DESTINY RETIREMENT FUNDS

Economies at a Glance

September 2024

UNITED STATES

The Federal Open Market Committee (FOMC) launched its long-awaited interest rate-cutting cycle in September with a 50-basis point cut and has indicated two further rate reductions before the end of the year. Projections now show the median FOMC member expecting to cut rates by an additional 100 basis points in 2025. While a measured cooling of the labour market is anticipated, any sustained, significant deterioration could prompt a faster pace of easing in the coming quarters. August inflation data reinforced a steady disinflationary trend that is likely to extend into 2025 as pressures from wage and rental inflation begin to ease. Confidence in easing inflation could shift the Federal Reserve's (Fed) focus from price pressures to concerns over softening employment and weaker growth. Although economic activity remains solid for now, growth is projected to slow towards trend next year as the fiscal impulse fades and as unemployment rises, partly offsetting easier monetary conditions.

Forecast 2024:
GDP: **2.5%**
Core PCE Inflation: **2.7%**
Forecast 2025:
GDP: **1.8%**
Core PCE Inflation: **2.2%**

EUROZONE

Germany's economy is limping toward a weak recovery, hampered by tepid private consumption despite rising real incomes. Households remain cautious with spending, while the country's manufacturing and construction sectors have sunk further into recession. Investment is also faltering, weighed down by pronounced policy uncertainty. The budget cuts ordered by the coalition government in power have added to the growth strain, while the European Central Bank's interest rate relief, so far, has not meaningfully supported domestic demand. Fitch Ratings warns that Germany's structural challenges — including the pressure faced by energy-intensive sectors to achieve the country's decarbonisation goals, relatively slow progress on digitalisation trends, rising fiscal demands from an ageing population and intensified competition from China — will prevent the country from returning to its pre-pandemic growth trajectory soon.

Forecast 2024:
GDP: **0.7%**
HICP Inflation: **2.4%**
Forecast 2025:
GDP: **1.2%**
HICP Inflation: **2%**

UNITED KINGDOM

The newly-elected Labour government's first Autumn Budget will test its ability to balance fiscal restraint with ambitious spending plans on public services and investment. Prime Minister Keir Starmer has accused the Conservatives of leaving behind a 'financial blackhole', but Chancellor Rachel Reeves has indicated a shift in approach, stating that she wanted to change the way public spending is viewed at the top of government and hinting at potential increases in spending on housing, infrastructure and healthcare to boost investment and growth. Officials are weighing options to ease fiscal constraints imposed by rules that require debt to decline as a share of GDP over the next five years. The Organisation for Economic Cooperation and Development has backed calls for fiscal reform, arguing that the current rules are too short-term in focus and discourage the long-term investment that is needed to support growth.

Forecast 2024:
GDP: **1.1%**
Inflation: **2.6%**
Forecast 2025:
GDP: **1.3%**
Inflation: **2.4%**

JAPAN

Japan's nominal GDP exceeded 600 trillion yen in the second quarter of the year, hitting a benchmark set by the government in 2015 under Shinzo Abe. Although increased spending on goods boosted private consumption, stagnant service spending hints that the post-pandemic demand recovery may be losing steam. Wage increases following spring negotiations are gradually lifting salaries, and disposable incomes are set to rise with tax relief. As such, private consumption is likely to be a key driver of the sustainability of current growth trends. Corporate investment remains strong, complemented by growth in inbound tourism, a recovery in automotive output and stabilising global semiconductor demand. However, downside risks to growth cannot be dismissed. These include the effects of a global slowdown, rising domestic interest rates and local labour shortages.

Forecast 2024:
GDP: **0%**
Inflation: **2.5%**
Forecast 2025:
GDP: **1.3%**
Inflation: **2.2%**

GTB FINANCIAL SERVICES

CHINA

China's economic slowdown deepened in August, with industrial profits down 17.8% relative to a year ago and the property sector trapped in its downward spiral. New home prices dropped at their sharpest rate in nine years, while home sales languished 44% below their 2018-21 average according to UBS. Deflationary risks are mounting as core consumer inflation hit a 3.5-year low. In response, Beijing has sent its strongest signal yet of 'forceful' stimulus measures, including interest rate cuts, a reduced reserve requirement ratio and a further relaxation in mortgage rules. Despite these additional measures surpassing the market's expectations, more needs to be done to sustain growth and align it with the more favourable shift in market sentiment. Such actions include a further reduction in the reserve requirement ratio, additional cuts to medium-term lending rates and enhanced property sector support measures.

Forecast 2024:
GDP: **4.8%**
Inflation: **0.5%**
Forecast 2025:
GDP: **4.4%**
Inflation: **1.1%**

EMERGING MARKETS

Emerging market (EM) economies are poised for faster growth in 2025 compared to 2024, but substantial divergence across regions is expected in the coming quarters. Standard and Poor's Global Ratings (S&P) cautions that while United States (US) Fed interest rate cuts will benefit EMs with robust fundamentals, such as those in Southeast Asia, by attracting stronger capital inflows, the outlook is less optimistic for parts of Latin America. High risks to fiscal, economic and institutional policies in the region have raised risk premiums, notes S&P, which could blunt capital inflows despite lower US interest rates. Furthermore, a sharper-than-expected downturn in the US economy or a shift toward more protectionist trade policies after the US elections could hurt EMs with close economic ties to the US. On the upside, a lower oil price and its influence on lowering interest rates in oil-importing nations may offer some relief. However, potentially more expansive US fiscal policy post-elections could drive up borrowing costs, tightening financial conditions for EMs.

Forecast 2024:
GDP: **3.9%**
Inflation: **6.7%**
Forecast 2025:
GDP: **4.3%**
Inflation: **3.8%**

SOUTH AFRICA

In a media statement released at the end of September, Eskom confirmed that loadshedding had been suspended for over six months. Although diesel usage spiked towards the end of the month due to colder weather, the utility managed to reduce diesel costs by R11.33 billion year-on- year. Planned maintenance between 1 September and 26 September 2024 averaged 6 356 MW, an improvement over last year's 5 294 MW, while unplanned outages dropped to 11 524 MW from 15 934 MW. The South African economy expanded by 0.4% in the second quarter, aided by the absence of power cuts. Growth was broadly distributed, with seven out of 10 sectors contributing positively to GDP. Consistent energy supply, along with modest gains in rail and port operations, helped drive the recovery, although continued inefficiencies in logistics continue to hold back the economy. The formation of a government of national unity has sparked hopes of accelerating growth in the years ahead. Structural reforms aimed at improving industrial competitiveness and boosting productive capacity are expected to bear fruit in the medium term, while increased investment in renewable energy and higher consumption should lift growth in 2025. We foresee a recovery in household spending in the coming quarters driven by rising real wages, lower interest rates (with a further 75 basis points of cuts projected by mid-2025), and early pension withdrawals under the two-pot pension system.

Forecast 2024:
GDP: **1.1%**
Inflation: **4.7%**
Forecast 2025:
GDP: **1.8%**
Inflation: **4.3%**

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DESTINY
RETIREMENT FUNDS

Indices summary for September 2024

	One month	Three months	One year	Three years	Four years	Five years	Six years	Seven years	Ten years
Equity indices									
FTSE/JSE All-Share Index (Alsi)	4.04%	9.61%	23.93%	14.73%	16.79%	13.67%	11.61%	10.39%	9.41%
FTSE/JSE Shareholder Weighted Index (Swix)	4.04%	9.61%	25.33%	11.97%	14.59%	11.02%	9.14%	7.91%	7.75%
FTSE/JSE Capped Swix All Share index	3.97%	9.62%	25.41%	12.36%	16.61%	11.92%	9.39%	8.05%	7.56%
FTSE/JSE All Share Top 40 Index	3.70%	8.62%	22.09%	14.80%	16.14%	13.95%	11.84%	10.57%	9.45%
FTSE/JSE Mid Cap Index	5.10%	10.95%	28.94%	10.70%	17.63%	10.24%	9.37%	7.68%	7.51%
FTSE/JSE Small Cap Index	3.97%	15.59%	37.48%	18.09%	30.91%	19.33%	13.47%	10.71%	9.63%
FTSE/JSE Resources Index	3.89%	-1.49%	3.43%	5.36%	8.35%	11.90%	11.21%	13.33%	6.30%
FTSE/JSE Financials Index	2.80%	14.33%	39.85%	18.21%	25.48%	11.36%	8.61%	8.53%	8.40%
FTSE/JSE Industrials Index	5.16%	11.64%	25.14%	15.50%	15.86%	13.46%	11.43%	8.47%	9.07%
FTSE/JSE Research Affiliates Fundamental Indices 40 Index (Rafi)	3.05%	5.98%	17.74%	13.35%	19.66%	13.67%	11.27%	10.85%	9.40%
FTSE/JSE Research Affiliates Fundamental Indices All Share Index	3.73%	5.83%	21.37%	13.55%	19.99%	13.75%	11.24%	10.79%	9.28%
FTSE/JSE SA Listed Property Index (Sapy)	5.04%	18.70%	51.34%	15.97%	24.58%	5.37%	3.98%	0.91%	4.30%
FTSE/JSE All Property Index (ALPI)	5.16%	19.14%	50.97%	15.33%	24.79%	5.05%	2.82%	0.22%	3.07%
Interest-bearing indices									
FTSE/JSE All Bond Index (Albi)	3.86%	10.54%	26.14%	11.14%	11.47%	9.84%	10.10%	9.67%	9.06%
FTSE/JSE All Bond Index 1-3 years (Albi)	1.11%	3.74%	12.52%	8.15%	7.11%	8.04%	8.40%	8.19%	8.15%
FTSE/JSE Inflation-linked Index (Ili)	0.74%	4.83%	13.46%	7.85%	9.81%	7.25%	6.65%	5.79%	5.41%
Short-term Fixed Interest Composite Index (Stefi)	0.67%	2.07%	8.57%	6.87%	6.09%	6.12%	6.32%	6.46%	6.63%
Commodities									
NewGold Exchange-Traded Fund	1.85%	7.01%	28.83%	19.44%	9.11%	14.65%	17.60%	14.36%	12.33%
Gold price (in rands)	1.36%	5.67%	27.68%	19.67%	9.19%	14.91%	17.89%	14.68%	12.64%
Platinum Exchange-Traded Fund	1.99%	-8.02%	-2.93%	4.67%	2.46%	3.97%	5.97%	4.10%	0.96%
Platinum price (in rands)	3.68%	-5.38%	-0.01%	4.90%	3.31%	3.34%	6.31%	4.31%	1.24%
Currency movements									
Rand/euro movements	-2.13%	-1.69%	-3.62%	3.31%	-0.43%	3.06%	2.65%	2.69%	3.02%
Rand/dollar movements	-2.94%	-5.63%	-8.56%	4.62%	0.80%	2.58%	3.34%	3.54%	4.31%
Inflation index									
Consumer Price Index (CPI)			4.41%	5.60%	5.43%	4.95%	4.85%	4.86%	4.93%
Global indices									
MSCI World Index (All Countries)	0.20%	0.73%	20.57%	12.87%	13.56%	15.14%	13.76%	13.84%	13.81%
MSCI Developed Markets Index	-1.17%	0.38%	21.09%	14.12%	14.63%	15.96%	14.81%	15.05%	14.82%
MSCI Emerging Markets Index	4.33%	3.35%	16.69%	5.20%	5.83%	8.54%	7.91%	7.51%	8.50%
Global Property Research (GPR) 250 REIT Index	-3.16%	3.75%	9.49%	12.11%	11.50%	8.57%	12.64%	12.87%	15.27%
MSCI Africa Index	2.49%	8.33%	18.11%	5.69%	7.09%	4.76%	3.74%	2.75%	2.74%
FTSE World Government Bond Index	-1.26%	1.11%	1.69%	0.03%	-3.26%	0.46%	2.88%	2.99%	4.16%
Three-month US dollar **LIBOR** rate	-2.52%	-4.39%	-3.63%	8.25%	3.46%	4.95%	5.53%	5.73%	6.07%
Three-month Euro **LIBOR** rate	-1.84%	-0.78%	0.20%	5.51%	1.02%	4.17%	3.51%	3.37%	3.44%
ICE LIBOR 1 Month USD ZAR converted	-2.53%	-4.33%	-3.35%	8.64%	3.73%	5.16%	5.91%	6.02%	6.21%
FTSE EPRA/NAREIT Developed Index	1.30%	10.90%	19.15%	6.09%	8.96%	4.95%	7.86%	8.01%	9.55%

Important notes

1. Sources: Momentum Investments, IRESS, www.msci.com, www.yieldbook.com, www.ft.com.
2. Returns for periods exceeding one year are annualised.
3. The return for Consumer Price Index (CPI) is to the end of the previous month. Due to the reweighting of the CPI from January 2009, this number reflects a compound of month-on-month CPI returns. The historical numbers used are the official month-on-month numbers based on a composite of the previous inflation series (calculations before January 2009) and the revised inflation series (calculations after January 2009).
4. The MSCI World index (All Countries) returns are adjusted to correspond with global investment prices received.
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