When optimism isn't enough: tracking sentiment in the news

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There was a moment last year when the business press sounded almost hopeful. South Africa's Government of National Unity (GNU) had taken shape, and for a glimmering moment, sentiment shifted. There was hope for a better economy, accelerated economic reform, and a more stable and capable state.

However, as the GNU incurred teething pains and the economy experienced a brief return of load-shedding, slow reform progress, and the failed tabling of the national budget, sentiment has deteriorated sharply. This has been exacerbated by the return of Donald Trump to the White House.

In the six months since his inauguration, the news cycle has been dominated by erratic US policy signals, renewed global trade tensions, and geopolitical instability. Economic sentiment in the news media has been falling which does not bode well for either global or domestic economic growth.

How can we, as the Bureau for Economic Research (BER), say this with such conviction? We've studied sentiment for decades at the BER. Most readers of economic news will be familiar with the RMB/BER Business Confidence Index (BCI) and the FNB/BER Consumer Confidence Index (CCI).

These measures of economic sentiment reflect businesses' willingness to invest and employ people and consumers' willingness to spend. We rely on sentiment indicators because they can become self-fulfilling as respondents make purchasing, saving and investment decisions based on their assessment of the economic climate. As Nobel Laureate Robert Shiller has argued, economic narratives influence decisions which in turn shape the economy.

Our confidence indices are, however, based on quarterly surveys. A question we've been asking at the BER is how we can do this faster.

Analysts have been developing increasingly sophisticated ways to track what the media tells us about economic sentiment. The field of Sentometrics (sentiment analysis meets econometrics) explores how statistical techniques can be used to process large volumes of text-based data.
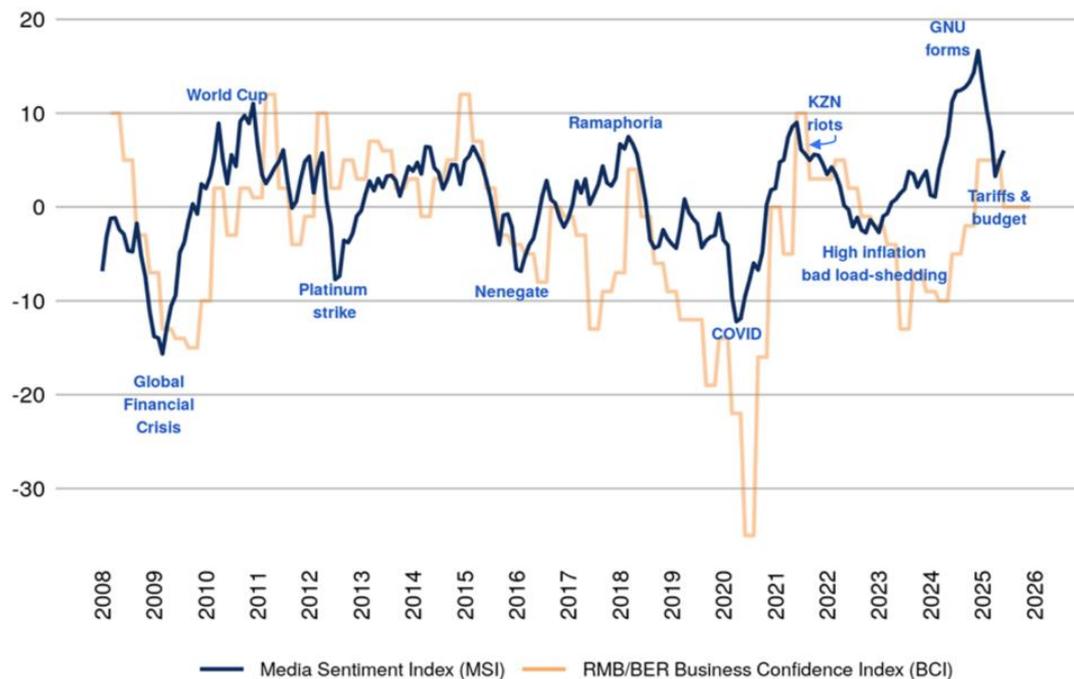
We use these models to measure the relative balance of negative and positive terms within an article to assess its sentiment. We then aggregate across articles to construct measures of sentiment by day, week, month, quarter, or longer. The result is a Media Sentiment Index (or MSI).

Only three major MSIs are actively published: the Federal Reserve Bank of San Francisco's Daily News Sentiment Index pulls articles from 24 major US newspapers; Belgium-based company Sentometrics (the first to coin the term) publishes daily measures of Belgian and Austrian news; and the Financial Times' new Macro Mood index condenses published articles into a weekly sentiment value.

Our tracker uses Business Day, Financial Mail, and Business Times articles from 2008 to the present, focusing on commodities, financial markets, business and industry developments, as well as fiscal and monetary policy.

The index is centred around zero. Values below zero reflect more pessimism than usual, whereas sentiment above zero reflects less pessimism than usual.

Fig 1: Sentiment in the economic news

Source: MSI derived from BDLive (BER calculations); RMB/BER BCI

The trends in the index have been quite telling, with the lowest sentiment recorded in the wake of the 2008 global financial crisis and the 2020 Covid pandemic. Similarly, sharp declines were seen during the platinum strike which culminated in the Marikana Massacre in 2012, as well as when former finance minister Nhlanhla Nene was fired in December 2015. During 2016, sentiment improved amid ongoing narratives that South Africa was reforming, but despite brief euphoria following Cyril Ramaphosa's election as ANC president in 2017, disappointment soon set in.

During 2024, media sentiment reflected a real sense of optimism. In fact, heading into 2025, the indicator hit an all-time high of 16.7 points. This was driven by stories of local resilience, economic reform, and the possibility that the GNU was fostering a more conducive business environment.

However, the tide soon began to turn and in March and April, the index fell substantially. Contributing factors included, the failed tabling of the national budget and the rejection of the National Treasury's proposed VAT hike amid rising tensions within the GNU. Global factors also contributed, including President Trump's Liberation Day tariffs and fears of a looming global trade war.

The drop in our MSI mirrors the decline in other sentiment indices, with the CCI tanking in the first quarter and the BCI also moving lower by the second quarter of this year.

Our MSI is still, however, trending above its long-term average. The 90-day pause in the implementation of the Liberation Day tariffs allowed for a resurgence in positivity driven by stories of strong domestic business performance, declining interest rates, new agricultural export markets, and a continued focus on economic reform. This suggests there is still scope for an economic turnaround.

Our key takeaway from our study of media sentiment has been that expectations matter but, as the fumbling around the GNU has shown, optimism can take you only so far. Long-term investment decisions are not made on brief upticks in sentiment, but on sustained ones.

And for sentiment to remain positive - and translate into investment and thus economic growth - delivery matters. In short, further improvements in the general economic climate are needed to drive and sustain growth.

Lastly, while South Africa cannot control global geopolitics, our economy *is* highly sensitive to global news and developments. We clearly have far more control over domestic developments and when our own economic environment is stable or improving (as initially followed the creation of the GNU), it can act as a much-needed buffer against global instability. It would be a great pity to squander this.

This article first appeared in the Business Day on 18 July 2025

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