momentum
investments

Economies
at a glance - January 2025

Why do tariff threats matter?

"Trade has been an important engine of global growth, job creation and declining poverty in the past decades. Not everything worked perfectly, and trade benefits were not always equally shared. Still, rising trade tensions and further moves towards protectionism might disrupt supply chains, raise consumer prices, and negatively impact growth."

Organisation for Economic Cooperation and Development (OECD)

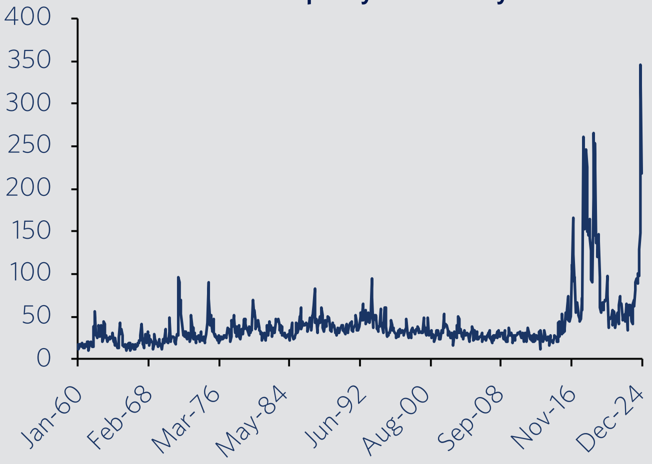
"Estimates indicate that reductions in trade costs between 1995 and 2020 boosted global real GDP over the period by nearly 7% and by over 30% in low-income countries, in turn helping accelerate income catch-up for these countries."

World Trade Organisation

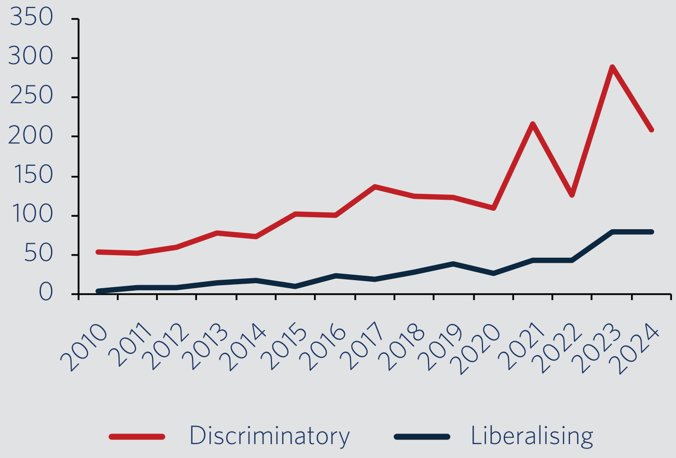
Trade policy uncertainty has surged as protectionist measures have climbed

In its Global Risks Report for 2025, the World Economic Forum notes that "global trade relations are tense and there is a risk of unpredictable and potentially sharp changes in trade policies worldwide". This increase in trade policy uncertainty has coincided with a higher number of discriminatory trade and industrial policy changes across the globe.

Global trade policy uncertainty index



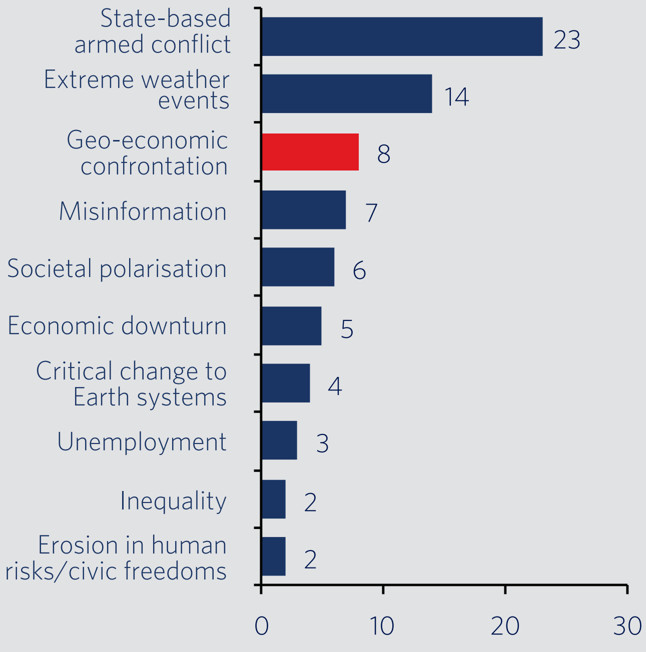
New trade and industrial policy changes worldwide (number)



Geo-economic confrontation perceived to be a top risk facing the global economy

Geo-economic confrontation (including the threat of sanctions and tariffs) ranked at #3 for current risks and #9 over a two-year horizon.

Top risk that you believe will present a material global crisis in 2025 (%)



Global risks ranked by severity over a two-year horizon

1st Misinformation
2nd Extreme weather events
3rd State-based armed conflict
4th Societal polarisation
5th Cyber warfare
6th Pollution
7th Inequality
8th Involuntary displacement
9th Geo-economic confrontation
10th Erosion of human rights/civic freedoms

momentum
investments

Economies
at a glance - January 2025

Growth in world trade volumes at risk

According to the World Bank, 92% of advanced economies and 55% of emerging markets will see average trade growth in 2025 and 2026 below that experienced between 2010 and 2019

	% Growth in global trade volumes	
	2025	2026
International Monetary Fund	3.2	3.3
World Bank	3.5	3.6
OECD	3.1	3.2

How to mitigate the adverse effects of geopolitical tensions on trade networks

- International cooperation to safeguard trade networks
- Legal frameworks to govern trade
- Promote fairness in international commerce
- Trade agreements that target non-tariff barriers
- Improve transparency in trade practices
- Mitigate distortionary trade policies
- Resolve trade disputes in an orderly and sustainable way to limit spillover effects to other countries
- Supply chain resilience
- Domestic labour, education and tax reforms to ensure that trade benefits are evenly distributed and that workers are supported in growing industries

Sources: World Bank, OECD, WEF Global Risks Perception Survey 2024 – 2025 (11 000 business leaders surveyed in 121 economies), Global Trade Alert, www.matteoiacoviello.com

momentum
investments

January 2025

UNITED STATES

On his first day back in office, President Donald Trump wasted no time in reshaping America's global and domestic priorities, issuing a wave of executive orders. Among these were directives to withdraw from key international agreements, including the Paris Climate Accord, the World Health Organisation and the Organisation for Economic Cooperation and Development-led global tax deal. Domestically, he vowed to tighten immigration laws and ramp up energy exploration. These actions carry far-reaching consequences, threatening to disrupt climate cooperation, strain international relations and reshape global migration policies. Looking ahead, the 2026 midterm elections loom large, posing a critical test for Republican control of Congress. With the possibility of losing influence over all three branches of government, the Trump administration appears intent on speedily pushing through its agenda.

Forecast 2025:
GDP: 2.7%
Core PCE Inflation: 2.5%
Forecast 2026:
GDP: 2.3%
Core PCE Inflation: 2.6%

EUROZONE

At the World Economic Forum in Davos, European Commission President Ursula von der Leyen delivered a speech that skilfully navigated the complexities of global trade. She took aim at China's state-sponsored over-capacity, warning of a looming "China shock" that threatens to disrupt global markets. Emphasising the need for a balanced relationship with China, von der Leyen championed fair competition as a cornerstone of international trade. Turning her attention to the United States (US), she highlighted the deep interdependence between the European and American economies, where European companies support millions of American jobs. With a clear call for cooperation, von der Leyen signalled her readiness to negotiate with the US, urging both sides to avoid a "global race to the bottom" in economic policies, against a backdrop of economic stagnation, demographic changes and declining competitiveness.

Forecast 2025:
GDP: 0.9%
HICP Inflation: 2.1%
Forecast 2026:
GDP: 1.1%
HICP Inflation: 1.9%

UNITED KINGDOM

The Labour Party's popularity has plummeted under Prime Minister Keir Starmer's leadership. According to recent *YouGov* polls, Labour now clings to a razor-thin lead, with just 26% support, narrowly ahead of Nigel Farage's Reform UK at 24% and the Conservatives at 22%. This dramatic downturn stems from a series of high-profile blunders, including a damaging donations scandal and divisive policy choices, such as slashing winter fuel payments and raising national insurance contributions—moves that have sparked fears of stifling economic growth. As *The Guardian* aptly observes, Starmer faces a dual challenge: forging a functional dialogue with the White House while delivering on his promise to strengthen ties with the European Union. Balancing these competing demands will be crucial as Labour grapples with its waning public support and rising political rivals.

Forecast 2025:
GDP: 1.3%
Inflation: 2.8%
Forecast 2026:
GDP: 1.3%
Inflation: 2.1%

JAPAN

Japanese politics is on the cusp of a seismic shift following the Liberal Democratic Party's historic loss of its majority in the Lower House. This unprecedented development has plunged the country into a period of intense political instability, forcing Prime Minister Shigeru Ishiba to forge uneasy alliances with opposition parties just to keep his legislative agenda afloat. Compounding these domestic challenges is the return of Trump to the White House, which threatens to upend Japanese relations with the US. Trump's transactional approach could lead to increased pressure on Japan to hike defence spending and foot a larger bill for hosting US troops, further complicating Ishiba's delicate balancing act between internal party pressures and external diplomatic demands. The stakes will reach a boiling point in July 2025 with the Upper House election—a critical test that will determine not only Ishiba's political survival but also Japan's foreign and security policies.

Forecast 2025:
GDP: 1.2%
Inflation: 2.2%
Forecast 2026:
GDP: 0.9%
Inflation: 1.9%

CHINA

Despite China officially achieving its 5% growth target in 2024, growth remains hindered by deep structural issues, including low consumer spending, high debt among property developers and local governments and an ageing population. Key strategies to overcome these challenges should include enhancing social safety nets, promoting market-oriented reforms to attract private sector investment, fixing financing mechanisms in the property sector and reforming the fiscal framework to manage local government financial risks. While exports acted as an engine of GDP in 2024, future growth remains threatened by US tariffs. President Trump's response to China is likely to be multi-faceted driven by concerns over China's influence in regions like Taiwan, the South China Sea and the Panama Canal. Trump's tactics may include leveraging tariffs and diplomatic pressure to negotiate a favourable trade deal with China while also focusing on strategic alliances.

Forecast 2025:
GDP: 4.4%
Inflation: 0.5%
Forecast 2026:
GDP: 4.1%
Inflation: 1.0%

EMERGING MARKETS

The World Bank's January 2025 Global Economic Prospects report paints a nuanced picture for emerging markets. Despite a projected growth rate of about 4% over the next two years, this pace falls short of pre-pandemic levels and will not significantly narrow the income gap with advanced economies. Structural challenges, such as dwindling foreign direct investment and rising trade barriers, have contributed to a decline in growth from 5.9% in the 2000s to 3.5% in the 2020s. Regionally, the East Asia and Pacific region faces a slowdown due to China's weak domestic demand and property sector woes. In contrast, Latin America is poised for a modest rebound, driven by stronger commodity prices and economic improvements in Brazil and Mexico. Growth is expected to accelerate in the Middle East and North Africa, buoyed by higher oil prices and strategic investments. To address these challenges, the World Bank recommends bold policy actions—enhancing macroeconomic stability, combating climate change and bolstering human capital.

Forecast 2025:
GDP: 4.2%
Inflation: 3.4%
Forecast 2026:
GDP: 4.1%
Inflation: 3.0%

SOUTH AFRICA

The International Monetary Fund's (IMF) 2024 Article IV consultation with South Africa (SA), published in late November 2024, suggests that the new Government of National Unity, established in June 2024, is seen as an opportunity to steer the country towards higher and more inclusive growth. After a tumultuous 2023 marked by power shortages and logistics disruptions, economic activity is showing signs of recovery. A notable milestone is Eskom's forecasted first profit since 2017, thanks in part to an improvement in generation, more recently including the synchronisation of Koeberg Unit 2 to the grid in December 2024, adding 930 MW of energy capacity. However, Eskom's distribution arm remains a challenge, with municipalities owing a staggering R95 billion. Transnet, the state-owned rail and port operator, reported a loss of R2.2 billion in its interim results (compared to R1.6 billion at the same point in the previous financial year), despite a 3.2% improvement in rail volumes. Yet, the finalisation of Transnet's Network Statement in December 2024 is a significant step towards rail sector reform, paving the way for private train operators to access the rail network. While growth is expected to improve in 2024, the IMF cautions that external risks could dampen this progress. These include the deepening of geoeconomic fragmentation, protectionist policies, a slowdown in key trading partners like China and slower global disinflation.

Forecast 2025:
GDP: 1.8%
Inflation: 4.2%
Forecast 2026:
GDP: 2.1%
Inflation: 5.1%

The economics research desk

Sanisha Packirisamy
Chief Economist

Tshiamo Masike
Economic Analyst

Indices summary for January 2025

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (Alsi)	2.32%	1.06%	19.58%	9.20%	12.70%	13.06%	12.05%	9.27%	8.95%
FTSE/JSE Shareholder Weighted Index (Swix)	2.32%	1.06%	19.46%	8.25%	10.61%	10.42%	9.35%	6.63%	6.95%
FTSE/JSE Capped Swix All Share index	2.56%	1.28%	19.72%	8.56%	12.73%	11.44%	9.66%	6.93%	6.78%
FTSE/JSE All Share Top 40 Index	3.26%	0.87%	18.37%	8.65%	12.13%	13.20%	12.29%	9.48%	9.13%
FTSE/JSE Mid Cap Index	0.74%	-1.27%	19.62%	9.17%	12.96%	8.10%	8.32%	5.90%	5.94%
FTSE/JSE Small Cap Index	-4.60%	2.07%	27.13%	16.15%	24.05%	19.83%	14.94%	10.53%	8.67%
FTSE/JSE Resources Index	16.29%	2.73%	13.38%	-0.62%	6.37%	11.07%	12.53%	12.97%	9.09%
FTSE/JSE Financials Index	-2.80%	-3.18%	22.38%	14.43%	19.60%	11.05%	7.23%	6.11%	6.39%
FTSE/JSE Industrials Index	0.53%	3.73%	20.58%	10.90%	11.77%	13.28%	12.66%	7.82%	8.09%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	3.88%	0.20%	14.02%	7.51%	15.05%	13.13%	11.37%	9.21%	9.13%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	2.62%	0.50%	16.97%	8.19%	15.31%	13.26%	11.46%	9.22%	8.95%
FTSE/JSE SA Listed Property Index (Sapy)	-2.34%	-0.33%	21.02%	12.79%	18.51%	5.22%	2.61%	0.80%	2.15%
FTSE/JSE All Property Index (ALPI)	-3.02%	-0.71%	20.57%	12.07%	18.23%	4.79%	1.95%	0.12%	1.05%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	0.44%	3.14%	16.86%	10.10%	9.70%	9.40%	9.24%	9.18%	8.02%
FTSE/JSE All Bond Index 1-3 years (Albi)	0.77%	2.29%	9.63%	8.39%	7.32%	7.98%	7.95%	8.06%	7.92%
FTSE/JSE Inflation-linked Index (Ili)	-0.35%	1.55%	7.28%	6.60%	7.93%	7.58%	6.39%	5.93%	5.22%
Short-term Fixed Interest Composite Index (Stefi)	0.66%	1.99%	8.42%	7.35%	6.47%	6.19%	6.37%	6.49%	6.69%
Commodities									
NewGold Exchange-Traded Fund	6.67%	7.94%	36.43%	23.07%	16.62%	16.86%	19.54%	18.13%	13.20%
Gold price (in rands)	6.63%	8.36%	36.30%	23.52%	16.74%	17.29%	19.91%	18.44%	13.61%
Platinum Exchange-Traded Fund	6.40%	4.12%	4.94%	4.62%	2.38%	4.57%	8.49%	5.88%	2.16%
Platinum price (in rands)	11.84%	8.56%	10.75%	6.06%	3.30%	5.41%	9.53%	6.66%	2.62%
Currency movements									
Rand/euro movements	-1.20%	0.75%	-4.64%	3.71%	1.45%	3.20%	4.07%	3.91%	3.95%
Rand/dollar movements	-1.16%	5.50%	0.06%	6.36%	5.54%	4.54%	5.84%	6.66%	4.85%
Inflation index									
Consumer Price Index (CPI)			3.02%	5.10%	5.31%	4.84%	4.70%	4.67%	4.94%

Important notes

1. Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
2. Returns for periods exceeding one year are annualised.
3. The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
4. The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
5. FTSE/JSE disclaimer: www.jse.co.za
6. The information reproduced in this document has been compiled by or arrived at by Investments from sources believed to be reliable.
7. Reasonable steps have been taken to ensure the validity and accuracy of the information in this document. However, Momentum Investments does not accept any responsibility for any claim, damages, loss or expense, howsoever arising out of or in connection with the information in this document, whether by a client, investor or intermediary.
8. The content used in this document is sourced from various media publications, the Internet and Momentum Investments. For further information, please visit us at www.momentuminv.co.za.
9. Momentum Investments is part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider, and rated B-BBEE level 1.