

momentum

investments

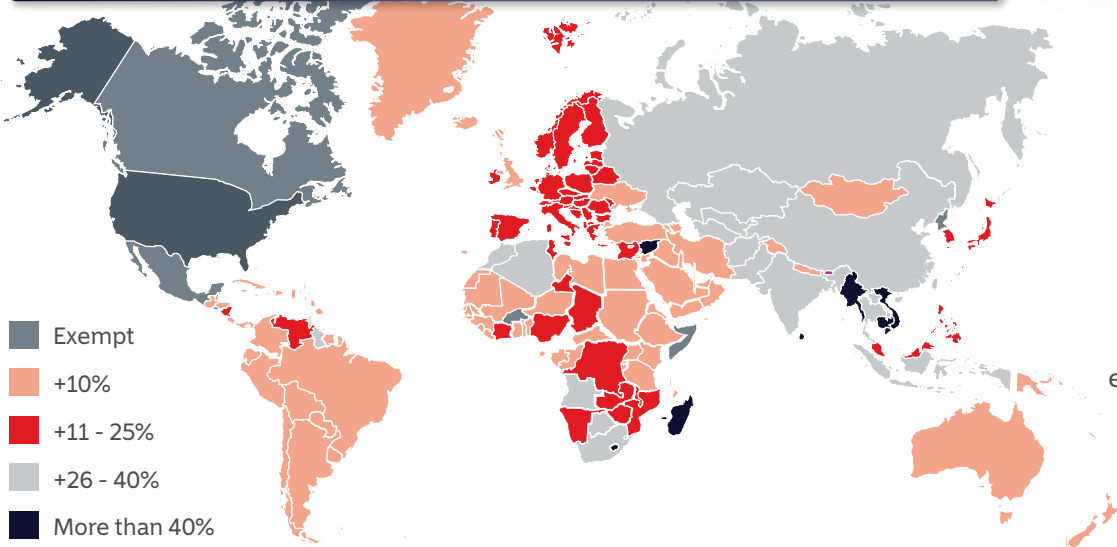
Tariff's towering toll on trade

Tariffs threaten a 0.2% contraction in global trade in 2025, with protectionism raising inflation risks and darkening the outlook for growth. A potential 1.5% trade plunge looms if US tariffs escalate, hitting South Africa's exports hard and disrupting global prosperity.



Economies at a glance | April 2025

Protectionism's patchwork



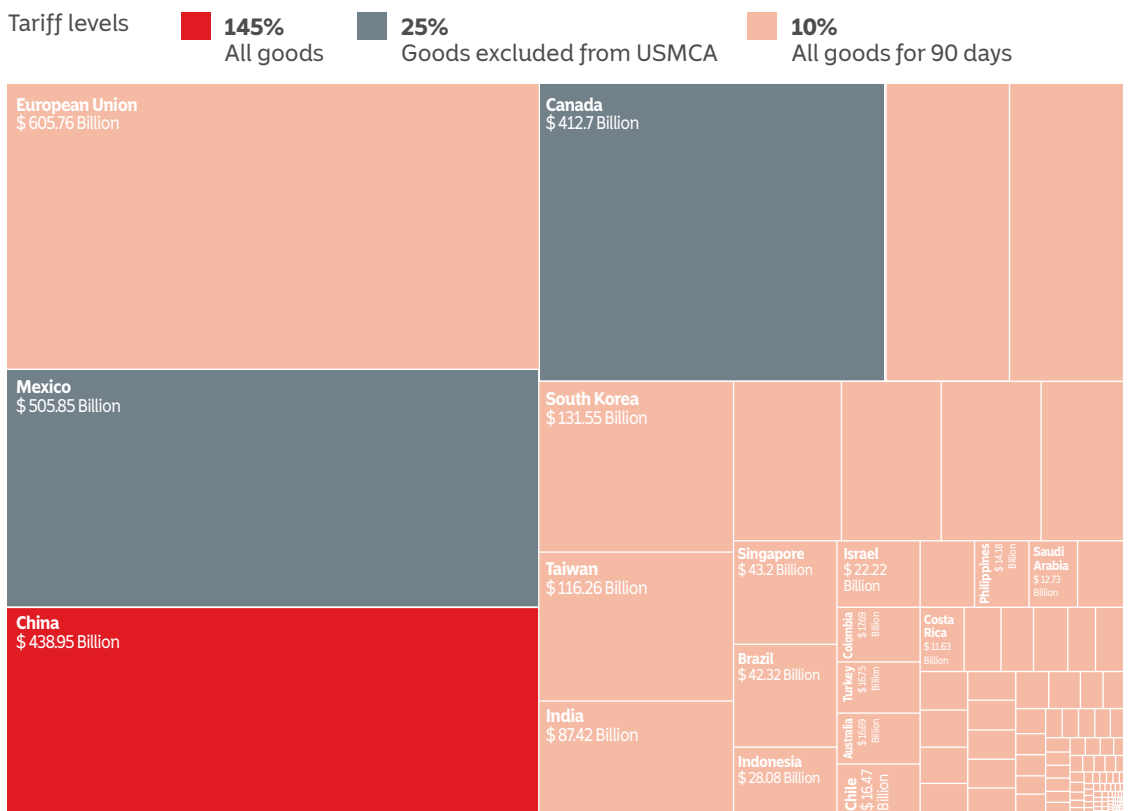
Trump announced a 90-day pause on tariffs introduced –with the exception of the baseline 10% universal tariff which remained in place –while increasing those targeting China, effecting retaliation and leading to an even higher effective average tariff rate for the US.

United States-Mexico-Canada (USMCA) trade remains tariff free, non-USMCA trade tariffed at 25% (except for energy and potash which is tariffed at 10%)
 *Steel, aluminium, automobiles, copper, pharmaceuticals, semiconductors and lumber tariffed separately
 **Exemption for smartphones, computers and other electronic imports announced on 11 April

The state of tariffs after US President Donald Trump's reversal

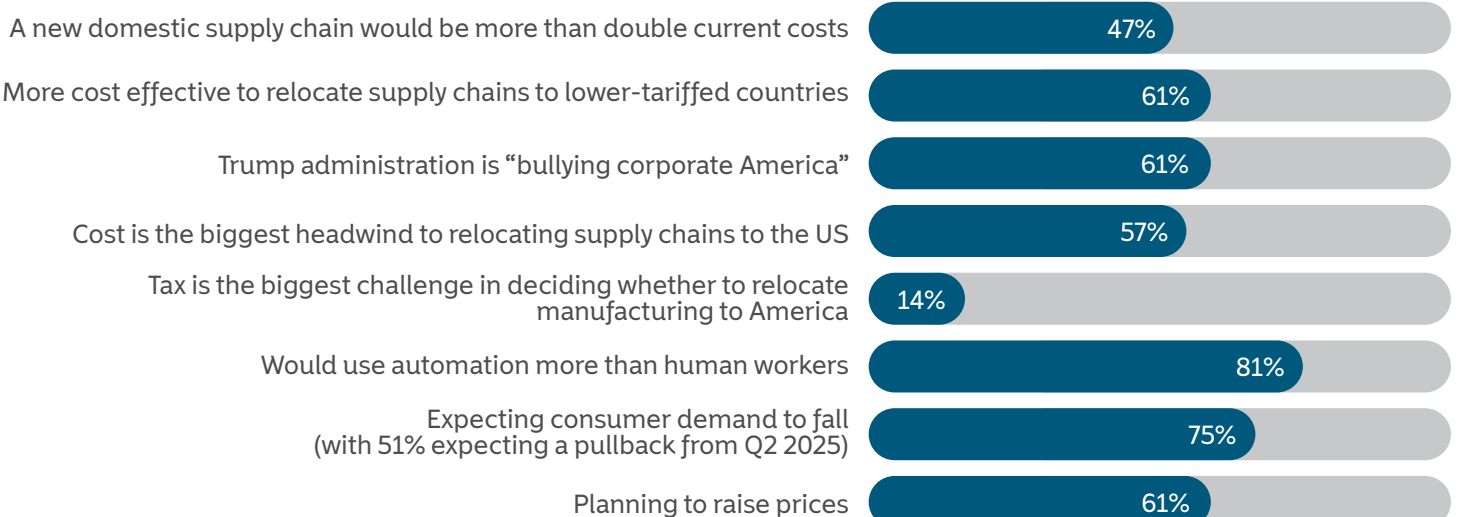
Countries like Japan and those in the European Union are avoiding immediate retaliation, while countries like Vietnam are deepening trade ties with other countries as an offset. Some governments, such as South Korea, are providing emergency support for affected industries, while others, such as China are taking a tougher stance by restricting exports and sanctioning US firms.

Imports to the US in 2024 (US\$ billion)



Source: USA Today, Statista, The White House

Can Trump revive the US manufacturing base?





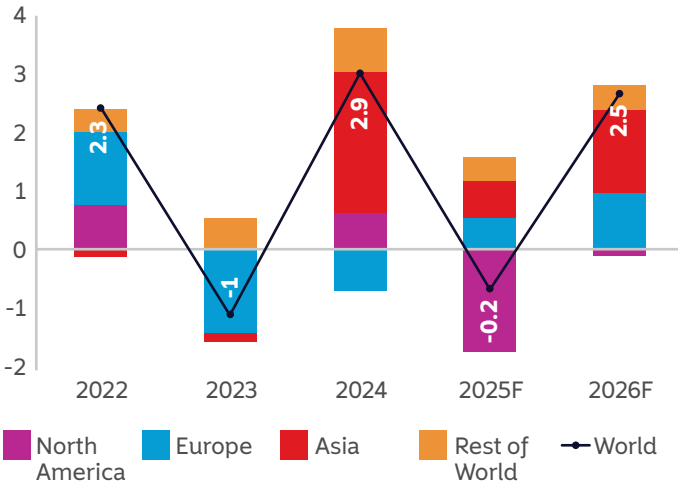
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⚖️ The World Trade Organisation's wary word on trade volumes

73.7% of total global trade volumes

Trade expected to collapse by 0.2% this year from a previously anticipated 2.7% increase on trade policy uncertainty and tariffs

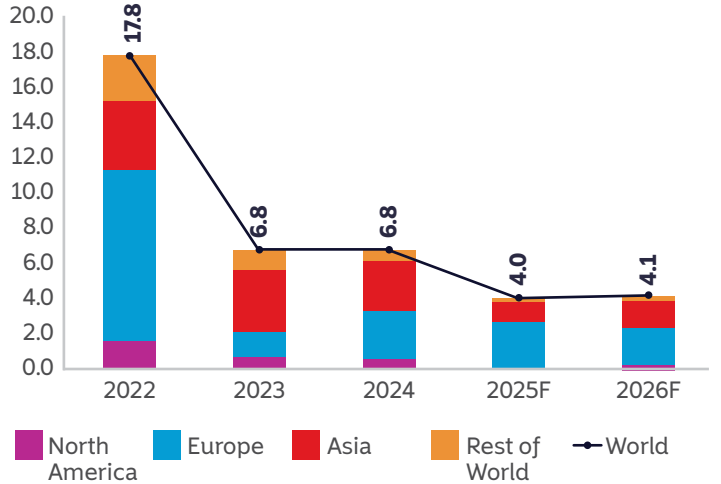
Growth in world goods volume traded (% contribution)



26.3% of total global trade volumes

Trade expected to grow by 4% this year, driven by digital services, while transport and logistics continue to lag

Growth in world services volume traded (% contribution)

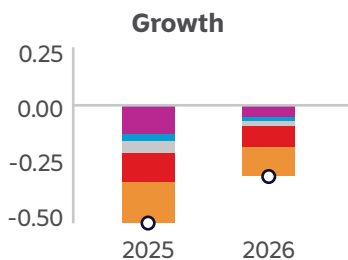


Source: CNBC (survey of 380 companies between 7 and 10 April), WTO

Growth grinds and prices pop

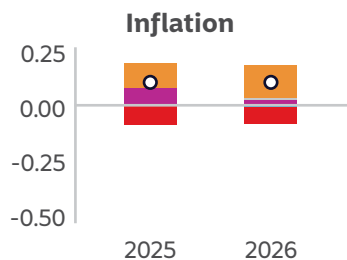
World GDP growth downgraded from 3.3% to 2.8% in 2025 and 3.3% to 3% in 2026

Forecast change from January 2025, percentage points.



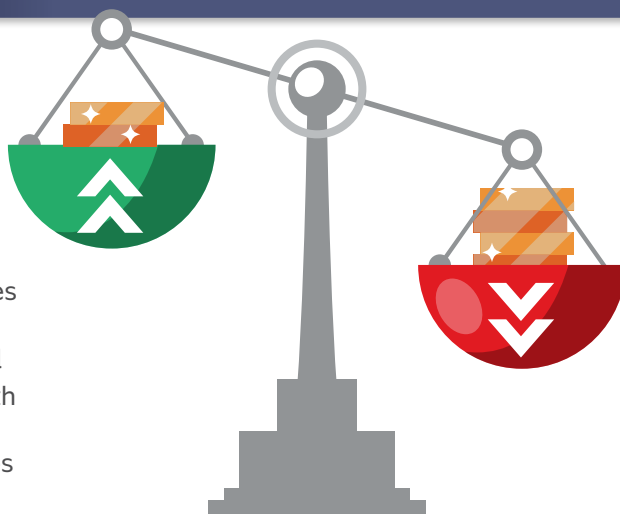
World headline inflation upwardly revised to 4.3% from 4.2% in 2025 and from 3.5% to 3.6% in 2026

Legend: US (purple), Europe (blue), Other advanced economies (grey), China (red), Other emerging markets (orange), Total (circle).



📉 Global growth risks definitively tilted to the downside

- New regional trade agreements
- Mitigation of conflicts leading to lower commodity prices
- Accelerating structural reforms to boost growth
- Technological advances elevating productivity



- Trade war ratchets up alongside prolonged trade policy uncertainty
- Tighter financial conditions and capital outflows
- Rising long-term interest rates, constraining fiscal space
- Rising social discontent and polarisation
- Natural disasters and conflicts requiring coordinated responses
- Labour supply gaps caused by retrenching foreign labour

Source: International Monetary Fund

April 2025

UNITED STATES

The International Monetary Fund's (IMF) April 2025 World Economic Outlook (WEO) forecasts a cooling economy, with growth expected to slip to 1.8% in 2025 from 2.8% in 2024, driven by tighter financial conditions and higher interest rates. Inflation is forecasted to remain at 3% in 2025 with risks of upward price pressures persisting, particularly from trade barriers and new tariffs. The IMF flags a rising recession risk, now at 40%—up from 25% in October 2024—fuelled by uncertainties over fiscal and trade policies. Key threats include escalating trade tensions and geopolitical volatility, which could sap business investment and consumer spending. Yet, the economy could prove resilient if policy moves stabilise markets and strengthen confidence. Policymakers, nevertheless, face a tricky balancing act: supporting growth while keeping inflation in check amid a turbulent global backdrop. As such, decisions on trade and fiscal policy will be crucial in shaping growth in the near-term.

Forecast 2025:
GDP: 1.8%
HICP Inflation: 3.0%

Forecast 2026:
GDP: 1.7%
HICP Inflation: 1.9%

EUROZONE

The IMF's April 2025 WEO projects a lacklustre growth forecast of 0.8% in 2025 from 0.9% in 2024. Rising uncertainty, high energy dependence and tariffs weigh on consumption and manufacturing, while services remain the main growth driver. Spain, however, stands out with stronger growth momentum, projected at 2.5% in 2025, supported by reconstruction activity following floods. Inflation in the Eurozone is expected to fall to 2.1% in 2025, from 2.4% a year earlier, nearing the European Central Bank's target, but upward risks remain from trade restrictions and persistent wage demands. Intensifying trade disputes and geopolitical strains could further erode business investment and consumer sentiment. Yet, near-term support may emerge if fiscal stimulus, particularly in Germany, and interest rate cuts stabilise markets and restore confidence. Meanwhile, raising productivity, reducing internal barriers and strengthening the capital markets union are necessary for longer-term growth.

Forecast 2025:
GDP: 0.8%
Inflation: 2.2%

Forecast 2026:
GDP: 1.1%
Inflation: 1.9%

UNITED KINGDOM

The IMF notes a subdued economic outlook, with growth projected to decline to 1.1% in 2025, down 0.5 percentage points (pp) from its January forecasts. Weak private consumption, higher inflation driven by regulated prices and energy costs, and the impact of recent tariff announcements are key factors behind the slowdown. Elevated gilt yields and geopolitical tensions have further dampened sentiment. Labour productivity growth has also declined, reflecting chronic investment weakness and slower job market churn compared to peers like the United States (US). Demographic challenges, including an ageing population, are adding to long-term pressures on labour supply and productivity. The IMF expects inflation to rise by 0.6pp in 2025 to 3.1%, reflecting stubborn price dynamics. With high public debt limiting fiscal manoeuvre, policymakers face a tough balancing act to support growth while tackling inflation and structural headwinds.

Forecast 2025:
GDP: 1.0%
Inflation: 2.9%

Forecast 2026:
GDP: 0.7%
Inflation: 1.9%

JAPAN

Japan's economic outlook is constrained, with the IMF projecting growth to decline to 0.6% in 2025, marking a 0.5pp downgrade from January forecasts. Tariffs announced in April 2025 and associated uncertainty are weighing on private consumption, despite above-inflation wage growth boosting household disposable income. Japan's inflation is expected to rise gradually, driven by persistent price pressures and energy costs, with monetary policy rates likely to increase toward a neutral setting over the medium term. Fiscal policy remains constrained, with public debt levels among the highest globally, limiting room for expansion. Structural reforms to enhance labour market flexibility, improve productivity and address demographic headwinds are critical to boosting long-term growth. The IMF notes that investment in renewable energy and digital infrastructure could further support economic resilience and reduce dependency on external energy sources.

CHINA

Forecast 2025:

GDP: 4.1%

Inflation: 0.2%

Forecast 2026:

GDP: 4.0%

Inflation: 0.7%

Rising growth challenges have prompted the IMF to downgrade its growth forecasts to 4.0% in both 2025 and 2026, marking downward revisions of 0.6pp and 0.5pp, respectively, from its January forecasts. This slowdown reflects the impact of recently implemented tariffs, trade policy uncertainty and deflationary pressures. Domestic demand remains weak, driven by a prolonged downturn in the real estate sector and high household savings. Consumer confidence has not recovered since its plunge in early 2022, further dampening consumption. The IMF points out that reducing barriers to entry, strengthening state-owned enterprises and improving the social safety net are critical to rebalancing growth drivers from investment and net exports toward consumption. Inflationary pressures remain muted. Inflation, forecast by the IMF to rise slightly from 0% in 2024 to 0.4% in 2025 and 0.9% in 2026, underscores the need for reforms to boost demand.

Forecast 2025:

GDP: 3.8%

Inflation: 3.4%

Forecast 2026:

GDP: 3.9%

Inflation: 3.0%

EMERGING MARKETS

Emerging markets face a testing landscape, according to the IMF's April 2025 WEO, defined by heightened trade policy uncertainty, tariff-related spillovers and souring sentiment. Growth is forecast to slip to 3.7% in 2025 and 3.9% in 2026, down 0.5pp and 0.4pp, respectively, from the IMF's January 2025 projections. The ASEAN (Association of Southeast Asian Nations) region, with its deep trade ties to the US and China, faces heightened vulnerability. In Latin America, sharp growth downgrades for Mexico (1.7pp and 0.6pp lower in 2025 and 2026, respectively) weaken regional prospects, while slowing Russian domestic demand drags on emerging and developing Europe. Inflationary pressures will diverge across regions. In China, US tariffs are likely to suppress inflation by curbing export demand, intensifying overcapacity, and deepening deflationary trends in an economy already hampered by weak domestic consumption, while inflation in Sub-Saharan Africa, with a higher import dependence and facing currency depreciation, could remain high.

Forecast 2025:

GDP: 1.2%

Inflation: 4.1%

Forecast 2026:

GDP: 1.6%

Inflation: 4.6%

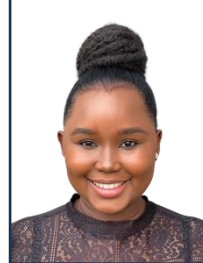
SOUTH AFRICA

South Africa faces intensifying headwinds. The IMF's growth forecasts for 2025 and 2026 have been cut by 0.5pp and 0.3pp, respectively, driven by a weaker-than-anticipated 2024 performance, souring sentiment, escalating protectionist measures and a sharper slowdown in key global markets. Global trade disruptions threaten exports by dampening demand from SA's key trading partners, including China and the European Union. Meanwhile, exposed fractures in the Government of National Unity (GNU)—caused by disputes over a rejected increase in the value-added tax rate and disagreement over land, education and health policies—eroded the post-May 2024 election optimism and dampened domestic sentiment. The Bureau for Economic Research noted that business's assessment of certainty in the political climate which hit 2012 levels in the final quarter of 2024, faltered again in the first quarter of 2025, with 77% of manufacturers citing political uncertainty as the primary constraint to investment. These fears were reaffirmed in the April 2025 Bank of America Merrill Lynch Fund Manager Survey which noted fading reform expectations, with a net c.40% of investors expecting a deceleration in structural reform progress—the weakest level since the question was surveyed in 2019—despite having peaked above a net positive 50% in the third quarter of 2024. Upward inflationary threats, driven by a weaker rand persist, but disappointing growth may persuade the South African Reserve Bank to ease monetary policy further.

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