

Economic Review

December 2025

The US economy grew at a much faster pace in Q3 2025 compared to Q2. In December, Chinese authorities pledged to maintain a “proactive” fiscal stance and adopt flexible monetary policies, such as lowering banks’ reserve requirements and interest rates to bolster growth in 2026. The People’s Bank of China (PBOC), however, left interest rates unchanged during its December meeting. In the UK, GDP posted a modest increase in Q3 versus the previous quarter. Locally, South Africa’s GDP saw a slight increase, while its inflation rate declined over the same period.

US economy expands at the fastest pace in two years

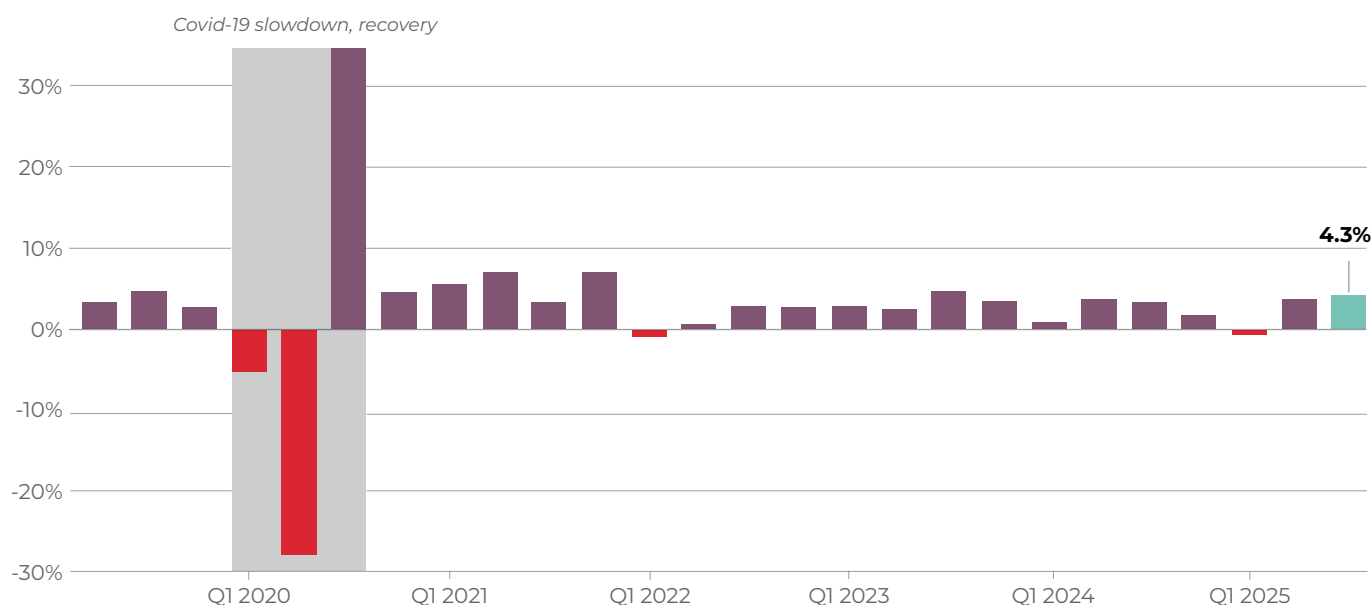
The initial estimate for Q3 2025 GDP indicates that the US economy grew at an inflation-adjusted annual rate of 4.3%, significantly faster than the 3.8% growth recorded in Q2, according to the Commerce Department. This marks the strongest growth in two years. The surge was primarily driven by a sharp increase in consumer spending - up 3.5% compared to 2.5% in Q2 and a rebound

in exports, which rose 8.8% after a 1.8% decline in the previous quarter. Federal spending also contributed notably, reflecting higher defence expenditures and buyouts for federal employees as part of efforts to reduce long-term government costs. However, GDP growth in Q4 2025 is expected to be negatively affected by reduced federal spending following the 43-day government shutdown.

Tracking GDP: US economy grew in the third quarter of 2025

Quarterly real gross domestic product, known as GDP, grew at an annualised rate of **4.3%** in the third quarter of 2025.

Quarter-on-quarter change in real GDP, annualised



Source: US Bureau of Economic Analysis

US President Donald Trump attributed the growth to his aggressive tariff policies, which he significantly raised during Q3. Although Trump has consistently urged the US Federal Reserve (Fed) to cut interest rates to stimulate growth, the December data likely reduces the Fed's incentive to lower rates at its upcoming meeting. The GDP report offers a broad view of the economy, suggesting overall stability. A closer look, however, reveals underlying weaknesses that paint a less optimistic picture.

While wealthy Americans continue to drive most of the increase in consumer spending, lower- and middle-income households have been far more cautious. According to the Conference Board, consumer confidence fell sharply in December 2025, dropping 3.8 points from November. December's reading of 89.1 was the lowest since April, when Trump introduced his "Liberation Day" tariffs. The report also revealed that consumers' assessment of their family's current financial situation slipped into negative territory for the first time in nearly four years.

China's factory activity edges back to growth in December

China's factory activity edged back into slight expansion in December, as stronger production and domestic demand helped offset weaker foreign orders. The RatingDog China General Manufacturing PMI rose to 50.1 from 49.9 in

November, crossing the 50-point threshold that signals growth. This aligns with official PMI data showing an unexpected uptick in activity. RatingDog's founder noted that manufacturing regained growth at the end of 2025, though the improvement was modest and largely driven by short-term factors like promotions and new product launches, whose sustainability remains uncertain. Despite challenges such as a trade war with the US, a prolonged property slump, and subdued domestic demand, China's economy is still on track to achieve its 2025 growth target of around 5%.

In December, Chinese leaders committed to maintaining a "proactive" fiscal policy and using flexible monetary measures - such as cutting banks' reserve requirement ratios and interest rates - to support economic growth in 2026. Survey data indicated slight improvements in both supply and demand. Total new orders grew at a somewhat faster pace, driven by domestic demand, while weak external conditions pushed export orders back into marginal contraction.

Notably, producers raised export prices at the fastest rate since July 2024 to protect profit margins. Employment declined for the second straight month, largely due to corporate restructuring and cost-cutting efforts. Input costs rose more sharply, mainly because of higher raw material prices, especially metals. Despite these pressures, manufacturers continued to reduce selling prices to boost sales and clear inventories.

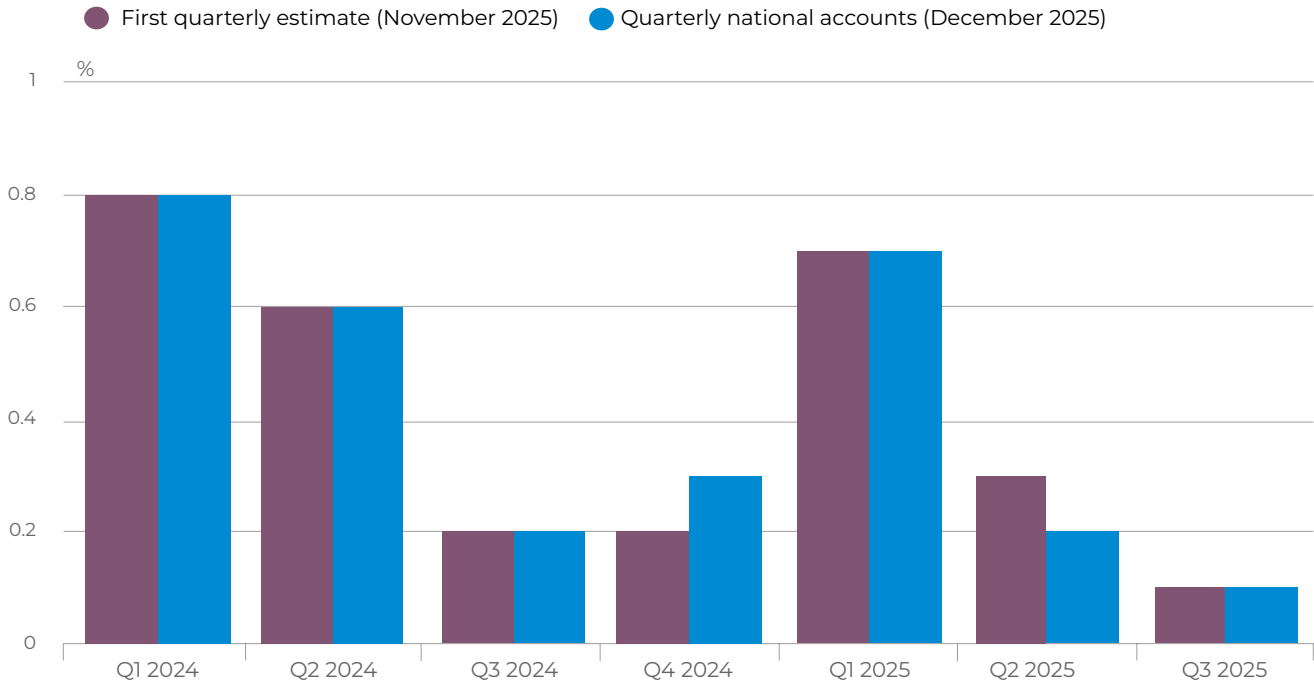
UK economy grows slightly

Official data showed that UK households saved less in Q3 as higher taxes squeezed budgets, yet spending still increased. The Office for National Statistics (ONS) confirmed that GDP grew by

just 0.1% during the quarter, matching its initial estimate and economists' forecasts. Growth for April to June was revised down to 0.2% from the previous 0.3%, signalling a slowdown in the broader economy.

Real GDP is estimated to have increased by an unrevised 0.1% in Q3 2025

UK, Q1 2024 (Jan to Mar) to Q3 2025 (July to Sept)



Source: Office for National Statistics

The ONS reported that the household saving ratio fell by 0.7 percentage points to 9.5%, its lowest level in over a year, as tax hikes and inflation outweighed income growth, reducing real disposable incomes. Despite this, household consumption rose by 0.3% compared to the previous quarter, marking the fastest quarterly increase in a year after stagnating in Q2. Finance Minister Rachel Reeves introduced higher taxes in her first 2024 budget, including levies on certain types of wealth income, though most of

the burden was placed on employers rather than individuals.

UK led growth among G7 economies in the first half of 2025 alongside Japan, but momentum has slowed sharply since, partly due to prolonged uncertainty over potential tax increases in Reeves' second budget announced on 26 November 2025. The Bank of England expects zero GDP growth for Q4 2025 but estimates the underlying growth trend at around 0.2% per quarter.

For your interest:

1. US business activity growth hits 6-month low in December

- US business activity growth slowed in December to the weakest pace since June, with new orders sliding for both manufacturers and service providers to cap a year of volatility and uncertainty for the American economy.
- S&P's index tracking services activity, which accounts for two-thirds of US economic output, slid to 52.9 in December also a six-month low, from 54.1 in November. Its manufacturing gauge fell to 51.8, the lowest since July, from 52.2 in November. Both readings were weaker than estimates from economists polled by Reuters.

(Source: Reuters, December 2025)

2. China keeps benchmark lending rates steady

- The People's Bank of China (PBOC) kept its 1-year and 5-year loan prime rates unchanged at 3% and 3.5% respectively, holding them for a seventh straight meeting, in line with a Reuters survey. The 1-year rate acts as a benchmark for new loans, while the 5-year helps peg mortgage rates. The PBOC's decision comes amid downbeat economic data from China in November, including lower-than-expected retail sales and industrial output.
- Retail sales rose 1.3% in November from a year earlier, sharply missing Reuters' median forecast for a 2.8% growth, and slowing from 2.9% rise in the prior month.

(Source: CNBC, December 2025)

3. Japan expects GDP growth in 2026

- The Japanese government says it expects the country's economy to continue a moderate recovery in 2026, growing about 1.3 % in real terms for the year beginning in April. The forecast is 0.2 percentage points higher than that for 2025, when GDP is projected to grow about 1.1%. Private consumption growth next fiscal year is expected to match this year's figure of about 1.3%.
- Government officials say they expect disposable income to increase. Sharp rises in food prices are likely to slow, and a provisional gasoline tax will be abolished. Meanwhile, growth in corporate capital investment is forecast to accelerate to around 2.8%. The government says businesses are willing to invest more amid worker shortages and planned cuts in corporate taxes to encourage capital spending.

(Source: NHK World Japan, December 2025)

4. SA consumer inflation slows in November

- SA's annual consumer price inflation eased to 3.5% in November from 3.6% in October. The monthly change in the consumer price index (CPI) was -0.1%.
- Annual inflation cooled in five of the 13 product categories, most notably transport; recreation, sport and culture; and information and communication. Four categories registered no change. Food and non-alcoholic beverages (NAB), restaurants and accommodation services, and alcoholic beverages and tobacco recorded higher rates.

(Source: StatsSA, December 2025)

SA GDP slows in Q3 2025

StatsSA reported that SA's economy grew by 0.5% in Q3 2025, marking the third consecutive quarter of expansion after a 0.9% increase in Q2. This continued improvement highlights the economy's resilience and the impact of structural reforms aimed at fostering inclusive, sustainable growth.

The trade, catering, and accommodation sector grew by 1.0%, supported by stronger retail, wholesale, tourism, and food services activity. Mining expanded by 2.3%, driven by platinum

group metals, manganese ore, and coal. Finance, real estate, and business services rose 0.3%, general government services increased 0.7%, and manufacturing grew 0.3%. Agriculture, forestry, and fishing advanced by 1.1%, benefiting from improved crop, horticulture, and animal product performance. While challenges persist, the GDP results indicate a gradual recovery. Government remains committed to implementing measures that support growth, investment, and job creation.

MACRO OVERVIEW

Global overview


Developed market (DM) equities ended 2025 on a positive note with the MSCI World Index's December figure at 0.81% month-on-month (m/m) in dollars. This marked a third consecutive year of strong returns for global equity investors. Emerging market (EM) stocks outperformed their DM peers in December, ending the month at 3.02% m/m in dollars. Part of the US benchmarks' underperformance into year-end can be attributed to increasing investor anxiety about the massive amounts of spending on artificial intelligence (AI) infrastructure. The FTSE 100's November gains continued into December, ending the month up 2.19% m/m in pound terms. The S&P 500's December gains were 0.06% m/m, compared with November's 0.25% m/m, both in dollars. Global bonds were still in positive territory for December at 0.26% m/m from November's 0.23% m/m gain in dollars. Global property was in negative territory in December at -1.03% m/m from the previous month's gains in dollars. The Euro Stoxx 50 Index gained 2.25% m/m in December from November's 0.29% m/m gain in euros. The Dow Jones Index gained 0.92% m/m in December from November's 0.48% m/m in dollars. From being a laggard in November, the Nikkei gained 0.27% m/m in December, in yen terms.

Local overview

The JSE delivered the strongest performance among major global equity markets in December, with the FTSE/JSE All Share Index rising 4.57% m/m in rand terms. Precious metal miners have contributed significantly to JSE returns in 2025, with gold and platinum miners responsible for much of its performance. Gains from the Resources sector continued into December at 5.72% m/m from the previous month's 9.57% m/m. Both Property and Financials continued their gains into December, at 0.09% m/m and 7.69% m/m respectively, in rand terms. Industrials posted gains in November of 2.30% m/m which continued into December, ending at 4.39% m/m. Cash was in positive territory for the month at 0.58% m/m in rand terms. The local bond market's gains continued into December for short-, medium-, and long-term bonds. The FTSE/JSE All Bond Index ended December positively at 2.70% m/m in rand terms. Bonds of 1-3 years were positive at 0.94% m/m, along with bonds of 3-7 years at 1.71% m/m. Bonds of 7-12 years were positive at 2.87% m/m, and bonds of 12 years and above were the biggest gainer for the month at 3.46% m/m. The rand strengthened against the US dollar at 3.36% m/m, against the euro at 2.14% m/m, and against the British pound by 1.82% m/m respectively.

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