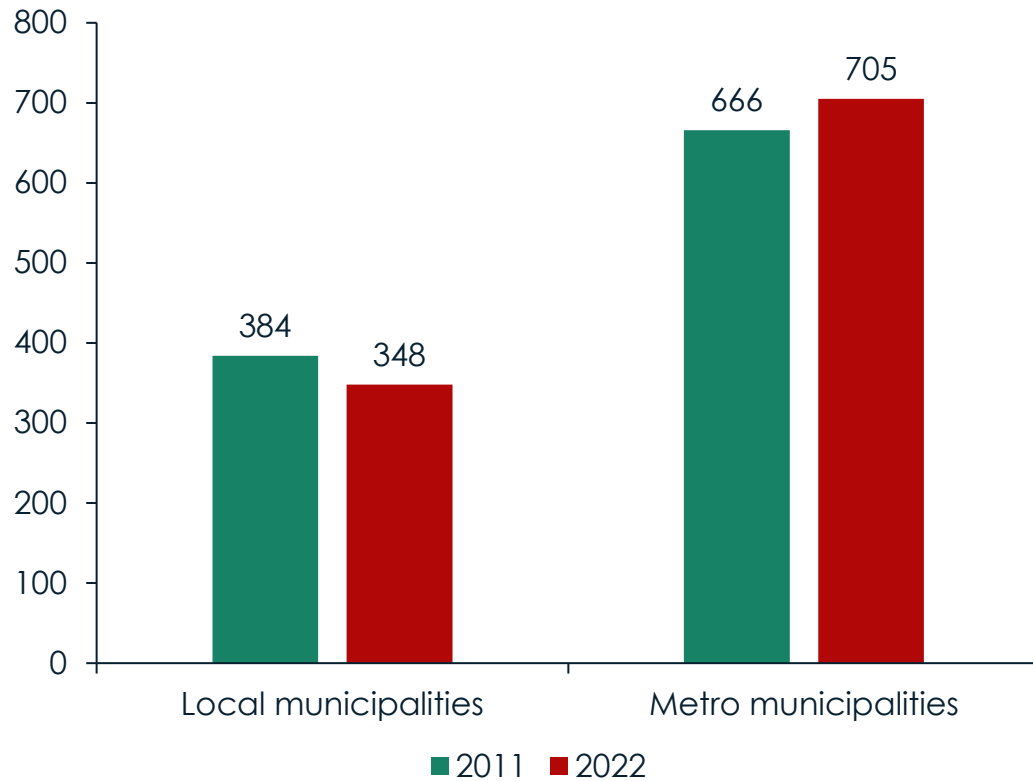
Source: National Treasury, Momentum Investments

LOCAL: CATALYSTS FOR A GROWTH RECOVERY

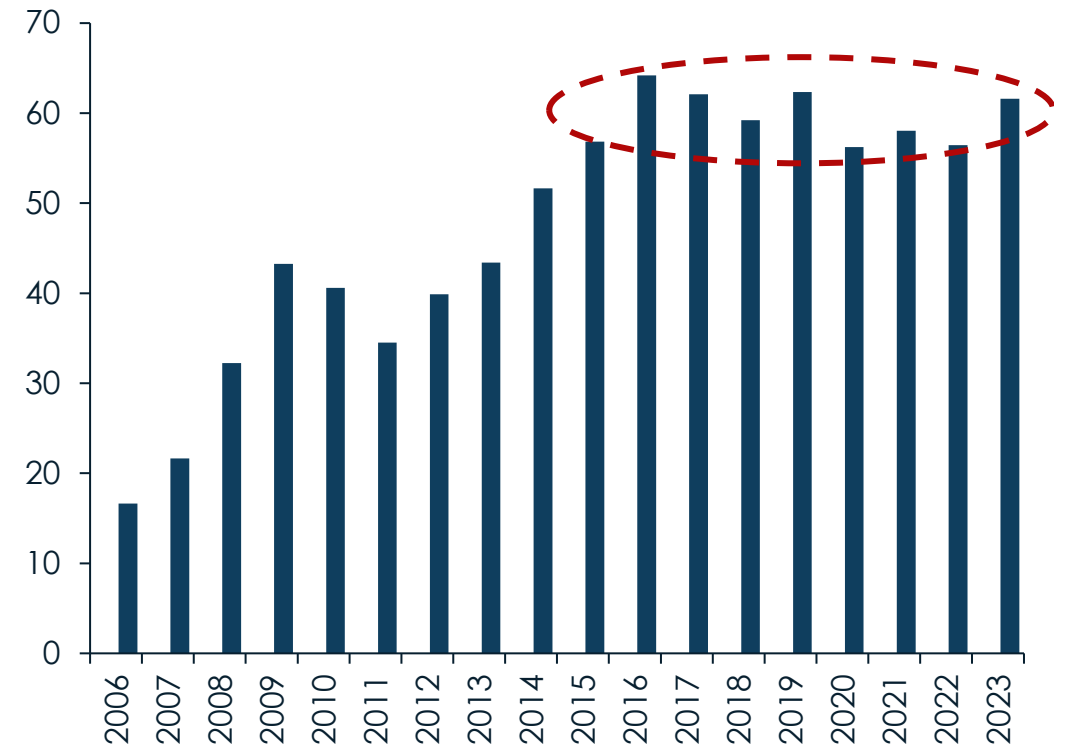


Municipalities are another big challenge → but this is on Operation Vulindlela's radar

Total positions per 100 000 population



Total capital spending by municipalities (R'billion)



Source: Statistics SA – Capital Expenditure by the Public Sector 2023 (October 2024), Momentum Investments

LOCAL: Trade in the crosshairs



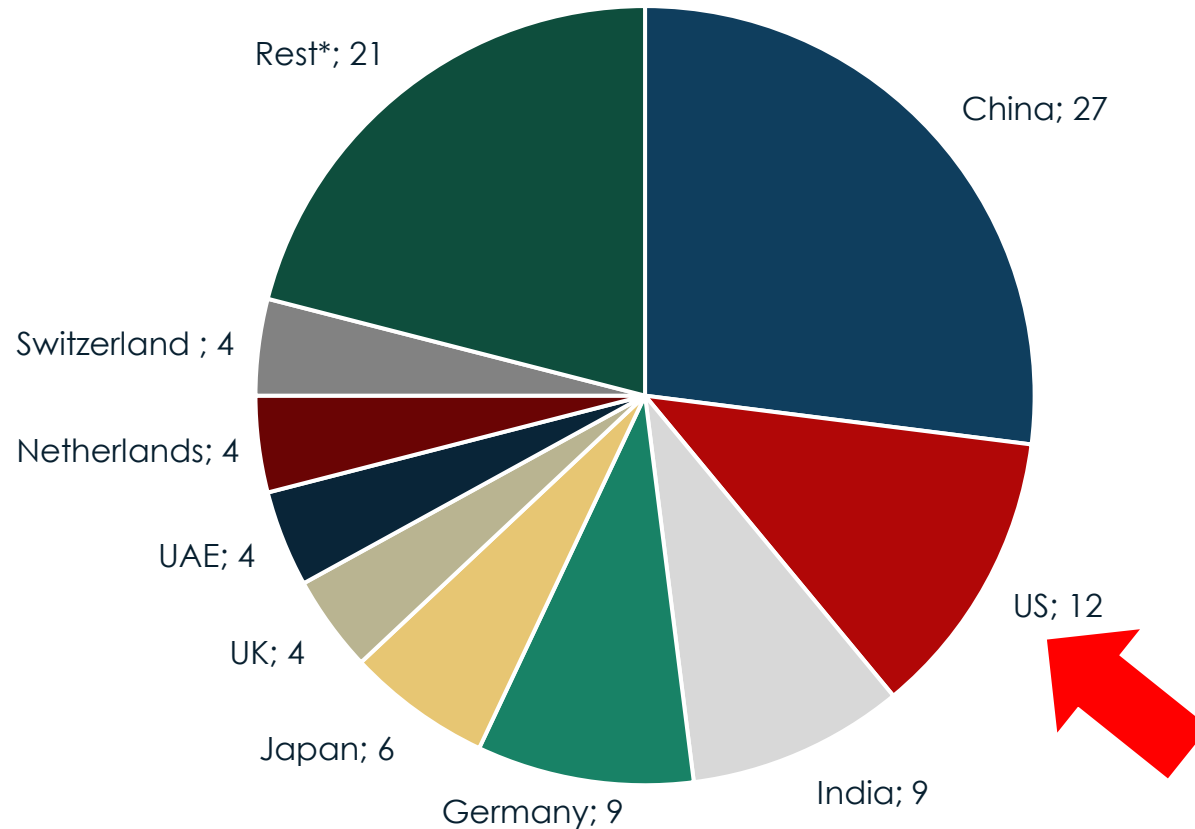
Source: Business Day

LOCAL: TRADE IN THE CROSSHAIRS



China was SA's largest export destination in 2023, followed by the US

SA's top 20 export destinations (2023, %)



- AGOA exports from SA to US = c.1% of SA's GDP (half = vehicles and parts)
- A 16% blanket import tariff on SA imports → reduces SA's real GDP growth by between 0.15pp and 0.2pp
- AGOA created 62 395 jobs (direct and indirect) or 0.4% of SA's employed population.
- 600 US companies employ over 230 000 South Africans

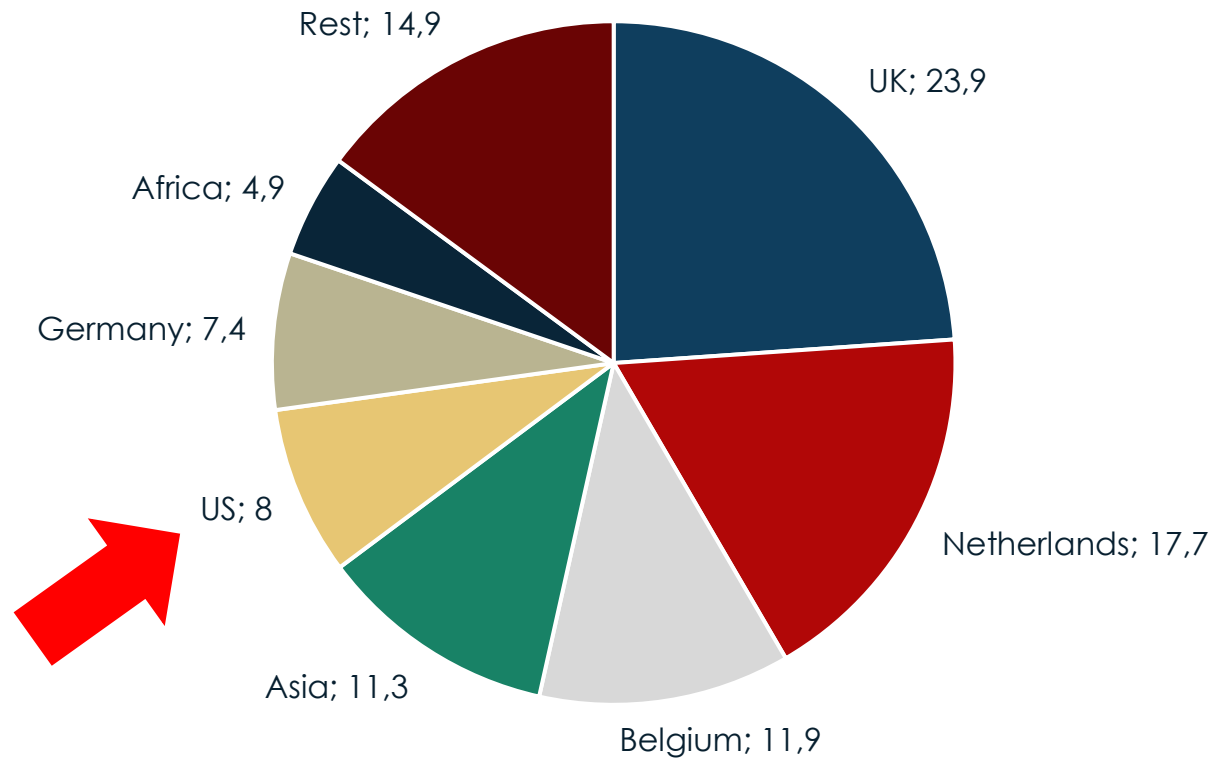
Source: : Nedbank, American Chamber of Commerce, Momentum Investments, rest = Zimbabwe, South Korea, Belgium, Hong Kong, Zambia, Mozambique, Italy, Canada, Spain, Indonesia, Turkey

LOCAL: TRADE IN THE CROSSHAIRS



Fortunately, Europe plays a bigger role in SA's FDI

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



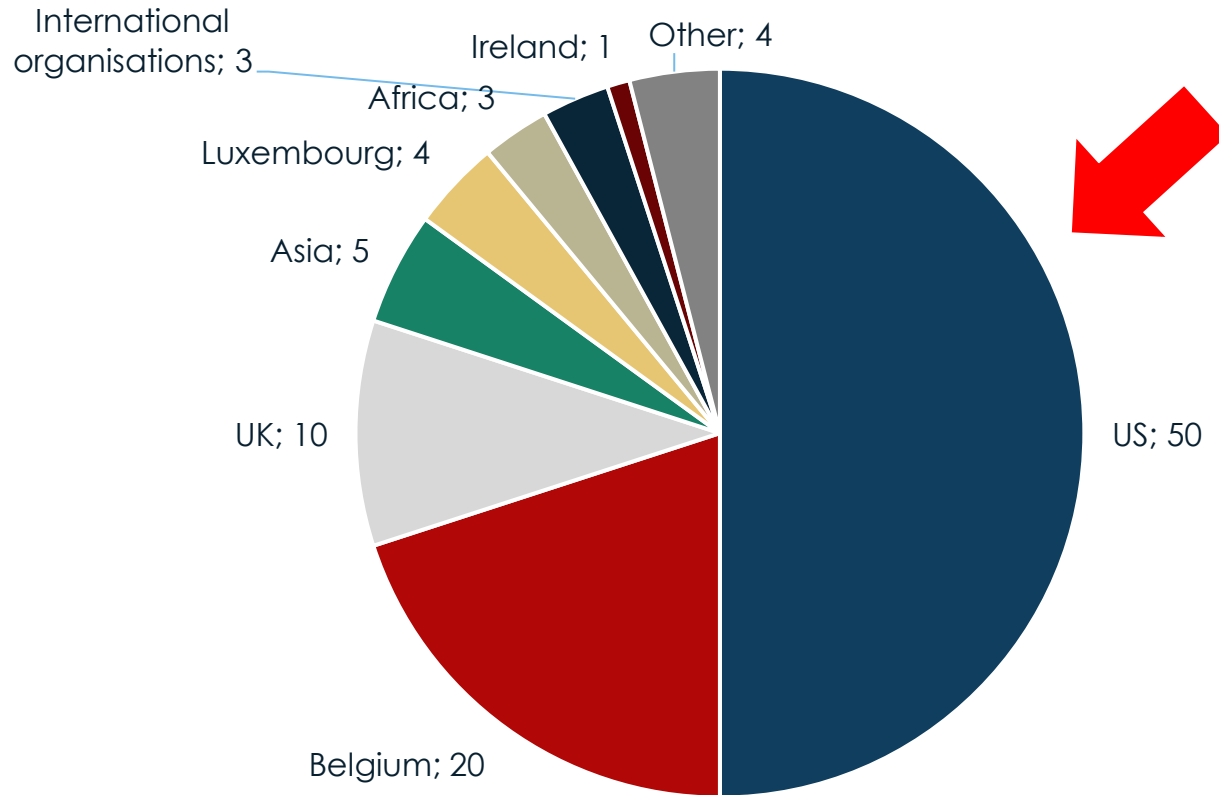
Source: : Nedbank, Momentum Investments

LOCAL: TRADE IN THE CROSSHAIRS



But total portfolio investment into SA is dwarfed by the US

SA's foreign portfolio investment (FPI) stock by source (Q4 2024)

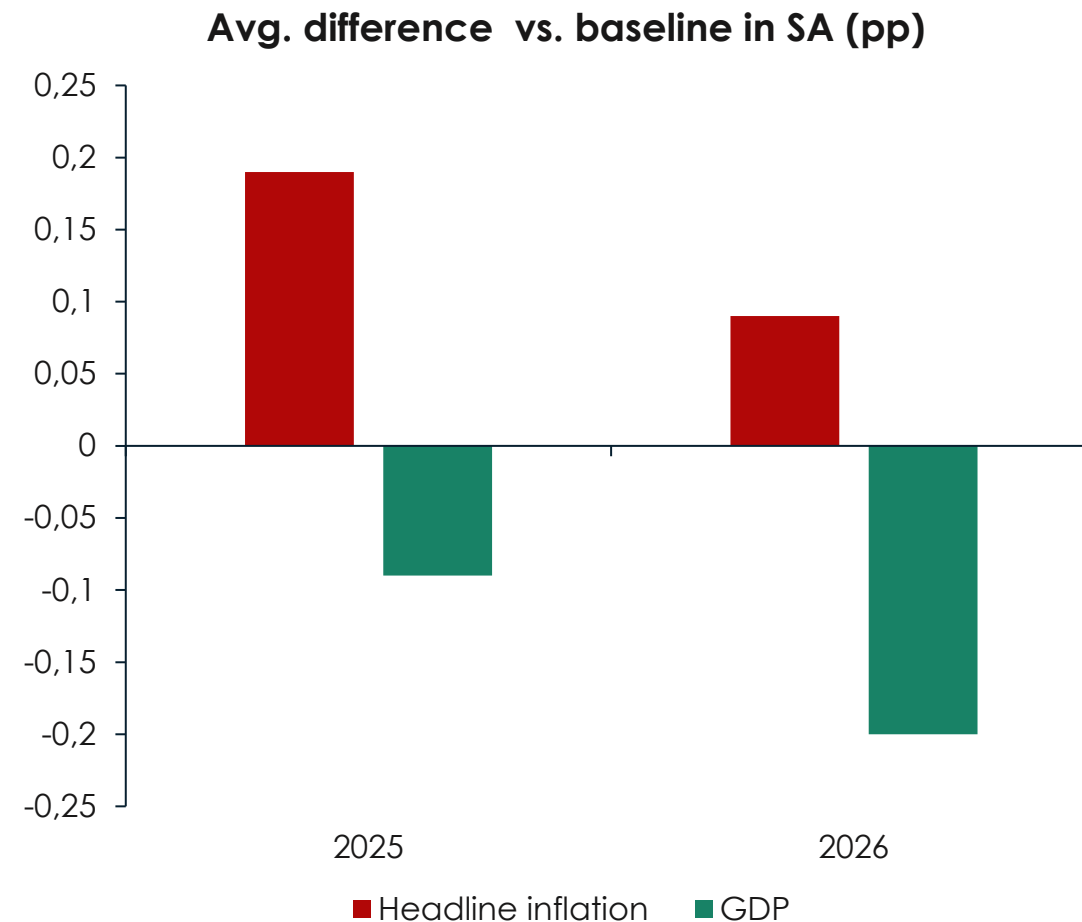
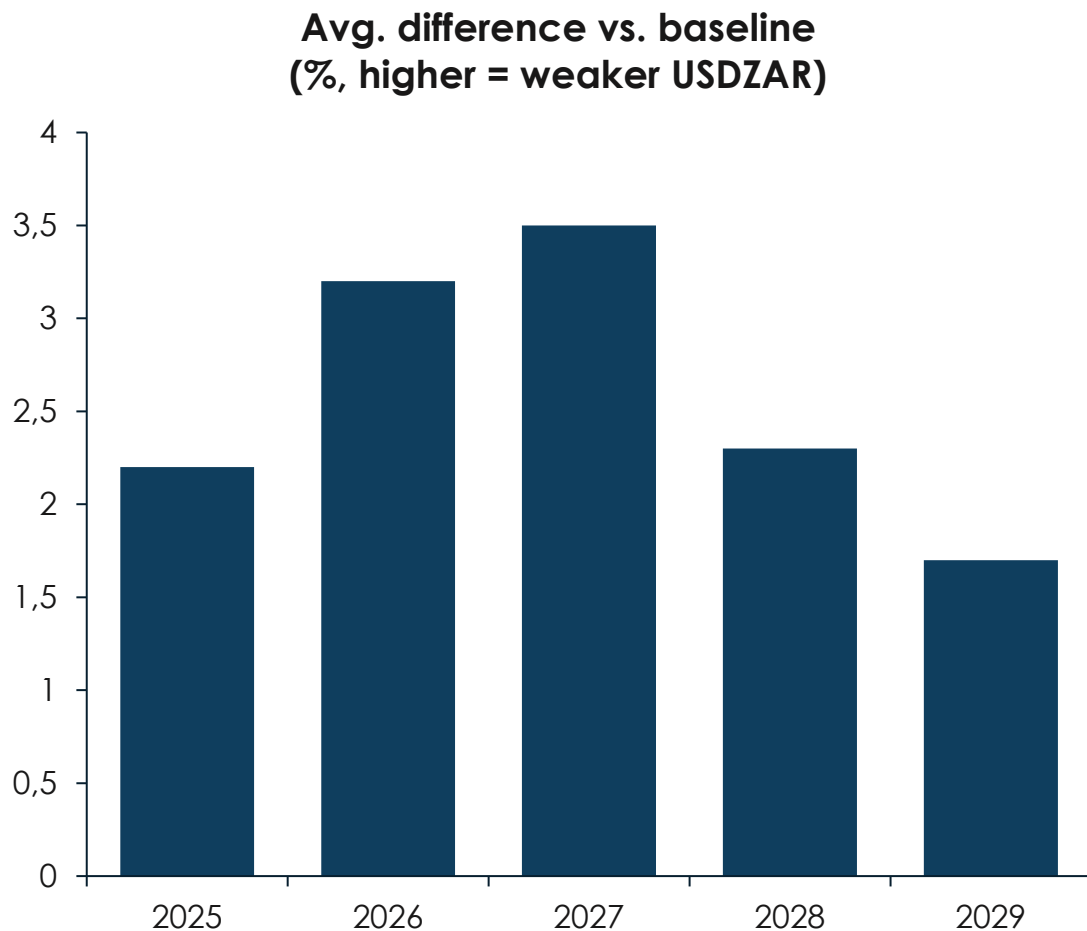


- US = largest foreign holder of SA equities (6,5% of the Top 40 Index)
- US = largest non-resident holder of SA government bonds (14% of SA government bonds outstanding)

LOCAL: TRADE IN THE CROSSHAIRS

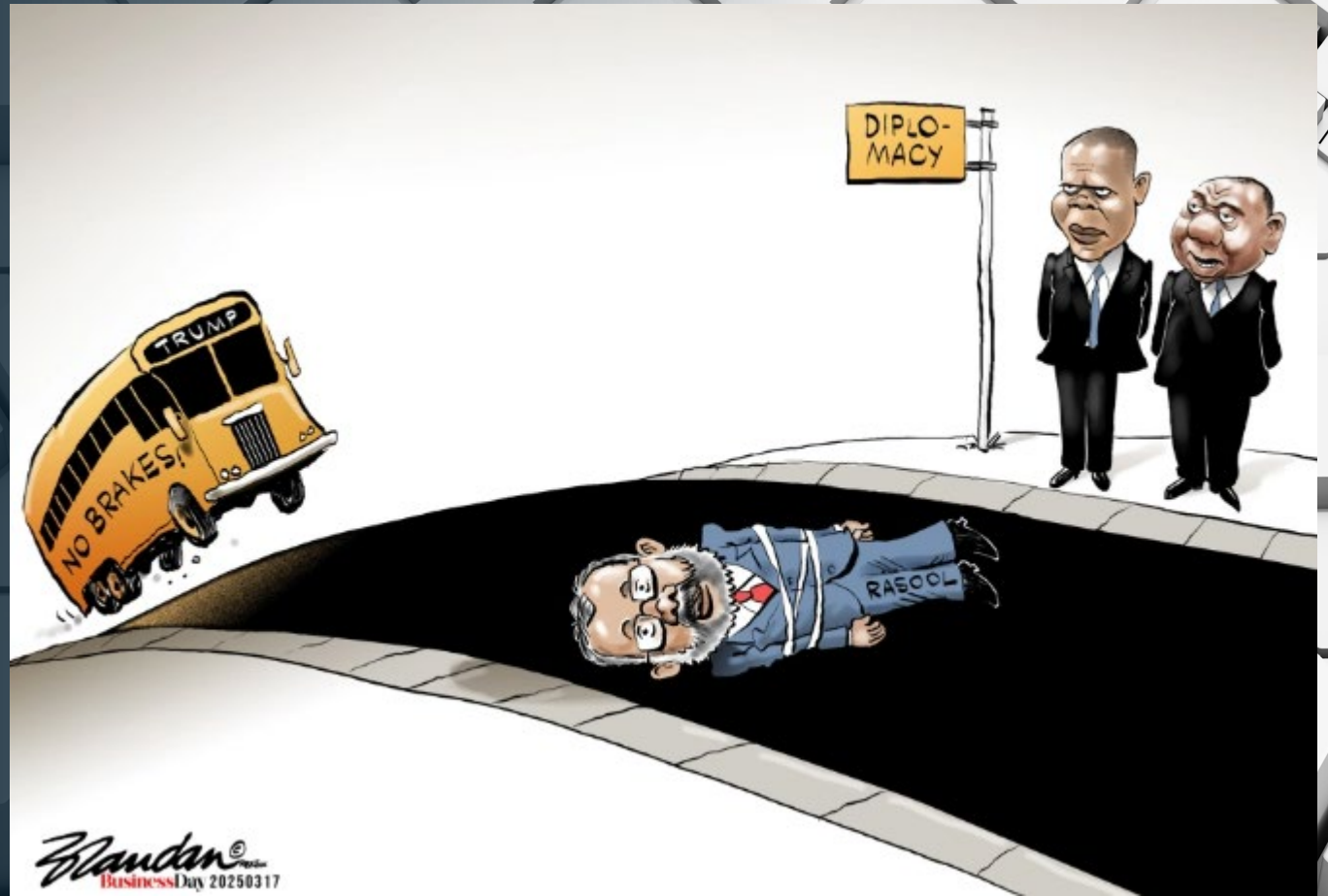


Scenario: 10% tariff on SA imports into the US



Source: S&P Global Ratings

LOCAL: Balancing solidarity and sovereignty



Source: Business Day

LOCAL: BALANCING SOLIDARITY AND SOVEREIGNTY



Foreign policy must balance constitutional values and national interest



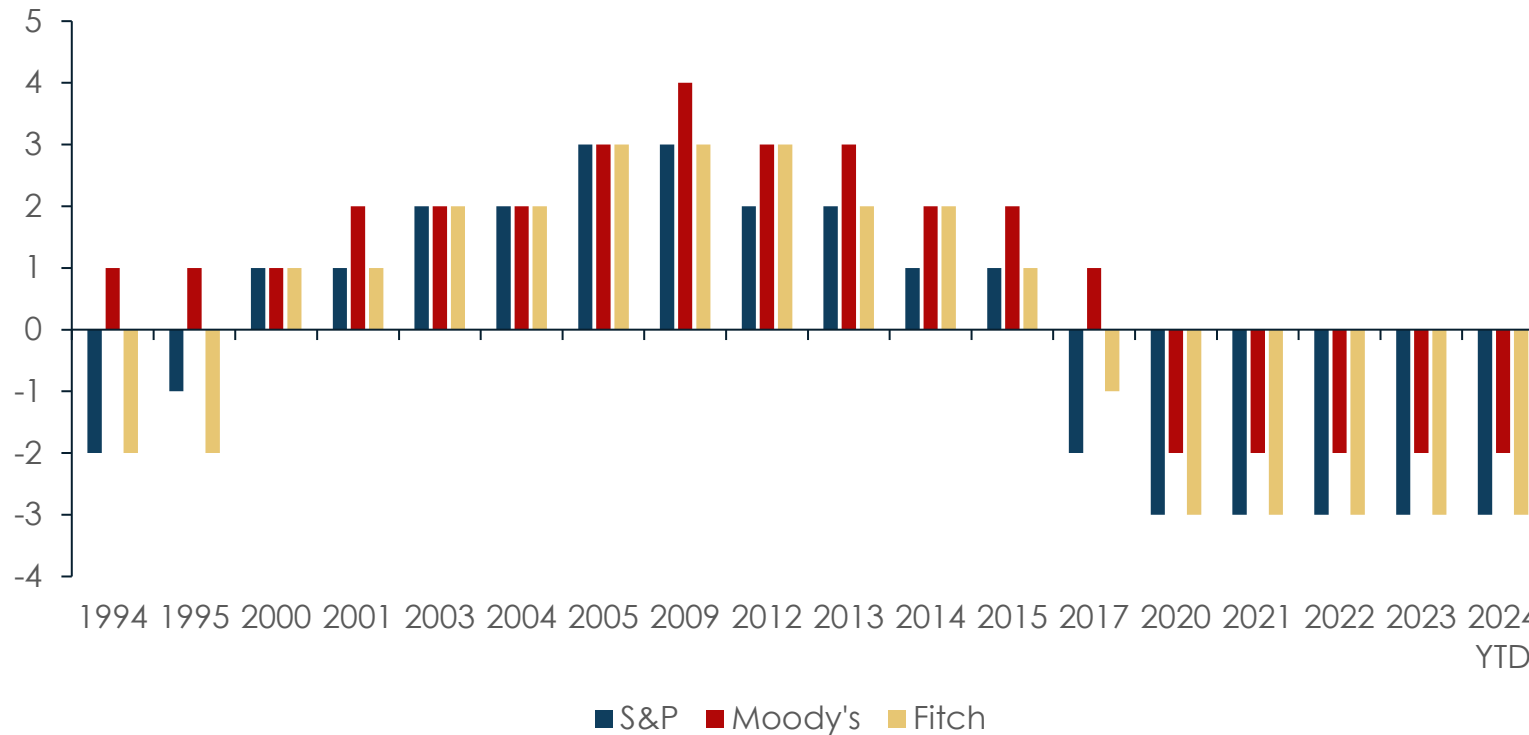
Source: : Friedrich Naumann Foundation, G20.org.

LOCAL: BALANCING SOLIDARITY AND SOVEREIGNTY



A higher sovereign rating will improve SA's global standing

Level of foreign-currency debt rating relative to investment grade
(notches)



Positive outlook by S&P reflects the potential for stronger growth and debt stabilisation. Noted:

- Increased political stability
- Momentum for reform
- Improved debt yields
- Portfolio inflows
- Easing financing conditions
- Currency strengthening
- Higher fiscal policy predictability

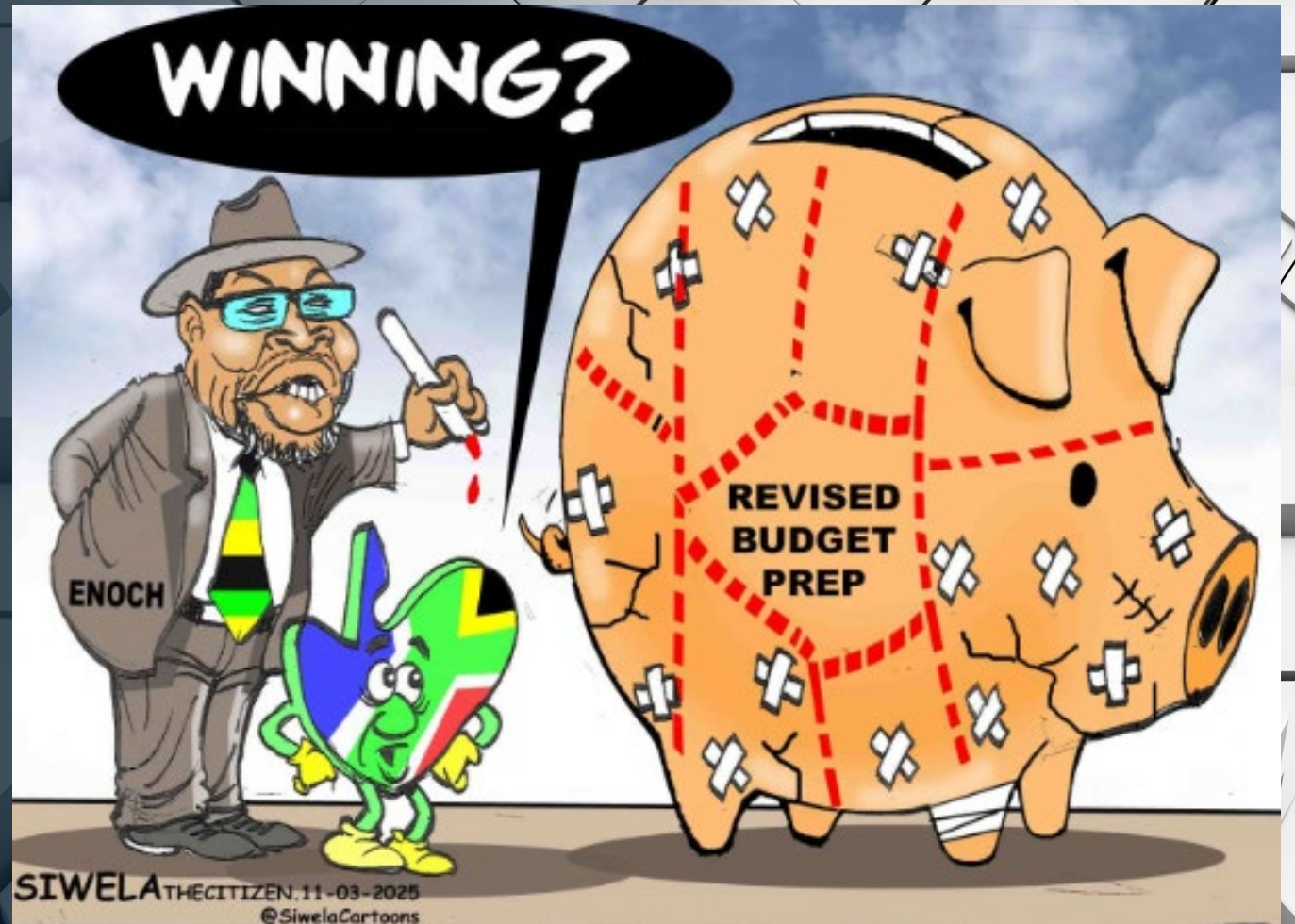
LOCAL: BALANCING SOLIDARITY AND SOVEREIGNTY



Removal from the Financial Action Task Force's watchlist will improve SA's reputation



LOCAL: Managing risks to inflation

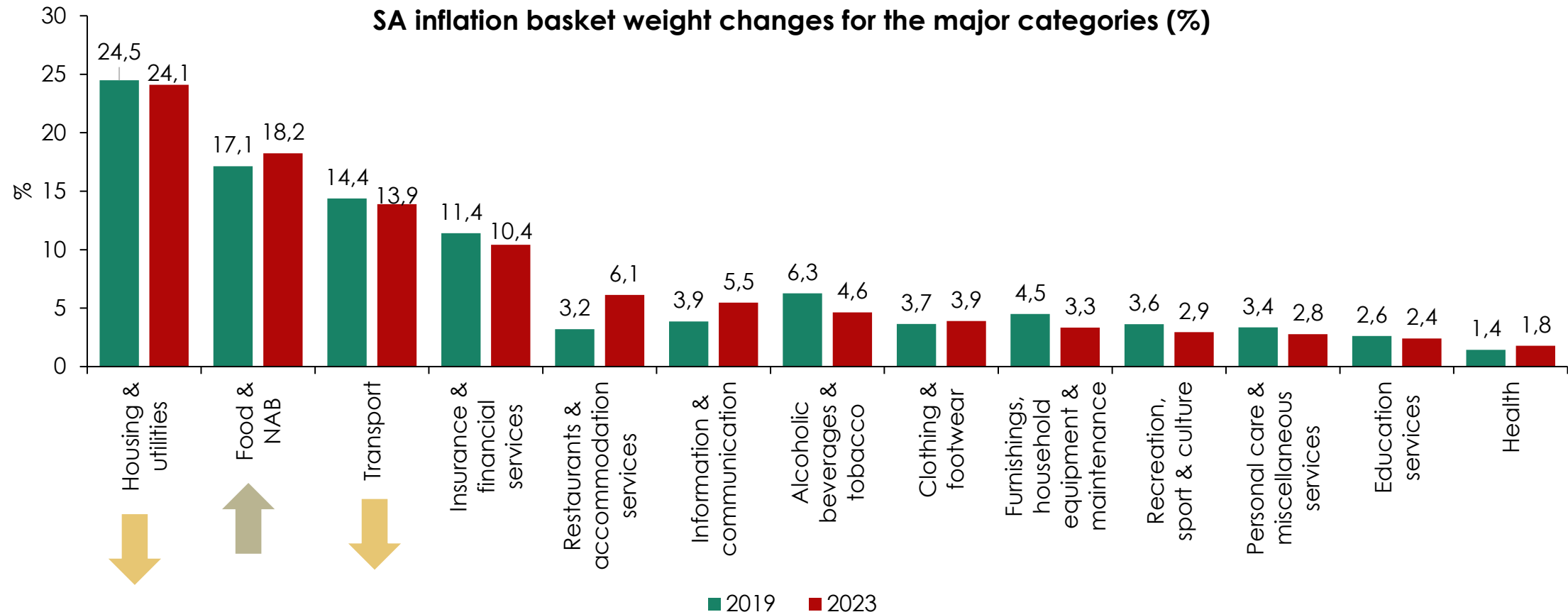


Source: The Citizen

LOCAL: MANAGING INFLATION RISKS



Basket reweighting added a minor downward bias



Source: : Statistics SA, Momentum Investments

LOCAL:
Balancing
solidarity and
sovereignty



SUMMARY



- The worldwide impact of the 2024 **electoral mega-cycle** will ripple into political and economic agendas more clearly throughout 2025.
 - The foundations of the global economy—low inflation, low interest rates, international cooperation, and seamless trade—have loosened, adding **uncertainty** to growth prospects.
 - 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** could partly negate **local cyclical upturn**.
-



Thank you