

WEEKLY REVIEW | NUMBER 48 | 12 DECEMBER 2025

# Silent Fed dissent, signs of sustained SA growth momentum

## THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

The domestic data was relatively positive this week, with the key exception being formal sector jobs data. Indeed, while it was heartening to see an increase in the FNB/BER Consumer Confidence Index (CCI) in Q4, employment data for Q3 still showed virtually no growth in full-time formal jobs on a quarterly basis and is sharply down compared to the same period last year. More encouragingly, the slew of October sales and production data was, on balance, positive and suggests continued quarterly growth in Q4. This would set up SA for the longest quarterly growth streak since 2018.

Meanwhile, the rand was trading well below R17/\$ this morning, continuing a streak of remarkable strength (against the dollar). The 10-year government bond yield was trading around 8.5%, about 250 basis points below its 2025 peak reached in April. A successful issuance of a new Infrastructure and Development Finance Bond, which was priced at tight spreads relative to the benchmark, reinforced improved investor appetite for SA government debt. Still, credit rating agency Moody's left SA's sovereign credit rating and outlook (stable) unchanged in its scheduled decision last Friday. This follows an earlier upgrade from S&P, but they moved up from a lower notch.

The biggest international event of the week was the interest rate decision by the US Federal Reserve (Fed). Although many key data puzzle pieces were still outstanding (delayed due to the earlier federal government shutdown), the Fed, for a third meeting in a row, judged the downside risks to the labour market as more important than the potential upside risks to inflation. The decision itself was not that interesting – while markets (and us) were unsure for weeks, the general expectation closer to the time was for a 25bps cut. However, the divisiveness among committee members was striking. One member (Trump-ally Stephen Mirran) wanted a 50bps cut, two members wanted to keep rates on hold, and nine supported the decline. Notably, FOMC members normally tend to vote in consensus so dissenting votes are rare, let alone a three-way vote split. Also, some did not adjust their interest rate expectations in their dot plot to reflect Wednesday's cut – dubbed silent dissenters by some analysts. Indeed, not all regional Fed bank presidents vote in each meeting and many of the non-voters reportedly supported a hold rather than a cut. While the Fed itself expects just one more cut in 2026, traders continue to bet on two more 25bps declines next year.

Global stock markets initially rallied after the Fed rate cut decision, but moved lower after disappointing earnings data from tech giant Oracle. The bond curve shifted to

reflect expectations of near-term better growth, but this requires rate hikes down the line to temper inflation.

With current Fed chair Jerome Powell, who was reportedly good in achieving consensus in times of division, on his way out and his successor named by Trump (who said rates should have been cut by at least double the decision), we can expect more division and uncertainty next year. This has potential implications for financial markets, with ripple effects to SA assets and the rand.

Weekly Key Indicators		
	Close	w-o-w
R/\$	R16.85	-0.7%
R/€	R19.81	0.0%
R/£	R22.61	-0.4%
\$/€	\$1.18	0.7%
Brent	\$62.18	-1.8%
Gold	\$4 256	1.1%
Platinum	\$1 669	2.0%
JSE ALSI	112 123	1.1%
10y gov. bond	8.42	9bps
FRA (1x4)*	6.76	1bps

\*Forward rate agreement

We can also expect continued uncertainty on the trade front – and not just from the US. Mexico moved to impose more tariffs on Asian imports from countries that do not have a trade deal with the country (including China). Brazil is also looking into import taxes on the influx of Chinese imports. This follows remarks from France’s Emmanuel Macron that the European Union may be forced to take action against China if it doesn’t do ‘something’ to address the trade imbalance with the bloc. Chinese exports have surged during the first 11 months of 2025 as it aggressively diversified its trade mix away from the US and slashed prices (competitiveness helped by real depreciation of the yuan).

Directly relevant to SA, the US House committee approved an extension of AGOA for another three years. No particular mention was made of SA and its inclusion in the deal after an earlier suggestion that SA, as a “unique problem”, may be excluded from the benefits. The Bill now moves to the House of Representatives. Even if finally approved, it is also unclear whether current reciprocal tariffs and product/sector-specific tariffs would supersede AGOA (as was the case earlier this year) or vice versa. AGOA, in its previous form, lapsed in September. Separately, SA is unlikely to attend the 2026 G20 summit in the US, as the host country has refused to accredit SA’s delegation.

Meanwhile, there are tentative signs of progress toward a deal to end the war between Russia and Ukraine. However, it remains a case of two steps forward and one step back as territorial disputes and security guarantees continue to stall negotiations. Ukrainian President Volodymyr Zelensky has now suggested that he could hold a referendum on the future of some of the territory (the Donbas region) currently occupied by Russia, amid intense pressure from the US. Across the globe, the US also stepped up pressure on Nicolás Maduro’s government with the seizure of an oil tanker off the Venezuelan coast. Brent crude oil ticked slightly higher following the news, reflecting Venezuela’s position as home to some of the world’s largest oil reserves. The Brent crude oil price still closed lower w-o-w.

#### **WEEK AHEAD: SA INFLATION DATA AND EUROPEAN CENTRAL BANKS MEET**

Later today (09h00), we will see the release of the 2025Q4 BER Inflation Expectations Survey, and next week, on Monday, the BER will publish its last 2025 publication – the Other Services sector survey.

Stats SA will publish both consumer and producer inflation data next week. We expect a bump in annual consumer inflation to 3.9% in November, up from 3.6% in October. After a flip from dragging on headline CPI for thirteen consecutive months to adding positively in October, transport (fuel) price increases will likely again add to inflationary pressure. Meanwhile, core inflation is set to accelerate to a rate last seen in January-February this year, with some further pressure expected in the next three months before abating again from March.

The SA Reserve Bank (SARB) is set to publish its Quarterly Bulletin for Q4, which, with a wealth of detailed data, will be proper beach time reading for SA economists.

On the international front, the European Central Bank (ECB) as well as the Bank of England (BoE) have scheduled monetary policy meetings next week. The ECB is not expected to make a move and could lift its GDP growth forecast slightly – this would be the second time in a row. The BoE could cut its policy rate by another 25bps – although the vote split is likely to be tight.

The global data calendar includes preliminary December PMI data for Europe and the US, as well as delayed data releases for the US. Most notable are inflation data for November (there will not be an October data release, it will ‘fold into’ the November print) and nonfarm payrolls. The jobs data will be for November, with some delayed data for October released at the same time. However, due to the government shutdown, not all of the October data could be collected.

Date	Event	Latest
Monday (15 Dec)	CN: Retail sales; industrial production (Nov)	2.9%; 4.9% y-o-y
Monday (15 Dec)	EZ: Industrial production (Oct)	0.2% m-o-m
Tuesday (16 Dec)	UK: Unemployment rate (Oct)	5%
Tuesday (16 Dec)	EZ, UK, US: Manufacturing PMI (flash, Dec)	49.6; 50.2; 52.2
Tuesday (16 Dec)	US: Nonfarm payrolls (Oct, Nov)	119k; na
Tuesday (16 Dec)	US: Retail sales; unemployment rate (Oct, Nov)	0.2% m-o-m; n/a
Wednesday (17 Dec)	UK, SA, EZ: Consumer inflation (Nov)	3.6%; 3.6%; 2.2% y-o-y
Thursday (18 Dec)	SA: Producer price inflation (Nov)	2.9%
Thursday (18 Dec)	UK, EZ: Interest rate decision	4%; 2%
Thursday (18 Dec)	US: Consumer inflation (Nov)	3% y-o-y
Friday (19 Dec)	DE: Gfk Consumer confidence (Jan)	-23.2
Friday (19 Dec)	UK: Retail sales (Nov)	-1.1% m-o-m
Friday (19 Dec)	US: Michigan Consumer confidence (Dec)	51.0

**Note from the editor:**

This is not only the last *Weekly Review* of 2025, but also the final Weekly that Jenny Tucker will read in her official editing capacity. Jenny has played a vital role in the Weekly since its launch in 2013 and, by my estimate, has read close to 600 issues over the years. Late nights, early mornings, and always thoughtful feedback: thank you, Jenny, for everything you have given to the Weekly. We wish you a joyful and well-deserved full retirement.

To our readers: happy holidays! We look forward to catching up again in the new year – **the first Weekly of the year will go out on 9 January 2026**. We will be including the insights of the BER's first in-house political analyst, Natasha Marrian, in the Weekly from next year.

As always, you are welcome to reach out with suggestions (or complaints!) at [lisette@sun.ac.za](mailto:lisette@sun.ac.za)

## SA REFORM MONITOR

Roy Havemann

### SA'S FIRST INFRASTRUCTURE AND DEVELOPMENT FINANCE BOND ISSUED.

The National Treasury's successful issuance of R11.8bn under SA's first Infrastructure and Development Finance Bond indicates a shift toward diversified and sustainable infrastructure financing. The bond will support projects under the Government's Budget Facility for Infrastructure (BFI). The BFI is a mechanism within the budget process that supports the execution of national priority infrastructure.

From a fiscal policy perspective, the introduction of dedicated infrastructure bonds represents a careful balance between broadening the state's financing toolkit and managing long-term debt sustainability. On the one hand, infrastructure bonds offer clear advantages: they create transparent, ring-fenced funding for priority capital projects, help crowd in private investment, deepen the domestic capital market, and support long-term economic growth by improving the quality and scale of public infrastructure. Their structure can also enhance investor confidence, as the use of proceeds is linked to economically productive assets rather than operating expenditure.

On the other hand, these instruments also carry inherent trade-offs. They still contribute to overall sovereign debt levels, potentially adding pressure to fiscal metrics and borrowing costs if not matched by strong project execution. Infrastructure bonds may also fragment the sovereign curve if issued too frequently or in too many tenors, and they require robust project governance to prevent misallocation of capital. In this way, while infrastructure bonds are a powerful mechanism for mobilising development-oriented financing, their success depends on maintaining fiscal discipline, ensuring credible project pipelines, and integrating them into a coherent medium-term borrowing strategy.

The RI2036 is priced at 8.575%, while the 10-year benchmark government bond was trading around 8.51%. The difference here is roughly a +6.5 basis-point yield premium on the infrastructure bond versus the benchmark, indicating very tight spreads, given that this was a new issuance with a targeted infrastructure purpose.

The RI2041 infrastructure bond is priced at 9.13%. There is no direct daily market fix for 15-yr SAGBs publicly available in the same way as the 10-yr. Still, historical capital market statistics show that longer maturities have generally been priced slightly above 10-yr yields (e.g., ~9.1–9.4%) under current market conditions. On that basis, the RI2041

appears to have been issued at or slightly below prevailing long-term SAGB yields, reflecting equally tight spread conditions for the 15-year tenor.

#### **A STEP BACKWARDS AS NEW DELAYS ARE INTRODUCED IN ELECTRICITY REFORM**

This week, the Minister of Electricity officially approved Eskom's updated unbundling strategy, a significant milestone in SA's electricity reform process. Under this strategy, Eskom will be restructured under a holding company with several subsidiaries, including the National Transmission Company SA (NTCSA), generation and distribution companies, and others. Crucially, the Transmission System Operator (TSO) is to be spun out as a completely independent state-owned company, separate from the Eskom Group. At the same time, NTCSA will continue to own, expand and maintain the transmission grid as a subsidiary of Eskom Holdings.

This model is aligned with the Electricity Regulation Amendment Act (ERAA), which mandates the creation of a fully independent TSO within five years, but stops short of spinning NTCSA itself out from Eskom at this time.

One of the key elements of SA's reform agenda is the Independent Transmission Programme (ITP), which was endorsed by Cabinet to accelerate the expansion of transmission infrastructure by attracting private investment. The ITP aims to deliver new transmission lines and capacity under a structured procurement programme that allows private developers and financiers to participate under predictable regulatory rules and cost-recovery mechanisms. This programme is seen as vital to help meet the Transmission Development Plan's targets and integrate renewable generation.

The impact of NTCSA's current structural position on its ability to raise funding for ITPs is significant. Because NTCSA remains a subsidiary of Eskom rather than a fully independent entity, it does not yet have the standalone balance sheet strength and credit profile that often supports easier access to capital markets or private financing. Investors and lenders typically look for clear legal separation, strong governance, and independent financials when evaluating project finance opportunities, and the current structure may make it harder for NTCSA to secure long-term, non-sovereign financing on favourable terms, and harder to obtain a guarantee from the new World Bank Credit Guarantee Vehicle. This could, in turn, affect how quickly and cheaply capital can be mobilised for large transmission infrastructure deliveries under the ITP programme.

## **DOMESTIC SECTION**

Nomvelo Moima

#### **CONSUMER CONFIDENCE RECOVERS TO HIGHEST LEVEL THIS YEAR IN 2025Q4**

The FNB/BER Consumer Confidence Index (CCI) rebounded to -9 index points in the fourth quarter, after slipping from -10 to -13 in the third quarter of 2025. While the fourth quarter reading of -9 is slightly lower compared to the 2024 festive season reading of -6, it is the highest consumer confidence reading in 2025. This suggests another holiday season of solid retail sector activity and healthy consumer spending. The most notable improvement across the three CCI sub-indices was the sub-index measuring the appropriateness of the present time to buy durable goods, which rose to its highest level in more than six years

(supported by a relatively lower interest rate environment compared to 2024Q4). In all, the uptick in consumer sentiment shows a slight improvement in willingness to spend, particularly among middle-income households, relative to the third quarter of 2025. Read more about the details [here](#).

#### **CONSUMER-FACING DOMESTIC TRADE SECTORS SEE SOLID ANNUAL GROWTH AT START OF 25Q4**

Internal trade data from Stats SA indicated that real retail trade sales rose by an above-consensus 2.9% y-o-y in October, from a downwardly revised 3% increase in September. Retailers of textiles, clothing and footwear led the expansion (up 5.8% y-o-y) adding one percentage point (%pt) to the headline. Noticeable sales growth was also observed among all 'other' retailers (this category encompasses e-commerce retail sales) and retailers of furniture and hardware. On a seasonally adjusted basis (sa), sales rebounded by 0.9% m-o-m, following a second monthly contraction of 0.1% m-o-m in September.

On an annual basis, real motor trade sales registered six consecutive months of expansion, increasing by 2.0% y-o-y in October, following an upwardly revised 9.1% y-o-y rise in September. However, unlike prior months, growth was significantly more concentrated, with new vehicle sales being the only positive contributor to the annual figure (up 13.3% y-o-y; +3.4 % points), while the five other motor trade categories declined. The biggest drags were fuel sales and workshop income. On a positive note, real motor trade sales (sa) increased by 0.7% in October, up from a 1% decline in September.

Lastly, the wholesale sector fared poorly in comparison to retail and motor trade. Real wholesale trade sales fell by 3.4% y-o-y in October, reversing a 1.4% y-o-y gain in the previous month. However, compared to September (-1% m-o-m), real trade sales (sa) shrunk slightly less, declining by 0.2% m-o-m in October.

#### **MANUFACTURING PRODUCTION BEATS CONSENSUS, AND EVEN BETTER NEWS ON MINING ACTIVITY IN OCTOBER**

According to Stats SA, manufacturing production rose by a modest 0.2% y-o-y in October, following an upwardly revised 1% y-o-y expansion in September. Still, this outpaced consensus expectations of a 1.7% contraction. Eight of the ten main subsectors saw growth, with the most significant positive contributions coming from food and beverages (+1.9%; +0.5%pts) and electrical machinery (+6.5%; +0.2%pts). Meanwhile, the biggest drag came from wood and paper products (-6.9%; -0.7%pts). On a monthly basis (sa), output increased by 1% in October, up from a 0.3% rise in the prior month. Indeed, a slight retreat in the Absa PMI for October, after a strong September reading which came in just above the 50-neutral point, foreshadowed more modest factory activity for the month.

Even better news was that mining output surged by 5.8% y-o-y in October, up from an upwardly revised 1.4% y-o-y increase in September. The biggest positive contributors were iron ore (+24.8%; +2.9%pts), PGMs (+3.9%; 1.1%pts), manganese ore (+15.1%; +1%pt) and chromium ore (+14.1%; +0.8%pts). Positively, production rose by 2.1% m-o-m (sa) in October, following a 2.6% m-o-m rise in the prior month.

## INTERNATIONAL SECTION

Lebohang Namo

### FED CUTS RATES FOR A THIRD CONSECUTIVE MEETING

The Fed lowered the interest rate by 25bps to 3.5%-3.75%, in line with the latest market expectations – although for some time it was a coin toss to see where the vote would go. This move brings interest rates to their lowest level since 2022. The decision was split, with three members dissenting, which was an unusual occurrence not seen since September 2019. One of the committee members supported a larger 50bps cut, while two other members preferred to keep rates unchanged.

Meanwhile, policymakers' forecast for the Fed fund rates remained unchanged for September, indicating just one further 25bps cut in 2026. Regarding GDP, the Fed increased its growth projections for 2025 (1.7% vs 1.6%) and 2026 (2.3% vs 1.8%). PCE forecasts (the Fed's preferred measure of price changes) were revised slightly lower for 2025 (2.9% vs 3.0%) and 2026 (2.4% vs 2.6%). The unemployment rate projections for 2025 and 2026 remained unchanged at 4.5% and 4.4%, respectively.

Meanwhile, ahead of a key jobs data release next week, the latest US labour market displays signs of continued, albeit slow, growth. Job openings rose slightly in October 2025, increasing by 12 000 to 7.7 million. Notable increases occurred in trade, transportation and utilities (+239 000), driven by gains in retail and wholesale trade and in healthcare and social assistance (+49 000). Meanwhile, professional & business services (-114 000), the federal government (-25 000) and leisure & hospitality (-22 000) saw a decline in job openings.

## FORECAST UPDATE

With the release of high-frequency October data over the last week, we were able to update our GDP tracker for the fourth quarter. The tracker is so far in line with our published 0.4% q-o-q forecast, which leaves us well on our way to reach 1.3% growth this year.

The rand is (on average) slightly stronger than the R17.25/\$ forecast, but only a few cents off at the moment, so we are comfortable leaving it as such. The same with the other forecasts. Although not included in the table below, it might be of comfort for the diesel car drivers over the holiday season that the diesel price seems on track for a decent decline at the start of the year (reversing this month's steep increase).

	Actual		2025Q4	Forecast		Next release/meeting	
	2024	2025Q3		2025	2026		
<b>Brent crude oil</b> (\$, spot, avg.)	80.0	68.2	65.0	68.8	64.6	n/a	
<b>ZAR/USD</b> (avg)	18.33	17.64	17.25	17.92	16.87	n/a	
<b>Headline CPI</b> (y-o-y % change)	4.4	3.4	3.8	3.2	3.5	17-Dec-25	Nov
<b>FNAB inflation</b> (y-o-y % change)	4.5	5.1	4.9	4.3	4.4	17-Dec-25	Nov
<b>Headline PPI</b> (y-o-y % change)	3.0	1.9	2.9	1.5	2.8	18-Dec-25	Nov
<b>Prime interest rate</b> (%, end of period)	11.25	10.50	10.25	10.25	9.25	26-Jan-26	
<b>Real GDP growth</b> (seasonally adjusted)							
(y-o-y % change)	0.6	2.1	1.6	1.3	1.5	10-Mar-26	2025Q4
(q-o-q % change)	n/a	0.5	0.4	n/a	n/a		

Source: BER, Stats SA, Refinitiv, SARB

Note: Changes from the previous week are indicated in orange. The table is updated ad hoc and is indicative of our latest view.

FNAB stands for food & non-alcoholic beverages.

Premium Insights Clients can access more complete summaries of our forecast (updated each quarter) [here](#).

## CONTACT US

**Editor:** Lisette IJssel de Schepper

**Tel:** +27 (0)21 808 9777

**Email:** [lissette@sun.ac.za](mailto:lissette@sun.ac.za)

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Please refer to the glossary on the [BER website](#) for explanations of technical terms.

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