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Hormuz shock rattles markets

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

The positive domestic data (an uptick in business confidence and solid January production data following better-than-expected Q4 GDP) over the past two weeks are being overshadowed by developments in the Middle East. Additionally, the risk of a further deterioration in ties between SA and the US are increasing. It is disappointing that SA's emerging green shoots may already be at risk - although we should also guard against overreacting with overly pessimistic scenarios in such uncertain times.

The war intensified with Iran escalating attacks on Dubai and ships, while the US vowed it would "finish the job". The big focus this week was on the Strait of Hormuz (a short explainer follows below on why this matters) with the International Energy Agency (IEA) calling the closure the biggest shock to the oil industry in history. Financial and commodity markets remained extremely headline-driven, with good news (US: "finish the job") and bad news (Iran: "keep the Strait closed"), resulting in very sharp swings, with Brent crude topping $100/barrel a few times this week. Yesterday, Brent closed above $100/barrel for the first time since August 2010.

The oil price is up 60% since the start of the year (in both dollar and rand terms) and just over 30% since the end of February. In rand terms, the increase is closer to 40% over the same period due to currency weakness. However, the risk lies less in the initial price spike and more in the duration of the disruption (i.e. for how long the oil price will remain elevated).

A DEEP DIVE INTO HORMUZ

To understand the scale of the shock, it is worth briefly explaining why the Strait of Hormuz matters for the global economy.

Why it matters for the global economy

Iran has effectively closed the Strait of Hormuz by attacking cargo and oil vessels attempting to pass through the waterway. This narrow shipping corridor is one of the world's most important energy chokepoints, carrying around 20% of global oil supply and roughly a fifth of global gas (LNG) trade – the latter particularly important for Europe. In normal conditions, roughly 20 million barrels of oil per day transit through the Strait, mainly from Gulf producers such as Saudi Arabia, Iraq, Kuwait, the UAE and Qatar. There are few viable alternatives. Pipeline routes can only carry a small share of the volumes that typically move through the Strait. The disruption also affects fertiliser inputs, petrochemicals and refined fuels, raising the risk of broader supply chain and food price pressures if it persists. Air travel prices have surged, too, with Bloomberg reporting an economy class round-trip ticket from Sydney to London in April has surged by more than 80% in the last two weeks – SA prices are increasing rapidly as well.

Why does it matter for South Africa?

SA imports most of its fuel, meaning higher global oil prices feed directly into local petrol and diesel prices. SA's petrol price is determined monthly (important for air travel, jet fuel is adjusted daily, with prices up more than 70% since the start of the month). As such, a significant price hike is expected in April. The official fuel price adjustment in early April will be based on the average of international fuel prices and the rand exchange rate over the full month. This means the final price change will depend on how markets evolve during the remainder of March. Higher fuel costs push up transport, food and other consumer prices (so-called second-round effects), adding to inflation. Oil shocks also tend to weaken the rand and increase financial market volatility, amplifying imported inflation.

Why the duration of the disruption matters

Oil demand responds very slowly to price changes in the short term, meaning even small supply losses can trigger large price spikes. If the disruption proves short-lived, markets can often absorb the shock through stock releases, rerouted shipments and temporary demand adjustments. Prices typically retreat once shipping resumes. However, if the Strait remains unsafe for weeks or months, the global supply shortfall becomes more difficult to offset. Strategic reserves are finite, and alternative export routes cannot replace most of the lost volumes. A prolonged disruption would therefore likely keep oil prices elevated for longer, raising global inflation risks and weighing on economic growth.

While estimates vary, about 16 million barrels of oil per day are currently taken out of supply by the closure of Hormuz (percentage calculations are straightforward given global demand of roughly 100 million barrels per day). In response to the supply squeeze, the IEA approved its largest-ever release of emergency oil reserves. The IEA will release 400 million barrels, more than double the 187 million released after the Russian invasion of Ukraine. While adding to supply (thus, in economic theory, implying a decline in the price), the oil price *rose* following the announcement because the additional supply would only enter the market slowly. Reports suggest that the White House may drop the Jones Act which forces firms to use US ships and crews to transfer oil between US ports. Because there are few US ships, this puts a premium on the price. However, despite the significance of this, prices barely budged. The only thing that would bring the oil price to a pre-March level would be the full reopening of the Strait.

To be frank, there is a credible and possible worst-case scenario where the Strait of Hormuz remains unsafe. Even in the event of a ceasefire, attacks by 'rogue' Iranian groups could still effectively ensure that it is deemed too dangerous to use (or prohibitively expensive through insurance). Fully protecting shipping through the Strait would also be extremely difficult given the short distances involved

Weekly Key Indicators

	Close	w-o-w
R/$	R16.77	1.0%
R/€	R19.32	0.5%
R/£	R22.35	1.0%
$/€	$1.15	-0.5%
Brent crude oil	$97.33	37.5%
Gold	$5 129	0.9%
Platinum	$2 150	0.0%
JSE ALSI	116 948	-2.7%
10y gov. bond	8.72	48bps
FRA (1x4)*	6.77	11bps

*Forward rate agreement

and the speed at which missiles or drones can strike. Even in the event of a formal ceasefire, the risk to vessels may therefore remain elevated for some time.

For now, a formal ceasefire seems far off, with Iran reportedly wanting the US and Israel to agree that it will not attack the country again. Indeed, yesterday afternoon in his first public statement as Iran's new supreme leader, Mojtaba Khamenei, said the Strait should remain closed, resulting in a renewed surge in the oil price, US Treasury yields and the dollar index. The rand exchange rate weakened as a result. Outside of changing interest rate expectations (hikes rather than cuts) long-term bond yields also reflect nervousness about the cost of the military operations and, in other advanced economies, the potential need to shield households from inflation pain. Worryingly, some reports suggest that Israel and the US are also not on the same page regarding what would be required to end the war. In addition to bombing Iran, Israel is also attacking Lebanon.

To some extent, the oil crisis can still be contained, but if necessary, fertilisers do not reach the farming areas at the right time of the season, harvests could fail, resulting in higher prices and shortages. While all the focus is on oil because consumers (or at least those with daily-adjusted prices) 'feel' it now, the real pain may still come. A rapid de-escalation remains possible, but appears to be becoming less likely.

WEEK AHEAD: BIG GLOBAL INTEREST RATE WEEK; LOCAL INFLATION FOCUS

The coming week will be dominated by a series of major central bank meetings, with the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of England (BoE) all announcing policy decisions. Markets broadly expect all three central banks to leave interest rates unchanged, meaning the focus will fall squarely on forward guidance and any signals regarding the timing of potential rate cuts later this year. The Fed decision on Wednesday is likely to attract the most attention, with investors looking for clues on whether policymakers still expect to ease later this year, particularly given renewed volatility in oil prices and global financial markets. Today's release of the Fed's preferred inflation gauge is unlikely to change next week's outcome, with a 3.1% y-o-y uptick expected. The meeting also comes as Jerome Powell enters the final stretch of his term as Fed Chair, which expires in May, adding further interest to his policy guidance and communication.

Attention will then shift to Europe on Thursday, when both the ECB and BoE deliver their policy decisions. With inflation gradually moderating across advanced economies but geopolitical risks adding uncertainty to the outlook, both central banks are widely expected to maintain a cautious, data-dependent stance. Markets will therefore watch closely for any adjustments to forward guidance that could shift expectations around the pace or timing of monetary easing.

At home, the focus will be on inflation. The BER's inflation expectations survey for the first quarter will be the second survey following the official target change last year. There will be keen interest in whether the steady decline in inflation expectations observed in 2025Q4 was sustained into 2026. Stats SA will also publish consumer inflation data for February on Wednesday. We expect headline inflation to slow to 3.2%.

Date	Event	Latest
Monday (16 Mar)	CN: Industrial Production, Retail Sales (Jan – Feb)	5.2 y-o-y; 0.9% y-o-y
Monday (16 Mar)	CN: Unemployment Rate (Feb)	5.1%
Monday (16 Mar)	SA: Inflation Expectation Survey (2025Q1)	3.8% y-o-y
Monday (16 Mar)	US: Industrial and Manufacturing Production (Feb)	2.3% y-o-y; 2.4% y-o-y
Tuesday (17 Mar)	EZ, DE: ZEW Economic Sentiment (Mar)	39.4; 58.3
Wednesday (18 Mar)	SA: Consumer Inflation Rate (Feb)	3.5% y-o-y
Wednesday (18 Mar)	SA: Retail Sales (Jan)	2.6% y-o-y; -0.4% m-o-m
Wednesday (18 Mar)	US: PPI (Feb)	2.9% y-o-y; 0.5% m-o-m
Wednesday (18 Mar)	US: Fed Interest Rate Decision	3.75%
Thursday (19 Mar)	EZ, UK: ECB and BoE Interest Rate Decision	2.15%; 3.75%
Thursday (19 Mar)	UK: Unemployment Rate (Jan)	5.2%
Thursday (19 Mar)	SA: Motor Trade Sales, Wholesale trade sales (Jan)	7% y-o-y; 0.3% y-o-y

SA POLITICAL UPDATE

Natasha Marrian

TENSION BETWEEN SA AND THE US DEEPENS AMID IRAN WAR

As the US and Israel continued the war against Iran, at home, the already fraught relationship between SA and its second-largest trading partner took another turn for the worse. Further tension could jeopardise Pretoria's efforts to secure a trade deal with the US, which President Cyril Ramaphosa's administration has been negotiating since August last year. Talks had recently resumed after they stalled toward the end of 2025.

Less than a month after arriving in the country, the US ambassador-designate Leo Brent Bozell was démarched by the Department of International Relations and Cooperation. A démarche is essentially a diplomatic reprimand, a formal dressing down over an offence committed in the host country. He is the second US ambassador to be démarched; the first was former US ambassador Reuben Brigety in 2023 after he publicly alleged SA was supplying arms to Russia, amid the war in Ukraine.

The disagreement with Bozell follows an interview President Cyril Ramaphosa did with the New York Times in Washington last week, in which he described President Donald Trump's policy of providing asylum to white South Africans as "racist", calling it "uninformed" and adding that his US counterpart viewed the country through a "foggy lens".

In the interview, Ramaphosa described his visit to the White House last year, where Trump played a video of EFF leader Julius Malema singing the struggle song "Kill the Boer", as "demeaning". "We are rather amazed at the attention he is giving us. We are a small country, and we are no threat to the US," Ramaphosa told the newspaper.

Insiders in Pretoria say the interview had ruffled feathers in Washington, but that Ramaphosa was right to make his views known.

Bozell's weighing in on the singing of "Kill the Boer" was at the heart of the demarche by Pretoria.

Speaking at a Biznews conference on Tuesday, he doubled down on criticism over the singing of the song. "Kill the Boer" or Dubul' ibhunu was an apartheid era liberation chant, the singing of which under a democratic dispensation was challenged all the way to the Constitutional Court. The court ruled in 2025 that it did not constitute hate speech. Bozell publicly disagreed with this, dismissing the court's finding.

International relations minister Ronald Lamola told journalists on Thursday that Bozell was called in to explain his "undiplomatic remarks".

The latest developments do not bode well for SA's attempts to repair its deeply battered relationship with the US. The ANC's reaction to the Iran war was also criticised by conservative media in that country as the ANC and its most senior leaders sent condolence messages after the death of Iranian supreme leader Ali Khamenei, killed in the US/Israeli war which kicked off on February 28.

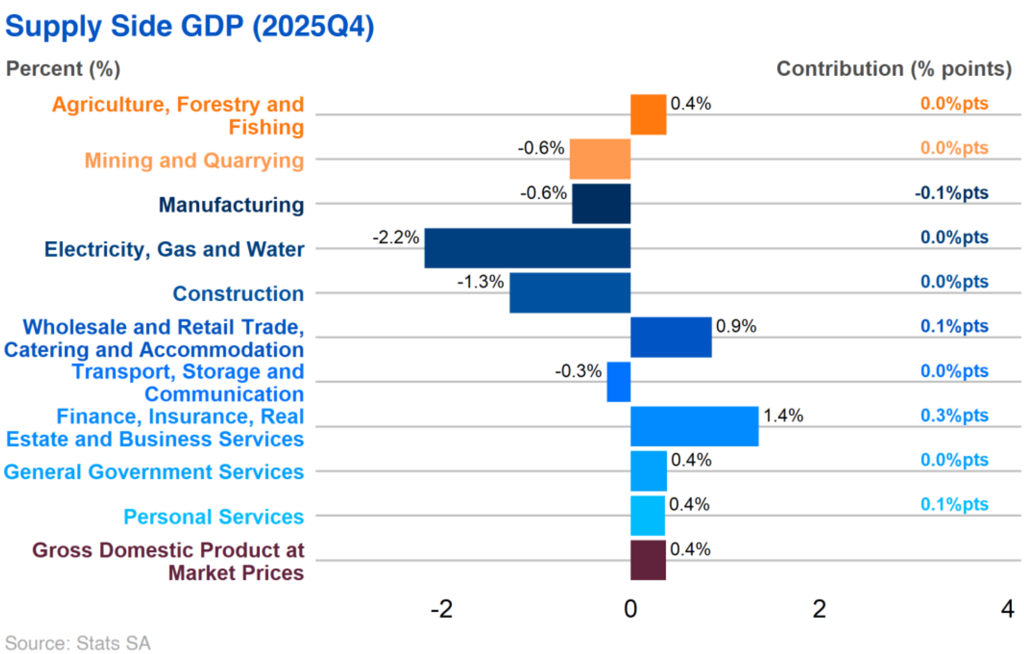
DOMESTIC DATA

Nadia Matulich

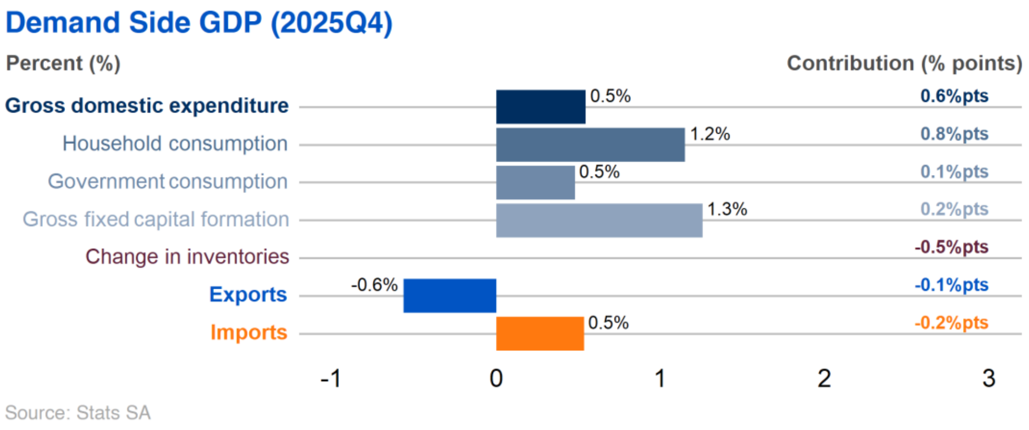
FINANCE AND INVESTMENT LIFT GDP

The key domestic release of the week was Q4 GDP, which came in at 0.4%, slightly above expectations. Full-year growth was somewhat weaker than anticipated at 1.1%, reflecting revisions to earlier quarters. Nevertheless, this is more than double the growth recorded in 2024 (0.5%).

From the production side, five sectors recorded growth – see the graph below for the details.



From the expenditure side (details on the graph), household consumption made the largest contribution, and fixed investment increased for the second consecutive quarter following a prolonged period of weakness since mid-2023. Clients can read our longer breakdown here.



STRENGTHENING PERFORMANCE IN MANUFACTURING AND MINING

Manufacturing output increased by 1.5% m-o-m in January, following declines of 1.3% and 2.2% in the preceding two months. In y-o-y terms, however, performance remains weak, with output in January 0.7% lower. This nonetheless represents an improvement relative to December and November, which recorded annual declines of 1.5% and 2.1%, respectively.

The biggest drag on annual growth were wood and wood products, paper, publishing and printing (down 11%, contributing -1.3%pts) and basic iron and steel, non-ferrous metal products, metal products and machinery (down 5.7%, contributing -1.2%pts). The largest positive contributor was petroleum, chemical products, rubber and plastic products (up 6.7%, contributing 1.4%pts).

Mining production performed strongly in January, increasing by 2.9% m-o-m and 4.6% y-o-y. Platinum group metals were the largest contributor, rising by 10.8% and accounting for 2.7%pts of growth. Chromium and manganese production also increased strongly, up 37.3% and 12.5% respectively, contributing 1.8 and 1.0%pts. Iron ore was the largest negative contributor, declining by 1.8% and subtracting 0.3%pts.

CURRENT ACCOUNT RETURNS TO SURPLUS

The balance of payments data showed that the trade surplus widened from R169bn to R282bn, driven by higher export values and lower imports. This largely reflects stronger export prices alongside declining import prices.

The current account balance, which includes income flows in addition to trade in goods and services, shifted from a deficit of R72bn (-0.9% of GDP) in Q3 to a surplus of R50.2bn (0.6% of GDP) in Q4. This represents the first current account surplus since 2023Q3.

INTERNATIONAL DATA

Nomvelo Moima

ANNUAL US CPI HOLDS STEADY IN FEBRUARY

In line with consensus forecasts, US consumer inflation unchanged from January at 2.4% y-o-y. Food and shelter inflation remained stable at 3.1% and 3.0%, respectively. However, energy prices rebounded modestly to 0.5% y-o-y in February (up from -0.1%), driven by shallower declines in gasoline prices and increases in fuel oil and natural gas prices. On a seasonally adjusted monthly basis, inflation rose by 0.3% in February from 0.2% in the prior month. This was mainly due to energy prices rising by 0.6% m-o-m, up from -1.5%, along with slight gains in food prices.

Excluding food and energy costs, the core measure of inflation in February remained unchanged from January at 2.5%, with a monthly increase of 0.2% m-o-m, a slight easing from the previous month's 0.3% m-o-m rise.

February’s inflation report does not reflect the recent surge in energy prices caused by the escalation of conflict in the Middle East. Consequently, markets showed little reaction to headline CPI remaining stable at a seven-month low ahead of the Fed interest rate decision next week, with attention on an expected stronger headline inflation print in March.

CHINA’S FEBRUARY CONSUMER INFLATION SURPRISED TO THE UPSIDE, BUT PRODUCER PRICE DEFLATION PERSISTS

In China, the February CPI report came in at 1.3% y-o-y, exceeding market expectations of 0.8% and marking a sharp increase from 0.2% in January. A nine-day Lunar New Year holiday boosted domestic travel and consumer spending, pushing headline CPI to a three-year high. Food prices accelerated at the fastest pace since October 2024, rising 1.7% in February after a 0.7% decline the previous month, notably boosted by softer pork price declines. Meanwhile, producer inflation fell by 0.9% y-o-y, less than the 1.4% decline seen in the prior month.

Beijing has reaffirmed its commitment to an “around 2%” inflation target; however, with factory-gate inflation (PPI) still experiencing deflationary pressures, it seems unlikely that the latest recovery in consumer prices will be sustained. That said, higher energy costs, which are expected to push up global inflation, might provide some support against deflationary impulses in the Chinese economy.

FORECAST UPDATE

We have made an adjustment to the near-term inflation forecast to reflect the increase in our oil price assumption for the current quarter. Recent disruptions in global oil markets have pushed fuel price expectations higher, feeding through to headline inflation in the short term. However, the adjustment is largely confined to the near-term inflation profile and does not materially alter the broader inflation outlook.

For now, our baseline assumption remains that the current disruption to oil markets will prove relatively short-lived, with conditions gradually normalising later in the year as supply flows recover and geopolitical tensions ease. Under this scenario, the fuel price shock should translate into a temporary bump in inflation rather than a sustained shift in the inflation trajectory. We therefore remove the March policy rate cut from the forecast for now, but still expect the easing cycle to resume once these temporary inflation pressures fade. For what it is worth, forward rate agreements are starting to price in rate *hikes* next year.

At this stage, we have not revised our GDP growth forecast. However, the duration of the disruption will be the key determinant of the economic (and inflation) impact. A prolonged closure or disruption of shipping through the Strait of Hormuz would keep oil prices elevated for longer and weigh on growth through higher fuel costs, rising transport and food prices, and weaker household purchasing power.

We will provide Premium Insights clients with a short follow-up note outlining alternative scenarios and the potential macroeconomic implications should the disruption prove more persistent.

	Actual		Forecast		Next release/meeting	
	2025	2025Q4	2026Q1	2026		
Brent crude oil ($, spot, avg.)	68.83	62.33	73	68.63	n/a	
ZAR/USD (avg.)	17.88	17.10	16.32	16.27	n/a	
Prime interest rate (%, end of period)	11.25	10.25	10.25	9.5	26-Mar-26	
Headline CPI (y-o-y % change)	3.2	3.6	3.3	3.2	18-Mar-26	Feb
FNAB inflation (y-o-y % change)	4.1	4.2	4.5	3.7	18-Mar-26	Feb
Headline PPI (y-o-y % change)	1.5	2.9	2.0	2.2	26-Mar-26	Feb
Real GDP growth (seasonally adjusted)						
(y-o-y % change)	1.1			1.8	9-Jun-26	2026Q1
(q-o-q % change)	n/a	0.4	0.3	n/a		

Source: BER, Stats SA, Refinitiv, SARB

Note: The table is updated ad hoc and is indicative of our latest view.

FNAB stands for food & non-alcoholic beverages.

Premium Insights Clients can access more complete summaries of our forecast (updated each quarter) here.

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Please refer to the glossary on the **BER website** for explanations of technical terms.