

"...the outlook is pretty bright for our economy."

By Mosi Methula 27/12/24

This year was truly a heavy hitter, from the ANC failing to maintain its majority vote for the first time in 30 years, to Donald Trump's presidential victory. Massive (year-to-date) gains in capital markets saw the US S&P index rise 24%, with the JSE All Share and FTSE 100 trailing at around 10% and 5%, respectively. Gold was up 27%, while the CoinMarketCap 100 Index, a new index tracking the top 100 cryptocurrencies, gained an impressive 107%.

The South African Reserve Bank noted a three-year low in headline inflation in August at around 4.4% and proceeded to cut interest rates by 25 basis points to 7.75% in November. It was, as felt by some, a conservative cut. Nevertheless, this underscores a more bullish global economic sentiment amid inflation cooling, with various economies responding by easing monetary policies. But still, central banks remain cautious due to escalating geopolitical uncertainty.

Donald Trump's election win will take the form of an interesting case study: trillions of dollars flowed into financial markets, fueling intra-day rallies (partly known as the Trump Trade), but possibly at a future cost to some—even many. His controversial stance on imposing tariffs on US imports to encourage domestic production and to reduce the staggering \$36 trillion national debt has led to global debate on whether such hawkish policies are plausible. For one, supply shocks might arise as exporters to the US see declining trade balances, which could affect our own country. Secondly, US inflation may begin to tick upward, interrupting their growing consumption levels, giving rise to calls to revise Trump's tariffs.

However, not much has stopped analysts from giving optimistic macroeconomic outlooks for the new year. Whether this sentiment will hold up in 2025 is not a certainty, but an SA GDP growth forecast of 1.7%, the impressive performance of the Energy Action Plan, and the unprecedented government reform might just be enough. In the words of the US Federal Reserve Chair Jerome Powell, "...the outlook is pretty bright for our economy." May the same be true for our own.