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Fear of a protracted energy shock ripples through markets

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

It was another week of Strait watching. Markets initially clung to signs of stability, with global equities generally ticking up in the early part of the week and the oil price edging slightly lower. However, market turmoil returned midweek, with the Brent crude oil prices surging above $115 per barrel (/bbl) after a sharp escalation in hostilities between Israel, the US and Iran. Following Israel's strike on Iran's South Pars gas field, Iran retaliated by targeting energy infrastructure across the Middle East, including major facilities in Qatar, Saudi Arabia and Kuwait.

The disruptions are significant, with Middle East production and refining capacity severely constrained. The International Energy Agency (IEA) estimates global crude supply could fall by as much as 8 million barrels per day (bpd) in March. Put into perspective, a supply loss of roughly 3 million bpd was anticipated after Russia invaded Ukraine, highlighting the scale of the current shock. QatarEnergy estimates that 17% of Qatar's LNG export capacity is damaged, and that it will take three to five years to repair.

This morning's news was a little more positive, with Brent crude falling to $105/bbl after the US said it would not deploy ground forces and Israel said it would not attack more Iranian energy facilities.

Back at home, the SA Department of Mineral and Petroleum Resources reassured that fuel supply for the coming weeks is secure. Still, SA is highly reliant on imported refined fuel, as domestic refining capacity is limited. If the conflict persists, this reliance will increase the risk of supply constraints. One thing is certain: price hikes are coming, with petrol and diesel set to rise by roughly R5/litre and R8/litre respectively on 1 April – if we do not see an intervention.

Beyond oil, gas, chemicals and fertilisers are also affected by the war. This could have longer-term implications for global (food) prices – including SA. Indeed, with this week's lower-than-expected CPI print setting the SA Reserve Bank (SARB) up for a possible interest rate cut in a non-war world, that prospect is off the table (see the **week ahead** below for more). The rand weakened past R17/$ on Wednesday, amplifying the impact of the higher oil price, but was trading back below R17/$ this morning.

As flagged previously, President Donald Trump has now waived the Jones Act in a bid to curb rising gasoline prices in the US (it authorises foreign-flagged vessels to transport a range of commodities between US ports for the next 60 days). Treasury Secretary Scott Bessent remarkably suggested that the US could remove sanctions on Iranian oil as part of efforts to lower energy prices. Bessent ruled out US export controls.

In the US, pump prices are up by about 30% - less than the increase in Brent crude oil, but still significant for consumers (especially in a midterm election year). Bessent and Kevin Hassett, the White House's top economist, have continued to assure Americans that gas prices will come down, the economy will remain resilient, and the administration has a plan. Trump earlier suggested that an interest rate cut would boost the economy, which would run counter to the risk of rising inflation. However, as seen in recent years, his reasoning does not always align with conventional economic theory. The US Federal Reserve (Fed), for its part, struck a more cautious tone on inflation, delivering a hold in its midweek statement – emphasising risks on both sides of its mandates (jobs and prices).

The Fed still signalled one rate cut in 2026, and another in 2027 – if there was further progress on getting inflation to the 2% target – the nuances are in the international section below. Bond markets have now priced out the possibility of 2026 rate cuts. The more interesting bit was the Q&A after the statement, where chair Jerome Powell was firm that he would not leave the Fed board as long as the Justice Department's "bogus" probe into the Fed's building renovation project was continuing. Traditionally, outgoing Fed chairs resign from the board. He also said that if Trump's pick of chair, Kevin Warsh, was not confirmed by the Senate before the end of Powell's term, he would temporarily stay in charge. Warsh's confirmation faces several hurdles.

Some Asian countries not directly impacted by the war (such as Pakistan, Sri Lanka, Jordan) are vulnerable to higher prices and shortages. Europe could also be hit hard by the surge in oil and, particularly, gas prices. Indeed, while the European Central Bank (ECB) held interest rates on hold this week, markets are now expecting two 25bps rate hikes and are leaning towards a third. Markets are also betting on rate hikes for the Bank of England (BoE) – after still expecting a cut this month just a few weeks ago. Most other banks – including the Bank of Japan and the Swiss National Bank – also kept rates on hold. The Reserve Bank of Australia was an outlier this week, hiking its policy rate for a second time this year, as inflation was already off target prior to the oil price surge. The other outlier was the Central Bank of Brazil, which lowered its policy rate by 25bps amid a cooling economy (some analysts expected a bigger cut). The Bank warned that the possibility and extent of further easing would depend on developments in the Middle East.

US Treasury yields rose following the Fed statement, and equities declined sharply on Thursday before

Weekly Key Indicators

	Close	w-o-w
R/$	R16.89	0.7%
R/€	R19.44	0.6%
R/£	R22.57	0.8%
$/€	$1.15	-0.1%
Brent	$110.93	9.6%
Gold	$4 605	-10.2%
Platinum	$1 935	-10.0%
JSE ALSI	110 572	-5.5%
10y gov. bond	9.05	34bps
FRA (1x4)*	6.81	0

*Forward rate agreement

staging a short-lived recovery bounce before close. Markets reacted to the news of more extensive damage to oil and gas infrastructure, meaning that even with the reopening of the Strait, it will take longer to return to previous production and supply levels. A more protracted energy shock is becoming increasingly likely.

Elsewhere in the commodity market, precious metal prices declined sharply. This may seem counterintuitive, as precious metals often gain in times of uncertainty due to their safe-haven appeal. But it reflects some unwinding of earlier speculative positions and traders banking earlier profits. Lower precious metal prices are another blow to SA. Indeed, the slump in these commodity prices meant that, amid everything else, the JSE ALSI had a tough week. The key exceptions are coal miners and Sasol, which benefit from higher oil prices and a weaker rand.

WEEK AHEAD: SARB TO KEEP INTEREST RATE ON HOLD

On the domestic front, the FNB/BER Consumer Confidence Index (CCI) is likely to receive the most attention. The CCI, the best measure of consumers' willingness to spend, ticked up in Q4, with a possible further improvement at the start of the year - a positive sign of sustained momentum in consumer spending. The fieldwork of the survey was completed prior to the initial attacks on Iran.

Indeed, spillovers from the Iran war could hurt consumer sentiment going forward, the first direct implication being a diminished likelihood of an interest rate cut at next week's Monetary Policy Committee (MPC) meeting of the SA Reserve Bank (SARB). While we had pencilled in a rate cut in March following the hold in January, the inflationary impact of the spike in oil prices and a weaker rand exchange rate (and the risk that these may be sustained) means that a near-term rate cut is unlikely.

The lower-than-expected CPI print for February would have been a positive tick for a potential rate cut, as would the sustained decline in inflation expectations among professionals, as **surveyed by the BER**. The uptick in household inflation expectations (although still relatively subdued) would argue against a cut. The SARB has also expressed concern about sticky services inflation and would not have welcomed the uptick in services selling price inflation, as reflected in the BER's **Other Services Survey**.

On the international front, the batch of flash PMIs will be closely watched for early signs of how the recent oil price shock is feeding through to input costs, output prices and supply chains. While headline activity indicators have been relatively resilient in recent months, the risk is that renewed cost pressures and heightened uncertainty begin to weigh on both manufacturing and services momentum. In particular, the surveys' forward-looking components – such as new orders and business expectations – will be key in gauging whether firms are turning more cautious. Following this week's collapse in the Eurozone ZEW index (see international section), other sentiment data from Europe is also likely to reverse some of the tentative improvement seen at the start of the year.

Date	Event	Latest
Monday (23 Mar)	EZ: Consumer Confidence (flash, Mar)	-12.2
Tuesday (24 Mar)	SA: FNB/BER Consumer Confidence Index (Q1)	-9
Tuesday (24 Mar)	SA: Leading Business Cycle Indicator (Jan)	-1% m-o-m
Tuesday (24 Mar)	US, EZ, UK: Composite PMI (flash, Mar)	51.9; 51.9; 53.2; 53.7
Wednesday (25 Mar)	UK: Consumer Inflation rate (Feb)	3% y-o-y; -0.5% m-o-m
Wednesday (25 Mar)	DE: Ifo Business Climate (Mar)	88.6
Thursday (26 Mar)	DE: GfK Consumer Confidence (Apr)	-24.7
Thursday (26 Mar)	SA: PPI (Feb)	2.2% y-o-y; -0.2% m-o-m
Thursday (26 Mar)	SA: SARB Interest Rate Decision	6.75%
Friday (27 Mar)	UK: Retail Sales (Feb)	4.5% y-o-y; 1.8% m-o-m
Friday (27 Mar)	UK: GfK Consumer Confidence (Mar)	-19

SA POLITICAL UPDATE

Natasha Marrian

RAMAPHOSA WEIGHS IN ON MCHUNU'S CONTROVERSIAL MOVE TO AXE TASK TEAM

President Cyril Ramaphosa did not agree with suspended Minister Senzo Mchunu's decision to disband the political killings task team. He did not believe it was a decision for the minister to take, but rather one for the National Police Commissioner.

The president revealed this in an affidavit responding to questions from Parliament's ad hoc committee investigating allegations of political interference, corruption and capture of sections of the criminal justice system levelled by KwaZulu-Natal police chief Nhlanhla Mkhwanazi on July 6 last year.

Based on the same allegations, Ramaphosa appointed the commission of inquiry into criminality, political interference and corruption in the criminal justice system, chaired by retired Constitutional Court justice Mbuyiseli Madlanga, to probe Mkhwanazi's assertions. The allegations have cast a pall over the entire criminal justice system – building confidence and increasing investment to boost growth rests heavily on whether SA can curb organised crime networks, tackle the illicit economy and crime in general.

The ad hoc committee concluded its public hearings this week, as Ramaphosa submitted his affidavit in response to questions raised during its work. It was the first time Ramaphosa laid out his perspective on Mchunu's controversial decision to disband the task team, which led to Mkhwanazi's explosive revelations about the far-reaching influence organised crime cartels have developed from senior police officials, including deputy police commissioner Shadrack Sibiya, to the police ministry.

In the affidavit, Ramaphosa said he was informed of the disbanding by National Police Commissioner Fannie Masemola, who had expressed dismay at both the decision and how it was communicated. Masemola also told him he would not immediately implement it. Ramaphosa then requested a meeting with Mchunu — who had testified about the meeting but not that it was at the president's behest. Ramaphosa said he told the minister he was "dismayed" the decision was taken without consulting him and believed it fell under the national commissioner, not the minister. He also said the team's work was largely "positive". He added that he wanted the Madlanga Commission to clarify whether Mchunu had overstepped into Masemola's territory, as the legislation was unclear.

This also appears to be why he suspended Mchunu rather than removing him.

This week, the Madlanga Commission shed light on crime cartels reaching into the City of Tshwane through political parties represented there, the Economic Freedom Fighters and ActionSA. WhatsApp messages presented as evidence suggest that EFF leader Julius Malema and ActionSA MMC for Shared Services, Kholofelo Morodi, interfered in a multi-million rand security tender. The commission's terms of reference allow it to probe the extent to which Gauteng's three metros — Johannesburg, Ekurhuleni and Tshwane — are entangled with the criminal underworld.

The revelations indicate a shift in the commission's focus to Tshwane.

Its work on Ekurhuleni led to the suspension of deputy metro police chief Julius Mkhwanazi and several city officials. ActionSA's Morodi was placed on special leave by Tshwane executive mayor Nasiphi Moya on Thursday, pending further investigation into allegations that emerged at the commission.

Overall, it was a dramatic week for SA's criminal justice system, with the SA National Defence Force deployed to tackle illegal mining and gangs in parts of Gauteng and the Western Cape; Advocate Andy Mothibi's first media engagement as National Director of Public Prosecutions, where he doubled down on reforms to boost NPA independence; and the extension of the Madlanga Commission's deadline from March to August 31.

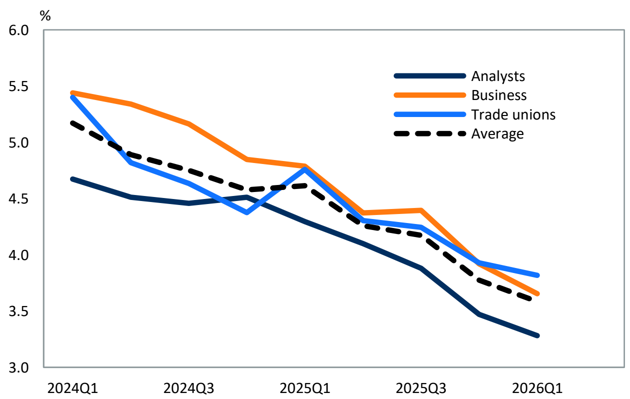
Ramaphosa reiterated in his affidavit that the Madlanga Commission's recommendations would help reform the criminal justice system.

DOMESTIC DATA

Katrien Smuts

INFLATION EXPECTATIONS MOVED CLOSER TO THE NEW 3% INFLATION TARGET

In 2026Q1, the second survey after the inflation target changed to 3%, the average next-year inflation expectations of the three professional groups declined slightly to a low of 3.6% (from 3.7% previously). In contrast, household inflation expectations reversed their downward trend; one-year expectations were 5.4% (5.3% previously), while five-year expectations rose from 7.7% to 8.4%.



Source: BER

CPI INFLATION SOFTENS MORE THAN EXPECTED IN FEBRUARY

Annual consumer (CPI) inflation declined to 3.0% in February 2026, down from 3.5% in January and 3.2% in February 2025. On a monthly basis, prices increased by 0.4%. While the moderation in inflation is welcome, the February print was partly driven by idiosyncratic factors. Notably, medical aid contribution increases, typically implemented in January but surveyed in February, were not fully captured this year, as some schemes have delayed their tariff adjustments. Given that insurance accounts for 8.4% of the CPI basket, this resulted in a lower-than-usual contribution to headline inflation. In addition, fuel prices declined by 3.1% m-o-m in February, contributing to the softer outcome, although more recent oil price developments suggest this effect may prove temporary. Food and non-alcoholic beverages recorded a 0.3% m-o-m decline (+3.7% y-o-y), further softening the overall print.

WHOLESALE TRADE CONTRACTS, WHILE MOTOR TRADE SHOWS RESILIENCE IN JANUARY

Real wholesale trade contracted by 4.5% y-o-y in January 2026, while nominal wholesale trade sales declined by 3.8% y-o-y over the same period. The largest drag came from dealers in solid, liquid and gaseous fuels and related products, where sales fell by 17.6%, subtracting 4.5 %pts from overall wholesale trade growth.

By contrast, real motor trade sales increased by 3.2% y-o-y in January. Growth was driven primarily by new vehicle sales, which rose by 15.7% y-o-y, contributing 4.0 %pts. Used vehicle sales also increased, up 3.4% y-o-y, adding 0.7 %pts. On the downside, income from accessories declined by 3.7% y-o-y, detracting 0.7 %pts from overall motor trade sales.

INTERNATIONAL DATA

Nomvelo Moima

GLOBAL CENTRAL BANKS TAKE A CAUTIOUS STANCE AMID RISING ENERGY PRICES

As anticipated, the US Fed voted 11-1 to hold the Federal funds rate unchanged at 3.5-3.75%. The Summary of Economic Projections (SEP) showed GDP growth at 2.4% for 2026 (an upward revision from 2.3% in the December SEP), unemployment steady at 4.4%, and both PCE and core PCE inflation revised higher to 2.7% (up from 2.4% and 2.5% in December, respectively). The dot plot revealed one potential cut this year, and another in 2027, but the distribution of votes in favour of cuts has shifted hawkishly since the December SEP (more committee members favouring holds than previously). Fed Chair Jerome Powell stated that the Fed was “not making as much progress on inflation as it had hoped”. His comment, taken together with the SEP, highlights the difficulty the Fed faces in balancing its inflation and employment mandates amid rising oil prices.

Across the Atlantic, both the BoE and the ECB kept their policy rate unchanged on Thursday. The BoE’s Monetary Policy Committee voted unanimously to maintain the key policy rate at 3.75%, while the ECB held its steady at 2.15%. The BoE's decision was a notable shift from pre-war expectations of a cut. The escalation of conflict in the Middle

East, which has pushed energy higher, has the BoE on high alert for second-round effects on wages and prices in the UK economy, dashing hopes of further policy easing.

The ECB moved in line with market expectations, holding its benchmark interest rate for a sixth straight meeting, with the key shift in the statement being an emphasis on the potential upside risks to inflation and downside risks to economic growth stemming from the Iran conflict.

Another hold came from Japan’s central bank, which, unlike other major central banks, is on a hiking cycle. The BoJ left its key short-term policy rate unchanged at 0.75% for a third consecutive meeting. Cautioning that intensifying tensions in the Middle East added uncertainty to the outlook, but reiterated that they remain prepared to continue raising rates if economic growth and inflation evolve broadly in line with projections.

US PRODUCER PRICE INFLATION HOTTER THAN EXPECTED

US producer price inflation (PPI), released hours before the Fed's interest rate announcement, came in hotter than market expectations. On an annual basis, PPI rose by 3.4% in February, accelerating from 2.9% in January. The upside surprise was driven by a 0.7% m-o-m rise in producer prices, a faster pace than the 0.5% m-o-m increase in the prior month and the consensus forecast of 0.3%.

Ahead of the March spike in oil prices, February’s PPI print was the fastest increase seen in seven months. A combination of underlying inflationary pressures and expectations of a further acceleration in the coming month bodes poorly for the US inflation outlook.

ECONOMIC SENTIMENT IN EUROPE DETERIORATES AMID MIDDLE EAST FLARE-UP

In the Eurozone, the ZEW indicator of economic sentiment swung to its lowest level since the threat of US liberation day tariffs in April 2025. Plunging from 39.4 in February to -8.5 in March, the reading was far worse than consensus expectations, which had been looking for a moderate decline to 24 points, as concerns over the conflict in the Middle East and its spillovers weighed heavily on the mood in the region. Most evident in inflation expectations surging by 78.9 points to 79.

Economic sentiment in Germany mirrored that of the EZ, sinking to -0.5 in March, down sharply from 58.3 in February. Notably, this marked the third-largest decline in a single month in recent history, after Russia’s Invasion of Ukraine and April 2025 Liberation Day.

CHINA FACTORY OUTPUT AND RETAIL SALES SIGNAL STEADY START TO THE YEAR

Finally, China’s industrial production rose by an above-consensus 6.3% y-o-y over January and February 2026, up from 5.2% in December. At the same time, retail sales increased by 2.8% y-o-y in the first two months of 2026, accelerating from 0.9% in prior month. Buoyed by a surge in consumer spending and travel over the Lunar New Year holiday. Meanwhile, the urban unemployment rate picked up more than expected to 5.3% in February, from 5.1% in January.

It is worth noting that although industrial output and retail activity surprised to the upside, support was driven by temporary tailwinds (resilient external demand and holiday spending), rather than a structural recovery in domestic demand.

FORECAST UPDATE

As mentioned in the *Week Ahead* section above and signalled last week, we no longer expect a SARB rate cut next week. The longer the increase in oil prices persists, the less likely 2026/27 rate cuts become - and some of our more severe scenarios even point to potential rate hikes. While this is not our baseline at present, we will reassess the rate path based on the SARB's updated forecasts and the tone of the statement at next week's MPC meeting, and will make a firmer call thereafter.

	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	3.2	3.1	22-Apr-26	Mar
FNAB inflation (y-o-y % change)	4.1	4.2	4.3	3.7	22-Apr-26	Mar
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)		0.4	0.3			

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.

CONTACT US

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

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