BUREAU for ECONOMIC RESEARCH

WEEKLY REVIEW | NUMBER 1 | 9 JANUARY 2026

Markets look through geopolitical noise – for now

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

We are barely a week into the year, and already 2026 has provided plenty to digest. Happy New Year to all our readers.

However, as has been the case in recent years, at a time when geopolitical risks are escalating rapidly, financial markets remain remarkably composed, at least for now.

Globally, geopolitical tensions continued to simmer. The US has conducted a military operation in Venezuela, while President Donald Trump has refused to rule out the use of military force to take control of Greenland – some argue Cuba may be next. China has imposed fresh export controls on Japan, and despite a renewed US-led push over the holiday period to move Russia and Ukraine closer to a ceasefire, the war continues.

Locally, this week's data releases were mixed. December PMIs were bleak. New vehicle sales for the same month were upbeat, but manufacturing production data for November recorded another decline. Of course, the data still reflects late-2025 dynamics, and it is too early to draw firm conclusions about the underlying momentum in 2026 – especially because the PMIs' forward-looking indicators are much better.

On the political front, there is now clarity on who will take over leadership of the National Prosecuting Authority (NPA). See our new political section below for more - from this week, Natasha Marrian will keep readers up to date with the latest political developments in the Weekly.

Moving back to the global economy, less than a week ago, the US executed a military operation in Venezuela that resulted in the capture of President Nicolás Maduro, who now faces narco-terrorism charges. Despite Venezuela having the world's largest proven oil reserves (around 300 billion barrels, or roughly 17% of the world's total), the impact on the oil price has been limited. This is mainly because current production accounts for less than 1 % of daily global oil output – mostly going to China, which is reportedly now looking to Canada for more oil of a similar grade. Infrastructure is so neglected that it would take years for production to ramp up significantly, even if there was interest in investing. For now, the US intends to sell stranded Venezuelan oil reserves, starting with about 50 million barrels, with the proceeds intended to benefit the country (by buying "ONLY America-made products" and with funds going into US-managed accounts). Over the longer term, the Trump administration has signalled plans to loosen sanctions, encourage US oil firms to help rebuild Venezuela's industry, and retain control of oil sales as part of a broader strategy to stabilise the country and support its economic recovery. In sum, markets appear to be treating Venezuela as a longer-term geopolitical and reconstruction story rather than an immediate supply shock, which helps explain the muted oil price response despite the dramatic nature of recent events. Of course, the long-term impact on the world order could be hugely significant over time and will largely depend on how other countries, notably India, China, and to some extent Europe, react and position themselves going forward.

Meanwhile, Trump made a string of announcements potentially impacting housing and defence, which made markets a little jittery about what is still to come in the rest of the year. That said, US stock indices remain near or at all-time highs and European defence stocks surged the most this week since the Russian invasion of Ukraine in February 2022. Trump also withdrew the US from dozens of international organisations that he deemed contrary to US interests. It also halted funding – many of these organisations are (over)reliant on the US for income. (Re)funding is in focus in the US, with the US Supreme Court possibly releasing opinions later today on whether Trump has the authority to implement the reciprocal (IEEPA) tariffs announced on Liberation Day. No final certainty is expected soon, and the question around refunds of tariffs already paid could be kicked back to the lower courts.

Amidst all the geopolitical drama, the rand has stealthily strengthened from our last Weekly and seems comfortable at its current below R17/$ level. It is not just dollar weakness, the rand has also not closed above R20/€ since mid-November and not above R23/£ since mid-October. In commodity markets, gold and silver prices booked strong gains at the start of the year and the ground lost midweek was not enough to wipe out the week-on-week gain.

Weekly Key Indicators

	Close	w-o-w
R/$	R16.52	-0.3%
R/€	R19.27	-1.0%
R/£	R22.20	-0.4%
$/€	$1.17	-0.7%
Brent	$60.79	-0.1%
Gold	$4 448	2.8%
Platinum	$2 217	9.4%
JSE ALSI	117 138	1.1%
10y gov. bond	8.37	16bps
FRA (1x4)*	6.62	-3bps

*Forward rate agreement

WEEK AHEAD: FED WATCHERS AWAIT MORE PRICE DATA

The next few days will be important for so-called Fed watchers to determine how the Federal Reserve (Fed) will vote in the upcoming interest rate meeting (decision on 28 January). Currently, the market-determined probability of the Fed funds rate remaining unchanged is approximately 90%. But today's nonfarm payrolls and next week's price data may change these odds. Furthermore, some Fed members are scheduled to speak in the coming days, before the blackout period starts next weekend. Markets are still hoping for two 25bps rate cuts this year, while the Fed signalled just one in its last meeting.

The data calendar is otherwise quiet. Locally, only electricity production will be released by Stats SA. Globally, there are some second-tier releases and December trade data for China. Germany will publish its first estimate for full-year GDP growth, with the

Eurozone's largest economy expected to record slight growth (around 0.2%) after a contraction in 2024.

Date	Event	Latest
Tuesday (13 Jan)	US: Consumer inflation (Dec)	2.7% y-o-y
Wednesday (14 Jan)	CN: Trade balance (Dec)	$111.68bn
Wednesday (14 Jan)	US: Producer inflation (Oct & Nov)	0.3% m-o-m
Wednesday (14 Jan)	US: Retail sales (Nov)	0% m-o-m
Thursday (15 Jan)	SA: Electricity production (Nov)	-5.2% y-o-y
Thursday (15 Jan)	DE: GDP growth (2025)	-0.2%

SA POLITICS

Natasha Marian

PRESIDENT APPOINTS NEW NDPP

The year kicked off with a sharp focus on the criminal justice system as President Cyril Ramaphosa exercised his Constitutional discretion to appoint Advocate Andy Mothibi as the new National Director of Public Prosecutions (NDPP). The appointment of the former head of the Special Investigating Unit (SIU) was announced by Ramaphosa late on Wednesday.

Mothibi will replace Advocate Shamila Batoyi, who retires at the end of January. Ramaphosa exercised his discretion to make the appointment, relying on Section 179(1)(a) of the Constitution, read with the NPA Act 1998. This was after a seven-member panel he assigned to conduct the recruitment process submitted a report to him in December, indicating that none of the six candidates interviewed by them were suitable for the post. Among the interviewed, Hermione Cronje, the former head of the Independent Directorate set up to probe high-level corruption cases emerging from the Commission of Inquiry into State Capture, was a favourite among analysts and commentators.

Opposition parties expressed surprise at Ramaphosa's move, noting that Mothibi, at 63, will only serve two years in the post as he reaches the legislated retirement age for the NPA head at 65. The law states that the term for the NDPP is a non-renewable ten years. DA spokeswoman on crime Glynnis Breytenbach welcomed the appointment, but cited his age as the biggest stumbling block to him making a lasting impact. Most opposition parties took issue with the process of appointing Mothibi, rather than the individual.

However, from a legal perspective, Ramaphosa is constitutionally empowered to appoint the NDPP without a panel or any prescribed process - it is one of the many appointments that can be made solely at the President's prerogative. His appointment of a panel to appoint Batoyi in 2018 and his subsequent decision to appoint her successor last year were made at his own discretion. There are indications that Ramaphosa will move in the final years of his second term to legislate a process for making the crucial appointment in the future. It was the discretion to make the NDPP appointment which enabled former president Jacob Zuma to evade prosecution over arms deal corruption charges for almost two decades.

Outside of the noise surrounding the process to appoint him, Mothibi brings extensive experience to the role, having previously led the SUI, where his tenure was marked by an emphasis on operational efficiency and enforcement. His prior experience at the SA Revenue Service (SARS) also means familiarity with institution-building challenges, an area widely regarded as critical for the NPA. He was part of the leadership team, alongside the late former SARS Commissioner Pravin Gordhan, involved in restructuring the tax agency prior to the period associated with state capture. Mothibi then served as the head of legal services and chief officer for governance for several years.

Batoyi's tenure was marked by disappointments and setbacks - Mothibi enters an institution which remains hobbled, divided and weak. However, there are still two vacancies for deputy national directors - perhaps Cronje may yet return to the institution in the future.

DOMESTIC DATA

Nkosiphindile Shange

PMIs SIGNAL A SOFT ENDING TO 2025

The Absa manufacturing PMI declined by 1.5 points to 40.5 points in December 2025, firmly remaining in the contractionary territory. However, it is important to note that an unusually sharp decline in the inventories index, as well as a steep decline in the employment index, were the main drivers of the weaker headline reading. Indeed, activity improved sharply. Furthermore, the index tracking expected business conditions in six months' time jumped almost 20 points and came in at the second-highest level in two years.

The S&P Global SA PMI, which tracks the private sector more generally, dropped to 47.7 points in December 2025 from 49 in November - the weakest level seen in 11 months. Business activity declined the sharpest since January. Output declined amid weak client demand and challenging economic conditions. Registration of new projects declined for a third consecutive month. However, business optimism for the next 12 months was strong, with expectations for improved economic conditions and increased new sales orders.

Official Stats SA data showed that manufacturing production contracted by 1% y-o-y in November, following a 0.4% growth in October. The outcome was significantly below the consensus for 0.2% growth. Seven of the ten subsectors contracted in November. The largest decline came from wood and paper, which declined by 7.9%, subtracting 0.8%pts, followed by the metals subsector (2.5%, -0.6%pts), and motor vehicles and transport equipment (4.4%, -0.4%pts). Notably, the chemicals subsector grew by 5.5%, contributing 1.1%pts to the sector's growth.

On a monthly basis, seasonally adjusted manufacturing production decreased by 1.1% in November 2025, following 1% growth in October.

SA NEW CAR SALES RECOVER TO ABOVE PRE-PANDEMIC LEVELS

According to naamsa, new vehicle sales registered a 19.2% rebound in December, with aggregate industry new vehicle sales reaching 48 983 units, an increase of 7 882 vehicles compared to the 41 101 units recorded in December 2024. Passenger cars recorded the strongest growth of 20.1% while light commercial vehicle sales grew by 7.8%, and medium commercial vehicles grew by 5.6%. On the contrary, sales of heavy trucks and buses contracted by 3%.

New vehicle sales in 2025 totalled 596 818 units, compared to 515 976 in 2024, representing a 15.7% y-o-y improvement. Furthermore, this is 60 206 more units than sold in 2019, indicating significant growth linked to record-low vehicle inflation, an increase in more affordable vehicle imports, and recent interest rate cuts. Naamsa expects new car sales to grow by 9-11% in 2026.

The export market showed growth of 4.4% to 408 224 units. SA may benefit as Europe, our biggest export market, has softened their 2035 ban on internal combustion engines to 90% instead of the initial 100%. However, the export outlook remains precarious due to trade barriers and geopolitical tensions

INTERNATIONAL DATA

Nadia Matulich

This week's key international releases were the PMIs. However, US GDP, nonfarm payrolls, FOMC minutes, and several global sentiment indicators were also released since our last Weekly. We begin with the latest PMI data, followed by a brief review of other major international releases to bring readers up to date.

PMIs POINT TO CONTINUED, BUT SLOWING, EXPANSION

Several PMI releases came out this week. In the US, the S&P Global Manufacturing PMI eased slightly to 51.8 in December from 52.2 in November. The S&P Global Services PMI also softened, falling to 52.5 from 54.1 in November. This disconnect between the S&P Global manufacturing PMI and the ISM print continued, with the latter staying in contraction for a tenth consecutive month, declining to 47.9 in December from 48.2 in November. Respondents highlighted continued price pressures, tighter margins, and low morale. Furthermore, unlike the S&P services print, the ISM Services PMI was more positive, rising to 54.4 in December, its highest reading of the year and 1.8 points above November. Trade and tariff uncertainty continued to be a source of frustration, although some respondents reported that business conditions remained strong.

In the Eurozone, the HCOB Composite PMI Output Index fell from 52.8 in November to 51.5 in December. While this signals slower expansion, the quarterly average was the highest since 2023Q2. The outcome was driven by better services activity, while manufacturing continued to contract.

The UK S&P Global Composite PMI recorded an expansionary reading of 51.4 in December, up marginally from 51.2 in November. This marked the eighth consecutive month of expansion, with services outperforming manufacturing.

Finally, China's RatingDog General Composite PMI edged up to 51.3 in December from 51.2 in November, extending its expansion streak to seven months. As elsewhere, the improvement was driven primarily by services, with manufacturing expanding only marginally.

US DATA DELIVERS MIXED SIGNALS

The minutes from the December Fed interest rate decision showed that the cut earlier that month was warranted due to greater downside risks to the labour market relative to upside inflation risks. However, uncertainty remained elevated, with the risk of de-anchoring inflation expectations flagged as a key concern. Importantly, the cut was not seen as the start of an easing cycle, but rather a move back towards a more neutral stance, with a continued emphasis on data dependency.

The November nonfarm jobs report, delayed by the government shutdown, was released on 16 December. Data limitations were significant, with no information available for October. The Bureau of Labor Statistics reported that unemployment was broadly unchanged from September at 4.6%, with 64 000 jobs added. This was the highest unemployment rate since September 2021 and supports the Fed's concerns around labour market softening.

In contrast, US GDP surprised to the upside. Growth came in at 4.3% q-o-q (annualised) in Q3, up from 3.8% in Q2 and well above expectations of 3.3%. Growth was driven primarily by consumer spending, particularly on health care, international travel, information processing equipment, and prescription drugs. Fixed investment slowed sharply, from 4.4% to 1 percent. Exports rebounded strongly after contracting in Q2, while imports declined.

Sentiment indicators presented a more cautious picture. The Michigan Consumer Sentiment Index improved modestly to 52.9 in December from 51 in November, although levels remain subdued. By contrast, the Conference Board Consumer Confidence Index fell for a fifth consecutive month, declining from 92.9 to 89.1. Expectations remained below 80 for an eleventh consecutive month, a level that typically signals recessionary risk. Overall, while headline GDP growth was strong, underlying indicators point to emerging areas of concern in the US economy.

EUROPE AND THE UK REMAIN BROADLY STABLE

Following unchanged inflation in November (annual headline inflation at 2.1% and core at 2.4%), the European Central Bank (ECB) left its policy rates unchanged in December. Separately, sentiment improved, with the ZEW Indicator of Economic Sentiment rising to 33.6 in December, up 8.7 points and its highest level in five months.

In the UK, headline inflation slowed to 3.2% y-o-y in November, its lowest level in eight months. Core inflation also eased to 3.2%, the lowest reading in eleven months. GfK consumer confidence improved slightly, but remained subdued (-19 to -17).

FORECAST UPDATE - *We will update the forecast table in next week's Weekly.*

CONTACT US

Editor: Lisette IJssel de Schepper
Tel: +27 (0)21 808 9777
Email: lisette@sun.ac.za

Click **here** for previous editions of this publication.
Please refer to the glossary on the **BER website** for explanations of technical terms.