Market Commentary

December 2024

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South African market themes

The rand weakened by 4.5% against the US dollar, driven by the dollar's strength

Employment in the non-agricultural sector dropped by 133,000 jobs, primarily affecting major industrial and service sectors

Transnet's unexpected R2.2 billion loss highlights operational and export challenges

New-vehicle industry faced a 3% decline despite growth in the fourth quarter

Capitec was fined R56.25 million for anti-money laundering compliance failures

At the end of December 2024, the South African equity and bond markets lagged behind their respective emerging market counterparts. South Africa's consumer price inflation rate for November came in at 2.9%, slightly up from 2.8% in October. At a provincial level, the Western Cape reported the highest inflation rate at 3.4%.

South Africa's employment statistics showed a decrease of 133 000 in jobs in the non-agricultural sector for the third quarter of 2024, compared to the same period in 2023. The total employment numbers fell from 10.74 million to 10.61 million — a drop of 1.2% — job losses concentrated in community services, business services, manufacturing, logistics, mining, and electricity.

December saw a 0.3% drop in the Capped SWIX, All Share Index, and ALBI. Despite this monthly decline, the ALBI was up by +17.3% for the year. Inflation-linked bonds saw an uptick of +0.8% for the month. Financials and Resources fell by -1.2% and -5.4%, respectively, while Industrials rose by +2.7%. Mid-Caps and Large-Caps were also down by -1.9% and -0.7%, respectively, while Small-Caps performed well, gaining +3.3%. In terms of domestic real estate, the S&P SA REIT sector rose by 0.5%, while SA Listed Property gained 0.4%. However, the rand weakened significantly, depreciating by 4.5% against the US dollar.

Transnet reported R2.2 billion in losses for the six months ending September 2024, exceeding the anticipated R1.6 billion. Headwinds which affected this included rail inefficiencies, a drop in mining exports, and operational challenges. The focus going into 2025 includes improved debt management, enhanced security, availability of rolling stock, and improving rail infrastructure.

Although the new-vehicle industry grew over Q4 in 2024, the industry still experienced an overall slowdown of 3% year-on-year and struggled to gain momentum due to the strained economic climate for consumers. Bakkies and other light commercial vehicles experienced a year-on-year decline of 12%, medium and heavy commercial vehicles declined by 6.5%, and the bus sector declined by 4.9%. Passenger vehicle sales, however, increased by a modest 1.1% compared to the previous year.

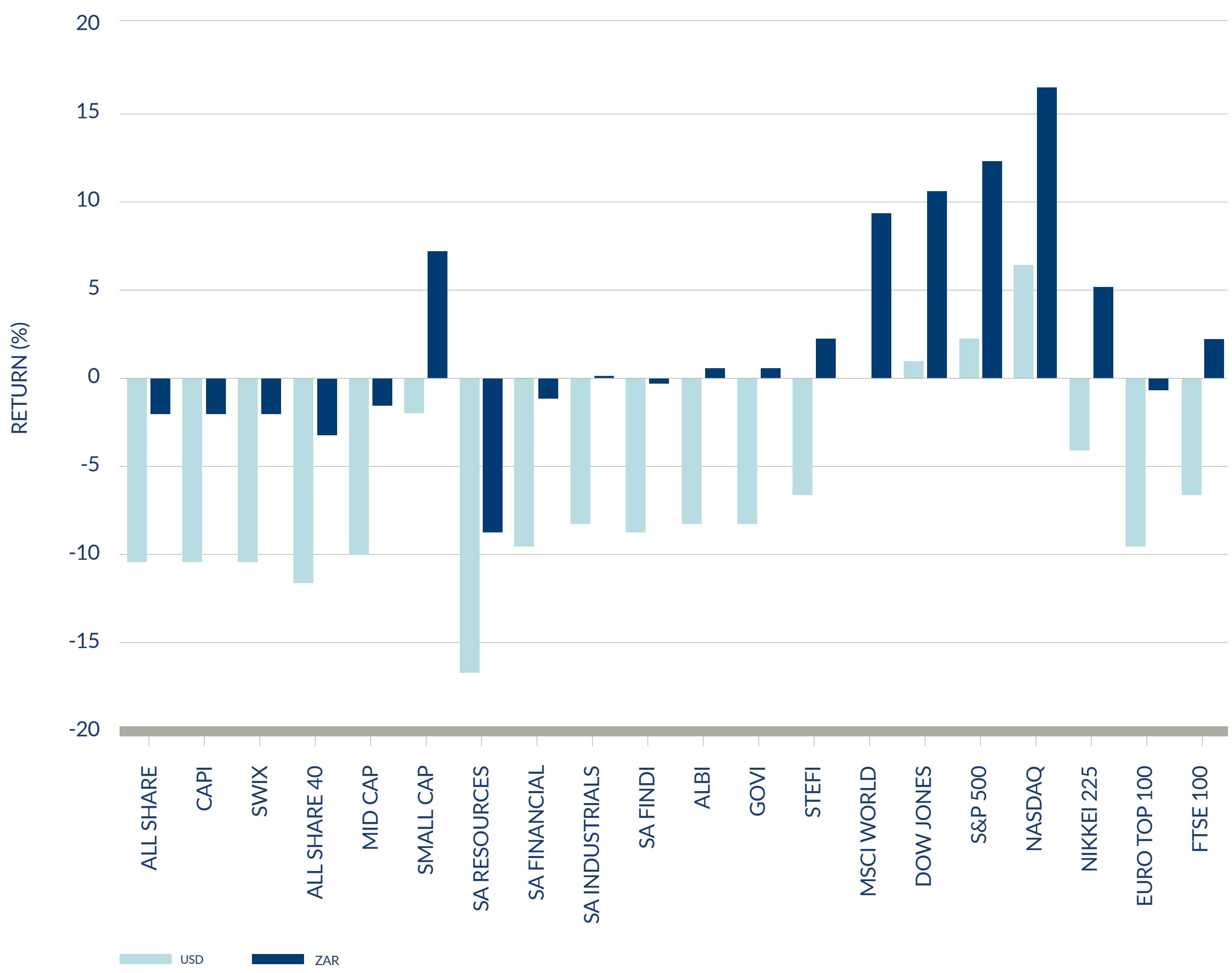
ArcelorMittal South Africa (Amsa) announced the closure of its Longs Business which potentially affects over 3 000 jobs. The Group previously announced its plans to put the business unit into care and maintenance during challenging economic conditions. However, despite this proposed revival, the unit continued to struggle. The closure of the Longs Business will affect the steel plants which include Newcastle Works, Vereeniging Works, and the rail and structures subsidiary (AMRAS). The steel production is set to draw to a close by late January 2025, with the rest of the processes winding-down by the end of Q1 2025.

Administrative sanctions have been imposed on Capitec for non-compliance with certain provisions of the Financial Intelligence Centre Act 38 of 2001 [FIC Act] following inspections in 2021 and 2022. SARS has issued a financial penalty of R56.25 million for Capitec failing to comply with certain anti-money laundering regulations. Of that total amount, R10.5 million of the fine will be conditionally suspended. The Prudential Authority (PA) has since confirmed that Capitec has embarked upon the necessary remedial action. The Capitec share price fell by -3.9% in December.

The Presidency has assented to the South African Post Office SOC Ltd Amendment Bill. This Bill expands the Post Office's mandate and helps to repurpose its infrastructure to provide diversified and expanded services. The law will also outline various governance matters such as the size and functions of the Board. The Post Office is now enabled to serve as a hub for government services and agency services. It is also envisioned to become a digital hub for businesses and consumers.

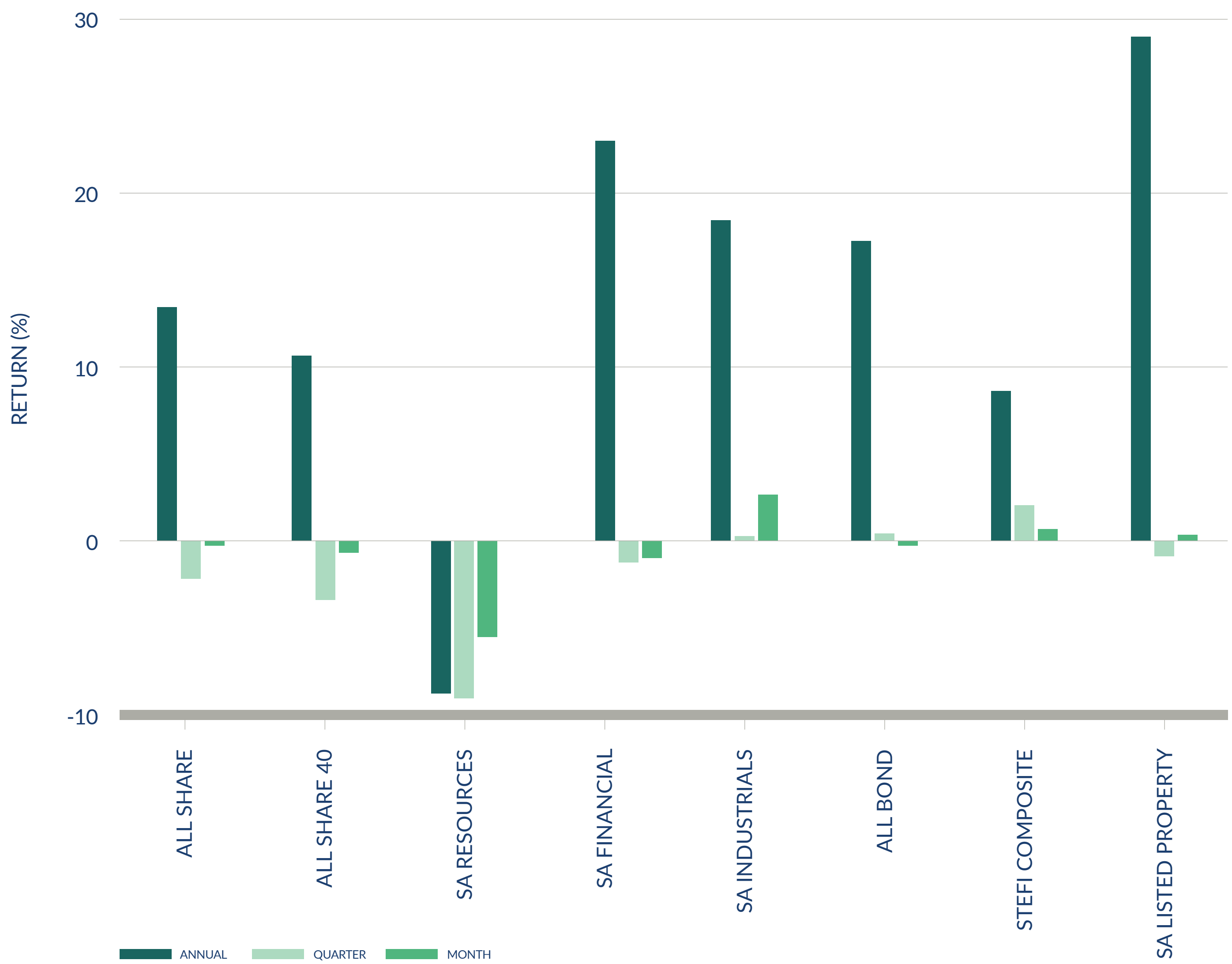
World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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