



## ECONOMIC COMMENTARY

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*For every one to attain  
financial well-being*

### THE GLOBAL ECONOMY IS SHIFTING BUT ARE WE READY?

Global markets are sending mixed (and revealing) signals. Wall Street's biggest dealmakers are busy again. Former 'problem' European countries have become disciplined. The United States (US) Federal Reserve (Fed) is pushing back against hopes for endless rate cuts. For South African investors, these are not just foreign headlines. They hint at where the next shocks to growth, inflation, and interest rates may come from.

#### Deals are back, and this matters

Goldman Sachs is on track to advise on around a third of global mergers and acquisitions announced this year, its strongest grip on the deals market in almost a decade. You do not get a multi-trillion-dollar M&A pipeline if boardrooms are terrified. You get it when large companies believe that buying growth and market share still pays. For South Africa (SA), this is a reminder that while our news flow is dominated by load shedding, logistics bottlenecks, and political instability, significant parts of the global economy are already positioning for the next expansion, not the next crisis. The world's largest corporations are not waiting to see how things turn out; they are acting on conviction.

#### Spain, the 'saint'; Germany, the 'sinner'?

Seventeen years after the Eurozone debt crisis, the old narrative has been turned on its head. Spain (once bundled with Greece and Portugal as fiscally reckless) is now on course to run smaller budget deficits than Germany. Growth, tourism, immigration, and targeted public investment have pushed Spain's deficit towards 2.3% of its gross domestic product. Germany's, meanwhile, is rising as it belatedly repairs years of underinvestment in railways, bridges, defence, industry, and energy. The lesson for SA is uncomfortable but essential: You cannot cut your way to prosperity, and you cannot borrow your way there either. Countries that combine credible fiscal anchors with pro-growth investment get rewarded. Those who rely on slogans, consumption spending, and short-term fixes eventually pay more to borrow. They also have far less room to manoeuvre when the next shock hits.

#### The Fed reminds markets who is in charge

After two rate cuts in a row, investors were convinced that a third was on its way in December. Then, several Fed members pushed back, warning that inflation is still above target and that, with limited economic data owing to the US government shutdown, cutting too aggressively would be reckless. The reaction was immediate: Short-term bond yields ticked higher and equities wobbled. For emerging markets like SA, a slower pace of US easing likely means a firmer dollar, tighter global liquidity, and more vulnerability in local risk assets every time sentiment turns.

#### When steak becomes a macro story

One of the more unusual inflation stories this year centres around beef. Years of drought, high feed and fertiliser costs, disease outbreaks, and now tariffs have shrunk cattle herds across major producers. Supply is tight, demand is stubborn, and politics is amplifying the squeeze. Beef prices have hit record highs. The response is a case study in how not to manage a supply-side shock. South Africans know this pattern well. When food or fuel prices spike, the poorest households suffer first and for the longest time. Climate volatility and policy mistakes are now a combined risk factor for food inflation everywhere.

#### The big picture for SA

Put all this together, and a theme emerges. We are moving into a world where capital is more selective, central banks are less willing to underwrite asset prices, and countries that get the growth/debt balance right are rewarded faster than before. For South African investors, that is both a warning and an opportunity. The easy-money era is behind us but disciplined capital, independent advice, and a long-term view have rarely mattered more. The real question is whether we treat these global signals as background noise, or as a mirror showing us what we urgently need to change at home.

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