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Commodity markets shift from relief to reality amid fragile diplomacy, as the SARB looks through the initial supply shock

THE WEEK IN PERSPECTIVE

Lisette IJssel de Schepper

It was an eventful week. Markets initially took some comfort from signs of a potential diplomatic breakthrough in the Middle East, as Trump announced a five-day pause in attacks on Iran, which was extended last night until 6 April. However, sentiment has been volatile, with markets oscillating between risk-off and cautious optimism as headlines about negotiations continue to shift. Uncertainty remains elevated, with increasingly mixed signals around negotiations, including signs of progress alongside continued threats of escalation.

The US decision to extend the deadline for Iran to reopen the Strait of Hormuz can provide some short-term relief, reducing the immediate risk to critical energy infrastructure. However, the stop-start nature of negotiations underscores how fragile the situation remains.

In SA, renewed geopolitical uncertainty and the sharp increase in the oil price informed the **SA Reserve Bank's (SARB) decision** to keep the policy rate on hold. While the Bank continues to treat the current shock as a largely temporary, supply-side shock – and is therefore willing to look through its first-round inflation effects – the higher oil price assumption has lifted the near-term inflation profile and delayed further easing. Importantly, the SARB has left its growth outlook broadly unchanged for now, although risks have shifted to the downside. As a result, the policy stance has become more cautious and data-dependent. While rate cuts are not off the table, the bar for easing has increased materially. Monetary policy cannot offset the immediate impact of higher oil prices, but it will respond if these pressures begin to feed into broader inflation and expectations. Still, the SARB was less hawkish than markets are pricing in.

Meanwhile, local political risks remain elevated. Recent developments within the South African Police Service and broader concerns around governance and institutional integrity have again come into focus, alongside evidence of declining public confidence in democratic institutions. We discuss these developments in more detail below.

Closer to home, quite literally, the BER published **three scenarios** for the SA economy up to 2030 - a comprehensive report can be found here, and an accompanying slide deck is available here. The key takeaway is that SA trajectory remains firmly in its own hands: faster, credible implementation of reforms could lift growth to around 3%, while delays risk entrenching sub-2% growth – or worse. Outcomes will hinge on execution – particularly the pace and credibility of reform delivery.

Moving back to geopolitics, the situation remains highly fluid. With the US extending its deadline for Iran to reopen the Strait of Hormuz, near-term escalation risks have eased somewhat. However, uncertainty remains high, and the risk of further escalation remains should negotiations break down. Iran has rejected key elements of the US peace plan and tabled counter-demands, including sovereignty over the Strait of Hormuz. At the same time, recent extensions and reports of ongoing talks suggest that both sides are seeking to avoid a further escalation in the near term, even if a durable resolution remains elusive. Still, Trump has ordered thousands of troops to be deployed to the region. With Iran's permission (and reports suggesting a payment of a $2 million transit fee), a few 'non-hostile' ships have passed through the Strait since Monday, but some ships were still attacked. Overall, trade flows remain severely constrained. The US has warned of severe consequences should no agreement be reached.

Even if the Strait opened today, it could take years to rebuild damaged LNG capacity, while oil supply will also take months to recover, as some production has shut down due to a lack of storage capacity. Iran insists that the Strait's operations will not return to the way they were before. Iran is reportedly working on a fee structure.

Market movements remain highly headline-driven, with sentiment shifting rapidly between escalation and de-escalation scenarios as developments around negotiations evolve. The real risk lies in the length and potential intermittency of the disruption, for prices, but also fuel availability. Some countries have already implemented measures to curb fuel demand. In SA, a spike in demand ahead of the expected fuel price increase in April is contributing to localised fuel (particularly diesel) shortages, but the Department of Minerals and Petroleum Resources ensures that supply levels remain normal.

Weekly Key Indicators

	Close	w-o-w
R/$	R17.05	1.0%
R/€	R19.68	1.2%
R/£	R22.81	1.1%
$/€	$1.15	0.2%
Brent	$107.46	1.1%
Gold	$4 440	-3.6%
Platinum	$1 869	-3.4%
JSE ALSI	112 847	2.1%
10y gov. bond	8.99	-6bps
FRA (1x4)*	6.82	-1bps

*Forward rate agreement

The gold price snapped a nine-day losing streak but is still about 20% down since the start of the war. Some are now questioning the metal's status as a safe haven, but the shift in global interest rate expectations also plays a role with markets now moving from further easing to hikes. Other precious metal prices are also under pressure, with palladium and platinum now back at early-December levels.

Note that the next Weekly Review will be published on 10 April 2026.

WEEK AHEAD: MARCH ABSA PMI FIRST KEY POST-WAR DATA POINT

The Absa PMI, released on 1 April, will be the first key point for March. The survey took place during the last week of March, so all respondents would have been aware of Trump's renewed diplomatic push for a ceasefire. The rand was notably weaker than in February, and the Brent crude oil price was significantly higher, which should translate into a higher purchasing price index – even before next week's fuel price increase. It will be interesting to see if the supplier deliveries index already reflects on slower supply chains – as was the case in the Eurozone's flash PMI, for example.

It will also be interesting to see whether the naamsa new vehicle sales reflect renewed caution from consumers, amid fears of higher fuel costs and fewer interest rate cuts. Vehicle sales have been on a strong run, and the further uptick in the **FNB/BER Consumer Confidence Index** this week would normally have supported strong sales – but the fieldwork was done before the war escalated, so the consumer mood may have soured since.

Next week's fuel price increase is sure to sour the mood, with the latest data pointing to an almost R10 increase in the diesel price per litre. There have been calls for temporary relief from the fuel levy. We have seen this before: when oil prices surged following the Russian invasion of Ukraine, SA petrol prices did the same, and the government temporarily held the levy back by R1.50 and later R0.75 per litre. We understand this is once again under consideration. It will come at a high cost to the fiscus (which received about R8bn in levies per month in 2025/26) and any relief is likely to be temporary.

On the international side, we will see PMI data from China and final prints following this week's flash figures from the Eurozone and the US. The US nonfarm payrolls on Friday will be the biggest potential market mover. Should job growth have slowed by more than expected, it will complicate the Fed's dual mandate of balancing a cooling labour market (warranting cuts) and potentially hotter inflation (needing tightening). With more upward pressure on Treasury Yields, US mortgage rates have steadily increased through March, so financial conditions are tightening even without policy rate moves.

Date	Event	Latest
Monday (30 Mar)	SA: Private Sector Credit, Budget Balance (Feb)	8.83% y-o-y; -R69.69B
Tuesday (31 Mar)	CN: NBS Manufacturing PMI (Mar)	49
Tuesday (31 Mar)	EZ: Consumer Inflation Rate (flash, Mar)	1.9% y-o-y
Tuesday (31 Mar)	SA: Balance of Trade (Feb)	R9.31B
Wednesday (1 Apr)	CN, US: RatingDog Manufacturing PMI, ISM Manufacturing PMI (Mar)	52.1; 52.4
Wednesday (1 Apr)	US: Retail Sales (Feb)	3.2% y-o-y; -0.2% m-o-m
Wednesday (1 Apr)	EZ: Unemployment Rate (Feb)	6.1%
Wednesday (1 Apr)	SA: Absa PMI (Mar)	47.4
Wednesday (1 Apr)	SA: Total New Vehicle Sales (Mar)	53.46K
Friday (3 Apr)	CN: RatingDog Composite PMI (Mar)	55.4
Friday (3 Apr)	US: Unemployment Rate; ISM Services PMI (Mar)	4.4%; 56.1

SA POLITICAL UPDATE

Natasha Marrian

NATIONAL POLICE COMMISSIONER FANNIE MASEMOLA TO APPEAR IN COURT

President Cyril Ramaphosa is under pressure to address the crisis in the SA Police Service, after National Police Commissioner Fannie Masemola was summoned to appear in court on April 21 for allegedly contravening Section 38 of the Public Finance Management Act.

The NPA issued Masemola with the summons shortly after the arrest of 12 senior police officials by the Independent Directorate Against Corruption (Idac) in connection with the R360m medical services tender issued to alleged cartel kingpin and attempted murder accused Vusimuzi Cat Matlala. Acting police minister Firoz Cachalia emphasised that Masemola has not been charged with corruption, rather with failing to meet the obligations of an accounting officer, a responsibility he holds by virtue of his position as national commissioner.

Cachalia and Ramaphosa are set to decide on whether to suspend Masemola. What is clear is that the executive is hesitant to act hastily, given the instability in the upper echelons of the SAPS.

The highly factionalised and compromised police service has been in the spotlight at the Madlanga Commission and Parliament's ad hoc committee, both investigating allegations that deputy national police commissioner Shadrack Sibiya, suspended police minister Senzo Mchunu, members of Idac and even prosecutors have been "captured" by an organised crime cartel, which specialises in exploiting the state tendering system.

This story will continue to unfold over the coming weeks, but what is crucial is that Ramaphosa acts swiftly and deftly in order to stabilise the highly factionalised police service, parts of which have clearly been captured by criminal elements.

SOUTH AFRICANS BELIEF IN DEMOCRACY DROPS DRAMATICALLY

The 2026 local government election is set to take place in the "most challenging political climate" in SA since 1994, according to the Human Sciences Research Council (HSRC), which conducted its regular survey for the Electoral Commission of SA on voter attitudes ahead of the polls.

Voters have lost faith in democracy and are increasingly disengaging from the electoral process, largely due to prevailing economic conditions and corruption. Sixty-eight per cent of those polled are dissatisfied with democracy, and only 17% are satisfied, a massive decline since the mid-2000's. More than one in four South Africans, or 26%, see non-democratic options for running SA as preferable. The majority takes a "fatalistic view", believing that the type of regime governing the country does not matter. KwaZulu-Natal voters are most disillusioned with democracy, with only 7% supporting the system of governance.

The findings reinforce an Afrobarometer study released in October 2025, which indicates a sharp rise in the number of South Africans who prefer military rule to democracy, compared to the mid-2000s. While 69% rejected military rule in 2011, this fell to 42% in 2025. Support for military rule rose from 16% in 2011 to 49% in 2025.

The studies, along with the continued decline in voter turnout in SA, which reached historic lows in the 2024 national election, point to rising medium- to long-term political risks, particularly in the absence of reforms to lift growth and reduce unemployment.

ZUMA SET TO REGAIN ACCESS TO STATE BUDGETS POST 2026 LOCAL ELECTION

The findings of the HSRC study on voter attitudes released this week have again placed KwaZulu-Natal in focus, given its low levels of support for democracy and relatively high support for non-democratic alternatives. The province has historically been an outlier, from pre-1994 secessionist tensions ahead of the 1994 election to the Zuma "tsunami" in 2024, which saw his newly launched uMkhonto WeSizwe (MK) Party rise from zero to become the largest in the province within six months.

This week, Ninety One's managing director for fixed income, Nkhumeleni Thaviwa, published an assessment on the prospects for Zuma's MK Party in the upcoming polls based on the 2024 election results. Thaviwa estimates that MK could emerge as the largest party in at least 18 of KwaZulu-Natal's 44 municipalities.

Zuma gaining control of councils in the 2026 election, potentially in coalition with the EFF or similar parties, would see him regain influence over municipal budgets, a key risk given the corruption charges he continues to face, the weakening of key institutions during his tenure as president and his attitude toward democratic institutions such as the courts and the Electoral Commission of SA.

Zuma recently visited EFF leader Julius Malema at his family home in Limpopo for the funeral of his aunt, Martha Malema. Zuma said it was time for "black people to unite to end the oppression in SA". The EFF and MK are already cooperating in Gauteng, against the ANC, which has been running a minority government with their support since the 2024 election.

Should MK consolidate its support in KwaZulu-Natal in 2026, Zuma will be re-established as a key political actor at the state level, given that the MK Party is effectively run under his direction. As Thaviwa notes, for the MK Party, 2024 was about winning votes; 2026 is about exercising control over spending.

DOMESTIC DATA

Nomvelo Moima

RECOVERY IN SA CONSUMER CONFIDENCE OVERSHADOWED BY IMPENDING FUEL PRICE HIKES

After recovering from -13 to -9 index points in the fourth quarter of 2025, the FNB/BER Consumer Confidence Index (CCI) extended its gains to reach -7 in the first quarter of 2026. This marks the CCI's highest level since 2024Q4, a period when two-pot withdrawals significantly boosted household disposable income. However, importantly, the fieldwork was completed before the US launched its military operation against Iran on 28 February. The fallout from this development, including skyrocketing oil prices, plunging stock exchanges and travel disruptions, may well knock consumer confidence in the coming months. This introduces a clear downside risk to what had been a broadly improving trajectory of consumer confidence.

That said, the positive momentum in consumers' willingness to spend at the start of the year was largely supported by buoyant sentiment among high-income consumers, which is good news for South African retailers. However, low-income households' sentiment was under pressure, and with substantial fuel price increases on the horizon, poorer households look set to experience even more strain in the coming months.

LEADING BUSINESS CYCLE INDICATOR CLOSE TO HIGHEST LEVEL SINCE JULY 2022

The SARB's Composite Leading Business Cycle Indicator (LEI) rose by 4.8% y-o-y and gained 0.4% m-o-m in January, fully reversing December's monthly decline. Of the ten metrics that make up the leading business cycle indicator, five recorded increases. The main positive contributors were a rise in South Africa's USD-denominated export commodity price index (more specifically, strong precious metal prices) and an improvement in the RMB/BER Business Confidence Index. Conversely, the main negative contributors were a slowdown in the six-month smoothed growth rate of new passenger vehicle sales and a decline in domestic manufacturing orders.

PPI EDGES LOWER IN FEBRUARY

According to Stats SA, headline producer price inflation (PPI) for final manufactured goods declined for a second consecutive month from 2.2% y-o-y in January to 1.8% y-o-y in February. The largest positive contributors to final manufactured goods inflation were the food products and furniture categories, adding 0.7%pts and 0.5%pts to the headline print, respectively. However, this was partially offset by a faster rate of deceleration in the coal and petroleum products category (shaving off 0.7% pts), led by declines in petrol and diesel costs, a trend that is set to reverse in the March release. On a monthly basis, PPI was unchanged in February, following a 0.2% drop in January.

INTERNATIONAL DATA

Katrien Smuts

US PMI SIGNALS SLOWING GROWTH AND RISING PRICES

The flash PMI results for the US point to slowing growth alongside rising inflation. The composite PMI edged down from 51.9 to 51.4 in March, driven largely by a decline in the services index, which fell from 51.7 to 51.1, an 11-month low. While still above the neutral 50-mark, this signals a moderation in business activity, further weighed down by a deteriorating outlook among service providers for the year ahead. In contrast, the manufacturing PMI increased, with respondents citing less drag from the tariff shock, alongside improved output and new orders. Sentiment among manufacturers regarding the year ahead also improved.

Across the board, rising energy costs are a key concern. Input cost pressures intensified, while firms also passed these increases on to consumers, with selling prices rising at the fastest pace in over three years. Beyond the direct impact of higher energy prices, service providers are increasingly concerned about cost-of-living pressures and travel disruptions, which are expected to weigh on demand.

UK INFLATION STABLE FOR NOW, BUT ENERGY RISKS CLOUD DISINFLATION OUTLOOK

The latest CPI statistics from the UK's Office for National Statistics (ONS) reveal that CPI inflation ticked up by 0.4% m-o-m in February 2026, translating into a 3% y-o-y inflation rate, unchanged from January. Core inflation (which excludes food and energy costs) rose at a slightly higher pace: 3.2% in February vs 3.1% in January, particularly on the back of accelerated services inflation. This inflation print, however, reflects the story before the latest energy price shock. We may now expect not only still-elevated core inflation but also an uptick in energy inflation, making it less likely that the UK will experience continued disinflation this year, diminishing interest rate cut expectations.

Meanwhile, the UK's flash composite PMI declined to 51 in March. Although still above the neutral 50-mark, this represents the slowest pace of output growth since September 2025. Activity weakened across both services and manufacturing, while new business inflows declined for the first time in four months. Respondents attributed the decline to rising inflation concerns, weakening confidence, and expectations of higher borrowing costs amid the ongoing Middle East conflict.

WAR FEARS WEIGH ON BUSINESS AND CONSUMER SENTIMENT IN GERMANY

The German Ifo Business Climate index dropped substantially, from 88.4 in February to 86.4 in March. Not only is this a decline, but it marks a turnaround in the upward trend seen over the last few months. Weighing on the overall index was a huge drop in future expectations, from 92 to 86, driven especially by fears of a continued Middle East war.

The GfK consumer climate index also deteriorated slightly to -28, weighed down by weaker income expectations amid renewed inflation concerns. The war could set the German economy back from a modest recovery following several years of slow growth.

EUROZONE PMI SIGNALS SLOWING GROWTH

The Eurozone's flash composite PMI remains expansionary at 50.9, but indicates a slowdown in overall growth. Firm costs rose, and supply chains are being disrupted because of the war. This has substantially lengthened supplier delivery times. As longer delivery times typically signal stronger demand, this component is inverted in PMI calculations. In this case, however, delays are likely driven by supply-side constraints rather than stronger orders, which may artificially lift the Manufacturing PMI and mask underlying weakness. Meanwhile, the services PMI weakened because of a slowdown in new demand.

FORECAST UPDATE

Following the SARB's March MPC meeting, we no longer expect a near-term easing cycle. The upward revision to the oil price assumption has lifted the near-term inflation profile and delayed expected rate cuts. As a result, we have removed the previously anticipated easing from our 2026 baseline, with only a single 25bps cut now pencilled in for later this year – in line with the SA Reserve Bank's QPM.

The longer the current oil price shock persists, the less likely easing becomes, and more adverse scenarios could even necessitate renewed tightening. While this is not our baseline at this stage, the balance of risks to the policy path has shifted meaningfully, with uncertainty around both the timing and direction of future moves remaining elevated. This is particularly important in the context of a supply-driven shock, which central banks typically look through initially, but cannot ignore if it becomes entrenched.

We have lifted our Brent crude oil price forecast, while leaving our growth outlook unchanged for now, but we assess the risk to growth as firmly on the downside.

	Actual		Forecast		Next release/meeting	
	2025	2025Q4	2026Q1	2026		
Brent crude oil ($, spot, avg.)	68.83	62.33	78	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	10.00	28-May-2026	
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	30-Apr-26	Mar
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***.

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Please refer to the glossary on the **BER website** for explanations of technical terms.

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