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Ramaphosa bets on criminal justice overhaul and takes charge of Johannesburg's dry taps

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

The week was dominated by politics at home and abroad. Domestically, President Cyril Ramaphosa used his State of the Nation Address (SONA) to announce a Presidency-led overhaul of SA's criminal justice system - a politically fraught reform effort modelled on Operation Vulindela. At the same time, residents of Johannesburg continued to grapple with an escalating water crisis, prompting Ramaphosa to take personal charge of a newly established National Water Crisis Committee. Please find Natasha Marrian's first take on the SONA below.

Meanwhile, domestic data disappointed, and points to downside risk to Q4 GDP growth. The biggest global data release of the week was the US non-farm payrolls report (delayed by the government shutdown), which came in significantly stronger than expected. While this was 'good news' for the economy, it was 'bad news' for expectations of further rate cuts. Markets are still pencilling in two 25bps rate cuts for this year, but this is becoming less likely. The dollar weakened, which benefitted the rand, with the currency trading about 2% stronger against the greenback than last Thursday. However, it was not just dollar weakness, as the local currency was also more than a percent stronger against the euro and pound.

In the US, President Trump is encountering what appears to be the first meaningful resistance from within his own party in the Republican-controlled House. That this is emerging in an election year - with mid-term elections due in early November - is notable, as party discipline typically tightens ahead of the polls. The House is reportedly seeking to roll back levies on Canadian imports, reflecting unease about the economic implications of prolonged trade friction. However, the president is widely expected to veto any legislative attempt to dilute or overturn his tariff measures, setting up a potential intra-party standoff.

Elsewhere, political developments impacted financial markets. Following Prime Minister Sanea Takaichi's landslide victory, Japanese stocks hit record highs early in the week. Bond yields, however, rose as Takaichi is now expected to pursue fiscal stimulus with limited opposition. In the UK, pressure on Prime Minister Keir Starmer continued, with two senior aides departing, suggesting ongoing political uncertainty. Gilt yields edged higher, while the pound weakened. Weak Q4 GDP data also didn't help with sentiment.

On the geopolitical front, Ukraine has reportedly begun preliminary discussions around the sequencing of eventual elections and even a possible referendum linked to a peace settlement - although no agreement is currently in place. The US has been pushing for a more precise timeline. Some reports suggest Washington would prefer these steps to occur before mid-May, but the practical and political constraints remain significant, not least given the ongoing security risks and the imposition of martial law.

Meanwhile, tensions with Iran remain elevated even as diplomatic engagement continues. Talks centred around Iran's nuclear programme involving the US, Iran and other parties have resumed, but progress appears limited, and uncertainty persists, particularly given Israel's continued scepticism about relying on diplomacy alone. While a direct military strike still seems less likely than a few weeks ago, the US has increased its regional military presence, including carrier deployments within range of Iran, which is keeping the pressure firmly in place.

These overlapping risks continue to feed into energy markets, with oil prices picking up further this week as traders price in a higher geopolitical risk premium. Gold and platinum recovered a little from last week's steep declines, but remained well below recent highs. This contributed to a solid uptick in the JSE ALSI following last week's drop.

Weekly Key Indicators		
	Close	w-o-w
R/$	R15.85	-2.3%
R/€	R18.84	-1.5%
R/£	R21.72	-1.0%
$/€	$1.19	0.8%
Brent	$69.12	2.3%
Gold	$4 958	2.8%
Platinum	$2 109	4.2%
JSE ALSI	122 213	3.1%
10y gov. bond	7.96	-12bps
FRA (1x4)*	6.64	-4bps

*Forward rate agreement

WEEK AHEAD: RETAIL SALES AND CPI TAKE CENTRE STAGE IN SA; US GDP AND FLASH PMIS ABROAD

The local data calendar is busy. Following this week's manufacturing and mining releases, the focus shifts to the demand side of the economy, with fresh insight expected on consumer spending in the final month of the year. Retail sales have been on a strong run and are set to cap off a solid year, reinforcing the view that household demand remained resilient despite still-tight financial conditions. Stats SA will also release motor trade sales for December, which should provide an additional read on big-ticket consumer spending at year-end. These releases will help further refine our high-frequency GDP tracker and firm up views on growth momentum heading into 2026.

Midweek, Stats SA will publish household-survey-based employment data for Q4, including the unemployment rate, which ticked down to 31.9% in 2025Q3. While labour market conditions remain structurally weak, some economic growth momentum and an uptick in business confidence in Q4 could have helped with job growth.

On the price front, we expect a modest slowdown in consumer inflation (CPI) to 3.4% in January 2026, from 3.6% in December. Fuel prices flipping back into deflationary territory in 2026 are a key driver of the slowdown, after contributing positively to inflation through 2025Q4. While producer inflation (PPI) is only due the week after (26 Feb), Stats SA will publish recalculated PPI weights on Thursday next week, which could slightly alter category contributions but are unlikely to materially change the near-term inflation outlook.

On the international calendar, we will see the advance estimate for 2025Q4 GDP growth in the US. Quarterly growth momentum is expected to slow from 4.4% in Q3 to 2.2-2.4% in 2025Q4. Markets will also keenly await the Fed's preferred measure of inflation, also released on Friday.

The week ends with the usual string of flash PMI readings from Europe and the US, with insights for February expected.

Date	Event	Latest
Tuesday (17 Feb)	EZ, DE: ZEW Economic Sentiment Index (Feb)	40.8; 59.6
Tuesday (17 Feb)	SA: Unemployment rate (Q4)	31.9%
Wednesday (18 Feb)	UK: Consumer inflation rate (Jan)	3.4% y-o-y
Wednesday (18 Feb)	SA: Consumer inflation rate (Jan)	3.6% y-o-y; 0.2% m-o-m
Wednesday (18 Feb)	SA: Wholesale trade sales (Dec)	-0.8% y-o-y
Wednesday (18 Feb)	SA: Retail sales (Dec)	3.5% y-o-y
Thursday (19 Feb)	EZ: Consumer confidence (flash, Feb)	-12.4
Thursday (19 Feb)	SA: Motor trade sales (Dec)	-0.1% y-o-y
Friday (20 Feb)	UK: Retail sales (Jan)	2.5% y-o-y; 0.4% m-o-m
Friday (20 Feb)	US, EZ, UK: Composite PMI (flash, Feb)	53; 51.3; 52.1; 53.7
Friday (20 Feb)	US: Core PCE Price Index (Dec)	2.8% y-o-y; 0.2% m-o-m
Friday (20 Feb)	US: GDP Growth Rate Adv (Q4)	4.4 % q-o-q

SA POLITICAL UPDATE

Natasha Marrian

RAMAPHOSA COMMITS TO OVERHAULING THE CRIMINAL JUSTICE SYSTEM

As his economic reforms begin yielding results, President Ramaphosa has turned his attention to reforming the criminal justice system - a hotly contested terrain within the ANC, which had a direct hand in its weakening through scrapping the Directorate of Special Operations (Scorpions).

A first for an ANC president, Ramaphosa committed to establishing a "hard-hitting new criminal justice reform initiative", which he said would be modelled on the success of Operation Vulindela, which has made progress in advancing economic reform. "This will crack down on organised crime, corruption and the illicit firearms trade using a dedicated team in the Presidency to ensure that reforms are implemented across the system," Ramaphosa said, delivering the SONA on Thursday.

It would be a significant moment if Ramaphosa followed through on his commitment. The erosion of the criminal justice system has been underscored by the surge in organised crime networks. From construction to water, tobacco and alcohol, organised crime has infiltrated significant swathes of the SA economy.

He declared that his administration's "primary focus" this year is to tackle organised crime and criminal syndicates, using technology, intelligence and integrated law enforcement. “We will tackle organised crime by consolidating intelligence at national level, identifying priority syndicates and deploying hand-picked, multidisciplinary intervention teams focused on dismantling criminal networks,” he said. The SA National Defence Force will be deployed to gang-ridden areas in the Western Cape and to Gauteng to combat gang violence and illegal mining.

He acknowledged that the infiltration of illegal and counterfeit goods is damaging local employment creation and businesses, and announced a “national illicit economy disruption programme” to target high-risk sectors such as tobacco, fuel, alcohol and other counterfeit products. The growing impact of the illicit economy and organised crime on the economy is at the heart of the intervention. It has also been sharpened by the revelations at the Commission of Inquiry into political interference in the criminal justice system, chaired by former Constitutional Court Justice Mbuyiseli Madlanga. Ramaphosa expects the recommendations of the Madlanga Commission to form the basis of far-reaching reform of the criminal justice system.

Ramaphosa’s announcement follows a significant appointment at Business Against Crime SA, established at the behest of former president Nelson Mandela in 1996. Its chief executive designate, Advocate Anton Du Plessis, is a former deputy director of public prosecutions. Du Plessis this week described the Madlanga Commission as a “pivotal moment” - and perhaps a last chance - to overhaul, reform and fix SA’s ailing criminal justice system.

Reforming the criminal justice system will be politically charged for Ramaphosa and his team in the Presidency, given the potential for repercussions for politicians and senior police officials involved in its destruction and neutering in the face of powerful - often highly influential and technologically sophisticated - organised crime networks, many operating internationally. Suspended police minister Senzo Mchunu was among Ramaphosa’s closest allies and has been accused of colluding with organised crime cartels. He is but one example of the potential reach of criminal syndicates in SA.

The Tembisa Hospital scandal illustrates that organised crime networks have also honed in on extracting from the public procurement system, co-opting government officials at all levels into their schemes. Ramaphosa also committed to an overhaul of the procurement system in his address.

The water crisis in Johannesburg was also a key focus for Ramaphosa. He has established a National Water Crisis Committee, which he will chair. His commitments were made as taps across the City of Johannesburg have run dry - in some areas for as long as eight months, in others for periods of 11 to 24 days. The Johannesburg water crisis is a direct result of neglected, broken infrastructure, and not a drought or an absence of supply. The promises were made as Gauteng Premier Panyaza Lesufi came under fire for telling a media briefing that he, too, suffered water cuts but dealt with them by showering at hotels.

Ramaphosa’s administration will be under pressure to deliver on the commitments made in these two crucial areas - combating crime and water provision - particularly ahead of the local government election.

Premium Insights clients can find our latest political note on Johannesburg’s evolving local election landscape - *Inside the DA’s campaign for the soul of Johannesburg* - here.

DOMESTIC DATA

Nicolaas van der Wath

PRECIOUS METAL RALLY BOOSTS MINERAL SALES

Although mining production volumes fell by 1.2% m-o-m in December 2025, output was still up 2.5% y-o-y. For the fourth quarter as a whole, mining output declined by 0.5%, implying the sector is likely to subtract from quarterly GDP growth. The contraction was driven mainly by lower production of gold, platinum group metals (PGMs), and coal, despite substantial increases (15%+) in nickel, copper, and manganese.

In contrast to weaker volumes, mineral sales surged by 24% m-o-m in December, lifting the annual increase to 48% y-o-y. This jump was largely driven by booming metal prices, especially in precious metals. Gold sales rose by 270% y-o-y (even though the rand gold price was up only around 52% over the same period), which may indicate a release of previously accumulated stocks or timing effects in sales. PGM sales increased by 51%, while copper sales rose by 52%.

Overall, these results should support mining profitability, bonuses, and tax revenues over time, while also boosting nominal GDP growth in the fourth quarter.

For a deeper dive into the SA mining sector, the Impumelelo Economic Growth Lab published a Research Note, Turning SA's sunset mining sector into a sunrise industry, earlier this week. It is freely available on our website (click here), after a one-off registration.

MANUFACTURING ENDS THE YEAR ON A SOUR NOTE

Manufacturing output also declined in December, falling by 1.2% m-o-m, pulling annual growth down to -1.4% y-o-y. Over the fourth quarter as a whole, production was 0.5% lower q-o-q, suggesting the sector will also likely weigh on real GDP growth in Q4.

The quarterly contraction was driven mainly by sharp weakness in motor vehicles and parts, as well as declines in wood, paper and printing and food production. Vehicle output dropped by around 10% q-o-q, which contrasts with relatively resilient vehicle demand over the same period - suggesting that imports may have filled part of the gap. By contrast, petroleum and chemical production provided one of the few areas of support, recording positive growth over the quarter.

Sales data paint an even weaker picture: seasonally adjusted manufacturing sales fell by 2.5% q-o-q in Q4, a larger decline than the drop in volumes. This divergence may point to some easing in factory-gate pricing pressures, particularly in the vehicle sector. As such, manufacturing is also likely to detract from nominal GDP growth in the fourth quarter.

INTERNATIONAL DATA

Nadia Matulich

US PAYROLLS SURPRISE TO THE UPSIDE

The key release of the week was the US non-farm payrolls for January, which showed total employment up by 130k, nearly double the consensus of +70k. The unemployment rate edged down slightly to 4.3% (Dec 4.4%).

Job gains were concentrated in health care (+82k), social assistance (+42k) and construction (+33k), whereas job losses were primarily in federal government (-34k) and financial activities (-22k). The release also included substantial revisions, specifically for March 2025 and for 2025 as a whole. The total level of jobs in March 2025 was revised down by 898k to 158.3 million. Similarly, the total number of jobs added in 2025 was revised from +584k to +181k, seasonally adjusted.

Preliminary US consumer sentiment figures were broadly aligned with the improvement in the job market, with the University of Michigan Consumer Sentiment Index ticking up from 56.3 in January to 57.3 in February. Notably, consumers remain concerned about the longer term, particularly high prices and elevated risks of job losses. Retail sales, however, were unchanged from November.

While the US job market has strengthened marginally, the consumer remains under pressure. Risks persist, and a clear directional shift has not yet materialised.

UK GROWTH REMAINS SUBDUED

In constant terms, the UK economy was 1.3% larger in 2025 compared to 2024. Q4 was 1.0% higher than 2024Q4 and up 0.1% compared to 2025Q3. Q4 saw the strongest growth in production (1.2%), while construction contracted by 2.1% and services stagnated.

CHINA’S DISINFLATIONARY PRESSURES PERSIST

China’s January inflation figures were also released this week. Annual consumer price inflation ticked down to 0.2% in January (0.8% in December). Producer prices remained in deflation, printing at -1.4% compared to -1.9% in December.

FORECAST UPDATE

We have not made changes to our forecast table below. Ahead of next week’s CPI data, we note that the broader inflation backdrop should remain supportive of a cautious easing bias - provided the rand and global oil dynamics cooperate.

Following the disappointing mining and manufacturing data, our high-frequency tracker is pointing to significant downside risk to our quarterly forecast for Q4. However, 1.3% for 2025 still seems feasible, but next week’s domestic trade data will be important to make a firmer call on quarterly growth momentum.

	Actual		Forecast			Next release/meeting	
	2025	2025Q4	2026Q1	2026			
Brent crude oil ($, spot, avg.)	68	62.33	65	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	9.5		26-Mar-26	
Headline CPI (y-o-y % change)	3.2	3.6	3.2	3		18-Feb-26	Jan
FNAB inflation (y-o-y % change)	4.1	4.2	4.5	3.7		18-Feb-26	Jan
Headline PPI (y-o-y % change)	1.5	2.9	1.8	1.7		26-Feb-26	Jan
	2024	2025Q3	2025Q4	2025	2026		
Real GDP growth (seasonally adjusted)							
(y-o-y % change)	0.5	1.9	1.8	1.3	1.8	10-Mar-26	2025Q4
(q-o-q % change)	n/a	0.5	0.3	n/a	n/a		

Source: BER, Stats SA, Refinitv, 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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