BUREAU for ECONOMIC RESEARCH

WEEKLY REVIEW | NUMBER 4 | 30 JANUARY 2026

A week of pauses, pressures and price surges

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

This week saw two key interest rate decisions relevant for SA, with both the US Federal Reserve (Fed) and the SA Reserve Bank (SARB) keeping their policy rates on hold. The SARB's split vote highlighted its data-dependent approach: while two members voted for a 25bps cut, the majority opted to pause amid heightened global uncertainty, despite continued downside surprises to inflation, a stronger rand and lower oil prices. The SARB revised down its near-term inflation forecast and noted a further decline in inflation expectations, while also expressing greater optimism about medium-term growth prospects. However, the strong emphasis on global shocks and uncertainties, together with a firm commitment to delivering the 3% inflation target, helps to explain the decision to proceed cautiously.

Premium Insights Clients can read more here: A cautious start following a "watershed" year keeps the repo rate on hold

The Fed's decision not to change its policy rate was widely anticipated, so it did little to move the markets. The accompanying statement, however, was more hawkish than expected, despite two dissenting votes for rate cuts. Fed Chair Jerome Powell refused to comment on the Department of Justice's investigation into him and whether he will stay on as a Fed governor once his term as chair ends. Elsewhere, the Brazilian central bank also kept its policy rate unchanged at 15%, suggesting that it may start easing policy in March.

Markets were jittery yesterday when news broke that Trump is set to announce Powell's successor later today. Reports from yesterday imply it will be Kevin Warsh. Warsh's long-term history suggests he is more hawkish (i.e., leaning towards stricter monetary policy), but in recent times, he has come out in favour of lower interest rates (i.e., what Trump would like to see).

The big story in financial markets was the continued slide in the US dollar and surge in precious metal prices as well as the sharp reversal thereof yesterday. Early in the week, the dollar recorded its biggest one-day slump since the Liberation Day sell-off, after US President Donald Trump seemed unconcerned about the weakness. In fact, Trump claimed the dollar was "doing great". Investors' waning appetite for US Treasuries and the dollar has been dubbed the 'debasement trade'. It is positive for SA, and other emerging markets. Indeed, amid a weaker dollar, the rand moved below R16/$ for the first time in four years.

While Trump may hope a weak dollar benefits exports, it does bring (imported) inflation risk. Indeed, US Treasury Secretary Scott Bessent later commented that the administration prefers a strong currency, which lifted the dollar a little. Bessent also stressed that the US was not intervening in markets to prop up the yen, which recovered somewhat this week after a remarkable slump (in its currency and bond market) since the start of the year.

Precious metal prices also benefit from the debasement trade, with gold hitting record high after record high in recent days. The price gained an incredible $250/oz on Wednesday alone to surge past $5 500/oz and then merrily continued to $5 600/oz the next day. The silver price surpassed $120/oz for the first time ever, and copper climbed higher too, booking a 10% one-day gain. But, as US markets opened yesterday, prices of metals declined sharply with gold recording a 5% daily decline. A somewhat stronger dollar following the Warsh' nomination rumours contributed to the slide – although the rand is still sitting pretty below R16/$ this morning.

Weekly Key Indicators

	Close	w-o-w
R/$	R15.87	-1.9%
R/€	R18.93	-0.2%
R/£	R21.79	0.0%
$/€	$1.19	1.7%
Brent	$68.39	6.7%
Gold	$5 270	8.1%
Platinum	$2 792	11.4%
JSE ALSI	125 069	2.9%
10y gov. bond	7.97	-29bps
FRA (1x4)*	6.63	-2bps

*Forward rate agreement
Note that market movements were so steep yesterday that the table (updated early evening SA time) is unlikely to reflect current trading prices.

Geopolitics remained tense this week. The Greenland deal kept Europeans on edge, with some countries calling for a European army (i.e., one not supported by the US). Trump said further military action may be required in Venezuela while also cautioning Iran that attacks may come as a "massive Armada" of ships moved closer. Oil prices ticked up slowly, but steadily, amid potential supply disruptions in Iran. The backdrop for Trump at home is also volatile, as protests and confrontations around immigration enforcement in Minnesota escalated further.

Meanwhile, as Trump continued to threaten tariffs (Canada, South Korea), the European Union (EU) and India announced the "mother of all deals". While negotiations stretched over two decades, Trump's aggression ultimately helped things come to a conclusion. Hot on the heels of last week's political acceptance of the Mercosur deal, the India–EU Free Trade Agreement will progressively eliminate or significantly reduce tariffs on the vast majority of goods traded between the two parties, covering a market of almost two billion people and about a quarter of global GDP. The UK, meanwhile, cosied up to China, with its prime minister saying it was seeking a more mature relationship with the country ahead of a visit.

The SA government is considering raising import duties on Chinese and Indian car imports as part of an internal review by the Department of Trade, Industry and

Competition to protect the domestic automotive industry. Among the options under consideration is aligning current tariffs with SA's World Trade Organisation (WTO)-bound rates, which could reach 50% for completely built-up passenger vehicles. These measures would likely increase prices for consumers if implemented. SA is not alone in weighing such instruments as other countries respond similarly to surging imports, but raising import barriers is not sufficient to make SA's production more competitive globally.

More positively on the manufacturing front, Nissan has agreed to sell its Rosslyn vehicle assembly plant to Chinese automaker Chery SA, with the transaction expected to be completed in mid-2026, subject to regulatory approval. Under the agreement, Chery is expected to offer employment to the majority of Nissan's Rosslyn workforce and operate the plant going forward.

Finally, the Government Business Partnership has announced the commencement of its third phase, centred on inclusive growth, jobs and confidence. As Adrian Gore, Group CEO of Discovery and co-convener of the business delegation, noted: "Growth, Jobs, and Confidence sit at the heart of our approach and need to be the filter for every decision in 2026. If an action does not advance these objectives, it should not proceed." We agree with this emphasis. However, while all three are essential, confidence is the necessary starting point: without a sustained improvement in sentiment, neither investment-led growth nor job creation will follow. Progress on structural reform, therefore, remains critical. The Operation Vulindlela Phase II progress update, expected later today, will be an important signal of whether reform momentum is being maintained and whether confidence can be translated into durable growth outcomes.

WEEK AHEAD: FIRST DOMESTIC DATA FOR 2026; MORE GLOBAL INTEREST RATE DECISIONS

The local data week kicks off with the Absa PMI and naamsa new vehicle sales on Monday, with the S&P Global SA PMI due later in the week. PMIs were soft at the end of 2025, although forward-looking indicators were more positive. It will therefore be interesting to see whether the economy picked up renewed momentum at the start of the year.

Globally, final S&P Global PMI readings are due, alongside the ISM surveys in the US, which have been disconnected from the S&P measures for some time. China also publishes its usual batch of PMI data for January.

On the monetary policy front, the Bank of England (BoE) and the European Central Bank (ECB) are expected to keep interest rates on hold at their mid-week meetings next week. Recent UK data has been mixed, making a near-term cut less likely, although further easing is still expected later this year. The ECB, meanwhile, is likely to keep rates on hold for an extended period, with Tuesday's flash January CPI print unlikely to alter this view.

The Reserve Bank of Australia's interest rate decision will receive more-than-usual attention, as it is the first major central bank (outside the Bank of Japan) expected to hike its policy rate. It last cut rates a mere six months ago, but inflation measures have gradually crept higher since.

Meanwhile, the US is heading back towards a potential short government shutdown on Saturday if the Senate does not advance spending measures by then. Democrats have said they will not support the package unless funding for the Department of Homeland Security is stripped. Reports suggest a deal has been struck, but in practice, it may only be reapproved once the House returns from recess next week. Should it happen, it will be less unsettling than the previous one, with more funding approved already, and it is likely to be short.

The biggest US data release will be Friday's nonfarm payrolls report and unemployment rate. The strength of the labour market remains a key determinant of the US monetary policy path going forward.

Date	Event	Latest
Monday (02 Feb)	SA: Absa Manufacturing PMI (Jan)	40.5
Monday (02 Feb)	US: ISM PMI (Jan)	47.9
Monday (02 Feb)	CN: Rating Dog Manufacturing PMI (Jan)	50.1
Monday (02 Feb)	SA: New Vehicle Sales (Jan)	48.98K units
Wednesday (04 Feb)	CN: Rating Dog Composite PMI (Jan)	51.3
Wednesday (04 Feb)	SA: S&P Global SA PMI (Jan)	47.7
Wednesday (04 Feb)	EZ: Consumer inflation rate (flash, Jan)	1.9% y-o-y
Wednesday (04 Feb)	US: ISM Services PMI (Jan)	54.4
Wednesday (04 Feb)	EZ: PPI (Dec)	-1.7% y-o-y
Thursday (05 Feb)	EZ, UK: ECB and BoE interest rate decisions	2.15%; 3.75%
Friday (06 Feb)	SA: Foreign exchange reserves (Jan)	$75.89B
Friday (06 Feb)	US: Unemployment rate (Jan), Michigan consumer sentiment Index (Prel, Feb)	4.4%; 56.4

SA POLITICS UPDATE

Natasha Marrian

NEW NPA BOSS' MESSY IN-TRAY

Former Special Investigating Unit (SIU) head Andy Mothibi steps into the role of SA's National Director of Public Prosecutions on 1 February, following the departure of Shamila Batohi earlier this week.

Tackling crime, corruption, and the illicit economy is high on the Government of National Unity's agenda for 2026. These issues were identified as one of three key priority areas, alongside economic growth and gender-based violence, at an extended Cabinet lekgotla held this week. Outcomes from the lekgotla are expected to be outlined by President Cyril Ramaphosa in his State of the Nation Address on 12 February.

Mothibi assumes leadership of the NPA at a particularly fraught moment. The criminal justice system is under intense scrutiny following the work of the Madlanga Commission of Inquiry, which is investigating political interference and infiltration within the system. Ramaphosa confirmed this week that he has studied and “accepted” the commission’s draft report, submitted on 17 December, meaning that dealing with Madlanga’s recommendations will largely fall to Mothibi.

The commission has found prima facie evidence of wrongdoing against 14 individuals — including five senior police officials (among them two major generals) and nine officials from the Ekurhuleni Metro. Those implicated include the metro’s suspended police chief, Julius Mkhwanazi, and former city manager Imogen Mashazi. The allegations, which range from corruption and fraud to murder and perjury, have been referred to the South African Police Service, the Independent Police Investigative Directorate and the Ekurhuleni Metro.

In response, Ramaphosa instructed Acting Police Minister and National Police Commissioner Fannie Masemola to establish a special investigations task team to probe the allegations as a “matter of urgency”. The unit is expected to include both police investigators and prosecutors - echoing the now-disbanded Scorpions and the political killings task team. While the speed with which Ramaphosa has acted on the draft report is notable, whether a deeply factionalised police service can successfully investigate its own members remains an open question.

Compounding Mothibi’s immediate challenges is the NPA’s long-running legal battle with former president and MK Party leader Jacob Zuma over his arms deal-related corruption trial. The Pietermaritzburg High Court is due to deliver a key judgement on Wednesday, 4 February, on the NPA’s application to compel Zuma and French arms firm Thales to stand trial, amid continued efforts by both parties to delay proceedings through further appeals.

The looming court decision may help explain the recent surge in political activity by Zuma’s MK Party. Zuma has been travelling across provinces, “launching branches” and mobilising supporters, including this week's visits to traditional ANC strongholds, Limpopo and the Eastern Cape. This mirrors Zuma’s long-standing strategy of leveraging political mobilisation to bolster public support during periods of legal jeopardy. With his influence within the ANC exhausted, the MK Party now offers Zuma a platform from which to continue that approach largely unconstrained.

DOMESTIC DATA

Katrien Smuts

PRODUCER PRICES ROSE BY 2.9% Y-O-Y FOR A THIRD MONTH

Producer price inflation (PPI) increased by 0.2% m-o-m and 2.9% y-o-y in December. The main positive contributors were the food products, beverages and tobacco category (2.9% y-o-y, contributing 0.9 %pts) and the furniture and other manufacturing category (11.9% y-o-y, contributing 0.5 %pts). No category detracted from the annual inflation outcome. Although the year-on-year PPI inflation rate remained unchanged from

November, price pressures broadened in the second half of 2025 compared with earlier in the year. On average, PPI inflation was 1.5% in 2025, slowing from 3.1% in 2024 and 6.7% in 2023.

LEADING BUSINESS CYCLE INDICATOR CONTINUES UPWARD TRAJECTORY

The SARB's composite business leading indicator increased by 1.4% m-o-m and 3.3% y-o-y in November 2025, continuing on an upward trajectory. Of the ten metrics that make up the leading business cycle indicator, eight recorded increases, offsetting declines in the other two components. The largest positive contributions came from a growth in money supply (M1), and job advertisement space. The negative contributors were a rise in interest rate spread, signalling slightly higher risk, and a slowdown in the number of new passenger vehicles sold. The latter declined relative to October but remains high compared to the same period in the prior year.

INTERNATIONAL DATA

Nadia Matulich

A WIDELY EXPECTED FED PAUSE AMID MIXED LABOUR MARKET AND INFLATION SIGNALS

The Fed's policy meeting resulted in a widely anticipated decision to keep rates unchanged at 3.5%–3.75%. Policymakers noted that economic activity continues to expand and unemployment appears to be stabilising, although job gains remain subdued and inflation is elevated. Powell acknowledged that uncertainty remains high, but suggested that risks to both mandates have diminished somewhat. The decision was not unanimous, with the vote splitting 10–2 as Christopher Waller and Stephen Miran dissented in favour of a 25bps cut.

Other US data pointed to continued economic resilience. Flash PMI results signalled ongoing expansion, with the S&P Global Flash Composite PMI at 52.8 in January, broadly unchanged from December and below levels seen in the second half of 2025. The services PMI was unchanged at 52.5, while the manufacturing PMI edged up slightly to 51.9. Employment growth remained weak, with firms reporting ongoing difficulties filling vacancies, contributing to rising backlogs. Price pressures also remain elevated, particularly in manufacturing, where input prices rose at the fastest pace since September. Forward-looking sentiment weakened modestly in January and now sits below its 2025 average, although manufacturers remain more optimistic than service providers.

Last week also saw divergent signals from consumer confidence surveys. The Michigan Survey of Consumers was confirmed at 56.4 in January, up from 52.9 in December. The increase was broad-based, although sentiment remains well below December 2024. High prices remained a key concern for consumers.

In contrast, the Conference Board's consumer confidence measure fell sharply, dropping from 94.2 to 84.5, its lowest level in 12 years. Respondents cited prices, particularly oil, gas and groceries, alongside politics, labour market conditions and health insurance. Concerns around job availability were especially prominent.

The divergence between the two surveys largely reflects their different emphases. The Michigan survey focuses more on personal finances and cost of living, while the Conference Board places greater weight on labour market conditions. Regardless of month-on-month movements, sentiment, measured by either metric, remains weak in relative terms.

IMPROVED PMIS IN THE UK BUT SENTIMENT REMAINS WEAK IN EUROPE

Turning to Europe, the key releases were the flash PMIs and sentiment indicators. In the UK, the S&P Global Flash PMI recorded its strongest upturn since April 2024. The composite output index rose to 53.9 from 51.4 in December. Both services and manufacturing contributed, with services activity increasing to 54.3 and manufacturing to 51.6. Several service providers cited post-Budget clarity as a catalyst for new projects and investment spending. Goods producers reported improving export sales, particularly to Europe, the US, China and emerging markets.

Despite these gains, employment conditions remained constrained. Firms reported accelerating job losses, rising payroll costs and subdued underlying economic conditions. Price pressures were also cited as a constraint, particularly in the services sector. Expectations, however, improved notably, although geopolitical uncertainty remains a key concern. The GfK Consumer Confidence for the UK index edged up slightly from −17 to −16 in January, indicating that consumer sentiment remains weak. The GfK Consumer Insights Director noted a lack of optimism around any imminent economic turnaround.

In the Eurozone, the HCOB Flash Composite PMI was broadly unchanged at 51.5 in January. The services PMI declined modestly from 52.4 to 51.9, while the manufacturing PMI improved from 48.8 to 49.4. Manufacturing output moved into expansionary territory, rising from 48.9 to 50.2.

Germany saw the strongest growth in activity since October, while continued weakness in France weighed on aggregate Eurozone output. Services employment stalled after nearly five years of continuous growth, while manufacturing job losses persisted, particularly in Germany. Input cost inflation edged higher, with pressures more pronounced in manufacturing. The 12-month outlook rose to a 20-month high and now sits above the series average, with improved optimism across both manufacturing and services.

Consumer sentiment also improved. The European Commission’s consumer confidence index rose to −11.7 in the EU and −12.4 in the Eurozone. Germany’s IFO Business Climate Index was unchanged at 87.6 in January.

FORECAST UPDATE

In terms of the interest rate outlook, the SARB’s decision to pause in January does not alter our view that the easing cycle remains under way, but it does suggest a more cautious and non-consecutive path. We now expect the next 25bps rate cut to be delivered in March, with further easing (a total of 75bps of rate cuts) proceeding gradually through 2026. While inflation outcomes have surprised on the downside and financial conditions have improved, the MPC's strong emphasis on global risks, policy credibility, and the delivery of the 3% inflation target points to a preference for careful timing rather than front-loaded cuts.

We have not made any changes to our forecast, but we have updated the PPI following this week's release. Note that the next PPI release will include updated weights, which may require larger adjustments to the outlook.

	Actual		Forecast			Next release/meeting	
	2025	2025Q4	2026Q1	2026			
Brent crude oil ($, spot, avg.)	68	64.24	63	62		n/a	
ZAR/USD (avg)	17.87	17.19	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	4.3	4.7	4.1		18-Feb-26	Jan
Headline PPI (y-o-y % change)	1.5	2.9	1.9	1.7		19-Feb-26	Jan
	2024	**2025Q3**	**2025Q4**	**2025**	**2026**		
Headline PPI (y-o-y % change)	3.1	1.9	3	1.5	2.3	29-Jan-26	Dec
Real GDP growth (seasonally adjusted)							
(y-o-y % change)	0.6	2.1	1.6	1.3	1.5	10-Mar-26	2025Q4
(q-o-q % change)	n/a	0.5	0.4	n/a	n/a		

Source: BER, Stats SA, Refinitv, SARB

Note: Changes from the previous week are indicated in orange. 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.