



ECONOMIC COMMENTARY

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YOUR MONTHLY
ECONOMIC UPDATE
8 May 2025

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financial well-being*

BUFFETT'S LEGACY, US LABOUR RESILIENCE, AND CHINA'S ECONOMIC UNCERTAINTY

Buffett announces retirement

Esteemed investor Warren Buffett has announced his retirement as Chief Executive Officer of Berkshire Hathaway, effective at the end of the year. Widely respected as the "Oracle of Omaha", Buffett leaves behind a legacy marked by prudent investment principles, long-term vision, and strategic market insights. Under his leadership, Berkshire Hathaway grew from a failing textile company into a global conglomerate with holdings in insurance, energy, railways, and consumer goods. His annual letters and conservative strategy have provided clarity and conviction to countless investors. Buffett's departure represents a significant milestone for financial markets, ushering in a new era for Berkshire Hathaway under successor Greg Abel. While markets will monitor Abel's leadership closely, Buffett's disciplined approach will continue to influence investors globally.

United States (US) employment report signals strength amid economic uncertainty

Despite concerns surrounding the economic stability of the US, recent labour market data has been encouraging. In April, the US economy added 177 000 jobs (well above the projected 138 000). The unemployment rate remained steady at 4.2%, easing fears of tariff-related slowdowns. Markets responded positively: The S&P 500 rose more than 2%, and the 10-year Treasury yield increased by 10 basis points. This reduced expectations for Federal Reserve (Fed) interest rate cuts this year from four to three. Wage growth remained subdued at just 0.2% month-on-month, giving the Fed space to hold rates steady.

Nonetheless, revisions to February and March figures led to job reductions of 58 000. The adjusted three-month average now stands at 133 000. Some analysts caution that the headline figure may be overstated, owing to statistical adjustments via the birth-death model. Still, job growth in cyclical sectors, such as warehousing and logistics, is encouraging. Additionally, 518 000 individuals joined the labour force during April, highlighting optimism about employment prospects, even amid broader uncertainties.

China faces heightened economic pressures

China faces economic headwinds despite reporting growth of 5.4% in its gross domestic product during quarter 1. Alternative indicators suggest weaker performance: 4.3% from the Li Keqiang Index and 3.9% from Capital Economics' China Activity Index. Much of the official growth appears to stem from a pre-tariff export rush by US buyers. Consumer sentiment remains low, domestic demand is weak, and manufacturing activity has contracted. The Caixin Purchasing Managers' Index indicates a drop in new export orders, while falling inventories signal cautious business sentiment. Analysts remain sceptical of China's ability to shift reliance from exports to internal demand.

Meanwhile, China's stimulus measures have been modest. The budget deficit has expanded faster than expected, limiting fiscal flexibility. In response to geopolitical risks, Beijing has altered its foreign reserve strategy, reducing US Treasury holdings by more than 27% since 2022. It has redirected assets toward agency bonds, gold, and private equity. This shift reflects broader concerns about dollar reliance and the potential for financial sanctions. Increased gold holdings and a preference for Asia-based, dollar-denominated assets suggest efforts to reduce exposure to US volatility.

Investment implications

Considering these developments, investors may take the following into account:

- + Maintain selective exposure to US equities, particularly in cyclical sectors supported by strong labour market data.
- + Approach Chinese investments cautiously, owing to economic and geopolitical uncertainty.
- + Diversify portfolios through quality fixed-income, precious metals, and global assets offering liquidity and stability.

Buffett's departure marks a transition but his principles (discipline, risk awareness, and long-term focus) remain vital. Amid shifting global dynamics, a fundamentals-driven, diversified approach continues to offer the best path forward.

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