

2024 in Review: What Next for Retirement Fund Member Savings?



As we look back on 2024, the year certainly proved to be a rewarding one for South African pension fund and retirement fund investors, given the strong investment performance that we saw across major asset classes which led to double-digit growth in retirement savings. Let's break down the key factors that contributed to this success for the year and what it means for your future.

Strong investment performance across the board in 2024

Both local and international markets delivered impressive returns:

- South African equities and bonds enjoyed returns of 13.4% and 17.2% respectively.
- International equities soared by 21.2% in rand terms.
- International bonds disappointed, delivering 1.4% in rand terms due to the rand's depreciation against the US dollar, as the returns were negative in US dollar terms.

It's important to remember that these gains weren't achieved without some ups and downs, as the investment markets experienced volatility throughout the year, due to various reasons.

Interest rate cuts and inflation

A key driver of this positive performance was the continued fall in inflation. This led central banks in major economies, including the European Union, the UK, and eventually the US and South Africa, to begin cutting interest rates. While inflation has come down significantly from its post-COVID highs, it remains somewhat persistent, meaning that interest rates are still relatively high. Experts anticipate only a few more interest rate cuts in the near future for major economies, including South Africa.

Economic resilience and growth

Despite initial forecasts of a recession in major economies like the US, the American economy demonstrated remarkable resilience due to strong consumer spending habits and a healthy labour market.

- The International Monetary Fund (IMF), an international organisation that helps member countries achieve economic growth and stability, has forecasted that the US economy grew by 2.8% in 2024. The IMF expects the US to continue leading developed markets with growth of 2.7% and 2.1% for 2025 and 2026 respectively.



- For the European Union, the IMF has forecasted growth to be 0.8% in 2024 and is expecting growth to be 1.0% for 2025 and 1.4% for 2026. The area will likely continue to lag other advanced economies in the short to medium term.
- The IMF has forecasted South Africa to have grown by 0.8% in 2024, which is an improvement from a previously lower base due to improved energy availability and the decrease in loadshedding. Growth is expected to be 1.5% and 1.6% respectively for 2025 and 2026.

Impact of South Africa's Government of National Unity (GNU)

The formation of the GNU following the 2024 elections boosted investor and business confidence, leading to greater political stability and the potential for higher economic growth. This positive sentiment translated into increased prices for financial assets, benefiting retirement fund members' savings. To fully realise this potential, the country needs to focus on implementing impactful reforms in key areas like energy, transportation, water, and digital infrastructure, fostering successful partnerships between the public and private sectors.

US elections

It has been estimated that more than half of the world's population went to the polls to elect new governments in 2024. One of the significant election outcomes was that of the US, where President Donald Trump and the Republican Party achieved a clean sweep, i.e. achieved control of the presidency and congress. This outcome is expected to enable President Trump to more easily implement his policies, which include corporate tax cuts, stricter immigration controls, higher tariffs on imported goods, reduced government spending, and increased energy production. US companies reacted positively to the election results, anticipating continued economic strength in the US.

Conclusion: staying the course for a secure retirement

2024 was a year of positive surprises and strong growth for retirement savings. While future market conditions remain uncertain, understanding the factors that influenced this past year can help retirement fund members stay informed and confident in their long-term investment strategy.

Retirement fund members should remember that retirement planning is a marathon, not a sprint. By staying the course, working with accredited financial advisors, and remaining adaptable to changing market conditions, members can continue to build a secure and comfortable retirement future.

Solly Tsie

Head: Investment Strategy

Sanlam Corporate: Investments