

WEEKLY REVIEW | NUMBER 37 | 9 OCTOBER 2026

Oil shock intensifies as global resilience is tested and SA fuel prices hit records

THE WEEK IN PERSPECTIVE

Tracey-Lee Solomon

Economic data released this week pointed to continued global resilience despite an intensifying fuel shock. For SA, the resilience test is becoming more immediate as record-high fuel prices feed through to household budgets, business costs and inflation pressure. Renewed geopolitical tensions and further pressure on energy markets could intensify that strain in the weeks ahead.

In the US, the services sector expanded for the 27th consecutive month. Although the latest data indicated a slight moderation in growth, activity remained relatively robust, and the labour market continued to hold up despite mounting cost pressures. Minutes from the US Federal Reserve's (Fed) September meeting showed that the combination of a resilient economy and elevated inflation was central to the unanimous decision to raise the federal funds rate. All participants, including those who did not vote at the September meeting, agreed that restoring price stability remained the priority. Together with the more hawkish tone struck by Fed Chair Kevin Warsh following the September decision, the minutes suggest that another rate hike before the end of this year remains firmly on the table.

Another interesting insight from the minutes was the officials' view on the bond market. Many officials noted that, despite the sharp rise in longer-term Treasury yields, financial conditions remained supportive of economic growth, with equity prices substantially higher this year and corporate bond spreads still narrow. That helps explain why the Fed has so far been willing to tolerate higher long-term borrowing costs without viewing them as an excessive tightening in financial conditions.

Economic data from the Eurozone (EZ) was also relatively encouraging. Retail sales recorded a modest expansion in August, while German industrial production rebounded to an 18-month high. This came despite producer price inflation accelerating again in August. However, Germany's important automotive industry continued to struggle, with scheduled factory shutdowns contributing to a sharp monthly decline in production. Concerns about the sector were also evident in a letter from France and Germany to the European Commission calling for stronger import restrictions and measures to prevent dissenting EU members from blocking them. Although China was not explicitly mentioned, the proposals are widely seen as being aimed primarily at Chinese competition. The EU and China are due to hold talks in Beijing later this month.

Meanwhile, political tensions in France intensified. More than 250 000 people joined student-led protests over poor school conditions on Tuesday, with some demonstrators clashing with police. Hundreds of protesters and police have been injured and more than 5 000 people have been arrested since the protests began last month.

While this week's international data was generally more positive, renewed fighting in the Middle East threatens to keep oil prices elevated for some time. The Iran-backed Houthis struck two airports in Saudi Arabia, killing three people and injuring dozens as the group intensified attacks on the kingdom while fighting Saudi-backed forces in Yemen. Tankers were also hit by missiles in the Gulf and off the coast of Oman late on Wednesday. UK Maritime Trade Operations reported nine attacks on vessels near the Strait of Hormuz during the first week of October, following 13 during the whole of September.

The risk is that the conflict escalates further. Reports suggest that the US is sending a third aircraft carrier to the Gulf, while the Pentagon has reportedly drawn up options for strikes against Iran as military planning continues. President Trump said on Thursday that the US would not attack Iran before the 3 November midterm elections, although the risk of renewed military action thereafter remains. Against this backdrop, the Brent crude oil price rose above \$105/barrel (/bbl). Adding to the upward pressure, producers in the Gulf of Mexico shut in more than 510 000 barrels per day of crude production as Hurricane Isaias approached the northern Gulf Coast. This is roughly a quarter of the region's output.

As if higher crude oil prices were not enough, refined petroleum product prices have continued to rise even faster. Russia extended its ban on diesel exports, while Chinese refiners reintroduced export restrictions for October. Last week's announcement that the G7 would release 100 million barrels of petroleum reserves over the next four months initially provided some relief. However, the International Energy Agency (IEA) subsequently clarified that the barrels formed part of a commitment already made in March, rather than an additional release. European diesel prices surged by up to 8% after the clarification on Wednesday.

Record shipping costs are adding another layer to the fuel shock. According to the Baltic Exchange, it now costs about \$77 million to hire a very large crude carrier to transport US oil to Asia, compared with an average of just \$9.2 million in 2025. The combined impact of higher crude prices, widening refinery margins and soaring transport costs was reflected domestically this week, with the prices of 95-octane petrol and diesel increasing by R3.33/litre and R3.58/litre, respectively. Illuminating paraffin rose by R3.58/litre.

The SA Reserve Bank (SARB) highlighted the risks posed by widening refinery margins in its October Monetary Policy Review. The SARB noted that during previous oil-price shocks, refinery margins tended to move broadly in line with crude prices, easing as oil markets normalised. This time, however, constrained refining capacity, particularly for diesel, has caused crack spreads (the difference between refined product and crude oil prices) remain unusually wide relative to crude oil prices. This raises the risk that domestic fuel prices could remain elevated even if the conflict subsides and crude oil prices moderate. Elevated diesel prices are particularly concerning because feed indirectly into food and broader inflation through higher transport and production costs. The SARB has warned that persistent fuel and other supply shocks could become embedded in inflation expectations and wage-setting, increasing the risk of second-round effects.

Domestic activity data disappointed this week. Manufacturing production declined in August, dragged lower by the petroleum, chemical products, rubber and plastic products division. Separately, the S&P Global South Africa PMI indicated continued pressure from higher fuel costs and logistical disruptions in September.

There was, however, some good news on the fiscal front. The recent commodity-price rally has boosted corporate tax receipts from mining companies. The resulting revenue windfall should help the National Treasury outperform its fiscal targets and could result in a smaller main budget deficit.

Global bond markets continued to show signs of strain, with yields climbing to multi-decade highs. In the US, the 10-year Treasury yield rose to 5.34%, while the 30-year yield reached 5.70%, with both at their highest levels since 2002. Japan's 30-year government bond yield, meanwhile, reached a record 4.24%. SA bonds were comparatively stable, ending around 9.03%, little changed w-o-w.

In currency markets, continued global uncertainty and the US economy's outperformance relative to the EZ provided further support for the dollar. The greenback ended Thursday at \$1.12/€, its strongest level in more than a year. Encouragingly, the rand strengthened by 0.3% against the dollar despite the stronger greenback. This translated into larger gains of 0.8% and 0.5% against the euro and pound, respectively.

US equities also reached fresh record highs this week. The rally has been supported by expectations of a strong third-quarter earnings season, with the trillions of dollars being invested in AI infrastructure continuing to underpin sentiment towards US technology companies. The global AI rally has, however, provided little direct support to the local bourse. The JSE ALSI was down by 0.6% this week.

Finally, precious metals lost some of their recent shine. The gold price declined by 1% over the week, while platinum recorded a larger 4.8% fall.

WEEK AHEAD: INTERNATIONAL INFLATION DATA IN FOCUS

Mining production is the only notable domestic data release next week. Following a weak August, the September print will be watched for signs of a rebound.. Alongside manufacturing, the mining sector detracted from GDP growth in the second quarter, and a turnaround will be needed to avoid a repeat of last quarter's weakness.

On the international front, China releases September consumer and producer inflation data. Despite the surge in global fuel prices, China's growing reliance on renewable energy and subdued domestic price pressures have helped keep inflation relatively contained.

The same cannot be said for the US, where consumer inflation has remained above the Federal Reserve's (Fed) target for more than five years. A recent New York Fed survey showed that consumers' inflation expectations jumped in September, partly reflecting record-high fuel prices. Producer inflation and retail sales follow on Thursday, while industrial and manufacturing production are due on Friday. US retail sales have remained relatively robust despite mounting price pressures, and next week's data will provide another indication of whether consumers are beginning to buckle under the strain of higher prices.

Across the Atlantic, the UK releases August GDP, manufacturing and industrial production data. All three measures recorded annual gains in July, and the August figures will show whether this positive momentum was sustained.

Finally, the EZ releases August industrial production data on Thursday. In contrast to the US, industrial activity in the bloc has remained subdued, with July's data showing no growth compared to a year earlier.

Weekly Key Indicators

	Close	w-o-w
R/\$	R16.63	-0.3%
R/€	R18.64	-0.8%
R/£	R21.99	-0.2%
\$/€	\$1.12	-0.5%
Brent	\$103.51	1.0%
Gold	\$4 116	-1.0%
Platinum	\$1 644	-4.8%
JSE ALSI	107 109	-0.6%
10y gov. bond	9.03	2bps
FRA (1x4)*	7.27	-4bps

*Forward rate agreement

Date	Event	Latest
Tuesday (13 Oct)	SA: Mining Production (Aug)	-7.5% y-o-y; -1.9% m-o-m
Wednesday (14 Oct)	CN: Consumer Inflation, PPI (Sep)	0.8% y-o-y; 3.8% y-o-y
Wednesday (14 Oct)	US: Consumer Inflation (Sep)	3.4% y-o-y; 0.4% m-o-m
Thursday (15 Oct)	UK: GDP, Manufacturing Production (Aug)	1.6% y-o-y; 2.6% y-o-y
Thursday (15 Oct)	EZ, UK: Industrial Production (Aug)	0% y-o-y; 0.6% y-o-y
Thursday (15 Oct)	US: PPI, Retail Sales (Sep)	5.4% y-o-y; 6% y-o-y
Friday (16 Oct)	US: Industrial Production, Manufacturing Production (Sep)	1.4% y-o-y; 0.9% y-o-y

SA POLITICAL UPDATE

Natasha Marrian

POLITICISING THE FUEL PRICE – WILL THE STATE INTERVENE?

The cost of living will be top of mind for voters as they cast their ballots in less than a month's time. This week, President Cyril Ramaphosa said the government was considering ways to mitigate the dramatic increase in fuel costs. At over R30/litre, record-high fuel prices are set to have a far-reaching impact on consumers across the country, with higher transport costs feeding directly into household budgets and indirectly into the cost of moving goods and services. Politically, the timing is particularly difficult for the ANC in the major metros, where its support has weakened significantly.

The ANC is vulnerable in the country's metros, with polling by the Social Research Foundation placing its support at 18% among likely voters in Johannesburg in July. The latest polling by News24 and the Sabi Strategy Group placed the ANC on 23% in Johannesburg, while 27% of respondents backed an ANC mayoral candidate. The ANC won roughly a third of the Johannesburg vote in the 2021 local government election, so both polls point to substantially weaker support than five years ago.

Back in 2016, the ANC's election campaign was fought amid rising cost-of-living pressures, culminating in the party's loss of the City of Johannesburg. While national issues do play a role in local elections, local service delivery and household economic pressures are likely to feature prominently in the campaign. The 2026 election is set to take place as another sharp rise in fuel prices begins to feed through to household and business costs amid the continuing conflict involving the US and Iran. Cosatu called on the Ramaphosa administration to intervene to alleviate the pressure.

While Ramaphosa did not commit to a specific new measure, pressure for further relief is likely to intensify ahead of Finance Minister Enoch Godongwana's medium-term budget on October 21.

ZUMA HOSPITAL VISIT RAISES QUESTIONS OVER MK PARTY SUCCESSION

uMkhonto we Sizwe Party leader Jacob Zuma was hospitalised this week. Despite an MK Party statement indicating that Zuma had been hospitalised for a "routine check-up", other media reports said he had become unwell while campaigning before attending hospital. The MK Party said Zuma underwent a routine medical check-up and that he was "healthy and in good spirits". He has been on the campaign trail ahead of next month's local government election at age 84.

The MK Party remains a major electoral force in KwaZulu-Natal. Recent polling has placed it ahead of the other major parties in eThekweni, although no party is close to an outright majority.

The key question raised by the episode is the longevity of the MK Party, which contributed to the ANC's loss of an outright majority in the 2024 general election. The party remains closely identified with Zuma personally, making its leadership and succession arrangements an important source of political uncertainty. Internal tensions have already spilled into the courts, with Zuma's daughter, Duduzile Zuma-Sambudla, challenging her expulsion from the party.

Zuma has also elevated his son, Duduzane, within the party leadership. However, it remains unclear how much authority he would command across the broader organisation in Zuma senior's absence.

DOMESTIC DATA

Nadia Matulich

PRICE PRESSURES AND LOGISTICAL DISRUPTIONS WEIGH ON THE PRIVATE SECTOR

The S&P Global PMI returned to contractionary territory, declining from 50.5 in August to 49.0 in September. This reflected renewed contractions in business activity and new orders. Firms reported rising input prices, particularly fuel costs, alongside lengthening supplier delivery times due to disruptions at the Durban port. However, these logistical challenges are expected to be temporary rather than indicative of a sustained deterioration in port operations. Firms also highlighted uncertainty and volatility in fuel and oil markets, with some of these cost pressures expected to persist into Q4. Employment remained relatively unchanged, continuing the subdued trend observed in August.

MANUFACTURING PRODUCTION CONTRACTS SHARPLY IN AUGUST

Manufacturing production declined by 3.1% m-o-m in August, reversing the 2.2% expansion recorded in July. This translated into a 4.3% y-o-y contraction, with declines recorded across most manufacturing subsectors. The largest contributor to the annual decline was the petroleum, chemical products, rubber and plastic products division, with production falling by 5% y-o-y, subtracting 1.1 % pts from the headline figure. This was followed by motor vehicles, parts and accessories and other transport equipment (-8.8%, contributing -0.7% pts); wood and wood products, paper, publishing and printing (-7%, -0.7% pts); food and beverages (-3%, -0.7% pts); and basic iron and steel, non-ferrous metal products, metal products and machinery (-3%, -0.7% pts). Textiles, clothing, leather and footwear was the only subsector to make a positive contribution, with production rising by 5.7% y-o-y and adding 0.2% pts to the headline figure. The remaining subsectors also contracted, although their contributions to the overall decline were relatively small.

INTERNATIONAL DATA

Kele Mabitsi

SOARING ENERGY PRICES BOOST EZ PPI

Annual producer inflation accelerated from 5.8% in July to 8.2% in August, as renewed tensions in the Middle East raised energy prices (21% y-o-y). Barring energy, factory-gate prices increased by 3.4% in August, up from 3.1% in July. Producer costs also rose for durable consumer goods and intermediate goods, while declining further for non-durable consumer goods. On a monthly basis, producer inflation edged up from 1.6% in July to 1.9% in August.

Meanwhile, EZ's retail sales grew by 0.8% y-o-y in August, following a 0.4% y-o-y gain in July. Sales rose for food, drinks, and tobacco (1.6%) and non-food products (1.7%). In contrast, the headline figure was pulled down by a 3.7% plunge in automotive fuel sales.

GERMANY'S INDUSTRIAL PRODUCTION REBOUNDS TO AN 18-MONTH HIGH

Germany's industrial production increased by 2% m-o-m in August, up from July's 1.2% m-o-m contraction. Production expanded for construction (9.3%) and mechanical engineering (5.3%). Meanwhile, production in the automotive industry declined by 5.4% due to standard factory shutdowns.

US SERVICES ACTIVITY EXPANDS FOR THE 27TH MONTH IN A ROW

The ISM Services PMI edged lower from 55.4 in August to 54.9 in September, pointing to a slight moderation in the pace of expansion. Business activity and new orders recorded softer growth, while

the employment index marked its first expansion in three months. Interestingly, inventories grew further amid worsening supply-chain delays. Although part of this is also due to precautionary buying by firms to hedge against price hikes. Meanwhile, cost pressures intensified, with the price index rising to its highest level since July 2022 at 74 as fuel prices remained elevated. Although respondents cited higher fuel costs as a key constraint on business, the US private sector remains resilient, highlighted by its continued growth throughout the volatile backdrop over the last 2 years.

FORECAST UPDATE

Following the SARB's September rate hike, our baseline remains for the Bank to keep the policy rate unchanged at 7.25% in November. While inflation risks remain elevated, growth is weak, and there is still limited evidence of the energy shock feeding into broader price- and wage-setting behaviour. However, the risks remain tilted towards higher interest rates for longer.

Our oil-price assumptions have been revised slightly lower, with Brent now averaging \$97/bbl in 2026Q4, reflecting some recovery in Middle Eastern oil flows. Nevertheless, supply disruptions, elevated refinery margins and geopolitical uncertainty continue to keep fuel prices high. Our rand forecast is also slightly stronger, largely reflecting its better-than-expected performance in Q3, although the currency has come under renewed pressure more recently.

These adjustments have had little impact on our inflation outlook, with headline CPI still forecast to average 4.4% in 2026 and only minor revisions to food inflation and producer prices. We are currently undertaking our full quarterly forecast review, so our GDP growth forecast remains unchanged at 1.3% for now, although the disappointing Q2 outcome and continued weakness in investment point to downside risks.

	Actual		Forecast		Next release/meeting	
	2025	2026Q3	2026Q4	2026		
Brent crude oil (\$, spot, avg.)	68.83	91.37	97	90.80	n/a	
ZAR/USD (avg.)	17.88	16.28	16.50	16.40	n/a	
Policy interest rate (%, end of period)	7.25	7.25	7.25	7.25	19-Nov-2026	
	2025	2026Q2	2026Q3	2026		
Headline CPI (y-o-y % change)	3.2	4.5	4.5	4.4	21-Oct-26	Sep
FNAB inflation (y-o-y % change)	4.1	2.1	1.1	2.4	21-Oct-26	Sep
Headline PPI (y-o-y % change)	1.5	6.7	5.7	5.6	29-Oct-26	Sep
Real GDP growth (seasonally adjusted) (y-o-y % change)	1.1	0.9	0.6	1.3	1-Dec-26	2026Q3
(q-o-q % change)		-0.2	0.1			

Source: BER, Stats SA, SARB and LSEG.

Note: The table is updated ad hoc and is indicative of our latest view.

FNAB stands for food & non-alcoholic beverages.

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